

25 January 2022

STAFFLINE GROUP PLC
("Staffline", the "Company", or the "Group")

**Trading Update
&
Notice of Results**

- 2021 Underlying Operating Profit doubles year-on-year; c. 11% ahead of market expectations
- Strong FY 2021 performance underpins increased confidence for FY 2022

Staffline, the recruitment and training group, is pleased to provide the following trading update for the year ended 31 December 2021.

Financial Highlights¹

	FY 2021	FY 2020	Change
Revenue	£942.7m	£927.6m	+1.6%
Gross profit	£82.8m	£74.6m	+11.0%
<i>Gross profit %</i>	8.8%	8.0%	+0.8%pts
Underlying operating profit²	£10.0m	£4.8m	+108.3%
<i>Gross profit to operating profit conversion %</i>	12.1%	6.4%	+5.7%pts
Net cash/(debt)³	£6.9m	£(8.8)m	+£15.7m

¹Presented on a continuing basis. The figures are unaudited and provisional.

²Underlying results exclude goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying charges

³Presented on a pre-IFRS16 basis

The Group continued to trade strongly across H2 2021, building on the positive momentum achieved in H1 2021, and is expected to generate revenues for FY 2021 of c. £942.7m (2020: £927.6m), representing an increase of c. 1.6% notwithstanding management actions to exit low margin contracts. As a result of these actions and the turnaround plan, the Group is anticipated to deliver Underlying Operating Profit for FY 2021 of c. £10.0m (2020: £4.8m), a significant increase of c. 108.3%, and c. 11% ahead of market expectations for 2021.

Staffline's balance sheet was significantly strengthened during the year with the Group expected to report an increase in pre-IFRS16 net cash of £15.7m to £6.9m at 31 December 2021 (2020: net debt of £(8.8)m), despite repaying the majority (£40.7m) of its Deferred VAT Relief, with the remaining balance of £5.8m to be repaid on 31 January 2022. This substantial improvement was achieved through a successful equity raise of £46.4m (net of costs), and includes c. £10m of timing benefits, which are expected to unwind, alongside further improvements in trading cash flow and cash collections. The Group's financing headroom, relative to available committed banking facilities at 31 December 2021, was in excess of £75m.

Operational Update

All three of the Group's divisions delivered a strong performance in the year, as Staffline successfully leveraged its market leading positions in each segment to mitigate operational headwinds presented by the Covid-19 pandemic and widely publicised labour shortages.

Recruitment GB

The Group's Recruitment GB division continued to achieve high levels of worker fulfilment, underpinned by ongoing operating efficiencies delivered through the rollout of its digital platform for workers and customers. The exiting from certain lower margin contracts, equating to c.£40m of annual revenue, was mitigated by strong new business momentum both in securing new contracts and expanding with existing customers. Furthermore, the division successfully executed on a number of cross-sell opportunities with existing blue-collar customers, to deliver permanent recruitment, a key strategic margin growth driver, alongside reporting record results in the white-collar sector.

Recruitment Ireland

In Staffline's Recruitment Ireland division, high levels of consultant productivity, despite the region experiencing severe Covid-19 restrictions, resulted in a strong performance in H2 2021. Whilst restrictions impacted performance in 2020 and H1 2021, a focus on margin growth and gross profit mix in favour of permanent recruitment, particularly in the white-collar sector, ensured a strong flow through to operating profit.

PeoplePlus

Following the restructuring of PeoplePlus in 2020, including the disposal of the non-core and loss-making Apprenticeships division, a rebuilding of the business's core services and footprint was undertaken in 2021, which included further alignment of the cost base with Covid-19 impacted lower revenues in the Skills division. An additional impact in the Skills division has been the discovery of incomplete records relating to 2019, which will require the repayment of c. £2m of revenue. Based on its legacy nature, this has been adjusted through reserves. Of the c. £2m, £0.8m has already been repaid in 2021, with the balance due for repayment in 2022.

As announced in June 2021, PeoplePlus secured a number of Restart sub-contracts, and these have all been successfully mobilised. Employability services saw the strongest demand within the division, specifically in supporting individuals seeking to start their own businesses, principally under the New Enterprise Allowance scheme. Finally, the transition to further improved digital delivery models across all of our contracts was completed, enabling the business to switch from in-person engagement to virtual delivery across many of its services, resulting in record revenues from its digital model.

Outlook

The Group has delivered an excellent performance in 2021, exceeding expectations in both profitability and cashflows, with upgrades to market expectations during 2021 against a backdrop of continued macroeconomic headwinds.

This momentum is expected to continue into 2022, supported by a strong new business pipeline, a lower overhead cost base and the expected post-Covid recovery of historically strong Staffline recruitment sectors, such as automotive, manufacturing, aerospace and travel. The Board remains confident in the growth prospects for the Group in the medium-to-long-term.

Notice of Results

The Group expects to report its results for the year ended 31 December 2021 on Tuesday, 22 March 2022.

Albert Ellis, Chief Executive Officer of Staffline, commented:

"To have achieved such a strong profit performance during a year which presented a number of industry-wide challenges is testament to the underlying strength of our market leading positions and the Group's unrivalled reputation for delivery of labour at scale to major organisations across the UK in critical sectors."

"Having both re-capitalised and refinanced the Group, we now have the balance sheet strength and operational agility to execute on more ambitious organic growth plans. The pipeline for 2022 is encouraging, underpinning the Board's increased confidence in the current financial year and beyond."

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as amended by The Market Abuse (Amendment) (EU Exit) Regulations 2019. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

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Market Abuse Regulation:

For the purposes of MAR, Article 2 of Commission Implementing Regulation (EU) 2016/1055 and the UK version of such implementing regulation, the person responsible for arranging for the release of this Announcement on behalf of the Company is Daniel Quint, Chief Financial Officer.

About Staffline

Providing workforce solutions

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.37,000 staff per day on average to around 450 client sites, across a wide range of industries including agriculture, 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, fifteen onsite customer locations, supplying c.5,000 staff per day on average, and offering RPO, MSP, temporary and permanent solutions across the island of Ireland.

PeoplePlus Division

PeoplePlus is leading skills and employability business with a clear purpose to help people transform their lives, get jobs and keep jobs, and develop their careers. The division works with employers to develop workforces of the future, and with central, local and devolved governments to support their economic and social policy agendas

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