

# PageGroup

12 July 2016

## SECOND QUARTER AND FIRST HALF 2016 TRADING UPDATE

### Highlights - in constant currencies

- Group gross profit growth of 3.7% in line with Q1 (8.0% growth on a reported basis)
- Strongest growth in EMEA +13.6%; Benelux +30%; Southern Europe +25%
- UK -2.3% impacted by pre-Referendum uncertainty; Page Personnel +2%; Temporary +3%
- Asia Pacific -3.3%; Asia -7%; Australasia +7%
- North America -2%, weak Financial Services ("FS") market, ex-NYC FS +10%
- LatAm (ex Brazil) +18%; Brazil -24%
- Strong balance sheet, net cash c. £72m

### Q2 GROSS PROFIT ANALYSIS

Year-on-year	% of Group	Reported (£m)			Constant
		Q2 2016	Q2 2015	%	%
EMEA	43%	67.5	55.1	+22.7%	+13.6%
UK	24%	38.3	39.2	-2.3%	-2.3%
Asia Pacific	20%	30.6	30.2	+1.3%	-3.3%
Americas	13%	20.5	20.8	-1.5%	-1.1%
<b>Total</b>	<b>100%</b>	<b>156.9</b>	<b>145.3</b>	<b>+8.0%</b>	<b>+3.7%</b>
Permanent	77%	121.0	113.2	+6.9%	+2.9%
Temporary	23%	35.9	32.1	+11.9%	+6.5%

### H1 GROSS PROFIT ANALYSIS

Year-on-year	% of Group	Reported (£m)			Constant
		H1 2016	H1 2015	%	%
EMEA	43%	129.1	109.1	+18.5%	+12.0%
UK	25%	74.8	75.7	-1.5%	-1.5%
Asia Pacific	19%	56.5	56.0	+1.0%	-2.6%
Americas	13%	38.8	40.1	-3.3%	-0.8%
<b>Total</b>	<b>100%</b>	<b>299.2</b>	<b>280.9</b>	<b>+6.5%</b>	<b>+3.6%</b>
Permanent	76%	228.3	218.2	+4.6%	+2.0%
Temporary	24%	70.9	62.7	+13.1%	+9.3%

**Commenting, Steve Ingham, Chief Executive Officer said:**

“The Group delivered gross profit growth of 3.7% in constant currencies, in line with Q1, and 8.0% growth on a reported basis. We saw good performances in Continental Europe and Latin America (ex-Brazil), which combined now account for around 45% of the Group. However, the challenging market conditions in several of our larger markets, including Greater China, the UK and Brazil, continued.

“Current market conditions remain stronger at lower salary levels and in temporary roles and this was reflected by the strong growth of 9% in our Page Personnel business, where temporary recruitment represents 40% of gross profit. Our Michael Page business, where temporary recruitment represents only 16%, grew 2%. Overall, temporary recruitment grew by 6.5%, compared to 2.9% in permanent.

“It is too early to say how the result of the EU Referendum will impact our results going forward, but the environment leading up to the vote caused a slightly weaker result in June. With continued uncertainty in the UK following the Referendum result, ongoing challenges in some of our other larger markets, the unpredictable nature of the current cycle and our limited visibility, we will continue to focus on driving profitable growth, whilst remaining able to respond quickly to any changes in market conditions.”

## Group Trading Update

PageGroup delivered second quarter gross profit of £156.9m, up 3.7% in constant currencies and 8.0% in reported rates. The weakening of Sterling, particularly in June, benefited Group gross profit by £6.3m in the second quarter and by £8.0m in the first half.

## Ongoing Investment

Having added 206 fee earners in 2015, net fee earner additions were slower in H1 2016, with 12 in Q1 and 33 in Q2. Our operational support headcount increased by 9 in the quarter, however, the majority of these were in Continental Europe where we are temporarily parallel-running some support functions as they transition into our new Shared Service Centre in Barcelona. Our fee earner to operational support staff ratio remained at the record of 77:23, with fee earners of 4,529 and total headcount of 5,919.

## Perm/Temp mix

Gross profit from permanent recruitment grew 6.9% in reported rates, and 2.9% in constant currencies, to £121.0m (Q2 2015: £113.2m) and gross profit from temporary recruitment grew 11.9% in reported rates, and 6.5% in constant currencies, to £35.9m (Q2 2015: £32.1m). This resulted in a ratio of permanent to temporary recruitment of 77:23. The variation in growth rates between permanent and temporary recruitment continues to be driven primarily by uncertainty in some of our markets leading to a lower number of permanent positions being filled and an increase in the hiring of lower-risk temporary positions.

## Q2 Gross Profit – Discipline analysis

Year-on-year	% of Group	Reported (£m)			Constant
		Q2 2016	Q2 2015	%	%
Finance & Accounting	39%	60.9	56.9	+7.0%	+3.0%
Legal, Technology, HR, Secretarial, Healthcare	22%	34.7	30.8	+12.6%	+7.7%
Engineering, Property & Construction, Procurement & Supply Chain	19%	30.5	28.5	+7.2%	+2.6%
Marketing, Sales & Retail	20%	30.8	29.1	+6.0%	+2.0%
<b>Total</b>	<b>100%</b>	<b>156.9</b>	<b>145.3</b>	<b>+8.0%</b>	<b>+3.7%</b>

## H1 Gross Profit – Discipline analysis

Year-on-year	% of Group	Reported (£m)			Constant
		H1 2016	H1 2015	%	%
Finance & Accounting	39%	116.3	110.8	+4.9%	+2.3%
Legal, Technology, HR, Secretarial, Healthcare	22%	66.6	58.6	+13.6%	+10.1%
Engineering, Property & Construction, Procurement & Supply Chain	19%	57.8	55.0	+5.0%	+1.9%
Marketing, Sales & Retail	20%	58.5	56.5	+3.6%	+1.1%
<b>Total</b>	<b>100%</b>	<b>299.2</b>	<b>280.9</b>	<b>+6.5%</b>	<b>+3.6%</b>

## Geographical analysis (unless otherwise stated all growth rates are in constant currency)

EMEA	Gross Profit (£m)		Growth Rates	
<i>(43% of Group)</i>			Reported	Constant
Q2 2016 vs. Q2 2015	67.5	55.1	+22.7%	+13.6%
H1 2016 vs. H1 2015	129.1	109.1	+18.5%	+12.0%
Headcount at 30 June 2016: 2,427 (31 March 2016: 2,380)				
Gross profit growth in constant currencies:				
<ul style="list-style-type: none"> <li>• <b>France</b> (13% of Group) +8% on Q2 2015</li> <li>• <b>Germany</b> (6% of Group) +8% on Q2 2015</li> </ul>				

EMEA grew Q2 gross profit by 13.6% compared to 2015 (Q1 2016: 10.3%) with seven countries producing record results for the quarter. Performance was strong in both Page Personnel and Michael Page, with growth of 15% and 13% respectively. Continental Europe grew 16%. Growth in France improved from 2% in Q1 to 8% in Q2, with good performances from both brands. Germany saw a marginal improvement from Q1, growing at 8%, with Page Personnel up 20%. The Netherlands had a strong result with growth of 35%, and accounted for 10% of the region. Southern Europe continued to deliver excellent results, with growth of 25%. The Middle East, 3% of the region, impacted by the oil price and ongoing political uncertainty, was down 28%.

UK	Gross Profit (£m)		Growth Rates
<i>(24% of Group)</i>			
Q2 2016 vs. Q2 2015	38.3	39.2	-2.3%
H1 2016 vs. H1 2015	74.8	75.7	-1.5%
Headcount at 30 June 2016: 1,466 (31 March 2016: 1,472)			

The UK declined 2.3% in the quarter, with uncertainty impacting clients' decision-making in the lead up to the EU Referendum. Page Personnel, which has a greater proportion of temporary business and represented 22% of the UK, delivered the better results, with growth of 2% compared to -3% in Michael Page. Our temporary recruitment businesses were more resilient with growth of 3%. Within the disciplines, Financial Services was down 7%, though this only represents 4% of the UK. Legal was our best performing discipline, with growth of 23%. The mix of gross profit and growth rates of Private Sector (88%) and Public Sector (12%) were -1% and -9% respectively.

Asia Pacific	Gross Profit (£m)		Growth Rates	
			Reported	Constant
<i>(20% of Group)</i>				
Q2 2016 vs. Q2 2015	30.6	30.2	+1.3%	-3.3%
H1 2016 vs. H1 2015	56.5	56.0	+1.0%	-2.6%
Headcount at 30 June 2016: 1,176 (31 March 2016: 1,200) Gross profit growth in constant currencies: <ul style="list-style-type: none"> <li>• <b>Asia</b> (14% of Group) -7% on Q2 2015</li> <li>• <b>Greater China</b> (59% of Asia) -9% on Q2 2015</li> <li>• <b>Australasia</b> (6% of Group) +7% on Q2 2015</li> </ul>				

Asia Pacific gross profit declined 3.3%, driven by macro-economic concerns in China and the wider Asia region, which particularly impacted our multi-national clients. Within Asia, which was down 7%, we saw strong performances from our businesses in mainland China, where we have a higher proportion of domestic clients, as well as record performances from India and Indonesia. However, Hong Kong declined 21% against a record +19% Q2 2015 comparative. Our businesses in Australasia had their best quarter since 2014, with year-on-year growth in the quarter of 7% and sequential growth of 18%. Within Australia, which grew 4%, Western Australia remained particularly challenging; however, elsewhere we saw growth in all states. Page Personnel had a record quarter, with growth of 12%.

Americas	Gross Profit (£m)		Growth Rates	
			Reported	Constant
<i>(13% of Group)</i>				
Q2 2016 vs. Q2 2015	20.5	20.8	-1.5%	-1.1%
H1 2016 vs. H1 2015	38.8	40.1	-3.3%	-0.8%
Headcount at 30 June 2016: 850 (31 March 2016: 825) Gross profit growth in constant currencies: <ul style="list-style-type: none"> <li>• <b>North America</b> (7% of Group) -2% on Q2 2015</li> <li>• <b>Latin America</b> (6% of Group) flat on Q2 2015</li> <li>• <b>Brazil</b> (34% of LatAm) -24% on Q2 2015</li> </ul>				

The Americas declined 1.1% in constant currencies. North America was down 2% in the quarter, with the USA down 1% and Canada down 6%. The Financial Services market in New York was particularly tough, down 16%; however, combined, the rest of our US businesses grew 10%. We continued to build our market presence elsewhere, with strong growth from our offices in Los Angeles, Boston and Chicago. Latin America was flat on 2015. Brazil, now 34% of LatAm, experienced another challenging quarter, down 24%. Elsewhere our other countries, which now represent 66% of LatAm, had another strong quarter, growing at 18%, with double-digit growth in 4 countries. Within this, we saw growth of 15% in Mexico and record performances from Mexico, Argentina, Colombia and Peru.

## **Financial Position**

Other than the effects of trading in the first half, the purchase of £15m of shares by the Employee Benefit Trust to hedge share plan awards to employees and the payment of a final dividend of £24.5m for 2015, there have been no significant changes in the financial position of the Group since the publication of the results for the year ended 31 December 2015. Net cash at 30 June 2016 was approximately £72m (31 March 2016: £89m).

## **Shares**

At 30 June 2016 there were 325,957,955 Ordinary shares in issue, of which 17,691,619 were held by the Employee Benefit Trust (EBT). The rights to receive dividends and to exercise voting rights have been waived by the EBT over 15,025,358 shares and consequently these shares should be excluded when calculating earnings per share. The total number of voting rights in the Company is 325,957,955.

## **Cautionary Statement**

This Second Quarter and First Half 2016 Trading Update has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The Trading Update should not be relied on by any other party or for any other purpose. This Trading Update contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this Trading Update and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This Trading Update has been prepared for the Group as a whole and therefore gives greater emphasis to those matters that are significant to PageGroup and its subsidiary undertakings when viewed as a whole.

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**Further information:**

PageGroup will host a presentation for analysts and investors at 9.00am on 12 July 2016 at:

FTI Consulting  
200 Aldersgate  
Aldersgate Street  
London  
EC1A 4HD  
United Kingdom

A conference call facility is available for analysts and investors unable to attend, details of which are below:

Link:

<http://www.investis-live.com/pagegroup/576124212a4e360b00333826/87w8>

Please use the following dial-in numbers to join the conference:

United Kingdom (Local)	020 3059 8125
All other locations	+44 20 3059 8125

Please quote "PageGroup" to gain access to the call

A presentation and recording to accompany the Q2 Trading Update Presentation will be posted on the Company's website during the course of the morning of 12 July 2016 at:

<http://www.page.com/investors/investor-library/2016.aspx>

PageGroup will issue its interim results for the six months ending 30 June 2016 on 11 August 2016, followed by its Third Quarter 2016 Interim Management Statement on 11 October 2016.