

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

### ***Financial Highlights***

- Q1 revenue down 4%; up 3% adjusted for the APAC Joint Venture transaction in 2016
- Q1 operating earnings up 11%; up 83% adjusted for 2017 restructuring charges and the APAC Joint Venture transaction in 2016
- Q1 earnings per share of \$0.31 versus \$0.29 (Adjusted EPS of \$0.35 and \$0.19)

TROY, MI (May 11, 2017) -- Kelly Services (Nasdaq: [KELYA](#)) (Nasdaq: [KELYB](#)), a global leader in providing workforce solutions, today announced results for the first quarter 2017.

George S. Corona, President and Chief Executive Officer, announced revenue for the first quarter of 2017 totaled \$1.3 billion, a 4.4% decrease compared to the corresponding quarter of 2016. Revenue comparisons are unfavorably impacted by the transfer of APAC staffing operations to the TS Kelly Asia Pacific Joint Venture at the beginning of the third quarter of 2016.

Earnings from operations for the first quarter of 2017 totaled \$16.4 million, compared to \$14.7 million reported for the first quarter of 2016. Included in the results of operations in the first quarter of 2017 are restructuring charges of \$2.4 million. Excluding the restructuring charges in 2017 and excluding the APAC staffing operations from 2016, earnings from operations were \$18.8 million and \$10.2 million, respectively.

Diluted earnings per share in the first quarter of 2017 were \$0.31 compared to \$0.29 per share in the first quarter of 2016. Excluding restructuring charges, earnings per share were \$0.35 in the first quarter of 2017.

Reflecting on the first quarter, Corona stated, “It was a strong start to the year, and we’re pleased with Kelly’s performance. We returned to top-line growth, delivered healthy operating earnings in each of our segments, and provided solid returns for our shareholders.” Commenting on the first quarter restructuring charges, Corona added, “Our operating structures are now fully aligned with how companies are choosing to access talent, and confirm our strategic approach to delivering accelerated growth.”

Kelly also reported that on May 10, its board of directors declared a dividend of \$0.075 per share. The dividend is payable June 7, 2017 to shareholders of record as of the close of business on May 23, 2017.

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 11 to review the results and answer questions. The call may be accessed in one of the following ways:

Via the Internet:

[Kellyservices.com](http://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 TS Kelly Asia Pacific, material changes in demand from or loss of large corporate customers as well as changes in their buying practices, risks associated with conducting business in foreign countries, including foreign currency fluctuations, availability of full-time employees to lead complex talent supply chain sales and operations, 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.

#### **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 2016 was \$5.3 billion. Visit [kellyservices.com](http://kellyservices.com) and connect with us on [Facebook](#), [LinkedIn](#), & [Twitter](#).

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#### ANALYST CONTACT:

James Polehna

(248) 244-4586

[james\\_polehna@kellyservices.com](mailto:james_polehna@kellyservices.com)

#### MEDIA CONTACT:

Jane Stehney

(248) 244-5630

[jane\\_stehney@kellyservices.com](mailto:jane_stehney@kellyservices.com)

**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
**FOR THE 13 WEEKS ENDED APRIL 2, 2017 AND APRIL 3, 2016**  
**(UNAUDITED)**

(In millions of dollars except per share data)

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>	<u>CC % Change</u>
<b>Revenue from services</b>	\$ 1,289.7	\$ 1,349.1	\$ (59.4)	(4.4) %	(4.2) %
Cost of services	<u>1,058.1</u>	<u>1,116.4</u>	<u>(58.3)</u>	(5.2)	
<b>Gross profit</b>	231.6	232.7	(1.1)	(0.5)	(0.3)
Selling, general and administrative expenses	<u>215.2</u>	<u>218.0</u>	<u>(2.8)</u>	(1.3)	(1.1)
<b>Earnings from operations</b>	16.4	14.7	1.7	11.2	
Other expense, net	<u>(1.6)</u>	<u>(0.9)</u>	<u>(0.7)</u>	(74.5)	
<b>Earnings before taxes and equity in net earnings (loss) of affiliate</b>	14.8	13.8	1.0	6.9	
Income tax expense	<u>2.7</u>	<u>2.7</u>	<u>—</u>	(0.1)	
<b>Net earnings before equity in net earnings (loss) of affiliate</b>	12.1	11.1	1.0	8.7	
Equity in net earnings (loss) of affiliate	<u>0.1</u>	<u>0.1</u>	<u>—</u>	(7.8)	
<b>Net earnings</b>	\$ <u>12.2</u>	\$ <u>11.2</u>	\$ <u>1.0</u>	8.4 %	
<b>Basic earnings per share</b>	\$ 0.31	\$ 0.29	\$ 0.02	6.9 %	
<b>Diluted earnings per share</b>	\$ 0.31	\$ 0.29	\$ 0.02	6.9 %	

**STATISTICS:**

Staffing fee-based income (included in revenue from services)	\$ 13.5	\$ 16.5	\$ (3.0)	(18.7) %	(18.9) %
Gross profit rate	18.0 %	17.3 %	0.7 pts.		
Conversion rate	7.1	6.3	0.8		
% Return:					
Earnings from operations	1.3	1.1	0.2		
Net earnings	0.9	0.8	0.1		
Effective income tax rate	18.4 %	19.7 %	(1.3) pts.		
Average shares outstanding (millions):					
Basic	38.3	38.0			
Diluted	38.7	38.2			

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

	<u>First Quarter</u>			
	<u>2017</u>	<u>2016</u>	<u>% Change</u>	<u>CC % Change</u>
<b>AMERICAS STAFFING</b>				
Revenue from services	\$ 573.1	554.1	3.4 %	3.4 %
Gross profit	105.3	100.7	4.6	4.4
SG&A expenses excluding restructuring charges	83.7	83.6	0.1	0.1
Restructuring charges	0.4	—	NM	NM
Total SG&A expenses	84.1	83.6	0.5	0.5
Earnings from operations	21.2	17.1	24.3	
Earnings from operations excluding restructuring charges	21.6	17.1	26.4	
Gross profit rate	18.4 %	18.2 %	0.2 pts.	
Conversion rate	20.1	16.9	3.2	
Conversion rate excluding restructuring charges	20.5	16.9	3.6	
Return on sales	3.7	3.1	0.6	
Return on sales excluding restructuring charges	3.8	3.1	0.7	
<b>GLOBAL TALENT SOLUTIONS</b>				
Revenue from services	\$ 487.3	490.9	(0.7) %	(0.8) %
Gross profit	90.5	85.3	6.1	6.2
SG&A expenses excluding restructuring charges	73.2	71.6	2.2	2.4
Restructuring charges	2.0	—	NM	NM
Total SG&A expenses	75.2	71.6	5.0	5.2
Earnings from operations	15.3	13.7	11.6	
Earnings from operations excluding restructuring charges	17.3	13.7	26.2	
Gross profit rate	18.6 %	17.4 %	1.2 pts.	
Conversion rate	16.9	16.0	0.9	
Conversion rate excluding restructuring charges	19.1	16.0	3.1	
Return on sales	3.1	2.8	0.3	
Return on sales excluding restructuring charges	3.5	2.8	0.7	
<b>INTERNATIONAL STAFFING</b>				
Revenue from services	\$ 233.6	309.0	(24.4) %	(23.2) %
Gross profit	36.4	47.8	(23.9)	(22.6)
Total SG&A expenses	31.2	41.2	(24.2)	(23.3)
Earnings from operations	5.2	6.6	(21.7)	
Gross profit rate	15.6 %	15.5 %	0.1 pts.	
Conversion rate	14.4	14.0	0.4	
Return on sales	2.2	2.2	—	

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

	<b>April 2, 2017</b>	<b>Jan. 1, 2017</b>	<b>April 3, 2016</b>
<b>Current Assets</b>			
Cash and equivalents	\$ 46.0	\$ 29.6	\$ 46.4
Trade accounts receivable, less allowances of \$11.9, \$12.5 and \$11.6, respectively	1,164.6	1,138.3	1,168.8
Prepaid expenses and other current assets	59.0	46.7	53.0
Total current assets	1,269.6	1,214.6	1,268.2
<b>Noncurrent Assets</b>			
Property and equipment, net	79.0	80.8	85.7
Deferred taxes	183.5	180.1	193.6
Goodwill	88.4	88.4	90.3
Investment in equity affiliate	114.9	114.8	9.5
Other assets	399.7	349.4	331.1
Total noncurrent assets	865.5	813.5	710.2
<b>Total Assets</b>	<b>\$ 2,135.1</b>	<b>\$ 2,028.1</b>	<b>\$ 1,978.4</b>
<b>Current Liabilities</b>			
Short-term borrowings	\$ —	\$ —	\$ 39.3
Accounts payable and accrued liabilities	471.9	455.1	437.4
Accrued payroll and related taxes	276.5	241.5	277.6
Accrued insurance	22.3	23.4	27.0
Income and other taxes	54.7	51.1	57.8
Total current liabilities	825.4	771.1	839.1
<b>Noncurrent Liabilities</b>			
Accrued insurance	43.3	45.5	40.5
Accrued retirement benefits	164.3	157.4	145.2
Other long-term liabilities	52.4	42.1	42.8
Total noncurrent liabilities	260.0	245.0	228.5
<b>Stockholders' Equity</b>			
Common stock	40.1	40.1	40.1
Treasury stock	(38.1)	(39.0)	(43.7)
Paid-in capital	31.5	28.6	27.4
Earnings invested in the business	932.9	923.6	822.8
Accumulated other comprehensive income	83.3	58.7	64.2
Total stockholders' equity	1,049.7	1,012.0	910.8
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 2,135.1</b>	<b>\$ 2,028.1</b>	<b>\$ 1,978.4</b>

**STATISTICS:**

Working Capital	\$ 444.2	\$ 443.5	\$ 429.1
Current Ratio	1.5	1.6	1.5
Debt-to-capital %	— %	— %	4.1 %
Global Days Sales Outstanding	55	53	55
Year-to-Date Free Cash Flow	\$ 21.5	\$ 24.7	\$ 18.7

**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE 13 WEEKS ENDED APRIL 2, 2017 AND APRIL 3, 2016**  
**(UNAUDITED)**  
(In millions of dollars)

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 12.2	\$ 11.2
Noncash adjustments:		
Depreciation and amortization	5.3	5.6
Provision for bad debts	1.5	1.7
Stock-based compensation	3.9	2.7
Other, net	(0.2)	(0.1)
Changes in operating assets and liabilities	1.6	(0.9)
	<u>24.3</u>	<u>20.2</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(2.8)	(1.5)
Other investing activities	(0.1)	(0.3)
	<u>(2.9)</u>	<u>(1.8)</u>
<b>Cash flows from financing activities:</b>		
Net change in short-term borrowings	—	(16.4)
Dividend payments	(2.9)	(1.9)
Other financing activities	(0.1)	—
	<u>(3.0)</u>	<u>(18.3)</u>
<b>Effect of exchange rates on cash and equivalents</b>	<u>(2.0)</u>	<u>4.1</u>
<b>Net change in cash and equivalents</b>	16.4	4.2
<b>Cash and equivalents at beginning of period</b>	<u>29.6</u>	<u>42.2</u>
<b>Cash and equivalents at end of period</b>	<u>\$ 46.0</u>	<u>\$ 46.4</u>

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

	<b>First Quarter (Americas, International and GTS)</b>			
	<b>2017</b>	<b>2016</b>	<b>% Change</b>	<b>CC % Change</b>
<b>Americas</b>				
United States	\$ 955.6	\$ 934.7	2.2 %	2.2 %
Canada	34.1	34.5	(1.3)	(4.6)
Mexico	23.8	26.6	(10.3)	0.7
Puerto Rico	17.7	22.5	(21.4)	(21.4)
Brazil	13.3	10.0	33.5	8.5
<b>Total Americas</b>	1,044.5	1,028.3	1.6	1.5
<b>EMEA</b>				
France	60.8	56.5	7.6	11.6
Switzerland	48.3	46.6	3.6	4.9
Portugal	36.3	33.7	7.8	11.9
Russia	22.8	14.0	63.0	29.2
United Kingdom	20.2	23.6	(14.4)	(1.2)
Italy	13.7	13.4	2.1	6.1
Germany	13.2	15.4	(14.8)	(11.6)
Ireland	7.7	5.0	55.7	61.5
Norway	7.6	7.6	0.5	(1.5)
Other	10.4	8.7	19.6	23.8
<b>Total EMEA</b>	241.0	224.5	7.3	9.2
<b>Total APAC</b>	4.2	96.3	(95.6)	(95.7)
<b>Total Kelly Services, Inc.</b>	\$ 1,289.7	\$ 1,349.1	(4.4) %	(4.2) %

**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF NON-GAAP MEASURES**  
**FOR THE 13 WEEKS ENDED APRIL 2, 2017 AND APRIL 3, 2016**  
**(UNAUDITED)**

(In millions of dollars except per share data)

	<b>First Quarter</b>	
	<b>2017</b>	<b>2016</b>
Revenue from services	\$ 1,289.7	\$ 1,349.1
Disposal of APAC businesses (Note 1)	—	(92.7)
Adjusted revenue from services	\$ 1,289.7	\$ 1,256.4

	<b>First Quarter</b>	
	<b>2017</b>	<b>2016</b>
Gross profit	\$ 231.6	\$ 232.7
Disposal of APAC businesses (Note 1)	—	(16.3)
Adjusted gross profit	\$ 231.6	\$ 216.4

	<b>First Quarter</b>	
	<b>2017</b>	<b>2016</b>
Earnings from operations	\$ 16.4	\$ 14.7
Disposal of APAC businesses (Note 1)	—	(4.5)
Restructuring charges (Note 2)	2.4	—
Adjusted earnings from operations	\$ 18.8	\$ 10.2

	<b>First Quarter</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Amount</b>	<b>Per Share</b>	<b>Amount</b>	<b>Per Share</b>
Net earnings	\$ 12.2	\$ 0.31	\$ 11.2	\$ 0.29
Disposal of APAC businesses, net of taxes (Note 1)	—	—	(3.7)	(0.09)
Restructuring charges, net of taxes (Note 2)	1.7	0.04	—	—
Adjusted net earnings	\$ 13.9	\$ 0.35	\$ 7.5	\$ 0.19

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 2016 disposal of APAC businesses is useful to understand the Company's fiscal 2017 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) Disposal of APAC businesses represents the first quarter 2016 operational results of businesses contributed to TS Kelly Asia Pacific in the third quarter of 2016.

(2) Restructuring charges in 2017 represent costs related primarily to optimizing our GTS service delivery models to deliver expected cost savings.