

PageGroup

8 April 2020

FIRST QUARTER AND COVID-19 UPDATE

PageGroup (“PageGroup” or the “Group”) today issues a trading update for the first quarter to 31 March 2020 (Q1) and an operational and financial update regarding COVID-19.

Q1 Financial Summary*

- Group gross profit decline of -11.7% (-13.0% in reported rates); January and February -3%; March -26%
- Large, High Potential markets (34% of Group) -10%
- EMEA -11.1%; France -12%; Germany -4%
- Asia Pacific -16.6%; Greater China -34%; SE Asia -5%; Australia -15%
- Americas -3.0%; US +4%; Latin America -11%
- UK -16.0%; Page Personnel -15%; Michael Page -16%

* In constant currencies except where stated otherwise

Q1 Gross profit analysis

Year-on-year	% of Group	Reported (£m)			Constant
		Q1 2020	Q1 2019	%	%
EMEA	50%	91.3	104.3	-12.5%	-11.1%
Asia Pacific	17%	31.3	38.0	-17.7%	-16.6%
Americas	17%	30.3	32.2	-5.8%	-3.0 %
UK	16%	28.9	34.4	-16.0%	-16.0%
Total	100%	181.8	208.9	-13.0%	-11.7%
Permanent	73%	132.7	158.6	-16.4%	-15.2%
Temporary	27%	49.1	50.3	-2.3%	-0.5%

COVID-19 Operational and Financial Update

- PageGroup is, first and foremost, focused on the protection and wellbeing of the Group’s employees, candidates, clients and other stakeholders
- The majority of the Group’s employees are working from home with full access to the Group’s systems, ensuring continuity of service to our clients and candidates
- PageGroup is reinforcing its financial position by proactively reducing the cost base by 20-25% in Q2 vs. Q1 – actions include:
 - headcount decrease in Q1 already undertaken – 104 fee earners and 28 operational support staff
 - headcount reduction expected in April of over 250
 - 450 directors have agreed to reduce their salaries and fees by 20% for Q2, including the Executives and Non-Executives
 - majority of consultants, managers and operational support staff agreeing to a four day week, salary reduction, furlough schemes where available and other government schemes, such as tax cash deferral
 - postponement of non-essential spending
- The Group continues to have a strong balance sheet, including cash balances of c. £83m as at 31 March 2020, an undrawn £30m Revolving Credit Facility and is in advanced talks regarding access to the Bank of England’s CCF programme
- The Board has decided to cancel the final dividend of £30.2m or 9.40p per share
- The Group is suspending financial guidance for current and future years

Protecting Our People

Above all else, our priority is to protect the health and safety of our employees, candidates and clients. In recent weeks the Group has taken action to protect our employees by ensuring that all consultants are able to work from home. Our technology teams acted quickly to ensure continuity of service to PageGroup's candidates and clients.

The swift implementation of working from home protocols benefited from the Group's experience of the impact of COVID-19 in our Mainland China and Hong Kong businesses in late January. As a result of this experience, we were able to move quickly to enable all of our people around the world to work effectively from home.

Managing our Cost Base

We have a flexible and highly diversified business model that enables us to react quickly to changes in market conditions, albeit not to the same degree or speed as a sharp reduction in revenue. Our aim is to balance tight cost management, while ensuring we position the Group to take full advantage of all opportunities as conditions improve.

Given the unprecedented nature of this COVID-19 event, with many people across the world social distancing at home, our headcount is unlikely to reduce significantly in the short term through natural attrition, as was the case during the Global Financial Crisis. The management team have been proactive in reducing headcount by 132 in Q1, and this is expected to fall by over 250 in April.

450 directors have agreed to reduce their salaries and fees by 20% for Q2, including the Executives and Non-Executives. In addition, the majority of our consultants, managers and operational support staff have agreed to a four day week, salary reduction, furlough schemes where they exist and other government schemes, such as tax cash deferral, etc. We are taking a number of immediate cost saving measures, including reviewing all areas of discretionary spend, such as bonuses, staff entertainment, travel and capital expenditure.

We expect these actions, as well as our continuous and rigorous approach to managing costs, to reduce our cost base by around 20-25% in Q2.

Balance Sheet and Liquidity

The Group has a strong balance sheet, with net cash of c. £83m at the end of the quarter. The Group also generates c. 60% of its revenue from temporary recruitment, with a current debtor receivable of c. £125m. This will reduce generating an inflow of cash if our temporary business continues to decrease as we saw occur progressively during the first quarter. We have strong banking relationships and facilities, including a £30m committed Revolving Credit Facility, expiring in 2022. We are also in advanced discussions to access the Bank of England's CCFF to support liquidity and minimise any disruption to cash flows. We continue to model, and are monitoring, a range of different scenarios to ensure the Group has sufficient liquidity at all times.

The Board believes given the current uncertainty it should act prudently and in the best interests of all stakeholders to maximise its short-term liquidity. With that in mind, the Group has made the difficult decision to cancel its final dividend of £30.2m or 9.40p per share, which was proposed for approval at the Group's AGM in June. This action is also a requirement in order to access a number of government employee assistance schemes across the world. The Group fully intends to restore returns to shareholders once stability returns to the business and its markets.

Financial Guidance

With COVID-19 now impacting the majority of our markets around the world, it is too early to estimate the impact on the Group's operations and, as such, we are suspending financial guidance for current and future years. We will continue to monitor the situation closely and will provide updates when appropriate.

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

“PageGroup continues to have a flexible and highly diversified business model that enables us to react quickly to changes in market conditions, albeit not to the same degree or speed as a sharp reduction in revenue. We are clear market leaders in many of our markets, with a highly experienced senior management team, which, we believe, positions us well to both protect our business during these extremely challenging times and take full advantage of all opportunities as and when they arise.

“I am incredibly proud of the reaction from our staff, their attitude has been tremendous and I am very grateful for their support. They continue to demonstrate our strong company Values, whilst working tirelessly towards our Purpose of changing people’s lives.”

Q1 Trading Update

All of the Group’s regions were impacted by the emergence of COVID-19 during Q1, resulting in Group gross profit declining -11.7% in constant currencies, down from -0.4% in Q4. In constant currencies, Michael Page was down -11.0%, with Page Personnel declining -13.1% in the quarter. As announced in our Full Year Results on 5 March 2020, Group gross profit declined -3% in the two months to the end of February, when the emergence of COVID-19 had impacted primarily our Greater China business. In March, usually one of our biggest months for trading, Group gross profit declined by -26%, as the impact of COVID-19 began to spread across the world.

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

EMEA (50% of Group)	Gross Profit (£m)		Growth Rates	
			Reported	Constant
Q1 2020 vs. Q1 2019	91.3	104.3	-12.5%	-11.1%
Headcount at 31 March 2020: 3,309 (31 December 2019: 3,317)				
<ul style="list-style-type: none">• France (16% of Group) -12%• Germany (9% of Group) -4%• Southern Europe -16%• Italy -19%• Spain -15%• Benelux -7%• Middle East and Africa -10%				

In Europe, Middle East and Africa, trading was impacted by COVID-19 towards the end of the quarter, initially in Italy and Spain, followed rapidly by France, the Netherlands, and now the entire region. As a result, gross profit declined -11.1% across the region, with the larger countries all down: France -12% (-31% in March), Germany -4% (-15% in March), Southern Europe -16% (-41% in March), and Benelux -7% (-20% in March). Permanent recruitment declined -15% for the quarter (-34% in March) with Temporary down -2% (-11% in March).

Asia Pacific (17% of Group)	Gross Profit (£m)		Growth Rates	
			Reported	Constant
Q1 2020 vs. Q1 2019	31.3	38.0	-17.7%	-16.6%

Headcount at 31 March 2020: 1,599 (31 December 2019: 1,679)
<ul style="list-style-type: none"> • Asia (13% of Group) -17% • Greater China (5% of Group and 42% of Asia) -34% • Australasia (4% of Group) -17% • Mainland China -29% • Hong Kong -48% • South East Asia -5% • Singapore -13% • India +14% • Japan +5% • Australia -15%

In Mainland China our operations are starting to show signs of recovery, with almost all of our consultants having now returned to office-based working. Gross profit in Mainland China improved to -32% in March compared to -41% in February. In Hong Kong, while our offices were open for the first two weeks in February, the virus returned and these offices are now closed again. Overall, Greater China, declined -34% for the quarter. Elsewhere in Asia Pacific we felt the impact of COVID-19 in March and overall we were down -16.6% for the quarter. South East Asia was down -5% (-10% in March), with Singapore down -13%. India grew 14% and Japan grew 5%, although conditions in both countries deteriorated at the end of the quarter. Australia declined -15% (-21% in March), with challenging trading conditions due to the effects of bushfires earlier in the quarter and COVID-19 impacting trading in March.

Americas	Gross Profit (£m)		Growth Rates	
(17% of Group)			Reported	Constant
Q1 2020 vs. Q1 2019	30.3	32.2	-5.8%	-3.0%
Headcount at 31 March 2020: 1,362 (31 December 2019: 1,376)				
<ul style="list-style-type: none"> • North America (11% of Group) +2% • Latin America (6% of Group) -11% • US +4% • Brazil -10% • Mexico -15% 				

In the Americas, where the timing of the COVID-19 impact has been varied, overall gross profit was down -3.0%. In the US, overall gross profit grew 4% in the quarter (-11% in March). Nearly all construction sites in the US are closed, significantly impacting Property & Construction, our largest discipline in the US. In Latin America, the business was impacted later in the quarter, causing gross profit to decline by -11% (-30% in March), with Brazil down -10% (-28% in March) and Mexico, our largest country in the region, down -15% (-43% in March).

UK	Gross Profit (£m)		Growth Rate
(16% of Group)			
Q1 2020 vs. Q1 2019	28.9	34.4	-16.0%
Headcount at 31 March 2020: 1,296 (31 December 2019: 1,326)			

In the UK, gross profit declined by -16.0% in the quarter. However, COVID-19 began to impact the business significantly in March, causing gross profit to decline by -30%. The impact of COVID-19 had a similar impact on both Michael Page and Page Personnel. Overall for the quarter, Permanent recruitment was down -20% (-43% in March) with Temporary down -6% (flat in March).

Headcount

As a result of COVID-19 and the heightened uncertainty in a number of the Group's markets, fee earner headcount reduced by 104 in Q1, mainly in Australia, Greater China and the UK. Our

operational support headcount decreased by 28 in the quarter. Our fee earner to operational support staff ratio remained at 78:22. This represented 5,923 fee earners and a total headcount of 7,566.

Perm/Temp mix

Gross profit from permanent recruitment declined -16.4% in reported rates and -15.2% in constant currencies, to £132.7m (Q1 2019: £158.6m). Gross profit from temporary recruitment declined -2.3% in reported rates and -0.5% in constant currencies, to £49.1m (Q1 2019: £50.3m). This resulted in a ratio of permanent to temporary recruitment of 73:27. Permanent recruitment, having been down -5% for the first two months of the year, was down -32% in March. Temporary recruitment was impacted less, having been up +2% in the first two months of the year, it declined -5% in March.

Shares

At 31 March 2020 there were 328,618,774 Ordinary shares in issue, of which 9,824,210 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 8,228,834 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.

Audit Tender

The Company previously announced that it intended to undertake a competitive tender for the Company's external audit services and that it would announce the outcome of the process ahead of the Annual General Meeting. Given the current circumstances, it has not been possible to conduct the tender and as such we propose that Ernst & Young LLP be reappointed at the forthcoming AGM. It remains the Company's intention to conduct the tender during the course of 2020 to the extent that it is practicable. An update will be issued in due course.

Cautionary Statement

This First 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 Second Quarter Trading Update on 14 July 2020.

This announcement contains inside information for the purposes of article 7 of EU Regulation 596/2014. The person responsible for making this announcement on behalf of PageGroup is Kelvin Stagg, Chief Financial Officer.

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