Randstad Q1 2023 Earnings Call - 25 April 2023 09.00 am CET

Sander van 't Noordende: Thank you very much Priscilla for that kind introduction and good morning everybody. I'm here with Jorge, and Bisera and Akshay from Investor Relations. I am pleased to share our Q1 results with you.

Overall, I am pleased with the resilient performance that we delivered in the first quarter in challenging macroeconomic conditions across our markets. We have adapted well to this operating environment.

Revenue growth for the quarter was -4.2%. Our Enterprise Solutions grew by 5%, Inhouse business grew by 1%, Professionals was down 1%, and Staffing was down 8% in the quarter. Gross profit was down 2% and we delivered a strong gross margin of 21%, with around 19% of gross profit generated by perm and RPO combined. The improvement in our gross margin this quarter reflects a sustained focus on pricing as well as the mix of our different services. EBITA came in at 266 million euros for the quarter, with a solid EBITA margin of 4.1%, demonstrating cost management across our business.

We continue to benefit from our strong market position. We have deep customer relationships and are committed to building the best talent delivery engine in the market, with an excellent team in place to deliver on this. Our strong balance sheet enables us to capture the growth opportunities available to us, while of course we remain disciplined and able to adapt our operations as needed.

The trends we have experienced in the first quarter have continued into early April and we remain cautious. The prevailing trend of labour market scarcity, however, remains across our markets.

And I am pleased to say that our positioning as ‘partner for talent’ clearly resonates with our clients and talent as they are looking to navigate this new world of work. Our sources of differentiation specialisation, equity and our delivery models are more and more visible in the Randstad brand.

And that, coupled with our experienced teams and long track-record of delivery and execution in all environments gives us confidence as we look ahead.

Perform and progress will continue to be the name of the game, meaning that we are laser-focused on delivering a strong performance, whilst further enhancing our differentiation and productivity. We will of course keep you updated, as we continue on our journey.

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

Jorge Vazquez: Thank you, Sander and good morning, everybody. In the past weeks I've had the pleasure of meeting many of you and I would like to thank you first and foremost, for the warm welcome. For those who I have not yet met, I am Jorge Vazquez, I am honoured and proud to become Randstad CFO. I've had a chance now to be with Randstad for 12 years and over the past five years, I was Head of Group Control and Head of Strategy

Work is in short one of the most important activities in people's lives. We see ourselves as a catalyst, let's say, for a better world of work. That is why many of us joined and stayed at Randstad; it is part of who we are, our identity. As CFO, therefore short introduction, my role is ultimately about ensuring continuity at all times. And if I have to choose three focus areas to prioritise, it will always be about safeguarding a sound financial position through solid risk management, continued optimization of EVA. EVA is here at Randstad, our Northern Star for decision making. And ultimately, and exactly in that context, making sure to prioritise our investments towards profitable organic growth.

But now let's move onto Q1 and our results. Sander summarised it well already. We would always prefer growth in these numbers, but overall in the context of very high growth in Q1 2022 and Q1 2021, after eight consecutive quarters of growth, we are pleased with adaptability, we are pleased with the predictability of our teams and our results today. So let us discuss the segment performance in more detail, starting with North America.

First regarding the layout, you'll see some changes here. So, as you know, we have changed our primary external segmentation. We've discussed this to reflect the new team structure we have in place. So in this context, in addition to the traditional reporting of our key geographies, we now also aggregate the following five regional segments and I'll just list them for clarity: North America, Northern Europe, Southern Europe, UK and LatAm, Asia Pacific and global businesses. These five.

And you also see in addition to the verbatim on the right hand side of the slide, you'll also find a new chart per region. Randstad steers always for profitable growth and adaptability. Therefore on each page you'll find this chart with a quick summary of revenue growth for the current and previous quarters, and EBITA margin performance. You'll also find that both for the region as well in this example for the countries that make up, or the key countries that make up the region, US and Canada

Now zooming in. Revenue in North America was down 10%, particularly perm down 22%. The US has always been a more dynamic labour market, adjusting quicker to both positive and negative market trends. US Staffing and Inhouse declined by 15%, driven overall by softening demand in manufacturing, transportation and distribution sectors. Along overall as well with other admin support profiles. The challenging market conditions were also visible in our technology business with US Professionals revenue down 4% year over year. And remember technology does make up the most significant part of our professional position in North America. Our opex was down year on year and also sequentially, from Q4 and versus Q1 last year. We have a very experienced team that has delivered consistently throughout the years. And we are confident we are working on the right balance between profitable growth and adaptability. We are adapting our operations and have continued to do so throughout the quarter. The EBITA margin was solid at 4.7% in the quarter.

Now let's look at Northern Europe on Slide 8. Northern European countries did see a mixed revenue growth trends with good profitability and adaptability. And you'll see overall, despite lower revenue as you can see in the graph, on the back of a very hot 2022, also here in Europe, we protected absolute profit and we actually even increased profit margins. In the Netherlands, revenue was down 11%, our home market, and it was particularly impacted by exactly a very red hot, COVID related economy or getting out of a covid related economy, in the first quarter or the first half of 2021. Perm, still at an historical record, high level grew again 1%. EBITA margin came in strongly at 6.4%, well above the group average, so good profitability whilst adapting to a more regular year.

Let's look at Germany. Germany delivered a solid quarter. Revenue was also up 1%. Perm grew 39% and our focus continued to pay off. Staffing and Inhouse was up with double-digit growth coming from automotive. Still doing very well. Manufacturing was only slightly down in the quarter. I think overall our German business continued its journey to sound profitability. And we're very pleased, reaching a record high first quarter. This is reflected in the EBITA margin for the quarter, which came in at 3.2%, 190 basis points up, compared to last year.

Again next door Belgium reported a revenue decline of 8%. Staffing and Inhouse in Belgium revenue was down 10% impacted also by a more challenging macroeconomic environment. As well as a very red hot Q1 2022. However, remind ourselves, Belgium is one of our long established market-leading businesses and as always shown very good adaptability. EBITA margin came in at a solid 4.7%.

Other Northern European countries, the last column reflected mixed trends. Let me break it down to you. The Nordics was down 1%, Switzerland was up 2%, and Poland was down 10% year over year.

Overall EBITA margin came in at 3.3% for these countries. Again summarising Northern Europe overall a resilient performance in the region.

And now, let's look at the segment Southern Europe, UK and Latam. Again here, solid performance, robust operations, mix revenue growth trends, that we will talk about in a minute, but we actually deliver extra margin and extra profits.

France's revenue was slightly down year over year, a strong example of portfolio focus and delivery. France ended the quarter with an EBITA margin 5.6%. We delivered a record first quarter again in margin and profits. Perm as an example of diversification continues to do well with 9% growth and Professionals delivered solid growth of 10%. Predominantly driven by our healthcare business and technologies. However, the Staffing and Inhouse were down 6% year over year.

In Italy, revenue was down 3%, over extreme successful growth in 2022 and 2021. We've talked about it many times before. Perm, still on a very high-end, delivered solid growth of 8% and inhouse also held up steadily. Now this partly offsets the decline in staffing, which was driven by the overall economic slowdown. On the other hand, Italy ended up the quarter with a strong EBITA margin of 7.2%, again excellent profitability over the last years, reflecting the balance between high returns and investing in growth.

Spain, going more south now, Spain saw its revenues declined by 8% in the first quarter with a decrease in our staffing and inhouse businesses. Again diversification, we do continue to see growth in perm, professionals and outsourcing and we are capturing it. Iberia EBITA margin and profit actually increased to the strongest Q1 ever. This reflects the changing mix and excellent field steering discipline in Spain and Portugal.

Across the Southern European countries. UK in Latin America, revenue and profit performance reflected our efforts always to find growth in profitable pockets. In Latin America revenue was up 13% and Argentina and Brazil stayed in good growth momentum. As a result, EBITA margin for this sub-region came in at 2.9%.

Let's go with moving on to Asia-Pacific on slide 10.

Asia Pacific continued to perform well with 4% profitable growth year on year. This is a region where we still find and we still see a lot of opportunity for Randstad. Japan showed structurally good performances with 3% growth and sound profitability. And still with significant opportunity in the second largest staffing market in the world.

Australia New Zealand delivered again good growth up 5%, with our recently acquired team in Finite growing profitably and at a significantly higher pace. India grew by 8% as it continues to focus not only on growth but on improving the quality of our portfolio. Overall, the EBITA margin for APAC was a solid 4.8%, accretive to the Group in the first quarter.

And that brings me to the last region Global businesses on slide 11.

As you can see, global businesses segment grew by 2%. A strong demand for our outplacement career mobility services, RiseSmart or risesmart.com, more than offset a decline in our RPO business also of 2%.

Monster revenue was down 14% in line with the job market trends and the fact, overall by a slowdown in demand. Here again, we started to adapt our Monster business as we've discussed before in the fourth quarter of last year. And that process continued in Q1. EBITA margin for Global Businesses increased now to 0.7% in the first quarter.

And that concludes the performance of our key geographies. Let's now walk through the Group financial performance on slide 13.

Moving to the P&L, Slide 13 summarises much of what we already covered. After eight quarters of significant growth and competitive growth we have seen a slowdown in revenue, yet consistently shown adaptability. It is therefore a transition quarter in that context, from growth in Q4 to decline in Q1.

We are approaching it from a position of strength, with greater scale, a more diversified portfolio and the operational usual agility. EBITA for the quarter was EUR 266 million and the EBITA margin was 4.1%. Remember from a seasonality perspective, Q1 is typically our lowest quarter.

Integration moving down, integration and one-off costs were EUR 37 million this quarter, mainly reflects, on one hand integration costs from our recent acquisitions and on the other hand necessary adjustments of operational structures across key geographies, including US and Monster. Although these costs are extraordinary, I want to make clear we strive to keep it minimal. As a reminder, and as a policy, we record here restructures with a payback time of less than one year.

Moving on, last year we acquired Finite which has also increased our acquisition related intangibles position and we now have a higher periodic amortisation of these acquired intangibles going forward. It is a pure accounting movement. Net finance costs in Q1 were EUR 14 million, primarily reflecting higher interest expenses. Again as a reminder, last year we had a net cash position at the end of Q1 this year, we have a low net debt position.

The underlying effective tax rate amounted to 24.1% for the first quarter and for 2023 we expect ETR to be between 24% and 26%. And with that let's turn the page to our gross margin bridge.

The gross margin bridge effectively puts it all together, what we already said before. The gross margin, you can see from the lighter blue to the darker blue, improved a further 50 basis points to 21.0 for the quarter. Our temp margin increased by 40 basis points, the first column in the bar. Mainly reflecting mix and our discipline in value-based pricing

The bar in the middle shows a decline of 10 basis points as perm revenue fell by 8% as mentioned before, which is purely a mix effect. Lastly, HR Solutions again includes Enterprise Solutions had 20 basis points to the gross margin increase. This includes the strong performance of our outplacement and career mobility services. Just in terms of materiality remember perm and RPO jointly represented 19% of the Group gross profit in the quarter, which brings me now to the Opex bridge on slide 15.

Gross margin and Opex working together. Opex overall came in at EUR 1102 million, EUR 25 million up sequentially excluding the impact of foreign exchange and M&A. You can find that on the bridge sequentially in the graph. The biggest driver of Opex is by far personnel expenses, slightly up sequentially. Absolute Opex levels reflected on one hand, the impact of mix in our revenue base and showed increased adaptability throughout the quarter.

Though different businesses have higher or lower gross margins and come with slightly different OPEX ratio requirements, or conversion per business line is healthy, reasonably similar and clearly communicated throughout the company. Opex goes with gross margin, gross margin goes with Opex.

The average headcount number you can see decreased by 1,840 FTEs. Another important point, the March exit rate for FTEs was well below the Q1 average. Personnel expenses this quarter reflects salary inflation and those are more or less flattish sequentially.

With that in mind let's now move on to our cash flow and balance sheet on slide 16.

Our free cash flow for the quarter came in at EUR 169 million, rather standard it is a function of the counter cyclical movement of working capital that offset decline in EBITDA. DSO was at 53 days, 1.2 days up year over year, primarily driven by mix and stabilizing over the years. Our balance sheet shows a net debt position of EUR 145 million and the leverage, very healthy leverage ratio of 0.1, excluding lease liabilities and down from the levels of Q4. Also here we are in a position of strength, low leverage in our balance sheet.

Importantly, as scheduled and announced we also paid a regular ordinary dividend of EUR 2.85 per share at the beginning of April, totaling about EUR 522 million. This is not yet reflected in Q1 net cash position, but of course it will affect our position in the second quarter. As a reminder, Q1 is typically the softest quarter of the year. Q2 will include the outflow of dividends and payment of all the holiday allowances, as well as other costs. So typically, at the end of Q2 we have a higher debt than at the end of Q1. And then that improves again in the second half of the year.

Lastly, today we will start the share buyback program as announced in February. The share buyback program will be executed in several tranches. We're not reinventing the wheel, keeping it quite simple. We will repurchase up to a maximum of EUR 1.55 million shares in Randstad's in the period between today and July 24. This is equivalent to the first tranche of EUR 80 million based on yesterday's closing share price. These shares will subsequently be cancelled and we will be providing weekly updates on the progress.

Then brings me now to the last chart, the outlook on Slide 17.

Let me start first with the activity momentum. The macroeconomic environment remained challenging across our markets, translating into lower client hiring activities. This trend continued into early April, whereby the year on year growth rate of our employees working aligned with the Q1 2023, this quarter, year on year growth rates. We expect both Q2 gross margin and Opex to be broadly in line sequentially.

We do remain cautious, we do remain vigilant, and we are mindful of the volatility we are operating in. In that context, we continue to work with scenario planning to ensure adaptability and predictability. We respond to actual data every week in our branches, in our apps, in our offices, in our websites and then we aim at protecting and converting EBITA.

Our mix will always evolve, be different businesses, diversification is paying off. But again each has specific conversion disciplines, allowing us to constantly adapt. Gross margin goes with Opex, Opex goes with gross margin. And there'll be a negative 0.4 working days impact in Q2 2023.

As closing remarks, it was a solid quarter from growth to decline and today's results reflect the actions taken this quarter and throughout 2022. In the same way, the next quarter will also result from the actions taken already in Q1 and previous quarters. We have successfully built scale and a more diversified portfolio, giving us today more resilience over the long term compared to pre-pandemic times, we are in a position of strength. At Randstad predictability good returns provide the basis and capacity to grow, that we then turn into further growth and further profitability. It is a delicate balance that we need to strike everyday. I talked about identity in the beginning. This quarter's results are a great proof of that identity and give us confidence now for the first half of 2023. And that concludes our prepared remarks and we look forward to taking your questions. Operator.

Q&A

Q - Hans Pluijger: Yes, good morning, ladies and gentlemen. Two questions from my side. First of all on the margin development in both Southern Europe and Northern Europe, solid performance there. But could you give some better feeling on what are the key drivers. If I look at the trend, I understand that the gross margin clearly improved, that is the main driver of the improvement in margin, in EBITA margin, both in Northern Europe and Southern Europe, is that the case, could you maybe give some flavour to key drivers for that margin improvement. And secondly on SG&A, your guide for, let's say, stable SG&A going into Q2, but could you give, maybe some feeling how you see, let's say, SG&A developing through the year, assuming stable revenues. Let's say as you clearly see some delay in really reducing cost also in this inflationary environment. So assuming, let's say, stable revenues, how do you see then SG&A developing through the year, could you maybe give some guidance on that?

A - Jorge Vazquez: Yes, Hans Thank you. So on margin specifically on Northern Europe and Southern Europe, I would say diversification is paying off. So we have a more diversified company at the moment and you can see, let's say our staffing revenue is going down as an example, but at the same time our Professionals revenue is holding up. We also mentioned specifically for those countries that we are still finding perm opportunities and we're growing. So overall I would say the mix is supporting us. But more important as well, and we've discussed in previous calls, we've embarked on quite a structural pricing discipline over the last years. And we do manage very carefully, gross margin and temp margin and in that respect, I think that's the result you are seeing. On SG&A, I would say overall our SG&A will always move, we have a track record for that, we have predictability, it will always move with our margin. I mean at the moment, what we see is the first two weeks of April. You heard this is still the same level of activity we are operating in that assumption, but we are revisiting it every week and we will adapt our Opex and going forward accordingly.

Q - Hans Pluijger: And maybe a follow up on Northern Europe and Southern Europe, is it correct to assume that your gross margin has increased slightly more than your improvement in your EBITA margin in the rest of the respective regions, is that a logical assumption?

A - Jorge Vazquez: No, I mean it's a mixed bag. I mean it's a very big region, I would say overall the teams know very well the adaptability and the predictability we want to reach. You will also see there have been FTE adjustments in almost every single geography. So they walk hand in hand Hans, margin and Opex.

Q - Hans Pluijger: Okay, thanks.

Q - Anvesh Agrawal: Thank you. I've got three really. First, can you give a bit more colour on the German performance. I mean it was relatively solid versus the rest of Europe, but it did weaken quite a bit sequentially, probably contrary to at least what I was expecting. So maybe if you can tell us what sort of going back there. Then just on the SG&A, given the wage inflation, is it more difficult to manage this time around, I mean we would have expected the SG&A to be down sequentially given where the volumes are, but it did move up despite FTEs being down. So, really what sort of wage inflation are you running at? And do you expect the wage inflation in your own cost base to continue throughout the year? And finally, just to clarify, did you give the pricing growth number at the beginning of the call, was it 4%? Did I hear it correct?

A - Jorge Vazquez: For the group yeah, 4.2%. Yeah, 4.2% for the Group, the decline.

Q - Anvesh Agrawal: No, the pricing component of organic growth. Can you split the price and volume if you can?

A - Jorge Vazquez: We typically don't disclose that Anvesh, so we prefer not to not to break it down now.

Q - Anvesh Agrawal: Okay, no problem.

A - Sander van 't Noordende: Yes, on the call, in Germany, well, first of all, our German team has really stepped it up over the last four quarters in terms of running a sound business. If you look at the market, it's holding steady unemployment rates are low and there is still talent scarcity. I mean obviously, automotive has been a tailwind for us in the past quarter, where automotive companies are working their backlogs of orders that they still have. So demand was solid, perm demand and I would say resilient demand. So they have been on the improvement process and that they will continue to go there.

A - Jorge Vazquez: Yeah. On wage inflation Anvesh, I mean, look, we are a large multinational operating in many countries. I'd say we are exposed to the same data that you also see everywhere. Wage inflation in particular, in the US, overall the data we have, it's been coming down since Q4. So Q4 was approximately 5% now the latest data point we have is around 4.4%. But I would say Europe is slightly different, every country has its own collective labour agreements and regulations. But I'd say overall, I mean we are managing wage inflation, both on our Opex and our gross margin. We absorb it, both on one side of the P&L and on the other side, and again both work hand in hand at Randstad. So, we're quite comfortable in our ability to price it and how we're doing it and absorb it on our Opex. Thank you.

Q - Oscar Val: Yes, good morning Sander and Jorge. Three questions from my side. The first one going back on temp gross margin, so up 40 bps in Q1. Can you just comment on how you expect that to behave for the rest of the year? Are you lapping easier comps and what mix is driving that? Are you seeing any kind of changes in competition and pricing on the temp side? Then the second question is on restructuring and one off, EUR 37 million in Q1. Do you have any guidance for the rest of the year? Are you working on new programs? And then the final question is on the risesmart business, the outplacement business. Could you just comment on how material that is in size and ,kind of how much that is growing, and if that's going to continue to grow next quarter? Thank you.

A - Sander van 't Noordende: So let me start with that last one, Oscar. Thank you very much. Risesmart is one of the offerings in our enterprise business and we don't disclose any information on the specific offerings there. So that's what it is for now, but it is definitely helping us because obviously it's a great business that sort of helps clients coach their talent as well as find new opportunities for people that are leaving organisations.

A - Jorge Vazquez: Yeah, so on to Oscar, pleased to talk to you. So on the margin, Randstad is a very diversified company. The results you saw today are the results of different geographically, different concept trends. So it is literally impossible to have a view on the margin, of course the underlying structural trends are there. We are carefully managing margin, we are carefully managing pricing. I think what is ultimately important is to conclude and we talked about it in the remarks earlier, for each concept we have clear expectations on Opex requirements and conversion. So depending on how the margin evolves so will Opex, and that's basically how we manage in Q2, Q3, Q4 and how we've managing the predictability of over the last years. So that is a track record. Then on restructuring and one offs guidance I mean, by definition, they are one-offs. So by definition, it's hard to predict anything, integration costs associated with M&A they might come back, if we find it logical vis-a-vis the business plan, the good business plans we had, for these acquisitions. Others, literally we always tried to use as much as we can natural turnover, reallocating people from units, where we don't find demand to other units in places where we find demand. And if not, then we will incur them again with a payback of 12 months, we can't predict no more.

Q - Oscar Val: Great, Thank you very much.

Q - Suhasini Varanasi: Hi, good morning. Thank you for taking my question. Just one from me, please. you've indicated that the March exit rate on FTEs is below the 1Q average. Is it possible to give some colour on how much lower it is, by the end of March, was it maybe under 4% down, versus the 1Q average. Thank you.

A - Jorge Vazquez: So certainly, we don't like disclosing that. But I mean, let me give you some colour. It is obviously down enough to feel comfortable, as we enter Q2. But again, as we enter Q2 based on the first visibility we have, would we see that things either change on the way up or on the way down, and we will adjust accordingly. But it's indeed, well below the exit rate of Q1.

A - Sander van 't Noordende: Yeah, so maybe an important comment to mention there, is obviously we have been very much focused on adjusting our workforce. At the same time, we are also seeing left and right opportunities that would justify increasing our workforce here and there, so that we capture the revenues that are out there in the market. So it's finding that right balance between volume and value. I think that is the name of the game, and having the team that sort of is associated with the level of volume and value that we can capture in the marketplace. That is the fine tuning that we are doing day in day out here. So we remain absolutely focused on doing that.

Q - Rory Mckenzie: I'm wondering, just three questions from me please. Firstly, can you comment on how large Technologies is in the group overall and what the organic revenue trends were in that vertical globally. And then secondly, just a follow up on this I guess volume versus value, if your own wage inflation is running at 5% or so, it's safe to assume that the price mix component of your revenue growth is probably at least that and so, organic volumes are maybe down nearly 10% in Q1. That's one of the bigger volume declines in staffing we've seen since kind of 2009 really. So how are you thinking about trying to protect and position the business for what's quite a sharp pullback in the volume terms even if actual revenues are being protected with the inflation of running through the business? Thank you.

A - Sander van 't Noordende: Yeah, good question. Let me start with the second Rory. I mean obviously, let me put things in perspective a little bit. In 2022 and the end of 2021, we were red hot and we had a lot of pent up demand from COVID. So we were sort of at a very high level in terms of volume. So what we have done is we stay very close to our clients and we have to make the decisions that we have to make in adjusting our workforce up or down depending on what we see in the market. We've done a very good job. We've had a great ride over the past six quarters. So, the business is more diversified than ever, with a higher proportion of Inhouse Professionals perm and RPO in the mix. So that has been the establishment over the last quarters. Now, the economic environment is more challenging. So we have to adjust accordingly and that is what we've done. And when I talk about the balance between volume and value, that is all about making sure we get the volume, but we also get it at the right price and Jorge has already mentioned that a couple of times, pricing is a discipline that we have perfected over the past years and it is something that's very high on our agenda. So that's the name of the game, managing volume and value, is what we will continue to do going forward. On our technology business, I'm looking here at Bisera. If we actually disclose those numbers, she is nodding no, so I'm afraid I can't help you there, but it's a significant chunk of our business. As you can imagine in various markets in North America, here in Western Europe, where we have Ausy in Belgium, Germany and France. We acquired the Finite business in Australia. So it is a significant portion of our business indeed.

A - Jorge Vazquez: Let me give you some colour on the other questions. So first of all on the volume question, I mean I would argue, as well I mean please do look of course, we're talking about a Q1 comparison versus last year where we are growing 15%. So red hot from many perspectives and at the same time yes, indeed we do see a 10% decline. So now linking back to your first question on the breakdown, 10% you can find that on page 22, by the way of the presentation. Now, what I would also argue is, at the same time, we are a much more diversified company. We have different concepts, we have different services, if you look at our, let's say our broad portfolio. So it's in that context that I would always look at the 10% decline, plus the red hot. Now in terms of adaptability, you asked the question volume versus value, I would call it more growth versus profitability. I mean just putting things into some numbers, even based on Q1. Northern Europe, Southern Europe they represent 70% or even APAC, let's say, together 80% of our EBITA. They are actually going down and in revenue, a little bit, indeed from a very red hot level but delivering profitability. US is adjusting so it's not yet as we'd like, but again I mean sometimes, our adaptability may not be picture perfect. But if we look at over time enough, you will always find back to our principles of adaptability, incremental conversion or recovery. So overall we are quite pleased, and I would even say it's not volume versus value or growth versus profit, none of them is negotiable at Randstad, it is both. Thank you.

Q - Rory Mckenzie: Thank you. That's helpful I guess the follow-up, the kind of question that we're struggling with is that you've witnessed inflation running through both revenue and your Opex, it seems clear that you were a net beneficiary, you owned the net positive margin on inflation on the way up over the past two years. Are you still aiming to be a net beneficiary in terms of that inflation on any down cycle we go through?

A - Jorge Vazquez: Yeah look, the same discipline. I mean, the underlying biggest driver of our Opex will always be personnel expenses, at least it is personnel expenses and FTEs, we are adjusting. The discipline between gross margin absorption of inflation and Opex inflation, we pride ourselves on it. We have a track record we've shown it again over the last years, nothing to say so just otherwise going forward.

Q - Rory Mckenzie: Got it. That's very helpful, thank you both very much.

Q - Konrad Zomer: I thought you did it in alphabetical order, that's why I waited. No, sorry, just one final question, and we've talked about it already quite a bit, but just to make sure because I think you did very well in terms of margin preservation in the quarter, particularly on growth, but also EBITA margin. But obviously now that the top line is actually in quite rapid decline, are you happy with the time gap and the development in your Opex versus your top line, because your headcount was still up year on year, although it was down sequentially. But if your top line continues to decelerate, I think you might need a step up in reducing your Opex as well. Are you happy with the progress that you've made so far?

A - Sander van 't Noordende: I would say Konrad, we're very pleased with the progress we've made so far and I'll tell you why. The adjustments always lag a little bit. What's happening in the market and I would say what's happening in the market is not always very clear. And I'll give you just one example in our North American business. In the beginning of the year, we had some weeks that were very strong. We had some weeks that were weaker, then we had another strong week again. So it felt like the market was looking for a direction. And once the market has a direction, that's when we can start adjusting, if you will. So there's always a bit of a lag. But I think Randstad can pride itself in the fact that the lag is actually relatively short. So I think we're doing a very good job there. And that's what we will continue to do. So we'll continue to adjust to what the market is bringing us both up and down. Because we did have a big meeting here last week with our top management in the various regions, and there are opportunities out there that require investment to capture them. So if we see those and we have the confidence that they are good opportunities, we will go after them, because ultimately that's the name of the game. We need to capture as much demand as possible. Of course, in a profitable way.

Q - Marc Zwartsenburg: Yes, good morning gentlemen, and sticking to the alphabetical order. I couldn't get through the fixed lines, but I used my mobile. But now and final question, maybe on the trend looking at April, being in line with Q1 but at the same time the March exit rate was a bit below the Q1 average lets say, but we also see end markets still weakening quite sharply through the quarter and some data points also point to some softening in April. How can you explain that April is actually looking a bit better than March? Is that just a comparison base thing or is it, explained by some sort of end markets that do see some recovery? Can you maybe give a bit more colour why that trend has bended of a bit?

A - Jorge Vazquez: Mark. Thanks, let me start Sander, and if you want to give some colour afterwards. First of all, just to correct, so March exit rate, we did not talk about and we did not say it was lower, so the March exit rate in terms of FTE. I mean Sander just mentioned, we've been adjusting through the quarter. Konrad, just had the question about are we happy or not. So we continue the adjustment for the quarter. The FTE exit rate was lower. But we did not necessarily talk about growth, we did not mention. At the same time looking ahead, look we don't speculate and you know, we've always preferred to work on flexibility. What I can say is early April temp volumes were down at a similar pace, so 10% as we've communicated. Yeah, we see what you see as well, so it's extremely difficult to predict more than that, but we remain cautious and we are learning literally every week as I mentioned before with all the data that we can collect. I mean field steering, you know how embedded it is in our organisation. Perhaps if anything now, we are also operating in a much more scenario planning basis. So what would happen if, what would we do if that, what will happen if this, but ultimately with the portfolio we have, with diversification we have now, and different trends around the world, we prefer not to speculate and just work on what we see.

A - Sander van 't Noordende: Yeah. And let me say, to add some colour, not to speculation of course, but what do I hear from clients. I was just talking last week to CEO a MedTech company, and what we hear there. We hear uncertainty in the economy, we hear uncertainty on what the Fed is going to do, we hear PMIs are going up. We see inflation come down. There are some positive signs there but uncertainty is still the keyword. The second keyword is talent scarcity and that means for instance in MedTech, hospitals have a shortage of doctors and nurses, they don't do the operations, the surgeries so that has an impact on demand in the MedTech environment. So the two main things driving the market are uncertainty on where the economy is going and talent scarcity, those are the things as you should always keep in mind Konrad.

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Q - Marc Zwartsenburg: So that maybe that was actually my second question, if you look to the perm development in US, with also scarcity if you look at the job vacancies although coming down, it was at record levels, but still now perm is coming down on weakening macro trends, but if you look to Europe, particularly Northern Europe, perm is still very strong. At the same time we see a bit of the same elements, PMI slowing, maybe the backlogs being trimmed now, but still what could we learn from that, scarcity not being an argument currently in the US in terms of perm and perm still being strong, are you afraid of the perm in Europe is then also coming down sharply following a bit the US trends.

A - Sander van 't Noordende: We'll see what happens, but perm in the US and your question is spot on. We looked at that in a lot of detail last week, and yes, it's coming down, but if you look historically, it is actually at pretty high levels still. So that tells us that these vacancies that have been opened for a long time are still being filled. And that is also still happening, I would say in Europe. So in that respect, companies are now taking the opportunity to fill positions that have been opened for a longer period of time. I think that's the primary dynamic that we're seeing.

Q - Marc Zwartsenburg: Yeah. Maybe a final one, if I may Sander on RPO. It was only down a couple of percentage points. So you invested there, you on boarded some new clients, but if you maybe step away a bit from the onboarding and the organic growth you're seeing, what is the trend at a client, because it's volume business I assume, so do you see anything changing there in the trend because it might be more vulnerable for cyclical downturns.

A - Sander van 't Noordende: Yeah, so also our RPO clients are hiring less. That's very clear. At the same time when I talked to clients again, I spoke to a few CHROs in the tech and in the pharma industry, and they are saying, listen, this is all very painful. We need to be very smart on how we come back with all this later, because we need to organise more for flexibility. That's one thing. So they're talking to us saying how can we build back better, so to speak. The other thing is clients that were not open to outsourcing any of their business, any part of recruitment processes, are now open to do that, to have more flexibility, but also frankly to have lower costs because, obviously, our teams in India can do a phenomenal job in helping those clients. So the pipeline of our RPO business is as strong as it was last year with a lot more bigger deals, which of course are the ones that we like and that we are very well positioned for.

A - Sander van 't Noordende: Thank you very much Priscilla for facilitating the call and I would like to wrap up the call by saying a big thank you to all 650,000 randstad talents and employees for all the hard work for our clients over the past quarter because that ultimately matters. Thanks a lot