



# INTERIM REPORT Q1 2020

TEMPTON Group



## Q1 2020 HIGHLIGHTS

TOTAL INCOME

51.7 m€

GROSS PROFIT

13.6 m€

EBITDA

1.4 m€

### Optimised web presence

In Q1 2020 TEMPTON has significantly optimized its web presence - both towards the important source employees and towards the customer side.

### Optimised positioning of TEMPTON's high-quality services business

Since 1 January 2020 TEMPTON has bundled the high-quality part of its services business under the brand "Next Level" and established a clear brand identity for this purpose.

### COVID-19

Since mid march 2020, Tempton has implemented all necessary measures in the shortest possible time in order to mitigate the negative consequences of the COVID-19 crisis to a maximum extent. Therefore, TEMPTON does not expect to record a negative cash flow.

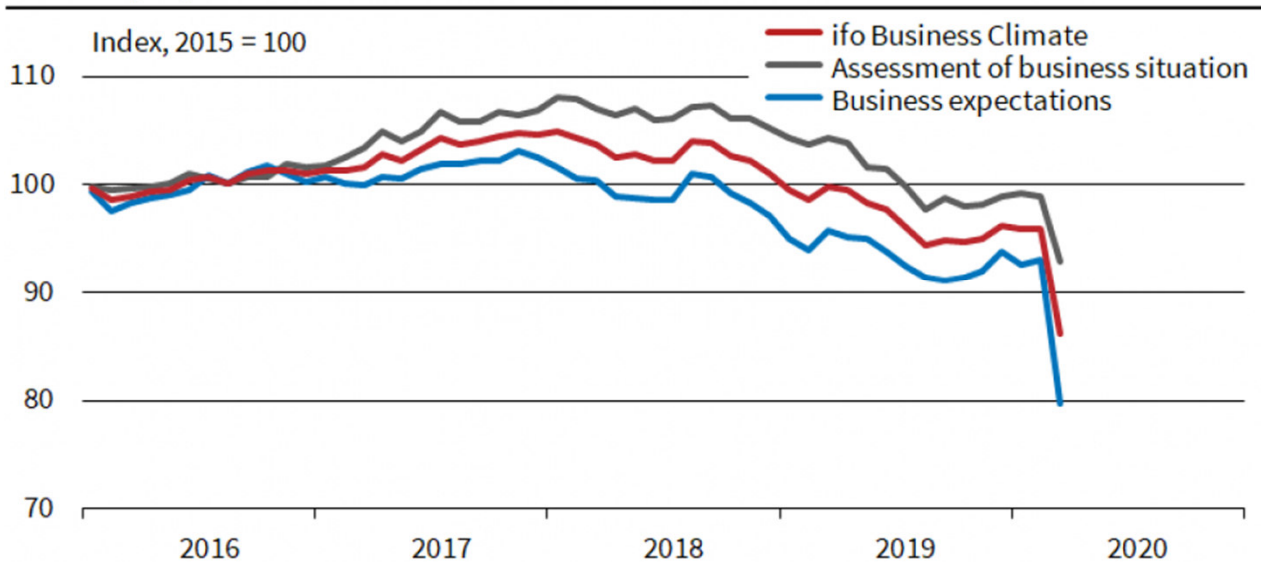
TEMPTON (defined as TEMPTON Group GmbH and all legal entities associated with TEMPTON Group GmbH within the meaning of Sec. 17 AktG [German Stock Corporation Act] also defied the long-term general negative market trend in the first quarter of 2020. TEMPTON was much less affected by the effects of the COVID-19 virus from mid-March 2020 onwards than the vast majority of its competitors. Overall, the Q1 2020 performance was satisfactory for TEMPTON.



# DEVELOPMENT TOTAL MARKET GERMANY

## Development Business Climate Index Germany<sup>1</sup>

### ifo Business Climate Germany<sup>a</sup> Seasonally adjusted



<sup>a</sup> Manufacturing, service sector, trade, and construction.

Source: ifo Business Survey, March 2020.

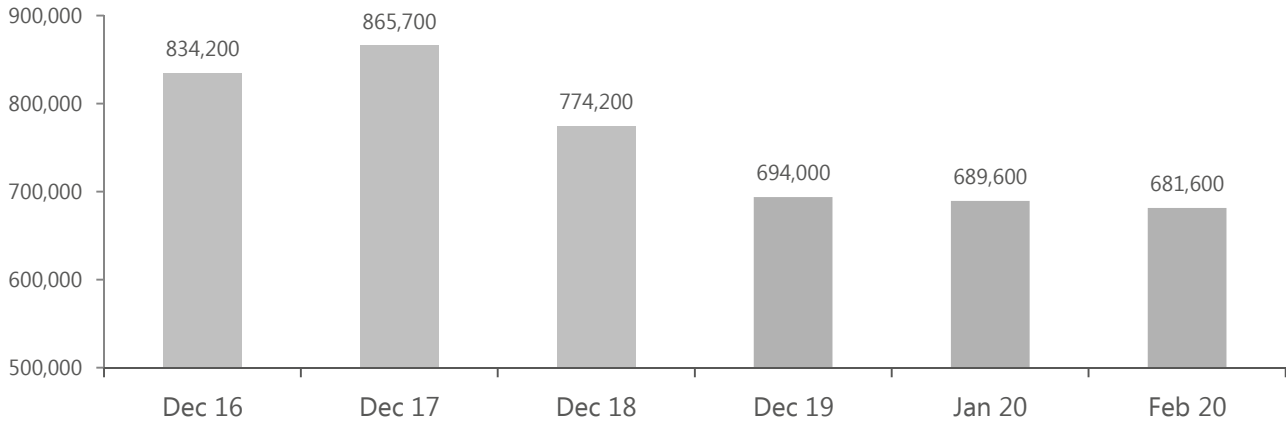
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Sentiment among German managers has become extraordinarily dire. The ifo Business Climate Index collapsed from 96.0 points in February to 86.1 points in March. This is the steepest fall ever recorded since German reunification and the lowest value since July 2009. Companies' expectations in particular have darkened as never before. Assessments of the current situation have also worsened considerably. The German economy is in shock.<sup>1</sup>

<sup>1</sup> <https://www.ifo.de/en>

# DEVELOPMENT TEMPORARY EMPLOYMENT MARKET

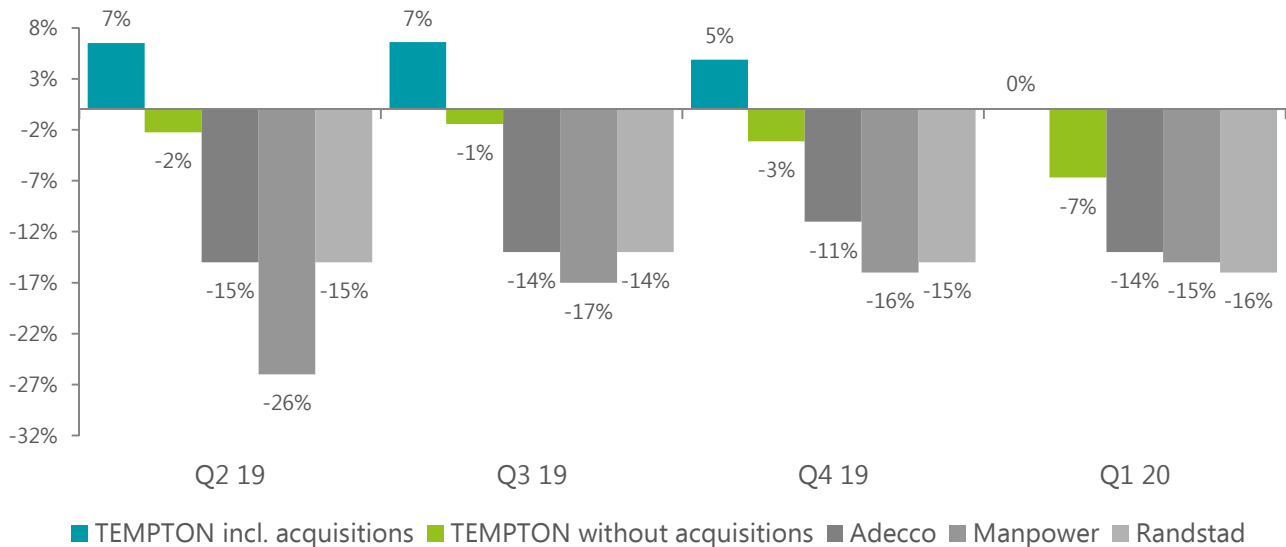
## Temporary Employees Germany<sup>2</sup>



### Note

The official labor market data of the Federal Employment Agency (*Bundesagentur für Arbeit*) are usually published with a delay of two to three months.

## Exemplary market comparison based on turnover Germany (YOY)<sup>3, 4, 5, 6</sup>



<sup>2</sup> <https://statistik.arbeitsagentur.de/>

<sup>3</sup> TEMPTON turnover according to internal reporting.

<sup>4</sup> <https://www.adecgroup.com/investors/>

<sup>5</sup> <https://investor.manpowergroup.com/>

<sup>6</sup> <https://www.randstad.com/investor-relations/>

# KEY FIGURES

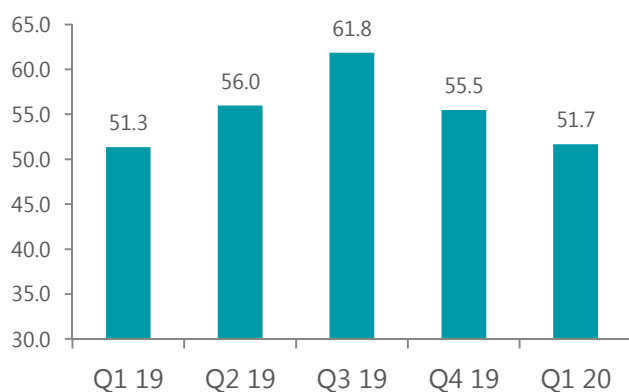
## General note

The seasonal fluctuations in the turnover and EBITDA curve are typical for the temporary employment industry (timing of public holidays in the first and second quarter, strong capacity utilization in the third quarter).

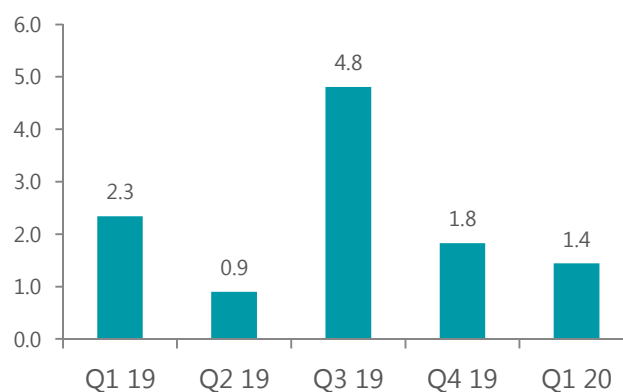
## Key figures

in m€	Q1 20	Q4 19	Q1 19	01-03/2020	01-03/2019
<b>Total income</b>	51.7	55.5	51.3	51.7	51.3
<b>OPEX</b>	50.2	53.6	49.0	50.2	49.0
<b>EBITDA</b>	1.4	1.8	2.3	1.4	2.3
<b>%</b>	2.8%	3.3%	4.6%	2.8%	4.6%
<b>EBITDA adjusted</b>	1.4	2.8	2.4	1.4	2.4
<b>%</b>	2.8%	5.0%	4.7%	2.8%	4.7%

### Total income (in m€)<sup>Note 1</sup>



### EBITDA (in m€)<sup>Note 2</sup>



### Note 1 – Total income

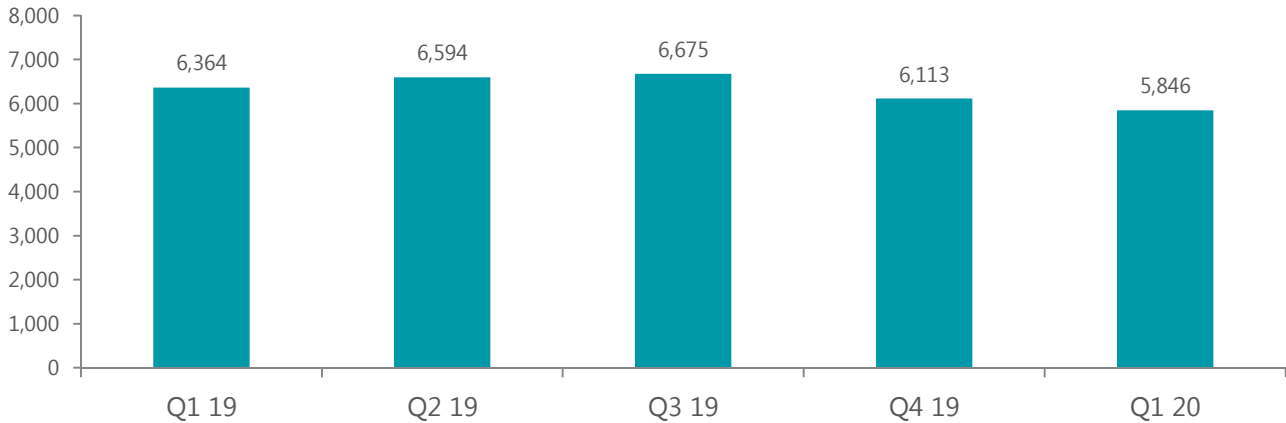
As expected, total income of EUR 51.7 million in the first quarter is significantly lower than in the fourth quarter due to numerous public holidays in January and the short February. In direct comparison with the previous year, total income increased by EUR 0.4 million.

### Note 2 - EBITDA

The EBITDA of the first quarter reflects the first effects of COVID-19 in addition to the normal seasonal business development. In addition to a noticeable decline in demand from mid-March, in direct comparison with the previous year EBITDA was negatively impacted by the temporary shut-down of a full business line of a major customer and newly opened locations.

# DEVELOPMENT OPERATIONS TEMPTON

## Total number of employees

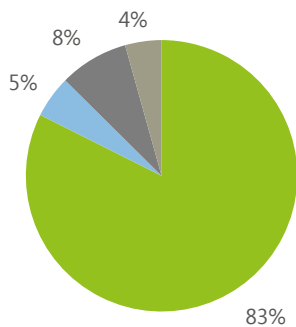


## Note

A seasonal fluctuation in the number of employees is typical for the temporary employment industry. The seasonally typical increase in the number of employees could not be achieved in Q1 due to COVID-19. However, the actual decline in the number of employees at TEMPTON is noticeably lower than that of the competition.

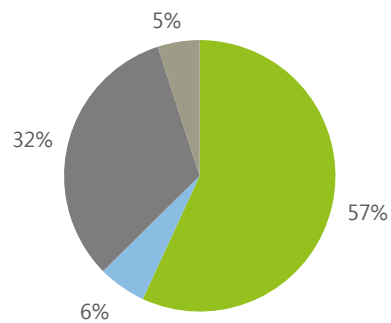
## Development Business Segments<sup>8</sup>

Turnover by Business Segment – Q1 20 (Percent)



■ Personnel services ■ Next Level  
 ■ Technical services ■ Outsourcing

DB2 by Business Segment – Q1 20 (Percent)



■ Personnel services ■ Next Level  
 ■ Technical services ■ Outsourcing

<sup>8</sup> Turnover and DB2 according to internal reporting.

## OUTLOOK – CRISIS RESILIENCE

Despite foreseeable negative effects of the COVID-19 crisis on sales and earnings, TEMPTON in particular is well prepared for getting through the crisis successfully and expects a positive result for the 2020 fiscal year. The reasons for this assessment lie in the starting position of TEMPTON, which has done all its homework excellently in recent years. TEMPTON stands securely on five pillars:

### **Low risk profile**

TEMPTON is highly diversified in terms of client base, client structure and occupational groups. In addition, TEMPTON has a high degree of risk stability due to its various business divisions. The Technical Services division is currently benefiting from the official shut-down measures due to the sharp rise in data volumes (increased uses of home Offices and video conferences) and the associated increased demands on the infrastructure.

### **Very high cost base flexibility**

Typical for the industry of personnel service providers, TEMPTON has a very high cost base flexibility. More than 90% of TEMPTON's total cost base is personnel costs. Even without government support measures (such as short-time work compensation), around 85% of these are (quasi) variable costs, which TEMPTON can reduce or completely eliminate within a few days or at short notice, if necessary. Regarding the remaining 15 % of personnel costs, the government support measures allow a reduction which, subject to the staffing necessary to maintain operational activities, allows a cost reduction of up to 100 %.

### **First-class technical IT equipment and high level of digitization**

The IT technical equipment of TEMPTON is first class. Almost all of the more than 600 so-called "internal employees" of TEMPTON which are responsible for the operating business as well as the entire administration can carry out their work fully from their home office. Many essential processes are already digitalized at TEMPTON and thus already "corona-resistant" by definition.

### **Strong management and experienced staff**

Almost all of TEMPTON's key employees, in particular the heads of all business and specialist departments, the managers of the more than 100 branches throughout Germany and the central functions, have been on board for many years. Together with the shareholders and the top management, they have already led TEMPTON very successfully and in every respect unscathed through the financial and economic crisis in 2008/2009 and through the protective shielding process in 2017. In other words, TEMPTON is experienced and proven in crises. There is a high level of trust with the shareholders of TEMPTON.

### **High level of free liquidity**

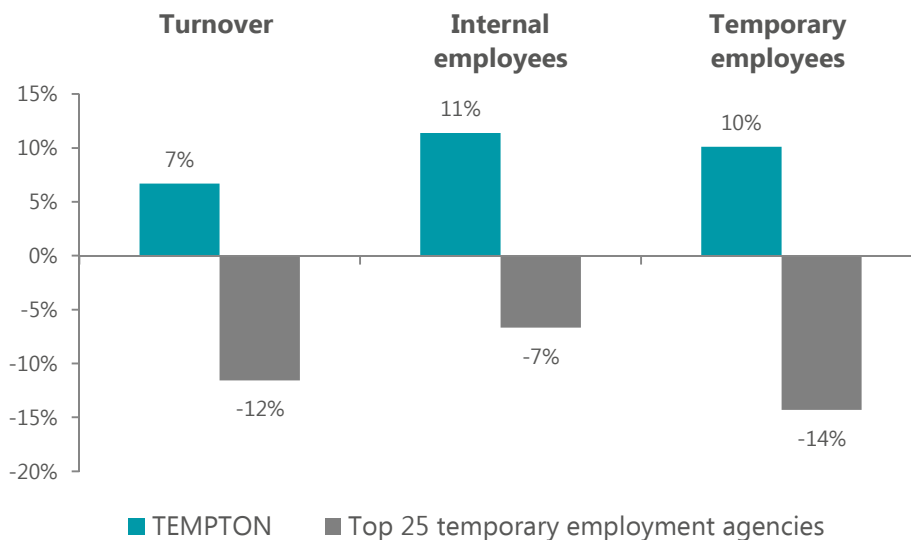
TEMPTON's office equipment corresponds to the latest state of the art. Therefore, TEMPTON can use all available free liquidity to compensate for short-term declines in orders, to continue to deploy the successful sales team actively and to the full extent in customer contact and otherwise to continue to invest and grow to the full extent.



## OUTLOOK – OPPORTUNITIES

A large number of TEMPTON's competitors have already suffered considerably in 2019 due to the general economic slowdown in Germany.

### Market comparison 2019 vs. 2018<sup>9</sup>



The severe effects of the COVID-19 crisis will lead to a substantial market adjustment also in the market of personnel service providers. First signs in the form of insolvencies of individual competitors as well as the business-critical (= risk of subsidiary liability of hirers) deferral of social security contributions by many competitors are already visible. A wave of insolvencies in the personnel services industry is expected to occur at the latest when the deferrals of taxes and social security contributions granted by the public authorities to all German companies expire on December 31, 2020.

TEMPTON will very actively use these market opportunities to its own advantage.

<sup>9</sup> <https://www.luenendonk.de/produkte/listen/luenendonk-liste-2020-fuehrende-zeitarbeitsunternehmen-in-deutschland/>



# COMMENTS RE. FINANCIAL STATEMENTS

## Consolidation

The consolidated balance sheet is prepared by combining the individual balance sheets of all subsidiaries included in the consolidated financial statements. Inclusion is based on the principle of full consolidation, i.e. all assets and liabilities of the companies included are adopted in the consolidated balance sheet with their full amount, except for those items that have been consolidated. TEMPTON Group GmbH directly or indirectly holds 100% of the shares of the consolidated subsidiaries.

## Liquidity and cash flow

The cash balance has increased from EUR 26.9 million in Q4 19 to EUR 27.6 million in Q1 20.

## Key figures (in m€)

### Leverage ratio

<b>EBITDA LTM</b>	<b>9.0</b>
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### Net Debt

Bond loan	30.4
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Cash balance	27.6
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<b>Net debt</b>	<b>2.8</b>
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<b>Net Leverage ratio</b>	<b>0.3</b>
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### Interest cover ratio

Interest expense	1.7
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<b>Interest cover ratio</b>	<b>5.3</b>
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## Main risk factors

Main risk factor is surely the current great uncertainty as to how the (negative) economic effects of COVID-19 will turn out over the course of 2020 and possibly even extend into 2021.

## Use of Alternative Performance Measures (APM)

Alternative performance measures are performance measures outside of the applicable financial reporting framework (HGB). Financial APMs are intended to enhance comparability of financial performance over time and are frequently used by analysts and investors. APMs may also be used internally as basis for performance related remuneration.

TEMPTON uses the following APMs:

**DB2** means earnings before interests, taxes and depreciation (without financing costs for the limited factoring on the level of TEMPTON Technik GmbH, TEMPTON Next Level Experts GmbH and TEMPTON Outsourcing GmbH).

**GROSS PROFIT** means total income after deducting cost of leasing staff and cost of materials.



## Statement from the Board of Directors

The financial statements are, to the best of our knowledge and based on our best opinion, presented in accordance with generally accepted accounting principles and the information provided in the financial statements give a true and fair view of TEMPTON and TEMPTON's assets, liabilities, financial position and result. This interim report provides an accurate view of the development performance and financial position of TEMPTON.

Essen, 28.05.2020

Dr. Annett Tischendorf  
CEO

Frank Seipenbusch  
CFO



## CONSOLIDATED INCOME STATEMENT (UNAUDITED)

All figures in €	Notes	Q1 20	01-03/2020	Q1 19	01-03/2019
Revenues		50,699,519	50,699,519	50,848,215	50,848,215
Change in the inventory of finished goods and work in process		370,607	370,607	33,257	33,257
Other operating income		604,736	604,736	466,242	466,242
<b>Total income</b>		<b>51,674,861</b>	<b>51,674,861</b>	<b>51,347,715</b>	<b>51,347,715</b>
Material costs					
costs of raw material, supplies, operating material and acquired goods		654,161	654,161	196,691	196,691
costs of services acquired		1,617,458	1,617,458	1,423,755	1,423,755
		<b>2,271,620</b>	<b>2,271,620</b>	<b>1,620,447</b>	<b>1,620,447</b>
Personnel costs					
wages and salaries		34,464,117	34,464,117	34,940,443	34,940,443
social security and expenses for old age pensions and support		7,767,778	7,767,778	7,893,276	7,893,276
		<b>42,231,895</b>	<b>42,231,895</b>	<b>42,833,719</b>	<b>42,833,719</b>
Depreciation		591,503	591,503	440,542	440,542
Other operating expenses	1	5,731,101	5,731,101	4,550,254	4,550,254
Other interest and similar income		4,137	4,137	4,030	4,030
Interest and similar expenses		521,698	521,698	298,888	298,888
Taxes	2	387,728	387,728	54,012	54,012
<b>Profit after taxes</b>		<b>-56,545</b>	<b>-56,545</b>	<b>1,553,884</b>	<b>1,553,884</b>
Other taxes		4,791	4,791	3,405	3,405
<b>Group annual surplus/ annual deficit</b>		<b>-61,336</b>	<b>-61,336</b>	<b>1,550,479</b>	<b>1,550,479</b>



# CONSOLIDATED BALANCE SHEET (UNAUDITED)

All figures in €	Notes	31 March 2020	31 December 2019
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>I. Intangible assets</b>			
1. Concessions, industrial property rights acquired for a consideration as well as licenses to such rights and values		1,237,736	1,293,736
2. Goodwill		11,466,895	11,658,953
		<b>12,704,631</b>	<b>12,952,689</b>
<b>II. Tangible assets</b>			
1. Real estate, titles to land and buildings including buildings on third party land		3,498,419	3,387,652
2. Technical equipment and machines		82,335	85,506
3. Other plants, office fixtures and fittings		3,384,442	3,245,994
		<b>6,965,196</b>	<b>6,719,152</b>
<b>CURRENT ASSETS</b>			
<b>I. Inventories</b>			
		2,058,506	1,722,095
<b>II. Receivables and other assets</b>			
1. Receivables of deliveries and services		20,723,369	23,243,476
2. Receivables from affiliated enterprises		26,473	27,411
3. Other assets		5,349,880	4,832,352
		<b>26,099,722</b>	<b>28,103,240</b>
<b>III. Cash on hand, bank balances</b>			
		27,621,065	26,924,313
<b>PREPAID EXPENSES</b>			
		<b>1,434,398</b>	<b>1,007,331</b>
<b>TOTAL ASSETS</b>			
		<b>76,883,517</b>	<b>77,428,820</b>



# CONSOLIDATED BALANCE SHEET (UNAUDITED)

All figures in €	Notes	31 March 2020	31 December 2019
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>I. Subscribed capital own shares</b>		25,000 -8,500 <b>16,500</b>	25,000 -8,500 <b>16,500</b>
<b>II. Capital reserves</b>		500,000	500,000
<b>III. Profit carried forward/losses carried forward</b>		9,445,525 <b>9,962,025</b>	9,506,861 <b>10,023,361</b>
<b>PROVISIONS</b>			
1. Provisions for pensions and similar obligations		2,657,320	2,613,834
2. Provisions for taxes		2,260,368	1,896,680
3. Other provisions		15,603,919 <b>20,521,608</b>	14,994,336 <b>19,504,850</b>
<b>LIABILITIES</b>			
1. Loans and borrowings		30,415,000	30,420,000
2. Liabilities due to credit institutions		101,530	154,244
3. Liabilities from supplies and services		1,909,904	1,978,212
4. Liabilities due to affiliated enterprises		4,590	4,590
5. Other liabilities		13,262,663 <b>45,693,688</b>	14,298,221 <b>46,855,266</b>
<b>DEFERRED INCOME</b>		<b>706,197</b>	<b>1,045,342</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>76,883,517</b>	<b>77,428,820</b>



# CASH FLOW STATEMENT (UNAUDITED)

All figures in thousand €	Notes	Q1 20	01-03/2020	01-03/2019
Profit for the period (consolidated net income for the financial year)		-61	-61	1,550
Depreciation, amortisation and write-downs of fixed assets/reversals of such write-downs		592	592	441
Increase/decrease in provisions		1,017	1,017	1,374
Other non-cash expenses/income		-41	-41	-44
Increase/decrease in inventories, receivables for deliveries and services and other assets not related to investing or financing activities		1,240	1,240	-4,765
Increase/decrease in liabilities from supplies and services and other liabilities not related to investing or financing activities		-1,443	-1,443	848
Interest expense/interest income		518	518	295
<b>Cash flows from operating activities</b>		<b>1,820</b>	<b>1,820</b>	<b>-301</b>
Payments to acquire tangible fixed assets		-589	-589	-1,174
Interest received		3	3	2
<b>Cash flows from investing activities</b>		<b>-587</b>	<b>-587</b>	<b>-1,171</b>
Proceeds from borrowings		0	0	0
Cash repayments of bonds and borrowings	3	-53	-53	-425
Interest paid for financial loans and factoring		-479	-479	-253
Change in other financial liabilities		-5	-5	0
<b>Cash flows from financing activities</b>		<b>-537</b>	<b>-537</b>	<b>-678</b>
Net change in cash funds		697	697	-2,150
Cash funds at the beginning of period		26,924	26,924	15,605
<b>Cash funds at end of period</b>		<b>27,621</b>	<b>27,621</b>	<b>13,455</b>



# NOTES

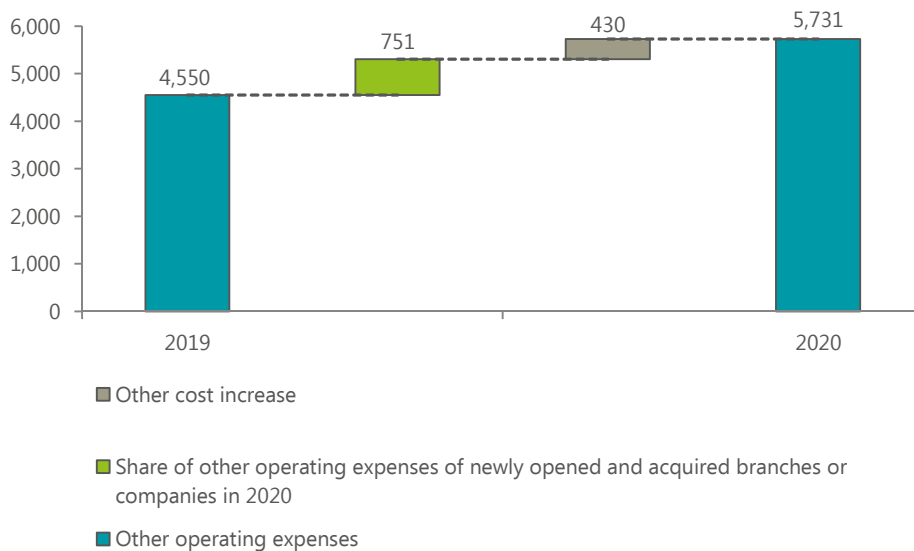
## General

The group parent company operates under the name TEMPTON Group GmbH. The accounting transactions underlying this interim report comply with German commercial and company law regulations (HGB, GmbHG).

### Note 1 – Other operating expenses

The higher other operating expenses mainly result from newly opened and acquired branches or companies.

#### Comparison of other operating expenses Q1 2019 vs. Q1 2020 (in thousand €)



### Note 2 – Taxes

The change results from the current tax valuation.

### Note 3 - Cash repayments of bonds and borrowings

The previous year's amount includes the redemption payment from the old financing. The current redemption amount relates to a real estate financing that ends in September 2020.





## ABOUT TEMPTON

With headquarters in Essen, TEMPTON is one of Germany's leading and fastest-growing HR service providers. We currently operate almost everywhere in Germany with offices in more than 100 locations, regularly employing more than 7,000 motivated members of staff. Offering secure and attractive workplaces to people with vastly different qualifications – from skilled manual worker to highly qualified interim manager – is what motivates us. Our exceptionally positive corporate development is based on highly digitalized processes and innovative product strategies. Today over 10,000 corporate clients in many different industries rely on us to provide them with attractive HR solutions of every kind.





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