

Q2 2020 Earnings Call

Operator

Hello and welcome to Randstad Second Quarter 2020 Results. My name is Rosie and I will be your coordinator for today's event. Please note this conference is being recorded. And for the duration, your lines only.

However you will have the opportunity to ask questions at the end. (Operator Instructions) I will now hand you over to Jacques Van Den Broek to begin today's conference. Thank you.

Jacques Van Den Broek, Randstad

Yes. Thank you, Rosie. Good morning, everybody. Great to talk to you again. I think the last time we had a talk, we talked a bit about not having an AGM and that sort of thing.

So, when you would have asked us early April, and you would have said well this is going to be the quarter. We still may be wouldn't be happy. But, in early April, we would have signed up for this one. Because the two main questions that we were dealing with or have been dealing with is how deep how are we going to go? And how long was it going to last? Well how deep and of course you never know might still be a second wave or whatever but at least how deep was April and now of course this all about how long.

So, when we presented our Q1 results 3-months ago our prime focus was, of course, of understanding and grasping this highly uncertain situation. So we really went into survival mode we had weekly calls with our Business Leaders geographically organized so, of course Asia where we had most of the learning's than into Europe, and then into Latin and North America really learning from each other. And funny enough, although on the one hand we're not traveling as you all know and you all probably are not traveling we've never felt so connected to the field so we had these goals when we started in Asia and we ended in Latin America. So the closeness of as company and of course, we were able to pivot within three days to digital as really help.

Of course, and still is by the way our key priority remain the health and safety of our employees, our candidates, our clients and the other stakeholders, so I cannot tell you how proud I am of all the runs that colleagues with their commitment and education throughout this, we earlier it felt like this quarter had like four months, but our results we think and of course, still top result our operational agility of our management teams and as I mentioned this before, many of our management teams went through 209, so and I can tell you that helps a lot they know they knew what was happening in Spain, in Italy, in Germany. So, that has really helped us to navigate this crisis. The tone of voice in these weekly goals greatly changed throughout the quarters from survival to what is all this towards a more opportunity driven mind-set if I can call it like that. We created the safely back to work alliance first with a deco manpower and then taken over by the wick the world employment confederation are our Global sector body and we worked within 26 markets throughout the globe starting in 10 within 26 markets on getting people safely back to work.

Updating health and safety protocols and creating sort of country, of course with the government's with employers and employees. And that of course meant that in many markets we had our eyes very close to what was happening and we saw things coming and it also created quite a lot of material and conversation items to reach out to our clients and prospects in many markets talking to them about the situation if they needed any update

on the protocols and then of course slightly going into okay, so what is your outlook for the rest of the year. For us a case study is our Spanish, business. They had extensive blind survey, so you should think 17,000, 18,000 clients really getting a planning for the rest of the year.

And of course, our clients also don't know that but at least you have a starting point to discuss and you know what goes on. What's interesting is that you know our strategy and our strategy might have been and by the way still is in the longer term around candidate scarcity. But we still use the same tooling in a different market, so we have our data driven sales. So before COVID, we went out to clients and we said okay, so this was what the market looks like this is how tough it is going to be to find someone, but yeah now it's all about why don't you update your profiles and on the push of a button will get you people within an hour.

On the candidate part, it was all about engagement let us know which job here in let us know if you want to change jobs. Well now Canada's are more uncertain so now it is update your profile so we can match you quickly let's talk about re-skilling because the sector you're in is going to be on the has pressure so same strategy, same digital support, but a different messaging. As a result of all this, we have been able to already from the trough in April bring back close to 90 to between 90,000 to a 100,000 people back to work, which is great. And fortunately also in the last few weeks in July, we do see a gradual uplift still negative of course, but , we know where we're coming from.

So I mentioned this, what is a big theme is the immediate need for rescaling, career coaching and outplacement in your right. You'll see it in our business right smart, but let me talk a bit about sectors. So what has happened in our market. So, sort of stable sectors were government, sometimes even growing, bit of demand, food, retail also demand in the beginning of the quarter easing and bit in the quarter and also our IT business, wherever we have an IT business certainly our American one the biggest one we have in the group relatively stable at a minus 3.5% negative growth, so because people could continue to work from home.

Growth sectors very much, the contact centres what people went for online stuff demands on quest servicing, healthcare information anything online boomed healthcare of course, Texas that was severely down, airlines, travel, hospitality and events, retail and automotive. And all of these sectors, hospitality and events, retail they will bounce back package. This is very much COVID related we think, but airlines and travel and automotive our sectors that seriously need to reinvent itself. Back to rescaling last year as a company we re-skilled, skilled 300,000 people and we think this year it will be more we have two great examples already the first one is the boost program in the Netherlands reaching out to 14,000 people that have worked for us and currently on throughout the quarter weren't offered half of them more than half of them a training or a skilling.

So a next to that are pledged in the US to train retrain rescale 40,000 people. We think, we need to create a public, private coalition here because we still will see in Europe many people we think going into unemployment. So back to the second quarter, training conditions as I said low point in April and then of course the lockdown certainly in Europe the most severe, since then revenue decline started to ease into May and share a bit more on that, but visibility is limited. We have some businesses like the Belgian business that have quite a summer peak on global averages like 4% that might not happen might happen less tough to say, but as I said, I said and working are still improving in the last week's.

So that's good. We take it day-by-day. But then again, September we'll probably really show the trend for the rest of the year. A big difference I mentioned 2009 big difference with government support.

So government support, very grateful for that because we as a company could also hold on to our people and we have roughly 38,000 people that work at runs that as a consultant or as a team lead, or as a recruiter. And now, we have like 33,000 active. So that means the people are at home in some shape perform depending on their situation in the country. so it's very much for us to seem to bring people back, so that's why we embarked upon an aggressive sales campaign, we call it new ways where we use our ability, our content but also our digital means to connect to clients and prospects based on the Spanish example we have many more to reach out and take as many jobs as possible, and go for market outperformance which we think we already did in quite a few markets.

So again, talking about portfolio we did it many times with works again how resilient portfolio, rest of the world Japan but also through activity have profit only minus 12 in Q2 as paid off again. Yeah, I'll be such model also strong free cash flow again, and we will share a bit more on that, but you have this counter cyclical effect and it works again. So, we think this all further solidifies our strong liquidity and solvency position and we think is necessary in still a high uncertainty period. So let's look at the markets North America, yeah mix there so the Staffing business went down 23% so comparable to some markets in Europe, but us profit -9, so I finance business didn't do so good, but soon the IT business is very good.

When you talk about situation in the country, so at some point in the US we had to deal with 80, 80 different regulations on safety back to work. So quite complicated, but a big compliment for our team, also of course on safeguarding EBITA margin, which we think is quite impressive given the circumstances. And also the fact that compared to Europe, there's almost no government support in this business. So then our French business, well, we saw a data point somewhere end of March beginning of April, which was minus 70 for French market that really gave us a massive scale, but it didn't turn out that, but still France was at some point the worst hit in Europe.

Also because of the role of the unions that immediately took out people were maybe that was not necessary. Anyway, we have a new manager there Frank Reboot, Frank came into Paris on basically the last plane out of Australia and can you imagine taking over a new business which is a huge business with a few thousand people never having met. Fully from home only getting out to do grocery shopping, but, he took that unfortunately he's now with his team made a few changes, but we're very happy with where he is and that he is there. He also takes up the leadership of OC Yeah, minus 41 Well, we think that's better than market, can you imagine minus 41 being better than markets? But anyway, so under the circumstances quite good.

Then the OC business which frank is also going to be responsible for. Various sector hit so the French business works with Aeronautics, Airlines and Automotive. It all starts with an A, and it's all not good guarantee, you'll see visas in Germany and Belgium is very good, so pretty stable, pretty unheard different sectors, but certainly the French business had some issues there and the OC business was lost making, the French business was break even. The Netherlands, again, very diversified portfolio also very good on the EBITA margin you should admit you should take into account for Germany and also the Netherlands that the business was not great to begin with that, we already had quite severe negative growth pre-COVID certainly driven by automotive and industrial sectors.

But again, a picture you'll see more yacht are professionals label doing relatively well and also within your BMC the company working with governments and the social domain who held out very well throughout this crisis. We talked a lot about government support the Dutch government support let me share some numbers We had overall in the Netherlands 26,000 people on government support. At the lowest point 18,000 and 11,000 a few weeks ago. Of those 26,000 23 are back.

Of those 23rd of the other ones not back 7,500 that young people with very small contracts. Just 6% of the people not working are 25 years and older and working more than 25 hours a week. So this system has really worked to keep people motivated and also to work with them and get them back to work quickly. Germany to the Netherlands similar automotive already weak that already in 2018 we took out we took out people. So that is still weak although sequentially, the drop is less than you see in other markets.

Belgium, yeah, still good earnings, diversified portfolio in Belgium, we have very specific business 6,000 cleaning ladies who immediately had to stop. So that was quite a drop specific for Belgium. Italy, one of the most hits country's earliest hit.

So when we talk about management teams now given everybody a compliment certainly also the Italian management team in the midst of the deepest crisis they saw they were optimistic they still kept the head high. And we see a great return already in terms of NPs at work throughout the quarter and a pretty good EBITA margin development. So the Spanish team so sometimes COVID hit really close to home so our Spanish MD had go with himself and continued to run the business. So that is impressive in itself, but shortly in Italy and Spain we knew people we knew people that had COVID we had people that died family member so it got really close, but within that they stay very resilient.

And there is still a profit in Spain the government support system changed throughout the quarter so almost a moving target, but anyway, so there's a little bit of still waiting to see in the Spanish result. Rest of Europe, of course UK has a big education business, that schools were closed, they didn't help, I don't in Sweden those are elements to mention in our other European markets. Rest of the world, yeah is becoming well for me definitely not moto to meet this at to mention this with you a big start. Our Japanese business, very low negative growth, great result, very happy with that performance but you see Australia, New Zealand also minus 6, and India 9% 9% growth record profit and of course I asked myself why and I know all the three our CEO in India has just wrote a management book.

So it's called the rule of. You can buy it at Amazon and I'm honestly I'm not too much into management books, but given the results of India, I can highly recommend this book, but on a serious note big compliment for our Indian business, because as a country of course, there are also now seriously hit through COVID started slow, but it's unfortunately heating up. Also in Latin America business many of them actually made budget they grew so again it helps to be all across the globe. Our global businesses monster yeah, but yeah, this is about job ads so that when sequentially down but financially still pretty stable picture as for Sourceright business, certainly our IPO business it again is proved was hit less than the regular perm number, but still was hit and also our MSP business in some markets just less demand many of these businesses by the way monster source tried there in Asia, the US also no government support in terms of safeguarding results for Sourceright business.

We do have very strong client pipeline and that helps and then finally right smart our career counselling career change re-skilling business up 29% and more to come and we did a small acquisition so that were now in the German market. Also, so, again quite a quarter, but

happy that we are where we are. And on that note, Henry. Can you share something on the number.

Henry Schirmer

Absolutely. Good morning, everybody. Thanks, Jacques. So let me know dive into quarter 2 results in a bit more details and as mentioned by Jacques, our Q2 numbers demonstrated strong operational agility of our highly experienced management teams, while underpinning the resilience of our diversified portfolio and free cash flow generation. Organic revenue growth for quarter 2 was minus 25% with momentum clearly improving during the quarter. This of course reflects the gradual relaxation of country lockdowns in most of our region's and our relentless drive and focus to bring our talents back to work is showing up in the numbers already. Gross margin in the period was down 130 basis points year-over-year, broadly in line with our expectations, due to significant adverse impacts related to COVID-19 and growing firm, that will get back to you on that on this on the next Page. I will also further manage operational expenses down in the quarter to EUR763 million, so 17% down organically year-over-year, achieving a recovery ratio of 42%.

And this is it's slightly ahead of our guidance of 30% to 40%, while still investing in our digital strategy and selected growth areas. EBITA our came in at EUR67 million, with 1.5% margin, and obviously this is a significant decline give a year, but given the magnitude of this crisis it reinforces our confidence to tap into the flexibility of our cost base while supporting the business for growth. And on the next line is gyration is one of course with A33 million this release relates to restructurings in several countries adapting to new realities amortisation impairment expenses were EUR103 million, which includes the goodwill impairment of EUR86 million related to the UK And let me now take you to the next page, where talk about the gross margin a little bit more. That is now Page 14.

So if you can see on the left, the 10 margin was down six basic point year-over-year and it's already flagged the second half of March COVID-19 is quite a significant adverse impact our attempt margin amongst others due to the expansion of idle time in several countries and agreements with clients the joint to protect employment. And the bar in the middle shows the decline of 70 basis point, they fell by 47% in quarter two, so this is purely a mixed affect. The bar on the right represents HR solutions, which has neutral impact on gross margin in this quarter. Our gross margin path going forward remains difficult to predict in the short-term given many moving parts, such as top-line development, seizing a furlough schemes and term trends et cetera.

With that, let me go to Page 15 and OPEX. So OPEX, as you can imagine the rapid decline of revenue and quarter two required an all-hands-on-deck attitude with respect to OPEX steering. And sequentially we reported organic OPEX down by EUR121 million and the year-on-year decline of 17%. those numbers alone can't express the entrepreneurial attitude of all our leadership teams around the globe which made the job of the sea for quite an easy one.

As you would expect in a storm like that we took in we took instant measures focus all spending on what made the boat go faster or more resilient, of course instigating an all-out travel ban and hiring freeze and also suspended executive bonuses over 2020. Let's see what I expect, we also accelerated our efforts looking for ways to further unlock the power of one round studs and in that context, we also benefited from structured cost measures taken as part of our cost optimization program. As communicated during our quarter one

results, results. Our cost base was also supported by employment protection schemes in the order of EUR45 million.

Overall, it was very good to see how the company came together virtually, of course, to lean into the new reality of the market without hesitation knowing what needs to be done to protect the company wide, serving our customers and talents in these testing times. And please rely on us that we continue to balance the short-term and the long-term seeking to protect employment and safeguard profitability levels are required to see the business in a healthy fashion for the next period. Now, let me talk on Page 16. About our strong balance sheet and our working capital movement.

The important to the company generated to free cash flow of EUR530 million, about EUR500 million more than last year in quarter two. While EBITA was significantly lower year-over-year. We benefited favourably from positive working capital movement. The development of our receivables in the slowing growth environment provides a very significant liquidity protection, evidence already in previous downturns.

The resulting resilience of our free cash flow generation through the cycle is an important asset of our industry. Please note that we also enjoyed some support from government, the lowering our suppose phone payments in several countries. The total positive put this effect on our working capital was around EUR145 million the quarter two and will gradually reverse in the coming quarter. Income taxes paid turned into receipt and quarter two which is mainly caused by reversal of payments in quarter one this year.

This is fully aligned with our previous communication, they sales outstanding came in 0.9 days lower than the last year on the 12-month moving average and so far there's no material extension payment terms will visible. However, as stated before we further tightened our governance around credit risk management and deployed additional resources to support the cash collection process. At the end of quarter two, report the to leverage ratio of 0.3 IFRS16 which excludes our CC receivable of EUR368 million, our cash position amounted to EUR327 million. We have drawn EUR200 million from our revolving credit facility and EUR1.65 billion is undrawn at this stage.

In summary, the excellent amount of free cash flow generated in quarter two, help the further Boards during our balance sheet and this providing loads of confidence to the business to weather the storm from a position of strength. That already gets me to my last chart, the conclusion and outlook chart on Slide 17. So as stated before the revenue declines in the beginning of quarter two significantly is throughout the quarter and most of our markets and we exited the quote at the sales decline of 21% year-over-year in June and observed further positive momentum in the first weeks of July. The same time visibility remains very limited with ongoing high macro-economic uncertainty and some recent science of regional lockdowns again.

Please be aware the quarter 3 normally has some seasonal tailwind given more gig based events and holiday work so tougher comes to beat. And as stated we continue to see direct link between our top-line developments and the intensity of the lockdown by geography. However, we put our utmost efforts to bring as many talents back to work as possible utilizing the many new growth opportunities presenting itself in the marketplace.

And is every crisis creates new opportunities as such we are establishing new Benchmark for the frontline sales productivity.

Utilizing best-in-class digital tools and data driven demand projections for optimal sales impact. Our golden rule to aim for 50% recovery and download cycles a serves as well in the past and will also be applied in current circumstances. And for quarter three, we expect the recovery ratio of somewhere between 30% to 40% reflecting more aggressive investments in growth opportunities. Partially offset by ongoing agile cost management. The tailwind from fellow schemes is expected to abate in quarter 3. Well, that concludes our prepared remarks. And we now happy to take your questions. Rosie back to you.

Questions And Answers

Thank you. So as a reminder, (Operator Instructions) And our first question comes from the line of Paul Sullivan from Barclays. Please go ahead.

Paul Sullivan, Barclays

Yeah, good morning , everybody.

Just a couple for me. Firstly, it's only reason why the recovery ratio should be lower in the third quarter than the second quarter? And whether the unwind of various furlough schemes that you've benefited from will represent in margin headwind into the coming quarter? And then just tie to that, is there anything in the Dutch schemes that prevent a return to dividends and cash returns next year? And what is your thinking with the cash that is now clearly building up, especially if you adjust for the CICE receivable? And then just finally, in terms of the furlough schemes more generally and the rate of improvement into the summer and beyond, is there a sense that these furlough schemes potentially distort the recovery probably going forward. Thank you.

Henry Schirmer, Randstad

But let me maybe take pick the first one hi, good morning Paul, I think that question so makes you as far as the recovery ratio concern in quarter 3, we definitely see some unwinding of Philistines with mentions the number of EUR45 million which helped us bring flexibility in our numbers, but we also want to definitely drive the company for sales. So this point in time you will understand we are not mentioning the company for maximizing profit, but really bring as many talents back to work as possible. When it comes to dividend payments, please allow us to really concentrate and exporters to go through that the crisis where if you ask me we're still in the middle of it and it's far too early to declare victory. So we really just concentrate and focusing on the operation of the company bringing as many people back into work, grow as fast as you possibly can and then the normal natural point to talk dividends would be after quarter four again.

Yeah, hold on the Dutch.

Jacques Van Den Broek, Randstad

Well, there was a scheme for the first three months and then there was a second scheme. The first schemes had no drawbacks on anything you could do. The second one had but we didn't apply for the second one because you need to have for the quarter in -20% of revenue and that might not happen which of course is good news. So we didn't apply for that steam so it's irrelevant what kind of dues are those are in that scheme for us.

Your other question was interesting in how far government schemes disk or distort recovery. I don't know that what it does give people may be a false sense of certainty or the lack of a sense of urgency what is happening in the market. So in our those business we approached 14,000 people 14 offering them because they're not working currently. A re-skilling and I

would say, just 1000 take it and then quite a big group is still waiting and I don't think you should be waiting, if you're not working currently you need to go to your employer, asked about his plans if he knows them and if you get a bit of an uncertain answer you need to work on yourself and you need to look for where demand is going to be in the future or take time to skill yourself better or more.

Paul Sullivan, Barclays

Yeah. Right. That's very clear. Thank you, Jacques.

Operator

The next question comes from the line of Anvesh Agrawal from Morgan. from Morgan Stanley. Please go ahead.

Anvesh Agrawal, Morgan Stanley

Hi. Good morning, everyone, and thanks for your comments. I just got a few questions. First in France, you touch that you have performed better than the market. Maybe if you can touch on the regions there and sort of is that purely driven like internet even value management changes? Or have you done sort of anything different there to out to the market? And taken second just your thoughts on the US We are seeing sort of some cities or regions going into the lockdown again. And what I what are you seeing there in terms of trend and how we should think about that?

Jacques Van Den Broek, Randstad

Yeah, well I could of course, give you a great story on France, but I think at the moment whole month it is very much a business related or not an automotive in France as opposed to Germany have we walked out of 102 years ago that sort of helps Amazon is a big client in France, well in France were not with them. So I think it's business makes having said that Henry and also myself eluded at are what we call digital based sales effort so the amount of sales calls and connects with clients is really, really heavy at the moment in every country. So we are optimistic about continuing to take market share not just in front.

Yeah, well I could of course, give you a great story on France, but I think at the moment whole month it is very much a business related or not an automotive in France as opposed to Germany have we walked out of 102 years ago that sort of helps Amazon is a big client in France, well in France were not with them. So I think it's business makes having said that Henry and also myself eluded at are what we call digital based sales effort so the amount of sales calls and connects with clients is really, really heavy at the moment in every country. So we are optimistic about continuing to take market share not just in front.

Anvesh Agrawal, Morgan Stanley

One thing to add for my sights. We have fantastic management team, it brilliantly in the current phase. Both we have a good more resilient portfolio with very strong professional business and you see that back in the numbers, so it's help for May be for if I can just one more, I mean your PR yesterday commented that at the beginning of the quarter their clients were talking about a v-shaped recovery and now they are more talking about u-shape recovery going forward. What is your sense when you sort of talk to your clients? And how are they thinking of the recovery going forward?

Jacques Van Den Broek, Randstad

Yeah. I learned something from up and I said, if you don't listen to your client you go bankrupt, but if you listen to your clients you go bankrupt too, so they don't know if you ask me it definitely not a V-shape, remember 2009 and in many markets in Europe less in US but in Europe it took 4-5 years to get back to the penetration attrition rates of 2008. So, we're in it for the long and that's why we're investing so much in sales to take market share because this might be a while let alone the health situation that makes it so tough to predict. So clients don't know which of course is also for us we do in flexibility, that might also prove to be an asset going forward.

Anvesh Agrawal, Morgan Stanley

Thank you.

Operator

The next question comes from the line of Warren from UBS Please go ahead.

UBS

Morning, all this for a year. Just to for me, please. Firstly, again following up on North America and just on the near term trends there.

And on the payroll processing no improvements in the trends in June and July unlike the rest of the world and I appreciate very broad business, but could you say which states or even which sectors are still getting worse at the moment so we have a better picture of the range of things in North America. And then secondly on the gross margin the temp gross margin decline was probably a bit better than expected definitely better than you were kind of I guess tracking towards at the end of Q1 to Q2 about what actions you've taken to mitigate that drag there. Thank you.

Jacques Van Den Broek, Randstad

Yeah, and you are told it's the sectors are the same as in Europe. So anything colours relatively stable and Henry already alluded to our it business, which is quite stable and we do expect it to go forward, because it just less hit by people by locations being closed people that cannot perform their job. Of course, the US is Europe was very much like in many countries. Total lockdown, closing down the economy and then opening up again. So therefore, not economically, but you see a quicker return to work.

And US it's been gradual up and down, open and close as I said earlier 880 different systems within states cities as well the mayor of Atlanta is a Democrat he wants to open up the city and then the Republican government bans that so we need to follow that up so within that is very tough to recognize a trend. It's definitely not getting worse, but it's not like that the steeper thing that we see in Europe, but that was very much look down driven. So, but still Henry said very happy with the performance in the US how to out a team is hanging in there the financial results so yeah, very happy.

Yeah, as far as gross margins concerned with ten margins are concerned obviously we have with commercially very, very strong everywhere so we always have top line and bottom line important line in our views, having said that in quarter 2 there's also a bit more idle time than what we would normally like to have also to support our talents and our clients in optimal way and we've seen it, we've put in our press statement we find out probably close to 100,000 jobs regained.

So sometimes it's good to be with a client in the to I don't know to have bit of a margin split or as long as not structure and just kind of getting us through that period so I think after quarter 3 of quarter 4 we probably have a better view on the margin picture. I think it made this wonderful off on that gross margin. I guess maybe the amount of idle time, cost was pretty a bit better than expected, it is that fair will or do you think that it's just indicative of where the markets and the clients are what other any actions you took to try and minimize that within the course that we should be aware about?

Henry Schirmer, Randstad

Yeah. Absolutely.

I would say, I mean, who stated that the margin came in the gross margin in general as expected. So we take hundreds of thousands of every little deal is being a judgment call a trade-off to be made and it's just that I've sit here really in all kindness knowing that we are commercially very strong everywhere we have good people on the ground, but I don't care I can't point out any Silver Bullet we've applied it's really being in every deal understanding the numbers and, but still being human forward being with the client and that's what we do. Okay, great understood. Thank you very much.

Operator

The next question comes from the line of Hans Pluijgers from Kepler Cheuvreux. Please go ahead.

Hans Pluijgers, Kepler Cheuvreux

Yes, good morning, gentlemen. For my size for the markets to already mentioned to professional side and IT side with our any other businesses where you believe you outperform the market or are we were there any specific big orders you get in the quarter? Secondly on the seasonal effect in Q3, could get maybe some indication what percentage of sales normally it should seasonal work in Q3? And at last the on the CCA still on the balance sheet you ever see Q1 numbers indicated you with maybe considering selling it.

Could you give me an update on that?

Jacques Van Den Broek, Randstad

Yeah, I'll take the first two. Yeah, outperformance they should US the sector body updated to market there, they were first at minus 21 for full-year now improve to the bit to minus 17.

On that note, well, I don't know but then we think we're out performer but you don't get like you see in the Netherlands and in other markets a month-by-month comparison, so that's tough to see it's more later in the game. The seasonal effect is yeah, is always a bit of but for example in Belgium you have this special thing where students can work at a very low rate so the client doesn't pay social premiums and they are used a lot in the seasonal in the summer peak, but of course of course, there's a few things here.

First of all, clients are not working at full. So they might not replace all of the fix workforce with holiday workers. Many of them also work in events work in summer pop festivals and all sorts of events, which will take place. So on a global average we've looked at it but let's say, it's around a 4% sequential uplift and that might not happen or happen less.

So, we have it a bit in a Dutch business. We have it not in the US business. So it's a bit different country for country, but we thought it was important to flagged. So there's always two things, right? The first is the sequential optic throughout the year, where we have most people at working Q3.

Then Q4, then Q2, and Q1 and he got the seasonal optic and of course the optic compared to last year so far so good in the early weeks of July, but this might prove tougher in the back end of the summer.

Thanks for your questions regarding this day we indeed quarter 2 is free of any CICE impact, but I'm very pleased to tell you that we have received the 2016 part of the CICE, which we normally would have expected to come in November that it has already been received in quarter 3 and 4 for a remainder part we indeed in the market as we speak to see whether we can monetize it can't make any but just confirm that we are actively working on it. Okay. Thanks.

Operator

The next question comes from the line of Marc Zwartsenburg from ING Please go ahead.

Marc Zwartsenburg, ING

Yes. Good morning, everybody. A couple of questions from my side.

First of all, maybe going back immunity on the thing, Henry, what will be your way of thinking about the EUR368 million? What if you can monetize it earlier? How would why would you want to do that and how would they then impact your capital return you would filter into that? or no. That's my first question. and then maybe to dig a bit further into the gross margin trends. On the one hand we see the stocking margin being down say 60 basis points but going forward, is there some impactful in there for maybe some Government schemes that keep people at work while they're actually not working that has a positive impact perhaps and going forward that might drop out a bit.

On the other hand, I thought I might come down a bit on the better revenue trends but positive way of other you're few on the gross margin trends perhaps going into Q3 also and then the other bucket is of course the firm trend, but could you say anything what you expect from the gross margin?

Henry Schirmer, Randstad

Yeah. Yeah. Let me first read right was that on CICE of course, we've taken the decision to strengthen our balance sheet as much as we could going into that crisis and as I said, we've not declaring victory here there is still as far as I'm concerned quite a long story road for full recovery so we definitely will take a more structure look about how to finance at the end of the year when we see how the year was running I mentioned that EUR200 million of RCF is being drawn. And then we have currently at EUR160 million.

US alone maturing quarter 4 so, let's see how that plays in the. As far as stuffing margins concerned if you ask me if anything thing or numbers is slightly negatively impacted by in our gross margins idle time is a is an issue was an issue in quarter 2 will probably also be an

issue going forward. And therefore, giving any guidance on quarter 3, is very problematic. There's many moving parts.

This is big moving revenue part makes it play furlough schemes unwinding, so please allow me to stay away from giving any guidance on gross margin.

And I to say 368 CECI but as we said we just received something so you should think 280 something.

Marc Zwartsenburg, ING

Yeah, sure. 95 something.

But maybe going back to you will have on your OPEX line still Government some drops out.

What is your thinking along investment said if the market improves little bit further and big stabilizing a bit think of it more into the second table which it then try to invest a bit further and that's why you don't bit more cautious with recovery ratio in the 30%-40% range is that the way of thinking.

Henry Schirmer, Randstad

Yeah, so let me explain so we have in a way we've reinvented our a BFS so we've looked at what we can do with the current online tools so instead of calling a client going there physically you can also do this online and of course, we have different marketing support way more online marketing support sort of thematic waves around safely back to work around online HR or are planning for the rest of the year about re-skilling. So we give it to our people. So we want them to do way more than they ever did before, it's sort of a global program or the global basis and then local flavour. And so for example, where in Spain and we say okay, we're going to bring back 35 people.

Those 35 people are going to sell like hell and if we see our conversion in the funnel improving, we can bring back more people. So that is how granular we're doing that. In some businesses are for example our US IT business that's a very profitable business doing already quite well, which still a lot of room to grow in the market there were even hiring people for the rest of the year, but the rest is bringing back bringing back people as much as we can drive on the commercial input and the results. So, that's why it's very tough to call because we don't know that, and that's why we stay in the 30 to 40 range and we still have if you would add it all up and away 4,000 people that are not working. As so this is, and we want to bring them all back ideally if possible, but we need to sell our way into it. So that's what, that's our first priority not having 50% recovery ratio and firing colleagues.

Yeah, yeah, that's very good colour. Thank you. Sure.

Operator

The next question comes from the line of Konrad Zomer from ABN AMRO I'm right, please go ahead.

Konrad Zomer, ABN AMRO

Hi. Good morning.

Henry and Jacques, just one question. I think you did remarkably well on the cost savings in Q2 organic operating expenses down 17% on organic revenue decline of 25 do you think that GAAP could widen in Q3 given that you've given us the exit rates for your geographies and in most areas there is improving momentum because and this relates a little bit to Mark's question a minute ago, you now this point where you might want to stop cutting costs as rigorously as you did in Q2 because you see the growth opportunities?

Henry Schirmer, Randstad

Yeah, I know that is very-very good and valid question. So we feel we are in full control of our cost base. And the first priority for us is bringing people back in the jobs and grow and yeah, we have been told to big market share along the way.

And we rebuilt some durably into portfolios, which are more resilient even then they've been before. But at the same time, we are very commercial organization, so there's what I said, the job is to see for and that company is relatively easy, because we have unbelievable experience leadership team who have always the end in mind and so therefore thing you can rely on us that we take the medicine where we have to, it's probably not the time now to be I don't know not really focused so we put everything what I said to make the boat faster or to build Brazilian portfolios, but we will keep there in mind and we will definitely manage for both, but priority is sales and then a very, very healthy profitability but yeah secures the future of the company frankly.

Okay. Thanks very much.

Konrad Zomer, ABN AMRO

Thanks very much, Henry.

Operator

The next question comes from the line of George Gregory from Exane. Please go ahead.

George Gregory, Exane

Good morning, Jacques.

Good morning, Henry. Just had just one quick follow-up on the gross margin you talk about some of the moving parts in the and the puts and takes on the temp business as we move forward through the year and perhaps into next year. Could we could we expect price pressure to build in the tent business as far as schemes unwind as that of implicit capacity in the market build and what offsets are there to that, please?

Henry Schirmer, Randstad

Yeah. So does for me quickly when you'll be so that there's two things for pre-COVID. We obviously we benefited actually from pricing power because it was very scarce market we had good access to talent and therefore we could command pricing with maybe going forward high unemployment that pricing power might go down a little bit, therefore the might be also pressure on salary levels that were set for don't know. But time to fill is the total different thing. So therefore our productivity levels should go up. In addition to that what we call the save the digital version of. I do extract actually a good counter weight to that. How it really plays out remains to be seen, it's very, very hard to say but both of these are the two big things in there drop see there's makes that play we try to grow and

accelerate our growth on those places where margin is margin is probably above company margin is et cetera. So those are the things in general terms I'd like to mention.

Jacques Van Den Broek, Randstad

Yeah.

So one thing to add to that. In our in-house business that's so it's always about cost, so we are urging and we're reaching out to our clients with proactive proposals to bring down their cost, we know the process is really well, the core of this business is to improve the productivity of the Labour Day hire and also the processes around that. So we do expect a lot of demand for our clients which we had already offered but not all of them took it to digitize further and therefore back to Henry, productivity goes up client faces less, productivity goes up so that's sort of a sweet spot so we're trying to take it as proactively as we can at the same time if a good client comes up to us with a relatively low margin, but we can serving very effectively or of course do that, but then also, the drill we're never going to take loss-making business just be get just to get revenue it's always striking the balance. And then the last one is credit and then the last one is credit check that we believe that up so far so good also in 2009 that was good, but you never know sometimes it's very tempting to have a big client that has a lot of times, but the credit check is not okay, so we are really very rigorous on those.

Thanks.

Operator

Before we continue with the next question. (Operator Instructions) And the next question comes from the line of Sylvia Barker from JP Morgan. Please go ahead.

Sylvia Barker, JP Morgan

Hi. Good morning, everyone. Pretty quick ones. Please could you give us the split of the 45 million of government scheme helped by country or these kind of the bigger constituents of that? Then you talked about kind of share gains quite a lot.

Could you maybe be more specific we go around and of countries, are there any particular markets in which maybe some of your competitors are struggling and you're able to gain share? And then finally, could you just remind us your exposure to SME's in your largest marketplace? Thank you.

Jacques Van Den Broek, Randstad

Yeah. Thanks, Sylvia. So, I'm afraid this allow me not to give you a very detailed split just a bit more colour.

So we talked mostly about US., France, Netherlands, Germany, Belgium, Italy, Spain and UK and then there's a whole of smaller countries including Canada Etc. Maybe the three previous the strong Netherlands and Belgium, maybe Spain as a fourth one in absolute terms, but that's about what I like to give away this point on hope you understand.

Sylvia Barker, JP Morgan

That's helpful. Thank you.

Operator

We have a follow-up to my parties, please continue. No.

Jacques Van Den Broek, Randstad

That was the second part on what marketer and maybe on market shares do like to take that.

Yeah, we well we know for sure is a France, Belgium pretty solid about our IT numbers in the US Japan, we don't know very happy with performers but market numbers are not there yet. Germany we've take it market share already quite a wow compared to peers but of course, they've got easier comes now so that's going forward of the happy with our professional performance in the Netherlands. Yeah that's a bit of the rundown. Spain, we don't know yet, Italy has been taking market share so might be a bit less now, but still. Yeah. So it's a good mix.

Sylvia Barker, JP Morgan

Okay. Thank you. And just on SME's relatively not to get in Germany but. Yeah, we can give us any colour.

Jacques Van Den Broek, Randstad

No. No.

Because we don't know, because the markets numbers don't drill down there. Germany is relatively weak in terms of info on market share to go. I'm sorry. I just meant kind of SMEs is the proportion of your customers whether their material.

While in Germany that has increased in the last five, six years, of course, probably also now go checked it recently. But yeah, the big ones have gone down two automotive. So that's almost given. And certainly, if we talked about again this reinventing ABFS we cover a large part of the market because if people can do four times more in terms of commercials they can also cover a bigger database and although Germany is a big country for us.

We have less than 10% market share as market leader so there's a lot of ground to be covered in the family SME time business so that is definitely a target for us in terms of sales. Thank you.

Operator

We have a follow-up question now from the line of Anish Agrawal from Morgan Stanley. Please go ahead.

Anvesh Agrawal, Morgan Stanley

Hi guys. Sorry, so just one follow-up and it's slightly technical one on the tax rate your peers are guiding to a higher tax rate because of how the revenues are attached in France, but you are actually it seems not has not gone up. So is that just an accounting difference, because you are an IFRS versus and US gap or you got higher sort of operating losses that you can monetize to offset the tax impact.

Henry Schirmer, Randstad

And why I hear all the good stuff. So this is Henry.

Look you've seen as far as cash Texas concern for the tools actually have a receipt and we've seen already in quarter one, because we overpaid taxes. Actually the expected effects

tax rate for the full year is expected to go up just by nature of the expected income before tax is going down therefore there are some tech elements in there which are pretty stable, so therefore then the rate is shooting up, but more than happy to if you call us really take you through all the technical detail you ever want to know.

Anvesh Agrawal, Morgan Stanley

Okay. That's fine. Thank you so much.

Operator

We have no further questions in the queue, so Jacques I will hand back to you.

Jacques Van Den Broek, Randstad

Thank you, Rosie. Thanks, ladies, gentlemen for calling in. I'm more for excitement, I think that's the beauty about this business but I am hoping for Q3 which is slightly less eventful, at the same time all stay healthy. I wish you a great holiday wherever you're going and hope to see you at our Q3 numbers. Thank you.

Henry Schirmer, Randstad

Thank you so much everybody.

Operator

Thank you for joining today's conference. You may now disconnect your lines. Thank you.
The Event has Ended