CORPORATE SPEAKERS:

Benita Barretto
Adecco Group AG; Head of Investor Relations
Denis Machuel
Adecco Group AG; Chief Executive Officer
Valentina Ficaio
Adecco Group AG; Chief Financial Officer

CORPORATE SPEAKERS:

Suhasini Varanasi
Goldman Sachs; Analyst
Remi Grenu
Morgan Stanley; Analyst
Simon LeChipre
Jefferies; Analyst
Rory Mckenzie
UBS; Analyst
William Kirkness
Bernstein Institutional Services; Analyst
Konrad Zomer
ABN Amro ODDO; Analyst
Simon Van Oppen
Kepler Cheuvreux; Analyst
James Rowland Clark
Barclays; Analyst
Virginia Montorsi
Bank of America; Analyst

Benita Barretto
The Adecco Group; Head of Investor Relations & External Communications

Good morning and thank you for joining the Adecco Group's conference call today! I'm Benita Barretto, the Group's Head of Investor Relations and External Communications. And with me are the Adecco Group's CEO, Denis Machuel, and CFO, Valentina Ficaio.

Before we begin, please take note of the disclaimer on slide 2. Today's presentation will reference both GAAP and non-GAAP financial results and operating metrics. This conference call will include forward-looking statements, which are based on current assumptions and, as always, present opportunities as well as risks and uncertainties.

With that, I will now hand over to Denis.

Denis Machuel
The Adecco Group; Chief Executive Officer

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

Let me begin with slide three. I am pleased to present Q1 results that show a strong start to the year.

Organic revenue growth has continued to accelerate. In the first quarter, revenues rose 5.3 percent year-on-year on an organic, trading days-adjusted basis, a strong result. The Group made further strong market share gains, outperforming key competitors by 365 basis points. And we delivered a market-leading, healthy 18.8 percent gross margin.

The Group's EBITA excluding one-offs was 24 percent higher year-on-year on an organic, constant currency basis. In turn, the EBITA margin expanded by 20 basis points year-on-year, to a robust 2.6 percent.

Leverage was reduced 0.2x year-on-year, consistent with the ratio improvement delivered at the end of 2025, while the Group's operating cash flow performance was solid, in line with normal seasonality and reflecting the business' use of working capital during periods of rising revenue growth.

Moreover, the Group has continued to make swift progress with its AI agenda, from which we are capturing encouraging productivity and growth.

Let’s turn to slide four, which highlights how rigorous execution, including deploying AI tools and services, is supporting the Group’s strong growth momentum.

The left-hand side shows flexible placement and outsourcing volume data for the Adecco business. Against a mixed market backdrop, the Adecco Group has seen volumes recovering for over 12 months. In Q1, volumes further improved sequentially, achieving solid growth year-on-year and moving consistently higher than levels achieved in the first quarter two years ago.

Moving to the right-side, our talent supply chain solution delivered healthy operational results this quarter. Looking at performance for our largest clients, the temp placement fill rates improved by 400 basis points year-on-year, with a 25 percent faster time-to-submit and a 30 percent reduction in time-to-fill. As the chart shows, against a backdrop of 20 percent higher demand from our largest clients, we are able to increase filled positions 25 percent year-on-year in Q1. This is a key part of how we gain market share.

So, how did we achieve that?

Well actually, let’s move to slide five, where we highlight how AI is driving productivity and growth across the Group.

We continue to scale a more efficient, integrated AI-driven platform model across the Group. We have consolidated more than 30 Salesforce instances into a single AI-enabled digital platform, with 27,000 recruiters now operating on a common tech stack and all recruiters equipped with GenAI capabilities. Automated order processing is up more than 65 percent year-on-year, year-to-date across nine countries, with plans to drive pace and efficiencies further.

The Group’s agentic AI rollout has accelerated, with agents now added to Germany, Spain and selected Global Recruitment Centers. We will upgrade existing agents this year, and deploy around five new agents. For example, we are currently piloting an onboarding agent in Spain, offering benefits such as instant, automated candidate verification.

We already see tangible operational benefits. More than 30,000 agent conversations are now held monthly, while over 110,000 candidate skills have been updated through agents, enriching our candidate database which supports better search and matching. To date, agents have delivered around 20 percent time savings for our recruiters.

By the end of 2026, we expect 50 percent of Adecco revenues to be covered by agentic AI.

With these agents we will be more efficient and more effective in delivery for our clients. And this, in turn, will help us grow faster.

Let me now hand over to Valentina, to deep dive on our Q1 results.

Valentina Ficaio
The Adecco Group; Chief Financial Officer

Thank you Denis and good morning to all.

Let's begin with GBU developments and Adecco on slide six, where we are pleased to report growth across all regions.

Adecco grew revenues by 6.6 percent, further improved sequentially. In relative terms, Adecco captured 210 basis points of market share gain.

And all regions grew, underpinned by momentum in flexible placement, where revenues increased 6 percent, and in outsourcing, which grew 16 percent. We believe both flex and outsourcing are benefiting from an uncertain geopolitical context, as they are highly agile services, while permanent placement remains soft, declining 7 percent this quarter.

Adecco’s gross profit improved, with the margin mainly reflecting lower permanent placement volumes and the current client mix in flexible placement.

EBITA rose 6 percent, with a margin of 3 percent, mainly reflecting current business mix, largely offset through higher volumes, firm pricing, and G&A savings benefit. Productivity rose 2 percent, and selling FTEs were stable compared to the prior year period.

Let’s now move to Adecco at the segment level on slide seven.

In Adecco France, revenues returned to growth, rising 1 percent, and ahead of market. Onsite activities grew by double-digits, and in sector terms, autos and manufacturing were strong, while healthcare was soft.

The EBITA margin of 1.5 percent mainly reflects current business mix. Management is implementing a cost optimization plan, which delivered 4 million euros run-rate savings at the end of the first quarter.

In Adecco EMEA, excluding France, revenue growth was strong, up 7 percent and sequentially improved. Most territories delivered good performance and grew ahead of competitors.

Looking at the larger markets: Revenues rose 6 percent in Italy, supported by strong activity in logistics, and solid demand in financial services, tech, and autos. Revenues in Iberia were up 16 percent, led by autos, financial services, food & beverage, and consumer goods.

DACH revenues were stable, a good result given market headwinds. Growth was strong in aerospace & defence and autos, while logistics and public sector activity was soft.

In the UK & Ireland, revenues were up 5 percent, despite a tough market, supported by strong demand in financial services and the public sector.

The segment’s EBITA margin of 3 percent mainly reflects current business mix, mitigated by higher volumes and G&A savings. And productivity was up 7 percent.

Turning now to slide eight. Adecco Americas delivered 15 percent revenue growth.

North America continued to successfully execute its improvement plan. Revenues remained very strong, growing 15 percent, and above market trends. In sector terms, consumer goods, food & beverage, and autos performed well.

Latin American revenues remained strong, rising 15 percent, led by Colombia, Peru and Brazil. By sector, logistics, financial services, and retail were strong.

The Americas' EBITA margin of 1.7 percent mainly reflects higher volumes and G&A savings benefit, partly mitigated by investment in capacity to fuel growth. Productivity was stable.

Turning to APAC, revenues continued to advance strongly, growing 8 percent with growth across all territories.

Revenues rose 6 percent in Japan, 12 percent in Asia, 10 percent in India, and 3 percent in Australia & New Zealand. By sector, growth was led by consulting, aerospace & defense, and public sector services. FESCO delivered 20 million euros of income in the quarter, stable year-on-year.

APAC's EBITA margin of 7.2 percent mainly reflects higher volumes and investment in capacity to drive future growth. Productivity rose 2 percent.

Let's now move to slide 9, and Akkodis.

Top-line developments are stabilizing. Revenues were 1 percent lower, with Consulting up 0.4 percent, supported by a strong acceleration in aerospace & defense, which was 22 percent higher.

In EMEA, revenues were 3 percent lower. Looking at key countries, revenues in France were 2 percent higher and ahead of market, with notable strength in aerospace & defense. However, Germany was 5 percent lower, with headwinds in autos partly offset by strong growth in aerospace & defence and manufacturing.

North American revenues were up 5 percent, with Tech Staffing and Consulting up 6 and 4 percent, respectively. In APAC, revenues were 4 percent lower, weighed by Australia, where market conditions remain demanding. Japan was strong, with revenues up 5 percent.

Reflecting mainly the turnaround in Germany, Akkodis' profitability is improving. EBITA rose 23 percent, while the margin of 4.2 percent was 70 basis points higher, also reflecting good project margin developments and a strong utilization rate of 90 percent.

Let's move to slide 10, and LHH's good performance. LHH's revenues were down 1 percent this quarter.

Revenues in Career Transition were up 5 percent. US revenues were 4 percent higher, a strong result given a softer job cuts dynamic in this market. India, Spain and Switzerland performed well, and the businesses' pipeline remains healthy.

In Professional Recruitment Solutions, revenues were 6 percent lower, reflecting continued market headwinds in Permanent Placement. Recruitment Solutions gross

profit was 8 percent lower, with the US also 8 percent lower. Productivity rose 11 percent, with Billing FTEs down 13 percent due to further right-sizing efforts.
In Coaching & Skilling, revenues rose 6 percent, led by Ezra, which grew revenues by 35 percent.

LHH's EBITA was up 50 percent. We were pleased to see the business deliver a double-digit EBITA margin at 11 percent, reflecting positive business mix and strong cost mitigation.

Let's now turn to slide 11 and the Group's gross margin bridge.

On a year-on-year basis, the Group's 18.8 percent margin was driven by:

- An unusually large FX headwind of 20 basis points,
- A 30-basis points impact from flexible placement,
- A 20-basis points impact from permanent placement,
- And, a 10 basis points positive impact in outsourcing, consulting, and other services, mainly driven by Akkodis Germany.

Overall, the result is healthy in the context of the current business mix, moving 40 basis points lower year-on-year on an organic basis.

Let's look at slide 12 and the Group's EBITA bridge.

The EBITA margin excluding one-offs was robust at 2.6 percent, up 20 basis points year-on-year and 40 on a constant currency basis. The 20-basis points result was driven by:

- A 20 basis points negative impact from FX
- 10 basis points favorable impact from Akkodis Germany
- And 30 basis points favorable development from higher gross profits, excluding Akkodis Germany.

Among key metrics, productivity is up 4 percent and G&A costs are at 3.2 percent of revenues, evidencing tight control over SG&A, which is stable year-on-year, and 100 basis points lower as a percentage of revenues.

Moving to slide 13, and the Group's cash flow and financing structure.

The last 12-month cash conversion ratio was strong, at 94 percent.

In Q1, we had an operating cash outflow of 178 million euros, down 34 million euros versus the prior-year period. This cash result reflects good working capital management, working capital absorption for growth, and normal seasonality. The Group's DSO remains best-in-class at 53.3 days.

Including capital expenditure of 22 million euros, free cash outflow was 200 million euros. Alongside strong cash performance, the Group is strengthening its financial structure.

The net debt to EBITDA ratio improved 0.2 times, consistent with year-end 2025 progress on deleveraging, affirming progress to meet our commitment to bring the net debt to EBITDA ratio to 1.5 times or below by the end of 2027, absent any major macroeconomic or geopolitical disruption.

In April, the Group successfully issued a 450 million euros hybrid bond with an attractive coupon of 4.875 percent.

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 76 percent of its outstanding gross debts, and no financial covenants on any of its outstanding debts.

With regards to the dividend, 53 percent of shareholders elected for the scrip, resulting in 5.3 million new shares issued at 16.94 Swiss francs per share, and 79 million Swiss francs of cash distribution in Q2. We are pleased with the take-up of our scrip dividend and thank our shareholders for their continued partnership.

Moving on to slide 14, where we provide our near-term outlook.

The Group has seen a continuation of the positive momentum in volumes to date this quarter.

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

We are rigorously executing the Group's strategy and run-and-change priorities, focusing on market share gains while managing costs and capacity with discipline to continue driving profitable growth.

And with that, I'll hand back to Denis.

Denis Machuel
The Adecco Group; Chief Executive Officer

Thank you Valentina. Let's now turn to slide 15.

Before I conclude, let me share an EC leadership change. Ranjit de Sousa has been appointed as President of LHH and member of the Executive Committee, effective May 13. He will succeed Gaëlle de la Fosse, who has decided to leave the company to pursue opportunities outside the Group following a handover period.

I would like to sincerely and warmly thank Gaëlle for her significant contribution over the past four years. Under her vision, LHH has been repositioned into an end-to-end executive and professional talent solutions leader.

And we are pleased to welcome Ranjit back to the Adecco Group to lead LHH. He is a highly effective leader who will build on the strong momentum of LHH, using his experience and track record to further drive innovation, leveraging human-centric AI and ensuring clients and candidates benefit from the full power of the Adecco Group's offering.

Moving to slide 16, let me conclude with our key takeaways:

We have made a strong start to 2026. We have delivered strong revenue growth and market share gains in the first quarter, with AI deployment demonstrably driving competitive strength.

The Group's EBITA increased by 24 percent, a strong improvement that reflects disciplined strategic execution and rigorous cost management. Productivity was up 4 percent year-on-year.

The balance sheet is improved, and there is more to come. Deleveraging remains the clear priority for the Group.

And with that, we would like to thank you for your attention and open the lines for Q&A. Operator, we are ready for the first question please.

Suhasini Varanasi
Goldman Sachs; Analyst

Just one for me, please. I think on SG&A, maybe there was a little bit of a surprise to the upside on costs in first quarter, and you're continuing to invest going into the next quarter. Can you maybe help us understand the dynamics behind this development here? Which are the regions where you're choosing to invest? And what changed as opposed to the course of the quarter that made you want to invest a bit more?

Denis Machuel
The Adecco Group; Chief Executive Officer

I think Vale, who likes to control as much as I do, by the way, I'd like to control the cost, will answer that question.

Valentina Ficaio
The Adecco Group; Chief Financial Officer

Thank you, Suhasini for the question.

I think what is clearly the takeaway is that the revenue growth that we've seen stepping into Q1 '26 was very strong. And as always, we are very close to the behavior that each country shows and we take deliberate choices to ensure that whenever we see growth, we capture it.

So selectively, we have chosen to invest a bit more in some of these countries to ensure that we capture this growth, which, by the way, we've done successfully in Q1 and it was profitable growth, as you've seen how this improved our profit year-on-year.

And we see this momentum continuing. So it is very important that we remind ourselves that to make these delivery choices is relevant also because we need to ensure that we have the right capacity stepping in Q2 and more importantly, into H2; where volumes go up, trading days go up, and then the opportunities of growth become even more important.

So that's how we thought about it, and that's how you should think about us investing a bit more in these territories that are growing.

Denis Machuel
The Adecco Group; Chief Executive Officer

Yes. I just want to say we are also very focused on maintaining our G&A costs flat and at below 3.5% of revenue, we are laser focused on that.

Remi Grenu
Morgan Stanley; Analyst

Two questions on my side, if I may.

So, the first one is related to the previous question on SG&A, maybe taking a little bit of a step back there. When you were talking about AI implementation time, 20% time less for recruiters, increase in productivity. One could afford that this could translate into higher drop-through or lower necessity to invest in cost when the volume comes back.

I guess the question would be whether you think it's just a matter of time, it takes time for these initiatives to yield financial results? And if so, when would you expect to see the benefit materializing on the P&L? So that's the first question on AI and cost.

The second one is on the current momentum. Looking at the data published in March and April from the different providers, it feels very little bit, and tell me if I'm wrong, that temp has continued to gradually improve. But perm has deteriorated a little bit once again and was weaker.

So of course, different by countries, but are you seeing something which is consistent with that trend? And if so, would you say it's consistent with what's happening in the Middle East, higher uncertainty and clients moving toward flex placement?

And the last question is Akkodis. I think Germany, as you were saying, was probably a little bit weaker. So any additional flavor you can give on that? Whether you think it's a multi-quarter weakness we can expect? Is it the beginning of an inflection towards a little bit of a deterioration? And do you feel like at this point, you need to maybe adjust the size of the bench or take any significant actions?

Denis Machuel
The Adecco Group; Chief Executive Officer

Thank you, Remi. I'm going to start with AI, and then I think Valentina will complement.

But we're very optimistic about how we are scaling AI. But it's still in scaling mode, okay? What we see is productivity coming in, okay? And that's going to be very promising in the future. It helps us gain market share.

In terms of the cost, particularly when we scale agentic AI, we signed a contract with Salesforce that gives us unlimited access to agents for a fixed price. This means whatever volume we put on top, we don't have additional costs. So I think that's a pretty good thing.

But maybe in terms of the dynamic of the drop-through, you want to say something, Valentina? And then I'm going to go on the market improvement and the other questions.

Valentina Ficaio
The Adecco Group; Chief Financial Officer

Well, I think is very important, building on what Denis said, we're really driving the return on investments of these modest investments that we are doing in AI. That, by the way, within the business, the usage we keep within the selling cost to ensure that accountability is driven and within the results that the leaders are delivering.

But I think, what's really important Remi, on a year-on-year basis, revenues were up 5.3%. Our SG&A ratio over revenues is down 100 basis points. So that tells you that this revenue growth that we are generating with additional gross profit is dropping through.

The fact that, on a year-on-year basis, our EBITA improved 24% organically is true profit generated, flat year-on-year. So this is growth that is not just profitable, but driven by strong productivity, also thanks to AI, dropping 100% through with additional profit. This is important, and you have to look at it also from a year-on-year perspective.

Denis Machuel
The Adecco Group; Chief Executive Officer

Now on the trends. As we said, we have seen a positive trend in the volumes, on the flex volumes all through Q1 and it continues in Q2, which makes us very positive about the future. It's driven probably by the uncertain economy, that favors more flexible placement than permanent placement.

So you're right, permanent placement, I don't think it's deteriorating. It's just the same trend that we've seen mostly linked to uncertainty where clients do not want to bet on recruiting permanently. It's true across many geographies.

However, if you think about three particular geographies where we have a pretty nice momentum. In Adecco, Spain is growing 8% in permanent recruitment and you know how good the economy is in Spain. In APAC, we are growing 10% in permanent recruitment in Adecco. In LHH, we are growing 19% in LatAm in permanent recruitment. We're growing 3% in Spain.

The problem is the rest of the regions are probably more sensitive to macros. And yes, it's true that at the moment, it's subdued.

But let's be clear, we're still doing close to EUR 1 billion in permanent recruitment. So it's still a nice business, and it will remain quite dynamic. It will continue, albeit at lower levels. However, we're well positioned whenever the recovery comes. And we, of course, are managing capacity.

Macros today support flex, and we are seeing continuous momentum on flex volumes and also outsourcing, we mentioned 16% growth in outsourcing.

Now Germany, definitely, we have two sides of the coin. We have still pressure on autos, okay? Yes, we were expecting a little bit more dynamic. There's still pressure and it's mainly coming from the German OEMs, and it is what it is.

However, on the other side, we have fantastic growth in aerospace and defense, 26%, with all the large clients that we have. We've seen growth in energy, growth in manufacturing. So there is momentum here.

However, of course, given the size of autos in Germany, it puts pressure on the overall results. Our margin is up 70 basis points year-on-year.

We are, to your point Remi, managing the bench. So we are adjusting, we are continuing to do savings. We see the top line stabilizing, I would not say fully stable yet, but stabilizing. And we are very actively saving costs. We've done two divestments, and we're managing the bench very, very actively.

So I think on the midterm, I have a positive outlook in Germany. At the moment, it’s still a bit under pressure.

Simon LeChipre
Jefferies; Analyst

Three, please. First of all, could you give us a bridge for the gross margin in Q2? And what is the degree of conservatism baked into this guidance given it has been a few quarters in a row now where GM came in weaker than expected?

And secondly, can you help us understand why gross margin would come down in Q2 while SG&A would go up?

And lastly, a follow-up on one of the previous questions. You are talking about profitable growth and the productivity gain from AI, but if we look at the gross margin of the temp business, it has been incrementally weaker over the past quarter. So does that mean that you are sharing most of the productive gains with clients and then driving this deflationary trend?

Valentina Ficaio
The Adecco Group; Chief Financial Officer

Thanks, Simon. I'll take your first and second question, and then I'll hand over to Denis for the third one.

Looking at the outlook, first on gross margin. What we see, and what you should model thinking about Q2, is marginally lower in the region of 20 basis points, considering that FX will continue to be a headwind. Albeit smaller than what you've seen in Q1, so more in the region of 10 basis points.

You were asking why we have to think about this being lower? I think we also have to remember that Q2 in comparison to Q1, seasonally, we always see volumes in larger clients being a bit bigger. And there are also the trading days that are actually lower. So these are the main elements that I would model.

Looking at SG&A. G&A is tightly under control, well below 3.5. We continue to capture pockets of efficiencies, but there's continuation.

You have to think about our guidance in light of the strong momentum on growth that we continue to see. We will continue to selectively invest in assets to ensure that we capture that growth. H2 will be up in terms of trading days, so we have to be prepared to capture that growth.

But productivity will continue to be strong and up. So you should also model for our SG&A ratio over sales on a year-on-year perspective to perform well and down on a year-on-year basis.

Denis Machuel
The Adecco Group; Chief Executive Officer

So with regards to the productivity gains from AI. AI helps us really reduce our cost to serve with the large clients, and large clients are very competitive.

So when you talk about the pressure on gross margin, there's a lot that's coming from the mix because we are growing very, very nicely in our large clients. And there's a bit of a difference with the growth on small and medium companies, which is a big focus now for sure. And of course, driving better cost to serve to serve our clients is fundamental.

It's not that we are sharing productivity gains with clients. I mean, the environment with the large ones is always very competitive. We are scaling AI, more and more, to improve our cost to serve, improve our productivity, and that's going to help us sustain our gross margin. But the thing is more the mix than what happens on the client side.

The spread bill rate, pay rate is still positive, so it's a question of mix. And I'm very positive with the way we are scaling on the front line with our clients that delivers efficiency, that delivers value creation. We are able to deliver candidates faster to our clients. We have better qualification, so this is very promising as we move.

We will also deploy AI in the branches, in our network. It takes a bit more time than scaling AI in our global recruitment centers, but we are currently piloting AI in what we call branch of the future and getting all the learnings that we have from the large accounts and smaller ones. We'll keep you posted on that, but that is also promising.

Rory Mckenzie
UBS; Analyst

It's Rory here. I just want to ask again about the gross margin because I think we're still seeing it as a puzzle. If I look at the absolute organic growth in revenues and the absolute organic growth in gross profit that you report for the last four quarters, I calculate an incremental organic gross margin of 10%. Now that last 12 months is the period in which you have returned to growth.

So I guess, why shouldn't we think that 10% gross margin is representative of the average margin that you're able to win in this environment? What's going on within that, which explains why I'm only measuring a 10% margin?

Valentina Ficaio
The Adecco Group; Chief Financial Officer

Thanks, Rory. I'll try to unpack it a bit more for you.

The reason why you see that difference is clearly coming from the mix. And when I talk about mix, it's on the one hand, client mix, yes, because the further growth that has accelerated even more in Q1 comes from larger clients, but it's also country mix. So you have seen that we have grown, in some cases, even double digits in some countries. That's also mainly based on the fact that we have lower salaries on average terms, that also skews our gross margin overall a little bit down.

However, that helps us with the SG&A ratio. That is why you see such a strong performance also of the SG&A ratio year-over-year going down. So you have to look at those two in conjunction.

If you look only at the gross profit in absolute terms growing, you see both of those impacts, client mix, but also the country mix.

Rory Mckenzie
UBS; Analyst

My second question, I've been playing with this morning, if I look at the organic growth in SG&A over that last four quarters, I think I get to an organic incremental conversion ratio of 101% for the last 12 months, which obviously is great. But again, in some ways, it looks perhaps unsustainable at that level to drop everything through to profits.

Valentina Ficaio
The Adecco Group; Chief Financial Officer
I think what you mean is that there are more levers, right? There are more levers that we are starting to pull and will come through more strongly over the next quarters because when I think about Akkodis Germany, not the vast majority has come in, more will come. There is further improvement in North America. There is a clear further improvement coming from France.

So you have to expect improvement coming not just from this. The relationship between gross profit growing and how do we deal with this, but also the other areas that we're working on to diversify, and also to improve and turn around some of the units.

William Kirkness
Bernstein Institutional Services; Analyst

I've got two, please. So firstly, you mentioned fill rates and pay rates spreads still positive. I was wondering if you could talk about price versus volume, those components overall in the growth in temp and whether you're seeing wage inflation or conversations about wage inflation creeping back?

And then secondly, just looking at a couple of regions and I guess sort of linking in with Rory's question to some degree. So in France, you've got growth coming through now, but margin is down a bit. I guess you would expect that to sort of correct in the coming quarters? Just interested in the outlook there.

And then in Americas, I appreciate margins up year-on-year, but you see very good growth there and there's been a number of years, I think, of self-help turnaround. So just wondering there why margins still sub-2% and where you would expect those to move to over the coming quarters?

Denis Machuel
The Adecco Group; Chief Executive Officer

I think Valentina will take the first one, and I'll take your second part.

Valentina Ficaio
The Adecco Group; Chief Financial Officer

Yes, thanks Will. So you've heard already Denis mentioning that it continues to grow positively in terms of bill to pay rate.

You were mentioning the behavior on wage inflation, what we see consistently now is very modest wage inflation, and this is applicable both to what we see based on our cost base but also in the market. So that's how you should model it moving forward. Very modest wage inflation, spread continues to be positive.

Denis Machuel
The Adecco Group; Chief Executive Officer

So as far as the two regions you're mentioning; France, we're pleased to be back to growth. We are at 1%, and ahead of the market, which is good. We have, again, the mix that Valentina was talking about.

We still have a better dynamic with large accounts than with small and medium enterprises, which of course, again, weighs on the profitability.

We have strong plan to do several things. First of all, to reactivate strongly how we go to market with small and medium enterprises, that is underway. We also want to scale up faster the talent supply chain model that helps us reduce our cost to serve, so that profitability with the large accounts improves.

We also have an SG&A program to make sure that we delivered EUR 4 million of cost optimization. And we believe there's still pockets of permanent placement opportunities in tech, in construction, in a few sectors. So I think this will be helping us in the quarters to come.

Just a quick parenthesis, we're talking about Adecco, but Akkodis is growing 2%, aerospace and defense is growing 13%, autos even growing 3% in Akkodis. So on that side, we have a very good momentum in France.

U.S. or Americas, we are growing nicely, and it's the same thing. We are growing 15% and improved the margin 60 basis points. But as you said, it was still below 2%.

It's a series of things. First of all, we grow faster in large accounts, 21% versus small and medium, 7%. The branches, we had to recover it from a very difficult situation. The turnaround plan was, first, to drive growth in large accounts and then progressively improve, branch after branch, the profitability in our growth market.

We have 12% more profitable branches in Q1, that at the end of 2025. So that's good, it's progressing. But we started four years ago from a very, very difficult situation. So we're improving, but more to come, and that's going to deliver progressively EBITA.

I remind you that 2025 was the first year where we were positive in EBITA, after so many years of being negative. So it's trending nicely, we're doing the right things. We have traction in MSP business, and the General Staffing revenue retention continues to

be over 100%. We are accelerating the talent supply chain model, and seeing 25% fill rate improvement, Q1 versus Q4, in our competence development center.

So we have traction. Given the size of the business, it takes time to fully deliver, but it's on track. Quarter-after-quarter, we're improving. We have a solid pipeline yes, we are anniversarying a few large clients, but we still have a solid pipeline.

So I am very confident that our plan is delivering, and we continue to see nice results.

Konrad Zomer
ABN Amro ODDO; Analyst

I just wanted to come back on the margin development in Q1. I think you've done really well on the top line. But clearly, the operating margin is still below 3%. And I think most of us on the call have already expressed a slight disappointment on the gross margin development.

To me, it reads a bit like if markets go down, you struggle to fight the negative operating leverage, but if markets go up or at least if your top line goes up, you need to invest more in the business.

Is it fair to say that structurally, over time, there will continue to be negative pressure on both the gross and the EBITA margin? Is that how you look at your business? Or do you still think you can get margins back up to historic levels?

Valentina Ficaio
The Adecco Group; Chief Financial Officer

Thanks, so let me just start with one point.

You mentioned that when we grow, we need to invest. In Q1, we've grown 5.3% and our SG&A were flat, and our SG&A over revenues was down 100 basis points. So I don't think that I agree when we say that to grow, we need to invest. That is exactly what we are demonstrating here. We are growing, and the growth is dropping through in profit.

Gross profit was up 3% in Q1. EBITA was up 24% organic constant currency. Net income was up 41% organic constant currency.

So, I really think we have to be careful when we look at our year-on-year drop through of the growth that has been very profitable.

I also want to remind you of one more thing. You mentioned us landing in Q1 below 3%, it's correct, it's 2.6%. However, you know that typically, our margin expands way more stepping into H2 versus H1. This is normal because Q1 and Q2, our lower volumes, lower trading days, lower working days. So, it is a normal behavior.

What is important, I believe, is that year-on-year, also the margin is up 20 basis points. If you consider the fact that we had an unusually high FX headwind of 20 basis points.

On absolute terms we're growing, but also in relative terms, we're really growing year-on-year. Its strength to growth is materializing more profit.

Simon Van Oppen
Kepler Cheuvreux; Analyst

One question for me, please. Obviously, in Q1, solid performance in terms of top line for Adecco, whereas Akkodis and LHH remains somewhat under pressure.

I would just have a question under what circumstances would you consider selling one of your GBAs or exit certain markets permanently where you don't expect growth to come back?

Denis Machuel
The Adecco Group; Chief Executive Officer

Well, we are really pleased with the portfolio that we have. And as you understand, we have a growth agenda, and every single piece of our business can deliver growth.

Now we are constantly, of course, scanning the portfolio to make sure that we believe that every component of it remains relevant. For example in Germany, we've divested this past year. In the beginning of this year, we've divested small businesses that we believed were not bringing value and were a drag to our performance.

So we've done that, and we continue to do that. There is nothing in our portfolio, of massive importance, that would justify sell.

In terms of markets, I mean, as you could see, we are in a good place in many, many markets. There's no market that we don't think we couldn't turn around.

Now if you look at Akkodis overall, we have Germany, for sure; and its autos, right? But Akkodis France is plus 2%, Italy is plus 4%, U.K. is plus 12%, Japan is plus 5%, U.S. is growing as well, like plus 5%. So this is growing. We have just this topic in Germany.

We're also growing strongly in aerospace and defense in Akkodis, 22% overall, even in Germany, we're growing 26%, okay? So we have very good underlying elements to our performance.

In LHH, yes, at the moment, we have a subdued market in permanent recruitment, but Career Transition is growing 5%. Coaching platform, growing 35%. So all these elements make us very confident that our growth agenda will continue to deliver. To Vale's earlier point, this growth that we have in revenue is very, very nicely dropping through into EBITA and EPS.

James Rowland Clark
Barclays; Analyst

Two quick questions, please. One on the outlook. You talked about your positive volume momentum continuing from Q1 to Q2, but the comps get about 2 percentage points tougher.

So can you just help us with sort of on a year-on-year organic trend, whether you think you're seeing the same level of growth as Q1 or maybe given the tough comps if you're touch below that, but obviously, that's still positive year-on-year?

And then in APAC, the margin is a fraction softer year-on-year, but it's already very high. And the reason they are a very big profit contributor for the overall group. I know you're investing there, looking to grow quickly, but is there a margin growth story here as well? Or should we think about flat performance in the medium term, given you're putting a little branch and capacity into the region?

Denis Machuel
The Adecco Group; Chief Executive Officer

Thank you, James. I'm very confident in the fact that we are able, yes comp base is getting tougher, but look at the dynamic that we have. Look at the progressive growth

that we demonstrated since the beginning of 2025, okay? Our teams are super motivated. They are compensated also through relative revenue growth.

You heard me say that probably many times. I tell the team, I don't care about macros, what matters is that you run faster than the others. And that's how we've designed the incentives. We are on fragmented market, so we're able to grow through very active sales team through a very strong value proposition across all these services that are very meaningful with our clients. We're able to grow because we are more and more efficient in the way we serve our clients. So I'm confident.

Are we going to have the same differential? I don't know. But I can tell you, we are on it. Volumes are trending very, very nicely so far.

Valentina Ficaio
The Adecco Group; Chief Financial Officer

And on your APAC question, of course, we're very pleased with the results in APAC. And I have to say that we are pleased on both, when we look at Adecco but also Akkodis. We see APAC, of course, as an engine of growth, and it is profitable growth.

If I think about Adecco countries, I mean our biggest country is Japan; and it's growing profitably. Productivity is up, and is one of the areas where we are investing because we see more opportunities. It's also an area where we grow nicely, not just in flex but also in outsourcing, and that's accretive for our margin.

And when I think about Akkodis, also Japan is a growth story, and the profit is also very nice. It's one of the countries that has the highest profitability within the Akkodis GBU.

So we're pleased. APAC is not just the growth, but it's a profitable growth story for sure for the Group.

Virginia Montorsi
Bank of America; Analyst

I just had an additional on Akkodis. Could you help us understand a little bit more what you're seeing on aerospace and defense as opposed to autos? It’s two very different end markets and how you're thinking about the end of the year? I know you've touched

on this on the call, but especially in A&D, it would be interesting to understand a bit more how you're thinking about this space?

Denis Machuel
The Adecco Group; Chief Executive Officer

Yes. Thank you for your question.

We are having great momentum in aerospace and defense. We have very good momentum in Adecco as well, we're growing high double digits in aerospace. It's smaller volumes, of course, but we are having a good trend.

In Akkodis, as I said, we are growing 22%. It's across most of our geographies and it's a mix of, of course, the investment that the defense sector is doing in many, many countries linked to the geopolitics, but also aerospace has a really great, great momentum.

So Akkodis is growing 22% in aerospace and defense. I mentioned even in Germany, we're growing 26%. That's really good.

And we're growing with all the major players. The Airbus, Thales, Safran, Rheinmetall and Deutsche Aircraft, all these big clients are asking us to support them.

In France, we are growing 13% in aerospace and defense as well, so there's great momentum. We are doubling-down on this sector. We are building capacity because there's really a long tail of projects that we have. We have great perspective, and we have extremely good positioning.

I trust our large clients, and what they have with us is really encouraging. We see this as a very, very positive supporting trend in the future.

Simon LeChipre
Jefferies; Analyst
Yes, a quick follow-up please, on the debt refinancing. Can you give us a refresh on the maturity profile of your debt and any material refinancing coming up? And what would be the implications for your interest cost for 2027? Should it go up from the EUR 80 million you are expecting for 2026?

Valentina Ficaio
The Adecco Group; Chief Financial Officer

So no, we're guiding from EUR 68 million in 2025 to EUR 80 million, mainly because of the hybrid bond that we've successfully issued last April, but we were very pleased because the coupon was very well done by our Group Treasury team.

In terms of profile of that, we continue to repay. So you would expect that not only, of course, we will repay the EUR 500 million hybrid bond in December 2026, but we also repaid the CHF 100 million Swiss franc bonds that also matures this year.

So gross debt continues to go down in line with our trajectory to delever.

Denis Machuel
The Adecco Group; Chief Executive Officer

Thank you very much to all of you who have attended the call.

As you could hear from what we said, we are very confident in the future.

Since I joined four years ago, my agenda has been to grow the business in fragmented markets, okay. This is what is ahead of us, we've proven for the past 15 quarters, we've outperformed and gained share, 13 of them. And as we have this healthy top line, this is driving absolute profit growth. 5% revenue growth, 24% EBITA growth this quarter, 41% EPS growth this quarter, okay.

This is my agenda and it's delivering. We have big opportunities ahead of us. I was mentioning aerospace and defense, where we're doubling down and investing in further capabilities. I am extremely confident in the future. We have seen the volumes nicely growing in early Q2. We are in a very good place for this year.

Thank you very much for all your questions, and I look forward to maybe more close interactions in the weeks to come as we do our road show.

Have a great day. Thank you very much.