

Q4 and FY Results

Jacques van den Broek: Thank you. Good morning, everybody. It is a sunny day in Amsterdam. So let's hope that is symbolic for the year. You never know, right? So we are here with Henry, Bisera and Steven. And well, I think under the guidance of Bisera we delivered a solid set of results. So let us take you through that. Well, as you all know 2020 was a year, like no other. I'm very proud of the way we responded to the challenges of the global pandemic, and I want to thank all of our employees we acted with agility and speed.

And we have our #newways program to support our clients, and tell more on that one later. Responding quickly and effectively of course is business and I think we shaped up in that sense this year. We generated a strong set of results in the fourth quarter and a solid and competitive performance for the year but more about individual markets, but we're quite ahead of some important markets. Our management team, diversified portfolio and disciplined cost management contributed its outperformance.

Since the low point in April, minus 30%, our revenue trends recovered month by month into December. We've experienced a V-shaped recovery by year end and in some markets we even reported growth in the fourth quarter. But there's not a V-shaped as in the business we lost is back. It's a different V. So as you know, sectors like hospitality, leisure, airlines that all went very quickly away, and the business we see now is different, it's more in logistics, it's in healthcare... different sectors, essentially.

Our inhouse concept continues to show a strong performance and grew in the fourth quarter, not just because clients ask more attempts, absolutely, but also because of new inhouses, new sites. So, again, a good setup for next year. Despite partially re-installed lockdowns in some of our main markets we've seen ongoing demand for essential services. Let me remind you what makes our in-house concept successful. Well, maybe I don't need to do that, but what is important is in-house caters for uncertainty, so we operate a pool of them on site with the client in up times and down times, and that's what we see a lot with clients at the moment, uncertainty although a lot of business and demand so that is what our inhouse business is all for.

It is mainly in logistics and manufacturing. Although, we also see it in the professional space increasingly. Our digital transformation helped us to pivot quickly through a virtual working environment within three days, we were online. And we continue to support our clients with these tools and safety protocols. I'm very proud and (more on that later) on the role we could play towards our clients, but also towards society as a whole to keep as many people at work, but also to get many people back to work as quickly as possible. Based on our neways program which uses digital support to have a lot of contacts with clients. We have some 150% more commercial activity per consultant, a lot of those online, but supported by digital tooling, digital marketing support. We also through our data can show our people where there's demand. Henry calls this fish where the fish are well... fortunately we did quite some successful fishing in Q4.

So back to the fourth quarter. We already issued a positive trading updating. In December as you know, the top line trends continue to recover across all our geographies and momentum significantly improved throughout the quarter, several large regions such as U.S., France, Belgium, Germany being ahead of market, but also countries like Argentina, Brazil, and India delivered an outstanding performance. And again, certainly in Argentina and Brazil for example with a totally different business segment than they had last year in 2019.

Activity momentum in December and January reached last year's pre-pandemic level. Our industry fundamentals are reconfirmed to staffing penetration rates and bouncing back quickly. We get a lot of questions, of course, but we do expect in the upturn as we've seen in many post crisis situations that penetration rates are on the rise. And as you know, there are some markets like Italy and Spain, which are below economic penetration rate. So might be a good time going forward.

Very pleased with our top line and EBITDA performance, reflecting a recovery ratio of 61% in the quarter. So let's go to North America, shed a bit more color on the markets. Very strong performance in North America, revenue up 1%. Market numbers are still negative in the U.S., depending a bit on statistics you look at. Perm is still down but also a good recovery there.

Staffing and in-house growing -- our American in-house business is benchmark in terms of new locations. So again that helps us going forward, predominately in logistics and food and retail. U.S. profs minus 6%. Our technologies business is minus 3% for the year, IT, almost flat year-on-year. Of course, it was a staple sector as we see in many more countries because people continue to work-from home. Our Canadian business also a strong rebound from minus 12% to 5% gradual and good recovery throughout the quarter, and an EBITDA margin of 6%, so stable compared to last year, which we think very impressive proves the agility of the cost base and might I remind you that there was no government support of any kind in North America. So impressive all around.

The French market exceeded our expectations well ahead of the market, despite the severity of the lockdown. Strong demand from sectors such as food, retail. We have -- we're the market leader in healthcare that has helped a lot in logistics. And inhouse again growth here in the quarter.

There's something which you will see in many markets, is that the sectors which are down such as restaurants, leisure, that sort of thing and mostly part-time sectors, where we see them now are mostly full-time sectors. So we see employees working, in general they make more hours than they did last year. So that also helps our revenue going forward.

As said, profs are fairly resilient in our healthcare business, bringing in strong growth. Our Ausy business in France was geared towards sectors which are not doing well, such as airline manufacturing, aerospace, aeronautics. So that sector is still under pressure. We continue to see continued recovery in the perm fees, as you can see minus 10 versus minus 20, so not bad, and a strong improvement in profitability versus Q3 through the improved productivity ratios and utilization. In our professionals business, we do have people on our payroll, so that helps. And a 50% recovery, which we think is a strong performance in France.

In the Netherlands, we want to highlight something else, not just in the Netherlands, but we have been and it's called strong social responsibility. And you might ask yourself, what is that all about? Well, we've been very active in healthcare, in testing, in tracing, working with governments, also in safely back to work. And that's important. We also reskilled quite a lot of people in the Netherlands. We recently also announced a partnership with an educational institution, because we do think that a lot of work for people, but people need to be skilled into different sectors.

There are also businesses still below market, they are geared more towards hospitality events and travels, but they do carry that still with them, although they are getting closer to market. Very strong performance from our Yacht business, almost at prior levels with a great profitability, as you can see profitability held up really well. Germany, yeah on the one hand you might say easy comps, because Germany was a country due to automotive which was already a negative territory last year. But still minus 21% and in Q3 now minus 5%, we do think and we do know we're ahead of the market there.

Also Germany did and performed very well on the newways program, so improved our commercial effort. Also good to mention is that we had a cooperation between Monster Germany and Randstad Germany, offering our clients free job posting, that led to a lot of leads for our general business, it's a very much something strategically we're aiming for.

So Belgium, strengthening market leadership. I think it's quite impressive if you have roughly 26% market share if you still for the full year come out ahead of the market. Again inhouse leading the recovery growth, healthcare, pharma is a big sector in Belgium, we play there and the same as I said earlier, logistics and retail. Also in Belgium, we see more hours per person due to the shift in sectors. Yeah again, what can I say? What we do want to flag is the EBITDA margin at 7.1%, very happy with that but I wouldn't say that's the cruising altitude of Belgium. It's more around the 6% level for the quarter, not bad. Also mentioned top employer award, very successful online training program. So a lot is going on which is, as I might say, broader than just doing our business which we think is good if you're the market leader in a country.

Italy, yeah, another clear recovery this was, of course, the earliest hit country and at some point, the most hit country and it still is by the way, there are still lockdowns. I again thank all our management teams for holding on as well as they did. And also as I said, Italy's low at probably 1.3% penetration levels will go up - there is a lot of room for growth, certainly in the pickup here. We have a good productivity improvement in Italy. We have overall group 4% productivity improvement in Q4, definitely also in Italy and at least one of the countries there are more which will be very active in vaccinations going forward in 2021.

Spain, again the trend of all the Southern European countries, minus 16% in Q3, minus 5% now, good improvement. Again inhouse is a theme here and the #newways initiative Spain has been leading here in setting up their program which we adopted globally. And Portugal down only 3%, as opposed to 13% in Q3. Again here also more hours per employee, due to the change in sectors.

Then the rest of Europe, a mixed picture, as you can see the UK is still down. There's uncertainty around Brexit, better than Q3, but still I want to flag here. Poland, Poland up 23% which is a very strong performance. But at the same time Poland is also, you might say the investment area sort of an early indicator for an improved climate, so very happy with our polish performance. Rest of the world, I mentioned this many times, but why not again, a solid performance, almost back to growth minus 1%. But as you can see, very, very good profitability improvement. I mentioned, Latin America predominantly, Argentina and Brazil had very strong performances. And India, a country which is hard hit by COVID still putting up record numbers.

Then global businesses, as I mentioned before, this is a strategic play for us. As we speak, we're rolling out new technology for Monster. We will do that throughout 2021 which if all goes well we'll make Monster the job board in the world with the most recent technology. There is still a lot of traffic going into Monster, and we do expect this traffic to stay to also register themselves into the broad sense of our database of candidates, which we call building the biggest talent engine of all. You will see new websites come going up at the moment in Europe and then at the end of the day -- at the end of the year or throughout the year in the U.S., we're very optimistic there.

When we talk about our store side business and predominantly our enterprise business, we recognize that clients are more open to what we call total talent discussions. They're uncertain about the future, some of them have been hit of course by COVID and they want to talk to us about the fitness of their company, the fitness of their own workforce, and how to handle work in the broad sense of the work. Rebecca has presented this for you, at our last Capital Markets Day. And we do see a lot of pickup here. This is not a short-term sales for long sales cycle, but it's very promising for us and given our global scale and our digital capabilities we're an attractive partner to handle those kind of things for our clients, including, of course, our Risemart business up 131%, 97% in Q3 not too shabby but Q4 131%, and again, strong pipeline going into the '21 actually this year. So, we're fully in investment mode as we are in line with what we see in the market also in these businesses. So what do the numbers look like, Henry, can I turn it over to you?

Henry Schirmer: Certainly. Thanks, Jacques, good morning, everybody. So 2020 in all respects was a unique year, and we tried our best not only to manage the short-term results and long-term financial health, but also to demonstrate our commitment to our customer's talents, employees and society at large.

I guess this is the result: we experienced the highest level of engagement across our Randstad team, there are customers onerous to be part of their journeys to recover from the impact of the pandemic. Let me now dive into the Q4 results in a bit more detail.

As mentioned already by Jacques, the company delivered another strong quarter with competitive growth, over very strong operational performance and good cash conversion, our focus to deliver accelerated profitable growth is paying off. We benefited from our diversified geographical footprint with excellent growth coming from the U.S. and rest of the world, also differentiated concepts such as inhouse and the deep market penetration in sectors like logistics, e-commerce, healthcare and government performed well.

Revenue in quarter four came in at minus 3.6%, and the growth momentum continued to improve further throughout the quarter. Recovery of volume and revenue is broad based and more and more business units enjoy positive growth. I'm especially pleased with the fact that we continue to achieve market share gains in significant parts of our portfolio, whilst expecting the need to drive pricing discipline.

Gross margin in the period came in better than expected, still down 50 basis points year-over-year and I will get back to this on the next page. And with regards to the OpEx we delivered another quarter of balanced cost management with operational expenses down 4%, organically year by year and our recovery ratio of 61%, benefited from our ability to get talents back into jobs faster than expected. If you would expect from us, we continue investments into our digital journey and will also see the growth going forward. EBITDA came in at EUR264 million at a margin of 4.6%, also a momentous improvement from quarter three and not too far off from prior year's level.

And on the next line, integration and one off costs were EUR32 million as we adjusted our cost base, the new market realities in some regions. Reported net income and EPS were impacted by an exceptional text benefit of EUR76 million, which is related to a revaluation of so far unused net operating losses.

Underlying effective tax rate came in at 28.9% for the year 2020 and for '21 we expect an effective tax rate between 26% and 28%. So now, let me take you through the next page to talk about gross margin. Here we go. That's on Page 14. So the first red bar shows the temp margin, which is down 10 basis points year-over-year. Quite an improvement of the 30 basis points dilution we've seen in quarter three.

The temp margin was definitely less impacted by COVID-19 related effects like idle time, and also slightly boosted by some working day tailwind. On the other hand, we saw some adverse mix impact given the pronounced recovery of our inhouse business at lower gross margins, offset by some typical year and positive accrual effect, especially in the year like this.

Most importantly, we can confirm a generally stable pricing climate across the board. The bar in the middle projects a 30 basis points negative mix effect, triggered by a 19% decline of perm activity. Also, there is a slight improvement versus the perm mix effect we've seen in quarter three. And lastly, HR solutions represent the negative mix in overall gross margin of 10 basis points, pretty much in line with quarter three.

While our gross margin part remains difficult to predict, we reiterate the importance to safeguard attractive gross margins in all our business activities, also achieved through smart, value-based pricing, strategic mix management and winning mass customized digital support. That gets me directly to the OpEx bridge on Page 15.

So we've talked about in our previous calls, our OpEx management tries to secure both the full and speedy recoveries for our top line and uncompromised investments into our digital capability. In that context we reported organic OpEx sequentially up by EUR68 million, still 4% below last year. In a bit more detail this means that personal expenses decreased by 11% year-on-year, which represents about 3,000 FTEs left on our payroll. This reflects the tight FTEs gearing at the same time solid improvement in our productivity measures as gross profit per FTE going up by 4% year-on-year. Cost flexibility introduced through employment protection schemes like short-term working arrangements, materially decreased from around EUR50 million in quarter two to about EUR15 million in quarter three, and in quarter four, this was close to zero.

As part of our cost management initiatives, we took quite some short-term measures in 2020, which will show up either in part or full in the OpEx line in '21 and onward. You can think of travel, entertainment cost, employee bonuses, fleet cost and cost accommodation, just to name a few. However, more than EUR100 million of structural cost reductions have already been identified across all cost categories, helping to support our top-line recovery at attractive conversion ratios, and we will continue to drive cost productivity and utilize the power of one going forward.

Our cost optimization program announced in November 2019, helped us gain more clarity of what makes the board faster, and what cost might not be crucial to win in the marketplace. Our journey to drive productivity continues and is part of our DNA. We always like to operate from a position of strength and as mentioned in my introduction, we seek to stimulate a climate of entrepreneurship within the company where smart growth initiatives can and will be fully supported with appropriate investment.

With that in mind, let's now move on to our cash flow and balance sheet on Page 16. We generated a free cash flow of EUR120 million in the fourth quarter, down EUR304 million year-on-year. This reflects the investments in working capital, driven by top-line momentum, partially offset by the favorable timing of working capital payments. Over the full year, we delivered a very strong record free cash flow of EUR1,132 million, up EUR217 million compared to 2019. The combination of the countercyclical movement of working capital and the CICE receivable sold to third parties in quarter three more than substituted a lower EBITDA generation.

It goes without saying that the one-off elements impacting free cash flow in 2020 can't be taken into account for '21. Credit control and debt collection helped our DSO to improve year-on-year and through the COVID period. As a result, we benefited from a very solid underlying free cash flow generation, again confirming the resilience of our free cash flow through the cycle.

DSO shows no sign of weakness. However, we do expect it to increase slightly next year due to accelerated growth and part of the business with the higher DSO exposure. What started as a health crisis has developed into an economic challenge for many companies out there and hence, we are well served to keep a very close eye on credit risk, debt collection, and risk management in general. In that regard, we continue to deploy additional resources to keep that risk in check.

Let's now zoom in on the strength of the balance sheet. Starting with our leverage ratio, it stands at a negative 0.4x spent of quarter four, pre-IFRS 16, so a clear net cash position, it was also supported by the monetization of this thing. Our solid and healthy balance sheet position directly leads to the creation of capital allocation and capital return.

As we have ended the challenging year 2020 with a strong competitive performance, we feel confident that the time is right to reinstall dividend payments. We will propose to our shareholders the cash dividend of EUR3.24 to ordinary -- euro cent per ordinary share for 2020, totaling around EUR600 million, this consists of a regular flow dividend of EUR1.62 per ordinary share, representing a payout of 63% of basic underlying

EPS. And in addition, we propose a special cash dividend also of EUR1.62 per ordinary share. The proposal to pay a special dividend over the year 2020 should be seen in connection with Randstad's decision to withdraw its 2019 dividend proposal in March 2020, in order to focus on capital preservation, as a precautionary measure to ensure the company's resilience and stability during the COVID-19 crisis.

With our dividend proposal, we reiterated the importance for us to be seen as a reliable, responsible, long-term oriented company, which seeks to simultaneously support all stakeholders. And in that context, we like to thank all our stakeholders for the unwavering support throughout the last year.

That brings to my chart, the conclusion and outlook on Slide 17. As stated before, the pace of revenue recovery sustained throughout quarter four and is broad-based across our portfolio. Our volumes in January are reaching last year's pre-pandemic level and the improving momentum we saw in quarter four continued. At the same time, visibility remains limited with ongoing macroeconomic uncertainty due to the COVID-19 pandemic. Every crisis creates new opportunities, and such we're establishing new benchmarks for frontline sales productivity, increasing utilization rates and using best-in-class digital tools and data driven demand projections to optimize sales impact.

For quarter one, we expect gross margins to be modestly lower sequentially, due to seasonality. OpEx, however, is expected to be broadly in line sequentially, reflecting more aggressive investments in growth opportunities, largely offset by ongoing agile cost management. And lastly, let me mention that there will be a negative 1.2 working days impact in the first quarter.

This concludes our prepared remarks. We are now happy to take your questions.

Q&A

Q - Andy Grobler: Hi. Good morning, everybody. Just two for me, if I may. Jacques, you mentioned a few times about growth in the sectors like logistics and retail. Can you just give us a bit more detail about how much they grew? What proportion of the business they represent and kind of the tailwind they provided to growth through 2020? And I guess, as an add-on to that question, to what extent do you think that additional demand in those sectors is going to prove sustainable through '21 and '22?

And then, the second question, just on the dividend and the special dividend policy. Assuming, hopefully, that we're back to sort of more normal times this time next year, would you expect to return to your previous policy of paying special dividends to take you to 1x net debt-to-EBITDA post-dividend? Thank you very much.

A - Jacques van den Broek: Hey, Andy. Good morning. So transport and distribution, so this is very much linked with e-commerce, is around 20% of our business, growing 15%. And yes, well, this is a big alternative for lockdowns, Andy. So people are shopping differently. We still see that in the beginning of the year. Yes, so good for us.

And we're positioned very well there. We are growing faster than the market based predominantly on the Inhouse segment, as I mentioned, which has been a winner for us in the last 15 years. Yes, and there's good timing. So pretty optimistic about that. Yes, and then we'll see. So that's going to be the first half year. Second half year, if everybody is vaccinated, then yes, logistics might be a little bit less, but people might go out and the old sectors might revive. But that's still early days. But based on what we're seeing right now, limited visibility, but optimistic about what we're seeing right now and not short term. Also, a lot of business is increasing in testing and vaccinating, which, of course, will also be with us for the next six to nine months.

Q - Andy Grobler: And can I ask one follow-up on that, if I may? Sorry to interrupt. So part of the demand in logistics and retail and so forth is, I guess, for you guys is because of all of the uncertainties, so companies are just reacting, getting staff in as quickly as they can to meet the demand. Do you feel from your clients there is a sense of changing how they're dealing with their contingent workforce, i.e., when things are more stable and they have a clearer view of what demand is going to be like on a 6, 12-month view, that they will continue with a bigger contingent workforce or will they kind of revert back to previous proportions?

A - Jacques van den Broek: Yes, always tougher, my previous successor said, if you don't listen to your clients, you go bankrupt. If you listen to them, you go bankrupt, too. But what we've seen is they're uncertain, they're uncertain, many of them have seen that they were not agile enough. So we're talking more, as I mentioned in my prepared remarks, on the fact that they want to have a hard look at the total setup. I would say, if anything, more contingent than fixed, certainly on the short term, which we've seen in previous crises also.

Andy Grobler: Okay. Thank you.

A - Henry Schirmer: Andy, with regards to your question about dividends, let me first say that we're happy and thankful to be back in the position to pay dividends to start with. It's certainly not forgotten that all stakeholders contributed to secure the long-term health of the company. And hence, our dividend decision we feel is a balanced reflection of the fact that we're still in the middle of a pandemic while confident and upbeat. It feels a bit premature to declare victory in COVID-19. So our decision certainly seeks to serve simultaneously all stakeholders in the best possible way, and let me not speculate on what might come after. We now concentrate on putting another strong quarter in quarter one.

Andy Grobler: Okay. Thank you.

Q - Matthew Lloyd: Good morning, gentlemen, and following up from Andy's sort of question, you pivoted very quickly, it would appear, towards sort of logistics and help work. And congratulations for that. It's impressive. How quickly could you pivot back? And then secondly, slightly more longer term, how much of the sort of improvement in margin do you think in terms of productivity, do you think you can hold? How much of it is -- we've digitized this business. It's a different business going forward? And how much of it is actually an effect of longer hours in certain sectors, which are a bit more sort of bulk in order?

A - Jacques van den Broek: Yes. Well, Matthew, thanks for the compliment. Always nice to hear. So it's not so much pivoting. It is very much going where we see business. So we have what we call a data lake. So we sort of pick up the net every day, every week, every month in any market to see where the market is. What we're currently asking our people is to say, okay. How can we create even more momentum? We mentioned our new ways program, which is very much around digitizing sales, supporting sales with digital means and data. So if there's demand, like currently in testing and vaccinating, we're going to be there. This business in logistics, great. When everybody is vaccinated, you will see the SME space bouncing back. So we will be there again in what we call market units in Staffing. So yes, let's see. I think what we've proven, and I'm very happy with that, and I want to complement all my colleagues on the call also, is how resilient they were and they did pivot and they did bounce back. So that's what we're apparently good at as a company.

Q - Matthew Lloyd: And on the margins, how much of that do you think is digitization and can you keep that sort of effective productivity?

A - Jacques van den Broek: Well, with productivity, we're very happy on the one hand with the 4%. You can also say we did not bring in enough people quickly enough. So we're not going to optimize productivity in 2021 because we think this is a year to invest in growth. So productivity might be less. Sales will be more.

And then again, if 2022 turns out to be a modestly growth year or whatever, then we're going to look at productivity again. And absolutely, on the one hand, automation and digital support increases productivity of people. But at the same time, we take it more as it creates room to do selling and to go out in the market and to have good conversations with talent to be matched. So in that sense, productivity announcements are not a topic in itself for 2021.

Q - Matthew Lloyd: And one final sort of follow-up. Some of your competitors have talked about taking market share, and I know you've talked about taking market share. U.K. companies have suggested that 6% of temp agencies in the U.K. went bust in 2020, companies don't know about branches. Do you think that you and perhaps some of the other larger players are taking market share disproportionately from small local players?

A - Jacques van den Broek: We never analyze where we're taking it from. We always compare it to the full market. The U.K., of course, is by nature a Mom and Pop business. So they fall quickly. We're not -- if we talk about, for example, we talked about M&A, there's not going to be bargain buys because we're doing well. But in general, the sector is also doing okay is way, way less pessimistic than we expected earlier in the year. So we're doing well, and I don't know where we're taking it from. But what we do see, and I mentioned that in the Capital Market Day when we had that, is that I do think that enterprise, digital investments, global presence, those are attributes that, of course, the small businesses don't have. So long term, we do see some consolidation in the market.

Q - Suhasini Varanasi: Hi, good morning. Just one from me, please. I think it's very clear from your results that you are outperforming the market in some key countries. And it's also very clear from your commentary that things like your IT and digital platforms or anything you target the verticals where you're seeing the growth, maybe you can give some color on some of the other trends based on Inhouse and outsourcing trends. What has been your customers' feedback? Has the trend accelerated through the prices? What are you hearing from customers, please? Thank you very much.

A - Jacques van den Broek: Yes, good morning, Suhasini. What I mentioned in my prepared remarks, I've seen, and we do all of us do a lot of sales. It's very easy to have boardroom access, again, to talk about total talent. So companies are really -- you know, our proposal in enterprise is how do you organize work. And that is very much top of mind for our customers, not just because of the crisis, but very much also on the availability of talent going forward and the mismatch of people in the marketplace. So some of our clients are worried about a large part of the workforce that might become redundant, if not aggressively reskilled. And at the same time, they're worried about finding the people they need to drive their growth. Well, those are very interesting topics for us. Also, and that's the reason why we invested in digital, but we also want to create this big data lake of talent. We know how to find them. We know how to scale them. We know what to pay them. And that is very much top of mind. In-house is also such a solution right. It's a no hassle. We take care of everything. But it's just a part of the business.

Suhasini Varanasi: Right. Thank you.

Q - Hans Pluijgers: Yes, good morning, all. First question on your guidance for the start of this year. You indicated that January are close to pre-pandemic levels. Can you maybe talk us through January? I can imagine, especially the numbers Back to Work data. Can you give me some feel on that and especially, that's by the key four countries, France, Netherlands, U.S. and Germany? Do you see any important developments there?

Then on your margin, for the longer term, you already indicated something in Belgium that maybe the current level is a little bit on the high end. Also, Italy is doing very well on the margin side and some other countries. How do you see that for the longer term?

This is maybe a late follow-up on our previous question. But do you believe, let's say, that in the long term you could exceed previous peak margins on EBITA level? Is that something that say you think is feasible in the longer term? How do you look at that based upon current investments also in digital? And the last more detailed question, you mentioned some accruals impact in the gross margin in Q4. Could you give maybe some more detail on that, please?

A - Jacques van den Broek: Yes, good morning, Hans. I'll take the January question. So January, of course, is always a tough month to really call. We had a very technical. We had a week 53 last year, which wasn't really a week. So we're still comparing week one, week two and whatever. But yes, we have slightly more, slightly more. People had worked in January than we had last time this year. And you can look at the arrows in our outlook to see which markets are improving, which markets are stable and the like. So I think that sort of answers your question. So a positive start of the year, but let's hope we can keep it up.

A - Henry Schirmer: Yes. Hans, let me take the question around margins. Let me start with your last one. I think it's probably fair to assume that the 19.5% in quarter four is what I said in my remarks is also benefiting slightly from provision releases, especially in a year like that, many, many moving parts, like idle time, sickness rates, et cetera, et cetera. So I think it's fair to say that probably over quarter two, quarter three, quarter four, there has been some balancing effects in there. Longer term, we definitely have not let go of our ambition to see the business between 5% to 6% EBITA margin. But that's more an outcome than we target. We are driving for more relevance in the market. We see that there is lots of growth potential for us. And then if we pull that off, then the margin will solve itself. I'm absolutely convinced of that.

A - Jacques van den Broek: Back to that one, Hans, and I mentioned it earlier, but a bit more in detail. So we have this headcount steering. So we bring in people at some level of productivity. We bring in new people. If we see momentum in the year, then we're going to bring in people sooner. So therefore, investing a little bit more. So again, as I said, we're not going to maximize productivity and therefore profitability this year. And then if we have created this cruising altitude, then 2022 is another year. So that's roughly underlying. But as Henry said, we do think we're bouncing back Professionals. As we've always said, by the way, 5% to 6% is on the cards. I don't wake up at night with a maximum profitability. That's not who we are as a company. We're a growth company. That's how we became the world market leader, but we're still small. So that's our first and foremost goal, to bring as many people to work as possible. That would keep us awake at night... and a decent return, of course.

Hans Pluijgers: Okay. Thanks.

Q - Marc Zwartsenburg: Yes, good morning gentlemen. Couple of questions from my side. First of all, Jacques, you mentioned to make Monster the best job board in the world with the latest technology. And also, you mentioned the 150% higher productivity for sale due to the digital investments. Could you perhaps also give a bit of a few examples or at least some numbers maybe how you compare currently where you stand with Monster versus competition? And in terms of your digital initiatives, can you maybe share a few examples? What it did to your gross margin is probably the best measure to look at it in certain countries while you rolled out specific digital like fishing when the fishes are, as you mentioned. A bit more numbers, too, to back up the digital story. That's the first question.

A - Jacques van den Broek: Yes. Sure. Yes, Monster is in its early days. So what I'm saying is that in 2021 we'll equip Monster with what we call Monster Next, a new website, easy access. Also for us, of course, is not a job board on a stand-alone basis. It very much figures into the total Randstad strategy of having the best talent engine in the world, so having a few hundred million people in our database because long term nobody is going to look for a job anymore actively. So you really need to approach people actively through technology. So in our U.S. business, on technology, there's now 1 million people, 1 million talent that have

been going through the conversation with the -- we developed. It's rated 4.5 out of 5. So our talent appreciates this. It's always tough to directly link it to performance, but we do see what it means for people, for our consultants, for talent experience. So that's good. The problem, of course, is that 2020, in that sense, is not a stable year. So you cannot really compare in that sense, 2019, now you support the business better. But we do think it already drives some outperformance. And then workforce scheduling, again, the whole tooling for Inhouse, the new clients we landed in the U.S., for example, 80% of them said that it was because of a lot of things, but certainly also the technical tooling, which made it so easy for them and for us to manage that pool in a very transparent and visible way.

And then lastly, I mentioned a few countries, such as Argentina, Brazil, but also underlying in our larger countries, this whole pivoting, fish where the fish are, providing our people with the right data set, sort of heat maps of demand, that really helps. But again, very tough to calculate it into -- this is what it brought, also given the somewhat atypical year it's been. But what is important, I think, and we're very happy with that, in 2020, we didn't stop investing. So we didn't have to go into survival mode. And we kept on investing in Monster, in digital, and we're very confident that this will help us going forward in a different market.

Q - Marc Zwartsenburg: Thank you very much. Well, and then maybe over to Germany, that, of course, we talked about easier comps. But nevertheless, underlying is still quite an improvement. Do you see certain segments like automotive, which is still a big sector there, do you see tangible signs of more structural improvement in those areas as well coming in a bit in Germany?

A - Jacques van den Broek: Well, I wouldn't use the word structural with automotive. I do think there's like two sectors which I think are up for real reinvention. First one is airlines. What will they look like? What will business travelers do, coming out of COVID? And the second one is automotive. Of course, we already saw some upcoming huge changes on electrical, on self-driving that has shaken up the world massively. The most successful car company is now a Korean one, let alone the American one whose name I just forgot -- Tesla. So those are big reshaping. I do think that the German car manufacturing are catching up, but it's very tough for me to say what it means for their sales. I don't think they know, let alone me. But compared to 2019, we do see some improvement. And again, the value chain was broken. That didn't help either.

A - Henry Schirmer: Let me add one thing. I have to because I'm German, otherwise, I'm in trouble. There's definitely -- I've heard from first hand lots of very, very strong positive exports going into China into the Asian market. So there is a recovery. How sustainable that will be, I'm sure with Jacques, there will be a big transformation. But at the moment, the supply chains are back and also volumes are getting back more and more.

Marc Zwartsenburg: Yes, thanks for the color and congrats on the quarter. Thank you.

Q - Rory McKenzie: Good morning all. It's Rory here. Firstly, I wanted to ask about the guidance for a sequentially flat cost base while you're also talking about growth investments. So can you just update us a bit more on where you are on the EUR120 million savings program run rate? And then also maybe talk about how much you are planning to grow headcount now as we look into the start of this year? And then secondly, a broader question. Unemployment is still, of course, quite high overall, but probably not in those specific sectors you're seeing good growth in. Could you talk about the pockets of wage inflation or wage pressures you're seeing? And what are your thoughts about that becoming a much broader issue for labor markets this year?

A - Jacques van den Broek: I'll take the last one, Rory. Wage inflation is always a bit of a, how do you call it, overstated thing in Anglo-Saxon markets. In Mainland Europe, it goes way more sluggish because certainly, in many of the main sectors, they're collective labor agreements, so there's never this real up in that sense. In general, there's scarcity in the market. So if you are in such a sector, you can create a good wage for

yourself. In engineering, in technology, that sort of thing. It always helps us. But at the same time, we don't have a stable workforce. So it's not like we had 100,000 people and then a year later we have the same 100,000 people, and therefore, wage inflation plays a role. It's sort of diluted. If you bring in young people, if we bring in newly trained people, at a different wage level. So very tough for me to comment on that one.

It's a big debate to Mainland Europe what government support will mean for unemployment. So unemployment is very much in the affected sectors. What you've seen in the U.S., no government support into -- well, a bit. So people became unemployed very quickly in leisure, entertainment, restaurants, that sort of thing. If the government, European governments, part from the cost, that's more of a monetary question, keep up the support all the way until everybody is vaccinated, then still, people can bounce back into the roles they are having. We're actually advocating people not to wait for this. So we are actively offering reskilling for this not to happen. So interesting space to watch in 2021.

A - Henry Schirmer: Yes. On your first question on OpEx, you've seen that our quarter four cost base is indeed EUR35 million lower organically year-over-year. And definitely, our cost-optimization program is a major driver of that. As I said before, we are really touching the entire OpEx base of about EUR3.4 billion in all its dimensions. So there's a company-wide program running with senior management being deployed to it, supported by cost experts. And we really turn every stone and ask the question, does that spend help us to grow faster or is it better deployed on the front line in more people helping us actually touching with customers or supporting talent? And it is -- it goes into more than close to 100 dimensions, actually. And we are -- I would never declare that being over. I said it's part of our DNA. And we have meetings, the progress meetings pretty much every two weeks with quite a big group. And we're celebrating those costs coming out, to be invested into growth. That's really, really important. So why are we guiding now for sequentially more or less in line with quarter four as OpEx is concerned? Because we want to do exactly that, we want to really give ourselves space to grow. We want to be in front of the curve to really get more competitive growth under our belt. And so far, it has served us very well.

Rory McKenzie: Okay, that's helpful. Thank you guys very much.

Q - Sylvia Barker: Hi, good morning. Firstly, just on logistics, another was talked about it a bit, but the 20% at the group level, just wondering how that looks by region. Just wondering if it might be actually a lot higher in, let's say, North America, where we Inhouse did particularly well in this quarter. Then on the vaccines government COVID 19 revenue, is there any chance you can tell us how much that's contributing to growth at the moment? And finally, on hours worked. So we've seen hours worked, obviously, go up in North America, but also you picked out a few other countries within the prepared remarks. Presumably, that's not a massive impact relative to volumes, but is it adding a percent to your revenue growth at the moment or is it less material than that? Thank you.

A - Jacques van den Broek: Yes. Well, Sylvia, those are great questions, but a bit too granular. You're asking things that, well, I don't really know by heart and/or I'm not really sharing, certainly not in our U.S. business, logistics. If you compare Europe, then some European businesses have more logistics than the American businesses. And it's not to say that purely Inhouse successes are only in logistics and it's also food, manufacturing and that sort of thing. So yes, sorry about that, but not really good answers to your questions. So you're going to make do with our general remarks.

Q - Sylvia Barker: Okay. If that's the case, could I follow up on costs if we're not going to get anything on the growth ones?

A - Jacques van den Broek: Yes.

Q - Sylvia Barker: Just on growth again, obviously, really ask on that, but how much of the EUR120 million, have you taken structural cost savings in 2020 already? And how much should we think about as still being worked on for '21?

A - Henry Schirmer: Also that is a very, very tough one to answer. Just to give you one example. We have very successfully transitioned and renegotiated travel fares. But if you're not traveling, there's zero benefit. But as soon as we were to start, we're probably not going back to 100%. And every time we do, we would do it on a more cost-efficient basis. So it's really quite a mixed bag of things. But as I said already, we are really looking to structurally address it, but sometimes it's not a rocket science solution. It's just a decision. Do we need it to make the boat faster or is it better placed in the front line? And then we take -- we always have to support growth in the business.

Q - Sylvia Barker: Yes, so we think half of it, at least or you really can't compare at this point?

A - Henry Schirmer: No, I can't really put a number on it.

Sylvia Barker: Okay. Thank you.

Q - Anvesh Agrawal: Hi, good morning guys. So most of my questions are answered. I just got a couple of small ones, really. What's your exposure in Mexico? Because Manpower called it out specifically last week, say, pending any regulation change that might be a significant impact. So just wondering, what's your group exposure there? And then can you just tell us like what's the absolute level of Monster revenue you are at right now? And then you made some comments at the beginning, but how should we think about that part of the business in terms of the growth or the revenue sort of decline continues permanently?

A - Jacques van den Broek: So our Mexican business is very small, Anvesh. As a, call it, expert, let me call myself an expert on labor market policies, I think it's very bad legislation. Mexico has a large informal sector. But if you then ban the legal part, so to say, you get more badly regulated work. So it's not going to be good law. If it happens, it will hurt us far less than it does Manpower and Adecco. And also, the result would then be certainly to go into RPO. That is a successful and profitable part of our Mexican business and maybe into specialty staffing. So we can easily pivot there. It won't show in our numbers. And then...

A - Henry Schirmer: Sorry, sorry to interrupt you. Monster revenue, it's about, I would call it -- EUR215, EUR220.

Q - Anvesh Agrawal: And then just like -- just on that, so do you -- should we continue to expect a sort of decline in top line, but you manage the cost pace, so it doesn't really impact the profit numbers or how should we think on that?

A - Jacques van den Broek: You should not lose sleep over the real result of Monster because, again, for us, it paints a totally different picture. We're still in investment mode, overhauling the whole technology. We think it's very sensible to do that. And that is probably still going to cost money this year, but we'll take it from there.

Q - Anvesh Agrawal: Okay. And then maybe just one more technical follow-up. So obviously, French business tax is changing. Can you quantify the potential benefits you would have in your numbers in 2021 or that's baked in your guidance of 26% to 28% of sort of tax rate?

A - Henry Schirmer: I need to come back on that one. I'm always a little bit anxious to really qualify tax benefits because things are changing a lot. More than happy to get back to you on that one.

Anvesh Agrawal: Okay. Thank you.

Q - Konrad Zomer: Hi. Good morning. One broader question. I think it's great to see you delivering on a very good quarter. But in terms of investments, it seems like you've gone back into investment mode. Working capital has gone up. The operational expenses have gone up sequentially. Your corporate staff went up 4% sequentially. The way you look at it, because at some point, in countries like France, Belgium, Germany, Holland, government support will come to an end. Are you now just back in full investment mode like we've passed most of the pandemic and we're back on track or are you still holding back because something really bad might happen once the government support schemes come to an end?

A - Jacques van den Broek: Yes. Good morning, Konrad. Well, there's two things that the government support schemes and there's vaccination, and they play out differently, I think. As I mentioned earlier, governments would be intelligent to keep up support for the affected sectors as long as possible. These affected sectors are down because of the virus. It's -- people can't go into restaurants, can't travel, that sort of thing. So if everybody is vaccinated, this will bounce back. And ideally, then less people lose their jobs. But it's less of our business, so we can't answer your question with yes or no. As you know, we go with the flow. What we're seeing is an improvement in our business. We're seeing outperformance. We're seeing momentum in many of our markets. We have our #newways programs that other people are aggressive in sales. And as Henry said, we want to give them all the room to grow, so we're making a bit of a bet on this to continue.

So normally, we will take headcount down into Q1. But as you've seen, we've not done that. And if the momentum continues, we're going to put in more people, which is never a risk for us. We can tone down whenever we want to. As Henry said, we have 3,000 people less than a year ago, and we didn't fire anybody. We just didn't replace it in many markets because that was not the right timing. At this moment, we're asking our people, our managers, where do you see momentum. And when they say here and there, they can invest, and we'll see if that drives our growth. So that's what we're doing.

A - Henry Schirmer: Yes. Maybe one addition. I would call it as CFO a very controlled bet because our business leaders are really pros, and are very commercial. They know that we need top end bottom line. And there's very, very clear expectations of, say, the minimum returns, we want to see even in investment models. It's also not that we are, I don't know, quite a big production line in there and then hope that volume will come. We really see the business week by week. So we are really well in control.

Q - Konrad Zomer: And I just noticed that your corporate staff in Germany went up about 17% in the quarter sequentially. Is there any particular reason why that has gone up so much?

A - Henry Schirmer: Yeah, there is I think the effect of un-furloughing people from short-term work back into full-time employment.

Q - Konrad Zomer: I see. Okay, okay. And then maybe just one final question on your free cash flow. For the full year 2020, I think more than 10% directly came from government support. If that is likely to disappear this year, do you think that underlying your free cash flow could possibly still go up?

A - Henry Schirmer: Yes. So I've been very vocal about the fact that our cash flow benefited from 2 things. One, the CICE flow and also there's EUR120 million of government support in there, which, by the way, has gone out already in the early days of January. And that, mentally, I always strip that out, and that gives you something like a EUR630 million really underlying free cash flow. Of course, what we would love to see in 2021 is that the composition of the free cash flow goes much more again into a EBITDA generation, but we will have then the opposite the OWC, which goes out to support growth. So we're not guiding on cash flow,

but we are really on top of it. We manage very, very tightly our DSO, our credit risk and keep a close check on it. But yes, with increased profitability, also the EBITA will increase.

Konrad Zomer: Okay. Thank you very much.

Q - George Gregory: Good morning, everyone. Just one quick follow-up, please. I wondered if you could elaborate on Monster Next and what additional capabilities you expect that to bring or the extent to which you expect it to improve the big user experience? Thanks.

A - Jacques van den Broek: Yes. I think that's an excellent question, George, but I would like to save it for next quarter that we know more. We have more functionalities. We have more comparisons. So hold your breath.

George Gregory: Okay. Thank you.

Jacques van den Broek: Thank you very much. Thanks, everybody, for calling again. Thanks for your questions. Although the sun is covered in clouds, we still are optimistic about the start of the year. So let's hope we can continue to be optimistic. So see you next quarter or, well, on the virtual roadshows. Bye-bye.