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## Kelly Services Inc. Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Our first question comes from Tobey Sommer – SunTrust Robinson.

#### Tobey Sommer – SunTrust Robinson Humphrey

I was wondering if you could describe what the relative pace of decline has been recently in Europe and Asia because you did describe some moderating or stability in the U.S., I guess, in recent weeks. So I was just wondering on a relative basis kind of how those other markets shape up.

#### Carl Camden

I'm not willing to comment on what we're seeing in April in either Europe or Asia, but we'll simply note that they have caught up to the U.S. in declines on a year-over-year basis and that you're seeing roughly the same level of job declines around the world now in our industry.

#### Tobey Sommer – SunTrust Robinson Humphrey

On the gross margin side, one of your earlier points saying that temp margins under pressure. I'm wondering if you could describe what you're seeing from competitors out there both large and small. Have you seen some smaller ones go away and are the larger ones contributing to that gross margin pressure or is that coming from customers directly.

#### Carl Camden

The answer is probably yes to every one of the sources you've raise. So customers have always – by the way during up times or down times, customers always try to place downward pressure on your margins and no different at this particular time. I wouldn't view that as the most critical pressure point.

Again, I'll repeat much of what we've seen in the deterioration of temp GP has been due to shift of mix and customers and business lines with some modest pressure from customers and modest pressure from some small to medium sized competitors. Pricing discipline has remained relatively stable among the larger companies as kind of as a generic statement.

That, of course, is one that would differ by country, by region and by specific company in that mix. But in general, I'll again say the temp GP decline is mostly due in our case from fee declines as well as mix of business lines and customers.

#### Tobey Sommer – SunTrust Robinson Humphrey

Thank you, that's helpful. Then I'll ask one more question and I'll get in the queue. As we eventually see some improvement and we get to a point where temp is doing a little bit better and then perhaps perm, how should we think about how that may play out. Would temp to perm be the first to see some improvement and then direct hire or how may that play out in terms of how it has historically?

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