

**Delivering** recruitment  
solutions since 1984

## Preliminary Results for the year to 31 July 2012

Adrian Gunn – Chief Executive Officer

Tony Dyer – Chief Financial Officer

October 2012

# Headlines

- Growth in Revenue, NFI and Profit
- Unprecedented demand supplying contractors to UK clients with:
  - Global demand for their services
  - Multi-year engineering infrastructure projects in the UK
- Permanent Fees up 22%, but demand level throughout year
- Acquired the internal recruitment arm of Xchanging plc
- Professional Services brands (Barclay Meade & Alderwood) now established, much improved performance; losses halved to £1.4m
- New, simpler reporting structure established for FY2012/13
- Profit from operations weighted to H2 (H1: £3.4m, H2: £5.3m); similar to last years weighting of 2011 (H1: £2.5m, H2:£4.3m)
- Final dividend maintained at 10.6 pence & rebuilding dividend cover 1.6x (2011: 1.3x)

## +23%

Revenue £371.4m

## +21%

NFI £36.1m

## +28%

Profit from operations £8.7m

## 6,700

Contractors on assignment

## Results & Group Performance

# Income Statement

Year to 31 July	2011 £m	2012 £m	Increase
Revenue	301.8	<b>371.4</b>	+23%
Contract NFI	20.4	<b>24.6</b>	+21%
Contract gross margin (%)	7.0%	<b>6.8%</b>	
Permanent Fees	9.4	<b>11.5</b>	+22%
<b>Gross profit (NFI)</b>	29.8	<b>36.1</b>	+21%
Gross margin (%)	9.9%	<b>9.7%</b>	
Operating overheads	(23.0)	<b>(27.4)</b>	<b>-19%</b>
<b>Profit from operations</b>	6.8	<b>8.7</b>	+28%
NFI conversion (%)	22.8%	<b>24.1%</b>	
Operating margin (%)	2.3%	<b>2.3%</b>	
Net interest	(0.4)	<b>(0.7)</b>	
<b>Profit before tax</b>	6.4	<b>8.0</b>	+25%
Taxation	(1.7) <sup>27%</sup>	<b>(2.3)</b> <sup>29%</sup>	
<b>Profit after tax</b>	4.7	<b>5.7</b>	+21%

# Half Year Splits

Year to 31 July	2011 H1 £m	2011 H2 £m	FY 2011 £m	2012 H1 £m	2012 H2 £m	FY 2012 £m
Revenue	141.1	160.7	301.8	176.7	194.7	371.4
Contract NFI	9.5	10.9	20.4	11.6	13.0	24.6
Contract gross margin (%)	6.9%	7.0%	7.0%	6.8%	6.9%	6.8%
Permanent Fees	4.1	5.3	9.4	5.6	5.9	11.5
<b>Gross profit (NFI)</b>	13.6	16.2	29.8	17.2	18.9	36.1
Gross margin (%)	9.6%	10.1%	9.9%	9.7%	9.7%	9.7%
Operating overheads	(11.1)	(11.9)	(23.0)	(13.8)	(13.6)	(27.4)
<b>Profit from operations</b>	2.5	4.3	6.8	3.4	5.3	8.7
NFI conversion (%)	18.4%	26.5%	22.8%	19.8%	28.0%	24.1%
Operating margin (%)	1.8%	2.7%	2.3%	1.9%	2.7%	2.3%
Net interest	(0.2)	(0.2)	(0.4)	(0.2)	(0.5)	(0.7)
<b>Profit before tax</b>	2.3	4.1	6.4	3.2	4.8	8.0
Taxation	(0.7)	(1.0)	(1.7)	(1.0)	(1.3)	(2.3)
<b>Profit after tax</b>	1.6	3.1	4.7	2.2	3.5	5.7
<b>H1/H2 Split</b>	34%	66%		39%	61%	

# Earnings per share & Dividends

Year to 31 July		2011	2012	Change
<b>Profit after tax</b>	£million	4.7	<b>5.7</b>	+21%
Average shares in issue	million	23.4	<b>23.4</b>	+0%
Shares under option	million	0.6	<b>0.8</b>	+33%
<b>Fully diluted shares</b>	million	24.0	<b>24.2</b>	+1%
<b>Earnings Per Share</b>				
Basic	pence	20.3	<b>24.3</b>	+20%
Diluted	pence	19.7	<b>23.5</b>	+19%
<b>Dividend Per Share</b>	pence	15.6	<b>15.6</b>	<i>Maintained</i>
<b>Dividend Cover*</b>	times	1.3	<b>1.6</b>	+23%

\*based on Basic Earnings Per Share

# Statement of financial position

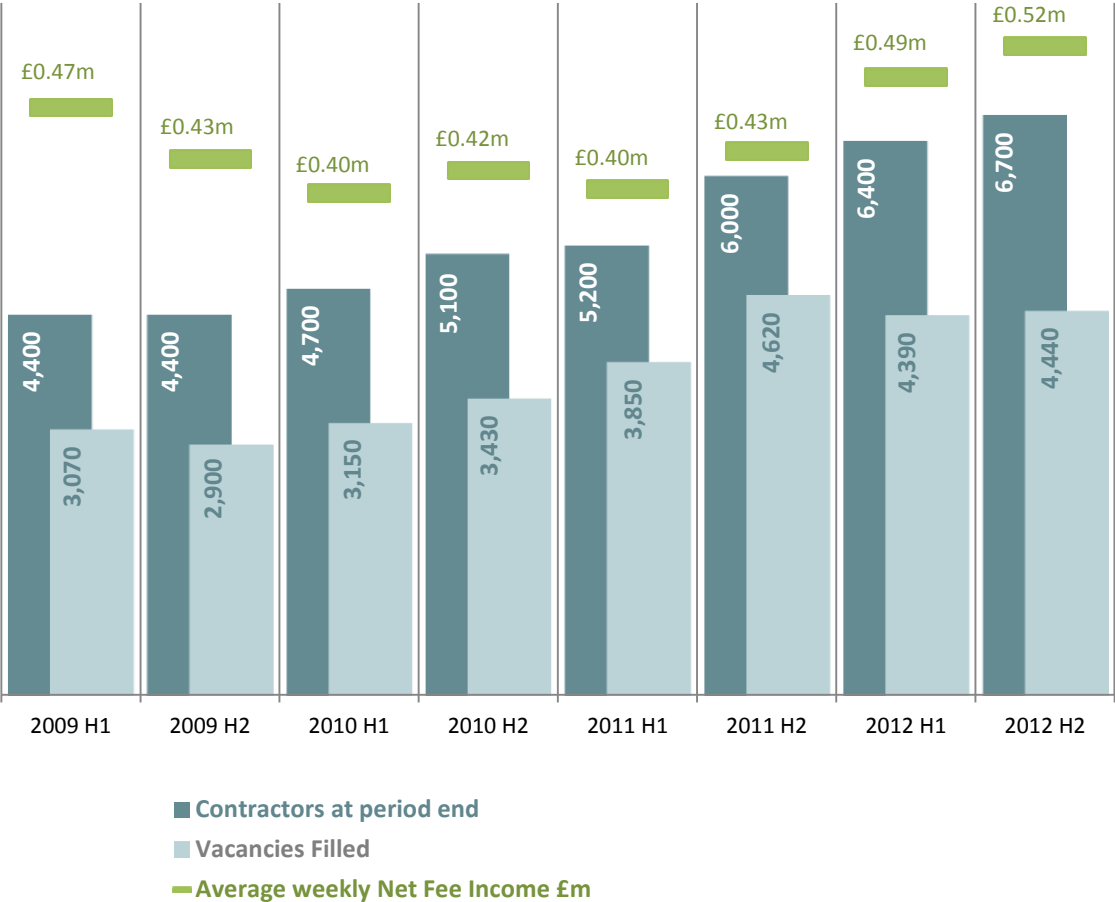
Year to 31 July	2011 £m	2012 £m
Non-current assets		
Tangible	1.7	2.1
Intangible	0.1	0.5
Current assets		
Trade debtors	55.8	62.1
Other debtors	0.7	0.6
Cash <sup>1</sup>	0.5	0.6
<b>Total assets</b>	<b>58.8</b>	<b>65.9</b>
Liabilities		
Trade & other creditors	(17.2)	(23.2)
Invoice discounting facility <sup>2</sup>	(16.5)	(15.1)
<b>Net assets</b>	<b>25.1</b>	<b>27.6</b>
<b>Net debt<sup>1+2</sup></b>	<b>(16.0)</b>	<b>(14.5)</b>
<i>Debtor days</i>	<i>53</i>	<i>50</i>

# Cashflow

Year to 31 July	2011 £m	2012 £m
<b>Profit from operations</b>	6.8	<b>8.7</b>
(Increase) in trade debtors	(15.3)	<b>(6.2)</b>
Increase in trade creditors & provisions	2.8	<b>5.5</b>
Non-cash items: Depreciation & amortisation	0.5	<b>0.7</b>
Share based payment charge	0.3	<b>0.5</b>
<b>Cash inflow from operating activities</b>	(4.9)	<b>9.2</b>
<i>Cash conversion (%)</i>	<i>-72%</i>	<i>106%</i>
Capital expenditure (net of disposal proceeds)	(0.5)	<b>(1.1)</b>
Acquisition	-	<b>(0.4)</b>
Interest & Fees	(0.4)	<b>(0.9)</b>
Taxation	(2.0)	<b>(1.9)</b>
<b>Net cashflow (before dividends and financing)</b>	(7.8)	<b>4.9</b>
Dividends paid	(3.6)	<b>(3.6)</b>
<b>Movement in banking facilities &amp; cash</b>	(11.4)	<b>1.3</b>

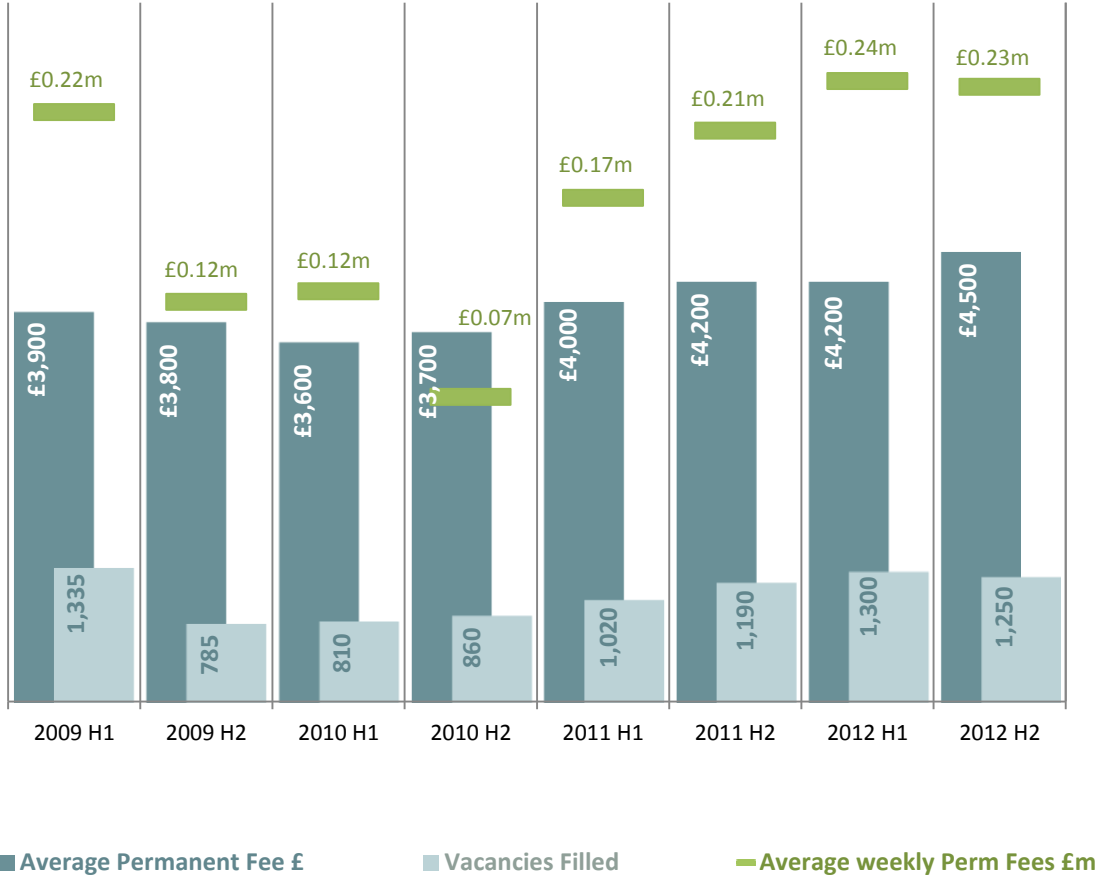


# Contract Activity



Growing | Diversifying | Adding Value

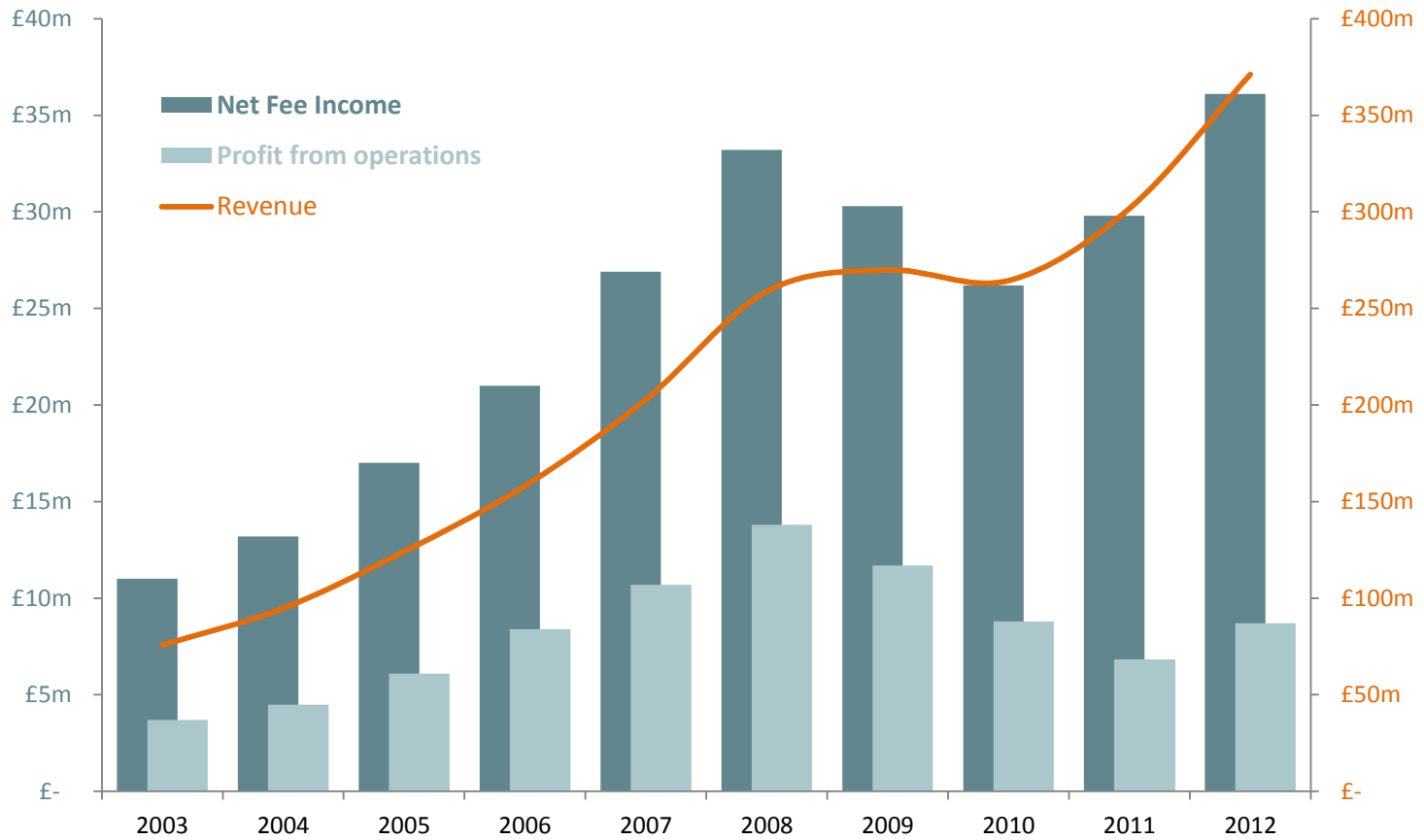
# Permanent Activity



Growing | Diversifying | Adding Value

# Performance over last 10 years

Growing | Diversifying | Adding Value



NFI conversion %    34%    34%    36%    40%    40%    42%    39%    34%    23%    24%

## Business Review

# New reporting structure for FY2012/13

## Engineering

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

 matchtech®

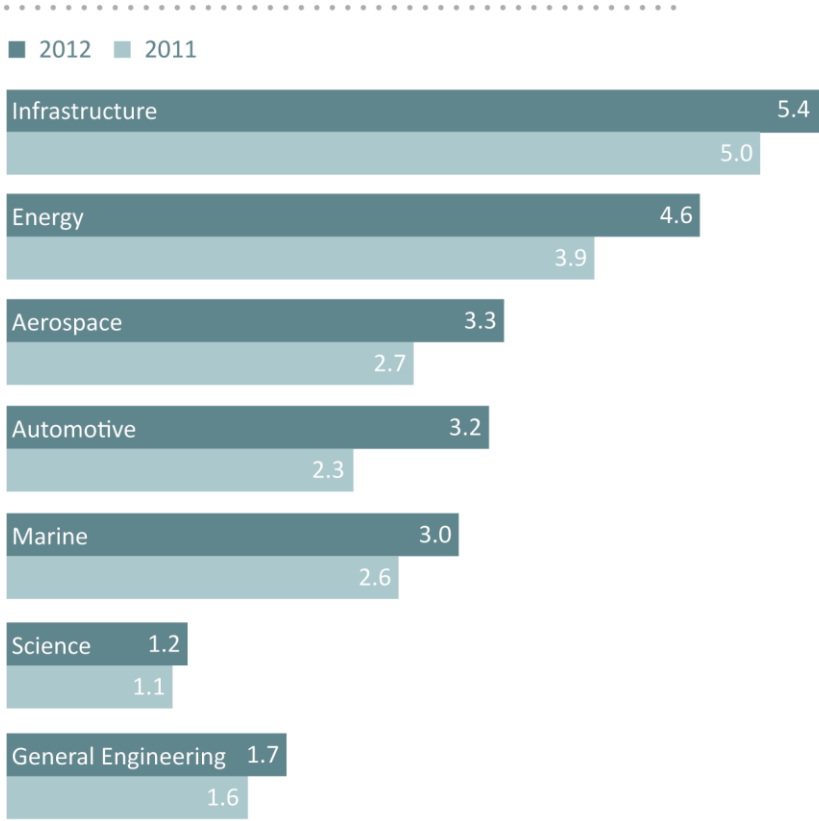
## Professional Services

- Professional Services
- Skills & Employability
- Technology

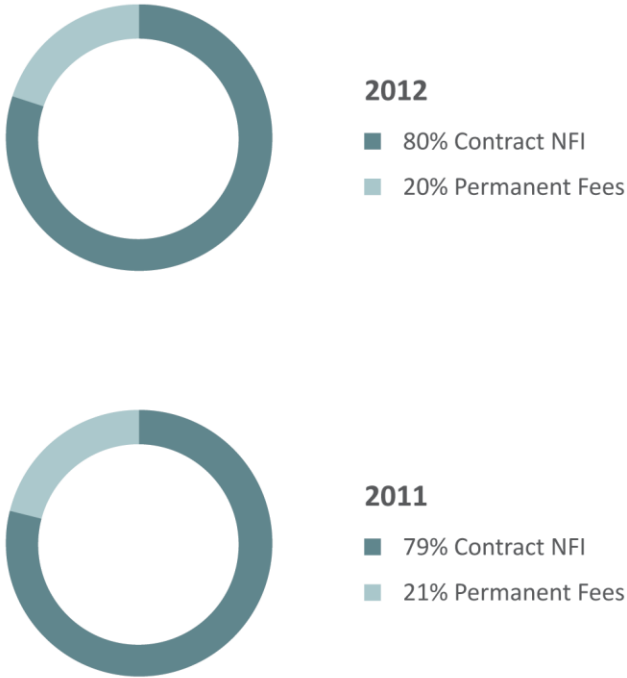
 BarclayMeade  
 Alderwood  
 matchtech®  
TECHNOLOGY

# Engineering

### NFI by Sector (£m)



### NFI split



Growing | Diversifying | Adding Value

# Engineering

Performance	2011 (£m)	2012 (£m)	Change %
Revenue	224.3	<b>266.6</b>	+19%
Contract NFI	15.2	<b>17.9</b>	+18%
Contract gross margin (%)	6.9%	<b>6.8%</b>	
Permanent Fees	4.0	<b>4.5</b>	+13%
<b>Total NFI</b>	19.2	<b>22.4</b>	+17%
Gross margin (%)	8.6%	<b>8.4%</b>	
Operating overheads	(12.0)	<b>(14.9)</b>	+24%
<b>Profit from operations</b>	7.2	<b>7.5</b>	+4%

KPI's	2011	2012	Change
NFI conversion (%)	37.5%	<b>33.5%</b>	<b>-4.0%</b>
Permanent Placements	1,020	<b>1,100</b>	+8%
Average Permanent Fee	£ 3,600	<b>£4,000</b>	+11%
Contractors on assignment	4,700	<b>5,100</b>	+9%
Sales force headcount	141	<b>145</b>	+3%

- Strong top line growth in both contract and perm fees
- Profit from operations impacted by:
  - full year effect of headcount investment in 2011
  - increased losses in Germany
  - one off professional fees

# Market Dynamics

## Aerospace

- **Growth Drivers** Global demand for more fuel efficient commercial aircraft is creating unprecedented levels of recruitment activity across all the Engineering skills types in both development and production.
- **Key Clients** Eaton Aerospace, Hyde Group, AgustaWestland, Claverham, GKN
- **New Client Wins** Comac (China), EADS (Germany), Rolls Royce (Germany)

## Automotive

- **Growth Drivers** OEM's remain active in the recruitment market as they continue to develop advance material technology and alternative power-train. The recently reported softening in new car sales in Europe and China has had little impact on the demand for Engineering skill types.
- **Key Clients** Aston Martin, JLR, Ricardo, Ford
- **New Client Wins** Nissan, McLaren, BMW, Daimler (Germany)



# Market Dynamics

## Energy (Oil & Gas, Nuclear & Renewable)

- **Growth Drivers** Global demand for Engineering talent in Oil & Gas (especially with offshore experience) is driving up margins and pay rates in the UK. Our advanced service delivery capability is providing us with the tools to outperform our major competitors.
- **Key Clients** ExxonMobil, Cameron, GE, AWE, JP Kenny, KBR, Wood Group
- **New Client Wins** Jacobs, Subsea7, GDF Suez

## Infrastructure (Utilities, Rail, Highways & Buildings)

- **Growth Drivers** Crossrail and AMP5 continue to dominate the UK Infrastructure sector and are creating demand for contract Engineering skill types. We anticipate recruitment for the new Nuclear build and the High Speed 2 programme to kick off in 2013.
- **Key Clients** TfL, Mouchel, Atkins, WSP, Mott McDonald, Black & Veatch
- **New Client Wins** WYG, Carillion, MWH

# Market Dynamics

## Marine

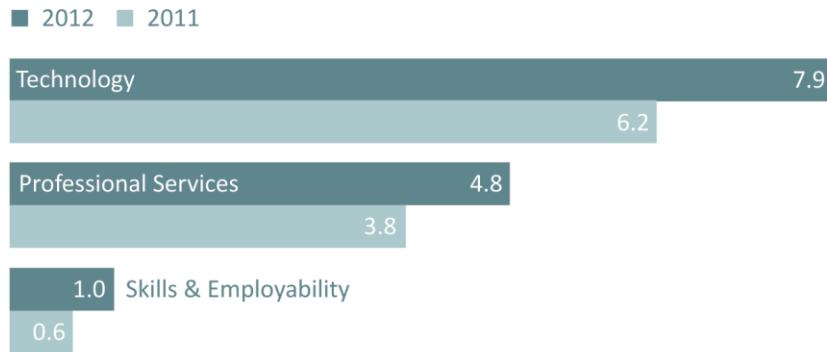
- **Growth Drivers** The QEC programme is creating a high demand for shipbuilding contractors both design & build. The demand for Engineers will remain high as the Type 26 Frigate and Successor Submarine programmes move into the detailed design stage.
- **Key Clients** BAe Shipbuilding via Xchanging, Babcock Marine
- **New Client Wins** Griffon Hoverwork, Sunseeker

## Science

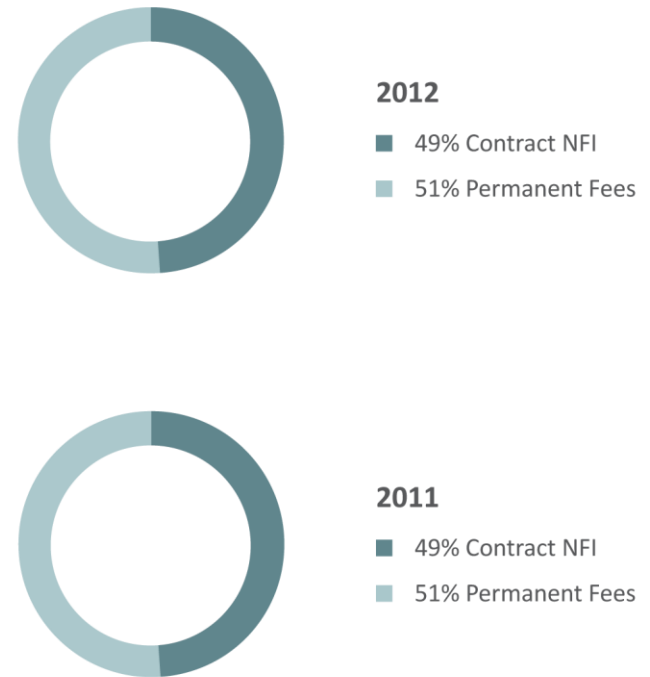
- **Growth Drivers** The trend to develop more efficient medical devices is creating demand for design and manufacturing engineers. The pharma and biotech markets continue to consolidate, but demand for permanent staff remains steady.
- **Key Clients** Lonza, UCB, Almac, Reckitt Benckiser, Arla Foods
- **New Client Wins** Owen Munford, Elekta, WM Morrison

# Professional Services

NFI by Sector (£m)



NFI split



# Professional Services

Performance	2011 (£m)	2012 (£m)	Change %
Revenue	77.5	<b>104.5</b>	+35%
Contract NFI	5.2	<b>6.7</b>	+29%
Contract gross margin (%)	6.9%	<b>6.8%</b>	
Permanent Fees	5.4	<b>7.0</b>	+30%
<b>Total NFI</b>	10.6	<b>13.7</b>	+29%
Gross margin (%)	13.7%	<b>13.1%</b>	
Operating overheads	(11.0)	<b>(12.5)</b>	+14%
<b>Profit from operations</b>	(0.4)	<b>1.2</b>	n/a

KPI's	2011	2012	Change
NFI conversion (%)	-3.8%	<b>8.8%</b>	+12.5%
Permanent Placements	1,230	<b>1,450</b>	+18%
Average Permanent Fee	£ 4,550	<b>£4,900</b>	+8%
Contractors on assignment	1,300	<b>1,500</b>	+15%
Sales force headcount	115	<b>123</b>	+7%

- Very strong top line growth in both contract and perm fees
- Profit from operations increased by £1.6m to £1.2m
- NFI conversion % improving

# Market Dynamics

## Barclay Meade (Professional Services)

- **Growth Drivers** We continue to win market share from competitors as the brand gains recognition and our client relationships mature. Our premium pricing model is being maintained as we build upon our reputation as a niche provider.
- **Niche Markets** Procurement, Accounting, Sales, Marketing and HR
- **Client Trading** with 330 clients with a focus on medium size organisations across a wide spread of industry sectors

## Alderwood (Skills & Employability)

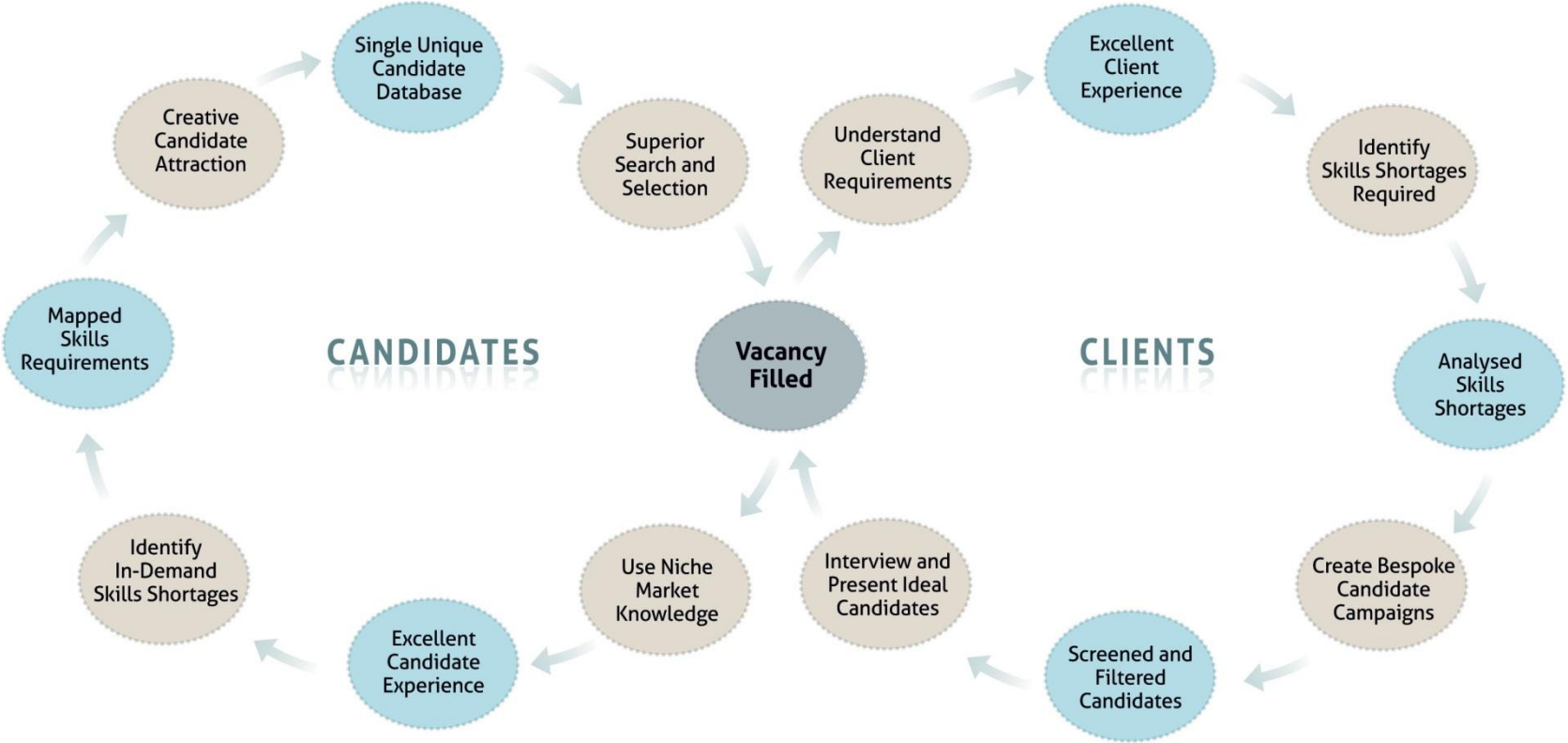
- **Growth Drivers** The welfare to work (work programme) market continues to mature and there is increased client crossover with the work based learning providers. This is creating further opportunities to place high volume, permanent NVQ assessors, trainers and personal advisors.
- **Key Clients** Babcock Education & Training, HIT Training, Working Links
- **New Client Wins** JHP, Shaw Trust, Lifetime Training

# Market Dynamics

## Information Systems & Technology (Technology)

- **Growth Drivers** The convergence of technology, as Embedded Electronic Engineering and Business Application Software share more common platforms, the cross over of candidates within these industries is now very common, creating a gap in the market.
- **Brand Identity** To capitalise on this change we will be creating a new niche brand identity for our established technology team. The focus of this new brand will be on higher margin contingency and preferred supplier business.
- **Key Clients** TfL, Old Mutual, Invensys Control Systems, Arqiva, Avanade
- **New Client Wins** Cognizant, Rockwell Automation, Kingfisher IT Services, Wipro

# Business Model



Growing | Diversifying | Adding Value

# Business Plan: 7 Key Aims

KPI	Description	2012 Progress	2013 Objectives
 Expanding sector diversification and geographical reach	Building on our early success, looking to grow new sectors and strategic UK locations	Consolidation of the existing sector teams London, St Albans and Aberdeen	To scale up and make all existing core teams profitable before expanding further
 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 established themselves	To bring the 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	A marginal increase in our NFI conversion from 23% to 24%	To increase NFI conversion ratio by managing the cost base more effectively
 Improving our staff retention levels	Continuing to look at staff engagement and providing career opportunities	Total staff turnover reduced from 30% in 2011 to 23% in 2012	To review our internal selection process so we employ the right people develop the business
 Enhancing internal systems performance and controls	Deliver an even faster, more efficient and robust service to our clients	Streamlined shared services to meet business needs more efficiently	Shared services ready to grow Group businesses without commensurate extra head count
 Maximising cross-selling opportunities across the Group	Utilising the increasingly varied client base created from new brands	Enhanced our Links Programme with greater focus on fewer key clients	Continue mapping the structure of key clients and the services we are able to provide
 Extending our international reach	Developing a structured rollout of international opportunities	Placed candidates in 25 different countries in the year including China	Ensure that existing clients are aware of international capabilities to support their overseas projects



# Outlook

- Skills shortages driving unprecedented demand for contract staff in our markets
- Diversification strategy is broadening client base allowing us to take market share
- Trading remains in line with the Board's expectations since year end
- Contractor numbers still growing, up 2% since year end
- Permanent recruitment time-to-hire has been elongated
- Position well for continued growth by supplying global clients working on large, multi-year engineering infrastructure projects in the UK and overseas

*"We look forward with confidence to the year ahead"*

# 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

# Previous Reporting - 2011

<b>2011</b>	Eng'ering	Built Environ't	IS&T	Science & Medical	Matchtech	Germany	Professn'l	elemense	Matchtech Group
<b>Performance (£m)</b>									
Revenue	139.0	65.4	57.2	7.0	<b>268.6</b>	1.7	19.4	12.1	<b>301.8</b>
Contract NFI	8.6	4.6	3.3	0.8	<b>17.3</b>	0.5	1.4	1.3	<b>20.5</b>
<i>Contract gross margin (%)</i>	<i>6.3%</i>	<i>7.1%</i>	<i>6.1%</i>	<i>13.6%</i>	<i>6.6%</i>	<i>31.3%</i>	<i>8.5%</i>	<i>10.9%</i>	<i>7.0%</i>
Permanent Fees	1.6	0.7	2.7	1.1	<b>6.1</b>	0.1	2.9	0.2	<b>9.3</b>
<b>Total NFI</b>	<b>10.2</b>	<b>5.3</b>	<b>6.0</b>	<b>1.9</b>	<b>23.4</b>	<b>0.6</b>	<b>4.3</b>	<b>1.5</b>	<b>29.8</b>
<i>Gross margin (%)</i>	<i>7.3%</i>	<i>8.1%</i>	<i>10.5%</i>	<i>27.1%</i>	<i>8.7%</i>	<i>35.3%</i>	<i>22.2%</i>	<i>12.4%</i>	<i>9.9%</i>
Operating overheads	(4.8)	(3.0)	(3.7)	(1.7)	<b>(13.2)</b>	(0.6)	(7.1)	(2.1)	<b>(23.0)</b>
<b>Profit from operations</b>	<b>5.4</b>	<b>2.3</b>	<b>2.3</b>	<b>0.2</b>	<b>10.2</b>	-	<b>(2.8)</b>	<b>(0.6)</b>	<b>6.8</b>
<b>KPI's</b>									
% of Contract NFI	84%	87%	55%	42%	<b>74%</b>	83%	33%	87%	<b>69%</b>
% of Permanent Fees	16%	13%	45%	58%	<b>26%</b>	17%	67%	13%	<b>31%</b>
NFI conversion (%)	52.9%	43.4%	38.3%	10.5%	<b>43.6%</b>	0.0%	-65.1%	-40.0%	<b>22.8%</b>
Permanent Placements	431	191	549	357	<b>1,528</b>	16	680	191	<b>2,415</b>
Average Permanent Fee	£3,700	£3,600	£4,900	£3,100	<b>£4,000</b>	£ 10,400	£4,400	£3,600	<b>£3,900</b>
Contractors on assignment	2,800	1,300	900	250	<b>5,250</b>	25	400	325	<b>6,000</b>
Sales force headcount	63	36	46	25	<b>170</b>	9	69	23	<b>271</b>

# Previous Reporting - 2012

<b>2012</b>	Eng'ering	Built Environ't	IS&T	Science & Medical	Matchtech	Germany	Professn'l	elemense	Matchtech Group
<b>Performance (£m)</b>									
Revenue	165.3	77.9	81.2	9.0	<b>333.4</b>	3.1	23.3	11.6	<b>371.4</b>
Contract NFI	10.0	5.1	4.7	0.9	<b>20.7</b>	0.7	1.5	1.7	<b>24.6</b>
<i>Contract gross margin (%)</i>	<i>6.1%</i>	<i>6.6%</i>	<i>6.0%</i>	<i>11.6%</i>	<i>6.3%</i>	<i>24.1%</i>	<i>7.9%</i>	<i>14.9%</i>	<i>6.8%</i>
Permanent Fees	2.1	0.7	2.9	1.2	<b>6.9</b>	0.2	4.2	0.2	<b>11.5</b>
<b>Total NFI</b>	<b>12.1</b>	<b>5.8</b>	<b>7.6</b>	<b>2.1</b>	<b>27.6</b>	<b>0.9</b>	<b>5.7</b>	<b>1.9</b>	<b>36.1</b>
<i>Gross margin (%)</i>	<i>7.3%</i>	<i>7.4%</i>	<i>9.4%</i>	<i>23.4%</i>	<i>8.3%</i>	<i>29.0%</i>	<i>24.5%</i>	<i>16.4%</i>	<i>9.7%</i>
Operating overheads	(6.4)	(3.6)	(5.1)	(1.8)	<b>(16.9)</b>	(1.3)	(7.1)	(2.1)	<b>(27.4)</b>
<b>Profit from operations</b>	<b>5.7</b>	<b>2.2</b>	<b>2.5</b>	<b>0.3</b>	<b>10.7</b>	<b>(0.4)</b>	<b>(1.4)</b>	<b>(0.2)</b>	<b>8.7</b>
<b>KPI's</b>									
% of Contract NFI	83%	88%	62%	43%	<b>75%</b>	78%	26%	89%	<b>68%</b>
% of Permanent Fees	17%	12%	38%	57%	<b>25%</b>	22%	74%	11%	<b>32%</b>
NFI conversion (%)	47.1%	37.9%	32.9%	14.7%	<b>38.8%</b>	-44.4%	-24.6%	-10.5%	<b>24.1%</b>
Permanent Placements	450	192	565	355	<b>1,562</b>	33	886	69	<b>2,550</b>
Average Permanent Fee	£4,700	£3,600	£5,100	£3,400	<b>£4,400</b>	£ 6,100	£4,700	£2,900	<b>£4,500</b>
Contractors on assignment	2,950	1,400	1,200	300	<b>5,850</b>	50	400	400	<b>6,700</b>
Sales force headcount	67	40	49	21	<b>177</b>	9	74	21	<b>281</b>

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