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EDITED TRANSCRIPT

RAND.AS - Randstad NV Removes Proposal For Dividend Payments
as Precaution Amidst Coronavirus Outbreak Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, thank you for holding, and welcome to the analyst call. (Operator Instructions)

I would like to hand over the conference to Jacques van den Broek. Go ahead.

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes. Thank you, Robert. Good morning, everybody. Yes, we issued a press release, and I would like to make some remarks to -- well, maybe not so much clarify, but give you a little bit of color why we took this decision.

Roughly 6 weeks ago, we closed the year, and of course, we looked at what about capital allocation. We also shared with you when we presented Q4, the outlook for Q1, which of course, was, as you know, also negative, but January and February and even the first half of March, turned out to be pretty much in line with that outlook. But then, of course, Corona hit, and we were faced with some very disturbing almost developments in countries.

First of all, from a human, from a health point of view, secondly, from an economic point of view. And we quickly moved and recognized the fact that we are moving into what we -- in our capital allocation policy, have as a first priority or a first condition, and that is the serious adverse effects on the economy. Many of you, and me included, we went through 2009. And in 2009, we went from minus 6% in December to minus 9% in January. But to minus 30%, a little bit over minus 30% in March, April, and then it's sort of stabilized throughout the year, and we ended the year with minus 27%. What we don't know about this situation is how deep it's going to be and how long it's going to last. And that's not just us, I think there's anybody out there, economists, nobody really knows what this is. And the first priority is, of course, to save people's life and the health care system.

What we do, however, see is one basis point -- sorry, one fact, and that is France where last week, it was issued that as of this week, it was around minus 70%, 7-0, decline in the market, something we, of course, have never seen on such a short notice.



Signals, another data point, but signals from the Belgian market also quite serious double digit declines. We're not going to talk specifically about numbers, but for example, Italy, which is a big human crisis but from an economic point of view, still a lot was kept open, people still could go to work, but that will be also closed off. So Italy also will move to total lock down.

And then that's the European situation, but the U.S. is still the big unknown, biggest staffing market in the world. It's early days there. But as you've seen, they're going into lock down. Then there are markets, of course, where we will not -- we are not just hit as a company on the revenue but also hit on idle time, such as our German business and our Swedish business. You know that in these times, we always want to manage our cost, but we don't know how much of a cost we need to bear and how much government support we can get. We do know that, for example, in the U.S., they've issued measurements, but that's for companies with less than 500 people. So probably we won't be eligible for it.

In Europe, there's a lot of, I think, great leadership from leaders in Europe. They've all announced government support schemes. But in many countries, they are not up and running yet. So very tough for us to ascertain at this moment in time, how much support we can get.

Also with clients, we are in contact with our clients daily. As you know, we're a fully digitized company. So our 38,000 people are in daily contact with all our stakeholders. But for clients, it's also very insecure. Will they keep their flex workers? Will they pay them? Will they pay them with margin, excluding margin. So wherever we look, there's uncertainty.

Let me share you a bit on sectors, which we're currently seeing. You know airlines totally down. Automotive already in trouble before Corona in many aspects, big supply chain issues from China and also Italy. Tourism, events, restaurants, retail, leisure, in general, and also education, which in our U.K. business, Australian business and New Zealand business are big businesses, totally down. There are growing sectors as you probably know, health care, government providing answers, managing and enlarging call and contact centers, online delivery, IT and in general, the food sector.

Having said all this, and again, reiterating that we don't know how deep and how long the conclusion is, we need time. We need time to see what this is. And that's why we have taken off the agenda, the point on dividends.

I would like to conclude my opening statements with the fact that, and I mentioned it already. First of all, by the way, the resilience of our people. It is remarkable to see our management but also our consultants vast majority working from home every day, but yes, they do it. And they've got full access to all our clients. They get full access to candidate databases. And so we are continuing business as much as we can. But of course, this is unprecedented. And yes, we'll see where this will take us, Randstad, but the world at large.

So that's what I would like to state as opening remarks. And with that, we're open for questioning.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) There is a question, introduce yourself and then followed by your question.

Paul Daniel Alexander Sullivan - Barclays Bank PLC, Research Division - Director & Analyst

Yes. Jack, it's Paul Sullivan from Barclays. Could you just remind us, in terms of covenants and covenant discussions, have you entered into any conversations or early conversations with the banks? What are the most onerous? Do you think -- I mean, do you think covenants are a bit of a red herrings? Because it feels like they're all going to be waived and then when it comes down to liquidity, how are you feeling there? Have you pulled your RCFs at this moment in time, have you drawn down on them? And then also, in terms of the employee protection schemes, I mean, when you look at what's being proposed, say, in the U.K. or in other markets where they're more established and I'm focusing on Europe here, what proportion of your own employees and those with bench risk do you think could be eligible? I mean, in terms of -- is it the majority? What are your initial thoughts? I know it's very fluid, but anything you can tell us would be helpful.

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes, Paul, I'll answer the first part of your question, and Henry will do the second part. On the first part, it's tough to answer. As I said, I'm positive about the leadership in Europe from all the governments. And they've announced schemes, that's great. But of course, it's way out of proportion to the normal situation. As you know, we have been in a similar scheme in our German business in 2019, where we had a 10% decrease of working time because of the German situation. But yes, it's overflowing, certainly with SME companies. So it's all about time, talking to governments. It's too early to call that one. Of course, in general, it goes for all of you, we'll update you again when we present Q1. Henry?

Henry R. Schirmer - *Randstad N.V. - CFO & Member of Executive Board*

On your question regarding financing, Paul, thanks for your question. Mostly, we were very, very pleased that we ended the year with a 0.7 leverage ratio. So we are prudently financed at this stage. There's no liquidity problem we see. It's really important that we are fully operational. So as we speak, we are able to run payroll, we issue invoices, we collect funds. And just by way of numbers, so we had net debt excluding lease EUR 750 million at the end. You know that we have a EUR 380 million CICE outstanding. So we have not entered into any discussion with banks, and we feel we are on good ground. But yes, as Jack mentioned, the earnings visibility at this point in time is impaired, and hence our decision.

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes. So Paul, prudent is the word here. And I alluded to 2009. When we started 2009, we had a 2.3 net debt-to-EBITDA leverage ratio. So totally different situation, but still prudent.

Paul Daniel Alexander Sullivan - *Barclays Bank PLC, Research Division - Director & Analyst*

And in terms of covenants, what's your thinking there? Do we worry about those? I mean, I -- if you're looking at total profit wipe out in the second and third quarter, I mean, what do we think about sort of covenants?

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes, too early Paul, too early. We're definitely worried. I think everybody is worried as we speak but more about the health. So we have colleagues affected in Spain. So that is our first priority to keep our people safe and healthy. And then, of course, weather the economic storm, definitely, but too early.

Operator

There is another question. Please introduce yourself followed by the question.

Hans Pluijgers - *Kepler Cheuvreux, Research Division - Head of Research of Benelux*

This is Hans Pluijgers from Kepler. Can you hear me?

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes, I could not hear your name. Say again.

Hans Pluijgers - *Kepler Cheuvreux, Research Division - Head of Research of Benelux*

Hans Pluijgers from Kepler. Strange times. So I can, of course, focus is on the business, very good that way. Question from my side with respect to idle time. You already mentioned it. Could you give maybe some feeling? And I understand, of course, let's say, the government measures also play a role there. But could you give, let's say, some idea on the risks on that? And what amount, let's say, is at risk with respect to idle time. So what risk of outflow without any coverage of income do you see?

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes. Again, Paul -- Hans, sorry. Too soon, I can give you the percentage of people that are on the bench. It is fully in Germany. But there's a scheme, so that helps. Sweden, almost everybody, and then a part in the Netherlands. So 60% at Yacht, and 10%, 15% in the staffing businesses. But please be aware that this is not all indefinite contracts, of course, managing idle time in countries like Germany and Sweden is part of the business so we have these stacked contracts, but yes, that, of course, doesn't help if a full client closes down. What we are trying to do, of course, is to replace people into sectors with demand. So again, the fact that everybody is online. We are, per country, say, okay, we know this company is closing, can we get these people into other clients. But that depends on, of course, the capabilities, the geography. And again, so too soon. And I can't give you the total amount, not because I know and I'm not telling you, but we really don't know.

Hans Pluijgers - *Kepler Cheuvreux, Research Division - Head of Research of Benelux*

And maybe one follow-up on the credit facilities. Could you give maybe some number, you provided a number but I didn't quite hear what is still the facility that was available? And do you have, let's say, any facilities you can draw or could increase? Could you give some numbers there?

Henry R. Schirmer - *Randstad N.V. - CFO & Member of Executive Board*

So we do have a facility of EUR 1.85 billion, which is, at this point in time, totally undrawn.

Operator

There's another question. Please introduce yourself followed by a question.

Anvesh Agrawal - *Morgan Stanley, Research Division - Equity Analyst*

This is Anvesh Agrawal from Morgan Stanley. I just got one question really. You mentioned some of the sectors which are still growing for you. Can you first just tell us what your exposure to that -- to those sectors at the group level?

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

We have a rundown, which doesn't -- well, partly talks to these sectors. Let me give you the rundown. So manufacturing is 30%, 3-0; transport distribution, 20%; business IT 10%; financial services 10%; public health and education 10%; automotive 7%; construction 3%; and leisure 3%. So we have totally different portfolios per country. So -- but I think that gives you a bit of flavor on, yes, where we are exposed, where we're less exposed.

Operator

There's another question. Please go ahead, state your name followed by the question.

Thomas Richard Sykes - *Deutsche Bank AG, Research Division - Head of Business Svcs Co. Research & Industry & Leisure & Transport Research*

It's Tom Sykes from Deutsche. So I wasn't very quick at writing down those sector numbers again, I wondered if you could just give those again.

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Sure, sure. You're not getting any younger here Tom, here it goes again.

Henry R. Schirmer - *Randstad N.V. - CFO & Member of Executive Board*

Manufacturing 30%; transport and distribution 20%; business and IT, 10%; financial services 10%; public health and education 10%; automotive 7%; construction 3% and leisure 3%. That is not entirely 100%, just in case somebody wants to add it up. There's some other in there.

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes. And there's another point I need to make. With us, you always need to talk about sectors and profiles. So now you see sectors in which we're active, but at the same time, everybody needs IT people, for example. Certainly, in these times, so when I say there's demand for IT, it's not demand for IT in the IT sector. As many of you know, banks have never hired a financial professional in the last 10 years, they're only hiring IT people. So sectors and profiles are different. This gives you a bit of insight.

Thomas Richard Sykes - *Deutsche Bank AG, Research Division - Head of Business Svcs Co. Research & Industry & Leisure & Transport Research*

Yes. Yes, exactly. And then just on the working capital movements, is there anything different? I know it's early, but is there any delayed payment from your client base in terms of working capital, in terms of them paying for you, obviously, we would expect that debt to go up to some extent. But is there any difference in that dynamic? And is that happening more slowly at all? And then just in terms of the dividend, and obviously, you're doing it from a prudent point of view because of the macro. But is there anything that you feel if you're taking what might be considered state-aid in terms of -- or not state, but if there is short time working and you're having that number, is it then seen as probably not the best thing to then also be paying a dividend to shareholders at that time? Or was that at all part of the thinking?

Henry R. Schirmer - *Randstad N.V. - CFO & Member of Executive Board*

Tom, on the first one, it's too early to say. There is 0 evidence at this point in time of any delayed payments or whatever. So there's none of that. As far as second question, Jack, do you want to?

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes, Tom, let me answer your question again from the capital allocation policy point of view. And we've been on many road shows, so let me share that with you. Well, maybe back, I didn't mention it explicitly, but we always say that the business is way more resilient than it was 10 years ago because of the geographical presence. And the fact that in normal circumstances, economic cycles happen at different stages in different times with different tempos. That's not the case now. And Henry, also with our businesses twice a week, so we have 3 groups of businesses, the Asian businesses, the European businesses and then the American businesses. And it feels a bit like you have the same, call it, rundown of -- well, first -- first people affected, oh, what do we need to do, lock down, partial lock down, full lock down, barring travel and what have you. So for us, it's all happening roughly at the same time in a 4 to 6 week period. And then, of course, our, call it, geographical resilience becomes less. Then we said, for example, on the minimum dividend to EUR 1.62, that we have tested that against 2009 scenarios and that we would be able to pay that even in 2009 scenarios. Where we see it now, I'm not ruling out that this is worse than 2009. I really don't know, this is not a call where we know a lot,

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and we're not sharing it with you. This is a call where we're very transparent on the fact that we don't know. And I said again, how deep, we don't know, and how long, we don't know.

So that's why if we would have been here 6 weeks ago, then we would have said, well, guys, although we are at 0.7 at the moment, we're not topping up towards 1 because it's too uncertain. That is the second part of the dividend. And we're testing the scenarios currently. But if it turns out to be worse than 2009, maybe we cannot even keep up the guaranteed dividend. That's really what's happening today. And if it improves throughout the year, great. But we'll keep you informed. There are moments where we are in contact, which will be in the due course.

Thomas Richard Sykes - Deutsche Bank AG, Research Division - Head of Business Svcs Co. Research & Industry & Leisure & Transport Research

Yes, sure. And if I could just ask one quick one, just the practicalities of running your business at the moment, are all your branches open? I know in other releases, you've sort of mentioned the use of the Internet. But in things like KYC for clients or candidates, what are the actual kind of on the ground difficulties that this presents rather than just a reduction in demand, if we could try and understand that a bit?

Jacques van den Broek - Randstad N.V. - Chairman of the Executive Board & CEO

Yes, sure. On KYC? What's that?

Thomas Richard Sykes - Deutsche Bank AG, Research Division - Head of Business Svcs Co. Research & Industry & Leisure & Transport Research

Sorry, know your client. Anything on compliance wise, because what proportion of your temps necessarily would go into a branch, how the Internet helps you, just trying to get our heads around that.

Jacques van den Broek - Randstad N.V. - Chairman of the Executive Board & CEO

Yes, good point. Let me shed some light on that. So last year, we issued in our press release in the Q call that we had GIS, Global IT Services. So we moved all of our databases to the cloud, which means that we have unlimited bandwidth. If we compare to other companies in our markets, competitors, but also our clients, they can't handle that. They have like 30% of their people that can go online because their systems can't handle it. Also, they lack hardware. So every one of consultants, with a few exceptions, but then I'm really talking India. They are already fully functional online. So we're very happy with our digital journey because as we speak, depending based on the lock down and the level of lock down, people are fully online, either from home, sometimes still with an AB schedule in terms of branches.

Communicating with our clients, definitely, every day, full access to the files of the client to what goes on, even on a global scale, because in our Randstad enterprise group, we are discussing. So I just got a report 150, 160 clients interviews, we had with those clients, what they are asking, what they're willing to do, what they're not willing to do, where we can really help them, so that's helpful. Roughly 70%, 80% of our candidates is directly connected to us through their own Randstad app. So we can send messages, they can look into their planning, and we can communicate very effectively. Even for me, and I would say, I know the business best. I'm talking to the whole world. I'm sitting behind my desk at home and I'm talking to the whole Randstad world, not just on the phone, but on Google Hangouts, so I can physically see those people. And in a strange way that means that we are actually more effective. So from a process point of view, there's nothing wrong at Randstad. But of course, there's a total lack of demand, and that is what we're currently facing here.

Thomas Richard Sykes - Deutsche Bank AG, Research Division - Head of Business Svcs Co. Research & Industry & Leisure & Transport Research

But you can place people without them having to come into a branch and show, I don't know...



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Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes. For a long time already, Tom. But we are -- in our Randstad innovation front, we're running our ecosystem to see what we can offer our clients. So as we speak, we're offering free video assessments. We are offering, for example, in Spain, there's many people who are on temporary unemployment, they're worried. So we offer them free online -- yes, you might call career coaching sessions. So there's a lot we're doing to help our clients and our candidates to weather this storm and a lot comes out of our digital portfolio. I would have never thought we would use it for these circumstances, but we are.

Operator

The next question is -- state your question followed by your name.

Konrad Zomer - *ABN AMRO Bank N.V., Research Division - Equity Research Analyst*

Can you hear me?

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes, Konrad.

Konrad Zomer - *ABN AMRO Bank N.V., Research Division - Equity Research Analyst*

Konrad Zomer, ABN AMRO.

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes, I recognize your voice.

Konrad Zomer - *ABN AMRO Bank N.V., Research Division - Equity Research Analyst*

2 Questions, please. The first one is, did you consider changing from a cash dividend to stock dividend? And my second question is, at the start of your call, you mentioned the 70% market decline in France. And I might have missed it, but did you also give us the source of that minus 70% market decline?

Henry R. Schirmer - *Randstad N.V. - CFO & Member of Executive Board*

The source is mostly lack of demand Konrad.

Konrad Zomer - *ABN AMRO Bank N.V., Research Division - Equity Research Analyst*

No, sorry, sorry. I meant the source of that number because the present data...

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes, I see the prism. And again, I don't know if it's minus 70%, but -- yes, well, you can guess, even if it was minus 60%, that's still serious. Apparently, in France, there's a very, very -- again, every government needs to do the trade-off between economic development and health. And most of them,



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of course, are choosing in a majority for health. And France apparently seems to have gone to a very quick lockdown, whereas, for example, in Spain and in Italy, you could still go to work. And in France, apparently, that's less the case. We'll see. We'll see. But it was the only real data point we could share with you because it's out in the open. And for the rest, we just take it at Randstad now day by day, but certainly, week by week.

Henry R. Schirmer - *Randstad N.V. - CFO & Member of Executive Board*

Konrad, on your first question, we came to conclude what we've put out in the press release this morning is the most sensible thing to do to balance interest of everybody, employees, customers, talented stakeholders and shareholders. So yes, we had discussions about it, we concluded to deal with it the way we did in the morning.

Konrad Zomer - *ABN AMRO Bank N.V., Research Division - Equity Research Analyst*

Okay. Because obviously, none of us knows how long and how deep and I share your views on that item completely. But you preserve about EUR 800 million of cash by not paying a regular and a special dividend. But given your credit lines and your current very healthy balance sheet, it is something that you might have considered because by preserving just south of EUR 800 million, I mean, it's not going to change the fundamentals of your company, you will be able to reduce costs. You will be able to adapt to whatever new world we're going into. And I understand the difference of EUR 800 million. But in the big scheme of things, it looks to me as if Randstad is going to survive anyway.

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Well, thanks for the confidence Konrad, and I totally share your view on that. But let me -- so it's not just cutting cost because if it's a V shape or a U shape, we want to come out of this effectively stronger. So of course, we can fire thousands of people and immediately cut our cost but then there will be a bounce back. So for us, the big challenge is, together with government schemes, how much do we need to take out? Because, of course, I hate to fire one person let alone 1,000. So that's early days. And for that, we're just -- prudence is the word, and thank you for the confidence. I totally share it. But yes, it's like Henry said, it's about all stakeholders. It's shareholders, but it's also our clients. Our clients are also asking us to take care of people, our own people. So in that sense, this is the call we're making, which is not even a call on no. It's a call on, not now.

Operator

There's the next question. Please state your name followed by a question.

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes, your line is open. It's a bit like a radio broadcast. There, all of a sudden, you're live.

Simona Sarli - *BofA Merrill Lynch, Research Division - Research Analyst*

This is Simona Sarli from Bank of America. Can you hear me?

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes, absolutely.



Simona Sarli - BofA Merrill Lynch, Research Division - Research Analyst

Just a couple of clarifications. So I appreciate that at the moment, you have not withdrawn the revolver facilities. But I see that in Q4, you have 2 corporate notes of \$400 million and one of EUR 150 million expiring in Q4. What is your underlying assumption? Have you discussed with the banks the possibility to extend the maturity? Or are you going to withdraw the revolver for that? The second question is related to the peak leverage. I'm not talking about the peak leverage at year-end. But what also during the year, during the previous recessions or crisis, have you been able to sustain? And what was the underlying earnings decline for that?

Henry R. Schirmer - Randstad N.V. - CFO & Member of Executive Board

On the first one, why -- I understand the question, please understand that it's far too early to now make a comment on that. Just rest assured, we, of course, looking into how we finance our balance sheet, but I rather not discuss it here in public now.

Jacques van den Broek - Randstad N.V. - Chairman of the Executive Board & CEO

Yes, on the leverage ratio in 2009, we entered the year at 2.1%, 2.2%, if I remember correctly. And then we quickly dropped to 2.6%, but then as I mentioned earlier, it has started to stabilize in March, April. So the peak was 2.6%. Again, we're -- there's 2 things not comparable to 2009. First of all, it is this crisis set, only different origin, very difficult to predict with -- where I'm sitting here, short term, a deeper dive, but maybe a quick recovery. Again, we don't know. The second one is we're a totally different company, of course, that has good and bad. Hopefully, the resilience will help somewhat. China is -- our people in China are back in the branches. But we do think it will take time for that economy also to recover. But they are early in the cycle, so to say. So hopefully, that helps. But of course, we have way more perm, perm drops like a stone in these times and that goes directly into margin. We have bigger businesses, where we have people on idle time. We have a lot of -- we have more services in outplacement in handling RPOs and MSPs. So again, the elements that drive up or downturns is a little bit more gross margin, so to say, or margin fee-based, then we were more of a staffing company 10 years ago, so to say.

So there are differences, but from -- of course, from a financial, from a leverage point of view, we're way more, yes, call it, a wealthy company at the moment. And I think that's what Konrad alluded to. But then still, we don't want to just survive by cutting only costs. It is striking a balance.

Simona Sarli - BofA Merrill Lynch, Research Division - Research Analyst

Probably one more question, if I may. As you're saying, yes, you're a healthier company, but does this mean that probably compared to 2008, 2009, there is less room in terms of cost cutting. So what's the difference today compared to the past? And how much you think you can cut from the business?

Jacques van den Broek - Randstad N.V. - Chairman of the Executive Board & CEO

Yes. Well, a good point, because in 2009, we had just done the Vedior deal. So we had synergies, certainly in countries like Belgium and Netherlands that helped because we were going to do that anyway, which we already did in the summer Q3 of 2008. So we took the benefits in 2009 that we already had, that we were just harvesting that, so that helps. At the same time, a big difference with 2009 is the reaction of governments. There are way more support schemes, which they were less of in those days. So we're hopeful that offsets. And as I said, our people and probably good to mention is that probably all our European leaders have seen 2009. So Rodrigo Martin in Spain going down 50%; Marco Ceresa, in Italy; Herman Nijns in Belgium; Dominique coming from Belgium into the Netherlands; Richard Jager, long time with our business, they're all seeing it. So they know what to do. We have, I think, good access to government. So we hope to know soon where we can also benefit as an employer, both for our flex workers and for our own staff.



Operator

There's another question. Please state your name followed by your question.

Sylvia Pavlova Barker - *JP Morgan Chase & Co, Research Division - Analyst*

Sylvia Barker from JPMorgan. Just going back to the cost base. So obviously, we don't know how long this will last for, but it's extremely sharp. So going back to kind of Tom's question in terms of the branches. Could you just remind us what part of your cost base is basically in the branches? And could you close them temporarily, how many of them you feel running?

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

That's -- the branch is the least of our worries because you never get a short-term benefit by closing them. Effectively, we're not using most of them. But yes, we still need to pay. So that's not it. As always, it's personnel. And as I said, we try to damage our frontline the least possible. So as management, Executive Board, Top 500, we're already abstaining for any bonus provisions for this year, that helps. And all to support as much our midterm stability in the front end of the business. So it's not the ability or the lack of ability. It's, of course, clear as there are no events, nothing with clients, marketing less, IT projects postponed. So we do the full gambit. Yes, well, no travel, that's not even a decision we need to take. So there's a lot of our costs, which almost automatically goes down, then there's variable pay, 10%, 15% hiring fee. So that's all the usual stuff out there. But then, yes, then you come to your own people. And again, ideally, we can put them into -- like we did in Germany, unemployment schemes and keep them on as long as we can and hit the ground running when we have the rebound.

Sylvia Pavlova Barker - *JP Morgan Chase & Co, Research Division - Analyst*

And for example, in France, have you put people on the kind of temporary unemployment scheme as well or?

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes. So it's soon. So actually, that is really unknown. I've never seen it, and as you know, I am 33 years in this business, is really, as I said in my opening remarks, half of March until the second week of March, there was not a lot going on. Some degradation in Italy. So -- and now, boom, it hits fully, and we still need to see how deep, how long and the unemployment, of course, we're planning. So what we -- maybe for your information, our management always makes scenarios. They always do that as part of budgeting anyway. And we just, in this case, downgrade the scenarios, and we can take it as it comes, and we want them to have actionable schemes within 4 weeks. And then we just make calls on countries and adding it up at a group level. So that's how we work in these times in general, but certainly now.

Sylvia Pavlova Barker - *JP Morgan Chase & Co, Research Division - Analyst*

Okay. And any payments from governments that you might be able to get a deferral on. So, of course, some other companies that maybe they're not going to have to pay taxes or benefits for a while? Is that anything that you've heard about?

Henry R. Schirmer - *Randstad N.V. - CFO & Member of Executive Board*

Yes, absolutely. So the tax prepayments or the kind of the down payments we do quarterly, that's all being adjusted already, as we speak. There's -- we look into that in each and every country, we have. There's, as you can imagine, all hands on deck to protect liquidity. And not that we are in any issues there, but that is what you do when you're in times like those. Absolutely.

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Operator

There's another question. Please state your name followed by your question.

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes, you're on the call. I don't know who, but...

George Nicholas Gregory - *Exane BNP Paribas, Research Division - Research Analyst*

Can you hear me?

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes.

George Nicholas Gregory - *Exane BNP Paribas, Research Division - Research Analyst*

It's George Gregory from Exane. Just to be coming back to the -- to your very last point, actually, Jack, around the government employer support schemes. I appreciate that they have yet to kick in. But when you read what has been proposed in terms of the coverage for France, the proposal in -- I'm not going to try and pronounce the German scheme because I'll get it wrong.

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Kurzarbeit.

Henry R. Schirmer - *Randstad N.V. - CFO & Member of Executive Board*

Kurzarbeit.

George Nicholas Gregory - *Exane BNP Paribas, Research Division - Research Analyst*

There we go. And also, obviously, the scheme we've got here in the U.K. and other markets. What -- again, I appreciate that they haven't yet come into force. But based on the proposals, what sort of offset do you think they will afford you or could afford you?

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes, we're fully -- so good question, George. And that's also why -- so what we do, actually, we do -- we do top-down scenarios, but then we need to rely on our people because the situation is totally different per country. First of all, because of the sectors they are in. So some countries are differently hit than others. Then the schemes. And then they come up with scenarios, which yes, the German system, as I said, is a good system. We -- that was a 6-weeks thing, but that was a year ago when we were hit, but the country as such was not hit that much. So now just in the Netherlands alone, there is a system, but I think there's like, within a week, 75,000 companies applying for it. So there's also a bit of logistics here on how to manage it. So we are calculating what we could be eligible for, but then we need to find out if and when we get the money, there might be quite some time lag here. So now we've not brought that all up to top-down because it's such a fast-moving space because to be eligible for a scheme, in many countries, you also need to have a certain drop down in revenue, which you cannot, based on the first week of business. So you need to show monthly numbers, that sort of thing. So also proof points takes time.



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So again, that's why it's all about prudence at the moment.

George Nicholas Gregory - *Exane BNP Paribas, Research Division - Research Analyst*

But if we -- I mean, if we look at the schemes, I suppose, am I right in thinking that currently, Sweden and the U.K. have proposed the sort of greatest coverage, I think Sweden is 90%, the U.K. up to 80%, obviously subject to the medium -- to the pay level. It could be to consensus.

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

I've really not done the numbers because we -- and then Sweden might be great for our own staff, but in Sweden, we have a different issue, is everybody is on our bench. So -- and we don't know yet if those schemes would also transpire into the people we employ in that sense. So no, too early, too early. But again, as I said, Q1 we will share more -- the most detail that we can. And again, you might now have short-term support. But if it lasts longer, we don't know.

Henry R. Schirmer - *Randstad N.V. - CFO & Member of Executive Board*

On a positive note, there's clearly lots of, lots of movement from authorities to keep structures in place and to avoid unemployment.

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Absolutely.

Henry R. Schirmer - *Randstad N.V. - CFO & Member of Executive Board*

So that is a probably never seen dynamic in there, how it pans out remains to be seen, but that is really a positive.

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

No, it's absolutely, and that is, we think, a big difference with 2009. So yes, good to see. And again, as I mentioned, but I'm gladly doing it again. I see a lot of leadership, great impressive leadership from politicians in Europe.

Operator

I think there's something wrong with the line. There's another question. (Operator Instructions).

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

There's something funny, we hear the dialing tone now. Robert, do you hear also the dialing tone?

Operator

Yes, I also hear it, I'm trying to locate it. There's only one line open.

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Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Now it's gone.

Operator

Okay. Then we go back to the question-and-answer session. There is another question.

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes, you're on air, Jack here, do you have a question?

Henry R. Schirmer - *Randstad N.V. - CFO & Member of Executive Board*

No.

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

No.

Operator

(Operator Instructions)

Jacques van den Broek - *Randstad N.V. - Chairman of the Executive Board & CEO*

Yes, Robert, I think we've answered as far as we can. So let me do some closing remarks. Thanks, everybody, for calling in. It's good to talk to you, actually, in these times, to share with you what we know or we don't know now. What I would -- the final point I would like to make, this is all about prudence. This is not about survival, whatever. This is prudence. You know us as a company. We lack a lot of transparency in our markets, and that's why we're doing this. We'll keep you informed at the regular moments, next one being on our Q1. And I wish you also in your business, the best and, of course, stay healthy. Thank you very much.

Operator

Ladies and gentlemen, this concludes the event call. You may now disconnect your lines. Thank you. Have a nice day.



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