

Randstad Q4 2024 Earnings Call - 12 February 2025 09.00 am CET

Sander van 't Noordende: Thank you very much Sergei for that kind introduction and good morning everybody. I'm here with Jorge and our Investor Relations team to share our Q4 & FY 2024 results. We continue to experience labor market challenges in Q4, which contributed to a 5.5% decline in organic revenue. We saw further stabilization in North America, while Europe remains a story of two tales.

Southern European countries continued to grow, while challenging conditions in perm and the automotive sector led to subdued demand in Northwest Europe, including France and the UK.

Against this backdrop, we delivered a gross margin of 18.8%, impacted by both business and service mix. With our continued focus on costs we have delivered an EBITA of 200 million euro with an EBITA margin of 3.3% for the quarter.

For FY2024, we delivered revenues of 24.1 billion euro, 7% lower YoY and EBITA of 754 million euro, with a margin of 3.1%.

I am very proud of how our teams navigated their markets during this year, with a consistent focus on adaptability.

In addition to our field steering, balancing supply and demand, we took decisive actions to reduce indirect costs and restructure the portfolio.

While this impacted reported net income for the year, these actions position Randstad better to invest and execute our Partner For Talent strategy and respond to any growth scenario.

Based on this performance and our solid balance sheet, we will propose to pay a dividend of 1.62 Euro per share, equating to 285M which is 70% of net adjusted income. This proposal is in line with our capital allocation policy and we believe it strikes the right balance between confidence in our business, the ability to execute our strategy and attractive capital returns for our shareholders.

Looking ahead to Q1, we remain laser focused on serving our clients and talent whilst carefully managing our cost levels. Entering 2025, we observed further stabilization across markets. I am positive that the cost actions we have taken in 2024 and the progress we have made with our Partner for Talent strategy position us well to navigate the current environment.

Let me now take you through some of the highlights of our Partner for Talent strategy execution. I am very pleased with the progress we made throughout the year.

First of all there is specialization, a key pillar of our Partner for Talent strategy. We have completed the implementation of this framework in all our markets - which is an important milestone for our business

Specialized teams and delivery models differentiate us in the marketplace through a better understanding of client and talent needs as well competitive and pricing dynamics.

We are also allocating additional capacity in our main geographies to our growth segments including skilled trade and logistics in Operational and healthcare, finance and engineering in Professional.

In Enterprise our investments in the Life Sciences growth segment are paying off with some great wins at Roche and Lonza.

And of course we acquired Zorgwerk, a digital marketplace making us the market leader in healthcare in The Netherlands.

Delivery excellence is why Randstad is the preferred Partner for Talent for many organizations. We deliver what we promise and the objective here is simple: to create the best and most efficient experience for our clients and talent.

Over 2024, we've launched over 45 specialized talent and delivery centers in 10 key markets. These centers allow us to optimize talent attraction and delivery services, creating focused talent pools tailored to meet client demand. As a result we have seen a 20% increase in fulfillment across these centers in 2024.

The Randstad talent platform supports our business end-to-end from initial client and talent engagement all the way through to payment and redeployment.

Our vision here is to digitize the transactional aspects of our business to the max whilst adding the personal touch where that truly adds value. Our digital marketplaces will be at the heart of our business underpinned by a harmonized backbone for front, mid- and back-office.

We made some very good progress in 2024:

- Firstly, besides Zorgwerk, we acquired Torc, a next-generation AI-powered talent marketplace platform providing skills-based matching to connect digital talent to clients. Through Torc and Randstad Digital, we now have more than 320,000 digital talent enrolled worldwide – strengthening our digital specialization.
- Over 2024 we launched our digital marketplace app in the US. The Randstad app caters to both clients and talent across various industries, empowering talent to select their own assignments while providing clients with immediate, reliable access to skilled workers. We now have 1.4 billion revenue flowing through this platform.
- We have rolled out our harmonized front-office system in the Netherlands and Belgium with more markets to follow in 2025.

In short: the future is already here and we will roll-out the Randstad Talent Platform at speed. The ambition is to have all our key markets on the platform over the coming 2 years.

To give you more insights on this element of our strategy we plan to host a Capital Markets Update in April, after the publication of our Q1 results.

So, in summary:

Randstad demonstrated resilience and adaptability in challenging markets.

We have taken decisive action to ensure the business is well positioned for growth.

And last but not least we continue to invest in executing our Partner for Talent strategy putting the Randstad Talent Platform at the heart of our business.

Jorge, over to you.

[Jorge Vazquez](#): ...thank you, Sander, and Good Morning, everyone.

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As Sander pointed out, in many ways a difficult quarter to end what was a challenging year, with many one-offs and extraordinary accounting primarily items, that all in all position us to be better in 2025 and ahead, but require explanation. So let's start unpacking those.

Let's explore these points in the next few slides, starting with the performance of our key regions on page 8.

Starting with North America and in particular, the United States.

Hire rate and perm remained very weak, but we do see early signs of optimism on the industrial side, with PMIs and staffing data slightly improving sequentially. Temp is likely to lead the recovery once again, however, this has yet to materialize in a meaningful step up in demand.

Our numbers reflect this. Perm full time hires are still pretty much frozen, declining -26% (Q3: -19%) but our overall revenue was again sequentially a notch better, down -7% versus -9% in the previous quarter.

Our US Operational, with a major presence in Industrial staffing, are now declining by 4%. Inhouse, our larger clients continue to grow, as we are called to support increased demand.

In the other specializations, in Q4, we see sound sequential improvement in professional, digital and enterprise.

In Canada, the market has not improved and we saw our growth further decline in Q4 where seasonal pick up and sour demand in perm impacted our business.

The EBITA margin stood at 3.4% due to the overall impact of perm and the faster decline of our higher margin accretive businesses.

Moving on to Northern Europe on slide 9.

As with Q3, automotive and related production declined further in Northern Europe, but transport and logistics experienced growth. Revenue declined 7%, a slight sequential improvement.

While most countries improved sequentially, the macroeconomic backdrop remains challenging. Approximately half of our restructuring efforts were in Northern Europe. Here, the bench model used in many markets particularly weighs on idle time and sickness.

In the Netherlands, we saw growth deteriorating to -10% from -7% in Q3. Although the environment is stable at low levels, manufacturing shows little signs of improvement. Operational talent solutions were down 11%. Professional talent solutions slowed to -1%, as we saw additional pressure in the admin and clerical segment. We welcomed the team of Zorgwerk to Randstad, strengthening our position in one of our strategic growth segments. EBITA margin came in at 4.6%.

In Germany, the challenging economic environment has remained relatively unchanged over the quarter, and growth sequentially improved to -8%. The automotive sector continues to put further pressure and we continue to see elevated idle time costs in sickness and fewer hours worked per employee, putting pressure on our profitability and gross margin.

At the same time, the streamlining of our operations allows us to focus on our commercial activity and new wins are in new segments, positioning us for growth in our four specialisations.

Belgium shows true underlying sequential improvement, now flat YoY. Manufacturing and transport &

logistics, our largest end markets, return to growth. We are leveraging on the strengths of a well-diversified portfolio. Operational talent solutions was up 3% YoY, while Professional Talent solutions was still down 7%. EBITA margin came in at 4.9%.

Other Northern European countries reflected mixed performance. Let me summarise it: Poland is growing 6% YoY. Switzerland was down 2% and the Nordics deteriorated further, more on that later, down 26%. Ebita's margin came in at 1.4%.

Moving on to the segment Southern Europe, UK and LATAM on slide 10.

We saw trends in southern europe, UK and latam diverging a bit. Our southern most european countries continue to show profitable growth, whilst we saw hiring confidence, and in particular, automotive weakness deteriorating in the UK and France.

Italy continued to demonstrate positive growth. We continue to invest in structural growth segments such as IT, health care and skilled trade units, where we see opportunity. As a result, our Professional Talent solutions are up +15%. The industrial environment was sequentially tougher, but not immune to the automotive sector, Operational talent solutions declined 2%. Notably, Italy still shows a solid EBITA margin of 6.2%.

France's political uncertainty further weighed on business confidence. Permanent hiring and the professional end markets were under pressure. In Professional talent solutions, France was down 15%. Digital talent solutions are declining given its exposure to the broader automotive sector, and idle time and bench here weigh on the gross margin.

OTS growth was down 5% reflecting headwinds in the automotive sector. Our Transport, Logistics, and Manufacturing continued to improve sequentially. The EBITA margin was 4.1%.

Iberia's revenue stabilised at a high level, growing by 5% this quarter. Spain showed robust growth, with a 9% increase, mainly driven by strong performance in its operational talent solutions, supporting demand for flexibility and permanent hiring. This progress shows the return on the targeted investments in growth segments in skilled trades, logistics and e-commerce. RPO is also up double digits. We remain with many opportunities to grow further in Spain.

Revenue and profit performance were mixed across other southern European countries, the UK, and Latin America. The UK labour market continued to soften and we were down 12%. In Latin America, Brazil is profitably growing at 11% offset partially by weakness in Argentina.

Moving on to Asia Pacific on slide 11.

The Asia Pacific region continues to recover.

Japan demonstrated a decent performance against tough comps, stable growth but with strong profitability. We continue to see our investments from the last quarters paying off. Our digital specialisation continues to expand rapidly and consistently breaking records, growing 16% in q4. In a clear candidate scarce market we see a significant opportunity for our sector with ample room to grow.

Australia and New Zealand saw a solid sequential improvement, declining by 8% in the quarter.

India grew by 13%, confirming the opportunity and benefits of focusing on specializations.

Overall, The EBITA margin for APAC was at 4.3% in the third quarter, showing strong operational discipline.

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That concludes the performance of our key geographies. Let me now walk you through our group's financial performance on slide 14.

The group's revenue saw evidence of a more typical seasonal pattern and stability since Q1.

From a specialisation point of view, Operational stabilized at -4%, with diverging trends depending on where each market is in the cycle. Professional was at -8%. Although below the group, Digital and Enterprise improved again sequentially to -8% and -9%, respectively.

We'll cover the gross margin and OPEX later. The quarter's underlying EBITA was 200M euros, with a margin of 3.3%, a notch better than the previous quarter. Now let me unpack the exceptionals and other items until net income.

This quarter, integration and one-off expenses reached 79 million. These costs help us adapt our organization to new ways of working and match current activity levels. We're particularly focused on optimizing indirect costs, including IT, marketing, and accommodation, serving our teams more effectively going forward. This is crucial for scalability or growth investments in a more pronounced recovery.

In the Amortisation and impairment of intangible assets, we have taken an impairment on goodwill on Sweden and UK, two markets that have been particularly challenging over the years.

Net finance costs include a EUR 139 million fair value adjustment, impairments on our loans, and financial commitments to the Monster JV. The subdued hiring rate impacted the JV's performance over the last few months compared to our expectations. This resulted in a restructuring and write-down of the loans we created at the JV's inception. As a result, we do not anticipate any significant future impact from Monster on our financial statements.

The effective tax rate was 35%, impacted by the low taxable income following lower earnings, impairments and oneoffs. Underlying our effective tax rate was 23.4%. For 2025 we stick to our guidance of 28-30% including the expected impact of France.

Adjusted Net income was 40m, adjusted for the impact of the impairments of JV, positive 149M.

With that, let's turn the page and look at our Gross Margin bridge on slide 15

A few things about Margin.

The third quarter Gross margin was 18.8%, down 130bps for last year. We anticipated the majority of this due business mix, idle time in our temp margin and our perm development.

However, at the beginning of the quarter, we expected total gross margin to be slightly higher than Q3 which did not materialize.

This difference stems mostly from our perm results. On the back of easier comparable, our perm volume deteriorated further sequentially, which impacted gross margin YoY by 30bps.

Additionally we saw some more temp margin pressure mostly related to mix reflecting a (record) high share of logistics clients related to the holiday season, as this sector is growing in most of our countries, and idle time as discussed in a few countries. This led to a decrease in gross margin YoY of 130bps.

Lastly, in HRS further stabilization in RPO and positive impact of outplacement, compensate for the 60- basis points adverse impact of the divestment of Monster, as the net fee is deconsolidated.

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That brings me to the OPEX bridge on slide 15, and this one is sequential.

Let me turn to Opex as we continue to balance performance, growth readiness, and strategic investments.

First of all, following the disposal of Monster, the cost base was ~35mln lower. Excluding the Monster impact, our FTEs are down 1%.

We continue to push for structural cost savings, allowing the company to absorb the wage and cost increase in 2025 and, ultimately, position it for a stronger recovery. We will also continue to work more effectively as we roll out new talent centres, digital marketplaces, and target operating models.

In part, OPEX also aligns with Gross Profit and gross margin because it reflects different mixes of services and geographies. For example, a more pronounced logistics and industrial recovery than other areas or a higher ratio of temporary to permanent services come with different OPEX requirements and require adjustments elsewhere in our business cost base.

Overall we operated an FY recovery rate of 38%. All of this while safeguarding the capacity we need to capture growth where it arises and, more structural, our strategic investments, showcasing our adaptability.

With that in mind, let's move on to slide 17, which contains our Cash Flow and balance sheet remarks.

Our free cash flow for the quarter was 87 million euros, reflecting the regular seasonal inflow. Lower EBITA and higher DSO impacted it.

DSO was 54.6 days, up 0.5 days sequentially. The client mix put some upward pressure, which we expect to normalise as recovery continues. Overdues and write-offs remain at historical lows.

Following the acquisition of Zorgwerk and the payout of dividend in early October, we see the FY 2024 leverage ratio ending at 1.6x.

We propose a regular dividend of 1.62 per share, reflecting 70% of adjusted net earnings which was impacted by the write down of loans. This equals the floor when we temporarily exceed the 40-50% payout range.

And that brings me to the outlook on slide 18.

We see the key market trends continuing as we have moved into the first quarter.

The early signs in 2025 are that tough macroeconomic conditions remain, especially in north-west Europe. However, we see some increasing US business confidence, and while this has yet to materialise in an uptick in activity, confidence is the key to unlocking higher hiring activity.

We do as we always do, regardless of the situation: We manage on actuals. We steer daily and weekly and adapt where necessary.

- There will be almost 1 less working day, reflecting a seasonal light quarter (last year leap year).
- Let me start with the activity momentum. The development of volumes in 2025 indicates further stabilization, with January organic revenue growth in line with Q4 2024 trends.

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- Q1 2025 gross margin is expected to be modestly up sequentially, reflecting Q4 related adverse impact to unwind and improving mix.
- Operating expenses are expected to decline sequentially in Q1 2025. This follows our active adjustments, partly to address the upward pressure on costs at the beginning of each year.
- For Q1, we continue to capture growth opportunities where we can, balancing selective investments in strategic initiatives
- Zorgwerk will be fully consolidated in Q1, and following IFRS net revenue recognition, we see approximately 30mln of revenue added per quarter.

So, to summarise,

- We navigated difficult market circumstances with a prolonged cycle of more than 2 years of subdued industrial PMIs, which historically correlate strongly with our topline. Also the hiring rate is still at very low levels
- There is also some reason for optimism, inflation has decreased, interest rates are more favorable, and there is growing confidence in some markets. While it takes time, ultimately confidence will flow back into a recovery. After several quarters of decline, the market stabilised at the start of 2024. Throughout the year, albeit shy, there were signs of returning seasonality. The fourth quarter confirmed this.
- Looking ahead, we remain laser-focused to:
 1. Increasing operating leverage with delivery excellence and unlocking scale benefits in the spirit of one Randstad. We have taken decisive action by rolling out our strategy and reducing costs.
 2. Additionally we took both organical and inorganical measures to position our portfolio for more growth.

Also in 2025, in the year Randstad will turn 65, we do what we always did: steer on actuals, no matter which market scenario we find ourselves, and ever positioning for a stronger Randstad

That concludes our prepared remarks, and we look forward to taking your questions - Operator?!

Q&A

Q - Remi Grenu (Morgan Stanley): Good morning, gentlemen. Thanks for the presentation. So first, just on the gross margin, it's been unwinding for the last few quarters now and I mean, a lot of that has been driven by the temp activity this quarter. I know that you're facing a negative mix effect, but it would be good to have an update on the competitive environment and the pricing as well, what you're seeing there and if it's having any impact on the gross margin, especially in that environment of weakening, I mean, stable volumes at very low levels.

A - Jorge Vazquez: Hi, Remi. Good morning. First of all, yes, we've seen that now for a while, but at the same time, I think in our particular case, we understand the gross margin impacts. A few are incidentals. Much is also a result of the mix we've seen evolving throughout the year. And in terms of pricing in particular, I'll say, it does remain competitive but rational. So we don't feel that it's necessarily creating an explanation in the gross margin development. If you would look into Q1 looking ahead, we expect, indeed, let's say some of these incidents, first of all, to start analyzing and kind of have a reversal impact from Q4. So as we look into Q1, we'll expect actually our gross margin to be sequentially a little bit better.

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Q - Remi Grenu (Morgan Stanley): Okay, understood. And just a second one, if I may. On the one-offs in Q4, which were -- which were quite elevated, it blurs a little bit the line from a modeling perspective going into 2025. So what should we expect there, a more normalized level or the still weak organic growth in January means we should see more of this one-off going forward?

A - Jorge Vazquez: No, I mean, I've mentioned in my prepared remarks. So we basically had to take decisive action. Things stabilized, we said it. Things started slowly improving in line with seasonality, but we did not see a clear recovery. So we had to make a decision and basically adjust on one hand to the level that what we were seeing and that's what we've done. And two, try to as much as we could structurally make Randstad a leaner and a more efficient company.

So a lot of the savings happened in support functions, manager -- management layers. So try to make sure that this cost and Randstad in general becomes much more scalable going forward. We are ready for what we see now in terms of stabilization into Q1. We cannot guarantee we will not have to do more, but I'll definitely expect this to become a much more normalized level and not such an increased level as we now saw in 2024.

Q - Remi Grenu (Morgan Stanley): Thank you very much.

A - Jorge Vazquez: Thank you, Remi.

Q - Andy Grobler (BNP Paribas Exane): Hi, good morning. Just on the stabilization that you're seeing in those -- in some of those end markets. To what extent is that kind of coming through in real numbers and real volumes and to what extent is it in discussion with clients and some level of forward visibility? So essentially, do you feel from an organic perspective at this point that you've troughed out and things should start to modestly improve through 2025? Thank you.

A - Sander van 't Noordende: Yeah, thank you, Andy. Well, first of all, everything we say is backed up by real numbers. So there's no speculation in there. In terms of where the market is. And I'm going to give you a bit of a broader answer because I'm sure there will be many questions around that. The labor market, I would say if there would be one word to characterize it, it's stuck.

The number of vacancies came down quite dramatically. The hiring levels in some parts of our business are back to 2016, in other parts back to 2013 even. So, there's low hiring levels, quit rates are low, and not a lot of layoffs going on either. So stuck is the word there. Two factors are at work. The unwinding of over-hiring in COVID as well as the level of uncertainty in the minds of our clients is still quite high.

So more clarity about where the economy or the economies are growing is needed to get things moving again. Then let's do a little summary of the geographies. Lots of optimism in the US. The 333 plan of the new administration, 3% growth, 3% budget deficit, 3 million barrels more oil production. I mean that's a positive for the economy. Positive attitudes towards deregulation, innovation, new technology. Quite a bit of excitement there that has not yet translated into a material uptick I would say. So it's yet to trickle down in a meaningful way. Leading indicators the manufacturing PMI as well as the new orders index went up more recently and in our business, we've seen a bit of an uptick in our in-house business and our digital business, as Jorge already mentioned.

I would say too early to call it a trend, but some, let's say a positive backdrop, optimism and a few nuggets in a positive sense. Jorge already mentioned Italy and Spain have been doing well and we continue to be optimistic about those markets. That brings us to the rest of Europe, still quite challenging. PMIs are stable but below 50 and then overall, I would say, and there might be some interesting nuggets in there as well.

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The industry view is logistics is growing, business and IT services are I would say flattish. Manufacturing has declined in this quarter quite a bit, as you could imagine, automotive both in Germany and France. That's a relatively small industry for us, but it is painful. So, that's sort of the lay of the land. In summary, I would say stabilization with some positive nuggets.

Q - Andy Grobler (BNP Paribas Exane): And just one follow-up on that. When you talk to your clients in terms of use of temps in the longer term, we've seen penetration rates in the US and France fall very sharply in recent years. Do your clients talk about lower usage going forward or do they feel that this reduction that we've seen is a cyclical factor and will normalize over a period of time?

A - Sander van 't Noordende: Well we don't hear anything of our clients who say, we want a less flexible workforce going forward as a strategy. I think what we seen today and what we will see in the near future is the normal development of business through the cycle. So there's no sign that clients are saying, we want less flexibility.

Q - Andy Grobler (BNP Paribas Exane): Okay, thank you very much.

Q - Suhasini Varanasi (Goldman Sachs): Hi, good morning. Thank you for taking my question. And sorry, I just wanted to clarify again, if you think about the moving parts on gross margin evolution for the quarter compared to Q4, is it that Zorgwerk relatively adds a little bit to the gross margin sequentially, and maybe even you get a little bit of the restructuring benefits on the gross margin? Is that the way to think about it?

A - Jorge Vazquez: Hi, Suhasini, good morning. Yes, I would probably add 10 to 15 basis points there, yes just to kind of in that range.

Q - Suhasini Varanasi (Goldman Sachs): Thank you. Thank you. And I think just one more on working capital.

A - Jorge Vazquez: One other -- so we talked about Zorgwerk.

Q - Suhasini Varanasi (Goldman Sachs): Yeah.

A - Jorge Vazquez: Exactly, yes.

Q - Suhasini Varanasi (Goldman Sachs): Yeah. And I just want to check if there were any restructuring bene as well that would help your gross margin, given you did the impairments on the bench activities in Sweden.

A - Jorge Vazquez: Yeah, I would say. I would say approximately another 10 basis points on top of that. So we are reasonably then. And then the rest, it will always depend a little bit on mix. Let me be clear. So starting in Q4, we started right in Q3. We're also picking up a little bit on the question of Andy. If some sectors and sectors, like Sander said, start gaining confidence, like transport logistics, we see -- see an uptick in our penetration rate and we see basically our mix starting to change. That has two consequences, one on our margin, but also on our OpEx.

Q - Suhasini Varanasi (Goldman Sachs): Thank you. And just a follow up to that. So in terms of the verticals that are still seeing a little bit of a sequential decline, is it just the automotive vertical then?

A - Jorge Vazquez: It's primarily automotive, yes Suhasini.

Q - Suhasini Varanasi (Goldman Sachs): Thank you. Thank you very much. That's it from me.

A - Jorge Vazquez: Can only get better.

Q - Rory McKenzie (UBS): Morning, all. It's Rory here from UBS. Just a question again on the temp gross margin. Can you quantify the negative impact of the idle time and sickness year-over-year, just so we can know what the -- the non-seasonal trend is? And then on that resulting mix impact, which has been negative for a while. Is there anything going on here with say a fundamental shift of volumes onto lower cost channels like in-house or digital, which of course then come with a lower gross margin for you structurally?

A - Jorge Vazquez: So let me start first, I mean, so the impact of idle time and sickness. It changes, I told you as well last quarters. We do a lot from one quarter to the other to start pricing it back to clients with just our venture. It is very volatile. It's difficult to break it down like that Rory. But on the second one, no. So our in-house business in general, because it's more of a large scale business, yes has a different price. On the other hand, it comes with a very direct delivery cost structure and architecture for it, therefore, but there's no structural change in it. And when it comes to the rollout of the digital marketplace, I think that's what you are referring to. We don't have a pricing policy for one and a pricing policy for the other. I mean we have a service which is finding talent for clients and helping clients have talent.

A - Sander van 't Noordende: Yeah, I think this is a very important point. Sorry to interrupt you, Jorge, because this is not a channel next to our business. This is our business. And frankly, the experience that we deliver with our digital marketplace is a better one than we deliver through our traditional channels. So there is no need to reduce prices as a result of that. I would say the opposite, better service would warrant a better price.

Q - Rory McKenzie (UBS): Okay. Thank you. That was really interesting. I now look forward to seeing the platform in more detail. I guess related to that, I was just wondering on the one-offs because over the past nearly three years before today, you'd expensed EUR 385 million in restructuring costs. And then today, you've announced another EUR 79 million. So I was just wondering what are the kind of remaining structural changes you're making now that you hadn't in the past? And maybe if you could just give us a guide on what we should expect to see for group headcount in Q1?

A - Jorge Vazquez: Yeah. So Rory, first of all, I mean we don't celebrate those exceptional items and the one-offs. On the other hand, we do need to take decisive action. I think what we take some comfort from and this obviously impacts people, a large part of that is actually restructuring. Another part of that is about how we are starting to adapt how we do our business. So you'll see in the disclosures, a lot also has to do with reducing or consolidating footprint in terms of o, the rollout of our talent centers, the rollout of our digital technology in how we work. But overall, you could argue that you also look at the last two years, the reduction we have had in opex supersedes that. So on one hand, one comes with the other. My main focus is to make sure that this cost reduction is as much as possible structure and stays on like this building scalability to the organization, meaning that the company is now more efficient and leaner going forward in any scenarios we see.

Q - Rory McKenzie (UBS): Thank you.

Q - Simon Lechipre (Jefferies): Yes, good morning. A follow up on the gross margin and your expectation for Q1. I mean to which extent the scenario you are talking about this morning is conservative. I mean you were expecting some improvement for a few quarters -- for a few quarters now and unfortunately not material as yet. So I mean, yeah, just curious around like, yes a degree of conservatism in your expectations.

A - Jorge Vazquez: Hi Simon. So first of all, I mean, yes, we did, but on the other hand, look at the fact that the main thing is always that gross margin is strong in correlation to how we deliver. So the flip side of having automatic was on the operational side, on the opex side. If we look at Q1, what

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you will see is primarily two, three big impacts from Q4 into Q1. One is the Zorgwerk acquisition that will add approximately 10 basis points.

The other one is a combination of some of the incidentals that we saw and the bench impact that we saw in Q4. We will see the reverse impact of that as we go into Q1, but also keep in mind that we start analyzing some of the bigger impacts we've had. So we now in Q1 last year we already had a reduced margin. Therefore, as we now go into 2025, we expect some of that annualized impact to also have an impact on comparisons.

Q - Simon Lechipre (Jefferies): Okay. So you don't really need a lot of underlying improvement to get to your scenario. That's what you are saying this morning.

A - Jorge Vazquez: Yes, we've been doing a lot of work over the last quarters to basically make sure that we enter 2025 better prepared, also in terms of gross margin.

Q - Simon Lechipre (Jefferies): Okay. And just on the free cash , so it was quite weak in Q4. I understand part of the reason was the cash effect from restructuring, to which extent restructuring should also impact Q1 free cash generation.

A - Jorge Vazquez: No, I don't. I mean, I don't expect any spillover effect from Q4 into Q1. I mean, cash flow generation is primarily a functioning of the profitability, or the EBITA and the EBITA interactions in terms of one-offs but also DSO. And our DSO has increased 1.6 days. We are monitoring it. On the other hand, that's the flip side of some of the sectors where we're finding growth and some of the geographies where we're finding growth. And if you combine larger clients and geographies that has an impact on DSO. As we go into 2025, normally Q1 and Q2 are not very cash generative quarters. Q3 and Q4 are the quarters we're going to generate cash.

Q - Simon Lechipre (Jefferies): Got it. Thank you.

A - Jorge Vazquez: Thank you.

Q - Marc Zwartsenburg (ING): Yeah. Good morning, gentlemen. Two for me as well. First on the restructuring charge and looking at your guidance on the cost base, Jorge, you see it modestly down in Q1, but if we extend it a bit further, what should we expect maybe a bit through the quarters of next year, given where the market sits now? Should we expect then maybe that the cost base will continue to modestly decline going forward with what you've taken as a one-o Q4? It was a bit over.

A - Jorge Vazquez: Yeah. So the first...

Q - Marc Zwartsenburg (ING): How we should look to the -- yeah, go ahead.

A - Jorge Vazquez: Yeah, so I'll say, Marc, at least stable. So I've said a few things already today. One is we're building scalability into the business. So that should enable us to have peace of mind looking into the the first quarters of recovery when it comes, but given everything that we've done already, particularly in the last six months of the year, if we now add all of those up from Q4 into Q1, we expect, I would say a good again sequential decrease from Q4 into Q1.

And you can probably see something like out of the EUR180 million restructuring we've done this year, just to break it down, 10, 15 has to do with integration costs and M&A, but the remaining is actually restructurings and of that, I'll say probably 50 are related to leases and basically long term contracts. So that will take a slightly longer payback, but the remaining part does give us, let's say, adjustments capacity in personal expenses. That does support a lower cost base in 2025.

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We have partially an offset just because of the natural inflationary movements from Q4 into Q1, but adding all of these things up, we can feel reasonably confident that OpEx will decrease from Q4 into Q1 again.

Q - Marc Zwartsenburg (ING): Yeah, yeah, clear, clear because yeah, you need a bit of support of course to get the top line and the gross margin pressure, otherwise, we'll not see the lines crossing at Q2. So that was a bit of background. Maybe then on...

A - Jorge Vazquez: What you've also noticed, Marc, just because it's a question that I think Rory asked. What you also notice is our FTEs are down. You also probably need to note our December exit rate is actually even lower than perhaps the quarter. So we have on our control how to influence as we go into Q1 and what we see ahead of us, how much we want to basically control our opex.

Q - Marc Zwartsenburg (ING): And then my other question is about the top line. In the US, you're improving a bit. It's a bit different from what we see in market data. Is that taking market share? Do you see maybe your digital strategy or your Torc platform helping out there? Can you maybe give a bit more color on that one? And I might have missed your follow-up on the Swiss decline. Maybe a bit of color on that one as well. Thanks.

A - Jorge Vazquez: So in the US, I mean, you know us well, so US, but we are primarily on the manufacturing logistics, on the Operational Talent Solutions, on the manufacturing logistics side of things. And there, like Sander said, we've -- now it has become our way of working. And indeed we are activating new clients. So in that part of the sector, I would argue we are gaining market share.

We are just together with all the others in a bigger market. And that depends a little bit on Europe, but we'll look -- we see the impact of how we are working in the United States as making us now gain market share. And to continue in terms of the trends into Q1. I did not understand your question on Switzerland.

Q - Marc Zwartsenburg (ING): I think you mentioned quite a deep decline and you said, I will give a bit more color there. Is that something...

A - Jorge Vazquez: No, so Switzerland, I mean what I -- so top of mind, we are minus 2 now percent which is basically a combination of things. Our operational and special larger clients are growing. We have more employees at work even in Switzerland than we had last year. So if anything, things are starting to improve in Switzerland, where we have a big step back and therefore an impairment coming from that is in the Nordics, in particular Sweden.

So that's where we see a deterioration.

Q - Marc Zwartsenburg (ING): Maybe that's the reason and I misheard that. Okay, thanks for the color, Jorge. Thanks very much.

A - Jorge Vazquez: Thank you, Marc.

Q - Wil Kirkness (Bernstein): Good morning. Thanks. Just on your number of temp employees, I think that troughed in Q1 of '24. So in the absence of any sort of unforeseen sequential deterioration, it should be the case that we can just kind of unwind the operating margins towards a top line position. Is that a fair view?

A - Jorge Vazquez: No. So I think look, we -- so t of all the actual employees working, indeed they floored in -- basically they were coming down and then they stabilized in Q1. And then from Q1 onwards, we saw the normal seasonality return in industry, which basically means okay, things have stabilized. What we now see going into Q1 adding up all the things that Sander described in terms of

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the different regions, we expected a reasonably similar development from Q4 into Q1, if anything probably supporting a kickback.

So a kickback from a reward in Q4.

Q - Wil Kirkness (Bernstein): Okay, thanks. And then if I could just follow up on the gross margin again. Sorry. So if we go back to November '23 and your Capital Markets Day, I just wondered if you'd actually seen any of the sort of impacts, the levers you felt that you would have to improve gross margin. Whether you've seen any of them have an impact. Clearly, they've been perhaps lost in the cyclical, but I just wondered if you'd seen any kind of gross improvement from those initiatives on the gross margin.

A - Jorge Vazquez: Yeah, I think when you put it all together then you have a lot of parts that in the end result in the average of the group. When we talked in 2023, we basically also like it is a cyclical business and especially when it comes to the hiring freeze or markets are stuck, I think you said. I think we saw that at a level, I mean Sander said some sectors are hiring even less almost at the level of the financial crisis, one of those being professional services and digital.

So, we do see a big impact in the group from the deceleration of digital and the broader Professional Talent Solutions. The structural facts supporting our margins, they remain unchanged. We have talent scarcity. It is about helping clients timely with finding the right talent for their operations and we believe those factors are there.

Overall, we are more excited about building more resilience and scalability from the margins that we generate.

Q - Wil Kirkness (Bernstein): Thank you very much.

A - Jorge Vazquez: You are welcome.

Q - Afonso Osorio (Barclays): Hi everyone. Thank you for taking my question and for the presentation. Jorge, I mean, I just have one last one on the SG&A and FTE number. How do you view your capacity downside further from here? I mean, to your point about already running a very lean operation at this point. So just your views on that in Q1 and going forward, because I believe your FTEs are now up roughly 5% from 2019 levels. This was over 8% in Q3. So I appreciate it involves a lot of lives, a lot of people. So how low can this get if things remain quite challenging in the short term? And the rationale for the question is, I mean, you had a 3.0% operating margin in Q1 last year. Just, I mean, that's already trough levels for the industry and for you guys as well. Just trying to understand how, I mean, if there is downside to that 3.0% and how do you think about that and how willing are you to protect that trough in terms of operating margins?

A - Jorge Vazquez: Yeah. So first of all on the FTEs, first on where we are, and then we can talk about 2019 and then indeed the EBITA margin or the margins in general. So from an FTE perspective, we always say at Randstad, as you remember saying -- me saying this several times, we focus on doing basically the performance that we need to do to adapt our business.

Adapting, yes, but ultimately we're always having insight that we can protect the capacity we need to generate if we find ourselves in recovery. So there's always been an effort to keep a degree of capacity that if recovery comes, it's not because we don't have enough FTE, enough capacity or we cannot go after it. And the last part of that is always a strategic investment. So a lot of the restructuring and the FTE adjustments you've seen in particular have been in how we support our business and making sure that we actually do this in much more efficient ways. So from a recovery perspective, we still feel we are in a position to capture any upcoming growth. Keep in mind, and I

just said that yes, the December exit rate was slightly lower for the quarter than the quarter in terms of FTE.

And we still have the ability through just managing attrition to naturally adjust during Q1 on how we evolve our FTE. So that is basically how we steer. And we do this daily and weekly, literally in the organization. Overall, there's a lot of moving pieces in our FTE. We also see if you look at the company versus 2019, it is a company with very different geographical businesses and operating models where we have way more employees in APAC, in India, in some of our self-service, or even throughout the world in Latin America.

So it is different in Poland, it is a different company than it was in 2019. Overall, we steer to make sure that we continue building resilience and scalability into Randstad, which brings me to your last question, the margins. I mean, we've been doing a lot of decisive action. We've been doing a lot of focus in four specializations because we do want to make sure that we start building from here and hopefully that we've achieved the degree of floor in our profitability. We feel we are well prepared for what we see now in Q1 as we enter the year. Can we guarantee that we don't have to do more adjustments and then indeed this is the end of this trough?

Yeah. We don't control the external environment, but I can say, we are now much better prepared than perhaps we were at the beginning of 2024.

Q - Afonso Osorio (Barclays): Okay, that's very helpful, Jorge. I appreciate that. And then just a follow up, quick one. Do you do any business with the US government? So given the recent news, just trying to understand if that's going to impact you in 2025 or not.

A - Sander van 't Noordende: This is Sander, Afonso. So we do very limited business with the US Government. In fact, most of the business we do with the US government is through others, so through systems integrators or other technology partners. It's primarily in our digital business, but the total of it is very, very small.

Q - Afonso Osorio (Barclays): Got it. Thank you.

Q - Konrad Zomer (ODDO BHF): Hi, good morning. First of all, I'd like to pay you a compliment for being able to publish your 2024 annual report on the same day as your Q4 results because it shows that Randstad's got its house in order. Question on the termination of the fair value adjustment and the impairments on the loans. Is that the actual size? Is that the accountant that comes up with the suggestion? Is it something that you can objectively calculate yourself or is that something that you suggest based on your knowledge of the assets?

A - Jorge Vazquez: So, hi Konrad, Good morning. On behalf of all the teams, by the way, I take the compliment, but the compliment is to them. So on the Monster joint venture. So basically, at the end of the year, we look at the information that we had. We were providing the latest forecast in terms of how the business is evolving.

And then we have to make a decision on how we look at the potential value and basically the likelihood of the results on those loans. And we're just taking a prudent perspective in terms of hiring levels are still down. As Sander just alluded to it, job board business is obviously highly dependent on hiring and hiring activity. And in that respect, our expectations are that there is no value on these loans and we decided basically to take that impairment to the amount of EUR 139 million.

Q - Konrad Zomer (ODDO BHF): Right, okay, understood. As a quick follow up, you started talking about signs of stabilization and green shoots about three quarters ago. You make similar statements today. Now that we and yourselves as well can look back for the last three quarters. Has it worked

out as you expected? Because I think the market and certainly myself are negatively surprised about the size of the one-off and restructuring charges, particularly in Q4.

A - Sander van 't Noordende: Yeah, so we talked about green shoots exactly one year ago and we then talked about green shoots not coming to fruition in Q2 and Q3. So in that sense, there's no news. Today, we are not talking about green shoots. If you remember what I said, I said stabilization with a few positive nuggets.

So that's sort of where we are. I mean that's where we should leave it on the restructuring and the impairments. I guess I will ask Jorge to comment on that, but we need to do what we need to do. We've taken action to right-size the business to the volume that the market carries. And that's what we have to do. That's what we always do in Randstad. We're all about adaptability. And so I guess the market could be surprised about the volumes of business, but the market could not be surprised about us taking action when we need to.

A - Jorge Vazquez: Right. So Konrad, so building on the on -- I mean, look, I think the overall point is we know where to invest. We have a strategy that is focused on four specializations, not , not six, on four. We have growth segments where we see upticks on them and we see return on investments that we're making even though of course the external environment does not allow for more.

We then look at our portfolio, we adapt it, we make the choices we need to make. If I look ahead, we are stronger, more resilient and better prepared for 2025. That alone should render that in terms of one-os. If we look at what we see, there's no reason to expect such a high level, and if anything more resilient in that respect, in terms of the impairments we've made the judgment we had to make when it came to the Monster loans and the broader things is about now investing on where we can get return and we know where we can get return.

Q - Konrad Zomer (ODDO BHF): All clear, thank you.

A - Sander van 't Noordende: Thank you, Sergei. And thanks again all for joining the call today. And as we wrap up the call, as I always do, I would like to thank our more than 600,000 talents and Randstad team members for going the extra mile every day. You are at the heart of our success, and together, we make the best team in the industry. And on that note, we wrap up the call.