

# Investor Presentation March 2016

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# An international staffing specialist

## Multi-branded

- Strategy to develop leading brands with sector expertise
- Diversified and balanced by geography and sector to lower risk
- Understand the requirements of candidates and clients

- **Multi-branded model to address global talent and skills shortages**

19

Brands

6

Sectors

18

Countries

55%

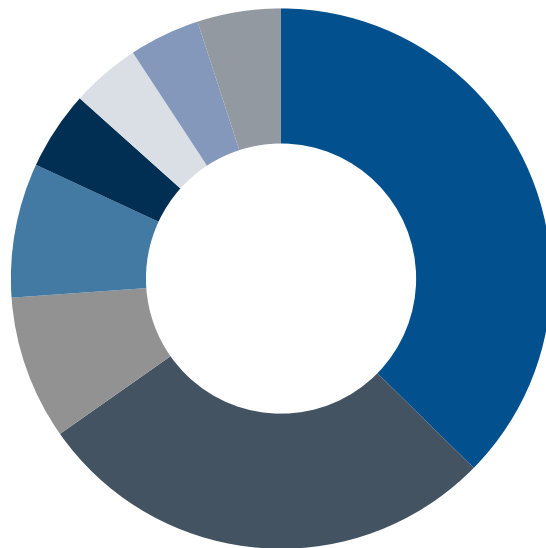
Temporary staffing

# An international staffing specialist

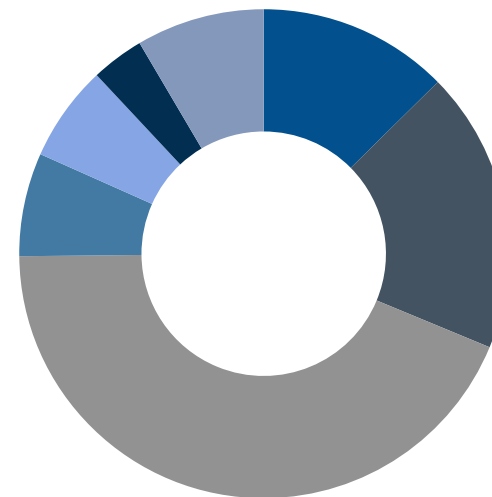
## Growth Markets

- Not reliant on any single market or sector
- Brand expansion across geographies
- Attack market vertically in markets with talent shortages
- Operating in key sectors offering international growth opportunities

% net fee income in 2015



- UK (37%)
- Germany & Austria (28%)
- South East Asia (9%)
- Japan (8%)
- Middle East (5%)
- India (4%)
- Americas (4%)
- Other (5%)



- Professional services (13%)
- IT, digital & design (19%)
- Technical & industrial (44%)
- Retail (7%)
- Executive search (6%)
- Healthcare (3%)
- Other services (8%)

## An international staffing specialist

### Operational Mix

- Temporary staffing bias reflective of economic cycles
- Focus on professional & specialist job levels
- Temporary sales have reduced with deliberate move away from low value work
- Investment focus to increase temporary sales

- **Quality of earnings continues to improve**

**55%**

Temporary net fee  
income

**16.7%**

Temporary margin

**16.3%**

Conversion ratio

**86%**

Professional &  
Specialist

# Attract and retain key management

## Management Equity

- Management own shares in their brands
- Attract and retain key staff
- Brand management incentivised to grow long term profits
- Decentralised structure leaves operational responsibility with local managers

- **Shares typically held for 5 years before offered for sale over a 2 - 3 year period**

Structured valuation model

Estimated spend over the next 2 years expected to be circa £1.0m

44 managers currently holding equity

Growth incentive

# Group at a glance

19 specialist brands

6 core sectors

18 countries

## Technical & Industrial

NFI £21.5m (£20.8m)



## IT, Digital & Design

NFI £9.2m (£7.2m)



## Professional services

NFI £6.2m (£5.1m)



## Retail

NFI £3.3m (£3.2m)



## Executive search

NFI £3.1m (£2.6m)



## Healthcare

NFI £1.7m (£1.5m)



## Other

NFI £4.2m (£4.2m)





## Clear strategy

Develop leading brands with sector expertise

- Professional & specialist roles
- Sectors with long term growth prospects

Maintain diversification and balance by geography and sector

- Footprint in key economic centres
- Established and emerging markets

A solid financial foundation

## Buy & build approach

Build - organic investment in existing brands

- Increase headcount in existing brand
- Add a new vertical specialism
- Enter a new or existing geography
- Start-up in a niche sector

Buy - accelerate growth by filling gaps in our sectors or geographies

- Enter a new geography or sector
- Grow an existing brand with a bolt-on

Financial discipline

- Debt to debtors target of 25%



## Case study – IMS (India)



- Start up in 2006
- Management own 29%
- Provide specialised outsourced services to the recruitment sector
- Now operating from 3 centres in Ahmedabad
- Servicing clients in US, UK and EMEA

- Voice based (headhunting, market research, candidate screening, reference checks)
- Non-voice based (database management, job postings, sourcing candidates, CV formatting)

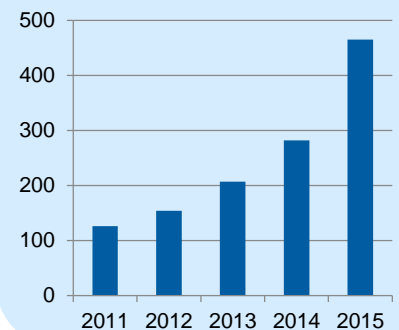
**+428%**

NFI growth 2011-  
2015

Awarded “Best  
SME in India”  
by Dun &  
Bradstreet in  
2015

1,700 orders  
filled in 2015  
for over 130  
staffing firms

Staff numbers at year end



## Case study – Pharmaceutical Strategies (USA)



- Acquisition in 2015
- Management own 7.5% (second generation shares)
- Provide specialised pharmacists and nurses
- Working nationwide with 75% of the PBM market

- Rapid growth expected from the US healthcare sector over medium term due to Affordable Care Act (“ACA”), ageing population, increasing levels of obesity and recent positive economic conditions.

**+32 million**

Americans now able to afford healthcare following ACA

**+53%**

NFI growth from 2014 - 2015

**19** staff

PBM companies engage with 210 million Americans annually

# Results for the period



## Overview

### Strong profit performance

Full year profit was ahead of market forecast

### Continued delivery against strategy and 5 year plan

Significant progress made across all KPIs

### Growth opportunities into 2016

Organic investment opportunities and impact of acquisition of Pharmaceutical Strategies

## Highlights

- Consistency with 10 consecutive quarters of net fee income growth
- Investment in USA a strong growth driver for 2016 – already integrated well into the Group
- Investments made in 2014 progressing, with improved contributions in the year
- Organic investment continued with new staff
- Dividend increased 43% to 1.0p
- Strong results from Germany, India, Thailand, Chile & Australia
- Ongoing reduction in debt levels

**£7.5m**

Record Adjusted  
Profit before tax

Acquisition of  
Pharmaceutical  
Strategies, USA,  
fully integrated

**16%**

Increase in  
average staff  
levels

**+43%**

Progressive  
dividend policy in  
line with trading  
performance

## 5 year plan

- Targets for period 2014 - 2018

Target

NFI growth  
10%

Conversion  
ratio  
20%

Net debt to  
Debtors  
ratio  
25%

Actual  
2015

10%  
(16%  
constant  
currency)

16.3%  
(4<sup>th</sup> year of  
growth)

23%



## Financial Summary

	2015	2014	% var	Constant currency % var
Revenue	<b>£187.3m</b>	£187.9m	(2%)	3%
<i>Permanent revenue &amp; ORS</i>	<b>£24.7m</b>	£19.4m	28%	28%
<i>Temporary revenue</i>	<b>£162.6m</b>	£168.6m	(3.5%)	2%
Net fee income	<b>£49.2m</b>	£44.6m	10%	16%
Adjusted operating profit*	<b>£8.0m</b>	£6.6m	21%	30%
Conversion ratio	<b>16.3%</b>	14.7%		
Adjusted profit before tax*	<b>£7.5m</b>	£6.1m	23%	44%
Diluted earnings per share	<b>9.3p</b>	7.5p	24%	
Adjusted diluted earnings per share*	<b>9.9p</b>	8.0p	24%	
Net debt	<b>£7.3m</b>	£9.8m	(26%)	

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



# Summary and outlook

## Driving KPIs

- Full year profit ahead of market forecast
  - Growth in NFI, ahead of 10% average target
  - Conversion ratio improvement continues, target of 20% remains
  - Strong growth in PBT despite currency headwinds
  - Focus on growth in line with strategy
  - 2016 expected to benefit from investments made and acquisition of Pharmaceutical Strategies
  - Confident in ability to deliver profitable growth
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# Appendices



# Revenue analysis

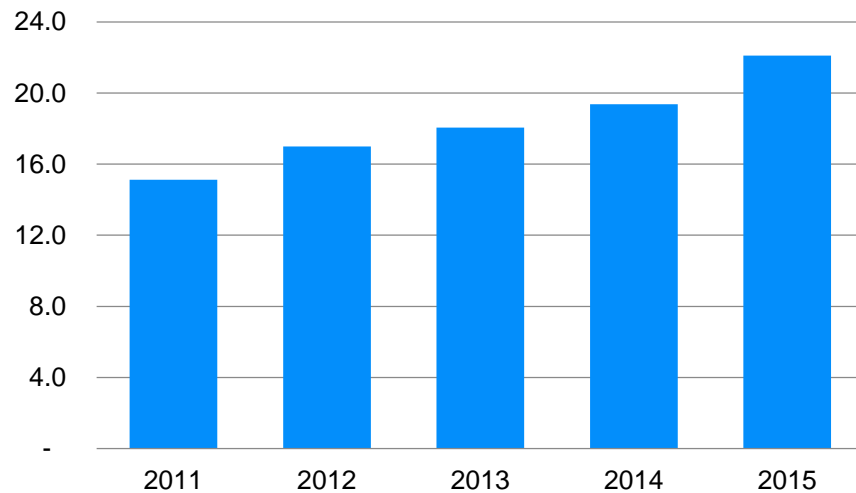
Permanent revenue +28% (28% constant currency)

- Core growth of 15%
- 2014 investments contribute 13% growth
- Set backs in China and in Indonesian training business

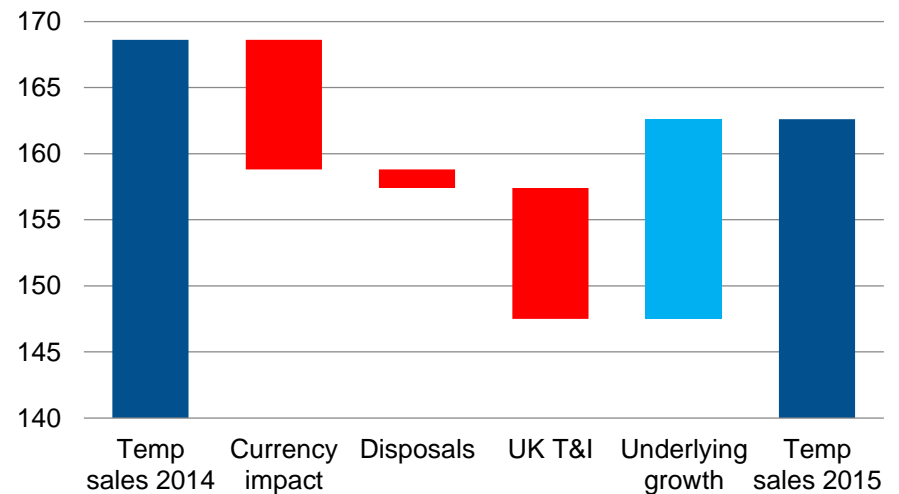
Temporary revenue (-3.5%) (+2% in constant currency)

- 78% of currency impact from € (11% Chile, 8% Japan)
- Disposals (Czech/Slovakia/Malaysia) (-1%)
- UK Technical & Industrial deliberate reduction in low value work
- Underlying growth from rest of Group of +9%

Permanent revenue (£m)



Temporary revenue bridge (£'m)

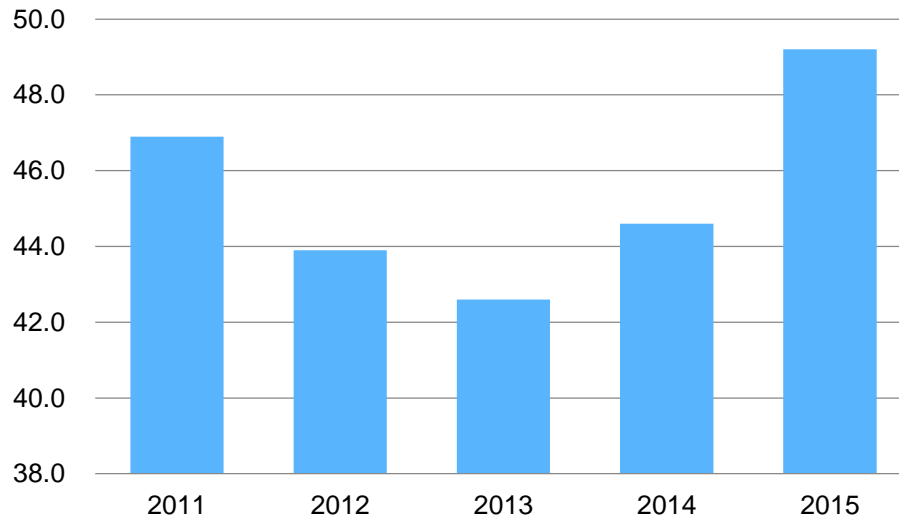


## Net fee income

Net fee income +10% (+16% constant currency)

- Target of +10% average growth over 5 years
- Being driven by increase in permanent sales and improving temp margin

Net fee income (£m)

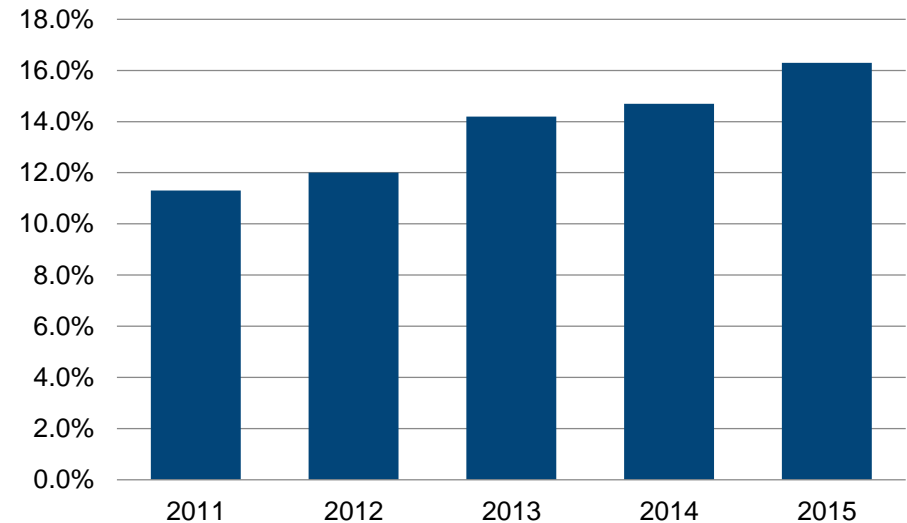


## Conversion ratio

Conversion ratio of 16.3%

- Costs managed but still investing in business with 16% increase in average staff numbers
- Develop scale of Group to help cover central costs
- Target of 20% over 5 years

Conversion ratio



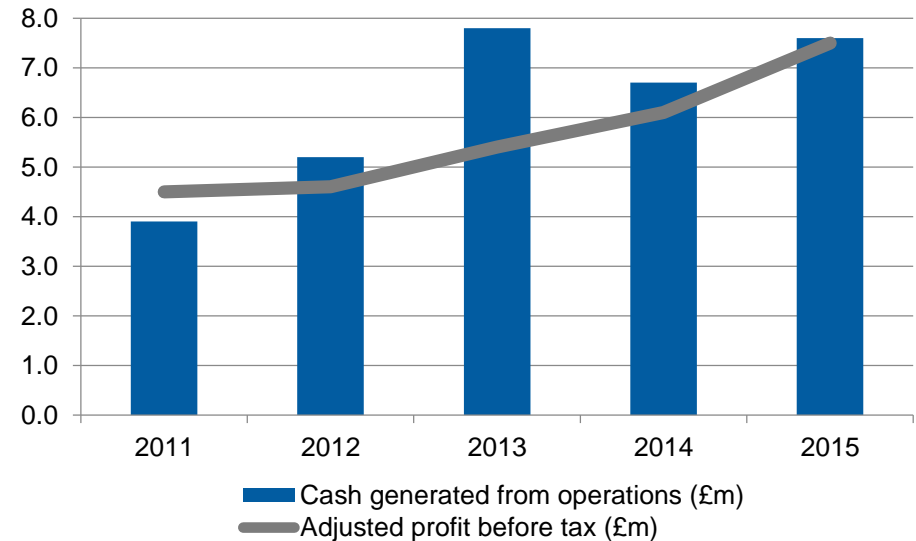
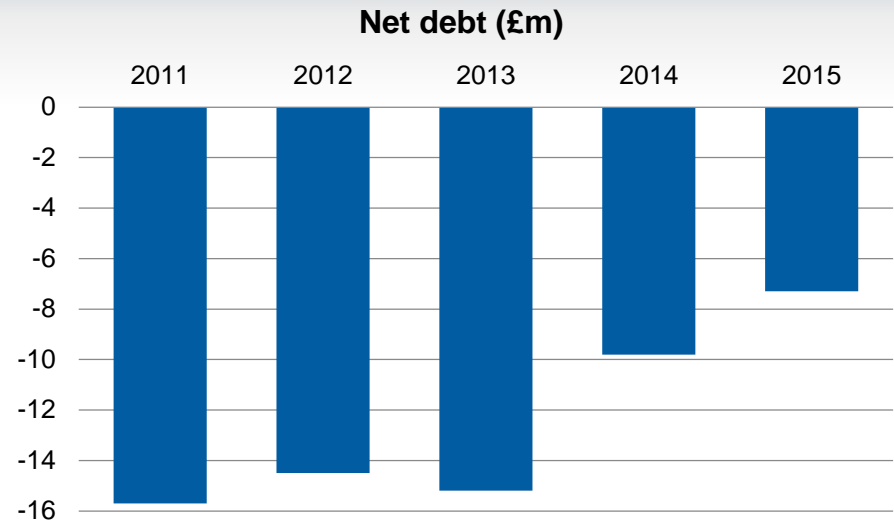


# Net debt

- Net debt down 26% to £7.3m (2014: £9.8m)
- Average net debt down 33% to £8.9m (2014: £13.2m)
- Net debt to debtors ratio 23% (2014: 32%)
- Average debtor days of 51 (2014: 52)

▪ Cash generative business:

Cash generated from operations	£7.6m
Purchase of minority interest	£0.4m
Acquisitions	£5.9m
Proceeds from equity issue	(£3.2m)
Dividend paid to shareholders	£0.3m
Exceptional costs paid	£0.5m
Working capital investment	£0.7m



# Income statement – year to 31 December 2015

£m	2015	2014	Change	<u>LFL</u> currency
Revenue	187.3	187.9	(0%)	3%
Net fee Income	49.2	44.6	10%	16%
Overheads	<u>(41.2)</u>	<u>(38.0)</u>	8%	
Adjusted operating profit	8.0	6.6	21%	30%
Interest	<u>(0.5)</u>	<u>(0.5)</u>		
<b>Adjusted profit before tax</b>	<b>7.5</b>	<b>6.1</b>	23%	44%
Exceptional items and amortisation	(0.4)	(0.2)		
Tax	(2.6)	(2.1)		
Profit for the period	<u>4.5</u>	<u>3.8</u>		
Adjusted EPS (p)	9.9	8.0	24%	
IFRS EPS (p)	9.3	7.5	24%	

Revenue broadly flat, with permanent up 28% and temporary revenue down 3.5%.

Net fee income up 10%, with temporary margin increasing from 16.3% to 16.7%.

Overheads increased at lower rate, helping conversion ratio improve to 16.3% (2014: 14.7%).

Interest costs were lower due to reduced debt levels, but £0.1m of one-off interest on late tax payments in Germany meant overall financing costs were in line with prior year.

No exceptional items, but amortisation has increased due to acquisition activity.

Tax rate increased to 36% effective rate (2014: 35%) due to mix of profits and high non-deductible costs.

## Balance sheet – 31 December 2015

£m	2015	2014
Property, plant & equipment	1.5	1.2
Goodwill and intangibles	32.5	26.0
Deferred tax asset	0.9	0.9
	<u>34.9</u>	<u>28.1</u>
Trade and other receivables	35.9	34.5
Cash and bank balance	7.7	7.8
	<u>43.6</u>	<u>42.3</u>
Trade and other payables	(24.0)	(21.9)
Current tax liability	(3.7)	(2.7)
Short-term borrowings	(9.9)	(11.2)
	<u>(37.6)</u>	<u>(35.8)</u>
Long-term borrowings	(5.1)	(6.4)
Other creditors	(1.0)	0.0
Deferred tax liabilities	(1.1)	(1.1)
	<u>(7.2)</u>	<u>(7.5)</u>
<b>Net assets</b>	<b><u>33.7</u></b>	<b><u>27.1</u></b>
Share capital & share premium	(24.8)	(21.6)
Merger reserve	(0.9)	(0.9)
Retranslation reserve	(1.0)	(1.8)
Other reserves	0.6	1.1
Equity reserve	7.2	7.1
Retained earnings	(11.9)	(7.8)
Non-controlling interests	(2.9)	(3.2)
<b>Total equity</b>	<b><u>(33.7)</u></b>	<b><u>(27.1)</u></b>

Capital expenditure of £0.9m on fixed assets.

Goodwill increased for Pharmaceutical Strategies.

Average debtor days 51 (2014: 52).

Net debt at year end of £7.3m, down from £9.8m at end of 2014.

Banking facilities in place of £36.7m (2014: £32.5m).

Revolving Credit Facility in UK replaced by term loan and overdraft increase in Germany.

Other creditors > 1 year: Contingent consideration on Pharmaceutical Strategies.

Share capital increase for equity issue in October 2015.



# Cash flow – year ended 31 December 2015

£m	<u>2015</u>	<u>2014</u>
Profit for the period	4.5	3.8
Depreciation, amortisation & share based payments	1.3	1.1
Tax and interest added back	3.1	2.6
Loss/(profit) on disposals	0.0	0.1
Exceptional items	(0.5)	(0.4)
Working capital	(0.8)	(0.5)
<b>Cash generated from operations</b>	<b>7.6</b>	<b>6.7</b>
Tax, interest & capex	(3.1)	(2.4)
Dividends to non-controlling interests	(0.1)	(0.2)
Dividends to shareholders	(0.3)	(0.2)
Investments and disposals	(6.2)	(1.6)
Share issue	3.2	0.0
Cash inflow from loans and borrowings	(1.0)	(0.1)
Increase in cash in the period	0.1	2.2
Foreign exchange	(0.2)	(0.1)
Net movement in cash & cash equivalents	(0.1)	2.1

Cash generated from operations was £7.6m, up on the prior year due to higher profit levels. Exceptional provision paid down (£0.5m cash outflow in the year).

Cash outflow on tax up £0.9m on prior year.

Dividend to shareholders increased due to dividend paid of 0.7p, up from 0.35p in the prior year.

Investments and disposals:

- Purchase of minority shares in Monroe Indonesia of £0.3m
- Purchase of minority shares in Mansion House of £0.1m
- Acquisition of Pharmaceutical Strategies of £5.4m (including acquisition of net debt)
- Deferred consideration paid on Ball and Hoolahan of £0.5m

Share issue raised net £3.2m after £0.1m of expenses.

# 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 28% of Empresaria.

## **Joost Kreulen – Chief Executive Officer**

Joost has nearly 30 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 15 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.

## Peer group analysis

Description	Share price	Mkt Cap (m)	P/E Ratio		EV/EBITDA		EPS % Growth 2015	Op Margin	
			1FY	2FY	1FY	2FY		OFY	1FY
Adecco SA	58.7	10,233	11.6x	11.3x	8.6x	8.1x	23%	4.5%	4.0%
Randstad Holdings	48.2	8,822	12.5x	11.5x	8.7x	7.9x	26%	3.7%	3.0%
Hays	116.4	1,667	14.4x	12.0x	8.7x	7.6x	20%	4.3%	3.8%
Michael Page Int	374.6	1,221	18.5x	15.9x	10.5x	9.1x	22%	7.7%	6.5%
SThree	308.5	399	13.4x	11.1x	7.4x	6.2x	20%	4.5%	3.3%
Staffline Group	1,321.0	367	11.3x	10.7x	9.7x	9.3x	54%	1.6%	3.8%
Robert Walters	304.0	235	16.0x	13.5x	8.2x	7.0x	44%	2.7%	1.8%
CPL RES	455.0	139	13.5x	12.7x	9.5x	9.0x	-10%	3.5%	3.8%
Matchtech Group	423.0	129	9.4x	8.7x	7.2x	6.7x	14%	3.1%	2.9%
Harvey Nash Group	76.0	56	8.3x	8.1x	5.9x	5.5x	4%	1.2%	1.0%
<b>Empresaria Group</b>	<b>86.0</b>	<b>42</b>	<b>9.7x</b>	<b>8.5x</b>	<b>6.4x</b>	<b>5.6x</b>	<b>29%</b>	<b>3.5%</b>	<b>2.8%</b>
Servoca	23.3	29	10.6x	n/a	7.9x	n/a	70%	5.0%	3.6%
Nakama Group	2.8	3	9.4x	7.1x	n/a	n/a	n/a	1.5%	0.1%
Average			12.2x	10.9x	8.2x	7.5x			

Source: Bloomberg.

# Shareholder information

Shares in issue: 49,019,132 ordinary shares

Market capitalisation: £42 million

Outstanding options: 2.8m (5.5% of shares in issue)

Significant shareholders (updated on 29 February 2016):

Anthony Martin	13,924,595	28%
Liontrust Asset Management	4,373,468	9%
Hendrik M. Van Heijst	2,400,000	5%
Miles Hunt	2,355,586	5%
City Financial Investments	2,200,000	4%
Tim Sheffield	1,716,307	4%