THE ADECCO GROUP

# Q2 2022 report

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4 August 2022

# Disclaimer & note on terminology

## 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 the 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); changes in regulation affecting temporary work; intense competition in the markets in which the Company operates; integration of acquired companies; changes in the Company's ability to attract and retain qualified internal and external personnel or clients; the potential impact of disruptions related to IT; any adverse developments in existing commercial relationships, disputes or legal and tax proceedings.

## Non-US GAAP measures used

'Organic growth' excludes the impact of currency, acquisitions and divestitures. This presentation refers to revenue growth yoy on an organic, trading days adjusted basis, unless otherwise stated.

This presentation refers to gross margin development yoy on an organic basis, unless otherwise stated.

'EBITA' refers to operating income before amortisation and impairment of goodwill and intangible assets. This presentation refers to EBITA, EBITA margin and yoy margin development excluding one-offs, unless otherwise stated.

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

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

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

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

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

# Q2 22 financial overview: market share momentum, solid growth and margin

| Revenues | |
|---|---|
| €5,938 mn | +4% yoy[1] |
| | +13% reported, incl. AKKA |

| Gross profit | |
|---|---|
| €1,254 mn | +7% yoy[1] |
| 21.1% margin | +100 bps yoy |

| EBITA excl. one-offs | |
|---|---|
| €205 mn | |
| 3.5% margin | (100) bps yoy |

| Adj. EPS | |
|---|---|
| €0.85 | (17)% yoy |

| Cash Flow | |
|---|---|
| Cash conversion | 58% |

| Balance Sheet | |
|---|---|
| Net debt / EBITDA | 2.6x[2] |

[1] Organic [2] Adjusted for the acquisition of AKKA (Proforma)

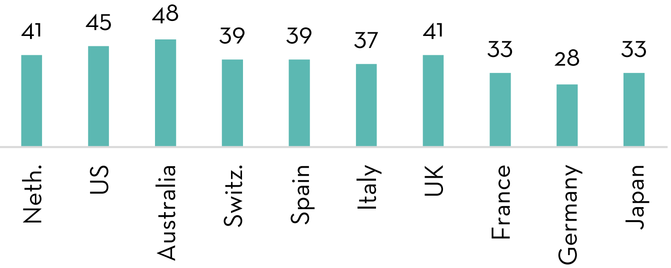
# Winning in a dynamic talent market

## QUIT RATES REMAIN HIGH

Voluntary quit rates are **25%** higher than pre-pandemic levels[1]

**48%** of job leavers change industry[3]

% of workers who wish to change jobs this year, by country[2]




Only **29%** of job leavers return to traditional full-time employment[3]

## SKILL NEEDS ARE EVOLVING QUICKLY

**75%** of job skills requested changed more from 2019-21, than from 2016-18[4]

**37%** of the top 20 skills requested by employers have changed since 2016[4]

**1 in 5** skills requested are entirely new since 2016[4]

## Employers remain challenged in their hunt for talent

**78%** of business leaders say their firms are understaffed[5]

**59%** of CEOs expect labour / skills shortage to disrupt business strategy[6]



1 US Bureau of Labor Statistics; 2 Microsoft "Work Trend Index", May 22; 3 McKinsey "The Great Attrition is making hiring harder", Jul 22; 4 BCG/Emsi Burning Glass "Shifting Skills, Moving Targets and Remaking the Workforce", May 22; 5 Staffing Industry Analysis, Jul 22; 6 Summer 2022 Fortune/Deloitte CEO Survey

# Adecco: second quarter of relative revenue growth improvement

## Q2 22 performance

### Relative growth

**+400 bps in Q2 qoq**
**+400 bps in Q1 qoq**

Q2 key end-market drivers, yoy:
- Manufacturing +100 to +150 bps
- Logistics (250) to (300) bps
- Mexico regulation (100) to (150) bps

### Performance drivers

- +1,500 FTEs qoq, >50% in APAC
- +26% sales intensity, client base +5% yoy
- High-value solutions very strong; Perm +44%, Outsourcing +33% yoy
- Digital platforms >45% yoy[1]
- Dynamic pricing strategy

### Actions underway

- Driving productivity improvement
- Continued focus on US turnaround
- Remaining agile

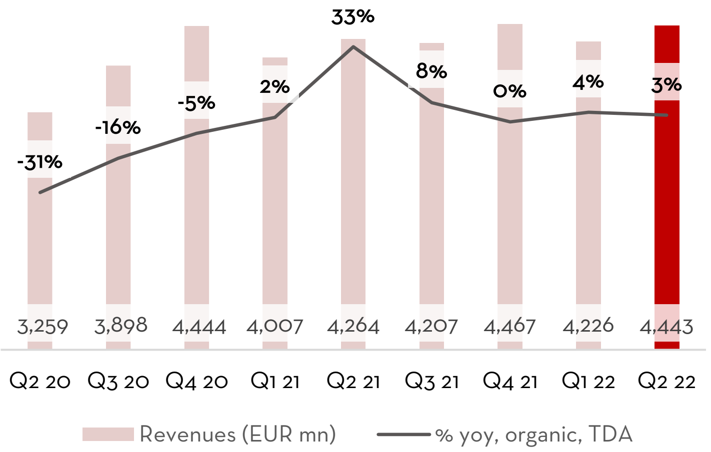
Investment plan implemented with agility; H2 focus on driving returns, productivity

[1] Adia and QAPA revenues, proforma basis (QAPA was acquired in H2 21). Sales intensity = client visits per FTE

# Adecco: robust top-line, solid margin

## Revenues **€4.4 bn**, +3% yoy

*Share of Group 75%*




APAC very strong

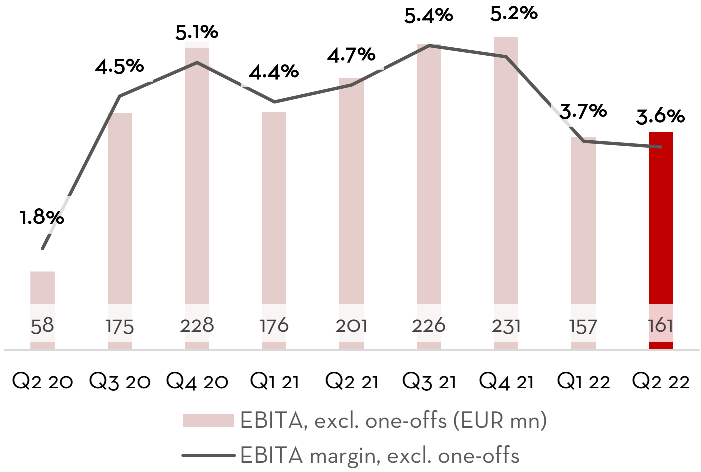
France, Southern Europe & EEMENA solid

DACH robust, Northern Europe soft

Americas improved

## EBITA **€161 mn**, 3.6% margin

*Share of Group 63%*




EBITA margin -110 bps yoy

Mix, pricing favourable

FTEs +19% organically

- Divergence in trading momentum by region
- Flex flat yoy. Strength in manufacturing, autos, hospitality & catering countered by logistics rebalancing, Mexican regulatory impact
- High value solutions excel: Perm +44%; Outsourcing +33% yoy
- Gross margin benefit from solutions and business mix, dynamic pricing
- Headcount added mainly in April/May; >50% Q2 additions to high-growth APAC region
- Solid EBITA margin reflects investment in headcount, fewer non-recurring benefits yoy

# Adecco: market share momentum

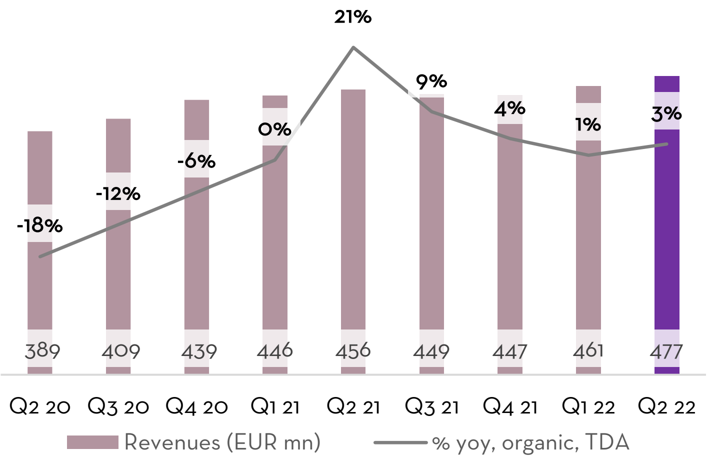
| By Segment | Revenues | | | Market share momentum | EBITA margin excl. one-offs | | |
|---|---|---|---|---|---|---|---|
| | *Share of Group* | Q2 22 € mn | Change, TDA yoy | Trend vs Q1 22 | *Share of Group* | Q2 22 | Change, yoy bps |
| France | *21%* | 1,253 | **+4%** | ↗ | *24%* | 4.8% | (80) |
| Northern Europe | *10%* | 604 | **-5%** | ↑ | *5%* | 2.0% | (80) |
| DACH | *6%* | 377 | **+1%** | ↑ | *0%* | 0.2% | (360) |
| Southern Europe & EEMENA | *18%* | 1,031 | **+6%** | ↗ | *22%* | 5.4% | (50) |
| Americas | *11%* | 648 | **-4%** | ↗ | *0%* | 0.2% | (300) |
| APAC | *9%* | 530 | **+14%** | ↗ | *12%* | 6.0% | +60 |
| **Adecco** | ***75%*** | **4,443** | **+3%** | ↑ | *63%* | **3.6%** | (110) |

- France strong in hospitality & catering, manufacturing, healthcare; logistics, construction subdued
- Northern Europe: UK -11%, reflecting logistics ramp-down; Nordics +4%, Benelux -3%
- DACH: Germany -4%. Rebalancing in healthcare and logistics; autos, manufacturing strong
- SEE: Italy +9%, Iberia +4%. Manufacturing, F&B strong; EEMENA -8%, logistics rebalancing
- Americas: LatAm -1%, excl. Mexican regulatory impact +19%. North America -5%. Further sequential improvement in US
- APAC: Japan +11%, Australia & NZ +12%, India +12%. Logistics, IT tech, consulting strong

# LHH: gaining market share in perm, digital very strong

## Revenues €477 mn, +3% yoy

*Share of Group 8%*




Recruitment Solutions +12% yoy

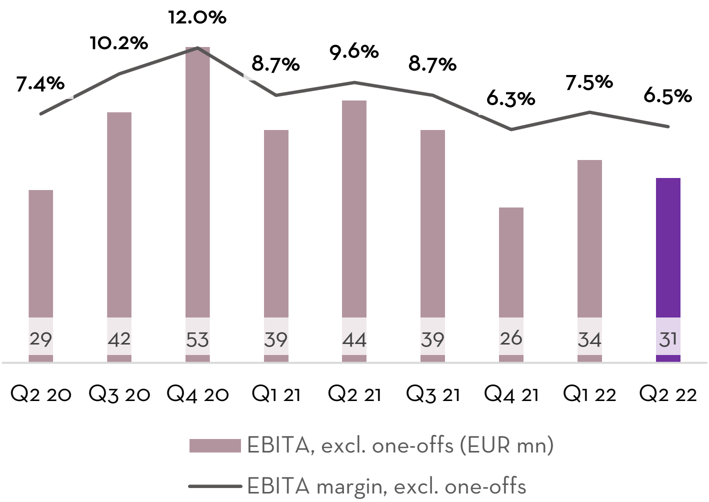
Career Transition & Mobility -31% yoy

Learning & Development +9% yoy

Pontoon & Other +11% yoy

## EBITA €31 mn, 6.5% margin

*Share of Group 12%*




EBITA margin -320 bps yoy

Adverse business mix

FTEs +9% yoy

- Recruitment Solutions gross profit +25% and Perm fees +38% yoy. FTEs +30% yoy
- Career Transition challenged, outplacement demand limited. Sequential margin benefit from right-sizing, cost actions
- Learning & Development strong; Ezra +68%
- Moderate growth in Pontoon; Hired +77%
- Gross margin benefiting from mix, pricing actions
- Growth investments centred on additional sales capacity in Recruitment Solutions, Ezra, Hired

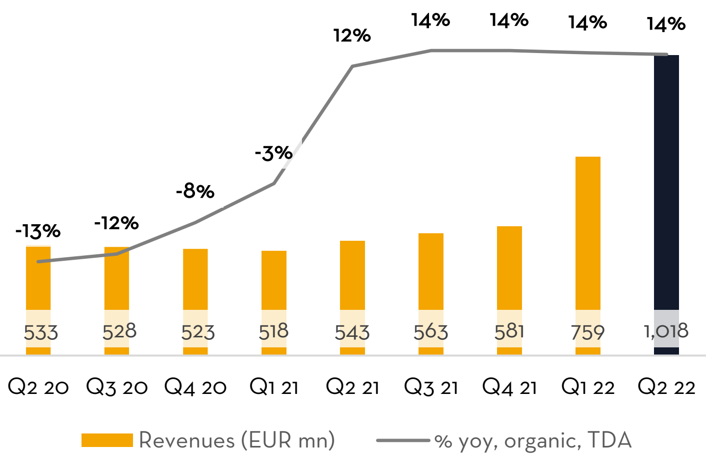


The LHH GBU was previously known as Talent Solutions. Recruitment Solutions activities were formerly known as Professional Recruitment. Career Transition & Mobility was part of the legacy LHH business. Learning & Development includes part of the legacy LHH business, as well as General Assembly and Ezra. Pontoon & Other includes Hired.

# Akkodis: another quarter of strong growth

## Revenues **€1,018 mn**, +14% yoy

*Share of Group 17%*




Modis Americas +18% yoy

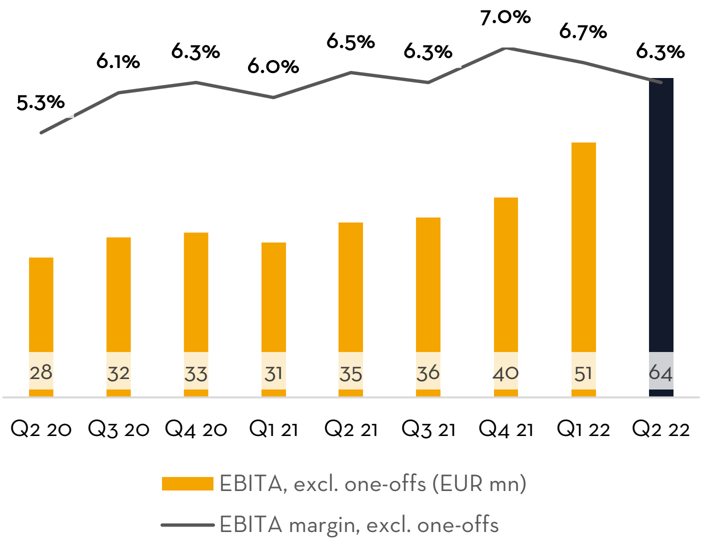
Modis EMEA +9% yoy

Modis APAC +9% yoy

AKKA contribution €386 mn

## EBITA **€64 mn**, 6.3% margin

*Share of Group 25%*




EBITA margin -20 bps yoy

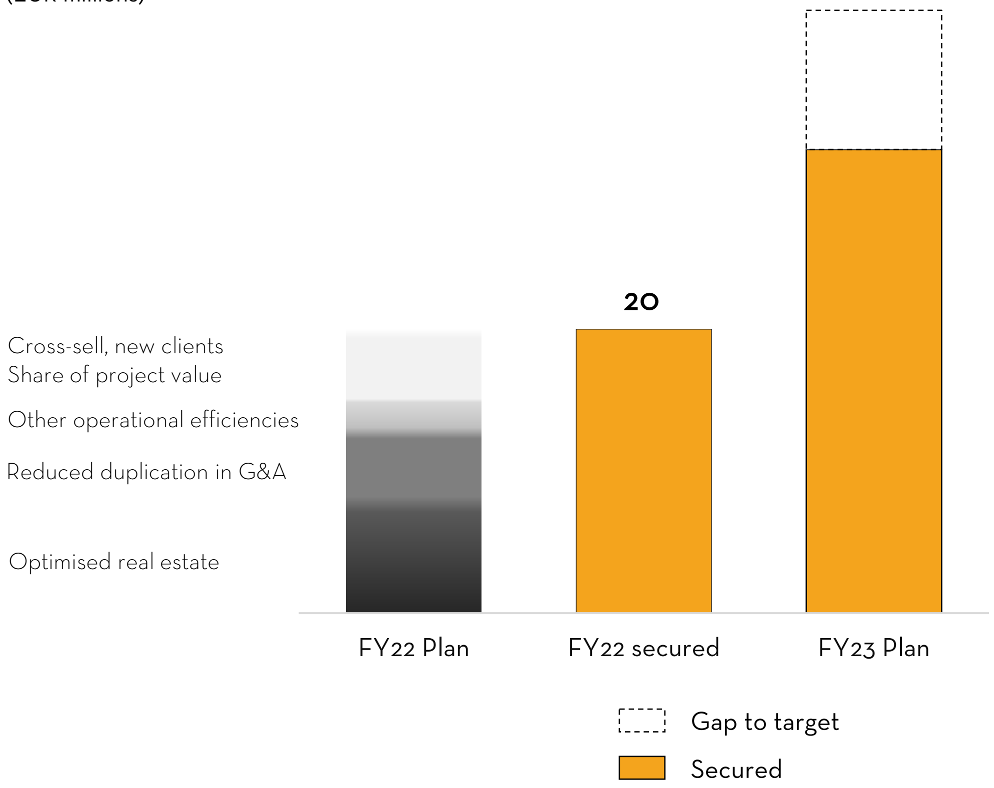
Productivity constraints

- Reported revenues +87% due to AKKA
- All Modis regions perform well on tough comparison period: Americas and EMEA growth led by Talent Services; APAC benefiting from focus on Consulting in Japan
- AKKA's European activities held back by loss of working days following a cyber incident
- Germany also affected by highly competitive talent market; remedial measures underway
- Project pipeline strong

# Akkodis: Q2 integration developments

## Year 1, year 2 synergies update

Revenue and cost synergies, in EBITA terms
(EUR millions)




## GOOD MOMENTUM IN INTEGRATION ACTIVITIES

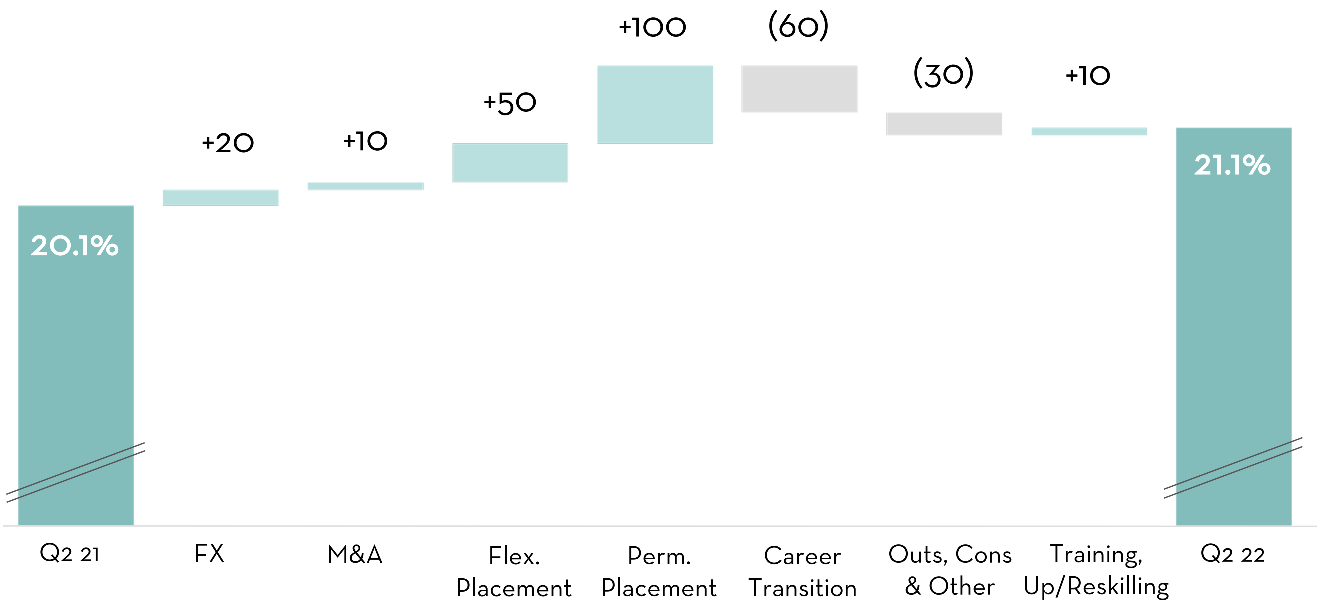
- ✓ €20 mn synergies secured for 2022
- ✓ Anticipating year-end synergy run-rate +€40 mn
- ✓ Shift to 2023+ synergy plans
- ✓ Successful Akkodis brand launch
- ✓ Strong focus on creation of new joint culture, people retention
- ✓ Finalising target structure for combined organisation


Target year 5 run-rate +€200 mn revenue synergies, €65 mn EBITA synergies

# Gross margin very strong; EBITA margin lower, as anticipated

## Gross Profit bridge

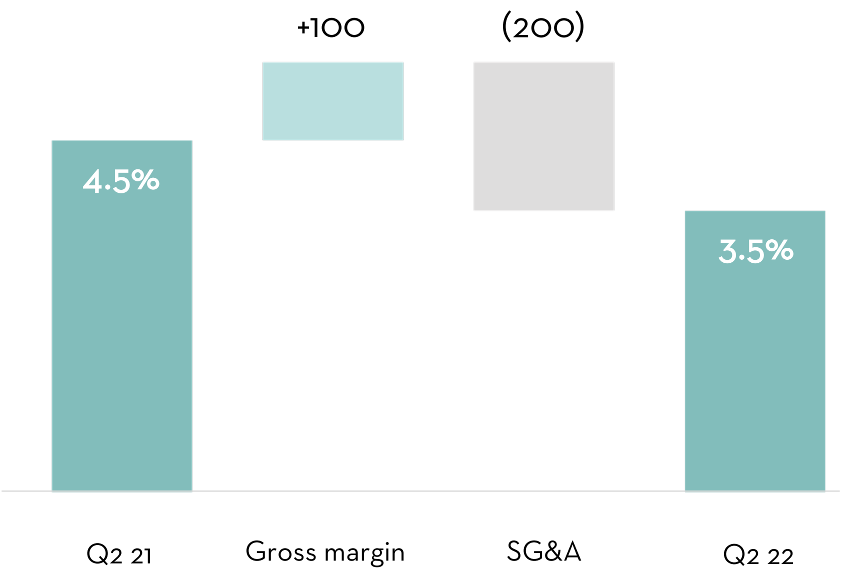
(% of revenues yoy, in bps)




| | Flex. Placement | Perm. Placement | Career Transition | Outs, Cons & Other | Training, Up/Reskilling |
|---|---|---|---|---|---|
| Gross Profit (% yoy, organic) | +4% | +38% | -33% | +11% | +13% |
| as % Group, approx.[1] | 55% | 20% | 5% | 15% | 5% |

## EBITA bridge

(% of revenues, yoy, in bps and excl. one-offs)

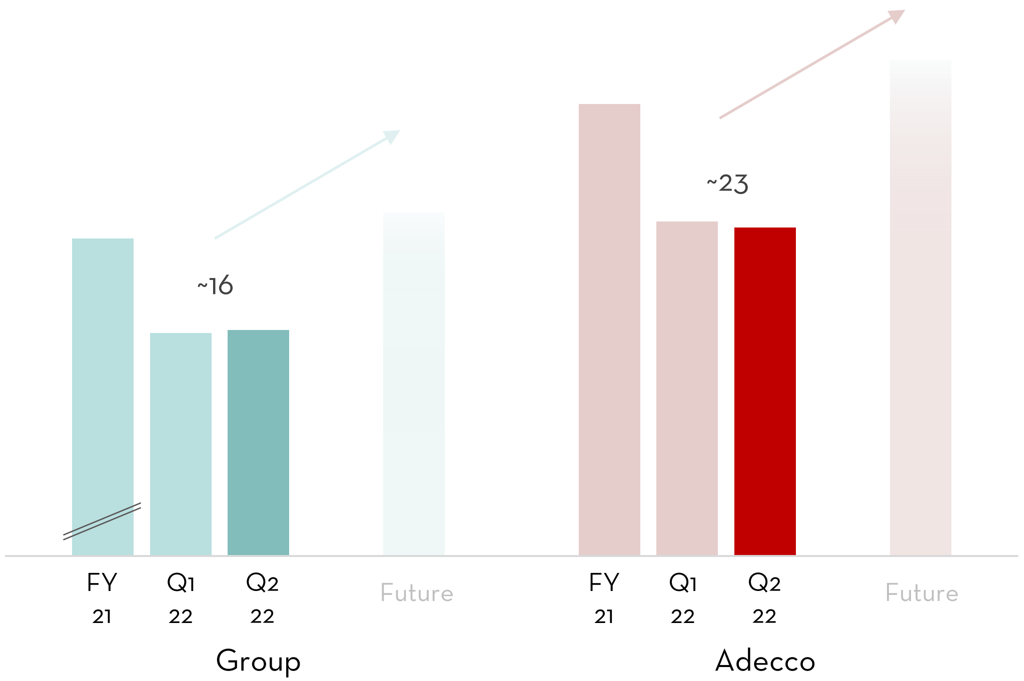



[1] Gross profit as % of Group, approx. and including AKKA:
Flex. Placement 55%; Perm. Placement 15%; Career Transition 5%; Outsourcing, Consulting & Other 20%, Training, Up and Reskilling 5%

# Operational discipline maintained through H1

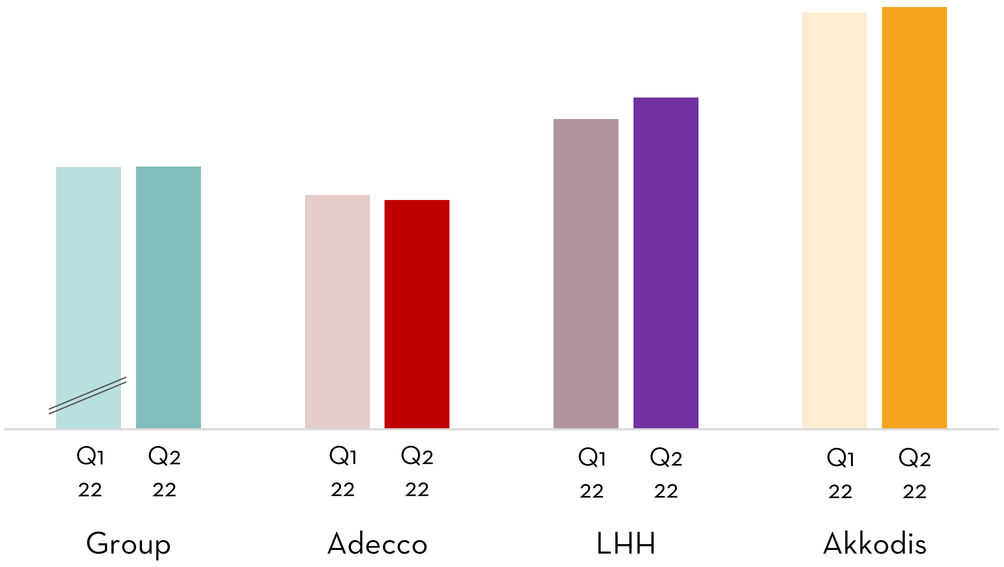
## Conversion Ratio

Group and Adecco GBU
(GP / EBITA, excl. one-offs, %)




## Productivity Ratio

Group and by GBU
(GP / FTE, organic and excl. one-offs)




- Group Productivity +0.6% qoq, organic
- Group FTEs +5% qoq, organic

# Robust financial structure

## CASH CONVERSION 58%

- Ratio driven by working capital absorption from growth
- DSO 53 days, +2 days yoy on an underlying basis
- Cash flow from operating activities €(81) mn

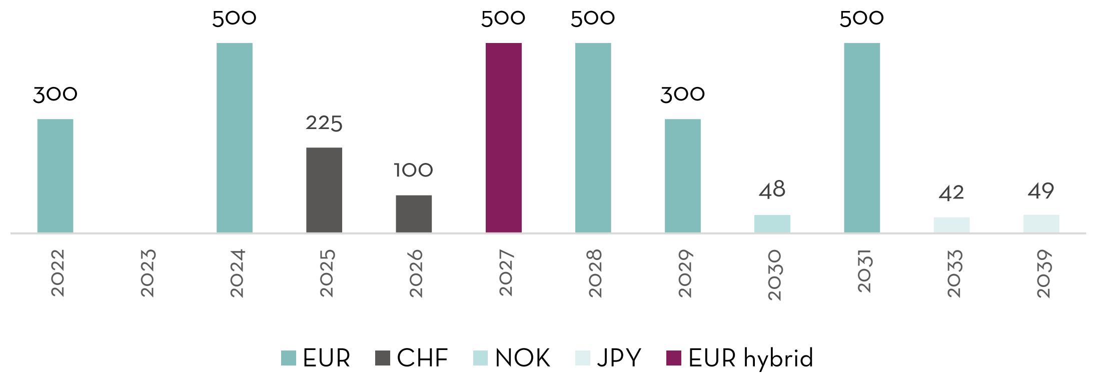
## STRONG LIQUIDITY AND LOW INTEREST EXPENSES

- No covenants on debts; undrawn €900 mn RCF
- 68% debts fixed; interest rate sensitivity +/- 1% = ~€12 mn
- AKKA financed with €1,500 mn bonds, 0.54% avg. coupon, fixed[2]

## NET DEBT / EBITDA 2.6X, PROFORMA1

- End Q2 net debt €2,829 mn
- Change mainly related to AKKA acquisition, ratio in line with management expectations
- Firm commitment to de-lever going forward

## WELL-BALANCED BOND MATURITY PROFILE






[1] Proforma net debt / EBITDA ratio, excluding one-offs and adjusted for AKKA; [2] Split EUR 500 mn 7 year (2028) at 0.125% coupon, EUR 500 mn 10 year (2031) at 0.500% coupon and EUR 500 mn perpetual hybrid bond at 1.000% coupon, first reset date 5.5 years (2027)

# Outlook

## NEAR-TERM PERSPECTIVE

- The Group's trading momentum indicates continued healthy demand for talent services, with a June exit rate of 4% and July volumes modestly above Q2 levels, whilst recognising the challenges from the current macroeconomic environment

## FINANCIAL FRAMEWORK

- In Q3, the Group expects to achieve solid revenue growth yoy
- Gross margin is expected to trend around Q2 22's reported level and SG&A expenses to stabilise
- Management expects to deliver productivity improvements






# First weeks as CEO

One-month CEO handover

Review of operations across major markets

Listening to our people and gaining insights

Engaging with our clients

First townhalls

# First perspectives on Adecco Group

Exciting growth industry

Strong value proposition in all 3 GBUs

Compelling purpose and dedicated people

## Clear need to improve growth, sharpen execution, accelerate progress

Committed to identifying the levers and executing on them to reach full potential

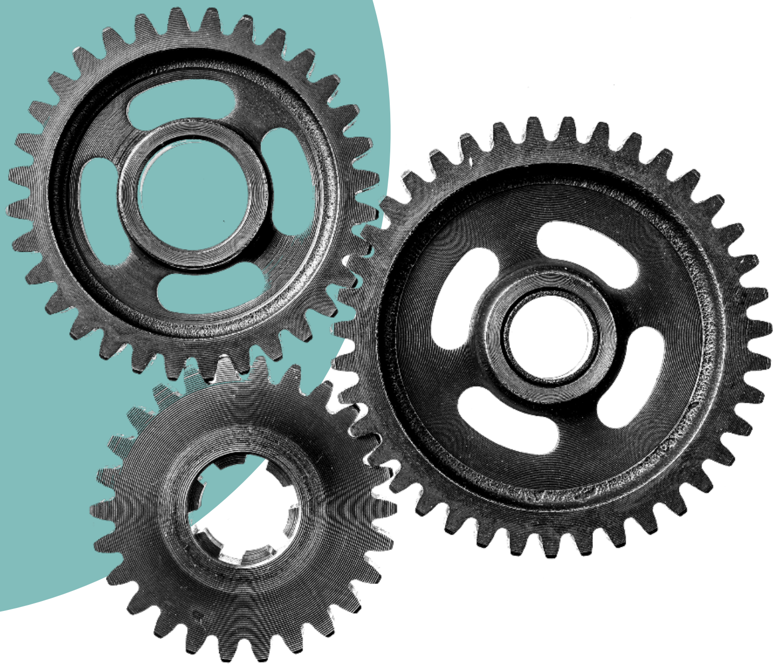
THE ADECCO GROUP

# Business update + Q3 results

**Denis Machuel, CEO & Coram Williams, CFO**
3 November 2022

# Q&A

# Appendix



# Additional financial framework

| EUR mn, unless otherwise stated | FY 2022 Est. | Q1 2022 | Q2 2022 |
|---|---|---|---|
| AKKA integration and related costs[1] | ~ (90) | (18) | (29) |
| One-off costs | ~ (15) | (1) | (12) |
| PPA-related amortisation | ~ (120)[2] | (20) | (40) |
| Interest expense | ~ (45) | (10) | (12) |
| Effective tax rate | ~ 28% | 26.1% | 24.8% |
| Capital expenditure | ~ (190)[2] | (38) | (50) |

| | FY 2022 Est. | Q3 2022 Est. | Q4 2022 Est. |
|---|---|---|---|
| Foreign exchange impact on revenues[3] *(at current rates, yoy)* | ~ 2.0% | ~ 2.0% | ~ 1.5% |
| Trading Days Adjustment *(difference in trading hours, yoy)* | (0.4)% | (0.3)% | (1.8)% |

Key

New or changed guidance

[1] Note: AKKA integration and related costs can impact both operational and non-operational costs
[2] From Q2 2022 including impact on PPA-related amortisation and capex expectations following AKKA's acquisition
[3] Note: FX impact can be greater on SG&A expenses than revenues