Investor Presentation

Interim 2020 results

August 2020

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Empresaria

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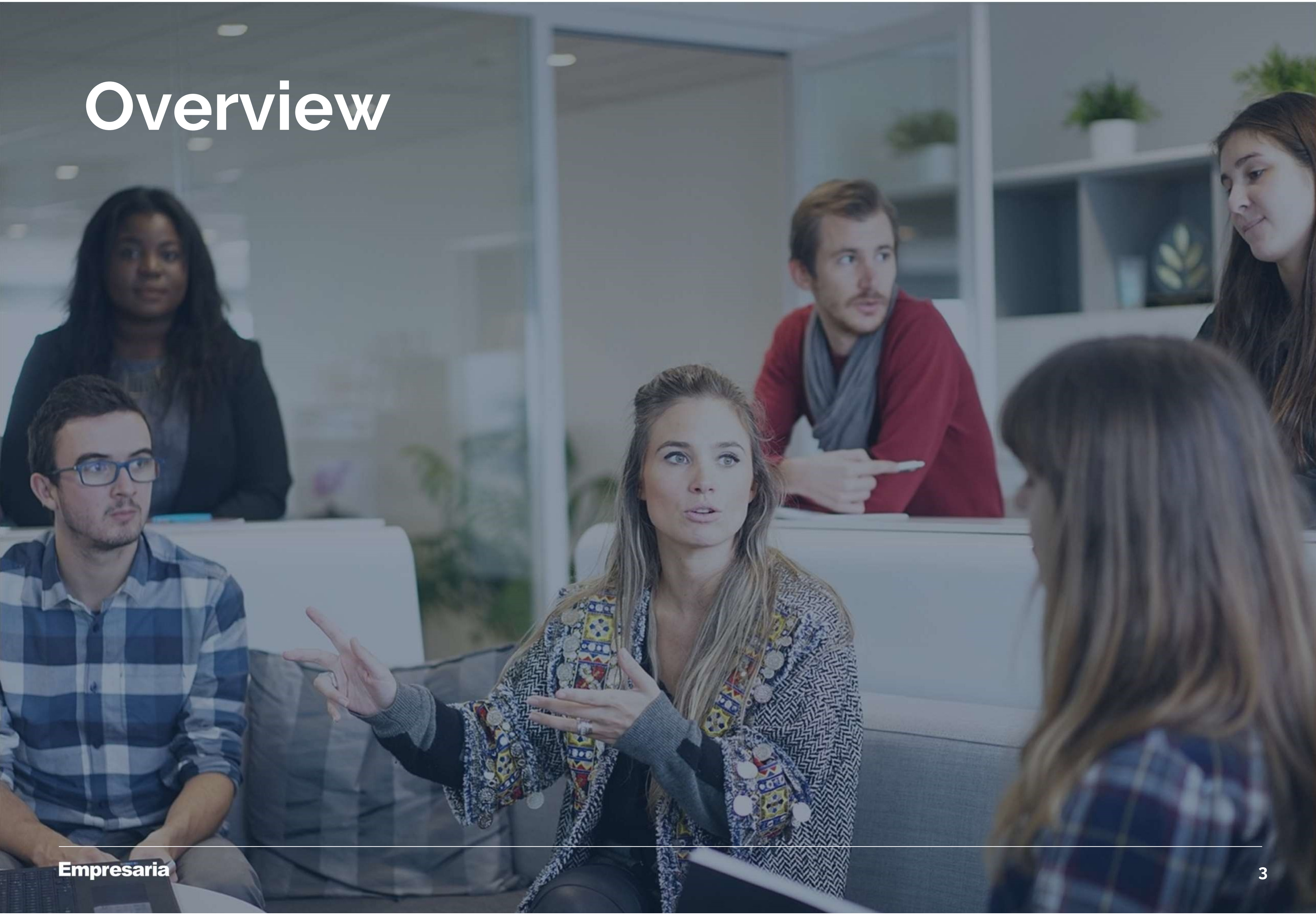
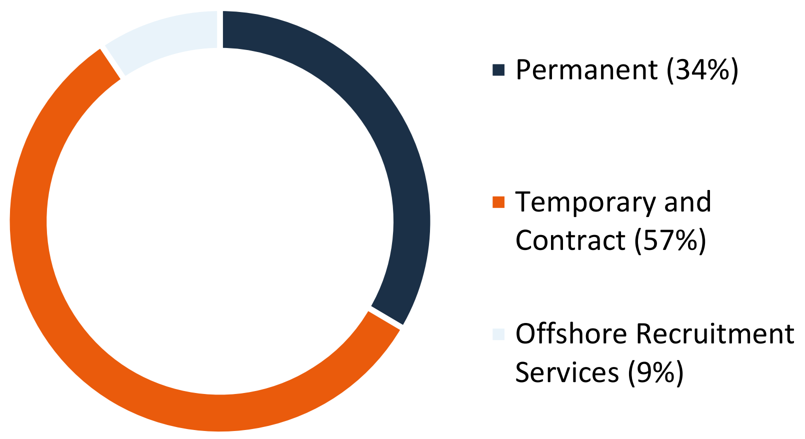
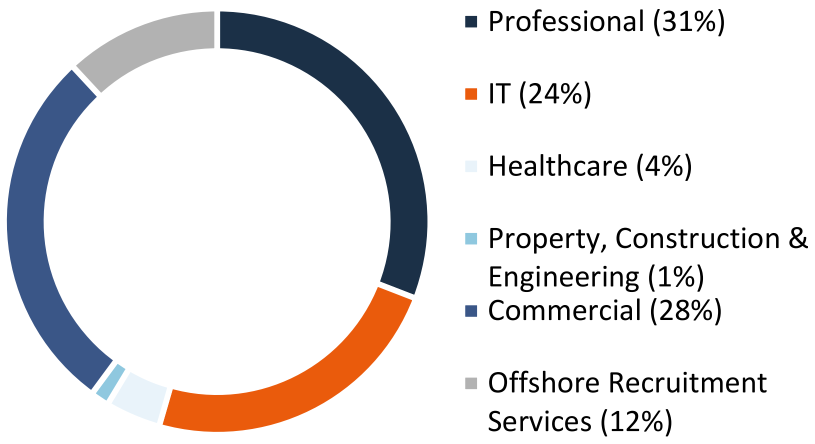
Overview

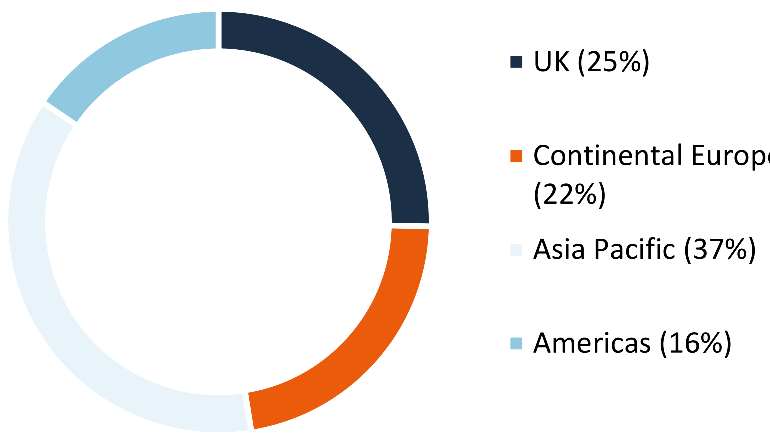


A global diversified staffing Group

- 6 sectors operating in 20 countries and placing in many more
- Diversity of locations and services reduces impact from localised market issues
- 75% of net fee income from outside of UK
- Growing strength in Offshore Recruitment Services increasing diversification







All charts show percentage of Group net fee income

Highlights

- Delivered year on year profit growth in each of the first three months of the year
- Profitability achieved in Q2 despite significant impact from COVID-19
- Well positioned to take advantage when our markets recover

COVID-19

- Depth and speed of impact on the global economy has been unprecedented – staffing at the forefront of the impact
- The safety of our employees, candidates and clients has been our priority throughout
- Despite the adverse impact on the Group's net fee income there have been positives:
  - Good test of our systems and remote working capabilities – no major issues and some notable successes including moving hundreds of people in India to remote working over a short space of time
  - Demonstrated the benefits from our *Stronger Together* initiatives:
    - Coordinated response – sharing of ideas and impacts
    - Greater support and guidance from the centre
  - Move to a more performance based culture with increased focus on bottom line
  - Demonstrated our ability to shift our cost base in adverse circumstances
  - Maintained or accelerated operational changes including core system investments
  - Diversity across sectors and markets has once again proven beneficial, and should continue to provide some protection to the Group in the event of second waves and localised responses in individual markets

Profitability and financial strength in face of COVID-19

- Year on year profit growth in the first quarter pre-pandemic
  - Benefit of operational initiatives put in place last year
  - Profit growth in each month
- Profitable in second quarter
  - Significant impact to net fee income – down 39% v 2019
  - Swift and decisive action taken on cost – down 30% v 2019
  - Diversification continues to prove beneficial
- Net debt significantly reduced to £8.9m (31 December 2019: £19.1m) and headroom increased to £18.1m (31 December 2019: £11.5m)
  - Focus on cash management
  - Significant working capital inflows reflecting reduced activity levels
  - Headroom improvement reflects cash flows and increased facility levels

We remain cautious on how the situation will develop and on the speed of recovery but with a more efficient and unified organisation we are well placed to take advantage as and when demand returns.

Stronger Together - optimising for future growth

- Investment in technology including Bullhorn as the Group's preferred front end technology
  - 3 additional brands went live on Bullhorn in July
  - Technology roadmap in place - preferred partners identified
- Operating model evolution accelerated in key brands
  - Accelerated move from 360° to 180° model to increase effectiveness in temporary recruitment
  - Increased use of internal offshore recruitment expertise to improve efficiency
- Restructuring and right sizing cost bases
  - Protect bottom line
  - Position businesses for growth
- Focus on scaling our key growth sectors in existing markets
- Building a performance driven culture
  - Aligned to both individual business and overall Group results

Financial review

Summary income statement

£m	2020	2019	% change	% change (constant currency)
Net fee income	28.2	36.3	-22%	-21%
Administrative costs	(25.2)	(32.0)	-21%	
Adjusted operating profit – Sectors	*4.6*	*6.2*	*-26%*	
Central costs	*(1.6)*	*(1.9)*	*+16%*	
Adjusted operating profit	3.0	4.3	-30%	-26%
Adjusted profit before tax	2.4	3.7	-35%	
Adjusted, diluted EPS	1.9p	3.3p	-42%	

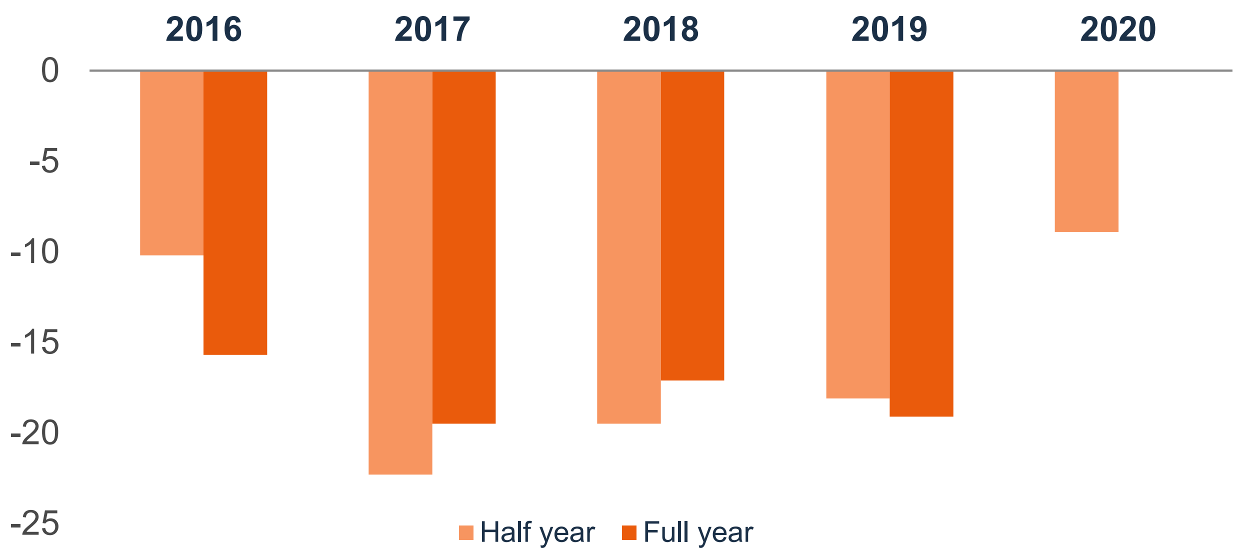
- Net fee income down 22%, reflecting 39% drop versus 2019 in Q2.
- Swift and decisive action on costs limited the adjusted operating profit fall to 30% and delivered an adjusted profit before tax in Q2.

Adjusted net debt

- Net debt substantially reduced reflecting working capital inflows in Q2 and demonstrating the strength of the Group's balance sheet in a downturn
- The Group has deferred UK VAT and payments under similar schemes totalling £3.5m which will start to be repaid during H2
- Precautionary action was taken to increase the Group's UK overdraft facility by £2.5m and to relax its principal covenants
- Significant covenant headroom at 30 June 2020 – under both relaxed and original covenants
- Net debt levels expected to rise when activity levels start to increase

	30 June 2020	31 Dec 2019	% var
Adjusted net debt	£8.9m	£19.1m	-53%
Headroom (exc invoice financing)	£18.1m	£11.5m	+57%
Net finance costs	£0.6m	£0.6m	-

Adjusted net debt (£m)



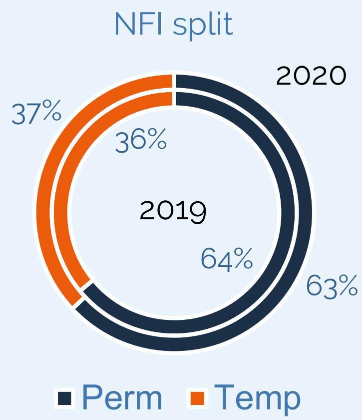
Increased investment in ConSol Partners

- Investment in H1 increased ownership to 98.7% (from 82.5%).
- Consideration of £1.6m, including £0.9m paid in H1, £0.1m due in H2, and £0.6m deferred to 2021, along with an additional £0.1m payable in 2022 based on 2021 performance – the terms were substantially reduced from the original acquisition reflecting the founders' desire to sell their remaining shares now they are no longer directly involved in the business and all parties' appreciation of the environment.
- ConSol has performed strongly since joining the Group and has been relatively resilient in the face of COVID-19 and we believe this represents a strong investment for the future.
- Final £1m of RCF accordion drawn to fund acquisition – could not be drawn for working capital purposes.
- Acquisition expected to be earnings accretive in 2020.

Sector analysis

Professional

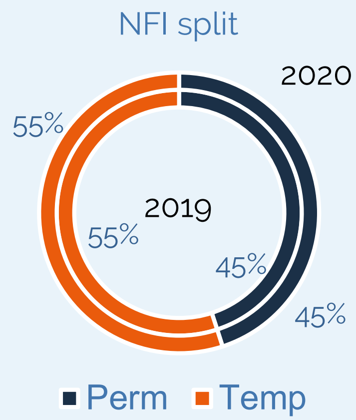
£m	2020	2019	% change	% change (constant currency)
Revenue	35.3	62.0	-43%	-41%
Net fee income	8.8	13.7	-36%	-35%
Adjusted operating profit	0.5	1.7	-71%	-69%
% of Group net fee income	31%	38%		



- Sector experienced large impact from COVID-19, particularly on our aviation business and demand for permanent placements.
- Aviation significantly disrupted and not expected to recover quickly. Business restructured to right-size cost base and position it for recovery. Remains a market with good medium and long term potential.
- Sector is more than 60% permanent which has been hit harder than temporary and contract in most cases. Year on year split has not changed significantly as aviation is near 100% temporary and contract.
- Strong action taken on costs means sector has remained profitable in H1.

IT

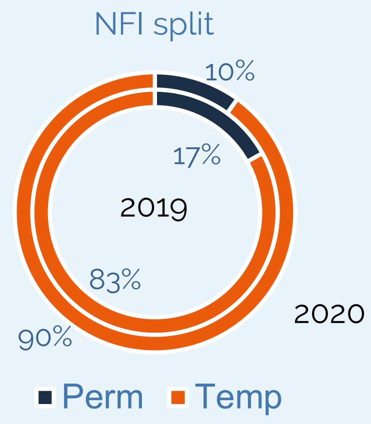
£m	2020	2019	% change	% change (constant currency)
Revenue	22.1	21.4	+3%	+3%
Net fee income	6.7	6.8	-1%	-2%
Adjusted operating profit	1.2	1.3	-8%	-8%
% of Group net fee income	24%	19%		



- Sector has been resilient in face of COVID-19.
- US performed strongly with sustained demand from niche roles and sectors.
- UK has had a more challenging H1 and actions have been taken on cost.

Healthcare

£m	2020	2019	% change	% change (constant currency)
Revenue	5.9	5.1	+16%	+18%
Net fee income	1.2	1.4	-14%	-14%
Adjusted operating profit	0.1	0.2	-50%	-50%
% of Group net fee income	4%	4%		

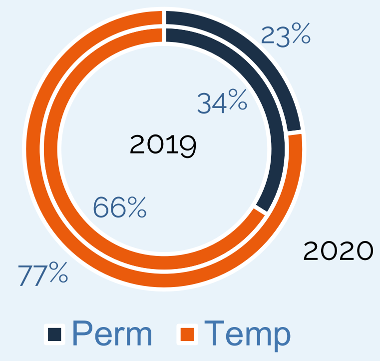


- Sector impacted by COVID-19 with patients unable or unwilling to engage with healthcare services unless absolutely necessary, reducing demand for temporary staff.
- Perm revenues in the US have been substantially impacted.
- Temp volumes in the US started the year strongly which has driven the year on year revenue increase for the sector in H1. However reduced margins from key clients, combined with the impact of COVID-19 in Q2 across the sector, resulted in the reduction in NFI for H1.

Property, Construction & Engineering

£m	2020	2019	% change	% change (constant currency)
Revenue	1.8	13.0	-86%	-86%
Net fee income	0.4	2.3	-83%	-83%
Adjusted operating loss	(0.1)	(0.2)	n/a	n/a
% of Group net fee income	1%	6%		

NFI split

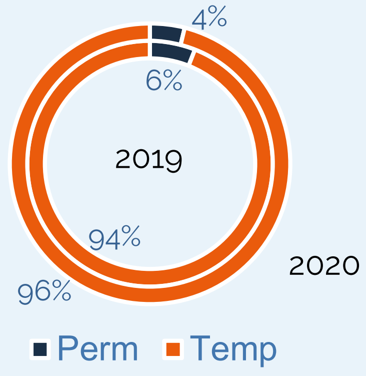


- Year on year fall in revenues and net fee income reflects the UK engineering business, a substantial part of which was closed in late 2019.
- Business supplying new home sales industry has been hit particularly hard by COVID-19 with sites closed for the majority of the second quarter.
- Cost base is low and when demand returns this sector should quickly return to profitability.

Commercial

£m	2020	2019	% change	% change (constant currency)
Revenue	65.5	68.4	-4%	-1%
Net fee income	8.0	9.1	-12%	-10%
Adjusted operating profit	1.5	1.9	-21%	-17%
% of Group net fee income	28%	25%		

NFI split

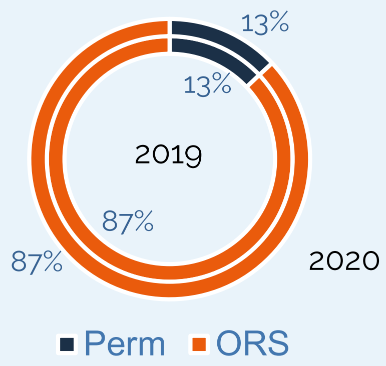


- Commercial sector performances have varied by industry and sector.
- Germany – logistics business had a strong H1 with a positive impact from COVID-19 reflecting increased demand from supermarkets.
- Germany – automotive sector continues to suffer, firstly from factory closures due to COVID-19, and then from low consumer demand reducing clients' requirements for temporary workers.
- LATAM – the impact of COVID-19 was felt later in the quarter does not look to have peaked. Chile has received some protection with supermarkets forming a large part of its client base.
- Japan – significant impact from Tokyo lockdown but expected to return to profitability in H2.

Offshore Recruitment Services

£m	2020	2019	% change	% change (constant currency)
Revenue	5.8	5.8	-	+2%
Net fee income	3.4	3.2	+6%	+8%
Adjusted operating profit	1.4	1.3	+8%	+11%
% of Group net fee income	12%	9%		

NFI split



- The only sector to show year on year profit growth in 2020 – reflects growth through 2019 and a strong start to 2020.
- Business has been hit hard by COVID-19 with significant drop in demand from Q1 to Q2 as clients pass on the impact on their own business.
- Business responded well to lockdown moving hundreds of staff to home working.
- Although significant impact in the short term, business has remained profitable and with increased opportunity as clients seek to make efficiency improvements to their operating models.

Outlook

Outlook

- Cautious on the speed of recovery as the COVID-19 pandemic continues to impact the global economy.
- Some signs of economic activity increasing where cases are falling and restrictions lifting – too early to assess the quality and pace of any improvement or its impact on the staffing sector.
- Our diversification by both sector and geography will continue to prove to be beneficial – different markets and geographies will recover at different paces. With ongoing risk of second waves and localised responses, our diversity helps reduce the risk and impact of localised issues on the wider Group.
- Our Stronger Together initiative along with actions taken in recent months leave the Group more efficient and unified and well placed to take advantage as and when demand returns.
- While there remains much to be done we are cautiously optimistic as we move into the second half of 2020.

Appendices

Strategic objectives

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
- 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, at 60:40 in 2019, 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, a sustained reduction remains a key priority

Our sectors and markets

	UK	Continental Europe	Asia Pacific	Americas
Professional	LMA, Greycoat Lumleys, become, McCall, ball and hoolahan		Rishworth Aviation, LMA, become, Monroe Consulting Group	
IT	ConSol Partners	ConSol Partners (Key sales market)	skillhouse	ConSol Partners
Healthcare		Medi kumppani		pharmaceutical strategies
Property, Construction & Engineering	Teamsales Recruitment, FastTrack			
Commercial		headway, HEADWAY	FÍNES TOKYO	alternattiva Recursos Humanos, people
Offshore Recruitment Services	ims group (Key sales market)		ims group, bw&p	ims group (Key sales market)

Income statement

Six months ended 30 June 2020

£m	2020	2019	% Change	% Change (constant currency)
Revenue	136.1	175.5	-22%	-20%
Net fee Income	28.2	36.3	-22%	-21%
Administrative costs	(25.2)	(32.0)		
Adjusted operating profit*	3.0	4.3	-30%	-26%
Interest	(0.6)	(0.6)		
Adjusted profit before tax*	2.4	3.7	-35%	
Exceptional items	-	(0.5)		
Impairment of goodwill and other intangibles	(2.6)	-		
Fair value charge on acquisition of non-controlling shares	(0.1)	-		
Amortisation of intangible assets identified in business combinations	(0.9)	(0.9)		
Taxation	(0.2)	(1.0)		
(Loss)/profit for the period	(1.4)	1.3		
Diluted adjusted EPS* (p)	1.9	3.3	-42%	
Diluted EPS (p)	(2.7)	1.4	-292%	

No COVID-19 related costs shown as exceptional at 30 June
Impairment charge recognised in respect of our aviation business

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

Balance Sheet

As at 30 June 2020

£m	2020	2019	
Property, plant and equipment and right-of use assets	10.9	16.0	
Goodwill and other intangibles	47.2	54.0	
Trade and other receivables	44.6	58.5	Significant fall in trade receivables reflecting reduction in trading
Cash and cash equivalents	25.0	21.2	
Deferred tax assets	2.8	1.6	
Total assets	130.5	151.3	
Trade and other payables	(38.3)	(39.1)	Fall in creditors due to lower trading activity offset by deferrals of UK VAT and other liabilities under similar schemes
Borrowings	(32.4)	(38.1)	
Lease liabilities	(9.0)	(13.6)	Limited new leasing activity in 2020
Other liabilities	(4.2)	(5.3)	
Total liabilities	(83.9)	(96.1)	
Net assets	46.6	55.2	

Cash flow statement

Six months ended 30 June 2020

£m	2020	2019	
(Loss)/profit for the period	(1.4)	1.3	
Depreciation, amortisation, share-based payments and impairment of goodwill and other intangible assets	7.5	4.8	
Tax and interest	0.8	1.6	
Working capital	10.4	(3.9)	
Cash generated from operations	17.3	3.8	
Lease payments	(3.6)	(3.0)	
Tax and interest	(1.8)	(3.7)	Tax cash flows lower in 2020 with 2019 reflecting settlement of tax audits
Dividends to shareholders	-	(1.0)	
Net investments and capital expenditure	(1.5)	(1.2)	Includes £0.9m in respect of shares in ConSol Partners
Net cash flow from loans and borrowings	(3.4)	0.9	
Dividends paid to non-controlling interests	(0.3)	(0.2)	
Increase/(decrease) in cash in the period	6.7	(4.4)	
Foreign exchange	0.7	0.2	
Net movement in cash and cash equivalents	7.4	(4.2)	

Shareholder information

- Shares in issue – 49.0m ordinary shares
- Market capitalisation - £19.8m (10 August 2020)
- Outstanding options (after deducting shares held in EBT) 4.8m (9.8% of shares in issue)
- Significant shareholders set out below (updated August 2020)

Shareholder	Number of shares	% held
Anthony Martin	13,924,595	28.4%
Close Brothers Asset Management	6,331,221	12.9%
Hof Hoorneman Fund Management	5,510,000	11.2%
H M van Heijst	3,607,500	7.4%
Beliggingsclub ‘t Stockpaert	3,005,000	6.1%
Ramsey Partnership Fund	2,296,000	4.7%
Allianz Global Investors	1,590,000	3.2%

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