Empresaria Group plc

International Specialist Temporary & Permanent Staffing Group

Investor presentation – September 2013

Joost Kreulen – Chief Executive Officer

Spencer Wreford – Group Finance Director

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Half year highlights

	2013	2012	% var
Revenue	£95.6m	£97.8m	-2%
Net fee income	£20.9m	£22.4m	-7%
Adjusted operating profit*	£2.0m	£1.8m	+11%
Conversion ratio	9.4%	7.7%	+22%
Adjusted profit before tax*	£1.7m	£1.4m	+21%
Earnings per share	1.8p	1.4p	+29%
Adjusted earnings per share*	2.0p	1.4p	+43%
Reported net debt	(£8.9m)	(£8.5m)	5%

Note: Adjusted results exclude amortisation of intangible assets and exceptional items.

Regional review - UK

	2013	2012	% var
Revenue	£33.6m	£33.7m	-
Net fee income	£7.8m	£7.9m	-1%
Adjusted operating profit	£0.9m	£1.1m	-18%
% of Group net fee income	38%	35%	

Financial services: Improving market conditions in London
Broader sector coverage

Construction: Stronger H2 expected than H1 & prior year
Lower temp margin in H1 due to mix impact

Other services: Domestic services up on prior year and developing service offering
Rec-to-rec seeing improving market conditions
Creative reviewing international options
Retail housing negatively impacted by lack of new build properties in H1

Total region: Stronger Q2 than Q1
Improving market sentiment

Regional review – Continental Europe

	2013	2012	% var
Revenue	£38.6m	£43.3m	-11%
Net fee income	£6.7m	£8.5m	-21%
Adjusted operating profit	£0.3m	£0.2m	50%
% of Group net fee income	32%	38%	

Headway: (Germany/Austria)	Largest impact in region due to equal pay legislation Net fee income down 17% Temp margin reduced to 17% (2012: 19%) Cost savings offset lower net fee income Further restructuring in H1 (4 branches closed or merged, 21 fewer staff) No new claims from CGZP. Only 1 case remains to be settled
Mediradix: (Finland/Estonia)	Net fee income decline of 44% (prior year temp-to-perm fee impact) Increased competition in Estonian market Trialling doctors from Spain and focus on Finnish market in H2
Total region:	Q1 & Q2 down on prior year but rate of decline much less in Q2

Regional review – Rest of the World

	2013	2012	% var
Revenue	£23.4m	£20.8m	+12%
Net fee income	£6.4m	£6.0m	+7%
Adjusted operating profit	£0.8m	£0.5m	+60%
% of Group net fee income	30%	27%	

Singapore & Hong Kong:	Turned around 2 years of losses
Chile:	Reduced loss after exit of higher risk contracts and restructuring
Japan:	Strong overall performance. Retail brand, FINES, added perm team
India:	Strong growth after restructuring in 2011
SE Asia:	Executive search brand, Monroe, lower profit after investing in staff and office space
Total region:	Both Q1 & Q2 up on prior year

Current trading and outlook

- Improved performance from Singapore, Hong Kong & Chile
- Cost savings in Germany help to offset lower margin
    - Market still has good potential
    - Key focus for management to improve performance
- UK market conditions improving
- Rest of the World region performing consistently well
- Cost controls with focus on improving conversion ratio
- CGZP provision – 3 year time bar ends December 2013
- Investment opportunities being investigated for 2014
- Management remain confident that earnings for the full year will be in line with market expectations

Appendices

Income statement – six months to 30 June 2013

£m	2013	2012	Change
Revenue	95.6	97.8	(2%)
Net fee Income (gross profit)	20.9	22.4	(7%)
Overheads	(18.9)	(20.6)	
Adjusted operating profit*	2.0	1.8	11%
Interest	(0.3)	(0.4)	
Adjusted profit before tax*	**1.7**	**1.4**	21%
Exceptional items and amortisation	(0.1)	0.0	
Tax	(0.6)	(0.5)	
Profit for the period	1.0	0.9	
Adjusted EPS* (p)	2.0	1.4	43%
IFRS EPS (p)	1.8	1.4	29%

Revenue decreased by 2%, with a 7% increase in permanent sales and an 3% decrease in temporary sales. On a like-for-like currency basis, revenue was down 3% on the prior year.

Net Fee Income was 7% lower than prior year. The increase in permanent sales was offset by the decline in temporary sales, plus the temporary margin reduced to 15.3% from 16.6%.

Overheads reduced by 8%. Conversion ratio improved from 7.7% in 2012 to 9.4% in 2013.

Exceptional costs of £0.2m in Germany for restructuring offset by £0.2m release of CGZP provision.

Tax rate of 36% in 2013.

EPS benefits from improved profit and investments in minority share purchases.

* Adjusted results are before exceptional items and amortisation of intangible assets

Balance sheet – 30 June 2013

£m	2013	2012
Property, plant & equipment	1.2	1.5
Goodwill and intangibles	27.2	26.5
Deferred tax asset	1.2	1.4
Call option asset	0.0	0.2
	29.6	29.6
Trade and other receivables	29.4	30.2
Cash and bank balance	6.6	5.9
	36.0	36.1
Trade and other payables	(21.7)	(21.6)
Provision for exceptional items	(1.1)	(1.7)
Current tax liability	(1.4)	(1.4)
Short-term borrowings	(7.7)	(6.2)
Put option liability	-	-
	(31.9)	(30.9)
Long-term borrowings	(7.8)	(8.2)
Deferred tax liabilities	(0.9)	(0.8)
	(8.7)	(9.0)
Net assets	**25.0**	**25.8**
Equity attributable to equity holders of parent	(21.5)	(22.5)
Non-controlling interests	(3.5)	(3.3)
Total equity	**(25.0)**	**(25.8)**

Capital expenditure of £0.3m on fixed assets.

Average debtor days 50 (2012: 51).

Reported net debt of £8.9m at end of year, up from £8.1m at end of 2012 following £1.2m purchase of minority shares in subsidiaries.

Bank facilities increased in the year to £29.4m (December 2012: £29.0m). Amount of undrawn facilities £4.3m (December 2012: £4.8m). New facilities in Australia and Czech Republic.

Total debt including non-recourse invoice financing in 2013 £16.1m (2012: £16.9m)

Provision for exceptional items includes £0.9m for CGZP issue and £0.2m for German restructuring.

No movement in share capital.

Cash flow – six months to 30 June 2013

£m	2013	2012
Profit for the period	1.0	0.9
Depreciation and amortisation	0.5	0.6
Tax and interest added back	0.9	0.9
Exceptional items	(0.5)	(0.2)
Working capital	0.6	(1.1)
Cash generated by operations	**2.5**	**1.1**
Tax, interest & capex	(1.5)	(1.6)
Dividends to PLC shareholder	(0.2)	0.0
Dividends to non-controlling interests	0.0	(0.4)
Investments and disposals	(1.2)	(1.2)
Cash inflow from loans and borrowings	0.8	2.2
Increase in cash in the period	0.4	0.1
Foreign exchange	0.0	(0.2)
Net increase in borrowings	(1.2)	(2.8)
Net debt at beginning of period	(8.1)	(5.6)
Net debt at 30 June 2012	(8.9)	(8.5)
Total borrowings including non-recourse invoice financing	(16.1)	(16.9)

Cash generated from operations was £2.5m, up on the prior year after £0.6m working capital reduction and £0.5m cash spend on exceptional items.

Dividend to PLC shareholders in June 2013 (previously paid in July).

Investments of £1.2m on Headway final tranche (£0.5m) payment plus purchases of shares in Skillhouse for £0.5m (10%) and Mediradix for £0.2m (9%).

Directors

Tony Martin - Chairman

Tony was appointed Chairman of Empresaria in July 2004. Prior to joining Empresaria, Tony served as Chairman and Chief Executive of Select Appointments (Holdings) PLC from 1992 to 1999, which he and his team built into a global recruitment business before agreeing to sell the company to Vedior NV, one of the world's largest recruitment companies, for £1.1 billion, in cash, in 1999. Tony became Vice Chairman and member of the Board of Management of Vedior NV and in August 2000 he assumed the role of Chairman and Chief Executive until his retirement in February 2004. He owns approximately 21% of Empresaria.

Joost Kreulen – Chief Executive Officer

Joost was appointed Chief Executive Officer effective from 1 January 2012. Joost has been with Empresaria since 2009. He was initially responsible for its Asian operations and more recently also for a number of its UK based businesses. He was appointed Chief Operating Officer and Chief Executive designate on 7 September 2011. Prior to joining Empresaria, Joost had spent 20 years working in various roles for businesses which now form part of Randstad N.V., most recently as head of specialist staffing operations in the Netherlands. He currently owns approximately 0.1% of Empresaria.

Spencer Wreford - Group Finance Director

Spencer was appointed Group Finance Director in May 2010 and has over 10 years experience in senior finance roles. He joined Empresaria from BPP Group, where he was the Finance Director of the BPP Professional Education division, a provider of international professional training. Prior to this he spent 8 years at ITE Group Plc, the international conference and exhibition organising group, as Deputy Finance Director, during which time he also spent six months as Acting Group Finance Director. Spencer is a member of the Institute of Chartered Accountants of England & Wales, qualifying with Arthur Andersen. He currently owns approximately 0.03% of Empresaria.

Penny Freer – Non-Executive Director

Penny Freer joined the Board in December 2005. Penny is a partner of London Bridge Capital, a corporate finance advisory firm. Until 2004 she was Head of Equity Capital Markets at Robert W Baird and from 2004 to 2005, Deputy Chairman of Robert W Baird Limited. Previously she was responsible for Credit Lyonnais' small and mid-cap equities activities. Penny currently owns approximately 0.03% of Empresaria. She is a member of the audit committee and chairs the remuneration committee. Penny is also a non-executive director of Advanced Medical Solutions plc, where she is the senior independent director.

Zach Miles - Non-Executive Director

Zach Miles joined the Board on 1st October 2008, having recently held the position of Chairman and Chief Executive Officer of Vedior N.V. He was a member of the Board of Management from 1999, and Chairman since February 2004. Before joining Vedior, Zach was CFO and a member of the Board of Directors of Select Appointments Plc. His career in the recruitment industry began in 1988. He was formerly a partner at Arthur Andersen and is a qualified Chartered Accountant. He is a member of the remuneration committee and chairs the audit committee.

Strategy

Specialist	Value added service Better margins and growth opportunities
People focus	Management equity philosophy
Multi-branded	19 separate brands with own specialism
Operational mix – balance of temporary and permanent revenue	Permanent revenue focus in high growth Asia-Pacific markets, temporary focus in Continental Europe. Temporary bias in UK but still strong permanent sales
Diversified by region & sector	Reduce market volatility and dependence on any one area
Operational performance	Deliver sustainable growth in EPS

What we do

Recruitment focus

Services:

90% of net fee income from staffing services (2012)

30% permanent sales
60% temporary sales

Brands:

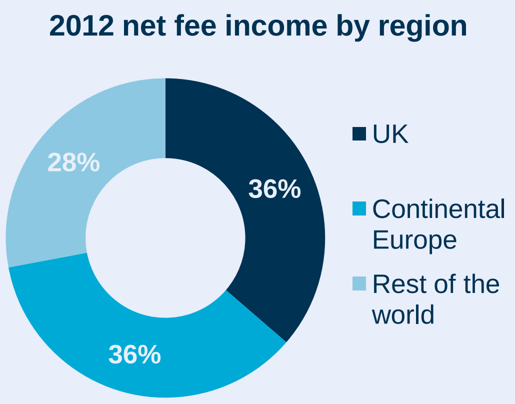
19 brands operating in 18 countries
Multi-branded approach

82% of net fee income from top 10 brands (2012)

Diversified & balanced approach

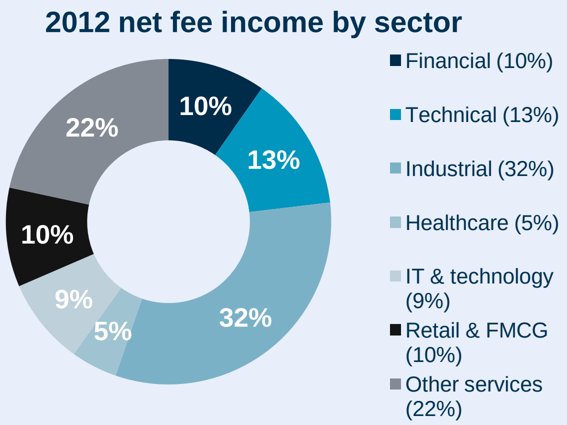
Regions:

Balance between mature stable markets and higher growth emerging markets

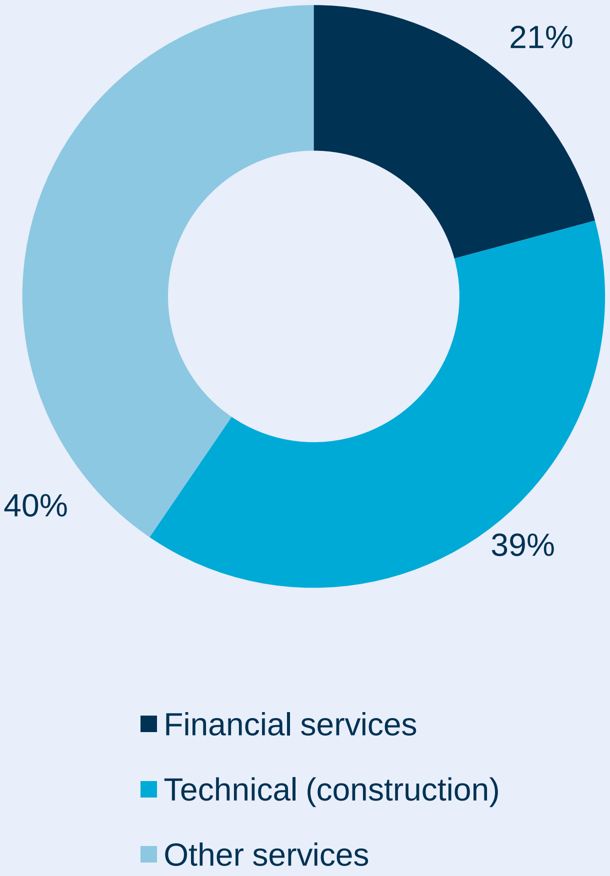


Sectors:

7 key sectors
Focus on professional & skilled workers



UK brands



Financial services:

- LMA
- Mansion House

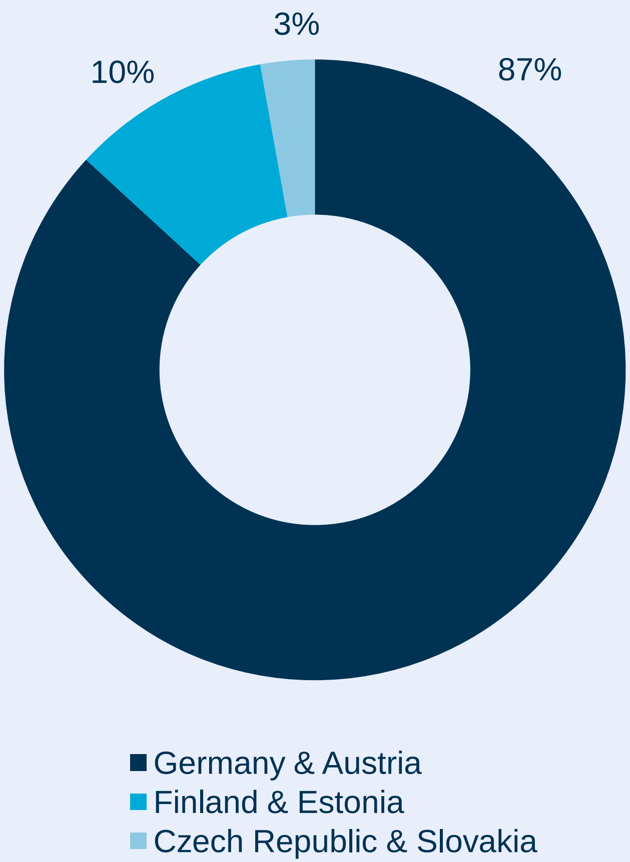
Technical (Construction):

- FastTrack
- Reflex HR

Other services:

- Greycoat Lumleys (Domestic services & catering)
- McCall (Recruitment-to-recruitment)
- Become (Creative & Media)
- Teamsales (Retail – new housing)

Continental Europe brands

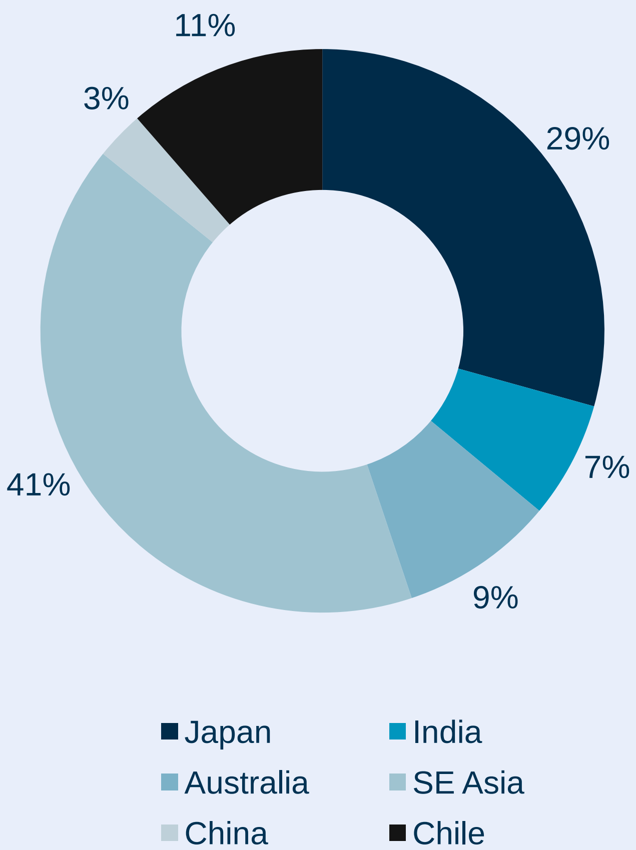


Germany & Austria:
Headway
- Industrial

Finland & Estonia:
Mediradix
- Healthcare

Czech Republic & Slovakia:
GiT
- IT & Telecoms

Rest of the World brands



Japan:
- Skillhouse (IT)
- FINES (Fashion retail)

Australia:
- Become (Creative)

China:
- HR Intelligence (Executive search)

India:
- IMS (RPO & Global search)

SE Asia*:
- Monroe Consulting (Executive Search)
- Learning Resources (Training & assessment)
- Metis (Executive search & training)
- LMA (Financial services)
- McCall (Recruitment-to-recruitment)

Chile:
Alternattiva (Outsourcing, training & recruitment)

*SE Asia: Indonesia, Thailand, Malaysia, Philippines, Singapore, Hong Kong

Why we are in our markets

Region	Market size	Temp/Perm focus	Opportunity	GDP growth
UK	3rd largest staffing market	Temp bias (59% of net fee income) High temp penetration rates	Mature market delivering good returns	Next 5 years on average 1%
Continental Europe	Germany is 5th largest staffing market (84% of regional net fee income)	Temp bias (96% of net fee income) Growing temp penetration rates (German market deregulated in 2004)	German economy is one of the strongest in Europe German staffing market is relatively immature	Next 5 years on average 1-2%
Rest of the World	Japan is 2nd largest staffing market Fastest growing region for the Group	Perm bias (64% of net fee income) Low temp penetration rates	Large populations point to future growth prospects	Access to high growth markets (eg Indonesia, Thailand, China, India, Singapore, Philippines, Chile)

Management equity philosophy

- Management capacity and structure established for ongoing growth
- Committed to incentivising operational management through equity participation in their businesses
- Helps drive long-term growth and retain/attract key management
- Only executive directors have options over Empresaria shares

	First generation	Second generation
Minority shareholder	Held by the business founder	Provided to next tier of management (normally when first generation shares have been acquired by Empresaria) to incentivise next growth phase
Profits	Interest in full profits of the business	Threshold profit limit exists. Minority shareholder only benefits from growth in profits above the threshold limit
Valuation basis	Typically 10x multiple on average of last three years profit after tax (lower multiple applies if Empresaria current multiple is below 10x)	
Requirement to acquire minority shares	Minority shareholder typically holds shares for 5 years before being able to offer them to Empresaria to acquire, with the valuation based on the agreed methodology. There is no obligation on Empresaria to purchase any shares.	
Level of minority shares	Typical range is between 49% and 5%, with an average Empresaria holding of approximately 75%	

Shareholder information

Shares in issue: 44,562,847 ordinary shares

Market capitalisation: £15.6million

Outstanding options: 1.22m (2.7% of fully diluted)

Significant shareholders:

Caledonia Investments	9,814,264	22.0%
A V Martin	9,690,546	21.8%
M W R Hunt	3,988,092	9.0%
Liontrust	3,573,468	8.0%
Ennismore	3,266,396	7.3%
T J D Sheffield	2,049,307	4.6%
Ashcourt Asset Management	1,873,403	4.2%