

Full Year Results

12 months ended 31 December 2017

Chris Pullen **Chief Executive Officer**

Mike Watts **Chief Financial Officer**

Staffline

Reported operating profit Up 21%

Financial highlights:

Group revenue

£958m

Up 9%
(FY 2016: £882m)
Recruitment up 14%
PeoplePlus down 19%

Underlying Diluted EPS

112.6p

(FY 2016: 114.0p)
Reported Diluted EPS
up 21%

Total Dividend

26.7p

Total dividend
increased by 3%
(FY 2016: 25.8p)

Operational highlights:

Performance on track

- **395 OnSites Nationwide (FY 2016: 357)**
- **Strong operational performance – both Divisions**
- **Strong pipelines – both Divisions**

Net Debt reduced to

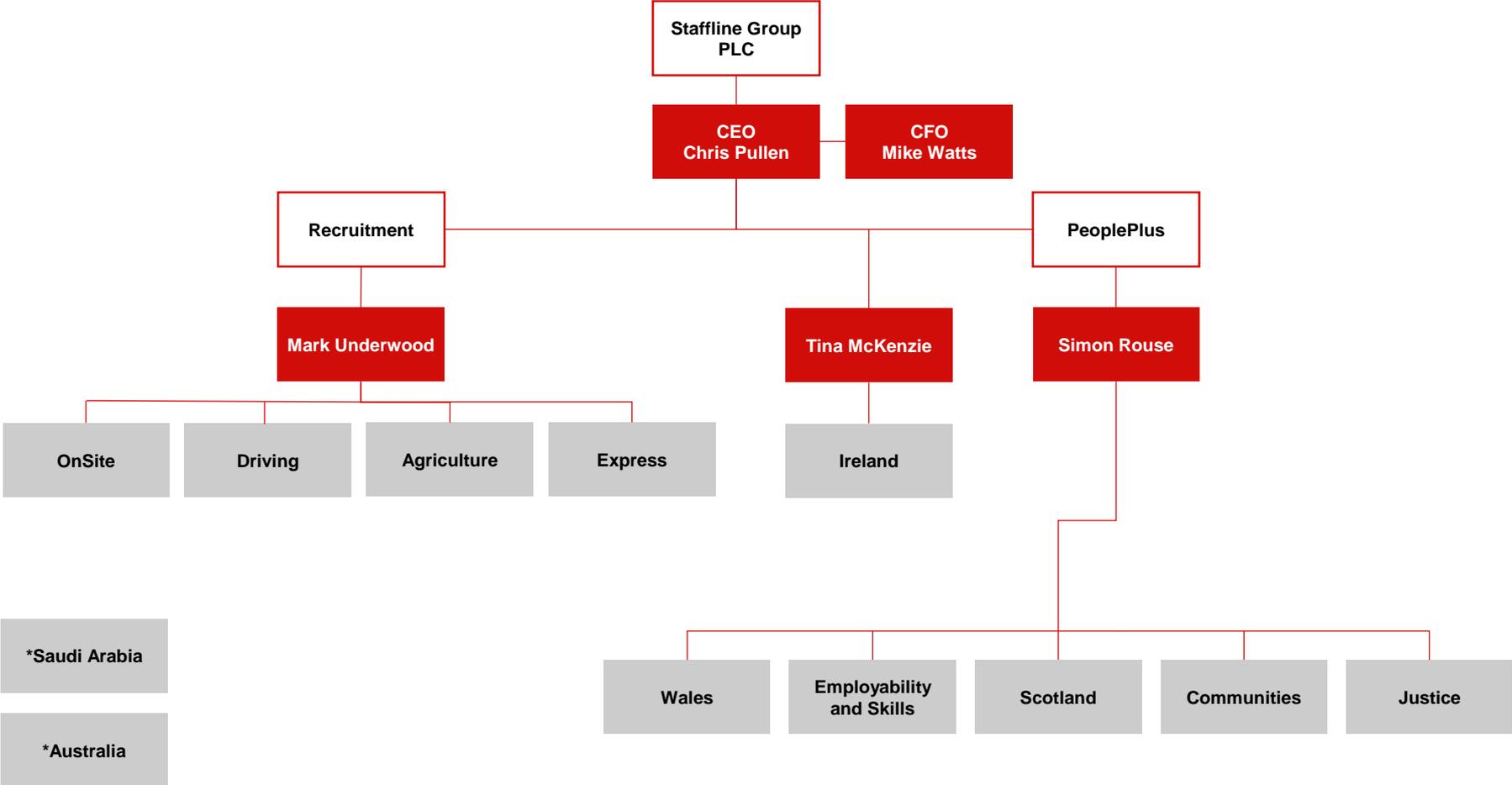
£16.5m

Reduced by £20.2m
(FY 2016: £36.7m)
with £8.5m spend on
acquisitions
0.4 x underlying 2017
EBITDA

Burst the Billion strategy completed

- **Profit target of £30m exceeded by 30%**
- **New ambitious 5 yr growth plan with management transition completed**

Team and Structure



* Operate independently under license

Recruitment



Scale and strengths

- Proven workforce outsourcing and management model
- Scale
- Compliance & ethical standards
- Volume resourcing

Revenue growth

13.8%

9.5% organic

Customers' premises

395

357 FY 2016

Current workforce peak

52,400

fully flexible workers

Cash margin per hour up

1.5%

vs FY 2016

Staffing market share

9%

Central overhead / sales

1.1%

Capex / sales

0.30%

Food

70%

of revenues

New digital platform to drive candidate resourcing

- **Addressing the tight labour market**

Full employment and Brexit

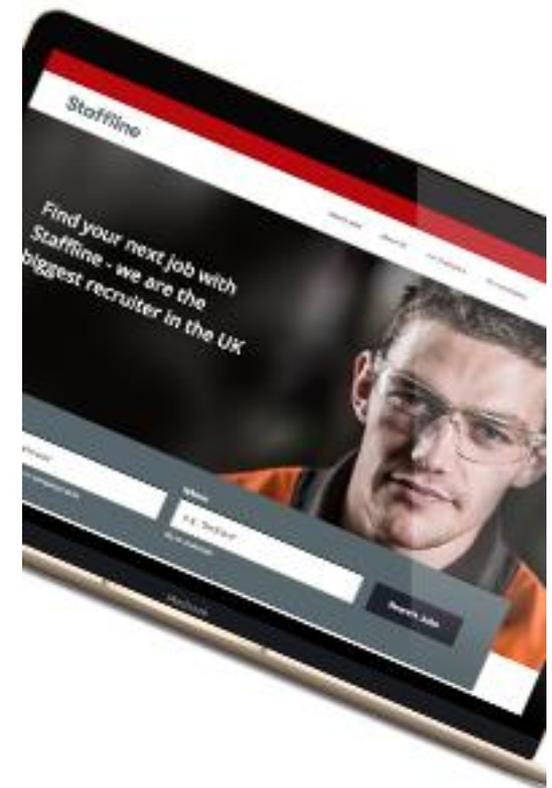
With 42 year record low unemployment and some uncertainty over the final Brexit outcome, we have taken action to further secure candidate supply

- **Continued benefits from network size and scale**

- **New digital resourcing platform**

Developed in 2017, implemented now

- New search optimised consumer website, live today
- Automated response handling and candidate tracking
- Improved matching engine
- Regional candidate pools
- Optimising shift fill
- Aim is to “own” the supply of candidates



Driving employee engagement and customer focussed service delivery

Recruitment

- **Improving worker engagement**

Better engaged workers stay with us for longer and are more productive

- Implementation of technology in 2018 allowing direct communication with our 52,000 workers
- Real time closed feedback loop via smartphones
- Timely resolution of issues and improved engagement

- **Customer First**

Taking real time customer feedback to continuously improve the service

- Technology enabled
- True differentiation by the responsiveness and accuracy of service we offer

New Digital Platform

- Real differentiation in a tight labour market with Brexit concerns

Continued organic growth

- Focus on our core segment of blue collar industrial temporary workers
- Defensive characteristics

Disciplined bid team

- Focussed on margins, payment terms, and quality of work

Acquisitions

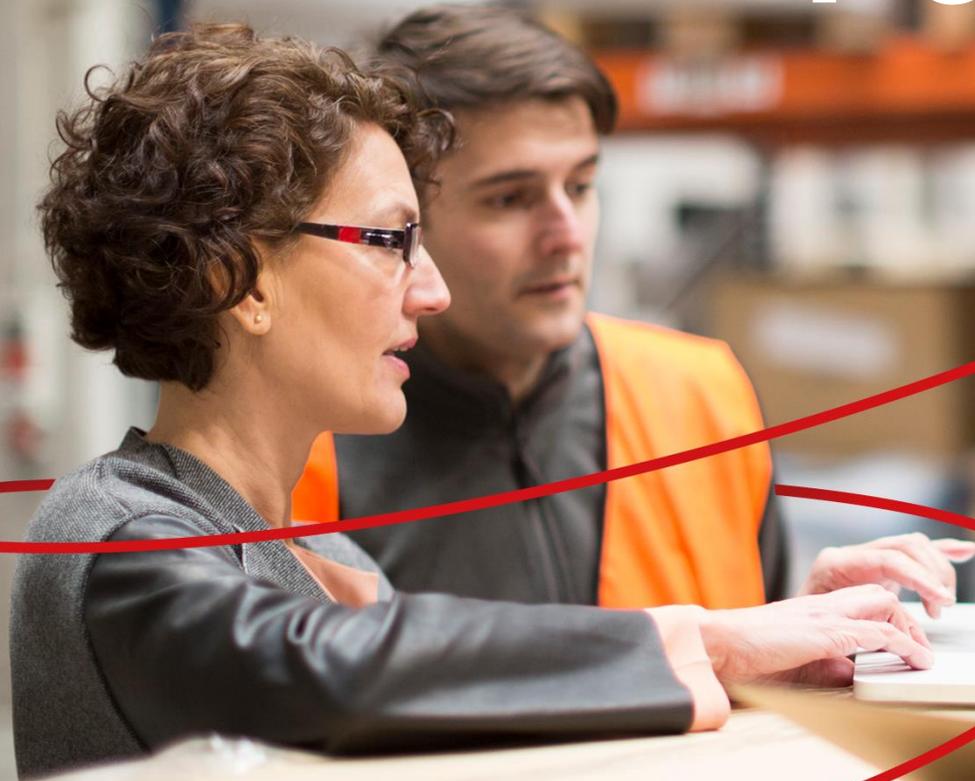
- Bolt-on acquisitions with synergies to boost a particular sector or geography

Quality of earnings

- Diverse contract base with multiple run off dates
- Strong cash conversion
- Low operational gearing and CAPEX



PeoplePlus



We help people

- We help people transform their lives



Justice Services

Adult Social Care Services

Health and Wellbeing services

- We help people get jobs and keep jobs



Work Programme

**Non Work Programme
Employability**

- We help people develop their careers



Adult Education

Apprenticeships

2017 Headlines

Financial highlights:

EBIT

£18.9m

Reduced 10.8% (FY 2016: £21.2m) but margins improved

Revenue

£114.5m

Down 19% as Work Programme runs off (FY 2016: £142m)

Costs reduced by

£24.8m

Reduced 21% Strong cost control programme and low operational gearing

Operational highlights:

New Business

- £55m of new contract wins vs £13m in 2016 (excluding Apprenticeship Levy)
- Work Programme revenue declines at £20m p.a.
- Bid win rate doubled from 1:6 in 2016 to 1:3 in 2017

Apprenticeship Levy

- Good traction created, with a number of contracts signed and a strong pipeline developed

Robust operational delivery

- 9 Work Programme areas in the top 10 of 39
- Maximum OLASS revenue draw down achieved
- AEB revenue growth of 22%
- Ofsted Grade 2 awarded

Good progress in re-positioning away from the current Work Programme

Work Programme

- 9 contract package areas across England and Wales as Prime Provider

Revenue
2017

49%

Employability

- Local government employability contracts
- Business start-up services including New Enterprise Allowance

Revenue
2017

9%

Justice Services

- OLASS – Prison Offenders' Learning and Skills Service
- Community Rehabilitation Company

Revenue
2017

20%

Skills Services

- Adult Education – Prime Provider to Skills Funding Agency, Welsh Government and Skills Scotland
- Apprenticeships – Levy and non-Levy provision

Revenue
2017

13%

Communities

- Adult Social Care Services – Carers Hubs and Independent Living Services
- Innovative Youth Employment Services

Revenue
2017

5%

Northern Ireland

- Skills and Employability led business with multiple contracts, including apprenticeship delivery

Revenue
2017

4%

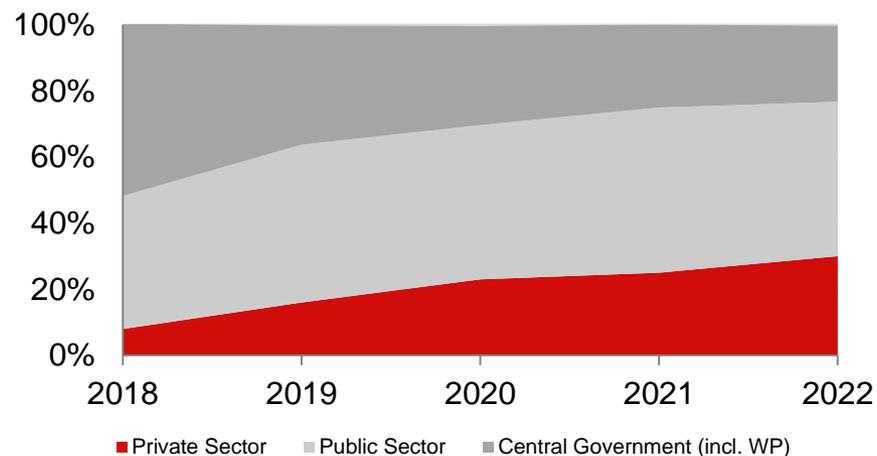
Towards a broad based business, less focussed on Central Government

Private Sector Skills and Wellbeing Services

- Apprenticeship provision
- Corporate Learning and Development
- Employee Health and Wellbeing Services

Public Sector Skills, Employability and Wellbeing Services

- Local Government Employability and Skills contracts
- Adult Social Care Services
- Health and Wellbeing Services
- Scotland Employability and Skills
- Wales Employability and Skills
- PeoplePlus Northern Ireland



Central Government Services

- Justice Services
- Centrally funded Skills and Advice services
- DWP funded Employability programmes

Underpinned by commercial disciplines and focus on quality of earnings

Maintain Low Operational Gearing and CAPEX

- A flexible cost base and flexible workforce
- CAPEX at c.1-2% of sales

Consistent Double Digit Operating Margin

- 15% Target operating margin (2017: 16.5%, 2016: 15.0%)



Disciplined Bid Engine

- Maintain at least 1:3 win rate
- Average contract length 3 years
- Net wins at 2x contract run off

Broadened Revenue Base

- Target of 30% of revenues from private sector by 2022



2018 Priorities

Optimisation of the Work Programme Business

- Continued focus on performance management track record – all 9 in the top 10 of performing areas
- Further operational efficiencies through estate consolidation and headcount management
- Revenues anticipated to be circa 30% of overall revenues in 2018

Deliver growth in Offenders' Learning and Skills Service

- Contract awards expected in 2018
- Ambition to build upon excellent reputation and increase footprint

Develop and grow private Skills market business

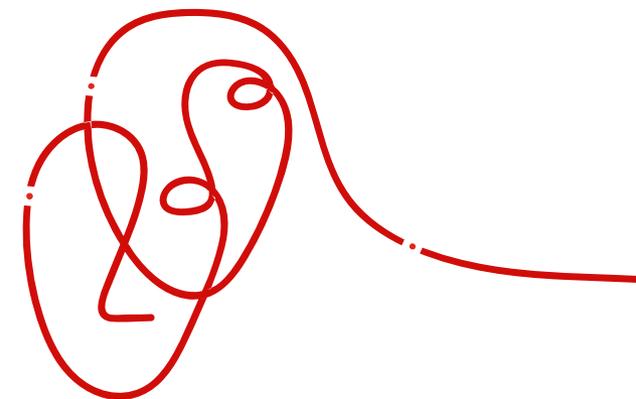
- Investments in sales and marketing capability undertaken in 2017
- Contracts signed and delivery started, with a strong pipeline developed

Grow presence in Wales, Scotland and local government

- Welsh government skills agenda likely to lead to contracts awarded in 2018
- Scotland "Fair Start" commences April 2018

Develop new market propositions

- Health and Wellbeing across local government, with subsequent market entry as part of a Private Sector Employee proposition
- Develop corporate learning and development proposition to build off Apprenticeship Levy relationships



Group Financial Performance



Revenue up, with a mix shift

Stable underlying profit

	Recruitment FY 2017	People Plus FY 2017	Total Group FY 2017	Recruitment FY 2016	People Plus FY 2016	Total Group FY 2016
	£m's	£m's	£m's	£m's	£m's	£m's
Sales revenue	843.3	114.5	957.8	740.8	141.6	882.4
Gross profit	66.1	47.7	113.8	61.3	63.6	124.9
Underlying operating profit	20.2	18.9	39.1	18.8	21.2	40.0
Gross profit margin	7.8%	41.7%	11.9%	8.3%	44.9%	14.2%
Operating profit margin	2.4%	16.5%	4.1%	2.5%	15.0%	4.5%

- **Group Revenue up 8.5%** of which 4.9% is organic
- **Recruitment revenue** growth of £102.5m (13.8%). Recruitment organic growth is £70.2m (9.5%). Strong organic growth continues
- **Recruitment** conversion of Gross Profit to Operating Profit constant at 31% vs FY 2016
- **PeoplePlus** revenue decline reflects the Work Programme run off, but strong cost controls improve margin
- **Group underlying operating profit margin** impacted by mix shift from PeoplePlus to Recruitment

Reported operating profit up 21%

No trading exceptionals

Full Year ended 31 December	Underlying 2017 £m	Underlying 2016 £m
Operating Profit	39.1	40.0
Finance Costs	2.8	3.3
Pre tax profit	36.3	36.7
Taxation	7.3	7.6
Post tax profit	29.0	29.1
Dividend PS (p)	26.7	25.8
Earnings PS (p)	113.2	114.7
Diluted EPS (p)	112.6	114.0
Dividend cover x	4.2	4.4

Exceptional Items

Amortisation of intangible assets arising on business combinations	8.8	12.4
Share based payment (credit)/charge	3.4	(2.9)
Reorganisation costs – cash	0	6.6
Reorganisation costs – non cash	0	1.6
Acquisition related costs	0	0.1
	12.2	17.8

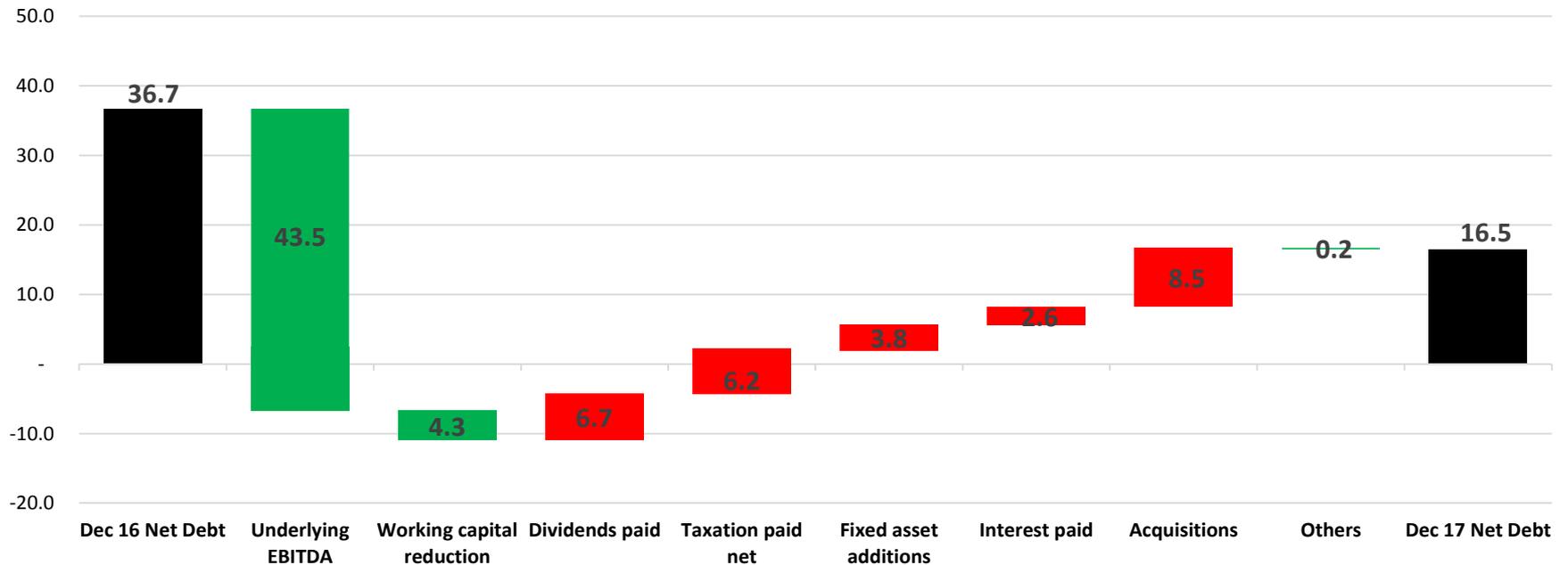
- **Reported Profit after tax up 22%**
- **Total dividend of 26.7p up 3%**
- **Dividend cover 4.2 times, reduced by 0.2x in line with progressive dividend policy**
- **No trading exceptional items**

Improving cash flow and net debt

Group

- Net debt *reduced* by **£20.2m** to 0.4x underlying EBITDA
 - Net Debt reduction includes acquisition costs of £8.5m
 - Recruitment debtor days remain strong at an industry low 23.4 (FY 2016: 23.3)
 - Similar cash generation expected in 2018

	31 Dec 2017	31 Dec 2016
	£m	£m
Debt	47.8	56.4
Cash	31.3	19.7
Net Debt	16.5	36.7

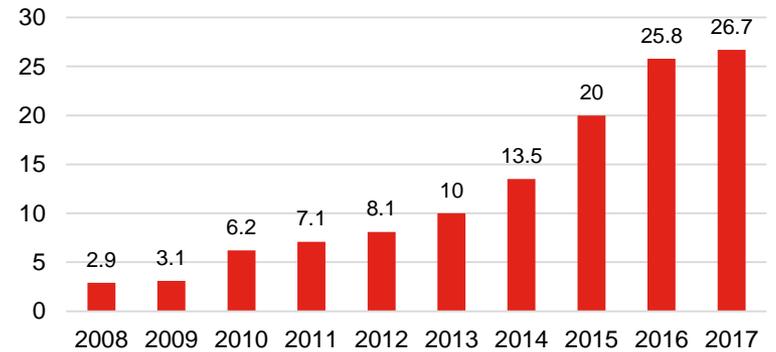


Strong returns

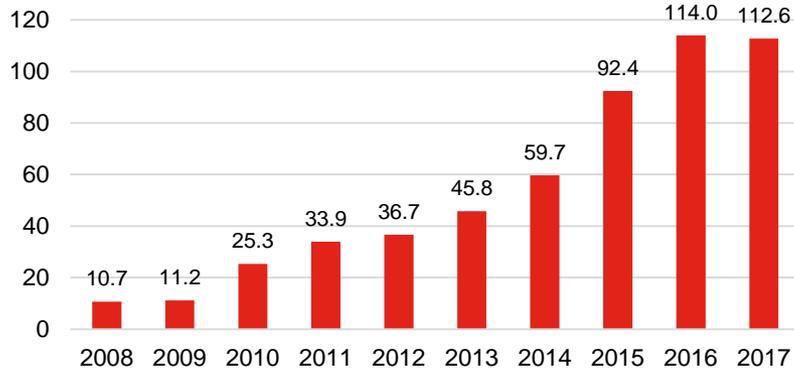
Underlying operating profits and average free cash flows £m



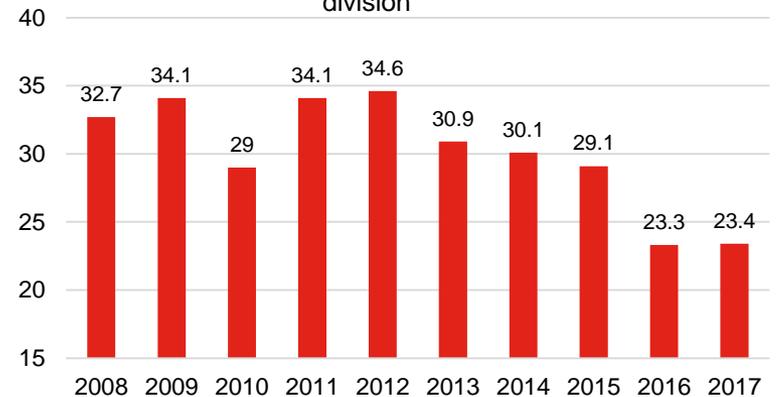
Annual dividends per share p - CAGR 28%



Diluted underlying earnings per share p - CAGR 30%



December year end debtor days Recruitment division



A close-up photograph of a person wearing a grey long-sleeved shirt and a high-visibility orange and black safety vest. The person is using a blue and white tape dispenser to seal a cardboard box. The dispenser is held in the person's right hand, and the left hand is 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 and the tape dispenser.

Five Year Plan

EPS of 200p in 2022

Group

5 Year growth plan targeting 200p underlying diluted EPS in 2022

	Last 5 Yrs (Actual)				Next 5 Yrs (Target)		
	£m	Rev	EBIT		£m	Rev	EBIT
Recruitment	From	353	10	▶	From	843	20
	To	843	20		To	1,358	33
	CAGR	19%	14%		CAGR	10%	10%
PeoplePlus	From	14	1	▶	From	115	19
	To	115	19		To	150	22
	CAGR	52%	94%		CAGR	6%	3%
New	Adjacent markets, for example:			▶	From		
	<ul style="list-style-type: none"> • Healthcare • Defence 				To		13
					CAGR		
Group	From	367	11	▶	From		39
	To	958	39		To		68
	CAGR	21%	29%		CAGR		12%

Priorities

- **Recruitment**

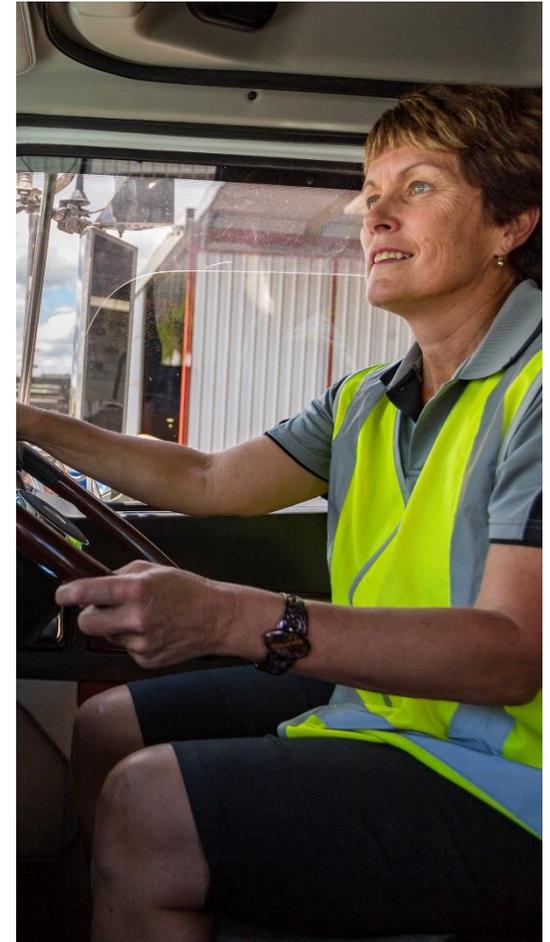
Strong growth potential

- Continue run rate double digit growth and increase market share from 9% to 15%
- Maintain focus on core blue collar industrial temp staffing. It's what we are good at
- Use technology to enhance competitive position
- Appropriate expansion into adjacent verticals and geographies

- **PeoplePlus**

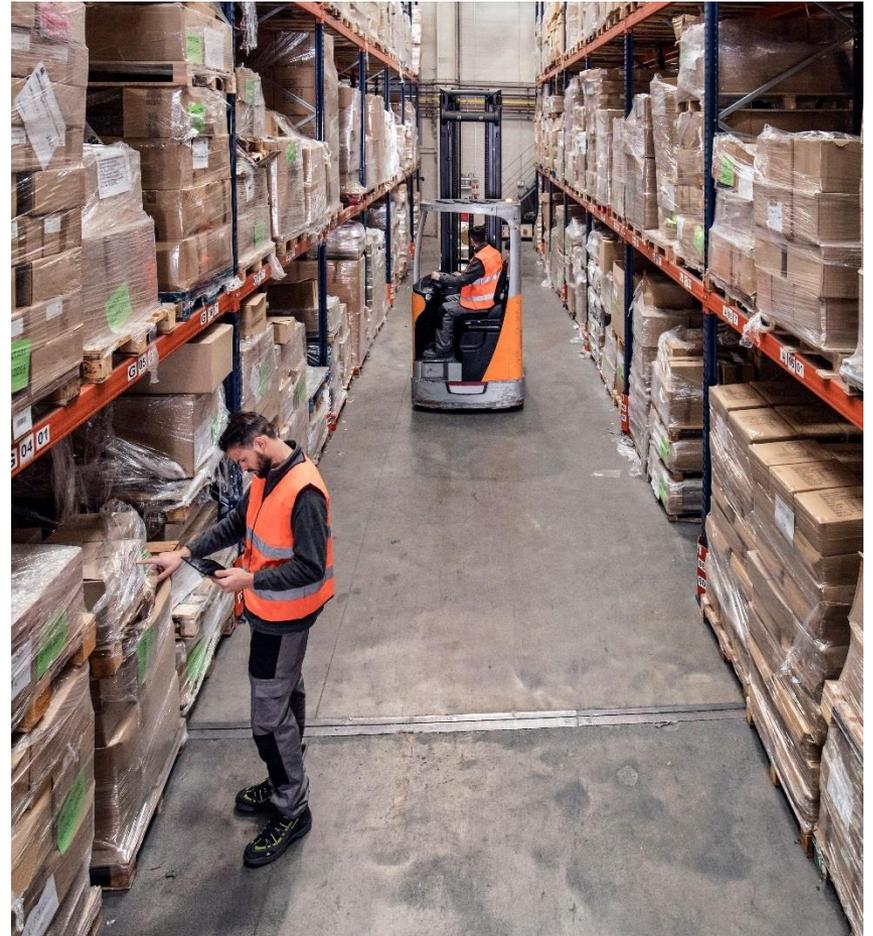
Established platform, strong credentials

- Firmly establish replacement revenue streams in place of the Work Programme
- Continue to build a balanced portfolio of contracts of various size and run off profile
- Reduce dependence on central government policy by expanding into the private sector and local/devolved government



Quality of earnings focus

- **In both businesses**
 - Low operational gearing and CAPEX
 - Broad contract base with varied run off profile
 - Strong cash conversion
 - Highly disciplined bid teams
 - Focus on organic growth, supported with appropriate bolt-on acquisitions
 - Disciplined capital allocation



The image features a solid red background. Two thick, white, curved lines are present. One line starts from the left edge and curves downwards and then back up towards the right. The second line starts from the right edge and curves upwards and then back down towards the left. The word "Staffline" is written in white, bold, sans-serif font in the bottom-left corner.

Staffline

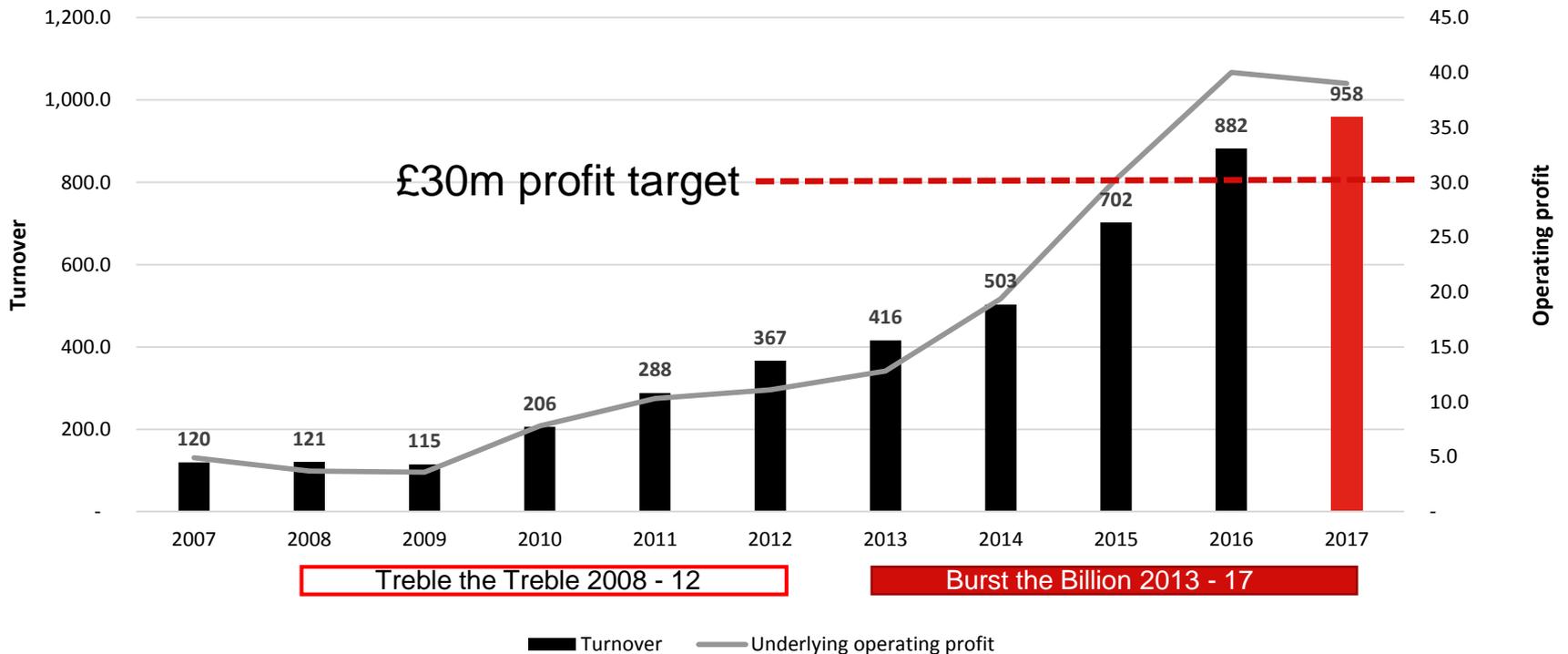
Appendices



Burst the Billion

Profit target exceeded by 30%

Profit target hit in 2015



Employability, Skills and Justice

England

-2017-18 Allocation for Apprenticeships & AEB (ESFA)

National

-Access to Work (DWP)

1 Scotland

-NEA (DWP)
-Fair Start Scotland, Glasgow (Scottish Government)
-Fair Start Scotland, Highlands & Islands (Scottish Government)

2 North East

-Work Programme North East (DWP) CPA 5
-Independent Living Services (Local Authority)
-Wellbeing & Work Trial Group Durham (DWP)
-Fresh Start – Skills Support for the Unemployed Tees Valley (ESFA)
-Fresh Start – Routes to Enterprise Tees Valley (ESFA)
-Fresh Start – Careers Advice & Guidance Tees Valley (ESFA)

3 Yorkshire

-Work Programme South Yorkshire (DWP) CPA 17
-Work Programme West Yorkshire (Sub-prime - Interserve) CPA 16
-Independent Living Services (Local Authority)

4 East

-MyGo (Suffolk County Council)
-OLASS (MOJ)

5 London

-Work Programme West London (Sub-prime - Maximus UK) CPA 3
-Work Programme East London (DWP) CPA 4
-Independent Living Services (Local Authority)

6 South East

-Work Programme Sussex, Surrey & Kent (DWP) CPA 10
-Work Programme Thames Valley (DWP) CPA 9
-NEA (DWP)
-Independent Living Services (Local Authority)

7 South West

-Independent Living Services (Local Authority)

8 Wales

-Work Programme Wales (Sub-prime Rehab Jobfit)
-NEA (DWP)
-Work Based Learning (Welsh Government)
-Independent Living Services (Local Authority)

9 Midlands

-Work Programme Birmingham, Solihull & Black Country (DWP) CPA 14
-Work Programme East Midlands (DWP) CPA 2 NEA (DWP)
-Transforming Rehabilitation Warwickshire & West Mercia (MOJ)
-Independent Living Services (Local Authority)
-Carer's Hub Stoke & Staffordshire (Local Authority)
-Youth Programme Plus, West Birmingham (Local Authority)
-NEET (Not in Education, Employment or Training) Support, South East Midlands (ESFA)
-Fresh Start – Skills Support for the Unemployed Stoke and Staffordshire (ESFA)
-Fresh Start – Skills Support for the Unemployed Greater Lincolnshire (ESFA)
-Apprenticeships Enhancement Hub Greater Lincolnshire (ESFA)

10 Northern Ireland

-Steps 2 Success (DEL)
-Kickstart to Work (Derry City & Strabane Council)
-Building Employment through Education (NI SIF)
-Prison Visitor Centres (NI Prison Services)

11 North West

-Work Programme Merseyside, Halton, Cumbria & Lancashire (DWP) CPA 6
-Work Programme North West & Greater Manchester (DWP) CPA 7
-NEA Greater Manchester & Chester (DWP)
-Youth Employment Gateway (Wirral Council)
-Independent Living Services (Local Authority)
-Intensive Start-Up Support Manchester (Manchester Growth Company)
-Breaking Boundaries Merseyside (DWP)
-Breaking Boundaries Cheshire (DWP)
-Wellbeing & Work Trial Group Merseyside (DWP)
-Fresh Start – Skills Support for the Unemployed Cheshire & Warrington (ESFA)

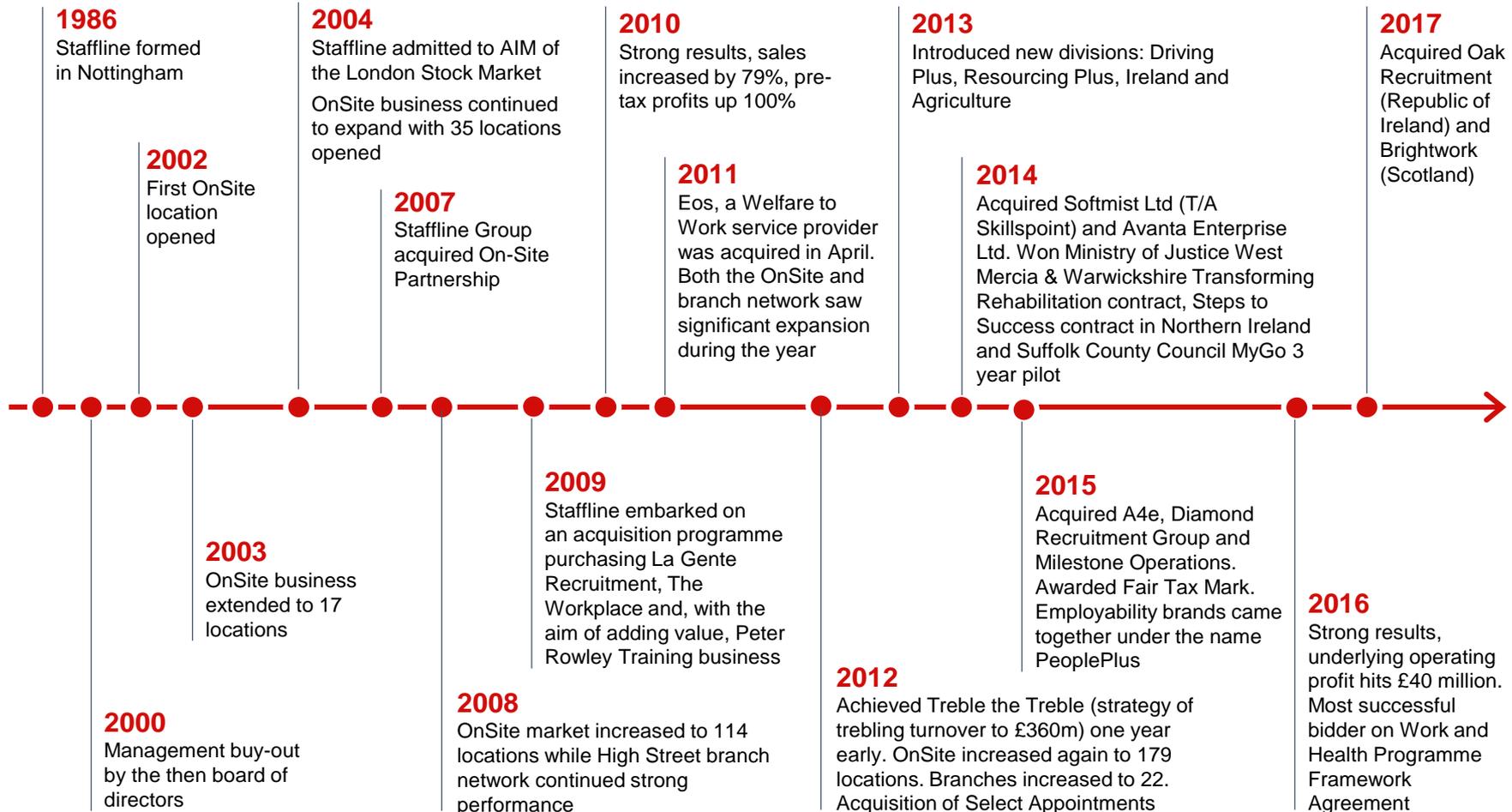


OnSite growth record

Recruitment

	2014	2015	2016	2017	Movement
OnSite Food	157	176	190	197	7
OnSite Logistics	49	61	70	76	6
OnSite Manufacturing	10	15	18	19	1
OnSite Core	216	252	278	292	14
Agriculture	7	10	15	22	7
Driving Plus	10	32	48	50	2
Ireland	2	9	14	22	8
Scotland				7	7
Resourcing Plus	0	2	2	2	0
Total OnSite locations	235	305	357	395	38

Timeline



Significant shareholders

Group

Shareholders at 31 December 2017

Octopus Investments	15.09%
Cat Rock Capital Mgt	8.09%
Aberdeen Standard Investments (Standard Life)	5.70%
Staffline Group Plc Directors & Company Related Parties	5.56%
River & Mercantile Asset Mgt	5.33%
Legal & General Investment Mgt	4.75%
Invesco Perpetual Asset Mgt	3.80%
Living Bridge	3.34%
Slater Investments	3.29%
Hargreave Hale	3.24%
Invesco	2.67%
Coutts & Co	2.24%
Brooks Macdonald Asset Mgt	1.90%
JPMorgan Asset Mgt	1.88%
Investec Asset Mgt	1.75%
Bank of America Merrill Lynch	1.70%
Tilney (ex Towry)	1.67%
Hargreaves Lansdown Asset Mgt	1.18%
Barclays Wealth	1.01%

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