

Cpl Resources Plc

Results for the six months ended 31 December 2019

Cpl delivers 23% EPS growth in the first half of financial year 2020

Dublin, 23 January 2020: Cpl Resources Plc ("Cpl" or the "Group"), Ireland's leading talent and workforce solutions group, today announced results for the half year ended 31 December 2019.

Financial Highlights

- 5% increase in revenues to €291.4 million
- 10% increase in gross profit (net fee income) to €51.1 million
- 24% increase in adjusted profit before tax to €14.2 million
- 23% increase in earnings per share to 42.9 cent
- 25% increase in interim dividend to 10.0 cent per share
- Gross margin up 80 basis points to 17.5%
- Adjusted operating margin up 70 basis points to 4.9%
- Net cash of €47.1m (2018: €30.2m)

John Hennessy, Chairman, commented:

"I am pleased to report that in the six months to 31 December 2019, the Group delivered another set of strong results with double digit earnings growth and improved margin performance.

Whilst we remain conscious of the impact political, regulatory and economic events globally can have on our business, we now expect profit before tax for the full year to be ahead of current market expectations."

Anne Heraty, CEO, added:

"It has been another period of very robust growth for Cpl as the Group delivered a 10% increase in net fee income and a 23% increase in earnings. During the six-month period we made additional investment in products focused on innovative technology solutions, adding further value for our clients.

We continue to see increasing client demand for solution oriented and flexible workforce models. With our recent investments in the "Future of Work Institute" initiative and our managed solutions division "Covalen", we believe that Cpl is well positioned to deepen our client relationships further, both domestically and internationally."

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About Cpl Resources Plc

Cpl Resources Plc is a global provider of talent and workforce solutions, with over 13,000 employees across 47 offices worldwide. We operate through distinct specialist brands in a wide range of sectors including technology, finance and legal, healthcare, pharmaceutical, life sciences, sales, engineering, HR, light industrial and office administration. We have a diverse range of clients from market leading multinationals to small and medium sized enterprises and we operate across the full talent spectrum from permanent, contract and temporary recruitment to the provision of managed solutions and strategic talent advisory services.

Forward-Looking Statements

This announcement contains forward-looking statements, which are subject to risks and uncertainties. These forward-looking statements are based on current expectations and projections about future events. The Group believes that current expectations and assumptions with respect to these forward-looking statements are reasonable. However, because they involve known and unknown risks, uncertainties and other factors, which are in some cases beyond the Group's control, actual results or performance may differ materially from those expressed or implied by such forward-looking statements.

Chairman's Statement

I am pleased to report that in the six months to 31 December 2019, the Group delivered another set of strong results with double digit earnings growth and improved margin performance.

<u>Half year highlights</u>	Half year ended	Half year ended	% change
€'000s except where indicated	31-Dec-19	31-Dec-18	
Revenue	291,358	278,591	5%
Gross Profit	51,060	46,401	10%
Adjusted Operating profit*	14,378	11,590	24%
Adjusted Profit before tax*	14,203	11,479	24%
Operating profit	13,799	11,153	24%
Profit before tax	13,624	11,042	23%
Earnings per share	42.9 cent	34.9 cent	23%
Dividend per share	10.0 cent	8.0 cent	25%
<u>Conversion ratio **</u>			
Adjusted Operating profit	28.2%	25.0%	
Adjusted Profit before tax	27.8%	24.7%	
Operating profit	27.0%	24.0%	

Profit before tax	26.7%	23.8%	
Net fee income - Permanent	15,137	13,812	10%
Net fee income - Flexible Talent	35,923	32,589	10%
Permanent net fee income as a % of total gross profit	30%	30%	
Flexible Talent net fee income as a % of total gross profit	70%	70%	

* Adjusted operating profit and adjusted profit before tax exclude non-cash charges relating to the Group's Long-Term Incentive Plan (LTIP) and currency translation. LTIP charge in first half of 2019 is €0.6 million (2018: €0.5 million)

** As a % of gross profit

Our revenue for the six months to 31 December 2019 increased by 5% to €291.4 million and our gross profit increased to €51.1 million, up 10% on the same period in 2018. The Group's adjusted profit before tax (excluding non-cash foreign currency translation and LTIP charges) was €14.2 million for the six months to 31 December 2019, an increase of 24% on the prior period. Our conversion rate of gross profit to adjusted profit before tax was 27.8% in the period (2018: 24.7%). This increase was driven in part by the strong performance in permanent recruitment, but also by management's focus on controlling costs, improving margins and increasing recruiter productivity. In addition, key margin improvements achieved in the period include a gross margin increase to 17.5% (2018: 16.7%) and an adjusted operating margin increase to 4.9% (2018: 4.2%).

Growth in the period was all organic with both divisional segments reporting an increase of 10% in net fee income. The Permanent division has benefited from favourable economic conditions in its key markets and, in particular, from strong growth in the Technology and UK Healthcare sectors. The Flexible Talent division continues to grow as it responds to an increasing demand globally for more flexible workforce solutions. Covalen, our recently launched managed solutions brand, is a key contributor to the growth of this division.

The Group delivered a 23% increase in earnings per share to 42.9 cent for the first half of the financial year, and the Board has approved an interim dividend of 10.0 cent per share, up 25% on the prior period.

We continue to grow and develop our people within the Group and, on behalf of the Board, I wish to express my gratitude for the continuing hard work and dedication of all of our people and for their commitment to Cpl.

Strategy & Technology

Cpl's strategy is to be world class at supporting our clients through transformational talent solutions and experiences. Progress continues to be made in key initiatives across our three strategic pillars - 'Future Ready', 'Client First' and 'Total Solutions' - to deliver value for clients and growth for our shareholders. Cpl enjoys a deep and rich client database that has been built over almost 30 years of trading. During this time, we have significantly evolved the business from a traditional recruitment company to one which operates across the entire talent spectrum, with a growing emphasis on managed solutions and strategic talent advisory services. These services are benefiting from the global trend towards increased demand for solution oriented and flexible workforce models. Our recent investments in the "Future of Work Institute" initiative and our managed solutions division "Covalen", are helping us to ensure that Cpl is well positioned to deepen our client relationships further, both domestically and internationally.

Technology is a key enabler of our business strategy and we have made two significant investments during the period - one in an employment platform which is in scale-up, and the second in 'MyCpl', our mobile based

rostering app for healthcare where we have acquired the right to use the underlying tech platform in the UK and Ireland. MyCpl has been successfully deployed to over 60% of our flexible healthcare workers in Ireland and continues to grow, as clients and candidates alike recognise the efficiency and service excellence it provides.

Cash & Capital Allocation

Cpl is a profitable, cash generative business and is highly effective at managing its working capital. Although the growth in our Flexible Talent business requires significant investment in working capital, the Group continues to generate positive cash flows. In the six months to 31 December 2019, €16.1 million was generated in cash flow from operating activities before tax and changes in working capital (2018: €12.3 million), and the Group closed the half year with a net cash balance of €47.1m (2018: €30.2 million).

The Board regularly reviews its allocation of capital with the objective always to enhance shareholder value. We prioritise organic expansion and are selective in our acquisition activity, acquiring only where we perceive a strong fit with our existing business or where we can drive further innovation in our organisation and clients. We continue also to implement a progressive dividend policy. The Board will continue to appraise the most effective use of any excess capital and consider how to deploy it in the interest of all shareholders.

Dividend

The Board has approved the payment of an interim dividend of 10.0 cent per share, an increase of 25% on last year's interim dividend, reflecting the Group's strong performance in the period. The interim dividend will be payable on 28 February 2020 to shareholders on the register at the close of business on the record date of 31 January 2020.

Corporate Development Update

The Group continues to invest in its corporate structures and strategic development, including investor engagement, with two recent appointments made to help us raise the profile of the Group within the wider investment community. In January 2020, David Marshall joined us as Head of Corporate Development and will oversee the Group's Investor Relations function, and in December 2019 the Group appointed Shore Capital as joint corporate broker to work alongside Davy. Following continued strong operational and financial performance, these investments reflect the Group's commitment to building further awareness of Cpl within investment communities across our key regions.

Outlook

While our business model has become much more resilient over the years with an increased contribution from Flexible Talent, the visibility of a material proportion of our net fee income remains short-term and is sensitive to changes in economic activity.

As we move into the second half of our financial year, we are closely monitoring activity levels in our key markets. We remain conscious of the impact that political, regulatory and economic events globally can have on our business, in particular the implementation of Brexit. However, economic indicators remain broadly positive, with high demand for talent and low unemployment rates in our most important markets.

We remain confident in the outlook for our business. As a result, we now expect profit before tax for the full year to be ahead of current market expectations.

John Hennessy

Chairman

23 January 2020