

Cpl Resources Plc
Results for the six months ended 31 December 2018

Cpl delivers double digit earnings growth in the first half of financial year 2019

Cpl Resources Plc (“Cpl” or the “Group”), Ireland's leading employment and talent advisory services group, today announced results for the half year ended 31 December 2018.

Financial highlights

- 9% increase in revenues to €278.6 million
- 15% increase in gross profit (net fee income) to €46.4 million
- 23% increase in profit before tax of €11.0 million
- 32% increase in earnings per share to 34.9 cent
- Adjusted operating margin up 52 basis points to 4.16%
- Net cash of €30.2m (2017: €12.4m)
- 26% increase in interim dividend to 8.00 cent per share

<u>Half year highlights</u>	Half year ended	Half year ended	% change
€'000s except where indicated	31-Dec-18	31-Dec-17	
Revenue	278,591	256,714	9%
Gross Profit	46,401	40,502	15%
Adjusted Operating profit*	11,590	9,343	24%
Adjusted Profit before tax*	11,479	9,666	19%
Operating profit	11,153	8,684	28%
Profit before tax	11,042	9,007	23%
Earnings per share	34.9 cent	26.4 cent	32%
Dividend per share	8.00 cent	6.35 cent	26%
<u>Conversion ratio **</u>			
Adjusted Operating profit	25.0%	23.1%	
Adjusted Profit before tax	24.7%	23.9%	
Operating profit	24.0%	21.4%	
Profit before tax	23.8%	22.2%	
Net fee income - Permanent	13,812	13,037	6%
Net fee income - Flexible Talent	32,589	27,465	19%
Permanent net fee income as a % of total gross profit	30%	32%	
Flexible Talent net fee income as a % of total gross profit	70%	68%	

* 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 2018 is €0.5 million (2017: €0.5 million)

** As a % of gross profit

Chairman's Statement

I am pleased to report that in the six months to 31 December 2018, the Group delivered continued growth in revenues, net fee income and profits, underpinned by strong growth in our Finance and Technology divisions.

Our revenue for the six months to 31 December 2018 increased by 9% to €278.6 million and our gross profit increased to €46.4 million, up 15% on the same period in 2017. The Group's profit before tax was €11.0 million for the six months to 31 December 2018, a year-on-year increase of 23%. Our conversion rate of gross profit to operating profit (excluding non-cash foreign currency translations and LTIP charges) was 25.0% in the period (2017: 23.1%).

The Group delivered a 32% increase in earnings per share to 34.9 cent for the first half driven by the growth in profitability in the period and in part by the benefit of the reduced share capital base arising from 2017's tender offer.

Permanent recruitment performed well in the period, driven by significant increases in our Finance and Technology divisions. The Group continues to harness the global shift in workforce preferences and we have evolved and adapted our business model to meet this demand. The Group delivered strong growth in our Flexible Talent division during the period, with this business segment now equating to 70% of total net fee income (2017: 68%). The Group increased its gross margin to 16.7% (2017: 15.8%) and its adjusted operating margin to 4.16% (2017: 3.64%), demonstrating management's focus on controlling our cost base, improving margins and increasing recruiter productivity.

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 the Group.

Strategy

We believe deeply in the transformational effect of matching the right candidate to the right organisation. Our vision as we grow is to be the world's best at supporting transformation in our clients through total talent solutions and experiences. We are focused on three strategic pillars to deliver growth for our shareholders – 'Future Ready', 'Client First' and 'Total Solutions'. We continue to be at the leading edge of the future of work and have recently opened our *Future of Work Hub* in Dublin, which focuses on co-creating new solutions with our clients. We will continue to adopt a people centred, strategic approach to how we deal with our clients ('the Cpl Way') and to design and deploy integrated solutions that will create transformational value, appropriate to the needs of our clients and our candidates. This combined with our investment in technology and the support of our partners will provide us with a strong platform for future growth.

We have appointed a Technology Advisory Board - a panel of experts that will advise and guide Cpl on its technology and digital strategy. We continue to pioneer Artificial Intelligence ("AI") solutions and, together with our market leading technology partners, we have custom built and deployed three scalable AI applications built on the latest machine learning and deep learning toolsets. These applications are transforming the way in which we source and match candidates, improving the speed and quality of our service for the benefit of candidates and clients alike.

Cash

The Group had a net cash balance of €30.2 million as at 31 December 2018 (2017: €12.4 million). In the six months to 31 December 2018, €12.3 million was generated in cash flow from operating activities before tax and changes in working capital (2017: €9.8 million). Although the growth in our Flexible Talent business requires significant investment in working capital, we recorded a net cash inflow of €6.0 million in the period (2017: €3.9 million (excluding impact of tender offer)), demonstrating the profitable, cash generative nature of our business and the effectiveness of our working capital management. We focus mainly on organic expansion and are selective in our acquisition activity, acquiring only where we perceive a strong fit with our existing business or to drive innovation in our organisation. Allocation of surplus cash is monitored by the Board and we continue to adopt a progressive dividend policy.

Dividend

The Board proposes to pay an interim dividend of 8.00 cent per share, an increase of 26% on last year's interim dividend, reflecting the Group's strong performance in the period. The interim dividend will be payable on 1 March 2019 to shareholders on the register at the close of business on the record date of 1 February 2019.

Board

Having been a non-executive director of the Group since 2007, Oliver Tattan today retires from the Board. On behalf of my fellow directors and all of our people I would like to thank Oliver for his exceptional dedication and commitment to his role as a director and for his valuable contribution to our success.

Outlook

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 of political, regulatory and economic events globally on our business, in particular Brexit. We operate in a cyclical industry which is sensitive to changes in economic activity within our core markets. While our business model has evolved over the years to include more forward secured revenue streams, a material proportion of our net fee income has short term visibility.

Current market conditions are favourable with high demand for talent and low unemployment rates in our key markets. We remain confident in the outlook for the business and expect to deliver continued profitable growth for the remainder of the financial year.

John Hennessy

Chairman

24 January 2019

**Condensed Group Statement of Comprehensive Income
for the period ended 31 December 2018**

	6 months ended 31 December 2018 €'000 (Unaudited)	6 months ended 31 December 2017 €'000 (Unaudited)	Year ended 30 June 2018 €'000 (Audited)
Revenue	278,591	256,714	522,691
Cost of sales	<u>(232,190)</u>	<u>(216,212)</u>	<u>(439,541)</u>
Gross profit	46,401	40,502	83,150
Distribution expenses	(2,415)	(1,972)	(4,144)
Administrative expenses	<u>(32,833)</u>	<u>(29,846)</u>	<u>(61,125)</u>
Operating profit	11,153	8,684	17,881
Financial income	21	423	862
Financial expenses	<u>(132)</u>	<u>(100)</u>	<u>(197)</u>
Profit before tax	11,042	9,007	18,546
Income tax expense	<u>(1,436)</u>	<u>(1,160)</u>	<u>(2,410)</u>
Profit for the financial period/year	<u>9,606</u>	<u>7,847</u>	<u>16,136</u>
Other comprehensive income			
Foreign currency translation effects	<u>(308)</u>	<u>(289)</u>	<u>(335)</u>
Total comprehensive income for the period/year	<u><u>9,298</u></u>	<u><u>7,558</u></u>	<u><u>15,801</u></u>
Profit attributable to:			
Owners of the Parent	9,535	7,838	16,089
Non - controlling interests	<u>71</u>	<u>9</u>	<u>47</u>
	<u>9,606</u>	<u>7,847</u>	<u>16,136</u>
Other comprehensive income attributable to:			
Owners of the Parent	(327)	(279)	(332)
Non - controlling interests	<u>19</u>	<u>(10)</u>	<u>(3)</u>
	<u>(308)</u>	<u>(289)</u>	<u>(335)</u>
Basic earnings per share (cent)	34.9	26.4	56.6
Diluted earnings per share (cent)	34.9	26.4	56.6

**Condensed Group Balance sheet
as at 31 December 2018**

	31 December 2018	31 December 2017	30 June 2018
	€'000	€'000	€'000
	(Unaudited)	(Unaudited)	(Audited)
Fixed assets			
Property, plant and equipment	2,200	2,071	2,239
Goodwill and intangible assets	25,823	25,907	25,887
Deferred tax asset	950	710	952
Total non-current assets	<u>28,973</u>	<u>28,688</u>	<u>29,078</u>
Current assets			
Trade and other receivables	106,221	102,643	104,070
Cash and cash equivalents	39,010	18,329	29,823
Total current assets	<u>145,231</u>	<u>120,972</u>	<u>133,893</u>
Total assets	<u><u>174,204</u></u>	<u><u>149,660</u></u>	<u><u>162,971</u></u>
Capital and reserves			
Issued share capital	2,743	2,716	2,716
Share premium	1,705	1,705	1,705
Other reserves	(420)	(1,665)	(543)
Retained earnings	96,061	81,963	88,488
	<u>100,089</u>	<u>84,719</u>	<u>92,366</u>
Non - controlling interests	221	116	131
Total equity	<u><u>100,310</u></u>	<u><u>84,835</u></u>	<u><u>92,497</u></u>
Liabilities			
Non current liabilities	1,140	1,556	1,140
Total non current liabilities	<u>1,140</u>	<u>1,556</u>	<u>1,140</u>
Current liabilities			
Trade and other payables	72,754	63,269	69,334
Total current liabilities	<u>72,754</u>	<u>63,269</u>	<u>69,334</u>
Total liabilities	<u>73,894</u>	<u>64,825</u>	<u>70,474</u>
Total equity and liabilities	<u><u>174,204</u></u>	<u><u>149,660</u></u>	<u><u>162,971</u></u>

Condensed Group Statement of Changes in Equity
for the period ended 31 December 2018

	Share Capital €'000	Share Premium €'000	Other denominated capital fund €'000	Merger reserve €'000	Currency translation reserve €'000	Put Option Reserve €'000	Share based payment reserve €'000	Retained earnings €'000	Total €'000	Non - controlling interests €'000	Total Shareholders' equity €'000
Balance at 1 July 2017	3,086	1,705	724	(3,357)	(1,053)	(1,140)	2,552	101,061	103,578	117	103,695
Total comprehensive income for the period											
Profit for the financial period	-	-	-	-	-	-	-	7,838	7,838	9	7,847
Foreign currency translation effects	-	-	-	-	(279)	-	-	-	(279)	(10)	(289)
Transactions with shareholders:											
Share based payment charge	-	-	-	-	-	-	518	-	518	-	518
Dividends paid	-	-	-	-	-	-	-	(1,775)	(1,775)	-	(1,775)
Capital redemption	(370)	-	370	-	-	-	-	(25,161)	(25,161)	-	(25,161)
Balance at 31 December 2017	<u>2,716</u>	<u>1,705</u>	<u>1,094</u>	<u>(3,357)</u>	<u>(1,332)</u>	<u>(1,140)</u>	<u>3,070</u>	<u>81,963</u>	<u>84,719</u>	<u>116</u>	<u>84,835</u>
Balance at 1 July 2018	2,716	1,705	1,094	(3,357)	(1,385)	(1,140)	4,245	88,488	92,366	131	92,497
Total comprehensive income for the period											
Profit for the financial period	-	-	-	-	-	-	-	9,535	9,535	71	9,606
Foreign currency translation effects	-	-	-	-	(327)	-	-	-	(327)	19	(308)
Transactions with shareholders:											
Share based payment charge	-	-	-	-	-	-	450	-	450	-	450
Dividends paid	-	-	-	-	-	-	-	(1,962)	(1,962)	-	(1,962)
Shares issued	27	-	-	-	-	-	-	-	27	-	27
Balance at 31 December 2018	<u>2,743</u>	<u>1,705</u>	<u>1,094</u>	<u>(3,357)</u>	<u>(1,712)</u>	<u>(1,140)</u>	<u>4,695</u>	<u>96,061</u>	<u>100,089</u>	<u>221</u>	<u>100,310</u>

**Condensed Group Cash Flow Statement
for the period ended 31 December 2018**

	6 months ended 31 December 2018 €'000 (Unaudited)	6 months ended 31 December 2017 €'000 (Unaudited)	Year ended 30 June 2018 €'000 (Audited)
Cash flows from operating activities			
Profit for the financial period/year	9,606	7,847	16,136
Depreciation on property, plant and equipment	415	341	524
Share based payment charge	450	518	1,693
Amortisation of intangible assets	251	227	465
Financial income	(21)	(423)	(862)
Financial expense	132	100	197
Income tax expense	1,436	1,160	2,410
Operating cash flows before changes in working capital	12,269	9,770	20,563
(Increase) in trade and other receivables	(4,097)	(1,683)	(3,780)
Increase/(decrease) in trade and other payables and provisions	237	(457)	5,936
Cash generated from operations	8,409	7,630	22,719
Interest paid	(132)	(100)	(197)
Income tax received/(paid)	172	(1,189)	(2,090)
Interest received	21	23	47
Net cash from operating activities	8,470	6,364	20,479
Cash flows from investing activities			
Purchase of property, plant and equipment	(377)	(548)	(894)
Purchase of intangible assets	(184)	(153)	(350)
Net cash (outflow) from investing activities	(561)	(701)	(1,244)
Cash flows from financing activities			
Shares issued	27	-	-
Dividends paid	(1,962)	(1,775)	(3,531)
Repurchase of own shares	-	(25,161)	(25,161)
Net cash (used in) financing activities	(1,935)	(26,936)	(28,692)
Net increase/(decrease) in cash and cash equivalents	5,974	(21,273)	(9,457)
Net cash at beginning of period/year	24,177	33,634	33,634
Net cash at end of period/year	30,151	12,361	24,177

Notes supporting condensed interim financial statements

1. Basis of preparation

The condensed consolidated interim financial information of the Group has been prepared in euro in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS), including interpretations issued by the International Accounting Standards Board ("IASB") and its committees and adopted by the EU. There are no new standards, amendments to standards or interpretations which are mandatory for the first time for financial periods commencing on 1 July 2018 which have a significant impact on the Group's accounting policies or on the reported results. The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those applied in the Annual Report for the financial year ended 30 June 2018.

The figures for the half year ended 31 December 2018 are unaudited. The comparative figures for the half year ended 31 December 2017 are also unaudited. The amounts for the year ended 30 June 2018 represent an abbreviated version of the Group's full financial statements for the year on which the auditors issued an unqualified audit report. The Group is not subject to significant seasonal factors.

The Annual Report and financial statements for the year ended 30 June 2018 have been filed with the Registrar of Companies and are publically available. The preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

2. Dividends to equity shareholders	6 months ended	6 months ended	Year ended
	31 December 2018	31 December 2017	30 June 2018
	€'000	€'000	€'000
Ordinary dividends:			
Interim dividends paid	-	-	1,726
Final dividends paid	1,962	1,775	1,775
Dividend paid in respect of Non-controlling interest	-	-	30
	<u>1,962</u>	<u>1,775</u>	<u>3,531</u>

3. Earnings per share

The earnings per ordinary share is calculated on the basis that the weighted average number of shares in issue for the half year ended 31 December 2018 is 27,353,341 (period ended 31 December 2017 - 29,641,288; year ended 30 June 2018 - 28,406,721). It has been calculated based on the profit for the financial period ended 31 December 2018 of €9,535,000 (period ended 31 December 2017 - €7,838,000; year ended 30 June 2018 - €16,089,000).

4. Share Based Payments

The LTIP charge for the six months to 31 December 2018 was €450,000 and €518,000 in the six months to 31 December 2017. This reflects current expectations on achieving the performance targets included in the LTIP awards which may result in the vesting of these instruments. Full details of the scheme are outlined in Note 29 of the 2018 Annual Report.

5. Events after the reporting date

There have been no significant events since the period end 31 December 2018 that would require disclosure in the interim financial statements.