

# Full Year Results 2020

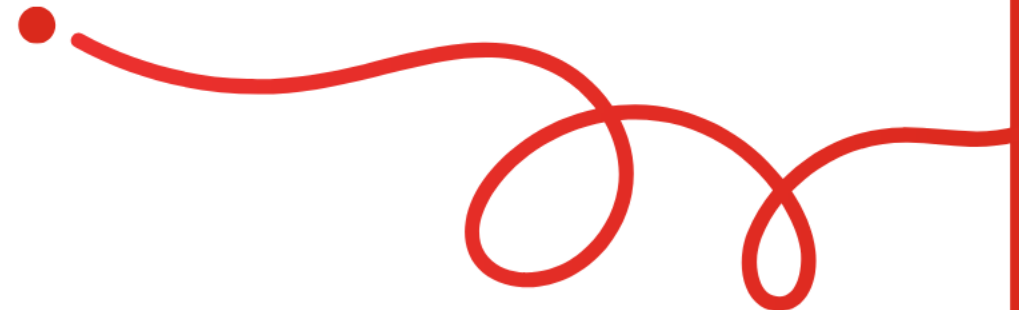
12 months ended 31 December 2020

22nd June 2021

**Presenting:**

**Albert Ellis, Chief Executive Officer**

**Daniel Quint, Chief Financial Officer**



# Contents:



- Highlights
- FY20 Group Financial Performance
- Operational Review
- Strategic Update
- Current Trading and Outlook

# Highlights 2020

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## Pandemic

- Focused on health, safety and wellbeing of our employees, customers and candidates
- Sharp decline in demand from high street retail, automotive and manufacturing diminished
- Permanent recruitment 58% lower to £2.2m (2019:£5.2m)
- Pivot in favour of essential sectors, food manufacturing and distribution, e-commerce and demand for online
- Strong Christmas 2020 peak trading season in food & online retail

## Turnaround

- New Board and transformed governance environment
- Year-end Group headcount reduced by 18.2% to 2,202
- Disposal of loss-making Apprenticeships business
- Turned PeoplePlus H1 2020 loss into H2 2020 profit launching digital / online
- Recruitment Ireland remained profitable throughout

# FY20 Group Financial Performance

# Financial Results 2020

## Revenue

2019: restated £1,063.0m

**£927.6m**

## Reported (loss) before tax\*

2019: restated £(44.4)m

**£(51.6)m**

## Gross Profit

2019: restated £87.5m

**£74.6m**

## Net Debt (pre-IFRS16)

2019: restated £(59.5)m

**£(8.8)m**

## Underlying operating profit\*

2019: restated £2.9m

**£4.8m**

## Average net debt (pre-IFRS16) adjusted for VAT deferral

2019: restated £(85.2)m:

**£(68.3)m**

- Change in mix with revenue decreasing to £927.6m (2019: restated £1,063.0m)
- Gross Margin broadly steady at 8.2% (2019: 8.0%), despite changes in mix to lower margin revenues
- Restructuring delivered c.£15m in annualised overhead cost savings (FY20 vs. FY19)
- Underlying operating profit\* **increased** to £4.8m, (2019: restated £2.9m) following turnaround actions, despite pandemic
- Return to underlying operating profit\* for all three divisions
- Average net debt of £(68.3)m improved by £16.9m (20%), normalised to include £(46.5)m of deferred VAT)
- £10m cash generated from working capital improvement actions through DSO reduction of 5 days

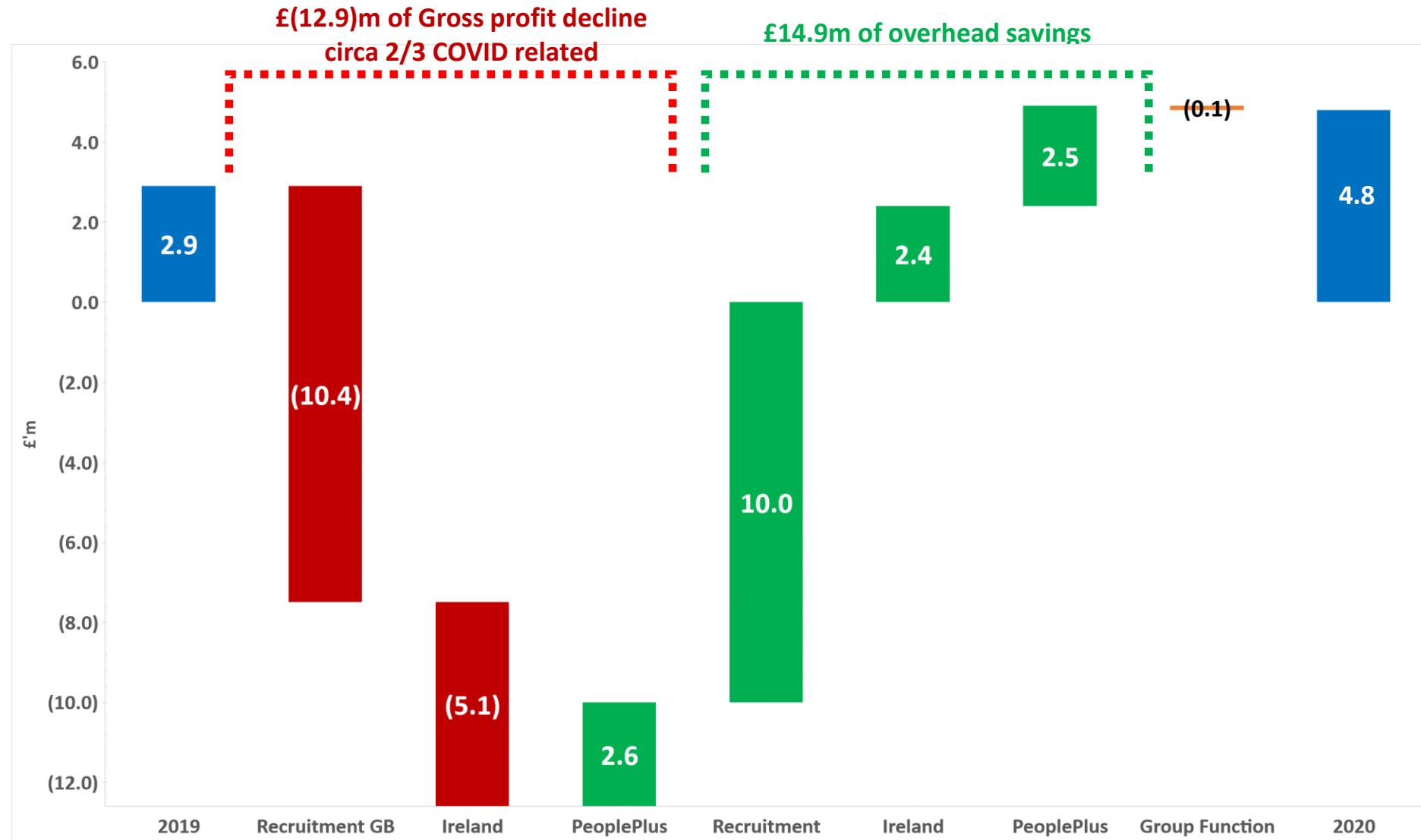
### Notes:

The results shown above relate to continuing operations. The 2019 results are restated to exclude the results of the Apprenticeships business sold in December 2020 and the Poland subsidiaries, which are held for sale.

\* Underlying results exclude amortisation of intangible assets arising on business combinations, exceptional reorganisation, legal and refinancing costs, exceptional transaction costs, exceptional National Minimum Wage remediation and financial penalties, revised audit scope and increased audit fees, employee dispute settlements, goodwill impairment and the non-cash charge/credit for share-based payment costs

# Underlying operating profit bridge 2019 - 2020

c.£15m of overhead cost savings more than offsets Gross profit decline from legacy and COVID impact

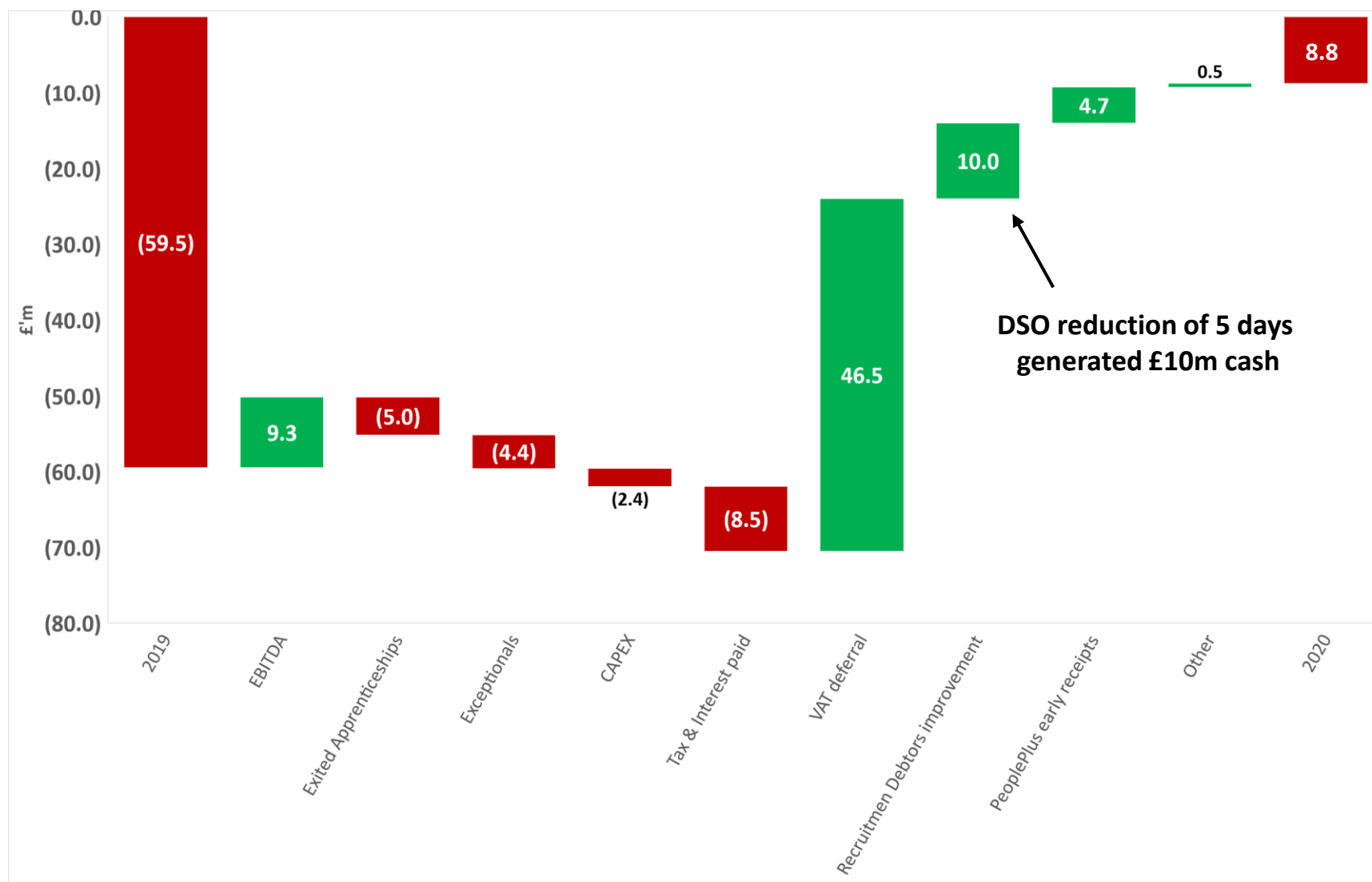


## Non-underlying charges: Continuing operations

|  | 2020<br>£'m | 2020<br>£'m | 2019<br>£'m | 2019<br>£'m |
|--|-------------|-------------|-------------|-------------|
| <b>Historic issues pre-2020</b>                              |             | -           |             | 1.1         |
| Restructuring and strategic options                          |             |             |             |             |
| Cost base  | 4.4         |             | 4.6         |             |
| Renegotiating Financing                                      | 3.2         |             | 3.2         |             |
|  |             | <u>7.6</u>  |             | <u>7.8</u>  |
| <b>Non-cash - goodwill, intangibles, share based charges</b> |             |             |             |             |
| Goodwill impairment  | 35.3        |             | 22.3        |             |
| Intangibles amortisation from business                       | 9.3         |             | 10.9        |             |
| Share-based payment charges (equity and cash-                | 0.1         |             | 0.2         |             |
|  |             | <u>44.7</u> |             | <u>33.4</u> |
| <b>Total non-underlying charges before tax</b>               |             | <u>52.3</u> |             | <u>42.3</u> |

# Net debt (pre-IFRS16) bridge 2019 - 2020

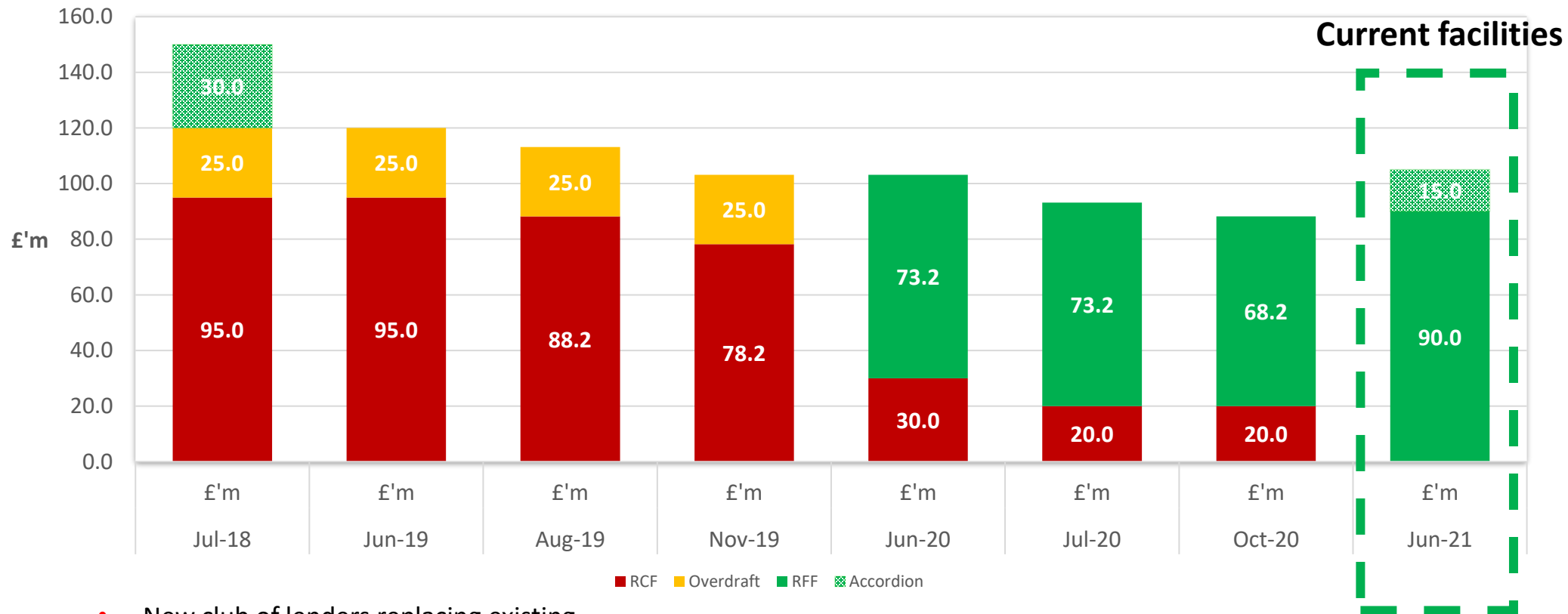
c.£10m of cash generated from 5 day reduction in Debtor DSO and Deferred VAT to be repaid by equity raise





# Finance Facilities

## Transition away from term / fixed term debt to receivables facilities completed



- New club of lenders replacing existing
- Initial term of 4.5 years + option to extend for 1 year
- Receivables Facility replaces legacy Revolving Credit Facility & Non-recourse Receivables Purchase Facility  
£90.0m + accordion option of £15.0m
- No revolving credit with repayments all wrapped up in a single Asset Based Lending agreement

# Finance - Covenants

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- Minimum interest cover covenant
  - ✓ 2.25x the last twelve months Underlying EBITDA to finance charges
- Interest margin accruing at 2.75% over SONIA
  - ✓ with a margin ratchet downward to 2.0%, dependent upon the Group's leverage reducing to 3.00 x Underlying EBITDA
  - ✓ A non-utilisation fee of 0.35% of the margin
- Maximum leverage covenant net average debt over rolling 3 months to Underlying EBITDA
  - ✓ Commencing at 5.95x Underlying EBITDA
  - ✓ Followed by a gradual reduction to 4.0x Underlying EBITDA by October 2023

*\*Sterling Overnight Interbank Average Rate*

# Operational Review

Albert Ellis

Chief Executive Officer

# Recruitment GB: FY20 Headlines

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## Financial Highlights

### Revenue

(2019 restated: £840.0m)

**£732.1m**

### Underlying operating profit\*

(2019 restated: 4.6m)

**£4.2m**

### Gross Profit Conversion Ratio

(2019 restated: 8.1%)

**9.1%**

## Operational Highlights

Change in the mix in favour of essential food and supermarket customers (lower margin higher volumes) & levels of perm recruitment

Upgraded expectations as a result of restructuring and a strong Christmas trading peak

Conversion ratio improved due to a reduction in overhead costs and efficiency savings realised



# Recruitment Ireland: FY20 Headlines

## Financial Highlights

**Revenue**  
(2019: £147.7m)

**£120.5m**

**Underlying operating profit\***  
(2019: £4.3m)

**£1.6m**

**Gross Profit Conversion Ratio**  
(2019: 27.6%)

**15.2%**

## Operational Highlights

Impact of lockdown on professional recruitment greater than blue collar, particularly lower levels of perm recruitment

Results of restructuring and prudently reducing costs early in the pandemic  
Lower levels of higher margin perm fees

Reflecting investment into the Rep of Ireland and impact of retaining key infrastructure in place for the recovery



# PeoplePlus: FY20 Headlines

## Financial Highlights

**Revenue**  
(2019: £75.3m)

**£75.0m**

**Underlying operating profit\***  
(2019: £(3.5)m)

**£1.6m**

**Gross Profit Conversion Ratio**  
(2019 restated: (22.9)%)

**8.9%**

## Operational Highlights

Stable revenues reflect cost support from government.  
Implemented digital and online learning

Restructured overheads  
Disposed of loss-making Apprenticeships business

Turned loss into profit  
improving conversion ratio

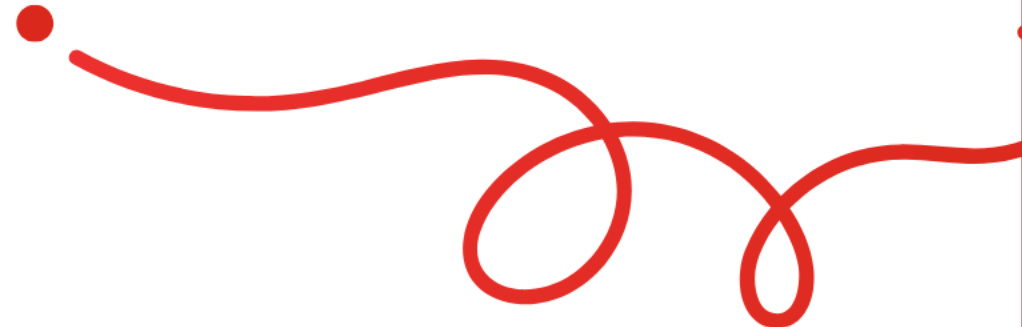


Note: Underlying operating profit relates to Continuing operations

# Strategic Update

Albert Ellis

Chief Executive Officer





# Strategy and Vision

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## CAPITALISE ON MARKET LEADERSHIP

position & scale in contingent workforce management



## BROADEN THE PORTFOLIO

driving permanent & white-collar recruitment



## UNLOCK THE POTENTIAL IN TRAINING

return PeoplePlus to sustainable growth



## 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**.





# Recruitment – blue-chip customer base / profitably growing wallet-share

Deep transformation of the Group executed through a detailed plan drawing on our joint experience in the recruitment industry.

| Customer  | FY20 Revenue (£m) | Length of relationship |
|---|-------------------|------------------------|
|    | 74                | >10 years              |
|    | 43                | >9 years               |
|    | 40                | >31 years              |
|    | 39                | >11 years              |
|    | 38                | 3 years                |
|    | 38                | >8 years               |
|   | 23                | >4 years               |
|  | 20                | >10 years              |
|  | 18                | >10 years              |
|  | 17                | >15 years              |

## Finding the appropriate mix between temp and perm

### Temporary

LOW MARGIN  
CASH ABSORBING  
EMPLOYER RISKS

### BUT

Good visibility  
Annuity quality

### Permanent

HIGHER MARGIN  
CASH POSITIVE  
CONSULTATIVE

### BUT

Low visibility  
Transactional quality

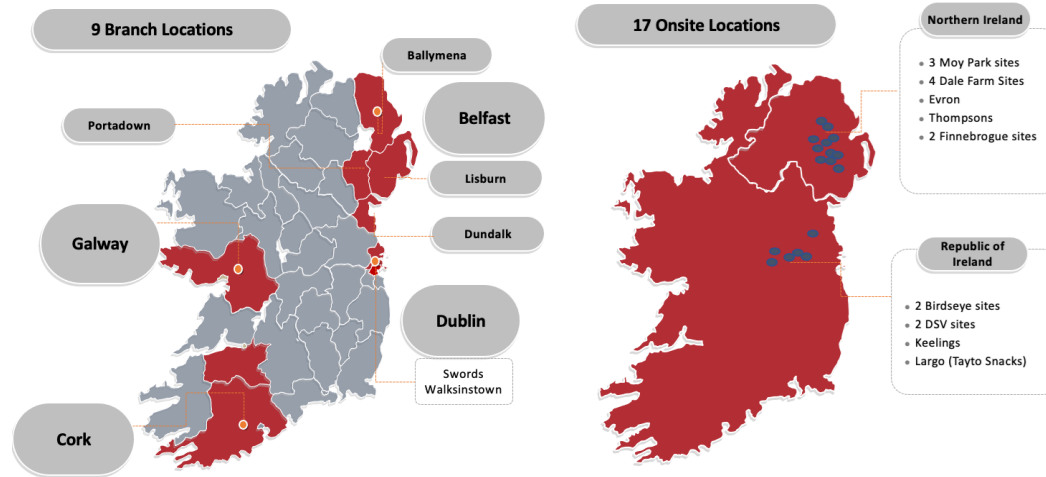


- 15 year relationship
- c.£18m annual revenue
- Access to 60 perm vacancies a year: Opportunity of £240k net fees

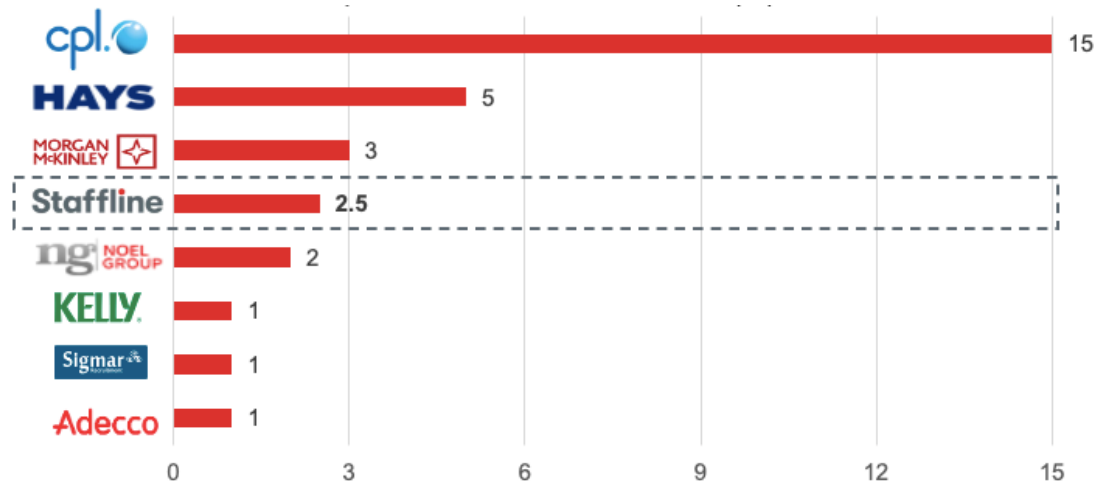


- 6 year relationship
- c.£8m annual revenue
- Cross-sell white collar recruitment Opportunity of £85k in fees

# Republic of Ireland competitive positioning and strategy



Republic of Ireland Market Share (%)



## Strategy



Expanding permanent recruitment and driving up margins



New markets white collar recruitment, 2022 medical division and executive search



Significant growth potential in Republic of Ireland

# PeoplePlus: Restart

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## Contracts

- Restart is £1.25bn allocation of DWP spend
- PeoplePlus is a key provider to two Prime Contractors
- Staffline Group announced June 2021
- Three geographic areas beginning July 2021

## Financials

- Revenue up to a max of £90m over 4 years
- Dependent on higher outcome performance
- No material impact on FY21 results

## Outlook

- Underpins part of PeoplePlus' revenue pipeline for FY21, FY22, FY23



# Investment Case

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## ***MARKET LEADER***

- in blue-collar recruitment and training

## ***NEW BOARD AND MANAGEMENT***

- implementing new strategy, delivering on turnaround

## ***TECHNOLOGY***

- a key differentiator and driving efficiency and margin gains

## ***STRONG GROWTH SECTORS***

- lower cyclical and exposed to faster growing online markets

## ***POSITIVE SIGNS OF RECOVERY***

- with market tailwinds and supportive macro trends

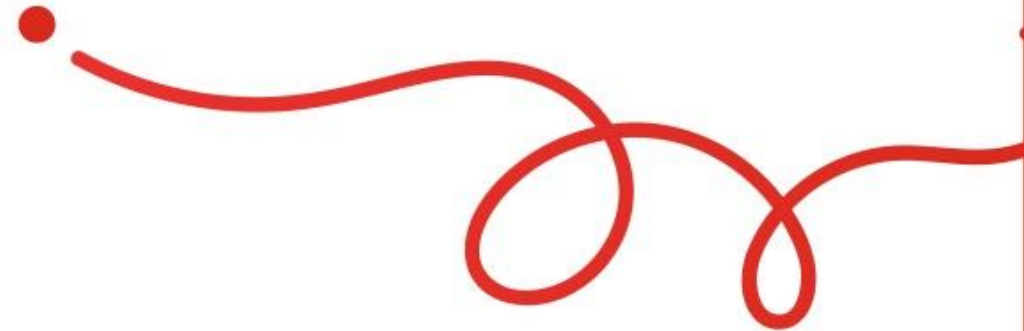
## ***INCREASING TRADING MOMENTUM***

- 26<sup>th</sup> April trading statement
- Restated at the 21 May placing announcement



**Refinancing provides strong platform for robust, profitable, cash generative growth**

# Current Trading and Outlook



# Current trading and outlook

## Increasing momentum in Q1 2021; Board confident in the outlook

|                             | Q1 2021 | Q1 2020 | Change  |
|-----------------------------|---------|---------|---------|
|                             | £m      | £m      |         |
| Revenue                     | 227.9   | 227.5   | 0.2%    |
| Gross profit                | 18.4    | 19.6    | (6.1)%  |
| Underlying operating profit | 1.4     | 0.6     | 133%    |
| Average net debt*           | (54.9)  | (69.4)  | +£14.5m |

### Trading

- Q1 ahead of expectations
- Revenue in line with prior year despite 2020 being pre-covid
- Underlying op profit 133% ahead of PYR
- FY21 expectations upgraded

### Equity raise

- £48.4m raised, oversubscribed
- Reduction in borrowings
- Good headroom levels for growth
- VAT repayments begin June 2021
- Clean audit report for 2020 Financials

*\*Presented on a Pre-IFRS16 basis and adjusted to include £46.5m of deferred VAT*

*NOTE: All numbers above are unaudited. (2) All results shown above relate to continuing operations. (3) Underlying operating profit before goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying costs. (4) Net debt is stated before unamortised debt issue costs.*



# Current trading and outlook

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## Increasing momentum in Q1 2021; Board confident in the outlook

- Strong trading across the Group year to date
- Successful vaccine rollout
- Record bounce back in GDP, jobs market data improving & returning to pre-covid levels
- Peers reporting strong results

Three short term drivers of growth for the Group depend on lockdown easing

- Sectors such as physical retail, travel, manufacturing
- Opening up of Republic of Ireland
- PeoplePlus skills centres

Medium term

- Skills shortages
- PeoplePlus Restart contract wins

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