



FOURTH QUARTER & FULL YEAR 2020
FEBRUARY 18, 2021



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, changing market and economic conditions, the recent novel coronavirus (COVID-19) outbreak, competitive market pressures including pricing and technology introductions and disruptions, disruption in the labor market and weakened demand for human capital resulting from technological advances, competition law risks, the impact of changes in laws and regulations (including federal, state and international tax laws), unexpected changes in claim trends on workers' compensation, unemployment, disability and medical benefit plans, or the risk of additional tax liabilities in excess of our estimates, our ability to achieve our business strategy, our ability to successfully develop new service offerings, 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, the risk of damage to our brand, our exposure to risks associated with services outside traditional staffing, including business process outsourcing, services of licensed professionals and services connecting talent to independent work, our increasing dependency on third parties for the execution of critical functions, our ability to effectively implement and manage our information technology strategy, the risks associated with past and future acquisitions, including risk of related impairment of goodwill and intangible assets, exposure to risks associated with investments in equity affiliates including PersolKelly Pte. Ltd., 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, our ability to sustain critical business applications through our key data centers, 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 cyberattacks or other breaches of network or information technology security, 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 undertake no duty to update any forward-looking statement to conform the statement to actual results or changes in the company's expectations.



NON-GAAP MEASURES

Management believes that the non-GAAP (Generally Accepted Accounting Principles) information excluding the 2020 goodwill impairment charge, the 2020 and 2019 gains and losses on the investment in Persol Holdings, the 2020 and 2019 gains on sale of assets, the 2020 customer dispute, the 2020 and 2019 restructuring charges and the 2019 asset impairment charge are useful to understand the Company's fiscal 2020 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. 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.



Our world of work
Is everywhere



RESPONSE TO COVID-19 PANDEMIC

We took necessary steps and defensive actions to position Kelly for future growth by establishing and embracing a clear set of crisis principles.

- The priority to protect the health and safety of our employees;
- maintain financial health of the Company; and
- support and serve our talent and customers without interruption.



FULL YEAR 2020 TAKEAWAYS

- Produced positive earnings each quarter of 2020
- Carefully managed liquidity, ending the year with solid cash position and available capacity to pursue targeted opportunities in our growth specialties
- Held gross profit margin steady from prior year
- Implemented new operating model around chosen specialties:
 - Science, Engineering & Technology
 - Education
 - Professional & Industrial
 - OCG
 - International



FOURTH QUARTER 2020 FINANCIAL SUMMARY

	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change⁽¹⁾</u>
Revenue	\$1.2B	(7.2%)	(7.8%)
Gross Profit %	18.1%	(20) bps	
Earnings from Operations	\$9.5M	(27.2%)	(24.4%)
Earnings Per Share	\$0.59	\$0.16	

- Revenue declined from the decrease in demand related to the COVID-19 pandemic. Temporary staffing declined 11%, which was partially offset by a 9% increase in outcome-based services. Permanent placement revenue also declined 19%
- GP rate declined on higher employee-related costs, unfavorable customer mix as the recovery of demand from large accounts with lower margins outpaced the recovery of small and medium-sized customers, lower permanent placement revenue partially offset by structural improvement in product mix
- The decline in earnings from operations is a result of the effect of lower revenues and gross profit, partially offset by reduced expenses from efforts to align costs with GP trends. 2020 results include a \$4.4 million restructuring charge, and 2019 results included a \$15.8 million asset impairment charge related to a technology development project
- Q4 2020 EPS reflects earnings that include a \$0.26 non-cash gain from the investment in Persol Holdings common stock, net of tax, partially offset by a \$0.08 restructuring charge. Q4 2019 EPS includes an after-tax asset impairment charge of \$0.30 related to a technology development project

⁽¹⁾Constant Currency represents year-over-year changes resulting from translating 2020 financial data into USD using 2019 exchange rates.

REVENUE TRENDS

Percent in Constant Currency⁽¹⁾

	Q4 2020	Adjusted Q4 2020 ⁽²⁾	December 2020 ⁽²⁾ (Exit Rates)
Total	(7.8%)	(12.1%)	(8.1%)
Professional & Industrial	(6.1%)	(11.0%)	(5.5%)
Science, Engineering & Technology	(5.3%)	(10.4%)	(8.0%)
Education	(32.9%)	(33.1%)	(27.8%)
Outsourcing & Consulting	6.6%	0.7%	1.4%
International	(6.1%)	(10.0%)	(7.4%)

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⁽²⁾2020 is a 53 week fiscal year, resulting in an additional week of operating results in our reported results for the month of December, the quarter and the year. The additional week is excluded from the notated Q4 2020 trends and December exit rates.

FOURTH QUARTER 2020 FINANCIAL SUMMARY

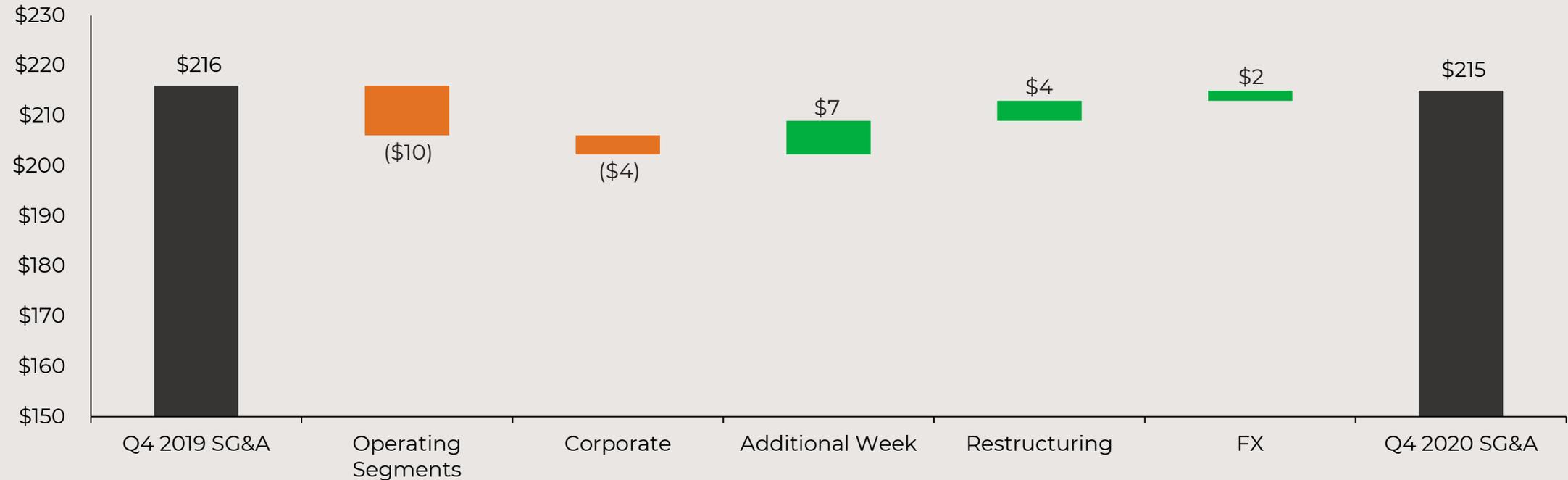
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FOURTH QUARTER 2020 SG&A

\$ in millions



- Expenses in the Operating Segments and Corporate decline as cost reduction actions, including actions resulting in the fourth quarter restructuring charge, resulted in lower salaries and related costs and lower incentive compensation expenses
- The additional week results from our fiscal calendar. 2020 is a 53 week fiscal year resulting in an additional week in the fourth quarter
- Restructuring expense, primarily severance and related costs, resulted from actions designed to achieve sustainable cost savings and align expenses with expected revenue levels

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FULL YEAR 2020 FINANCIAL SUMMARY

	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change⁽¹⁾</u>
Revenue	\$4.5B	(15.7%)	(15.5%)
Gross Profit %	18.3%	20 bps	
Earnings from Operations	(\$93.6M)	NM	NM
Earnings Per Share	(\$1.83)	(\$4.67)	

- Revenue declined in all segments from decrease in demand related to the COVID-19 pandemic. Temporary staffing declined 20%, which was partially offset by a 9% increase in outcome-based services. Permanent placement revenue also declined 34%
- GP rate includes 20 bps favorable impact from COVID-related wage subsidies. GP rate also impacted by lower employee-related costs and structural improvement in product mix which offset the impact of lower permanent placement revenue and unfavorable customer mix as the recovery of demand from large accounts with lower margins outpaced the recovery of small and medium-sized customers
- Loss from operations is a result of the effect of weakening revenues and gross profit, partially offset by reduced expenses from efforts to align costs with GP trends. 2020 results also included a \$147.7 million goodwill impairment charge, \$12.8 million of restructuring charges, and a \$9.5 million charge related to a customer dispute in Mexico that resulted in additional uncollectible accounts receivable charges, partially offset by a \$32.1 million gain on sale of assets
- 2020 EPS reflects lower earnings and includes \$3.17 goodwill impairment charge, net of tax, \$0.29 non-cash loss from the investment in Persol Holdings common stock, net of tax, \$0.24 of restructuring charges, net of tax, a \$0.17 non-cash charge related to a customer dispute in Mexico, net of tax, partially offset by \$0.61 gain on sale of assets, net of tax. 2019 EPS includes an after-tax gain of \$0.63 from the investment in Persol Holdings common stock and \$0.23 gain on sale of assets, net of tax, partially offset by \$0.30 of asset impairment charges, net of tax, and \$0.10 of restructuring charges, net of tax

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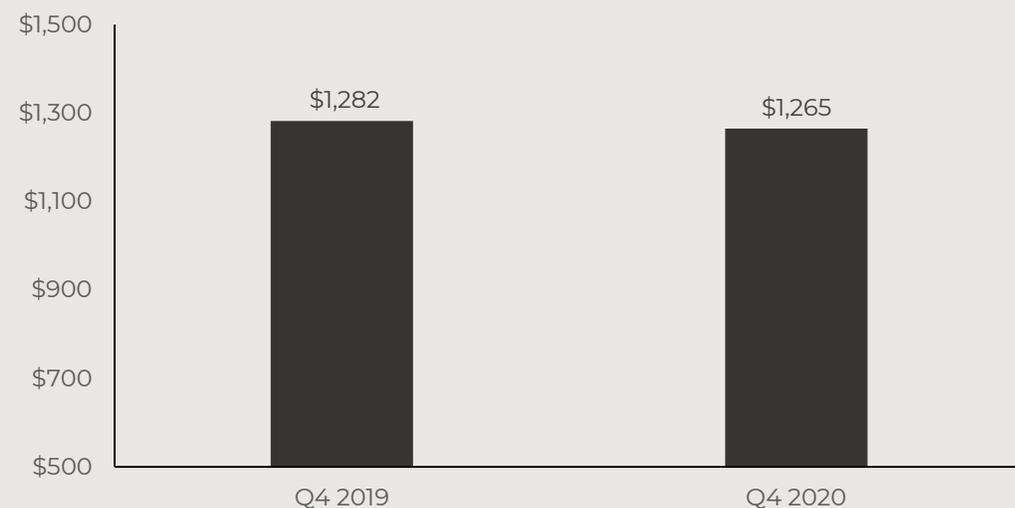
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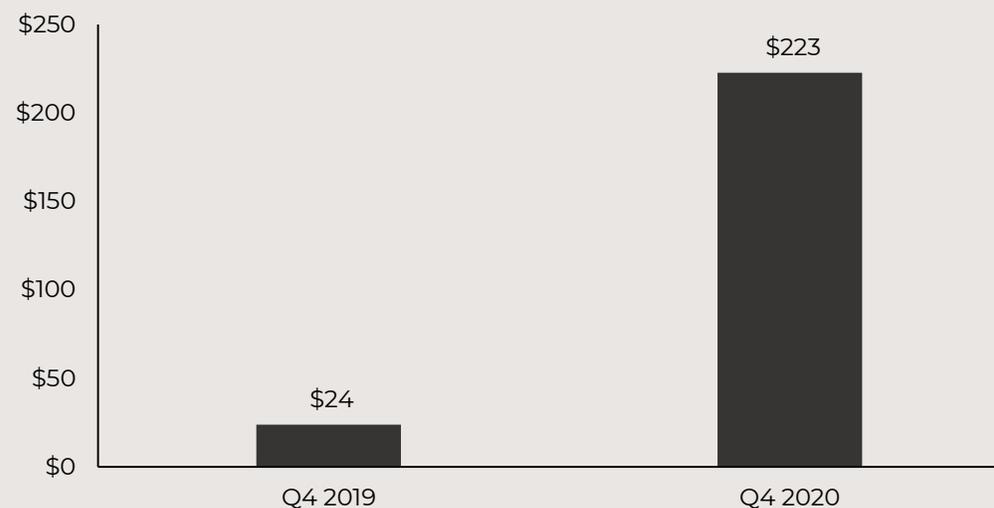
FOURTH QUARTER 2020 BALANCE SHEET DATA

\$ in millions

ACCOUNTS RECEIVABLE



CASH, NET OF SHORT-TERM BORROWINGS



- Accounts Receivable reflects DSO of 64 days, up 6 days from a year ago. The increase reflects the impact of customer cash management efforts and changes in customer mix resulting in a greater proportion of large customers with extended payment terms, as well as the impact of higher receivables caused by customer-driven administrative issues from a limited number of large customers
- Cash, net of short-term borrowings of \$223 million reflects the benefit of deferring \$117 million of payroll tax payments under the CARES Act, the reduction in working capital, primarily Accounts Receivable, as revenue declined as a result of COVID-19, partially offset by the unfavorable impact on Accounts Receivable from higher DSO
 - U.S. credit facilities include a \$200 million revolving credit facility and a \$150 million securitization facility

Investing in talent/
Putting people at the
heart of our growth



OUTLOOK – FULL YEAR 2021

Revenue

- Up 7 % to 11% YOY
 - Uncertainty of recovery results in wider range
 - Q1 revenue will reflect YOY decline as the pandemic impact began in mid-March 2020

GP Rate

- Margins expected to be consistent with pre-COVID levels at approximately 18%
 - Favorable impact of growth in higher margin specialties generally offset by 2021 recovery in lower-margin specialties impacted in 2020 by the COVID-19 related decline in demand
 - 2020 results favorably impact 20 bps from COVID related wage subsidies

SG&A

- Up 3% to 4.5%
 - Includes costs savings from 2020 and expected 2021 restructuring actions

Tax Rate

- Effective rate in the mid-teens
 - Includes impact of Work Opportunity Credit which was recently extended through 2025

FOURTH QUARTER 2020 TAKEWAYS

Recovery from the impact of the COVID-19 pandemic on demand for our services continues

- Q4 revenue down 7.2% on a reported basis, down 12.1% in constant currency and excluding the impact of additional week^{(1),(2)}
 - December exit rate down 8.1%^{(1),(2)}, reflecting gradual improvement over the quarter
- Demand increased in all operating segments and reflects a broad-based improvement from customers of all sizes

Near-term COVID-19 pandemic response

- Nearly all full-time employees continue to work remotely with an increasing focus on initiatives designed to bolster employee wellness
- Continuing robust return to work protocols, including assessing the impact of vaccine distribution, to protect the health and safety of all talent
- Began execution of restructuring actions designed for sustainable cost reductions replacing short-term expense mitigation actions

Continued focus on our future

- Advancing the Equity@Work initiative, we launched the Kelly Discover solution, an all-in-one engagement platform that connects organizations with neurodiverse, opportunity talent, and under-represented talent channels for full-time and contingent roles
- Acquired Greenwood/Asher & Associates, a specialty education executive search firm, to formally extend the reach of our Education solutions into the higher education space

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Connecting
people to work
in ways that
enrich their
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