

# Investor Presentation March 2017

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**Chief Executive Officer**

**Group Finance Director**



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## **Empresaria is.....**

**an international specialist staffing Group,  
following a multi-branded strategy to  
address global talent shortages**

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# Overview of the year

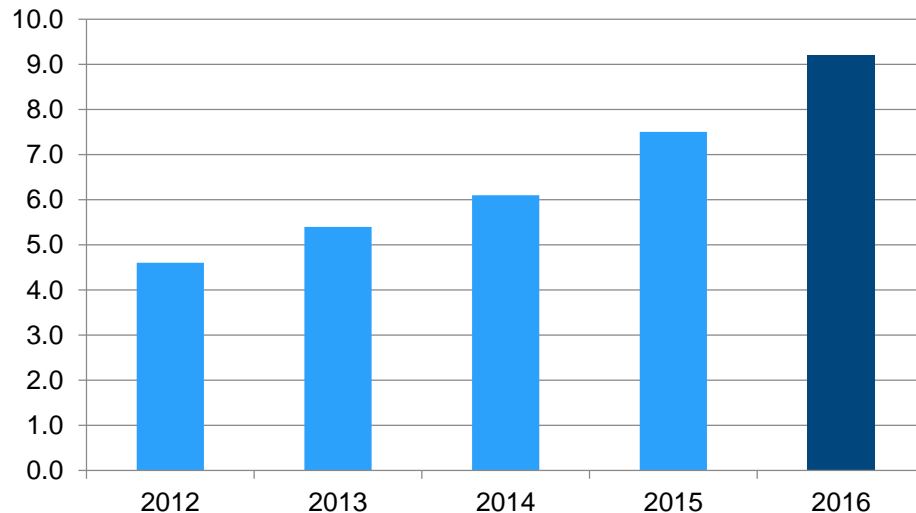
## Diversified business model delivers record profit

Record adjusted profit before tax of £9.2m

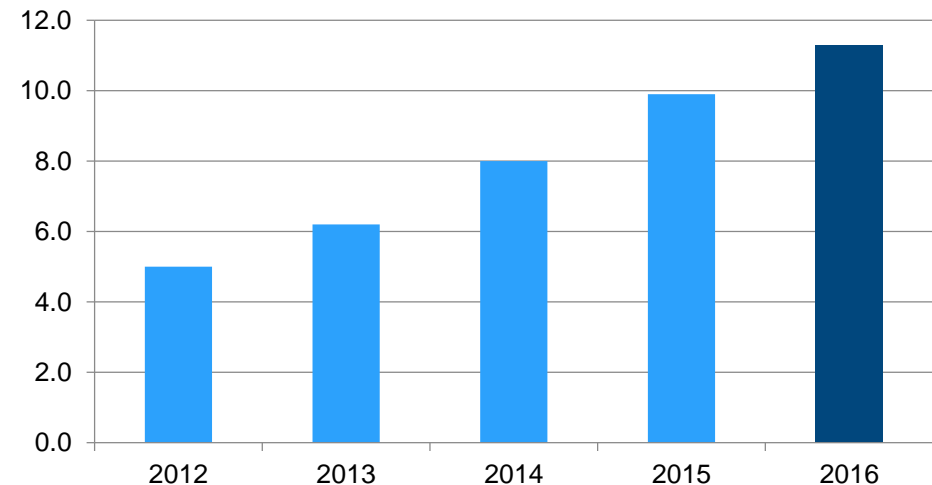
Fourteen consecutive quarters of net fee income growth

Five consecutive years of double digit % growth in adjusted EPS

Adjusted PBT (£m)



Adjusted diluted EPS (p)



# Overview of the year

## Delivering against strategy

Progress against 5 year targets. Debt to debtors expected to hit 2018 target of 25%

Two investments made in high long-term growth sectors

Pharmaceutical Strategies successfully integrated

	Net fee income growth	Conversion ratio	Debt to debtors ratio
Target	10%	20%	25%
Actual performance	20% ↑	16.6% ↑	38% ↓

**RishworthAviation**

International Aviation Consultants. Crew Leasing Specialists.

**ConSol**

Partners

Connecting the Next Generation

**pharmaceutical strategies**

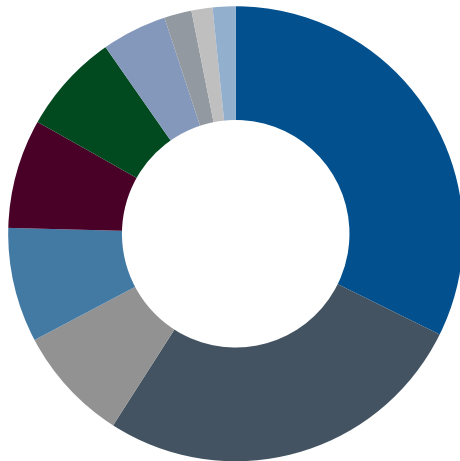
# Overview of the year

## Further de-risking the business

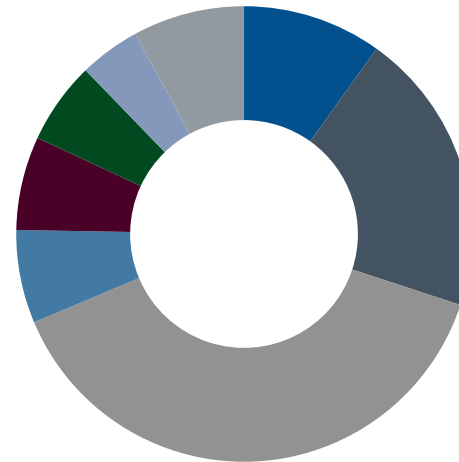
% of net fee income from temporary recruitment increases to 60%

Geographic & sector diversification improves (net fee income charts below)

Diversified model mitigates against difficult markets



- UK (32%)
- Japan (8%)
- Americas (8%)
- India (5%)
- China & Hong Kong (1%)
- Germany & Austria (27%)
- South East Asia (8%)
- Australia & New Zealand (7%)
- Middle East (2%)
- Other (2%)



- Professional services (10%)
- Technical & industrial (39%)
- Executive search (7%)
- Aviation (4%)
- IT, digital & design (20%)
- Retail (7%)
- Healthcare (6%)
- Other services (8%)

## Highlights for 2016

- Revenue growth of 44% (33% constant currency)
- Net fee income growth of 20% (10% constant currency)
- Conversion ratio increases to 16.6% - fifth year in a row of increase
- Full benefit from Pharmaceutical Strategies – invested in business for future growth
- Strong results from Germany (Headway), Japan (Skillhouse) & South East Asia (Monroe Consulting)
- Solid performances from Australia, Chile, China, India, Finland, UK T&I sector
- Debt to debtors ratio increases to 38%, with Debt:EBITDA at 1.5x
- Dividend up 15% to 1.15p

**20%**

Growth in net fee  
income

**23%**

Growth in Adjusted  
Profit before tax

**16.6%**

Conversion ratio

**+15%**

Dividend

## Financial summary

£'m	2016	2015	% var	Constant currency % var
Revenue	270.4	187.3	44%	33%
<i>Permanent revenue</i>	26.5	24.7	7%	0%
<i>Temporary revenue</i>	243.9	162.6	50%	37%
Net fee income	59.0	49.2	20%	10%
Adjusted operating profit*	9.8	8.0	23%	11%
Conversion ratio	16.6%	16.3%		
Adjusted profit before tax*	9.2	7.5	23%	11%
Diluted earnings per share	9.3p	9.3p	-	
Adjusted diluted earnings per share*	11.3p	9.9p	14%	
Net debt **	(10.5)	(7.3)	(44%)	

\* Adjusted results exclude amortisation of intangible assets, gain or loss on business disposal, fair value on acquisition of minority interests and exceptional items.

\*\* Reported net debt includes pilot bonds of £5.2m at 31 December 2016 (2015: Nil).



# Revenue analysis

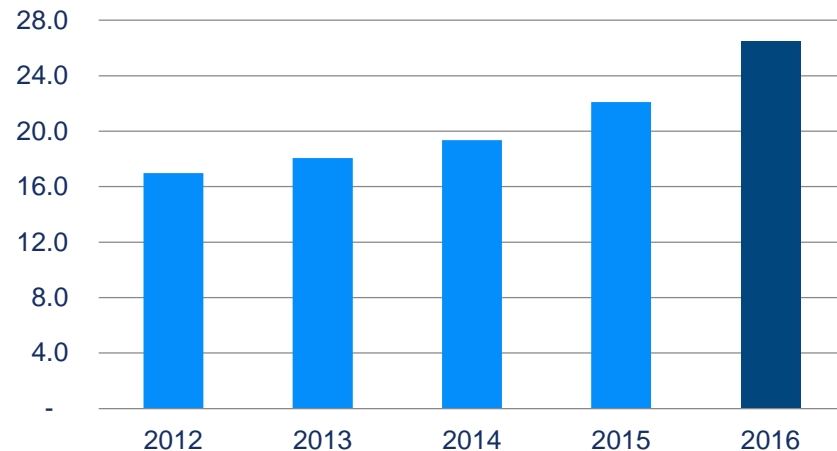
Permanent revenue +7% (0% constant currency)

- Strong results from India, China, Japan, Australia, Indonesia & Malaysia
- Investment in ConSol adds permanent revenue in Q4
- Set backs in UK and Middle East businesses

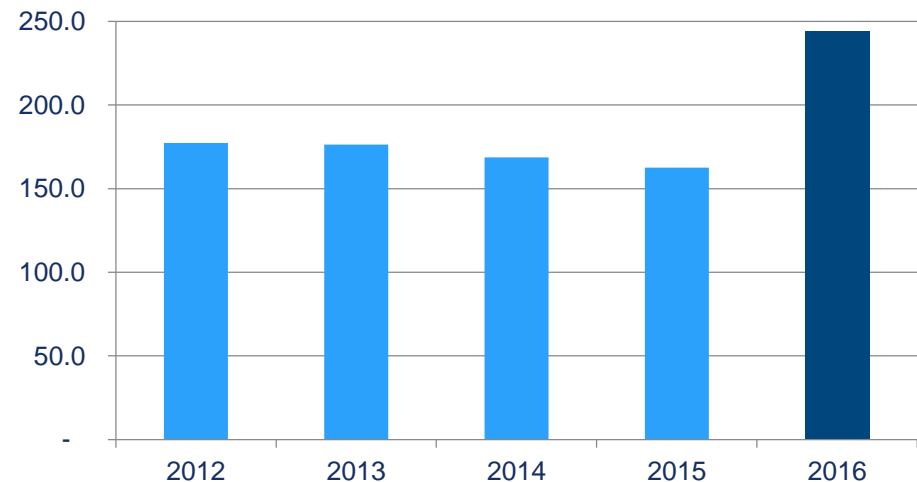
Temporary revenue +50% (+37% in constant currency)

- Strong results from Germany, Japan, India, Australia, Chile, UK T&I & Finland
- Positive impact from investments (Pharmaceutical Strategies, Rishworth Aviation & ConSol Partners)
- Currency benefit delivers 13% growth

Permanent revenue (£m)



Temporary revenue (£m)

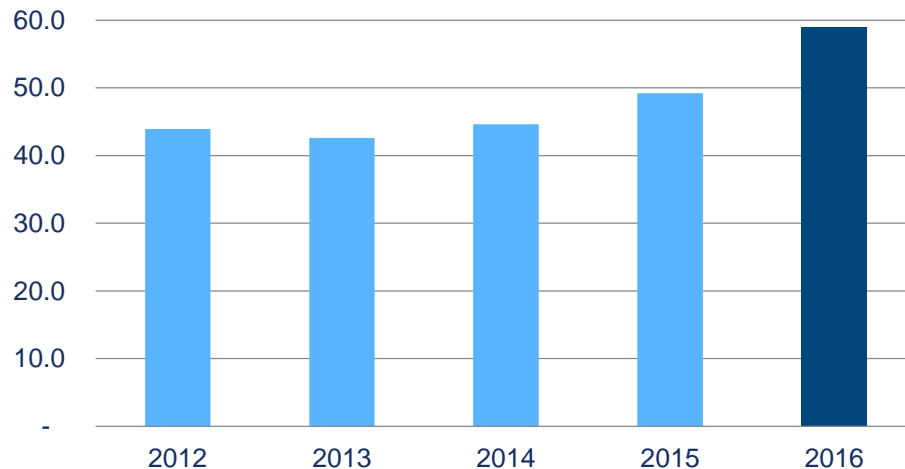


## Net fee income

Net fee income +20% (+10% constant currency)

- Target of +10% average growth for 5 year plan
- Driven by investments and currency
- Temp margin reduced through Rishworth effect
- Organic growth offset by declines in UK & Middle East

Net fee income (£m)

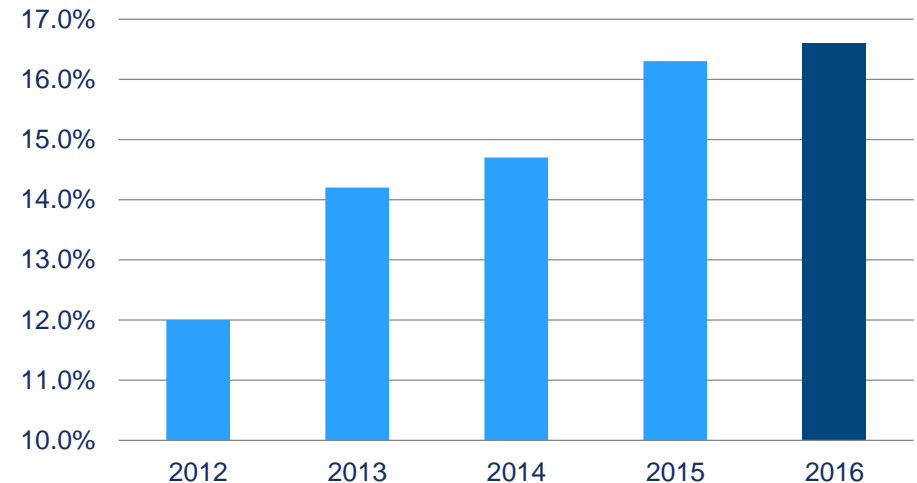


## Conversion ratio

Conversion ratio of 16.6%

- Average staff numbers increased from 1,096 to 1,282
- Develop scale of Group to help cover central costs
- Target of 20% for 5 year plan remains

Conversion ratio

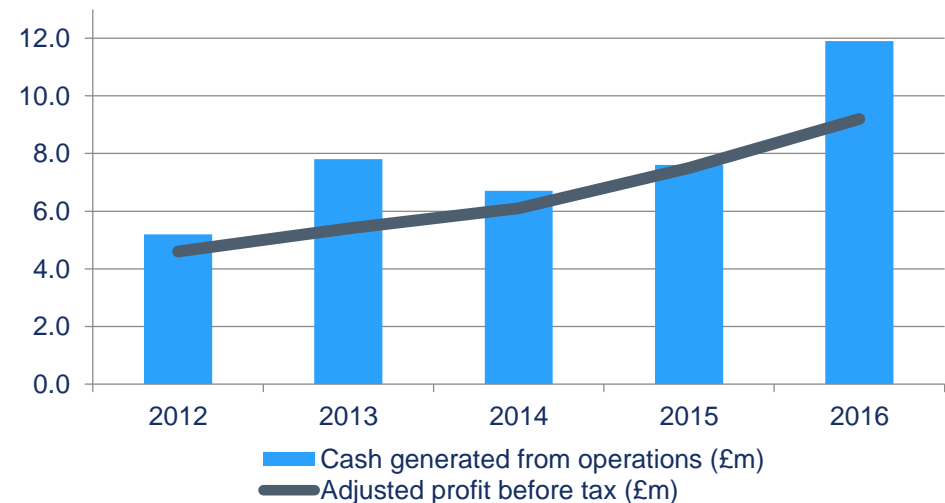
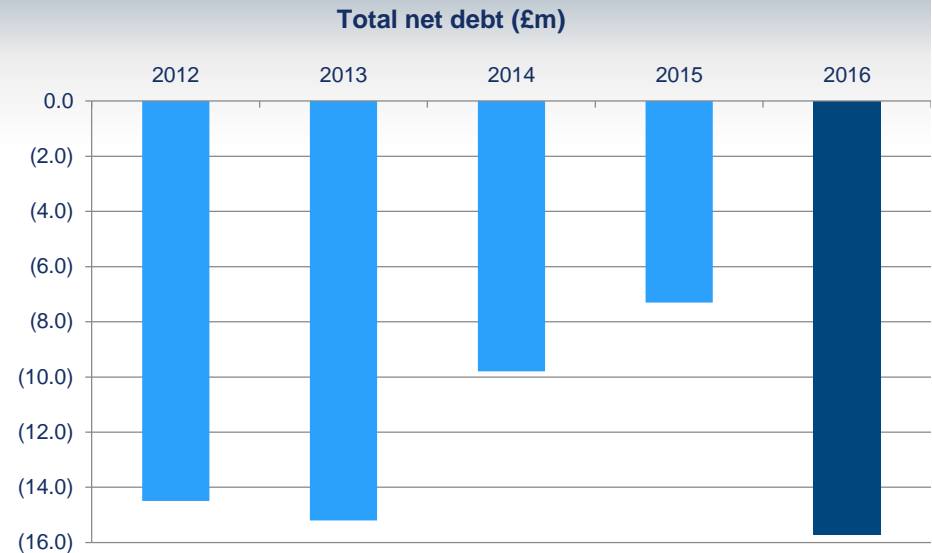


## Net debt

- Net debt, adding back pilot bonds held by Rishworth, stands at £15.7m (2015: £7.3m)
- Net debt to debtors ratio 38% (2015: 23%)
- Net debt:EBITDA of 1.5x (2015: 0.8x)
- Reported net debt increases to £10.5m (2015: £7.3m) due to funding of investments
- Average debtor days of 47 (2015: 51)

- Cash generative business:

Cash generated from operations	£11.9m
Purchase of minority interest	£0.2m
Investments (net)	£6.4m
Dividend paid to shareholders	£0.5m
Dividends paid to management shareholders	£0.2m
Tax & interest paid	£5.4m
Net bank loan increase	£10.2m



# Investments





# Rishworth Aviation

**RishworthAviation**  
International Aviation Consultants. Crew Leasing Specialists.

- Leading specialist international recruitment company supplying leased pilots to airlines
- Pilots typically on 3-5 year contracts so good visibility of earnings
- Positive working capital with low debtor days and pilot bonds held as cash
- Global pilot shortage expected to drive long-term demand
- IATA forecast passenger demand will double by 2035 to 7.2 billion passengers
- More than half of forecast growth in new passengers from the Asia Pacific region
- Commercial aviation industry forecast to need 600,000 new pilots between 2016 and 2035
- Contributed £43.3m of revenue in 2016

100%  
temporary/  
contract  
business

Diversified  
across Asia,  
Europe and  
Africa

Operating in  
high growth  
pilot leasing  
sector

100%  
professional  
staffing level

# ConSol Partners



- Leading specialist IT staffing company supplying IT professionals on temp and perm basis
- Communications & mobile, Cloud technologies and Digital supply chain – high growth niche sectors
- Servicing clients in the UK and EU from London base and US market from LA base
- IT staffing sector expected to continue strong growth over the coming 10 years (candidate driven)
- SIA state that 36% of global professional staffing market from IT staffing.
- In the USA IT staffing has outpaced the overall staffing market for the last 15 years
- Contributed £6.7m to revenue in 2016

c50%  
temporary/  
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Diversified  
across UK,  
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Operating in  
high growth  
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# Looking forward



# A strategy delivering growth

## 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

## **Develop** - 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

## **Invest** - 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**

# Summary and outlook

- Diversified business model delivers growth and resilience
  - Consistent growth in net fee income, conversion ratio, profit and adjusted earnings per share
    - Growth in net fee income of 20%, ahead of average 10% target
    - Conversion ratio improvement continues, target of 20% remains for 2018
    - Strong growth in PBT to record level of £9.2m
  - Further de-risking the business
    - Share of net fee income from temporary sales increases to 60%
    - Continued diversification and balancing of business by geography and sector
  - 2017 to benefit from investments in Rishworth Aviation and ConSol Partners
  - Confident in ability to deliver profitable growth
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# Q&A





# Appendices



# Income statement – Year ended 31 December 2016

£m	2016	2015	Change	<u>LFL</u> <u>currency</u>
Revenue	270.4	187.3	44%	33%
Net fee Income	59.0	49.2	20%	10%
Overheads	<u>(49.2)</u>	<u>(41.2)</u>	19%	
Adjusted operating profit*	9.8	8.0	23%	11%
Interest	<u>(0.6)</u>	<u>(0.5)</u>		
<b>Adjusted profit before tax*</b>	<b>9.2</b>	<b>7.5</b>	23%	11%
Exceptional items and amortisation	(1.3)	(0.4)		
Tax	(3.5)	(2.6)		
Profit for the period	<u><u>4.4</u></u>	<u><u>4.5</u></u>		
Adjusted EPS (p)	11.3	9.9	14%	
IFRS EPS (p)	9.3	9.3	0%	

Overheads include £0.3m of acquisition related costs.

Interest costs increased from part-funding investments.

Exceptional costs:

- £0.2m fair value charge on acquisition of shares in Monroe Thailand
- £0.6m impairment of goodwill and intangibles
- (£0.6m) release of contingent liability
- £1.1m amortisation (2015: £0.4m)

Effective tax rate of 44% in 2016 (2015: 36%) due to:

- profit mix weighted to higher tax jurisdictions.
- Deferred tax not recognised for certain tax losses
- Non-deductible costs, including legal costs on investments
- Prior year charges

\* Adjusted results are before exceptional items, gain or loss on disposal of business, fair value on acquisition of non-controlling interests and amortisation of intangible assets



# Balance sheet – 31 December 2016

£m	2016	2015	
Property, plant & equipment	1.6	1.5	
Goodwill and intangibles	56.8	32.5	
Deferred tax asset	1.0	0.9	
	<u>59.4</u>	<u>34.9</u>	Capital expenditure of £0.8m on fixed assets.
Trade and other receivables	50.2	35.9	
Cash and bank balance	18.0	7.7	
	<u>68.2</u>	<u>43.6</u>	Goodwill and intangibles increased for investments and currency movements
Trade and other payables	(44.9)	(24.0)	
Current tax liability	(3.1)	(3.7)	
Short-term borrowings	(13.4)	(9.9)	
	<u>(61.4)</u>	<u>(37.6)</u>	Trade receivables of £41.1m (2015: £31.8m). Average debtor days 47, helped by lower days at Rishworth Aviation (2015: 51).
Long-term borrowings	(15.1)	(5.1)	
Other creditors	0.0	(1.0)	
Deferred tax liabilities	(4.4)	(1.1)	
	<u>(19.5)</u>	<u>(7.2)</u>	Trade and other payables includes £5.2m for pilot bonds and £0.8m for Client deposits.
<b>Net assets</b>	<b><u>46.7</u></b>	<b><u>33.7</u></b>	Deferred consideration of £5.6m for ConSol Partners.
Share capital & share premium	(24.8)	(24.8)	
Merger reserve	(0.9)	(0.9)	
Retranslation reserve	(6.1)	(1.0)	
Other reserves	0.4	0.6	
Equity reserve	7.3	7.2	
Retained earnings	(16.2)	(11.6)	
Non-controlling interests	(6.4)	(3.2)	
<b>Total equity</b>	<b><u>(46.7)</u></b>	<b><u>(33.7)</u></b>	Net debt at year end of £10.5m, up against £7.3m at end of 2015. Banking facilities in place of £52.0m (2015: £36.7m). New £10.0m RCF in UK taken out in the year to part-fund investments.
			Deferred tax liability increase largely due to investment (intangibles).

# Cash flow – year ended 31 December 2016

£m	<u>2016</u>	<u>2015</u>
Profit for the period	4.4	4.5
Depreciation, amortisation & share based payments	2.2	1.3
Tax and interest added back	4.1	3.1
Exceptional items	0.0	(0.5)
Working capital	1.2	(0.8)
<b>Cash generated from operations</b>	<b>11.9</b>	<b>7.6</b>
Tax, interest & capex	(6.2)	(3.1)
Dividends to non-controlling interests	(0.2)	(0.1)
Dividends to shareholders	(0.5)	(0.3)
Investments and disposals	(6.5)	(6.2)
Share issue	0.0	3.2
Cash inflow from loans and borrowings	10.2	(1.0)
Increase in cash in the period	8.7	0.1
Foreign exchange	1.6	(0.2)
Net movement in cash & cash equivalents	10.3	(0.1)

Cash generated from operations was £11.9m, up on the prior year due to higher operating profit and working capital inflow (includes benefit of increase in pilot bonds).

Cash outflow on tax up to £4.7m (2015: £1.8m).

Capex of £0.8m was £0.1m down on prior year.

Dividend to shareholders increased due to dividend paid of 1.0p, up from 0.7p in the prior year.

Investments and disposals:

- Purchase of Rishworth of £7.5m
  - Purchase of ConSol Partners of £3.9m
  - Contingent consideration for Pharmaceutical Strategies of £3.0m
  - 25% shares in Ball and Hoolahan of £0.2m
  - Cash inflow from prior year disposals of £0.1m
  - Cash inflow on investments of £7.9m
- Purchase of shares in Monroe Thailand of £0.2m included in Cash generated from operations.

Cash inflow from loans includes new RCF in UK.

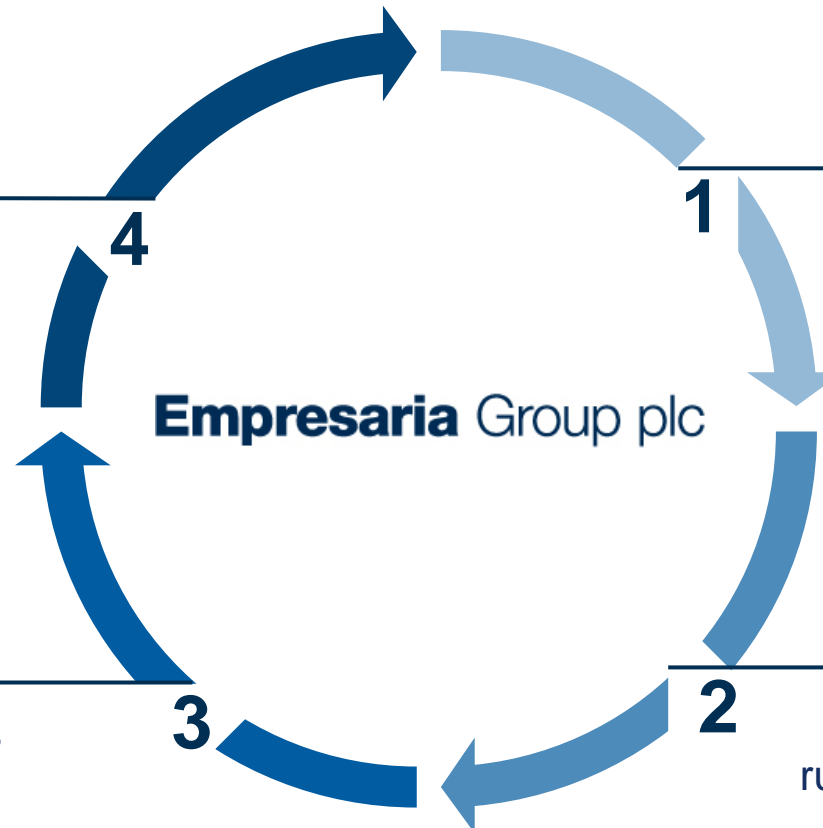
# Business model

## Operational bias:

Bias to temporary recruitment to provide flexible staffing solutions that are generally more stable throughout economic cycle.

## Growth markets:

Focus on growth countries and sectors, with a large exposure to emerging staffing markets in Asia and Latin America.



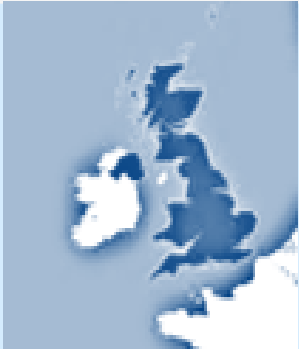
## Multi-branded:

Different brands used to target different sectors. Each brand has expertise and knowledge of their market.

## Management equity:

Management responsible for running a business have direct ownership in their business, aligning their interests with other shareholders.

# Diversified by geography: 4 regions, 19 countries



## UK

**32%** of group NFI

UK



## Continental Europe

**28%** of group NFI

Germany  
Austria  
Finland



## Asia Pacific

**32%** of group NFI

Japan            Indonesia  
India             Australia  
UAE              Thailand  
Singapore      China  
Hong Kong     Malaysia  
Philippines  
New Zealand



## Americas

**8%** of group NFI

Chile  
Mexico  
USA

# Diversified by sector

**Aviation**  
4% of Group





New Zealand, Sweden



*International Aviation Consultants. Crew Leasing Specialists.*

**Technical & Industrial**  
39% of Group

UK, Germany, Austria, UAE

people. passion. possibilities.

**IT, Digital & Design**  
20% of Group

UK, Hong Kong, India, Japan, Australia, USA







**Professional services**  
10% of Group

UK, Singapore




**Retail**  
7% of Group

UK, Japan, Chile



Recursos Humanos




**Executive search**  
7% of Group

Indonesia, Thailand, Philippines, China, Malaysia, Mexico, Chile



**Healthcare**  
6% of Group

Finland, USA, India





**Other**  
8% of Group

UK, UAE, Singapore, Indonesia




Setting the Standard in Recruitment



Learning for Results

# 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

57 managers currently holding equity

Growth incentive



# Directors

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

## **Tony Martin – Chairman**

Tony 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 29 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 nearly 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, and at Crown Place VCT plc and Centric Health.

## **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: 49,019,132 ordinary shares

Market capitalisation: £70 million

Outstanding options: 3.3m (6.7% of shares in issue)

Significant shareholders (updated on 22 February 2017):

Anthony Martin	13,924,595	28%
Liontrust Asset Management	5,617,833	11%
Beleggingsclub 't Stockpaert	2,729,000	6%
H M van Heijst	2,400,000	5%
Miles Hunt	2,349,086	5%
Tim Sheffield	1,570,542	3%