

# Empresaria Group plc

Global Focus, Local Presence

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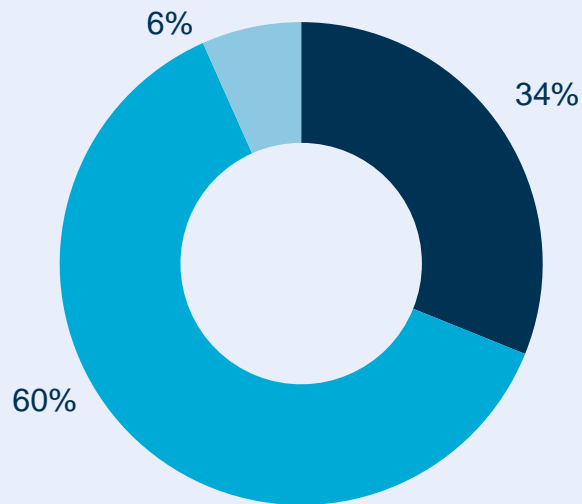
# Empresaria Group

- International Specialist Staffing Group focused primarily on recruitment
- Brand-led strategy, where brands are tailored to needs of clients and candidates
- In major staffing markets - operating with 20 brands in 6 different sectors across 20 countries
- Business is balanced and diversified by geographic region and industry sector
- Highly incentivised management team who own equity in brands, aligning interests with shareholders
- Clear strategy to maximise growth potential in business

# International Specialist Staffing Group

## Providing Temporary and Permanent Staffing Services

2014 H1 Gross profit



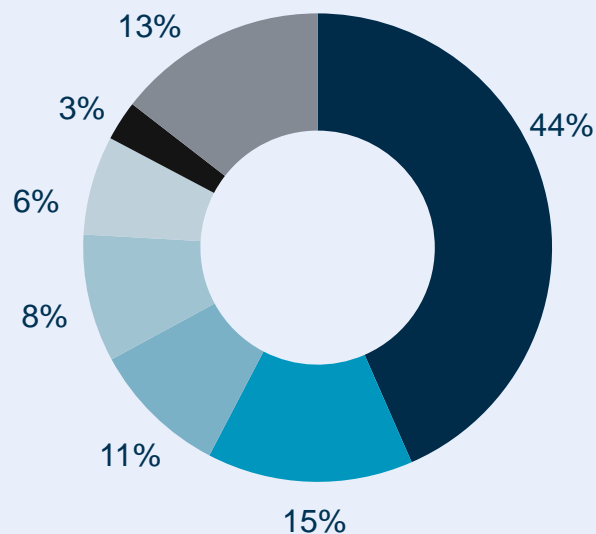
- Permanent recruitment
- Temporary recruitment
- Other services

- Operational mix towards temporary sales (more stable through economic cycle)
- Focus on Professional & Specialist job levels (currently 81% of gross profit)
- Primarily a recruitment company, with some training and Offshore Recruitment Service offerings

# Brand-Led Strategy

## Tailored to Needs of Clients and Candidates

2014 H1 Gross profit



- Technical & industrial
- IT, digital & design
- Financial
- Retail
- Executive search
- Healthcare
- Other services

- Multi-branded model with each brand focussed on different industry sectors
- Brands develop in-depth knowledge and expertise in their markets, helping them provide a value added service
- Competitive advantage in attracting candidates

20 brands across 6 key sectors

# Operates in Major Markets

## UK

**36% 2014 H1 Gross profit**

3rd largest staffing market

Mature market delivering good returns

Mix of temp and perm (49% of net fee income for temp)

High temp penetration rates

**8 brands operating**

## Continental Europe

**31% 2014 H1 Gross profit**

Germany is 5<sup>th</sup> largest staffing market (90% of regional net fee income)

German economy is one of the strongest in Europe

German staffing market is relatively immature

Temp bias (98% of net fee income)

Growing temp penetration rates (German market deregulated in 2004)

**3 brands operating**

## Rest of the World

**33% 2014 H1 Gross profit**

Japan is 2nd largest staffing market

Access to high growth markets (e.g. Indonesia, Thailand, China, India, Philippines, Chile)

Large populations point to future growth prospects

Perm bias (67% of net fee income)

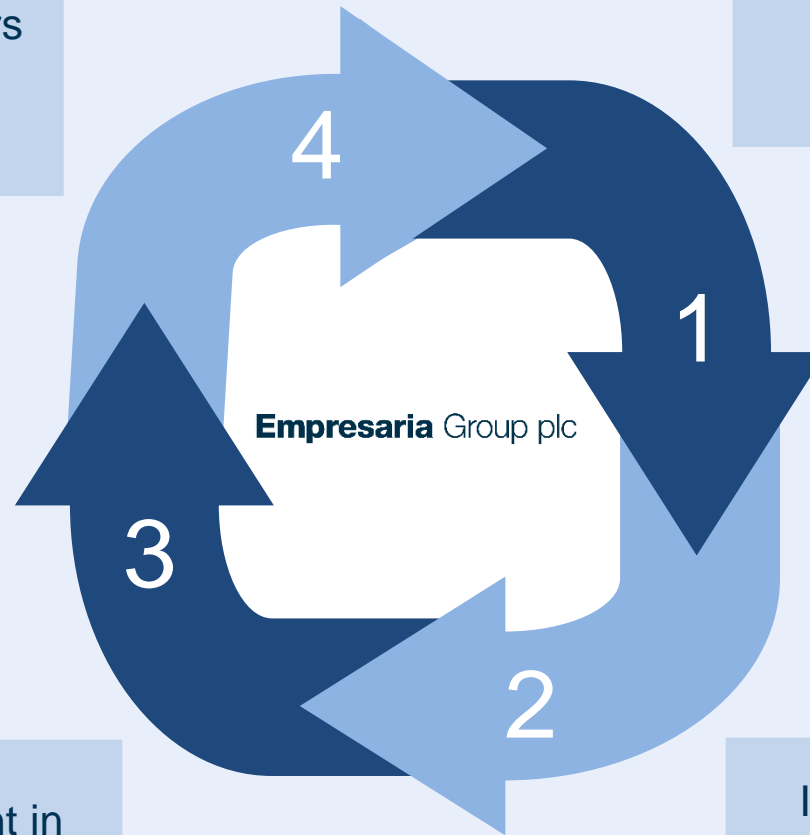
Low temp penetration rates

**12 brands operating**

# Strategy for Growth

Expand into entirely new regions and/or sectors (Organic or External investment)

Increase headcount in an existing brand in an established vertical



Increase brand footprint in an existing region

Increase headcount in an existing brand in a new vertical

# Delivering on Strategy

- Attract and retain best managers with equity incentive
- Invest in brands (organic development) to build scale and coverage
- Growth from professional & specialist levels
- Use operating cashflow to reduce net debt and make further investments

Deliver growth in net fee income (target of 10% average annual growth)

2014 H1 10% growth in constant currency (3% reported)

Improve conversion ratio to 20%

2014 H1 up 1.5% to 10.9%



# H1 Performance

# Highlights

## Delivery against strategy

- NFI up 10% on constant currency basis
- PBT up 41% (constant currency)
- EPS up 22%

## Continued growth

- Four consecutive quarters of underlying NFI growth

## All regions positive

- All regions delivered good underlying growth
- Investment into exciting growth areas continues

# H1 Financial Highlights

|                               | 2014    | 2013    | % var | L-F-L % var |
|-------------------------------|---------|---------|-------|-------------|
| Revenue                       | £94.0m  | £95.6m  | -2%   | +4%         |
| Net fee income (gross profit) | £21.6m  | £20.9m  | +3%   | +10%        |
| Adjusted operating profit*    | £2.4m   | £2.0m   | +20%  | +31%        |
| Conversion ratio              | 10.9%   | 9.4%    | +16%  |             |
| Adjusted profit before tax*   | £2.1m   | £1.7m   | +24%  | +42%        |
| Earnings per share            | 2.2p    | 1.8p    | +22%  |             |
| Adjusted earnings per share*  | 2.5p    | 2.0p    | +25%  |             |
| Reported net debt             | (£6.5m) | (£8.9m) | -27%  |             |

\* Adjusted results exclude amortisation of intangible assets, exceptional items, gains or losses on business disposals and accounting movements on fair values.

# H1 Performance

| Net fee income (£'m)   | <u>UK</u> | <u>Continental<br/>Europe</u> | <u>Rest of the<br/>World</u> | <u>Total</u> |
|------------------------|-----------|-------------------------------|------------------------------|--------------|
| 2013                   | 7.8       | 6.7                           | 6.4                          | 20.9         |
| Acquisitions/disposals | (0.6)     | -                             | 0.6                          | -            |
| Branch closures        | (0.2)     | (0.3)                         | -                            | (0.5)        |
| Currency impact        | -         | (0.2)                         | (1.0)                        | (1.2)        |
| Underlying growth      | 0.8       | 0.6                           | 1.0                          | 2.4          |
| 2014                   | 7.8       | 6.8                           | 7.0                          | 21.6         |
| Underlying growth %    | 10%       | 9%                            | 16%                          | 11%          |
| Reported growth %      | 0%        | 1%                            | 9%                           | 3%           |

# Current Trading and Outlook

- Delivering on brand led strategy to deliver sustainable growth in EPS
- All regions delivering underlying growth in NFI. Market conditions improved against prior year
- Costs being controlled. Strong growth in PBT despite currency headwinds
- Conversion ratio improvement continues, target of 20% remains
- Continuing to invest in our brands to deliver future growth
- Investigating further investment opportunities
- Management remain confident that for the full year earnings will be in line with market expectations

# Q&A

# Appendices

# Income Statement – six months to 30 June 2014

| £m                                 | <u>2014</u>       | <u>2013</u>       | <u>Change</u> | <u>LFL %<br/>change</u> |  |
|------------------------------------|-------------------|-------------------|---------------|-------------------------|--|
| Revenue                            | 94.0              | 95.6              | (2%)          | 4%                      | Revenue decreased by 2%, with a 10% increase in permanent sales and a 3% decrease in temporary sales. On a constant currency basis, revenue was up 4% on the prior year. |
| Net fee income (gross profit)      | 21.6              | 20.9              | 3%            | 10%                     |  |
| Overheads                          | <u>(19.2)</u>     | <u>(18.9)</u>     |               |                         |  |
| Adjusted operating profit*         | 2.4               | 2.0               | 20%           | 31%                     | Net fee income was up 3% on prior year, 10% on constant currency. The temporary margin was steady at 15.3%.  |
| Interest                           | <u>(0.3)</u>      | <u>(0.3)</u>      |               |                         |  |
| <b>Adjusted profit before tax*</b> | <b>2.1</b>        | <b>1.7</b>        | 24%           | 41%                     | Conversion ratio improved from 9.4% in 2013 to 10.9% in 2014.  |
| Exceptional items and amortisation | (0.1)             | (0.1)             |               |                         | No exceptional items in 2014.  |
| Tax                                | (0.7)             | (0.6)             |               |                         | Tax rate of 35% in 2014.   |
| Profit for the period              | <u><u>1.3</u></u> | <u><u>1.0</u></u> |               |                         |  |
| Adjusted EPS* (p)                  | 2.5               | 2.0               | 25%           |                         |  |
| IFRS EPS (p)                       | 2.2               | 1.8               | 22%           |                         | EPS benefits from improved profit and recent investments in minority shares.   |

\* Adjusted results are before exceptional items, amortisation of intangible assets, gains or losses on disposals and accounting movements in fair values.



# Regional H1 performance

| <b>UK</b>                 | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|---------------------------|-------------|-------------|-------------|
| Revenue                   | £33.6m      | £33.6m      | £33.7m      |
| Net fee income            | £7.8m       | £7.8m       | £7.9m       |
| Adjusted operating profit | £1.0m       | £0.9m       | £1.1m       |
| Conversion ratio          | 13%         | 12%         | 14%         |

| <b>Continental Europe</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|---------------------------|-------------|-------------|-------------|
| Revenue                   | £37.4m      | £38.6m      | £43.3m      |
| Net fee income            | £6.8m       | £6.7m       | £8.5m       |
| Adjusted operating profit | £0.7m       | £0.3m       | £0.2m       |
| Conversion ratio          | 10%         | 4%          | 2%          |

| <b>Rest of the World</b>  | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|---------------------------|-------------|-------------|-------------|
| Revenue                   | £23.0m      | £23.4m      | £20.8m      |
| Net fee income            | £7.0m       | £6.4m       | £6.0m       |
| Adjusted operating profit | £0.7m       | £0.8m       | £0.5m       |
| Conversion ratio          | 10%         | 13%         | 8%          |

# Balance Sheet – 30 June 2014

| £m  | <u>2014</u>          | <u>2013</u>          |
|---|----------------------|----------------------|
| Property, plant & equipment                     | 1.0                  | 1.2                  |
| Goodwill and intangibles                        | 26.0                 | 27.2                 |
| Deferred tax asset                              | <u>0.7</u>           | <u>1.2</u>           |
|   | 27.7                 | 29.6                 |
| Trade and other receivables                     | 29.3                 | 29.4                 |
| Cash and bank balance                           | <u>5.0</u>           | <u>6.6</u>           |
|   | 34.3                 | 36.0                 |
| Trade and other payables                        | (21.7)               | (21.7)               |
| Provision for exceptional items                 | (0.8)                | (1.1)                |
| Current tax liability                           | (1.6)                | (1.4)                |
| Short-term borrowings                           | <u>(4.9)</u>         | <u>(7.7)</u>         |
|   | (29.0)               | (31.9)               |
| Long-term borrowings                            | (6.6)                | (7.8)                |
| Deferred tax liabilities                        | <u>(1.2)</u>         | <u>(0.9)</u>         |
|   | (7.8)                | (8.7)                |
| <b>Net assets</b>                               | <b><u>25.2</u></b>   | <b><u>25.0</u></b>   |
| Equity attributable to equity holders of parent | (22.0)               | (21.5)               |
| Non-controlling interests                       | (3.2)                | (3.5)                |
| <b>Total equity</b>                             | <b><u>(25.2)</u></b> | <b><u>(25.0)</u></b> |

Capital expenditure of £0.4m on fixed assets.

Average debtor days 52 (2013: 50).

Reported net debt of £6.5m at end of period, down from £8.9m in 2013.

Bank facilities increased to £33.2m (June 2013: £29.4m). Amount of undrawn facilities £10.7m (June 2013: £4.3m). Increased facilities in UK, Germany and Japan.

Total debt including non-recourse invoice financing of £14.2 (June 2013: £16.1m).

No movement in share capital.

# Cash Flow – six months to 30 June 2014

| £m  | <u>2014</u>         | <u>2013</u>         |  |
|---|---------------------|---------------------|--|
| Profit for the period                                     | 1.3                 | 1.0                 |  |
| Depreciation and amortisation                             | 0.5                 | 0.5                 |  |
| Tax and interest added back                               | 1.0                 | 0.9                 |  |
| Exceptional items   | (0.1)               | (0.5)               |  |
| Share based payments                                      | 0.1                 | 0.0                 |  |
| Working capital   | <u>(2.0)</u>        | <u>0.6</u>          |  |
| <b>Cash generated by operations</b>                       | <b>0.8</b>          | <b>2.5</b>          | Cash generated from operations was £0.8m, down on the prior year after £2.0m investment in working capital.                                      |
| Tax, interest & capex                                     | (1.0)               | (1.5)               |  |
| Dividends to PLC shareholder                              | (0.2)               | (0.2)               |  |
| Dividends to non-controlling interests                    | 0.0                 | 0.0                 |  |
| Investments and disposals                                 | (0.4)               | (1.2)               | Investments of £0.3m on Dubai acquisition. Payments made on purchase of Mediradix shares and continued receipt of consideration on UK disposals. |
| Cash inflow from loans and borrowings                     | 0.2                 | 0.8                 |  |
| Increase in cash in the period                            | <u>(0.6)</u>        | <u>0.4</u>          |  |
| Foreign exchange  | (0.1)               | 0.0                 |  |
| Net increase in borrowings                                | 0.0                 | (1.2)               |  |
| Net debt at beginning of period                           | (5.8)               | (8.1)               |  |
| <b>Net debt at 30 June 2012</b>                           | <b><u>(6.5)</u></b> | <b><u>(8.9)</u></b> |  |
| Total borrowings including non-recourse invoice financing | <u>(14.2)</u>       | <u>(16.1)</u>       |  |

# Directors

## **Anthony Martin – Chairman**

Appointed July 2004

Anthony served as Chairman and CEO of Select Appointments (Holdings) Plc from 1992 to 1999, which he and his team built into a global recruitment business before selling the company to Vedior NV, one of the world's largest recruitment companies, for £1.1 billion, in cash, in 1999. Anthony became Vice Chairman and member of the Board of Management of Vedior NV and in August 2000 he assumed the role of Chairman and CEO until his retirement in February 2004. He currently owns 29% of Empresaria.

## **Joost Kreulen – Chief Executive Officer**

Appointed January 2012

Joost has been with Empresaria since 2009, initially responsible for its Asian operations and more recently also for a number of its UK based businesses. He was appointed Chief Operating Officer and Chief Executive designate on 7 September 2011. Prior to joining Empresaria, Joost had spent 20 years working in various roles for businesses which now form part of Randstad N.V., most recently as head of specialist staffing operations in the Netherlands. He currently owns approximately 0.1% of Empresaria.

## **Spencer Wreford – Group Finance Director**

Appointed May 2010

Spencer has over 10 years experience in senior finance roles. He joined Empresaria from BPP Group, where he was the Finance Director of the BPP Professional Education division, a provider of international professional training. Prior to this he spent 8 years at ITE Group Plc, the international conference and exhibition organising group, as Deputy Finance Director, during which time he also spent six months as Acting Group Finance Director. Spencer is a member of the Institute of Chartered Accountants of England & Wales, qualifying with Arthur Andersen. He currently owns approximately 0.03% of Empresaria.

## **Penny Freer – Non-Executive Director**

Appointed December 2005

Penny has worked in investment banking for over 25 years. She is a partner of London Bridge Capital, a corporate finance advisory firm. Until 2004 she was Head of Equity Capital Markets at Robert W Baird and from 2004 to 2005, Deputy Chairman of Robert W Baird Limited. Prior to this she was Head of Small/Mid Cap Equities for Credit Lyonnais. Penny currently owns approximately 0.03% of Empresaria. Penny is also a non-executive director of Advanced Medical Solutions plc, where she is the senior independent director.

## **Zach Miles – Non-Executive Director**

Appointed October 2008

Before joining Empresaria Zach held the position of Chairman and CEO of Vedior N.V. He was a member of the Board of Management from 1999, and Chairman since February 2004. Before joining Vedior, Zach was CFO and a member of the Board of Directors of Select Appointments (Holdings) Plc. His career in the recruitment industry began in 1988. He was formerly a partner at Arthur Andersen and is a qualified Chartered Accountant.

# Management Equity Philosophy

- Management capacity and structure established for ongoing growth
- Committed to incentivising operational management through equity participation in their businesses
- Helps drive long-term growth and retain/attract key management
- Only executive directors have options over Empresaria shares

|  | First generation   | Second generation   |
|--|--|---|
| Minority shareholder                   | Held by the business founder   | Provided to next tier of management (normally when first generation shares have been acquired by Empresaria) to incentivise next growth phase |
| Profits                                | Interest in full profits of the business   | Threshold profit limit exists. Minority shareholder only benefits from growth in profits above the threshold limit                            |
| Valuation basis                        | Multiple based on Empresaria current trading multiple less 0.5, capped at 10x, on average of last three years profit after tax   |   |
| Requirement to acquire minority shares | Minority shareholder typically holds shares for 5 years before being able to offer them to Empresaria to acquire, with the valuation based on the agreed methodology. There is no obligation on Empresaria to purchase any shares. |   |
| Level of minority shares               | Typical range is between 49% and 5%, with an average Empresaria holding of approximately 75%   |   |

# Shareholder Information

Shares in issue: 44,562,847 ordinary shares

Market capitalisation: £22 million

Outstanding options: 2.8m (6% of shares in issue)

## Significant shareholders:

|                            |            |       |
|----------------------------|------------|-------|
| Anthony Martin             | 12,924,595 | 29.0% |
| Caledonia Investments plc  | 7,614,264  | 17.1% |
| Liontrust Asset Management | 4,073,468  | 9.1%  |
| Miles Hunt                 | 3,988,092  | 9.0%  |
| Tim Sheffield              | 2,049,307  | 4.6%  |