



Q1 Results 2014

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CFO

Introductory remarks

Hi good morning, welcome ladies and gentlemen to the Q1 2014 results call, I am sitting here together with Jacques van den Broek, with Jan-Pieter Van Winsen, also with Andrew Cook who recently took over from Pascal Sluijter as the number two in our Investor Relations department, and of course I am also supported by other colleagues who help me to deal with your highly complex questions that might come up. And, please when discussing the Q1 results, realise that typically in our seasonality, Q1 is the softest quarter of the year.

Profitable growth and strong cost control

Moving to slide 5, right away, which shows you profitable growth and strong cost control as we also stated on top of our press release. If you look at the organic growth per working day it was up by 3.6% and March was up by 3.5%. We had a pretty strong currency impact which was compensated by the USG acquisition which was an acquisition which brought us roughly €400 million of annual revenues. Typically our revenue trends are a bit erratic, so straight lines are not common practice so please keep that in mind when looking at the numbers. Our perm business increased by 9% which is the best performance over the last two years. The gross margin was supported by an increased level of subsidies in France, and the operating expenses, when you look at it sequentially, decreased by 34 million which was the result of the takeout of the one off in Q4 in marketing, which was roughly 17 million and which is clearly paying off, and I will get back to that when discussing the various countries. And, also the result is influenced here, the OPEX is lower due to the Belgium restructuring which kicked in in the fourth quarter of last year. The EBITA margin came out at 3.1% compared to 2.4% last year, and it is reflecting a strong incremental conversion; incremental conversion is the percentage of additional gross profit that is retained in EBITA, as such, there is a very limited addition to the cost base, relative to Q1 last year.

Continued gradual recovery

On slide 6, you see the trends in our market; we see growth in various markets, in Germany, Belgium, Iberia etc., but also in the US, we see a recovery of the growth in March it is +3%. We also see accelerated growth in Japan and emerging markets, and through the quarter, growth went from 3.2% in January to 3.5% in March, and going forward into April we do see that trend in the month of March continued.

North America

North America on slide 7, back to growth in March, which is clearly a return on the marketing campaign in Q4 and on the increased efforts in activity based field steering as well as an addition in headcount in the second half of last year, and that has an impact at the bottom line, so the costs have increased slightly to support this, and we can now see growth coming through. Revenue for North America in Q1 was at -1%, but if you look at US staffing and US professionals, we can see that staffing improved to 5% growth and professionals was flat in the month of March, which was clearly an improvement. Within staffing we did see an even better improvement of the gross profit also resulting from the strong perm growth, 12% up. If you look at the professionals business, as I said, it is flat in the month of March, -2% for

the quarter, and it is clearly supported by investments in IT which came back to growth and we also see the finance segment improving following some organisational changes.

Perm up also here by 8% compared to 1% growth in Q4, and we have somewhat higher bench in medical claim in wage taxes, I would say the quarter is a bit more loaded than it was last year, I would say the impact is around 2 million US which should level out throughout the year. Then our Soucright business up by 8%, Canada is in decline by a -5%, that seems to be a more difficult market.

France: improved profitability

Moving now to France on slide 8 shows improved profitability, the revenue quality remains key here in retaining the CICE as intended is our top priority. So, revenue came out at -2% which is equal to the previous quarter; we see somewhat improving trends throughout the quarter, good performance in the SME segments, unfortunately perm fees down by 4%. And if you look at the gross profit, that is clearly a delta, which is supported by, on the one hand, the fact that the CICE rate has increased from 4% to 6% of the underlying salaries, up to 2.5 times the minimum wage level. And I want to add here that the signals that we have received is that as from 2015 the outlook continues to be good; there is clearly an intention at the level of the government to either continue this or even expand this system.

In Q1 last year, we recognised 50% of the subsidies given the uncertainty of how to deal with it; it increased gradually over the year last year to the mid 80's and at the beginning of 2014 it is just a little bit more now. We have pretty strong cost control; costs are down by 5% which is also the effect of the reorganisation last year and the merging of the various branches is on track. EBITA margin now at 4.1%.

Netherlands

The Netherlands on slide 9; revenue at -1%, it is not really improving, but that is something we mentioned in the previous discussions or call. We can see that over the last year [inaudible] has performed well, especially through its focus on large clients, and as a result it has outperformed the market for quite a while. Now the SME segment is starting to come in as well, and there we are a bit unhappy with the performance as we have stated before, so we have reinforced our focus on this segment with very intensive activity based field steering and we expect this to pay off in the course of this year. Gross profit was supported by perm which was up 24% and given the share of gross profit we still have quite a way to go here. Cost down by 3% sequentially also as a result of the lower marketing cost but also FTE is down, and the EBITA margin at a solid 5%.

Germany: stable volume trend

Germany, page 10, a stable volume trend, so revenue is up by 11% including a significant price effect which is the result of collective labour agreement changes that leaves 2% for growth effectively in the volume, but it is mainly additional hours spent by flex workers. We did see good growth in IT in-house and also tempo-team business in Germany, and I just want to point out that the complicated consequences of the collective labour agreement which were implemented as from 2013 November have been handled pretty well. We also have stronger focus now on the SME segment of the perm business in Germany and on getting the right delivery model matched with the clients. Gross margin is clearly reflecting the collective labour agreement changes but also the fact that last year Q1 we did have a higher sickness

rate, and this time it is more normalised; it is at a lower level. We are making good progress with the price increases in Germany. Operating expenses are up 5%, but sequentially flat, and the EBITA margin has improved by 80 basis points to 3.9%.

Belgium: back on track

Belgium, on slide 11, we went through a restructuring in the fourth quarter of last year, and it is always pleasant to see that immediately after that we are getting back on track; revenue growth now at 4% in-house back to growth at 3%, and Randstad is ahead of the market if you look at the admin segment. Also our professionals business in Belgium has returned to growth. Our costs are down significantly, that is in line with the restructuring plan that we discussed with you last year and EBITA margin now at 4.9%, and if you look at the graph to the right upper corner, you can clearly see that improvement in the EBITA margin.

UK: improving performance

The UK on slide 12, we see improving performance, revenue slightly less growth than the previous quarter, but that is due to the third bullet, strong focus on client profitability, we continue to be rather selective. What we also see in the UK is continued growth; the professionals business 6%, especially led by education and this clearly links to our marketing investments that we have executed in Q4. We did see a slow start of the year in the finance segment; we are not happy with this and this is mainly a perm business and we are reinforcing our tight activity based field steering here. Perm fees were up by 2% and March was a good month with 14% growth. As I said, further focus on improving the performance, especially on field steering and as such on the productivity but also on client profitability. EBITA margin 40 basis points up.

Iberia: strong performance

Iberia are showing a strong performance; enjoyable to look at this, the Spanish business shows a revenue increase of 4%, that includes a lot of the USG business as well. The growth is driven by logistics in manufacturing and the integration process is to be completed by the end of this first half, and what we see coming through, and I was just referring to it; we are both on track in terms of cost synergies but we are also doing a little bit better in terms of the envisaged revenue losses as a result of the integration. So, we do see lower losses in revenues as a result of the integration, so that is a positive as well.

Portugal: stable growth

In Portugal revenue growth is stable at 8% driven by the manufacturing segment including automotive. EBITA now at 3.3% including synergies of 1.5 million and that is clearly a reflection of strong cost control.

Other European countries: strong growth

Then we have the other European countries; Italy also here we did have a micromarketing campaign, very much directed specifically, revenue up by 14% and that is also the result of investments that we made in 2013 which suppressed the earnings a little bit but it is clearly coming through now. Integration of the USG business also here to be completed in Q2. Switzerland good growth, in Poland excellent growth at 23% continuing, and the EBITA margin is now at 2.9% for this segment.

Rest of the world

Rest of the world on slide 15, Japan grew by 11% in the first quarter compared to 4% in Q4, excellent performance and it is driven by logistics and retail and it also comes in with a solid return at the bottom line. Australia and New Zealand, it did grow, but we are not happy with the perm performance; that is still something to improve because that is where the earnings are. Asia is up 13% and then especially in China, we see the reflection of activity based field steering on the one hand. On top of that we are adding additional resources in order to accelerate and on top of that we have a micromarketing campaign, and all of that has supported this very high level of growth. We continue to invest in the various countries in Asia. Latin America is up by 9%, we are now capturing the productivity improvements from our recent investments and we also repositioning to the right segments here. Overall in this segment, the EBITA margin is below what we find satisfactory.

Financial results & outlook*Income Statement*

Moving to the financial slides, the income statement on slide 17; it is the numbers you have seen, I am not going to go through all of those, but please note that foreign exchange has an impact here of 100 million at the revenue line, roughly 18 million at gross profit, 16 million at the OPEX level and as a result of that, 2 million at EBITA. At Randstad we have a policy of matching the EBITA, the expected EBITA streams with the net debt of the company, and as such economically we are hedging the currency flows. Looking at our net finance cost, you can see that they are at a very low level again.

Financial key points

Slide 18, some of the financial key points, free cash flow of 74 million compared to last year, and as you know, at Randstad we love to benchmark ourselves, and we can see that the performance of Randstad at the working capital line and the financial expenses line shows up quite good. Leverage ratio improved to 1.1 which makes us comfortable. We have an effective tax rate of around 31%, we can clearly see governments aiming for cash, and they are discussions we have in various countries and all the potential consequences of that are included here, so I think this is good guidance. Diluted EPS now, 45 cents; an improvement compared to the 33, and the dividends, as you might have noted from the press release, we now have the results of the optional stock dividend and 66.6% of our investors have elected for stock dividends, so there is a clear demand for stock, rather than cash with quite a few investors.

Segment performance

If we look at slide 19, we see the segmental performance of Randstad repeating quite a few of the issues that I have just mentioned. If you look at the professionals business you see a decline in the EBITA margin; that is our US profs business which I referred to earlier and which is now getting back on track, so we should see a reverse in that trend as well.

Gross margin bridge

Moving to slide 20 now, the gross margin bridge, you can see that last year it was 17.8, now it is at 18.1 and the main components are the improved margin in North America, the CICE contributions in France, but also the very strong focus on client profitability, and perm fees are now 10% of GP again compared to more than 12% in the year 2008, so still a way to go.

Next to sort of our reference to 2008, at Randstad we also have a very strong focus on developing this according to a standardised best concept in order to be successful and we see that coming through as I mentioned in various countries.

Operating expenses bridge

Slide 21, the sequential bridge of operating expenses, well you can see that last year Q4 was 628; we guided for lower OPEX while it came out at 594 which is clearly reflecting the sort of growth rate that we have seen in Q1. The development includes beneficial foreign exchange impact of 4 million compared to Q4, but also USG synergies are included here of 1 million, if you look at it on a comparison with last year's Q1 we now have 3 million of quarterly synergies in the pockets, and as you know, the ambition is to end up between €15 and €20 million annually, so we still have a way to go. The reduced marketing expenses as was mentioned but also the impact of the Belgium recovery is coming through and we continue to invest in our emerging markets.

Net Debt

Slide 22, the net debt down by 216 million compared to last year, it is clearly explained here, I just want to point out that working capital as a percentage of revenues now stands at 2.8% which is a clear reflection of our EVA focus that we have now been working on for quite a few years.

Free cash flow

Free cash flow to 74 million on slide 23, last year that was 42 million, and if we look at the last four quarters in 14, then you see 325 compared with the last four quarters in 13. There is a gap if you exclude the €131 million that we had as a longstanding liability to the Dutch tax authorities which was paid in Q4, than on a comparable basis, 325 should be increased to 456.

Looking at two items in the overview here; net additions in property plant and equipment are mainly related to our branch mergers in France, and the other items, please note that CICE is only paid through a compensation of corporate tax to be paid, and if that is not sufficient it takes three years before it is settled, and that means it is clearly a benefit to the company, but not yet at the cash line, or hardly. Net finance costs paid, I mentioned it before, in the P&L it is low, but also in the cash flow statement it is very low; €2 million compared to €3 million last year. We purchased some more shares which was to offset the dilution of our performance share plan.

Outlook Q2

So that brings me to the final slide, 24, the outlook for Q2; organic revenue growth was 3.6% in Q1, while it was 3.5% in the month of March. We did see some improvement throughout that quarter and a significant foreign exchange impact as I explained. And the exit rates for the month of March; I am going to list them to you now, and the Netherlands was at -2%, France at -2%, Germany at +9, Belgium at +3%, the UK at +1%, Iberia at +4%, North America, as I mentioned, at +1%, rest of Europe at +18%, and the rest of the world at +12%, and that adds up to the 3.5% in the month of March. We also see a gradual recovery that is continuing into the month of March, but no acceleration of growth yet, so we have, as I mentioned, intensified our focus on activity based field steering to enjoy whatever opportunities there are. Please note that we have the same number of working days in Q2 as

last year, and the season typically brings a somewhat higher gross margin in Q2. The base will increase sequentially, that is the normal seasonal pattern; we also spend a little less in Q1 for example on marketing, we will see some limited investments in headcount coming through in selected markets, synergies relating to USG will increase gradually toward the end of the first half year and we are aiming for an incremental conversion ratio, so conversion of additional gross profit into EBITA of around 70%, and please also note that our net debt will typically increase due to the dividend payment and holiday allowances.

A final addition to make here is that the Q2 results will be published late July and these will be published under the leadership again of Jan-Pieter van Winsen but he will be succeeded by Arun Rambocus who will join us soon. So, we now move into Q&A and I ask you to limit your questions to two per person. Thank you.

Q&A

Paul Sullivan (Barclays): Hi, good morning, just a couple from me; firstly, just in Holland, are you tempted to start to chase market share again or shall we expect you to lag the market for the rest of this year? That is the first question.

Jacques van den Broek: Good morning, the rest of the year is still long, what we are currently doing is we have an intensive phone campaign actually towards all our SME ex-clients and prospects. We have created a call centre environment in several locations throughout the country. Our marketing director used to run our call centre business where we take our consultants on a pre-plan basis in there to contact all their SME clients in the database. So, this will definitely increase the amount of contacts. This is not a segment that is linked to one competitor as such, if you are there they have demand, you will get the job, so we are optimistic that this will pay off, but answering your question directly, like will we trail the market for the rest of the year, or when will we be at or above market, that is difficult to say. Normally this takes like two or three quarters to be at market again.

Paul Sullivan: But, you are not going to sacrifice profitability to chase top line – that is quite clear.

Jacques van den Broek: Yeah, but that is not where we are today, so that was the name of the game in the crisis as such, because then you have a client, a tender comes up, we see funny pricing, then you sacrifice top line for profitability, now we think there is good profitable business to be had, but we need to catch it and find it.

Paul Sullivan: Okay. And just finally, you talk about actions to improve margin in the rest of the world, can you just maybe elaborate on what you are trying to do there, and do you have any targets in mind for the rest of the world margin?

Jacques van den Broek: In the rest of the world, yes, well we are mostly unhappy with our results in Australia which sounds funny if you look at the top line but we need far more perm, and it is the same name of the game everywhere around the world, so again more targeted contacts with the database. In Australia we have many different teams selling in different businesses and we do see the teams that pick up the way to go are actually quite successful. Others are not, so they need to learn from their colleagues. I was there a few weeks ago, the atmosphere is good, but yes, we still need to, again, intensify and be consistent in the way we go to market, and again, when we will then be profitable, I do not know yet. The market

as such in Australia is not so great; you have seen it at the results of our competitors, so this is a tough market which means that you will have a relatively high amount of activities to convert into business, so difficult to say but we are not happy yet with the performance in Australia.

Robert Jan van de Kraats: Also at the rest of the world, it includes Japan, I already made some comments that we are happy with the returns over there, and then we have our positions in India and China, and in these countries, we have a very strong focus on growth so returns are immediately invested in acceleration of growth.

Paul Sullivan: Okay, thank you very much.

Tom Sykes (Deutsche Bank): Thank you, morning everybody. Just firstly on US growth, could you maybe give an outlook and make some commentary on US manufacturing and light industrial and what the outlook is there? Then also, I suppose, following on from Paul's question, it may be particularly in the US, but it does seem to be other markets as well, it is a very long time that we have heard about companies sort of focusing on profitability and sort of at the expense of growth but trying to keep the gross margins up. Are you trying to say now that you think the sort of gross margins grinding lower is stopping and you think that those are maybe stabilising moving upwards again or is it that you feel your cost structure is now in a position which you can take on the volume profitably now. Could you maybe give a view on that please?

Jacques van den Broek: Tom, good morning, that was a long question. Talking about our US staffing business, we have invested in growth there, and we are now working with 100 more consultants put very systematically into units. We can say that our US staffing business, as you probably know, is half of our total business, around 2 billion US is very tightly run, when we talk about activity based field steering, daily planning on what we need to do, we do see the growth there. We target parts of blue collar; we target SME white collar, so we take our pick in that market, and the growth there leads to profitable growth as such. As you have seen, 5% growth in March, it looks like we are at, or even slightly above ASA numbers in March, so we think we are getting there. And again, talking about the targets we segment, also with a concentration on perm placements in staffing profiles will give us good returns and our profitability in our US staffing portfolio by the way is quite good compared to peers in the US.

In our professionals business, a slightly different picture; if you look back into our IT portfolio, we have had a great year in 2012; we did not invest timely in people, we then dropped in growth 2013, we redressed that in Q4 2013, and we now see return to growth in our IT business, which again gives us very good returns, so quite confident that this will help both our top line at group level but also our profitability because it comes in ahead of group average.

Then, lastly, our finance business, we have changed management there, now combining the business as we bought in SFN, so our datum business which is top of the line in finance providing CFOs, combined with our own finance business gives us a great offering in the American market. How quick we will see the uptake in top line, we do not know. What we do know again is increasing growth there is also increase in profitability because we target profitable segments.

Tom Sykes: Okay, and just maybe the light industrial outlook in the US.

Jacques van den Broek: As you know Tom, although we are the number three player in the US, we have a limited market share of around 4%. So an outlook on light industrial, I do not really know; we take a part of that, our in-house businesses, in light industrial to a certain extent, and that is growing.

Tom Sykes: Okay, but I am not sure you have fully answered – you answered the question about the US, but maybe in terms of the gross margins and your focus on sort of profitability; what do you see in pricing then in the US? Do you see that stabilising? Is that still grinding a bit lower but you feel you need to go for growth a bit more now?

Jacques van den Broek: I answered your question, but implicitly, so the segment –

Tom Sykes: I might need you to spell it out for me.

Jacques van den Broek: Yeah, that is no problem Tom. The parts of the market we are targeting both in our staffing portfolio and in our US portfolio, will give us, if we grow there profitable growth. So, in our IT we are not growing for huge 1 billion tenders with clients with single digit margins, in blue collar in staffing we are not going for large clients with a high liability with an MSP giving us a part of the business and we are not MSP. So, therefore implicitly again, growth will lead to improved profitability through the targets in the market, but also the fact that we have invested and our GP per head is increasing at the same time.

Tom Sykes: Okay, thank you.

David Tailleir (Rabobank): Yeah, good morning gentlemen, and maybe a quick follow up on the Netherlands, when did you actually start let us say the new initiatives, because the exit rate in March seems to be a little bit weaker than the quarter [inaudible] rate, but it could be let us say a monthly blip of course. Secondly, if you look at your professional margins, to drop off 60 basis points year on year, you are describing it is mainly related to the US but I am only seeing a 4% gross profit decline, so is this indeed mainly due to higher SG&A investments and do we expect this to reverse to common quotes[?] to some extent? Thanks.

Jacques van den Broek: Well, David, good morning, on the Netherlands we started doing this mid-February; March last year we had good growth, highest in the quarter, so it is a bit of a comparison thing. So we are now at it for five to six weeks, so again that takes some time. Maybe you can comment on professionals because there is a bit of a technical thing there.

Robert Jan van de Kraats: Yes, professionals in the US last year did have a very strong quarter, so the comparison base, and I mentioned that also, was specifically relating to pensions and social securities or wage taxes was impacted by roughly \$2 million, so that also has an influence here.

David Tailleir: Okay, so it is not like you invested, let us say like what happened at group level in Q4, quite a lot in marketing or growth initiatives and that SG&A will decline in common quarters for US professionals.

Robert Jan van de Kraats: No, no.

David Tailleir: Okay, thanks a lot.

Konrad Zomer (ABN AMRO): Hi, good morning, I have a question about your professionals business in the Netherlands, it was up 3% in the quarter, and can you tell us in what specific areas you achieved that growth rate? A related question is on Yacht; it was down 2% in the quarter which I think is a good performance, but can you give us a bit more insight into at what level the EBITA margin of Yacht currently stands? Thank you.

Robert Jan van de Kraats: The last one we are not doing, but it adds to our performance, Yacht was a laggard, of course, in our portfolio in the Netherlands and took result down, now it helps. What was good with Yacht is the fact that we are growing with government again which as you know has been a while; we took quite a hit there. We are also growing in HR which we do not think is a market thing, but we have good management there; we have centralised the way we do HR in one location, and that is paying off. And, lastly we see quite a spectacular growth in freelancers, which is both the freelancers we put as candidates to our clients, but also the brokerage which we do at Yacht, and that leads to a doubling of the amount of freelancers we have put into the market, so that drives the performance of Yacht.

Jacques van den Broek: And, the professionals business, when you look at the segmental reporting, you see growth by 3% and that relates to the professionals business of Randstad in the Netherlands which is clearly accelerating.

Konrad Zomer: But, what sort of ENT markets are growing the fastest? Is that accountancy? Is it engineering? What sort of activities are there?

Jacques van den Broek: This is very broad based which is the good news; we are still in what we would call the professional segment at Randstad, which is the lower part of what we would call professionals; we are underrepresented, we started targeting this segment much more intensively, well a year ago, and it is a pretty broad based growth. What is also good to mention is that at Randstad we also grow quite spectacularly in current placements; 24% from a low base, we do not think that has anything to do with market, but again as a result of a very targeted effort in this segment, and again broad base in terms of profiles and clients.

Konrad Zomer: Okay thank you.

Marc Zwartsenburg (ING): Good morning everybody, first a question on your statements in your outlook; you mentioned you are convinced that the gradual recovery continues, but if I look to the exit rates, particularly for the larger regions in Europe, the exit rates are a little bit below the quarter average, what makes you convinced that the gradual recovery continues? Is it because the first weeks in April are showing convincing trends? Can you share a bit with that? And the other one is on your [inaudible] normal seasonal pattern with some additional marketing spend, can you please shed a little bit more light on what you mean by normal seasonal trend? Is that a 10-50 million increase quarter on quarter we have seen over the last one or two years or is it anything different? Shall we take into account additional spent on top of that? Thanks.

Robert Jan van de Kraats: Okay, Marc, thanks, your first question on the exit rates and moving into April, you should note that in our business the growth always includes some estimates at the end of the month that needs to be made, so we also look at the month of April and indeed what we see in the month of April where we follow our volume development across the world every week, we see that trends in the month of March continuing into April, but it is also based on our customer conversations, so that is what you hear us saying.

With regards to the cost base, I was thinking that we did give you quite something to hold onto by sharing the incremental conversion rates, now you want us to state the euro number again. The reason why we state the 70% is because we today do not know what is going to happen, especially not in June. We have a little feel for May but not complete and then we have uncertainty about the month of June. So, that is why we thought we should share with you the fact that we expect an incremental conversion ratio of 70%. If you however would apply the 70% to let us say low continued growth as we see now, you indeed get to the increase in OPEX as you just mentioned, applying the 70%, that is straight forward. So, we just try to give you something to hold onto, even if you believe growth could accelerate a little further.

Marc Zwartsenburg: Well, one follow up on this one, you said the March trend continued in April, do you mean that the 3.6 continued or the development from January, March and then forward, is that what you mean?

Robert Jan van de Kraats: No, what we mean is that April looks to be in line with the month of March.

Marc Zwartsenburg: I see, and a follow up on my second question, on the gross margin, was there anything in Q1, say the Germany passing on of the price increases; did it have any negative impact on Q1's gross margin, and should we expect that to filter through them in Q2 and the rest of the year?

Jacques van den Broek: Just one on the growth trend, what is an important statement to make of course is if you look at our US finishes per quarter and then if you would just prolong that lining to Q2, you already have some good growth and profitable growth at a group level, so that helps.

The other one is on Germany, we are not happy yet with the volume development in German, as I mentioned in earlier conversations, Germany is a very strong organisation, but it is a large client organisation. So, they are still turning the corner in their activity based field steering, so the fact that volume is flatish is not due to clients doing less because the price is higher, the development at these large clients is rather stable on average, but we need to pick up, we need to sell more. So it is roughly the same programme we have in the Netherlands, be it that in Germany this has lessened DNA, so this might take a little bit more time. But overall, solid passing on of the CLA chase because of course on a positive note, which I have mentioned is, Germany has gone through quite some changes last year and again a huge CLA increase – January, 1 – that is all handled very well, and now it is back to selling and increasing the volume.

Marc Zwartsenburg: Did it have any negative impact on your gross margin in the first quarter, as far as increase and as far as you know?

Jacques van den Broek: No, certainly not from a nominal point of view, of course because the overall bill rate increases then as a percentage it goes down, but also the cost goes down, so overall you see an increase in our percentage earnings so that is good.

Marc Zwartsenburg: Thank you very much.

Nicholas de la Grense (Bank of America, Merrill Lynch): Two questions from me please, firstly on incremental conversion rates, the 70%, does that apply to just Q2 or is that more

going forward, that is going to be the target? Because I think before you have referenced an 80% incremental conversion rate on the early stages of growth.

Robert Jan van de Kraats: Yes, Nicholas, thanks for asking this, indeed overtime of course this is going to decline, so our policy that we have shared with you confidently is that we aim to return more than 50% of additional gross profit. In the early stages of growth we said it should be higher; it is 94 in Q1, we are now indicating around 70% in Q2, and that means it is Q2 indications. Gradually this will decrease but of course we will do our utmost to come in as high as possible, but ultimately we will have to add people, so the early stages of growth are serviced almost without adding people but just adding bonuses, commissions and a bit of marketing. The second stage means that we are going to add some people in the front office which is happening in a few spots in the world, and then overtime, and that is not going to happen in the foreseeable future, we are going to add significant expenses in terms of branches and back office, but that will not occur this year, I think.

Nicholas de la Grense: Okay, thanks, so for the full year I think this was kind of in the 80% range, that sounds like it is a bit high for – I mean obviously Q1 is strong but if the rest of the year is going to be more like 70, is that fair to assume?

Robert Jan van de Kraats: I think it is fair to say that the 80 is a bit on the high side, but it also depends on the speed of growth; if growth accelerates then typically we can do with less customer visits and enjoy more business, and now it is going a bit slowly.

Nicholas de la Grense: Okay, thanks. And just one on the CICE, you mentioned it briefly during the call that there have been some positive developments recently and obviously the government has released some preliminary details of the responsibility pact, it looks like the rebates could be increased for those on lower wages; can you say how many of your temps on assignment currently earn less than 1.5 times minimum wage?

Robert Jan van de Kraats: No, I cannot tell you, it actually refers to both our flex workers and our internal people, but of course the majority is the flex workers, but we have shared with you that last year the impact for the group was almost €70 million and in 2014 it is anticipated to amount to roughly €100 million, so that gives you some ratio to work with I think.

Nicholas de la Grense: Okay, but I am more referring to kind of beyond 2014, if the terms of CICE do get changed, I know that there is talk of it being extended to those on salaries up to 3.5 times minimum wage but also increased for those on salaries 1.5 times, so I was just trying to get an understanding of the breakdown in your temp base.

Robert Jan van de Kraats: Yeah, I cannot share that with you, but please note that by far the majority of the people that we place with our clients are at the lower end of the pay pyramid.

Nicholas de la Grense: Okay and when are you expecting to get absolute clarity in terms of what will happen to CICE beyond 2015? Do we know when the responsibility pacts will get voted on?

Robert Jan van de Kraats: No, we do not know, but we are following it tightly; we are having our links organised, so we hope to hear more as soon as possible.

Nicholas de la Grense: Okay, thanks very much.

Jacques van den Broek: Nicholas you are asking us to predict a government.

Nicholas de la Grense: Thank you.

Jacques van den Broek: And not just the government; a French government. Thanks.

Nicholas de la Grense: Thanks guys.

Matthew Lloyd (HSBC): Good morning gentlemen, a couple of quick questions, firstly in the Netherlands, what is the sort of order of differential in gross margin between sort of white collar SME and the sort of larger account MSP kind of business? So, could we see a gross margin lift as the nature of the mix alters[?]? Secondly, do you think that part of the underperformance in the Netherlands is just your alignment to the sectors as they are growing, is not what it should be?

Robert Jan van de Kraats: The answer to your second question is yes, we concentrated, and rightly so by the way, in the downturn on our large clients; we did well there, we improved our position and by the way took market share for a long period as a result of it, and the SME now seems to rebound, we were a bit late, of course implicitly of course you also push your competitors into the SME segment by concentrating on your large clients, but that is not an excuse, by no means, so we are now beefing up our activities in that segment.

Back to your margin, yes, that is a tough one to answer because of course which part of a large client and which margin of clients do you compare with which SME type business? So, yes it is higher but it is all about the business mix, so which part of your business mix then comes in at which speed at this percentage? But we have seen in earlier cycles that if there is an upturn in the market, business mix improves, you see more perm, you see more SME margin, yes, and your margin as a whole improves. Where we are now in a cycle, you see that underlying the margin is pretty stable, hopefully in a next phase if it further strengthens, we will see a slight uptake in gross margin.

Matthew Lloyd: Bearing in mind your answer, can I just ask a quick follow up? You have sort of indicated that perhaps the incremental drop through gross profit to operating profit could be 70, which is a little lower than some, do you see scope for the gross margins to go up during this year?

Jacques van den Broek: Yeah, again that is implicitly a question on prediction; that is difficult but definitely if the cycle persists and also where we are investing again in perm, in white collar, then underlying margin should increase, absolutely. You might also say that it would be good news if throughout the year our incremental conversion would go down, because as Robert Jan mentioned, we are then investing in growth which at the end of the day is always better than maintaining a tight cost base to weather a storm.

Robert Jan van de Kraats: And, Matthew just adding the normal pattern, growth has just been started in, I think we reported the first growth in September last year, typically growth builds up from blue collar into white collar and then finally into professionals, and then of course you always see some early signals as we see them today as well. So normally the share of blue collar business will grow throughout 2014, and typically that comes in for quite a degree through in-house which brings us a somewhat lower gross margin but I have solid return as you can see in the segmental reporting. So, to us, this is not a business that we purely steer on gross margin, of course we monitor it tightly but it could well be that blue

collar growth comes in through in-house arriving nicely at the bottom line, so do not be too focused on the gross margin line here.

Matthew Lloyd: Okay, thank you very much.

Laurent Brunelle (Exane BNP Paribas): Yes, good morning, two questions for me; in France, I know it is not an easy country to forecast but what is your view on the current market situation and do you see any sign of recovering the early cyclical segments? And do you believe that your slight market underperformance is related to your ongoing organisation and when do you expect to grow in line with the market? And secondly, just to be clear about your strategy to invest into marketing spend[?], I am a bit confused, compared to what you said in Q4. So when I look at your OPEX spend in Q1 you just relate it to seasonality, or do you intend to invest more in marketing spends please?

Robert Jan van de Kraats: Good morning to you. On France: we are doing well in the segments that we target because our first and foremost priority is not to grow the top line because that is still doable but that comes at a high price because then you need to say yes to clients with a lower margin who might even discuss CICE or margin decreases, whatever. So, we want to change and improve our business mix, so we are happy with the fact that we grow in SME, we are also happy that we grow in-house, more than 20%, there are some transfers included from the branches, but in-house is also an added value solution to our clients, so we like that.

The market is not great yet, it is still negative, so we do not see any immediate signs of improvements. Also, for example our Appel Médical medical business is suffering from a decrease in spending in public healthcare, and also our Expectra business, and that is what is to be expected is also negative. Having said that, although we are negative in permanent placement, which again is a spearhead in our strategy, we think that is ahead of market, even at -7 – so that is where we are in France.

Again back to marketing, we have invested in marketing because in some markets, young markets where the Randstad brand was young, we arrived at questionable top-of-mind, that means people need to sell a lot to get a contact from a client, and France was one of those, so even though the market was not great yet, and still is not, we thought it was wise to invest there. Our top-of-mind in France has returned to good levels. That means that our people are more successful in selling; that probably shows in the SME development, that is all great. Yeah, and we do not do it now, we are now analysing the results. If growth picks up again we might invest a little bit more in marketing, seasonally we will in Q2 by the way but not to the size that you saw in Q4; we will take a more gradual approach throughout the year.

Laurent Brunelle: Okay, thank you very much.

Toby Reeks (Morgan Stanley): Hi there, I have got two if I can, first is on CICE, I think you indicated that Q1 retention was above 80%; is that the maximum you guys are going to be able to achieve? Where do you expect it to go? And as a follow on from Laurent's question earlier, I think you just mentioned that some of the sort of smaller competitors in France are willing to talk about seizing the CICE and giving it up to customers to get more revenue; how much of that is going on? Is that something that has increased in pressure? And then I have got one on this, thank you.

Jacques van den Broek: Hi Toby, on CICE, the retention, I mentioned we started with 50, then we increased it to the mid 80's and now we have increased a little further, I think you know that is sort of it, so we expect this current level to continue on the back of the way we experience the market right now.

Toby Reeks: Okay, so if we assume sort of 90, and you are not getting any pressure to reinvest that into training and you know all the other IT investment that you initially thought you might be having to do.

Jacques van den Broek: It looks like a straightforward question but it is not; there is a lot of ongoing investments in training that we are making, and matching that exactly with the CICE streams is a challenge. So, we have investment in new type of workers in France where we take people with a permanent contract into our business which clearly is an investment in order to improve employment in France and it is impossible to match that with the CICE; it is not even allowed by the way according to the reporting standards.

So, I think there is more investment than you see, but given sort of the way business is developing, that is why I made the comment, the current retention level is to continue into Q2, 3 and 4.

Toby Reeks: Okay, fine. And then just following on CICE before we talk about SG&A, you mentioned that some of the competition are willing to give some of that up to win business, and is that something that has become more material over the last sort of couple of quarters, or has that just always been in the background?

Robert Jan van de Kraats: I think I said, we were not willing to give it away, I did not say that competition was; there is some competition with increasing top lines, that is the only thing I can say. Again, there is nothing new about this in the French market; discussions with French clients, unfortunately for the last 10 years that I have looked into France I have always been the same, and the arguments differ; it is either CICE, or it is [inaudible] or it is margin as such, we are trying very hard with our clients to talk about total cost. And that is where in-house is much more geared towards because we can help French clients with decreasing their costs of labour, and we do not do that by decreasing our margins, we do that by helping them to run their workforces more effectively.

So, that is what we bank on, given the growth in in-house, there is a part of the French market that is picking that up, there is also a part of the French market which still wants to only discuss on decreasing gross margin with whatever arguments, and again we are not willing to do that.

Toby Reeks: Okay, and then in terms of SG&A, I obviously realise you do not want to give us numbers around seasonality and marketing, but could you give us an indication of the sequential move from Q4 into Q1 in terms of euros, because it is historic obviously, that was seasonality? And in terms of marketing, I mean how shall we think about that? Is making all your consultants work in call centres an extra expense?

Robert Jan van de Kraats: No, certainly the last is not that, our consultants working in call centres is really a way for them to be very concentrated on phoning clients. Have you ever been in a branch Toby?

Toby Reeks: No, I have not had that honour.

Robert Jan van de Kraats: Okay, well you should, it is quite a hectic environment and you need to take time away to really plan to call your clients. In this call centre environment their own database is loaded up, they have a headset, and they have a call centre manager who actually manages them, so then they can just do what they want to in full concentration, and then the next day they go back to the branch, and then they handle the follow up of the calls. So that is what we are currently doing, that is not extra cost, that is just using up people more effectively and helping them to become more sales effective.

Toby Reeks: Fine, so your marketing expense is very much targeted branding within specific markets and that is the bit you expect to go up. Because I think your comment earlier was that you are increasing marketing in France, but as a comment for the group, how much should we – and I guess in terms of just direction, is marketing expense going up on a sequential basis?

Jacques van den Broek: Okay, well yes it is going to go up on a sequential basis, but not to the likes of what we saw on Q4 because that we explicitly called a boost, which we by the way also announced a quarter earlier, so no.

Toby Reeks: Okay fine.

Robert Jan van de Kraats: I am just using the opportunity here to explain the principles of our business, typically you cannot compare gross profit sequentially because we have seasonality there, but expenses, you can compare better to quite a degree, so the differences between Q4 and Q1 are typically that we have more marketing spend at the end of the year than at the beginning of the year, and we have typically wage inflation coming in as per the 1st January which is included to quite a limited degree here, there is clearly a low level of wage inflation across our businesses. So, I would say that is the way to look at OPEX.

Toby Reeks: Okay. I mean, clearly I get the sequential side of things, but in terms of when you look at your organic decrease on a sequential basis from Q4 into Q1, what I am trying to ask is how much of that was seasonality? How much of that was other ways of reducing cost?

Robert Jan van de Kraats: Yeah, that is exactly why we gave you the change in marketing expenses, and there are a few items for a few million, but that is about it.

Toby Reeks: Okay, thank you.

Hans Pluijgers (Kepler Cheuvreux): Good morning gentlemen, a follow up on your outlook statement because your answer [inaudible] interpretation could be too full to my opinion. You are talking about stabilisation in growth, do you mean let us say the stabilisation in year on year growth, and do you see let us say the normal seasonal patterns for the quarter, so a sequential improvement month by month? And is it also what you expect going forward for April and May? And secondly, you also clearly stated that you were quite happy with the leverage; is there any thought to maybe changes in how you are going to use additional cash to buy backs or are you becoming more active on M&A? Could you give some feeling as to what you are planning to do with the cash generation?

Robert Jan van de Kraats: Yeah Hans, I am trying to comprehend your first question, and I think I have got to go back to the clear statement we are trying to make. When we are looking at the month of April, we can see the growth rate comparing April last year with this April, and comparing the trends in March last year with this year we can see that continuing

the additional comments of Jacques about the US gives you some comfort in underlining that statement.

On your second point on the leverage ratio, we are indeed comfortable. We have an ambition to have a leverage ratio between zero-times and two-times EBITDA. We have learned at school that repurchasing shares is not a value creating activity, typically, and so if we would sit on that cash for a while we would entertain a discussion with the supervisory board, with the shareholders and with, of course, yourselves. So that is not in the plans now.

And the flip side of that remark, I realise, is, 'Do you have any acquisitions in the pipeline?' We think we should use the balance sheet to support expansion of the company, but for now, I think you can feel it in our tone of voice, the primary focus is on organic growth; we are clearly completing our radar screening of options but there is nothing imminent.

Hans Pluijgers: Okay, thank you very much.

Yves Franco (KBC Securities): Hi, good morning. Two questions from my side. For the Belgian restructuring, you guided on annual savings of 60 million. Is that coming in for the whole quarter already, so 4 million per quarter? Is it fully incorporated or did it only start after some months?

And then I have a second question on the Tempo-Team performance in the Netherlands. How do you see things evolving there? Is it a bit linked to the SME segments which you are clearly investing in since mid-February? Thanks.

Robert Jan van de Kraats: Yves, I will take your first question. That is a clear yes. So, it was included as from the beginning of this year.

Jacques van den Broek: And the second one is also a yes, but that is too easy. Tempo-Team is closing the gap with the market a bit, but we are still unhappy with where Tempo-Team is. Tempo-Team is the clear number two in the market; it is a sizeable company. So, from a broad perspective we do not see that there should be a difference in the growth rate of [inaudible] and Tempo-Team, or the growth rate of both with the market. Both are below the market, so we are still unhappy, and definitely, also, Tempo-Team needs to find quite a bit of their return to growth in the SME segment. So yes, that is why I started with a yes.

Yves Franco: Okay. Thanks.

Teun Teeuwisse (Kempen & Co): Yes, good morning gentlemen. Two more questions from my side. One on the conversion rate, the 70% that you have guided for the second quarter. First of all, does incremental mean quarter on quarter? And then the 70%, do you regard that as a minimum level, or is that really a firm level that you are guiding for.

The second question is on your cash generation. You mentioned an improvement in your working capital, but it seems like tables have been driving this, as the normal seasonal lowering of the tables did not happen in Q1, as we have seen in other years. Can you indicate how sustainable you regard this working capital improvement? Thank you.

Robert Jan van de Kraats: Hi Teun. Welcome back.

Teun Teeuwisse: Thank you for stealing my colleague.

Robert Jan van de Kraats: So the 70% is around 70%; that is what we made explicit. So it could be just under or over that number. And it is a number that is calculated on a year on year basis.

And then the cash generation: yes, the closing moment of a quarter is always having some impact. Managing payables is also financial management, and that is what we have been doing. So you are right: we wrote in the press release that the payables are supporting this slightly. But if you go back to the core here, 2.8% working capital of revenues; if you look at the trend over the last years, over the last quarters, you can see an improvement from a level north of 5% or 6% almost in the past. So this is not just a one off; this is a constant and consistent stream of improvement so far.

Teun Teeuwisse: Yes, so you would say this is sustainable improvement in your working capital?

Robert Jan van de Kraats: We still have improvement opportunities here; we have discussed that also at the investor event that we had. Our overdues are still ranging around 20% of total receivables, so there is still a substantial opportunity here. We have got quite tight receivables management in place. You might even recall the DSO at the time Randstad and Vedior merged: it was at 60 days; now we are close to 50, and we still have an opportunity here. So our ambition continues to be that we should have an improvement coming through.

Teun Teeuwisse: Okay. And then just one quick follow up on the conversion rate. If we would exclude the CICE impact, would you say that the conversion rate that you reported today is still in line with the normal trend in an earlier stage of recovery?

Robert Jan van de Kraats: Yes, it is more or less in line. It very much depends on the steepness of the curve, because growth of 3.5% means that we still have to go through serious efforts to sell our services, whereas if the market gets more demanding you get a bit more productivity. We also, in most countries, have a huge number of people who apply for jobs, which of course takes the time of our consultants, and that could well improve a bit if the growth rates go up a bit more steeply.

Jacques van den Broek: At the same time, please bear in mind that markets are in different phases; so in the US we are growing already, and there the conversion is lower, but deliberately so. As I mentioned earlier, historically, if you would look at our IT business, a great year in 2012, no investment, a bad year in 2013 and the top-line drops. So now we are investing in growth again; lower conversion but the top-line increases, and it comes in at good returns, both in our staffing and in our professionals business. So that is what we need to equate on a global scale, and that is why we say 'around'.

One more follow up on the DSO: there is also a reason why DSO could go up, which, again, is a good one and that is if we start growing again, and more.

Robert Jan van de Kraats: Yes, and adding to Jacques comment, because I think that is a very fair point: the blend of incremental conversions throughout the group; we have made analysis where we compare ourselves against the upturn in 2003/04, and also in 2010/11, and then, indeed, in those years you could see 80%-plus, but in this case the US has not seen that decline which we did see in 2001, 2002 and 2003, partly, and even also in 2009

and 2010. So if you look at the incremental conversion ratios per country you can clearly see similarities with historical patterns, but again, if growth increases it gets a little easier.

Teun Teeuwisse: Yes. No, fully understood. One thing to clarify, because Jacques just mentioned that when you are growing DSO is going up, but I assume that working capital is going up but not DSO, right?

Robert Jan van de Kraats: Yes, that is a fair comment. It might be that if France comes back into growth, and that, I think, is what Jacques is referring to, then that comes in with a relatively high DSO, which has an impact on the blend, of course. But you are absolutely right: the total of receivable would go up. We would be extremely happy to find that working capital, so to speak, if it remains above 2.8%.

Toon Tuvise: Okay, thank you very much.

Robert Jan van de Kraats: Thank you.

Anasuya Sarma (JP Morgan): Morning guys. Just a quick question: are you able to give us your head count and FJA[?] plans broadly by geography?

Robert Jan van de Kraats: Okay, you are asking for the potential expansion of head count?

Anasuya Sarma: Yes, that is right.

Robert Jan van de Kraats: Yes. Well, that is a number which is completely dependent upon the trend that we see. So just using, again, the question to elaborate briefly, we do not plan in Randstad. Of course, we have ambitions, we have budgets, but we really run our business on the back of, what we call, activity-based field steering. So, for example, if in the northern part of Milan a branch has a unit of two people that are serving the coal centre segment, and we see an increase of activity there, we hit certain thresholds and then we start to add consultants right away to continue that growth. And that is the model.

So, we have no dependency on board decisions here; it is a decision that is depending on the model, and the model is implemented across the globe. So, if business is going to grow as it does today, then you will see some addition of field staff across the globe, but not everywhere, and it will take a long time before you see any significant addition to back offices. That is the only guidance that I can give. And ultimately, this arrives in the incremental conversion ratio, which we have indicated to be roughly at 70%.

Jacques van den Broek: Yes. And just to give you even more colour on how we do this: it takes us around 20 days to put someone in new. So, if we see growth, we can do it within 20 days. So, a quarter in that sense, for us, and certainly predicting it, is already long.

Anasuya Sarma: Right, thank you.

Robert Jan van de Kraats: Well perfect. I think this was an excellent opportunity to share the Q1 results with you, and elaborate on those. We are looking forward again to speak to you at any point in time, but certainly at the end of July, sharing the Q2 results. Thanks, and see you soon. Bye.

[END OF TRANSCRIPT]