Randstad Q4 2021 Earnings Call - 15 February 2022 09.00 am CET

Jacques van den Broek: Thank you. Good morning, everybody. I'm here with Henry and also Bisera and Akshay from Investor Relations. So great to share my final quarter with you, 32 quarters, and what a quarter to end it with. I am very proud of this quarter, so also very happy to share it with you.

This morning I had a question, Yeah. How did that happen, well we had a hand in this. But we're happy to share that with you. So let's immediately go to slide six. As I said, proud, the COVID pandemic is far from over by the way, but certainly more manageable and I think we've demonstrated, not we, but also our industry, but also in particular, we are more resilient, more relevant than ever in getting people back to work out. Please remember that in the midst of COVID we had in six weeks 150,000 people that lost their job and look where we are now. So yes, happy with that. And how did that happen? Well, we created our new ways program, enabled our consultants to work digitally, and effectively support clients. Well we had roughly 50% more commercial activities per consultant because of this program and we work especially, expect us that showed the greatest demand, biggest difference between the financial crisis in the COVID crisis was there quite some sectors that we're doing, yeah better as a result of it all were stable so totally different set of where our revenue is coming from then two years ago.

At the end of 2020 thanks to the hard work and dedication of our colleagues around the world, we're already seeing significant improvements. Remember December 2020 we sent out a press release that growth was better than expected, then we took it from there. We also quickly regained the lost revenue of 2020. It was actually a plan, we can share that with you now, a plan we had this year to regain all the revenue we lost in 2019. On the back of the financial crisis, it took us five to six years to regain the revenue loss, which by the way, as a percentage was way more 27%, it was 12% but still of a bigger company. Right. So a lot of work.

So yeah, we end up already 5% above the record year 2019 with increasing distance by the way to 2019 and consistently outperform, it is just not that we did well, but we also did way better than many markets. One of the main reasons, as said, has been our ability to track the changes in the labor market. Henry calls this fish where the fish are, including talent scarcity and mismatches and responding to it quickly and adequately. It's clear through our continued focus on people, but underpinned by data increasingly and technology are playing a key role in helping our clients manage their talent strategies and plans for the future. As I said, the traditional model of recruiting is under pressure. I said, at the Capital Markets Day you need someone, you put out a job posting, people react and you make a selection. That's increasingly tough and we can help to show you, we are still available.

We welcomed thousands of new colleagues, some 7,000 now, compared to 2021. We invested in the biggest talent engine in the world, 288 million people connected with our websites including Monster across the globe looking for advice, looking for information and looking for jobs. In December we also welcomed new employees through our acquisition of Hudson Benelux in Belgium. We think we concluded that at our Capital Markets Day but again, we're very well positioned in an attractive market with structural growth opportunities and we saw the benefits of these investments ofcourse in our outperformance. Back to the fourth quarter, we delivered another strong quarter with group revenue and EBITA reaching record levels. Perm very strong with 69% growth and 36% ahead of 2019. Perm really surprised us, honestly. So I always work under this specific cycle. sort of say blue collar, white collar, professionals and perm. At the moment it's all over the place, we already quite surprised at the beginning of 2021 when we got signals from large American international clients in our sourceright business that they had very aggressive hiring plans. And still because we're still, we added 1,700 people in Q4, around a thousand were in our sourceright business. And that business, those costs come immediately with revenue. We saw Monster back to growth. Last time, Monster grew in 2011, so way before we acquired it, we think we've turned the corner, we have revamped our talent, our seeker part of the business, we are finalizing this year, our client part of that technology and then at the end of 2022, Monster will be a joboard with the newest tech stack in the business, which will definitely help to still reach out to people. On a full year basis strong ICR 44%, but Henry will ofcourse talk about the numbers.

Here I would like to thank all the colleagues around the world for their enthusiasm, commitment and dedication because the majority that we hired has been inducted virtually and I know and we all know this business, the fun is working with your colleagues face to face. So hopefully we can get more of that in the coming months.

So let's look at our major markets, North America strong market outperformance 14% up year-on-year and 14% also up on 2019. By the way, we're very proud of the fact that all our companies are above 2019 and performance in general by the way is very broad based. Perm is also doing very well here. New records 48% up versus 2019 so remarkable achievement in a talent scarce market. Staffing and in-house grew 11%, outperforming the market with the staffing business performing particularly well across the board. What we've seen here is and we mentioned that to you in September, we saw issues with people coming back to work because of the COVID packages, well because of the fact that the federal part of that is out, that has eased. But now we see, not just in the US still some COVID hiccups, so to say omicron hiccups, people being ill not serious fortunately most of time, but it's still puts a bit of a damper on our call it revenue at the end of the day. US profs, 14%, IT performing very well, this business was less impacted by COVID or omicron because of still, working from home and then, yeah, also a star in our North American business is Canada 28% in Q4 21% versus 2019 very much outperforming the market. Our Canadian team is and we've seen that across the globe, but also a home-grown team, people coming in very young growing into an impressive management team with a strong culture and also Canada, and the leader of Canada, Marc-Etienne Julien, is the global benchmark we have internally in perm. So Marc-Etienne leads what we call a SWOT team of excellent performance internationally in perm. They went around the Randstad globe to help us do perm better. Marc-Ettienne also really said we need to invest more aggressively, and it's the first time that we really, in this upturn, outperformed dedicated perm players. So well done MEJ as we call him. Thanks.

France also very much fish where the fish are. I saw some recent numbers that the automotive temporary market is still 30% down, so we had to go to other sectors. We again outperformed the market with good momentum throughout the quarter, COVID measures are being phased out, but at the same time we do see volume being high but also people working a bit less hours because of sickness. So in that sense, it's slightly more difficult to navigate. Perm is also doing well. 13% growth and above 2019. Staffing and inhouse 9% growth, strong demand across all sectors particularly logistics and in the food industry. Profs very robust with our Ausy business reaching record profitability. So, Jerome and team, well done, a very nice addition to our portfolio, not just in France but they're also in Germany and in Belgium. So an international business. 6.6% exceptionally strong what you sometimes see by the way, at the end of the year, we have a slight positive spike. So don't take this as a given for the years to come, but very happy with the performance in the quarter.

Our Dutch business again outperformance, 25% market share, a sizable outperformance. All brands performed very well. Yes, we do play an important role in the Netherlands, specifically in COVID with testing this vaccination with call centers and very proud to say that we played an important role here because of the thousands of people that are working and in that sector. Yeah. None of them had an education to do this and they come from the event sector, the leisure sector, and from airlines. So yeah, very happy with that performance. As said staffing and inhouse, 15% percent up. Good new client wins in our in-house business. EBITA is strong at 6.6%, again a little bit like France. Might be over the estimate and the average that we see, but still strong.

Germany 15% up, strong momentum, pretty much broad based, sectors like e-commerce and logistics also here continued driving recovery, still facing supply chain issues of course in the automotive industry as we see in quite a few markets. EBITA 3.2%, so an improvement, but the team under guidance of Richard is very motivated and we noticed that Germany in the years to come, will again return to group average earnings. We believe in this biggest economy in Europe.

Italy yeah, sort of an eternal star. We have this bet internally, and Marco Ceresa, the leader of Italy said that they want to be bigger than basically everybody, but at least they've passed Belgium. I think they've passed Germany also. Yeah. So, Marco, well done. Italy is one of those markets, which we mentioned has structurally lower penetration rates, so a lot of potential. The market, the labor market as such is being modernized and this will very much help. As you could see a great return, 32% growth, which is also 32% above 2019 and a very strong EBITA margin.

Belgium, stable operator, I mentioned the Hudson acquisition and that shows the business that we have now. So 1,300 people in Belgium with us are working in staffing and in-house, consultants managers, branch managers. 900 are now in other services with Hudson. So more perm, outplacement, assessments, selling labor market data, HR consultancy. So very much the portfolio, call it total talent portfolio where we can assist our clients with, so welcome Ivan and team at Hudson.

Iberia, Spain, very strong performance, 23% growth and 17% above 2019. I mentioned I think on the back of Q2 that we saw a very strong client pipeline in Spain and now increasingly above 2019 throughout the quarter. So very well done. Retail, food, healthcare also, by the way supply chain constraints here with some of automotive clients. Perm doubled in revenue, we invested a lot in professionals. We are now the market leader in professionals in Spain too,and RPO is doing well which results in a strong EBITA performance.

Rest of Europe, somewhat of a mixed picture, you can see it here, but still also all up above 2019 with stable EBITA margin.

Rest of the world, another eternal star, but it's also not much of a star of course, it is a big region but yeah firing from all cylinders, above 2019 with 20%. Japan, very strong performance across staffing and professionals. Perm is doing well and we continue also there to invest in growth. Latam 6% year-on-year but remember, this is 29% above 2019 and we're also developing more into an RPO business. Here Brazil mostly is a very successful RPO business. Australia and New Zealand, very strong 35% up, 24% above 2019 driven by our perm business, again an outperformance. Here we had a management change so Nick Pesch took over from Frank who went to France. So, Nick and team again, very well done. India is already doing very well. In India the challenge was growth certainly, but also profitability, so getting into parts of the market, which are profitable. So overall, very good 4.9% EBITA here.

Our global businesses, I mentioned sourceright already so RPO has a growth of 153% and this is not because this is a very small business, but it's a business globally run by Mike Smith, who you know never a dull moment, I think Mike my guy, what are you performing and yeah, we're still adding people as I said but this comes with business. Monster already talked about. So very happy, hard work here, but the more and more we see the technology becoming stable with a good candidate experience, the more we're going to invest in marketing, because of course, this is a marketing machine and this will help our biggest talent engine.

So this concludes my remarks, but before I give over to Henry on what this means in numbers, and just on numbers, when I started this business in 1988 we had EUR860 million of revenue and most of the profits were coming from the Netherlands. We had one business line called staffing and we had 10 countries. Today well, you see where we are, but what am I most proud of. Most proud of the fact that we are predominantly still a family business. So our cultures and our values and our long-term growth and purpose is still very much alive now with more than 40,000 people. And I'm very, very proud that we could maintain and modernize and keep that as the core guiding principle for our people. Our digital strategy we started the randstad innovation fund in 2014, to really capture the unknown and we know where to go and Sander can pick this from where I'm now leaving this off and yeah, world number one, there. Why not, still 6% market share. A lot of room to grow, but we're still there. So I'm also very proud of that. But then, back to the numbers Henry.

Henry Schirmer: Yeah, well done Jacques, really impressive track record. good morning everybody. Once again, I am excited to report back on yet another exciting set of numbers.

The strong top and bottom-line momentum continues. Revenue growth in Q4 came in at 16% year over year and 12% compared to Q4 2019. And we do experience a great momentum across all geographies and concepts. Our perm business grew 69% in the quarter and our RPO business topped the ranking table with 153% growth. But let me also point out that we did experience some disruption triggered by Covid and ongoing supply chain challenges. Obviously we did our best to not let it impact our business in a material way and we'll watch it closely in the months to come.

Showing up competitively in the marketplace is part of who we are and hence we take note that we continued to gain market share in significant parts of our portfolio. This is especially noteworthy as also reported Gross margin showed up strongly - 20.4%, a 90 basis points improvement YoY and 50bps up sequentially. Definitely bolstered by our strong perm and RPO growth.

Inflation does play a bigger role in our numbers and we certainly take appropriate pricing very seriously, utilizing relevant market insights, applying strong discipline to execute it in a timely fashion and supporting our teams with the right tone from the top.

Talking about tone from the top; we steered our Opex line guided by three main objectives. Firstly to fully support ongoing profitable growth momentum. Secondly to secure appropriate fire power to digitally transform our business and thirdly and not lastly, safeguarding economies of scale showing up strongly in our bottom line.

I think it is fair to state that we delivered on all three objectives in Q4. Ebita came in at an all time high 335m Euro at 5.0% Ebita margin up 30bps sequentially, representing a full year incremental conversion ratio of 44%, fully in line with guidance.

Integration and one offs came in at a 11m cost this quarter, this mainly reflects some fine tuning of operational structures across some geographies and integration costs from our recent acquisitions.

And lastly on that page, the reported effective tax rate amounted to 24.6% for the full year 2021. In 2022, we expect ETR to be between 24% and 26%.

With that, let's turn the page and look at our Gross Margin bridge.

OK page 14 - the GM Bridge:

Our reported GM came in at 20.4%, which is a 90 bps improvement year over year. As you can see in the graph, the temp margin had a 30bps negative impact, primarily driven by geo-mix and some Covid related productivity issues. The middle blue bar reflects the margin effect of a strongly growing perm business. 60 basis points improvement YoY. Our perm business continued to do very well, and increased by 69% YoY and is up 36% vs 2019. The next bar on the right, our business reported under HR Solutions improved our overall Gross Margin by 60 basis points YoY. Here our excellent growth momentum in RPO plays a key role. And last but not least - Monster did grow in Q4. Of course, it's too early to declare victory. Anyway, well done Monster team.

Whilst our gross margin path remains difficult to predict, smart, value based pricing is fully back on the agenda, as is strategic mix management and winning, mass customized digital support.

That brings me to the OPEX bridge on page 15.

Organic OPEX came in at 1 billion 44 million euro, 71m higher sequentially excluding FX and M&A, mainly to fully support and benefit from an ongoing strong demand, but also reflecting significantly accelerated RPO growth at attractive EBITA margins.

Of the net 1,770 FTEs added in Q4, a significant number of consultants have been hired to support the strong RPO and Perm growth.

As mentioned earlier, excellence in conversion is a non-negotiable operating principle at Randstad and requires us sailing as close to the wind as possible for the best outcome in terms of growth and profitability.

As reported also in the last quarters we continue to work relentlessly to identify less productive spend to support our investments into growth and winning capabilities. That productivity journey has become part of our DNA and will provide ongoing self-help to secure sufficient fuel for growth and market leading profitability.

With that in mind, let's now move on to our Cash Flow and balance sheet on page 16.

Our free cash flow for the quarter came in strongly at 211 million Euros. On a full year basis we generated free cash flow of 590 million. It is purely a function of significantly improved EBITDA and very tightly managed operating working capital. DSO was stable sequentially at 51.6 on the last 4 quarters moving base, however improved by 1.3 days year over year.

The very solid Q4 top and bottom line performance concluded an overall strong year expanding our revenue line by 20% to over 24.6 bn. This generated an adjusted EBITA of close to 1.1bn, yielding a 16.8% return on capital employed and an EPS increase of 71%.

As indicated at the recent capital markets day, we first wanted to focus on a strong finish to the year before talking about dividends. I think we've done that. Looking at our balance sheet at the end of the year with €179m of net cash, a leverage of -0.1 excluding IFRS 16, we of course do see space to provide for an attractive dividend including additional cash returns.

Hence, we propose, subject to shareholder approval, a regular dividend per ordinary share of €2.19. This equates to 50% of adjusted net income. We also propose to pay a special dividend of €2.81 per ordinary share totalling € 5.0 per ordinary share representing a dividend of €920m over book-year 2021.

With our dividend proposal we reiterate the importance for Randstad to act as a reliable, responsible, long term oriented company, which seeks to simultaneously support all stakeholders and in that context we like to thank all our stakeholders for their support throughout the last year.

That brings me to my last chart: the conclusion and outlook on slide 17.

As explained, the volume recovery sustained throughout the fourth quarter and is broad based across our portfolio. At the same time, visibility remains limited with ongoing macroeconomic uncertainty. Q4 2021 organic revenue per working day increased by 16% YoY. January organic sales growth was broadly in line with that. The development of volumes in early February indicates continued positive momentum. In Q1 we are steering towards an ICR of around 30%, which is setting us up well to continue our journey to convert dynamic, market leading topline growth, into accretive profitability and cash flow. Q1 2022 gross margin expected to be modestly lower sequentially and operating expenses to be modestly higher sequentially. And lastly i would like to mention that there will be a positive 0.8 working day impact in Q1 2022.
Well, that concludes our prepared remarks and we are now happy to take your questions - Operator?!

Q&A

Q - Paul Sullivan: Good morning everyone. Three from me. Firstly, could you just talk about wage inflation and the contribution to growth that you've seen and how you see it evolving through this year and then can you give us some color on how you think the ICR will progress as we go through the year and you're 40% to 50% long-term target, is that still viable or should we expect it is, as the market normalizes to sort of trend towards that sort of conversion ratio and then finally, Jacques. If I can indulge you, what do you see the biggest opportunities and challenges for your successor, Thank you

A - Henry Schirmer: I would propose, I'll start and get the first one out of the way. Good morning Paul, Thanks for the question. Wage inflation, I've mentioned that in my remarks, we definitely see higher wage inflation, but definitely more pronounced in the US than in Europe. It's very hard to call out a number, but it's just important to note, we are always very, very vocal about it that we do very well in an inflationary environment. We looked at it, talked about my magic spreadsheet over the last 20 years, never inflation was kicking in, we were definitely be able to price, and now we have at our disposal even more data. So we're tracking more than 300 job country combinations to really make sure we're not missing the beat, because of course timing is also very, very important. So more US, more Europe I personally expect that to sustain for a while and it is very hard to really call out and expect a number. On the second one ICR, let me really be very, very clear: long-term 40% remains our golden rule very, very important. We are selling flexibility and hence the agility, our business needs to be there, but there are quarters like the first one, we are now facing where we definitely continue to invest into very, very strong growth that we're seeing but we also experiencing, as Jacques mentioned that very, very good momentum in RPO and in perm. And that, as you know, take the RPO business is probably converting at about closer to 10% rather than our 20%, 25% we have that has a dampening effect on ICR as well as inflation also has a slightly dampening effect. So therefore, let me reassure you, we absolutely are still in for value creation but we will find a kind of good balance between top and bottom line. Sharpened.

A - Jacques van den Broek: Yeah, Opportunities, life is full of opportunities. It's mostly, but we presented to you at the Capital Markets Day. So, I hope we made it quite clear that we are in a structural growth business, with still being market leader with a 6% market share. So lots of opportunities. We also think the current market and the current labor market is an opportunity. We saw this coming. We are building this biggest engine in the world. So I think personally that we can take this data to clients and have a very strong and rich conversation about what's still out there and therefore be the only one that they can rely on. We also think that, in the broad sense of the word, just 3% of all the matches in the labor market are being done by the sector, of which we have 6%. Clients will find it increasingly tough in the short term, but also in the mid term to navigate this labor market and then they find us. I think it's no coincidence that is RPO business shows this massive growth, clients increasingly find this a challenge. The challenge for us is very much that technology, to bring technology to a different way of working and harvest technology into even faster growth and even more productivity, because the consultant gets supported by artificial intelligence. Talent is being interviewed and confronted, by technology by chat bots, they are in the calendar of the consultant and how do you organize your work with. But the good news, if you know Sanders bio, he comes from a business, which very much helps clients with technology to improve the processes. So, he is very well positioned to help here and take us to the next level, the basis is there, but it's far from finished. So it's a challenge, but it's also an opportunity, as always.

A- Paul Sullivan: Thanks, Jacques, very much.

Q - Sylvia Barker: Thank you. Hi, good morning everyone and three questions from me please, firstly on the gross margin, impact from temp, could you just maybe talk a little bit more about that mix within the temp business, how much of that might be kind of in-house and maybe higher volume and of temp impacting that and what we might expect within the temp piece as we get as we go through Q1. And then secondly on perm, obviously that is running quite well above kind of previous peaks and that will partially be driven by wage inflation but as we think about and how that normally plays out and obviously this cycle is a bit different and what point do you think that kind of starts to normalize, to some extent and then the final question on the gig economy and the tech stack that you're using for that. Could you maybe talk a little bit about the technology that you might have which other peers might not, and, and how that's helping you on contracts like the Just Eat Takeaway contract that you've discussed. Thank you.

A - Henry Schirmer: Let me quickly get to the first one, morning Sylvia. The gross margin. It's rather simple on temp, sort of one-third, two-third logic. We have about 20 basis points of the 30 base points decline, we've seen is just geo and business mix, you have just let me take for example, Italy and Australia 35% growth with lower gross margins, but good for productivity in general. Then you have a strong, growing inhouse business. So let me reassure you that pricing is stable, in that part and yeah, it's just to make nothing major in there.

A - Jacques van den Broek: Sylvia perm, I mentioned already that what we're seeing now does not adhere to the way I look at cycles and that might be the labor market. Absolutely. But it's also us. That's why I gave Marc-Ettienne and his SWOT Team such a compliment, because we're better at perm than we were 10 years ago, we are in general becoming a more global business where we share best practices and not leave it to the individual timing of countries, because then you might be too late and we have our sourceright business where with Rebecca Henderson, we created a Board position for international clients and global businesses and that has helped us also to drive this into a more aggressive proactive business. So I don't know, again it's the visibility yet that's as always, a few weeks, but yeah we're changing as a company. I looked at 10 years of run start because I'm getting nostalgic. I don't know why, but if you look at the percentage of perm, that we did in those days compared to now is definitely way more. So I don't know the cycle, but I know we're going to take more of it than we used to. Gig, there's a few things you need to service a gig client. The first one is tech and in general, you can say that some parts of this tech stack can be copied. At the same time, you need an international presence, you really need to know labor markets. So, we are also helping Just Eat Takeaway, they know they're planning then opening up in a certain city, they know how many people they roughly need, but they're growing so fast that they also don't know that really and then again we help with the data on what the potential is in that market but finally, you also need people because certainly JET, which I think is a benchmark on employing people in the gig economy and they do want to human moment, certainly at the beginning of work and throughout work and to make people feel at home. But yeah, they work on the street, so to say and connect with them after a few days or even weeks. So this combination of tech, international presence and people and then the knowledge we have of large-scale recruiting which of course we perfected within inhouse, it's probably tough to copy.

A- Sylvia Barker: Thank you very much.

Q - Hans Pluigers: Yes, good morning all. Few questions from my side, First of all on the pricing environment, you indicated that in Q4 underlying in the temp side, it was stable, but looking at it going forward, everything equal, let's say, what do you expect underlying, based also which you focus on value-based pricing on the temp margin, do you see, let's say, expect some improvement there going forward. And then secondly on the investment, you indicated that you're investing quite a lot, but how much are you ahead of, let's say the cycle already investing, especially in the perm and RPO, so when do you expect there to see there some operational leverage and productivity improvement coming through. And then lastly on the time to hire, how do you see, let's say, the time to hire evolving, let's say the shortage really start to have an impact on your time to hire and especially also on the average contract period, and especially in the US, do you see any developments or changes there, compared to over, beginning of the year.

A - Henry Schirmer: Yeah, maybe I thought maybe start in on pricing, I mean there is hardly on my agenda a topic which is now more prominent then pricing. So we see a general inflationary environment outside. We read in the papers every day. So pricing is super super important and we feel we are absolutely on top of it and we are on top of it in terms of culture, in terms of muscle to do it, it's something which fits very deep in the DNA of our operating companies, but also with the data, we now have to really kind of supporting it and in a way it has two levers. The first one is always price for margin so that, and that in a way, the same unit gives more dollars per transaction, but then actually there is a value-based pricing. Pricing for scarcity, it's very, very important, which gives us credibility towards our customers and also, yeah, it makes it so much easier to get into those. Yeah. Sometimes the tough discussions and yeah. Pricing we talk weekly about it here in the business. Tone from the top is there but making a prognosis on the year to come, tt doesn't make a lot of sense, we take it week by week. We take our data and then we steer it.

On the investment I beg to differ Hans. We do already see operational leverage definitely, in there. Of course when you add 7,000 people in 2021, not everybody is in full productivity. So that gives me pleasure as CFO, would be boring if we said we're perfect already. So we definitely can drive a bit more productivity there, but we also want to ride the momentum we currently have. So therefore, we definitely are not cutting it off too early.

A - Jacques van den Broek: Yeah, it's not as modely as you might see. It is not like a cycle. So we're being approached by clients who say I need a few thousand people in the coming quarter. And we're trying to say yes. And then we need to put some extra people in there. So there is no cycle at the moment, honestly. And is it the quick pick up after COVID, is it structural scarcity, is it clients increasingly saying I don't want to do this.? I don't know. On pricing two other things to mention, I said already, we are becoming more of a global business. In our IT environment as we showed you at our Capital Markets Day, but also this goes for pricing. So we have a pricing group, under the guidance of Chris Heutink our colleague, where we bring everything to the table that we know on pricing. And then finally it's around data. So we used to say it's very tight out there and then the client believes us or they don't. Now we have a full dataset in every country, in every profile and then clients tend to believe us and if they don't believe us, we wish them a great day. And we go to other clients. So that's also very important. We don't give our account managers, you know, you need to land the deal, no, you have a good conversation and it goes directly into time to higher. So we are advising our clients again with data on what's out there and we want to talk about a full talent strategy, not just the people they hire but also their own workforce and if they work with us, and if they develop that strategy, the time hire will be acceptable. Of course through Monster, through data anyway, we see times to higher per company. Yeah. We can also go to clients and we do that like, hey your job opening is now open for two months. Let's have a conversation. So yeah, time to hire is a choice, so to say.

Q - Hans Pluigers: On the last one, do you see, let's say that changing time to high or do you expect going forward that due to talent scarcity, that it's really starting to kick in. Do you see any impact on that?

A - Jacques van den Broek: And in the labor market there are going to be winners and losers. So you really, really, it's going to be increasingly a candidate market. So you need to be able to train your own workforce, to make it easier to get external workforce in, you may to be creative in the type of organization in HR. And yeah. So in general, it's under pressure. As I said, the traditional model of recruiting is going to be under pressure. So you need to find new ways, different ways, more proactive ways to still get the right people.

Q - Andy Grobler: Hi, good morning. Just a couple from me if I may, firstly on the dividends good to see that been announced this morning. What are the plans going forward. There was a bit of uncertainty, at least in my mind, a bit of uncertainty post the Capital Markets Day, about how much would be allocated to capital returns and how much would go on M&A, if you could update that would be fantastic. And then secondly, in the US, the gap versus the market increased over the course of the year. Can you just talk through why that was the case and what your expectations are through the remainder of this year. Thank you.

A - Henry Schirmer: Let me start with the dividend question, thanks Andy for asking it. Yeah. So, at the Capital Markets Day, we made a few remarks. The first one was, we wanted to concentrate on delivering a strong year which we did. You've seen that we've ended the year with an extraordinarily strong balance sheet, 179 million of net cash and then actually, when we consider the dividend, we definitely felt that it is appropriate to reward our shareholders with a good dividend. Our proposal is at, at the share price we currently see about 8%, which some people would say, is very, very strong. Some would probably say a strong start, at the north of five. And we also look at the outside world, certainly it is still very, very volatile out there. So what we did is we wanted to on one hand give a good reward for shareholders but also remain flexible on our balance sheet. And yeah and on dividend. What we said. I just want to reiterate that we, we feel we have the right to also, next to very strong organic growth, look, whether there is opportunity out there, with with a bit of M&A, but yeah, mainly focused further on organic and if we see something coming along, like Cella, we are very, very happy with. It's a fantastic company acquired then, then we will do that, but nothing, nothing dramatic on that front.

A - Jacques van den Broek: Yeah. And on the American market. Yeah, we're very well invested in the American market. So we have room to grow. Certainly in perm, so again, record revenues there. So again also in the US, there is this subtle shift. A large part of the sourceright success is also American success, 2/3 of our business is in the US. So although we put it in global business, it is a very much American success. So we have momentum and we are going to continue to ride that wave.

Q - Marc Zwartsenburg: Yeah. I thank you for taking my questions, good morning, everybody. First on following up a bit on the scarcity argument. Can you maybe, because the growth is impressive still Jacques and Henry, and you would think with the scarcity it is getting more and more difficult to find people. How do you explain that you are still able to grow that fast? Is there any indicators in the business that you say, okay, indeed the time to hire is getting lower or it is getting more difficult, or the the cost to recruit are getting higher or is it more that the scarcity is driving more clients to you that still explains that you are up the curve. Can you give me a bit of a feel for what your feel is about scarcity in terms of being a risk for growth or an opportunity, that is my first question.

A - Jacques van den Broek: Yeah, sure. Yeah, we saw this coming. Mark, you've heard me talk a lot about the biggest talent engine in the world. Structural scarcity, putting out the numbers towards the Dutch policy makers. So this didn't surprise us. We knew that the traditional model of recruiting was going to come under pressure. We invested a lot in digitization, buying Monster to really know what's out there. And I still vividly remember a few years ago when I did a run in the Hague, in the government center, with 50 plus people to show the potential of people 50 plus in the labor market. We are aging, but people can and will and should work more. So with the data, we go to clients and we influence them and sometimes they take us up on that information. Sometimes they take another supplier who is not going to play ball because most of the traditional suppliers don't have that database so they also go into the market to find some that's not going to fly. So, yeah I almost believe that if we can't find anything, nobody can, but the client needs to play ball, the candidates need to play ball. We had 400,000 people trained last year, but people are also reluctant to change jobs, really to go to different sectors. We do a lot of research, there are still white collar jobs disappearing, people need to move to other sectors. So that's still the long-term opportunity where we're very well placed. So, yeah, so far so good. Marc and we think it adds to our competitiveness as a company and I do agree with you that some clients find these cumbersome, expensive, takes too long and then, yeah, we're there.

Q - Marc Zwartsenburg: And then maybe coming back to the investment in growth last year at the half year results. You already mentioned, we put on a bit of a bigger coat, we invested early because covid recovery you bet on it that it would come earlier, that it will be a faster recovery cycle. And while we see the benefits from that in the topline, do you get now the feeling that the investments that you've done that, you now are maybe going back a bit more in the coming quarters to the normal field steering way of investing without the additional bigger coat that, as you would call it on top or should we expect indeed, like the guidance for Q1 that the ICR is more around 30% level for the coming quarters. How do you look at that?

A - Henry Schirmer: Yeah, look, I don't want to talk too much about the quarters beyond quarter one, because as you know, and I learnt that from the best, Jacques sitting next to me, visibility is limited. But yeah, look, we certainly see very, very strong growth momentum, and it would be foolish not to benefit from it and we are supporting, but we are supporting also with a very, very clear expectation within our business that we want to turn growth into profitability into cash and into value-creation and and it's a delicate balance we need to strike. We also see very strong RPO growth 153% in quarter four. If you do the math, Marc you see that kind of it comes with very strong gross margins, but also with higher OpEx, so optically, it looks a bit different that RPO business than our normal temp business. And I wouldn't say we've put on an even stronger coat. We definitely want to drive all the kind of new hires, every investment into good profitability. But we also want to keep riding that momentum we have, supported by probably slightly more marketing, we definitely are not dialing back on our digitalization efforts and so, it's always a triangulation. We will make sure that we will create a lot of value with the topline, we have

A - Jacques van den Broek: Yeah, that's it. Of course we discussed as many times, we can in the short-term always maximize profitability. If we turn down the temp fully, then our EBITA percentage goes up, we're not there yet. Of course, the market is going to be a bit more normalized because we saw this momentum, benefited from it, we take it as it comes and definitely this whole RPO thing, and there's many more opportunities still left and right. I mentioned in Spain in one year we went to market leadership in professionals and doing the same in Argentina, in Brazil. Yeah. So it has many, many opportunities out there and we take what we think is the right middle ground, also resulting in a great dividend, and that's what it is, it's exciting times actually.

Q - Marc Zwartsenburg: There certainly are Jacques. And then maybe a final quick one on Germany, we haven't talked about it for a long time for a long time, but we see an acceleration there. Have you seen the trough, do we see really now some signs of live or green shoots or how you will call it maybe also in automotive that you feel that Germany is also back to recovery mode.

A - Jacques van den Broek: Well, not because of the traditional sectors that drove the German economy. I said this before and I was the canary in the coal mine in 2018. I think German automotive was late to see the electric challenges and they are beefing up. But yeah, they're behind the head, behind the Koreans for example. That won't change that much. We, our growth is very much from different sectors. As I said, e-commerce, also Germany becoming a big business, but as we are talking about business mix in general, we still also in Germany want to make the change towards more white collar, more perm, more profs and then get to group average, so very happy with the pivot of the German team. We believe in Germany, we didn't in 2018 scaled down on infrastructure, you called about field steering. Well, we wanted to keep that company in place and I think we've turned the corner. No, but not because of the traditional sectors in Germany, in the economy doing great yet.

A - Henry Schirmer: But I think you need to allow me, as the guy from Wolfsburg. Here the glass is definitely half full, we see green shoots in automotive. I know the numbers speak for myself.

A - Jacques van den Broek: I just heard from my colleagues here that we had green shots, which is good because it's an important economy.

Q - Marc Zwartsenburg: On that positive note, I would like to thank you, Jacques, for all the support for the analysts and we'll definitely have a drink to your impressive career but not behind the screen.

A - Jacques van den Broek: And you remember years ago, maybe we can leverage a schnitzel again. Remember that ?

Q - Marc Zwartsenburg: In wolfsburg.

Q - Konrad Zomer: Hi, good morning everybody. Just a few questions, the first one is on the ICR, you already indicated that you don't really want to comment on anything after Q1 and with earnings just below that only makes sense. I guess, but it almost feels like your target of 40% to 50% is more like the outcome of something that you can't really predict then a specific target that you want to meet at all times. So I wonder if you could indicate how flexible you are to just navigate around the 40% to 50% ICR target, like for example you currently doing for Q1. And then my second question related to what Marc just said about Germany, can you indicate what the global exposure to the automotive sector is for that randstad at the moment in terms of a percentage of revenues and my final question is on wage inflation again. Can you without giving numbers because they might be hard to collect on a global scale but intuitively, would you guess that your internal wage inflation, for your own consultants, is going up faster than the wages that you have to pay out to your temps across the world. Thank you

A - Jacques van den Broek: The last one is definitely not the case Konrad, inflation is a mixed picture. It's more aggressive in the US, less aggressive in Europe because of collective labor agreement settlement and what have you and as you already pointed out a few times. Inflation is generally good but it's not like our cost is higher because our people are getting more expensive than the revenue development that sort of thing if that's behind your question.

A - Henry Schirmer: Then there was a question around, automotive, I have from my cheat sheet at 5% to 10%, think it's closer to the 5% to the 10%. And then the first one was ICR Right?

A - Jacques van den Broek: Yes, correct, is it a goal or just a result of what we do?

A - Henry Schirmer: No, actually, I mean, we've chosen the words carefully. We say we are steering towards 30%. So we are in control of what we want to show, and what we feel it's appropriate to support the growth of the business, the transformation of the business, the marketing support we have in there. And then looking also at our simulations, we are constantly running what business mix are we expecting at what kind of growth and how much value has been created by doing that. And we feel in quarter one, if we were to steer around 30%, what our intention is, we are setting us up for another very strong year, subject to actual momentum stays, etcetera. All safe harbor statements applied. Please read in a sign of strength rather than anything else.

A - Jacques van den Broek: Yeah. And when we, what I said earlier, when we made the choice internally here to gain back the lost revenue and of course we give our people guidance on a sort of a minimum ICR. And then they, on the back of that, they make their investments. What we've seen this year is that it really planned out even better than we would have expected. So that's good. But ICR is just, yeah, I call it a clock on our dashboard.

A - Henry Schirmer: Yeah, Konrad, one more to say, quarter four came in at 5% EBITA margin. Right. In 2019 it was 4.9% if I remember that correctly. More than 30 million more in quarter four, profit delivery in there, so we now get into kind of operational leverage with a much higher top line. Good ROIC, 16.8% you've seen that. So we have all of that in check, that organic growth strategy we have with double-digit growth turning into good profitability is paying off and we continue to expect that with probably a slight touch more in eye on productivity in 2022 because of inflation, because of the importance of pricing and so forth. So that is what we do. So no change at all.

A - Konrad Zomer: That's all very clear. Thank you very much. Thank you.

Q - Anvesh Agarwal: Good morning. I got two questions. And I was disconnected apologies if you answered some of that already. First on the Netherlands vaccination contribution to your revenue, also the COVID support contribution to revenue. Can you help us quantify that and is that line sort of starting to fade out now, or the revenue from your support to the COVID activity still continues. And then second is on the gross margin. Really, I mean, given where the firm is and the strength in the RPO business, are we sort of looking at a structurally higher gross margin base versus pre-pandemic, going forward and which then can offset any pressure you have from the, from the lower conversion margin in the near term or sort of how should we think about the gross margins of the business overall going forward?

A - Jacques van den Broek: Yeah, Anvesh good morning. COVID in the Netherlands ofcourse and we all hope that this business will go down in the course of the year, but you should remember that of course there are quite some businesses that disappeared as a result of COVID anything around airlines, events, leisure, catering which is also a business that we're good at. By the way, a large part of the people we have currently in covid comes from these sectors. So we're very much trying to pivot them back. So I'm not going to give you the details, but we're very happy that we could contribute in a sizable way to the back-to-work recovery of this country.

A - Henry Schirmer: Your question about RPO is spot on Anvesh. That strong RPO growth 153% in quarter four that has an impact on our overall shape because it comes with dramatically higher gross margins, but also with higher OpEx ratios in terms of revenue, therefore just technically the conversion is probably half of what we see normally in the business and when you see very strong growth, I think we are growing from 30 million to 90 million alone in quarter four alone. That has an impact on the conversion mix as it were. Sounds all quite technical but the most important one, bottom line, it gives us very, very good profitability and therefore, it's really a good business case for growth investing in it.

A - Jacques van den Broek: And by the way 30 to 90 is GP, it is not revenue.

Q - Anvesh Agarwal: Yeah and if I understand correctly that sort of, I mean given there is a bit of contracted revenue in that, so it should continue to carry through at least in sort of Q1, Q2, right?

A - Henry Schirmer: I mean that was, we still see good momentum. I don't want to talk about Q2, you know us, but we see good momentum in January, the first week of February.

A - Jacques van den Broek: In general by the way, in this business.

Q - Anvesh Agarwal: So that's very clear Jacques, it's been a pleasure interacting with you for all these years. So thank you very much and all the best.

A - Jacques van den Broek: Same here Anvesh, hope to see you still in London.

Q - Thomas Truckle: Hi there. Yes, good morning everyone. Thomas Truckle here from Jefferies, just standing in again on behalf of Kean Marden. I just have two questions if I may. First, of which regarding the personnel expenses, I can see those have gone up 9% sequentially but headcount has only gone up 4% sequentially. So there is a 5% differential there. Are you able to share how much of that is from wage inflation? And if there are any other factors that are causing that differential. And the second question, I'd like to touch on is just regarding EBIT margins. I know on the slides, we can see that the Netherlands and Germany have seen EBIT margins progress and improve on prior year. But we look at Italy and Belgium and those have come backwards. Can I just understand the factors driving those differences and regions? Thank you.

A - Jacques van den Broek: Yeah. So backwards, which is not the right word. I mentioned already that sometimes in Q4 we have some positive stuff finishing the year. So those markets are all good in terms of profitability, sometimes a bit higher, sometimes it's a bit lower. It's not a structural thing. Although the going up in Germany, we want it to be a structural thing, but that's then the only one. Also, the Netherlands, very strong finish of the year. But then you have some moving panels, which in a quarter, make it sometimes a bit more positive than the going rate but all the countries you mentioned are above six. So we're happy with everything they do.

A - Henry Schirmer: On the first one Thomas, don't want to go into too much detail, but when you think what's different 2021 over 2020 when you make the comparison definitely based on very, very strong performance. But we have more bonus in the numbers, which is, has a bit of an impact on PE being paid.

Q - Dominic Edridge: Thanks for taking the question. Just a couple from myself. Firstly, just in terms of your own recruitment and take people. Can you just discuss how the market is developing? I'm assuming it's obviously a lot stronger now but then it was. And in terms of, are you seeing much churn in your own workforce currently. And then just looking at the incremental margin again apologies for going back to it, is it right to think that your own compensation structure still allows you to outpace and still generate that 40% to 50% incremental margin over the longer term. And then just the second question, just to clarify if I look at France and Germany, obviously the two markets that are still below, two major markets sort of still below 2019 levels. If you adjusted for the automotive sector, do you think they would be much more similar to the other markets that you haven't really, it's just a mix effect that we're seeing there and thanks so much.

A - Jacques van den Broek: Yeah well of course those markets might be below 2019. But we aren't. As you might have picked up. So that's really about, yeah. Automotive is down, so you go to other sectors. Yeah and of course, if you have a sector which is negative and you take it out, yeah you're not negative but that's of course not the reality. So yeah what can I say, our own recruitment. Yeah, well, we're very happy. Not just from a growth perspective, that we started very early in recruiting. So we were able to find 7,000 people on top of the people, we had, so that's tougher also for us at the moment of course. Good news is churn is not higher than we would have expected at the same time, the majority of the people we took in we inducted them virtually and that's not good of course, because the whole fun is being with the team in a branch. So we hope that we can get very quickly back and show people, what a fun job this is to work with your colleagues, but also get trained via more experienced colleagues, of course, and go into your clients physically. So the job, hopefully in 2022, is way more fun for everybody. We're a successful company of course that always helps to keep them people. So yeah, but a big challenge also for everybody here to make that visible for us.

A - Henry Schirmer: Yeah, on ICR. Let me just kind of reiterate what I've said. In our industry, but definitely for randstad, it is very, very important to keep on hanging onto the 40-50% ICR over a longer term and a longer-term can be also multi-years. I am not making a statement about 2022 now. It can be at times or should be 70%- 80% when you come out of a slump and you have capacity on board. If you have periods of very, very strong growth. That might be slightly lower. And then also, there might be quarters then where you just decide to invest a little bit more. But yes 40%- 50% is still our golden rule and it serves us well and will serve as as we're going forward.

A - Jacques van den Broek: But again not the goal to run our business. We're predominantly a growth business. We want to be big, we want to make a difference in life, we want to touch 500 million people and we do that within a certain, call it operational bandwidth. Marc called it field steering. And ICR is one of those.

Q - Maarten Verbeek: Good morning. It's Maarten Verbeek from the IDEA. I have a couple of questions from my side. First of all, like to get back to your dividend proposal and particularly the room you had for your special dividends. I'm not suggesting that you should have used the whole room to leverage up to one, but why did you opt for this amount, also taken into account, the statement you just made that you will continue to focus particularly on organic growth. Maybe a couple of add-ons, thereby suggesting that those investments will be well below your free cash flow and therefore next year, you will have even more cash and even a lower leverage ratio. This is the first one and then secondly, according to me there are some changes announced in Spain according to a staffing legislation, what kind of impact would it have on your business?

A - Jacques van den Broek: Yeah I can start with Spain, it's still a bit of a moving target Maarten. What the law is mostly aimed at is reducing the amount of temporary contracts. What the Spanish government wants to have is more of what they call security for people. The good news is that we also are able to give these contracts. So it might be that we can play an important role in this change. So at the moment I'm leaning towards the positive side of things, but it's early days.

A - Henry Schirmer: So it just on dividend, as I said before a triangulation of a couple of factors taking into account the market environment, volatility we still seeing out there, also being paid for a bit of risk management in there, but also providing an attractive return, and going through those considerations, we came up with the proposal. It is not an algorithm based on the cut-off, that decision might be next year different, but yeah, I hope that it kind lands well with shareholders, all stakeholders involved and is an expression of our strong year.

Q - Sylvia Barker: Thank you for taking the follow-up as well. I just wanted to, if you could give us an updated figure for your exposure to e-commerce and the logistics and warehousing, as a proportion of revenue or gross profit and how that compares to last year. So growth you've seen year-on-year. Thank you.

A - Henry Schirmer: So I think what we would call transport and distribution, that includes e-commerce and food retail as well, there is 20% exposure in there and we've seen very, very strong growth in line with company growth.

Q - Sylvia Barker: Okay Thank you, So The growth within that segment was not necessarily higher than, let's say you're 16% in Q4.

A - Henry Schirmer: No, it's more or less in line with.

A - Jacques van den Broek: Yeah. Thank you for asking a lot of questions. So it was fun to answer those, and yeah, we still have some appointments in the coming weeks. Hopefully, still face to face. Thank you all for supporting us, by keeping us honest and being critical of our performance and the consistency in all that, but it's been a fun ride, and you're going to talk to Sandler. Also in getting to know him and in the next quarter which of course we'll also be a great quarter. But that's not a prediction. Thank you very much. Bye bye. Thanks everybody

A - Henry Schirmer: Thanks everybody.