

Staff Leasing turns down new high-risk clients

The Bradenton-based company beat fourth-quarter earnings expectations.

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BRADENTON — Staff Leasing Inc. slashed construction companies from its marketing mix Thursday, finalizing the turn in sales strategy as it released fourth-quarter earnings that beat Wall Street expectations by 5 cents a share.

The Bradenton-based professional employer organization said it would no longer sign clients in high-risk industries, including construction, that increase Staff Leasing's cost of workers' compensation beyond what the company considers reasonable. Staff Leasing provides human resources functions to other businesses in return for a portion of payroll.

In the past year, Staff Leasing executives have shifted the company away from blue-collar clientele because the workers' comp costs were a drag on earnings. The company, the nation's largest professional employer organization, has instead focused on sales to white- and gray-collar businesses. But this is the first time it has stopped selling to construction entirely.

"Not writing construction is a big shift," John E. Panning, chief financial officer, said Thursday. "We're focused on keeping our current profitable clients."

Staff Leasing will not drop existing clients, even if they are in construction trades, but the company expects that part of the mix to decrease from attrition.

The company, whose share

Staff Leasing Inc.

- **Headquarters:** Bradenton
- **Business:** Employee leasing
- **Chairman/CEO:** Michael K. Phippen
- **CFO:** John E. Panning
- **1999 sales:** \$2.7 billion
- **1999 net income:** \$21.7 million
- **Employees under contract:** About 130,000
- **Stock:** STFF on the Nasdaq
- **Web site:**
<http://www.staff-leasing.com>

price has hovered around \$3 for months, was optimistic on its long-term prospects. On the Nasdaq, its shares closed Thursday at \$3.53, up 28 cents.

For the fourth quarter that ended Dec. 31, Staff Leasing reported, revenue increased 14 percent to \$809.4 million from \$709.8 million in 1999. Revenue increased despite a 6.9 percent decline in active worksite employees.

Staff Leasing reported net income for the quarter of \$1.6 million, or 8 cents a share. Wall Street analysts expected 3 cents a share.

Gross profit declined 27.4 percent to \$23.9 million in the quarter from \$32.9 million in last year's fourth quarter, primarily because of workers' comp, the company said.

For 2000, revenue increased 14.8 percent to \$3.1 billion from \$2.7 billion in 1999. Net income for the period was \$2.1 million or 10 cents per share, excluding unusual after-tax expenses of \$1.5 million related to a reorganization.

Staff Leasing recently announced a partnership with