

Delivering recruitment
solutions since 1984

Preliminary Results for the year to 31 July 2013

Adrian Gunn – Chief Executive Officer

Tony Dyer – Chief Financial Officer

October 2013

Headlines



- Growth in Revenue, NFI and Profit
- Contract NFI up 11%
- Permanent Fees up 5%
- NFI Conversion increased by 5pps to 29%

↑ 10%

Revenue £408.9m



- Underlying earnings per share up 37%
- Net debt reduced by £4.0m to £10.5m
- Dividend for year up 15% to 18.0 pence
- Dividend cover 1.9x (2012: 1.6x)

↑ 37%

Underlying EPS 33.4 pence



Following year end

- £4.0m acquisition of niche Oracle recruitment agency
- Subsequent cash placing of £4.0m to fund acquisition
- Appointment of Brian Wilkinson as Executive Chairman
with effect from 2 December 2013

↑ 21%

Final dividend 12.85 pence

Growing | Diversifying | Adding Value

Results & Group Performance

Income Statement

Year to 31 July	2013 £m	2012 £m	Increase
Revenue	408.9	371.4	+10%
Contract NFI	27.2	24.6	+11%
Contract gross margin (%)	6.8%	6.8%	
Permanent fees	11.2	10.7	+5%
Discontinued operations ¹	-	0.8	
Gross profit (NFI)	38.4	36.1	+6%
Gross margin (%)	9.4%	9.7%	
Operating overheads	(27.3)	(27.4)	+0%
Underlying profit from operations	11.1	8.7	+28%
NFI conversion (%)	29%	24%	
Operating margin (%)	2.7%	2.3%	
Restructuring costs ²	(0.4)	-	
Profit from operations	10.7	8.7	+23%
Net interest	(0.8)	(0.7)	
Profit before tax	9.9	8.0	+24%
Taxation	(2.4)	(2.3)	24% 29%
Profit after tax	7.5	5.7	+32%

1 Discontinued operations relate to Executive Search and Financial Services

2 Restructuring costs consist of the non-recurring management and staff costs incurred during the reorganisation into two business units

Half Year Splits

Year to 31 July	2013 H1 £m	2013 H2 £m	FY 2013 £m	2012 H1 £m	2012 H2 £m	FY 2012 £m
Revenue	197.3	211.6	408.9	176.7	194.7	371.4
Contract NFI	13.2	14.0	27.2	11.6	13.0	24.6
Contract gross margin (%)	6.9%	6.8%	6.8%	6.8%	6.9%	6.8%
Permanent Fees	5.3	5.9	11.2	5.2	5.5	10.7
Discontinued operations ¹	-	-	-	0.4	0.4	0.8
Gross profit (NFI)	18.5	19.9	38.4	17.2	18.9	36.1
Gross margin (%)	9.4%	9.4%	9.4%	9.7%	9.7%	9.7%
Operating overheads	(13.7)	(13.6)	(27.3)	(13.8)	(13.6)	(27.4)
Underlying profit from operations	4.8	6.3	11.1	3.4	5.3	8.7
NFI conversion (%)	26%	32%	29%	20%	28%	24%
Operating margin (%)	2.4%	3.0%	2.7%	1.9%	2.7%	2.3%
Restructuring costs ²	(0.4)	-	(0.4)	-	-	-
Profit from operations	4.4	6.3	10.7	3.4	5.3	8.7
Net interest	(0.4)	(0.4)	(0.8)	(0.2)	(0.5)	(0.7)
Profit before tax	4.0	5.9	9.9	3.2	4.8	8.0
Taxation	(1.0)	(1.4)	(2.4)	(1.0)	(1.3)	(2.3)
Profit after tax	3.0	4.5	7.5	2.2	3.5	5.7
H1/H2 Split	40%	60%		39%	61%	

¹ Discontinued operations relate to Executive Search and Financial Services

² Restructuring costs consist of the non-recurring management and staff costs incurred during the reorganisation into two business units

Earnings per share & Dividends

Year to 31 July		2013	2012	Change
Profit after tax	£million	7.5	5.7	+32%
Average shares in issue	million	23.5	23.4	+0%
Shares under option	million	1.0	0.8	+25%
Fully diluted shares	million	24.5	24.2	+1%
Underlying earnings per share¹				
Basic	pence	33.4	24.3	+37%
Diluted	pence	32.1	23.5	+37%
Earnings per share				
Basic	pence	32.0	24.3	+32%
Diluted	pence	30.7	23.5	+31%
Dividend per share	pence	18.0	15.6	+15%
Underlying dividend cover²	times	1.9	1.6	+19%

¹ Excluding restructuring costs

² Based on Basic Earnings Per Share

Statement of financial position

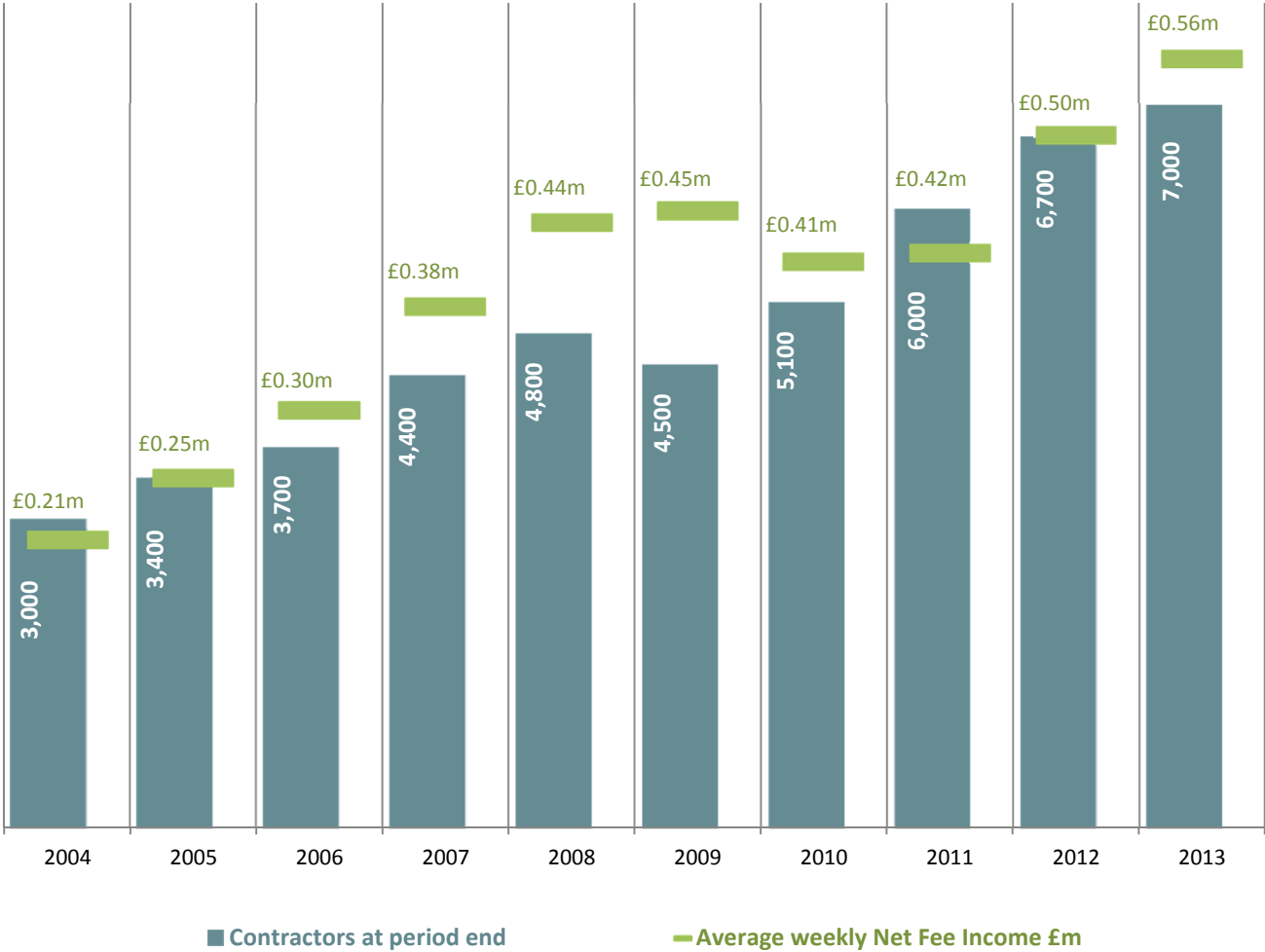
As at 31 July	2013 £m	2012 £m
Non-current assets		
Tangible	1.7	1.8
Intangible	1.2	0.8
Current assets		
Trade debtors	67.9	62.1
Other debtors	1.3	0.6
Cash ¹	0.9	0.6
Total assets	73.0	65.9
Liabilities		
Trade & other creditors	(29.3)	(23.2)
Invoice discounting facility ²	(11.4)	(15.1)
Net assets	32.3	27.6
Net debt¹⁺²	(10.5)	(14.5)
<i>Debtor days</i>	49	50

Cashflow

Year to 31 July	2013 £m	2012 £m
Profit from operations	10.7	8.7
(Increase) in trade debtors	(6.5)	(6.2)
Increase in trade creditors & provisions	6.0	5.5
Non-cash items: Depreciation & amortisation	0.8	0.7
Share based payment charge	0.6	0.5
Cash inflow from operating activities	11.6	9.2
<i>Cash conversion (%)</i>	<i>108%</i>	<i>106%</i>
Capital expenditure (net of disposal proceeds)	(0.9)	(1.1)
Acquisition	-	(0.4)
Interest & Fees	(0.7)	(0.9)
Taxation	(2.3)	(1.9)
Net cashflow (before dividends and financing)	7.7	4.9
Dividends paid	(3.7)	(3.6)
Movement in banking facilities & cash	4.0	1.3

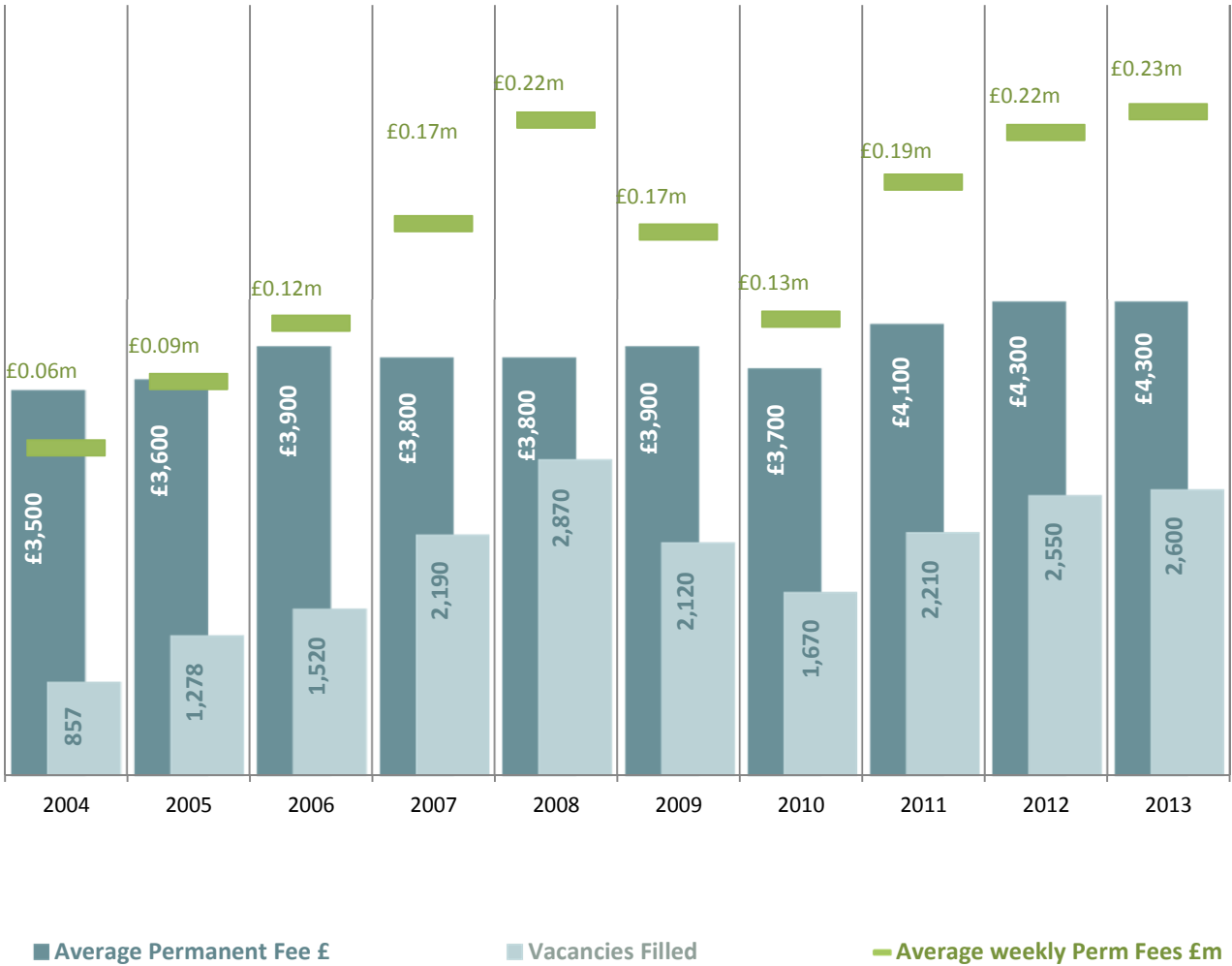
Contract Activity

Growing | Diversifying | Adding Value



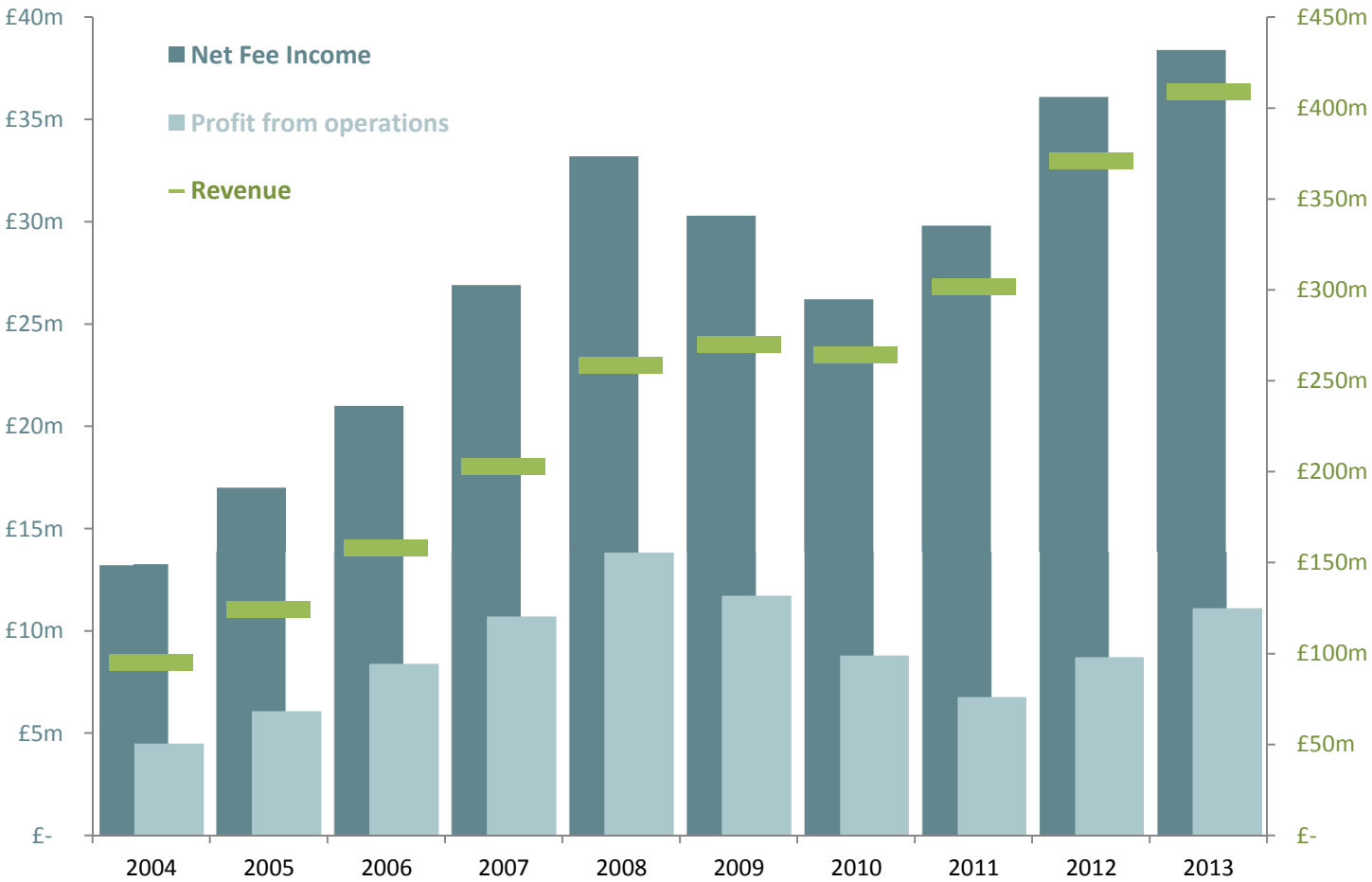
Permanent Activity

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

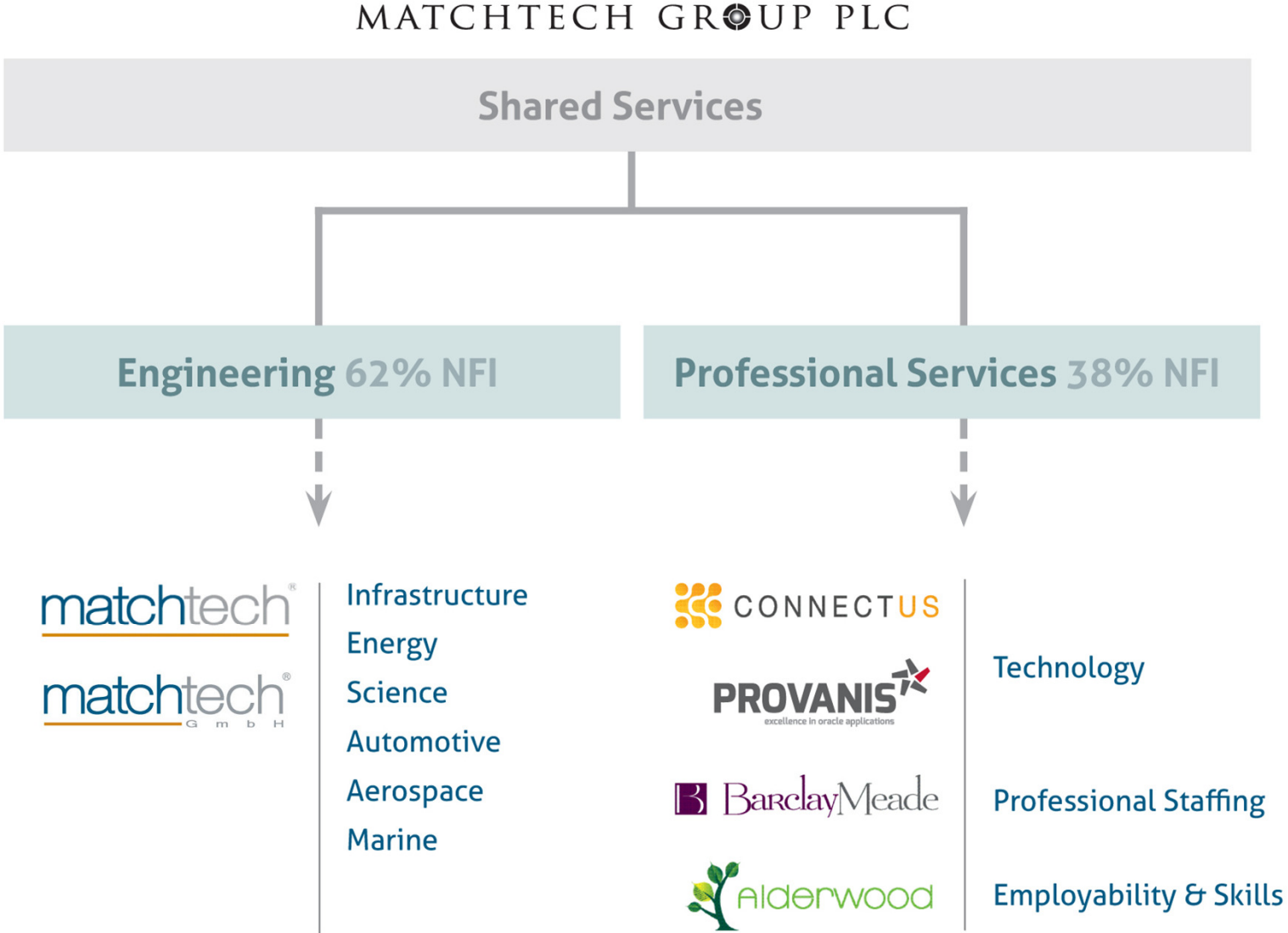
SPECIALIST

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



Growing | Diversifying | Adding Value

Operational structure

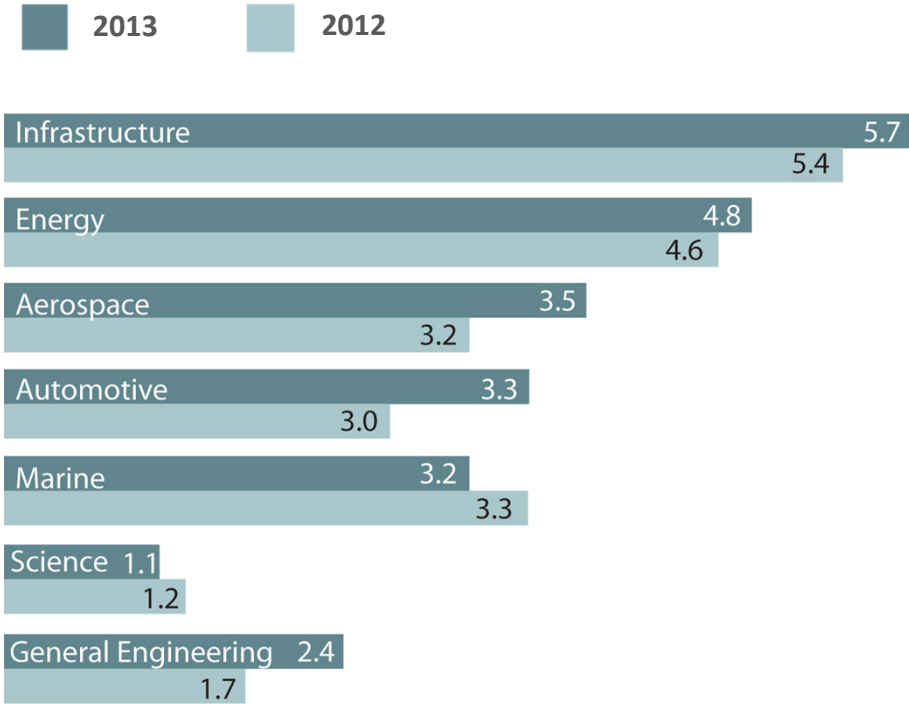


Growing | Diversifying | Adding Value

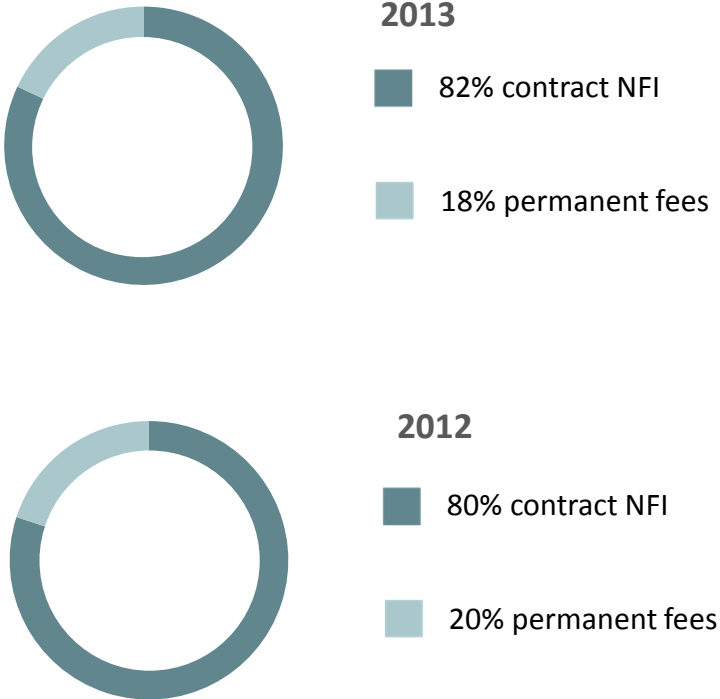
Engineering

Growing | Diversifying | Adding Value

NFI by sector (£m)



NFI split



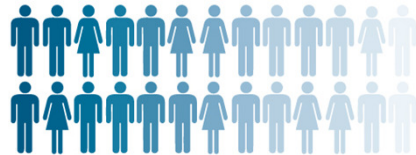
Engineering

Performance	2013 (£m)	2012 (£m)	Change %
Revenue	293.5	266.6	+10%
Contract NFI	19.6	17.9	+9%
Contract gross margin (%)	6.8%	6.8%	
Permanent fees	4.4	4.5	-2%
Total NFI	24.0	22.4	+7%
Gross margin (%)	8.2%	8.4%	
Operating overheads	(14.8)	(14.9)	-1%
Underlying profit from operations	9.2	7.5	+23%

KPI's	2013	2012	Change
NFI conversion (%)	38.3%	33.5%	+4.8 ppt
Permanent placements	950	1,100	-14%
Average permanent fee	£ 4,600	£ 4,000	+15%
Contractors on assignment	5,500	5,000	+10%
Sales force headcount	155	145	+7%
NFI per sales force head	£ 160 k	£ 157 k	+2%

Engineering Overview

155 sales staff



#1 Engineering recruitment agency 

500,000



QUALIFIED CANDIDATES
ON OUR DATABASE



850 KEY CLIENTS

Infrastructure
Energy
Aerospace
Automotive
Marine
Science



5500 CONTRACTORS
ON ASSIGNMENT

950 PERMANENT
PLACEMENTS
In the last
12 MONTHS 

RECRUITING IN
33 COUNTRIES



Engineering Overview



- Highways and Rail infrastructure benefiting from public investment
- Property seeing increased private investment
- High Speed 2 and International infrastructure projects, especially in the Middle East dominate the news



- UK recognised as the global centre of excellence for new deep-water oil & gas technology
- Tax incentives for deep water exploration have driven up investment, leading to increased labour demand and pay rates



- Commercial aircraft moving from design to production phase
- Manufacturing demand driving up pay rates
- Typhoon upgrade will create 100's of new jobs over the next 18 months
- Germany quiet - limited design of new aircraft

Engineering Overview



- UK global centre for advanced engineering technology and know-how
- Demand for UK products in developing nations
- Continuing to source engineers from Europe as the skills shortages worsen
- New German product lines delayed



- Contractors on the QEC programme declining as first vessel completes manufacturing stage
- Successor & Type 26 projects moving into detailed design with 5 years visibility of work
- Our marketing leading position helped us win business in Canada, UAE and Europe

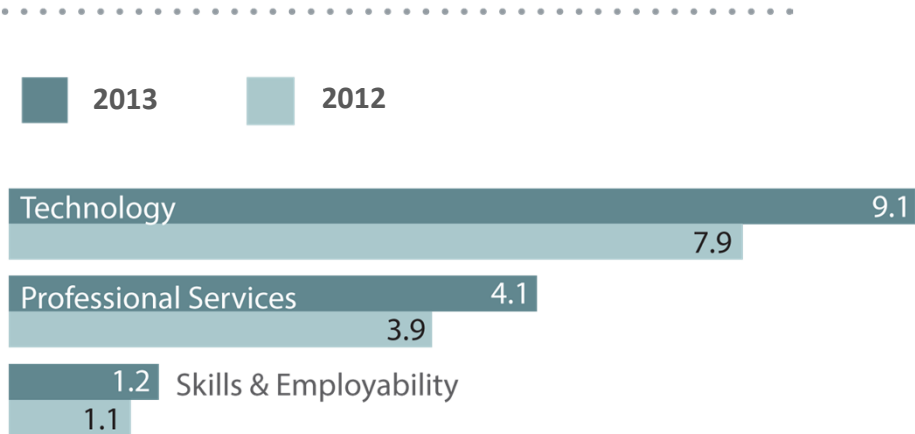


- Significant investment in the Biopharmaceutical market is creating a demand for permanent staff
- New product development is strong in the Medical Device Industry

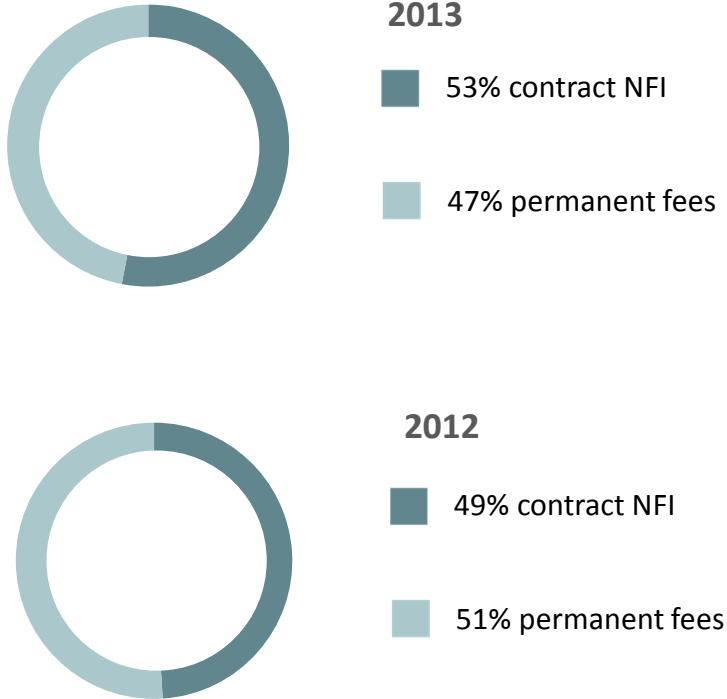
Professional Services

Growing | Diversifying | Adding Value

NFI by sector (£m)



NFI split



Professional Services

Growing | Diversifying | Adding Value

Performance	2013 (£m)	2012 (£m)	Change %
Revenue	115.4	104.5	+10%
Contract NFI	7.6	6.7	+13%
Contract gross margin (%)	7.0%	6.8%	
Permanent fees	6.8	6.2	+10%
Discontinued operations ¹	-	0.8	
Total NFI	14.4	13.7	+5%
Gross margin (%)	12.5%	13.1%	
Operating overheads	(12.5)	(12.5)	+0%
Underlying profit from operations	1.9	1.2	+58%

KPI's	2013	2012	Change
NFI conversion (%)	13.2%	8.8%	+4.4 ppt
Permanent Placements	1,650	1,450	+14%
Average Permanent Fee	£ 4,100	£ 4,900	-16%
Contractors on assignment	1,500	1,500	+0%
Sales force headcount	125	123	+2%
NFI per sales force head	£ 116 k	£ 115 k	+1%

¹ Discontinued operations relate to Executive Search and Financial Services

Technology Overview

 **OVER 60**
specialist consultants


16th largest
technology consultancy

 **15** NICHE
DELIVERY TEAMS


500 PERMANENT
PLACEMENTS
In the last
12 MONTHS


- Convergence of technology as Electronic Engineering and Business Application Software share more common platforms
- Candidate cross-over now very common, creating a gap in the market
- Provanis acquisition will accelerate ERP niche market development


1200 CONTRACTORS
ON ASSIGNMENT

SUPPORT OVER
450 clients
worldwide



300,000 QUALIFIED

TECHNOLOGY CANDIDATES
ON OUR DATABASE

INDUSTRY PARTNERSHIPS



550 PERMANENT PLACEMENTS
In the last
12 MONTHS



400 KEY CLIENTS

- Low volume high margin contingency recruitment across London and the Home Counties
- Focus on the Retail, FMCG, IT/Telco and Energy sectors
- Strategically supporting Matchtech and Connectus clients across the UK.
- Clients a mixture of FTSE and SME's

LONDON
HEAD OFFICE

300 CONTRACTORS
ON ASSIGNMENT

47 specialist consultants
covering 4 niche sectors
Finance, HR, Procurement, Marketing & Sales



Employability & Skills Overview



20 specialist consultants



160 KEY CLIENTS

- Increased Government funding in apprenticeship programmes continues to generate significant growth within employability & Skills sector
- This high volume permanent recruitment brand provides a managed recruitment solution to a small number of key clients

600 PLACEMENTS
In the last
12 MONTHS



70,000
JOB SEEKERS
ON OUR DATABASE



Outlook

Contract NFI Growth

Skills shortage in Engineering will continue driving wage inflation

Permanent Fee Growth

Candidate confidence returning - should encourage growth in permanent marketplace

Margin Improvement

Further multi-brand specialisation will help improve margin %

NFI per head

Client relationships in new brands maturing, driving up NFI per head

NFI Conversion Ratio

Technology investment will accelerate internal efficiencies

New Chairman

Appointment of Brian Wilkinson as Executive Chairman will complement the skills of the existing Executive Team and further drive our ambitious growth aspirations

“The new financial year has started well and having laid solid foundations over the last few years I am confident that the Group can make significant progress this year”

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

Appendices

Business Plan: 7 Key Aims

KPI	Description	2013 Progress	2014 Objectives
 Improving our staff retention levels	Continue to improve staff engagement and ensure we provide career development opportunities	Staff attrition in 2013 was 31%, including 5% relating to restructuring in August 2013	Enhance our internal recruitment selection & training and improve promotion of staff benefits
 Enhancing internal systems performance and controls	Deliver an even faster, more efficient and robust service to our clients	Shared services are now aligned with business unit needs we have the right calibre of staff	As internal systems reach lifecycle maturity, we are increasing investment to remain leading edge
 Maximising cross-selling opportunities across the Group	Utilising the increasingly varied client base created from new brands	Forged closer links between Connectus, Barclay Meade and Matchtech	Continue mapping the structure of key clients and the services we are able to provide
 Expanding sector diversification and geographical reach	Building on our early success, looking to grow new sectors and strategic UK locations	Further targeted recruitment to ensure we leverage our London presence	Scale up and make all existing core teams profitable before expanding further
 Extending our international reach	Developing a structured rollout of international opportunities sourcing from the UK head office	Low risk strategy to follow key clients and projects overseas	Identify and monitor overseas opportunities and seek in-country partners
 Increasing the NFI we generate per staff member	Developing existing client relationships and winning new business	We have made progress this year as the brands enhance their presence in chosen markets	Increase NFI per head in the new brands up towards the levels of the established areas
 Building our conversion ratio of NFI to profit from operations	As investment matures continuing ability to generate high levels of return from NFI	Significant increase in our NFI conversion from 24% last year to 29% this year	Increase conversion ratio by generating higher NFI per head and managing the cost base

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