

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): May 10, 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 months ended April 1, 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 May 10, 2018.
- 99.2 Presentation materials for May 10, 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.

May 10, 2018

KELLY SERVICES, INC.

/s/ Olivier G. Thiot
Olivier G. Thiot

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

May 10, 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>
<u>99.1</u>	Press release dated May 10, 2018
<u>99.2</u>	Presentation materials for May 10, 2018 conference call



 For Immediate Release

**KELLY SERVICES® REPORTS
FIRST QUARTER 2018 EARNINGS**

Financial Highlights

- **Q1 revenue up 6.2%; up 3.5% in constant currency**
- **Q1 operating earnings down 26%, down 36% on an adjusted basis**
- **Q1 earnings per share of \$0.74 compared to \$0.31, or \$0.32 compared to \$0.35 on an adjusted basis**

TROY, MI (May 10, 2018) -- Kelly Services (Nasdaq: [KELYA](#)) (Nasdaq: [KELYB](#)), a global leader in providing workforce solutions, today announced results for the first quarter of 2018.

George S. Corona, President and Chief Executive Officer, announced revenue for the first quarter of 2018 totaled \$1.4 billion, a 6.2% increase, or 3.5% in constant currency, compared to the corresponding quarter of 2017.

Earnings from operations for the first quarter of 2018 totaled \$12.0 million, compared to the \$16.4 million reported for the first quarter of 2017. Included in earnings from operations in the first quarter of 2017 are restructuring charges of \$2.4 million. Excluding the restructuring charges, adjusted 2017 earnings from operations were \$18.8 million.

Diluted earnings per share in the first quarter of 2018 were \$0.74 compared to \$0.31 per share in the first quarter of 2017. Included in earnings per share in the first quarter of 2018 is the favorable impact of \$0.42 due to the 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 will be reflected as gains or losses on our Consolidated Statement of Earnings below earnings from operations. Included in earnings per share in the first quarter of 2017 is the unfavorable impact of \$0.04 related to restructuring charges. The impacts of these adjustments are more fully described in the included reconciliation of non-GAAP measures.

Notwithstanding a tightening labor market across all categories, Corona expressed confidence in Kelly's direction, stating: "In the first quarter we saw top-line growth, robust growth in fees, and upward momentum in Outcome-Based Services. As our growth in the first quarter was at a slower pace, we are closely monitoring market dynamics to ensure our expenses are in line with our expected revenue and GP growth. We will continue to focus on our strengths, make strategic investments in technology to connect with talent and customers like never before and pursue our strategy with urgency."

Kelly also reported that on May 9, its board of directors declared a dividend of \$0.075 per share. The dividend is payable June 6, 2018 to shareholders of record as of the close of business on May 22, 2018.

In conjunction with its first 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 May 10 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, 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 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](#).

KLYA-FIN

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KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE 13 WEEKS ENDED APRIL 1, 2018 AND APRIL 2, 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	\$ 1,369.9	\$ 1,289.7	\$ 80.2	6.2 %	3.5 %
Cost of services	1,131.7	1,058.1	73.6	7.0	
Gross profit	238.2	231.6	6.6	2.9	0.5
Selling, general and administrative expenses	226.2	215.2	11.0	5.1	2.9
Earnings from operations	12.0	16.4	(4.4)	(26.4)	
Gain on investment in Persol Holdings	23.7	—	23.7	100.0	
Other expense, net	(1.7)	(1.6)	(0.1)	(4.1)	
Earnings before taxes and equity in net earnings (loss) of affiliate	34.0	14.8	19.2	131.1	
Income tax expense	6.4	2.7	3.7	137.0	
Net earnings before equity in net earnings (loss) of affiliate	27.6	12.1	15.5	129.8	
Equity in net earnings (loss) of affiliate	1.5	0.1	1.4	NM	
Net earnings	\$ 29.1	\$ 12.2	\$ 16.9	139.0 %	
Basic earnings per share	\$ 0.74	\$ 0.31	\$ 0.43	138.7 %	
Diluted earnings per share	\$ 0.74	\$ 0.31	\$ 0.43	138.7 %	

STATISTICS:

Permanent placement income (included in revenue from services)	\$ 16.6	\$ 13.5	\$ 3.1	23.2 %	17.0 %
Gross profit rate	17.4 %	18.0 %	(0.6) pts.		
Conversion rate	5.0	7.1	(2.1)		
% Return:					
Earnings from operations	0.9	1.3	(0.4)		
Net earnings	2.1	0.9	1.2		
Effective income tax rate	18.8 %	18.4 %	0.4 pts.		
Average number of shares outstanding (millions):					
Basic	38.6	38.3			
Diluted	38.9	38.7			

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

First Quarter

	2018	2017	% Change	CC % Change
<u>AMERICAS STAFFING</u>				
Revenue from services	\$ 604.3	\$ 573.1	5.4 %	5.0 %
Gross profit	108.0	105.3	2.6	2.3
SG&A expenses excluding restructuring charges	91.9	83.7	9.9	9.4
Restructuring charges	—	0.4	(100.0)	(100.0)
Total SG&A expenses	91.9	84.1	9.4	9.0
Earnings from operations	16.1	21.2	(24.2)	
Earnings from operations excluding restructuring charges	16.1	21.6	(25.5)	
Gross profit rate	17.9 %	18.4 %	(0.5) pts.	
Conversion rate	14.9	20.1	(5.2)	
Conversion rate excluding restructuring charges	14.9	20.5	(5.6)	
Return on sales	2.7	3.7	(1.0)	
Return on sales excluding restructuring charges	2.7	3.8	(1.1)	
<u>GLOBAL TALENT SOLUTIONS</u>				
Revenue from services	\$ 485.8	\$ 487.3	(0.3) %	(0.8) %
Gross profit	91.8	90.5	1.5	0.4
SG&A expenses excluding restructuring charges	75.8	73.2	3.5	2.1
Restructuring charges	—	2.0	(100.0)	(100.0)
Total SG&A expenses	75.8	75.2	0.8	(0.6)
Earnings from operations	16.0	15.3	5.0	
Earnings from operations excluding restructuring charges	16.0	17.3	(7.1)	
Gross profit rate	18.9 %	18.6 %	0.3 pts.	
Conversion rate	17.5	16.9	0.6	
Conversion rate excluding restructuring charges	17.5	19.1	(1.6)	
Return on sales	3.3	3.1	0.2	
Return on sales excluding restructuring charges	3.3	3.5	(0.2)	
<u>INTERNATIONAL STAFFING</u>				
Revenue from services	\$ 284.7	\$ 233.6	21.9 %	8.9 %
Gross profit	39.1	36.4	7.3	(4.1)
Total SG&A expenses	34.1	31.2	9.3	(1.4)
Earnings from operations	5.0	5.2	(4.9)	
Gross profit rate	13.7 %	15.6 %	(1.9) pts.	
Conversion rate	12.7	14.4	(1.7)	
Return on sales	1.7	2.2	(0.5)	

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

	April 1, 2018	Dec. 31, 2017	April 2, 2017
Current Assets			
Cash and equivalents	\$ 36.6	\$ 32.5	\$ 46.0
Trade accounts receivable, less allowances of \$14.3, \$12.9 and \$11.9, respectively	1,290.7	1,286.7	1,164.6
Prepaid expenses and other current assets	70.4	65.1	59.0
Total current assets	1,397.7	1,384.3	1,269.6
Noncurrent Assets			
Property and equipment, net	84.3	86.1	79.0
Deferred taxes	187.8	183.4	183.5
Goodwill	107.3	107.1	88.4
Investment in Persol Holdings	265.2	228.1	169.6
Investment in equity affiliate	118.9	117.4	114.9
Other assets	275.4	271.8	230.1
Total noncurrent assets	1,038.9	993.9	865.5
Total Assets	\$ 2,436.6	\$ 2,378.2	\$ 2,135.1
Current Liabilities			
Short-term borrowings	\$ 33.4	\$ 10.2	\$ —
Accounts payable and accrued liabilities	529.9	537.7	471.9
Accrued payroll and related taxes	283.1	287.4	276.5
Accrued insurance	25.3	25.7	22.3
Income and other taxes	62.5	65.2	54.7
Total current liabilities	934.2	926.2	825.4
Noncurrent Liabilities			
Accrued insurance	49.1	49.9	43.3
Accrued retirement benefits	178.7	178.1	164.3
Other long-term liabilities	83.3	72.5	52.4
Total noncurrent liabilities	311.1	300.5	260.0
Stockholders' Equity			
Common stock	40.1	40.1	40.1
Treasury stock	(27.9)	(35.2)	(38.1)
Paid-in capital	21.1	32.2	31.5
Earnings invested in the business	1,153.2	983.6	932.9
Accumulated other comprehensive income	4.8	130.8	83.3
Total stockholders' equity	1,191.3	1,151.5	1,049.7
Total Liabilities and Stockholders' Equity	\$ 2,436.6	\$ 2,378.2	\$ 2,135.1
STATISTICS:			
Working Capital	\$ 463.5	\$ 458.1	\$ 444.2
Current Ratio	1.5	1.5	1.5
Debt-to-capital %	2.7 %	0.9 %	— %
Global Days Sales Outstanding	57	55	55
Year-to-Date Free Cash Flow	\$ (8.7)	\$ 46.2	\$ 21.8

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 13 WEEKS ENDED APRIL 1, 2018 AND APRIL 2, 2017
(UNAUDITED)
(In millions of dollars)

	2018	2017
Cash flows from operating activities:		
Net earnings	\$ 29.1	\$ 12.2
Noncash adjustments:		
Depreciation and amortization	6.3	5.3
Provision for bad debts	1.7	1.5
Stock-based compensation	2.5	4.4
Gain on investment in Persol Holdings	(23.7)	—
Other, net	(1.4)	(0.2)
Changes in operating assets and liabilities	(18.6)	1.4
Net cash (used in) from operating activities	(4.1)	24.6
Cash flows from investing activities:		
Capital expenditures	(4.6)	(2.8)
Other investing activities	(0.3)	—
Net cash used in investing activities	(4.9)	(2.8)
Cash flows from financing activities:		
Net change in short-term borrowings	23.2	—
Dividend payments	(2.9)	(2.9)
Payments of tax withholding for stock awards	(6.2)	(0.5)
Other financing activities	—	(0.1)
Net cash from (used in) financing activities	14.1	(3.5)
Effect of exchange rates on cash, cash equivalents and restricted cash	(0.9)	(2.0)
Net change in cash, cash equivalents and restricted cash	4.2	16.3
Cash, cash equivalents and restricted cash at beginning of period	36.9	34.3
Cash, cash equivalents and restricted cash at end of period	\$ 41.1	\$ 50.6

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

First Quarter (Americas, International and GTS)

	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>CC % Change</u>
Americas				
United States	\$ 974.7	\$ 955.6	2.0 %	2.0 %
Canada	33.6	34.1	(1.4)	(5.9)
Mexico	30.4	23.8	27.6	18.2
Puerto Rico	19.8	17.7	12.2	12.2
Brazil	9.5	13.3	(29.1)	(28.1)
Total Americas	<u>1,068.0</u>	<u>1,044.5</u>	2.3	1.9
EMEA				
France	71.9	60.8	18.4	2.6
Portugal	51.1	36.3	40.7	22.0
Switzerland	49.7	48.3	2.9	(2.8)
United Kingdom	29.0	20.2	43.8	28.0
Russia	26.1	22.8	14.6	11.4
Italy	20.5	13.7	49.7	29.7
Germany	16.4	13.2	24.8	8.2
Ireland	11.3	7.7	45.5	26.2
Norway	8.4	7.6	9.5	1.8
Other	12.4	10.4	19.6	3.7
Total EMEA	<u>296.8</u>	<u>241.0</u>	23.2	10.0
Total APAC	<u>5.1</u>	<u>4.2</u>	19.9	14.7
Total Kelly Services, Inc.	<u>\$ 1,369.9</u>	<u>\$ 1,289.7</u>	6.2 %	3.5 %

KELLY SERVICES, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP MEASURES
FOR THE 13 WEEKS ENDED APRIL 1, 2018 AND APRIL 2, 2017
(UNAUDITED)

(In millions of dollars except per share data)

	First Quarter	
	2018	2017
Earnings from operations	\$ 12.0	\$ 16.4
Restructuring charges (Note 1)	—	2.4
Adjusted earnings from operations	<u>\$ 12.0</u>	<u>\$ 18.8</u>

	First Quarter	
	2018	2017
Net earnings	\$ 29.1	\$ 12.2
Gain on investment in Persol Holdings, net of taxes (Note 2)	(16.4)	—
Restructuring charges, net of taxes (Note 1)	—	1.7
Adjusted net earnings	<u>\$ 12.7</u>	<u>\$ 13.9</u>

	First Quarter	
	2018	2017
	Per Share	
Net earnings	\$ 0.74	\$ 0.31
Gain on investment in Persol Holdings, net of taxes (Note 2)	(0.42)	—
Restructuring charges, net of taxes (Note 1)	—	0.04
Adjusted net earnings	<u>\$ 0.32</u>	<u>\$ 0.35</u>

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 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) Gain on investment in Persol Holdings in 2018 represents the change in fair value of the investment during the period presented.



First Quarter 2018

May 10, 2018



CONNECTING PEOPLE.
ENRICHING LIVES.

First Quarter Takeaways

CONTINUED TOP-LINE GROWTH

Revenue up 6.2%;
3.5% in constant currency

DELIVERING GROWTH in Staffing Segments

Americas revenue up 5%
International revenue up
22%; 9% in constant
currency

FOCUSING ON OUR FUTURE

Sold US centralized staffing
business in healthcare
Aligning resources with
growth

First Quarter 2018 Financial Summary

	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change⁽¹⁾</u>
Revenue	\$1.4B	6.2%	3.5%
GP %	17.4%	(60) bps	
Earnings from Operations	\$12.0M	(26.4)%	(31.4)%
ROS %	0.9%	(40) bps	
EPS	\$0.74	\$0.43	

- Revenue increase reflects continued, although slowing, growth in Americas Staffing and continued strong performance in International Staffing
- GP rate declines due to business mix in Americas Staffing and customer mix in International Staffing
- Earnings from operations declines as GP rate decreases and expenses increase
- EPS includes a \$0.42 favorable non-cash impact from realized gain on equity investment due to adoption of a required accounting standard

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

First Quarter 2018 Financial Summary

(Excluding Gain on Investment in Persol Holdings and Restructuring)

	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change⁽²⁾</u>
Revenue	\$1.4B	6.2%	3.5%
GP %	17.4%	(60) bps	
Earnings from Operations	\$12.0M	(35.7)%	(40.0)%
ROS %	0.9%	(60) bps	
EPS ⁽¹⁾	\$0.32	\$(0.03)	

- Revenue increase reflects continued, although slowing, growth in Americas Staffing and strong performance in International Staffing
- GP rate declines due to business mix in Americas Staffing and customer mix in International Staffing
- Earnings from Operations, ROS % and EPS reflect the impact of lower GP rates and higher expenses

⁽¹⁾Excludes \$23.7 million gain on investment, \$16.4 million net of income tax expense or \$0.42 per share in Q1 2018, \$2.4 million of restructuring charges, \$1.7 million net of tax or \$0.04 per share in Q1 2017.

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

First Quarter 2018 EPS Summary

\$ in Millions except per share data

	First Quarter			
	2018		2017	
	Amount	Per Share	Amount	Per Share
Net earnings	\$ 29.1	\$ 0.74	\$ 12.2	\$ 0.31
Gain on investment in Persol Holdings, net of taxes ⁽¹⁾	(16.4)	(0.42)	-	-
Restructuring charges, net of taxes ⁽²⁾	-	-	1.7	0.04
Adjusted net earnings	<u>\$ 12.7</u>	\$ 0.32	<u>\$ 13.9</u>	\$ 0.35

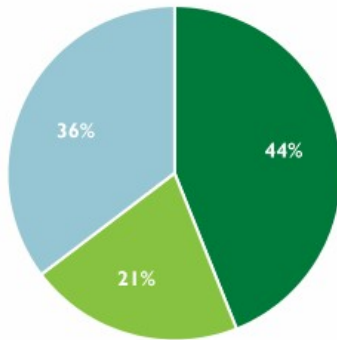
- As adjusted, net earnings and EPS decline as GP rates declines and expense increases more than offset revenue growth

⁽¹⁾Gain on investment in Persol Holdings of \$23.7 million, \$16.4 million net of tax or \$0.42 per share in Q1 2018.

⁽²⁾Restructuring charges, net of taxes include \$2.4 million of restructuring charges, \$1.7 million net of tax or \$0.04 per share in Q1 2017.

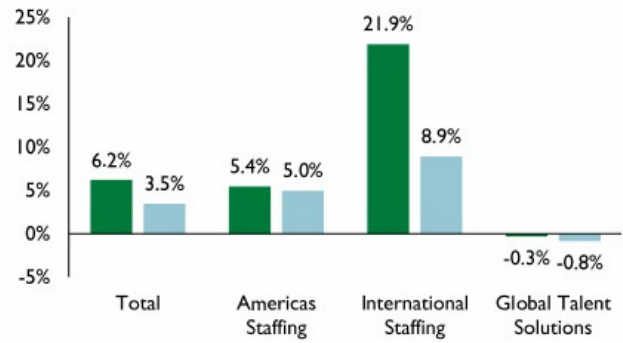
First Quarter 2018 Revenue Growth

Revenue Mix by Segment



■ Americas Staffing ■ International Staffing ■ Global Talent Solutions

Revenue Growth by Segment

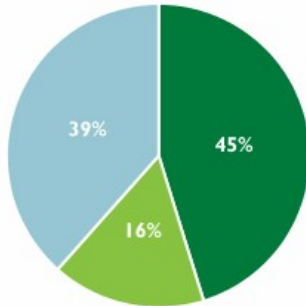


■ Reported ■ Constant Currency

- Americas Staffing revenue reflects the impact of the Teachers On Call acquisition, accelerating growth in PT specialties and continuing, but slowing growth in Commercial
- International Staffing delivered strong growth across the regions in Europe

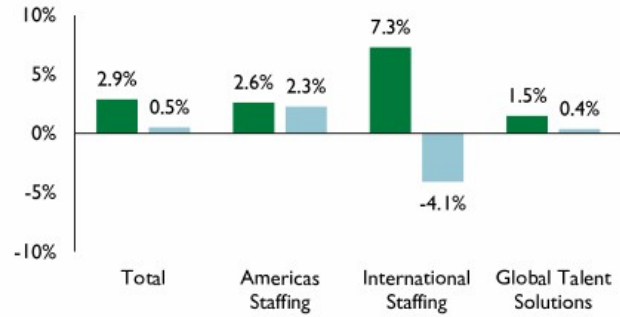
First Quarter 2018 Gross Profit Growth

Gross Profit Mix by Segment



■ Americas Staffing ■ International Staffing ■ Global Talent Solutions

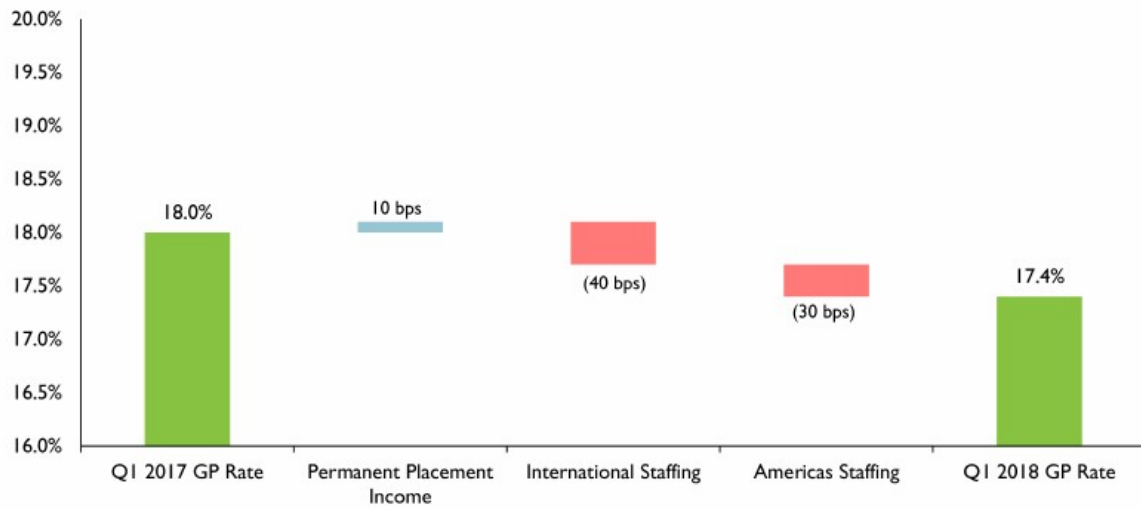
Gross Profit Growth by Segment



■ Reported ■ Constant Currency

- Americas Staffing and International Staffing GP progress reflects top-line growth, partially offset by GP rate declines due to changes in business mix
- GTS GP reflects GP rate improvement on slight revenue declines

First Quarter 2018 Gross Profit Rate



- International Staffing GP rate reflects last year's one-time benefit from lower employee costs and the impact of unfavorable customer mix
- Americas Staffing reflects the impact of unfavorable business mix
- Higher perm fees in both Americas Staffing and International Staffing segments partially offset the decline in the GP rate

First Quarter 2018 SG&A



- Americas Staffing expenses were up due to additional sales and recruiting resources added starting in Q2 2017
- GTS expenses reflect additional costs from new customer wins partially offset by cost savings from last year's restructuring actions

First 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	\$ 108.0	\$ 16.1	14.9%	\$ 105.3	\$ 21.2	20.1%	(520)
Global Talent Solutions	91.8	16.0	17.5%	90.5	15.3	16.9%	60
International Staffing	39.1	5.0	12.7%	36.4	5.2	14.4%	(170)
Total Company	\$ 238.2	\$ 12.0	5.0%	\$ 231.6	\$ 16.4	7.1%	(210)

- Americas Staffing conversion rate reflects the impact of GP rate declines and higher expenses
- GTS improves due to steady GP combined with lower expenses
- International Staffing conversion rate declines as 2017 GP was impacted by a favorable one-time employee benefit savings
- Total Company conversion rate decline reflects the impact of GP rate declines and higher expenses

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

First Quarter 2018 Conversion Rate

(Excluding Restructuring)

\$ in Millions

	2018			2017			Change (bps)
	Gross Profit	Earnings from Ops	Conversion Rate ⁽¹⁾	Gross Profit	Earnings from Ops ⁽²⁾	Conversion Rate ⁽¹⁾	
Americas Staffing	\$ 108.0	\$ 16.1	14.9%	\$ 105.3	\$ 21.6	20.5%	(560)
Global Talent Solutions	91.8	16.0	17.5%	90.5	17.3	19.1%	(160)
International Staffing	39.1	5.0	12.7%	36.4	5.2	14.4%	(170)
Total Company	\$ 238.2	\$ 12.0	5.0%	\$ 231.6	\$ 18.8	8.1%	(310)

- Americas Staffing conversion rate reflects the impact of GP rate declines and higher expenses
- GTS declines due to steady GP combined with higher expenses
- International Staffing conversion rate declined as 2017 GP was impacted by a favorable one-time employee benefit savings
- Total Company conversion rate declines reflect the impact of GP rate declines and higher expenses

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

⁽²⁾Excludes \$2.4 million of restructuring charges in Q1 2017.

First Quarter 2018 Balance Sheet Data

\$ in Millions



- DSO is up 2 days versus both Q1 2017 and year end due to market pressure for extended payment terms and customer mix
- Quarter end debt was \$33 million compared to \$10 million at year end

Outlook – Second Quarter 2018

- Revenue up 5% to 6% YOY
 - 200 basis point improvement due to currency
 - Includes impact from acquisition of Teachers On Call, net of the sale of our healthcare staffing business
 - Impact of revenue recognition not expected to be material
- Gross profit rate up YOY and up slightly sequentially
- SG&A up 7% to 8% YOY
 - Mainly driven by investments in Americas Staffing resources which started in Q2 last year
- Annual tax rate in low teens
 - Reflects impact of Tax Cuts and Jobs Act
- 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

2018 Outlook – Full Year

- Revenue up 5.5% to 6.5% YOY
 - 150 basis point improvement due to currency
 - Includes impact from acquisition of Teachers On Call, net of the sale of our healthcare staffing business
 - Impact of revenue recognition not expected to be material
- Gross profit rate flat YOY
- SG&A up 4.5% to 5.5% YOY
 - Includes impact of additional spending on technology and efficiency initiatives
- Annual tax rate in low teens
 - Reflects impact of Tax Cuts and Jobs Act
- 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



- Acquired Teachers On Call (6th largest educational staffing firm in the U.S.) in September 2017
- Further strengthens Kelly's #1 leadership position in the K-12 staffing market
- Complements KES geographic footprint and opens doors for new services and revenue, including early child care centers



- 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 the 2017 restructuring charges and 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 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. A reconciliation to the most comparable GAAP measures is included with our earnings release dated May 10, 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 TS Kelly 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 the government or government contractors, risks associated with conducting business in foreign countries, including foreign currency fluctuations, 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 programs, our ability to maintain adequate financial and management processes and controls, impairment charges triggered by adverse industry developments or operational circumstances, unexpected changes in claim trends on workers' compensation, unemployment compensation, disability and medical benefit plans, the impact of changes in laws and regulations (including federal, state and international tax laws), the risk of additional tax or unclaimed property liabilities in excess of our estimates, 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.

