Randstad Q1 2024 Earnings Call - 23 April 2024 09.00 am CET

Sander van 't Noordende: Thank you very much, Alicia, for this introduction. This is Sander, the CEO of Randstad. I'm here with Jorge, Stef and Temur from Investor Relations.

During the first quarter, we continued to adapt as market conditions remained challenging. While we performed well in Southern Europe, LatAm and AsiaPacific, we encountered softer than expected conditions in North America and in Northern Europe. Against this backdrop we delivered revenues of 5.9bn euro, a decline of 7.8% year-on-year.

Our gross margin came in at 20.2%, modestly down compared to last year, reflecting our service mix and a slightly lower margin in our staffing business, which was driven by higher sickness and other seasonal effects. As you would expect we sustained our focus on adaptability resulting in an underlying EBITA of 177M Euro, a 3% margin for the quarter, with a recovery rate of 46%.

As we move into Q2, we expect the macroeconomic environment to remain challenging.

That said, we do see green shoots across some of our regions and segments. In our conversations with clients we hear that things appear to be bottoming out. We are now a few weeks into April, and we are seeing broadly similar volumes to those at the end of Q1.

We are ramping up our commercial activities and following our steering principles with investments in field capacity where we see concrete growth opportunities.

Also, in Q1 we stayed the course on executing our Partner for Talent strategy.

As you might recall, a key priority for us is Growth through Specialization. We have identified four specializations: operational, professional, digital and enterprise. Each of these specializations is focused on high-growth markets. Another, pivotal plank of the strategy is our investment in Technology.

I would like to highlight 3 things in particular:

Firstly, the implementation of our specialization framework is progressing at speed. At the time of our Q4 results in February, we had implemented the framework in half of our markets, we now expect 90% of our markets to be brought within the new framework this quarter.

Secondly, we are excited that our digital marketplace roll out in North America is progressing well. As set out at our Capital Markets Day, we expected to reach a run rate of 2BN Euro globally by the end of 2024. We now expect to reach this number in Q2, several months ahead of schedule.

Thirdly, our Randstad Talent Platform went live in the Netherlands and Sweden and the roll-out has gone smoothly and according to plan.

In summary: the ramp up of commercial activities, our investments in field capacity where we see fit, combined with the execution of our Partner for Talent Strategy, position us very well to capitalize on the growth opportunities when the markets return.

It is fantastic to see the focus and commitment of our people across the globe and how they position Randstad for growth.

Let me now hand over to Jorge to give a bit more color on the numbers for the quarter.

Jorge Vazquez: Thank you, Sander, and good morning everyone. During our Q4 publication, where we last left it, in mid-February, we discussed how our year started slowly, the impact of holidays, supply chain disruptions, sickness rate, among other things.

Today, looking at the entire Q1 and comparing it to Q4, we did observe a slow start to the year, but in the end, within the range of more familiar seasonal historical trends and broader signs of stabilisation, which is especially important after an atypical 2023. Things seem to have normalized.

In terms of comparison to last year, Q1 declines and trends are in many ways similar to what we saw in Q2, Q3, Q4, as normalization from 2023 hasn't yet lapped.

At the same time, the path to recovery is unlikely to be uniform across all our markets. As you'll see from this quarter's performance, we made good progress towards growth in some markets, while in others, things have been slower to pick up. We will cover that in more detail shortly.

Financially, our performance and adaptability ratio have remained strong, and we have again demonstrated the resilience of our business model.

As Sander said, we are beginning to see green shoots. While uncertainty remains into Q2, we have recently seen some positive economic indicators change. Q2, therefore, appears to be a transition quarter, from comparables, from seasonality perspective and hopefully from a more pronounced recovery.

In that context, we continue to roll out our partner for talent strategy across all operations and are making early-cyclical investments. I am excited about these initiatives, which are designed to put us in the best position for an economic recovery.

When conditions soften, our clients pause projects, reduce costs, hoard labour and outsource their non-core activities. Clients begin to test the waters, ramp back up projects, hire flexibly, and increase their teams permanently when in recovery. We have been managing for the former and will now tentatively for the latter.

Let me now discuss the performance of our key regions on page 8.

Shifting our focus towards North America, especially the United States.

As discussed before, the current economic indicators show a slightly different story compared to previous cycles:

The sectors where Randstad has traditionally had less presence, such as healthcare, government, and hospitality, are experiencing more hiring.

In the manufacturing sector, however, we have observed one of the most extended periods of restrained PMIs (Purchasing Managers' Index) or confidence, accompanied by a similar long decline trend in temporary staffing volumes. However, things have stabilised sequentially.

As the post-pandemic normalisation process continues, we expect more positivity towards hiring and labour planning to return to normal levels.

Our revenue dropped by 15%, stable compared to Q4, with Perm declining 40% (Q4: 31%), therefore creating pressure on our gross margin and ebita margin in the region.

Our US Operational talent solutions declined by 11%, with lower demand across all sectors.

Professional talent solutions was down 22%, facing challenging market conditions affecting the IT services sector.

US Digital Talent Solutions was down 16%, while US Enterprise Solutions was down 16%.

The EBITA margin stood at 2.3%, with a recovery ratio of 54%.

In the United States, in particular, we continue to roll out our digital marketplaces, redesigning and resizing our organisation to accommodate new ways of working and this new normalised levels of GP. This quarter, we incurred a significant restructuring charge on real estate.

Moving on to Northern Europe on slide 9.

In Northern Europe, we continue to navigate a challenging business environment with ongoing softness in demand. As established market leaders in these regions, our comparables (from a still relatively strong Q1 2023) pose additional challenges.

Germany was particularly difficult, and we faced persistent headwinds that impacted our profitability in the region.

Despite these difficulties, we've maintained strong adaptability in Northern Europe. Again here, as the new normalised level becomes clear, we have also adapted our teams and made a significant restructuring charge this quarter in the region.

In The Netherlands, revenue was down 7% compared to last year, reflecting a slight sequential improvement from the -8% in Q4. We have seen a softening decline across all sectors except the public and automotive industries and a gradual easing towards the end of the year. The Operational talent solutions was down 7%, while our Professional talent solutions was up 1% YoY. Perm was down 18% in Q1 (Q4: -28%). EBITA margin came in at 4.8%.

Germany's challenging economic environment has resulted in revenue declining 15% due to difficult market conditions and portfolio decisions earlier in the year. Operational talent solutions was down 17%, and Perm saw a 10% decrease this quarter. Profitability was significantly down YoY, mainly due to high sickness rates, the impact of holidays, and other incidental effects. We do not expect an immediate recovery in Germany and are refocusing the business for growth in our four specialisations.

In Belgium, revenue decline continued to narrow, an improvement again of the trend in Q4. Operational talent solutions was down 5%, while Professional talent solutions was down 1%. Belgium is one of our long-established number-one markets, with good portfolio diversification, and has shown good adaptability. EBITA margin came in at 4.5%.

Other Northern European countries reflected mixed performance. Let me break it down for you: Poland continued its growth from Q4, with revenue up 7%. Nordics was down 22% and Switzerland was down 12%. Ebita's margin came in at 2.1%.

Moving on to the segment Southern Europe, UK and LATAM on slide 9.

Our businesses in Southern Europe have shown resilience and adaptability, with improved growth trends. We achieved an EBITA of 107 million Euros, with a margin of 4.8% in the region.

We are selectively increasing capacity in some units to enable a standard ramp-up period in 2024.

France's revenue was down by 5% compared to last year due to softening demand in most sectors, below our expectations exiting the fourth quarter. Only the public service and automotive sectors experienced an increase. Compared to its neighbours, France was in a late cycle last year. The Operational talent solutions decreased by 7% YoY, while the Professional talent solutions increased by 2%. France ended the quarter with an EBITA margin of 4.3%.

Italy's revenue decreased by 2% compared to the previous year. However, there was an encouraging sign in March as it returned to growth. The Operational talent solutions experienced a YoY decline of 2%, while Perm declined by 2% as well. On the other hand, we are pleased with the successful rollout of our Enterprise solutions, especially RPO, which has already become sizable and is growing at 18%. Italy finished the quarter with improved profitability compared to last year at 7.6%. We plan to invest more in Q2 to remain well-positioned to continue capturing the market's opportunities.

Iberia's revenue continued to improve, growing by 4% this quarter and continuing to improve (Q4: flat). Operational talent solutions grew by 3%, whereas Professional talent solutions grew by an impressive 19% compared to last year. Notably, Spain showed robust growth, with a 6% increase, mainly driven by strong performance in its Professional talent solutions. This progression reflects our ongoing efforts to capitalise on market opportunities and enhance our regional presence.

Across other southern Europe countries, UK & Latin America, revenue and profit performance was mixed. The UK was down 12%, reflecting portfolio choices and challenging market conditions. By contrast, Latin America continued to grow, with Brazil notably at 10%.

Moving on to Asia Pacific on slide 11.

The Asia Pacific region also shows a mixed growth trend, with more challenging macroeconomic conditions at the beginning of the year.

Nevertheless, Japan demonstrated a solid performance, achieving 5% growth with strong profitability. There remains considerable potential in the world's second-largest staffing market. Operational talent solutions were up 2%, whereas Professional talent solutions delivered growth of 6% YoY. Our digital specialisation recorded double-digit growth in Q1 at +19%.

Australia and New Zealand saw continued softening in demand, particularly impacted by the holiday period, and revenue declined by 16% in the quarter.

India grew by 2%, showing resilience and continued focus on our portfolio.

Overall, The EBITA margin for APAC was at 3.9% in the first quarter.

OK, that concludes the performance of our key geographies. Let me now walk you through our group's financial performance on slide 13.

The group's revenue for the first quarter was 5.9 billion euros, which is a decrease of 7.8% year over year. Sequentially, this is in line with the normal Q4 to Q1 transition.

Our Operational and Professional talent solutions did slightly better than the group average, declining 7% and 6%, respectively. Our Digital and Enterprise talent solutions, more attained in North America, declined more than the Group average. At the same time, our pipelines in Randstad Digital and Randstad Enterprise continue to improve on the back of stronger capabilities than we have had before. Monster came in at minus 13% broadly in line with the previous two quarters.

We'll cover gross margin and OPEX later, but for now, the quarter's EBITA was 177M euros, with a solid margin of 3.0%.

Integration and one-offs were 41 million this quarter. Of this, 2 million are related to (M&A) integration costs. The remaining 39M are restructuring expenses, as mentioned before. The majority are rightsizing indirect costs in North America and Northern Europe, particularly in this quarter with a significant charge on real estate.

In Amortisation and impairment of intangible assets, nothing relevant. Net finance costs in Q1 were 7 million euros. Our interest expenses on our net debt were up 2M to 8M. The effective tax rate was 26%, with our guidance between 25% and 27% for FY 2024.

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

A few things about Margin. The first-quarter Gross margin was 20.2%, down 80 bps vs. last year. The chart shows this is mainly due to our perm and HR solutions fee businesses.

The overall temp margin declined modestly by ten basis points, caused by a mix of factors. Apart from the usual seasonal pattern, sickness levels increased in Germany and Northern Europe. The business mix in North America and the mix effects due to varying geographical growth rates also contributed to the decline.

In the first quarter, Perm revenue decreased by 21% compared to a fall of 26% in Q4, reaching 131 million euros. This decline was more significant than the temp business and hurt the gross margin by 30 bps. Additionally, RPO showed a similar trend and declined by 20% YoY, which explained most of the 40bps negative impact of HR services. Perm and RPO accounted for approximately 16% of the group's gross profit in the first quarter.

One crucial point: we have not lapped the fee business declines of mid-last year. Comparisons year on year still play a role here. Compared to Q4, our Perm and RPO invoiced amounts were broadly stable in Q1. Perm and RPO are more cyclical, which is weighing on us now, but cyclicality works in both directions and will support us strongly.

That brings me to the OPEX bridge on slide 15, and this one is sequential. In short, as we encountered a more subdued Q1 than initially expected, we continued our discipline on operating expenses, resulting in a recovery ratio of 47%. In the first quarter, OPEX was 1 billion 22 million euros, 1% down sequentially and 7% down Year over Year. The average headcount remained broadly in line with Q4 organically.

As mentioned in the Q4 publication, our focus is to ensure we have sufficient capacity in the market to get back to growth, continue the rollout of our strategic initiatives, and persistently streamline our indirect costs. A good example is resetting our accommodation footprint in the United States, where we expect to save between 30% and 40% of our costs in the next two years.

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 minus 42 million euros, reflecting lower profitability and the impact of Easter on our working capital. We saw the reverse effect at the beginning of April. DSO was 53.7, up 0.7 year over year. The geographical mix put some upward pressure on our DSO over the past quarters, which we expect to normalise as recovery continues. We continue to apply strict capital discipline.

Lastly, we completed the fourth tranche of our share buyback programme announced in February 2023. Today, we announce that we will start our fifth tranche, which will be completed in mid-July.

And that brings me to the outlook on slide 17. We expect the macroeconomic environment to remain challenging. On the one hand, uncertainty remains and even increases with the geopolitical events of the last few weeks and persistently high inflation levels.

On the other hand, sequentially, we see signs of normalisation in the quarter,, and, as I previously mentioned, and echoing Sander’s points, PMIs, conversations with clients, and green shoots across some of our markets and segments point to a potential bottoming out. Also, if seasonality works as expected, we expect to see our topline start increase.

We have worked hard to be in this position today. Our teams have been led by Randstad's golden rule in field steering: adaptability. Now, as we move into Q2, we are balancing for others, such as input headcount for output gross profit.

As we maintain our disciplined approach to capital allocation, we are prioritising investments in go-to-market power.

- Let me first start with the activity momentum. In the first few weeks of April we see broadly similar volumes to those we experienced as we exited Q1.

- Q2 2024 gross margin is expected to be broadly in line sequentially.

- Q2 2024 operating expenses are expected to be modestly higher sequentially as we position for growth to ensure we outperform our markets in the future recovery. We do this by (1) protecting field capacity in many markets, (2) protecting strategic initiatives, and (3) investing selectively in headcount guided by field steering principles.

- Finally, we note there will be a positive 0.6 working day impact in Q2 2024.

So, to summarise,

- It was a slow start to a more normalised year.
- In general, it appears some of our markets are bottoming out but things remain challenging.
- We are in a strong financial position
- We have the best teams to operate the cycle

Therefore, we are confident in our choices to capture growth more firmly as markets return. That concludes our prepared remarks, and we look forward to taking your questions - Operator!

Q&A

Q - Simone Sarli: Yes, good morning, and thanks for taking my questions. So first of all, if you could please comment on the exceptionals, so how we should think for Q2 and also for the remaining part of the year. Also, the second question is related to working capital. You have mentioned some impact from MIGs and also holidays. Is there a holiday in Q1? If you could talk a little bit about a more normalized trajectory for how we should think for Q2 and onwards. Thank you.

A - Sander van 't Noordende: Let me start on the exceptionals. They are by definition exceptional. It is somewhat difficult to predict, but I think we were quite open.

We obviously have seen the company normalizing after the peak of 2022. If we look at two of our more challenging conditions, North America and Northern Europe, we decided to take action. Action meaning resizing as much as we can indirect costs to the new normalized levels. In that context, this quarter in particular is impacted by a significant restructure on real estate.

Approximately half of the number you see there comes down to vacating offices in the United States and basically taking the charge that comes with it. Obviously, we do not rechange our accommodation strategy every quarter, so that is a one-off that we don't expect to see. Going forward, if things do seem to be bottoming out, our restructures, if any, seem to be more surgical in indirect costs and ideally only in indirect, infields because we want to protect citizens. On working capital, the large impact of what you see in terms of negative cash flow is purely the effect of the quarter having finished in Easter with a long weekend.

We saw the immediate reverse impact of that on the first days of April as we went into Q2. We had a similar effect in 2016, 2017, 2018, so it is nothing abnormal. It is just that, indeed, this time in particular, Easter was exactly at the end of the month.

Q - Suhasini Varanasi: Hi, good morning. Thank you for taking my question. I have a couple of questions, please. One is on the number of temps at work, which I think on average has stepped down by about 48,000 in 1Q versus 4Q last year.

Was there a difference between March and January? And if there was, can you please let us know what the exit rate was? The second one is on the SG&A, please, on the outlook. When you say it is modestly higher, just like there's a slight difference in terminology versus the marginally higher SG&A that you had talked about for 1Q, which effectively stepped up by EUR6 million. So how should we think about the modestly higher SG&A places? Should it be up 10 million, 15 million QoQ? Thank you.

A - Sander van 't Noordende: Yeah, let me take the second one. Look, what I think I said and then tried to make clear is we've been clearly managing for adaptability over the last year. Of course, we'll do this responsibly, but we're starting to manage as well to capture the upside. So from looking ahead into Q2, when we say modestly, I'll say it's not EUR5 million. So the plan as it stands at the moment is probably not EUR5 million to EUR10 million, but we're just starting the quarter now, so we'll see how we actually evolve into the quarter.

And that's just to set us up for more growth in the second half of the year. In terms of the first question, our employees working were pretty stable throughout the quarter, and we found reasonably in balance. I mean, typically things decline around 4% to 7%, let's say 6%, 7% from Q4 into Q1. We saw a revenue decline of close to 5% from Q4. So we see, let's say we saw a number, yes, on the slower range of things, or the lower part of the range, but still in line with what we typically see in seasonality. If you look at the quarter, it's a difficult quarter to read, intra-quarter. January started very slowly. We remember we discussed this in our Q4 publication. A lot of prolonged holidays, or let's say a slow start after New Year's Eve or after New Year. Q, March in itself, the numbers remain stable, but it's also a funny quarter to read because, of course, we have a lot of holidays. And as I mentioned earlier on, we had Easter falling into it. So we are confident as we start Q2, we are seeing the normal size of seasonality. And in that context, we are ramping up our investments.

Q - Abby Bell: Hi, it's Abby here with just two questions from UBS, please. Firstly, what's within the 40 base points gross margin decline from HRS and other? I know that you mentioned that 20 base points was around from RPO, but what about the other 20 base points? And will these pressures ease over the year? And then secondly, net headcount was stable sequentially in this quarter. And so will you expect this to be rising in the Q2, or are there other items that are increasing for now within your cost outlook? Thank you.

A - Sander van 't Noordende: Thank you Abby.

So first on HRS, I mean, the RPO is 20%, but I mean, it's brought in line with the rest of the different products we have or different services we have in HRS And then I think the reality I think the reality is we are now starting to lap, especially in Q2, a lot of the declines we had last year. What I do take comfort in is, if you look at the hiring activity, the invoice amounts we gave to our clients are actually pretty stable between Q4 and Q1, both on the permanent side of things as well as on the RPO side of things. That means we've achieved a bit of a bottom, and going forward, yes, they might start easing, but that now remains to be seen and captured in the market.

Let me say a few things about the headcount, Abby. You have Jorge here to say about our field steering, and that's what we continue to do. First of all, we see segments and pockets in our business where we see opportunity, and that's where we will increase headcount. Secondly, there might still be pockets where we have challenges, so we might reduce headcount. I would say, in terms of our headcount going forward, it might take up a bit, but not dramatically.

A - Jorge Vazquez: Lastly, you asked a question about headcount. Yes, like Sander just answered, and not dramatically. At the same time, of course, as we go into market, it's also time to consider things like marketing, time to consider things of timing up a lot of our goto-market investments, and that all plays for, as we stand today, going back into more of an investing mode.

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Q - Alfonso Osorio: Hello everyone.

Good morning. I just have two, please. First one, building on Simone's question before around restructuring charges in Q1 and the rest of this year, is that just downsizing your real estate footprint in the US And Northern Europe, or are you doing something else in these regions, i.e. Delaying managerial roles or perhaps changing the strategy in those two countries? And then number two, on the current competition environment, just wondering what kind of trends are you seeing on the ground at the moment, particularly in Europe and in the US As well, and if that had any meaningful impact on your pricing power in Q1, and what kind of pricing you expect going forward this year? Thank you.

A - Sander van 't Noordende: Thank you for the question.

Just to be objective, we are consistently always looking into ways of optimizing our cost base and our OpEx and definitely our indirect costs. In that respect, a large part of this quarter restructure was done to real estate adjustments, state adjustments. The other part of it comes down to reorganizations of how we support our business in North America and in Northern Europe. Obviously, it is difficult to say how that will evolve into the rest of the year, but we are continuously looking as we roll out new ways of working on how to optimize our cost base and set us up stronger towards 2024, 2025, 2026. So that is the main part.

A - Jorge Vazquez: On the competitive environment, I would say no major change. We have ramped up our commercial activity in a major way over Q1, within some pockets over 20% more commercial activity. So we're out there talking to clients and making sure we capture all the business we can.

And again, we are investing in those pockets where we see concrete growth opportunities. And do recall that our specializations are also focused on high growth. Think about healthcare and professionals, think about finance, think about life sciences. So we are out there where the market is growing and making sure that we are competitive.

Q - Marc Zwartsenburg: Yeah, good morning everyone. This is Marc Zwartsenburg

It's not easy. First, a question on the mix. I see that Profs in Europe and in quite some countries are actually outperforming the more general staffing. On the other hand, we see the gross margin going down and particularly the temp margin coming down.

Can you maybe explain to me why Profs in this part of the cycle is outperforming in those regions, the general business? Well, actually, we see peers struggling more in the Prof area than your trend. So I'm just trying to get my head around that difference. And then maybe also a bit connected to that, the gross margin. You mentioned sickness rates, explaining a bit of the margin weakness.

And the other part is then mix. But is it then purely the mix from the US Profs that's having such an impact on the margin? Or is it also other businesses? Just trying to get my head around a bit on whether we've seen the trough?

A - Jorge Vazquez: Marc, let me say a few words about the Profs. I think what you see is our specialization strategy starting to work. Profs has done well in healthcare in particular, which has been tracking nicely in France, but also in the Netherlands also, in Iberia, we have had a good run at PROS The other thing on operational is, of course, that's the general industrial activity that is continuing to be challenging, and so that's why Professional is doing better than Operational.

Yeah, and in terms of high margin, I mean, ultimately, so yes, I think especially from Q4 into Q1, we've talked before. I mean, the sickness rates have kind of, in a way, increased more than we had originally expected. But I would say mixed still is primarily the big impact, so think about it in a few ways. We have, in some of our larger markets, namely the United States as an example, our large clients, at least our in-house will be still growing faster than, let's say, our normal more general staffing proposition.

But if we then look also at our regions, you see some of the countries where we clearly kept track of growth have, overall, a lower margin than some of the countries that we are now seeing a more pronounced decline still. So if you look at Southern Europe versus Northern Europe, you also see the impact that that might have on our mix. So all together, there is pressure on our margin as we go forward. Of course, yeah, we will work in it throughout the rest of the year, but as it starts, as a starting point, that is a starting point for the future.

Q - Marc Zwartsenburg: And do you expect the profs, maybe, being late cycle to get weaker in the coming quarters, or will this be the investment you've made?

A - Jorge Vazquez: I think I expect our focus on specializations to actually enable us more than ever in the recent history of one step to continue to capture opportunity in the overall professional space. We have different definitions in different countries. As you know, in France, we have a quite strong healthcare business. We believe in healthcare as a growth segment.

Other countries, we do more towards education, towards finance. But the more dedicated approach to it should enable us to grow market share and to actually start increasing the presence of Ansat in the professional talent space.

Q - Marc Zwartsenburg: Well, then I have a question on the OpEx line. You've done quite some restructuring, some rightsizing of the indirect cost base and the transformation towards a new structure is also 90% done, as I read on the slide.

So shouldn't it have a sort of knockover effect into Q2 in the coming quarters that actually the OpEx and the line is coming down further? Or is it reflecting your guidance and being modestly up that you see that the growth is really around the corner that you need to invest already? I'm just trying to feel how that balance works.

A - Jorge Vazquez: Well, good question. I think overall, what I mean, that's why I also recall that's why we also call it a transition quarter. I see our job almost like it's not necessarily planned only for the next quarter, but try to see us, let's say, a little bit from the smoke and start hopefully preparing us for recovery.

So, Q2, we are continuing to invest in our strategic initiatives. I mean, you heard Sander talking about how fast we're already rolling out a lot of our digital ways of working in the United States. But also, start investing potentially, not only in protecting headcount, but ramping up headcount where we see logic, because it will take three to six months to ramp up our new colleagues to productivity. And eventually, increase our marketing costs and make sure that we are everywhere where that opportunity arises.

And it's in that context that we're looking at Q2 and OpEx in particular. Yeah, so setting us up for more. Setting us up for more. Yeah.

Q - Konrad Zomer: Hi, good morning, gentlemen. Thanks for taking my question.

I still get a bit of a mixed message from what you said on the call, because you talk about green shoots bottoming out, investing for growth, selectively returning to normal. But at the same time, you also talk about softening conditions in more than half of your revenues, particularly North America and Northern Europe. I think longer-term, you're definitely on the right path. But I think that particularly for Q2, it looks like that could be quite a weak quarter, not just a transitional one.

Can you maybe give us a bit more feeling as to what your internal communication is on cost-cutting on the one hand because of the tough market conditions and looking to capture the growth opportunities that may arise a bit later this year, please. Thank you.

A - Jorge Vazquez: Well, thank you, Konrad. Let me just sort of go back to your question.

The first points you mentioned about green shoots, et cetera. Those you got right. The softening conditions that we talked about were in Q1. So the green shoots were going forward, the softening conditions or the softer conditions were looking backward.

Internally, our message is always, let's go out and talk to as many clients as we can and make sure we capture the business that we can. So that's what we've been doing in most of our markets. As I said, we have now focused our teams on operational and professional. Last year, we launched Transfer Digital and we already had Transfer Enterprise.

So the teams are now 100% lined up, aligned with the demand in the market. And as I said, we are ready to invest and we are investing in those pockets where we see fit. At the same time, you're right, we're still doing some restructuring here and there, but that's primarily in the indirect cost, so that's not affecting our field teams, because they are 100% focused on their clients and their talents.

Q - Konrad Zomer: Okay, and do you agree with my view that you're willing to sacrifice profitability in order to capture the volumes that are out there? Because that's the impression I got from Q1, your margins were down quite significantly.

A - Jorge Vazquez: Konrad, so let me put it like this, yes, we acknowledge that we are now focused and we worked hard in 2023 to be in a position now to start investing if we think that things are bottoming out and we see green shoots. Therefore, yes, we will need time to ramp up capacity, we will need time to ramp up go-to-market strategies, and in that respect, there might be a transition or a couple of quarters or a quarter that indeed profitability is sacrificed. At the same time, I don't agree with that word, because our role is to actually prepare the company for the quarters afterwards and for the future, so that's one point. In terms of sacrificing margin, none, let's say, the explanations we have for our margin what you see, the deltas in the margin, if you actually go through it, and we alluded to it a few times already in Q4 or mid-February when we talked, there are all things that are not necessarily related to price.

It has to do with sickness rates, it has to do with mix in our businesses, so yes, we see the normal price pressure that we've always seen. We don't see at the moment any increased price pressure or need to decline price.

Q - Sylvia Barker: Hi, Morning. I've got two questions, please. Firstly, could you update us on logistics, which obviously was quite a big sector for you. It seems like maybe you have lost some large contracts within that end market.

So could you maybe just update us on what's happened over the past kind of few quarters and how much is that as a proportion of your revenue today? And then secondly, just looking to the summer, I think you are the official provider of staffing services to the Paris Olympics. Would you just tell us if there's any impact from that that you expect to see in the numbers? Thank you.

A - Jorge Vazquez: Yes, so all logistics, Sylvia, logistics has actually been performing better than average over the last quarter, so in Q1. So I think we're tracking well.

It is actually a focus area for operations for operational specialization, and we're confident that we will get back to growth in logistics over the next couple of quarters. Then, of course, at the Olympics, we're totally excited. However, let's say it's too early to say whether that will have a major impact on our business because, with the Olympics, you may have read the Financial Times that, in Paris, it's quite difficult to rent out your apartment at the required price these days. So there's a lot of people coming to the Olympics.

That's great. But there's also a lot of people not coming to Paris this summer. So that is sort of a plus and a minus. So we'll see how it goes.

But we're excited to be the official partner for the Olympics, of course.

In terms of the financial impacts, I mean, first of all, I mean, it is an exciting thing for our teams. You just heard me talking earlier on about how, in France, we have different specializations and how some of them are growing. I mean, it's our largest operating company in many ways.

So it is an extremely exciting thing for us to be present and endorsing and supporting it in July, August. At group level, and definitely given it is such a large company, the exact direct consequence is not necessarily material. However, all it does for boosting our brand, boosting our relationships, and then most of all, a big thank you to all our colleagues there. It's an intangible asset, let's put it like this.

Q - Remi Grenu: Yes, good morning. Thanks for the call. Just one question. I just wanted -- Maybe it's a little bit difficult to answer that question, but I wanted to pick your brain on how you think the recovery once it materializes is going to look like and through your discussion with the clients.

I mean, we've heard about, like, labor hoarding at some of the employers, some of the corporates, and probably pricing is going to be less of a tailwind over the next few quarters when the recovery materializes. I just wanted to pick your brain on that and how you're thinking about that pace of recovery, how it compares to what you experienced in the past and what we could look at to have kind of a proxy for that.

A - Jorge Vazquez: Well, we know, Remy, if the recovery comes, it can come fast. However, today, it's too early to say at what speed it will come.

But as far as I'm concerned, it comes at the highest possible speed. But we'll see if that actually happens, of course. We are now looking at the green shoots that give us positive feelings about what's to come. And again, they are about, some of our markets are already growing, Japan, Brazil, Spain, industrial activity is going up, the requisitions in our RPO business are trending up, the pipelines in enterprise and digital are growing.

You know, so all bright spots, and in some markets, clients have started to change their buying behavior, and we're optimistic more of that will follow later this year.

A - Sander van 't Noordende: Thank you very much all for joining the call, but before we wrap up the call, I would like to say a big thank you to all our 620,000 Ransom People talent and Ransom employees for doing what they are best at, and that's delivering value to our clients. So thanks to all of you, and see you all next quarter.