

# PageGroup

9 July 2020

## SECOND QUARTER, FIRST HALF AND COVID-19 UPDATE

PageGroup (“PageGroup” or the “Group”) today issues a trading update for the second quarter to 30 June 2020 (“Q2”) and an operational and financial update regarding COVID-19.

### Q2 Results Summary\*

- Group gross profit -47.6% (-47.4% in reported rates)
- Large, High Potential markets (38% of Group) -42%
- EMEA -42.9%: France -52%; Germany -20%
- Asia Pacific -41.7%: Greater China -41%; SE Asia -35%; Australia -53%
- Americas -55.0%: US -49%; Latin America -63%
- UK -61.5%: Michael Page -60%; Page Personnel -65%

*\* In constant currencies except where stated otherwise*

### COVID-19 Operational and Financial Summary

- Focus continues to be on the protection and wellbeing of employees, candidates and clients
- Strong cash position, with c. £156m of net cash at the end of June (Q1 2020: c. £83m)
- Cost base reduction of c. 21% achieved in Q2, as forecast in April
- The Group is protecting its platform to take advantage of the recovery when it comes
- Gradual opening of offices, bringing back people from furlough and returning all staff to full pay
- 12-month covenant waiver agreed on the Group’s Revolving Credit Facility with BBVA
- Approval received for the Bank of England’s Covid Corporate Finance Facility (“CCFF”), with a maximum facility of £300m

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

“Our main focus in the first half has been to protect our people, whilst protecting our platform. I am incredibly proud of the reaction of our staff in what has been an extraordinary period. Their response to this crisis has been exceptional. They have understood the importance of the actions we have taken to protect our platform and put ourselves in as strong a position as possible for when the recovery comes. Whilst it is always regrettable to let any people go, we have chosen not to make wholesale changes and to retain our proven fee earners.

“PageGroup has a deep core of engaged and motivated employees and we will continue to support them and look to add expertise over the coming months and years. We know the future remains unpredictable, but we believe now is the right time to start reinvesting in our flexible and highly diversified business model. Having weathered a particularly challenging Q2, we now look forward to driving improved activity and gross profit through the second half.

“We are clear 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 as and when they arise.”

## Q2 Gross profit analysis

Year-on-year	% of Group	Reported (£m)			Constant
		Q2 2020	Q2 2019	%	%
EMEA	53%	63.2	108.9	-41.9%	-42.9%
Asia Pacific	22%	25.6	43.7	-41.6%	-41.7%
Americas	14%	16.0	37.0	-56.8%	-55.0%
UK	11%	13.5	35.1	-61.5%	-61.5%
<b>Total</b>	<b>100%</b>	<b>118.3</b>	<b>224.7</b>	<b>-47.4%</b>	<b>-47.6%</b>
Permanent	66%	78.4	172.1	-54.4%	-54.7%
Temporary	34%	39.9	52.6	-24.2%	-24.4%

## H1 Gross profit analysis

Year-on-year	% of Group	Reported (£m)			Constant
		H1 2020	H1 2019	%	%
EMEA	51%	154.5	213.1	-27.5%	-27.4%
Asia Pacific	19%	56.8	81.8	-30.6%	-30.1%
Americas	16%	46.9	69.2	-32.2%	-29.8%
UK	14%	42.4	69.4	-38.9%	-38.9%
<b>Total</b>	<b>100%</b>	<b>300.6</b>	<b>433.5</b>	<b>-30.7%</b>	<b>-30.1%</b>
Permanent	70%	211.6	330.6	-36.0%	-35.5%
Temporary	30%	89.0	102.9	-13.5%	-12.7%

### Perm/Temp mix

Gross profit from permanent recruitment declined -54.4% in reported rates and -54.7% in constant currencies, to £78.4m (Q2 2019: £172.1m). Gross profit from temporary recruitment declined -24.2% in reported rates and -24.4% in constant currencies, to £39.9m (Q2 2019: £52.6m). This resulted in a ratio of permanent to temporary recruitment of 66:34.

## COVID-19 Operational and Financial Update

### **Our People**

Above all else, our priority is to protect the health and safety of our employees, candidates and clients. Initially, the Group took action to protect our employees by ensuring that all consultants were able to work from home. This was implemented swiftly, benefiting from the Group's experience in our Greater China business.

As local guidelines have allowed, we have progressively opened our offices around the world, with 83 out of 142 open as at the end of June. However, returning to the office is voluntary and we have modified our offices to keep our people safe and to comply with all social distancing and local regulatory requirements.

We believe our clear, consistent and frequent communications through times of great difficulty and uncertainty for everyone, has given us a workforce that is engaged, motivated and will be the foundation for building our future success.

### **Balance Sheet and Liquidity**

The Group has a strong balance sheet, with net cash of c. £156m at the end of the quarter. This is up from c. £83m at the end of Q1, due primarily to the partial unwind of our temporary debtor receivable and a strong focus on cash collection. Debtor days remain at pre-COVID levels and we are not currently experiencing increased levels of bad debt. We have good banking relationships and facilities, including a £30m committed Revolving Credit Facility, expiring in 2022. We have

agreed a covenant waiver for the next 12 months on this facility, to ensure we retain access to these funds should they be required.

The Group has also been approved for the Bank of England's Covid Corporate Finance Facility (CCFF). This facility has a maximum availability of £300m, although we do not currently envisage having to draw down on it.

We continue to model a range of different scenarios to ensure the Group has sufficient liquidity at all times.

### ***Managing our Cost Base***

We have a flexible and highly diversified business model that enables us to react quickly to changes in market conditions. Our aim is to balance tight cost management, while ensuring we position the Group to take full advantage of all opportunities as conditions improve.

As we outlined in Q1, we sought to reduce our cost base in Q2 by around 20-25% compared to March. Through a mixture of voluntary salary cuts, reduced working weeks, government assistance schemes, reduced travel, and reduced client and candidate entertaining, we achieved this reduction in our cost base. We are thankful to all our people who volunteered to take salary reductions, work four day weeks or make other sacrifices for the long term benefit of the Group during Q2.

Following the fall in headcount of 132 in Q1, it fell a further 255 in April as previously forecasted, and then a further 326 in May and June combined. Our Fee earner headcount fell by 531 in Q2, mainly in the UK and the Americas. These were recent joiners, who were therefore very inexperienced in recruitment, or those on performance review. Our operational support headcount decreased by 50 in Q2. Due to this decrease in fee earner headcount, our fee earner to operational support staff ratio is now 77:23. This represented 5,392 fee earners and a total headcount of 6,985. This figure is inclusive of 406 full time furloughed employees in the UK and the US (327 fee earners and 79 support staff). Where staff are on partial furlough, as is the case in large parts of Continental Europe, they are still represented by 1 FTE.

### ***Forward activity levels improving***

During Q2, activity levels started to pick up in several of the Group's markets. We have seen improvements in our main forward looking KPIs in a number of the Group's markets, such as new opportunities, candidates sent to clients, interviews and offers. To enable the Group to continue to drive this activity into gross profit, we have reinstated all of our staff back to full pay from 1 July. Importantly, we want to maximise the engagement, motivation and loyalty of our people as we as a leadership team will be judged on how we led this business through this difficult time, measured by the loyalty and commitment of our experienced people in future months and years. Compared to March, we expect this to reduce the saving in our cost base from c. 21% in Q2 to c. 10% in Q3. While this is to drive future gross profit, there is always a lag between increased activity and gross profit, particularly within permanent recruitment. We are taking these actions at this point because we believe this is the right thing to do, but clearly this pandemic is also unpredictable and the shape of any recovery is unknown.

### ***Capitalise on market opportunities***

Having lost our fee earners with little experience, we are also selectively hiring experienced fee earners from the competition at all levels, where we have seen an unprecedented level of applications during the period. We believe the Group is well positioned to take market share as and when trading conditions improve.

### ***Financial Guidance***

With COVID-19 continuing to impact the majority of our markets around the world, it is too early 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 the COVID-19 pandemic during Q2, resulting in Group gross profit declining -47.6% in constant currencies, down from -11.7% in Q1. In constant currencies, Michael Page was down -46.0%, with Page Personnel declining -51.0% in the quarter.

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

EMEA (53% of Group)	Gross Profit (£m)		Growth Rates	
			Reported	Constant
Q2 2020 vs. Q2 2019	63.2	108.9	-41.9%	-42.9%
H1 2020 vs. H1 2019	154.5	213.1	-27.5%	-27.4%
Headcount at 30 June 2020: 3,149 (including 6 furloughed employees) (31 March 2020: 3,309) <ul style="list-style-type: none"> <li>• France (14% of Group) -52% (-46% in June)</li> <li>• Germany (13% of Group) -20% (-17% in June)</li> <li>• Southern Europe -52% (-42% in June)               <ul style="list-style-type: none"> <li>- Italy -50% (-38% in June)</li> <li>- Spain -53% (-44% in June)</li> </ul> </li> <li>• Benelux -35% (-34% in June)</li> <li>• Middle East and Africa -49% (-44% in June)</li> </ul>				

In Europe, Middle East and Africa, the deterioration in trading conditions we saw at the end of March continued into Q2, but conditions improved as the quarter progressed. France and Southern Europe, where the impact was felt initially most significantly, were both down -52%. However, activity levels increased during the quarter and they exited in June at -46% and -42%, respectively. Germany delivered a resilient performance, declining -20% for the quarter and improving to -17% in June. This was driven mainly by our Technology focused Interim business, which proved most resilient to the deterioration in macro-economic conditions. Overall Michael Page Interim was flat for the quarter. Benelux declined -35% with Belgium down -23% and the Netherlands down -40%. The Middle East and Africa declined -49%. Permanent recruitment declined -50% for the quarter with Temporary down -27%.

Asia Pacific (22% of Group)	Gross Profit (£m)		Growth Rates	
			Reported	Constant
Q2 2020 vs. Q2 2019	25.6	43.7	-41.6%	-41.7%
H1 2020 vs. H1 2019	56.8	81.8	-30.6%	-30.1%
Headcount at 30 June 2020: 1,468 (31 March 2020: 1,599) <ul style="list-style-type: none"> <li>• Asia (18% of Group) -38% (-40% in June)</li> <li>• Greater China (9% of Group and 51% of Asia) -41% (-37% in June)               <ul style="list-style-type: none"> <li>- Mainland China -27% (-17% in June)</li> <li>- Hong Kong -62% (-63% in June)</li> </ul> </li> <li>• South East Asia -35% (-41% in June)               <ul style="list-style-type: none"> <li>- Singapore -46% (-50% in June)</li> </ul> </li> <li>• India -31% (-43% in June)</li> <li>• Japan -36% (-43% in June)</li> <li>• Australia -53% (-48% in June)</li> </ul>				

Mainland China, where all our consultants returned to office-based working in April, declined by -27%. We saw improvements as Q2 progressed and exited the quarter in June down -17%. However, Hong Kong declined -62%, impacted significantly by both COVID-19 and increased social unrest. Overall, Greater China declined -41% for the quarter. South East Asia declined by -35%, with Singapore, which like Mainland China re-opened at the end of February, went back into lockdown in March, and was particularly impacted due to its role as an international hub, was down -46%. India

and Japan were down -31% and -36%, respectively, with both countries impacted later than the rest of the region, with lockdowns enforced from April. As a result, they both exited the quarter slower, down -43% in June. Australia declined -53%, with challenging trading conditions throughout the quarter.

Americas	Gross Profit (£m)		Growth Rates	
			Reported	Constant
(14% of Group)				
Q2 2020 vs. Q2 2019	16.0	37.0	-56.8%	-55.0%
H1 2020 vs. H1 2019	46.9	69.2	-32.2%	-29.8%
Headcount at 30 June 2020: 1,184 (including 76 furloughed employees) (31 March 2020: 1,362)				
<ul style="list-style-type: none"> <li>North America (10% of Group) -49% (-51% in June) <ul style="list-style-type: none"> <li>US -49% (-52% in June)</li> </ul> </li> <li>Latin America (4% of Group) -63% (-57% in June) <ul style="list-style-type: none"> <li>Brazil -60% (-47% in June)</li> <li>Mexico -63% (-61% in June)</li> </ul> </li> </ul>				

In the Americas, gross profit was down -55.0%. In the US, gross profit declined -49% in the quarter, with trading conditions particularly tough in our largest discipline, Property & Construction. In Latin America, conditions deteriorated sharply, with gross profit declining by -63%. Brazil, was down -60% and Mexico, our largest country in the region, was down -63%. Being the last region affected, we have not yet seen improving activity levels.

UK	Gross Profit (£m)		Growth Rate
(11% of Group)			
Q2 2020 vs. Q2 2019	13.5	35.1	-61.5%
H1 2020 vs. H1 2019	42.4	69.4	-38.9%
Headcount at 30 June 2020: 1,184 (including 324 furloughed employees) (31 March 2020: 1,296)			
<ul style="list-style-type: none"> <li>Michael Page -60% (-61% in June)</li> <li>Page Personnel -65% (-65% in June)</li> <li>Overall, June -62%</li> </ul>			

In the UK, gross profit declined by -61.5% in the quarter. Growth slowed to -60% in April and remained broadly flat throughout the quarter. The impact of COVID-19 had a similar impact on both Michael Page and Page Personnel, with a decline of -60% and -65% respectively. Overall for the quarter, Permanent recruitment was down -74% with Temporary down -32%.

## Shares

At 30 June 2020 there were 328,618,774 Ordinary shares in issue, of which 9,684,918 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 8,031,531 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 Second 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 interim results for the six months ending 30 June 2020 on 5 August 2020.

***Enquiries:***

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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/5ee75e678ade18100053d055/jhfg>

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 03 86 45 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 9 July 2020 at:

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