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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): August 7, 2018

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

Maryland  
(State or other jurisdiction of incorporation)

0-21886  
(Commission 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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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Item 2.02. Results of Operations and Financial Condition.

On August 7, 2018, Barrett Business Services, Inc., issued a news release announcing its financial results for the second quarter ended June 30, 2018, as well as expectations for earnings per share for the full year 2018 and growth in gross billings for the 12 months ending June 30, 2019 and the full year 2018. 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 August 7, 2018.](#)

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: August 7, 2018

By: /s/ Gary E. Kramer

Gary E. Kramer

Vice President-Finance, Treasurer and Secretary

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## BBSI Reports Second Quarter 2018 Financial Results

- Q2 Net Revenues up 3% to \$231.6 Million (Gross Billings up 6%) -

**VANCOUVER, Washington, August 7, 2018** – Barrett Business Services, Inc. (“BBSI” or the “Company”) (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the second quarter ended June 30, 2018.

### Second Quarter 2018 Financial Summary vs. Year-Ago Quarter

- Net revenues up 3% to \$231.6 million.
- Gross billings up 6% to \$1.4 billion.
- Net income of \$11.2 million, or \$1.46 per diluted share, compared to net income of \$11.1 million, or \$1.47 per diluted share.

“Although we are experiencing headwinds to growth, we continue to see validation of our value proposition in support of the small business owner,” said Michael Elich, president and CEO of BBSI. “As evidence of this, we added a record 380 new clients in the quarter or 254 net new after runoff.”

BBSI CFO Gary Kramer said, “In addition, BBSI has reached an agreement in principle with the SEC Division of Enforcement staff for a full resolution of the investigation which began in 2016. With this resolution, we have turned the corner and have successfully executed our remediation plan.”

### Second Quarter 2018 Financial Results

Net revenues in the second quarter of 2018 increased 3% to \$231.6 million compared to \$225.6 million in the second quarter of 2017.

Total gross billings in the second quarter increased 6% to \$1.4 billion compared to \$1.3 billion in the same year-ago quarter (see “Key Performance Metrics and Non-GAAP Financial Measures” below). The increase was primarily due to the continued build in the Company’s PEO client count and same-customer sales growth, which was partially offset by a decrease in staffing revenue.

Selling, general and administrative expenses included higher legal expenses associated with the agreement in principle with the SEC Division of Enforcement staff for a full resolution of the matter, resulting in a civil penalty of \$1.5 million, which is expected to be paid in the third quarter of 2018, pending final regulatory approval.

Net income for the second quarter of 2018 was \$11.2 million, or \$1.46 per diluted share, compared to net income of \$11.1 million, or \$1.47 per diluted share, in the year-ago quarter.

## Revised Outlook

For the full year 2018, the Company is adjusting the forecasted diluted earnings per share down by 14 cents from \$4.45 to \$4.31 to reflect the pending SEC settlement. The forecast continues to assume an effective tax rate of approximately 20%.

BBSI also now expects gross billings for the next rolling 12-month period to increase approximately 10% (14% in prior outlook) and 8% for 2018.

## Conference Call

BBSI will conduct a conference call tomorrow, August 8, 2018, at 12:00 p.m. Eastern time (9:00 a.m. Pacific time) to discuss its financial results for the second quarter ended June 30, 2018. The Company's President and CEO Michael Elich and CFO Gary Kramer will host the call, followed by a question and answer period.

Date: Wednesday, August 8, 2018

Time: 12:00 p.m. Eastern time (9:00 a.m. Pacific time)

Toll-free dial-in number: 1-800-263-0877

International dial-in number: 1-646-828-8143

Conference ID: 5731062

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Liolios Group at 1-949-574-3860.

The conference call will be broadcast live and available for replay [here](#) and via the investor relations section of the BBSI website at [www.barrettbusiness.com](http://www.barrettbusiness.com).

A replay of the conference call will be available after 3:00 p.m. Eastern time on the same day through September 8, 2018.

Toll-free replay number: 1-844-512-2921

International replay number: 1-412-317-6671

Replay ID: 5731062

## Key Performance Metrics and Non-GAAP Financial Measures

We report PEO revenues net of direct payroll costs because we are not the primary obligor for wage payments to our clients' employees. However, management believes that gross billing amounts and wages are useful in understanding the volume of our business activity and serve as an important performance metric in managing our operations, including the preparation of internal operating forecasts and establishing executive compensation performance goals. We therefore present for purposes of analysis gross billing and wage information for the three and six months ended June 30, 2018 and 2017.

|                        | Three Months Ended June 30, |              | Six Months Ended June 30, |              |
|------------------------|-----------------------------|--------------|---------------------------|--------------|
|                        | 2018                        | 2017         | 2018                      | 2017         |
| Gross Billings         | \$ 1,379,483                | \$ 1,298,539 | \$ 2,699,327              | \$ 2,498,087 |
| PEO and staffing wages | 1,165,860                   | 1,093,291    | 2,280,567                 | 2,104,981    |

Because safety incentives represent consideration payable to PEO customers, safety incentive costs are netted against PEO revenue in our consolidated statements of operations. Management considers safety incentives to be an integral part of our workers' compensation program because they encourage client companies to maintain safe-work practices and minimize workplace injuries. We therefore present below for purposes of analysis non-GAAP gross workers' compensation expense, which represents workers' compensation costs including safety incentive costs. We believe this non-GAAP measure is useful in evaluating the total costs of our workers' compensation program.

|                                      | Three Months Ended June 30, |                  | Six Months Ended June 30, |                   |
|--------------------------------------|-----------------------------|------------------|---------------------------|-------------------|
|                                      | 2018                        | 2017             | 2018                      | 2017              |
| Worker's compensation                | \$ 58,854                   | \$ 58,928        | \$ 115,976                | \$ 114,365        |
| Safety incentive costs               | 8,039                       | 8,160            | 15,604                    | 14,732            |
| Non-GAAP gross worker's compensation | <u>\$ 66,893</u>            | <u>\$ 67,088</u> | <u>\$ 131,580</u>         | <u>\$ 129,097</u> |

In monitoring and evaluating the performance of our operations, management also reviews the following ratios, which represent selected amounts as a percentage of gross billings. Management believes these ratios are useful in understanding the efficiency and profitability of our service offerings.

|                                      | Three Months Ended June 30, |       | Six Months Ended June 30, |       |
|--------------------------------------|-----------------------------|-------|---------------------------|-------|
|                                      | 2018                        | 2017  | 2018                      | 2017  |
| PEO and staffing wages               | 84.5%                       | 84.2% | 84.5%                     | 84.3% |
| Payroll taxes and benefits           | 7.1%                        | 7.2%  | 8.2%                      | 8.4%  |
| Non-GAAP gross worker's compensation | 4.8%                        | 5.2%  | 4.9%                      | 5.2%  |

#### About BBSI

BBSI (NASDAQ: BBSI) is a leading provider of business management solutions, combining human resource outsourcing and professional management consulting to create a unique operational platform that differentiates it from competitors. The Company's integrated platform is built upon expertise in payroll processing, employee benefits, workers' compensation coverage, risk management and workplace safety programs, and human resource administration. BBSI's partnerships help businesses of all sizes improve the efficiency of their operations. The Company works with more than 5,600 clients across all lines of business in 24 states. For more information, please visit [www.barrettbusiness.com](http://www.barrettbusiness.com).

#### Forward-Looking Statements

Statements in this release about future events or performance, including expectations regarding revenue growth, costs related to outstanding securities law issues, future effective tax rates, and earnings per share, 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 retain current clients and attract new clients, the availability of financing or other sources of capital, the Company's relationship with its primary bank lender, the potential for material deviations from expected future workers' compensation claims experience, the workers' compensation regulatory environment in the Company's primary markets, litigation costs, the effect of governmental investigations, security breaches or failures in the Company's information technology systems, the collectability of accounts receivable, changes in executive management, the carrying value of deferred income tax assets and goodwill, and the effect of conditions in the global capital markets on the Company's investment portfolio, among others. Other important factors that may affect the Company's prospects are described in the Company's 2017 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 are 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.

**Barrett Business Services, Inc.**  
**Condensed Consolidated Balance Sheets**  
(Unaudited)

| (in thousands)                                      | June 30,<br>2018  | December 31,<br>2017 |
|---|-------------------|----------------------|
| <u>Assets</u>                                       |                   |                      |
| Current assets:                                     |                   |                      |
| Cash and cash equivalents                           | \$ 33,786         | \$ 59,835            |
| Trade accounts receivable, net                      | 152,560           | 136,664              |
| Income taxes receivable                             | 2,329             | 1,686                |
| Prepaid expenses and other                          | 9,824             | 5,724                |
| Investments   | 464               | 674                  |
| Restricted cash and investments                     | 108,196           | 103,652              |
| Total current assets                                | 307,159           | 308,235              |
| Investments   | 1,578             | 1,199                |
| Property, equipment and software, net               | 26,148            | 24,909               |
| Restricted cash and investments                     | 314,819           | 291,273              |
| Goodwill  | 47,820            | 47,820               |
| Other assets  | 3,169             | 3,215                |
| Deferred income taxes                               | 7,762             | 5,834                |
|   | <u>\$ 708,455</u> | <u>\$ 682,485</u>    |
| <u>Liabilities and Stockholders' Equity</u>         |                   |                      |
| Current liabilities:                                |                   |                      |
| Current portion of long-term debt                   | \$ 221            | \$ 221               |
| Accounts payable                                    | 3,951             | 5,166                |
| Accrued payroll, payroll taxes and related benefits | 186,172           | 181,639              |
| Other accrued liabilities                           | 8,944             | 9,024                |
| Workers' compensation claims liabilities            | 102,539           | 97,673               |
| Safety incentives liability                         | 28,064            | 28,532               |
| Total current liabilities                           | 329,891           | 322,255              |
| Long-term workers' compensation claims liabilities  | 288,275           | 265,844              |
| Long-term debt                                      | 4,061             | 4,171                |
| Customer deposits and other long-term liabilities   | 1,353             | 1,381                |
| Stockholders' equity                                | 84,875            | 88,834               |
|   | <u>\$ 708,455</u> | <u>\$ 682,485</u>    |

**Barrett Business Services, Inc.**  
**Condensed Consolidated Statements of Operations**  
(Unaudited)

(in thousands, except per share amounts)

|  | (Unaudited)<br>Three Months Ended<br>June 30, |            | (Unaudited)<br>Six Months Ended<br>June 30, |            |
|--|---|------------|---|------------|
|  | 2018  | 2017       | 2018  | 2017       |
| <b>Revenues:</b>                                   |   |            |   |            |
| Professional employer service fees                 | \$ 197,277                                    | \$ 187,718 | \$ 386,239                                  | \$ 359,927 |
| Staffing services                                  | 34,326  | 37,856     | 69,340                                      | 75,644     |
| Total revenues                                     | 231,603                                       | 225,574    | 455,579                                     | 435,571    |
| <b>Cost of revenues:</b>                           |   |            |   |            |
| Direct payroll costs                               | 26,020  | 28,486     | 52,423                                      | 57,196     |
| Payroll taxes and benefits                         | 98,249  | 93,946     | 222,437                                     | 209,346    |
| Workers' compensation                              | 58,854  | 58,928     | 115,976                                     | 114,365    |
| Total cost of revenues                             | 183,123                                       | 181,360    | 390,836                                     | 380,907    |
| Gross margin                                       | 48,480  | 44,214     | 64,743                                      | 54,664     |
| Selling, general and administrative expenses       | 35,614  | 28,060     | 65,043                                      | 54,670     |
| Depreciation and amortization                      | 1,274   | 985        | 2,278                                       | 1,927      |
| Income (loss) from operations                      | 11,592  | 15,169     | (2,578)                                     | (1,933)    |
| Other income                                       | 2,121   | 1,326      | 4,114                                       | 1,401      |
| Income (loss) before income taxes                  | 13,713  | 16,495     | 1,536                                       | (532)      |
| Provision for (benefit from) income taxes          | 2,473   | 5,369      | (581)                                       | (431)      |
| Net income (loss)                                  | 11,240  | \$ 11,126  | 2,117                                       | (101)      |
| Basic income (loss) per common share               | \$ 1.54                                       | \$ 1.53    | \$ 0.29                                     | \$ (0.01)  |
| Weighted average basic common shares outstanding   | 7,310   | 7,254      | 7,307                                       | 7,252      |
| Diluted income (loss) per common share             | \$ 1.46                                       | \$ 1.47    | \$ 0.28                                     | \$ (0.01)  |
| Weighted average diluted common shares outstanding | 7,675   | 7,550      | 7,658                                       | 7,252      |

**Investor Relations:**

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