

ROBERT WALTERS PLC (LON:RWA)

Leadership Through Experience

Robert Walters PLC (LON:RWA) shares have gained 79% in the last 12m, 219% in the last 5 years, strongly outperforming peers. We argue this is driven by growth in NFI (Net Fee Income), up 18% like-for-like in H1 2017, or 11.5% overall NFI CAGR in the last 15 years, with only one down year.

In this report we examine some of the drivers which underpin this sustained organic growth trend.

ASIA PACIFIC

Compared to peers (chart p2) Robert Walters has higher exposure to Asia Pacific. This gives the company exposure to high growth economies, and in particular high growth in professional services employment.

RESOURCE SOLUTIONS

Unlike the other UK listed recruitment companies, Robert Walters has a significant global position in the RPO (recruitment process outsourcing) market, through its Resource Solutions division. Increasingly HR departments are outsourcing the administration of recruiting processes, and within this market Robert Walters has been gaining market share. The Resource Solutions division has delivered growth of 30% annually over the 5 years to 2017 (est.).

DEEP POOL OF EXPERIENCED MANAGEMENT

In order to deliver on the growth opportunities, Robert Walters has built a strong depth of management. We present some metrics on p2 to demonstrate the level of management experience within each of the major regions.

CONCLUSION

We believe that the growth dynamics which have driven the share price in recent years will continue over the coming years. Furthermore we believe that the drop-through of NFI to operating profit will continue to push margins higher in the coming years, giving further leverage to earnings growth (see table below).

Y/E Dec 31, £m	2015	2016	2017E	2018E
NFI	234.4	278.3	330.0	365.0
Op Profit	23.1	26.2	36.0	40.0
EPS (fully dil.) (p)	18.7	25.4	31.8	35.7
Net Cash	17.8	22.6	26.2	29.4

Source: Capital Network

SUPPORT SERVICES

22/11/2017

SHARE PRICE	52 WEEK LOW
▲ 611p	▲ 335p
MARKET CAP	52 WEEK HIGH
▲ £456.1m	▲ 650p
NET CASH	NAV
▲ £18.4m	▲ £103.2m

MAJOR SHAREHOLDERS

- 1) Aberforth Partners - 9.10%
- 2) Kames Capital - 5.26%
- 3) AEGON Scottish Equitable - 5.07%

Shares in Issue	74.5m
Avg Volume Daily	109,122
Primary index	FTSE All-Share
EPIC	LON:RWA
Next Key Announcement	Q4 Trading Update – Jan 2018 Est
Sector	Support Services

SHARE PRICE CHART



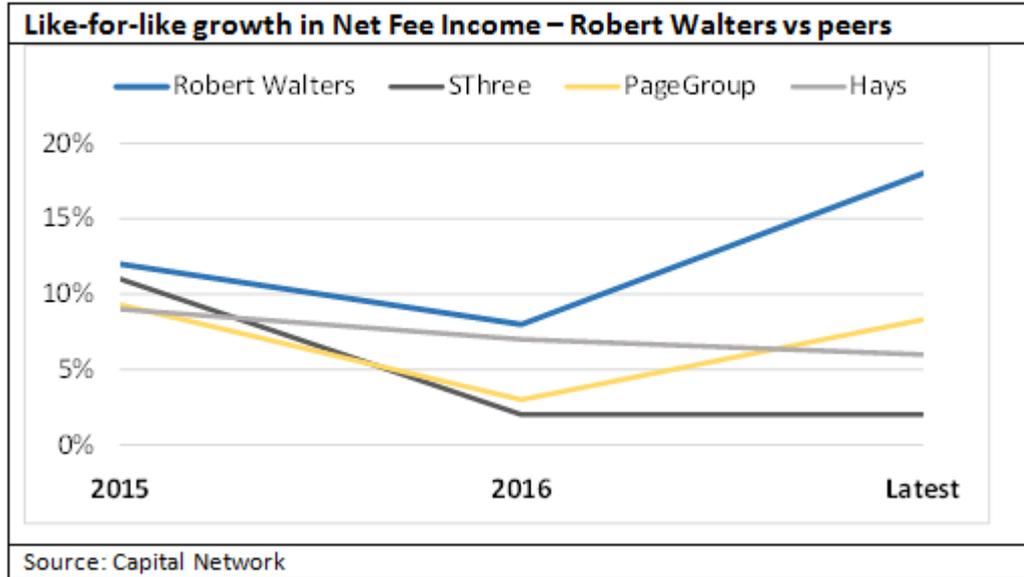
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Company Information

Address : 11 Slingsby place, London WC2E 9AB
www.robertwalters.co.uk

Analyst Details

Ed Stacey
ed.stacey@capitalnetwork.com
+44 (0)20 7264 3921



The chart above shows the like-for-like growth in Net Fee Income for Robert Walters compared with the closest listed peers. We consider a few of the main drivers

OUTPACING THE PEER-GROUP IN ASIA PACIFIC

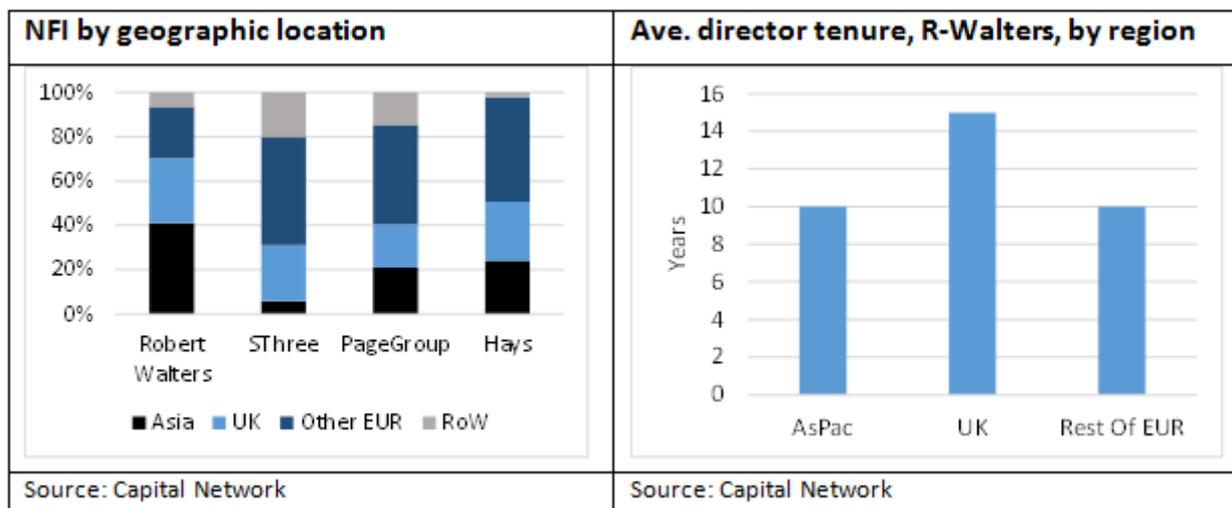
The chart below left shows the exposure of Robert Walters to the Asia Pacific region, compared with the selected peer group. The company’s exposure to AsPac spans Japan, HK, Malaysia, ANZ, Indonesia, Taiwan, the Philippines, Vietnam, Singapore and China. A growing professional class drives growth in the region, and we believe that Robert Walters remains well placed to continue to capture market share.

IMPLEMENTATION – THE COMPANY CULTURE EFFECT

Robert Walters benefits from strength in depth within the management structure in each of its major operational regions. The bottom-right chart shows the average tenure of managers at director level in each region. We believe that corporate culture has played a big role in delivering on growth potential.

EXPOSURE TO THE RPO MARKET

The major peers do not have a global presence in the Recruitment Process Outsourcing market. This business represents around 25% of Robert Walters gross profit (est.) and has grown at 30% annually since 2012 (est.). This segment also benefits from high barriers to entry (only two others compete on a global basis) and high customer retention rates.



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