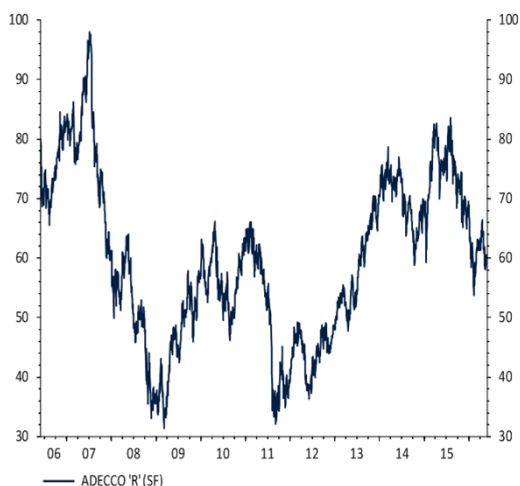


Stock information

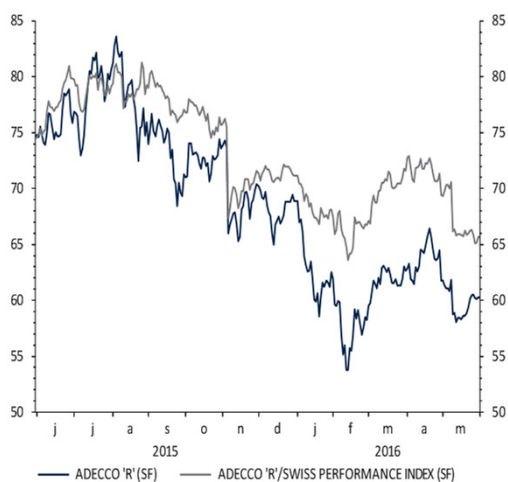
Price	31.05.2016	CHF	60.25
Capitalisation		CHF (mn)	10'512
Average volume (000/day)			884
52 weeks High / Low			83.6 / 53.75
ISIN		CH0012138605	
Bloomberg Code		ADEN VX	

10 years performance



Graphic IAM - Source Thomson Reuters

1 year relative performance



Graphic IAM - Source Thomson Reuters

Relative and absolute performances

In %	Absolute	Relative *
1 month	-2.4	-6.2
3 months	7.5	-0.3
YTD	-9.2	-6.9
2015	2.8	0.1
2014	0.2	-12.8

*compared to the Swiss Performance Index (SPI)

Description

The firm is the result from the combination in 1996 of the French Ecco and the Swiss Adia. It is the world number one placement of permanent or temporary staff. It is articulated primarily by country. France represents 33% of sales, North America 15%; The UK and Ireland account for 9%. Germany and Japan contribute each to about 6% of sales.

Permanent placement and outplacement services are about 7% of sales. As they are more profitable, their contribution to the gross margin is 20% approximately.

Temporary placement (interim) is the main activity with 93% of sales and 80% gross margin. This unit is split into segments such as Office (54% of sales) and industrial (22% of sales) for low-skilled jobs and segments such as professional business lines for positions requesting more specific skills (18% of sales). Three quarters of these are in computer science, engineering and medical professions.

Investment case

Generating three-quarters of its sales in the temporary placement of low-skilled workers (office and industrial), Adecco is heavily geared towards the segment of the market with lower margins and suffering from a higher sensitivity to downturns.

The firm has been addressing this profile issue through a new strategy focusing on margin improvement instead of sales growth. This approach has initially been costly in term of growth. However, it has started bearing fruit.

In addition to improved margins, Adecco should be able to benefit from the increase in penetration of temporary work in several of its traditional markets like the USA, Germany and the emergence of new markets in emerging countries.

The management has set to achieve an operating margin of 5% minimum and organic sales growth of 7% to 9% when economic conditions are favourable.

Data per share (EUR, except dividend in CHF)

	2013	2014	2015	2016e	2017e
Earnings	3.08	3.61	0.05	4.24	4.57
Variation	54.0%	17.2%	-98.6%	8378.2%	7.9%
Earnings (IBES)	3.08	3.61	0.05	4.68	4.96
P/E	15.4	16.0	1386.2	12.9	11.9
P/B	2.4	2.7	3.6	2.8	2.5
P/FCF	16.5	13.1	15.6	9.8	9.1
Dividend	2.0	2.1	2.4	1.9	2.5
Pay-out ratio	39%	35%	3150%	40%	50%
Dividend yield	3.4%	3.0%	3.2%	3.1%	4.2%

Strengths

- World leader in its sector; well known brand.
- Strong balance sheet.

Weaknesses

- High sensitivity to economic cycles.
- Heavy fixed costs from the dense network of offices.

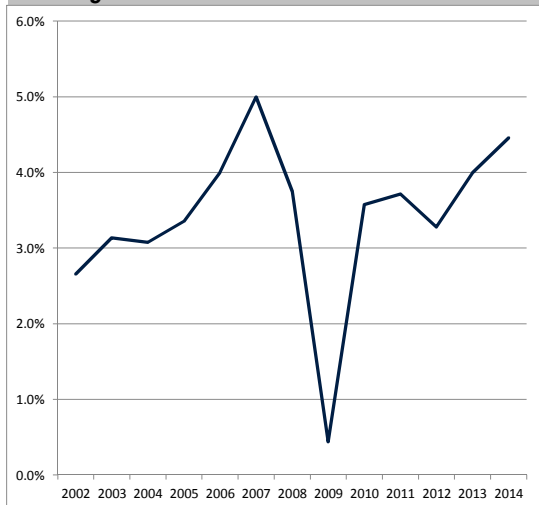
Opportunities

- Incomplete liberalization of the labour market in several European countries.
- Development of the temporary labour markets in emerging countries.

Threats

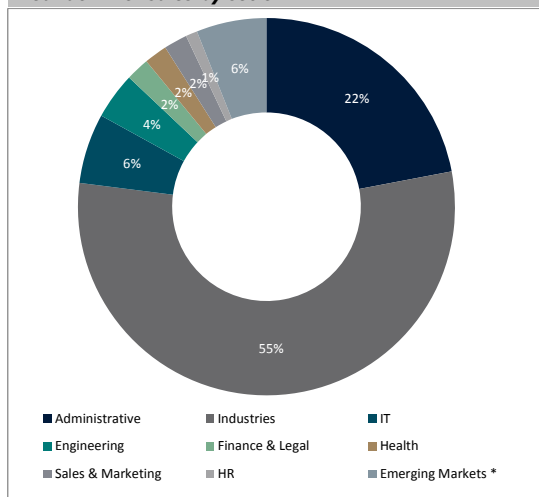
- It is not certain that qualified workers find the status of temp attractive if/when the labour markets improve.

EBIT margin



Graphic IAM - Source firm

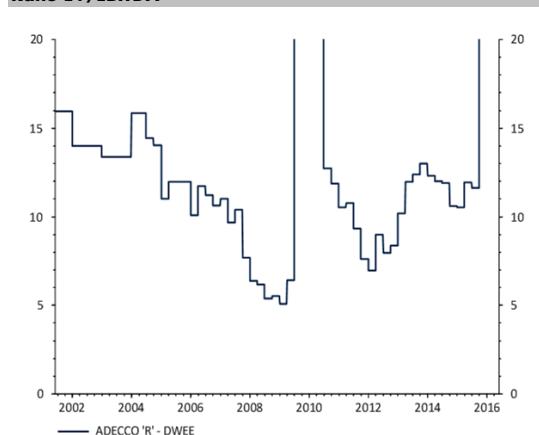
Breakdown of sales by sector



* Emerging Markets excluding skilled occupations

Graphic IAM - Source firm

Ratio EV/EBITDA



Graphic IAM - Source Thomson Reuters

Key figures (MN EUR), Dec 31st

	2013	2014	2015	2016e	2017e
Earnings	19'503	20'000	22'010	22'890	23'806
variation	-5.0%	2.5%	10.1%	4.0%	4.0%
EBITDA	922	1'020	435	1'277	1'325
EBIT	779	891	300	1'150	1'202
Earnings before taxes	698	827	246	1'125	1'174
Net earnings	558	640	10	889	928
Minorities	1	2	2	178	186
Shareholders earnings	557	638	8	711	742
Adj. Earnings	557	638	8	711	742
Current assets	4'743	4'636	5'487	5'620	6'036
net fixed asset	4'586	4'804	4'239	4'211	4'189
Total assets	9'329	9'440	9'726	9'832	10'225
Equity	3'553	3'835	3'340	3'329	3'564
Working capital	905	940	1'293	1'275	1'534
Net debt	1'096	975	1'039	927	689
Operating cash flow	520	785	799	1'009	1'042
Capex	81	80	97	100	100
Free cash flow	518	774	769	933	970

Performance ratio

	2013	2014	2015	2016e	2017e
Operating margin	4.0%	4.5%	1.4%	5.0%	5.0%
Net margin	2.9%	3.2%	0.0%	3.1%	3.1%
Equity yield	15.7%	16.6%	0.2%	21.4%	20.8%
NWC / Sales	4.6%	4.7%	5.9%	5.6%	6.4%
Net debt / EBIT	140.7%	109.4%	346.3%	80.6%	57.3%
Net debt / Equity	30.8%	25.4%	31.1%	27.8%	19.3%
D&A / PPE	58.8%	58.1%	70.3%	77.6%	86.5%
Capex / D&A	57%	62%	72%	78%	82%
Capex / Sales	0.4%	0.4%	0.4%	0.4%	0.4%
Free cash flow / Net earnings	93.0%	121.3%	9612.5%	131.2%	130.7%

Peers (in CHF)

Name	Cap.	P/E current	P/E year +1	Div Yield	Perf YTD
ADECCO 'R'	10'512	11.6	11.0	4.0%	-9.2%
RANDSTAD HOLDING	9'805	13.0	12.1	3.5%	-12.6%
MANPOWERGROUP	5'653	13.5	12.2	2.2%	-4.4%
MICHAEL PAGE INTL.	1'875	16.9	14.3	2.9%	-16.4%

Shareholders

Free float	98.0%	Chairman: Rolf Dörig
Jacobs group	2.0%	CEO: Alain Dehaze
		CFO: Hans Ploos van Amstel

Management

Contribution to operating profit

		2012	2013	2014	2015	2016e
France	% sales	25.3%	24.3%	23.2%	21.4%	21.4%
	% ebit	14.2%	27.3%	31.4%	30.6%	29.8%
North America	% sales	18.5%	19.1%	19.3%	21.2%	21.2%
	% ebit	22.2%	20.5%	23.0%	26.6%	26.2%
UK and Ireland	% sales	9.4%	9.8%	10.3%	10.4%	10.4%
	% ebit	4.4%	4.5%	5.5%	5.6%	6.2%
Japan	% sales	7.5%	5.7%	5.2%	5.1%	5.1%
	% ebit	12.6%	8.0%	6.4%	5.0%	5.1%
Italia	% sales	4.5%	4.9%	5.5%	5.9%	5.9%
	% ebit	7.0%	7.1%	7.3%	8.7%	9.4%
Germany	% sales	7.7%	8.3%	8.4%	7.8%	7.8%
	% ebit	12.4%	10.7%	8.6%	9.5%	9.3%
Rest of the world	% sales	26.9%	27.9%	28.1%	28.2%	28.2%
	% ebit	40.6%	33.3%	34.0%	29.0%	28.1%