Randstad Q1 2022 Earnings Call - 26 April 2022 09.00 am CET

Sander van 't Noordende: Thank you very much Josh for that introduction. Good morning, everybody. I'm here with Henry, and Bisera and Akshay from Investor Relations. It is great to be here as Randstad's CEO, and share our Q1 results with you.

We have had a strong start to the year, continuing the momentum from last year, with group revenue up 15%, EBITA of 286m euro and gross margin of 20.5%, up 130 basis points on the same period last year. Our market-leading growth was broad-based across geographies and segments. We saw record high perm and RPO activity levels, while staffing revenue continued its strong momentum. Our strong margin performance reflects the positive contribution from both value based pricing and the mix of services we have provided to our clients.

However, the job market remains tight, which means Randstad is able to embed its position as a strategic talent partner for more and more clients. This is driven by our digital investments and access to data - all of which have given us strong capabilities to anticipate the needs of our clients across geographies and industries. It is a very dynamic and therefore exciting market for Randstad.

These days, we see 3 important trends in the world of work:

Let's start with our clients. Clients want more value, more solutions, and ultimately for us to be an even better team.

Second, as I say, the world is becoming talent led, and with ever increasing scarcity, the diversity of randstad and our talent remains a priority for our clients. Talent is now the number one issue on every CEO's list and personalized engagement will be the name of the game.

Third, the world is going digital. This is all about digital engagement leveraging data and AI and of course about seamless business processes. The expectations of our clients and talents are high and they transcend industry boundaries.

I would like to highlight that we continue to see strong demand across geographies from clients and talent alike. We believe that our broad range of services, global footprint and continued investments in our digital capabilities, position us to benefit from the structural drivers underpinning the labor market. While we are in an unprecedented macro environment, we have an over 60 year track record of successfully adapting to volatility. Our diverse portfolio, strong and experienced management teams, and operational flexibility position us to respond quickly and effectively to changing market conditions.

So, I am delighted to have joined this formidable company whose culture and values strongly correlate with my own. I joined Randstad because I could see it is a company that puts people at the heart of everything it does. A great example of this culture in action has been our response to the terrible war in Ukraine and the humanitarian crisis it has created in the region. We are committed to supporting Ukrainian refugees to find work in their host countries and have mobilized colleagues throughout the region to provide guidance and advice. I am very proud of the work we are doing here and hope we can help many thousands of people through such a difficult period and of course our thoughts remain with those affected.

Randstad is about helping people to make progress, and that's what I am passionate about. I am humbled, honored and excited to be our CEO. I am humbled to step into the shoes of our founder, Frits Goldschmeding. Second, I am honored to lead such a great team, a team that has given me the warmest possible welcome and I am absolutely excited as I see so many opportunities to do an even better job for clients and talent. So I think we have a great future ahead of us and I will continue to listen and learn in the coming period.

Before I pass onto Henry, I want to take the opportunity to thank him for getting me up to speed and across the business so quickly. I already feel we are working closely as a team and I look forward to the future. Over to you Henry.

Henry Schirmer: Thank you Sander. Good Morning everybody. I am excited to report back on yet another strong set of numbers. However, let me start with walking you through the performance of our key regions first.

North America delivered strong growth of 13% year over year. Perm almost doubled in revenue as it continued to reach record levels, especially in the IT professionals space.

US staffing & inhouse grew, +9% year over year, with the staffing business performing well across all sectors. Talent scarcity is definitely a factor in the market. We are fully utilizing our insight engines to identify the right talent, while making sure that our pricing appropriately reflects the extra effort involved.

US professionals continued their strong run with 16% growth year over year, performing especially well in our science, tech, engineering, and math business. We are also progressing well with our Cella integration and also enjoying double digit growth in the quarter.

Canada grew 28% in Q1 in a pretty similar landscape as compared to the US. In Canada, our perm and in house business continues to perform strongly, mainly as a result of our focussed investments and accelerated activity based field steering.

The North American EBITA margin showed up strongly with 6.3%, up 250 basis points compared to last year.

France continues its market outperformance with organic revenue up 12% year over year. We saw good momentum throughout the quarter despite higher covid-related sickness and supply chain disruptions. In addition, perm continues to perform well, up 13% year over year, mainly driven by our professionals business.

Our French staffing and inhouse business was up 11%, as we saw strong demand across logistics and manufacturing in particular.

The French Professionals business continued to perform strongly, up 16%, mainly driven by our healthcare business. In addition, Ausy delivered a strong profitability as it improved its utilization despite high sickness rates.

We ended the quarter with a strong EBITA margin at 5.3%, up 50 basis points year over year, balancing top and bottom line well.

And then a final note on France: last week we announced our intention to acquire Side, a specialist in online recruitment, offering digital staffing solutions to over 2,000 customers, with 300,000 active candidates, primarily in the logistics, trade, and service sectors.

Moving on to slide 8.

The Netherlands yet again, delivered another strong performance in Q1. Revenues were up 13% year over year. All of our 3 flagship brands contributed to another great quarter. Perm business performed very well, up 55% reflecting very strong client demand and a favorable pricing climate.

Staffing and inhouse grew 15% mainly in transport and distribution and new client additions in inhouse.

Furthermore, our professionals (Yacht) business continued its strong performance, up 8% year over year as utilization rates continued to improve.

And also in the Netherlands EBITA margin came in strongly at 6.5%, up 10 basis points, however we apply caution to project those high margins into the future.

In Germany, revenue was up 12% year over year, though the picture was a bit mixed here. We made good progress in January and February, where growth was broad based despite high covid-related sickness rates and talent shortages.

However, due to the war in Ukraine, Germany faced supply chain issues, specifically in the automotive industry, which of course impacted us in quite significant numbers. However, we remain cautiously optimistic that the remainder of the year will see the automotive industry recover and with it also our employees working in this sector.

Overall our staffing and inhouse business was still up 12%.

EBITA margin for the quarter came in at 1.3%, a gradual improvement compared to last year, but still below our ambition for the country.

Moving on to slide 9 to talk about Italy and Belgium.

Italy saw yet another excellent quarter with strong growth of 26% year over year and very solid profitability. Growth continued to be broad based. Our perm business also continues to grow at record levels. As you know, Italy was a country with relatively low penetration rates, around 1.8% at the end of 2017, however over the years that has continued to increase, leading to a much larger and profitable Italian market, with the penetration rate now standing at about 2.2% in 2022.

Italy ended the quarter with an exceptionally strong EBITA margin at 7.5%, driven by value based pricing more than covering some constraints stemming from covid-related sickness rates, but also benefiting from a one off provision release.

Also Belgium delivered a robust performance in the quarter with revenue up 12% year over year. Staffing and inhouse grew by 13%, where in particular inhouse saw higher demand with existing clients. In addition, we are happy to report back that our integration of the Hudson acquisition is going very well.

Profitability further increased by 40 basis points year over year to 4.8%.

Moving on to slide 10.

Another highlight in the quarter is coming from Spain also delivering another very strong quarter, with revenue up 23% year over year.

Portugal is further improving and holding its own in the quarter.

With regards to the labor reform law in Spain, Q1 was not impacted at all. It goes without saying that we are staying very close to the changes and if anything see more opportunity than risk.

The Spanish team performed well despite higher covid-related sickness rates and ongoing strikes in the transportation sector since February. Perm, professional and RPO business also performed exceptionally well, with perm revenues almost doubling.

We also further strengthened our portfolio in Spain by joining forces with Avanzo, an online training and development company, which reinforces our position in corporate solutions for learning, reskilling and platforms.

The quarter ended with a strong EBITA margin of 4.8%, up 40 basis points vs last year driven by an improved business mix and stable pricing.

The rest of Europe also contributed to a strong quarter with 14% growth year over year.

The UK benefited from a strong perm business and reported overall growth of 19% up year over year, but also Nordics with 19% growth and Switzerland with 16% had a very strong showing in the quarter.

Poland revenues were down by 3% year over year, primarily reflecting supply chain constraints in the automotive sector.

Overall, we ended the quarter with a solid EBITA margin of 2.7%, up 80 basis points year over year.

I would also like to take this moment to express our gratitude to all our colleagues who are doing a tremendous job in doing their utmost, going above and beyond, in providing support to Ukrainian refugees, whilst running their local operations at the same time. A special thanks to our Polish team - very well done. What you are all doing is kind of beyond words and is so incredibly important.

And that brings me to the Rest of the world on page 11, which also continues to do very well with 15% profitable growth year over year.

Japan showed a strong performance, growing 13% performing well across professionals and perm.

Australia & New Zealand also delivered strong growth, up 23% year over year and India grew 14%. India continues its successful journey adding more and more recurring, profitable business to its portfolio.

LATAM continues to contribute with strong, profitable growth, Argentina and Brazil motoring on in double digits, using the RPO engine to drive an even more profitable mix.

Our Mexican business is very small, and declining primarily due to the legislation. We are currently repositioning these activities into perm and outsourcing.

Ebita margin for this part of the portfolio was 5.3% in quarter one. Yet again a very significant contribution to our overall result, demonstrating the power of a broad based, diversified set of businesses adding to the success of randstad.

And last but certainly not least also our Global businesses added to the success of the quarter, reporting 30% growth year over year. Main driver here is certainly our very strong Randstad Sourceright business with 40% accretive, profitable revenue growth in the quarter. Within that, RPO more than doubled in size to € 98m.

Given the mechanics of the P&L, a very significant part of sequential FTE and OPEX growth can be attributed to this business, which is accretive to the overall EBITA margin, but comes at a significantly lower ICR.

Monster continued to grow. 9% growth in the quarter, also benefiting from additional marketing investments fueling our talent engine with additional traffic. We see encouraging returns on our marketing and IT investments and we will continue to finetune this talent engine as an integral part of our talent sourcing strategy.

OK, that concludes the performance of our key geographies. I believe the numbers are speaking for itself. Without exception, yet again all parts of the portfolio contribute to market leading top and bottom line and hence I am now excited to walk you through our group's financial performance on page 13.

The strong top and bottom-line momentum continues. Revenue growth in quarter one came in at 15% year over year. As just mentioned, topline growth and margin progression is observed across all geographies and concepts. Our perm business grew 63% in the quarter and our RPO business topped the ranking table with 125% growth.

Like in quarter four, we did experience some disruption triggered by ongoing Covid challenges and also had to navigate some very selective supply chain challenges, mainly in Poland and Germany due to the war in Ukraine. Obviously we did our best to not let it impact our business in a material way and will 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, 20.5%, a 130 basis points improvement year over year and 10 basis points up sequentially. Definitely bolstered by our strong perm and RPO growth, but also supported by our ability to price appropriately for our increasingly differentiated services.

As mentioned already during the last call, we are steering 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 & thirdly 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 quarter one. Ebita came in at 286m Euro at 4.3% Ebita margin up 60 basis points year on year, representing a quarter one, organic incremental conversion ratio of 30%, fully in line with guidance and also covering for a strongly growing EBITA accretive RPO business with a significantly lower ICR profile.

Integration and one offs came in at a 6m cost this quarter, this mainly reflects some minor 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 25.8% for the first quarter. For full year 2022, we expect ETR to be between 24% and 26%.

With that, let's turn the page and look at our gross margin bridge on page 14.

Our reported gross margin came in at 20.5%, which is a 130 bps improvement year over year. As you can see in the graph, the temp margin had a 10 basis points positive impact, despite some Covid related productivity issues.

The middle blue bar reflects the margin effect of a strongly growing perm business. 60 basis points improvement year over year. Our perm business continued to do very well, and increased by 63% year over year.

The next bar on the right, our business reported under HR Solutions improved our overall gross margin by 60 basis points year over year. Here our excellent growth momentum in RPO plays a key role.

And last but not least, Monster added some growth in quarter one as we continue to fuel our talent platform with increasing talent acquisition investments.

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 74 million euro, 17m higher sequentially excluding Forex 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 1,100 FTE’s added in Q1 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.

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 133 million euros. It is purely a function of significantly improved EBITDA and very tightly managed operating working capital.

DSO was up 0.2 days sequentially at 51.8 on the last 4 quarters moving base, however improved by 0.8 days year over year.

Our ROIC trend continues to significantly improve. We are now at 21.6%, up from 12.9% last year reflecting the improvement of our last 12 month EBITA. Neutralizing the favorable effect of declared dividend in the calculation, our ROIC would still be at a very solid 18%.

Our Balance sheet remains to be very strong showing a 240m net cash position and a leverage ratio of -0.2 excluding IFRS 16.

And as scheduled and announced, at the beginning of April we paid the regular dividend of € 2.19 per share, totalling about 400m euros. This is not yet reflected in the quarter one net cash position, but of course it will affect our net cash position in the second quarter.

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

As you have seen, the volume momentum sustained throughout the first quarter and is broad based across our portfolio. The development of volumes in April indicates a positive continuation of the current trend and we do observe that the client and talent confidence remains very strong. And of course we are carefully monitoring the macroeconomic situation and continue to stay very close to our client and talent needs. We believe in the resiliency of our portfolio and the agility of our very experienced leadership group and all our employees around the world.

Steering the business over longer periods of time towards an ICR of 40% to 50% has served us well in the past and continues to be a relevant steering principle into the future. However, the inclusion of very dynamic, profit accretive concepts in our overall P&L will at times lead to us steering for lower overall incremental conversion rates without sacrificing our passion for productivity and value creation.

The current growth momentum and composition of our portfolio is leading us to steer the business in quarter two towards an ICR between 25 and 30%. That kind of conversion is setting us up well to continue our journey to convert dynamic, market leading topline growth, into accretive profitability and cash flow.

Quarter two 2022 gross margin and operating expenses are both expected to be broadly in line sequentially.

And lastly i would like to mention that there will be an adverse 0.1 working day impact in quarter two 2022.

Well, that concludes our prepared remarks and we are now looking forward to taking your questions. Back to you Josh.

Q&A

Q - Anvesh Agarwal: Hi. Good morning. I got three questions, first on the Netherlands. I mean, obviously the COVID revenues are going to go away from Q2 onwards, on what it looks like. Can you quantify that, how big the impact we see? And then on the margins, why are you cautious compared to what you've done in Q1, when we look at the outlook.

Then second on Italy, you sort of mentioned the penetration rates that are moved up. Is it fair to say that the structural improvement is now lapped up, or you expect the penetration to improve further, and how big was the provision release? And then finally, just on the exit rate. I mean, Germany obviously looks like, weakened, in the second half of March, but overall your volumes were still improving. So which regions have accelerated in March and April.

A - Henry Schirmer: Good morning Anvesh, thanks for the questions. Let me start off with the Netherlands, it's somewhere in the order of 70 million in quarter one. The COVID related work which is pretty stable across the quarters and yeah, frankly we all hope for that to disappear as quickly as we possibly can. So, why are we cautious with the margin, we see very, very high productivity rates continuing in the Netherlands and just carving out from our experience, tells us that the certain point in time we probably can't count sustain that, at that high level, but I wish to be surprised, but that is why we are mentioning that.

Penetration rate in Italy we are very, very bullish on Italy as a country going forward. So therefore, do not see any reason why the penetration rates should not be sustained at that level. It is very hard to say whether it should go up further, because we see globally, sort of see 2% penetration rate. So I would be cautious there. The underlying, we reported 7.5% EBITA margin. Italy is probably close to 6.6% underlying.

First, as Germany is concerned, we actually saw a very, very strong growth in automotives in January and February, and then we got a bit of a hit in March. There are some signs to be positive. There is one certain part which is missing that is kind of that alternative sourcing is being arranged. So, we are cautiously optimistic that actually those volumes will come back to our business but it's also not very, very material to be perfectly honest.

Q - Anvesh Agarwal: My question is more like if Germany was declining in March and overall, for the group, the trends in April indicate that the positive momentum is continuing. What is the offset I mean, which regions have accelerated in March, April or improved in March, April.

A - Henry Schirmer: Yea, look we are talking about April. We stick to our guns here not speculating on April. We only talk about volume for the first two weeks, we saw that continuing being positive volume. I think we've been in our very detailed. I mean, you saw Italy really motoring on, Spain very, very strong but you look at the numbers there's kind of there's hardly anything not growing double-digit so it's very broad-based and thankfully, it's easier to compensate. Germany is still growing 12%, also very strong.

A - Sander van 't Noordende: Yeah, so maybe one comment about automotive in Germany. Yes, they have had that challenges but are also dealing with those challenges, meaning they're looking to produce locally which then in fact turns into an opportunity for us, because the backlogs of cars to be produced in the German automotive industry are still very high. So it's not like the world's falling apart there. It's more like we have a blip as an automotive industry and how we're dealing with that.

Q - Paul Sullivan: Good morning everyone, just following on from that. I don't know if you can give us a bit more color by vertical. I mean, you talked about auto and I guess, it's a small part of your business, but general manufacturing across Europe and logistics, in particular, any sort of comments on trends there as you went through March and into April.

And then looking further ahead, I mean, should we assume that the old playbook in terms of recovery ratios apply in the events today, a more severe downturn. And then finally for me, Sander, I know it's early days, but any initial thoughts on how you will sort of put your mark on randstad’s strategy and make any changes or any at all. Thank you.

A - Henry Schirmer: Paul, thanks for the question. So we are by vertical, also there really, really broad-based. I mean, you know that manufacturing is our largest block growing double digits, transport and distribution, is the same. In that category, we've also, our e-commerce, in there. Maybe one thing to pick out, public health and education, over 20% growth. Growth in automotive, as we have 14% growth overall in the numbers. So pretty balanced across all end markets, I must say. And that is what makes us really strong. All geographies, all concepts, all customer groups and we're performing pretty balanced very strongly.

A - Sander van 't Noordende: Yes. And on the third question, Paul, thank you for asking that. I was expecting, of course. But let me maybe first say what I found. Let me give you a couple of first impressions from Randstad. Obviously, I've been talking to many shareholders, other stakeholders, many clients, primarily talent and leaders here, people at Randstad. And what I found, first of all, people, we have great people across the board in Randstad. We're a very strong team. People are all very passionate on doing what they are doing, making the matches passionate to do the right thing.

Very much oriented on client service. Clients are generally very happy which is really important. They tell me we deliver what we promise and in a services industry and then where I come from, I always say delivery is the best marketing. If you do what you promised, there will be more business. And then I would say last but not least, we have a strong culture and values. To know, to serve, to trust, balancing all interests, striving for perfection. I mean, they are ingrained in Randstad and not just in some places, but in all places. And I would say that's really critical. But at the end of the day, the team is all we have and the values are what differentiates us in the marketplace. And having such strong values really, really helps us.

The other thing I would say is we have lots of opportunities, almost too many opportunities to think of. At clients, our share of wallet at clients definitely has room for improvement, at all our clients there is opportunity everywhere. So we can do more of what we already do.

In all talent segments, there are opportunities, blue collar, white collar, Professionals, IT. You've seen the strong quarter with perm and RPO. Our Solutions business is very strong. There are other adjacent markets that we can look at. Henry was just talking about Italy in terms of penetration rates, we're only scratching the surface in many of our markets. And then our market share in many of our markets, still offers opportunity to grow more. Then there's opportunity to innovate, to innovate engagement with our clients and our talents and of course, to innovate delivery.

So I'd say it's a bit early to talk about new strategies because I'm still in listening mode. But I can see 3 very important things that we need to address over the coming period. And they are fairly straightforward. Again, I said I talked a lot to clients, they are demanding ever more value. They want us to take a more strategic approach. They want to have broader partnerships, end-to-end services. Definitely, many of our clients talk about diversity and the diversity of the candidates and the teams we bring and our clients are looking to innovate, how can we innovate the end-to-end process at a more strategic level with them?

Second, the world will be talent-led. This is a long-term trend. This is not something because the market happens to be tight today. This is about lifelong learning and how we can build a long relationship with our talent. It's, of course, about meaningful and I say, seamless engagement. And it's about making sure the talents get what they are looking for. And I don't want to go in too much detail, but in short, talents are looking for purpose. Do I like what the company is doing that I'm working for, belonging, do I feel at home at this company and flexibility? Do I have the flexibility to pick my hours and location of work?

And then third, the big trend, of course, I already mentioned it is digitization. Digitization is about engagement with our clients and talents. It's about seamless business processes, and it's about data and AI. So those are the 3 things that we are looking at to address in our activities going forward. So stay tuned, I'd say.

A - Henry Schirmer: Paul, I also owe you an answer to your second question, whether the old playbook is still valid. I mean, the ICR 40%, 50% has been really born in a general staffing environment. Now we're adding so many valuable concepts where it's really worthwhile looking at the conversion of each of those concepts. They're getting so material in our P&L that mix is really playing a big, big role.

So also there, stay tuned. We really take it that I quoted in my remarks, our passion for conversion, our passion for profitability could not be higher. And we make sure that whatever business we develop, that it really, we have a good drop-through rate in our EBITA and conversion to cash flow. So that mix is important to understand.

Q - Marc Zwartsenburg: Good morning gentlemen. I first want to come back to the ICR. Henry, you just mentioned that 40%, 50% was more general staffing related and now still having a high conversion is a key focus. But I'm more looking to that conversion rate, also guidance for the second quarter. Is it more a matter of temporary, that the mix because of the investments and speed of RPO and inhouse currently still offsetting maybe the more later cycle like perm and professionals, that it's temporarily lower also because the investments may be still weighing in there, that we should gradually see after, say 1 or 2 more of these quarters an acceleration back to indeed, more 40%, 50%? Or am I just hearing you say maybe it might be structurally a bit lower? Can you give me a bit of a feel for how you see it?.

A - Henry Schirmer: Yes. So yes, Marc, by now you know me well. As a CFO, you never find me really 100% satisfied with profitability. I mean that's my job description. But I think we are currently really doing an excellent job to balance top line growth and profitability. And with the current growth momentum of the parts of the business and the composition of our portfolio, the guidance of 25% to 30%, creates a lot of value for our shareholders, and it leaves us enough room to also drive for our transformation and making the business future fit. So no, there's not much more to add. Definitely, we drive productivity to higher levels than we've ever seen before rather than down.

Q - Marc Zwartsenburg: But if you then looking to that guidance for second quarter and comparing it to Q1, you still have that top line, you still have the gross margin. But looking at OPEX you might be because feasibility might be a bit lower, maybe the top line trend may be slowing a bit on the back of what's going on in the world? Would it then be more logical to have maybe at least a number like in Q1. What's your thinking about the OPEX impact?

A - Henry Schirmer: No, I don't think there's anything more to add, Marc. I think, you know we are prudent operators, but I think it's a very, very fair guidance we're giving you.

Q - Marc Zwartsenburg: And then maybe on the exit rates, I'm not sure if you mentioned them because I think someone alluded to it, but I didn't have the number. Can you give us a bit because that will have an impact also on, what the April volume trend because it's in line with what we saw in Q1, but obviously, that has been some phasing from January to March. Could you give us a bit of a feel for where we start the quarter off roughly?

A - Henry Schirmer: Yes. So I think the best guidance you can get is that we have continuous good volume observance in the first 2 weeks of April. Of course, I mean you need to plug it into the spreadsheet with comparables of quarter 2 last year, where we had a very, very strong quarter. But underlying, actually, the trends we see, the demand we see from clients and the numbers of matches we're making continues to be strong. It's not very valuable to give you exit rates in the context we operate in.

Q - Marc Zwartsenburg: And then maybe a final one. Do you see any indications that the assignment periods are shortening, that maybe your visibility is getting less, because you sound quite confident, when you say, well both on the client and the candidate side, there's a lot of confidence still. Is that also reflected then in seeing no difference there in terms of assignment periods, etcetera?

A - Sander van 't Noordende: Yeah, no, Marc, as I said, I talk to a lot of clients, and they show no sign of slowing down. Rather the opposite. They tell me we need to digitize our business. We need to deal with the supply chain challenges. We need to invest in our new factories and in other parts of our business. So I mean, the client confidence is very high. And if you look at the talent confidence, we have just done the work monitor. 75% of people is on the look out sort of or has an open eye to new opportunities. And especially if you look at some of the younger people, 1/3 of the younger folks in the workplace are looking for new opportunities.

So talent is definitely seeing this as an opportunity to make a move, to change career track, to get a promotion, to do something more in line with their purpose, to go to a company where they feel better belonging or where they can work more flexibly or all of the above. Talent is looking at this as an opportunity to get closer to what it is that they want to do.

Q - Marc Zwartsenburg: Yes. So they are more easily persuaded to move jobs now post-COVID to a bit maybe.

A - Sander van 't Noordende: If not proactively on the lookout.

Q - Konrad Zomer: Hi good morning, thanks for taking my question. If you look at the additions in corporate staff, then it shows that just over half of the addition in the quarter was in global business. And I think that if you look back a few quarters that the percentage of staff in global businesses is going up, can you share with us what impact that is likely to have on the future growth and EBITA margin of the group? Because I can imagine that scale is probably more important here than in some of your, let's say, traditional businesses. But I was just wondering if it could have a reducing impact on the overall margins.

A - Henry Schirmer: Yes. Thanks for the question. Yes, so well observed. We have 1,100 extra people sequentially. More than half is in our global business, mainly driven by RPO, which is definitely a very margin accretive business for us. So we're very, very happy with it and very keen to further grow. It is a sticky business, we have an agile cost base in there. So we find that a very, very attractive growing business.

A - Sander van 't Noordende: Yes. So maybe to add to that, Konrad, corporate staff may be a little bit misleading. I mean these are people, recruiters that work for clients. We have major contracts generally 3 to 5 years, with big tech companies who want to hire, who want us to hire thousands of people for them. So I mean this is absolutely exciting. Clients contract, they need more people, then we need more people to do the work. So that's as simple as it gets.

Q - Konrad Zomer: And the fact that it's accretive on a group margin basis, that is acceptable given the scalability of this business.

A - Henry Schirmer: No, no, sorry, that's not the case. It's accretive.

Q - Konrad Zomer: Oh, it's accretive. Okay, sorry, I misheard it. Sorry.

A - Henry Schirmer: Yes. No, it's absolutely accretive.

A - Sander van 't Noordende: We are in business, yes.

A - Henry Schirmer: Yes. No, we're driving EBITA margins up with it.

Q - Hans Pluijgers: Good morning all, first, a question on France. Still, again, a good development, slight acceleration. Could you maybe, talk us a little bit through the quarter what you saw that through the quarter, and acceleration in trend? And how do you believe, let's say, you behave compared to competitors, still good gain in market share? Or do you see, let's say, competitors becoming more active there?

Then secondly, you indicated in the U.S. that you saw that candid shortage really started to kick in, having an impact. How do you see that reflected? Do you see, let's say, more indeed the assignment period becoming shorter or time to hire or wage inflation pick up. Could you maybe give some feeling on that?

And then last, my question in general on wage inflation, how do you see it develop? So from, let's say, the total increase in organic sales which part, could you maybe say in which part was driven by wage inflation? And in general, what do you see, let's say, the trend in price. In the previous quarter, you gave some indication that price wasn't, tend to be stable. But how do you see that in Q1? There's no remark on that in the press release more or unless I missed it.

A - Henry Schirmer: Yes. So Hans, thanks for the questions. Let me start off with France. We're very proud of our French team. They're doing very well in the market overall, also competitively and there's no reason for us to believe that should abate. Really driving productivity up, which, of course, I have a big interest in, we all have. But it's also very, very balanced. Also, by the way, they also had a bit of an automotive impact. We didn't mention it because it was probably slightly lower than what we've mentioned in Germany.

But in that context, they're doing very, very well. As far as the U.S. is concerned, super strong quarter, not just a quarter. They are really on a role. They have taken all the early investments we've made and really turning that into a very, very attractive top and bottom line. You've seen the EBITA margin coming through 6.3%. And also there, we're very, very proud of that performance.

As far as wage inflation is concerned, yes, I mean I'd like to kind of stick to our statements that we see what you see. Of course, we have a little more data underlying, but U.S. is probably much closer to the market, and we see it more pronounced with Europe lagging because probably more unionized structures.

And most important for us is we do successfully price for wage inflation. That comes in 2 buckets. One is really just inflation part of it, but also we are successfully applying our value-based pricing tools where we price for scarcity, and it takes a little bit longer to find the talent. We also get a good fee for it. So hope that somehow is answering your question.

Q - Hans Pluijgers: Well, maybe just a follow-up on the U.S. I specifically referred to the candidate shortage remark you made. How is this reflected in your numbers? Could you give maybe some feeling on that? Is it time to hire increasing? Or is the average assignment period coming shorter. And on wage inflation, I hear what you're saying, but maybe you get some feeling on that compared to the previous quarter. Is wage now a bigger part of your revenue growth compared to previous quarters? Or is there not really material change in that in the total composition for wage and volume.

A - Henry Schirmer: Yes. no, look, I don't think we see material change sequentially in wage inflation. It's pretty stable. We really need to be all slightly careful. We read a lot of high inflation numbers, which, of course, comes from energy prices and food prices, etcetera, we see dramatically lower numbers in wage inflation in general. How does labor scarcity come into the fore? It might sound strange, but it's why we exist. I mean, we are not bringing, most of the people we're not bringing for an unemployed position into a job. Most of the transactions we are involved in is actually people going kind of with internal mobility or external mobility, there's a lot of reskilling efforts going on, and we are just in the mix and being a good partner for our clients there. The time to fill might increase a little bit in some pockets of our business, but that is well compensated by an appropriate fee we're charging forward. So overall, we are actually pleased with the current development because it makes our services hotter than they've probably been for a very, very long time.

Q - Oscar Val Mas: Good morning Sander and Henry, I have 2 questions. The first one is going back to RPO and Sourceright, you talked about the €80 million run rate in Q1. Can you just remind us how large that, how big that was in 2019? And then also to clarify, so it's accretive on EBIT margins. Could you comment on the ICR for RPO? That's the first question.

Then the second question is again going back to the U.S. You talked about employee shortages. Could you just comment on the difference between professionals and the more light industrial kind of a temp staffing. If you look at the numbers, it seems like temp staffing has also improved in Q1. Could you comment if you've seen an improvement in the, I guess, employee scarcity side on the industrial side in the U.S.

A - Henry Schirmer: Yes. So on RPO, I cannot tell you what 2019 was. We have Bisera and Akshay will reach out to you. We have very strong growth, 125%. I'd rather not giving you an ICR on that number, but I'd like to really reiterate that it's EBITA accretive business for us. So we have a good conversion. And it's also probably fair to say with an increasing size, we are getting more appetite to funding even more synergies in it. So overall, very, very happy with it.

U.S., yes, the scarcity, I think my U.S. colleagues will probably have kind of an even more differentiated look at it. But we see actually scarcity across the board. Of course, everything which starts with technology, has been very, very rare and continues to do. But also now in many, many other jobs in blue collar, we see exactly the same. And I think it plays in our cards because we have really, really good insights into where to find talent, how to attract them. And we find it not very, very hard to kind of find talent and matching them into jobs.

A - Sander van 't Noordende: No. And maybe to add to that, Henry, our U.S. Technologies business was growing in the mid-teens as well in Q1. So that doesn't suggest any challenge or doesn't suggest challenges to find the right talent. Let me put it like that.

Q - Thomas Truckle: Thomas Truckle here with Jefferies, standing in for Kean Marden. I just had 2 questions, if I may. Obviously, earlier, you commented on the impact on Germany from supply chain disruption, particularly around the automotive sector. I was wondering if you could perhaps comment on what you've been hearing, perhaps some of your clients in those areas as to how their automotive outlook appears from here, whether there's continued supply chain disruption or if they're feeling more optimistic based on order backlogs or otherwise?

And then my second question relates to that, but it's more broadly based on the Russian-Ukraine situation. Have you seen any other impacts on Eastern European geographies? Or is it largely centered around Germany?

A - Henry Schirmer: Thomas, thanks for the questions. German automotive, just to bring it back a little bit to our exposure of automotive in general. For the total group, we're probably in the range of 5% to 10%, but it's probably on the lower end of it. So it's not very, very big and growing with about 14% in there.

German automotive is still at 19% and we've seen strong growth in quarter 1. It's only that the growth could have been even stronger. We have, of course, a very, very close link to the industry. And we've seen that there was 1 particular part missing, which is the cable trees, where currently 80% of the world's supply comes from Ukraine and they are now all kind of strangling to create new sources of supply, which goes what I've heard quite positive. So we've seen some of our clients starting rehiring already. But take it with a pinch of salt, I don't want you to kind of take that as a clear victory of it. But it's definitely, it feels like we've seen the deep point already. I hope that was helpful, Thomas.

A - Sander van 't Noordende:I would say if there are no further questions, let's say a big thank you to the full Randstad team across the globe for doing a great job this quarter and wrap up the call, and thank you very much. See you next time.

A - Henry Schirmer: Thank you so much, everybody.