

MATCHTECH GROUP PLC

# Interim Results for the period to 31 January 2015

Brian Wilkinson – Group Chief Executive Officer

Tony Dyer – Group Chief Financial Officer

Spencer Manuel – Chief Executive Officer (Networkers International)

April 2015

The logo for Matchtech Group PLC is located in the top left corner. It features a stylized gear or circular pattern with several segments, rendered in a light teal color. The text "MATCHTECH GROUP PLC" is positioned to the right of the logo, in a dark teal, uppercase, sans-serif font. The letter 'O' in "GROUP" contains a small circular icon with a dot in the center.

MATCHTECH GROUP PLC

## Results

**Engage** our staff | **Delight** our clients | **Promote** our candidates

# Performance Summary

↓ £0.7m

Group Revenue: £220.2m  
(2014 H1: £220.9m)

↑ 2%

Net Fee Income: £22.5m  
(2014 H1: £22.1m)

↑ 5%

Underlying Profit Before Tax: £6.3m  
(2014 H1: £6.0m)

↓ £6.7m

Net debt: £1.9m  
(2014 H1: £8.6m)

↑ 15%

Operating Cash Conversion: 132%  
(2014 H1: 115%)

↑ 5%

Interim Dividend Per Share: 5.68p  
(2014 H1: 5.41p)

# Income Statement

## Period to 31 January

	2015			2014			Underlying Change %
	Reported £m	Adjustments £m	Underlying £m	Reported £m	Adjustments £m	Underlying £m	
Revenue	220.2		220.2	220.9		220.9	-0%
Contract NFI	16.3		16.3	15.9		15.9	+3%
Contract gross margin (%)	7.5%		7.5%	7.4%		7.4%	
Permanent fees	6.2		6.2	6.2		6.2	+0%
<b>Gross profit (NFI)</b>	<b>22.5</b>		<b>22.5</b>	<b>22.1</b>		<b>22.1</b>	<b>+2%</b>
Gross margin (%)	10.2%		10.2%	10.0%		10.0%	
Adjustments	(1.2)	(1.2)	-	(0.3)	(0.3)	-	
Overheads	(16.0)		(16.0)	(15.6)		(15.6)	+3%
<b>EBIT</b>	<b>5.3</b>	<b>(1.2)</b>	<b>6.5</b>	<b>6.2</b>	<b>(0.3)</b>	<b>6.5</b>	<b>+0%</b>
NFI conversion (%)	24%		29%	28%		29%	
Operating margin (%)	2.4%		3.0%	2.8%		2.9%	
Net interest	(0.2)		(0.2)	(0.5)		(0.5)	
<b>Profit before tax</b>	<b>5.1</b>	<b>(1.2)</b>	<b>6.3</b>	<b>5.7</b>	<b>(0.3)</b>	<b>6.0</b>	<b>+5%</b>
Taxation	(1.3)		(1.3)	(1.3)		(1.3)	
<b>Profit after tax</b>	<b>3.8</b>	<b>(1.2)</b>	<b>5.0</b>	<b>4.4</b>	<b>(0.3)</b>	<b>4.7</b>	<b>+6%</b>

Adjustments include Networkers International plc acquisition costs of £0.7m, amortisation of acquired intangibles of £0.3m (2014 H1: £0.3m) and non-recurring restructuring costs of £0.2m.

The effective rate of tax for the period was 26% (2014 H1: 22%); the increase was mainly due to the non tax deductible acquisition costs offset by the reduction of the UK standard rate of corporation tax to 20.7% (2014: 23.7%).

# Earnings per share & Dividends

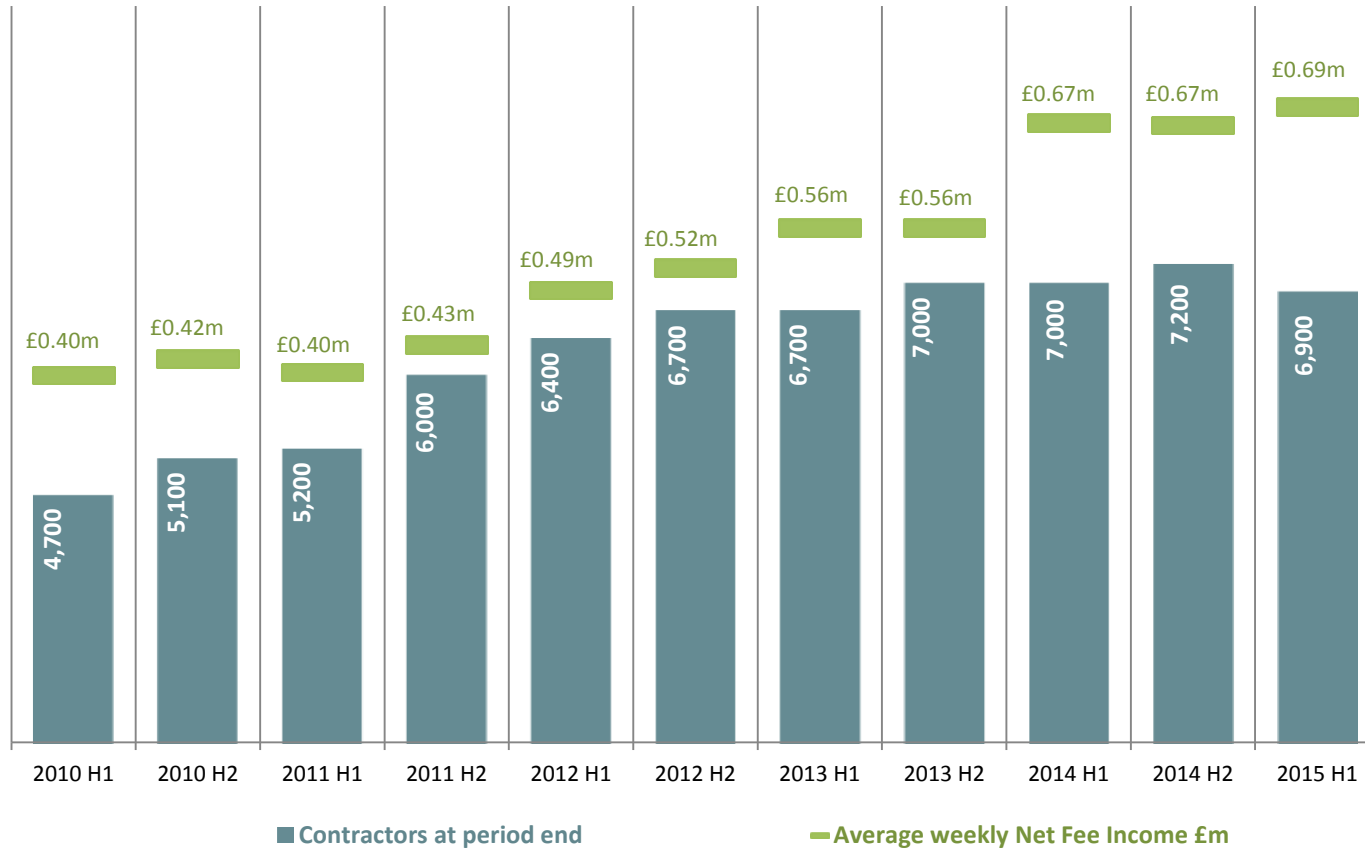
Period to 31 January		2015		2014		Underlying Change
		Reported	Underlying <sup>1</sup>	Reported	Underlying <sup>1</sup>	
<b>Profit after tax</b>	£million	3.8	<b>5.0</b>	4.4	<b>4.7</b>	<b>+6%</b>
Average shares in issue	million	24.7	<b>24.7</b>	23.5	<b>23.5</b>	<b>+5%</b>
Shares under option	million	1.6	<b>1.6</b>	1.0	<b>1.0</b>	<b>+61%</b>
<b>Fully diluted shares</b>	million	<b>26.3</b>	<b>26.3</b>	24.5	<b>24.5</b>	<b>+7%</b>
<b>Earnings per share</b>						
Basic	pence	15.1	<b>19.9</b>	18.1	<b>19.6</b>	<b>+2%</b>
Diluted	pence	14.1	<b>18.7</b>	17.0	<b>18.4</b>	<b>+2%</b>
<b>Dividend per share</b>						
	pence		5.68		5.41	<b>+5%</b>

<sup>1</sup> Underlying earnings per share excludes acquisition costs, amortisation of acquired intangibles and non-recurring restructuring costs

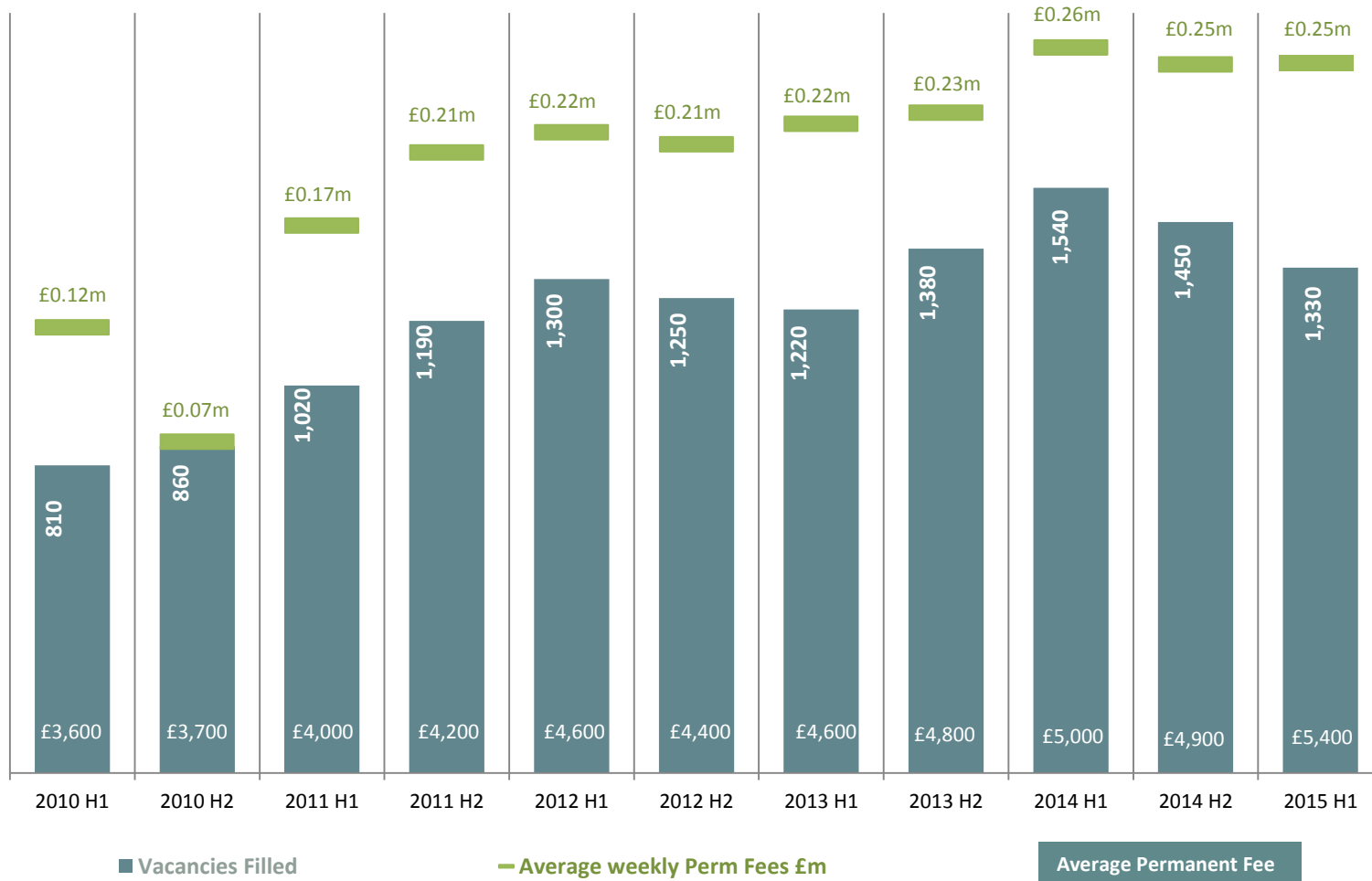
# Cashflow (6 months to 31 January 2015)



# Contract activity



# Permanent activity

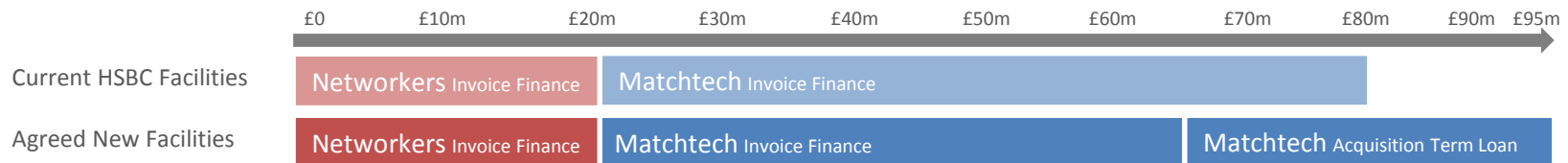


Note: Average Perm fees excludes Alderwood



# New Banking Facilities

- Net consideration for Networkers funded from new HSBC term loan facility of £30m
  - 3 year term
  - Margin over LIBOR between 1.0% and 3.0% based on Leverage Ratio
- Matchtech current Invoice Discounting Facility reduced by £15m; this scales back up to existing level of £60m when term loan is repaid
- Matchtech net debt of £1.9m as at 31 Jan 2015; Networkers net debt of £10.7m<sup>(1)</sup> as at 31 December 2014, plus acquisition consideration and fees of c£32m implies pro-forma net debt of c£45m
- Robust capital structure underpinning future performance



(1) £5.7m at 30 June 2014, £5m increase announced as at 31 December 2014



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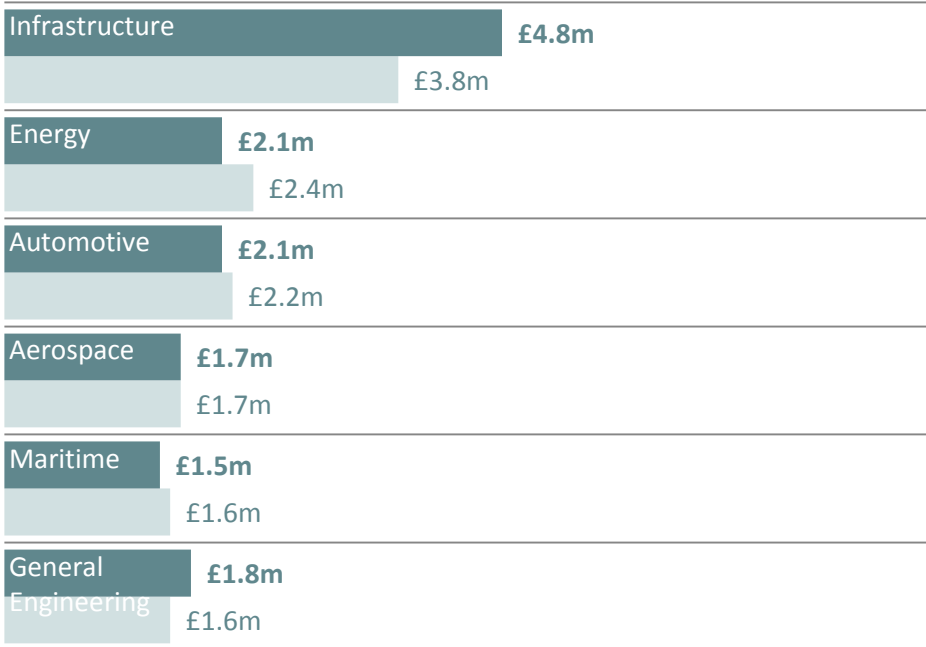
## Operating Review

**Engage** our staff | **Delight** our clients | **Promote** our candidates

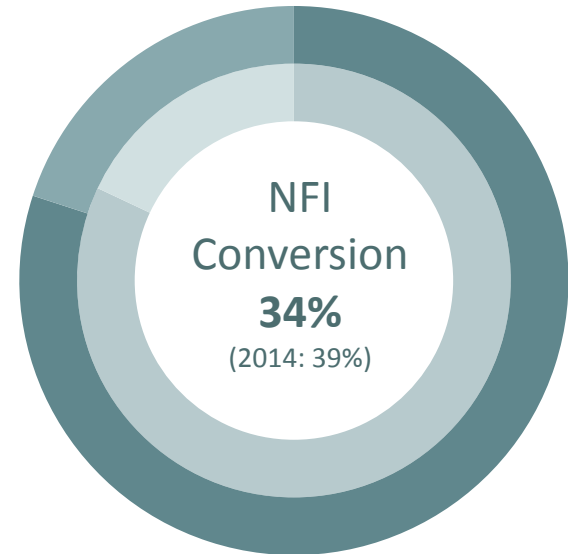
# Engineering Sector

## NFI by sub-sector

■ 2015 H1 ■ 2014 H1



## NFI by type



**2015** Contract NFI: 81% Permanent Fees: 19%  
**2014** Contract NFI: 83% Permanent Fees: 17%

# Engineering Growth Drivers



## Infrastructure

£15bn capital investment committed to the operation of Highways England

AMP 6 started £32bn over 5 years, early programmes of work released

UK construction industry set for a boost of up to £150m over the next five years

Long term signed agreements setting the Rail sector growth targets for further 10 years.



## Maritime

UK Defence projects, Type 26 and Successor, in design phase

Rise in consultancy maritime market, especially internationally

Increase in ship build projects in the Middle East and North America

Graduate & apprentice intake increased where companies are re-investing in employee attraction



## Energy

Efficiency gains being made throughout O&G market

Opportunity in O&G decommissioning which could form 20% of UK market by 2018

Hinkley Point C approval expected soon; potential to create 25,000 jobs

Major Accounts across nuclear defence and downstream remain busy (ExxonMobil, AWE, Babcock)

# Engineering Growth Drivers



## Aerospace

Global commercial aircraft seating market is estimated to grow 32% by 2019

Significant growth in Aircraft cabin interior market is forecast

Manufacturing order book at record levels

Continued research in to advances in efficiency across all aircraft systems



## Automotive

Research and development to decarbonise vehicles and the fuels they use with government funding and tax breaks for consumers

UK OEMs, led by JLR, continue to successfully build their R&D, manufacturing and sales footprints in developing markets, such as China

Growth of UK supply chain supporting UK based OEMs



## General Engineering

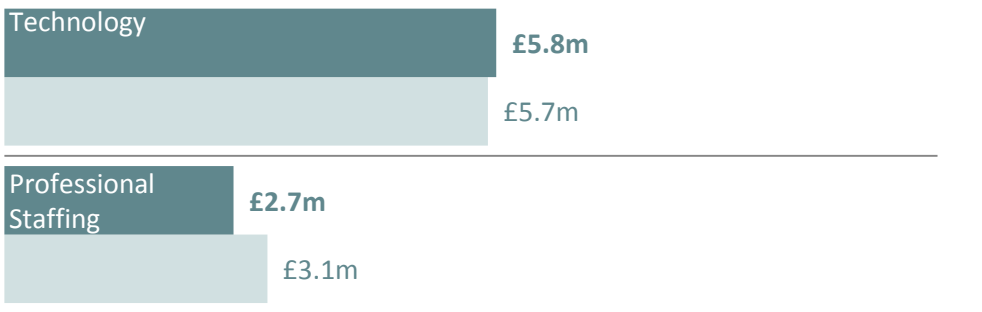
UK manufacturing industry continues to show steady growth

Increase in Permanent opportunities, particularly with specialist industrial equipment manufacturers

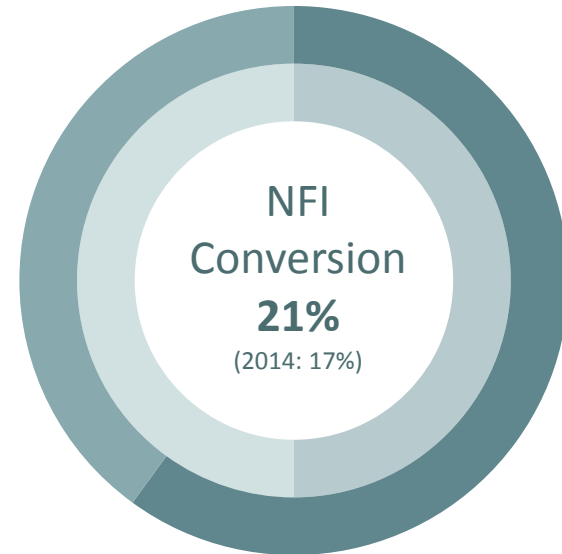
Niche skill set / Talent Pool approach is providing candidates and clients with an increasingly expert service

# Professional Services Overview

## NFI by sub-sector



## NFI by type



2015  
2014

**Contract NFI: 59%**   **Permanent Fees: 41%**  
Contract NFI: 57%   Permanent Fees: 43%

- Growth in Technology has been below our expectations
- Profitable Whiteley Professional Staffing business
- Closing unprofitable London operation
- Pre-election concerns re apprenticeship funding affected volumes

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## Acquisition of Networkers International plc

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# Overview

- Transformational acquisition completed on 2 April 2015
- Total consideration of c.£57.9m<sup>(1)</sup>, with deal costs of c£2.7m
  - 67.4p per Networkers Share
  - 33.4p in Matchtech Group plc Shares (representing c.17.9% of enlarged ISC)
  - 34.0p in Cash
  - Representing a 22.5% premium on Networkers closing share price on 27 January
- Strong strategic and cultural fit between the businesses
- Focused on common and related end-user markets
- Transaction is aligned with Matchtech's international development strategy
- Expected to be earnings enhancing in the first full year post acquisition<sup>(3)</sup>

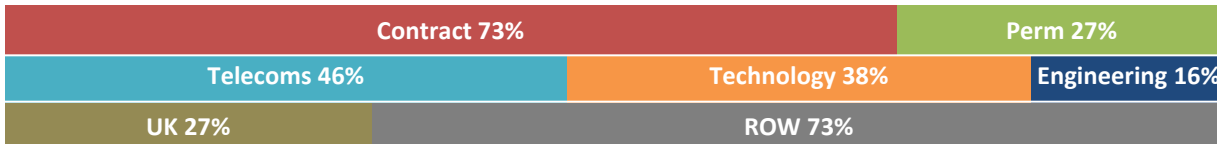
(1) Based on 84.1 million shares in issue plus 1.9 million vesting share options at a 67.4p per share offer price

(2) See slide 24 for further analysis

(3) This should not be construed as a profit forecast or interpreted to mean that the future earnings per, profits, margins or cashflows of the Combined Group will necessarily be greater than the historic published figures



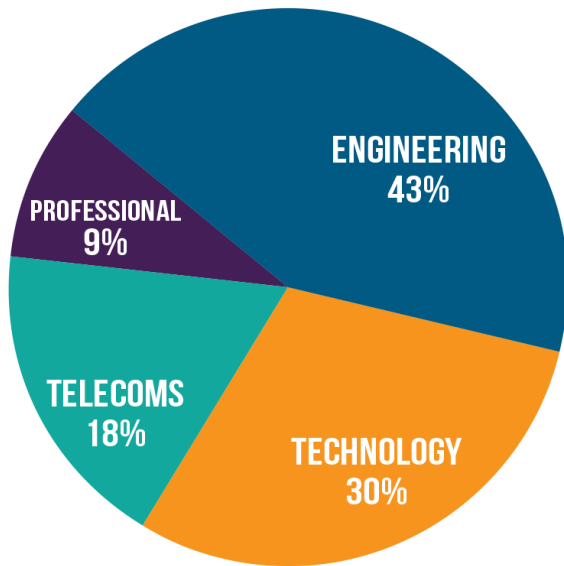
# Networkers at a glance



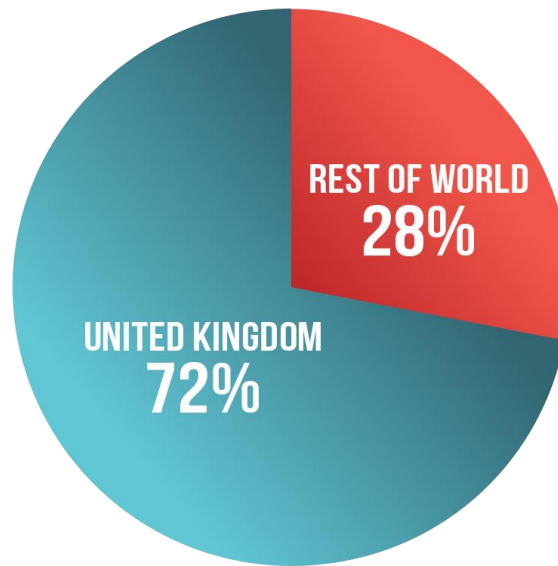
Source: Matchtech Group plc, Networkers acquisition presentation 28 January 2015

# Compelling strategic rationale

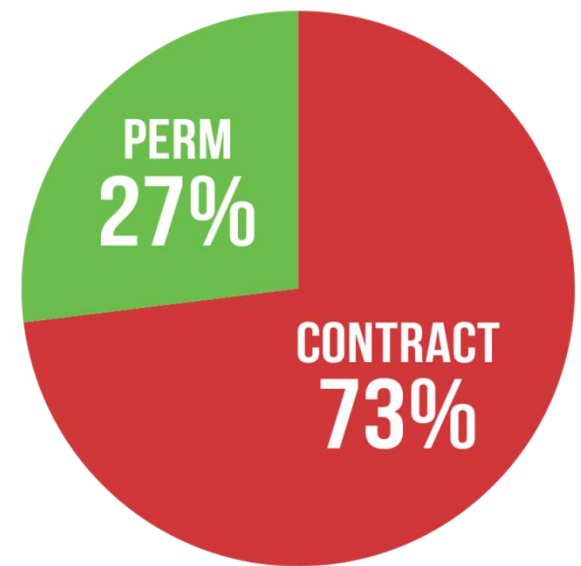
Market leading



International



Balanced & Experienced



Engage our staff | Delight our clients | Promote our candidates

## Compelling strategic rationale - Accelerating our strategy

### Sharpening focus

- Recruitment teams aligned to clearly defined industry sectors
- Skill specific teams working with clearly defined talent pools

### Sector convergence

- Digitization is creating further opportunities
- Well placed to capitalise on converging skill sets in TMT & Engineering

### Move up value chain

- Networkers operating at higher price points than Matchtech
- International placements demand higher price

### Going global

- Networkers has existing international infrastructure
- Lowers cost, risk and time profile of international expansion

### Enhanced proposition

- Contractors: UK engineers highly valued throughout the world
- Clients: Enhanced ability to fill global project requirements

# Combined Group overview

**584** SALES STAFF



Top 5 UK  
**IT/TELECOMS**  
Recruiter Specialist\*



**9,000**



NUMBER OF  
CONTRACTORS



**4,000**

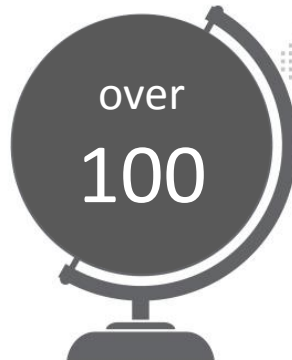
PERMANENT PLACEMENTS

UK'S  
**NO.1**



**ENGINEERING**  
RECRUITMENT SPECIALIST

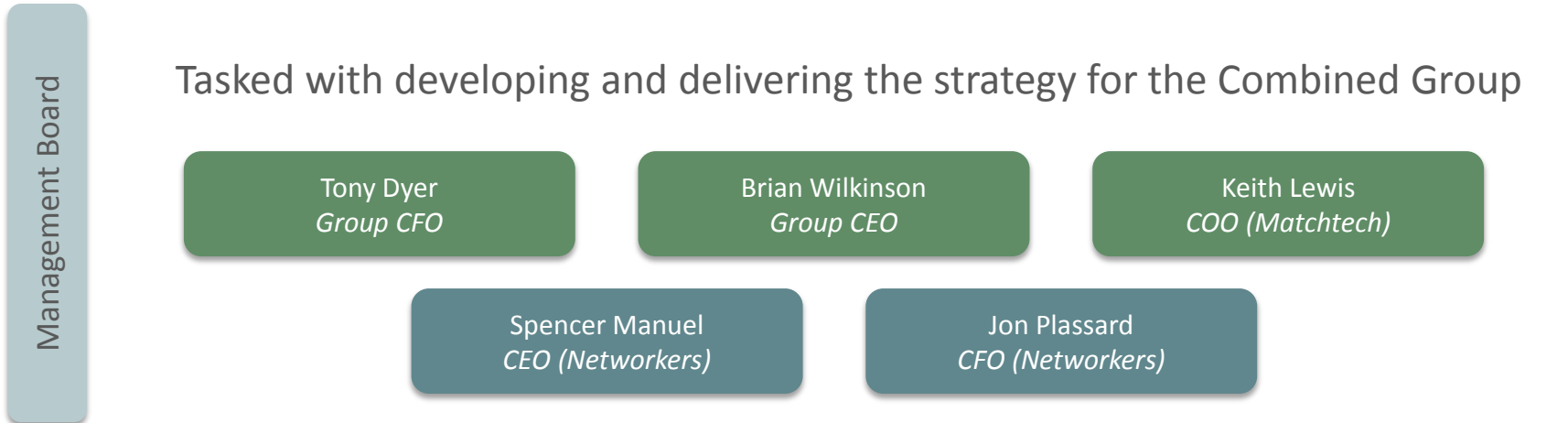
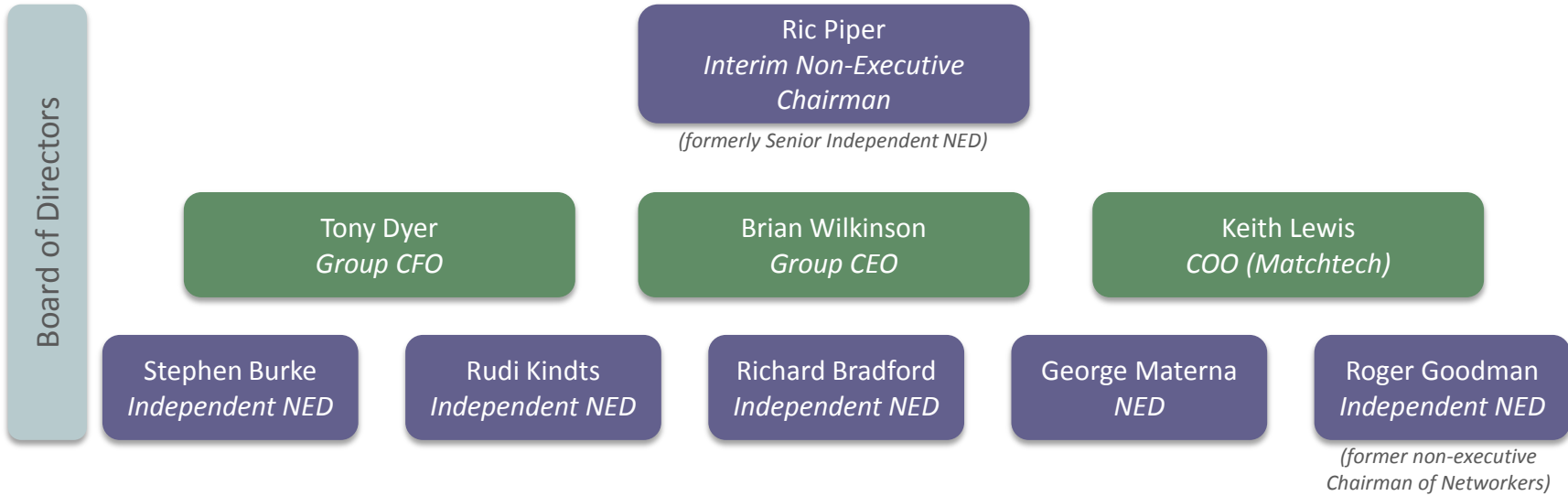
over  
**100**



*18 Offices 12 Countries 5 Continents*

NUMBER OF **COUNTRIES**  
WE RECRUIT IN

# Combined Group Management Structure



## Integration – Next steps

- Roadshow of international network already undertaken
  - Highly experienced and knowledgeable Office Heads already in place
- Networkers will retain its brand at an operating level
- Matchtech and Networkers are a natural fit, with limited client crossover
- Potential synergies will be assessed over the coming months
- Combined Group will adopt Matchtech's accounting policies and financial year-end to 31 July
- We are confident that the integration of the two businesses can be achieved without any significant underlying disruption of operations



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## Outlook & Summary

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## Summary & Outlook

- Steady performance in the period
- Rebalancing of sales headcount into growth markets
- New contract wins and contract renewals during and after period end
- Transformational acquisition of Networkers International plc
- Integration will provide market opportunities and cost synergies

*“Based on opportunities won, trading in the two months since the half year and continued close cost management, the Board anticipates the Group’s results for the year to 31 July 2015 will be in line with expectations with an additional maiden four-months contribution from Networkers from April to July.”*



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MATCHTECH GROUP PLC

**Q&A**

**Engage** our staff | **Delight** our clients | **Promote** our candidates

The logo for Matchtech Group PLC is located in the top left corner. It consists of several overlapping, semi-transparent circles and arcs in shades of light blue and teal, creating a stylized, abstract design.

MATCHTECH GROUP PLC

## Appendix

## Our purpose

**Engage our staff**

Within the top 5% of benchmark group

Engagement score of 90%

91% completed staff engagement survey

**Delight our clients**

Going the extra mile

'You get us'

Market intelligence

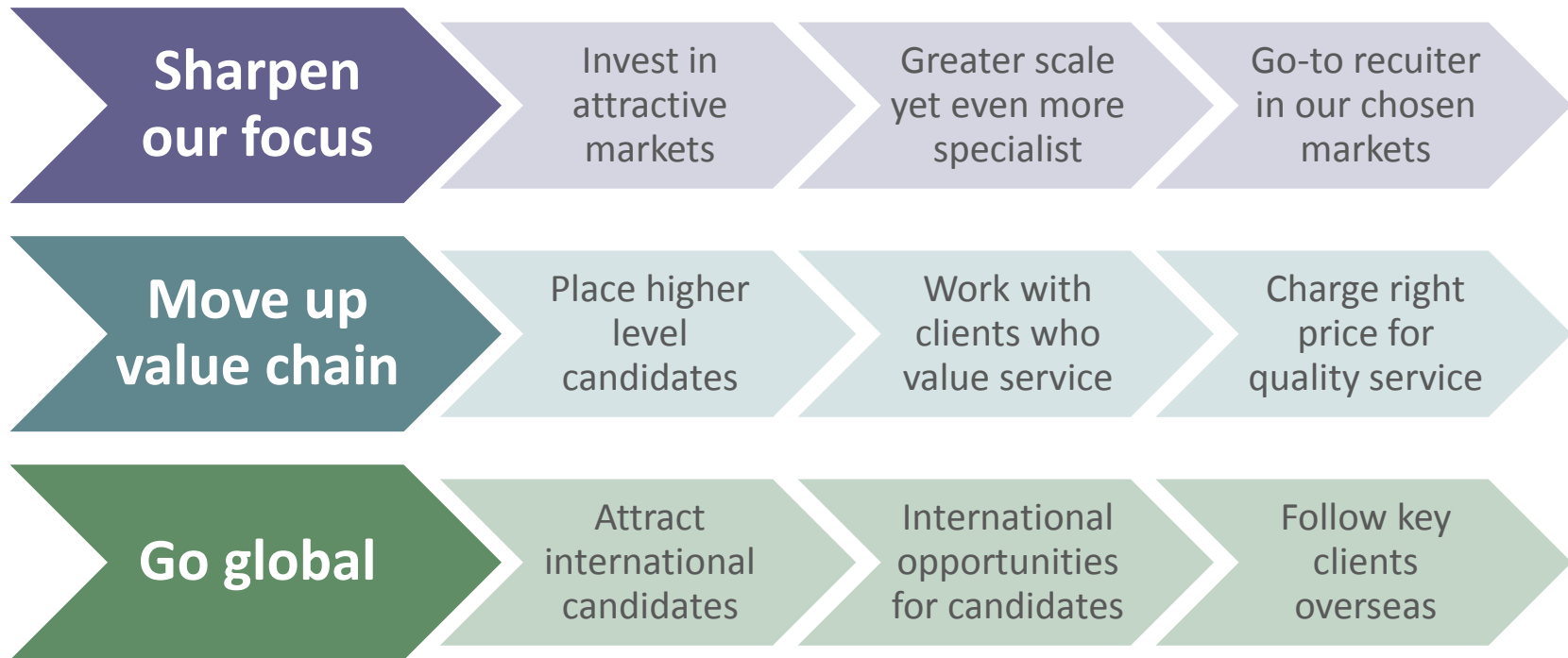
**Promote our candidates**

The relationship

Specialist

Personalised approach

## Our 2017 strategy



## Our 2017 vision



Market leading **specialist** recruiter



Employer of **choice**



Best **partner** to clients & candidates



Rapidly **developing international** business



Premium **stock** for investors

# Our Investment proposition

## Well Balanced

Broad client relationships  
and business mix

## Established

Strong track record of  
organic NFI and profit  
growth

## Specialist

Niche sector expertise

## Flexible

Efficient systems and high  
operational flexibility

## Resilient

Contract business model

## Committed funding

Facilities of £60m

## Expert

Capability and resources to  
increase market share in  
permanent recruitment

## International

Expanding into selected  
markets, accelerating  
progress via Networkers

## Yield

Solid dividend payout  
record