

Empresaria

Investor Presentation

2023 Half Year Results, August 2023

Rhona Driggs
Chief Executive Officer

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Chief Financial Officer



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Rhona Driggs
Chief Executive Officer



Tim Anderson
Chief Financial Officer

Overview



Overview

- Challenging market conditions from H2 2022 continued into 2023 impacting net fee income
 - Reduced by 9% year-on-year to £29.7m against a strong comparator
 - Offshore services up 15%
 - Permanent placement down 24%
 - Temporary and contract down 8%
- Adjusted operating profit down 71% year-on-year reflecting a higher starting cost base following 2022 investment and inflationary pressures
- Measures to manage cost base taken in Q2, with benefit due to be seen in H2
- Adjusted, diluted loss per share of 0.8p reflecting the strong contribution from Offshore Services where there is 28% non-controlling interest
- Adjusted net debt increased slightly to £8.7m (31 December 2022: £7.9m) with headroom increased to £18.4m
- Key themes
 - Challenging market conditions
 - Managing our cost base
 - Continued strength in Offshore Services
 - Continuing to deliver on strategic initiatives

Operating highlights

- Challenging market conditions
 - Trends seen in 2022 H2 continued into 2023 H1
 - No significant or sustained signs of improvement – will continue to impact H2
- Managing our cost base
 - Higher cost base at start of 2023 compared to H1 2022 - Investment in headcount to meet client demand in H1 2022, combined with inflationary impacts
 - Measures to reduce costs implemented in response to reduced demand – will benefit H2
- Continued strength in Offshore Services
 - Net fee income up 15%, profit up 6%
 - Investment in infrastructure to enable further growth
 - Strong UK growth driven by Healthcare demand
 - Slowdown in US seen in H2 2022 continued into H1 2023
- Continuing to deliver on strategic initiatives
 - US Professional launched
 - Planning for Empresaria Solutions launch progressing

Strategy update

Update on Strategic Objectives

Objective	2023 priorities (from annual report)	2023 progress
Build scale in key markets and sectors	<ul style="list-style-type: none"> • Launch of Professional sector operation in US • Implementation of go-to-market branding strategy • Launch of Empresaria Solutions to drive regional sales and wider service offering • Continued expansion of Offshore Services hub in Philippines 	<ul style="list-style-type: none"> • US Professional operation launched • Soft launch of Empresaria Solutions targeted for H2 2023 • Philippines hub is well established but did not grow in the period due to lower US client demand
Increase diversity of profits by sector, market and service	<ul style="list-style-type: none"> • Launch of Empresaria Solutions to drive regional sales and wider service offering • Focus on growing temporary and contract IT in the US 	<ul style="list-style-type: none"> • Soft launch of Empresaria Solutions targeted for H2 2023 • Growth of US temporary and contract remains a priority – but dependent upon market recovery
Increase productivity and efficiency	<ul style="list-style-type: none"> • Continue implementation of front office platform and focus on maximising post-implementation benefits • Implementation of second phase of technology projects including enhanced reporting and onboarding solutions • Continue to drive internal utilisation of our Offshore Services • Creation of delivery centre to service UK MSP clients, supported by Offshore Services 	<ul style="list-style-type: none"> • A further implementation completed in H1 • Reporting and Onboarding solutions identified – implementation to start H2 • Delivery centre to go live in H2
Targeted investment in growth	<ul style="list-style-type: none"> • Continued investment in Offshore Services to support growth • Continued investment in technology roadmap • Continue to identify growth opportunities 	<ul style="list-style-type: none"> • Investment in Offshore Services infrastructure continued in H1

Financial review



Summary income statement

£m	2023	2022	% change	% change (constant currency)
Revenue	125.7	129.8	-3%	-6%
Net fee income	29.7	32.6	-9%	-10%
Administrative costs	(28.4)	(28.1)	+1%	
<i>Adjusted operating profit – Regions</i>	<i>3.7</i>	<i>6.8</i>	<i>-46%</i>	
<i>Central costs</i>	<i>(2.4)</i>	<i>(2.3)</i>	<i>+4%</i>	
Adjusted operating profit	1.3	4.5	-71%	-71%
Adjusted profit before tax	0.5	4.0	-88%	
Adjusted, diluted (loss)/earnings per share	(0.8)p	3.7p	-122%	

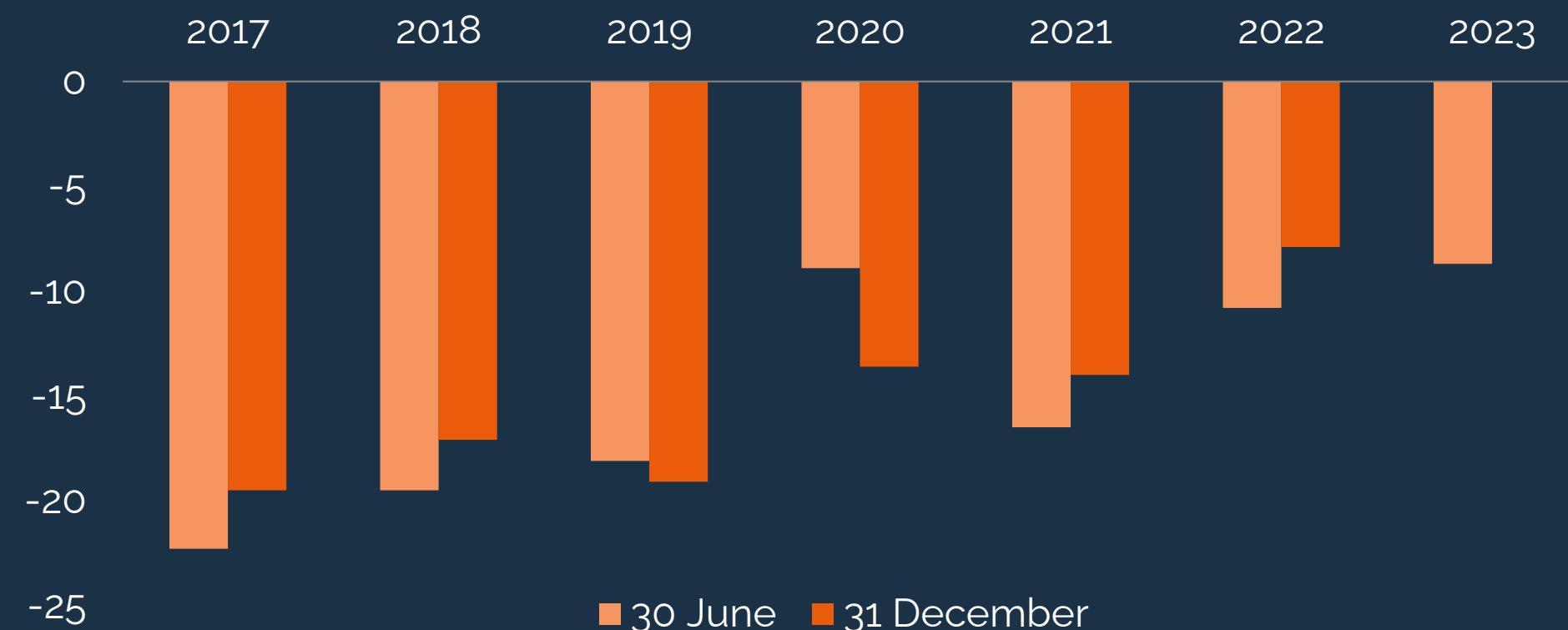
- Overheads in line with prior year reflecting general cost inflation and headcount investment in 2022, but a reduction as H1 progressed
- Reduction in adjusted operating profit reflects drop in NFI and the year-on-year cost base position
- Loss per share reflects the impact of the 28% non-controlling interest in Offshore Services

Adjusted net debt

- Net debt increased slightly to £8.7m reflecting H1 cash outflows including the Group's dividends, capex and tax in the period as well as some adverse movements due to FX. Debt to debtors ratio increased to 28%.
- Headroom remains strong - increasing to £18.4m.
- Net finance costs increased significantly from prior year reflecting rises in interest rates
- Balance sheet continues to show resilience in the face of market conditions

	30 Jun 2023	31 Dec 2022	30 June 2022
Adjusted net debt	£8.7m	£7.9m	£10.8m
Headroom (exc. invoice financing)	£18.4m	£17.9m	£14.8m
Net finance costs	£0.8m	£1.2m	£0.5m

Adjusted net debt (£m)

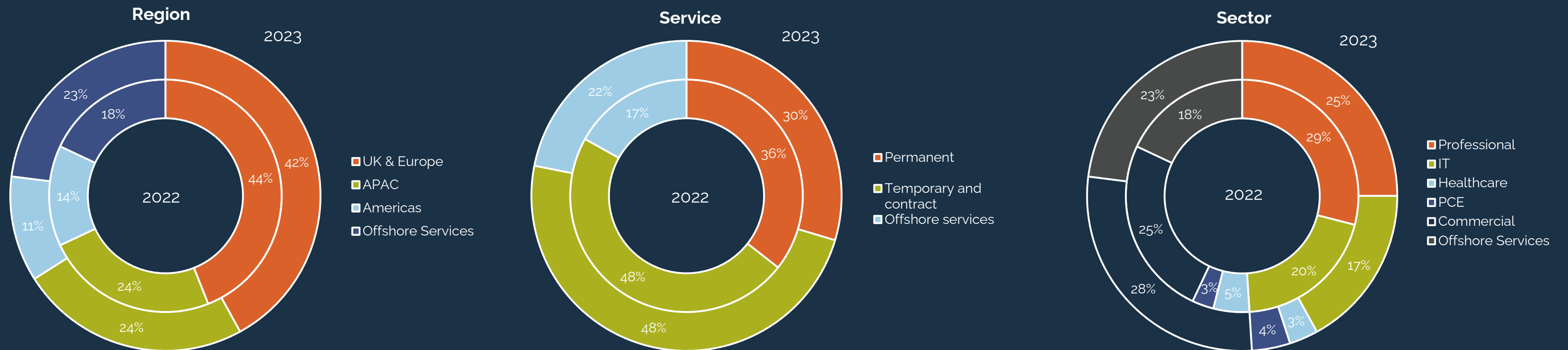


Operating review



A global diversified staffing group

- Offshore Services increased to 23% of NFI
- Temp to perm ratio increased to 62:38 (2022: 57:43) reflecting the weaker perm performance
- Sector weighting reflects the weaker performances in Professional, IT and Healthcare and the strength of Offshore Services

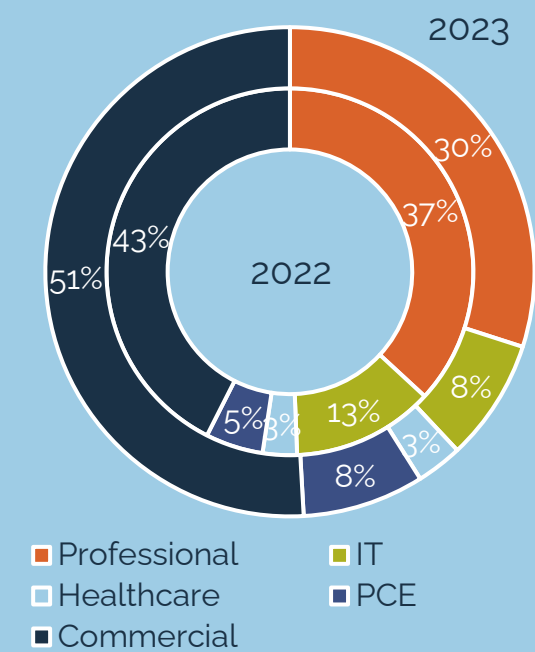
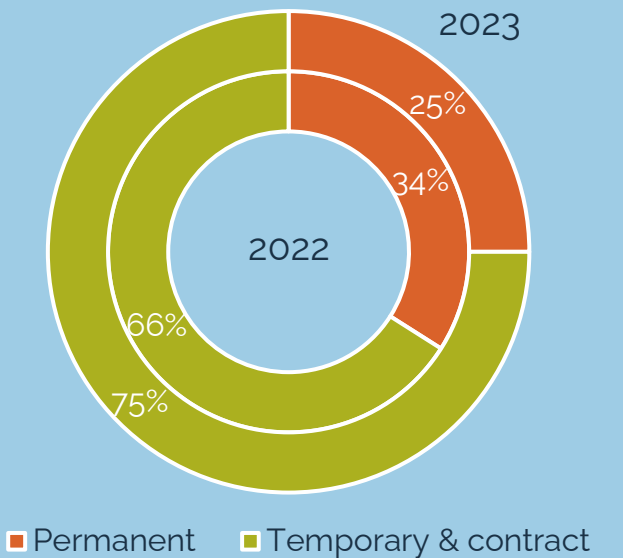


All charts show percentage of Group net fee income for the six months ended 30 June. PCE = Property, Construction & Engineering

UK & Europe

£m	2023	2022	% change	% change (constant currency)
Revenue	58.7	63.2	-7%	-10%
Net fee income	12.6	14.5	-13%	-15%
Adjusted operating profit	0.9	2.0	-55%	-55%
% of Group net fee income	42%	44%		

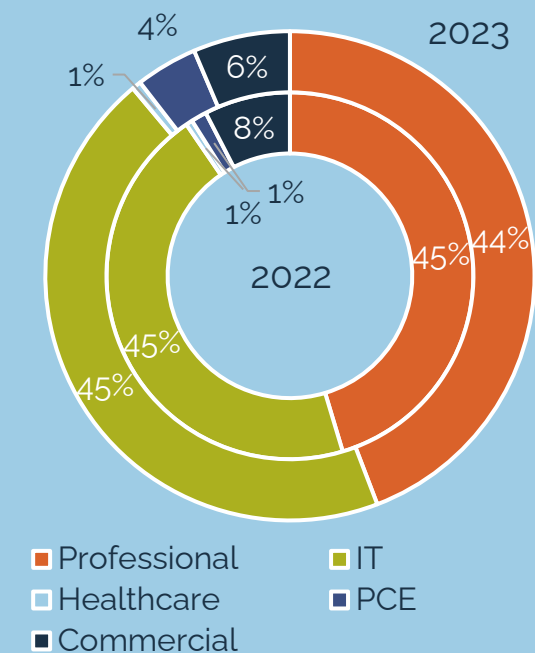
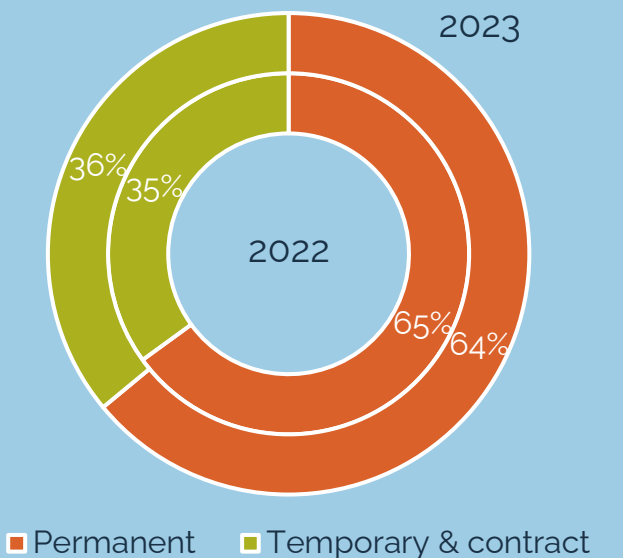
- Weakest results were in the UK with net fee income down 25%
 - Greater fall in permanent placements
 - Largest impacts in IT and Professional
- Germany more solid – growth in logistics offsetting reductions elsewhere



APAC

£m	2023	2022	% change	% change (constant currency)
Revenue	26.0	23.0	+13%	+15%
Net fee income	7.3	7.9	-8%	-8%
Adjusted operating (loss)/profit	(0.6)	0.5	-220%	-220%
% of Group net fee income	24%	24%		

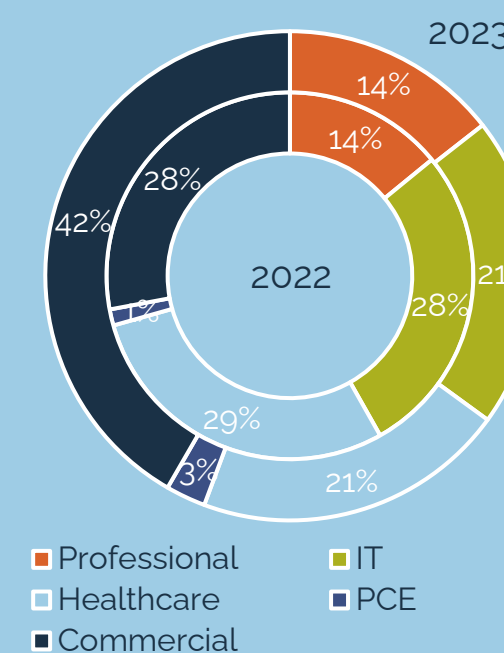
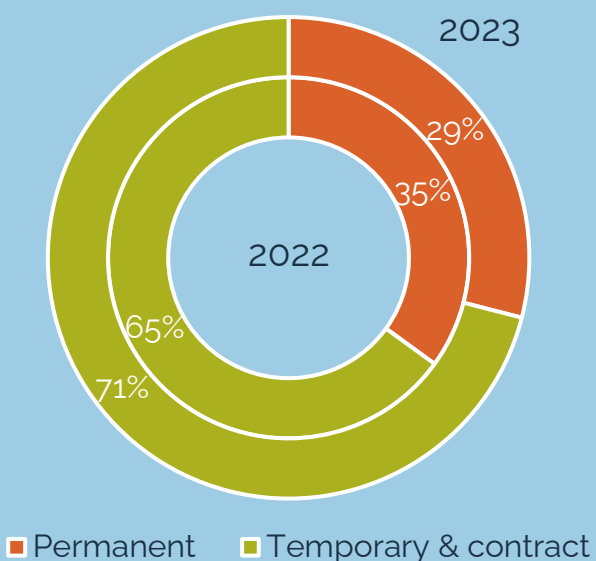
- Demand from technology companies (for both IT and Professional roles) a key driver of results across the region
- Thailand impacted by political uncertainty
- Some stronger performances with China and Philippines showing good growth
- Singapore and Australia performed poorly and contributed losses – significant actions being taken in both operations
- Some improvement in aviation – revenue up but lower margin so impact on net fee income more modest and remains loss making.



Americas

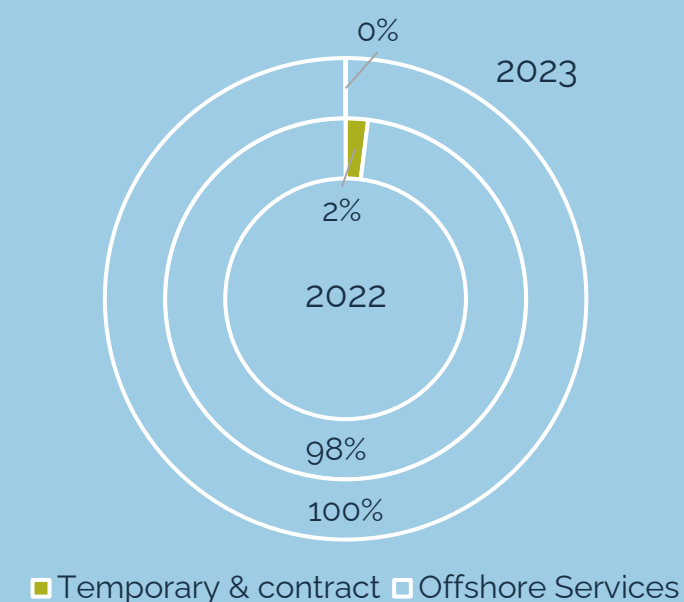
£m	2023	2022	% change	% change (constant currency)
Revenue	28.4	32.7	-13%	-19%
Net fee income	3.4	4.6	-26%	-31%
Adjusted operating (loss)/profit	(0.3)	0.8	-138%	-133%
% of Group net fee income	11%	14%		

- US the main driver of results
 - IT impacted by significant fall in demand plus impact of Silicon Valley Bank collapse on client base
 - Healthcare reduced from COVID highs with both demand and pay rates falling
- LATAM delivered solid increases in net fee income and profit with demand for our retail outsourcing remaining strong



Offshore Services

£m	2023	2022	% change	% change (constant currency)
Revenue	13.2	11.7	+13%	+16%
Net fee income	7.0	6.1	+15%	+17%
Adjusted operating profit	3.7	3.5	+6%	+9%
% of Group net fee income	23%	18%		



- Solid net fee income growth:
 - UK Healthcare clients continue to grow – added 17% more billable seats in the period
 - US remains challenging with continued weakness in IT demand – 11% fall in billable seats in the period
- Continued investment in infrastructure to support future growth



Outlook

Outlook

- Current market conditions expected to continue to impact the rest of the year
- Continuing to keep costs under review - maintaining the resources required to maximise opportunities as and when confidence returns
- Drivers that will benefit when market confidence improves – relatively low unemployment, skills shortages
- We are making progress on our key strategic actions to deliver growth. Given current market conditions we continue to review operational and investment priorities to ensure the Group is best placed to realise our medium-term ambition.

Q&A

Appendices



Income statement

Six months ended 31 December

£m	2023	2022	% Change	% Change (constant currency)
Revenue	125.7	129.8	-3%	-6%
Net fee Income	29.7	32.6	-9%	-10%
Administrative costs	(28.4)	(28.1)		
Adjusted operating profit*	1.3	4.5	-71%	-71%
Interest	(0.8)	(0.5)		
Adjusted profit before tax*	0.5	4.0	-88%	
Fair value charge on acquisition of non-controlling shares	(0.1)	-		
Amortisation of intangible assets identified in business combinations	(0.6)	(0.7)		
Taxation	(0.1)	(1.3)		
(Loss)/profit for the period	(0.3)	2.0		
Adjusted, diluted (loss)/earnings per share* (p)	(0.8)p	3.7p	-122%	
Diluted (loss)/earnings per share (p)	(2.0)p	2.7p		

* 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

£m	2023	2022
Property, plant and equipment and right-of use assets	8.0	8.9
Goodwill and other intangibles	38.6	40.0
Trade and other receivables	44.4	48.8
Cash and cash equivalents	19.6	23.1
Deferred tax assets	5.2	4.2
Total assets	115.8	125.0
Trade and other payables	(33.2)	(35.0)
Borrowings	(27.8)	(33.2)
Lease liabilities	(5.6)	(7.0)
Other liabilities	(3.7)	(4.1)
Total liabilities	(70.3)	(79.3)
Net assets	45.5	45.7

Cash flow statement

Six months ended 31 December

£m	2023	2022
(Loss)/profit for the year	(0.3)	2.0
Depreciation, amortisation, fair value charge on acquisition of non-controlling shares, share-based payments and impairment of goodwill and other intangible assets	4.3	4.0
Tax and interest	0.9	1.8
Working capital	1.7	2.1
Cash generated from operations	6.6	9.9
Lease payments	(2.7)	(2.5)
Tax and interest	(1.8)	(2.5)
Net investments and capital expenditure	(1.0)	(0.8)
Purchase of own shares in Employee Benefit Trust	(0.1)	(0.2)
Net cash flow from loans and borrowings	(1.5)	(1.6)
Dividends to shareholders	(0.7)	(0.6)
Dividends paid to non-controlling interests	(0.4)	(0.4)
Increase in cash in the period	(1.6)	1.3
Foreign exchange	(1.1)	0.7
Net movement in cash and cash equivalents	(2.7)	2.0

Shareholder information

- Shares in issue – 49.9m ordinary shares
- Market capitalisation - £20.2m (21 August 2023)
- 0.6m vested options (1.0m currently held in EBT), 3.8m unvested options (3 year performance criteria)
- Significant shareholders set out below (as at 30 June 2023)

Shareholder	Number of shares	% held
A V Martin	13,924,595	27.9%
H M van Heijst	6,450,000	12.9%
Kempen Capital Management	5,833,254	11.7%
Close Brothers Asset Management	5,235,136	10.5%
Beliggingsclub't Stockpaert	3,645,000	7.3%
The Ramsey Partnership Fund	2,441,000	4.9%
Ophorst van Marwijk Kooy	1,638,328	3.3%
Allianz Global Investors	1,590,000	3.2%

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