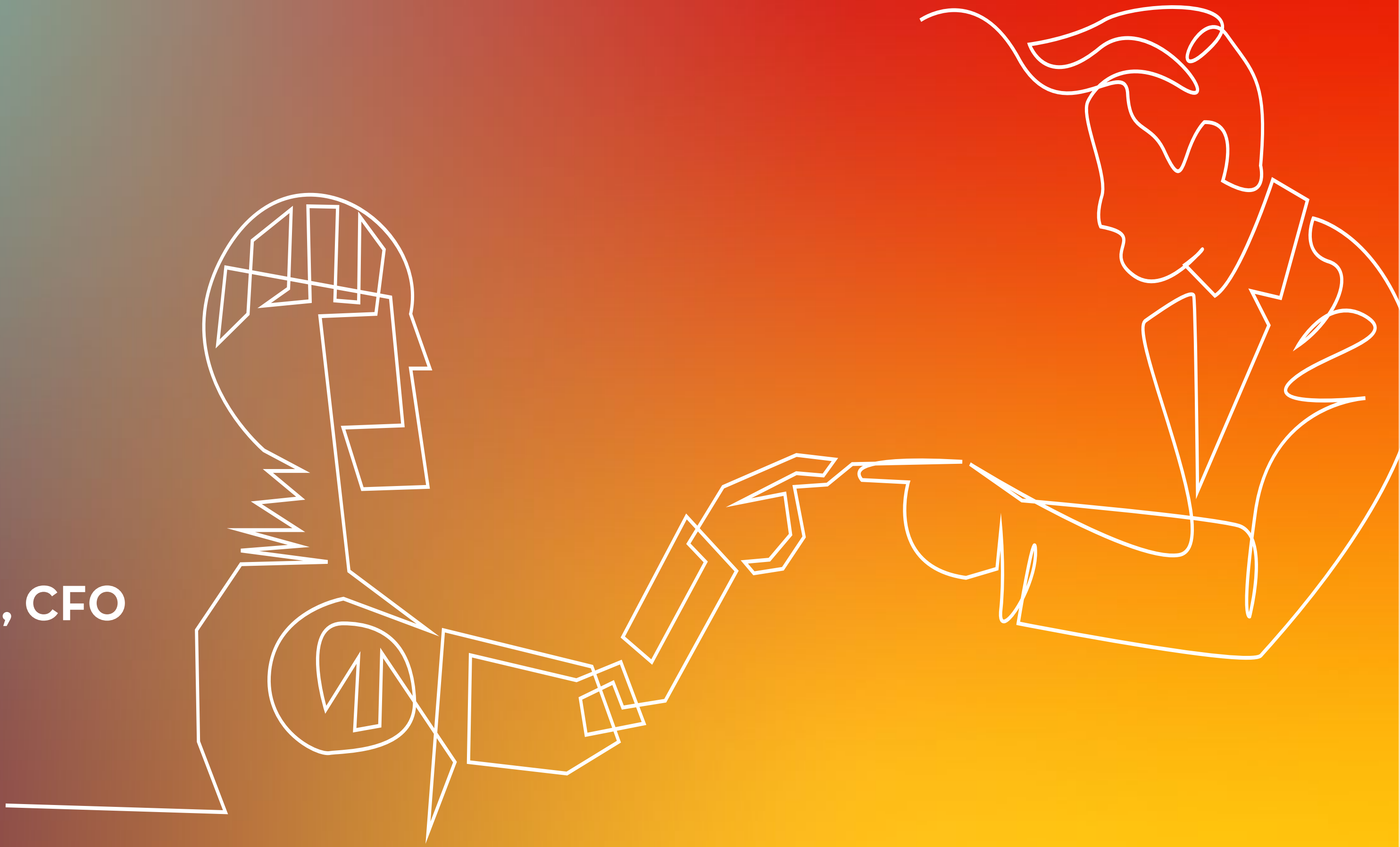
Q3 24 report



Denis Machuel, CEO & Coram Williams, CFO

5 November 2024

THE ADECCO GROUP

Adecco AKKODIS LHH

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; 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.

Q3 24 highlights

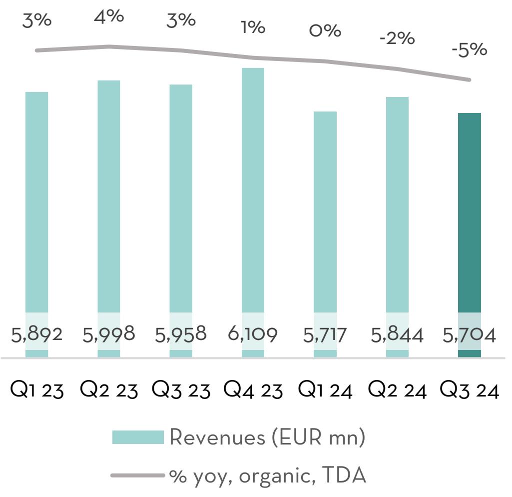
Solid revenue result given market conditions, high comparison base; volumes stabilising

Robust margins, reflecting lower volumes, current business mix, firm pricing and strong G&A savings

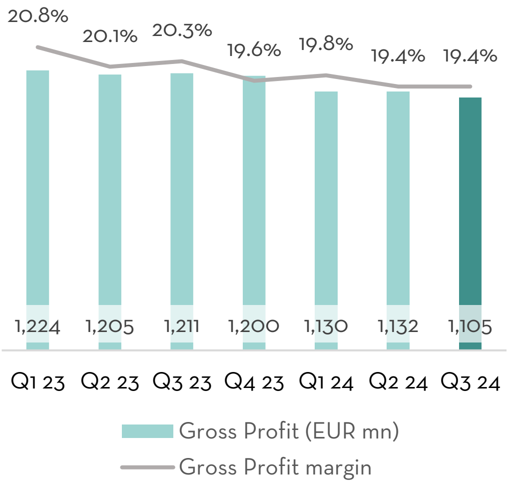
Selectively protecting sales and delivery capacity to capture growth opportunities, gain market share

Continued delivery of Simplify, Execute, Grow agenda

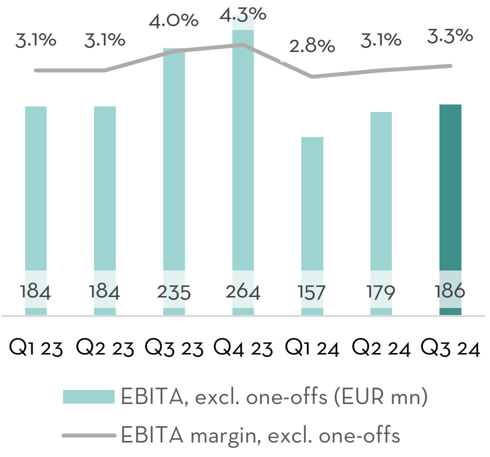
Revenues **€5.7 bn**
-5% yoy



Gross Profit **€1,105 mn**
19.4% margin



EBITA **€186 mn**
3.3% margin

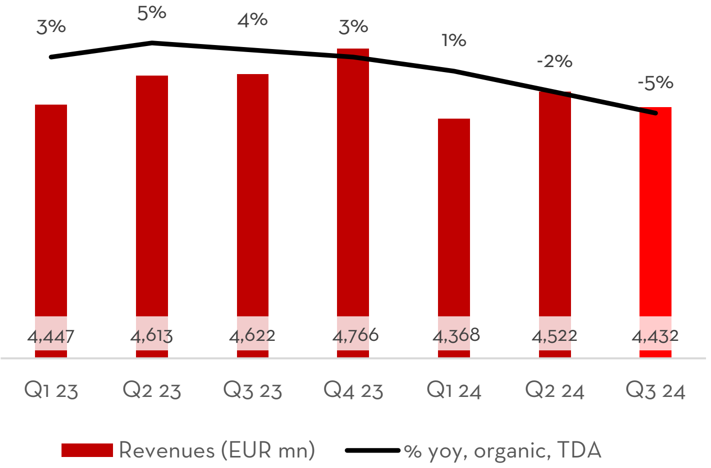


Adj EPS	€0.68
Net debt/EBITDA	3.1x
Op CF	€216 mn YTD
Cash conversion	72% LTM

Quarterly results reflect new company reporting policies, effective Jan 1, 2024

Resilient performance given market headwinds, high comparison base

Revenues **€4.4 bn**, -5% yoy
Share of Group 77%



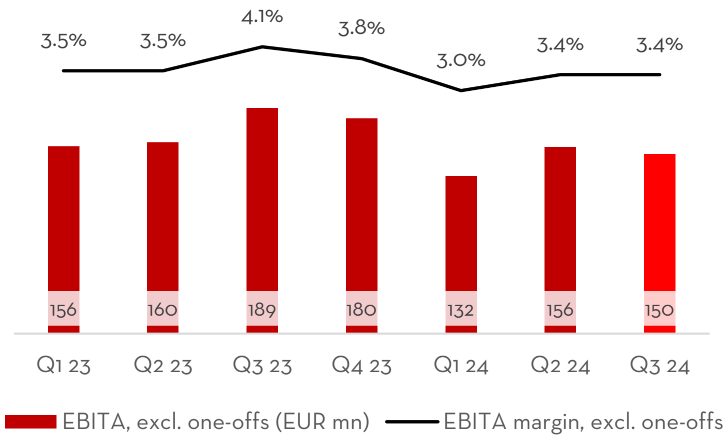
Southern Europe & EEMENA good

APAC solid

DACH, Americas soft

France, Northern Europe challenged

EBITA **€150 mn**, 3.4% margin
Share of Group 68%



EBITA margin -70 bps yoy

Lower volumes

G&A savings

- Organic revenues -3%, with flex -3.5%, perm -2.5%, outsourcing +1%. Enterprise soft, SMEs +1%[1]
- Retail strong; logistics stable; autos soft; manufacturing subdued
- Gross profit -5% yoy: gross margin healthy, mainly reflects lower volumes, country mix. Volumes stabilising throughout Q3
- Productivity stable: GP/Selling FTE flat, Selling FTEs -5% yoy
- EBITA margin further reflects limited operating leverage, partly offset by G&A cost savings
- Selectively protecting sales and delivery capacity to capture growth, market share

[1] yoy organic

Quarterly revenues and EBITA excl. one-offs for 2022 have been restated to reflect the transfer of part of AKKA US to Adecco US effective Jan 1, 2023. Quarterly revenues and EBITA margin for 2023 reflect new company reporting policies, effective Jan 1, 2024

Growth across Asia, LatAm, Iberia, EEMENA; RoW challenging

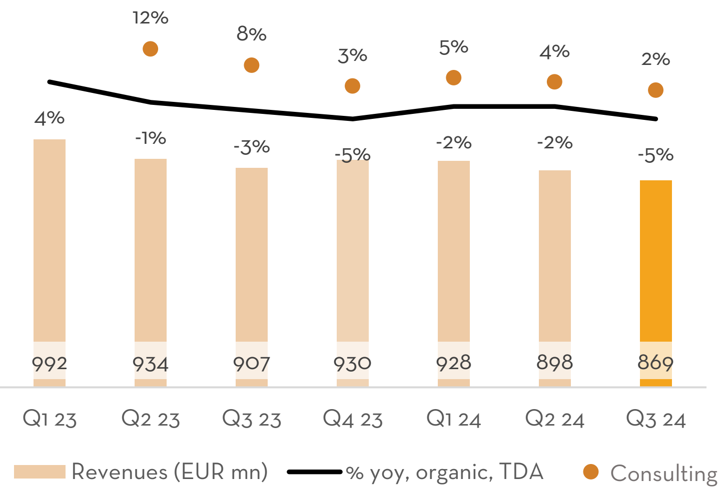
By Segment	Revenues: As % of Group	Revenues: Q3 24 € mn	Revenues: Q3 24 % yoy	Market share: Q3 24	EBITA and EBITA margin excl. one-offs: Q3 24 € mn	EBITA and EBITA margin excl. one-offs: Q3 24 margin	EBITA and EBITA margin excl. one-offs: Change, bps yoy
France	20%	1,154	**-9%**	↘	37	**3.2%**	(180)
Northern Europe (NE)	10%	547	**-11%**	↘	10	**1.9%**	(10)
DACH	7%	415	**-6%**	↑	15	**3.5%**	(70)
Southern Europe & EEMENA (SEE)	19%	1,116	**+2%**	↘	59	**5.3%**	(40)
Americas	11%	609	**-6%**	↘	1	**0.2%**	(120)
APAC	10%	592	**+4%**	↑	28	**4.6%**	0
Adecco	**77%**	**4,432**	**-5%**	↘	**150**	**3.4%**	(70)

- **France:** tougher market qoq. Logistics, manufacturing, healthcare pressured. Right-sizing continues
- **NE**: UK&I -15%, Nordics -9%, Belux -2%. Consulting, construction, autos, financial services challenged
- **DACH:** Germany -8%, Switz. -6%. Manufacturing, logistics subdued
- **SEE:** Iberia +6%, EEMENA +6%, Italy -2%. Logistics, retail, F&B strong
- **Americas:** LatAm +12%. NAM -15%; weighed by market downturn, specific client impacts
- **APAC:** Japan +8%, India +14%, Asia +5%. Australia & New Zealand -13%, high comparison base

AKKODIS | Robust Consulting performance led by APAC

Revenues €869 mn, -5% yoy

Share of Group 15%



North EMEA -8% yoy

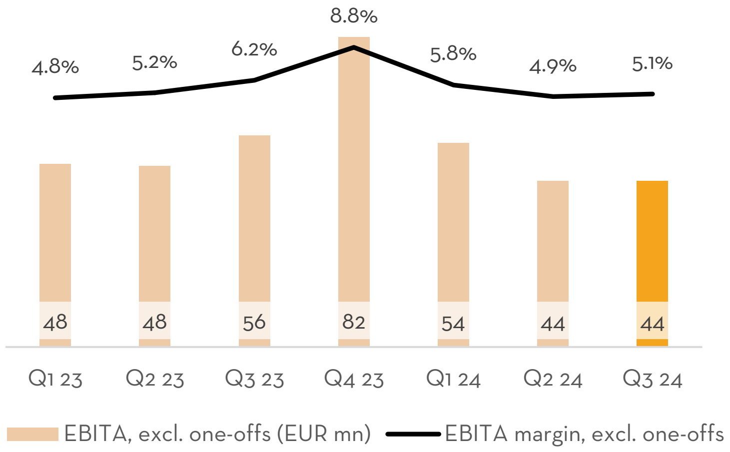
South EMEA -3% yoy

North America -15% yoy

APAC +9% yoy

EBITA €44 mn, 5.1% margin

Share of Group 20%



EBITA margin -110 bps yoy

Lower staffing volumes

G&A savings

- Consulting & Solutions +2%[1], ahead of market
- EMEA soft: France -2%, Germany –7%. Autos, aerospace soft. Right-sizing underway
- NAM impacted by tech staffing downturn, albeit improved qoq; Solutions +26%[1]
- APAC strong: Japan and China +12%, led by IT tech, autos. Australia -1%; Consulting +12%[1]
- Margins impacted mainly by lower staffing volumes, partly offset by G&A cost savings
- Consulting & Solutions EBITA margin 6.8%

[1] All stated in yoy organic, constant currency terms

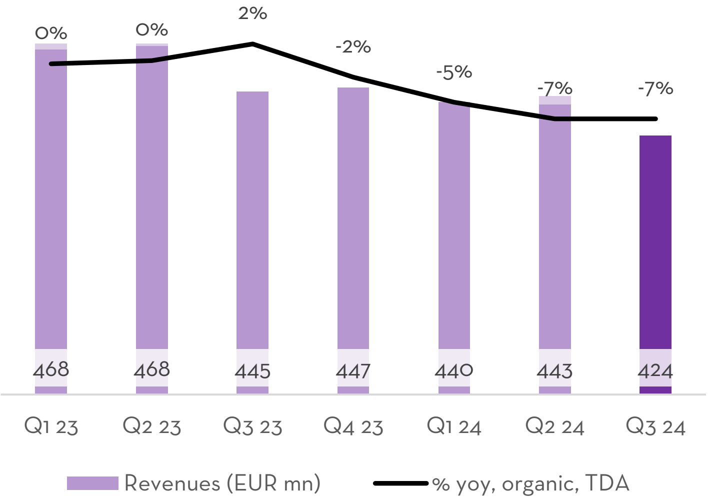
In 2022, AKKA was consolidated 24 Feb; quarterly revenues and EBITA figures for 2024 include AKKA's contribution, while the organic growth rates yoy are for Modis only and presented in italics accordingly.
In addition, quarterly revenues and EBITA excl. one-offs for 2022 have been restated to reflect the transfer of part of AKKA US to Adecco US effective Jan 1, 2023

LHH

Career Transition healthy; Recruitment Solutions stabilising

Revenues **€424 mn**, -7% yoy

Share of Group 8%



Recruitment Solutions (RS) -10% yoy

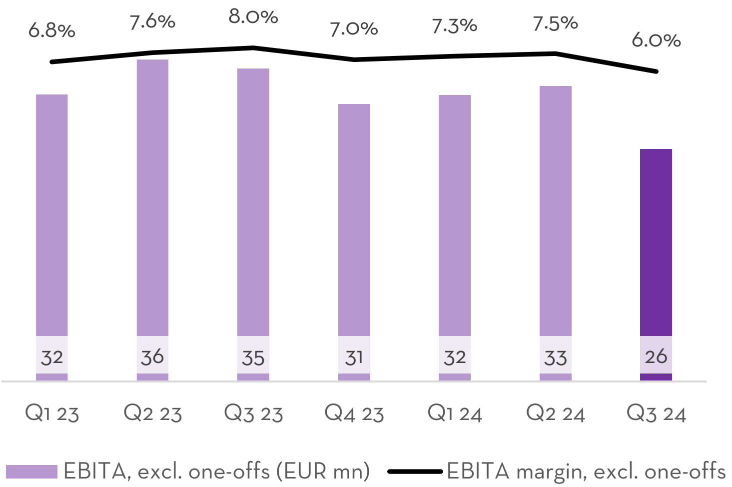
Career Transition (CT) -10% yoy

Learning & Development (L&D) -7% yoy[1]

Pontoon +8% yoy

EBITA **€26 mn**, 6.0% margin

Share of Group 12%



EBITA margin -200 bps yoy

Unfavourable mix

G&A savings

- RS: Gross profit -9%, with US -10%, ahead of market, stabilising qoq in a soft market
- CT: healthy given strong comparison in US. New clients +8%, pipeline solid
- L&D: Ezra +29%[1], pipeline strong. GA continues pivot to B2B; B2C challenged
- Pontoon: +8%, with Direct Sourcing +25%
- EBITA margin reflects unfavourable mix, mainly CT, partly offset by G&A cost savings
- Protecting capacity in RS while improving operational discipline, tenure

[1] yoy organic

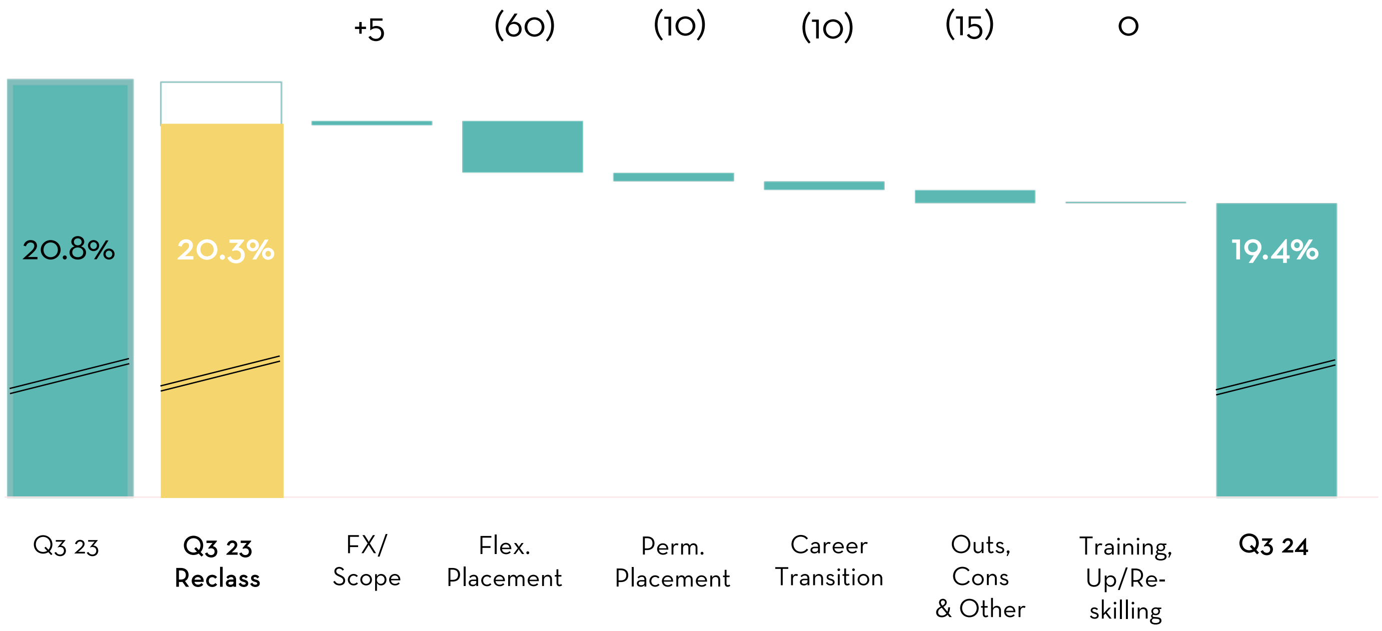
Quarterly revenues and EBITA margin for 2023 reflect new company reporting policies, effective Jan 1, 2024.

Robust margins reflecting lower volumes, current business mix, G&A savings

Selectively protecting sales and delivery capacity

Gross profit bridge

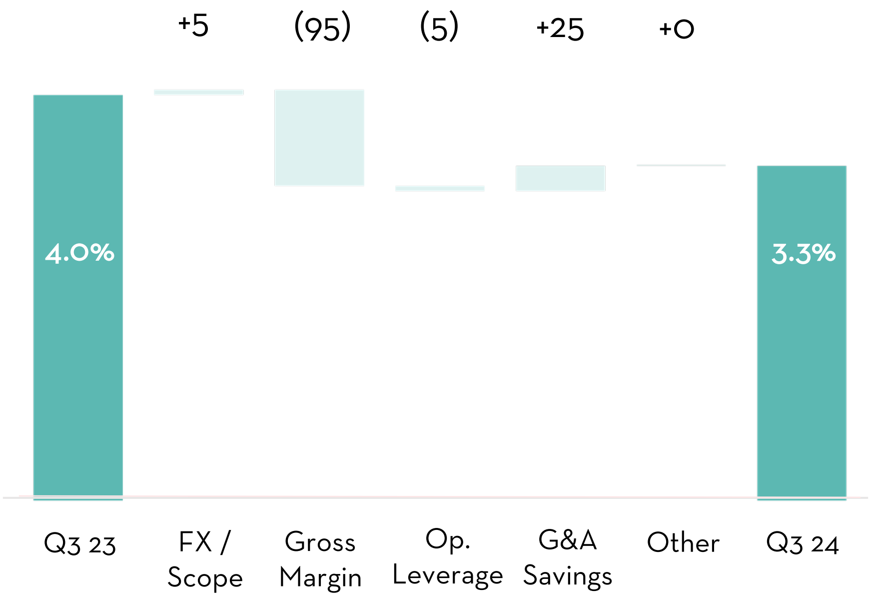
As % of revenues yoy, in bps



Revenues yoy, organic	-5%	-9%[1]	-9%	+3%[1]	0%
As % of Group Gross Profit (approx.)	54%	13%	8%	22%	3%

EBITA bridge, excl. one-offs

As % of revenues



- SG&A expenses -5% yoy, to 16.2% of revenues
- G&A expenses -10% yoy, to 3.2% of revenues
- Company-based FTEs -6% yoy, -2% qoq
- Selling FTEs -5% yoy, -2% qoq; G&A FTEs –10% yoy

[1] Variance percentages adjusted to exclude additional YTD reclassifications contained within the prior period. These adjustments have been excluded to reflect underlying performance in the quarter.

Solid cash generation, financing structure

Cash generation

- Q3 Cash Conversion 72%
- Q3 Operating Cash Flow +€121 mn
  - *YoY development driven by lower business income, plus*
  - *Unfavourable timing impacts on cash taxes, accounts receivable and payables of approximately EUR 150 mn*
  - *DSO improved 0.6 days, to 53.3 days*
- Q3 Free Cash Flow +€82 mn
  - *Capex €39 mn*
- YTD FCF +€117 mn, +€5 mn yoy

Balance sheet & financing metrics

- End-Q3 net debt/EBITDA 3.1x
- Net debt €2,925 mn
- €300 mn, 8-year bond successfully issued in October, coupon 3.4%
- €430 mn bond to mature in December
- 81% debts fixed; no covenants; undrawn RCF

Note: US GAAP records operating lease expenses within COS or SG&A expenses. In Q3 24 lease expenses totalled €53 mn

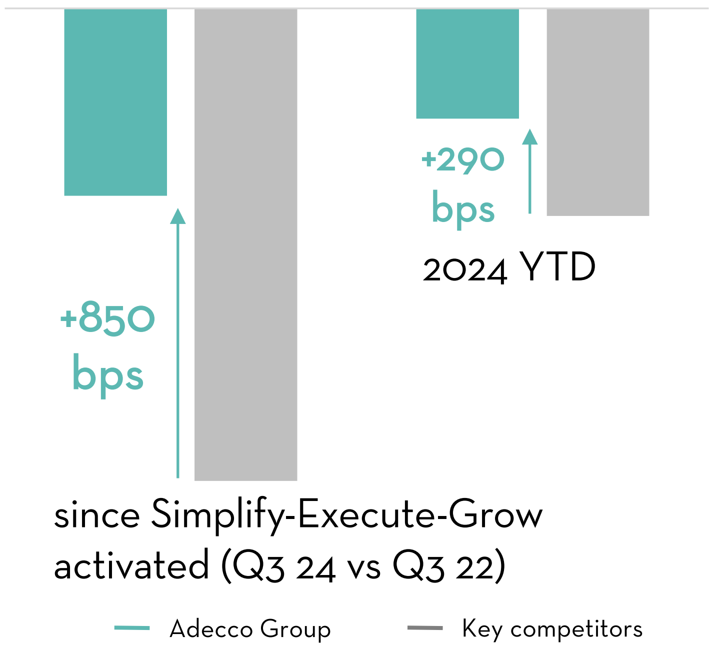
Near term outlook

- Volumes stabilising throughout Q3 and in October 2024
- For Q4, the Group expects its revenues, on a year-on-year organic TDA basis, gross margin, and SG&A expenses excluding one-offs as a percent of revenues, to be similar to Q3 2024 outcomes, including seasonality
- Management is increasing G&A savings while selectively protecting sales and delivery capacity to capture growth opportunities and market share
- The Group expects its year-end net debt to be similar to the prior year-end level

Continued delivery of Simplify-Execute-Grow agenda

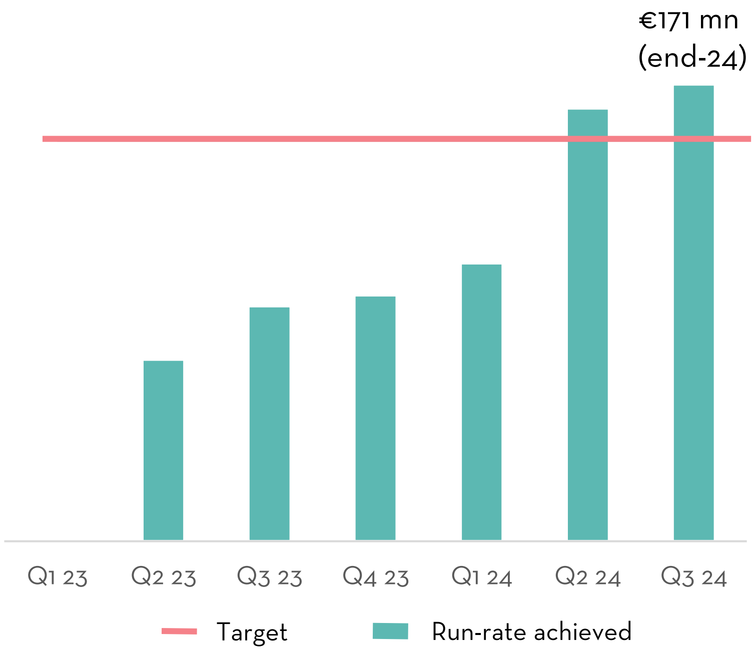
Delivering strong market share gains

Relative revenue development
(% change, reported, in EUR terms)



Achieving further G&A savings

Net G&A savings run-rate, by quarter
(EUR mn, organic, budget rate)



Building a GenAI powered business, at pace

Accelerating AI adoption

Expanding Global Delivery

Execute
better than ever

Building a GenAI powered business, at pace

IT/digital roadmap introduced: clear priorities established for next 2-3 years

Accelerate investment in innovation, GENAI

- Expanding Global Delivery solution to improve fill rates, time-to-fill
- Upgrading candidate interactions with innovative tools, e.g. Career Studio, CV maker
- Roll-out Recruiter GenAI suite to significantly enhance Front Office capacity
- Readying to deploy new GenAI capabilities, e.g. AI agents

Enhanced by strategic partnerships

Salesforce: expanded agreement to significantly enhance Front Office

- Single, 360 vision of client accounts
- AI-driven insights, recommendations
- Digital apps integration and process automation
- Small, Medium countries empowered

Microsoft: AI architecture partner

- Underpins development of AI infrastructure and solutions globally

Consolidate and simplify technology foundation

- 1 **Front Office** through data cloud integration (from +40)
- 5 **ERP technologies** (from +20)
- 1 **global data centre** and 1 **global web platform**
- Upgraded functional systems, e.g. procurement, contract lifecycle mgmt

Driving efficiencies, productivity and competitive advantage

Focus on growing market share and adding value

Q3 client case studies

Grow
our market share

Adecco

Luxury goods client, Italy

New partnership with global potential. Multi-year contract.

Client need
A new key provider, with high quality service, differentiated services, deep sector expertise.

Value add
- Integrated talent solution across temp and perm, training and assessment
- Skills building to address talent scarcity
- Branch specialisation

AKKODiS

Public Services client, UK

New client, leveraging Australian track-record

Client need
To use advanced analytics to improve policing outcomes.

Value add
- Tech solution that enhances accuracy and speed of investigations, provides new leads
- Drives productivity

UK's cold cases could be solved using AI technology

Söze, a cloud-based software, could help detectives to identify new lines of inquiry

THE TIMES

24 September 2024

LHH

Life Sciences client, Germany

Cross-sell via CT relationship. Global, multi-year contract.

Client need
To help leaders adapt to new operating model and leadership approach.

Value add
- Providing L&D integrated assessment & EZRA digital coaching solution
- Supports development, wellbeing and retention of leaders, globally

Q3 Results: key takeaways

- ✓ Relative revenue growth +850 bps since introduction of Simplify-Execute-Grow agenda
- ✓ G&A savings run-rate end-24 lifted to €171 mn
- ✓ Reprioritised IT/digital roadmap accelerating adoption of AI, expanding Global Delivery to improve fill rates and time-to-fill
- ✓ Resources well positioned to capture growth opportunities and market share

Relentless focus on market share gain, improved profitability

Q&A

Appendix

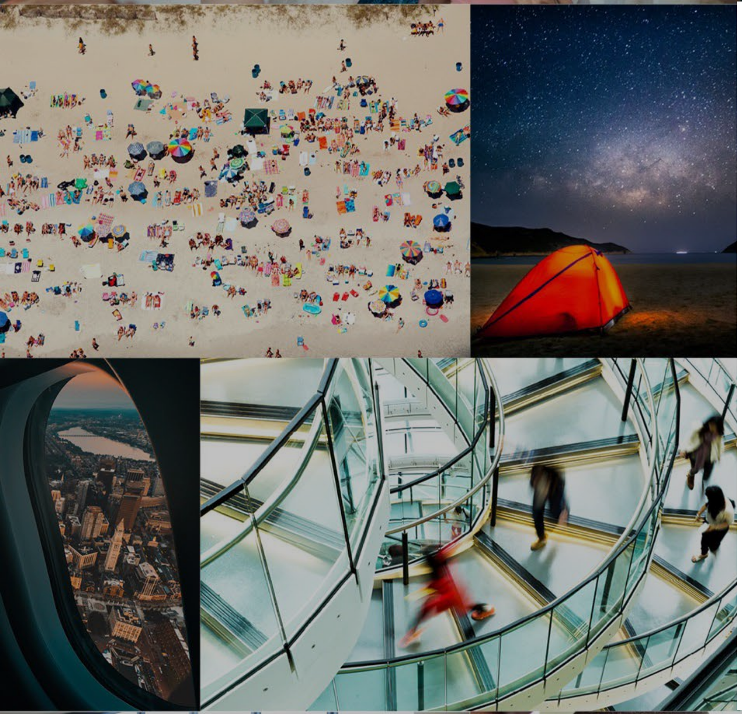
Additional financial framework

EUR mn, unless otherwise stated	FY 2023	FY 2024 Est.	Q1 2024	Q2 2024	Q3 2024	Q4 2024 Est.
One-off costs	(133)[1]	~ (90)	(13)	(45)	(3)	~ (30)
Depreciation	(154)	~ (160)	(41)	(43)	(40)	~ (35)
Amortisation	(102)	~ (80)	(22)	(21)	(21)	~ (16)
Interest expense	(77)	~ (75) from ~ (80)	(17)	(19)	(18)	~ (20)
Other income/(expenses), net	(48)	~ (20) from ~ (25)	1	(8)	(7)	~ (5)
Effective tax rate	36%[2]	33%[3]	31%[2]	32%[2]	28%[2]	~ 33%[3]
Capital expenditure	(216)	~ (150)	(26)	(34)	(39)	~ (50)

	FY 2023	FY 2024 Est.	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Foreign exchange impact on revenues *(at current rates, yoy)*	(2.1)%	~ (1.0)%	(1.5)%	(1.2)%	(0.8)%	~ (1.1)%
Trading Days Adjustment *(difference in trading hours, yoy)*	(0.2)%	0.7%	(1.4)%	+1.0%	+1.6%	+1.9%

Changed FY guidance

[1] Of which, EUR 92 mn mainly G&A related, and EUR 41 mn AKKA integration and related costs.
[2] Tax rate including discrete events. [3] Tax rate guidance excluding discrete events.



THE ADECCO GROUP

Adecco AKKODIS LHH

investor.relations@adeccogroup.com