

REMEDYTEMP INC
Form 10-Q
August 12, 2003
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 29, 2003

or

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

For the transition period from _____ to _____

Commission file number 0-5260

REMEDYTEMP, INC.

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of Incorporation or organization)

95-2890471
(I.R.S. Employer Identification Number)

101 Enterprise
Aliso Viejo, California
(Address of principal executive offices)

92656
(Zip Code)

Registrant's telephone number, including area code: (949) 425-7600

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 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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of August 11, 2003 there were 8,751,687 shares of Class A Common Stock and 911,233 shares of Class B Common Stock outstanding.

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* No information provided due to inapplicability of item.	

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CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except per share amounts)

	June 29, 2003 (unaudited)	September 29, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,012	\$ 26,101
Investments	17,981	23,021
Accounts receivable, net of allowance for doubtful accounts of \$2,262 and \$1,913, respectively	55,490	61,724
Prepaid expenses and other current assets	4,855	5,745
Deferred and current income taxes	8,957	5,229
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Total current assets	102,295	121,820
Fixed assets, net	14,531	16,268
Restricted cash and investments	21,562	
Other assets	1,702	2,035
Intangible assets, net of accumulated amortization of \$232 and \$24, respectively	1,643	10
Goodwill	2,216	4,283
Deferred income taxes	5,122	2,167
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Total Assets	\$ 149,071	\$ 146,583
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,186	\$ 3,151
Accrued workers' compensation (current portion)	11,660	14,534
Accrued payroll, benefits and related costs	14,573	13,787
Accrued licensees' share of gross profit	2,133	2,866
Other accrued expenses	2,734	3,621
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Total current liabilities	37,286	37,959
Accrued workers' compensation (noncurrent portion)	12,933	5,601
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Total liabilities	50,219	43,560
Commitments and contingent liabilities		
Shareholders' equity:		
Preferred Stock, \$.01 par value; authorized 5,000 shares; none outstanding		
Class A Common Stock, \$.01 par value; authorized 50,000 shares; 8,630 and 8,142 issued and outstanding at June 29, 2003 and September 29, 2002, respectively	86	82
Class B Non-Voting Common Stock, \$.01 par value; authorized 4,530 shares; 1,008 and 1,253 issued and outstanding at June 29, 2003 and September 29, 2002, respectively	10	13
Additional paid-in capital	42,418	39,923
Unearned compensation	(6,177)	(4,728)
Retained earnings	62,515	67,733
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Total shareholders' equity	98,852	103,023
Total Liabilities and Shareholders' Equity	\$ 149,071	\$ 146,583

See accompanying notes to consolidated financial statements.

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(amounts in thousands, except per share amounts)

(unaudited)

	Three Fiscal Months Ended		Nine Fiscal Months Ended	
	June 29, 2003	June 30, 2002	June 29, 2003	June 30, 2002
Direct sales	\$ 74,135	\$ 69,311	\$ 217,703	\$ 198,944
Licensed franchise sales	44,361	48,112	136,494	138,863
Franchise royalties	337	376	1,253	1,314
Initial franchise fees	5		17	6
Total revenues	118,838	117,799	355,467	339,127
Cost of direct sales	62,122	57,635	184,680	162,973
Cost of licensed franchise sales	35,279	37,811	108,771	107,966
Licensees' share of gross profit	6,002	6,984	18,363	20,968
Selling and administrative expenses	16,327	13,900	47,841	42,659
Depreciation and amortization	1,547	1,346	4,052	4,072
(Loss) income from operations	(2,439)	123	(8,240)	489
Other income:				
Interest income, net	135	220	537	620
Other, net	158	188	532	684
(Loss) income before income taxes	(2,146)	531	(7,171)	1,793
(Benefit from) provision for income taxes	(1,711)	11	(4,374)	390
(Loss) income before cumulative effect of adoption of a new accounting standard	(435)	520	(2,797)	1,403
Cumulative effect of adoption of a new accounting standard, net of income taxes of \$1,634			(2,421)	
Net (loss) income	\$ (435)	\$ 520	\$ (5,218)	\$ 1,403
Earnings per share - basic:				
(Loss) income before cumulative effect of adoption of a new accounting standard	\$ (0.05)	\$ 0.06	\$ (0.31)	\$ 0.16
Cumulative effect of adoption of a new accounting standard, net of incomes taxes			(0.27)	
Net (loss) income - basic	\$ (0.05)	\$ 0.06	\$ (0.58)	\$ 0.16
Earnings per share - diluted:				
(Loss) income before cumulative effect of adoption of a new accounting standard	\$ (0.05)	\$ 0.06	\$ (0.31)	\$ 0.15
Cumulative effect of adoption of a new accounting standard, net of incomes taxes			(0.27)	
Net (loss) income - diluted	\$ (0.05)	\$ 0.06	\$ (0.58)	\$ 0.15

See accompanying notes to consolidated financial statements.

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(amounts in thousands)**(unaudited)**

	Nine Fiscal Months Ended	
	June 29, 2003	June 30, 2002
Cash flows from operating activities:		
Net (loss) income	\$ (5,218)	\$ 1,403
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Cumulative effect of adoption of a new accounting standard, net of income taxes	2,421	
Depreciation and amortization	4,052	4,072
Provision for losses on accounts receivable	1,142	1,047
Restricted stock compensation expense	935	551
Changes in assets and liabilities:		
Trading investments	(634)	(472)
Accounts receivable	5,092	6,154
Prepaid expenses and other current assets	890	(2,483)
Other assets	333	573
Accounts payable	3,035	(526)
Accrued workers' compensation	4,458	5,250
Accrued payroll, benefits and related costs	786	1,125
Accrued licensees' share of gross profit	(733)	(425)
Other accrued expenses	(887)	(248)
Deferred and current income taxes	(5,049)	(1,748)
Net cash provided by operating activities	10,623	14,273
Cash flows from investing activities:		