

PageGroup

15 January 2024

RESILIENT PERFORMANCE IN CHALLENGING MARKET CONDITIONS

Q4 Highlights*

- Group gross profit of £237.3m, -8.9% vs. 2022
- Slower exit to the quarter with continued weakness in client and candidate confidence
- EMEA -6.1%: France -5%; Germany -6%
- Americas -8.0%: US -24%; Latin America +11%**
- Asia Pacific -10.3%: Greater China -8%; SE Asia -14%; Japan -7%; India +16%
- UK -19.9%: Michael Page -23%; Page Personnel -15%
- Decrease in fee earner headcount of 224 to 5,851 (Q4 2022: 6,943)
- Strong cash position, net cash of c. £90m (Q3 2023: c. £136m, Q4 2022: c. £131m)
- 2023 full year operating profit expected to be slightly below previous guidance of £120m - £125m***

* In constant currencies vs 2022 except where stated otherwise

** Excluding Argentina due to hyperinflation following the election

*** After previously announced restructuring charge of c. £5m

Q4 Gross Profit Analysis

Year-on-year	% of Group	Reported (£m)			Constant
		Q4 2023	Q4 2022	%	%
EMEA	56%	132.4	141.7	-6.5%	-6.1%
Americas	17%	40.4	46.5	-13.2%	-8.0%
Asia Pacific	15%	35.9	43.0	-16.4%	-10.3%
UK	12%	28.6	35.7	-19.9%	-19.9%
Total	100%	237.3	266.9	-11.1%	-8.9%
Permanent	70%	165.4	197.7	-16.3%	-13.9%
Temporary	30%	71.9	69.2	+3.9%	+5.2%

Full Year Gross Profit Analysis

Year-on-year	% of Group	Reported (£m)			Constant
		2023	2022	%	%
EMEA	55%	548.8	538.5	+1.9%	+0.2%
Americas	17%	172.7	193.4	-10.7%	-9.5%
Asia Pacific	16%	159.6	195.3	-18.3%	-14.3%
UK	12%	124.9	149.1	-16.2%	-16.2%
Total	100%	1,006.0	1,076.3	-6.5%	-6.4%
Permanent	73%	732.9	826.3	-11.3%	-11.0%
Temporary	27%	273.1	250.0	+9.2%	+8.7%

Nicholas Kirk, Chief Executive Officer, PageGroup, said:

“We produced a resilient performance in challenging market conditions. Despite the year-on-year decline in gross profit, we are still seeing good activity levels, albeit we did see a deterioration in job flow through Q4. However, these activity levels are not all converting into gross profit due to ongoing lower levels of candidate and client confidence.

“Looking ahead, macro-economic uncertainty persists. However, we have a highly diversified and adaptable business model, a strong balance sheet, and our cost base is under continuous review and can be adjusted rapidly to match market conditions. Given these fundamental strengths, we believe we will continue to perform well in these challenging markets, and we are confident in our ability to implement our new strategy driving the long-term profitability of the Group. We are also seeing the benefits from our investments in innovation and technology, where Customer Connect is supporting productivity and enhancing customer experience, and Page Insights is providing real time data to inform business decisions.”

Trading Summary

Group gross profit declined 8.9% in constant currencies against Q4 2022, which was a 10% softer comparator than Q3. Trading conditions in Asia, the UK or the US saw no improvement, while trading conditions deteriorated in Europe. We experienced a slower end to the quarter as customer uncertainty was compounded by the proximity to year end salary reviews and bonuses, which combined to make trading particularly challenging.

The tougher market conditions at the end of Q3 continued into Q4, as low levels of client and candidate confidence continued to delay time to hire, particularly in permanent recruitment. As clients’ recruitment budgets have tightened, they have become more risk averse which has slowed the recruitment process. Although salary levels remain strong, offers made to candidates are not as elevated as they were in 2022.

However, against this backdrop activity levels remained good, albeit we did see a deterioration in job flow through Q4. We also experienced acute shortages of highly skilled candidates in nearly all our markets, which continued to support high fee rates.

Reflecting the uncertain macro-economic conditions, temporary recruitment (+5%) continued to outperform permanent (-14%), as clients sought more flexible options. In line with these conditions, we reduced our fee earner headcount by 224 (-3.7%) with action taken in all regions. This followed similar headcount reductions in the previous four quarters. From the peak of 7,071 at the end of Q3 2022, we have reduced our fee earner headcount by 1,220 (17.3%) to the end of Q4 2023. Productivity, measured as gross profit per fee earner, was up 8% versus Q4 2022, as a result of our action on fee earner headcount over the past 12 months.

Geographical Analysis (unless stated otherwise all growth rates are vs. 2022 and in constant currency)

EMEA (56% of Group)	Gross Profit (£m)		Growth Rates	
	2023	2022	Reported	Constant
Q4	132.4	141.7	-6.5%	-6.1%
FY	548.8	538.5	+1.9%	+0.2%
Q4 <ul style="list-style-type: none">• France (15% of Group) -5%• Germany (13% of Group) -6%• Benelux -6%<ul style="list-style-type: none">○ Belgium -2%○ Netherlands -6%				

- Southern Europe -7%
 - Italy -11%
 - Spain -4%
 - Middle East and Africa -5%
- Headcount at 31 December 2023: 3,814 (30 September 2023: 3,900)

In Europe, Middle East and Africa, gross profit declined 6.1% to £132.4m. This was a weaker performance than the decline of -1.3% in Q3, despite a softer comparator in Q4. We also saw a slower end to the quarter. France declined 5%, with continued weakness in candidate and client confidence, particularly within Michael Page. Reflecting the uncertainty in the market, temporary recruitment (+10%) was more resilient than permanent (-15%). Germany declined 6%, with tougher conditions within permanent recruitment in Michael Page. Our Technology focused Interim business continued to show resilience, up 7%. Elsewhere in the region, the tougher conditions we experienced at the end of Q3 continued into Q4, with the majority of countries declining year-on-year. We reduced our fee earner headcount by 84 in Q4, which was broadly in line with the reductions in the previous two quarters.

Americas (17% of Group)	Gross Profit (£m)		Growth Rates	
	2023	2022	Reported	Constant
Q4	40.4	46.5	-13.2%	-8.0%
FY	172.7	193.4	-10.7%	-9.5%
Q4 <ul style="list-style-type: none"> • North America (9% of Group) -24% <ul style="list-style-type: none"> ○ US -24% • Latin America (8% of Group) +18% <ul style="list-style-type: none"> ○ Mexico -6% ○ Brazil +20% <p>Headcount at 31 December 2023: 1,329 (30 September 2023: 1,373)</p>				

In the Americas, we delivered gross profit of £40.4m, down 8.0% against Q4 2022. The US declined 24%, broadly in line with Q3. Conditions remained challenging, with uncertainty affecting both candidate and client confidence. Conditions were particularly tough within Accounting & Financial Services, while Property & Construction was more resilient. In Latin America, gross profit grew 18%, despite political and macro-economic uncertainty across the region. This was also partially due to hyperinflation in Argentina following the recent election; excluding this the growth rate was 11%. Mexico, our largest country in the region, was down 6%, broadly in line with Q3, whereas Brazil was up 20%. Elsewhere in Latin America, the remaining countries grew 22%, collectively. Overall fee earner headcount decreased by 35, mainly in Latin America, as we held on to our more experienced fee earner headcount in the US.

Asia Pacific (15% of Group)	Gross Profit (£m)		Growth Rates	
	2023	2022	Reported	Constant
Q4	35.9	43.0	-16.4%	-10.3%
FY	159.6	195.3	-18.3%	-14.3%
Q4 <ul style="list-style-type: none"> • Asia (12% of Group) -6% • Greater China (4% of Group and 35% of Asia) -8% <ul style="list-style-type: none"> ○ Mainland China flat ○ Hong Kong -12% • South East Asia -14% • India +16% • Japan -7% • Australia -24% <p>Headcount at 31 December 2023: 1,552 (30 September 2023: 1,624)</p>				

In Asia Pacific, gross profit for Q4 was down 10.3% against 2022 to £35.9m. Greater China declined 8%, with Mainland China flat. The improvement in the growth rate from Q3 was due to the softer comparators in Q4. Hong Kong declined 12% for the quarter. South East Asia declined 14%, broadly in line with Q3, with Singapore, which continues to be impacted by uncertainty related to China, down 14%. India delivered the standout performance, up 16%. Japan declined 7%, a deterioration on the growth of 4% in Q3. Australia was -24% for the quarter, with uncertainty from both clients and candidates. Our fee earner headcount in the region decreased by 54, mostly in Australia and Japan, as we held on to our more experienced fee earner headcount in China.

UK (12% of Group)	Gross Profit (£m)		Growth Rate
	2023	2022	
Q4	28.6	35.7	-19.9%
FY	124.9	149.1	-16.2%
Q4 <ul style="list-style-type: none"> • Michael Page -23% • Page Personnel -15% Headcount at 31 December 2023: 1,164 (30 September 2023: 1,243)			

In the UK, gross profit for Q4 declined 19.9% against 2022 to £28.6m. This was broadly in line with Q3, and we continued to see clients deferring hiring decisions and candidates becoming increasingly cautious about accepting offers. Reflecting the continued challenging trading conditions, our fee earner headcount reduced by 50 in Q4 and is now 20% lower than Q4 2022.

Perm/Temp mix

Gross profit from permanent recruitment decreased 16.3% in reported rates and 13.9% in constant currencies to £165.4m (Q4 2022: £197.7m). Gross profit from temporary recruitment increased 3.9% in reported rates and 5.2% in constant currencies to £71.9m (Q4 2022: £69.2m). This resulted in a ratio of permanent to temporary recruitment of 70:30 (Q4 2022: 74:26).

Headcount

We reduced our fee earner headcount by 224 (3.7%) during Q4, with reductions made across all regions. Our non-operations headcount fell by 57 in Q4, in line with the reduction in fee earner headcount. Overall, the Group had 5,851 fee earners and a total headcount of 7,859.

Foreign Exchange

Foreign exchange movements had a negative impact on the Group's results in Q4, decreasing our Q4 reported gross profit by 2.2 percentage points, or £5.7m.

Financial Position

Save for the effects of Q4 trading detailed above and the payments of the 2023 interim and special dividends of £66.2m on 13 October 2023, there have been no other significant changes in the financial position of the Group since the publication of the results for the quarter ended 30 September 2023. Net cash at 31 December 2023 was c. £90m (Q3 2023: c. £136m, Q4 2022: c. £131m).

Shares

At 31 December 2023 there were 328,618,774 Ordinary shares in issue, of which 14,883,172 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 13,236,001 shares and consequently these shares should be excluded when calculating earnings per share. The total number of voting rights in the Company is 328,618,774.

Cautionary Statement

This Fourth Quarter and Full Year 2023 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.

The Group will issue its Full Year Results on 7 March 2024.

Enquiries:

PageGroup

Nicholas Kirk, Chief Executive Officer
Kelvin Stagg, Chief Financial Officer

+44 (0)19 3226 4022

FTI Consulting

Richard Mountain / Susanne Yule

+44 (0)20 3727 1340

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:

<https://www.investis-live.com/pagegroup/6581737db2f6c90d00051324/erqaw>

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

United Kingdom (Local)	020 3936 2999
All other locations	+44 20 3936 2999

Please quote participant access code 91 08 77 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 15 January 2024 at:

<https://www.page.com/presentations/year/2024>