



The small company specialists

# COMPANY INFORMATION

## Empresaria Group PLC (LSE:EMR)

Info sheet compiled Oct 2006

Company Eye Ranking

35 /50

### EDITOR'S NOTE

Empresaria Group plc principally focuses on investing in and acting as a recruitment agency for the information technology, financial services and call center industries. The Group is run in a decentralised manner with managers all having significant stakes in the companies or Empresaria.

In our opinion Empresaria is a low risk organisation, thanks to its diversified investments, which should sustain its profits. We consider that this is a high quality company operating in a high growth environment.

### FUNDAMENTALS



| Company Name        | Empresaria Group PLC             |
|---------------------|----------------------------------|
| Current Price       | 84.00                            |
| Status              | AIM                              |
| Market Cap [m]      | 20.06                            |
| Shares in Issue [m] | 23.88                            |
| Activities          | Business training and employment |
| Sector              | Support services                 |
| Corporate advisor   | Field Fisher Waterhouse.         |
| Registrar           | Capita Registrars (Beckenham)    |

### HISTORY

Empresaria plc was founded with David Telling as Chairman (founder of top 250 UK company, MITIE). Its philosophy is to target talented recruitment professionals to own and operate their own autonomous UK businesses. Empresaria Group plc listed on Ofex (now PLUS) on 7<sup>th</sup>

July 1999. Private placing raised capital to continue building existing subsidiaries and invest in new UK company start-ups and acquisitions. Empresaria was admitted to AIM on 28th November 2004.

### THE BUSINESS

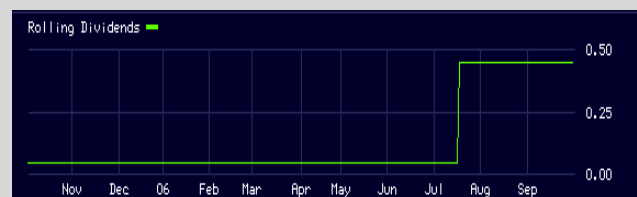
Empresaria is an international specialist staffing group whose companies offer a full complement of recruitment and HR related services to a diversity of clients ranging from Fortune 500 companies to small businesses, from

central government agencies to local community services. Empresaria companies, each specialising in specific markets or services, operate across the world with representation in over 40 offices.

### P/E RATIO



### ROLLING EPS





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### ACTIVITIES

Empresaria Group plc is principally engaged in investing in subsidiaries, acting as a recruitment company and providing management services. It is engaged in the provision of staffing services. It focuses on a number of specialist markets, the information technology (IT), financial services and call center industries. It also offers clients a range of managed service solutions. Subsequent to the year ended December 31, 2005, the Company acquired a 60% stake in GIT Consult, an IT staffing company. In February 2005, it acquired a 65% stake in

The Recruitment Business, a company specializing in the placement of temporary and permanent staff for roles, including graphic and Web designers, copywriters, typographers, Mac operators, studio managers and print buyers. In September 2006, the Company acquired a 51% interest in EUResource Limited, which specializes in the recruitment of Eastern European workers to fulfil the temporary and project management needs of United Kingdom clients.

### STRATEGY

There are two aims of Empresaria; to be a high growth, low risk, international quoted specialist staffing group with a balanced portfolio of operations and earnings across different market sectors and to be the staffing company of choice for investors wishing to gain access to international staffing markets.

Empresaria has achieved a track record of consistent revenue and earnings growth over the course of its history since the late 1990s. The Group has adopted a strategy of balanced growth (combing organic, start up and acquisitive growth) with investment risk management (through diversifying across different specialist staffing market sectors). Central to this dual growth / risk management approach has been the philosophy of "management equity", the concept that key, entrepreneurial people are attracted and motivated by the opportunity to acquire a meaningful stake in the companies they run. Each operating company in the Group is run by managers

holding significant stakes in their companies or alternatively stakes in Empresaria itself.

This philosophy extends to Group structure, which is totally de-centralised with autonomous managers running self-contained companies, enjoying high levels of commercial freedom combined with strict financial discipline and controls. Empresaria head office is kept deliberately small, focussing on financial management and Group development. It is the nature of this structure that creates increased operational economies of scale at the centre as the Group grows and enables the consequent underlying growth in net profit margins.

The diversification of investment across different operations, industry sectors and geographies manages risks relating to individual people, clients, companies and markets. No one company accounts for more than 12% of group net fee income and no one client accounts for more than 6% of group revenues.

### DIRECTORS

#### **Tony Martin - Chairman**

Tony served as Chairman and CEO of Select Appointments (Holdings) Limited from 1992 to 1999 when he became Vice Chairman and member of the Board of Management of Vedior NV, the world's third largest staffing services group. In August 2000 he assumed the role of Chairman and CEO, which he served until his retirement in February 2004. Tony is currently the Chairperson of the Corporate Services Group as well as Empresaria's Audit committee.

#### **Miles Hunt - Chief Executive**

Miles has a legal background, qualifying as a solicitor in 1990. He completed an MBA at Warwick before establishing ProSource Limited, a procurement outsourcing company, in 1995. He set up Empresaria in 1996 and has been Chief Executive since then. From 2000 to 2004 Miles was a non-executive director of Tribal Group plc.

#### **Nick Hall Palmer - Group Finance Director**

Nick is a chartered accountant. After qualifying in 1991

he joined APV plc, performing a number of roles, including Finance Director of the company's European Engineering business. He subsequently joined RMC, one of the largest UK public companies in the building materials sector. Nick joined the Board of Empresaria in February 2000.

#### **Timothy Sheffield - Non-Executive Director**

Tim is managing director of Sheffield-Haworth Limited, a leading executive search firm, focusing on the financial services industry. Tim is actively involved with the Group's development and is currently a member of Empresaria's Audit and Remuneration committee.

#### **Penny Freer - Non-Executive Director**

Penny has been involved in small and mid-cap investment banking for almost 20 years, most recently as Head of Equities in London for Robert W Baird, the US investment bank. Penny was previously responsible for Credit Lyonnais' small and mid-cap equities activities. Penny is also the Chairperson of Empresaria's Remuneration committee.



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## SHAREHOLDINGS

|                       | Number    | %     |
|-----------------------|-----------|-------|
| Miles Hunt            | 2,837,569 | 13.92 |
| Caledonia Investments | 3,178,000 | 13.47 |

|                | Number    | %     |
|----------------|-----------|-------|
| Anthony Martin | 2,610,848 | 11.73 |
| Tim Sheffield  | 2,049,307 | 9.21  |

## FINANCIAL HISTORY

### Profit and loss account for six months to 30<sup>th</sup> June 2006

| £'000   | 6 months to June 2006 | Year ended Dec 2005 |
|---|-----------------------|---------------------|
| Existing operations   | 33,157                | 48,342              |
| Acquisitions  | 743                   | 5,718               |
| Continuing Operations   | 33,900                | 54,060              |
| Discontinued operations   | -                     | -                   |
| Total turnover  | 33,900                | 54,060              |
| Cost of Sales   | (23,986)              | (38,667)            |
| Gross Profit  | 9,914                 | 15,393              |
| Administrative Expenses   | (9,102)               | (13,749)            |
| Group operating profit  | 812                   | 1,914               |
| Share of operating profit in associated company                                   | (38)                  | (44)                |
| Interest receivable and similar income  | -                     | -                   |
| Interest payable and similar charges  | (168)                 | (263)               |
| Profit on ordinary activities before taxation                                     | 606                   | 1,607               |
| Tax on profit on ordinary activities  | (250)                 | (726)               |
| Profit on ordinary activities after taxation                                      | 356                   | 881                 |
| Minority equity interests   | (137)                 | (233)               |
| Profit on ordinary activities attributable to the members of Empresaria Group plc | 219                   | 648                 |
| Equity dividends paid   | -                     | (80)                |
| Retained profit for the period  | 219                   | 568                 |
| Earnings per share (pence) basic and diluted                                      | 1.0                   | 3.1                 |

### Balance Sheet as at 30<sup>th</sup> June 2006

| £'000   | 30 <sup>th</sup> June 2006 | 31 <sup>st</sup> Dec 2005 |
|---|----------------------------|---------------------------|
| Intangible Assets                                       | 8,672                      | 7,981                     |
| Tangible Assets   | 648                        | 535                       |
| Investment in associates                                | 664                        | 39                        |
| Fixed Assets  | 9,984                      | 8,555                     |
| Trade and other debtors                                 | 13,817                     | 10,169                    |
| Cash  | 2,135                      | 2,405                     |
| Current Assets  | 15,952                     | 12,574                    |
| Creditors: Amounts falling due within one year          | (14,349)                   | (10,992)                  |
| Net current assets                                      | 1,603                      | 1,582                     |
| Creditors: Amounts falling due after more than one year | (1,323)                    | (1,449)                   |
| Total net assets  | 10,263                     | 8,688                     |
| Capital and reserves                                    |                            |                           |
| Called up share capital                                 | 1,175                      | 1,113                     |
| Other reserve   | 1,516                      | 1,539                     |
| Share premium   | 4,980                      | 3,822                     |
| Profit and loss account                                 | 1,665                      | 1,447                     |
| Equity shareholders' funds                              | 9,336                      | 7,921                     |
| Minority interests                                      | 927                        | 767                       |

## PROSPECTS

The Group performed strongly over the first six months of 2006 and has continued to perform well in the intervening months. Organic growth continues to be driven by established operations supplemented increasingly by recent start-ups and supportive

acquisitions. As Empresaria has historically made the majority of its profit in the second half of the year it is anticipated that this trend will continue in 2006. The Board is positive as to the outlook for the year.



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### RISKS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document. In particular:

The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable. In the event of an aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

### CONTACT

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United Kingdom

### RANKING

|   | Ranking out of 50 (50 being highest) |
|---|--------------------------------------|
| <b>Business model - competitive advantage</b> |                                      |
| Competition                                   | 30                                   |
| Customers                                     | 27                                   |
| Low cost                                      | 20                                   |
| Management                                    | 32                                   |
| - corporate governance                        |                                      |
| - quality                                     |                                      |
| - shareholding                                |                                      |
| Product                                       | 28                                   |
| Sector  | 29                                   |
| <b>Financial evaluation</b>                   |                                      |
| Early and profitable exit potential           | 30                                   |
| Financial strength                            | 28                                   |
| - cash flow                                   |                                      |
| - conservative accounting                     |                                      |
| - need for funding                            |                                      |
| Growth at a reasonable price                  | 28                                   |
| Risk  |                                      |
| <b>Overall average rating</b>                 | <b>28</b>                            |



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### FURTHER INFORMATION ABOUT THE RANKING

#### Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's value chain of activities, such as

easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

### THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

#### Competition

How intense is the competition and are there barriers to entry?

#### Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

#### Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

#### Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

#### Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

#### Sector

Is the company in an attractive sector that is profitable and adds value?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

#### Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

#### Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

#### Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

#### Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

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