

Company Participants

- Robert Jan van de Kraats
- Jacques van den Broek
- David TAILLEUR

Other Participants

- Toby W. Reeks
- Paul D. Sullivan
- Marc Zwartsenburg
- George Gregory
- Suhasini Varanasi
- Konrad Zomer
- Christopher Gallagher
- Rajesh Kumar

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, welcome to the Randstad Q4 Annual Results 2016 Call. My name is Laura, and I'll be coordinator for your call today.

I will now hand over to your host, Robert Jan van de Kraats, CFO, to begin.

Robert Jan van de Kraats

Ladies and gentlemen, good morning. Welcome to our results discussion Q4 2016 and full year 2016. I'm here together with Jacques van den Broek and David TAILLEUR, and some other colleagues who will be supporting us to share the results with you. Please also note that our annual report is now available online on our website. I'm going to take you through some of these slides, and then we'll end with Q&A.

And moving to slide 5 right away, which shows the highlights of Q4, the improving momentum in Europe. And clearly, this was not a bad quarter at all. We've seen accelerated growth in Europe and the rest of the world, and the U.S. remains in positive territory. We've also made clear progress on our recent acquisitions. And also, 2017 shows a relatively good start in line with Q4.

Over to slide 6, the P&L. A strong top line finish of the year, a good organic growth for the year, 5%, and improvement in the EBITA margin to 4.6% from 4.5%. If you look at Q4 specifically, we've seen growth accelerating a bit, as I've just referred to, which has resulted in additional investments in our OpEx to serve these trends.

Also, our year-end closing which typically brings some incidentals, showed a little less incidental this year compared to last year. And one point to note also is our firm growth of 4% in the quarter is a little less due to the effect of having less Mondays. Q1 shows a good start January. So we think we are roughly at high single-digit as a comparison base. We've now seen more than three years of growth in our book. As you know, we always aim at an

incremental conversion ratio of around 50%. The first year we aim at a conversion ratio of between 70% and 80% which we have shown, then, it's goes to around 50%. Given the fact that we are now being growing for more than three years, the range is towards 50%.

The regional split on the next slide 7, improving momentum in Europe. It's always a little difficult to read them out on December given the holidays because all working days, this time, had a full impact due to the timing of these days. But across the board, as you can see, in the rest of the world, in Europe clearly a good momentum and North America is keeping up.

North America on slide 8, stable growth trends. Revenue growth at 1%, perm somewhat down, but again please note the effect that I just referred to. U.S. staffing, it shows that we're holding up nicely also versus market here. U.S. professionals revenue down, which probably is close to market at least. And if we look at IT, that seems to improve a little bit. F&A remains challenging. Canada doing well, revenue up by 4% again. That clearly is market outperformance. Our EBITA margin improved which is effectively the same improvement as for the full year.

The Netherlands in slide 9 focused on customer profitability. That's the key theme here. The payrolling business, the impact of the loss of the central government as a client will be dealt with at the end of Q1, so it still comes through here. Revenue remains at 2% growth. Pricing pressure clearly continues. And that's also why our focus is on customer profitability.

SME growth, 12%, clearly outpacing our large clients. Perm up double digit. Our combined staffing and in-house business shows 3% growth, and professionals down. Please note that Q4 last year showed 19% growth, which is a challenging comparable base. And, also, we have quite a few young consultants in our organization which are going through the learning curve. The EBITA margin flat, I think that's a good reflection of our focus here.

France on slide 10. Accelerating top line, 10% growth now. We see this level of growth in the two European countries, but it's very good to see this in France also, which most probably is better than market. Combined staffing business at 9%, but also professional. So, across the board, something to point out here is the effect of big data. So, our digital efforts, we can see them coming through. Amongst this is perm growth in France, 21%, clearly fueled by that.

Our EBITA margin improved to 5.5%, again, the same delta roughly as for the full year. As you know, we're working on the transaction of Ausy. We have control of the company. We own 93% of the shares. We're working on the next step, and I'm confident that we'll complete this.

On CICE, some questions. We have various scenarios. Whatever the political changes will be, it's clear that France needs some support on the low wages in order to be competitive. Please also note that, at Randstad, we have net operating losses in France which are not valued given the fact that CICE is not taxed. If anything would change here this would come in to force but all too early to say at this point in time. And please also note that in Q3 2017 this year, we will receive the first part of CICE which is in the balance sheet roughly €70 million.

Germany also showing double digit growth on slide 11, improved from 5% in the previous quarter especially our SME segment is doing well, also our professional business performing quite well and the EBITA margin lower this time which is due to the relation of as you can read here holiday accruals and fewer working days and also the effect of the new regulations coming through in higher sickness rates which is rather unfortunate. There is additional regulation being discussed in the German markets. We expect it to come through and we also expect it not to have a relevant impact.

On Belgium, slide 12. Record profitability which is quite nice combination with the fact that we are closing the gap with the market. We've been behind market for a while due to focus on customer profitability. Now that gap is being closed and that comes in with record profitability which I think is excellent sign. And also the gross profit level, a good improvement and the EBITA margin out 7.6% which I would say it's rather

high. Part of the delta can be explained by the higher release of social security accruals at the end of 2016 compared to previous years.

Iberia, slide 13. Strong growth on higher margins. Clear acceleration also here 10% and seems to be the name of the game. In Spain, we see 12% growth and in Portugal 12% growth, and in Portugal 7%. So, that's a pretty good result. Also, our EBITA margin improved by 30 basis points, full year it even improved by 40 basis points which is reflecting good productivity.

The UK on slide 14, the Brexit impact continues to be limited for as far as we can analyze. Revenues were up by about 2%, but our perm fees were down. CPE, the construction space is performing well. Our EBITA margin lower this time which is also the result of the fact that we have lower perm. On a full-year basis, the EBITA margin improved by 10 basis points to 2.5%.

Slide 15, the other European countries. We are especially happy with the performance of Italy. Organic revenue at 26%, and our recent acquisition completed in the summer of last year, Obiettivo Lavoro, the integration is clearly on track. But also we've shared with you that business growth was the key priority in this company, expect to grow in January. So, we're very proud to have achieved that on such short notice. Also, the businesses in Switzerland and Poland are doing well. And in the Nordics our office integration is also completely on track.

Rest of the world, slide 16, growth clearly picking up. In Japan, it continues at 5%. Australia is a clear improvement. And as you can see also the other regions are doing well. We have changed the focus as we have shared with you before on the profitability here. As a result of that, the EBITA margin has improved.

Now, some words on the recent acquisition of Monster. The slide on page 17 is one that we're going to be using going forward. We'll share that more frequently with you, and I will elaborate on part of it and Jacques will elaborate on another part of it. We have given you some time indications at the top, and these are the components that will support us getting value out of our transaction. Please note at the bottom that most of the underlying EBITA at 2016 was around zero. And for Q1, we expect a small adverse impact.

First box, corporate cost synergies. These are annual synergies, corporate cost synergies that means taking out the head of the company, the listing and so forth. We are going to see savings, annual savings of \$7 million per year. Also, the way the transaction has been structured in finance, it will result in tax synergies of around \$70 million per year. So, these are key value component that will support the economic value realizations of this transaction.

Then, it is clear that there was a downward trend. When we acquired the company, this was known. It doesn't show a real loss of clients, but it shows lower spend. That is something we need to work on. And I'm now transferring to Jacques to comment on the other boxes.

Jacques van den Broek

Yeah. Good morning, everybody. Let's talk a bit about them also. What have we done? So, November 1, we had a big global kick-off across the globe. We met with the most of teams. Lots of exciting and positive energy there. Then we went into a long period of analysis. So, what works well with Monster and where would we want to improve?

What we shared with you is that the business that Monster is in is very much going through a solution sell. So, it goes from duration job postings that are not interactive with the client to Pay Per Click and Pay Per Candidate. Most has that, but still we think too limited part of their business and we're very much strengthening that. So, we're going in full investment mode there to improve Monster and make it a bigger and better Monster. We made some direct organizational changes as Robert Jan already pointed out to capture some synergy.

On the slide that says why Monsters, there's three levels that we see, us using and embarking upon with this project. The middle one is very much accelerate digitization. I shared with a part of the analyst

community last November what our strategy is on digitizing our traditional business and Monster is speeding that up.

So, their platform and technology will definitely help us there. We're very bullish and very enthusiastic about the social media aggregation, the TalentBin that they have in there. Search engine optimization, if you're not in the top 3 on Google searches you don't exist in a way, Monster has an SEO department - with us, that's

limited, so we're going to use that and very much mobile.

We've got a vision that in the future every worker will have two logos on their mobile which is the Monster logo and the Randstad logo where we will communicate together. So, this is very much a project. It's underway. It will take the better part of 2017.

The first one is something we already found out in our risk journey, in our innovation fund journey, is that there are a lot of, we would call them, non-traditional players who fueled by technology create business models in our space. We very much, together with Monster, will build businesses over time that compete with traditional business models and at the same time, business models. And at the same time, we'll also reposition mostly in the way. Sounds a bit cryptic but there's more to come here in the rest of the year.

And the last one, a trend we've seen already for quite a while is around the passive jobseekers. More and more around 70% of jobseekers are not really actively looking for jobs. And although technology can find these people, there's something else than engaging these people. And again the access group talent is crucial for us going forward.

You know Monster has 300,000 profiles, they've got the knowledge to give us access through talent and this is a program again that we've embarked to form together with Monster which will definitely put both companies in a better space to find the talent that needs to be found.

So, after the first three months, we conclude with lots of excitement and energy and definitely hard work. Of course, as you know, Monster as a company had negative revenue. That, we can't change that all of a sudden. It's again hard work but we're not afraid of it neither with Monster or at Randstad. So, the work has just begun and we will keep you posted.

Robert Jan van de Kraats

Alright, thank you Jacques. This is a way that we think we can share some insight with you. Many others are still in progress. So, we will keep on updating you on the back of this journey. Moving to the financial results and the outlook. Slide 20, the income statement, all of this has been addressed I think in the previous comments with the exception of integration costs one-off. Please note that we have some restructuring in our projects for €60 million across the board in the company. M&A roughly \$10 million of which Monster clearly as the largest and we also spend €10 on integration of both Monster, Obiettivo Lavoro and Proffice in this quarter.

The amortization or impairment has increased due to the item relating to India but also because of new M&A being included here. The net finance cost and associates is rather low, I would say. And in the press release you can read that it includes a fair value adjustment of which the book keepers are rather proud because it's sort of science here.

For the press, you look at the net income here, which I think, indeed is – of course, it is a relevant number, but please note that net income includes the elements that I just referred to. So, it is better to look at the adjusted number EBITA, the underlying EBITA, that's where the improvement is clearly visible.

On slide 21, we share with you the performance by revenue category. Also, here, I would recommend to look at the full year effect where you see clear improvements in every segment. Inhouse last year in the fourth quarter did have a one-off which hit the performance.

Moving to the gross margin bridge on slide 22. We have a reset here, and that is because of the inclusion of Monster which clearly comes in with a lot of gross profit. And as a result of that, the numbers are changing roughly. If you look at the 40 basis points decline in the temp margin, the explanation is lower

incidental that I referred to at the beginning, 10 basis points, and pricing pressure mainly in the Netherlands and France having an impact 10. The rest is resetting the mix.

The operating expenses bridge, please note this is sequential rather than comparing year-on-year. The big box here is M&A. That's not our expense to do M&A. Note, these are the operating expenses that come with the acquired

companies. I think the story here on the slide clearly shows you that we are investing where we have growth.

The balance sheet on slide 24, net debt. While that's comfortable at a leverage ratio of 0.8, I think little to say other than that DSO has gone up, which is contrary to the trend that we have shown you over the last years, and this is the result of the inclusion of the acquisitions of Obiettivo Lavoro and Monster. And we think – especially the Italian contract is a challenge to work on and improve.

By the way, the return on invested capital, a little lower this time, which is clearly fully related to our recent M&A activity. Our free cash flow on slide 25, it shows a decline of the free cash flow in Q4 and also for the full year. So, I have a few notes to make here. One is the fact that we have working capital investments related to M&A, which is, again, Obiettivo Lavoro and Monster. It's the increasing DSO and the fact that we have accelerated our sales growth. So, this is investments in working capital. Roughly €50 million is explained by that. And then, 2015 was rather favorable on the cash tax rate line. Now, it's more normalized. That explains another €30 million.

Some comments on the net capital expenditures. As you can see here, a bit higher, which is related to some projects that we have concluded in 2016. In terms of 2017 CapEx, I would say that our 2016 CapEx including the acquisition will serve as the high end of the scale for 2017.

Moving to Moving to the outlook on slide 26. On your request, it's all printed here now. The organic revenue growth, again, 6.6% in the quarter. January was between 5% and 6% growth. Q1, the comparison is a little easier. And volumes, we measure volumes, every week of the number of people that we have at work in our organization, and those volumes indicate a clear continuation of the trend that we have seen in January.

This trend, as you can see here, is expressed on the slides. One plus means low-single digit, double is mid and triple is high single. So, North America low-single digit; the Netherlands also. France and Germany clearly high-single digit as is Italy, including the acquisition here. Belgium, single digit; Iberia in the middle; rest of Europe single digit; and rest of the world is now at mid-single digit.

We have revised our geographical presentation here, which will also be announced after this call on our website restating the 2016 data.

The gross margin in Q1 is expected to slightly decline year-on-year, which is the result of pricing and acquisition. And for Q1, we expect a roughly stable underlying operating expense base sequentially on an organic basis. In Q1, there's also – it's not expected. It's certain at 1.5 favorable working day impact due to Easter.

Now, finally, few words on dividends. We have a dividend proposal included which is a record high. The proposal will be to pay a €1.89 dividend per share which is a 13% improvement. It's a payout of 60% and it's clearly reflecting the strong financial position of the company and it will be a full cash dividends. In order to give you some guidance going forward, we have also fine-tuned our dividend policy.

So, we'll make an amendment to that, which will mean, which will imply that everything remains the same with one exception up to 1.0 times EBITA, we will not provide the option for stock dividend. It will be cash-only dividend. It's a small change, but we think it is relevant and it also fits the anticipated strength of the balance sheet throughout 2017.

So, that completes our comments. Please note that on the 30th of March, we'll have our Annual General Meeting starting at 1500 hours. Thank you. We are now moving to Q&A.

Q&A

Operator

[Operator Instructions] Our first question today comes from Toby Reeks from Morgan Stanley. Please go ahead.

<Q - Toby W. Reeks>: Hi, guys. I got a couple if I can. The first is can you – on the Monster side, very interesting, you give some details, so thanks to that. You said the Monster platform and technology will enable us to speed up the digitization process. I think when you announced the deal, you said it's going to be run as a stand-alone. Is that the case still or do you intend to use that platform more, I guess, centrally for the rest of Randstad? for the rest of Randstad. And then secondly, could you update on how you're going to account for depreciation within your Monster integration? So, that's my Monster question.

And then the second one is, could you give us an indication of what your expectations are around CICE? How it might change, i.e., the payments moving potentially from a – through deferred tax credit to a tax reduction and what that would mean in terms of your conversations with the customers? Thank you very much.

<A>: Thank you. The depreciation element, it will give the following Randstad accounting principles. So, we'll apply the same standard as we do for the rest of the group.

<Q - Toby W. Reeks>: Okay. Thank you.

<A>: If I may, a quick follow-up on that. So, the capitalized internally developed software will be replaced by an acquisition intangible and that will be below the EBITA line in Randstad accounting, that report.

<A>: That's what you have to do when you acquire a company, the opening balance. But for the rest, for new investments, we'll follow the same rhythm as for the Randstad growth.

<A>: Toby, good question on Monster. Monster is very much a separate company. And the strategy within Monster is very much to invest in, again, what we call solution selling as of pay per click, pay per candidate. We'll remain a standalone company.

Having said that, the knowledge this company has can be used to speed up Randstad. So, we're not going to have shared platforms. It's a very much standalone company from a technological point of view.

On CICE, that's a tough question. As you know, selections coming up again. Again, there's never been a subsidy canceled in France. So, CICE is big, but we've got many more subsidies in the cost price in France.

<A>: Yeah. And CICE is widely regarded as one of the successful measures of the Hollande administration. So our numbers are great.

<Q - Toby W. Reeks>: One of the few.

<A>: One of the – yeah, one of the few, but still. So, the system might change, but as Robert Jan said, it is a way to keep cost low at the blue collar and lower end of the labor market. So in that sense, it's necessary. And...

<Q - Toby W. Reeks>: But if it moved towards, I think in the past we talked about it moving to a sort of straight path reduction, would that mean that you would have to reengage with your customers

and renegotiate contracts or is that not the case? And how do you hand in a lot of the CICE back to your customers already? Or is that the wrong way to think about that?

<A>: The latter we haven't. As you might remember, we were the last to do this when CICE was still sort of a project. We were very adamant that we will do nothing that cost us some market share, we deliberately so. When it was then put in a law for a longer period of time, of course, we had to play the game. But now a large part, we keep. Certainly, if the system changes then we need to go – again, we negotiate with clients. But yeah, that's the name of the game for as long as we've been in this business. So we'll see.

<A>: And please note, financially, this subsidy has to be pre-financed for three years. So, I would say it's a substantial amount of money for us now, €380 million. And it also does not allow us to make use of our net operating losses. So that's also the flip side of it. So, any changes to that might be beneficial.

<Q - Toby W. Reeks>: Okay. Thanks so much, guys.

Operator

Our next question today comes from Paul Sullivan from Barclays. Please go ahead.

<Q - Paul D. Sullivan>: Yes, good morning, everybody. Two questions from me. On just on the gross margin, the 40 bps. I know there's lots of moving parts to that. But underlying, are you seeing any signals are you seeing any signals that higher growth is coming at an increasing cost? That's the first question.

Secondly, can you give us a sense of the organic run rate on Monster as it exits and as it enters 2017? And you're talking about a small operating loss in the first quarter, do you think you're sort of run rate of zero, but you were running at in Q4, the EBITA level for Monsters is sensible for fiscal 2017 as a guide?

And my final question is just North America. The underlying economy doesn't appear to be too bad. Why do you think starting growth is so stubbornly low? And do you think you're starting to see signs across the wider market of pressure coming through from new entrants or sort of online-only platforms taking share?

<A - Robert Jan van de Kraats>: Well, thanks for your four questions. I forgot to say that we prefer people to stick to two, but we'll answer these ones now. Gross margin, does it come at a higher cost now? We think the trend is flat. So, we indeed see – we've seen over a few quarters the decline in the margin by 10 basis points roughly, maybe a little bit just around that, a bit more, a bit less, but that's what it is. No big change here, pricing pressure especially in the Netherlands and France.

Organic run rate of Monster is minus 15. I made the point of a small operating loss in Q1. I think that's the basis to work with for 2017. That's especially why we're mentioning it. And in the meantime, we have a lot of projects that Jacques refers to which should set us up for a great future. Jacques is now going to state the next one.

<A - Jacques van den Broek>: Yeah. On the U.S., indeed on the one hand, you see a good you see a good economic base on your end, you see low growth there. We're very happy with our own growth. As you've seen, quite some staffing companies posting negative numbers. Manpower, Trueblue. We see growth very much on the back of our sales success. In in-house, quite a lot of new clients. So, that's good.

Your other question is very interesting and goes back to my statements on Monster, and that is new entrants. For example, SimplyHired, they're not just a start-up with low revenues and a lot of investments. They already have sizeable revenue. So, these new models are definitely gaining traction in the U.S.

marketplace which we think is the most developed one globally. And that's also why we have embarked up on our own tech-and-touch strategy.

<Q - Paul D. Sullivan>: Thank you very much. Very clear. Thank you.

Operator

Our next question comes from Marc Zwartsenburg from ING. Please go ahead.

<Q - Marc Zwartsenburg>: Yes. Thank you. Two questions. First of all, on your statement of limited M&A, Robert Jan, can you give us an indication what it means limited M&A? Is that, say, south of max 1 billion in total deal size, not one acquisition but all the acquisitions together? is that the sort of ballpark figure? That's my first question.

And the other is on the tax line. Can you give us a bit of guidance on the tax line for, say, 2017, 2018, including that Monster will have a huge impact due to the tax synergies of €70 million.

<A>: On the limited M&A, well, it will certainly be below a few billion.

<Q - Marc Zwartsenburg>: No. No. €1 billion I mentioned, I mean.

<A>: I understand, Marc, it would be way below that. Just to be clear, as you note we have the reputation that we don't like a stretched balance sheet, so it's going to be significantly below that number. It should be relatively small and bolt on M&A. And then the tax line, we have indicated 24% to 27% as an indication for the effects to tax rates for 2017.

<Q - Marc Zwartsenburg>: And that will not change it to the inclusion of Monster?

<A>: Marc, I think – It's David here, I think you're referring to the cash tax rate also?

<Q - Marc Zwartsenburg>: Yeah.

<A>: So, that will probably be flattish versus 2016.

<Q - Marc Zwartsenburg>: Okay. Thank you very much.

<A>: As we try to give you a wide range and then we work hard to be at the best end of the range, so but that needs to come through in 2017. Thank you.

<Q - Marc Zwartsenburg>: Yeah, but specially the cash taxes are important now that you are steering – also the CICE cash is coming in, so that's a good one.

<Q - Marc Zwartsenburg>: Okay. On the U.S., indeed in Q4 you saw some volatile picture around the staff accomplished report but you see on the jobs and figures for January and also the lead indicators are pointing to a slight improvement if I'm correct. Is there anything that you see within your business perhaps in your manufacturing segment that indicates that in statements that indicates that, indeed, the trend in U.S. might improve a little bit over January into February?

<A>: Nicely if we would analyze our own, mostly manufacturing and blue collar, then the like-for-like lines are actually going down a bit. So, our growth is very much fueled on the back of new clients. So, in that sense, we don't see any like improvement yet in January and February. Having said that, our own numbers again, starting in January, look okay-ish, but not as steep inclining growth.

<Q - Marc Zwartsenburg>: Okay. All right. Thank you very much.

<A>: Marc, I will add some comments to your previous question on the tax synergies to give you some clarity. It takes a few years to really hit the P&L and the cash flow as well, but it is – given the lengthy churn, we have 20 years to offset this, it's an extremely highly certain amount of money, the synergies that we just referred to. And the cash tax rate, we believe, will be around 20% to 22%.

<Q - Marc Zwartsenburg>: 20% to 22%.

<A>: I hope that's helps.

<Q - Marc Zwartsenburg>: Yes. Thank you very much.

Operator

Our next question today comes from George Gregory from Exane-BNP Paribas. Please go ahead.

<Q - George Gregory>: Good morning, everyone. If I could just clarify a few of your numbers on Monster, please. I think you gave a tax synergy number, 17 million, and corporate cost synergies of 7 million. Are they both U.S. dollars?

Secondly, I think in the statement you said that Monster's contribution to EBITA was €4 million. I think on the call you just said that the contribution for the entirety of the year was the entirety of the year was zero in underlying EBITA. If you could just clarify that point.

And then, finally, I think you mentioned that you'd be capitalizing the internally developed software and amortizing that below the underlying EBITA line. Could you just clarify that points? And specifically why – if that is the case why you are – you'd be amortizing the internally developed software below the EBITA line, please? Thanks.

<A>: Yeah, it's U.S. dollars, first question. Second question, indeed there was a positive – it's very much related to the consequences of bookkeeping. So, I think, that our data point is zero for full year and Q1 with small adverse impact as I said.

And finally, on CapEx, this is – the scientists behind IFRS have told that it's a good idea to restate the balance sheet, the opening balance sheet, as a result of which you'll get some relief on depreciation going forward of the old investments. But any new investments will work through as we do always as we have always done so it will be capitalized and then coming through at the depreciation line.

But there will be some relief in the P&L as from the beginning due to the fact that things have been reallocated in the balance sheet and not being depreciated anymore and the annual impact of that at the beginning will be around €15 million.

<Q - George Gregory>: €15 million a year?

<A>: 1-5. Just at the beginning because the amount are quickly reduced.

<Q - George Gregory>: Understood, thanks. And just one quick follow-up. The €17 million tax synergies. For how long do you envisage that running for?

<A>: That's a quite long period of time, 15 years we think that will last.

<Q - George Gregory>: Great. Thank you very much.

Great. Thank you very much.

<A>: Thank you. But as I said in the previous – as I answered the previous question, it will not kick in as from day one. It will take a few years to kick in.

<Q - George Gregory>: Great. Thanks.

Operator

Our next question today comes from Suhasini Varanasi from Goldman Sachs. Please go ahead.

<Q - Suhasini Varanasi>: Hi. Two questions for me, please. Germany growth has been very strong given the unemployment levels over there and the regulation changes that are happening. Is there something sustainable? I know you had the exit rate of high-single digits, but generally speaking about the market. Any color on that, that would be great.

<A>: Yeah. So, Germany benefited certainly in Q4 from the calendar effect mentioned in December. Still, we do see mid-single digit. Its outperformance, we're very happy with that. Also, SME again outgrows large clients, so that works.

But, indeed, looking at the label market, when you, for example, look at the southern part of the country, there's like 3%, 4% unemployment, maybe even lower in some pockets. And, certainly, the better qualified, the people are tough to find. Yeah.

<Q - Suhasini Varanasi>: Okay.

<A>: But, yeah, so far, so good. Happy with our performance in Germany. Also, permanent placement is improving. 11% growth on professional so, yeah, yeah, a good year and, again, a good start of the year. The only – we didn't mention it that much, but sickness is a bit of an issue, so it still pays to be sick in Germany. So, we have around 1% more sickness rate than you would humanly expect, so we would like to work on that, either in a new CLA, so that's longer term. That's still something that we – but not just as any player in the market.

<Q - Suhasini Varanasi>: I understand.

<Q - Suhasini Varanasi>: Thank you. And second question is on EBITA margin for 2017 and on the SG&A, there are quite a lot of moving parts. I mean, you've talked about synergies from Monster in a lot of detail. Are there any other synergies from M&A like, for example, Obiettivo or Proffice that are yet to come in 2017? And how is that going to get offset by the additional investments, and therefore SG&A for 2017 and implied EBITA margin?

<A>: Yeah. Our focus for 2017 and that is – that actually helps to serve the previous question on the significance of M&A, our focus will be on returns from past acquisitions. That's the key piece now, integration and return. So, we should see those coming through in our performance. Please note that most acquisitions were – I think they were acquired at an affordable price, and that was the effect of underperformance of those companies.

<Q - Suhasini Varanasi>: Yes.

<A>: And we see opportunities to lift the performance of the acquired companies at least to the level – the average level of the returns at Randstad, and we're working hard to achieve that as quickly as possible. And as I tried to share with you in my presentation, all of these acquisition are well on track now, even the Italian one, I would say, significantly ahead.

<A>: Yeah. And maybe a bit more color, of course, on synergies. Not all acquisitions are synergy-prone. Obiettivo Lavoro, very much so, it's a rebranding, coupling two companies. Now, Proffice is in a way, to a certain extent, the reversed takeover. It's rebranding, which is investment in a new brand. So, these are more revenue and concept synergies where, for example, we bring our in-house to their blue-collar clients.

Monster is very much a project. It's a company in itself, but also it's our investment into digitization. And Ausy and BMC improved our business mix again, not so much the synergies but very much buying more a professionals' DNA more a professionals DNA to become – and to shift the business mix in Europe more towards professionals as it is in

the U.S.

So again, different goals with different acquisitions.

<Q>: Understood. And how will investments balance this out, I mean, incremental investments in digitization, for example?

<A>: Yeah. That's too soon to tell.

<A>: Yeah. And that's why I gave you some indication that the 2016 CapEx would be at the high end of the scale for 2017.

<Q>: Okay. Okay. Thank you very much.

Operator

Our next question today comes from Konrad Zomer from ABN AMRO. Please go ahead.

<Q - Konrad Zomer>: Hi. Good morning. A question on the integration of BMC in the Netherlands. In the professionals area, you saw revenues decline by 8% in the final quarter. And is that, do you think, in line with what happened to the professionals market in Q4 in the Netherlands? And do you think that purely because of the integration of BMC, you will be able to accelerate the track back towards performance in line with the market? Thank you.

<A>: Those are, for us, separate topics. So, BMC is in a niche – a bit niche, which is government professionals. We will combine our own business which is roughly €30 million, so relatively small within Yard with BMC, so it's less of an integration. We will keep the brand because it's very well-known amongst candidates and amongst clients.

So again, that's sort of reverse integration here. And at Yacht, it's a different one. So, what we've seen is we put together the business in 2015, led to a surprisingly good performance, but we created a split more. So, we went from 360 consultants to sales and recruiters. What we've seen throughout 2016 is that quite a few people in the sale side didn't perform as we would like, so we replaced them. We're having a relatively young set of consultants, and this takes time to ramp up. So, these are two separate topics. The minus 8 is partly the comparison with the plus 19 last year. We think it's below the Professionals market. So, yeah, that's where we are.

<A - Robert Jan van de Kraats>: And, Konrad, with government sector, Jacques meant the local public sector mainly. That's where they are active.

<Q - Konrad Zomer>: Yeah. And just on BMC, it seems that the growth rate that the company has been able to achieve was higher than what Randstad was able to achieve in the Dutch market. Do you think that that will continue or do you think that will move towards your level of growth?

<A - Robert Jan van de Kraats>: Again, this is incomparable as BMC is growing in a certain niche, so our part of that business is growing, so that's good. So, we want our Professionals business to grow faster and BMC can keep on growing. And management for one and a half years, I believe, Jacques.

<A - Jacques van den Broek>: Yeah. Yeah.

<Q - Konrad Zomer>: Okay. Thank you very much.

<A>: Okay.

Operator

Our next question is from Chris Gallagher from JPMorgan. Please go ahead.

<Q - Christopher Gallagher>: Hello. A couple of questions. First, around what would be the impact on your tax rate if CICE was removed or changed to a normal subsidy? And then, also staying on France, one of your competitors mentioned that there is some cost increases in France through 2017. It's more or less offset increase in CICE. How do you see that? Thank you.

<A>: Okay. The latter, yes, there are cost increases. Francois always tries to explain to me which they are, but sometimes very complicated. But the increase in CICE positively offsets these increases in cost. And the impact on tax which I referred to and I have to stick to the fact that it's material relevant as an indication because it's all highly technical and uncertain. But it's not a rounding error. It's clearly significant.

<Q - Christopher Gallagher>: Okay. Yes. That's helpful. And just one more. Organic growth there has been declining through the year, can you do anything to improve that going forward (Ausy)?

<A - Jacques W. van den Broek>: Again, that's early days. So, we – as Robert Jan mentioned, we've got quite a sizable part of the shares. So, hopefully, we can start to squeeze out soon and be fully owned. And then we'll more formally getting discussion with them to see where we can help to improve the growth.

<Q - Christopher Gallagher>: Okay. Great. Thank you, gents.

Operator

Our next question is from Rajesh Kumar from HSBC. Please go ahead.

<Q - Rajesh Kumar>: Hi. Good morning, gents. Then you earlier made a comment about hire.com. Do you see hire.com and such businesses coming head to head with you on placements and temporary recruitment? Do you see your customers telling you that we're not going to recruit from you, but we're going to recruit via hire.com or are you drawing the inference looking at the high growth rate of those businesses?

<A>: Again, so hire.com has a model which we call Tech & Touch.

you know we call Tech & Touch. So you see, many of these incumbents and they got a technology tool. But then, yeah, they've got few clients but it doesn't really gain traction. So, Hired has humans in contact with candidates, talking to them about the next step in their career and presenting them in a privilege, high touch way to clients, with still very strong algorithms to, in a way, facilitate the first contact with these candidates. We do think that's a model going forward. And again, that's broadly the basis of our own Tech & Touch strategy where, of course, we've got the touch strategy already and increasingly we'll have the tech. So, yeah, it's not like clients will say we're not going to work with you. It's all about who presents the right candidates first.

<Q - Rajesh Kumar>: So, you're saying they are able to produce candidates before you?

<A>: That's not what I'm saying. I'm saying that hire.com has a model that gains traction in the U.S. As you know, the U.S. marketplace is very fragmented. And I also mentioned that on the back of the question, from one of your colleagues, this is a model. And if you are in future still traditionally just doing the old way of either firm or professional staffing, you might have an issue going forward. And that's why we have formulated our own strategy. But we do think hire is an example of those new players.

<Q - Rajesh Kumar>: I understand what you're saying. I just want to clarify if it is at your expense. You know that for sure or is that something you're assuming?

<A>: The last.

<Q - Rajesh Kumar>: Okay. Thank you.

Operator

Our next question today comes from NIBC. Please go ahead.

<Q>: Hey. Good morning. Just a couple of follow-up questions, please. One is on the tax synergies from Monster. Did I hear correctly that you're expecting for 15 years an annual synergy of €17 million, 1-7 million?

<A>: Yes. Correct. Actually, thanks for asking.

<Q>: Yeah. Purchase price in a little bit of a different perspective. And the second one is on Dutch Professionals. You mentioned, I think, in the opening statement that you expect that impact to tail off during the first quarter or after the first quarter of 2017. And what do you expect of the new regulation going forward? I mean, are you repositioning your payroll business now for the new changes in the business or do you expect some of that business to come back or how do you feel going forward?

<A>: Freelance is an increasing relevant part of our business. We do see clients not just in the Netherlands but also, for example, in Germany being quite aware of the whole governance issues a few years ago. In Germany, we already saw bankruptcy of the number two freelance broker which, of course, hurt clients.

So, our brokerage is going very fast. It's also a business we do in Yacht. You don't see it that much because it's a fee-based product. Yeah. Laws come and go, so we don't know yet. But a freelancer is always worried about two things. Is my stuff and my paperwork in order, and where is my next assignment, that's where we play a role. And clients are also saying, where can we find the freelancers and how can manage it compliantly. What we do see is some early signs that in Twago, our marketplace there, freelancers can play an interesting role going forward in this whole field.

<Q>: Okay. But you do not expect that business that you lost to rapidly come back now that the regulation exchange.

<A>: Oh, you mean, the payrolling business.

<Q>: Yeah.

<A>: The government payrolling business. Yeah, I don't know. It was a call by the current government who'll have elections. But I don't expect them to beef it up quickly. So, we're growing in the private sector in our payroll business at the moment.

Well, that's great. Well, thank you for joining us at this call. We now – we'll return immediately to work on that returns from our acquisitions, then on our organic growth. Thank you so much. I hope to see you on the 30th of March. And if not, we'll have our results announcement Q1 end of April. Thank you so much. Bye.

