

Investor Presentation – 2019 full year results

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Chief Executive Officer
Chief Financial Officer

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Rhona Driggs
CEO

- Appointed as Chief Executive Officer in June 2019 having previously served as Chief Operating Officer
- Nearly 30 years' experience working in international staffing companies
- Recognised for the past four consecutive years as one of the Staffing Industry Analysts' "Global Power 150, a list of the Most Influential Women in Staffing".



Tim Anderson
CFO

- Over 15 years' experience working for listed and private equity backed businesses
- Joined Empresaria in March 2018
- Held finance positions in three FTSE 100 businesses
- Member of the Institute of Chartered Accountants in England and Wales, qualifying with KPMG



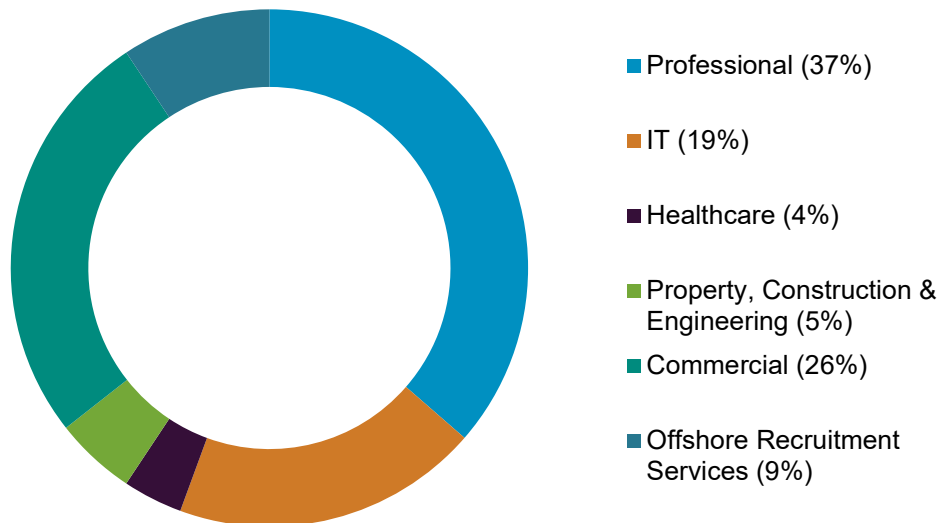
Overview

Building a strong foundation for future growth

- **Driving change across the Group**
 - alignment of businesses around core sectors to better leverage synergies and cross-selling potential;
 - enhancing operating models to scale the businesses more effectively; and
 - driving a performance-based culture.
- **Positioning for future growth by investing in**
 - common technology;
 - our high performing Offshore Recruitment Services sector;
 - growth of our temp and contract operations; and
 - shared resources.
- **Strong record of profits and cash generation**
 - Record profits in 4 out of the last 5 years
 - Adjusted profit before tax - £9.3m
 - Conversion of adjusted profit before tax to cash – 112%

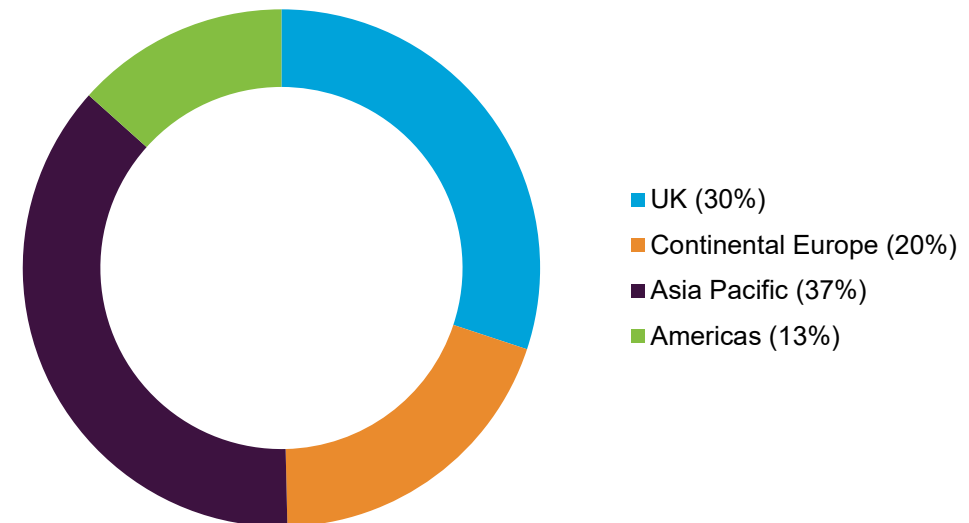
Diversified business model

- 6 sectors with 2,000 employees operating in 20 countries
- Diversity of locations and services reduces impact from localised market issues
- 70% of net fee income from outside the UK
- Growing strength in Offshore Recruitment Services increasing diversification



37% Permanent

56% Temporary & Contract



7% Offshore Recruitment Services

Overview of 2019

- Growth in net fee income
 - +3%, +2% in constant currency
 - 37% growth in Offshore Recruitment Services sector
- Decline in profits reflecting a challenging economic environment
 - Most significant impact in the UK engineering business
 - Impact of Brexit uncertainty in certain UK markets
 - Weakening of the German automotive sector
- Strong growth in other markets
 - Offshore Recruitment Services adjusted operating profit up 88%
- Stronger Together initiative with a focus on organic growth and operational improvement
 - Aligned business around 6 core sectors to improve collaboration and leverage synergies
 - Increased support from central team
 - Investment in common technology (e.g. Bullhorn)
 - Evolving operating models in certain brands to enable them to scale more effectively
 - Creating a performance based culture
- Building a strong foundation that will drive future growth and profits

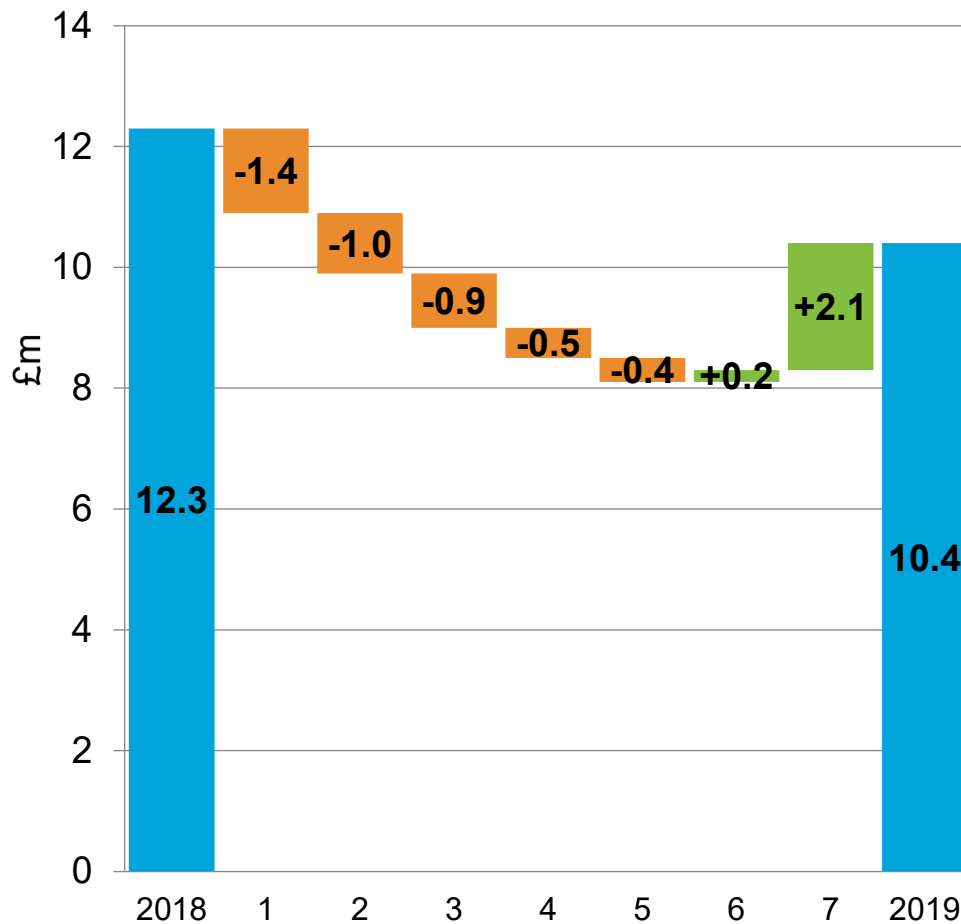


Financial Review

Summary income statement

£m	2019	2018	% change	% change constant currency
Net fee income	74.5	72.3	+3%	+2%
<i>Adj op profit - Sectors</i>	14.6	16.0	-9%	
<i>Central costs</i>	(4.2)	(3.7)	-14%	
Adjusted operating profit	10.4	12.3	-15%	-16%
Adjusted profit before tax	9.3	11.4	-18%	-19%
Adjusted, diluted EPS	8.5p	12.1p	-30%	

Adjusted operating profit against prior year

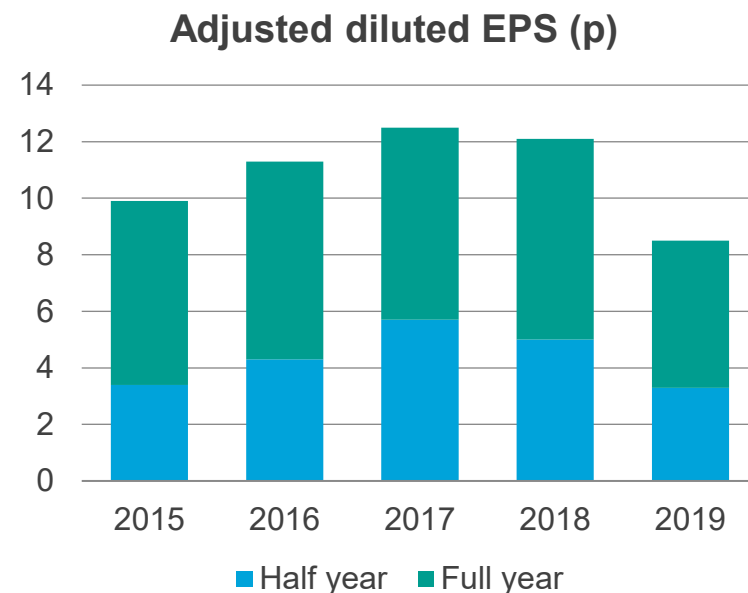


1. Impact of decline in UK engineering business
2. Reduction in profits in our professional services and new home sales businesses driven by Brexit
3. Impact on the downturn in the German automotive sector
4. Investment in the central investment team as highlighted at the start of 2019
5. New offices/brands contributed start up losses
6. Grupo Solimano contributed a full year profit for the first time
7. Net increased profit contributions from other businesses in the Group

Earnings

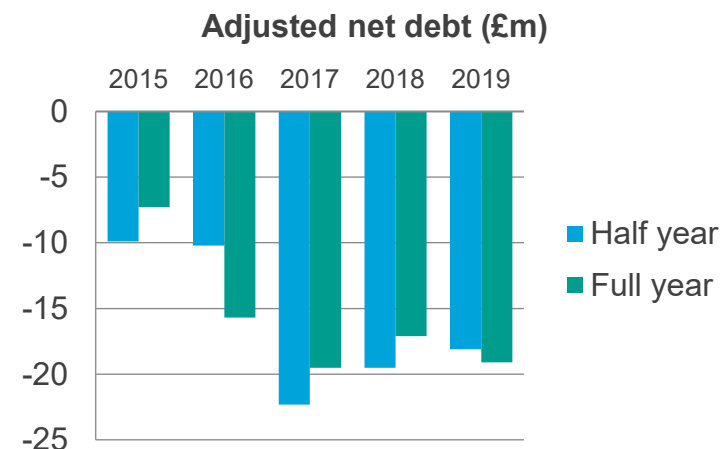
	2019	2018	% var
Adjusted profit before tax	£9.3m	£11.4m	-18%
Adjusted, diluted earnings per share	8.5p	12.1p	-30%

- Adjusted PBT reflects the fall in operating profits and an increase of £0.2m to the interest charge - £0.4m from adoption of IFRS 16 offset by lower interest on tax and debt
- Adjusted diluted EPS has fallen by a greater percentage reflecting an increase in the allocation of profits to non-controlling interests



Adjusted net debt

£m	2019	2018
Adjusted net debt	19.1	17.1
Net finance costs	1.1	0.9
Debt to debtors ratio	42%	36%



Adjusted net debt excludes cash held in respect of pilot bonds (£1.5m)

- Increase by £2m from 31 December 2018
- Average month end adjusted net debt of £18.7m, in line with 2018
- Adjusted net debt reflects the £3.5m investment in ConSol in July 2019 and higher tax cash flows with the settlement of tax audits that had been fully provided for

Strong financial position

- Good level of undrawn facilities and covenant headroom – accordion extension to RCF activated to fund ConSol investment and maintain headroom
- Target remains to reduce debt to debtors ratio to 25% over time

Investment in ConSol

- £3.5m investment in July 2019 taking our ownership from 65% to 82.5%
- Investment at same valuation as initial stake
- Business is performing strongly in a high growth sector
- Significant opportunity to invest in growing temp in the US and strengthening our temp position in the UK
- Successful opening of new market in Austin, US in April 2019
- Earnings enhancing in 2019

An aerial photograph of a dense urban skyline, likely a major financial hub, viewed from a high angle. The image is overlaid with a complex geometric design consisting of various shades of blue and green triangles and polygons. The text 'Strategy & Delivery' is prominently displayed in the lower-left quadrant of the image.

Strategy & Delivery

Strategic objectives – focus on organic growth

Build scale in key markets and sectors

- Focused on developing scale in key markets and sectors to provide clients with services across sectors, skillsets and regions
- Will drive greater market share with both new and existing clients and enable us to effectively scale increasing NFI and driving greater profitability

Materially increase and diversify profits

- Focused on diversifying our profit base across our business and growing our high potential businesses/sectors
- Will reduce our reliance on a small number of businesses that today generate the majority of our profits and enable us to realise the potential of the Group
- Also focused on increasing our temp to perm ratio, currently at 60:40, to 70:30 over time to create a more stable profit base.

Invest in technology to drive revenue and productivity

- Technology continues to drive innovation and competitive advantage in the staffing sector
- Investing in implementing technology that will enable us to deliver to clients and candidates more quickly, efficiently and effectively and to maintain our competitive edge

Reduce net debt balancing investment activity against financial constraints

- Focused on reducing our levels of debt, with investment in existing businesses rather than significant external investments
- Significant external investments in 2016 were funded by net debt rather than equity at low interest rates
- While our debt remains inexpensive and we are well within our covenant requirements, reduction remains a key priority

Stronger Together initiative

- Alignment around core sectors
 - Sharing best practices and leveraging synergies
- Increased support from central team
 - Helping align and share best in class practice - in particular across marketing, training and technology
- Investment in common technology
 - Bullhorn – agreement signed in 2019, being rolled out to multiple brands in 2020/21
 - Workplace – improved internal communication and collaboration at all levels in the Group
- Optimising operating models
 - Certain brands moving from a 360° model to a 180° model to enable them to scale more effectively to grow their temporary/contract base
- Creating a performance based culture
 - More open sharing of performance KPIs across management team
 - Alignment of incentive schemes
 - Underperformance being addressed more quickly

A focused sector approach

- Alignment of business into 6 core sectors – Professional, IT, Property, Construction & Engineering, Commercial and Offshore Recruitment Services
- This allows us to:
 - Communicate more effectively with similar businesses
 - Improve collaboration and leverage operational synergies
 - Increase focus on cross selling and delivering organic growth
 - Improve management structure - continued focus on identifying sector/functional heads reporting into CEO (2 now in place)
 - Consolidate businesses within sectors where appropriate (marketing, engineering in Q4 2019)
 - Effectively scale high potential sectors into new markets/geographies (Austin, US opened Q2 19)
- Investment activity to be targeted at growth sectors where we see maximum potential return (specific sights on US market)

Our sectors and brands

Professional (37%)

Healthcare (4%)

Property, Construction & Engineering (5%)

IT (19%)

Commercial (26%)

ORS (9%)

Percentages shown are each sectors contribution to group net fee income



Summary and Outlook

Coronavirus

- No material impact at this stage, too early to predict how it will develop
- The situation is very fluid and changes daily. Early indications of exposure include:
 - Aviation business – Significant slowdown in international travel. Loss of revenue could lead to vulnerable airlines collapsing. Starting to see a reduction in demand for pilots. Currently the biggest area of risk for the Group.
 - Germany – some factories closing due to lack of supply from China, border restrictions are impacting candidate availability in our logistic business
 - General operational restrictions in many locations – reduction in face to face interviews, clients working from home practices. Adapting approach to match the situation and client needs.
- We are focused on the safety of all of employees and we are taking appropriate actions to minimise the profit impact from potential NFI decline
- Empresaria Board are monitoring the situation closely

Building a strong platform for future growth

Focused strategy targeting organic growth

- Build scale in key markets and sectors
- Materially increase and diversify profits
- Invest in technology to drive revenue and productivity
- Reduce net debt - investment activity to be focused on existing operations

Stronger Together initiative driving change

- Alignment of businesses round core sectors
- Investment in common technology
- Increase support from the central team
- Optimising operating models
- Performance based culture

The mixed economic environment continues but we remain confident in our ability to deliver future growth



Q&A

An abstract digital graphic featuring a world map composed of blue dots. Overlaid on the map are various data visualization elements: vertical bars of different heights and colors (red, orange, white), and circular markers connected by thin lines. The background is a dark blue gradient with some blurred light spots.

Appendices

Professional

£m	2019	2018	% change	% change (constant currency)
Revenue	125.0	139.7	-11%	-10%
Net fee income	27.3	26.8	+2%	+1%
Adjusted operating profit	3.5	4.5	-22%	
% of Group net fee income	37%	37%		

- Net fee income growth despite challenges from Brexit uncertainty particularly within financial services.
- Revenue down primarily due to a change in billing structure with key airline client - no impact on net fee income.
- Profits down with the impact of Brexit and more challenging market conditions for our Aviation business.

IT

£m	2019	2018	% change	% change (constant currency)
Revenue	45.2	44.0	+3%	0%
Net fee income	14.4	13.6	+6%	+3%
Adjusted operating profit	3.2	3.2	0%	
% of Group net fee income	19%	19%		

- Net fee income growth in the UK and Japan offset by a reduction in the US where we were impacted by a decline in the cryptocurrency market after a strong 2018.
- Sector profits are flat with growth in the UK and Japan offset by the reduction in the US.
- We are investing in growing our presence in the temp market, particularly in the US.

Healthcare

£m	2019	2018	% change	% change (constant currency)
Revenue	11.3	11.3	0%	-1%
Net fee income	2.8	2.7	+4%	+2%
Adjusted operating profit	0.5	0.5	0%	
% of Group net fee income	4%	4%		

- The first half of 2019 saw a slow start with operational issues in Finland and the US.
- In Finland we saw a reduction in contractors with recruitment challenges. In September we appointed a new managing director in Finland who has overseen a rejuvenated effort to increase recruitment which is starting to see results.
- In the US we were struggling to deliver both volume and speed in a very competitive MSP environment. In April we adjusted the operating model to leverage our offshore recruitment expertise in India enabling us to improve volumes and speed at a lower cost. We have seen improved profitability in the second half.

Property, Construction & Engineering

£m	2019	2018	% change	% change (constant currency)
Revenue	22.4	31.6	-29%	-29%
Net fee income	3.8	5.3	-28%	-28%
Adjusted operating (loss)/profit	(1.2)	0.5	n/a	
% of Group net fee income	5%	7%		

- The results for the year are driven by our UK engineering business. This business had been struggling for a number of years but in 2019 was impacted by Brexit and poor market conditions along with client insolvencies and the cancellation of projects. A restructuring was undertaken resulting in the closure of a substantial part of this business with profitable elements retained.
- Brexit also impacted our provision of sales professionals to housebuilders. This business experienced one of its worst years but remained profitable due to its efficient operating model. We are working on ways to diversify this business to create a more rounded supplier to the property sector focused on white collar roles.

Commercial

£m	2019	2018	% change	% change (constant currency)
Revenue	142.4	132.7	+7%	+9%
Net fee income	19.7	19.2	+3%	+3%
Adjusted operating profit	5.4	5.6	-4%	
% of Group net fee income	26%	27%		

- In Germany the 2018 legislation changes are now business as usual and we are not experiencing any ongoing adverse effect. The weakening of the German automotive sector has impacted our temp business's net fee income and profitability. Action was taken to right size this business and we are starting to see the benefits of these actions.
- Our Latin American operations are progressing well and we see great opportunity to cross-sell in that region. In Chile we had another year of solid growth, while our Peru business, which joined the Group in 2018, continues to perform well and contributed a full year's result for the first time.

Offshore Recruitment Services

£m	2019	2018	% change	% change (constant currency)
Revenue	12.2	7.9	+54%	+54%
Net fee income	7.0	5.1	+37%	+37%
Adjusted operating profit	3.2	1.7	+88%	
% of Group net fee income	9%	7%		

- Growth in both its UK and US customer bases, but with the US seeing particularly strong increase in demand and several new client wins.
- New premises taken in January providing the capacity to continue expanding – total headcount now exceeds 1,100. Further investment to increase capacity planned for 2020.
- Investment planned in the management infrastructure of the business in order to support its future growth.
- This sector is integral to the future success of the Group through both external and internal delivery.

Income statement – year ended 31 December 2019

£m	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Constant currency</u>	
Revenue	<u>358.0</u>	<u>366.8</u>	-2%	-2%	
Net fee Income	74.5	72.3	+3%	+2%	
Administrative costs	<u>(64.1)</u>	<u>(60.0)</u>			
Adjusted operating profit*	10.4	12.3	-15%	-16%	Interest higher due to adoption of IFRS 16 (£0.4m)
Net finance costs	<u>(1.1)</u>	<u>(0.9)</u>			
Adjusted profit before tax*	9.3	11.4	-18%	-19%	Exceptional costs relate to UK engineering restructuring, the merger of brands within the Professional sector and the change of CEO
Exceptional items	(2.1)	-			
Impairment of goodwill	(2.5)	(0.3)			Goodwill impairment relates to UK engineering
Amortisation of intangibles identified in business combinations	(1.8)	(1.7)			
Taxation	<u>(2.4)</u>	<u>(3.6)</u>			Effective tax rate of 37% on an adjusted basis (2018: 34%)
Profit for the period	<u>0.5</u>	<u>5.8</u>			
Adjusted, diluted EPS* (p)	8.5	12.1	-30%		
Diluted EPS (p)	(1.6)	9.1	n/a		

* Adjusted to exclude amortisation of intangible assets identified in business combinations, impairment of goodwill, exceptional items, fair value charges on acquisition of non-controlling shares and in the case of earnings any related tax.

Balance sheet – as at 31 December 2019

£m	2019	2018
Property, plant & equipment	2.3	2.1
Right-of-use assets	10.6	-
Goodwill and other intangible assets	49.0	54.8
Deferred tax asset	2.4	1.5
Non-current assets	<u>64.3</u>	<u>58.4</u>
Trade and other receivables	55.2	57.3
Cash and cash equivalents	17.6	25.4
Current assets	<u>72.8</u>	<u>82.7</u>
Trade and other payables	(37.7)	(41.9)
Current tax liabilities	(1.4)	(3.2)
Borrowings	(25.2)	(32.0)
Lease liabilities	(6.0)	-
Current liabilities	<u>(70.3)</u>	<u>(77.1)</u>
Borrowings	(10.0)	(5.2)
Lease liabilities	(5.2)	-
Deferred tax liabilities	(3.6)	(4.2)
Non-current liabilities	<u>(18.8)</u>	<u>(9.4)</u>
Net assets	<u>48.0</u>	<u>54.6</u>
Equity attributable to owners of Empresaria	40.7	46.3
Non-controlling interests	7.3	8.3
Total equity	<u>48.0</u>	<u>54.6</u>

Right-of-use asset recognised on adoption of IFRS 16 Leases, with matching lease liabilities on implementation. Applied prospectively from 1 Jan 19 with no restatement of comparatives.

The reduction in goodwill and other intangibles reflects amortisation and the impairment of UK engineering goodwill.

Trade and other receivables includes trade receivables of £45.6m (2018: £48.1m)

Cash includes amounts held in respect of pilot bonds of £1.5m (2018: £5.3m) which are excluded when assessing adjusted net debt.

Trade and other payables includes £1.5m for pilot bonds and £0.6m for client deposits

Banking facilities in place of £55.1m (2018: £49.4m)

Cash flow – year ended 31 December 2019

£m	<u>2019</u>	<u>2018</u>	
Profit for the year	0.5	5.8	
Depreciation, amortisation, share-based payments and impairment of intangibles	12.1	3.0	Depreciation includes depreciation of right-of-use assets of £6.4m following the adoption of IFRS 16 Leases from 1 January 2019.
Tax and interest added back	3.5	4.5	
Working capital	<u>(1.7)</u>	<u>(4.9)</u>	Working capital includes an outflow of £3.8m in respect of pilot bonds (2018: £2.2m).
Cash generated from operations	14.4	8.4	
Lease payments	(6.5)	-	Lease payments are shown within financing cash flows, rather than operating cash flows, following the adoption of IFRS 16 from 1 January 2019.
Tax and interest	(6.9)	(3.9)	
Dividends to shareholders	(1.0)	(0.6)	
Net investments and capital expenditure	(5.0)	(2.9)	Investments include £3.5m investment in additional shares in ConSol Partners
Net cash flow from loans and borrowings	(1.5)	(0.8)	
Purchase of own shares through EBT	-	(0.4)	Tax payment higher than 2018 following settlement of tax audits in the first half.
Dividend paid to non-controlling interests	(0.6)	(0.4)	
Decrease in cash in the period	<u>(7.1)</u>	<u>(0.6)</u>	Dividend to shareholders reflects the dividend paid of 2.0p
Foreign exchange	(0.7)	0.1	
Net movement in cash & cash equivalents	<u>(7.8)</u>	<u>(0.5)</u>	

Shareholder information

Shares in issue - 49,019,132 ordinary shares

Market capitalisation - £25.5 million (10 March 2020)

Outstanding options 4.0m (8.2% of shares in issue)

Significant shareholders (updated on 6 March 2020)

Anthony Martin	13,924,595	28.4%
Close Brothers Asset Management	6,419,371	13.1%
Hof Hoorneman Fund Management	5,510,000	11.2%
H M van Heijst	3,607,500	7.4%
Beleggingsclub 't Stockpaert	3,005,000	6.1%
Ramsey Partnership Fund	2,296,000	4.7%

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