# Q1 2018 Earnings Results

April 30, 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 new business strategies and initiatives such as the consolidation of our service lines 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.

# Q1 2018 summary

## Strong earnings per share growth

- EPS +100%, adjusted EPS[1] +48%
  - Favorable income tax, gross margin, and depreciation results
  - Gain on sale of PlaneTechs (excluded from adjusted EPS)

## Modest revenue decline but gross profit up 3%

- Total revenue -2%
- PeopleReady -5%, solar industry challenges and soft trends in Southeast
- PeopleManagement -4%, -2% excluding PlaneTechs[2] and in-line with expectation
- PeopleScout +22%, accelerating revenue growth
- Programs to lower cost of services are working – gross margin +130 bps

## Divestiture of PlaneTechs business

- Small, non-strategic asset, less than 2% of total revenue
- Concentrates our focus on larger market and higher growth and margin opportunities

## Continuing to execute on our strategy

- PeopleReady – Continued progress on mobile technology
- PeopleManagement – Attractive on-premise solution for larger, strategic clients
- PeopleScout – #1 in RPO market, new proprietary technology, attractive margin

[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.
[2] In mid-March 2018, we entered into an asset purchase agreement with a private, strategic buyer for the sale of our PlaneTechs service line. Growth presented excluding both current and prior year PlaneTechs results.

# Financial summary

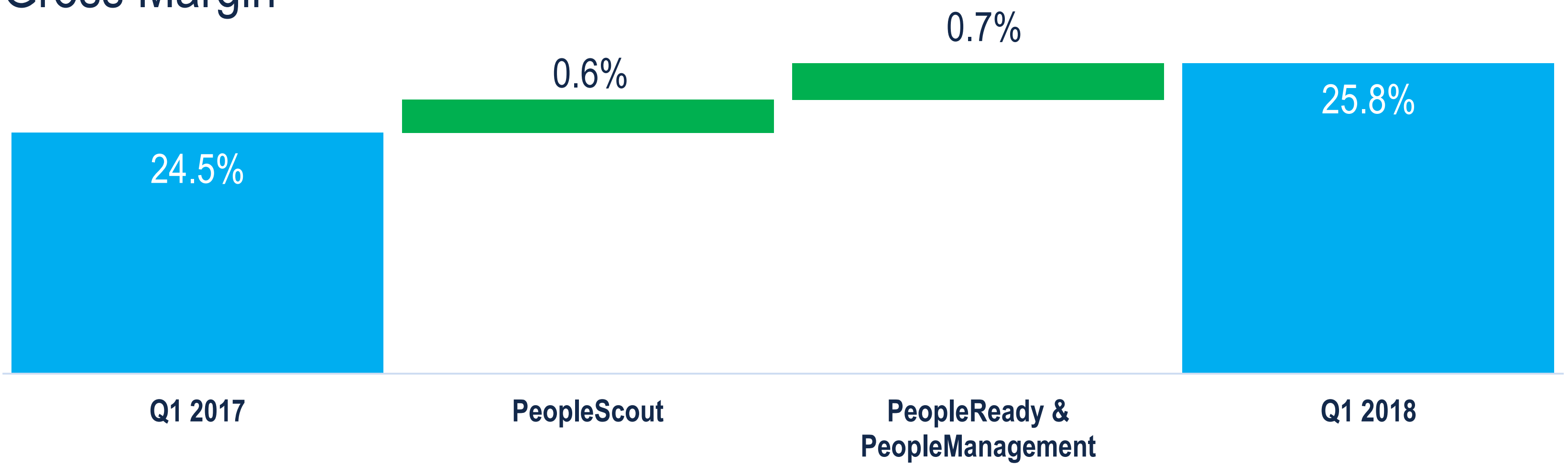
| Amounts in millions, except per share data | Q1 2018 | Y/Y Change |
|---|---|---|
| Revenue | $554 | -2% |
| Net Income | $8.8 | +87% |
| Net Income Per Diluted Share | $0.22 | +100% |
| Adjusted Net Income[1] | $12.7 | +43% |
| Adj. Net Income Per Diluted Share[1] | $0.31 | +48% |
| Adjusted EBITDA[1] | $19.4 | +9% |
| Adjusted EBITDA Margin | 3.5% | 40 bps |

- PlaneTechs divested 3 weeks before quarter end = $3 million of lost revenue
- Net income benefited from a $1.4 million pre-tax gain on the sale of PlaneTechs
- Lower income tax rate from U.S. Tax Cuts and Jobs Act
- Lower depreciation from certain technology investments becoming fully depreciated
- Success with programs to reduce the cost of services boosted adj. EBITDA margin

[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.

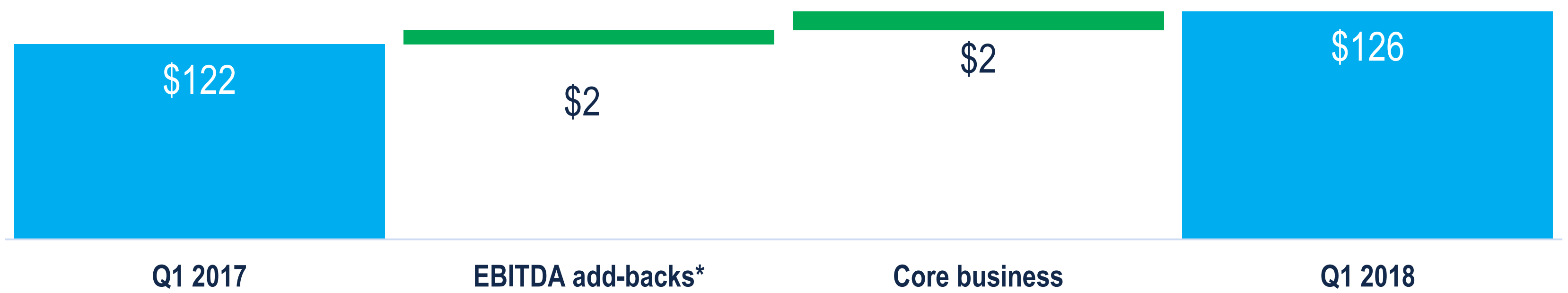
# Gross margin and SG&A bridges

## Gross Margin




Amounts in millions

## SG&A




* Implementation costs for cloud-based systems.

# Results by segment

| Amounts in millions | PeopleReady | PeopleManagement | PeopleScout |
|---|---|---|---|
| Revenue | $317 | $184 | $54 |
| *% Growth* | *-5%* | *-4%*<br>*(-2% ex-PlaneTechs)* | *+22%* |
| Segment Profit[1] | $9.5 | $5.6 | $11.9 |
| *% Growth* | *-5%* | *+2%* | *+37%* |
| *% Margin*<br>*Y/Y Change* | *3.0%*<br>*Flat* | *3.1%*<br>*+20 bps* | *22.2%*<br>*+250 bps* |
| Notes: | • Tariffs on solar panels and soft trends in Southeast impacting revenue<br>• Solid segment profit margin performance in spite of revenue headwinds<br>• Lower workers' compensation aiding segment profit margin | • Revenue decline of 2% excluding the divested PlaneTechs business<br>• Healthy new business pipeline<br>• SG&A management produced higher segment profit margin | • Third consecutive quarter of double-digit revenue growth<br>• New talent acquisition technology garnering strong interest from prospective customers<br>• Recruiting process efficiencies continue to drive higher segment profit margin |

[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 periods.

# Segment strategy highlights

## peopleready — A TRUEBLUE COMPANY

- Worker component of JobStack™ mobile app fully deployed
- 4,300 unique clients on JobStack as of Q1-18
- Expect 10,000 clients to be actively using JobStack by the end of 2018

## 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
  - Internal focus on new client wins and margin expansion

## peoplescout — A TRUEBLUE COMPANY

- Global RPO market experiencing strong growth
- Industry leading proprietary technology – recently launched Affinix™, a next-generation HR tool
- Attractive margin business with compelling value proposition

**Cross-Selling:** Leverage significant opportunities with key strategic accounts

# Successful divestiture of PlaneTechs business

Formerly part of PeopleManagment, PlaneTechs specializes in providing temporary skilled mechanics and technicians to aircraft maintenance, repair, overhaul and manufacturing companies in the commercial, government services and business aviation sectors.

## Transaction Highlights

- Sold to private, strategic buyer in mid-March
- $11 million purchase price
- 7.7x 2017 segment profit

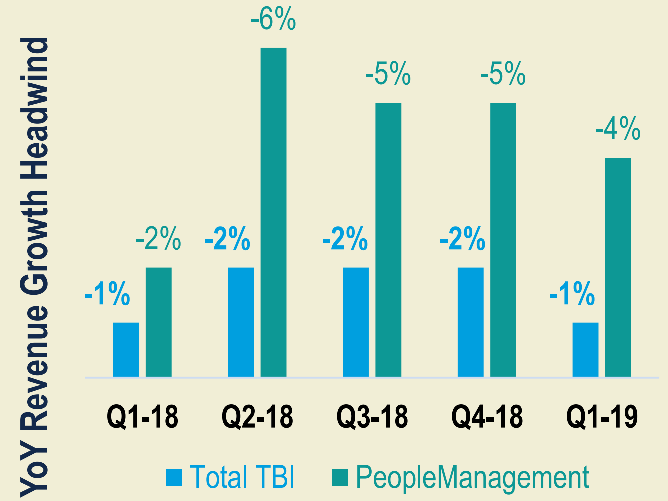
## Strategic Rationale

Concentrates our focus on larger market and higher growth and margin opportunities

Small revenue base and growth potential

## Financial Impact

- Annual revenue of approximately $40 million with a 3% segment profit margin
- Divestiture creates revenue headwind of ~2% in 2018



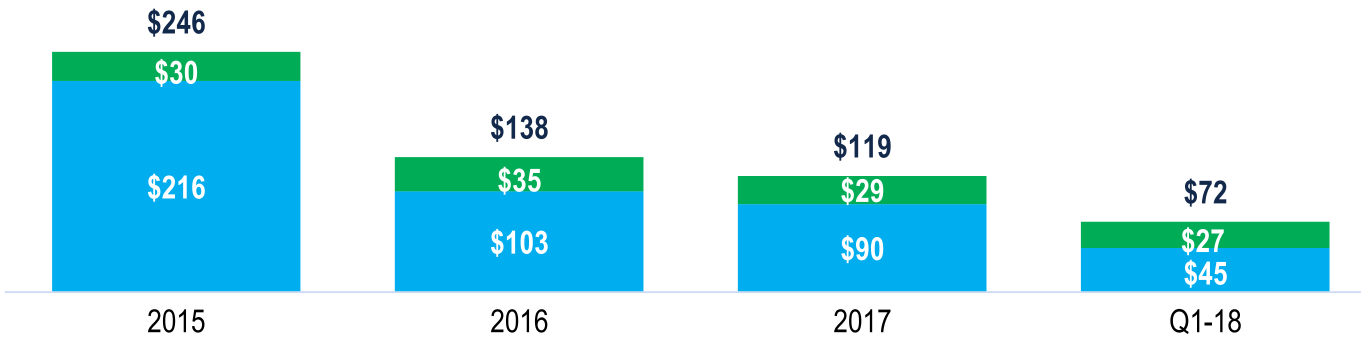

**PlaneTechs Historical Results**

| Amounts in millions | Q1-17 | Q2-17 | Q3-17 | Q4-17 | Q1-18 |
|---|---|---|---|---|---|
| Revenue | $ 12 | $ 11 | $ 10 | $ 10 | $ 8 |
| Segment Profit | $ 0.4 | $ 0.4 | $ 0.3 | $ 0.4 | $ (0.2) |

# Lower debt and ample liquidity

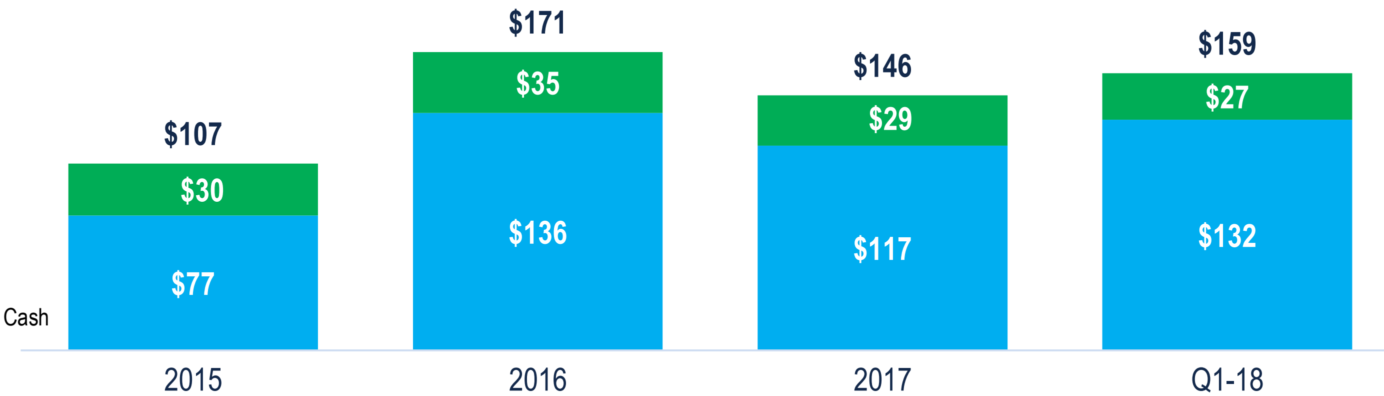
Amounts in millions

## Total Debt

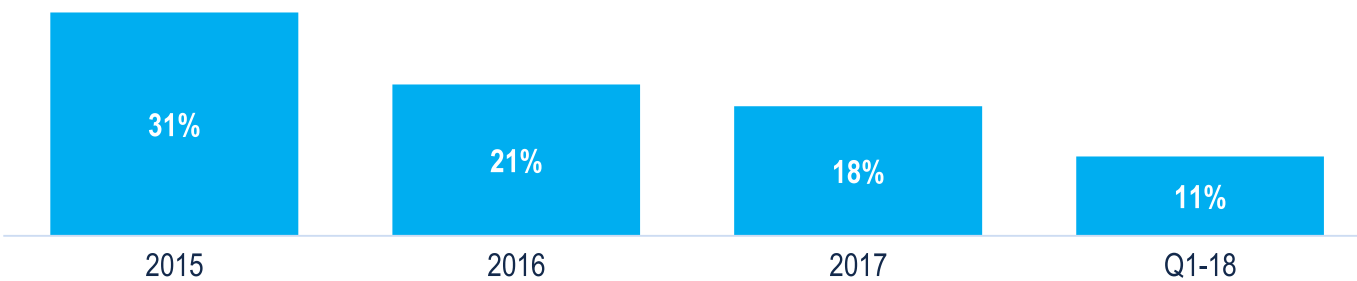



Amounts in millions

## Liquidity




## Debt to Total Capital[1]




Note: Balances as of fiscal period end.

[1] Calculated as total debt divided by the sum of total debt plus shareholders' equity.

# Outlook

# Q2 2018 Outlook

Amounts in millions, except per share data

| Revenue | Outlook | % Growth | % Growth Excluding PlaneTechs |
|---|---|---|---|
| Total | $585 to $600 | -4% to -2% | -2% to Flat |
| PeopleReady | $349 to $356 | -6% to -4% | -6% to -4% |
| PeopleManagement | $181 to $185 | -6% to -4% | Flat to 2% |
| PeopleScout | $55 to $58 | 17% to 25% | 17% to 25% |

| Profitability & Capital Expenditures | Outlook | Notes |
|---|---|---|
| Net income per diluted share | $0.32 to $0.38 | • Assumes an effective income tax rate of 16%<br>• $2.2 million of add-backs related to implementation costs for cloud-based systems<br>• Assumes diluted weighted average shares outstanding of 40.7 million |
| Adjusted net income per diluted share | $0.47 to $0.53 | |
| Capital Expenditures | $3 | |

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, and<br>- cloud-based software implementation 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>- gain on divestiture,<br>- amortization of intangibles of acquired businesses, as well as accretion expense related to acquisition earn-out,<br>- cloud-based software implementation costs,<br>- tax effect of each adjustment to U.S. GAAP net income, and<br>- adjusted 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. |

# 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)* | Q1 2018<br>13 Weeks Ended<br>Apr 1, 2018 | Q1 2017<br>13 Weeks Ended<br>Apr 2, 2017 | Q2 2018 Outlook*<br>13 Weeks Ended<br>Jul 1, 2018 |
|---|---|---|---|
| Net income | **$ 8,755** | $ 4,674 | $ 12,900 — $ 15,400 |
| Gain on divestiture (1) | **(1,393)** | — | — |
| Amortization of intangible assets of acquired businesses (2) | **5,221** | 5,864 | 5,100 |
| Cloud-based software implementation costs (3) | **1,715** | — | 2,200 |
| Tax effect of adjustments to net income (4) | **(887)** | (1,642) | (1,200) |
| Adjustment of income taxes to normalized effective rate (5) | **(675)** | (5) | — |
| **Adjusted net income** | **$ 12,736** | $ 8,891 | $ 19,000 — $ 21,500 |
| **Adjusted net income, per diluted share** | **$ 0.31** | $ 0.21 | $ 0.47 — $ 0.53 |
| **Diluted weighted average shares outstanding** | **40,694** | 41,937 | 40,700 |

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

| *(in thousands)* | Q1 2018<br>13 Weeks Ended<br>Apr 1, 2018 | Q1 2017<br>13 Weeks Ended<br>Apr 2, 2017 | Q2 2018 Outlook*<br>13 Weeks Ended<br>Jul 1, 2018 |
|---|---|---|---|
| Net income | **$ 8,755** | $ 4,674 | $ 12,900 — $ 15,400 |
| Income tax expense | **864** | 1,811 | 2,500 — 2,900 |
| Interest and other income (expense), net | **(2,204)** | (74) | (400) |
| Depreciation and amortization | **10,090** | 11,174 | 10,200 |
| **EBITDA** | **17,505** | 17,585 | 25,100 — 28,100 |
| Work Opportunity Tax Credit processing fees (6) | **195** | 272 | 200 |
| Cloud-based software implementation costs (3) | **1,715** | — | 2,200 |
| **Adjusted EBITDA** | **$ 19,415** | $ 17,857 | $ 27,500 — $ 30,500 |

* Totals may not sum due to rounding

See the last slide of the appendix for footnotes.

Footnotes:

1. In mid-March 2018, we entered into an asset purchase agreement with a private, strategic buyer for the sale of our PlaneTechs service line, which resulted in a pre-tax gain of $1.4 million.
2. Amortization of intangible assets of acquired businesses as well as accretion expense related to the SIMOS acquisition earn-out.
3. Implementation costs for cloud-based systems.
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.