THE ADECCO GROUP

8 May 2025

The Adecco Group

Q1 2025 Results

CORPORATE SPEAKERS:

Benita Barretto
The Adecco Group; Head of Investor Relations
Denis Machuel
The Adecco Group; Chief Executive Officer
Coram Williams
The Adecco Group; Chief Financial Officer

PARTICIPANTS:

Suhasini Varanasi
Goldman Sachs; Analyst
Andrew Grobler
BNP Paribas; Analyst
Simona Sarli
Bank of America; Analyst
Remi Grenu
Morgan Stanley; Analyst
William Kirkness
Bernstein; Analyst
Simon LeChipre
Jefferies; Analyst
Konrad Zomer
ABN AMRO; Analyst
James Clark
Barclays; Analyst

Benita Barretto
The Adecco Group; Head of Investor Relations

Good morning. Thank you for joining the Adecco Group's conference call today.

I'm Benita Barretto, the Group's Head of Investor Relations. Denis Machuel, the Adecco Group's CEO; and Coram Williams, the CFO, are with me today.

Before we begin, we want to draw your attention to disclaimer on Slide 2. Today's presentation will reference GAAP and non-GAAP financial results and operating metrics. This conference call will include forward-looking statements. These statements are based on assumptions as of today and are therefore subject to risks and uncertainties.

Let me now hand over to Denis and the results report.

Denis Machuel
The Adecco Group; Chief Executive Officer

Thank you, Benita, and a warm welcome to all of you who joined the call today.

Starting with slide three, which provides an overview of the Q1 results.

The consistent, rigorous execution of our strategy is paying off. In the first quarter, we gained further market share with solid margin performance. The Adecco GBU was 130 basis points ahead of key competitors this quarter.

Revenues were 5.6 billion euros, 2 percent lower year-on-year on an organic, trading days-adjusted basis and 3 percent higher sequentially. The Group saw flex volumes improving through Q1, and we were pleased to see Adecco US return to growth.
The gross margin of 19.4 percent was healthy, 40 basis points lower year-on-year, reflecting current business mix and firm pricing.

EBITA excluding one-offs was 132 million euros, driving a margin of 2.4 percent, 40 basis points lower year-on-year. The margin evidences agile capacity management and strong cost control, in addition to the favourable timing of FESCO income.

Adjusted EPS was 48 cents, 20 percent lower year-on-year, mainly reflecting lower business income.

Cash flow from operating activities was minus 144 million euros, while the cash conversion ratio was strong, at 105 percent.

Let's turn to slide 4, where we look at some key wins driving market share gain, which was 30 basis points positive at the group level this quarter, on top of the 200 basis points delivered in 2024.

First, close collaboration between Akkodis and Adecco resulted in a significant win with a German IT services provider. The client wanted project management and software development capabilities to support digital transformation. The client valued the Group's coordinated delivery model with a single point of contact. Moreover, the client valued the high level of technical expertise offered, combined with our ability to scale and support during high workload periods.

Second, the US LHH and Pontoon teams secured a major contract with a leading market research company thanks to a referral from Adecco. The client required strategic workforce planning and talent management capabilities. They saw value in LHH's global reach and end-to-end service offering, as they needed offshore recruitment, HR outsourcing, and outplacement services across multiple geographies.

Moving to slide 5, which highlights recent developments in the Group's strategy to adopt AI solutions, at pace, to accelerate profitable growth.

As an example, we have launched pre-screening agents in Adecco UK, accelerating our agentic AI deployment, and leveraging the Salesforce partnership and their Agentforce platform. The new agents enable a 24/7 exchange for candidates. They allow recruiters to quickly receive a high-quality list of candidates that can then be considered for the interview stage and reduce the need for recruiters to make pre-screening calls to candidates. They also ensure higher-quality, automated data capture. This is very positive, and we are very confident in its scaling potential, which will improve customer experience and reduce cost-to-serve.

And, Akkodis Germany has launched new capabilities as part of its modular AI-Core Platform suite, which numerous customers have used for over 10 years. The suite helps companies build AI models using low- or no-code with ready to use plugins and agents. The new tools include a virtual assistant for brainstorming, intelligent analysis of documents and contracts as well as code generation support and analysis. It is proven to deliver efficiency gains, cost savings and faster project completion.

Another important development this quarter has been the launch of r.Potential. This is an exciting new technology venture backed by investments from Adecco Group, the majority owner, and Salesforce.

r.Potential is uniquely positioned to support companies; it will leverage AI and agentic technology to help clients optimise workforce configurations and better distribute tasks between humans and digital workers, harnessing insights from Adecco's rich labour data. We are convinced that r.Potential will deliver pioneering innovation at the speed and scale required in the world of agentic AI, and we look forward to updating you on its progress later this year.

Let's turn to slide 6, highlighting how the Group navigates current macroeconomic uncertainty.

To be clear, we are not directly impacted by shifting trade policy, and we have NOT seen an impact from trade policies on our trading activities to date. The top left chart shows Adecco's flexible placement volumes in our largest countries, from Q4 24 to April this year, in percentage year-on-year terms. Volumes improved through Q1, and modest positive momentum continues.

When we talk to clients, most do not mention a direct impact, although we have seen some slowdown in client decision-making, particularly in permanent placement. We will continue to monitor developments very closely and adjust our operations accordingly.

Let me now hand over to Coram who will discuss the results in more detail.

Coram Williams
The Adecco Group; Chief Financial Officer

Thank you, Denis and good morning everybody. To follow up on Denis' remark, changing trade policies have not impacted the business to date.

Our business model is resilient, and we are committed to maintaining the 3 percent EBITA margin floor annually. The Group has a counter-cyclical cashflow profile and robust financial structure, which gives confidence in our ability to weather economic storms.

Importantly, the Group's cost base is highly flexible. During past periods of significant pressure, such as the Global Financial Crisis and COVID-19, the Group responded effectively, taking out SG&A expenses to deliver recovery ratios of 37 percent and 51 percent respectively. Most recently, we have been managing the business in a more granular way than during COVID, selectively protecting capacity where we continue to see opportunities to gain market share, while delivering a sensible 43 percent recovery ratio.

We are ensuring proximity and support to clients and looking for growth opportunities from strengthening MSP, statement of work engagements and outsourcing activities. We are lowering cost-to-serve, by centralising tasks in hubs through digital delivery, automation and the deployment of agentic AI. We are focused on delivering Akkodis Germany's turnaround, and driving free cash flow, with strict DSO management.

We will remain agile with front-line capacity, driving productivity. Around 10 percent of recruiters are themselves on flexible placement contracts, and there is a 20 percent attrition rate for that population. This means we can move quickly to lower the largest area of expenditure in the business.

Put simply, we are ready to adapt to changing circumstances, if we see them.

Let's look at Q1's results for each GBU, beginning with Adecco on slide 7.

Adecco's revenues reached 4.4 billion euros, 1 percent lower year-on-year on an organic, trading days adjusted basis, and 3 percent higher sequentially, with all segments improved.

Adecco gained strong market share, with relative revenue growth 130 basis points above key competitors. Flexible placement revenues were 2.6 percent lower organically, with volumes improving through the period. Outsourcing remained solid, up 6 percent organically, while permanent placement revenues were 12 percent lower organically.

Enterprise revenues remained soft, while SME revenues were robust, rising 3 percent organically. On a sector basis, retail and food and beverage growth was strong. Autos and manufacturing were weak, while logistics was soft.

Gross margin was healthy, reflecting lower permanent placement volumes and firm pricing.

The EBITA margin was solid, at 3.1 percent, and up 10 basis points year-on-year. The result reflects G&A savings, agile capacity management, and the favourable timing of FESCO income.

Gross profit per selling FTE rose 2 percent, while selling FTEs reduced 4 percent. We are right-sizing in tougher territories, such as France, Germany, and the UK, and protecting or adding capacity where we see continued opportunity, such as in Spain, LatAm and APAC.

Moving to slide 8, with Adecco's new segment structure.

Adecco's European operations performed well given challenging markets.
In France, revenues were 9 percent lower, reflecting continued and broad-based market headwinds. Pressure from a handful of large clients impacted revenue developments by approximately 350 basis points. Logistics and autos were challenged, while manufacturing and healthcare were weak.

The EBITA margin of 1.9 percent, 60 basis points lower year-on-year, mainly reflects lower volumes. Headcount was reduced 6 percent year-on-year.

Stabilising client impacts, a strong pipeline, and restructuring actions will support future profitability.

In EMEA, excluding France, revenues were 2 percent lower, with market share gains in most territories.

Turning to the largest geographies, revenues in Italy were 1 percent lower, with autos and manufacturing weak, while logistics was strong.

Revenues in Iberia rose 5 percent, driven by strength in food & beverages and consumer goods.

In Germany and Austria, revenues were 8 percent lower, reflecting ongoing headwinds in manufacturing and logistics. Autos were soft, but the business remains well positioned relative to competitors.

In the UK and Ireland, revenues declined by 9 percent, with headwinds in consulting and construction. Recent large client wins are expected to drive stronger revenue momentum in the coming periods.

The segment's EBITA margin of 3.0 percent was 50 basis points lower year-on-year due to the current business mix and lower volumes, partly offset by SG&A savings.

Moving to slide 9.

Adecco Americas revenues were 4 percent higher, and performance in North America significantly improved. Revenues were 2 percent lower in the quarter, driven by new large clients and robust SME growth, and the exit rate was strong at plus 4 percent. On a sector basis, consumer goods and manufacturing were strong, while autos were weak.

In Latin America, revenues grew 14 percent, led by Argentina, Colombia, and Brazil, although Mexico was subdued. By sector, retail, food and beverages, and logistics were strong.

Adecco America's EBITA margin, at 1.1 percent, was 50 basis points higher year-on-year, reflecting higher volumes, good cost discipline in LatAm and ongoing optimisation of cost-to-serve in North America, with FTEs down 17 percent year-on-year.

Adecco APAC saw continued strong growth and share gain, with revenues up 11 percent.

Within the segment, Japan's revenues were up 10 percent, Asia's up 24 percent, and India's up 16 percent. On a sector basis, growth was led by retail and consulting, while manufacturing was robust. In Australia and New Zealand, revenues were 9 percent lower, reflecting softness in logistics.

The EBITA margin, at 7.4 percent and 260 basis points higher year-on-year, benefited from the timing of FESCO income. Excluding FESCO, the EBITA margin was up 10 basis points, reflecting higher volumes and G&A savings.

Let's look at slide 10 and Akkodis.

Akkodis' revenues were 8 percent lower year-on-year on an organic, constant currency basis. Consulting revenues were 5 percent lower, and staffing revenues 13 percent lower.

By segment:

EMEA revenues were 9 percent lower, reflecting increased pressure in Germany, where revenues were 15 percent lower, impacted by weaker demand in autos. Revenues in France were 6 percent lower, with autos and telecoms soft. Southern Europe performed well, with revenues in Italy up 5 percent and in Iberia up 13 percent, reflecting strength in life sciences and aerospace and defence.

North American revenues were 11 percent lower, impacted by the continued downturn in tech staffing, and despite growth of 12 percent in consulting.

APAC revenues rose 3 percent, with Japan up 2 percent. This reflects robust growth in consulting, supported by high utilisation rates. Australia was 3 percent lower but up 2 percent, including the recently acquired Barhead Solutions business.

The GBU EBITA margin of 3.5 percent was lower year-on-year, reflecting lower volumes.
There is meaningful pressure in Germany, coming from challenges in autos, with projects either stopped earlier than originally planned or where the planned start is postponed.

The GBU's new president, Jo Debecker, is now firmly in role. Management is executing a turnaround plan in Germany to bring the unit back to profitability swiftly. Given current market dynamics, management will also continue to optimise operations in France and the US.

Moving to slide 11 and LHH.

Revenues in LHH were sequentially stable, and 5 percent lower year-on-year on an organic, constant currency basis.

Professional Recruitment Solutions' revenues were 7 percent lower, sequentially better, and outperforming a tough market. Both placement activities and RPO remained soft. Gross profit was 5 percent lower, with gross profit in permanent placement 6 percent lower. Productivity rose 2 percent, with billing FTEs down 9 percent.
Career Transition and Mobility's revenues were flat, a strong result given the very high comparison base. US revenues were resilient, the business grew well in France and the UK, and its global pipeline has improved.

Coaching & Skilling revenues were 4 percent lower, weighed by the progressive exit of General Assembly's B2C activities. However, B2B grew 45 percent, with a strong pipeline, mostly related to AI upskilling programmes. Ezra's revenues were up 5 percent organically, with a strong exit rate and record pipeline set to re-accelerate growth in upcoming quarters.

LHH's EBITA margin was healthy, at 7.7 percent, reflecting geographic mix, lower volumes, and G&A savings.

Management is focused on delayering and right-sizing Recruitment Solutions, while continuing to drive growth in General Assembly's B2B business and in Ezra.

Let's return to the Group results, on slide 12, and review the Group's gross profit bridge. In Q1, on a year-on-year basis:

- Currency translation had a positive impact of 5 basis points.
- Flexible placement had a negative impact of 10 basis points, reflecting ongoing country mix.
- Permanent placement had a 15 basis points negative impact, primarily reflecting lower volumes in Adecco.
- Career Transition had a 5 basis points positive impact.
- Outsourcing, Consulting, and Other had a 25 basis points negative impact, primarily due to challenges in Akkodis Germany.

In total, the gross margin was 40 basis points lower at 19.4 percent, a healthy result given the current business mix.

Moving now to slide 13 and the Group’s EBITA bridge.

The EBITA margin, excluding one-offs, was 2.4 percent, 40 basis points lower year-on-year. This solid result in spite of uncertain markets reflects:

- A 45 basis points negative impact from organic gross margin developments.
- A 30 basis points negative impact from operating leverage, with SG&A expenses down 1 percent year-on-year due to agile capacity management and good cost discipline, and,
- A 30 basis points positive impact from the timing of FESCO JV income.

This relates to the industries support fund, from which we receive payments every year, although the timing moves between quarters. We remain confident in the performance of FESCO and anticipate a full-year contribution of approximately 30 million euros, the majority of which we’ve received in the first quarter.

Let’s turn to slide 14, and the Group's robust financial structure.

The cash conversion ratio was strong, at 105 percent. DSO was best-in-class, at 52.5 days, a half-day lower year-on-year. Cash flow from operating activities was in line with normal seasonality, at minus 144 million euros and 77 million euros below the prior year period. On an underlying basis, approximately two-thirds of the year-on-year differential was driven by working capital absorption for growth, with the remainder reflecting lower business income.

End Q1 net debt was 2.7 billion euros. The Net Debt to EBITDA ratio, excluding one-offs, was 3.2 times, weighed by lower EBITDA. We remain firmly committed to bringing the net debt to EBITDA ratio to 1.5 times or below by the end of 2027, absent any major macroeconomic or geopolitical disruption.

The Group has strong liquidity resources, including an undrawn 750 million euros revolving credit facility, and low interest expenses. It has fixed interest rates on 80 percent of its outstanding gross debts, no financial covenants on any of its outstanding debts, and a well-balanced bond maturity profile.

Moving to slide 15 and the Group’s outlook.

Volumes improved through Q1, and modest positive momentum continues in Q2.

For Q2, the Group expects gross margin to be lower sequentially, reflecting normal seasonality. It expects SG&A expenses, excluding one-offs, to be modestly lower sequentially.

Management is focused on managing capacity with agility to balance share gain and productivity in uncertain markets, in addition to securing G&A savings.

Back to you, Denis.

Denis Machuel
The Adecco Group; Chief Executive Officer

Thank you, Coram. Let me finish today's presentation with slide 16.

Today's key takeaways:

First. We have delivered further market share gain with solid margins in the first quarter.

Second. We have delivered on our commitment to return Adecco US to growth during H1 2025. And we are swiftly executing a turnaround plan in Akkodis Germany.

And third. We have been, and will continue to, take a granular approach to operating expenses, through agile capacity management and strict cost control, to protect profitability.

And with that, we would like to thank you for your attention and to open the lines for Q&A.

Operator, we are ready for the first question please.

Suhasini Varanasi
Goldman Sachs; Analyst

Slide 6 showed a pretty interesting trend. I was wondering if you could give some more colour by the different GBUs on how the trends have evolved over March and in the second quarter to date? And at the group level, does this mean that you've maybe reached a breakeven on growth or potential for that in the second quarter?

Second question is generally on defence. I think earlier, around the full year results, you did talk about how there was incremental growth potential or you were seeing some increased interest from your clients. How has that basically trended through the quarter, please?

Coram Williams
The Adecco Group; Chief Financial Officer

Thank you, Suhasini. In terms of trends on volumes, you're right, the chart does show the modest positive momentum that we've seen that -- we saw that all the way through Q1. It continued after we did full year results call, and as you can see, it has continued into Q2.

These are obviously flex volumes in the Adecco business, but that's a big driver of our revenues. And it's been very broad-based.

We have seen consistent modest improvement across all of our major territories. This has continued in April and Q2 to date, and there have been no major shifts in those trends. The one very positive thing that I'll call out, and reinforce, is that obviously our North American business has now returned to growth.

To your question about whether or not this means we're close to breakeven on volumes, yes, it does mean we're close to breakeven. So it gives you a sense of the positive momentum that we see. Volumes in the other businesses vary.

It's very dependent on which parts of the business that you're seeing. We continue to see good momentum in career transition.

Perm is under pressure, as we know, in a number of our different business units, although our competitive performance in LHH has been very effective.

And in Akkodis, there's more pressure in IT staffing. Consulting & Solutions is very dependent on where you look in terms of geographies. We've got growth in Asia Pacific, growth in the U.S. consulting business, Italy and Spain are strong. And as we mentioned, some pressure in Germany and France.

So hopefully, that gives you a sense of what we're seeing in terms of volumes.

Denis Machuel
The Adecco Group; Chief Executive Officer

With regards to the defence sector, it's going to be definitely one of the tailwinds that we can have for our business and particularly for Akkodis.

At the moment, our defence represent approximately 5 percent of the group revenue. And of course, the majority of it is in Akkodis. We are really positive about the outlook.

However we are yet to see the full impact of this. We hear that things are going to come in Germany, particularly once the stimulus package is underway, so I think there's going to be momentum. We haven't seen the full impact yet.

The good news is we have renewed in France. We have renewed 100 percent of our framework agreements with the major defence players, and that's good. We have also won a significant contract in Japan, which will give us momentum.

I think we are in a good place. Our space in defence has grown 2 percent in Q1, and there's much more to come. We are in a great place to serve the defence sector because we have great reference with very strong clients.

We also believe, particularly in Germany and the discussions that we have with major defence clients, they want to change the way they operate. And actually, the strong footprint that we have in auto is going to help us bring methods and technologies and know-how into the defence sector.

The defence sector has to think differently in the way they design the products, the systems. All the knowledge that we have, particularly in Germany in autos, is transferable with high added value to the defence sector.

So much more to come on that, but we haven't seen yet, of course, an impact in Q1.

Andrew Grobler
BNP Paribas; Analyst

Can I start with Akkodis in Germany, that had a pretty rough ride over the past couple of years. How do you recover that business and get it back to profitability? And can you just talk through the competitive dynamics in that market at this point?

Denis Machuel
The Adecco Group; Chief Executive Officer

Thank you, Andy. Yes, Akkodis Germany has not been the easiest ride for the past quarters. Two things here. The business had a shift to do from a legacy technology into a more digital and smart industry business, a high exposure to the auto sector.

And on this one, we're definitely suffering from the difficulties in the auto sector. The auto is almost 40 percent of the revenue of our business. So that has impacted us significantly.

We still have strong relationship with all major OEMs. But of course, given where they are, we see projects that are postponed, delayed, downsized, and that has an impact on our bench profitability. We have a low utilisation rate of around 85 percent, so we have pressure points here.

Overall, to your question versus competition, we are more or less in the same relative position. Everybody is suffering in Germany.

Our bigger exposure to autos probably impacts us a bit more. We are executing a very strong action and turnaround plan. And I am very confident, just like are turning Adecco the U.S., we will turn around Akkodis, Germany.

What are we doing?

First, strong portfolio management. So there's going to be some business disposals on noncore assets. So that's one.

Second, we have a restructuring plan underway, which is being executed to help us right size the business. We have a real estate optimisation project that's going to help us on cost.

We are accelerating our offshoring to make sure that we are more competitive. That is also what our clients are asking for, particularly the carmakers. We're also diversifying our business.

As I mentioned, the defence sector is promising. Today it's around 10 percent of the business, but we believe that there is very good momentum, and the plan is going to deliver. We will ensure that we deliver profitable exit rate by the end of the year, it is absolutely feasible. And I am confident in the way the team is focused on that.

The auto sector, moving forward, is going to be again a growth sector. The major carmakers are doing a very strong restructuring. They are telling us they will need more outsourcing, more flexibility, and that we must keep the know-how because they will need it.

Once they have done their own restructuring, they will need the flexibility and the competitiveness that we have.

In a nutshell, we are getting impacted more or less in line with competition, probably more due to our exposure to autos. We have a very strong action plan in the German market. We will exit Q4 in a profitable way.

Coram Williams
The Adecco Group; Chief Financial Officer

And just to complement very briefly. Autos is a pressure point for Akkodis, but it is still a resilient sector for us with good prospects, as Denis mentioned. Across Akkodis, it's down about 5 percent. I want to give you a sense of the scale.

And whilst Germany is a challenge, we have a very clear turnaround plan and the margins for Akkodis, excluding Germany, would be above 6 percent.

Now obviously we recognise we have to fix Germany, which we will, but we just want to give you a sense of how the rest of the GBU is doing.

Simona Sarli
Bank of America; Analyst

So first of all, a couple of follow-ups on Akkodis and specifically the reorganisation in Germany. Can you talk a little bit more about the exit rate of Akkodis in this region, in

March? And also, how should we think overall about the organic growth trajectory for the rest of the year?

Secondly, quick question on the one-off. I remember that at year end, you were guiding for one-off for the year at EUR 30 million. Are you still happy with that?

And also for your guidance going into Q2, can you quantify a little bit what you mean with a sequentially lower SG&A?

Coram Williams
The Adecco Group; Chief Financial Officer

Sure. I'll take those.

On the exit rate in Germany, it was pretty consistent through Q1. We are very focused on turning that business around with the restructuring plan that Denis talked about. But we don't see an immediate improvement in that. The challenges in German auto will persist for a little bit of time.

On the one-offs, if you look at the back of the deck on the financial framework, you'll notice that we have increased our expectations for one-off costs modestly for the full year.

We were at 30 million euros when we spoke in Q4, and 50 million euros is our expectation for the full year now. That really does reflect our initial estimates on the cost of the German restructuring.

We are being very disciplined around one-off costs. We brought them down considerably from where we were a couple of years ago. We intend to continue that discipline, putting things above the line when we believe that they are simply straightforward capacity adjustments.

So a small increase in our expectations for one-offs to 50 million euros, but it's still well below the levels that we have been at previously.

Denis Machuel
The Adecco Group; Chief Executive Officer

You have heard me say this before, and I say it again, on these one-offs it is also a management mindset that we are installing.

Probably in the past there has been too much of this magic money perception, which we are stopping now. When the business is impacted by maybe not so good decisions, then it takes it on the P&L.

I think that the message resonates well in the company now. We make people accountable for their decisions.

Coram Williams
The Adecco Group; Chief Financial Officer

And to pick up on your question around SG&A, I just want to step back for a moment and talk about what happened on SG&A in Q1.

Our SG&A was down 1 percent year-on-year. You've seen that from the numbers. Our FTEs were down 6 percent, and that reflects the ongoing drive to make sure that our G&A costs are kept firmly under control as well as the way in which we are managing our sales and delivery capacity.

I tried to give you some flavour as we were talking through the regions. There are areas where we've gone further than that, because the markets are under pressure. There are areas where we've held capacity, and there are areas where we have invested because we see opportunities for growth and share gain.

The big driver for the differential between that headcount reduction of 6 percent and the SG&A being down 1 percent are the merit rises and the wage inflation, that we give to our own teams at the beginning of the year.

It varies by country. We peg it to inflation, but you should assume that it's running at about 3 percent, and happens at the start of every year. So it does create a differential in the first quarter between FTE movements and the SG&A number. We also had a couple of minor timing and one-off expenses in SG&A in Q1.

On the corporate side, it’s mainly due to timing of insurance charges. But we also did, as you might have seen, a couple of small M&A deals. We had some fees relating to those which came through in Q1.

And because we've been so effective at managing G&A, because we brought the base down even relatively small amounts, this created a bit of a swing in percentage terms. On the selling side, picking up on the point that both Denis and I made about restructuring, we had some modest restructuring charges through our selling expenses above the line. Costs are firmly under control.

G&A remains tightly controlled. There are a couple of areas where we will continue to look for further G&A savings. We have spoken about France and the U.S.; we are managing selling costs with agility.

In terms of the reduction that we'd expect from Q1 to Q2, it's really the absence of those one-time items. And you should work on the basis it's a high single-digit millions of euros. So hopefully, that gives you a steer.

Remi Grenu
Morgan Stanley; Analyst

Two on my side. Could you make a little bit of an update on how the restructuring is progressing in France and how much cost savings you expect to generate from that? And what would be the timing there?

And the second is to come back on that SG&A comment. I just want to understand the 25 million euros bridge between your initial guidance, which was 950 million euros and where you got surely the 3 percent inflation as an assumption needed for those 950 million euros.

So, trying to understand what is this one-off you're referring to? Is that the entirety of the 25 million euros? And if so, should we expect that to completely revert next quarter?

Denis Machuel
The Adecco Group; Chief Executive Officer

Regarding France, I think the restructuring is well underway, and it's mostly behind us. So that's good.

We, of course, continue to adjust to the market dynamics. Our domain in France reflects mainly the lower volumes that we had, and even though the market is not that good at the moment, we are improving our performance relatively to the market. We're reducing the gap.

As you know, we have been lagging a bit behind for some time. We are now reducing the gap, and I'm quite positive that as we progress in the year, we will be above the market in terms of growth. So that's positive. As part of this improvement plan, a new leader in Adecco France is now in place.

We are really focused on client efficiency, on continuing to digitise our delivery platform. We're improving fill rates. We're focusing on new sectors, such as construction and nuclear.

We secured some large contracts, which makes me positive in the outlook of France moving forward. And of course, we're really adjusting selling FTEs because the market in France is not the strongest one at the moment.

We are, again, adjusting capacity in a very granular way. So that's where we are.

Coram Williams
The Adecco Group; Chief Financial Officer

And just picking up then on the follow-up question on SG&A.

Obviously the wage inflation was built into our guidance, that's something that we do every year. The one-offs we were not anticipating and these are small items. Timing, as I mentioned, of insurance, advisory and some modest restructuring charges. And as I said, assume it's around 10 million euros and that we would not expect those to repeat in Q2.

So it doesn't explain all of the difference. The rest is really about the way in which we're managing the business. We are very tightly controlling G&A. The savings that we've secured last year continue to flow through the P&L.
But we do have some modest positive momentum in the business. We are adjusting selling capacity on a very dynamic and very granular way to make sure that we balance productivity and share gains. You can see the benefits of that in terms of the sequential improvement on the growth rate from Q4 to Q1, and on the ongoing share gains that we are delivering.

So it's all about the agility with which we're managing capacity. We are responding to the momentum that we see and the market conditions that we are facing.

To be very clear, we are firmly committed to our 3 percent EBITA margin floor on an annual basis. We recognise it doesn't happen every quarter because of the seasonality of the business. But even in a difficult environment, we are absolutely clear that we can secure that 3 percent floor.

And you can get there by in two ways. Continuing to see momentum and capitalising on it, getting operating leverage as a result. Or if market conditions or the momentum starts to soften, then we will adjust ourselves and delivery capacity. And we will do so quickly.

I mentioned it in my remarks. We have flexibility built into the cost base. We have 10 percent of our sales and delivery capacity on flexible contracts. We have attrition rates of around 20 percent. We can adjust very rapidly if the momentum that we see right now starts to soften or store.

Denis Machuel
The Adecco Group; Chief Executive Officer

And we are following volumes very closely, on a weekly basis and at a very granular level. In each country, in each area of the country, nobody is really briefed about that clear and granular understanding of what's happening in the market.

It's so fluid that you need the people to be on it, to understand where it's moving, where it's stopping, where are the opportunities, where should we adjust. It's this surgical way of looking at the business.

William Kirkness
Bernstein; Analyst

Two questions, please.

Firstly, just coming back to that 3 percent floor, I think if the first half sort of ends up in the 2.4 percent, 2.5 percent area, that implies a decent pickup in the second half. I think last year, this is about 30 basis points, so is that just a factor that things are deteriorating in this year, things are looking better? Is it a function of the top line?

And then the second question, was just coming back to the comment on the 350 basis points of pressure from large clients in Adecco Europe. I just wondered if that's a volume thing or if it is price led, and whether you could then talk a bit more about the fee rates versus wage growth more broadly?

Coram Williams
The Adecco Group; Chief Financial Officer

So I'll pick up on the first question and Denis will pick up on the 350 basis points for large clients in France.

To your point, yes, it's absolutely a function of the top line. As you rightly pointed out, last year the trajectory worked against us through the year, which meant there was less of a seasonal pickup in the second half margins versus the first half.

As we have said, we are seeing positive momentum in the business. You saw the graph on slide 6 on flex volumes. It shows what happened in Q1, and it shows that modest momentum, but nevertheless broad-based volumes have continued into Q2. We are managing the business to make sure that we capitalise on this, and that we take market share.

If this continues, then it would obviously give us operating leverage and create stronger second half margins.
Obviously if we face a situation where the volumes start to soften, then we will take action very rapidly on our sales and delivery capacity. And as I've already said, the business is flexible in terms of its cost base, and we're managing this in a very granular way. So I hope that gives you a sense.

There are several ways in which we can get stronger margins in the second half, and we're fully committed to that 3 percent EBITA margin floor.

Denis Machuel
The Adecco Group; Chief Executive Officer

Absolutely, and with regards to your second question, the 350 basis points that you referred to are linked to France and to some large clients' impact.

If you remember well, we mentioned also in Q4, that we have three clients having intrinsically negative impact because of their own business.

I'll say a few words on pricing first. Pricing is solid, pricing is firm. Of course, we are in competitive markets across the board, but overall, our pricing is really solid.

Of course we follow bill rate versus pay rate, and the spread there is still slightly positive, which demonstrates that we are holding-on on pricing. The solid gross margin demonstrates that.

Now if I go back to France, we had this 350 basis points impact of a few large clients, a handful. And we also had a negative impact on healthcare due to a change in legislation in France. So that has impacted.

Manufacturing, autos and logistics remain weak, but we have some better momentum in Food & Beverages and retail. We also won some significantly large contracts in France towards the end of the past year and the beginning of this year.

That makes me very confident that again, as I said earlier, we are going to catch up on the market. We have already reduced the gap versus market in Q1 versus Q4. And I am very confident that as we progress in the year we will be above the market, in comparative terms, at some point in the year.

Coram Williams
The Adecco Group; Chief Financial Officer

Maybe if I can just complement that by touching on your question about the relationship between fee rates and wage growth more broadly. There is a pretty much 100 percent correlation in the Adecco business, because we take the wage rates and we apply a multiplier to get to the bill rate.

As Denis mentioned, the spread between bill rate and pay rate has been modestly positive again. The multiplier is stable in Adecco, despite the country mix working slightly against us. Which means we are seeing the benefits of modest wage inflation, that is out there in the global economy, flowing through in the top line.

Simon LeChipre
Jefferies; Analyst

First of all, regarding the U.S., I have a two-part question. In which extent the improvement is driven by easier comps and new business wins as opposed to some underlying volume improvement? And second part, in the U.S., you mentioned strong performance of consumer goods. Just wondering if this is driven by any pull forward of demand from U.S. consumer ahead of tariffs?

Secondly, you mentioned that you have not seen any tariff impact overall, but you kept mentioning manufacturing. So yes, just trying to reconcile this.

Also, we see Germany is very weak. We do not seem to show any improvement?

And lastly, just quickly on was the driver for the nice organic growth in APAC in Q1 as opposed to Q4.

Denis Machuel
The Adecco Group; Chief Executive Officer

I think the main thing on the U.S. is that the turnaround in Adecco is delivering results. Still on the temp market, there is still a pretty low penetration rate at 1.59 percent in April. The U.S. market temp volumes are still negative, April was minus 4.6 percent March was a bit worse at minus 5.1 percent. So I mean, the market is not fantastic.

Our absolute performance demonstrates improvement. We had minus 12 percent in Q4, we are at minus 2 percent in Q1 and an exit rate at plus 4 percent. This is a result of several things.

As we have mentioned in the past, we had some large client losses which are behind us. But on top of that, we had some very nice large client wins. So, it's not only a comp base, but also that we won some very large clients. That explains that in Q3 last year, we went at minus 16 percent on large accounts. We are now at plus 1 percent in Q1.

The SME business is also getting traction. We were at minus five in Q1 last year, this year, we are plus 3. This is linked to the branch revitalisation programme that is well underway. So there is momentum.

We also have a good traction with MSPs. The volumes that the Adecco business delivers through Pontoon, our MSP, are also improving. So there's a lot of things that we're doing and executing rigorously that put us in this situation.

So I think it's really promising. I'm quite positive what's going to happen in Q2 and Q3.

On the business side and the customer goals that you mentioned, actually we have a very strong dynamic in retail. We grew 40 percent. 11 percent in manufacturing, auto is soft.

Back to your question on tariffs. As Coram said, we are not directly impacted by tariffs, we don't see so far any visible impact on tariffs. It's quite early, and clients are more in a wait-and-see mode than anything.
A few days after Liberation Day, we went out to talk to so many clients. We reach out to our top 100 clients to see where they were. And of course, there was a variety of situations, depending upon where they make their revenue, where they manufacture, their dependency on supply chain. But more or less, the uncertainty makes them stand and wait to see what's going to happen first.

So yes, uncertainty, it's in everybody's mind. The only impact that we see so far from tariffs is the slowdown in permanent recruitment. Of course, when you're uncertain, you don't necessarily bet on recruiting more people.

On the other side, I believe it brings some momentum in the flex labour. If you have some work to do, you can you flex your workforce.

I don't think weakness in manufacturing and automotive sectors are linked to tariffs, because they were already weak towards the end of this year. And if I look particularly in the automotive sector, it's broad-based, and particularly linked to the German carmakers. They have to do their own adjustments to be ready for the quarters to come.

Coram Williams
The Adecco Group; Chief Financial Officer

And if I pick up on APAC, revenues in our Adecco APAC business were up 11 percent with good share gains. It's very broad-based.

So if I look at it on a territorial basis, Japan was up 10 percent, Asia up 24 percent, India, up 16 percent. The only area of pressure was Australia, it was down 9 percent. Australia is quite a tough market for the industry right now, and logistics is soft. But it's very broad-based in terms of territories.

SME growth was very strong, enterprise was also good. And if we look at sectors, retail, IT, tech, manufacturing, consulting, they all showed good growth. I think the key point about APAC is we are very well positioned there, and this is structural growth.

And it's the same if you look at LATAM, as well we see very good growth. We have a very good competitive position in those areas, and they are helping to drive the overall Adecco group growth.

Denis Machuel
The Adecco Group; Chief Executive Officer

In these two regions, they not only grow, but they also improve their margins. We are able to improve the margins, as well as continue to fuel growth with strong capacity.

It now represents a significant piece of our revenue. So that geographic portfolio have put us in a very strong position for the future.

Remi Grenu
Morgan Stanley; Analyst

A quick follow-up on LatAm. I think it was up 14 percent in Q1. Is there any higher inflation impact in this 14 percent?

Coram Williams
The Adecco Group; Chief Financial Officer

No, I mean a very modest amount in Argentina. Even if you were to exclude that, you'd still have strong double-digit growth. So, it is competitive positioning, making sure that we're capitalising on the growth opportunities in a number of territories and driving share.

Denis Machuel
The Adecco Group; Chief Executive Officer

And we have a very strong team there.

Konrad Zomer
ABN AMRO; Analyst

I've got one question. It's about your ongoing improving momentum throughout Q1 and Q2 to date. Are you willing to share with us if that improving momentum also applies to your businesses in Italy, France and Germany, please?

Coram Williams
The Adecco Group; Chief Financial Officer

So yes, we are willing to share. And yes, it does apply to all of the businesses that you've mentioned.

James Clark
Barclays; Analyst

I've just got one question, please.

I'm just intrigued by your comments about managing costs and capacity against your desire to take share. It seems like, in your presentation, you're taking share in really most of your markets or at least you've got plans to take share.

Is it therefore fair to say that you're carrying a few more consultants than the market average relative to your market positions? Therefore, do you need or don't need to add lots of capacity should the market improve?

And then a follow-up to that would be, what does that mean for your gross profit to EBIT conversion ratio from here, even when the group returns to growth in the near future?

Denis Machuel
The Adecco Group; Chief Executive Officer

So let me take the market share gains dynamic, and then Coram will be super happy to talk about EBITA conversion ratio.

First of all, it's a mindset. Market share gain is a mindset. That's what we've indicated our teams. You win because you prove that you are relevant with your clients and you create a better future.

We do that by selectively protecting capacity. And really, as I said earlier, we are super, super granular. We add more FTEs where we see the opportunity. And even though we've gained share, we've also improved productivity.

We've improved productivity in Adecco, we've improved productivity in LHH. We've reduced FTEs, so we gained share. But we also reduced FTEs in absolute numbers, not massively, 1 percent from Q4 to Q1.

This is really, as I said, very surgical implementation of the plan to make sure that we capture everything that we have. That's one thing.

The second thing is about the efficiency with our clients, the time to fill, the fill rate, the way we implement technology to be the first one to respond. It is about having the best profile in contracts, where it's the fastest that replies that wins is critical. That's also how you gain share within contracts.
We've also put specific incentives that balance nicely this growth mindset with profitability. We talked about pricing, we're not sacrificing pricing. It's the energy, it's the mindset and the competitiveness that make us win this market share.

And if market improves, yes, we will add capacity. That's what we do. It won't be across be across the board, but following this granular approach. This is not decided in Zurich, but they know, and you see that in APAC and LatAm.

APAC will add a few more people, not many because we still have some productivity to gain; but of course, we are ready to capture every single positive opportunity.

Coram Williams
The Adecco Group; Chief Financial Officer

If I can complement that and pick up on the point about drop-down ratios.

As Denis described, we're being very granular and very forensic in the way that we're managing capacity. It's not that we have a blanket approach to this. It's not that headcount is going up everywhere or down everywhere. We are literally adjusting it country by country, sector by sector. We have protected capacity where we see opportunities. That's absolutely clear.

Our recovery ratio, as I mentioned in the script, in 2024 was 43 percent. That's a little bit lower than the 50 percent that we stared to particularly, for example, in COVID. And that means that in the early stages of a recovery, we don't need to add capacity.

We can drive the productivity. That means that the drop-down ratio would definitely be around 50 percent. It may even be just a little bit higher. It doesn't last forever, but it gives you a sense of how we're managing it.

And the other aspect is on our gross profit bridge, where the pressure points are. A lot of it is about mix. Obviously if we continue to see momentum, then you would expect to see some of those mix pressures alleviate and the gross margin improve.

Denis Machuel
The Adecco Group; Chief Executive Officer

Definitely, if there is a market pickup, we believe that clients will again go more into permanent recruitment. We are well positioned for that. And, as you know, permanent recruitment has very nice gross margins.

Closing remarks

Denis Machuel
The Adecco Group; Chief Executive Officer

Thank you for listening to us, and thank you for the exchange that we had today. Just a few things to keep in mind.
Yes, there is uncertainty. But as you could see, it hasn't impacted our business so far.

We are continuing to gain market share. We are executing our strategy with rigorous mindset, and we are able to prove that we delivered on the turnaround plan.

This is what's happening in the U.S. This is what we're going to do, in Akkodis, Germany, which is, I would say, a pressure point at the moment.

THE ADECCO GROUP

Overall, we'll do everything to capture every single opportunity. And as we said, we are super agile. If headwinds come, we will adjust. And if there is a positive perspective, we will inject capacity to continue to outperform.

So thanks a lot for this exchange, and we look forward to talking again with you in Q2.

Thank you very much, and have a great day.