

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.

STRATEGY EXECUTION SUMMARY

Not only did the execution of our strategy progress well in 2015, it also produced good results. By targeting the market with our distinctive star brands and innovative online business solutions we achieved above-average revenue growth in the core countries we operate in. This was accompanied by a strong improvement in the results, partly driven by an active policy and sharp focus on constant development of our organisation's operational and commercial excellence. This allowed for further organic strengthening of our existing positions.

With our initiatives and the projects we executed in innovation and product development in 2015 we also took great further strides in increasing our exposure to growth markets as well as developing and expanding our high value-added services. The group-wide rollout of the Solvus proposition and the online business solutions boosts the dynamics of the development of scalable innovative services with high added value for our clients and candidates. In addition these business units have also shown rapid organic development of the services they supply to clients and candidates.

Satisfying progress was booked in 2015 in terms of our financial targets with a substantial improvement in profitability. We also continued to optimise our financing structure by refinancing the credit facilities.

SUMMARY OF STRATEGIC INITIATIVES CARRIED OUT IN 2015 BY TARGET

STRENGTHENING OF EXISTING LEADERSHIP POSITIONS

- Increase in market share in the core countries thanks to above-market organic growth.
- Project Optima – optimisation of the cost structure of the star brands and back office through simplification of end-to-end processes – commenced and largely implemented.
- Increase in commercial strength due to further improvement in the cost base.
- Delivery of innovative strength propositions to clients and candidates thanks to collaboration between the star brands and the stakes in technology-driven operations.
- Revamp of distribution channels: modernisation of branches and projects carried out to aid online distribution.
- Stronger management focus on core regions and activities through tightening of the geographic scope and internal return targets.
- Investment in job market development initiatives.

INCREASE EXPOSURE TO GROWTH MARKETS

- Delivery of innovative propositions to clients and candidates thanks to collaboration between the star brands and the interests in technology-driven operations.

- Expansion of French office network in growth regions.
- Acquisition of Zorgzuster by Start People Netherlands.

EXPANSION OF HIGH VALUE-ADDED CONCEPTS

- Rollout of Solvus concept in Belgium, the Netherlands and Germany. Solvus provides high value-added services: recruitment process outsourcing (RPO), career transition and performance & development.
- Expansion of services in outsourcing, in-house and payrolling concepts.

AVERAGE EBITA MARGIN OF 6% ACROSS THE CYCLE (FROM 2014)

- In 2015 the EBITA margin rose to 4.3% from 3.7% in 2014.
- Increased operating leverage: high revenue growth (+8%) accompanied by a small rise in costs (+2%).
- Termination of low-yielding activities: discontinuation of start-up activities outside the core countries and USG Professionals in Germany.
- Enhanced flexibility in the cost structure: cost ratio improved from 16.6% to 15.6% of revenue.

LEVERAGE RATIO OF MAXIMUM 1,0

- Further reduction in absolute net debt from € 149.7 million in 2014 to € 128.2 million in 2015.
- Redemption of € 60 million subordinated loan.
- Reduction in total trade receivables sold from € 124.1 million to € 92.0 million.
- Higher EBITDA due to revenue growth and increased operating leverage.
- Reduction in leverage ratio from 1.7 to 1.2.

NEXT STEPS IN STRATEGY EXECUTION

The realisation of the strategy is progressing well in terms of all the stated objectives. Our organisation is clearly accelerating, which is what is needed in the current environment. An acceleration of growth to retain our position in a competitive and consolidating market. An acceleration of the transition towards a more digital organisation in order to be able to compete effectively with new players entering the market with disruptive business models. An acceleration in the development of services so that we can contribute towards maintaining and furthering regional competitiveness in a globalising world. An acceleration in the time-to-market of innovative services so as to be able to continue delivering profitable added value to our clients. All these aspects are an integral part of the USG People strategy. The steps we took in 2015 marked the start of an acceleration and we are well on track to being able to continue to realise our ambitions in the coming years.

In 2016 we will continue along our chosen path with a dual focus: further optimisation of the marketing strategy by increasing the commercial and operational excellence of the existing activities in our existing markets, and at the same time further development of technology-driven services with high added value for clients.

Project Optima, which was launched in 2015, will be completed in 2016 and is the next step – after the implementation of Project United in 2013 and 2014 – in optimising our organisation. From a financial point of view Project Optima will result in total annual cost savings of € 20 million, on top of total annual cost savings of € 38 million as a result of Project United. Following these optimisation measures in 2016 we are set to switch to a new phase in which boosting internal synergies and reducing the time-to-market of innovative service concepts will be key. In order to achieve this objective there will be a change to the governance structure in the organisation of the countries with the introduction of a country management structure.

In 2016 the internal collaboration with our associates in online business solutions will be further intensified. In 2015 we already saw the successful initiation and implementation of a large number of projects. The number of joint projects will be further increased in 2016, enabling faster development of the digitisation of our organisation and services. Technology will once again be an important area of development and investment in 2016, both in terms of further process optimisation and development of innovative scalable services. Product and process innovation is one of the ways in which we constantly develop our added value and the contribution we make to the job market.