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**THE ADECCO GROUP**

# Q1 2019 Results

May 2019

# Disclaimer & note on terminology

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## Forward-looking statements

Information in this release may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this release are based on information available to the Adecco Group AG as of the date of this release, and we assume no duty to update any such forward-looking statements. The forward-looking statements in this release are not guarantees of future performance and actual results could differ materially from our current expectations. Numerous factors could cause or contribute to such differences. Factors that could affect the Company's forward-looking statements include, among other things: global GDP trends and the demand for temporary work; changes in regulation affecting temporary work; intense competition in the markets in which the Company operates; integration of acquired companies; changes in the Company's ability to attract and retain qualified internal and external personnel or clients; the potential impact of disruptions related to IT; any adverse developments in existing commercial relationships, disputes or legal and tax proceedings.

## Non-US GAAP measures used

'Organic growth' excludes the impact of currency, acquisitions and divestitures.

'EBITA' refers to operating income before amortisation and impairment of goodwill and intangible assets.

'Net debt' comprises short-term and long-term debt less cash and cash equivalents and short-term investments.

'Free cash flow' comprises cash flows from operating activities less capital expenditures.

'Cash conversion' is calculated as last 4 quarters of free cash flow before interest and tax paid (FCFBIT) divided by last 4 quarters of EBITA excluding one-offs.

'Conversion ratio' is calculated as EBITA excluding one-offs divided by gross profit.

'Net debt to EBITDA' is calculated as net debt at period end divided by last 4 quarters of EBITA excluding one-offs plus depreciation.

# Agenda

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- Highlights Q1 2019
- Financial performance
- Transform update
- Innovate highlights
- Outlook
- Q&A



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# Highlights Q1 2019



# Key highlights

## PERFORM

- Revenues -2% year-on-year trading days adjusted
- Gross margin +100 bps supported by improved business mix and pricing
- EBITA margin excluding one-offs +20 bps incl. underlying improvement of +30 bps
- Strong cash flow and balance sheet

## TRANSFORM

- GrowTogether initiatives driving improved productivity
- Customer Centricity programme rollout, improving our NPS
- On track to deliver planned EUR 70 million additional savings in 2019

## INNOVATE

- Investing in our innovative new businesses, to strengthen our ecosystem
- General Assembly synergies (e.g. piloting upskilling associates to deploy to clients)
- Vetterly confirming strength of subscriber model (90%+ customer renewal)
- Adia customer experience excellence: NPS >30, US >30% fully zero touch



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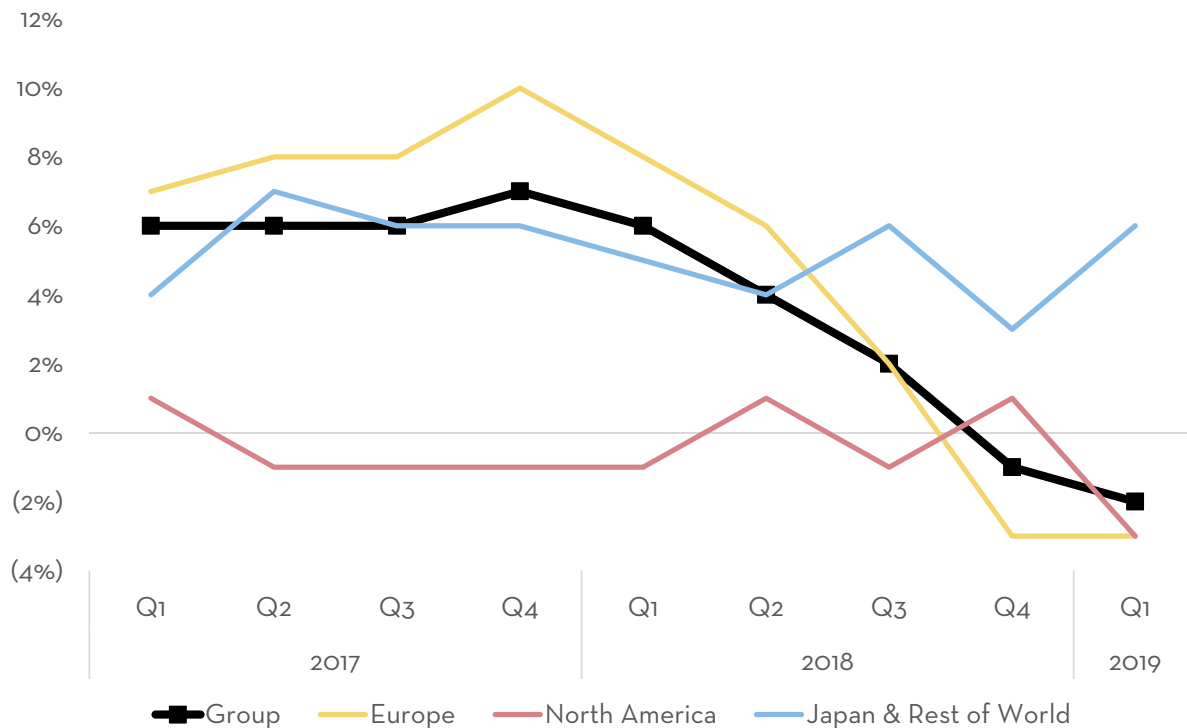
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# Financial Performance

## Europe stabilising, North America slowing, Japan and Rest of World accelerating

Revenue growth development by region, organic and TDA (% YoY)



- Group revenue growth decelerated to -2% TDA, from -1% in Q4 2018
- Europe was -3% TDA, similar to the previous quarter
- North America declined by -3% TDA, slowing vs. the previous quarter, led by declines in professional staffing
- Japan and Rest of World growth accelerated to +6% TDA, driven by Japan

## Performance relative to the market

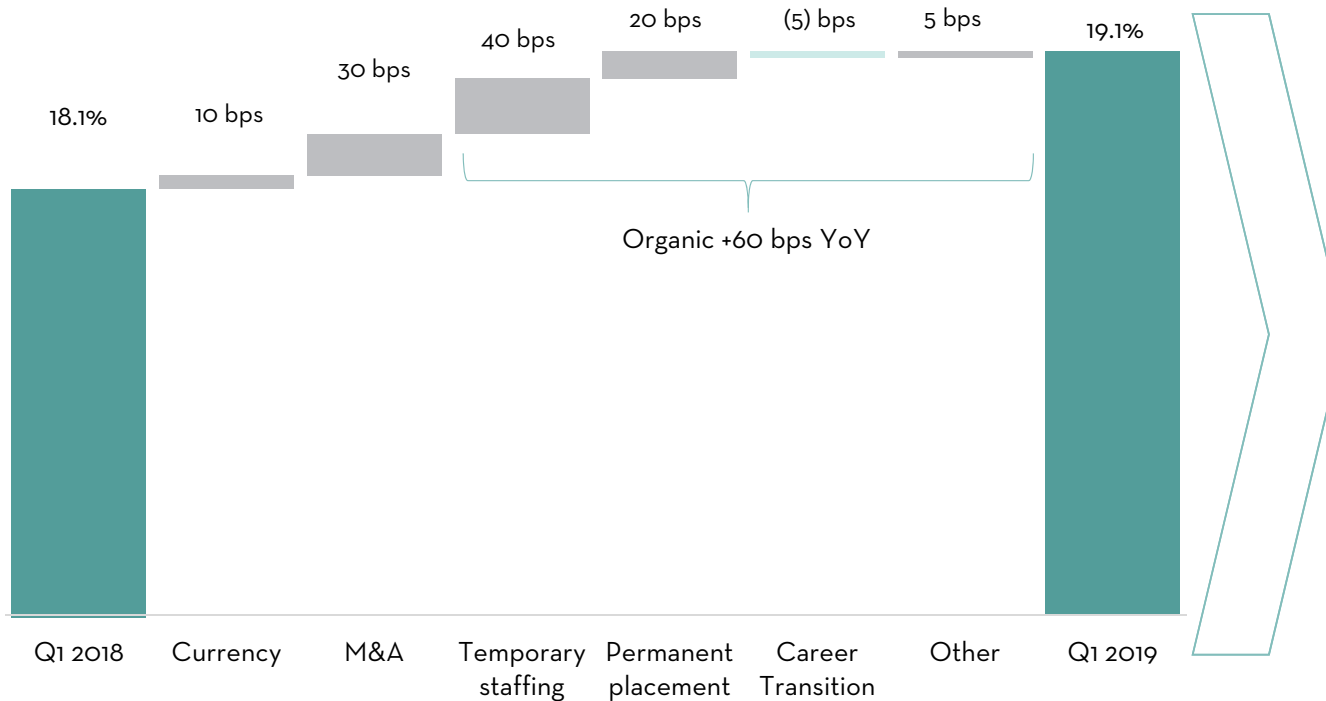
Segment organic revenue growth, trading days adjusted (%YoY) vs. market

	2018				2019	vs market
	Q1	Q2	Q3	Q4	Q1	
France	10%	8%	5%	-1%	-1%	=
NA, UK&I General Staffing	-1%	4%	0%	4%	2%	NA = / = UK&I
NA, UK&I Professional Staffing	-2%	-2%	-2%	-2%	-5%	NA - / - UK&I
Germany, Austria, Switzerland	2%	4%	-2%	-9%	-10%	G&A = / = CH
Benelux & Nordics	10%	4%	-3%	-6%	-6%	BEN - / = NOR
Italy	19%	11%	6%	1%	-4%	=
Japan	5%	3%	4%	6%	8%	+
Iberia	15%	5%	0%	-4%	-4%	-
Rest of World	6%	5%	7%	1%	4%	=
Career Transition & Talent Dev.	-9%	-4%	-4%	-1%	0%	+
<b>Adecco Group</b>	<b>6%</b>	<b>4%</b>	<b>2%</b>	<b>-1%</b>	<b>-2%</b>	



## Strong gross margin development driven by improved business mix and pricing

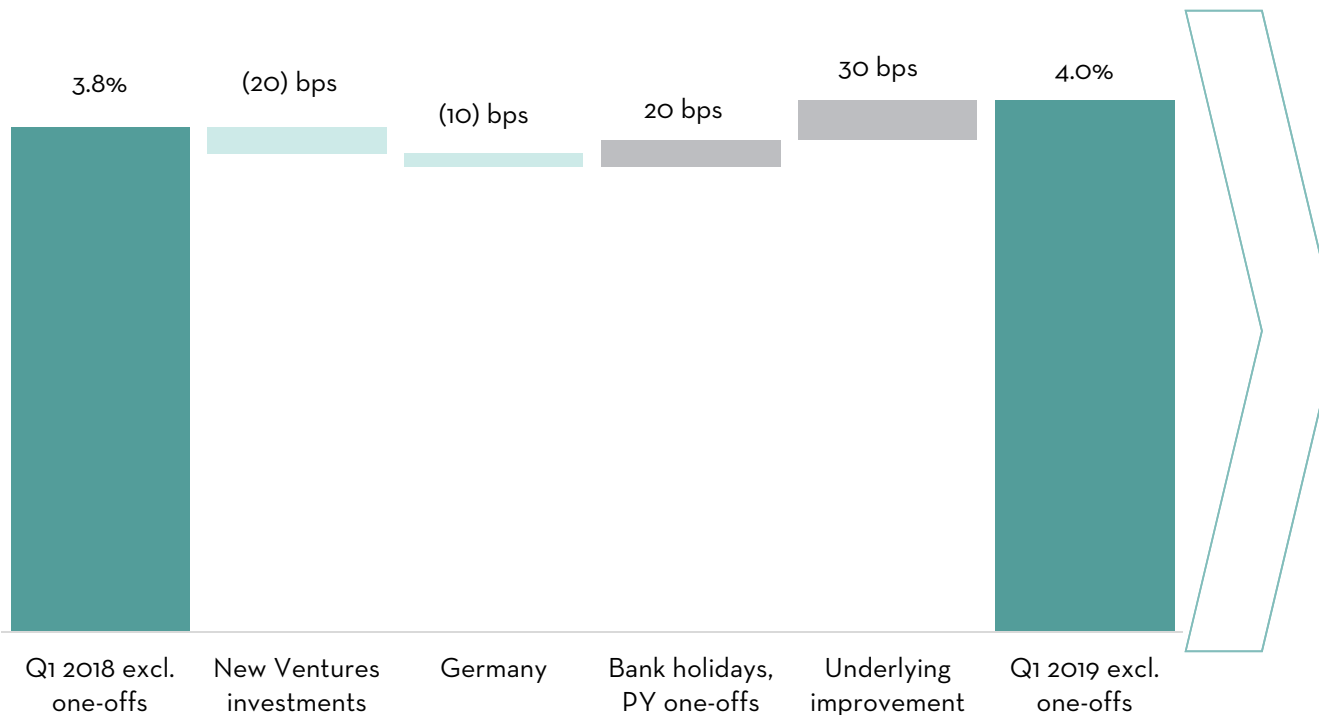
### Q1 2019 gross margin drivers (as % of revenues)



- Gross margin up +100 bps YoY reported and +60 bps organically
- Temp staffing contributes +40bps, including +10 bps from bank holiday timing (reverses in Q2) and +10 bps from prior year unfavorable items; temp price/mix +20bps
- Perm contributes +20 bps
- Career Transition -5 bps and Other +5 bps offset

## EBITA margin improvement supported by GrowTogether

Q1 2019 EBITA margin drivers (YoY as % of revenues, excluding one-offs)



- EBITA margin excluding one-offs +20 bps year-on-year
- Investments in New Ventures had a -20 bps impact
- Germany had a -10 bps impact
- Bank holidays and other non-recurring items had a favourable +20 bps impact
- Underlying improvement +30 bps, including contribution from GrowTogether and price/mix

## Broad based margin improvement continues

### Segment EBITA margin excluding one-offs development

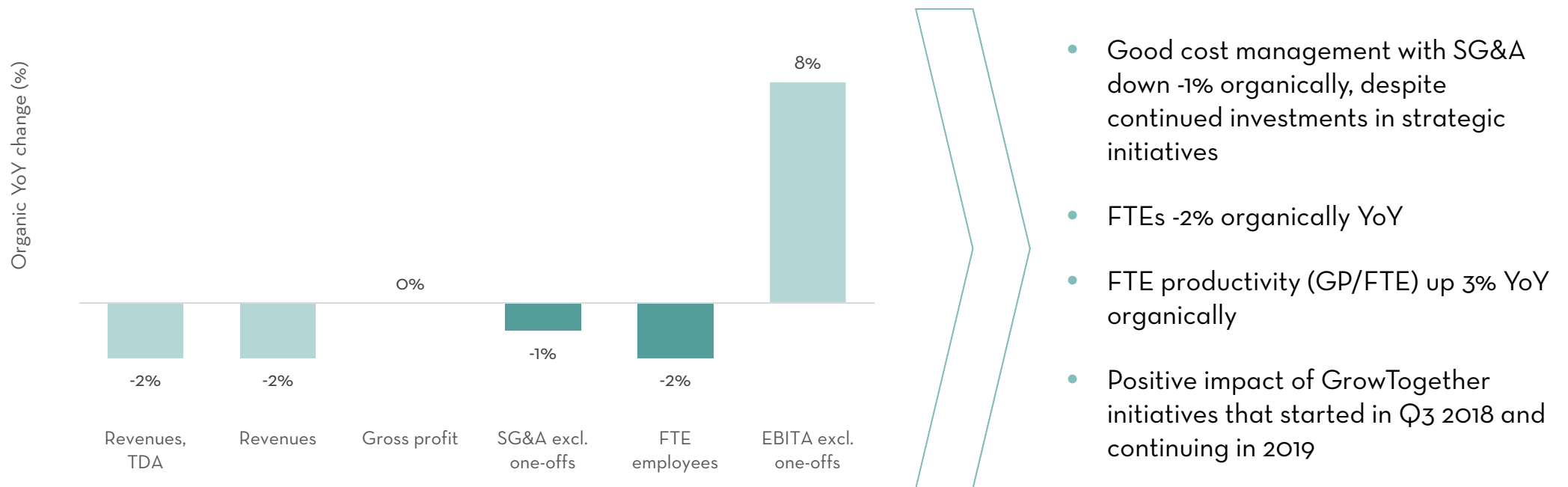
	Q1 2019	Change YoY
France	5.6%	40 bps
NA, UK&I General Staffing	2.7%	40 bps
NA, UK&I Professional Staffing	4.7%	(30) bps
Germany, Austria, Switzerland	1.6%	40 bps
Benelux & Nordics	2.5%	60 bps
Italy	7.6%	20 bps
Japan	7.4%	20 bps
Iberia	5.1%	50 bps
Rest of World	3.3%	50 bps
Career Transition & Talent Dev.	15.8%	(980) bps
<b>Adecco Group</b>	<b>4.0%</b>	<b>20 bps</b>



- NA, UK&I Professional Staffing impacted by Vetterly investments, up on underlying basis
- Germany, Austria, Switzerland benefited from bank holiday timing, with opposite effect in Q2 2019
- CTTD: Investments in General Assembly and continued strong margin at LHH

# Improving productivity

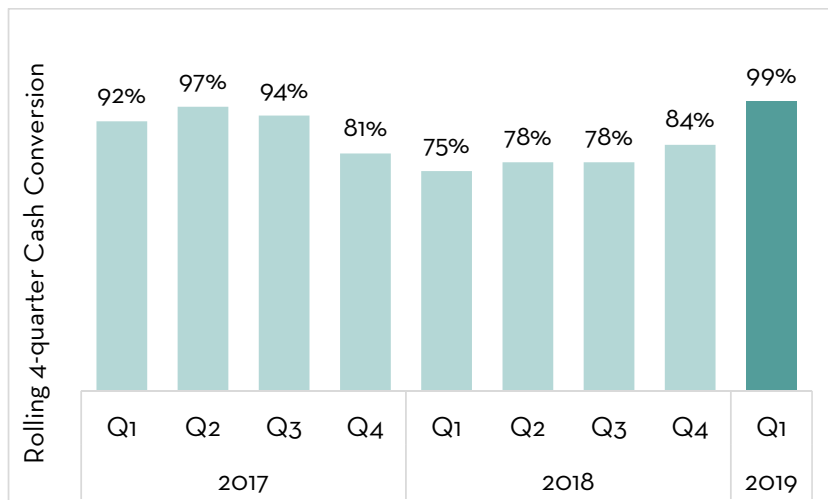
## SG&A productivity



## Strong Cash Flow and Balance Sheet

### Cash flow

- Cash flows from operations EUR 181 million in Q1 2019, compared to EUR 16 million in Q1 2018
- Cash conversion of 99% (rolling four quarters)
- DSO 53 days in Q1 2019, stable vs Q4 2018 and also vs Q1 2018



### Net debt

- Net debt EUR 1,096 million at end of March 2019 vs EUR 1,124 million at end of December 2018
- ND/EBITDA excl. one-offs 0.9x at 31 March 2019, vs 1.0x at 31 December 2018 and 1.0x at 31 March 2018
- EUR 150 million share buyback completed during Q1



## Outlook Q2 and 2019

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- Revenue growth exit rate in March and April in-line with Q1 2019
- Gross margin in Q2 2019 will be impacted -10 bps YoY by timing of bank holidays
- Negative impact on cash conversion in Q2 2019 from replacement of CICE in France. FY19 effect broadly neutral



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# Transform Update

## GrowTogether: continued progress in-line with our strategic agenda

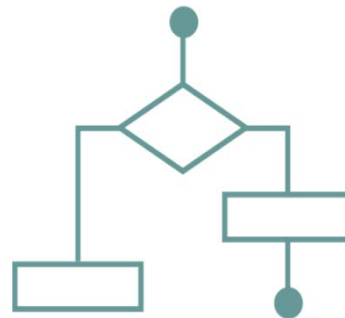
### Service Excellence

Put customer centricity at the heart of what we do



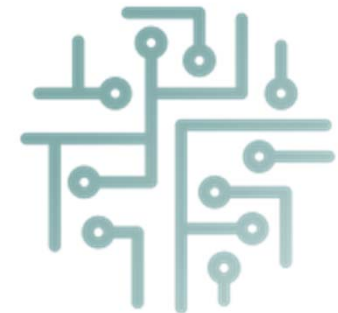
### Process Optimisation

Transform the way we perform



### Technology

Increase value proposition and reduce cost-to-serve





## Service Excellence: customer centricity at the heart, to drive our results

### PURPOSE

- Direct link between NPS and long-term profitable growth
- Driving loyalty and competitive advantage in a talent scarce market
- Supports pricing

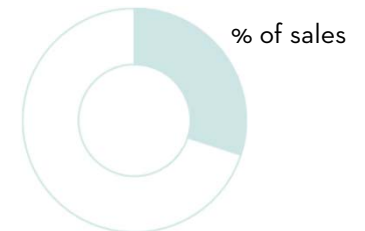
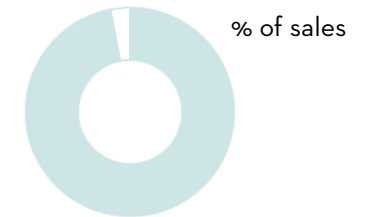
### ACTIVATION

- Measurement (rNPS + tNPS)
- Benchmarking
- Customer journey analysis
- Action planning via branch dashboard



### PROGRESS

- Relational NPS for clients and associates
- Transactional NPS for clients candidates, and associates



## Process optimisation: transforming the way we perform by bringing lean manufacturing into the business

### PURPOSE

- Optimising the way we work along our value chain
- Immediate productivity benefits
- Simplify and automate to free up time for higher-value activities

### ACTIVATION

- Lean Management across the value chain
- 10%+ GP increase in branches
- 20%+ capacity freed-up in shared service centres\*

### PROGRESS

- % of colleagues using Lean



\* Based on UK example

## Technology: increase value proposition and lower cost-to-serve

### PURPOSE

#### Sales efficiency

- Increase order fill rate and reduce cost-to-serve

#### Recruitment effectiveness

- Accelerate time-to-fill

#### Middle- & back-office

- Industrializing business support activities

### ACTIVATION

- Integrated Front-Office
- Analytics

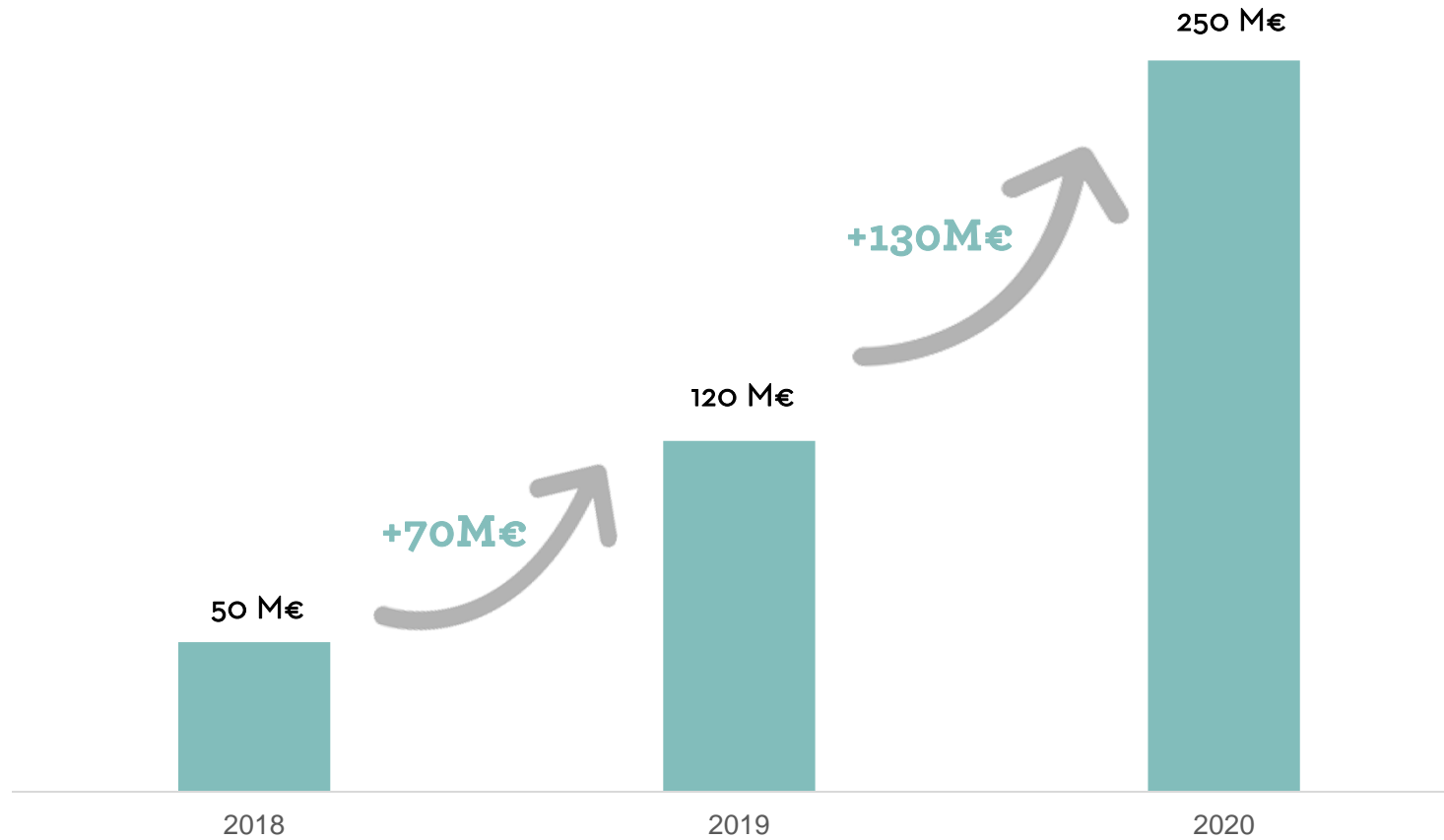
- Candidate Portal
- Scheduling tools
- Bots implementation

- Digitisation of time-capture and time interpretation
- Paperless process

### PROGRESS



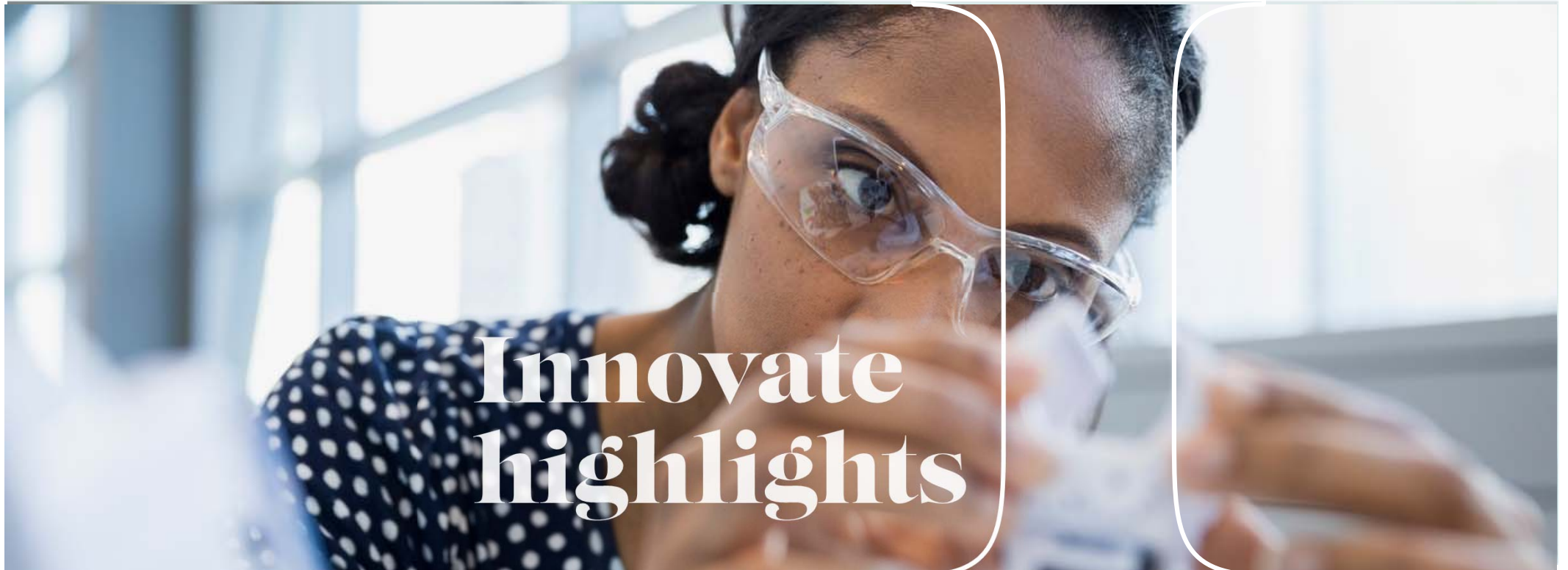
## On track to deliver against GrowTogether commitments





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## Investing in our innovative customer offering, to strengthen our ecosystem

### ADIA

Building a zero touch staffing business:

- High Customer satisfaction NPS > 30
- >30% fully zero touch candidate experience in US

### VETTERY

Scaling up a new model in permanent recruitment:

- Companies onboarded +80% since September 2018 investor day
- Subscriber model enhances customer stickiness (90%+ renewal rate in Q1)

### GENERAL ASSEMBLY

Leveraging the ecosystem:

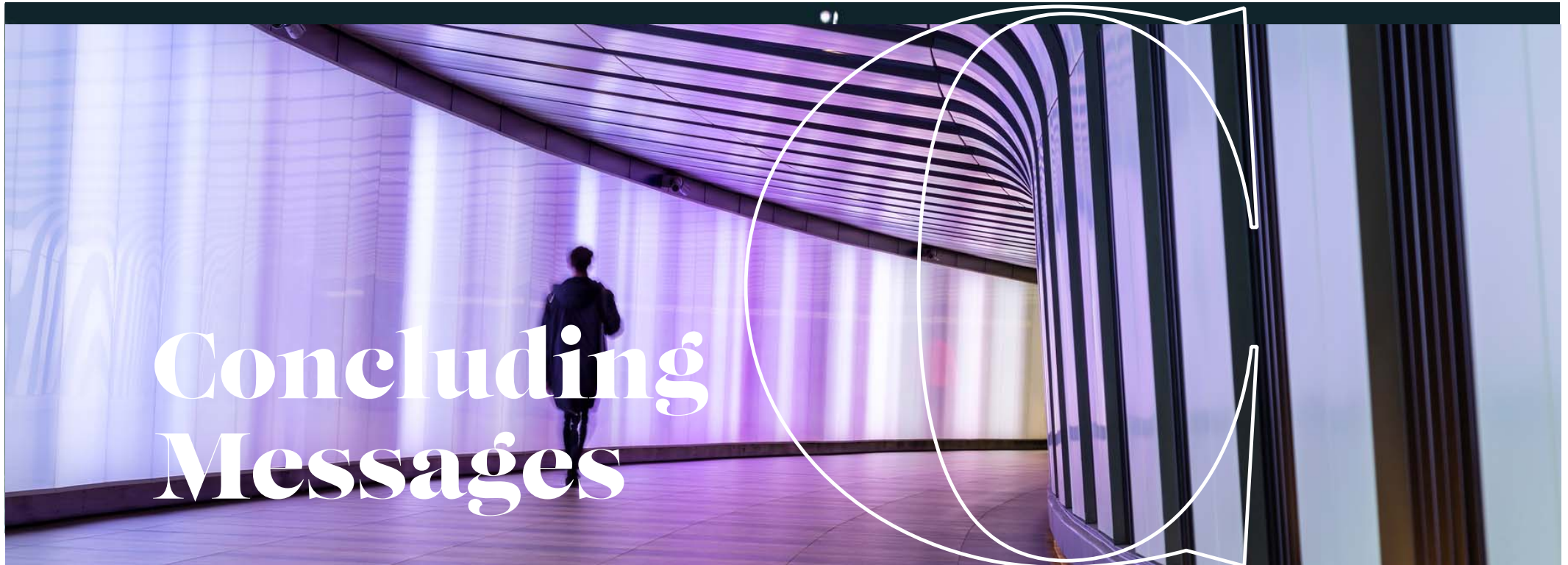
- Candidate acquisition
- Client referral
- Piloting new offerings





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Concluding  
Messages

## Concluding messages

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### PERFORM

- Perform, Transform, Innovate strategy is continuing to drive performance

### TRANSFORM

- Good underlying profitability improvement, driven by GrowTogether

### INNOVATE

- Continuing to invest in our innovative customer offering, to strengthen our ecosystem





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## Financial calendar

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Date	Event
8 August 2019	Q2 2019 results
5 November 2019	Q3 2019 results
27 February 2020	Q4 2019 results



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**Thank you**

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