

KFORCE INC
Form 10-Q
November 04, 2009
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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 September 30, 2009

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
(State or other jurisdiction of
incorporation or organization)

59-3264661
(I.R.S. Employer
Identification No.)

1001 East Palm Avenue

TAMPA, FLORIDA
(Address of principal executive offices)

33605
(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 Exchange Act). YES NO

The number of shares outstanding of the registrant's common stock as of November 3, 2009, was 38,889,300.

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

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, anticipated costs and benefits of proposed (or future) acquisitions, integration of acquisitions, plans for future operations, capabilities of business operations, effects of interest rate variations, financing needs or plans, plans relating to products or services of Kforce, estimates concerning the effects of litigation or other disputes, 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 anticipates, estimates, expects, intends, plans, believes, will, may, could, should and variations thereof and similar expressions 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.

Table of Contents**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		Nine Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Flexible billings	\$ 221,722	\$ 235,431	\$ 664,535	\$ 702,852
Search fees	6,551	15,487	20,999	53,211
Net service revenues	228,273	250,918	685,534	756,063
Direct costs of services	155,957	164,351	469,376	492,117
Gross profit	72,316	86,567	216,158	263,946
Selling, general and administrative expenses	65,129	71,613	190,623	220,691
Depreciation and amortization	2,829	3,028	8,754	10,650
Income from operations	4,358	11,926	16,781	32,605
Other expense, net	272	422	896	1,766
Income from continuing operations, before income taxes	4,086	11,504	15,885	30,839
Income tax expense	1,814	4,522	6,545	12,122
Income from continuing operations	2,272	6,982	9,340	18,717
Income from discontinued operations, net of income taxes		910		5,053
Net income	2,272	7,892	9,340	23,770
Other comprehensive income (loss):				
Pension and postretirement plans, net of tax	5	6	(260)	(380)
Comprehensive income	\$ 2,277	\$ 7,898	\$ 9,080	\$ 23,390
Earnings per share basic:				
From continuing operations	\$ 0.06	\$ 0.18	\$ 0.24	\$ 0.47
From discontinued operations		0.02		0.13
Earnings per share basic	\$ 0.06	\$ 0.20	\$ 0.24	\$ 0.60
Earnings per share diluted:				
From continuing operations	\$ 0.06	\$ 0.18	\$ 0.24	\$ 0.46
From discontinued operations		0.02		0.13

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Earnings per share	diluted	\$	0.06	\$	0.20	\$	0.24	\$	0.59
Weighted average shares outstanding	basic		38,525		39,249		38,329		39,858
Weighted average shares outstanding	diluted		39,403		39,977		39,166		40,353

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

Table of Contents**KFORCE INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS***(IN THOUSANDS)*

	September 30, 2009	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 499	\$ 660
Trade receivables, net of allowance for doubtful accounts and fallouts of \$6,253 and \$6,370, respectively	128,526	132,428
Income tax refund receivable	2,484	487
Deferred tax asset, net	5,316	5,994
Prepaid expenses and other current assets	5,741	6,177
Total current assets	142,566	145,746
Fixed assets, net	12,081	14,687
Other assets, net	32,259	29,032
Deferred tax asset, net	10,323	10,627
Intangible assets, net	8,289	10,604
Goodwill	140,420	140,119
Total assets	\$ 345,938	\$ 350,815
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable and other accrued liabilities	\$ 26,906	\$ 28,084
Accrued payroll costs	55,428	51,310
Other current liabilities	2,652	1,917
Income taxes payable		4,133
Total current liabilities	84,986	85,444
Long-term debt credit facility	12,790	38,022
Long-term debt other	1,857	2,294
Other long-term liabilities	24,987	19,212
Total liabilities	124,620	144,972
Commitments and contingencies		
Stockholders Equity:		
Preferred stock, \$0.01 par; 15,000 shares authorized, none issued and outstanding		
Common stock, \$0.01 par; 250,000 shares authorized, 63,024 and 61,866 issued, respectively	630	619
Additional paid-in capital	335,097	325,187
Accumulated other comprehensive income	129	389
Retained earnings	37,812	28,472
Less reacquired shares at cost; 24,135 and 23,850 shares, respectively	(152,350)	(148,824)
Total stockholders equity	221,318	205,843
Total liabilities and stockholders equity	\$ 345,938	\$ 350,815

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

	Nine Months Ended September 30, 2009
Common stock – shares:	
Shares at beginning of period	61,866
Issuance of restricted stock	800
Exercise of stock options	358
 Shares at end of period	 63,024
 Common stock – par value:	
Balance at beginning of period	\$ 619
Issuance of restricted stock	8
Exercise of stock options	3
 Balance at end of period	 \$ 630
 Additional paid-in capital:	
Balance at beginning of period	\$ 325,187
Issuance of restricted stock	(8)
Exercise of stock options	2,597
Tax impact of equity incentive plans	1,210
Stock-based compensation expense	5,958
Employee stock purchase plan	153
 Balance at end of period	 \$ 335,097
 Accumulated other comprehensive income:	
Balance at beginning of period	\$ 389
Pension and postretirement plans, net of tax of \$183	(260)
 Balance at end of period	 \$ 129
 Retained earnings:	
Balance at beginning of period	\$ 28,472
Net income	9,340
 Balance at end of period	 \$ 37,812
 Treasury stock – shares:	
Shares at beginning of period	23,850
Shares repurchased for minimum tax withholding on restricted stock and stock option exercises	211

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Shares tendered in payment of the exercise price of stock options	155
Employee stock purchase plan	(81)
Shares at end of period	24,135
Treasury stock cost :	