



Page Group 2024 Full Year Results

Thursday, 6th March 2025

Introduction

Nick Kirk

CEO, PageGroup

Welcome

Good morning, everyone, and welcome to the PageGroup 2024 Full-Year Results Presentation. I am Nick Kirk, Chief Executive Officer, and on the call with me is Kelvin Stagg, Chief Financial Officer.

Market conditions remain challenging across all regions in 2024, with worsening sentiment and reduced confidence in Europe during the second half of the year. Despite the year-on-year decline in gross profit and operating profit, we saw good activity levels throughout the year.

The conversion of interviews to accepted offers remains the most significant area of challenge, as ongoing macroeconomic uncertainty continues to impact candidate and client confidence, which extends the time to hire. We remain committed to our strategy, and I will update you on our progress later in the presentation.

I will now hand you over to Kelvin to take you through our financial review.

Headline Numbers

Kelvin Stagg

CFO, PageGroup

Disclaimer

Thanks, Nick, and good morning, everybody. Although I would not read it through, I would just like to make reference to the legal formalities that are covered in the cautionary statement in the appendix to this presentation and which will also be available on our website following the call.

Ongoing challenging market conditions

Key financial highlights

In 2024, the Group delivered gross profit of £842.6 million, down 12.8% in constant currencies against 2023 due to the ongoing challenging trading conditions. We delivered operating profit of £52.4 million, down from £118.8 million. Our conversion rate was 6.2% compared to 11.8%.

Earnings per share was 9.1p, and we ended the year in a strong financial position with net cash of £95.3 million compared with £90.1 million at the end of 2023.

Today, the Board has proposed an increase in the final dividend of 4.5% to 11.75p per share, reflecting its confidence in the continued strategic opportunities of the Group, as well as the strength of our balance sheet. Combined with the interim dividend of 5.36p, this represents a total dividend of 17.11p.

Financial Review

I will now move on to the financial review.

Productivity remained high in 2024

Broadly in line with 2024, due to decisive action on headcount

This productivity chart demonstrates how we have managed our fee earner headcount in response to movements in gross profit. As trading conditions deteriorated through 2024, we reduced our fee earner headcount by 8.2% from 5,851 in Q4 2023 to 5,370 in Q4 2024.

In line with our strategy and to maximise productivity, we also reviewed underperforming business lines and reallocated fee earners to more profitable roles in markets. As a result of our decisive action on headcount, gross profit per fee earner, our measure of productivity, remained at elevated levels in 2024, down only 1.7% in constant currencies on 2023 and significantly above pre-pandemic levels.

Targeted action to reduce our cost base

£98m reduction in cost base vs 2023

In 2024, given the tough trading conditions we continue to experience, we implemented a number of initiatives to reduce our cost base. Overall, our 2024 cost base was around £100 million less than in 2023, driven by savings in fee earner headcount, bonuses and our Global Business Solutions, or GBS functions.

We continue to review our fee earner headcount, making progress on our strategy by reallocating resources into the areas of the business where we see the most significant long-term structural opportunities, as well as ensuring it remains aligned to activity levels we are seeing in each of our markets.

Our fee earner headcount has now reduced by 24% or around 1,700 from its peak in Q3 2022. This reduction was largely by natural attrition and shows our team profit share business model in operation. Our operational costs reduced in line with this reduction in headcount.

Our team-based profit share model means that the bonus cost varies in response to profits rather than a commission structure that is directly linked to revenue. In line with the tougher trading and consequent drop in profit in 2024, bonuses reduced by around £20 million compared to 2023.

In 2024, we also implemented a number of programmes to refine our future cost base. During the year, we relocated our UK and Singapore shared service centres with the transition of activities to Barcelona, Buenos Aires and Kuala Lumpur. These initiatives incurred one-off costs in 2024 of around £7 million and will deliver cost savings in 2025 of around £4 million, increasing to £6 million in 2026.

Within GBS, headcount was broadly flat over the course of the year, partly due to the double running of around 65 heads at the end of the year due to the aforementioned transition of our Singapore shared service headcount. We also focused on our third-party spend, meaning that overall, we reduced our GBS cost base by 5% compared to 2023 despite the high inflationary environment in which we are operating.

Additional initiatives included consolidating our office portfolio and reducing our overall operational spend. We continue to review our cost base and adapt in response to market conditions.

Group Operating Profit of £52.4m

Conversion Rate of 6.2%

Despite challenging market conditions, we delivered operating profit of £52.4 million in 2024. Our conversion rate decreased from 11.8% to 6.2%.

Looking at each of our regions, starting with our largest, EMEA, representing 55% of the Group, gross profit decreased by 13.4% in constant currencies on 2023. EMEA delivered the Group's highest conversion rate of 13.2%. This was reflective of the region experiencing more resilient trading conditions through the first half of 2024.

However, market conditions weakened during the second half due mainly to softer trading in a number of European countries, and particularly in our two largest markets, France and Germany.

In the Americas, representing 18% of the Group, gross profit decreased by 9.9%. Our conversion rate decreased to 4.7%. Latin America saw some strong performances, particularly in Brazil and Colombia. Despite the tougher trading conditions in North America, we maintained our fee earner platform in anticipation of an improvement in market conditions.

In Asia Pacific, representing 15% of the Group, gross profit declined 17% due primarily to the ongoing challenging market conditions, particularly in Greater China. We had a negative conversion rate of 6.6% as a result of the tougher trading conditions across the region as well as the one-off costs incurred due to the transition of our shared service centre from Singapore to Kuala Lumpur. Excluding this and some restructuring costs in China, the region was broadly breakeven.

In the UK, representing 12% of the Group, gross profit declined 16.2% on 2023. Despite the tough market conditions, the UK trading business had a positive conversion rate. However, due to the high proportion of Group senior management and Group functions based in the UK, the region had a negative conversion rate of 6.7%.

Effective Tax Rate (ETR)

Effective tax rate increased to 42% in 2024

The tax charge for the year was £20.7 million, which represented an effective tax rate of 42.1%. The higher tax rate was due largely to the derecognition of overseas losses, which increased the rate by 8%. In 2025, the effective tax rate is expected to be around 35%.

Balance sheet remains strong

Net cash of £95.3m

Our balance sheet position remains strong. Trade and other receivables decreased by £64.9 million, driven by the reduced levels of trading activity and continued strong levels of cash collection. After returning a total of £52 million to shareholders by way of ordinary dividends in 2024, net cash at the end of the year was £95.3 million. Overall, net assets decreased £306.5 million to £262.4 million.

Strong cash flow generation

Dividend payments of £52.0m

This slide shows the key movements in our cash through the year. Our EBITDA inflow was £119 million, and the unwind of working capital also increased net cash by £26.8 million. Tax and net interest payments were £17.9 million.

Net capital expenditure was £15.8 million for the year, lower than 2023 due to reduced spend on office fit-outs. Payments made in relation to lease liabilities reduced cash by £40.6 million, and share option exercises in 2024 remained low due to the subdued share price.

The group also purchased shares costing £13.2 million in March into the Employee Benefit Trust to hedge our liabilities under the Group share plans. The largest outflow of cash totalling £52 million was dividends. The overall impact of these cash flows was to increase the Group's net cash position by £5.2 million to £95.3 million at the end of the year.

Overall, despite the tougher trading conditions in 2024, we delivered a pre-tax cash conversion rate of over 100%.

Clear capital allocation strategy

£52.0m returned to Shareholders in 2024

The Group operates a highly cash-generative business model with very high levels of cash conversion. We have a clear capital allocation strategy with three defined and well-established uses of cash:

- The first is to satisfy the operational investment requirements of the Group, such as investing in additional headcount and continuing to roll out technology as well as the hedge liabilities under the Group share plans;
- The second is for the payment of ordinary dividends, where our policy is to maintain these through a downturn, which we have done in all years apart from the pandemic and to increase them when trading conditions are more favourable;
- Finally, any remaining cash surplus is to be distributed to shareholders by way of a supplementary return.

Today, the Group announced a proposed final ordinary dividend of 11.75p per share, an increase of 4.5% on 2023. Subject to shareholder approval at the AGM, this will be paid on 23rd June to shareholders on the register as at 16th May.

When combined with the interim dividend of 5.36p per share, this gives a total ordinary dividend for the year of 17.11p. At the year-end share price, this represents a total dividend yield of 5%.

I will now hand you over to Nick to take you through our strategic review.

Strategic Review

Nick Kirk

CEO, PageGroup

Our Strategic Goals

Thanks, Kelvin. We launched our strategy in September 2023 with three key strategic goals:

- Delivering operating profit of £400 million;
- Changing one million lives; and
- Increasing our net promoter score to over 60.

Since we launched the strategy, market conditions have been challenging. But despite this, we continue to make progress on our strategic goals to position the Group when trading improves. I will talk about this in more detail later in the presentation.

Against our social impact goal of changing one million lives, we performed strongly. In 2024, we changed over 130,000 lives, meaning that in total, we have changed over 640,000 since 2020, putting us well on track to deliver our target by 2030.

Progress in this area is measured by the number of people whose lives we have changed by placing them into work as well as the number of people who access programmes we run that support traditionally underrepresented groups accessing employment. We made excellent progress to achieve our customer experience goal by reaching a client net promoter score of 61 from our baseline of 52 in 2022. This highlights our commitment to providing excellent service to our customers, further cementing our position as a benchmark of quality in our industry.

Embedding our Strategy

Our strategy prioritises delivering what we are famous for, building on our existing strengths and leveraging our established global platform.

Our broad-based global platform provides multiple opportunities for accelerated growth as conditions improve. We are successfully diversified across 36 countries with no single market representing more than 15% of the Group. Therefore, we are well placed to benefit from market recovery wherever it comes.

We have a clear focus on what we do best at both the country and the city level, growing our business in areas where we see the greatest future potential.

To achieve our strategy, we have four pillars of growth:

- Our Core Business;
- Our Technology Discipline;
- Page Executive; and
- Enterprise Solutions, which supports our strategic customers with their complex global requirements.

We continue to maximise our Core Business under our Michael Page and Page Personnel brands, building on our previous investment strategy to strengthen our market-leading position with a focus on profitable growth.

Our technology business is a scale play, enabling us to build a high value, high volume business in what for us is already a significant market.

Page Executive is a market gap play, specialising in senior leadership search and recruitment, as well as offering executive advisory services.

Enterprise Solutions is a partnership play as we build out our capabilities and breadth of offering to create long-term mutual value with our strategic customers. I will now give you a brief update on the progress we have made within our four pillars of growth.

Our Strategic Pillars

Core and Technology

Within the Core business, trading conditions have been challenging in the majority of our markets. During periods of market uncertainty, clients often seek more flexible options in non-permanent recruitment. As a result, it tends to outperform permanent.

As seen previously during the Global Financial Crisis and again during the pandemic, when the market starts to show early signs of recovery compared to our peers, our higher level of operational gearing due to our predominantly permanent recruitment business allows us to recover rapidly.

In response to the tougher macroeconomic conditions, we continue to review our business operations, reallocating resources into areas where we see the greatest future potential. As part of this repositioning, we reviewed disciplines that were less profitable and transferred consultants to more productive roles. For example, in Japan, we had a business across multiple disciplines and brands. This meant that we operated in many markets without achieving significant levels of penetration or market share.

In line with our strategy, we have simplified the operating model to position the business for accelerated longer-term growth with three key areas of focus:

- As a specialist technology recruiter in the domestic Nikkei market;
- As a dedicated contracting recruiter across technology and finance; and
- Finally, building on our existing strength as a perm recruiter in the bilingual, bicultural, Gaishikei market.

This is one example of many where we have executed our strategy, streamlining and refocusing the business into markets we believe will offer us long-term growth at conversion rates in line with or above our target.

As has been widely reported, the technology sector has experienced challenging conditions over the past two years. Despite this, technology remains our second largest discipline, and we continue to see a highly dynamic sector with demand for skills changing rapidly, particularly in areas such as cyber, AI, machine learning and big data.

In 2024, we were pleased to see growth in 11 of our markets, including Brazil, India and Mexico. We also saw further diversification into non-permanent recruitment, which represented 41% of technology gross profit in 2024, up from 36% in 2023.

Our Strategic Pillars

Page Executive and Enterprise Solutions

Page Executive continues to deliver the standout results for the Group with growth of 7%. This was a record year globally as well as in individual markets such as France, Germany, Italy, Mexico and Japan. It has become clear since we launched the strategy that the market gap opportunity is greater than initially anticipated, and our customers have welcomed our modern, agile approach to senior leadership search, executive recruitment and advisory services.

We have a highly experienced and proven team of around 300 fee earners in Page Executive with an average tenure of seven years at Page and 14 years in the recruitment industry.

Within Enterprise Solutions, which is our business focused on strategic customers, we have successfully transitioned from a regional to a global structure, aligning our leadership, sales and account management teams as we seek to best serve our largest clients.

In 2024, against the backdrop of a difficult macro, we generated 7% more gross profit from our largest 20 clients than we did in our record year in 2022. Despite the underperformance of the overall recruitment outsourcing sector, we have seen good growth in our Page Outsourcing business. Enterprise Solutions plays a significant role in responding to evolving client demands. And due to our broad-based platform across 36 markets, it represents an opportunity for the Group to accelerate growth across all geographies and all segments of the market. We remain focused on winning business that delivers conversion rates in line with our strategy.

AI and Technology

Market-leading in our adoption of AI and automation

Technology and AI have impacted our industry positively in recent years, offering a host of benefits, including increased efficiency and automation. We first started talking to you about our AI journey at our Capital Markets event in 2018. Since then, we have been collaborating with the most significant players in big tech to develop safe and secure cutting-edge technology and AI systems for everyday use by our consultants.

We are harnessing the potential of AI to improve all stages of the recruitment process from initial candidate and client attraction to ongoing customer engagement. Our tools do the heavy lifting for our consultants, increasing business efficiency and allowing them to do what they do best, build human connections and customer relationships to deliver exceptional results.

Our proprietary platforms, Page Insights and Customer Connect, alongside our AI systems are industry-leading. JADE, our AI-driven job advert generator, allows our consultants to create a well-written and high-performing adverts in a fraction of the time it took previously.

Our Time-In-Role product uses AI to more accurately predict when a candidate is likely to start thinking about their next move, allowing us to access the talent that is hardest to reach. AI is also playing an increasingly important role in our global business support functions, saving time and driving business efficiencies.

In addition, we continue to work on a large number of projects in the prototype and evaluation stage as part of our ongoing investment in AI and technology. All that said, whilst technology and AI are powerful tools, human interaction is vital to deliver the most successful recruitment outcomes for both clients and candidates, particularly within white collar professional recruitment.

Our consultants provide valuable expertise, market knowledge and insight to our customers with tech and AI playing a crucial role.

Summary

Ongoing challenging market conditions

I will now provide a brief summary of the full year results.

We saw a slower end to 2024, which has continued into January and February, albeit they are two of the smallest months of the year from a trading perspective. Overall, for 2024, we delivered operating profit of £52.4 million at a conversion rate of 6.2%. As a result of our decisive action on headcount, productivity remained high in 2024, down only 1.7% on 2023 and significantly above pre-pandemic levels.

In response to the tougher trading conditions, we have implemented a number of initiatives to reduce our cost base. Reflecting our confidence in the long-term strategic opportunities for the Group as well as the strength of our balance sheet, the Board has proposed a final dividend of 11.75p per share, a 4.5% increase on 2023.

We continue to make progress towards our strategic priorities and within our four pillars of growth to position the Group for when trading improves.

That concludes the formal presentation for this morning. Kelvin and I will now be happy to take any questions you may have.

Q&A

Rory McKenzie (UBS): Two questions, please. Firstly, predictably on your commentary around the slower trading continuing in January and February. I know volumes are very small in those months. But could you talk about perhaps the sentiment across regions as you look around your business, is there a difference in the mood and the prospects you are hearing from the Americas versus Europe versus Asia?

Then secondly, interesting to hear the comments on how Enterprise clients are doing relatively well. I think we have heard from a few peers that larger firms like yourselves are doing well with larger clients. What do you think is driving that? Is there a good pipeline for more wallet share gains in that part of the market? Some more thoughts around that as a growth driver for now would be helpful.

Nick Kirk: Okay. I can take both of those actually. As regards to January and February, I will probably take you back to our January trading statements, because in effect, I guess, what we are calling for January and February is what we were saying in January about Q4. If you wanted any sense of sentiments or what is going on in a particular market, then broadly, what we are seeing over January and February is what we saw in Q4.

Where it was good, it remains pretty good and where it was tough, it remains pretty tough. No real change. Perm remains more challenging than non-perm. Activity levels are still robust. But as we said throughout last year, activity levels were robust but our challenge was converting that activity into accepted offers.

I mean, as you know, Rory, March will be the most important month of the quarter, and we will be out in about four weeks to update you on Q1. So we can probably talk a lot more about it then.

As regards to Enterprise clients, I mean, from my perspective, I think there is two things. I mean, it is part of our strategy. We are investing in that area. We are bringing in resource to focus on it. I would expect it to be performing better even in the market conditions, because as I say, we are investing. We are bringing talented people into work in that area, and we have got focus.

I think the second thing as well is that for a lot of these bigger organisations, they are starting to understand that they can partner with global recruiters that can service them across multiple business lines and that that works for them in terms of us better understanding the organisation be able to more efficiently fill roles for them. It works for them because clearly, they can negotiate a longer-term deal with more cost-efficient rates from their perspective.

It is a bit of a win-win, because we can be more efficient in our delivery, which means that we can place candidates and actually do it at a real good value for us as an organisation, but they are partnering with us, giving us more volumes, and they start to know us better and our success rate goes up.

I think it would be those two things, a strategic focus, but also just an awakening, I think from bigger global organisations that partnering with a small number of other global recruiters rather than tens and tens of boutiques locally is the best route to go.

Karl Green (RBC Capital Markets): I have got a couple of questions. Just in terms of the time to hire lengthening that we have seen and potential resolution of that. Are you seeing any evidence at all of clients becoming a little bit more flexible in terms of the mandates they are putting out there, setting slightly less strict or narrow hiring criteria. I mean, it is something that when you look across the various forums, does seem to be a challenge for the candidates in particular. Down the line in a similar vein, do you think that as you deploy AI, look for those cross-fertilisation opportunities that you will help clients to become more flexible in their thinking about who a good fit might look like rather than just going they have done it before they have got XYZ experience. That is a narrow and a broad question, I guess.

Then the second one. I am afraid this one is a bit broader, and it is very, very early days. We are seeing radical changes in priorities in Europe, in particular, around infrastructure and defence spending. Have you got any preliminary thoughts about how that might be a source of opportunity for you?

Nick Kirk: Okay. I will take the three-part first question and then Kelvin can have a quick think about our positioning in the defence sector.

In terms of the time to hire, no, not really. I mean, we are actively out in the market just talking more broadly across social platforms, but talking at events and talking to our customers about the opportunity to look at skills based hiring and the importance of it, particularly in talent short markets.

Because at the moment, the briefs that we were given, the mandates that we have given, to your point are inflexible and they are demanding skills and experience that so few candidates have, which is just exaggerating the shortages that we already see are in place.

We are trying. We are trying that, but then the pressure comes on and I get it from a client, which is that if they have a tightened recruitment budget, the pressure on them to hire the right person ramps up. If you are in a TAT[?] in an organisation or an HR department or even as a line manager, you are looking for the lowest risk hire. Therefore, investing into an idea of, well, I will take someone on board and train them up or they have got skills in associated areas and I will bring them across is not the natural instinct that a hiring manager would have in conditions like this where budgets are tight, clients are looking for efficiencies and clients are looking for a candidate that perhaps can come in and do 1.5 jobs rather than just one job.

No, we are not seeing any shift from our clients in terms of them saying, look to address some of the shortages, we will be more flexible. If anything, I would say they are doubling down on wanting to have the ideal candidate, which clearly makes it more challenging for the recruiter.

I think in terms of the AI opportunity, I have not really thought about it in the context that you have mentioned it, because I still have some concerns around AI doing bottom of the funnel screening. I can see it work and we use it at the top of the funnel, where we have high volumes of applications for one type of a job, and we are ruling out candidates based on maybe right to work or availability or hourly rates or whatever else it may be.

But I think the further you move down the pipeline towards the subjective decision-making, I still have not seen any evidence from any of the tools that I have had displayed to me that they can do that better than an experienced consultant who knows the sector and importantly, knows the customer.

I think where AI can help, and we talked about it a little bit in the presentation there is around trying to access the hard-to-find candidates. Candidates tend to fall into three buckets. They are either active candidates, they are out in the market. Everybody is aware of them, they are applying for jobs. They are the candidates that are passive, they are not looking and you can spend a lot of time contacting them, but they are happy where they are and they do not want to move.

But there is a group in the middle that are transitioning from being passive to being active. That is where we are using our product time and roll to actually try and speak to those candidates before they actually put a CV together or start doing anything proactively so that we can Hoover those candidates up and put them in front of our clients, so that they are the first couple of interviews that that candidate may have had. That to me is an exciting use of AI in the recruitment sector.

But as I say, where I see it being used to make decisions that are right at the bottom end of the selection process, that continues to worry me.

Kelvin Stagg: Yes, I can talk to the question on defence. Directly in defence, we do not do a huge amount. Last year, our full GP from defence globally was about £2.5 million, of which about £1.5 million was in Europe, but less than £100,000 was in Germany. Into that direct defence, we do not have a lot of exposure.

However, if I look at our German business, 25% of it does fit into industrial sector. We would have decent-sized clients in primary materials that would go into the defence sector. We do a fair bit of work with semiconductors, with metals. Therefore, I think it is not that we could not move into defence, if defence became an area there. But I think initially we would probably see a pickup in some of our clients in those primary inputs into the defence sector.

Steve Woolf (Deutsche Bank): Just thinking about Page Executive, just some thoughts around where the investment has gone. What type of roles and salary levels are we talking about here? I am trying to get a sense of where the logjam begins between people, the necessity of hiring roles into, say, Page Executive versus that middle ground that you are seeing at the minute where people are looking for the perfect candidate as it were. Just some background on Page Executive, please.

Nick Kirk: Yes. Thanks for the question. Page Exec, I mean, we are very proud of the Page Exec business and its performance. I mean, when we were putting the strategy together a couple of years ago, it was the easiest area to actually agree on to see added to the strategy as one of the growth pillars, because everybody felt the same way. It was very much a bit of a secret weapon for Page, because of our unique positioning in that market gap. So below the SHREK firms but above a number of our peers who do not really play in that area and do not have brands recognised at that level.

We see opportunity in all the markets. I think in short, if we were to reflect on last year and the discovery phase, I think we felt there would be big opportunities for us in places like the US and Japan and across Europe and the UK. But I think we have been surprised by the big opportunity that we see in places like LATAM and some of the Asian countries as well.

I just think that it is going to be probably bigger than we thought it was going to be overall, which clearly is good news for us. We also saw some trends in Page Exec that were counter to what we saw in the Core Business. Again, I thought it was quite interesting this morning when I was looking through some numbers that actually the fastest growing discipline within Page Exec was technology. Yet technology overall has been tough, yet it grew at 20% within Page Executive. It accounts for, I think, 17% of their total revenue.

It comes back to the point you have made really, Steve, and you are absolutely right to highlight it, which is that at the Page Executive level, I think there is two things to reflect on. Firstly, most of the work that we do is retained. Therefore, there is a retainer fee, there is a shortlist fee. That by the time we get to the end of the process, if a decision is not made, we have made two-thirds of the fee already.

The second thing, though, is around, as you said, the necessity to hire. If you have a vacant role at CFO level or as your Group Marketing Director or whatever else it may be, that is not a role that can go vacant for long. When you get to the end of a process, even if you are sat looking at two candidates and going, well, I like this about them and I like this about them, you need to hire one of them because you need to fill the job.

I think what happens as you move down to that Michael Page level in middle management is that you probably got five other middle management, potentially not all the time, but one example might be that you have five other middle managers that all do that job. You have got one vacancy to add into the team.

Well, truth is that you can probably share the work for a prolonged period of time, if necessary, before you add that other person in. Then when you get to that moment in the process where you have two candidates and let us roll play it the same way, which is I like this about that candidate, I like this about that candidate. Well, probably in that situation, you go back to the recruiter and say, could you find me someone who has got the best of both worlds?

That is the difference. They are often non-critical hires. They are important hires. They are signed off. They will ultimately get filled, but clients will be more willing to wait, because they can cover the work in the interim.

Steven Woolf: Would I be right thinking that the fee rates are probably higher in this business as well, because you are hiring at that level?

Nick Kirk: Yes, totally right, yes. They will always be higher than Michael Page, yes, because of the accepted fee rates at executive level.

Okay. Perfect. As there are no further questions, thank you all for joining us this morning. Our next update will be our first quarter trading update on 14th April. Thank you.

Kelvin Stagg: Thank you, all.

[END OF TRANSCRIPT]