

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

April 25, 2007

BARRETT BUSINESS SERVICES, INC.  
(Exact name of registrant as specified in charter)

Maryland  
(State or other jurisdiction of incorporation)

0-21886  
(SEC File Number)

52-0812977  
(IRS Employer Identification No.)

8100 N.E. Parkway Drive, Suite 200  
Vancouver, Washington  
(Address of principal executive offices)

98662  
(Zip Code)

Registrant's telephone number, including area code:

(360) 828-0700

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On April 25, 2007, Barrett Business Services, Inc. (the "Company"), issued a news release announcing its financial results for the first quarter ended March 31, 2007, and limited financial guidance for the second quarter ending June 30, 2007. A copy of the news release is furnished as Exhibit 99.1 to this report and incorporated by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits: The following exhibit is furnished with this Form 8-K:

99.1 News Release dated April 25, 2007.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BARRETT BUSINESS SERVICES, INC.

Dated: April 25, 2007

By: /s/ Michael D. Mulholland  
Michael D. Mulholland  
Vice President – Finance, Treasurer and Secretary

## NEWS RELEASE

For Immediate Release

Contact: William W. Sherertz  
President and  
Chief Executive Officer

Telephone: (360) 828-0700

BBSI  
ANNOUNCES FIRST QUARTER 2007 OPERATING RESULTS,  
FINANCIAL GUIDANCE FOR 2Q07 AND CONFERENCE CALL

VANCOUVER, WASHINGTON, April 25, 2007 - Barrett Business Services, Inc. (Nasdaq: BBSI) reported today net income of \$1.7 million for the first quarter ended March 31, 2007, an improvement of \$371,000 or 27.3% over net income of \$1.4 million for the first quarter of 2006. Diluted earnings per share for the 2007 first quarter were \$.15, as compared to diluted earnings per share of \$.12 for the same quarter a year ago.

Net revenues for the first quarter ended March 31, 2007 totaled \$60.6 million, an increase of approximately \$2.3 million or 4.0% over the \$58.3 million for the same quarter in 2006.

Results of Operations	(Unaudited) First Quarter Ended March 31,	
	2007	2006
Revenues:		
Staffing services	\$ 28,015	\$ 26,661
Professional employer service fees	32,573	31,624
Total revenues	60,588	58,285
Cost of revenues:		
Direct payroll costs	21,142	19,851
Payroll taxes and benefits	23,911	22,837
Workers' compensation	5,844	6,554
Total cost of revenues	50,897	49,242
Gross margin	9,691	9,043
Selling, general and administrative expenses	7,388	7,220
Depreciation and amortization	349	301
Income from operations	1,954	1,522
Other income, net	785	632
Income before taxes	2,739	2,154
Provision for income taxes	1,011	797
Net income	\$ 1,728	\$ 1,357
Basic earnings per share	\$ .15	\$ .12
Weighted average basic shares outstanding	11,255	11,076
Diluted earnings per share	\$ .15	\$ .12
Weighted average diluted shares outstanding	11,681	11,661

The Company reports its Professional Employer Organization services (“PEO”) revenues on a net basis because it is not the primary obligor for the services provided by the Company’s PEO clients to their customers. The gross revenues and cost of revenues information below, although not in accordance with generally accepted accounting principles (“GAAP”), is presented for comparison purposes and because management believes such information is more informative as to the level of the Company’s business activity and more useful in managing its operations.

(in thousands)	(Unaudited) First Quarter March 31,	
	2007	2006
Revenues:		
Staffing services	\$ 28,015	\$ 26,661
Professional employer services	229,513	208,674
Total revenues	<u>257,528</u>	<u>235,335</u>
Cost of revenues:		
Direct payroll costs	216,628	195,965
Payroll taxes and benefits	23,911	22,837
Workers’ compensation	7,298	7,490
Total cost of revenues	<u>247,837</u>	<u>226,292</u>
Gross margin	<u>\$ 9,691</u>	<u>\$ 9,043</u>

Gross revenues of \$257.5 million for the first quarter ended March 31, 2007 rose 9.4% over the similar period in 2006.

A reconciliation of non-GAAP gross revenues to net revenues is as follows:

For the first quarters ended March 31, 2007 and 2006 (in thousands):

(in thousands)	(Unaudited) Three Months Ended March 31,					
	Gross Revenue		Reclassification		Net Revenue	
	Reporting Method		Reporting Method		Reporting Method	
	2007	2006	2007	2006	2007	2006
Revenues:						
Staffing services	\$ 28,015	\$ 26,661	\$ —	\$ —	\$ 28,015	\$ 26,661
Professional employer services	229,513	208,674	(196,940)	(177,050)	32,573	31,624
Total revenues	<u>\$ 257,528</u>	<u>\$ 235,335</u>	<u>\$ (196,940)</u>	<u>\$ (177,050)</u>	<u>\$ 60,588</u>	<u>\$ 58,285</u>
Cost of revenues:	<u>\$ 247,837</u>	<u>\$ 226,292</u>	<u>\$ (196,940)</u>	<u>\$ (177,050)</u>	<u>\$ 50,897</u>	<u>\$ 49,242</u>

William W. Sherertz, President and Chief Executive Officer, commented: “We are pleased with our record-level results for the first quarter both in terms of earnings and revenues.”

The following summarizes the unaudited consolidated balance sheets at March 31, 2007 and December 31, 2006.

(in thousands)		March 31, 2007	December 31, 2006
<u>Assets</u>			
Current assets:			
Cash and cash equivalents		\$ 69,707	\$ 69,874
Marketable securities		3,845	3,159
Trade accounts receivable, net		35,420	31,328
Prepaid expenses and other		2,551	1,940
Deferred income taxes		4,719	4,699
Workers’ compensation receivables for insured claims		225	225
Total current assets		116,467	111,225
Marketable securities		409	406
Goodwill, net		28,036	27,536
Intangibles, net		69	75
Property, equipment and software, net		13,383	13,502
Restricted marketable securities and workers’ compensation deposits		2,703	2,616
Other assets		1,718	2,143
Workers’ compensation receivables for insured claims		4,629	4,678
		<u>\$ 167,414</u>	<u>\$ 162,181</u>
<u>Liabilities and Stockholders’ Equity</u>			
Current liabilities:			
Accounts payable		\$ 1,842	\$ 1,545
Accrued payroll, payroll taxes and related benefits		38,133	33,372
Income taxes payable		216	—
Other accrued liabilities		752	516
Workers’ compensation claims liabilities		3,441	3,843
Workers’ compensation claims liabilities for insured claims		225	225
Safety incentives liabilities		7,447	7,519
Total current liabilities		52,056	47,020
Customer deposits		685	817
Long-term workers’ compensation claims liabilities		4,751	5,295
Long-term workers’ compensation liabilities for insured claims		2,962	3,011
Deferred income taxes		1,545	1,545
Deferred gain on sale and leaseback		762	793
Stockholders’ equity		<u>104,653</u>	<u>103,700</u>
		<u>\$ 167,414</u>	<u>\$ 162,181</u>

Outlook for Second Quarter 2007

The Company also disclosed today limited financial guidance with respect to its operating results for the second quarter ending June 30, 2007. The Company expects gross revenues for the second quarter of 2007 to range from \$268 million to \$273 million, an increase of approximately 5.1% over the second quarter of 2006, and anticipates diluted earnings per share for the second quarter of 2007 to range from \$.40 to \$.43 per share, an increase of approximately 15.3% over the \$.36 per share for the same period a year ago. A reconciliation of estimated gross revenues to estimated GAAP net revenues for the second quarter of 2007 is not included because PEO revenues and cost of PEO revenues for the period are not reasonably estimable.

Conference Call

On April 26, 2007 at 9:00 a.m. Pacific Time, William W. Sherertz and Michael D. Mulholland will host an investor telephone conference call to discuss first quarter 2007 operating results. To participate in the call, dial (877) 356-3717. The call identification number is 5714299. The conference call will also be webcast live at [www.barrettbusiness.com](http://www.barrettbusiness.com). To access the webcast, click on the Investor Relations section of the Web site and select Webcast. A replay of the call will be available beginning Thursday, April 26, 2007 at 12:00 p.m. PT and ending on May 4, 2007. To listen to the recording, dial (800) 642-1687 and enter conference identification code 5714299.

Statements in this release about future events or performance, including earnings expectations for the second quarter of 2007, are forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements. Factors that could affect future results include economic conditions in the Company's service areas, the effect of changes in the Company's mix of services on gross margin, the Company's ability to successfully integrate acquired businesses with its existing operations, future workers' compensation claims experience, the effect of changes in the workers' compensation regulatory environment in one or more of its primary markets, collectibility of accounts receivable, and the use of \$74 million in cash and marketable securities, among others. Other important factors that may affect the Company's future prospects are described in the Company's 2006 Annual Report on Form 10-K. Although forward-looking statements help to provide complete information about the Company, readers should keep in mind that forward-looking statements may be less reliable than historical information. The Company undertakes no obligation to update or revise forward-looking statements in this release to reflect events or changes in circumstances that occur after the date of this release.

BBSI provides a comprehensive range of human resource management solutions to large and small companies throughout many regions of the United States.

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