

ON ASSIGNMENT INC  
Form 10-Q  
August 10, 2009

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 June 30, 2009

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

95-4023433

(State of Incorporation)

(I.R.S. Employer Identification No.)

26651 West Agoura Road, Calabasas, CA

91302

(Address of principal executive offices)

(Zip Code)

(818) 878-7900

(Registrant's telephone number, including area code)

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

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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 July 31, 2009, the total number of outstanding shares of the Company’s Common Stock (\$0.01 par value) was 36,249,141.

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ON ASSIGNMENT, INC. AND SUBSIDIARIES  
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## PART I - FINANCIAL INFORMATION

## Item 1 — Condensed Consolidated Financial Statements (Unaudited)

ON ASSIGNMENT, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share and per share data)

	June 30, 2009	December 31, 2008
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 44,505	\$ 46,271
Accounts receivable, net of allowance of \$1,994 and \$2,443	51,226	78,370
Advances and deposits	236	311
Prepaid expenses	3,006	4,503
Prepaid income taxes	2,391	3,759
Deferred income tax assets	8,113	9,347
Other	2,300	2,162
<b>Total Current Assets</b>	<b>111,777</b>	<b>144,723</b>
Property and equipment, net of depreciation of \$19,209 and \$21,921	16,387	17,495
Goodwill	202,797	202,777
Identifiable intangible assets	28,352	31,428
Other assets	5,863	5,427
<b>Total Assets</b>	<b>\$ 365,176</b>	<b>\$ 401,850</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 4,507	\$ 5,204
Accrued payroll and contract professional pay	13,520	19,836
Deferred compensation	1,787	1,610
Workers' compensation and medical malpractice loss reserves	10,572	9,754
Accrued earn-out payments	4,868	10,168
Other	3,577	6,959
<b>Total Current Liabilities</b>	<b>38,831</b>	<b>53,531</b>
Deferred income taxes	1,930	1,997
Long-term debt	100,913	125,913
Other long-term liabilities	1,126	1,895
<b>Total Liabilities</b>	<b>142,800</b>	<b>183,336</b>
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, no shares issued	—	—

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Common stock, \$0.01 par value, 75,000,000 shares authorized, 39,393,469 and 38,816,844 shares issued	393	388
Paid-in capital	229,172	227,522
Retained earnings	18,433	16,215
Accumulated other comprehensive income	999	800
	248,997	244,925
Less: Treasury stock, at cost, 3,146,771 and 3,097,364 shares	26,621	26,411
Total Stockholders' Equity	222,376	218,514
Total Liabilities and Stockholders' Equity	\$ 365,176	\$ 401,850

See notes to condensed consolidated financial statements.

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

(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Revenues	\$ 101,834	\$ 156,082	\$ 218,636	\$ 308,495
Cost of services	68,437	105,418	148,255	210,403
Gross profit	33,397	50,664	70,381	98,092
Selling, general and administrative expenses	29,985	38,826	63,114	78,523
Operating income	3,412	11,838	7,267	19,569
Interest expense	(2,059)	(1,252)	(3,146)	(5,136)
Interest income	47	158	103	431
Income before income taxes	1,400	10,744	4,224	14,864
Provision for income taxes	830	4,652	2,006	6,369
Net income	\$ 570	\$ 6,092	\$ 2,218	\$ 8,495
Earnings per share:				
Basic	\$ 0.02	\$ 0.17	\$ 0.06	\$ 0.24
Diluted	\$ 0.02	\$ 0.17	\$ 0.06	\$ 0.24
Number of shares used to calculate earnings per share:				
Basic	36,181	35,426	36,011	35,346
Diluted	36,385	35,838	36,188	35,612
Reconciliation of net income to comprehensive income:				
Net income	\$ 570	\$ 6,092	\$ 2,218	\$ 8,495
Foreign currency translation adjustment	715	(110)	199	478
Comprehensive income	\$ 1,285	\$ 5,982	\$ 2,417	\$ 8,973

See notes to condensed consolidated financial statements.



ON ASSIGNMENT, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
(In thousands)

	Six Months Ended June 30,	
	2009	2008
Cash Flows from Operating Activities:		
Net income	\$ 2,218	\$ 8,495
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,972	2,573
Amortization of intangible assets	3,076	4,700
Provision for doubtful accounts and billing adjustments	126	195
Deferred income tax expense (benefit)	(54)	13
Stock-based compensation	2,207	3,146
Amortization of deferred loan costs	385	296
Change in fair value of interest rate swap	(1,345)	151
Loss (gain) on officers' life insurance policies	(176)	162
Gross excess tax benefits from stock-based compensation	—	(44)
Loss on disposal of property and equipment	31	17
Workers' compensation and medical malpractice provision	2,661	2,485
Changes in operating assets and liabilities:		
Accounts receivable	27,055	(5,906)
Prepaid expenses	1,516	176
Prepaid income taxes	1,368	(604)
Accounts payable	(317)	681
Accrued payroll and contract professional pay	(6,367)	2,767
Deferred compensation	177	117
Workers' compensation and medical malpractice loss reserves	(1,843)	(2,371)
Other	(2,288)	(1,604)
Net cash provided by operating activities	31,402	15,445
Cash Flows from Investing Activities:		
Purchase of property and equipment	(2,585)	(4,996)
Net cash paid for acquisitions	(5,300)	(9,013)
Other	267	(267)
Net cash used in investing activities	(7,618)	(14,276)
Cash Flows from Financing Activities:		
Net proceeds from stock transactions	259	890
Gross excess tax benefits from stock-based compensation	—	44
Deferred loan costs	(1,065)	—



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Payments of other long-term liabilities	(81)	(306)
Principal payments of long-term debt	(25,000)	—
Net cash (used in) provided by financing activities	(25,887)	628
Effect of exchange rate changes on cash and cash equivalents		