

13 October 2015

## THIRD QUARTER 2015 INTERIM MANAGEMENT STATEMENT

### Highlights\*

- 10.2% Group gross profit growth, good contributions from all four regions
- FX lowered gross profit by c.£7m (c.£18m YTD)
- Double-digit growth in EMEA and UK
- Growth in Asia Pacific and Americas; tough markets in Brazil and Australia
- Net cash of c.£130m pre interim and special dividends of £61.3m, paid on 2 October

*\*in constant currencies*

### Q3 GROSS PROFIT ANALYSIS

		Reported (£m)			Constant
Year-on-year	% of Group	Q3 2015	Q3 2014	%	%
EMEA	37%	51.7	49.6	+4.3%	+13.2%
UK	29%	39.7	35.3	+12.5%	+12.5%
Asia Pacific	20%	28.3	28.0	+1.0%	+5.3%
Americas	14%	19.5	20.0	-2.4%	+5.5%
<b>Total</b>	<b>100%</b>	<b>139.2</b>	<b>132.9</b>	<b>+4.8%</b>	<b>+10.2%</b>
Permanent	76%	105.6	101.0	+4.6%	+9.8%
Temporary	24%	33.6	31.9	+5.3%	+11.3%

Commenting, Steve Ingham, Chief Executive Officer said:

“The Group delivered a fifth consecutive quarter of double-digit growth, up 10.2% in constant currencies. Foreign exchange volatility has been a feature all year and it continued to impact our results, reducing third quarter growth to 4.8% in reported rates.

“Market and trading conditions across and within our regions were mixed. EMEA recorded its best quarter for almost four years, with particularly strong performances from France, Germany and Southern Europe. The UK delivered another quarter of solid growth. Greater China improved sequentially, despite ongoing economic concerns for the region, and the United States continues to grow strongly and now represents the Group’s fourth largest country by gross profit. Elsewhere, trading conditions in Brazil continued to deteriorate and Australia remained challenging.

“With 68% of fee earners live on the system, the roll-out of our new Page Recruiting System continues to progress well. We still anticipate that 80% of the Group’s fee earners will be on the system by the end of the year. Each PRS roll-out also sees the introduction of our next generation website to that country, one part of our approach to ongoing candidate acquisition. LinkedIn is another significant channel for us to acquire candidates and clients. We are therefore very proud that last week LinkedIn named PageGroup as globally the Most Socially Engaged Recruiter in 2015.

“Having increased our fee earners by 25 in the first half, we accelerated our investment during the quarter, adding 136 fee earners primarily into markets where growth was strongest, as well as 24 operational support staff. We maintained our fee earner to operational support staff ratio at 77:23, with the majority of operational support staff additions joining our European Shared Service Centre.

“We are pleased with our performance in the third quarter and, despite the short visibility and challenging conditions in a number of our markets, the Group’s outlook remains positive for the rest of the year. Cash generation in the period was particularly strong with net cash of c.£130m at the quarter end, before payment of interim and special dividends of £61.3m on 2 October. Save for any further movements in foreign exchange, the Board’s expectation for the full year remains unchanged.”

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The Company will host a conference call and presentation for analysts and investors at 8.30am today. The live presentation can be viewed by following the link:

<http://www.investis-live.com/pagegroup/560d1faae491730c0055f811/q3-15>

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

United Kingdom (Local)	020 3059 8125
All other locations	+44 20 3059 8125

Please quote “PageGroup” 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 13 October 2015 at:

<http://www.pagegroup.co.uk/investors/reports-and-presentations/presentations-and-webcasts/2015.aspx>

The Group will issue its Fourth Quarter Trading Update on 12 January 2016 and its Full Year Results on 10 March 2016.

## **Group Trading Update**

Michael Page International plc ("PageGroup") delivered third quarter gross profit of £139.2m, up 4.8% in reported rates, and 10.2% in constant currencies, with good growth in all our four regions. Foreign exchange continued to impact our results negatively, reducing Q3 gross profit by £7m.

## **Headcount**

Having increased our fee earners by 25 in the first half, we accelerated our investment during the quarter, adding 136 fee earners primarily into markets where growth was strongest, as well as 24 operational support staff. We maintained our fee earner to operational support staff ratio at 77:23, with the majority of operational support staff additions joining our European Shared Service Centre. This resulted in fee earner headcount at the end of the quarter of 4,439 and total headcount of 5,782.

## **Market leading technology systems & candidate acquisition**

With 68% of fee earners live on the system, the roll-out of our new Page Recruiting System continues to progress well. We still anticipate that 80% of the Group's fee earners will be on the system by the end of the year. Each PRS roll-out also sees the introduction of our next generation website to that country, one part of our approach to ongoing candidate acquisition. LinkedIn is another significant channel for us to acquire candidates and clients. We are therefore very proud that last week LinkedIn named PageGroup as globally the Most Socially Engaged Recruiter in 2015.

## **Perm/Temp mix**

Group gross profit from permanent recruitment grew 4.6% to £105.6m (Q3 2014: £101.0m) and temporary recruitment grew 5.3% to £33.6m (Q3 2014: £31.9m). In constant currencies, temporary recruitment growth was slightly stronger than permanent recruitment, at 11% and 10% respectively. The ratio of permanent to temporary recruitment stands at 76:24 (H1 2015: 78:22). There is generally a small dip in the ratio in the summer months, reflecting the greater resilience of temporary revenue streams during the holiday season.

## Discipline analysis

		Reported (£m)			Constant
	% of Group	Q3 2015	Q3 2014	%	%
<b>Year-on-year gross profit</b>					
Finance & Accounting	40%	55.7	53.1	+5.1%	+10.4%
Legal, Technology, HR, Secretarial, Healthcare	22%	30.5	26.8	+14.0%	+19.3%
Engineering, Property & Construction, Procurement & Supply Chain	19%	25.9	26.8	-3.7%	+1.7%
Marketing, Sales & Retail	19%	27.1	26.2	+3.5%	+9.0%
<b>Total</b>	<b>100%</b>	<b>139.2</b>	<b>132.9</b>	<b>+4.8%</b>	<b>+10.2%</b>

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

EMEA	Gross Profit (£m)		Growth rates	
(37% of Group)			Reported	Constant
Q3 2015 vs. Q3 2014	51.7	49.6	+4.3%	+13.2%
Headcount at 30 Sept 2015: 2,240 (30 June 2015: 2,154)				
Gross profit in constant currencies:				
<ul style="list-style-type: none"> <li>• <b>France</b> (12% of Group) +12% on Q3 2014</li> <li>• <b>Germany</b> (6% of Group) +14% on Q3 2014</li> </ul>				

EMEA continued to grow strongly, with gross profit growth in Q3 in constant currencies of 13.2%, our highest quarterly growth rate since Q4 2011. There were notable performances from France (+12%), Netherlands (+25%) and a particularly impressive result from Spain, which grew at 48% in the quarter and now represents 10% of EMEA. Spain continues to benefit from our strategy to retain our business platform through tough economic conditions. Page Personnel again grew strongly, up 16%, driven by growth of over 30% in Southern Europe, Germany and Belgium. The Middle East and Africa experienced a tough quarter due to the macro economic environment. Fee earner headcount grew by 75 across the region, principally in Southern Europe and the Netherlands.

UK	Gross Profit (£m)		Growth rate
(29% of Group)			
Q3 2015 vs. Q3 2014	39.7	35.3	+12.5%
Headcount at 30 Sept 2015: 1,522 (30 June 2015: 1,453)			

The UK achieved gross profit growth of 12.5% in the third quarter, with Page Personnel continuing to perform well, up 22% and Michael Page also delivering 10% growth. Within the disciplines, there

were notably positive results for Property & Construction, Legal and HR, while our Retail business faced difficult market conditions. The mix of gross profit and growth rates for the Private Sector (87%) and Public Sector (13%) remained in line with the first half, with growth rates of 12% and 15% respectively. We delivered good growth across all our regions, with London the standout performer across both Michael Page and Page Personnel. Michael Page produced its strongest results in the Midlands and Page Personnel likewise in the North. Fee earner headcount grew 61 in the quarter, 34 of which were our annual graduate intake.

Asia Pacific	Gross Profit (£m)		Growth rates	
(20% of Group)			Reported	Constant
Q3 2015 vs. Q3 2014	28.3	28.0	+1.0%	+5.3%
Headcount at 30 Sept 2015: 1,156 (30 June 2015: 1,138) Gross profit in constant currencies: <ul style="list-style-type: none"> <li>• <b>Asia</b> (15% of Group) +9% on Q3 2014</li> <li>• Greater China (62% of Asia) +12% on Q3 2014</li> <li>• <b>Australia / New Zealand</b> (5% of Group) -2% on Q3 2014</li> </ul>				

Asia Pacific grew gross profit 5.3% in constant currencies in the quarter. However, the impact of foreign exchange, particularly the Australian Dollar and the Japanese Yen, reduced growth to 1.0% in reported rates. Asia grew 9%, buoyed by Greater China which grew 12%, despite the current economic concerns. Japan delivered a record quarter, with growth of 21%. Australasia experienced another challenging quarter, down 2%, although was up 3% sequentially in constant currencies. In Australia, Page Personnel delivered 15% growth, but this was offset by continued difficult macro-economic conditions which impacted our Michael Page businesses. There was a net increase of 17 fee earners in the region during the quarter, primarily in Greater China.

Americas	Gross Profit (£m)		Growth rates	
(14% of Group)			Reported	Constant
Q3 2015 vs. Q3 2014	19.5	20.0	-2.4%	+5.5%
Headcount at 30 Sept 2015: 864 (30 June 2015: 877) Gross profit in constant currencies: <ul style="list-style-type: none"> <li>• <b>North America</b> (8% of Group) +18% on Q3 2014</li> <li>• <b>Latin America</b> (6% of Group) -5% on Q3 2014</li> <li>• Brazil (38% of LatAm) -30% on Q3 2014</li> </ul>				

In the Americas, gross profit grew 5.5% in constant currencies; foreign exchange movements reduced this to -2.4% in reported rates. We saw contrasting trading performances in the region.

North America grew strongly, up 18% in constant currencies and 24% in reported rates, driven by a particularly good performance from our New York office. In Latin America, gross profit reduced by 5% in constant currencies, and by 24% in reported rates, as we were impacted by a number of weakening currencies, particularly in Brazil, Mexico and Colombia. Trading continued to show a divergent picture across Latin America, with a 30% reduction in Brazil, now only 38% of the region, offset by collective growth of 31% elsewhere. Fee earner headcount across the region reflected trading conditions, down 17, with a reduction of 26 in Latin America offset by an increase of 9 in North America.

## **Financial Position**

Save for the effects of trading in the third quarter described above and the payments of the 2015 interim and special dividends which amounted to £61.3m paid out on 2 October 2015, 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 2015.

Net cash at 30 September 2015, before the payment of the dividends, was in the region of £130m (30 June 2015: £101m).

The Group will issue its Fourth Quarter Trading Update on 12 January 2016 and its Full Year Results on 10 March 2016.

## **Shares**

At 30 September 2015 there were 325,764,332 Ordinary shares in issue, of which 14,820,791 were held by the EBT. The rights to receive dividends and to exercise voting rights have been waived by the EBT over 12,678,813 shares and consequently these shares should be excluded when calculating earnings per share. The total number of voting rights in the Company is 325,764,332.

## **Forthcoming Directorate Change**

Robin Buchanan has indicated his intention to step down from his position as non-executive Chairman and leave the Board on the appointment of his successor. The Board will now undertake a process to select that person. Robin will remain as non-executive Chairman while his successor is being identified. Having helped the Group accomplish the objectives that he set out when he joined PageGroup four years ago, Robin feels that now is the right time to hand his responsibilities on to a new non-executive Chairman. The Board would like to extend its thanks to Robin for his leadership and his many contributions to the success of the company.

**Cautionary statement**

This Third Quarter 2015 Interim Management Statement ("IMS") 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 IMS should not be relied on by any other party or for any other purpose. This IMS 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 report 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 IMS 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.