

Delivering recruitment
solutions since 1984

Interim Results for the period to 31 January 2014

Adrian Gunn – Chief Executive Officer

Tony Dyer – Chief Financial Officer

April 2014

Highlights



- Revenue **up 12%**
- Total NFI **up 19%**
- Contract NFI **up 20%**
- Permanent fees **up 17%**

↑ 19%

NFI £22.1m



- EBITA **up 53%** (underlying¹ up 32%)
- Earnings per share **up 43%**
- Interim dividend **up 5%**
- Net Debt **£8.6m** (2013 H1: £8.0m)

↑ 43%

EPS 18.1 pence



- Contract margins **increased to 7.4%** (2013 H1: 6.9%)
- Permanent placements **up 26%**
- NFI conversion **30%** (2013 H1: 23%)
- Debtor days **down to 42** (2013 H1: 48)

↑ 7%

Contract margin %

Growing | Diversifying | Adding Value

¹Underlying Results exclude trading from the Provanis acquisition, professional costs of Provanis acquisition, amortisation of acquired intangibles and non-recurring restructuring costs in 2013 H1

Results & Group Performance

Income Statement

Period to 31 January	Reported			Underlying		
	2014 £m	2013 £m	Change %	2014 £m	2013 £m	Change %
Revenue	220.9	197.3	+12%	215.4	197.3	+9%
Contract NFI	15.9	13.2	+20%	15.1	13.2	+14%
Contract gross margin (%)	7.4%	6.9%		7.2%	6.9%	
Permanent fees	6.2	5.3	+17%	6.2	5.3	+17%
Gross profit (NFI)	22.1	18.5	+19%	21.3	18.5	+15%
Gross margin (%)	10.0%	9.4%		9.9%	9.4%	
Operating overheads	(15.5)	(14.2)	+9%	(15.1)	(13.8)	+9%
EBITA	6.6	4.3	+53%	6.2	4.7	+32%
NFI conversion (%)	30%	23%		29%	25%	
Operating margin (%)	3.0%	2.2%		2.9%	2.4%	
Amortisation	(0.4)	(0.1)		-	-	
Profit from operations	6.2	4.2	+48%	6.2	4.7	+32%
Net interest	(0.5)	(0.2)		(0.4)	(0.2)	
Profit before tax	5.7	4.0	+43%	5.8	4.5	+29%
Taxation	(1.3)	(1.0)		(1.3)	(1.1)	
Profit after tax	4.4	3.0	+47%	4.5	3.4	+32%

Underlying results exclude trading of the Provanis acquisition and its related acquisition costs, amortisation of acquired intangibles and non-recurring restructuring costs in 2013 H1.

The effective rate of tax for the period was 22% (2013 H1: 25%); the reduction was mainly due to the reduction of the UK standard rate of corporation tax to 22.3% (2013: 23.7%) and tax credit due to the exercise of share options. Cash tax rate (excluding deferred tax in the period) was 26.7%.

Earnings per share & Dividends

Period to 31 January		Reported			Underlying		
		2014	2013	Change	2014	2013	Change
Profit after tax	£million	4.4	3.0	+47%	4.5	3.4	+32%
Average shares in issue ¹	million	24.4	23.5	+4%	23.6	23.5	+0%
Shares under option	million	1.6	1.1	+45%	1.6	1.1	+45%
Fully diluted shares	million	26.0	24.6	+6%	25.2	24.6	+2%
Earnings per share							
Basic	pence	18.1	12.7	+43%	19.0	14.5	+31%
Diluted	pence	17.0	12.1	+41%	17.8	13.8	+28%
Dividend per share²	pence	5.41	5.15	+5%			

¹ Underlying Average shares in issue excludes the Placing of 1.05m shares on 20 September 2013 to fund the acquisition of Provanis

² Dividend policy: A progressive dividend with a cover of 2.0x over the cycle

Balance sheet

As at 31 January	2014 £m	2013 £m
Non-current assets		
Tangible	1.6	1.8
Intangible	4.6	0.6
Current assets		
Trade debtors	61.0	59.5
Other debtors	2.7	1.1
Cash ¹	0.6	0.5
Total assets	70.5	63.5
Liabilities		
Trade & other creditors	(22.9)	(26.5)
Invoice discounting facility ²	(9.2)	(8.5)
Net assets	38.4	28.5
Net debt¹⁺²	(8.6)	(8.0)
<i>Debtor days</i>	42	48

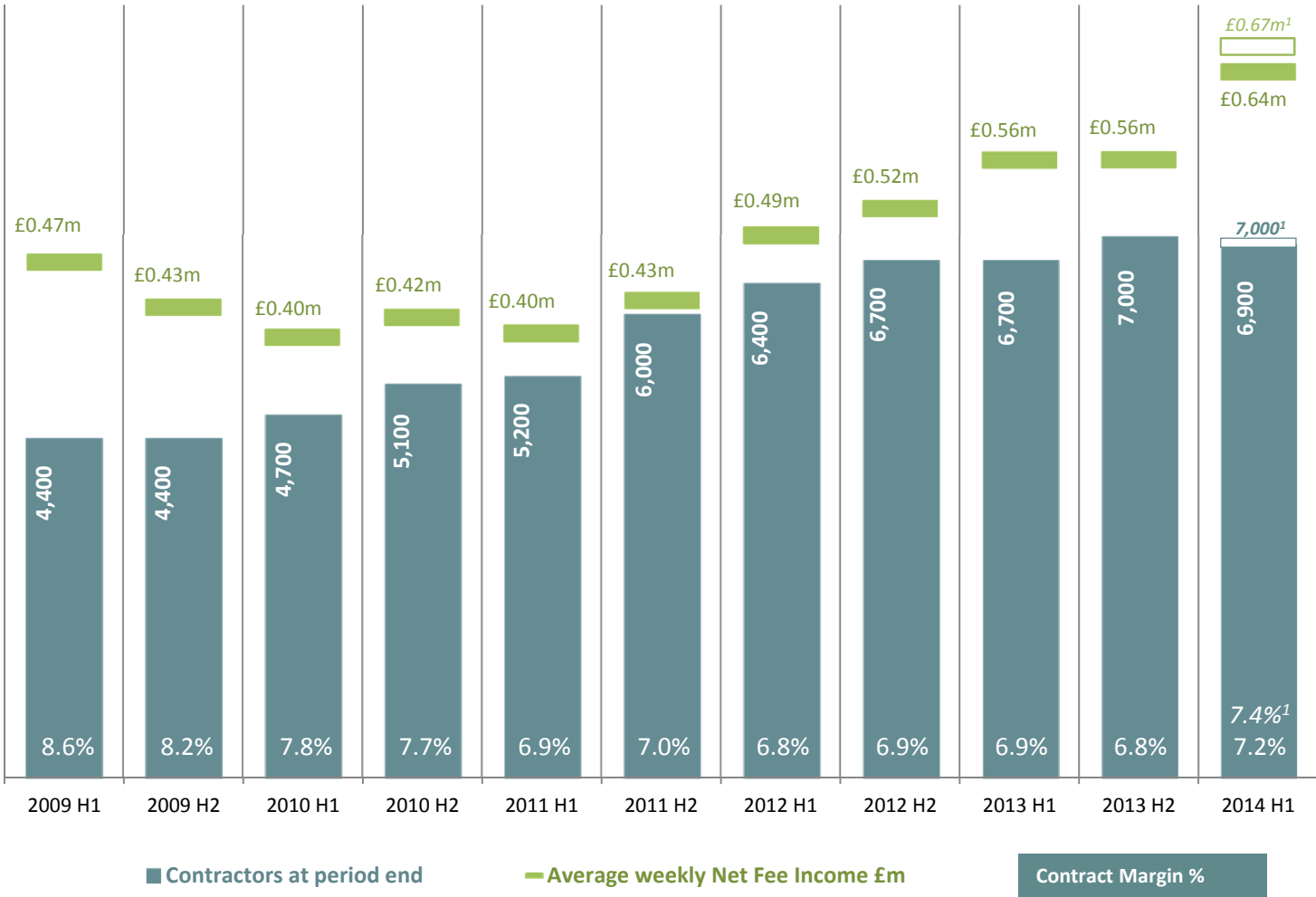
Net debt and cash conversion in the period are both reflecting the effect of the period end of 31 January 2014 falling on a Friday, and the associated outflows of cash to satisfy contractor payroll day (31 July 2013: Wednesday; 31 January 2013: Thursday).

Cashflow

Period to 31 January	2014 £m	2013 £m
Profit from operations	6.2	4.2
Decrease in trade debtors	6.7	2.2
(Decrease)/Increase in trade creditors & provisions	(7.0)	3.6
Non-cash items: Depreciation & amortisation	0.7	0.4
Share based payment charge	0.5	0.4
Cash inflow from operating activities	7.1	10.8
<i>Cash conversion (%)</i>	<i>115%</i>	<i>257%</i>
Capital expenditure (net of disposal proceeds)	(0.1)	(0.2)
Acquisition	(4.2)	-
Interest & Fees	(0.4)	(0.4)
Taxation	(1.3)	(1.1)
Net cashflow (before dividends and financing)	1.1	9.1
Proceeds from issue of share capital	4.1	-
Dividends paid	(3.2)	(2.5)
Movement in banking facilities & cash	2.0	6.6

Contract Activity

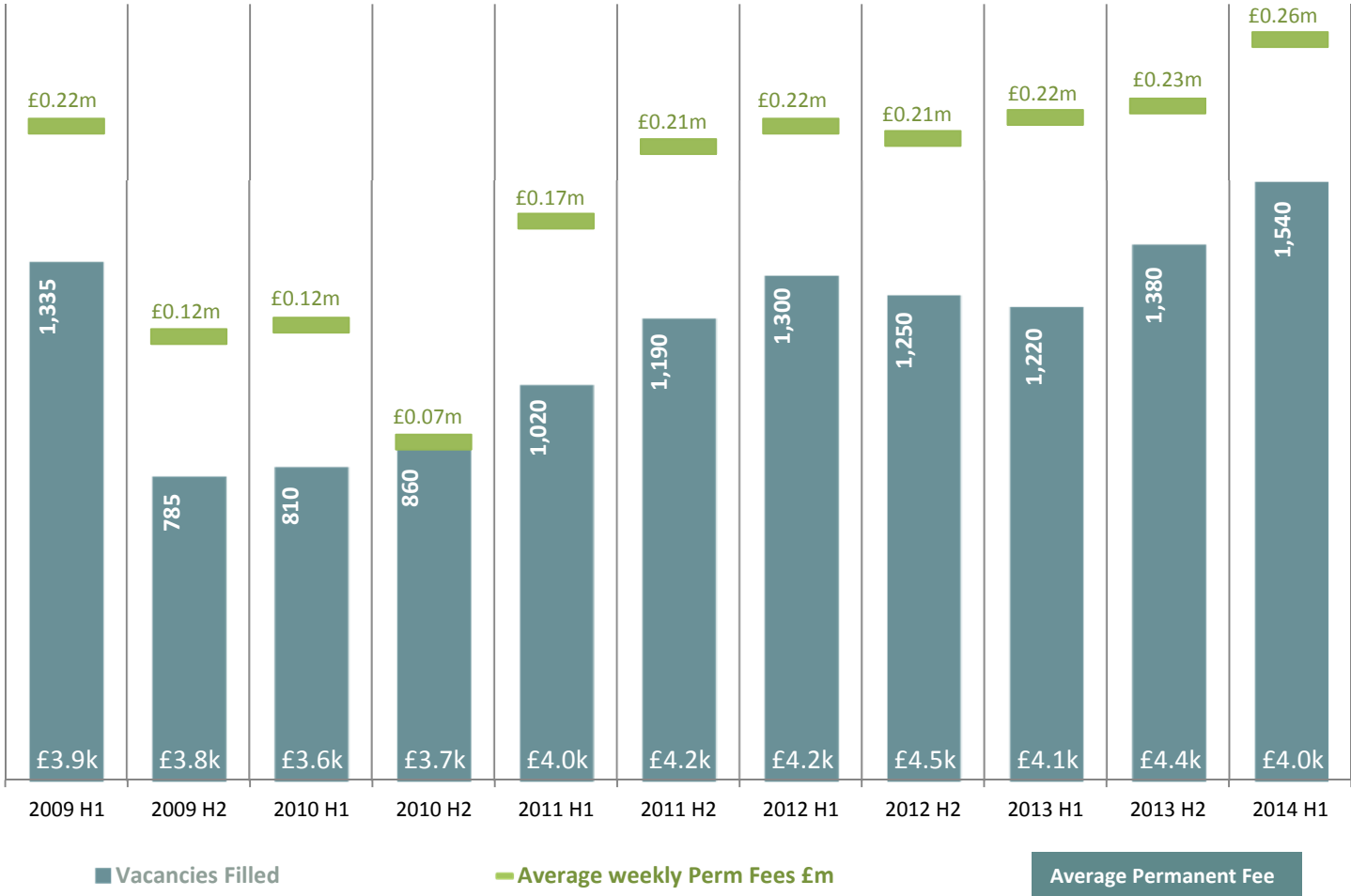
Growing | Diversifying | Adding Value



¹ Activity Including Provanis

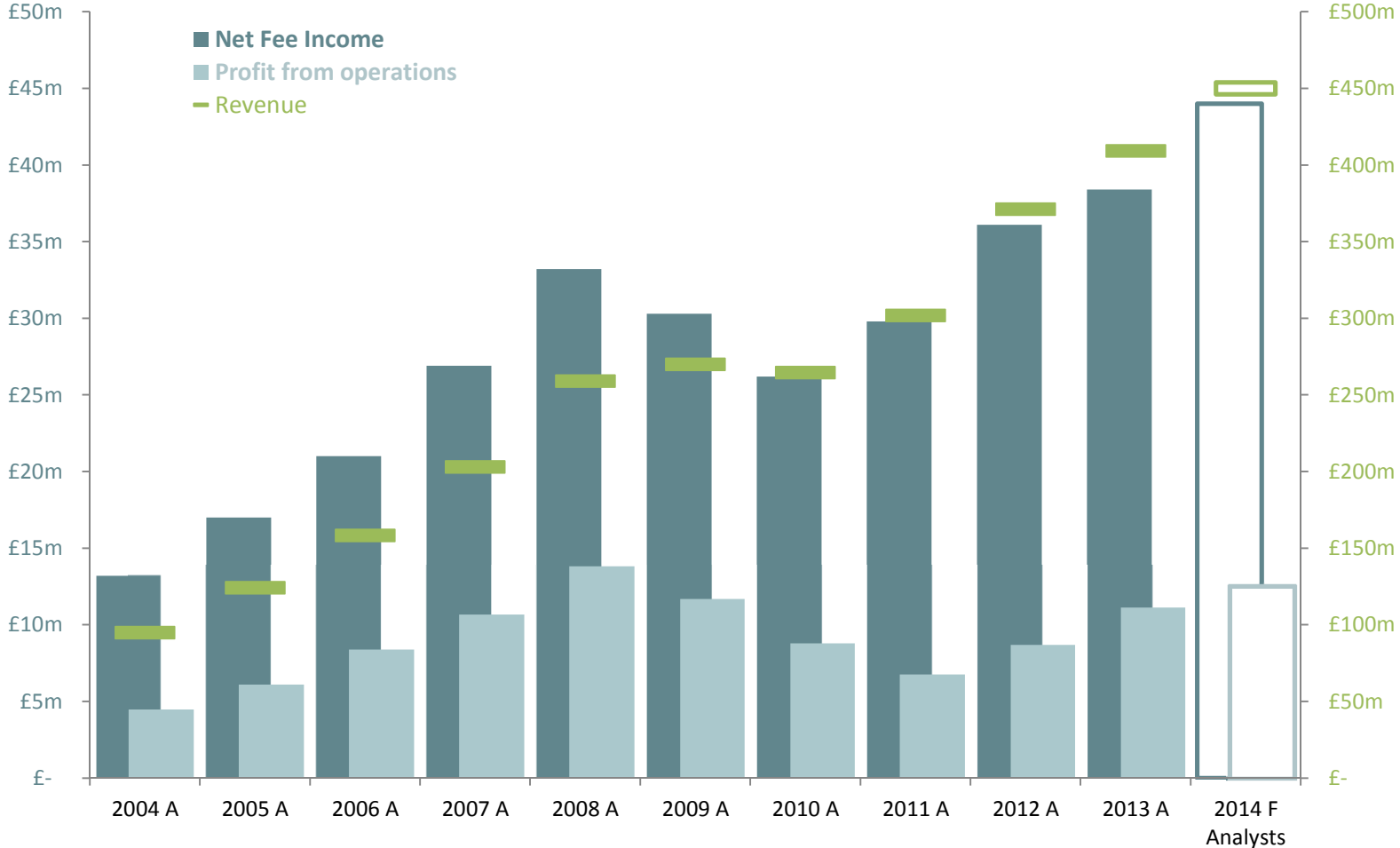
Permanent Activity

Growing | Diversifying | Adding Value



10 year performance

Growing | Diversifying | Adding Value



NFI conversion %	34%	36%	40%	40%	42%	39%	34%	23%	24%	29%
Dividend (pence per share)					15.6p	15.6p	15.6p	15.6p	15.6p	18.0p
Dividend Cover					2.5x	2.2x	1.7x	1.3x	1.6x	1.9x

Business Review

Recruitment Market

GENERALIST

ZERO HOUR CONTRACTS
 UNSKILLED LOW MARGIN
 TRANSACTIONAL RECRUITMENT
 EASY TO FILL LOW PAY RATES
HIGH VOLUME TEMPS

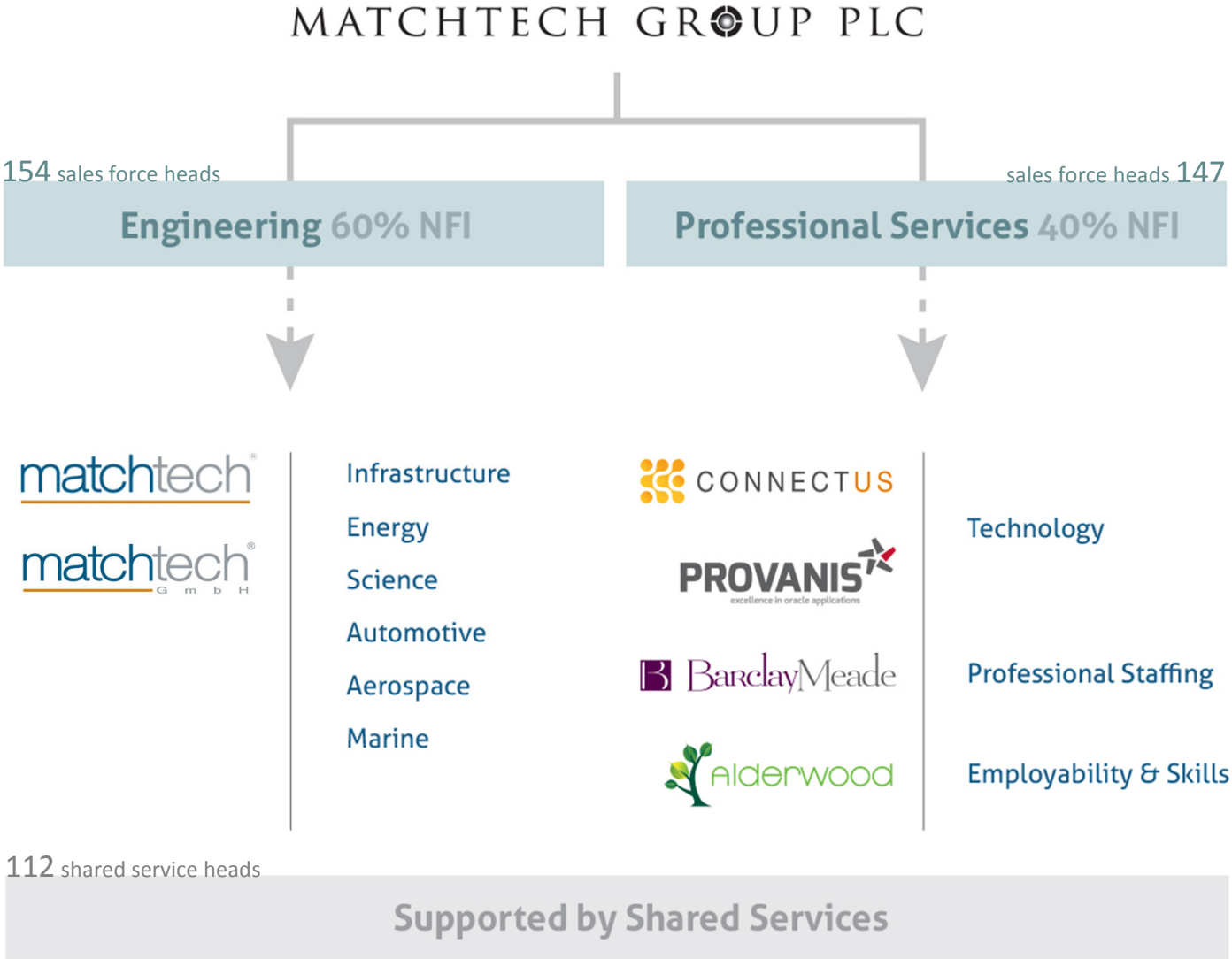
SPECIALIST

HARD TO FILL LOW VOLUME
SKILL SHORTAGES
 HIGH PAY RATES **NICHE**
PROFESSIONAL CONTRACTORS
 LIMITED COMPANIES



Growing | Diversifying | Adding Value

Operational structure

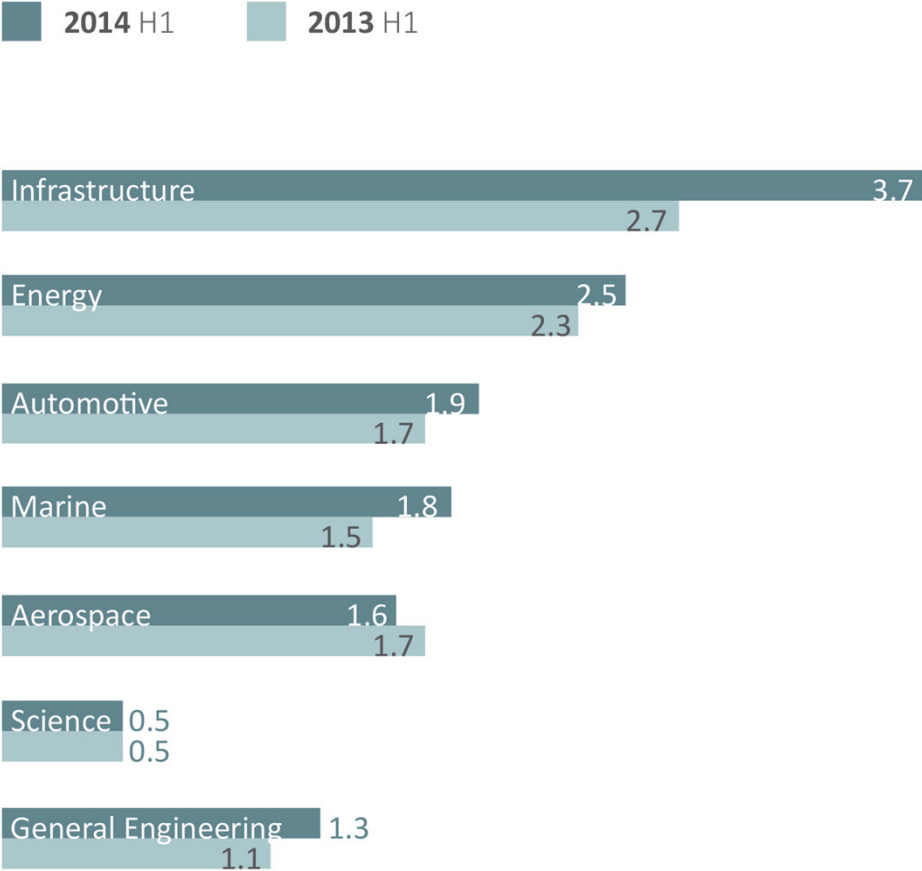


Growing | Diversifying | Adding Value

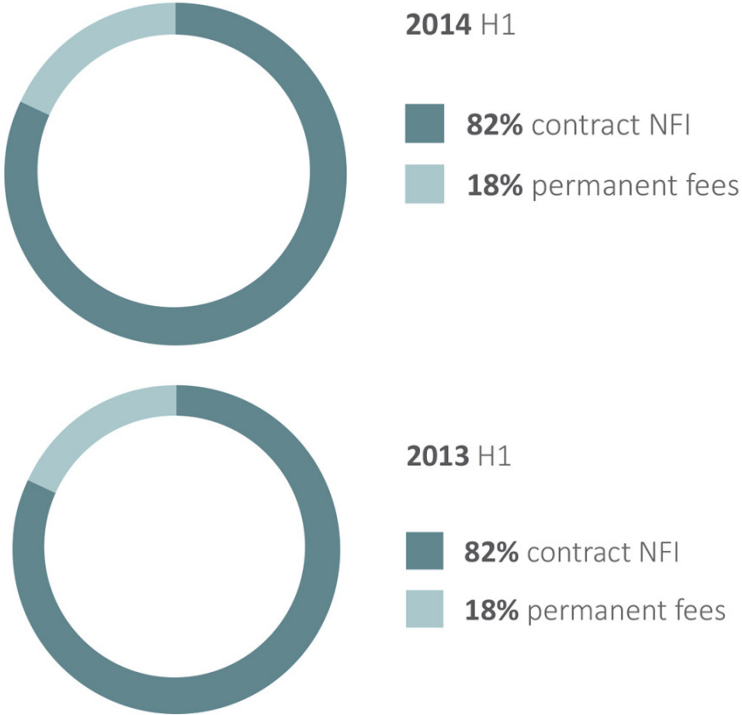
Engineering

Growing | Diversifying | Adding Value

NFI by sector (£m)



NFI split



Engineering

Underlying performance	2014 H1 (£m)	2013 H1 (£m)	Change %
Revenue	153.2	141.7	+8%
Contract NFI	11.0	9.5	+16%
Contract gross margin (%)	7.3%	6.8%	
Permanent fees	2.3	2.0	+15%
Total NFI	13.3	11.5	+16%
Gross margin (%)	8.7%	8.1%	
Operating overheads	(8.3)	(7.5)	+11%
Profit from operations	5.0	4.0	+25%

KPI's	2014 H1	2013 H1	Change
NFI conversion (%)	37.6%	34.8%	+2.8 ppt
Permanent placements	497	453	+10%
Average permanent fee	£ 4,400	£ 4,200	+5%
Contractors on assignment	5,300	5,200	+2%
Average sales force headcount	152	136	+12%
NFI per sales force head	£ 175 k	£ 169 k	+3%


Engineering Overview


5300 CONTRACTORS
ON ASSIGNMENT

#1 Engineering 
recruitment agency

500 PERMANENT
PLACEMENTS
In the last
6 MONTHS


- Infrastructure
- Energy
- Aerospace
- Automotive
- Marine
- Science

500,000

QUALIFIED CANDIDATES
ON OUR DATABASE

 *number of*
940 CLIENTS
INVOICED

154 sales staff


RECRUITING IN
33 COUNTRIES 

Engineering Overview



- Continued investment in Highways, Rail Infrastructure and Utilities
- Renewed confidence in the sector is starting to increase demand for permanent staff
- UK Power Networks framework, won in February 2013, is now fully implemented



- UK Oil & Gas continues to benefit from record levels of investment
- Focus on smaller consultancies, equipment manufacturers and mid-size operators
- Pay rate inflation and margin improvement common place across the sector



- International demand for prestige UK brands generating employment opportunities
- UK remains the global leader in advance automotive engineering
- High levels of investment in R&D exasperating the skills shortage in the sector

Engineering Overview



- Despite the closure of shipbuilding at Portsmouth, the Defence sector remains busy
- Type 26 frigate and the Successor submarine programmes providing long term visibility
- The commercial sector showing early signs of recovery



- Commercial aircraft market creating demand for advance manufacturing staff
- UK is global leader in wing, engine and landing gear development
- Client activity focused on the Airbus and Boeing supply chains

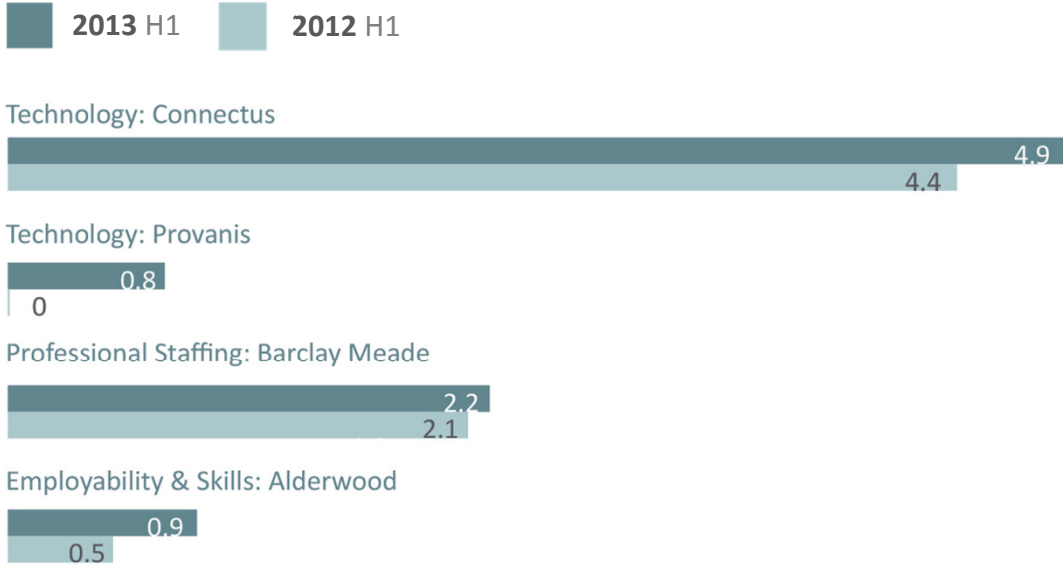


- Increased permanent recruitment activity across our Pharmaceutical, Biotech and Medical Device clients
- Skill shortage fuelling pay rate inflation
- Focus on higher paid roles increasing our average fee

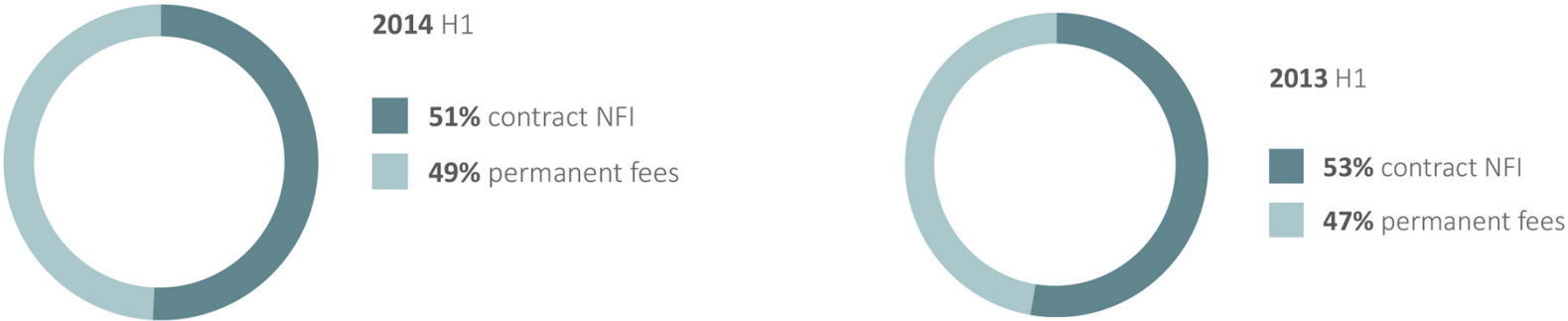
Professional Services

Growing | Diversifying | Adding Value

NFI by sector (£m)



NFI split



Professional Services

Growing | Diversifying | Adding Value

Underlying performance	2014 H1 (£m)	2013 H1 (£m)	Change %
Revenue	62.2	55.6	+12%
Contract NFI	4.1	3.7	+11%
Contract gross margin (%)	7.0%	7.1%	
Permanent fees	3.9	3.3	+18%
Total NFI	8.0	7.0	+14%
Gross margin (%)	12.9%	12.6%	
Operating overheads	(6.8)	(6.2)	+10%
Profit from operations	1.2	0.8	+50%

KPI's	2014	2013	Change
NFI conversion (%)	15.0%	11.4%	+3.6 ppt
Permanent Placements	1,035	766	+35%
Average Permanent Fee	£ 3,850	£ 4,200	-8%
Contractors on assignment	1,600	1,500	+7%
Average sales force headcount	125	120	+4%
NFI per sales force head	£128 k	£117 k	+10%

Technology Overview



14th largest
technology consultancy

300 PERMANENT
PLACEMENTS
In the last
6 MONTHS



 **15** NICHE
DELIVERY TEAMS


1350 CONTRACTORS
ON ASSIGNMENT

- Cloud services, cyber security, big data, digital media and next generation eCommerce are all creating demand
- Provanis is well positioned to capitalise on future Oracle ERP upgrades and implementation projects
- European skills shortages within technology

400,000 QUALIFIED

TECHNOLOGY CANDIDATES
ON OUR DATABASE

 **OVER 60**
specialist consultants

 *number of*
440 CLIENTS
INVOICED



**LONDON
HEAD OFFICE**

INDUSTRY PARTNERSHIPS



- Permanent recruitment activity has increased over the last 6 months
- In London, job flow & candidate interviews are at an all-time high for our business
- Continuing to execute a sector specific strategy
- Gaining market share as our client relationships mature

number of
400 CLIENTS
INVOICED

250 CONTRACTORS
ON ASSIGNMENT

50 specialist consultants
covering 4 niche sectors

Finance, HR, Procurement, Marketing & Sales

280 PERMANENT
PLACEMENTS
In the last
6 MONTHS

Employability & Skills Overview



455 PERMANENT PLACEMENTS
In the last
6 MONTHS

18 specialist consultants



- Last year's focus on winning exclusive accounts with major vocational training providers is generating significant growth
- This year the focus is on maximising the opportunities within these major accounts
- Brand strength enabling us to win higher margin business with contingency clients

70,000 JOB SEEKERS
ON OUR DATABASE

 *number of*
170 CLIENTS
INVOICED

Outlook

Contract NFI Growth

The skills shortage in Engineering continues to make contracting the chosen method of engagement for both clients and candidates

Contract Margin Improvement

Good progress has been made in H1 and continuing with our niche sector focus we anticipate the margin % in the medium term to return to pre-recessionary levels

Permanent Fee Growth

Our strong increase in permanent placements demonstrates candidate confidence is gaining momentum and is starting to create a natural churn in the labour market

NFI Conversion Ratio

Good progress has been made in H1, based on increasing operational efficiencies

Investment

We are increasing our sales force headcount in high growth opportunities and continue to upgrade our systems to ensure they support the business going forwards

New Chairman

Brian Wilkinson our Executive Chairman is helping shape our business processes to ensure they effectively support our future growth ambitions

Investment Summary

Well balanced Broad spread of clients 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 £50m

Expert Capability and resources to take market share in permanent recruitment

International Expanding into selected markets

Yield Solid dividend payout record

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