



Third Quarter 2018

Investor Presentation



CONNECTING PEOPLE.
ENRICHING LIVES.

Over 70 Years of Industry Leadership in Workforce Solutions



Revenues of **\$5.4 Billion**

#1 provider of K-12 educational staffing; Top 5 scientific, engineering and office/clerical workforce solutions provider in the U.S.



Leading managed services provider with **\$8.0 billion** spend under management

\$3.6+ billion with small, minority and women-owned businesses over 5 years



Global workforce solutions network

Staffing, outsourcing and advisory services delivered through operations across Americas and EMEA, and globally via 4,600+ supplier partners



Serving **95** of the Fortune 100 companies

Expertise spans wide array of industries and numerous talent management strategies

Our Merits

Globally recognized brand built upon decades of **service excellence and innovation**

Healthy balance sheet driven by focus on **free cash flow enhancement** provides flexibility for investment

Leadership team with **deep industry expertise** and commitment to **driving value for shareholders**

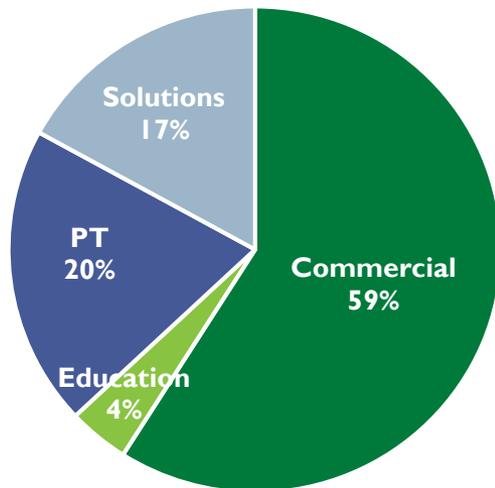
Focus on value-added service offerings within **attractive, high-growth segments** where Kelly specializes

Long-standing customer relationships with **95 of the Fortune 100 companies**; **best-in-class branch network** supporting small- and medium-sized enterprises

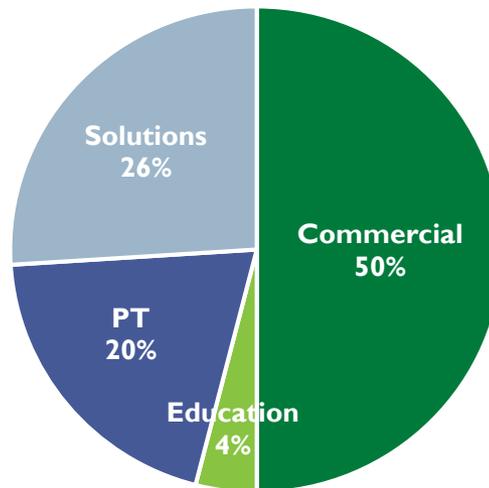
Demonstrated improvement in growth trends and **operational efficiency**

Focus on Value-Added Service Offerings by Product Mix

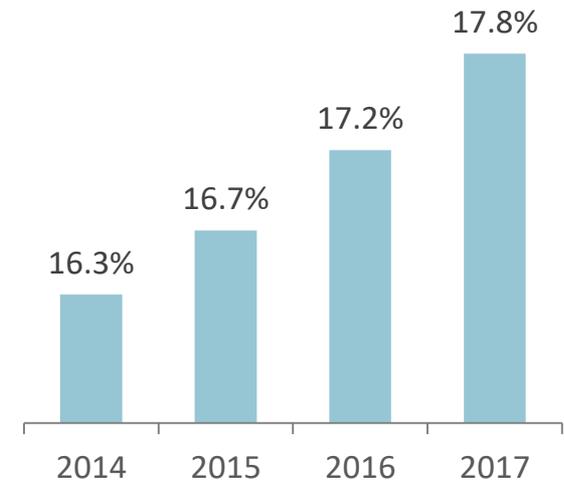
Q3 2018
Revenue Breakdown



Q3 2018
GP Breakdown



2014 – 2017
GP Rate



Focused investment in high growth, high margin solutions (e.g., Outcome Based Services, PT, Education) over the last several years has led to outsized contribution to our bottom-line (+150bps gross margin expansion from '14-'17)

The Kelly Journey

Strong Improvement Over Past Two Years

2016:

- Even in the face of lower revenue, Kelly improved its GP rate 50 basis points and increased EPS by 122%. Kelly maintained a strong balance sheet, improved free cash flow, and ended the year debt free. In addition, APAC staffing operations transferred into a newly expanded JV, forming one of the largest workforce solutions companies in the Asia Pacific region.

2017:

- Kelly delivered sustained growth quarter after quarter, delivering a 41% increase in annual operating earnings on a like-for-like basis. A combination of strong top-line growth and good GP rate improvement yielded increased profitability across all operating segments, even as we invested in the talent and technology that are driving our company forward. Our conversion rate rose 160 basis points (excluding restructuring), another clear indicator that we are creating value along with driving volume.

Strategy in Action

As technology continues to drive rapid transformation throughout the marketplace, people are embracing new ways to work and businesses are looking for ways to adapt their approach to talent. As the world of work evolves, so too does Kelly's strategy. Our go-forward path is designed to help our candidates, our clients, and our company not only withstand the inevitable disruptions caused by technology, but turn them to advantages. In so doing, we will be able to deliver improved shareholder value and returns from a business that is focused on our strengths and committed to leading where we know we can win.

Kelly's Portfolio of Solutions

Americas Staffing

- Local branch network in the U.S., Puerto Rico, Canada, Mexico, and Brazil, delivers high-touch Commercial & Professional Technical (PT) staffing solutions
- Longstanding relationships with small and medium-sized enterprises across North America
- Market-leading educational staffing platform operating under the KES brand
- Top 5 position in scientific, engineering and office/clerical staffing

Peter Quigley, President – Global Staffing

International Staffing

- Local/branch-delivered Commercial & PT staffing business in EMEA provides services to customers across Top 15 major European markets
- PersolKelly Asia Pacific JV serves the APAC regions with staffing solutions, and benefits from Persol's world-class leadership in these markets

Global Talent Solutions

- Talent Fulfillment businesses: Contingent Workforce Outsourcing (CWO), Payroll Process Outsourcing (PPO), Recruitment Process Outsourcing (RPO), Centrally Delivered Staffing
- Delivers outcome-based services focused around STEM, call center management, legal and advisory services for the talent supply chain
- Network of 4,600+ providers deliver talent to global and local customers

Teresa Carroll, President – Global Talent Solutions

Americas Staffing Journey



TARGETED RECRUITMENT AND SALES PLANS

Strong sales and talent pipelines aligned with chosen niches



INCREASED ONSITE PRESENCE

Embedded relationships leading to local/regional account growth



CRITICAL MASS IN TARGETED MARKETS

Strong base of niche recruiters and sales resources in top markets



MARKET LEADER IN U.S. EDUCATIONAL STAFFING

#1 provider of K-12 educational staffing, including largest school districts

Our Q3 Progress:

Americas Staffing revenue increased 1% in the third quarter compared to the same period last year. On a combined basis, permanent placement fees were up 46% year-over-year. Professional and Technical Specialties were up 35% YOY, with Commercial growth increasing 55%, demonstrating continued customer hiring of temporary employees.

The third quarter gross profit rate in Americas Staffing was 18.9%, up 110 basis points from last year. The gross profit rate for the quarter was positively impacted by lower employee-related costs and strong permanent placement fees, partially offset by customer mix. All told, the Americas Staffing segment achieved an operating profit of \$14.8 million in the quarter, compared to \$13.3 million last year.

Expenses for the quarter were up 7% in Americas Staffing. Expenses were up primarily due to the additional resources and effort required to attract and place candidates, and 140 basis points of the increase is attributable to the addition of Teachers on Call.

International Staffing Journey



Profitable recruitment and delivery platforms in countries with the largest staffing markets



Industry leading cross-country sourcing expertise



Brand recognition in chosen industry verticals and specialties



Employer of choice for consultants and recruiters



Large Global Sales accounts presence in large markets

Our Q3 Progress:

Revenue in International Staffing increased 1% compared to prior year in nominal US dollars. On a constant currency basis, revenue increased 3%. Revenue growth slowed versus previous quarters primarily due to volume declines in Western Europe.

Also on a constant currency basis, fee-based income for the third quarter was up 11% coming from strong fee performance in Western Europe.

Expenses were flat compared to the prior year as a result of effective cost management across the region.

Global Talent Solutions (GTS) Journey



LEADING PROVIDER OF TALENT SUPPLY CHAIN MANAGEMENT

Hired to design holistic solutions across all talent categories



HIGH-PERFORMING SALES AND DELIVERY TEAMS

Working seamlessly to deliver client-centered, profitable solutions



TRUSTED TALENT ADVISOR TO WORLD'S TOP FIRMS

Viewed as a strategic partner by senior stakeholders in our clients' business



HIGH-PERFORMING CENTRALIZED RECRUITING TEAMS

Capable of adapting to all solutions/models



EFFICIENT, EFFECTIVE DELIVERY TEAMS

Leveraging centralization and technology

Our Q3 Progress:

GTS revenue was up 1% year-over-year, while gross profit increased 5% for the quarter, a result of increased value creation from structural improvement in our product mix.

Gross profit in our Talent Fulfillment business was flat YOY for the quarter, while gross profit in our Outcome-Based Services business increased 16% YOY, driven by strong results in both our BPO and KellyConnect products.

GTS's third quarter operating profit was \$24.1 million, compared to \$20.8 million a year ago, an increase of 16% YOY.

How We're Going to Grow

Focused Strategy

Our plan centers on four strategic pillars:

- Being the destination for top talent
- Leading in our chosen markets via scale or specialization
- Embracing the future of work
- Investing in technology for innovation and efficiency

What this Means to:

Our Customers:

We will have more profit to invest in the best workforce solutions for our clients, and will be able to connect them with the best talent to help them execute their business strategies.

Our Business:

We will transform Kelly into a leading talent solutions company that excels in all of its chosen specialties.

Our Employees:

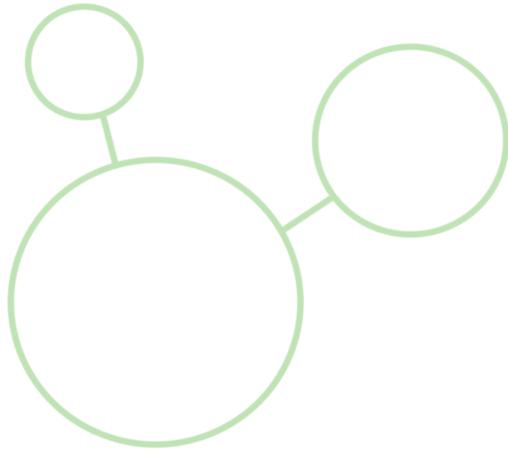
Increased profitability will enable us to reward high-performing employees, who can take pride in being part of a company that connects people with work in ways that enrich their lives.

Our Shareholders:

Kelly's shareholders will be rewarded with healthier returns from a more profitable company.

Capital Allocation Priorities

- Maintain dividend and consider future increases based on sustained operating performance
- Focused investment in attractive areas of business where Kelly has opportunities to realize growth, generate efficiencies and capture market share
 - Organic investments in technology solutions to support and accelerate growth
 - Opportunistic acquisitions that can provide new technologies, talent and enhancements to growth and profitability
- Share repurchases to be evaluated on an ongoing basis



Performance Update

Third Quarter 2018



Q3 2018 Key Financial Performance Metrics

	Reported	Adjusted
Gross Profit Rate	17.8% Up 40bps	17.8% Up 40bps
Conversion Rate	9.2% Up 130bps	9.2% Up 130bps
Free Cash Flow Growth	Down \$2.9M	Down \$2.9M
Earnings per Share ⁽¹⁾	\$0.84 Up 44.8%	\$0.56 Down 3.4%

(1) Adjusted excludes the 2018 gain on investment in Persol Holdings

Key Financial Performance Metrics (Adjusted)

Gross Profit Rate



Conversion Rate



Free Cash Flow (millions)



Earnings Per Share



(I) Excludes gain on investment in Persol Holdings

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



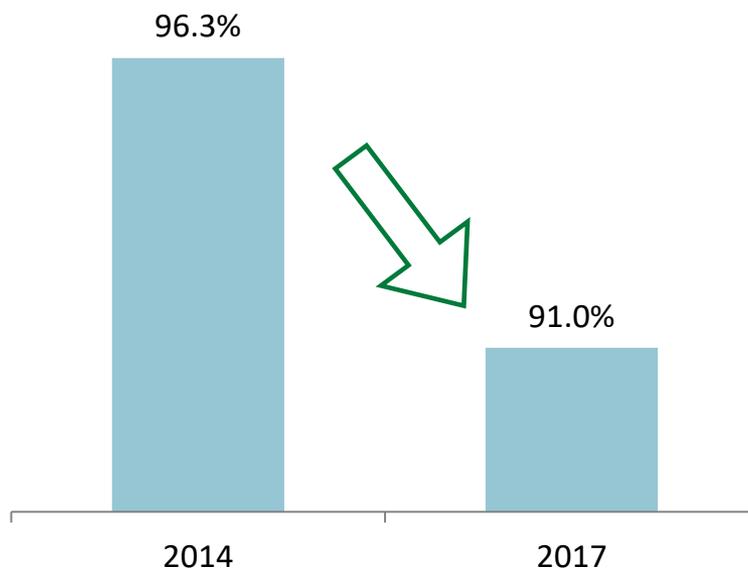
- Seed funding provided to Kenzie Academy, a tech apprenticeship program that develops modern tech workers
- Inaugural investment from the Kelly Innovation Fund in Q2 2018



- 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

Continued Improvements in Cost Efficiencies

Total SG&A as % of Gross Profit



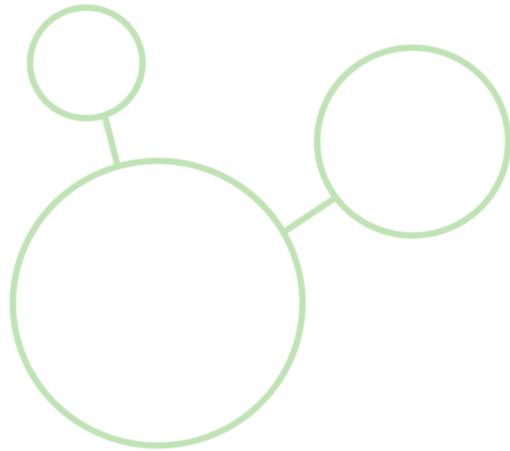
Excludes restructuring charges

Other Third Quarter Developments

- Former Chairman and Controlling Shareholder **Terence E. Adderley** passed away on October 9, 2018.
- During his lifetime, Mr. Adderley funded Trust K, including a gift of Class B Stock to Trust K, which became irrevocable on October 9.
- In accordance with the provisions of Trust K, three trustees were appointed as successor trustees of Trust K.
- On October 12, 2018, a Schedule 13D was filed with the SEC. In Item 4 of this schedule (Purpose of Transaction), Trust K trustees stated there are no present plans to change the structure or the operations of the business.

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 be 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



Key Financial Information

Third Quarter 2018



Third Quarter 2018 Segment Financials

(\$ in millions)

Kelly Services

Sales	\$1,342
GP	\$239
Expenses	\$217
Earnings from Operations	\$22
Return on Sales	1.6%

Americas Staffing

Sales	\$562
GP	\$106
Expenses	\$91
Earnings from Operations	\$15
Return on Sales	2.6%

Global Talent Solutions

Sales	\$508
GP	\$97
Expenses	\$73
Earnings from Operations	\$24
Return on Sales	4.7%

International Staffing

Sales	\$277
GP	\$36
Expenses	\$32
Earnings from Operations	\$5
Return on Sales	1.8%

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

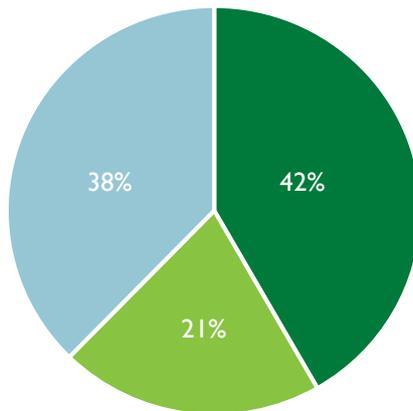
	Third Quarter			
	2018		2017	
	Amount	Per Share	Amount	Per Share
Net earnings	\$ 33.1	\$ 0.84	\$ 23.0	\$ 0.58
Gain on investment in Persol Holdings, net of taxes ⁽¹⁾	(10.9)	(0.28)	-	-
Adjusted net earnings	<u>\$ 22.2</u>	\$ 0.56	<u>\$ 23.0</u>	\$ 0.58

- As adjusted, net earnings and EPS are nearly 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.

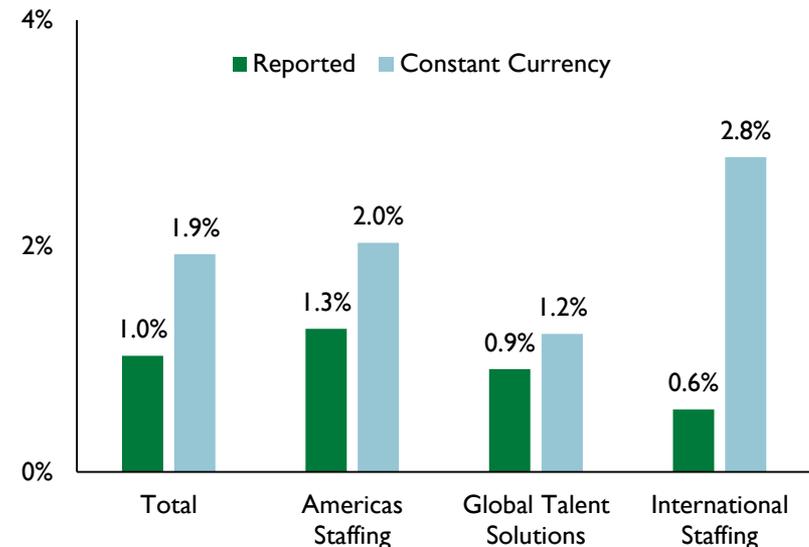
Third Quarter 2018 Revenue Growth

Revenue Mix by Segment



■ Americas Staffing ■ International Staffing ■ Global Talent Solutions

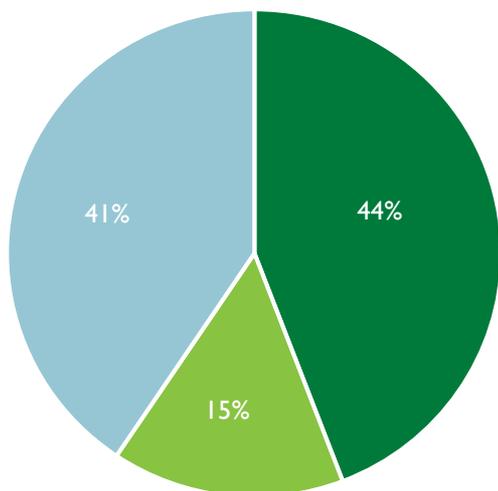
Revenue Growth by Segment



- 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

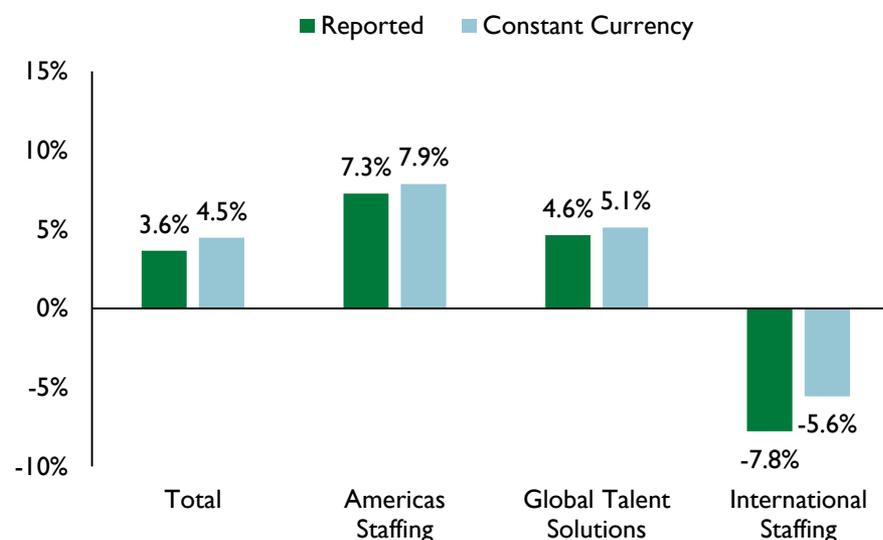
Third Quarter 2018 Gross Profit Growth

Gross Profit Mix by Segment



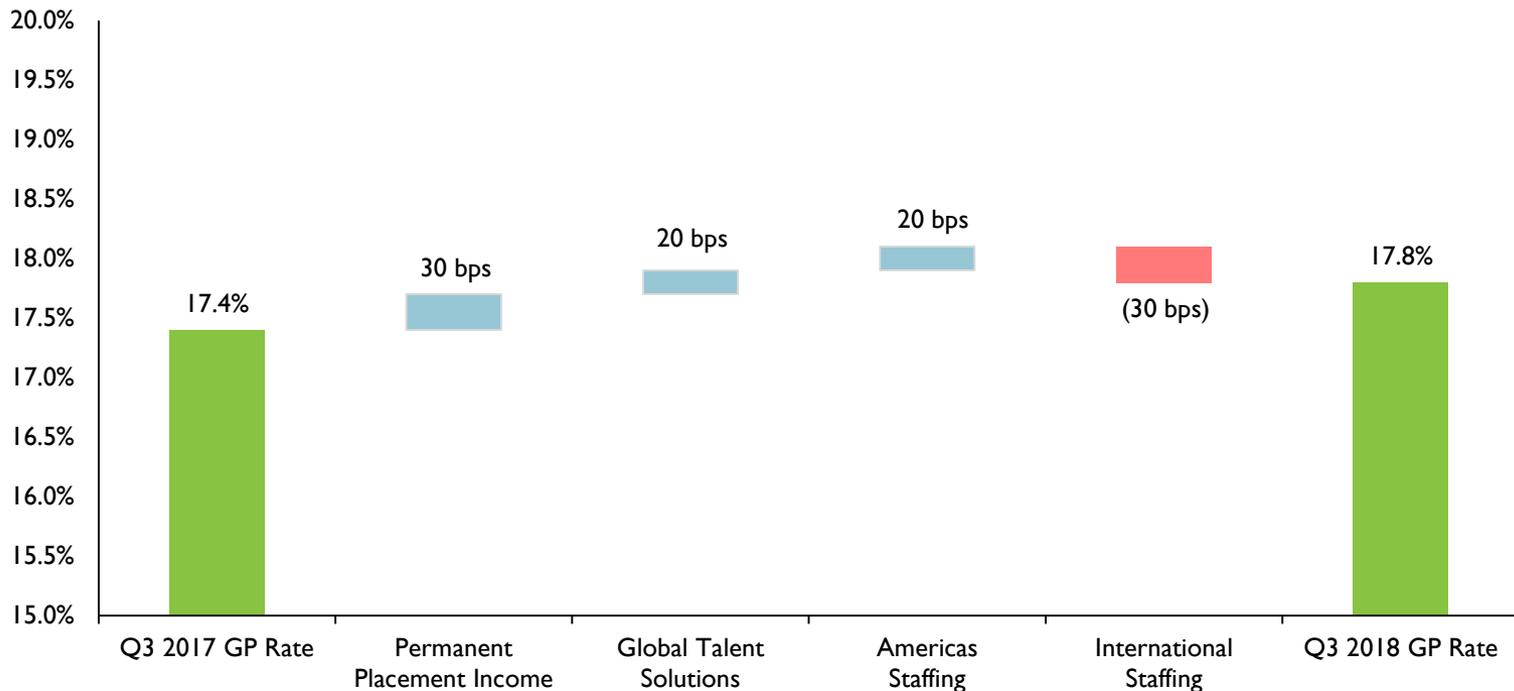
■ Americas Staffing ■ International Staffing ■ Global Talent Solutions

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.

Cash Flows: as of September 30, 2018

<i>\$ in millions</i>	2018	2017
Net Income	\$46.8	\$53.9
Loss on investment in Persol Holdings	13.0	0.0
Other cash used in operating activities	(26.5)	(20.9)
Capital expenditures	(17.9)	(14.7)
Free cash flow	\$15.4	\$18.3
Borrowing	(1.9)	23.9
Available cash flow	\$13.5	\$42.2
Dividends	(8.8)	(8.7)
Acquisition of company, net of cash received	0.0	(37.2)
Investment in equity securities	(5.0)	0.0
Payments of tax withholding for stock awards	(6.3)	(1.7)
Other	(3.7)	0.5
Cash used	(\$10.3)	(\$4.9)
Effect of exchange rates	(0.7)	(2.3)
Net change in cash	(\$11.0)	(\$7.2)
Cash at period end	\$25.9	\$27.1

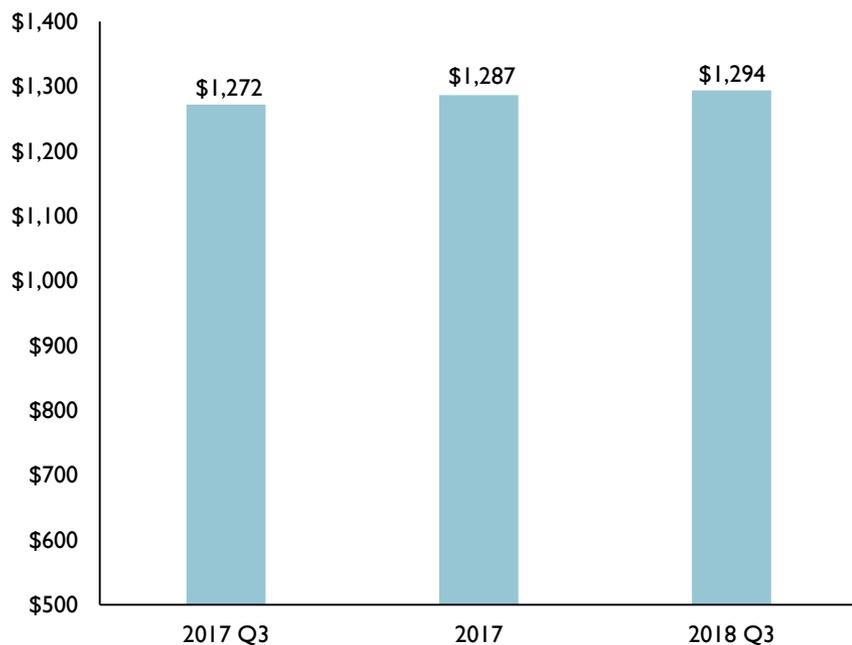
Balance Sheet: as of September 30, 2018

<i>\$ in millions</i>	2018	2017
Cash	\$20.8	\$22.2
Accounts Receivable	1,294.0	1,271.7
Other Current Assets	68.0	70.0
Total Current Assets	\$1,382.8	\$1,363.9
Long Term Assets	1,010.3	972.8
Total Assets	\$2,393.1	\$2,336.7
Short-Term Debt	8.1	23.9
Other Current Liabilities	894.1	894.3
Total Current Liabilities	\$902.2	\$918.2
Other Long Term Liabilities	305.1	291.5
Equity	1,185.8	1,127.0
Total Liabilities and Equity	\$2,393.1	\$2,336.7
Working Capital	\$480.6	\$445.7
Net Cash	12.7	(1.7)
Debt-to-Total Capital	0.7%	2.1%

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

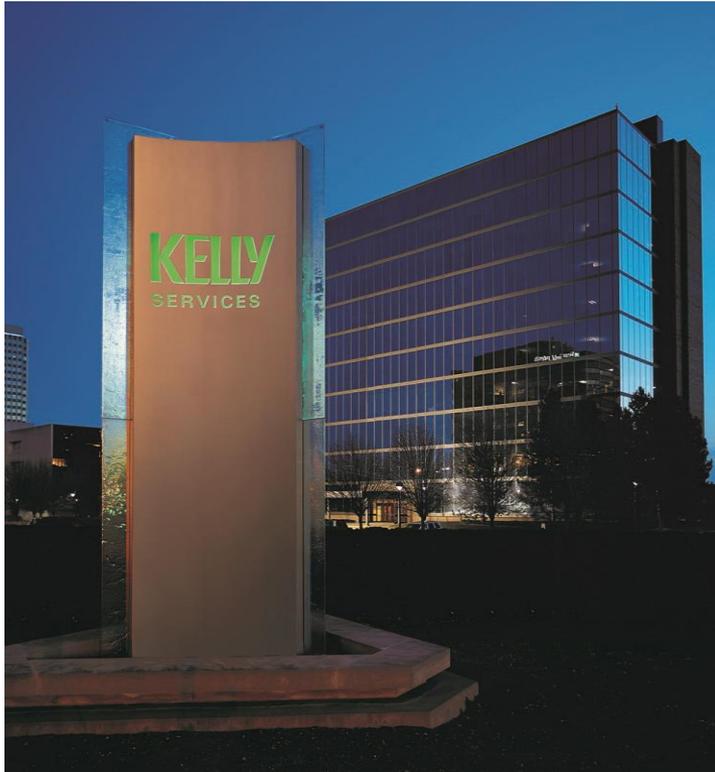
Non-GAAP Measures

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.

Kelly Services: Company Contacts



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