



**Adecco** Group

## Financial overview

Dominik de Daniel, Group CFO and Head of  
Global Solutions

# Financial overview

Dominik de Daniel, Group CFO and Head of Global Solutions

## Agenda

- ▶ **Update on Solutions**
- ▶ **Our financial achievements so far**
- ▶ **The path left to reach the >5.5% EBITA margin**
- ▶ **Cash Flow and Balance Sheet**
- ▶ **Conclusion**

# Update on Solutions

# LHH business and market position

LHH is the clear market leader in career transition

## Career Transition industry structure

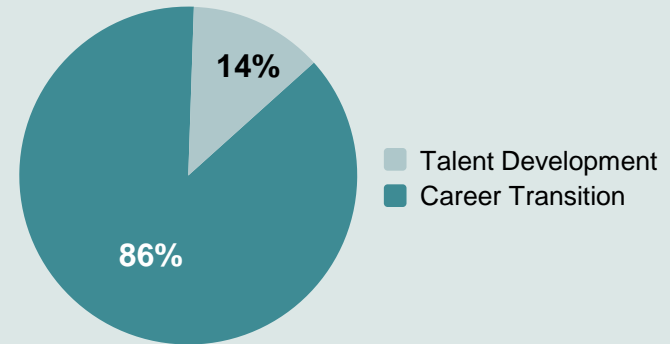
2 Global Players

LHH (Adecco)  
Right Management

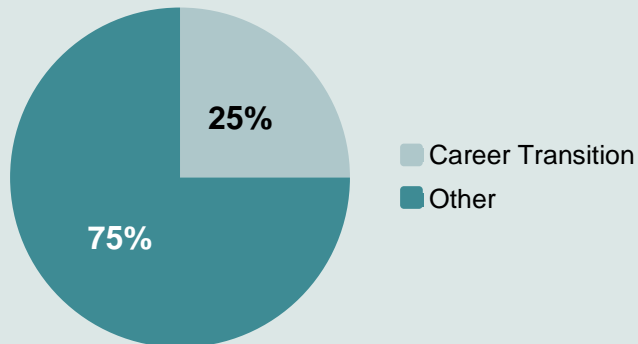
Significant  
Regionals

BPI  
Pasona  
Recruit  
Penna  
Knightsbridge

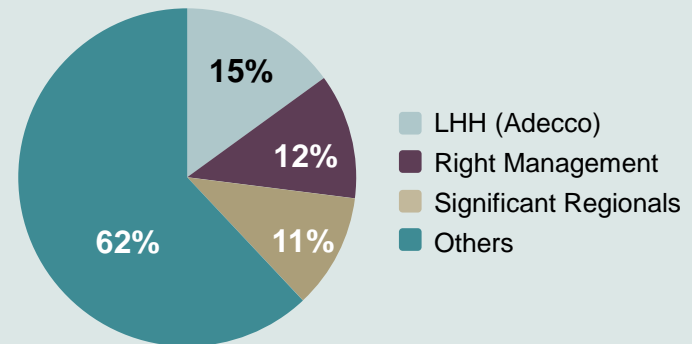
## LHH revenue mix 2013



## 2013 HCM Consulting market: EUR 7.1 billion\*)



## LHH global market leader in Career Transition\*\*)















\*) Human Capital Management (HCM) Consulting Marketplace 2010-2013; Kennedy Consulting Research & Advisory

\*\*) Adecco estimates for 2013

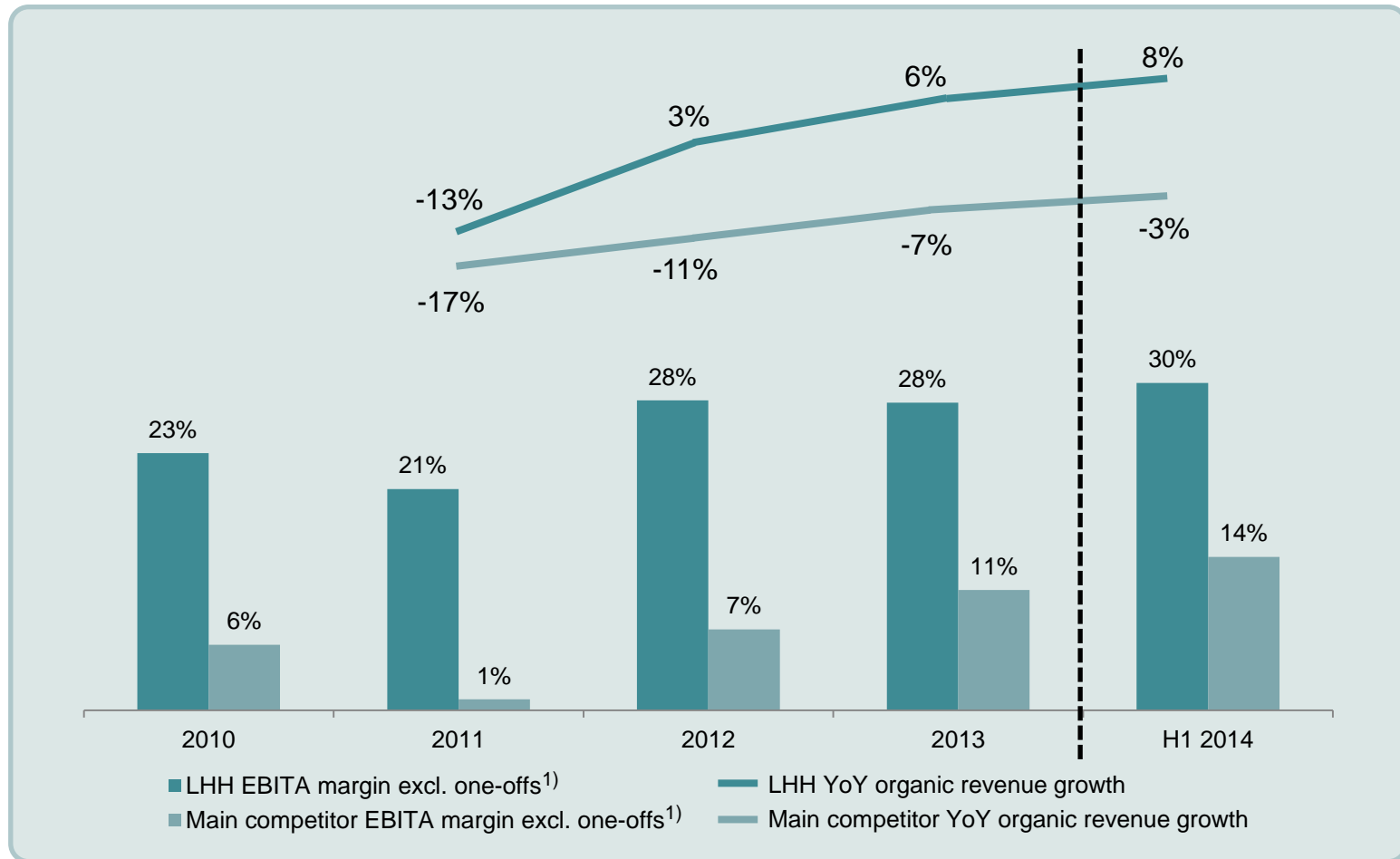
# LHH is the market leader in 9 countries

## Market Position – wholly owned

Country	Market position	#1	#2	#3
 USA  France  Brazil  Switzerland  Spain  Singapore  China  Hong Kong  New Zealand	<b>1</b>	<b>LHH</b>	<b>Right</b> BPI Mariaca Grass BPI <b>Right</b> HD <b>Right</b> Grafton	Ingeus <b>Right</b> Von Rohr Gri Next CDL
 Australia  Germany  Italy	<b>2</b>	<b>Right</b> Von Rundstedt Intoo	<b>LHH</b>	Directioneering Mühlenhoff <b>Right</b>
 Canada  UK  Ireland  Netherlands	<b>3</b>	Knightsbridge Penna Penna O'Shea Randstad	<b>Right</b> <b>Right</b> <b>Right</b> USG	<b>LHH</b>
 Japan  Belgium	<b>4</b>	Recruit Galilei (Randstad)	Pasona Ascento	TempStaff <b>Right</b>
<b>Total</b>	<b>1</b>	<b>LHH</b>	<b>Right</b>	

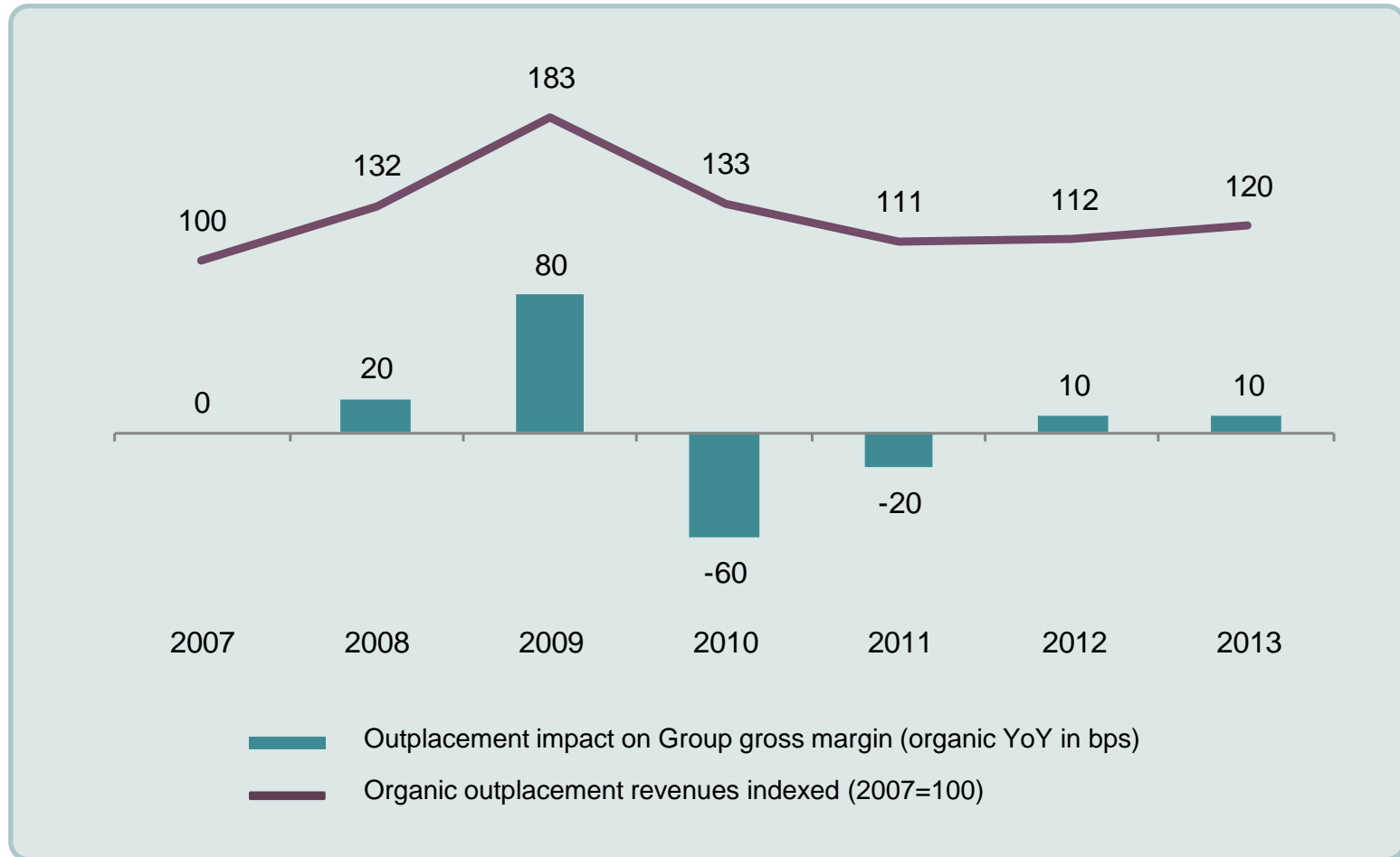
# LHH delivers high and market leading EBITA margins

With higher revenue growth rates



# The outplacement business

Limited negative impact expected during the economic recovery



# Our key focus areas in LHH

## Career Transition and Talent Development

Service Line	Market development	Client requirements	LHH opportunities & priorities
Career Transition	CT market is expected to decline in light of the moderate recovery of the economy	<p>Trend towards global supplier continues</p> <ul style="list-style-type: none"> <li>▶ Complex global solutions</li> <li>▶ Consistent support level</li> <li>▶ Global coverage</li> </ul>	<ul style="list-style-type: none"> <li>▶ Focus on growing market share and development of new business</li> <li>▶ The flexible model will allow us to adequately react to the CT downturn</li> <li>▶ Leading with innovation</li> <li>▶ Bolt - on acquisitions to further strengthen global leadership</li> </ul>
Talent Development	TD market is expected to grow	<ul style="list-style-type: none"> <li>▶ Global providers with consistency across the globe</li> <li>▶ Higher commitment to internal development</li> <li>▶ Affordable service for non C-level executives</li> </ul>	<ul style="list-style-type: none"> <li>▶ Participating in the growth potential of the market</li> <li>▶ Leveraging the strong relationships with the CT market</li> <li>▶ Provide affordable "volume" products</li> <li>▶ Lead with innovation</li> </ul>



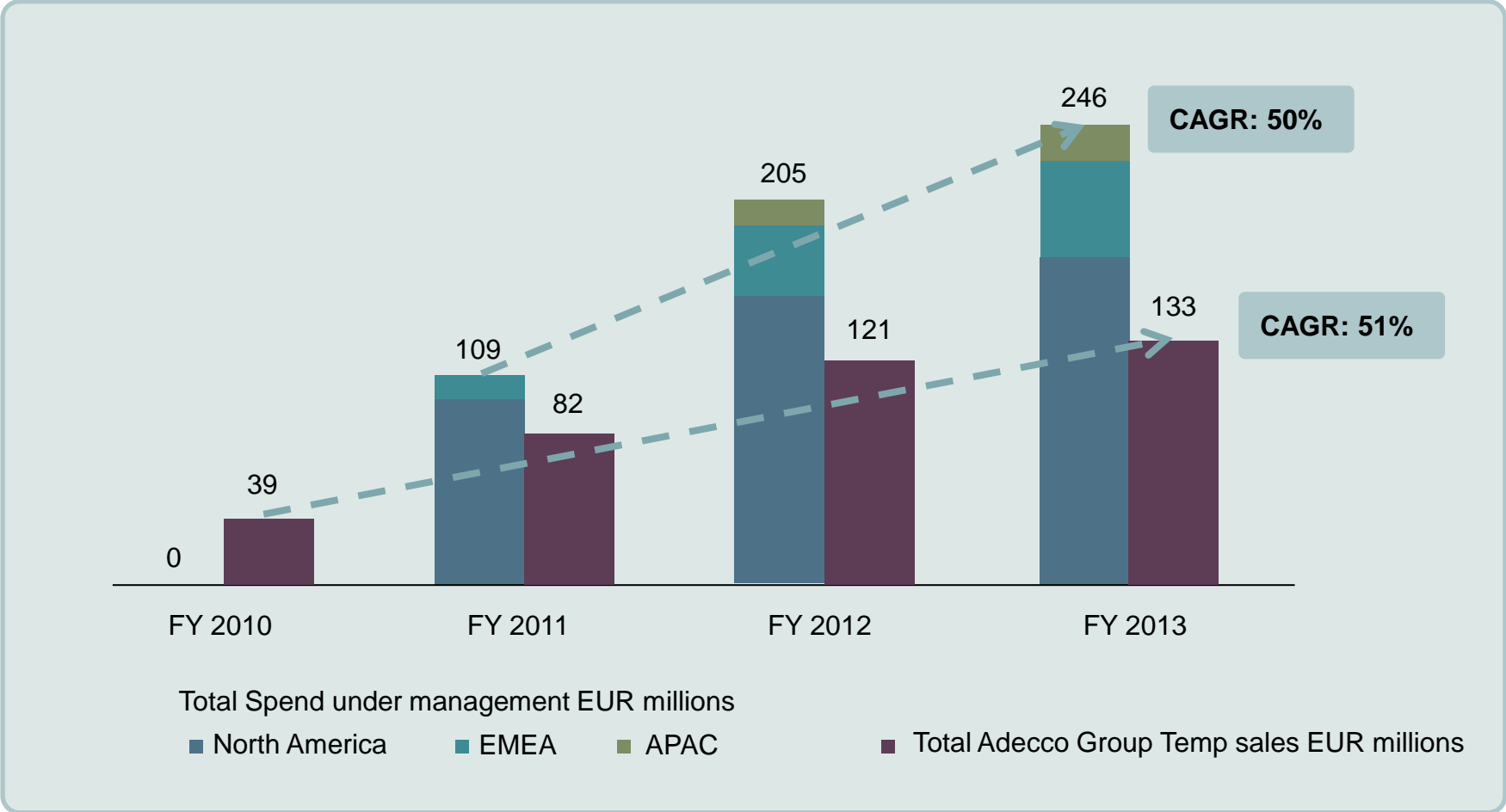
# Pontoon

## Facts and figures

### Facts and figures

- ▶ Pontoon is a leader in the global MSP & RPO space
- ▶ 100+ clients for which we provide services in 70+ countries
- ▶ Revenues CAGR (2010 – 2013) of 31% p.a. in our MSP offering
- ▶ Spend Under Management was EUR 7.5 b in 2013
- ▶ Spend Under Management per client ranges from EUR 12 m to EUR 1.5 b p.a.
- ▶ Hires in the RPO business ranges from 100 to 11,000 p.a.

# MSP – A real client example



# Pontoon

## Key focus areas

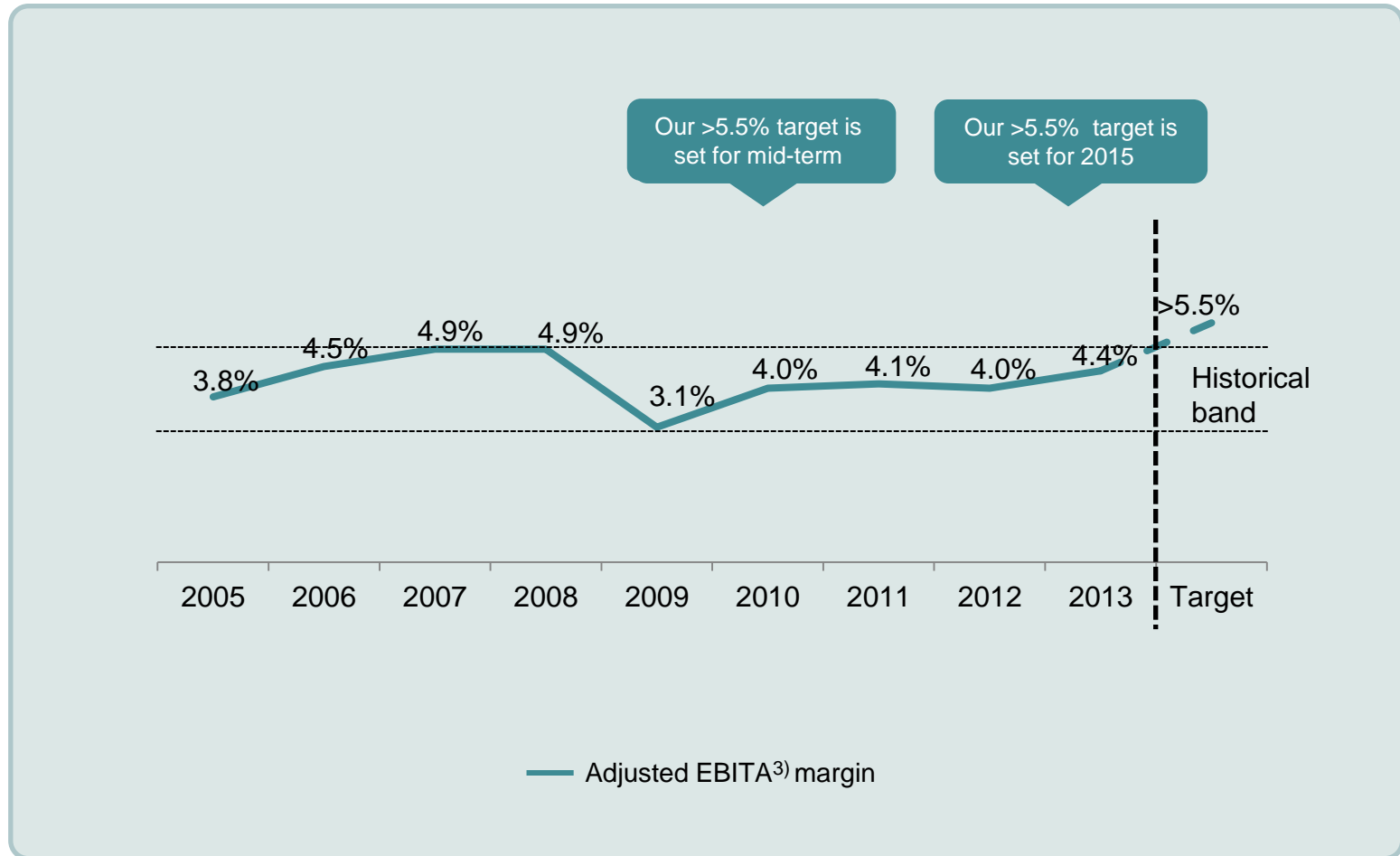
### Key focus areas

- ▶ Continue to leverage our leading global market position and our unique offering to gain market share; focus on new businesses
- ▶ Expansion of existing clients from a geographic (EMEA, APAC) and from a service offering point of view (SOW)
- ▶ Leverage our newly established shared service centre in the Philippines
- ▶ Focus on profitable growth by leveraging last years' investments

# Our financial achievements so far

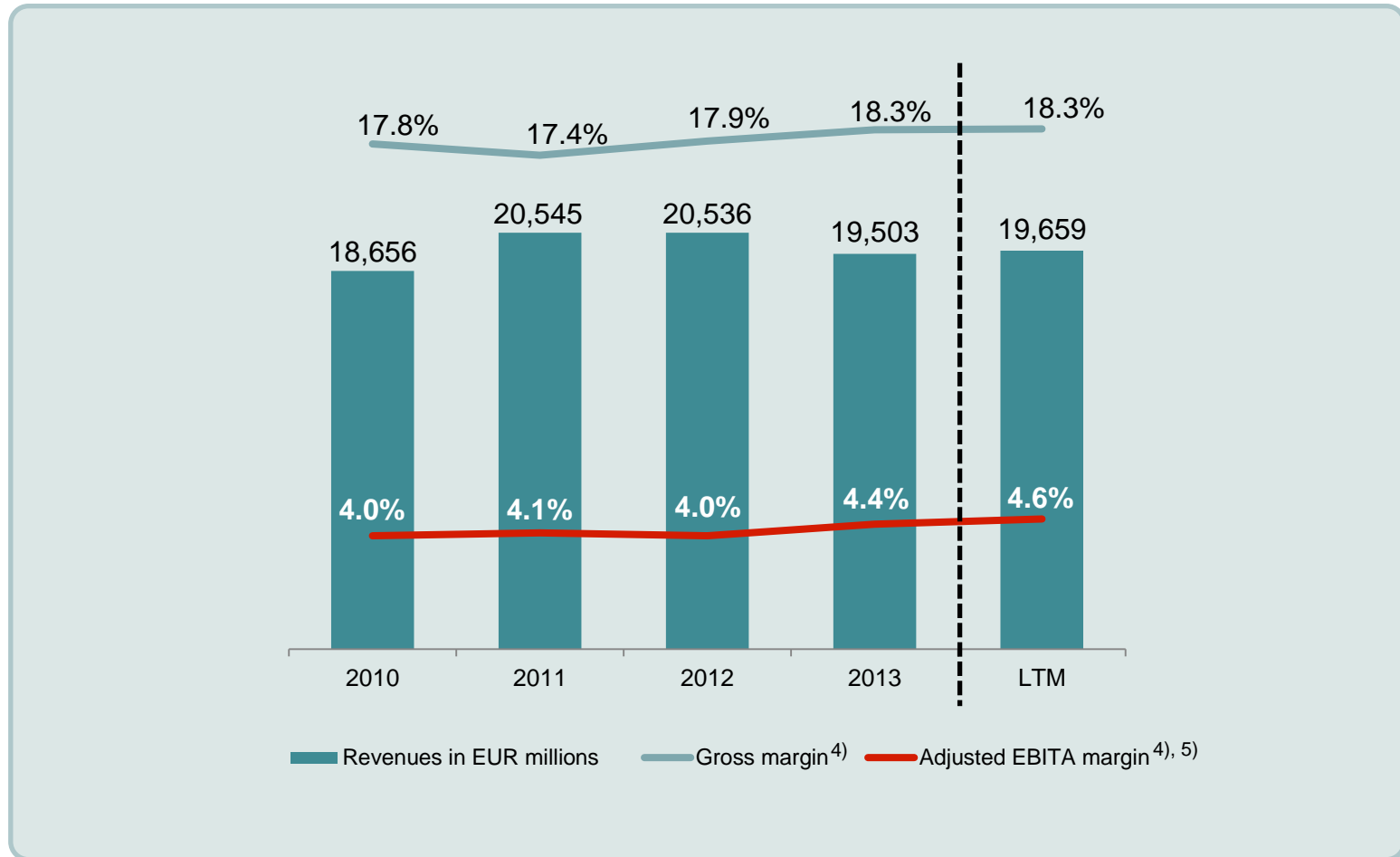
# A look at our historical performance

## The long-term view



# What we have achieved so far

## Financial performance since 2010



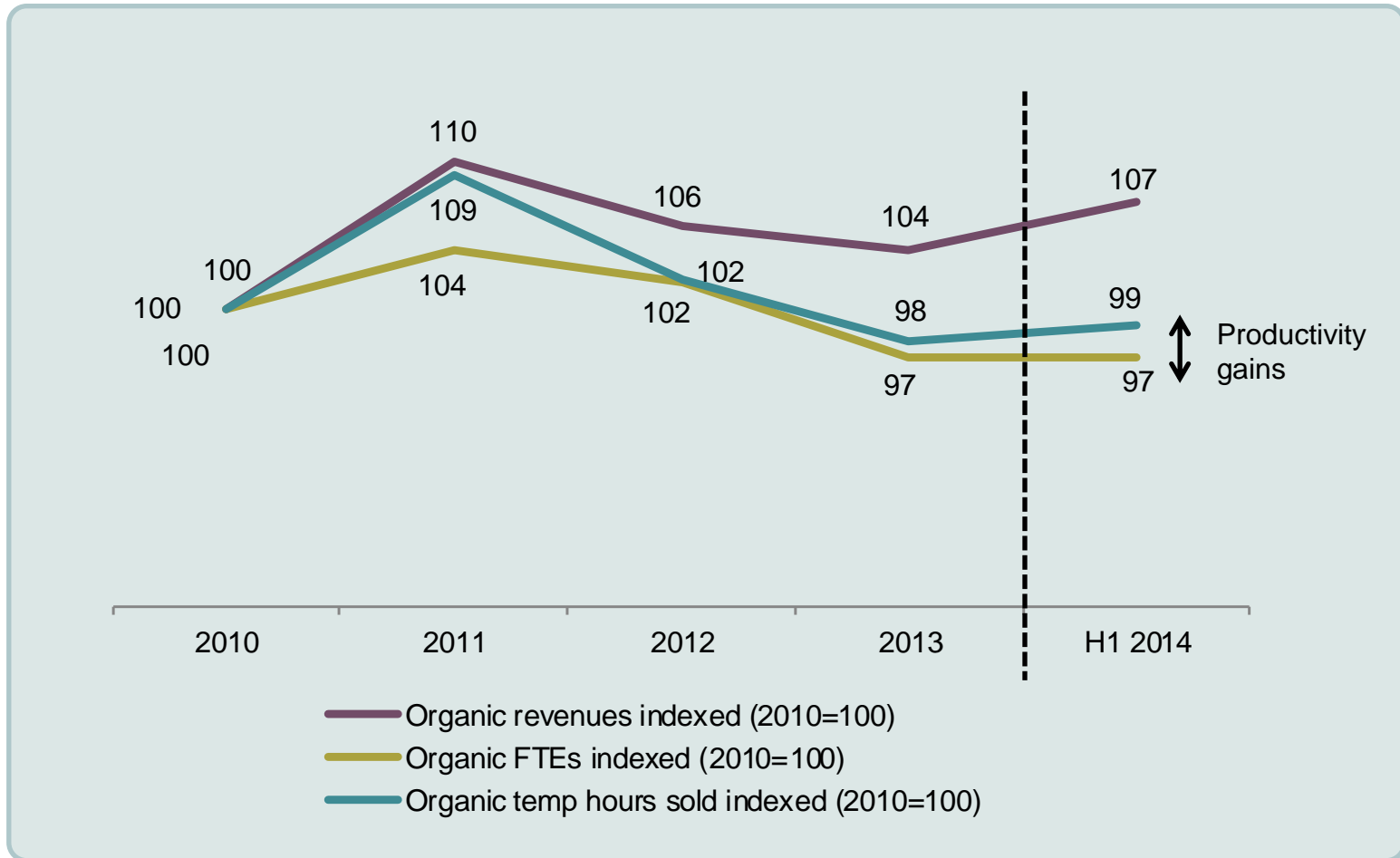
# What we have achieved so far

## Financial performance since 2010



# Revenues, branches and FTEs

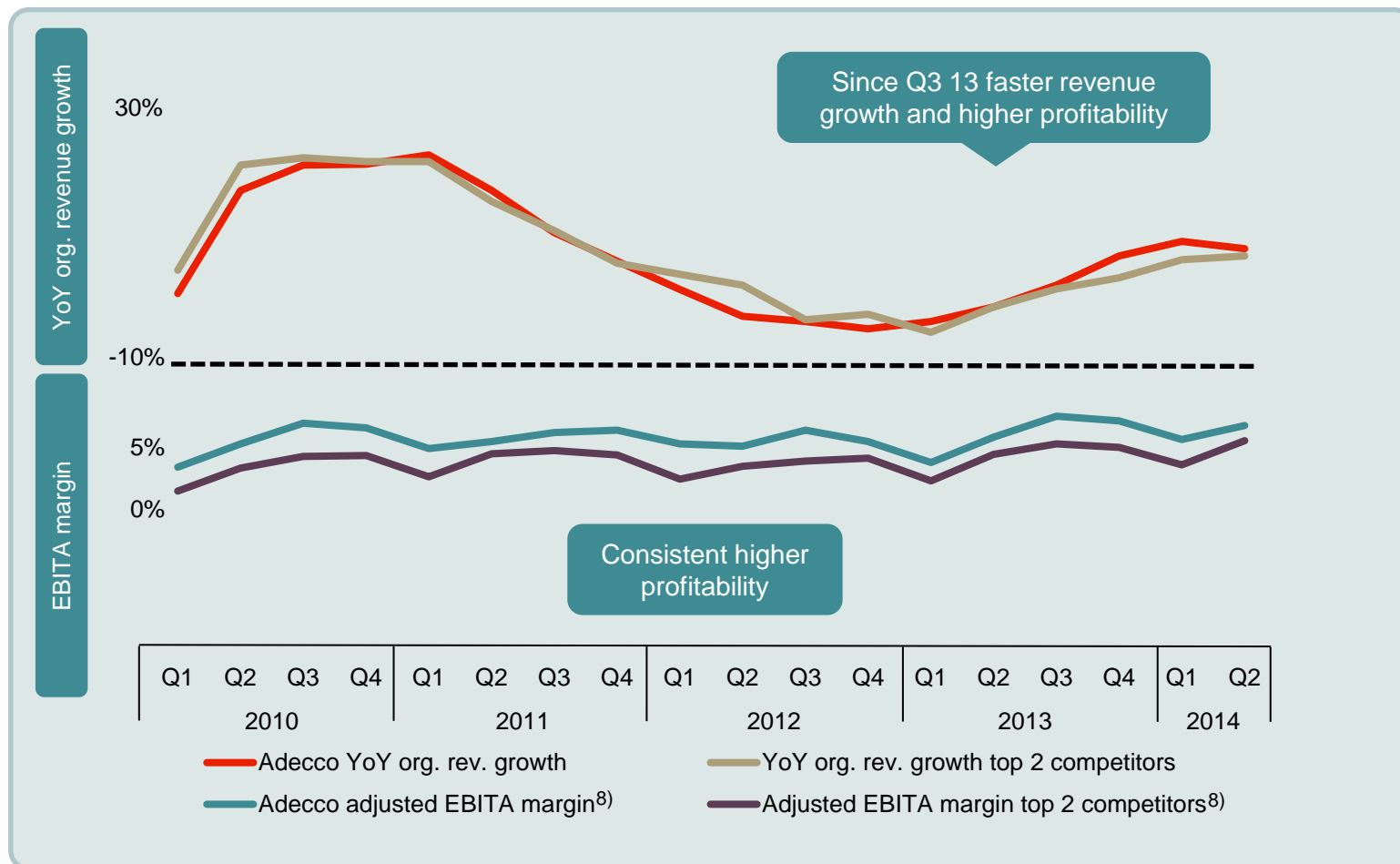
Organic development (indexed)<sup>6)</sup>





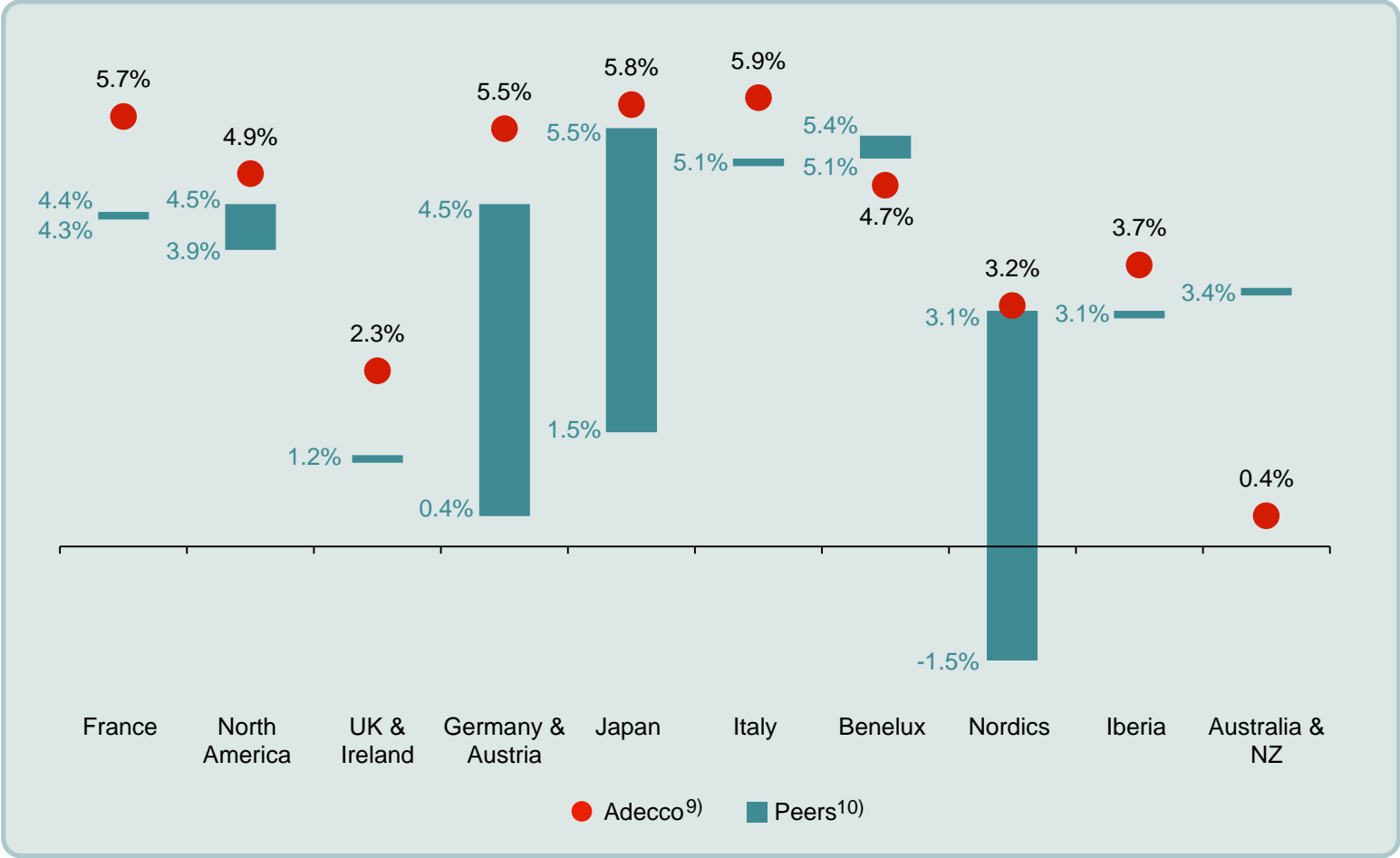
# Consistent higher profitability

Adecco versus our top 2 competitors<sup>7)</sup>



# EBITA margin leading across most regions

## Profitability in LTM



# The path left to reach the >5.5% EBITA margin

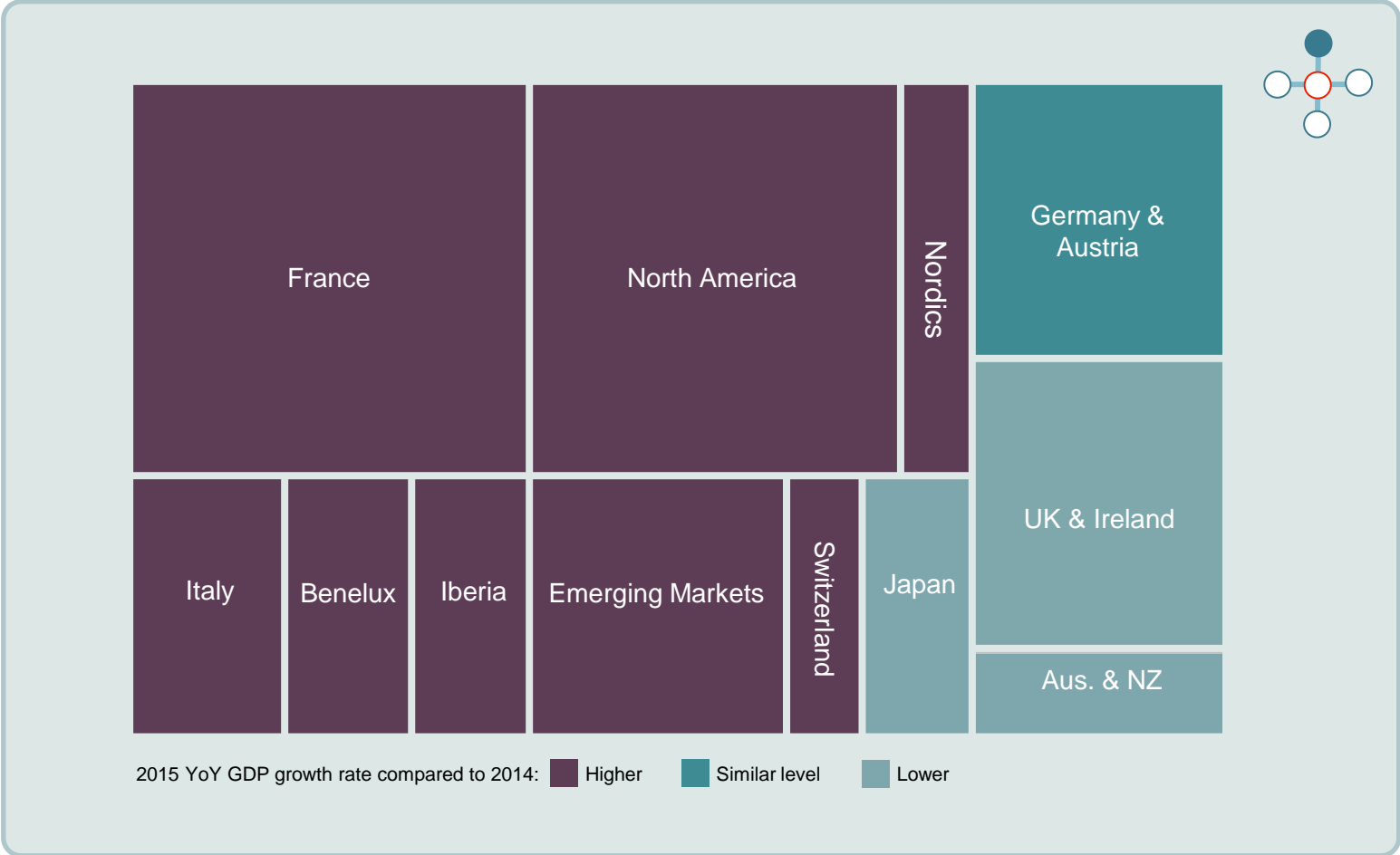
# The Key metrics

Getting to the >5.5% EBITA margin target

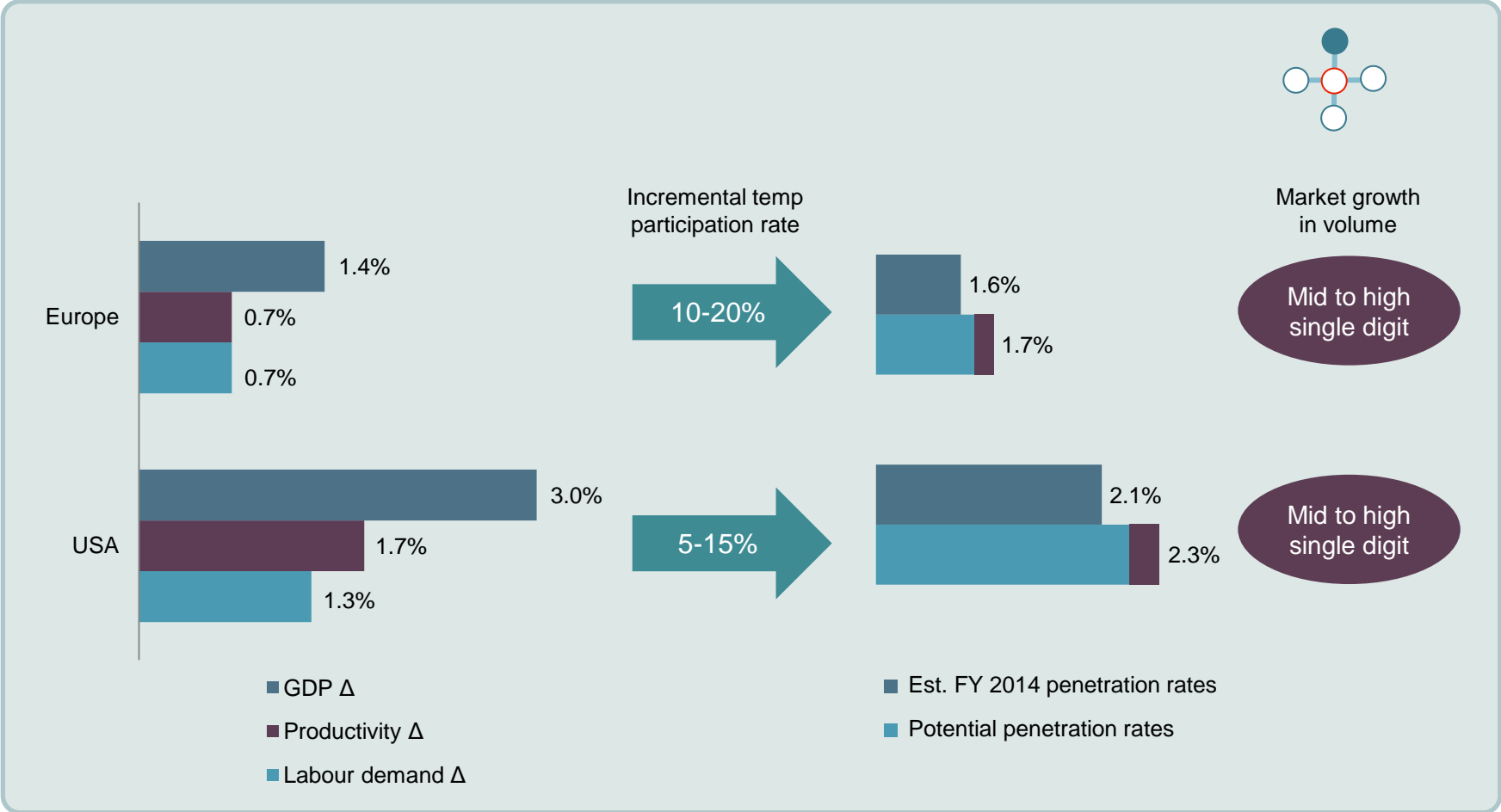


# Revenues exposure<sup>11)</sup>

Majority of revenues from regions with expected GDP acceleration in 2015



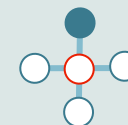
# Limited GDP growth can lead to substantial revenue growth<sup>12)</sup>



# Sequential revenue analysis

## Improving revenue trend

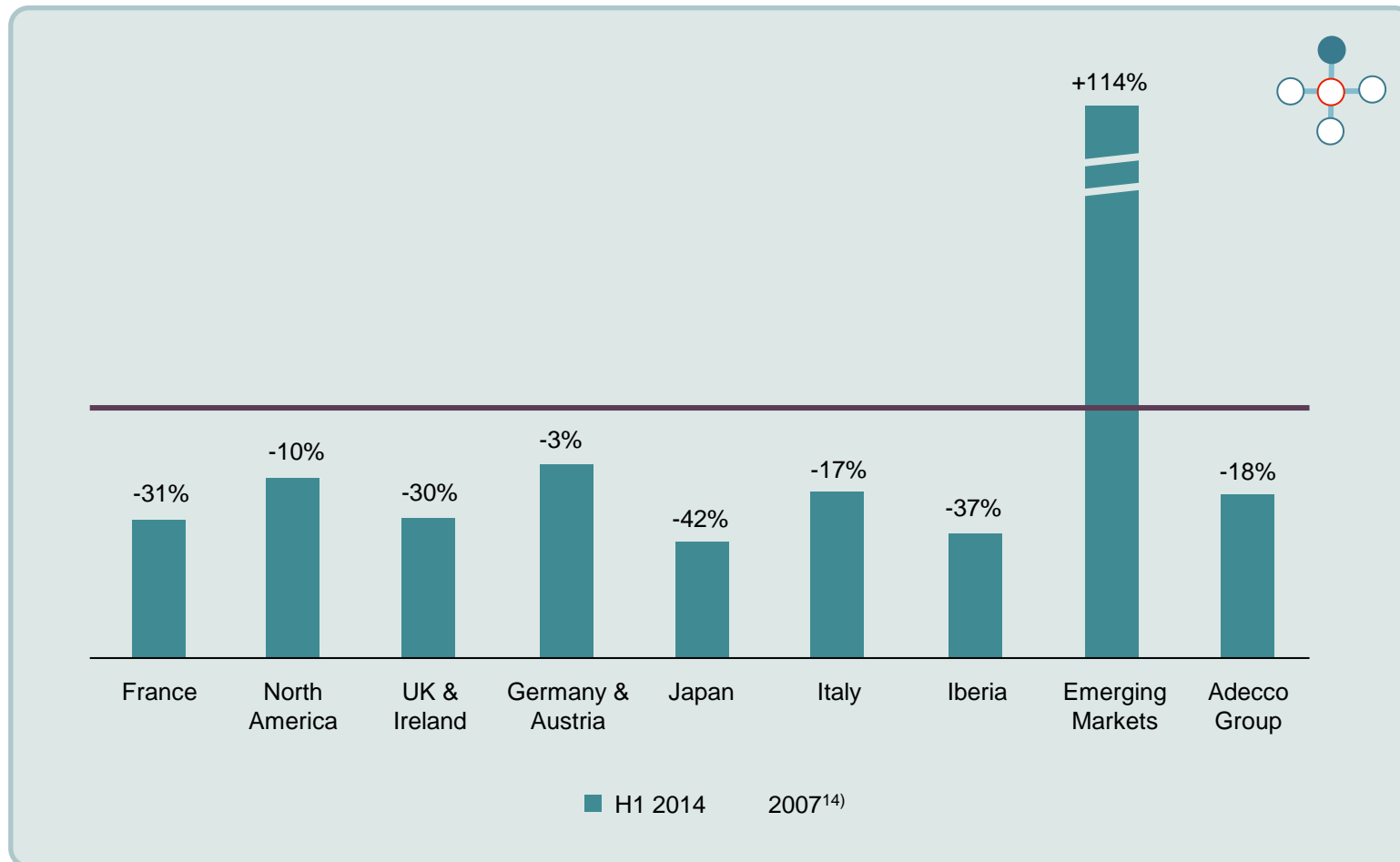
Adecco Group	Q1	Q2	Q3	Q4
2007	=	=	-	=
2008	+	---	-	----
2009	----	----	=	=
2010	++	+	+	+
2011	+	=	=	=
2012	-	-	-	-
2013	=	=	=	=
2014	=	=		



- +** Above long-term growth trend<sup>13)</sup>
- =** In line with long-term growth trend<sup>13)</sup>
- Below long-term growth trend<sup>13)</sup>

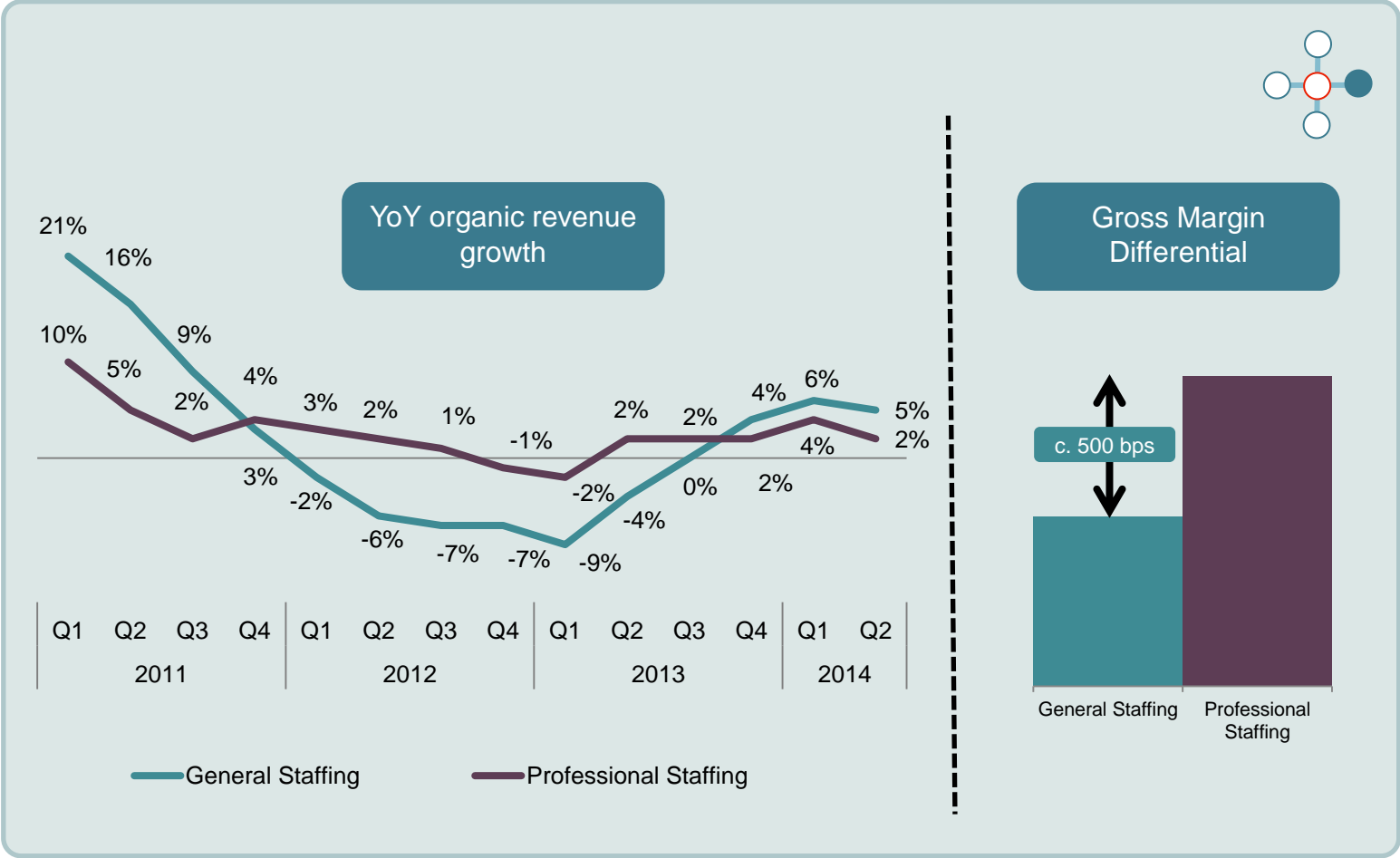
# Revenue development since the Group's peak in 2007

Gap against the peak on an organic basis





# Revenue development by business line since 2011



# A closer look at our US Professional Staffing

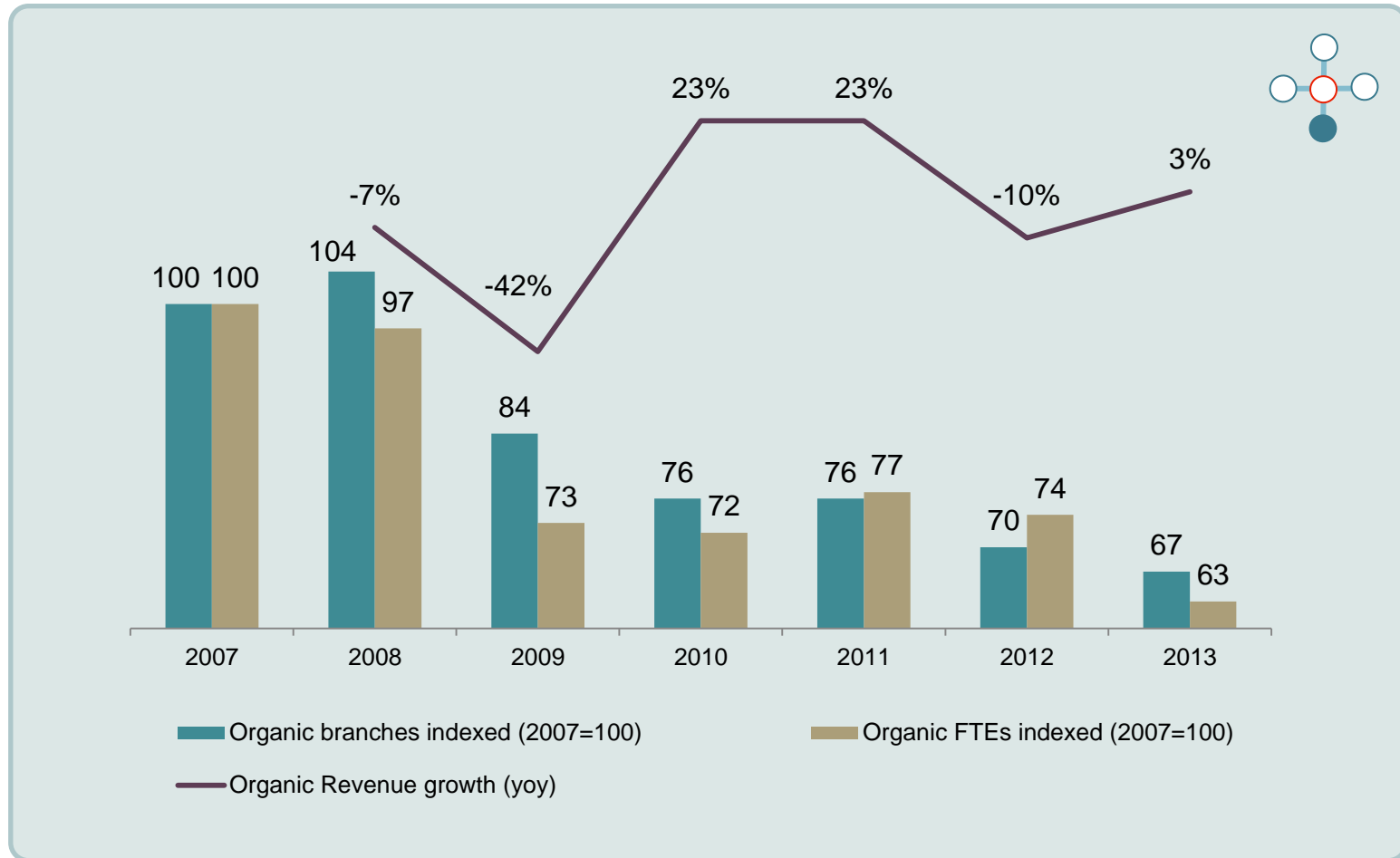
## Margin comparison versus General Staffing



	IT staffing	Healthcare	Finance & Legal	Engineering
Adecco brands				 
Gross Margin diff.	c. +1,200 bps	c. +1,500 bps	c. +2,300 bps	c. +1,000 bps
EBITA margin diff.	c. +400 bps	c. +800 bps	c. +600 bps	c. +600 bps

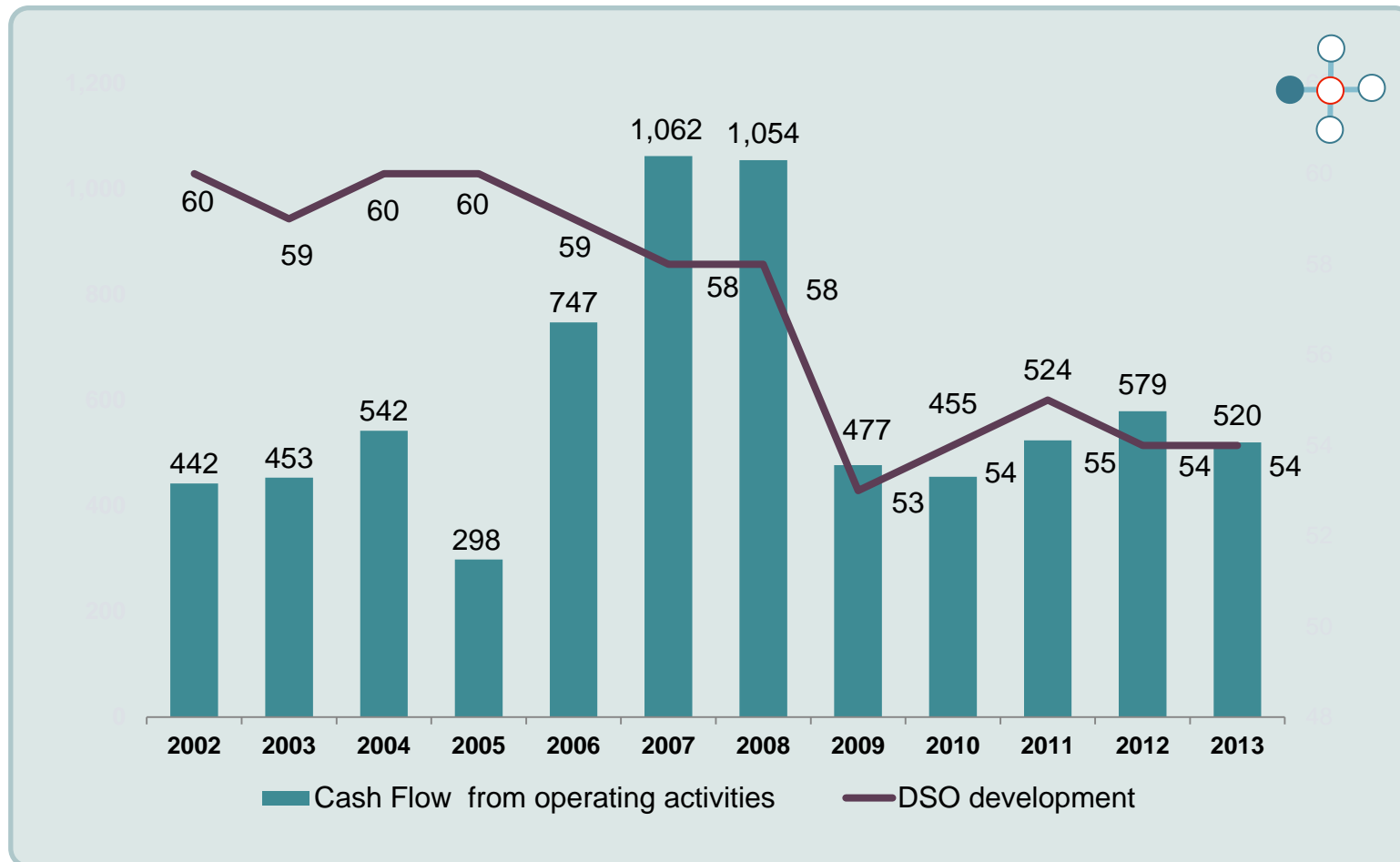
# SG&A will remain under control, despite higher revenues

## Italy revenues, branches and FTE employees development<sup>6)</sup>



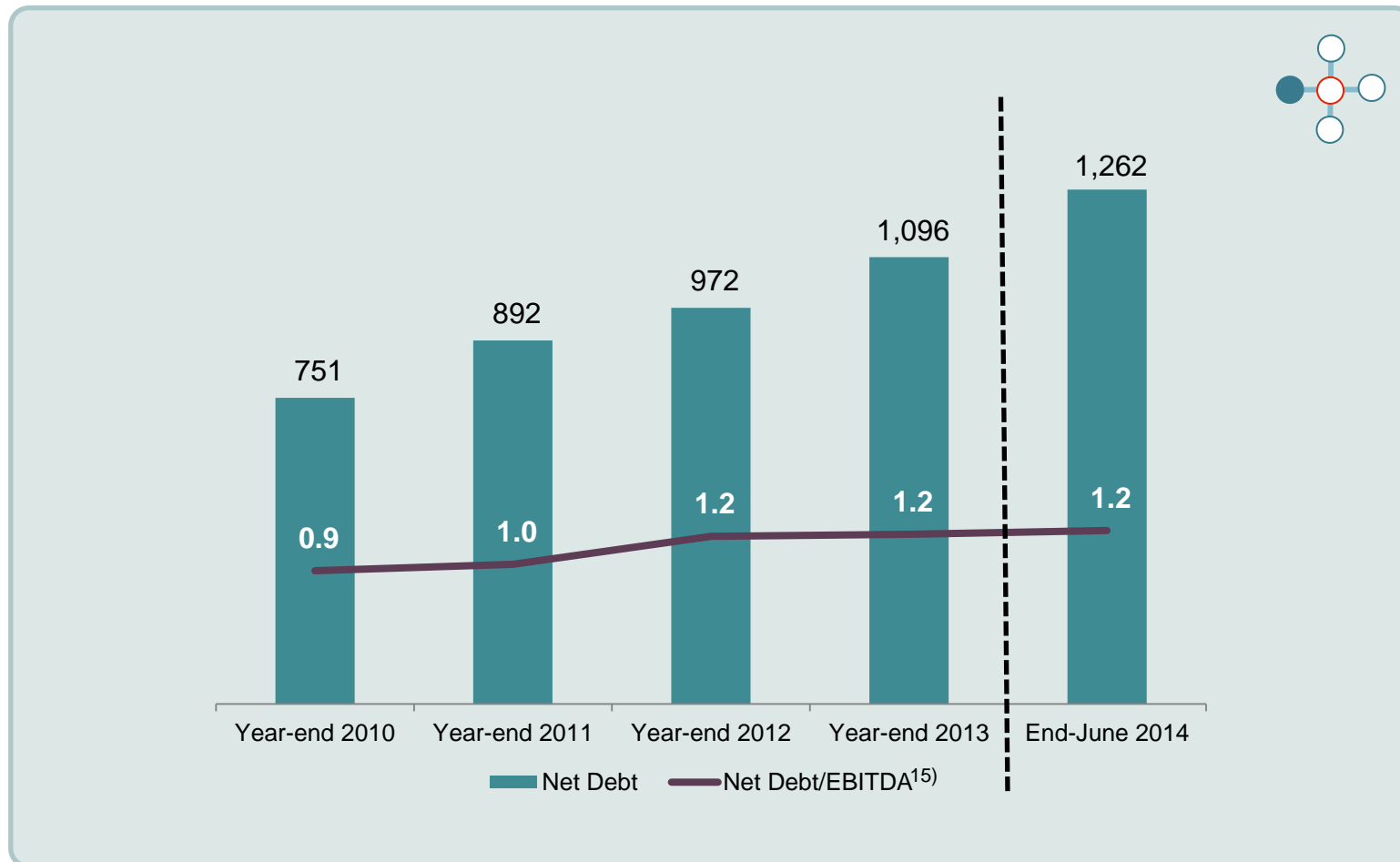
# Cash Flow and Balance Sheet

# Cash flow and DSO development

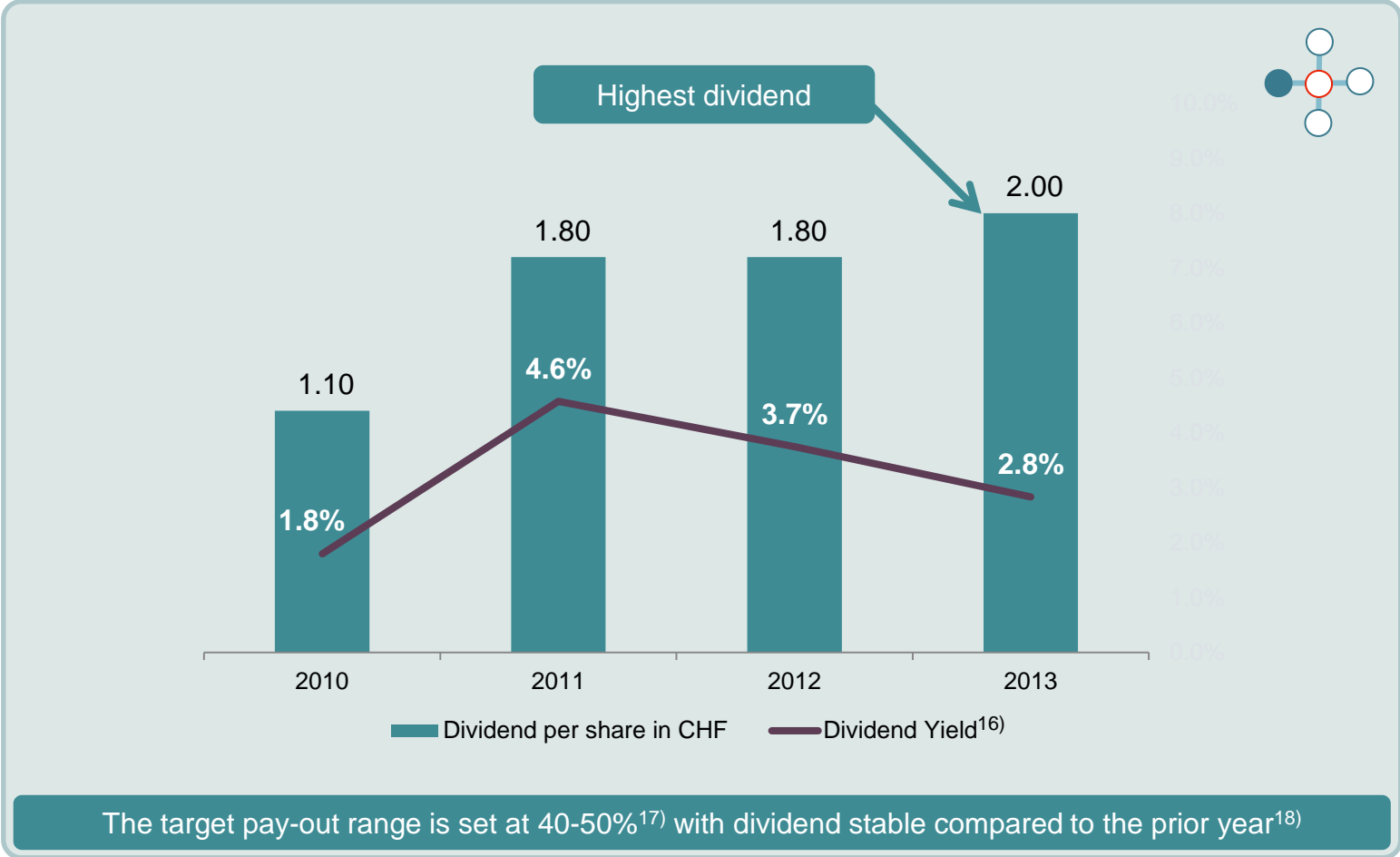


# Strong balance sheet

## Stable net debt-to-EBITDA

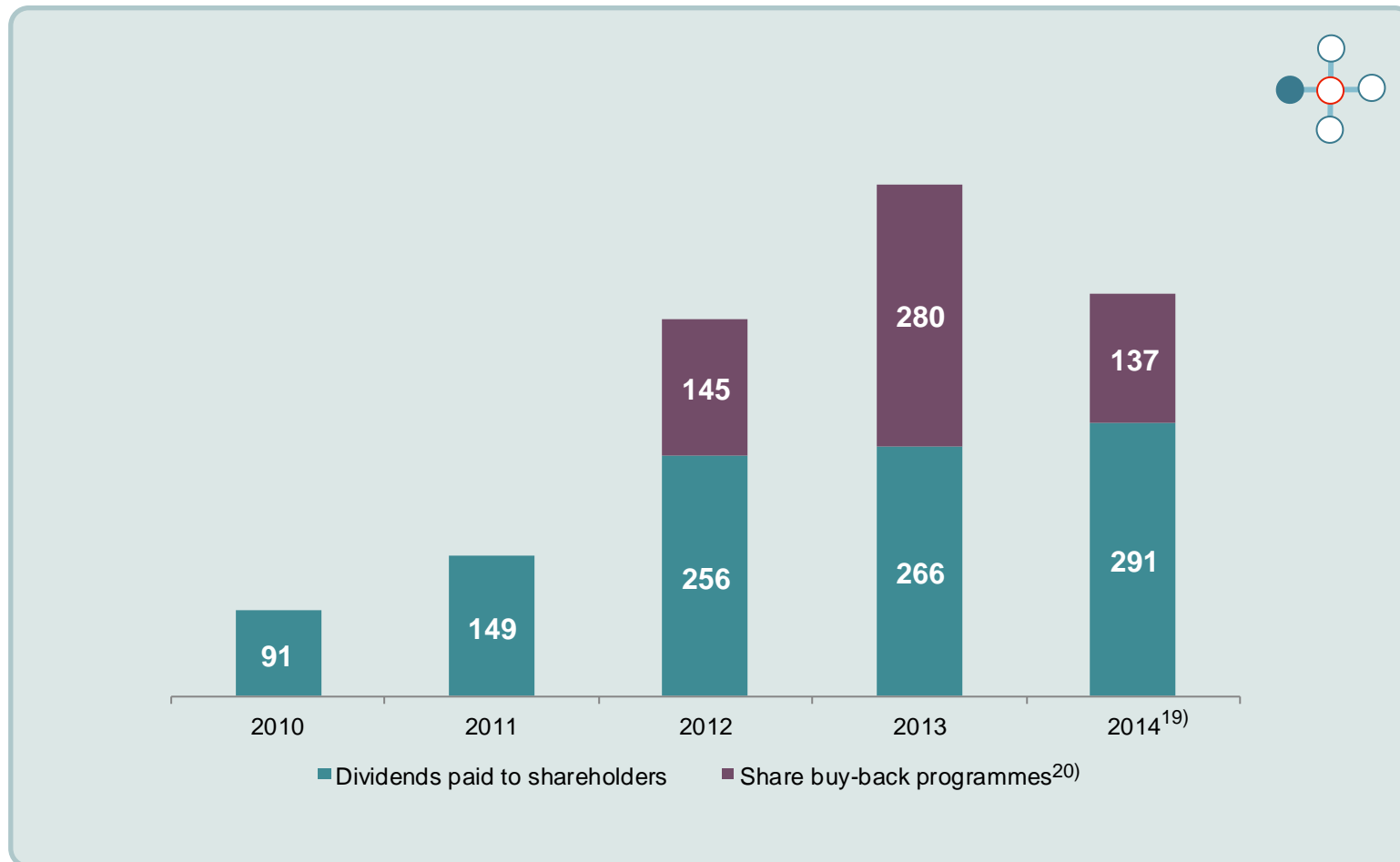


# Dividend payments since 2010



# Dividends and share buy-backs

More than EUR 1.6 billion since 2010

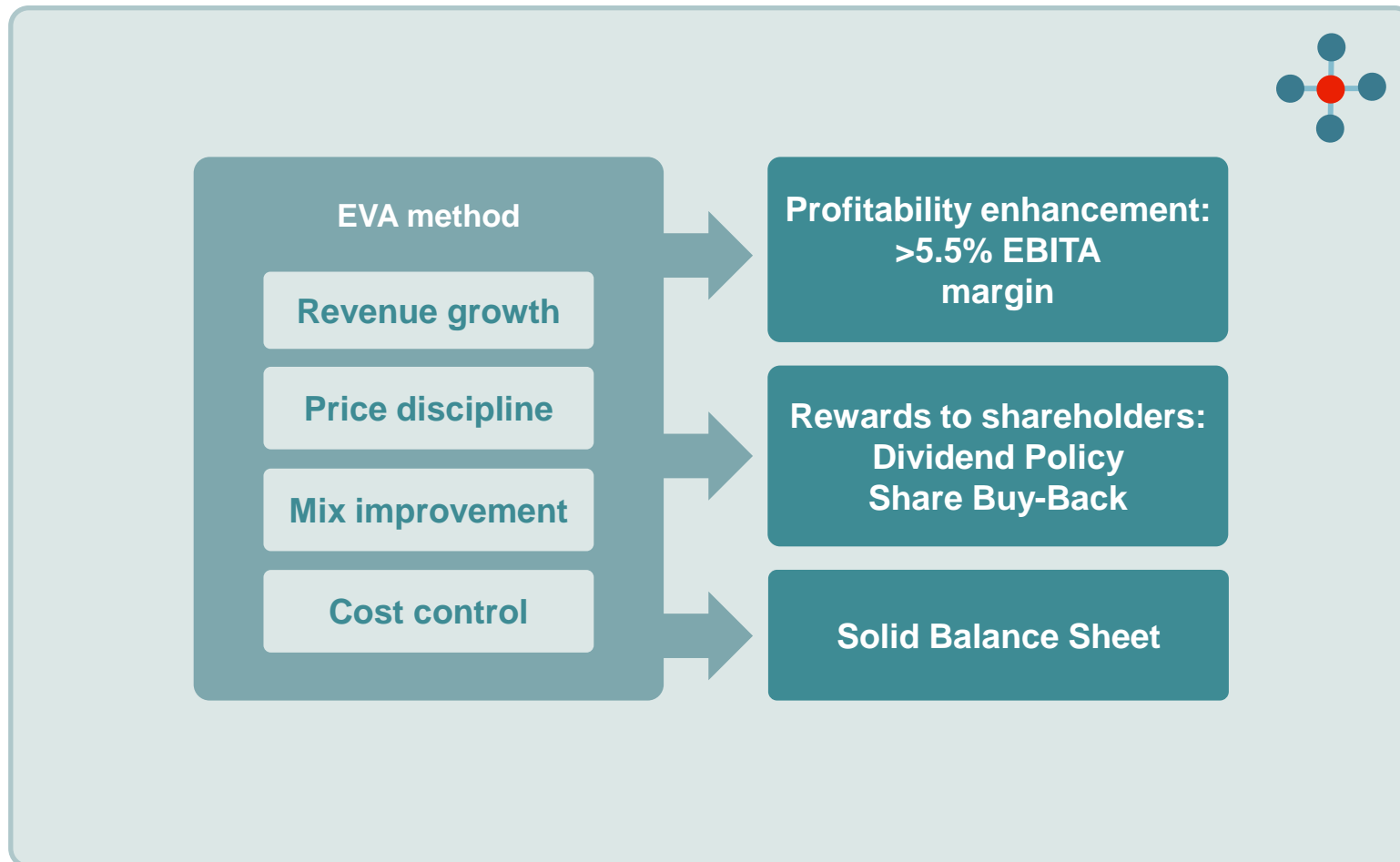




# Conclusion

# Conclusion

## Priorities until 2015



# Notes to slides

# Notes to slides

- 1) EBITA margin of LHH and main competitor excludes integration and restructuring expenses as disclosed for each period.
- 2) N.A.
- 3) For better comparison, figures for 2005, 2006, 2007, 2008 and 2009 exclude the impact of the French business tax (FBT), which as of January 1, 2010 was reclassified as income tax under US GAAP.

2005 figures exclude on gross profit the negative impact of the French business tax of EUR 80 million and on EBITA the negative impact of the French business tax of EUR 84 million.

2006 figures exclude on gross profit the negative impact of the French business tax of EUR 86 million and on EBITA the negative impact of the French business tax of EUR 91 million.

2007 figures exclude on gross profit the positive impact of the modified calculation of the French social charges of EUR 172 million and exclude the negative impact of the French business tax of EUR 88 million. 2007 figures exclude on EBITA the positive impact of the modified calculation of the French social charges of EUR 156 million and the negative impact of expenses related to the French antitrust proceedings of EUR 15 million and of the French business tax of EUR 93 million.

2008 figures exclude on gross profit the positive impact of the modified calculation of French social charges of EUR 63 million and from restructuring charges of EUR 8 million as well as the negative impact of the French business tax of EUR 84 million. 2008 figures exclude on EBITA the positive impact of the modified calculation of the French social charges of EUR 63 million, the negative impact associated with headcount reductions and branch optimisation in France and other European countries of EUR 32 million and of the provision for the French antitrust procedure of EUR 19 million and of the French business tax of EUR 89 million.

2009 figures exclude on gross profit the positive impact of EUR 25 million due to favourable developments in France resulting in the reassessment of existing accruals and the negative impact of EUR 7 million due to a sales tax accrual in the UK related to prior years and of the French business tax of EUR 61 million. 2009 figures exclude on EBITA the positive impact of EUR 25 million due to favourable developments in France resulting in the reassessment of existing accruals, the negative impact of EUR 7 million due to a sales tax accrual in the UK related to prior years, the negative impact of EUR 121 million associated with restructuring costs and of the French business tax of EUR 65 million.

2010 figures exclude on EBITA the negative impact of EUR 33 million associated with integration costs of MPS in NA and the UK and integration costs of Spring in the UK.

2011 figures exclude on EBITA the negative impact of EUR 20 million associated with integration costs of MPS and DBM.

2012 figures exclude on EBITA the negative impact of EUR 83 million associated with restructuring costs in France and other countries as well as integration costs of EUR 5 million related to DBM.

2013 figures exclude on EBITA the negative impact of EUR 33 million associated with restructuring costs.
- 4) LTM figures exclude on EBITA and Gross Profit the positive impact in Q3 13 from the reassessment of the French CICE relating to prior periods.

# Notes to slides

- 5) 2010 figures exclude on EBITA the negative impact of EUR 33 million associated with integration costs of MPS in NA and the UK and integration costs of Spring in the UK.  
2011 figures exclude on EBITA the negative impact of EUR 20 million associated with integration costs of MPS and DBM.  
2012 figures exclude on EBITA the negative impact of EUR 83 million associated with restructuring costs in France and other countries as well as integration costs of EUR 5 million related to DBM.  
2013 figures exclude on EBITA the negative impact of EUR 33 million associated with restructuring costs.
- 6) For Revenues, Branches, FTEs and Hours sold, the relative level of H1 2014 against 2010 is calculated by compounding the organic growth rate for the period; the rate of H1 2014 is annualized with multiplication by a factor of 0.5.
- 7) Simple average of major 2 competitors: Randstad and Manpower.
- 8) EBITA margin of Adecco and competitors excludes integration and restructuring expenses as disclosed for each period.
- 9) LTM figures exclude on EBITA the negative impact of restructuring costs for EUR 11 million in France, EUR 11 million in North America, EUR 3 million in UK & Ireland, EUR 1 million in the Nordics and EUR 2 million in Iberia. In France is excluded the positive impact of the French CICE reassessment relating to prior periods that was realized in Q3 13.
- 10) Included are main and local competitors for which data is publicly available. Peer EBITA margins are either shown as reported or adjusted as disclosed. When competitors' EBITA is not disclosed, EBIT is used.
- 11) Revenue exposures are based on H1 2014; GDP expectations from Bloomberg consensus. Only Staffing - LHH excluded.
- 12) GDP  $\Delta$  based on FY 2015 Bloomberg consensus. Productivity  $\Delta$  and Incremental temp participation rate based on own estimates. Current penetration rates based on own estimates FY 2014 penetration rates.
- 13) Long-term growth trend is the 13-yr median of sequential growth for the relevant quarter, adjusted for currency, acquisitions, divestitures and trading days.
- 14) The relative revenue level of H1 2014 against 2007 is calculated by compounding the organic growth rates in the period for each region; the rate of H1 2014 is annualised with multiplication by a factor of 0.5. For all countries, 2007 = 100.
- 15) The EBITDA refers to the 12 months before the end of each period.
- 16) The dividend yield is calculated on the year-end share price for each corresponding year.
- 17) The pay-out ratio is based on adjusted net earnings.
- 18) Excludes the case of seriously adverse economic conditions.
- 19) As of August 7, 2014.
- 20) Only includes shares bought back for subsequent cancellation.