

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): May 6, 2019

KELLY SERVICES, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other
jurisdiction of
incorporation)

0-1088
(Commission
File Number)

38-1510762
(IRS Employer
Identification
Number)

999 WEST BIG BEAVER ROAD, TROY, MICHIGAN 48084

(Address of principal executive offices)
(Zip Code)

(248) 362-4444

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

Title of each
class
Class A Common
Class B Common

Trading
Symbols
KELYA
KELYB

Name of each exchange
on which registered
NASDAQ Global Market
NASDAQ Global Market

Item 2.02. Results of Operations and Financial Condition

Kelly Services, Inc. (the "Company") today released financial information containing highlighted financial data for the three months ended March 31, 2019. A copy of the press release is attached as exhibit 99.1 herein.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

- 99.1 Press Release dated May 6, 2019.
- 99.2 Presentation materials for May 6, 2019 conference call.

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, hereunto duly authorized.

May 6, 2019

KELLY SERVICES, INC.

/s/ Olivier G. Thirot
Olivier G. Thirot

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

May 6, 2019

/s/ Laura S. Lockhart
Laura S. Lockhart

Vice President, Corporate Controller and
Chief Accounting Officer
(Principal Accounting Officer)

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated May 6, 2019.
99.2	Presentation materials for May 6, 2019 conference call.




KELLY SERVICES® REPORTS
FIRST QUARTER EARNINGS

Financial Highlights

- **Q1 revenue up 0.9%; up 2.9% in constant currency**
- **Q1 operating earnings up 40% from last year**
- **Q1 earnings per share of \$0.56 compared to \$0.74, or \$0.40 compared to \$0.32 last year on an adjusted basis**

TROY, MI (May 6, 2019) -- Kelly Services (Nasdaq: [KELYA](#)) (Nasdaq: [KELYB](#)), a global leader in providing workforce solutions, today announced results for the first quarter of 2019.

George S. Corona, President and Chief Executive Officer, announced revenue for the first quarter of 2019 totaled \$1.4 billion, a 0.9% increase, or 2.9% in constant currency, compared to the corresponding quarter of 2018. First quarter 2019 results include the impact of the January 2019 acquisitions of NextGen and Global Technology Associates, providers of specialty engineering talent to the U.S. telecommunications industry. Excluding the recent acquisitions, adjusted revenue declined 1.7% in the first quarter, or increased 0.3% in constant currency.

Earnings from operations for the first quarter of 2019 totaled \$16.8 million, compared to the \$12.0 million reported for the first quarter of 2018. Included in earnings from operations in the first quarter of 2019 is a \$6.3 million restructuring charge related to revitalizing the Americas Staffing delivery model. Excluding the restructuring charges and recent acquisitions, adjusted earnings from operations totaled \$20.8 million, up 74% compared to the same period in 2018.

Diluted earnings per share in the first quarter of 2019 were \$0.56 compared to earnings per share of \$0.74 in the first quarter of 2018. Included in earnings per share in the first quarter of 2019 is the favorable impact of \$0.23 due to the non-cash after-tax gain on our investment in Persol Holdings common stock compared to \$0.42 in the first quarter of 2018. Changes in the fair value of our investment in Persol Holdings common stock are reflected as gains or losses on our Consolidated Statement of Earnings below earnings from operations. Adjusted for the net of tax impact of restructuring charges, recent acquisitions and gain on Persol Holdings common stock, diluted earnings per share for the quarter were \$0.40 compared to \$0.32 in the corresponding quarter of 2018.

“We started the year strong from both a financial performance perspective and a strategic one,” Corona said. “We delivered on the bottom line and we invested in our future by restructuring our U.S. branch operations and completing the integration of two high-margin acquisitions,” he said. “Completing these two strategic priorities placed us in a stronger position for future growth.”

In conjunction with its first quarter earnings release, Kelly Services has published a financial presentation on the [Investor Relations](#) page of our public website and will host a conference call at 9:00 a.m. (ET) on May 6 to review the results and answer questions. The call may be accessed in one of the following ways:

Via the Internet:
Kellyservices.com

Via the Telephone:
U.S. 1 800 288-9626
International 1 651 291-5254
The pass code is Kelly Services

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 the 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 realize value from our tax credit and net operating loss carryforwards, 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.

About Kelly Services®

Kelly Services, Inc. (Nasdaq: KELYA, KELYB) connects talented people to companies in need of their skills in areas including Science, Engineering, Education, Office, Contact Center, Light Industrial, and more. We're always thinking about what's next in the evolving world of work, and we help people ditch the script on old ways of thinking and embrace the value of all workstyles in the workplace. We directly employ more than 500,000 people around the world, and we connect thousands more with work through our global network of talent suppliers and partners in our outsourcing and consulting practice. Revenue in 2018 was \$5.5 billion. Visit kellyservices.com and let us help with what's next for you.

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KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE 13 WEEKS ENDED MARCH 31, 2019 AND APRIL 1, 2018
(UNAUDITED)

(In millions of dollars except per share data)

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>% Change</u>	<u>CC % Change</u>
Revenue from services	\$ 1,382.6	\$ 1,369.9	\$ 12.7	0.9 %	2.9 %
Cost of services	1,131.0	1,131.7	(0.7)	(0.1)	
Gross profit	251.6	238.2	13.4	5.6	7.4
Selling, general and administrative expenses	234.8	226.2	8.6	3.8	5.4
Earnings from operations	16.8	12.0	4.8	40.0	
Gain on investment in Persol Holdings	13.2	23.7	(10.5)	(44.2)	
Other expense, net	(1.1)	(1.7)	0.6	27.0	
Earnings before taxes and equity in net earnings (loss) of affiliate	28.9	34.0	(5.1)	(15.3)	
Income tax expense	6.4	6.4	—	(0.2)	
Net earnings before equity in net earnings (loss) of affiliate	22.5	27.6	(5.1)	(18.8)	
Equity in net earnings (loss) of affiliate	(0.4)	1.5	(1.9)	(125.1)	
Net earnings	\$ 22.1	\$ 29.1	\$ (7.0)	(24.1) %	
Basic earnings per share	\$ 0.56	\$ 0.74	\$ (0.18)	(24.3) %	
Diluted earnings per share	\$ 0.56	\$ 0.74	\$ (0.18)	(24.3) %	

STATISTICS:

Permanent placement income (included in revenue from services)	\$ 15.9	\$ 16.6	\$ (0.7)	(3.9) %	0.1 %
Gross profit rate	18.2 %	17.4 %	0.8 pts.		
Conversion rate	6.7	5.0	1.7		
% Return:					
Earnings from operations	1.2	0.9	0.3		
Net earnings	1.6	2.1	(0.5)		
Effective income tax rate	22.2 %	18.8 %	3.4 pts.		
Average number of shares outstanding (millions):					
Basic	39.0	38.6			
Diluted	39.1	38.9			

KELLY SERVICES, INC. AND SUBSIDIARIES
RESULTS OF OPERATIONS BY SEGMENT
(UNAUDITED)
(In millions of dollars)

	First Quarter			
	2019	2018	% Change	CC % Change
Americas Staffing				
Revenue from services	\$ 626.5	\$ 604.3	3.7 %	4.1 %
Gross profit	117.2	108.0	8.5	8.9
SG&A expenses excluding restructuring charges	94.9	91.9	3.2	3.6
Restructuring charges	6.3	—	NM	NM
Total SG&A expenses	101.2	91.9	10.1	10.5
Earnings from operations	16.0	16.1	(0.2)	
Earnings from operations excluding restructuring charges	22.3	16.1	39.1	
Gross profit rate	18.7 %	17.9 %	0.8 pts.	
Conversion rate	13.7	14.9	(1.2)	
Conversion rate excluding restructuring charges	19.1	14.9	4.2	
Return on sales	2.6	2.7	(0.1)	
Return on sales excluding restructuring charges	3.6	2.7	0.9	
Global Talent Solutions				
Revenue from services	\$ 501.0	\$ 485.8	3.2 %	3.6 %
Gross profit	100.4	91.8	9.4	10.3
Total SG&A expenses	74.7	75.8	(1.5)	(0.5)
Earnings from operations	25.7	16.0	60.7	
Gross profit rate	20.0 %	18.9 %	1.1 pts.	
Conversion rate	25.7	17.5	8.2	
Return on sales	5.1	3.3	1.8	
International Staffing				
Revenue from services	\$ 258.9	\$ 284.7	(9.1) %	(1.5) %
Gross profit	34.6	39.1	(11.6)	(4.2)
Total SG&A expenses	31.3	34.1	(8.3)	(1.0)
Earnings from operations	3.3	5.0	(33.9)	
Gross profit rate	13.3 %	13.7 %	(0.4) pts.	
Conversion rate	9.5	12.7	(3.2)	
Return on sales	1.3	1.7	(0.4)	

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In millions of dollars)

	March 31, 2019	Dec. 30, 2018	April 1, 2018
Current Assets			
Cash and equivalents	\$ 30.9	\$ 35.3	\$ 36.6
Trade accounts receivable, less allowances of \$12.0, \$13.2, and \$14.3, respectively	1,283.1	1,293.3	1,290.7
Prepaid expenses and other current assets	86.2	71.9	70.4
Total current assets	1,400.2	1,400.5	1,397.7
Noncurrent Assets			
Property and equipment, net	155.5	86.3	84.3
Deferred taxes	204.6	198.7	187.8
Goodwill	127.8	107.3	107.3
Investment in Persol Holdings	147.2	135.1	265.2
Investment in equity affiliate	121.2	121.3	118.9
Other assets	315.7	265.2	275.4
Total noncurrent assets	1,072.0	913.9	1,038.9
Total Assets	\$ 2,472.2	\$ 2,314.4	\$ 2,436.6
Current Liabilities			
Short-term borrowings	\$ 74.2	\$ 2.2	\$ 33.4
Accounts payable and accrued liabilities	517.8	540.6	529.9
Accrued payroll and related taxes	292.1	266.0	283.1
Accrued workers' compensation and other claims	24.4	26.0	25.3
Income and other taxes	64.9	62.7	62.5
Total current liabilities	973.4	897.5	934.2
Noncurrent Liabilities			
Accrued workers' compensation and other claims	47.9	50.5	49.1
Accrued retirement benefits	176.0	162.9	178.7
Other long-term liabilities	97.1	44.0	83.3
Total noncurrent liabilities	321.0	257.4	311.1
Stockholders' Equity			
Common stock	40.1	40.1	40.1
Treasury stock	(21.9)	(26.0)	(27.9)
Paid-in capital	21.0	24.4	21.1
Earnings invested in the business	1,157.2	1,138.1	1,153.2
Accumulated other comprehensive income (loss)	(18.6)	(17.1)	4.8
Total stockholders' equity	1,177.8	1,159.5	1,191.3
Total Liabilities and Stockholders' Equity	\$ 2,472.2	\$ 2,314.4	\$ 2,436.6
STATISTICS:			
Working Capital	\$ 426.8	\$ 503.0	\$ 463.5
Current Ratio	1.4	1.6	1.5
Debt-to-capital %	5.9 %	0.2 %	2.7 %
Global Days Sales Outstanding	58	55	57
Year-to-Date Free Cash Flow	\$ 17.0	\$ 35.8	\$ (8.7)

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 13 WEEKS ENDED MARCH 31, 2019 AND APRIL 1, 2018
(UNAUDITED)
(In millions of dollars)

	2019	2018
Cash flows from operating activities:		
Net earnings	\$ 22.1	\$ 29.1
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation and amortization	7.6	6.3
Provision for bad debts	0.3	1.7
Stock-based compensation	3.2	2.5
Gain on investment in Persol Holdings	(13.2)	(23.7)
Equity in net earnings of PersolKelly Asia Pacific	0.4	(1.5)
Other, net	(0.4)	0.1
Changes in operating assets and liabilities, net of acquisitions	1.2	(18.6)
Net cash from (used in) operating activities	21.2	(4.1)
Cash flows from investing activities:		
Capital expenditures	(4.2)	(4.6)
Acquisition of companies, net of cash received	(86.4)	—
Other investing activities	0.3	(0.3)
Net cash used in investing activities	(90.3)	(4.9)
Cash flows from financing activities:		
Net change in short-term borrowings	72.0	23.2
Dividend payments	(3.0)	(2.9)
Payments of tax withholding for stock awards	(2.3)	(6.2)
Net cash from financing activities	66.7	14.1
Effect of exchange rates on cash, cash equivalents and restricted cash	(1.9)	(0.9)
Net change in cash, cash equivalents and restricted cash	(4.3)	4.2
Cash, cash equivalents and restricted cash at beginning of period	40.1	36.9
Cash, cash equivalents and restricted cash at end of period	\$ 35.8	\$ 41.1

KELLY SERVICES, INC. AND SUBSIDIARIES
REVENUE FROM SERVICES
(UNAUDITED)
(In millions of dollars)

First Quarter (Americas, International and GTS)

	<u>2019</u>	<u>2018</u>	<u>% Change</u>	<u>CC % Change</u>
Americas				
United States	\$ 1,018.9	\$ 974.7	4.5 %	4.5 %
Canada	33.0	33.6	(1.7)	3.4
Mexico	27.5	30.4	(9.6)	(7.2)
Puerto Rico	19.2	19.8	(3.4)	(3.4)
Brazil	8.5	9.5	(10.3)	4.4
Total Americas	<u>1,107.1</u>	<u>1,068.0</u>	3.7	4.0
EMEA				
France	64.3	71.9	(10.6)	(3.3)
Switzerland	49.5	49.7	(0.3)	4.8
Portugal	44.8	51.1	(12.4)	(5.1)
United Kingdom	26.2	29.0	(9.7)	(3.6)
Russia	25.4	26.1	(2.7)	12.7
Italy	20.6	20.5	0.4	8.7
Germany	11.1	16.4	(32.1)	(26.5)
Ireland	10.1	11.3	(10.4)	(3.1)
Other	18.0	20.8	(13.5)	(5.6)
Total EMEA	<u>270.0</u>	<u>296.8</u>	(9.0)	(1.5)
Total APAC	<u>5.5</u>	<u>5.1</u>	8.9	18.9
Total Kelly Services, Inc.	<u>\$ 1,382.6</u>	<u>\$ 1,369.9</u>	0.9 %	2.9 %

KELLY SERVICES, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP MEASURES
FIRST QUARTER
(UNAUDITED)
(In millions of dollars)

	2019				2018
	As Reported	Restructuring ⁽²⁾	Acquisitions ⁽³⁾	Adjusted	As Reported
Revenue from Services:					
Americas Staffing	\$ 626.5	\$ —	\$ (20.2)	\$ 606.3	\$ 604.3
Global Talent Solutions	501.0	—	(15.7)	485.3	485.8
International Staffing	258.9	—	—	258.9	284.7
Intersegment	(3.8)	—	—	(3.8)	(4.9)
Total Company	\$ 1,382.6	\$ —	\$ (35.9)	\$ 1,346.7	\$ 1,369.9

	2019				2018
	As Reported	Restructuring ⁽²⁾	Acquisitions ⁽³⁾	Adjusted	As Reported
Gross Profit:					
Americas Staffing	\$ 117.2	\$ —	\$ (6.2)	\$ 111.0	\$ 108.0
Global Talent Solutions	100.4	—	(2.9)	97.5	91.8
International Staffing	34.6	—	—	34.6	39.1
Intersegment	(0.6)	—	—	(0.6)	(0.7)
Total Company	\$ 251.6	\$ —	\$ (9.1)	\$ 242.5	\$ 238.2

	2019				2018
	As Reported	Restructuring ⁽²⁾	Acquisitions ⁽³⁾	Adjusted	As Reported
SG&A Expenses:					
Americas Staffing	\$ 101.2	\$ (6.3)	\$ (5.0)	\$ 89.9	\$ 91.9
Global Talent Solutions	74.7	—	(1.8)	72.9	75.8
International Staffing	31.3	—	—	31.3	34.1
Corporate	28.2	—	—	28.2	25.1
Intersegment	(0.6)	—	—	(0.6)	(0.7)
Total Company	\$ 234.8	\$ (6.3)	\$ (6.8)	\$ 221.7	\$ 226.2

	2019				2018
	As Reported	Restructuring ⁽²⁾	Acquisitions ⁽³⁾	Adjusted	As Reported
Earnings from Operations:					
Americas Staffing	\$ 16.0	\$ 6.3	\$ (1.2)	\$ 21.1	\$ 16.1
Global Talent Solutions	25.7	—	(1.1)	24.6	16.0
International Staffing	3.3	—	—	3.3	5.0
Corporate	(28.2)	—	—	(28.2)	(25.1)
Total Company	\$ 16.8	\$ 6.3	\$ (2.3)	\$ 20.8	\$ 12.0

KELLY SERVICES, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP MEASURES (continued)
(UNAUDITED)

(In millions of dollars except per share data)

	First Quarter	
	2019	2018
Income tax expense	\$ 6.4	\$ 6.4
Tax expense on investment in Persol Holdings ⁽¹⁾	(4.1)	(7.3)
Tax expense on restructuring charges ⁽²⁾	1.6	—
Tax expense on acquisitions ⁽³⁾	(0.6)	—
Adjusted income tax expense (benefit)	<u>\$ 3.3</u>	<u>\$ (0.9)</u>

	First Quarter	
	2019	2018
Net earnings	\$ 22.1	\$ 29.1
Gain on investment in Persol Holdings, net of taxes ⁽¹⁾	(9.1)	(16.4)
Restructuring charges, net of taxes ⁽²⁾	4.7	—
Net earnings from acquisitions ⁽³⁾	(1.7)	—
Adjusted net earnings	<u>\$ 16.0</u>	<u>\$ 12.7</u>

	First Quarter	
	Per Share	
	2019	2018
Net earnings	\$ 0.56	\$ 0.74
Gain on investment in Persol Holdings, net of taxes ⁽¹⁾	(0.23)	(0.42)
Restructuring charges, net of taxes ⁽²⁾	0.12	—
Acquisitions, net of taxes ⁽³⁾	(0.04)	—
Adjusted net earnings	<u>\$ 0.40</u>	<u>\$ 0.32</u>

Note: Earnings per share amounts for each quarter are required to be computed independently and may not equal the amounts computed for the total year.

KELLY SERVICES, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP MEASURES
(UNAUDITED)

Management believes that the non-GAAP (Generally Accepted Accounting Principles) information excluding the 2019 acquisitions, 2019 restructuring charges and the 2019 and 2018 gains on the investment in Persol Holdings are useful to understand the Company's fiscal 2019 financial performance and increases comparability. Specifically, Management believes that removing the impact of these items allows for a meaningful comparison of current period operating performance with the operating results of prior periods. Additionally, the Company does not acquire businesses on a predictable cycle and the terms of each acquisition are unique and may vary significantly. Management also believes that such measures are used by those analyzing performance of companies in the staffing industry to compare current performance to prior periods and to assess future performance.

These non-GAAP measures may have limitations as analytical tools because they exclude items which can have a material impact on cash flow and earnings per share. As a result, Management considers these measures, along with reported results, when it reviews and evaluates the Company's financial performance. Management believes that these measures provide greater transparency to investors and provide 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.

- (1) The gains on the investment in Persol Holdings represent the change in fair value of the investment during the period presented and the related tax expense.
- (2) Restructuring charges in 2019 represent severance costs primarily related to U.S. branch-based staffing operations.
- (3) NextGen and GTA were acquired on January 2, 2019, and were included in the reported results of operations of Americas Staffing and GTS segments, respectively, from the date of acquisition.



FIRST QUARTER 2019
WHAT'S **NEXT.**

KELLY®

FIRST QUARTER 2019 TAKEAWAYS

MODEST TOP-LINE GROWTH

Revenue up 0.9%;
Up 2.9% in constant
currency⁽¹⁾

DELIVERING SOLID PROFITS

Earnings from
Operations up 40.0% to
\$16.8 million – up more
than 70% on an
adjusted basis⁽²⁾

FOCUSING ON OUR FUTURE

Acquired NextGen and
GTA to expand in niche
engineering specialties
Aligning resources with
growth

⁽¹⁾Constant Currency represents year-over-year changes resulting from translating 2019 financial data into USD using 2018 exchange rates.

⁽²⁾Excludes 2019 results from the NextGen Global Resources, LLC (NextGen) and Global Technology Associates, LLC (GTA) acquisitions, which were acquired on January 2, 2019, and were included in the reported results of operations in Americas Staffing and GTS, respectively, from the date of acquisition. Also excludes \$6.3 million of restructuring charges, \$4.7 million net of tax or \$0.12 per share in Q1 2019.

KELLY
WHAT'S NEXT.

FIRST QUARTER 2019 FINANCIAL SUMMARY

	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change⁽¹⁾</u>
Revenue	\$1.4B	0.9%	2.9%
GP %	18.2%	80 bps	
Earnings from Operations	\$16.8M	40.0%	43.7%
ROS %	1.2%	30 bps	
EPS	\$0.56	(\$0.18)	

- Revenue growth reflects modest growth in Americas Staffing and Global Talent Solutions (GTS), including the acquisitions of NextGen and GTA, partially offset by lower revenue in International Staffing
- GP rate improves from the impact of higher margin acquisitions, structural improvement in product mix in GTS, and lower employee related costs in GTS and Americas Staffing, partially offset by the impact of unfavorable customer mix in International Staffing
- Earnings from Operations includes \$6.3M of restructuring charges, but improved as compared to last year due to a combination of modest revenue growth and a higher GP rate, which produced higher GP dollars, and expense control efforts delivered improving expense leverage
- EPS includes \$0.23 non-cash impact from gain on equity investment compared to a \$0.42 gain in Q1 2018

⁽¹⁾Constant Currency represents year-over-year changes resulting from translating 2019 financial data into USD using 2018 exchange rates.



FIRST QUARTER 2019 FINANCIAL SUMMARY

(Excluding Gain on investment in Persol Holdings, Acquisitions, and Restructuring)

	<u>Adjusted Results</u>	<u>Change</u>	<u>Constant Currency Change⁽⁴⁾</u>
Revenue ⁽¹⁾	\$1.3B	(1.7%)	0.3%
GP % ⁽¹⁾	18.0%	60 bps	
Earnings from Operations ^{(1),(2)}	\$20.8M	74.1%	77.8%
ROS % ^{(1),(2)}	1.6%	70 bps	
EPS ^{(1),(2),(3)}	\$0.40	\$0.08	

- Revenue growth in constant currency reflects modest growth in Americas Staffing and GTS in the face of a challenging environment in the U.S., partially offset by lower revenue in International Staffing
- GP rate improves on structural improvement in product mix in GTS and lower employee related costs in GTS and Americas Staffing, partially offset by the impact of customer mix in International Staffing
- Earnings from Operations improved as compared to last year due to a combination of modest revenue growth and a higher GP rate, which produced higher GP dollars, and expense control efforts delivered an improving expense leverage
- EPS improves as solid earnings are partially offset by a higher effective tax rate

⁽¹⁾Excludes 2019 results from the NextGen and GTA acquisitions, which were acquired on January 2, 2019, and were included in the reported results of operations in Americas Staffing and GTS, respectively, from the date of acquisition.

⁽²⁾Excludes \$6.3 million of restructuring charges, \$4.7 million net of tax or \$0.12 per share in Q1 2019.

⁽³⁾Excludes \$13.2 million gain on investment in Persol Holdings, \$9.1 million net of tax or \$0.23 per share in Q1 2019 and \$23.7 million gain on investment in Persol Holdings, \$16.4 million net of tax or \$0.42 per share in Q1 2018.

⁽⁴⁾Constant Currency represents year-over-year changes resulting from translating 2019 financial data into USD using 2018 exchange rates.



FIRST QUARTER 2019 EPS SUMMARY

\$ in millions except per share data

	First Quarter			
	2019		2018	
	Amount	Per Share	Amount	Per Share
Net earnings	\$ 22.1	\$ 0.56	\$ 29.1	\$ 0.74
Gain on investment in Persol Holdings, net of taxes ⁽¹⁾	(9.1)	(0.23)	(16.4)	(0.42)
Restructuring charges, net of taxes ⁽²⁾	4.7	0.12	-	-
Net earnings from acquisitions ⁽³⁾	(1.7)	(0.04)	-	-
Adjusted net earnings	<u>\$ 16.0</u>	<u>\$ 0.40</u>	<u>\$ 12.7</u>	<u>\$ 0.32</u>

- As adjusted, net earnings and EPS increased as improving earnings from operations are partially offset by higher income tax expense

⁽¹⁾Gain on investment in Persol Holdings of \$13.2 million, \$9.1 million net of tax or \$0.23 per share in Q1 2019 and gain on investment in Persol Holdings of \$23.7 million, \$16.4 million net of tax or \$0.42 per share in Q1 2018.

⁽²⁾Restructuring charges, net of taxes include \$6.3 million of restructuring charges, \$4.7 million net of tax or \$0.12 per share in Q1 2019.

⁽³⁾NextGen and GTA were acquired on January 2, 2019, and were included in the reported results of operations of Americas Staffing and GTS segments, respectively, from the date of acquisition.

KELLY
WHAT'S NEXT.

FIRST QUARTER 2019 ORGANIC REVENUE GROWTH

\$ in millions

	First Quarter					
	2019			2018		
	As Reported	Acquisitions ⁽¹⁾	Adjusted	As Reported	Change	Constant Currency Change ⁽²⁾
Americas Staffing	\$ 626.5	\$ (20.2)	\$ 606.3	\$ 604.3	0.3%	0.8%
Global Talent Solutions	501.0	(15.7)	485.3	485.8	(0.1%)	0.4%
International Staffing	258.9	-	258.9	284.7	(9.1%)	(1.5%)
Total Company	\$ 1,382.6	\$ (35.9)	\$ 1,346.7	\$ 1,369.9	(1.7%)	0.3%

- Americas Staffing revenue growth reflects growth in educational staffing, partially offset by modest declines in professional and technical specialties and office services
- GTS revenue growth is driven by growth in outcome-based services, partially offset by declines in centrally delivered staffing
- International Staffing reflects declines in Western Europe, partially offset by growth in Eastern Europe
- Total Company revenue growth rate was impacted unfavorably by approximately 60 bps from the 2018 divestitures of our healthcare and legal specialty practices, which is primarily reflected in GTS

⁽¹⁾Organic revenue growth in Q1 2019 excludes the impact of the NextGen and GTA acquisitions in the Americas Staffing and GTS segments, respectively.

⁽²⁾Constant Currency represent year-over-year changes resulting from translating 2019 financial data into USD using 2018 exchange rates.



FIRST QUARTER 2019 REVENUE GROWTH

Revenue Mix by Segment⁽¹⁾



Revenue Growth by Segment



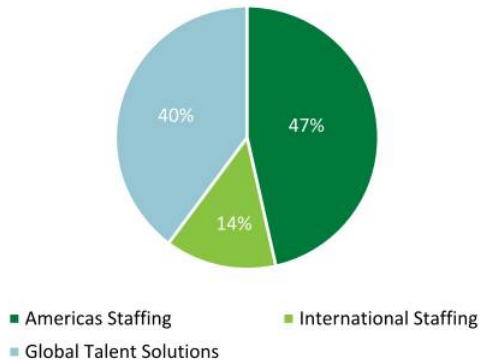
- Americas Staffing revenue growth includes the impact of the NextGen acquisition as well as growth in educational staffing, partially offset by modest declines in professional and technical specialties and office services
- GTS revenue growth includes the impact of the GTA acquisition in addition to growth in outcome-based services, partially offset by declines in centrally delivered staffing
- International Staffing reflects declines in Western Europe partially offset by growth in Eastern Europe

⁽¹⁾Revenue Mix by Segment includes the results from acquisitions.

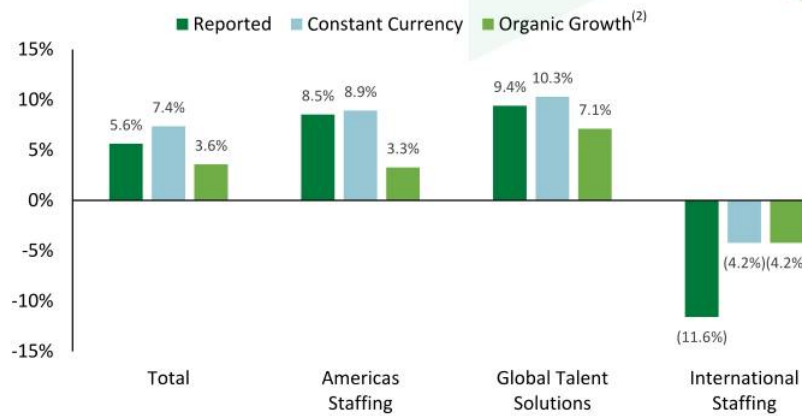
⁽²⁾Organic growth represents revenue growth excluding the results of acquisitions on a constant currency basis.

FIRST QUARTER 2019 GROSS PROFIT GROWTH

Gross Profit Mix by Segment ⁽¹⁾



Gross Profit Growth by Segment

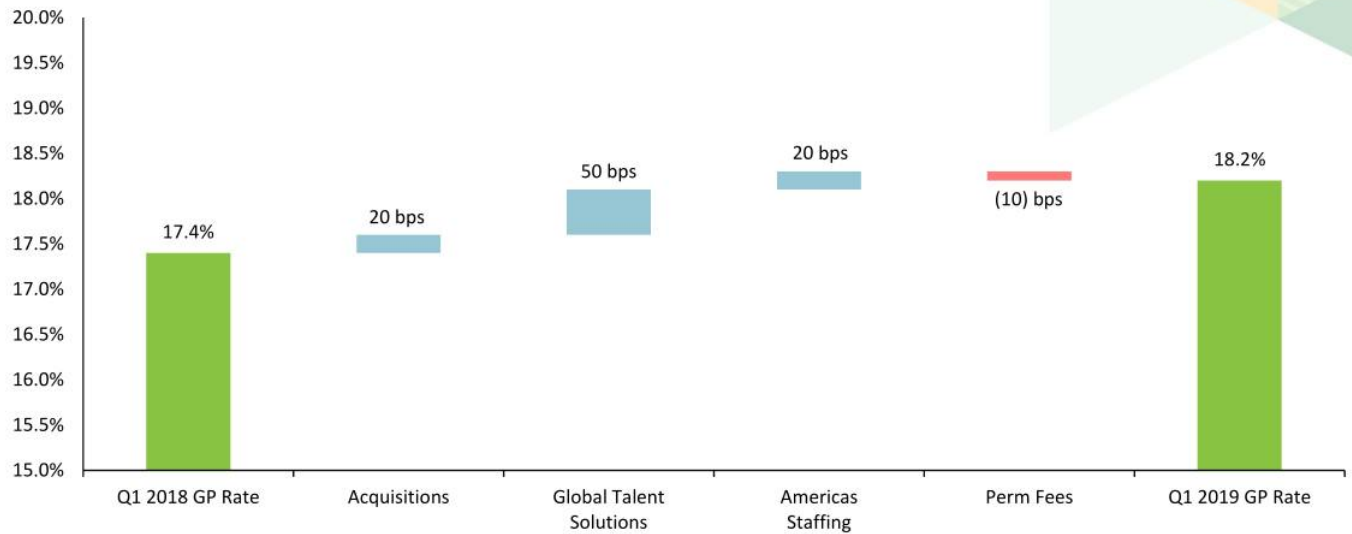


- Americas Staffing year over year comparisons reflects the impact of the NextGen acquisition and lower employee related costs
- GTS GP reflects the impact of the GTA acquisition, structural rate improvement from changes in product mix and lower employee related costs
- International Staffing reflects declines in GP rate related to customer mix and lower perm fees

⁽¹⁾Gross Profit Mix by Segment includes the results from acquisitions.

⁽²⁾Organic growth represents gross profit growth excluding the results of acquisitions on a constant currency basis.

FIRST QUARTER 2019 GROSS PROFIT RATE GROWTH



- The acquisitions of NextGen and GTA, higher margin specialty businesses, improve overall GP rate
- GTS GP reflects structural GP rate improvement from product mix and lower employee related costs
- Americas Staffing year-over-year comparisons reflects lower employee related costs

FIRST QUARTER 2019 SG&A

\$ in millions



- Acquisitions reflect the SG&A expenses of NextGen and GTA, acquired in January 2019
- Restructuring costs reflect severance expenses associated with the revitalization of our service delivery model in Americas Staffing
- Corporate expense primarily reflects higher performance based compensation and legal costs
- Americas Staffing expenses were down due to effective cost management
- GTS expense reflects lower performance based compensation and continued cost management

FIRST QUARTER 2019 CONVERSION RATE

\$ in millions



	2019			2018			Change (bps)
	Gross Profit	Earnings from Ops	Conversion Rate ⁽¹⁾	Gross Profit	Earnings from Ops	Conversion Rate ⁽¹⁾	
Americas Staffing	\$ 117.2	\$ 16.0	13.7%	\$ 108.0	\$ 16.1	14.9%	(120)
Global Talent Solutions	100.4	25.7	25.7%	91.8	16.0	17.5%	820
International Staffing	34.6	3.3	9.5%	39.1	5.0	12.7%	(320)
Total Company	\$ 251.6	\$ 16.8	6.7%	\$ 238.2	\$ 12.0	5.0%	170

- Americas Staffing conversion rate includes the impact of \$6.3M of restructuring expenses in Q1 2019
- GTS conversion rate reflects improving GP rate and effective cost management
- International Staffing conversion rate reflects declining GP, partially offset by effective cost management
- Total Company conversion rate improvement reflects solid execution, partially offset by \$6.3M of restructuring expenses in Q1 2019

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

FIRST QUARTER 2019 CONVERSION RATE

(Excluding Acquisitions and Restructuring)

\$ in millions



	2019			2018			Change (bps)
	Gross Profit ⁽¹⁾	Earnings from Ops ⁽¹⁾⁽²⁾	Conversion Rate ⁽³⁾	Gross Profit	Earnings from Ops	Conversion Rate ⁽³⁾	
Americas Staffing	\$ 111.0	\$ 21.1	19.1%	\$ 108.0	\$ 16.1	14.9%	420
Global Talent Solutions	97.5	24.6	25.3%	91.8	16.0	17.5%	780
International Staffing	34.6	3.3	9.5%	39.1	5.0	12.7%	(320)
Total Company	\$ 242.5	\$ 20.8	8.6%	\$ 238.2	\$ 12.0	5.0%	360

- Americas Staffing and GTS conversion rates reflect improving GP rate and effective cost management
- International Staffing conversion rate reflects declining GP partially offset by effective cost management
- Total Company conversion rate improvement reflects improving GP rates and solid cost management efforts in a slow revenue growth environment

⁽¹⁾Excludes 2019 results related to the NextGen and GTA acquisitions in Americas Staffing and GTS, respectively.

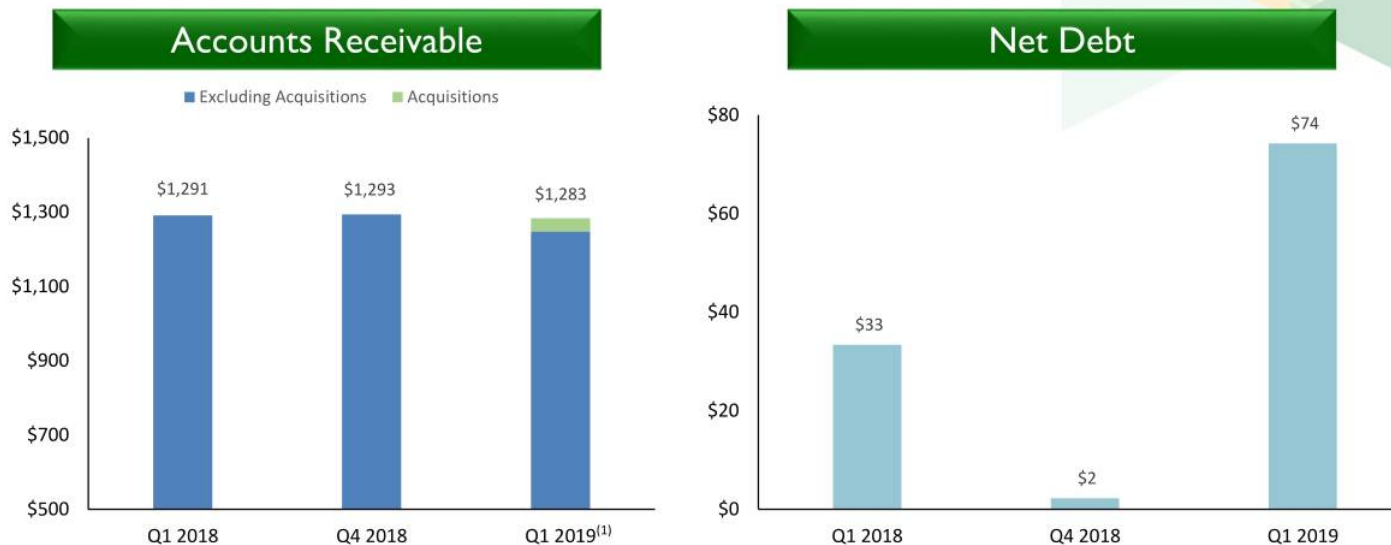
⁽²⁾Excludes \$6.3 million of restructuring charges in Q1 2019 in Americas Staffing.

⁽³⁾Conversion rate represents earnings from operations as a percent of gross profit, or return on gross profit.



FIRST QUARTER 2019 BALANCE SHEET DATA

\$ in millions



- Accounts Receivable reflects the impact of recent acquisitions. Including acquisitions, DSO is 58 days, up 1 day from a year ago and up 3 days from year end 2018, due in part to seasonal fluctuations
- Debt reflects borrowing on the Securitization Facility, which was used to fund the January 2019 NextGen and GTA acquisitions

⁽¹⁾Q1 2019 Accounts Receivable includes \$36 million of receivables related to acquisitions.

OUTLOOK – FULL YEAR 2019

- Reported Revenue from up 2.5% to 3.5% YOY
 - 100 basis point unfavorable impact due to currency
 - Includes inorganic growth from recent acquisitions
 - Expected that growth accelerates in the second half of the year as Americas Staffing delivery model changes take effect

- Gross profit rate up 30 bps to 50 bps
 - Includes acceleration expected from recent acquisitions

- SG&A up 3% to 4% YOY
 - Includes recent acquisitions and the impact of additional amortization of purchased intangible assets

- Effective income tax rate in the mid-teens

- Overall, conversion rate expected to improve

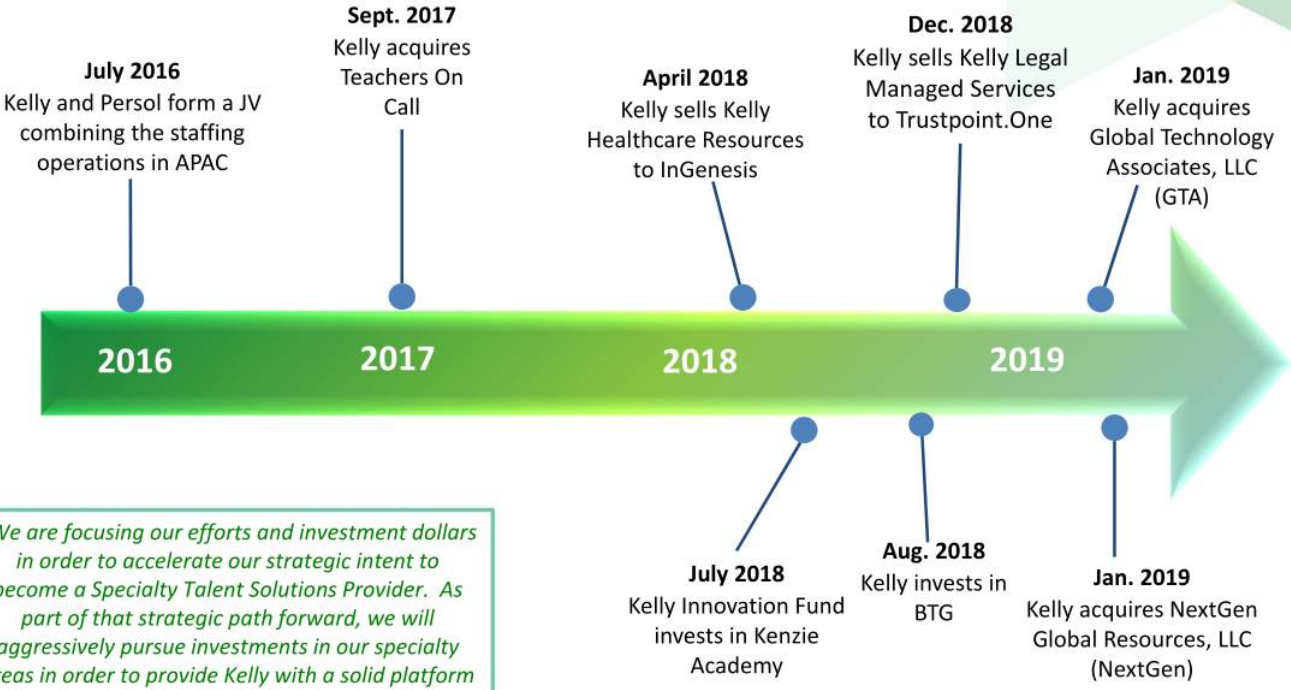
OUTLOOK – SECOND QUARTER 2019

- Reported Revenue from up 1.5% to 2.5% YOY
 - 100 basis point unfavorable impact due to currency
 - Includes inorganic growth from recent acquisitions

- Gross profit rate up 40 bps to 60 bps
 - Includes acceleration expected from recent acquisitions

- SG&A up 2% to 3% YOY
 - Includes recent acquisitions and the impact of additional amortization of purchased intangible assets

KELLY STRATEGIC M&A ACTIONS: 2016 - PRESENT



"We are focusing our efforts and investment dollars in order to accelerate our strategic intent to become a Specialty Talent Solutions Provider. As part of that strategic path forward, we will aggressively pursue investments in our specialty areas in order to provide Kelly with a solid platform for high-margin growth."

George Corona, President & CEO, Kelly Services



RECENT ACQUISITIONS NEXTGEN & GTA



- Leading provider of telecommunications, wireless, and connected technology staffing solutions to Fortune 500 companies
- Works side-by-side with clients, across the U.S. and in select global markets, to meet the staffing challenges of the ever-changing tech landscape



- Leading provider of engineering, technology, and business consulting solutions and services in the telecommunications industry
- Provides telecommunication network design, implementation, testing optimization, and software development services
- Couples high-value engineering, technology, and business consulting services with proprietary software products and solutions

NON-GAAP MEASURES

Management believes that the non-GAAP (Generally Accepted Accounting Principles) information excluding the 2019 acquisitions, 2019 restructuring charges and the 2019 and 2018 gain on the investment in Persol Holdings are useful to understand the Company's fiscal 2019 financial performance and increases comparability. Specifically, Management believes that removing the impact of these items allows for a meaningful comparison of current period operating performance with the operating results of prior periods. Additionally, the Company does not acquire businesses on a predictable cycle and the terms of each acquisition are unique and may vary significantly. Management also believes that such measures are used by those analyzing performance of companies in the staffing industry to compare current performance to prior periods and to assess future performance. These non-GAAP measures may have limitations as analytical tools because they exclude items which can have a material impact on cash flow and earnings per share. As a result, Management considers these measures, along with reported results, when it reviews and evaluates the Company's financial performance. Management believes that these measures provide greater transparency to investors and provide 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 May 6, 2019 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 the 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 realize value from our tax credit and net operating loss carryforwards, 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 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.

