

Chairman's Statement

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Personal Group was founded 35 years ago and continues to be successful – we are profitable, growing and, once again, increasing our dividend to shareholders.

Over the years, our market has changed, and we have faced external challenges both of which have required thoughtful and sometimes rapid response. 2018 was no different. We achieved success in all three of our divisions, with trading ahead of that for the previous year despite facing some strong headwinds. We entered 2019 in robust shape despite some of the external challenges continuing into the start of the current year. Following our acquisition of Innecto, we have a broader, more integrated set of propositions and a new CEO.

The first half of 2018 saw record results, with all parts of the business performing in line or ahead of our expectations. Early in the year, the Company experienced its best ever day and its best ever month for new insurance sales. As we entered the second half of the year, this momentum continued, with new insurance sales still growing and strong indications that several large clients would commit to running the PG Let's Connect offer. The Company's Software as a Service (SaaS) revenue line also saw strong growth, supported by several key client wins.

However, as the second half of the year progressed, we were buffeted by two major headwinds – the change in the laws relating to personal data (GDPR) and a subsequent security issue at one of our major third-party suppliers. GDPR led a number of our prospective clients to be cautious about committing to our insurance and PG Let's Connect propositions until they understood better their increased responsibilities under GDPR. Fines under GDPR are calculated as a proportion of worldwide revenues and are therefore significant and leading to companies and boards taking more time to make decisions.

The data breach at a long-term supplier compounded the uneasiness of some existing clients, as well as prospects, and we lost both sales momentum and actual business as a result. Once again, our team at Personal Group responded well and we overcame the immediate effects of these challenges. The tremendous response of the team, combined with the inherent strength of our business and our propositions, enabled us to deliver results for the year broadly in line with market expectations.

Whilst the effects of these two challenges endured into this year, albeit diminished, we entered 2019 with actions already underway to accelerate the rationalisation of the supply chain – we have brought some of our key client benefits provision in-house including the issuing of pre-paid cards. We have also made changes to the way we operate our business and are confident we will see it progress further as the year unfolds. Nonetheless, we recognise that the insurance business will take a little time to regain momentum and that PG Let's Connect is bouncing back more slowly than we'd hoped.

SaaS, which includes Sage Employee Benefits, continues to see good revenue growth. We have faced challenges in 2018 but, having reflected, the Board firmly believes our strategy, with its direction of travel, is the right one.

Our market continues to change and the pressure on employers to attract and retain labour has become more intense. The employment market continues to be tight and employees are increasingly likely to change jobs. To attract and retain staff cost-effectively, employers need to compete, not just with remuneration but with an employment proposition that increases the significance of employee benefits, welfare and experience. Employers are therefore increasingly recognising the commercial benefits of investing in their workforce, reflected in board level discussions.

Personal Group is well placed to respond to the opportunities being created within our market. We believe that we have a market proposition that is unrivalled amongst our peers and a team with a depth of proven experience. Having invested substantially in the business, we are well positioned to capitalise on opportunities presented by an adapting labour market, which continues to increase focus on a positive employment culture.

As a Board and Company, it is our job to unlock that opportunity and value. To that end, in February 2019 we acquired Innecto, a leading independent pay and reward consultancy. This acquisition both broadens the services Personal Group has to offer, as well as strengthening our position across all our services with clients. We can now offer much more to each of our clients, be they Innecto clients, Personal Group clients or those new to the Group. That investment is now in place and we look forward to seeing the benefits of it as 2019 progresses and beyond. Our focus now is on driving additional sales.

Many people have enabled Personal Group to enter 2019 in very good health and the Board thanks them all. One of whom I must mention is Mark Scanlon, who joined us as CEO in 2012. Mark has provided leadership and drive that has materially reshaped Personal Group. His personal energy and enthusiasm were infectious and I thank him for his tremendous contribution.

We have in our new CEO, Deborah Frost, another highly talented individual who is perfectly placed to lead the Company in its 35th year and beyond. Our opportunity is to exploit Personal Group's strengths – old and new – and make 2019 a year worthy of significant celebration.

Mark Winlow
Non-Executive Chairman
25 March 2019