PageGroup Q3 2020 Trading Update

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Q3 & COVID-19 Strategy

Steve Ingham

Chief Executive Officer, PageGroup

Welcome

Good morning everyone and welcome to the PageGroup third quarter trading update. I am Steve Ingham, Chief Executive Officer, and I have with me Kelvin Stagg, Chief Financial Officer. I will now present an overview of our third quarter performance and our COVID-19 strategy before handing over to Kelvin for a financial and regional review. I will then follow up with a strategic review and summary. Although I will not read it through, I would like just to make a 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.

Q3 Overview

Group gross profit decline of -31.9%, September -26%

Although the Group continued to impacted by COVID-19 we saw an increase in activity levels as the quarter progressed. Consequently the Group delivered gross profit of £143.5 million in the quarter, a decline of 31.9% in constant currencies and an improvement from the decline of 47.6% in Q2. We exited the quarter at -26% year-on-year in September. During the quarter foreign exchange had an adverse impact on gross profit with the decline in reported rates of 33.8%. In monetary terms foreign exchange decreased gross profit by around £4 million.

For the quarter Michael Page declined 30.4% and Page Personnel declined 35.2%. We ended the quarter in a strong financial position with net cash of around £152 million. This was down from the £162 million at the end of June due largely to the purchase of £12.8 million worth of shares into the Group's Employee Benefit Trust to hedge exposures under the Group's share plans. Our net headcount fell by 202 in the quarter, a reduction of 2.9% on Q2. At the end of September the Group had a total headcount of 6,783.

COVID-19 Strategy

Health and Safety our priority

Above all else, the health and safety of our employees, candidates and clients was and remains our priority. The Group's overarching strategy for COVID-19 has been to protect and invest in our operating platform. We look to secure as many roles as possible through the crisis with the key aim of protecting the shape of the business. We have retained our experienced employees who are continuing to support our clients and candidates. We have retained our broad and diverse platform of brands, disciplines and geographies. We believe this strategy will ensure we are able to react quicker as market conditions around the world recover and capitalise on market share opportunities.

We have continued reopening our offices globally although returning to the office remains entirely voluntary with 125 out of 142 open at the end of September, although we are mindful of further lockdowns. We returned the majority of our staff from furlough and all staff to full pay from 1st July. Despite this increasing our cost base over Q2 and the slower months of July and August, improving trading conditions meant we generated a small profit in the third quarter. Looking forward we expect our monthly cost base in Q4 to be broadly in line with September and Kelvin will expand on this later in the presentation. To ensure we are in the best position to take advantage of market opportunities as we recover, we have been selectively hiring experienced fee earners from the competition and I will expand on this later in the presentation.

Protecting and investing in our platform

Slower reduction of headcount in Q3

In line with our strategy of investing and protecting the platform, whilst gross profit is down 31% year-to-date we have chosen to reduce our fee earner headcount at a slower rate, down 13% over the same period. We reduced our fee earner headcount by 531 in Q2. Most of these had recently joined the Group and therefore had very limited experience or were on performance reviews. The hiring of approaching 300 experienced fee earners meant that our fee earner headcount reduced at a slower rate in Q3, down 169. Operational support staff reduced by 33 in the quarter which maintained our fee earner to operational support staff ratio at 77:23. At the end of September the Group had 5,223 fee earners and 1,560 operational support staff, a total headcount of 6,783. This figure is inclusive of 65 furloughed employees in the UK, the majority of whom have returned to the business in October.

Financial and Regional Review

Kelvin Stagg

Chief Financial Officer, PageGroup

Gross profit sharp downturn

Decline in fee earner headcount much less than 2009

This fee earner headcount and gross profit chart shows the unprecedented scale of the decline in Group gross profit in Q2 and Q3 and the comparison to the global financial crisis in 2008. Quarterly gross profit due to the pandemic fell 42% from £205.6 million in Q4 2019 to £118.3 million in Q2 2020. As activity levels started to improve this increased to £143.5 million in Q3 2020. The decline during the GFC was similar in magnitude but over a longer period, down 45%over four quarters.

Managing our cost base

Q3 cost base reduction of c. 15% compared to March

Our monthly cost base through Q2 reduced by 21% compared to March due to voluntary salary reductions, four-day working weeks, furlough schemes and a reduction in headcount of 581. Our monthly average cost base in Q3 was down 15% compared to March which was better than the 10% forecast at the time of the Q2 trading statement. This was due to a net reduction in headcount of 202 in Q3, lower than estimated bad debt and holidays not taken in Q2 resulting in an increased holiday accrual unwind. Our monthly average cost base through Q4 is forecast to be around 10% below March in line with the September run rate.

Perm and Temp ratio

Permanent recruitment more impacted by COVID-19

In the third quarter, reflecting the exceptionally challenging conditions in many our markets, permanent recruitment declined 34.2% in constant currencies, while temporary declined

25.1%. Our ratio of permanent to temporary gross profit increased to 72:28 compared to 66:34 at the end of Q2. In Michael Page permanent recruitment represented 81% of gross profit while in Page Personnel it was less at 52%.

Group growth rate improved to -31.9%

Improving activity levels through Q3

Trading conditions remained challenging in the quarter and all our regions continued to be impacted by the pandemic. Consequently gross profit for the Group was down 31.9%. Our large, high potential markets representing 37% of the Group declined by 29%. Our businesses of technology, contracting, digital and logistics were the more resilient, while construction and retail were amongst the most challenging.

EMEA -24.5%

Improvement in trading conditions continued, Germany standout result

Moving on to each of our four regions and starting with the largest, Europe, Middle East and Africa, representing 34% of the Group. We saw an improvement in trading conditions as the quarter progressed with a decline in Q3 of 24.5% compared to a decline of 42.9% in Q2. Our Michael Page business representing 57% of the region, was more resilient with a decline of 20% compared to a decline of 30% in Page Personnel. Permanent recruitment declined 25% for the quarter with temporary down 23%.

In France, our largest country representing 30% of EMEA and 16% of the Group, we declined 27%. The improving activity levels we saw in June continued through Q3 and we exited the quarter with a decline of 22% in September. Our business in Germany, representing 23% of EMEA and 12% of the Group, proved resilient and declined just 10%. This was driven by our technology-focused contracting business which grew 4%. Southern Europe declined 25% with Italy down 23% and Spain down 28%. Trading conditions improved in both countries towards the end of Q3 and we exited the quarter down 14% and 24% respectively. Benelux declined 31% with Belgium down 24% and the Netherlands down 33%. The Middle East and Africa, which represented 2% of the Group, was down 31%. Fee earner headcount was down 109 in the quarter mainly in France and the Netherlands.

Asia Pacific -28.2%

Conditions in Mainland China improved through the quarter

In Asia Pacific, representing 21% of the Group, trading conditions also improved as we progressed through Q3 and we declined 28.2% for the quarter compared to 41.7% in Q2. In Asia, representing 17% of the Group and 80% of the region, we were down 23% and exited in September down 10%. In Greater China, 9% of the Group, we declined 22%. We saw a continual improvement in trading conditions in Mainland China and we exited the quarter flat. The improvement was driven by our domestic clients which now represent over half of our Mainland China business. Hong Kong was impacted significantly by both COVID-19 and continuing social unrest declining 41%.

Japan declined by 16% in the quarter but returned to growth in September following a record performance in contracting and our Nikkei market business. India is currently one of the worst-effected countries by COVID-19 and declined 32% for the quarter. South East Asia declined 31% with Singapore down 34%. We opened in the Philippines during the quarter, our sixth country in this large, high potential market. Australia declined 42% with local lockdowns in some areas and our offices in Melbourne closed. Fee earner headcount was down 51 mainly in Greater China and Australia.

Americas -41.9%

Significant disruption from COVID-19

The Americas representing 13% of the Group, declined 41.9% with trading impacted throughout North and Latin America. In North America, 9% of the Group and 67% of the region, gross profit was down 39%. The US was also down 39% due to significant disruption from COVID-19. Trading conditions remained particularly tough in construction, our largest discipline. We are yet to see an improvement in activity levels and September's growth rate was in line with the quarter. In Latin America, 4% of the Group and 33% of the region, gross profit declined by 47%. Brazil was down 40% and Mexico, our largest country in the region, was down 56%. Elsewhere trading in Argentina has been particularly tough due to the additional impacts of high inflation and currency devaluation. While in Chile trading has also been impacted by social unrest. Conversely, our technology contracting business in Colombia performed particularly well. Fee earner headcount was down 22 in the quarter.

UK -47.9%

Conditions continued to improve as the quarter progressed

In the UK gross profit declined 47.9% in the quarter, up from a decline of 61.5% in Q2. As seen in most of our other regions activity levels improved as the quarter progressed and we exited in September down 42%. In Page Personnel, which represented around a quarter of the UK and operated primarily in finance and business support, we declined 51%. Michael Page which is focused on more senior opportunities declined by 47%. Overall for the quarter temporary recruitment was more resilient than permanent, down 40% and 51% respectively. Trading in the private sector was down 49% while the public sector was impacted to a lesser extent, down 41%. Having reduced our headcount substantially in Q2, we added 59 experienced fee earners in Q3 resulting in our net fee earner headcount increasing by 13 in the third quarter.

Strategy

Steve Ingham

Chief Executive Officer, PageGroup

Competitor hires

I will now provide a brief update on our strategy. So far this year, following an unprecedented level of interest, we have added 276 fee earners that have been recruited selectively from our competitors. With an average tenure per fee earner of 4.3 years, these are experienced consultants who in 2019 together generated gross profit of around £40 million. These hires have been focused in our targeted areas of investment such as technology, healthcare and life sciences, and contracting, which have also been more resilient during the pandemic. In addition we have made a senior appointment into our Page Outsourcing brand to drive our offering MSP, RPO and project recruitment.

Customer Connect

Engaging with key partners such as Salesforce, Dun & Bradstreet, LinkedIn and Microsoft is key to leveraging technology across the Group. Our new operating system, Customer Connect, is a single instant, cloud-based front office technology platform that ensures all brands and all regions can drive growth and support innovation. The data-driven platform delivers a modern user experience making it easy to engage with our customers at every opportunity to drive productivity. Our transition to this new Salesforce-based platform has been deployed successfully in Poland, Belgium, the UAE, South Africa and most recently the UK. Further deployments are planned in Germany in Q4 and the wider Group in 2021.

Placing Customer Connect on the Salesforce platform has allowed us to fully integrate our market-leading CRM digital and customer engagement programmes that have been tested and refined over the last five years. Technology at scale dealing with volume and acting as a filter to drive quality allows our marketing programme to do more of the heavy lifting so our consultants can focus on what they do best: creating meaningful conversations and relationships with our customers. The integration gives our consultants full visibility of the activity marketing is delivering and it gives our management the detail on how this is being followed up.

For our customers we are improving their experience by managing their engagement across all touch points giving them personalised and relevant interactions and ensuring we are measuring our effectiveness for them. We have tested and honed campaigns set up for both candidates and clients across their lifecycle with us. Automated and triggered by customer activity, they allow us to keep prospects engaged. The native integration displays what customer activity has taken place, enabling meaningful discussions with our teams. Candidate campaigns start from application and are delivered based on where they are in the lifecycle. Talent pools will be targeted to re-engage with passive candidates to ensure we have an engaged database for our consultants to work with. Making these campaigns personalised ensure we drive conversion rates.

For clients we run reactivation campaigns and trace client contact activity and revenue generation. The feedback from our live markets is very positive. The increased visibility for consultants on marketing actions towards contact is a big plus. Being able to see the marketing journey when engaged contact helps the pitch of a business development call. For marketing visibility across consultant follow-up on leads allows us to measure campaign effectiveness. Bottom line we're investing in this technology to make life easier for our consultants by giving them targeted and active candidate and client leads at their desk.

Page Insights

One of our core areas of focus is the development of our data programme and ensuring that it provides both operational and strategic advantage for the Group. To this end we have recently launched our Page Insights product across our markets. Page Insight is a business intelligence tool that combines our internal data with global external data sources such as government information and millions of online adverts in an accessible format to present insight to our customers. Unique to PageGroup, it provides us with a competitive advantage when engaging and delivering value-add services to our existing and new customers.

Our clients want data and insights on recruitment trends to benchmark externally, understand competitor roles and identify future skills and experience evolving in their industries. Our consultants have this data at their fingertips giving them the confidence to consult on what is needed to ensure the best talent and enabling them to develop high trust and long-term relationships. This is only the first phase. The tool also has the potential to evolve as additional external data sources become available and Customer Connect provides further internal data alignment opportunities.

Page Outsourcing Potential

Another area of strategic investment has been in Page Outsourcing. This is our newest brand and was created to meet the growing demands of our clients. It leverages our internal capabilities in offering a customised solution for high volume hiring and specific project recruitment needs across all levels of the market. We have a growing track record in this area and significant infrastructure already in place, which is why we have invested during Q3 in a senior executive from one of the major operators in this market to lead Page Outsourcing. This will drive our offering within MSP, RPO and project recruitment to drive future profitable growth in this sector of the market.

We have strong coverage across both permanent and temporary markets and are ideally positioned to deliver these solutions to our clients given our geographical spread, broad discipline and [inaudible] salary level offerings, being able to match whatever the needs of our largest multinational clients.

Summary

Protecting our people and our platform

I will now finish with a brief summary of our third quarter results. The improving activity levels we saw in June continued to progress through the third quarter, exiting in September down 26% with some markets, such as Mainland China and Japan, either flat or returning to growth. We continue to focus on protecting our people whilst also protecting and investing in our trading platform. We returned all staff to full pay from 1st July and progressively brought them back from furlough during the quarter. We generated a small profit in the third quarter. We expect our cost base in Q4 to be in line with the run rate in September which was down around 10% compared to March.

We are continuing to reopen our offices subject to further local lockdowns. We have been selectively hiring approaching 300 experienced fee earners from the competition who together in 2019 generated around £40 million of gross profit. These hires have largely been in technology, healthcare and life sciences, and contracting. We have a core of engaged, motivated and experienced employees and will continue to support them and look to add expertise. We know the future remains unpredictable but we believe now is the right time to continue to invest in our flexible and highly diversified business model. Having seen conditions improve in the third quarter we now look forward to driving improved activity and gross profit in Q4. We have maintained our focus on the long-term vision of the Group to drive progress towards our strategic goals.

Q&A

Matthew Lloyd (HSBC): Good morning gentlemen. You have given us a sense for the geographies. I wondered if you could hint at what sort of tier of wage or brands are doing better at the moment than others. Is Page Executive doing best or is something that is a more clerical brand doing better? Also, anything else that you might think is unusual. Are clients prepared to talk about moving jobs even though we are in a recession? I am trying to get a feel for what the markets are like at the moment in labour.

Steve Ingham: Good morning Matthew. Yes, we are seeing differences between the brands and if you start at Page Executive which is the most senior brand focusing on the market typically and industry between about £100,000 salaries to £200,000-250,000. They have done particularly well through this period and I think that is logical. It did not surprise us. it is logical because assignments at that level can take anywhere between three and nine months by the time the candidates work their notice. Realistically I think they are typically critical roles and therefore if they are needed they are needed. We have seen clients largely speaking carry on uninterrupted by the virus and have continued to hire at that level. Page Executive has done particularly well.

Michael Page has then done better than Page Personnel. Again, I would expect that. A lot of what Michael Page does is technology, is logistics, is digital. Those sectors have done well but also they hire into fairly critical roles where there is almost full employment in qualified professional people in the sectors and the disciplines that we recruit. Therefore they have held up reasonably well. Slightly better than the lowest end of the market in Page Personnel where we have found that some areas of clerical professional work, which is what Page Personnel is focused on, have been not needed as much, particularly with homeworking. Some of those clerical roles have not been replaced and so they have been a little quieter.

Now, what we are seeing today is a little bit of a reverse of that because temp is now doing better than perm which again you would expect at this stage. As we are starting to see a recovery it is not unexpected that clients will be risk averse and will think to themselves, 'We do need some resource. Let us take a temp.' That is typical of a recovery as well which we are seeing.

In terms of activity from candidates I think the lockdown has been a period for everyone to reflect on many things which I am sure everybody has discussed. Career is one of them. Do I work in the right sector? Do I like the way that my company has behaved during a very difficult period? Am I happy on this salary? Am I based in a location or an office environment that I am happy with? What we have seen is a lot of candidates reacting to that and going, 'No, I am not so I am going to change.' Either the sector, the job or whatever it is that they are looking to do. Maybe their company is not operating a flexible enough model. We are seeing a lot of candidate movements start to happen and I think that is what is helping to fuel our recovery that we have seen so far.

Matthew Lloyd: Thank you very much.

Andy Grobler (Credit Suisse): Good morning, two from me if I may. Lockdowns are beginning to come back in at least partially across Europe. What are you seeing on a day-to-day basis in terms of client confidence, candidate confidence and how that is adjusting? I know that is a very short-term and difficult question. Then secondly RPO and MSP historically that was not an area of the market that you wanted to really address in size although some of your competitors did so. What has changed there and do you think that you have the capacity to really catch up with some fairly entrenched competition in that market?

Steve Ingham: You are right, of course we are very mindful of the fact that there are going to be lockdowns locally in different markets. We have had to close our offices in Switzerland, in Holland and as of yesterday, as you are asking about the immediate, Rome closed as well because we had five cases there. How has it impacted? So far the local lockdowns have not. We switched seamlessly from working at home to the office and back again so that is no problem. Our technology stands up to it. In preference I will say the majority of our consultants do like to be in the office. A lot of them are quite young and I think they enjoy particularly in a sales environment working with colleagues and being able to see them, celebrate with them, support each other and so on. In those offices we largely saw the majority, if not all of our consultants return to the office and then with local lockdowns they returned to working at home, as they did before, with no issues with technology. I think we are just going to have to accept these lockdowns, hopefully short-term, will keep occurring. We have just had one in Kuala Lumpur and we had it last month in Jakarta. However offices will reopen again and hopefully that seamless transition will not affect our activity levels. They have not so far.

I can see the question about RPO and MSP and it is a logical one to ask. To remind other listeners, we did engage in that market way back before my time as CEO so some 20 years ago. In fact, we managed Morgan Stanley and HSBC. Back in those days with the support systems that we had, with the geographic spread that we had then and with our exposure to certain disciplines and weakness in others such as technology, we found that we could not make it work profitably for us. Yes, we made some profit from it but not with the sort of conversion rates that we like to target. For that reason we took a strategic decision to stay away from it and focus on our diversification geographically, by discipline and by brand and seniority therefore, as well as change and centralise all of our operational support systems into shared service centres before we engage with that market. We have been doing that for some time now. We have been focused on large, high potential markets, now at 37% of the Group. That puts us much more significantly into markets like the US, Latin America, China and Asia where quite a lot of these relationships come from. We are much stronger there. Our brands have clearly grown. Page Executive, Page Personnel are a much more significant proportion, as is temp/perm contracting. The shared service centres are fully operational and we are starting to see a lot of efficiencies from that.

Now in that position and the fact that a lot of the models for RPO and MSP have moved on in terms of the delivery models, as in delivering candidates to the client, we can see those models and we can see the margins that are now achievable in that market. We have got an improved capability to actually be able to deliver to our clients. For all of those reasons we believe now is the right time to do it.

In terms of the final part to that question, which I have not missed, which is can we catch up, our capability and our track record at the moment are very strong in Latin America, in parts of Europe and in Asia. However, clearly for example in financial services in the middle of London we do not have a strong record. If a global bank was to turn round to us and offer us the full MSP and RPO for all of their vacancies and all of their staff across the world right now it would be a struggle to point to a good track record that should justify us winning it. There are a lot of other sectors outside of those traditional MSP/RPO clients to target, many of which we are already winning and we think we have got a really good opportunity to grow our track record and then one day maybe circle round and as these things come every 3-5 years to pitch, maybe there will be an opportunity for us to step in.

Andy Grobler: I am hoping that will work. On that point, is there an element of this that you were finding that your relationship with some of the larger clients was not as good as it maybe was historically and this is a way back in to stay relevant to some of those largest potential clients?

Steve Ingham: First of all hopefully it will work, thanks for that but it is already working, just to put your mind at rest, Andy. Yes, of course we have never denied this. I think in London where a lot of corporate banks had gone down the MSP/RPO route then clearly we have seen our volumes decrease. That fitted with our strategy of becoming more diverse as well because frankly we saw in the GFC that a high exposure to financial services clearly was quite painful. I joined the business back in the day when financial services represented 40% of the Group. That has decreased over the years and decades I have been here but it is now luckily 5% of the Group and I think that is healthy. We have got a much more even spread. Yes, we have lost ground in some of those markets in high volume recruitment but at very large margins which we were not prepared to work at. I do not worry about that. What we have seen more importantly to reassure us and give us the confidence we will be successful is that you can imagine in Latin America, in Mexico and Brazil we have had a lot of request to do these largescale projects with our clients. In Latin America I challenge a lot of those clients to find an alternative to us to actually be able to deliver that. We have actually seen our Page Outsourcing brand growing in success quarter after quarter after quarter. We have built our own track record internally to give us the confidence we will be successful. Those were not clients where we lost the business to MSP or RPO operators in the market and now we are regaining them. These were clients doing it for the first time. There are lots and lots of clients who are still looking to do these large projects or MSP or RPO for the first time. That is what we intend to chase.

Andy Grobler: Thanks very much.

Anvesh Agrawal (Morgan Stanley): Good morning everyone, I have got a couple of questions. First, early in the presentation you talked about rolling out the Salesforce platform in a few more geographies. Just from a financial perspective, how should we think about the cost of it in terms of capex and opex? Then secondly, if we go back ten years now technology [inaudible] has been a problem for the industry overall. Do you see the landscape changing post-COVID and what are some of the positive or negative trends that you see for your business in that post-COVID world?

Kelvin Stagg: It was a bit tricky on the line when you were asking it but I think the first part of that question was about in terms of rolling out these new disciplines across geographies across the world, what are likely to be the investment requirements in terms of operational cost and in terms of capex cost? Was that right, Anvesh?

Anvesh Agrawal: Yes.

Kelvin Stagg: If we are honest, that is part of the attraction of going into these areas. We have shared service centres set up around the world nowadays. We have systems. We operate in perm and temp in most geographies where actually that is applicable. Therefore there is not really any capital requirement needed in order to roll out these new disciplines. I know as part of Steve's presentation on strategy you will note that we will have hired around 300 people from the competition in the last quarter. Many of these people were people that bring the expertise to do these disciplines. We have a track record in permanent recruitment largely and therefore probably a disproportionate number of our people in senior roles have a history in perm. We have some really good contracting businesses. I would point to the one obviously in Germany but we also have a very good technology contracting business in Colombia, for example. Therefore we have added in what is needed to drive these businesses. There is not really going to be a big push on lots of investment. We are not going to go out and buy businesses. We have effectively acquired a 300-person business for nothing in the last quarter and we will put people behind them to grow those businesses. It is certainly the case that some of these in contracting take a bit of time in order for the revenue to build up. Obviously it takes longer than a perm business does but nonetheless in terms of investing large amounts of cash into these by way of capex or acquisition it is not the case.

Anvesh Agrawal: That is very clear.

Steve Ingham: I would echo that as well because the footprint of our offices and geographies is exactly where we would want it. That has been the result of a significant focus over the last ten years. We just opened an office in the Philippines which is our sixth country in South East Asia which was probably the smallest of the high potential markets and where we knew we had to open several countries over the last five, six years, which we have done now. I do not see that going any further to the seventh country for some time. If you look at our office count over the last 15 or 20 years it has only come down as we have needed fewer bigger offices. We already have them but putting new consultants into those offices is not an issue and not very expensive.

Working on to the second part of your question which was around technology, first of all there is one technology which has been very helpful and that is video interviewing which we rolled out Microsoft Teams some time ago and which you can imagine to stay connected to each other, our clients and our candidates we are using all of the time. A lot of interviews, particularly the interviews we do pre-screening candidates and so on is now down by video, which means that our offices conveniently which have a lot of interview rooms in the traditional way, now provides us with extra space so that we can social distance as we return to offices. That has all been very helpful. Certainly going forward we will probably not need as many interview rooms as we had in the past because clients are definitely using that as a technique. It is not the whole process and I think what we have seen is most people returning to certainly final interviews being face-to-face. However, certainly the early stages of a recruitment process being by video. That speeds the process up for us and helps productivity.

What I would say about technology otherwise in other areas, there is a lot of opportunity from technology and I hopefully talked about that earlier in the presentation so I will not go over it again. However, there are lots and lots of ways that we can engage with technology to basically make what we do more accurate. We do not want our consultants blindly coldcalling clients as I did when I was young, when we can actually use data intelligence, and we have a lot of data, to basically guide them to when clients will be active, what they are likely to be recruiting, guide them to give the client the information around salaries, candidate availability and where they will be based. Maybe now with more flexible working they could even be based not close to the offices of our clients. There are lots of advantages we can bring there.

Why do I think that is going to be helpful to us in particular in relation to competitors? When you look at our larger competitors they will have a similar ability to engage with technology. Some will do it more than others. However, you have to remember in our industry it is very, very fragmented. Let me give you an example in the UK. In the UK there are 27,000 recruitment companies with less than ten fee earners. Trust me, they will not be able to engage with technology in the same way we can. Can they achieve a national coverage when you have only got five consultants? No. Will they be able to access all of the different social media and job boards that we have to access to find candidates that are not already known to us? No. They will not have a CRM system and the same sophistication. As a result when you look at 27,000 times anywhere up to ten fee earners you can see we have got a lot of competition in those small boutiques. That is the opportunity for us to take market share and gains. I see it as an opportunity not as a threat as you were implying.

Anvesh Agrawal: That is very, very clear. Thank you so much.

Edward Donahue (One Investment): Good morning gentlemen, a question with regard to the recruitment of roughly 300 experienced account managers. Normally around this time of year you have your significant graduate recruitment. Can you explain the thinking behind why you have decided, taking your phrase, to 'basically buy a company at a very limited cost', the strategic thinking behind it at this particular juncture? What does this actually tell us about your planning and your view on the future?

Steve Ingham: Sure, the first thing to observe is obviously at the moment it is tough. It is a tough market out there and finding, winning and engaging with clients is obviously tougher than it was this time last year. Hence our numbers are down. What we found is that our least experienced consultants, those that do not have a track record of winning, developing and growing relationships, have struggled. That is why we have roughly speaking lost 1,000 people with less than 12 months' experience, many of whom have literally never made a placement. When you ask those people to work flexibly or even work totally from home phoning clients and candidates they are going to add a limited amount of value. That is one thing. That is why this year we have not engaged with graduate programmes and so forth because working from home we have got wonderful e-learning programmes and so on but a lot of the training and coaching is gained in an office from colleagues guiding them, coaching you and so on. We have chosen not to do that.

However, we still want to push ahead in our strategic areas of development and opportunity. Technology recruitment is now 12% of the Group. In some markets it is as high as 35% of the country's GP. In other countries it is 5% so we can see a really good opportunity there. It is witnessed in the technology recruitment we do in Germany in contracting. It is incredibly successful and has been growing there rapidly for some time. There is an opportunity here for us to get proven fee earners and they can evidence that, proven fee earners that have worked in the competition who previous to this would not talk to us. However, because of the way we have so far we believe travelled through the virus, because of the investments we have made over the last few years, our track record and our reputation with those people has improved to the point they are happy to engage with us and talk to us. We are able to measure what GP they did last year. It was £40 million. I could easily work out the full profit and loss for 300 people, what their salaries are, what their costs are and what it would cost to put them in an office. £40 million of GP you could estimate what the OP would be. We think it is a smart way of acquiring a recruitment company that is tailored to where we need to make investments. That is what we have done. Unlike a consultant who joins with no recruitment experience as I was when I joined, where it can take anywhere between three and 12 months to start delivering on GP, these guys and girls are hitting the ground running. I think that is really very helpful.

Edward Donahue: That is great. If you do not mind me asking and maybe it is a bit too commercial but can you give a geographic and skillset weighting within that recruitment, going back to your point on technology?

Steve Ingham: I could be accurate but I cannot in front of me right now, Edward, which is honestly where I am at. However, I can tell you that we have hired quite a lot in China, a lot in Germany and in the UK. It partly reflects where we have got competition because we cannot hire loads from the competition in Latin America because frankly they do not exist. We have done particularly well in Germany, in Southern Europe, Spain and Italy, the UK, China and actually we have done reasonably well where there is not much competition in some of the South East Asia countries as well. It is quite a spread.

Edward Donahue: That is fine.

Steve Ingham: I will add as well, some of those people have come from the obvious competitors but a lot of them have come from boutiques. I think it is fair to say that if you were to summarise our industry it is the boutiques in our industry that perhaps did not have the cash reserves that some of the PLC competitors have got that we have as well, that have I would be as bold to say mishandled how they have gone through the whole virus situation, lockdown and so on. As a result frankly those people have disengaged with the companies they have been working for and have been tempted to work for a bigger player like ourselves.

Kelvin Stagg: I can add a little bit more on to that, if you like. We did hire around 60 in Asia, around 60 in the UK, nearer to 50 in Germany and then in the 20s in the US so quite a spread and plenty others within Southern Europe, France, Australia and as Steve said, not so many in Latin America, around 10-15 there. It was very well spread across many different countries but slightly higher in the UK and Asia.

Edward Donahue: Okay and if I have got time for one last question, can you give any more granularity with regard to the European footprint on the temporary side, especially talking with regard to France? Going back to your point about conservatism from the customer base at this point in a recovery, what are you seeing with regard to either volumes versus what you would have expected normally, the temp length and any mix change within that as things are reopening?

Steve Ingham: To be honest, that is the pattern we are seeing. The balance between temp and perm actually in Europe is much more even than it is elsewhere. About 55% of Europe is perm and about 45% is temp so it is a big old slug. We are seeing the same sort of reaction to the cycle as we would expect to which is temp gets hit at the beginning of the cycle when the virus first happened. A lot of temps, not in technology and high-end accounting but a lot of the junior temps they are dispensed with. We do not need them, we are in lockdown, etc. etc. That is the typical reaction of a client. Then as things start to recover and they see the lights coming back on again, people going back to offices and so on, then they go, 'Okay, let us use the flexibility that temp gives us and we hire again.' We are seeing our temp numbers recover.

Like I say, with the exception of technology and high-end finance and so on where if somebody needs that expertise and it means them working from home they will not worry about it. Yes, they will hire them from home or they will retain them if they have already got them and let them work from home at the beginning of the cycle. We have seen our technology temp business or contracting business in Germany, for example, do very well during this whole process. Largely I could say the same for our contracting business around the world. One of the other markets that grew in in Q3 was Colombia because it has a decent contracting business, focused around IT. Those particular businesses stood up well.

Edward Donahue: Okay gentlemen, thank you very much indeed. I appreciate it.

Steve Ingham: As there are no further questions thank you all for joining us this morning. The next date for your calendar is our fourth quarter trading update which will be on 13th January. Thank you everyone.

[END OF TRANSCRIPT]