



Second Quarter 2018

Investor Presentation



CONNECTING PEOPLE.
ENRICHING LIVES.

Over 70 Years of Industry Leadership in Workforce Solutions



Revenues of **\$5.4 Billion**

#1 provider of K-12 educational staffing; Top 5 scientific, engineering and office/clerical workforce solutions provider in the U.S.



Leading managed services provider with **\$7.2 billion** spend under management

\$3.6+ billion with small, minority and women-owned businesses over 5 years



Global workforce solutions network

Staffing, outsourcing and advisory services delivered through operations across Americas and EMEA, and globally via 4,600+ supplier partners



Serving **95** of the Fortune 100 companies

Expertise spans wide array of industries and numerous talent management strategies

Our Merits

Globally recognized brand built upon decades of **service excellence and innovation**

Healthy balance sheet driven by focus on **free cash flow enhancement** provides flexibility for investment

Leadership team with **deep industry expertise** and commitment to **driving value for shareholders**

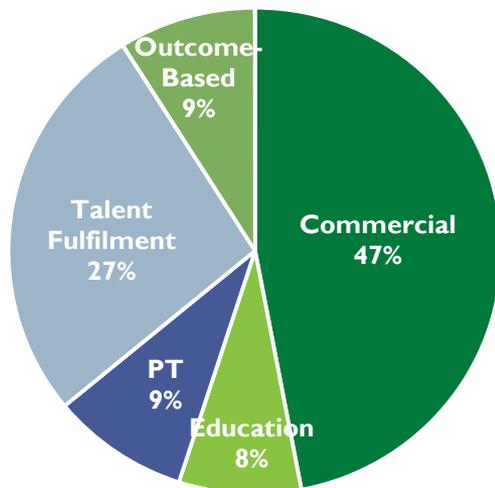
Focus on value-added service offerings within **attractive, high-growth segments** where Kelly specializes

Long-standing customer relationships with **95 of the Fortune 100 companies**; **best-in-class branch network** supporting small- and medium-sized enterprises

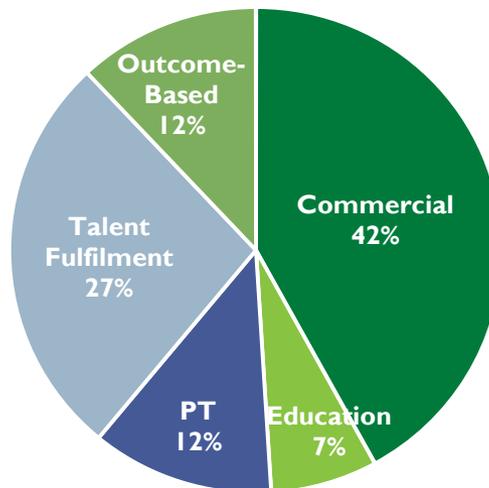
Demonstrated improvement in growth trends and **operational efficiency**

Focus on Value-Added Service Offerings

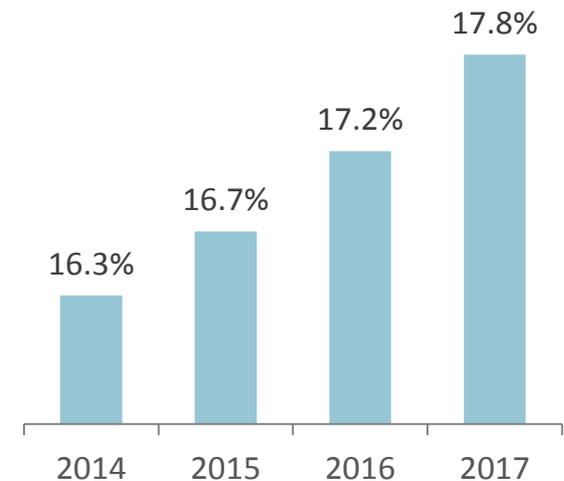
Q2 2018
Revenue Breakdown



Q2 2018
GP Breakdown



2014 – 2017
GP Rate



Focused investment in high growth, high margin segments (e.g., Outcome Based Services, PT, Education) over the last several years has led to outsized contribution to our bottom-line (+150bps gross margin expansion from '14-'17)

The Kelly Journey

Strong Improvement Over Past Two Years

2016:

- Even in the face of lower revenue, Kelly improved its GP rate 50 basis points and increased EPS by 122%. Kelly maintained a strong balance sheet, improved free cash flow, and ended the year debt free. In addition, APAC staffing operations transferred into a newly expanded JV, forming one of the largest workforce solutions companies in the Asia Pacific region.

2017:

- Kelly delivered sustained growth quarter after quarter, delivering a 41% increase in annual operating earnings on a like-for-like basis. A combination of strong top-line growth and good GP rate improvement yielded increased profitability across all operating segments, even as we invested in the talent and technology that are driving our company forward. Our conversion rate rose 160 basis points (excluding restructuring), another clear indicator that we are creating value along with driving volume.

Strategy in Action

As technology continues to drive rapid transformation throughout the marketplace, people are embracing new ways to work and businesses are looking for ways to adapt their approach to talent. As the world of work evolves, so too does Kelly's strategy. Our go-forward path is designed to help our candidates, our clients, and our company not only withstand the inevitable disruptions caused by technology, but turn them to advantages. In so doing, we will be able to deliver improved shareholder value and returns from a business that is focused on our strengths and committed to leading where we know we can win.

Kelly's Portfolio of Solutions and Operating Segments

Americas Staffing

- Local branch network in the U.S., Puerto Rico, Canada, Mexico, and Brazil, delivers high-touch Commercial & Professional Technical (PT) staffing solutions
- Longstanding relationships with small and medium-sized enterprises across North America
- Market-leading educational staffing platform operating under the KES brand
- Top 5 position in scientific, engineering and office/clerical staffing

Peter Quigley, President – Global Staffing

International Staffing

- Local/branch-delivered Commercial & PT staffing business in EMEA provides services to customers across Top 15 major European markets
- Network of 4,600+ providers deliver talent to global and local customers alike
- PersolKelly Asia Pacific JV serves the APAC regions with staffing solutions, and benefits from Persol's world-class leadership in these markets

Global Talent Solutions

- Talent Fulfillment businesses: Contingent Workforce Outsourcing (CWO), Payroll Process Outsourcing (PPO), Recruitment Process Outsourcing (RPO), Centrally Delivered Staffing
- Delivers outcome-based services focused around STEM, call center management, legal and advisory services for the talent supply chain

Teresa Carroll, President – Global Talent Solutions

Americas Staffing Journey



TARGETED RECRUITMENT AND SALES PLANS

Strong sales and talent pipelines aligned with chosen niches



INCREASED ONSITE PRESENCE

Embedded relationships leading to local/regional account growth



CRITICAL MASS IN TARGETED MARKETS

Strong base of niche recruiters and sales resources in top markets



MARKET LEADER IN U.S. EDUCATIONAL STAFFING

#1 provider of K-12 educational staffing, including largest school districts

Our Q2 Progress:

Americas Staffing revenue increased 5% in the second quarter compared to the same period last year. On a combined basis, permanent placement fees were up 31% year-over-year. Professional and Technical Specialties were up 10% YOY, with Commercial growth increasing 59%, demonstrating the pickup of customer hiring of temporary employees.

The second quarter gross profit rate in Americas Staffing was 18.0%, the same as last year. The gross profit rate for the quarter was positively impacted by strong permanent placement fees offset by customer mix. All told, the Americas Staffing segment achieved an operating profit of \$17.8 million in the quarter, compared to \$20.4 million last year.

Expenses for the quarter were up 9% in Americas Staffing. We are working to bring these expenses more in line with current and expected business conditions. Expenses were up primarily due to the additional resources and effort required to attract and place candidates, and 200 basis points of the increase is attributable to the addition of Teachers On Call.

International Staffing Journey



Profitable recruitment and delivery platforms in countries with the largest staffing markets



Industry leading cross-country sourcing expertise



Brand recognition in chosen industry verticals and specialties



Employer of choice for consultants and recruiters



Large Global Sales accounts presence in large markets

Our Q2 Progress:

Revenue for the quarter in International Staffing increased 12% compared to the prior year in nominal US dollars. On a constant currency basis, revenue increased 7% across the regions in Europe.

Also on a constant currency basis, permanent placement fees for the second quarter were up by 16%, representing much of this segment's improvement of GP dollars year-over-year.

International Staffing's reported operating profit was \$6.4 million compared to \$4.1 million a year ago.

Global Talent Solutions (GTS) Journey



LEADING PROVIDER OF TALENT SUPPLY CHAIN MANAGEMENT

Hired to design holistic solutions across all talent categories



HIGH-PERFORMING SALES AND DELIVERY TEAMS

Working seamlessly to deliver client-centered, profitable solutions



TRUSTED TALENT ADVISOR TO WORLD'S TOP FIRMS

Viewed as a strategic partner by senior stakeholders in our clients' business



HIGH-PERFORMING CENTRALIZED RECRUITING TEAMS

Capable of adapting to all solutions/models



EFFICIENT, EFFECTIVE DELIVERY TEAMS

Leveraging centralization and technology

Our Q2 Progress:

GTS revenue was down 1% year-over-year, while gross profit increased 5% for the quarter, as a result of increased value creation from structural improvement in our product mix.

Gross profit in our Talent Fulfillment business was down 1% YOY for the quarter, while gross profit in our Outcome-Based Services business increased 22% YOY, driven by strong results in both our BPO and KellyConnect products.

GTS's second quarter operating profit was \$17.7 million, compared to \$15.3 million a year ago.

How We're Going to Grow

Focused Strategy

Our plan centers on four strategic pillars:

- Being the destination for top talent
- Leading in our chosen markets via scale or specialization
- Embracing the future of work
- Investing in technology for innovation and efficiency

What this Means to:

Our Customers:

We will have more profit to invest in the best workforce solutions for our clients, and will be able to connect them with the best talent to help them execute their business strategies.

Our Business:

We will transform Kelly into a leading talent solutions company that excels in all of its chosen specialties.

Our Employees:

Increased profitability will enable us to reward high-performing employees, who can take pride in being part of a company that connects people with work in ways that enrich their lives.

Our Shareholders:

Kelly's shareholders will be rewarded with healthier returns from a more profitable company.

Capital Allocation Priorities

- Maintain dividend and consider future increases based on sustained operating performance
- Focused investment in attractive areas of business where Kelly has opportunities to realize growth, generate efficiencies and capture market share
 - Organic investments in technology solutions to support and accelerate growth
 - Opportunistic acquisitions that can provide new technologies, talent and enhancements to growth and profitability
- Share repurchases to be evaluated on an ongoing basis



Performance Update

Second Quarter 2018



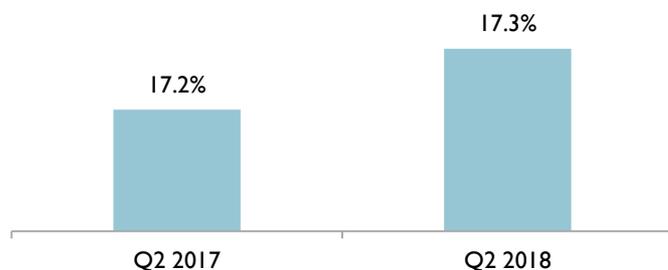
Q2 2018 Key Financial Performance Metrics

	Reported	Adjusted
Gross Profit Rate	17.3% Up 10bps	17.3% Up 10bps
Conversion Rate	8.5% Down 40bps	8.5% Down 40bps
Free Cash Flow Growth	Down \$14.2M	Down \$14.2M
Earnings per Share ⁽¹⁾	\$(0.40) N/M%	\$0.54 Up 14.9%

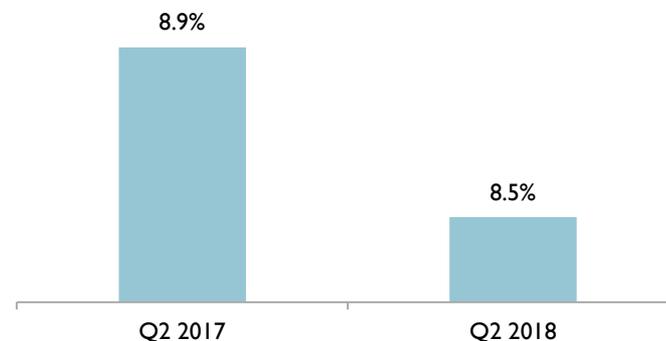
(1) Adjusted excludes the 2018 loss on investment in Persol Holdings

Key Financial Performance Metrics (Adjusted)

Gross Profit Rate



Conversion Rate



Free Cash Flow (millions)



Earnings Per Share



(1) Excludes loss on investment in Persol Holdings

Developments and Initiatives Driving Improvement



- Acquired Teachers On Call (6th largest educational staffing firm in the U.S.) in September 2017
- Further strengthens Kelly's #1 leadership position in the K-12 staffing market
- Complements KES geographic footprint and opens doors for new services and revenue, including early child care centers



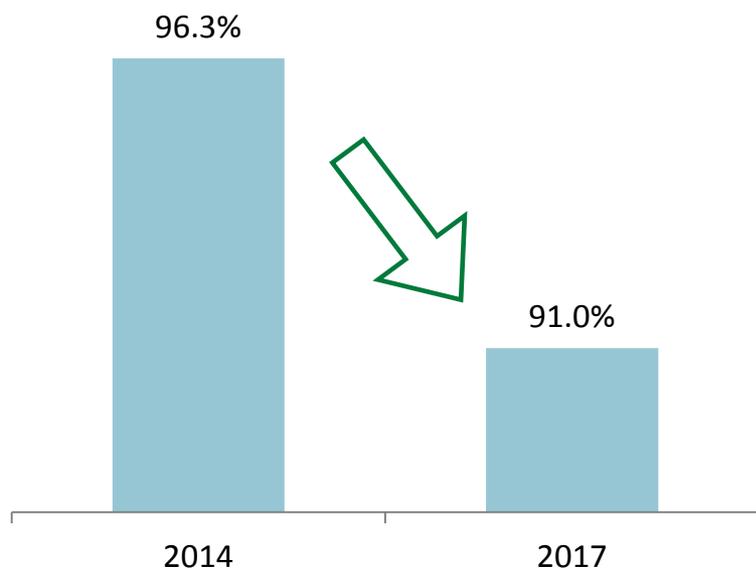
- Formed partnership with InGenesis in sale of US healthcare staffing business in Q1 2018
- Partnership allowed Kelly to monetize business and deploy resources towards other areas where Kelly has scale or specialization



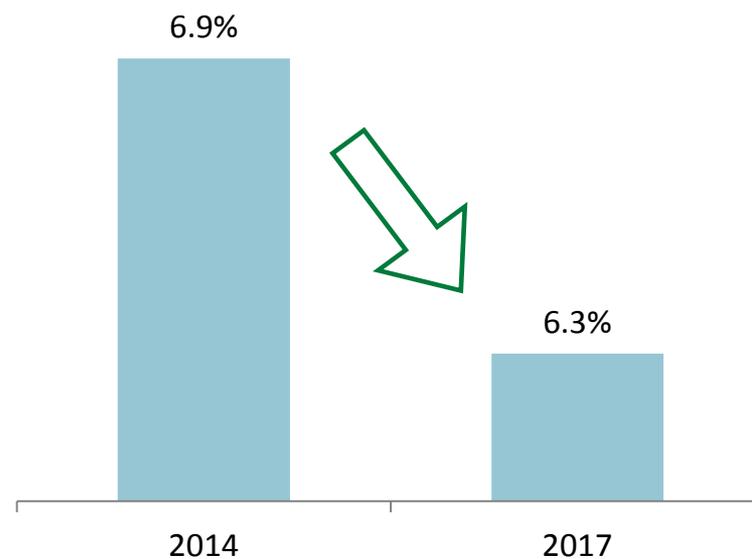
- Seed funding provided to Kenzie Academy, a tech apprenticeship program that develops modern tech workers
- Inaugural investment from the Kelly Innovation Fund in Q2 2018

Continued Improvements in Cost Efficiencies

Total SG&A as % of Gross Profit



Net Corporate Expense as % of Gross Profit



Excludes restructuring charges

Second Quarter Takeaways

CONTINUED TOP-LINE GROWTH

Revenue up 4.0%;
3.0% in constant
currency

DELIVERING GROWTH in Staffing Segments

Americas revenue up 5%
International revenue up
12%; 7% in constant
currency

FOCUSING ON OUR FUTURE

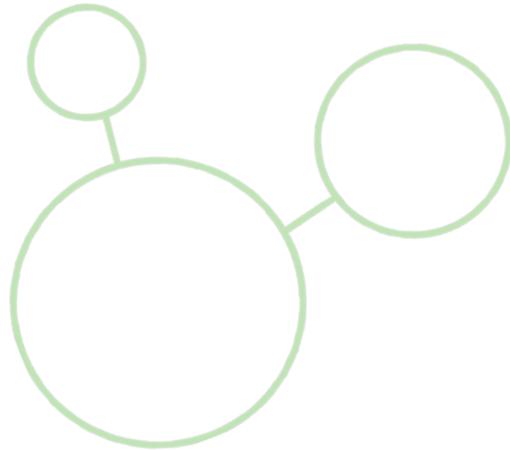
Kelly Innovation Fund
makes inaugural
investment in Kenzie
Academy
Aligning resources with
growth

Outlook – Third Quarter 2018

- Revenue up 2% to 3% YOY
 - 50 basis point unfavorable impact due to currency
 - Includes impact from the sale of our healthcare staffing business
 - Impact of revenue recognition not expected to be material
- Gross profit rate up YOY and sequentially
- SG&A up 4% to 5% YOY
- Impact of the new standard related to accounting for equity investments effective in Q1 2018 is recognized below Earnings from Operations and is not included in the 2018 Outlook

2018 Outlook – Full Year

- Revenue up 3.5% to 4.5% YOY
 - 70 basis point improvement due to currency
 - Includes impact from acquisition of Teachers On Call, net of the sale of our healthcare staffing business
 - Impact of revenue recognition not expected to be material
- Gross profit rate flat YOY
- SG&A up 3.0% to 4.0% YOY
 - Includes impact of additional spending on technology and efficiency initiatives
- Annual tax rate in middle single digits
 - Reflects impact of Tax Cuts and Jobs Act
 - Excludes investment in Persol Holdings gain/loss
- Impact of the new standard related to accounting for equity investments effective in Q1 2018 is recognized below Earnings from Operations and is not included in the 2018 Outlook



Key Financial Information

Second Quarter 2018



Second Quarter 2018 Segment Financials

(\$ in millions)

Kelly Services

Sales	\$1,387
GP	\$241
Expenses	\$220
Profit	\$20
Return on Sales	1.5%

Americas Staffing

Sales	\$604
GP	\$109
Expenses	\$91
Profit	\$18
Return on Sales	2.9%

Global Talent Solutions

Sales	\$501
GP	\$93
Expenses	\$75
Profit	\$18
Return on Sales	3.5%

International Staffing

Sales	\$287
GP	\$40
Expenses	\$34
Profit	\$6
Return on Sales	2.2%

Second Quarter 2018 Financial Summary

	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change⁽¹⁾</u>
Revenue	\$1.4B	4.0%	3.0%
GP %	17.3%	10 bps	
Earnings from Operations	\$20.4M	0.1%	(3.2)%
ROS %	1.5%	-	
EPS	(\$0.40)	(\$0.87)	

- Revenue increase reflects continued growth in Americas Staffing and continued, although slowing, performance in International Staffing
- GP rate improvement from structural improvement in GTS GP rates and higher perm fees, which was partially offset by customer mix in Americas Staffing and International Staffing
- Earnings from operations on par with last year as GP increases are offset by expense increases
- EPS includes \$0.94 unfavorable non-cash impact from loss on equity investment due to adoption of a required accounting standard effective in Q1 2018

⁽¹⁾Constant Currency represent year-over-year changes resulting from translating 2018 financial data into USD using 2017 exchange rates.

Second Quarter 2018 Financial Summary

(Excluding Loss on investment in Persol Holdings)

	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change⁽²⁾</u>
Revenue	\$1.4B	4.0%	3.0%
GP %	17.3%	10 bps	
Earnings from Operations	\$20.4M	0.1%	(3.2)%
ROS %	1.5%	-	
EPS ⁽¹⁾	\$0.54	\$ 0.07	

- Revenue increase reflects continued growth in Americas Staffing and continued, although slowing, performance in International Staffing
- GP rate improvement from structural improvement in GTS GP rates and higher perm fees, which was partially offset by customer mix in Americas Staffing and International Staffing
- Earnings from operations on par with last year as GP increases are offset by expense increases
- EPS improves \$0.07 or 15%

⁽¹⁾Excludes \$52.5 million loss on investment, \$36.3 million net of income tax benefit or \$0.94 per share, in Q2 2018.

⁽²⁾Constant Currency represents year-over-year changes resulting from translating 2018 financial data into USD using 2017 exchange rates.

Second Quarter 2018 EPS Summary

\$ in Millions except per share data

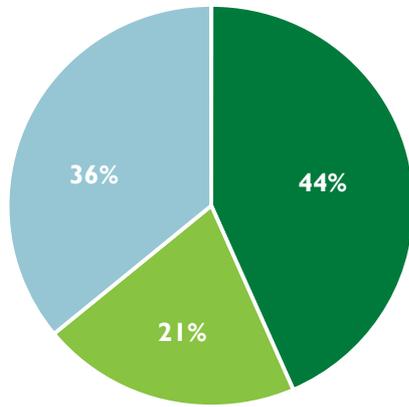
	Second Quarter			
	2018		2017	
	Amount	Per Share	Amount	Per Share
Net earnings (loss)	\$ (15.4)	\$ (0.40)	\$ 18.7	\$ 0.47
Loss on investment in Persol Holdings, net of taxes ⁽¹⁾	36.3	0.94	-	-
Adjusted net earnings	<u>\$ 20.9</u>	\$ 0.54	<u>\$ 18.7</u>	\$ 0.47

- As adjusted, net earnings and EPS improve based on an improving income tax rate. Earnings from Operations were flat as revenue growth and modest GP rate improvement were offset by expense increases

⁽¹⁾Loss on investment in Persol Holdings of \$52.5 million, \$36.3 million net of tax benefit or \$0.94 per share in Q2 2018.

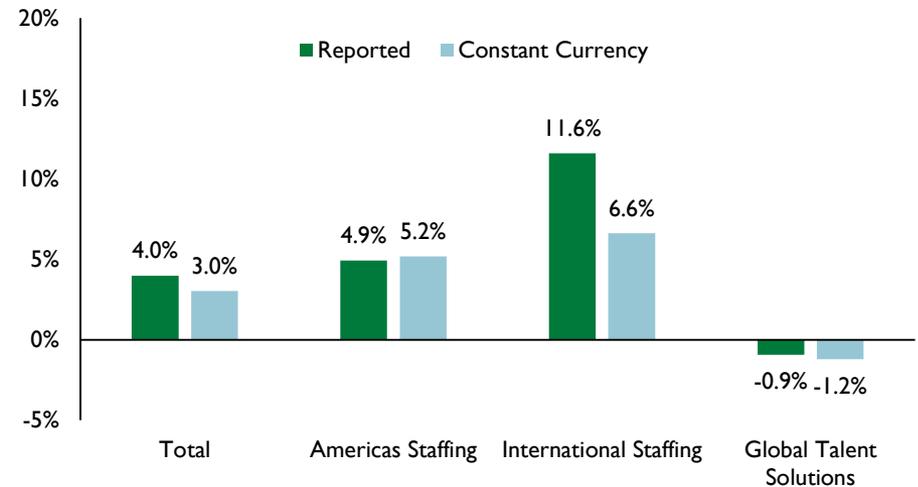
Second Quarter 2018 Revenue Growth

Revenue Mix by Segment



■ Americas Staffing ■ International Staffing ■ Global Talent Solutions

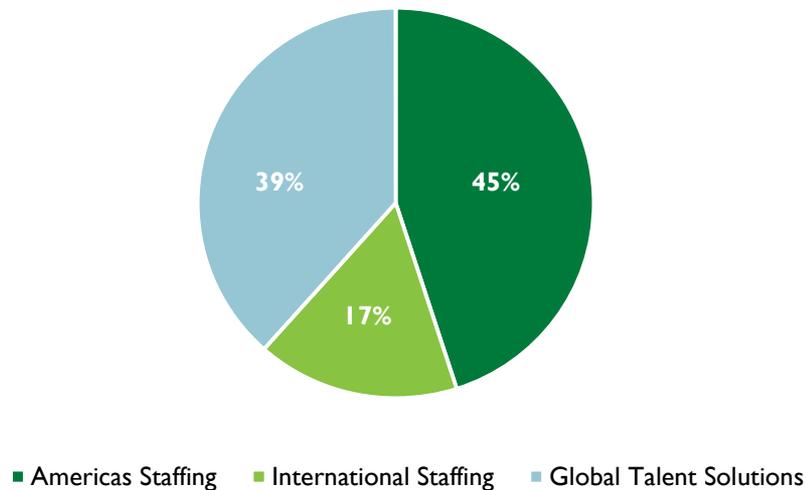
Revenue Growth by Segment



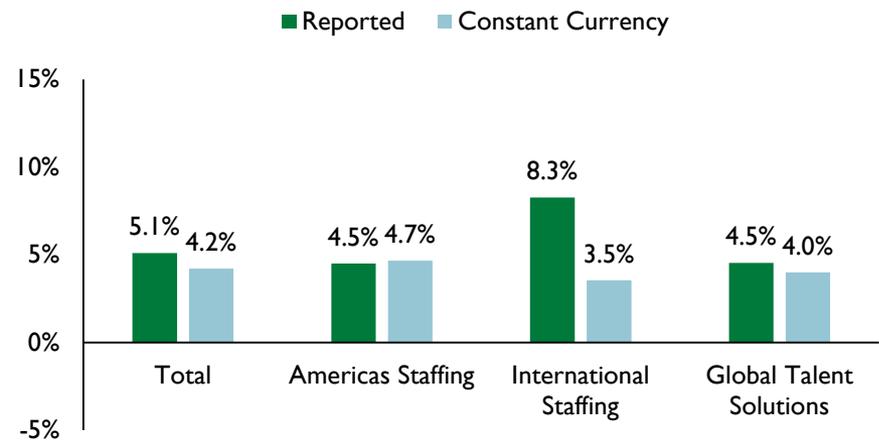
- Americas Staffing revenue reflects the impact of the Teachers On Call acquisition, continuing growth in KES and accelerating growth in PT specialties
- International Staffing delivered strong growth across the regions in Europe

Second Quarter 2018 Gross Profit Growth

Gross Profit Mix by Segment

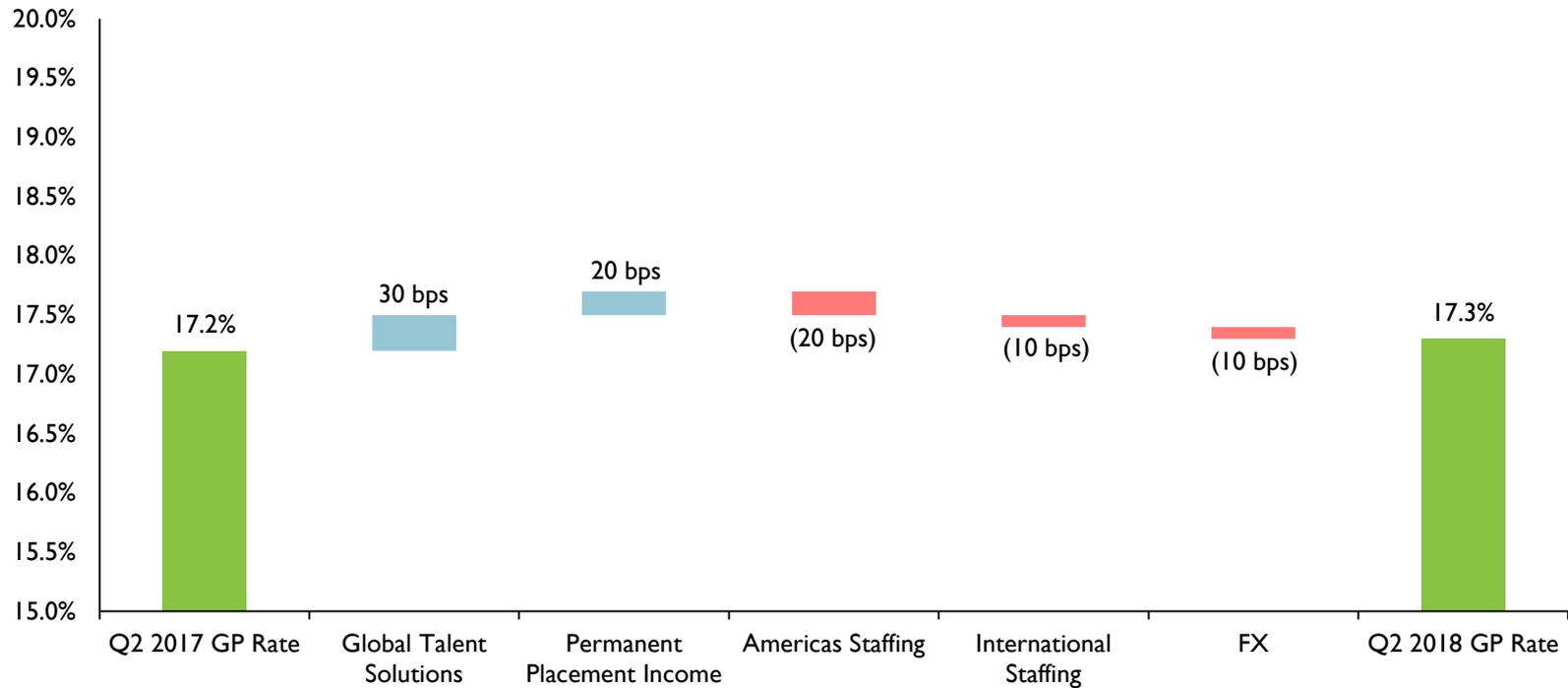


Gross Profit Growth by Segment



- Americas Staffing and International Staffing GP progress reflects top-line growth and the impact of higher perm fees, which was partially offset by GP rate declines due to changes in customer mix
- GTS GP reflects GP structural rate improvement on flat revenue

Second Quarter 2018 Gross Profit Rate



- GTS GP rates reflects a return to structural GP rate improvement from product mix
- Higher perm fees in both Americas Staffing and International Staffing segments were offset by declines in each segment's temporary staffing GP rate

Second Quarter 2018 SG&A

\$ in Millions



- Americas Staffing expenses were up due to additional resources added as a result of the current talent supply environment, as well as the addition of Teachers On Call
- Corporate expense reflects the impact of a one-time \$2.5 million benefit in 2017 executive compensation expenses

Second Quarter 2018 Conversion Rate

\$ in Millions

	2018			2017			Change (bps)
	Gross Profit	Earnings from Ops	Conversion Rate ⁽¹⁾	Gross Profit	Earnings from Ops	Conversion Rate ⁽¹⁾	
Americas Staffing	\$ 108.5	\$ 17.8	16.4%	\$ 103.8	\$ 20.4	19.7%	(330)
Global Talent Solutions	92.7	17.7	19.1%	88.7	15.3	17.2%	190
International Staffing	39.9	6.4	16.0%	36.8	4.1	11.2%	480
Total Company	\$ 240.5	\$ 20.4	8.5%	\$ 228.8	\$ 20.3	8.9%	(40)

- Americas Staffing conversion rate reflects the impact of higher expenses – although top line growth continues
- GTS conversion rate reflects improved GP rate combined with improved leverage
- International Staffing conversion rate reflects growing GP and effective cost management
- Total Company conversion rate decline reflects the impact of modest GP rate improvement which was more than offset by higher expenses

⁽¹⁾Conversion rate represents earnings from operations as a percent of gross profit, or return on gross profit.

Cash Flows: as of July 1, 2018

<i>\$ in millions</i>	2018	2017
Net Income	\$13.7	\$30.9
Loss on investment in Persol Holdings	28.8	0.0
Other cash (used in)/from operating activities	(9.3)	13.5
Capital expenditures	(10.3)	(7.3)
Free cash flow	\$22.9	\$37.1
Borrowing	(8.4)	0.7
Available cash flow	\$14.5	\$37.8
Dividends	(5.9)	(5.8)
Other	(6.8)	(0.6)
Cash generated	\$1.8	\$31.4
Effect of exchange rates	(0.1)	(0.2)
Net change in cash	\$1.7	\$31.2
Cash at period end	\$38.6	\$65.5

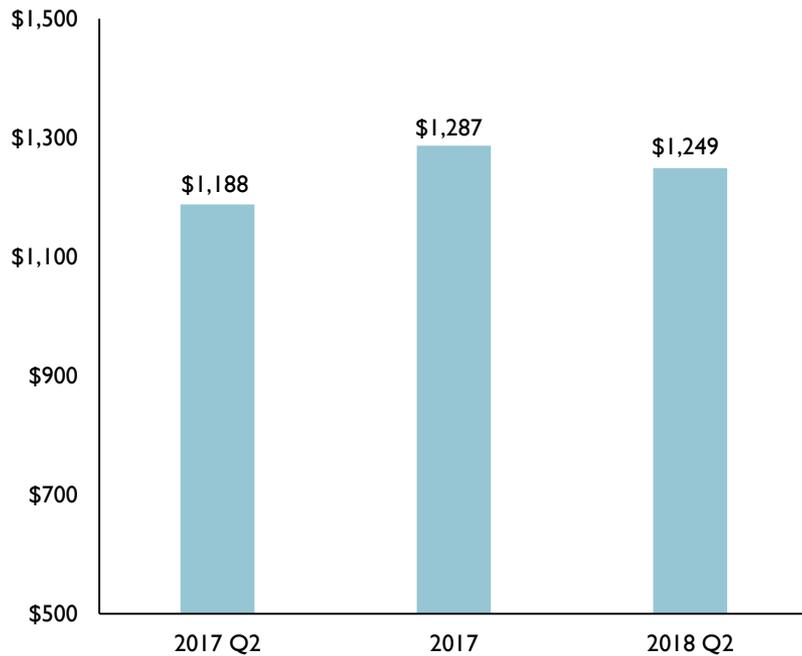
Balance Sheet: as of July 1, 2018

<i>\$ in millions</i>	2018	2017
Cash	\$33.9	\$60.8
Accounts Receivable	1,248.9	1,188.1
Other Current Assets	64.5	61.8
Total Current Assets	\$1,347.3	\$1,310.7
Long Term Assets	987.3	873.4
Total Assets	\$2,334.6	\$2,184.1
Short-Term Debt	1.7	0.7
Other Current Liabilities	876.2	842.3
Total Current Liabilities	\$877.9	\$843.0
Other Long Term Liabilities	295.8	267.7
Equity	1,160.9	1,073.4
Total Liabilities and Equity	\$2,334.6	\$2,184.1
Working Capital	\$469.4	\$467.7
Net Cash	32.2	60.1
Debt-to-Total Capital	0.1%	0.1%

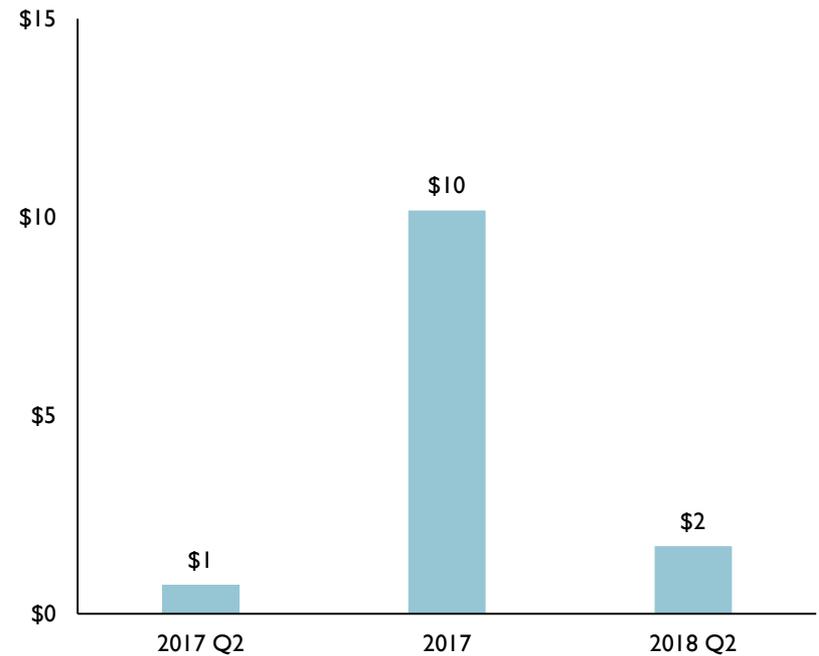
Second Quarter 2018 Balance Sheet Data

\$ in Millions

Accounts Receivable



Net Debt



- Global DSO was 55 days, which is in line with both Q2 2017 and year-end 2017
- Quarter end debt was \$2 million compared to \$10 million at year end

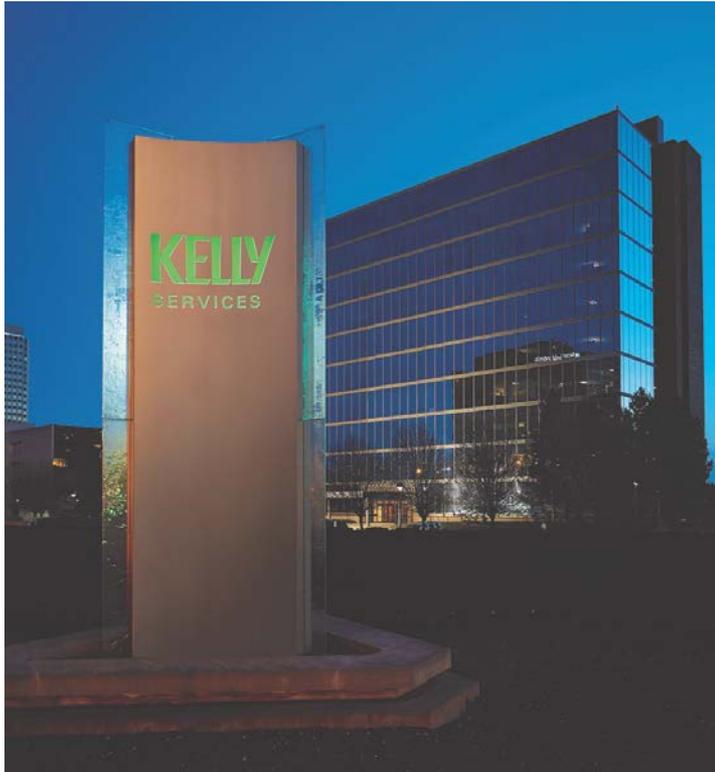
Non-GAAP Measures

Management believes that the non-GAAP (Generally Accepted Accounting Principles) information excluding 2018 loss on investment in Persol Holdings is useful to understand the Company's fiscal 2018 financial performance and increases comparability. Specifically, Management believes that removing the impact of this item allows for a more meaningful comparison of current period operating performance with the operating results of prior periods. This non-GAAP measure may have limitations as analytical tools because it excludes items which can have a material impact on cash flow and earnings per share. As a result, Management considers this measure, along with reported results, when it reviews and evaluates the Company's financial performance. Management believes that this measure provides greater transparency to investors and provides insight into how Management is evaluating the Company's financial performance. Non-GAAP measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. A reconciliation to the most comparable GAAP measures is included with our earnings release dated August 8, 2018 and is available on our Investor Relations website.

Safe Harbor Statement

This release contains statements that are forward looking in nature and, accordingly, are subject to risks and uncertainties. These factors include, but are not limited to, competitive market pressures including pricing and technology introductions and disruptions, changing market and economic conditions, our ability to achieve our business strategy, the risk of damage to our brand, the risk our intellectual property assets could be infringed upon or compromised, our ability to successfully develop new service offerings, our exposure to risks associated with services outside traditional staffing, including business process outsourcing, our increasing dependency on third parties for the execution of critical functions, the risks associated with past and future acquisitions, exposure to risks associated with investments in equity affiliates including PersolKelly Asia Pacific, material changes in demand from or loss of large corporate customers as well as changes in their buying practices, risks particular to doing business with government or government contractors, risks associated with conducting business in foreign countries, including foreign currency fluctuations, the exposure to potential market and currency exchange risks relating to our investment in Persol Holdings, risks associated with violations of anti-corruption, trade protection and other laws and regulations, availability of qualified full-time employees, availability of temporary workers with appropriate skills required by customers, liabilities for employment-related claims and losses, including class action lawsuits and collective actions, risks arising from failure to preserve the privacy of information entrusted to us or to meet our obligations under global privacy laws, the risk of cyber attacks or other breaches of network or information technology security, our ability to sustain critical business applications through our key data centers, our ability to effectively implement and manage our information technology projects, our ability to maintain adequate financial and management processes and controls, risk of potential impairment charges triggered by adverse industry developments or operational circumstances, unexpected changes in claim trends on workers' compensation, unemployment, disability and medical benefit plans, the impact of changes in laws and regulations (including federal, state and international tax laws), competition law risks, the risk of additional tax or unclaimed property liabilities in excess of our estimates, our ability to maintain specified financial covenants in our bank facilities to continue to access credit markets, and other risks, uncertainties and factors discussed in this release and in the Company's filings with the Securities and Exchange Commission. Actual results may differ materially from any forward-looking statements contained herein, and we have no intention to update these statements.

Kelly Services: Company Contacts



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kellyservices.com