Randstad Q2 2023 Earnings Call - 25 July 2023 09.00 am CET

Sander van 't Noordende: Thank you very much Priscella. Good morning, everybody. I'm here with Jorge, and Bisera and Akshay from Investor Relations. I am pleased to share our Q2 results with you.

Overall, we delivered solid results in the second quarter, however in challenging market conditions.

I am pleased with how our teams have responded to the current operating environment and the strong adaptability we have shown.

Revenue growth for the quarter was -5.1%. We have seen growth in APAC and Latam, mixed trends in Europe and a decline in North America. In terms of concepts, Inhouse and Professionals were each down 2%, Enterprise Solutions was down 5%, and Staffing was down 7% in the quarter.

We delivered a robust gross margin of 20.7%, with around 18% of gross profit generated by perm and RPO combined. We have reduced our opex by 25 million euro quarter over quarter, demonstrating focused cost management and resilience across our company. As a result, we have delivered an industry leading EBITA of 271 million euros with a solid EBITA margin of 4.2% for the quarter

Our robust balance sheet enables us to continue our strategy of disciplined investments to strengthen our offer and we were delighted to announce the acquisition of Grupo CTC earlier this month. We are excited by the opportunities in Spain and Portugal and I would like to take this opportunity to welcome our new colleagues to Randstad.

Grupo CTC is a leader in outsourced industrial, logistics, and sales & marketing services.The Spanish market is increasingly moving towards outsourcing driven by recent labour market legislation changes. This provides interesting business opportunities for us. This transaction is aligned with our strategy of complementing our existing operations with selective acquisitions that provide new growth opportunities.

The market trends we experienced in the second quarter have continued in early July, with talent scarcity and wage inflation still present. We are still cautious although our clients seem to become slightly more confident about their business going forward.

So we will invest where we see specific growth opportunities whilst continuing to adapt our organisation where needed. It's all about navigation these days.

Our positioning as 'partner for talent' clearly resonates with our clients and talent as they are looking to navigate this new world of work. Our sources of differentiation: equity, specialisation, digital and our delivery models are more and more visible in the Randstad brand. That, coupled with our experienced teams and long track-record of execution in all environments gives us confidence as we look ahead.

Perform and progress is what we do at Randstad. We are progressing well with our strategic plans and we look forward to providing an update on these during our Capital Markets Day on October 31st.

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

Jorge Vazquez: Thank you, Sander. Good Morning everyone, let me take you through the more detailed view of the results. Let me start by saying, in our book, this was a quarter to deliver adaptability. And I think we did. We delivered a solid second quarter, sector leading operating profit and profit margin, which I beleive sets us in a position of strength for the next quarters.

Context wise, Sander alluded to it as well, important to remind everyone, we reported in Q1 already, challenging macroeconomic conditions. The trend continued into the second quarter, though at a different pace per geography, and concept. Again, our portfolio today is more diversified than ever and that shows here in these results.

Also importantly, stabilising and normalising, remember after 7-8 quarters of consecutive growth, in many cases 20-30% increasing, we found ourselves in Q1 in decline and we do see now signs of that stabilisation and normalisation, that Sander called it, which is good for us to understand where we are after the pandemic.

Let us now turn to our key regions so let us start with North America on page 7.

And here we saw the softening trends we saw in the first quarter, pretty much continued in the second quarter. North American revenue, as you can see in the chart, dropped by 14%, with perm being hit the hardest with a 36% decline. Remember, after experiencing a 46% rise last year. With the great resignation, perm held up well in the previous quarters, albeit it is now coming down and in general the US labour market is known for being more dynamic and we are seeing the reflection of that.

US Staffing, puts a little more colour, so Staffing & Inhouse declined by 18%, with a softening demand across pretty much all the sectors, manufacturing perhaps hit the hardest. US Professionals' revenue was down 8% year over year and remember, Technologies make up the most significant part of our Professionals' position in North America which again is also facing challenging market conditions.

We are adapting though, we have an experienced team, we have adapted our operations and continued to do so throughout the quarter, with a net reduction of 320 FTE alone versus Q1. The EBITA margin was solid at 5.6%, significantly up from the previous quarter and showing strong adaptability for the first half of the year, close to 50% recovery ratio.

Moving on to Northern Europe on slide 8.

Our Northern European countries saw mixed growth trends. Seasonality wise, this quarter was affected more than expected in April and May, seeing a more normal return in June. This is something we saw throughout the company, particularly big in Northern Europe. So, in April and May our employees working were more affected than we had originally expected through holidays, however we were pleased to see a more normal return to seasonality in June and basically employees working back to the level that we had in March and higher than any time in the quarter in Q2.

Despite lower revenue on the back of a very hot 2022, and a slowdown in manufacturing, we protected operating profit margins as you can see, and still delivered 91 million euros, only a 5% decline in EBITA. Remember, from a comparables perspective, in many of the large markets in this region, we are clearly market leaders, well established in the largest countries, and therefore we were a critical part of the solution that the talent market needed last years on the recovery of the pandemic, so the comparables were particularly high.

In The Netherlands, revenue was down 9%, continued to be impacted by reduced covid-related business. Perm was down 17% year over year and professionals performance reflected some portfolio choices that we made, but again EBITA margin came in at a solid 5.7%, higher than the average of the group, so good profitability whilst adapting to a more regular year.

In Germany revenue was down 4%. Our German business continued its journey to sound profitability and sustainability. EBITA margin for the quarter came in at 4.0%, 170 basis points up compared to last year, that was the priority. Our combined Staffing and Inhouse Services business was down 4% impacted by softening demand again in the manufacturing sector. However, the automotive sector remained resilient, held up again with double digit growth. Pay off also of our focus in perm with solid growth of 10%, already over a record year, last year in 2022.

Belgium reported a revenue decline of 8%, similar to Q1. Belgium is one of our long established market leading businesses and has shown good adaptability, once again, one more time. EBITA margin came in at a solid 4.5%.

If we then look at other Northern European countries, they do reflect mixed trends. Let me break it down to you for reference. Nordics was down 6%, Switzerland was down 3% and Poland was up 3% year over year. Ebita margin came in at 2.4%.

Let us now move to segment Southern Europe, UK and LATAM on slide 9.

Strong results with improved revenue trends to down 1% year over year, it's still down, but already improved from Q1, despite record high last year. Good profitability of 5.5% for the region. Here it's clear, the focus remains on getting back to profitable growth asap and we already see pockets of opportunity.

Let me break down a little bit more for the key countries. France's revenue was up 2% year over year. Here is the play of our portfolio. Professionals delivered solid growth of 13%, predominantly driven by our robust healthcare business in France. This offset a decline in the staffing & inhouse and perm, but still a strong example of portfolio focus and delivery. France ended the quarter growing with an EBITA margin of 5.2%, very solid.

Italy's revenue was down 5% year over year, again driven by the overall economic slowdown. However, perm, from a very record high level last year, delivered growth of 4%. Italy ended the quarter with a strong EBITA margin of 7.1%. We keep saying these records are not to keep, but again, thank you to the team, 7.1%, excellent profitability. In Italy though, the penetration rate still offers an excellent opportunity for us to continue to drive profitable growth.

In Iberia, we see the revenue declined by 3% in the quarter, again an improvement in trend sequentially. Our focus on delivery models, supporting the improvement in trends is paying off. Staffing and in-house businesses were down 4% and perm was down 4% year over year. However, we do continue to see strong growth in Professionals and a better picture in outsourcing.

As Sander mentioned, we are very excited. Allow me to repeat it, with the announced acquisition of Grupo CTC, in Spain, for a total value of 80.5 million euros, enterprise value. Grupo CTC generated revenue of 230 million euro in 2022. This transaction, as a reminder, is aligned with our growth strategy, and we're expected to be EVA accretive within a three-year period.

Across 'other southern Europe countries, UK & Latin America, revenue and profit performance reflected our efforts to drive growth, in profitable pockets. In Latin America revenue was up 14%, and Argentina and Brazil stayed in good growth momentum throughout the quarter.

Now, let's move on to Asia-Pacific, and here, we see growth. Asia-Pacific region continued to perform well, with 5% profitable growth year over year, already though, seeing macroeconomic conditions softening. Japan showed structurally good performance, with 7% growth and sound profitability, in what is today the second largest staffing market in the world, and where we have higher ambitions. Australia & New Zealand delivered good growth, up 3%. Tech continues to see growth, supported by our increased presence with Finite, the acquisition we made last year. India grew by 10% as it continues to focus on improving the quality of its portfolio.

Overall, The EBITA margin for APAC was a very solid 5.3% in the second quarter, well above the group average.

And that brings me to Global Businesses on slide 11. The Global Businesses segment showed a decline of 6% year over year. Here we show the ability to adjust fast asap, combined now with a visible more resilient portfolio. To put it into perspective, RPO business declined by 24% year over year compared to a record prior year. RPO is feeling the effect of a slowing hiring environment from a permanent recruitment perspective. We have ramped down our programs, with a net reduction of 520 FTE versus Q1 alone. This is a significant effort, and thank you to the teams.

Looking ahead, we are very confident about the growth prospect and adaptability of our RPO business. This market continues to evolve and we are involved with the largest Fortune 500 companies in shaping the solutions of the future. We were just again recognized, if I'm not mistaken, 13 consecutive quarters as a leader by the Everest Group PEAK Matrix Assessment. This recognition underscores the depth and breadth of our solutions.

On the flip side, our outplacement offering is also unique in the market. It is fast growing, and if you remember based on our acquisition of RiseSmart in 2017, remember a much more digital and remote personalised way of supporting people with career transition. That business, our RiseSmart, our proposition in outplacement in career transition was able to offset a large part of the impact of our RPO decline. Also here in this segment, Monster revenue was down 14%, in line with the job board market trends. Ebita margins for the global business came in at 1.3%, which basically concludes the performance of our key geographies.

Let me now walk you through our group's financial performance on slide 13.

Organic revenue for the group came in at 6.5 billion euros, which is a decline of 5.1% year over year. As we have discussed earlier, we have seen mixed trends in geographies and concepts with a challenging environment, but also growth areas. Overall, as I mentioned in the beginning, we saw a stabilisation. If we look back at the first half of 2023, we can see the average number of employees working stabilised at around 600,000. For temp, we had a slow start of the quarter, perhaps a stronger impact from the holidays in April and May. However, if we look at June, it picked up with more recognizable seasonality and with the EWs higher than Q2 average and Q1.

Ebita for the quarter was a strong 271 Million euros, and the EBITA margin came in at a solid 4.2% which is a recovery ratio of 48% in the first half of the year, emphasising our field steering model and resolution in adaptability of our cost base.

Now, integration and one-offs were 54 Million this quarter. Of this 54, 14 million related to M&A integration costs, largely as discussed in Q1 related to Finite in Australia. The integration costs, at large, will reduce as this was the last quarter of the Finite integration. So, going forward in Q3 and Q4, this number is heavily reduced.

The remaining 40M is restructuring expenses, I instead call it like this, as opposed to one-offs. As a policy, we record here restructures with a payback time of less than one year. And we do it to protect the results' quality and to help understand the underlying performance today and going forward. These reflect necessary adjustments. We found ourselves from a growth cycle after seven, eight years of growth into the current period, and the world has also changed. We are adapting, rolling out best practices worldwide, organising work differently, looking at our accommodation needs and taking advantage of the future of what we learned today, slimmer and faster. Of all restructuring costs, 22 million euros, Germany is by far the largest part, followed by the Netherlands and France. These costs are hard to predict, but we strive to minimise them. Things have stabilised, and I believe these will be significantly lower going forward.

If we then look down, we have net finance costs also here in Q1 worth 17 million euros, primarily reflecting higher interest expenses and a particularly adverse fx impact. Interest rates are effectively only the spreads we are paying.

The underlying effective tax rate amounted to 25.5% for the second quarter. For 2023, we expect

ETR to be between 25% and 27%.

With that said, let's turn the page and look at our Gross Margin bridge on slide 14.

The fross margin as you can see for the second quarter came in at a robust 20.7%, impacted primarily by mix, it's just the reflection of our mix. It came somewhat lower than what we had originally guided in April, solely explained by a slowdown of our perm and RPO businesses in the second quarter.

Our temp margin contributed 10 basis points. This is pretty much a mathematical effect, again, just reflecting our disciplined and value-based pricing. Perm revenue fell 16%, again different trends across the world, some growth, some more serious declines in Q2 to 158 million euros, which has led to a negative gross margin impact of 25 basis points, purely a mix effect. In many of our markets, these are normalizations at a very high level. As a reminder, last year in Q2 we recorded our highest quarterly perm revenue ever in absolute terms of 192 million euro, growing then at 38%, versus a decline today of 16%.

As you heard, we saw a similar trend with RPO. Last year, RPO was on its path to break one record after another. This year, the normalising labour market has impacted our RPO business, which declined 24%. In terms of mix, Perm and RPO in absolute terms are well above 2021 and jointly represented 18% of the Group gross profit in the second quarter which now brings me to the OPEX bridge on slide 15.

With a lower gross margin as to be expected, we also had to intervene on the guidance and our OPEX base. In short, we have seen a slowdown in Q1 and Q2, we have executed a clear focus with respect to OPEX steering. Allow me to say thank you to our leadership teams around the globe, this predictability is part of our principles, allows us now to look at whatever future from a position of strength.

As a result, in the second quarter, OPEX came in at 1 billion 70 million euros, 4% down sequentially and 6% down year on year in line with our revenue. As mentioned before, a recovery ratio of 48% in the first half. The biggest driver of our OPEX is, by far, personnel expenses, which was 4% lower sequentially. The average head count number has decreased since Q1 alone to 1,390 FTE, and the June was still the lowest number within the quarter.

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

Our free cash flow for the quarter came in at 126 million euros. It is a function of the improvement in working capital movement that more than offset the decline in EBITA from last year. DSO was 53.0, 1.2 days up year over year, primarily driven by mix.

Our Balance sheet shows a net debt position of 616 million euros and a leverage ratio of 0.5, excluding for clarity, lease liabilities. The second quarter typically includes the outflow of dividends and holiday allowances. So naturally, at the end of Q2, we have a higher net debt position than at the end of Q1.

Please also note, in Q2 we paid the regular ordinary cash dividend of 2.85 euro per share, totalling a cash out of 522 million euros.

Lastly, an update on our share buyback program. The first tranche is completed, we purchased a total of 1.55 million ordinary shares for a total consideration of 75 million euros. Today, we also announced a similar second tranche to repurchase up to a maximum of 1.54 million ordinary shares in the period between today and October 24. As per usual, we continue to provide weekly updates on the progress of the share buy back program on our website. And that brings me to my last slide, the outlook on slide 17.

Let me first start with the activity momentum. What did we see in the first weeks of July. The macroeconomic conditions remained challenging across our markets and these conditions have continued into early July. In early July, perm, RPO and temp momentum were similar to Q2. The year over year growth rate of employees working was aligned with the Q2 2023 year on year growth rate, or in absolute terms at around 600,000 people, so it was broadly stable in that context.

Q3 2023 gross margin is expected to be slightly lower sequentially. We anticipate perm and RPO activities to continue to decline against high levels last year as we again face very high levels of comparables.

Again, we strive to align gross profit and opex, one walks with the other one, developments as much as possible. Therefore, we anticipate to adjust our opex base further. To be clear, for Q3 2023, we expect slightly lower operating expenses sequentially from Q2. This is our base case, it is our base scenario, and we will continue to work with scenario planning and adaptability. Please note, technical, but important, there will be a negative 1 working day impact in Q3. Lastly, in the second half of the year we typically have a higher conversion than in the first half.

To summarise, in the second quarter, we delivered a solid set of results showing strong adaptability and stabilisation. At Randstad, this adaptability and predictability provides us a basis for choices. Therefore we feel we are operating from a position of strength. We have sector leading profitability at scale. We have a more diversified portfolio with good margins. We have a solid client base. We have the most experienced team in the industry with a passion for talent, all this supported by a healthy balance sheet. This gives us confidence for the second half of the year.

This concludes our prepared remarks, and we look forward to taking your questions - Operator?!

Q&A

Q - Oscar Val: Yes, good morning, Sander and Jorge. Three questions from my side. The first one, just to understand OPEX for Q3, could you give us a sense of where employees were running in June? You talked about June being below, but Q2 was down 4% sequentially, how much lower was June in terms of your own employees for OPEX? That's the first question. The second question is on, I guess, restructuring. Obviously, you've done 40 million restructures in Q2, you talked about that lowering in Q3. Do you have a sense of how much that could be in the second half? And then, the final question is a bit more high level and structural, but the U.S. is underperforming Europe quite significantly. Do you think that is because of, I guess, the nature of labour and the fact that it moves faster? And would you expect Europe to follow the U.S. or not in terms of underperformance? Thank you.

A - Jorge Vazquez: Oscar, pleased to talk to you. So on OPEX, look, I think, yes, as I said, we've continued to adjust our structures, obviously, in part, taking natural attrition, in part taking the restructures that we'll discuss in a minute. Our FTE exit rate was indeed lower in June than the average of the quarter, just a tad lower, so I mean, I wouldn't plot much more than that, but it gives us confidence going into Q3, that we can deliver a lower OPEX.

On the restructure, indeed 40 million, I think it needs to be seen in light of also again, after seven, eight quarters of strong growth, we found ourselves in Q1, obviously declined. So, the grunt of the adjustments we had to make in addition to the normal attrition and normal management of the fact that we had is done. And in that respect, I expect it to be significantly lower in Q3 and Q4 for that matter. At the same time, I mean, obviously these are one-offs, so it's very hard to predict with certainty what will happen. But from what we see, the trends we see, significantly lower than where we saw until now.

A - Sander van 't Noordende: Yeah. No, let me say a couple of words on the restructuring. Oscar, the way I look at it with these restructurings, it's something like you're damned if you do, but you're even more damned if you don't. Meaning, it's our experience, if there are challenges, you need to take action, it is better to take action sooner rather than later. And that's what we've been doing and I think it will pay off over time. On the U.S, I think you already alluded to it, it's primarily the nature of the U.S. economy and the flexibility and the labour market there that is driving this. U.S. companies always respond faster when things go up. When things go down, for instance in corporate, you saw the unemployment in the U.S. peak at some point in 20% to then go back to 3.5% over the period of a couple of quarters. So, it's just the dynamics of the market that's driving that. In terms of the overall global economy, our sources tell us that the global economy is expected to go sideways over the next couple of quarters, and that is sort of what we are preparing for. Of course, we don't say anything more than the trends in early July.

Q - Hans Pluijger: Yes, good morning all. Two questions from my side. First on North America. Yeah, you already indicated the market is slightly more towards more dynamic, could you give maybe some feeling on what actually the dynamics are by vertical, so with IT manufacturing and office? And also how do you compare to the market in those verticals? Yeah, so certainly interested to have some flavour there and maybe also some changes in the picture compared to, let's say, the first quarter. And secondly, on HRS and Other and the gross margin. You already alluded that, let's say, of course, RPO has a quite significant impact. But still, the change in the impact on the margin is about 60 basis points if you compare it to the positive contribution though in Q1. So could you give maybe somewhat more flavour on, yeah, precisely the building blocks? Outplacement was up, but yeah, it still looks quite a significant jump compared to Q1. So could you maybe give some more feeling of what's happening? And especially, what do you expect for let's say, H2?

A - Sander van 't Noordende: So, shall I take the one in the U.S.? Hans, I would say the broad mixture is pretty much in line with Q1. No major changes except that it sort of deteriorated across the board. In terms of industries, Automotive has been particularly challenging. Public health and education has been sort of the best-performing industries with the other industries somewhat at par. If you look at the different profiles, it is obviously clear that the professional skilled profiles, so the higher skill profiles have been holding up better than the lower and medium skilled profiles. So that's also a difference in the market there. The main driver has been in the United States, let's say, existing clients with lower demand. So, it's not that we're losing clients, but it's existing clients which is asking for fewer people. So, as long as we keep those clients and demands coming back, we can ramp up quickly if and when the demand comes back, of course.

A - Jorge Vazquez: Yeah. So Hans, on the HRS impact. So it is, as you said yourself, a mixed bag. I'll say, I mean, in general, compared to Q1, the trends have decelerated there. So, I mean if you look at perm, it definitely came down significantly more than we were seeing in Q1. Also, RPO significantly more, and if you now look at the mix, what those two alone mean, those two together are approximately 18% of our gross profit today, whereas last year, they were representing 21%. So that delta alone justifies the margin. Again, it is a mixed bag, that one. So, I mean, one important point, there's other businesses, you look at outplacement, that business is doing phenomenally well. You can see also that the profit from Q1 to Q2 in Global Business increased. So in general, it is a mixed bag with opportunities, but definitely a very deceleration moment in RPO to which we responded.

Q - Marc Zwartsenburg: Yeah, good morning everybody. Thanks for taking my questions. Just to dig into the perm business a bit. You mentioned in the call, I think that perm in the beginning of July, I think Sander mentioned it that the trend is more or less in line with Q2. But, we did see a difference in trends from Q4 to Q1 to Q2. Is that because the U.S. is bottoming a bit there? Or are there other trends visible, because my worry is what you see in the U.S., of course, is a more boom-bust market. But yeah, with Europe still being up a bit on scarcity, should we then expect that at some point that weakness might also come to Europe and that we should still expect a weaker growing trend? Can you maybe give a bit more colour there?

A - Sander van 't Noordende: Well, I would say, we'll leave the expectations to you, Marc. We manage the business based on what we see and hear from our clients. We look at what the economy is doing, we keep that in the back of our mind, but we respond with what our clients are saying. And what we are seeing today in the first three weeks of July is what we've seen in Q2, and I think we'll leave it with that, because all the rest is speculation.

Q - Marc Zwartsenburg: Yeah, I must say, in Q2 it weakened. So then I would expect Q2 to continue to weaken at the exit rate would have been a bit weaker, et cetera.

A - Jorge Vazquez: Marc, if I can put some colour to that. So, good to speak to you, by the way. So quickly, if we look at our Q2, I would say the trends did not necessarily weaken, of course from Q1 we had the Perm and RPO decelerating. Again, we have discussed this. But from a temp perspective, you would see that if anything, it started somewhat slow, from a more prolonged holiday impact. But in June, we just recovered, and we saw pretty much normal seasonal trends we would have expected from Q2. Also, from a North America perspective, remember last year, comparables were actually going up still from Q1 to Q2. So it is a difficult quarter to speak. Overall, I think the best number that gives us comfort of stabilisation is, we have 600,000 people at work at the end of Q1. If we look at Q2, and again, June was slightly higher, we also have 600,000 people. So I would say, in general, things have stabilised from, let's say, the decline from Q4 to Q1.

Q - Marc Zwartsenburg: Okay, thanks for that. And then looking at your guidance on the gross margin that it might come in slightly weaker than Q2. Is that a normal seasonal mix effect? Or would you say that's also bit partly in RPO still a lagging effect?

A - Jorge Vazquez: Yeah. Good point. I mean, you also saw last year, so from Q2 to Q3, if I'm not 20 basis points down. I mean, it's hard to predict, Marc. But if we were to have a view on what's likely to happen, then I think there's more risk to have slightly lower gross margin, I would say, 10 basis points, I mean, we're talking reasonably small variances versus where we were in Q2. Indeed, from an RPO it's very difficult to predict. You see different trends or different growth environments around the world. But if we will take the U.S. as an example, RPO, I mean, it's unlikely to improve. So, I would say 10 basis points as a good reference.

Q - Marc Zwartsenburg: Right. Okay. And maybe then lastly on the trends versus the peers. So, if we look at manpower reported there, they guide from minus 3.5. And you are guiding basically, let's say, minus 5.1, if you get the ballpark to start with. We don't know definitely yet, we have different comps, obviously, but they were growing actually pretty fast at the beginning of the year because that's coming from a very low base. But we see the relative performance in markets, do you see others becoming more aggressive because the market is tougher and that there's a bit more hunting for business? What do you see?

A - Sander van 't Noordende: I would say, Marc, the overall context is the market is normalising after an enormous surge in demand of which we have been benefiting greatly. So now, the question is about the trade-off between volume and value. And so, where we see opportunities to grow, we invest to grow, where we don't see that growth, we adapt because we need to, and you can see that in our EBITA. So, finding the right balance between volume and value is the name of the game. And we believe we have found that right balance in Q2 as we have in Q1 and as we will in Q3. Other people may make other trade-offs, but I suggest you ask them

Q - Konrad Zomer: Hi, good morning. Thanks for taking my questions. The first one is on your free cash flow development. It was particularly strong in Q2 because of the unwinding of working capital. Can you maybe comment on what you expect to happen with working capital in the second half of this year, particularly if the run rate of revenues continues, let's say, at the current pace? And, my next question is on France. I think you had a very strong performance, both topline and margin-wise in France. Is that related to a business mix difference, particularly, the previously Ausy business? Or, are there any other developments that make you perform so strongly in France? And my final question, can you make any comments on the temp to perm conversion within your business? Because labour markets are still in short supply, the perm business was down quite a lot, particularly in North America, just curious to know if there's anything changing in the temp to perm conversion. Thank you.

A - Sander van 't Noordende: Konrad, on France, a solid performance, indeed driven by two sectors. Automotive, which has been performing well for us, by the way, also in other markets and Healthcare. And we have a great business in France called Appel Medical, and it's been doing phenomenal in terms of growth, but also in terms of profitability. Also, Ausy is growing, so we have some very specialised parts of our business that are performing well. And this is exactly proving the point that our specialisation strategy works, I would say.

A - Jorge Vazquez: Yeah. So let me take the one on DSO, Konrad, by the way, good speaking to you. So, on the seasonality of cash flow and in general, our working capital. So I think Q2, in particular, was impacted, I mean, indeed, we're investing less in working capital and I would say, impacted by a favourable timing in terms of payments. To be honest, it's extremely hard to predict. It's almost like, depends on many variables, when exactly payments have to happen. I think there's two points to highlight. Typically, indeed half two, so the second half of the year from a cash flow perspective is richer, we generate more cash on the second half of the year, primarily due, if nothing else because a lot of the larger social security payments, holidays, a lot of those spends come in, in the first half and typically in the second quarter. So, if I would have to say something, I'd say the second half of the year is stronger in terms of cash flow. But I think especially what I will highlight is the focus on DSO. At the moment, I mean, we're living in a challenging environment in many ways. Interest rates are also higher. We've even have turned business away from a payment terms perspective, we've focused on it. Our overdues are lower actually than last year. So I think in general, there's just a strong focus on cash flow generation. And we like, as you know, strong balance sheets, and we'll just focus on that until the end of the year.

Q - Konrad Zomer: Okay. And my final question on the temp to perm conversion?

A - Jorge Vazquez: Look, that, I don't think it has particularly changed. I think temp has stabilised. Perm, I mean, one comment also to the U.S. just to give a bit more colour we discussed myself and Sander before. What we've seen a lot is of course, we had the Great Resignation, we had high levels of talent scarcity. And therefore, last year, a lot of perm hire, including jobs that potentially could have been hired on a temp basis hired on a permanent basis, and we've benefited from that. I mean, we've never had so much perm and we are still much higher than pre-pandemic levels. I think what we're seeing now perhaps is some companies holding up to talents and waiting to see if nothing else fearing that in a talent scarce environment, we do not want to be short of talent going forward. That puts pressure on our temp and perm business at the moment. But again, the U.S. is a dynamic labour market on the way down, but also on the way up.

Q - Anvesh Agrawal: Hi, good morning. I got three questions. Now, obviously, September is quite a big month in Q3 and in context of the years and the trends. Did you have any sort of interactions with your client in how they're thinking about the return to work post holiday? I know, it's sort of obviously not asking for an exit rate or sort of your expectation, but any sort of qualitative discussions you've had with the clients in terms of how they're thinking about post holiday return to work? And then second is on wage inflation. I mean, on absolute terms, it's still quite high, but YoY, does the comp start to then catch up in the second half? Just wondering the impact it, can have on the organic growth. And finally, in the first half, you had a recovery ratio of about 48%, which is kind of pretty close to the rule of thumb of 50% in a downturn. Is that the way you sort of continue to manage the business? Or given the mix of the growth, wage inflation and everything, should we expect anything different on the recovery ratio of the cycle?

A - Sander van 't Noordende: Yeah, so let me start. We have conversations with our clients all the time as you would expect. But there is no, let's say, we cannot share any nature of those conversations, let alone trends from those conversations because it's not what we do. On the wage inflation, it is interesting to see that where the U.S. came out of the blocks, quickly back to the dynamic labour market on wage inflation rapidly last year. Wage inflation now in Europe is, in some parts of Europe, I would say, is higher than in the U.S. It's from the official statistics, and we see that reflected, of course, in our bill rates so Europe is lagging on the wage inflation.

A - Jorge Vazquez: Anvesh, let me take the one on recovery ratio. So yes, we are pleased with the half one. I mean, look, internally, it's very clear. It's what gives us comfort let's say and what gives us options, it's kind of how I mentioned, so it is the level we strive for. There might always be a lag sometimes, I mean, depending on the fluctuations that are thrown at us. But everyone and let's say, every single part of our business knows how good looks like and knows what is expected. So, to be honest, this is kind of embedded in the organisation. Also, to give some comfort there, I've talked about it in the prepared remarks. The restructures typically, we strive to have a payback period of maximum one year, so that also supports us going forward in Q3 and Q4. So, let's say, the cards that we're playing should support a recovery ratio of good in the second half of the year. But as you know, it's impossible to predict. But nevertheless, it's what we strive for.

Q - Anvesh Agrawal: No. Just on the wage inflation, my point was more around like I mean, I know Europe is kind of lagging the U.S. and it's still quite strong. I'm just wondering, do the comps start to sort of play the part in the second half, and therefore, the YoY wage inflation in terms of percentage start to come down for your terms? So just a question more around that rather than Europe versus the U.S. really.

A - Jorge Vazquez: I would expect,look, Europe is a collective labour agreement base, so that's very hard to predict as a general rule. But typically, they last for one year, so you can argue they will stay on. In the U.S., indeed, it's coming down, it's public data. It's hard to predict again, probably stabilising, I would say. But yeah, and if you ask different people, have different opinions, but we hope for stabilisation because then decisions can be made.

Okay. And last comment, I think, from all of us, I wish you all the best. So we've followed you attentively over the last years, we know, you're taking a different path. I just wanted to thank you for everything you've done for Randstad and all the coverage as well.

Q - Anvesh Agrawal: That's very kind. Thank you so much. I thoroughly enjoyed covering. Thank you.

A - Sander van 't Noordende: Thank you, Priscilla for that, for facilitating and thank you all for joining the call today. Before we wrap up the call, I would like to thank all our 600,000 Randstad talents and employees for all the hard work for our clients over the past quarter, and we're going to continue for the next quarter as well. Cheers.

A - Jorge Vazquez: Thank you, everyone, and have a good summer.