



# Sidoti & Company 15<sup>th</sup> Annual Emerging Growth Institutional Investor Forum

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**KELLY**  
SERVICES



## Safe Harbor Statement



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## Kelly Services

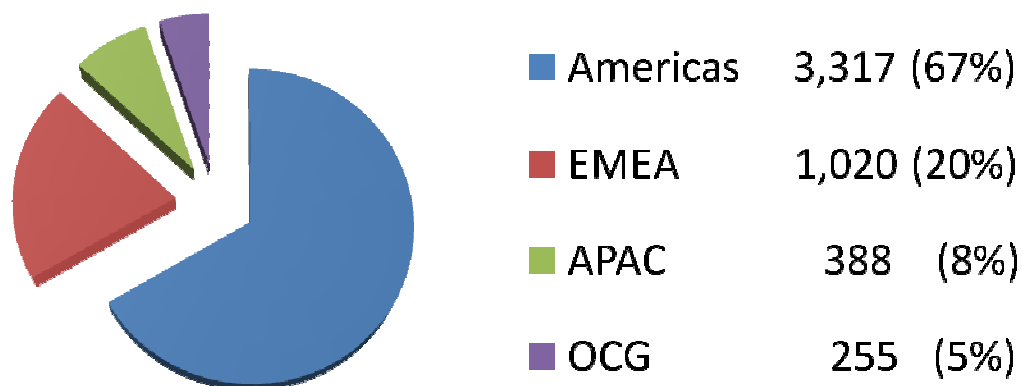
- Kelly founded the temporary staffing industry in 1946, and has maintained a leadership position through the years based on a valuable premise: we invest in people. Today that focus benefits our customers wherever they operate around the globe – in a growing number of specialized fields. And we'll continue to meet the evolving challenges of workforce flexibility with staffing solutions tailored to clients' precise business needs, both locally and worldwide.
- **Key strengths and values:**
  - Premier global brand
  - Dedicated branch network – 100% company-owned
  - Strong financial stability
  - Strategic partnerships with access to top talent
  - Serve >90% of Fortune 500® and 99% of Fortune 100™
  - Broad spectrum of employment and management solutions
  - Supply chain management expertise



## Portfolio of Services

Commercial Staffing Solutions	Professional & Technical Specialties	Outsourcing & Consulting Solutions (OCG)
<ul style="list-style-type: none"> <li>• Office Services</li> <li>• Light Industrial</li> <li>• Electronic Assembly</li> <li>• Marketing</li> <li>• Contact Center</li> <li>• Educational</li> </ul>	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Law</li> <li>• IT</li> <li>• Engineering</li> <li>• Scientific</li> <li>• Healthcare</li> <li>• Creative Services</li> </ul>	<ul style="list-style-type: none"> <li>• Contingent Workforce Outsourcing (CWO)</li> <li>• Recruitment Process Outsourcing (RPO)</li> <li>• Business Process Outsourcing (BPO)</li> <li>• Independent Contractor Services (ICS)</li> <li>• Contact Center Outsourcing (KellyConnect)</li> <li>• Executive Placement</li> <li>• Career Transition and Outplacement</li> </ul>
73% of Revenue	22% of Revenue	5% of Revenue

## 2010 Segment Revenues *in millions (\$)*





## Macro Market Overview

- Global economy appears to be on a more balanced and sustainable growth path after managing through a period of subpar growth in 2010
  - U.S. economic growth is projected to be 3.2% in 2011
  - Eurozone's recovery is expected to remain gradual during 2011 with growth forecast at 1.5% for the year
  - APAC is leading the global economic recovery with strong annual growth of 5.3% in 2011
- Global economic growth is forecast at 3.4% for 2011, with momentum expected to build as rising business confidence leads to increased hiring and spending
- Despite the slow pace of this recovery, staffing firms turned in solid, improving 4Q results



## Global Labor Market Update

- Americas

- Broad-based recovery underway. Labor market outlook is improving as the U.S. economy appears to be gaining momentum
- 900,000 jobs were created in 2010 in the U.S. out of 8.75 million jobs lost during recession
- Unemployment fell to 8.9% in February 2011; 4.9% for college graduates

- EMEA

- EMEA labor markets mildly outperformed expectations in 2010
- Outlook for 2011 remains fragile and uneven given modest economic recovery

- APAC

- Labor market recovery continues to outpace much of world
- Developing economies in APAC are accelerating their shift toward higher skilled industries

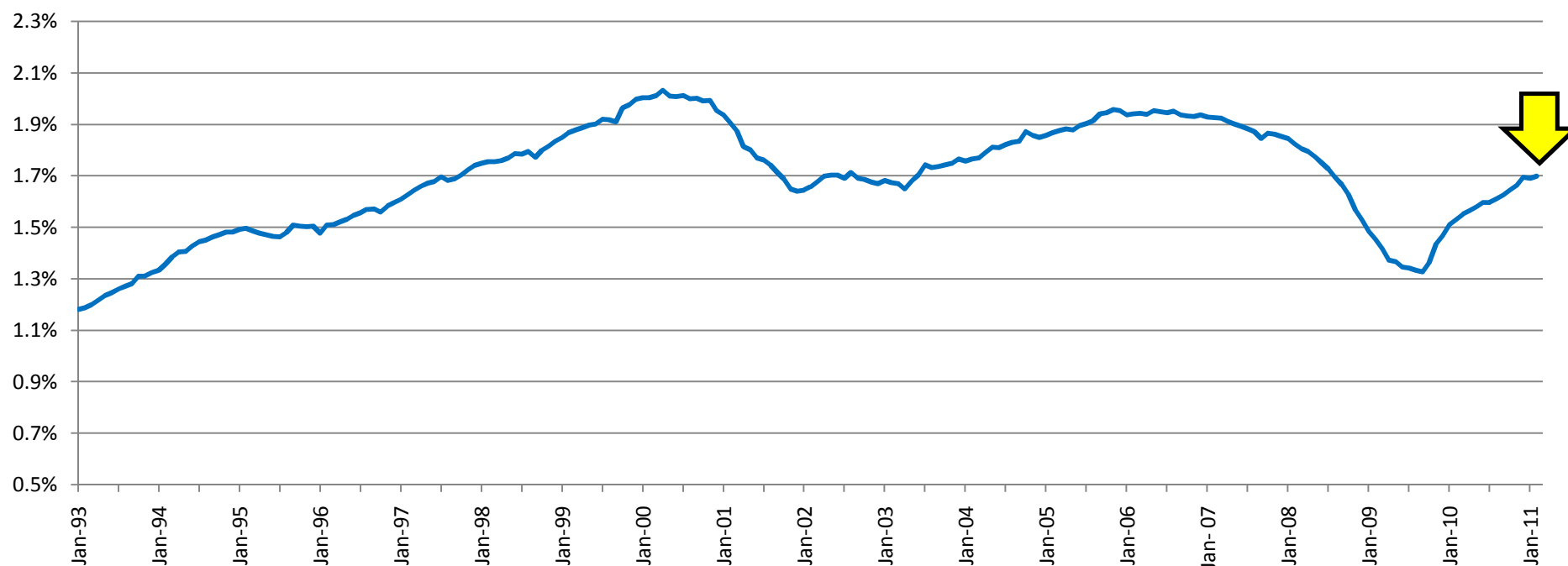


## Temporary Help Services Penetration Rate – U.S.

### Penetration rate improving

- February 2011 was at 1.70%
- July 2009 bottomed at 1.33%

(Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

## The New Employment Landscape

- 
- Greater comfort around use of flexible staffing models
  - Increasing acceptance of free agents and contractual employment by companies and employees
  - Desire for more comprehensive workforce management solutions
  - Market changes play to Kelly's strengths and experience – particularly serving large clients



## 2009/2010 – Created a Model for the Future

- Realigned footprint
- Refined and embraced strategy
- Streamlined operations
- Committed to leaner cost structure



### Create shareholder value

- Deliver a competitive profit in our industry
- Provide the right solutions for our customers
- Engage the best talent in the business



## Strategic Direction

Strategic objective is to create shareholder value  
by delivering a competitive profit via the best workforce solutions and talent in the industry.

Strategic goal is to reach a Return on Sales of 4%

### Key Strategic Areas

Professional Technical

Talent Supply Chain

RPO

Permanent Placement

Commercial

Large Customer

4%  
Return on Sales

### Operating Principles

Higher Skill Business Mix

Cost Discipline

Operational Efficiency

Talent Management



## Path to Achieve Strategic Objective

- Maintain dominance in Commercial in existing markets
- Aggressively pursue higher skill / higher margin Professional Technical business
- Deliver industry-leading talent supply chain solutions (CWO)
- Grow RPO and BPO where we have scale
- Capture Permanent Placement growth within selected specialties

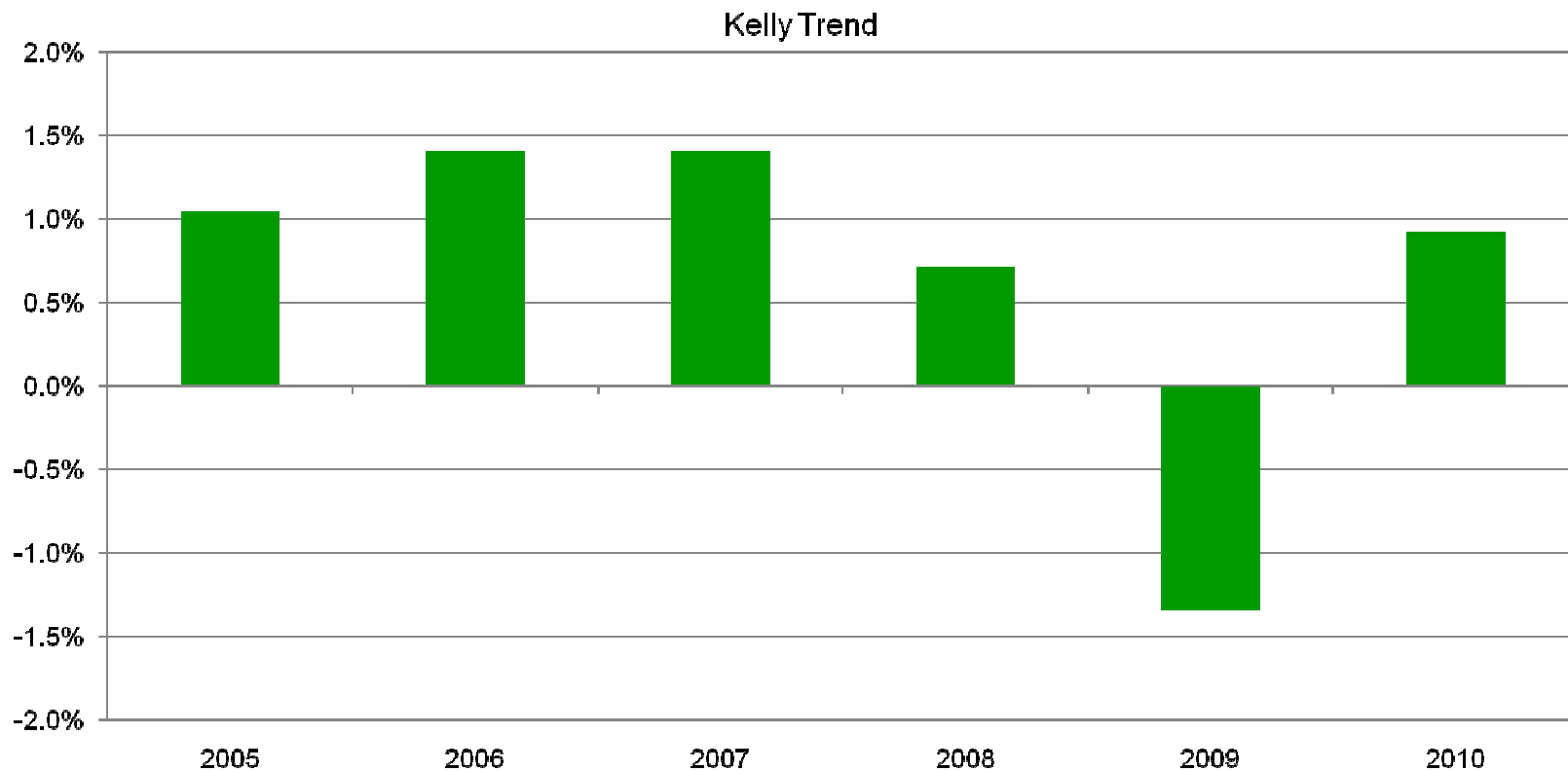


## Path to Achieve Strategic Objective

- Leverage large customer expertise to grow Professional Technical business
- Drive efficiencies via centralized large account service delivery models and centralized sourcing and recruiting
- Maintain focus on cost discipline
- Hire, retain, and engage highly qualified talent



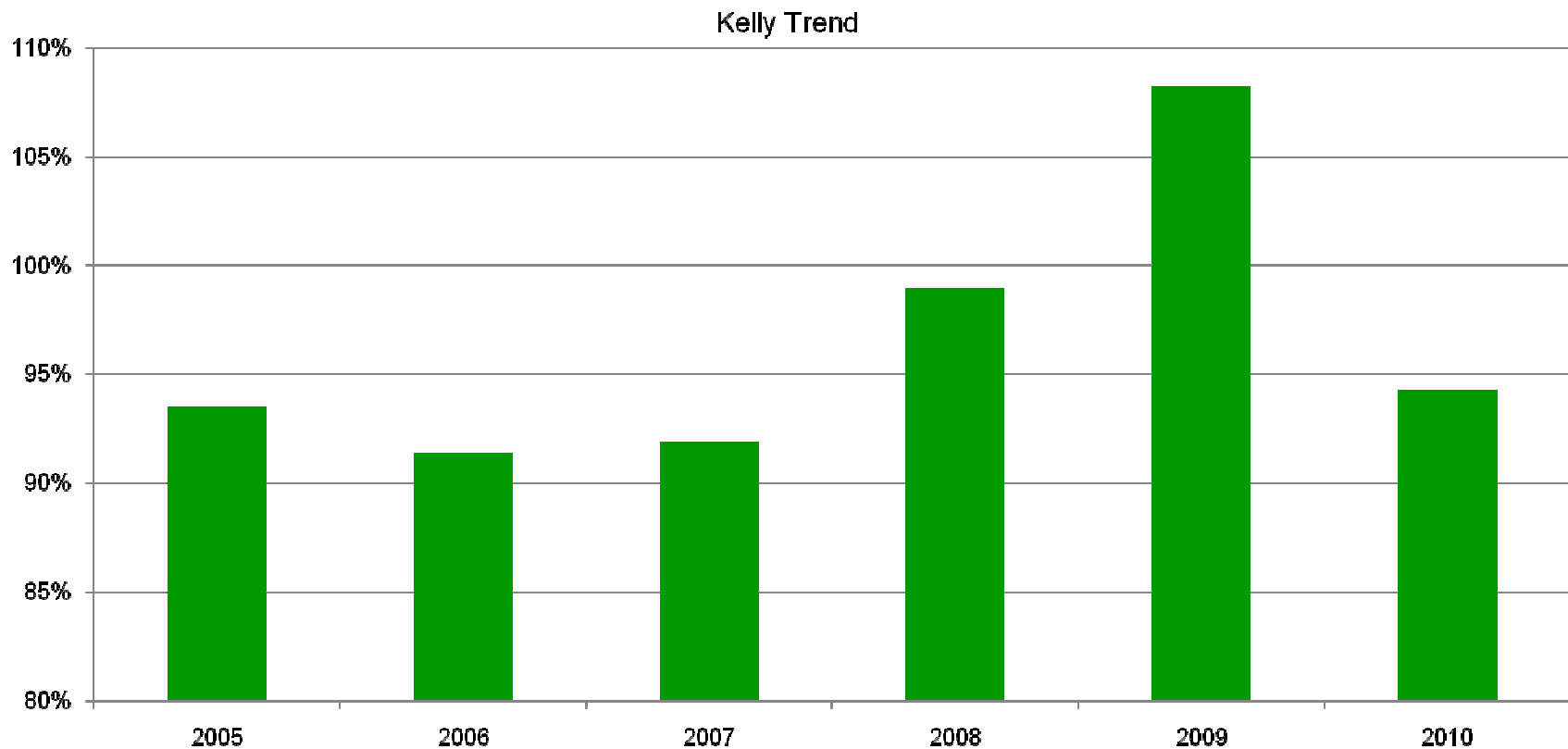
## Strategic Scorecard: Return on Sales



- ROS trending positively since mid-2009
- Still only achieved 1% ROS last year - even with much lower expense base
- ROS lags the peer group
- Strategy seeks substantial growth in higher margin business



## Strategic Scorecard: Expense Ratio



- Continued strict expense management driving ratio down
- Expense ratio moved within the peer group range last year, but is still at the high end of the range
- Will continue practicing expense discipline

## Measuring Our Progress

- Achieved operating profit of \$17 million in Q4
- Earned \$0.39 per share in Q4; \$0.86 per share for full-year 2010, excluding restructuring
- Q4 expenses held flat YOY
- Professional & Technical staffing experienced double-digit growth (YTD YOY)
- Increased investment in Professional & Technical staffing
- Double-digit growth (YTD YOY) in OCG; losses narrowing



## Defining Success

- Maintain dominance in our commercial markets
- Capture increasing share of growing market for mid- to higher-end Professional and Technical talent
- Increase our gross profit from OCG
- Achieve profitability across the company and ROS of 4%
- Remain committed to a leaner cost structure
- Achieve best-in-class engagement scores from our clients, suppliers, and employees
- Restore dividends to our shareholders







# Financial Review

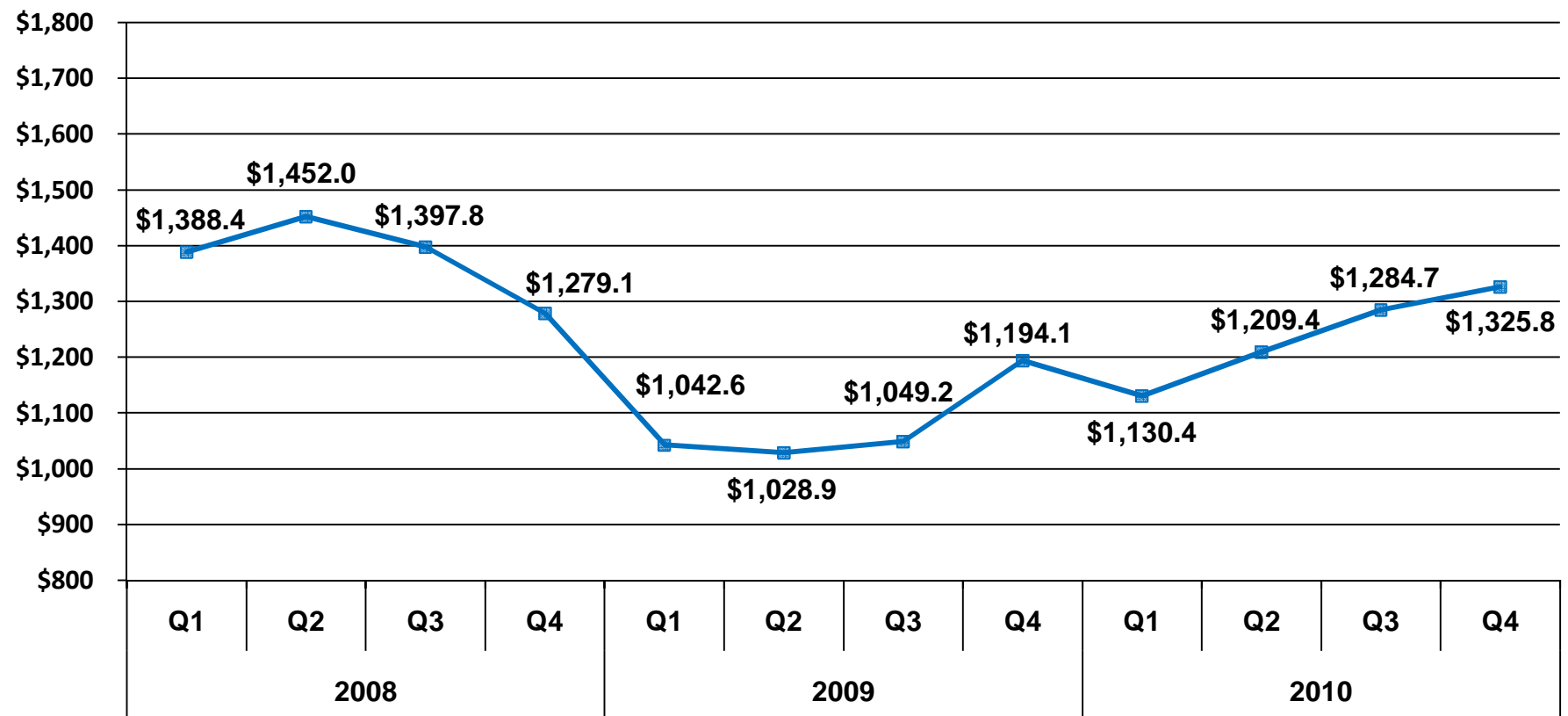
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## Revenue by Quarter

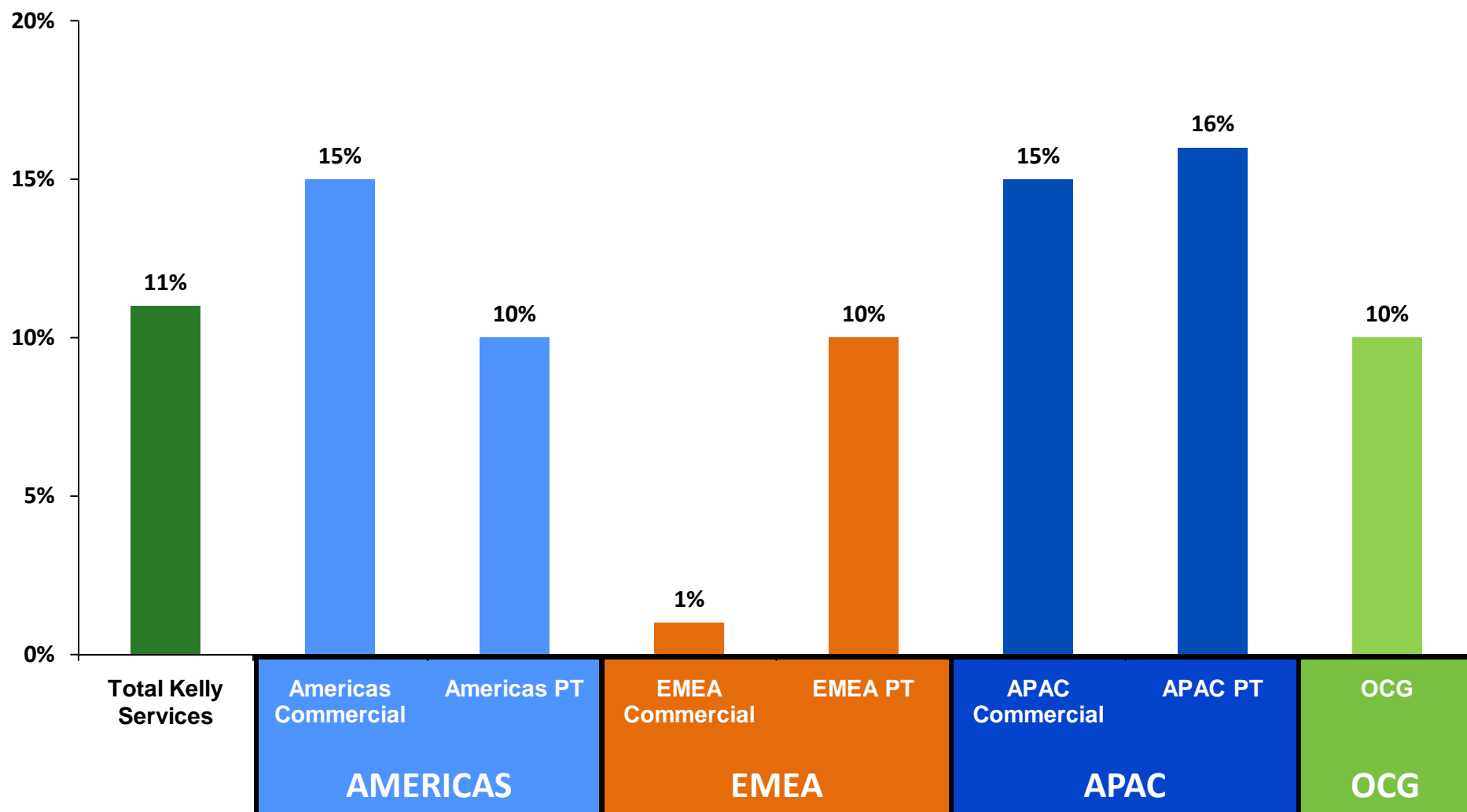
**Fourth quarter of 2009 included a 14<sup>th</sup> week (53 weeks for the year).  
The impact on the revenue was about 4 – 5%**

(in millions)



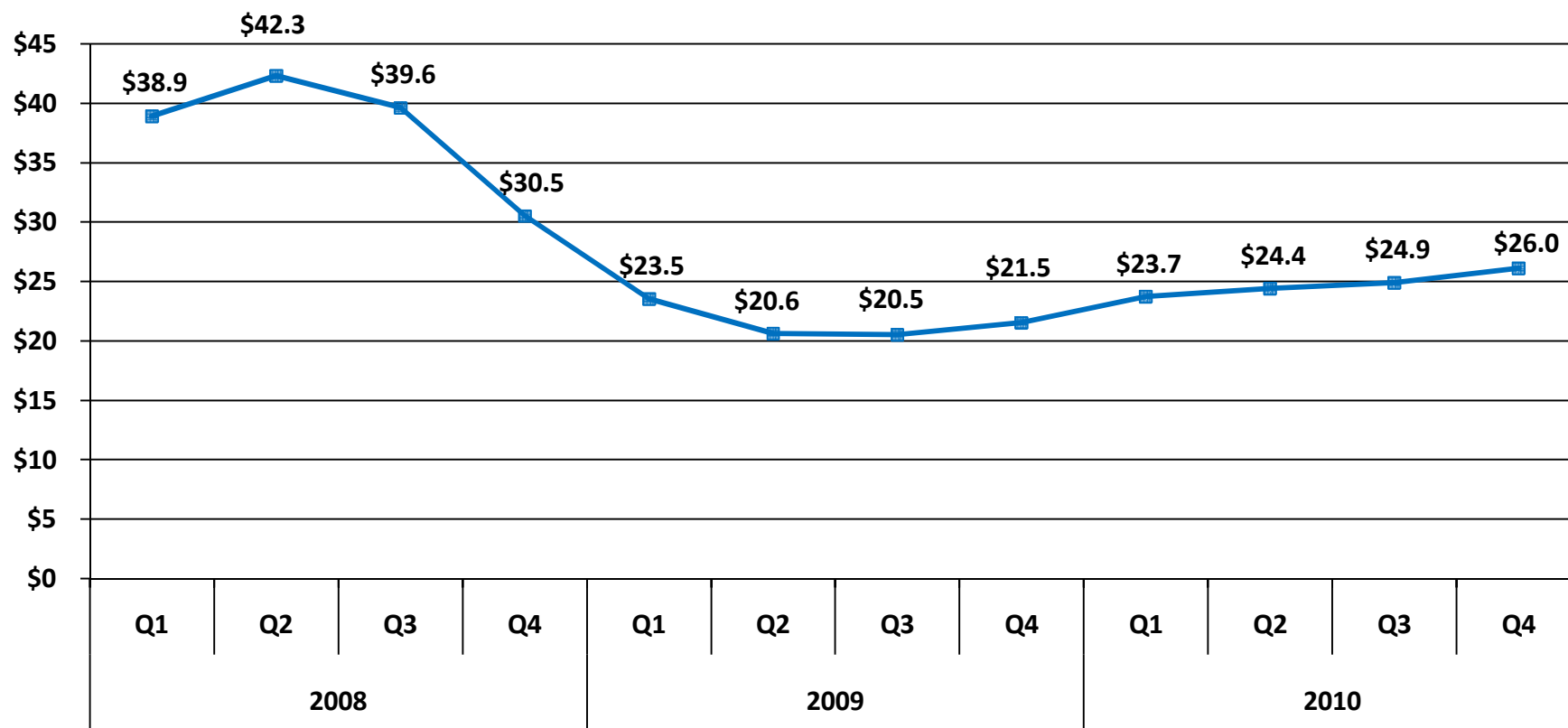
# Constant Currency Revenue Growth by Segment

Q4 2010 vs. Q4 2009



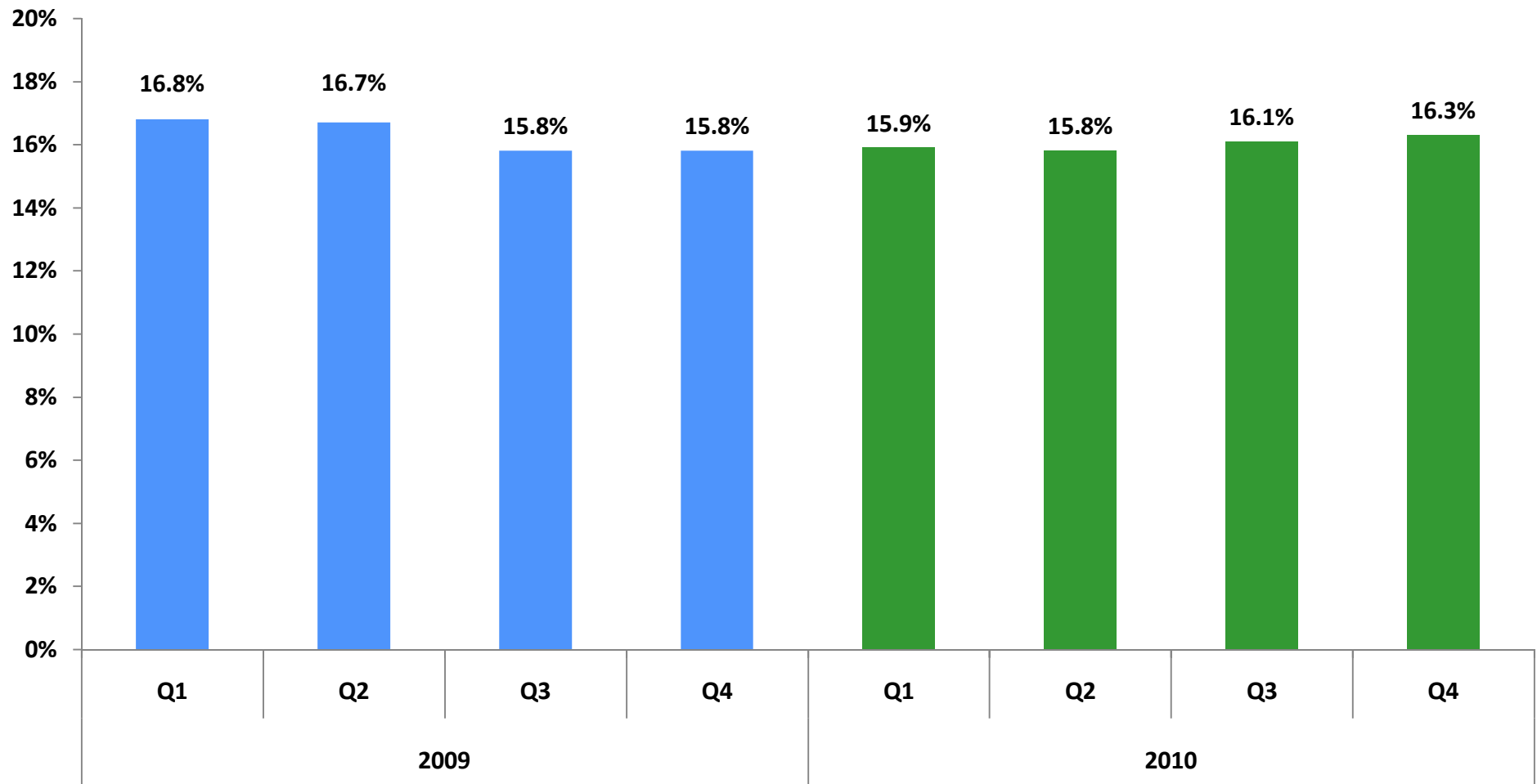
## Fee Income by Quarter

(in millions)



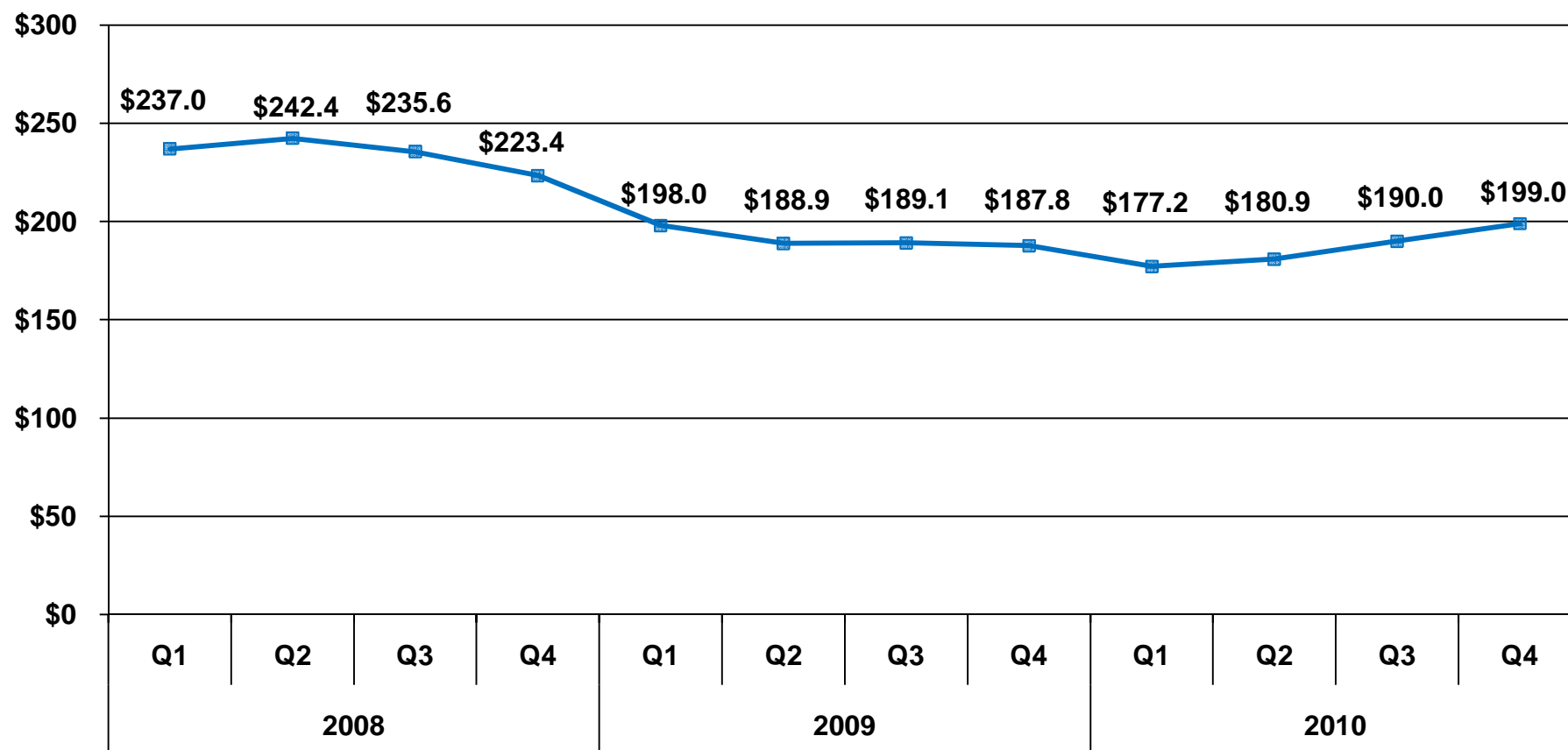


## Gross Profit Rate by Quarter



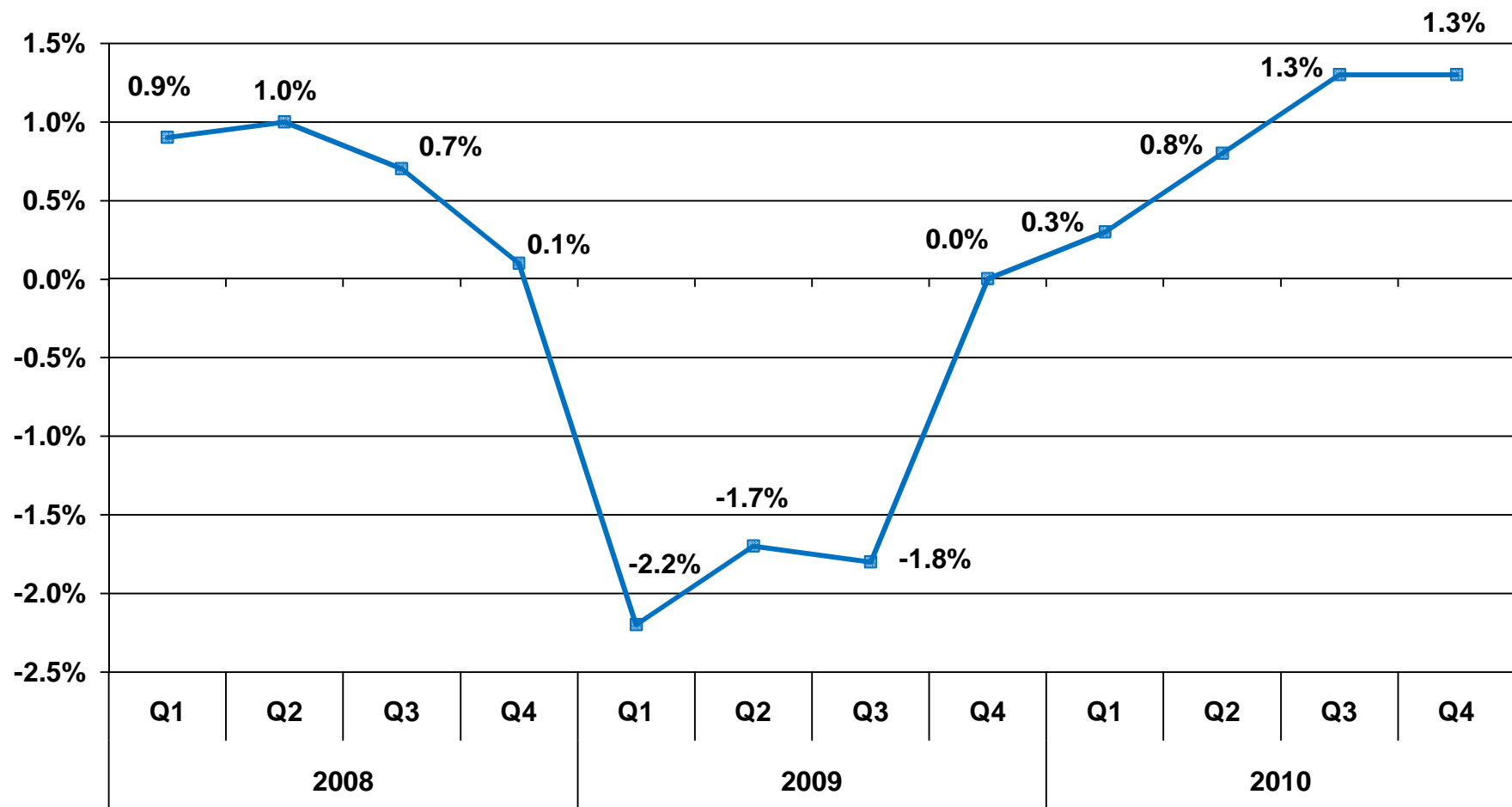
## Expense by Quarter

(in millions)

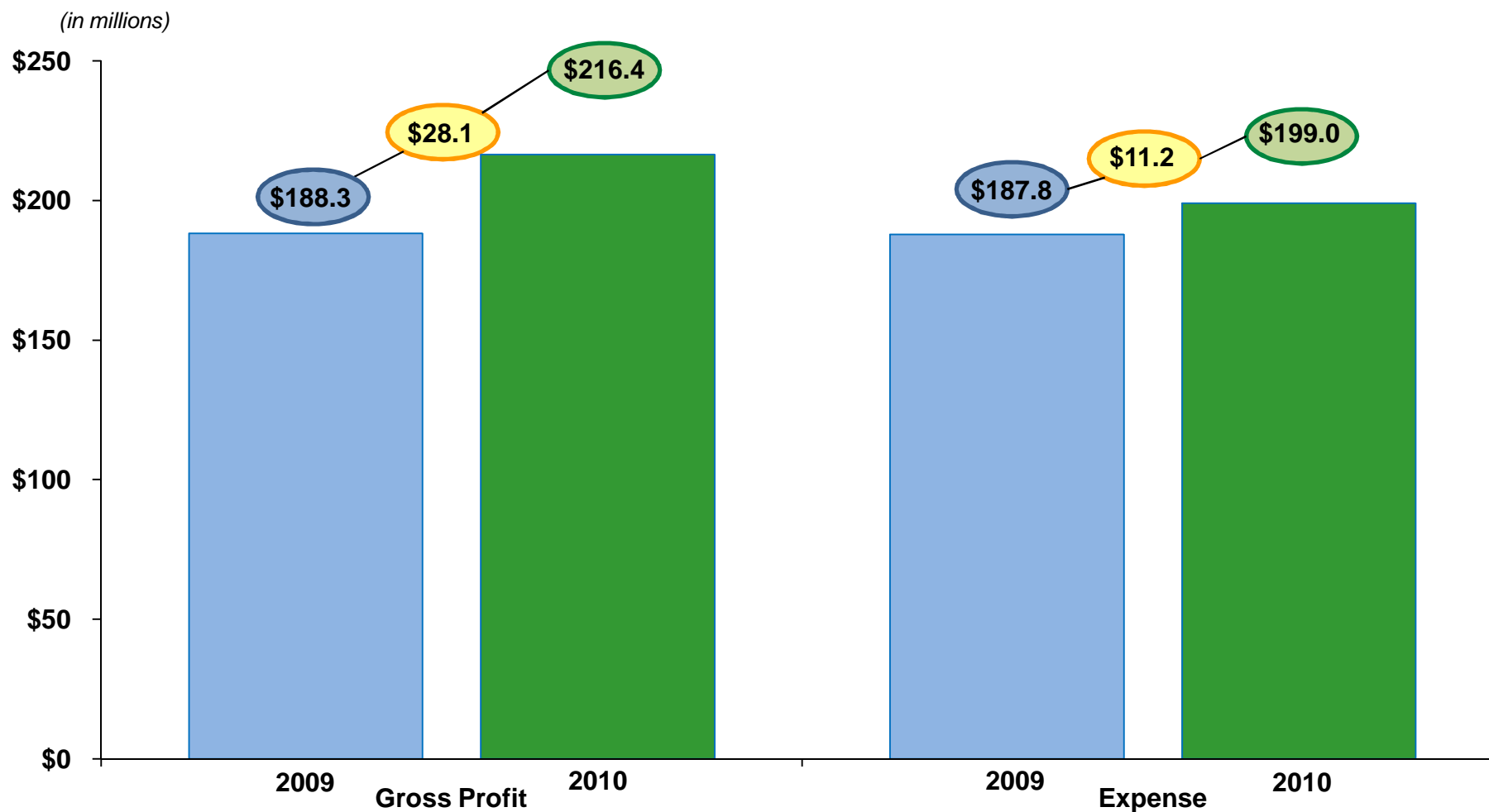


\*Excluding Restructuring & Certain Litigation Charges

## Return on Sales by Quarter



## Comparison of Gross Profit & Expense – Fourth Quarter



\*Expense excluding restructuring



## Cash Flow Generation – Fourth Quarter

(in millions)

	2010	2009
Net Income/(Loss)	\$ 26.1	\$ (104.5)
Impairment of Assets	2.0	53.1
Other Cash from Operating Activities	13.7	24.0
<b>Capital Expenditures</b>	<b>(11.0)</b>	<b>(13.1)</b>
Free Cash Flow	\$ 30.8	\$ (40.5)
Borrowing	(59.7)	22.2
<b>Available Cash Flow</b>	<b>\$ (28.9)</b>	<b>\$ (18.3)</b>
Sale of Stock	\$ 24.3	\$ -
Other	(0.2)	(12.9)
<b>Cash Used</b>	<b>\$ (4.8)</b>	<b>\$ (31.2)</b>
Effect of Exchange Rates	(3.6)	1.8
Net Change in Cash	<u>\$ (8.4)</u>	<u>\$ (29.4)</u>
<b>Cash at Period End</b>	<b>\$ 80.5</b>	<b>\$ 88.9</b>

## Kelly Services: Geared for Success



Focused Strategy

Structured for Growth

Aligned with New Employment Market

Strong Balance Sheet with Lower Cost Model