

# Investor Presentation – Interim 2019 results

Rhona Driggs

Chief Executive Officer

Tim Anderson

Chief Financial Officer

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Rhona Driggs  
CEO

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



Tim Anderson  
CFO

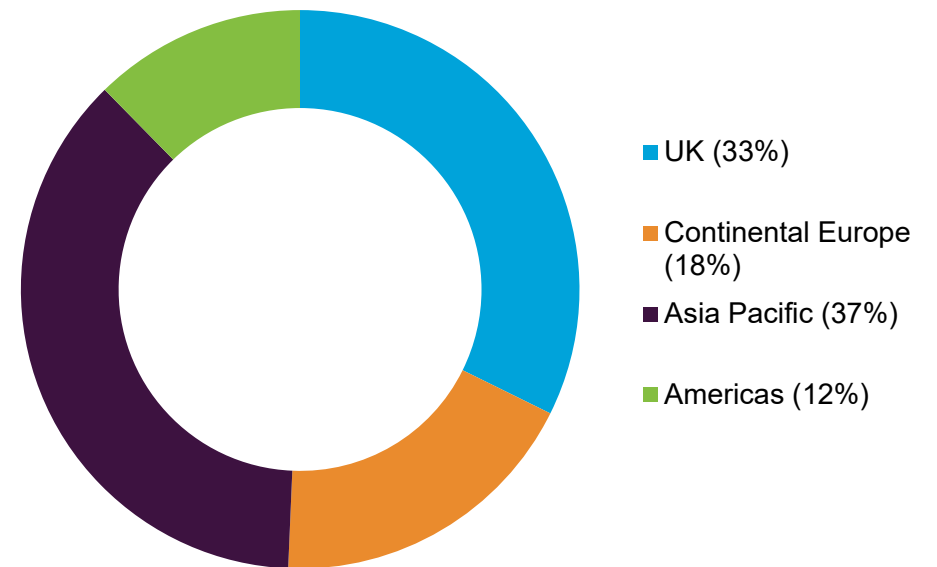
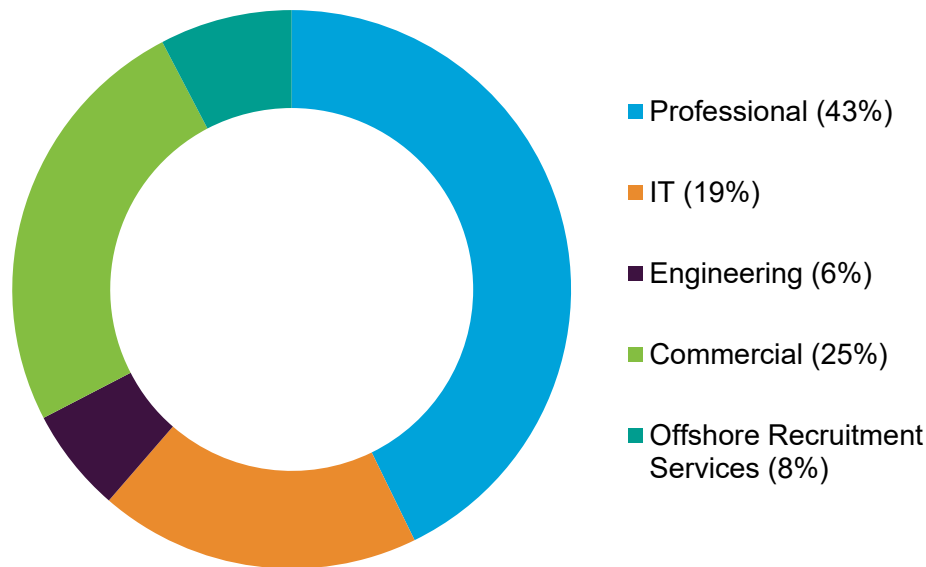
- Over 15 years' experience working for listed and private equity backed businesses.
- Joined Empresaria in March 2018
- Held finance positions in three FTSE 100 businesses
- Member of the Institute of Chartered Accountants in England and Wales, qualifying with KPMG.



# Overview

# Diversified business model

- 5 sectors with over 1,950 employees operating in 21 countries
- Spread of operations reduces impact from localised market issues
- 67% of net fee income from outside the UK
- Growing strength in Offshore Recruitment Services further diversifying net fee income



**38%** Permanent

**55%** Temporary & Contract

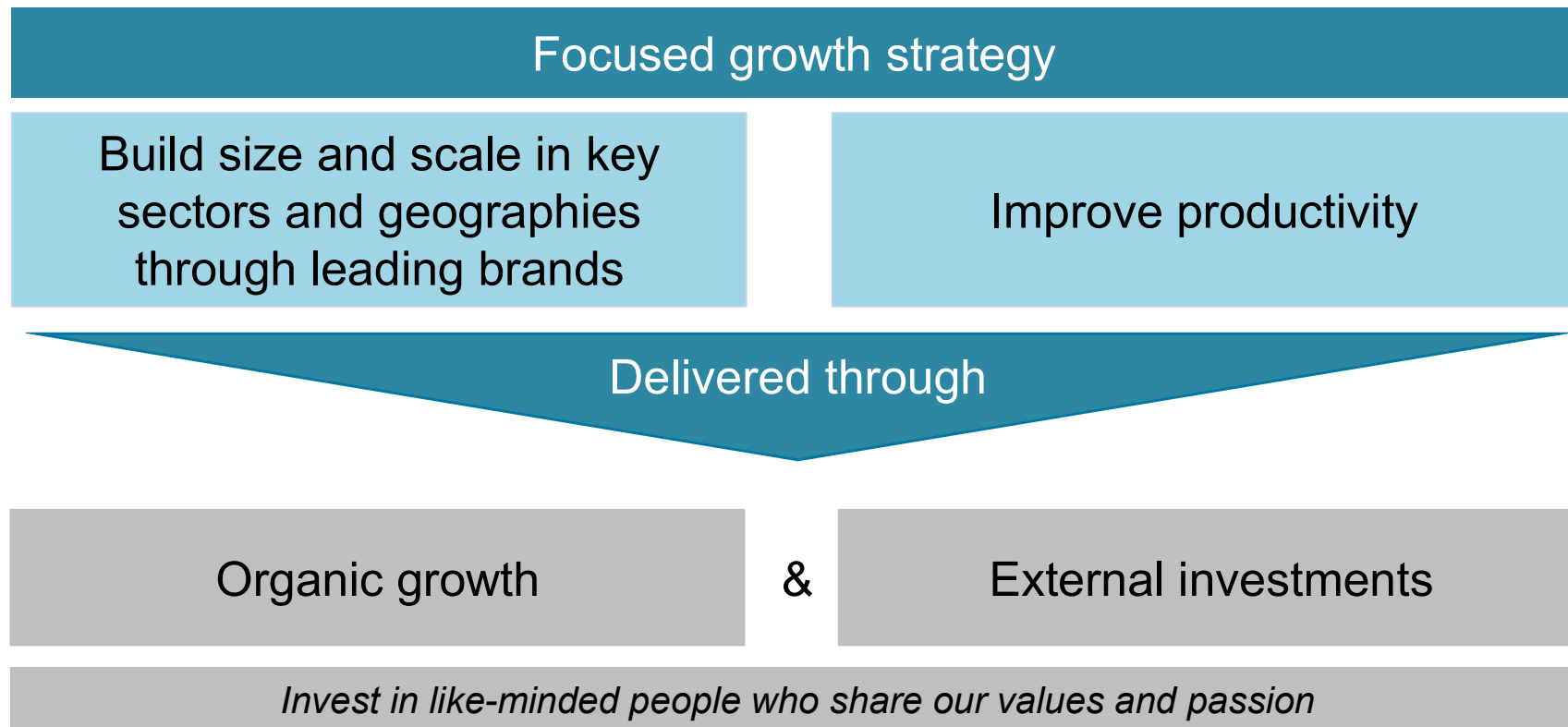
**8%** Offshore Recruitment Services

# Overview of the half year

- Solid growth in net fee income
  - +7%, +6% in constant currency
  - 55% growth in Offshore Recruitment Services sector
- Fall in profits in the first half as expected
  - Low starting point for temps in Germany and Japan following regulatory changes in 2018
  - Investment in central team from 2018 H2
  - Impact of Brexit uncertainty in certain UK markets
- Aligned businesses around core sectors
  - 5 sectors - Professional, IT, Engineering, Commercial and Offshore Recruitment Services
  - Drive to improve collaboration and leverage synergies
- Focus on organic growth
  - Launched Stronger Together initiative
  - Expanding existing brands into new markets - 3 new office openings
  - Investment in technology
- Mixed economic environment - headwinds from Brexit, weakening German economy, increased geo-political risk
- Remain on course to deliver full year market expectations for profit

An aerial photograph of a dense urban skyline, likely a major financial hub, is the background. The image is overlaid with a complex geometric pattern of semi-transparent shapes in various shades of blue, teal, and green. The shapes are angular and layered, creating a sense of depth and modernity. The overall aesthetic is clean, professional, and tech-oriented.

# Strategy & Delivery



## A focused sector approach

- Alignment of business into 5 core sectors – Professional, IT, Commercial, Engineering, Offshore Recruitment Services
- Improve collaboration and leverage operational synergies
- Sector heads to be identified reporting into CEO
- Scale sectors into new markets/geographies
- Investment activity to be targeted at growth sectors where we see maximum potential return
- No intention to invest in new sectors in the short term



# Our sectors and brands

**Professional**  
43% of Group NFI



LMA  
GREYCOAT LUMLEYS  
*Setting the standard in Recruitment*

**Rishworth Aviation**  
*International Aviation Consultants. Crew Leasing Specialists.*

MONROE CONSULTING GROUP

McCall Medi kumpani

pharmaceutical strategies

TEAMSALSA RECRUITMENT

become

ball and hoolahan

**IT**  
19% of Group NFI



ConSol  
Partners  
*Connecting the Next Generation*

4WARD TALENT

skillhouse  
*IT STAFFING SOLUTIONS*

**Engineering**  
6% of Group NFI



bw & p

FastTrack

**Commercial**  
25% of Group NFI



headway®  
*people. passion. possibilities.*

alternattiva  
Recursos Humanos

people

FINES TOKYO

**ORS**  
8% of Group NFI



ims  
*People? Possible!*

# Investing in the business

- Central team
  - Investment in marketing and training teams
- Brand management and operational structures
  - Reorganisations undertaken in 3 brands to ensure structure and approach is optimised to deliver and to improve underperforming businesses
  - New leader hired for UK Engineering business
- New offices and brand
  - In H1, Become opened in Brisbane and Auckland, ConSol opened in Austin
  - 4ward Talent brand launched in Dec 18
- Shared services
  - Options to improve quality and generate efficiencies being explored
- Technology
  - Investing in ATS platforms – deal signed with Bullhorn in July
  - Seeking operational synergies through use of common tools and technologies

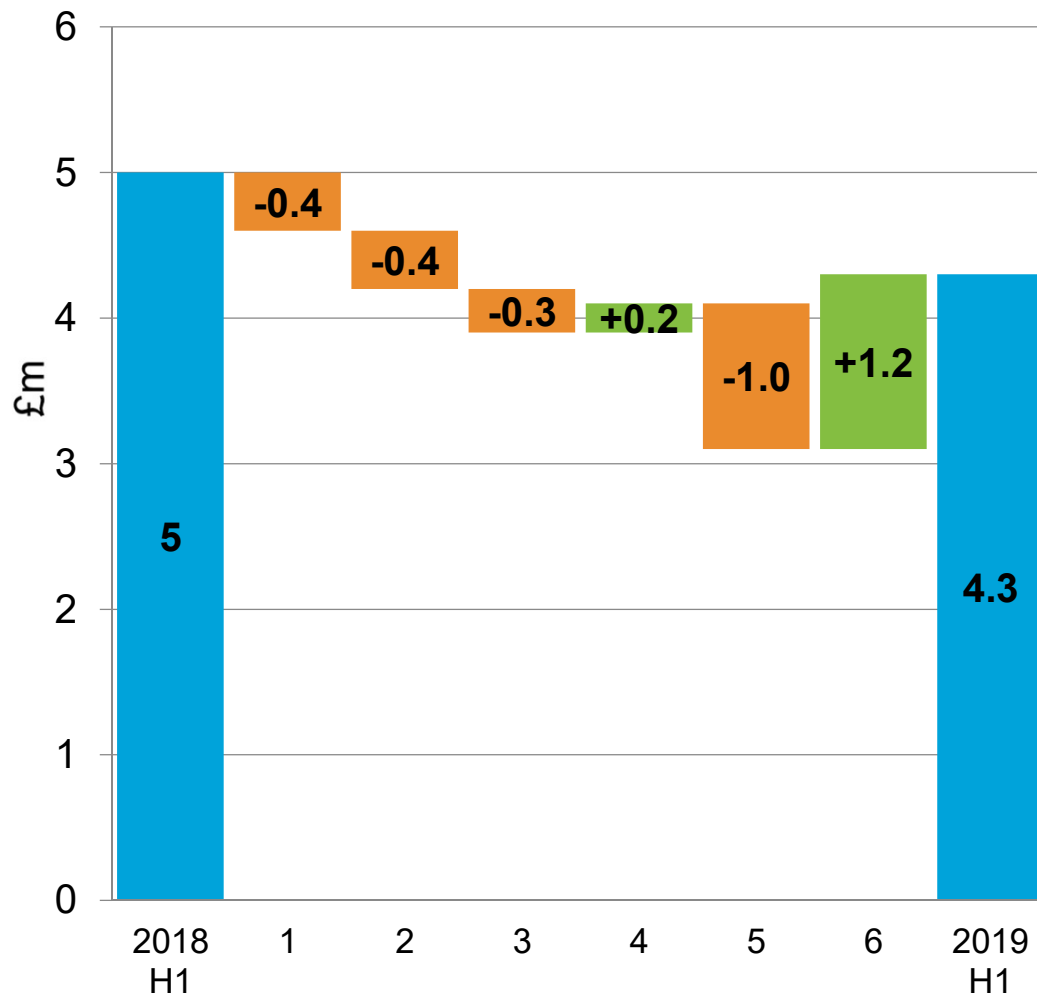


## Financial Review

## Summary income statement

£m	2019	2018	% change	% change constant currency
Net fee income	36.3	34.0	+7%	+6%
<i>Adj op profit - Sectors</i>	6.2	6.5	-5%	
<i>Central costs</i>	(1.9)	(1.5)	-27%	
Adjusted operating profit	4.3	5.0	-14%	-14%
Adjusted profit before tax	3.7	4.7	-21%	-21%
Adjusted, diluted EPS	3.3p	5.0p	-34%	

# Adjusted operating profit against prior year

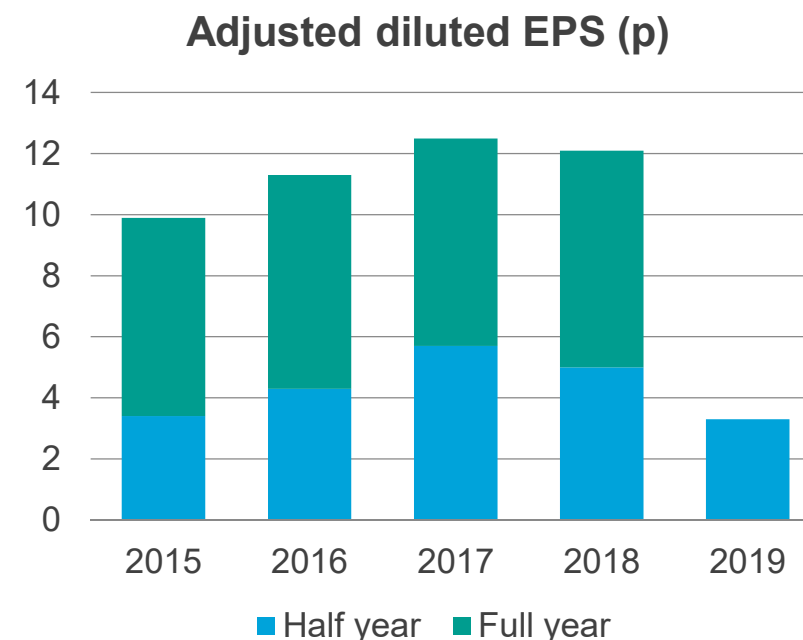


1. Total contribution from Germany and Japan is down due to the lower starting point for temp numbers following the regulatory changes last year. These businesses are rebuilding well but German progress offset by weakening automotive sector.
2. Impact of investment in central team in line with amounts previously communicated, 2019 impact mainly on H1.
3. New offices/brands contributed start-up losses in H1. Progressing in line with expectations. H2 expected to be improved although likely to show further losses.
4. First time contribution from Grupo Solimano
5. Brexit uncertainty has impacted on some of our UK businesses - in particular those operating in financial services, house building and engineering & construction. Steps taken to minimise impact on bottom line which will help H2. Impact of Brexit on the rest of the year remains a risk.
6. Other businesses in the Group have contributed strongly to profit as described in more detail in the following pages

## Earnings

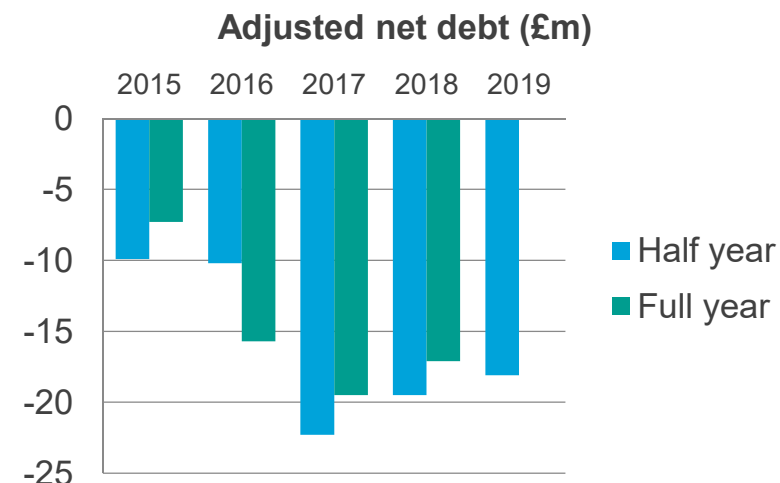
	2019	2018	% var
Adjusted profit before tax	£3.7m	£4.7m	-21%
Adjusted, diluted earnings per share	3.3p	5.0p	-34%

- Adjusted PBT reflects fall in operating profits and an increase of £0.3m to the interest charge - £0.2m from adoption of IFRS 16, and £0.1m interest on tax liabilities.
- Adjusted diluted EPS has fallen by a greater percentage reflecting an increase in the allocation of profits to non-controlling interests. This is in part due to the strong performance of our ORS business which has a significant non-controlling interest and does not have the seasonal weighting to H2 that we see elsewhere.



## Adjusted net debt

£m	2019	2018
Adjusted net debt	18.1	17.1
Net finance costs	0.6	0.3
Debt to debtors ratio	38%	36%



Adjusted net debt excludes cash held in respect of pilot bonds (£1.2m)

- Increase by £1m from 31 December 2018, £1.4m lower than 30 June 2018
- Average month end adjusted net debt in H1 of £17.0m, £1.9m lower than same period in 2018
- Adjusted net debt does not reflect the £3.5m investment in ConSol in July 2019

### 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%
- Acquisition on same valuation as initial stake
- Business is performing strongly in a key sector for the Group
- Significant growth potential – recent launch of sub-branch 4ward Talent, and opening of new office in Austin, USA
- Earnings enhancing in 2019





# Summary

## Confident in future

Strong, diversified foundation able to deliver next phase of growth

- Investments made in central team enhancing support to Group companies
- Stronger Together initiative launch in May
- Aligned businesses around core sectors

A focused strategy based upon organic growth with strategic investments

- Drive to improve productivity and effectiveness
- Building size and scale in growth sectors

Despite a mixed economic environment we remain confident in our ability to deliver future growth.



## Q&A



# Appendices



## Professional

£m	2019	2018	% change	% change (constant currency)
Revenue	68.4	77.0	-11%	-11%
Net fee income	15.6	14.4	+8%	+7%
Adjusted operating profit	2.0	2.0	-	-1%
% of Group net fee income	43%	42%		

- Net fee income growth despite challenges from Brexit uncertainty particularly within financial services and house building markets.
- Revenue down due to change in billing structure with key airline client - no impact on net fee income.

## IT

£m	2019	2018	% change	% change (constant currency)
Revenue	21.4	21.6	-1%	-3%
Net fee income	6.8	6.5	+5%	+2%
Adjusted operating profit	1.3	1.5	-13%	-16%
% of Group net fee income	19%	19%		

- Lower temp revenues in Japan – started the year from a lower base following the regulatory changes in 2018.
- Overall net fee income growth with a particularly strong performance in the UK more than offsetting Japan and a weaker US performance where we had a weaker H1 after a very strong 2018.
- 4ward Talent, launched in December 2018, and the new office in Austin, USA, which opened in April 2019, are both progressing well but generated losses during the period which have led to the overall adjusted operating profit for this sector being lower than last year.

## Engineering

£m	2019	2018	% change	% change (constant currency)
Revenue	12.2	14.9	-18%	-19%
Net fee income	2.2	2.6	-15%	-15%
Adjusted operating profit	(0.4)	0.1	n/a	n/a
% of Group net fee income	6%	8%		

- Difficult H1, particularly in the UK, with challenging market conditions and an ongoing impact from Brexit.
- New leader hired for the UK business and significant restructuring and positioning under way.
- Focus of business moving away from blue collar and towards the more lucrative white collar market.
- H2 trading expected to remain difficult but we expect to start seeing these changes have an impact as we move into 2020.

## Commercial

£m	2019	2018	% change	% change (constant currency)
Revenue	68.4	61.9	+11%	+12%
Net fee income	9.1	8.9	+2%	+3%
Adjusted operating profit	1.9	2.2	-14%	-13%
% of Group net fee income	25%	26%		

- First time contribution from investment in Peru made in July 2018 – progressing in line with our expectations.
- German temp business starting from a lower base following regulatory changes in 2018.
- Good progress being made in rebuilding in Germany, but this has been offset by the impact from the weakening German automotive sector which represents a key market.
- Cost management undertaken in impact business and we expect to see improvements in the second half.



## Offshore Recruitment Services

£m	2019	2018	% change	% change (constant currency)
Revenue	5.4	3.1	+74%	+74%
Net fee income	2.8	1.8	+55%	+55%
Adjusted operating profit	1.4	0.7	+100%	+100%
% of Group net fee income	8%	5%		

- Significant growth off the back of a strong 2018.
- Good results from both US and UK markets.
- New premises taken in January providing the capacity to continue expanding – total headcount now exceeds 1,000.
- No direct adverse impact from Brexit on activity, but business is exposed to currency fluctuations and to a weakening of GBP.
- Business is well positioned to deliver a strong second half.

# Income statement – 6 months ended 30 June 2019

£m	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Constant currency</u>	
<b>Revenue</b>	<u>175.5</u>	<u>178.3</u>	-2%	-2%	
<b>Net fee Income</b>	36.3	34.0	+7%	+6%	
Administrative costs	<u>(32.0)</u>	<u>(29.0)</u>			
<b>Adjusted operating profit*</b>	4.3	5.0	-14%	-14%	
Interest	<u>(0.6)</u>	<u>(0.3)</u>			Interest higher due to adoption of IFRS 16 (£0.2m) and interest on tax (£0.1m)
<b>Adjusted profit before tax*</b>	3.7	4.7	-21%	-21%	
Exceptional items	(0.5)	-			Exceptional costs relate to change of CEO
Amortisation of intangibles identified in business combinations	(0.9)	(0.8)			
Taxation	<u>(1.0)</u>	<u>(1.4)</u>			Effective tax rate of 36% on an adjusted basis (2018: 34%)
<b>Profit for the period</b>	<u>1.3</u>	<u>2.5</u>			
Diluted adjusted EPS* (p)	3.3	5.0	-34%		
IFRS EPS (p)	1.4	3.8	-63%		

\* Adjusted to exclude amortisation of intangible assets identified in business combinations, exceptional items, gain or loss on disposal of businesses, 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 2019

£m	<u>2019</u>	<u>2018</u>	
Property, plant & equipment	2.5	1.5	
Right-of-use assets	13.5	-	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.
Goodwill and other intangible assets	54.0	53.1	
Deferred tax asset	1.6	1.0	
Non-current assets	<u>71.6</u>	<u>55.6</u>	
Trade and other receivables	58.5	54.9	Trade and other receivables includes trade receivables of £48.1m (2018: £44.5m)
Cash and cash equivalents	21.2	26.9	
Current assets	<u>79.7</u>	<u>81.8</u>	
Trade and other payables	(39.1)	(42.3)	Cash includes amounts held in respect of pilot bonds of £1.2m (2018: £7.3m) which are excluded when assessing adjusted net debt and a further £2.3m of cash held within pooling arrangement but for IFRS reporting cannot be presented nett against the related overdraft.
Current tax liabilities	(1.4)	(2.2)	
Borrowings	(28.9)	(36.9)	
Lease liabilities	(6.1)	-	
Current liabilities	<u>(77.1)</u>	<u>(81.4)</u>	
Borrowings	(9.2)	(2.2)	Trade and other payables includes £1.2m for pilot bonds and £0.9m for client deposits
Lease liabilities	(7.5)	-	
Deferred tax liabilities	(3.9)	(4.0)	
Non-current liabilities	<u>(20.6)</u>	<u>(6.2)</u>	Banking facilities in place of £50.4m (2018: £49.6m)
<b>Net assets</b>	<b><u>55.2</u></b>	<b><u>49.8</u></b>	
Equity attributable to owners of Empresaria	46.5	42.7	
Non-controlling interests	8.7	7.1	
<b>Total equity</b>	<b><u>55.2</u></b>	<b><u>49.8</u></b>	

## Cash flow – 6 months ended 30 June 2019

£m	<u>2019</u>	<u>2018</u>	
Profit for the year	1.3	2.5	
Depreciation, amortisation, share-based payments and impairment of intangibles	4.8	1.2	Depreciation includes depreciation of right-of-use assets following the adoption of IFRS 16 Leases from 1 January 2019.
Tax and interest added back	1.6	1.7	
Working capital	<u>(3.9)</u>	<u>(1.4)</u>	Working capital includes an outflow of £4.2m in respect of pilot bonds (2018: £0.2m).
Cash generated from operations	3.8	4.0	
Lease payments	(3.0)	-	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	(3.8)	(2.2)	
Dividends to shareholders	(1.0)	(0.6)	
Net investments and capital expenditure	(1.1)	(0.5)	Tax payment £1.4m higher than 2018 following settlement of tax audits in the first half.
Net cash flow from loans and borrowings	0.9	1.3	
Purchase of own shares through EBT	-	(0.4)	
Dividend paid to non-controlling interests	(0.2)	(0.2)	Dividend to shareholders reflects the dividend paid of 2.0p
Increase in cash in the period	<u>(4.4)</u>	<u>1.4</u>	
Foreign exchange	0.2	(0.4)	
Net movement in cash & cash equivalents	<u>(4.2)</u>	<u>1.0</u>	

## Shareholder information

Shares in issue - 49,019,132 ordinary shares

Market capitalisation - £33 million (12 August 2019)

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

Significant shareholders (updated on 12 August 2019)

Anthony Martin	13,924,595	28.4%
Close Brothers Asset Management	6,557,767	13.4%
Hof Hoorneman Fund Management	5,224,000	10.7%
H M van Heijst	3,450,000	7.0%
Beleggingsclub 't Stockpaert	3,005,000	6.1%
Ramsey Partnership Fund	2,296,500	4.7%

## P/E ratio comparison

	Market cap (£m)	P/E ratio	Yield (%)
Hays	2,120	12.7	2.6%
Page Group	1,450	13.6	3.0%
Robert Walters	420	10.9	2.7%
Sthree	346	8.5	5.5%
Impellam	197	6.7	-
Staffline	103	1.5	7.0%
Gattaca	40	5.5	-
<b>Empresaria</b>	<b>33</b>	<b>5.2</b>	<b>3.1%</b>
Hydrogen	16	6.9	3.1%
Prime People	11	6.6	5.7%

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