usg people

persbericht

First-quarter results 2009

Operating cash flow rose 25% to € 60 million in deteriorating markets; strong focus on reducing the company's debt position and costs in continuing difficult market conditions

Almere, 21 April 2009, 07:00 CET

Highlights in first quarter 2009

- Group revenue decreased by 22% to € 755 million compared to Q1 2008
- Operating cash flow increased to € 60 million (2008: € 48 million)
- Net debt position reduced by € 48 million to € 503 million (net bank debt amounted € 352 million)
- Senior leverage ratio of 1.7 at the end of the first quarter (bank covenant < 2.5); interest coverage ratio of 6.8 (bank covenant > 4)
- Underlying operating expenses down 10% compared to previous year (organic -13%)
- Underlying EBITA of € 11 million (2008: € 53 million)

(in € millions)	Q1 2009	Q1 2008	Growth
Revenue	755	964	-22%
Gross result	178	238	-25%
Operating expenses *	160	178	-10%
EBITDA	18	60	-70%
EBITA	11	53	-80%
Net earnings	-2	28	-107%
EPS (in euro)	-0.02	0.46	-109%

* Underlying results are results excluding reorganisation costs

"We are currently steering a course through a major storm in the European temporary employment market," says Ron Icke, CEO of USG People. "The extent and speed of the decline in volumes in the temporary employment market in recent months are unprecedented. This means that we have to accelerate our organisation further, and the rate at which we reduce costs must be accelerated. We announced a restructuring of our organisation earlier this year, chiefly in Spain and France, and now the other countries will follow. A total additional sum of € 17 million will be allocated for the restructuring, bringing the total costs of reorganisation to € 42 million. The resulting cost savings are expected to amount to € 60 million on an annual basis. Underlying this, we have already reduced operating costs in the first quarter by 10%, and the net debt position is now €160 million lower than in the previous year. Besides continuous focus on commercial activities these areas are currently the main focus of attention."

(in € millions)	Q1 2009 reported	Q1 2009 underlying*	Q1 2008	Growth	Organic growth
Revenue	754.9	754.9	963.9	-22%	-24%
Gross result	175.6	177.9	238.2	-25%	-27%
Operating expenses	174.2	159.8	178.4	-10%	-13%
EBITDA	1.4	18.1	59.8	-70%	-68%
EBITA	-6.0	10.7	52.8	-80%	-78%
Gross margin	23.3%	23.6%	24.7%		
Operating expenses as % of revenue	23.1%	21.2%	18.5%		
EBITA margin	-0.8%	1.4%	5.5%		

* Underlying results are results excluding reorganisation costs

Notes to the first-quarter results in 2009

Revenue
USG People achieved revenue of € 755 million in the first quarter, which was 22% lower than in the previous year. On an organic basis, the decline was 24%. Revenue fell in all countries in the first months of 2009 due to a decline in demand as a result of the rapid contraction in the economy.

The fall in revenue was lowest in the Netherlands and Belgium, however the rate of the decline accelerated here as well. Due to our well-diversified portfolios and strong position in the SME market, our group outperformed the market in these countries. In the Netherlands, group revenue fell by 14% compared to an 18% decline in the market and in Belgium, the group's fall in revenue amounted to 18% against an expected decline of more than 20% in the market as a whole.

In the countries outside Benelux, collective revenue fell by a third compared to the previous year. The declines in revenue in France, Germany and Italy were more or less in line with each other, while in Spain the fall in revenue of 50% was a serious setback.

Gross margin
The underlying gross result amounted to € 178 million, whereby a gross margin was realised of 23.6%. The gross margin in the first quarter of 2008 was 24.7%. The fall of 1.1 percentage points was due to lower income from recruitment and selection and price pressure as a result of lower demand. Revenue from recruitment and selection fell 39% compared to the previous year, and accounted for 1.4% of total revenue in the first quarter. The gross result in the first quarter includes a cost item of € 2 million for the buy-out of secondment contracts.

Operating costs
The underlying organic operating costs fell by 13% in the first quarter compared to 2008, amounting to € 160 million compared to € 178 million in the previous year. A total of € 17 million is included in the first quarter for the costs of further restructuring the organisation and the branch network, € 2 million of which is included in the gross result.

The restructuring of the organisation had already started earlier this year, mainly in Spain and France, where serious measures were taken and costs were brought to a lower level. In view of the ongoing difficult market conditions further cost saving measures will be taken.

The additional restructuring will lead to a reduction in full-time positions of 800 FTEs. Most of this reduction will be achieved by not replacing natural outflow. The branch network will be reduced, with 85 fewer locations. These measures will deliver an additional annual cost saving of approximately € 30 million to the expected annual cost saving from the measures previously announced, which also amounts to € 30 million.

EBITA
Underlying EBITA, excluding reorganisation costs, came to € 11 million in the first quarter compared to € 53 million in 2008. The lower result was mainly due to the fall in market demand across the board. The tempo of the contraction in the market is such that the fall in revenue cannot be fully absorbed by reductions in costs. The reported EBITA including non-recurring results came to - € 6 million. The underlying EBITA margin came to 1.4% (first quarter of 2008: 5.5%). The reported result is significantly affected by a non-recurring cost item of € 17 million for restructuring.

Amortisation
Amortisation consists of the write-off of valued brand rights, client relationships and candidate databases from previous acquisitions. € 6 million was written off in the first quarter, against € 4 million in the same period in the previous year. This relates to normal amortisation, which is higher this year due to the acquisition in Germany in 2008 which last year was included in the results with effect from March.

Financing costs
Excluding unrealised changes in the value of interest-rate derivatives, financing costs were € 2 million lower in the first quarter compared to the previous year, mainly due to a reduction in the debt position. The financing costs amounted to € 6 million in the first quarter compared to € 8 million in the previous year. Including movements in the value of derivatives, the financing costs amounted to € 13 million in the first quarter compared to € 7 million in the first quarter of the previous year.

Tax
The tax burden amounted to 29.3% and was thus 1.9% higher than the average nominal tax rate of 27.4%, as a result of a correction from previous years. The non-deductible costs were compensated by the tax-exempt income from the treasury centre in Belgium.

Net earnings
Net earnings came to - € 18 million, compared to € 29 million in the first quarter of 2008. Excluding restructuring costs and unrealised changes in the value of derivatives, net earnings were - € 1.6 million (Q1 2008: € 28 million). The reported result per share amounted to - € 0.28, against € 0.46 in the first quarter of 2008.

Balance sheet and cash flow
The balance-sheet total fell € 46 million in the first quarter to € 1,921 million. Operating capital fell by € 71 million, significantly affected by a decline in trade receivables of € 100 million. Net bank debt, excluding subordinated loans, declined by € 36 million in the first quarter and stood at € 352 million on 31 March compared to € 388 million on 31 December. The senior leverage ratio (net bank debt / EBITDA) stood at 1.7 and the interest coverage ratio at 6.8 at end of the first quarter. Both were therefore comfortably below the limit of the bank agreements. Owners' equity fell by € 18 million due to the loss sustained during the quarter. The solvency ratio was 34% and was thus more or less unchanged compared to the position on 31 December.

The operating cash flow came to € 60 million in the first quarter, which led to a further decline in the net bank debt position. Operating capital fell by € 71 million, compared to an increase of € 2 million in the previous year. Expenditure was also reduced due to a lower level of investment. As of 31 March the total debt position, including € 151 million in subordinated loans, was € 503 million, which is € 48 million lower than at the end of 2008.

Results by segment

General Staffing
In the General Staffing division, revenue fell by 26% compared to the same period in the previous year. On an organic basis, revenue fell 29%. The results of the acquisition in Germany are included in the group's results with effect from March 2008.

Revenue at Start People in the Netherlands fell 17% in the first quarter. Start People thus slightly outperformed the market, which fell by 18% in the first three months of the year. The market contracted rapidly in Belgium, and revenue realised by Start People fell 21%. This is expected to be more or less in line with the decline in the market as a whole.

Revenue in countries outside Benelux fell 33%. Revenue in Spain fell by 50% compared to the previous year, while in France, Germany and Italy the decline was around a third. In other countries, there were especially large declines in Poland and the Czech Republic. The employment market in Spain is suffering heavily from the economic recession and the collapse of the real estate market.

Specialist Staffing, Professionals and call centre businesses
Revenue by the collective specialist businesses of the group fell 15% in the first quarter. In the Netherlands and Belgium, where the vast majority (over 90%) of revenue by the specialist businesses is realised, the decline was 13%. There was a 36% decline in revenue by the specialist brands in Spain as a result of the difficult market conditions. A few specialist operating companies were able to achieve revenue growth in the first quarter, either because they are counter-cyclical or because they are affected at a later point in the cycle. At Specialist Staffing, Secretary Plus achieved an increase in revenue in Belgium and Germany in the first quarter. Within the Professionals, the Dutch subsidiaries USG Energy, USG Capacity and USG Juristen achieved revenue growth. Revenue by the call centre businesses in the Netherlands and Belgium increased by 24% in the first quarter.

Outlook 2009

There was no bottoming out in the market decline or improvement of the revenue in the markets in which we operate during the first quarter. In the USA and China, where the first signs of recovery are expected, the rate at which the economy is contracting appears to be slowing. Normally, one would expect a similar development in Europe after some delay.

For now, we are concentrating on reducing costs and reducing our debt position. We will not replace people who naturally leave, we will closely control our current costs and we will reorganise where necessary. The reorganisations we have announced are expected to realise cost savings of € 60 million on an annual basis. The measures are intended to maintain the organisation's earnings capacity so that we can benefit fully once the market recovers.

We expect the market to remain difficult this year, and in the current uncertain circumstances we can offer no concrete earnings forecast for 2009.

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Financial calendar

23 April 2009	Ex dividend listing
27 April 2009	Dividend record date
15 May 2009	Dividend payable
24 July 2009	Publication of second quarter results 2009 (pre-market) Analysts meeting and press conference for the second quarter results
28 October 2009	Publication of the third quarter results 2009 (pre-market) Analysts meeting and press conference for the third quarter results
3 March 2010	Publication of fourth quarter and annual results 2009 (pre-market) Analysts meeting and press conference for the fourth quarter and annual results

Additional information

The predictions and forecasts made in this press release are provided without any form of guarantee as to their future realisation. This press release comprises or refers to forward-looking statements regarding the intentions, opinions or current expectations of USG People and its board or other management with respect to USG People and its business. In general, terms and concepts such as "may", "shall", "expect", "intend", "estimate", "foresee", "believe", "plan", "attempt", "continue" and similar refer to forward-looking statements. Forward-looking statements of this nature are no guarantee of future performance. They are based on current views and assumptions, and are subject to known and unknown risks, uncertainties and other factors which are largely outside USG People's control, as a result of which actual results or developments can be materially different from the future results or developments as set out implicitly or explicitly in these forward-looking statements. USG People cannot accept any liability whatsoever in respect of updates or amendments to forward-looking statements based on new information or future events or for any other reason whatsoever, other than insofar it is required to do so under relevant legislation and regulations or on the authority of a competent regulatory body.

About USG People

USG People is active through a large number of strong brands that jointly provide one-stop solutions in the field of staffing, secondment and HR and customer care services. With annual revenue exceeding € 4 billion in 2008, USG People ranks fourth in Europe in HR services. Headquartered in the Dutch city of Almere, the group is active in a large number of European countries including the Netherlands, Belgium, Luxembourg, Germany, Austria, Switzerland, the Czech Republic, Slovakia, Poland, France, Italy and Spain.

The brand portfolio of USG People comprises Proflex and Start People (general staffing) - Ad Rem Young Professionals, ASA Student, Content, Creyf's, Express Medical, Geko Zeitarbeit, Receptel, Secretary Plus, StarJob, Technicum and Unique (specialist staffing) - Legal Forces, USG Capacity, USG Energy, USG Financial Forces, USG HR Forces, USG Innotiv, USG Juristen and USG Restart (professionals) - Call-IT (other services).

USG People is listed on the NYSE Euronext Amsterdam stock exchange and is included in the Amsterdam Midcap Index (AMX).

For more information on USG People or any of its operating companies, please visit our website at www.usgpeople.com.

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Appendix 1: breakdown by segment (unaudited)

Consolidated (In € million)	**1st quarter** **2009**	**1st quarter** **2008**	**CHG**	**Organic** **change**
Revenue				
General Staffing	433.4	584.0	-25.8%	-29.0%
Specialist Staffing	228.8	277.5	-17.5%	-17.5%
Professionals	85.4	96.5	-11.5%	-11.5%
Other	7.3	5.9	23.7%	23.7%
Total group	754.9	963.9	-21.7%	-23.6%
EBITA				
General Staffing	-12.7	20.9	-160.8%	-156.0%
Specialist Staffing	8.3	29.0	-71.4%	-71.4%
Professionals	3.7	7.7	-51.9%	-51.9%
Other	0.7	0.5	40.0%	40.0%
Corporate	-6.0	-5.3	-13.2%	-13.2%
Total group	-6.0	52.7	-111.4%	-109.5%

Appendix 2: breakdown by country (unaudited)

Consolidated (In € million)	1st quarter 2009	1st quarter 2008	CHG	Organic change
Revenue				
Netherlands	362.1	422.4	-14.3%	-14.3%
General Staffing	138.7	166.4	-16.6%	-16.6%
Specialist Staffing	156.8	186.5	-15.9%	-15.9%
Professionals	59.2	63.7	-7.1%	-7.1%
Other	7.3	5.9	23.7%	23.7%
Belgium / Luxembourg	161.7	197.5	-18.1%	-18.1%
General Staffing	88.9	112.8	-21.2%	-21.2%
Specialist Staffing	55.1	62.9	-12.4%	-12.4%
Professionals	17.7	21.8	-18.8%	-18.8%
France	90.6	133.4	-32.1%	-32.1%
General Staffing	86.7	127.6	-32.1%	-32.1%
Specialist Staffing	0.4	0.7	-42.9%	-42.9%
Professionals	3.5	5.1	-31.4%	-31.4%
Spain / Portugal	43.9	89.5	-50.9%	-50.9%
General Staffing	27.3	63.6	-57.1%	-57.1%
Specialist Staffing	11.7	19.9	-41.2%	-41.2%
Professionals	4.9	6.0	-18.3%	-18.3%
Germany	53.0	52.8	0.4%	-35.0%
General Staffing	48.2	45.2	6.6%	-34.7%
Specialist Staffing	4.8	7.6	-36.8%	-36.8%
Italy	25.7	38.9	-33.9%	-33.9%
Other countries	17.9	29.6	-39.5%	-39.5%
Total group	754.9	963.9	-21.7%	-23.6%
EBITA				
Netherlands	16.5	41.9	-60.6%	-60.6%
Belgium / Luxembourg	1.2	11.0	-89.1%	-89.1%
France	-1.8	0.7	-357.1%	-357.1%
Spain / Portugal	-7.7	1.0	-870.0%	-870.0%
Germany	-4.5	1.6	-381.3%	-325.0%
Italy	-1.0	2.2	-145.5%	-145.5%
Other countries	-2.5	-0.4	-525.0%	-525.0%
Corporate	-6.0	-5.3	-13.2%	-13.2%
Total group	-6.0	52.7	-111.4%	-109.5%

Appendix 3: Consolidated interim income statement (unaudited)

Amounts in thousands of euros	3 months ended 31 March 2009	31 March 2008
Revenue	754,860	963,884
Cost of sales	579,239	725,638
Gross Profit	175,621	238,246
Selling expenses	156,625	160,267
General and administrative expenses	30,620	29,133
Other income and expense	-643	84
Operating income	-12,267	48,930
Financial expenses	-13,766	-7,185
Financial income	734	278
Income before tax	-25,299	42,023
Income tax expenses	7,408	-12,614
Net Income	-17,891	29,409
Attributable to:		
Owners of the company	-17,997	29,270
Non-controlling interests	106	139
	-17,891	29,409
Earnings per share attributable to the owners of the company		
(in euros, per share of € 0.50 nominal)		
Basic	- € 0.28	€ 0.46
Diluted	- € 0.24	€ 0.43

Appendix 4: Consolidated interim statement of comprehensive income (unaudited)

Amounts in thousands of euros	**3 months ended**	
	31 March 2009	**31 March 2008**
Net income	-17,891	29,409
Other comprehensive income, after tax:		
Currency translation differences	-522	281
Other comprehensive income, after tax	-522	281
Total comprehensive income	-18,413	29,690
Attributable to:		
Owners of the company	-18,519	29,551
Non-controlling interests	106	139
	-18,413	29,690
Total comprehensive income per share attributable to the owners of the company		
(in euros, per share of € 0.50 nominal)		
Basic	€ -0.28	€ 0.46
Diluted	€ -0.25	€ 0.43

Appendix 5: Consolidated interim balance sheet (unaudited)

Amounts in thousands of euros

	31 March 2009	31 December 2008
Non-current assets		
Property, plant and equipment	69,559	72,782
Goodwill	922,861	922,813
Other intangible assets	135,048	140,319
Financial assets	7,814	7,946
Deferred income taxes	60,124	50,721
Other non-current assets	5,534	5,534
	1,200,940	1,200,115
Current assets		
Trade and other receivables	602,312	680,820
Current income tax receivables	2,765	3,579
Cash and cash equivalents	115,336	82,713
	720,413	767,112
Total assets	1,921,353	1,967,227
Equity attributable to owners of the company		
Share capital	321,244	321,244
Other reserves	15,745	16,071
Retained earnings	314,465	332,462
	651,454	669,777
Non-controlling interests	1,163	1,402
Total equity	652,617	671,179
Non-current liabilities		
Borrowings	475,164	486,534
Retirement benefit obligations	1,717	1,733
Other provisions	12,028	16,899
Deferred income tax liabilities	48,884	50,491
	537,793	555,657
Current liabilities		
Borrowings	143,100	147,061
Trade and other payables	501,769	511,419
Current income tax liabilities	36,013	43,353
Derivative financial instruments	22,045	15,385
Other provisions	28,016	23,173
	730,943	740,391
Total liabilities	1,268,736	1,296,048
Total equity and liabilities	1,921,353	1,967,227

Appendix 6: Consolidated interim statement of changes in equity (unaudited)

Amounts in thousands of euros	Attributable to owners of the company			Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings		
Balance per 1 January 2008	321,095	15,881	347,708	1,028	685,712
Changes 2008:					
Share plan	-	817	-	-	817
Exercised option rights	3	-	-	-	3
Changes resulting from acquisition of subsidiaries	-	-	-	743	743
Total comprehensive income 3 months ended 31 March 2008	-	281	29,270	139	29,690
	3	1,098	29,270	882	31,253
Balance per 31 March 2008	321,098	16,979	376,978	1,910	716,965
Balance per 1 January 2009	321,244	16,071	332,462	1,402	671,179
Changes 2009:					
Share plan	-	196	-	-	196
Exercised option rights	-	-	-	-	-
Changes resulting from settlement of share plan	-	-	-	-	-
Acquisition non-controlling interests	-	-	-	-345	-345
Total comprehensive income 3 months ended 31 March 2009	-	-522	-17,997	106	-18,413
	-	-326	-17,997	-239	-18,562
Balance per 31 March 2009	321,244	15,745	314,465	1,163	652,617

Appendix 7: Consolidated interim cash flow statement (unaudited)

Amounts in thousands of euros	3 months ended 31 March 2009	3 months ended 31 March 2008
Cash flow from operating activities		
Income before tax	-25,299	42,023
Adjusted for:		
Depreciation and amortization property, plant and equipment and intangible assets	13,403	11,011
Impairment property, plant and equipment	262	-
Result on disposal property, plant and equipment and intangible assets	-18	-155
Result on sale subsidiaries	-256	-
Financial costs	13,766	7,185
Financial income	-734	-278
Amortization of capitalized borrowing costs	-1,076	-1,011
Share plan expenses processed via equity	196	817
Currency translation differences	-429	230
Change in pension-related liabilities and other provisions	-43	-883
Change in other non-current assets	-	-13
Changes in working capital:		
- trade and other receivables	77,094	-1,218
- trade and other payables	-6,324	2,741
Cash flow from operating activities	70,542	60,449
Income tax paid	-10,650	-12,356
Net cash flow from operating activities	59,892	48,093
Cash flow from financing activities		
Acquisition subsidiaries	-393	-67,424
Net investment in property, plant and equipment	-2,296	-5,474
Net investment in intangible assets	-3,043	-1,955
Disposal of subsidiaries	-741	-
Proceeds from/ payments on borrowings and guarantee deposits	132	-515
Net cash flow from investment activities	-6,341	-75,368
Cash flow from financing activities		
Proceeds from issuance of shares	-	3
Buyback of shares	-	-712
Payment on derivatives	-1,231	-1,448
Proceeds from borrowings	69	136,496
Repayments of borrowings	-33,162	-86,061
Interest paid	-5,209	-7,928
Interest received	844	408
Net cash flow from financing activities	-38,689	40,578
Increase in cash and cash equivalents	14,862	13,483
Change in cash and cash equivalents		
Cash and cash equivalents per 1 January	81,719	43,532
Increase in cash and cash equivalents	14,862	13,483
Cash and cash equivalents per 31 March	96,581	57,015

Appendix 8: Key figures

	3 months ended 31 March 2009	31 March 2008
Growth in percentage		
Revenue	-21.7%	6.4%
Operating income	-125.1%	12.7%
Net income	-161.5%	19.6%
Ratios		
Operating income/ revenue	-1.6%	5.1%
Net income/ revenue	-2.4%	3.0%
Equity/ total equity and liabilities	33.9%	33.4%
Current assets/ current liabilities	0.99	1.08
Bank covenants		
Senior leverage ratio (Net financial debt/ Ebitda)	1.7	1.6
Interest coverage ratio (Ebitda/ adjusted financial result)	6.8	9.1
Information on shares(x 1,000)		
Number of shares outstanding at 31 March	64,980	63,680
Average number of shares (excl. treasury shares) per 31 March	64,980	63,480
Average number of outstanding shares	64,980	63,480
Diluted number of shares outstanding (including options)	65,031	63,563
Fully diluted number of shares outstanding (including options and subordinated convertible bond)	71,450	69,982
Per share based on the number of shares outstanding		
Net income	€ -0.28	€ 0.46
Equity	€ 10.03	€ 11.23
Per share based on the average number of shares outstanding		
Net income	€ -0.28	€ 0.46
Equity	€ 10.03	€ 11.26
Per share based on the number of diluted shares (including options) outstanding		
Net income	€ -0.28	€ 0.46
Per share based on the number of diluted shares (including options and subordinated convertible bond) outstanding		
Net income	€ -0.24	€ 0.43