

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): November 7, 2018

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.

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 and nine months ended September 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 November 7, 2018.
- 99.2 Presentation materials for November 7, 2018 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.

November 7, 2018

KELLY SERVICES, INC.

/s/ Olivier G. Thiot
Olivier G. Thiot

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

November 7, 2018

/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 November 7, 2018
99.2	Presentation materials for November 7, 2018 conference call



For Immediate Release

**KELLY SERVICES® REPORTS
THIRD QUARTER EARNINGS**

Financial Highlights

- **Q3 revenue up 1.0%; up 1.9% in constant currency**
- **Q3 operating earnings up 21% from last year**
- **Q3 earnings per share of \$0.84, or \$0.56 on an adjusted basis, compared to \$0.58 last year**

TROY, MI (November 7, 2018) -- Kelly Services (Nasdaq: [KELYA](#)) (Nasdaq: [KELYB](#)), a global leader in providing workforce solutions, today announced results for the third quarter of 2018.

George S. Corona, President and Chief Executive Officer, announced revenue for the third quarter of 2018 totaled \$1.3 billion, a 1.0% increase, or 1.9% in constant currency, compared to the corresponding quarter of 2017.

Earnings from operations for the third quarter of 2018 totaled \$21.9 million, compared to the \$18.2 million reported for the third quarter of 2017.

Diluted earnings per share in the third quarter of 2018 were \$0.84 compared to earnings per share of \$0.58 in the third quarter of 2017. Included in earnings per share in the third quarter of 2018 is the favorable impact of \$0.28 due to the non-cash after-tax gain 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 gain on Persol Holdings common stock net of tax, diluted earnings per share for the quarter were \$0.56.

“The company performed well in the third quarter despite the continuing tight labor market,” said Kelly Services President and CEO George S. Corona. “Our teams are working on new and innovative ways to close the labor supply gap and we are taking the actions necessary to deliver on the bottom line while continuing to invest in technology for our future. Given the current economic environment we will carefully manage our business with a focus on adding value to our clients and improving our profitability,” he said.

Kelly also reported that on November 7, its board of directors declared a dividend of \$0.075 per share. The dividend is payable December 6, 2018 to shareholders of record as of the close of business on November 21, 2018.

In conjunction with its third 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 November 7 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 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 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 2017 was \$5.4 billion. Visit kellyservices.com and connect with us on [Facebook](#), [LinkedIn](#), and [Twitter](#).

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ANALYST & MEDIA CONTACT:

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

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE 13 WEEKS ENDED SEPTEMBER 30, 2018 AND OCTOBER 1, 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	\$ 1,342.4	\$ 1,328.8	\$ 13.6	1.0 %	1.9 %
Cost of services	<u>1,103.3</u>	<u>1,098.1</u>	<u>5.2</u>	0.5	
Gross profit	239.1	230.7	8.4	3.6	4.5
Selling, general and administrative expenses	<u>217.2</u>	<u>212.5</u>	<u>4.7</u>	2.2	3.0
Earnings from operations	21.9	18.2	3.7	20.6	
Gain on investment in Persol Holdings	15.8	—	15.8	100.0	
Other expense, net	<u>(0.7)</u>	<u>(0.4)</u>	<u>(0.3)</u>	(74.3)	
Earnings before taxes and equity in net earnings (loss) of affiliate	37.0	17.8	19.2	108.2	
Income tax expense (benefit)	<u>5.9</u>	<u>(4.1)</u>	<u>10.0</u>	246.4	
Net earnings before equity in net earnings (loss) of affiliate	31.1	21.9	9.2	42.0	
Equity in net earnings (loss) of affiliate	<u>2.0</u>	<u>1.1</u>	<u>0.9</u>	80.5	
Net earnings	<u>\$ 33.1</u>	<u>\$ 23.0</u>	<u>\$ 10.1</u>	43.9 %	
Basic earnings per share	\$ 0.84	\$ 0.59	\$ 0.25	42.4 %	
Diluted earnings per share	\$ 0.84	\$ 0.58	\$ 0.26	44.8 %	

STATISTICS:

Permanent placement income (included in revenue from services)	\$ 18.4	\$ 14.2	\$ 4.2	30.2 %	32.4 %
Gross profit rate	17.8 %	17.4 %	0.4 pts.		
Conversion rate	9.2	7.9	1.3		
% Return:					
Earnings from operations	1.6	1.4	0.2		
Net earnings	2.5	1.7	0.8		
Effective income tax rate	16.1 %	(22.9) %	39.0 pts.		
Average number of shares outstanding (millions):					
Basic	38.8	38.3			
Diluted	38.9	38.8			

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE 39 WEEKS ENDED SEPTEMBER 30, 2018 AND OCTOBER 1, 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	\$ 4,099.2	\$ 3,952.1	\$ 147.1	3.7 %	2.8 %
Cost of services	3,381.4	3,261.0	120.4	3.7	
Gross profit	717.8	691.1	26.7	3.9	3.1
Selling, general and administrative expenses	663.5	636.2	27.3	4.3	3.6
Earnings from operations	54.3	54.9	(0.6)	(1.0)	
Loss on investment in Persol Holdings	(13.0)	—	(13.0)	(100.0)	
Other expense, net	(1.8)	(2.5)	0.7	29.3	
Earnings before taxes and equity in net earnings (loss) of affiliate	39.5	52.4	(12.9)	(24.4)	
Income tax (benefit) expense	(3.3)	0.1	(3.4)	NM	
Net earnings before equity in net earnings (loss) of affiliate	42.8	52.3	(9.5)	(18.0)	
Equity in net earnings (loss) of affiliate	4.0	1.6	2.4	143.5	
Net earnings	<u>\$ 46.8</u>	<u>\$ 53.9</u>	<u>\$ (7.1)</u>	(13.0) %	
Basic earnings per share	\$ 1.20	\$ 1.38	\$ (0.18)	(13.0) %	
Diluted earnings per share	\$ 1.19	\$ 1.37	\$ (0.18)	(13.1) %	

STATISTICS:

Permanent placement income (included in revenue from services)	\$ 52.3	\$ 41.4	\$ 10.9	26.4 %	24.6 %
Gross profit rate	17.5 %	17.5 %	— pts.		
Conversion rate	7.6	7.9	(0.3)		
% Return:					
Earnings from operations	1.3	1.4	(0.1)		
Net earnings	1.1	1.4	(0.3)		
Effective income tax rate	(8.2) %	0.2 %	(8.4) pts.		
Average number of shares outstanding (millions):					
Basic	38.7	38.3			
Diluted	38.8	38.8			

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

Third Quarter

	2018	2017	% Change	CC % Change
<u>AMERICAS STAFFING</u>				
Revenue from services	\$ 561.8	\$ 554.8	1.3 %	2.0 %
Gross profit	106.0	98.8	7.3	7.9
Total SG&A expenses	91.2	85.5	6.6	7.3
Earnings from operations	14.8	13.3	11.3	
Gross profit rate	18.9 %	17.8 %	1.1 pts.	
Conversion rate	14.0	13.5	0.5	
Return on sales	2.6	2.4	0.2	
<u>GLOBAL TALENT SOLUTIONS</u>				
Revenue from services	\$ 507.6	\$ 503.0	0.9 %	1.2 %
Gross profit	97.3	93.0	4.6	5.1
Total SG&A expenses	73.2	72.2	1.5	1.9
Earnings from operations	24.1	20.8	15.7	
Gross profit rate	19.2 %	18.5 %	0.7 pts.	
Conversion rate	24.7	22.4	2.3	
Return on sales	4.7	4.1	0.6	
<u>INTERNATIONAL STAFFING</u>				
Revenue from services	\$ 277.2	\$ 275.6	0.6 %	2.8 %
Gross profit	36.4	39.5	(7.8)	(5.6)
Total SG&A expenses	31.6	32.3	(2.7)	(0.3)
Earnings from operations	4.8	7.2	(31.1)	
Gross profit rate	13.2 %	14.3 %	(1.1) pts.	
Conversion rate	13.5	18.0	(4.5)	
Return on sales	1.8	2.6	(0.8)	

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

September Year to Date

	2018	2017	% Change	CC % Change
AMERICAS STAFFING				
Revenue from services	\$ 1,770.1	\$ 1,703.5	3.9 %	4.1 %
Gross profit	322.5	307.9	4.7	4.9
SG&A expenses excluding restructuring charges	273.8	252.6	8.4	8.6
Restructuring charges	—	0.4	(100.0)	(100.0)
Total SG&A expenses	273.8	253.0	8.2	8.4
Earnings from operations	48.7	54.9	(11.4)	
Earnings from operations excluding restructuring charges	48.7	55.3	(12.0)	
Gross profit rate	18.2 %	18.1 %	0.1 pts.	
Conversion rate	15.1	17.8	(2.7)	
Conversion rate excluding restructuring charges	15.1	18.0	(2.9)	
Return on sales	2.8	3.2	(0.4)	
Return on sales excluding restructuring charges	2.8	3.2	(0.4)	
GLOBAL TALENT SOLUTIONS				
Revenue from services	\$ 1,494.1	\$ 1,495.8	(0.1) %	(0.3) %
Gross profit	281.8	272.2	3.6	3.2
SG&A expenses excluding restructuring charges	224.0	218.8	2.4	2.0
Restructuring charges	—	2.0	(100.0)	(100.0)
Total SG&A expenses	224.0	220.8	1.5	1.0
Earnings from operations	57.8	51.4	12.5	
Earnings from operations excluding restructuring charges	57.8	53.4	8.3	
Gross profit rate	18.9 %	18.2 %	0.7 pts.	
Conversion rate	20.5	18.9	1.6	
Conversion rate excluding restructuring charges	20.5	19.6	0.9	
Return on sales	3.9	3.4	0.5	
Return on sales excluding restructuring charges	3.9	3.6	0.3	
INTERNATIONAL STAFFING				
Revenue from services	\$ 848.5	\$ 766.0	10.8 %	5.9 %
Gross profit	115.4	112.7	2.3	(2.1)
Total SG&A expenses	99.2	96.2	3.0	(1.0)
Earnings from operations	16.2	16.5	(1.4)	
Gross profit rate	13.6 %	14.7 %	(1.1) pts.	
Conversion rate	14.1	14.6	(0.5)	
Return on sales	1.9	2.2	(0.3)	

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

	September 30, 2018	Dec. 31, 2017	October 1, 2017
Current Assets			
Cash and equivalents	\$ 20.8	\$ 32.5	\$ 22.2
Trade accounts receivable, less allowances of \$12.4, \$12.9, and \$13.1 respectively	1,294.0	1,286.7	1,271.7
Prepaid expenses and other current assets	68.0	65.1	70.0
Total current assets	1,382.8	1,384.3	1,363.9
Noncurrent Assets			
Property and equipment, net	85.0	86.1	81.4
Deferred taxes	196.5	183.4	192.0
Goodwill	107.3	107.1	107.1
Investment in Persol Holdings	213.6	228.1	212.4
Investment in equity affiliate	120.3	117.4	116.4
Other assets	287.6	271.8	263.5
Total noncurrent assets	1,010.3	993.9	972.8
Total Assets	\$ 2,393.1	\$ 2,378.2	\$ 2,336.7
Current Liabilities			
Short-term borrowings	\$ 8.1	\$ 10.2	\$ 23.9
Accounts payable and accrued liabilities	497.0	537.7	496.1
Accrued payroll and related taxes	304.7	287.4	312.6
Accrued insurance	25.9	25.7	25.6
Income and other taxes	66.5	65.2	60.0
Total current liabilities	902.2	926.2	918.2
Noncurrent Liabilities			
Accrued insurance	50.2	49.9	49.7
Accrued retirement benefits	186.9	178.1	175.0
Other long-term liabilities	68.0	72.5	66.8
Total noncurrent liabilities	305.1	300.5	291.5
Stockholders' Equity			
Common stock	40.1	40.1	40.1
Treasury stock	(27.3)	(35.2)	(35.2)
Paid-in capital	25.0	32.2	30.0
Earnings invested in the business	1,165.0	983.6	968.8
Accumulated other comprehensive income	(17.0)	130.8	123.3
Total stockholders' equity	1,185.8	1,151.5	1,127.0
Total Liabilities and Stockholders' Equity	\$ 2,393.1	\$ 2,378.2	\$ 2,336.7
STATISTICS:			
Working Capital	\$ 480.6	\$ 458.1	\$ 445.7
Current Ratio	1.5	1.5	1.5
Debt-to-capital %	0.7 %	0.9 %	2.1 %
Global Days Sales Outstanding	58	55	58
Year-to-Date Free Cash Flow	\$ 15.4	\$ 46.2	\$ 18.3

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 39 WEEKS ENDED SEPTEMBER 30, 2018 AND OCTOBER 1, 2017
(UNAUDITED)
(In millions of dollars)

	2018	2017
Cash flows from operating activities:		
Net earnings	\$ 46.8	\$ 53.9
Noncash adjustments:		
Depreciation and amortization	19.5	16.5
Provision for bad debts	1.3	3.6
Stock-based compensation	6.7	6.8
Loss on investment in Persol Holdings	13.0	—
Other, net	(5.0)	(2.3)
Changes in operating assets and liabilities, net of acquisition	(49.0)	(45.5)
Net cash from operating activities	33.3	33.0
Cash flows from investing activities:		
Capital expenditures	(17.9)	(14.7)
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	(2.9)	0.6
Other investing activities	(0.8)	—
Net cash used in investing activities	(26.6)	(51.3)
Cash flows from financing activities:		
Net change in short-term borrowings	(1.9)	23.9
Dividend payments	(8.8)	(8.7)
Payments of tax withholding for stock awards	(6.3)	(1.7)
Other financing activities	—	(0.1)
Net cash (used in) from financing activities	(17.0)	13.4
Effect of exchange rates on cash, cash equivalents and restricted cash	(0.7)	(2.3)
Net change in cash, cash equivalents and restricted cash	(11.0)	(7.2)
Cash, cash equivalents and restricted cash at beginning of period	36.9	34.3
Cash, cash equivalents and restricted cash at end of period	\$ 25.9	\$ 27.1

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

Third Quarter (Americas, International and GTS)

	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>CC % Change</u>
Americas				
United States	\$ 942.5	\$ 941.1	0.1 %	0.1 %
Canada	37.0	37.1	(0.2)	4.0
Mexico	32.3	32.9	(1.9)	4.3
Puerto Rico	28.2	15.9	77.0	77.0
Brazil	8.1	12.3	(33.9)	(20.8)
Total Americas	<u>1,048.1</u>	<u>1,039.3</u>	0.8	1.3
EMEA				
France	68.8	73.0	(5.6)	(4.7)
Switzerland	53.8	59.1	(9.0)	(7.0)
Portugal	48.2	46.0	4.5	5.5
United Kingdom	28.1	23.3	20.4	20.9
Russia	24.0	22.5	7.0	19.3
Italy	18.3	15.9	15.3	16.5
Germany	13.8	15.5	(10.3)	(9.4)
Ireland	11.3	8.3	36.7	38.2
Norway	8.8	8.9	(1.7)	1.8
Other	13.0	12.1	7.0	9.3
Total EMEA	<u>288.1</u>	<u>284.6</u>	1.3	3.5
Total APAC	<u>6.2</u>	<u>4.9</u>	28.9	37.5
Total Kelly Services, Inc.	<u>\$ 1,342.4</u>	<u>\$ 1,328.8</u>	1.0 %	1.9 %

KELLY SERVICES, INC. AND SUBSIDIARIES

REVENUE FROM SERVICES

(UNAUDITED)

(In millions of dollars)

September Year to Date (Americas, International and GTS)

	2018	2017	% Change	CC % Change
Americas				
United States	\$ 2,898.4	\$ 2,866.8	1.1 %	1.1 %
Canada	107.6	105.8	1.7	0.3
Mexico	92.7	85.0	9.1	10.5
Puerto Rico	74.2	51.2	45.0	45.0
Brazil	26.6	38.3	(30.6)	(23.9)
Total Americas	<u>3,199.5</u>	<u>3,147.1</u>	1.7	1.7
EMEA				
France	212.7	202.1	5.3	(1.8)
Switzerland	156.3	161.3	(3.1)	(4.0)
Portugal	150.5	124.0	21.3	13.1
United Kingdom	85.6	64.3	33.1	25.7
Russia	75.7	69.3	9.3	15.4
Italy	58.1	45.3	28.4	19.8
Germany	45.0	43.3	4.0	(3.3)
Ireland	34.3	23.4	46.4	36.8
Norway	26.4	24.9	5.8	2.6
Other	38.2	33.5	13.9	7.2
Total EMEA	<u>882.8</u>	<u>791.4</u>	11.6	6.6
Total APAC	<u>16.9</u>	<u>13.6</u>	24.5	25.6
Total Kelly Services, Inc.	<u>\$ 4,099.2</u>	<u>\$ 3,952.1</u>	3.7 %	2.8 %

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

(In millions of dollars except per share data)

	Third Quarter		September Year to Date	
	2018	2017	2018	2017
Earnings from operations	\$ 21.9	\$ 18.2	\$ 54.3	\$ 54.9
Restructuring charges (Note 1)	—	—	—	2.4
Adjusted earnings from operations	\$ 21.9	\$ 18.2	\$ 54.3	\$ 57.3

	Third Quarter		September Year to Date	
	2018	2017	2018	2017
Income tax expense (benefit)	\$ 5.9	\$ (4.1)	\$ (3.3)	\$ 0.1
Tax (expense) benefit on investment in Persol Holdings (Note 2)	(4.9)	—	4.0	—
Tax expense on restructuring charges (Note 1)	—	—	—	0.7
Adjusted income tax expense (benefit)	\$ 1.0	\$ (4.1)	\$ 0.7	\$ 0.8

	Third Quarter		September Year to Date	
	2018	2017	2018	2017
Net earnings	\$ 33.1	\$ 23.0	\$ 46.8	\$ 53.9
(Gain) loss on investment in Persol Holdings, net of taxes (Note 2)	(10.9)	—	9.0	—
Restructuring charges, net of taxes (Note 1)	—	—	—	1.7
Adjusted net earnings	\$ 22.2	\$ 23.0	\$ 55.8	\$ 55.6

	Third Quarter		September Year to Date	
	2018	2017	2018	2017
	Per Share		Per Share	
Net earnings	\$ 0.84	\$ 0.58	\$ 1.19	\$ 1.37
(Gain) loss on investment in Persol Holdings, net of taxes (Note 2)	(0.28)	—	0.23	—
Restructuring charges, net of taxes (Note 1)	—	—	—	0.04
Adjusted net earnings	\$ 0.56	\$ 0.58	\$ 1.42	\$ 1.41

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 2018 gain/loss on investment in Persol Holdings is useful to understand the Company's fiscal 2018 financial performance and increases comparability. Specifically, Management believes that removing the impact of 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) Restructuring charges in 2017 represent costs related primarily to optimizing our GTS service delivery models to deliver expected cost savings.

(2) The gains and losses on the investment in Persol Holdings in 2018 represent the change in fair value of the investment during the period presented and the related tax expense and benefit.



Third Quarter 2018

November 7, 2018



CONNECTING PEOPLE.
ENRICHING LIVES.

Third Quarter Takeaways



Third Quarter 2018 Financial Summary

	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change⁽¹⁾</u>
Revenue	\$1.3B	1.0%	1.9%
GP %	17.8%	40 bps	
Earnings from Operations	\$21.9M	20.6%	21.6%
ROS %	1.6%	20 bps	
EPS	\$0.84	\$0.26	

- Revenue increase reflects growth in all three segments in the face of a challenging talent environment in the US
- GP rate improvement from structural progress in GTS GP rates, higher perm fees, and an improving GP rate in Americas Staffing, partially offset by declines in International Staffing
- Earnings from operations is better than last year as GP increases are coupled with an improving conversion rate
- EPS includes \$0.28 favorable non-cash impact from gain on equity investment due to adoption of a required accounting standard effective in Q1 2018

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

Third Quarter 2018 Financial Summary

(Excluding Gain on investment in Persol Holdings)

	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change⁽²⁾</u>
Revenue	\$1.3B	1.0%	1.9%
GP %	17.8%	40 bps	
Earnings from Operations	\$21.9M	20.6%	21.6%
ROS %	1.6%	20 bps	
EPS ⁽¹⁾	\$0.56	\$ (0.02)	

- Revenue increase reflects growth in all three segments in the face of a challenging talent environment in the US
- GP rate improvement from structural progress in GTS GP rates, higher perm fees, and an improving GP rate in Americas Staffing, partially offset by declines in International Staffing
- Earnings from operations is better than last year as GP increases are coupled with an improving conversion rate
- EPS declines \$0.02, as higher earnings are offset by a higher effective tax rate. The 2017 effective tax rate included the benefit of the release of deferred tax valuation allowances

⁽¹⁾Excludes \$15.8 million gain on investment, \$10.9 million net of income tax expense or \$0.28 per share, in Q3 2018.

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

Third Quarter 2018 EPS Summary

\$ in Millions except per share data

	Third Quarter			
	2018		2017	
	Amount	Per Share	Amount	Per Share
Net earnings	\$ 33.1	\$ 0.84	\$ 23.0	\$ 0.58
Gain on investment in Persol Holdings, net of taxes ⁽¹⁾	(10.9)	(0.28)	-	-
Adjusted net earnings	<u>\$ 22.2</u>	\$ 0.56	<u>\$ 23.0</u>	\$ 0.58

- As adjusted, net earnings and EPS are flat as improving earnings from operations are offset by a higher effective tax rate. Earnings from Operations improved as GP growth was coupled with moderate expense growth yielding an improved conversion rate

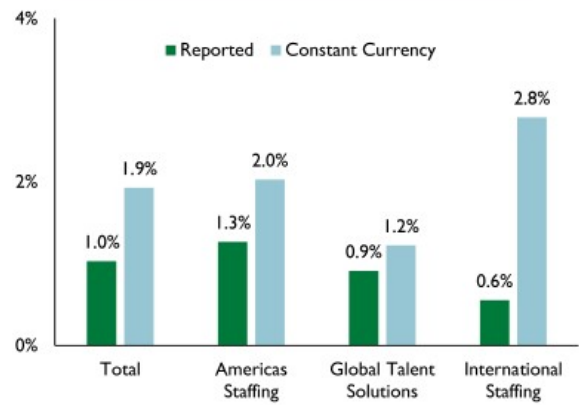
⁽¹⁾Gain on investment in Persol Holdings of \$15.8 million, \$10.9 million net of tax expense or \$0.28 per share in Q3 2018.

Third Quarter 2018 Revenue Growth

Revenue Mix by Segment



Revenue Growth by Segment



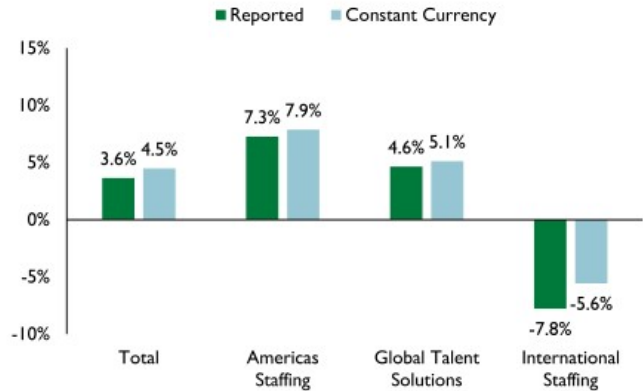
- Americas Staffing revenue reflects continuing growth in KES and PT specialties
- GTS revenue increased as higher revenue in outsourced solutions offset declines in centrally delivered staffing and payroll process outsourcing
- International Staffing growth continued, although at a slower pace

Third Quarter 2018 Gross Profit Growth

Gross Profit Mix by Segment

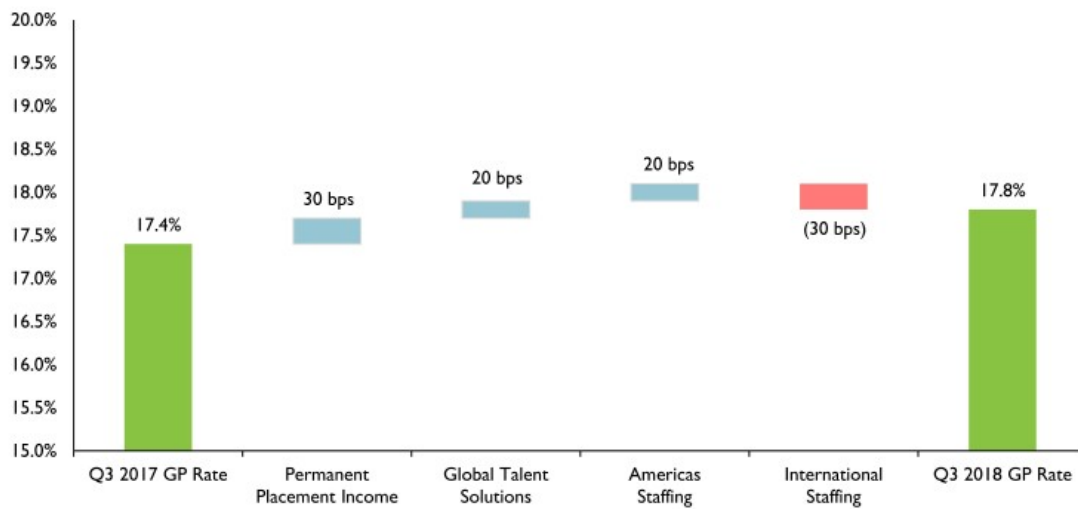


Gross Profit Growth by Segment



- Americas Staffing reflects top-line growth, the impact of higher perm fees and lower employee related costs
- GTS GP reflects GP structural rate improvement on modest revenue growth
- International Staffing reflects declines in GP rate related to adjustments to employee related costs and customer mix, partially offset by higher perm fees

Third Quarter 2018 Gross Profit Rate



- Higher perm fees delivered by both Americas Staffing and International Staffing segments
- GTS GP rates reflects structural GP rate improvement from product mix
- Americas Staffing GP rate was positively impacted by lower employee related costs
- International Staffing GP rate was negatively impacted by adjustments for employee related costs and customer mix

Third Quarter 2018 SG&A

\$ in Millions



- Americas Staffing expenses were up due to additional resources added as a result of the current talent supply environment, as well as the addition of Teachers On Call
- GTS expense reflect costs related to new program wins, partially offset by cost management efforts
- Corporate expense reflects the impact of higher litigation related expenses in 2017

Third 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	\$ 106.0	\$ 14.8	14.0%	\$ 98.8	\$ 13.3	13.5%	50
Global Talent Solutions	97.3	24.1	24.7%	93.0	20.8	22.4%	230
International Staffing	36.4	4.8	13.5%	39.5	7.2	18.0%	(450)
Total Company	\$ 239.1	\$ 21.9	9.2%	\$ 230.7	\$ 18.2	7.9%	130

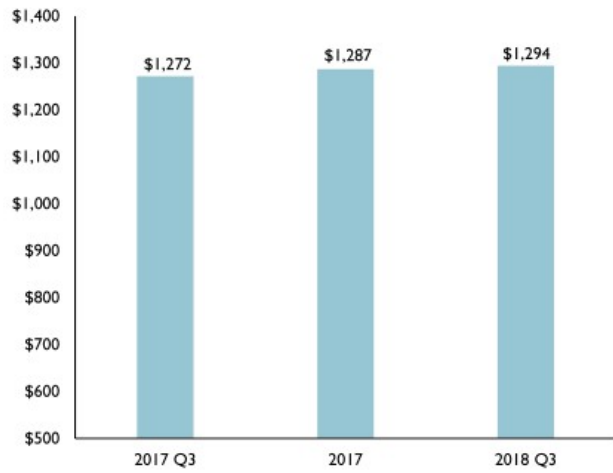
- Americas Staffing conversion rate reflects growing GP paired with effective cost management
- GTS conversion rate reflects improved GP rate combined with improved leverage
- International Staffing conversion rate reflects declining GP partially offset by effective cost management
- Total Company conversion rate improvement reflects the impact of modest top-line growth, GP rate improvement and a return to leverage

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

Third Quarter 2018 Balance Sheet Data

\$ in Millions

Accounts Receivable



Net Debt



- DSO is in line with Q3 2017 and up from year-end 2017 due to seasonality
- Quarter end debt was \$8 million compared to \$10 million at year end

Outlook – Fourth Quarter 2018

- Revenue from flat to up 1% YOY
 - 60 basis point unfavorable impact due to currency
 - Includes impact from the sale of our healthcare staffing business
 - Impact of revenue recognition not expected to be material
- Gross profit rate flat to up slightly from Q3 2018
- SG&A down 4% to 6% YOY, including a reduction in variable incentive compensation
- Impact of the new standard related to accounting for equity investments effective in Q1 2018 is recognized below Earnings from Operations and is not included in the 2018 Outlook

Developments and Initiatives Driving Improvement



BUSINESS TALENT GROUP

- Acquired a minority equity interest in BTG, a US-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 US healthcare staffing business in Q1 2018
- Partnership allowed Kelly to monetize business and deploy resources towards other areas where Kelly has scale or specialization

Non-GAAP Measures

Management believes that the non-GAAP (Generally Accepted Accounting Principles) information excluding 2018 gain on investment in Persol Holdings is useful to understand the Company's fiscal 2018 financial performance and increases comparability. Specifically, Management believes that removing the impact of this item allows for a more meaningful comparison of current period operating performance with the operating results of prior periods. This non-GAAP measure may have limitations as analytical tools because it excludes items which can have a material impact on cash flow and earnings per share. As a result, Management considers this measure, along with reported results, when it reviews and evaluates the Company's financial performance. Management believes that this measure provides greater transparency to investors and provides insight into how Management is evaluating the Company's financial performance. Non-GAAP measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. A reconciliation to the most comparable GAAP measures is included with our earnings release dated November 7, 2018 and is available on our Investor Relations website.

Safe Harbor Statement

This release contains statements that are forward looking in nature and, accordingly, are subject to risks and uncertainties. These factors include, but are not limited to, competitive market pressures including pricing and technology introductions and disruptions, changing market and economic conditions, our ability to achieve our business strategy, the risk of damage to our brand, the risk our intellectual property assets could be infringed upon or compromised, our ability to successfully develop new service offerings, our exposure to risks associated with services outside traditional staffing, including business process outsourcing, our increasing dependency on third parties for the execution of critical functions, the risks associated with past and future acquisitions, exposure to risks associated with investments in equity affiliates including PersolKelly Asia Pacific, material changes in demand from or loss of large corporate customers as well as changes in their buying practices, risks particular to doing business with government or government contractors, risks associated with conducting business in foreign countries, including foreign currency fluctuations, the exposure to potential market and currency exchange risks relating to our investment in Persol Holdings, risks associated with violations of anti-corruption, trade protection and other laws and regulations, availability of qualified full-time employees, availability of temporary workers with appropriate skills required by customers, liabilities for employment-related claims and losses, including class action lawsuits and collective actions, risks arising from failure to preserve the privacy of information entrusted to us or to meet our obligations under global privacy laws, the risk of cyber attacks or other breaches of network or information technology security, our ability to sustain critical business applications through our key data centers, our ability to effectively implement and manage our information technology projects, our ability to maintain adequate financial and management processes and controls, risk of potential impairment charges triggered by adverse industry developments or operational circumstances, unexpected changes in claim trends on workers' compensation, unemployment, disability and medical benefit plans, the impact of changes in laws and regulations (including federal, state and international tax laws), competition law risks, the risk of additional tax or unclaimed property liabilities in excess of our estimates, our ability to 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.

