THE ADECCO GROUP

# DISCIPLINED FOCUS AND STRATEGIC CONTINUITY THROUGH THE CRISIS

## Business continuity and financial stability ensured; supporting customers through the crisis while preparing to capitalise in the recovery

### Summary and highlights

- Revenues down 9% year-on-year on a reported basis, and also organically[1] and trading days adjusted (TDA)
- Sharp revenue slowdown in March (-19% TDA), further accelerating in April (approx. -40%), reflecting unprecedented lockdown measures implemented in many countries in response to COVID-19
- Gross margin remained resilient, up 20 bps yoy to 19.3%, supported by market leadership in LHH (career transition)
- EBITA[2] margin excluding one-offs[3] 3.0%, down 100 bps yoy, impacted by the abrupt revenue decline in March
- Strong financial position and liquidity: Net Debt/EBITDA[4] excluding one-offs 0.3x, EUR 1.4 billion cash on hand, EUR 600 million undrawn Revolving Credit Facility, supported by resilient through-the-cycle cash flow dynamics. Share buyback paused due to COVID-19 crisis
- Goodwill impairment in Germany, Austria, Switzerland of EUR 362 million, linked to COVID-19 crisis
- Continued investment and progress in the Group's strategic priorities – GrowTogether, IT and the Ventures

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"The COVID-19 pandemic and associated containment measures have created an unprecedented public health and economic crisis. We are fortunate to have entered the crisis in a position of financial and operational strength with a strong balance sheet, good liquidity and robust IT infrastructure, due to the transformation work we have undertaken over the past few years. Throughout the crisis, our primary focus has been on securing the wellbeing and safety of our colleagues and associates, supporting our clients to manage their human capital needs, and responding in an agile way as the environment rapidly shifts. In a short period of time we were able to switch to a virtual operating model, with 80% of our global colleagues working from home. The recent investments we made in IT and digital allowed us to recruit, sell and operate our middle- and back-offices in a fully remote way.

We maintained a disciplined approach to cost management through the first quarter, while not losing sight of our long-term strategic priorities, which will position our business well when the recovery comes. We launched our Integrated Front-Office in Japan in Q1, with further roll-outs planned in France and Spain in Q2, we continued to build our digital products pipeline, and we remained committed to investing 30 bps of margin into the Ventures in 2020.

With April revenues down around 40% year-on-year, we expect Q2 to be a challenging quarter. In the short-term, we are working hard to minimise the financial impact, while also remaining focused on positioning the business for longer-term success by continuing to invest in our Perform, Transform, Innovate strategy.

Most importantly, I would like to express my gratitude to our colleagues around the world for their continued work and dedication through these exceptionally challenging circumstances."

**Alain Dehaze, Group Chief Executive Officer**

[1] Organic growth is a non-US GAAP measure and excludes the impact of currency, acquisitions and divestitures.
[2] EBITA is a non-US GAAP measure and refers to operating income before amortisation and impairment of goodwill and intangible assets.
[3] In Q1 2020, EBITA included one-offs of EUR 18 million; in Q1 2019, EBITA included one-offs of EUR 5 million.
[4] Net debt and Net debt to EBITDA are non-US GAAP measures. Net debt comprises short-term and long-term debt less cash and cash equivalents and short-term investments. Net debt to EBITDA is calculated as net debt at period end divided by last 4 quarters of EBITA excluding one-offs plus depreciation.

THE ADECCO GROUP

## Key figures overview

| EUR millions unless stated | Q1 2020 | Q1 2019 | Change % Reported | Change % Organic |
|---|---|---|---|---|
| **Summary of income statement information** | | | | |
| Revenues | **5,139** | 5,645 | -9% | -8%[5] |
| Gross profit | **994** | 1,080 | -8% | -7% |
| EBITA excluding one-offs | **154** | 226 | -32% | -28% |
| EBITA | **136** | 221 | -38% | -35% |
| Net income/(loss) attributable to Adecco Group shareholders | **(348)**[6] | 133 | n.m. | |
| Diluted EPS (EUR) | **(2.14)**[6] | 0.82 | n.m. | |
| Gross margin | **19.3%** | 19.1% | 20 bps | 30 bps |
| EBITA margin excluding one-offs | **3.0%** | 4.0% | (100) bps | (80) bps |
| EBITA margin | **2.6%** | 3.9% | (130) bps | (110) bps |
| **Summary of cash flow and net debt information** | | | | |
| Free cash flow[7] before interest and tax paid (FCFBIT) | **89** | 191 | | |
| Free cash flow (FCF) | **30** | 133 | | |
| Net debt[8] | **388** | 1,096 | | |
| Days sales outstanding | **53** | 53 | | |
| Cash conversion[9] | **90%** | 99% | | |
| Net debt to EBITDA[10] excluding one-offs | **0.3x** | 0.9x | | |

[5] In Q1 2020, organic revenue declined by 8%, or 9% trading days adjusted (TDA).
[6] Includes goodwill impairment of EUR 362 million.
[7] Free cash flow is a non-US GAAP measure and comprises cash flows from operating activities less capital expenditures.
[8] Net debt is a non-US GAAP measure and comprises short-term and long-term debt less cash and cash equivalents and short-term investments.
[9] Cash conversion is a non-US GAAP measure and is calculated as last 4 quarters of FCFBIT divided by last 4 quarters of EBITA excluding one-offs.
[10] Net debt to EBITDA is a non-US GAAP measure and is calculated as net debt at period end divided by last 4 quarters of EBITA excluding one-offs plus depreciation.

## Q1 2020 financial performance

### Group performance overview

Revenues in Q1 2020 declined by 9% year-on-year, organically and trading days adjusted (TDA). The revenue trend in January and February was in line with Q4 2019, down 4% TDA. In March, many countries imposed strict lockdown measures to contain the COVID-19 pandemic. These measures had a material impact on economic activity in many of the countries in which the Adecco Group operates, leading to a decline in demand for HR solutions. As a consequence, revenues in March were down 19% year-on-year TDA, with the rate of decline increasing in the final two weeks of the month. Permanent placement revenues were down 5% organically for the quarter, and were down 11% in March.

Gross margin was 19.3%, an increase of 20 bps year-on-year, on a reported basis, and up 30 bps organically, driven by career transition and permanent placement. EBITA margin excluding one-offs was 3.0%, down 100 bps year-on-year, or down 80 bps organically, reflecting the abrupt decline in revenues in March. The Group continued to invest in its strategic priorities: rolling out new tools as part of GrowTogether, building products for 2021 and investing around 30 bps (EUR 65 million annualised) in the Ventures. Cash flow remained strong, with DSO at 53 days, stable compared to the prior year, and cash conversion at 90%.

## Revenues

Q1 2020 revenues were EUR 5,139 million, down 9% year-on-year on a reported basis. Currency movements and the number of working days each had a positive impact on revenues of approximately 1%, while divestments had a negative impact of approximately 2%, leaving a revenue decline of 9% on an organic and trading days adjusted basis.

By service line: temporary staffing revenues declined by 10% to EUR 4,375 million; permanent placement revenues declined by 5% to EUR 137 million; revenues from career transition were EUR 95 million, up 8%; and revenues in outsourcing and other activities were up 3%, to EUR 532 million. By brand: Workforce Solutions revenues was down 9%; Professional Solutions revenues was down 8%; Talent Solutions and Ventures was up 1%. All compared to the prior year and on an organic basis.

## Gross Profit

Gross profit was EUR 994 million in Q1 2020, down 8% on a reported basis and down 7% organically. Gross margin was 19.3%, up 20 bps compared to Q1 2019. Currency had a positive impact of 10 bps while acquisitions and divestitures had negative impact of 20 bps. Therefore, on an organic basis, the gross margin was up 30 bps, with positive contributions from career transition (+30 bps) and permanent placement (+10 bps), partly offset by temporary staffing (-10 bps). The temporary staffing gross margin was impacted by higher bench costs relating to COVID-19, mainly in Germany, with other temp price/mix effects having a neutral impact in the quarter.

## Selling, General and Administrative Expenses (SG&A)

SG&A excluding one-offs was EUR 849 million in Q1 2020, down 1% year-on-year on a reported basis or flat organically. Average FTE employees were 33,161, down 3% organically year-on-year. The number of branches declined by 5% organically year-on-year. Q1 2020 reported SG&A included one-offs of EUR 18 million, of which restructuring costs were EUR 16 million and acquisition-related costs were EUR 2 million, compared to EUR 2 million and EUR 3 million respectively in the same period of the prior year.

## EBITA

EBITA in Q1 2020 was EUR 136 million, which included EUR 9 million from the Group's FESCO Adecco JV in China. EBITA excluding one-offs was EUR 154 million, down 28% organically. EBITA margin excluding one-offs was 3.0%, down 100 bps year-on-year in reported terms and down 80 bps organically. The Group continues to make good progress in realising its GrowTogether productivity goals. The conversion ratio of gross profit into EBITA excluding one-offs was 15.5%, down 540 bps on a reported basis and down 460 bps organically year-on-year.

## Amortisation of Intangible Assets and Impairment of Goodwill

Amortisation of intangible assets was EUR 21 million, compared to EUR 14 million in Q1 2019. In Q1 2020, the Group recognised a goodwill impairment of EUR 362 million, relating to the Germany, Austria, Switzerland reporting segment. The impairment was driven by the unprecedented degree of forecast uncertainty relating to COVID-19, compounding already challenging market dynamics in Germany. The impairment and associated net tax effects are all non-cash items.

## Operating Income/(Loss)

The Group generated an operating loss in Q1 2020 of EUR 247 million, driven by the EUR 362 million impairment of goodwill. In Q1 2019, operating income was EUR 207 million.

## Interest Expense and Other Income/(Expenses), net

Interest expense was EUR 8 million, in line with Q1 2019. Other income/(expenses), net had no impact, compared to an expense of EUR 1 million in Q1 2019.

## Provision for Income Taxes

In Q1 2020, the effective tax rate excluding the impairment of the goodwill, which is not tax deductible, was 51%, compared to 33% in Q1 2019. Discrete events increased the effective tax rate by around 6% in Q1 2020 and had a negligible impact in Q1 2019. The effective tax rate excluding discrete events was therefore 45% in Q1 2020, compared to 33% in Q1 2019. The increase year-on-year relates to the impact of the French Business Tax, which is a tax primarily based on sales but under US GAAP is recognised within income tax expense.

### Net Income/(Loss) Attributable to Adecco Group Shareholders and EPS

Net loss attributable to Adecco Group shareholders was EUR 348 million, driven by the goodwill impairment, compared to an income of EUR 133 million in Q1 2019. Basic EPS was EUR (2.15) compared to EUR 0.82 in Q1 2019.

### Cash Flow and Net Debt

Cash flow from operating activities was EUR 69 million in Q1 2020, compared to EUR 181 million in Q1 2019. The lower cash flow year-on-year was mainly driven by the timing of payments which fell in March in 2020 and April in 2019. DSO was 53 days in Q1 2020, stable compared to the prior year. The rolling last four quarters cash conversion ratio was 90%, compared to 99% in Q1 2019. Net debt was EUR 388 million at 31 March 2020, compared to EUR 398 million at 31 December 2019 and EUR 1,096 million at 31 March 2019. Net debt to EBITDA excluding one-offs was 0.3x, compared to 0.3x at 31 December 2019 and 0.9x in the same period of the prior year.

## Q1 2020 segment operating performance

### Revenues and revenue growth

| | Revenues | | Variance | | | % of revenues |
|---|---|---|---|---|---|---|
| EUR millions unless stated | Q1 2020 | Q1 2019 | Reported | Organic | Organic TDA[11] | Q1 2020 |
| France | 1,124 | 1,283 | -12% | -12% | -14% | 22% |
| N. America, UK & I. General Staffing[12] | 654 | 733 | -11% | -13% | -15% | 13% |
| N. America, UK & I. Professional Staffing[12] | 678 | 827 | -18% | -12% | -13% | 13% |
| Germany, Austria, Switzerland | 424 | 482 | -12% | -13% | -14% | 8% |
| Benelux and Nordics | 398 | 466 | -15% | -14% | -15% | 8% |
| Italy | 431 | 457 | -6% | -6% | -6% | 8% |
| Japan | 382 | 343 | 12% | 7% | 8% | 7% |
| Iberia | 255 | 264 | -3% | 2% | 1% | 5% |
| Rest of World | 657 | 661 | -1% | 2% | 1% | 13% |
| Career Transition & Talent Development | 136 | 129 | 6% | 4% | 4% | 3% |
| **Adecco Group** | **5,139** | **5,645** | **-9%** | **-8%** | **-9%** | 100% |

### EBITA and EBITA margin excluding one-offs

| | EBITA excluding one-offs | | EBITA margin excluding one-offs | | | % of EBITA[13] |
|---|---|---|---|---|---|---|
| EUR millions unless stated | Q1 2020[14] | Q1 2019 | Q1 2020 | Q1 2019 | Variance | Q1 2020 |
| France | 54 | 72 | 4.8% | 5.6% | (80) bps | 27% |
| N. America, UK & I. General Staffing[12] | 11 | 20 | 1.7% | 2.7% | (100) bps | 6% |
| N. America, UK & I. Professional Staffing[12] | 21 | 39 | 3.1% | 4.7% | (160) bps | 11% |
| Germany, Austria, Switzerland | (2) | 8 | -0.6% | 1.6% | (220) bps | -1% |
| Benelux and Nordics | 3 | 12 | 0.7% | 2.5% | (180) bps | 1% |
| Italy | 25 | 34 | 5.9% | 7.6% | (170) bps | 13% |
| Japan | 25 | 25 | 6.6% | 7.4% | (80) bps | 13% |
| Iberia | 10 | 14 | 3.7% | 5.1% | (140) bps | 5% |
| Rest of World | 27 | 21 | 4.1% | 3.3% | 80 bps | 14% |
| Career Transition & Talent Development | 22 | 21 | 16.2% | 15.8% | 40 bps | 11% |
| Corporate | (42) | (40) | | | | |
| **Adecco Group** | **154** | **226** | **3.0%** | **4.0%** | **(100) bps** | 100% |

[11] TDA = trading days adjusted.
[12] 2019 N. America, UK&I General Staffing and N. America, UK&I Professional Staffing have been restated to conform with the current period presentation
[13] % of EBITA excluding one-offs and before Corporate.
[14] See page 11 for a reconciliation of EBITA to EBITA excluding one-offs by segment.

***Note: all revenue growth rates in this section are year-on-year on an organic basis, unless otherwise stated***

In **France**, revenues were EUR 1,124 million, down 12%, or 14% trading days adjusted (TDA). The decline was primarily driven by client shutdowns in March, particularly in the automotive, manufacturing and construction industries. Revenues decreased by 13% in Workforce Solutions (Adecco brand), which accounts for over 90% of revenues. Professional Solutions were more resilient, declining by 3%. Permanent placement revenues were down 8%. EBITA was EUR 54 million with a margin of 4.8%, down 80 bps year-on-year, impacted negatively by the sharp decline in revenues in March, as France implemented the most stringent lockdown measures of any European country.

In **North America**, **UK & Ireland General Staffing**, revenues were EUR 654 million, a decline of 13%, or 15% TDA. North America General Staffing, which accounts for approximately 75% of revenues, was down 12%, or 13% TDA. The decline was driven by continued softness in the manufacturing sector, which represents approximately 40% of revenues, compounded by softer seasonal demand in January and COVID-19 disruption in March. UK & Ireland General Staffing represents approximately 25% of revenues and was down 17%, or down 18% TDA, impacted by COVID-19, the exit of certain low margin business and ongoing Brexit-related uncertainty. Permanent placement revenues declined by 18% in North America General Staffing and by 9% in UK & Ireland General Staffing. Overall EBITA was EUR 11 million, with a margin of 1.7%, down 100 bps versus the prior year. A positive gross margin development was more than offset by the impact of the revenue decline.

In **North America**, **UK & Ireland Professional Staffing**, revenues were EUR 678 million, down 12%, or 13% TDA. North America Professional Staffing represents approximately 65% of revenues and declined 3%, or 4% TDA. Professional recruitment brands (Finance, Office, Legal) reported low single-digit growth, while Modis (IT & Engineering) declined mid-single-digits and and other professional brands were broadly stable. UK & Ireland Professional Staffing represents approximately 35% of revenues and declined 24%, or 25% trading days adjusted, impacted by lower client demand ahead of the implementation of IR35 regulation to the private sector (planned for April and subsequently postponed). Permanent placement revenues were up 17% in North America Professional Staffing and down 3% in UK & Ireland Professional Staffing. Overall EBITA excluding one-offs was EUR 21 million with a margin of 3.1%, down 160 bps year-on-year, primarily due to the divestment of the Group's US healthcare operations from 1 January 2020.

In **Germany, Austria, Switzerland**, revenues were EUR 424 million, down 13%, or down 14% TDA. In Germany & Austria, revenues declined 14%, or 15% trading days adjusted. The decline was led by lower demand from clients in the automotive and manufacturing industries. In Switzerland, revenues declined by 10%, or 11% TDA. For the region, EBITA excluding one-offs was a loss of EUR 2 million, with a margin of -0.6%, down 220 bps year-on-year. Germany is a bench model business (associates are permanent employees of Adecco Group), hence the margin is significantly impacted by higher sickness rates and lower client demand linked to COVID-19.

In **Benelux and Nordics**, revenues were EUR 398 million, down 14%, or down 15% TDA. In the Nordics, revenues declined 16%, with Norway, Sweden and Finland all declining double-digits. Revenues in Benelux were down 13%, or down 14% TDA with the decline led by the Netherlands, reflecting regulatory changes and weak demand in the logistics and automotive sectors. Overall EBITA excluding one-offs was EUR 3 million, with a margin of 0.7%, compared to 2.5% in Q1 2019.

In **Italy**, revenues were EUR 431 million, down 6%. While the business returned to growth in January and February, the implementation of strict COVID-19 lockdown measures in March reversed this trend and led to a decline fo the quarter. Permanent placement was down 6%. EBITA was EUR 25 million and the margin was 5.9%, down 170 bps year-on-year, impacted by the revenue decline in March.

In **Japan**, revenues were EUR 382 million, up 7%, or 8% TDA, with continued good growth in Workforce Solutions and double-digit growth in Professional Solutions. Permanent placement was down 1%. EBITA was EUR 25 million and the EBITA margin was 6.6%, down 80 bps year-on-year, driven by higher IT investments, linked to GrowTogether.

In **Iberia**, revenues were EUR 255 million, up 2%, or up 1% TDA. High single-digit growth in January and February reversed in March, which declined double-digit, as COVID-19 lockdown measures were introduced. EBITA was EUR 10 million. EBITA margin declined by 140 bps year-on-year to 3.7%, impacted by the abrupt reversal in the revenue trend in March, as well as unfavourable mix due to lower permanent placement, training and outsourcing activity.

In **Rest of World**, revenues were EUR 657 million, up 2% or up 1% trading days adjusted. Revenues decreased by 11% in Australia & New Zealand, grew by 13% in Latin America, were flat in Eastern Europe & MENA, declined by 2% in Asia and by 7% in India, all trading days adjusted. For the region, EBITA excluding one-offs was EUR 27 million, with a margin of 4.1%, up 80 bps compared to last year. Since Q4 2019, the Group reports net income from its China joint venture, FESCO Adecco, within Rest of World EBITA (previously included in 'other income/(expenses), net'). This had a positive impact of EUR 9 million on EBITA in Q1 2020.

In **Career Transition and Talent Development**, revenues were up 4% organically at EUR 136 million. Revenues grew by 3% in Lee Hecht Harrison and by 7% in General Assembly. Both General Assembly and the talent development business of LHH were impacted in March by COVID-19 social-distancing measures that prevented most in-person training from taking place. EBITA excluding one-offs was EUR 22 million, representing an EBITA margin of 16.2%, compared to 15.8% in the prior year excluding one-offs.

## Changes in Executive Committee

As previously announced, Coram Williams has joined the Adecco Group as Group Chief Financial Officer and Member of the Executive Committee, as of 1 May 2020. After a handover period, Hans Ploos van Amstel, outgoing Group CFO, will leave the Adecco Group and Executive Committee on 1 June 2020.

Today the Adecco Group announced that Corinne Ripoche, currently President of Pontoon, will be appointed Regional Head of North America General Staffing and Latin America, and a member of the Executive Committee, effective 1 July 2020. Corinne will maintain her executive oversight of Pontoon. She brings two decades of experience working within the Group. Her strong commercial track record will further strengthen the Adecco General Staffing business. Executive oversight of the UK & Ireland General Staffing business will be assumed by Christophe Catoir, in addition to his existing responsibilities as Regional Head of France and Northern Europe. Federico Vione, who has served as Regional Head of North America and UK & Ireland General Staffing, and Latin America, will leave the company and is committed to ensuring a smooth and effective transition. The Board of Directors and the Executive Committee would like to thank Federico for the significant contributions he has made to the company over his 22-year career and wish him every success for the future.

## Share buyback programme

As of 5 May 2020, the EUR 600 million share buyback programme that was announced at the time of the full-year 2019 results on 26 February remains on hold, with no repurchases having been made yet. While the Group's financial position remains strong, management believes it would not be appropriate to initiate the programme at the current time. An update will be provided later in 2020.

## Management outlook

The Group entered Q2 2020 with revenues down approximately 40% in April, as government-imposed lockdown measures intensified and became more widespread. Weekly temporary staffing volume trends confirm that those countries that entered lockdown earliest are showing signs of stabilisation, while those that shutdown later continue to decline.

While the unprecedented speed and depth of the revenue decline will impact profitability in the short-term, the Group benefits from a flexible cost structure and robust through-the-cycle cashflow, as evidenced in previous economic downturns.

The Group also has a strong balance sheet and significant liquidity headroom. Cash on hand was EUR 1.4 billion at the end of March and the Group's EUR 600 million committed long-term revolving credit facility remains undrawn and is not subject to any financial covenants. Additionally, as revenues decline so does the level of working capital needed to fund the business, and net working capital in Q2 will be further supported by the phasing of certain tax and social security payments.

## Q1 2020 results conference calls

There will be a media conference call at 9.00 am CEST and an analyst and investor conference call at 11.00 am CEST. The conference calls can be followed either via webcast or via telephone call:

| | |
|---|---|
| UK/Global | + 44 (0) 207 107 0613 |
| United States | + 1 (1) 631 570 56 13 |
| Cont. Europe | + 41 (0) 58 310 50 00 |

The Q1 2020 results presentation will be available through the webcasts and will be published on the Investor Relations section on the Group's website.

For further information please contact:

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## Financial Agenda

- Q2 2020 results 6 August 2020
- Q3 2020 results 3 November 2020
- Capital Markets Day 2 December 2020

## 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 of 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.

## About the Adecco Group

The Adecco Group is the world's leading HR solutions company. We believe in making the future work for everyone, and every day enable more than 3.5 million careers. We skill, develop, and hire talent in 60 countries, enabling organisations to embrace the future of work. As a Fortune Global 500 company, we lead by example, creating shared value that fuels economies and builds better societies. Our culture of inclusivity, entrepreneurship and teamwork empowers our 34,000 employees, who voted us number 11 on the Great Place to Work® - World's Best Workplaces 2019 list.

The Adecco Group AG is headquartered in Zurich, Switzerland (ISIN: CH0012138605) and listed on the SIX Swiss Exchange (ADEN) and powered by the global lead brands: Adecco, Adia, Badenoch + Clark, General Assembly, LHH, Modis, Pontoon, Spring Professional and Vettery.

# Revenues by segment and by brand

| Revenues by segment | Q1 | | Variance % | |
|---|---|---|---|---|
| EUR millions | 2020 | 2019[4] | EUR | Constant currency |
| France | 1,124 | 1,283 | -12% | -12% |
| N. America, UK & I. General Staffing | 654 | 733 | -11% | -13% |
| N. America, UK & I. Professional Staffing[1] | 678 | 827 | -18% | -20% |
| Germany, Austria, Switzerland | 424 | 482 | -12% | -13% |
| Benelux and Nordics | 398 | 466 | -15% | -14% |
| Italy | 431 | 457 | -6% | -6% |
| Japan | 382 | 343 | 12% | 7% |
| Iberia[1] | 255 | 264 | -3% | -3% |
| Rest of World[1] | 657 | 661 | -1% | 1% |
| Career Transition & Talent Development | 136 | 129 | 6% | 4% |
| **Adecco Group[1]** | **5,139** | **5,645** | **-9%** | **-10%** |

| Revenues by brand | Q1 | | Variance % | |
|---|---|---|---|---|
| EUR millions | 2020 | 2019 | EUR | Constant currency |
| Adecco | 3,827 | 4,184 | -9% | -9% |
| **Workforce Solutions** | **3,827** | **4,184** | **-9%** | **-9%** |
| Modis | 501 | 498 | 1% | -1% |
| Badenoch + Clark / Spring Professional[2] | 364 | 385 | -5% | -7% |
| Other Professional Brands[3] | 256 | 392 | -35% | -37% |
| **Professional Solutions[3]** | **1,121** | **1,275** | **-12%** | **-14%** |
| LHH | 109 | 105 | 4% | 2% |
| Pontoon | 46 | 43 | 6% | 4% |
| Ventures | 36 | 38 | -4% | -7% |
| **Talent Solutions and Ventures** | **191** | **186** | **3%** | **1%** |
| **Adecco Group[1]** | **5,139** | **5,645** | **-9%** | **-10%** |

1) In Q1 2020 revenues changed organically in N. America, UK & I Professional Staffing by -12%, Iberia by 2%, Rest of World by 2% and Adecco Group by -8%.

2) Including other local Professional Recruitment brands.

3) In Q1 2020 revenues changed organically in Other Professional Brands by -20%, and in Professional Solutions by -8%.

4) 2019 N. America, UK & I. General Staffing and N. America, UK & I. Professional Staffing have been restated to conform with current period presentation.

# EBITA[1] and EBITA margin by segment

| EBITA<br>EUR millions | Q1<br>2020 | Q1<br>2019[2] | Variance %<br>EUR | Variance %<br>Constant currency |
|---|---|---|---|---|
| France | 54 | 72 | -25% | -25% |
| N. America, UK & I. General Staffing | 11 | 20 | -44% | -46% |
| N. America, UK & I. Professional Staffing | 20 | 38 | -48% | -50% |
| Germany, Austria, Switzerland | (14) | 8 | -283% | -281% |
| Benelux and Nordics | 2 | 12 | -86% | -86% |
| Italy | 25 | 34 | -26% | -26% |
| Japan | 25 | 25 | 1% | -4% |
| Iberia | 10 | 14 | -30% | -30% |
| Rest of World | 26 | 21 | 24% | 26% |
| Career Transition & Talent Development | 19 | 18 | 8% | 5% |
| Corporate | (42) | (41) | 3% | -2% |
| **Adecco Group** | **136** | **221** | **-38%** | **-39%** |

| EBITA margin | Q1<br>2020 | Q1<br>2019[2] | Variance bps |
|---|---|---|---|
| France | 4.8% | 5.6% | (80) |
| N. America, UK & I. General Staffing | 1.7% | 2.7% | (100) |
| N. America, UK & I. Professional Staffing | 2.9% | 4.6% | (170) |
| Germany, Austria, Switzerland | -3.4% | 1.6% | (500) |
| Benelux and Nordics | 0.4% | 2.5% | (210) |
| Italy | 5.9% | 7.6% | (170) |
| Japan | 6.6% | 7.4% | (80) |
| Iberia | 3.7% | 5.1% | (140) |
| Rest of World | 4.1% | 3.3% | 80 |
| Career Transition & Talent Development | 14.0% | 13.7% | 30 |
| **Adecco Group** | **2.6%** | **3.9%** | **(130)** |

1) EBITA is a non-US GAAP measure and refers to operating income before amortisation and impairment of goodwill and intangible assets.

2) 2019 N. America, UK & I. General Staffing and N. America, UK & I. Professional Staffing have been restated to conform with current period presentation.

## Reconciliation of EBITA to EBITA excluding one-offs

| EBITA | EBITA excluding one-offs | | One-offs | | EBITA | |
|---|---|---|---|---|---|---|
| EUR millions | **Q1 2020** | Q1 2019 1) | **Q1 2020** | Q1 2019 | **Q1 2020** | Q1 2019 1) |
| France | 54 | 72 | - | - | 54 | 72 |
| N. America, UK & I. General Staffing | 11 | 20 | - | - | 11 | 20 |
| N. America, UK & I. Professional Staffing | 21 | 39 | (1) | (1) | 20 | 38 |
| Germany, Austria, Switzerland | (2) | 8 | (12) | - | (14) | 8 |
| Benelux and Nordics | 3 | 12 | (1) | - | 2 | 12 |
| Italy | 25 | 34 | - | - | 25 | 34 |
| Japan | 25 | 25 | - | - | 25 | 25 |
| Iberia | 10 | 14 | - | - | 10 | 14 |
| Rest of World | 27 | 21 | (1) | - | 26 | 21 |
| Career Transition & Talent Development | 22 | 21 | (3) | (3) | 19 | 18 |
| Corporate | (42) | (40) | - | (1) | (42) | (41) |
| **Adecco Group** | **154** | **226** | **(18)** | **(5)** | **136** | **221** |

1) 2019 N. America, UK & I. General Staffing and N. America, UK & I. Professional Staffing have been restated to conform with current period presentation.

# Consolidated statements of operations

| EUR millions<br>except share and per share information | Q1 2020 | Q1 2019 | Variance % EUR | Variance % Constant currency |
|---|---|---|---|---|
| **Revenues** | **5,139** | 5,645 | **-9%** | **-10%** |
| Direct costs of services | (4,145) | (4,565) | | |
| **Gross profit** | **994** | **1,080** | **-8%** | **-9%** |
| Selling, general, and administrative expenses | (867) | (859) | 1% | 0% |
| Proportionate net income of equity method investment FESCO Adecco | 9 | | | |
| **EBITA[1]** | **136** | **221** | **-38%** | **-39%** |
| Amortisation of intangible assets | (21) | (14) | | |
| Impairment of goodwill | (362) | | | |
| **Operating income/(loss)** | **(247)** | **207** | **n.m.** | **n.m.** |
| Interest expense | (8) | (8) | | |
| Other income/(expenses), net | | (1) | | |
| **Income/(loss) before income taxes** | **(255)** | **198** | **n.m.** | |
| Provision for income taxes | (93) | (65) | | |
| **Net income/(loss)** | **(348)** | **133** | **n.m.** | |
| Net income attributable to noncontrolling interests | | | | |
| **Net income/(loss) attributable to Adecco Group shareholders** | **(348)** | **133** | **n.m.** | |
| **Basic earnings/(loss) per share[2]** | **(2.15)** | **0.82** | **n.m.** | |
| **Diluted earnings/(loss) per share[3]** | **(2.14)** | **0.82** | **n.m.** | |
| *Gross margin* | *19.3%* | *19.1%* | | |
| *SG&A as a percentage of revenues* | *16.9%* | *15.2%* | | |
| *EBITA margin* | *2.6%* | *3.9%* | | |
| *Operating income/(loss) margin* | *-4.8%* | *3.7%* | | |
| *Net income/(loss) margin attributable to Adecco Group shareholders* | *-6.8%* | *2.4%* | | |

1) EBITA is a non-US GAAP measure and refers to operating income before amortisation and impairment of goodwill and intangible assets.
2) Basic weighted-average shares were 162,050,267 in Q1 2020 (162,639,947 in Q1 2019).
3) Diluted weighted-average shares were 162,495,860 in Q1 2020 (162,886,921 in Q1 2019).

# Consolidated balance sheets

| EUR millions | 31 March 2020 | 31 December 2019 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| - Cash and cash equivalents | 1,391 | 1,351 |
| - Trade accounts receivable, net | 3,900 | 4,310 |
| - Other current assets | 384 | 282 |
| **Total current assets** | **5,675** | **5,943** |
| Property, equipment, and leasehold improvements, net | 309 | 318 |
| Operating lease right-of-use assets | 446 | 432 |
| Equity method investments | 97 | 83 |
| Other assets | 632 | 617 |
| Intangible assets, net | 314 | 332 |
| Goodwill | 2,466 | 2,846 |
| **Total assets** | **9,939** | **10,571** |
| **Liabilities and shareholders' equity** | | |
| **Liabilities** | | |
| Current liabilities: | | |
| - Accounts payable and accrued expenses | 3,736 | 4,106 |
| - Current operating lease liabilities | 194 | 196 |
| - Short-term debt and current maturities of long-term debt | 181 | 172 |
| **Total current liabilities** | **4,111** | **4,474** |
| Operating lease liabilities | 279 | 265 |
| Long-term debt, less current maturities | 1,598 | 1,577 |
| Other liabilities | 393 | 307 |
| **Total liabilities** | **6,381** | **6,623** |
| **Shareholders' equity** | | |
| Adecco Group shareholders' equity: | | |
| - Common shares | 10 | 10 |
| - Additional paid-in capital | 569 | 580 |
| - Treasury shares, at cost | (69) | (66) |
| - Retained earnings | 3,281 | 3,629 |
| - Accumulated other comprehensive income/(loss), net | (241) | (213) |
| **Total Adecco Group shareholders' equity** | **3,550** | **3,940** |
| Noncontrolling interests | 8 | 8 |
| **Total shareholders' equity** | **3,558** | **3,948** |
| **Total liabilities and shareholders' equity** | **9,939** | **10,571** |

# Consolidated statements of cash flows

| EUR millions | Q1 2020 | 2019 |
| --- | --- | --- |
| **Cash flows from operating activities** | | |
| Net income/(loss) | (348) | 133 |
| Adjustments to reconcile net income/(loss) to cash flows from operating activities: | | |
| – Depreciation and amortisation | 51 | 37 |
| – Impairment of goodwill | 362 | |
| – Other charges | 69 | 14 |
| Changes in operating assets and liabilities, net of acquisitions and divestitures: | | |
| – Trade accounts receivable | 356 | 86 |
| – Accounts payable and accrued expenses | (327) | (51) |
| – Other assets and liabilities | (94) | (38) |
| **Cash flows from operating activities** | **69** | **181** |
| **Cash flows from investing activities** | | |
| Capital expenditures | (39) | (48) |
| Cash settlements on derivative instruments | 2 | (19) |
| Other acquisition, divestiture and investing activities, net | (12) | (4) |
| **Cash used in investing activities** | **(49)** | **(71)** |
| **Cash flows from financing activities** | | |
| Net increase/(decrease) in short-term debt | 16 | (10) |
| Borrowings of long-term debt, net of issuance costs | 2 | |
| Repayment of long-term debt | (1) | |
| Purchase of treasury shares | (16) | (84) |
| Other financing activities, net | | (2) |
| **Cash flows from/(used in) financing activities** | **1** | **(96)** |
| **Effect of exchange rate changes on cash, cash equivalents and restricted cash** | **17** | **18** |
| **Net increase in cash, cash equivalents and restricted cash** | **38** | **32** |
| Cash, cash equivalents and restricted cash: | | |
| – Beginning of period | 1,416 | 718 |
| – End of period | 1,454 | 750 |