

Interim Results

6 months ended 30 June 2019

Chris Pullen **Chief Executive Officer**

Mike Watts **Chief Financial Officer**

Staffline

Summary

Group revenue

£535m

Up 11%
(H1 2018: £481m)
Recruitment up 15%
PeoplePlus down 20%

Group operating profit*

£3.7m

Down 77%
(H1 2018: £16.3m)
Recruitment down 50%
PeoplePlus down 113%

Group operating margin*

0.7%

Down 270bps
(H1 2018: 3.4%)
Recruitment down 120bps
PeoplePlus down 1600bps

Net Debt

£89.2m

Dec 2018: £63.0m,
Acquisitions: £5.3m
Post H1 £37m net raised
through equity issue

Overview

Recruitment

- Significant impacts from the delay to publication of FY18 results
- Challenging trading environment
- Near term outlook of reducing consumer confidence and uncertainty
- Strong platform for recovery to future growth

PeoplePlus

- Transformation complete, as planned
- Expecting profitable H2 under new operating model
- Good prospects for FY20

* Underlying

Market leading platforms, Positioned for return to growth

Recruitment

- Clear market leader by size and scale
- Uniquely differentiated through worker engagement strategy
- Winning the race to find workers

 **Making our customers more successful**

PeoplePlus

- UK's market leading Adult Skills and Training business
- Transition to new operating model now complete
- Portfolio business of service contracts, with diverse revenue streams

 **Making a direct difference to the lives of one million people by 2022**

Enabling the future of work™

Group Financial Performance



Half year results

Group

	Recruitment H1 2019	People Plus H1 2019	Total Group H1 2019	Recruitment H1 2018	People Plus H1 2018	Total Group H1 2018
	£m's	£m's	£m's	£m's	£m's	£m's
Sales revenue	493.2	41.4	534.6	429.6	51.4	481.0
Gross profit	35.7	9.3	45.0	33.3	20.3	53.6
Gross profit margin	7.2%	22.5%	8.4%	7.8%	39.5%	11.1%
Underlying operating profit	4.6	(0.9)	3.7	9.2	7.1	16.3
Operating profit margin	0.9%	(2.2%)	0.7%	2.1%	13.8%	3.4%

- **Group revenue up 11.1%**; organic revenue down 12.4%.
- **Recruitment revenue** growth of £63.6m (14.8%), driven by benefit of six acquisitions in 2018. Organic Recruitment revenue down £44.1m (-10.3%).
- **PeoplePlus revenue** decline reflects the final closure of the Work programme and subsequent transformation of PeoplePlus during 2019
- **Group underlying operating profit margin** reflects the challenging first half trading with lower margins in Recruitment and losses in PeoplePlus

PeoplePlus transformation complete

£3m cash exceptionals in Recruitment

Six months ended 30 June	Underlying 2019 £m	Underlying 2018 £m
Operating Profit	3.7	16.3
Finance Costs	(2.2)	(1.3)
Pre tax profit	1.5	15.0
Taxation	-	(2.8)
Post tax profit	1.5	12.2
Dividend PS (p)	n/a	11.3
Basic Earnings PS (p)	5.6	47.6
Diluted Earnings PS (p)	5.6	47.2
Dividend cover (x)	n/a	4.2

Exceptional Items

Amortisation of intangible assets arising on business combinations	6.2	4.9
Reorganisation costs	2.2	-
Share based payment (credit)	(0.2)	(0.4)
Professional fees	1.0	-
	9.2	4.5

- **No dividend declared**
- **Trading exceptional items;** £1m exceptional professional fees incurred in relation to the extended audit process

£2m incurred on fundamental reorganisation of the Recruitment division – staff redundancies and 25 property exits.

- More efficient regional operating model
- Optimised with digital candidate resourcing strategy

Net Debt

Net debt increased by £26.2m from December 2018

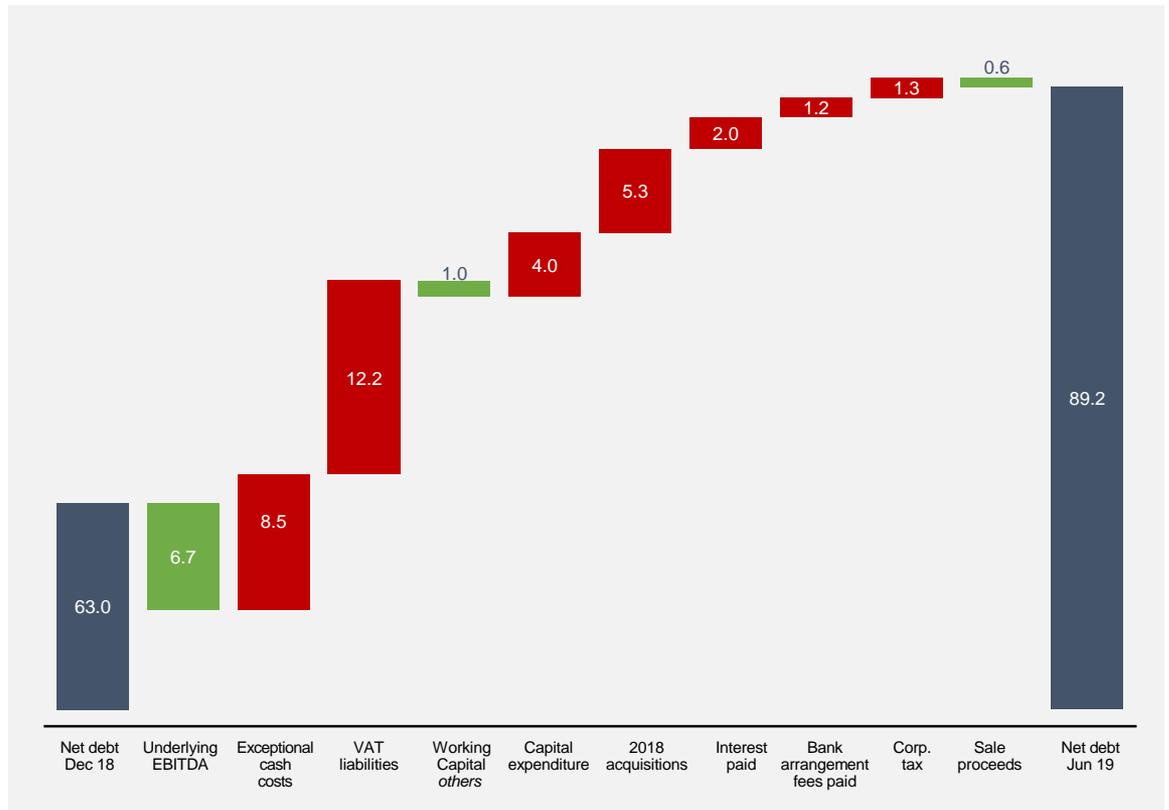
Net Debt increase includes:

- Deferred acquisition costs of £5.3m
- Exceptional cash costs of £1.7m plus £6.8m of 2018 exceptional costs settled.
- £12.2m VAT liabilities movement
- £4.0m capex

Debt and banking facilities refinanced in June 2019

£37m equity raised in July 2019

	30 Jun 2019 £m	31 Dec 2018 £m
Debt	94.2	79.2
Cash	5.0	16.2
Net Debt	89.2	63.0



Note: depreciation and capex stated after IFRS 16 Leases adjustments of £1.2m and £0.3m respectively.

Recruitment



H1 2019 headlines

Financial:

Revenue

£493m

Up 15% - benefit of
2018 acquisitions
Organic down 10%
(H1 2018: £430m)

Operational:

Macro Environment

- Headwinds from economic and political uncertainty
- Industry wide demand challenges with increased price competition

Underlying Operating Profit

£4.6m

Decreased 50%
(H1 2018: £9.2m).

Organic Growth

- New contract momentum slowed by delay in publication of 2018 results

Underlying Operating Profit margin

0.9%

Down from 2.1% in 2018

Competitor Differentiation

- Impact of digital investment coming through
- Early proof points indicate strong medium term opportunity for pricing and consolidation

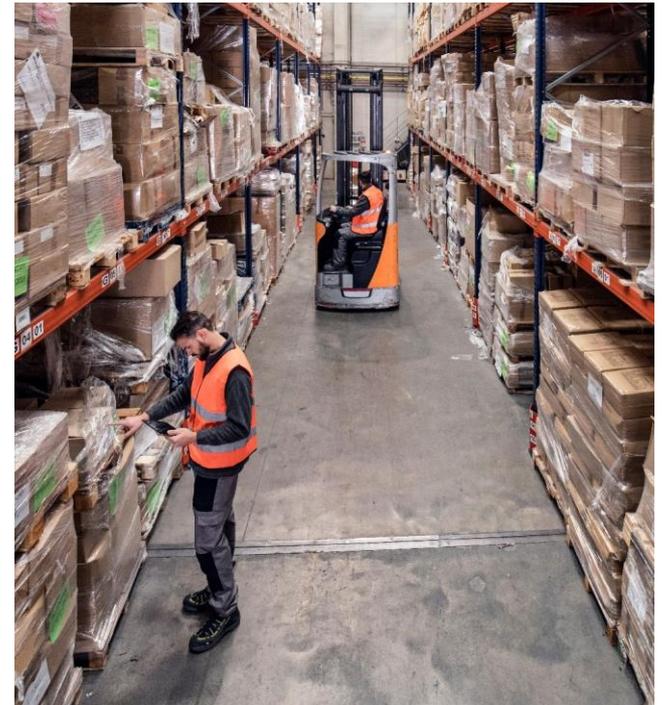
A tough trading environment...

Delay to the FY18 results

- Overall, lost time in the company's development, but not permanently damaged

Political and Economic uncertainty hitting consumer sentiment

- Customers are increasingly taking defensive actions and reducing their exposure to temporary labour, which they perceive to be at risk from a hard Brexit
- Overall, customer demand is significantly down on prior year



But, Staffline could not be better placed to benefit from a tight labour market

Recruitment update at a glance

- Size and scale providing resilience, but headwinds in 2019
- Engagement platform provides competitive differentiation

- Consolidation trend continues
- Growth opportunities with new and existing blue chip clients
- Unrivalled blue-chip client base

Customer locations

443

Peak workforce

60,300

fully flexible workers

Recruitment market share

11%

Food

70%

of revenues

Hermes

DHL

Argos

HUNTAPAC

Laleham
Health & Beauty



ocado

aps
group

PARCEL FORCE
WORLDWIDE

PUKKA-PIES

Sainsbury's

ASDA

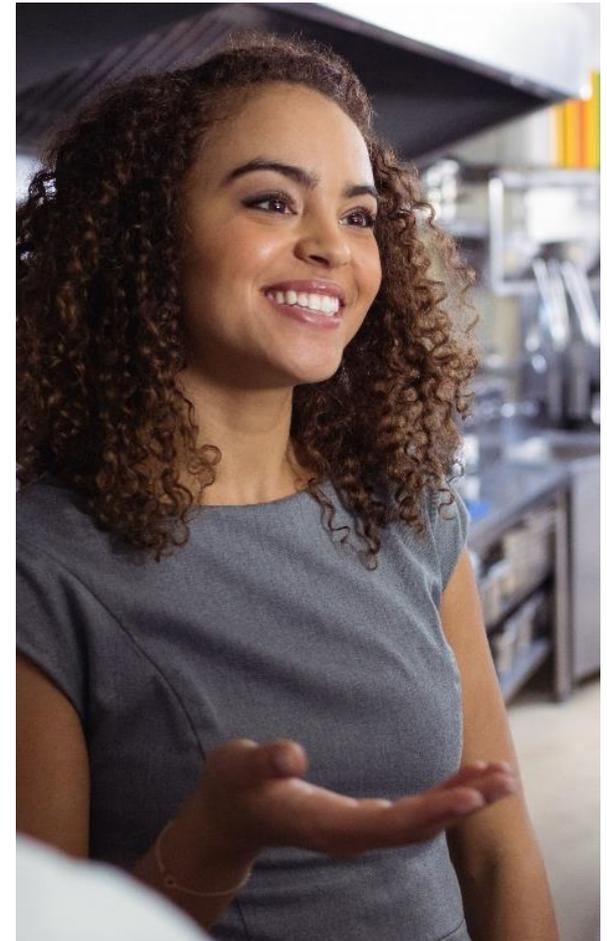
wiggles

CALEDONIAN
PRODUCE

Strategy proof points coming through

- **88% increase** in the total number of **new users** visiting the Staffline website in H1 2019
- **Personalised email** marketing campaigns generate **65,000+ new users** to staffline.co.uk per month
- A year on year increase of **216%** of users typing the Staffline website address and **accessing directly**
- **22% increase** in **website traffic** directly driven from search engines such as Google on prior year

Year on year worker attrition reduced by 23%



Resulting in opportunities to improve commercial terms

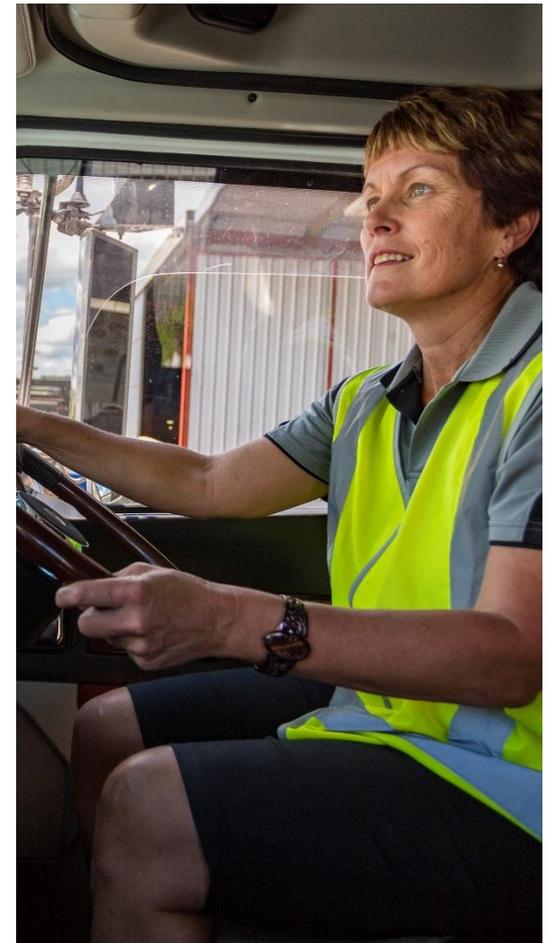
Some early examples of service differentiation leading to better pricing

Customer 1 **20%**
fee increase

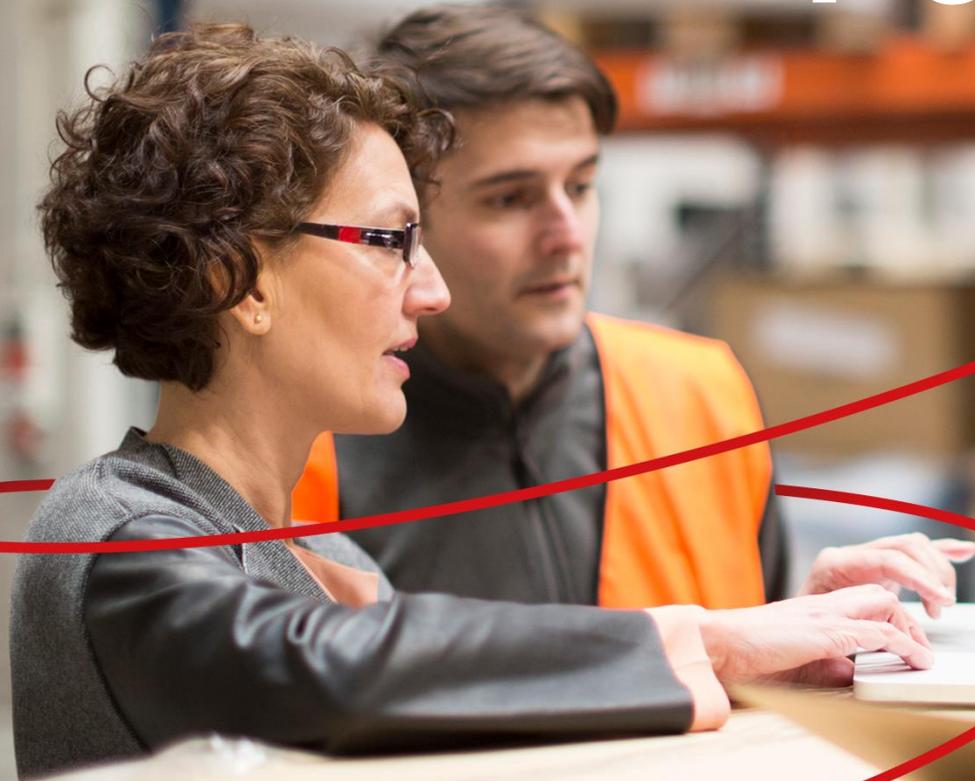
Customer 2 **20%**
fee increase

Customer 3 **24%**
fee increase

Customer 4 **30%**
fee increase



PeoplePlus



H1 2019 headlines

Financial:

Revenue

£41m

Down 19% as Work Programme ends
(H1 2018: £51m)

Underlying Operating Loss

£0.9m

Reduced 113%
(H1 2018: profit of £7.1m)

Costs reduced by

£3m

Reduced 23%. Strong cost control programme and low operational gearing.

Operational:

Completed transition to leading skills and training provider

- Work programme ended March 2019

Apprenticeship Levy

- Key wins with Heathrow, Standard Life, Topps Tiles and Buildbase
- Strong pipeline developed

New wins

- ESFA - £35m over 27 months, up from £14m
- PEF - £105m TCV over 4 years – More than doubling our existing business

2019 - A Year of Transition

	January 2018	Today	2020-2022
Customer diversification	<ul style="list-style-type: none"> • >390 colleagues engaged on Work Programme • Central Government funding dominant • No private sector client propositions beyond apprenticeships • Bid Engine in need of transformation 	<ul style="list-style-type: none"> • Work Programme closed with <10 colleagues now engaged in contract completion • c.£150m new contracts announced in Q1 with 35 new contracts live on 1 April • Leading levy apprenticeship provider 	<ul style="list-style-type: none"> • Contract base more diversified across central, local and devolved government – with multiple run off dates • Strong contract flows with over 60% of revenues already secured (excluding apprenticeships)
Scale and origination	<ul style="list-style-type: none"> • Key strategic opportunities identified in prison and adult education • Sub scale Apprenticeship division and <20 private sector clients • Little technology in service delivery • Bid win rate 1 in 3 	<ul style="list-style-type: none"> • Largest provider of skills support for adult unemployed with 47% market share • Strong pipeline of integrated offers • Overall private sector client base now in excess of 150 • Market-leading AI solution being deployed • Bid win rate 1 in 2 	<ul style="list-style-type: none"> • Apprenticeship pipeline building with a number of strategic client opportunities • Digital Learning platform growth and further development of AI solutions • Bid win rate maintaining at 1 in 2 with strong pipeline

With further opportunities in the pipeline

Pipeline

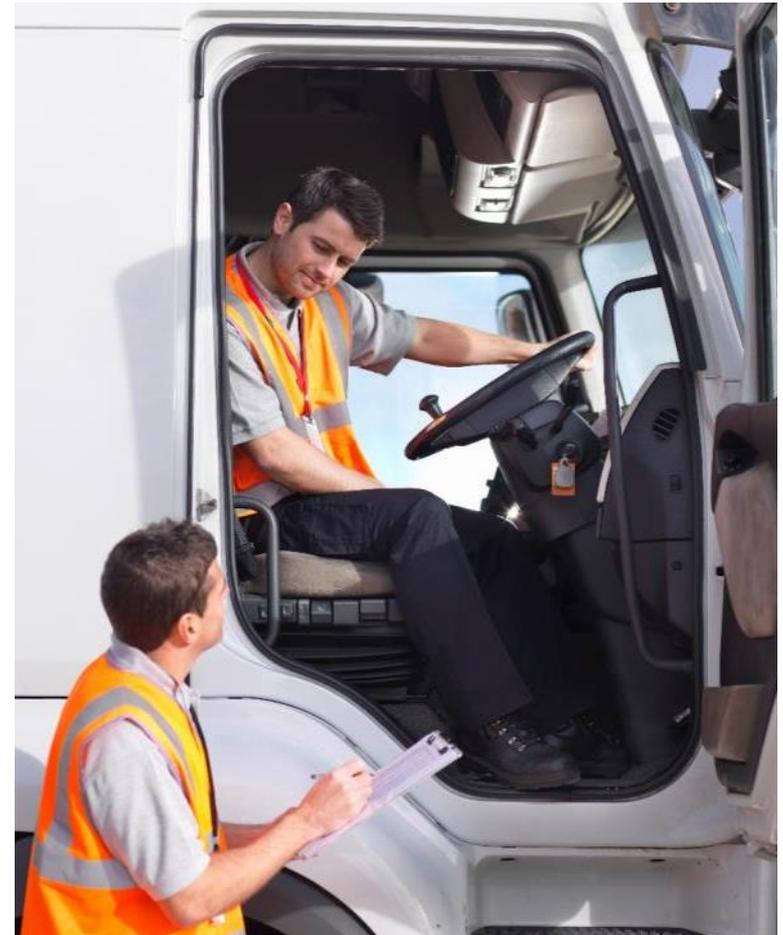
2019

Sector	TCV (m)
Skills	4
Employability	64
Justice	4
Communities	3
Enterprise	8
Total	83

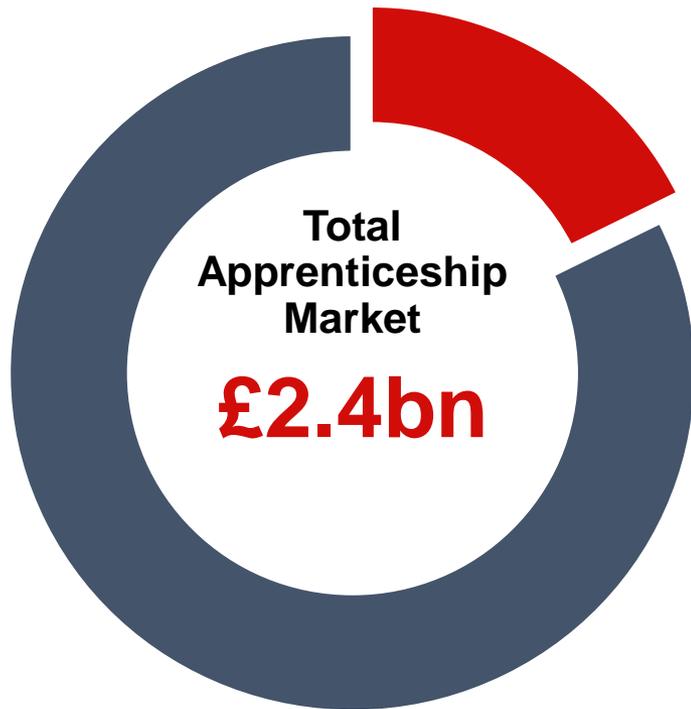
2020

Sector	TCV (m)
Skills	90
Employability	26
Justice	461
Communities	57
Enterprise	7
Total	641

- Staffline bid win rate 1 in 2
- Average contract length of 3 years



Apprenticeship market is a significant opportunity



c.22%

drawn down by the end of January 2019

Heathrow
Employment & Skills Academy

Topps Tiles

£3bn

Market growth by 2022

Standard Life

BUILDBASE
BUILDING & TIMBER SUPPLIES



2019 Priorities

Group

Recruitment

- **Realise benefits of differentiation strategy**
 - Worker experience and employee engagement
 - Customer satisfaction
- **Optimise existing business**
 - Optimisation of regional labour pools
 - Maximise cash conversion
 - Margin enhancement

PeoplePlus

- **Advance leadership position in Apprenticeship levy market**
- **Enhance digital learning and engagement capabilities**
- **Continue contract diversification and improvement strategy**
- **Continue shift away from reliance on Central Government funding**

Group

01

Optimise existing business

02

Return to strong cash conversion

03

De-lever balance sheet



Outlook

Recovery to normalised earnings

Recruitment

- Economic and political uncertainties creating a tough trading environment, following a difficult H1 19
- Financial performance heavily weighted to H2 and the Q4 peak trading season in particular
- Strategic initiatives of 2018 have created an excellent platform for future growth, with early proof points coming through

PeoplePlus

- Positive outlook for PeoplePlus in 2020 under its new operating model
- Not affected by FY18 results delay
- In excess of 60% of 2020 revenues already contracted
- Non-Apprenticeships business expected to contribute c.85% of 2020 PeoplePlus revenue

FY19 Guidance

- **EBIT** **approximately £20m**
- **Net Debt/EBITDA** **c.2x**

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Appendices



Significant Shareholders

(Top 20: represents 91.0% of shares in issue)

Top 20 shareholders at 04 September 2019

HRnet Group	29.9%
Octopus Investments	13.6%
Invesco inc Perpetual Asset Management	8.6%
Legal & General Investment Management	7.3%
Gresham House	5.3%
Hunter Capital Ltd Partnership	5.1%
Hargreaves Lansdown Asset Management	3.1%
Bayberry Capital Partners	2.9%
Standard Life Aberdeen	2.5%
Coutts & Co	2.0%
Staffline Group Plc Employee Benefit Trust	1.7%
Lombard Odier Asset Management	1.6%
Killik Asset Management	1.6%
Interactive Investor Trading	1.3%
Barclays Bank	1.0%
A J Bell Securities	0.9%
Miton Asset Management	0.8%
Peel Hunt	0.7%
Andy Hogarth	0.7%
Tilney Group	0.7%

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Staffline