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23 January 2024

STAFFLINE GROUP PLC

("Staffline", the "Company" or the "Group")

Trading Update & Notice of Results

- *Robust performance delivered full year Underlying operating profit in-line with market expectations¹*
- *Net cash (pre-IFRS 16) significantly ahead of market expectations maintaining ongoing balance sheet strength that underpinned £5 million share buyback programme in 2023*

Staffline, the recruitment and training group, provides the following trading update for the year ended 31 December 2023 ('FY 2023'), as well as the outlook for 2024 ('FY 2024').

Financial Highlights²

	FY 2023	FY 2022	Change
Revenue	£938.2m	£928.2m	+1.1%
Gross profit	£80.8m	£82.5m	-2.1%
<i>Gross profit margin %</i>	8.6%	8.9%	-0.3%pts
Underlying operating profit³	£10.1m	£12.0m	-15.8%
<i>Gross profit to operating profit conversion %</i>	12.5%	14.5%	-2.1%pts
Net cash (pre-IFRS 16)	£3.8m	£5.0m	-£1.2m
Net (debt)/cash (post-IFRS 16)	£(0.7)m	£0.1m	-£0.8m

¹Company-compiled consensus for FY 2023 underlying operating profit and Net debt (pre-IFRS 16), based on the mean average of two analyst estimates, stands at £10.15m and £3.0m, respectively.

²Presented on a continuing basis. These figures are unaudited and provisional.

³Underlying results exclude goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying charges.

Highlights

- Delivered Underlying operating profit in line with market expectations¹ against challenging trading conditions in FY 2023
- Net cash (pre-IFRS 16) of £3.8m (2022: £5.0m), ahead of market expectations by £6.8m; strong trading cashflow supported £5m share buyback programme during FY 2023
- Revenue up 1.1% highlighting market share gains predominately in Recruitment GB, with H2 2023 revenues up by 3.7%
- Gross profit down in the Recruitment businesses by 1.1%, which compares favourably to the recruitment market in general, driven by lower permanent recruitment fees
- Refinanced banking facilities with improved terms in Q4 2023, reflecting progress in the business and ongoing balance sheet strength

Staffline is pleased to report a robust trading and cashflow performance for FY 2023, particularly in its Recruitment GB division, against a challenging macroeconomic backdrop in the UK. Underlying operating profit for the period was in line, and strong cash flow was well ahead of market expectations¹, underpinning a £5m share buy back programme during FY 2023, as well as management-initiated efficiency and overhead reduction programmes.

The Group's banking facilities, renegotiated during Q4, reflect the strengthened balance sheet and solid trading results, and will result in reduced borrowing costs, effective from January 2024.

Recruitment GB

Full year results were broadly similar to the prior year, which compares favourably to the wider recruitment sector, driven by market share gains combined with additional streamlining and tight control of the cost base. Weak demand in H1 2023 and lower permanent fees throughout the year held back the strong underlying trading result achieved in the second half. During 2023, the business took focused actions to reduce costs, which will deliver c.£3.0m of annualised savings. As a result, a non-underlying restructuring charge of c.£1.8m was incurred.

The division benefitted, particularly in H2 2023, from its strategy of driving organic growth, expanding key strategic partnerships with GXO Logistics, AM Fresh Group, Sainsbury Argos and Morrisons, whilst also renewing contracts with key customers such as Tesco and M&S across the year. This contributed to the traditional H2 trading peak in the run up to Christmas delivering in line with expectations, supporting a strong H2 2023 result.

Recruitment Ireland

Recruitment Ireland reported a solid performance with a challenging market in Northern Ireland in contrast to the Republic of Ireland. With an historically higher exposure to the white-collar permanent hiring market than Recruitment GB, underlying operating profit was more affected by lower levels of demand as well as local political uncertainty. However, during Q4 2023 the business secured a significant contract win with the Republic of Ireland's Garda which commences in 2024.

PeoplePlus

As previously reported, PeoplePlus's Skills training division was restructured during the year, with a shift away from in-person classroom-based training to focus on digital training. Consequently, these results are disclosed as being "Discontinued" in our FY 2023 results. Its core sectors of Justice and Employability (including Restart) continued to deliver. However, a number of recent profitable contracts have come to a natural end, alongside a quieter commissioning period. Although the near-term bid pipeline is substantial, any benefit will only be expected to flow into the Group from 2025 and beyond.

Outlook

The Group's recruitment businesses will deliver progress into 2024 despite widely reported headwinds in the sector. In PeoplePlus, political uncertainty, low levels of unemployment and the impact of new contract revenue streams only flowing from 2025/6, will reduce short term profitability by around two thirds, in 2024, versus expectations. The division is, however, now transformed with a more efficient cost base and new management, focusing on its two core markets, Justice and Employability, where it has good market share and strong prospects.

Despite the macro uncertainty, the Board remains confident that the Group's extensive scale and reach, coupled with its proven track record of exceptional delivery, will continue to increase its market share and maximise opportunities as the economic recovery unfolds.

Albert Ellis, Chief Executive Officer of Staffline, commented:

"I am grateful for the commitment and support of the thousands of hard-working staff who are responsible for delivering this resilient result.

I am delighted too, with the comparatively strong trading performance we achieved in FY 2023, despite facing significant macroeconomic challenges during the year. Our healthy balance sheet has enabled us to support organic growth and ensure we delivered labour at scale, to significant customers, such as GXO Logistics, Tesco and M&S during times of seasonal peak demand.

I firmly believe there is significant growth potential and, as inflation and pressure on labour markets begin to ease, remain optimistic about the prospects for further organic growth generated from within the Group."

Investor Call

Management will be hosting a short presentation and Q&A for investors and analysts at 8.30 a.m. on Tuesday, 23 January 2024. The presentation will be hosted on the Investor Meet Company digital platform.

To register for the event please visit:

<https://www.investormeetcompany.com/staffline-group-plc/register-investor>

Notice of Results

The Group expects to report its results for FY 2023 on Tuesday, 19 March 2024.

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About Staffline - *Recruitment, Training and Support*

Enabling the Future of Work™

Staffline is the UK's market leading Recruitment and Training group. It has three divisions:

Recruitment GB

Staffline is a leading provider of flexible blue-collar workers, supplying c.31,000 staff per day from around 400 sites, across a wide range of industries including supermarkets, drinks, driving, food processing, logistics and manufacturing.

Recruitment Ireland

The Recruitment Ireland business is a leading end to end solutions provider operating across twenty industries, ten branch locations and ten onsite customer locations, supplying c.4,500 staff per day, and offering RPO, MSP, temporary and permanent solutions across the island of Ireland.

PeoplePlus Division

Staffline is the leading adult skills and training provider in the UK, delivering adult education, prison education and skills-based employability programmes across the country.