

Q1 2020 Earnings Call

Operator

Hello and welcome to Randstad First Quarter 2020 Results. My name is Jose and I will be your coordinator for today's event. Please note this conference is being recorded. And for the duration of the call you lines will be on listen-only. I will now hand you over to your host, Jacques Van Den Broek, CEO to begin today's conference. Thank you.

Jacques Van Den Broek, Chief Executive Officer and Chair of the Executive Board

Yes, good morning, everybody, good to talk to you in this, let's call them interesting times, as any of I'm all my life energy, industry lift through 2009, but this is a different one.

So, let's talk you through it. Henry is probably also somewhere but of course, at home so -- but he's going to be presenting also. As usual after me and then David and Steven are also on the call so to say yeah, so just a few weeks ago. We share with you our first thoughts on the impact of covid-19 our employee's candidates and clients.

But yeah situations have been changing by day since then. So today we're here to share with you our thoughts on Q1 results, but even more to share an update on covid-19 from our perspective given the unprecedented situation as any else run such first priority is the health and safety of our employees again. Audit clients and other stakeholders and I'm going to come back on that one, by the way in a minute. I would also like to take this opportunity to thank my Randstad colleagues for their incredible commitment and dedication which they responded to these difficult times. I once heard someone say that in times of crisis you get to know the real character of the company, and I'm very, very happy to be responsible with the Executive Board for this company and these people.

As we speak, all our colleagues around the world are remote daily contact with the clients and database. With the clients and candidates with full access to the database underpinning our state-of-the-art digital infrastructure as we pivoted last year towards all our infrastructure online and that has worked very well for us. So very happy to be fully operational with more than 37,000 people, as global market leader. what we talking about health and safety.

Last week announced the safety back to work in the new normal alliance. What is this all about what you see, of course in a crisis like this is first you go down it is yeah, you'll end up. Yeah, you are a sort of a trough and then you need to get out of it. But how do you get out and we together Mackenzie I reached out to empowered to stay.

What can we do to help societies get back to work? As a sector, we have always worked on health and safety procedures. In life sciences, in manufacturing, and

transport and logistics. So for us it's always about analyzing workbooks, workspaces providing protective material, checking on procedures, training people, so there's nothing new and that's first and foremost what needs to happen.

So, what we are doing and we launched a position paper on that, which is on our website if you want to check it out. Are we call upon government employees, employers, trade unions to create an alliance per country together with us to get people back safely to work? So, we're going we're doing this in 12 countries aiming at five sectors and that's working well for us is a lot of interest from this. So, we are what do we bring to the table.

We bring to the table experience from other markets such as Taiwan, Asia, of course, when the crisis hit first, but also cost factors. So, we created a global grid where all these safety protocols can sort of be created and nobody needs to reinvent the wheel. In Asia phase two, where governments open up the economy then as an industry because it's not just the top-three we want this to be an industry thing per country. We can all go out and together with our clients implement this new normal and health and safety.

I'm very happy that we are as an industry part of the solution. So back to the first quarter. Yeah, initially nothing wrong with developed in line with our expectation, with organic revenues as we share with you minus 3% to 4% until the first half of March, then things change very rapidly. It has -- it has driven an unprecedented deceleration in business activity.

So, what we talked about how deep? -- we get a feeling for how deep. Comparing it to nine we went very quickly down from minus 16 16, December to 8 minus 9 January to below minus 30 in March with countries like Spain and Italy being hit with more than 50% negative revenue so we've seen this before and a lot of our management has lived through this before. Then it stabilized throughout 209, which was still a tough year with 27% negative top-line. So, we get a feeling for how deep we don't know how long, but definitely the project I just mentioned, we hope to help everybody get back to work sooner.

Big difference of course, I was also and Henry, will allude to it again our balance sheet, totally different than 209 but also government support schemes of which were also going to talk a little bit later. So, we do see the trend last two weeks of March minus 30 we do see the trend continuing into the first weeks of April with an increasing number of key geographies in parcel of footlocker. And as said, in our headline, we do expect as a result Q2 three more challenging with very limited visibility because of course it totally hinges on the amount of openness that our government will allow which are tough choices with totally recognize that but at the same time it's not just that. It is also when everything is open and you have and you have supply of services of product, it remains to be seen what the demand will then be because please remember that we went into this certainly in Europe, already with an economy that was slowing down, you remember Germany being quite tough for us already for 1.5 years, Netherlands and Belgium who entered this

crisis with negative staffing markets as an indication of economic development, so that is still the big question out there.

Let me take you to some comments on individual countries and regions. So North America in Q1 was not hit, so as you can see pretty much low negative growth, but in Q1 no signs of deceleration, but what we see now in the US., Sydney. in the last few weeks, it is also going down. US is very mixed picture, very much a state per state thing.

So, we heard yesterday that for example the state of Georgia, which is an important one for us, because I had offices in Atlanta, we started our business in that region years ago is opening up again, so it's going to be interesting to see. First of all, what that means for the health situation a second of all for the business situation too soon to tell. What is good about our US businesses half of our businesses is Professionals business. So it's an IT and it's a that's what we see more of a deceleration in staffing businesses certainly berm, of course way more.

But yeah, in that sense our North American business woman negative revenue point of view is better than Europe. Canada also lockdown in Ontario and Quebec. And Canada still we don't know, if we are eligible for government support are going to talk about government support later, but is very much a moving target with full of many countries a new type of regulation that still needs to pan out and be clear in all the details. On a French business, let me start with sharing my happiness about the fact that frank as frank reboot has moved from Southeast Asian Australian, business to running a French business and also responsible for our OC statement of work business in France.

I've worked directly with Frank, for the last five years Frank started his career many years ago in France, but has been in Asia, Southeast Asia for longtime done very well for us and a very happy that is in France, but he started this business from home, we started running the business from home. So that's a strange start, but happy that Frank is there to pick up our performance because of French business continued to perform very well again, until mid-march.

Subsequently, face is almost complete standstill, they're very strict lockdown next to the level of lockdown in countries. We also see reactions.

So, as you know, in France unions are very strong. They immediately took the choice to protect their people which of course is theirs to take but that meant that many businesses were closed very quickly in France and therefore their debt market is one of the worst-hit. We shared with you when we talked about a postponement of the dividend a few weeks ago about the data point we had from the prison at minus 70. It's not as bad for us.

It's 50% funny to say but 50% down the second half of March or not as bad but yeah, still tough of course. Back on that thing with the unions it does mean that again in going back to work in the project I mentioned is very important to involve the unions from the start, so that they are part of the solution because they have an interest for their members. Our professional business decelerated of course, as well in France, but it was

still growing and outpacing the market, so we have a big medical business also in there and you can imagine that there is unfortunately in a way but from a business point of view good doing relatively well. Our profitability was impacted adversely, because it happened very quickly and it's also tough to adjust of course personnel costs with me in France.

A Dutch business yeah, seems like a long time ago that we talked about the WAB law but that also happens and then COVID-19 in general, they're still weakness in the industrial related sectors. Professionals yacht again slightly down the revenue so remarkable performance we do thing they are above markets of very happy with our performance at yacht. In the Netherlands we've been able to support our temps to the government scheme NOW until the end of May and for us that fit perfectly into the value of our company employee protection has the highest priority for us.

And we're very happy that the government allows us to do this. They get paid 90% and the remaining 10% we pay so, but very happy to do that despite the significant top-line impact we managed to keep or EBITA almost stable. So, we had strict cost control we mentioned already, I remember that the initial call it margins. We kept really well in the change towards WAB.

So, that has helped us, and we have a slight early day's impact of this support scheme and on. So yeah, very grateful again for the government support in many markets, why we want to of course have as many people continue to work with us is very much about protecting people's jobs and in debt sense so far so good. Germany 16% yeah. Well Germany we've seen almost a perfect storm for one and a half years now, it does mean that of course for a management.

It's they're used to this for them it was less of a drop from a cliff. Again, we want to compliment also the German government on this prompt action to support business activity for staffers codes are by it has been made available. As you know, we already had codes are bite. So, that's So that system has easy access making it possible again to protect employability in Germany.

However, German business, Swedish business everybody is on our payroll. So, in these circumstances, I will time and sickness eat into our margin. Our Belgian business again a very stable performer, but also revenue in the second half of March going down quickly, part of Belgium also has a bit of a sentiment like France with unions going very quickly into lockdown soap. So, we did see in some sectors quite a steep decline.

We have a very diverse portfolio in Belgium so for example, we have mostly ladies' people that clean in private homes. Yeah, that was not possible again due to the protection for health reasons. So, we have several thousand people working in that business. So, that was a business that we had to immediately close here.

But our management experience has taken direct measures in order to protect the profitability and recovery ratio. Italy, let me spend some time on Italy, because Italy in Europe was the first hit. It went from China, Singapore and then all of a sudden, we

heard about Northern Italy. And we basically, see Italy as a blueprint for the future trends in other countries.

So, we have a steering group to all the up co-leaders on the aviation business in the European business and in the US business and we do see that the cycle of the virus and the cycle of lockdown is quite similar. So, we share all those experiences internally how do you keep a company working motivated eight to nine weeks from home? How do you manage your people there? You know that is an acquired taste that is new and we learn very much from each other. Italy has been here the Bellwether for our European business, it has been in complete lockdown since March 9, and again this goes for all our management, but I do also want to talk here about our outstanding management team. any management team, how they weather the storm the motivated they keep on running their business.

Our EBITA margin was significantly impacted of course, high declining revenues by sickness and a complete standstill but a goes for many markets as you can imagine input. Iberia, Spain, Portugal, again Spain after Italy been very, very hard hit of course, in many businesses we've had people who were sick ourselves, relative to where sick even deceased relative so it is tough to manage a business amidst all this. Also, we were who are still growing in Spain and then in the midst of March we went from growth to double-digit decline, again in two weeks never seen it. Revenue is down by a modest 3%, but again going into Q2, we will see the decline.

Overall, profitability well on the control there will be government 8-inch pain, but the details of this similar to Canada for example, are still to be seen in Q2. Rest of Europe, not too much to tell of course, perm in the UK being hit, we also have a big education business in the UK schools closed people at home. And again, in Sweden similar to Germany idle time hits us. The rest of the world.

Yeah, still in good shape our Japanese business still growing. Also, Australia still growing into Q1 China, is getting out of lockdown as we speak. But then yeah, where's the market and very much my supply-demand thing people need to consume and then China of course, relies on the growth of predominantly Europe and to a lesser extent the US So, that remains to be seen then a global business is not so much going into the details, but our global businesses have really served as well. And why what we've built out of our global businesses is a website that is called help in challenging times for our clients.

So we enable our clients to do everything remote. So, we have offerings such as how do you manage an online workforce still recruiting webinars video interviewing? So, we made all of that available for our clients monster does free job posting for healthcare professionals. So very happy with that part of our business. Of course, Monster being down lack of hiring they go with perm.

So, to say our source right business down, but at the same time good profitability in Q1 and a great pipeline incline. Although of course, being halted at the moment giving the economic situation due to the virus. And then, let me end with a bit of color on Government support schemes, lockdowns and that sort of thing. So as I said, North

America relatively late in the curve, huge difference of per say, we call it the selective lockdown of course, California, New York, those surrounding states very heavy hit, Georgia opening remains to be seen what that will mean.

Yeah reopening America, it is a plan and again time will tell if they strike the right balance between health and economy, which I'm very aware is stuff to do. France, France has a system and economic unemployment, that is pretty straightforward. Again, we see less of a decline than the early signs. We share with you in the prison but still a huge decline, but the government support schemes are in place mentioned the Netherlands again, very happy.

Also, we think that there's a lot of debate in society about flexible work. But, it's about fixed work and well-regulated work. We think that the people we take care of will be better take care of than works or platform work. So it's going to be interesting after this is all over to start a debate on what that means for the labor market as a whole, but Germany again, we know the system easily accessible.

Belgium very much like the French model, although there is support for flex workers, but a bit independent of us, but they are to certain extent being taking care of so very happy with that one. Italy has support up to 50% of wages and the rest is for us so easy to so each into our profit but happy to do that because again, we want to keep as many people employed with one slot as we can. And then Spain, significantly impacted similar lockdowns but still the Government support systems unclear in the details but we expect to have more clarity. On that note, to you Henry.

Henry Schirmer, Chief Financial Officer

Thanks, Jacques. So yeah, before jumping into the numbers let me also share some thoughts from my side. So, going into this global health crisis, our company could or could not have been any better shape and that's been excellent spirits amongst our colleagues to weather the storm and adding another chapter to the success story of run --. No deeply rooted value to care for our customers talents and employees especially in times like these is an invaluable guide follow employees and will serve or shareholders well in the short and the long-term.

Given the unprecedented circumstances, we will provide you with more details than normal as we know that it's far from easy at the moment to read the market. And in the coming slides in addition to covering quarter 1 numbers. Are we spent a bit more time and how we see aerobics position including impact of governmental schemes and provide reassurance now our liquidity and solvency position leaving our dive into the quarter one results in more detail and it's mentioned by Jericho performance was in line with our expectations until mid-march and then Covid-19 kicked in reported revenue growth for quarter one with minus 7.4, but only 3 to 4 minus down until mid-march and in line with our January, communicated growth rate and then suddenly in the second half of March our group results revenues declined by about 30% . Gross margin in the period for sound 30 basis points year-over-year due to significant adverse impacts related to covid-19, will get back to you on this on the next page.

OPEX came in EUR890 million. So, 2% down organically, year-over-year and ahead of our initial guidance of after quarter four results. This already reflects first cost measures this is taken however, the rapid decline in the second half of March made it tough to drive EBITA margin came in is 3%, down 100 basis points year a year reflecting the rapid deterioration of our gross profits in the second half of March. And on the next line integration one, of course, but EUR22 million this relates to pre-Corona and restructurings and various countries and some software write down.

Amortization expenses EUR59 million, which is EUR29 million higher than last year reflecting the accelerated amortization of related and tangibles in respect to Monster. And let finance custom quarter one came in at EUR15 million and net increase of 8 million mainly reflecting currency differences and cash balances and yeah, with that, it's probably time to talk more about gross margin. I'm now on page 15. As you can see on the left the temp margin was stable year-over-year following positive 40 basis points in quarter four.

Like the revenue trend or temp margin developed in line with our expectations until mid-March. And COVID-19 has quite a significant adverse impact our temp margin amongst others due to significant increase in thickness, and several countries, ideal time, and agreements with clients to jointly protect employment. If free -- our underlying term marginals of year-over-year. The bar in the middle shows the decline of 10 basis points as term sell by 10% in quarter one.

Is a bar on the right represents HR solutions, which shows the negative 20 basis points effect on the gross margin, mainly reflecting it was mixed effects of monster. The watch out for period to come definitely is the impact of sickness and idle time in our gross margin. And with that, let's go to the OPEX theory on Page 16. For the rapid decline of revenue in the second half of March made quarter one a very challenging quarter with respect to OPEX theory.

Sequentially we reported OPEX down by 18 million a year-over-year decline of 2%. It would have expected. We took instant cost measures talking all non-essential spending instigating an all-out travel ban and hiring freeze and also suspended executive bonuses over 2020. Overall, it was a very good to see how the company came together virtually, of course to face the fast-changing new reality of the market without hesitation knowing what needs to be done to protect the company wide, in our customers and talents in these testing times.

Now it's quarter two will be the real test for a duty of the cost base. We're confident that the right answers to the challenges thrown it out that context or cost optimization program activated already in quarter one, could not have come at a better time. It stated during the endless day in early December in London, the program is addressing our total cost basis 3.6 billion, and looking for ways to further unlock the power of one round stood. The context of the corona relates market decline is increased the need for accelerated results helping the address, because basil reading for the too.

And as we speak, we have already activated an enterprise-wide cross-functional team executing wide range of savings opportunities touching, the cost base in a very significant way. The activity span across all businesses and line items. They include appropriate food steering measures, procurement benefits and the elimination of all non-essentials spent. The program is structured by cost categories and involve senior management support by extra teams across the company.

We will balance the short-term and the long-term seek to protect employment also with use of government is teams and safeguard profitability levels are adequate to the business in a healthy fashion through the next period. This mention already by Jacques and top of various furlough and other governments teams in all regions across our enterprise. And with that, let me talk about bit more about the government is performed on page 17. So far those commanders supports teams are concerned Jacques is mainly already walked two through the main markets, but I'm sure you will appreciate that.

It's quite a developing story. And we want to provide a guideline as we expect OPEX to relief a some EUR50 million in quarter two, please take this as a rough estimate as many schemes are still in development shutdown scenarios impacting calculations can change quickly and benefits showing up in many different ways some parts of government is schemes will have a positive impact on liquidity as they provide go for just the payment schedules for Texas and social security just to name a few. And we are very grateful for those governmental programs. programs and conscious about the high moral obligation are carries to ensure it is used exclusively, to protect employment with otherwise would have been in danger to reload.

And with that to the balance sheet. Also, more important, maybe than normal. On page 18, this quarter we specifically share some light on liquidity and solvency, whilst providing more color and underlying fundamentals of our financing structure. For zooming in let me share some comments in quarter one, free cash flow which was quite comparable to last year.

While, EBITA was significantly lower year-over-year, we benefited favorably from positive working capital movement. The development of our receivables and the slowing growth environment provides a very significant liquidity protection, evidence already in quarter one. Hashtags payments were higher than what would be -- would have normally appropriate for the adjusted profitability level and this effect will reverse in quarter two. The last bullet on the left shows days sales outstanding, which was down 0.8 days with last year and the quarter four 2019 on the 12-month moving average mainly driven by mixed effects.

As first signs of changing payment patterns start to appear before the tightening our Governance around credit risk management and deployed additional resources to support the cash collection. Given the unprecedented circumstances we feel it's important to provide reassurance with regards to solve ability and liquidity of our business. Starting with our solvency position, our leverage ratio stands at 0.7% to end of quarter one, pre-alpha 16, which excludes our CC receivable of EUR389 million.

Furthermore, it's already communicated the cash dividend proposal has been withdrawn as a precautionary measure to help keeping the balance sheet and a strong as possible state.

Secondly, our liquidity position is in good shape also or cash position amounted to EUR587 million quarter one, which is also a function of drawing growing EUR550 million from our revolving credit facility and starts EUR1.3 billion of our RTF of EUR1.85 billion is undrawn at this stage. Part of our total debt of portion of the EUR474 million matures in 2020, it will hence refinance is the end of this year. Mostly look into options to liquidate our CC receivable to further support our financing arrangements. So overall, our strong balance sheet provides loads of confidence for the business to weather the storm in a healthy way.

And my last slide number 19, this summer is side also looks a bit different the normal reflecting the unprecedented market environment. We are operating it as stated visibility and revenue trends is very limited. However, we do see a direct link between our top-line development in the intensity of the lockdown by geography the chart on the left. We highlight the simplified overview of the lockdown for key geographies and the latest stages, although let's be honest witness during recent weeks.

This date is can change quickly. Some countries recently indicate the gradually lift some restrictions, while others are challenged with new ways of infections, which might lead to a tightening of restrictions as far as quarter to outlooks concerned lockdown have a density intensive part is the first week of April, compared to the second half of March. Our golden rule to aim for 50% recovery and download cycles is served as well in the past and will also be applied in current circumstances. Given the depth of revenue decline in some geographies, the recovery ratio to be achieved important to expect it to be somewhere between 30% and 40% already, including the application of employment protection schemes.

As the management team, we want to -- the company through the global health crisis in the most responsible way always being part of the solution. It helping our customers to return to work safely or supporting this place talent funding rapid traced back to employment to sit in the very in the very core for brought us to be the leader in our industry, what gives us the energy to come through this period in an even stronger fashion. So that concludes our prepared remarks. We are now happy to take your questions. Operator?

Operator

Thank you. The first question comes from Anvesh Agrawal from Morgan Stanley. Please go ahead.

Anvesh Agrawal

Hi. Good morning, everyone. Thanks a lot for the comments. I just got like two couple of structural questions looking beyond the near-term numbers. First, with work from home accelerating and 75% of your cost base case employee-related.

Do you see that as an opportunity in the long-term where you can shift some of the consultant to be working from home permanently and thereby kind of get some cost savings out of it and then also from industry perspective does this mean some of the delivery models like freelancing and statement of work can be re-accelerate. And the second question is around like in terms of the exposures to the sectors like retail, airports, and hotel, which probably will be under pressure for a longer period of time. what are the new sectors that you think that will emerge after this crisis, that can offset some of that pressure? We will we in those traditional sectors.

Jacques Van Den Broek, Chief Executive Officer and Chair of the Executive Board

Yes. Good morning. Yeah, you talk about a very interesting topic that is a new way of working and not just for us, but also for society as all. We do see for example, governments moving very quickly to online signing in our business has a lot of paperwork still.

And that is being very quickly removed which we know also helped us in general. Yeah, we're working from home works very well. Henry didn't say it, but I don't know if he's proud or ashamed. But anyway, we had the quickest close of the quarter ever fully online.

Analyst

So, that means something.

Jacques Van Den Broek

Of course, and we're going to we're going to evaluate that also, quickly connecting to your clients. You can have way more connects clients and candidates. So, we will definitely look at that, you specifically alluded to the branches as, we've talked about the function of a branch, but most importantly it is still a presence in the market, it is a presence in a local market.

So already, in Asia, but also in bigger cities in Europe we've moved the big platform for people move in and out in and out, but you can basically work everywhere but mid-sized cities where there's a local sentiment. It's very important to be there. So, we'll still see those branches difficult though not retail not high street very much white-collar industrial parks having said that although accommodation is a big part of our course is by far not comparable to personnel marketing and IT So yeah going to come back on that one. But of course, it is for us it speeds up.

Above the vision we already had on the future way of working. We also see that our clients now see that it's very helpful for them to also do way more online for which were very well-suited new sectors yeah, again people see that online is quickly becoming the standard. It's all speeding up I don't see, so totally new sectors emerging. It's just a speed up of certain developments.

Having said that, I also hear a lot from people that they do miss real human connection. So, the Tech and Touch still works for us. So, it's going to be a new balance tough to say how quickly that will get back to you on that one.

Anvesh Agrawal

And maybe just if I can ask one more thing, which is more pretty modular Q2 we're in adding Henry you said, 30% to 40% recovery rate. Is that for Q2? Sorry I missed that part.

Analyst

Yes, that's correct, already in Q2.

Anvesh Agrawal

With EUR50 million of benefits from the government schemes.

Henry Schirmer

Yeah. Let me. Absolutely right.

Let me really clarify what I mean with benefits, actually it's a relief of OPEX, so most money is not actually hitting our P&L, it's actually government which from my point of view really doing broadly speaking a very, very good job here, providing the opportunity to have -- actually keep employment in place, but actually helping us to actually care for those people and therefore, actually it's not benefiting the shelled anyway, it's really protecting employment. It's really important to understand.

Anvesh Agrawal

That's clear. Thank you so much.

Operator

The next question comes from Tom Sykes from Deutsche Bank. Please go ahead.

Tom Sykes

Thanks. Yeah, good morning, everybody.

So just to begin a little bit more about the thinking that you have around your cost base in what you want to actually retain is that. I guess looking at the Italy numbers, I guess,

it's a bit difficult to read into the quarterly corporate staff numbers, but obviously you haven't changed your Italian staff much it looks like you're retaining your capacity as much as you can. And so, I just wondered what's you're thinking about retaining capacity versus what you're seeing in the market, and whether the market is reducing capacity. And whether you think therefore you can take that market share or will we be in a position, where there will be more of the capacity around because there are more of these governments support schemes.

And is that something a bit different that we may expect in the recovery. And then just in your experience of short time working, and then how quickly temps can come back. Obviously, last time around I thinking if you look at the movement of your German tense versus Kurt Sidelines, there wasn't a delay in temps coming back even because there were even when there was use of cuts and hide but do you see there any regulatory reasons as to why you wouldn't be able to use a temporary employee if you were an industry or company? Sorry that was taking short time working. Do you have to get all those people back into employment first because that wasn't something that we don't think we saw last time around there was a lag between the tent market picking up and people coming down off short time working.

It's kind of happens simultaneously. Is there any effort? Is there any effect that might be a bit different at all please?

Jacques Van Den Broek

Okay, good morning, Tom. Yeah, great question certainly in the first one we aim to have as many headcounts and to keep as many a headcount in the company as possible. First of all, because of our values, of course, we do feel, we have a responsibility, we are the employer, so we want to protect employment.

Second, so how that works is you sort of certainly in Europe you calculate these down to the individual level. So, there are people who are in an in-house branch and the client is closed. So, basically their job now is gone. So, then you see if we can put them somewhere else, because there are still growing sectors.

If not, then there are different percentages of people being temporary unemployed, so it goes from 10% to 20% to 50%, so we have a lot of people in a way on idle time partly supported by the Government and for us we created downward scenarios in Q1, because we saw it coming and into Q2 but we also once we've seen the trop, we're going to create upward scenarios and the challenge is very much to keep as many people unemployed as we can, again first of all because we are as a company second of all totally to hit the ground running count tell you a lot about competition, what we do see certainly with smaller companies. Is that the whole working from home, continuing to work with clients and to connect with clients fully, as everybody paid on time that sort of thing that is a challenge for many of our competitors what that will mean in the market. I don't know, and you also know that companies, who have more of a percentage of perm and unless a globally spread business. Also, will have issues to, keep functioning with the student headcount level.

On recovery, it's not that we need to bring the people we have on our books back first, so to say it is a pretty flexible scheme, but in Germany, these people are on our book. So it's also in our interest to bring them back first, of course because yeah, they are on idle time and that sort of thing. So, it is a pretty flexible scheme. So it doesn't in any way hinder us in the upturn so to say.

Tom Sykes, Analyst

Thank you, Jacques. And when you're looking at places like France or Spain and into the short time working there it is there anything I mean, it's just difficult to know what is in the details of the legislation that if a company is say putting 10%, 20% of its workforce into short time working. short-time working. Do you know, would they be allowed to hire a temp.

If they still had some people on short-time working is there any inhibit is there anything that would prohibit that in your view?

Jacques Van Den Broek

Maybe not legally but there was definitely to get pushback from unions. That's also not the way normally a company works I think the first priority for our clients is to get their own workforce back and then have temps back. Again, different per mark it because some companies they are so flexibly organized that they do need a certain amount of times to start producing anyway.

Tom Sykes, Analyst

Yeah.

Jacques Van Den Broek

But I don't think there's a legal drawback but yeah, again and logically at by the way, I think all employees will first start to get their own people back, but you might have a company that is has 10 locations in France, and they go back to work and in one location the fully occupied and they need temps and in another location. Still have 60% of their own work for so then they can be hiring temps but it's very much goes down to a location-to-location, which again given our size with very well positioned to do that.

Tom Sykes, Analyst

Sorry just a quick follow-up to the first one. Is there any way you give us a few of potential headcount movement in incorporate?

Jacques Van Den Broek

No. We're all set for Q2. Q2 and we really take it week by week. So, and when we talk about hitting the trough, we even look at volumes per day now, so.

Tom Sykes, Analyst

Yeah sure. Okay. Alright. Thank you very much, indeed.

Operator

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

Hans Pluijgers

Yes, good morning gentleman. On the gross margin in difference in different governments schemas people are on your payroll in the Netherlands that you also want to maintain as much of the temps as possible into the end of May but the understanding enhance you still pay 10% or of the total room enumeration.

In Germany, let's say about 60% is let's say compensated by the state. Let it do. You also their pay up for the difference. Would you give some indication on that?

And secondly on that you could you give some more let's say indication or mod to impact on the gross margin will be in Q2 of all the different government measures and the things you yourself doing just maintaining as much as possible the temps on you. Payroll and in which countries let's say is that it's a support and help from the government that like in France limited support all for the flex workers. How do you handle there? And what are the risks of for you or let's say your own gross margin in that kind of country like Belgium, France and Spain program?

Jacques Van Den Broek, Chief Executive Officer and Chair of the Executive Board

Yeah. There's one question in the answer would probably lose in our homes. Good morning.

Hans Pluijgers

Good morning.

Jacques Van Den Broek, Chief Executive Officer and Chair of the Executive Board

Let me correct you on the 10%. It's not that we're paying the 10% of mistake that we were paying our people or paying our peoples on 10%, which is not the same.

The 10% comes fully on iBooks because of course first of all and Henry alluded to this we discuss with clients. If they want to keep these people, in some shape or form. The second one is we try to retrain people; we try to give them jobs that because of not like they are fully out of work. So you might say the 10% is a risk we're taking which is not to say, that 10% goes fully into uncovered a cost so to say, so this is very much an

entrepreneurial risk we're taking as runs but again compared to our values where we do want to show that we take care of our people even if they are flexible workers.

So that remains to be seen how that works. All of this, all the Government measures don't have a lot to do with gross margin is actually separate, this goes very much into P&L in personnel cost and that sort of thing, so very early to say house we cannot give you any guidance on that, I think we're very transparent giving you guidance on the is on the top-line, of course, gross margin in general is on the pressure because of less -- she a little bit in Q1, but we definitely will see that way more into Q2, idle time sickness those are moving targets, try to do it as best as possible but that's the amount of clarity we can give you enough.

Hans Pluijgers

Okay.

Operator

The next question comes from Simona Sarli from Bank of America, please go ahead.

Simona Sarli

Good morning everybody, I have a couple of questions. So first of all, if you could please provide a rough estimate of your end market exposure, secondly, if you could give an estimate of your monthly cash expenses. Third, if you can give an estimate of the restructuring costs that you are expecting for the full year in 2020. And lastly, I know that you have started to mention that but if you could provide more details on the phasing of the cost optimization program for the 120 million for the years, and if there are additional levels that you could potentially implement in case the lockdown browser should last longer than expected. Thanks.

Randstad Speaker

Yeah. Thank you. Thanks for your question survive.

I'm afraid I think I need to disappoint you with a little bit with my answers, but let me But let me go through it. So then mark Margaret exposures. Let me just read it out. So, manufacturing with 30%, transport and distribution 20%, business and IT services 10%, financial health 10%, public health and education 10%, automotive 7%, construction 3%, Leisure 3%.

But it's also taken these numbers with a pinch of salt, so there might be IT people in automotive. So, there is a little bit of water in the wine here, but those are the kind of numbers we have and they are quite varying across the portfolio. So that's the first question that the monthly cash exposure, we have 3.6 billion OPEX and it's roughly, linear spread over the year, this probably all I can say at this point in time. As far concerned, it is far too early to say with in quarter one we've reported some reflecting with totally free Corona that -- the normal stuff we do to take our to see where we have

we might feel our cost pictures not as optimal and then we take our medicine, and the phasing of 220 million program also very tough to say, as you can imagine we are throwing the kitchen sink at it, but with our values and actually quarter two, is not the time to optimize profit.

It's actually about caring for our customers for employees for -- and that will definitely surface and the short and the long term in our shareholders. So, we keep you -- as soon as we have a better picture, we will give more details at this point. I'm very tough to say.

Simona Sarli

Okay. Thanks.

Operator

The next question comes from Marc Zwartsenburg from ING, please go ahead.

Marc Zwartsenburg

Yeah, good morning everybody.

This is question Henry the 50 million relief from the government schemes. Is that just to confirm it? I think you mentioned fully relief to OPEX. Is that correct?

Henry Schirmer

Yeah, hi, Mark, good morning. So, yes, that is correct.

It is to a very, very large extent is relieving OPEX, I really feel compared to mentioned one more time that is actually not benefiting our bottom line into files, really exclusively used to protect employment with which otherwise would be in danger to be low. Therefore, we are sort of middlemen in between very grateful for the government to -- but I also mentioned moral obligation that brings for us, to deal with that with hundreds and integrity to really protect employment with it. And yes, it's sitting so, therefore it's relieving the OPEX line in quarter two. The 50 million is a very rough number, it's really subject to so many variables as we speak the government is schemes in development.

It's subject to revenue declines in some countries in some countries it's about lockdown scenarios, but we felt that we had to give you some sort of guidance. But please take it with a pinch of salt for very, very rough random.

Marc Zwartsenburg

And then this comes then on top of side the normal which cleans that supports an attention cost of sales in the gross margin like the. I'll buy it and that's a separate item. So, if you should I would say.

Jacques Van Den Broek, Chief Executive Officer and Chair of the Executive Board

It's not. It's a mix of it.

For example, if say in a country it would have been not allowed to let go of people and all of said that Government is in its calling a force major and say, in the times were living in it is allowed but we are supporting those people with financial support, then in the first scenario we would have sitting on a higher cost and maybe having people on the bench so it would really burden our P&L, the second scenario with Government is to support we can relief our OPEX. So it's -- a very, very wide range of different scenarios we have here, and therefore it's the makes -- its the 50 million is calculated without any of those government or schemes and doing the normal thing what would we normally do as runs that, we would have probably be burdened with 50 million higher OPEX.

So, then it is also OPEX items and it's quite important for your recovery version and the end.

It is absolutely important for the recovery ratio, but without those government teams we would be we will be feeling more pressure to let go of people to keep Financial Health of the company.

Marc Zwartsenburg

They may be done related to this your recovery ratio guidance of 30% 40% you have some relief in need in your OPEX. What kind of pulse cuttings or cost savings? Do you have from non-essential items and that times. So, you take quite a small provision corporate restructuring if you can get it from empower, can you give us a bit of a feeling what this the savings from those other measures will be roughly going for.

Randstad Speaker

I will not put a number on it Mark, but actually what we do to a large extent. is through feel where can we really stop spending money to start with to give you kind of a very stupid example, we just kind of finishing all ours. I know payments for I don't know for financial times that kind of stuff I mean, there's probably more than 100 line items within their we say do we really need that this point time and if the answer is no, if in doubt take it out, if it is sort of the golden rule. That our push it out. I mean marketing spend I'm not saying the marketing spend is not necessary, but probably not necessary in quarter two, so we will be pushing that out. We looking into how many software licenses to be really used from working from home.

There are many software licenses probably unused at the moment. So we go back to software providers for fellows providers renegotiate those rays, there is I could go on. And that there's many small lakes are making quite a big difference that kind of stuff is what we doing. We also seen that suspended effective bonuses and therefore, not providing for bonuses anymore.

That is the result of police have. Also, again the normal stuff so if we put in a higher increase, we still that people that leave us, so we don't replace them. Variable pay, of course, if you make less revenue you make less matches so need a proven business goes down massively, highly commission driven business, so that was automatically goes. Our marketing again, and so normally in April, we would have our answer the employer branding research, we still have that but I will be a big client in 30 countries but not doing that now, not even possible by the way so that's an easy choice, but that's easily few EUR100,000 so yeah, many, many line items and absolutely impressed with our people stepped up to the plate but again, we have a lot of sharing amongst companies to our marketing community or our digital factory on how to do this intelligently and collectively.

Yeah, as the energy is going amazing is the totally different 1 I mean, we also for example, look at our lease cars, many cars sitting idle on the street much easier now to look into whether we should not prolong those contracts just for a year. As they total company and then relieve need to renegotiate those rates with immediate impact. So that kind of stuff and people get a cost allowance but yeah, if you're all the month at home, you don't use your cost allowance. So, long (Inaudible) It sounds so familiar.

Then they're coming back to your chalk line. You mentioned, some intensification of the logged out into April last night because we had your colleagues from the US reporting they seem to be dying to say a long double alone 30 years level starting in April in terms of record excited and stabilizing.

Marc Zwartsenburg

This is something you repeat tide is or are they just trying to be quite precise while actually you can't you called yet. How should I read that table statement?

Jacques Van Den Broek

Yeah, this is our April statement and not the manpower one.

But yeah, I called blind was comparable in Q1, as you can see we are in the same -- I talked about how deep and we do see stabilization in most European markets and because if you're in a lockdown for a few weeks, which sectors are not hiring, which sectors are closed, which actors are actually growing against the curve. So, you get a feel for what it is there were not fully there because Q2 the latter part of Q2, is also but that's different the market but let's say the Dutch, Belgium business, there are there are events, there are so much things there are peaks, so normally in this case yeah sounds funny, but the Dutch flower garden -- would be open that's a few 100 people for us. It's closed, so -- that each into Q2. So I think we gave you quite some guidance, I don't think it's total out -- compared to what you saw yesterday then there's a bit of a mixed thing and yeah, but looks familiar, let me put it that way.

Stabilizing in Europe, we can to certain extent at here to that statement, US is still early days they are later in the cycle. And also, Japan is a bit of fire because they pre-Olympic

they said I goes on and then post-Olympic they are going quickly into sort of a lockdown. So, although it's in Asia they do they are probably early cycle there.

Marc Swartsenburg

Then the final one dividend, of course, it's canceled, but looking at your strong cash flow development and perhaps if things go back to a bit more normal in the second half at some point.

Is there any way we might see then it gets a more visibility on the full year and your vanishing precision -- cash position remains strong that you might come up with a special business somewhere in the second half or due to the extent that the regular dividends back when then postponed. Is it item on the agenda? Mark, I don't think it's time now to speculate on dividends really time for us to go through quarter two, care for customers and talented employees and maybe later in the year. We -- when everything goes a little more back to normal having those discussions, but it's totally not the time now regularly.

Jacques Van Den Broek

And at the same time there's something else of course there is government support and dividends.

Marc Swartsenburg

Yeah. Right. Thank you very much.

Operator

The next question comes from Sylvia Barker from JP Morgan. Please go ahead. we can't hear you.

Sylvia Barker

Hi, good morning this question on the April, to date trans. Could you maybe talk about kind of professional staffing and whether that's still strong and then how they generally staffing and -- do relative to kind of the second half of March.

Then secondly, on the 50 million get up obviously, the programs are a lot bigger this time around. So, can you maybe give us an idea of what that I would have liked well, that would have looked like in a similar quarter kind of back in 2008,09 and within the 50 -- now is that mainly France and Germany, or is that the wrong way to think about it? And then finally, on Germany is they're getting ready to kind of reopen a lot of the industrial sites. What kind of conversations are you having with clients there? Thank you.

Randstad Speaker

Okay. Good morning. Yeah. That's from talk about weeks in general profits are doing better than staffing although at the same time we do see less new order improves, so it's also slowing down with two away lesser extent. So, if you if you for example talk about technologies in the US These people can work from home, so as long as the projects that were working on are not canceled as for the continued, so that's good.

So, in general in the Netherlands in France where ever we have pros business, certainly if it's a staffing profit business and less the firm process business, which IT is predominantly then it's sort of a safety net also our IT freelancer business in Germany still doing fairly well. So staffing again finding the truth throughout Europe mainly but still some up and down and in the US I think still some slowing down in the coming weeks, but I know anybody's guess at the moment. Comparing to 2019, the big difference was that we had to fire a lot of people, so there were no government schemes and to protect also, our long-term viability as a company. We had to fire more people that is the big difference. We hope compared to this crisis. Again, depending on how long it lasts.

Randstad Speaker

Yeah, in Germany is interesting because Germany again as I said, they were close to recession or in a recession before this happens. So, when clients are opening up, it's all about the demand.

So, if everybody who comes out of a lockdown the first thing they do is go to a car dealership and buy a car. Germany will be quickly out of the crisis. If that's not the case, then the whole sluggishness in that sort of products will remain which will have its effects on the German economy so, questions with clients are very much. How many people do you want? Do you want them or you can you cope in the first weeks or months with your own stuff? So that remains to be seen.

It's not just COVID it's also the economy and where it was two months ago.

Sylvia Barker

Okay, they said say that they are being observed very, very cautious kind of coming out of this. So, you've seen a lot of temps obviously, there was a weak market anyway, but you've seen a lot of times gone because of -- but the staffing levels they're thinking about this still in 30%, 50% of maybe where they were before given the PMI for actually going up prior to that?

Randstad Speaker

Yeah. Early days, we don't see currently recovery in our German numbers, it's pretty stable.

So automotive supplies by and large don't make ready supplier, they built on specs from clients directly, so it directly relates to the orders that having so that's where we are currently so --

Sylvia Barker

All right. Thank you.

Operator

The next question comes from Konrad Zomer from ABN Please go ahead.

Konrad Zomer

Hi, good morning.

I have two questions, please. The first one, on your geographical performance. You mentioned France is down something like 50% for you. Is there any other country in your portfolio that is doing a lot worse than that at the moment?

And my second question is on your recovery ratio. Can you maybe help us with the normal period of time between in your revenues coming down in your costs coming down from your experiences back in 2009, and if that has changed in the crisis that were going through at the moment.

Randstad Speaker

Yeah, good morning, fortunately there's no country doing worse than France, again, as I said, it is not just COVID it is also yeah, let me put it a nicely the way unions are reacting. We do see clients that actually could continue to work, but they're closed because the unions won't allow people to work. So that has more of an effect it is to a lesser extent in Belgium the case and that doesn't help so again talking about back to normal, you do need to implicate the union's you do need to have them at the table from the first instance otherwise, you sort of get you say we're opening up the country and then in sight I say yeah, but not for us.

And these people are still paid, so people are paid. So, the incentive to go back is not financially that high, so you really need to be very open about it is safe to go back. And that is what the government, what union's themselves employers and we try to contribute need to create in France. Again, big difference between 2009 and now because again, we were on our own banks were supported you might remember.

What we had to fend for ourselves, which was, okay. And unfortunately, then immediately need to go to go into restructuring into firing people, fortunately that's not the case, so in a way we have 100% of our workforce in headcount a little bit less. Let's say, 95 of our workforce, -- 95% of our workforce still active on call but in varying forms of inactivity partly financed by the Government, so we are carrying way too much cost compared to what we see in our revenue development, partly covered

-- and we try to strike the balance and hopefully we can continue that way that is very much a challenge for the coming months.

Konrad Zomer

Thank you very much. That's very cute.

Operator

The next question comes from so that Suhasini Varanasi from Goldman Sachs. Please, go ahead.

Suhasini Varanasi

Hi, good morning. Can you hear me.

Randstad Speaker

Yeah, very well.

Suhasini Varanasi

Great. I hope you're doing well, and staying safe.

I just had a couple of questions please. Undercover has a short 30% to 40% it obviously, exercise of -- millions of benefit has been very clear. The question is are you assuming that these common benefits is that a timeline on when these benefits will end, because I think in the UK, they've extended the benefits came to the end of June. And therefore what are you assuming for recovery ratio going into Q3 or Q4 if the declines continue, maybe not at the same level ask you to, but if the declines continue what kind of recovery ratio should be looking at for Q3 and Q4.

At the end today's release, you mentioned going towards 50% how do you get there, please?

Jacques Van Den Broek, Chief Executive Officer and Chair of the Executive Board

Yeah. Good morning. We shall inquire few European countries; the system is not a new system. It's not COVID develop system.

So, we're pretty confident that it will remain but again, what is remaining, of course, this is not just about us, just is about government finances and that sort of thing. The Dutch system for example, is the system until the end of May. Again, this is a speculation, but given the fact the fact that the government has announced a longer shutdown, hopefully and they were verbal on that earlier, they might extend it for another three months. So again, very much a moving target in Spain there's also a shorter COVID related variance on the system that was in place again around sort of an economic financial economic unemployment.

So, remains to be seen we don't know yet again aiming the 50% recovery ratio to financial return of our business is not the only thing which is important. I think Henry foisted very well, it is also the balance between our own people and their employment on Tom's question on taking market share in the upturn. Yeah, and then, shareholders have an interest that's absolutely true but we want to balance also the profitability of the company short-term versus the long-term health, but also the long-term responsibility we have to our employer so, very much on our plate, we take it almost week by week and will inform you when the next moment is there.

Suhasini Varanasi

Okay, thank you.

Operator

Thank you for your questions. I will now hand you back to your host to conclude today's conference.

Jacques Van Den Broek, Chief Executive Officer and Chair of the Executive Board

Yeah. Thank you, very much. Thanks, for calling in. I hope you're having as much fun as I have at home every day. And wish you good health and everybody good health and your family's good health.

And hopefully we all return back to normal and normal work as soon as possible. Talk to you next time. Bye, bye.

Operator

Thank you for joining.

Today's call, you may now disconnect. Host please, stay on the line and wait for further instruction. The Event has Ended.