THE ADECCO GROUP

# Q4 & Full Year 2022 report

**Denis Machuel, CEO & Coram Williams, CFO**
28 February 2023

# 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.

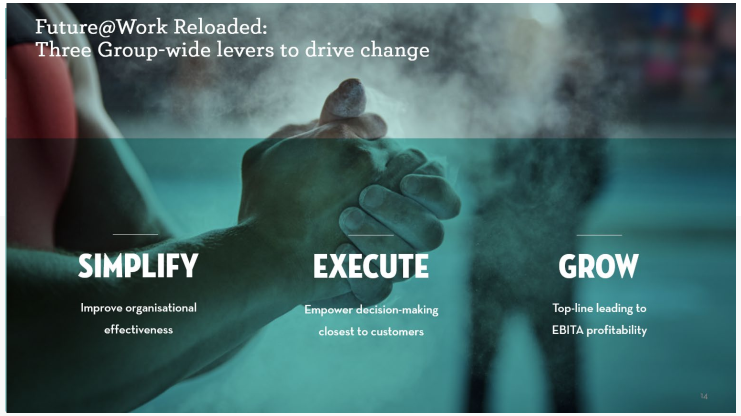
'Free cash flow' comprises cash flows from operating activities less capital expenditures.

'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.

# Q4 highlights




**Adecco**

Winning market share

Relative growth +550 bps in Q4, and improved +1500 bps yoy

**Adecco**

Improved customer satisfaction

Client NPS 35 (+7 pts)

Candidate NPS 37 (+1 pts)

**THE ADECCO GROUP**

Group productivity +2% qoq

High confidence in achieving planned cost reduction

**LHH**

Career Transition excels: multiple major US Tech wins

Ezra revenues +40%

**AKKODiS**

€25 mn AKKA synergies realised

EBITA margin & mid-single-digit EPS accretion in year 1[1]



[1] EPS accretion in year 1 excluding one-off integration and implementation costs

# Q4 22 financial overview

### Revenues

€6,212 mn

+5% yoy

+13% reported

### Gross profit

€1,302 mn

+2% yoy

21.0% margin

+30 bps reported

### EBITA excl. one-offs

€228 mn

3.7% margin

(100) bps yoy

### Adj. EPS

€0.76

(38)% yoy

### Balance Sheet

Net debt / EBITDA 2.5x[1]

### Cash Flow

Cash conversion 70%



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

# 2022 financial overview

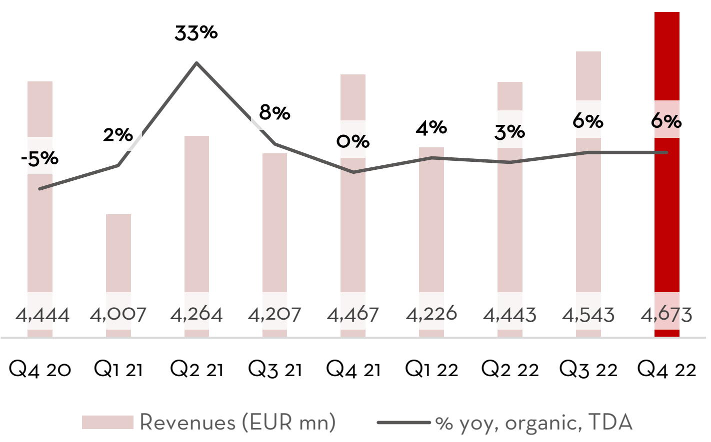
| Revenues | Gross profit | EBITA excl. one-offs |
|---|---|---|
| €23.6 bn<br>+5% yoy<br>+13% reported | €5.0 bn<br>+6% yoy<br>21.0% margin<br>+60 bps reported | €833 mn<br>3.5% margin<br>(110) bps yoy |

| Adj. EPS | Proposed DPS | Cash Flow |
|---|---|---|
| €3.28<br>(22)% yoy | CHF 2.50<br>Stable yoy | Op. FCF<br>€543 mn |

# Adecco: strong return on growth investment plan

## Revenues €4.7 bn, +6% yoy

Share of Group 75%

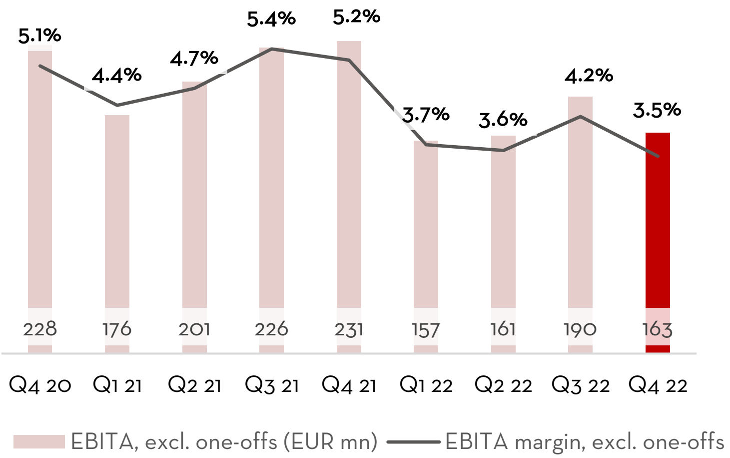



DACH, APAC, France very strong

Northern Europe, Southern Europe & EEMENA robust

Americas mixed

## EBITA €163 mn, 3.5% margin




EBITA margin -170 bps yoy

Lower benefit from special items

Growth investment

Adecco US lower

FTEs +10% yoy

- Strong quarter with good exit rate; significant market share gain. Flex +2%, Perm +24%, Outsourcing +22%
- Strong gross margin, supported by favourable solutions mix and pricing
- EBITA margin mainly reflects lower benefit from special items, investment in growth, and lower contribution from Adecco US
- Steady improvement in productivity through H2 period; Q4 +1% qoq

# Adecco: France, DACH, APAC & LatAm clearly outperform

| By Segment | Revenues | | | Market share momentum | EBITA and EBITA margin excl. one-offs | | |
|---|---|---|---|---|---|---|---|
| | Share of Group | Q4 22 € mn | **Change, TDA yoy** | Trend vs Q3 22 | Q4 22 € mn | **Q4 22 mgn** | Change, yoy bps |
| France | 21% | 1,301 | **+6%** | ↑ | 69 | **5.3%** | (80) |
| Northern Europe | 10% | 613 | **+3%** | ↗ | 14 | **2.3%** | (150) |
| DACH | 7% | 423 | **+19%** | ↑ | 0 | **-0.1%** | (560) |
| Southern Europe & EEMENA (SEE) | 17% | 1,071 | **+3%** | ↗ | 56 | **5.2%** | (120) |
| Americas | 11% | 707 | **-3%** | ↗ | -2 | **-0.2%** | (340) |
| APAC | 9% | 558 | **+14%** | ↑ | 26 | **4.7%** | +40 |
| **Adecco** | **75%** | **4,673** | **+6%** | ↑ | **163** | **3.5%** | (170) |

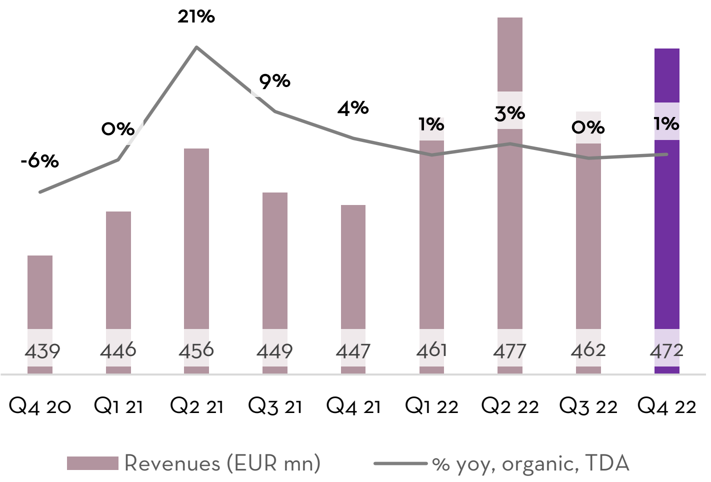
- **Onsite and QAPA** a highlight in France. Healthcare, autos, manufacturing strong; logistics soft
- **Northern Europe**: UK&I +3%, finance and public services strong; logistics soft. Benelux +3%, Nordics +2%
- **DACH:** Germany excels, +24%, led by autos, logistics, manufacturing
- **SEE:** Italy +2% on tough comp. Iberia +5%, EEMENA +7%. Manufacturing, F&B, consulting solid; logistics soft
- **Americas:** LatAm +21%, led by Argentina, Mexico. North America -13%. US hurt by compressed peak season, yet, sustains relative performance improvement qoq
- **APAC:** Japan +20%, Asia +19%, India +19%. IT Tech, retail strong. Australia & NZ -11%, tough comp.

- Healthy gross margin; robust EBITA margin impacted by lower benefit from special items, investment in growth

# LHH: Career Transition excels; Recruitment Solutions lagging

## Revenues **€472 mn,** +1% yoy

Share of Group 8%



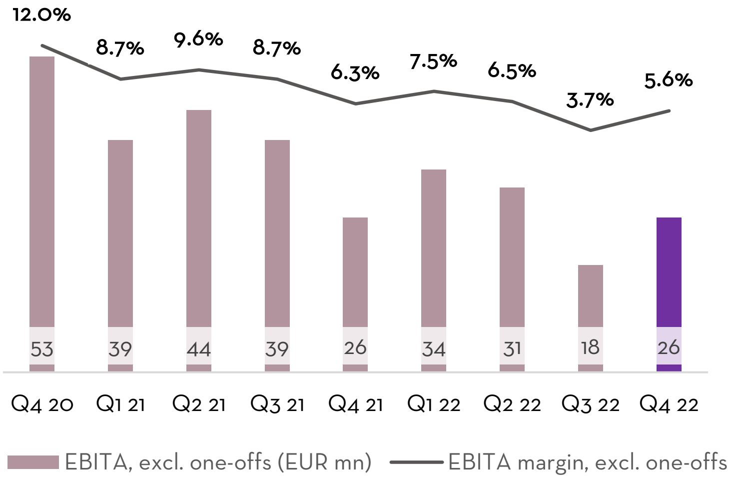

Recruitment Solutions (RS) -7% yoy

Career Transition & Mobility (CT&M) +19% yoy

Learning & Development (L&D) flat yoy

Pontoon & Other +8% yoy

## EBITA **€26 mn,** 5.6% margin




EBITA margin -70 bps yoy

Lower productivity

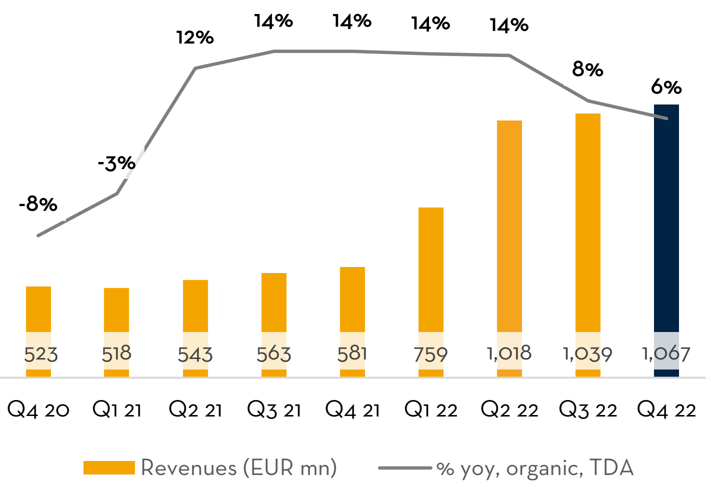
Ezra investment

FTEs +4% yoy

- RS gross profit -7%, US market easing. Excl. US, gross profit +4%. Perm fees -2%
- CT&M gains share with major wins in US tech; revenues +19% vs Q3 -11%
- L&D growth led by Ezra, +40%
- MSP/RPO +14%; US tech retrenchment weighs on Hired
- EBITA margin support from CT&M outweighed by lower contribution in RS, investment to scale Ezra
- Focus on continued right-sizing in RS

# Akkodis: strong performance

## Revenues **€1,067 mn,** +6% yoy
Share of Group 17%



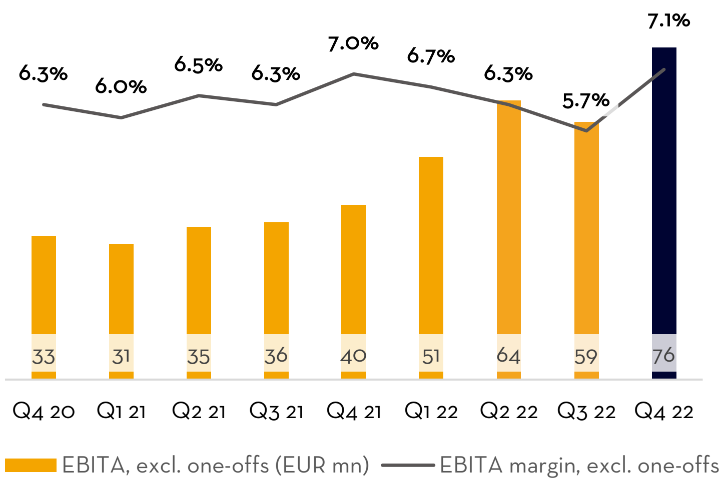

Modis Americas +7% yoy

Modis EMEA +3% yoy

Modis APAC +9% yoy

AKKA contribution €437 mn

## EBITA **€76 mn,** 7.1% margin




EBITA margin +10 bps yoy

AKKA synergies

Strong utilisation rates

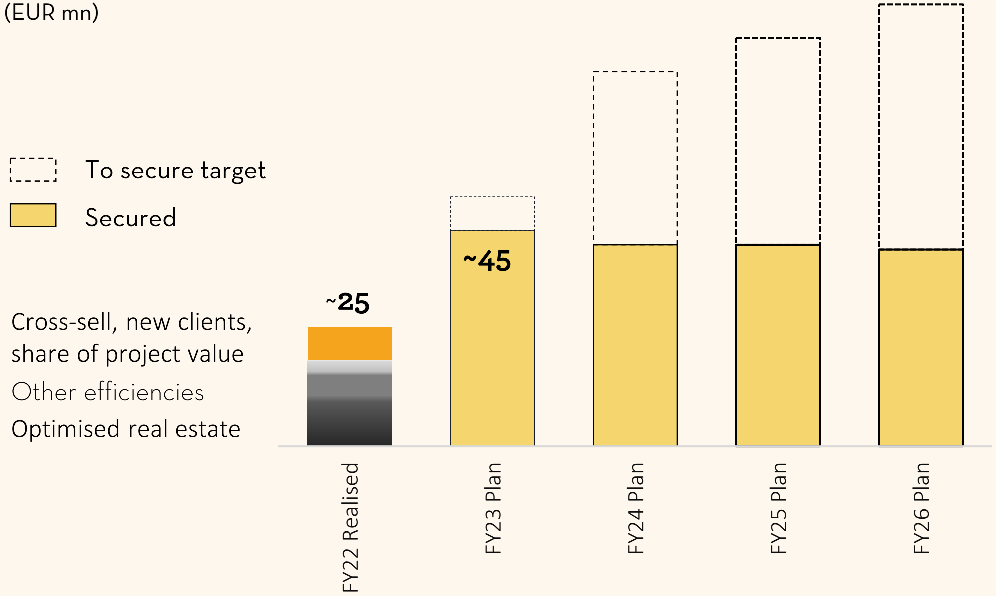
- Reported revenues +83% due to AKKA
- Strength in APAC supported by increased engineers, very high utilisation
- Good result from Americas given slowing staffing backdrop; consulting excels
- In EMEA, France and Germany solid. Germany held back by talent scarcity; repositioning of unit to optimise profitable growth underway
- AKKA revenue growth led by Data Respons and France, inline with legacy Modis business; margin above 2019 levels

# Akkodis: delivering on AKKA transaction commitments

## Synergies on track

- ~€25 mn synergies realised in 2022, incl. EBITA of >€5 mn from revenue synergies
- Year-end synergy run rate €45 mn vs 2023 target €50-55 mn
- Total contract value won to date ~€90 mn
- 2022 integration costs ~€85 mn, inline with guidance

**Revenue and cost synergies, in EBITA terms**
(EUR mn)




## Financial targets from AKKA transaction announcement

- Margin accretive in year 1
- Mid to high-single-digit EPS accretive in year 1[1]
- Double-digit EPS accretive in year 2
- EVA positive in year 3

## Recent flagship wins

**Life sciences sector**

**Digital engineering**

Product design & development, cloud & infrastructure

**Public services sector**

**Digital/tech**

Cloud & infrastructure, digital & software managed and project services

**Autos industry**

**Digital engineering**

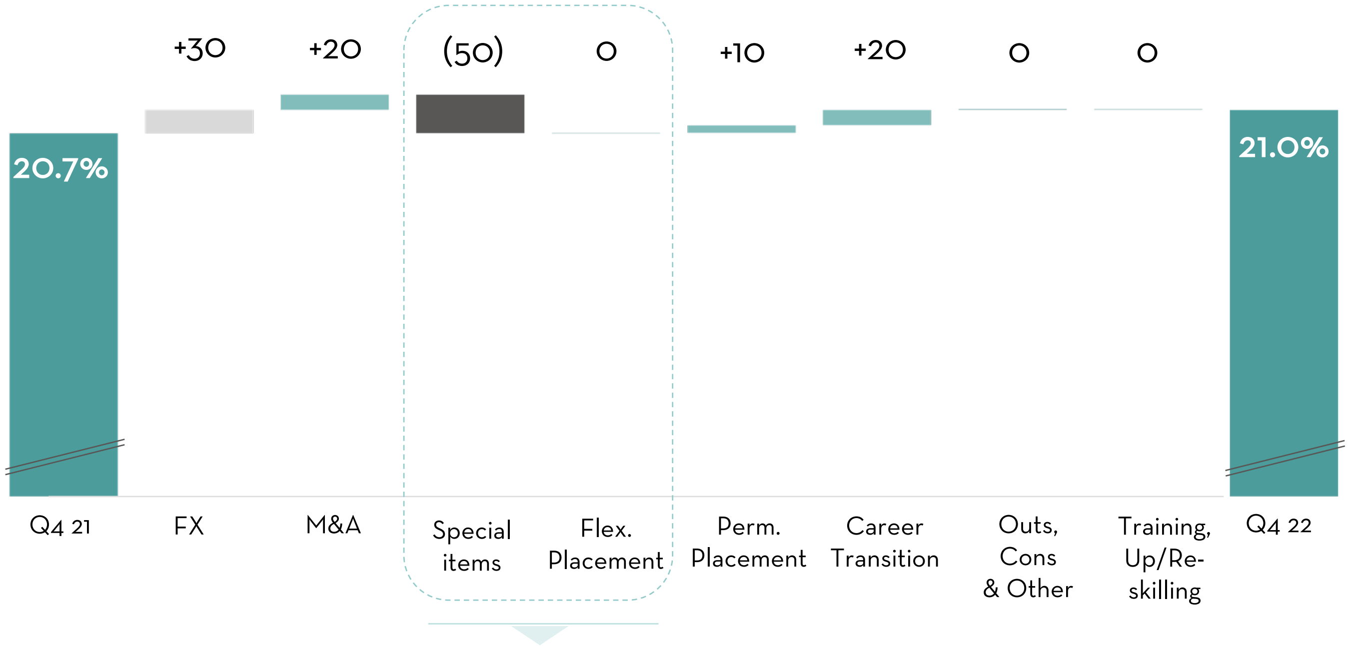
Autonomous vehicle software development and testing services

[1] EPS accretion in year 1 excluding one-off integration and implementation costs
Target year 5 run-rate +€200 mn revenue synergies, €65 mn EBITA synergies

# Strong gross margin and robust EBITA margin

## Q4 Gross profit bridge

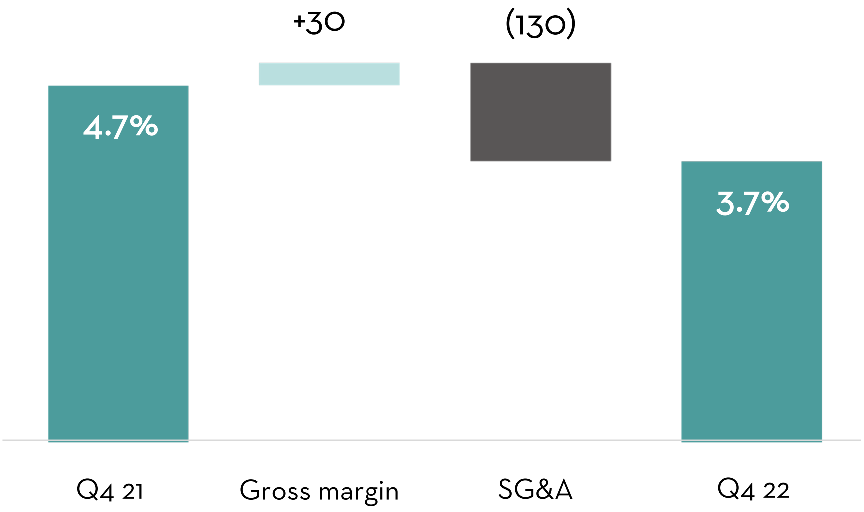
(As % of revenues yoy, in bps)




| | | | | | |
|---|---|---|---|---|---|
| Gross Profit (% yoy, organic) | -3% | +5% | +16% | +12% | +8% |
| As % of Group | 50% | 15% | 10% | 20% | 5% |

## EBITA bridge, excl. one-offs

As % of revenues




**Key drivers:**

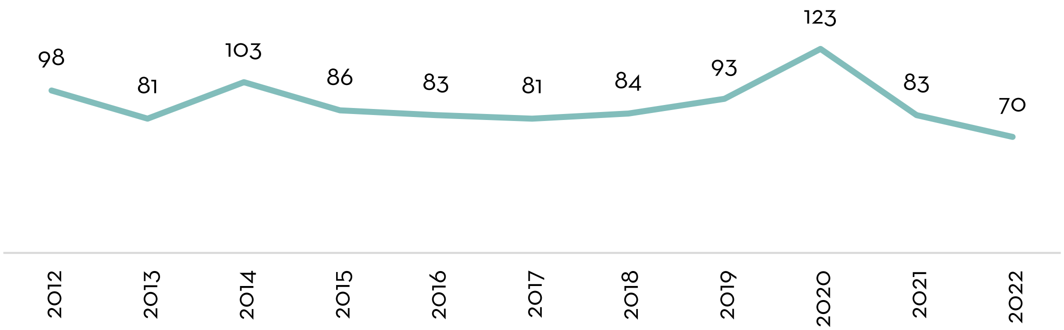
- Lower benefit from special items
- Investment in growth
- Moderated contribution from Adecco US, LHH RS
- AKKA accretive

# Resilient cash generation and sound financing structure

## Cash generation

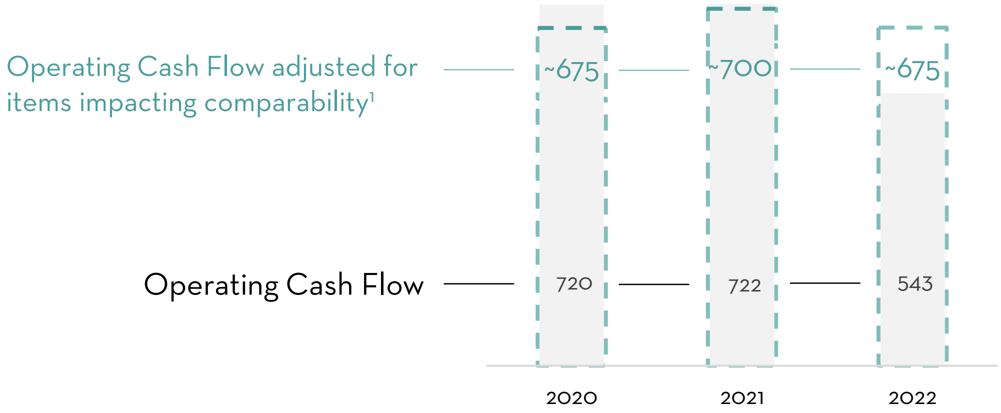
- FY 22 cash conversion 70%, up from 46% in Q3
- Ratio driven mainly by working capital absorption from growth and impact of one-off expenses
- DSO 53 days in 2022, +2 days yoy, mainly reflecting a shift in sector mix and AKKA cyber-incident
- Q4 Operating Cash Flow strong at €459 mn

## Cash conversion ratio, 2012-2022




## Operating cash flow analysis, 2020-2022

(EUR mn)




## Balance sheet and financing metrics

- End Q4 net debt €2,455 mn vs end Q3 2,779 mn
- 2.5x ND/EBITDA ratio[2] in line with management expectations
- Interest rate sensitivity +/- 1% = ~€7 mn; 78% fixed
- No covenants on any outstanding debt
- No debts maturing in 2023
- Firm commitment to de-lever going forward

[1] Operating Cash Flow excluding impact of formal one-offs and support schemes [2] Proforma net debt / EBITDA ratio, excluding one-offs and adjusted for AKKA

# Near-term outlook

## END Q4 MOMENTUM

As % of Group revenues


## Q1 23 FINANCIAL FRAMEWORK

- December's exit rate was strong at around 6%
- While volumes in January softened, the market for talent services remains dynamic. The Group is well positioned to capture market share opportunities in a rapid and agile manner
- In Q1 23, the Group expects both gross margin and SG&A expenses (excluding one-offs) broadly inline with Q4 22 levels, in a seasonally lower margin quarter

# Future@Work Reloaded:
# Three Group-wide levers to drive change

## SIMPLIFY

Improve organisational effectiveness

## EXECUTE

Empower decision-making closest to customers

## GROW

Top-line leading to EBITA profitability

# Simplify, Execute, Grow agenda driving positive momentum

## Delivery milestones

### Q4 22 & 2023 to date

- ✓ Transformation initiatives prioritised
- ✓ Incentive structures adjusted
- ✓ Ezra + LHH Coaching combined (Jan 1)
- ✓ Transfer of part of AKKA US to Adecco (Jan 1)
- ✓ **Global Sales reorganised;** premium accounts selected and 2/3rds of resource move to local level
- ✓ **Ian Lee appointed to EC as President, Geographic Regions,** to ensure local perspectives are represented
- ✓ **High confidence in achieving planned cost reduction target,** taskforce to support de-layering, improve speed

### Next steps

**Q1 23**

- Adjusted IT/Digital function in place
- New strategic accounts framework operational
- MSP go-to-market model operational across GBUs and Pontoon
- Cost savings actions

**Q2 23**

- Streamlined operating model signed-off; commence phased implementation

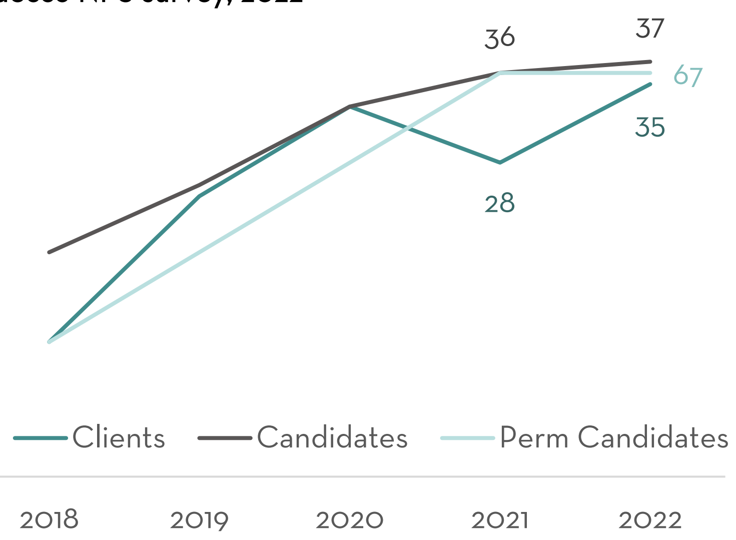
# Positive development in KPIs

## 2023 INCENTIVE PLANS

- KPIs streamlined to 4
- Increased weighting of financial KPIs to 80-90% (up 10%)
- Non-financial KPIs focused on gender parity, voluntary turnover
- Communicated before start of 2023

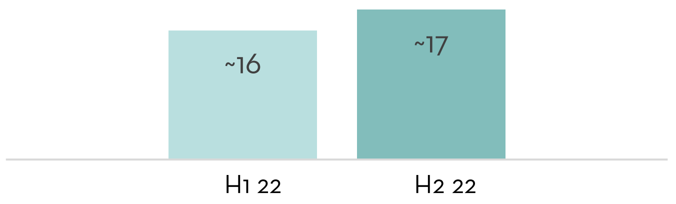
## CUSTOMER NPS

Adecco NPS survey, 2022



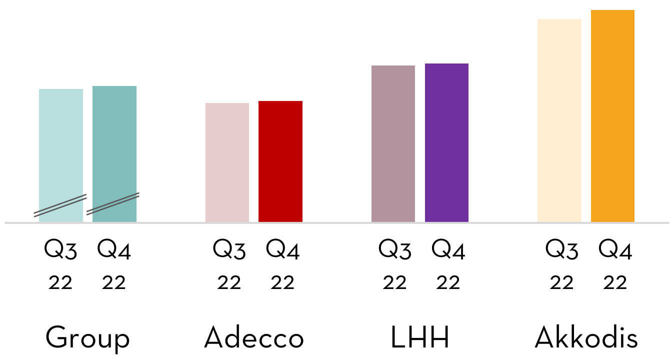

- Client NPS +7 pts yoy
- Multi-year improvement trend affirmed

## % CONVERSION RATIO




## PRODUCTIVITY (GP / FTE)

Group productivity +2% qoq




**Enforcing a strong Execution Mindset throughout**



NPS = Net Promoter Score
Conversion ratio measures gross profit divided by EBITA excluding one-offs

# 2023 priorities: performance acceleration

## Market share gains in all GBUs

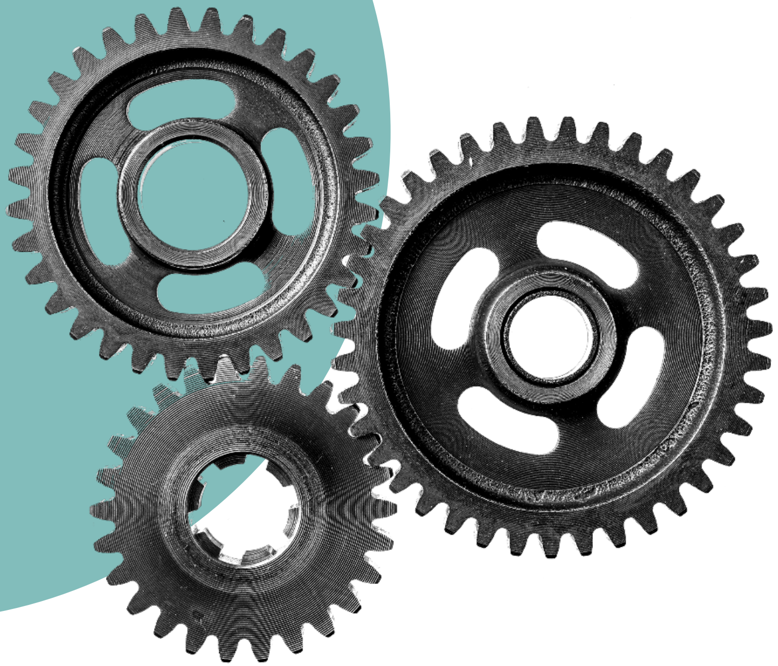
- Focus on profitable growth, improved productivity
- Continuous improvement of underperforming units
- Accelerate momentum in digital
- Deliver year 2 AKKA synergies

## Advance the Simplify, Execute, Grow agenda

- Simplified organisational structure; de-layer and improve speed
- Relentless focus on performance
- Phase 1 of €150 mn G&A cost savings delivered

# Q&A

# Appendix



# Additional financial framework

| EUR mn, unless otherwise stated | FY 2022 | Q4 2022 | FY 2023 Est. |
|---|---|---|---|
| AKKA integration and related costs | (85) | (22) | ~ (35) |
| One-off costs | (71) | (50) | ~ (100) |
| Depreciation | (140) | (37) | ~ (140) |
| Amortisation | (130) | (42) | ~ (105) |
| Interest expense | (49) | (15) | ~ (57) |
| Other income / expenses | (47) | (21) | n.a. |
| Effective tax rate | 23.5% | 15.6% | ~ 27% |
| Capital expenditure | (215) | (66) | ~ (200) |

| | FY 2023 Est. | Q1 2023 Est. |
|---|---|---|
| Foreign exchange impact on revenues[1] *(at current rates, yoy)* | ~ (1.4)% | ~ (0.6)% |
| Trading Days Adjustment *(difference in trading hours, yoy)* | 0% | +1.6% |