FINAL TRANSCRIPT

Thomson StreetEvents℠

AHEXF.PK - Q1 2010 Adecco SA Earnings Conference Call

Event Date/Time: May. 06. 2010 / 9:00AM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Karen Selfors
Adecco SA - Head of IR

Patrick De Maeseneire
Adecco SA - Group CEO

Dominik de Daniel
Adecco SA - Group CFO

CONFERENCE CALL PARTICIPANTS

Laurent Brunelle
Exane BNP Paribas - Analyst

Jaime Brandwood
UBS - Analyst

Marc Zwartsenburg
ING - Analyst

Michael Foeth
Bank Vontobel - Analyst

Andrew Grobler
Credit Suisse - Analyst

Toby Reeks
Bank of America Merrill Lynch - Analyst

David Hancock
Morgan Stanley - Analyst

Konrad Zomer
CA Cheuvreux - Analyst

Alain Oberhuber
MainFirst Bank - Analyst

PRESENTATION

Operator

Good morning. I'm Stephanie, the Chorus Call operator for this conference. Welcome to the Adecco Q1 2010 results earnings and investors' conference call. Please note that for the duration of the presentation all participants will be in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions (Operator Instructions). This call must not be recorded for publication or broadcast.

At this time, I would like to turn the conference over to Mrs. Karen Selfors, Head of Investor Relations, accompanied by Mr. Patrick De Maeseneire, CEO of the Group, and Mr. Dominik de Daniel, CFO of the Group. Please go ahead, ladies and gentlemen.

Karen Selfors - *Adecco SA - Head of IR*

Good morning, ladies and gentlemen. I am pleased to welcome you to Adecco's first quarter 2010 results conference call. Today, Patrick De Maeseneire, Group CEO, and Dominik de Daniel, Group CFO, will lead you through the presentation, followed by a Q&A session.

Please now have a look at the forward-looking statements in this presentation.

Let me give you a quick overview of today's agenda. Patrick will present the operational highlights of the first quarter to you; then, Dominik will review the financial performance; Patrick will reiterate our strategic priorities and give you an outlook on our business, before we open the lines for your question.

With that, Patrick, the floor is yours.

Patrick De Maeseneire - *Adecco SA - Group CEO*

Thank you, Karen. Good morning, ladies and gentlemen. Let me start with the highlights of the first quarter. First quarter results marked an encouraging start into 2010. Trading conditions were significantly better in most markets. Revenues improved 7% in constant currency. Organically, the revenue decline rate for the Group improved to minus 1% from minus 18% in the fourth quarter.

Revenue momentum accelerated throughout the first quarter, especially in general staff.

Besides our main markets, France and North America, also Italy, Iberia, and Australia, and New Zealand returned to positive year-on-year organic revenue growth, whereas Emerging Markets improved further, from plus 7% in Q4 to plus 19% in Q1.

Our gross margin in Q1 amounted to 18%. We continued to act highly disciplined with regards to pricing, and benefited from our increased exposure to professional staffing.

In the first quarter, we achieved an EBITA growth of 24% on an adjusted basis and in constant currency; this through strict pricing, cost control, and acquisitions.

Our EBITA margin was 2.8%; up 30 basis points compared to the adjusted prior year's Q1 EBITA margin of 2.5%.

Revenues in March were up approximately 3% organically and adjusted for trading days.

Current developments in the industry clearly point to further revenue acceleration as the trends in Q1 continued into April.

Let me go through the Q1 key figures in more detail now. First of all, this quarter was impacted by the new French business tax law. This law is effective as of January 2010. And since is the treatment going forward, we opt to adjust Q1 '09 for this impact.

We also excluded the negative EUR36 million impact on SG&A related to restructuring costs and incurred in Q1 of last year. Dominik will explain the adjustments in more detail in his part of the presentation. In addition, MPS Group results have been included since February.

Revenues in the first quarter of '10 were up 7% to EUR4 billion. Organically, revenues decreased by 1%.

Gross profit amounted to EUR712 million. Our gross margin was 18%, as said; down 50 basis points compared to Q1 '09, and down 130 basis points when adjusting Q1 '09 for the new French business tax law and when excluding acquisitions.

SG&A was reduced by 7%, and by 11% on an adjusted and organic basis.

EBITA grew double-digit; up [24%] on an adjusted basis and in constant currency, and up 13% organically and adjusted in the first quarter.

The EBITA margin was 2.8%; up 30 basis points year-on-year.

Net income was EUR57 million in the quarter under review.

Let's now have a look at the organic revenue development by region. North America returned to growth in the first quarter, driven by strong demand in the general staffing business and in the engineering and technical business. Revenues were up 2% organically, following a 14% decline in the fourth quarter of last year.

In Europe, revenues in Q1 '10 were flat compared to the same period last year; a strong improvement from the minus 19% in Q4 '09.

We experienced increasing growth momentum in most geographies. France, Italy, and Iberia returned to year-on-year growth, while the demand in Germany and Austria, and the Nordics, also improved materially.

Rest of the world was down 7%, compared to minus 16% in Q4 '09, still held back by Japan, where the revenue decline rate slightly improved to minus 24%.

Emerging Markets again delivered a very good performance in the first quarter as organic growth accelerated from 7% in Q4 to 19% in Q1.

As mentioned earlier, the Group's gross margin was 18% in Q1; down 50 basis year-on-year, and down 130 basis points organically and adjusted. For easier comparison, we adjusted the Q1 '09 results to reflect the new French business tax law impact, which was 40 basis points.

The temporary staffing business had a negative impact of 70 basis points on the Group gross margin in Q1. The permanent placement business, after having had a negative impact on the Group's gross margin over the last six quarters, had now a neutral impact.

Good news is also that our perm business was back to growth in March, organically. But our placement business had a negative impact of 60 basis points in Q1. Please recall that our placement reached its peak in the first quarter of last year, when it contributed positively 120 basis points to the change of the Group's gross margin.

Acquisitions had a positive impact of 40 basis points in the first quarter of this year. Again, this is a very good result. And it shows that our strict pricing approach and increased exposure to professional staffing already starts to pay off.

We now give you our main markets in more detail. France, our largest market, returned to positive year-on-year revenue growth in the first quarter. Revenues increased 6% compared to last year's first quarter and amounted to EUR1.2 billion. The improvement was mainly driven by better demand in automotive, chemicals, and heavy industrials.

In Q1, the EBITA margin was 2.7%; up 70 basis points compared to the adjusted prior year's first quarter.

Price pressure is stabilizing.

March was a very strong month for us in France with revenues up 12% adjusted for business days, driven by very good demands in our Industrial business.

In North America, revenues were up 24% in constant currency. Organically, we return to a positive year-on-year growth of 2% in Q1. Growth was most pronounced in automotive, consumer goods, and oil and gas.

Excluding the declining counter-cyclical outplacement business, revenues were up organically 7%.

Business in general staffing improved significantly, while professional staffing, excluding the outplacement business, also returned to a 2% organic growth rate, driven by strong demand in the engineering and technical segment.

The EBITA margin was 4.3%; a decrease of 120 basis points compared to Q1 '09; this as a consequence of the weakening outplacement business. Acquisitions added 20 basis points to an EBITA margin -- to the EBITA margin in Q1.

Integration costs for MPS amounted to EUR3 million in this quarter.

Our revenues in UK and Ireland increased by 55% in constant currency, positively impacted by the acquisitions of Spring Group and MPS. Organically, revenues declined by 9%; an improvement compared to the 21% organic revenue decline reported in the fourth quarter of last year.

The region contributed an EBITA of EUR2 million despite integration costs related to Spring and MPS, which amounted to EUR2 million.

Compared to Continental Europe, the UK market is still lagging.

In Japan, revenues in Q1 declined by 24% in constant currency to EUR307 million, mainly due to the large exposure to the late cyclical Office segment.

EBITA declined by 38% in constant currency, and the EBIT margin was 5.7%; a decline of 130 basis points compared to Q1 '09.

Our Japanese management team continues to do an excellent job on the cost front and with pricing. However, we still don't see any clear signs of a recovery in Japan.

In Germany and Austria, revenues declined by 4% in Q1, compared to a 28% decline rate in the fourth quarter of last year. Better utilization compared to the previous year's first quarter resulted in an improvement of our gross margin.

The EBITA margin was 5.1%; an increase of 380 basis points compared to Q1 of last year.

We currently see very good revenue momentum in Germany. In March, we grew double-digit in the Industrial segment. The later cyclical professional staffing business has also shown good improvements.

Organic revenue growth in the Emerging Markets accelerated to plus 19% in Q1; up from plus 7% in Q4 '09. Growth was mainly driven by Eastern Europe, where revenues increased by 33%. India posted the strongest growth with revenues up 54%. In South America, revenues increased by 14%, all in constant currency.

The EBITA margin was 2.7%; an increase of 60 basis points compared to Q1 '09, helped by a 31% increase in permanent placement fees.

Finally, we discuss Adecco's development by business line on an organic basis. In Q1 '10, revenues in Office and Industrial were down 1%; a strong improvement from the minus 20% year-on-year revenue decline rate in Q4.

In the Industrial business, revenues were up 5%, following a 19% drop in Q4 '09. Most notable improvements in the year-on-year decline rates were evident in North America, from minus 14% to plus 13%; in France, from minus 14% to plus 9%; in Germany and Austria, from minus 34% to minus 1%; and in Italy, from minus 31% to plus 1%.

The Office business is still clearly lagging. Revenues declined by 12%, and this compares to a minus 22% in Q4 '09. In Japan, the revenue decline rate slightly improved in Q1 to minus 24% from minus 28% in Q4; North America returned to growth of 7%, after being down 11% in Q4; while the decline rate in the UK and Ireland improved from minus 18% in Q4 to minus 14% in Q1.

In the professional business segment, revenues in Q1 declined by 7%. This compares to a minus 16% decline in Q4 '09.

And with this, I conclude the first part of my presentation and hand over to Dominik.

Dominik de Daniel - *Adecco SA - Group CFO*

Thank you, Patrick. Good morning, ladies and gentleman. Welcome from my side as well. I would like to begin with an overview of the profit and loss statement.

In Q1 2010, we had revenues of EUR4 billion; up 7% on a reported basis and down 1% organically.

Gross margin was 18% in Q1 2010; down 50 basis points compared to Q1 '09, and down 130 basis points when adjusting Q1 '09 for the new French business tax law and excluding acquisitions.

Due to the new French law, effective as of January 2010, a part of the business tax calculation is based on added value, which under US GAAP is classified as income tax. For easier comparison, we excluded from Q1 2009 EUR14 million from cost of services and EUR1 million from SG&A.

Since this is the treatment going forward, we opted to adjust the prior year. It is important to note that the net income, cash flow, and EPS are not impacted by this change in law. In Q1 2010, the impact on cost of services was EUR14 million and EUR1 million on SG&A.

SG&A declined by 7% in Q1 2010 compared to the prior year. Organically and adjusted, SG&A was down 11% in Q1 2010.

The Group's EBITA was EUR113 million; up 24% on an adjusted basis and in constant currency. On an adjusted and organic basis, EBITA increased by 13% in the quarter under review.

The EBITA margin was 2.8%; up 30 basis points in Q1 2010 compared to the adjusted Q1 '09 margin of 2.5%.

Please note that the EUR113 million EBITA is a reported number and is not adjusted for the EUR6 million cost in relation of acquisition, and the EUR5 million integration cost.

Net income amounted to EUR57 million in the quarter under review.

Now let me discuss in more detail how our cost base developed in the first quarter. We continued to maintain strict cost control throughout the quarter. As a consequence, SG&A declined by 7% on a reported basis.

When adjusting the prior year's Q1 for EUR36 million restructuring cost and on an organic basis, SG&A declined by 11% in the quarter under review, reflecting a reduction of FTEs by 15% and branches by 13%.

When adjusting reported SG&A of EUR599 million for acquisitions of EUR59 million, integration cost of EUR5 million, and acquisition-related cost of EUR6 million, SG&A amounted to EUR529 million in Q1 2010.

The 11% organic decline in SG&A compared favorably with the minus 1% -- with the 1% organic decline in revenues. During the quarter, costs decreased at a faster pace than revenues as we are benefitting from our efforts to structurally optimize the cost base and ongoing strict cost discipline.

Moving on to the balance sheet. At the end of the first quarter, we had cash and short-term investments of EUR642 million (sic - see press release).

In Q1 2010, we were able to decrease DSOs again by 1 day to 54 days compared to Q1 '09, primarily driven by improvements in France and in Italy.

Goodwill and intangible assets amounted to EUR3.9 billion at the end of March 2010. Compared to year-end '09, goodwill and intangible assets increased by EUR891 million, primarily driven due to the fact of the consolidation of the MPS Group, as well as currency movements.

Adecco's shareholders' equity was at EUR3.2 billion at the end of the first quarter; up EUR134 million compared to year-end 2009.

Turning to the cash flow statement on slide 21. The operating cash flow generated in Q1 2010 amounted to EUR66 million, compared to EUR205 million in the prior year. Given the improvement in revenues, working capital needs increased in the first quarter compared to the same period last year.

Cash flow from investing activities was impacted by the purchase price consideration for MPS Group. The cash paid for MPS amounted EUR831 million net of cash acquired.

We invested EUR18 million on CapEx, compared to EUR26 million in the prior year.

Net debt at the end of Q1 2010 was EUR898 million; an increase of EUR788 million compared to the year-end 2009. The increase in net debt is mainly a consequence of the purchase price consideration for MPS Group.

Let me now give you an update on the integration of our acquired businesses, Spring and MPS. The integration of both Spring Group and MPS is well on track. Spring and Adecco UK will combine front-office systems during the second quarter 2010. All back-offices, including MPS UK, will be consolidated until the year-end.

On MPS, the headquarters of Adecco's professional staffing business will be integrated with the current MPS Group headquarter in Jacksonville, Florida, until the end of 2010.

We are pleased with the progress we have made. All organizational changes have been announced and implemented, and we are very happy to say that all key leaders stayed on board and are committed. As well, no clients have been lost in the process.

We are well on track to achieve our expected annual synergy target of [EUR13 million] for Spring until the end of 2010, and EUR25 million for MPS within two years.

On the following slide I would like to update you on our financial guidance for 2010. As previously stated, we are planning for CapEx of around EUR100 million for the year 2010.

Interest expenses are expected to be around EUR65 million for 2010, excluding the interest income.

Our corporate costs are expected to be approximately EUR70 million.

Following the consolidation of MPS Group, we expect amortization of intangibles of approximately EUR55 million for the Adecco Group in 2010.

And in the second quarter of 2010, we expect a tax rate of approximately 35%, whereof 10% is related to the French business tax.

With this, I hand back to Patrick.

Patrick De Maeseneire - *Adecco SA - Group CEO*

Thank you, Dominik. Ladies and gentlemen, during the recent downturn, we structurally optimized our cost base and improved our delivery models. We also took advantage of the downturn on the M&A front and acquired Spring and MPS Group, which made us the worldwide leader in professional staffing.

As you can see on slide 26, thanks to these acquisitions, we further increased our exposure to the biggest staffing market worldwide, North America, to 19% in Q1, whereas MPS was only consolidated for two months. At the same time, we increased our exposure to the third biggest staffing market worldwide, the UK, to 9%.

Also, when we look at our professional staffing exposure, and again MPS is only included for two months, already 26% of Group revenues in Q1 '10 were generated in this higher margin segment; up from 21% last year.

The bottom line is that the portion of revenues we generate in the higher margin professional staffing business is expected to increase to 30% plus mid-term.

The better geographical mix and the higher exposure to professional staffing thus position Adecco to benefit from improving market conditions.

Our shot-term priorities are unchanged. Throughout the quarter, we experienced a very good progression in demand and an accelerating revenue trend.

Strict price discipline and cost control remain at the forefront of our priorities. Our cost base is in great shape. The structural cost reductions implemented in the recent downturn result in a leaner French network and an optimized delivery channel model.

Selective investments in high growth geographies or segments, like the Emerging Markets, will be evaluated with care.

Our positioning in professional staffing has been strengthened as we took advantage of our financial strength during the downturn. We will focus on the integration process to make sure we achieve the targeted synergies.

As a result of the above measures, Adecco should be able to exploit the attractive operating leverage potential and improve profitability in the quarters to come.

Of course, we will also continue to focus on our mid-term strategic priorities. These are, first, expanding in professional staffing through organic growth; second, further optimizing our delivery capabilities by segmenting our delivery channels along skills and along markets; third, consolidating our existing IT platforms into fewer more standardized platforms and investing into new sourcing and delivery models, like mobile phone applications; fourth, developing and growing our large account business through managed services, MSP and recruitment outsourcing, RPO; and fifth, focusing on the fast growing Emerging Markets.

We confirm our clear commitment to achieve an EBITA margin of above 5.5% mid-term. Current developments in the industry clearly point to further revenue acceleration, and we are confident that demand near-term will continue to improve.

Indeed, the revenue momentum steadily improved towards the first quarter 2010, and this positive trend continued into April. Revenues in March for the Group increased approximately 3% organically and adjusted for business days. And our permanent placement business also returned to growth in March on an organic basis.

And with this, I would like to open the floor for your questions.

QUESTIONS AND ANSWERS

Operator

We will now begin the question and answer session. (Operator Instructions). The first question is from Mr. Laurent Brunelle, Exane BNP Paribas. Please go ahead, sir.

Laurent Brunelle - *Exane BNP Paribas - Analyst*

Yes, good morning, gentlemen. Laurent Brunelle, Exane BNP. Two questions, if I may. First, can you maybe update us a bit on your April trends? Have you returned to positive growth overall in some underperforming markets, like Germany? Or I guess Japan is a bit too early, but can you comment on short-term trading, please?

Secondly, can you maybe give us more details about your cost base for the full-year? Do you still expect some cost cutting and some branches optimization moving forward? Or do you believe that you will start again to increase that comps at this stage of the cycle?

Patrick De Maeseneire - *Adecco SA - Group CEO*

Maybe I'll answer your second question first, and then Dominik will answer your first questions. On the cost base, you have seen that we further reduced the cost base in Q1 slightly. We are done with the restructuring.

Going forwards, we said we wouldn't increase costs in the first half of the year. Having said that, in markets where we are now facing growth above 15% or 20%, we will selectively add some people. That will not increase costs tremendously. But in order to cope with a better growth momentum in some markets than we had planned for, we have to add costs here and there.

So, again, a further cost reduction you shouldn't expect in the course of the year. But we will add costs only very carefully, and only in those markets where we experience an above 15% to 20% growth.

On the first point, Dominik, on the trends for April?

Dominik de Daniel - *Adecco SA - Group CFO*

If we look throughout the quarter, we have seen further improvement, as you know. At the full-year results, we said that [days] were down in January adjusted for trading days, and I talk always organically, minus 5%. So, in February we were close to 0%, a little bit less, and now in March it's plus 3%. We see this kind of momentum or trend continuing into April.

It is true that markets like Japan, and also the UK, they're lagging a little bit behind it.

Regarding your question, or your remark, on Germany, we mentioned also that in Germany in March our general staffing business, or the Industrial business, is growing double-digits. So, of course, Germany will have in April a good growth rate.

Laurent Brunelle - *Exane BNP Paribas - Analyst*

And for example, looking at the US market, if we exclude the outplacement contribution, sales were up 7% organically in Q1. Is it high double-digit now? Or are you in the same -- similar trend?

THOMSON REUTERS

Dominik de Daniel - *Adecco SA - Group CFO*

In the US you are right; if you exclude [HDS] it was 7% in the whole quarter. But also there we have made some progress over the course of the quarter, so the exit rate in North America in March was 9%. By excluding this Lee Hecht Harrison business, it's rather 14% to 15%.

Laurent Brunelle - *Exane BNP Paribas - Analyst*

14%/15%. And given your comps moving forward, you should be able to grow double-digit in North America very soon, right?

Dominik de Daniel - *Adecco SA - Group CFO*

As the exit rate in March was already 14% to 15%, it was double-digit.

Laurent Brunelle - *Exane BNP Paribas - Analyst*

Okay, thank you.

Patrick De Maeseneire - *Adecco SA - Group CEO*

Thank you. The next question, please.

Operator

The next question is from Mr. Jaime Brandwood, UBS. Please go ahead, sir.

Jaime Brandwood - *UBS - Analyst*

Morning. I wondered if I could ask by asking you to actually quantify the contribution from outplacement to the North American EBIT. I think you gave us that Q1 last as being roughly 80% of the North American EBIT. How much was outplacement in Q1?

Dominik de Daniel - *Adecco SA - Group CFO*

Hi, Dominik, speaking.

Jaime Brandwood - *UBS - Analyst*

Hi there.

Dominik de Daniel - *Adecco SA - Group CFO*

In Q1, it was around 35%.

Jaime Brandwood - *UBS - Analyst*

35%, okay, thanks for that. And then, just on your permanent activities, and you mentioned you're back in year-on-year growth in perm in March, can you give us a little bit of regional color? You mentioned, obviously, your perm business in Emerging Markets is growing particularly strongly, but I guess it's a pretty small percentage of your total perm activities. Where else are you seeing a good bounce-back in perm?

Dominik de Daniel - *Adecco SA - Group CFO*

So, we have -- [this EBIT coming] obviously last year was also, let's say, a low basis, and we're coming from a decline rate which we have had in Q4 of 40% organically, now it's minus 5% in Q1, so we see across the board improvement.

Now, looking to the single market, Emerging Market is quite important. It was one of the four biggest markets, together with France, UK, and North America, where we had the 31% growth.

In France, we are still in Q1 down still 7%, but we had now two quarters in the row sequential growth of 10%, so also there it is improving. If we exclude the acquisitions in the US, North America was just down in Q1 1%. So, of course, they have then a clear growth in the month of March. And the UK, we were still down organically 5% in Q1.

Jaime Brandwood - *UBS - Analyst*

I don't know if you could also just quickly add Japan as well, which I think is --?

Dominik de Daniel - *Adecco SA - Group CFO*

Japan is still rather weak as we are in Japan still down in Q1 in perm 46%. But you have also to see that Japan is now not any more, or was before, not so important for perm. It is doing basically 2.5% of our whole perm in Q1.

Jaime Brandwood - *UBS - Analyst*

And then, just on the SG&A, the previous person asked this question as well, but can you actually give us a sense for SG&A expectations in Q2?

Dominik de Daniel - *Adecco SA - Group CFO*

So, if we eliminate all this integration, the integration costs and also the one-time costs related to the acquisition, which we have not adjusted for the EUR113 million EBIT, so if we eliminate this and take this as the basis, sequentially it will increase I would say low single-digits for two reasons.

On the one hand, we have some important markets where you have the wage inflation not to January 1; we have it to April 1, like France, but also like the US. And secondly, we have here and there selectively we hire some people, but we do this very careful because we still have good capacity.

Jaime Brandwood - *UBS - Analyst*

And final question, I promise. Just on your push into MSP and RPO and emphasizing that more, there's other competitors talking about this, particularly in the UK market, is there a little bit of battle or war brewing in terms of the UK MSP/RPO market at the moment? Do you sense that competitors are becoming a bit more aggressive in this space?

Patrick De Maeseneire - *Adecco SA - Group CEO*

It's true that there's a lot of demand now for MSP and RPO because a lot of customers start to see really the value of it; reducing the number of suppliers; having a better follow-up on their contingent work forces; and reducing hidden costs in the recruitment. So, we do have a lot of demand for this. Indeed, there is competition from many players, like there is competition in the general and in the professional staffing.

Then again, as Adecco, since we acquired now MPS Group, we are the only ones being able to offer not only the services but also the technology platform. And that's going to help us tremendously in the future, where we can offer a light version of the technology platform, but also a very complex version. So we can offer different versions depending on what the customer really wants to manage, and there we see a clear advantage for Adecco over the other players.

Jaime Brandwood - *UBS - Analyst*

But you're not worried about a price war brewing in the UK at the moment?

Patrick De Maeseneire - *Adecco SA - Group CEO*

I would not say that a price war is starting to brew in the UK; it's always been there. It's a very fragmented market, so it's always been a tough environment.

As you have seen on the staffing side, we are now back to profits thanks to the critical mass that we bought in the UK. And that's why we did it, because the market there is too fragmented in many aspects, and you need critical mass to make profit. But I wouldn't say that there is more competition than in the other segments, professional staffing and general staffing, on the MSP or RPO space.

Jaime Brandwood - *UBS - Analyst*

Okay, thanks a lot.

Patrick De Maeseneire - *Adecco SA - Group CEO*

Thank you. Next question, please.

Operator

Next question from Mr. Marc Zwartsenburg, ING. Please go ahead, sir.

Marc Zwartsenburg - *ING - Analyst*

Yes, good morning, gentlemen. A couple of questions from my side. First of all, when you're talking about April, that the growth momentum is continuing, could you maybe give us just a number for April; what the growth is in April?

Patrick De Maeseneire - *Adecco SA - Group CEO*

Since we are early in the month of May we don't disclose this. We have, of course, our volume numbers, Marc, but I would like not to disclose this.

Marc Zwartsenburg - *ING - Analyst*

Okay.

Patrick De Maeseneire - *Adecco SA - Group CEO*

I would say that the momentum, like Dominik said, from January to March, which moved from minus 5% to a little bit less than 0% to plus 3%, continues into April. So, I guess you can figure it out.

Marc Zwartsenburg - *ING - Analyst*

Yes, yes, clear. Could you maybe also give us some exit rates? You mentioned France at plus 12% for March; could you give us it also for your other main regions?

Dominik de Daniel - *Adecco SA - Group CFO*

So, we said for -- let's focus on the [main] regions [for the other ones I gave the indications]. So, France was plus 12%; and North America was 9%, but when excluding the outplacement business it was, as I said, regarding the first question, more in the area of 14% to 15%.

Then, if we look to the other markets, Germany, Nordics, they had similar exit rates, like the 3% growth for the whole Group; and then the countries Italy, Spain, Iberia, Australia, they are slightly above; they are slightly better with their exit rates; slightly lower is Benelux; clearly lower is Japan, UK, but also Switzerland; and clearly higher, the USA, France, and Emerging Markets.

Marc Zwartsenburg - *ING - Analyst*

Could you give us the number for Japan, maybe? How that is bottoming a bit because comps are getting easier?

Dominik de Daniel - *Adecco SA - Group CFO*

So, in Japan we had not a strong drop from one or the next quarter, and we're seeing not yet a real pick-up. So, the comps getting easier, but not too significantly up.

Marc Zwartsenburg - *ING - Analyst*

Okay. So, that's later in Q2 then that that happens?

Dominik de Daniel - *Adecco SA - Group CFO*

Exactly right, yes.

Marc Zwartsenburg - *ING - Analyst*

Okay. And then, on your acquisitions, could you give us maybe a bit more details on MPS and Spring, and what it added on revenues, and EBITDA, and on SG&A level?

Dominik de Daniel - *Adecco SA - Group CFO*

So, the SG&A which we added from all acquisitions, we are basically in Q1 EUR59 million. Then, we had integration costs of EUR5 million, which were partly -- part of the EUR59 million because it was in this area. Then, if we look to the overall profit contribution, the profit contribution of the acquisitions to this quarter was around EUR10 million. But please consider that MPS we have only consolidated two months, and Spring, of course, three months because it was already there last year.

And if you look to the contribution in terms of sales, we had 7% growth, and organic growth was minus 1%. So, the 8% are basically the acquisition impact.

Marc Zwartsenburg - *ING - Analyst*

Okay. And the EBITA, that is excluding the one-offs?

Dominik de Daniel - *Adecco SA - Group CFO*

That's excluding the one-offs. This is the profit of these acquired businesses. But let's say there are EUR2 million one-offs included because we're not adjusted our integration costs there. So, out of the EUR5 million, EUR2 million were in this kind of entities so the EUR10 million is after this cost.

Marc Zwartsenburg - *ING - Analyst*

Okay. And that is split mainly -- is it mainly MPS, or is it Spring?

Dominik de Daniel - *Adecco SA - Group CFO*

This EUR2 million are mainly MPS US.

Marc Zwartsenburg - *ING - Analyst*

And then a final one. On the corporate costs, you're guiding for EUR70 million, but you had EUR21 million in the first quarter, but there was a one-off in there. Is the EUR70 million, is that including the one-off? Or --?

Dominik de Daniel - *Adecco SA - Group CFO*

Yes. We had in Q1 a EUR6 million cost in relation of the acquisition of MPS, so basically the fee for the bank. And the EUR70 million includes all costs, yes.

Marc Zwartsenburg - *ING - Analyst*

Okay, clear. Thank you very much.

Dominik de Daniel - *Adecco SA - Group CFO*

Thank you, Marc.

Patrick De Maeseneire - *Adecco SA - Group CEO*

Next question, please.

Operator

Next question from Mr. Michael Foeth, Bank Vontobel. Please go ahead, sir.

Michael Foeth - *Bank Vontobel - Analyst*

Yes, good morning. I have several follow-up questions. First of all, on the SG&A side, what are the one-off costs that you expect in the second quarter? That will be the first question.

Second question; you said -- you mentioned a tax rate of 35% in Q2, could you give us some guidance where you see it for the full-year 2010, and maybe a trend for 2011?

And then, final question; if you could comment on the temp margin developments that you see in the second quarter versus the first quarter, in particular, in France and the US, please?

Dominik de Daniel - *Adecco SA - Group CFO*

If we start with the first question, SG&A one-offs in Q2. In Q2, what will happen is that we have ongoing some integration costs of the acquired businesses. We had in Q1 for integration EUR5 million. Now, for Q2 it will be higher because the MPS we just bought, so there will be somewhat higher integration costs. Not materially higher, but maybe the double amount.

Then, if we look to the tax rate, please consider the tax rate is 35% expected to be in the second quarter because of the French business tax. So, 10% is adding to it since this French business tax is now considered in the tax line, in the context line; before it was considered in the gross profit, the majority, and a little bit in SG&A.

So, the underlying tax rate, if we say underlying, or if we say a tax rate without this effect is 25%. And this is also the trend for the whole year.

Michael Foeth - *Bank Vontobel - Analyst*

So, 35% for the whole year?

Dominik de Daniel - *Adecco SA - Group CFO*

Yes.

Michael Foeth - *Bank Vontobel - Analyst*

Okay. And 2011, similar?

Dominik de Daniel - *Adecco SA - Group CFO*

It will be pretty similar. Overall, tax rate goes a little bit higher. On the other hand, maybe the business tax impact was a little bit lower. This will be similar; maybe 1% or 2% more, but really not a big change.

Patrick De Maeseneire - *Adecco SA - Group CEO*

And margin developments?

Dominik de Daniel - *Adecco SA - Group CFO*

If we look to the temp margin development, the pricing situation is competitive, like always in our business, but we see a kind of stabilization. We said always that Q4 or Q1 are maybe the quarters where we have the strongest additional price pressure. And if we look to the temp margin we had in Q3, we had minus 90 basis points; we had in Q4 minus 60 basis points; now in Q1 minus 70 basis points. So, we believe it starts to stabilize more or less on this level.

In France, the temp margin decline is a little bit higher. It is around 100 basis points. It was in Q4 100 basis points; before it was 80 basis points. So, we see a kind of stabilization on this level from a pricing point of view. On the other hand, you also have to consider that, of course, now when the Industrial business is picking up, there is obviously also a mix effect since the Industrial business has the lowest temp margins.

Michael Foeth - *Bank Vontobel - Analyst*

Thank you.

Dominik de Daniel - *Adecco SA - Group CFO*

And maybe one thing to add. For Q2, you have always to think Q2 is a quarter where you have rather low temp margins, more from a seasonal point of view, because in Germany we fully employ the people. W have in Q2 Easter, we have a lot of Bank Holidays, and that has some effect on temp margins in countries like Germany, Sweden, but also in the Netherlands, or in some other countries where you have more professional people who are fully employed.

Patrick De Maeseneire - *Adecco SA - Group CEO*

Next question, please.

Operator

Next question from Mr. Andrew Grobler at Credit Suisse. Please go ahead, sir.

Andrew Grobler - *Credit Suisse - Analyst*

Hi, good morning. I just had one quick question. In terms of your margin target of at least 5.5%, you said that pre the change in the French business tax. Clearly, that will add to your EBITA margins going forward; what -- how do you reconcile that to that 5.5% target?

Patrick De Maeseneire - *Adecco SA - Group CEO*

It's true, Andrew, that we didn't take that into account when we issued our new target mid-term, and that's also why we issued a target of minimum 5.5%. And I'll let you fill in the rest.

Andrew Grobler - *Credit Suisse - Analyst*

Okay, that's great. Thank you very much.

Karen Selfors - *Adecco SA - Head of IR*

Next question.

Operator

Next question from Toby Reeks, Merrill Lynch. Please go ahead.

Toby Reeks - *Bank of America Merrill Lynch - Analyst*

Hi, guys. Most of my questions have been answered. Just a bit more follow-up on the gross margin. Can you talk about the individual components of gross margin, excluding the acquisitions, i.e., perhaps a bit more detail on the seasonality in the temp business? What sort of an impact we could expect in Q2 from that?

And also, now perm has returned to growth, clearly we should be expecting an improvement in gross margin from that in Q2; is that correct?

Dominik de Daniel - *Adecco SA - Group CFO*

If we -- from a seasonal point of view, this was more related if you will look to the thing sequentially. If we have in Q2 then again a year-over-year look, there is obviously no seasonal impact because all the --

---

Toby Reeks - *Bank of America Merrill Lynch - Analyst*

Yes, no, on a sequential basis.

Dominik de Daniel - *Adecco SA - Group CFO*

Only a remark just to -- not to take the temp margin in Q1 and bring it to Q2 from a sequential point of view.

Now, what we have to see from the perm placement, it was neutral. I talk always about organic; it was neutral in Q1, but we said it is expected to grow the perm in March. And there was -- there is also good momentum to come to this so maybe this is slightly positive in the second quarter.

On the other hand, we have still to consider that in outplacement business we have not yet seen the kind of bottom. We had a peak last year. But we still expect that we have sequentially sales decline in outplacement business, which may result in a slightly, let's say, broader impact on temp margins, like we have seen in Q1, just a minus 60 basis points.

Toby Reeks - *Bank of America Merrill Lynch - Analyst*

Okay. Just going back to the sequential seasonality, what sort of improvement should we expect sequentially from the seasonal effect?

Dominik de Daniel - *Adecco SA - Group CFO*

I not fully understand your question; what do you think from a sequential improvement?

Toby Reeks - *Bank of America Merrill Lynch - Analyst*

Well, as you said, the gross margin in Q2 usually benefits from a seasonal uplift, from a sequential basis Q2 over Q1, if I'm correct?

Dominik de Daniel - *Adecco SA - Group CFO*

No, no, then I was misleading. What I said is if you look to the temp margin, in Q2 normally the temp margin is a little bit lower than in Q1 due to the fact that we have in some countries, like Germany, a model where we fully employ the people, and we have in Germany second quarter at least five or six bank holidays, so you pay the people but you cannot bill the temps.

And this is also effect in Sweden; this is partly also effect in other businesses and professional staffing where you fully employ the temps, the people; and also this has some impact on some -- in some other countries.

And, therefore, the temp margin in Q2 is somewhat lower than in Q1. It's not materially lower, but somewhat lower. On a year-on-year comparison, no impact because the last year is exactly the same.

Toby Reeks - *Bank of America Merrill Lynch - Analyst*

Okay, thanks very much.

Patrick De Maeseneire - *Adecco SA - Group CEO*

Next question, please.

Operator

Next question from David Hancock, Morgan Stanley. Please go ahead, sir.

David Hancock - *Morgan Stanley - Analyst*

Hi, thanks. Just a few quick ones to follow-up. Firstly, just picking up on your last point, Dominik, about the outplacement business not having bottomed. I think in the last three quarters you've been around the low sixties in revenue terms in outplacement, which looks like it is starting to stabilize a little, so how much more would you expect that to come down, please?

Second question was just to clarify your comments on second quarter SG&A. I think you said up quarter-on-quarter by low single-digits; I just want to check is that excluding acquisitions and one-offs?

And then the final question was a bigger picture question around your strategic IT spending. Have you done any work to quantify what benefits that might bring you either from a consultant productivity or from a back-office efficiency perspective, please?

Dominik de Daniel - *Adecco SA - Group CFO*

If we look to the Human Capital Solution business on the first [side], or the outplacement business, it is true; if you look sequentially that it looked like it has from Q3 to Q4 stabilized. But this was more related to the fact we have seen further drop in our US business. But you have to see in France that our second biggest business they have always a very weak Q3 so, therefore, Q4 was better. So, there was still a drop.

Now, sequentially, it's not materially down, but some [percentages] it will still decline sequentially, maybe 7%/8%.

Then, if we look to the SG&A development, my remarks were on the organic basis, and as a basis taking a kind of underlying SG&A, where we have no one-time costs regarding acquisitions or integration costs. And what we said is based on this level, we expect sequentially an increase in the low single-digit percentage, driven by the fact we have, on one hand, a little bit wage inflation in some major markets, and here and there some selective but only few hirings. So, that's basically the answer on this question.

Patrick De Maeseneire - *Adecco SA - Group CEO*

Then, on your third question, David, on the strategic IT standing and what it will do to our cost base, we've taken this fully into account when we announced our mid-term targets of 5.5% minimum. We do this especially on the general staffing side in order to stay the cost leader, which we are today. But we want to stay this, and that's why we are doing this additional IT spending over the next two years.

Dominik de Daniel - *Adecco SA - Group CFO*

I just want to also come back to just remind that, obviously, in the second quarter we have MPS included three months; it was two months in the first quarter. So, of course, acquisition-related, you have additional month for more costs. This is impacting the overall SG&A Q2.

And by the same, you should see also on the gross margin, the other acquisitions added 40 basis points in Q1. But, again, there was only two month of MPS included, and then in Q3 there will be three months included.

David Hancock - *Morgan Stanley - Analyst*

Great, thank you.

Patrick De Maeseneire - *Adecco SA - Group CEO*

Next question, please.

Operator

Next question from Konrad Zomer, Cheuvreux. Please go ahead, sir.

Konrad Zomer - *CA Cheuvreux - Analyst*

Hi, good morning. Just a few follow-up questions. Firstly, on your performance in the US, even if you strip out the outplacement business, your organic growth of 7% was clearly below what your main competitors reported over Q1. Can you maybe just explain a little bit more what the situation is there in terms of performance?

And also, have you -- do you have any feel yet for what the negative impact of [SUI] charges could be in the US this year?

And my final question is on the pricing pressure on the temp side. I know you've just explained, and you've just given us the declines per quarter and that it was more or less stabilizing, I'm still a little bit disappointed by the performance. I would have expected it to see -- go to, say, minus 50 basis points or minus 40 basis points. Can you maybe just elaborate a little bit more how you see that progress throughout this year? Thank you.

Patrick De Maeseneire - *Adecco SA - Group CEO*

Konrad, on your first question about our performance in the US, if you compare us to other players you have to take into account that reporting is different from one company to another, and that certain businesses are reported differently at other companies, where we report everything into the region.

If you specifically look at finance business of some of our competitors, you see that also declining despite the fact that this business is small. But for us it's a lot bigger; declining still in the first quarter. So, you should take everything into account.

And I hope, as an investor, that you also look at the profitability of companies, and we clearly say that we want to have profitable growth. We are not an [NGO], I always say, in this Company, and so for us it's really important that we grow only if we can also generate a profit with it.

The second point on the [SUI], we count on passing on 75% of the [SUI] costs to our customers. We were the first ones to take initiative to do so, and so far we have been successful in doing so, and will continue to do that.

And on the third point, on the pricing pressure, Dominik?

Dominik de Daniel - *Adecco SA - Group CFO*

Let's say, we were not disappointed with the minus 70 basis points because we said at the full-year that we may think Q1 is still a tough quarter. When it comes to pricing we had in Q4, 60 basis points was still also improvement included from the utilization rate in Germany, which is also in Q1 the case, but not that strong then in Q4 as the basis is increasing.

So, the minus 70 basis points is, for us, the start of stabilization. And you have to take to account that [SUI] weren't effective. As Patrick outlined, we passed 75%, but obviously there was a little bit also impact which is on the gross margin.

THOMSON REUTERS

Going forward, we believe that temp margin now stabilizing more or less on this level. But please consider also that the mix is now resulting in a little bit lower temp margins just on the mix effect, which has nothing to do from pricing. So, if we compare Q4 and Q4, our Industrial business was 17% down, so more or less down like the whole Company with minus 18%. So, the mix effect was not there from a business line point of view.

In Q1 things have changed. We were, and I talk organic numbers, down minus 1%; Industrial business was growing 5%. And as this is the only cyclical business which we have to take into account, so this mix effect in Q1 I think was still -- or was maybe 20 basis points explanation of the temp margin drop.

Konrad Zomer - *CA Cheuvreux - Analyst*

Okay. Maybe just one quick follow-up to what Patrick just said about the US. I totally understand what you're saying about the focus on profitability in the US, and clearly your margin there has been quite good, albeit helped by, I guess, the outplacement margin. But there are competitors in the US growing at relatively higher growth rates, at similar or even higher margins, so have you turned down any contracts that you -- well, that your competitors have picked up, just because of pricing?

Patrick De Maeseneire - *Adecco SA - Group CEO*

Indeed, we did. And we always look at our contracts; for larger contracts that they are at least CVA positive, and for smaller contracts they have to be EVA positive, otherwise we simply don't take them.

Again, if you look at our development in revenues, apart from us being very disciplined on the pricing, which is also shown in our numbers, you have to look at the different mixes. And there are also parts in our business which are now growing in a strong double-digit number. But, of course, our professional piece and some -- and our Office piece, despite also being up now in the US in the first quarter, is lagging the Industrial piece.

So, it really depends upon what kind of mix you are having. We are following up on this closely. But if we look at our Industrial business, we are very happy with our growth there as well.

Konrad Zomer - *CA Cheuvreux - Analyst*

Okay, thank you.

Patrick De Maeseneire - *Adecco SA - Group CEO*

Last question, please.

Operator

The last question for today is from Mr. Alain Oberhuber of MainFirst. Please go ahead, sir.

Alain Oberhuber - *MainFirst Bank - Analyst*

Good morning. I have three questions. One question is about DSO, and what we could expect for the full-year. And also, maybe elaborate a little bit on the higher -- on the increase of receivables; if that will continue.

The second question is about Japan. When do you think that Japan will see the trough on organic growth, and we think that it could go up again?

And the last question is on France, concerning just these tax issues, just to understand it again. So, the tax issue had, obviously, a negative impact on the EBIT as well as on taxes, but on bottom line it shouldn't really have an impact so for '10?

Patrick De Maeseneire - *Adecco SA - Group CEO*

Alain, I'll answer your second question about Japan. What we see in Japan is that our business is stabilizing week-on-week. And of course, in the second quarter we will have a base effect which is positive because the business came down --because of being an Office business, the business came down late. We still were comparing to a tough base in Q1. That won't be the case any more in Q2, so the difference will get smaller in Q2.

But if you look at the quarter-on-quarter development, we see now, since a number of weeks, the business stabilizing. That's on Japan.

Dominik, if you can do the DSO for the full-year?

Dominik de Daniel - *Adecco SA - Group CFO*

DSO in Q1 were 54 days. We are satisfied with this level. We see no major change in this kind of DSO number going forward.

Then your question regarding this French tax law. It has a positive impact on the EBIT line of EUR15 million; EUR14 million in gross profit, EUR1 million SG&A. So, EBIT is higher than the treatment before. And since more or less the same amount -- or the same amount is shown now in the income tax line, basically, it has a neutral impact on net profit; neutral impact on cash flow; neutral impact on EPS.

Alain Oberhuber - *MainFirst Bank - Analyst*

Okay, thank you very much.

Patrick De Maeseneire - *Adecco SA - Group CEO*

Thank you. I would like to close the call here. And I thank you for your attention. We give rendezvous for August 11 when we will report on our second quarter. Thank you very much again. And hope to talk to you soon.

Dominik de Daniel - *Adecco SA - Group CFO*

Thank you very much.

Karen Selfors - *Adecco SA - Head of IR*

Thank you.

Operator

Ladies and gentlemen, the conference is now over. Thank you for choosing the Chorus Call facility. And thank you for participating in the conference. You may now disconnect your lines. Goodbye.