



THE ADECCO GROUP



# Q2 2017 results

10 August 2017

# Disclaimer & note on terminology

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## 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 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; 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.

'EBITA' refers to operating income before amortisation and impairment of goodwill and intangible assets.

'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.

# Agenda

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- Highlights Q2 2017 - Alain Dehaze, Group CEO
- Financial Performance - Hans Ploos van Amstel, Group CFO
- Strategic and Operational Progress - Alain Dehaze, Group CEO
- Questions & Answers



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# Highlights Q2 2017

Alain Dehaze  
Group CEO

# Key highlights in the Q2 2017 results

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## Q2 2017

- Revenue growth continued, up 6% organically and trading days adjusted
- Q2 EBITA margin 4.8%, impacted by timing of bank holidays; H1 EBITA margin up 20 bps, leadership strengthened while investing for the future in Digital and IT
- Continued strong productivity, with SG&A excluding one-offs up only 2% and FTE employees up 1%, both organically
- Excellent cash conversion at 97%; strong balance sheet with net debt/EBITDA at 0.8x
- Revenues in June 2017 up 6%, organically and trading days adjusted

## Strategic progress

- Investing in IT infrastructure and Digital innovation, including:
  - Global partnership with leading AI player Mya Systems
  - Launch of 'Active Placement' in Lee Hecht Harrison
  - Commenced UK rollout of Adia, our end-to-end online staffing platform



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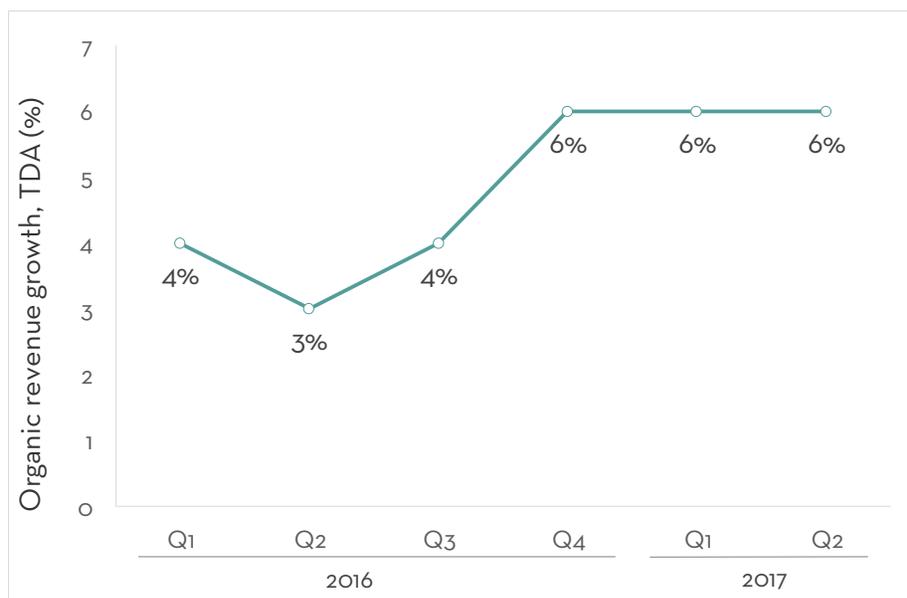
# Financial performance

Hans Ploos van Amstel

Group CFO

# Revenue growth momentum has been maintained

## Group revenue growth



- Continuation of revenue momentum
- Growth was driven by strength in Italy, Benelux, Iberia and France

## Segment revenue growth

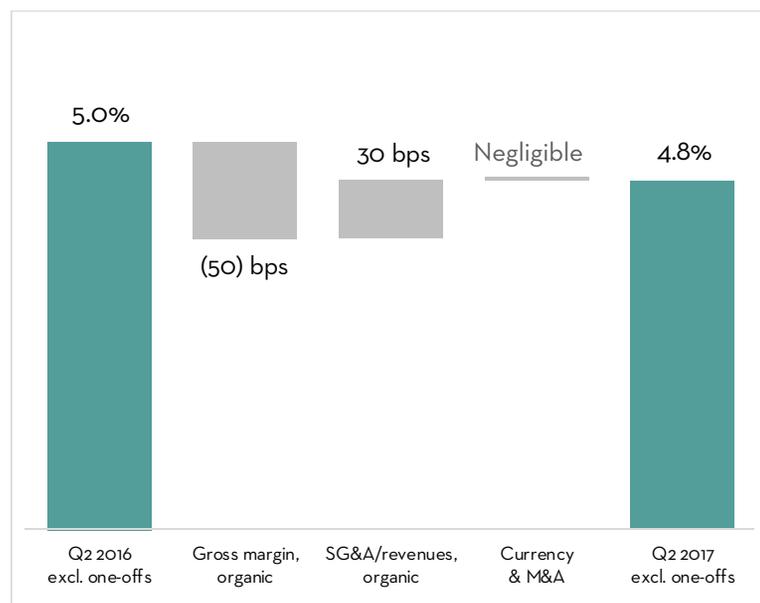
|                                | Organic revenue growth, trading days adjusted |           |
|--------------------------------|---|-----------|
|                                | Q2 2017                                       | vs market |
| France                         | 9%  | -         |
| NA, UK&I General Staffing      | -1%   | - / +     |
| NA, UK&I Professional Staffing | 0%  | + / =     |
| Germany, Austria, Switzerland  | 0%  | - / -     |
| Benelux and Nordics            | 10%   | + / +     |
| Italy                          | 27%   | =         |
| Japan                          | 3%  | =         |
| Iberia                         | 12%   | =         |
| Rest of World                  | 9%  | =         |
| Lee Hecht Harrison             | -3%   | +         |
| <b>Adecco Group</b>            | <b>6%</b>                                     |           |

+ above market, = in-line with market, - below market

- Double-digit growth in Italy, Iberia, Benelux and Nordics, and UK & Ireland GS
- Market outperformance in UK&I GS, North America PS, Benelux and Nordics, and LHH

# EBITA margin leadership strengthened while investing for the future

## Group EBITA margin YoY



- In Q2, EBITA margin declined by 20 bps, despite good SG&A leverage, due to the unfavourable timing of bank holidays compared to last year
- In H1, EBITA margin increased by 20 bps, driven by strong productivity gains

## Segment EBITA margins YoY

|                                | EBITA margin excluding one-offs |                 |
|--------------------------------|---------------------------------|-----------------|
|                                | Q2 2017                         | Variance        |
| France                         | 6.6%                            | 40 bps          |
| NA, UK&I General Staffing      | 3.1%                            | (30) bps        |
| NA, UK&I Professional Staffing | 6.2%                            | 70 bps          |
| Germany, Austria, Switzerland  | 2.0%                            | (370) bps       |
| Benelux and Nordics            | 3.0%                            | (130) bps       |
| Italy                          | 8.1%                            | 0 bps           |
| Japan                          | 7.4%                            | 20 bps          |
| Iberia                         | 5.4%                            | 70 bps          |
| Rest of World                  | 3.1%                            | 30 bps          |
| Lee Hecht Harrison             | 28.2%                           | 30 bps          |
| <b>Adecco Group</b>            | <b>4.8%</b>                     | <b>(20) bps</b> |

- Germany, Austria, Switzerland and Benelux and Nordics were impacted in Q2 2017 by the unfavourable timing of bank holidays
- Most other regions increased profitability in the quarter

# Continuation of gross margin trend; good productivity

## Gross margin YoY

| bps                      | Q1 2017     | Q2 2017     | H1 2017     |
|--------------------------|-------------|-------------|-------------|
| <b>Reported</b>          | <b>(20)</b> | <b>(50)</b> | <b>(40)</b> |
| Acquisitions/divestments | (10)        | (10)        | (10)        |
| Currency                 | 10          | 10          | 10          |
| <b>Organic</b>           | <b>(20)</b> | <b>(50)</b> | <b>(40)</b> |
| Temporary staffing       | (20)        | (60)        | (40)        |
| Permanent placement      | 0           | 10          | 0           |
| Career Transition        | (10)        | (10)        | (10)        |
| Other                    | 10          | 10          | 10          |

- Q1 and Q2 2017 temporary staffing gross margin change impacted by timing of bank holidays
- H1 2017 temporary staffing gross margin down approx. 30 bps on an underlying basis
- Positive impact from perm placement in Q2 2017

## SG&A productivity



- Full-time equivalent (FTE) employees up 1%
- SG&A growth includes investment in strategic initiatives
- Conversion ratio strong at 26.4% excluding one-offs

## Strong cash conversion and strong balance sheet

### Cash conversion

- Strong cash flow generation
- Cash flows from operations of EUR 228 million in Q2 2017 vs. EUR 178 million in Q2 2016
- For Q2 2017, cash conversion was 97% vs. 83% in FY 2016
- DSO 51 days in Q2 2017, similar to Q2 2016

### Share buyback

- Share buyback programme of up to EUR 300 million launched in March 2017
- As of 31 July 2017, we had acquired 1.62 million shares under this programme for EUR 110 million

### Net debt

- Net debt EUR 967 million at end of June 2017, vs. EUR 823 million at the end of March 2017 and vs. EUR 1,409 million end of June 2016
- Net debt to EBITDA excluding one-offs 0.8x at end of June 2017 vs 1.1x at end of June 2016



○ = net debt to EBITDA excluding one-offs

## Growth momentum continues into Q3 2017

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### June 2017

- Revenues for June 2017 up 6%, organically and trading days adjusted
- Exit growth rates were similar to Q2 2017 in all main business segments
- July volume trend shows that good momentum continues as we enter Q3 2017



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# Strategic and operational progress

Alain Dehaze

Group CEO

# We are investing in Digital innovation and IT infrastructure



Mya  
Systems

AI-enabled chatbot automating parts of the hiring process

Active  
Placement

Technology-enhanced career transition solution

Adia

End-to-end digital platform for short-term assignments

# Global partnership with Mya Systems, a leading AI player in HR tech

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- Mya is an AI-enabled chatbot that automates outreach, screening, and communications with jobseekers
- She applies advanced matching algorithms, machine learning and predictive models to shortlist large applicant pools then automatically schedule interviews with suitable candidates
- Mya interfaces with The Adecco Group's applicant tracking system software and calendar systems to drive time savings, increase efficiency and improve the candidate and client experience
- Mya Systems' tools will be integrated into the Adecco Group's solutions and jointly marketed to potential new customers and existing Adecco Group clients



### Time savings

Mya saves recruiters a significant amount of time by automating parts of the hiring process



### Efficiency gains

Insights uncovered by Mya help recruiters focus their time and efforts on the candidates most likely to convert



### Candidate Experience

Mya serves as an "always available" recruiter, offering guidance, updates, feedback and answering questions

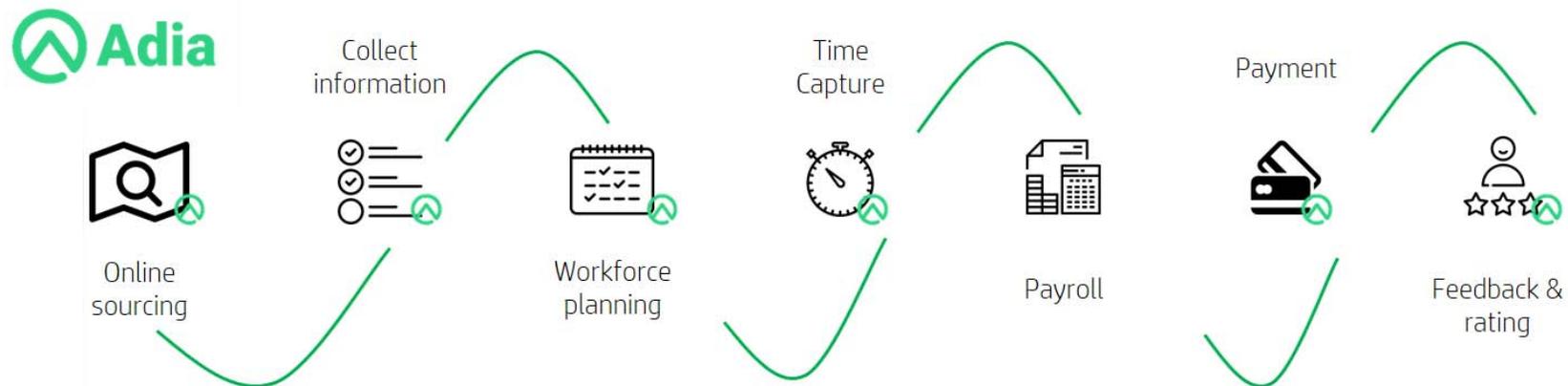
## Launch of digital 'Active Placement' model for career transition

- Lee Hecht Harrison is the global leader in career transition and talent development; in 2016, we supported over 300,000 career transitions worldwide
- In July, we launched the Active Placement model, which uses people and technology to extend the scope and increase the effectiveness of traditional career transition
- Our digital career agent quickly engages large numbers of candidates, who all receive CVs and profiles that are ATS-proof and search-engine-optimised
- Data-driven assessments and online reputation management enhance traditional coaching
- Our new Digital Talent Exchange matches job-ready candidates to curated opportunities, and connects candidates directly with hiring managers



## Commenced UK rollout of Adia, our end-to-end online staffing platform

- Initially launched in Switzerland, where the original 'Adia' was founded 60 years ago
- UK rollout commenced in Q2 2017; successful pilot phase to make adaptations for UK market; Adia will be launching across several major UK cities during H2 2017
- Further international expansion plan for the coming quarters
- Adia is a new mobile-first, end-to-end platform for employers to find temporary staff for short assignments, focusing on hospitality and events candidate profiles for the SME segment
- The new Adia was developed in close partnership with Infosys, a global leader in technology services - an example of our co-creation strategy to partner with the best





Capital Markets Day 2017 on 22 September in London

## Making the Future work

The Adecco Group invites you to join us at our Capital Markets Day 2017

We see how the future will work.

We know where we're going, how we'll play and how we'll win.  
We see how the world is changing, how it's driven by technology. We see it's an opportunity.

We see a future of co-creation where we will get the best, from the brightest.  
We see a future where all this will drive sustainable profit growth beyond GDP.

We want to show you what we see.  
On 22 September 2017 in London.

Register now via [www.adeccogroup.com/cmd](http://www.adeccogroup.com/cmd)

## Concluding messages of Q2 2017

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- Strong progress on Perform, Transform and Innovate agenda
- Growth continues to be robust; working to improve growth where we are below market
- Margin leadership continues and cash generation was excellent
- Implementation of our strategic priorities is bringing results
- Continued investment in our digital initiatives and IT infrastructure is driving transformation and innovation



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# Questions & Answers

## Key Dates 2017

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| Date              | Event                       |
|-------------------|-----------------------------|
| 22 September 2017 | Capital Markets Day, London |
| 7 November 2017   | Q3 2017 results             |
| 1 March 2018      | Q4 2017 results             |



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