

# ANNUAL REPORT 2015





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#### [FORWARD-LOOKING STATEMENT](#)

This annual report contains certain forward-looking statements regarding the financial situation and results of USG People N.V., as well as a number of associated plans and objectives. Forward-looking statements by their nature can provide no guarantee for the future. As a result of various factors actual results may differ from current expectations. These factors may include changes in tax rates, mergers and acquisitions, economic developments and changes in labour legislation. The forward-looking statements in this annual report are current at the time the report was adopted and provide no guarantees for the future. The annual report is available in Dutch and English. In the event of ambiguities, the Dutch text shall prevail.

# VISION, MISSION AND STRATEGY

## VISION

People make all the difference, each with their own unique talent and passion.

## MISSION

It is our mission to help people find the job that suits them best while at the same time providing our clients with the best possible employees. As a partner in employment we are the link to the job market for an ever-growing number of people and organisations. We use the expertise we have gained over the years to offer a multitude of opportunities for employment, learning and career paths.

We use our know-how to help our clients connect with the best candidates which, in turn, allows them to operate as effectively as possible in the market with well-qualified employees. The market is constantly changing under the influence of economic developments, on the one hand, and the availability of qualified employees, on the other. We believe in talented people who can make a difference when they are employed in the right place. It is this combination that enables us to attract the best candidates and connect them to the right jobs.

Our aim is to hold a leading position in the markets we have selected. USG People's core activities provide a robust basis and unique starting point to support this objective. Our specialisations lend themselves well to further development and growth, both organic and through acquisitions. Using our know-how we expand on our leading positions in these specific markets and niche markets and create added value for all our stakeholders. Innovation and new ways of working help our organisation continue to develop and make it more sustainable.

## STRATEGY

Our strategy follows two tracks. On the one hand we are focused on constantly improving our commercial and operational excellence in our core activities, while on the other we are investing in the development of mainly technology-driven services that provide high added value in the field of human capital. These are two complementary tracks that directly strengthen our competitiveness and ensure the transformation to a more digital and technology-driven USG People. At the same time USG People is focused on combining top-notch technological solutions with personal services.

Our activities are distinctly positioned within four specialist star brands: Start People, Unique, Secretary Plus and USG Professionals. The star brands are focused on a specific market segment which their infrastructure – i.e. their distribution network, client and candidate networks, technology applied and expertise at hand – is fully geared towards. This enables us to provide the best solutions in each market segment. The positioning is concentrated on four neighbouring core

countries: the Netherlands, Belgium, France and Germany. These countries form a market currently valued at almost € 60 billion, which provides fundamentally good opportunities for growth and healthy returns.

We invest in technology-driven concepts and business solutions with which we strengthen our innovative potential and lay the basis for the next stage in the development of our organisation. Our strategy leads to the maximisation of talents, financial and social value creation for all stakeholders, and therefore to a sustainable business model.

## STAR BRANDS

### distinct business models of the star brands

The business models of the star brands are distinctively designed. The organisation, network, expertise, technology applied and services of each brand are aimed at providing added value in each star brand's specific market segment.

## STAR BRANDS

 startpeople

 unique

 usg professionals

 + secretary plus



Start People is focused on providing solutions with large volumes of flexible employees, often for large organisations. The solutions are aimed at helping clients organise flexible staff in a cost-effective way. Start People maintains a vast network of talented individuals with a wide range of profiles and has a client network across all sectors. As an HR business partner Unique is mainly focused on clients in the SME segment and on providing specialist office placements at large organisations. The composition of Unique's talent network is diverse and services are provided in every sector. Secretary Plus and USG Professionals are focused on specific groups of talents. Secretary Plus provides HR solutions for management support and USG Professionals is focused on providing solutions for highly skilled talents in the expert fields of engineering, finance, HR, ICT, legal, marketing and communication, and science.

## BUSINESS SOLUTIONS

Business solutions are propositions with strong technology-driven scalable applications that allow us to develop new business and earnings models that are also aimed at acting as enablers for the digital

transformation of our star brands. These business solutions allow us to help our clients organise their human resources in a smarter way.

**BUSINESS SOLUTIONS**



**Solvus**

Solvus is mainly focused on contingent workforce management (MSP), career mobility, talent acquisition (RPO) and performance & development management. Solvus offers an overall concept to increase customers' resilience and flexibility in all HR dimensions.

**Online Business Solutions**

Adver-Online provides a cloud-based online SaaS portal with HR and recruitment tools and solutions such as assessments, job marketing, employer branding, an applicant tracking system (ATS), training, HR consultancy services, timekeeping, and payrolling of permanent and flexible employees.

Adver-Online also has a holding in Speakap, which offers private, cloud-based social platforms for organisations, focused on use on smartphones and tablets. Within these social platforms, also known as enterprise social networks (ESNs), organisations can find and share knowledge and data in a simple and very modern way.

Endouble gives clients the opportunity to make their recruitment processes more effective and efficient by using tailor-made talent-acquisition platforms such as 'werkenbij' websites (recruitment websites), making recruitment processes measurable, improving the findability of vacancies through search engine optimisation (SEO) and search engine advertising (SEA), setting up and running online recruitment campaigns, and using social recruitment for example by means of its own Refurfs tool.

Blue Carpet provides clients with community-based total talent management solutions aimed at identifying, attracting, developing and securing talent for organisations. At the same time, using the Ixxer Talent Profiel (also called ePortfolio or competency passport) Blue Carpet enables individuals – varying from students, jobseekers, permanent or flexible employees to self-employed professionals – to shape personal

insights and develop their own talents and therefore remain employable for the long term.

Connecting-Expertise is an online software services provider that offers an advanced Vendor Management System (VMS) including an online marketplace to support MSPs. A VMS structures the entire business process between clients and various providers of all types of flexible staff, such as staffing agencies, self-employed people with no staff (so-called zzp'ers) and consultancy firms. The process supports the full chain from request, vacancy and project placement by the client to invoicing. The online marketplace enables clients to make assignments, projects or vacancies available in the open market in an automated way.

**POSITIONING**

The Start People, Unique, Secretary Plus and USG Professionals star brands and new business solutions provide us with a wide array of solutions that create added value for all our clients' and talents' HR issues. Whether it be smart and effective online recruitment, a single placement or the full management of a client's (flexible) workforce, small or large volumes, unskilled or highly skilled employees and irrespective of the type of contract under which an employee is made available or works on assignments.

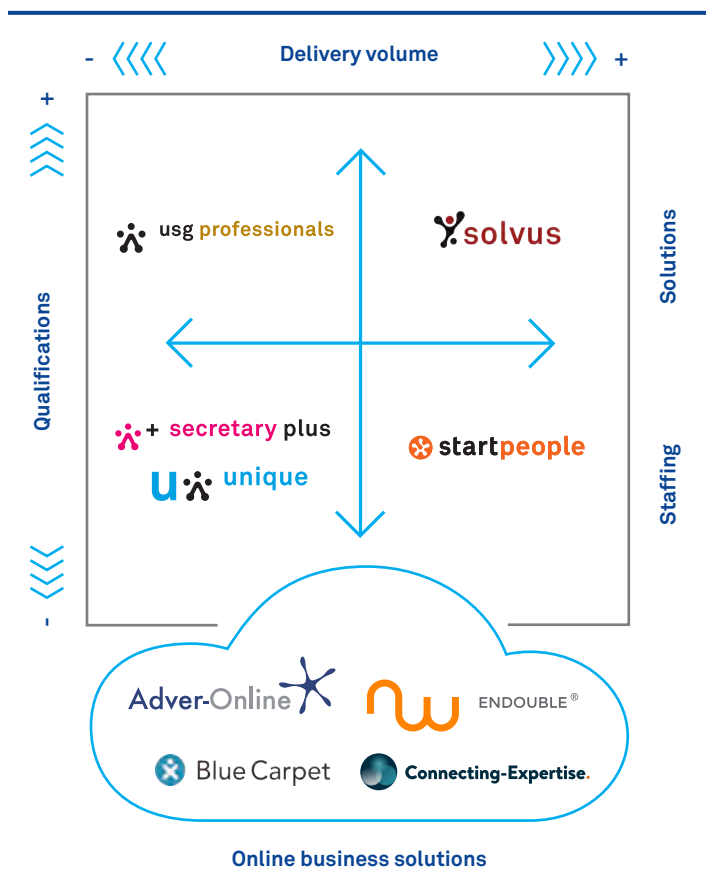
Our existing organisation – with the networks we have built up and the knowledge we have acquired – and the use of new, technology-based services are mutually reinforcing in their development and in the creation of new shared opportunities to provide added value to the solutions we offer clients and talents.

Accordingly our organisation is focused on commercial and operational excellence within the existing operations, on the one hand, and the development of solutions that offer higher added value to our clients in the form of innovative human capital business solutions, on the other.

**STRATEGIC OBJECTIVES**

- Strengthen existing leadership positions
- Expand exposure to growth markets
- Expand high added-value concepts

We are following two tracks to reach our strategic objectives and, in doing so, are working on both our short-term and long-term organisational objectives. The first track is mainly aimed at further developing our existing business models, with a strong focus on operational excellence and a further expansion of professionals. The first track is also aimed at developing more practical and accessible solutions in the field of HR management.



The four countries – with a total workforce of more than 80 million people and a level of penetration of flexible labour that is still relatively limited – provide an attractive playing field to realise growth. The flexibility of the job market is expected to continue to grow. This will create more demand for our services in these countries, including facilitating independent professionals, organising and matching micro jobs and ensuring long-term, inclusive employability within a workforce that is not expected to expand. Organisations are also expected to increasingly use online services for their staffing organisation as well as more comprehensive business solutions such as MSPs and RPO. These are areas where we can provide a great deal of added value with our expertise and infrastructure.

Our focus within the existing infrastructure will continue to be on operational excellence and efficiency. A lot of progress has been achieved due to the implementation of our strategic refocus in October 2011: expense levels have been reduced and have structurally improved.

We remain focused on further increasing the versatility of the organisation and flexibility of the cost structure. We continue to modernise our distribution channels with a view to achieving an integrated distribution solution consisting of brick-and-mortar branches and online and mobile channels for clients and talents. Technology is and will remain an important focal point of development and investment, for both the further optimisation of processes and the development of innovative, scalable services.

**increasing exposure to growth markets**

To expand our exposure to growth markets we are mainly investing in innovative propositions with a strong technical component. Technology can help us provide new services from within our existing network with a short time-to-market and generate added value. Internet-related and technological applications are currently quite small scale but the growth potential using such applications can be exceptionally high. The Netherlands, but also Belgium where we have a strong presence, is ideal for the development of a more online-oriented business model due to the high use of the internet and mobile phones. Successfully developed business models and best practices are then applied in the neighbouring countries where we are present as well as in countries outside of our existing area of operations.

**expanding high added-value concepts**

In a number of our operating countries flexible employment services such as temporary staffing and secondment have evolved into a more mature stage. Combined with various changes to legislation and regulations, such as the introduction of equal pay, this has put pressure on the pricing of the more traditional services we provide. At the same time we are witnessing strong demand in the market for the management of all types of flexible labour and HR expertise in the field of contingent workforce management

The main focus of the second track is to innovate our business models and make them scalable, e.g. through the transformation to online distribution and services. This track is also focused on developing new, high-value services in the field of (online) recruitment and selection, talent development and long-term inclusive employability. The second track is also aimed at creating innovative solutions for organisations to structure the recruitment, selection and deployment of labour in a smart way, e.g. via MSPs and RPO.

**strengthen existing leadership positions**

Our stand-alone strategy is primarily aimed at strengthening our market positions within our existing geographical scope. Even though the provision of online services is not bound by national borders, the star brands are not looking to expand their geographical reach at this time. New concepts, developed in-house or acquired, are mainly meant to aid the further development of the services we provide for clients and talents in the existing countries, resulting in a greater competitiveness, higher revenue and robust returns.

and talent acquisition. This provides us, as an established provider of human capital services, with a good environment to enter into fully-fledged strategic partnerships with clients.

There are many areas where we can use our expertise and organisation to provide added value to organisations. These include consulting on effective (online) recruitment and selection policies; selecting and placing specialised or highly skilled employees; staffing projects; managing or taking over HR and recruitment processes; managing the entire flexible workforce including independent professionals, the long-term inclusive employability of staff, and the management, planning and development of talent.

We do this by expanding USG Professionals and Secretary Plus and by developing service-oriented HR solutions, including through Solvus and the Online Business Solutions.

### STRATEGIC RETURN TARGETS

Our target is for an average EBITA margin for the entire group of 6% throughout the economic cycle. This target is achieved by means of effective capacity utilisation, efficient operational processes, a flexible cost structure and a relative increase in the activities that provide high added value.

This return target is managed by closely monitoring productivity per employee, the percentage of fixed costs compared to adjustable costs and the share of the various propositions in USG People as a whole.

### STRENGTHENING THE BALANCE SHEET

We mainly finance the investments needed to execute our strategy from our operating cash flow. In the past financing was only raised in the capital market to finance large strategic takeovers. We have credit facilities amounting to € 450 million at our disposal. These facilities offer comfortable scope to invest as and when opportunities arise.

In managing our debt position we pursue a cautious policy bearing in mind the cyclical nature of our activities. The target is for the total leverage ratio (net debt / EBITDA) to not exceed 1.0. In other words, net debt may not be more than one time EBITDA in the past four quarters.

The bank facilities provide USG People with stable financing. They have been extended by a syndicate of banks with which USG People has built up a long and intimate relationship over the years, thus ensuring stability in the continuity of the bank financing.

In addition to the bank facilities USG People has facilities in place that make it possible to sell trade receivables to finance working capital. That means that the operating cash flow does not have to be reduced when

working capital increases and that it offers sufficient scope to execute the strategic plans.

We achieve these balance sheet targets by using the free cash flow to lower the total net debt in absolute terms and by monitoring the strategic return targets, as discussed above.