IMPELLAM GROUP plc

INTERIM RESULTS

Impellam Group plc ("Impellam") - London AIM: IPEL; 30 July 2015

Impellam announces its unaudited interim results for the 26 weeks ended 3 July 2015

Key financial highlights

	H1 2015	H1 2014	% Inc/(Dec)
Revenue	£831.6m	£612.3m	35.8%
Managed Services spend under management	£961.6m	£737.1m	30.5%
Group supply	£405.0m	£224.9m	80.1%
Gross Profit	£108.8m	£91.0m	19.6%
Managed Services and Specialist Staffing operating profit	£24.3m	£18.2m	33.5%
Profit conversion*	20.0%	16.6%	3.4 ppts
Profit before tax*	£20.1m	£14.3m	40.6%
Adjusted EPS*	33.0p	28.4p	16.2%
Interim dividend	7.0p	6.25p	12.0%
Net debt	£39.4m	£25.0m	57.6%
DSO	40.5 days	41.0 days	(0.5 days)

*** before separately disclosed items and amortisation**

Key operational highlights

- Cultural change programme underway across the Group which is a key catalyst in achieving our vision of becoming the most trusted staffing company in the world
- Career Teachers and Lorien acquisitions made in 2014 are fully integrated and performing ahead of expectations
- Managed Services revenue satisfied by Group companies increased from 30.5% to 42.1%
- UK Managed Services and Specialist Staffing businesses have performed strongly and also improved their conversion of gross profit into operating profit from 24.2% to 26.9%
- Segmentation into Specialist Staffing and Managed Services has helped drive a reduction in the US cost base and underpinned the improvement in conversion of gross profit into operating profit

- Increasing focus on Australasia in a number of our businesses
- Acquisition of Global Group, a global healthcare business specialising in locum doctors with operations in Ireland, Australia, New Zealand, Canada and UK announced today which is expected to be earnings enhancing in its first full year of ownership

Julia Robertson, Chief executive officer, commented:

"I am pleased to report that we continue to make good progress against the 2015 strategic priorities outlined in our 2014 Annual Report.

Our focus on Managed Services and Specialist Staffing as two distinct segments is reaping rewards, enabling us to increase both market share and quality of earnings by focusing on "fulfilling flexibility" whilst improving efficiency in both operations.

In North America, our Guidant business, which is now under single global leadership, is performing well, and in addition, our new segmentation has allowed us to review our cost base. As a consequence we have implemented a restructure in the first half of the year, which will significantly reduce the shared North America cost base in the second half of the year and on a full year basis next year.

We have made good progress in Australia with our neutral vend managed service business Comensura, and have achieved organic growth in Medacs, where our position in the Healthcare market will be complemented by our acquisition announced today of Global Group.

Our cultural change programme is now well underway and our top 50 leaders have all embarked on a leadership development programme based on effective promise management which is designed both to hasten our progress towards our vision of becoming "The world's most trusted staffing company" and to ensure we operate at optimal levels through increased agility.

Our technology programme continues with significant investment in infrastructure the implementation of new CRM systems in Specialist Staffing and our proprietary VMS systems, evolution and c.net, together with projects in the feasibility stage which will enhance our digital performance. The IT investment plan will be spread over several years and benefits are anticipated to be realised through higher productivity and improved margin conversion.

The two acquisitions we completed last year, Lorien and Career Teachers, continue to deliver strong operating performance and have performed well in the Impellam portfolio, with Lorien already being the biggest supplier to Guidant on IT roles in the UK. Both businesses grew strongly on a year on year basis, demonstrating the value of our portfolio approach.

We have a well-developed and targeted pipeline of M&A opportunities and we have today announced the acquisition of Global Group, a specialist doctors locum business operating in Ireland, Australasia, Canada and the UK, which is highly complementary to the Medacs business and propels the healthcare business forward significantly outside the UK. Both businesses operate largely on frameworks and are establishing themselves as key partners in the rapidly emerging Healthcare Managed Services markets across UK, Ireland and Australasia enabling them to deliver significant savings to the healthcare sector.

The combination of the robustness of our Managed Service offering, the higher margin Specialist Staffing businesses and the Career Teachers and Lorien acquisitions has helped us to deliver an overall 40.8% improvement (£7.1m) in EBITDA in H1 to £24.5m."

Global Group was acquired for an initial consideration of £17.3m and assumption of debt of £7.1m. In addition there are £4.4m worth of guaranteed deferred payments payable over the next 2-3 years and contingent earnout payments of up to £8.4m dependent on the performance of the Irish and Australasian businesses over the next 2-3 years. Key members of the management team including shareholders Justyn Randall and Ronan Corrigan will all remain with the business and be responsible for accelerating the growth of the business in Australasia and Ireland. Global Group achieved an adjusted unaudited EBITDA of £5.5m for its year ended 31 March 2015.

The acquisition was financed through an extension of the Company's existing term loan with Barclays Bank plc. Global Group's invoice discounting facility with ABN Amro Bank plc of £11m will remain in place and will continue to fund the Global Group's working capital requirements under Impellam's ownership.

Outlook

Overall we expect our businesses to continue to perform well in our key markets and we are confident that our differentiated strategy, with our portfolio of market focused specialist staffing businesses complemented by our high performing managed services businesses, will drive shareholder value through more resilient earnings.

UK Managed Services

Revenue in our UK Managed Services segment increased by 84.6% to £461.7 million (2014: £250.1 million) or 7.5% on a like-for-like basis, excluding the impact of acquisitions in 2014. Operating profit was £11.6 million (2014: £7.4 million) with a conversion rate of 39%, up from 37% in FY14. We are delighted with the performance of Lorien since acquisition in 2014. Lorien has grown its Managed Service revenue by 17.2% and EBITDA by 14.3% on a standalone like-for-like basis and helped to increase the group supply of spend under management from 31% to 42%, demonstrating its strategic fit within the Impellam Group.

UK Specialist Staffing

Gross profit in our UK Specialist Staffing segment increased by 18.3% to £60.2m (2014: £50.9m) with margins improving to 21.2% from 19.5%. Operating profit was £12.6 million (2014: £9.8 million) with an improved conversion rate of 21%, up from 19% in FY14. Our UK Specialist Staffing business was complemented by the acquisition of Career Teachers in March last year. Career Teachers grew its standalone revenue by 17.2% and EBITDA by 24.3% on a like-for-like basis.

US Managed Services

Revenue in our US Managed Services segment increased by £3.8m to £44.8 million (2014: £41.0 million), although after adjusting for currency movements was broadly flat year on year (reduction of 0.4%). Gross profit increased by £1.0 million to £8.3 million (2014: £7.3 million) an increase of 13.7% (3.8% after adjusting for currency movements).

US Specialist Staffing

Revenue in our US Specialist Staffing segment decreased by £0.2m to £44.8 million (2014: £45.0 million), broadly flat although after adjusting for currency movements was a decline of 8.9%. Gross profit decreased by £1.0 million to £8.6 million (2014: £9.6 million), a decrease of 10.4% and 18.1% after adjusting for currency movements.

With new leadership in the business since Q4 2014, we are now seeing positive trends in the Specialist Staffing businesses and are confident that coupled with the US restructuring we will see a significant improvement in the results in the second half of 2015

Carlisle Support Services

As expected, revenue decreased 44.6% to £17.9 million (2014: £32.3 million) and gross profit decreased by 36.7% to £1.9 million (2014: £3.0 million). The business reported an operating loss of £0.9 million in the first half (2014: £0.9 million).

The outlook for this business continues to improve. However, the progress made with existing contracts and the conversion of contract wins into profitable long term income streams will take time to achieve. We are confident that the business is now in a position to grow.

Cash flow, net debt and net assets:

The Group used £12.8 million of cash in operations in the first twenty-six weeks of the year (2014: £7.7 million), a principle factor in the increase being the increase in trade receivables due to increases in turnover. Our main measure of working capital management, days sales outstanding (DSO), has improved to 40.5 at 3 July 2015 compared to 41.7 at 2 January 2015 and 41.0 days at 27 June 2014.

Net debt increased by £24.6 million to £39.4 million as at 3 July 2015 (2 January 2015: £14.8 million, 27 June 2014: £25.0 million). In the first half of 2015 the Group has used £3.2 million of cash on capital expenditure (2014: £2.5 million). £1.6 million has been paid in interest (2014: £0.5 million). With continuing profitability and the utilisation of historic tax losses, the Group paid £3.5 million in Corporation tax in the period (2014: £1.3 million).

In addition, the Group has outstanding letters of credit drawn against its US borrowing facilities amounting to $5.4 million (2 January 2015: $8.0 million).

At 3 July 2015, the Group had net assets of £172.6 million (2 January 2015: £155.8 million).

Dividend and dividend policy:

The interim dividend of 7.0 pence per share (2014: 6.25 pence per share) is in line with the Group's dividend policy of maintaining the dividend cover between 4-5 times adjusted earnings per share.

Financial results for the twenty-six weeks to 3 July 2015

The table below sets out the results for the Group by segment for the first half of 2015.

Unaudited	Revenue			Gross profit			Operating profit	
£'million	2015	2014 restated	% change	2015	2014 restated	% change	2015	2014 restated
Managed Services – United Kingdom	461.7	250.1	84.6	29.8	20.2	47.5	11.6	7.4
Gross profit %				6.5%	8.1%			
Specialist Staffing – United Kingdom	283.3	261.2	8.5	60.2	50.9	18.3	12.6	9.8
Gross profit %				21.2%	19.5%			
Managed Services – North America*	44.8	41.0	(0.4)	8.3	7.3	3.8	0.6	0.1
Gross profit %				18.5%	17.8%			
Specialist Staffing – North America*	44.8	45.0	(8.9)	8.6	9.6	(18.1)	(0.5)	0.9
Gross profit %				19.2%	21.3%			
Inter-segment revenues	(20.9)	(17.3)		-	-		-	-
Total Staffing Services	813.7	580.0	40.3	106.9	88.0	21.5	24.3	18.2
Carlisle Support Services	17.9	32.3	(44.6)	1.9	3.0	(36.7)	(0.9)	(0.9)
Total	831.6	612.3		108.8	91.0		23.4	17.3
Corporate costs							(1.6)	(2.2)
Amortisation of customer relationships							(0.9)	(0.3)
Operating profit before separately disclosed items							20.9	14.8
Add-back: depreciation and amortisation							3.6	2.6
EBITDA							24.5	17.4
Separately disclosed items							(1.1)	-
Operating profit							19.8	14.8

** % change measured at constant currency rates (2014 results restated at 2015 rates)*

The table above reflects the revised segmental reporting identified in the Group Chief Executives Strategic Review last year. These segments are now the basis of regular monthly management reporting and have therefore been reflected in this interim statement and the comparatives restated accordingly.

Consolidated income statement

For the twenty-six weeks ended 3 July 2015

	Notes	2015 £m Unaudited	2014 £m Unaudited
Continuing operations			
Revenue	2	831.6	612.3
Cost of sales		(722.8)	(521.3)
Gross profit		108.8	91.0
Administrative expenses		(89.0)	(76.2)
Operating profit	2	19.8	14.8
Operating profit before separately disclosed items		20.9	14.8
Separately disclosed items		(1.1)	-
Operating profit		19.8	14.8
Finance expense	5	(1.7)	(0.8)
Profit before taxation		18.1	14.0
Taxation	6	(3.5)	(1.7)
Profit for the period attributable to owners of the parent Company		14.6	12.3
Earnings per share for equity holders of the parent Company			
Basic and diluted	7	29.7p	28.0p

Consolidated statement of comprehensive income

For the twenty-six weeks ended 3 July 2015

	2015 £m Unaudited	2014 £m Unaudited
Profit for the period	14.6	12.3
Other comprehensive income:		
Items that may be subsequently reclassified into income:		
Currency translation differences (net of tax)	(0.4)	(0.7)
Total comprehensive income for the period, net of tax, attributable to owners of the parent Company	14.2	11.6

Consolidated balance sheet

As at 3 July 2015

	3 July 2015 £m Unaudited	2 January 2015 £m Audited
Non-current assets		
Property, plant and equipment	6.4	5.7
Goodwill	80.8	80.8
Other intangible assets	85.3	85.7
Deferred tax assets	4.1	4.1
Financial assets	1.6	1.8
	178.2	178.1
Current assets		
Trade and other receivables	338.7	286.3
Cash and cash equivalents	44.0	53.4
	382.7	339.7
Total assets	560.9	517.8
Current liabilities		
Trade and other payables	279.0	260.6
Taxation liabilities	2.9	2.9
Short-term borrowings	73.0	57.0
Provisions	1.4	1.4
	356.3	321.9
Net current assets	26.4	17.8
Non-current liabilities		
Other payables	2.3	8.0
Long-term borrowings	10.4	11.2
Provisions	2.9	4.5
Deferred taxation liabilities	16.4	16.4
	32.0	40.1
Total liabilities	388.3	362.0
Net assets	172.6	155.8
Equity		
Issued share capital	0.5	0.5
Share premium account	30.1	30.1
	30.6	30.6
Other reserves	102.8	100.6
Retained earnings	39.2	24.6
Total equity attributable to owners of the parent Company	172.6	155.8

Consolidated cash flow statement

For the twenty-six weeks ended 3 July 2015

	2015 £m Unaudited	2014 £m Unaudited
Cash flows from operating activities		
Profit before taxation	18.1	14.0
Adjustments for:		
Net interest charge	1.7	0.8
Depreciation and amortisation	3.6	2.6
	23.4	17.4
Increase in trade and other receivables	(53.2)	(31.9)
Increase in trade and other payables	18.4	14.5
Decrease in provisions	(1.4)	(7.7)
Cash utilised by operations	(12.8)	(7.7)
Taxation paid	(3.5)	(1.3)
Net cash utilised by operating activities	(16.3)	(9.0)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	-	(20.3)
Payment of deferred consideration	(2.6)	-
Purchase of property, plant and equipment	(1.9)	(1.4)
Purchase of intangible assets	(1.3)	(1.1)
Net movement in other financial assets	0.1	(0.1)
Net cash utilised on investing activities	(5.7)	(22.9)
Cash flows from financing activities		
Net movement in short-term borrowings	14.5	30.2
Finance expense paid	(1.6)	(0.5)
Net cash inflow from financing activities	12.9	29.7
Net decrease in cash and equivalents	(9.1)	(2.2)
Opening cash and cash equivalents	53.4	35.1
Foreign exchange loss on cash and cash equivalents	(0.3)	(0.6)
Closing cash and cash equivalents	44.0	32.3

Consolidated statement of changes in equity

For the twenty-six weeks ended 3 July 2015 Unaudited	Total share capital and share premium £ m	Other reserves £ m	Retained earnings £ m	Total equity £ m
2 January 2015	30.6	100.6	24.6	155.8
Other comprehensive income	-	(0.4)	-	(0.4)
Profit for the period	-	-	14.6	14.6
Merger reserve created on deferred consideration part satisfied by issue of shares (note 8)	-	2.6	-	2.6
3 July 2015	30.6	102.8	39.2	172.6

Notes to the interim financial statements

1 Basis of preparation

I. Statement of compliance

The interim financial statements presented in this financial report have been prepared in accordance with International Financial Reporting Standards (IFRS) and the IFRS Interpretations Committee (IFRIC) interpretations as endorsed by the European Union that are expected to be applicable to the consolidated financial statements for the 52 weeks ending 1 January 2016. As permitted, this interim report has been prepared in accordance with the AIM Rules for Companies and does not seek to comply with IAS 34 “Interim Financial Reporting”.

II. Statutory information

The financial information for the twenty-six weeks to 3 July 2015 does not constitute the statutory accounts of the Group for the relevant period within the meaning of section 434 of the Companies Act 2006.

The published annual report and accounts of Impellam Group plc for the 53 weeks ended 2 January 2015 were reported on by the auditors without qualification, did not contain an emphasis of matter paragraph, did not contain any statement under section 498 of the Companies Act 2006, and have been delivered to the Registrar of Companies.

III. Accounting policies, new IFRS and interpretations

The accounting policies used in this report are consistent with those applied at 2 January 2015.

No new and/or revised IFRS and IFRIC publications that come into force in the period have any impact on the accounting policies, financial position or performance of the Group.

2 Segmental information

Twenty-six weeks ended 3 July 2015 - unaudited

	Revenue £ m	EBITDA £ m	Depreciation £ m	**Segment Operating profit /(loss) before separately disclosed items £ m**	Separately disclosed items £ m
Managed services - United Kingdom	**461.7**	12.0	0.4	**11.6**	(0.1)
Specialist staffing - United Kingdom	**283.3**	13.9	1.3	**12.6**	-
Managed services - North America	**44.8**	1.1	0.5	**0.6**	-
Specialist staffing - North America	**44.8**	(0.3)	0.2	**(0.5)**	(0.8)
Inter-segment revenues	**(20.9)**	-	-	**-**	-
Total staffing services	**813.7**	26.7	2.4	**24.3**	(0.9)
Carlisle support services	**17.9**	(0.6)	0.3	**(0.9)**	(0.2)
Operating segments	**831.6**	26.1	2.7	**23.4**	(1.1)

Twenty-six weeks ended 27 June 2014 - unaudited

	Revenue £ m	EBITDA £ m	Depreciation £ m	**Segment Operating profit /(loss) before separately disclosed items £ m**	Separately disclosed items £ m
Managed services - United Kingdom	**250.1**	7.7	0.3	**7.4**	-
Specialist staffing - United Kingdom	**261.2**	10.8	1.0	**9.8**	-
Managed services - North America	**41.0**	0.4	0.3	**0.1**	-
Specialist staffing - North America	**45.0**	1.3	0.4	**0.9**	-
Inter-segment revenues	**(17.3)**	-	-	**-**	-
Total staffing services	**580.0**	20.2	2.0	**18.2**	-
Carlisle support services	**32.3**	(0.6)	0.3	**(0.9)**	1.3
Operating segments	**612.3**	19.6	2.3	**17.3**	1.3

Reconciliation of segment operating profit to profit after tax is as follows:

Unaudited	26 weeks 3 July 2015 £ m	26 weeks 27 June 2014 £ m
Segment operating profit before separately disclosed items	23.4	17.3
Corporate costs	(1.6)	(2.2)
Amortisation of intangible assets	(0.9)	(0.3)
Operating profit before separately disclosed items	20.9	14.8
Separately disclosed items	(1.1)	-
Operating profit	19.8	14.8
Finance expense	(1.7)	(0.8)
Taxation charge	(3.5)	(1.7)
Profit for the period from continuing operations	14.6	12.3

3 Spend under management and group supply

	26 weeks 3 July 2015 £ m	26 weeks 27 June 2014 £ m
Spend under management – United Kingdom	636.6	444.9
Spend under management – North America	325.0	292.2
Group Supply – United Kingdom	379.3	198.5
Group Supply – North America	25.7	26.4

Group Supply includes amounts within Managed Services spend under management fulfilled either by a fellow Group brand or through a direct contract with the worker supplied.

4 Separately disclosed items - unaudited

	2015 £ m	2014 £ m
Release of overprovided onerous contract provision	-	1.3
Abortive acquisition costs	-	(0.4)
Acquisition costs	-	(0.5)
Closure of business in Spain	(0.2)	-
US restructure	(0.8)	-
Senior management restructure	(0.1)	(0.4)
	1.1	0.0

The separately disclosed items in 2015 result from the closure of the Spanish business of Carlisle following the termination of the only contract there. In the US we have restructured the business. This resulted in redundancy costs and property exit, or partial exit, costs associated with offices in New York and Atlanta. In the UK we also reviewed our management structure in Carbon 60 and Chadwick Nott in order to better position those brands going forward.

During 2014 the Group successfully negotiated the exit of an onerous contract resulting in the release of a £1.3 million excess provision for expected future losses. In addition certain deal costs were incurred during the period in connection with both actual and abortive acquisitions. The senior management termination payment is in respect of the former Group Finance Director who left the Group at the end of July 2014.

5 Finance expense - unaudited

Finance expense	26 weeks 3 July 2015 £ m	26 weeks 27 June 2014 £ m
Revolving credit facilities	0.8	0.5
Other interest expense	0.3	-
Total interest payable	1.1	0.5
Unwinding of discount on deferred consideration	0.5	-
Unwinding of discount on provisions	0.1	0.3
Income statement	1.7	0.8

6 Taxation - unaudited

Income tax expense is recognised based on management's best estimate of the effective annual income tax rate expected for the full financial year.

7 Earnings per share - unaudited

Basic earnings per share amounts are calculated by dividing the profit for the period attributable to the equity holders of the parent Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated on the same basis, but after adjusting the denominator for the effects of dilutive options. There are no dilutive options in either period.

The weighted average number of shares calculated for the period from 2 January 2015 to 3 July 2015 for the basic calculation is 49,055,154 (2014: 43,900,404), excluding the shares owned by The Corporate Services Group Employee Share Trust.

	26 weeks 3 July 2015 £ m	26 weeks 27 June 2014 £ m
Unadjusted earnings per share	29.7	28.0
Separately disclosed items (net of tax)	1.7	-
Customer relationship amortisation (net of tax)	1.6	0.4
Adjusted earnings per share	33.0	28.4

8 Deferred acquisition costs - unaudited

On 9 March 2015 the Company issued 409,818 ordinary shares of 1p each to the vendors of Lorien at a price of £6.21 per share ("Consideration Shares"). These shares were issued to part satisfy deferred consideration payable of £5.09 million, in accordance with the terms of the earn-out. The issue price has been calculated based on the Company's average mid-market closing price over the 20 business day period ended 6 March 2015.The remaining consideration of £2.55 million was paid to the vendors in cash on 19 March 2015. As previously announced, a further deferred consideration of up to £13.9 million may be payable in early 2016, subject to earn-out targets being achieved.

9 Additional cash flow information - unaudited

Unaudited	2 January 2015 £ m	Cash flow £ m	Foreign exchange £ m	3 July 2015 £ m
Cash and short-term deposits	53.4	(9.1)	(0.3)	44.0
Revolving credit	(54.0)	(16.0)	-	(70.0)
Leases	-	(0.7)	-	(0.7)
Term loan	(14.2)	1.5	-	(12.7)
Net cash debt	(14.8)	(24.3)	(0.3)	(39.4)

10 Dividends - unaudited

During the period a final dividend in respect of 2014 of 7.75 pence per share (2014: re 2013 7.0 pence per share) was approved at the Annual General Meeting and will be paid on 7 August 2015, amounting to £3.8 million (2014: re 2013 £3.1 million).

The Board also announces the payment of an interim dividend of 7.0 pence per share (2014: 6.25 pence per share), amounting to £3.4 million (2014: £2.7 million) payable on 27 November 2015 to all shareholders on the register on 16 October 2015.

Enquiries: For further information please contact the appropriate individual below.

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Note to Editors:

Impellam Group plc, traded on the AIM (Symbol: IPEL) is a leading provider of managed services and specialist staffing expertise and is primarily based in the UK and North America, with smaller operations in Asia Pacific, Ireland and mainland Europe. Impellam Group plc provides fulfilling jobs at all levels, including doctors, lawyers, accountants, nurses, teachers, scientists, receptionists, drivers, chefs, administrators, engineers, technology specialists, cleaners, security guards, and manufacturing and warehouse operatives. Impellam Group plc is the 2nd largest staffing business in the UK and 12th largest worldwide, employing over 2,700 people across 234 worldwide locations.

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