

Interim Results

6 months ended 30 June 2018

Chris Pullen **Chief Executive Officer**

Mike Watts **Chief Financial Officer**

Staffline

Financial Highlights

Strong growth in Recruitment

Group revenue

£481m

Up 12%
(H1 2017: £428m)

Recruitment up 16%
PeoplePlus down 11%

Underlying Diluted EPS

47.2p

Down 6%
(H1 2017: 50.1p)

Group operating profit*

£16.3m

Down 7%
(H1 2017: £17.5m)

Recruitment up 14%
PeoplePlus down 24%

Interim Dividend

11.3p

Interim dividend
increased by 3%
(H1 2017: 11.0p)

Group operating margin*

3.4%

Down 0.7%
(H1 2017: 4.1%)

Recruitment down 0.1%
PeoplePlus down 2.4%

Net Debt


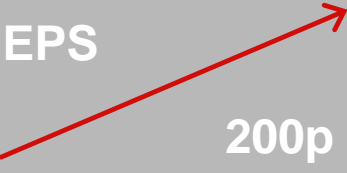
£36.9m

FY 2017: £16.5m,
H1 acquisitions: £18.4m
0.85x underlying 2017
EBITDA

* Underlying

Strategic Highlights

Creating the Platform for Future Growth

| | | |
|--|--|--|
| <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Recruitment</p> |  <p>Staffline ENABLING THE FUTURE</p> | <p>Accelerating growth</p> <ul style="list-style-type: none"> • Customer experience strategy • Digital Platform • Bolt on Acquisitions <p><i>“If everyone worked like Staffline work, then we wouldn’t have needed my Review⁽¹⁾ in the first place, because it (Staffline) is best practice and very impressive...”</i> Matthew Taylor</p> |
| <p style="writing-mode: vertical-rl; transform: rotate(180deg);">PeoplePlus</p> |  <p>PeoplePlus People Skills Jobs</p> | <p>UK’s market leading skills and training business</p> <ul style="list-style-type: none"> • Transition nearly complete • Acquisition of LearnDirect Apprenticeships: 128 Levy Contracts now in PeoplePlus • Quality of earnings |
| <p style="writing-mode: vertical-rl; transform: rotate(180deg);">5 Year Plan</p> |  <p>EPS 200p</p> | <p>Tuned up and focussed</p> <ul style="list-style-type: none"> • Accelerating growth in core blue collar vertical • Simplified PeoplePlus with clear purpose • Refinance complete |
| <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Group</p> |  <p>Staffline Group PLC</p> | <p>Strong Prospects for 2019</p> <ul style="list-style-type: none"> • Expecting meaningful growth in Group earnings in 2019, driven by full year effect of recruitment acquisitions and accelerating thereafter. FY18 in line with expectations • PeoplePlus earnings re-based down as the business starts its new business model • 2019 earnings 70% Recruitment, 30% PeoplePlus (FY18 60:40) |

Footnote (1). “Good work: the Taylor review of modern working practices” published by Department for Business, Energy and Industrial Strategy, 11 July 2017

Group Financial Performance



Recruitment performance strong

PeoplePlus transition accelerated

| | Recruitment H1 2018 | People Plus H1 2018 | Total Group H1 2018 | Recruitment H1 2017 | People Plus H1 2017 | Total Group H1 2017 |
|------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | £m's | £m's | £m's | £m's | £m's | £m's |
| Sales revenue | 429.6 | 51.4 | 481.0 | 369.9 | 57.9 | 427.8 |
| Gross profit | 33.3 | 20.3 | 53.6 | 29.3 | 24.8 | 54.1 |
| Gross profit margin | 7.8% | 39.5% | 11.1% | 7.9% | 42.8% | 12.6% |
| Underlying operating profit | 9.2 | 7.1 | 16.3 | 8.1 | 9.4 | 17.5 |
| Operating profit margin | 2.1% | 13.8% | 3.4% | 2.2% | 16.2% | 4.1% |

- **Group revenue up 12.4%** of which 2.8% is organic
- **Recruitment revenue** growth of £59.7m (16.1%). Strong organic Recruitment growth continues contributing £18.3m (5.0%).
- **Recruitment** conversion of Gross Profit to Operating Profit constant at 28% vs HY 2017
- **PeoplePlus** revenue decline reflects Work Programme run off, but strong cost controls in place to limit margin fall
- **Group underlying operating profit margin** impacted by increased weighting towards Recruitment

Dividend increase reflects underlying performance

| Half Year ended 30 June | Underlying 2018 £m | Underlying 2017 £m |
|--------------------------------|-----------------------|-----------------------|
| Operating Profit | 16.3 | 17.5 |
| Finance Costs | (1.3) | (1.4) |
| Pre tax profit | 15.0 | 16.1 |
| Taxation | (2.8) | (3.2) |
| Post tax profit | 12.2 | 12.9 |
| Dividend PS (p) | 11.3 | 11.0 |
| Basic Earnings PS (p) | 47.6 | 50.4 |
| Diluted Earnings PS (p) | 47.2 | 50.1 |
| Dividend cover x | 4.2 | 4.6 |

Exceptional Items

| | | |
|--|------------|------------|
| Amortisation of intangible assets arising on business combinations | 4.9 | 4.8 |
| Share based payment (credit)/charge | (0.4) | 5.0 |
| | 4.5 | 9.8 |

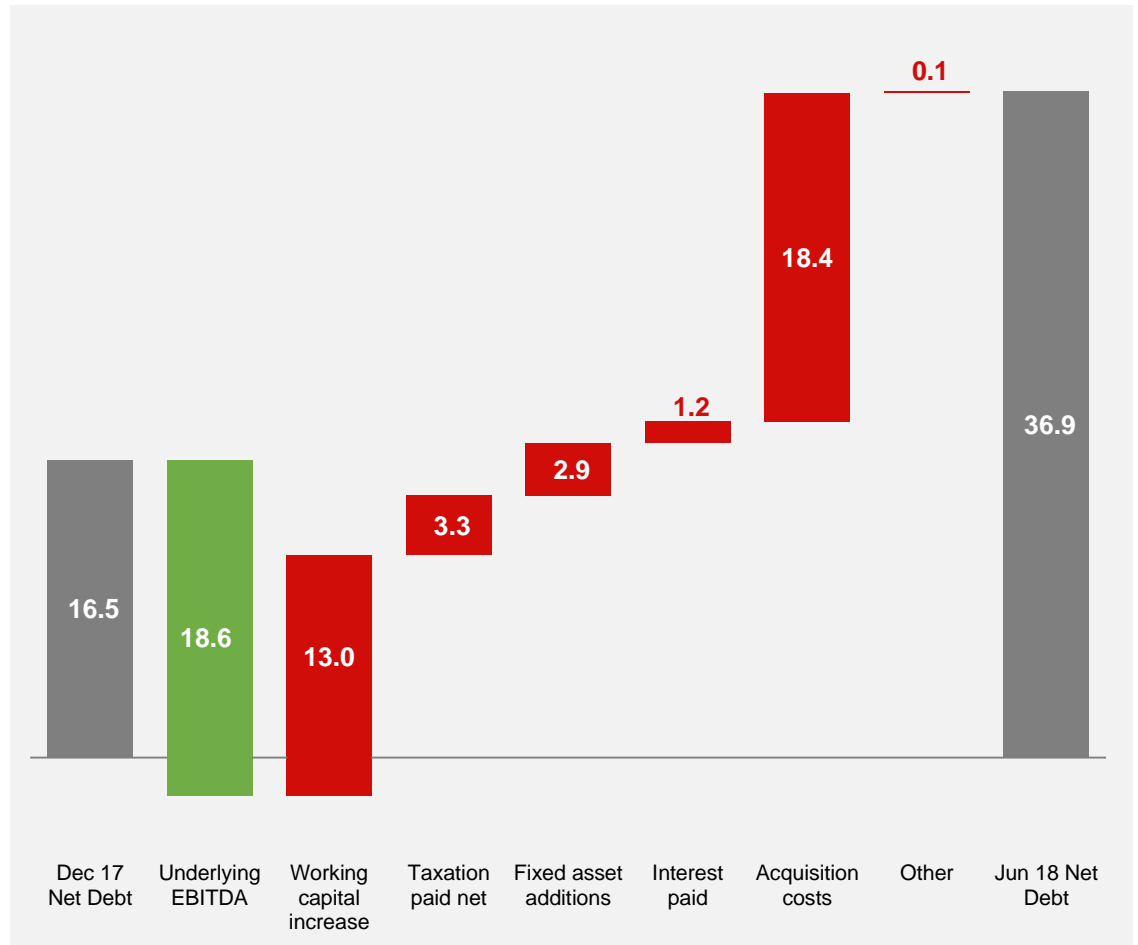
- **Interim dividend of 11.3p** up 3%
- **Dividend cover** 4.2 times, in line with stated target range of 4.0x-4.5x
- **No trading exceptional items**

Investing for the future

Net debt increased by £20.4m since December 2017 to 0.8x 2017 underlying EBITDA

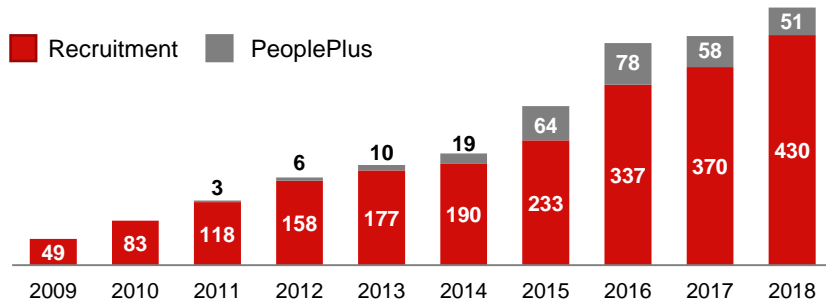
- Net Debt increase includes acquisition costs of £18.4m
- Recruitment debtor days increased to 25.5 (HY 2017: 22.8): payment timing
- Debt and banking facilities refinanced post interim

| | 30 Jun 2018 £m | 31 Dec 2017 £m |
|-----------------|-------------------|-------------------|
| Debt | 43.6 | 47.8 |
| Cash | 6.7 | 31.3 |
| Net Debt | 36.9 | 16.5 |

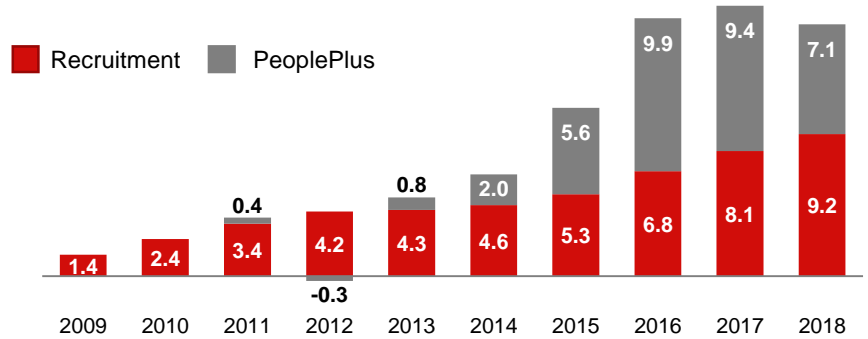


Track record of delivering long-term growth

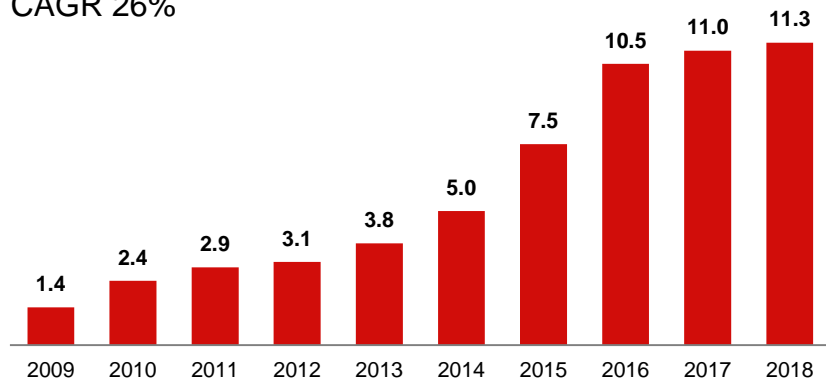
Interim turnover £m:
CAGR 29%



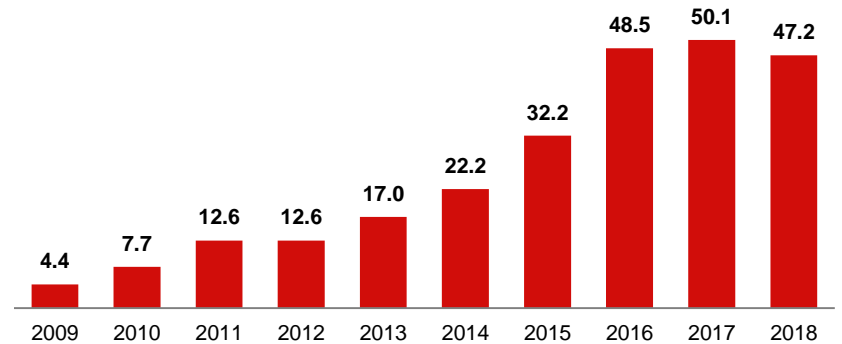
Underlying Interim operating profits £m:
CAGR 31%



Interim dividends per share p
CAGR 26%



Interim diluted underlying earnings per share p
CAGR 30%



New finance facilities agreed

Total facility increased to

£150m

Facility comprises

Committed RCF

£120m

No term loan

Uncommitted RCF

£30m

Overdraft of

£25m

will be part of RCF

Uncommitted RCF

£30m

Overdraft

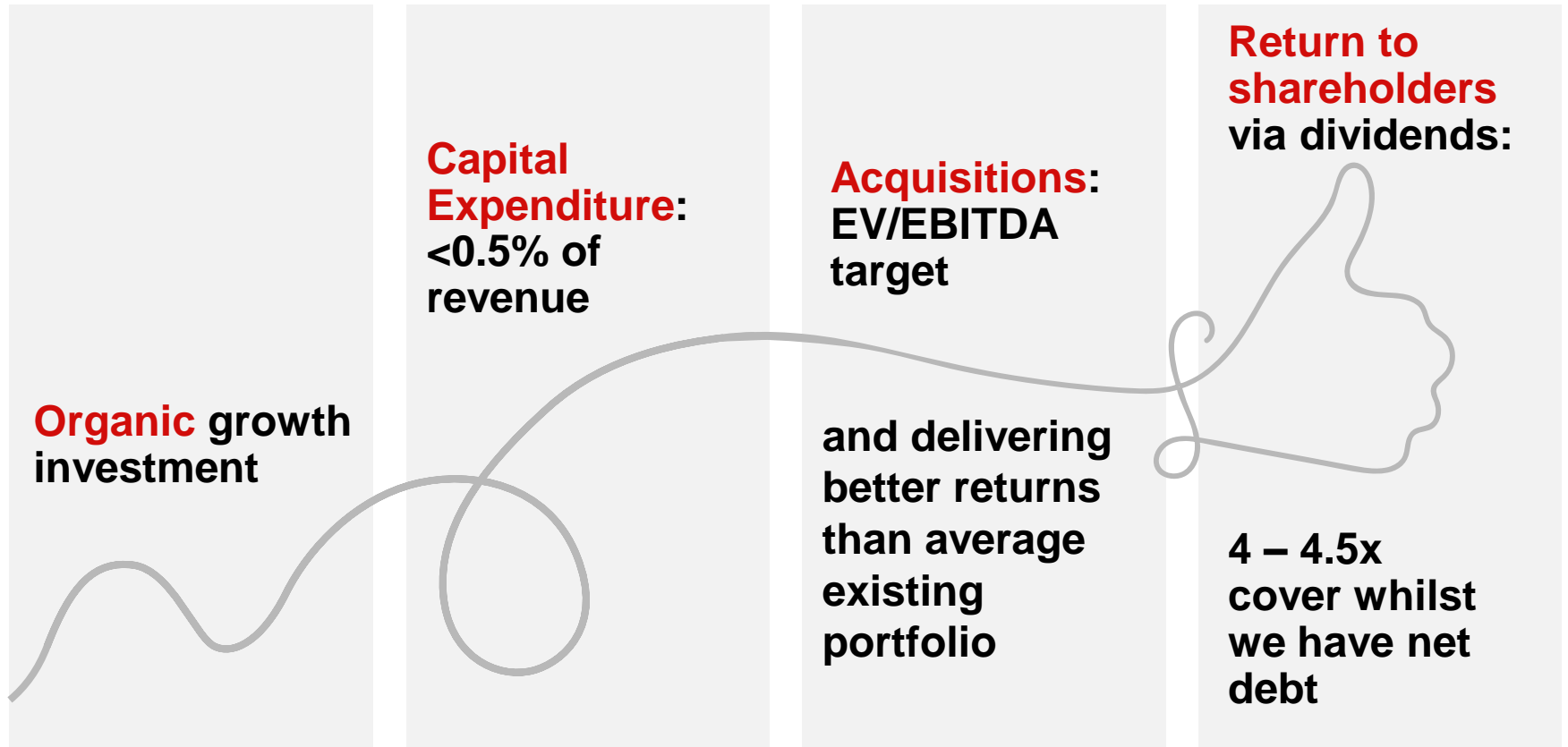
£25m

Committed RCF

£95m

Increased and **flexible** finance facility is a key enabler for the Staffline growth strategy

Capital Allocation Generating shareholder return



Recruitment



Interim Results

Recruitment

- Size and scale providing resilience
- Engagement platform providing unrivalled insights
- Acquisitions adding scale in complimentary geographies
- New wins with blue chip clients

Revenue growth

16%

5% organic

Customers' locations

414

322 H1 2017

Peak workforce

60,000

fully flexible workers

Candidate pool

>300k

Recruitment market share

10%

Food

70%

of revenues



Our non-cyclical landscape

Structural drivers underpin our labour market



Increased living wage



More flexible contract requirements



Stable blue collar workforce



Embedded customer relationships



How we differentiate our offer

Sectors



Concentration in defensive food, logistics and e-retail

Acquisitions



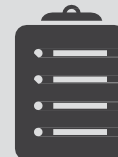
Portfolio management and disciplined acquisitions

Worker attraction



Digital platforms drives candidate resourcing

Customer experience



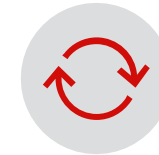
Data and insights improving customer experience



What we deliver



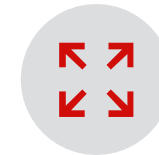
Superior candidate attraction



Better candidate retention



Optimised resource allocation



Unrivalled network coverage

Workforce Attraction

In control of workforce supply

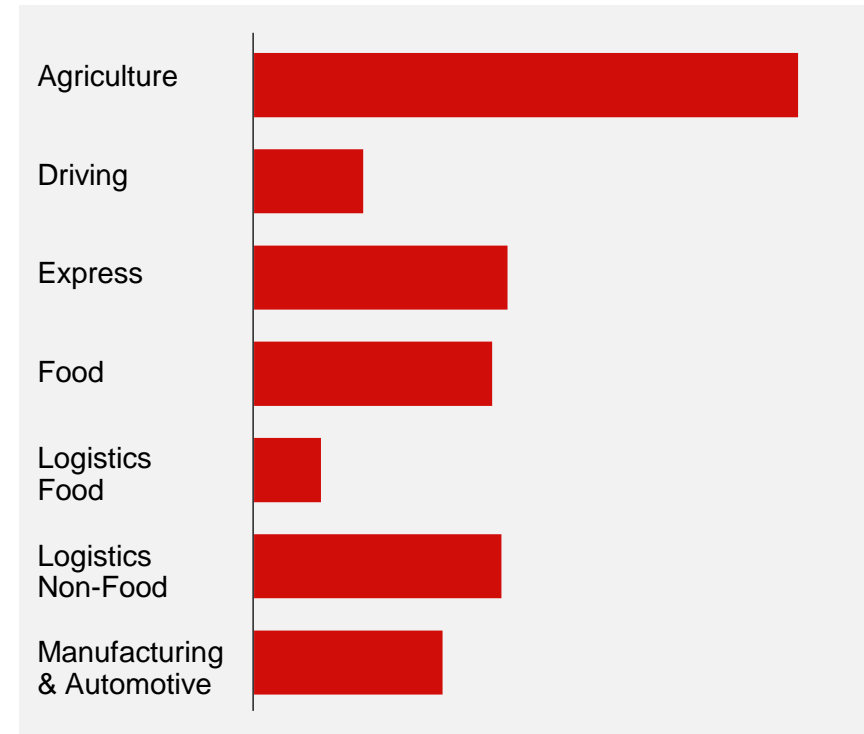
- **Social media strategy increasing digital presence**
 - Recruitment website visits increased by over 64,000 unique visitors in June (126% growth on prior year)
 - Doubling of page views per visit
 - User experience optimised through use of client specific videos
 - Clear brand values and thought leadership
- **Streamlining application process**
 - Improved applicant conversion rates (through Chatbots and AI)
 - Fast and seamless process from first page view to job start



Customer Experience

Being the service provider of choice

- Worker engagement platform providing unrivalled insights for Staffline and its clients
- 52,000 baseline surveys issued – over 18,000 responses (35%)
- 18,000 responses - more than next nearest competitors' total workforce
- Sector and regional level comparisons of engagement
- Statistically relevant for individual customer sites
- Verbatim/word cloud analysis

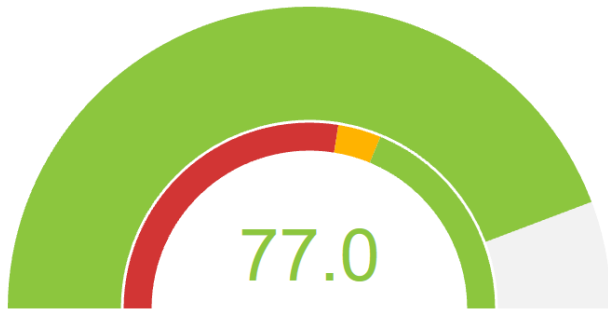


➔ Working with our clients to improve the customer experience

Ocado – Great implementation leads to new win

Recruitment

NPS



“Staffline has really taken care of me and have constantly been friendly and helpful!”

“They are amazing as an agency to work for”

“Because you care about people. Big thanks for time with you!”



“They are reliable and stick to their words”

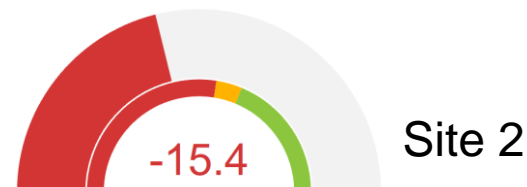
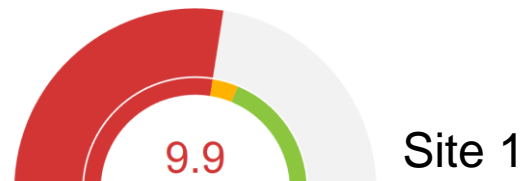
Customer Experience Case Study

Challenge

- Single customer with 2 sites
- Sites very similar but productivity differences were marked along with levels of attrition
- Client had very limited insight to key differentiators

Survey Outputs

- NPS differences reflect productivity outputs
- Key insights into site differences e.g. management and supervision experience



Outcomes

- Key issues and root causes affecting productivity and retention identified
- Tailored support for client, including support videos to train managers
- Longer term plan established to monitor worker sentiment
- Improved worker productivity and retention achieved

New Digital Platform

- Use insights to improve customer and worker experience

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

- Integrate acquisitions and continue to develop pipeline

Quality of earnings

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

Contract Delivery

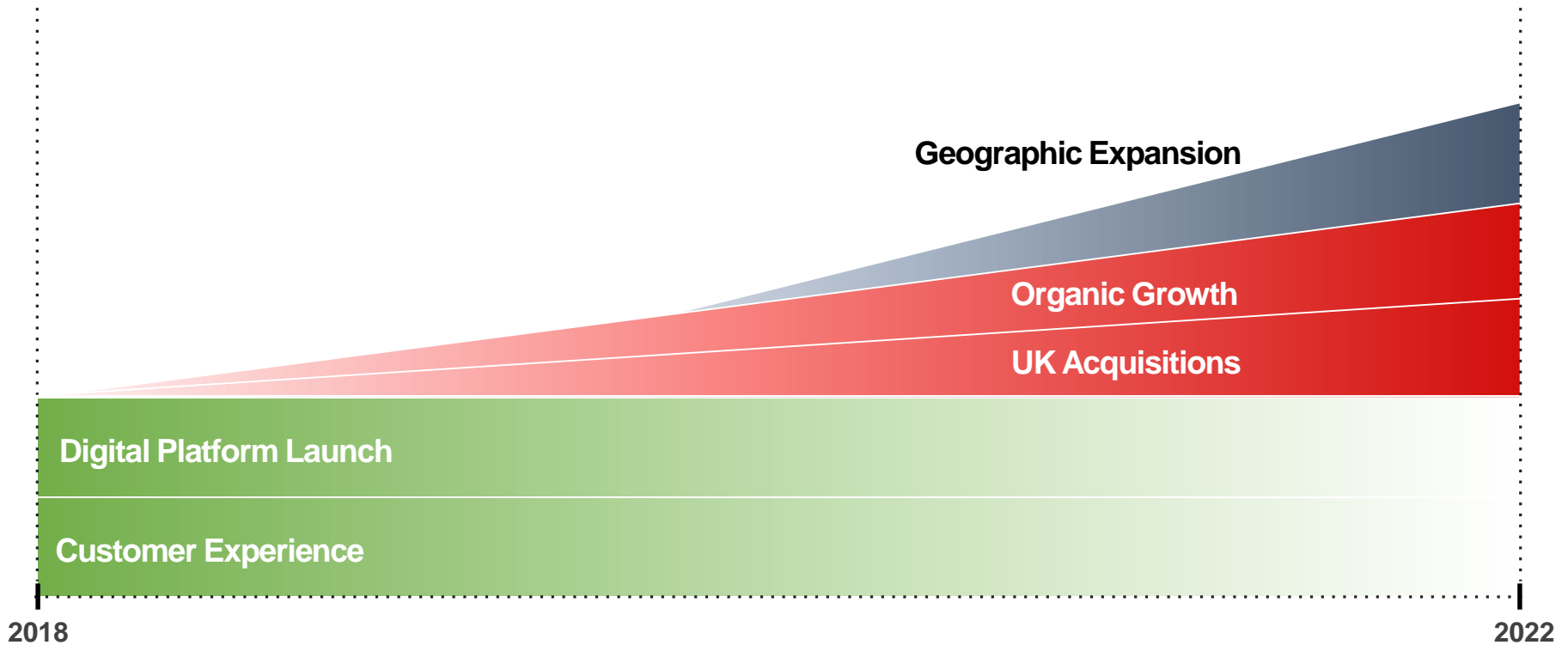
- Good execution of new wins






Recruitment Growth Plan

15% of the UK market and beyond

Recruitment



Recruitment organic growth

| | Sector | Rationale |
|---|---|--|
| High growth  | <ul style="list-style-type: none">• Logistics – Food• Logistics – Non Food• Agriculture | <ul style="list-style-type: none">• Supplier consolidation presents significant opportunity• eRetail a significant growth area with shift from High Street to online• Leverage relationships with logistic partners• Consumer demand remains high• Market opportunities good |
| Increasing  | <ul style="list-style-type: none">• Driving• Express | <ul style="list-style-type: none">• Wins with Royal Mail and Hermes provide growth and demonstrate potential• Growth of branch numbers• Feeder into 'on-site' model |
| Lower growth  | <ul style="list-style-type: none">• Food• Manufacturing and Automotive | <ul style="list-style-type: none">• Largest provider in market• Track record of new wins to continue• Challenging market conditions |



Recruitment Acquisitions

Recruitment Acquisition criteria

**Geographically
complimentary to
existing footprint**

OR

**Brings significant
new clients to
customer base**

Acquisition target EV/EBITDA

**Funded through existing cash
facilities**

Vital Acquisition

Recruitment

Strategic Rationale

- Geographic presence has minimal overlap
- New customer base – 17 of top 20 are new to Staffline
- Strength of customer contracts and loyalty (11 and 13 year length for top 2)
- Significant back-office synergies

Key Information

- Located in East of England
- 2 large recruitment hubs - Peterborough and Boston
- At peak, 8,000+ workers (average of 5,000)
- 8 million hours billed annually

Financials

- Enterprise Value of £20.8m
- Post acquisition EV multiple of 3.6x
- Synergies through significant reduction in support functions and management duplication

BAKKAVOR

MACK

greencell

MMUK

GREENYARD

Grafton Acquisition

Recruitment

Strategic Rationale

- Post acquisition Staffline is market leader in Northern Ireland and Number 2 in Republic of Ireland and island of Ireland
- Increased customer base
- Long term relationship with clients – top 20 customer have 8 years average
- Strong synergy opportunities

Key Information

- Offices and customer base across NI and RoI
- Belfast head office
- Diverse customer sectors
- Average of 3,000+ workers per week

 **Ulster Bank**



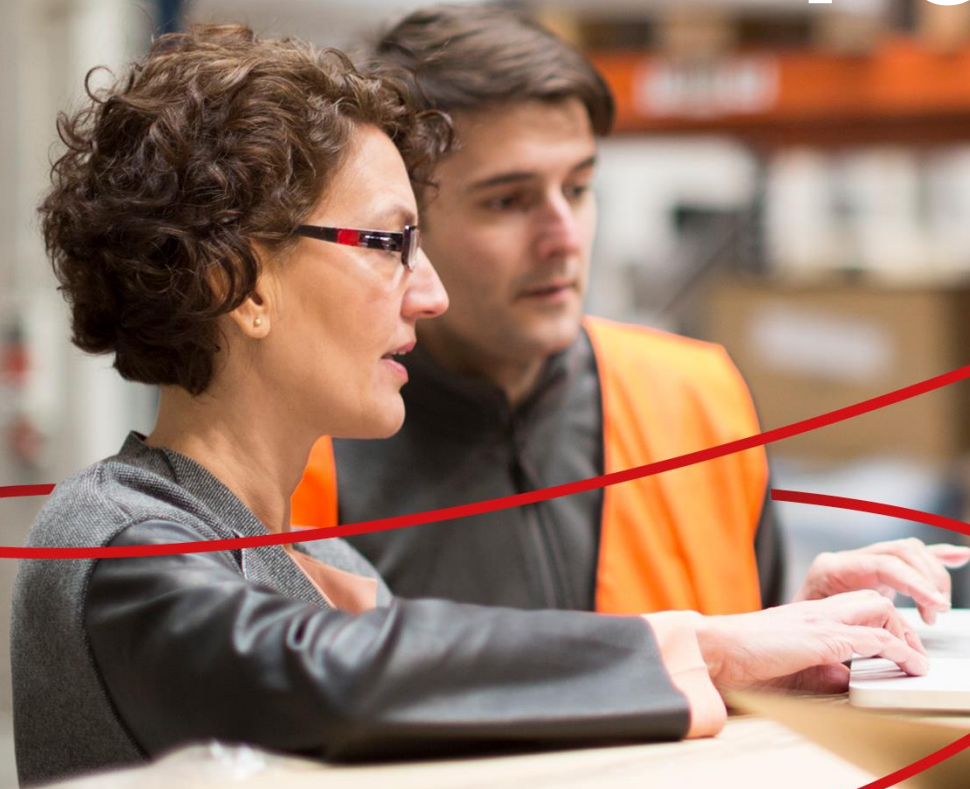
Belfast
City Council


permanent tsb

 **THOMPSON**
AERO SEATING

DSV

PeoplePlus



2018 Headlines

Financial highlights:

Operating Profit*

£7.1m

Reduced 24% (HY 2017: £9.4m)

Revenue

£51.4m

Down 11% as Work Programme runs off (HY 2017: £57.9m)

Costs reduced by

£4.2m

Reduced 9%. Strong cost control programme and low operational gearing.

Operational highlights:

Transition to leading training provider

- Acquisition of LearnDirect Apprenticeships
- Non Work Programme revenue grown by 28%

Apprenticeship Levy

- 5,000 learners giving c.10% market share
- Blue chip clients across multiple sectors
- Market leading management team

Delivery remains strong

- 9 Work Programmes in top 10 of 39
- Fair Start Scotland ahead of plan
- AEB growth of 82%

* Underlying

"AEB" – Adult Education Budget

PeoplePlus is now a Skills and Training business

Skills and Training

Adult Education

Apprenticeships

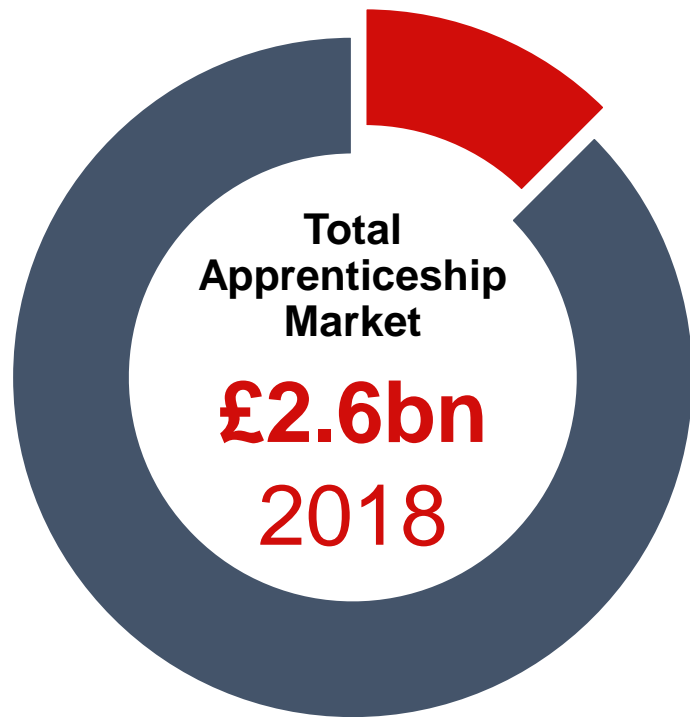
Prison Education

Skills based employability programmes

Corporate learning and development



Apprenticeship market is a significant opportunity



Only 8% drawn down at end of first year

Market grows to £3bn by 2022

Apprenticeship Levy Opportunity

PeoplePlus now has significant scale at circa 10% of levy market

- Acquisition of the business of LearnDirect Apprenticeships
- Strongest management in the sector with excellent content capability
- Market sector reach across retail, financial services, health and social care, public sector



Transition to Skills and Training provider nearly complete

Work Programme

- 9 contract package areas across England as Prime Provider

49% → 34%

Employability

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

9% → 10%

Justice Services

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

20% → 23%

Skills Services

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

13% → 22%

Communities

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

5% → 6%

Northern Ireland

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

4% → 5%

H2 Priorities

Focus on Apprenticeship Levy market

- Acquisition of LearnDirect Apprenticeships – now at circa 10% of levy market
- Strong pipeline in H2 of new levy clients

Deliver growth in Offenders' Learning and Skills Service

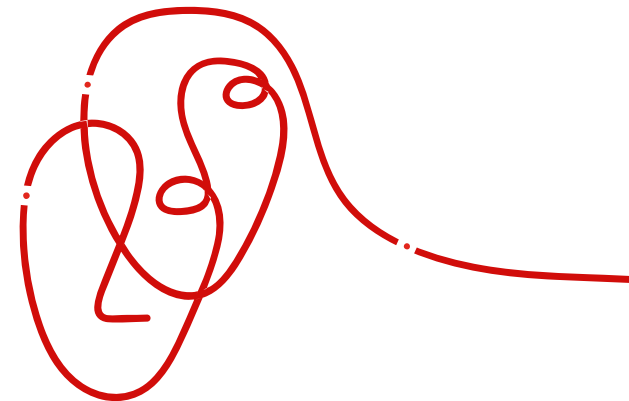
- Procurement under way on Prison Education Framework and awaiting lot allocation in August 2018, with awards Q4 2018
- WayOut TV now in 27 prisons across UK

Grow presence in Wales, Scotland and local government

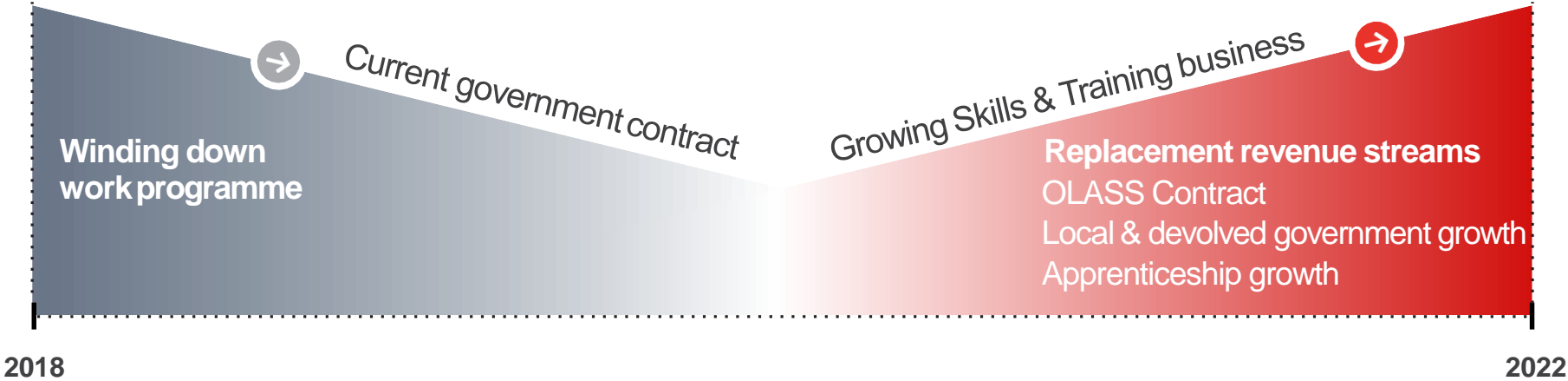
- Welsh government Working Wales procurement now underway – successfully navigated first stage in target lots
- Scotland “Fair Start” commenced April 2018 and off to an excellent start

Develop new market propositions

- Health and wellbeing proposition now developed and private sector sales pipeline being generated
- Corporate learning proposition developed and sales pipeline being generated



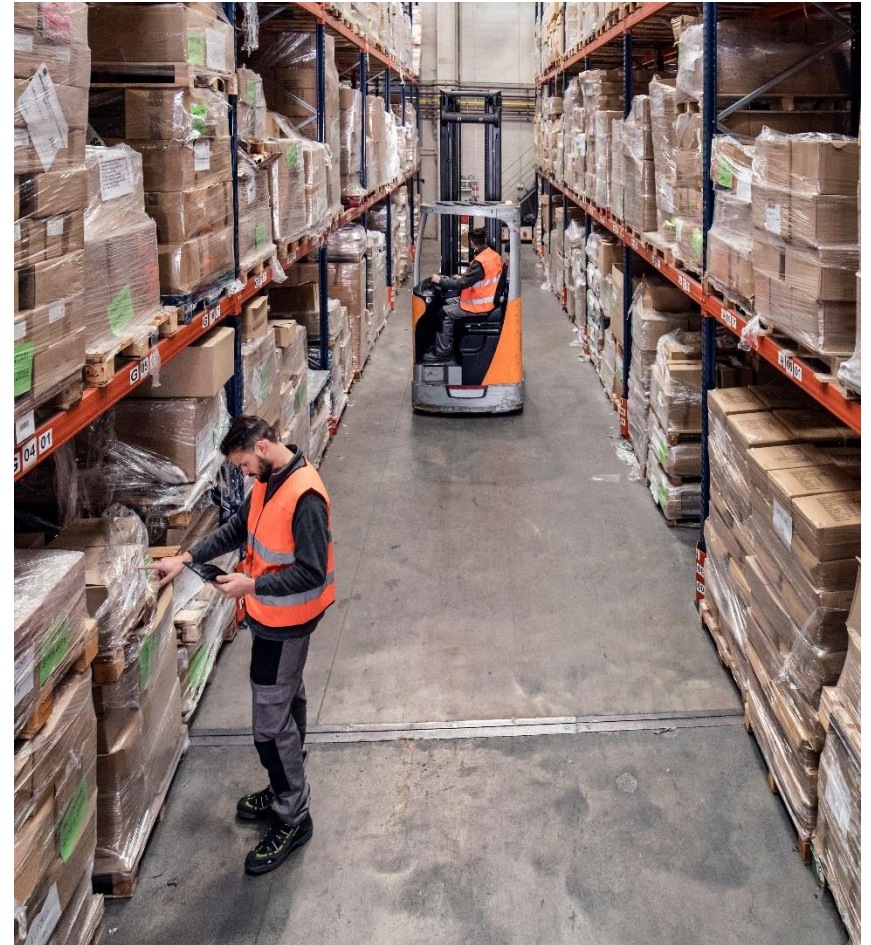
PeoplePlus - Transition to leading Skills and Training provider





In Summary

- Excellent first half
- Accelerated growth in Recruitment with a number of high quality acquisitions
- PeoplePlus, market leading Skills and Training provider
- Acquisition of LearnDirect Apprenticeships business transformational
- H2 performance will give full year in line with expectations



Enabling the future of work™



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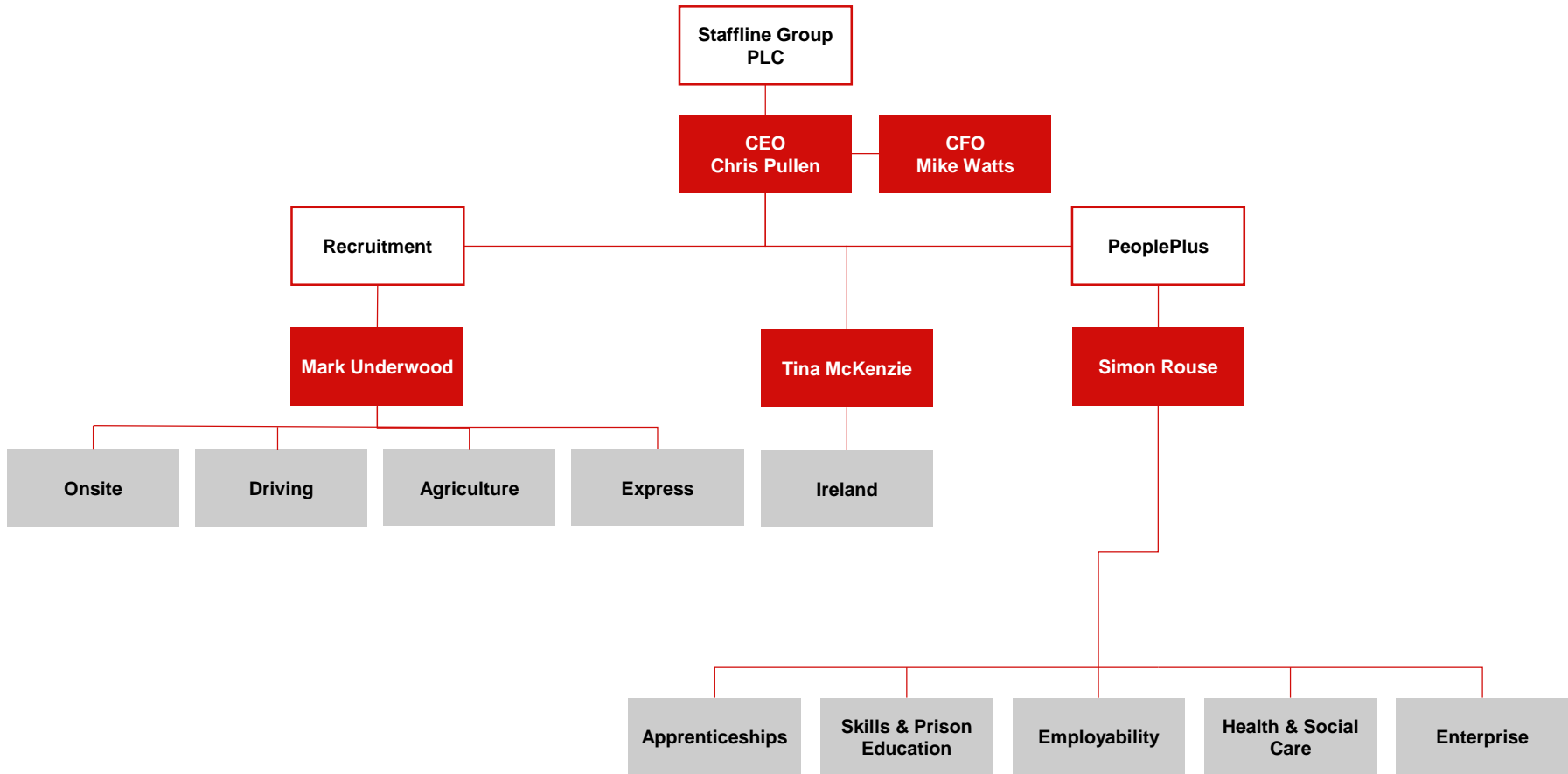
Staffline

Appendices

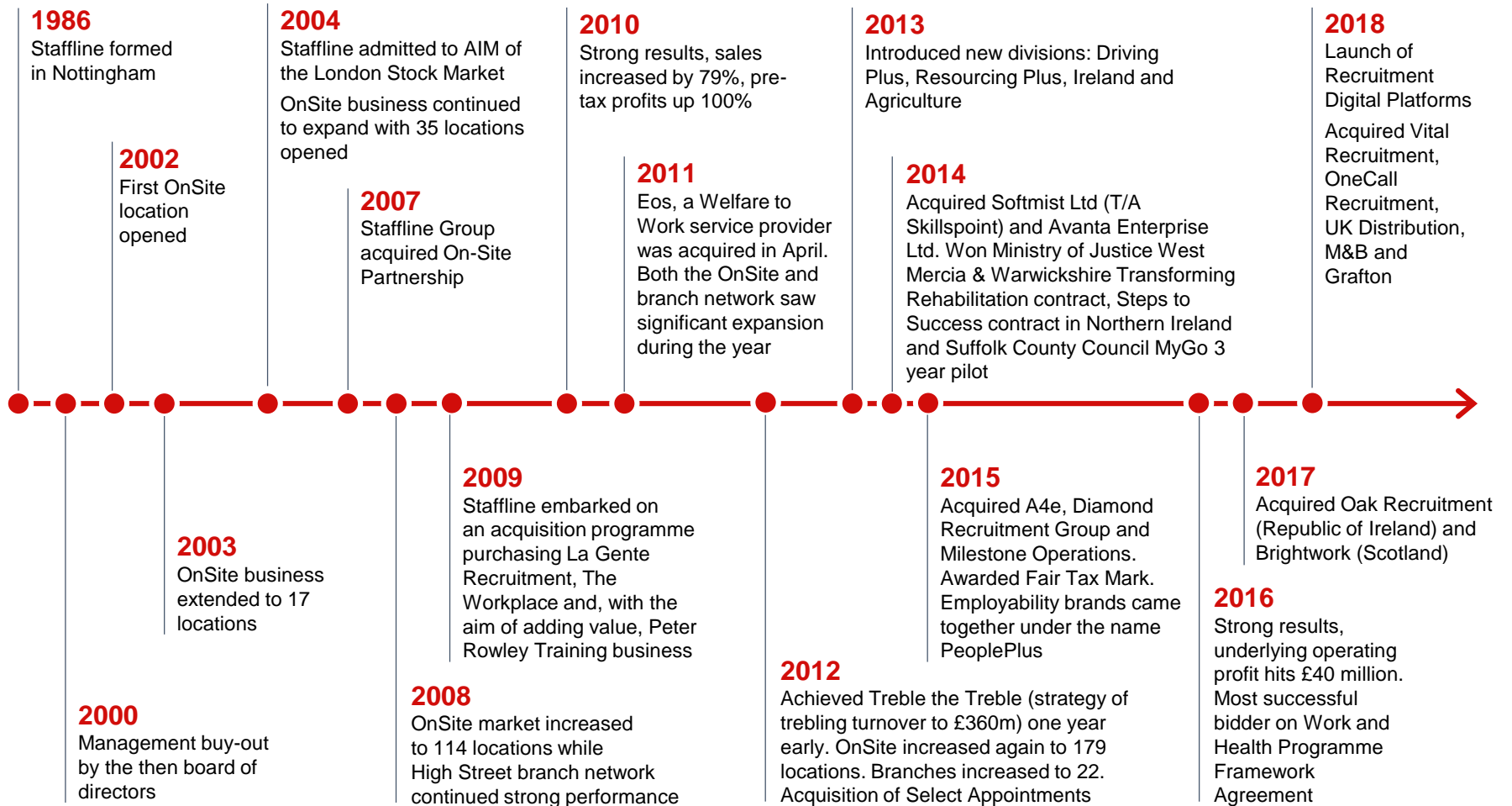


Staffline Group Overview

Group



Timeline



Significant Shareholders

Group

Top 20 shareholders at 30 June 2018

| | |
|--|-------|
| Octopus Investments | 16.5% |
| Cat Rock Capital Management | 12.5% |
| Invesco | 8.6% |
| Staffline Group Plc Employee Benefit Trust | 8.3% |
| Standard Life Aberdeen | 6.6% |
| Bank of America | 5.0% |
| Legal & General Group | 4.7% |
| Living Bridge | 3.7% |
| River & Mercantile Asset Management | 3.1% |
| JP Morgan Chase & Co | 2.8% |
| Royal Bank of Scotland Group | 2.3% |
| Alken Asset Management | 1.9% |
| Andy Hogarth | 1.8% |
| Tilney Group | 1.6% |
| Berenberg Bank | 1.1% |
| Hargreaves Lansdown plc | 1.0% |
| Brooks Macdonald Asset Management | 1.0% |
| Smith & Williamson Investment Management | 1.0% |
| Deutsche Bank | 0.9% |
| Hargreave Hale | 0.8% |

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