

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 3, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-1088

KELLY SERVICES, INC.

-----  
(Exact name of Registrant as specified in its charter)

DELAWARE

38-1510762

-----  
(State or other jurisdiction  
of incorporation or organization)

-----  
(I.R.S. Employer  
Identification No.)

999 WEST BIG BEAVER ROAD, TROY, MICHIGAN 48084

-----  
(Address of principal executive offices)  
(Zip Code)

(810) 362-4444

-----  
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

-----  
At May 4, 1994, 34,350,366 shares of Class A and 3,603,124 shares of Class B common stock of the Registrant were outstanding.



KELLY SERVICES, INC. AND SUBSIDIARIES

	Page Number -----
PART I. FINANCIAL INFORMATION	
Statements of Earnings	3
Balance Sheets	4
Statements of Stockholders' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7
Management's Discussion and Analysis of Results of Operations and Financial Condition	8
PART II. OTHER INFORMATION	10
Signature	11
Index to Exhibits Required by Item 601, Regulation S-K	12



KELLY SERVICES, INC. AND SUBSIDIARIES

STATEMENTS OF EARNINGS  
(In thousands of dollars except per share items)

	13 Weeks Ended	
	April 3, 1994	April 4, 1993
Sales of services	\$530,191	\$450,654
Cost of services	428,374	364,724
Gross profit	101,817	85,930
Selling, general and administrative expenses	88,424	77,196
Earnings from operations	13,393	8,734
Interest income	1,505	1,965
Earnings before income taxes	14,898	10,699
Income taxes:		
Federal	4,520	2,975
State and other	1,145	845
Total income taxes	5,665	3,820
Net earnings	\$ 9,233	\$ 6,879
Earnings per share	\$.24	\$.18
Dividends per share	\$.16	\$.152
Average shares outstanding (thousands)	37,947	37,719

See accompanying Note to Financial Statements.



KELLY SERVICES, INC. AND SUBSIDIARIES

BALANCE SHEETS AS OF APRIL 3, 1994 AND JANUARY 2, 1994  
(In thousands of dollars)

ASSETS	1994	1993
- - - - -	- - - - -	- - - - -
CURRENT ASSETS:		
Cash and equivalents	\$ 39,753	\$ 36,020
Short-term investments (at cost which approximates market)	148,617	144,988
Accounts receivable, less allowances of \$4,980 and \$4,735, respectively	262,164	248,161
Prepaid expenses and other current assets	18,800	17,881
Total current assets	469,334	447,050
PROPERTY AND EQUIPMENT:		
Land and buildings	30,035	29,882
Equipment, furniture and leasehold improvements	85,606	82,227
Accumulated depreciation	(48,046)	(43,827)
Total property and equipment	67,595	68,282
OTHER ASSETS	32,328	26,768
TOTAL ASSETS	\$569,257	\$542,100
	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY		
- - - - -		
CURRENT LIABILITIES:		
Accounts payable	\$ 20,825	\$ 24,621
Payroll and related taxes	86,526	68,451
Accrued insurance	52,593	51,841
Income and other taxes	14,503	10,968
Total current liabilities	174,447	155,881
STOCKHOLDERS' EQUITY:		
Capital stock, \$1 par value	40,116	40,116
Treasury stock, 2,162 shares in 1994 and 2,361 shares in 1993, respectively, at cost	(6,153)	(6,702)
Paid-in capital	5,628	679
Earnings invested in the business	355,219	352,126
Total stockholders' equity	394,810	386,219
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$569,257	\$542,100
	=====	=====

See accompanying Note to Financial Statements.



KELLY SERVICES, INC. AND SUBSIDIARIES

STATEMENTS OF STOCKHOLDERS' EQUITY  
(In thousands of dollars)

	13 Weeks Ended	
	April 3, 1994	April 4, 1993
Capital Stock		
Class A common stock		
Balance at beginning of period	\$ 36,507	\$ 29,195
Conversions from Class B	--	11
Balance at end of period	36,507	29,206
Class B common stock		
Balance at beginning of period	3,609	2,898
Conversions to Class A	--	(11)
Balance at end of period	3,609	2,887
Treasury Stock		
Balance at beginning of period	(6,702)	(6,736)
Treasury stock issued for acquisition	529	--
Exercise of stock options	20	40
Balance at end of period	(6,153)	(6,696)
Paid-in Capital		
Balance at beginning of period	679	3,629
Treasury stock issued for acquisition	4,803	--
Exercise of stock options	146	318
Balance at end of period	5,628	3,947
Earnings Invested in the Business		
Balance at beginning of period	352,126	338,273
Net earnings	9,233	6,879
Cash dividends	(6,072)	(5,734)
Equity adjustment for foreign currency translation (cumulative charge of \$6,581 in 1994 and \$3,291 in 1993)	(68)	438
Balance at end of period	355,219	339,856
Stockholders' Equity at end of period	\$394,810	\$369,200
	=====	=====

See accompanying Note to Financial Statements.



KELLY SERVICES, INC. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS  
FOR THE 13 WEEKS ENDED APRIL 3, 1994 AND APRIL 4, 1993  
(In thousands of dollars)

	1994	1993
	-----	-----
Cash flows from operating activities:		
Net earnings	\$ 9,233	\$ 6,879
Noncash adjustments:		
Depreciation	4,217	4,016
Changes in certain working capital components	3,605	3,218
	-----	-----
Cash from operating activities	17,055	14,113
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(3,544)	(4,796)
Short-term investments	(3,629)	2,007
Increase in other assets	(243)	(1,105)
	-----	-----
Net cash from investing activities	(7,416)	(3,894)
	-----	-----
Cash flows from financing activities:		
Dividend payments	(6,072)	(5,734)
Exercise of stock options	166	358
	-----	-----
Net cash from financing activities	(5,906)	(5,376)
	-----	-----
Net change in cash and equivalents	3,733	4,843
Cash and equivalents at beginning of period	36,020	29,700
	-----	-----
Cash and equivalents at end of period	\$39,753	\$34,543
	=====	=====

See accompanying Note to Financial Statements.



KELLY SERVICES, INC. AND SUBSIDIARIES

NOTE TO FINANCIAL STATEMENTS

Acquisition

- - - - -

In January, 1994, the Company acquired all outstanding stock of Your Staff, Inc., an employee leasing company, through the issuance of Class A common stock shares from treasury. The acquisition has been accounted for using the purchase method of accounting and therefore the accompanying financial statements include the accounts of Your Staff, Inc. since the date of acquisition. Pro forma results of the acquisition, assuming it had been made at the beginning of each period presented, would not be materially different from the results reported.



MANAGEMENT'S DISCUSSION AND  
ANALYSIS OF RESULTS OF OPERATIONS  
AND FINANCIAL CONDITION

Results of Operations:

First Quarter

Sales of services in the first quarter of 1994 totaled \$530,191,000, an increase of 17.6% from the same period in 1993. This increase primarily reflected a growth in hours volume over the previous year.

Cost of services, consisting of payroll and related costs of temporary employees, increased 17.5% in the first quarter as compared to the same period in 1993. Average hourly payroll costs increased 4% over 1993 due to inflation.

The gross profit rate of 19.2% in the first quarter was .1 percentage point higher than the previous year. Continued improvement in U.S. temporary help margins since the middle of last year has helped to offset pricing pressures in certain European countries.

Selling, general, and administrative expenses of \$88,424,000 in the first quarter increased 15% from the same period in 1993. This increase was due to the higher level of business activity, new programs and operating expenses incurred by new acquisitions.

Earnings before taxes were \$14,898,000, an increase of 39.2% compared to the pretax earnings for the same period in 1993. The pretax margin was 2.8% compared to 2.4% in the first quarter of 1993. Income taxes as a percentage of pretax earnings were 38.0%, 2.3 percentage points more than the rate applicable to the first quarter of 1993. The 1994 rate reflected the impact of the retroactive statutory increase in the corporate tax rate which was enacted in the second quarter of 1993, as well as reduced tax exempt investment income.

Net earnings were \$9,233,000 in the first quarter of 1994, compared to \$6,879,000 in 1993, an increase of 34.2%. Earnings per share, adjusted for the 5-for-4 stock split, were \$.24 compared to the \$.18 earned in the same period last year.



Financial Condition

Assets totaled \$569,257,000 at April 3, 1994, an increase of 5% over the \$542,100,000 at January 2, 1994. Working capital increased \$3,718,000 in the first quarter.

The quarterly dividend rate applicable to Class A and Class B shares was \$.16 per share in the first quarter, an effective 5% increase over the rate paid in the same period last year, after adjustment for the 5-for-4 stock split of May, 1993.

The Company believes it is in a sound financial position to fully meet its current working capital needs and its longer term capital requirements.

-----  
Companies for which this report is filed are: Kelly Services, Inc. and its subsidiaries, Kelly Assisted Living Services, Inc., Kelly Properties, Inc., Kelly Professional Services, Inc., Kelly Services (Canada), Ltd., Les Services Kelly (Quebec) Inc., Lenore Simpson Personnel, Ltd., Societe Services Kelly, Kelly Services (UK), Ltd., Kelly Services (Ireland), Ltd., Kelly Services (Australia), Ltd., Kelly Services (New Zealand), Ltd., Kelly Services (Nederland), B.V., Kelly Services of Denmark, Inc., Kelly de Mexico, S.A. de C.V., Kelly Services Norge A.S., KSI Acquisition Corp. and Your Staff, Inc.

The information furnished reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations for the period in this filing.



PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.  
-----

- (a) See Index to Exhibits required by Item 601, Regulation S-K, set forth on page 12 of this filing.
- (b) No reports on Form 8-K were filed during the quarter for which this report is filed.



SIGNATURE

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, thereunto duly authorized.

KELLY SERVICES, INC.

Date: May 11, 1994

/s/ R. F. Stoner  
R. F. Stoner

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



INDEX TO EXHIBITS  
REQUIRED BY ITEM 601,  
REGULATION S-K

-----

Exhibit  
No.

Description

-----

-----

4	Rights of security holders are defined in Articles Fourth, Fifth, Seventh, Eighth, Ninth, Tenth, Eleventh, Twelfth, Thirteenth, Fourteenth, and Fifteenth of the Certificate of Incorporation. (Reference is made to Exhibit 3.2 to the Form 10-Q for the quarterly period ended October 3, 1993, filed with the Commission in November, 1993, which is incorporated herein by reference.)
---	--