

# PageGroup

11 January 2017

## FOURTH QUARTER AND FULL YEAR 2016 TRADING UPDATE

**Q4 Gross profit growth of 3.8%\* and 3.0%\* for the full year**

### Q4 Highlights\*

- Group gross profit +3.8% (+20.3% in reported) to £163.4m, a record quarter for the Group
- Strongest growth in EMEA +12.4%
- UK -6.7% impacted by continued uncertain market conditions
- Increase of 50 fee earners, operational support staff decreased by 3
- FX increased reported gross profit by c. £22m and operating profit by c. £4m
- Completed the roll-out of PRS, our new operating system
- Completed the European finance transition into our Shared Service Centre in Barcelona
- Strong balance sheet, net cash c. £90m

### Full Year Results\*

- Group gross profit +3.0% (+11.7% in reported) to £621.1m, a record year for the Group
- FX increased reported gross profit by £48.3m and operating profit by c. £10m
- 20 countries had record years and 10 had record quarters in Q4
- Increase of 227 fee earners (+5.1%), ratio to operational support staff maintained at record 77:23
- Operating profit expected to be towards the top end of the range of current market forecasts (Company compiled forecast range of £91.0m - £100.6m)

\* *in constant currencies*

### Q4 GROSS PROFIT ANALYSIS

Year-on-year	% of Group	Reported (£m)			Constant
		Q4 2016	Q4 2015	%	%
EMEA	47%	76.0	56.0	+35.7%	+12.4%
UK	21%	33.8	36.2	-6.7%	-6.7%
Asia Pacific	19%	30.9	24.8	+24.6%	+1.7%
Americas	13%	22.7	18.8	+20.7%	+0.9%
<b>Total</b>	<b>100%</b>	<b>163.4</b>	<b>135.8</b>	<b>+20.3%</b>	<b>+3.8%</b>
Permanent	75%	122.4	100.5	+21.8%	+5.0%
Temporary	25%	41.0	35.3	+16.0%	+0.4%

## FULL YEAR GROSS PROFIT ANALYSIS

Year-on-year	% of Group	Reported (£m)			Constant
		FY 2016	FY 2015	%	%
EMEA	44%	271.9	217.0	+25.3%	+11.5%
UK	24%	146.3	151.6	-3.5%	-3.5%
Asia Pacific	19%	119.7	109.1	+9.7%	-2.2%
Americas	13%	83.2	78.4	+6.1%	-0.8%
<b>Total</b>	<b>100%</b>	<b>621.1</b>	<b>556.1</b>	<b>+11.7%</b>	<b>+3.0%</b>
Permanent	76%	469.9	424.0	+10.8%	+2.3%
Temporary	24%	151.2	132.1	+14.5%	+5.2%

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

“The Group delivered Q4 constant currency gross profit growth of 3.8%, an improvement on our Q3 growth rate of 1.3%. In reported rates gross profit grew 20.3%. Full year gross profit was a record at £621m, up 3.0% on the prior year.

“Continental Europe and Latin America, outside Brazil, continued to deliver strong performances, combined up 14%; these two regions represent almost half of the Group. There was a return to growth in Greater China, up 4%, and Australasia grew 8%, doubling its Q3 growth rate. In the UK, client and candidate confidence levels deteriorated further, with activity levels also reduced. Challenging market conditions also continued in several of our other larger markets, particularly Brazil and Financial Services, notably in New York.

“The Group continued to benefit from positive foreign exchange movements during the fourth quarter, which increased reported gross profit by 16.5 percentage points, or £22.4m. For the full year, foreign exchange increased our reported gross profit by £48.3m and operating profit by c. £10m.

“Our focus on investing in our large, high potential markets, as well as in businesses experiencing strong growth, resulted in fee earner headcount growth of 227 (+5.1%) for the year, with 50 added in Q4 (+1.1%), to now a record number of fee earners for the Group. We completed the roll-out of our new operating system, PRS, and also the European finance transition into our Shared Service Centre in Barcelona, both of which will improve future productivity and efficiency.

“Cash generation in the period was strong, with net cash of c. £90m at the year end. Given the challenging market conditions experienced in Q4 in a number of our markets, we are pleased with the improvement in our quarterly gross profit growth rate and the record year for the Group. We expect 2016 operating profit to be towards the top end of the range of current market forecasts.

“There are a number of uncertainties as we enter 2017, including: in the UK as we initiate Brexit; in the US as new economic policies are announced; in Europe as several countries face elections; and also

in China and Brazil. However, we will continue to focus on driving profitable growth, while being able to respond quickly to any changes in market conditions, as we did throughout 2016.”

### **Group Trading Update**

PageGroup delivered Q4 gross profit of £163.4m, up 3.8% in constant currencies and 20.3% in reported rates. For FY 2016, Group gross profit was a record £621.1m, up 3.0% in constant currencies and 11.7% in reported rates. Foreign exchange benefited the full year results by £48.3m of gross profit and c. £10m of operating profit.

In constant currencies, our Michael Page businesses were up 1.0% for the quarter and the full year, however our Page Personnel businesses improved to 11.2% for the quarter, representing growth of 8.6% for the full year.

### **Progress on Strategic Projects**

In December, we completed the roll out of PRS, our new operating system. We also completed the European finance transition into our Shared Service Centre in Barcelona, although with the last countries transitioning in December, there was still some temporary parallel-running in place at the year end. The Marketing transition completed earlier in the year and IT is now two thirds complete, the latter progressing in line with our strategy to move to the cloud.

### **Headcount**

Having increased our fee earners by 45 in H1, and by 132 in Q3, we added a further 50 during Q4, into our large, high potential markets as well as businesses where growth was strongest. We maintained our fee earner to operational support staff ratio at 77:23, with operational support staff reducing by 3 in Q4 as we began to see efficiencies from our European Shared Service Centre finance transition. We increased our headcount at a ratio of 86:14 fee earners to operational support staff for the year, as we continue to move towards our target ratio of 80:20. This resulted in fee earner headcount at the end of Q4 of 4,711 and total headcount of 6,099.

### **Perm/Temp mix**

In constant currencies, Group gross profit from permanent recruitment was up 5.0% in Q4, with temporary recruitment growing more slowly at 0.4%. Permanent recruitment in Q4 increased 21.8% at reported rates to £122.4m (Q4 2015: £100.5m) whereas temporary recruitment grew 16.0% to £41.0m (Q4 2015: £35.3m). This resulted in a ratio of permanent to temporary recruitment of 75:25 (Q4 2015: 74:26).

#### Q4 – Gross Profit Discipline analysis

Year-on-year	% of Group	Reported (£m)			Constant
		Q4 2016	Q4 2015	%	%
Accounting and Financial Services	38%	62.4	53.3	+17.1%	+1.6%
Legal, Technology, HR, Secretarial, Healthcare	22%	36.6	30.8	+18.9%	+1.6%
Engineering, Property & Construction, Procurement & Supply Chain	21%	34.1	25.8	+31.9%	+13.8%
Marketing, Sales and Retail	19%	30.3	25.9	+16.9%	+0.8%
<b>Total</b>	<b>100%</b>	<b>163.4</b>	<b>135.8</b>	<b>+20.3%</b>	<b>+3.8%</b>

The outstanding performance from our technical disciplines was due to the Property & Construction and Engineering disciplines which grew at 20% and 15% in constant currencies, respectively. This was mainly due to their performances in Europe.

#### Geographical analysis

(unless otherwise stated all growth rates are in constant currency and Q4 year-on-year).

EMEA	Gross Profit (£m)		Growth Rates	
<i>(47% of Group)</i>			Reported	Constant
Q4 2016 vs. Q4 2015	76.0	56.0	+35.7%	+12.4%
2016 vs. 2015	271.9	217.0	+25.3%	+11.5%
Headcount at 31 December 2016: 2,553 (31 December 2015: 2,295)				
Gross profit in constant currencies Q4 2016 vs. Q4 2015:				
<ul style="list-style-type: none"> <li>• <b>France</b> (15% of Group) +11%</li> <li>• <b>Germany</b> (7% of Group) +10%</li> </ul>				

Compared to the prior year, EMEA was up 12.4%. France was up 11%, with growth of 6% in Michael Page and 15% in Page Personnel. Germany performed well, up 10%, with Michael Page up 8% and Page Personnel up 14%. Southern Europe again delivered strong results, up 15%. Our businesses in Benelux continued to deliver excellent results, collectively up 18%. In total, 7 countries in the region had record quarters and 12 had record years. Our businesses in the Middle East and Africa, representing 5% of the region, delivered a significantly improved performance, up 16%, driven by a strong result from Africa, up 26%, including record performances from South Africa and Morocco. Fee earner headcount grew 60 in the quarter and 211 (+12%) in 2016 as a whole.

UK	Gross Profit (£m)		Growth Rates
<i>(21% of Group)</i>			
Q4 2016 vs. Q4 2015	33.8	36.2	-6.7%
2016 vs. 2015	146.3	151.6	-3.5%
Headcount at 31 December 2016: 1,411 (31 December 2015: 1,516)			

The UK experienced another challenging quarter, declining -6.7% from -4.7% in Q3, with client and candidate confidence levels deteriorating further and activity levels reducing. Our Michael Page business was impacted the most by the economic uncertainty, down 8%, while Page Personnel was more resilient, down 1%. Our technical disciplines of Engineering and Supply Chain were the best performing, together growing 10%. Our public sector business saw growth of 2%, whereas the private sector, which represented 86% of the UK, declined 8%. Fee earner headcount was down 25 in the quarter and down 85 (-8%) in 2016 as a whole.

Asia Pacific	Gross Profit (£m)		Growth Rates	
<i>(19% of Group)</i>			Reported	Constant
Q4 2016 vs. Q4 2015	30.9	24.8	+24.6%	+1.7%
2016 vs. 2015	119.7	109.1	+9.7%	-2.2%
Headcount at 31 December 2016: 1,205 (31 December 2015: 1,180)				
Gross profit in constant currencies Q4 2016 vs. Q4 2015:				
<ul style="list-style-type: none"> <li>• <b>Asia</b> (13% of Group) -1%</li> <li>• Greater China (61% of Asia) +4%</li> <li>• <b>Australia / New Zealand</b> (6% of Group) +8%</li> </ul>				

Asia Pacific increased 1.7%, an improvement on Q3 (-4.7%). This was driven by growth in Greater China, which improved from -6% in Q3 to +4% in Q4. This growth was mainly in our businesses in mainland China, which were up 7%, driven in particular by Eastern China. In Hong Kong, where we have a high proportion of multi-national clients, we continued to experience tough market conditions, and consequently were down 4%, albeit an improvement on Q2 and Q3, which were down 21% and 15%, respectively. South East Asia was down 18%, with trading particularly difficult in Singapore. In Australasia, growth picked up to 8% compared to 4% in Q3. This was driven by our Page Personnel business, which grew 16% and New Zealand which was up 47%. Fee earner headcount declined 14 in Q4, but was up 18 (+2%) in 2016 as a whole.

Americas <i>(13% of Group)</i>	Gross Profit (£m)		Growth Rates	
			Reported	Constant
Q4 2016 vs. Q4 2015	22.7	18.8	+20.7%	+0.9%
2016 vs. 2015	83.2	78.4	+6.1%	-0.8%
Headcount at 31 December 2016: 930 (31 December 2015: 844)				
Gross profit in constant currencies Q4 2016 vs. Q4 2015:				
<ul style="list-style-type: none"> <li>• <b>North America</b> (7% of Group) -8%</li> <li>• <b>Latin America</b> (6% of Group) +14%</li> <li>• <b>Brazil</b> (34% of LatAm) -11%</li> </ul>				

The Americas grew 0.9%, an improvement on Q3 (-2.0%). North America, impacted by continued tough trading conditions in the New York Financial Services (NYFS) market, declined 8%. We continued to diversify our business in the US, with growth outside the NYFS market of 5% and strong performances from Boston, Los Angeles and Philadelphia. Latin America continued to experience contrasting market conditions. In Brazil, which in Q4 represented 34% of Latin America, gross profit decreased by 11%, in line with Q3. Excluding Brazil, the rest of the region grew 28%. Mexico, now our largest country in Latin America, grew 24%, and Argentina and Peru, which combined grew c.70%, both delivered record quarters. Fee earner headcount for the Americas region was up 29 in the quarter and up 83 (+12%) for the year as a whole.

### Financial Position

Save for the effects of trading in Q4 and the payments of the 2016 interim and special dividends, which combined amounted to £31.7m on 12 October 2016, there have been no other significant changes in the financial position of the Group since the publication of the Q3 Trading Update ended 30 September 2016.

Net cash at 31 December 2016 was c. £90m (31 December 2015: £95m).

### Shares

At 31 December 2016 there were 325,975,455 Ordinary shares in issue, of which 17,592,938 were held by the EBT. The rights to receive dividends and to exercise voting rights have been waived by the EBT over 14,926,677 shares and consequently these shares should be excluded when calculating earnings per share. The total number of voting rights in the Company is 325,975,455.

## Conference Call / Presentation

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/586b8a9385d367160029330f/hr5s>

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 call will be posted on the Company's website during the course of the morning of 11 January 2017 at:

<http://www.pagegroup.co.uk/investors/reports-and-presentations/presentations-and-webcasts/2016.aspx>

## Financial Calendar

The Group will issue its Full Year Results on 8 March 2017 and First Quarter 2017 Trading Update on 12 April 2017.

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## Cautionary statement

This Q4 and Full Year 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. This 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 report 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.