

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 11, 2017

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

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(Address of principal executive offices)  
(Zip Code)

(248) 362-4444

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(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 ended April 2, 2017. 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 11, 2017.

99.2 Presentation materials for May 11, 2017 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 11, 2017

KELLY SERVICES, INC.

/s/ Olivier G. Thiro  
Olivier G. Thiro

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

May 11, 2017

/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 11, 2017
99.2	Presentation materials for May 11, 2017 conference call




**KELLY SERVICES® REPORTS  
FIRST QUARTER EARNINGS**

***Financial Highlights***

- Q1 revenue down 4%; up 3% adjusted for the APAC Joint Venture transaction in 2016
- Q1 operating earnings up 11%; up 83% adjusted for 2017 restructuring charges and the APAC Joint Venture transaction in 2016
- Q1 earnings per share of \$0.31 versus \$0.29 (Adjusted EPS of \$0.35 and \$0.19)

TROY, MI (May 11, 2017) -- Kelly Services (Nasdaq: [KELYA](#)) (Nasdaq: [KELYB](#)), a global leader in providing workforce solutions, today announced results for the first quarter 2017.

George S. Corona, President and Chief Executive Officer, announced revenue for the first quarter of 2017 totaled \$1.3 billion, a 4.4% decrease compared to the corresponding quarter of 2016. Revenue comparisons are unfavorably impacted by the transfer of APAC staffing operations to the TS Kelly Asia Pacific Joint Venture at the beginning of the third quarter of 2016.

Earnings from operations for the first quarter of 2017 totaled \$16.4 million, compared to \$14.7 million reported for the first quarter of 2016. Included in the results of operations in the first quarter of 2017 are restructuring charges of \$2.4 million. Excluding the restructuring charges in 2017 and excluding the APAC staffing operations from 2016, earnings from operations were \$18.8 million and \$10.2 million, respectively.

Diluted earnings per share in the first quarter of 2017 were \$0.31 compared to \$0.29 per share in the first quarter of 2016. Excluding restructuring charges, earnings per share were \$0.35 in the first quarter of 2017.

Reflecting on the first quarter, Corona stated, "It was a strong start to the year, and we're pleased with Kelly's performance. We returned to top-line growth, delivered healthy operating earnings in each of our segments, and provided solid returns for our shareholders." Commenting on the first quarter restructuring charges, Corona added, "Our operating structures are now fully aligned with how companies are choosing to access talent, and confirm our strategic approach to delivering accelerated growth."

Kelly also reported that on May 10, its board of directors declared a dividend of \$0.075 per share. The dividend is payable June 7, 2017 to shareholders of record as of the close of business on May 23, 2017.

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 11 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 TS Kelly Asia Pacific, material changes in demand from or loss of large corporate customers as well as changes in their buying practices, risks associated with conducting business in foreign countries, including foreign currency fluctuations, availability of full-time employees to lead complex talent supply chain sales and operations, 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 programs, our ability to maintain adequate financial and management processes and controls, impairment charges triggered by adverse industry developments or operational circumstances, unexpected changes in claim trends on workers' compensation, unemployment compensation, disability and medical benefit plans, the impact of changes in laws and regulations (including federal, state and international tax laws), the risk of additional tax or unclaimed property liabilities in excess of our estimates, our ability to maintain specified financial covenants in our bank facilities to continue to access credit markets, and other risks, uncertainties and factors discussed in this release and in the Company's filings with the Securities and Exchange Commission. Actual results may differ materially from any forward looking statements contained herein, and we have no intention to update these statements.

#### **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 nearly 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 2016 was \$5.3 billion. Visit [kellyservices.com](http://kellyservices.com) and connect with us on [Facebook](#), [LinkedIn](#), & [Twitter](#).

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**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
**FOR THE 13 WEEKS ENDED APRIL 2, 2017 AND APRIL 3, 2016**  
**(UNAUDITED)**

(In millions of dollars except per share data)

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>	<u>CC % Change</u>
<b>Revenue from services</b>	\$ 1,289.7	\$ 1,349.1	\$ (59.4)	(4.4) %	(4.2) %
Cost of services	1,058.1	1,116.4	(58.3)	(5.2)	
<b>Gross profit</b>	231.6	232.7	(1.1)	(0.5)	(0.3)
Selling, general and administrative expenses	215.2	218.0	(2.8)	(1.3)	(1.1)
<b>Earnings from operations</b>	16.4	14.7	1.7	11.2	
Other expense, net	(1.6)	(0.9)	(0.7)	(74.5)	
<b>Earnings before taxes and equity in net earnings (loss) of affiliate</b>	14.8	13.8	1.0	6.9	
Income tax expense	2.7	2.7	—	(0.1)	
<b>Net earnings before equity in net earnings (loss) of affiliate</b>	12.1	11.1	1.0	8.7	
Equity in net earnings (loss) of affiliate	0.1	0.1	—	(7.8)	
<b>Net earnings</b>	<u>\$ 12.2</u>	<u>\$ 11.2</u>	<u>\$ 1.0</u>	8.4 %	
<b>Basic earnings per share</b>	\$ 0.31	\$ 0.29	\$ 0.02	6.9 %	
<b>Diluted earnings per share</b>	\$ 0.31	\$ 0.29	\$ 0.02	6.9 %	

**STATISTICS:**

Staffing fee-based income (included in revenue from services)	\$ 13.5	\$ 16.5	\$ (3.0)	(18.7) %	(18.9) %
Gross profit rate	18.0 %	17.3 %	0.7 pts.		
Conversion rate	7.1	6.3	0.8		
<b>% Return:</b>					
Earnings from operations	1.3	1.1	0.2		
Net earnings	0.9	0.8	0.1		
Effective income tax rate	18.4 %	19.7 %	(1.3) pts.		
<b>Average shares outstanding (millions):</b>					
Basic	38.3	38.0			
Diluted	38.7	38.2			

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

	First Quarter			
	2017	2016	% Change	CC % Change
<b><u>AMERICAS STAFFING</u></b>				
Revenue from services	\$ 573.1	\$ 554.1	3.4 %	3.4 %
Gross profit	105.3	100.7	4.6	4.4
SG&A expenses excluding restructuring charges	83.7	83.6	0.1	0.1
Restructuring charges	0.4	—	NM	NM
Total SG&A expenses	84.1	83.6	0.5	0.5
Earnings from operations	21.2	17.1	24.3	
Earnings from operations excluding restructuring charges	21.6	17.1	26.4	
Gross profit rate	18.4 %	18.2 %	0.2 pts.	
Conversion rate	20.1	16.9	3.2	
Conversion rate excluding restructuring charges	20.5	16.9	3.6	
Return on sales	3.7	3.1	0.6	
Return on sales excluding restructuring charges	3.8	3.1	0.7	
<b><u>GLOBAL TALENT SOLUTIONS</u></b>				
Revenue from services	\$ 487.3	\$ 490.9	(0.7) %	(0.8) %
Gross profit	90.5	85.3	6.1	6.2
SG&A expenses excluding restructuring charges	73.2	71.6	2.2	2.4
Restructuring charges	2.0	—	NM	NM
Total SG&A expenses	75.2	71.6	5.0	5.2
Earnings from operations	15.3	13.7	11.6	
Earnings from operations excluding restructuring charges	17.3	13.7	26.2	
Gross profit rate	18.6 %	17.4 %	1.2 pts.	
Conversion rate	16.9	16.0	0.9	
Conversion rate excluding restructuring charges	19.1	16.0	3.1	
Return on sales	3.1	2.8	0.3	
Return on sales excluding restructuring charges	3.5	2.8	0.7	
<b><u>INTERNATIONAL STAFFING</u></b>				
Revenue from services	\$ 233.6	\$ 309.0	(24.4) %	(23.2) %
Gross profit	36.4	47.8	(23.9)	(22.6)
Total SG&A expenses	31.2	41.2	(24.2)	(23.3)
Earnings from operations	5.2	6.6	(21.7)	
Gross profit rate	15.6 %	15.5 %	0.1 pts.	
Conversion rate	14.4	14.0	0.4	
Return on sales	2.2	2.2	—	



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

	April 2, 2017	Jan. 1, 2017	April 3, 2016
<b>Current Assets</b>			
Cash and equivalents	\$ 46.0	\$ 29.6	\$ 46.4
Trade accounts receivable, less allowances of \$11.9, \$12.5 and \$11.6, respectively	1,164.6	1,138.3	1,168.8
Prepaid expenses and other current assets	59.0	46.7	53.0
<b>Total current assets</b>	<b>1,269.6</b>	<b>1,214.6</b>	<b>1,268.2</b>
<b>Noncurrent Assets</b>			
Property and equipment, net	79.0	80.8	85.7
Deferred taxes	183.5	180.1	193.6
Goodwill	88.4	88.4	90.3
Investment in equity affiliate	114.9	114.8	9.5
Other assets	399.7	349.4	331.1
<b>Total noncurrent assets</b>	<b>865.5</b>	<b>813.5</b>	<b>710.2</b>
<b>Total Assets</b>	<b>\$ 2,135.1</b>	<b>\$ 2,028.1</b>	<b>\$ 1,978.4</b>
<b>Current Liabilities</b>			
Short-term borrowings	\$ —	\$ —	\$ 39.3
Accounts payable and accrued liabilities	471.9	455.1	437.4
Accrued payroll and related taxes	276.5	241.5	277.6
Accrued insurance	22.3	23.4	27.0
Income and other taxes	54.7	51.1	57.8
<b>Total current liabilities</b>	<b>825.4</b>	<b>771.1</b>	<b>839.1</b>
<b>Noncurrent Liabilities</b>			
Accrued insurance	43.3	45.5	40.5
Accrued retirement benefits	164.3	157.4	145.2
Other long-term liabilities	52.4	42.1	42.8
<b>Total noncurrent liabilities</b>	<b>260.0</b>	<b>245.0</b>	<b>228.5</b>
<b>Stockholders' Equity</b>			
Common stock	40.1	40.1	40.1
Treasury stock	(38.1)	(39.0)	(43.7)
Paid-in capital	31.5	28.6	27.4
Earnings invested in the business	932.9	923.6	822.8
Accumulated other comprehensive income	83.3	58.7	64.2
<b>Total stockholders' equity</b>	<b>1,049.7</b>	<b>1,012.0</b>	<b>910.8</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 2,135.1</b>	<b>\$ 2,028.1</b>	<b>\$ 1,978.4</b>

**STATISTICS:**

Working Capital	\$ 444.2	\$ 443.5	\$ 429.1
Current Ratio	1.5	1.6	1.5
Debt-to-capital %	— %	— %	4.1 %
Global Days Sales Outstanding	55	53	55
Year-to-Date Free Cash Flow	\$ 21.5	\$ 24.7	\$ 18.7

**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE 13 WEEKS ENDED APRIL 2, 2017 AND APRIL 3, 2016**  
**(UNAUDITED)**  
(In millions of dollars)

	2017	2016
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 12.2	\$ 11.2
Noncash adjustments:		
Depreciation and amortization	5.3	5.6
Provision for bad debts	1.5	1.7
Stock-based compensation	3.9	2.7
Other, net	(0.2)	(0.1)
Changes in operating assets and liabilities	1.6	(0.9)
<b>Net cash from operating activities</b>	<b>24.3</b>	<b>20.2</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(2.8)	(1.5)
Other investing activities	(0.1)	(0.3)
<b>Net cash used in investing activities</b>	<b>(2.9)</b>	<b>(1.8)</b>
<b>Cash flows from financing activities:</b>		
Net change in short-term borrowings	—	(16.4)
Dividend payments	(2.9)	(1.9)
Other financing activities	(0.1)	—
<b>Net cash used in financing activities</b>	<b>(3.0)</b>	<b>(18.3)</b>
<b>Effect of exchange rates on cash and equivalents</b>	<b>(2.0)</b>	<b>4.1</b>
<b>Net change in cash and equivalents</b>	<b>16.4</b>	<b>4.2</b>
<b>Cash and equivalents at beginning of period</b>	<b>29.6</b>	<b>42.2</b>
<b>Cash and equivalents at end of period</b>	<b>\$ 46.0</b>	<b>\$ 46.4</b>

KELLY SERVICES, INC. AND SUBSIDIARIES

REVENUE FROM SERVICES

(UNAUDITED)

(In millions of dollars)

First Quarter (Americas, International and GTS)

	2017	2016	% Change	CC % Change
<b>Americas</b>				
United States	\$ 955.6	\$ 934.7	2.2 %	2.2 %
Canada	34.1	34.5	(1.3)	(4.6)
Mexico	23.8	26.6	(10.3)	0.7
Puerto Rico	17.7	22.5	(21.4)	(21.4)
Brazil	13.3	10.0	33.5	8.5
<b>Total Americas</b>	<u>1,044.5</u>	<u>1,028.3</u>	1.6	1.5
<b>EMEA</b>				
France	60.8	56.5	7.6	11.6
Switzerland	48.3	46.6	3.6	4.9
Portugal	36.3	33.7	7.8	11.9
Russia	22.8	14.0	63.0	29.2
United Kingdom	20.2	23.6	(14.4)	(1.2)
Italy	13.7	13.4	2.1	6.1
Germany	13.2	15.4	(14.8)	(11.6)
Ireland	7.7	5.0	55.7	61.5
Norway	7.6	7.6	0.5	(1.5)
Other	10.4	8.7	19.6	23.8
<b>Total EMEA</b>	<u>241.0</u>	<u>224.5</u>	7.3	9.2
<b>Total APAC</b>	<u>4.2</u>	<u>96.3</u>	(95.6)	(95.7)
<b>Total Kelly Services, Inc.</b>	<u>\$ 1,289.7</u>	<u>\$ 1,349.1</u>	(4.4) %	(4.2) %

**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF NON-GAAP MEASURES**  
**FOR THE 13 WEEKS ENDED APRIL 2, 2017 AND APRIL 3, 2016**  
**(UNAUDITED)**

(In millions of dollars except per share data)

	First Quarter	
	2017	2016
Revenue from services	\$ 1,289.7	\$ 1,349.1
Disposal of APAC businesses (Note 1)	—	(92.7)
Adjusted revenue from services	<u>\$ 1,289.7</u>	<u>\$ 1,256.4</u>

	First Quarter	
	2017	2016
Gross profit	\$ 231.6	\$ 232.7
Disposal of APAC businesses (Note 1)	—	(16.3)
Adjusted gross profit	<u>\$ 231.6</u>	<u>\$ 216.4</u>

	First Quarter	
	2017	2016
Earnings from operations	\$ 16.4	\$ 14.7
Disposal of APAC businesses (Note 1)	—	(4.5)
Restructuring charges (Note 2)	2.4	—
Adjusted earnings from operations	<u>\$ 18.8</u>	<u>\$ 10.2</u>

	First Quarter			
	2017		2016	
	Amount	Per Share	Amount	Per Share
Net earnings	\$ 12.2	\$ 0.31	\$ 11.2	\$ 0.29
Disposal of APAC businesses, net of taxes (Note 1)	—	—	(3.7)	(0.09)
Restructuring charges, net of taxes (Note 2)	1.7	0.04	—	—
Adjusted net earnings	<u>\$ 13.9</u>	<u>\$ 0.35</u>	<u>\$ 7.5</u>	<u>\$ 0.19</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 2017 restructuring charges and 2016 disposal of APAC businesses is useful to understand the Company's fiscal 2017 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) Disposal of APAC businesses represents the first quarter 2016 operational results of businesses contributed to TS Kelly Asia Pacific in the third quarter of 2016.
- (2) Restructuring charges in 2017 represent costs related primarily to optimizing our GTS service delivery models to deliver expected cost savings.



# Kelly Services, Inc. First Quarter

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May 11, 2017

**KELLY**  
SERVICES

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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, changing market and economic conditions, our ability to achieve our business strategy, the risk of damage to our brand, the risk our intellectual 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, material changes in demand from or loss of large corporate customers, risks associated with conducting business in foreign countries, including foreign currency fluctuations, availability of full-time employees to lead complex talent supply chain sales and operations, availability of temporary workers with appropriate skills required by customers, liabilities for employment-related claims and losses, including class action lawsuits and collective actions, the risk of cyber attacks or other breaches of network or information technology security as well as risks associated with compliance on data privacy, our ability to sustain critical business applications through our key data centers, our ability to effectively implement and manage our information technology programs, our ability to maintain adequate financial and management processes and controls, impairment charges triggered by adverse industry developments or operational circumstances, unexpected changes in claim trends on workers' compensation, disability and medical benefit plans, the impact of the Patient Protection and Affordable Care Act on our business, the impact of changes in laws and regulations (including federal, state and international tax laws), the risk of additional tax or unclaimed property liabilities in excess of our estimates, our ability to maintain specified financial covenants in our bank facilities to continue to access credit markets, and other risks, uncertainties and factors discussed in this release and in the Company's filings with the Securities and Exchange Commission. Actual results may differ materially from any forward looking statements contained herein, and we have no intention to update these statements.

## First Quarter 2017 Highlights

(YOY Comparisons)



- Total revenue declined 4%
  - Excluding APAC results in 2016, total revenue increased 3%
- Gross profit down 1%
  - Excluding APAC results in 2016, gross profit up 7%
- Earnings from operations of \$16.4 million, up 11% YOY
  - Includes \$2.4 million of restructuring expenses
  - Excluding restructuring expenses in 2017 and APAC results in 2016, earnings from operations up more than 80% YOY
- Diluted earnings per share of \$0.31, up \$0.02
  - Excluding restructuring expenses in 2017 and APAC staffing results in 2016, diluted earnings per share up \$0.16



	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change<sup>(1)</sup></u>
Revenue	\$1.3B	(4.4)%	(4.2)%
GP %	18.0%	70 bps	
Earnings from Operations	\$16.4M	11.2%	11.8%
ROS %	1.3%	20 bps	
EPS	\$0.31	\$0.02	

- Results reflect the deconsolidation of APAC at the beginning of Q3 2016 and \$2.4 million of restructuring expenses in the first quarter of 2017
- Continued GP rate improvement, partially driven by one-time items
- Earnings from operations increased by 11% including the impact of the \$2.4 million of restructuring expenses

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<sup>(1)</sup>Constant Currency represent year-over-year changes resulting from translating 2017 financial data into USD using 2016 exchange rates.

# First Quarter 2017 Financial Summary

(Excluding APAC & Restructuring)



	Actual Results	Change <sup>(1)</sup>	Constant Currency Change <sup>(2)</sup>
Revenue	\$1.3B	2.6%	2.9%
GP %	18.0%	80 bps	
Earnings from Operations	\$18.8M	82.6%	83.6%
ROS %	1.5%	70 bps	
EPS	\$ 0.35	\$ 0.16	

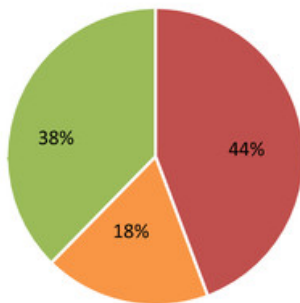
- Revenue growth reflects the growth in our staffing business in the Americas and International, partially offset by a slight decline in GTS revenue
- Earnings from operations increased more than 80% and improved in all three operating segments
- EPS growth reflects improving top-line growth, GP rate improvement, and expense control

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<sup>(1)</sup> Excludes 2016 results from APAC related to the deconsolidation, and \$2.4 million of restructuring charges, \$1.7 million net of tax or \$0.04 per share in Q1 2017.

<sup>(2)</sup> Constant Currency represent year-over-year changes resulting from translating 2017 financial data into USD using 2016 exchange rates.

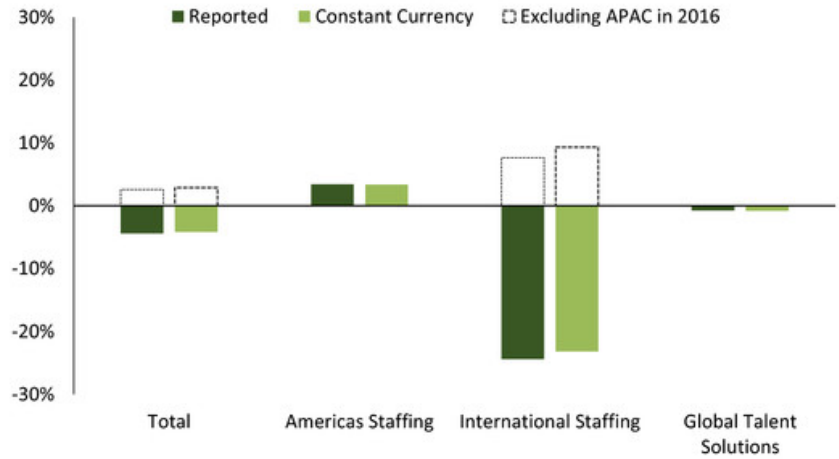
# First Quarter 2017 Revenue Growth

Business Mix



■ Americas Staffing ■ International Staffing ■ Global Talent Solutions

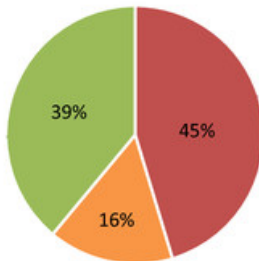
YoY Growth



- Americas staffing revenues reflect a return to top-line growth
- International staffing is impacted by the deconsolidation of APAC staffing at the end of 2016. Excluding APAC staffing, the segment grew revenue at 8%

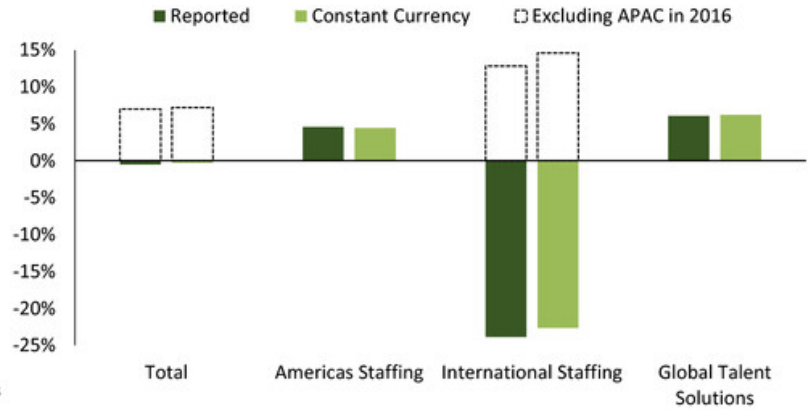
# First Quarter 2017 Gross Profit Growth

Business Mix



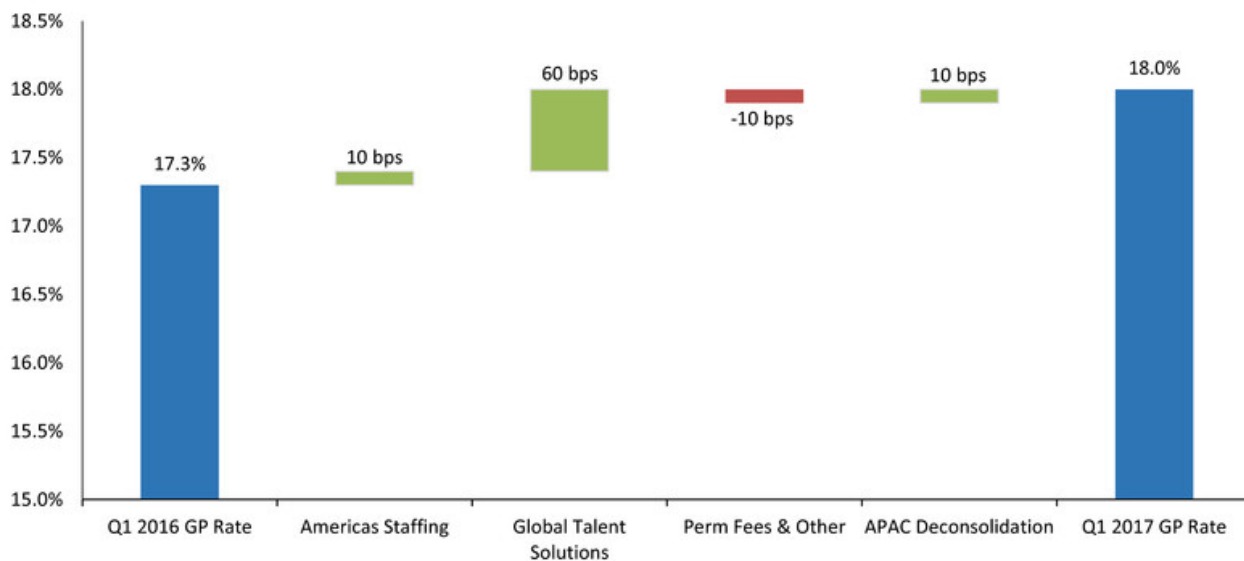
■ Americas Staffing ■ International Staffing ■ Global Talent Solutions

YoY Growth



- Americas staffing GP reflects top-line growth, coupled with a 20 basis point GP rate improvement
- International staffing reflects the impact of the deconsolidation of the APAC staffing business. Excluding the impact, GP grew 13%
- GTS GP growth reflects strong GP rate improvement on flat revenue

# First Quarter 2017 Gross Profit Rate



- Overall GP rate up due to the favorable impact related to improving GP rate in GTS and Americas Staffing as well as the APAC deconsolidation, partially offset by lower perm fees
- GTS GP rate improvement due to a favorable business and customer mix, as well as, a decrease in workers' compensation and other employee-related costs

# First Quarter 2017 SG&A

\$ in Millions



- International staffing reflects the deconsolidation of our APAC business upon closing the APAC JV transaction in the third quarter of 2016
- Corporate expenses reflect higher performance-based compensation expenses
- Restructuring expenses primarily relate to costs to optimize the GTS delivery model
- GTS expense growth results from increasing salary expenses as well as costs related to additional sales resources

# First Quarter 2017 Conversion Rate



\$ in Millions

	2017			2016			Change (bps)
	Gross Profit	Earnings from Ops	Conversion Rate <sup>(1)</sup>	Gross Profit	Earnings from Ops	Conversion Rate <sup>(1)</sup>	
Americas Staffing	\$ 105.3	\$ 21.2	20.1%	\$ 100.7	\$ 17.1	16.9%	320
Global Talent Solutions	90.5	15.3	16.9%	85.3	13.7	16.0%	90
International Staffing	36.4	5.2	14.4%	47.8	6.6	14.0%	40
<b>Total Company</b>	<b>\$ 231.6</b>	<b>\$ 16.4</b>	<b>7.1%</b>	<b>\$ 232.7</b>	<b>\$ 14.7</b>	<b>6.3%</b>	<b>80</b>

- APAC results are no longer included in the international staffing or total Company's gross profit or earnings from operations upon closing of the APAC JV transaction at the beginning of the third quarter of 2016

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

# First Quarter 2017 Conversion Rate

(Excluding APAC & Restructuring)



\$ in Millions

	2017			2016			Change (bps)
	Gross Profit	Earnings from Ops	Conversion Rate <sup>(2)</sup>	Gross Profit <sup>(1)</sup>	Earnings from Ops <sup>(1)</sup>	Conversion Rate <sup>(2)</sup>	
Americas Staffing	\$ 105.3	\$ 21.6	20.5%	\$ 100.7	\$ 17.1	16.9%	360
Global Talent Solutions	90.5	17.3	19.1%	84.6	13.7	16.2%	290
International Staffing	36.4	5.2	14.4%	32.3	2.2	6.9%	750
<b>Total Company</b>	<b>\$ 231.6</b>	<b>\$ 18.8</b>	<b>8.1%</b>	<b>\$ 216.4</b>	<b>\$ 10.2</b>	<b>4.7%</b>	<b>340</b>

- Conversion rate improved in all business segments
- Overall Q1 conversion rate improved year-over-year to 8.1% (excluding restructuring expenses), and was up 340 bps from the prior year.

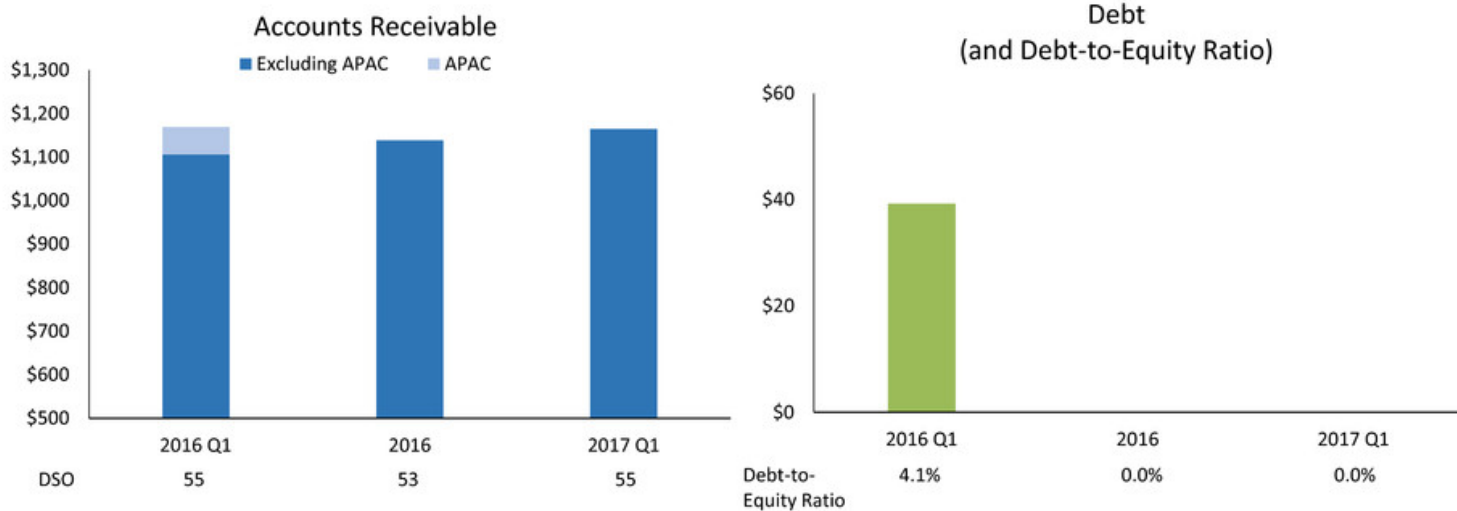
<sup>(1)</sup> Excludes 2016 results from APAC related to the deconsolidation, and \$2.4 million of restructuring charges in Q1 2017.

<sup>(2)</sup> Conversion rate represents earnings from operations as a percent of gross profit, or return on gross profit.



# First Quarter 2017 Balance Sheet Data

\$ in Millions



- DSO is flat versus the same period last year and up sequentially due to seasonal fluctuations
- Continue to operate debt free

- Revenue down 3.5% to 4.5% YOY
  - Excluding the impact of the APAC results in 2016, revenue up 2.5% to 3.5%
- Gross profit rate up YOY, but down sequentially
- SG&A down 3.5% to 4.5% YOY
  - Excluding APAC results in 2016, SG&A up 2.5% to 3.5%

- Revenue down 1% to flat YOY
  - No significant foreign exchange impact expected
  - Excluding the impact of the APAC results in the first half of 2016, revenue up 3.0% to 4.0%
- Gross profit rate up YOY
- SG&A down 1% to flat YOY
  - Excluding APAC results in the first half of 2016, SG&A up 3.0% to 4.0%
- Annual tax rate in mid-20% range, including impact of Work Opportunity Credits

**APPENDIX:**  
**TS KELLY ASIA PACIFIC JOINT VENTURE**

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- Joint Venture capitalizes on the strong reputation of Kelly Services as a leading talent provider in the region and on Temp Holdings' regional presence
  - Provides accelerated growth opportunities, larger workforce solutions presence, and enhanced competitive positioning
  - Expands on 14-year strategic partnership between Kelly and Temp Holdings
- TS Kelly Asia Pacific is expected to be one of the largest workforce solutions companies in the Asia Pacific region
- Solidifies Kelly's focus on OCG solutions in the APAC market
  - Opportunity to accelerate investment in high growth market
  - Kelly's outsourcing and consulting group, KellyOCG, is not part of the joint venture and will continue to operate under the complete control of Kelly

- Expands scope from four geographies to twelve, with headquarters in Singapore
- Brings together established businesses with approximately \$500 million in revenue and 1,600 employees
  - **TS Kelly North Asia** – China, Hong Kong, Taiwan, South Korea
  - **Kelly Services** – Singapore, Malaysia, Australia, New Zealand, India, Indonesia, Thailand
  - **Capita** – Singapore and Malaysia
  - **First Alliances** – Vietnam
  - **Intelligence** – Indonesia, Vietnam, Singapore, Malaysia

- Closed on July 4, 2016, the JV was formed through asset transfers from Kelly and Temp Holdings, and a \$36.5 million cash payment to Kelly at closing and a \$4.5 million cash true-up payment made to Kelly in Q4 2016
- Temp Holdings owns 51%, Kelly owns 49%
- Beginning in the third quarter, Kelly accounts for its 49% interest as an Equity Method Investment
  - APAC results are no longer included in the individual lines of Kelly’s consolidated income statement or balance sheet
    - Equity method investment asset will be reported as a single line item on the balance sheet
    - 49% share of income reflected as Income from equity method investments (below earnings from operations), effective on the transaction closing date
      - » Will no longer be included as revenue, cost of service, and SG&A expense

