

Transcript Randstad Analyst Call – 23 March 2020 – 11.00 am CET

Jacques van den Broek – CEO Randstad: Good morning, everybody. We issued a press release and I would like to make some remarks to maybe not so much clarify but give you a little bit of colour on why we took this decision.

Roughly six weeks ago, we closed the year and we looked at capital allocation. When we presented our Q4 results, we also presented the outlook for Q1 which, of course, was also negative but January, February and even the first half of March turned out to be pretty much in line with that outlook.

But then, Corona hit and we were faced with some very almost disturbing developments in countries first of all from a human, from a health point of view and secondly from an economic point of view. We quickly moved and recognised the fact that we are moving into what we in our capital allocation policy have as a first priority, a first condition and that is serious adverse effects on the economy.

Many of you, me included, went through 2009. In 2009, we went from minus 6 in December to minus 9 in January but to minus and a little bit over minus 30 in March and April. Then it sort of stabilised throughout the year and we ended the year with minus 27%. What we do not know about this situation is how deep it is going to be and how long it is going to last. That is not just us; I think nobody out there, not even economists, really knows what this is. The first priority is of course to save people's lives and the healthcare system.

However, we do see one fact and that is that last week in France it was issued that as of this week it was around minus 70 decline in the market, something we have never seen on such a short notice and signals – not data points but signals – from the Belgian market also point to quite a serious double-digit decline. We are not going to talk specifically about numbers but for example Italy is in a bit human crisis but from an economic point of view still a lot was kept open and people could still go to work. But that will also be closed off, so Italy will also move to a total lock-down.

That is the European situation but the US is still the big unknown. It has the biggest staffing market in the world. It is early days there but as you have seen, they are going into lock-down.

Then there are markets where we are not just hit as a company on the revenue but also on idle time, such as our German business and our Swedish business. You know that in these times we always want to manage our cost but we do not know how much of our cost we need to bear and how much government support we can get. We do know that for example in the US they have issued measurements but these are for companies with less than 500 people. So, we probably will not be eligible for this. In Europe, there is a lot of great leadership. All leaders have announced government support schemes but in many countries these are not up and running yet. So, it is very tough for us to ascertain how much support we can get at this moment in time. Also with clients, we are in contact with clients daily. As you know, we are a fully digitised company so our 38,000 people are now in daily contact with all our stakeholders.

But for clients, it is also very insecure. Will they keep their flex workers, will they pay them, will they pay them with margin or excluding margin? Wherever we look, there is uncertainty. Let me share with you the sectors we are currently seeing. Airlines are totally down, automotive was already in trouble in many aspects before Corona. There were big supply chain issues from China and also Italy. Tourism, events, restaurants, retail, leisure in general and also education, which in our UK, Australian and New Zealand business are big businesses are totally down. There are growing sectors, as you will probably know, such as healthcare and government, in providing answers, managing and enlarging call and contact centres, online delivery, IT and in general the food sector.

Having said all this and again reiterating that we do not know how deep and how long, the conclusion is that we need time. We need time to see what this is and that is why we have taken off the agenda the items on dividends.

I would like to conclude my opening statement with what I mentioned already. By the way, I would first like to mention the resilience of our people. It is remarkable to see our

management but also our consultants, the vast majority working from home every day. They do it and they have full access to all our clients. They have full access to candidate databases, so we are continuing business as much as we can but of course, this is unprecedented and we will see where this will take not only Randstad but the world at large.

That is what I would like to state as opening remarks. With that, we are open for questions.

QUESTIONS AND ANSWERS

Paul Sullivan – Barclays:

Hi there. Could you just remind us, in terms of covenants and covenant discussions have you entered into any conversations or early conversations with the banks, what are the most onerous? Do you think covenants are a bit of a red herring because it feels like they are all going to be waves?

When it comes down to liquidity, how are you feeling there? Have you pulled your RCFs at this moment in time? Have you drawn down on them?

And then also in terms of the employment protection schemes, when you look at what is being proposed in the UK or in other markets where they are more established – and I am focusing on Europe here – what proportion of your own employees and those with bench risk do you think could be eligible? Is it the majority? What are your initial thoughts? I know it is very fluid but anything you can tell us would be helpful.

Jacques van den Broek – CEO Randstad: Paul, I will answer the first part of your question and Henry will do the second part.

On the first part, it is tough to answer. As I said, I am positive about the leadership in Europe from all governments. They have announced schemes and that is great. Of course, it is way

our of proportion to the normal situation. As you know, we have been in a similar scheme in our German business in 2019, where we had a 10% decrease of working time because of the German situation. But yes, it is overflowing, certainly with SMEs. It is all about time and talking to governments. It is too early to call that one. In general – and that goes for all of you – we will update you again when we present our Q1 results.

Henry Schirmer – CFO Randstad: And then on your question regarding financing, we were very pleased that we ended the year with a 0.7 leverage ratio. We are prudently financed at that stage, there is no liquidity problem. It is really important that we are fully operational so, as we speak we are able to run payrolls, we issue invoices, we collect funds and by way of numbers. Excluding lease, we have EUR 750 million at the end. You know that we have EUR 380 million CICE outstanding, so we have not entered into any discussions with banks. We feel we are on good grounds but, as Jacques mentioned, the visibility at this point in time is impaired and hence, our decision.

Jacques van den Broek – CEO Randstad: So Paul, ‘prudent’ is the word here. I alluded to 2009. When we started 2009 we had a 2.3 net debt to EBITDA leverage ratio, so a totally different situation. But still, prudent.

Paul Sullivan – Barclays: And in terms of covenants, what is your thinking there? Do you worry about those? I mean, if we are looking at total profit wipe out in the second and third quarter what do we think about covenants?

Jacques van den Broek – CEO Randstad: Too early! We are definitely worried but I think everybody is worried as we speak but more about health. We have colleagues infected in Spain and it is our first priority to keep our people safe and healthy and then of course weather the economic storm, definitely but now, too early.

Paul Sullivan – Barclays: Much appreciated Jacques!

- **Hans Pluijgers – Kepler Cheuvreux**

Strange times and I can focus on the business, which is very good in a way. A question from my side with respect to the idle time. You already mentioned it but could you maybe give some feeling? I understand of course that government measures also play a role there but could you give us some idea on what the risks are and what amount is at risk with respect to idle time? What risk of outflow without any coverage of income do you see?

Jacques van den Broek – CEO Randstad: Again, it is too soon. I can give you the percentage of people that are on the bench. It is fully in German but there is a scheme. In Sweden it is almost everybody and then a part in the Netherlands, 60% at Yacht and 10%-15% in the staffing businesses. But please be aware that this is not all indefinite contracts. Of course, managing idle time in countries like Germany and Sweden is part of the business, so we have these [...] contracts but of course it does not help if a full client closes down. What we are trying to do is to replace people into sectors with demand. So again, the fact that everybody is online, countries know when a company is closing and ask whether they can get these people into other clients. But that depends on the capabilities, the geography and again, too soon. I cannot give you the total amount, not because I know but I am not telling you but we really do not know.

Hans Pluijgers – Kepler Cheuvreux: Maybe one follow-up on the credit facilities. Could you give a number? You gave a number but I did not quite hear what facility was available. Do you have any facilities you can draw or could increase? Could you give some numbers there?

Henry Schirmer – CFO Randstad: We have a facility of EUR 1.85 billion, which is at this point in time totally undrawn.

Hans Pluijgers – Kepler Cheuvreux: Thank you very much!

- **Anvesh Agrawal – Morgan Stanley**

I have one question, really. You mentioned some of the sectors which are still going for you. Can you tell us what your exposure on group level to those sectors is?

Jacques van den Broek – CEO Randstad: We have a rundown which partly [...] through these sectors. Let me give you the rundown. Manufacturing is 30%, Transport and Distribution 20%, Business IT 10%, Financial Services 10%, Public Health and Education 10%, Automotive 7%, Construction 3% and Leisure 3%. So, we have totally different portfolios per country. That will give you a bit of flavour on where we are exposed and where we are less exposed.

Anvesh Agrawal – Morgan Stanley: Thank you.

- **Tom Sykes – Deutsche Bank**

Thank you very much for the details. I was not very quick at writing down the numbers for the sectors. Could you just repeat them?

Jacques van den Broek – CEO Randstad: Sure, you are not getting any younger, Tom! Here we go again.

Henry Schirmer – CFO Randstad: Manufacturing 30%, Transport and Distribution 20%, Business and IT 10%, Financial Services 10%, Public Health and Education 10%, Automotive 7%, Construction 3% and Leisure 3%. That is not entirely 100%, just in case you want to add it up. There are some other in there, too.

Jacques van den Broek – CEO Randstad: And there is another point I need to make. With us, you always need to talk about sectors and profiles. Now you see sectors in which we are active but at the same time everybody needs IT people, for example, and certainly in these times. So, when I say there is demand for IT it is not demand for IT in the IT sector. Many of you know that banks have never hired a financial professional in the last ten years, they are only hiring IT people. So, sectors and profiles are different.

Tom Sykes – Deutsche Bank: Thanks.

Henry Schirmer – CFO Randstad: But this gives you a bit of insight.

Tom Sykes – Deutsche Bank: Exactly. And then just on to working capital movements. Is there anything different? I know it is early but is there any delayed payment from your client base in terms of working capital, in terms of them paying you obviously? We would expect that debt to go up to some extent but is there any difference in that dynamic and is that happening more slowly at all?

And then just in terms of the dividend. Obviously, you are doing this from a prudent point of view because of the macro but is there anything that you feel is your taking what might be considered state aid? Not state aid but if there is short time working and not having that [...] is it then seen as probably not the best thing to then also be paying a dividend to shareholders at that time? Was that at all part of the thinking?

Henry Schirmer – CFO Randstad: On the first one, it is too early to say. There is zero evidence at this point in time of any delayed payments or whatever. So, there is none of that.

As far as your second question is concerned, Jacques?

Jacques van den Broek – CEO Randstad: Tom, let me answer your question from the capital allocation policy point of view. We have been on many roadshows, so let me share that with you. I did not mention it explicitly but we always say that the business is way more resilient than it was ten years ago because of our geographical presence and the fact that in normal circumstances economic cycles happen at different stages at different times in different tempi. That is not the case now. We have three groups of businesses, our Asian businesses, the European businesses and the American businesses. We run through them twice a week and it feels a bit like they have the same – let's call it – rundown: first people infected, lock-down, partial lock-down, full lock-down, barring travel and what have you. So for us, it is all happening roughly at the same time in a four to six weeks' period. And then of course our geographical resilience becomes less. We said for example on the minimum dividend to EUR 1.62 that we had tested that against 2009 scenarios and that we would be able to pay that even in 2009 scenarios. Where we sit now, I am not ruling out that this is

worse than 2009. I really do not know. This is not a call where we know a lot and we are not sharing it with you; this is a call where we are very transparent on the fact that we do not know. Again, how deep we do not know and how long we do not know. That is why, if we would have been here six weeks ago, we would have said we are not topping up towards 1 although we are at 0.7 at the moment because it is too uncertain. That is the second part of the dividend. We are testing the scenarios but if it turns out to be worse than 2009 maybe we can leave and keep up the guarantee dividend.

That is really what is happening today. If it improves throughout the year, great. We will keep you informed. There are moments when we are in contact and that will be the Q-calls.

Tom Sykes – Deutsche Bank: If I could ask just one quick one on the practicalities of running your business at the moment? Are all your branches open? I know in other releases you mentioned the use of the internet but in things like KYC for clients or candidates what are the actual on-the-ground difficulties that this presents rather than just a reduction in demand? Perhaps we could try and understand that a bit.

Jacques van den Broek – CEO Randstad: Tom, what is KYC?

Tom Sykes – Deutsche Bank: Know Your Client and anything compliance-wise. What proportion of your temps necessarily would go into a branch and how would the internet help you to try and get your head around that?

Jacques van den Broek – CEO Randstad: Good point, let me shed some light on that. Last year, we issued in our press release and in the Q-call that we had our GIS, our Global IT Services. We moved all our databases to the Cloud, which means that we have unlimited bandwidth. If we compare that to other companies in our markets, competitors but also our clients, they cannot handle that. They have around 30% of their people that can go online because their systems cannot handle it. Also, they lack hardware. Every Randstad consultant – with a few exceptions but then I am really talking India – are already fully functional online. So, we are very happy with our digital journey because as we speak, depending a bit on the lock-down and the level of lock-down, people are fully online, either from home or sometimes with an AB schedule in terms of branches. They are

communicating with our clients every day and have full access to the files of the clients and to what is going on, even on a global scale. In our Randstad Enterprise Group we are discussing for instance a report on 160 clients, interviews we had with those clients, what they are asking, what they are willing to do and what they are not willing to do and where we can really help them. So, that is helpful. Roughly, 70% to 80% of our candidates is directly connected to us through their own Randstad app, so we can send messages, they can look at their planning and we can communicate very effectively. Even for me – and I would say I know the business best – it is as talking to the whole world: I am sitting behind my desk at home and I am talking to the whole Randstad world, not just on the phone but in Google hangouts, so I can physically see those people. In a strange way, it means that we are actually more effective. So, from a process point of view there is nothing wrong at Randstad but of course there is a total lack of demand. That is what we are currently facing.

Tom Sykes – Deutsche Bank: But you can place people without them having to come into a branch and show for instance a driving licence.

Jacques van den Broek – CEO Randstad: Yes, for a long time already. With our Randstad Innovation Fund we are running our [eco]-system to see what we can offer our clients. As we speak, we are offering free video assessments. In Spain there are many people who are on temporary unemployment. They are worried. So, we offer them free online career-coaching sessions. There is a lot we are doing to help our clients and our candidates to weather this storm and a lot comes out of our digital portfolio. I would never have thought that we would use it for these circumstances but we are.

Tom Sykes – Deutsche Bank: Thanks very much.

- **Konrad Zomer – ABN AMRO**

I have two questions, please. First, did you consider changing from a cash dividend to a stock dividend?

Secondly, at the start of the call you mentioned the 70% market decline in France. I might have missed it but did you also give us the source of that minus 70% market decline?

Jacques van den Broek – CEO Randstad: The source is mostly lack of demand, Konrad.

Konrad Zomer – ABN AMRO: Sorry, I meant the source of that number because the Prism data not being released.

Jacques van den Broek – CEO Randstad: But it is Prism. Again, I do not know if it is minus 70 but you can guess that even if it would be minus 60 it is still serious. Again, every government needs to do the trade-off between economic development and health and most of them are choosing for health but apparently France seems to have gone to a very quick lock-down, whereas for example in Spain and Italy you could still go to work. In France, that is less the case. We will see but it was the only real datapoint we could share with you because it is out in the open. For the rest, we just take it at Randstad day by day and certainly week by week.

Henry Schirmer – CFO Randstad: On your first question, we came to the conclusion what we put out in the press release this morning and that is that it is the most sensible thing to do to balance the interest of everybody, employees, customers, and stakeholders. So yes, we had discussions about it but we concluded to deal with it the way we did in the morning.

Konrad Zomer – ABN AMRO: Because obviously none of us know how long and how deep it will be. I share your views on that item completely but you preserve about EUR 800 million of cash by not paying a regular and a special dividend. Given your credit lines and your current very healthy balance sheet it is something that you might have considered. By preserving just south of EUR 800 million ... it is not going to change the fundamentals of your company. You will be able to reduce costs; you will be able to adapt to whatever new world we are going into. I understand the difference of EUR 800 million but in the big scheme of things it looks to me as if Randstad is going to survive anyway.

Jacques van den Broek – CEO Randstad: Thanks for the conference, Konrad, and I totally share your view on that. It is not just cutting cost. If it is V-shape or a U-shape, we want to come out of this effectively stronger. Of course, we can fire thousands of people and

immediately cut our costs but then there will be a bounce-back. So, for us the big challenge is together with government schemes how much we need to take out. I hate to fire one person, let alone 1,000. It is early days and for that 'prudence' is the word. Thank you for the confidence. I totally share it but it is as Henry said: it is about all stakeholders. It is about shareholders but also about our clients. Our clients are also asking us to take care of people, our own people. In that sense, this is the call we are making, which is not even a call on 'know'. It is a call on 'not now'.

Konrad Zomer – ABN AMRO: Understood. Thank you very much.

- **Simona Sarli – Bank of America Merrill Lynch**

Good morning. Just a couple of clarifications. I appreciate that at the moment you have not withdrawn the revolver facilities but I see that in Q4 you have two corporate notes of US\$ 400 million and one of EUR 150 million, expiring in Q4. What is your underlying assumption? Have you discussed with the banks the possibility to extend the maturity or are you going to withdraw the revolver for that?

My second question is related to the peak leverage. I am not talking about the peak leverage at year end but also during the previous recessions and crisis have you been able to sustain. What was the underlying earnings' decline for that?

Henry Schirmer – CFO Randstad: On the first question, please understand that it is far too early to make a comment on that. It means looking into how we finance our balance sheet and I would rather not discuss that here in public now.

Jacques van den Broek – CEO Randstad: On the leverage ratio in 2009: we entered the year at 2.1 – 2.2, if I remember correctly and then we quickly dropped to 2.6. But then, as I mentioned earlier, it started to stabilise in March and April. So, the peak was 2.6. Again, there are two things not comparable to 2009. First, this crisis has a totally different origin and has been very difficult to predict with, from where I sit, a short-term deeper dive but maybe a quicker recovery. But again, we do not know. Secondly, we are a totally different company of

course. That is good and bad. Hopefully, the resilience will help somewhat. Our people in China are back in the branches but we think it will take time for that economy also to recover. But they are 'early in the cycle', so hopefully that helps. Of course, we have more perm drops like a stone in these times and that goes directly into margin. We have bigger businesses where we have people on idle time. We have more services in outplacement, in handling RPOs and MSPs. So again, the elements that drive up or downturns are a little bit more gross margin or margin-fee based, we were more of a staffing company ten years ago. There are differences but from a financial, from a leverage point of view we are a way more healthier company at the moment. I think that is what Konrad alluded to. Still, we do not want to justify it by only cutting costs. It is striking a balance.

Simona Sarli – Bank of America Merrill Lynch: One more question, if I may. As you were just saying you are a healthier company but does this mean that compared to 2008 and 2009 there is less room in terms of cost cutting? What is the difference today compared to the past and how much do you think you can cut from the business?

Jacques van den Broek – CEO Randstad: That is a good point. In 2009 we had just done the Vedior-deal, so we had synergies certainly in countries like Belgium and the Netherlands. That helped because we were going to do that anyway, which we already did in the summer and Q3 of 2008. We took the benefits in 2009. We were just harvesting that, so that helps. At the same time, a big difference with 2009 is the reaction of governments. There are way more support schemes, which there were less of in those days. We are hopeful that this offsets. It is probably good to mention that probably all our European leaders have seen 2009. Rodrigo Martin in Spain going down 50%, Marco Ceresa in Italy, Herman Nijns in Belgium, Dominique coming from Belgium into the Netherlands, Richard Jager – a long time with our business – they have all seen it. They know what to do. We have good access to governments and we hope to know soon where we can also benefit as an employer, both for our flex workers and for our own staff.

Simona Sarli – Bank of America Merrill Lynch: Thank you.

Sylvia Barker – JP Morgan:

Just going back to the cost base. Obviously, we do not know how long this will last for but it is extremely sharp. Going back to Tom's question in terms of the branches, could you just remind us what part of your cost base is basically in the branches? Could you close them temporarily? How many of them would still be running?

Jacques van den Broek – CEO Randstad: The branches are the least of our worries because you never get a short-term benefit by closing them. Effectively, we are not using most of them but we still need to pay. So, that is not it. As always, it is personnel. As I said, we try to damage our front line the least possible. As management, Executive Board, top 500, we are already abstaining from any bonus provisions for this year. That helps, all to support as much our mid-term stability in the front end of the business. So, it is not the ability or the lack of ability. It is clear, no events, nothing with clients, marketing less, IT projects postponed, we do the full gambit. No travel, and that is not even a decision we need to take. There is a lot of our cost which almost automatically goes down. Then there is variable pay, 10% - 15% hiring fees. That is all the usual stuff out there but then you come to your own people. Again, ideally we can put them into unemployment schemes, as we did in Germany, and keep them on as long as we can and hit the ground running when we have the rebound.

Sylvia Barker – JP Morgan: And for example France, have you put people on – temporary – unemployment schemes as well?

Jacques van den Broek – CEO Randstad: That is too soon. That is really unknown. I have never seen it. As you know, I have been in this business for 33 years. As I said in my opening remarks, until the second week of March there was not a lot going on. There was some degradation in Italy and now ... boom! We still need to see how deep and how long. Of course, we are planning. Our management always makes scenarios. They always do that as part of budgeting anyway and in this case, we just downgrade the scenarios. We can take it as it comes and we tempt to get actionable schemes within four weeks. Then we just make

calls on countries and then add it up at group level. That is how we work in these times, in general but certainly now.

Sylvia Barker – JP Morgan: Thank you. Any payments from government that you might be able to get? I heard from other companies that maybe they are not going to have to pay taxes or benefits for a while. Is there anything that you have heard about?

Henry Schirmer – CFO Randstad: Yes, absolutely. Tax prepayments or the down payments we have to do quarterly have all been adjusted already, as we speak. We look into that in each and every country. As you can imagine, we have all hands on deck to protect liquidity. Not that we have any issues there but that is what you do when in times like these. Absolutely.

Sylvia Barker – JP Morgan: Thank you.

George Gregory – Exane BNP Paribas

Good morning. Just to come back to your very last point, Jacques, around the government employer support schemes. I appreciate that they have yet to kick in but when you read what has been proposed in terms of the coverage in France, the proposal in Germany – Arbeit – and also the scheme we have here in the UK and other markets, based on the proposals what sort of offset do you think they will or could afford you?

Jacques van den Broek – CEO Randstad: That is a good question, George. We have top-down scenarios but then we need to rely on our people because the situation is totally different per country, first of all because of the sectors they are in. Some countries are differently hit than others. Then the schemes and then they come up with scenarios. As said, the German system is a good system. That was a six-weeks thing. But that was one year ago, when we were hit but the country as such was not hit that much. Now, just in the Netherlands alone there is a system but within a week 75,000 companies applied for it. So, it is also a matter of logistics here, on how to manage it. We are calculating what we could be eligible for but then we need to find out if and when we get the money. There might be quite

some time lag here. We have not brought that all up to top down because it is such a fast moving space. To be eligible for a scheme in many countries you also need to have a certain drop down in revenue, which you cannot base on a first week of business. You need to show monthly numbers, so proof points and that takes time. Again, that is why it is all about prudence at the moment.

George Gregory – Exane BNP Paribas: But if we look at the schemes, am I right in thinking that currently Sweden and the UK have proposed the greatest coverage? I think Sweden is 90% and the UK up to 80%, obviously subject to the pay level. [...]

Jacques van den Broek – CEO Randstad: I have really not done the numbers. Sweden might be great for our own staff but in Sweden we have a different issue and that is that everybody is on our bench. We do not know yet if those schemes would also transpire into the people we employ in that sense. Too early! But again, as I said, Q1 has shared the most detail possible and you might now have short-term support but if it last longer we do not know.

Henry Schirmer – CFO Randstad: But on a positive note, there is clearly lots and lots of movement from authorities to keep structures in place and to avoid unemployment. That is a never-seen dynamic in there but how it pans out remains to be seen. But it is really a positive.

Jacques van den Broek – CEO Randstad: It absolutely is and that in our view is a big difference with 2009. It is good to see and again, as I mentioned, I see a lot of leadership, great, impressive leadership from politicians in Europe.

Operator: There is a problem with a line. There is one more question.

Jacques van den Broek – CEO Randstad: There is something funny, we have a dialling tone now.

Operator: I am trying to locate it. There is only one line open.

Jacques van den Broek – CEO Randstad: Now it is gone.

Operator: There was one more question but it is gone. [Operator instructions]

Jacques van den Broek – CEO Randstad: I think we have answered as many questions as we can. Let me make some closing remarks.

Thanks everybody for calling in. It is good to talk to you in these times, to share with you what we know and what we do not know now. This is all about prudence; it is not about survival or whatever, it is prudence. You know us as a company. We lack a lot of transparency in our markets and that is why we are doing this. We will keep you informed at the regular moments, the next one being our Q1 results.

I wish you and your business the best and, of course, stay healthy!

Thank you very much.

End of call