Randstad Q3 2024 Earnings Call - 22 October 2024 09.00 am CET

Sander van 't Noordende: Thank you very much, Saskia, and good morning everybody. I'm here with Jorge and our Investor Relations team to share our Q3 update.

Before we talk you through our results, I'd like to spend a few moments reflecting on the passing of our founder Frits Goldschmeding at the end of July.

With Frits' passing, we lose a great visionary and a wonderful, inspirational personality. What started as an idea 64 years ago in his dorm room has developed into the world's leading Partner For Talent for the best companies and organizations across the globe

At the heart of this success was Frits's unwavering focus on long-term and sustainable value creation reflected in Randstad's core values - to know, to serve, to trust. And today these values are still the foundation of our strong, people-focused culture.

Frits held the CEO position for 38 years, not only growing the company but shaping our industry, by enhancing the role of flexible work and the rights of talent in the labor market. Later he served on our Supervisory Board and over the past 3 years I got to know him as a very committed shareholder.

We will all miss him, he was an iconic entrepreneur. We at Randstad will do everything we can to continue to grow and innovate the company in a way that Frits would be proud of.

Turning to our Q3 results. Overall trading conditions remained subdued across many of our markets. The challenging macroeconomic environment we saw in the second quarter continued in Q3. Manufacturing PMI's are below 50 in all our main markets. The Automotive industry is particularly challenged these days.

Lower client and candidate confidence resulted in muted hiring activities and longer time to hire.

However, in Q3 we have seen stabilization as our portfolio has shown resilience. Spain, Italy and Japan continue to grow on the back of investments, while early cyclical businesses such as US Inhouse, e-commerce and logistics have turned to growth this quarter. I'm also pleased to see our increased levels of commercial activities paying off.

All of this contributed to revenues of 6.0bn euro, a decline of 5.9% year-on-year.

Our Gross Margin came in at 19.5%. This reflects a combination of mix changes in both our geographic and service footprint, as well as some country specific headwinds.

I'm pleased to say we maintained our usual discipline on costs and these were sequentially lower, driven by our efforts on indirect costs, business mix and seasonality.

This resulted in an underlying EBITA of 196 million euro and an EBITA margin of 3.3%, slightly up sequentially, and equating to a recovery ratio of 37% over the last four quarters.

In Q4, we expect trends to remain stable. We maintain our focus on field steering and reducing indirect costs, while ensuring we sustain sufficient field capacity to be ready for a market turn.

At the same time we have continued to invest in our Partner for Talent strategy. As shared almost a year ago in our Capital Markets Day our vision is to become the world's most equitable and specialized talent company.

Why specialized? Because it's all about ensuring we provide clients and talent what they are looking for. Clients want specialized skills and delivery models. So the more we focus on the right specializations the better we can help the right talent to find opportunities and add value to their careers. Let me talk you through a few highlights:

First growth through specialization. Following the implementation of our specialization framework, we are allocating additional capacity to growth segments. Beyond our normal field steering we invested over 300 FTE this year in these structural market opportunities. For example:

- Skilled trade in Operational Talent Solutions in Spain
- Healthcare in Professional Talent Solutions in Australia
- Digital Talent Solutions in Japan and Italy

And specialization is not only our focus for growth. It runs through everything we do: skills, sourcing strategies, business models and career tracks. And remember: specialization does not mean niche, we are all about specialization at scale. A great example is our US digital marketplace which is continuing to go from strength to strength. Productivity is up, and talent & client adoption is very encouraging.

And lastly: this morning we announced the acquisition of Zorgwerk, the leading digital marketplace in healthcare in the Netherlands.

This acquisition ticks all the strategic boxes: it is all about specialization in a growth segment underpinned by a digital marketplace to create seamless experiences for clients and talent and be a true Partner For Talent. Let me unpack that for you:

Specialization: Zorgwerk brings 75.000 dedicated healthcare professionals and a portfolio of more than 300 clients. This is as specialized as it gets.

Growth segment: Demand for specialized healthcare and care talent will continue to grow in the Netherlands. Today 1 in 7 people are working in the ecosystem. This is expected to grow to 1 in 4 in 2040.

Digital marketplace: clients schedule their shifts and talent selects them via the Zorgwerk app. It does not get more seamless than that I would say…

Randstad and Zorgwerk combined will be THE Partner For Talent in Healthcare in The Netherlands as we can serve our clients across the full range of work arrangements as well as provide talent not only with work but also with the required training.

We look forward to welcoming the Zorgwerk team to Randstad.

So, in summary:

While challenging market conditions remained in Q3, we saw stabilization in our markets, underpinned by our diversified portfolio.

We continued to focus on operational discipline, carefully balancing field capacity, indirect cost reduction and strategic investments

Against this backdrop we are making great progress with our Partner For Talent Strategy.

Before I hand over to Jorge, I would like to make a couple of remarks on our team. We announced last week that Chris Heutink will be stepping down as our COO. Jesus Echevarria will be his successor per January 1, 2025.

I would like to sincerely thank Chris for more than three decades of service to Randstad. Throughout his impressive career, he has demonstrated an unwavering determination to deliver results and a strong dedication to our people. He has been instrumental in Randstad's journey to become a leading global talent company. I wish him every success in his future endeavors

Jesus has, first as our MD of Spain and more recently in his role of Chief Talent and Client Delivery Officer demonstrated an exceptional focus on operational excellence. He always puts talent and client needs first. He is a great role model of Randstad's values and is passionate about the growth of our people. I'm convinced that under his leadership we will further accelerate our Partner for Talent strategy.

Jorge, over to you.

Jorge Vazquez: Thank you, Sander and good morning everyone.

A few overarching key points about this quarter before diving into the content slides.

First overall, full market recovery is pushed out but trends are stable and in many ways recognizable. On one hand, macroeconomic more of the same, challenging conditions remain, on the other hand, underlying improvement in traditional early cyclical markets and see late cyclical segments with downbeat performance.

Secondly, operational discipline, balancing performance, field capacity and strategic investments, protecting today and the future.

Thirdly, as Sander mentioned, large steps in executing our strategy.

Let me now discuss the performance of our key regions on page 9.

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

The macroeconomic environment remained little unchanged over the quarter, as this cycle is experiencing one of the most extended periods of restrained PMIs and weak staffing market data. However, on top of easier comparables, we see various signs of underlying sequential improvement in the US, especially in operational talent demand.

Our revenue dropped by 9%, sequentially better compared to Q2 (-13%), with Perm declining 19% (Q2: 24%).

Our US Operational talent solutions declined by 3%, with growth returning to logistics. More importantly, Inhouse is growing 6%, and we see the tangible impact of our marketplace providing momentum, as the general market is still in decline.

US Professional talent solutions are still significantly down (-20%), facing challenging market conditions, and is line with our perm.

US Digital Talent Solutions was down -14% as we see trends stabilizing, while US Enterprise Solutions was down 11% with good sequential improvement in RPO.

The EBITA margin stood at 3.6%, but improved sequentially as productivity improved.

Moving on to Northern Europe on slide 10.

In Northern Europe, diverging sector trends impacted our business environment. We saw a (sharp) slowdown in Automotive production, while the broader industrial environment stabilized at lower levels. Growth came in at -8%, a notch better sequentially.

Despite these difficulties, we've maintained strong adaptability. We continue to adjust our operations in line with the current reality and reposition for more structural growth.

In the Netherlands, revenues sequentially improved to -7% in Q3 from—/-9% in Q2. Most sectors stabilized, but the broader automotive sector saw softening demand. Operational talent solutions were down 8%. On the other hand, our Professional talent solutions continued to grow at 1%. The EBITA margin came in at 5.3%, showing strong adaptability.

Germany's challenging economic environment has remained relatively unchanged over the summer and growth sequentially improved to -11% on easier comparables. Profitability returned but is still impacted by idle time-related costs (bench, sickness, fewer hours worked per EW), as we see the average number of sick days structurally higher post covid. Recovery will not be a straight line as we refocus the business for growth in our four specialisations and streamline operations driving efficiencies.

Belgium, one of the few countries with tougher comparables, saw revenues decline by 4%, with broader automotive weighing in the mix. However, we remain in line with the market, leveraging on the strengths of a well-diversified portfolio. Operational talent solutions were down 5% YoY, while Professional Talent solutions were up 3%. The EBITA margin came in at 4.3%, showing strong productivity improvement.

Other Northern European countries reflected mixed performance. Let me summarise it: Poland was down 4% YoY. Nordics remained tough, down 22% and Switzerland was down 7%. Ebita's margin came in at 3.1%.

Moving on to the segment Southern Europe, UK and LATAM on slide 11.

I am pleased to see continued recovery in our most southern European countries. As a key profit driver for the group, countries have kept their Q2 momentum despite the automotive slowdown (FYI more than 10% sequential decline in Autos for France, Spain and Italy). We achieved an EBITA of 105 million Euros, with a margin of 4.5% in the region.

We are protecting field capacity to recover cyclicality and, as you heard from Sander, continue to invest in growth segments.

Italy maintained its growing momentum, +3%. Operational talent solutions grew 2%, and Professional talent solutions were up 10% YoY. As mentioned last time, we want to capture market opportunities and continue investing in growth segments such as IT, health care and skilled trade units. As a result, our Professional Talent solutions is up +10%. Despite this, Italy still shows a solid EBITA margin of 5.5%.

France feels like entering a post-Olympics blues. The current uncertainty around the budget and the ability to reform is delaying recovery. Markets have moved sideways if anything else, resulting in a decline in revenue of 7%, similar to Q2. The Operational talent solutions decreased by 4% YoY, while the Professional talent solutions was down by 10%. Digital talent solutions is in double-digit decline given its exposure to the broader automotive sector, and idle time here weighs on the gross margin. As a result, EBITA came in at 3.9%, down 130bps YoY.

Iberia’s revenue stabilised at a high level, growing by 6% this quarter (Q2: +7%). Operational talent solutions grew by 7%, whereas Professional talent solutions declined by 4% compared to last year. Spain showed robust growth, with a double-digit 10% increase, mainly driven by strong performance in its operational talent solutions and RPO (up double digit). This progression reflects the value of field steering discipline and the impact of growth segment investments, which position us this time stronger in skilled trades, logistics and E-commerce.

Across other southern Europe countries, UK & Latin America, revenue and profit performance was mixed. The UK was down 11%, as the UK labour market softened in September. Latin America was up

2% YoY with Brazil notably growing at 13%.

The Asia Pacific region continues to recover.

Japan demonstrated a solid performance, achieving 4% growth with strong profitability. Operational talent solutions were up 1%, whereas Professional talent solutions delivered a decline of 2% YoY. Our digital specialisation recorded double-digit growth in Q3 at +23% (Q2: +14%). We continue to see our investments from last quarters paying off, but there is still a significant opportunity to position us for more structural growth in a market where we are underrepresented.

Australia and New Zealand saw sequential improvement, albeit at low levels declining -14% in the quarter.

India grew by 8%, confirming the opportunity and benefits of focusing on our portfolio.

Overall, The EBITA margin for APAC was at 4.8% in the third quarter, reflecting softness in the AUNZ region.

OK, that concludes the performance of our key geographies.

Let me now walk you through our group's financial performance on slide 14.

The group's revenue for the third quarter was 6.0 billion euros, a decrease of 5.9% year over year organically. Sequentially, we saw stability from Q2 into Q3, showing more and more of a normal seasonal pattern.

From a specialisation point of view, we saw the following: Our Operational talent solutions continue to improve underlying and sequentially, at -4%. Professional talent solutions took a step back, at -10%, reflecting tough white-collar markets. Although still below the group average, Digital and Enterprise continue to improve sequentially, at -11% and -8%, respectively.

We'll cover gross margin and OPEX later, but for now, the quarter's underlying EBITA was 196M euros, with a margin of 3.3% and strong operational discipline.

Integration and one-offs were 17 million this quarter. Although not as elevated as in H1, we continue to rightsize and future fit our organisation and take action

In the Amortisation and impairment of intangible assets, nothing is relevant.
–
Net finance costs in Q3 were 23 million euros, slightly up from last year. This mainly has to do with adverse FX impact.
–
The effective tax rate was 26%, in line 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 15.

A few things about Margin.

The third quarter Gross margin was 19.5%, down 110bps vs. last year and below our expectations.

First of all, Monster's disposal had a 20bps adverse impact, as the net fee was deconsolidated in mid-September.

The temp margin declined 60bps (Q2 FYI 40bps). It is important to note that half of this impact is related to the geographical mix and services mix, as blue-collar temp (T&L, like in US) and lower temp margin countries (Spain, Italy) continue to outgrow even more the rest of the business. While negative here, this positively impacts OPEX, as discussed in the next slide.

On the other hand, absence and idle time-related costs are still elevated in certain pockets of our business. Specifically, this effect is the largest in Northern Europe, as these are more exposed to the bench model. It combines higher insurance per EW, higher absence, or a Bench rate above acceptable rates. I expect these effects to diminish once we see demand returning and temp utilisation normalising across many sectors.

Perm remained still subdued ~10% below the group average. RPO came in better, but it is definitely not a straight-path recovery. Again, this cyclicality 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 16, and this one is sequential.

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

First of all, following the disposal of Monster, the cost base was ~10mln lower. Excluding the Monster impact, our FTEs are broadly stable sequentially, but OPEX is organically 3% down.

It's relatively simple.

- One, we benefit from normal seasonal effects in our Personnel Expenses.
- Two, as always, OPEX moves in line with Gross Profit and gross margin because it reflects different mixes of services and geographies. For example, a more pronounced logistics and industrial recovery than other areas or a higher ratio of temporary to permanent staff come with different OPEX requirements and require adjustments elsewhere in our business cost base.
- Three, on our installed field capacity for recovery or reallocation to growth segments. It's crucial to be the first to present talent ready to work to clients as they start rehiring. This positions for a better moment in the cycle. However, through our field steering data, we closely monitor our field capacity for recovery and adjusting capacity in areas with significant declines.
- Four, as mentioned last time, in the prolonged recovery, we are optimising support services by reducing indirect costs. We are already seeing the impact and will continue to do so.

All of this while safeguarding our strategic investments.
Overall we operated an LQ4 recovery rate of 37%, showcasing our adaptability.

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

Our free cash flow for the quarter was up 258 million euros, reflecting a seasonal inflow that is in line with our expectations.

DSO was 54.1 days, broadly in line sequentially. The geographical mix put some upward pressure, which we expect to normalise as recovery continues. Overdues at historical lows.

Important this quarter, clear portfolio inorganic choices. We have completed the merger between Monster and Careerbuilder, from which we will have a minority stake in the JV. As far as the disposal is concerned, we have provided the JV fair share of liquidity to ensure a smooth start.

Looking forward and very exciting is the Zorgwerk acquisition. As mentioned by Sander, This acquisition ticks all the boxes: it is all about specialization in a growth segment underpinned by a digital marketplace to create seamless experiences for clients and talent and be a true Partner For Talent.

Zorgwerk generated in 2023 gross revenues of approximately 200 million and we consider an enterprise value of 323 million EURO. This bold-on acquisition fits within our unchanged capital allocation strategy and we expect it to be EVA accretive within three years. We are looking forward to working together with the Zorgwerk team and their thousands of qualified and dedicated Professionals. We expect the deal to close in the coming period.

Lastly, we paid our special dividend in the first week of October totalling 222 million euros.

And that brings me to the outlook on slide 18.

We see a continuation of stable trends going into the 4th quarter.

On the one hand, macroeconomic conditions remain challenging, and our visibility is limited. On the other hand, growth is returning in a number of markets, following the dynamics that we are used to in our industry.

With a more seasonal pattern emerging and diverging growth trends, we do as we always do, regardless of the situation: We manage on actuals. We steer daily and weekly, and adapt where necessary.

For Q4 we continue to capture growth opportunities where we can, balancing selective investments in strategic initiatives while safeguarding conversion through our set adaptability corridors on a rolling yearly basis.

- Let me start with the activity momentum. In the first few weeks of October, we saw stable volumes compared to those we experienced as we exited Q3.
- There will be a slightly easier comparison base (~1%)
- There will be an additional 1 working day

From a margin perspective, as Monster was partially deconsolidated during the quarter, we see this sequentially impacting: 50bps lower sequentially, or 70bps in total YoY. The impact on operating expenses is about 35-40 million sequentially, which is nearly equal to the gross profit amount.

Removing that and looking underlying we see:

- Q4 2024 gross margin is expected to be slightly up sequentially reflecting stabilization in volumes.
- Q4 2024 operating expenses are broadly stable underlying sequentially. This, in reality, reflects underlying improvement, as seasonality normally weighs on the cost base towards the end of the year.

Overall, it is actually quite simple. It should be a fairly similar quarter with a notch better profitability.

So, to summarise,

- While challenging market conditions remained in Q3, we saw stabilization in some of our markets.
- We continued to deliver on operational discipline, carefully balancing field capacity, indirect cost reduction, and strategic investments.

- More importantly, against this backdrop we are making strong progress on our strategic agenda and optimizing the business for when things return.
- From a financial perspective, As we repeatedly say internally, it is how strong you get out of a crisis that really matters, not how you enter. After downturns, we consistently generated more profit during growth than the profit lost during declines. This time we are laser-focused on our Back to our growth algorithm, we are:
    1. Increasing operating leverage with delivery excellence
    2. Unlocking scale benefits in our indirect costs, one Randstad
    3. Applying that capacity wisely both organically and inorganically.

These choices reinforce each other. They are about more than recovering the subdued cyclical revenue. They are about positioning us for structurally higher growth.

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

Q&A

A - Sander van 't Noordende:

A - Jorge Vazquez:

Q - Simona Sarli (Bank of America): Good morning and thank you very much for taking my questions. So the first one is on SG&A which decreased on a QoQ basis quite substantially. But if I look at your number of FTEs, excluding Monster, so I see that Monster explains only 13 EUR million of overall SG&A reduction.

So I was wondering what is explaining the balance of that? And also, should we assume a 35-40 million reduction in SG&A per quarter also in H1 of 2025?

So that's the first question please.

A - Jorge Vazquez: Thank you. So first on opex, I mean there's two things. One is of course Q3 has a seasonal impact. And therefore, as we look into Q4, we are continuing to see the benefit of our push, in particular on indirect costs and focused on making sure that these continue to support and therefore underlying.

Even if we correct for Monster, we expect it to be stable into Q4. At the same time, it is somewhat early for us to be calling out how we will evolve into Q1. What we will for sure do is we will enter the year or we will end Q4 or 2024 responsibly.

A - Sander van 't Noordende: Make sure that we enter 2025 in the best prepared way for what we see then.

And that obviously means managing on actuals and taking into account what we see at the time, balancing ultimately indirect costs. We still are focused on that and busy in operating those with safeguarding a degree of capacity to make sure that we can recover if the opportunities are there. Thank you, Simona. Let's take the next person with a question.

Q - Remi Grenu (Morgan Stanley): Yes, good morning. I have two, if I may. So the first one is on your guidance. I guess one of your key peers has flagged that the're executing some sequential deterioration in Qr on the back of lower seasonal activity, and some end of the year closure at industrial fatigue lasting longer. So that's probably diverging a little bit from your own comments on easier comparison and stable volumes. So can you maybe elaborate a little bit on what makes you more confident about the outlook for activity in Q4 and where you are seeing potentially further weakness and where you could have some positive offsets in the next quarter? So that's the first one.

And the second one…

A - Jorge Vazquez: Remi, hold on. We're doing one question per person. If you have a question later, we can come back to you.

So in terms of outlook, look, what we don't guide or we don't necessarily forecast, what we can see, what we say, what we reflect is we look at the trends we have entering into Q4. So the first weeks of October, and our teams pretty much know exactly what's expected within, let's say, what they see, what we call managing on actuals. Based on that, we can basically look at Q4 and say, if we are to continue to see this trend and continuation of Q3, we expect the quarter to be pretty much in line. Yes, some countries have a less seasonal effect in Q4.

Other countries, actually, if you look at them, have a more kind of ramp up until Christmas and ramp up until, let's say, the festivities. So once, let's say, counterweight the others, and in that respect, we expect a much higher profitability in Q4. So pretty in line with Q3, slightly better profits.

Q - Rory McKenzie (UBS): Morning. My first question is the -- appreciate you highlighted parts of the business that were stabilizing or backing growth, I guess, against that some segments have deteriorated. Can you say in particular how much of the group is your autos exposure nowadays? And how much of a drag was it within Q3, and also any view on if it worsened through the quarter, given some of the reports we've heard from the clients. Thank you.

A - Jorge Vazquez: Yeah. So approximately, let's say, the broader automotive sector -- Rory, good morning -- is 6%, 7% of the group, and it has come down, indeed, especially, I would say, more firmly from Q2 to Q3, approximately 8%. So, it has weighed both, I mean, primarily in Europe, but it has weighed on us. Yes.

But again, these trends, on the other hand, it also means, and you heard it in my prepared remarks, that other sectors are somewhat either improving or at least stable sequentially.

Q - Rory McKenzie (UBS): Any comment on the trends within the quarter? Did it end September particularly worse, or was it quite stable within Q3?

A - Jorge Vazquez: It was pretty stable within Q3. I mean, most of the automotive news, if you heard, if you follow the sector were actually quite -- I mean, it was present throughout the quarter, so it was pretty much in line throughout the quarter, yeah.

Q - Suhasini Varanasi (Goldman Sachs): Hi, good morning. Thank you for taking my question. I just had one question on gross margins, please. I think for the third quarter, you had talked about in the original outlook with the 2Q results that gross margins could be better modestly, sequentially, but actual numbers were a little bit lower. Can you maybe help us understand what changed versus your expectations, and gives you the confidence that underlying gross margins ex-Monster can still improve in 4Q?

Thank you.

A - Jorge Vazquez: Yeah. So Suhasini, first of all, good morning. Good to speak to you. Yes, we were disappointed with the gross margin and a few things we did not expect as let's say, such acute movements from Q2 to Q3, and that has an impact. So let me again be clear on what they were. On one hand, indeed, perm continues to be quite subdued. You saw many of our, let's say, peers or specialized peers, also somewhat more negative than they were and that has an impact.

In particular, our debt margin, we did not, we saw even, let's say, more diverging trends in what we call blue collar, so in OTS versus PTS or Professional Talent Solutions. And that means, indeed that our margins in some of these more large scale operations are lower. Now, the flip side of that, and that's of course, what you also see is that automatically in terms of how we manage our business, it also means our operating expenses adjust, so that operational discipline gives us some sort of peace of mind in how to look at it.

Secondly, we also saw, given a little bit the pronounced, let's say, the cycle where we are in, an increase in sickness rates, higher than what we had expected, insurance premiums and higher medical costs overall as well as bench. But let's also kind of put one thing into perspective, it is as we move and as we progress, we continue to take audience inputs in several ways. So not only, let's say the delivery, we softened part of it through OpEx, but if you look at bench as well, bench is a consequence to a large extent of sales, and therefore it also impacts field steering.

So, we're also not hiring in many places where we have higher bench, we are actually adjusting and making sure that we place the bench, and we reskill the bench to make sure that we address this as fast as we can in terms of partnering with our talents.

And ultimately, as well as things evolved, some of it might be recovering pricing. So, yes, we were surprised. At the same time, we were busy, and let's say proud on how to operate within what we see in the markets. Going forward into Q4, I mean, we know a lot of these trends will start basically normalizing as we progress. And from a divergence perspective in terms of different sectors, we expect things to be slightly different in Q4. So, we are comfortable in expecting a slight or broadly in line to high, slightly up gross margin before. More important to me, our teams know very well what to do if that will not be the case and how to adjust further our operating expenses.

Q - Andy Grobler (BNP Paribas Exane): Hi. Good morning. I just wanted to ask about the US large accounts business, where you have been taking market share. Can you just talk through which subsectors you're winning in and also within those end markets, if there is any sense that the markets themselves are seeing sequential improvement? Thank you.

A - Jorge Vazquez: Yeah. So, Andy, good morning -- Good morning. I'll start, and then Sander can continue. Good morning, Andy. So, I mean, in the United States in particular, we believe we are gaining market share. So I wouldn't say overall markets are necessarily doing better. We do see e-commerce and logistics improving, and it is exactly in those sectors that we are performing better and gaining market share. And that, I would argue it's basically down to two reasons. On one hand, we've been rolling out our digital marketplaces and Sander probably will talk a little bit more about it in a minute. Clearly, this has an impact on our field rates, and the more we can feel, the faster we can feel, the faster we can be a better partner for both talent and clients. It becomes a flywheel, and we become a better provider for these clients.

On the other hand, at the same time, what this is also doing, and I remember, we talked about it in Q2, as we rolled out this now, nationwide, at scale, it's the only way we work in the United States at the moment, it also means we are freeing up capacity, and some of this capacity, you saw our revenue increasing from Q2 and Q3, we are not necessarily increasing FTE to capture this, but what we are doing is we bring up commercial activity. So, we are also signing new clients, and these clients are ramping up and therefore building a stronger presence, particularly in the in-house sector in the United States. Sander, anything to comment?

A - Sander van 't Noordende: No, I think you said it perfectly. It's working very well the digital market.

A - Jorge Vazquez: In short, it's working perfectly.

Q - Marc Zwartsenburg (ING): Yes. Good morning, gentlemen. One question, I believe. So, yeah, maybe coming also back to what Manpower said last week. So, in their outlook, they basically assumed they would have extended planned closures in Q4 and the slower holiday season. Is it something that you also foresee for Q4? Is it something you hear back from your clients, or is it just a Manpower statement and not more than that?

A - Sander van 't Noordende: Yeah. It's not something, Marc, that we have heard explicitly in many places. I'm sure there is the occasional client that says, we have a little bit less work in the coming period, but it's not something that has come through loud and clearly to us.

A - Jorge Vazquez: I think Marc, just compliment, we see it in auto, yes, in auto, there is a risk. I mean, everyone has been reading the news and following the sector. Well, I mean, I just disclosed quite often, like, what our mix in auto is. At the same time, yeah, I guess different companies, different mixes, different exposures. Yeah, we overall, we see these trends continuing from Q3 into Q4.

Q - Marc Zwartsenburg (ING): Yeah. And maybe, Jorge, just to confirm, what did you say on Q3 on the automotive sector, how much was it down? Did you mention a number?

A - Jorge Vazquez: Yeah. It was down 8% sequentially from Q2 into Q3, and remember, it's about 6% to 7% -- just checking 6% to 7%, 6% to 7% of our exposure, let's say.

Q - Marc Zwartsenburg (ING): Yeah. I got that. And maybe, if I can, a quick one on the savings that, because you pushed through still some very good indirect savings in Q3. Can you repeat that again in Q4 if needed?

A - Jorge Vazquez: Yeah. I would say, if needed, and we, at the same time it's needed in the sense of we had two years now of decline. We are learning on how to basically optimize how we support our businesses. These things reinforce each other. The more we simplify our delivery models, the more we can actually optimize how we support them.

We continue to automate, we continue to look at location strategies, but remember, because for our teams, it's important to always keep that in the back of our mind. We do this with the purpose of being able to reinvest part of this in what it matters, in terms of strategic investments, invest in growth. So, yes, what we started already in Q2, we continue into Q3, and this will continue to give us benefits into Q4 and 2025.

Q - Marc Zwartsenburg (ING): Yeah. But you did a bit extra, I think in Q3 because you came in below your own guidance, so you were able to do a bit extra.

A - Jorge Vazquez: Yeah. But a lot of those things were set in motion already in Q2, Marc, right? And at the same time, remember, our OpEx expectations from a mixed perspective are very clear. So our Perm business had a certain expectation, our operational talent solutions in each one of the delivery models had expectations. So, a lot of that is a reflection of making sure that our teams know exactly what's expected from them and what to manage in each delivery model.

Q - Simona Sarli (Bank of America): Hello. Hi, actually, this is Simona Sarli from Bank of America. So, on gross profit margin, please, one quick follow-up. In Q4, you indicated a 50 basis points headwind from Monster. Is it reasonable to assume something similar also in the first half of the year and 30 basis points for Q3 of 2025? So, purely like the technical guidance, please.

A - Jorge Vazquez: Yeah. So for 50 basis points, so we deconsolidated Monster, mid-September?

A - Sander van 't Noordende: Yeah.

A - Jorge Vazquez: Mid-September. So, I would say year-over-year, Simona, 70 basis points is a better number to take into account. Remember, our revenue from Monster is straight fees, so it's 100% gross margin. So that's why you see that impact.

Q - Konrad Zomer (ABN AMRO ODDO BHF): Hi, good morning. Thanks for taking my question. It's actually on France. You mentioned in your prepared remarks that the current reforms are delaying a potential recovery. Can you be a bit more specific what you expect, the higher taxes and the political plans could have on your staffing business in France, please?

A - Sander van 't Noordende: Yeah. Thank you, Konrad, for this question. It's a very good question, and you're right, I mean, our market momentum deteriorated a bit. I would say, overall in France, everything is a little slower than it normally is in other countries. But this new government, obviously, has only just been installed. So, they have some plans, it's unclear what they are exactly. And it is also unclear whether they will be accepted in the form that they are on the table just now.

So, I think it is too early to anticipate any consequences of that, other than to say, we know about regulation, and we navigate regulation, whatever it is, in the budget or our laws. So we're on top of it. But it's too early to say anything specifically just now.

Q - Sylvia Barker (JP Morgan): Thank you. Hi, morning everyone. Two quick questions from me, please. Firstly, can you maybe just comment on how much profit you're making from German Autos today? And then secondly, I guess one question we get is just around kind of AI automating jobs, which is similar to what we saw, I guess, with the computer revolution years ago. But can you maybe just comment on how much of your revenue is coming from administrative-type jobs today? Thank you.

A - Sander van 't Noordende: Well, Sylvia, we do one question per person. So Jorge will comment on the automotive, and then we'll go to the next.

A - Jorge Vazquez: Yeah. On the automotive, I mean, we don't disclose profit for per sector, Sylvia. I mean, if anything, if I think about Germany at the moment, I think that the profit is low. So, and unfortunately, automotive sector is not necessarily making a lot of profit in Germany, neither because we are not doing a lot of profit there. So if anything, it's about repositioning the company for structurally growth segments and profits from that. We don't disclose it. I wouldn't necessarily assume. I mean, you have an idea of the size of it, you have an idea of our margins that (inaudible) how we deliver. It does not necessarily change per sector.

Q - Rory McKenzie (UBS): Good morning. My second question is about the quarter of busy corporate activity you've had, demerging one digital asset in Monster and acquiring another one in Zorgwerk. Where do you think digital fits into Randstad, overall? I mean, Zorgwerk sounds like a good digital platform, but it's quite specialized within one area with its vetted candidate base. So, what are you learning about how you broaden a digital offering organically? Or will you always need to buy in specialized platforms for different verticals and markets?

A - Sander van 't Noordende: Great question, Rory. Let me take that. Let me just remind you that our strategy is: first of all, about specialization; secondly, about putting talent at the heart of everything we do; thirdly, about delivery excellence, and; fourth, about underpinning all of that with the Randstad talent platform. So, what we are doing here is we're buy -- we're building, we're harmonizing our core systems, i.e., CRM, mid-office, and back office. And on top of that, we will have specialized digital marketplaces.

We will have multiple of those, not tens or hundreds, the first big example that we have is in North America is our digital marketplace for operational talent solutions. We have one in France, already in healthcare, and we now have a second one for healthcare in the Netherlands. We may have multiple ones there because healthcare is actually quite a specific marketplace in each and every -- in every country. We have acquired Zorgwerk, which is all focused on digital talent, that is starting in North America, we have about 75,000 people in Latin America talent.

We have added our India talent and we have added our North America talent to that marketplace. So, that's the one we focus for digital.

So clearly, digital marketplaces, a number of specialized digital marketplaces on top of the harmonized core of Randstad, that is the way we are going here.

Q - Suhasini Varanasi (Goldman Sachs): Hi, thank you. I think [ph] it's just a follow-up on Monster, please. Just the rationale behind the disposal and some color around what made you decide to sell it today and create the JV? And maybe on the payment, which seems to be EUR128 million via financial assets, can you maybe provide some color on this? Is it contingent? Is the payment contingent on some performance metrics? Thank you.

A - Sander van 't Noordende: Yeah. So, Suhasini, let me take that, first of all, from a strategic point of view, we have set out to be the world's most equitable and specialized talent company. We do that under our partner for talent strategy, and we do that all under one name, and that is Randstad. So from that perspective, Monster as a job board did not really fit in the strategy anymore. So that's why we decided to combine it with CareerBuilder to give it the best, I would say, position to be successful as an independent company going forward with CareerBuilder. I'm going to hand over to Jorge to say a couple of more things about the technicalities of all that, if you will.

A - Jorge Vazquez: Yeah. So we, in -- let's say as an aggregated transaction, Suhasini what we did is actually in the context of Sander's introduction, was to set up the company for success and realize these are two companies merging that want to achieve significant scales, benefits. So that means one tech system, that means a more combined budget, go-to market strategy. And that also comes with restructures to a certain extent. And we actually announced them, or they have announced them almost two weeks ago, three weeks ago. So, in order to set up the joint venture for success, we have capitalized by approximately EUR50 million overall.

In return, and that's what I just want to be clear, in return, we do get, let's say, loans or seller note, we structured it, of EUR128 million, which will indeed provide us with financial benefits going forward in the form of interest, and, yeah, and the seller note going forward. That benefit will be recorded in financial expenses, I mean, the EUR328 million -- no, it's EUR146 million?

Yeah. Plus again, a EUR 128 million stand alone, plus, note was EUR18 million loan, so it's actually together it's EUR146 million.

Q - Maarten Verbeek (the IDEA): Good morning, it's Maarten Verbeek from The Idea. Looking at your net deposition today, taking into account the cash flow you will generate in the Q4 and the cash out for your acquisition in Zorgwerk, your leverage ratio will be more or less around 1. Should we therefore only expect a regular dividend from Randstad and refrain from expecting a special dividend?

A - Sander van 't Noordende: Let me say the following about that, Maarten. This is not the time of year that we decide about dividends. We only do that after we close Q4 so early next year. And we'll update you at the time that we have made the decision.

Q - Marc Zwartsenburg (ING): Yeah. A follow up, gentlemen, on the gross margin. In all due respect, we had a bit of a miss on Q3 versus the guidance there for the reasons you explained, Jorge. But do you now feel that you have a bit more predictability or visibility on the Q4 gross margin, or is there still also quite an element of risk in there?

A - Jorge Vazquez: We believe, indeed, that if we look at our mix, it is still pronounced, but if we look at it, that Q4 is likely to be slightly up in terms of overall gross margin. Again, taking into account, of course, the disposal of Monster, partially firm in terms of comparables, is improving. So, it's still somewhat subdued, but it's likely to improve. PTS, I did mention in the call in the country by country, there are signs of trends improving from professional talent solutions. So if we look at the mix and the pronouncement of that versus what we saw in Q3, that should give us a bit of sustainability for Q4. It's not obviously a guarantee, I mean, we cannot necessarily guarantee it.

What I think we also need to reflect is, if would that not be the case, then our OpEx and operational discipline will soften the reverse consequence of that.

Q - Afonso Osorio (Barclays): Hello. Good morning, everyone. Just a housekeeping one from me. On this acquisition you just announced, Zorgwerk. I believe you mentioned before that you expect this to be completed in the upcoming quarter, is that Q4? And then, just wondering, on the margin profile of this business into 2025 and how accretive you expect this business to be as we start looking into 2025 numbers, please?

A - Jorge Vazquez: Yeah. So, we expect it to be, yeah, to be honest, four to 12 weeks. So that is an approval process. So likely no impact in Q4. Of course, as soon as we know more and the deal is closed, there will be inform to -- an information to the market. The business is accretive to Randstad, it is clearly an acquisition with a path for EVA accretion in three years. We know exactly what we want to leverage with this acquisition. Outside, just kind of rough indication, low double-digits profit margin, which is indeed accretive already to the earnings of the company.

Q - Andy Grobler (BNP Paribas Exane): Hi. Just a follow up on Germany, and the other bench markets. We've seen sickness rates and absence rates go up post-COVID, and they seem to be structurally higher, and that's weighed on gross margins. Is that now effectively a permanent reduction in your profitability in those regions, or can you offset it through price or efficiency elsewhere? Thank you.

A - Jorge Vazquez: Yeah. So good question, Andy. And it's one that we are busy addressing. So let me first one important point, bench is typically something we have more of in our Randstad Digital business. So that's like also not necessarily make it a read across to the whole of Germany or to the whole of France or the whole of Northern Europe. So, it is -- And in that respect, we are busy placing this bench, so we just have to manage it. And again, there is a consequence to that in terms of also field steering and how we are not investing or investing. We see this as a consequence of sales. So, there's a lot of effort in that respect, and it will be addressed.

And sickness rates, and all that, indeed, we are managing it. And we also want to indeed maximize some part of it to pricing, and the other parts, we just need to manage it in our OpEx and making sure that our conversion remains in line with what we expect. So, we don't want to translate this into structural profitability except.

Sander van 't Noordende: As we wrap up the call I would like to thank our over 640.000 Randstad People for their ongoing dedication and doing what they are best at and that is delivering value to our clients.