# Q3 2018 Earnings Results

November 5, 2018

# Forward-looking statements

This document contains forward-looking statements relating to our plans and expectations, all of which are subject to risks and uncertainties. Such statements are based on management's expectations and assumptions as of the date of this release and involve many risks and uncertainties that could cause actual results to differ materially from those expressed or implied in our forward-looking statements including: (1) national and global economic conditions, (2) our ability to attract and retain customers, (3) our ability to maintain profit margins, (4) new laws and regulations that could have a material effect on our operations or financial results, (5) our ability to successfully complete and integrate acquisitions (6) our ability to attract sufficient qualified candidates and employees to meet the needs of our customers, (7) our ability to successfully execute on business strategies and initiatives such as the consolidation of our businesses and leveraging of mobile technology, and (8) uncertainty surrounding the interpretation and application of the recent 2017 Tax Cuts and Jobs Act and any reduction or change in tax credits we utilize, including the Work Opportunity Tax Credit. Other information regarding factors that could affect our results is included in our Securities Exchange Commission (SEC) filings, including the company's most recent reports on Forms 10-K and 10-Q, copies of which may be obtained by visiting our website at www.trueblue.com under the Investor Relations section or the SEC's website at www.sec.gov. 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 SEC.

In addition, we use several non-GAAP financial measures when presenting our financial results in this document. Please refer to the reconciliations between our GAAP and non-GAAP financial measures in the appendix to this presentation and on our website at www.trueblue.com under the Investor Relations section for a complete perspective on both current and historical periods. The presentation of these non-GAAP financial measures is used to enhance the understanding of certain aspects of our financial performance. It is not meant to be considered in isolation, superior to, or as a substitute for the directly comparable financial measures prepared in accordance with U.S. GAAP, and may not be comparable to similarly titled measures of other companies. Any comparisons made herein to other periods are based on a comparison to the same period in the prior year unless otherwise stated.

# Q3 2018 summary

## Another quarter of revenue growth

- Total revenue +3% v. +1% in Q2
- Organic revenue[1,2] +1% v. flat in Q2
- PeopleReady, the largest segment, +3% v. +2% in Q2
- PeopleManagement -8% v. -7% in Q2
- PeopleScout +44% v. +25% in Q2

## Strong EPS results

- EPS +20% and adjusted EPS[2] +32%
- Programs to lower cost of sales are working – gross margin +110 bps
- Adjusted EBITDA[2] +7% and adjusted EBITDA margin +20 bps

## Acquisition of UK-based TMP in Q2-18 is on-track

- Financial performance and PeopleScout integration are meeting expectations

## Returning capital to shareholders

- $25M of stock repurchased YTD
- $68M remaining under current authorization

[1] Organic revenue excludes acquired revenue from TMP Holdings LTD.
[2] See the appendix to this presentation and "Financial Information" in the investors section of our website at www.trueblue.com for a definition and full reconciliation of non-GAAP financial measures to GAAP financial results.

# Financial summary

| Amounts in millions, except per share data | Q3 2018 | % Change |
|---|---|---|
| Revenue | $680 | +3% |
| Net Income | $24.4 | +15% |
| Net Income Per Diluted Share | $0.61 | +20% |
| Adjusted Net Income[1] | $31.8 | +28% |
| Adj. Net Income Per Diluted Share | $0.79 | +32% |
| Adjusted EBITDA | $43.4 | +7% |
| Adjusted EBITDA Margin | 6.4% | +20 bps |

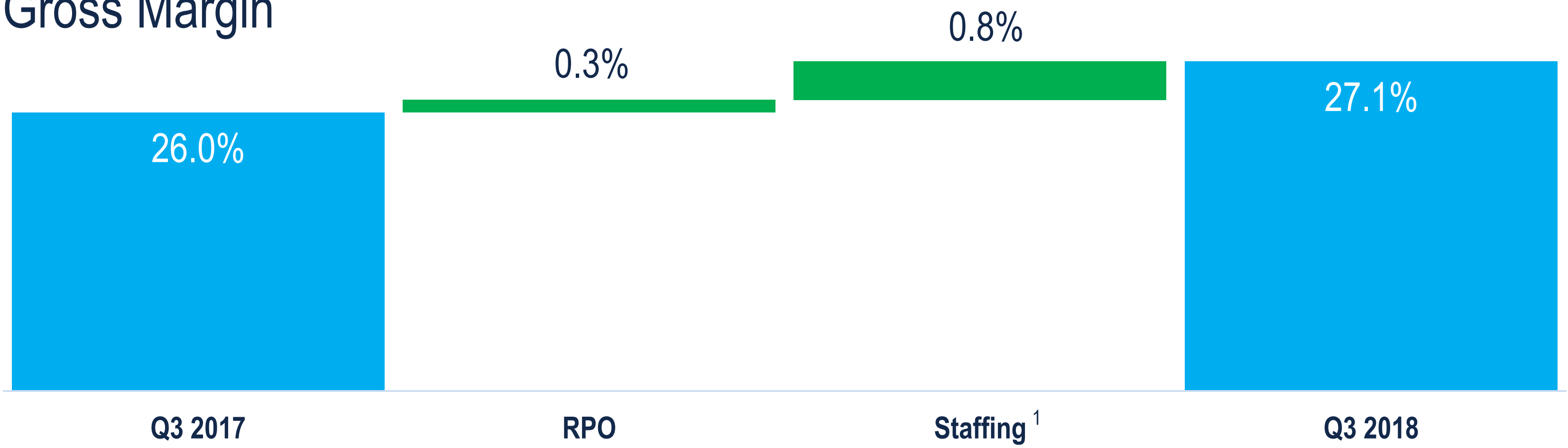
- Organic revenue +1%, or +2% excluding PlaneTechs divestiture
- Net income growth is higher than adjusted EBITDA growth due primarily to a lower income tax rate in 2018 and share repurchases



[1] See the appendix to this presentation and "Financial Information" in the investors section of our website at www.trueblue.com for a definition and full reconciliation of non-GAAP financial measures to GAAP financial results.

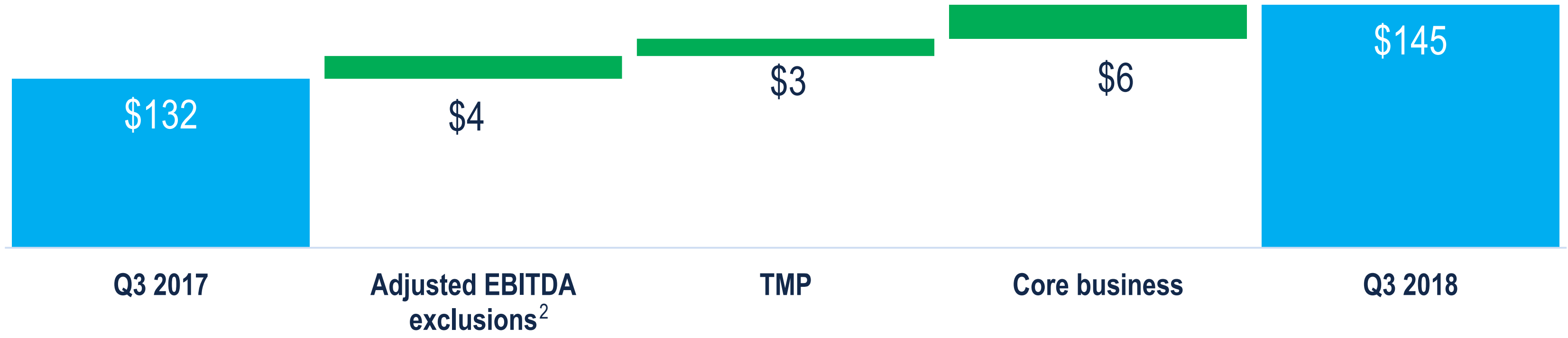
# Gross margin and SG&A bridges

## Gross Margin




Amounts in millions

## SG&A




[1] Margin improvement primarily due to improvements in workers' compensation expense. See 10-Q for additional information.
[2] Adjusted EBITDA further excludes from EBITDA Work Opportunity Tax Credit third-party processing fees, acquisition/integration costs and other costs. See the appendix to this presentation and "Financial Information" in the investors section of our website at www.trueblue.com for a definition and full reconciliation of non-GAAP financial measures to GAAP financial results.

# Q3-18 segment update

| Amounts in millions | PeopleReady | PeopleManagement | PeopleScout |
|---|---|---|---|
| Revenue | $429 | $181 | $71 |
| *% Growth* | *+3%* | *-8%*<br>*(Flat ex-Amazon and PlaneTechs)* | *+44%*<br>*(+13% organic)* |
| Segment Profit[1] | $31.2 | $6.2 | $12.5 |
| *% Growth* | *9%* | *-11%* | *+21%* |
| *% Margin*<br>*% Change* | *7.3%*<br>*+40 bps* | *3.4%*<br>*-10 bps* | *17.7%*<br>*-330 bps* |
| Notes: | • Revenue trend improvement is broad-based across geographies and industries<br>• Headwind of -2% from prior year hurricane and energy business benefits | • Revenue decline due to loss of Amazon Canadian business and divestiture of PlaneTechs in Q1-18 | • Fifth consecutive quarter of double-digit revenue growth<br>• Margin compression primarily from acquisition of lower-margin TMP business |

[1] We evaluate performance based on segment revenue and segment profit. Segment profit includes revenue, related cost of services, and ongoing operating expenses directly attributable to the reportable segment. Segment profit excludes goodwill and intangible impairment charges, depreciation and amortization expense, unallocated corporate general and administrative expense, interest, other income and expense, income taxes, and costs not considered to be ongoing costs of the segment. Segment profit is comparable to segment adjusted EBITDA amounts reported in prior years.

# Segment strategy highlights

peopleready A TRUEBLUE COMPANY

- JobStack™ creating favorable differentiation with customers and associates
- 30% of all jobs now filled by JobStack
- 15%+ potential operating margin on incremental revenue

peoplemanagement A TRUEBLUE DIVISION

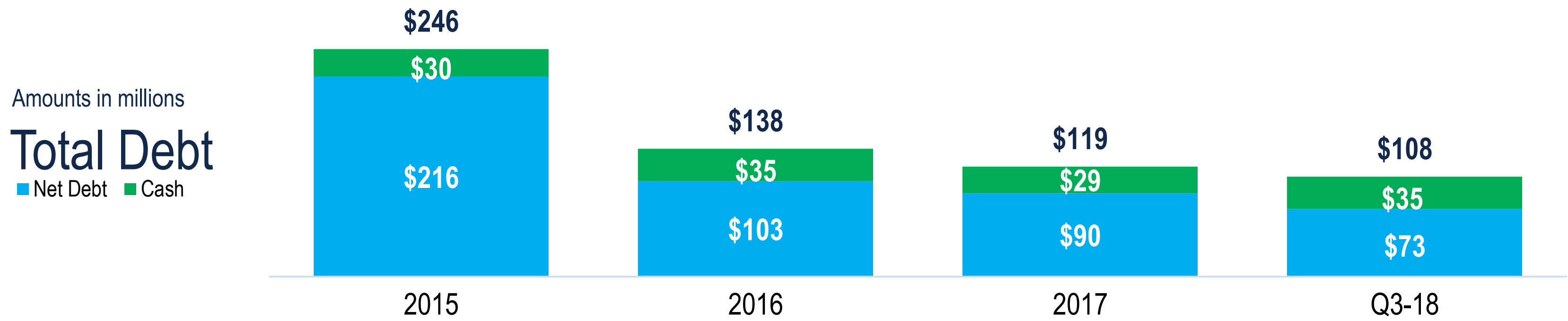
- Attractive on-premise solution
- Perfect fit for larger clients with longer-duration / strategic need for contingent workers
- Strength in the e-commerce vertical
- Focused on new client wins and margin expansion

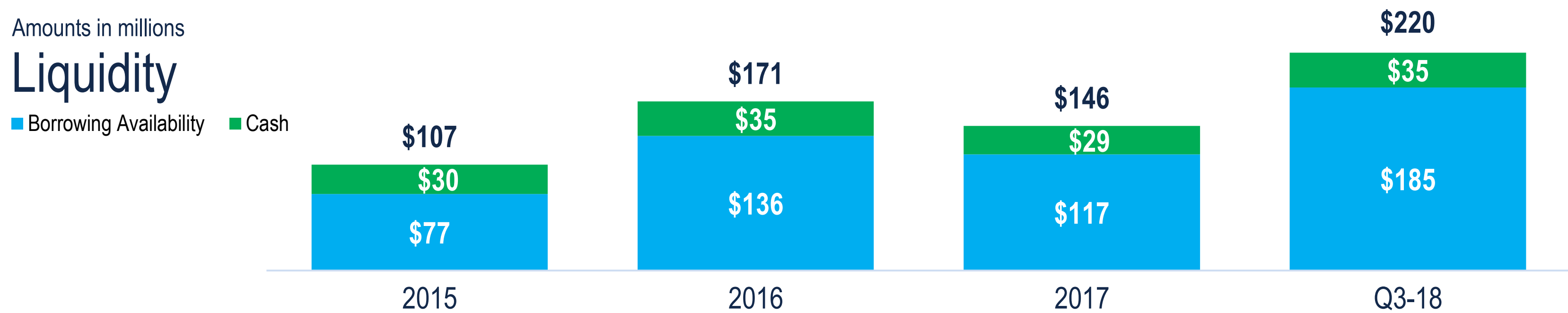
peoplescout A TRUEBLUE COMPANY

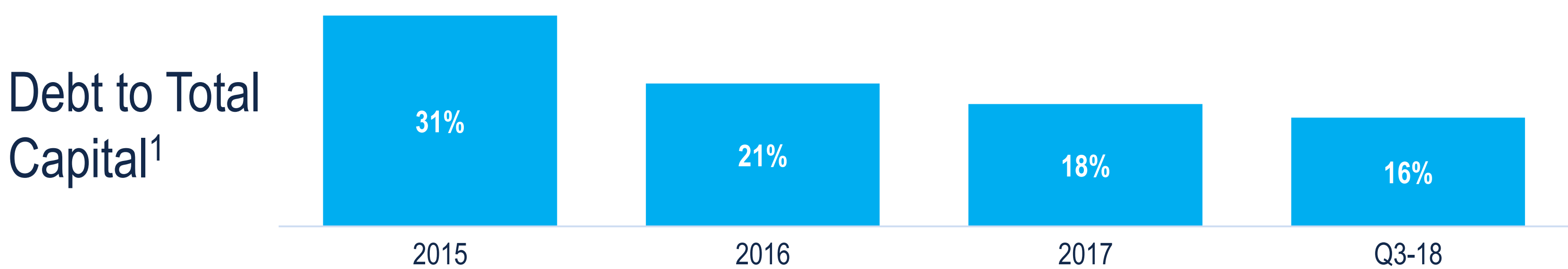
- Global RPO market experiencing strong growth
- Leverage TMP acquisition to compete for multi-continent engagements
- Industry leading proprietary technology – rolling out Affinix™, a next-generation HR tool
- Attractive-margin business with compelling value proposition

Boost shareholder returns through share repurchase

# Lower debt and ample liquidity




Note: Balances as of fiscal period end.
[1] Calculated as total debt divided by the sum of total debt plus shareholders' equity.

# Outlook

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# Q4 2018 outlook

Amounts in millions, except per share data

| Revenue | Outlook | Growth | Notes |
|---|---|---|---|
| Total[1] | $642 to $659 | -4% to -2% | • Divested revenue (PlaneTechs) and acquired revenue (TMP) roughly off-set<br>• -3% headwind from energy business peak in Q4-17<br>• -4% headwind from loss of Amazon Canadian business |
| PeopleReady | $392 to $399 | 0% to 2% | • -4% headwind from energy business peak in Q4-17 |
| PeopleManagement | $181 to $187 | -20% to -17% | • -11% headwind from loss of Amazon Canadian business<br>• -5% headwind from divested PlaneTechs revenue |
| PeopleScout | $69 to $72 | 35% to 42% | • Outlook reflects organic growth of 9% to 15% |

| Profitability & Capital Expenditures | Outlook | Notes |
|---|---|---|
| Net income per diluted share | $0.34 to $0.41 | • Assumes an effective income tax rate of 16%<br>• $4.9M of add-backs related to integration and acquisition costs, implementation costs for cloud-based systems and accelerated vesting of stock associated with the CEO transition<br>• Assumes diluted weighted average shares outstanding of 40.0 million |
| Adjusted net income per diluted share | $0.55 to $0.62 | |
| Capital expenditures | $4 | |

[1] Figures may not sum to consolidated totals due to rounding.

# Select 2018 outlook information

Amounts in millions

## PeopleManagement: Amazon

- Loss of Amazon Canadian business effective September 1, 2018 is expected to create a revenue headwind of approximately $24M in Q4-18 (11% for PeopleManagement and 4% for total TBI)

| Memo: Amazon Historical | Q4-17 | Q1-18 | Q2-18 | Q3-18 |
|---|---|---|---|---|
| Revenue | $24 | $12 | $6 | $6 |
| Segment Profit | 2.4 | 1.4 | 0.7 | 0.6 |

## PeopleReady: Energy

- The quarterly run-rate for this business is about $10M in 2018 and faces a prior year comparison of $26M in Q4-18; implied revenue headwind of approximately $16M in Q4-18 (4% for PeopleReady and 3% for total TBI)

| Memo: Energy Historical | Q4-17 | Q1-18 | Q2-18 | Q3-18 |
|---|---|---|---|---|
| Revenue | $26 | $13 | $8 | $9 |

Note: Figures may not sum to consolidated totals due to rounding.

# Appendix

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# NON-GAAP FINANCIAL MEASURES AND NON-GAAP RECONCILIATIONS

In addition to financial measures presented in accordance with U.S. GAAP, we monitor certain non-GAAP key financial measures. The presentation of these non-GAAP financial measures is used to enhance the understanding of certain aspects of our financial performance. It is not meant to be considered in isolation, superior to, or as a substitute for the directly comparable financial measures prepared in accordance with U.S. GAAP, and may not be comparable to similarly titled measures of other companies.

| Non-GAAP Measure | Definition | Purpose of Adjusted Measures |
|---|---|---|
| ***EBITDA and Adjusted EBITDA*** | EBITDA excludes from net income:<br>- interest and other income (expense), net,<br>- income taxes, and<br>- depreciation and amortization.<br><br>Adjusted EBITDA, further excludes:<br>- Work Opportunity Tax Credit third-party processing fees,<br>- acquisition/integration costs and<br>- other costs. | - Enhances comparability on a consistent basis and provides investors with useful insight into the underlying trends of the business.<br><br>- Used by management to assess performance and effectiveness of our business strategies.<br><br>- Provides a measure, among others, used in the determination of incentive compensation for management. |
| ***Adjusted net income and Adjusted net income, per diluted share*** | Net income and net income per diluted share, excluding:<br>- adjustment to the gain on divestiture,<br>- amortization of intangibles of acquired businesses,<br>- acquisition/integration costs,<br>- other costs,<br>- tax effect of each adjustment to U.S. GAAP net income, and<br>- adjust income taxes to the expected effective tax rate. | - Enhances comparability on a consistent basis and provides investors with useful insight into the underlying trends of the business.<br><br>- Used by management to assess performance and effectiveness of our business strategies. |
| ***Organic revenue*** | Revenue from services excluding acquired entity revenue. | - Enhances comparability on a consistent basis and provides investors with useful insight into the underlying trends of the business.<br><br>- Used by management to assess performance and effectiveness of our business strategies. |

# 1. RECONCILIATION OF U.S. GAAP NET INCOME TO ADJUSTED NET INCOME AND ADJUSTED NET INCOME, PER DILUTED SHARE *(Unaudited)*

| *(in thousands, except for per share data)* | Q3 2018<br>13 Weeks Ended<br>Sep 30, 2018 | Q3 2017<br>13 Weeks Ended<br>Oct 1, 2017 | Q4 2018 Outlook*<br>13 Weeks Ended<br>Dec 30, 2018 |
|---|---|---|---|
| Net income | **$ 24,380** | $ 21,221 | $ 13,800 — $ 16,300 |
| Adjustment to the gain on divestiture (1) | **385** | — | — |
| Amortization of intangible assets of acquired businesses | **5,193** | 5,353 | 5,200 |
| Acquisition/integration costs (2) | **1,226** | — | 1,500 |
| Other costs (3) | **3,005** | — | 3,200 |
| Tax effect of adjustments to net income (4) | **(1,569)** | (1,499) | (1,600) |
| Adjustment of income taxes to normalized effective rate (5) | **(852)** | (299) | — |
| **Adjusted net income** | **$ 31,768** | $ 24,776 | $ 22,100 — $ 24,600 |
| **Adjusted net income, per diluted share** | **$ 0.79** | $ 0.60 | $ 0.55 — $ 0.62 |
| **Diluted weighted average shares outstanding** | **40,073** | 41,276 | 40,000 |

# 2. RECONCILIATION OF U.S. GAAP NET INCOME TO EBITDA AND ADJUSTED EBITDA *(Unaudited)*

| *(in thousands)* | Q3 2018<br>13 Weeks Ended<br>Sep 30, 2018 | Q3 2017<br>13 Weeks Ended<br>Oct 1, 2017 | Q4 2018 Outlook*<br>13 Weeks Ended<br>Dec 30, 2018 |
|---|---|---|---|
| Net income | **$ 24,380** | $ 21,221 | $ 13,800 — $ 16,300 |
| Income tax expense | **3,630** | 7,838 | 2,600 — 3,100 |
| Interest and other (income) expense, net | **340** | 219 | (400) |
| Depreciation and amortization | **10,586** | 11,189 | 10,100 |
| **EBITDA** | **38,936** | 40,467 | 26,200 — 29,200 |
| Work Opportunity Tax Credit processing fees (6) | **241** | 180 | 200 |
| Acquisition/integration costs (2) | **1,226** | — | 1,500 |
| Other costs (3) | **3,005** | — | 3,200 |
| **Adjusted EBITDA** | **$ 43,408** | $ 40,647 | $ 31,100 — $ 34,100 |

* Totals may not sum due to rounding

See the last slide of the appendix for footnotes.

# 3. RECONCILIATION OF U.S. GAAP REVENUE TO ORGANIC REVENUE *(Unaudited)*

| *(in thousands)* | Q3 2018<br>13 Weeks Ended<br>Sep 30, 2018 | Q3 2017<br>13 Weeks Ended<br>Oct 1, 2017 |
|---|---|---|
| Revenue from services | **$ 680,371** | $ 660,780 |
| Acquired entity revenue | **(15,032)** | — |
| **Organic revenue** | **$ 665,339** | $ 660,780 |

Footnotes:

1. Adjustment to the gain on the divestiture of our PlaneTechs business as we continue to finalize actual costs incurred. PlaneTechs was sold mid-March 2018.
2. Acquisition/integration costs relate to the acquisition of TMP Holdings LTD completed on June 12, 2018.
3. Other costs include implementation costs for cloud-based systems and accelerated vesting of stock associated with the CEO transition.
4. Total tax effect of each of the adjustments to U.S. GAAP net income using the expected ongoing rate of 16 percent for 2018, due to the enacted U.S. Tax Cuts and Jobs Act, and 28 percent for 2017.
5. Adjustment of the effective income tax rate to the expected ongoing rate of 16 percent for 2018, due to the enacted U.S. Tax Cuts and Jobs Act, and 28 percent for 2017.
6. These third-party processing fees are associated with generating the Work Opportunity Tax Credits, which are designed to encourage employers to hire workers from certain targeted groups with higher than average unemployment rates and reduce our income taxes.