

Randstad Q3 2023 Earnings Call - 24 October 2023 09.00 am CET

Sander van 't Noordende: Thank you very much Caroline, for that kind introduction and good morning everyone. I'm here with Jorge, Bisera and Temur from Investor Relations and I'm pleased to share our Q3 results with you.

We continued to perform resiliently in the third quarter in a challenging global economy and I'm particularly pleased with how our teams have adapted to the challenging conditions in their market, and it's really great to see how adaptability is an integral part of our DNA. This is a very good muscle to have in good times, but also in challenging times. And as you know, we are always balancing supply and demand to make sure we have the right teams on board, as well as the right cost structure for the demand we are serving.

Another important trade we are making every day is volume versus value because volume and value need to go hand in hand and we believe we have the right balance here as well and that's why we have realized very solid profitability again in Q3. Revenue decreased by 7.3% in Q3. Europe, Latin America and Asia Pacific are better-performing regions while tough domestic market conditions impacted our performance in North America. In terms of concepts Professionals was down 4%, Inhouse was down 7% Staffing was down 8% and Enterprise Solutions was down 12% in the quarter.

One thing to note here of course is Q3 last year was our biggest quarter ever in Randstad. We delivered a robust gross margin of 20.6% which is about 16% of gross profit generated by Perm and RPO combined. We demonstrated cost management and resilience across our company. And as a result, we have delivered an industry-leading EBITA of EUR 273 million with a solid EBITA margin of 4.4% for the quarter.

The market trends we experienced in the third quarter have continued in early October. And looking ahead, our markets continue to be defined by three prevailing trends.

First, the scarcity of talent, second, clients seeking greater levels of support and of course digital. We are confident in our ability to capture the growth opportunities in our markets and we are well positioned for when market sentiment improves. And I'm pleased to see that we are progressing very well with realizing our vision to be the world's most equitable and specialized company.

As part of this we launched Randstad Digital in August. And this is an important step, which positions Randstad as a digital enablement partner for transforming businesses by providing global talent, capacity and solutions across specialized platforms. We are very excited about the growth opportunities in this area.

Now let me give you a few updates on our leadership team. Marc-Etienne Julien has been appointed Chief Executive for North America. As the former leader of our Canadian business he brings over 20 years of experience in the dynamic North American market as well as a deep commitment to equity and crafting exceptional talent experiences. He also has a track record of growing client relationships.

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Jesus Echevarria has taken on additional responsibilities and is now our Chief Talent and client Delivery Officer.

Finally, Miriam van der Heijden has joined us as Chief Marketing Officer, she will be responsible for developing and executing our marketing and branding strategy.

So in short, perform and progress is what we do at Randstad and our executive leadership team is very excited to provide an update on our plans next week at our Capital Markets Day in London and online.

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

Jorge Vazquez: Thank you, Sander and good morning everyone. So in short, this was a quarter to deliver profitability and wherever possible find pockets of opportunity and we did just that we achieved that right balance. We delivered resiliency, we delivered sector-leading margins. So, especially the scale and breadth EUR 273 million of EBITA and close to EUR 300 million of cash flow. So we do remain cautious like I said of the economic conditions in which we operate but from a financial position, we are surely in a position of strength to benefit from any recovery where we can find in the next quarters.

On our previous call, we reported the macro conditions remain challenging and these trends like Sander mentioned continued into the third quarter. Just as an example in many markets PMI's especially manufacturing PMI and actual industrial production remains somewhat at a low level historically below even in many cases, anything we've seen in 2019 and beyond.

Therefore, we are happy with the choice we made to balance demand and supply. We remain as I said, well positioned for the recovery and find growth where it exists. And I'm also happy with our portfolio and how diversified it is. Please also note before we go into a more kind of breakdown of performance of our countries. Please note that in terms of growth rate and comparables last year was very, very strong. It was actually a record, the strongest quarter of Randstad, which obviously will tint any comparison with this year. We've been seeing a normalization and obviously that has now an impact and so therefore sequentially is almost as relevant as year-over-year. This summer, we actually had a quite strong summer, I would say a deep, prolonged summer and in September these trends did not necessarily recover as seen in previous years. The number of employees working remained broadly stable between 590,000 and 600,000, there were different levels for geography.

So, now let's discuss North America and go into a bit more detail on Page 7. The softening trends pretty much continued in the third quarter. North American revenue dropped by 16% (Q2 14%) with Perm declining 40% pretty much like in Q2 as well 36% after nevertheless seeing a 15% increase last year.

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So breaking it up on one hand, our US Staffing and Inhouse business declined by 19% with lower demand across pretty much all sectors. But on the other hand, our Professionals revenue was down 10% to 11% and continued to face challenging market conditions, but less than 16% overall.

We launched Randstad Digital, as Sander just highlighted, and we were also recognized as a leader in the US IT contingent space by Everest Group PEAK which excites us in terms of skills breadth and capabilities we are building. The EBITA margin for North America was still a solid 5.4% as we continue to adapt our operations.

Moving on to Europe and close to here in Northern Europe on Slide 8. Our Northern European countries as you can see some mixed growth trends as in most of these markets we are established market leaders, so comparables again please remember our very hot, very high 2022. While we play a key role both let's say in the recovery post COVID, but as well on supporting everything there was COVID-specific.

So despite the slowdown in manufacturing, we did protect operating profit margins. EBITA margins is again above 5%, delivering EUR 102 million EBITA. In the Netherlands in particular revenue was down 8% and continued to be impacted by I just mentioned COVID related business. Perm was down 24% year-over-year and Professionals reflecting portfolio choices we are making finding is the right balance. We also made this year EBITA, again a strong 6.3%.

In Germany though, revenue was down 9%. Our combined Staffing and Inhouse services business down 10% impacted by softening demand in summer. Very important, perm performed very well with 29% growth up from the 10% we talked about in Q2, reflecting again diversification of our portfolio and continued progress to sound profitability and sustainability.

We are well positioned for future growth in Germany, EBITA margin for the quarter came in at some 5%, 90 basis points up compared to last year. In Belgium, again a market leading country, we had a revenue decline of 6%, a small improvement from where we were in Q2 sequentially. Belgium, is one of our long established countries with good portfolio diversification and a strong adaptability throughout the years. EBITA margin came in at a solid 4.3%.

Other North European countries, obviously reflect mix trends, but let me break it down to you. Nordics was down 15%, Switzerland was down 7%, and Poland was up 14% year-over-year. EBITA margin came in at 3.4%.

Now let's look at the Southern world. So let's look at Southern Europe, UK and LatAm on Slide 9. In Southern Europe focus remains on getting back to profitable growth as we spoke in Q2 and in many markets we are making significant progress. We delivered an impressive EUR 122 million of EBITA and margin again about 5% or 5.6% even for the region.

Now looking and starting with France. The largest country revenue was down 3% YoY, but here please remember because it has a significant impact on the Group level in terms of growth rates and

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comparables last year we were still increasing quarter-over-quarter in France. Q3 at the time was already growing, increasing growth to 9% which obviously this year affects comparisons and has a very strong impact also at the group level.

Last year we were growing fast in our strong healthcare business, Appel Medical, and that obviously now shows a comparison this year. This year therefore, we saw relatively weak summer months. And in September or at least we saw prolonged summer, let's put it like this. In September, these trends did not recover as much as we've seen in previous years. Nevertheless, even though Professionals continued to deliver solid growth of 8%, which partly offsets the decline in Staffing and Inhouse over summer. France ended the quarter with an EBITA margin of 5.4% also 50 basis points up year-over-year.

Now moving into Italy. Italy was down 2% YoY continuing improving the trend sequentially. Remember, we were 5% down in Q2 step by step. Perm again from a very high base already last year delivered growth of 5%. So we still are able to find growth where it exists. Italy ended up the quarter again with beyond excellent profitability.

Iberia declined also by 2% in the quarter, similar. So also again an improvement in trends since Q2. Our focus on delivery models here and we'll talk about it more next week is supporting these improvements. Staffing and Inhouse businesses were down 2% adjusting let's say from peaks and application of the new legislation in Spain primarily.

And also important we are about to welcome now finally, our new colleagues of Grupo CTC which we expect now to close given that we just received the approval from competition authorities on the 27th of October, which is obviously important for our competitive position in the outsourcing space in Spain. We continue to see growth in Professionals of 10%.

Across the Southern European countries UK and Latin America also a mixed bag of different things. Revenue and profit performance, we saw a mixed picture. UK was down 16% reflecting portfolio choices, Latin America was up 7%, which shows our ability to drive growth in profitable segments.

And moving on now to Asia deck on Slide 10. Asia-Pacific region, continued to perform well, but also in this region note these macroeconomic conditions are softening. The APAC region delivered a modest growth of 2% in this quarter coming down slightly from where we left in Q2. Japan continues to show structurally good performance with 5% growth and sound profitability and still with significant opportunity in the second largest staffing market in the world.

Australia-New Zealand saw overall softening in demand and so our revenue declined by 2% in the quarter. At the same time our education business did very well in the quarter. And so it's revenue growth by 21% again capturing growth through specialization will talk more about it during our capital markets day in the upcoming week.

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India grew by 7% and continues to focus on improving the quality of the portfolio and overall is now adding up all of these. Our EBITA margin for APAC was solid again 5.4%, above 5% in the second quarter, well above the group average.

And that brings me now to Global Businesses on Slide 11. Global Businesses segment showed a decline of 12% year-over-year and our EBITA margin for Global businesses came in at 0.5% in the third quarter. So this is a mix of different realities, Monster's revenue was down also 12% in line as you probably know with the broader job board market trends.

Our RPO business declined by 34% year-over-year compared to a strong Q3 last year, while we were still growing 55%. So again, declined 34%, but we're still growing 55% last year. And together with Q2 we also had last year record high levels of hiring. RPO is obviously feeling the effect of a slowing hiring environment. It is also the service that we recovered the fastest with our clients. We have ramped up programs, but we also have ramped down our programs, with a net reduction this quarter alone of 500 FTE versus last -- versus Q2 sequentially, so versus just June, July. Looking ahead, we are confident about the growth prospect and adaptability of our RPO business. To put it in perspective, we recovered almost 80% of our gross profits or in other words, the recovery ratio of 80%. This market continues to evolve and we work with the largest Fortune 500 companies in shaping the solutions of the future.

On a very different dynamic though is our outplacement business. Remember RiseSmart, the company we acquired in 2016. We are continuing to develop and roll out the platform and growth and scale significantly throughout the world, heavily digitally delivered already mitigating probiotics, and almost half of the impact on profitability of RPO decline.

And okay, that concludes the performance for our key geographies. So let me now walk you through our group financial performance on Slide 13. And in short, it summarizes pretty much everything I've just been mentioning before.

Organic revenue for the group came in at EUR 6.3 billion, which is a decline of 7% year-over-year. As we have discussed earlier, Europe, Latam, Asia-Pacific were our better performing regions, some trends increasing while difficult market conditions impacted our performance in North America. Again, the 7% decline comes on the back of a very hot, the strongest let's say quarter that Randstad saw in its history.

Overall, we continue to see a stabilization in temp placement sequentially, as the average number of employees working has broadly stabilized around 600,000 employees. Will talk in a few minutes in more detail about the gross margin and OpEx developments but the outcome in short, as you can see, was an EBITA for the quarter of EUR 273 million and a solid EBITA margin of 4.4%. This is a recovery ratio of 61%, emphasizing again the field steering model, we've always said. And our resolution in adapting our cost base to the best balance we can find in the market.

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Integration and one-offs were EUR 16 million this quarter, of these EUR 4 million are related to M&A integration costs in specific to Finite in Australia. The remaining EUR 12 million is restructuring expenses, across many of our markets.

Amortization and impairment of intangible assets as you can see EUR 12 million, pretty much regular in line with Q2. Our net finance costs in Q3 were also EUR 17 million again in line with Q2 and primarily just reflecting year-over-year the higher interest rates and as well as slightly higher net debt level compared to last year.

The underlying effective tax rates again also in range amounted to 25.2%. For 2023, we expect our tax rate to be between 25% and 27%.

Now as I mentioned let's turn to the next page to our gross margin bridge to understand our gross profit and gross margin calls.

A few things about margins. So we have the graph there on top of you, the gross margin for the third quarter came in at a robust 20.6% impacted primarily by mix as you will see and practically the same as Q2, 10 basis points just rounded lower. Our Temp margin (so the first column) actually positively contributed 10 basis points to the overall gross margin. Our Temp business in general is showing more resilience than our fee business volumes are broadly stable at around 600,000 and Temp margin is once again reflecting our discipline in value-based pricing.

The price and quantity effect combined mean our overall gross profit our temp business has shown more resilience in our fee business and contribute therefore to our performance this quarter.

Fee business declining more, but of course we also have flexibility in adjusting our cost structures in that type of business or business model. Our perm revenue fell by 22% in Q3 EUR 139 million, which has led to a negative gross margin impact of 20 basis points. Again this is purely a mix effect the Perm declined 22% and the overall growth, 10% then the Perm business had a negative impact in our margin.

Also similar to the trend with RPO this year, the normalizing labor market has impacted our RPO business, which declined 34% and again therefore, this translated into a negative impact on our margin.

In terms of mix Perm and RPO jointly represented about 16% of the group's gross profit in the third quarter, which now brings me to the OpEx bridge on Slide 15.

Please note, this one is sequential. So in our industry, in short, if we get it right in one quarter or year we must ensure we also get it right again precisely in the following quarter or year. We continue to adapt, making the right choices, finding the right balances and we are well positioned for the recovery: slimmer and faster.

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In short, we have continued to execute a clear focus with respect to OpEx steering and adaptability looking at the trends we see in the market and making sure we do not make any step bigger than our legs can afford.

As a result in the third quarter OpEx came in at EUR 1,020 billion 4% down sequentially and 8% down year-on-year. And as mentioned before this adds up to a recovery ratio of 61% in Q3. The biggest driver of our OpEx is by far personnel expenses, which was 5% lower sequentially and at the same time, our average headcount decreased by 320 FTE sequentially.

With that in mind let's now move on to our cash flow and balance sheet on slide 16 and also a few words on cash flow balance sheets and update on our share buyback program. So our free cash flow for the quarter came in at EUR 297 million, EUR 40 million higher YoY. And therefore, our net debt sequentially reduced approximately by EUR 200 million with the difference being mainly our share buyback program. Our balance sheet shows therefore a lower net position of EUR 419 million and a leverage ratio of 0.3. Please note, excluding lease liabilities.

I think, despite the volatility inherent to the business, two important points on cash flow. The strong cash flow generation remains an important characteristic of confidence of our business models with good progress on working capital and DSO management well spread out throughout the company. In short, we convert cash from a good year's EBITA. At the same time in declining years, the counter-cyclical nature of our working capital typically offsets the decline in EBITA again this year providing always a line of sight and visibility into our cash flow.

In the first nine months of the year, we generated free cash flow of EUR 592 million already EUR 147 million more than last year. DSO was 53.4 days, 0.9 days up year- over-year primarily driven by our mix and geographical composition.

Lastly, an update on our share buyback program, the second tranche is completed. We purchased a total of 1.54 million ordinary shares for a total consideration of EUR 80.4 million. Today we also announced our intention to cancel 3,090,000 of ordinary shares of the first two tranches of our share buyback program that were purchased in the first and second tranche.

As in previous quarters, we also announced again a third tranche now to repurchase up to a maximum of 1.6 million ordinary shares and as usual we continue to provide weekly updates on the progress of the program, which now brings me to our last slide, the outlook on Slide 17.

And let me start first with the activity momentum. So the conditions remain challenging across our markets and these conditions have continued into early October. In early October, the year-on-year growth rate of employees working, the temp momentum, let's call it, was aligned with one of Q3 or in absolute terms between 590,000 and 600,000 people every week. So it was pretty broadly stable in that context.

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The Perm and RPO moment is also similar to Q3 and also showing stability. Q4 2023 gross margin is therefore expected to be broadly in line sequentially. Again, just to be clear, we strive to always align gross profit and OpEx developments, as much as possible and therefore we anticipate our OpEx again to be broadly in line sequentially. Please note, there will be a negative half a day working impact in Q4 2023. This is our base case, but again, I will say it one more time, we will continue to work with scenario planning and adaptability. We remain (1) vigilant, (2) cautious, but (3) ready.

So to summarize, in the third quarter we delivered strong profitability in a generally challenging environment. At Randstad this adaptability provides us now a basis for choices to benefit from the recovery when it comes. We don't know where the first and opportunistically become which geographies from digital, staffing, RPO where those stands will be, but we feel we are operating from strength, we are ready and we will capture them.

We have scale and a more diversified portfolio than ever with very sound margins, we have a very solid client base. We have the most experienced team in the industry and all of this supported by a very sound financial position. We'd like to see more recovery and we are ready to capture it when it comes. Looking forward to speaking to you about many of these next week.

This now concludes our prepared remarks and we look forward to taking your questions, operator.

Q&A

Q - Rory McKenzie: Good morning, three questions from me please. Firstly just asking about wage inflation - your Temp volumes were as you said, about -9% year-over-year through Q3, similar to Q2. But I guess the tailwind you've got from rising wages or full inflation is now only about 1%, 1.5% compared to about 4% in the last quarter. So is that just the annualization of those wage inflation headwinds? And can you talk about what the sequential trends are looking like and any regional differences.

And then secondly just on the cost base obviously you drove that 5% sequential reduction in Q3 and now you're expecting it to be stable into Q4. Does this reflect the bottom of where you want to take the cost base down to or would you be able to look for more cuts if the market deteriorates again?

And then finally, just one question on the divisions, and can you just go into a bit more detail on the big step down in RPO trends and did you actually lose any kind of contracts there in Q3 or is it just the tough comps that you're up against that drove that divisional slowdown. Thank you.

A - Sander van 't Noordende: Thank you very much, Rory for those questions. Let me start on wage inflation, I mean wage inflation is clearly coming down across our markets. It is now hovering around 2% in the US and it's actually higher in Europe than in the US and in Europe, which in most countries is 4%, 4% to 6% with France being an exception at 1.8%.

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That means also in our business wage inflation has come down quarter-over-quarter. I don't think we disclose the exact numbers there, but you can expect it to be in line with the market, but it depends what proportion of the mix of the countries.

So yes, wage inflation is coming down, which I think for the broader economy is a good thing because inflation is coming down, wage inflation coming down and all brings us into more normal territory as an economy, which I think is a good thing.

Let me take the third question on RPO here. So. In RPO, it's primarily existing clients who hire fewer people. Our wins have been significant in Q3 again and our pipeline of primarily bigger deals bigger than in the past. It still has a good level. Keep in mind that many clients are now looking at how can I do my recruitment process more efficiently, more cost effectively, how can I maybe move some of it to global delivery in countries such as India, or Latin America, and that's obviously very attractive opportunities for us to work on and that's what we're working on with with many clients in the tech space, in financial services, in life sciences.

A - Jorge Vazquez: Hi Rory, it's Jorge, let me take your second question on the cost structure, so I'd say, look, I mean we kind of guide broadly in line and I think I also alluded to it in my prepared remarks. Let's put aside and you have a good question. As mentioned yourself but put aside the year-on-year comparisons. Let's focus a little bit on what we see sequentially, we at the moment, let's say, we have adjusted our FTE down 9% YoY, our revenue was this quarter 7% down YoY.

So from a bottom perspective, we feel we are prepared for what we see and we feel that for sequentially given the stabilization that we see after this normalization period we have adjusted our OpEx in line with what we need to do.

I prefer, I mean, again we don't have any sense of, if we need to, our gross profit goes up, then we are able to spend a little bit more OpEx; if our gross profit for whatever reason will decline then we still feel that the ingredients we had in Q3, Q2, Q1 we have again to adjust in Q4. So I feel comfortable with what we see today.

A - Sander van 't Noordende: Yeah. Maybe to add to that. I mean, clearly we're starting to see more opportunities in pockets where we can find growth. So we will invest in those areas in specific countries, but we will do that in a very targeted and focused way.

A - Jorge Vazquez: You can see that another dimension, so just highlighting I mentioned earlier we decreased our RPO by 500 people sequentially at the same time overall for the group, we've, reduced 300 let's say from Q2, meaning there are already focus that we are trying to capture opportunities such as Spain such as Italy even in certain parts on Perm in Germany. So where we find growth we're not shy, that's the advantage of being in a position of strength and having a very strong financial position.

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Q - Hans Pluijgers: Yes, good morning all. Three questions from my side. First going back on the outlook, I have to say with respect to stabilization and also on your cost base, but of course, sequentially Q4 is always let's say a somewhat more stronger quarter. So how should we read that underlying is also partly driven by, let's say a seasonal impact? Secondly, on Germany, a clear improvement in profitability, Perm doing quite well. Can you give maybe some flavor on what the drivers were for the improvement in the margin is that for major part Perm, but also are also, let's say, cost savings could give, maybe some flavor there.

And on the Global business units, still down quite materially, amongst is still doing quite some difficulties, of course RPO. But how do you see, let's say, the longer-term outlook for that business unit and especially looking at profitability because profitability has remained quite low over the last few years? How do you see that let's say measures you can take to really improve that profitability.

A - Sander van 't Noordende: Yeah, I'll start through Germany. Germany, I mean you've been around longer than I am. So, you almost know the story better than I do. Germany has been a market that has been under pressure for a long time. A couple of years ago, we had a major legislation change and from there, it became harder and harder to do for us.

Our team got on the case starting around 12 to 15 months ago, we said we need to do things differently here in Germany. We need lower costs. They have worked on that and they are still working on that, we need to make sure that we have volume and value in terms of the business that we do go hand in hand. And that's all. I mean it's very much about pricing and we need to ramp it up on our Perm business and those three levers and the results you see in the profitability and I'm absolutely proud of the team in Germany, how they have gotten on the case and the results that they produced. And again, I was there actually two weeks ago, I said now we are in a much better space. Now let's focus on growth because we have the platform to grow in a profitable way.

On Global Businesses and Monster this is a story of two sides of our RPO business, our profitability has been decent. I would say it's been a bit under pressure because volumes have come down, almost we're making progress on the profitability side which sort of hard to see, because we are now, we're growing a little bit up on Monster and a little bit down on the RPO side, but Monster is still a work in progress. It is very important as a source for talent for us and we expect when markets come back in terms of the job postings, we should be able to get that to breakeven over the next year, year and a half I would say.

A - Jorge Vazquez: Yeah, Hans hi it's Jorge a little bit on the outlook. So I mean looking at what we can see the first two weeks of October. And again, I emphasize, I mean we see stabilization. So again let's put comparisons year-over year aside, we see stabilization from Q3 into Q4 590,000 to 600,000 employees. Also the pricing dynamics are the same as we just highlighted, so I mean looking ahead, we see the stabilization and the same goes to our fee businesses.

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It will always depend a little bit, you're right. So Q4 might be the strongest quarter in the year as compared to Q3 depends a little bit on how Christmas performs and as it stands, it's anyone's guess, let's say, how the world will perform in terms of the build up for the, for the Christmas break and the holiday period.

What I will say is from a German perspective, we are ready, the ingredients are the same. So it's about hopefully riding this normalization and like Sander mentioned, try to find pockets of opportunity where they are. So we have the financial position to allow for that.

On the Global Businesses I'll just complement. I mean, you ask if all the regions are at 5% plus EBITA if one region is not a 5% plus EBITA, then we're not there, but it's about continuing to work on day by day and improving it.

Q - Hans Pluijgers: Thank you. Maybe one follow up on the outlook please maybe some remind us how the comps developed in Q4 of last year.

A - Jorge Vazquez: The comps improved slightly. But I mean we pretty much saw similar volume as last year. I think 10,000 to 15,000 people more working in Q4. So pretty much in line, so there were quite let's say two high quarters if looking at revenue as an example, Hans was 7 billion 50 million approximately in Q3 and we have 7 billion in Q4.

So pretty much two quarters the same. So again, we are trading and competing against super super super high comps in terms of the highest of Randstad ever and also strong Perm & RPO comparison. So that's basically the comparison. Yeah. The only two quarters in history of Randstad of EUR 7 billion in revenue. Thanks.

Q - Kean Marden: Thank you. Good morning, all. Just one from me, I've had a number of clients asking. Just trying to understand the 1% sequential reduction in headcount in the quarter versus the 5% reduction in personnel expenses. So maybe you can help us understand that. I guess, whether that has potentially been any accounting changes i.e., maybe whether you've changed bonus accruals in the quarter, depending on your view of full year profitability. Thank you.

A - Jorge Vazquez: Yeah, so first of all, Kean, thank you for the questions. So let me get down to accounting changes. So I mean it is the same accounting principles and practices as always. I mean first of all we did reduce, let's say, 9% our FTE year-over-year. So that is kind of how we start Q3. Indeed this quarter because of holidays and in general, so lower deferred wage components, but also as we go into the year, we can always have the freedom to look at assess our provisions and build of bonus, variable compensation. So if we're doing less well that always has an impact in the quarter in question.

But at the same time taking a step back, the fact is we are 9% down in terms of FTE and ingredients we had to deliver on cost adaptability the remaining Q4. I mean it's just basically a timing and

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practice of how we go through the year and reassess each one of our positions in our wage components.

But in general, proud and happy and just contributing as always to the adaptability ambition we have a 50% through the cycle.

Q - Kean Marden: And it is that re-calibration of accruals complete in the third quarter, should we expect a little bit more in Q4.

A - Jorge Vazquez: Look we don't micro report, let's say on everything look every quarter, where we are in terms of gross profit. Again gross profit and OpEx walk hand in hand. That's what we strive always to match. I think the ingredients are there in the sense that we have less FTE we prepared for the revenue trends we see and we're experiencing now year-over-year and it makes me, let's say, reasonably comfortable as we go into Q4.

Q - Marc Zwartsenburg: Yeah, good morning. Sander and Jorge, I would like to come back on the revenue trend to understand it a bit better because you started to Q3 in July with the same trend as Q2, so that basically implies that August/September have been a bit weaker, to get to that 7.3%. So if you then tell me that October is in line with Q3. Does that then imply that October actually saw a bit, you mentioned stabilization actually then the trend maybe that it has become even better. Is that how I should look at your outlook compared to the previous outlook and what you reported over the quarter? That's my first question. And then on the cost base maybe or a combination of margins and recovery ratio. Recovery ratio came in really, really good. So that is you Jorge. And the margins and analysis in Germany even improved well, with quite significant top line declines.

Then should I take it as that you've been preparing for even worse trends specific regions that you basically have been running a bit faster on the cost base. Then in the end, the development of volumes in the end ended in the quarter, is that how I should look at it prepared for the worst and that came out a little bit better. Is that how I should read these margin improvements in the Netherlands I'm sorry and in Germany, for instance?

A - Jorge Vazquez: Yeah, so I mean, definitely not under prepared for the work, but I think I will also let Sander take this. Thanks, Marc and good questions. So let me just, I mean on exit trend. So I mean, first, what we are talking about is unfolding trends in October. And in that respect, we see pretty much stability where we are in Q3. So that is like the way we look at the quarter with information we have now. Secondly, especially on the Temp side, you alluded to, that's also a bit of a seems like, yes, our revenue was down 7%. It is also impacted as I mentioned by our perm -- our fee businesses. But overall, from a gross profit perspective, again, combining price and quantity effect that is actually therefore less than 7%. Our Temp businesses are showing more resilience. Let's say obviously, you could see immediately in the results. So that doesn't mean from a Temp perspective

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into October and Q4. It's a stability from where we left in Q3. And it's basically looking ahead with what we can see prepared for it.

A - Sander van 't Noordende: Yeah, Marc, on your second question, you've heard me say we're always balancing volume and value. That is the name of the game here. We think we have the right balance frankly volume with no value has no point to make it very blunt. So even if the times are challenging, we need to make sure that we get the right level of value for the volume that we sell and we have been focused very hard on doing that because if there's one thing that I learned in my career in services is if you drop the price too much you never going to get it back later. So, if we stick with the value that we're looking for now it will serve us well when times get better.

Q - Marc Zwartsenburg: Recovery ratio of over 60% does it imply that you have taken a little bit more of a view that maybe the market could have been weaker, they can be a bit extra to touch a little bit.

A - Sander van 't Noordende: Yes that is a good question. I mean I did some math here for you, you all collectively —put your expectations. You said 5.8% growth. We have 7.3 that's under 50 basis points. We produced 15 million more profit. So we could spend more money and get you 50 basis point more revenue, but we decided to get 15 million of profit. Yeah, this is the trade-off we're making every day.

A - Jorge Vazquez: Marc and good point on the 61%. I mean we don't strive to get it always at 61% or something. I think it's just the timing of some of the adjustments we've made, I always say the match might not be perfect, but over time, it does come very close between GP and OpEx, it's just a natural reflection of different P&L dynamics does not, nothing to already in that respect.

Q - Marc Zwartsenburg: Okay. Maybe short follow-up on the overhead costs. Should we take the current trend as the trend going forward, is that EBITA number which we should be looking for or should we also expect some savings on that front?

A - Jorge Vazquez: Sander, excuse me, on the corporate costs. Yeah, I mean the overhead cost we manage total OpEx. So I mean, from that perspective, it is a collection of choices, where do we work, we work centrally do, will do more work locally, I mean how do we manage that for the overall efficiency of the company? I think as it stands. Yes, that's running level and that's basically we're not predicting any changes in that respect.

Q - Konrad Zomer: Hi, good morning. I have two questions, one on the gross margin and one on your financial charges. The first one on the gross margin, you mentioned in your outlook that you expect it to be broadly in line quarter over quarter. And if I then look at the gross margin development of the final two quarters of last year, that implies, let's say, a 20 basis point positive impact sequentially. Is that too statistical, or is that related to let's say a less severe impact in your Perm Placement in RPO business or do you expect to continue a higher gross margin in your temp side? And my second question on the finance charges, they've gone up over the quarters because of the higher interest rates and it seems to me that the natural hedge that Randstad has always successfully had in place of

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the general economy and interest rates may no longer apply to the current market. Is that something you're still comfortable with or do you look at your, let's say, variable interest rates with a slightly different view now? Thank you.

A - Jorge Vazquez: Yeah, let me take the first, the interest rate one. So I mean, yes, the interest expense has increased, as I said, I mean, and I think I've highlighted as well. It's a combination of both a slightly higher net debt than last year, but of course also an increase in interest rates. So in general, both have always been, we will keep, let's say, interest rates on our debt, our net debt floating as much as possible and that remains the same. I would argue Konrad, yeah, the natural hedge it's actually working. I mean if you look at the cash flow that we're generating. So depends a little bit on how you take the hedging.

Yes. EBITA slightly lower, but more than compensated by our cash flow generation. Interest rates are higher, but at the same time, they don't cause the problem for Randstad in terms of covering or any covenants needed with the interest expense. So it is working. We continuously look if it's still the best way for us to look at our financing needs going forward.

Again, our net debt is still of course this year a function, it could be even lower. I mean if we just do not have a share buyback program for this year, our net debt would have been lower. So I, let's say, the hedge and the comfort with which we approach our financial position is quite solid and is still applicable. In terms of gross margin, look, what we do is, of course, look at what we know from where we leave now Q3 and we look at Q4, we look at our country with the current business mix, we look at our fee versus Temp and the resilience indeed of the pricing in Temp and then we take a stance on how our gross margin is likely to evolve and from what we know today, we feel quite comfortable saying broadly in line with Q3 into Q4. Again, we still see a reasonably strong Perm and RPO mix or impact of mix in Q4. So the 2022 right. So I think it's a matter of mix and just what we see broadly in line with what we know to choose to go forward.

A - Sander van 't Noordende: Okay. Well, if there are no further questions I would like to say before we wrap up the call I would like to thank all 640,000 Randstad talents and employees for their hard work in this quarter and, of course, many thanks to our clients for doing business with us.