

ON ASSIGNMENT INC
Form 10-Q
November 08, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-20540

ON ASSIGNMENT, INC.
(Exact name of registrant as specified in its charter)

Delaware 05-4023433

(State (I.R.S.
of Employer
Incorporation Identification
No.)

26745
Malibu
Hills 91301
Road,
Calabasas,
CA

(Address
of
principal executive
offices)
(Zip Code)

(818) 878-7900
(Registrant's telephone number, including area code)

Edgar Filing: ON ASSIGNMENT INC - Form 10-Q

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
 Yes No

At November 3, 2016, the total number of outstanding shares of the Company’s Common Stock (\$0.01 par value) was 52,937,116.

ON ASSIGNMENT, INC. AND SUBSIDIARIES

INDEX

PART I – FINANCIAL INFORMATION

<u>Item 1 – Condensed Consolidated Financial Statements (unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations and Comprehensive Income</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>14</u>
<u>Item 3 – Quantitative and Qualitative Disclosures about Market Risks</u>	<u>20</u>
<u>Item 4 – Controls and Procedures</u>	<u>21</u>

PART II – OTHER INFORMATION

<u>Item 1 – Legal Proceedings</u>	<u>22</u>
<u>Item 1A - Risk Factors</u>	<u>22</u>
<u>Item 2 - Unregistered Sales of Securities and Use of Proceeds</u>	<u>22</u>
<u>Item 6 – Exhibits</u>	<u>23</u>
<u>Signature</u>	<u>24</u>

PART I - FINANCIAL INFORMATION

Item 1 — Condensed Consolidated Financial Statements (Unaudited)

ON ASSIGNMENT, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
 (Dollars in thousands, except share amounts)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$16,972	\$23,869
Accounts receivable, net of allowance of \$8,035 and \$6,682, respectively	393,843	354,808
Prepaid expenses and income taxes	5,896	12,686
Workers' compensation receivable	14,191	13,238
Other	3,580	9,607
Total current assets	434,482	414,208
Property and equipment, net	57,778	53,196
Goodwill	875,015	874,906
Identifiable intangible assets, net	388,061	417,925
Other non-current assets	6,824	7,072
Total assets	\$1,762,160	\$1,767,307
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$6,021	\$9,132
Accrued payroll and contract professional pay	113,513	88,100
Workers' compensation loss reserves	15,999	15,020
Income taxes payable	13,538	673
Other	25,027	47,425
Total current liabilities	174,098	160,350
Long-term debt	658,642	755,508
Deferred income tax liabilities	61,730	61,539
Other long-term liabilities	6,450	5,116
Total liabilities	900,920	982,513
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, no shares issued	—	—
Common stock, \$0.01 par value, 75,000,000 shares authorized, 53,155,568 and 53,024,972 issued and outstanding, respectively	531	530
Paid-in capital	561,684	542,859
Retained earnings	306,507	249,567
Accumulated other comprehensive loss	(7,482)	(8,162)
Total stockholders' equity	861,240	784,794
Total liabilities and stockholders' equity	\$1,762,160	\$1,767,307

See notes to condensed consolidated financial statements.

3

ON ASSIGNMENT, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
 (UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenues	\$629,401	\$572,123	\$1,819,529	\$1,487,491
Costs of services	422,281	380,719	1,222,541	1,001,678
Gross profit	207,120	191,404	596,988	485,813
Selling, general and administrative expenses	141,968	128,614	423,199	353,416
Amortization of intangible assets	9,742	11,325	29,918	23,151
Operating income	55,410	51,465	143,871	109,246
Interest expense, net	(8,294) (9,543) (25,278) (17,346
Write-off of loan costs	—	—	—	(3,751
Income before income taxes	47,116	41,922	118,593	88,149
Provision for income taxes	17,341	17,031	45,457	35,900
Income from continuing operations	29,775	24,891	73,136	52,249
Gain on sale of discontinued operations, net of income taxes	—	—	—	25,703
Income (loss) from discontinued operations, net of income taxes	(7) 34	37	360