Q4 2018 Earnings Call Company Participants

- Jacques W. van den Broek
- Henry R. Schirmer

Other Participants

- Paul Sullivan
- Tom Sykes
- Hans Pluijgers
- Marc Zwartsenburg
- Anvesh Agrawal
- Andy Grobler
- Konrad Zomer
- Bart Cuypers

MANAGEMENT DISCUSSION SECTION

Jacques W. van den Broek

Yes. Thank you, Kevin. Good morning, everybody. Thanks for calling in and listening in on this Q4 call and also 2018 call. I'm in a room with Henry, and David, and Steven from Investor Relations. Before diving into the numbers, let me first inform you a bit about, at least for me, a very important event that took place in Q4, and that is that Linda Galipeau is leaving us. Linda started in our business in 1995 in the United States and was asked, in 1997, to set up our Canadian business, which was non-existent in those days. Today, our Canadian business is leading in Canada with more than €400 million of revenue. She then took on the responsibility for North America. And in those days, that business was absolutely not what it is today. So, she leaves the U.S. in great shape, a clear number two in the market with a 5.6% EBITA and it is by far our biggest business. Next to that, Linda has been instrumental in our innovation and digital journey in the last few years also taking care of our innovation front. So, we owe Linda an enormous debt of gratitude. Linda, I know you're listening. I know you hate this, so I'll keep that brief. But anyway, thank you, thank you very much. Because Linda informed me already a few months ago of her decision, we had time to look at her portfolio with respect to what we see in the market. And that has led to a decision to nominate Rebecca Henderson on a portfolio, which comprises of enterprise clients, Randstad Sourceright have big clients across the world, which increasingly want to be on what we call a total talent journey with us and our global businesses, Monster and RiseSmart. All three are global businesses and that has a very specific rhythm to it and that's why we created this portfolio. That means and that I think is quite historic that no longer we organize our company through geo, but we also become more client-centric where necessary, and we see big opportunities there. That leaves the North American business. And although I mentioned that we are a clear number two here, we just have 3% market share in a huge market, in a profitable market. As you know, we have an 80/20 policy on recruiting and promoting from within. But sometimes, we deliberately deviate from this policy as is in the case here because we thought it was very important to – we're leading in digital transformation in our industry, so it's tough to learn from our peers. So, we should learn from other industries. And that's why we very deliberately wanted to hire from someone who made his or her career in a business that went through digital transformation. We're very happy that Karen Fichuk has decided to join us. Karen has made a career in digital media – in Nielsen media, which is a business that transform fully into digital analytics and selling that and consulting clients on how to use data in improving their business models, which is absolutely also what we're doing at Randstad; so, very happy that Karen joins us. Rebecca, of course, a rock star already for quite a few years in the client space, so we think we're well setup for the coming years here.

Then taking you to slide 6; an exciting year. We've been in calls with you and also on road shows talking about the fact that, as a company, we are a value play. Our share price goes up and down on economic sentiment, which is okay. But then still we made the point that we have a global business, we can manage our cost, we got good free cash flow, and we're very happy, first of all, with the fact that we've been able to improve our EBITDA as a percentage for the full year but also very happy with a record dividend. And why is that? How did we change our business in the last years? As you know, last year – well, in 2017 actually, Southern Europe was really the growth play, sizable. And this year, in a way, the new kid on the block is Asia Pacific and Latin America improving – well, they grew 12% but they also improved their profit quite a lot, so very helpful But also in country, in country we now have very diversified portfolios. France and Germany have negative revenue in their Staffing business but they grow in Professionals and perm, and that makes us more resilient. And then digital, on digital, while creating a good year with a record dividend, we also made quite some good steps in digital. Workforce scheduling, so where we have automated planning, where our temps get their own app to plan themselves, and the client has 24/7 access to how the planning in his factory or his warehouse or his company is going, is going very well. We're now in nine countries with the solution and we have more than a thousand implementations. We're going to talk a bit more when I talk specifically about France and the U.S., which are the frontrunners with this service. Then data-driven sales, a tool that helps our consultants to be at the right moment at promising clients. And they get a daily input, a system that we tested in the last two years in the Netherlands and U.S. and France. We've now made a best-of-breed system that we call [ph] Signal (00:06:25) developed in Belgium. We now have full usage in Belgium. And on the back of that, this system travels and we're going to bring it to other markets. And then finally, something which is now ready for global rollout, that's Customer Delight, a data-driven new way of measuring client and customer satisfaction, and have direct feedback to our consultants. I'll going to talk a little bit more about that when I talk about Belgium. So, all in all, very happy with the year.

Slide 7, diving into the regions or individual markets. Our U.S. business, stable growth overall. U.S. Staffing and Inhouse, 3% to 5% growth. In this business, we have implemented 200 clients with workforce scheduling in our Inhouse practice. What does that mean? By creating more time and overview for our accounts specialist, they can spend more time on managing the pool, having contact with clients, and we do see results as in better usage of the pool, less churn in the pool which, of course, is crucial if you see that unemployment is going to very low levels. And you got to make the most of the available talent. Our U.S. profs business, flat growth, quite stable in our technology business. F&A has been on a positive trajectory throughout the year, slight dip but we feel they're going to bounce back early this year. Very happy with our perm performance, 15% growth in this U.S. market, which, of course, where perm is a large part of what we sell compared to 10% in Q3. And then, as a result, 40 bps up in EBITA because tight field steering. Some wage inflation, I remember last call, we had some talks on that. We think a 2% to 3% wage inflation drives our growth there and a good start of 2019 in the U.S. France, the heading, mixed picture, and that's very much how I feel. Yes, growth is down 4%, but you need to compare this to still a very strong Q4 last year where we had 12% growth. You know that's quite consistent. We've always had a strong focus on profitable growth, getting out of clients where we don't feel the price is justified. And as you know, our French team has had a very steady performance over the year and has also been instrumental in our innovation and digital transformation. So, I'm absolutely convinced that they will bounce back as such and that they will weather this market situation. One example, getting back to workforce scheduling in France, 600 locations have been implemented, mostly at our current clients because this is a new service nobody offers this. And we want to create a reference in the market for this new service. This year we're going to go to prospects. So, we're very positive on that potential in the French market. Perm, in France, very strong, 15% still on very tough comps also there. And obviously, our acquisition from 2016 with double-digit growth in the French market.

Taking you to the next slide on the Netherlands, closing the gap with market. We've had many questions like, okay, so, in your Dutch market, given your market share, given your discipline on pricing, can you still outperform the market? And we're happy to inform you that we are at market for Q4 but above market in November and December. So, I think a great performance of our Dutch colleagues. Our Professionals business, very strong at 13%, definitely above market. EBITA is down 70 basis points you might ask, but this, in a large part, due to a quite aggressive branding and marketing campaign jointly developed with our Dutch and our Belgian colleagues. And the theme is, what are you going to do tomorrow? We firmly believe that a lot of discontent amongst people, people hitting the street, hinges on uncertainty, uncertainty of their future in the labor market. And we think there are answers. We think that Randstad can provide answers, and we invite people, if they're uncertain about their future, to come talk to us about what they can do in the labor market. And that's why what are you going to do tomorrow is this invitation to candidates in the Dutch and the Belgian market. And then last but not least, our pricing in the Netherlands is quite good. You know that we have a digital pricing tool developed in the Netherlands, and that absolutely has its effect in the Dutch pricing. Then the German market, automotive weakness we flagged it already in Q3. We saw it happening there. But I want to start with a big complement for our German colleagues because the minus 7% is quite a bit above market and, at the same time, they very timely took their measures. So, we took out cost in Q4, which will set us up good for 2019. The January growth in Germany is actually in line with Q4. So, it feels like we're not slipping further in this market which, by the way, is also true for the French business. Then the Belgian business, I could do two things. I could say steady performer and then go to Italy, but I'm not going to do that because then I would underestimate the performance of our Belgian colleagues because a consistent market outperformance doesn't come just out of nowhere. And here, I want to flag what I mentioned, the Customer Delight initiative. What does that mean? Customer Delight is a way of measuring constant 24/7 – how do you call it -satisfaction of customer and clients. So, customer here means you're also the customer, the client, but also means the candidate. What we do is we develop a set of criteria, a set of results, KPIs, and we ask our stakeholders, what do you appreciate most in our service? What would you like to see more of? What would you like to see less of? Maybe not a surprise is that the human contact, the human moments are crucial here. The Belgian team has designed this system two years ago and it gives direct feedback, in a daily dashboard, to our consultants on what they should do less, what they should do more to get more clients and kind of the satisfaction. The candidate satisfaction has gone up above 8%. And for people who know these instruments, if you're above 8%, this will lead to increasing returns and growth. So, we firmly believe that this is not only but certainly a large part due to this way of managing our business. And that's also why we're going to roll this out to other markets. It doesn't have a lot of IT-complicated elements into it, so it is ready for a global roll-out and we will do so.

Going to Italy, talk about tough comps last year. This time, Q4 2017, Italy was growing 26%. So, that's the toughest comps we had in the group. There is some uncertainty in Italy and therefore we see growth going down. But our Italian team manages this growth or this decline very well as you can see in our results. Again here, like in many countries, still very strong, firm growth that helps. Italy is now part of our little informal group at Randstad, which we call the €100 million EBITA club. They improve their margins markedly from 4.3% in 2013 to 6.1% in 2018. And we, here in Amsterdam of course, are quite confident that our Italian colleagues will agree that there's more to come. And lastly, very specifically for Italy, I want to talk about training. So, at our company, at Randstad globally, we train more than 350,000 people annually, but Italy is our champion here, training last year 40,000 employees working, not just our own temps but also at our clients. So, we do think this is an important thing going forward where increasingly we see a mismatch in labor markets.

Going into Iberia, strong operators here again. Spain, very disciplined on pricing. And if you see revenue down 3% but EBITA margin 50 basis points up is again a good proof point that as an industry we can improve our earnings even when top line is not great. Rest of Europe, of course, a lot of countries. UK, yeah, get the questions on Brexit. Again, we don't see it in our numbers. Our UK revenue was up although our result isn't. We're embarking on a program in the UK to improve our conversion through digitalization. So, we're quite confident that next year also our earnings in the UK, although they will stay below group average, will improve. The Nordics, again, a good sign of managing OpEx when the top line is increasing less, protecting our profitability. Switzerland, very, very stable performer, above market growth, and record profitability. And Poland, large clients doing less but our Professionals business growing here.

So, Rest of the world, yeah, our highlight of the year, absolutely. So, overall 12% growth in the region driven actually by all countries in this portfolio, also Latin America, Argentina, Brazil strong performances this year. It's a €2 billion business annualized, so it really, really helps. And again, a good sign of the diversification we see at Randstad. And record results in Japan, in Australia, in Singapore, but also our Indian business did great this year. And overall, because many of these companies are perm is very important, a perm growth overall of 17% in the region, so very happy there. Then moving to our Global Businesses. You may have read we took an impairment charge on our Monster business, on which Henry will further elaborate. Nevertheless, Monster becomes more and more a part of our overall strategy, and that's progressing very well. A large part of why we bought Monster is to be as the least dependent on external sourcing of candidates as necessary. We have, for example, our Japanese business, we need to rely on external job boards and that's costly. And we want to own our own destiny. And that's why we're so happy with all the profiles in Monster. And what we now see is that more and more we do see these combinations. So, in the U.S., we use Monster Cloud Search where the Monster database is directly coupled with Sourceright, with Randstad Sourceright. By the way, these two companies are really moving closely together, which is also a reason to put this in one portfolio under Rebecca where we shoot orders from our clients directly into the Monster database finding candidates we don't find in the Randstad database.
We do the same at Randstad Technologies, our IT business in the U.S., and we do the same at Yacht in the Netherlands. So, at the dashboard of a consultant at Yacht, he or she can look both in the Randstad database and the
algorithms are directly translated to search into the Monster database. And, well, you've seen the growth at Yacht. We know that the Monster availability is definitely a part of that. We call that and we call those activities, and these are just a few examples, Monster for Randstad, so the second level. So, we got Monster, we got Monster for Randstad, and the third level is new business models. I hinted on that already in Q3, and now I'm very happy to tell you that we launched a new business model, a better thing powered by Monster. It's a business model in between what a job board can offer and what a perm company, such as Randstad, can offer. And we launched it in four cities. It's aimed, firstly, at drivers. So, a driver and a candidate can make a full match on a mobile device. It is Tech & Touch, so there's still people monitoring, chipping in wherever necessary. But most of it can be done online with a full check of all the necessary documents. And we do this at roughly 60% of a normal perm fee. You probably remember that in 2017 at our Capital Markets Day, we talked about the fact that we want to disintermediate certainly the perm business, and this is interesting. Just to give you a bit of a hint of the potential, Monster has more than 500,000 drivers in its U.S. database. So, first matches are being made. If it works, rolling it out in the U.S. and then going to Europe for drivers only then taking it to new profiles. So, very exciting absolutely. So, good year, different Randstad, digital success, digital progress, a record dividend. And with that, Henry, can you shed some more light on the numbers, please?

Henry R. Schirmer

Yeah. Definitely. Thanks, Jacques. So, it's my pleasure to take you through Q4 financials and my first full-year result at Randstad. So, the fourth quarter can be summarized with strong profit and cash conversion of a competitive top line. And this top line is coming through in terms of market share gains in many of our top markets converting into attractive profitability and a record cash flow. Let me run you through the P&L in a bit more detail. I'm on page 13 now. We already talked about the strength of our portfolio. You've seen revenue in quarter four was stable year-on-year and however perm in Rest of the world grew double digit with excellent conversion. Also, North America continued with solid growth. In the next slide, in gross margin came in strongly at 19.8%, down just 30 basis points. We will take you through to more detail on the next slide demonstrating that it's underlying stable. Operating margin – operating expense are flat year-over-year, well monitored and under control. And we have been able to adjust the cost base quickly to changing market conditions and are still geared up to capture further growth opportunities. EBITA came in at €309 million with a 5.1% EBITDA margin. Flat year-over-year but please note against a very strong quarter four last year. As already mentioned, our incremental conversion rate for the last four quarters was about 56% and even higher in quarter four. So, we are especially happy about the agility of the cost base, helping to build a strong track record of conversion. Let me also point out that our reported net income and EPS were impacted by an impairment on Monster and some one-off including an exceptional tax benefit. Monster revenue has not yet recovered in line with our initial projections, which triggered a non-cash impairment of €103 million. And the tax benefit amounted to €86 million and is related to revaluation of so far unused net operating losses. Finally, one-offs were higher than last year mainly related to OpEx alignments in Germany and in the Netherlands. And now as promised, on page 14, we show the gross margin in a bit more detail.

So, here we go on page 14. Let me unpack the gross margin for you. As stated, its underlying stable, and you see that the temp margin is significantly impacted by the abolishment of CICE in France in December. It accounts for more than half of the 40 basis points dilution. That's the red bar on the left. And the bar in the middle shows the positive impact of our fast-growing perm business, 11% growth, driving 20 basis points positive mix, fully compensating for the temp margin decline excluding CICE impact. It's all fee income and therefore gross margin accretive. And lastly, the red bar on the right represents HR services and Monster. As stated before, Monster is a hunt and fee business, still in decline and, hence, that shows up with a negative mix in the bridge, a pure technical effect. Also, going forward, there will be quite some mix effects at play and we always have an eye on gross profit in relation to OpEx to ensure enough benefit is showing up in the EBITA. It is also reassuring that the underlying pricing environment is stable and even improving in some areas like in Japan and the Netherlands.

We go to page 15, the OpEx bridge. Let me open that chart by stating that we brought our operational expenses in line with some new economic realities already mid-last year, which helped us to secure some leverage in the bottom line. Excluding forex effects sequentially we reported OpEx down by €1 million, which represents a 30 basis points, as a percentage of revenue, improvement year-over-year for the quarter and 60 basis points improvement for the full year We continue our work to flexibilize the cost base, to stay resilient in the face of a volatile market, and also improve our ability to steer our investments into places with the highest long-term return. So, finding the right balance between tough cost management and nurturing our growth engines worked out well in quarter four. We do our best to do the same for the new year. It's one of the keys throughout the business for leverage going forward. Let me close that chart with a confirmation that we are fully on track to deliver our cost saving target of €90 million to €100 million annually by 2019.

So, on page 16, let me shed some light what it all means for our cash flow and balance sheet. We reported in 2018 a
free cash flow of €627 million, which is an improvement of €41 million in absolute terms and 7% up year-over-year.
Main driver for the good cash flow was an improved EBITA, helped by reduced working capital requirements due to
lower sales growth and it illustrates perfectly the countercyclical nature of working capital in our business, and, hence, the resilience of our cash flow generations through economic cycle. Please note that in quarter four, we also received the CICE receivable related to 2014. The last bullet on the left shows day sales outstanding, which increased by 0.7 days on a 12-month moving average mainly due to mix effects. Note, however, this is sequentially stable. On the right-hand chart, let's go straight into our strong balance sheet. We reported an improved leverage ratio of 0.8 versus 0.9 last year. Despite our record dividend payment of €518 million over book year 2017. And as a result, we proposed a full-year dividend of €3.38 per share or around €620 million in absolute terms. This reflects a 22% increase year-over-year. This consists of a regular dividend of €2.27 based on a 50% payout of adjusted earnings and a special dividend of €1.11, fully in line with our capital allocation strategy. Our reported tax rate came in below our guidance of 23% to 25% in 2018, as mentioned before, impacted by one-off tax benefit. The underlying P&L tax rate was around 23.5%. And for 2019, we guided an effective tax rate of 26% to 28% mainly reflecting the change in the French subsidy system. Our cash tax rate guidance remains around 20%. Looking forward to 2019, we project to see a further improved free cash flow versus 2018.

Let me go to my last chart on page 17, and I'd like to summarize the key messages and provide you with an outlook for quarter one 2019. So, firstly, it's really good to see that our early intervention on the cost base has led to EBITA margin and free cash flow progression for the full year. All in all, we are pleased to propose a new record high cash dividend of €3.38 per share. This reflects our healthy balance sheet and confidence in future cash flow projections independent of macroeconomic scenarios. And secondly, our digital strategy is well underway and embedded in our business. It's not only helping to drive productivity, it also redefines our way we engage with customers and candidates, future-proofing our business. And thirdly, while market conditions are uncertain, Randstad is very well-positioned to capture growth opportunities in the future. Our portfolio is much more diversified than 10 years ago. And even more importantly, we are proud of having a highly engaged and motivated workforce, ready to delight candidates and customers with innovative concepts and services. On the right side of the chart, I'd like to mention the fact that January grew at a similar pace this quarter four. And let me point out that the gross margin for quarter one is expected to be modestly lower sequentially reflecting seasonal trends. We also expect OpEx to be flat or slightly lower sequentially. Please note, quarter one has an adverse 0.8 impact on number of working days. So, with that, I conclude our prepared remarks, and we'd like to take your questions. Kevin?

Q&A

<Q - Paul Sullivan>: Good morning, everybody, just a couple for me. The restructuring that you took in Holland and the Netherlands, did that fully come through in the fourth quarter and what's your thoughts on further restructuring for 2019? And more generally, how should we think about SG&A progression in those specific markets where you are seeing revenue decline? So, that's the first sort of bucket of questions. And then secondly, just on Monster, in light of the impairment, what's your expectation to revenue decline as we progress through this year and your thoughts on the sort of profitability profile at Monster now? Thank you.

<A >: Yeah. Let me – hi, Paul. Good morning. Thanks for your questions. Let me try to answer those, and I'm sure Jacques will chip in. On the first one, actually we are not seeing the full benefit of it yet, so we've taken the charge. But as we've started restructuring in the second half of 2018, we will see some benefit of that rolling over in 2019. On OpEx, we're not guiding on OpEx. Actually, we're really mentioning the business on what we currently see. We are, I think in 2018, demonstrated that we are really keen to show leverage in the business and protecting EBITA margin, and the same policy we will do going forward. And as far as Monster is concerned, Paul, please understand we're not guiding on any other business. So, also on Monster, there will be no guidance. And I can just reiterate what Jacques said, Monster makes Randstad stronger. And Jacques, I don't know whether you'd like to add anything?

<A - Jacques W. van den Broek>: No, actually, that's right. Henry and I were with the Monster team in Boston two
weeks ago and we came away impressed, so this is a fighting unit. So, that's good. And we're very happy with how business is coming together as I mentioned earlier in my presentation, but that was just a few countries where things are happening. It's happening in more countries where Monster has a sizeable presence and Randstad has a sizeable
presence. So, absolutely, it takes more time, but that's not a problem and we're all ready to go the extra mile here. **<Q - Paul Sullivan>**: And should we expect more restructuring charges this year below the line?

<A - Henry R. Schirmer>: Yeah. I would – I mean, we are not guiding on that, Paul. I don't see any kind of unusual restructuring coming into 2019.

<A - Jacques W. van den Broek>: No, because it's – Paul, this is the same as guidance. So, if we would expect restructuring, then we would guide for lower revenue. And currently, we're quite flattish which actually, given all the expectations out there, we think is good news.

<Q - Bilal Aziz>: Good morning, everyone. Just two from my side, please. Firstly, on the, I suppose, underlying temp gross margin, you alluded to some positive pricing in Holland and perhaps in Japan. Can you perhaps also expand on some of the conversations you've had in France as well as the CICE rolls off, what are the clients saying there and your potential impact from there. And secondly, just in – you previously broke out the sequential slowdown in Germany and France with respect to how much was impacted by the automotive markets. Any color here would be helpful. And what you have seen year-to-date in those markets as well in the automotive sector. thank you.

<A - Henry R. Schirmer>: Yeah. Thanks for the question, Bilal. So, in terms of the underlying temp margin, you're
seeing that there is a kind a multi-year pressure on temp margins, but we are doing the utmost we can to get more intelligent on pricing. So, we have pricing activities in many countries and the scarcity in the markets and where we can we try to price, and that is stemming some of that the pressure we're seeing. In terms of CICE, I think CICE, the change in 2019, we believe that is kind of overall neutral for our EBITA. We see probably some pressure at quarter one, two, and three coming through because of the profit benefit profit sharing within quarter four. Also, because of better comparators, we see some of that equaling out. As far as automotive is concerned, there is, I would say, a stabilization we see. I wouldn't call it kind of a bounce back, but it's stable with the same numbers we've seen in quarter three more or less.

<Q - Tom Sykes>: Yeah. Good morning, everybody. Would you be able to just run through the outlook for the perm business and just describe which parts of perm you've actually been seeing growth because it does seem to be a little bit more variable compared to your temp top line? So, where have you had successes in perm? Is there a lot of RPO in that and what's your outlook for the perm business, please?

<A - Jacques W. van den Broek>: Yeah. Hi, Tom. Good morning. Well, we never do outlooks, let alone for perm
because, as you know most variable part of the business. We have three pockets of perm. The first one is perm in Staffing, so where we've taught our perm consultants to also sell perm. They sell out to a different person. You sell perm to HR and you sell perm to the one that hires. That has been very successful. That shows double-digit growth quite consistently for, I don't know, last four years or something. Then there's perm in the Professionals businesses, also actually doing quite well. So, the 15%, for example, growth you're seeing in the U.S. is a mix of growing perm in our Staffing business but also growing perm in our F&A and IT business. And the last one, yeah, that's what you mentioned, too, is RPO. You've seen our growth in our Sourceright numbers which is a mix of MSP and RPO, that you also see good growth here. So, it's across the board, which is good. I think that also is partly because it's such a proactive part of our strategy, supporting increasingly, for example, in France, our consultants with the right tool to be with the client at the right moment. In time, that helps your hit rate. But at the same time, yeah, labor markets are getting scarce, our clients are also prone more to perm once they see a good candidate. So, basically, we allow all our clients to choose between, do you want them perm, do you want them temp, or do you want them on, well, how do you call it, circumvent, which is not possible everywhere. But the outlook is tougher to give, yeah.

<Q - Tom Sykes>: Right. And just on France, in addition to the CICE comments, there's obviously some degree of
renegotiation on unemployment insurance. Are there any parts of the proposals that you think would be negative to the staffing industry at all?

<A - Jacques W. van den Broek>: No. So far so good. So, we – it's a different system. We now get, how do you call it, benefits directly, yeah, which actually is, well, it bodes well for the free cash flow this year because it's sort of a double thing, we got CICE and we get the rebates, but, no, same discussion with clients always. But back to the pricing, too, maybe. So, increasingly, we talk fact-based with clients on scarcity, yeah? So, what we really do in this pricing tool is we show the client what the labor market looks like. And that makes us a way more convincing negotiator with clients, and that helps pricing. But at the end of the day if the client doesn't want to pay, yeah, then we sort of cease cooperating.

<Q - Hans Pluijgers>: Yes. Good morning, gentlemen, a few questions from my side. First of all, on segmentation development in France and U.S., so could you give some feeling how you see, let's say, the trend by the key segments in those two markets? And then secondly also on trends, could you a little bit remind us what the trend was through Q1 2018? So, did we see, let's say, a deceleration or an acceleration a little bit through the quarter? Could you give some feeling on that? And then on the restructuring cost, my last question, two things. First of all, looking at the impact for Q1 you said that you already expect some significant impacts in Q1 of the restructuring. And secondly, are these restructuring or savings, on top of that you already announced or is it part of that? I assume that you are on top of. And could you give some feeling on the payback period of these savings, the restructuring cost I mean? And lastly, looking at France, you already, let's say, given some guidance or indication on some savings in France restructuring, but looking at the current developments, do you not expect, let's say, some additional savings restructuring there?

<A - Henry R. Schirmer>: All right. So thanks, Hans, many questions; so good morning. So, let me start with the segmentation one. So, I can give you a few pointers. In the U.S., for example, we saw transport and distribution coming down from 14% to 7% in quarter four. We saw a little bit of a slowdown there. Same in actually the Netherlands. Automotive, for example, came down from plus 4% to minus 2%. In France, it's pretty much stable, a slight decline in manufacturing, but therefore, automotive stabilized. And same in Germany, it's more kind of an industrial play, manufacturing slightly weakened and automotive is more or less stable in there. In terms of restructuring costs, I don't think I should add an awful lot more than just saying that we are expecting for quarter one. That's how far we can see at this point in time; OpEx in line with quarter four or slightly below that. And as far as payback periods are concerned, yeah, we talk about something around one-time payback. So, it's relatively fast but that also depends pretty much on countries you're in.

<A - Jacques W. van den Broek>: Yeah. One more thing to add, Hans. I don't know where you picked up French restructuring. We're not going to restructure in France because that's very complicated. It takes a lot of time. You'll be nine months to a year ahead if you want to do that. So, we're not going to go to a social plan in France. And the good news is also the fact that we don't see the revenue declining further, so there's also no need to do that. So, we'll take out costs on a more organic basis. But in France it takes a little bit longer due to the legal set up of this country. **<Q - Hans Pluijgers>**: And my last question was on the trend to Q1 2018. Could you give some feeling how the trend went through Q1 last year?

<A - Henry R. Schirmer>: Yeah. Sorry. As far as quarter one is concerned, we're not guiding on the top

<A - Jacques W. van den Broek>: This is for last year. And so, January, February, March, pretty stable. Yeah, it's
pretty stable throughout the quarter, Hans.

<Q - Marc Zwartsenburg>: Yeah. Good morning, gentlemen. First question, again, on the restructuring charges, therefore in Netherlands and Germany, can you give us a bit more color on the split between the two countries and how much is perhaps already rolled in and what we should expect in 2019? The second one is we're looking now a bit at the flattish top line, flattish gross margin trend going into 2019. How should we think about your conversion for an operational leverage for 2019? Last year, you gave some indications on what you expected in terms of operational margins and EBITA margin. Can you give a bit more color on what the line of thinking is there if trends stay as they are? The second one is, yeah, you mentioned a digital pricing tool in the Netherlands that's really helping your pricing there. Can you give us an indication what you think the impact has been on the pricing in the Netherlands in general if you can? But also, will you roll this out, the copy-pasting model throughout the group? And then lastly, staying with the Netherlands, some thoughts on regulation there from a minister there, quite crazy talks about more expensive flex pricing. Can you give us a bit your view what you expect there in 2020? Thanks. **<A - Jacques W. van den Broek>**: Yeah. I'll take the last two. So, the digital pricing, I can give you – it's always tough to say. It's precisely because of that. I think in our Yacht business it's roughly 1%, but that doesn't mean that you can put in your model a percent everywhere we do these digital tooling because of course in blue collar it's a different candidate market than in a Professionals market, but it does help. It puts your people fact-based at the table.

Roll out, so we require a set of information. So, we need to have market information, market rate information. So, in countries where we currently don't have that, we are acquiring that information. I would expect us to roll it out to five, six markets into 2019 to start with. Then on the Netherlands, the legal system, yeah, my view, I've already been quite vocal in quite a few newspapers on this one. I think it's an old fashioned approach. It still takes the approach that there's two kinds of work so to say, which is a fixed contract with an employer and a flexible contract in whatever shape or form. Well, we think the market is moving towards work being the common denominator. And when you work, you need to have additional income, you need to be insured, you need to be able to get a mortgage that sort of thing. If you lose your job, then regardless of how long you've been working somewhere, you will have a whatever, six months, similar to the Danish system period, where we're going to work very hard with you to get you a new job with training and all that sort of thing. So, we promote a quite massive change, which is not really what this law is all about. This is sort of revamping the old way of looking at things. And we've invited the government to come talk to us and to talk about the facts and our vision.

<A - Henry R. Schirmer>: All right, Marc. Hi. Good morning. Thanks for your questions. On your first one, restructuring, we spent about €15 million in Germany and €9 million in the Netherlands in quarter four. Then as far as steering is concerned, our operational leverage, we generally expect an incremental conversion rate of 40% to 50%. Yeah. And if things stay as they are, we definitely want to protect our EBITA margins. That is probably all I can say at this point in time

<Q - Marc Zwartsenburg>: And this restructuring thing in the Netherlands yeah, in the end, you're still growing. Your margin is quite well. So, is this restructuring needed because you're rolling out your digital initiatives and can improve productivity? Is that what it is?

<A - Jacques W. van den Broek>: I'd say it's a reshaping. It's not one project at one department. It's absolutely reshaping of some business that we were not too happy with. It's in a way, I wouldn't say regardless of market growth, but it's not like in Germany where it's a direct play, market goes down, yeah, and then you need to do or you can do with less people. Netherlands is a more sophisticated business where we experiment more with digital offerings. And that's why we have to take out some people unfortunately. But it's not, call it, cycle related.

<Q - Marc Zwartsenburg>: Maybe if I can squeeze in a last one. If I look to the trend, you mentioned the trend in Q4, plus 0.3% and stable now into January, Feb. But you started off Q4 a little bit stronger, was more in line with Q3 at that time. Does that mean that the trend actually improved a bit in January, February versus December?

<A - Jacques W. van den Broek>: December is tough to call, Marc, because we were quite surprised, there were working days, but these working days where I think on a Monday or something. So then you see a slightly negative working day effect. If you would look at volumes, then December is better than it looked like. So, that means it's pretty stable going from December into – in January.

<Q - Anvesh Agrawal>: Sorry. Can you just comment on the impact from the IFRS 16 and will that change the way
you look at special divi policy? And second, last year the Q1 gross margins were negatively impacted by the sickness-related issues. Do you see the reversal in Q1 this year? Should we expect some benefit? Thank you.

<A - Henry R. Schirmer>: All right. Hi, Anvesh. Thanks for the questions. So, on the first one, in general, we will come back prior to quarter one results with kind of in detail impact of IFRS 16 on our business. And, no, it will not have an impact on the dividend policy. As far as sick – yeah...

<A - Jacques W. van den Broek>: Sickness is always tough because it's like an epidemic and I run a staffing firm, so I cannot predict the epidemics. There is in Germany. I mentioned it a few times just to reiterate. There is this funny thing in Germany where in some situations it pays to be sick. So, you actually earn more to be sick than you would earn on your next assignment. So, we're working hard to get this out of the collective labor agreement in Germany going forward, but it is the wrong incentive. So, that means that relatively our sicknesses is actually too high in Germany and it's too early to call last year if we would have a flu epidemic or not. I wouldn't expect too much of a benefit because of this

<Q - Andy Grobler>: Hi. Good morning. Just a quick couple for me if I may. You talked about the workforce scheduling and being in a thousand locations. Can you give some kind of scale around that? What does that mean in terms of revenues and what is the opportunity over the next two to three years just in approximate terms? And then secondly, just on Germany looking at the total Staffing employees, so they were down 15% but Randstad employees were up and number of locations were up. Can you just balance out the moving parts within those numbers, please?

<A - Jacques W. van den Broek>: Yeah. Well, workforce scheduling, Andy, so what we now see, because we've implemented it mostly at our – so we actually have two versions, but it's the same solution. Workforce scheduling is in our Inhouse locations. So, we give the solution at the hand of our account specialist who then have more time and are more proactive in handling the pool. You do see some revenue improvement but our market share is relatively high. What you do see is higher conversion, more client satisfaction, so that's helpful. Then you have YouPlan. So, YouPlan is where the client plans. These are smaller clients where we give the tool free of charge by the way to the client or prospect. We equip all the temps with apps and they can plan themselves. So, we've implemented it now and also quite a few of the smaller clients, again, clients. And this year we're going to move into, yeah, more the prospect base. And it's very tough to really give you guidance on what this means. We're aiming to have another, I don't know, at least 1,000 locations into 2019, but, yeah, we're selling to prospects. It's always very tough to program that one on how quickly that will go, but we're quite confident that this will drive growth going forward but it's too early to tell the effect.

<A - Henry R. Schirmer>: And Andy, on your second question on employees working or FTEs actually, it's part of legislation change, so we're down to pick that up and it's the same. I called my colleagues to say, hey, guys, probably if we did a restructuring, what's going on in the numbers and it's actually – it's not a like-for-like. Happy to go back to you with real underlying numbers.

<Q - Konrad Zomer>: Hi. Good morning. Thanks for taking my questions. My first question is on Monster. I know we're talking small numbers, but can you share with us exactly what the operating result was in the fourth quarter, please? My second question is on France, the performance of your Ausy business was very strong at more than 10% growth. Can you give us some tangible reasons why that business outperformed the market in such a great degree? And my final question is on slide 17 where you give us the January trend for the various regions. You left five regions blank, and I was wondering if you could maybe give us an indication with the same sort of dots if that was like a decrease of low single-digit or mid-single. Can you fill them in for us please? Thank you.

<A - Henry R. Schirmer>: Let me take the first one. I mean, you've seen Monster revenue was down 17%, but the EBITA actually was slightly positive in quarter four.

<A - Jacques W. van den Broek>: Yeah, the French question, what was it again, Konrad? I was – sorry.

<Q - Konrad Zomer>: The performance of Ausy was very strong at more than 10% growth.

<A - Jacques W. van den Broek>: Well, first of all, we bought this company because we thought it was a strong company and that shows. And secondly, we are, of course, combining client knowledge, client access, that sort of thing. The digital support, not yet, so, actually, that will help. We've now moved the back office of Ausy to Randstad France, which is a very efficient and strong back office. And we're going to equip Ausy also this year with some of the tools that our French consultants have. So, actually, quite bullish on this company going forward, very happy with the performance. Yeah, it's a combination of a strong company. Well, they're a combination of two strong companies actually.

<A - Henry R. Schirmer>: Then last question regarding page 17 I think it is. It's actually it's the same trend that we saw on quarter four. We did the same actually in quarter three, the way we're presenting it. So, if you look at what we are reporting in quarter four, we see in January about the same trend.

<Q - Bart Cuypers>: Hi. Good morning. Yeah. Apparently my question didn't register properly before. Yeah. So, just one quick question about the Monster. So, indeed, we are to understand it's merely mostly a reflection of a recent evolution, recent past evolutions compared to the initial projections or does it also includes lower expectations going forward? Then secondly, also a small question on working capital. So, yeah, you mentioned the countercyclical aspects of that part in your business. At the current growth levels, has that already fully come through yet or do you expect some more to sink in going forward?

<A - Henry R. Schirmer>: Yeah. All right. Thanks, Bart, for your questions. On Monster, yeah, actually, what we do is, not just on Monster but for all our businesses, we do an annual impairment test. What we do there is you look at projections, and as far as Monster is concerned, we look at projections made at the time of acquisition. And at this point in time we need to kind of bring them down insofar that we have to take an impairment charge. But, yes, it does include also kind of a forward-looking element in it. So, as working capital is concerned, no, I don't think it has come fully through. I sincerely hope that we're going back into growth and then working capital is being relatively neutral in there. But actually, the cool part of our business system is if we see quarters like we've seen in 2018, actually it supports the cash flow generation and, hence, our record cash flow and dividend. So, in both ways we have real value play.