Interim Results

Six months ended 30 June 2020

Ian Lawson **Executive Chairman**
Daniel Quint **Interim Chief Financial Officer**

Staffline

Highlights H1 2020

- Revenue of £434.9m (H1 2019 restated: £523.3m)
- Underlying* operating loss of £(0.8)m (H1 2019 restated: £4.4m profit, H2 2019: £(5.2)m loss)
  - Unprecedented surge in food supply chain sector demand including supermarket customers during lockdown, where volumes were 64% higher than expected between April and May, although this did not offset the impact of COVID-19 in other sectors during H1
  - Despite the shutdown of a number of services due to COVID-19 related social distancing measures, PeoplePlus maintained delivery of a number of core services. 100% of adult education classroom capacity was lost between April and June, which has now recovered to 42% because of social distancing
- Reported loss before tax of £(47.7)m (H1 2019 restated: £(12.3)m loss) including non-underlying items related to non-cash charges for goodwill impairment of £35.3m and amortisation of intangibles of £4.8m
- On a pre-IFRS 16 basis net borrowings of £36.2m (H1 2019: £89.9m), benefitting from £45.8m of deferred VAT payments, which are due in March 2021
- Comprehensive credit facilities agreed with lenders in June 2020 until July 2022
- Internal actions implemented and ongoing to improve working capital structure
- Albert Ellis appointed as Group CEO

*Note: Underlying operating profit before goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying costs.

Executive Chairman overview

Since joining in April 2020, the first task of stabilising the business has been delivered:

- Governance strengthened, management reporting overhauled, accountability clarified
- Focus on cost base and working capital: 20% reduction in cost base Q3 over Q1, and headcount reduced by 13% since year end
- Audit and refinancing of the bank facilities concluded (as previously announced)

With our interims and appointment of Albert Ellis as new CEO, Staffline is moving to the next phase of its recovery:

- Continuing to support our customers as they flexibly manage their staffing needs in difficult times of high uncertainty
- Refining our operating models to be robust and highly efficient at serving customers, whilst managing our working capital exposure
- Progressing with mitigating actions to help alleviate the probable liquidity pressures in March 2021

The challenges are not yet behind us, but the hard work of the last 6+ months puts Staffline in a great position to take advantage of structural growth markets over the next 10 years

COVID-19 Operating Strategy

Protecting our people, managing our cost base and balance sheet

Maintaining business platform

Reduction in Q2 overhead cost base of 15% vs Q1

Q3 costs expected to be down c.20% compared to Q1

Group headcount decreased by 13% between December 2019 and August 2020

Reduction in debt which is more than 30 days overdue by 78%

Group Financial Performance

Daniel Quint
Interim Chief Financial Officer

FY20 Half year results
Divisional performance

	Recruitment GB H1 2020 £m	Recruitment Ireland H1 2020 £m	People Plus H1 2020 £m	Group costs H1 2020 £m	**Total Group H1 2020 £m**	Recruitment GB H1 2019 Restated £m	Recruitment Ireland H1 2019 Restated £m	People Plus H1 2019 Restated £m	Group costs H1 2019 Restated £m	Total Group H1 2019 Restated £m
Revenue	332.8	61.9	40.2	-	**434.9**	406.4	75.5	41.4	-	523.3
Gross profit	21.6	5.6	6.9	-	**34.1**	28.3	8.1	8.9	-	45.3
Gross profit margin	6.5%	9.0%	17.2%	-	**7.8%**	7.0%	10.7%	21.5%	-	8.7%
Underlying operating profit	1.3	1.1	(2.0)	(1.2)	**(0.8)**	4.3	2.4	(1.3)	(1.0)	4.4
Operating profit margin	0.4%	1.8%	(5.0)%	-	**(0.2)%**	1.1%	3.2%	(3.1)%	-	0.8%

Group
- Revenue decreased 16.9% to £434.9m (H1 2019 restated: £523.3m)
- Gross profit margin of 7.8% decreased from 8.7%

Recruitment GB
- Revenue decline in temporary recruitment in sectors such as retail and manufacturing, more than offset the increase in trading in the food sector.
- Gross profit margin adversely impacted by NMW rate increase but this does not impact absolute gross profit

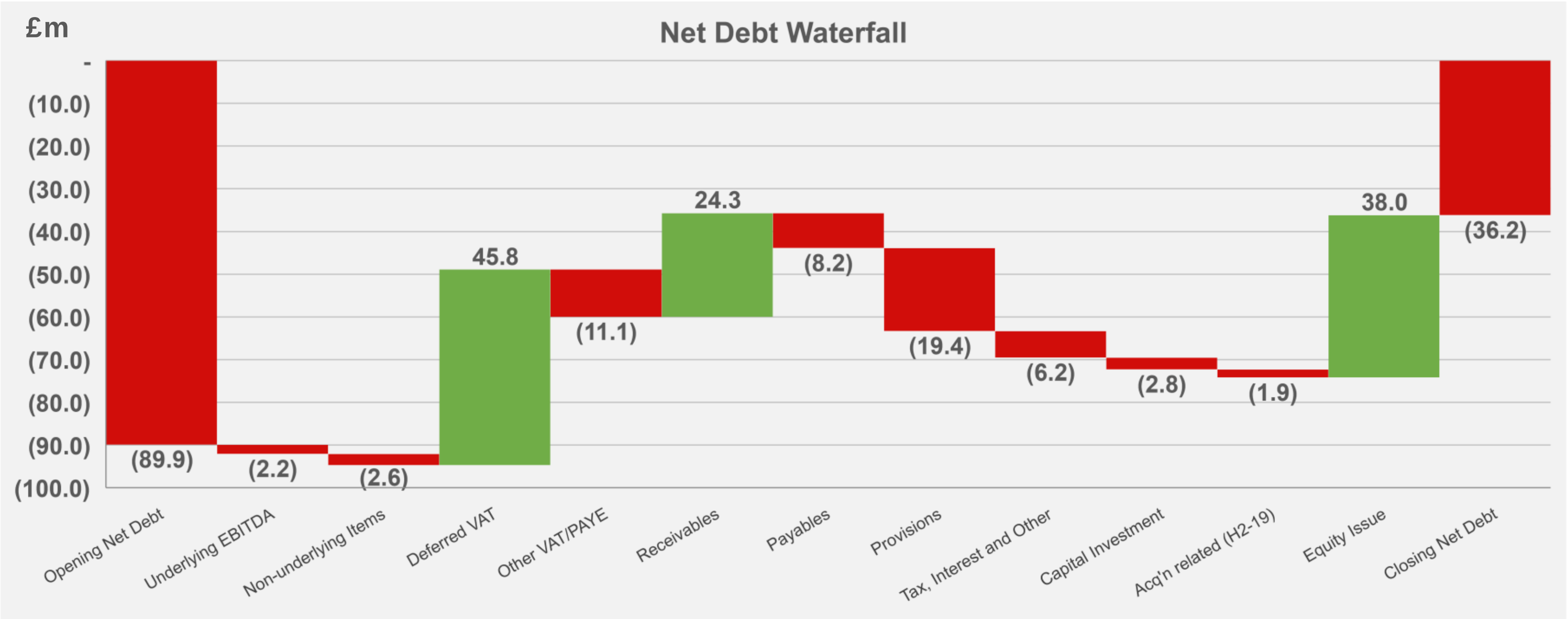
Recruitment Ireland
- Revenue decline with lockdowns across Northern Ireland and the Republic of Ireland significantly impacting trading.
- Margin reduction driven by lower permanent recruitment volumes

PeoplePlus
- Business was supported by digital operating models which enabled operations to continue throughout the pandemic.
- However, classroom delivery of skills training along with prison education was negatively impacted and funding support largely on cost only basis

Non-underlying charges

	H1 2020 £m	H1 2019 Restated £m	
Reorganisation costs	1.9	2.2	• Reorganisation costs shaping divisions for future
Legal investigation professional fees	-	0.7	
Transaction costs – business acquisitions and strategic options	0.6	-	• Q1-20 exploratory costs prior to successful refinancing
Employee dispute settlement	-	1.4	
Legal claim	-	1.0	
Refinancing costs	2.1	3.2	• Restructuring of Group's credit facilities
Amortisation of intangible assets arising on business combinations	4.8	6.2	
Goodwill impairment	35.3	-	• Impairment related to Recruitment GB £(18.8)m and PeoplePlus £(16.5)m
Share-based payment charges (equity and cash-settled)	0.1	(0.2)	
Total non-underlying charges before tax	**44.8**	**14.5**	

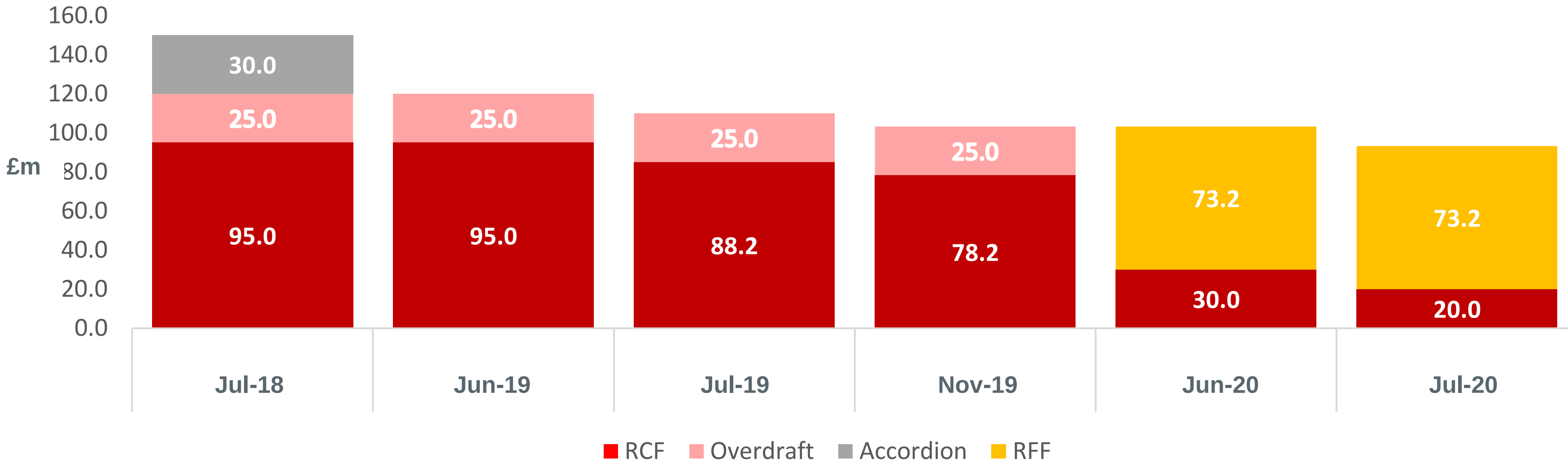
Net Debt Evolution (pre IFRS 16) June 2019 to June 2020



Net debt position (pre IFRS16) driven by:

- £45.8m VAT deferral following HMRC rules to be repaid in March 2021
- Unwind of receivables and payables
- Provision movement including c.£12m NMW payments as well as utilization of IT, staff and property reorganization provisions from year end 2018

Finance Facilities



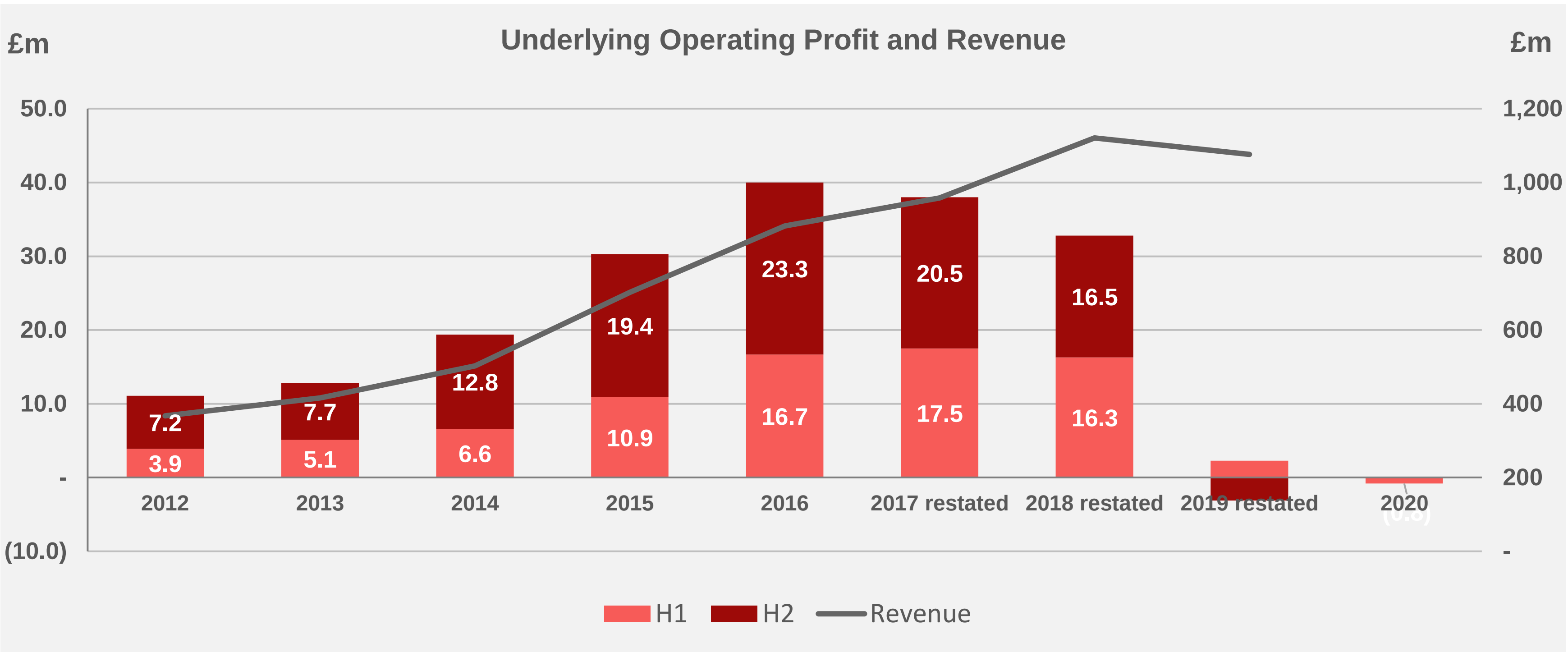
- Revolving Credit Facility ("RCF") reduced to £20.0m with £10.0m on cancellation 31 July 2020
- Receivables Finance Facility ("RFF") maximum availability of £73.2m
- Deferred VAT due in March 2021 presents risk to liquidity
- Mitigation actions:

i. Reducing overall cost base and group-wide cost sharing initiatives

ii. Reducing working capital tied up on contracts with low returns

iii. Raising capital

Historic Performance



- Historic underlying operating profit levels higher than current performance
- Recruitment to benefit once Single Enforcement Agency established to level competitive playing field
- Work Programme replaced with new operating model; PeoplePlus well placed to deliver new training schemes, emerging from current economic environment

Operational Review

Ian Lawson
Executive Chairman

Strengthened management team and corporate governance

The Group continues to be reshaped with much improved corporate governance, financial reporting processes, management information channels and communication across all divisions

Board of Directors

Richard Thomson
Senior Non-Executive Director

Ian Lawson
Executive Chairman

Albert Ellis
Chief Executive Officer

Daniel Quint
Interim Chief Financial Officer

Senior Management Team

Tina McKenzie
Managing Director Recruitment Ireland

Frank Atkinson
Managing Director Recruitment GB

Simon Rouse
Managing Director PeoplePlus

Recruitment GB

Customers' locations	Average daily workforce	Blue Collar Recruitment market share	Food & food supply Chain
c.450	**c.40,000** fully flexible workers	**10%**	**61%** of revenues (up 5pp on 2019)

Top customers include:

Recruitment GB HY20 Headlines

Financial highlights:

Revenue

(H1 2019 restated: £406.4m)

£332.8m

Underlying Operating profit

(H1 2019 restated: £4.3m)

£1.3m

Operating profit margin

(H1 2019 restated: 1.1%)

0.4%

Operational highlights:

Technology

- >70,000 digital applications on average per month
- 116% increase in those conducted using the Staffline chat bot “Flin” vs H1 2019
- Digital Transformation Strategy now being fully integrated.

Scale

- c.1million candidates now live on Staffline’s database (c.900,000 at Dec 2019)
- c. 40,000 workers on average deployed every day in H1 despite COVID-19 impacts

Worker satisfaction

- Continued high levels of worker satisfaction leading to better retention
- 82.3% worker satisfaction level in H1 2020 (H1 2019: 80.6%)

Recruitment Ireland

Total locations across Ireland

25

Peak Workforce

c.5,000

Fully flexible workers

Recruitment market share (NI)

21.2%

No.1 in market

Active Clients

1,000+

Our top customers:

Recruitment Ireland HY20 Headlines

Financial highlights:

Revenue

(H1 2019 restated: £75.5m)

£61.9m

Underlying Operating profit

(H1 2019 restated: £2.4m)

£1.1m

Operating profit margin

(H1 2019 restated: 3.2%)

1.8%

Operational highlights:

Position in the market

- No.1 by market share in NI (21.2%)
- Over 200,000 live candidates registered
- 1,000+ active clients
- Launched 2 new offices Galway and Dundalk, increasing geographical spread across Ireland

Division performance

- Healthy Gross Profit margin (9.0%)
- Rapid and effective response to COVID-19
- In-year cost savings projected at c.£1.5m
- Underlying operating profit 20% of Gross Profit

Engagement

- Average client relationship of 5-10 years
- Rebranded entire business from Grafton to Staffline Recruitment
- Staff churn of 10% - far lower than average

PeoplePlus

Prison Education Market Share	English Skills Funding Adult Education Budget	Skills Support for the Unemployed	DWP New Enterprise Allowance
28%	**6%**	**47%**	**29%**
Share of Total England Contract Value	Share of Procured Budget – largest provider	Share of Total Contract Value – largest provider	Share of Total Contracts – largest provider

Key customers:

Department for Work & Pensions

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M&S EST. 1884

LLOYDS BANKING GROUP

Ministry of Justice

Heathrow

amazon

Royal Mail

Hermes

Department for Education

PeoplePlus
HY20 Headlines

Financial highlights:

Revenue

(H1 2019 restated: £41.4m)

£40.2m

Underlying Operating profit/loss

(H1 2019 restated: £(1.3)m)

£(2.0)m

Operating profit margin

(H1 2019 restated: 3.1%)

(5.0)%

Operational highlights:

Service Delivery in Covid-19

- Core services maintained on a cost support basis but classroom based services in Adult Education and Prison Education significantly disrupted by Covid-19
- Apprenticeships disrupted by employer driven programme breaks –over 1/3 of learners yet to return

Business Pipeline

- 61% bid win rate
- £12.3m won in HY20
- Visible pipeline of £800m across core markets
- £7.5bn Department for Work and Pensions Framework opportunity across 5 years

Operational Improvement

- Progress in digitising delivery of service delivery has underpinned business continuity amidst COVID-19
- Intelligent Automation programme underway to drive efficiency and performance improvement across front and back office

Summary and Outlook

- Management continues to maximise opportunities in current environment ensuring that cost base is prudently managed
- Ongoing focus on core strategic priorities
- Continuing progress on working capital improvements, with mitigating actions to alleviate probable liquidity pressures in March 2021
- Whilst trading environment remains challenging, with the ongoing macroeconomic impact of COVID-19 uncertain, the Board is confident that actions in the first half of 2020 increased resilience of the Group and placed it on an improved strategic and financial platform to take advantage of opportunities in the future
- The Group remains on track to achieve a positive result for 2020 on an underlying operating profit basis across each of the three divisions

Appendices

Significant shareholders
(Represents 80.7% of shares in issue)

Top 10 shareholders as at 3 September 2020	%
HRNetGroup	29.9
Henry Spain Investment Services	14.7
Gresham House	11.7
Legal and General Group	7.3
Hargreaves Lansdown	5.7
Hunter Capital Group	4.7
Barclays Bank	1.9
AJ Bell	1.7
Standard Life	1.7
Halifax	1.4

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