

Empresaria Group plc

Investor Presentation – March 2015

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An international specialist staffing Group

Multi-branded

**Management
equity**

**Growth
markets**

**Temporary
bias**

What we do

Recruitment focus

Services:

95% of net fee income from staffing services (2014)

34% permanent sales

62% temporary sales

Brands:

18 brands

Multi-branded approach

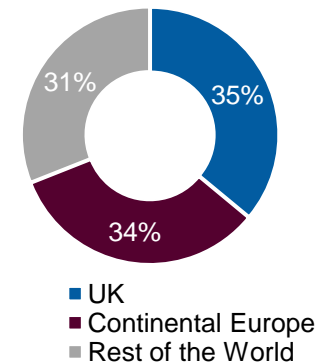
80% of net fee income from top 9 brands (2014)

Diversified & balanced approach

Regions:

Balance between mature stable markets and higher growth emerging markets

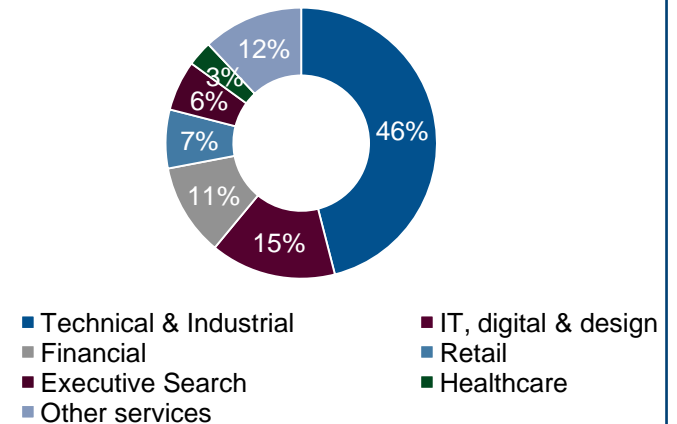
2014 net fee income



Sectors:

6 key sectors

Focus on professional & skilled workers (81%)



Strategy focused on growth

Develop leading brands with sector expertise

- New investments
 - BW&P (Technical & Industrial), Ball and Hoolahan (UK, IT & Design)
- Divesting non-core assets - now at 18 key brands

Maintain diversification and balance by geography and sector

- First entry into Dubai (BW&P) & Mexico (Monroe start-up)

Retain operational mix: Professional & specialist job roles

- Professional & specialist job roles ratio up to 81% (2013: 78%)

Increase footprint in key economic centres

- New offices opened in key economic centres
 - Kuala Lumpur, Santiago, Mexico City, Hong Kong, Manchester

Continue financial performance

- Debt to debtors ratio reduced to 32% (2013: 47%)
- Management holding equity up to 44 (2013: 37)

Highlights

Financial delivery

- NFI up 5% (11% on constant currency basis)
- PBT up 20% (31% on constant currency)
- EPS up 44%
- Six consecutive quarters of underlying NFI growth
- Final dividend increased by 100%

Continued delivery against strategy

- Expansion in key economic centres
- Development of leading brands
- Entry into new geographic markets

Investing in the business

- Continued investment in line with stated growth strategy
- Focus on core brands to drive growth

Financial highlights

	2014	2013	% var	L-F-L % var
Revenue	£187.9m	£194.4m	(3%)	2%
<i>Permanent revenue</i>	<i>£19.4m</i>	<i>£18.1m</i>	<i>7%</i>	
<i>Temporary revenue</i>	<i>£168.6m</i>	<i>£176.4m</i>	<i>(4%)</i>	
Net fee income	£44.6m	£42.6m	5%	11%
Adjusted operating profit*	£6.6m	£6.0m	10%	16%
Conversion ratio	14.7%	14.2%		
Adjusted profit before tax*	£6.1m	£5.4m	13%	22%
Diluted earnings per share	7.5p	5.2p	44%	
Adjusted diluted earnings per share*	8.0p	6.2p	29%	
Net debt	(£9.8m)	(£15.2m)	36%	
Proposed dividend	0.70p	0.35p	100%	

Note: Adjusted results exclude amortisation of intangible assets, gain or loss on business disposal and exceptional items.

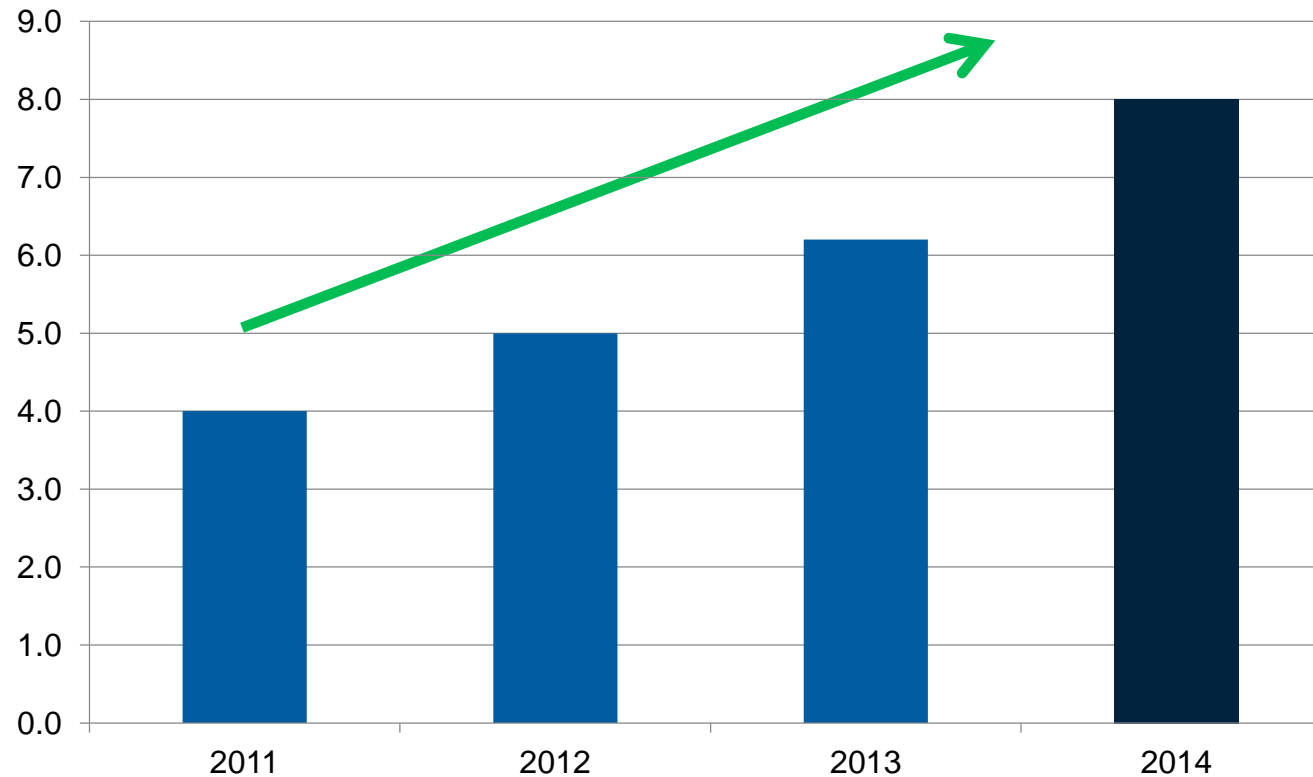
Summary of performance

Net fee income (£'m)	<u>UK</u>	<u>Continental Europe</u>	<u>Rest of the World</u>	<u>Total</u>
2013	15.8	13.9	12.9	42.6
Acquisitions/disposals	(0.5)	-	1.3	0.8
Branch closures	(0.3)	(0.3)	-	(0.6)
Currency impact	-	(0.7)	(1.6)	(2.3)
Underlying growth	0.9	2.1	1.1	4.1
2014	15.9	15.0	13.7	44.6
Reported growth %	1%	8%	6%	5%
Underlying growth %	6%	15%	8%	10%

Creates value for shareholders

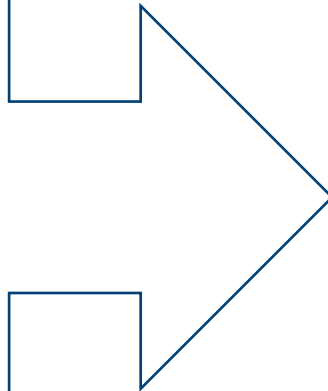
Group vision is to generate sustainable growth in EPS

Adjusted EPS (p)



The growth opportunity

- ▼ Economic growth
- ▼ Structural growth in German staffing market
- ▼ Organic opportunities - 4 strands of growth
- ▼ Bolt-on acquisitions
- ▼ Operational gearing

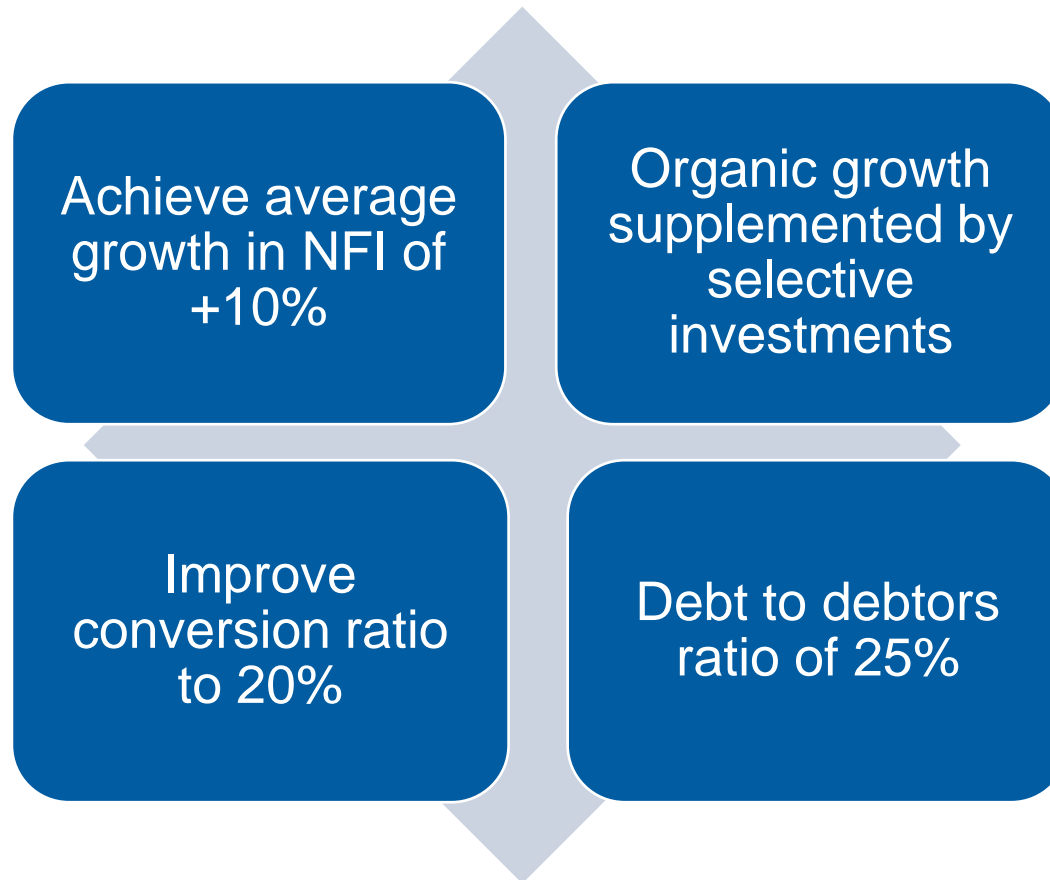


Deliver growth in net fee income

Improve conversion ratio

5 year financial targets

Board has the following objectives:



Summary and outlook

Delivery on stated strategy

- ▼ Continued focus on five key drivers of the growth strategy

Driving KPIs

- ▼ All regions delivering growth in NFI
- ▼ Conversion ratio improvement continues, target of 20% remains
- ▼ Strong growth in PBT despite negative currency impact

Focus on growth

- ▼ Staffing markets expected to grow in 2015
 - ▼ Investigating further investment opportunities
 - ▼ Management see opportunities to further grow the business in line with existing strategy
-

Q&A



Appendices



Income statement - 2014

£m	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Constant currency</u>	
Revenue	187.9	194.4	(3%)	2%	Revenue down 3%, reflecting focus on higher margin temporary business which has boosted net fee income. Permanent sales up 7%. Negative currency impact (Indonesia, Japan and Euro).
Net fee Income	44.6	42.6	5%	11%	Net Fee Income up 5% on prior year, helped by temporary margin increasing to 16.3% (2013:15.3%).
Overheads	(38.0)	(36.6)	4%		
Adjusted operating profit	6.6	6.0	10%	16%	Overheads controlled with only 4% increase, despite investment in new offices and prior year foreign exchange gain of £457k. Conversion ratio improves to 14.7% (2013: 14.2%).
Interest	(0.5)	(0.6)			
Adjusted profit before tax	6.1	5.4	13%	22%	Finance costs down on lower debt levels.
Exceptional items and amortisation	(0.2)	(0.5)			
Tax	(2.1)	(2.1)			Exceptional gain on finalisation of CGZP position (£0.1m release). Loss on business disposal of £0.1m represents recycling of cumulative translation reserve.
Profit for the period	3.8	2.8			
Adjusted diluted EPS (p)	8.0	6.2	29%		Tax rate of 35% in 2014 (2013: 43%).
IFRS diluted EPS (p)	7.5	5.2	44%		

* Adjusted results are before exceptional items, gain or loss on disposal of business and amortisation of intangible assets

Balance sheet – 31 December 2014

£m	2014	2013	
Property, plant & equipment	1.2	1.0	Capital expenditure of £1.0m on fixed assets.
Goodwill and intangibles	26.0	26.0	Goodwill increased for acquisitions.
Deferred tax asset	<u>0.9</u>	<u>0.6</u>	
	28.1	27.6	Average debtor days 52 (2013 50).
Trade and other receivables	34.5	36.6	
Cash and bank balance	<u>7.8</u>	<u>5.7</u>	Net debt of £9.8m at end of year, down from £15.2m at end of 2013. Banking facilities in place at year end of £32.5m (2013: £30.2m).
	42.3	42.3	
Trade and other payables	(21.9)	(21.4)	
Current tax liability	(2.7)	(1.7)	
Short-term borrowings	<u>(11.2)</u>	<u>(13.6)</u>	New bank facilities approved in principle in UK and Germany in 2015, replacing central Revolving Credit Facility with local term loan and overdraft in Germany.
	(35.8)	(36.7)	
Long-term borrowings	(6.4)	(7.3)	
Deferred tax liabilities	<u>(1.1)</u>	<u>(1.2)</u>	
	(7.5)	(8.5)	
Net assets	27.1	24.7	
Share capital & share premium	(21.6)	(21.6)	No movement in share capital.
Merger reserve	(0.9)	(0.9)	
Retranslation reserve	(1.8)	(2.6)	
Other reserves	1.1	1.2	
Equity reserve	7.1	6.7	Equity reserve represents acquisition of minority interests under IFRS 3.
Retained earnings	(7.8)	(4.4)	
Non-controlling interests	<u>(3.2)</u>	<u>(3.1)</u>	
Total equity	(27.1)	(24.7)	

Cash flow – 2014

£m	<u>2014</u>	<u>2013</u>	
Profit for the period	3.8	2.8	
Depreciation, amortisation & share based payments			
	1.1	1.2	
Tax and interest added back	2.6	2.7	
Loss on disposals	0.1	0.0	
Exceptional items	(0.4)	(0.7)	
Working capital	<u>(0.5)</u>	<u>1.8</u>	
Cash generated from operations	6.7	7.8	Cash generated from operations was £6.7m, following a £0.5m investment in working capital and £0.3m cash spend on exceptional items.
Tax, interest & capex	(2.4)	(3.1)	Cash outflow on tax was down on prior year at £0.9m (2013: £1.6m).
Dividends to non-controlling interests	(0.2)	(0.2)	Capex of £1.0m was up £0.2m on 2013.
Dividends to shareholders	(0.2)	(0.2)	
Investments and disposals	(1.6)	(1.1)	Investments and disposals:
Cash inflow from loans and borrowings	<u>(0.1)</u>	<u>(3.3)</u>	- Purchase of minority shares in China of £0.3m
			- Acquisition of BW&P in Dubai of £0.3m
			- Acquisition of Ball and Hoolahan in UK of £0.9
			- Cash income from prior year disposals of £0.1m
			- Payments under deferred consideration of £0.2m
Increase in cash in the period	2.2	(0.1)	
Foreign exchange	<u>(0.1)</u>	<u>(0.4)</u>	
Net movement in cash and cash equivalents	2.1	(0.5)	

Operating in Major Markets

UK

35% 2014 Gross profit

3rd largest staffing market

Mature market delivering good returns

Mix of temp and perm (50% of net fee income for temp)

High temp penetration rates

9 brands operating

Continental Europe

34% 2014 Gross profit

Germany is 5th largest staffing market (90% of regional net fee income)

German economy is one of the strongest in Europe

German staffing market is relatively immature

Temp bias (98% of net fee income)

Growing temp penetration rates (German market deregulated in 2004)

2 brands operating

Rest of the World

31% 2014 Gross profit

Japan is 2nd largest staffing market

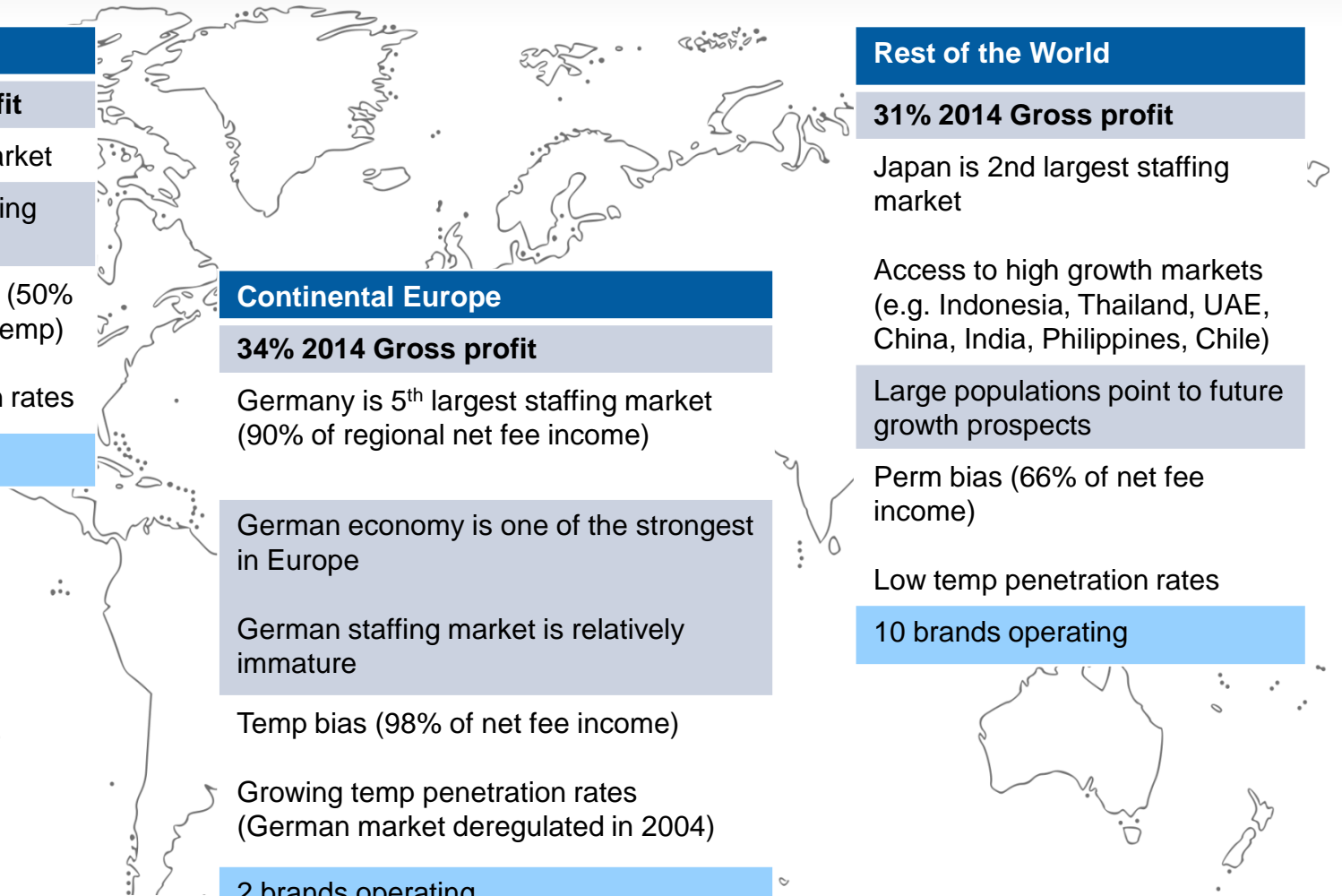
Access to high growth markets (e.g. Indonesia, Thailand, UAE, China, India, Philippines, Chile)

Large populations point to future growth prospects

Perm bias (66% of net fee income)

Low temp penetration rates

10 brands operating



Management equity philosophy

- Management capacity and structure established for ongoing growth
- Committed to incentivising operational management through equity participation in their businesses
- Helps drive long-term growth and retain/attract key management
- Only executive directors have options over Empresaria shares

	First generation	Second generation
Minority shareholder	Held by the business founder	Provided to next tier of management (normally when first generation shares have been acquired by Empresaria) to incentivise next growth phase
Profits	Interest in full profits of the business	Threshold profit limit exists. Minority shareholder only benefits from growth in profits above the threshold limit
Valuation basis	Multiple based on Empresaria current trading multiple less 0.5, capped at 10x, on average of last three years profit after tax	
Requirement to acquire minority shares	Minority shareholder typically holds shares for 5 years before being able to offer them to Empresaria to acquire, with the valuation based on the agreed methodology. There is no obligation on Empresaria to purchase any shares.	
Level of minority shares	Typical range is between 49% and 5%, with an average Empresaria holding of approximately 80%	

Directors

Board has extensive knowledge of the staffing industry with a combined experience of 100 years

Anthony Martin – Chairman

Anthony served as Chairman and CEO of Select Appointments and Vedior NV, building one of the world's largest recruitment companies, before it was acquired by Randstad. He currently owns 29% of Empresaria.

Joost Kreulen – Chief Executive Officer

Joost has 28 years of staffing industry experience, with roles in Select Appointments and Vedior NV as well as a short period at Randstad. He joined Empresaria in 2009, initially responsible for its Asian operations and then also for a number of its UK based businesses. He was appointed Chief Operating Officer and Chief Executive designate in September 2011, becoming Chief Executive at the beginning of 2012.

Spencer Wreford – Group Finance Director

Spencer has over 10 years experience in senior finance roles, joining Empresaria from BPP Group. Prior to this he spent 8 years at ITE Group Plc, as Deputy Finance Director, including six months as Acting Group Finance Director. Spencer is a Chartered Accountant, qualifying with Arthur Andersen.

Penny Freer – Non-Executive Director

Penny has worked in investment banking for over 25 years. She is a partner of London Bridge Capital. She has been Head of Equity Capital Markets and Deputy Chairman of Robert W Baird Limited as well as Head of Small/Mid Cap Equities for Credit Lyonnais. Penny is also a non-executive director of Advanced Medical Solutions plc, where she is the senior independent director.

Zach Miles – Non-Executive Director

Before joining Empresaria Zach held the position of Chairman and CEO of Vedior N.V. Before joining Vedior, Zach was CFO and a member of the Board of Directors of Select Appointments. His career in the recruitment industry began in 1988. He was formerly a partner at Arthur Andersen and is a qualified Chartered Accountant.

Shareholder information

Shares in issue: 44,562,847 ordinary shares

Market capitalisation: £21.6 million

Outstanding options: 2.8m (6.4% of shares in issue)

Significant shareholders (updated on 4 March):

Anthony Martin	12,924,595	29%
Caledonia Investments plc	5,299,264	12%
Liontrust Asset Management	4,073,468	9%
Miles Hunt	3,665,586	8%
Tim Sheffield	2,049,307	5%
City Financial Investments	1,400,000	3%