Randstad Q2 2025 Earnings Call - 23 July 2025 09.00 am CET

Sander van 't Noordende: Good morning, everybody. I'm here with Jorge and our Investor Relations team to share our Q2 results.

The market environment in the second quarter was again influenced by geopolitical and economic uncertainty, which, frankly, we...and many of our clients….see as the new normal.

Against this backdrop, I am pleased with the performance we delivered and the strategic progress we made.

We achieved revenues of €5.8 billion and an EBITA of € 171 million, with a margin of 3.0%. We continue to benefit from our focus on operational excellence and, most importantly, we are seeing the benefits of our strategy coming through in our performance.

We have seen a mixed picture across our markets, with different trends and dynamics at play. We continue to deliver good, profitable growth in Italy and Spain, and….we had growth returning in APAC….where India and Japan are doing particularly well. We saw sequential improvement in North America with year-over-year growth in our Operational and Digital business.

As said in our recent Capital Markets event we have been focused on executing our Partner For Talent strategy.

Specialization at scale is now a fact at Randstad. This is important, because specialization is key for our differentiation and our competitiveness in the marketplace. Clients want to talk to someone who understands their business. Talent wants to talk to someone who knows about their field, and our people get the opportunity to focus their career on a specialization and do an even better job than they did before.

We see that this works. In RPO for example, we see strong demand across our markets, as more clients turn to us to be their dedicated partner for talent. We continue to win new clients but equally important, we see more interest in ‘recruiters on demand’ at existing clients.

In Digital, we see increased demand for AI skills, especially for GenAI and agentic AI capabilities. In the US we are ramping up AI related projects in Financial Services, Healthcare, Consumer, and Technology. And…we provide these AI roles from our global delivery center in India. Think about machine learning engineers, data scientists and cloud engineers.

We are also becoming more and more digital first. In Q2 more than 700.000 shifts were directly selected by the talent on our digital marketplaces, a double digit increase over Q1.

We continue to build scale and specialization in our talent and delivery centers, resulting in higher productivity and fulfillment. Focus works!

So, in summary, great progress and exciting work to be done. We are becoming more specialized and more digital with a better experience for clients and talents. We are absolutely on the right track.

Jorge, over to you.

Jorge Vazquez: ...Thank you, Sander, and Good Morning, everyone.

(1) Last year around this time we talked about the return of seasonality. Let me start by saying that from Q1 to Q2 this year we saw a more pronounced return in seasonality compared to last year and at Group level, organic revenue declined by 2.3% year-over-year, an improvement of 2% versus Q1.
(2) We will go through the results in more detail, but importantly, at the consolidated level, our gross profit and OPEX were aligned again, allowing us to protect relative profitability, despite the lower topline.
(3) And, like discussed in the last CME, we see the impact of our strategic progress,
    (a) Specialization & growth segments
    (b) Step up in productivity (GP/PE field growing).
    (c) Impact of structural cost savings north of 100mln with a strong focus on indirect costs.

Let's delve into the regional performance, starting on page 8.

Starting with North America, we see good progress this quarter.

In the US, our operational business grew 1% and continues to perform ahead of the market. We are becoming more efficient, having less FTE's serving more EW's, again this quarter.

Digital grew 2% this quarter as we see client wins and demand increasing. Clients have an increasing need to digitize, and as an example we see increasing demand for modernization of legacy code, Anti-Money Laundering (AML), and of cours, from AI related projects. As a reminder, this domain was a year ago virtually uncharted.

The professional solutions and permanent hiring remains subdued as hiring confidence is still low, declining by 16% and -24% respectively.

In Canada, we also saw good underlying improvement and returned to growth in the quarter.

The EBITA margin for North America came in at 4.1%, up 70 basis points year-over-year, showcasing productivity gains.

Moving on to Northern Europe on slide 9.

In Northern Europe we continue to see mixed trends. Temp proves to be more resilient with sentiment on the perm side more uncertain.

From a sector perspective, we see sequential improvement in industrial pockets supporting our Operational business, while Automotive continues to be subdued.

In the Netherlands, growth sequentially improved to -5% from -7% in Q2.
- Adaptability was good despite the adverse holiday/working day impact.
- Operational was -3% for the quarter, improving vs. Q1 as we see more of the client wins converting into revenue.
- Professional is facing a challenging environment, as the broader market is slowing. We see this also reflecting in subdued permanent hiring.
- On the other hand, our Healthcare acquisition Zorgwerk helps to offset a large part of the headwinds.

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Germany saw modest sequential improvement, as decline rates eased to -7%, but mostly on easier comparables as the labor market environment remains unchanged. Digital at -5% while Operational down -8% where Automotive remains challenging. This quarter, working days and holidays significantly impact profitability due to the nature of the contracts.

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Belgium with slight decline but good adaptability. Operational is growing +1%, reflecting underlying industrial improvement. Like other NEU countries, Professional remains challenging. As we mentioned during our CME, we saw this quarter the first self-serviced shifts through the digital market place, and we are pleased with the initial adoption.

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We saw Other Northern European sub-regions back to growth with Poland (+17%) and Switzerland (+9%) leading the pack, while Nordics remained subdued (-22%). Growth was profitable as we expanded margin by 40bps YoY.

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

In France we see similar trends as in northern europe: easing of decline rates after a slow start of the year. This improvement was most notable in the operational business, now down 3% versus -6% in Q1. Our onsite business is doing well here.

Professional slowed to -18% and also Perm was down -20%. Digital, while still slightly negative has sequentially improved, mainly on the back of our strong aerospace presence.

The EBITA margin was 4.1% and France showed solid control and adaptability.

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While facing unfavorable comparables, Italy continues to see growth and is doing well for many quarters now. Operational was up 2% and our investments in growth segments such as IT and healthcare are paying off as Professional grew 3%. Profitability remains strong and we continue to invest in our business.

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Iberia again grew 4%, driven by Spain as we continue to see good momentum, growing 6%. This is mainly driven by strong performance in its operational and enterprise talent solutions. Again here, we remain investing in growth segments with many opportunities to grow further.

Furthermore, 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 15%. In Latin America we grew +7% with all countries growing.

Moving on to Asia Pacific on slide 11.

The Asia Pacific region continues to do well and is now as a region back to growth with good profitability.

Japan demonstrated solid growth, +6%, combined with strong profitability, a good example of the impact of leaning in on specialization. Japan is one of the countries that operate talent centers at scale, supporting solid growth in our operational business. Digital continues to do well and we are ideally positioned to support clients and talent in a candidate scarce market.

Australia and New Zealand improved is another market that is accelerating the roll out of the digital market place, with over 200k shifts in the quarter running through the marketplace.

India grew double digit and we continue to invest in growth segments here.

Overall, The EBITA margin for APAC was at 4.3% in the first quarter, showing strong operational discipline while investing in growth.

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That concludes the performance of our key geographies. Let me now walk you through our combined financial performance on slide 13.

First, from a specialisation point of view, with the exception of Professional, all specializations made a step up,, with Operational, typically early cyclical, and enterprise close to last years levels already.

Once again this quarter, our gross profit and OPEX were aligned, more about that later. That way, the quarter's EBITA margin was 3.0%, similar profitability margin as last year, despite lower revenue and adverse FX impact. Underlying EBITA was 171M euros.

Now let me unpack the items until net income.

Integration costs and one-offs In Q2 this amounted to 35mln, mainly related to reorganizations in Germany, the Netherlands and France.

In the Amortisation and impairment of intangible assets, nothing relevant, regular accounting treatment of the purchase price allocation of the acquisition of Zorgwerk.
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Net finance costs include this quarter the write-off of all of the remaining value of the seller notes of our loans towards CareerBuilder + Monster JV to the extent of 32M Eur.

The effective tax rate for the first 6 months was 30%, impacted by the low taxable income following change in profit mix and lower earnings. Our 2025 guidance is a notch higher to 29-31%, mainly reflecting the current country mix.

Adjusted Net income was 84M.

With that, let's continue and look at our Gross Margin bridge on slide 14.

A few things about Margin.

Gross margin came in line with our expectations, albeit at the lower end driven by FX and subdued Perm.

Remember, like for like we need to remove 60bps impact from the divestment of Monster in HRS.

YoY Temp margin is down 40bps. Geographic and client mix have a large impact. This is where the market is today, with penetration rates stabilizing in many markets, seasonality returning and large clients up high single digit. We expect this trend to continue. In addition, idle time linked to ` light quarter and holidays, impacted especially Northern Europe.

Uncertainty continues to weigh on Perm to the extent that despite easier comparables, at group level, the decline was still -13%. Sequentially we lost 5mln Euro alone, which weighs on the margin.

Contrary to the subdued transactional perm, RPO, companies outsourcing their recruitment processes, which, remember, we report in HRS, is actually growing 8%. We are finding new ways to revenue in RPO, in mid market, in new clients, and new activities. Therefore, HRS, excluding Monster, has a 30bps supportive impact.

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

Our underlying operating expenses came in at €923M Euro, broadly stable sequentially, as FX offsets seasonality and timing in the year of strategic investments.

Total costs decreased 4% year over year, or 37mln less, and directly aligning with the 4% organic gross profit decline.

As discussed at the CME, we are making strides in building a stronger, more resilient, and profitable Randstad. This quarter, we have seen both a 1% increase in field productivity as we implement new service models, AND our indirect costs have continued to decrease structurally year over year while we protect our strategic investments. Similar to Q1, we have successfully maintained our EBITA margin year over year, resulting in an organic recovery ratio of over 60%.

In this quarter we incurred one offs, primarily in Northern Europe and France. We continue to roll out structural optimization cost savings. This either ensures we have a minimum level of profitability in every market or freeing up resources from better ways of working.

Linking it back to our CME and Q1 publication, with these additional efforts in the first half of the year, we are now on track to deliver north of 100M Euro net structural savings for 2025.

With that in mind, let's move on to slide 16, which contains our Cash Flow and balance sheet remarks.

Our free cash flow for the quarter was positive 82 million euros, reflecting working capital management.

DSO was 55.7 days, up 0.7 days sequentially. Here again, the very same client mix puts upward pressure, with most of the impact accounted by the larger clients.

Our leverage ratio is 1.8x, remember, typically peaks in Q2, according to seasonality of earnings, Cash Flow, and dividend payments.

And that brings me to the outlook on slide 17.

Let me start with the current momentum.

Volumes in early July are in line with June.

Let's look at our gross margin. In Q1 and Q2 we saw our GM down 90bps YoY. Remember, this includes 60bps from Monster deconsolidation. Looking ahead to Q3, we expect underlying a similar decline, with minor puts and takes, as Monster was deconsolidated as of mid September last year and fx can still play a role.

We expect our operating expenses to be modestly lower on the back of the continued cost savings and the typical seasonal dip in OPEX from Q2 to Q3 (holidays).

Balancing these, we expect a step up in profitability in the second half of the year, broadly in line with the regular intra-year pattern.

So, to summarise, let me wrap up:

Q2 a step up, not an inflection, and we keep doing what we do. We continue:

- One: focus on profitable growth, by having better propositions and focusing on structural growth segments.
- Two: laser-focused in delivering better, more scalable talent-service-models and with that freeing up productivity and scalability from our field.
- Three: striving to keeping improving and reduce our indirect costs.
- In short, we continue to progress in our growth algorithm, by rolling out our agenda to deliver experience at scale in line with our partner for talent strategy.

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

Q&A

Q - Andrew Grobler (BNP Paribas Exane): Hi. Good morning. This is Andy Grobler from BNP Paribas Exane. Just to start on the US if I may. So good progress in the business. Can you just talk through, how the trends in terms of large clients and SME have gone through the quarter and what you're hearing back from those clients in terms of their confidence at this point?

A - Sander van 't Noordende: Andy, thank you very much for that question. I think as I said, there's still uncertainty in the market, but that's, as we also say, is the new normal. So clients are still experiencing that. I don't think they're ready for big decisions. Whether it's investments in infrastructure, technology or people, they take it one step, one step at a time.

Having said that, we' ve made some very good progress, especially in our digital business with some of the big banks and the retailers where we have had nice upticks in activity. We have had some good new wins in our RPO business, which is primarily focused on North America, of course, with some of the tech companies, with some of the banks as well.

So all in all, I would say, the mood music is ticking up slightly, but I wouldn't go a whole lot further than that, Andy.

Q - Andrew Grobler (BNP Paribas Exane): Thanks. And just a follow up again on North America. If you look at the number of placements per member of corporate staff, it grew very sharply during the quarter, up 18%. The rest of the world was a bit more modest. Is that the level of growth that's kind of the shape of things to come as you continue to roll out your digital platform?

A - Jorge Vazquez: Absolutely, I alluded to that. So as we continue to roll out, well in the case of the United States, already the digital marketplace, that's the only way we operate in operation, but combined with talent centers and delivery centers, we continue to see the benefits of that not only from a better proposition, but also given to self service, given everything we can do to accelerate and have immediate propositions, an increase in productivity from the field.

So on the back of a few quarters, this quarter more pronounced, we see indeed the ability to generate more placements with less FTE, and that will basically continue to feed how we monitor the productivity and the gains we have in our field.

Q - Simon Lechipre (Jefferies): Yes. Good morning. Simon, speaking from Jefferies. Could you comment on the June exit rate at the group level and if you could flag any countries benefiting from a particularly good exit rate. Thank you.

A - Jorge Vazquez: Yeah, so normally. So Simon, we don't necessarily disclose the exit rates per country, but let me just help you a little bit. So one, it's if you look at most of the numbers we publish as well in detail, the step up from Q1 to Q2 is broad-based. So practically in every country, we have a return of seasonality and a step up, let's say, number of employees at work. So the growth rates are broad-based, an improvement on average around 2%.

If we look at let's say, at exit rates of the quarter, obviously, we left Q1 with approximately minus 4%. We said on average, April was in line with March in Q1. So things have improved throughout the quarter, it's a very difficult quarter to have an exact number because you have a lot of public holidays and long weekends. So it's very difficult to say. But we are quite comfortable when we say, July started in the same fashion as we exit June and the quarter.

Q - Simon Lechipre (Jefferies): Okay, and a quick follow up to this. Assuming these improving trends continue, do you expect at some point in Q3 to return to flat organic growth on a year-on-year basis?

A - Jorge Vazquez: Let's say, country-by-country, but that's one or two things, indeed we see a step up. I also started by saying, seasonality was more pronounced this year even than it was last year. The only other, let's say, point that we have to offset is of course, we are now starting to face more difficult comparables.

Give or take between Q2 last year to Q3 last year, we were 1% to 1.5%, let's say improvement. So yes, on one hand, you have an improving trend and we' ve been seeing that throughout the last six months. That will face on the other hand a slight headwind from comparables, is the net impact. I'll leave it to you, but indeed, that's the two things combined.

Q - Suhasini Varanasi (Goldman Sachs): Hey, good morning. Thank you very much for taking my question. I just wanted to get some more color on the US please. The temp staffing data obviously tells you one thing, but your topline trends say something else. So can you maybe, help us unpick what was maybe self help, maybe the digital aspect that has helped you versus what the underlying market conditions are? Thank you.

A - Sander van 't Noordende: Yeah, so I mentioned Suhasini, if you didn't want to say more about specific client trends or something. But let's say, if we look at the largest segments, I think it's probably easy to start there. What we see is primarily with let's say, penetration rate stabilizing overall, we see clearly an uptick on large clients. So a lot of the agility needs and the entry, let's say the seasonality, agility demand from our clients and that is particularly expressed in our large client segment. So we're doing particularly well there.

It is clearly also supported by the rolling out of our digital marketplace. So in many clients, large clients in the United States, we share from a procurement perspective as it leads to suppliers. If we have a better proposition, if we are able to have immediate talent availability, we can do well in terms of fulfillment rate, we can do well to basically be the first one to have talent available for our clients. Overall, that segment in particular is enabling us to support growth above market.

Q - Suhasini Varanasi (Goldman Sachs): And you can add our digital North America digital business, US Digital has shown some nice growth in the quarter as well. So it's a story of operational and digital, I would say.

A - Jorge Vazquez: Yeah, so both, let's say on both, if you typically look at normal years, let's forget COVID and let's say all that ups and downs. But if you look at normal years, we typically have a seasonal dip in terms of margin. Let me start with the margin first. From Q2 to Q3, there's a few reasons you remember, we have more student business, we have more hospitality business, there's also bench in some countries. So typically our margin goes down from Q2 to Q3, normally around 20, 30 basis points.

At the same time we have, let's say, this quarter and we still expect to face it in Q3 given how things are entering in, let's say unfavorable effects impact on the gross margin. So bright line. Let's say, the current trend year-over-year we expect to continue. Also because these larger clients I mentioned before, they have, they have, let's say a lower market, they have a larger they are growing 9 single digits. That has an impact in our, in our, in our margin. It's the market as it is today, larger clients, seasonality returning and we're able to grow in them.

Now the opposite, almost the mirroring effect of this is in OpEx. So normally as well our OpEx from Q2 to Q3 takes a step down, typically because of holidays and the treatment of that. Also we' ve been continuing to do cost savings. So this will continue to materialize throughout the year. And remember, when we talk about large clients increasing in the mix, right? So we find growth in large clients more than we find growth in SME. That also comes at the different, let's say, cost effective talent service models. So we are also able, in the mix of our operating expenses, be able to do it more efficiently.

And last but not the least, again the mirroring effect, FX will be supportive. So let's say, less OpEx in Q3 to be expected just because of OpEx of FX. Now you put all of this together. I think probably the best way to look at this is and set the tone for Q1 and Q2. Normally, we see an uptick and last year, if I'm not, it was EUR10 million to EUR15 million in profitability. So we have on one hand gross margin going down, you have on the other hand OpEx also going down. So the net impact of that perspective is EUR10 million to EUR15 million. We've been striving to lose ground in profitability versus last year. So we'll do everything we can again in the second half of the year, have an uptick in profitability and profit in line with what we did last year.

Q - Remi Grenu (Morgan Stanley): So, yeah, just a question on the professional weakness that you're calling, which seems to be the only specialization which has deteriorated sequentially. Can you, can you give us a little bit more flavor there? You 're flagging the uncertainty, but keen to understand, if this is something that you've seen in previous cycles as well. Is it something that you would consider normal given the context and your experience and historical precedent and if there is any other potential impact. And I'm thinking they are more structural versus the cyclicality that we are, that we've discussed so far on the call.

A - Sander van 't Noordende: Good question. I think it's fairly straightforward. In times of uncertainty, if you need people to run your business or to deliver packages or whatever, because you have business, you take them. If you're looking to hire that marketing expert, that HR person and things are not so certain, you say, well, maybe I'll give it a quarter or two until we hire that person, until we have a bit more certainty under our belt for where this market is going. I think that is the challenge in professional, with a notable exception, by the way for digital because our digital business specifically in North America has seen a nice uptick, especially in retail and financial services.So I think it's as simple as that.

Q - Remi Grenu (Morgan Stanley): Understood. And one additional question, if I may. Just making sure, I got that right on the gross margin guide for Q3. So you're saying that you expect a similar decline year-on-year. So about the minus 90 bps vs Q3 last year, which I'm just making sure, I'm using the right base, so that was 19.5%, right?

A - Jorge Vazquez: Yeah. So indeed, we are down 90 bps YoY. Now remember, this includes the 60 bps from the deconsolidation of Monster. Now we deconsolidated around half 14, 15 September last year. So there is a slight, let's say, improvement in that respect. Now you also have to take puts and takes. We need to see how the mix evolves in terms of FX, in terms of perm, the impact of FX, but in general the same delta year-over-year with a slight benefit from having the consolidated Monster already at the end of the half of the September.

Q - Simon Van Oppen (Kepler Cheuvreux): Good morning. It's Simon from Kepler Cheuvreux. This is Simon from Kepler Cheuvreux. I have a question on operating working capital. It showed quite an improvement compared to last year. Can you please give me a bit of color on what drove the reduction this quarter compared to last year and what we can expect for the rest of year?

A - Jorge Vazquez: We're looking at it on a quarter specifically. Zooming out helps a few things. So, I mean, we mentioned it. Our DSO remains impacted, let's say, by a larger development on the larger clients. At the same time, we're doing a lot of work on our own improvements in terms of time to invoice and overdues. Our overdues are the lowest historically ever. So there's a lot of good work in our teams in that respect. This quarter in particular now suggests we look at the first six months. You have an impact from liabilities and that's just basically a reflection on timing and proactive working capital management.

So just making sure that we manage as well as we can our working capital. But I suggest we look at the first half and not just a quarter in particular.

A - Sander van 't Noordende: Thank you Elba, and thank you all for joining the call today. As we wrap up the call: I would like to thank our more than 600.000 talent and Randstad team members for their hard work as truly the best team in the industry.