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# Q2 2014 Earnings Results

July 24, 2014

# FORWARD-LOOKING STATEMENT

Certain statements made by us in this presentation that are not historical facts or that relate to future plans, events or performances are forward-looking statements that reflect management's current outlook for future periods, including statements regarding future financial performance. These forward-looking statements are based upon our current expectations, and our actual results may differ materially from those described or contemplated in the forward-looking statements. Factors that may cause our actual results to differ materially from those contained in the forward-looking statements, include without limitation the following: 1) national and global economic conditions, including the impact of changes in national and global credit markets and other changes that affect our customers; 2) our ability to continue to attract and retain customers and maintain profit margins in the face of new and existing competition; 3) new laws and regulations that could have a materially adverse effect on our operations and financial results; 4) significant labor disturbances which could disrupt industries we serve; 5) increased costs and collateral requirements in connection with our insurance obligations, including workers' compensation insurance; 6) the adequacy of our financial reserves; 7) our continuing ability to comply with the financial covenants of our lines of credit and other financing agreements; 8) our ability to attract and retain competent employees in key positions or to find temporary employees to fulfill the needs of our customers; 9) our ability to successfully complete and integrate acquisitions that we may make; and 10) other risks described in our most recent filings with the Securities and Exchange Commission.

## **Use of estimates and forecasts:**

Any references made to 2014 and 2015 are based on management guidance issued July 24, 2014, and are included for informational purposes only and are not an update or reaffirmation. We assume no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise, except as required by law. Any other reference to future financial estimates are included for informational purposes only and subject to risk factors discussed in our most recent filings with the Securities Exchange Commission.

## Q2 2014 HIGHLIGHTS

- **Total revenue growth of 7%**
  - **2013 acquired revenue performing well**
  - **Organic revenue growth of 3%; seasonal business ramping as expected**
- **Continued success incorporating higher statutory costs into bill rates**
- **\$5M income tax benefit from additional tax credits**
- **\$2M of deal/integration costs related to Seaton acquisition (closed first day of FYQ3)**

# Q2 2014 HIGHLIGHTS

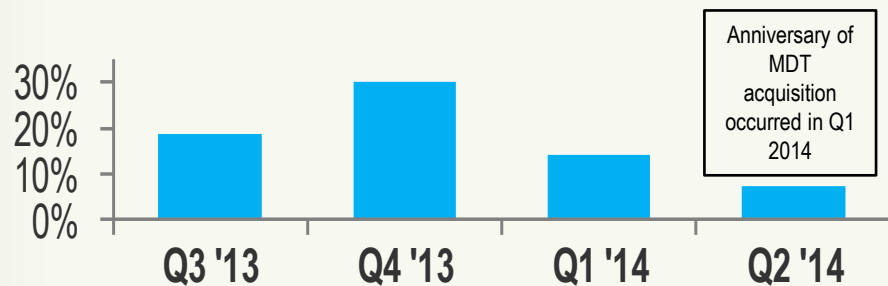
Dollar amounts in millions.

	Q2 2014	Q2 2013	Change
<b>Revenue</b>	<b>\$ 453</b>	<b>\$ 422</b>	<b>7%</b>
<b>Gross profit</b>	<b>\$ 120</b>	<b>\$ 112</b>	<b>7%</b>
<b>% of Revenue</b>	<b>26.4%</b>	<b>26.5%</b>	
<b>SG&amp;A expense</b>	<b>\$ 96</b>	<b>\$ 89</b>	<b>8%</b>
<b>% of Revenue</b>	<b>21.3%</b>	<b>21.2%</b>	
<b>EBITDA*</b>	<b>\$ 23</b>	<b>\$ 23</b>	<b>3%</b>
<b>% of Revenue</b>	<b>5.1%</b>	<b>5.3%</b>	
<b>Adjusted EBITDA*</b>	<b>\$ 25</b>	<b>\$ 24</b>	<b>4%</b>
<b>% of Revenue</b>	<b>5.6%</b>	<b>5.8%</b>	

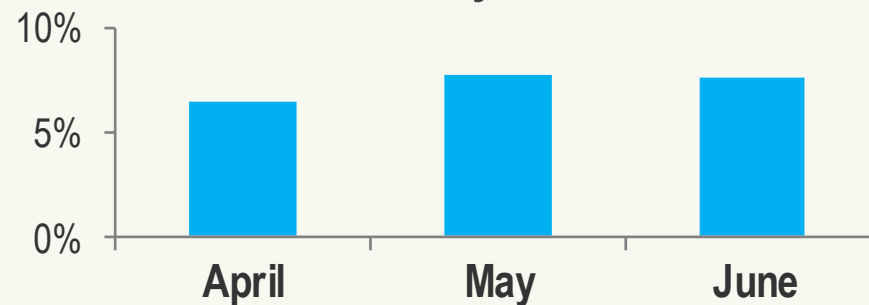
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# REVENUE TRENDS

## Quarterly Trends\*

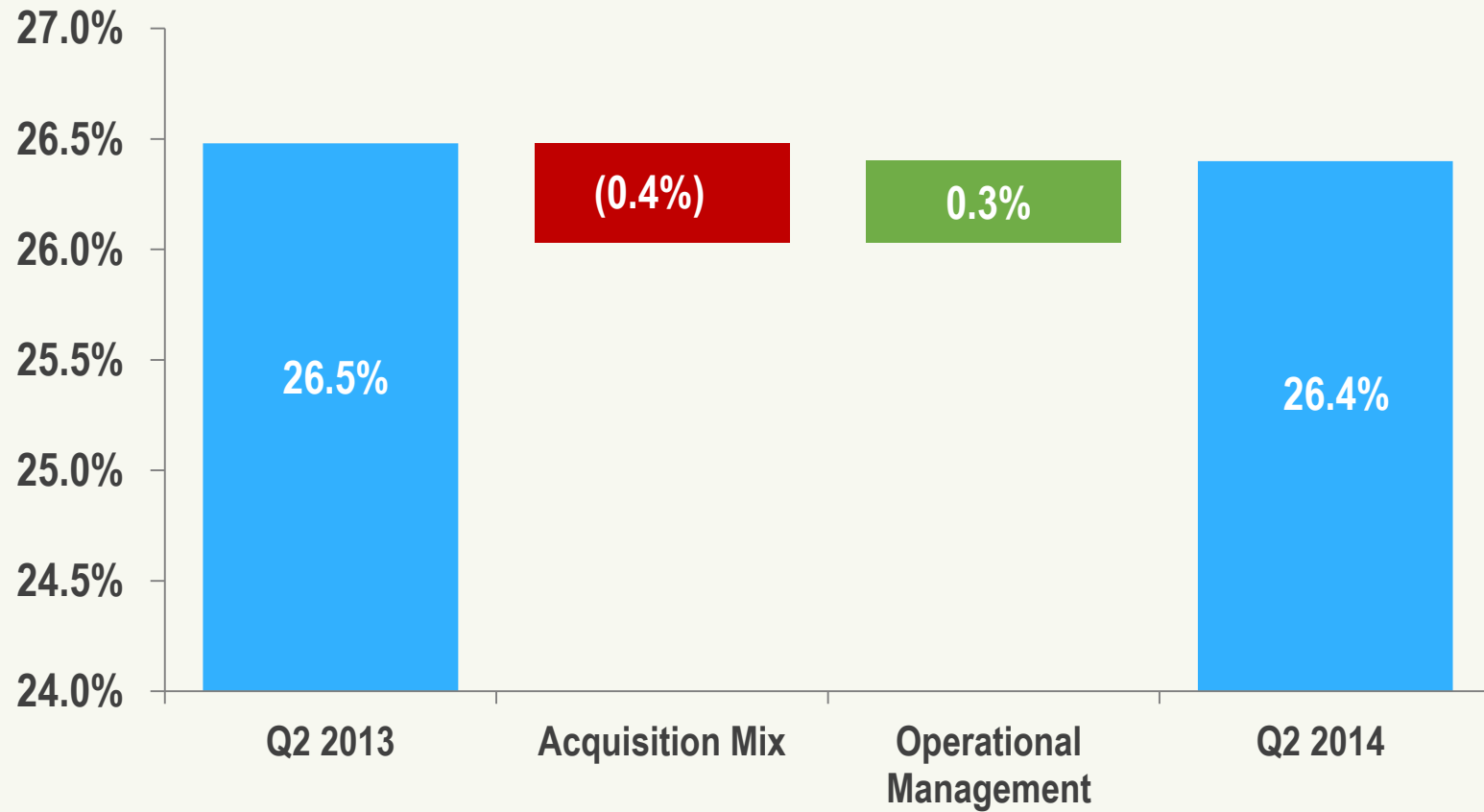


## Monthly Trends\*

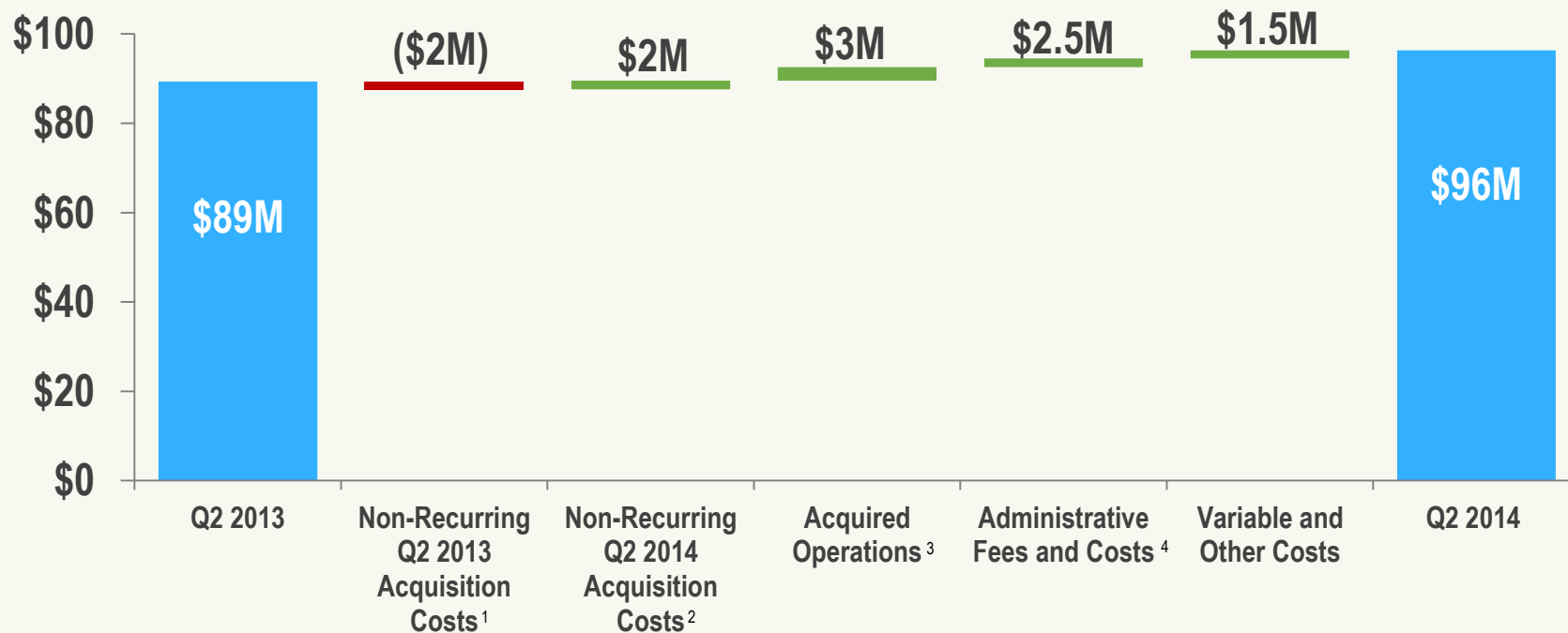


\* All calculations based on comparison to same period a year ago.

# GROSS MARGIN BRIDGE



# SG&A BRIDGE



<sup>1</sup> Non-recurring acquisition costs for 2013 include costs related to the acquisition, integration, reorganization, and shutdown activities of the MDT acquisition which was completed in 2013.

<sup>2</sup> Non-recurring acquisition costs for the 13 weeks ended June 27, 2014 related to the acquisition of Seaton. The acquisition was completed effective June 30, 2014, the first business day of our third quarter.

<sup>3</sup> Operating expenses relating to acquired TWC operations. Acquisition of TWC was completed in Q4 2013.

<sup>4</sup> Tax benefit processing fees and other unique administrative costs.

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# Seaton Acquisition



# TRANSACTION OVERVIEW

<b>Acquisition Structure</b>	<ul style="list-style-type: none"><li>• Purchase Price of \$310M to acquire 100% of Seaton's equity and tax assets with a net present value of ~\$20M<ul style="list-style-type: none"><li>– 7.8x forward 12 months Adjusted EBITDA<sup>1</sup> purchase multiple, net of acquired tax asset</li></ul></li><li>• Funded via \$123M of Cash and \$187M of Debt</li><li>• Committed financing via new \$300M asset-backed facility<ul style="list-style-type: none"><li>– New facility amends and enlarges existing facility</li><li>– Five year term, and a current interest rate of 2%</li></ul></li></ul>
<b>Operating Structure</b>	<ul style="list-style-type: none"><li>• Combined businesses operate as two groups: Staffing Solutions and Outsourcing Solutions (acquired brands)</li><li>• Acquired brands and management teams will remain</li></ul>
<b>Timing</b>	<ul style="list-style-type: none"><li>• Transaction completed on June 30, 2014 (first day of fiscal Q3)</li></ul>

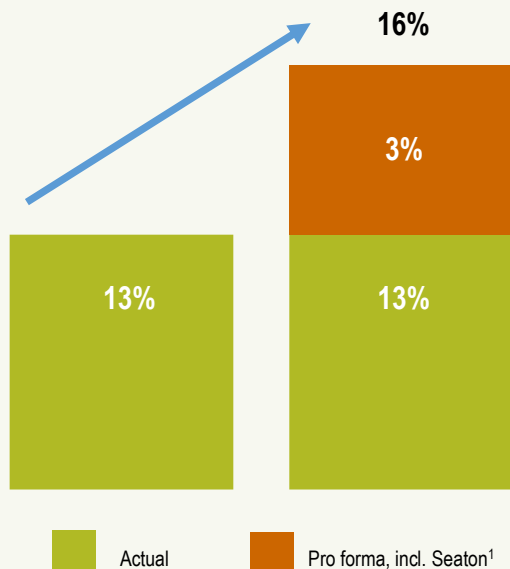
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# ACQUISITION DELIVERS STRONG SHAREHOLDER RETURN

Recent Seaton Acquisition Increases Return on Equity and Earnings Accretion

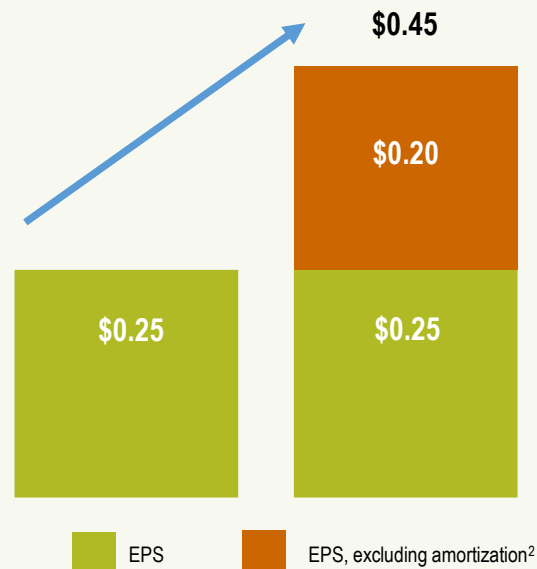
## EFFECTIVE USE OF CAPITAL

### PRO FORMA 2013 RETURN ON EQUITY



## COMPELLING EARNINGS ACCRETION

### FORWARD 12-MONTH EPS ESTIMATES



<sup>1</sup> Seaton impact excluding amortization.

<sup>2</sup> Excludes management estimate of amortization of purchased intangibles. Purchase accounting is in process.

# OUTSOURCING SOLUTIONS (SEATON) – EXPECTATIONS

<i>(in millions)</i>	Q3 2014	Q4 2014	Q1 - Q2 2015	Q3 2014 - Q2 2015
Revenue	\$147 - \$152	\$253 - \$258	\$330 - \$340	\$730 - \$750
Adjusted EBITDA <sup>1</sup>	\$5 - \$6	\$16 - \$17	\$14 - \$16	\$35 - \$39
Non-Recurring Acquisition Costs <sup>2</sup>	\$3.5	\$1.0	\$0.5	\$5.0
Depreciation & Amortization <sup>3</sup>	\$4	\$4	\$8	\$16
Capital Expenditures	\$1.5	\$1.5	\$3	\$6

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<sup>2</sup> \$2M of Non-Recurring Acquisition Costs were incurred in Q2 2014

<sup>3</sup> Management estimate of amortization of purchased intangibles. Purchase accounting in process. Depreciation of approximately \$1M per quarter and amortization of approximately \$3M per quarter.

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# Expectations

# Q3 2014 EXPECTATIONS

In millions except per share data. Certain amounts may not sum or recalculate due to rounding.

		<u>Consolidated</u>	
Total Revenue		\$ 634 - 647	
<i>Total Growth</i>		42%	
Diluted EPS		\$ 0.38 - \$0.46	
Adjusted EBITDA <sup>1</sup>		\$ 40 - 45	
Non-recurring acquisition costs		\$ 3.5	
	<u>Staffing Solutions</u>		<u>Outsourcing Solutions</u>
Revenue	\$ 485 - 495		\$ 147 - 152
<i>Organic Growth</i>	4%		
Adjusted EBITDA <sup>1</sup>	\$ 36 - 38		\$ 5 - 6

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# Q2 2014 NET INCOME TO EBITDA AND ADJUSTED EBITDA RECONCILIATION

In millions

	Q2 2014	Q2 2013
Net income	\$ 16.1	\$ 12.5
Income tax expense	\$ 2.4	\$ 5.1
Interest and other income, net	\$ (0.5)	\$ (0.3)
Depreciation & amortization	\$ 5.2	\$ 5.2
EBITDA*	\$ 23.2	\$ 22.5
Non-recurring acquisition costs	\$ 2.0	\$ 1.8
Adjusted EBITDA*	\$ 25.2	\$ 24.3

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# RECONCILIATION OF GAAP OPERATING INCOME TO EBITDA AND ADJUSTED EBITDA FOR THE COMPANY EXCLUDING SEATON

In millions.	Q3 2014
<b>Operating Income</b>	<b>\$31 - \$33</b>
<b>Depreciation &amp; Amortization</b>	<b>\$5</b>
<b>EBITDA*</b>	<b>\$36 - \$38</b>
<b>Non-Recurring Acquisition- Related Costs</b>	<b>--</b>
<b>Adjusted EBITDA*</b>	<b>\$36 - \$38</b>

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# RECONCILIATION OF GAAP OPERATING INCOME (LOSS) TO EBITDA AND ADJUSTED EBITDA FOR SEATON<sup>1</sup>

In millions. Certain amounts may not sum or recalculate due to rounding.	Q3 2014	Q4 2014	Q1 - Q2 2015	Q3 2014 - Q2 2015
<b>Operating Income (Loss)</b>	<b>(\$2 - \$1)</b>	<b>\$11 - \$12</b>	<b>\$5 - \$7</b>	<b>\$14 - \$18</b>
<b>Depreciation &amp; Amortization<sup>2</sup></b>	<b>\$4</b>	<b>\$4</b>	<b>\$8</b>	<b>\$16</b>
<b>EBITDA<sup>3</sup></b>	<b>\$2 - \$3</b>	<b>\$15 - \$16</b>	<b>\$13 - \$15</b>	<b>\$30 - \$34</b>
<b>Non-Recurring Acquisition-Related Costs<sup>4</sup></b>	<b>\$3.5</b>	<b>\$1.0</b>	<b>\$0.5</b>	<b>\$5.0</b>
<b>Adjusted EBITDA<sup>3</sup></b>	<b>\$5 - \$6</b>	<b>\$16 - \$17</b>	<b>\$14 - \$16</b>	<b>\$35 - \$39</b>

<sup>1</sup> Post acquisition, Seaton will now be referred to as "Outsourcing Solutions"

<sup>2</sup> Management's estimate of amortization of purchased intangibles. Purchase accounting in process. Depreciation of approximately \$1M per quarter and amortization of approximately \$3M per quarter.

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<sup>4</sup> \$2M of Non-Recurring Acquisition-Related Costs were incurred in Q2 2014