



KELLY®



November 13, 2014

SunTrust

2014 Financial Technology, Business and
Government Services Conference
New York, NY

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1946-2014

STAFFING Kelly Girl®

William Russell Kelly pioneers the modern staffing industry by founding the Russell Kelly Office Service in 1946 in **Detroit, MI.**



GLOBAL WORKFORCE SOLUTIONS Free Agent

- Strategic Partnerships
- Solutions
- Supply Chain



Our annual **Kelly Global Workforce Index™** captures labor market trends from approximately 200,000 participants across more than 30 countries.

Chief Executive

**BEST COMPANIES
FOR LEADERS**

2013

**BEST
of
Staffing®
CLIENT
SATISFACTION
2014**

Recognized by Inavero for delivering service to clients that is well above industry benchmarks.

PROFILE

Kelly Educational Staffing® is the **largest provider** of instructional and non-instructional staff in the U.S.

Introduced iPad® apps!

The Talent Project for clients in 2011

WorkWire™ for candidates in 2014

The world's leading scientific workforce solutions provider—nearly

11,  professionals placed each year.

Recognized by

WORKFORCE
magazine

as among the major forces that have shaped employment in the last 80 years.

\$5.4 ^{\$\$\$} 2013 revenue
BILLION

We serve **99%** of the
Fortune 100™

2014
The Global Outsourcing®
100
IAOP

International Association of Outsourcers Award

KellyOCG® ranked **#4** in the Leader Category for The 2014 Global Outsourcing 100® service providers list.

**TOP
100**
WORKPLACES
2014

Detroit Free Press
A GANNETT COMPANY

Named one of Michigan's top workplaces two years in a row based on employee surveys conducted by WorkPlace Dynamics, LLC.

Portfolio of Solutions

Commercial Staffing Specialties

- Office Services
- Light Industrial
- Electronic Assembly
- Marketing
- Contact Center
- Educational Services

61% of GP

69%

Professional & Technical Specialties

- Science
- Engineering
- IT
- Finance
- Law
- Healthcare
- Creative Services

24% of GP

22%

Revenue

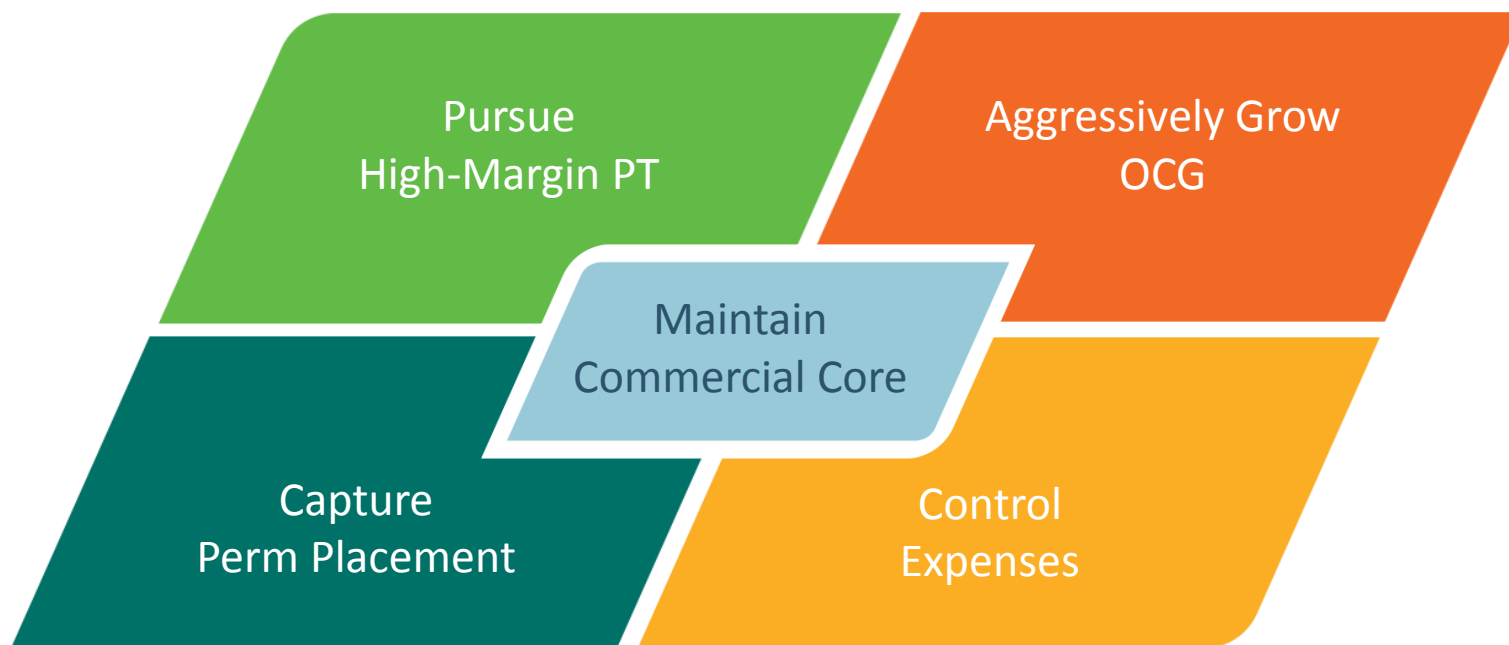
11%

16% of GP



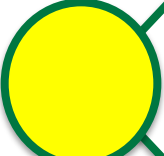

Outsourcing & Consulting Group (KellyOCG®)

- Contingent Workforce Outsourcing (**CWO**)
 - Independent Contractor Services (ICS)
 - Statement of Work (SOW)
- Recruitment Process Outsourcing (**RPO**)
- Executive Search
- Business Process Outsourcing (**BPO**)
 - Contact Center Outsourcing (KellyConnect)
 - Legal Managed Review Services
- Workforce Analytics Consulting
- Executive Coaching and Development

Kelly's Strategy: 2014



2014 Investment Scorecard

-  **U.S. Large Account Delivery Model**
-  **U.S. Local PT Delivery Model**
-  **Technology Updates**
-  **Talent Supply Chain Solutions**

2014 Investment: Large Account Delivery Model (U.S.)

- **Centralization and optimization of large account service delivery in U.S.**
 - Consistency and efficiencies of scale
 - Improved visibility into high-margin opportunities
 - Local teams freed to focus on higher-margin growth in their markets

Status:

- ✓ Transition of targeted large accounts complete
- ✓ More than \$1B revenue now centralized
- ✓ Seasoned recruitment VP hired to lead growth of PT talent pipelines
- ✓ Increased number of specialty recruiters in centralized model
- ✓ Implemented aggressive performance requirements for recruiters
- ✓ Aligned recruiting and sales verticals to drive rapid PT growth
- ✓ Drove further efficiencies through shared services

2014 Investment: Local PT Delivery Model (U.S.)

- **Nationally focused recruiting centers to support teams of on-site, branch-based, and distributed recruiters for IT, Engineering, Science, and Finance specialties**
 - Clear process for attracting and retaining top PT talent
 - Strong communities of product-dedicated recruiters
 - Consistent metrics for tracking performance
- **Adding product-specific business development resources to grow PT in local U.S. markets**

Status:

- ✓ **Expert leaders in place for all 4 recruiting centers**
- ✓ **Invested aggressively in PT sales headcount**
- ✓ **Launched recruiting centers in July (ahead of schedule)**
- ✓ **Complete onboarding and customized training for all new recruiters and sales staff**
- ✓ **Tracking performance against expected outcomes and making adjustments as needed**

2014 Investment: Technology

- **Improving billing process for large accounts**
 - End-to-end improvements in order processing
 - Required as a larger portion of our business moves to outsourced solutions (e.g., supplier payments)
- **Revamping front office system**
 - Improved recruiter & candidate interfaces

Status:

- ✓ **New billing system piloted successfully with large OCG clients**
- ✓ **Front office system is multi-year project; Phase 1 on track for Americas in 2014**
- X **Phase 2 of front-office system suspended**

2014 Investment: Expansion of Talent Supply Chain Solutions

- **Independent Contractor/Statement of Work**
 - Meet increased demand for project-based work
- **Supply chain analytics**
 - Provide customers market insights into labor supply & demand
- **Global supply chain development**
 - Fill gaps in our capability to deliver talent around the world through supplier network

Status:

- ✓ Providing supply chain analytics on several key large accounts
- ✓ Supplier portal changes ongoing
- ✓ Supply chain infrastructure now complete
- ✓ Expanded analytics pilots to other accounts
- ✓ IC/SOW: Phase II product on track for 2015 launch

2014 Restructuring Plan Outcomes

\$16M

• **Reduction in Force:**

- 55 FTE positions at HQ (including senior leaders)
- 40 FTE positions in large/local operations
- 5 FTE positions in OCG

\$14M

• **Other Non-Personnel:**

- 50 U.S. branch closures
- IT projects (e.g. Phase 2 of front office system)
- Non-core functions

\$5M

• **Restricted Hiring:**

- 70 vacant FTE positions

\$35M total taken out of Kelly's 2015 cost base

Q3/2014 FINANCIAL REVIEW

PROGRESS REPORT ON KELLY'S THIRD QUARTER*

While remaining on schedule with implementing its strategic initiatives, Kelly's performance in Q3 was in-line with expectations. Early signs indicate the Company's investments are gaining the traction necessary for growth in higher margin specialties in local and large accounts and positioning Kelly to meet the increasing market demand for holistic talent solutions.

AGGRESSIVELY GROW PT

YOY PT revenue grew 8% in EMEA and 14% in APAC. In the Americas, the PT gross profit rate increased 10 basis points.



Q3 RESULT: PT GP TOTALED \$54M

TRANSFORM OCG

In Q3, YOY revenue increased 30% in RPO and 10% in both CWO and BPO. GP rate decline was primarily due to customer mix in CWO, and planned investments ahead of expected revenue growth in BPO. RPO GP increased 35% YOY.



Q3 RESULT: OCG GP TOTALED \$35M

INCREASE STAFFING PERM PLACEMENT FEES

Placement fees in the Americas were a bright spot in Q3, increasing 13% YOY in PT and 12% YOY in Commercial as the economy showed continued progress. Weaker market conditions across EMEA led to YOY fee declines in Commercial (9%) and PT (10%), while slowing economic growth and increased regulation in APAC led to a 13% YOY decline.

Q3 RESULT: PLACEMENT FEES TOTALED \$19M

REVENUE
\$1.4B
▲ 4%

GROSS PROFIT
16.1%
▼ 30 BASIS PTS

EXPENSES[†]
\$214M
▲ 7%

EARNINGS FROM OPS[†]
\$11M
▼ \$9.6M

EPS^{***†}
.10¢
▼ 80%

ROS
(FROM OPERATION \$)
.5%
▼ 100 BASIS PTS

EXPENSE UPDATE

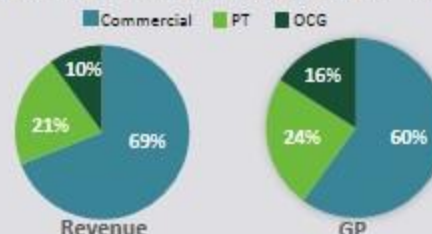
Expenses were in line with expectations for the quarter due to restructuring charges and planned strategic investments in PT specialties, OCG practices, and large account centralization.

Q3 RESULT:

96.9%
OF GP

15.6%
OF REVENUE

GLOBAL REVENUE & GP MIX



*All comparisons are year over year. Revenue comparisons are on a constant currency basis, with the exception of OCG. Staffing permanent placement fees and GP dollars represented in U.S. GAAP.

**From continuing operations.

† Excluding restructuring charges.

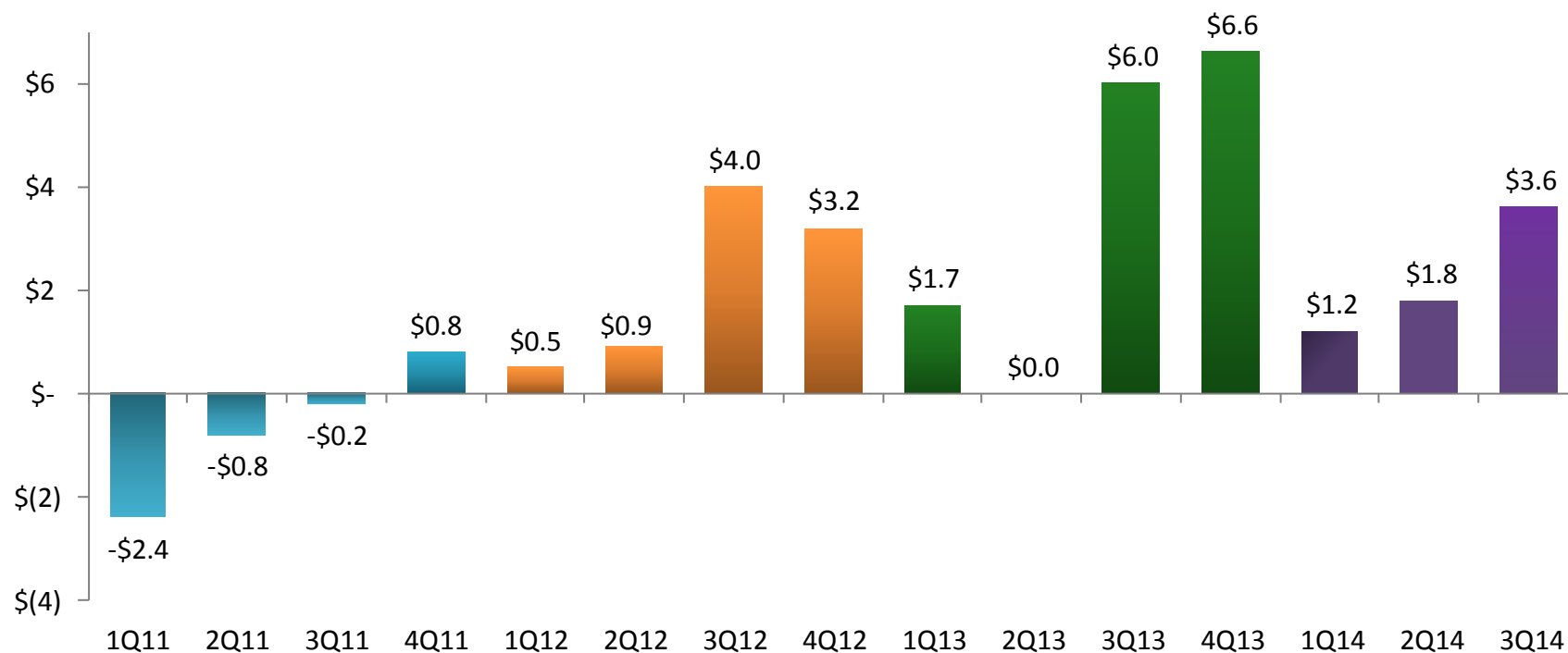
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KELLY

OCG Growth

(in millions)

OCG Profit/Loss

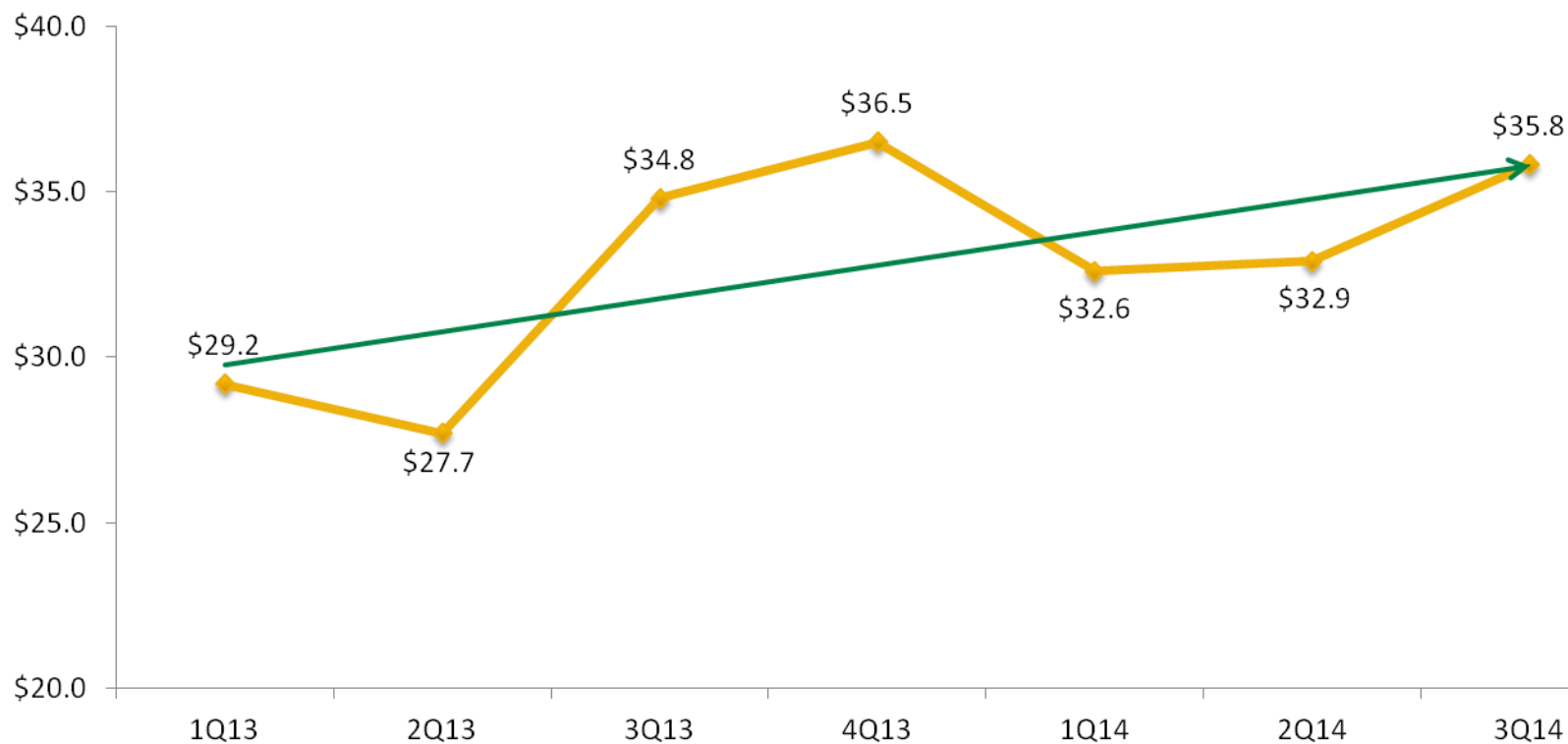


*Excluding Restructuring & Impairment Charges.


OCG Growth

(in millions)

OCG Gross Profit



2014 Outlook

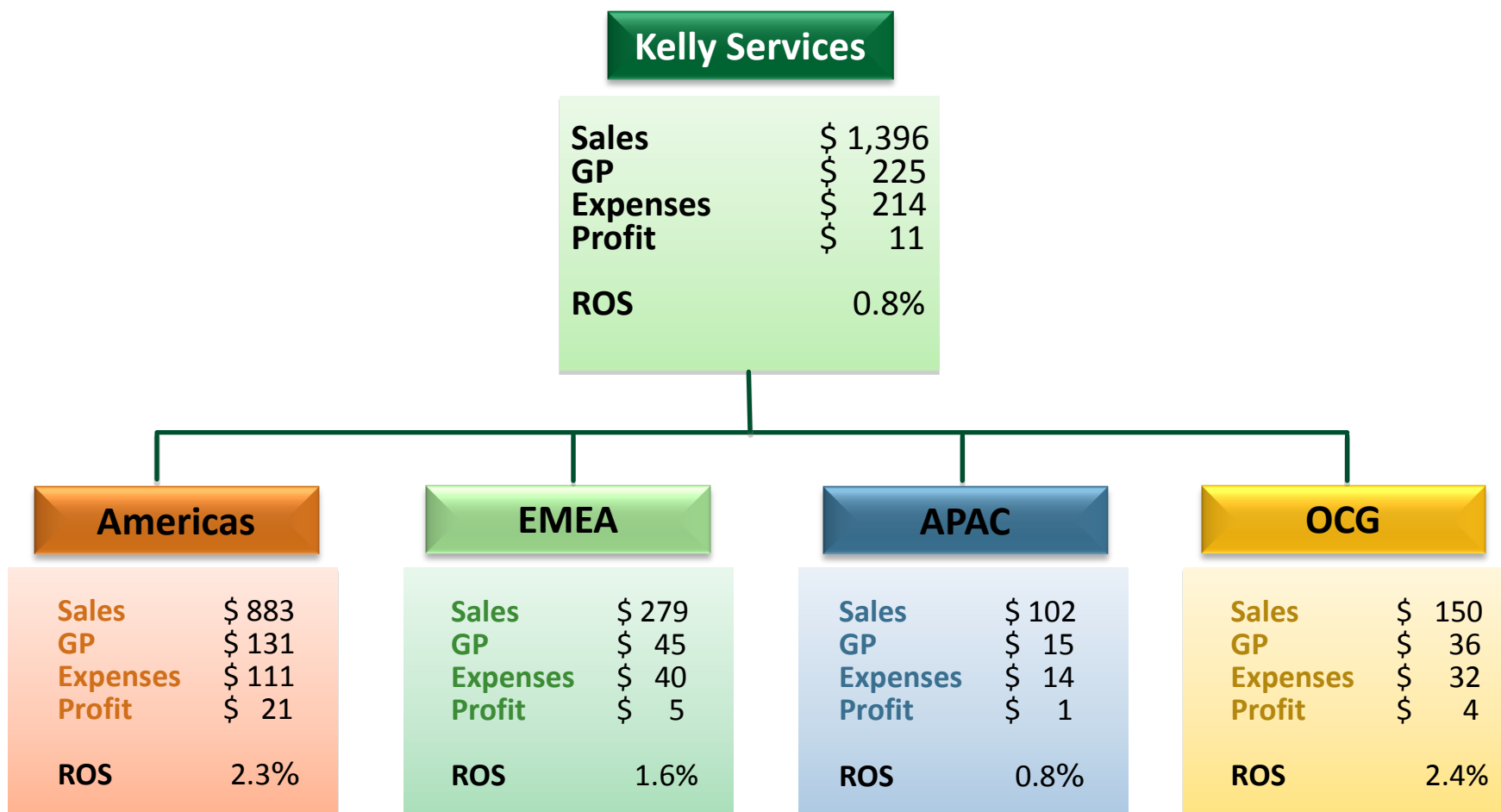
- Revenue up 3% - 4% YOY
 - Gross Profit relatively flat
 - SG&A up 5% - 6% YOY
 - Operating earnings down YOY
 - Annual tax rate expected to provide a small benefit for 2014, assuming renewal of Work Opportunity Credits; If WOC is not renewed, our rate is expected to be in the upper forties
- 

Q4 2014 Outlook

- Revenue up 4% - 5% YOY and 1% - 2% sequentially
- Gross Profit slightly down YOY and slightly up sequentially
- SG&A up 2.5% - 3.5% YOY



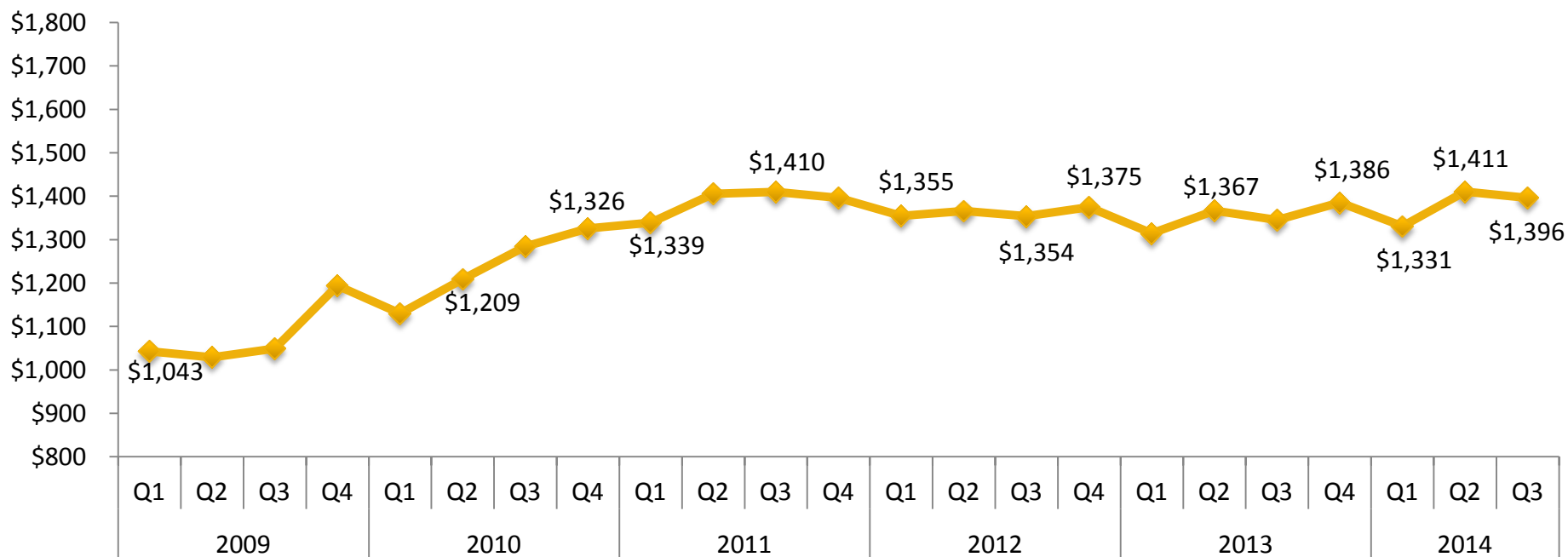
Operations Summary: Q3 2014



(in \$millions USD; excluding restructuring)

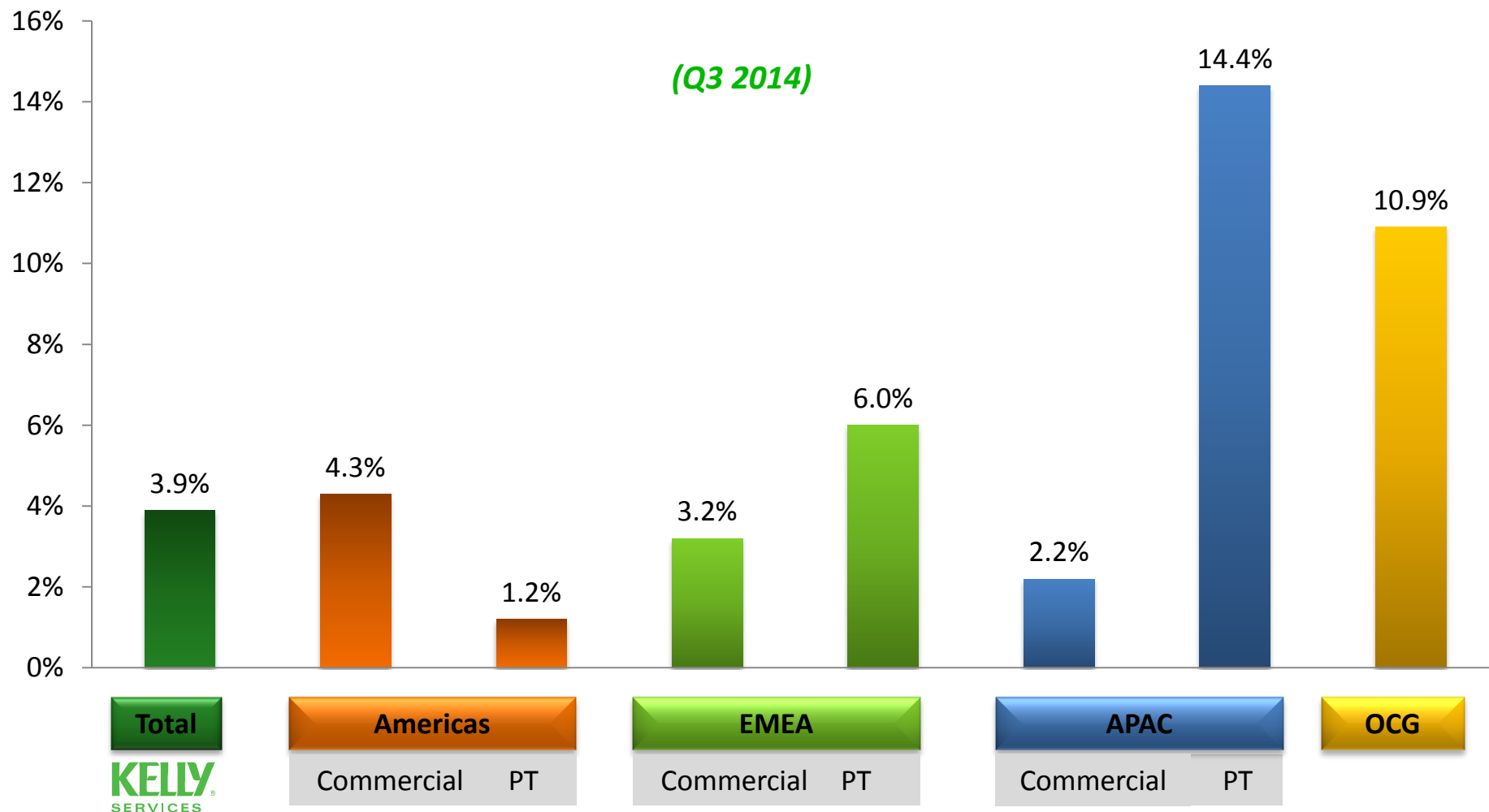
Revenue by Quarter

(in millions)



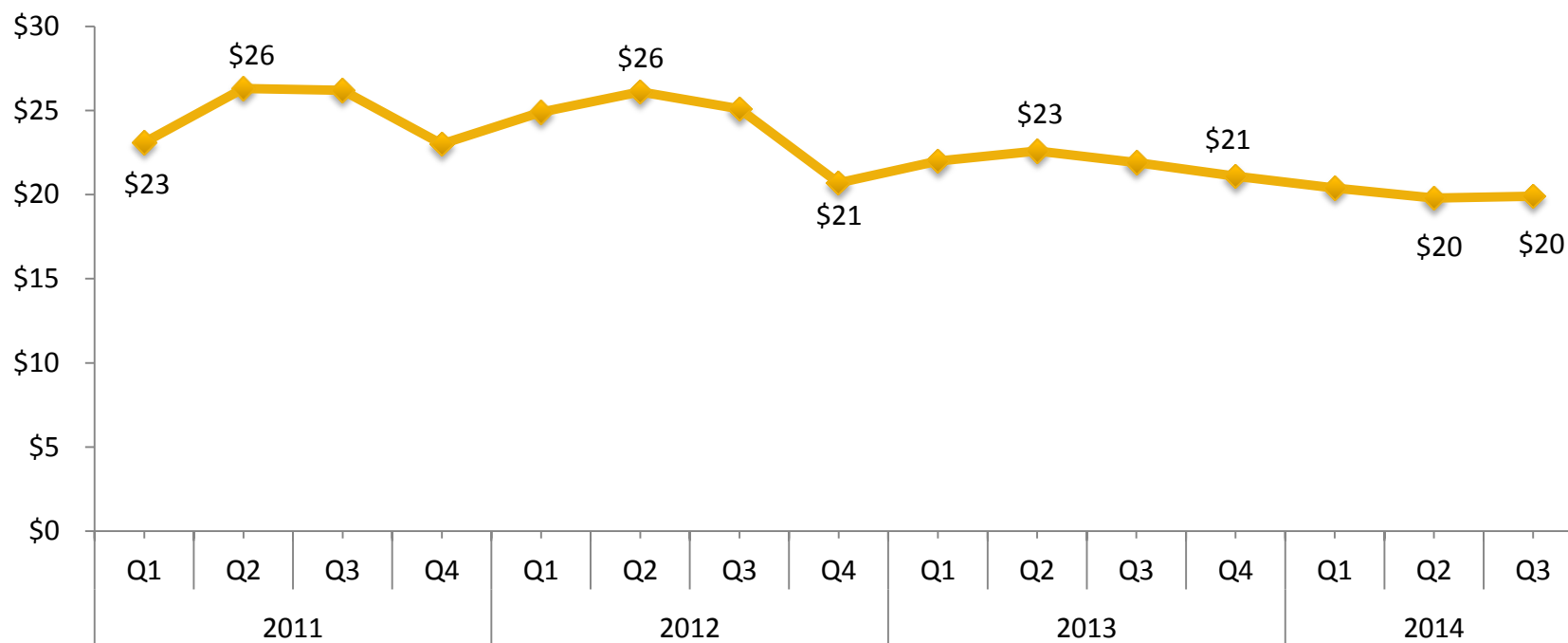
 *Note: Fourth quarter of 2009 included a 14th week (53 weeks for the year). The impact on the revenue was about 4 – 5%.

Constant Currency Revenue Growth by Segment

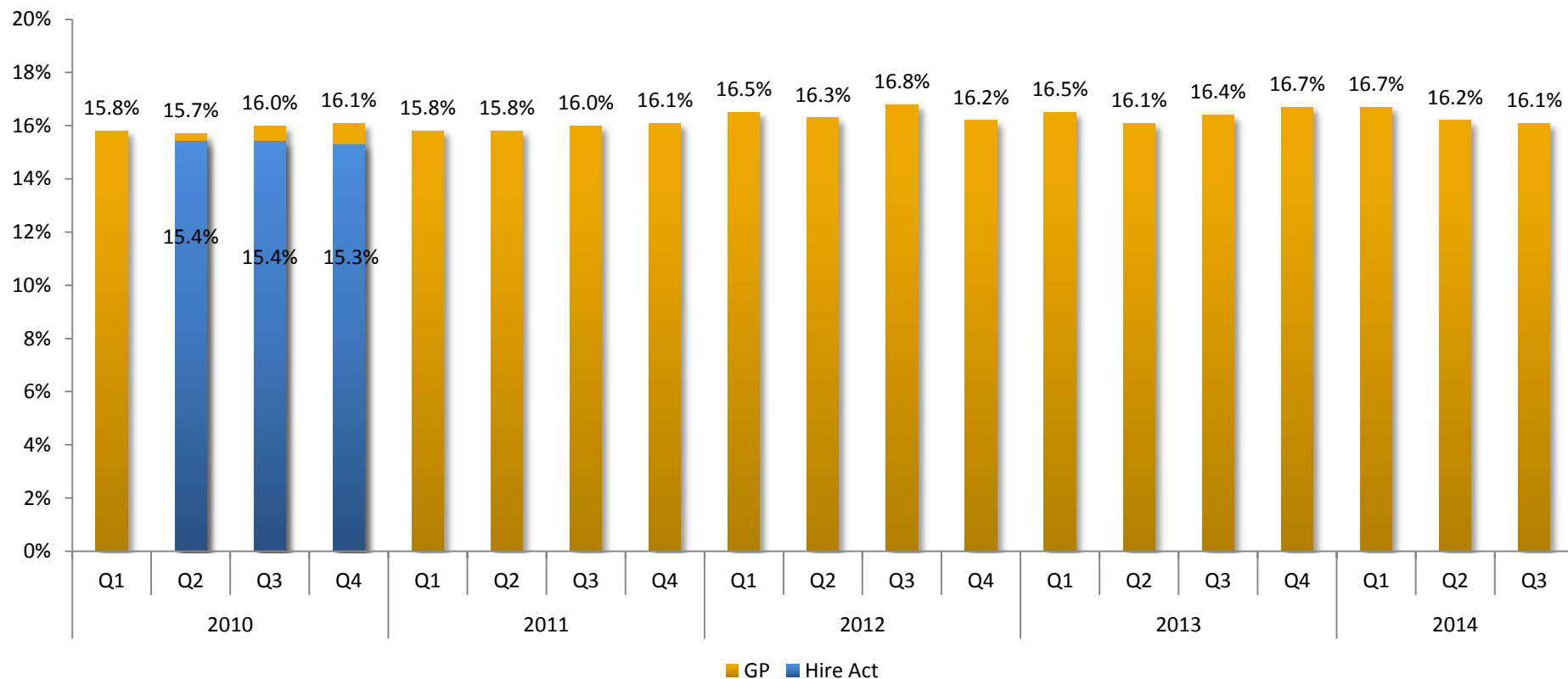


Staffing Fee Income by Quarter

(in millions)

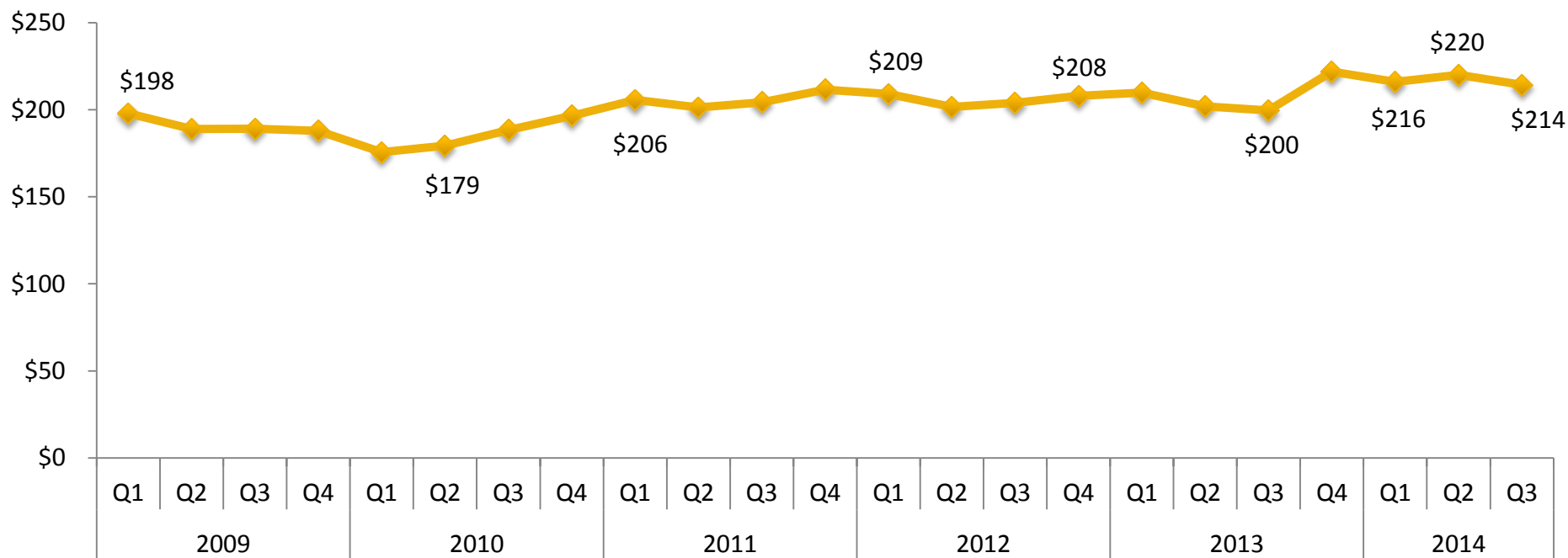


Gross Profit Rate by Quarter



Expense by Quarter

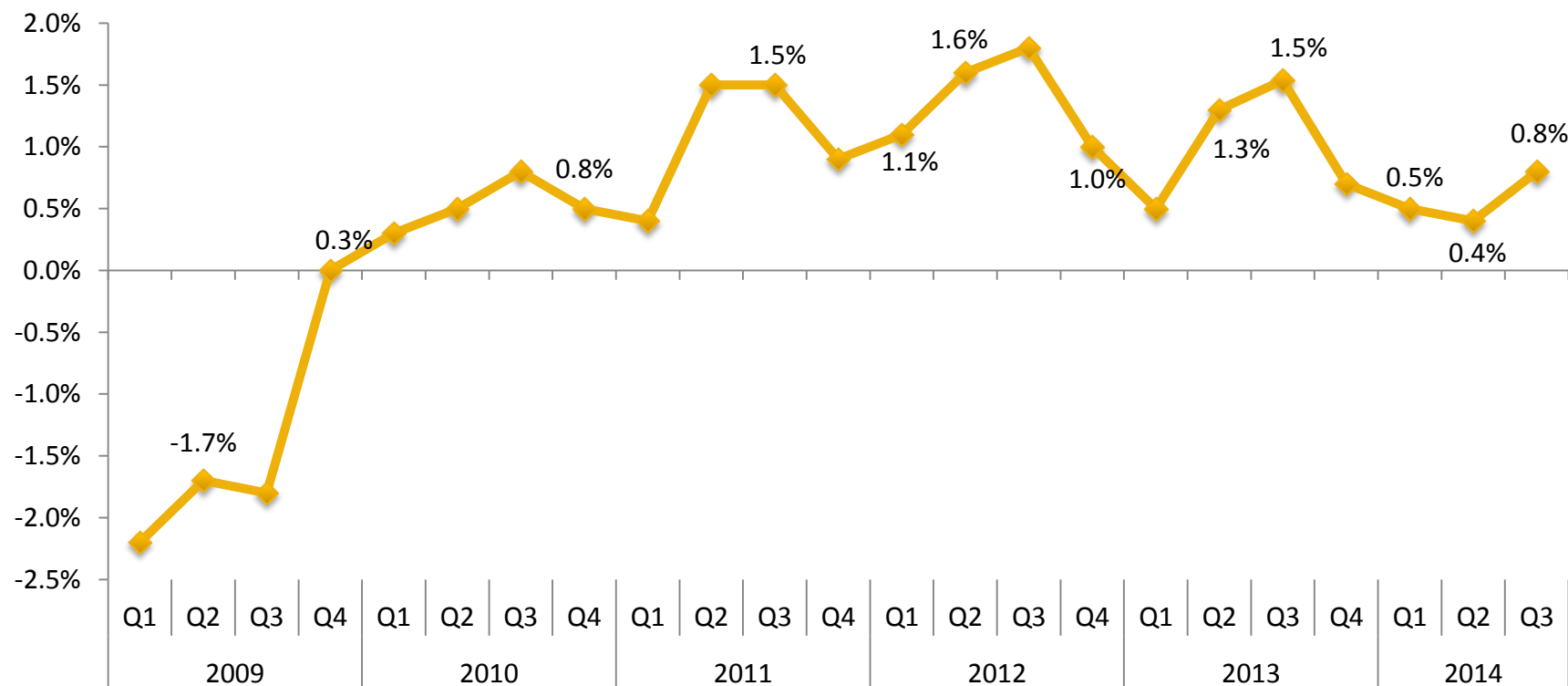
(in millions)



 *Excluding Restructuring, Impairment & Certain Litigation Charges.

Return on Sales by Quarter

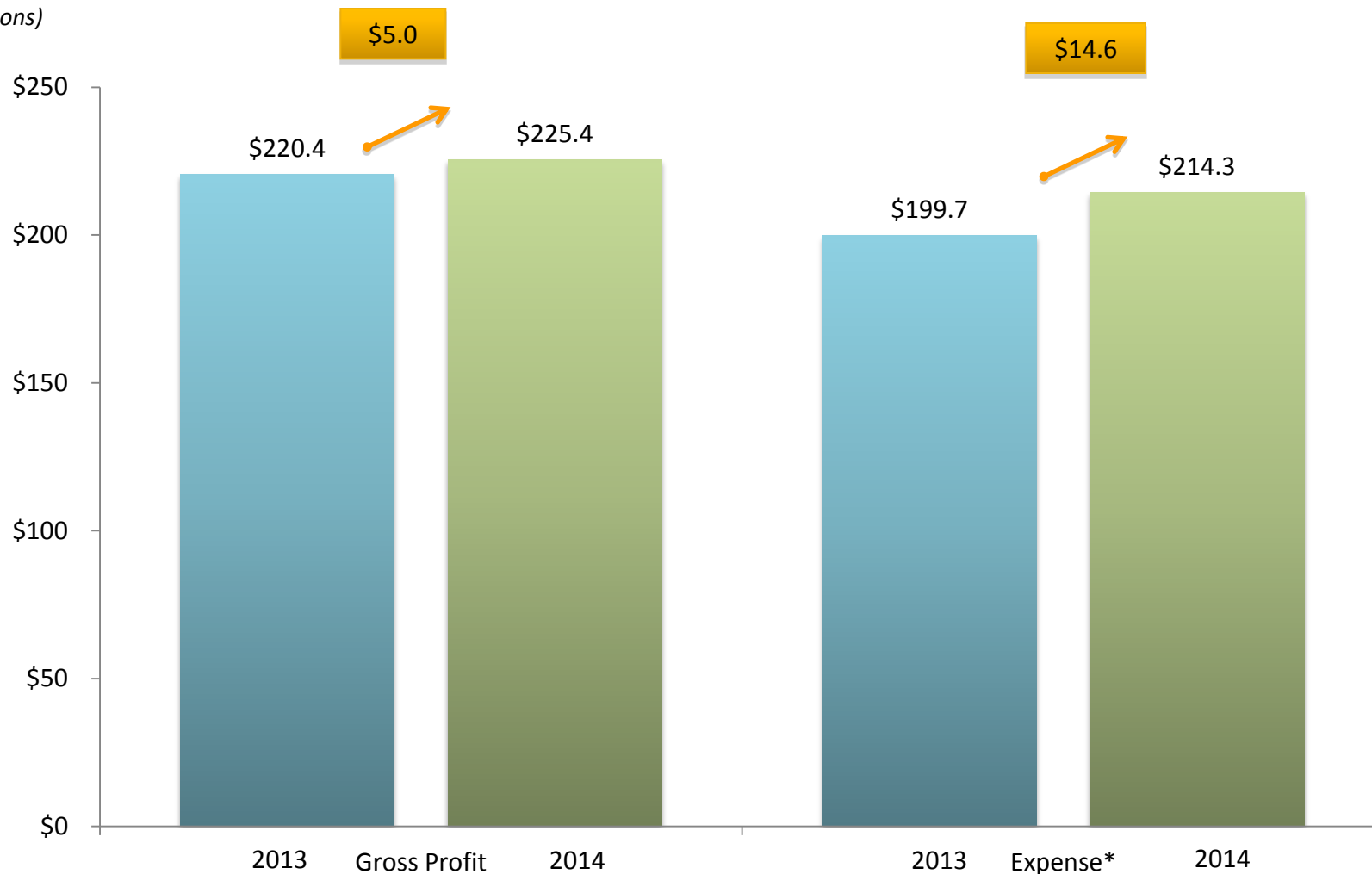
(in millions)



*Excluding Restructuring, Impairment & Certain Litigation Charges.

Comparison of Gross Profit & Expense: Third Quarter

(in millions)



*Excluding Restructuring

Cash Flows: as of September 28, 2014

(in millions)

	2014	2013
Net Income/(Loss)	\$ 6.7	\$ 41.7
Other Cash from Operating Activities	(115.7)	(19.8)
Capital Expenditures	(15.0)	(11.7)
Free Cash Flow	\$ (124.0)	\$ 10.2
Borrowing	60.4	(6.1)
Available Cash Flow	\$ (63.6)	\$ 4.1
Dividends	(5.7)	(5.7)
Other	(4.8)	0.3
Cash Used	\$ (74.1)	\$ (1.3)
Effect of Exchange Rates	-	(1.1)
Net Change in Cash	\$ (74.1)	\$ (2.4)
Cash at Period End	\$ 51.6	\$ 73.9

Balance Sheet: Third Quarter

(in millions)

	2014	2013
Cash	\$ 51.6	\$ 73.9
Accounts Receivable	1,158.1	1,071.8
Other Current Assets	85.7	102.3
Total Current Assets	\$1,295.4	\$1,248.0
Long Term Assets	605.6	523.5
Total Assets	\$1,901.0	\$1,771.5
Short Term Debt	\$ 88.7	\$ 58.0
Other Current Liabilities	756.0	712.0
Total Current Liabilities	\$ 844.7	\$ 770.0
Other Long Term Liabilities	230.7	198.0
Equity	825.6	803.5
Total Liabilities and Equity	\$1,901.0	\$1,771.5
Working Capital	\$ 450.7	\$ 478.0
Net Cash	\$ (37.1)	\$ 15.9
Debt-to-Total Capital	9.7%	6.7%



Kelly Services: Company Contacts

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