Empresaria Group plc

March 2019

Investor Presentation – results for 2018

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Empresaria's vision is to be a leading international specialist staffing Group

Our purpose is to help our staff, candidates and clients to realise their potential

Overview

Overview of the year

- Fourth consecutive year of record profits, benefits from diversification
  - Net fee income up 4%, up 6% in constant currency
  - Three out of four regions grew adjusted operating profit over prior year
  - Adjusted profit before tax up 4%, up 6% in constant currency
  - Adjusted diluted EPS down 3% reflecting profit mix
  - Adjusted net debt reduced to £17.1m (2017: £19.5m)

- Focused strategy to build leading brands and drive productivity improvements
  - New Chief Operating Officer joined in November 2018 bringing 28 years of industry experience
  - New Group Finance Director appointed in March 2018
  - Invested in central resources in technology, learning & development and marketing
  - Strategic investment finalised in Peru
  - New brand, 4ward Talent, launched in December 2018 and 2 new offices opened in January 2019 for Become

- Dividend increased by 52% to 2.0p

Overview of the year

Particularly strong results from:

- IMS – *(Offshore Recruitment Services) delivered >50% growth in net fee income*
- LMA – (*Professional services) successfully integrated insurance business*
- Alternattiva – *(Retail) increased scale and depth across service lines*
- ConSol Partners – *(IT) strong growth, in particular in US*
- Rishworth – *(Aviation) benefit from investments made in 2017, but cautious for year ahead*

Growth not consistent, with challenges in certain key markets:

- Headway – *(Technical & Industrial) impact of equal pay and legislation on temp workers*
- Skillhouse – *(IT) impact on temp sales from new legislation*

Diversified business model

- 20 niche brands with local expertise and market knowledge
- Diversified spread of operations reduces impact from localised market issues
- 67% of net fee income from outside the UK
- Focus on strengthening presence in key sectors

Permanent
37%

Temporary & Contract
58%

Offshore Recruitment Services
5%

Strategy & delivery

Strategy update

- Unique business model for sector (multi-branded, management equity philosophy, diversified by geography & sector)
- Decentralised structure with local management having autonomy to run business on day to day basis - core part of the Group's DNA
- Greater focus by sector to drive increased market share, working more closely with brands to deliver benefits of being in the Group
- Ability to react quickly and effectively to industry challenges of automation & digital disruption, candidate shortages and new regulations

Strengthened management team to drive organic growth strategy across the brands

Focused growth strategy

Build size and scale in key sectors and geographies through leading brands

Improve productivity

Delivered through

Organic growth & External investments

Invest in like-minded people who share our values and passion

Proven strategy in action

- Simplifying group with focus on developing leading brands
- Diversified by geography
- Driving growth in net fee income and profit
- Improving productivity (conversion ratio)
- Platform in place for next phase of growth

£m	2008	2018
Brands	42	**20**
Countries	18	**21**
Net fee income (£m)	51.5	**72.3**
Adj PBT (£m)	6.4	**11.4**
Conversion ratio	13.4%	**17.0%**
Staff productivity	1.85	**1.72**

Investment in Grupo Solimano

- Latin America is a high potential staffing market
- Good growth delivered from Alternattiva in Chile in recent years, demonstrating opportunities in the market
- Strategy is to build more scale and depth across region (Chile, Peru, Columbia, Mexico)
- Investment finalised in 60% of Grupo Solimano in July, an established provider of outsourced and temporary staffing services in Peru
- Opportunities for Alternattiva and Grupo Solimano to work together
- The investment is earnings neutral in 2018 and expected to be enhancing from 2019
- The business operates through two main brands:

people — People provides outsourcing and temporary staffing services throughout Peru

SOLIMANO ASOCIADOS Desde 1985 — Solimano Asociados provides executive search, recruitment & selection services, and consultancy services across Peru through 5 regional offices

Financial Review

Summary income statement

£m	2018	2017	% change	% change constant currency
Net fee income	72.3	69.4	+4%	+6%
Adj op profit - Regions	*16.0*	*14.2*	*+13%*	
Central costs	*(3.7)*	*(2.6)*	*+42%*	
Adjusted operating profit	12.3	11.6	+6%	+8%
Adjusted profit before tax	11.4	11.0	+4%	+6%
Adjusted, diluted EPS	12.1p	12.5p	-3%	

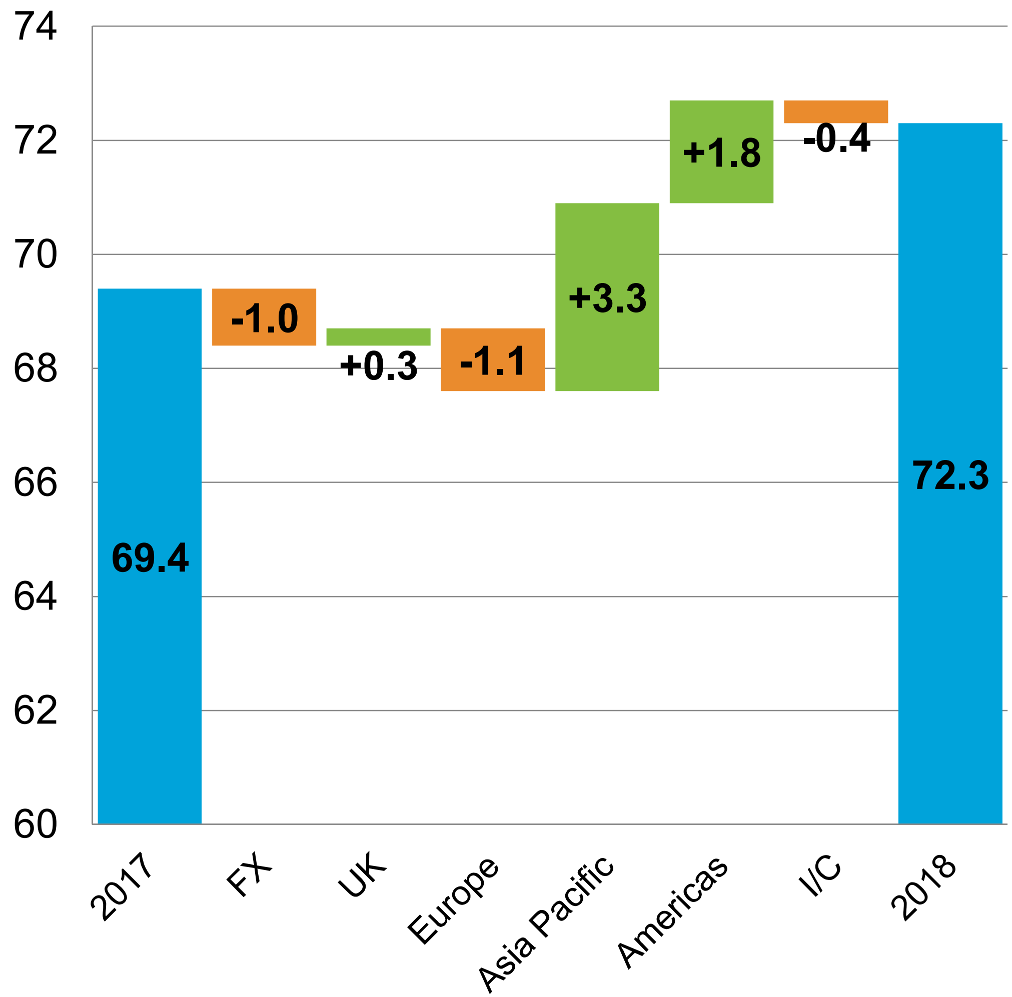
- For transparency, central costs now shown separately rather than allocated to regions - increase reflects investments in central staff including appointment of Rhona Driggs as COO, 2017 SBP credit
- Growth in three of our regions
- Stronger growth in operating profit offset by interest on tax

Net fee income

- Net fee income up 4%
- Constant currency up 6%
- UK, Asia Pacific and Americas delivered NFI growth
- Negative currency impact of £1.0m:

Continental Europe	+£0.2m
Asia Pacific	-£1.0m
Americas	-£0.2m

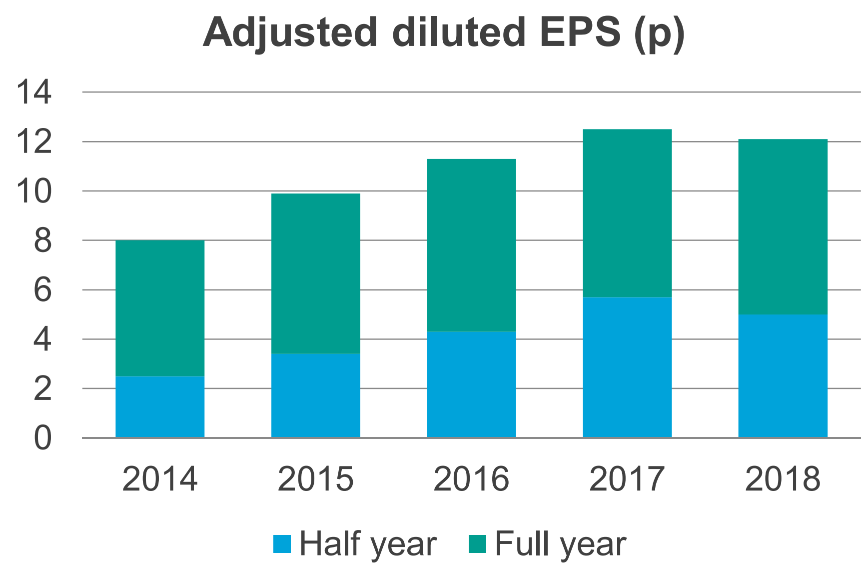
- Intercompany (I/C) primarily refers to ORS services provided to other Group companies



Earnings

	2018	2017	% var
Adjusted profit before tax	£11.4m	£11.0m	+4%
Diluted earnings per share	9.1p	7.9p	+20%
Adjusted, diluted earnings per share	12.1p	12.5p	-3%

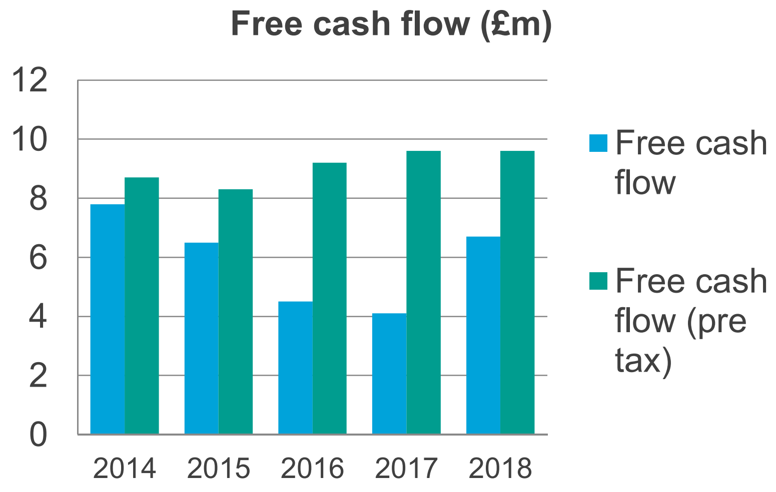
- Adjusted PBT reflects the strong increase in operating profit offset partly by a higher interest charge on tax liabilities.
- Adjusted diluted EPS reflects increase in the allocation of profits to non-controlling interests due to the strong relative performance of those businesses with a higher non-controlling interest ownership.
- EPS shortfall has closed in H2.



HY as % of FY	31%	34%	38%	46%	41%

Strong cash flow

£m	2018	2017
Free cash flow (pre tax)	9.6	9.6
Percent of adjusted PBT	84%	87%
Free cash flow	6.7	4.1
Invested in:		
Business combinations	(1.9)	(5.6)
Capital expenditure	(1.5)	(0.9)
Dividends/own shares	(1.0)	(0.7)
Other	0.1	(0.7)
Reduction in adj net debt	2.4	(3.8)



Free cash flow is cash from operating activities excluding movements on pilot bonds

- The Group continues to generate significant cash flows with a strong pre tax correlation to profit.
- As an international business the timing of tax cash flows can create volatility

Strong cash flow

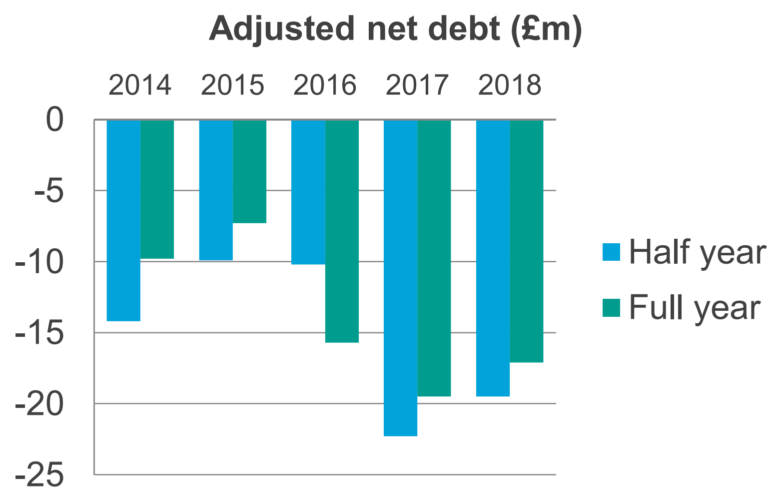
Strong cash generating business

providing the opportunity to:

Further reduce debt	Invest in organic growth	Make external investments	Return funds to shareholders
• *Adjusted net debt reduced by £2.4m in 2018*	• *An additional £0.5m invested in central resources for 2019* • *2 new offices opened in January 2019* • *New brand launched in Dec 2018*	• *Investment in Grupo Solimano in 2018* • *Principle is to use equity for significant investments*	• *2018 dividend increased by 52%* • *£0.5m returned to shareholders through share buy-backs since Dec 2017*

Adjusted net debt

£m	2018	2017
Adjusted net debt	17.1	19.5
Net finance costs	0.9	0.6
Debt to debtors ratio	36%	45%



Adjusted net debt excludes cash held in respect of pilot bonds (£5.3m)

- Reduced by £2.4m in the year
- Average month end adjusted net debt in 2018 of £19.0m, £2.3m lower than 2017

Strong financial position

- Good level of undrawn facilities and covenant headroom
- Target remains to reduce debt to debtors ratio to 25% over time
- Strategy is to continue to invest in the business - preference to use equity for external investments but only at the right price

Outlook

Outlook

STRONG PLATFORM

Able to deliver next phase of growth

Investments made in central team in 2018 to enhance support provided to group companies

FOCUSED STRATEGY

Driving organic growth

Strengthening core brands in key markets

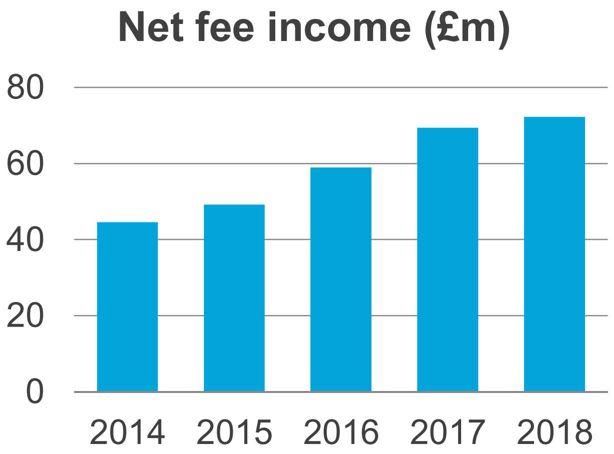
Economic environment is generally positive, although weaker growth forecast in our largest markets and increasing geo-political risks

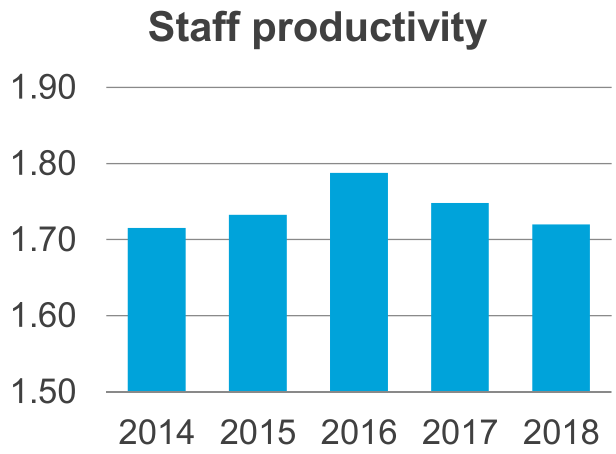
Confident in our ability to deliver profitable growth

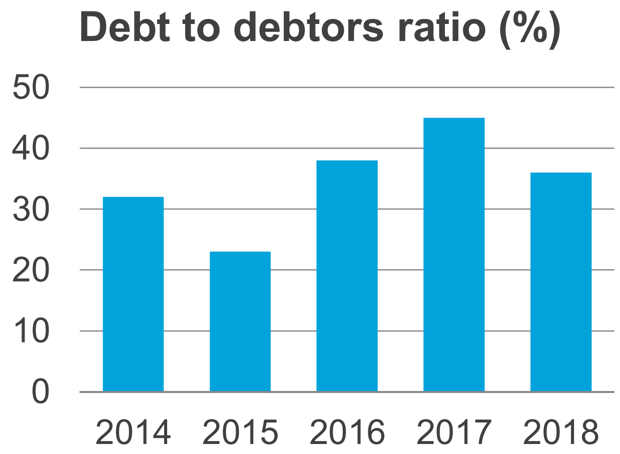
Q&A

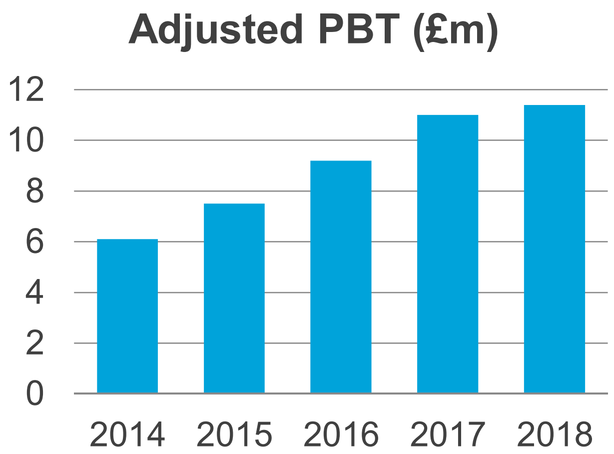
Appendices

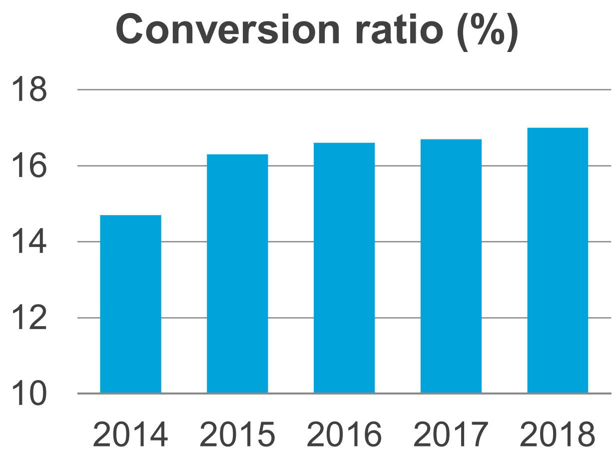
5 year track record

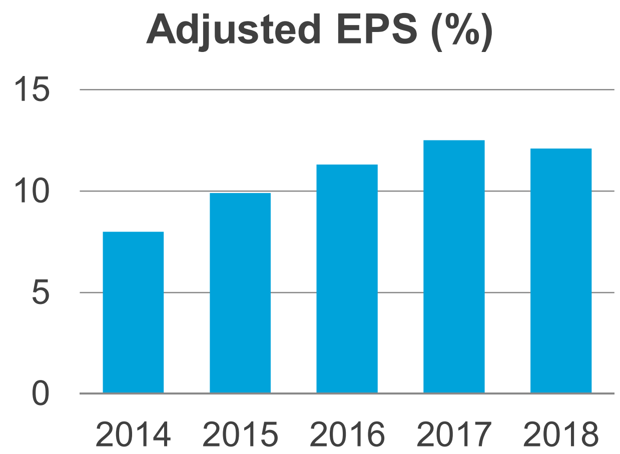












UK

£23.7m (2018 NFI)
33% of Group NFI

Countries:
UK

£m	2018	2017	% change
Revenue	85.7	86.7	-1%
Net fee income	23.7	23.4	+1%
Adjusted operating profit	2.9	2.6	+12%

- LMA (Professional services), strong year after integration of insurance brand in Jan
- ConSol (IT, digital & design) grew NFI and profits. Now less than 30% of NFI from UK. New brand (4ward Talent) launched to focus on higher volume IT markets
- Become/Ball & Hoolahan (IT, digital & design), challenging year but actions taken to reduce costs and restructure led to improved H2
- Greycoat (Domestic services) up on prior year with strong H2 due to improved productivity
- FastTrack (Technical & Industrial), NFI and profit down after a weaker H2. Further investment required to return company to growth.

Continental Europe

£15.6m (2018 NFI)
22% of Group NFI

Countries:
Austria
Finland
Germany

£m	2018	2017	% change
Revenue	96.1	98.8	-3%
Net fee income	15.6	16.5	-5%
Adjusted operating profit	4.7	6.1	-23%

- Constant currency - revenue down 4% (£3.7m), NFI down 7% (£1.1m)
- Impact of regulatory changes in Germany now fully absorbed
- Well positioned for 2019, but temp numbers at start of year lower than start of 2018
- Germany remains a highly attractive market in the long term despite the signs of economic slowdown seen at the start of 2019

Asia Pacific

£24.5m (2018 NFI)
34% of Group NFI

Countries:

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

£m	2018	2017	% change
Revenue	136.8	132.7	+3%
Net fee income	24.5	22.2	+10%
Adjusted operating profit	6.1	4.5	+36%

- Constant currency - revenue up 9% (£11.1m), NFI up 15% (£3.3m)
- IMS (RPO and ORS) NFI up >50%, second city (Jaipur) presence from July, new office in Ahmedabad from Q1 19 gives room to expand
- Rishworth (Aviation) increased profits benefitting from investment in new bases in 2017, more challenging market in 2019
- Impact of regulatory changes in Japan now fully absorbed - Skillhouse (IT) business well placed to rebuild in 2019
- Become (Digital and design) new offices opened in Jan 19 in Brisbane and Auckland
- Monroe Consulting (Executive search), mixed results but NFI up and improving trend through H2

Americas

£4.2m (2018 NFI)
12% of Group NFI

Countries:
Chile
Mexico
Peru
USA

£m	2018	2017	% change
Revenue	48.6	38.9	+25%
Net fee income	8.9	7.3	+22%
Adjusted operating profit	2.3	1.0	+130%

- Constant currency - revenue up 28% (£3.1m), NFI up 25% (£1.8m)
- Alternattiva in Chile delivered another year of growth
- Investment in Grupo Solimano in July, has performed in line with expectations in 2018
- ConSol (IT) strong rebound in the US, looking at opportunities to expand presence
- Monroe Consulting (Executive search), positive performance in Chile, but more challenging in Mexico, steps being taken to turn business around
- Pharmaceutical Strategies (Healthcare) in line with 2017 after phasing issues in Q4

Income statement – year ended 31 December 2018

£m	2018	2017	Change	Constant currency
Revenue	366.8	357.1	+3%	+5%
Net fee Income	72.3	69.4	+4%	+6%
Administrative costs	(60.0)	(57.8)		
Adjusted operating profit*	12.3	11.6	+6%	+8%
Interest	(0.9)	(0.6)		
Adjusted profit before tax*	11.4	11.0	+4%	+6%
Exceptional items	(0.3)	-		
Fair value charge on acquisition of non-controlling shares	-	(0.3)		
Loss on business disposal	-	(0.9)		
Amortisation of intangibles identified in business combinations	(1.7)	(1.7)		
Taxation	(3.6)	(3.6)		
Profit for the period	5.8	4.5		
Diluted adjusted EPS* (p)	12.1	12.5	-3%	
IFRS EPS (p)	9.1	7.9	+15%	

Interest higher due to interest on tax

Impairment charge of £0.3m on Japanese brand in Retail sector

Effective tax rate of 34% on an adjusted basis (2017: 37%)

* Adjusted results are stated before amortisation of intangible assets identified in business combinations, exceptional items, gain or loss on disposal of business and fair value charges on acquisition of non-controlling shares

Balance sheet – as at 31 December 2018

£m	2018	2017
Property, plant & equipment	2.1	1.4
Goodwill and other intangible assets	54.8	54.1
Deferred tax asset	1.5	1.0
	58.4	56.5
Trade and other receivables	57.3	53.1
Cash and cash equivalents	25.4	25.9
	82.7	79.0
Trade and other payables	(41.9)	(42.0)
Current tax liability	(3.2)	(2.6)
Short-term borrowings	(32.0)	(36.6)
	(77.1)	(81.2)
Long-term borrowings	(5.2)	(1.3)
Deferred tax liabilities	(4.2)	(4.1)
	(9.4)	(5.4)
Net assets	**54.6**	**48.9**
Equity attributable to owners of Empresaria	46.3	42.1
Non-controlling interests	8.3	6.8
Total equity	**54.6**	**48.9**

Goodwill and intangibles increased for acquisition of Grupo Solimano and reduced for amortisation

Trade and other receivables includes trade receivables of £48.1m (2017: £43.2m)

Cash includes amounts held in respect of pilot bonds of £5.3m (2017: £7.5m) which are excluded when assessing adjusted net debt and a further £5.1m of cash held within pooling arrangement but for IFRS reporting cannot be presented by netting against the related overdraft.

Trade and other payables includes £5.3m for pilot bonds and £0.9m for client deposits

Banking facilities in place of £49.4m (2016: £50.5m)
German term loan of €5m due in 2018, refinanced through extending the German overdraft

Cash flow – year ended 31 December 2018

£m	2018	2017
Profit for the year	5.8	4.5
Depreciation, amortisation, share-based payments, exceptional items and loss on business disposal	3.0	3.4
Tax and interest added back	4.5	4.2
Working capital	(4.9)	0.5
Cash generated from operations	8.4	12.6
Tax, interest & capex	(3.9)	(6.2)
Dividends to shareholders	(0.6)	(0.6)
Net investments and capital expenditure	(3.1)	(6.4)
Cash inflow from loans and borrowings	(0.8)	6.9
Purchase of own shares through EBT	(0.4)	(0.1)
Dividend paid to non-controlling interests	(0.4)	(0.1)
Other	0.2	0.1
Increase in cash in the period	(0.6)	6.2
Foreign exchange	0.1	(0.6)
Net movement in cash & cash equivalents	(0.5)	5.6

Cash generated from operations was £8.4m, down on the prior year reflecting an outflow on pilot bonds of £2.2m compared to an inflow of £2.3m in 2017.

Tax payment £2.6m lower than 2017 which included settlement of tax audits

Dividend to shareholders reflects the dividend paid of 1.32p

The cash flow reflects the share buy-back programmes during January and June. As at 31 December 2018 a total of 576,204 shares are held in the Empresaria Employee Benefit Trust to be used to satisfy the exercise of options vested under the Company's long term incentive plans. As at 31 December 2018, 2.0m options had vested but not been exercised

Shareholder information

Shares in issue - 49,019,132 ordinary shares

Market capitalisation - £34 million (4 March 2019)

Outstanding options 2.9m (5.9% of shares in issue)

Significant shareholders (updated on 4 March 2019)

Anthony Martin	13,924,595	28.4%
Close Brothers Asset Management	6,652,627	13.6%
H M van Heijst	3,450,000	7.0%
Beleggingsclub ‘t Stockpaert	3,005,000	6.1%
Hof Hoorneman Fund Management	2,862,500	5.8%
Ramsey Partnership Fund	2,296,500	4.7%

Empresaria at a glance

4 Regions 21 countries 20 brands

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Countries:
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Continental Europe

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Finland
Germany

Asia Pacific

£24.5m (2018 NFI)
34% of Group NFI

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

Americas

£8.9m (2018 NFI)
12% of Group NFI

Countries:
Chile
Mexico
Peru
USA

Permanent
37%

Temporary & Contract
58%

Offshore Recruitment Services
5%

People focused business model

Multi-brand with niche sector experts – local expertise and market knowledge

Management equity philosophy – operating company management take equity in their respective businesses aligning their interests with shareholders

Diversified by geography and sector – 21 countries with presence in both established and developing markets

Range of staffing services – permanent, temporary and contract, and RPO/offshore recruitment services