

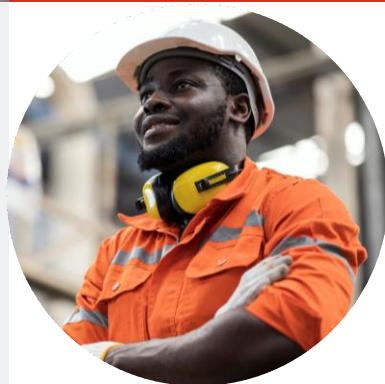
**Leading.
Trusted.
Changing lives.**

H1 2023 Results

Albert Ellis, CEO
Daniel Quint, CFO

1 August 2023

Staffline
Group PLC



Resilience in a challenging market



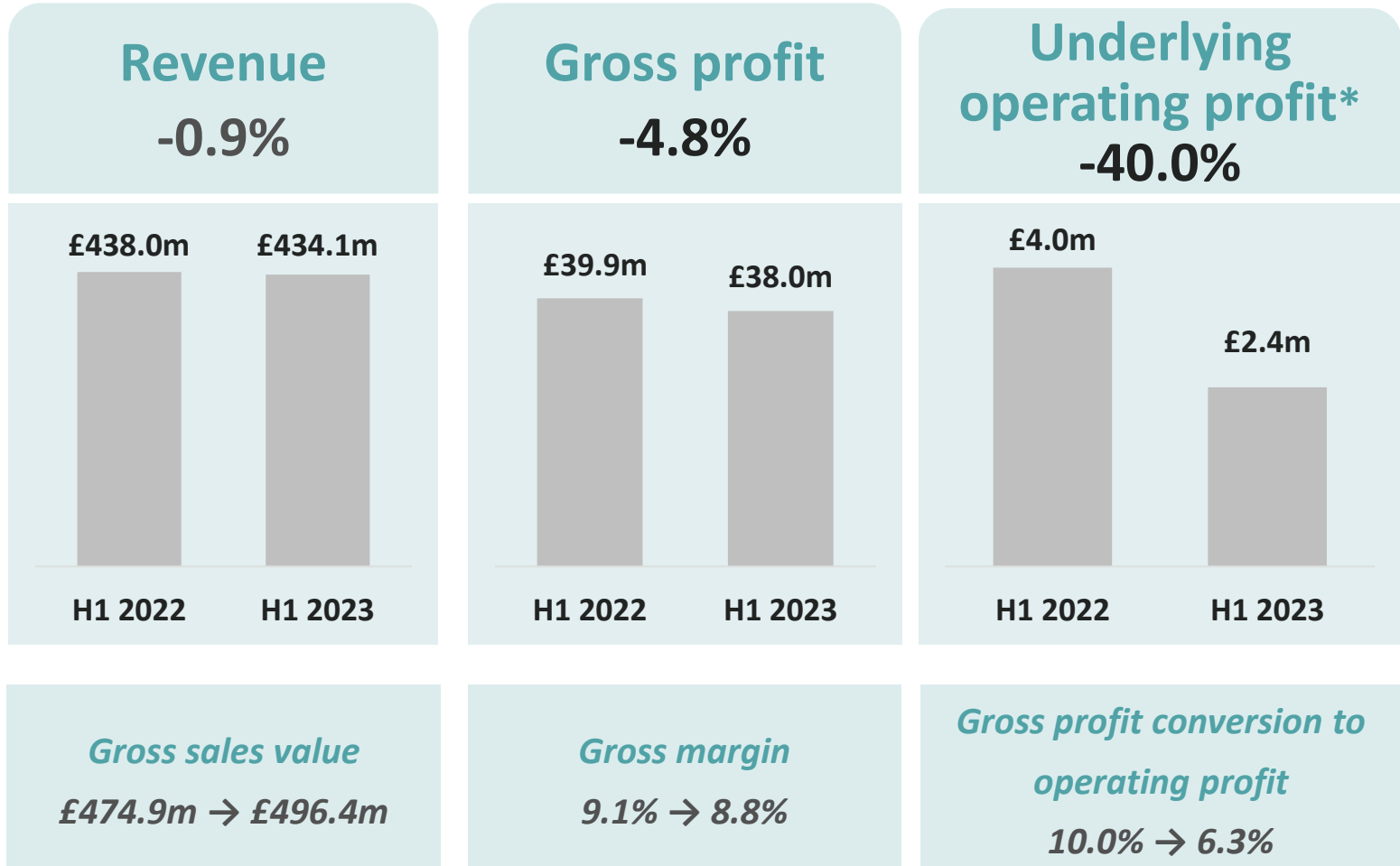
Net debt
reduced
by
£6.2m

- Revenue broadly flat despite decline in the market
- H1 2023 underlying operating profit below prior year but in line with expectations* for FY 2023
- All three divisions remained profitable
- Cash generation better than expected - £6.2m
- Year-on-year net debt reduced to £3.5m
- Banking facility headroom - £58.7m (2022: £46.7m)
- Share buyback programme announced - £4m
- Attraction and retention of talent

Notes:

**Underlying operating profit in line with expectations*

Financial results H1 2023



- Gross sales value up 4.5% to £496.4m (2022: £474.9) driven by new MSP wins
- Revenue broadly flat with BMW contract win offset by reduction in hours with consumer facing customers
- Gross profit impacted by softer permanent recruitment and higher margin employability contracts ending
- Underlying operating profit impacted by £(0.6)m of losses in Skills business, which is being closed

Notes:

*These results relate to continuing activities.

*Underlying operating profit before Skills onerous contract (£1.0m) and exit costs (£1.3m) provisions and amortisation of intangible assets arising on business combinations (£2.6m)

Looking forward to economic recovery

Targeting market share gains



- The current market represents an excellent opportunity for the Staffline Group
- Our strategy is to
 - Focus on organic growth, expansion of market share with existing major customers, extension of existing contracts and win new business – GXO win of 14 distribution centres
 - Implement further transformative reductions in costs
 - Invest in fee earning capacity in Ireland, (inc NI)
 - Grow profitability in all three divisions
 - Generate cash to further strengthen the balance sheet
 - Retain our talent & management

H1 → H2 (2023)



Incremental revenues and operating profit

- **Organic growth**
 - GXO Logistics - 14 new distribution centres with up to 2,000 additional workers and 100 drivers
 - Sole supply at AM Fresh
- **Traditional seasonal peak uplift**
 - H2 uplift from seasonal peak preparation, with additional benefit of World Cup events
- **PeoplePlus restructuring**
 - £1m cost reduction from closure of Skills
- **Consumer sentiment improves**
 - Inflation expected to fall in H2

Tight working capital management delivers net debt reduction of £6.2m



Loss of £(3.2)m in H1 2023 is after £(1.7)m of non-underlying post-tax provision for Skills business closure

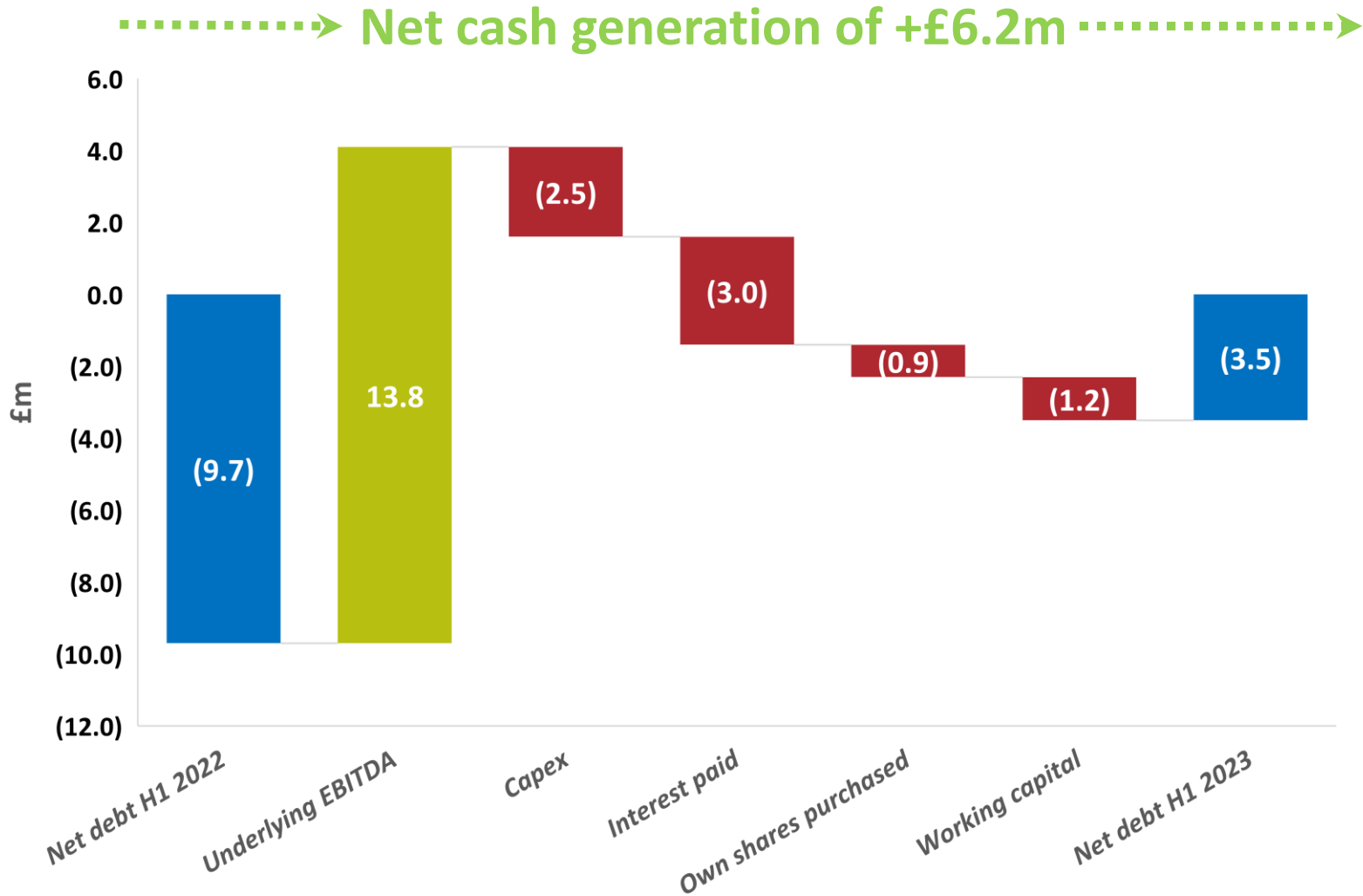
- Interest rate cap protects against increased interest rates
- Net debt reduced by £6.2m
- Significant bank facility headroom of £58.7m (2022: £46.7m)
- Substantial covenant headroom
 - Leverage @ 0.5x EBITDA v covenant of 4.0x
 - Interest cover @4.7x v covenant of 2.25x

Notes:

These results relate to continuing activities.

*Presented on a pre-IFRS16 basis, which excludes lease liabilities, and also excludes refinancing costs.

Net debt* bridge 30 June 2022 – 30 June 2023



- Net cash generation of £6.2m
- Strong trading cash flow of £13.8m over last 12 months
- Tight control of capital expenditure
- Protected from interest rate increases with benefit of Interest rate cap @1.00% SONIA
- Sustained focus on cash collections

£4m Share Buyback

Strong cash generation, significant covenant and banking facility headroom

£32m cash generated in 3 years

Significant reduction in net debt over 3 years

- £40m of EBITDA
- £18m or working capital efficiency
- £(11)m of capex
- £(15)m of net finance costs

£10m Underlying operating profits for 3 years

Consistent profit generation

Forecasted underlying operating profit in 2023, will be third straight year of double digit profits in a challenging market

£58.7m of banking facility headroom

Substantial facility headroom

Efficient treasury and cash collection processes continue to maximise facility headroom

Operational review



Divisional H1 2023 results

	Recruitment GB			Recruitment Ireland			PeoplePlus		
	H1 23	H1 22		H1 23	H1 22		H1 23	H1 22	
	£'m	£'m		£'m	£'m		£'m	£'m	
Revenue	341.2	345.2	-1.2%	54.5	55.8	-1.0%	38.4	37.0	+3.8%
Gross profit	23.5	24.6	-4.5%	6.1	6.3	-3.2%	8.5	9.0	-5.6%
Gross margin %	6.9%	7.1%		11.2%	11.3%		22.1%	24.3%	
Underlying operating profit*	1.8	2.3	-21.7%	0.8	1.5	-46.7%	1.2	1.6	-25.0%
Gross profit conversion to operating profit	7.7%	9.3%		13.1%	23.8%		14.1%	17.8%	

- Hours down c.12% in core food retail and supply chain customers partially offset by BMW contract and other wins
- Permanent recruitment down 10.2% in Recruitment businesses to £2.9m (2022: £3.2m)
- Ireland profit impacted by weakness in Public Sector and investment in the Republic of Ireland
- Impact of Skills results on margins in PeoplePlus
- 2 year extension to Prison Education contract with Ministry of Justice

Notes:

*These results relate to continuing activities.

*Underlying operating profit before Skills onerous contract (£1.0m) and exit costs (£1.3m) provisions and amortisation of intangible assets arising on business combinations (£2.6m)



Major account renewals and growth



Additional 14 sites won, will be their largest single supplier



Awarded sole supply based on excellence in delivery



3 year contract extension

Closure of in-person Skills business



£1m of underlying cost savings being generated

We have closed our in-person Skills operations from 31 July 2023 to pivot to our compelling digital delivery services

Background and rationale

- European Social Fund funding ceased on 31/03/2023
- Successor funding programme, UK Shared Prosperity Fund (UKSPF) has not yet come on stream.
- But participant volumes are much lower than expected due to the tight labour market
- And inflation has undermined viability of the business model (no inflation-linked indexation)
- Digital delivery is growing and competes directly with classroom-led skills delivery

Our strategy is to focus on Employability (Restart), Prison Education and Community services

Market trends and competitive landscape



Labour market easing and economically inactive returning to work, but still 1m vacancies



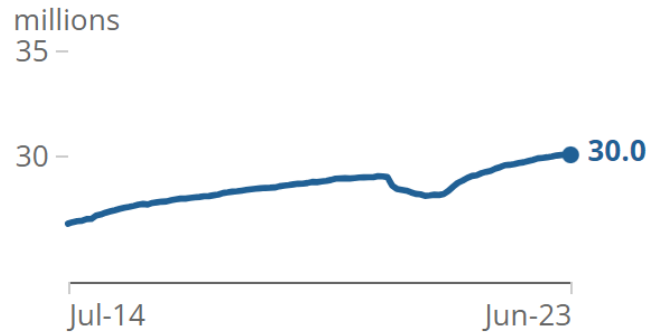
Payroll employees



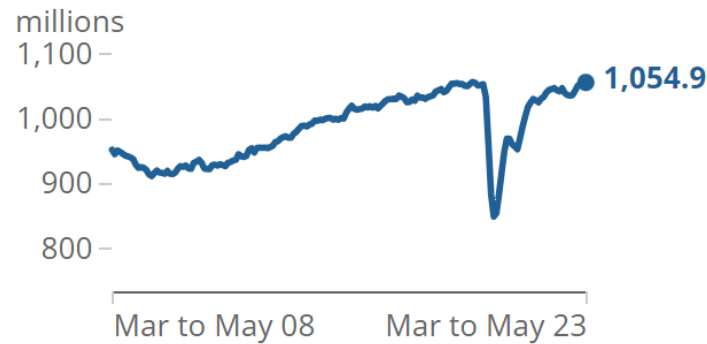
Hours worked



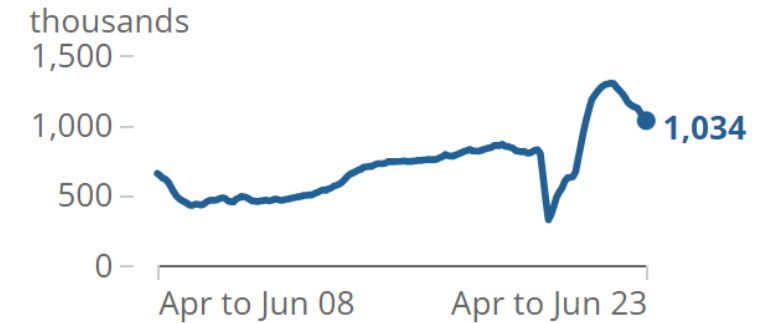
Job vacancies



Good payroll figures 30m+
 Above pre-pandemic levels
 Growing employment



Productivity remains flat
 Below pre-pandemic levels,
 Demand and inflation headwinds



Job vacancies declining
 Above pre-pandemic levels
 Candidate confidence waning

Improving candidate supply but variable geographically

Competitive landscape



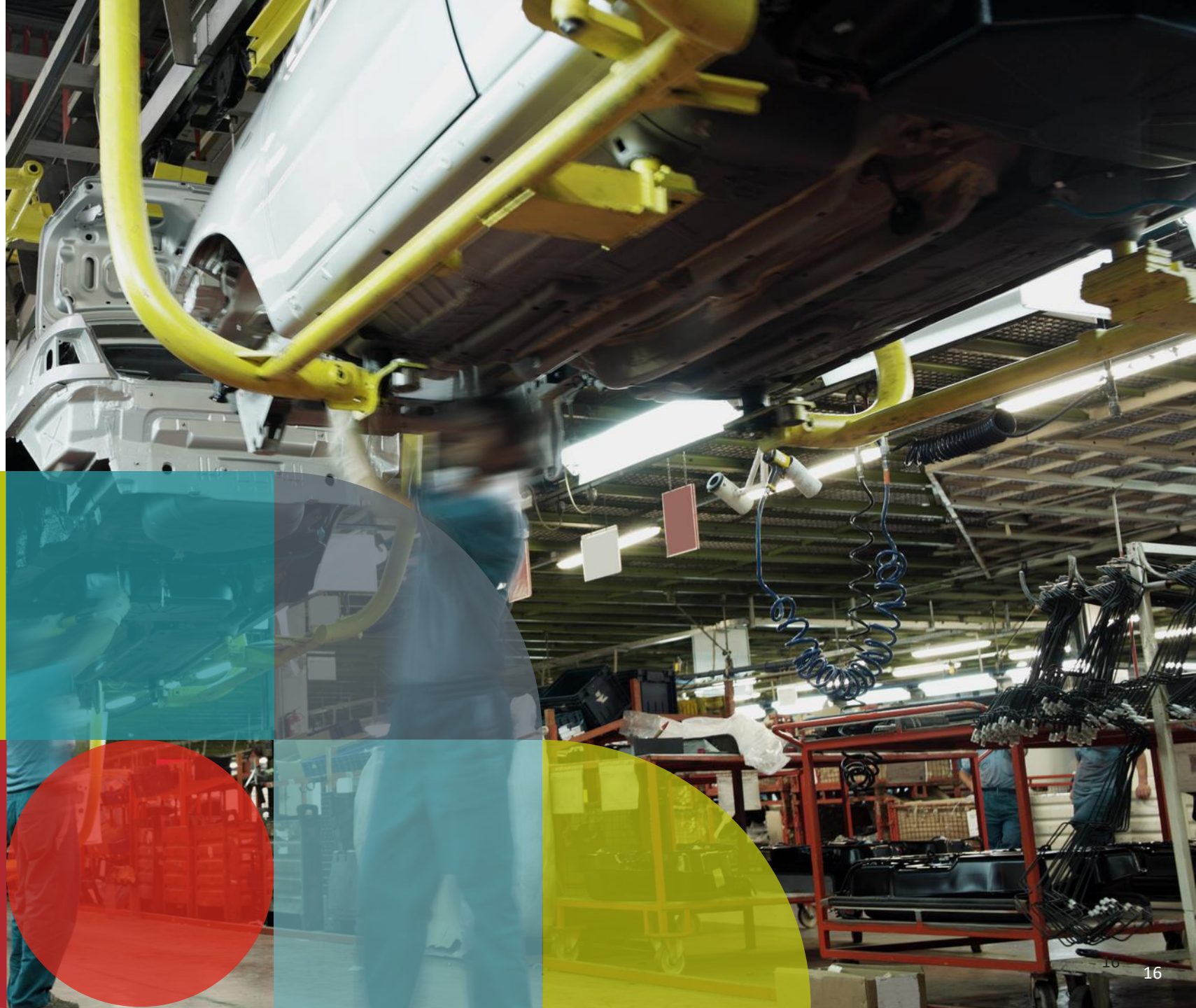
Competitors are largely weak

- Not sufficient scale or reach
- Compliance issues
- Quality of service / fulfilment
- Cash shortages reported
- Significantly higher borrowing costs

Customers

- Flight to quality (Plc)
- Streamlining labour supply chain
- Transparency & high levels of compliance
- Excellence in delivery
- Pricing & inflation

Outlook



Outlook



- Macroeconomic headwinds to continue in FY 23
- Resilient first half in challenging market, seeing some momentum into H2 with higher hours
- Blue collar: traditional second half weighting, full 6 months of organic growth wins and seasonal trading peak
- PeoplePlus: closure of in-person Skills business, Prison Education Services contracts extended for 2 yrs
- Ireland: perm fees decline, worst is behind us
- **FY 2023 In line with market expectations**

Notes:

**Underlying operating profit in line with expectations*

Staffline

Group PLC

Appendices

A leading national recruitment and training provider

c. 36,000
Temp
workers

c. 400
On-sites

c. 45
Driving
On-sites

c. 30
Branches

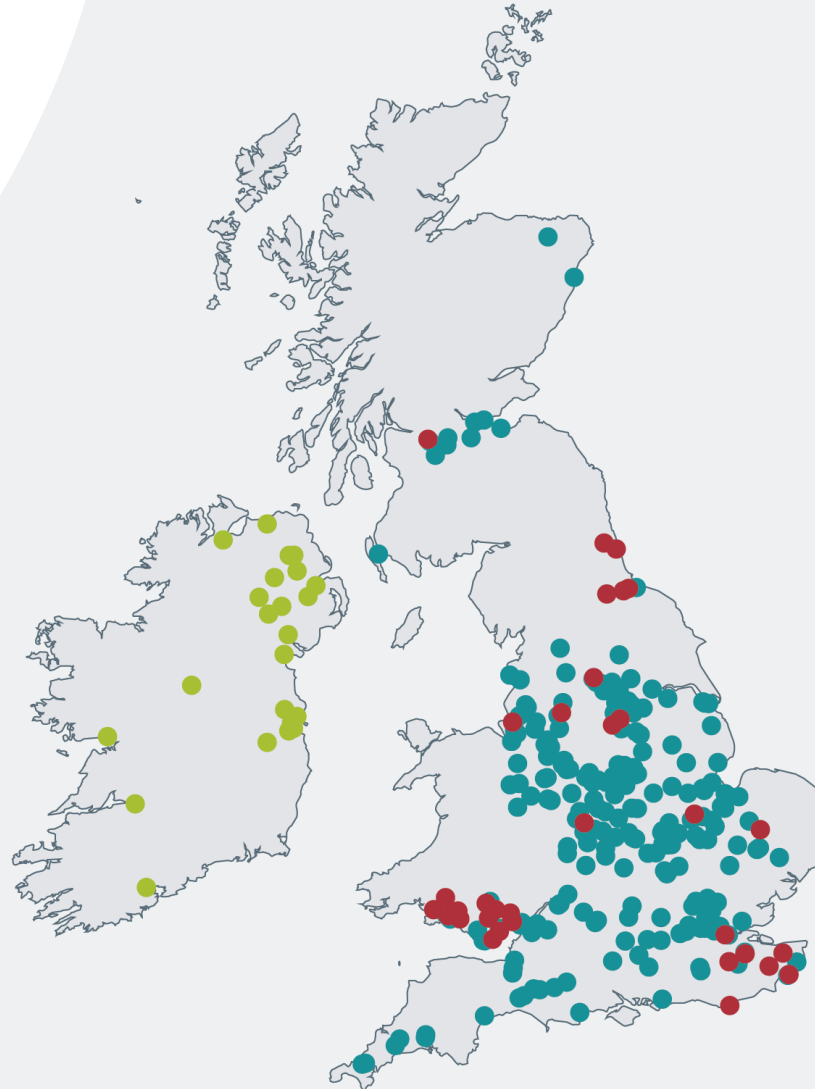
c. 15,000
Learners

72
Prisons

Staffline
(Ireland)

Locations key:

- - Recruitment GB
- - PeoplePlus
- - Recruitment Ireland



Staffline

DatumRPO

Omega

Brightwork
Recruitment

PeoplePlus
skills for growth

Strategy and Vision



CAPITALISE ON MARKET LEADERSHIP

position & scale in contingent workforce management



UNLOCK THE POTENTIAL IN TRAINING

return PeoplePlus to sustainable growth



BROADEN THE PORTFOLIO

driving permanent & white-collar recruitment



REPUBLIC OF IRELAND

grow market share in a highly attractive market

Our Vision

“To be a world class recruitment and training group, the clear market leader and trusted partner known for excellent service and integrity, driven forward by digital innovation.”

Divisional performance H1 2023

	Recruitment GB	Recruitment Ireland	PeoplePlus	Group costs	Total Group	Recruitment GB	Recruitment Ireland	PeoplePlus	Group costs	Total Group
	2023	2023	2023	2023	2023	2022	2022	2022	2022	2022
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	341.2	54.5	38.4	-	434.1	345.2	55.8	37.0	-	438.0
Gross profit	23.5	6.1	8.4	-	38.0	24.6	6.3	9.0	-	39.9
Gross profit margin	6.9%	11.2%	21.9%	-	8.8%	7.1%	11.3%	24.3%	-	9.1%
Underlying operating profit	1.8	0.8	1.2	(1.4)	2.4	2.3	1.5	1.6	(1.4)	4.0
Operating profit margin	0.5%	1.5%	3.1%	-	0.6%	0.7%	2.7%	4.3%	-	0.9%
Operating profit as % of gross profit	7.7%	13.1%	14.3%	-	6.3%	9.3%	23.8%	17.8%	-	10.0%

Balance sheet @ 30 June 2023

	June 2023 £'m	June 2022 £'m	December 2022 £'m
Assets: Non-current			
Goodwill, intangibles, PPE	73.2	81.1	76.8
Deferred tax asset	5.4	3.6	5.0
	78.6	84.7	81.8
Assets: Current			
Trade and other receivables	122.7	116.8	119.8
Current tax asset	0.3	-	0.3
Derivative financial instrument	3.1	1.8	3.0
Cash	12.2	12.6	31.0
Total assets	216.9	215.9	235.9
Liabilities: Current			
Trade and other payables	123.5	114.7	130.3
Borrowings	15.7	22.3	26.0
Other liabilities and provisions	4.6	2.3	2.4
	143.8	139.3	158.7
Liabilities: Non-current			
Other liabilities and provisions	4.4	6.5	5.5
Total liabilities	148.2	145.8	164.2
Equity			
Share capital, premium, own shares	126.6	126.0	126.2
Profit and loss account	(57.9)	(55.9)	(54.5)
Total equity	68.7	70.1	71.7
Total equity and liabilities	216.9	215.9	235.9

Cash flow for half year to 30 June 2023

	June 2023 £'m	June 2022 £'m	December 2022 £'m
(Loss)/profit before taxation	(4.3)	(1.0)	1.9
Add back: Finance costs, depreciation, amortisation	7.0	8.1	15.7
Cash generated before movements in working capital	2.7	7.1	17.6
Change in receivables	(3.2)	(0.8)	(3.8)
Change in payables and provisions	(4.5)	(20.1)	(8.6)
Share options	0.3	0.2	0.3
Net cash (outflow)/inflow from operating activities	(4.7)	(13.6)	5.5
Tax	0.1	0.6	0.4
Capex	(1.0)	(1.8)	(3.3)
Net movement on Receivables Finance Agreement	(10.3)	(0.6)	3.1
Principal repayment of lease liabilities	(0.9)	(0.8)	(1.6)
Interest paid	(1.5)	(1.0)	(2.5)
Own shares purchased	(0.5)	-	(0.4)
Cash flows from investing and financing activities	(14.1)	(3.6)	(4.3)
Net change in cash and cash equivalents	(18.8)	(17.2)	1.2
Cash at beginning of the period	31.0	29.8	29.8
Cash at end of the period	12.2	12.6	31.0

Top 10 shareholders at 17 July 2023 represent 88.6 of shares in issue

	%
Henry Spain Investment Services	19.9
HRnet Group	15.6
Schroder Investment Management	11.1
Gresham House Asset Management	10.5
Fidelity International	10.0
Aberdeen Standard Investments	7.7
Hargreaves Lansdown Stockbrokers	4.3
Lombard Odier Investment Managers	4.1
Interactive Investor	3.6
Teviot Partners	1.8

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