

PageGroup

14 January 2020

FOURTH QUARTER AND FULL YEAR 2019 TRADING UPDATE

Q4 Highlights*

- Group gross profit decline of -0.4% (-2.6% in reported rates)
- Large, High Potential markets (34% of Group) +4%
- EMEA +2.3%; France +1%; Germany +16%
- Asia Pacific -7.9%; Greater China -14%; SE Asia -4%; Australia -7%
- Americas +5.0%; US +10%; Latin America +5%
- UK -4.8%; Page Personnel -4%; Michael Page -5%
- Fee earner headcount decreased by 54, decrease in operational support staff of 37
- Strong balance sheet, net cash of c. £93m (Q3 2019: c. £92m, Q4 2018: c. £98m)

Q4 GROSS PROFIT ANALYSIS

Year-on-year	% of Group	Reported (£m)			Constant
		Q4 2019	Q4 2018	%	%
EMEA	50%	103.6	104.5	-0.8%	+2.3%
Asia Pacific	18%	37.5	41.1	-8.8%	-7.9%
Americas	16%	32.6	31.9	+2.2%	+5.0%
UK	16%	31.9	33.5	-4.8%	-4.8%
Total	100%	205.6	211.0	-2.6%	-0.4%
Permanent	74%	151.3	159.1	-4.9%	-3.0%
Temporary	26%	54.3	51.9	+4.6%	+7.5%

Full Year Results*

- Group gross profit +5.0% (+5.0% in reported rates) to £856.0m, a record year
- 19 countries delivered record gross profit
- Decrease of 89 fee earners (-1.5%), total headcount of 7,698
- Operating profit expected to be in line with previous guidance of £140m to £150m

* in constant currencies except where stated

FULL YEAR GROSS PROFIT ANALYSIS

Year-on-year	% of Group	Reported (£m)			Constant
		FY 2019	FY 2018	%	%
EMEA	49%	418.5	394.3	+6.1%	+7.0%
Asia Pacific	19%	163.3	161.2	+1.4%	-0.2%
Americas	16%	139.1	121.0	+14.9%	+14.0%
UK	16%	135.1	138.4	-2.4%	-2.4%
Total	100%	856.0	814.9	+5.0%	+5.0%
Permanent	75%	644.5	621.7	+3.7%	+3.4%
Temporary	25%	211.5	193.2	+9.5%	+10.2%

Steve Ingham, Chief Executive Officer, said:

“The majority of the Group’s regions were impacted by macro-economic and political uncertainty in Q4. Consequently, Group gross profit declined -0.4% in constant currencies from growth of 2.1% in Q3. The Group delivered strong performances in Germany, India, and the US, despite a slowing Financial Services market in New York. However, trading conditions were more challenging in many of our larger markets, including Greater China, the UK and France.

“As a result of the heightened geopolitical and macro-economic uncertainty seen in a number of the Group’s markets, fee earner headcount reduced by 54 in Q4, mainly in Greater China and the UK.

“The Group was impacted by adverse foreign exchange movements during Q4, decreasing our Q4 reported gross profit by 2.2 percentage points, or £4.6m. We expect that these foreign exchange headwinds will persist, or possibly increase.

“Looking ahead, the tough trading conditions experienced during Q4 across the majority of our regions are anticipated to continue. There are challenges in EMEA, including social unrest in France and heightened political tensions, notably in the Middle East. Asia Pacific continues to be impacted by trade tariff uncertainty in Mainland China, the protests in Hong Kong, as well as the fires in Australia. In the Americas, the weak Financial Services market in New York, as well as social unrest in Chile are expected to continue to impact the region’s results. In the UK, Brexit related uncertainty is expected to be ongoing during 2020.

“However, we have a flexible and highly diversified business model that enables us to react quickly to changes in market conditions. We are clear market leaders in many of our markets, with a highly experienced senior management team, which, we believe, positions us well to take advantage of all opportunities during 2020.

“We will continue to focus on driving profitable growth, while progressing our strategic investments towards our Vision of 10,000 headcount, £1bn of gross profit and £200m - £250m of operating profit.

Despite the increased tough trading conditions in Q4, we expect FY 2019 operating profit to be in line with our previous guidance of £140m to £150m.”

Group Trading Update

PageGroup delivered fourth quarter gross profit of £205.6m, a decline of -0.4% in constant currencies and -2.6% in reported rates. In constant currencies, Michael Page was down -0.1%, with Page Personnel declining -1.0% in the quarter.

Foreign Exchange

The Group was impacted by adverse foreign exchange movements during Q4, decreasing our reported gross profit by 2.2 percentage points, or £4.6m. However, for the full year, foreign exchange had a minimal impact on Group gross profit.

Should current exchange rates continue through 2020, foreign exchange would decrease our reported gross profit by c. £25m and operating profit by c. £4m. In addition, current rates also remain substantially below pre-Brexit levels.

Headcount

As a result of the heightened geopolitical and macro-economic uncertainty in a number of the Group’s markets, fee earner headcount reduced by 54 in Q4, mainly in Greater China and the UK. Our operational support headcount decreased by 37 in the quarter as some of our global transformation programmes, particularly our new Global Finance System implementation, came to an end. Our fee earner to operational support staff ratio remained at 78:22. This represented 6,027 fee earners and a total headcount of 7,698.

Perm/Temp mix

Gross profit from permanent recruitment declined -4.9% in reported rates and -3.0% in constant currencies, to £151.3m (Q4 2018: £159.1m). Gross profit from temporary recruitment grew 4.6% in reported rates and 7.5% in constant currencies, to £54.3m (Q4 2018: £51.9m). This resulted in a ratio of permanent to temporary recruitment of 74:26.

Q4 Gross Profit – Discipline analysis

Year-on-year	% of Group	Reported (£m)			Constant
		Q4 2019	Q4 2018	%	%
Finance					
Accounting and Financial Services	35%	72.5	74.5	-2.7%	-0.4%
Professional Services					
Legal, Technology, HR, Secretarial, Healthcare	24%	50.0	52.1	-4.0%	-2.0%

Technical Engineering, Property & Construction, Procurement & Supply Chain	24%	48.8	50.1	-2.7%	-0.6%
Marketing, Sales and Retail	17%	34.3	34.3	+0.0%	+2.2%
Total	100%	205.6	211.0	-2.6%	-0.4%

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

EMEA	Gross Profit (£m)		Growth Rates	
(50% of Group)			Reported	Constant
Q4 2019 vs. Q4 2018	103.6	104.5	-0.8%	+2.3%
2019 vs 2018	418.5	394.3	+6.1%	+7.0%
Headcount at 31 December 2019: 3,317 (30 September 2019: 3,344)				
<ul style="list-style-type: none"> • France (17% of Group) +1% • Germany (9% of Group) +16% 				

EMEA Q4 gross profit grew 2.3% to £103.6m, down from growth of 5.6% in Q3 as macro-economic uncertainty continued to impact market confidence. Michael Page was up 4%, growing faster than Page Personnel, which was flat. France, representing 17% of the Group, grew 1%, impacted by increased macro-economic uncertainty as well as the recent large scale strikes. Despite weak macro-economic data, Germany delivered another excellent quarter, up 16%, with our Interim business, mainly focused on technology, growing 50%. Italy grew 3% and Spain was up 2%, broadly in line with its Q3 growth rate. Benelux grew 6%, with Belgium delivering a record quarter. The Middle East and Africa declined -3% with tougher trading conditions, particularly in Africa. Fee earner headcount across the region decreased by 9 in the quarter.

Asia Pacific	Gross Profit (£m)		Growth Rates	
(18% of Group)			Reported	Constant
Q4 2019 vs. Q4 2018	37.5	41.1	-8.8%	-7.9%
2019 vs 2018	163.3	161.2	+1.4%	-0.2%
Headcount at 31 December 2019: 1,679 (30 September 2019: 1,711)				
<ul style="list-style-type: none"> • Asia (14% of Group) -8% • Greater China (7% of Group and 49% of Asia) -14% • Australasia (4% of Group) -10% 				

In Asia Pacific, our second largest region, gross profit declined -7.9% to £37.5m in Q4. Greater China, one of our Large, High Potential markets, declined -14%. Mainland China declined -7%, which was an improvement on the -27% in Q3, as the comparators became easier and the business adapted to the more challenging conditions. The protests continued to impact our Hong Kong

business, down -27%, in line with Q3. South East Asia, another of our Large, High Potential markets declined -4%, with good growth in some of our newer countries offset by Singapore, which was down -19%, albeit against a tough comparator of 37%. Japan declined -1%, down from its Q3 growth rate of 5%, with continued weaker growth from our multinational clients. India, where we now have around 160 fee earners, grew 13%, against a particularly tough comparator of 79%. Australia declined -7%, also against a tough comparator of 25%, with challenging trading in New South Wales. Overall fee earner headcount in the region decreased by 31 in the quarter, mainly in Greater China.

Americas (16% of Group)	Gross Profit (£m)		Growth Rates	
			Reported	Constant
Q4 2019 vs. Q4 2018	32.6	31.9	+2.2%	+5.0%
2019 vs 2018	139.1	121.0	+14.9%	+14.0%
Headcount at 31 December 2019: 1,376 (30 September 2019: 1,366)				
<ul style="list-style-type: none"> • North America (10% of Group) +5% • Latin America (6% of Group) +5% 				

The Americas continued to be our fastest growing region in Q4, up 5.0% to £32.6m. The US grew 10%, despite a weaker Financial Services sector in New York, with particularly strong growth in Boston, Chicago and Los Angeles. Latin America grew 5% with Brazil up 4% and Mexico, our largest country in the region, up 9%. Elsewhere, our other four countries in the region grew 4%, collectively, with record performances from Argentina, Colombia and Peru, partially offset by tougher trading conditions in Chile, as a result of the political and social unrest. We added 13 fee earners across the Americas in the quarter, mainly into the US and Mexico.

UK (16% of Group)	Gross Profit (£m)		Growth Rate
Q4 2019 vs. Q4 2018	31.9	33.5	-4.8%
2019 vs 2018	135.1	138.4	-2.4%
Headcount at 31 December 2019: 1,326 (30 September 2019: 1,368)			

The UK declined -4.8% in Q4, with disruption from Brexit increasing uncertainty and impacting confidence. Page Personnel, which represents around a quarter of the UK, suffered from low client confidence, and declined -4%, while Michael Page continued to be impacted by low senior candidate confidence and declined -5%. Fee earner headcount decreased by 27 in the quarter, mainly in our Michael Page business.

Financial Position

Save for the effects of trading in the fourth quarter described above and the payments of the 2019 interim and special dividends totalling £54.5m on 9 October 2019, 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 2019. Net cash at 31 December 2019, was in the region of £93m (Q3 2019: c. £92m, Q4 2018: c. £98m).

Shares

At 31 December 2019 there were 328,603,774 Ordinary shares in issue, of which 10,433,864 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 7,960,864 shares and consequently these shares should be excluded when calculating earnings per share. The total number of voting rights in the Company is 328,603,774.

Cautionary Statement

This Fourth Quarter and Full Year 2019 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.

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The Company will host a conference call and presentation for analysts and investors at 8:30 am today. The live presentation can be viewed by following the link:

<https://www.investis-live.com/pagegroup/5ddce291e231010d0068f6ee/nyfy>

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

United Kingdom (Local)
All other locations

020 3936 2999
+44 20 3936 2999

Please quote participant access code 71 35 66 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 January 2020 at:

<https://www.page.com/investors/investor-library.aspx>

The Group will issue its Full Year Results on 5 March 2020 and its First Quarter Trading Update on 15 April 2020.