



LHH TO BECOME THE GLOBAL BRAND FOR THE TALENT SOLUTIONS ACTIVITIES OF THE ADECCO GROUP

LHH to strengthen advisory capabilities through planned acquisition of BPI Group in France

HIGHLIGHTS

- Talent Solutions to simplify its brand portfolio, moving to one global brand from nine, leveraging LHH as the worldwide lead brand for fully integrated HR services
- LHH to streamline its operating model, establishing solutions-based business lines and global centres of excellence in order to deliver a simplified and improved customer experience
- LHH to strengthen advisory capabilities through the planned acquisition of BPI Group in France
- To further sharpen the portfolio, the Group is exploring options to exit its US based Legal Solutions business
- The two potential transactions, if completed, are estimated to provide net cash in of over EUR 50 million for the Group
- All three initiatives strengthen and accelerate LHH's leading position of fully integrated HR services
- On a proforma basis, the three actions are anticipated to be ~30 basis points accretive¹ to Group margins, supporting the Group's ability to deliver on its 3-6% margin target commitment²

Alain Dehaze, CEO of Adecco Group, commented: "Today, the Group is announcing the next step in accelerating our Future@Work strategy. With the simplification of our brand portfolio, we are positioning LHH as our worldwide lead brand for talent solutions, and in transforming its operating model, we will drive a superior customer experience. A unified and well recognised global brand will amplify growth and profitability in LHH and strengthen our leadership in the HR services market."

He continued: "With the planned acquisition of BPI Group in France, LHH will extend its leading market position and broaden its advisory offering. The steps announced today are in full alignment with our Future@Work strategy to truly differentiate and to invest in faster growth, higher margin segments. The group is now articulated around three distinct but connected global brands - Adecco, LHH and Modis."

¹ EBITA margin excluding one-time items such as integration, carve-out and implementation costs and including estimated revenue and cost synergies

² Through the cycle

Talent Solutions was established as a new Global Business Unit (“GBU”) in January 2021, as part of the Adecco Group’s Future@Work strategy. Future@Work introduced a new, brand-driven structure to improve focus, speed and resource allocation, while allowing for a more customer-centric approach through distinct go-to-market strategies in each GBU.

The Talent Solutions GBU combines assets in professional recruitment, career transition and up- and reskilling, bringing together the complementary strengths of the brands to better address the skills shortage and transformation needs of customers, in turn driving growth. In 2020, Talent Solutions delivered EUR 1.7 billion of revenues and an EBITA margin of 9.2 percent³. The GBU has over 15,000 clients and around 7,000 employees.

Talent Solutions operates in the distinct and attractive HR services market, with an addressable market estimated at EUR 255 billion growing by 6 to 9 percent per annum, supported by technological change. The World Economic Forum forecasts that up to 375 million workers will need to change occupations by 2030, with a need to reskill 95 million workers into new job types by 2030⁴.

The Adecco Group is pleased to announce today several initiatives that will strengthen and accelerate the ability of Talent Solutions to realise the synergies between its brands as it becomes the transformation partner of choice through the provision of fully integrated HR services, from advisory to transition and placement.

The initiatives are fully aligned with, and evidence strong momentum in delivering the Group’s Future@Work strategy, with its ambition to truly differentiate, including a commitment to invest in faster growth segments that support a shift in the business mix toward higher margin activities.

LHH to be global lead brand for Talent Solutions

First, the Group is accelerating the transformation of the Talent Solutions portfolio by streamlining its organisational model and simplifying the brand structure within the GBU, reducing the number of brands to one global brand - LHH - from nine. Going forward, the majority of assets within Talent Solutions will operate under the LHH brand, bringing closer the realisation of a truly seamless fully integrated HR services offering that simplifies and improves the customer journey.

LHH was chosen as the global lead brand following extensive analysis of all brands within Talent Solutions. LHH consistently ranked with highest customer recognition and best fit to a multi-service offering. The new LHH brand will be rolled-out globally during 2022.

In organisational terms, the global business unit will bring together its assets under one roof - LHH. General Assembly and ezra (powered by LHH) will retain their brand identities. The new LHH will have four solutions-based business lines with full P&L responsibilities to secure front-office effectiveness (e.g. LHH Learning & Talent Development), as set out in the table below. At the same time, regional structures will be right-sized and four global centres of excellence will be introduced for support functions such as marketing, sales, and product

³ EBITA margin excluding one-offs

⁴ Source: World Economic Forum

innovation. These centres of excellence will bring together experts from across the existing portfolio of assets to improve the consistency and quality of the fully integrated solutions offer.

To implement these changes, the Group estimates one-time costs of EUR 40-50 million, mainly in 2022, as the new brand is implemented worldwide. An approximately EUR 30 million impairment charge will also be recognised in Q3 2021, mainly related to the planned brand discontinuation.

Overall, the Group expects a strong financial return from this reorganisation and rebranding effort. It anticipates a meaningful uplift in revenues, mainly from increased leads and conversion ratios when operating as one under the LHH brand, supported by strong data analytics and diagnostics. Profitability is also expected to improve due to more cost-effective brand investment.

Future LHH portfolio structure and offering

LHH

Advisory

Learning & Talent Development

Career Transition

Professional Recruitment

Digital up- / re-skilling (General Assembly)

Coaching application (ezra, powered by LHH)

Proposed acquisition of BPI Group

Second, the Group continues to actively manage its portfolio to create value for its stakeholders. Today the Group has announced it will reinforce LHH's leadership in the French market and enhance its full-service HR Consulting and Advisory offering through the proposed acquisition of BPI Group.

BPI Group is the third largest HR Consulting services provider in France with around EUR 40 million revenues and 300 employees. LHH France has entered into exclusive negotiations with Perceva, an independent investment company, to acquire the company.

LHH France's existing career transition, talent development and workforce advisory services, will realise scale benefits when combined with BPI Group, whose areas of expertise also cover career transition, talent development and workforce advisory services. The transaction fits with LHH's strategic ambition to expand in HR Advisory, both in existing services, which include restructuring, social strategy and revitalisation, as well as in new fields that BPI Group offers, such as organisation and transformation, which focuses on organisational effectiveness and HR transformation. The acquisition thus improves the balance and broadens the scope of business activities across career transition, talent development and workforce advisory in LHH.

LHH France's market position has centred around relationships with larger, national and international customers with operations in France. BPI Group's large portfolio of customers has limited overlap to LHH France's customer base. Rather, the company has built a strong market reputation in the faster growing local and regional markets, as well as good relationships with key local stakeholders. The acquisition therefore delivers access to markets LHH France has historically been less active in. BPI Group will also be in position to leverage opportunities as part of LHH, and through the Adecco Group's eco-system with its extensive customer base. Consequently, LHH France's growth opportunity is amplified, with revenue synergies mainly anticipated from cross- and up-selling.

The future business is expected to make further use of digital technologies to secure significant productivity gains and deliver a superior customer experience, thus driving growth. Cost synergies are anticipated from optimising G&A and real estate costs.

The project has been presented to the employee representative bodies for consultation. The acquisition is anticipated to close in Q4 2021.

Exploring options to exit Legal Solutions

Furthermore, the Group is evaluating strategic alternatives for its US based Legal Solutions business, which may include a sale of the business. If divested, the sale will sharpen the focus of the LHH portfolio, adding further momentum to its transformation.

Solid value creation

Assuming all initiatives are realised, the Group expects solid value creation for its stakeholders.

On a proforma basis, management estimates the three actions will be around 30 basis points accretive to Group EBITA margins⁵, underpinning the Group's ability to deliver its 3 to 6 percent margin corridor target through the cycle.

The two potential transactions, if completed, are estimated to provide net cash in of over EUR 50 million for the Group.

⁵ EBITA margin excluding one-time items such as integration, carve-out and implementation costs and including estimated revenue and cost synergies

About LHH

Talent Solutions is a Global Business Unit within the Adecco Group. It provides integrated workforce transformation solutions in the human capital market, addressing skill shortages and transformation needs along the entire talent journey in order to make the future work for everyone. Talent Solutions aims to deliver profitable growth by improving individual employability and driving clients' success through talent transformation. The Talent Solutions fully integrated offering comprises four solution segments: advisory, learning & talent development, career transition, and professional recruitment. The GBU is headquartered in Zurich, Switzerland.

About the Adecco Group

The Adecco Group is the world's leading talent advisory and 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 57 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 30,000 employees. We are proud to have been consistently ranking on of the "World's Best Workplaces" by Great Place to Work®. The Group is headquartered in Zurich, Switzerland (ISIN: CH0012138605) and listed on the SIX Swiss Exchange (ADEN).

Important notice about forward-looking information

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; the impact of the global outbreak of novel coronavirus disease (Covid-19); 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.

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