Q4 2019 Earnings Call Transcript

Jacques Van Den Broek, Chief Executive Officer

Yeah. Thank you, Mahon. Good morning, everybody here from Diemen. I'm in the room with IR, Steven and David, and Henry to take you through thank you for but of course also the full-year. Let's jump immediately to Slide 6.

And I think the heading says it all, Performing Today and Preparing for Tomorrow, because that is what we're doing. We are running the company, of course on actual but at the same time creating a through a digital transformation a bright future and that goes hand-in-hand and I think we can look back on a good year in that sense. So we satisfied, solo set of numbers and ongoing definitely uncertain macroeconomic situations predominantly, we think in Northern Europe.

Before going into the quarter. I want to take you back to the entire year, a seam already for the full-year has been the resilience of our portfolio. The rest of the great throughout the year. Europe, yeah, certainly a Germany was tough for the full-year, but at the same time the US was stable despite some slowdown in our industrial park, but we are very happy with performance of our professionals business over there. If you look at our total portfolio, we have a 50 million less EBITA in Germany and we run quite a set of investment activities in digital and IT and still overall as a percentage the same EBITA, professionals throughout the world also showed very good results.

Our Dutch business yard record year with an 8% dividend, an 8% EBITA, doing very well and also – of technologies in the US But overall many smaller professionals businesses also doing very well. So, certainly the ones that have been following us for quite a few years is that we were struggling at some point in professionals, but very happy with the part, it is the very profitable part it is of our business. Then to digital transformation, I want to highlight a few things, we talked about it at the capital markets, of course, but still maybe not everybody was there. Let's start with work for scheduling, midsize clients where we install a self-planning tool on premises and we equip all the temps in the pool with their own app technology, so they can plan themselves.

We now have more than 1,800 sites live in 15 runs of countries, which helps us certainly in for example, a market in Germany, how many to have growth, underlying growth with of course some challenge clients in your motive sector. But also in France, if you look at our top line numbers they're definitely helps. Data-driven sales, where we equip our people with the knowledge to go to clients when there is a need. And to share with them labour market data relevant to the job, we're looking for on behalf of the client.

This results in more visits from 25% more client contacts in the pilot groups where we have been testing this. Customer delight, again a data-driven support system if you will where we go out to all our stakeholders. Our candidates, our clients to find and to find out what they appreciate in the surface most which well not surprisingly is mostly the human staying in touch throughout their assignments shouldn't. Also for example, when their assignment ends, a system that has been developed in Belgium, now been rolled out to 10 countries. What I really like about this customer delight is that it directly influences the behaviour of our consultants.

So, every day, almost day we get confronted with the demands and what their stakeholders appreciate. And they can adjust what they're doing or do more of some specific actions or less. And last but certainly not least value-based pricing, this goes hand-in-hand with data-driven sales because next to sharing data on the availability of certain profiles, there's also a pricing tool. So you can imagine that, if we have, if our consultants have a really data-driven fact-based conversation with our clients that they are willing to pay to pay more and even in markets where have like the Netherlands we see negative growth, pricing for the people we deliver to our clients has actually increased.

Value-based pricing is not a quick fix. You really need a big set of data, external labour market data are internal data. So this takes time to go from country to country, but we are preparing for 2020 to take this to Belgium, France the UK and UC And it has a clear tangible positive impact on our gross margin. Then to our team, we are to a large part a new team very happy with the fact that Rene Steenvoorden, will be proposed at the next AGM to step up to the board. IT, data, digital is crucial for our strategy.

Maybe 10 years ago it was a qualifier to be in this game. But today it is a part of what we do it's a part of what our consultants are doing and Rene will lead an increasingly global effort on IT Then Rebecca Henderson moved up to the board very much towards global clients enterprise, which we shared with you. At the capital markets, the enterprise clients that have spent EUR500 million at least on contingent and perm and want to be service about the wolf little bit more on that one later. Karen Fichuk taking care of a North American Business really hit the ground running, she has a background in data-driven sales, so how applicable can that be to what we're doing? And then well, as we mentioned in the press release Francois Beharel was up for a third consecutive nomination as any be member that will move the prolonged, this is on the agenda for AGM So therefore, we also would like to mentioned that today first line of course to many years of work together well, we're going to be discussing the handover of his duty.

And then of course looking back on the year, I know a lot of colleagues are listening in and I want to thank everybody at once that, throughout the world for their great effort and their great job, they did throughout this year. And of course, we becoming for the full year that the sale out that go still needs to present the numbers in a few weeks. But we're quite sure that we are the number one HR service provider for the full year, which of course is still a landmark moment and we're very happy with that. So back to Q4 solid performance, challenging environment the growth slightly in Q4 compared to a Q3, predominantly driven by as we call it northern Europe, Germany.

As you can see, permeating into the Netherlands already saw that in Q3, but it's aggravating into Q4. And also Sweden, a market which we don't talk too much about, but also a market that has large automotive clients and also has everybody on the payroll, the Swedish model is like the German model. So, weather in those trends, is it affect.

Overall, the trend is stabilizing but still negative the North American growth as I mentioned is soften slightly mainly in industrial, we are also on the staff there in the staffing business predominantly, so we brought in 100 more producers in our staffing business.

So also perm yes, the development of perm is sure sign of confidence in the economy down 5%. The January growth rate, we quoted it at minus 3.5, it is broadly stable, although the Netherlands were many of you know there's a new law, the labour market in balance if you would translate it. We suspect quite a few clients already in Q4 taking out people, but yeah, into January we do see also a slowdown a further slowdown in the Netherlands, although, the good news is that the cost and the cost of flexibility increases and 5% to 6%, we've been able to pass that on quite well. So for the gross margin is won't make much of a difference might even be good news.

And then in France, you see not growing in Q4, but definitely the effects of the strike, which you also see in the prism and in the labour market data or the temp data over there. We don't expect ourselves to grow in France as we see it now in Q1, so those to have a bit of a downward effect on our growth rate overall pretty stable US you can see slight uptick in to January. So we took market share, also important for us relative performance even in Germany here with the minus 15 we're doing better. It is quite a performance France and Italy also doing well. Rest of the world going well.

Yeah, and then finally, of course, the free cash flow. And we share that with you, record free cash flow in Q3 also looking very good in Q4. A big achievement for all of our people in the operation, the certainly also in finance departments. And therefore, giving our shareholders EUR4.32 per share, which is 28% more compared to last year.

But five years ago, it was a little over Europe. So, happening down which is consistent with our story that of course top line is very important, but we are also a value creating company for the long-term with quite stable and increasing returns. Let me take you to Slide 7 to give you a bit more color on the individual regions and countries. For US Staffing.

Yes, in house for example doing very well in terms of new clients also driven by our work for scheduling tool, but yeah, we do see less demand with these clients. And at the same time as I mentioned, we want to put in more producers we've put in a 100 more. So we expect ourselves to be closer to market in 20 days definitely a seem in general you want to invest more in the US market as you know, with the number two with a 3.5% market share. So we do see a lot of potential in this market.

Very happy with our profits that the IT business, the Technologies business, which is a predominantly staffing and prudent business, but also a solutions business similar to where we provide a service to clients, doing very well a well-run business very happy with our results there. Canada, a stable operator in our business, slightly less growth is still growth with ongoing good profitability. For the full-year, US EBITA went up or North American EBITA went up 10 basis points slight pressuring Q4, but it's mostly a one off stuff that for positive or negative in a quarter. So therefore we'd like to look at the full year.

France, I remember some one or two years ago when France didn't do too well, forcing my confidence in the team and the way it's run Page 1 and also the digital tooling, where we do a lot of experiments also in France, well looks good again here, workforce scheduling some 500 plus clients as you might know we started this new service in France and 500 clients that use the service. Professionals always easy doing well, but also we have a healthcare business in France the falls that shows a double-digit growth. Here also the EBITA looks very good here as sort of the opposite approach very good for the full-year, but 61 for the full-year compared to 55 and some tailwind for CICE And that said a positive growth for Q4, but given also the strikes we don't have less people in terms of volume at work compared to Q4, but their work less hours because it's quite tough to get to work and we do think. We do hope that this will ease out soon because everybody in Europe needs to work longer, but that's more my personal opinion. The Netherlands.

Yeah, the Netherlands is our home market and it's a mixed bag, so to say. US Professionals company had a record year, 8% EBITA on a little over EUR500 million revenue including the acquisition we did two years ago doing a very well, company active in the government sector providing interim management, the social domain of the Dutch government and municipalities. So that's doing well. Also, second staffing brand hit the EUR1 billion revenue mark very happy with their performance.

And then yeah Randstad on the one hand being the market leader most present in large automotive trucks that sort of businesses and also the value chain into Germany in automotive. But yes, we also think we could have done a bit better ourselves, so we also change some management positions in one stock, hopefully creating also new momentum getting into this market the Dutch colleagues are very well supported through technology. So, a bit similar to France will get back so to say. A very good profitability.

Of course, that's also something we achieve as a strive for as a market leader, we want to set the pace and the tone in that market. As you can see, a good and increasing profitability, then only the new labor market more where the Dutch government aims to make fixed work less fixed and flexible more fixed meaning our price goes up. And again, we could pass home of the course little bit of pressure on the volume, of course, party relates to the economic circumstances party to the law. Its early days we need to see how this out between me from a price point of view, margin outlook is pretty solid in the Netherlands.

Netherland to Germany stable, I would say we hope that in November, although there wasn't easy comps, we would see a bitter a light at the end of the tunnel actually not and also currently into the new year, it's no deteriorating, that's what I can say, but it's but it's not bouncing up either. As you know, our people have been in, which is German for working 10% less per week, government supported scheme, but that would end of the 1, July this year. We didn't see that was good enough in terms of cost containment, so that's why we were. Yeah, it was necessary to take out another 300 colleagues in Germany, not happy about that one. What I would like to share is we're very happy with the corporation of our workers council.

We're the only company in Germany in our sector with our own workers council and they've worked very well and very constructively with us on in these tough times. Then we've launched a commercial program because at the same time we want to sell more so they call it back to basics and in Q4 our commercial efforts have been 30% to 40% more than last years are very happy with the fighting spirit of our German colleagues. Q4 from EBITA point of view looks weak, but for the full-year was 2.60 remember that in Germany where everybody is on our contract negative top line certainly double-digit hits us in terms of ideal time. So compared to other countries that hits us a bit more.

Going to Belgium. Yeah, what can I say? It's stabilized. It's actually here you see the negative growth of 3% slightly easing. So, helpful there.

Again, this is a thin professionals up 10% which is mostly the historically the part. We merge our runs on business and our business in professionals doing very well. very well also here Q4 from an EBITA point of view looks very good, absolutely happy with that for the full year, it is a stable picture as little above 6%. We never talked much of it, it's a small country look some work, which is run out of Belgium, it's if you will a regional Belgium for managerial point of view, we appointed a new MD their Mark Lebrun internal development and I got a bet that Mark, that he is going to become the number one in Luxembourg.

Like many of his colleagues have done before him so Mark if you listening in give it your best shot. I'm counting on you. Italy also one of our companies that had a great year. This is one I mentioned where we undercut a bit in the amount of people producers we put into our US business.

I think in Italy we called it well as in France leaving people into the business trying to catch a wave in the market. And although, slight negative growth better than market great perm growth at 20% and stable high dividends. So, very happy with our Italian performance for the full-year and also for the quarter. Then we go to the Southwest to Iberia.

Well Spanish market actually growing very happy with that performance. As we said, so most of the more negative growth is definitely in northern Europe, southern Europe, France, Iberia, Italy, actually looks better. Rest of Europe, pretty much stable pictures compared to Q3 show not a lot changes there. The EBITA margin is very much impacted by the result in Sweden.

Again, as I mentioned earlier everybody is on our contract so a downturn hit so certainly if it's at a big client, where there's not a lot of offsetting these people into the market, so that's what it is. Rest of the world, 10% of our total sales as we mentioned earlier very good growth, of course, it's morning already impressed got a lot of questions on Corona, our Chinese business, which is a small business everybody's working from home and also this week in Singapore it was ordered by the Singapore government that everybody ideally should work from how much we're doing, we do have the technology to support that so it should be improvising but that's what we're doing in these two markets. As far as you can see now we don't see any fallout in terms of no ready supply or anything no major mentioning with our clients that is already hurting them. So far so good, of course, if you talk about that when you talk about a virus that actually have people are dying.

So, of course that's not a great situation, but from an economic point of view, so far so good in the region for us. And then finally, spent a lot of time on that one in the last quarter, but still to get back to you, what are we but I'll be doing in our global businesses you very much fuelled by the enterprise fuel. So, enterprise large clients throughout the world we are creating for them also for a mid-size client certainly for them the biggest talent engine in the world. This is where Monster it's in. Monster has around EUR200 million people logging into Monster.

We're updating the technology so that our lease the resumes and this will become a big machine. A big machine we're all runs our databases to bases all right side websites will form one talent engine to use and to fuel the data, we use with clients because funny enough all those regardless of the economic situation many people, many jobs are tough to find and talk job sort of the field and that's where we come in. So still this is also where of course most of our investments coming. so hard work, but doing well what we do see or might ask.

Okay. It is down, where's that coming from? Well, we do have in our MSP business some large clients in the US and the UK, they don't down there hiring a bit, but our pipeline looks very strong. We mentioned Tanya, the deck and presented a new contract with the client, that's a recent win. And we're very confident that throughout with 2020, will land more deals.

EBITA margin up mostly improvements at cost taken out. And finally not mention here, but I would like to mention the Rise Smart, our digital out pleasure where we are rolling out that platform to many more markets. We did an acquisition in Australia you might remember rolling it out to Sweden, Italy, the Netherlands, Belgium creating a global offering on this product going double-digit and fast in the US and also we enlarge, we enrich their portfolios, so not just outplacement but very much also career coaching maybe you remember Rebecca talking about the fact that we are large enterprise customers, we increasingly talk about the fitness of their own workforce. So instead of just talking about bringing people in we also look at the employability long-term of the fixed workforce look for some of our clients, which is very much a team in the US into YoY and into Europe.

So a lot going on there very much investment platform for the future of Randstad. And with that I hand over to Henry.

Henry Schirmer, Chief Financial Officer

Thanks, Jacques. So I'm on Page 13, so in general strong year for us.

So let me dive into the quarter for results in a bit more detail, this mentioned by Jacques the company delivered another solid operating performance in continued volatile markets and we are pleased to show strong gross margins controlled, quality OPEX and excellent cash conversion. While being mindful of market uncertainty, gross margin performance provided room for continued selective investments, securing competitive growth and as you know, it's important for us to balance short-term performance with positioning the company well for the long-term. Before I run you through the P&L more detail, let me point out our growth numbers are not adjusted for hyperinflation accounting in Argentina as the impact for the group is very minor. So revenue quarter fall was down 2.8% with around half of the decline coming from automotive Europe remains challenging but it's showing some signs of civilization while the industrial and manufacturing site in the US experiencing some slowdown. And it's important that we can rely on our strong portfolio, globally our professionals businesses are performing well, and we enjoyed continued strong growth in Japan, Australia, Brazil and India. Equally important is the fact, that we could continue to achieve market share gains in several countries, without losing focus to further drive price in discipline. So, the wider use of value-based pricing in the context of ongoing tight labour markets have delivering another quart of robust, gross margin performance, 20% up 20 basis points year-over-year and this motivating us to roll out the concept even more aggressively. As you know, there are also some supportive makes effective play which I will lay out in the gross margin section.

Operating expenses for up 1% year-over-year reflecting our ability to support our most promising growth opportunities was going through continued efforts that are cost levels to harsher market realities. And also we continue to invest in our digital capabilities so the future runs that and capital funding our most promising growth opportunities across to the group. As they expect from us it's all been done with focus and steering, personal expenses are down 1% and FCF are also down 2% year-over-year. EBITA came in at EUR292 million with 4.9% EBITA margin and this reflects the 30 basis points decrease year-over-year, but unaligned sound quality set of results with significantly few incidentals and some quarter for year-over-year.

On the next line, integration and one of course with EUR38 million, the majority of charges taken sitting in the Netherlands, where we broke the transition speed provision related to the implementation of the balance labour markets act, in addition to a regular restructuring charge. Also included, also restructuring in Germany as already discussed by Jacques. The remain as use the just or cost-based the new market realities in several regions. Clearly we're taking actions where we need to.

Net finance cost and quarter 4 came in at 12 million and that increases EUR7 million euros mainly driven by the full of motivation of the capitalized transaction costs related to syndicated loan. This is a non-cash incidental effect underlying interest expense so broadly in line with last year. Our tax rate for quarter 4, and full year 2019 was at the low end of our . to for guidance to the full-year 2019 tax rate amounted to 26.1%, with our guided range of 26% to 28%.

For the next year, we got a tax rates of between 25% and 27%, so midpoint in line with 2019. So it's always quite some moving parts and it's good to see moving parts and it's good to see the quality of results coming through. As promised on page 14, we show the gross margin So here we go Page 14. Let me unpack the gross margin for you.

As you can see on the left, the temp margin continues in positive territory in quarter four, actually up 40 base point the year-over-year following positive 30 basis points in quarter three and in line with prior communication, we benefited from the State change in quarter four last year, but also created outside size through value-based pricing approach across the whole portfolio benefiting from tight labour market. Regions, like the US, Netherlands, France, Japan and Spain benefited in a significant way and it confirms our ability to process for superior value deliver to our clients globally. Please, also note that our gross margin trend will sound without any tailwind from perm this quarter.

Actually. It's what happened the currencies down by 5%. The next on the right represents HR solutions, which shows the negative 20 base points effect on the gross margin, mainly reflecting of those mixed effects of monster. Please note, that we also face some headwinds from incidental effect year-over-year underpinning the sound quality of our underlying results in this quarter. Straight into the OPEX bridge on page 15. As (Jacques) already mentioned, when it comes to OPEX steering always try to find the smart balance to swiftly adjusting the cost base to the micro environment, while securing enough funding to capture the many growth opportunities we continue to see in the marketplace. Sequentially, reported organic OPEX down by EUR3 million, which is a year-on-year up 1% and please note this primarily comprises selective Investments relate to the strategic digital . the roadmap is some other strategic growth areas. As mentioned, personal expenses were down year-on-year 1% and full-time equivalents minus 2% underpinning a tight field steering.

Let me close the chart with the confirmation that I will cost optimization plan of 120 million is in progress and has my full attention. As stated during the day in early December in London. We addressing our total cost basis 3.6 billion and looking for ways to for ways to further unlocking the power of one run start. The runs that team is Henry to drive and invest into accelerated growth, and therefore, prepared to challenge cost and performance paradigms that also free up resources and further flexible using our cost structures.

We will balance our short-term and the long-term protecting profitability whilst creating additional capacity to drive growth into the future. And we will see benefits of the program coming through this year supporting our ambition to protect EBITA margins and tough market conditions and safeguarding strategic investments required to see continued, competitive growth with attractive shareholder returns. So now to the free cash flow. One of my favourite charts as you can imagine, so on Page 16, let me shed some light here what it all means for cash flow and balance sheet.

Now, of course the dividend proposal we reported in quarter for 2019 is strong free cash flow of EUR424 million, leading to a record high full year 2019 free cash flow of EUR915 million . This is profit of almost 300 million in absolute terms, and key driver for the good free cash flow and 2019 was undoubtedly good working capital performance reflecting, I was growing top-line growth, but also hard to driven tight DSO management. The development of our receivables and the slowing growth environment provides another proof point of the counter cyclical nature of our business model. Let me also clearly point out that we benefited from the change in the French subsidy system and from a reversal and tax payments done 2018.

Going forward, we expect another 389 million see say receivables, posting our free cash flows over the next three years. The last bullet on the left shows, day sales outstanding, which was slightly down to this last year in Q3 2019 on the 12-month moving average. As mentioned, our dedicated these all management is delivering good returns and would continue to be a top priority for us. On the right hand of the chart going straight into our strong balance sheet.

So the net debt position improved by EUR263 million this quarter for 2018 to 1.377 billion, which includes our lease liabilities of 621 million. Please note, that pre-alpha 16 or leverage ratio arrived at 0.7 verses 0.8 lasting for four, on the better end of our guidance. This adjusted leverage ratios is basis or capital allocation strategy? All-in-all we proposed a record high total cash dividend per share of full year EUR32 Euro a union increase of 28% close to 800 million in total. This includes an order a dividend of 209 per share reflecting a fifth and payout ratio of underlying EPS and an additional special cash dividend of two-year old 23 per share fully in line with our capital allocation policy.

So that already brings the to our conclusions and outlook on Page 17. So 2019 was all in easier to It's an obligate, however, we managed to stay true to our core belief that strong operational performance create foundation and headroom to further build state-of-the-art runs that partner for talented employees and customers realizing the true potential. We are pleased to have generated EUR950 million record high free cash flow, enabling us to propose a very high record, high nearly EUR800 million cash dividend to shareholders and increase the 28% year-on-year. Generally growth generally growth trends as Jacques mentioned, indicated some scientist acceleration group level or revenue decreased by 3.5% year-over-year, mainly reflecting weaker than usual return to work in the beginning of the year.

Recent weeks clearly indicate a more stable trend, please be aware that the vast majority of our region's we experience stable top-lines trends anyway. We energized and confident continue or drive here for gross margins will be definitely well position to monetize added value for our services in tight labour markets, with our pricing to it's getting further traction. We do seek for one 2020 gross margin to be higher than last year, however slightly lower sequentially given seasonal effects and we expect OPEX slightly lower visit quarter four 2019 reflecting type speed steering and the first effects of our cost optimization program. While market conditions are uncertain Randstad that is well positioned provision to capture growth opportunities into the future.

The quality of our portfolio strong customer relations, and best access to Scot is giving us the confidence to thrive also and tougher market conditions. That concludes our prepared remarks, and I hope it helps shed some light and quarter four and full year results. So, we now delight to take your questions back to Mayan.

Questions And Answers

Paul Sullivan, Barclays

Yes, good morning, everybody.

Just a couple for me. Firstly, I mean in terms of the January trends, it sounds like it the deterioration was all France related is that the right way to look that. And within that is that large and strike related and do you have any sort of visibility as we have gone through end of February as to whether that's starting to pays-off. And then just on the SG&A I don't believe you can grind a little bit more granularity on this sort of SG&A guidance of the first quarter.

And how we should think about the cost savings coming through and then related to that the structure and charges colleagues the Q1 and for the rest of the year. Thank you.

Randstad

Yep. All I'll take the top line a question.

It's not just France, if you talk about deceleration. Definitely France because of the strike, of course, no visibility because I think everybody is still surprised that people hit the streets. Show I'm to predictive, but it's also the Netherlands because of the new law we do see less people at work here, which is normal. We've seen that in many markets where you went to a legal change and the cost price went up higher than people also tend to get hired by the client.

So on average in our Dutch business we have on an annual basis 12,000 people that go after attempt assignment into fixed employment in. We see 3,000 to so just for a month. There's a little bit is little bit more than what you would expect because of the annual average. So the law in that sense is having some effect although not as massively as you some might expect, but early days there. So definitely, France and Netherlands sort of creating this slight downtick in top line.

Randstad

Hi, morning Paul, thanks for question regarding SG&A So let me start saying that we actually pride ourselves to be very tight on speed steering. And I want you to see 2020 in the same. So, come back to that 120 million cost savings plans. The first priority for us is protector EBITA margins also in tough market conditions. So, we will not let go of that of that price and that muscle we have.

And therefore also important one we will do that at the utmost to see the business in line with our top-line trends.

Just give you a little more colour. Obviously, we are dressing the total cost base of EUR3.6 billion, utilizing the benefit of one runs that please forgive me, if I don't give you a phasing into quarters normalized lay out the restructuring costs going forward, but there are many parts of that contains program, which will not actually trigger restructuring charges. There are procurement-related they're just performance-related, and therefore don't do it too much. About big charges coming some of your way.

I would probably say more or less in line with what we had in the past.

Analyst

Okay, thank you very much.

Suhasini Varanasi, Goldman Sachs

Hi. Good morning. I just want from me please. I think about Monster.

Can you give an update on what you think that when do you expect the declines to ease of it. I think it's still down double-digits in the fourth quarter.

Randstad

Monster showed a slight profit with stable decline still in the traffic. but what the revenues down, right?

Randstad

Yes.

Analyst

And do you expect to stabilize this year?

Randstad

Yes, as I said, and it's okay that you asked a specific question or Monster, but Monster is now very much part of a total goal of global business strategy that we're running so we do expect it to see totally different Monster, in line with a more holistic Canada strategy going forward. So yeah, optimistic about what we're doing as Monster but cannot guide for what this will mean for the top line amount. So, but it will also be a different business mix of for example, we have still a lot of people selling into very small clients we're going to put in an e-commerce strategy. So, that will be a totally different also way of producing the Monster service.

So, it's a little bit more than just watching the traffic at the same time, we're investing in technology. Now we still see relatively high bounce rates of people that contact us. So, we expect through better technology more Canada friendly technology, that more people will stay on site leave the resumes. So, yeah, optimistic about the future for most so you.

Randstad

Just want to advertise if I may go for 2020 we foresee no significant impact on financials as we had also in in 19. So it's very well controlled and not material at all.

Analyst

Understand. Thank you.

And maybe just one I don't going into 2020, it looks like okay, we started off the year with slightly weaker top line trends come back to 4Q and also compared to 2019. But you are talking about value-based pricing that's probably going to help to gross margins. And the SG&A so effectively even if you have to be cut off and you're still going on margin protection going into 2020. That's the right way to think about it?

Randstad

Yes. Absolutely.

Analyst

Perfect. Thank you.

Sylvia Barker, JP Morgan

Hi. Good morning. First, could I ask on Germany, and do you have any thoughts about the margin development into 2020 maybe provide a little bit of colour around the timing of the 300ft cuts? and then on the back to basics, again in Germany, are you going to selling more into stuffing or professional.

And then secondly, on work for scheduling would you say to your ahead of competitors or are the offerings you have kind of in line with what you've seen elsewhere in the market. And within the 15 countries, do you have what's the kind of penetration within the actual temps using the apps.

Randstad

Okay. Well the answer to your last question is yes. Because we started three years earlier, and of course this happens on the back of our excellent track record the in-house. So which has never been well competition for enough is never been able to imitate.

So yes, we're ahead there is still early days actually, so I think the 1800 clients is early days. We still see for this more pool based heavily tech support that way of service and for large clients still an enormous market. We always said it would be 15% of our total sales from five-six years ago, we now see that is 25% of total sales. It's also permeating into professional segments not just started its side in blue-collar and warehouses.

So we see a bright future for this service, which as mentioned earlier and the earlier it has a relatively low margin but it has by far the highest conversion into EBITA around 40%, so it's also very profitable for us. On back to basics, this is very much a program within Randstad, so our staffing brand so indeed we are selling into staffing here and the cost take out of the 300 people will be visible in 2020.

Analyst

Okay, thank you for the 300 people were taken out end of 2019 and into the beginning of 2020.

Randstad

Yeah, no in December, actually they

Analyst

In December.

Randstad

Yeah

Analyst

Okay, all right.

Thank you.

Hans Pluijgers, Kepler Cheuvreux

Yes, good morning and gentlemen.

Few questions from my side. First of all looking at the Netherlands and I know it's a little bit early days, but you talking about price impact as a increases so you can pass it on but the same time also volume impact. Could you give some feeling what kind of volume impacts you you're seeing already mentioned 25. I'm not leaving but what's implication for the total volume.

And then coming back on the gross margin, Yes good development in the sales mix of course I'm of course professionals lead would help, when I could you maybe give some additional feeling on yeah. Well, that's what to do the split between sales and mix, and you see anything changing the and especially looking at the pricing side, surprise mix impact. And thirdly on SG&A, also going forward. Yeah, of course, you very much focus on keeping the margin stable to protect the margin, but that's how do you see let's say going forward, in case still remains on the pressure due to economic development.

The implication also for restructuring do you actually have to take really more tough measures to reduce costs? So also including some additional charges if you have to take it to down further you could you give me some feeling on that. And so secondly on that, on digital investments of course, you have done a lot of the last few years, do you believe that you have to further increase those investments or let's say connector now quite stable at the level of you've seen for last year.

Randstad

Well, thank you for your two questions, Hans. Morning.

Yeah, we are it is indeed early days in the Netherlands from the point of view of volume. So clients, we spend a lot of time actually a law like this is a good opportunity to have a good in-depth talk with your clients on how they manage the total workforce, so that has happened but yeah, it's complicated. So lot of all this information for clients to digest. The pricing that seems solid, now because we went to all our clients and we were able to pass it on rather well.

So that's good for the volume it's very tough. That might be clients who in February say, okay, they see a bill price has gone up they take a look at it again. So that's really too early days for us. On digital it's not like we shared it's not like we need to throw more money at its speed it up is very much making things robust let our consultants work with it, having said that if we do see that we can speed up for example, the implementation of value-based pricing of other elements, we will not hesitate but, only if we can manage it from a cost point of view.

So I wouldn't see a massive change in our SG&A because of that.

Randstad

Yes, on gross margin morning and gross margin as we seen quarter four, temp margin is up 40 basis points was pretty much half. The price makes 20 basis points. And we do see pricing being stable now over many months and those are going forward.

We're very, very hopeful and confident that trend will continue. To question on SG&A we've got to restructuring same answer, I gave to Paul. We're very strict policy, see if we do researching you want to see pay back within a year. And that is our there's our benchmark, therefore if we see a benefit a proposal coming through with responded with very strict expectations only turn internally.

Analyst

Okay. Thanks.

Anvesh Agrawal, Morgan Stanley

Hi, good morning everyone. I just got two questions. First in the US where you earlier said that, you previously undercut the staff and now adding the consultants there.

But equally cautious that US is a very tight labour market so, the new consultants you have added have they come in at a higher cost we can kind of to do we need to think about the negative impact on the operating cost because of that. And secondly just on Netherlands, if you can provide bit more detail on the provisioning you have done within the one of charges you have taken this quarter. And how it likely to pay out on the on the cash side. What's the cash impact of that? Thank you.

Randstad

Yes, there is not that we have to have that we had to hike the salaries of the consultants and therefore it doesn't affect the talking about a 100 people out and almost total loss. I don't know, maybe 2,000 or something. So that's not going to be visible, of course, it's an investment. So had you start with slightly low productivity, but please remember that we have had 3.5% market share in the US They have a good track record of outperforming the market in staffing.

So the very confident that our management will make these people productive as quickly as possible. On the provisioning, so because of the law in the Netherlands we used to pay a transition allowance for people after one year of working through us that has now become on the first day. So, therefore we had to take a position for everybody that's working with us sort of retroactively. So, that's what this provision is.

We might not fully use it that remains to be seen but it's really a one of.

Randstad

Yeah, in addition to that we have also provided for a cost adjustment based on the week the top lines in the Netherlands, which okay harder.

Analyst

Fine. So just to be clear on that.

So in on this provision, even if let's say the volumes come back, you don't need a higher provision going forward or

Randstad

because of this load as for the current temping pool or people that works to us. Yes.

Analyst

Okay, let's clear. Thank you.

Tom Sykes, Deutsche Bank

Yeah. Morning, everybody.

Firstly just on the price mix. Could you maybe just outline how strong and affect growth out of SME's has been on your mix? And on a like-for-like basis you seeing the same price increases or ability to pass on in pries to larger account, as you are to SMEs please. And I've got a follow-up please on the dividend.

Randstad

Yeah.

Why don't you ask a question on the dividend ?

Analyst

Okay. Yeah just see obviously, on the capital allocation policy. You'll by the end of this year spent somewhere just shortly. I think about 750 million on special dividends and why dividend in bank instead of investing into the business and perhaps broadening the business mix you've clearly, maybe a mixed result on Monster, but your result on (OC) has been looks like it's been quite successful.

So why didn't you spend that EUR750 million on business mix, instead of dividend in back what is largely a subsidy benefit, please?

Randstad

Right. So let me start with your first question on the GM of a true not detailing that out further Tom, I think we already in quite transparent on the numbers we're providing its dividend is concerned, then we were very transparent consistent with regard for capital allocation strategy. And what we would like to demonstrate is our capital discipline and the value we are recreating for shareholders here. It's actually total dividend, we will payout in 20 over 19 is actually expects 292 million.

And I can also assure you, we do not feel constrained by the capital allocation policy to invest into our strategic priorities. So I think, we can do both be driving organic growth should we see value-adding M&A coming our way, and we are obviously looking, we will do that but don't believe we feel constrained about that the policy.

Analyst

Okay. But in terms of your acquisition policy then maybe going forward.

Should we assume that these are still largely going to be traditional staffing or perm businesses place adjacencies or do you think you may consider slightly more broader outlook. I mean, I guess, again coming back to all see which does some to be successful seems to be a growth and more stable business model that more success on that side of the M&A would perhaps be in a would be a good thing.

Randstad

Yes. I know, it's always been a very, very focused on driving value organically.

And in addition is that if we see an opportunity to add to that market share in countries, where we probably slightly weaker or accelerating our technology footprint we will do that. But we have an organic strategy to create value.

Randstad

No. And Tom, good morning.

We do you acquire out we do acquire our Ausy I wouldn't rule out an egg a magician and acquisition in the American statement workspace. So thanks for the compliment. And we do like this space, it's a different space. Although of course, it's still very close to what we do.

We have a 6% market share in Staffing, we have a very low market share in statement of work so within that core we like to grow organically as quickly as possible with bolt on acquisitions very much strategy, yeah. And then organic growth is a cheap way to grow and then you grow off a lot of capital, which we think is attractive for our show.

Analyst

Sure. Okay.

Thanks very much.

Marc Zwartsenburg, ING

Yes.

Good morning everyone. Thank you for taking my question first of all, all the Netherlands going back to that You're at minus 10 in Q4, suggesting a bit that December and Jan, maybe is trending at same minus 15. If correct me if I'm wrong, but it seems that you're not ahead of the market at the moment, while you are the bigger player, they're suggesting that I think with the new law you would be able to gain market share, because the little ones might be struggling even more from the regulation. The other one is your digital tools just thinking a bit of market share development going forward.

Would you expect to be a head of marketing 2020, within the new law and am I correct in thinking, that you're down around 15% in December, Jan? My first question.

Randstad

Yeah, well. The minus 15% is that the pessimistic case Market share we take a lot of market share market while still protecting our EBITA as a percentage. I think you should look into the EBITA so of competitors in the Netherlands to get a bit of a feeling how impressive 6% is.

Thank you.

Randstad

Definitely, sorry to interrupt.

Analyst

Yeah, but you're currently you were ahead of the market. Now, you're more in line with the market.

Analyst

Yeah

Randstad

Notice it more or less is more disciplined than other players while they panicking and ahead of the new regulation.

Analyst

Yeah. I don't I don't know. I sort of alluded to the fact that we are not fully happy with our performance at oneself.

So, we change management most of the time when we're not too happy. And so we change the output team advances in the Netherlands. So I think that is not the question.

Analyst

Okay.

Then the next question going back to the mix. How much of 120 million is already achieved in 2019, and how much all that can be expected in 2020. And should we think of the additional 30 80 38 million of provision that most of all that will also come as a say thing on top of that number in 2020.

Randstad

Actually, there I would say none of the 120 is been. It's already be taking at 19 .

So we expect that to drop in runways savings in 2020 and 2021. And the 38 million, I mean part of that there are 17 million is part of the marked in Berlin, which will not give you the return on our classical restructuring like we have in Germany, also partly in the Netherlands, but we are adjusting our cost base. and that provision for the new regulation that is more a facing thing?

Randstad

No. It's not actually that is a charge we had to take reflect the actual obligation put on staffing companies.

So, reflect the liability due to the new law for their transition payment, which is normally kicks in after one year. We now have two for of full well working population we had to retroactively for everybody who's in less than a year. Yeah, take it as a provision. So we'll see how that pans out, but it's a totally different one is Henry he said, then just taking out producers.

Analyst

If I make an announcement on also the free cash flow. Henry, what are the larger items besides of course development. The larger items in your free cash flow for 2020 in terms of cash taxes that cash out from professions and see say those kind of items. Can you give us a bit of a feel for the sustainability of your free cash flow in 2020.

Randstad

On those large building blocks, I think working something there that broadly stable. So see say comes in another year of to get the benefit of in the addition these - a year because the new regime started in 2019, but there will be will be 389 million of CC coming in next three years, so portion of that is dropping in. Topics is broadly in line with what we spent in '19 could be a few millions up or down or so cash tax cash taxes paid will be broadly in line. As far as we can see that, the moment of course, there might be Delta depending on the top line on EBITA generation.

Randstad

Yeah. So Mark, actually we hope that the free cash flow will be far less because we start going like hell in the second-half of the year, where we don't see it yet.

Analyst

I hope so too. Yeah.

All right. Thank you very much.

Randstad

Okay, thank you.

Konrad Zomer, ABN AMRO

Hi, good morning, gentlemen. I had two questions, please. First, can you give us a bit more background on the fact that false will not be appointed 4.30 on the executive board.

And secondly, your attitude towards 2020 because I think it, I know you manage on actuals and you don't manage on expectations, but I guess if you look at the consensus organic growth rate for this year at minus 0.8%, January might be slightly disappointing to some of us despite you explained it very well. Now that you enter the New Year. What's your attitude towards 2020 overall, because I guess, economic growth forecast to still positive. A lot of people do not expect to recession, I guess you don't expect a recession, but in terms of managing your business going forward, are you still in let's say, cost savings mode? Or are you secretly hoping for a year of positive organic growth.

Thank you.

Randstad

So let me get the second one. Out of the way immediately. Actually our attitude to the 2020 is we are starting the year with confidence and with really good spirits. I think, we have a good strategy in place and everybody's hungry to get into the growth opportunities we have.

Therefore, we need money and funding and we've energized entire organization around protecting EBITA margins first, but why it's for doing that also making sure, that we have finding investment money to outgrow competition as we did in the last few years. So that's this attitude.

Analyst

Okay. Yeah, it's interesting.

And then yeah, it's the social formations a very factual one. This is also because the agenda of our AGM goes out so, I don't have anything else at this moment to talk about your currently discussing with Francois with USB How to handle his EB duties. So, will inform you if we know more. On 2020 actually, I do have a feeling for the year.

It's the year where the company 260 there I don't know if that that but it's always when we launched a big culture program, where with all our 38,000 consultants we talked about who we are as a company where we going to and their role in to it, which you think with all the milliners in our company is very important. We always see a lot of increase the MP satisfaction and certainly, all the changes were going through as a company, we think it's a great moment to share with other people what we're doing, the opportunities are for them to watch all this their stakeholders, so it's very much looking forward to debt. Next to that, I'm turning 60 looking less forward to that for that's also how we looking to 2020. Well that's happy anniversary to both of you then.

Randstad

Absolutely. Thank you.

Randstad

Thanks, you. Thank you for joining today's call.