



# Q1 2017 Earnings Results

May 1, 2017

# 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, and (7) our ability to successfully execute on new business initiatives. Other information regarding factors that could affect our results is included in our 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](http://www.trueblue.com) under the Investor Relations section or the SEC's website at [www.sec.gov](http://www.sec.gov). We assume no duty to update or revise any forward-looking statements contained in this release.

In addition, we use several non-GAAP financial measures when presenting our financial results in this release. Please refer to the reconciliations between our GAAP and non-GAAP financial measures included on our website at [www.trueblue.com](http://www.trueblue.com) under the Investor Relations section for a complete perspective on both current and historical periods. Any comparisons made herein to other periods are based on a comparison to the same period in the prior year unless otherwise stated.

## Use of estimates and forecasts:

Any references made to fiscal 2017 are based on management guidance issued May 1, 2017, 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.

# Q1 2017 Summary

## Revenue trends consistent with expectation

- ◆ Total revenue decline of -12% or -3% excluding Amazon<sup>1</sup>
  - PeopleScout +1%
  - PeopleManagement +2% excluding Amazon
  - PeopleReady -7%

## Better than expected profitability

- ◆ Net income and Adjusted EBITDA<sup>2</sup> exceeded high end of our expectation
- ◆ Strong performance on gross margin – disciplined pricing
- ◆ Solid progress in reducing operating expenses

## Solid progress on strategic initiatives

- ◆ Successful PeopleReady transition – systems conversion complete
- ◆ JobStack (mobile app) poised to transform the business

<sup>1</sup> Due to a previously announced reduction in the scope of services with its former largest customer, the company is providing results excluding this customer to help investors assess the company's underlying results with prior periods.

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

# Financial Summary

Amounts in millions, except per share data	Q1 2017	Y/Y Change
Revenue	\$568	-12% -3% ex-Amazon
Net Income	\$5	-33% <sup>1</sup>
Net Income Per Share	\$0.11	-33% <sup>1</sup>
Adjusted Net Income <sup>2</sup>	\$9	-20%
Adjusted Net Income Per Share <sup>2</sup>	\$0.21	-22%
Adjusted EBITDA	\$18	-17% +2% ex-Amazon
Adjusted EBITDA Margin	3.1%	-20 bps +20 bps ex-Amazon

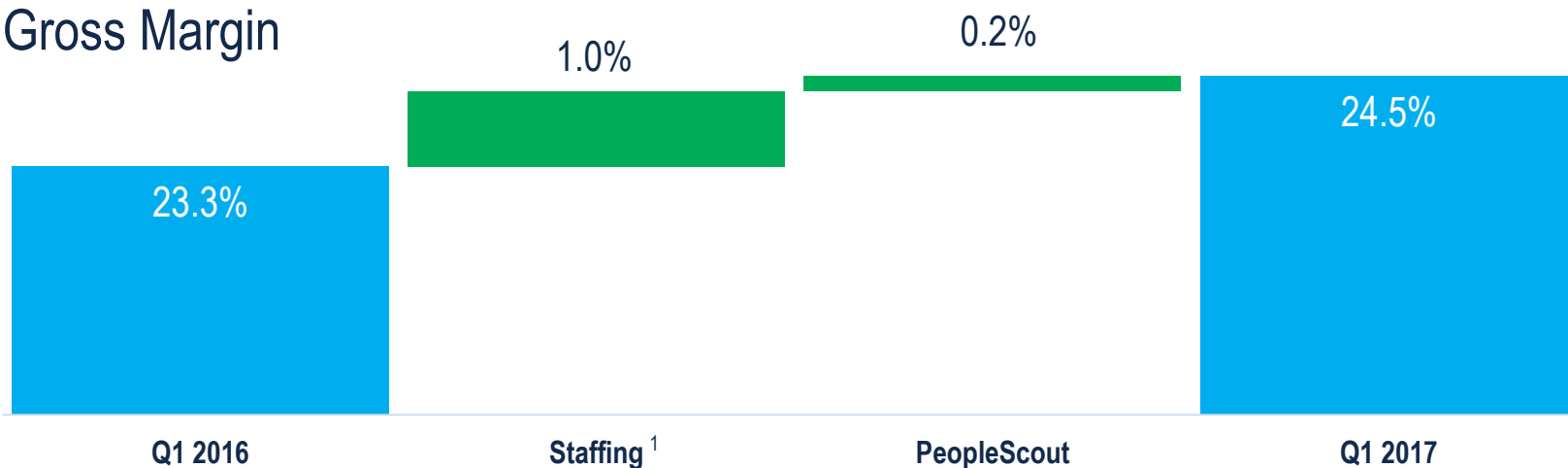
- Q1 2017 Amazon revenue and Adjusted EBITDA, \$10M and \$1M, respectively
- Q1 2016 Amazon revenue and Adjusted EBITDA, \$68M and \$5M, respectively

<sup>1</sup> Q1-17 effective tax rate of 28% v. Q1-16 of 8% due primarily to timing of Work Opportunity Tax credits.

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

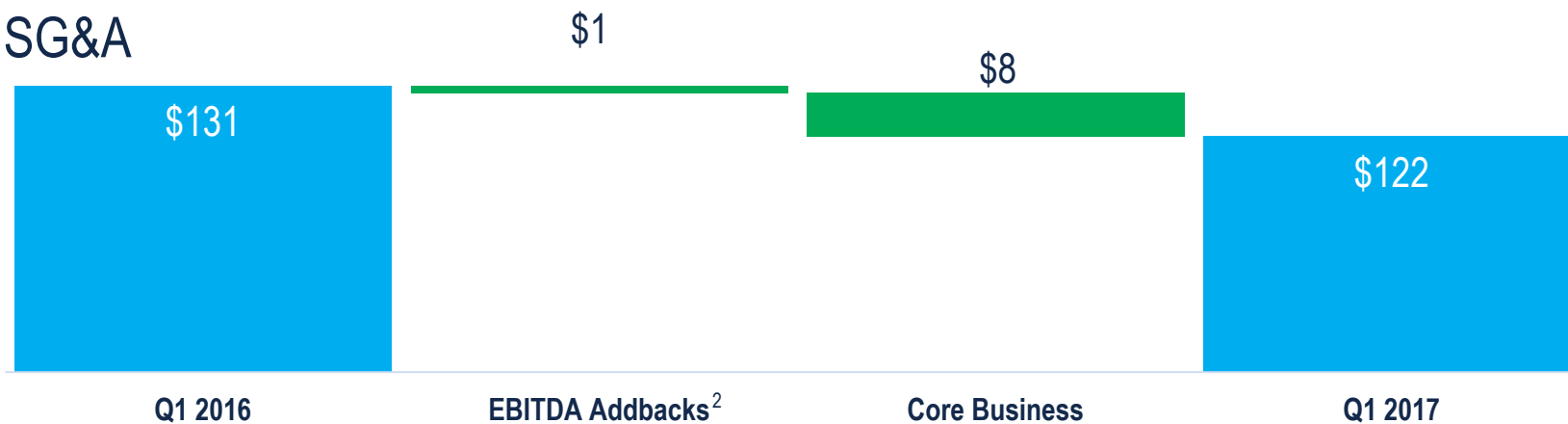
# Gross Margin and SG&A Bridges

## Gross Margin



Amounts in millions

## SG&A



<sup>1</sup> Staffing includes our PeopleReady and PeopleManagement segments.

<sup>2</sup> Primarily acquisition and integration costs associated with our acquisition of the RPO division of Aon Hewitt.

# PeopleReady Segment

Amounts in millions	Q1 2017	Y/Y Change
Revenue	\$333	-7%
Adjusted EBITDA	\$10	-17%
Adjusted EBITDA Margin	3.0%	-40 bps

- ◆ PeopleReady revenue at low end of our expectation
  - Softer trends in manufacturing and service based businesses
  - Revenue negatively impacted by strong start on annual bill rate increases
- ◆ Strong start on annual bill rate increases – gross margin ahead of Q1 2016
  - Minimum wage increases passed through
  - Associated payroll tax burdens passed through
  - Customary pay rate markup passed through on new orders

# PeopleManagement Segment

Amounts in millions	Q1 2017	Y/Y Change
Revenue	\$192	-22% +2% ex-Amazon
Adjusted EBITDA	\$6	-13% +200% ex-Amazon
Adjusted EBITDA Margin	2.9%	+30 bps +170 bps ex-Amazon

- Revenue up +2% excluding Amazon
- Largest portion of Amazon Revenue and EBITDA headwind is over in Q1 2017
  - Amazon Revenue FY 2016 = \$169M; Q1 = \$68M, Q2 thru Q4 = \$101M
  - Amazon EBITDA FY 2016 = \$5M; Q1 = \$5M, Q2 thru Q4 = breakeven
- Year-over-year Adjusted EBITDA margin expansion
  - Strong pricing and effective cost control

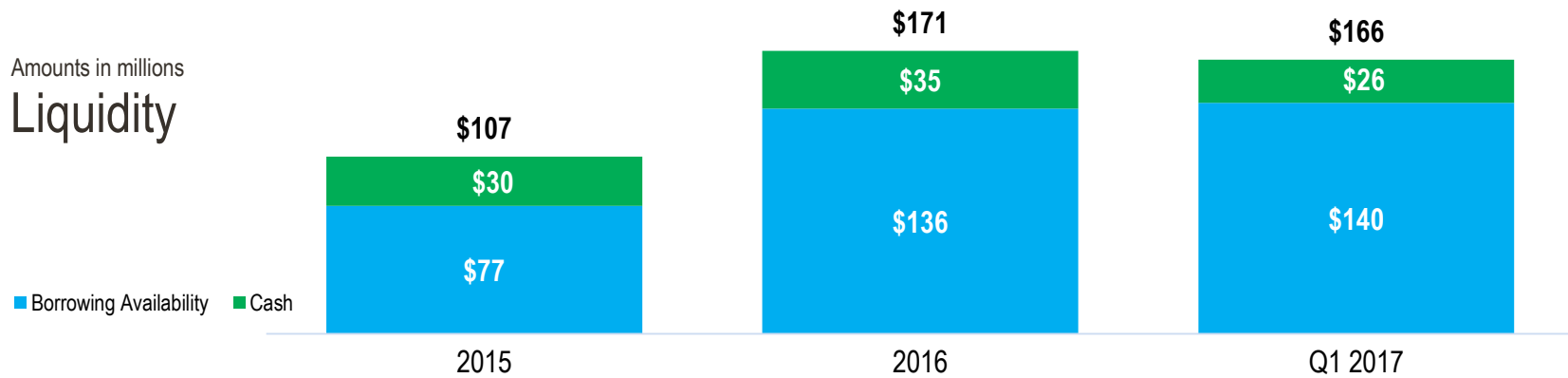
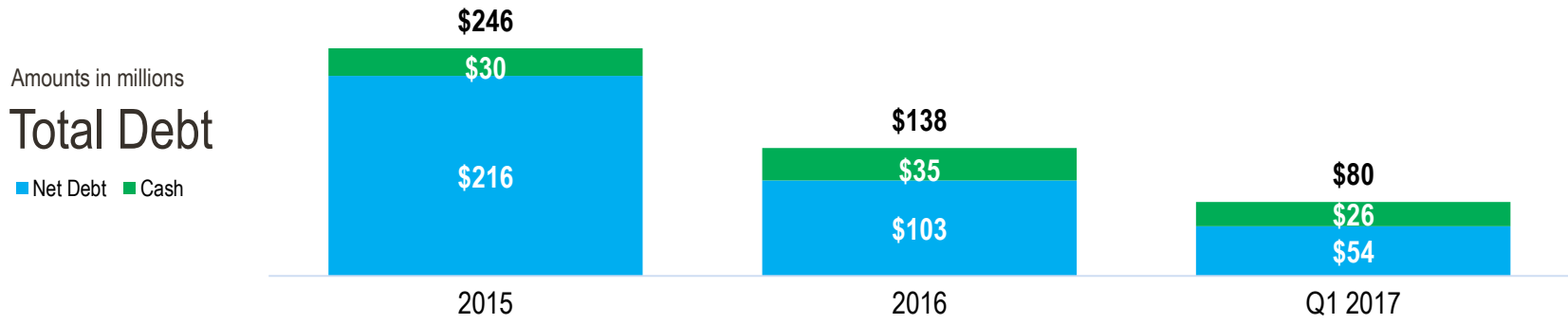
# PeopleScout Segment

Amounts in millions	Q1 2017	Y/Y Change
Revenue	\$44	+1%
Adjusted EBITDA	\$9	+8%
Adjusted EBITDA Margin	19.7%	+130 bps

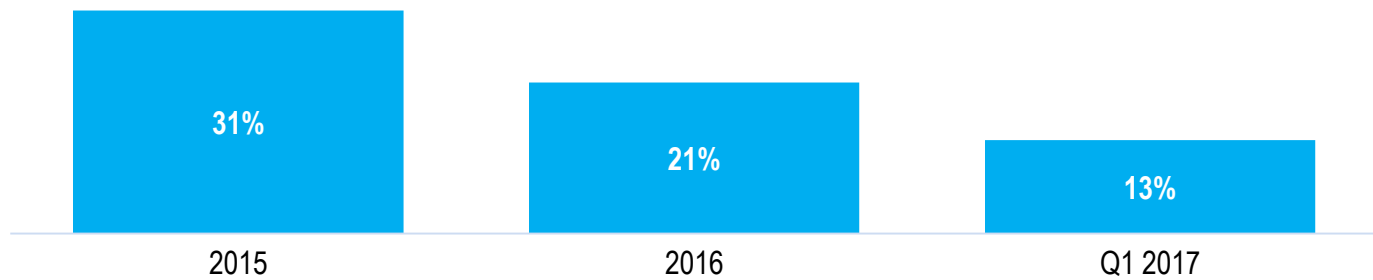
- Revenue growth from new customers mostly offset by decline in same customer revenue
- Recruiting efficiencies driving Adjusted EBITDA margin expansion



# Lower Debt and Improved Liquidity



## Debt to Total Capital



Note: Balances as of fiscal period end.

# Executing Segment Strategies



- PeopleReady systems conversion completed as planned
- JobStack poised to transform the business by increasing fill rates, boosting wallet share, increasing new business win rates, and attracting more workers
- 2017 is a year of deploying technology and acclimating the culture to new methods of connecting workers and customers



- SIMOS productivity solutions set to drive revenue growth
  - Compelling value proposition (clients save 10-25% on per-unit costs)
  - SIMOS acquisition at the end of 2015 bolstered our existing capabilities
  - Differentiated service, high EBITDA margin
  - Perfect fit with the growing world of eCommerce



- Compelling value proposition in tighter labor market
- Actively pursuing organic revenue growth plus international acquisitions to improve win rates on multi-continent deals
- Realized synergies of acquisition & leverage of offshore capabilities
  - Adjusted EBITDA margin significantly above company average

# Outlook

# Q2 2017 Outlook

Amounts in millions, except per share data	Outlook	Comments
Revenue	\$600M to \$615M	
<u>Growth Ranges</u>		
Total Revenue	-11% to -8%	• Total revenue decline was -12% in Q1-17
PeopleReady	-9% to -7%	• Ex-Amazon growth of -6% to -4% v. -3% in Q1-17
PeopleManagement	-14% to -12%	
PeopleScout	-10% to 0%	
EPS	\$0.29 to \$0.34	• Assumes income tax rate of 28%
Adjusted EPS	\$0.38 to \$0.43	• Assumes diluted weighted average shares outstanding of 42M
Adjusted EBITDA	\$29M to \$32M	
D&A / CapEx	\$12M / \$6M	

# Appendix

# Non-GAAP Terms and Definitions

EBITDA and Adjusted EBITDA are non-GAAP financial measures. EBITDA excludes interest, taxes, depreciation and amortization. Adjusted EBITDA further excludes from EBITDA costs related to acquisition and integration costs and Work Opportunity Tax Credit third-party processing fees. EBITDA and Adjusted EBITDA are key measures used by management to assess performance and, in our opinion, enhance comparability and provide investors with useful insight into the underlying trends of the business. 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 U.S. GAAP, and may not be comparable to similarly titled measures of other companies.

Adjusted net income and Adjusted net income per diluted share are non-GAAP financial measures, which exclude from Net income and Net income on a per diluted share basis, costs related to acquisition and integration costs, amortization of intangibles of acquired businesses as well as accretion expense related to acquisition earn-out, tax effect of each adjustment to U.S. GAAP Net income, and adjusts income taxes to the expected ongoing effective tax rate. Adjusted net income and Adjusted net income per diluted share are key measures used by management to assess performance and, in our opinion, enhance comparability and provide investors with useful insight into the underlying trends of the business. Adjusted net income and Adjusted net income per diluted share should not be considered measures of financial performance in isolation or as an alternative to net income or net income per diluted share in the Consolidated Statements of Operations in accordance with U.S. 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 U.S. GAAP financial results.