24 January 2023

STAFFLINE GROUP PLC

("Staffline", the "Company", or the "Group")

Trading Update
&
Notice of Results

- *Full Year Results marginally ahead of market expectations*
- *Net cash position at the year-end highlights ongoing balance sheet strength*

Staffline, the recruitment and training group, provides the following trading update for the year ended 31 December 2022 ('FY 2022'), as well as the outlook for 2023 ('FY 2023').

Financial Highlights[1]

	FY 2022	FY 2021	Change
Revenue	**£946.8m**	£942.7m	+0.4%
Gross profit	**£83.2m**	£82.8m	+0.5%
Gross profit %	***8.8%***	*8.8%*	-
Underlying operating profit[2]	**£11.6m**	£10.3m	+12.6%
Gross profit to operating profit conversion %	***13.9%***	*12.4%*	*+1.5pts*
Net cash (pre IFRS 16)	£5.0m	£6.9m	-£1.9m
Net cash (post IFRS 16)	**£0.1m**	£2.3m	-£2.2m

[1]Presented on a continuing basis. The figures are unaudited and provisional.
[2]Underlying results exclude goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying charges

- Revenue increase of 0.4% driven by new client wins, including BMW, during the year and also a full year contribution from Restart, offset by softening demand from customers who had benefited from COVID
- Gross profit from Recruitment businesses up 4.7% offsetting reduction in PeoplePlus
- Tight cost control contributed to the 1.5ppts improvement in gross profit to operating profit conversion
- Strengthened balance sheet with strong trading cashflow, despite repayment of c.£12m of COVID related government support and advance payments
- Net cash ahead of expectations

Staffline is pleased to report that trading across FY 2022 remained solid, particularly in the second half, with underlying operating profit marginally ahead, and cash flows substantially ahead of market expectations.

This positive performance has been supported by further operational progress across the Group, as highlighted by two significant recruitment customer wins, the first profit recognised from the Restart contract, and robust trading during the peak pre-Christmas period boosted by the FIFA World Cup.

The Group has pursued a policy of organic growth with a focus on cost control and working capital, conserving its cash reserves, and further strengthening its balance sheet. The post-IFRS16 net cash of £0.1m at 31 December 2022 (2021: £2.3m) is stated after repayments of the final £5.8m tranche of HMRC Deferred VAT Relief and £6.2m of COVID related advance payments to the Ministry of Justice. The substantial progress was achieved through strong trading cash generation in line with the operating profit performance, combined with tight control of working capital. At 31 December 2022, the Group continued to have significant financing headroom relative to available committed banking facilities of c.£75m. The Group is benefitting from a three-year interest rate cap taken out in Q4 2021.

Operational Update

The challenging macro-economic climate worsened as the year progressed, with higher wage inflation fuelled by tight labour markets and increasing interest rates, which were above market expectations at the start of the year. Nevertheless, all three of the Group's divisions reported operating profits.

Recruitment GB

The Group's Recruitment GB division successfully implemented a major customer win, BMW Group, whilst also generating strong organic growth in two existing customers. In addition, the division began recruiting for the travel sector as it recovered from the pandemic, although security clearance and constrained customer capacity to onboard new employees delayed any additional contribution to the FY 2022 results. Investment in headcount and technology improved customer fulfilment, despite widespread labour shortages, and expansion of the Group's branch network has helped to create a solid platform for future growth. Record results reported by Datum RPO, the Group's managed services business, underscored the trend for customers to consolidate their recruitment supply chains using an independent expert. Omega, the Group's technical and engineering recruiter, also posted strong increases in its permanent recruitment fees, which across the division were up c.80% on FY 2021, representing a c.179% increase over the last two years. The division continued to control overhead costs tightly, increasing its gross profit to operating profit conversion rate from 14.0% to 16.0%.

Recruitment Ireland

The Recruitment Ireland business is more dependent on the permanent recruitment market and less dependent upon temporary placements than our Recruitment GB business. A 45% increase in permanent recruitment fees drove Staffline's Ireland recruitment business to deliver the division's strongest results since 2019, as well as a record trading performance in the Republic of Ireland. A pivot to white-collar recruitment in the Republic of Ireland, the opening of a new office in Limerick, and the retention of key public sector contracts in Northern Ireland, all contributed to growth across 2022. The strength of permanent recruitment, and for the first time, executive search, helped increase gross margins. Additionally, tight control of the cost base resulted in the gross profit to operating profit conversion rate improving to 24.8%, up from 22.1% in the prior year.

PeoplePlus

PeoplePlus reported a solid performance in FY 2022 but was held back by lower revenues in Skills training. Strong demand for labour resulted in potential candidates bypassing additional training programmes and moving straight into employment. Conversely, these labour market conditions aided our Employability programmes which performed particularly well, and we were pleased to see PeoplePlus successfully deliver profit from the Restart sub-contracts during the year, with the division reporting its first operating profit from those contracts in the second half of 2022. Certain funding claims made by PeoplePlus for services delivered in 2020 and earlier years are now the subject of a dispute. While we are vigorously defending our position and the final outcome is uncertain, we have decided to provide £2.5m which, based on the legacy nature of the item, has been recorded through reserves.

Outlook

The Group has delivered a strong performance across FY 2022, exceeding expectations in terms of both profitability and cashflow, all the while remaining resilient despite facing a number of macroeconomic headwinds. PeoplePlus was adversely impacted by the skills and training markets, offset by a solid performance across the Group's recruitment activities, reflecting a relatively buoyant market through most of 2022 for permanent recruitment and new business.

Looking ahead, we expect the macroeconomic headwinds to persist. Low unemployment will continue to constrain volumes in PeoplePlus' Skills and Restart businesses. While we expect to grow market share in the competitive temporary labour market, the Recruitment divisions will not be immune to the broader short term market challenges, where data is showing that demand for permanent recruitment is weakening.

In the context of current expectations for the UK economy, the Board has adopted a cautious approach to FY 2023. However, the strengthened balance sheet, experienced management team and healthy pipeline, mean the Group is well placed to capitalise on the considerable market opportunities which lie ahead.

Albert Ellis, Chief Executive Officer of Staffline, commented:

"We are pleased to report a solid trading performance across the Group in FY 2022, which is a testament to the outstanding dedication and commitment from all our employees and partners. These results not only reinforce Staffline's position as a market leader in terms of organic growth, but underscore the clear benefits of its highly cash generative business model.

As the UK cost of living crisis deepens and the much-publicised global macro headwinds continue to swirl, there is no question that our core markets have become more challenging. Whilst we are mindful of the challenges ahead, we firmly believe Staffline, supported by our sizable market footprint, sector diversity, and unrivalled track record in service delivery and innovation, remains well placed to capitalise on considerable market opportunities and further grow our market share."

Notice of Results

The Group expects to report its results for FY 2022 on Tuesday, 21 March 2023.

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.

For further information, please contact:

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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.