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# Q1 2019 Results

February 2020

# 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 – Q4 2019

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- Key Highlights Q4 2019
- Financial Performance
- Strategy Update: Transform and Innovate
- Outlook
- Q&A





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# Key highlights – Strong margin performance in Q4 2019

## PERFORM

- Revenues down 4% year-on-year, organically and trading days adjusted
- Gross margin 19.3% (+20 bps yoy), driven by focus on value and enhanced business mix
- EBITA margin excl. one-offs at 4.9%, up +10 bps yoy, supported by GrowTogether
- Strong cash flow, balance sheet and improved DSO

## TRANSFORM

- GrowTogether transformation programme over-delivered in 2019, reaching EUR 140 million benefits; on track to deliver 2020 savings target of EUR 250 million
- Technology roadmap accelerating with wider deployment of proven products such as candidate app, bots and Integrated Front-Office

## INNOVATE

- General Assembly continued strong growth (+27% organic) and ‘ecosystem’ synergies
- Good progress in the Digital Ventures: strong product development and leveraging learnings across rest of Group

## DIVIDEND & BUYBACK

- CHF 2.50 dividend for FY19, stable year-on-year, representing a 52% pay-out ratio
- EUR 600 million share buyback announced, to be completed during 2020 and 2021
- Implied total cash return to shareholders of approximately EUR 1 billion



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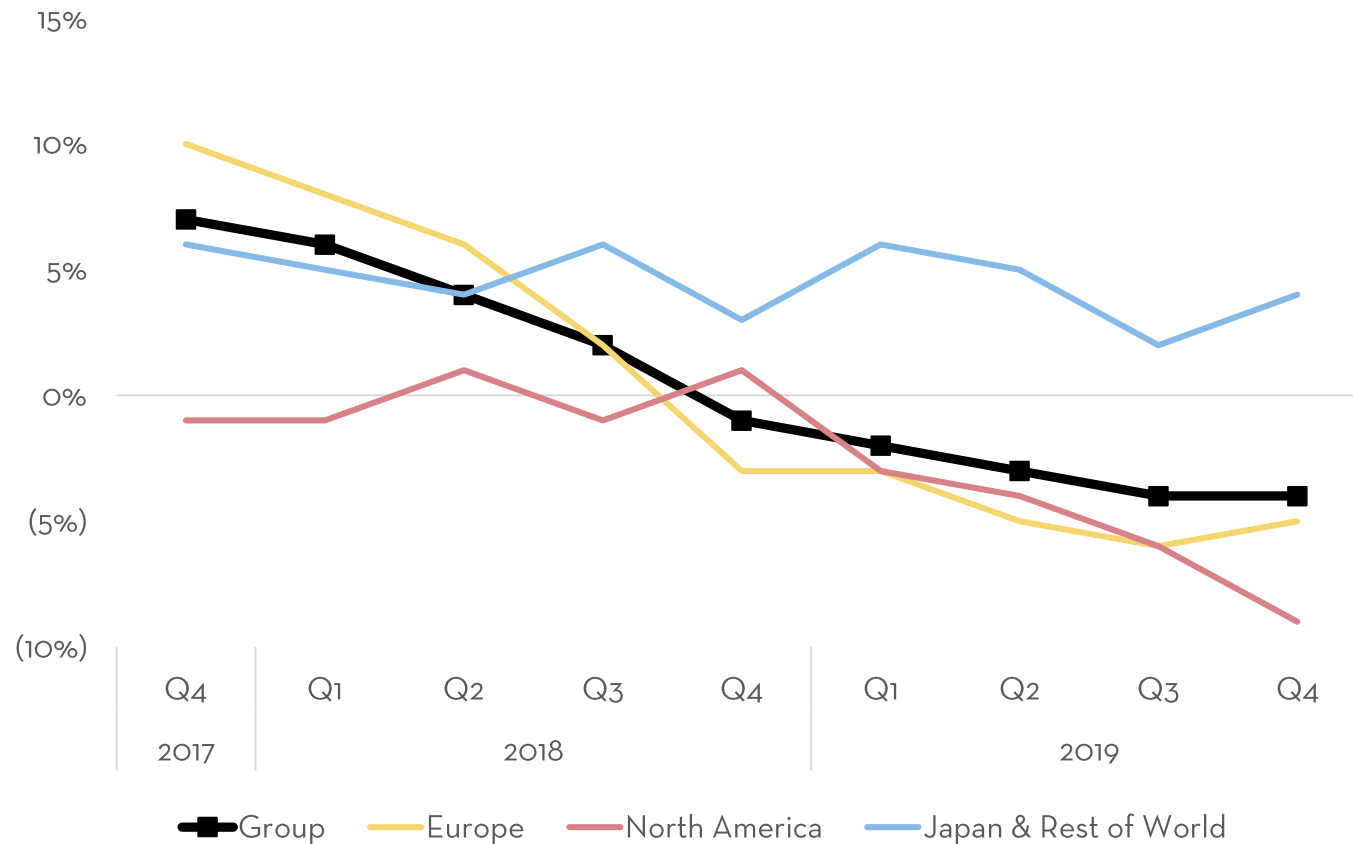
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# Financial Performance

# Revenue trend continued to be impacted by economic uncertainty

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



- Group revenue decline at -4% TDA, similar to Q3 2019
- Europe slightly improved to -5% TDA, driven by easier YoY comps
- North America slowed to -9% TDA, due to US General Staffing where seasonal demand was lower than in the prior year
- Japan and Rest of World growth remained solid at +4% TDA

## Revenue development similar to Q3 2019

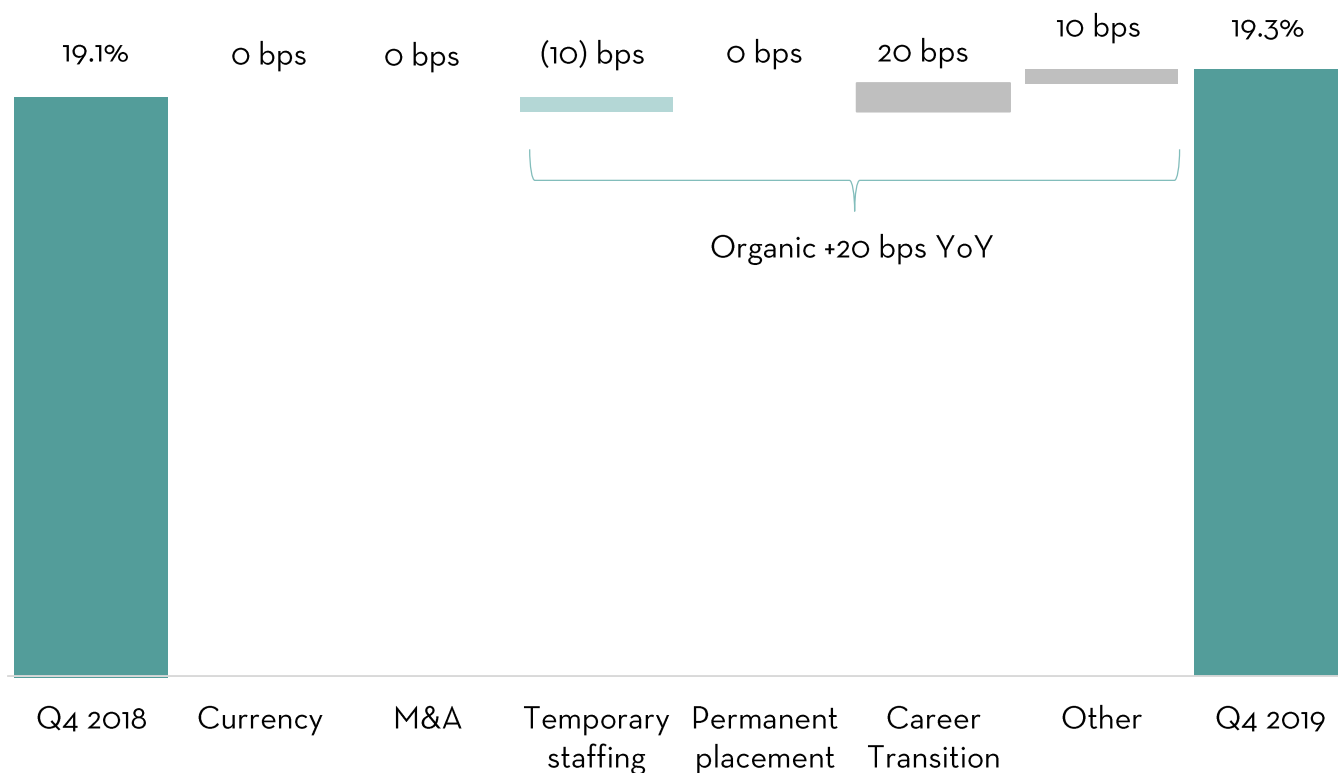
Segment organic revenue growth, trading days adjusted (%YoY) vs. market

|                                 | 2018       | 2019       |            |            |            | vs market     |
|---------------------------------|------------|------------|------------|------------|------------|---------------|
|                                 | Q4         | Q1         | Q2         | Q3         | Q4         |               |
| France                          | -1%        | -1%        | -3%        | -6%        | -3%        | =             |
| NA, UK&I General Staffing       | 4%         | 2%         | -1%        | -5%        | -11%       | NA - / - UK&I |
| NA, UK&I Professional Staffing  | -2%        | -5%        | -4%        | -4%        | -5%        | NA - / - UK&I |
| Germany, Austria, Switzerland   | -9%        | -10%       | -15%       | -14%       | -11%       | G&A + / - CH  |
| Benelux & Nordics               | -6%        | -6%        | -7%        | -7%        | -9%        | BEN = / - NOR |
| Italy                           | 1%         | -4%        | -6%        | -6%        | -6%        | -             |
| Japan                           | 6%         | 8%         | 12%        | 9%         | 8%         | =             |
| Iberia                          | -4%        | -4%        | 4%         | 6%         | 6%         | +             |
| Rest of World                   | 1%         | 4%         | 2%         | -2%        | 1%         | -             |
| Career Transition & Talent Dev. | -1%        | 0%         | -1%        | 10%        | 10%        | +             |
| <b>Adecco Group</b>             | <b>-1%</b> | <b>-2%</b> | <b>-3%</b> | <b>-4%</b> | <b>-4%</b> |               |



# Gross margin increase driven by focus on value and business mix

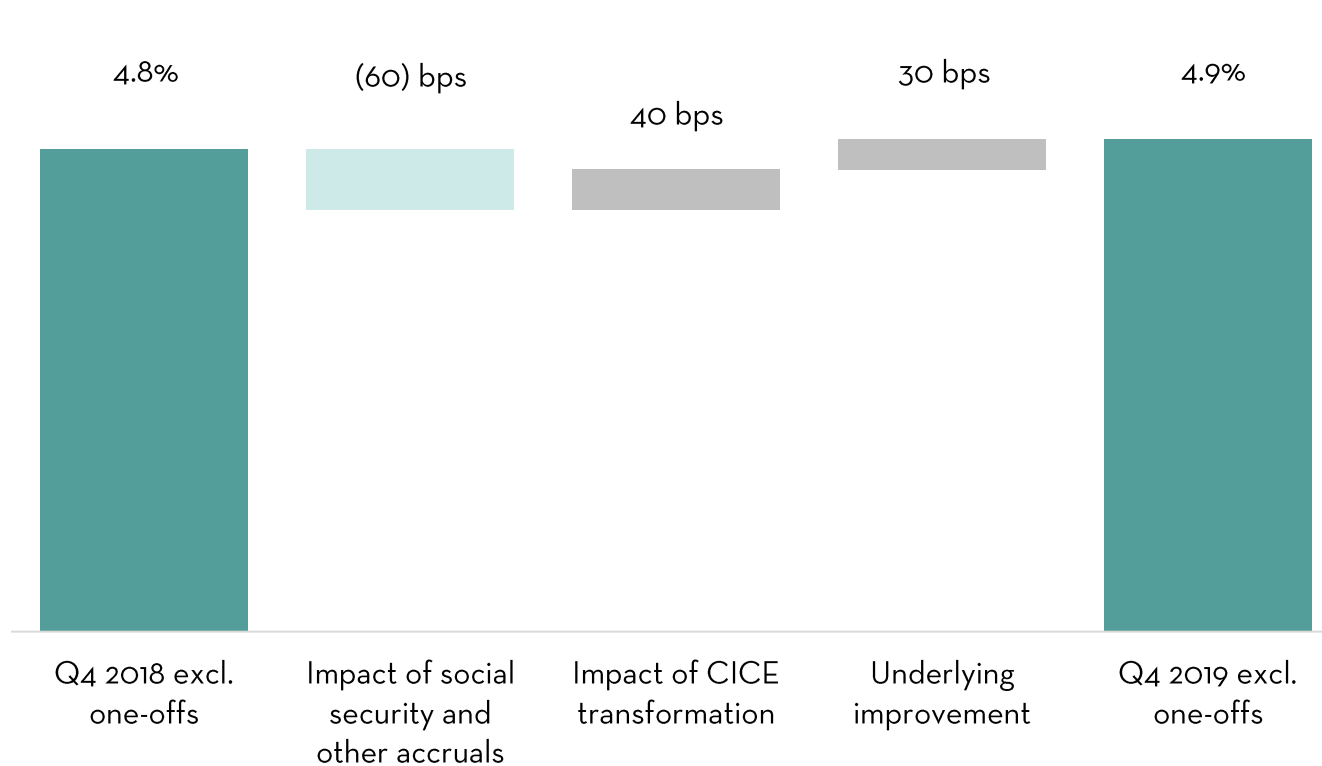
## Q4 2019 gross margin drivers (year-on-year as % of revenues)



- Gross margin up 20 bps YoY on a reported basis and organically
- Temp staffing was 10 bps negative; positive price/mix effect of +10 bps offset by non-underlying items with a net impact of -20 bps
- Perm had a neutral impact in Q4
- Career transition had a 20 bps positive impact and Other activities added 10 bps

# EBITA margin: GrowTogether drives margin improvement

Q4 2019 EBITA margin drivers (year-on-year as % of revenues, excluding one-offs)



- EBITA margin excluding one-offs increased 10 bps year-on-year
- Underlying improvement of 30 bps driven by GrowTogether productivity savings and improved business mix
- Social security and other accrual movements had a 60 bps negative impact, while the replacement of CICE subsidies in France had a 40 bps positive impact, both mainly relating to prior year effects

# Sales slowdown offset underlying improvement in several segments

## Development of segment EBITA margins excluding one-offs

|                                 | Q4 2019     | Change YoY    |
|---------------------------------|-------------|---------------|
| France                          | 7.1%        | (30) bps      |
| NA, UK&I General Staffing       | 3.6%        | (20) bps      |
| NA, UK&I Professional Staffing  | 6.0%        | (30) bps      |
| Germany, Austria, Switzerland   | 0.1%        | (90) bps      |
| Benelux & Nordics               | 2.9%        | 70 bps        |
| Italy                           | 7.5%        | (80) bps      |
| Japan                           | 7.2%        | 50 bps        |
| Iberia                          | 5.0%        | (120) bps     |
| Rest of World                   | 3.6%        | (40) bps      |
| Career Transition & Talent Dev. | 19.5%       | 640 bps       |
| <b>Adecco Group</b>             | <b>4.9%</b> | <b>10 bps</b> |

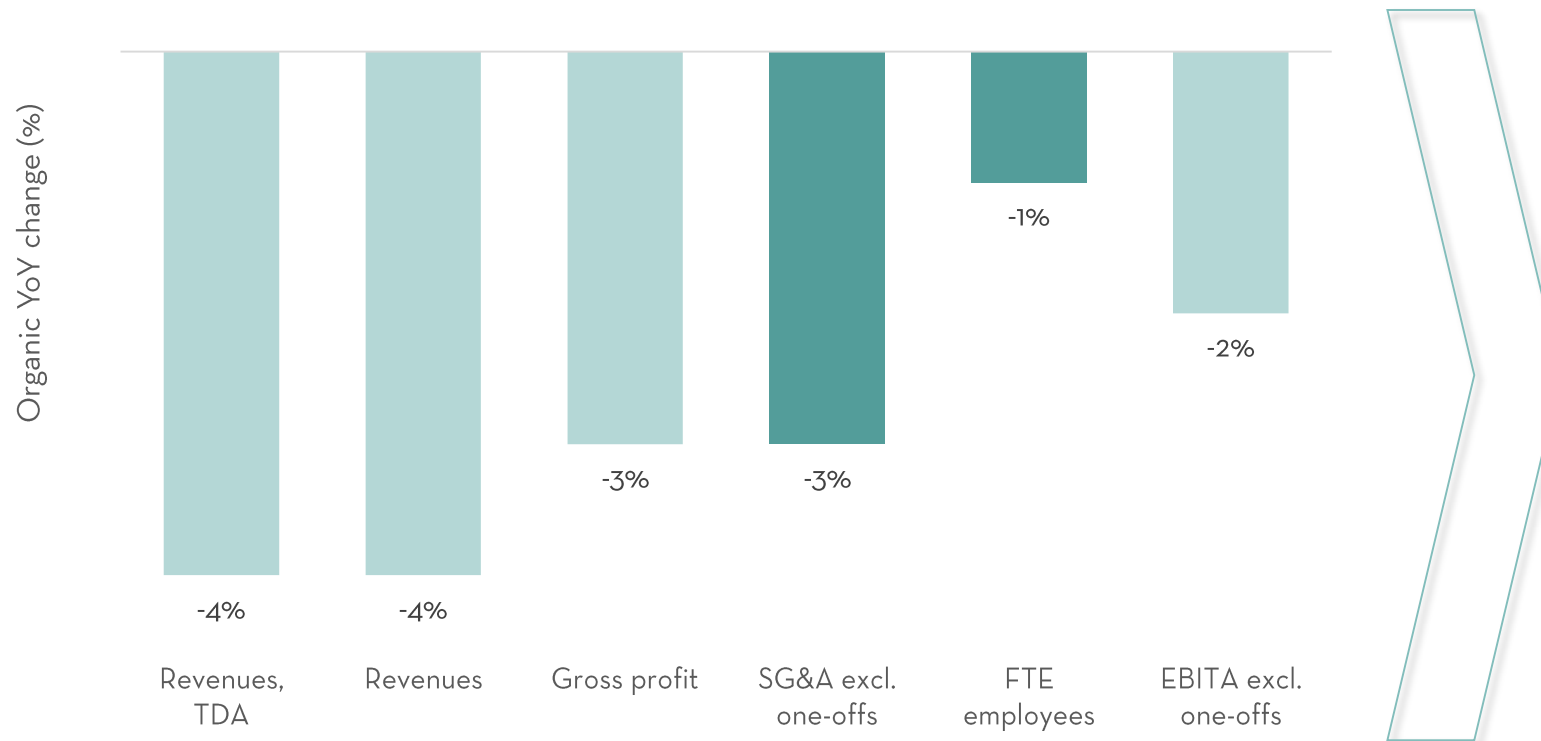


- France margin up on an underlying basis, net of social security and other accruals and CICE changes
- Revenue declines impacted margin development in NA, UK&I General Staffing and Professional Staffing and Germany, Austria, Switzerland
- Italy investments held back margin
- Iberia impacted by exit of call centre business
- CTTD: margin improved in LHH and General Assembly



# SG&A: Structural productivity gains and agile cost management

## SG&A productivity

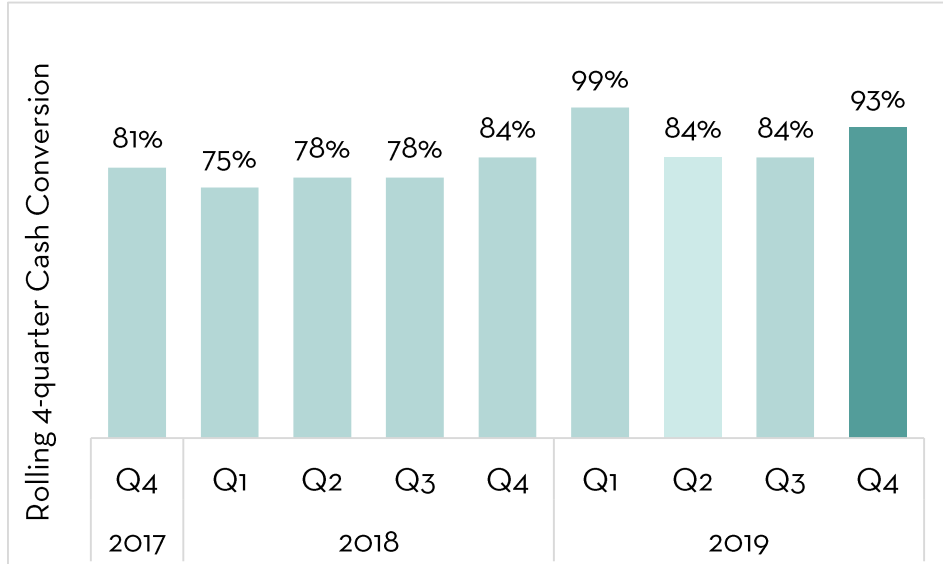


- SG&A excluding one-offs decreased by 3% organically YoY
- FTEs down 1% organically YoY
- Gross profit per FTE down 2% organically in Q4
- Full-year 2019 gross profit per FTE up 1%, despite revenue decline, supported by GrowTogether productivity improvement

# Strong Cash Flow and Balance Sheet

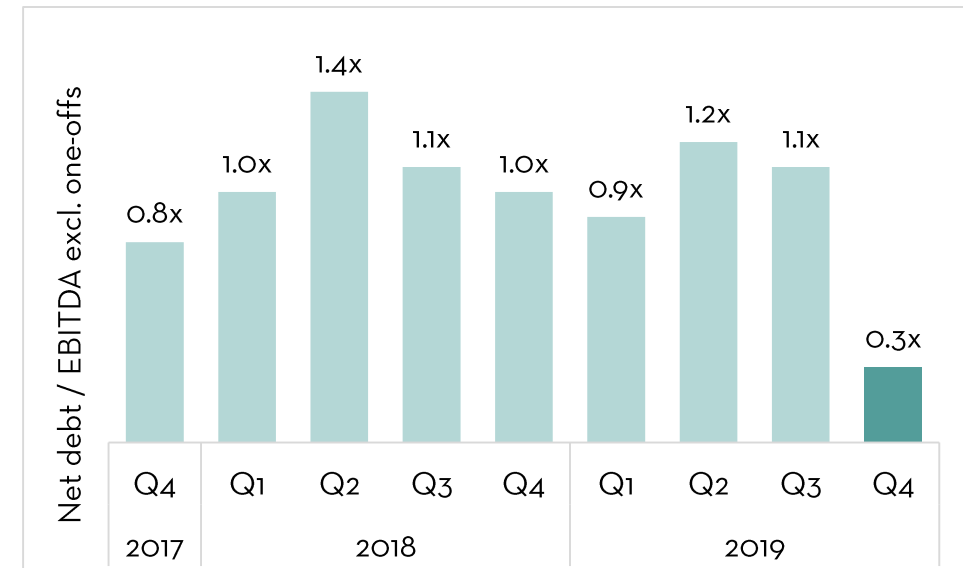
## Cash flow

- Cash flow from operations EUR 382 million in Q4 2019, compared to EUR 243 million in Q4 2018
- Cash conversion improved to 93% (rolling four quarters)
- DSO 52 days in Q4 2019, down 1 day year-on-year



## Net debt

- ND/EBITDA excl. one-offs 0.3x at 31 December 2019, compared to 1.1x at 30 September 2019
- Net debt EUR 398 million at 31 December 2019, compared to EUR 1,244 million at 30 September 2019, benefiting from Soliant divestment proceeds of EUR 544 million



## Outlook Q1 and 2020

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- In January 2020, revenues declined 5% year-on-year organically and trading days adjusted (TDA)
- Volumes in February indicate a similar trend to January
- On track to deliver GrowTogether productivity savings of EUR 250 million in 2020
- Continued investment in the Ventures at approximately the same level as 2019 (EUR 65 million), to support growth in 2020 and beyond
- Objective to deliver underlying improvement in EBITA margin in 2020, even after making continued investments in the Ventures





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# Transform Highlights

# GrowTogether: approach works and is now further embedded in the business

## Service Excellence

Put customer centricity  
at the heart of what we do



Improving Customer  
Satisfaction

## Process Optimisation

Transform  
the way we perform



Developing a 'lean' mindset  
with PERFORM

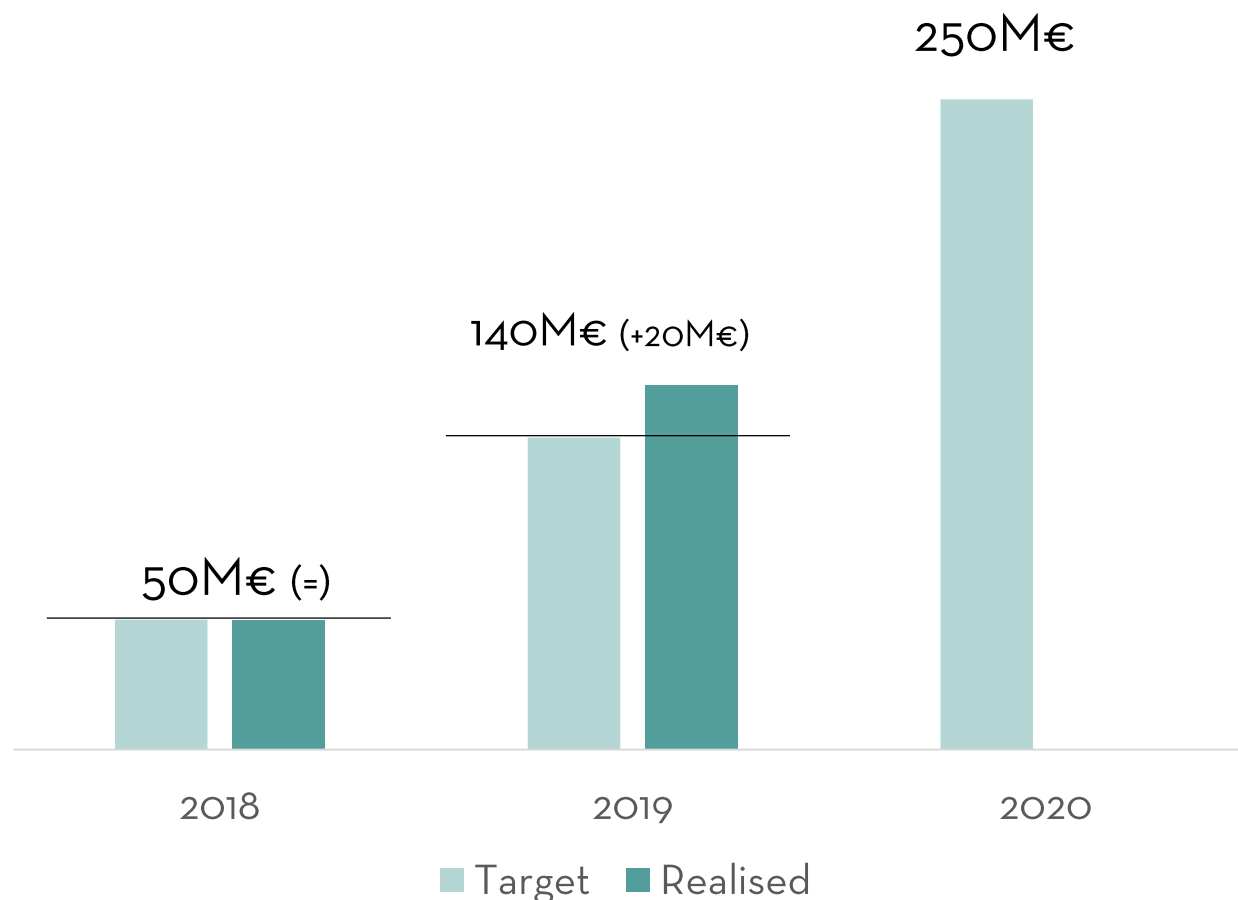
## Technology

Increase value proposition  
and reduce cost-to-serve



Empowering our people with  
the best technology

# GrowTogether: delivered on commitments in 2019 and on track for 2020

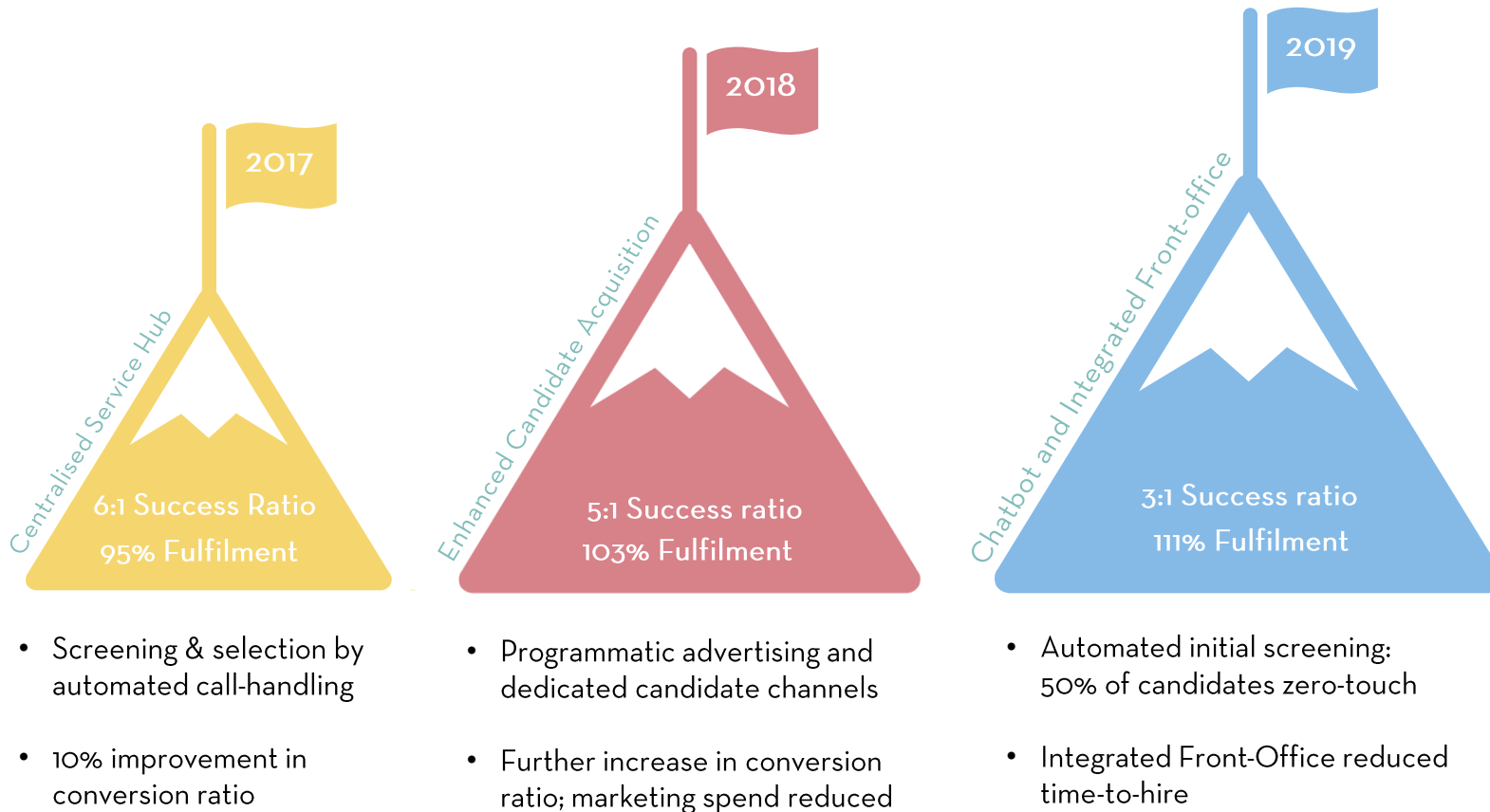


## In 2020 the journey continues:

- Further roll-out of our Integrated Front-Office solution
- Accelerated adoption of proven products: including Bots, Client Portal and Candidate Apps
- Deployment of PERFORM (lean) approach across the business
- Increased use of predictive analytics



# GrowTogether case study: Onsite client digital journey



## Further initiatives for 2020:

- Chatbot API for screening, onboarding & associate campaign management
- Virtual reality induction and digitalised associate handbooks



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# Innovate highlights

## Ventures: strong growth and business progress



General  
Assembly

### Double digit growth with improving profitability

- Strong growth in B2C and B2B with increased service offerings and client base
- Continued partnership with Adecco Group brands to drive the ecosystem forward



Adia

### Industry leading end-to-end capabilities

- Path to profitability in Switzerland and overall strong double digit growth
- Increasing client traction across markets



Vettery

### Increased enterprise penetration

- Record renewals in Q4 2019
- Strong double digit FY growth



YOSS

### Seizing market opportunities

- Several ongoing initiatives to accelerate progress



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# Concluding Messages



# Strong margin while we continue to invest in transformation and innovation

## PERFORM

- Perform, Transform, Innovate strategy is continuing to drive performance in a difficult market environment

## TRANSFORM

- GrowTogether is improving customer satisfaction and operational efficiency, with technology roadmap accelerating into 2020 to drive differentiation

## INNOVATE

- New business offerings gaining traction with clients, leveraging the combined strengths of our ecosystem



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# Financial calendar

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| Date            | Event               |  |
|-----------------|---------------------|--|
| 5 May 2020      | Q1 2020 results     |  |
| 6 August 2020   | Q2 2020 results     |  |
| 3 November 2020 | Q3 2020 results     |  |
| 2 December 2020 | Capital Markets Day |  |

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**Thank you**