

PageGroup

14 October 2020

THIRD QUARTER UPDATE AND COVID-19 STRATEGY

PageGroup (“PageGroup” or the “Group”) today issues a trading update for the third quarter to 30 September 2020 (“Q3”) and an update on the impact of COVID-19.

Q3 Results Summary*

- Group gross profit of £143.5m, -31.9%; (Q2: -47.6%)
- Exited the quarter in September at -26%
- Large, High Potential markets (37% of Group) -29%
- EMEA -24.5%: France -27%; Germany -10%
- Asia Pacific -28.2%: Greater China -22%; SE Asia -31%; Australia -42%
- Americas -41.9%: US -39%; Latin America -47%
- UK -47.9%: Michael Page -47%; Page Personnel -51%
- Strong cash position, with c. £152m of net cash at the end of September (Q2 2020: c. £162m), decrease in Q3 due to the purchase of £12.8m of shares into the Employee Benefit Trust
- Hiring selectively experienced fee earners, with approaching 300 added in 2020
- Fee earner headcount reduced by 804 year to date, mainly recent joiners or those on performance review, 169 of which were in Q3

** In constant currencies except where stated otherwise*

COVID-19 Strategy

- Focus continues to be on the protection and wellbeing of employees, candidates and clients
- Continue to protect and invest in the platform to take advantage of the recovery
- We returned the majority of staff from furlough and all staff to full pay from 1 July
- Cost base increased in Q3 compared to Q2 as a result of the planned unwinding of cost saving measures, in line with the Group’s strategy
- Continued reopening of offices globally, with 125 out of 142 open at the end of September, albeit subject to further local lockdowns

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

“During the quarter we continued to focus on protecting our people, whilst also protecting our trading platform. The improving activity levels we saw in June progressed further in the quarter. Overall, gross profit was -31.9%, compared to -47.6% in Q2. We exited the quarter in September at -26%, with some markets, such as Mainland China and Japan, either flat or returning to growth.

“The improving trading conditions resulted in the Group making a small profit in the quarter, despite an increase in our cost base over Q2 as we returned staff from furlough and to full pay from 1 July.

“We have seen an unprecedented level of interest to join PageGroup, which has allowed us to selectively hire experienced fee earners from our competitors. So far this year we have added approaching 300 experienced fee earners. These hires have been focused in our targeted areas of investment, such as Technology, Healthcare & Life Sciences and Contracting, which have also been more resilient during the pandemic. We have in addition made a senior appointment into our Page Outsourcing brand to drive our offering within MSP, RPO and project recruitment.

“PageGroup has a core of engaged and motivated employees. We 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 through Q3, we now look forward to driving improved activity and gross profit in Q4.

“We are the clear leader in many of our markets, with a highly experienced senior management team which, we believe, positions us well to take advantage of opportunities to grow and improve our business. We have maintained our focus on our long-term vision for the Group to drive progress towards our strategic goals.”

Q3 Gross profit analysis

Year-on-year	% of Group	Reported (£m)			Constant
		Q3 2020	Q3 2019	%	%
EMEA	54%	76.5	101.6	-24.7%	-24.5%
Asia Pacific	21%	30.3	44.1	-31.2%	-28.2%
Americas	13%	19.1	37.3	-48.8%	-41.9%
UK	12%	17.6	33.8	-47.9%	-47.9%
Total	100%	143.5	216.8	-33.8%	-31.9%
Permanent	72%	103.5	162.5	-36.3%	-34.2%
Temporary	28%	40.0	54.3	-26.3%	-25.1%

Perm/Temp mix

Gross profit from permanent recruitment declined 36.3% in reported rates and 34.2% in constant currencies, to £103.5m (Q3 2019: £162.5m). Gross profit from temporary recruitment declined 26.3% in reported rates and 25.1% in constant currencies, to £40.0m (Q3 2019: £54.3m). This resulted in a ratio of permanent to temporary recruitment of 72:28 (Q3 2019: 75:25).

Headcount

In line with our strategy of protecting our platform, whilst gross profit year to date is down 31%, fee earner headcount is down only 13%. Having reduced our fee earner headcount by 531 in Q2, we reduced it at a slower rate in Q3, down 169, as a result of the approaching 300 experienced fee earners we added in the quarter. The majority of those who left the Group were recent joiners or those on performance review. Our operational support headcount fell by 33, and, as such, our ratio of fee earners to operational support staff was maintained at 77:23. Overall, the Group had 5,223 fee earners and a total headcount of 6,783 at the end of September.

Costs

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% forecasted 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 pay accrual unwind. Our monthly average cost base through Q4 is forecast to be c. 10% below March, in line with the September run rate.

Customer Connect

We have continued the roll out of our new operating system, Customer Connect, which is now live in the UK, Belgium, Poland and the Middle East & Africa.

Financial Guidance

With COVID-19 continuing to impact the majority of our markets around the world, particularly with a second wave now impacting many countries, it remains too uncertain to estimate the impact on the Group's operations and, as such, any financial guidance for current and future years remains suspended. We will monitor the situation closely and will provide updates when appropriate.

Geographical Analysis

All of the Group's regions were impacted by COVID-19 during Q3, resulting in Group gross profit declining 31.9% in constant currencies, an improvement from -47.6% in Q2. In constant currencies, Michael Page was down 30.4%, with Page Personnel declining 35.2% in the quarter.

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

EMEA	Gross Profit (£m)		Growth Rates	
			Reported	Constant
(54% of Group)				
Q3 2020 vs. Q3 2019	76.5	101.6	-24.7%	-24.5%
Headcount at 30 September 2020: 3,021 (30 June 2020: 3,149 including 6 furloughed employees) <ul style="list-style-type: none"> • France (16% of Group) -27% (-22% in September) • Germany (12% of Group) -10% (-9% in September) • Southern Europe -25% (-19% in September) <ul style="list-style-type: none"> - Italy -23% (-14% in September) - Spain -28% (-24% in September) • Benelux -31% (-28% in September) • Middle East and Africa -31% (-26% in September) 				

In Europe, Middle East and Africa, the improvement in trading conditions we experienced at the end of June continued into Q3, down 24.5% overall. Permanent recruitment declined 25% for the quarter with Temporary down 23%. France and Southern Europe, where the impact was felt initially most severely, were down 27% and 25%, respectively. After the somewhat quieter summer months, activity levels improved and these markets exited in September at -22% and -19%, respectively. Germany delivered another resilient performance, declining 10% in the quarter, with trading consistently strong throughout. This was driven mainly by our technology focused contracting business, which proved the most resilient to the deterioration in macro-economic conditions, +4% overall. Benelux declined 31%, with Belgium down 24% and the Netherlands down 33%. The Middle East and Africa declined 31%.

Asia Pacific	Gross Profit (£m)		Growth Rates	
			Reported	Constant
(21% of Group)				
Q3 2020 vs. Q3 2019	30.3	44.1	-31.2%	-28.2%
Headcount at 30 September 2020: 1,418 (30 June 2020: 1,468) <ul style="list-style-type: none"> • Asia (17% of Group) -23% (-10% in September) <ul style="list-style-type: none"> • Greater China (9% of Group and 52% of Asia) -22% (-6% in September) <ul style="list-style-type: none"> - Mainland China -11% (flat in September) - Hong Kong -41% (-23% in September) • South East Asia -31% (-21% in September) <ul style="list-style-type: none"> - Singapore -34% (-24% in September) • India -32% (-27% in September) • Japan -16% (+1% in September) • Australia -42% (-37% in September) 				

In Asia Pacific, gross profit for Q3 was down 28.2%. Mainland China, where all our offices remained open throughout the quarter, declined 11%. The market continued to improve as Q3 progressed and exited the quarter flat in September. The improvement was driven by our domestic business, which

now represents over half of our Mainland China business. However, Hong Kong declined 41%, impacted significantly by both COVID-19 and continuing social unrest. Overall, Greater China declined 22% 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. Japan was down 16% for the quarter, but returned to growth in September, with record performances in Contracting and our Nikkei market business. India, which is now one of the worst affected countries by COVID-19, declined 32% for the quarter. Australia declined 42%, with some local lockdowns being reinstated.

Americas	Gross Profit (£m)		Growth Rates	
			Reported	Constant
(13% of Group)				
Q3 2020 vs. Q3 2019	19.1	37.3	-48.8%	-41.9%
Headcount at 30 September 2020: 1,162 (30 June 2020: 1,184 including 76 furloughed employees)				
<ul style="list-style-type: none"> North America (9% of Group) -39% (-37% in September) <ul style="list-style-type: none"> US -39% (-39% in September) Latin America (4% of Group) -47% (-34% in September) <ul style="list-style-type: none"> Brazil -40% (-29% in September) Mexico -56% (-48% in September) 				

In the Americas, gross profit for Q3 was down 41.9%. The US declined 39%, due to significant disruption from COVID-19. Trading conditions remained particularly tough in Construction, our largest discipline. In Latin America, also currently one of the worst affected regions by COVID-19, gross profit declined 47%. Brazil was down 40% and Mexico, our largest country in the region, was down 56%. Elsewhere in Latin America, trading in Argentina was particularly challenging, due to the additional impact of high inflation and currency devaluation, while in Chile trading was also impacted by social unrest. Conversely, however, our Technology Contracting business in Colombia performed particularly well.

UK	Gross Profit (£m)		Growth Rate
(12% of Group)			
Q3 2020 vs. Q3 2019	17.6	33.8	-47.9%
Headcount at 30 September 2020: 1,182 (including 65 furloughed employees) (30 June 2020: 1,184 including 324 furloughed employees)			
<ul style="list-style-type: none"> Michael Page -47% (-40% in September) Page Personnel -51% (-48% in September) Overall, September -42% 			

In the UK, gross profit declined 47.9% in the quarter, improving from -61.5% in Q2. Conditions continued to improve as the quarter progressed and we exited September at -42%. The impact of COVID-19 had a similar impact on both Michael Page and Page Personnel, with declines of 47% and 51% respectively. Overall for the quarter, Permanent recruitment was down 51% with Temporary down 40%. Trading in the public sector, down 41%, was less impacted than the private sector, down 49%.

Financial Position

Save for the effects of Q3 trading detailed above, and the purchase of shares into the Employee Benefit Trust (EBT) of £12.8m to hedge exposures under the Group's share plans, there have been no other significant changes in the financial position of the Group since the publication of the results for the half year ended 30 June 2020. Net cash at 30 September 2020 was in the region of £152m (Q2 2020: c. £162m; Q3 2019: c. £92m).

Shares

At 30 September 2020 there were 328,618,774 Ordinary shares in issue, of which 12,855,658 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 11,290,748 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 Third Quarter 2020 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 Fourth Quarter Trading Update on 13 January 2021.

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The Company will host a conference call and presentation for analysts and investors at 9:00 am today. The live presentation can be viewed by following the link:

<https://www.investis-live.com/pagegroup/5f71a7e59dd0d312000c56ab/gfcx>

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 15 55 64 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 14 October 2020 at:

<https://www.page.com/presentations/year/2020>