

Full Year Results

12 months ended 31 December 2019

Ian Lawson

Executive Chairman

Daniel Quint

Interim Chief Financial Officer

Staffline

Financial highlights

Group revenue

£1,076.7m

Decreased (3.9)%
(2018 restated:
£1,120.9m)

Reported loss before tax

£(48.1)m

(2018 restated:
£(17.8)m)

Underlying operating loss

£(0.8)m

(2018 restated:
£32.8m profit)

Net Debt (pre-IFRS16)

£(59.5)m

(2018 : £(63.0)m)

Reported operating loss

£(39.9)m

(2018 restated:
£(14.7)m)

Restructuring of the Group's credit facilities agreed in June 2020, post period-end

** Underlying results exclude amortisation of intangible assets arising on business combinations, exceptional reorganisation, legal and refinancing costs, exceptional transaction costs, exceptional National Minimum Wage remediation and financial penalties, revised audit scope and increased audit fees, employee dispute settlements, goodwill impairment and the non-cash charge/credit for share-based payment costs*

Current trading and COVID-19

Group

- Impact of COVID-19 has been mixed
- Remote working successfully adopted where applicable
- Utilised Government's Furlough scheme with respect to certain employees and workers

Recruitment divisions

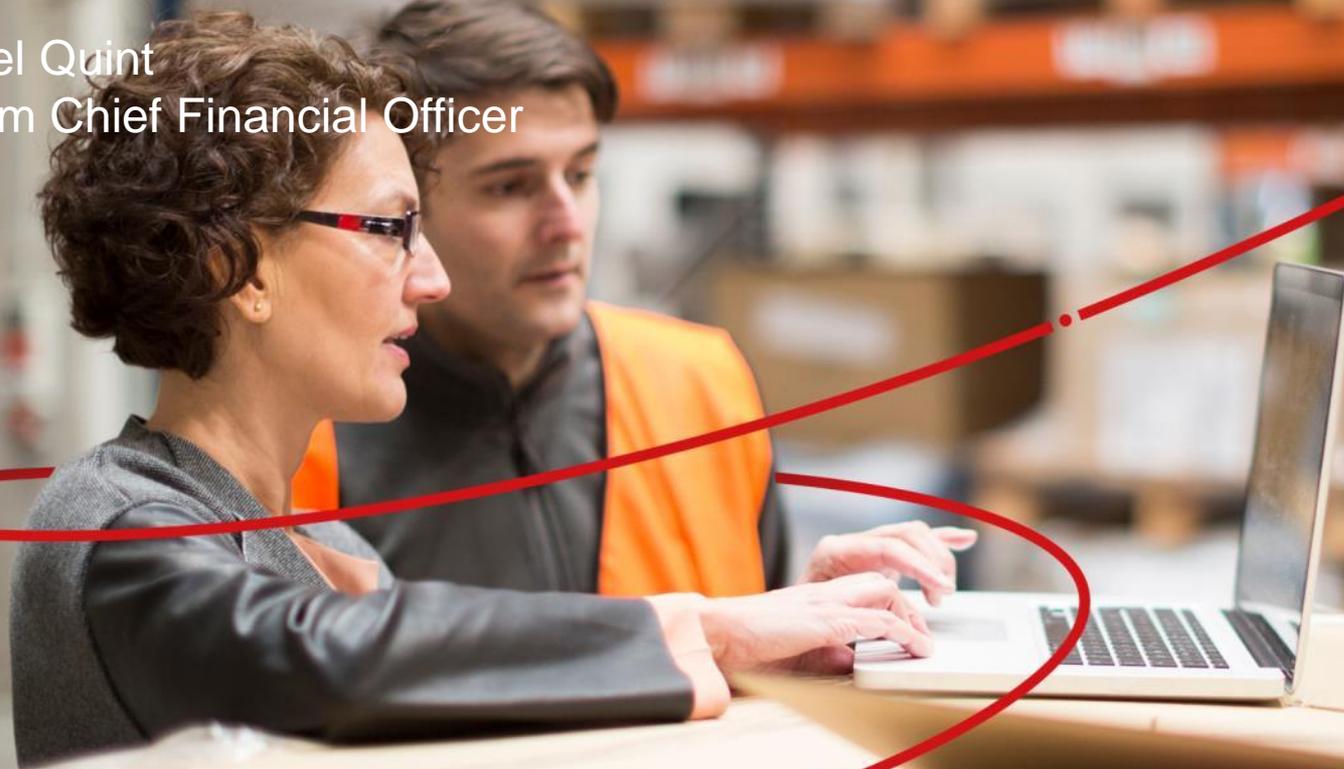
- Significant variance between customer sectors
 - Northern Ireland performing particularly well
 - Strong response to unprecedented surge in food sector demand, which continues to be strong
 - Demand from other sectors diminished considerably
 - Since the easing of lockdown, sectors including retail and manufacturing seeing increased demand for labour, in-line with expectations

PeoplePlus

- Continued to operate the majority of services adhering to isolation measures
- Most funding support has been on a cost only basis
- New business intake in 2020 has weakened
- Anticipated that the Government will launch new funding for training and retraining schemes

Group Financial Performance

Daniel Quint
Interim Chief Financial Officer



FY19 Results

Divisional performance

	Recruitment GB	Recruitment Ireland	People Plus	Group costs	Total Group	Recruitment GB	Recruitment Ireland	People Plus	Group costs	Total Group
	FY 2019	FY 2019	FY 2019	FY 2019	FY 2019	FY 2018	FY 2018	FY 2018	FY 2018	FY 2018
	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	841.1	147.7	87.9	-	1,076.7	908.1	105.3	107.5	-	1,120.9
Gross profit	56.6	15.6	14.3	-	86.5	65.9	10.5	40.4	-	116.8
Gross profit margin	6.7%	10.6%	16.3%	-	8.0%	7.3%	10.0%	37.6%	-	10.4%
Underlying operating profit	4.5	4.3	(7.1)	(2.5)	(0.8)	16.3	4.1	14.8	(2.4)	32.8
Operating profit margin	0.5%	2.9%	(8.0)%	-	(0.1)%	1.8%	3.9%	13.8%	-	2.9%

Group

- Revenue decreased (3.9)% to £1,076.7m (2018 restated: £1,120.9m)
- Gross profit margin of 8.0% decreased from 10.4%

Recruitment GB

- Revenue impacted by delay to 2018 results, Brexit and General Election, weak consumer confidence and internal controls challenges affecting significant quarters, Q2 and Q4
- Margin adversely impacted by customer pressures in light of company challenges as well as NMW rate increase which results in gross profit margin % decrease

Recruitment Ireland

- Revenue had first full year Grafton contribution (acquired 2018) achieving good progress, despite Brexit-related Irish border uncertainty
- Margin driven by the division's decision not to bid for lower margin opportunities

PeoplePlus

- Revenue impacted by a fundamental reorganisation and transition from highly profitable Work Programme
- Margin significantly reduced under new operating model following exit from Work Programme contract

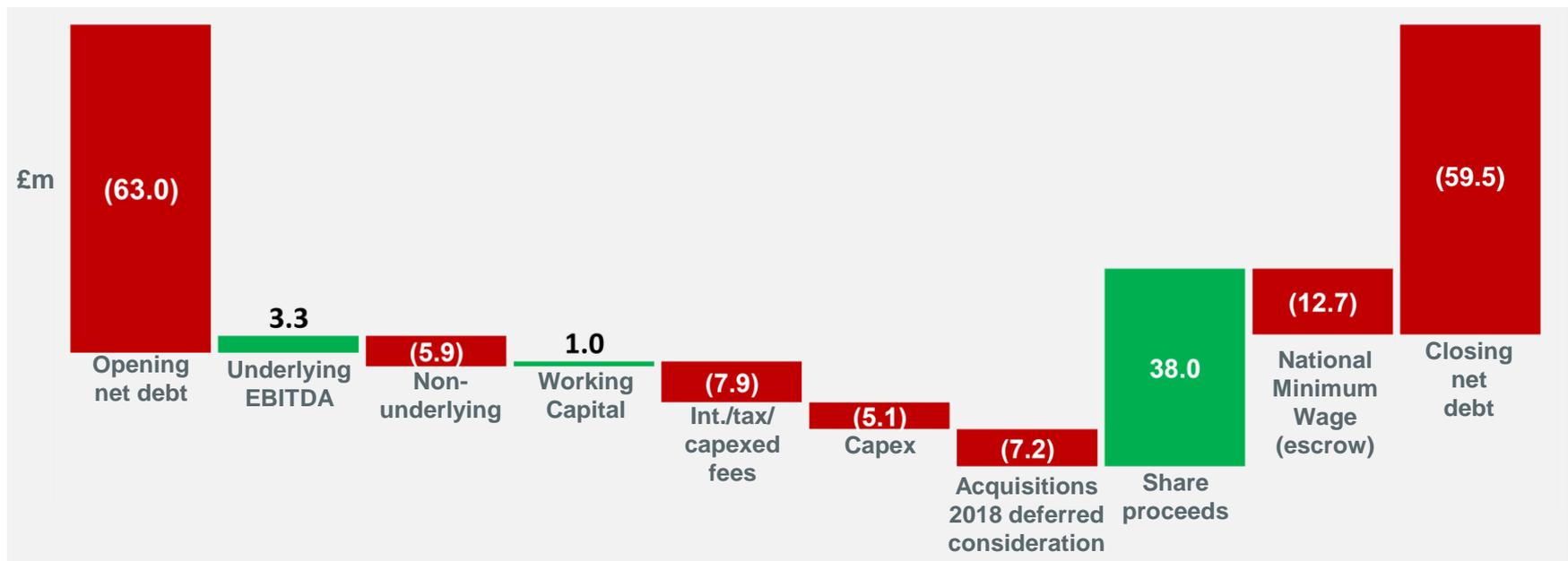
Non-underlying charges

	2019	2018	
		Restated	
	£'m	£'m	
Reorganisation costs	1.3	10.6	• Recruitment GB geographical reorganisation – people and property
Impairment of fixed assets (reorganisation related)	-	4.0	
Legal investigation professional fees	1.0	-	• Osborne Clarke whistle-blower legal investigation
NMW remediation and financial penalties	(0.7)	15.9	• National Minimum Wage (“NMW”) provision adjustments for reduced financial penalties, professional fees
Revised audit scope and increased audit fees	0.8	2.1	• Incremental audit costs
Transaction costs – business acquisitions and strategic options	0.9	1.9	
Legal costs re disputes and settlements	2.4	-	• Disputes and settlement related legal costs
Finance costs – refinancing arrangement fees and exit fees	3.2	-	• Finance costs – old transaction costs, June 2019 amendment fee £1.2m, June 2019 future exit fee £1.4m
Amortisation of intangible assets arising on business combinations	10.9	11.8	
Goodwill impairment	22.3	-	• Impairment related to Recruitment GB £(14.3)m and PeoplePlus £(8.0)m
Share-based payment charges (equity and cash-settled)	0.2	1.2	
Total non-underlying charges before tax	42.3	47.5	

Prior year restatement and Review of financial controls

		£'m	
2017 and prior	Primarily lease dilapidations and holiday pay provision	(0.9)	<ul style="list-style-type: none"> Review of prior year balances found a number of adjustments that were required
2018	Partner agency and overhead costs, rebate under-accrual	(3.2)	<ul style="list-style-type: none"> Significant under-accrual of costs in the busy peak of Q4 2018
	Unsupported acquisition related balance sheet items and unaccrued trading costs	(2.3)	<ul style="list-style-type: none"> Multiple acquisitions in a short period of time, with thin resources led to acquisition balances needing to be adjusted, including receivables, payables and dilapidation provisions
	Under-impairment of PeoplePlus contract	(0.8)	<ul style="list-style-type: none"> Further review of Community Rehabilitation Company contract cash flows generated additional write down
	Increased National Minimum Wage ("NMW")	(0.8)	<ul style="list-style-type: none"> Increased provision of £1.7m with £0.9m related to acquired sites in 2018 being treated as fair value provision and adjusted in goodwill
	Non-recovery of debt, other net under accruals and taxation	(0.4)	
	Total 2018	(7.5)	

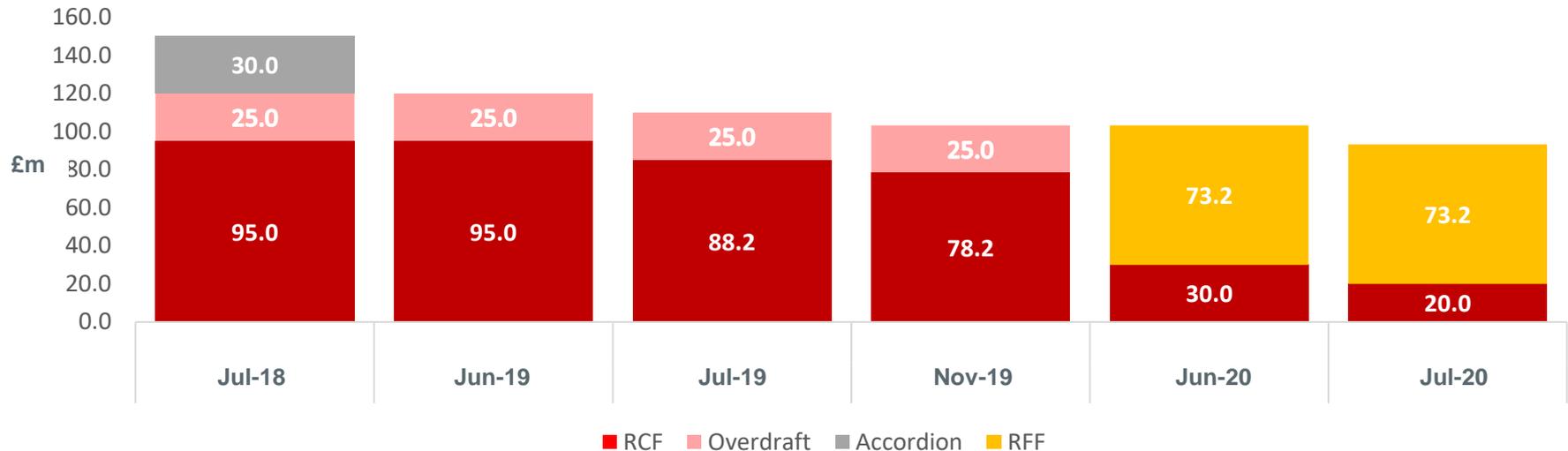
2019 (pre-IFRS16) net debt evolution



2019 net debt position (pre IFRS16) driven by:

- Low EBITDA compared to £37.6m in prior year especially in context of 2018 acquisitions
- Non-underlying charges
- Deferred consideration payments for 2018 acquisitions
- National Minimum Wage payment into Escrow
- Offset by equity raise

Finance Facilities



- £103.2m Revolving Credit Facility (“RCF”) being reduced to £20m and Receivables Finance Facility (“RFF”) of £73.2m
- Repayment and cancellation of RCF commitments by £10.0m on 31 July 2020, reducing the RCF to £20.0m
- Minimum EBITDA and minimum liquidity covenants until a return to minimum leverage and interest cover covenants in January 2022

Operational Review

Ian Lawson
Executive Chairman



Strengthened management team and corporate governance

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

Board of Directors



Ian Lawson
Executive
Chairman



Daniel Quint
Interim Chief
Financial Officer



Albert Ellis
Non-executive
Director



Richard Thomson
Senior Non-Executive
Director

Senior Management Team



Tina McKenzie
Managing Director
Recruitment Ireland



Frank Atkinson
Managing Director
Recruitment GB



Simon Rouse
Managing Director
PeoplePlus

Recruitment GB FY19 Headlines

Financial highlights:

Revenue (2018 restated: £908.1m)

£841.1m

Underlying (2018 restated: 16.3m)

Operating profit

£4.5m

Operating profit margin (2018 restated: 1.8%)

0.5%

Operational highlights:

Technology

- Digital evolution strategy to automate the recruitment process is gathering momentum
- 17% of applications in 2019 digitally automated

Scale

- c. 900,000 candidates now live on Staffline's database
- c. 40,000 workers on average deployed every day

Worker satisfaction

- Continued high levels of worker satisfaction leading to better retention
- 83.1% worker satisfaction level in 2019 (2018: 81.6%)

Recruitment Ireland FY19 Headlines

Financial highlights:

Revenue (2018: £105.3m)

£147.7m

**Underlying
Operating profit** (2018: £4.1m)

£4.3m

**Operating profit
margin** (2018: 3.9%)

2.9%

Operational highlights:

Position in the market

- No.1 by market share in NI (21.2%)
- Over 60,000 live candidates registered
- 1,000+ active clients

Division performance

- Revenue increased 40% from 2018 as a result of Grafton acquisition
- Delivered in-year cost savings of 10%
- Maintained healthy Gross Profit margin (10.6%)
- Underlying operating profit 28% of Gross Profit

Engagement

- Average client relationship of 5-10 years
- Candidate net promoter score of 76.5 - excellent by industry standards
- Staff churn of 18% - far lower than average

PeoplePlus FY19 Headlines

Financial highlights:

Revenue (2018: £107.5m)

£87.9m

**Underlying
Operating profit/loss** (2018 restated: 14.8m)

£(7.1)m

Operating profit margin (2018 restated: 13.8%)

(8.0)%

Operational highlights:

Transformation

- Completed transition into a leading adult skills and training provider
- Prime positions in multiple sectors

New business

- Over £165m in new contracts' value secured across various sectors
- 56% bid win rate (by volume)
- 36 contracts put live on 1 April 2019

Digitisation

- Progress in digitising delivery of service delivery has underpinned business continuity amidst COVID-19
- Fully end-to-end digital operating model in Apprenticeships will support route to profitability

A person wearing a grey long-sleeved shirt and a high-visibility orange and black safety vest is using a blue and white tape dispenser to seal a cardboard box. The person's hands are visible, one holding the dispenser and the other resting on the box. The background is a blurred warehouse or industrial setting. A red decorative line with small white dots at its ends curves across the image, passing behind the text.

Strategy & Outlook

Ian Lawson
Executive Chairman

Group strategic priorities

1) Operational excellence

- Improve the financial position of the Group by:
 - Strengthening the balance sheet
 - Maximising profitability
 - Reducing debt and increasing cash generation
 - Enhancing reporting processes
 - Streamlining and sharing services across the Group



2) Optimised service offering

- Better understanding of our customers' objectives
- Secure opportunities with new customers
- Increase market share in our key quality sectors
- Adhere to high standards of compliance



Group strategic priorities

3) Leverage our brand

- Unify existing brands within Recruitment divisions under 'Staffline'
- Build on the strength of the PeoplePlus brand in its chosen markets
- Further leverage the Group's brand equity
- Drive synergies and opportunities across our Recruitment and PeoplePlus businesses

Staffline

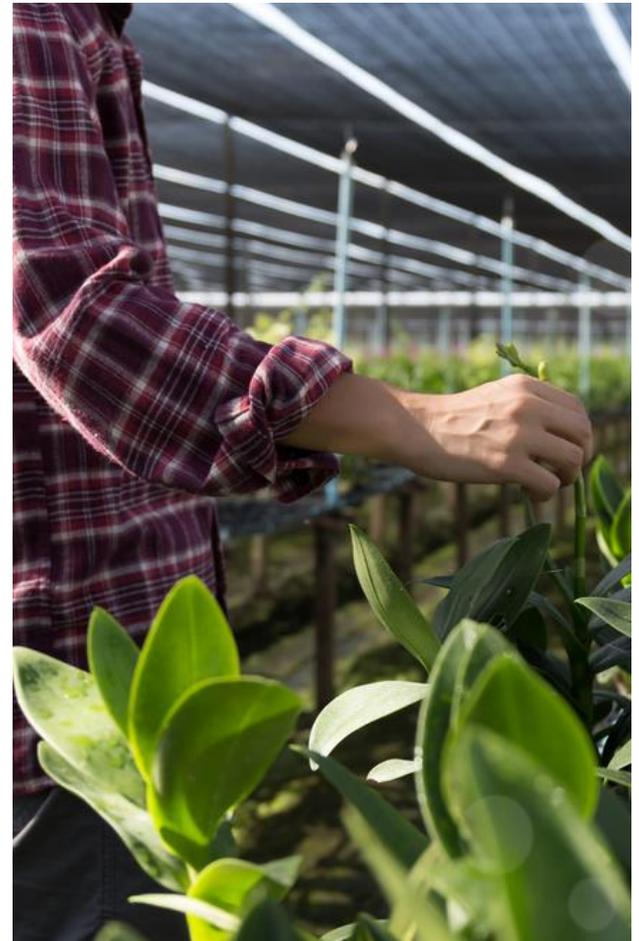
4) Develop and cultivate our talent

- Bring together people across divisions
- Reduce organisational silos
- Leverage the best in our people's skills and experience across the Group



Outlook

- Current macroenvironment dominated by the COVID-19 pandemic and whilst there has been an inevitable reduction in volumes in certain sectors, we continue to take measures to mitigate these
- Ultimate impact of the COVID-19 pandemic on the economy and Staffline is uncertain, and the board does not underestimate the operational and macroeconomic challenges that lie ahead
- Therefore the Group is not making a forecast for 2020
- We take confidence from having an established business with a committed workforce supported by the renewed credit facility



Disclaimer

No representation or warranty, expressed or implied, is made or given by or on behalf of Staffline Group plc (the “Company” and, together with its subsidiaries and subsidiary undertakings, the “Group”) or any of its directors or any other person as to the accuracy, completeness or fairness of the information contained in this presentation and no responsibility or liability is accepted for any such information. This presentation does not constitute an offer of securities by the Company and no investment decision or transaction in the securities of the Company should be made on the basis of the information contained in this presentation.

This presentation contains certain information which the Company’s management believes is required to understand the performance of the Group. However, not all of the information in this presentation has been audited. Further, this presentation includes or implies statements or information that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may use forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should”. By their nature, forward-looking statements involve risks and uncertainties and recipients are cautioned that any such forward-looking statements are not guarantees of future performance.

The Company's or the Group’s actual results and performance may differ materially from the impression created by the forward-looking statements or any other information in this presentation.

The Company undertakes no obligation to update or revise any information contained in this presentation, except as may be required by applicable law and regulation. Nothing in this presentation is intended to be, or intended to be construed as, a profit forecast or a guide as to the performance, financial or otherwise, of the Company or the Group whether in the current or any future financial year.

This presentation and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

The image features a solid red background with two prominent white curved lines. One line is positioned near the top, curving from the left edge towards the right. The second line is located in the lower right quadrant, curving from the bottom edge towards the right edge.

Staffline