

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): August 8, 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 and six months ended July 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 August 8, 2018.
- 99.2 Presentation materials for August 8, 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.

August 8, 2018

KELLY SERVICES, INC.

*/s/ Olivier G. Thiot*  
Olivier G. Thiot

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

August 8, 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>
<a href="#">99.1</a>	Press release dated August 8, 2018
<a href="#">99.2</a>	Presentation materials for August 8, 2018 conference call



 For Immediate Release

**KELLY SERVICES<sup>®</sup> REPORTS**  
**SECOND QUARTER EARNINGS**

**Financial Highlights**

- Q2 revenue up 4.0%; up 3.0% in constant currency
- Q2 operating earnings on par with last year
- Q2 earnings/(loss) per share of (\$0.40), or \$0.54 on an adjusted basis, compared to \$0.47

TROY, MI (August 8, 2018) -- Kelly Services (Nasdaq: [KELYA](#)) (Nasdaq: [KELYB](#)), a global leader in providing workforce solutions, today announced results for the second quarter of 2018.

George S. Corona, President and Chief Executive Officer, announced revenue for the second quarter of 2018 totaled \$1.4 billion, a 4.0% increase, or 3.0% in constant currency, compared to the corresponding quarter of 2017. [Tweet This](#)

Earnings from operations for the second quarter of 2018 totaled \$20.4 million, compared to the \$20.3 million reported for the second quarter of 2017.

Diluted losses per share in the second quarter of 2018 were \$0.40 compared to earnings per share of \$0.47 in the second quarter of 2017. Included in earnings per share in the second quarter of 2018 is the unfavorable impact of \$0.94 due to the non-cash after-tax loss on our investment in Persol Holdings common stock. Effective in 2018, changes in the fair value of our investment in Persol Holdings common stock are reflected as gains or losses on our Consolidated Statement of Earnings below earnings from operations. Adjusted for the loss on Persol Holdings common stock net of tax, diluted earnings per share for the quarter were \$0.54.

“We are pleased to have delivered a good quarter in line with our outlook,” said Kelly Services President and CEO George Corona. “Our top line revenue continued to grow, our gross profit rate increased over the prior year, and we made progress throughout the quarter in bringing expenses in line with the business environment. In spite of a tight labor market, our teams around the world executed well.”

Kelly also reported that on August 8, its board of directors declared a dividend of \$0.075 per share. The dividend is payable August 31, 2018 to shareholders of record as of the close of business on August 21, 2018.

In conjunction with its second 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 August 8 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, 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 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](http://kellyservices.com) and connect with us on [Facebook](#), [LinkedIn](#), and [Twitter](#).

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**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
**FOR THE 13 WEEKS ENDED JULY 1, 2018 AND JULY 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>
<b>Revenue from services</b>	\$ 1,386.9	\$ 1,333.6	\$ 53.3	4.0 %	3.0 %
Cost of services	<u>1,146.4</u>	<u>1,104.8</u>	<u>41.6</u>	3.8	
<b>Gross profit</b>	240.5	228.8	11.7	5.1	4.2
Selling, general and administrative expenses	<u>220.1</u>	<u>208.5</u>	<u>11.6</u>	5.6	4.9
<b>Earnings from operations</b>	20.4	20.3	0.1	0.1	
Loss on investment in Persol Holdings	(52.5)	—	(52.5)	(100.0)	
Other income (expense), net	<u>0.6</u>	<u>(0.5)</u>	<u>1.1</u>	209.5	
<b>Earnings (loss) before taxes and equity in net earnings (loss) of affiliate</b>	(31.5)	19.8	(51.3)	NM	
Income tax (benefit) expense	<u>(15.6)</u>	<u>1.5</u>	<u>(17.1)</u>	NM	
<b>Net earnings (loss) before equity in net earnings (loss) of affiliate</b>	(15.9)	18.3	(34.2)	NM	
Equity in net earnings (loss) of affiliate	<u>0.5</u>	<u>0.4</u>	<u>0.1</u>	35.9	
<b>Net earnings (loss)</b>	<u>\$ (15.4)</u>	<u>\$ 18.7</u>	<u>\$ (34.1)</u>	NM %	
<b>Basic earnings (loss) per share</b>	\$ (0.40)	\$ 0.48	\$ (0.88)	NM %	
<b>Diluted earnings (loss) per share</b>	\$ (0.40)	\$ 0.47	\$ (0.87)	NM %	

**STATISTICS:**

Permanent placement income (included in revenue from services)	\$ 17.3	\$ 13.7	\$ 3.6	25.7 %	24.1 %
Gross profit rate	17.3 %	17.2 %	0.1 pts.		
Conversion rate	8.5	8.9	(0.4)		
<b>% Return:</b>					
Earnings from operations	1.5	1.5	—		
Net earnings (loss)	(1.1)	1.4	(2.5)		
Effective income tax rate	49.6 %	7.6 %	42.0 pts.		
<b>Average number of shares outstanding (millions):</b>					
Basic	38.8	38.3			
Diluted	38.8	38.8			

**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
**FOR THE 26 WEEKS ENDED JULY 1, 2018 AND JULY 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>
<b>Revenue from services</b>	\$ 2,756.8	\$ 2,623.3	\$ 133.5	5.1 %	3.2 %
Cost of services	2,278.1	2,162.9	115.2	5.3	
<b>Gross profit</b>	478.7	460.4	18.3	4.0	2.3
Selling, general and administrative expenses	446.3	423.7	22.6	5.3	3.9
<b>Earnings from operations</b>	32.4	36.7	(4.3)	(11.7)	
Loss on investment in Persol Holdings	(28.8)	—	(28.8)	(100.0)	
Other expense, net	(1.1)	(2.1)	1.0	49.2	
<b>Earnings before taxes and equity in net earnings (loss) of affiliate</b>	2.5	34.6	(32.1)	(92.7)	
Income tax (benefit) expense	(9.2)	4.2	(13.4)	(319.2)	
<b>Net earnings before equity in net earnings (loss) of affiliate</b>	11.7	30.4	(18.7)	(61.3)	
Equity in net earnings (loss) of affiliate	2.0	0.5	1.5	288.4	
<b>Net earnings</b>	<u>\$ 13.7</u>	<u>\$ 30.9</u>	<u>\$ (17.2)</u>	(55.6) %	
<b>Basic earnings per share</b>	\$ 0.35	\$ 0.79	\$ (0.44)	(55.7) %	
<b>Diluted earnings per share</b>	\$ 0.35	\$ 0.78	\$ (0.43)	(55.1) %	

**STATISTICS:**

Permanent placement income (included in revenue from services)	\$ 33.9	\$ 27.2	\$ 6.7	24.4 %	20.6 %
Gross profit rate	17.4 %	17.6 %	(0.2) pts.		
Conversion rate	6.8	8.0	(1.2)		
<b>% Return:</b>					
Earnings from operations	1.2	1.4	(0.2)		
Net earnings	0.5	1.2	(0.7)		
Effective income tax rate	(366.2) %	12.2 %	(378.4) pts.		
<b>Average number of shares outstanding (millions):</b>					
Basic	38.7	38.3			
Diluted	38.8	38.7			



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

Second Quarter

	2018	2017	% Change	CC % Change
<b><u>AMERICAS STAFFING</u></b>				
Revenue from services	\$ 604.0	\$ 575.6	4.9 %	5.2 %
Gross profit	108.5	103.8	4.5	4.7
Total SG&A expenses	90.7	83.4	8.7	8.9
Earnings from operations	17.8	20.4	(12.8)	
Gross profit rate	18.0 %	18.0 %	— pts.	
Conversion rate	16.4	19.7	(3.3)	
Return on sales	2.9	3.5	(0.6)	
<b><u>GLOBAL TALENT SOLUTIONS</u></b>				
Revenue from services	\$ 500.7	\$ 505.5	(0.9) %	(1.2) %
Gross profit	92.7	88.7	4.5	4.0
Total SG&A expenses	75.0	73.4	2.2	1.8
Earnings from operations	17.7	15.3	15.9	
Gross profit rate	18.5 %	17.5 %	1.0 pts.	
Conversion rate	19.1	17.2	1.9	
Return on sales	3.5	3.0	0.5	
<b><u>INTERNATIONAL STAFFING</u></b>				
Revenue from services	\$ 286.6	\$ 256.8	11.6 %	6.6 %
Gross profit	39.9	36.8	8.3	3.5
Total SG&A expenses	33.5	32.7	2.4	(1.3)
Earnings from operations	6.4	4.1	54.2	
Gross profit rate	13.9 %	14.3 %	(0.4) pts.	
Conversion rate	16.0	11.2	4.8	
Return on sales	2.2	1.6	0.6	

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

	<b>June Year to Date</b>			
	<b>2018</b>	<b>2017</b>	<b>% Change</b>	<b>CC % Change</b>
<b><u>AMERICAS STAFFING</u></b>				
Revenue from services	\$ 1,208.3	\$ 1,148.7	5.2 %	5.1 %
Gross profit	216.5	209.1	3.6	3.5
SG&A expenses excluding restructuring charges	182.6	167.1	9.3	9.2
Restructuring charges	—	0.4	(100.0)	(100.0)
Total SG&A expenses	182.6	167.5	9.1	9.0
Earnings from operations	33.9	41.6	(18.6)	
Earnings from operations excluding restructuring charges	33.9	42.0	(19.3)	
Gross profit rate	17.9 %	18.2 %	(0.3) pts.	
Conversion rate	15.6	19.9	(4.3)	
Conversion rate excluding restructuring charges	15.6	20.1	(4.5)	
Return on sales	2.8	3.6	(0.8)	
Return on sales excluding restructuring charges	2.8	3.7	(0.9)	
<b><u>GLOBAL TALENT SOLUTIONS</u></b>				
Revenue from services	\$ 986.5	\$ 992.8	(0.6) %	(1.0) %
Gross profit	184.5	179.2	3.0	2.2
SG&A expenses excluding restructuring charges	150.8	146.6	2.9	2.0
Restructuring charges	—	2.0	(100.0)	(100.0)
Total SG&A expenses	150.8	148.6	1.5	0.6
Earnings from operations	33.7	30.6	10.4	
Earnings from operations excluding restructuring charges	33.7	32.6	3.7	
Gross profit rate	18.7 %	18.0 %	0.7 pts.	
Conversion rate	18.3	17.1	1.2	
Conversion rate excluding restructuring charges	18.3	18.2	0.1	
Return on sales	3.4	3.1	0.3	
Return on sales excluding restructuring charges	3.4	3.3	0.1	
<b><u>INTERNATIONAL STAFFING</u></b>				
Revenue from services	\$ 571.3	\$ 490.4	16.5 %	7.7 %
Gross profit	79.0	73.2	7.8	(0.3)
Total SG&A expenses	67.6	63.9	5.8	(1.4)
Earnings from operations	11.4	9.3	21.2	
Gross profit rate	13.8 %	14.9 %	(1.1) pts.	
Conversion rate	14.4	12.8	1.6	
Return on sales	2.0	1.9	0.1	

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

	July 1, 2018	Dec. 31, 2017	July 2, 2017
<b>Current Assets</b>			
Cash and equivalents	\$ 33.9	\$ 32.5	\$ 60.8
Trade accounts receivable, less allowances of \$13.1, \$12.9, and \$12.7 respectively	1,248.9	1,286.7	1,188.1
Prepaid expenses and other current assets	64.5	65.1	61.8
<b>Total current assets</b>	<b>1,347.3</b>	<b>1,384.3</b>	<b>1,310.7</b>
<b>Noncurrent Assets</b>			
Property and equipment, net	84.7	86.1	81.5
Deferred taxes	191.7	183.4	185.8
Goodwill	107.3	107.1	88.4
Investment in Persol Holdings	203.2	228.1	170.7
Investment in equity affiliate	122.0	117.4	115.2
Other assets	278.4	271.8	231.8
<b>Total noncurrent assets</b>	<b>987.3</b>	<b>993.9</b>	<b>873.4</b>
<b>Total Assets</b>	<b>\$ 2,334.6</b>	<b>\$ 2,378.2</b>	<b>\$ 2,184.1</b>
<b>Current Liabilities</b>			
Short-term borrowings	\$ 1.7	\$ 10.2	\$ 0.7
Accounts payable and accrued liabilities	505.5	537.7	476.1
Accrued payroll and related taxes	284.7	287.4	286.4
Accrued insurance	25.3	25.7	22.8
Income and other taxes	60.7	65.2	57.0
<b>Total current liabilities</b>	<b>877.9</b>	<b>926.2</b>	<b>843.0</b>
<b>Noncurrent Liabilities</b>			
Accrued insurance	49.2	49.9	44.2
Accrued retirement benefits	182.2	178.1	170.1
Other long-term liabilities	64.4	72.5	53.4
<b>Total noncurrent liabilities</b>	<b>295.8</b>	<b>300.5</b>	<b>267.7</b>
<b>Stockholders' Equity</b>			
Common stock	40.1	40.1	40.1
Treasury stock	(27.4)	(35.2)	(37.6)
Paid-in capital	23.4	32.2	31.1
Earnings invested in the business	1,134.8	983.6	948.7
Accumulated other comprehensive income	(10.0)	130.8	91.1
<b>Total stockholders' equity</b>	<b>1,160.9</b>	<b>1,151.5</b>	<b>1,073.4</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 2,334.6</b>	<b>\$ 2,378.2</b>	<b>\$ 2,184.1</b>
<b>STATISTICS:</b>			
Working Capital	\$ 469.4	\$ 458.1	\$ 467.7
Current Ratio	1.5	1.5	1.6
Debt-to-capital %	0.1 %	0.9 %	0.1 %
Global Days Sales Outstanding	55	55	55
Year-to-Date Free Cash Flow	\$ 22.9	\$ 46.2	\$ 37.1

**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE 26 WEEKS ENDED JULY 1, 2018 AND JULY 2, 2017**  
**(UNAUDITED)**  
(In millions of dollars)

	2018	2017
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 13.7	\$ 30.9
<b>Noncash adjustments:</b>		
Depreciation and amortization	12.9	10.6
Provision for bad debts	1.5	2.9
Stock-based compensation	4.7	4.2
Loss on investment in Persol Holdings	28.8	—
Other, net	(2.6)	(0.5)
Changes in operating assets and liabilities	(25.8)	(3.7)
<b>Net cash from operating activities</b>	<b>33.2</b>	<b>44.4</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(10.3)	(7.3)
Other investing activities	(0.6)	—
<b>Net cash used in investing activities</b>	<b>(10.9)</b>	<b>(7.3)</b>
<b>Cash flows from financing activities:</b>		
Net change in short-term borrowings	(8.4)	0.7
Dividend payments	(5.9)	(5.8)
Payments of tax withholding for stock awards	(6.2)	(0.5)
Other financing activities	—	(0.1)
<b>Net cash used in financing activities</b>	<b>(20.5)</b>	<b>(5.7)</b>
<b>Effect of exchange rates on cash, cash equivalents and restricted cash</b>	<b>(0.1)</b>	<b>(0.2)</b>
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>1.7</b>	<b>31.2</b>
<b>Cash, cash equivalents and restricted cash at beginning of period</b>	<b>36.9</b>	<b>34.3</b>
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 38.6</b>	<b>\$ 65.5</b>

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

**Second Quarter (Americas, International and GTS)**

	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>CC % Change</u>
<b>Americas</b>				
United States	\$ 981.2	\$ 970.1	1.1 %	1.1 %
Canada	37.0	34.6	6.8	2.6
Mexico	30.0	28.3	6.2	11.4
Puerto Rico	26.2	17.6	49.0	49.0
Brazil	9.0	12.7	(29.1)	(22.6)
<b>Total Americas</b>	<u>1,083.4</u>	<u>1,063.3</u>	1.9	2.0
<b>EMEA</b>				
France	72.0	68.3	5.2	(2.6)
Switzerland	52.8	53.9	(2.0)	(1.7)
Portugal	51.2	41.7	23.1	13.6
United Kingdom	28.5	20.8	37.0	28.9
Russia	25.6	24.0	6.5	15.4
Italy	19.3	15.7	23.0	14.4
Germany	14.8	14.6	0.5	(7.2)
Ireland	11.7	7.4	58.4	46.4
Norway	9.2	8.4	10.4	4.3
Other	12.8	11.0	16.0	8.1
<b>Total EMEA</b>	<u>297.9</u>	<u>265.8</u>	12.0	7.0
<b>Total APAC</b>	<u>5.6</u>	<u>4.5</u>	24.2	23.0
<b>Total Kelly Services, Inc.</b>	<u>\$ 1,386.9</u>	<u>\$ 1,333.6</u>	4.0 %	3.0 %

KELLY SERVICES, INC. AND SUBSIDIARIES

REVENUE FROM SERVICES

(UNAUDITED)

(In millions of dollars)

June Year to Date (Americas, International and GTS)

	2018	2017	% Change	CC % Change
<b>Americas</b>				
United States	\$ 1,955.9	\$ 1,925.7	1.6 %	1.6 %
Canada	70.6	68.7	2.7	(1.6)
Mexico	60.4	52.1	16.0	14.5
Puerto Rico	46.0	35.3	30.6	30.6
Brazil	18.5	26.0	(29.1)	(25.4)
<b>Total Americas</b>	<u>2,151.4</u>	<u>2,107.8</u>	2.1	1.9
<b>EMEA</b>				
France	143.9	129.1	11.4	(0.1)
Switzerland	102.5	102.2	0.3	(2.3)
Portugal	102.3	78.0	31.3	17.5
United Kingdom	57.5	41.0	40.3	28.5
Russia	51.7	46.8	10.5	13.5
Italy	39.8	29.4	35.5	21.6
Germany	31.2	27.8	12.0	0.1
Ireland	23.0	15.1	51.8	36.0
Norway	17.6	16.0	10.0	3.1
Other	25.2	21.4	17.7	5.9
<b>Total EMEA</b>	<u>594.7</u>	<u>506.8</u>	17.3	8.4
<b>Total APAC</b>	<u>10.7</u>	<u>8.7</u>	22.1	19.0
<b>Total Kelly Services, Inc.</b>	<u>\$ 2,756.8</u>	<u>\$ 2,623.3</u>	5.1 %	3.2 %

**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF NON-GAAP MEASURES**  
**(UNAUDITED)**

(In millions of dollars except per share data)

	Second Quarter		June Year to Date	
	2018	2017	2018	2017
Earnings from operations	\$ 20.4	\$ 20.3	\$ 32.4	\$ 36.7
Restructuring charges (Note 1)	—	—	—	2.4
Adjusted earnings from operations	<u>\$ 20.4</u>	<u>\$ 20.3</u>	<u>\$ 32.4</u>	<u>\$ 39.1</u>

	Second Quarter		June Year to Date	
	2018	2017	2018	2017
Income tax (benefit) expense	\$ (15.6)	\$ 1.5	\$ (9.2)	\$ 4.2
Tax benefit on investment in Persol Holdings (Note 2)	16.2	—	8.9	—
Tax expense on restructuring charges (Note 1)	—	—	—	0.7
Adjusted income tax expense (benefit)	<u>\$ 0.6</u>	<u>\$ 1.5</u>	<u>\$ (0.3)</u>	<u>\$ 4.9</u>

	Second Quarter		June Year to Date	
	2018	2017	2018	2017
Net earnings (loss)	\$ (15.4)	\$ 18.7	\$ 13.7	\$ 30.9
Loss on investment in Persol Holdings, net of taxes (Note 2)	36.3	—	19.9	—
Restructuring charges, net of taxes (Note 1)	—	—	—	1.7
Adjusted net earnings	<u>\$ 20.9</u>	<u>\$ 18.7</u>	<u>\$ 33.6</u>	<u>\$ 32.6</u>

	Second Quarter		June Year to Date	
	2018	2017	2018	2017
	Per Share		Per Share	
Net earnings (loss)	\$ (0.40)	\$ 0.47	\$ 0.35	\$ 0.78
Loss on investment in Persol Holdings, net of taxes (Note 2)	0.94	—	0.51	—
Restructuring charges, net of taxes (Note 1)	—	—	—	0.04
Adjusted net earnings	<u>\$ 0.54</u>	<u>\$ 0.47</u>	<u>\$ 0.86</u>	<u>\$ 0.82</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 loss 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) Loss on investment in Persol Holdings in 2018 represents the change in fair value of the investment during the period presented and the related tax benefit.





# Second Quarter 2018

August 8, 2018



CONNECTING PEOPLE.  
**ENRICHING LIVES.**

## Second Quarter Takeaways

### CONTINUED TOP-LINE GROWTH

Revenue up 4.0%;  
3.0% in constant  
currency

### DELIVERING GROWTH in Staffing Segments

Americas revenue up 5%  
International revenue up  
12%; 7% in constant  
currency

### FOCUSING ON OUR FUTURE

Kelly Innovation Fund  
makes inaugural  
investment in Kenzie  
Academy  
Aligning resources with  
growth

## Second Quarter 2018 Financial Summary

	Actual Results	Change	Constant Currency Change <sup>(1)</sup>
Revenue	\$1.4B	4.0%	3.0%
GP %	17.3%	10 bps	
Earnings from Operations	\$20.4M	0.1%	(3.2)%
ROS %	1.5%	-	
EPS	(\$0.40)	(\$0.87)	

- Revenue increase reflects continued growth in Americas Staffing and continued, although slowing, performance in International Staffing
- GP rate improvement from structural improvement in GTS GP rates and higher perm fees, which was partially offset by customer mix in Americas Staffing and International Staffing
- Earnings from operations on par with last year as GP increases are offset by expense increases
- EPS includes \$0.94 unfavorable non-cash impact from loss on equity investment due to adoption of a required accounting standard effective in Q1 2018

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

## Second Quarter 2018 Financial Summary

(Excluding Loss on investment in Persol Holdings)

	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change<sup>(2)</sup></u>
Revenue	\$1.4B	4.0%	3.0%
GP %	17.3%	10 bps	
Earnings from Operations	\$20.4M	0.1%	(3.2)%
ROS %	1.5%	-	
EPS <sup>(1)</sup>	\$0.54	\$ 0.07	

- Revenue increase reflects continued growth in Americas Staffing and continued, although slowing, performance in International Staffing
- GP rate improvement from structural improvement in GTS GP rates and higher perm fees, which was partially offset by customer mix in Americas Staffing and International Staffing
- Earnings from operations on par with last year as GP increases are offset by expense increases
- EPS improves \$0.07 or 15%

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<sup>(1)</sup>Excludes \$52.5 million loss on investment, \$36.3 million net of income tax benefit or \$0.94 per share, in Q2 2018.

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

## Second Quarter 2018 EPS Summary

\$ in Millions except per share data

	Second Quarter			
	2018		2017	
	Amount	Per Share	Amount	Per Share
Net earnings (loss)	\$ (15.4)	\$ (0.40)	\$ 18.7	\$ 0.47
Loss on investment in Persol Holdings, net of taxes <sup>(1)</sup>	36.3	0.94	-	-
Adjusted net earnings	<u>\$ 20.9</u>	\$ 0.54	<u>\$ 18.7</u>	\$ 0.47

- As adjusted, net earnings and EPS improve based on an improving income tax rate. Earnings from Operations were flat as revenue growth and modest GP rate improvement were offset by expense increases

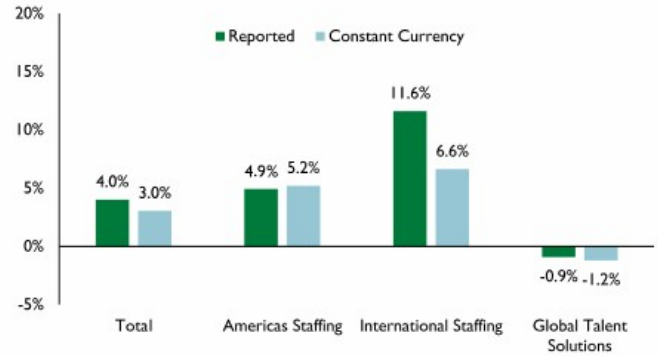
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<sup>(1)</sup>Loss on investment in Persol Holdings of \$52.5 million, \$36.3 million net of tax benefit or \$0.94 per share in Q2 2018.

## Second Quarter 2018 Revenue Growth

Revenue Mix by Segment



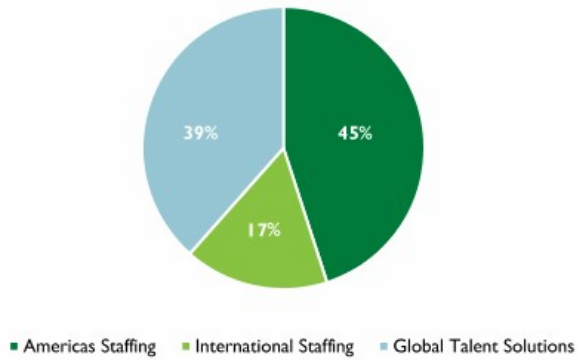
Revenue Growth by Segment



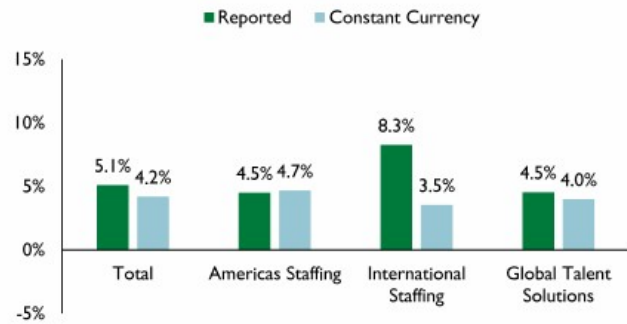
- Americas Staffing revenue reflects the impact of the Teachers On Call acquisition, continuing growth in KES and accelerating growth in PT specialties
- International Staffing delivered strong growth across the regions in Europe

## Second Quarter 2018 Gross Profit Growth

Gross Profit Mix by Segment

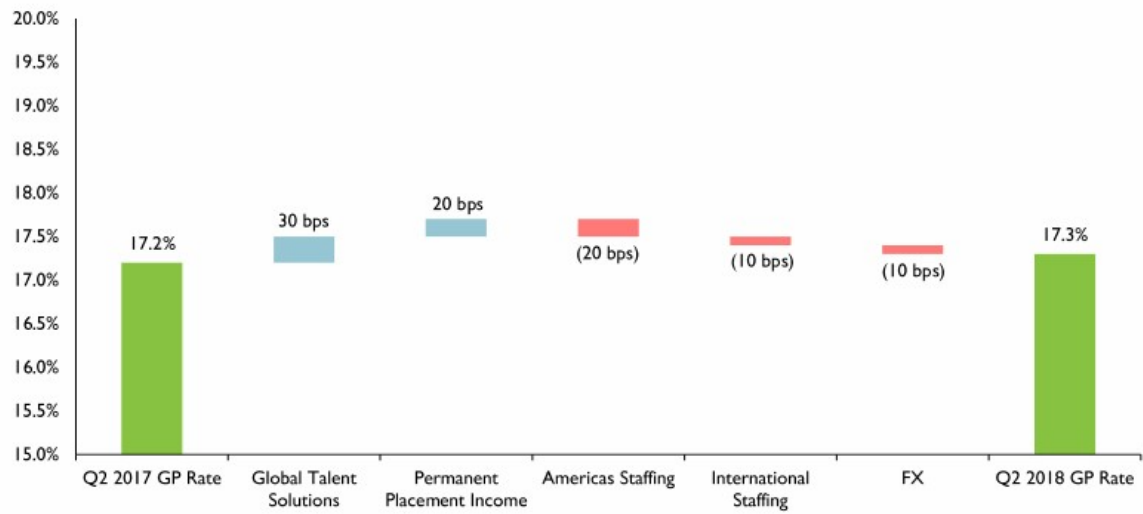


Gross Profit Growth by Segment



- Americas Staffing and International Staffing GP progress reflects top-line growth and the impact of higher perm fees, which was partially offset by GP rate declines due to changes in customer mix
- GTS GP reflects GP structural rate improvement on flat revenue

## Second Quarter 2018 Gross Profit Rate



- GTS GP rates reflects a return to structural GP rate improvement from product mix
- Higher perm fees in both Americas Staffing and International Staffing segments were offset by declines in each segment's temporary staffing GP rate



## Second 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
- Corporate expense reflects the impact of a one-time \$2.5 million benefit in 2017 executive compensation expenses

## Second Quarter 2018 Conversion Rate

\$ in Millions

	2018			2017			Change (bps)
	Gross Profit	Earnings from Ops	Conversion Rate <sup>(1)</sup>	Gross Profit	Earnings from Ops	Conversion Rate <sup>(1)</sup>	
Americas Staffing	\$ 108.5	\$ 17.8	16.4%	\$ 103.8	\$ 20.4	19.7%	(330)
Global Talent Solutions	92.7	17.7	19.1%	88.7	15.3	17.2%	190
International Staffing	39.9	6.4	16.0%	36.8	4.1	11.2%	480
<b>Total Company</b>	<b>\$ 240.5</b>	<b>\$ 20.4</b>	<b>8.5%</b>	<b>\$ 228.8</b>	<b>\$ 20.3</b>	<b>8.9%</b>	<b>(40)</b>

- Americas Staffing conversion rate reflects the impact of higher expenses – although top line growth continues
- GTS conversion rate reflects improved GP rate combined with improved leverage
- International Staffing conversion rate reflects growing GP and effective cost management
- Total Company conversion rate decline reflects the impact of modest GP rate improvement which was more than offset by higher expenses

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

## Second Quarter 2018 Balance Sheet Data

\$ in Millions



- DSO is in line with both Q2 2017 and year-end 2017
- Quarter end debt was \$2 million compared to \$10 million at year end

## Outlook – Third Quarter 2018

- Revenue up 2% to 3% YOY
  - 50 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 up YOY and sequentially
- SG&A up 4% to 5% YOY
- 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 3.5% to 4.5% YOY
  - 70 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 3.0% to 4.0% YOY
  - Includes impact of additional spending on technology and efficiency initiatives
- Annual tax rate in middle single digits
  - Reflects impact of Tax Cuts and Jobs Act
  - Excludes investment in Persol Holdings gain/loss
- 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



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

## Non-GAAP Measures

Management believes that the non-GAAP (Generally Accepted Accounting Principles) information excluding 2018 loss 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 August 8, 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 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.



