

# PageGroup

11 July 2017

## SECOND QUARTER AND FIRST HALF 2017 TRADING UPDATE

### Q2 Highlights\*

- Record Group gross profit with growth of 7.7%, (+16.0% in reported)
- Q2 results impacted by the timing of Easter
- EMEA +13.2%; France +23%; Germany +13%; Southern Europe +11%
- UK -4.5%; Michael Page -5%; Page Personnel -2%
- Asia Pacific +6.8%; Asia +10%; Australasia -1%
- Strongest growth in Americas +13.8%; US +17%; LatAm (ex Brazil) +18%; Brazil +2%
- Technical disciplines fastest growing at +19.3%
- Record headcount at 6,448, with 178 fee earners added in Q2 (98 in Q1)
- Strong balance sheet, net cash c. £87m (Q2 2016: £74m)

\* in constant currencies

### Q2 GROSS PROFIT ANALYSIS

Year-on-year	% of Group	Reported (£m)			Constant
		Q2 2017	Q2 2016	%	%
EMEA	46%	83.7	67.6	+24.0%	+13.2%
UK	20%	36.6	38.3	-4.5%	-4.5%
Asia Pacific	20%	35.8	30.6	+17.1%	+6.8%
Americas	14%	25.9	20.4	+26.5%	+13.8%
<b>Total</b>	<b>100%</b>	<b>182.0</b>	<b>156.9</b>	<b>+16.0%</b>	<b>+7.7%</b>
Permanent	77%	139.4	120.9	+15.3%	+7.0%
Temporary	23%	42.6	36.0	+18.3%	+10.2%

### H1 GROSS PROFIT ANALYSIS

Year-on-year	% of Group	Reported (£m)			Constant
		H1 2017	H1 2016	%	%
EMEA	46%	162.3	129.1	+25.7%	+14.0%
UK	21%	73.0	74.8	-2.3%	-2.3%
Asia Pacific	19%	66.7	56.5	+17.9%	+5.5%
Americas	14%	50.2	38.8	+29.5%	+14.1%
<b>Total</b>	<b>100%</b>	<b>352.2</b>	<b>299.2</b>	<b>+17.7%</b>	<b>+8.3%</b>
Permanent	76%	267.1	228.2	+17.1%	+7.6%
Temporary	24%	85.1	71.0	+19.8%	+10.6%

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

“The Group delivered record gross profit, with growth of 7.7% in constant currencies, despite the impact of Easter, which this year fell in Q2 versus Q1 in 2016. As reported in our last trading update, this inflated our Q1 growth rate of 9.1% and had the reverse impact this quarter. H1 gross profit grew 8.3%.

“France, having increased fee earner headcount by 19% year-on-year, delivered another excellent quarter, with growth of 23%. The UK was down 4.5%, with Easter falling in Q2 and client and candidate confidence levels continuing to be impacted by Brexit and political uncertainty. In our large, high-potential markets, growth in Greater China accelerated, up 11%. Excluding Singapore where market conditions remained challenging, South East Asia, delivered growth of 35%. In the US, where we increased fee earners by 28% year-on-year, we saw a strong improvement, up 17%. Latin America, excluding Brazil, delivered growth of 18%. Finally, Germany achieved a record quarter, up 13%.

“Our focus on investing in these large, high-potential markets, which were collectively up 12%, as well as in businesses experiencing strong growth, resulted in fee earner growth of 178 in Q2 and 276 (+5.9%) on December 2016, up to a new record for the Group. Total fee earner headcount now stands at 4,987, with total headcount at 6,448.

“The Group continued to benefit from positive foreign exchange movements, which in the quarter added c. £13m to our gross profit, increasing reported gross profit by 8.3 percentage points to 16.0%.

“We are pleased with the strong performance across the majority of our regions, bearing in mind the timing of Easter. However, there remain a number of uncertainties as we continue through 2017, including the impact of Brexit negotiations and political uncertainty in the UK, elections in Germany and Brazil’s ongoing macro-economic challenges. Costs from our headcount investments including in new markets such as the Nikkei market in Japan, our contracting business in Germany and our Page Personnel businesses, continue.

“Performance levels have improved since the start of the year, which has been reflected in Consensus moving up c. 13% since March 2017. Our outlook for full year operating profit is in line with current Consensus\*.

“Looking ahead, we will continue to focus on driving profitable growth, while being able to respond quickly to any changes in market conditions.”

\* Company compiled Consensus operating profit of £111.5m

## Group Trading Update

PageGroup delivered record second quarter gross profit of £182.0m, up 7.7% in constant currencies and 16.0% in reported rates. The weakening of Sterling benefited Group gross profit by c. £13m in the second quarter and by c. £28m in the first half. In constant currencies, Michael Page grew 5.3% and Page Personnel 13.9%.

## Headcount

Having added 227 fee earners in 2016, net fee earner additions in H1 2017 were 276, with 98 in Q1 and 178 in Q2. Our operational support headcount increased by 56 in the quarter. The majority of these additions were to support the roll-out of our new global finance system and the transition of our IT services into the Cloud. Our fee earner to operational support staff ratio remained at the record of 77:23, with 4,987 fee earners and a total headcount of 6,448.

## Perm/Temp mix

In constant currencies, Group gross profit from permanent recruitment was up 7.0% in Q2, with temporary recruitment growing faster at 10.2%. Permanent recruitment grew 15.3% in reported rates to £139.4m and temporary recruitment grew 18.3% to £42.6m. This resulted in a ratio of permanent to temporary recruitment of 77:23.

## Q2 Gross Profit – Discipline analysis

Year-on-year	% of Group	Reported (£m)			Constant
		Q2 2017	Q2 2016	%	%
Accounting and Financial Services	37%	67.7	60.5	+11.9%	+4.2%
Legal, Technology, HR, Secretarial, Healthcare	23%	41.2	34.8	+18.2%	+9.5%
Engineering, Property & Construction, Procurement & Supply Chain	22%	39.9	31.0	+28.8%	+19.3%
Marketing, Sales and Retail	18%	33.2	30.6	+8.7%	+0.9%
<b>Total</b>	<b>100%</b>	<b>182.0</b>	<b>156.9</b>	<b>+16.0%</b>	<b>+7.7%</b>

## H1 Gross Profit – Discipline analysis

Year-on-year	% of Group	Reported (£m)			Constant
		H1 2017	H1 2016	%	%
Accounting and Financial Services	37%	131.1	115.8	+13.1%	+4.5%
Legal, Technology, HR, Secretarial, Healthcare	22%	79.0	66.9	+18.2%	+8.3%
Engineering, Property & Construction, Procurement & Supply Chain	22%	76.3	58.4	+30.7%	+20.1%
Marketing, Sales and Retail	19%	65.8	58.1	+13.3%	+4.1%
<b>Total</b>	<b>100%</b>	<b>352.2</b>	<b>299.2</b>	<b>+17.7%</b>	<b>+8.3%</b>

Ten years ago our technical category of disciplines comprising Engineering, Property & Construction and Procurement & Supply Chain only represented c. 10% of the Group. As a result of market changes and our continued strategy of diversification by discipline, these technical disciplines now represent 22% of the Group and grew 20% in H1 2017.

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

EMEA	Gross Profit (£m)		Growth Rates	
<i>(46% of Group)</i>			Reported	Constant
Q2 2017 vs. Q2 2016	83.7	67.6	+24.0%	+13.2%
H1 2017 vs. H1 2016	162.3	129.1	+25.7%	+14.0%
Headcount at 30 June 2017: 2,718 (31 March 2017: 2,628)				
Gross profit growth in constant currencies:				
<ul style="list-style-type: none"> <li>• <b>France</b> (15% of Group) +23% on Q2 2016</li> <li>• <b>Germany</b> (7% of Group) +13% on Q2 2016</li> </ul>				

EMEA grew Q2 gross profit 13.2% compared to 2016 (Q1 2017: 14.8%). Performance was strong in both Page Personnel and Michael Page, with growth of 18% and 9% respectively. Continental Europe grew 14%. The strong growth in France continued from Q1, with growth of 23% in Q2 and good performances from both brands. Germany saw a marginal improvement on Q1, growing at 13%. Spain grew 19%, driving Southern Europe growth of 11%. Overall there were record performances from seven countries: Belgium, France, Germany, Italy, Poland, Portugal and Spain.

UK	Gross Profit (£m)		Growth Rate
<i>(20% of Group)</i>			
Q2 2017 vs. Q2 2016	36.6	38.3	-4.5%
H1 2017 vs. H1 2016	73.0	74.8	-2.3%
Headcount at 30 June 2017: 1,424 (31 March 2017: 1,405)			

The UK declined 4.5% in the quarter, with Brexit and political uncertainty impacting confidence, particularly amongst our multi-national clients. Our temporary business, impacted by the timing of Easter, was down 9%, with permanent down 2%. Page Personnel, which represented 22% of the UK, despite its greater proportion of temporary business, delivered the better result, declining -2% compared to -5% in Michael Page. Within the disciplines, Technology was our best performing discipline, with growth of 21%, while Financial Services was down 15%, albeit now only representing 4% of the UK. The mix of gross profit and growth rates of Private Sector (88%) and Public Sector (12%) were -5% and +3% respectively.

<b>Asia Pacific</b>	<b>Gross Profit (£m)</b>		<b>Growth Rates</b>	
<i>(20% of Group)</i>			<b>Reported</b>	<b>Constant</b>
Q2 2017 vs. Q2 2016	35.8	30.6	+17.1%	+6.8%
H1 2017 vs. H1 2016	66.7	56.5	+17.9%	+5.5%
Headcount at 30 June 2017: 1,298 (31 March 2017: 1,238) Gross profit growth in constant currencies: <ul style="list-style-type: none"> <li>• <b>Asia</b> (14% of Group) +10% on Q2 2016</li> <li>• <b>Greater China</b> (8% of Group and 59% of Asia) +11% on Q2 2016</li> <li>• <b>Australasia</b> (6% of Group) -1% on Q2 2016</li> </ul>				

Asia Pacific gross profit grew 6.8%, up from 3.9% in the first quarter. Within Asia, which was up 10%, we saw strong performances from our businesses in mainland China, where we have a higher proportion of domestic clients, as well as an improved performance from Hong Kong, which grew 11% in Q2 from -1% in Q1. Japan also delivered an improved performance, with growth of 20%. South East Asia, excluding Singapore, delivered growth of 35%, however trading conditions in Singapore remained challenging. Australia grew by 1% following our recent restructuring and improved through the quarter.

<b>Americas</b>	<b>Gross Profit (£m)</b>		<b>Growth Rates</b>	
<i>(14% of Group)</i>			<b>Reported</b>	<b>Constant</b>
Q2 2017 vs. Q2 2016	25.9	20.4	+26.5%	+13.8%
H1 2017 vs. H1 2016	50.2	38.8	+29.5%	+14.1%
Headcount at 30 June 2017: 1,008 (31 March 2017: 943) Gross profit growth in constant currencies: <ul style="list-style-type: none"> <li>• <b>North America</b> (8% of Group) +15% on Q2 2016</li> <li>• <b>Latin America</b> (6% of Group) +13% on Q2 2016</li> <li>• <b>Brazil</b> (33% of LatAm) +2% on Q2 2016</li> </ul>				

The Americas grew 13.8% in constant currencies. North America was up 15% in the quarter, with the US up 17% and Canada down 5%. Our strategy of diversification continued in the US, with strong growth from our offices in Boston, Chicago and Los Angeles. The Financial Services market in New York remained tough, down 18%, but now represents only 26% of our US business (37% in Q2 2016). Elsewhere, our other US businesses grew 38%. Latin America grew 13% on 2016, and Brazil, 33% of Latin America, grew 2%. Elsewhere, our other countries, which represent 67% of Latin America, had another strong quarter, growing at 18%. Overall there were record performances in Argentina, Mexico and Peru.

## **Financial Position**

Other than the effects of trading in the first half and the payment of a final dividend of £25.9m for 2016, 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 2016. Net cash at 30 June 2017 was approximately £87m (31 March 2017: £86m).

## **Shares**

At 30 June 2017 there were 326,587,784 Ordinary shares in issue, of which 15,526,560 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 12,395,981 shares and consequently these shares should be excluded when calculating earnings per share. The total number of voting rights in the Company is 326,587,784.

## ***Enquiries:***

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## ***Further information:***

The Company will host a conference call and presentation for analysts and investors at 8.30am today. The live presentation can be viewed by following the link:

<http://www.investis-live.com/pagegroup/5942580c9a0fb30c007c9b84/bvss>

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

United Kingdom (Local)  
All other locations

020 3059 8125  
+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 11 July 2017 at:

<http://www.page.com/investors/investor-library/2017.aspx>

PageGroup will issue its interim results for the six months ending 30 June 2017 on 10 August 2017, followed by its Third Quarter 2017 Interim Management Statement on 11 October 2017.

### **Cautionary Statement**

This Second Quarter and First Half 2017 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.