

COVID19 IMPACT

We showed Huge Resilience in responding to the global pandemic and are well set for a Happy Recovery.

IN A NUTSHELL

At the outset, the Covid19 pandemic severely affected economies worldwide – not least the world of recruitment and consulting in our main markets: Belgium, the Netherlands, Germany and France.

But on a brighter note...

After the first wave from March to April 2020, the situation started to get better, with activities recovering fast until the second lockdown at the end of the summer. Growth slowed at this point, but did not stop.

And we're proud to say...

- House of HR maintained a positive EBITDA in every individual month of 2020 – showing our strengths as a House of Huge Resilience.
- Looking ahead, we are in a strong position to benefit from the expected recovery in 2021.

THE BIG PICTURE

Severe impact

Covid19 severely impacted economies worldwide – and the consulting and recruitment industry was certainly not immune. In our main markets, business restrictions and lockdowns led to significant temporary reductions in our clients' activities and, hence, their demand for temporary employment and consulting projects.

Strong response

During this extraordinary period, we focused on continuing to provide vital employment, consulting and recruiting services to our highly diversified customer base in specialized markets, and markets which require a special expertise.

We did not reduce our headcount, and we opened more branches in 2020 than we closed. Thanks to our smart, short decision chain, we quickly implemented the necessary tools and measures to allow our commercial teams and branches to stay active and intact. As a result, our customer base remained stable and we saw no severe impact on our gross margins.

To keep motivation high and the team spirit strong for everyone working from home, creativity sparkled throughout House of HR.

Weekly calls at CEO level sparked many ideas, for example, to boost sales and implement best practices, which were happily shared across the whole Group.

Recovering early

Recovery periods generally favour temporary work and outsourcing as companies start to scale up their workforce while controlling costs. This is especially true in our key countries, where the permanent workforce has a broad spectrum of legal protection which limits companies' flexibility. As a result, our markets recovered early. We saw this in our sales from May through to September, until the second lockdown paused growth from October.

The monthly sales comparison chart below shows monthly sales from January to December 2020 as a percentage of sales for the same period in 2019.

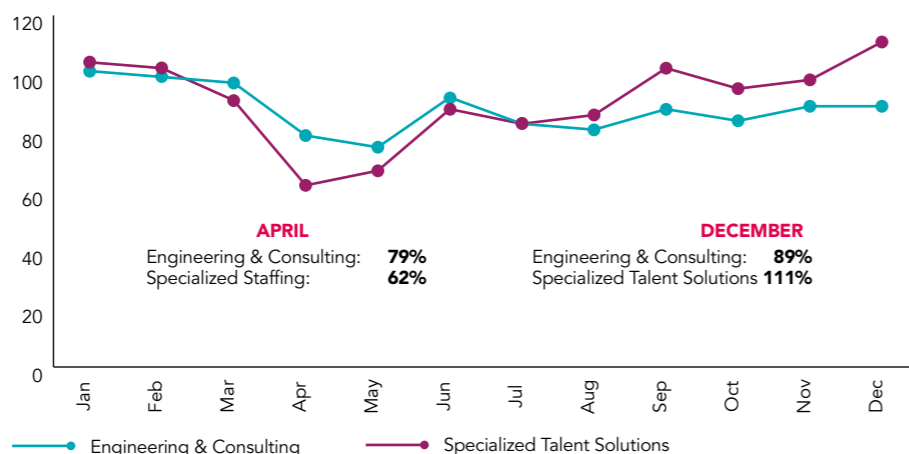
Protecting our margins

Despite an important decrease in sales, we limited the impact on our gross margin and EBITDA thanks to our flexible cost structure, as our costs of sales, which are mainly variable, represent over 80% of our total costs.

Benefiting from being decentralized

Our decentralized model of eight business units proved to be extremely efficient and effective in the crisis. Drawing on their deep knowledge of their own markets, population and employees, our powerhouses acted quickly and pragmatically to their local situations – from managing the setting up of remote working to tailoring sales targets to enabling a rapid rebound post-lockdown.

Monthly sales comparison, %



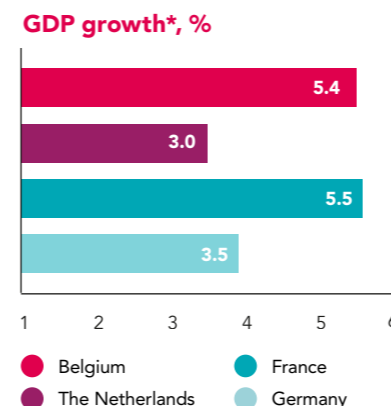
"In the crisis, our strengths shone through."

This was key in enabling a fast recovery of revenue across the House of HR after the first lockdown, and a much milder decrease in revenue during the second lockdown.

Brighter future

Our key markets are expected to rebound in 2021, not least due to the growing good news on vaccines.

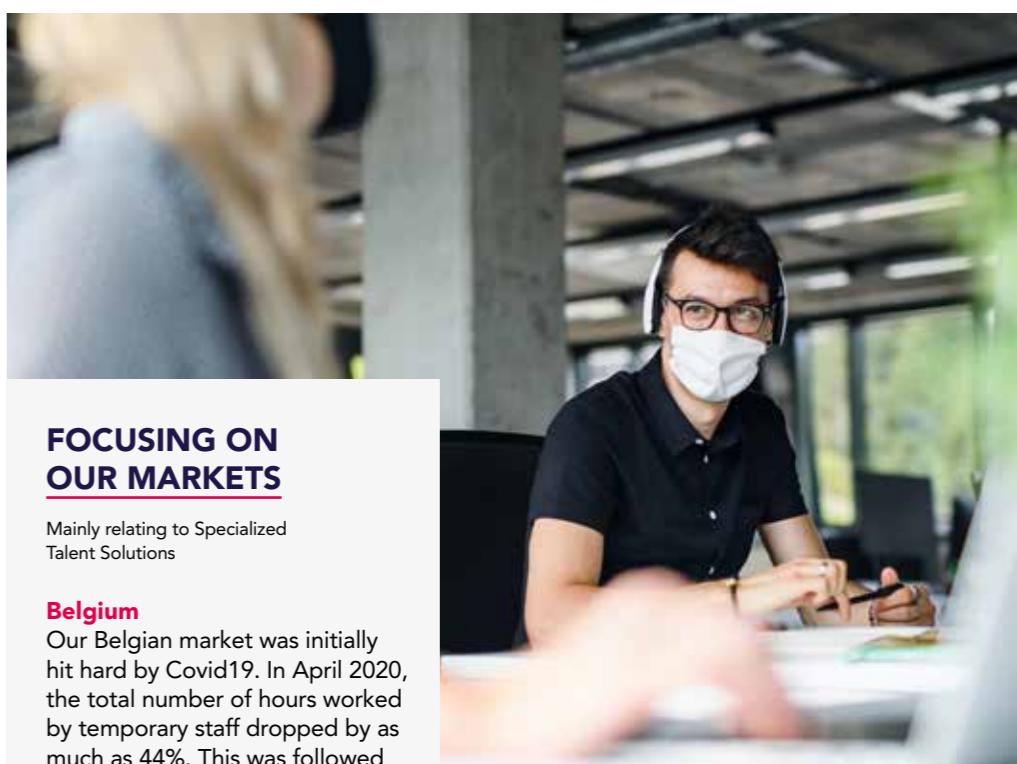
Indeed, the IMF forecasts* the following GDP growth:



*GDP Data from January 2021 World Economic Outlook

We believe we are well positioned to continue our track record of organic growth through our branch development model and targeting of growth markets, once lockdown measures are over and vaccines are widespread.

Our clients typically use our services throughout economic cycles. We are an attractive option in the early stages of an economic downturn as companies seek flexible solutions for staffing needs and new investment projects, as well as during a recovery period when the economic cycle is on its way up, allowing for maximum flexibility.



FOCUSING ON OUR MARKETS

Mainly relating to Specialized Talent Solutions

Belgium

Our Belgian market was initially hit hard by Covid19. In April 2020, the total number of hours worked by temporary staff dropped by as much as 44%. This was followed by a slow recovery, set to continue through 2021, boosted by private consumption and investment. Weak productivity growth and a relatively low labour participation rate will constrain real GDP growth. But in the staffing market, skills bottlenecks in specific sectors, such as in both digital and construction, will have a positive impact.

France

In France too, the first lockdown had a big impact on staffing, with a drop of 70% in the number of hours worked by temporary workers. After that, there was a steady rise in the number, and a smaller impact of the second lockdown. As a whole, in 2020 hours dropped by around 10%. While no official numbers are available the impact on Engineering and R&D (ER&D) was lower.

Germany

In Germany, the demand for workers reduced by more than half in April 2020. But again, the number of job registrations increased consistently following the lifting of restrictions. However, Germany's export-oriented manufacturing industry has continued to suffer from the drop in global demand. This has slowed the recovery and Germany is expected to return to its end-2019 GDP level by 2022.

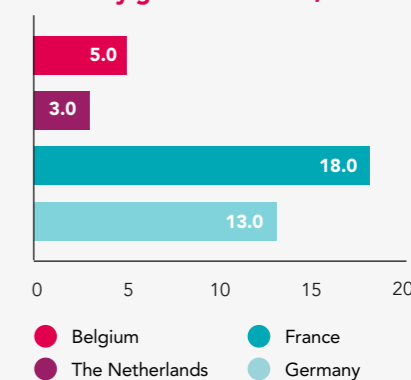
The Netherlands

In the Netherlands, the number of hours worked by temporary workers during the first lockdown dropped by 24%. Through the second half of 2020, the staffing industry gradually recovered, narrowing the gap with 2019. The IMF estimated a 3% GDP increase for the Netherlands in 2021. Also here, impact on consulting and ER&D is deemed to be lower.

Looking ahead:

In future, across all our key markets, the staffing industry is set to grow in 2021:

Industry growth in 2021*, %



*NB Source: SIA—Global Staffing Industry Market Estimates and Forecast, November 2020, <https://staffingindustry.com>