

Performing Transforming Innovating

2019 was a year of good execution in a challenging external environment. The business made significant progress on each pillar of its 'Perform, Transform, Innovate' strategy, achieving a solid financial performance and laying the foundations for future profitable growth. We are successfully transforming the Company by improving the business mix, delivering more value to all our stakeholders, and increasing operational efficiency. I am confident that we will build on this progress in 2020 and beyond.



Accelerating momentum in our business transformation

2019 was the third year of the 'Perform, Transform, Innovate' strategic cycle, which was launched in 2017 to drive true growth and differentiation. We continued to invest significantly in our strategic programmes – GrowTogether and the Ventures – with approximately EUR 130 million of related opex investments during 2019, equivalent to more than 10% of EBITA. Even with this investment our conversion ratio (Gross Profit conversion to EBITA) remained industry-leading, and our EBITA margin improved year on year. We see many opportunities to drive profitable growth, as GrowTogether further expands, the Ventures come to profitability and pockets of business underperformance are addressed.

For example, GrowTogether helped drive a material improvement in both client and candidate Net Promoter Score, which should underpin future growth. The programme also over-delivered against its productivity target of EUR 120 million, reaching EUR 140 million of annual benefits. This was a key driver of the solid margin performance in the year and gives us confidence in our ability to deliver the EUR 250 million GrowTogether commitment in 2020.

Meanwhile, the Ventures portfolio continued to grow strongly, with increasing synergies with other Group brands. For example, the addition of General Assembly's up/reskilling capabilities to LHH's workforce transformation offering has created a unique solution that is resonating well with clients. And General Assembly (GA) training programmes are behind the innovative Modis Academy, through which we are incubating scarce skills by training candidates in high-demand fields, creating a supply of talent for our clients and opportunities for our candidates.

The multi-year investment programme and the Group's digital transformation will continue in 2020, bringing more cutting-edge technology into the business and moving further up the HR solutions value chain. This will ensure we remain a trusted partner to clients, provide access to work for millions of individuals and create a work environment in which our colleagues can thrive.

Executing well in an uncertain market

The external environment presented some challenges in 2019, with the continued slowdown in global economic growth and the HR solutions industry that began in the second half of 2018 gathering pace. This led to an organic revenue decline of 3% for the year, following five consecutive years of growth. Most regions experienced declining revenues, with the exception of Japan and Iberia. In this difficult market environment, the Group performed well, redoubling our focus on what was within our control.

In an environment of declining industry volumes, we focused on progressively moving the business mix towards the higher value activities in our portfolio,

such as training, outsourcing, permanent placement and professional staffing. We also ensured that our pricing reflected the fact that it became harder to find candidates, as unemployment rates continued to decline, and specific skills shortages became more acute across many of our markets. Thanks to this focus, gross margin increased by 60 basis points year on year, including an organic increase of 40 basis points. Gross profit was therefore down only slightly year on year organically.

We also executed well on the productivity side, thanks to GrowTogether. Gross profit per FTE increased 1% organically, despite the revenue decline, confirming that process optimisation and the deployment of new digital tools across the front-, middle- and back-offices is driving real productivity gains. The net outcome was that EBITA margin excluding one-offs increased by 10 basis points year on year; a strong result in a challenging market environment.

In 2020, while the economic environment remains uncertain, we expect further benefits from GrowTogether, as we spread and redeploy the PERFORM methodology and technology such as the candidate app and integrated front-office tool. This gives us confidence that we will be able to continue to drive performance in 2020 and beyond.

Strong cash flow and balance sheet

Cash flow remained strong, with cash conversion at 93% for the full year, even as we continued to invest in the business transformation. Robust cash flow returns are a key characteristic of our business, with cash flow being partly counter-cyclical, as working capital falls when revenues decline.

€110m
Annual
GrowTogether
productivity
savings, €20m
ahead of target

c.€1bn
Proposed total
capital return
to shareholders

Our investment story

Global megatrends are changing the world of work

Employees want to work when, where and how they wish, doing the work that matches their skills, interests and compensation needs.

Employers will employ workers to meet carefully defined needs, through a broad range of relationships across all skill levels.

The Adecco Group is taking the lead in this transformation

We are reshaping the world of work, reinventing how we deliver our services, and developing and acquiring new capabilities.

We provide innovative solutions that enable employers to flexibly manage their workforces and employees to flexibly manage their careers, while safeguarding security for all in the labour market.

New employment models bring exciting growth opportunities

We are the leading global provider of HR solutions but have only 5% share of our core market and less than 2% share of the addressable market for flexible and permanent HR solutions.

Strengthening and expanding our service offerings will allow us to grow revenues even if economic growth remains modest.

Higher value, lower costs, less capital will drive shareholder returns

By combining data, technology and talent, we increase our value to clients and candidates and strengthen our competitive position.

Digitising our processes reduces our cost-to-serve, and improves our capital efficiency. This will help us to expand our operating margin and generate strong cash flow.

Financial leverage declined to 0.3x (net debt/EBITDA) at year end benefiting from strong underlying free cash flow and proceeds from the divestment of Soliant. The strong cash flow performance and balance sheet allows us to propose a dividend of CHF 2.50 per share, as well as to announce a new share buyback programme of EUR 600 million, in line with our capital allocation policy. This combined capital return of around EUR 1 billion follows the approximately EUR 2.5 billion returned over the last five years.

Megatrends reshaping the world of work

Several megatrends are increasingly impacting the way that people choose to work and the way that organisations think about human capital. In 2017, we identified six key trends that describe the context in which our business operates, and which shape our strategy: geopolitical and economic uncertainty; the gig economy; skills imbalances; the new demographic mix; automation, AI and machine learning; and digitisation, big data and analytics (see pages 16 to 17 for more details).

A clear outcome of the megatrends is that flexible ways of working are becoming more common. Individuals are increasingly looking for portfolio careers, made up of shorter gigs and assignments, with more variety of work experiences and greater flexibility over how, when and where they work. Meanwhile companies, recognising that agility is key in a rapidly changing global economy, are organising their workforces in more flexible structures that emphasise having the right skills on demand. The Adecco Group, as a leader in flexible employment solutions, has an important role to play in facilitating this transition.

Our competitive strengths

Some competitors

- Knowledge of complex labour regulations
- Ability to manage large contingent workforces
- Strong brand portfolio

Few competitors

- Global distribution (>100,000 enterprise clients)
- Rich workforce data insights
- Trusted on compliance and data security

Our unique assets

- Widest scope of end-to-end HR solutions (including up/reskilling)
- GrowTogether – a fundamental upgrade of our core solutions, driving differentiation and extending our cost leadership
- Most comprehensive portfolio of digital HR platforms

Another outcome of the megatrends is rising talent scarcity, due to demographics and the pace of technological change. We see our role here as twofold: first, we are an expert at finding talent for our more than 100,000 clients, across a broad range of sectors and in 60 countries and territories. As sourcing the best talent becomes more challenging, our clients rely on our expertise even more, to ensure that scaling the human factor of their business is not an impediment to growth.

Second, we play an increasing role in helping candidates to boost their employability, with a focus on training, development and coaching. Pessimism about future employment levels has become commonplace but we believe it is misplaced. While tasks are automated and roles change, millions of new jobs are created by new technologies. A 2018 report from the World Economic Forum forecast that 133 million jobs would be created in emerging IT and technology roles by 2022; significantly more than the 75 million jobs that would be lost to automation. A lack of jobs is not the challenge – ensuring that the workforce is ready for them is.

The Adecco Group is stepping up to meet this challenge with a commitment to upskill and reskill five million people by 2030. The objective is to enable more individuals, regardless of their background, to learn 21st century digital skills such as coding, data science and machine learning, to help secure their future employability. The Group also already runs apprenticeship programmes, to support young people entering the workforce and, in many countries, provides training to experienced workers through the Adecco temporary staffing business. In Professional Solutions, Modis VSN in Japan trains hundreds of engineers every year, who are then placed with clients. And during 2019 we replicated this model in the US with the launch of Modis Academy, drawing on the up/reskilling capabilities of General Assembly (GA), acquired by the Adecco Group in 2018.

Digital transformation drives differentiation and scale

Technological change is also transforming the staffing and recruitment industry itself, presenting opportunities to both enhance our traditional services and create new value-added solutions. We are taking the lead with a major upgrade of our IT infrastructure and digital tools as part of GrowTogether, and with the launch of a suite of digital HR solutions such as Adia, an online temporary staffing platform, and Vetterly, a digital permanent recruitment marketplace, which form part of the Ventures portfolio.

We expect the Group's digital evolution to drive increasing economies of scale. The ability to leverage technology investments across a global portfolio and to partner with leading technology players becomes crucial. Scale will also be key as data-driven insights become more important in the delivery of HR solutions.

This is a significant change for an industry where historically scale advantages were limited and barriers to entry were relatively low. We expect to be able to increasingly differentiate our solutions and service levels from those of the small local competitors that make up the bulk of the market. And there is a very large market opportunity to go after: despite being a global leader in HR solutions, the Adecco Group has only a 5% market share of the EUR 500 billion market.

100,000+

Clients across 60 countries and territories

5.0m people

Commitment to up/reskill by 2030



Perform

[Read more on pages 20-23](#)



Transform

[Read more on pages 24-27](#)



Innovate

[Read more on pages 28-31](#)

What about new entrants from the technology industry? While the HR tech landscape is alive with companies with promising ideas, it is established HR solutions partners, such as the Adecco Group, that are most able to leverage new technologies for the benefit of clients and candidates. It is difficult to replicate our broad knowledge of complex labour regulations and customer needs in 60 markets globally. We also have extensive workforce data and deep B2B client relationships. Our ecosystem of brands and solutions allows us to provide holistic solutions to clients, across all their workforce needs. These are assets that new technology entrants struggle to replicate.

Further, while technology can make certain transactional parts of our services more efficient, our clients need end-to-end solutions, which only begin at the point of the transaction. Ultimately, our solutions are about organising and managing people and the human touch remains very important. Technology is an enabler rather than a substitute.

Our experience is that technology players do not want to manage people. In fact, they already come to us for this. Rapidly scaling workforces is a different challenge to scaling technology, and it is a core competency of the Adecco Group.

Transforming our core with GrowTogether

The GrowTogether programme is at the centre of the Group's transformation agenda. Based on a detailed analysis of our operations, including time-and-motion studies in hundreds of branches and interviews with thousands of clients and candidates, we are reshaping the way we deliver our solutions to bring more value to our customers. In 2019, GrowTogether expanded in breadth and depth, and was further embedded into the organisation. Through multiple initiatives arranged around three key pillars – Service Excellence, Process Optimisation and Technology – the Group is driving improved client and candidate experience, while increasing operational efficiency.

Service Excellence is about considering our clients' and candidates' needs as the foremost driver of business

decision-making, recognising that customer-centricity is key to building a sustainable long-term business. To systematise our approach to customer-centricity, we use Net Promoter Score (NPS) to measure and benchmark customer satisfaction. We measured relational NPS periodically in the past but with the deployment of transactional NPS we are now able to understand at a more granular level what our clients and candidates like and dislike about our services. We then create action plans to address pain points and amplify positive experiences. Data is captured in the new front-office tool, with clear branch dashboards encouraging real-time action planning. This approach, combined with the other elements of GrowTogether, supported a further increase in NPS during the year, with client NPS increasing eight points (to 23) and candidate NPS up four points (to 24). While we are still early in the Service Excellence journey, we have embedded customer-centricity at the heart of our operations, providing the foundation of future profitable growth.

Process Optimisation is focused around the deployment of the PERFORM methodology, which brings a lean manufacturing approach to our business. By challenging how we operate and asking how we can optimise, simplify and automate activities along the value chain we free up time for higher-value activities. By year end, 10,000 people had participated in the 12-week training programme, with further rapid expansion planned for 2020. Where deployed we see a more than 10% increase in colleague productivity. PERFORM is fostering a culture of continuous improvement, which should continue to deliver benefits over time.

The GrowTogether Technology roadmap is bringing new digital tools to enhance our value proposition and increase effectiveness in sales, recruiting, and middle- and back-office activities. We have digitalised many middle-office processes, including the majority of timesheet capture and a significant proportion of timesheet interpretation. We are increasingly focusing on driving candidate and client acquisition through digital channels, such as our chatbots, online portals and mobile apps.

+8 pts

Client Net Promoter Score increase

10,000

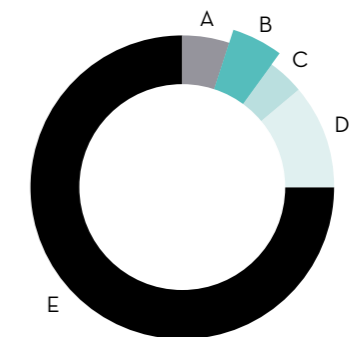
FTEs completed the 12-week PERFORM training

Digital and rising complexity will encourage organic consolidation of the highly fragmented industry

The Adecco Group is a global market leader with only 5% market share

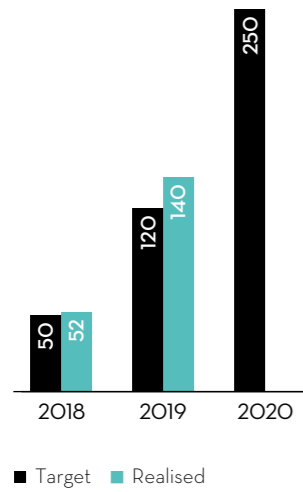
The Group's digital evolution...

- increases economies of scale
- creates opportunities to differentiate
- allows access to new markets/segments



- A - Global peer 1: - 5%
- B - The Adecco Group - 5%
- C - Global peer 2: - 4%
- D - Small global and large regional players - 11%
- E - Remainder of the market - 75%

GrowTogether is driving strong productivity gains (EURm)



A key product is the Integrated Front Office (InFO) platform, an advanced Customer Relationship Management (CRM) system that sits at the core of activities for our consultants, bringing together all client and candidate data and seamlessly integrating with our digital channels. InFO is now live with 7,500 colleagues across the Group, delivering faster and better-quality candidate matches, and reducing administrative activities. During Q4 2019, we also expanded the global candidate app to the US and Germany, building on the success in France where it is used by around 250,000 candidates every month. Through the app, candidates can self-manage most administrative tasks and even find new work opportunities, driving an enhanced customer

experience and improved operational efficiency. In addition, the Group also strengthened its Onsite business during 2019 with the launch of an advanced workforce planning tool, to improve the speed and quality of order fulfilment.

By changing the way we work and giving our colleagues the best technology, we allow them to spend more time with our clients and candidates, which is what ultimately drives our success.

Leveraging the Ventures and the brand ecosystem to create unique solutions

We continued to invest in the Ventures portfolio during 2019, with positive results. General Assembly, the most mature venture, delivered strong double-digit growth, performing well in both B2C and Enterprise. GA was also successfully integrated into the Adecco Group ecosystem, combining with other Group brands to create unique solutions for clients and candidates, as well as revenue synergies. For example, GA's capabilities were combined with LHH to create a complete workforce transformation offering, incorporating workforce assessment, up/reskilling and career transition, which gained good traction with clients. Not only does this reduce costs and disruption for clients, it also leads to better outcomes for employees.

GA also partnered with Modis to create the Modis Academy, which launched in several US cities in the second half of 2019. Through Modis Academy we are upskilling and reskilling candidates in software development and related fields, to increase their employability and to create a supply of in-demand candidates for our clients. We believe there is significant potential for this model, which is similar to what we are already doing with Modis VSN in Japan.

The Group is also developing a portfolio of digital HR solutions platforms. While at an early stage of

250,000

Monthly users of candidate app in France

development these businesses have the potential to make a meaningful contribution to Group profits in the medium to long term.

Adia, the Group's online staffing platform, maintained its good growth momentum in Switzerland and successfully launched in the US, where it has developed leading end-to-end digital capabilities. Technology from Adia was also leveraged to improve processes in the Adecco business, for example, relating to workforce scheduling and associate onboarding. Vetter's innovative, subscription-based digital permanent recruitment model continued to gain traction, with placements up 80% in 2019 and strong momentum on the enterprise side. In order to build on the momentum established to date, the Group will continue to invest in the Ventures at approximately the same level as 2019 (EUR 65 million), to support growth in 2020 and beyond.

Committed to sustainable business conduct

At the Adecco Group, we aspire to positively influence the world of work and lead by example in how we conduct our business and address society's most pressing challenges. Through our core business of providing access to livelihoods and opportunity we create social and economic value for our stakeholders. And we play our part in safeguarding the planet for future generations: in 2019, we committed to becoming carbon neutral as an organisation by 2030, by significantly reducing our own carbon footprint and exploring opportunities to offset remaining emissions. Our approach to responsible business conduct is underscored by our continued commitment to the United Nations Global Compact and its ten important principles in the areas of human rights, labour, environment and anti-corruption, as expressed by this report. We are proud of the progress we have made, and excited about the possibilities that lie ahead.

2020 and beyond

As we enter 2020, the economic and geopolitical environment remains uncertain. Global growth momentum may be further impacted by the outbreak of the COVID-19 coronavirus, impacting growth in the HR solutions market in the short term. In such an environment, the strength of our market positions, and the breadth and diversity of our portfolio, will allow us to capitalise on growth opportunities where they exist.

We will continue to focus on enhancing our gross margin by moving up the value chain and on scaling up and broadening the deployment of proven digital tools, to drive service differentiation and operational efficiency. Indeed, we entered 2020 with good momentum in our strategic programmes, giving us reason for cautious optimism. Having over-delivered in 2019, we expect GrowTogether productivity savings to increase again in 2020 to achieve the EUR 250 million target, an incremental benefit of EUR 110 million year on year.

Beyond 2020, we see a wealth of further opportunity. We will continue to help all our stakeholders navigate, adapt and succeed in the changing world of work. The Perform, Transform, Innovate strategy has begun a process of digital transformation and portfolio enhancement that will continue. It provides a solid foundation from which to drive structural growth, strengthen our margin, and to generate continued strong cash flow, to deliver on our financial commitments and on our purpose – to make the future work for everyone.



Alain Dehaze
Chief Executive Officer

€250m

GrowTogether 2020 productivity target

Our commitments 2017-2020

Leading total shareholder return

	1 Drive revenue growth	2 Strengthen margin	3 Deliver strong cash flow
Our commitments	Accelerate structural organic revenue growth	Drive sustained EBITA margin improvement	Maintain a progressive dividend policy
By 2020	Increase GDP revenue multiplier (from 3x to 4x)	EUR 250m p.a. productivity savings ¹	Achieve continued strong free cash flow after investments

¹ Equivalent to a reduction in SG&A as a percentage of revenues of 100 bps, compared with the 2016 baseline.

Deliver attractive shareholder returns while investing for the future

