

Leveraging opportunities in a changing world of work



Dear Adecco Group shareholders

2018 was a year of significant strategic progress and also some challenges. On the one hand, our teams in the vast majority of countries delivered solid financial performance, and the Group's digital transformation gathered momentum, with the GrowTogether programme delivering its first tangible results. We also strengthened our innovation agenda with the acquisitions of General Assembly and Vetterly, establishing a solutions portfolio with a breadth and depth that is unrivalled in the industry. On the other hand, it was a year in which the economic environment became increasingly difficult, and in which our German business was disrupted by the merger of the Group's general staffing operations there.

Group organic revenue growth for the full year was 3% (trading days adjusted); slowing from 5% in H1 to zero in H2, as a result of a material slowdown in European economic growth. EBITA margin excluding one-offs was impacted by a higher level of investment in our New Ventures, declining 40 basis points, to 4.5%. Nevertheless, the underlying margin trend improved through the year, supported by GrowTogether. We again generated good cash flow and ended the year with a strong balance sheet, even after making significant investments and returning more than EUR 450 million to shareholders.

Investing in our digital transformation

The Adecco Group is the global leader in HR solutions, every year helping more than 3.5 million people find employment opportunities, supporting more than 100,000 organisations across 60 countries. We have the most comprehensive portfolio of services in the industry, spanning flexible and permanent employment solutions to apprenticeships and up/reskilling. And we are constantly striving to enhance our offering, as the industry evolves and the world of work changes.

New ways of working are emerging and the concept of the 'traditional' job (i.e. an open-ended contract with a single employer) is becoming blurred, driven by the needs of both individuals and employers. At the same time, talent scarcity is rising, as the gap widens between the skills that workers have and those that the economy needs. These trends play to the core strengths of the Adecco Group and present numerous opportunities. To capitalise on them, in 2017 we embarked on a major investment programme, which continued in 2018. While impacting our results in the short term – 2018 EBITA margin excluding one-offs would be 50 basis points higher excluding strategic investments – it is the right thing to do, to position the business for long-term success.

Indeed, we see a unique opportunity to transform our core operations by optimising, digitising and automating processes; deploying new technologies like robotic process automation and chatbots to both increase internal productivity and improve the client and candidate experience. The GrowTogether programme is already delivering real results with EUR 50 million productivity savings in 2018 and an additional EUR 70 million anticipated in 2019.

We are also investing in our New Ventures. During 2018, we added Vetterly and General Assembly to a portfolio that now includes leading platforms in online staffing, digital permanent recruitment, freelance and up/reskilling. These new businesses open up attractive adjacent markets and are establishing the Adecco Group as both the online and offline leader in HR solutions.

Leveraging our scale

As delivery models become more sophisticated, and digital becomes more important, we expect this to favour larger players, such as the Adecco Group. Economies of scale will increase as the business becomes less branch-centric, and technology also creates new opportunities to differentiate our services. We expect smaller players to increasingly struggle to keep up, which should encourage organic consolidation of what remains a highly fragmented industry.

With our deep understanding of complex labour markets, extensive data assets and global distribution capability, as well as our ability to invest and partner with the best players in tech, we are well positioned to capitalise on these industry trends.

Returning capital to shareholders

The Adecco Group's businesses generate substantial free cash flow throughout the business cycle. Our clear capital allocation policy determines how we deploy that cash; whether reinvesting, at an attractive return on capital, or returning it to shareholders.

While we invest in the transformation of our business, we remain committed to a progressive dividend policy, with a payout ratio of 40-50% of adjusted earnings per share. We also commit to holding our Swiss Franc dividend per share at least in line with the prior year, even if earnings temporarily decline. And at the end of each year we review our financial position and return excess capital to shareholders. At the AGM on 16 April 2019, the Board will propose a dividend of CHF 2.50, in line with the prior year and representing a payout ratio of 48%.

Making the future work for everyone

The nature of our work means that the impact of the Adecco Group goes far beyond the financial. Every day, in our business and through our social programmes, we help people across the globe to be inspired, motivated, prepared and developed to embrace the future of work. Our goal is to provide security and prospects for individuals and to provide companies with the critical talent and solutions they need to stay competitive. We are a vocal advocate of the need for a new social contract, to reflect the changing nature of employment and guarantee appropriate protections for all. We are also leading the debate on how companies should rethink workforce investment, to address skills shortages and employability challenges.

Through the Adecco Group Foundation we extend our positive impact, focusing on two key areas: work-readiness for the underserved, whose potential is often overlooked, and workforce vitality, finding solutions to nurture a workforce that is healthy, resilient and fit for purpose. Our ambition is to marry social value with sustainable business to create more value for all of our stakeholders.

Looking forward

As we look ahead to 2019 and beyond, we are mindful of the uncertain external environment. Nevertheless, it is not the first time we have faced economic uncertainty and we will steer the business based on our decades of experience dealing with the ups and downs of the business cycle.

We are also optimistic about those factors in our control, as we continue to Perform, Transform and Innovate. GrowTogether is driving true productivity improvement and will increase our customer value proposition. Meanwhile, the New Ventures have made a good start and will support growth and margins in the medium term. We have built a strong foundation to achieve our financial commitments to accelerate structural revenue growth, improve margins, and drive continued strong cash flow.

Dear shareholders, once again, we thank you for your trust and continued support, as we thank our clients, and the associates and employees who work for the Adecco Group worldwide.



Rolf Dörig
Chair of the Board



Alain Dehaze
Chief Executive Officer