ABLEST INC
Form 10-Q
May 11, 2001

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

[x] Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarter period ended April 1, 2001.

[ ] Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.

Commission file number 1-10893

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

Delaware	65-0978462
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1901 Ulmerton Road, Suite 300 Clearwater, Florida	33762
(Address of principal executive offices)	(Zip Code)

727-299-1200
(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 [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date - April 23, 2001.

Common stock, $.05 par value	2,935,132
(Class)	(Outstanding shares)

ABLEST INC. AND SUBSIDIARIES

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Part I-Financial Information
ABLEST INC.

Condensed Balance Sheets

(In thousands, except share data)

	April 1, 2001 (Unaudited)	December 31, 2000 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 1,094	406
Receivables	12,710	14,629
Prepaid expenses and other	617	359
Deferred income taxes	2,549	2,549
Total current assets	16,970	17,943
Net property, plant and equipment	1,824	1,861
Deferred income taxes	105	105
Intangible assets, net	4,489	4,576
Net assets of discontinued operations (note 5)	283	274
	$ 23,671	24,759
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 422	487
Accrued expenses	4,460	4,635
Total current liabilities	4,882	5,122
Long-term debt, excluding current installments	--	--
Other liabilities	85	452
Total liabilities	4,967	5,574
Stockholders' equity (note 3):		
Preferred stock of $.05 par value. Authorized 500,000 shares, none issued	--	--
Common stock of $.05 par value. Authorized 7,500,000 shares; issued 3,293,405 shares for both 2001 and 2000	165	165
Additional paid-in capital	4,914	4,914
Retained earnings	15,667	16,168
Less notes receivable from stock sale	(235)	(235)
Less unearned restricted stock	(188)	(215)
	20,323	20,797
Less cost of common stock in treasury: 358,273 and 356,791 shares for 2001 and 2000, respectively	(1,619)	(1,612)
Total stockholders' equity	18,704	19,185
	$ 23,671	24,759

See accompanying notes to condensed financial statements.

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ABLEST INC.

Condensed Statements of Operations

(Unaudited)

(In thousands, except share data)

	Thirteen Week period Ended April 1, 2001
Net service revenues	$ 21,846
Cost of services	17,312
Gross profit	4,534
Selling, general and administrative expenses	5,216
Amortization of intangible assets	91
Operating income	(773)
Other income (expense):	
Interest income (expense), net	10
Miscellaneous, net	5
Total other income	15
Income (loss) before income taxes from continuing operations	(758)
Income tax expense (benefit)	(257)
Net earnings (loss) from continuing operations	(501)
Discontinued operations (note 5):	
Adjustment of loss on sale of discontinued operations, net of income taxes	--
	--
Net earnings (loss)	$ (501)
Basic and diluted net earnings (loss) per share:	

Continuing operations	$ (.17)
Adjustment to loss on sale of discontinued operations	--
	$ (.17)
Weighted average number of common shares outstanding	2,935,959

See accompanying notes to condensed financial statements.

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ABLEST INC.

Condensed Statements of Cash Flows

(Unaudited)

(In thousands)

	Thirteen week period ended April 1, 2001	Fourteen w period en April 2 2000
Cash flows from operating activities:		
Net (loss) earnings from continuing operations	$ (501)	$ 75
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:		
Depreciation	254	302
Amortization of intangible assets	91	92
Gain on disposal of property, plant and equipment, net	--	(114
Deferred income taxes	--	(118
Changes in assets and liabilities (see below)	1,050	1,048
Net cash provided by operating activities of continuing operations	894	1,285
Cash flows from investing activities:		
Additions to property, plant and equipment	(217)	(192
Proceeds from disposal of property, plant and equipment	--	364
Acquisitions and earnout payments, net of cash acquired	--	(225
Cash transfer from discontinued operations (Note 5)	--	8,683
Net cash (used in) provided by investing activities of		

Continuing operations	(217)	8,630
Cash flows from financing activities:		
Proceeds from bank line of credit borrowings	50	4,800
Repayment of bank line of credit borrowings	(50)	(14,100
Employee stock awards	27	--
Purchase of treasury shares	(7)	--
Proceeds from exercise of stock options	--	78
Net cash provided by (used in) financing activities of continuing operations	20	(9,222
Net increase in cash from continuing operations	697	693
Net (decrease) increase in cash from discontinued operations (note 5)	(9)	8,683
Less amount transferred to continuing operations	--	(8,683
Net increase in cash	688	693
Cash and cash equivalents at beginning of period	406	562
Cash and cash equivalents at end of period	$ 1,094	1,255
Changes in assets and liabilities providing (using) cash:		
Receivables	1,919	2,000
Prepaid expenses and other	(258)	(1,466
Accounts payable	(65)	691
Accrued expenses	(175)	(8
Other assets	(4)	--
Other liabilities	(367)	(169
Total	$ 1,050	1,048

See accompanying notes to condensed financial statements

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ABLEST INC.

Notes to Condensed Financial Statements

(Unaudited)

1. In the opinion of management of Ablest Inc (the Company), the accompanying condensed consolidated financial statements contain all normal recurring adjustments necessary to fairly present the Company's consolidated financial position as of April 1, 2001 and the results of its operations and cash flows for the thirteen week period ended April 1, 2001 and the fourteen week period ended April 2, 2000.

2. The results of operations for the thirteen week period ended April 1, 2001 are not necessarily indicative of the results to be expected for the full

year.

3. Stockholders' Equity. The changes in stockholders' equity for the thirteen week period ended April 1, 2001 are summarized as follows (in thousands, except shares):

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Shares	Stock Amount	Unearn Restri Sto
Balance at December 31, 2000	$ 165	$ 4,914	$ 16,168	356,791	$(1,612)	(21
Net earnings	-	-	(501)	-	-	
Stock compensation awards	-	-	-	-	-	2
Stock repurchase program	-	-	-	1,482	(7)	
Balance at April 1, 2001	$ 165	$ 4,914	$ 15,667	358,273	$ (1,619)	(18

4. Stock Options. For the 13 week period ended April 1, 2001, no stock options were granted and none expired. As of April 1, 2001 and December 31, 2000, the Company had exercisable options outstanding to former employees to purchase 41,479 common shares, respectively at prices ranging from $6.94 to $10.13 per share.

5. Discontinued Operations. On March 13, 2000 the Company sold substantially all of its industrial maintenance segment to Onyx Industrial Services, Inc. (Onyx). The base selling price was $19,700,000 in cash plus the assumption by Onyx of certain trade liabilities of approximately $2,600,000.

The terms of the sale include certain other provisions, which could result in additional disposition costs for the Company. Such costs include environmental remediation at certain specific industrial maintenance branches, reimbursement of any uncollectible accounts receivable acquired by Onyx and the payment of certain severance costs. In the fourth quarter of 1999, the Company recorded an estimated net loss from the sale of its industrial maintenance operations of $7,086,000. Such loss included management's best estimate of the sale proceeds, the direct costs of the transaction, estimated costs associated with the contingencies contained in the agreement and the basis of disposed net assets as of the measurement date. At April 1, 2001, the remaining accrued loss on disposal is approximately $986,000 and represents management's current best estimate of remaining costs associated with the transaction.

During the first quarter of 2000, the Company recorded an adjustment to the previously recorded loss on the sale of $200,000 (net of taxes of $241,000) as actual amounts related to the transaction were compared to the fourth quarter estimates.

Notes to Condensed Financial Statements

(Unaudited)

The net assets of discontinued operations at April 1, 2001 represent residual assets such as certain remaining property held for sale and deferred tax assets. These assets are partially offset by amounts due Onyx for certain expenditures paid by Onyx but which occurred prior to the closing and liabilities, primarily consisting of the remaining accrual for the loss on disposal. The deferred tax assets are expected to be utilized with the filing of the Company's 2000 tax return.

The proceeds received from the sale were used to discharge bank debt allocated to industrial maintenance and pay various transaction costs. The remaining cash of $8,683,000 was transferred in March 2000 to continuing operations and primarily used to repay debt allocated to staffing services.

6. Industry Segments. Effective with the March 13, 2000 sale of its industrial maintenance operations, the Company's sole business is in providing staffing services on a temporary and contract basis. Management of the Company views its operations as having two operating segments: Commercial staffing services, consisting mostly of clerical and light industrial staffing services and Technology staffing services, consisting mostly of programmers, and systems documentation services. Staffing services for both segments are provided throughout the eastern United States and select southwestern U.S. markets.

Corporate assets not allocated consist primarily of cash equivalents. There were no cash equivalents as of April 1, 2001 or December 31, 2000. Operating segment data as of and for the thirteen and fourteen week periods ended April 1, 2001 and April 2, 2000, respectively, are provided on the following page.

ABLEST INC.

Notes to Condensed Financial Statements, continued

(Unaudited)

6 Industry Segments, continued.

	Thirteen Week period Ended April 1, 2001	Fourteen Week period Ended April 2, 2000

Commercial Staffing Services:		
Net revenues	$18,616	21,677
Cost of services	14,757	17,004
Gross profit dollars	3,859	4,673
Selling, general & administrative	3,305	2,996
Operating income	554	1,677
Amortization	--	--
Receivables	$10,580	9,764
Technology Staffing Services:		
Net revenues	3,230	4,216
Cost of services	2,555	3,123
Gross profit dollars	675	1,093
Selling, general & administrative	597	808
Operating income	78	285
Amortization	91	91
Receivables	$ 1,831	1,940

Operating income on this segment statement differs from the operating income reported on the Statement of Operations because it does not include some corporate expenses. These corporate items include costs associated with providing executive, administrative, information technology and human resource services to field operations. These costs are not allocated for segment purposes but have been fully charged to continuing operations in the statements of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Statements made in this discussion, other than those concerning historical information, should be considered forward-looking and subject to certain risks and uncertainties which could cause actual results to differ materially from those anticipated.

On March 13, 2000, the Company sold substantially all of the assets of its United States industrial maintenance operations and the stock of its wholly owned Canadian subsidiary, C. H. Heist, Ltd., to Onyx Industrial Services, Inc. Taken together, these operations comprised substantially all of the assets of the Company's industrial maintenance business.

The base selling price was $19.7 million in cash plus the assumption by Onyx of certain trade liabilities of approximately $2.6 million.

For financial reporting purposes, the Company's industrial maintenance business has been classified as a discontinued operation through the sale closing date of March 13, 2000. The estimated loss on disposal, which included estimated operating results through the sale date, was recorded in the fourth quarter of 1999. The following discussion and analysis of operations and financial condition pertains to the Company's staffing services segment, which constitutes the continuing operations. A separate section labeled discontinued operations is included at the end of this discussion and pertains to the industrial maintenance business.

Results of Operations:

The quarter and year to date period ended April 1, 2001 was comprised of 13 weeks compared to 14 weeks for the quarter and year to date period ended April 2, 2000.

Service revenues decreased by $4.1 million or 15.6% to $21.8 million from $25.9 million for the quarter and year to date period ended April 1, 2001, compared to the same period ended April 2, 2000. Service revenues in the commercial staffing segment decreased by $3.1 million or 14.1% to $18.6 million from $21.7 million during the current period compared to one year earlier. Service revenues in the Company's information technology staffing segment declined by $1.0 million or 23.3% to $3.2 million from $4.2 million for the current quarter and year to date period, compared to one year earlier. Both industry segments are being negatively impacted by the recent downturn in the United States economy. The weakening economy is resulting in many of our customers incurring cutbacks and layoffs. Temporary staff is normally the first group to be impacted by these events. The information technology staffing segment has been particularly impacted by the decline in the Internet professional services industry. This decline includes a lessening of demand for permanent placements as well as temporary or contract services. The decline for permanent placements has resulted in a decrease of approximately $242,000 in placement fees in the current quarter, as compared to one year earlier.

Also contributing to the decline in service revenues for both segments was that the current fiscal quarter was comprised of 13 weeks compared to 14 weeks for the same quarter in the prior year.

Gross profit decreased by $1.3 million or 22.8% to $4.5 million from $5.9 million, over the same period one year earlier. Gross margin declined by 1.9 percentage points to 20.8% from 22.7% for the current period, compared to one year earlier. Gross profit in the commercial staffing services segment declined by $814,000 or 17.4% to $3.9 million from $4.7 million for the current period, compared to one year earlier. Gross margin for the commercial staffing services segment declined by 0.9 percentage points to 20.7% from 21.6%, for the same period. The decline in gross profit is the result of the decline in service revenue noted previously, while the decline in gross margin is partially attributable to an increase in the percentage of total service revenues being generated by the Company's Vendor-on-Premises (Point Source) programs that generate lower margins on higher volumes. These services represented 20.6% of total service revenues during the current period, compared to 15.6% of total service revenues for the same period in the prior year.

Results of Operations, continued:

Gross profit in the Company's information technology staffing segment decreased by approximately $418,000 or 38.2% to $675,000 from $1.1 million for the quarter and year to date period ended April 1, 2001 compared to the same period one year earlier. Gross margin declined by 5.0 percentage points to 20.9% from 25.9% for the current quarter and year to date period compared to one year earlier. The decline in gross profit is attributed to the decline in service revenues noted above while the decline in gross margin is attributed to the decline in permanent placement fees which generate higher gross margins. Gross margin or information technology services, excluding permanent placement fees, declined by 0.6 percentage points for the current period, compared to the same period one year earlier.

Selling, general and administrative expense, exclusive of amortization expense, declined by approximately $447,000 or 7.9% to $5.2 million from $5.7 million one year earlier. Contributing to this decrease is a reduction in corporate expenses for the current quarter of approximately $390,000, compared to the same period one year earlier. During the first quarter of the prior year the company was in the process of selling its industrial maintenance business and relocating its former administrative office from Buffalo, New York to Clearwater, Florida. Expenses during that time period were higher than normal as new staff was hired and some services duplicated during this transition period. Having one fewer week in the Company's fist quarter ended April 1, 2001, as compared to the prior year's first quarter ended April 2, 2000, also contributed to the decrease in selling, general and administrative expenses.

Other income, net, decreased by $7,000 to $15,000 during the current quarter and year to date period, from $22,000 for the same period one year earlier.

The effective tax rate for the current quarter and year to date period is a benefit of 33.9% compared to an expense of 46.0%. The effective tax rate is the result of the multiple taxing jurisdictions in which the company operates and the non-deductibility for tax purposes of certain expenses incurred by the company.

Financial Condition:

The following financial information is provided as of a balance sheet date of April 1, 2001.

The quick ratio was 2.8 to 1 and 2.9 to 1 at April 1, 2001 and December 31, 2000, respectively, and the current ratio was 3.5 to 1, for the same respective periods. Net working capital decreased by $733,000 during the current period. Contributing to the decrease was a reduction in accounts receivable of $1.9 million due to the decreased level of revenue being generated during this period. This decrease was partially offset by an increase in cash of $688,000 and in prepaid expenses of $258,000. The increase in prepaid expenses is attributable to the renewal of the Company's insurance program for the current year. Reference should be made to the Statement of Cash Flows, which details the sources and uses of cash.

Open credit commitments at April 1, 2001, were $5.0 million. In January of the current year, the Company reduced its then existing open credit commitment from $20 million to $5 million to be more in line with the Company's anticipated needs over the next six months. The Company has begun conversations with its financial lenders to secure a new, long term, operating line of credit.

Capital expenditures for the current quarter and year to date period were approximately $217,000. Approximately $200,000 of the total additions pertains to new front office automation and applicant matching software that is being implemented throughout the Company's branch operations. It is anticipated that existing funds, cash flows from operations and available borrowings will be sufficient to cover working capital and capital expenditures for fiscal 2001.

Discontinued Operations:

During the current period, there were no adjustments made to the previously estimated loss on sale of discontinued operations. The prior year adjustment to the loss on sale of discontinued operations of approximately $200,000, consisted primarily of a reduction in anticipated operating losses from the measurement date of September 26, 1999, to the disposal date of March 13, 2000.

Part II-Other Information

Item 6 Exhibits and Reports on Form 8-K

(A) Exhibits.

None.

(B) Reports on Form 8-K:

On April 3, 2001, the Company filed a report on Form 8-K regarding a Change in Registrant's Certifying Accountants to Arthur Andersen LLP from KPMG LLP effective for the fiscal year ending December 30, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Ablest Inc.

(Registrant)

Date: May 7, 2001

/s/ Mark P. Kashmanian

Mark P. Kashmanian
Chief Accounting Officer