



Q3 2019 Investor Call – November 13, 2019



# Investor Call Agenda

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- Introduction and Safe-Harbor
- Opening Remarks  
Brendan Flood, *Chairman & Chief Executive Officer*
- Financial Results  
David Faiman, *Chief Financial Officer*
- Recent Developments  
Brendan Flood, *Chairman & Chief Executive Officer*
- Q&A  
Brendan Flood, *Chairman & Chief Executive Officer*  
David Faiman, *Chief Financial Officer*
- Closing Remarks  
Brendan Flood, *Chairman & Chief Executive Officer*

# Forward-Looking Statements; Non-GAAP Financial Measures

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## Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding the business of the Company and its industry generally, business strategy and prospects. These statements are based on the Company's estimates, projections, beliefs and assumptions and are not guarantees of future performance. These forward-looking statements are subject to various risks and uncertainties, which may cause actual results to differ materially from the forward-looking statements. The Company disclaims any obligation to update these forward-looking statements except as required by law.

## Use of Non-GAAP Financial Measures

We may use non-GAAP financial measures. Other companies may have different definitions of these non-GAAP financial measures, and as a result they may not be comparable with non-GAAP financial measures provided by other companies. Non-GAAP measures are calculated in a manner consistent with that shown in the table at the end of this presentation and should not be considered alternatives to measurements required by U.S. GAAP, such as net revenue, operating profit or net income, and should not be considered a measure of the Company's liquidity.

# Remarks from the Chairman and Chief Executive Officer

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## ■ **Third Quarter 2019 Financial Highlights:**

- Revenue declined by 5.6% to \$67.3 million, from \$71.3 million in Q3 '18, driven primarily by the loss of a low margin client in the U.K. and unfavorable foreign currency translation impact of \$1.5 million
- Gross profit of \$12.5 million was flat to Q3 '18
- Gross margin improved to 18.5% compared with 17.5% in Q3 '18
- Income from operations of \$0.3 million compared with \$0.7 million in Q3 '18
- Net Loss of \$1.1 million compared with net loss of \$2.0 million in Q3 '18. Excluding non-cash items, Q3 '19 was \$0.6 million net income positive
- EBITDA grew by 54% to \$1.8 million compared with \$1.2 million in Q3 '18 (7th consecutive quarter of positive EBITDA)
- Adjusted EBITDA grew by 16.2% to \$2.9 million compared with \$2.5 million in Q3 '18

## ■ **Year to Date Q3 2019 Highlights**

- Revenue grew by 14.9% to \$214.6 million, from \$186.8 million YTD '18, including unfavorable foreign currency translation impact of \$5.6 million
- Gross profit grew by 2% to \$36.7 million, from \$36.0 million YTD '18
- Income from operations grew significantly to \$1.5 million compared with \$0.4 million YTD '18 . Excluding non-cash items, YTD '19 was \$1.9 million net income positive
- Net loss of \$2.3 million improved against a net loss of \$5.1 million YTD '18
- EBITDA grew by 62.8% to \$6 million, from \$3.7 million YTD '18
- Adjusted EBITDA grew 21.3% to \$7.3 million, from \$6.0 million YTD '18

# Remarks from the Chairman and Chief Executive Officer

- CBSbutler warranty claim net settlement gain of approximately \$1.14 recorded in Q3 '19
- Continued improvement in Net income (loss) before non-cash transactions with underlying Net income before non-cash transactions of \$0.6 in Q3' 19 and \$1.9 in YTD' 19

*\$ millions*

	Q3 2019 (Unaudited)	Q2 2019 (Unaudited)	Q1 2019 (Unaudited)	Q4 2018 (Unaudited)	Q3 2018 (Unaudited)	Q2 2018 (Unaudited)	Q1 2018 (Unaudited)
<b>Net Loss</b>	\$ (1.1)	\$ (1.5)	\$ 0.2	\$ (1.4)	\$ (2.0)	\$ (1.8)	\$ (1.3)
Depreciation and amortization	0.9	0.9	0.9	0.9	0.7	0.7	0.8
Foreign currency re-measurement gain on intercompany note	0.5	0.4	(0.4)	0.4	0.2	0.7	(0.6)
Amortization of debt discount and deferred financing costs	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Other non-cash charges	0.2	0.2	0.2	0.2	0.3	0.3	0.4
Gain on sale of Peopleserve	-	-	-	-	-	(0.2)	-
Other income/expenses non-cash	-	-	-	(0.2)	-	-	-
Change in fair value of warrant liability	-	-	-	-	-	(0.3)	(0.5)
<b>Total non-cash Items</b>	<b>1.8</b>	<b>1.7</b>	<b>0.9</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>	<b>0.2</b>
<b>Net Income (Loss) excluding non-cash items</b>	<b>\$ 0.6</b>	<b>\$ 0.2</b>	<b>\$ 1.1</b>	<b>\$ -</b>	<b>\$ (0.6)</b>	<b>\$ (0.6)</b>	<b>\$ (1.1)</b>

- Q3 2019 Dividend Declaration
  - \$0.01 per share for all shares of record on August 22, 2019
  - Dividend paid September 6, 2019

# Q3 2019 Financial Performance

\$000s	Q3 2019	Q3 2018	Q3 2019 YTD	Q3 2018 YTD
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Commercial Staffing - US	\$ 31,644	\$ 28,496	\$ 94,280	\$ 73,441
Professional Staffing - US	9,387	11,301	28,449	40,034
Professional Staffing - UK	26,289	31,520	91,915	73,360
<b>Revenue</b>	<b>\$ 67,320</b>	<b>\$ 71,317</b>	<b>\$ 214,644</b>	<b>\$ 186,835</b>
Commercial Staffing - US	\$ 5,107	\$ 4,463	\$ 14,823	\$ 12,278
Professional Staffing - US	3,701	4,069	10,904	12,268
Professional Staffing - UK	3,677	3,964	10,968	11,413
<b>Gross Profit</b>	<b>\$ 12,485</b>	<b>\$ 12,496</b>	<b>\$ 36,695</b>	<b>\$ 35,959</b>
<i>Gross Margin</i>	18.5%	17.5%	17.1%	19.2%
Selling, general and administrative expenses	\$ 11,361	\$ 11,097	\$ 32,552	\$ 33,315
Depreciation and amortization	867	741	2,621	2,251
<b>Total Operating Expenses</b>	<b>\$ 12,228</b>	<b>\$ 11,838</b>	<b>\$ 35,173</b>	<b>\$ 35,566</b>
<b>Income From Operations</b>	<b>\$ 257</b>	<b>\$ 658</b>	<b>\$ 1,522</b>	<b>\$ 393</b>
Interest expense and amortization of debt discount and deferred financing costs	\$ (2,059)	\$ (2,435)	\$ (5,977)	\$ (6,578)
Gain in fair value of warrant liability	-	-	-	879
Re-measurement loss on intercompany note	(467)	(186)	(484)	(332)
Gain on sale of business	-	-	-	238
Gain on settlement of deferred consideration	1,138	-	1,985	-
Other income (loss), net	51	(14)	308	227
<b>Total Other Expenses, Net</b>	<b>\$ (1,337)</b>	<b>\$ (2,635)</b>	<b>\$ (4,168)</b>	<b>\$ (5,566)</b>
Loss Before Provision for Income Tax	\$ (1,080)	\$ (1,977)	\$ (2,646)	\$ (5,173)
(Provision) Benefit from income taxes	(28)	(3)	296	78
<b>Net Loss</b>	<b>\$ (1,108)</b>	<b>\$ (1,980)</b>	<b>\$ (2,350)</b>	<b>\$ (5,095)</b>

- 1) Revenue associated with Peopleserve included in YTD 2018 was \$7.7 million
- 2) Gross Profit associated with Peopleserve included in YTD 2018 was \$0.8 million

# Balance Sheet

\$000s	September 28, 2019 (Unaudited)	December 29, 2018
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,797	\$ 3,181
Accounts receivable, net	31,506	32,746
Prepaid expenses and other current assets	1,384	1,197
<b>Total Current Assets</b>	<b>34,687</b>	<b>37,124</b>
Property and equipment, net	1,570	1,639
Intangible assets, net	20,509	22,657
Goodwill	32,061	32,061
Right of use asset - leases	5,262	—
Other assets	3,351	2,956
<b>Total Assets</b>	<b>\$ 97,440</b>	<b>\$ 96,437</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 21,347	\$ 18,283
Payable - related party	2,140	1,457
Current portion of debt	38,068	657
Accounts receivable financing	18,011	21,979
Lease liabilities, current	1,773	—
Other current liabilities	4,353	9,642
<b>Total Current Liabilities</b>	<b>85,692</b>	<b>52,018</b>
Term loan - related party, net	—	34,568
Term loan	474	997
Lease liabilities, non current	3,571	—
Other long-term liabilities	2,237	4,659
<b>Total Liabilities</b>	<b>91,974</b>	<b>92,242</b>
<b>Stockholders' Equity:</b>		
Preferred stock	13	13
Additional paid in capital	76,673	73,772
Accumulated other comprehensive income	2,772	2,053
Accumulated deficit	(73,993)	(71,643)
<b>Total Stockholders' Equity</b>	<b>5,466</b>	<b>4,195</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 97,440</b>	<b>\$ 96,437</b>

# Cash Flow

\$000s	<u>Q3 2019 YTD</u>	<u>Q3 2018 YTD</u>
<b>Cash Flows (Used In) Provided By:</b>		
Operating Activities	\$ (7,001)	\$ 7,149
Investing Activities	10,087	(1,601)
Financing Activities	<u>(4,468)</u>	<u>(5,822)</u>
<b>NET DECREASE IN CASH</b>	<b>(1,382)</b>	<b>(274)</b>
Foreign Exchange Impact	(2)	(2)
Cash, Beginning of Period	<u>3,181</u>	<u>3,100</u>
<b>Cash, End of Period</b>	<b><u>\$ 1,797</u></b>	<b><u>\$ 2,824</u></b>

<u>Memo:</u>		
Operating Cash Flow	\$ (7,001)	\$ 7,149
Collection of UK factoring facility deferred purchase price (1)	10,502	7,086
Repayments on accounts receivable financing (2)	<u>(3,702)</u>	<u>(16,220)</u>
<b>Net cash used in operating activities including proceeds from accounts receivable financing</b>	<b><u>\$ (201)</u></b>	<b><u>\$ (1,985)</u></b>

(1) Collection of UK factoring facility deferred purchase price is reflected in Investing Activities on the Cash flow statement

(2) Repayments on accounts receivable financing is reflected in Financing Activities on the Cash flow statement



# Questions & Answers

## Closing Remarks

# Appendices

# Adjusted EBITDA Reconciliation

	Q3 2019	Q3 2018	Q3 2019 YTD	Q3 2018 YTD	Trailing Twelve Months Q3 2019	Trailing Twelve Months Q3 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	\$ 67,320	\$ 71,317	\$ 214,644	\$ 186,835	\$ 288,735	\$ 246,311
Gross Profit	\$ 12,485	\$ 12,496	\$ 36,695	\$ 35,959	\$ 49,040	\$ 47,873
Gross Margin	18.5%	17.5%	17.1%	19.2%	17.0%	19.4%
Net loss	\$ (1,108)	\$ (1,980)	\$ (2,350)	\$ (5,095)	\$ (3,756)	\$ (12,419)
<b>Adjustments:</b>						
Interest expense and amortization of debt discount and deferred financing costs	\$ 2,059	\$ 2,435	\$ 5,977	\$ 6,578	\$ 8,365	\$ 8,615
Benefit (Provision) from income taxes	28	3	(296)	(78)	(196)	641
Depreciation and Amortization	867	741	2,621	2,251	3,494	3,507
<b>EBITDA</b>	<b>1,846</b>	<b>1,199</b>	<b>5,952</b>	<b>3,656</b>	<b>7,907</b>	<b>344</b>
Acquisition, capital raising and other non-recurring expenses (1)	1,558	797	2,511	2,642	2,993	3,587
Other non-cash charges (2)	205	288	627	951	834	1,319
Gain in fair value of warrant liability	-	-	-	(879)	-	(1,755)
Re-measurement loss on intercompany note	467	186	484	332	838	332
Impairment of goodwill	-	-	-	-	-	4,790
Deferred consideration settlement	(1,138)	-	(1,985)	-	(1,985)	-
Restructuring charges	-	-	-	-	(57)	780
Gain from sale of business	-	-	-	(238)	-	(238)
Operational (income) of divested business	-	-	-	(237)	-	(357)
Other loss (income)	(51)	14	(308)	(227)	(479)	(152)
<b>Adjusted EBITDA</b>	<b>\$ 2,887</b>	<b>\$ 2,484</b>	<b>\$ 7,281</b>	<b>\$ 6,000</b>	<b>\$ 10,051</b>	<b>\$ 8,650</b>
Adjusted EBITDA Margin	4.3%	3.5%	3.4%	3.2%	3.5%	3.5%
<b>Pre-Acquisition Adjusted EBITDA (3)</b>					<b>\$ -</b>	<b>\$ 3,323</b>
<b>Pro Forma TTM Adjusted EBITDA (4)</b>					<b>\$ 10,051</b>	<b>\$ 11,973</b>
Adjusted Gross Profit TTM (5)					\$ 49,040	\$ 46,649
TTM Adjusted EBITDA as percentage of adjusted gross profit TTM					20.5%	18.5%

(1) Acquisition, capital raising and other non-recurring expenses primarily relate to capital raising expenses, acquisition and integration expenses and legal expenses incurred in relation to matters outside the ordinary course of business.

(2) Other non-cash charges primarily relate to staff option and share compensation expense, expense for shares issued to directors for board services, and consideration paid for consulting services.

(3) Pre-Acquisition Adjusted EBITDA excludes the Adjusted EBITDA of acquisitions for the period prior to the acquisition date.

(4) Pro Forma TTM Adjusted EBITDA includes the Adjusted EBITDA of acquisitions for the period prior to the acquisition date.

(5) Adjusted Gross Profit excludes gross profit of business divested in June 2018, for the period prior to divestiture date.

# Capital Structure and Leverage

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	<u>September 28, 2019</u>	<u>December 29, 2018</u>
Total Debt, Net	\$ 38,542	\$ 36,222
Addback: Total Debt Discount and Deferred Financing Costs	867	1,171
<b>Total Term Debt</b>	<u>\$ 39,409</u>	<u>\$ 37,393</u>
<b>Pro Forma TTM Adjusted EBITDA</b>	<u>\$ 10,051</u>	<u>\$ 10,592</u>
Pro Forma Leverage Ratio	3.9x	3.5x

**TTM Pro Forma Leverage Ratio:** Calculated as Total Debt, Net, gross of Debt Discount and Deferred Financing costs, divided by Pro Forma Adjusted EBITDA for the trailing twelve-months (“TTM”).

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