



THE ADECCO GROUP



# Q1 2018 results

8 May 2018

## Disclaimer & note on terminology

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### Forward-looking statements

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

### Non-US GAAP measures used

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

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

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

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

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

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

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

# Agenda

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- Highlights Q1 2018 – Alain Dehaze, Group CEO
- Financial Performance – Hans Ploos van Amstel, Group CFO
- Strategic and Operational Progress – Alain Dehaze, Group CEO
- Questions & Answers



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# Highlights Q1 2018

Alain Dehaze  
Group CEO

# Key highlights from the Q1 2018 results

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## Q1 2018 financial summary

- Revenue growth 6% organically and trading days adjusted
- Strong performance in permanent placement, revenues up 18% organically
- Gross margin 18.1%; down 60 bps organically, impacted by timing of bank holidays (-25 bps), higher sickness rates and strikes in Germany (-10 bps), and lower CICE (-15 bps)
- EBITA margin excl. one-offs 3.8%; down 100 bps, due to lower gross margin, FTE growth and strategic investments
- Revenues in March and April up 5-6%, organically and trading days adjusted
- Margin trend to improve from Q2, as impact of investments reduces and bank holidays become favourable

## Investing in our Perform, Transform, Innovate agenda

- GrowTogether: redefining customer experience and productivity, benefits starting in H2
- Acquisition of General Assembly creates unique solutions that directly respond to client demand



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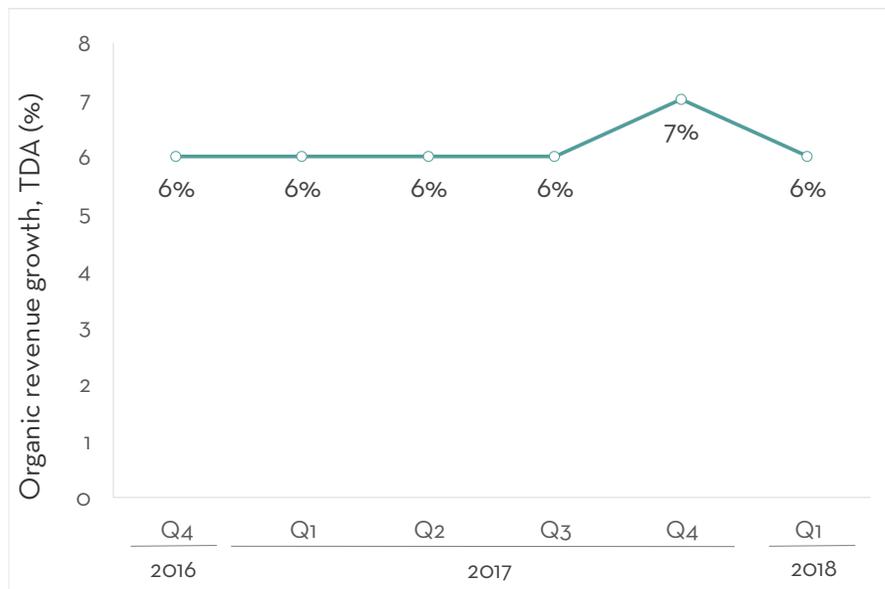
# Financial performance

Hans Ploos van Amstel

Group CFO

# Positive revenue momentum continues

## Group revenue growth



- Continuation of the positive revenue momentum
- Improvement in France and Iberia offset by lower growth in North America, UK & Ireland - General Staffing and Italy

## Segment revenue growth

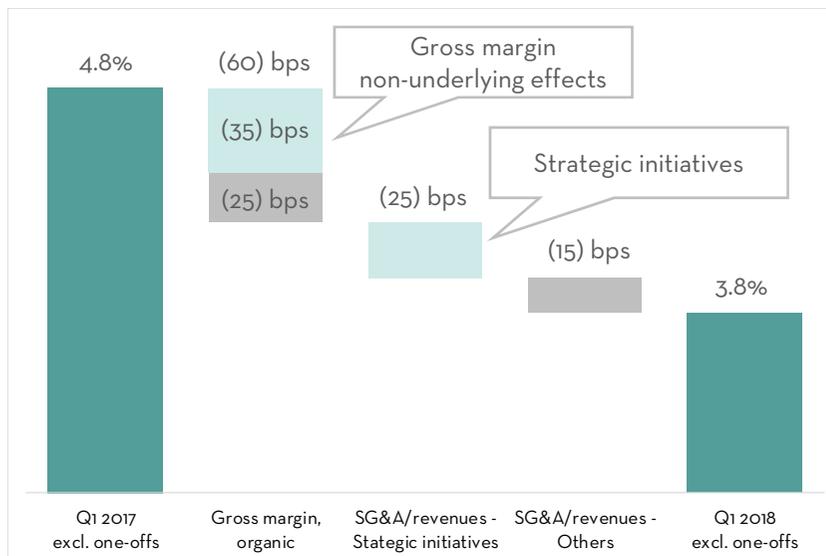
	Organic revenue growth, trading days adjusted	
	Q1 2018	vs market
France	10%	=
NA, UK&I General Staffing	-1%	NA - / = UK&I
NA, UK&I Professional Staffing	-2%	NA + / - UK&I
Germany, Austria, Switzerland	2%	G&A - / = CH
Benelux and Nordics	10%	BEN + / = NOR
Italy	19%	=
Japan	5%	=
Iberia	15%	+
Rest of World	6%	=
Lee Hecht Harrison	-9%	+
<b>Adecco Group</b>	<b>6%</b>	

+ above market, = in-line with market, - below market

- Market outperformance in North America PS, Benelux, Iberia and Lee Hecht Harrison
- LHH decline reflects counter-cyclical nature of Career Transition

# EBITA margin impacted by gross margin non-underlying effects and strategic investments

## Group EBITA margin YoY



- EBITA margin excluding one-offs declined by 100 bps YoY, including 35 bps of non-underlying gross margin effects and 25 bps investments in strategic initiatives

## Segment EBITA margins YoY

	EBITA margin excluding one-offs	
	Q1 2018	Variance
France	5.2%	(80) bps
NA, UK&I General Staffing	2.3%	(100) bps
NA, UK&I Professional Staffing	5.0%	(60) bps
Germany, Austria, Switzerland	1.2%	(410) bps
Benelux & Nordics	1.9%	(170) bps
Italy	7.4%	40 bps
Japan	7.2%	(20) bps
Iberia	4.6%	70 bps
Rest of World	2.8%	(20) bps
Lee Hecht Harrison	25.6%	(350) bps
<b>Adecco Group</b>	<b>3.8%</b>	<b>(100) bps</b>

- France impacted by reduction in CICE
- Investments mainly impacted the EBITA margin in France, NA, UK&I and Japan
- Germany, Austria, Switzerland and Benelux & Nordics impacted by timing of public holidays and high sickness rate

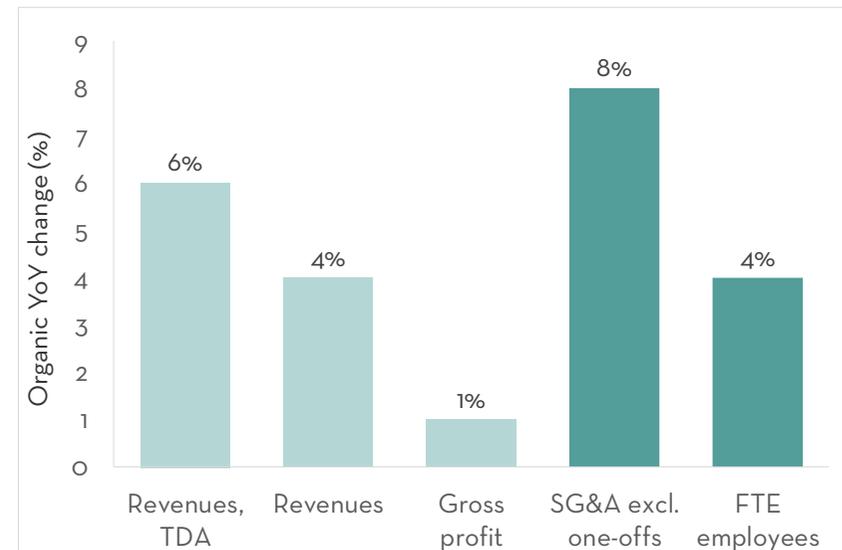
# Underlying gross margin trend slightly improved, SG&A increase driven by investments in FTEs and strategic initiatives

## Gross margin YoY

bps	FY 2017	Q1 2018
<b>Reported</b>	<b>(40)</b>	<b>(70)</b>
Acquisitions/divestments	(10)	10
Currency	10	(20)
<b>Organic</b>	<b>(40)</b>	<b>(60)</b>
Temporary staffing	(40)	(60)
Permanent placement	10	20
Career Transition	(10)	(20)

- Q1 2018 organic gross margin decline was -60 bps
- Temp staffing gross margin -60 bps in Q1, including -35 bps one-offs (bank holiday, sickness and strikes). Underlying temp staffing gross margin -25 bps (including CICE -15 bps & price/mix -10 bps)
- Career Transition -20 bps impact, Permanent placement +20 bps impact

## SG&A productivity



- Full-time equivalent (FTE) employees up 4%, to support revenue growth
- SG&A growth includes investments in strategic initiatives of 2%
- Unfavourable comparison with prior year due to very strong productivity growth in Q1 2017

# Strong balance sheet

## Cash conversion

- Cash flows from operations of EUR 16 million in Q1 2018, compared to EUR 115 million in Q1 2017
- For Q1 2018, cash conversion was 75%, compared to 80% in FY 2017, driven by lower net income and timing of working capital payments
- DSO 53 days in Q1 2018, from 51 days in Q1 2017 impacted by timing of Easter and mix of revenue growth

## Net debt

- Net debt EUR 1,143 million at end of March 2018, vs. EUR 994 million at end of December 2017
- Net debt to EBITDA excluding one-offs 1.0x at end of March 2018 vs 0.7x at end of March 2017
- Increase in net debt YoY driven by share buyback, M&A and working capital



○ = net debt to EBITDA excluding one-offs

## Growth momentum continues into March and April 2018

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### Exit rate

- Revenues in March & April 2018 up 5-6%, organically and trading days adjusted
- In Q2 2018, bank holiday phasing will be favourable and is expected to positively impact Group gross margin by approximately 15 bps compared to Q2 2017



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# Strategic and operational progress

Alain Dehaze

Group CEO

# GrowTogether: transforming our processes and customer experience

## 1) New front-office tools - fully integrated with customer facing platforms

- France: Candidate App 'Adecco et Moi'



- Today → >176,000 downloads, 32% of temps using the App
- End 2018 → 300,000 downloads, 50% of temps using the App

## 2) Time-capture to collection process digitisation

- Netherlands: Time capture and interpretation



- Fully digitised by end 2018

## 3) Client and candidate experience

- NPS activation program



# General Assembly is a pioneer in education and career transformation

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“General Assembly is the solution to the global skills gap”  
Jake Schwartz, CEO & Co-Founder

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GA offers employer-focused, practitioner-taught technical skills training and development in high-demand 21<sup>st</sup>-century digital skills, such as coding, data science, UX design and digital marketing.

Bridging the divide between education and employment; courses and content are designed to deliver the skills that GA's 10,000+ hiring partners identify as being in most short supply.

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## Global footprint and fast growing

- Founded in 2011, headquartered in NYC
- 50,000+ Global Alumni
- 600,000+ attendees of classes/workshops/events
- 350+ enterprise clients
- 20 Bootcamps in 6 countries
- Fast growing; 3-year revenue CAGR of 30%  
FY2017 revenues of USD 100 million

## Proven outcomes for students and employers

- 99% of full-time course graduates have a job in their chosen field within 6 months
- High customer satisfaction (NPS: 50+)
- “Most Innovative Company in Education”  
FastCompany awards 2015

# General Assembly delivers Consumer and Enterprise solutions across multiple channels



Students

Acquire skills to get a job or a promotion

B2C



New Employee Bootcamps

Bespoke programmes to onboard new talent



Upskill / Reskill Bootcamps

Transform the skills of existing employees

B2B



Talent Pipeline as a Service (TPaaS)

Source, train and onboard new talent

Classroom, onsite, online, blended.  
Full-time, part-time and individual classes

# Combination creates unique solutions

## Synergies for the Adecco Group

- Responds to strong client demand for up-skilling and re-skilling services
- Enhances value proposition of Lee Hecht Harrison; from career transition to workforce transformation
- Professional Staffing & Solutions brands gain access to a pool of highly-skilled talent
- Leverages multiple workforce megatrends to expand into a high-growth, high-margin adjacent market

## Synergies for General Assembly

- Access to 100,000+ enterprise clients to support lead generation and cross-selling
- Access to the Adecco Group candidates and data
- Ability to leverage the Adecco Group's global infrastructure to facilitate geographical expansion
- Comprehensive labour market knowledge to support the development of new programmes

# General Assembly fulfils the Adecco Group's acquisition criteria

"Buy-and-build" acquisition strategy means that with any acquisition...

General Assembly...

**1** We accelerate our strategic development, broadening and diversifying our offering

✓ Expands the Adecco Group's up-/re-skilling solutions, responding to a clear demand from our clients

**2** We are a 'better owner' of the business, revenue and/or cost synergies are achievable with our existing activities

✓ Significant revenue synergies with Lee Hecht Harrison and Professional Staffing & Solutions brands

**3** We create value for our shareholders, delivering positive EVA within 3 years

✓ EVA positive by 2021, with significant long-term value creation

## Concluding messages of Q1 2018

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- Positive revenue growth continues, with March/April combined up 5-6%, organically and trading days adjusted
- Continued investment in our Perform, Transform, Innovate agenda
- Margin trend will improve from Q2, as non-underlying impacts reduce and returns on strategic investments increase into H2



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# Questions & Answers

## Key Dates 2018

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Date	Event
9 August 2018	Q2 2018 results
19 September 2018	Investor Day
6 November 2018	Q3 2018 results



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