# Randstad Q4 2022 Earnings Call - 14 February 2023 09.00 am CET

Sander van 't Noordende: Thank you very much Marian for that introduction. Good morning, everybody and Happy Valentine's Day. I'm here with Henry, and Bisera and Akshay from Investor Relations and I am pleased to share our Q4 and Full Year results with you.

Overall, Randstad delivered an outstanding performance in 2022. Our business is more diversified today than ever, and we're really seeing the benefits of a higher proportion of Professionals, perm and RPO in our mix compared to historic levels.

Our performance in the full year was underpinned by solid levels of demand from clients and talent scarcity. The improvements we delivered in profitability and margin are evidence of our firm focus on cost management, value-based pricing and business mix.

The economic environment softened across our markets in the fourth quarter, which translated into lower hiring activities from our clients. Having said that, we have delivered a good set of results in the fourth quarter, with solid growth and strong profitability.

Revenue growth for the quarter was 2.4%. Our Inhouse business grew by 6%, Professionals by 7%, and RPO by 17%. Gross profit grew by 3% and we delivered a strong gross margin of 20.8% in the quarter. This was driven by pricing discipline as well as the changing business mix, with around 19% of gross profit generated by perm and RPO combined. EBITA came in at 364 million euros for the quarter, with a strong EBITA margin of 5.2%.

The slowdown we experienced in client activities in the fourth quarter continued into 2023. Our January organic revenue was modestly down year over year. Looking ahead to Q1, we remain vigilant about the macroeconomic situation in our markets. However, I am confident that our deep understanding of talent and clients, together with our market insights, and our operational agility and flexibility, position us well to navigate the current macroeconomic environment.

Based on our performance and our strong balance sheet at the end of 2022, we propose to return around 921 million euros of capital to our shareholders. The regular dividend will be 2.85 euro per share and we also intend to buy back shares of around 400 million euros.

This proposal is in line with our policy and we believe it strikes the right balance between our confidence in the business and providing flexibility to achieve our long-term strategy, whilst respecting the importance of reliable and attractive capital return for our shareholders.

Let me say a few words about our leadership journey. Last week we met for the first time with the complete new leadership team and we had great energy in the room.

First of all, I am excited that Jorge Vazquez will be our new CFO. As our Controller and Head of Strategy for the past 5 years Jorge has been instrumental in getting to where we are today. And it's not only that which qualifies him as our new CFO, he is also a strong carrier of our Randstad culture, which is a key differentiator for us in the marketplace. Jorge has a real Randstad heart.

I would like to thank Henry for his commitment and leadership to Randstad over the past five years, leading to outstanding revenue, profitability and value creation.

Myriam Beatove has been very effective as our CHRO from day 1 and I am absolutely pleased that the Supervisory Board has decided to propose her as a member of the Executive Board.

As you may have seen in January, we announced a number of exciting new appointments to our Executive Leadership Team. Kajetan Slonina for Randstad Asia Pacific, Traci Fiatte will look after Randstad North America, and Venu Lambu, joining us from LTIMindtree, will lead Randstad Technologies.

Finally, we announce today that Herman Nijns, who currently leads Belgium and the Nordics will be our Chief Executive for Southern Europe and Latin America.

So we now have the full team and we are embarking on our journey to become the most equitable and specialized talent company in the world.

So what does this mean? The concept that is at the heart of our ambition is to be a 'partner for talent'.

For our clients this means that we will be an integral partner in defining and executing their talent agenda. We will build on the deep and long lasting relationships with our clients and become even more important to their operations  by providing more end-to-end solutions.

For our talent, "Partner for talent" means that we will add more value to them as they navigate their careers. We will engage with them more, building relationships for the long-term. We will become an even greater talent destination.

Underpinning all of this is our continuing journey to build the best talent delivery engine in the world. One that is specialized, be it in operations, commercial, technology or public. One that is digital, using the best technology to serve clients and talents. And one that is equitable working with all talent communities. One that people can trust and provides fair opportunities to people from all backgrounds. Because creating a wider and more diverse talent pool is not only the right thing to do, it is also a business imperative.

So we are on our way to a new and exciting future for Randstad! I cannot say how excited I am with the energy in the entire Randstad team to make this happen in a thoughtful yet deliberate way.

Of course this all starts with the energy to keep performing like we have done in 2022. And then there is also the energy to progress and make Randstad a better business in the round: for our talents, clients, our team members and our shareholders.

So each ELT member is making their plans with their teams, and at the same time they are laser-focused on delivering a strong performance. We will of course keep you updated, as we continue on our journey.

Finally, I am very excited that at our upcoming AGM we will be welcoming 3 new Supervisory Board members: Laurence Debroux, Cees 't Hart and Jeroen Drost. I am convinced that each of them will have a strong contribution to the future of Randstad.

Let me now hand over to Henry to present the results in more detail.

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Henry Schirmer: Thank you Sander. Good Morning everybody. I am excited to report back on our fourth quarter results. Let me start with walking you through the performance of our key regions first.

We start with North America which reported revenue growth of -5%. Perm was down 12% and talent scarcity continues to be a driving factor in this market, to an extent also reflected in low unemployment rates. On the other hand, in Q4 we saw a slowdown in demand, driven by deteriorating macroeconomic conditions. In line with our field steering model, we have taken actions in terms of headcount adjustments to safeguard our profitability.

US Staffing & Inhouse declined by 10% year over year, driven by softening demand in sectors such as manufacturing, transportation & distribution, along with other administrative (support) profiles.

US Professionals grew by 1% year over year, performing especially well in our technologies business that focus on IT and engineering profiles.

Canada was stable in Q4 in a pretty similar landscape as compared to the US.

The North American EBITA margin showed up with 6.4%, up 10 basis points compared to last year.

On a full year basis, North America grew its revenue by 6% year over year, and delivered a good profitability of 6.4%, which is in fact 120 basis points higher year over year, a really strong performance.

France delivered organic revenue growth of 4% year over year and our professionals business delivered strong growth of 19%, predominantly driven by our healthcare business. In addition, our perm business also performed strongly up 20%.

On the other hand, Staffing and Inhouse was slightly down year over year. This was particularly reflected in the logistics and manufacturing sectors.

France ended the quarter with a strong EBITA margin at 6.4%.

Turning over the page to the Netherlands which delivered another solid quarter with strong profitability. Overall revenue grew 2%, benefiting from continuously strong perm growth of 30%. Our professionals business also continued its strong performance, up 21% year over year. Staffing & Inhouse revenue was down 2% feeling the impact of slightly softer client activity in the logistics sector.The Netherlands EBITA margin came in strongly at 6.1%, well above the group average.

Italy revenue grew by a strong 4% year over year, again with excellent profitability. Perm also continued to grow, albeit at a lower rate of 11% year over year.

Italy ended the quarter with an exceptionally strong EBITA margin at 8%, a 140 basis points increase year over year. I must say however, we do not assume that high EBITA margin going forward into the future. So we apply some caution to project those high margins into the future.

Italy has done a remarkable job in the past quarters and years and is now our fourth largest market, with 2.2 billion euro revenue accompanied with a strong 7.2% EBITA margin on a full year basis. Really well done Italy!

Germany continued to perform very well in the quarter. Revenue was up 9%, Perm continued to hold up strongly growing 40% and Professionals continued on their growth path and delivered 9% growth. Also Staffing & Inhouse grew 9% year over year.

Our German business continues its efforts to structurally improve profitability, focusing on value-based pricing and cost management and it clearly shows up in much improved numbers. EBITA margin for the quarter came in at 3.9%, 70 basis points up compared to last year.

Belgium reported a slight decline of 2% in its revenue. Staffing & Inhouse revenue were 5% down. Perm was solid in Q4 and Hudson performed well in the quarter.

Ebita margin came in at 4.2%, which is not the profitability we have in mind for Belgium going forward and we are confident that the team is addressing that going forward.

Spain saw its revenue declining by 4% in the fourth quarter driven by our staffing and inhouse business. Despite that, we still saw pockets of growth in Spain, in Perm, Professionals and outsourcing.

Portugal continued to do well, with 6% growth in the quarter and overall EBITA margin came in strongly at 6.5%, reflecting our efforts of value based pricing initiatives.

The rest of Europe again contributed to a solid quarter with 7% growth. In particular, our inhouse concept grew steadily in the fourth quarter.

The UK and the Nordics each reported overall growth of 6%. Switzerland was up with 1% and Poland grew its topline with 7% year over year.

Overall, we ended the quarter with a solid EBITA margin of 3.5%, 40 basis points up compared to last year.

And that brings me to the Rest of the world, which also continues to do very well with 10% profitable growth year over year.

Let me start with Japan that showed a strong performance, with broad based 11% growth. Australia & New Zealand delivered good growth, up 8% and India grew by 15%, continuing its successful journey adding more and more recurring, profitable business to its portfolio. Argentina and Brazil stayed in very good growth momentum, Overall in LATAM we reported 16% growth in the quarter.

Ebita margin for this part of the portfolio was 5.3% in Q4. 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, our Global businesses reported a solid 5% growth. Main driver continued to be our Randstad Sourceright business that grew 7% in the quarter reflecting a solid demand in RPO. Monster revenue was down 12%, largely affected by a slowdown in demand, driven by macro economic developments.

Ebita margin came in at 3.8% in the fourth quarter, 10 basis point up year over year.

OK, that concludes the performance of our key geographies. I am now excited to walk you through our group's financial performance on page 13.

Here we go, we have the right chart. As you have picked up already, we delivered a solid topline with strong profitability in the fourth quarter. Revenue growth came in at 2% mainly carried by our Inhouse and Professionals businesses with 6% and 7% growth respectively. RPO continued to grow by 17% albeit at a slower pace. And also our Staffing and Perm businesses held up steadily with -1% and +1% growth year over year.

Overall growth rates slowed down sequentially across most of our markets, with the exception of the Netherlands, Germany, Japan and Latam. This slowdown reflects a deteriorating macroeconomic environment, as well as somewhat tougher year over year comps, as last year we reported our record Q4 quarter, supported by a consumer demand peak that affected e-commerce and logistics businesses.

Gross margin was strong at 20.8%, a 40 basis points improvement year over year. Portfolio diversification and our ability to price appropriately for our increasingly differentiated services contributed to our margin expansion. Perm and RPO jointly represent about 19% of group gross profit in Q4.

Sequentially, operational expenditure decreased by 38 million euro organically, representing a continuation of our very focussed and disciplined investment approach. EBITA for the quarter came in at 364 million euros with a 5.2% EBITA margin, an improvement of 20 basis points compared to last year. Integration and one offs account for 68 million cost this quarter, mainly reflecting integration costs from our recent acquisitions and necessary adjustments of operational structures across some geographies.

And lastly on that page, the reported effective tax rate was 17.5% for the full year 2022. This tax rate was influenced by an exceptional tax benefit in the fourth quarter of 97 million euro, which related to the reassessment of the valuation of our tax loss carry forward position in Luxembourg. In 2023, we expect ETR to be between 24% and 26%.

Let me take this moment to also briefly reflect back on our achievements since the end of 2019. Whilst the world got tremendously impacted by COVID at the start of 2020, we at Randstad have shown our adaptability and agility to steer the business through uncertain and volatile times. At the same time, we stayed close to our clients and talents, which enabled us to make the right investment decisions to grow our business in a profitable way. As a result, our business is more diversified today than ever, with a higher proportion of Inhouse, Professionals, perm and RPO in the mix. Randstad delivered an outstanding performance in 2022, across many dimensions. Since 2019, we have added 3.8 billion euro revenue, around 1 billion euro gross profit and around 200 million euro incremental EBITA. We have further strengthened our balance sheet and reduced our leverage and we believe that we continue to be strongly positioned to leverage structural labor market trends.

With that, let's go a bit deeper with our Gross Margin bridge on page 14.

The Gross Margin improved a further 40 basis point to 20.8% for the quarter. Our temp margin increased by 15 basis points, Perm margin contributed also 15 basis points and HR solutions incl RPO added 10 basis points gross margin increase year over year.

On a full year basis, our gross margin reached 20.9%, an increase of 110 basis points year over year. This is a reflection of our value based pricing approach, the benefit from strong growth in Perm and RPO and our overall effort to improve our mix of activities. Be it geographies, concepts, end markets and customers.

We can't emphasize enough how much focus we put on our ability to price appropriately. Structural talent scarcity and unprecedented inflation is presenting a challenge not seen before in our market. We turn that challenge into opportunity, utilizing bespoke market insights across geographies, concepts and client groups which in turn delivers significant value for our talents and clients and ends up creating upside for our P&L.

And we now turn to page 15 to talk about our operational expenses.

OPEX came in at 1 billion 93 million euro, 38m lower sequentially excluding the impact of Forex and M&A.

Opex as % of revenue has been trimmed down 60 basis points sequentially, mainly as a result of Personnel expenses decreasing by 2% in the fourth quarter.

The average headcount number has decreased throughout the quarter, a net reduction of 910 FTEs and the Dec exit rate for FTEs was well below the Q4 average.

As mentioned earlier, excellence in field steering and conversion is a non-negotiable operating principle at Randstad. Given the uniqueness of the current market environment it goes without saying, that we are staying extremely close to our customers and volume developments. Disciplined cost management, flexibility of the cost-base and the ability to react fast to new developments comes at a premium.

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 at 294 million euros. On a full year basis, we have generated free cash flow of 739 million euros, which is 149 million higher year over year. This increase is mainly a function of an improvement of our full year EBITDA, lower investment in working capital year over year, partly offset by somewhat higher tax payments. DSO was 52.9, 1.3 days up year over year.

The very solid Q4 top and bottom line performance concluded an outstanding year for randstad, expanding our revenue line to over 27.6 billion, generating an adjusted EBITA of 1.3 billion, yielding a 17.9% return on capital employed and an EPS increase of 30% year over year.

As you know, we always first want to focus on a strong finish to the year before talking about dividends. Looking at our balance sheet at the end of the year with 272 million of net debt, a leverage of 0.2 excluding IFRS 16 accounting, our capital requirements to support our business in an ongoing volatile business environment, we do see space to provide for an attractive dividend including additional capital returns to our shareholders.

In line with our capital allocation policy, we propose, subject to shareholder approval, a regular dividend per ordinary share of 2.85 euro. This equates to 50% of adjusted net income. We also intend to buy back around 400 million euro worth of ordinary shares over a period of 17 months, starting end of April 2023. In total, we propose to return around 921 million euro worth of capital over book-year 2022 to our shareholders.

As Sander also mentioned, we believe that this proposal strikes the right balance between our prudency and confidence in the business, and it provides flexibility to achieve our long-term strategy. With our 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.

And that brings me to my last chart, the outlook on slide 17.

Let me first start with the activity momentum. The Macro economic environment continued to soften across our markets in Q4 2022, translating into lower hiring activities from our clients.

We saw a softening in temporary placements towards the end of the fourth quarter. This trend has continued into the start of 2023. On the other hand, RPO and perm delivered robust growth in January contributing positively to gross profit and gross margin. This showcases the strength of our diversified portfolio mix.

We expect Q1 2023 gross margin and opex both to be broadly in line sequentially. And there will be a positive 0.3 working day impact in Q1 2023.

As I have mentioned earlier, we have a disciplined cost management approach, and have already taken cost actions in parts of the business where customer activity is moderating.
As you know we have a highly experienced leadership team in place who demonstrated over many years and yet again in quarter four, that speed and agility are non negotiable cornerstones of our field

steering model. In addition we successfully built our portfolio for resilience. But we are here to play to win. Our customers and talents need more support than ever and we have never been better positioned to continue to win in the marketplace.

Then, before I hand over to the operator, let me highlight some upcoming reporting changes that you can expect from us ahead of the publication of our quarter one 2023 results. As explained by Sander, we have a new Executive Leadership team, effective as of the 1st of January 2023. This new leadership structure will lead to some adjustments in our external segment reporting, and therefore also in our quarterly reports. We will report four regions, being North America, Northern Europe, Southern Europe, UK & Latin America, and Asia Pacific. And we will continue to report on our Global Businesses segment. We will provide a comparable set of numbers for 2022 on a quarterly basis, well ahead of the publication of our quarter 1 2023 results in April.

On a personal note, this is my 20th and last results call. I don't want to miss the opportunity to thank all analysts on this call for your support and professional challenge. To all investors, thanks a lot for your trust in our ability to provide a decent return on your investments, to our competitors - we honor and respect you and to all my colleagues who help every quarter to deliver outstanding numbers and make those calls relatively easy. Thanks a lot !!

Well, that concludes our prepared remarks and we are now looking forward to taking your questions - Operator?!

## Q&A

Q - Suhasini Varanasi: Hi. Good morning. Three from me, please. If you look at the exit rate in January, can you please help us understand the key countries or verticals that saw incremental slowdown? And any general sentiment or feedback from your clients at this point? Second question is on the year-end headcount, and the FTE was below the Q4 average rate. What was the number please at the quarter end? And do you plan further reductions in 1Q? And maybe just the last one. What do you have for wage inflation generally for 2023, for your own cost base? Thank you.

A - Henry Schirmer: Sander, do you want to take maybe the first one on kind of which areas? I can also kind of lead into that. Or let me first take the second and the third one. So FTE exit rates. Because that is very, very important. So you've seen that quarter-over-quarter, we have 910 FTEs, lower employment rate. That does actually exclude the impact of M&A we have in there. And when you look at exit to exit, so exit December, exit September, that amount is more than double that. So that might give you a bit of an indication of where we are. And it's probably also not a surprise that we see employment in January dropping a little bit further.

As far as wage inflation is concerned, I must say the last couple of quarters, it's pretty stable. I mean we always look at the hourly rate reported in the US. I think it's 4.7% currently, inflation, in there. I said before because we're working on the sort of the hard edge on that market for people changing jobs, we see that to be a touch higher. And that has not increased further. Europe is following on that one at a lower pace. And therefore, so kind of 5% mark as a rule of thumb is not kind of a bad number to apply. On the first one, I mean, there's, in general, a softening of volumes going down. But most importantly, it's in the background of an extremely robust labor market. And it's just, I think, the natural impact we've expected to see from companies may be looking into hiring with a bit more prudence in there. But the labor market, unemployment rates, you've all seen that is actually as forth as it was. So, therefore, I don't want to highlight special segments in there because it's also kind of year-over-year effects and so forth. So I don't want to read too much into special segments now.

A - Sander van 't Noordende: Shall I maybe add to that, Henry. I've talked to a lot of clients over the past four weeks. And first of all, the spirit is a lot more optimistic than I was expecting coming out of last year. So that's very encouraging. The other thing is there's light at the end of the tunnel. The PMIs are coming up a little bit. Inflation is coming down. Europe has escaped a recession in Q4. So I think, let's say, it feels like the macro environment is bottoming out. But of course, time will tell.

Q - Sylvia Barker: Thank you. Hi, morning. Three from me as well. Just first of all, on profit. So can you talk a little bit more about the restructuring included in that 66 million of one-offs? Which regions did that go into? How much of that 66 million was the restructuring versus the integration costs? And then on other margin impact. So the central costs stepped down quite a lot year-on-year in the fourth quarter. What should we expect for the central costs going forward into 2023? Is there anything to highlight there?

And then finally, on the exit rate in January. So it sounds like RPO and perm were still positive-ish in January. And then the volumes, therefore, in Staffing were probably down mid-single digits or worse. Could you comment if that shape is roughly correct? And also, how much of that was logistics and how much was other parts of Staffing? Thank you.

A - Henry Schirmer: All right. Let me go in and then Sander, of course, feel free to chime in. So on the first one, I'm more than happy to shed a bit of light in there. We had, of that number you were talking about, there's 24 million of integration expenses, which is due to three acquisitions we've made. One is Finite in Australia. The other one, Cella acquisition in the US and then a side business in France. So it's 24 million. And then the remaining 44 million is, one third of that is due to a restructuring in Germany, and the rest is pretty much a mixed bag of smaller expenses we have taken to, in a way, to promote and support a very agile adjustment of the cost base. On the central costs, the OPEX, look, we steer the business on actuals and do a lot of scenario planning to ensure swift execution of any of those scenarios based on the data we see. Our guidance for OPEX for the quarter is a mixed bag of actions we are taking to ensure we have appropriate capacity in the market. And also, of course, taking into account inflation we see in our own cost base. So therefore, we said the best guidance we can give is to guide broadly in line, but it goes without saying that we are extremely sharp on costs as we speak. And then the exit rate, I think you nailed it. RPO, perm, relatively robust as we see volumes deteriorating more on the Staffing part, and the number you quote is about right.

A - Sander van 't Noordende: Yeah, maybe a bit more color on the industries. Industries that have done well in Q4, public health and education and automotive. Manufacturing, transport and distribution, I would say, flattish, and that's a big chunk of our business, as you are well aware. The challenges were more on the clerical side of the house, in business and IT services and financial services.

Q - Sylvia Barker: Okay. Thank you. And on the smaller kind of restructuring expenses, should we pencil more in for 2023 as well?

A - Henry Schirmer: No, not out of the ordinary. I mean we take action if we have to. But nothing I want to kind of highlight at this point in time.

Q - Marc Zwartsenburg: Yes, good morning. Thank you for taking my questions. First of all, on the share buyback. It's spreading over 17 months. So it also overlaps a bit with the year-end next year. So how should we read this, Henry? Because yeah, how should we then think about the capital return based on the results of next year? I know it's a bit early, but yeah, it's..

A - Sander van 't Noordende: Yeah. We always want to produce strong results first and then talk about capital allocation. You know that.

A - Henry Schirmer: Marc. Thanks for the question. The way it will be executed is, of course, we will report back on a weekly basis on our website, how much of the share buyback is being executed. And should we be in a position to have more capital recurrence by way of share buybacks in the next year, we would then just announce that. We say, hey, we've, I don't know, executed X percent. We make a proposal for more and then just be super transparent of what we do.

The 17 months is also in there because we have AGM authorization forward. Of course, we're proposing it to the AGM again but that is why 17 months, and it provides a touch more flexibility.

Q - Marc Zwartsenburg: Okay. So if it's not fully executed by next year, you can just simply add to that based on what you reported?

A - Henry Schirmer: Yeah. Should that be the case, absolutely. But Sander is, of course, right. Yeah, that's exactly the case.

Q - Marc Zwartsenburg: And then maybe also the capital return, the more than 900 million is more than your free cash flow by around 200. How should we read that also in relation to M&A in the pipeline there? Because I can imagine that prices are maybe, have come down a bit. It's probably easy to strike a deal when the economy is a bit more shaky. But it doesn't reflect in the capital return actually, higher than the free cash flow. So basically, it eats a bit into what you can do there.

A - Henry Schirmer: Yeah, absolutely. I mean, when we do capital allocation decisions, then of course, the first look is always to support our organic growth, our strategy, and what we potentially have in mind as far as M&A is concerned. We are predominantly, as part of us, actually will continue to grow organically, but supported by programmatic M&A, as we always said. And with that kind of proposal, we have everything we want to do as far as firepower is concerned. Why more than cash flow generated? It's just a function of starting that consideration with a kind of low leverage ratio of 0.2. So that is the main reason.

Q - Marc Zwartsenburg: Okay, clear. And then another one, if I may squeeze it in. The corporate staff in global businesses, quite a bit down in Q4. Also, if you look at the temp staffing in that business, how should we read into that cause, yeah, I thought we had a growing path there with also more clients onboarded, et cetera. So is that a reflection of macro or is it seasonality? Or is it something else?

A - Sander van 't Noordende: That's primarily our RPO business, Marc, and a bit of restructuring in Monster. Obviously, as in our business, in general, in RPO, we need to go up and down with demand. Demand and hirings and postings have come down a little bit. So we have reduced the team size. I would say, I'm absolutely optimistic about RPO as a business because obviously, we look at our pipeline, and our pipeline at this point in time is actually up by almost 20% compared to last year. And there are more bigger deals in the pipe, which we are strongly positioned for. So I'm confident that, that business will continue to do well for us. And the interesting thing there is that when I talk to our clients, and I was talking to a few CHROs over the past couple of weeks, they say, well, we had to restructure a little bit on our site, including in our HR and recruiting team. So next time, we need to build back better, to use a phrase that's popular in the United States, and build in more flexibility in our recruiting teams. And that, of course, is an opportunity for our RPO business. So that's the story behind those numbers, Marc.

Q - Marc Zwartsenburg: So more temporary yeah, sort of soft...

A - Sander van 't Noordende: Supply and demand.

Q - Marc Zwartsenburg: stronger pipeline behind it. Okay. Thank you very much and Henry, thank you very much, but we'll definitely speak. And good luck to Jorge.

Q - Anvesh Agarwal: Hi, good morning. I got three questions. Just two on the leadership and the executive committee changes. So Henry, first of all, congratulations on your stint. Maybe if you want to sort of drive a bit more in detail, why do you think this is a natural moment of transition and sort of what drove that decision for you? And Sander, just following on that, we have seen a number of executive committee changes since you have taken over. Maybe if you want to throw some light on why you're driving that decision, what's driving the change in the reporting going forward? That would be great. And the third question is SG&A related. So you're sort of guiding to a flat SG&A sequentially and the FTE headcount is clearly lower going into the quarter. And I mean you commented, January was even lower. I mean then why would SG&A be flat and not down going forward?

A - Henry Schirmer: Let me start with the first one. Thanks for your question, Anvesh. Look, we all picked up, we're in the process of forming a new executive leadership team. And that always forms a very natural moment to look at handover opportunities, and especially the opportunity to bring somebody in the job who has an excellent track record in the company, I personally worked with, in this position as controller, strategist and as a very close friend. And one day, I said internally, I will look back on my time at Randstad, and they will probably fill me with the biggest pride and joy to see Jorge taking the reins. It's not more or less complicated than that. Having that natural moment has been a billion process internally, together with the Supervisory Board, together with Sander and I could not be more happy to kind of seeing Joorge taking over. And he will be kind of an excellent addition to the job to the leadership team.

A - Sander van 't Noordende: On the executive leadership changes, we're setting out to become the world's most specialized and equitable talent company. So we are all about talent. That means a number of things, Anvesh. First of all, we have to become a talent destination. That's why we have appointed Marc-Etienne Julien as our Chief Talent Officer. Then for our clients, we want to be more of an end-to-end partner, especially in the enterprise segment. And that has resulted in the appointment of Mike Smith looking after all our large clients, including the RPO activities that we do in that segment. And that has resulted in the appointment of Venu Lambu, who joined us from LTI Mindtree and before that from Cognizant to look after our technology business.

Then we want to stay extremely close to our clients also in our regions. We have decided to appoint four regional leaders, two for Europe, North Europe and South Europe, one for North America and one for APAC. Then we want to build the most effective and efficient talent delivery engine in the world, building on what we already have, of course, because we are already a great engine. That's why we have appointed Jesus Echevarria to be our Global Client Delivery Officer. So you can see the roles clearly align with the strategy. Also on the functional side of the house, we have appointed our new CHRO, who will now be joining the Executive Board. And of course, our new CIO and our CMO, who was already in the role. So you can see a somewhat broader leadership team to reflect the way we're going to execute on our strategy.

A - Henry Schirmer: Then the last one was the question, OPEX. I mean I talked about it before. I mean, it's a mixed bag taking into account, of course, we see headcounts coming down and with it the cost. But we also have wage inflation in our numbers. It's very early days to see our gross margins coming through, albeit that we are very bullish about it. But yeah, take the guidance broadly in line on gross margin and OPEX as a signal that we stay as we always do, extremely close to get the balance right between those two, depending on the mix coming in, looking at our weekly volume data and then taking actions if we have to. So that is the long and short of it, Anvesh.

Q - Anvesh Agarwal: That's all very clear. If I can just sort of sneak in one more quickly. You are doing sort of reporting changes and you will be reporting on a regional structure. But will we continue to get country-level commentary on the organic growth going forward or not?

A - Henry Schirmer: Yeah, for sure. We're absolutely following IFRS standards in that, and we'll shine a light on the most significant parts of our business. Absolutely.

Q - Andy Grobler: Hi, good morning. Just a couple from me, if I may. Firstly, on pricing, can you just talk through the kind of the underlying pricing dynamics through Q4 and into the beginning of this year, particularly where you really have a differentiated service, and that focus on talent, is beginning to play through in terms of pricing? And then secondly, for Italy, the margin was very strong. You mentioned that you didn't expect that margin to continue. Can you kind of talk through why it was so high and why you expect it to fall from here? Thank you.

A - Henry Schirmer: Yeah, absolutely. So on pricing, Andy, we spoke about it before. We have a very detailed price monitor in place to make sure that on more than 300 job country combinations, we are tracking the right price. Looking at input costs, we have, so the hourly rates, our talents rightfully being paid. And then on top of that, we look into scarcity in the market and the effort required to find talent. And all of that, we are pricing for, successfully, as we again see in quarter four. But that's not where the story ends because we are kind of an extremely talented and customer-oriented organization. So we're not just putting that problem to our customers but we are then developing, with our customer strategies to mitigate their wage inflation costs. And in that part, we also play a role. So on one hand, the heart knows the business people, pricing well, on the other hand, also softening the impact. I think it's too early to say that there's any change between what we see, early days in the first quarter compared to quarter four. For me, it's probably quite surprising, that 5% rate, I was alluding to, stays pretty stable, which I find is good news. The market is learning to deal with it. And with hopefully, inflation coming down, overall inflation coming down, also the pressure on price will probably wane a little bit going forward. As far as Italy is concerned, look, you hopefully have taken out of my remarks, how much appreciation we have for the Italian team, our Italian business, and the journey they've made. When I started five years ago, one of the first quarters, we celebrated Italy to become a member of the 100 million EBITA club. That is probably 150 million or something like that. And it's just an outstanding job those guys and girls have done. And that's kind of a few smaller releases in there. I just want to take the pressure a little bit from the shoulders to keep on improving profit because I think there is so much more volume to be had in the market. So finding the right balance between volume and price will be key because we are very bullish on the prospects of Italy in general.

Q - Andy Grobler: Okay. And lastly, Henry, thank you for all your help over the years and good luck in the future.

A - Henry Schirmer: Thank you so much, Andy. Thanks for your last report. Very much appreciate it.

Q - Paul Sullivan: Yeah. Good morning, everyone. Three for me. Firstly, can you just talk about the revenue comp base as or remind us of the revenue comp basis you went through in the first quarter last year? And just to clarify, is the 5% wage inflation that you mentioned, Henry, is that internal or external or even both? And then Sander, just coming back on the management changes. I mean, quite a lot of change. Can you talk about what we should expect to see in terms of any change in operational performance or financial performance from that? What are the needs we should be looking out for in terms of KPIs to see whether this is having a positive impact on the business? And then finally, Henry, as this is your last call, are there any final takeaways, thoughts, or even frustrations that you'd like to share with us?

A - Henry Schirmer: Yeah. Let me think about the frustration for a second. Let me start with question two, because the first one, I'll give you a chance to reformulate it. I didn't really get what you were asking. But on the wage inflation of 5%, I think it's definitely what we see outside. Inside of the company, we've actually seen inflation pretty close to zero in '22 because we have quite a churn in our industry, also in our business. So we're using that to constantly renew our pay rates on our internal staff. And of course, we try to achieve the same. We're not guiding now that we don't have wage inflation there. But when you start January, everything is fresh, most of the salary increases are landing, and therefore, also in quarter one, our guidance is probably more on the prudent side. So long story short, probably a little bit lower internally than the 5% externally.

On the first question, please shine a new light on it and try to reformulate. I didn't get it. What can I help you with?

A - Sander van 't Noordende: : The revenue comp base.

Well, whilst we're thinking about that, let me say a few things about the management changes. The management changes are here. The KPI stay the same. Revenue, gross profit, and EBITA. So that's where I would continue to look if I were you. That's all I have to say about that.

Q - Konrad Zomer: Hi, good morning. Thanks for that. First of all, thanks, Henry. I think you've developed into a very good representation of the strategy of the company, and you've built up an excellent reputation in the investment community. I've only got one question, which is on permanent placements. The rapid deterioration in the US in the fourth quarter, is that because of the supply side change or because of the demand side change? Have companies become more conservative, more cautious about the future, or is it just because there's a lack of talent? And is it fair to say that the gross margin impact in 2023 from permanent placement, it looks like it's going to be negative instead of a positive impact you saw in '22. Thanks.

A - Sander van 't Noordende: Konrad, let me say a few things about the US. So what's going well in the US, Professionals and RPO. Perm came down but is still at a pretty decent level. I would say, the main challenge these days is in the temporary market in the US, and that is pretty much across the board, so across transport and logistics and financial services and technology. So that's the situation in the US. Of course, it's always finding the right balance between delivering the profitability and the volumes and the talent scarcity. So we're navigating that environment but demand has softened a little bit in combination with talent scarcity. It's not a perfect environment, so to speak.

A - Henry Schirmer: Yeah. And maybe on the gross margin point, Konrad, by the way, thanks for your remarks. It means a lot. On gross margins, I stick to my guns and not speculate on what it is, because who knows, maybe we're ending up with a lot of permanent growth at the end of the year, and then it will be accretive for gross margin and the other way around. But whatever happens, what is really important to trust us with is that we will adjust OPEX accordingly. So actually, the conversion into EBITA, that is what all counts. And coming back to the question before, the frustration sometimes is being too one sided, looking at, just either only gross margin or only OPEX. It's always a combination, how much money are we putting into the system to generate gross profit, and therefore, how much is converting into EBITA. Coming back to Italy, Italy is converting over 40% of gross profit into EBITA. That's a shining light for us, and that is where we're constantly looking at to get the balance right between input costs, which is OPEX, and how our gross profit is being generated out of that.

A - Hans Pluijgers: Yes. Good morning, all. It's Hans, Kepler Cheuvreux. Yeah, first of all, Henry, thank you very much for the last five years. It was a pleasure working with you, and I wish you all the best. Two questions from my side. First, coming back, let's say, on the whole general market. You're disappointing at some, let's say, softening of demand. At the same time, of course, in a lot of segments are still shortage of supply. How do you see, let's say, going forward? Are we a little bit at a tipping point also on the demand side, that maybe demand is a little bit softer, but do you already see that companies are starting to fully scale back on the whole workforce? Or is it only let's say just at the beginning? Could you give maybe some feeling really what the sentiment is within your client base more, yeah, across the globe? And maybe you can just give some details by region? And one follow-up question on Italy, a detailed one. You already mentioned that the 8% was a higher level. And what do you see more as a normal profitability level for Italy in margin-wise?

A - Sander van 't Noordende: Yeah. So Hans, on the general market sentiment I just said, I would say there's light at the end of the tunnel, little lights at the end of the tunnel with the PMIs and the inflation coming down. If you look across our regions, it's fairly typical for how they work. In APAC and Latin America, we've actually have seen very good growth. In the US, businesses are always quick to respond to whatever is happening in the marketplace, both up and down. So that's what you're seeing in the US. And Europe is a little bit more delayed in its response, and that's what we're seeing in Europe. So it's fairly typical of what's happening. I will tell you there's no clear direction as of today other than that there's light at the end of the tunnel.

A - Henry Schirmer: Yeah. Hans, also in Italy, I don't want to put a number on it. I'll definitely pencil Italy in for very, very profitable units we have going forward, the right balance of outstanding market-leading growth and profitability. Maybe a touch deeper, but it's not really useful to kind of put a number.

Sander van 't Noordende: Thank you very much, Marian, for your facilitations. And before we wrap up the call I would say, thank you once again to Henry for the past five years. For doing right by our shareholders, our people and our talents and our clients, all of them, and of course, our 710,000 Randstad talents and employees for all their hard work for our clients over the past quarter. Thanks a lot.

A - Henry Schirmer: Thank you so much everybody.