



## Q1 2016 Earnings Results

APRIL 20, 2016

# 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) increased costs and collateral requirements in connection with our insurance obligations, including workers' compensation insurance; 5) our continuing ability to comply with the financial covenants of our credit agreement; 6) our ability to attract and retain qualified employees in key positions or to find temporary and permanent employees with the right skills to fulfill the needs of our customers; 7) our ability to successfully complete and integrate acquisitions that we may make; and 8) other risks described in our most recent filings with the Securities and Exchange Commission.

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

Any references made to fiscal 2016 are based on management guidance issued April 20, 2016, and are included for informational purposes only. 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.

## **Financial Comparisons**

All comparisons are to prior year periods unless stated otherwise.

## Q1 2016 Highlights

- Slower pace of organic revenue growth:
  - Slower growth with large customers
  - Acceleration with small to mid-sized customers
  - Continued strength in construction; drop in retail industry growth
- Gross margin compression (excluding impact of acquisitions and sales mix):
  - Shrinking supply of workers driving higher wages
  - Customers more cost conscious
- Recent acquisitions<sup>1</sup> performing better than expected
- Adjusted EBITDA<sup>2</sup> up 9%

<sup>1</sup> SIMOS Insourcing Solutions ("SIMOS") was acquired on December 1, 2015 and is now part of the Staffing Services segment. The Recruitment Process Outsourcing ("RPO") division of Aon Hewitt was acquired on January 4, 2016 and is now part of PeopleScout (TrueBlue's RPO business) within the Managed Services Segment.

<sup>2</sup> See Appendix for definitions of non-GAAP financial terms.

## Financial Summary

Amounts in millions, except for earnings per share

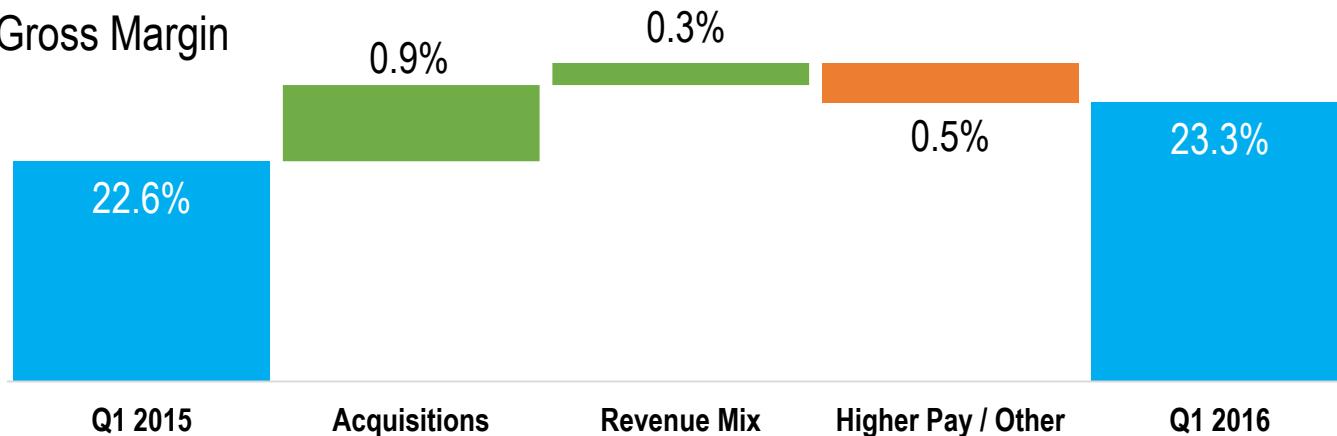
	Q1 2016	Change
Revenue	\$646	+13%
Adjusted EBITDA	\$21	+9%
Adjusted EBITDA Margin	3.3%	-10bps
Adjusted Earnings Per Share <sup>1</sup>	\$0.26	+13%

- Total revenue growth of 13% (4% organic, 9% from acquisitions)
- Adjusted EBITDA margin down from SG&A expense added to the organic business in 2015:
  - SG&A investments start to anniversary in Q2 2016 - continue to anniversary Q3 & Q4

<sup>1</sup> See Appendix for definitions of non-GAAP financial terms.

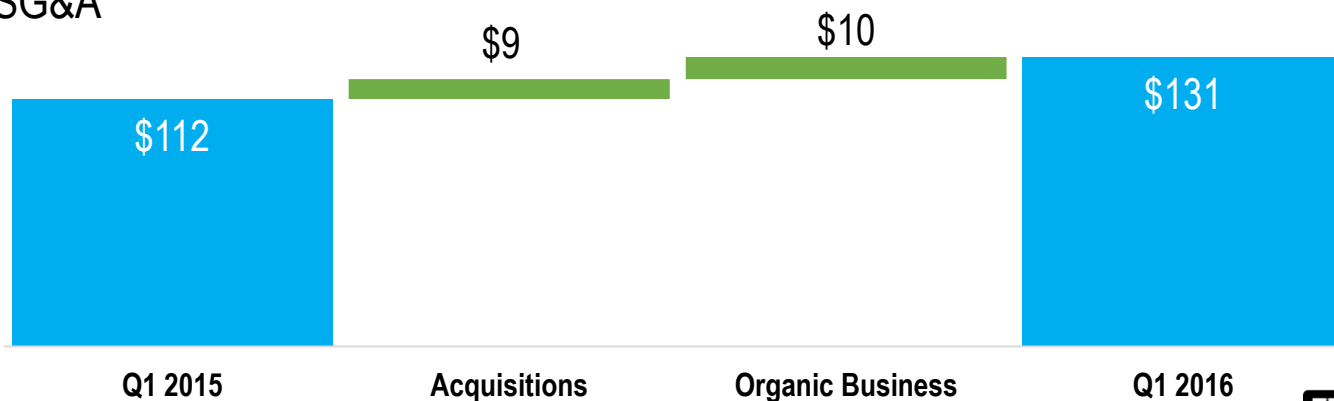
## Gross Margin and SG&A Bridges

### Gross Margin



Amounts in millions

### SG&A



## Staffing Services Segment<sup>1</sup>

Amounts in millions	Q1 2016	Change
Revenue	\$602	+10%
Adjusted EBITDA	\$20	-20%
Adjusted EBITDA Margin	3.3%	-120bps

- Year-over-year revenue growth of 10% (3% organic)
  - Step-down in organic revenue growth driven by large customers (flat growth)
  - Growth of about 10% in small to medium-sized customers and construction
  - Drop in retail industry growth (flat growth)
- SIMOS acquisition meeting expectation
- Adjusted EBITDA margin lower due to challenges in passing traditional mark-up on rising wages through to customers and SG&A expense rising faster than revenue

<sup>1</sup> Staffing Services includes all contingent labor businesses.

## Managed Services Segment<sup>1</sup>

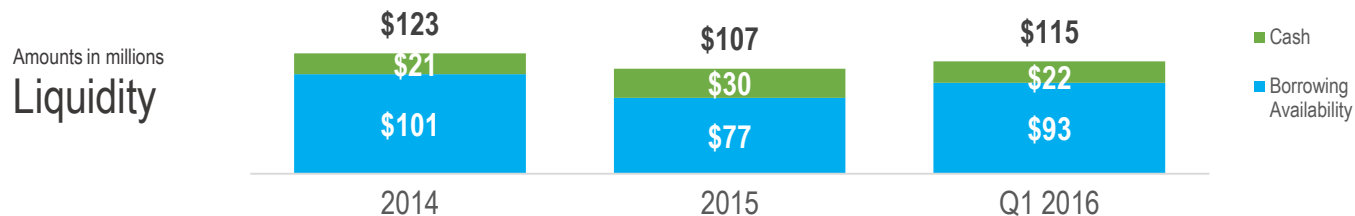
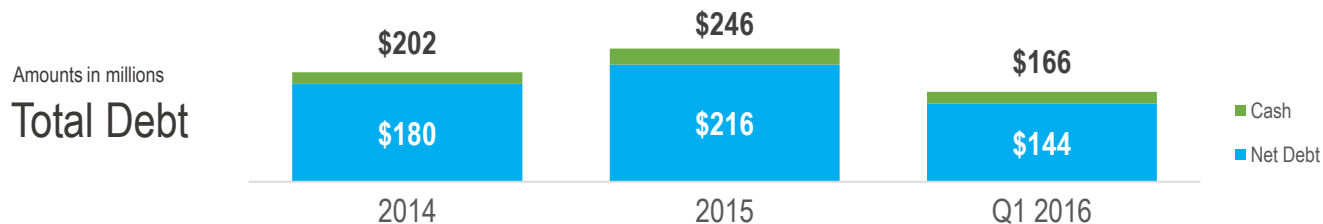
Amounts in millions	Q1 2016	Change
Revenue	\$44	+84%
Adjusted EBITDA	\$9	+154%
Adjusted EBITDA Margin	20.3%	+560bps

- Organic revenue growth of 17%
- Acquired RPO business performing ahead of expectation
- Adjusted EBITDA growth and margin expansion from recent RPO acquisition

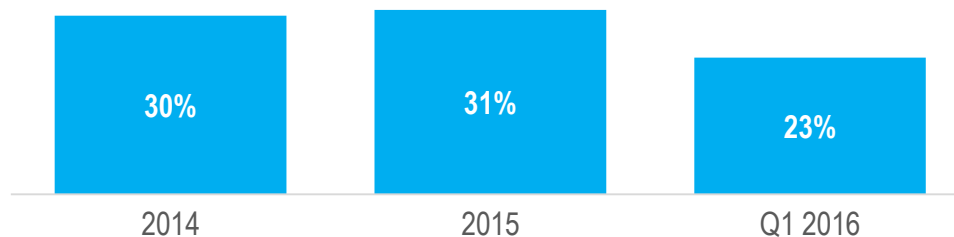
<sup>1</sup> Managed Services primarily consists of recruitment process outsourcing (RPO). Also includes managed service provider (MSP) solutions.

# Debt and Liquidity Highlights

Note: Balances as of fiscal period end. Figures on this page may not sum due to rounding.



## Debt to Total Capital





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# Outlook

# FY 2016 OUTLOOK

## Challenges

- Slower organic revenue growth
- Gross margin compression
- Reduced scope of services with our largest customer<sup>1</sup>

## Opportunities

- Small to medium-sized businesses & construction market
- Sales & gross margin improvement initiatives – tight labor market tactics
- Further reduce SG&A base in-line with revenue
- Deploy automated job matching technology – revenue generation and cost reduction opportunity

## Current FY 2016 Guidance

**Revenue** **\$2.8B to \$2.9B**  
**Mid-point growth** **6% (~2% organic\*)**

\*Organic growth would be 4% excluding the impact of our largest customer.

**Adjusted EBITDA** **\$158M to \$172M**

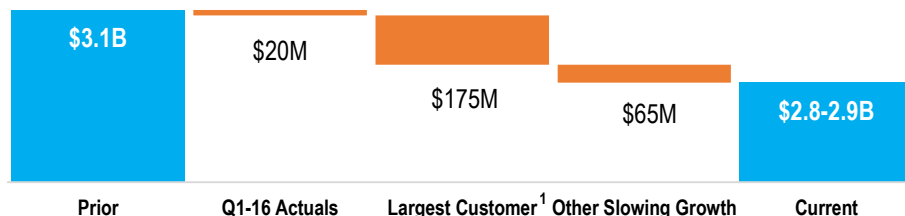
**Adjusted EPS<sup>2</sup>** **\$2.10 to \$2.35**

<sup>1</sup> We are evaluating the impact of this Q2 event and may record an impairment charge in the second quarter which may be material to the consolidated financial statements. This evaluation corresponds with the timing of our annual impairment test completed in the second quarter.

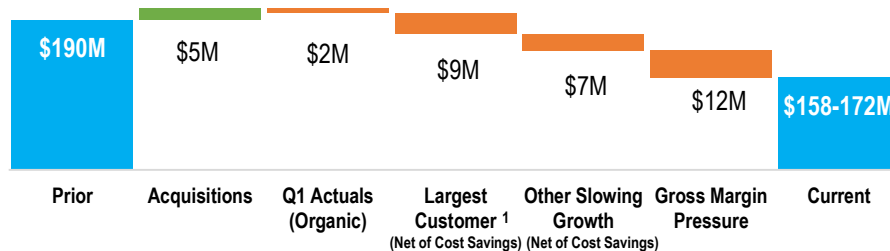
<sup>2</sup> Taxes at 32%, \$0.44 add-back for acquisition amortization (net of tax) and \$0.16 add-back for one-time costs and WOTC expenses (net of tax).

Note: Estimates reflect mid-point of management expectations where ever ranges are not provided. Consolidated outlook is based on a 52-week year. 53<sup>rd</sup> week represents incremental revenue of ~\$45M and Adjusted EBITDA of ~\$1M.

## Revenue Bridge (Prior v. Current Guidance)



## Adjusted EBITDA Bridge (Prior v. Current Guidance)



## Q2 2016 OUTLOOK

		Assumptions
<b>Revenue</b>	<b>\$675M to \$690M</b>	
<u>Mid-point growth</u>		
Total Revenue	9% (Flat organic)	<ul style="list-style-type: none"> <li>4% organic revenue growth excluding the impact of largest customer for both total company and Staffing Services</li> </ul>
Staffing Services	7% (-1% organic)	
Managed Services	62% (3% organic)	
<b>Adjusted EBITDA</b>	<b>\$33M to \$36M</b>	
Staffing Services	\$35M (mid-point est.)	<ul style="list-style-type: none"> <li>\$3M yoy decrease in Adjusted EBITDA from reduced scope of services with largest customer, includes \$1M of wind down costs</li> </ul>
Managed Services	\$8M (mid-point est.)	
<b>Adjusted EPS</b>	<b>\$0.42 to \$0.47</b>	<ul style="list-style-type: none"> <li>Taxes at 32%, \$0.10 add-back for acquisition amortization (net of tax) and \$0.06 add-back for one-time and WOTC expenses (net of tax)</li> </ul>

Note: Estimates reflect mid-point of management expectations where ever ranges are not provided.

## Key Takeaways

### Future Growth Prospects

**Strong secular trends (demographics, talent shortage, etc.) support long-term growth prospects**

### Track Record

**Demonstrated history of achieving above-market growth**

### Positioning

**Specialized, market leader in blue-collar industrial staffing and RPO**

### Tenured Management Team

**Deep experience at managing through cycles**

### SG&A Focus

**Focused on further adjusting cost base to adapt to changes in demand**

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# Appendix

# NON-GAAP TERMS AND DEFINITIONS

EBITDA and Adjusted EBITDA are non-GAAP financial measures. EBITDA excludes interest, taxes, depreciation and amortization from net income. Adjusted EBITDA further excludes from EBITDA non-recurring costs related to acquisition and integration costs as well as Work Opportunity Tax Credit third party processing fees. EBITDA and Adjusted EBITDA are key measures used by management to evaluate performance. EBITDA and Adjusted EBITDA should not be considered measures of financial performance in isolation or as an alternative to Income from operations in the Consolidated Statements of Operations in accordance with GAAP, and may not be comparable to similarly titled measures of other companies.

Adjusted net income per diluted share is a non-GAAP financial measure which excludes from net income on a per diluted share basis non-recurring costs related to acquisition and integration costs, net of tax, amortization of intangibles of acquired businesses, net of tax, accretion expense related to acquisition earn-out, net of tax, Work Opportunity Tax Credit third-party processing fees, net of tax, and adjusts income taxes to the expected ongoing effective rate. Adjusted net income per diluted share is a key measure used by management to evaluate performance and communicate comparable results. Adjusted net income per diluted share should not be considered a measure of financial performance in isolation or as an alternative to net income per diluted share in the Consolidated Statements of Operations in accordance with GAAP, and may not be comparable to similarly titled measures of other companies.

See “Financials” in the Investors section of our web site at [www.trueblue.com](http://www.trueblue.com) for a full reconciliation of non-GAAP financial measures to GAAP financial results.