

KFORCE INC
Form 10-Q
May 04, 2016
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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 March 31, 2016

OR

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

For the transition period from _____ to _____
Commission File Number 000-26058

Kforce Inc.
(Exact name of registrant as specified in its charter)

FLORIDA 59-3264661
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)
1001 EAST PALM AVENUE, TAMPA, FLORIDA 33605
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (813) 552-5000

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 (Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares outstanding of the registrant's common stock as of April 29, 2016 was 27,776,188.

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KFORCE INC.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

References in this document to “the Registrant,” “Kforce,” “the Company,” “we,” “the Firm,” “our” or “us” refer to Kforce Inc and its subsidiaries, except where the context otherwise requires or indicates.

This report, particularly Part I. Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) and Part II. Item 1A. Risk Factors, and the documents we incorporate into this report contain certain statements that are, or may be deemed to be, forward-looking statements within the meaning of that term in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and are made in reliance upon the protections provided by such acts for forward-looking statements. Such statements may include, but may not be limited to, projections of revenue, income, losses, cash flows, capital expenditures, future prospects, our beliefs regarding potential government actions, the impact of changes in laws and regulations, anticipated costs and benefits of proposed (or future) acquisitions, integration of acquisitions, transition of divestitures, plans for future operations, capabilities of business operations, effects of interest rate variations, our ability to obtain financing and favorable terms, financing needs or plans, plans relating to services of Kforce, estimates concerning the effects of litigation or other disputes, estimates concerning our ability to collect on our accounts receivable, expectations of the overall economic outlook, developments within the staffing sector including, but not limited to, the penetration rate (the percentage of temporary staffing to total employment) and growth in temporary staffing, a reduction in the supply of candidates for temporary employment or the Firm’s ability to attract such candidates, the success of the Firm in attracting and retaining revenue-generating talent, estimates concerning goodwill impairment, as well as assumptions as to any of the foregoing and all statements that are not based on historical fact but rather reflect our current expectations concerning future results and events. For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the Risk Factors and MD&A sections. In addition, when used in this discussion, the terms “anticipate,” “assume,” “estimate,” “expect,” “intend,” “plan,” “believe,” “will,” “may,” “could,” “should” and variations thereof and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted. Future events and actual results could differ materially from those set forth in or underlying the forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements contained in this report, which speak only as of the date of this report. Kforce undertakes no obligation to publicly publish the results of any adjustments to these forward-looking statements that may be made to reflect events on or after the date of this report or to reflect the occurrence of unexpected events.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

KFORCE INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended	
	March 31,	March 31,
	2016	2015
Net service revenues	\$322,201	\$312,611
Direct costs of services	225,012	217,871
Gross profit	97,189	94,740
Selling, general and administrative expenses	85,568	82,352
Depreciation and amortization	2,327	2,397
Income from operations	9,294	9,991
Other expense, net	555	453
Income before income taxes	8,739	9,538
Income tax expense	5,089	3,753
Net income	3,650	5,785
Other comprehensive (loss) income:		
Defined benefit pension plans, net of tax	(3) 1
Comprehensive income	\$3,647	\$5,786
Earnings per share – basic	\$0.14	\$0.20
Earnings per share – diluted	\$0.14	\$0.20
Weighted average shares outstanding – basic	26,693	28,276
Weighted average shares outstanding – diluted	26,842	28,475
Dividends declared per share	\$0.12	\$0.11

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE UNAUDITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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KFORCE INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
 (IN THOUSANDS)

	March 31, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$920	\$ 1,497
Trade receivables, net of allowances of \$2,468 and \$2,121, respectively	210,444	198,933
Income tax refund receivable	67	526
Deferred tax assets, net	3,815	4,518
Prepaid expenses and other current assets	10,463	9,060
Total current assets	225,709	214,534
Fixed assets, net	37,599	37,476
Other assets, net	28,474	28,671
Deferred tax assets, net	18,298	20,938
Intangible assets, net	4,043	4,235
Goodwill	45,968	45,968
Total assets	\$360,091	\$ 351,822
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and other accrued liabilities	\$35,667	\$ 39,227
Accrued payroll costs	50,537	46,125
Other current liabilities	1,368	1,287
Income taxes payable	1,621	1,107
Total current liabilities	89,193	87,746
Long-term debt – credit facility	103,454	80,472
Long-term debt – other	3,546	3,351
Other long-term liabilities	42,311	40,626
Total liabilities	238,504	212,195
Commitments and contingencies (see Note B)		
Stockholders' Equity:		
Preferred stock, \$0.01 par; 15,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.01 par; 250,000 shares authorized, 71,023 and 70,558 issued, respectively	710	705
Additional paid-in capital	422,862	420,276
Accumulated other comprehensive income	315	318
Retained earnings	155,456	155,096
Treasury stock, at cost; 43,294 and 42,130 shares, respectively	(457,756)	(436,768)
Total stockholders' equity	121,587	139,627
Total liabilities and stockholders' equity	\$360,091	\$ 351,822

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE UNAUDITED
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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KFORCE INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENT
 OF CHANGES IN STOCKHOLDERS' EQUITY
 (IN THOUSANDS)

	Three Months Ended March 31, 2016
Common stock – shares:	
Shares at beginning of period	70,558
Issuance for stock-based compensation and dividends, net of forfeitures	455
Exercise of stock options	10
Shares at end of period	71,023
Common stock – par value:	
Balance at beginning of period	\$ 705
Issuance for stock-based compensation and dividends, net of forfeitures	5
Exercise of stock options	0