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**THE ADECCO GROUP**

# Q2 2019 Results

August 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 – Q2 2019

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- Key Highlights
- Financial Performance
- Strategy Update: Transform and Innovate
- Outlook
- Q&A



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# Highlights Q2 2019

# Key highlights – Strong execution in Q2 2019

## PERFORM

- Revenues down 3% year-on-year, organically and trading days adjusted
- Gross margin 19.0% (+70 bps yoy), driven by value-based pricing and improved business mix
- EBITA margin excluding one-offs stable yoy at 4.5%, incl. underlying improvement of +20 bps
- Strong cash flow and balance sheet

## TRANSFORM

- GrowTogether on track to deliver on commitments
- Accelerating roll-out of PERFORM process optimisation across the business
- Continued implementation of new technology – digitalising work processes and enhancing the customer experience (e.g. candidate app expansion, workforce management tools)

## INNOVATE

- Integrating innovative new businesses into our portfolio to drive differentiation
- First wins from collaboration between LHH and General Assembly; Modis Academy launched during Q2



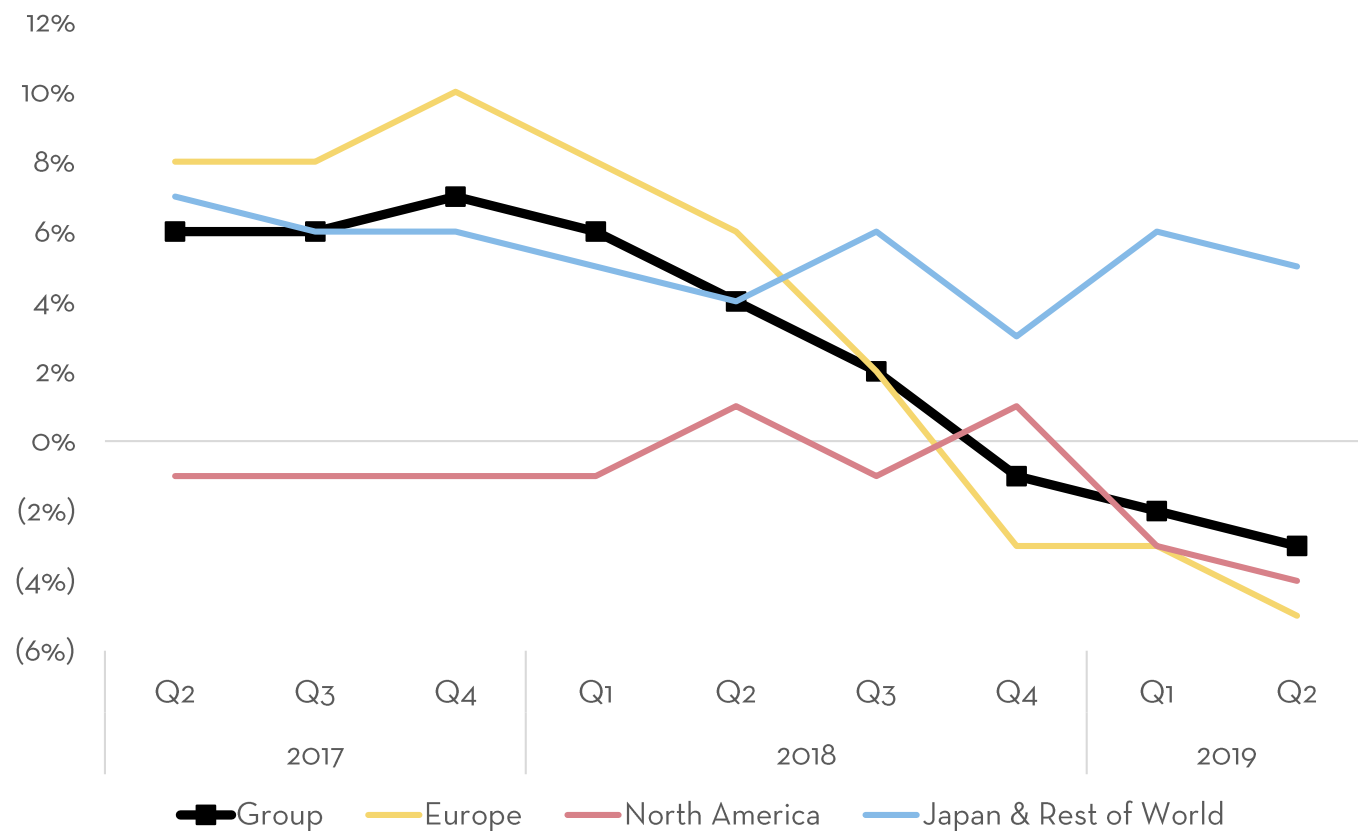
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# Financial Performance

## Economic uncertainty impacted growth in Q2

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



- Group revenue growth slows to -3% TDA, from -2% in Q1 2019
- Europe slowed to -5% TDA, with lower growth in most markets except Iberia
- North America declined by -4% TDA, driven mainly by US Professional
- Japan and Rest of World growth remained solid at +5% TDA

# Automotive and manufacturing sectors weighed on performance

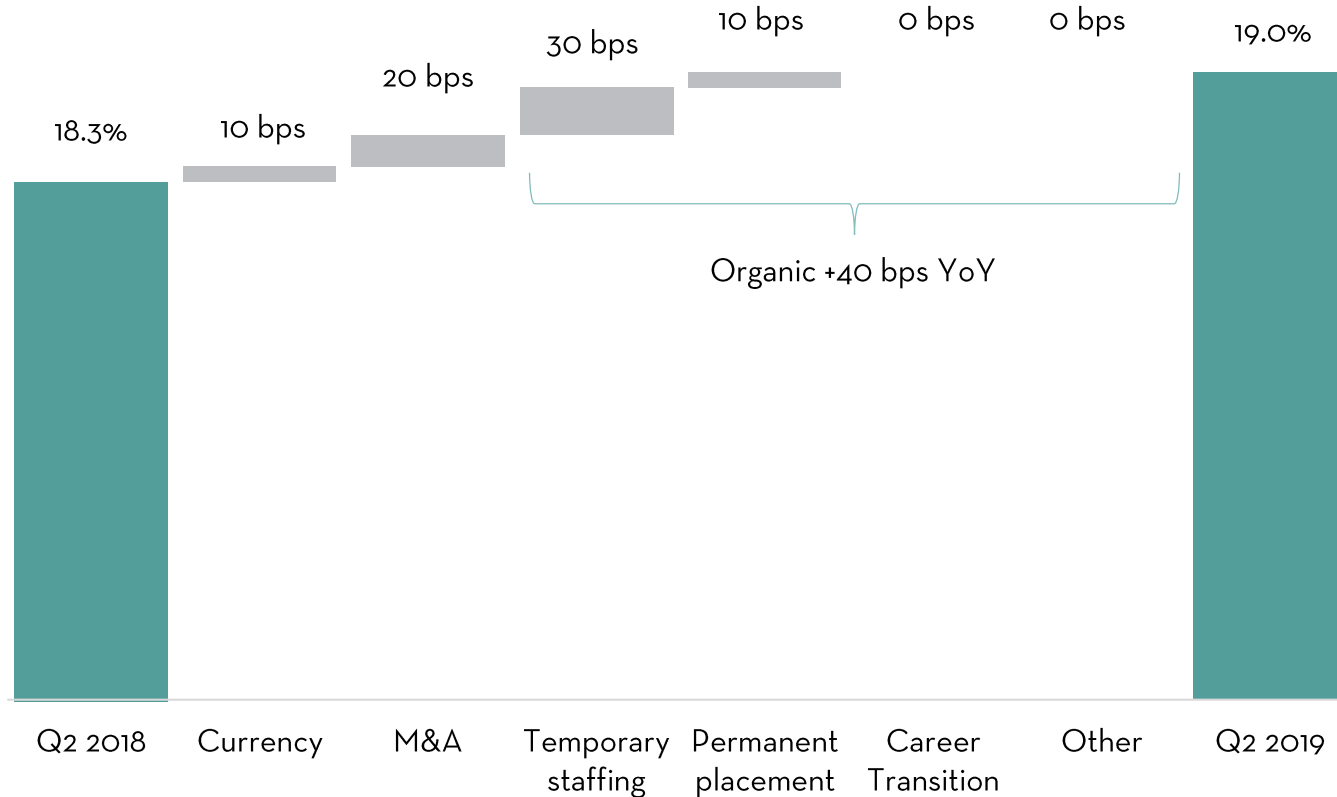
Segment organic revenue growth, trading days adjusted (%YoY) vs. market

	2018			2019		vs market
	Q2	Q3	Q4	Q1	Q2	
France	8%	5%	-1%	-1%	-3%	-
NA, UK&I General Staffing	4%	0%	4%	2%	-1%	NA - / = UK&I
NA, UK&I Professional Staffing	-2%	-2%	-2%	-5%	-4%	NA - / + UK&I
Germany, Austria, Switzerland	4%	-2%	-9%	-10%	-15%	G&A = / = CH
Benelux & Nordics	4%	-3%	-6%	-6%	-7%	BEN - / = NOR
Italy	11%	6%	1%	-4%	-6%	-
Japan	3%	4%	6%	8%	12%	+
Iberia	5%	0%	-4%	-4%	4%	=
Rest of World	5%	7%	1%	4%	2%	-
Career Transition & Talent Dev.	-4%	-4%	-1%	0%	-1%	=
<b>Adecco Group</b>	<b>4%</b>	<b>2%</b>	<b>-1%</b>	<b>-2%</b>	<b>-3%</b>	



# Gross margin increase driven by value-based pricing and business mix

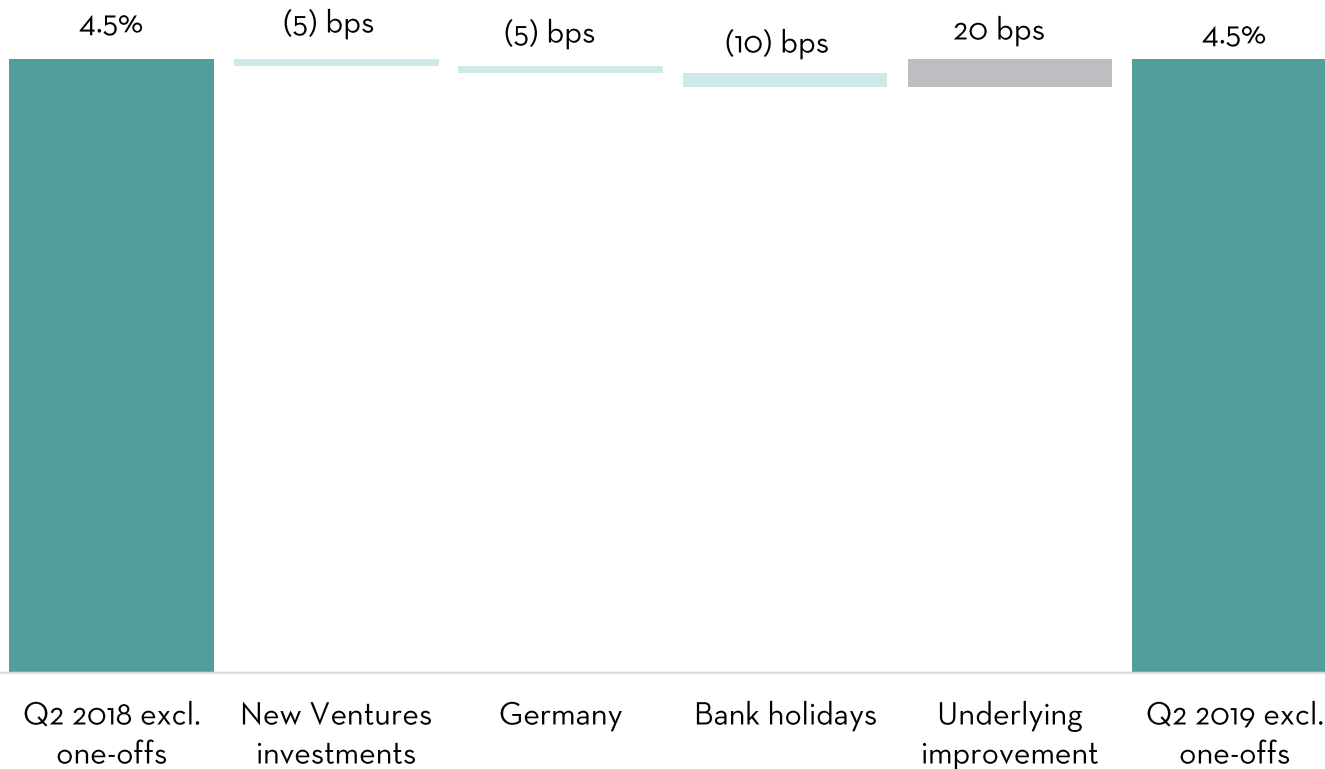
## Q2 2019 gross margin drivers (as % of revenues)



- Gross margin up +70 bps YoY on a reported basis and +40 bps organically
- Temp staffing contributed +30 bps, including a -10 bps negative impact from bank holiday timing
- Perm contributed +10 bps
- Career Transition and Other had a neutral impact

## EBITA margin: underlying improvement offsets headwinds

Q2 2019 EBITA margin drivers (YoY as % of revenues, excluding one-offs)

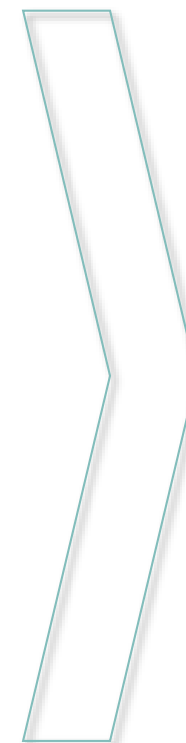


- EBITA margin excluding one-offs was stable compared to the prior year
- Investments in New Ventures had a -5 bps negative impact yoy
- Germany had a -5 bps negative impact
- Unfavourable bank holiday timing had a -10 bps negative impact
- Underlying improvement +20 bps, including contribution from GrowTogether and price/mix

## Continued structural progress offset by market challenges

### Development of segment EBITA margins excluding one-offs

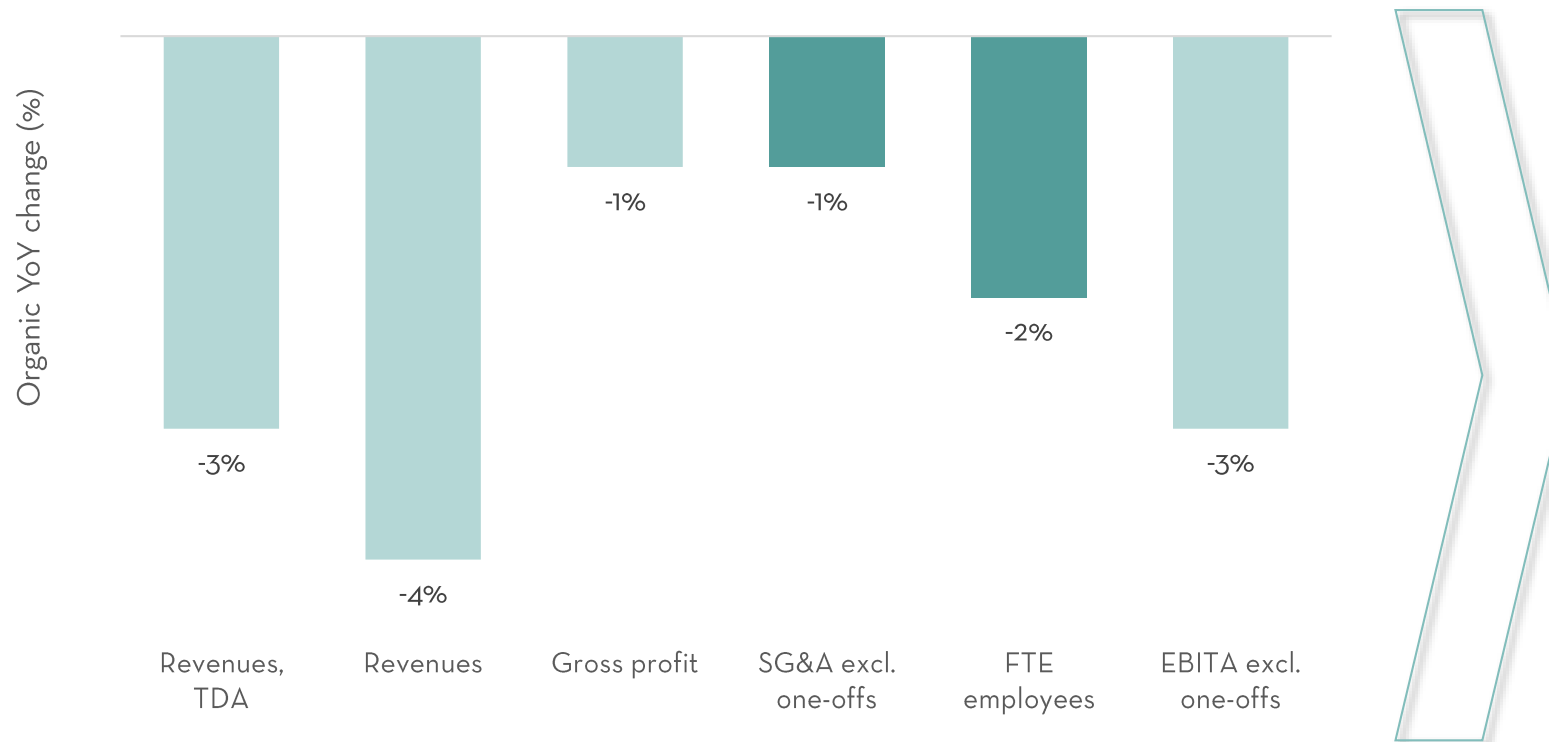
	Q2 2019	Change YoY
France	6.2%	30 bps
NA, UK&I General Staffing	3.0%	0 bps
NA, UK&I Professional Staffing	5.0%	(60) bps
Germany, Austria, Switzerland	-0.4%	(220) bps
Benelux & Nordics	3.2%	70 bps
Italy	8.7%	30 bps
Japan	7.7%	30 bps
Iberia	4.9%	(70) bps
Rest of World	3.5%	(10) bps
Career Transition & Talent Dev.	17.8%	(370) bps
<b>Adecco Group</b>	<b>4.5%</b>	<b>0 bps</b>



- Further good margin progress in many markets
- NA, UK&I Professional Staffing impacted by negative operating leverage and Vettery investments
- Germany, Austria, Switzerland drag from unfavourable bank holidays, reversing Q1 2019 benefit
- Iberia unfavourable mix and discrete items
- CTTD: investments in General Assembly and continued strong margin at LHH

# Improving productivity despite revenue decline

## SG&A productivity

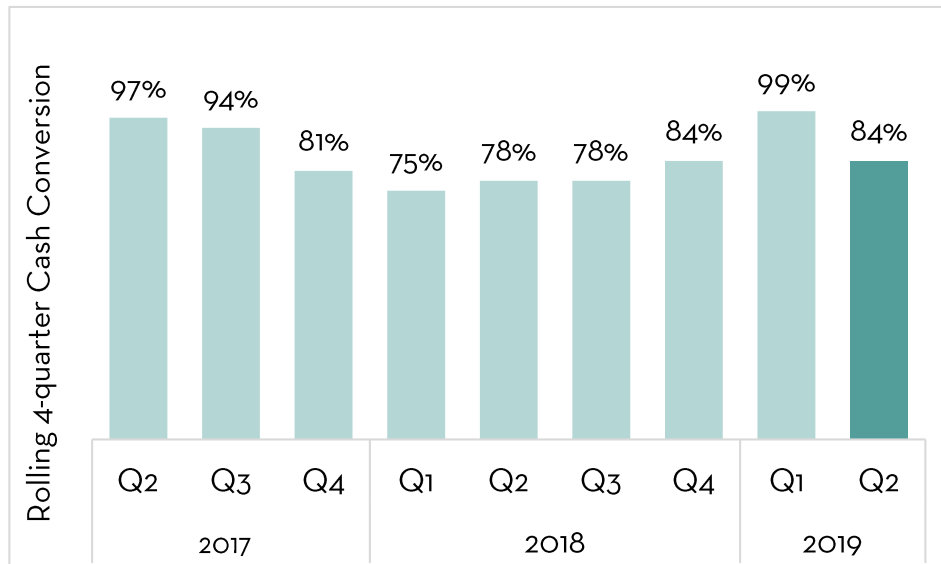


- Continued investment in our digital transformation and New Ventures
- Costs well managed with SG&A down -1% organically and excluding one-offs, in line with gross profit decline
- FTEs -2% organically YoY
- FTE productivity (GP/FTE) up 1% YoY organically
- Positive impact of GrowTogether initiatives continuing in Q2 2019

# Strong Cash Flow and Balance Sheet

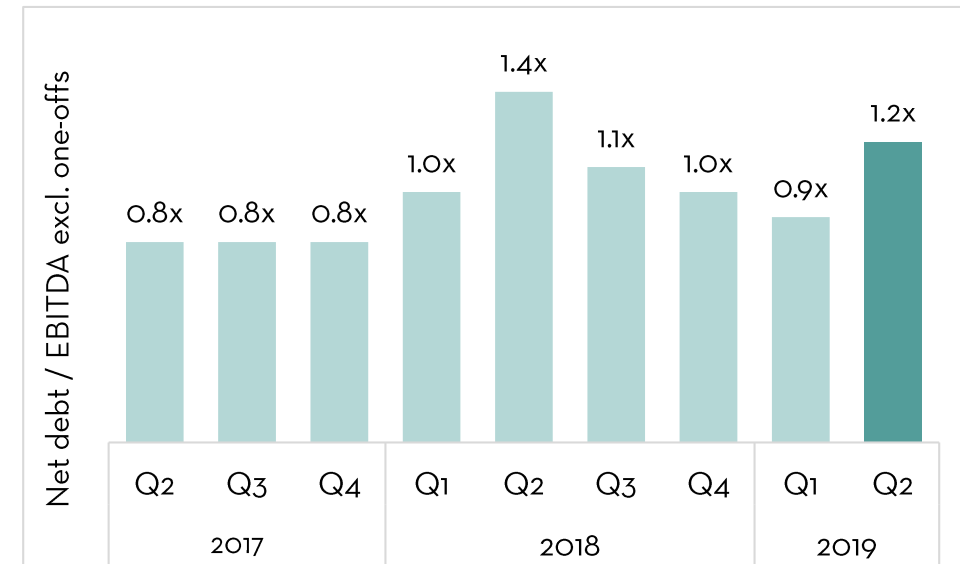
## Cash flow

- Cash flows from operations EUR 145 million in Q2 2019, compared to EUR 303 million in Q2 2018 (unfavourable CICE impact will reverse in FY19)
- Cash conversion of 84% (rolling four quarters)
- DSO 52 days, down 1 day vs Q1 2019 and Q2 2018



## Net debt

- ND/EBITDA excl. one-offs improved by 0.2x YoY, to 1.2x at 30 June 2019
- Net debt EUR 1,381 million at end of June 2019



## Outlook Q3 and 2019

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- Revenues in June 2019 down 3% organically and trading days adjusted, in line with Q2 2019. Volumes in July indicate a continuation of the Q2 trend.
- Negative impact on cash conversion in Q2 2019 from replacement of CICE in France will reverse in H2 2019 (broadly net neutral for FY 19)
- On track to deliver the targeted incremental GrowTogether productivity savings of EUR 70 million in 2019



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# Transform Highlights

# GrowTogether: Continued progress to deliver on our commitments

## Service Excellence

Put customer centricity  
at the heart of what we do



### Candidate App and Portal

- France expanded scope
- Finland launches online tools
- Drives improved candidate NPS
- Self-service reduces admin in branches

## Process Optimisation

Transform  
the way we perform



### PERFORM Roll-Outs

- Further roll-outs of the PERFORM method in Northern Europe, Italy
- Process streamlining across front, middle and back office to save time and improve growth

## Technology

Increase value proposition  
and reduce cost-to-serve



### Advanced Planning/ Pooling

- Workforce management tool launched in Belgium, Italy, North America
- Strengthening Onsite offering with new technology





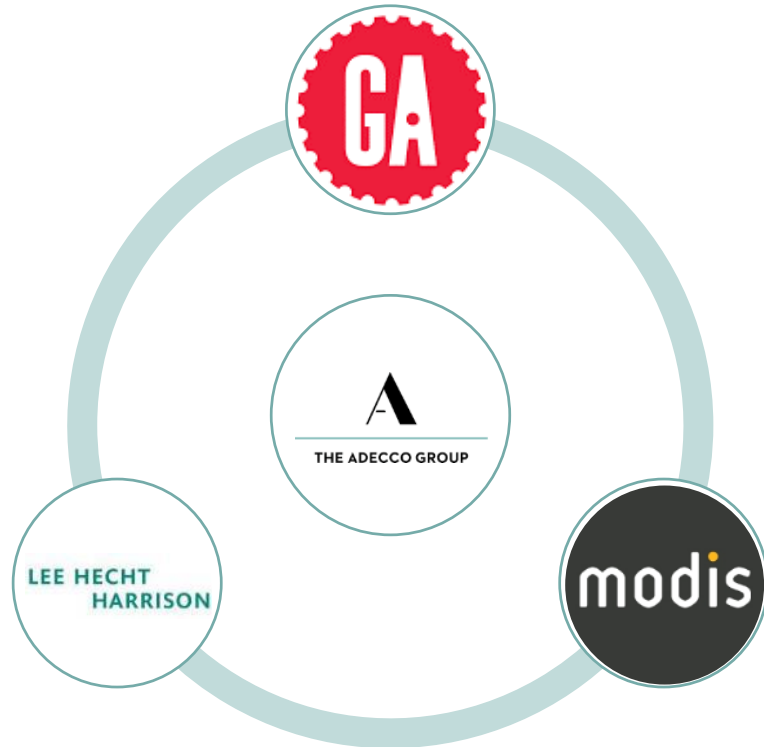
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# Innovate highlights

# Leveraging the Adecco Group ecosystem

Training and up/reskilling in high-demand fields like data science, technology, design, and business



Talent development and career transition, supporting workforce transformation

IT and engineering consulting, outsourcing and staffing solutions

## Modis Academy

- Candidates train with GA
- Deployed to Modis clients
- Differentiated source of talent
- Addressing skills gaps
- Leveraging expertise from VSN in Japan
- Launched in Q2

## LHH adds up/reskilling to value proposition

- GA online digital assessment and learning paths integrated into Active Placement platform
- Differentiated client value proposition: LHH + reskilling
- Important new business win in US for LHH



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# Concluding Messages

# Continued execution of our strategy

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## PERFORM

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

## TRANSFORM

- GrowTogether creating more value for clients and driving structural margin improvement

## INNOVATE

- Investing in our New Ventures and leveraging the combined strengths of our ecosystem



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# Financial calendar

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Date	Event	
5 November 2019	Q3 2019 results	
27 February 2020	Q4 2019 results	
5 May 2020	Q1 2020 results	



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**Thank you**