

# Adecco Group AG

## Swiss convictions

Recommended since 20.12.2016

24.05.2022



<b>Country</b> CH	<b>Market capitalization (bn)</b> CHF 6.1	<b>Perf. since reco. (%)</b>
<b>Sector</b> Industrial Goods & Services	<b>Free float</b> 93.1%	Adecco Group AG -46.1
<b>Factset</b> ADEN-CH	<b>Closing price</b> CHF 36.31	Market 37.9
<b>ISIN</b> CH0012138605	<b>ESG Risk score*</b> 11.8 Low risk	

### Profile

Adecco is the world leader in its business of providing human resources services. The company offers temporary employment, permanent placement, outsourcing and career transition services. Its brands include Adecco, Spring Professional, Badenoch & Clark, Pontoon, LHH and General Assembly. The Group, founded in 1957, operates in 60 countries through 5,000 offices and employs 35,000 people.

### Strengths/opportunities

- A leading company in many key labour markets.
- Digitisation: automation of its own IT resources and development of web platforms for customers.
- A very strong balance sheet -> a high and secure dividend.

### Weaknesses/threats

- A highly cyclical business model, sensitive to movements in GDP, PMIs, and unemployment.
- Intensified competition -> lower prices.
- AKKA integration risk

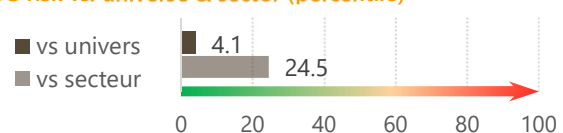
### Investment case

- Since the change of management, the Group has invested in the development of a more digital platform at a rate of EUR 65 million per year. This investment in more efficient databases and simplified operations will result in increased agility of the Group and productivity gains in the longer term. For customers (especially large companies), management is working on the web interface to improve ease of use and integration with the Group's systems where applicable.
- At the same time, management is working on a savings plan (EUR 250million) that will enable the Group to reduce its expenses in a sustainable manner in order to preserve revenues and margins from increased competition.
- In addition, the introduction of value-added services (i.e. outsourcing for corporate human resources) will enable prices to be increased on a sustainable basis, contributing to margin improvement, even during a slowdown. Indeed, the repositioning on better-margined products will further improve the EBITDA margin. But for H1, significant investments will mask the long-term trend.
- The acquisition of AKKA Technologies in the summer was not well received by the market, despite an expected 10-15% increase in earnings by 2022. If the integration goes ahead as planned, this is a potential upside for the estimates.

### Valuation

On a 23x multiples basis, the stock trades at a 15-20% discount to Randstad and Manpower, its main competitors, despite an in-line ROE and a 50% higher dividend yield.

### ESG risk vs. universe & sector (percentile)\*



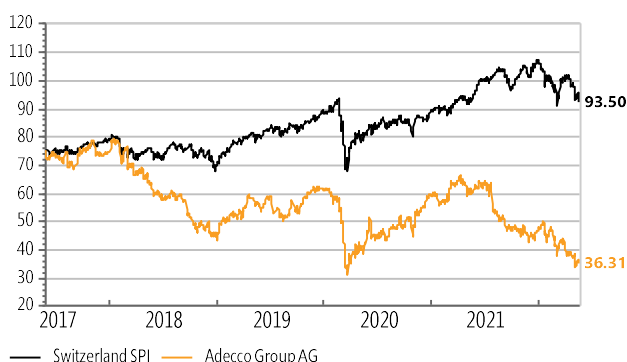
EUR	12/2021	2022e	2023e
Sales revenue (mio)	20'949	23'410	24'345
Sales growth	7.1%	11.7%	4.0%
EBIT adjusted (mio)	860	984	1'081
% of sales	4.1%	4.2%	4.4%
Net income (mio)	586	602	694
Net income growth	-698.0%	2.7%	15.4%
FCF/Sales	3.0%	2.5%	3.2%
Net debt/Ebitda	0.3x	1.3x	1.0x
Dividend yield	6.9%	6.8%	6.9%
PE	9.8x	8.4x	7.8x
P/BV	1.5x	1.6x	1.5x

Factset estimates

### ESG - risks and key points

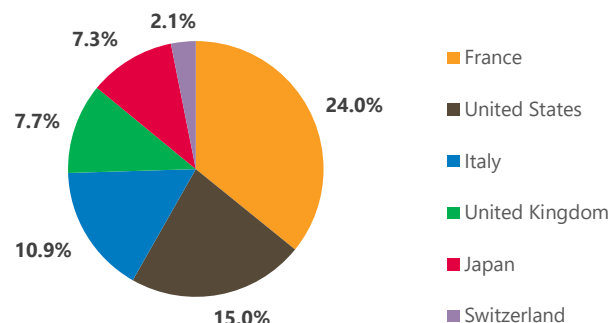
- Adecco has a low risk on ESG criteria. The Group's own business is not exposed to major risks and the management of the main ESG issues is particularly good.
- The Group has a very good rating in terms of governance, which contributes greatly to lowering the overall risk.
- Adecco manages its human capital in an average way.
- Data privacy and security are properly managed.

### 5-year performance vs SPI



Source: FactSet

### Sales breakdown - 12/2021



\*: see overleaf

Source: Factset, Sustainalytics

# Glossary

## Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

## ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

## b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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