



2009 Results | March 2010



Michael Page  
INTERNATIONAL



# **Michael Page International Financial Results**

## Income statement

	2009 £m	2008 £m	Change	Constant exchange
Revenue	<b>716.7</b>	972.8	-26.3%	-31.5%
Gross profit	<b>351.7</b>	552.7	-36.4%	-41.2%
Operating profit	<b>20.2</b>	140.5	-85.6%	-86.4%
Net interest income/(expense)	<b>0.9</b>	(0.4)		
Profit before tax	<b>21.1</b>	140.1	-85.0%	
Taxation	<b>(8.6)</b>	(42.7)	-79.8%	
Profit after tax	<b>12.4</b>	97.3	-87.2%	
Effective tax rate on profit	<b>41.0%</b>	30.5%		
<b>Earnings per share</b>				
Basic (pence)	<b>3.9</b>	30.3	-87.1%	
Diluted (pence)	<b>3.8</b>	29.9	-87.3%	

## Perm/temp gross profit and gross margins

	2009 £m	2008 £m	Growth Rates	
			Reported	Constant exchange
<b>Gross profit</b>				
Permanent	<b>249.4</b>	425.7	-41.4%	-46.2%
Temporary	<b>102.3</b>	127.0	-19.5%	-24.7%
Ratio (Perm:Temp)	<b>71:29</b>	77:23		

### Gross margins

Permanent	95.9%	94.9%
Temporary	22.4%	24.2%
Group gross margin	49.1%	56.8%



## Dividends, share repurchases and number of shares

<b>Dividend</b>	<b>2009 (pence per share)</b>	<b>2009 £m</b>	<b>2008 (pence per share)</b>	<b>2008 £m</b>
Interim	2.88	9.4	2.88	9.3
Final	5.12*	16.5	5.12	16.3
Total	8.0	25.9	8.0	25.6

\*Proposed and payable on 7 June 2010

<b>Share repurchases</b>	<b>2009 Shares (No.)</b>	<b>2009 £m</b>	<b>2008 Shares (No.)</b>	<b>2008 £m</b>
Repurchased and cancelled	–	–	6.7	16.0
Purchased by EBT	1.0	1.9	0.5	0.9
Total	1.0	1.9	7.2	16.9

	<b>2009 (No.)</b>	<b>2008 (No.)</b>
<b>Weighted average number of shares</b>		
Basic (000's)	321,643	321,475
Diluted (000's)	329,055	325,653

## Cash flow

	2009 £m	2008 £m
Operating profit	20.2	140.5
Depreciation and share scheme charges	20.1	17.6
Decrease in working capital	74.5	27.1
Net cash inflow from operating activities	114.8	185.2
Net interest income/(expense)	0.9	(0.9)
Taxation paid	(28.2)	(53.4)
Net capital expenditure	(11.3)	(26.4)
	76.2	104.5
Dividends paid	(25.9)	(27.3)
Issue of own shares for share options	2.7	2.2
Purchase of own shares for cancellation	–	(16.0)
Purchase of shares held in trust	(1.9)	(0.9)
Net cash inflow	51.1	62.5
Exchange (losses)/gains	(8.2)	21.5
Movement in net cash	42.9	84.0

## Working capital and VAT refund

	Underlying 2009 £m	HMRC 2009 £m	Total 2009 £m	Total 2008 £m
Decrease/(increase) in receivables	70.9	(9.0)	61.9	25.0
(Decrease)/Increase in payables	(37.4)	50.0	12.6	2.1
Decrease in working capital	33.5	41.0	74.5	27.1

- Cash inflow from reduction in underlying trade receivables as activity level slowed
- Debtor days 45 (2008: 56 days)
- Decrease in payables due to lower profit related bonuses
- £50m received from HMRC in respect of overpaid VAT plus interest
- HMRC reviewed refund in September 2009
- Agreement, subject to contract, for MPI to retain £38m of VAT and interest
- Net of 25% fees MPI will retain £28.5m

## Net capital expenditure

	2009 £m	2008 £m
Purchases of fixtures, plant and equipment	3.7	16.1
Purchase of software	7.6	10.3
Total	11.3	26.4

- Maintenance levels of capital expenditure
- Replacement of recruitment system driving software and hardware investment spend
- Data centres built
- Anticipate capex in 2010 of approximately £12m including £7m on system project

## Balance sheet

	2009 £m	2008 £m
Intangible assets - Goodwill	1.5	1.5
- Computer software	18.5	12.3
Tangible assets	31.4	39.1
	51.4	52.9
Trade and other receivables	135.4	205.8
Trade and other payables	(145.6)	(138.4)
	(10.2)	67.4
Current and deferred taxes	18.6	(3.9)
Net cash	137.2	94.3
Net assets	197.0	210.7

## Uses of cash

“” Remains the same

- Support the growth of the business
- Maintain strong balance sheet with net cash position
- Maintain/grow annual dividend - current dividend £26m
- Share repurchases (cancellation/satisfy share plans)



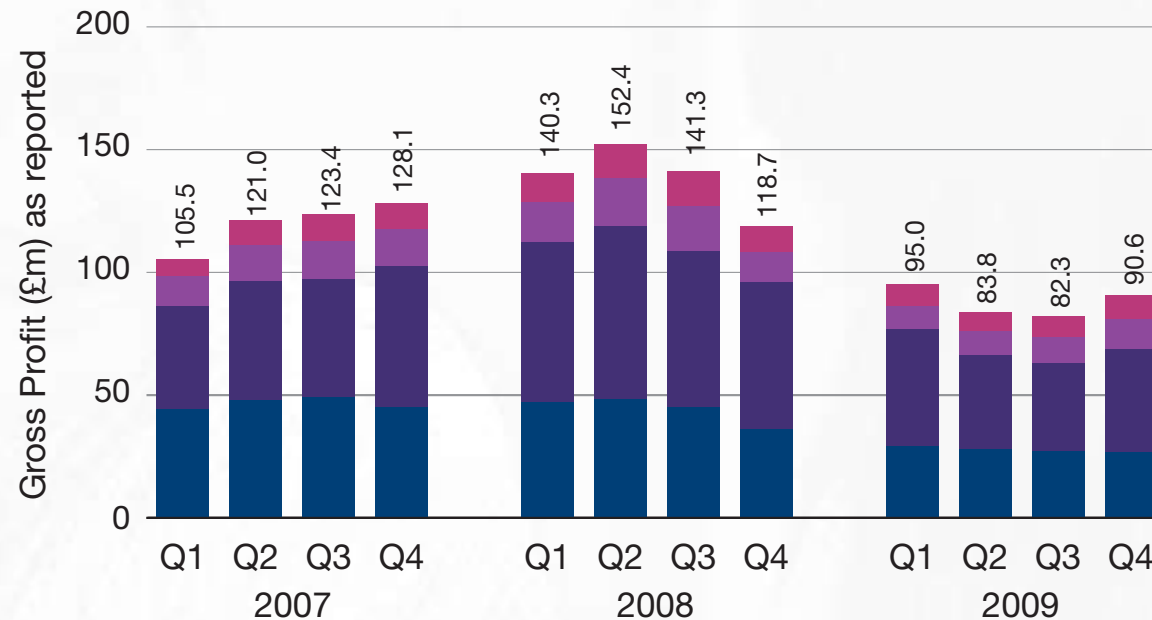


# **Michael Page International Segmental Analysis**



# Geographical analysis of gross profit

“” Diverse by geography



Proportion:

7%	8%	9%	8%
11%	12%	12%	12%
40%	40%	39%	45%
42%	40%	40%	35%

8%	9%	10%	9%
12%	13%	13%	10%
46%	46%	45%	50%
34%	32%	32%	31%

10%	9%	10%	11%
10%	12%	13%	13%
50%	45%	44%	47%
30%	34%	33%	29%

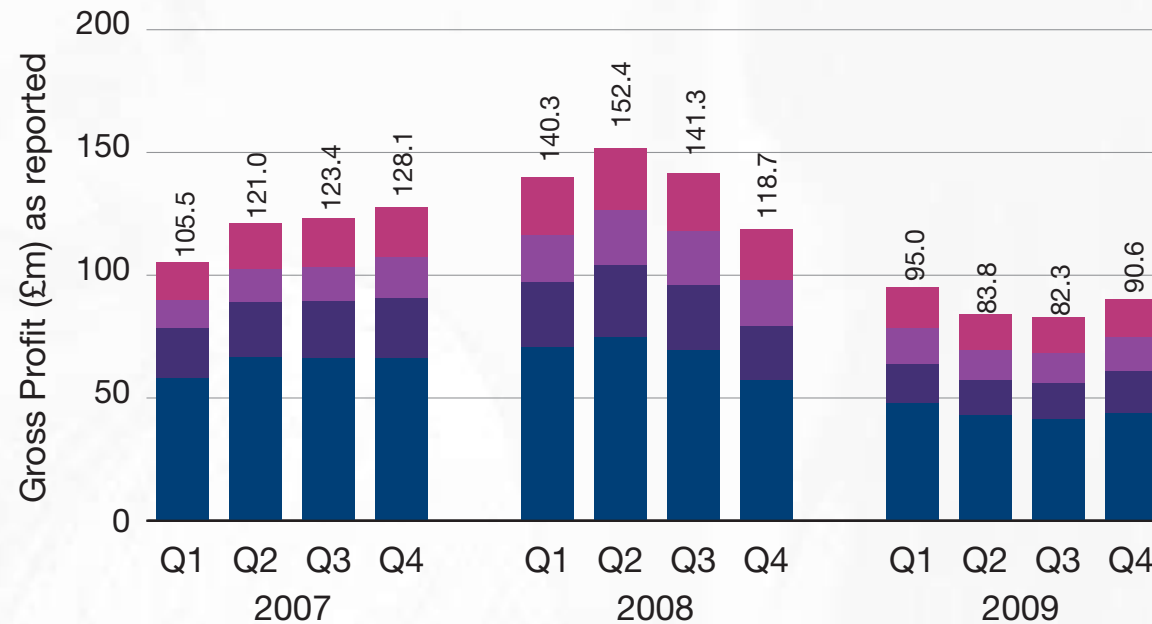
	2009		2008
Gross profit	<b>£351.7m</b>	-36.4%	£552.7m
Operating profit	<b>£20.2m</b>	-85.6%	£140.5m
Headcount	<b>3,549</b>	-28%	4,943

- Reduced dependence on the UK as we expanded internationally
- Downturn started in the US and UK and then spread globally
- Q4 of 2009 - 10% sequential growth
- America's and Asia Pacific are 25% of the Group and growing

The Americas
Asia Pacific
EMEA
United Kingdom

# Discipline analysis of gross profit

“” Diverse by professional discipline



Proportion:

15%	15%	16%	16%
11%	11%	11%	13%
19%	19%	19%	19%
55%	55%	54%	52%

17%	17%	17%	17%
14%	15%	15%	16%
19%	19%	19%	19%
50%	49%	49%	48%

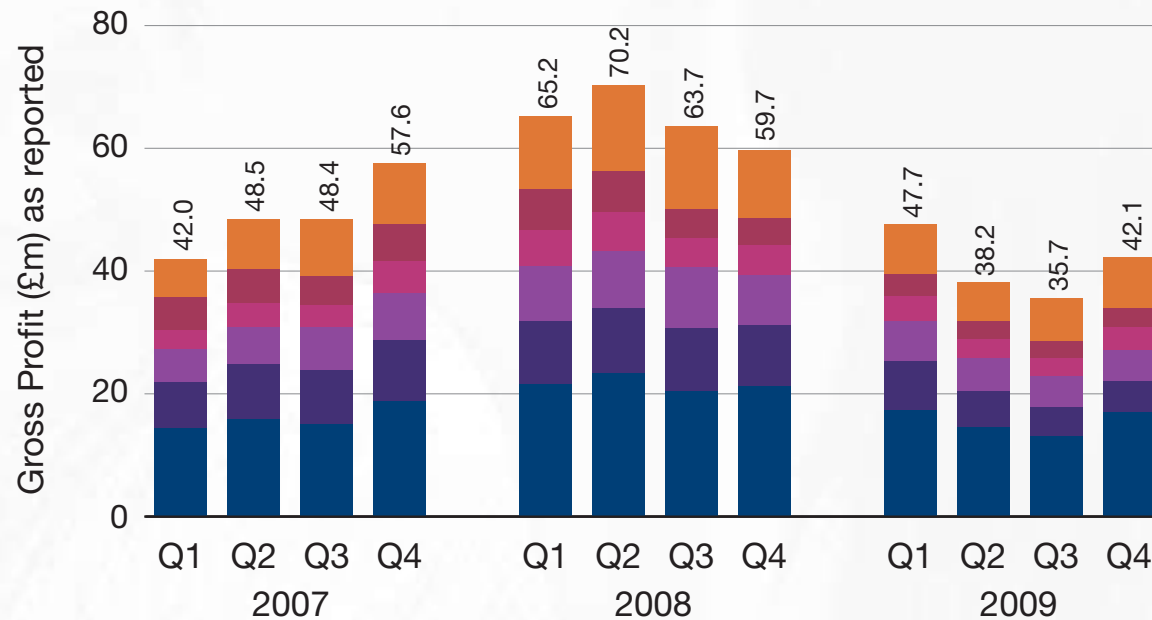
17%	17%	17%	18%
16%	15%	15%	15%
16%	17%	18%	19%
51%	51%	50%	48%

Other Disciplines
Engineering & Supply Chain
Marketing & Sales
Finance & Accounting

	2009		2008
Gross profit	<b>£351.7m</b>	-36.4%	£552.7m
Operating profit	<b>£20.2m</b>	-85.6%	£140.5m
Headcount	<b>3,549</b>	-28%	4,943

- Downturn impacted all disciplines at different times and to different degrees
- Banking suffered first, but is now recovering faster
- Modest investment in 2009 - new businesses, such as Page Personnel, lead with Finance & Accounting

# EMEA



## Proportion:

15%	17%	19%	18%
13%	12%	10%	10%
8%	8%	8%	9%
12%	12%	14%	13%
18%	18%	18%	17%
34%	33%	31%	33%

18%	20%	21%	19%
10%	9%	7%	7%
9%	9%	8%	8%
14%	13%	16%	14%
16%	16%	16%	16%
33%	33%	32%	36%

17%	16%	20%	19%
8%	8%	8%	8%
8%	8%	8%	9%
14%	14%	14%	12%
17%	16%	13%	12%
36%	38%	37%	40%

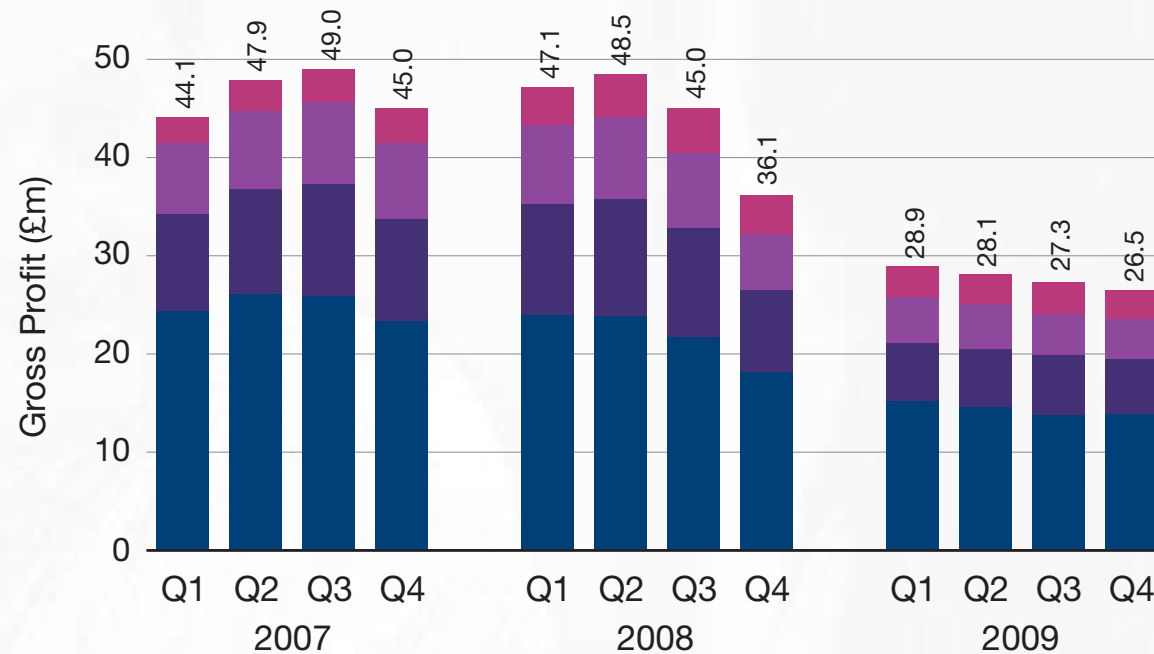
	2009		2008
Gross profit	<b>£163.7m</b>	-37%	£258.8m
Operating profit	<b>£1.1m</b>	-98%	£66.3m
Headcount	<b>1,572</b>	-27%	2,155

- France benefits from strong market leading position
- Spain and Italy well prepared after previous downturns
- Weakest market is in Holland
- Best long-term opportunity is in Germany
- Middle East recovering rapidly
- Remain excited about the 'Rest of EMEA' - 12 countries, limited competition - scope for growth

Rest of EMEA*
Spain
Italy
Germany
Holland
France

\*Rest of EMEA: Belgium, South Africa, UAE, Sweden, Poland, Portugal, Russia, Ireland, Luxembourg, Turkey, Switzerland, Austria

# United Kingdom



## Proportion:

6%	6%	7%	8%
16%	17%	17%	17%
23%	22%	23%	23%
55%	55%	53%	52%

8%	9%	10%	11%
17%	18%	17%	16%
24%	24%	25%	23%
51%	49%	48%	50%

11%	11%	11%	11%
16%	16%	16%	16%
21%	21%	22%	21%
52%	52%	51%	52%

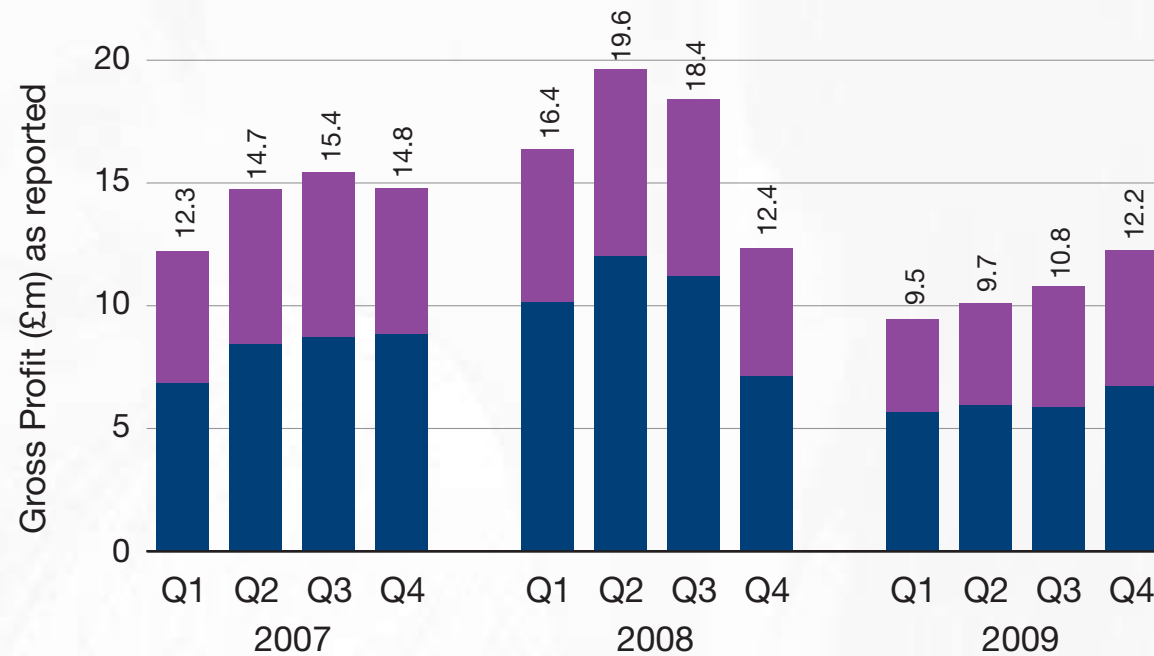
\*Engineering, Property & Construction, Procurement & Supply Chain

	2009		2008
Gross profit	<b>£110.8m</b>	-37%	£176.7m
Operating profit	<b>£11.3m</b>	-76%	£46.6m
Headcount	<b>1,179</b>	-28%	1,640

- Market conditions tough but stable
- Financial Services, Sales and Technology recovering first
- Strength of brand in very competitive market helped maintain profitability

*Eng, P&C, P&SC
Legal, HR, Technology, Secretarial & Other
Marketing, Sales & Retail
Finance & Accounting

# Asia Pacific



## Proportion:

44%	43%	43%	40%
56%	57%	57%	60%

38%	39%	39%	42%
62%	61%	61%	58%

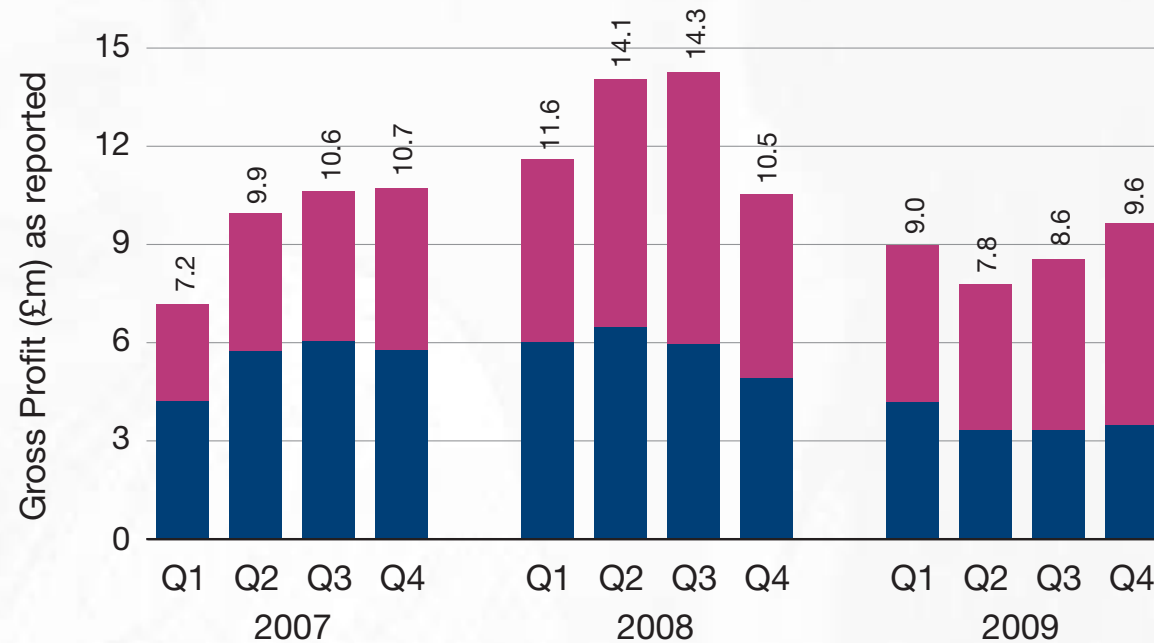
40%	43%	45%	45%
60%	57%	55%	55%

Asia
Australia & New Zealand

	2009		2008
Gross profit	<b>£42.2m</b>	-37%	£66.8m
Operating profit	<b>£8.1m</b>	-64%	£22.4m
Headcount	<b>403</b>	-37%	638

- Downturn impacted later but quicker
- All parts of Asia stabilised and started to recover earlier
- Strong long-term prospects in China
- Australia, in local currency, achieved sequential growth in Q4 2009
- Launched Page Personnel in Australia

# The Americas



## Proportion:

41%	42%	43%	46%
59%	58%	57%	54%

48%	54%	58%	53%
52%	46%	42%	47%

53%	58%	61%	64%
47%	42%	39%	36%

Latin America
North America

	2009		2008
Gross profit	<b>£35.0m</b>	-31%	£50.5m
Operating profit	<b>(£0.2m)</b>	-104%	£5.3m
Headcount	<b>395</b>	-22%	510

- Latin America now nearly two thirds of the region
- Brazil stabilised and now recovering
- Mexico and Argentina performing well, grew year-on-year
- North America remains tough but stable





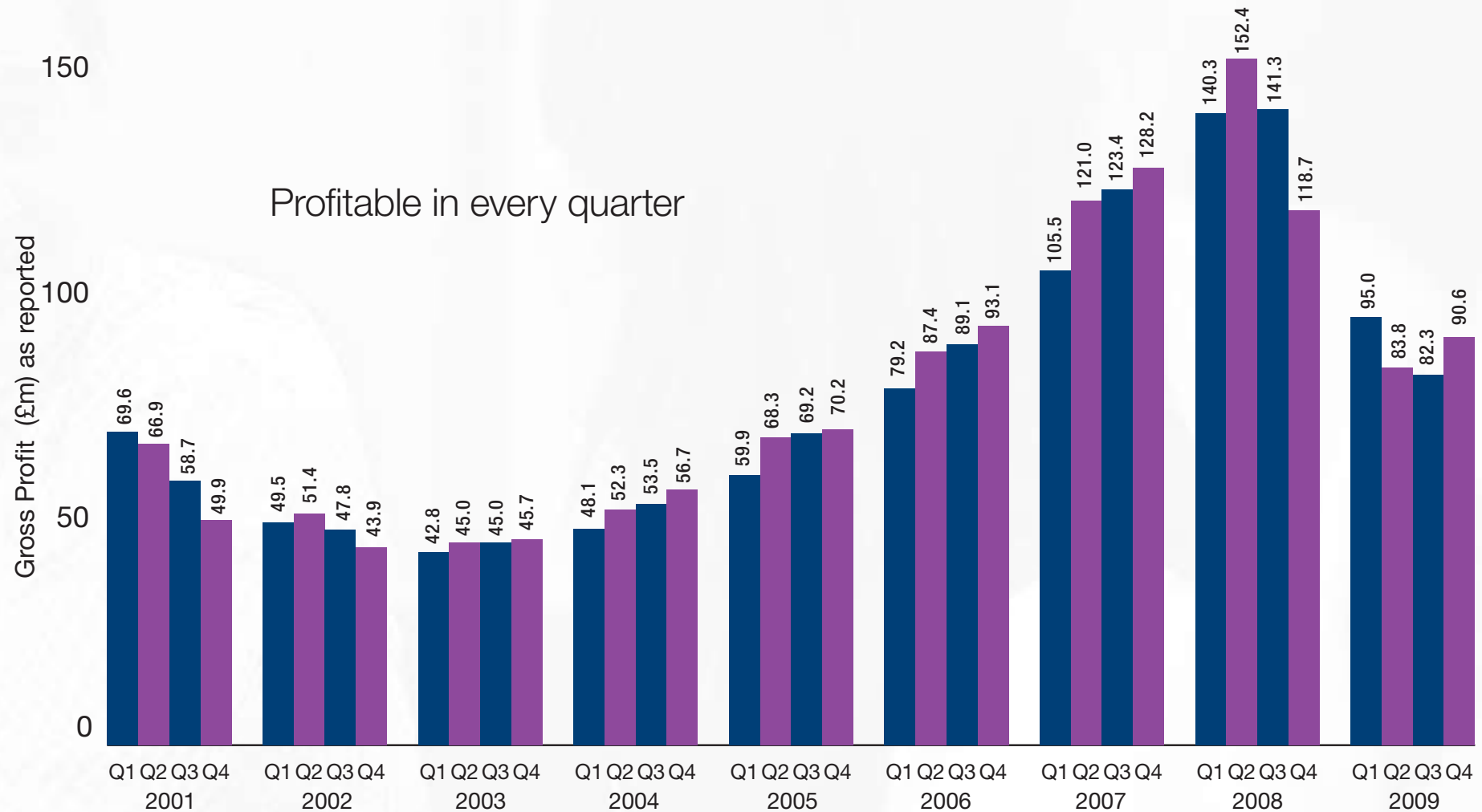
# Michael Page International Strategy

“” Consistent over time



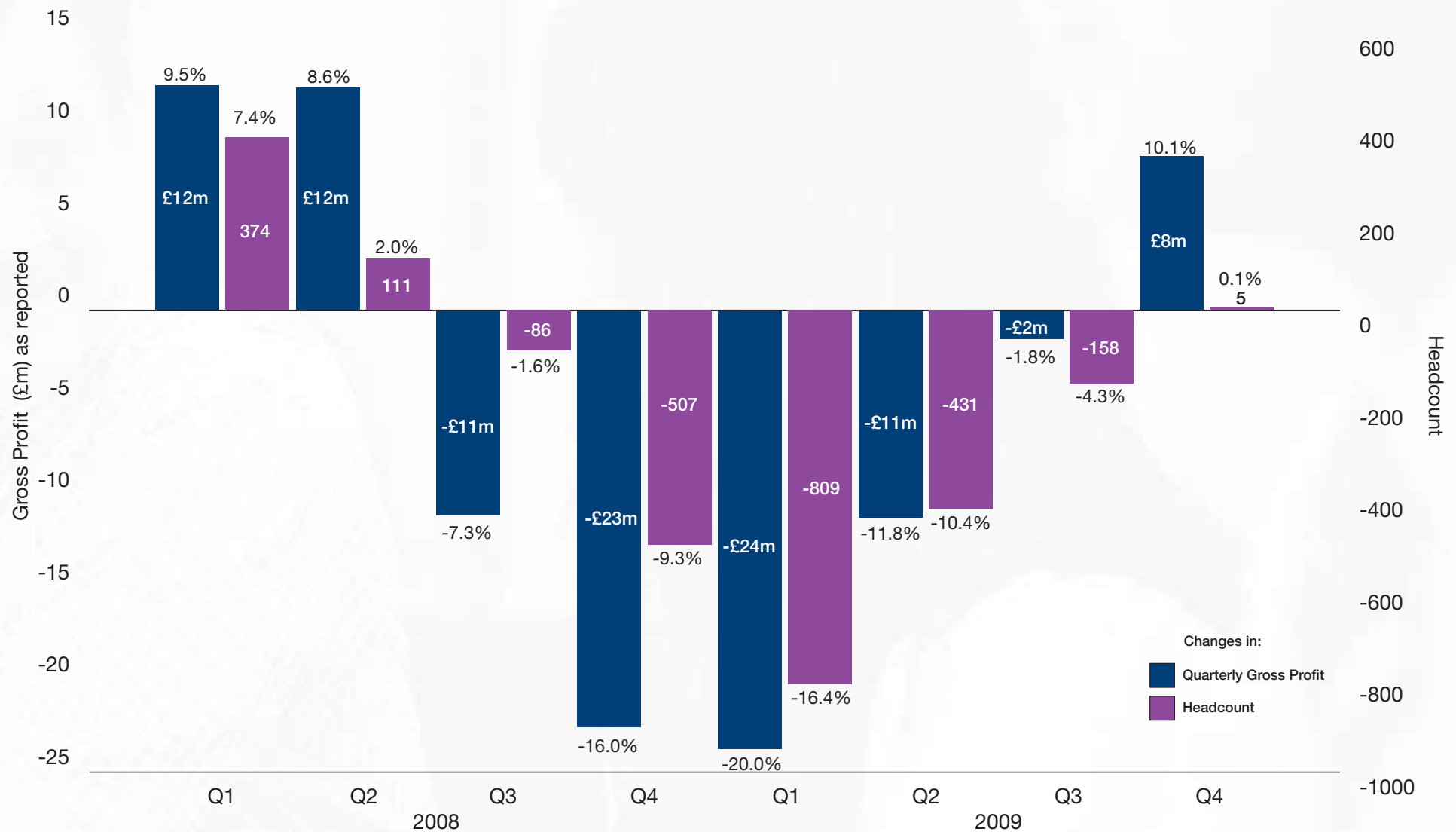
# Group quarterly gross profit trend: 2001 to 2009

“” 10% sequential growth in Quarter 4, 2009



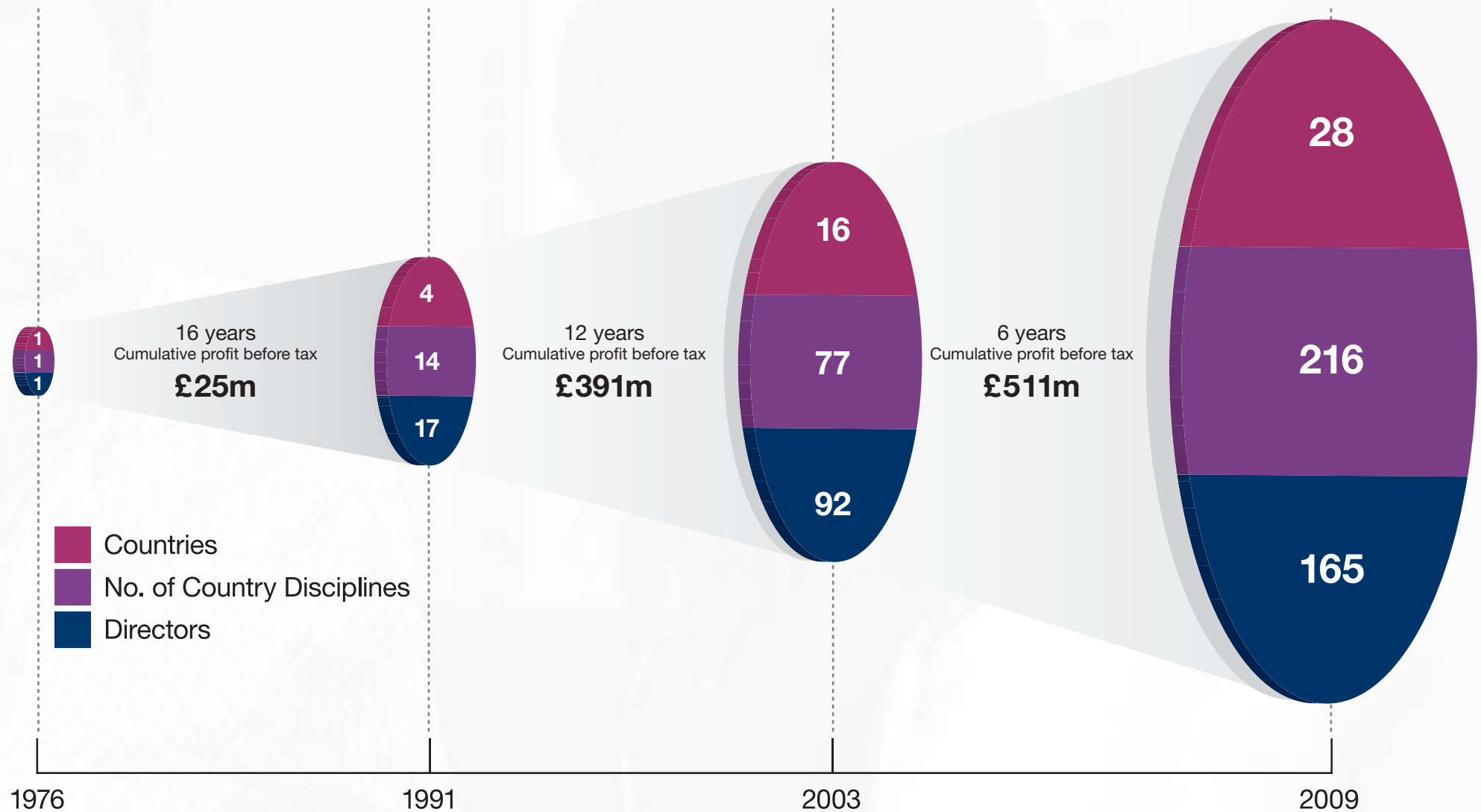
# Variance in quarterly gross profit and headcount 2008 - 2009

“” Quick to react



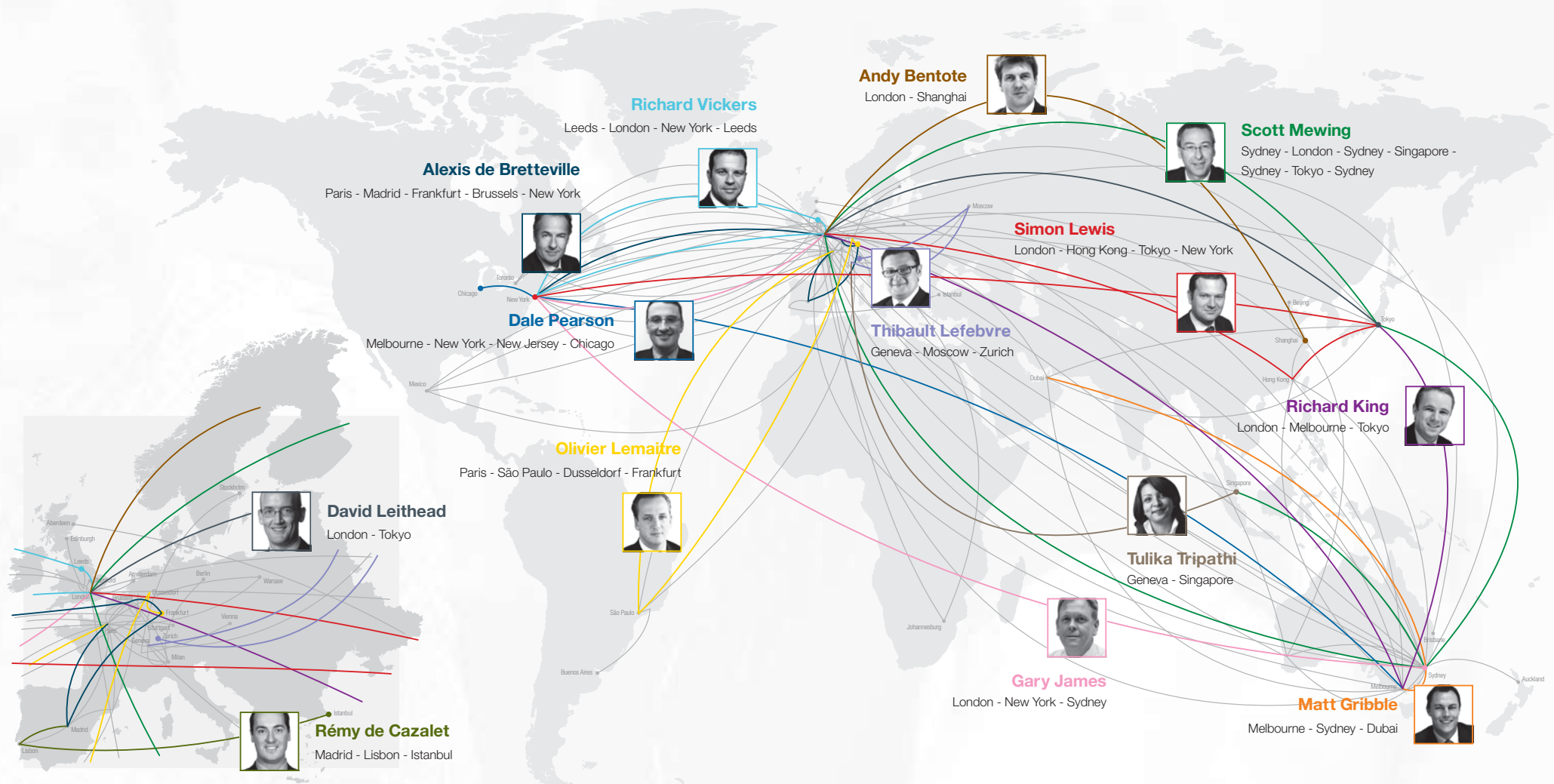
# Foundations for the future

“” The expanding platform



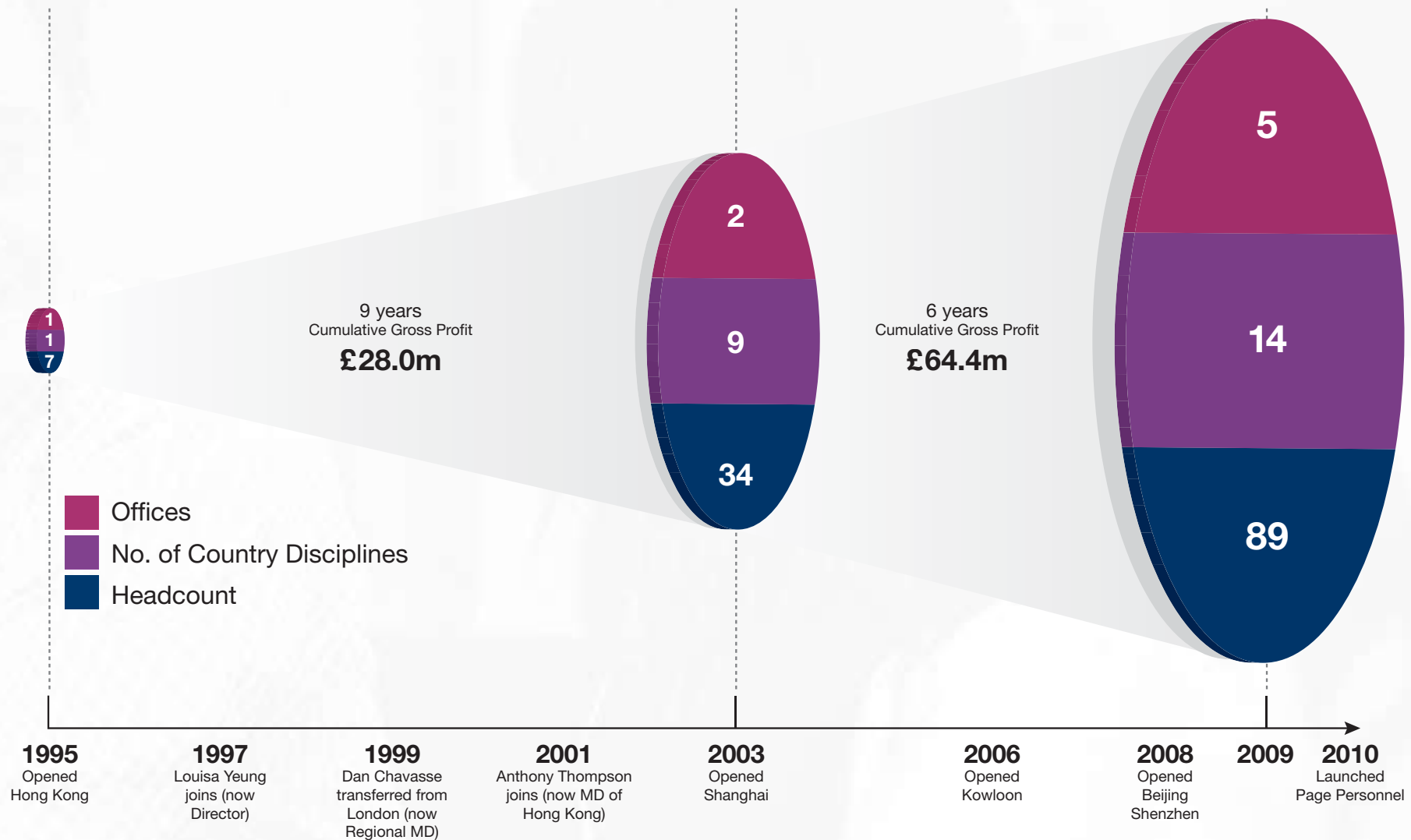
# Organic global expansion

“” Strength, depth and consistency by growing organically



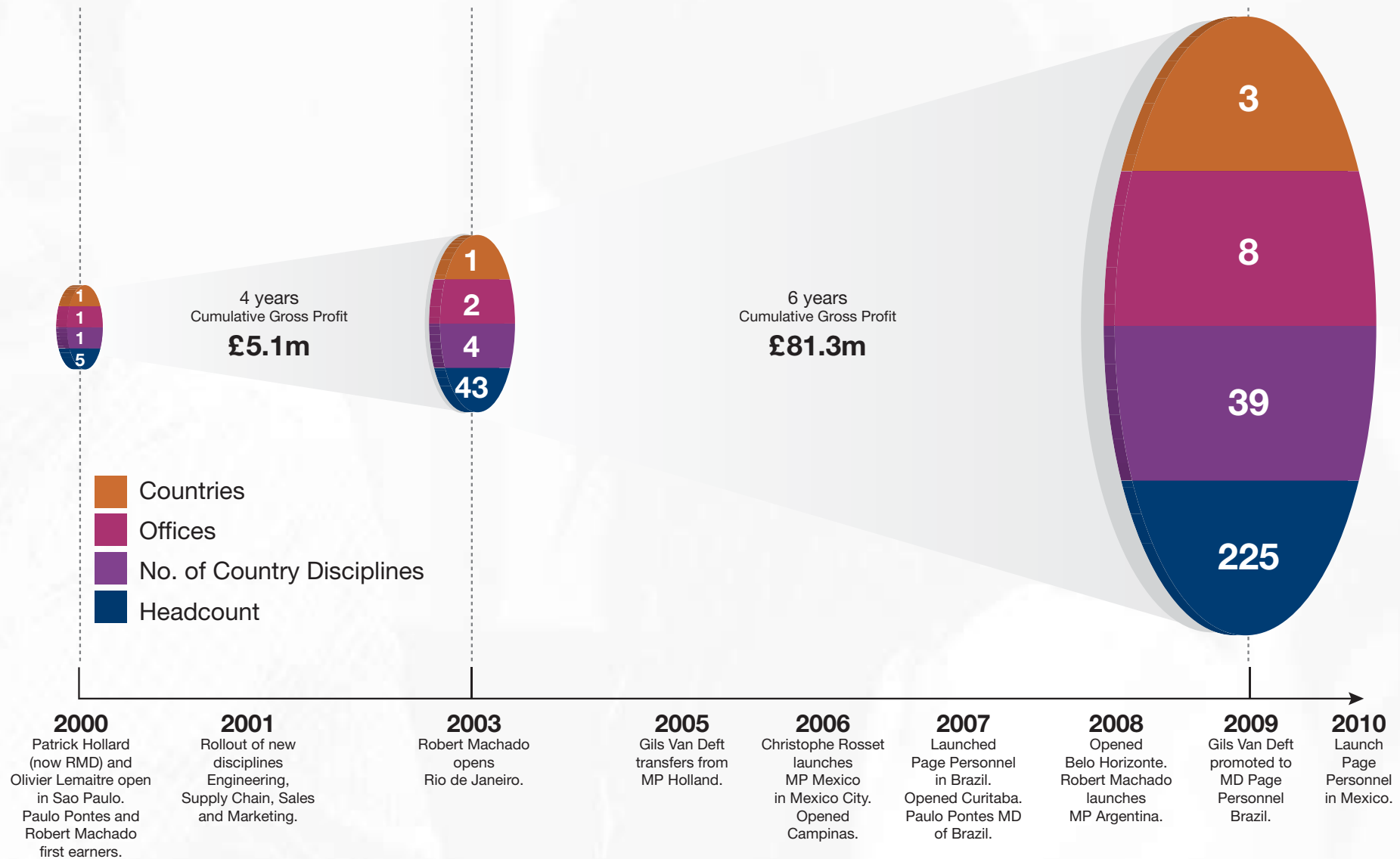
# Development of Hong Kong & China

“” Strength, depth and consistency in high potential markets



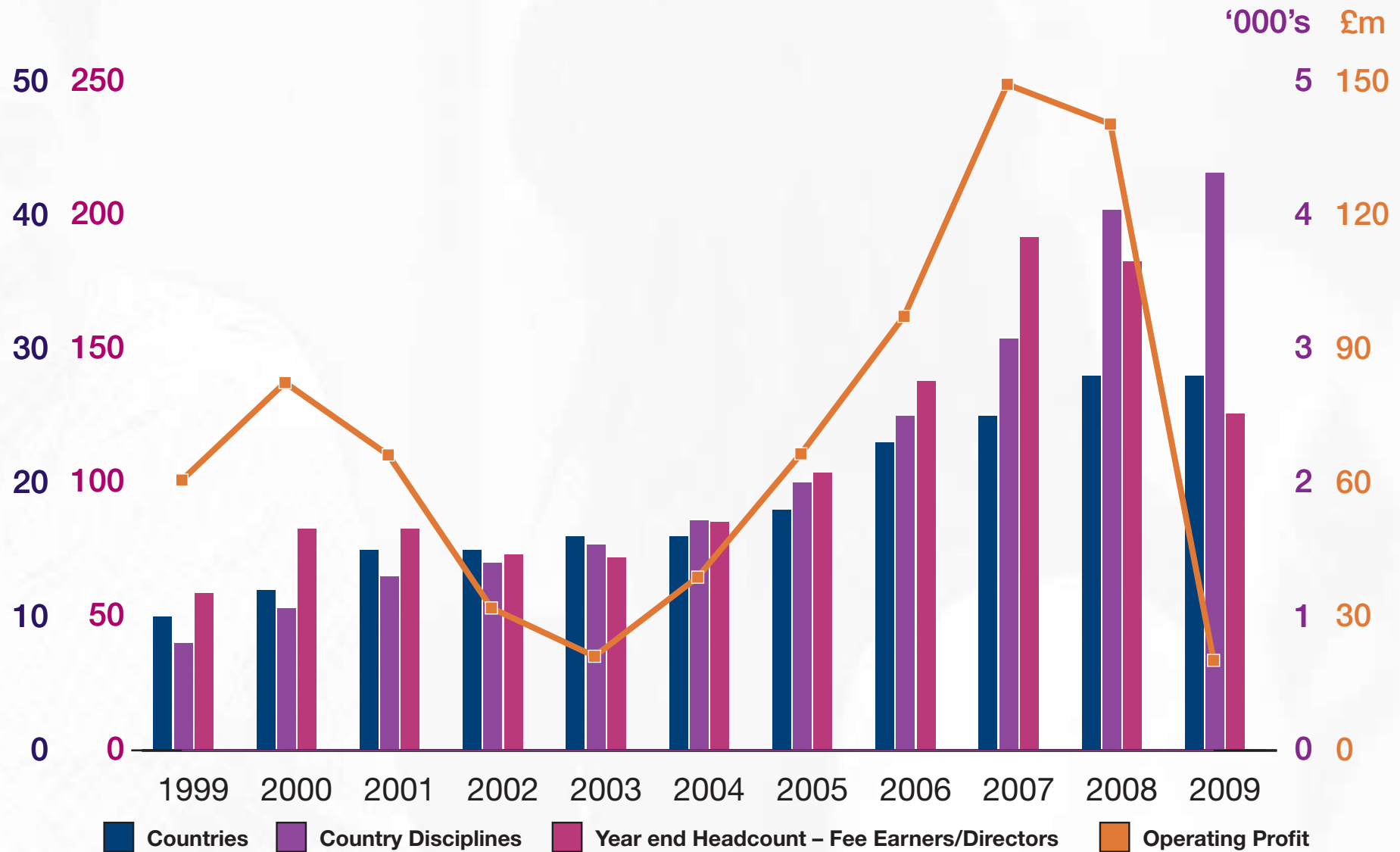
# Organic growth: Latin America

“” Strength, depth and consistency in high potential markets



# Development of a global platform

“” Capacity for growth

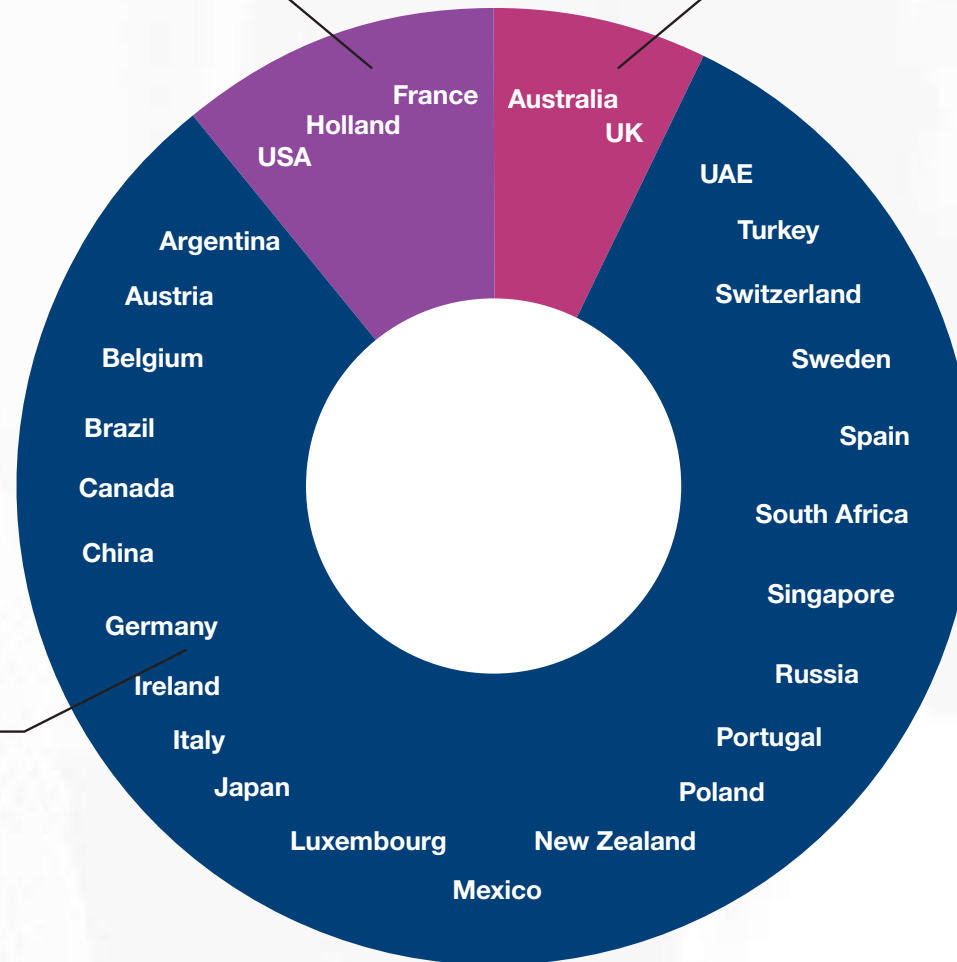




## Positioned for growth

- 600 Fee Earners
- 2003-2007 Gross Profit CAGR 21%
- 1991-2000 Gross Profit CAGR 28%

- 1000 Fee Earners
- 2003-2007 Gross Profit CAGR 15%
- 1991-2000 Gross Profit CAGR 28%

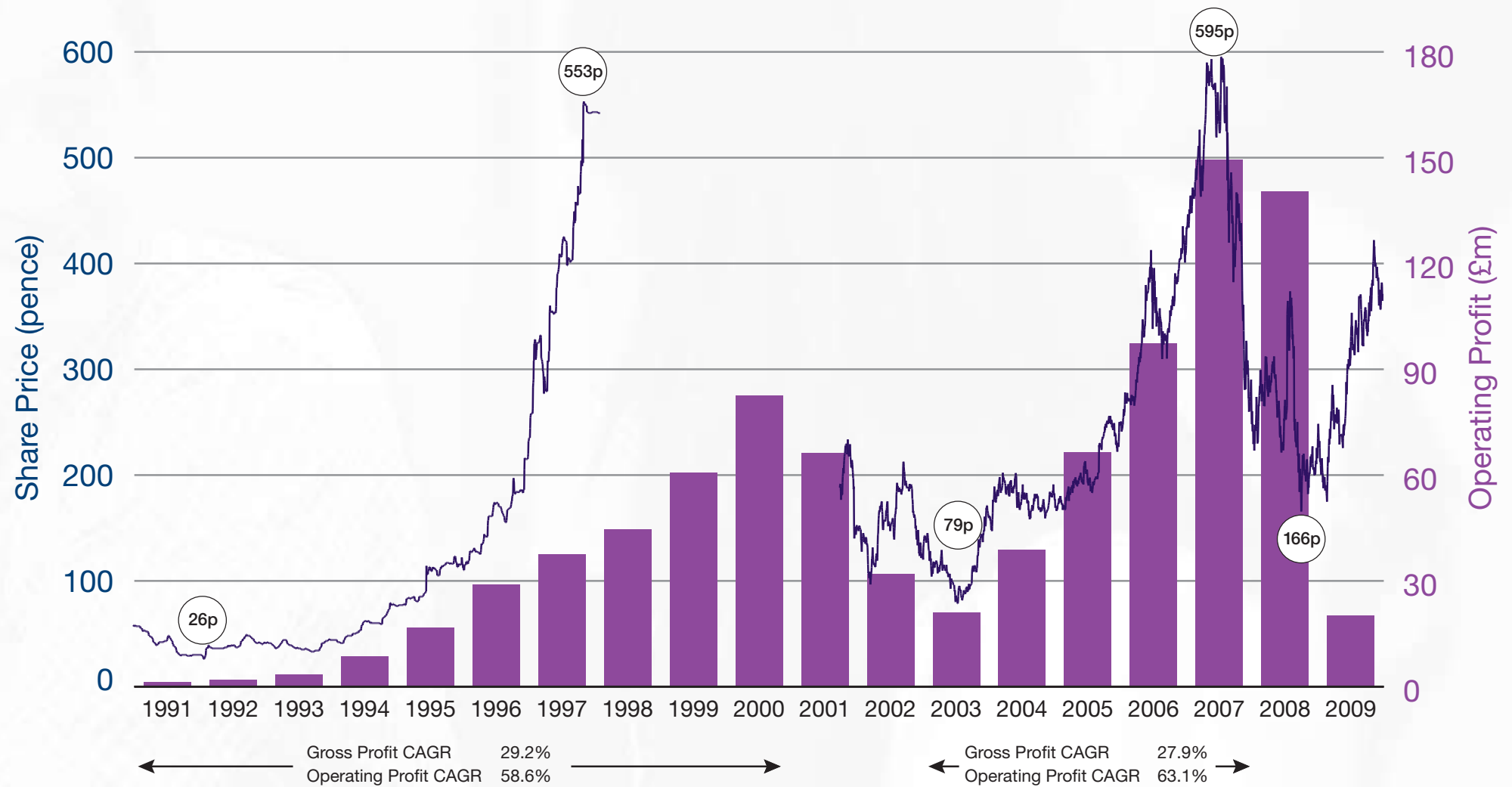


- 1000 Fee Earners
- 2003-2007 Gross Profit CAGR 42%
- 1991-2000 Gross Profit CAGR 44%

**KEY:**  
 Percentage of recruitment outsourced  
 ■ >70% Developed  
 ■ 70-30% Developing  
 ■ <30% Underdeveloped

# Operating profit and share price development

“” Track record of recovery



## Summary and outlook

- Economic downturn was deep, tough and global
- Reaction was swift, precise and calculated
- Maintained long-term perspective
- Track record of strong recovery from previous downturns
- Opportunities for growth are numerous
- Well positioned in underdeveloped markets
- Recovering in several markets and geographies

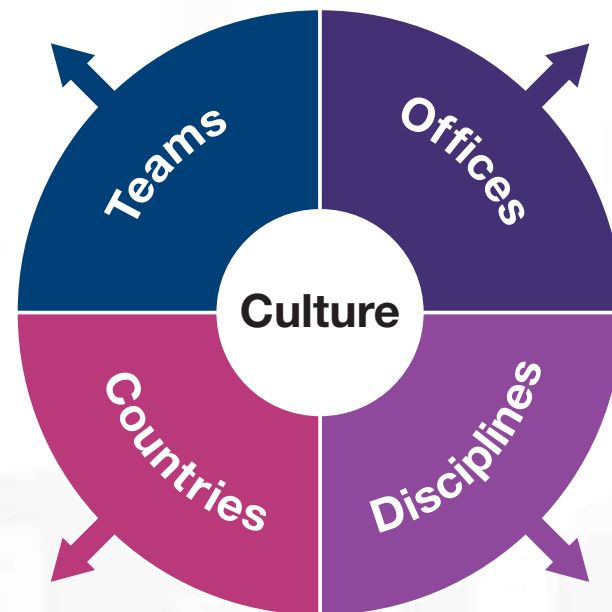


# **Michael Page International Appendices**

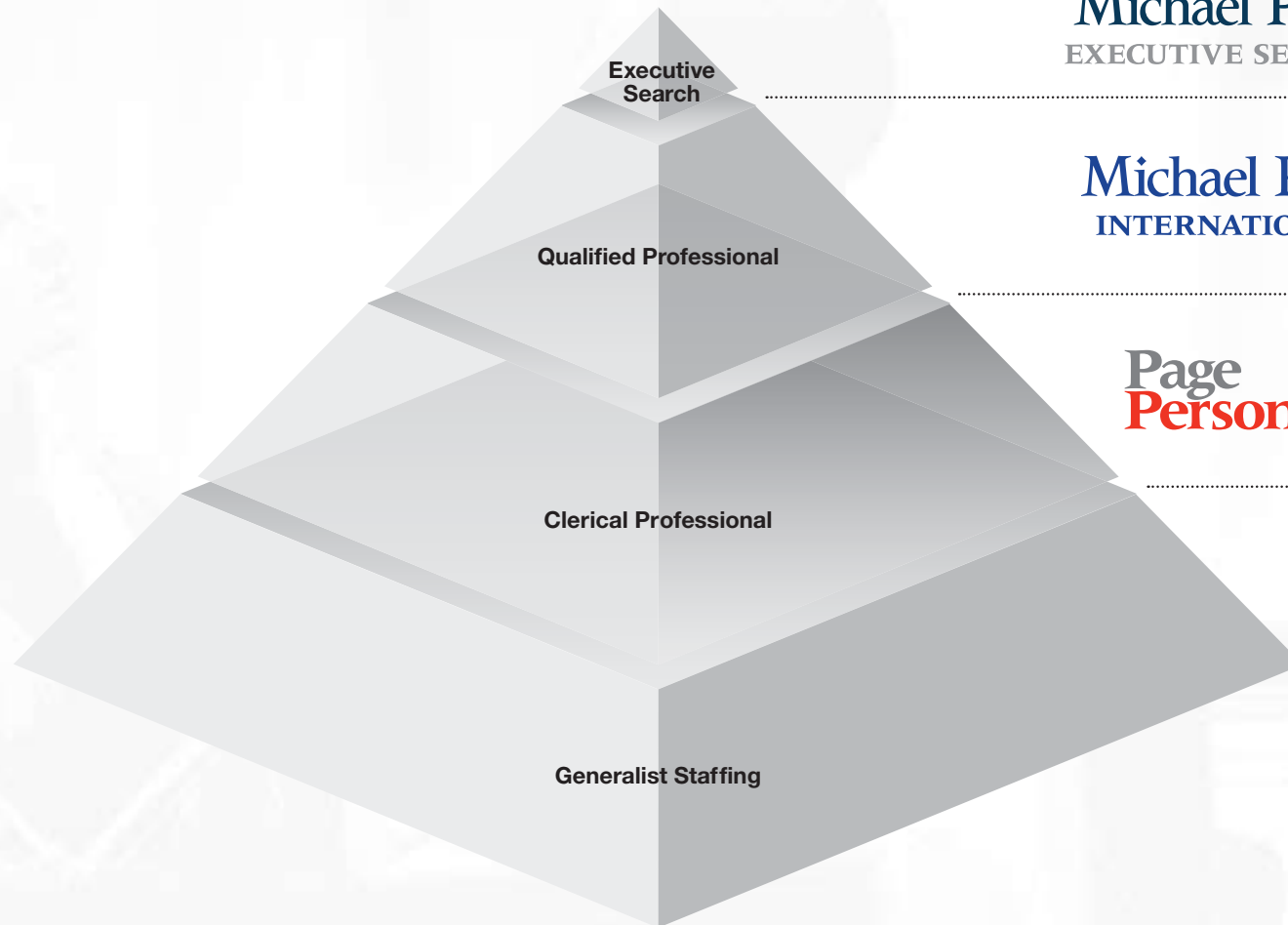


# Michael Page International strategy

To increase the **diversification** of Michael Page International by **organically growing** existing and new teams, offices, disciplines and countries with a consistent **team** and **meritocratic** culture and consistent client and candidate delivery.



# Clear on brand



**Michael Page**  
EXECUTIVE SEARCH

**Michael Page**  
INTERNATIONAL

**Page**  
**Personnel**

**28** Countries  
**104** Offices  
**1,912** Fee Earners

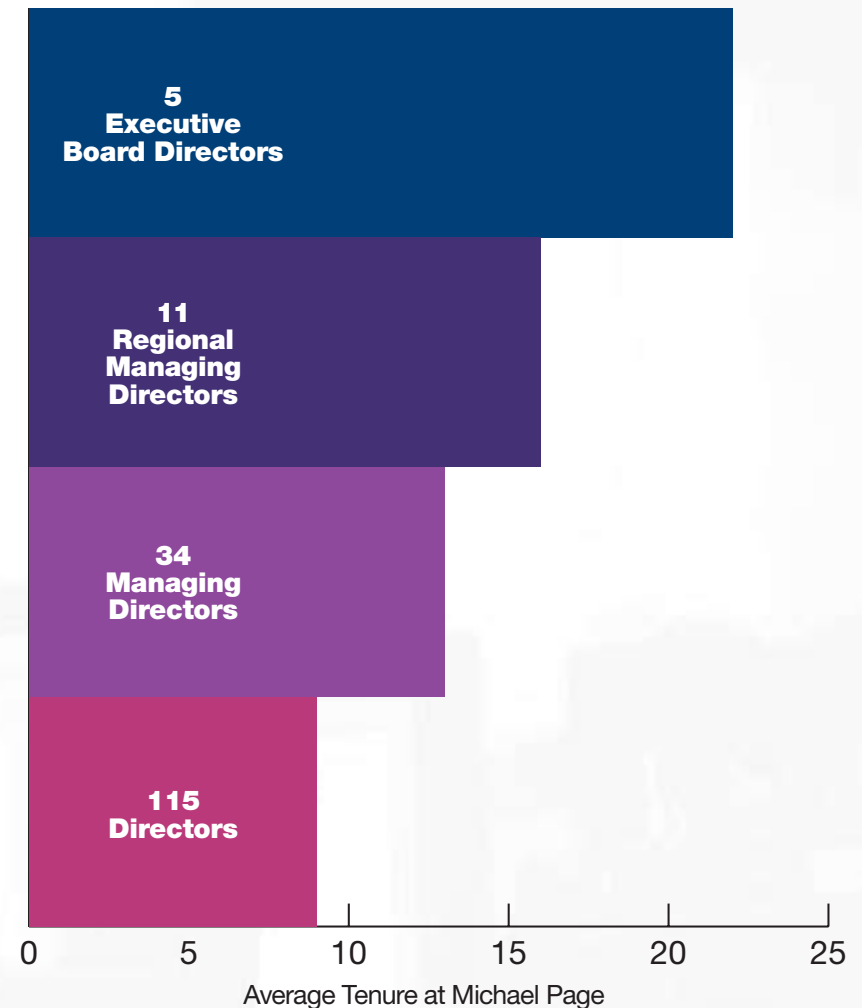
**11** Countries  
**61** Offices  
**603** Fee Earners

# Growing organically

## DEPTH OF EXPERIENCE AT 31 DECEMBER 2009

Senior Operational Management	No.	Tenure in MP
Executive Board	5	22 years
Regional Managing Directors	11	16 years
Managing Directors	34	13 years
Directors	115	9 years
	165	Ave c.11 years

- Directors experienced in managing upturns and downturns
- Strength of working relationships improves communication
- Hired and trained in one culture
- Remuneration linked to profit





# Team

## BUSINESS MODEL – FLEXIBLE WITH HEADCOUNT

- c600 teams worldwide, typically a Manager and 3 Consultants
- Manager has full P&L responsibility for team
- Significant share of profit each quarter allocated to team as bonus
- Individual bonuses allocated subjectively, based on contribution and value to team
- New consultant hired, team costs rise ~20%, consultant lost, team costs fall ~20%
- Teams in bull market maximise potential from existing members before hiring after Director authority
- Teams in bear market ensure they reward, using bonus, to retain strongest/lose weakest

# Team

## MANAGING COSTS

### IT (c10%)

- Data centre consolidation
  - reduces support staff
  - greater resilience and disaster recovery

### MISCELLANEOUS (c5%)

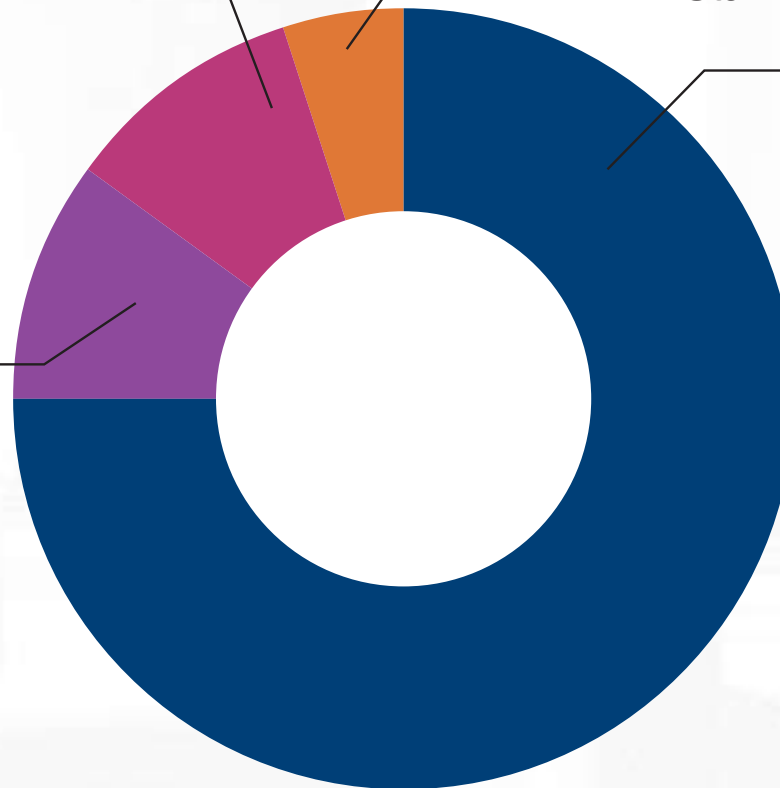
- Travel
- Staff welfare

### PROPERTY (c10%)

- Concentrate within network
- Consolidate when leases permit - Paris, London, Madrid

### STAFF COSTS (c75%)

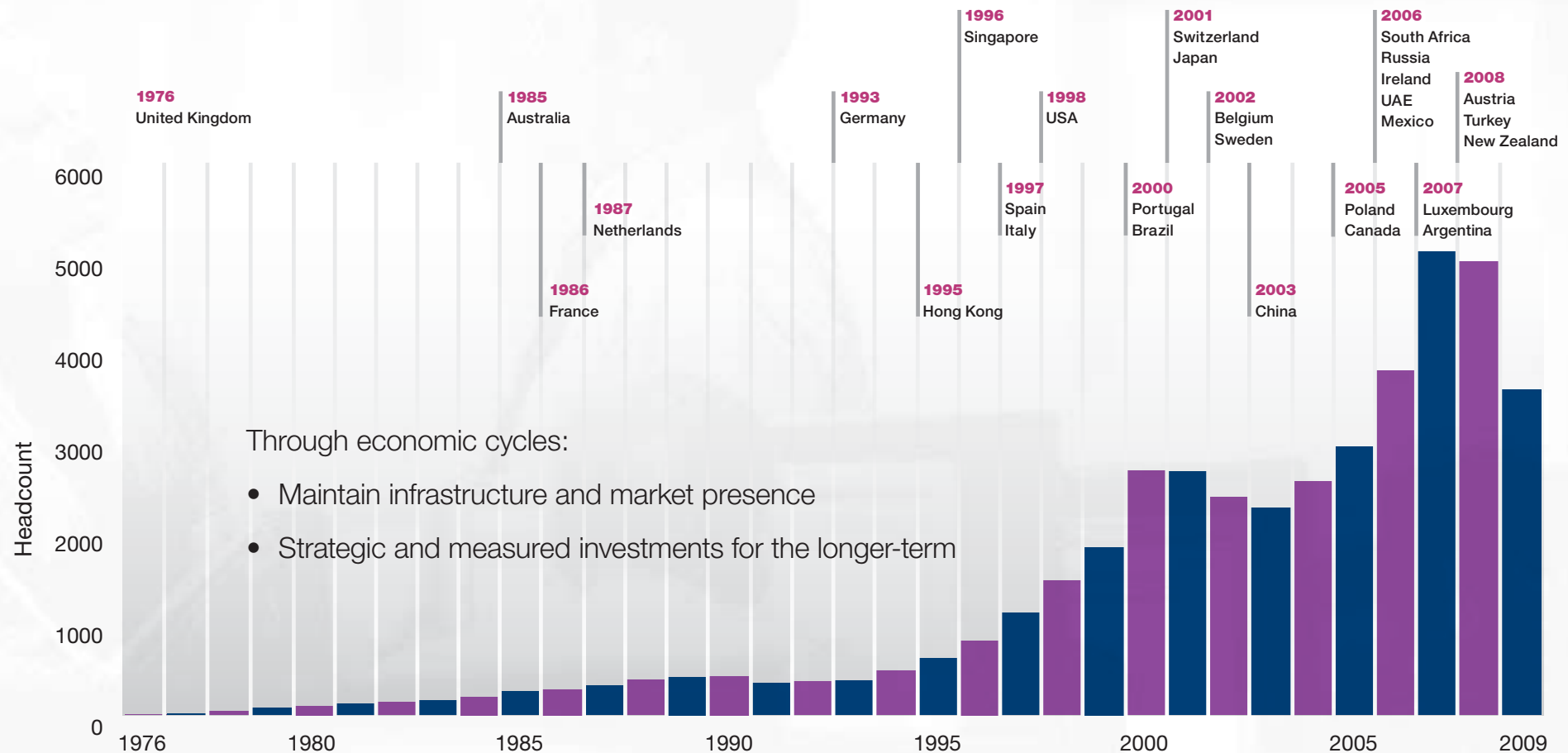
- Headcount - reacting to market conditions
- Reductions largely through natural attrition and redundancy where necessary
- Salary Reviews: 2009 - nil, 2010 - 2.5%
- Consistent profit share model, bonuses flex with profits



## Consistent over time

- No acquisitions, one IT platform, one culture, one remuneration strategy
- Consistent recruitment, training, development to ensure consistent quality of fee earners
- Consistent brand strategy
- Organic growth, home-grown Directors/MDs run all disciplines/countries
- **Strategic and measured investment and ongoing commitment to existing businesses in downturns has maximised growth in upturns**

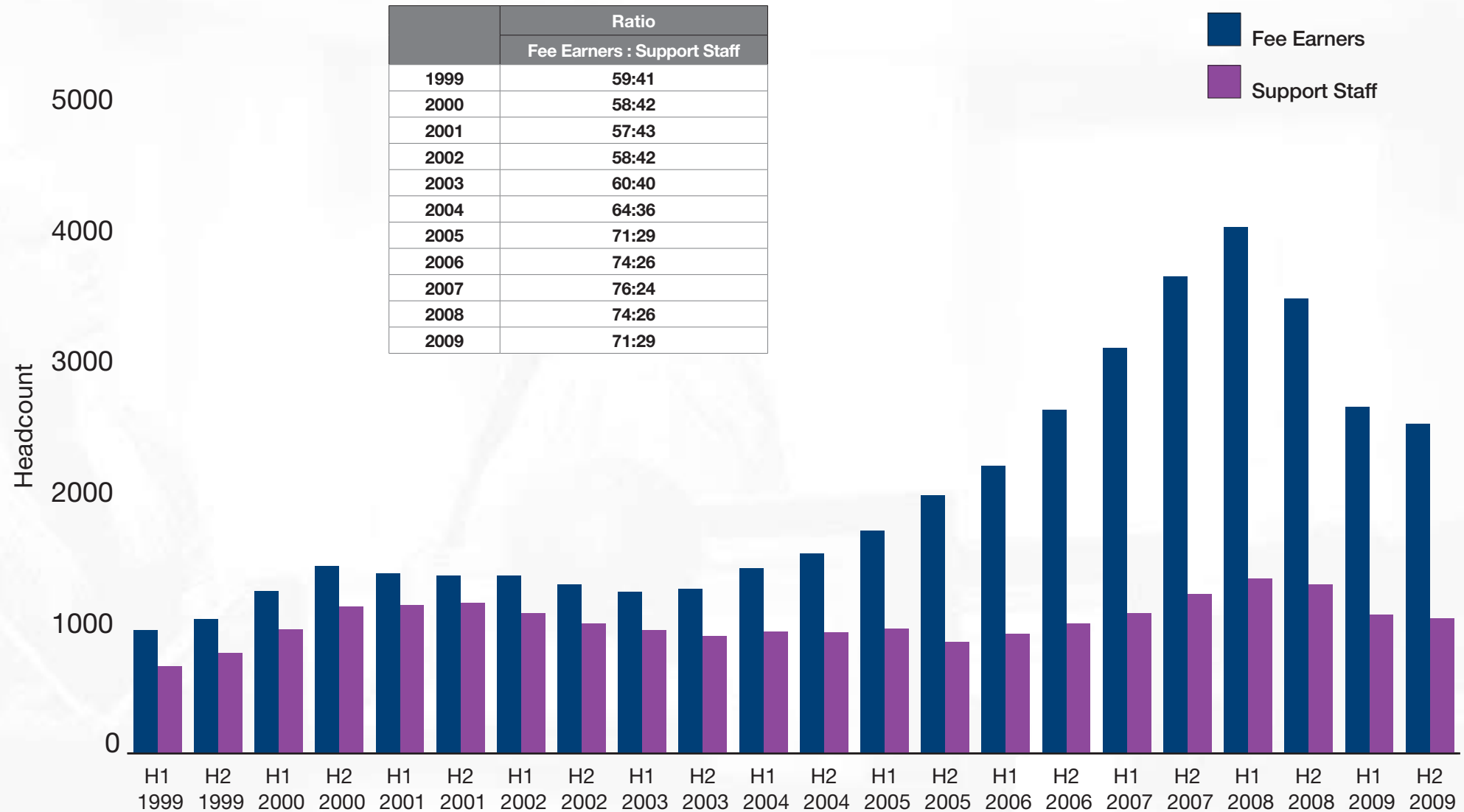
# Long term on investment



## Underlying trends driving the recruitment market

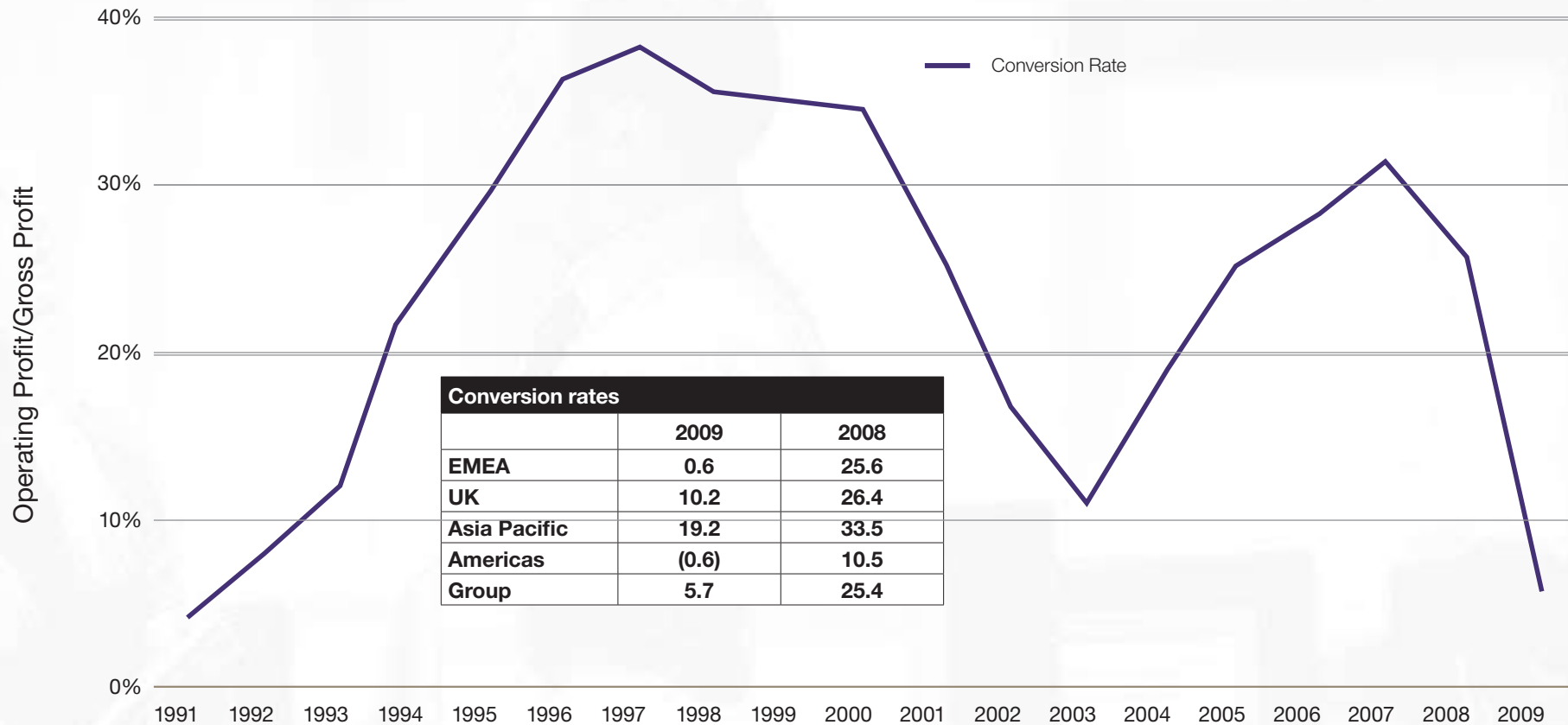
- Increasing compliance
- Increasing candidate demands
- Increasing candidate shortages
- Increasing mobility
- Increasing sophistication
- Increasing complexity to access candidates

# Fee earner/support staff headcount trend





# Conversion rates through cycles



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