

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): February 13, 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))

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 and year ended December 30, 2018. 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 February 13, 2019.
- 99.2 Presentation materials for February 13, 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.

February 13, 2019

KELLY SERVICES, INC.

/s/ Olivier G. Thiot
Olivier G. Thiot

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

February 13, 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 February 13, 2019
99.2	Presentation materials for February 13, 2019 conference call



For Immediate Release

**KELLY SERVICES® REPORTS
FOURTH QUARTER EARNINGS**

Financial Highlights

- **Q4 revenue down 0.5%; up 0.6% in constant currency**
- **Q4 operating earnings up 17% from last year**
- **Q4 earnings (loss) per share of \$(0.62), compared to \$0.45 last year or \$0.87 compared to \$0.80 on an adjusted basis**
- **Full year 2018 earnings from operations up 5% to \$87 million**

TROY, MI (February 13, 2019) -- Kelly Services (Nasdaq: [KELYA](#)) (Nasdaq: [KELYB](#)), a global leader in providing workforce solutions, today announced results for the fourth quarter of 2018.

George S. Corona, President and Chief Executive Officer, announced revenue for the fourth quarter of 2018 totaled \$1.4 billion, a 0.5% decrease, or an increase of 0.6% in constant currency, compared to the corresponding quarter of 2017.

Earnings from operations for the fourth quarter of 2018 totaled \$33.1 million, compared to the \$28.4 million reported for the fourth quarter of 2017.

Diluted losses per share in the fourth quarter of 2018 were \$0.62 compared to earnings per share of \$0.45 in the fourth quarter of 2017. Included in the loss per share in the fourth quarter of 2018 is the unfavorable impact of \$1.49 due to the non-cash after-tax loss on our investment in Persol Holdings common stock. Effective in 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 non-cash after-tax loss on Persol Holdings common stock, diluted earnings per share for the quarter were \$0.87. Earnings per share in the fourth quarter of 2017 were unfavorably impacted by the \$0.35 non-cash, tax charge resulting from the Tax Cuts and Job Act and were \$0.80 on an adjusted basis.

Diluted earnings per share for the full year of 2018 were \$0.58 compared to \$1.81 for 2017. Full-year earnings per share for 2018 were unfavorably impacted by the \$1.69 non-cash after tax loss on Persol Holdings common stock. 2017 earnings per share were unfavorably impacted by the \$0.35 non-cash income tax charge resulting from the Tax Cuts and Jobs Act and by the \$0.04 restructuring charge, net of tax. On an adjusted basis, diluted earnings per share were \$2.27 in 2018 compared to \$2.20 in 2017. The impact of these adjustments are more fully described in our included reconciliation of non-GAAP measures.

“The company delivered a good quarter and a solid year in a challenging labor market,” said Kelly Services President and Chief Executive Officer George S. Corona. “We are pleased with the flexibility and resourcefulness of our Kelly team members, and with the strategic investments we made in people, products and technology. We are optimistic about 2019, knowing these strategic investments will help us capitalize on the expanding specialty talent solutions markets, where there are abundant opportunities for growth and increased profitability.”

In conjunction with its fourth 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 February 13 to review the results and answer questions. The call may be accessed in one of the following ways:

Via the Internet:
[Kellyservices.com](http://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®

As a global leader in providing workforce solutions, Kelly Services, Inc. (Nasdaq: KELYA, KELYB) and its subsidiaries, offer a comprehensive array of [outsourcing and consulting](#) services as well as world-class [staffing](#) on a temporary, temporary-to-hire, and direct-hire basis. Kelly® directly employs more than 500,000 people around the world in addition to having a role in connecting thousands more with work through its global network of talent suppliers and partners. Revenue in 2018 was \$5.5 billion. Visit kellyservices.com and connect with us on [Facebook](#), [LinkedIn](#), and [Twitter](#).

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ANALYST CONTACT:

James Polehna
(248) 244-4586
james_polehna@kellyservices.com

MEDIA CONTACT:

Jane Stehney
(248) 574-9800
jane_stehney@kellyservices.com

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE 13 WEEKS ENDED DECEMBER 30, 2018 AND DECEMBER 31, 2017
(UNAUDITED)

(In millions of dollars except per share data)

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>	<u>CC % Change</u>
Revenue from services	\$ 1,414.7	\$ 1,422.3	\$ (7.6)	(0.5) %	0.6 %
Cost of services	1,160.3	1,159.3	1.0	0.1	
Gross profit	254.4	263.0	(8.6)	(3.3)	(2.3)
Selling, general and administrative expenses	221.3	234.6	(13.3)	(5.7)	(4.8)
Earnings from operations	33.1	28.4	4.7	16.7	
Loss on investment in Persol Holdings	(83.2)	—	(83.2)	(100.0)	
Other income, net	1.2	0.9	0.3	20.1	
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	(48.9)	29.3	(78.2)	NM	
Income tax (benefit) expense	(23.8)	12.7	(36.5)	(288.6)	
Net earnings (loss) before equity in net earnings (loss) of affiliate	(25.1)	16.6	(41.7)	NM	
Equity in net earnings (loss) of affiliate	1.2	1.1	0.1	10.8	
Net earnings (loss)	<u>\$ (23.9)</u>	<u>\$ 17.7</u>	<u>\$ (41.6)</u>	NM %	
Basic earnings (loss) per share	\$ (0.62)	\$ 0.46	\$ (1.08)	NM %	
Diluted earnings (loss) per share	\$ (0.62)	\$ 0.45	\$ (1.07)	NM %	

STATISTICS:					
Staffing fee-based income (included in revenue from services)	\$ 16.3	\$ 15.9	\$ 0.4	2.0 %	4.4 %
Gross profit rate	18.0 %	18.5 %	(0.5) pts.		
Conversion rate	13.0	10.8	2.2		
% Return:					
Earnings from operations	2.3	2.0	0.3		
Net earnings (loss)	(1.7)	1.2	(2.9)		
Effective income tax rate	48.8 %	43.2 %	5.6 pts.		
Average number of shares outstanding (millions):					
Basic	38.9	38.4			
Diluted	38.9	39.2			

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE 52 WEEKS ENDED DECEMBER 30, 2018 AND DECEMBER 31, 2017
(UNAUDITED)

(In millions of dollars except per share data)

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>	<u>CC % Change</u>
Revenue from services	\$ 5,513.9	\$ 5,374.4	\$ 139.5	2.6 %	2.2 %
Cost of services	<u>4,541.7</u>	<u>4,420.3</u>	<u>121.4</u>	2.7	
Gross profit	972.2	954.1	18.1	1.9	1.6
Selling, general and administrative expenses	<u>884.8</u>	<u>870.8</u>	<u>14.0</u>	1.6	1.4
Earnings from operations	87.4	83.3	4.1	5.0	
Loss on investment in Persol Holdings	(96.2)	—	(96.2)	(100.0)	
Other expense, net	<u>(0.6)</u>	<u>(1.6)</u>	<u>1.0</u>	58.7	
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	(9.4)	81.7	(91.1)	NM	
Income tax (benefit) expense	<u>(27.1)</u>	<u>12.8</u>	<u>(39.9)</u>	(312.1)	
Net earnings before equity in net earnings (loss) of affiliate	17.7	68.9	(51.2)	(74.2)	
Equity in net earnings (loss) of affiliate	<u>5.2</u>	<u>2.7</u>	<u>2.5</u>	92.1	
Net earnings	<u>\$ 22.9</u>	<u>\$ 71.6</u>	<u>\$ (48.7)</u>	(68.0) %	
Basic earnings per share	\$ 0.59	\$ 1.84	\$ (1.25)	(67.9) %	
Diluted earnings per share	\$ 0.58	\$ 1.81	\$ (1.23)	(68.0) %	

STATISTICS:

Staffing fee-based income (included in revenue from services)	\$ 68.6	\$ 57.3	\$ 11.3	19.6 %	19.0 %
Gross profit rate	17.6 %	17.8 %	(0.2) pts.		
Conversion rate	9.0	8.7	0.3		
% Return:					
Earnings from operations	1.6	1.5	0.1		
Net earnings	0.4	1.3	(0.9)		
Effective income tax rate	289.2 %	15.7 %	273.5 pts.		
Average number of shares outstanding (millions):					
Basic	38.8	38.3			
Diluted	39.1	39.0			

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

Fourth Quarter

	2018	2017	% Change	CC % Change
Americas Staffing				
Revenue from services	\$ 647.6	\$ 642.4	0.8 %	1.4 %
Gross profit	118.8	121.2	(2.0)	(1.5)
Total SG&A expenses	90.4	93.4	(3.3)	(2.8)
Earnings from operations	28.4	27.8	2.7	
Gross profit rate	18.3 %	18.9 %	(0.6) pts.	
Conversion rate	23.9	22.8	1.1	
Return on sales	4.4	4.3	0.1	
Global Talent Solutions				
Revenue from services	\$ 503.3	\$ 503.1	— %	0.3 %
Gross profit	99.3	101.5	(2.2)	(1.7)
Total SG&A expenses	72.5	75.9	(4.4)	(3.9)
Earnings from operations	26.8	25.6	4.4	
Gross profit rate	19.7 %	20.2 %	(0.5) pts.	
Conversion rate	27.0	25.3	1.7	
Return on sales	5.3	5.1	0.2	
International Staffing				
Revenue from services	\$ 268.1	\$ 282.2	(5.0) %	(1.4) %
Gross profit	36.9	41.0	(9.8)	(6.3)
Total SG&A expenses	33.1	35.4	(6.1)	(2.7)
Earnings from operations	3.8	5.6	(33.1)	
Gross profit rate	13.8 %	14.5 %	(0.7) pts.	
Conversion rate	10.2	13.8	(3.6)	
Return on sales	1.4	2.0	(0.6)	

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

December Year to Date

	2018	2017	% Change	CC % Change
Americas Staffing				
Revenue from services	\$ 2,417.7	\$ 2,345.9	3.1 %	3.4 %
Gross profit	441.3	429.1	2.9	3.1
SG&A expenses excluding restructuring charges	364.2	346.0	5.2	5.5
Restructuring charges	—	0.4	(100.0)	(100.0)
Total SG&A expenses	364.2	346.4	5.1	5.4
Earnings from operations	77.1	82.7	(6.7)	
Earnings from operations excluding restructuring charges	77.1	83.1	(7.1)	
Gross profit rate	18.3 %	18.3 %	— pts.	
Conversion rate	17.5	19.3	(1.8)	
Conversion rate excluding restructuring charges	17.5	19.3	(1.8)	
Return on sales	3.2	3.5	(0.3)	
Return on sales excluding restructuring charges	3.2	3.5	(0.3)	
Global Talent Solutions				
Revenue from services	\$ 1,997.4	\$ 1,998.9	(0.1) %	(0.1) %
Gross profit	381.1	373.7	2.0	1.8
SG&A expenses excluding restructuring charges	296.5	294.7	0.6	0.4
Restructuring charges	—	2.0	(100.0)	(100.0)
Total SG&A expenses	296.5	296.7	—	(0.2)
Earnings from operations	84.6	77.0	9.8	
Earnings from operations excluding restructuring charges	84.6	79.0	7.1	
Gross profit rate	19.1 %	18.7 %	0.4 pts.	
Conversion rate	22.2	20.6	1.6	
Conversion rate excluding restructuring charges	22.2	21.1	1.1	
Return on sales	4.2	3.9	0.3	
Return on sales excluding restructuring charges	4.2	4.0	0.2	
International Staffing				
Revenue from services	\$ 1,116.6	\$ 1,048.2	6.5 %	4.0 %
Gross profit	152.3	153.7	(0.9)	(3.2)
Total SG&A expenses	132.3	131.6	0.5	(1.4)
Earnings from operations	20.0	22.1	(9.5)	
Gross profit rate	13.6 %	14.7 %	(1.1) pts.	
Conversion rate	13.2	14.4	(1.2)	
Return on sales	1.8	2.1	(0.3)	

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

	Dec. 30, 2018	Dec. 31, 2017
Current Assets		
Cash and equivalents	\$ 35.3	\$ 32.5
Trade accounts receivable, less allowances of \$13.2 and \$12.9, respectively	1,293.3	1,286.7
Prepaid expenses and other current assets	71.9	65.1
Total current assets	1,400.5	1,384.3
Noncurrent Assets		
Property and equipment, net	86.3	86.1
Deferred taxes	198.7	183.4
Goodwill, net	107.3	107.1
Investment in Persol Holdings	135.1	228.1
Investment in equity affiliate	121.3	117.4
Other assets	265.2	271.8
Total noncurrent assets	913.9	993.9
Total Assets	\$ 2,314.4	\$ 2,378.2
Current Liabilities		
Short-term borrowings	\$ 2.2	\$ 10.2
Accounts payable and accrued liabilities	540.6	537.7
Accrued payroll and related taxes	266.0	287.4
Accrued workers' compensation and other claims	26.0	25.7
Income and other taxes	62.7	65.2
Total current liabilities	897.5	926.2
Noncurrent Liabilities		
Accrued workers' compensation and other claims	50.5	49.9
Accrued retirement benefits	162.9	178.1
Other long-term liabilities	44.0	72.5
Total noncurrent liabilities	257.4	300.5
Stockholders' Equity		
Common stock	40.1	40.1
Treasury stock	(26.0)	(35.2)
Paid-in capital	24.4	32.2
Earnings invested in the business	1,138.1	983.6
Accumulated other comprehensive income (loss)	(17.1)	130.8
Total stockholders' equity	1,159.5	1,151.5
Total Liabilities and Stockholders' Equity	\$ 2,314.4	\$ 2,378.2
Statistics:		
Working Capital	\$ 503.0	\$ 458.1
Current Ratio	1.6	1.5
Debt-to-capital %	0.2 %	0.9 %
Global Days Sales Outstanding	55	55
Year-to-Date Free Cash Flow	\$ 35.8	\$ 46.2

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 52 WEEKS ENDED DECEMBER 30, 2018 AND DECEMBER 31, 2017
(UNAUDITED)
(In millions of dollars)

	2018	2017
Cash flows from operating activities:		
Net earnings	\$ 22.9	\$ 71.6
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation and amortization	26.2	22.7
Provision for bad debts	3.0	5.6
Stock-based compensation	8.1	9.1
Loss on investment in Persol Holdings	96.2	—
Equity in net earnings of PersolKelly Asia Pacific	(5.2)	(2.7)
Other, net	(0.8)	0.2
Changes in operating assets and liabilities, net of acquisition	(89.0)	(35.7)
Net cash from operating activities	61.4	70.8
Cash flows from investing activities:		
Capital expenditures	(25.6)	(24.6)
Acquisition of company, net of cash received	—	(37.2)
Investment in equity securities	(5.0)	—
(Loan to) proceeds from repayment of loan to equity affiliate	(7.0)	0.6
Proceeds from company-owned life insurance	7.9	—
Other investing activities	(0.1)	0.2
Net cash used in investing activities	(29.8)	(61.0)
Cash flows from financing activities:		
Net change in short-term borrowings	(7.8)	10.1
Dividend payments	(11.8)	(11.6)
Payments of tax withholding for restricted shares	(6.9)	(1.8)
Other financing activities	—	(0.1)
Net cash used in financing activities	(26.5)	(3.4)
Effect of exchange rates on cash, cash equivalents and restricted cash	(1.9)	(3.8)
Net change in cash, cash equivalents and restricted cash	3.2	2.6
Cash, cash equivalents and restricted cash at beginning of year	36.9	34.3
Cash, cash equivalents and restricted cash at end of year	\$ 40.1	\$ 36.9

KELLY SERVICES, INC. AND SUBSIDIARIES

REVENUE FROM SERVICES

(UNAUDITED)

(In millions of dollars)

Fourth Quarter (Americas, International and GTS)

	2018	2017	% Change	CC % Change
Americas				
United States	\$ 1,031.6	\$ 1,027.8	0.4 %	0.4 %
Canada	34.8	34.5	1.2	5.1
Mexico	32.3	33.8	(4.4)	(0.1)
Puerto Rico	22.4	17.1	31.0	31.0
Brazil	8.6	10.3	(16.4)	1.5
Total Americas	<u>1,129.7</u>	<u>1,123.5</u>	0.6	1.0
EMEA				
France	66.2	75.0	(11.8)	(8.9)
Switzerland	56.4	55.6	1.2	2.2
Portugal	46.4	52.0	(10.7)	(7.8)
Russia	24.7	23.9	2.9	17.2
United Kingdom	23.2	24.4	(4.9)	(1.9)
Italy	19.4	16.6	16.6	20.4
Germany	12.1	16.6	(27.3)	(25.0)
Ireland	10.3	8.6	20.5	24.3
Norway	8.0	8.4	(4.0)	(0.7)
Other	13.0	13.0	0.4	4.5
Total EMEA	<u>279.7</u>	<u>294.1</u>	(4.9)	(1.4)
Total APAC	5.3	4.7	12.4	20.7
Total Kelly Services, Inc.	<u>\$ 1,414.7</u>	<u>\$ 1,422.3</u>	(0.5) %	0.6 %

KELLY SERVICES, INC. AND SUBSIDIARIES

REVENUE FROM SERVICES

(UNAUDITED)

(In millions of dollars)

December Year to Date (Americas, International and GTS)

	2018	2017	% Change	CC % Change
Americas				
United States	\$ 3,930.0	\$ 3,894.6	0.9 %	0.9 %
Canada	142.4	140.3	1.6	1.5
Mexico	125.0	118.8	5.2	7.5
Puerto Rico	96.6	68.3	41.5	41.5
Brazil	35.2	48.6	(27.6)	(18.6)
Total Americas	<u>4,329.2</u>	<u>4,270.6</u>	1.4	1.5
EMEA				
France	278.9	277.1	0.6	(3.7)
Switzerland	212.7	216.9	(2.0)	(2.4)
Portugal	196.9	176.0	11.9	6.9
United Kingdom	108.8	88.7	22.6	18.1
Russia	100.4	93.2	7.7	15.8
Italy	77.5	61.9	25.2	20.0
Germany	57.1	59.9	(4.7)	(9.3)
Ireland	44.6	32.0	39.5	33.4
Norway	34.4	33.3	3.3	1.8
Other	51.2	46.5	10.1	6.4
Total EMEA	<u>1,162.5</u>	<u>1,085.5</u>	7.1	4.5
Total APAC	22.2	18.3	21.4	24.3
Total Kelly Services, Inc.	<u>\$ 5,513.9</u>	<u>\$ 5,374.4</u>	2.6 %	2.2 %

KELLY SERVICES, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP MEASURES
FOR THE 13 AND 52 WEEKS ENDED DECEMBER 30, 2018 AND DECEMBER 31, 2017
(UNAUDITED)

(In millions of dollars except per share data)

	Fourth Quarter		December Year to Date	
	2018	2017	2018	2017
Earnings from operations	\$ 33.1	\$ 28.4	\$ 87.4	\$ 83.3
Restructuring charges (Note 3)	—	—	—	2.4
Adjusted earnings from operations	\$ 33.1	\$ 28.4	\$ 87.4	\$ 85.7

	Fourth Quarter		December Year to Date	
	2018	2017	2018	2017
Income tax (benefit) expense	\$ (23.8)	\$ 12.7	\$ (27.1)	\$ 12.8
Tax benefit on investment in Persol Holdings (Note 1)	25.4	—	29.4	—
2017 U.S. tax law change (Note 2)	—	(13.9)	—	(13.9)
Tax expense on restructuring charges (Note 3)	—	—	—	0.7
Adjusted income tax expense (benefit)	\$ 1.6	\$ (1.2)	\$ 2.3	\$ (0.4)

	Fourth Quarter		December Year to Date	
	2018	2017	2018	2017
Net earnings (loss)	\$ (23.9)	\$ 17.7	\$ 22.9	\$ 71.6
Loss on investment in Persol Holdings, net of taxes (Note 1)	57.8	—	66.8	—
2017 U.S. tax law change (Note 2)	—	13.9	—	13.9
Restructuring charges, net of taxes (Note 3)	—	—	—	1.7
Adjusted net earnings	\$ 33.9	\$ 31.6	\$ 89.7	\$ 87.2

	Fourth Quarter		December Year to Date	
	2018	2017	2018	2017
	Per Share		Per Share	
Net earnings (loss)	\$ (0.62)	\$ 0.45	\$ 0.58	\$ 1.81
Loss on investment in Persol Holdings, net of taxes (Note 1)	1.49	—	1.69	—
2017 U.S. tax law change (Note 2)	—	0.35	—	0.35
Restructuring charges, net of taxes (Note 3)	—	—	—	0.04
Adjusted net earnings	\$ 0.87	\$ 0.80	\$ 2.27	\$ 2.20

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 2018 loss on investment in Persol Holdings, the effect of the 2017 U.S. tax law change and the 2017 restructuring charges is useful to understand the Company's fiscal 2018 financial performance and increases comparability. Specifically, Management believes that removing the impact of these items allows for a more meaningful comparison of current period operating performance with the operating results of prior periods. 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 loss on the investment in Persol Holdings in 2018 represents the change in fair value of the investment during the period presented and the related tax benefit.
- (2) 2017 U.S. tax law change represents the impact of revaluing net deferred tax assets as a result of the U.S. Tax Cuts and Jobs Act.
- (3) Restructuring charges in 2017 represent costs related primarily to optimizing our GTS service delivery models to deliver expected cost savings.



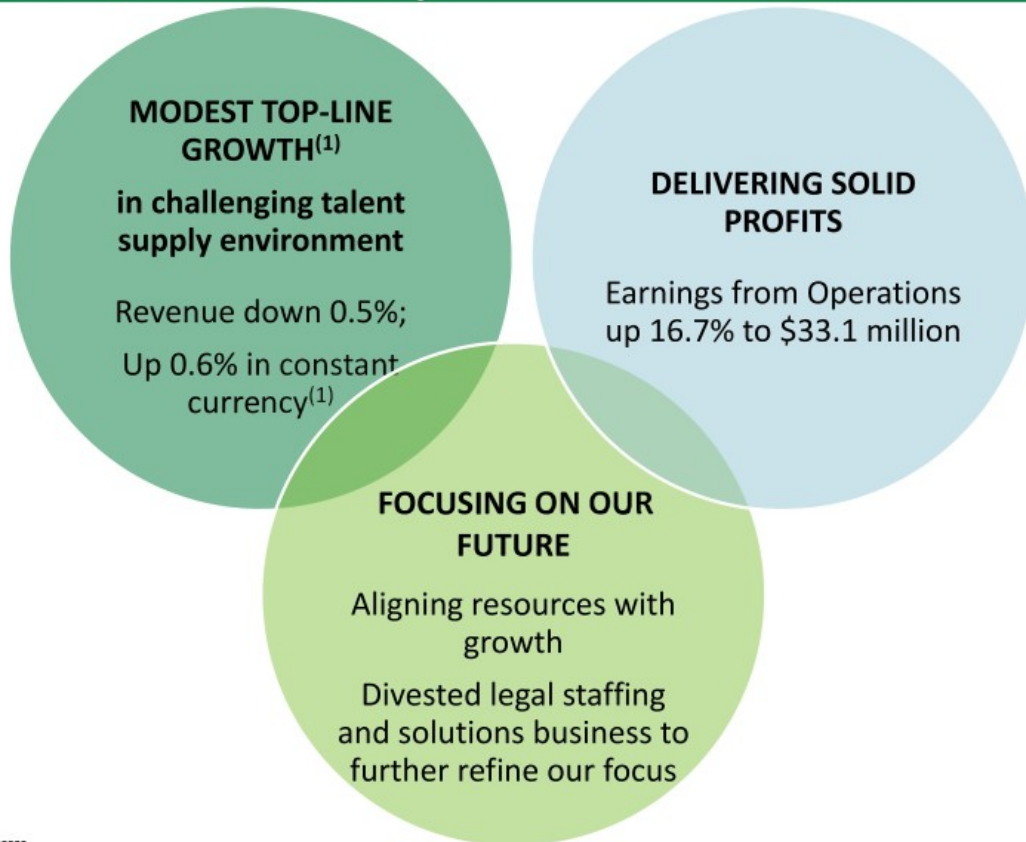
Fourth Quarter and Full Year 2018

February 13, 2019



CONNECTING PEOPLE.
ENRICHING LIVES.

Fourth Quarter Takeaways



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

Fourth Quarter 2018 Financial Summary

	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change⁽¹⁾</u>
Revenue	\$1.4B	(0.5%)	0.6%
GP %	18.0%	(50) bps	
Earnings from Operations	\$33.1M	16.7%	18.2%
ROS %	2.3%	30 bps	
EPS	(\$0.62)	(\$1.07)	

- Revenue growth in constant currency reflects modest growth in Americas Staffing and Global Talent Solutions (GTS) in the face of a challenging talent environment in the U.S., partially offset by lower revenue in International Staffing
- GP rate declines on higher employee related costs in Americas Staffing and GTS and the impact of customer mix in International Staffing partially offset by structural progress in GTS GP rates
- Earnings from operations is better than last year as lower performance based compensation and expense control efforts deliver an improving expense leverage
- EPS includes \$1.49 unfavorable non-cash impact from loss on equity investment due to adoption of a required accounting standard effective in Q1 2018

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

Fourth Quarter 2018 Financial Summary

(Excluding Loss on Investment in Persol Holdings and 2017 U.S. Tax Law Impact)

	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change⁽²⁾</u>
Revenue	\$1.4B	(0.5%)	0.6%
GP %	18.0%	(50) bps	
Earnings from Operations	\$33.1M	16.7%	18.2%
ROS %	2.3%	30 bps	
EPS ⁽¹⁾	\$0.87	\$ 0.07	

- Revenue growth in constant currency reflects modest growth in Americas Staffing and GTS in the face of a challenging talent environment in the U.S., partially offset by lower revenue in International Staffing
- GP rate declines on higher employee related costs in Americas Staffing and GTS and the impact of customer mix in International Staffing partially offset by structural progress in GTS GP rates
- Earnings from operations is better than last year as lower performance based compensation and expense control efforts deliver an improving expense leverage
- EPS improves as strong conversion rate improvements offset declines in GP

⁽¹⁾Change excludes:

- 2018 loss on investment in Persol Holdings of \$83.2 million, \$57.8 million net of income tax benefit or \$1.49 per share; and
- 2017 U.S. tax law change of \$13.9 million, or \$0.35 per share, represents the impact of revaluing net deferred tax assets.

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

Full Year 2018 Financial Summary

	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change⁽¹⁾</u>
Revenue	\$5.5B	2.6%	2.2%
GP %	17.6%	(20) bps	
Earnings from Operations	\$87.4M	5.0%	4.0%
ROS %	1.6%	10 bps	
EPS	\$0.58	(\$1.23)	

- Revenue increase reflects growth in Americas Staffing and International Staffing and flat results in GTS
- GP rate declines on higher employee related costs in Americas Staffing and GTS and the impact of customer mix in International Staffing partially offset by structural progress in GTS GP rates
- Earnings from operations is better than last year due to lower performance based compensation and expense control efforts
- EPS includes \$1.69 unfavorable non-cash impact from loss on equity investment due to adoption of a required accounting standard effective in Q1 2018

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

Full Year 2018 Financial Summary

(Excluding Loss on Investment in Persol Holdings, 2017 U.S. Tax Law Impact, and Restructuring)

	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change⁽²⁾</u>
Revenue	\$5.5B	2.6%	2.2%
GP %	17.6%	(20) bps	
Earnings from Operations	\$87.4M	2.1%	1.1%
ROS %	1.6%	-	
EPS ⁽¹⁾	\$2.27	\$ 0.07	

- Revenue increase reflects growth in Americas Staffing and International Staffing and flat results in GTS
- GP rate declines on higher employee related costs in Americas Staffing and GTS and the impact of customer mix in International Staffing partially offset by structural progress in GTS GP rates
- Earnings from operations is better than last year due to lower performance based compensation and expense control efforts
- EPS improves on modest top-line improvement

⁽¹⁾ Change excludes:

- 2018 loss on investment in Persol Holdings of \$96.2 million, \$66.8 million net of income tax benefit or \$1.69 per share;
- 2017 U.S. tax law change of \$13.9 million, or \$0.35 per share, represents the impact of revaluing net deferred tax assets; and
- 2017 restructuring charges of \$2.4 million, \$1.7 million net of tax, or \$0.04 per share in Q1 2017.

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

Fourth Quarter 2018 EPS Summary

\$ in Millions except per share data

	Fourth Quarter			
	2018		2017	
	Amount	Per Share	Amount	Per Share
Net earnings (loss)	\$ (23.9)	\$ (0.62)	\$ 17.7	\$ 0.45
Loss on investment in Persol Holdings, net of taxes ⁽¹⁾	57.8	1.49	-	-
2017 U.S. tax law change ⁽²⁾	-	-	13.9	0.35
Adjusted net earnings	<u>\$ 33.9</u>	<u>\$ 0.87</u>	<u>\$ 31.6</u>	<u>\$ 0.80</u>

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

⁽¹⁾Loss on investment in Persol Holdings of \$83.2 million, \$57.8 million net of tax expense or \$1.49 per share in Q4 2018.

⁽²⁾2017 U.S. tax law change of \$13.9 million, or \$0.35 per share, represents the impact of revaluing net deferred tax assets.

Full Year 2018 EPS Summary

\$ in Millions except per share data

	Full Year			
	2018		2017	
	Amount	Per Share	Amount	Per Share
Net earnings	\$ 22.9	\$ 0.58	\$ 71.6	\$ 1.81
Loss on investment in Persol Holdings, net of taxes ⁽¹⁾	66.8	1.69	-	-
2017 U.S. tax law change ⁽²⁾	-	-	13.9	0.35
Restructuring charges, net of taxes ⁽³⁾	-	-	1.7	0.04
Adjusted net earnings	<u>\$ 89.7</u>	<u>\$ 2.27</u>	<u>\$ 87.2</u>	<u>\$ 2.20</u>

- As adjusted, net earnings and EPS improve as improving earnings from operations and higher equity earnings in the PersolKelly APAC JV are partially offset by a higher income tax expense

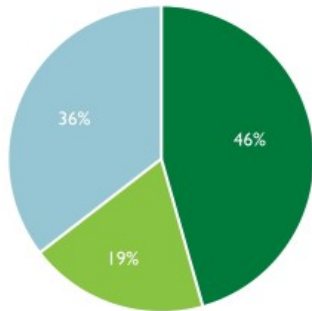
⁽¹⁾Loss on investment in Persol Holdings of \$96.2 million, \$66.8 million net of tax expense or \$1.69 per share in Q4 2018.

⁽²⁾2017 U.S. tax law change of \$13.9 million, or \$0.35 per share, represents the impact of revaluing net deferred tax assets.

⁽³⁾2017 restructuring charges of \$2.4 million, \$1.7 million net of tax, or \$0.04 per share in Q1 2017.

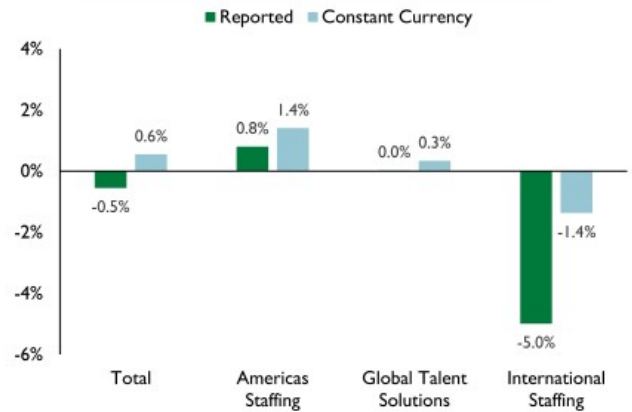
Fourth Quarter 2018 Revenue Growth

Revenue Mix by Segment



■ Americas Staffing ■ International Staffing ■ Global Talent Solutions

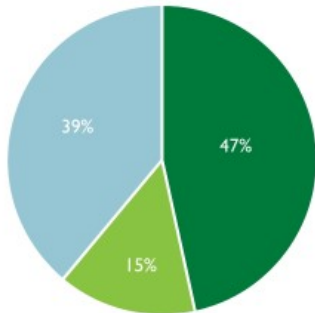
Revenue Growth by Segment



- Americas Staffing revenue reflects continuing growth in KES partially offset by declines in Commercial and PT specialties in the face of talent supply challenges in the U.S.
- GTS revenue reflects higher revenue in outsourced solutions offset by declines in centrally delivered staffing
- International Staffing revenue declined in Western Europe

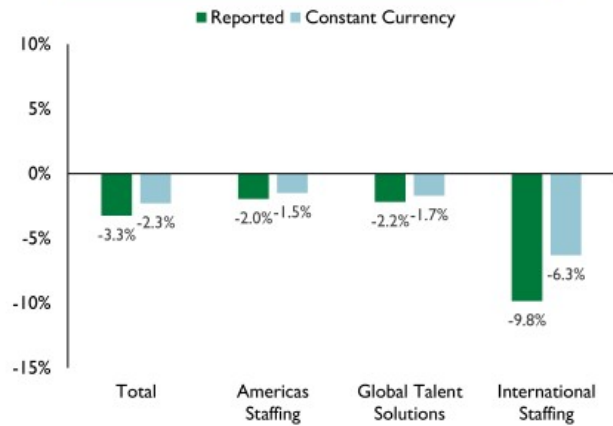
Fourth Quarter 2018 Gross Profit Growth

Gross Profit Mix by Segment



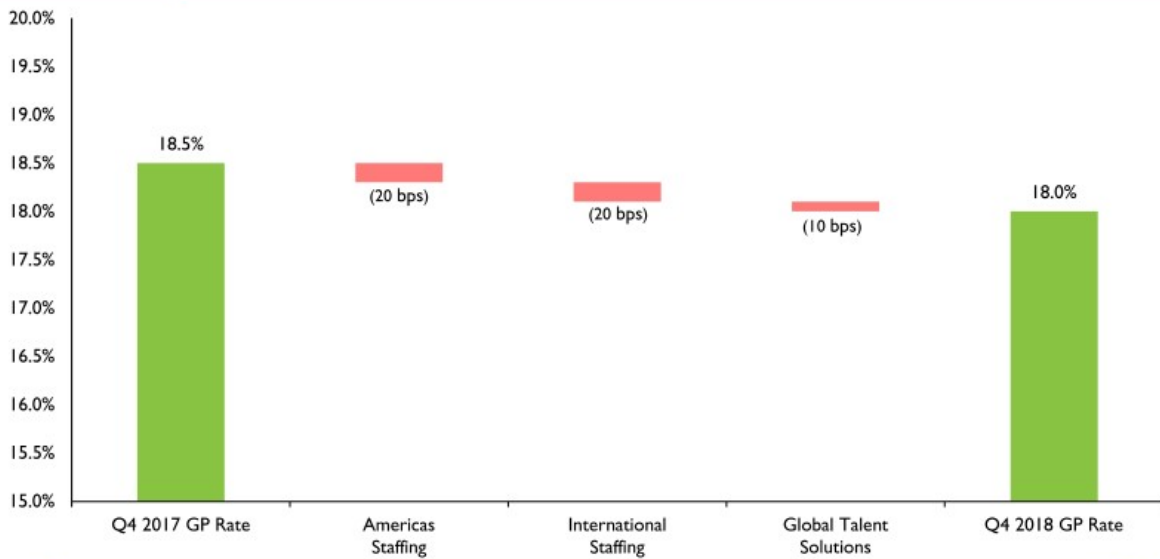
■ Americas Staffing ■ International Staffing ■ Global Talent Solutions

Gross Profit Growth by Segment



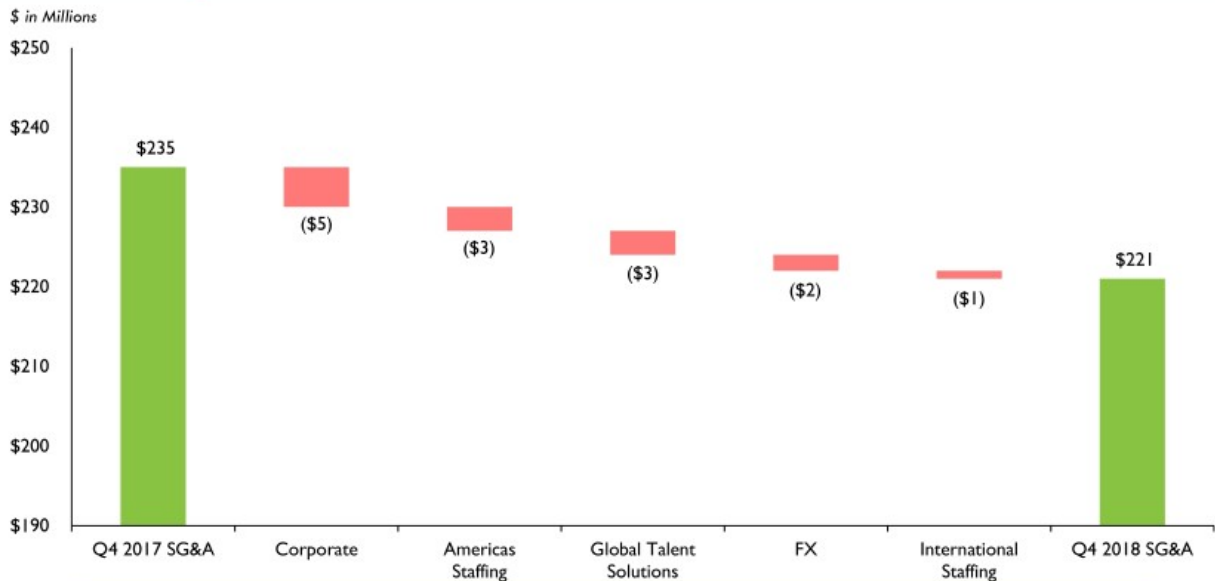
- Americas Staffing year over year comparisons reflects higher employee related costs and unfavorable customer mix
- GTS GP reflects higher employee related costs partially offset by structural rate improvement
- International Staffing reflects declines in GP rate related to customer mix, partially offset by higher perm fees

Fourth Quarter 2018 Gross Profit Rate



- Americas Staffing GP rate was negatively impacted by higher employee related costs and unfavorable customer mix
- International Staffing GP rate was negatively impacted by customer mix
- GTS GP rates reflects higher employee related costs partially offset by structural GP rate improvement from product mix
- Perm fees growth continued, although at a slower pace, and did not have an impact on the overall GP rate

Fourth Quarter 2018 SG&A



- Corporate expense decrease primarily reflects lower performance based compensation
- Americas Staffing expenses were down due to lower performance based compensation and effective cost management
- GTS expense reflects lower performance based compensation and continued cost management

Fourth 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	\$ 118.8	\$ 28.4	23.9%	\$ 121.2	\$ 27.8	22.8%	110
Global Talent Solutions	99.3	26.8	27.0%	101.5	25.6	25.3%	170
International Staffing	36.9	3.8	10.2%	41.0	5.6	13.8%	(360)
Total Company	\$ 254.4	\$ 33.1	13.0%	\$ 263.0	\$ 28.4	10.8%	220

- Americas Staffing and GTS conversion rate reflects slowing GP and effective cost management
- International Staffing conversion rate reflects declining GP partially offset by effective cost management
- Total Company conversion rate improvement reflects the impact of effective cost management, including lower performance based compensation, in response to GP declines

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

Full Year 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	\$ 441.3	\$ 77.1	17.5%	\$ 429.1	\$ 82.7	19.3%	(180)
Global Talent Solutions	381.1	84.6	22.2%	373.7	77.0	20.6%	160
International Staffing	152.3	20.0	13.2%	153.7	22.1	14.4%	(120)
Total Company	\$ 972.2	\$ 87.4	9.0%	\$ 954.1	\$ 83.3	8.7%	30

- Americas Staffing reflects the impact of higher expenses
- GTS conversion rate reflects modest GP growth and effective cost management
- International Staffing conversion rate reflects GP declines
- Total Company conversion rate improvement reflects effective cost management, including lower performance based compensation, in response to slow top line growth and modest GP rate declines. Also, total Company conversion rate includes a favorable impact of 2017 restructuring charges

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

Full Year 2018 Conversion Rate

(Excluding Restructuring)
\$ in Millions

	2018			2017			Change (bps)
	Gross Profit	Earnings from Ops	Conversion Rate ⁽¹⁾	Gross Profit	Earnings from Ops ⁽²⁾	Conversion Rate ⁽¹⁾	
Americas Staffing	\$ 441.3	\$ 77.1	17.5%	\$ 429.1	\$ 83.1	19.3%	(180)
Global Talent Solutions	381.1	84.6	22.2%	373.7	79.0	21.1%	110
International Staffing	152.3	20.0	13.2%	153.7	22.1	14.4%	(120)
Total Company	\$ 972.2	\$ 87.4	9.0%	\$ 954.1	\$ 85.7	9.0%	-

- Americas Staffing reflects the impact of higher expenses
- GTS conversion rate reflects modest GP growth and effective cost management
- International Staffing conversion rate reflects GP declines
- Total Company conversion rate is flat and reflects the impact of effective cost management, including lower performance based compensation, in response to slow top line growth and modest GP rate declines

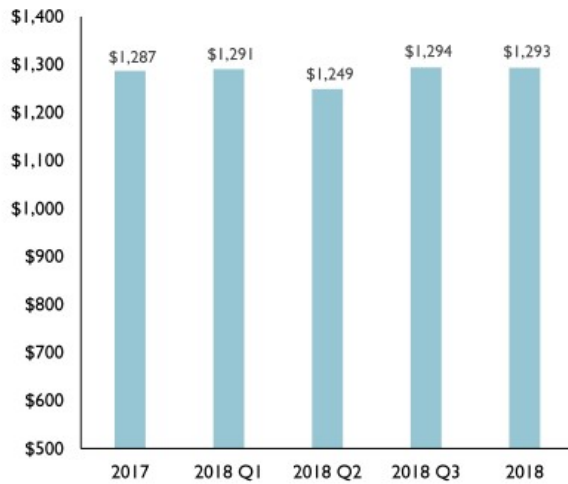
⁽¹⁾Conversion rate represents earnings from operations as a percent of gross profit, or return on gross profit.

⁽²⁾Excludes \$2.4 million of restructuring charges in Q1 2017.

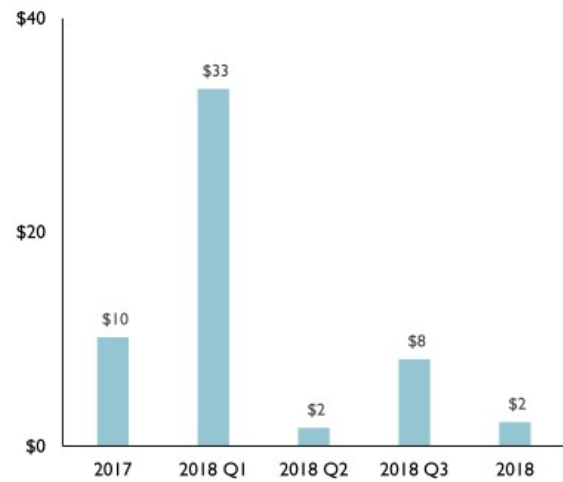
Fourth Quarter 2018 Balance Sheet Data

\$ in Millions

Accounts Receivable



Net Debt

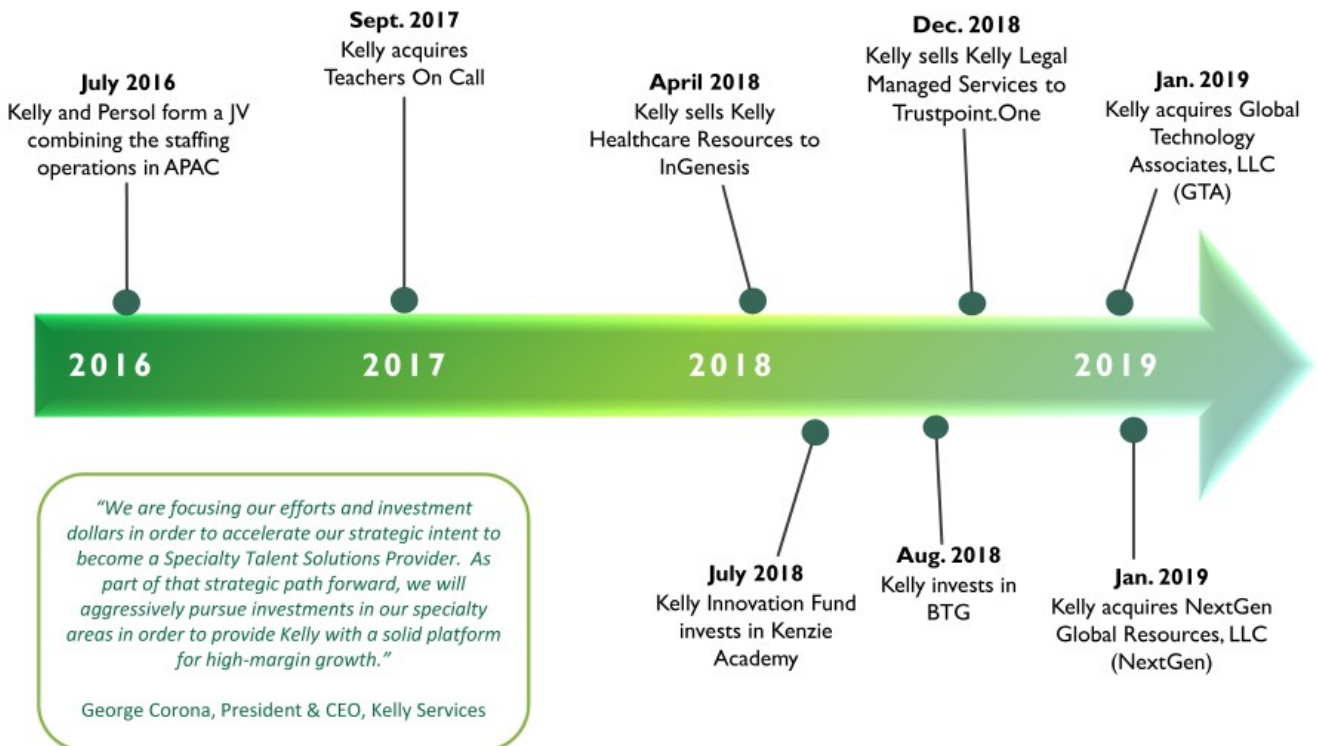


- DSO is in line with Q4 2017 and down from Q3 2018 due to seasonality
- Quarter end debt was \$2 million compared to \$10 million at year end

2019 Outlook – Full Year

- Reported Revenue from up 3.5% to 5.5% YOY
 - 50 basis point unfavorable impact due to currency
 - 50 basis points unfavorable impact from the sale of our legal staffing and solutions business at the end of 2018
 - Growth rates expected to improve progressively throughout the year
 - Includes inorganic growth from recent acquisitions expected to add 2-3% of revenue growth
- Gross profit rate up YOY
 - Includes acceleration expected from recent acquisitions
- SG&A up 4% to 6% YOY, including additional performance based incentive compensation and investment in technology and efficiency initiatives
 - Includes 2-3% of expense growth from recent acquisitions, including additional organic investment and amortization of purchased intangible assets
- Overall, conversion rate expected to improve

Kelly Strategic M&A Actions: 2016 - Present



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 telecommunication 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

Developments and Initiatives Driving Improvement



BUSINESS TALENT GROUP

- Acquired a minority equity interest in BTG, a U.S.-based marketplace that connects highly skilled independent talent to some of the world's largest businesses, in September 2018
- Aligns with Kelly's passion for empowering the future of independent work



- 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



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

Non-GAAP Measures

Management believes that the non-GAAP (Generally Accepted Accounting Principles) information excluding the 2018 loss on investment in Persol Holdings, the effect of the 2017 U.S. tax law change and the 2017 restructuring charges is useful to understand the Company's fiscal 2018 financial performance and increases comparability. Specifically, Management believes that removing the impact of these items allows for a more meaningful comparison of current period operating performance with the operating results of prior periods. 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 February 13, 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 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.

