

# COVID 2022

**Future@Work Strategy update**

London | 29 March 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.

# Agenda



## Plenary Session

- Chairman's introduction
- Strategy update
- The value of the ecosystem
- Financial strategy and ambitions
- Digital strategy & innovations

## Briefing Sessions & Strategy update

- Adecco
- LHH
- Akkodis

# Our purpose: making the future work for everyone

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- Helping **people** fulfil their potential – providing **access to work**, and improving **employability**
- Enabling **clients** to optimise their **talent needs and organisations** to achieve their goals
- Building a better world of work for all through our **advocacy and thought leadership**

**Our purpose unites and drives our efforts**



Group providing employment opportunities for Ukrainian refugees

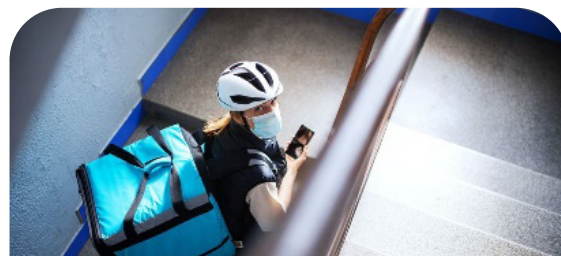
# The pandemic has turbo-charged world of work megatrends



## Geopolitical & economic uncertainty

3x

increase in global economic policy uncertainty index<sup>1</sup>

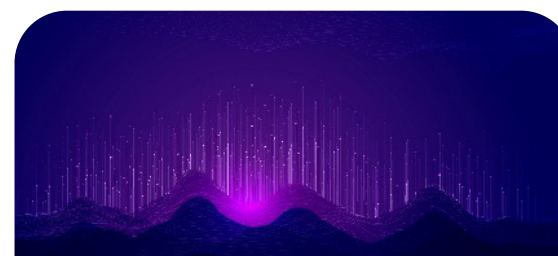


## GIG and platform economy

\$4.4 tn

generated by GIG economy<sup>2</sup>

EU's Proposed Platform Work Directive published Dec 2021



## Digitalisation

Smart Industry

>+15% CAGR

21-25

50%

of all employees will need reskilling by 2025<sup>3</sup>



## Human centricity

80%

say their employer is responsible for ensuring a better working world after Covid-19<sup>3</sup>

76%

say support for flexible working needs will be important after the pandemic<sup>4</sup>

## Sustainability

<sup>1</sup> Global economic policy uncertainty index, 2014-21; <sup>2</sup> SIA Staffing Industry Webinar, 2022. Reference year 2020; <sup>3</sup> World Economic Forum, Future of Jobs Report 2020; <sup>4</sup> Adecco "Resetting Normal", Sep 21

# Future@Work



Shift from country-centric  
to globally brand-led

Distinct go-to-market strategies  
for each Business Unit

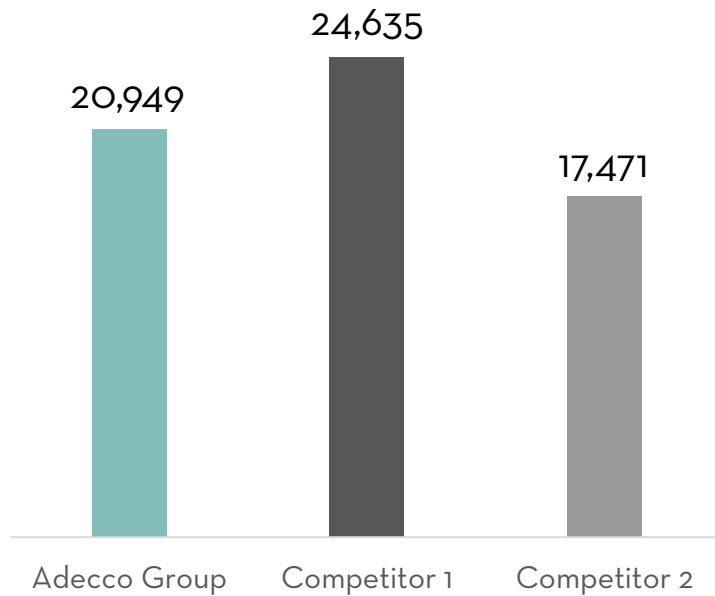
Three common enablers:  
Customer Experience, Differentiation, Digital

Unified by a strong common purpose

# The Adecco Group is a global talent solutions leader

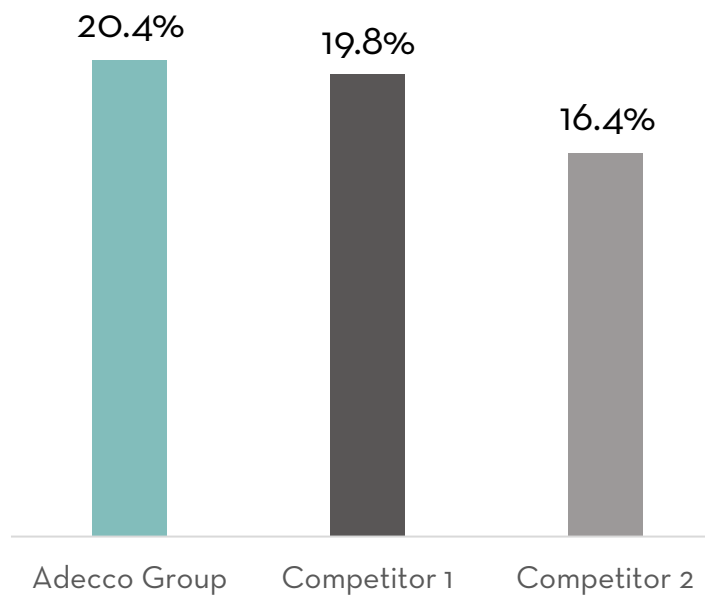
## #2 in Revenues

(FY 21, € mn)



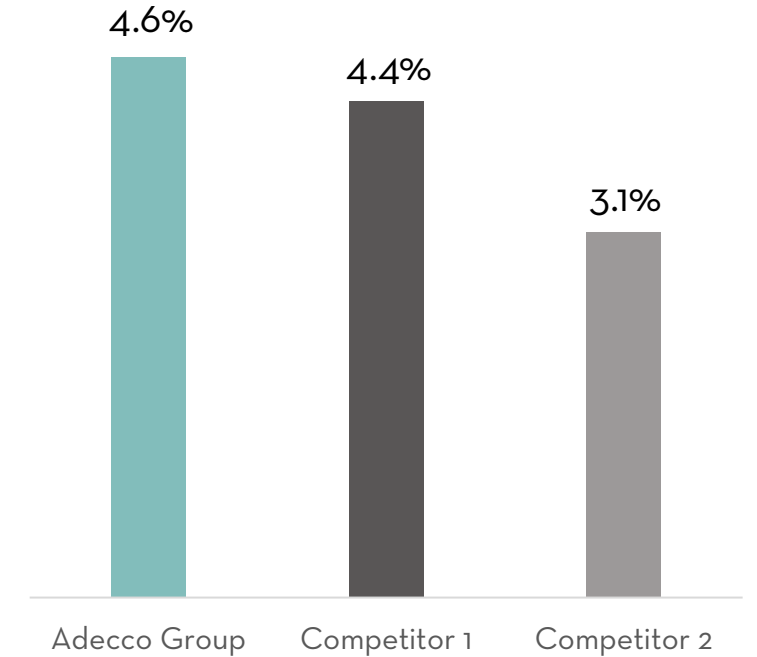
## Leading Gross margin

(FY 21)



## Leading EBITA<sup>1</sup> margin

(FY 21)



<sup>1</sup> EBITA margin excludes one-offs

# COVID 2022

**Future@Work Strategy update**

London | 29 March 2022





# Future@Work: creating superior value for customers, colleagues and shareholders



THE ADECCO GROUP

Talent is our common denominator

## Adecco

Digitally enhanced omnichannel strategy to expand market share and profitability

## LHH

Solutions-driven talent partner, addressing skills and transformation needs to drive growth

## Akkodis

Market leader in technology and engineering R&D services, focused on high-growth smart industry customers

## Group

Drive synergies and support the transformation; promotes the ecosystem and provides shared services at scale

## Our KPIs



### Operational performance

(Growth, margins, productivity, cash conversion, ROIC)

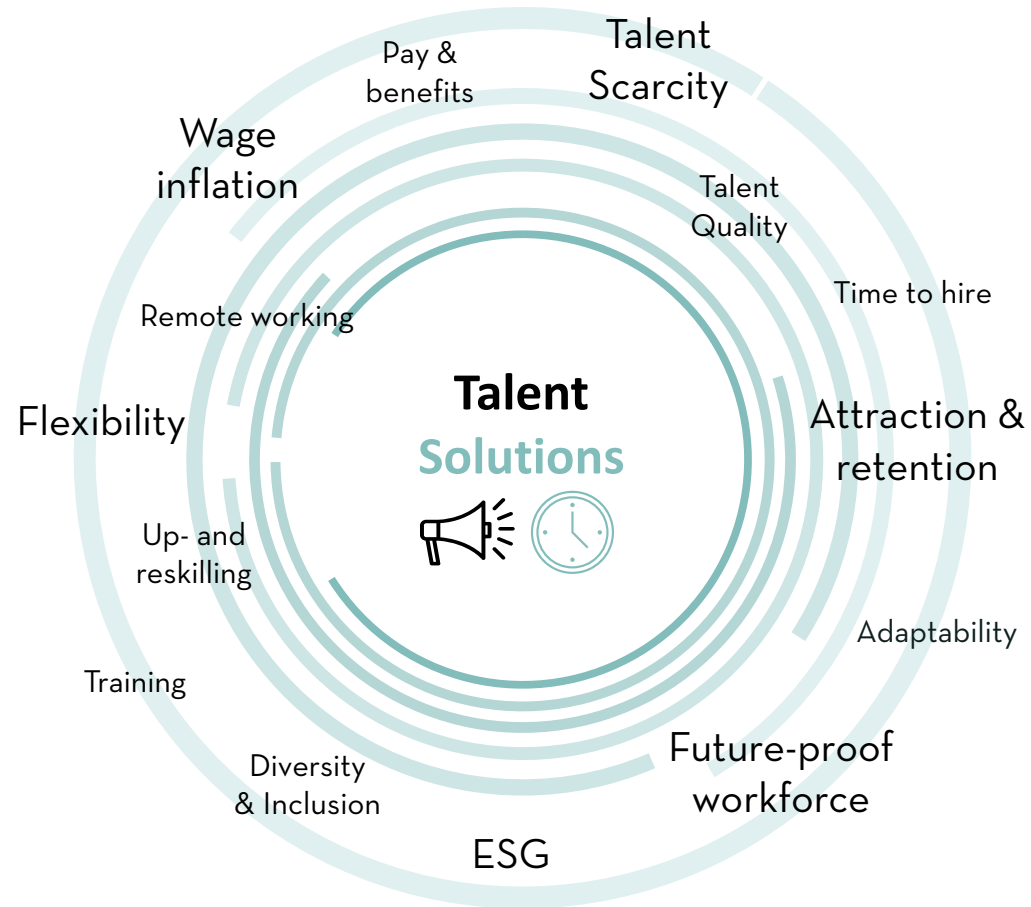


### Sustainability leadership

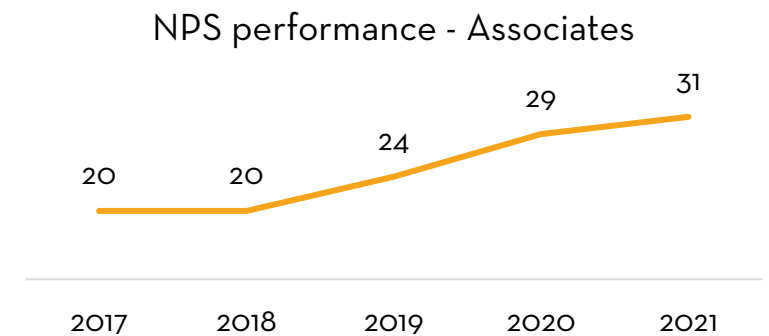
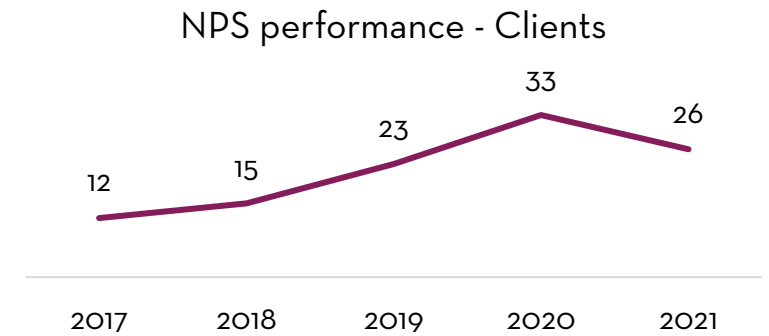
(Up-/reskilling, diversity & inclusion, voluntary attrition, GHG emissions)

# Talent is our common denominator

By addressing the talent transformation challenges our customers face...



...we increase customer life-time value



# Solid progress in Future@Work's first year



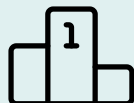
Revenues near 2019 levels ... but



Growth performance mixed



Record gross margin



Leading EBITA margin



~750,000 upskilled



Gender parity +4% yoy

## Adecco

**Industry leading margin; revenue growth lagging**

*Launch of Adecco Career Centre, dynamic pricing*

## LHH

**Recruitment Solutions excels; Career Transition challenged**

*LHH rebrand and reorganisation*

## modis

**Excellent performance**

*AKKA deal completed; integration and synergies on track*



THE ADECCO GROUP

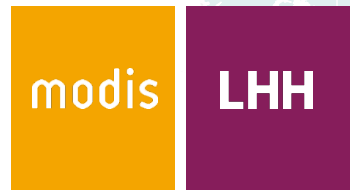
**€40 mn** Future@Work synergies

*Accelerated digital adoption; Ecosystem build-out*

# Growth performance mixed

2021 performance

Market share gains



Below ambition



## Adecco performance drivers

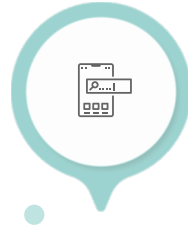
- Impacts from country, sector mix
- Turnaround effort in Adecco US slow
- Select contract expiry headwinds, namely UK
- Sales capacity

## Actions underway

- Balanced investment plan, focused on growth sectors and geographies
- New Leader at Adecco US, clear turnaround plan
- Performance management strengthened to ensure max. ROI

# Sharply accelerated digital adoption

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## How we win

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- Unparalleled customer experience
  - Delivering end-to-end digital journeys
- World class AI-enabled digital capabilities
  - Digital embedded across the group
  - Ventures as sources of innovation to the core
- Scale benefits create barriers to entry
  - Data assets are a competitive advantage

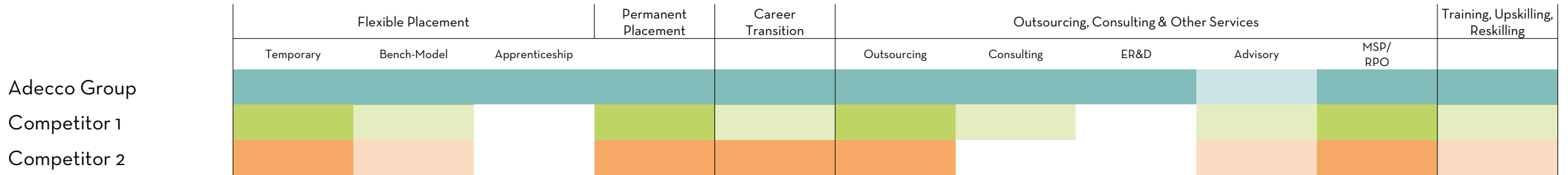
## 2021 highlights

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- Digital product NPS of 40
- ~50% Group countries using core digital products & InFO, clear cost-to-serve benefits
- 6 core, AI-enabled products used by tens of millions every month
- 4 market-leading digital ventures, growing >+550% yoy
- Power to continuously build and advance, with >100 software engineers and data scientists

# Strong ecosystem foundation built

Adecco Group offering, by service line



## How we win

- Unparalleled customer experience
- Broadest & deepest talent services offering in the market
- World class AI-enabled digital capabilities
- Unrivalled domain expertise
- Global footprint
- 3 Global lead brands

## 2021 highlights

- Global Sales & Marketing operating model reset
  - New customer segmentation
  - Established industry practices
- Developed scalable offering framework
- Successful delivery of lighthouse wins

# Effectively navigating a VUCA world

Agility to flex up and down

Driving digital and ecosystem advantages

Shifting mix toward faster-growth, higher-margin end-markets and activities

Resilient cash generation, progressive dividend



# CEO Priorities

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**Adecco**

Deliver market share gains & grow profitably

**LHH**

Lever integrated solutions offering

**AKKODIS**

Integrate AKKA & Modis; deliver synergies



THE ADECCO GROUP

Drive digital & ecosystem benefits



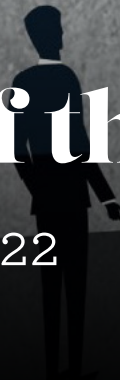
Creating superior value through our strategy and portfolio



# COVID 2022

**The value of the ecosystem**

London | 29 March 2022





# Customer testimonial

Sanofi, an innovative global healthcare company

# The value of our ecosystem

~60% of customers are likely to buy integrated services if available in the market<sup>1</sup>

## The client perspective



“One-stop-shop” experience



Cohesive solutions



Unlocked analytics and insights



Optimised value for money

## The Adecco Group perspective



More strategic relationships



Improved relevance and retention



New revenue opportunities

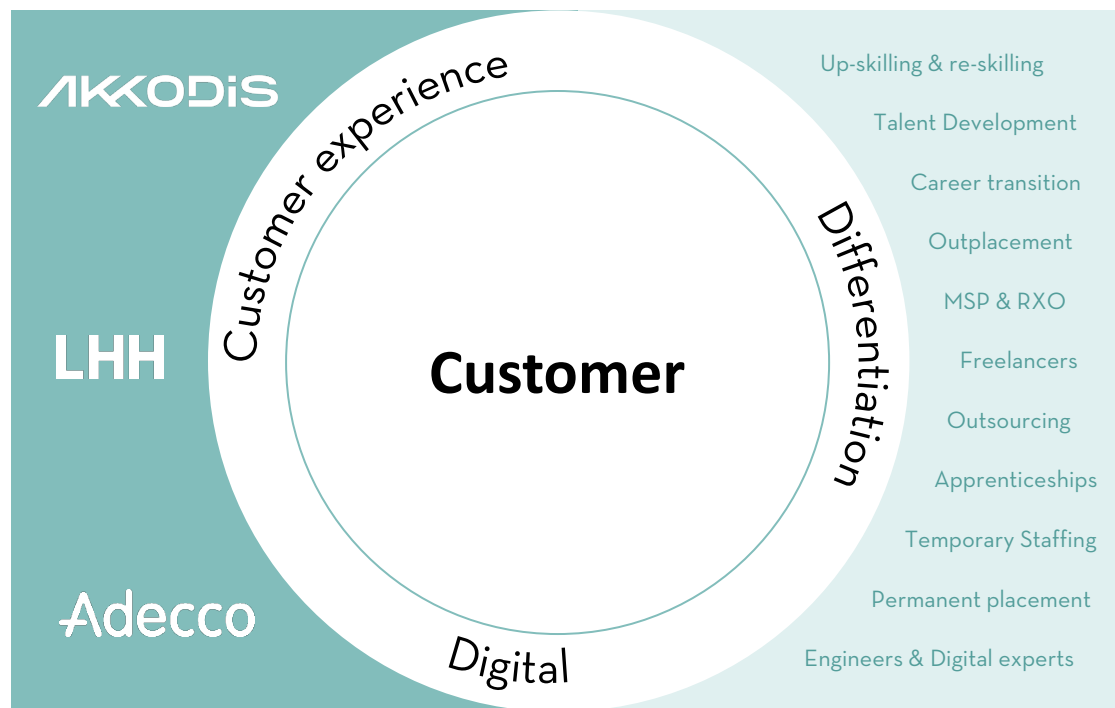


Share of wallet gain and services mix shift

<sup>1</sup>Source: Adecco Group

# Our strategy: leveraging our ecosystem with a customer-centric approach

## Unique, 360° value proposition



## Industry approach



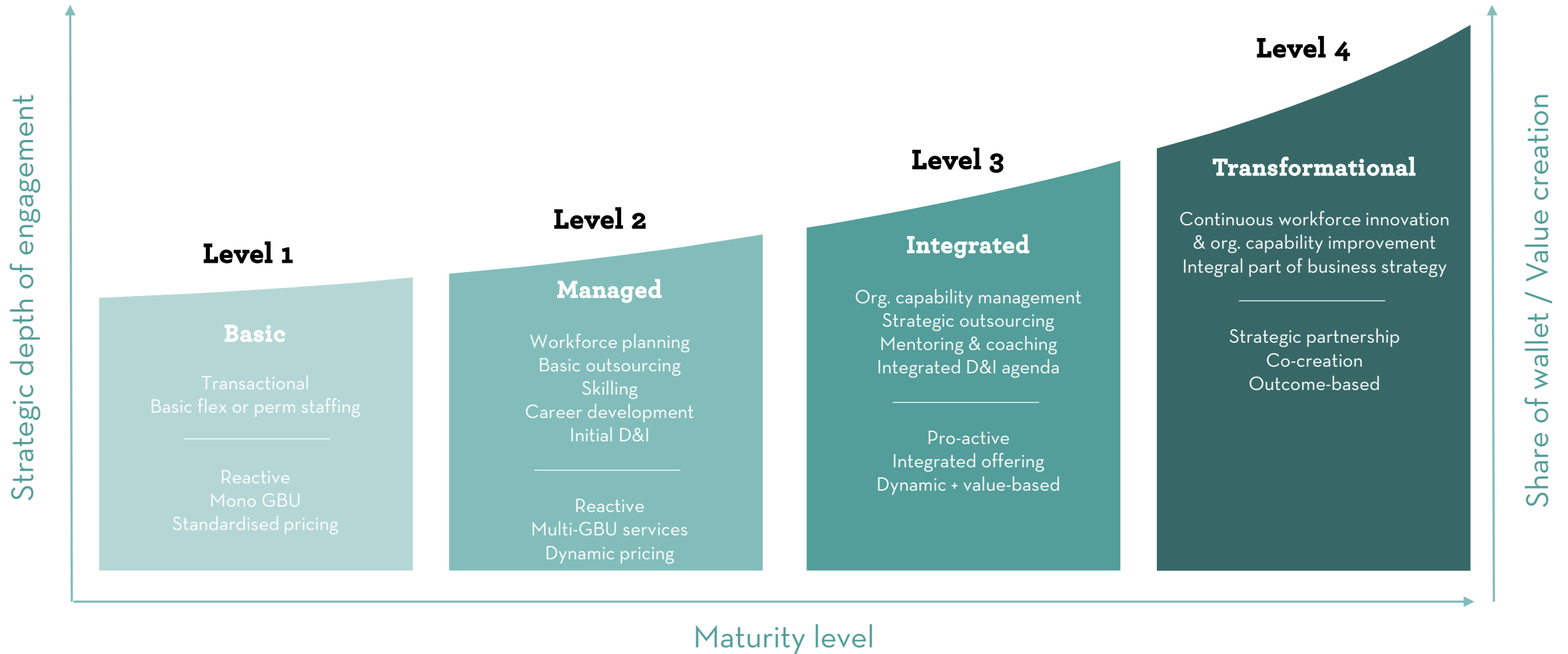
## Focus on lighthouse wins

### Strategic Accounts

- Develop & incubate 360° solutions with top strategic accounts in each industry
- Leverage Executive Sponsors to engage at strategic level
- Delight customers & drive advocacy

Supported by our 3 enablers and global reach

# Supporting our customers along their maturity journey



# Operationalising our ecosystem strategy



## Solutions

“better together”  
integrated solutions



## Drive

“retain & grow”  
as a repeatable engine



## Acquire

new customers in SME &  
through geographic outreach



## Maximise

Delivery and  
contract conversion



Industry  
approach  
& co-creation



Marketing support  
offering /  
campaigns



Sales  
enablement/  
incentive



Fit for future  
talent &  
organisation

# Building from strong foundations

## 2021: governance, frameworks set up



- Fully revised client segmentation, consistent across GBUs and geographically
- Established industry practices
- Elevated Pontoon as cross-BU solution architect

## 2022 & ongoing

- Systematic expansion to ~1 k customers with existing global contracts and potential for expansion
- Evolve industry playbook, & thought leadership
- Pilots ongoing: industry-aligned delivery, near-shoring etc.



- Developed offering framework
- Established cross-BU sales leadership team
- New bid management process piloted

- Digitalised, customisable offering framework
- New bid management blueprint roll-out
- Leveraging data & AI for cross-BU campaigns, customized by segment



- Rebalanced team, more industry experts
- Harmonised roles & responsibilities, adjusted incentives
- New sales disciplines
- Invested in training

- Joint account planning
- Adjusting sales incentives
- Clarified governance on engagement decisions, commercial review and delivery terms
- Continued training

# Our ecosystem offers a substantial opportunity



~ **50%**

Revenues

From customers doing business with **all** 3 GBUs



+ **20x**

Revenue opportunity

From customers doing business with **all** 3 GBUs



+ **3x**

Gross Profit opportunity

From customers doing business with **all** 3 GBUs



# CWFD 2022

**Future@Work financial strategy  
and ambitions**

London | 29 March 2022

enter  
return

# Future@Work financial and sustainability goals

## Financial KPIs

### Dual Revenue Growth Strategy

- Market share in Adecco
- Investment in faster growth segments LHH and Modis/Akkodis

### Higher EBITA margin corridor of 3.0-6.0%<sup>1</sup>

- Cost savings and Productivity
- Mix shift towards higher margin segments LHH and Modis/Akkodis

### Strong cash flow: conversion >90%<sup>1</sup>

- Disciplined capex and M&A
- Progressive dividend and return of excess cash to shareholders

## Sustainability KPIs

By 2030

30% reduction in carbon footprint (2018 base year)

Global Leaders gender parity

#### Employer of choice

Creating a positive, respectful, inclusive and healthy work environment



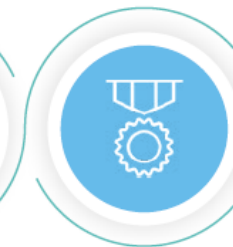
#### Employability and access to work

Unlocking human potential to achieve equal access to work for all



#### Trusted partner to clients

Building on a shared commitment to conduct business responsibly



#### Social protection for all

Advocating for a new social contract that provides protection for all



#### Climate protection

Safeguarding the planet for future generations



<sup>1</sup>Through the business cycle

# Driving the dual-revenue growth strategy

## 2021 highlights

### Sales discipline

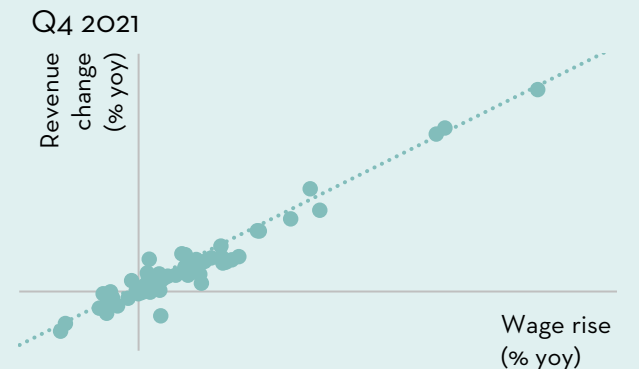
- +15% sales intensity yoy
- New client segmentation
- Adecco US adopts verticalised sales approach
- Build out of Adecco Career Centres
- Strengthened portfolio with disciplined M&A

### Mix shift

- LHH and Modis gain market share
- +6% CAGR Group revenues 2017-21 from higher value activities<sup>1</sup>
- >+550% growth in Digital ventures yoy<sup>2</sup>
- 32% of Adecco revenues from Onsite, driven by digitalisation

### Pricing actions

- Data-driven dynamic pricing initiative delivered improved spreads in all GBUs
- >66% of Group and >75% of Adecco contracts use multipliers

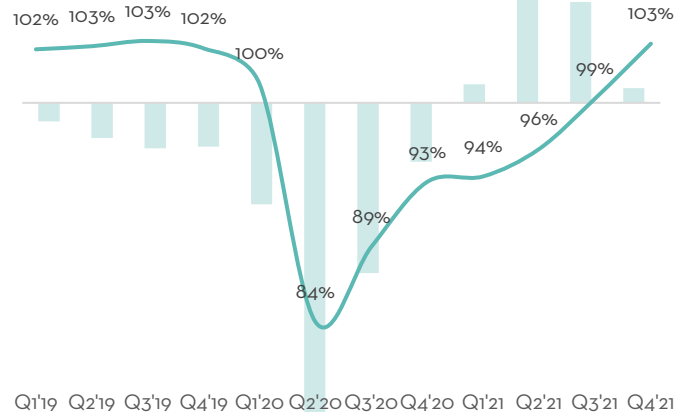


<sup>1</sup> Defined as all services except for flexible placement; <sup>2</sup> Adia, QAPA, Hired and Ezra revenues

# Optimising growth investment with agility

## Sales capacity

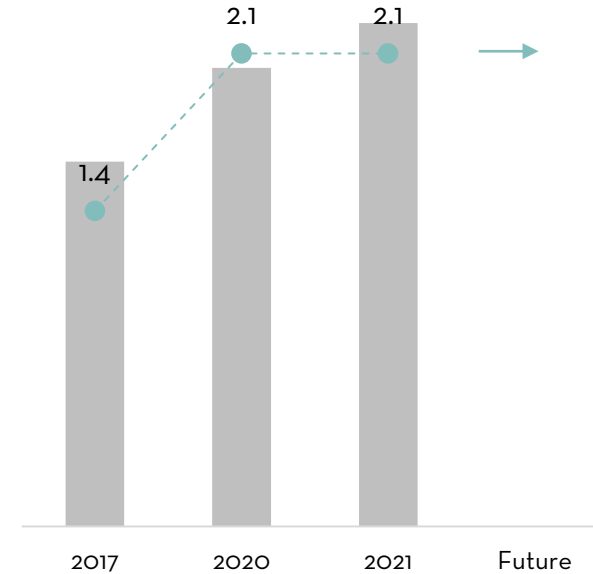
Group FTEs (indexed to Q1 20)  
versus Revenues (yoy TDA %)



- Disciplined, agile approach
  - Investing in faster-growth end-markets and activities
  - Ability to flex up or down
- Effective performance culture
  - induction, on-boarding programmes
  - Revised incentive plans

## Digital capacity

IT/digital spend  
(in € mn and as % of revenues)

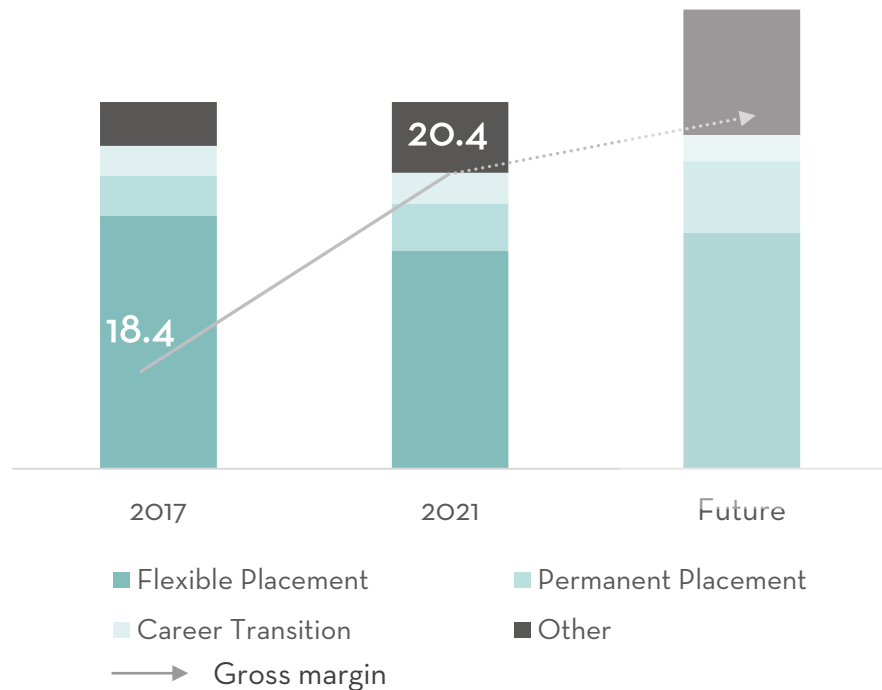


- €450 mn run-rate digital/IT spend, above industry levels
- ~50% Group countries using core digital products & InFO
- Retaining data ownership and actionable insights
- Significantly increased use of digital in 2021

# Sustaining sector leading profitability

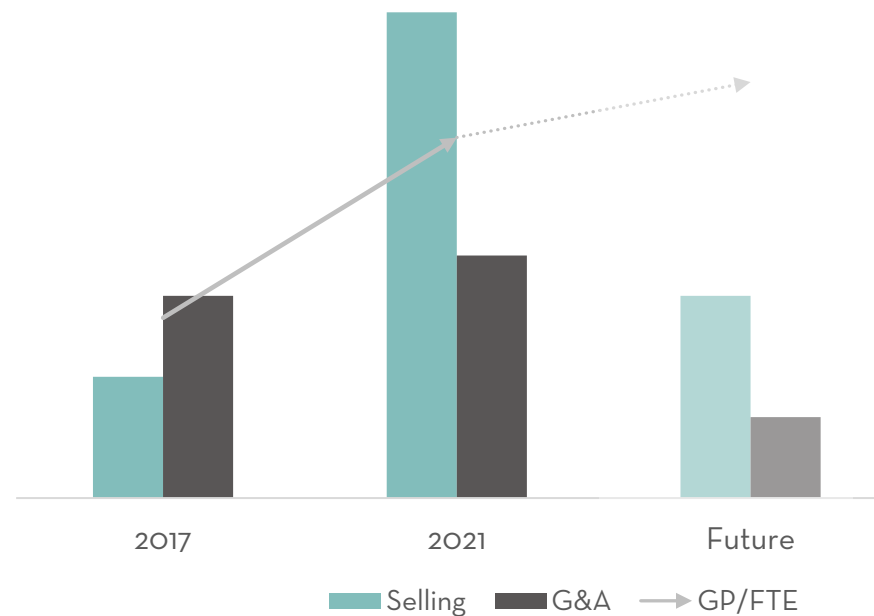
## Strategy drives better gross margin

Gross profit (by service line), and gross margin  
In € mn and % terms



## Strong cost containment

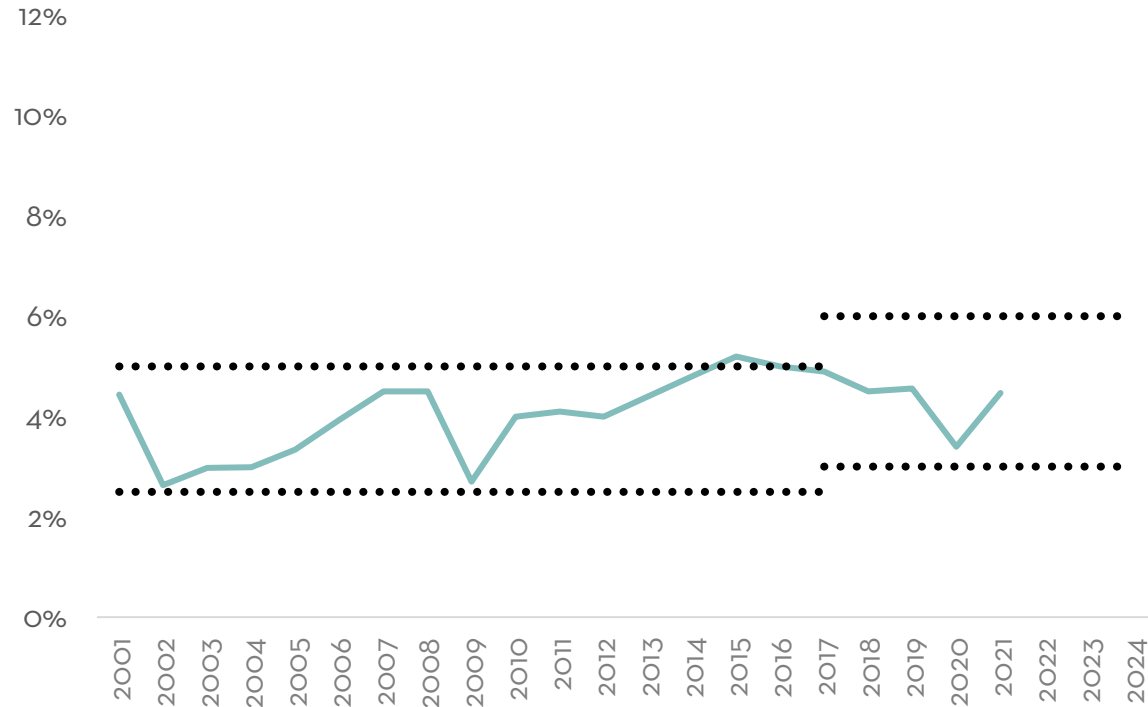
SG&A spend breakdown (% yoy), and productivity



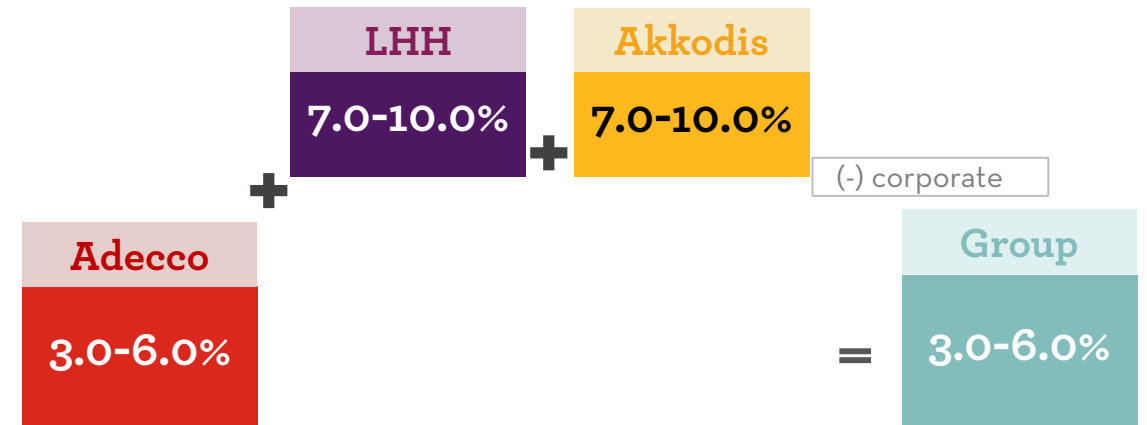
- Productivity gains: DDR (53)% in 2020 downturn, +46% in 2021 upturn
- 2020 trough EBITA margin above 2009 levels

# Financial framework extended to GBU level

## Group EBITA margin excl. one-offs

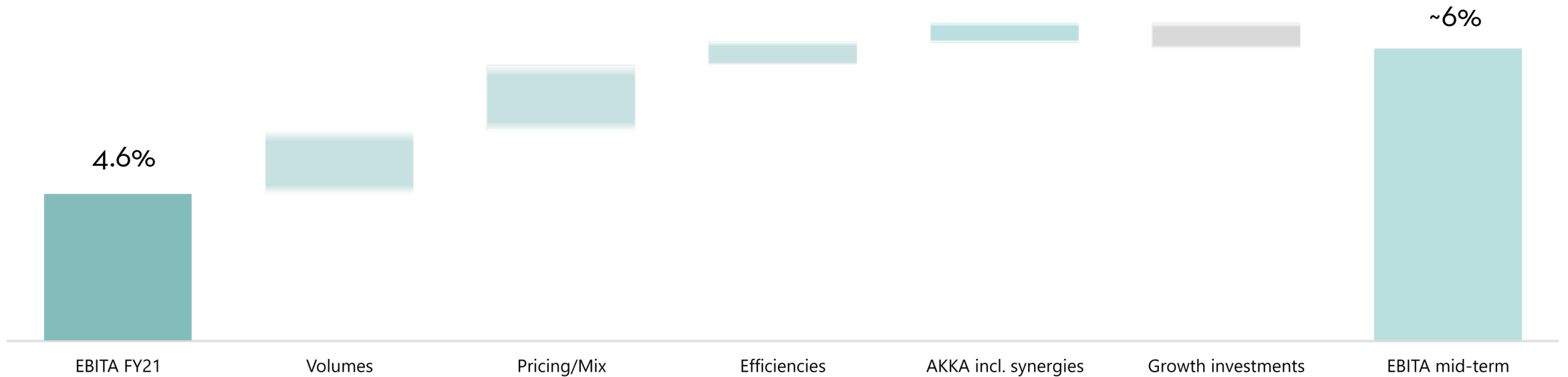


## GBU EBITA margin range excl. one-offs

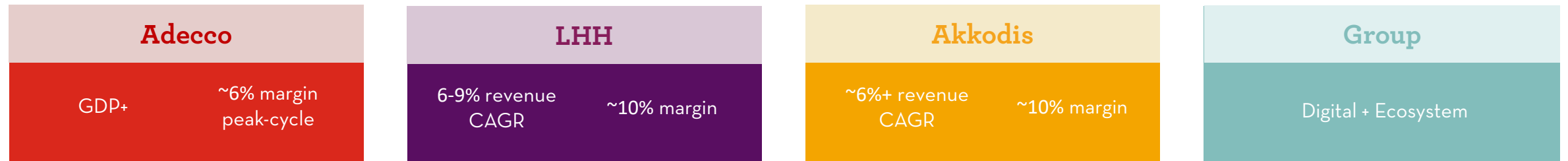


Framework on a through-cycle basis

# Clear path to upper end of EBITA margin corridor mid-term



## Growth and mid-term EBITA margin ambitions

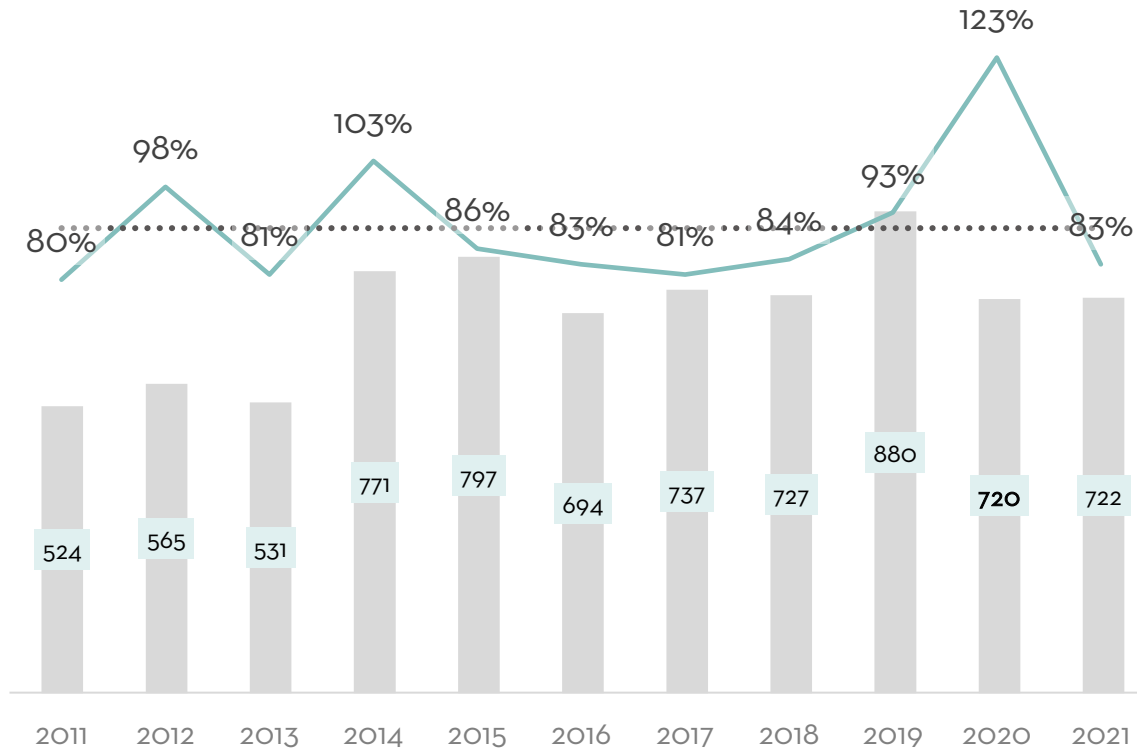


# Strong, counter-cyclical cash flow and superior ROIC

## Solid cash generation

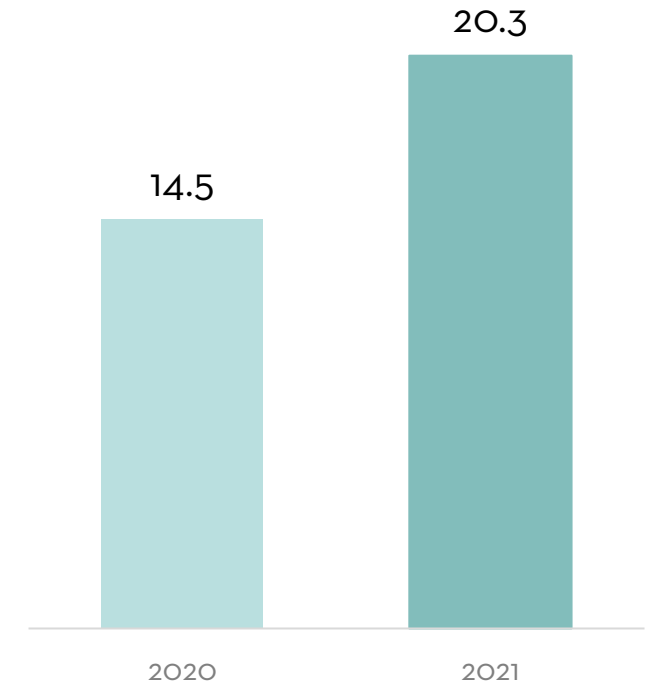
Cash conversion ratio and Operating FCF  
In % and € mn terms

Average  
2011-21: ~90%



## ROIC sharply improved

In % terms

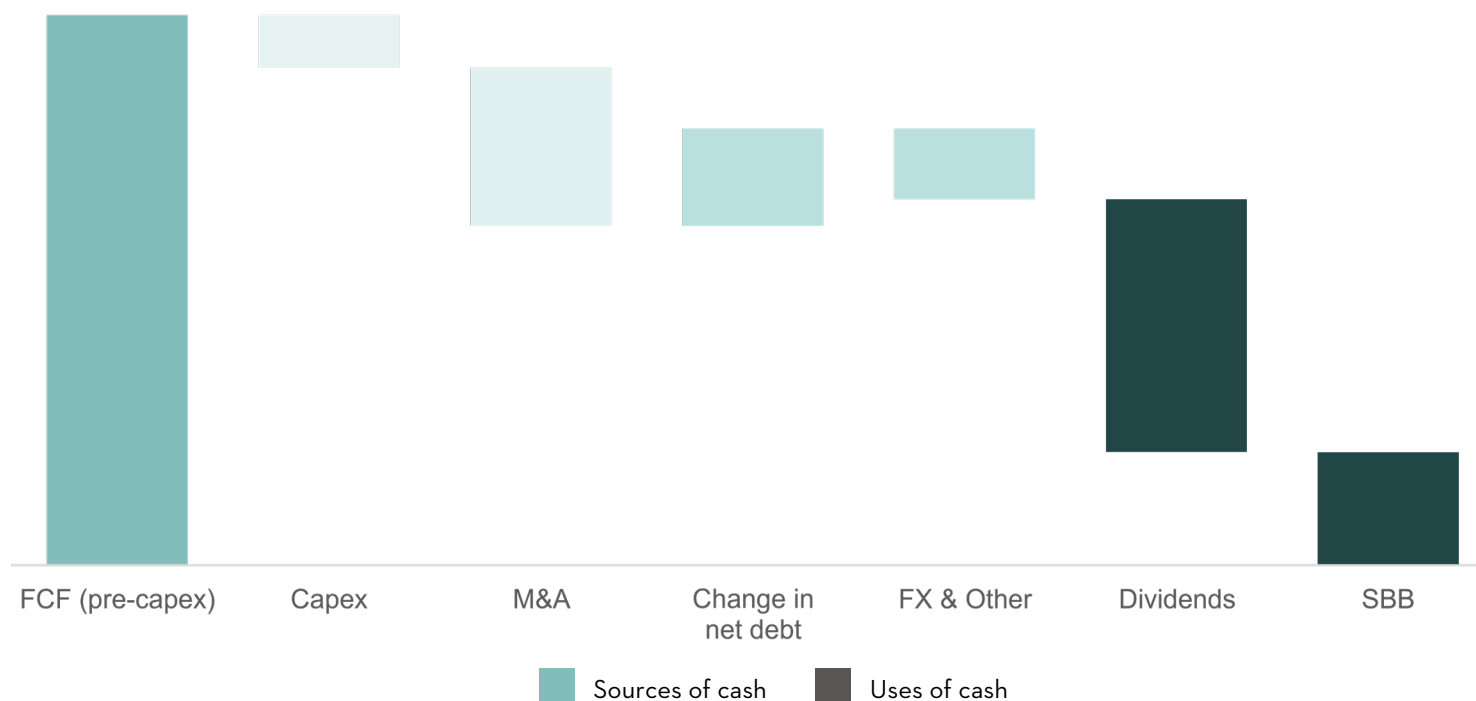




# Underpins investments and attractive returns to shareholders

## Sources and uses of cash

2011 to 2022e, in € bn



Increased investment in the Group during 2021 to accelerate Future@Work

Balanced distribution long-term:

40%

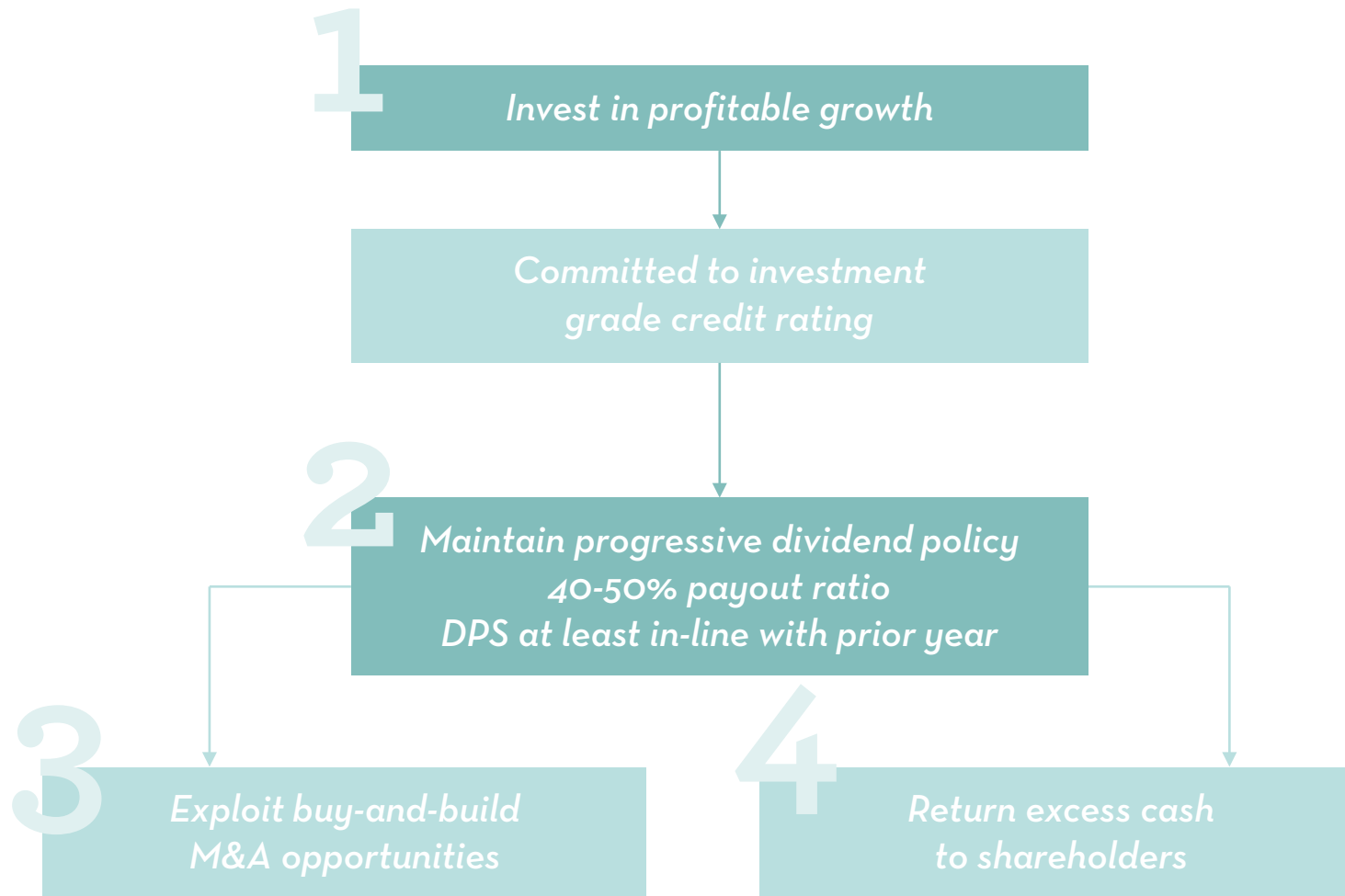
capital used for organic and inorganic steps, including AKKA Technologies

60%

returned to shareholders

2022 estimates including use of cash for AKKA acquisition and 2021 proposed dividend distribution

# Unchanged capital allocation policies



- Selective M&A where:
  - Accelerates our strategy
  - Demonstrable cost and revenue synergies
  - EVA positive within 3 years
  - Management capacity
- Focus on bolt-on / bolt-off deals, no large M&A

# Financial conclusion

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**Optimising growth  
investment with  
agility**



**Clear path to upper  
end of margin  
corridor**



**Unchanged capital  
allocation policies  
No large M&A**



Thank

you