



Preliminary Results

for Year Ended 31st July 2018

8th November 2018

Presenting today

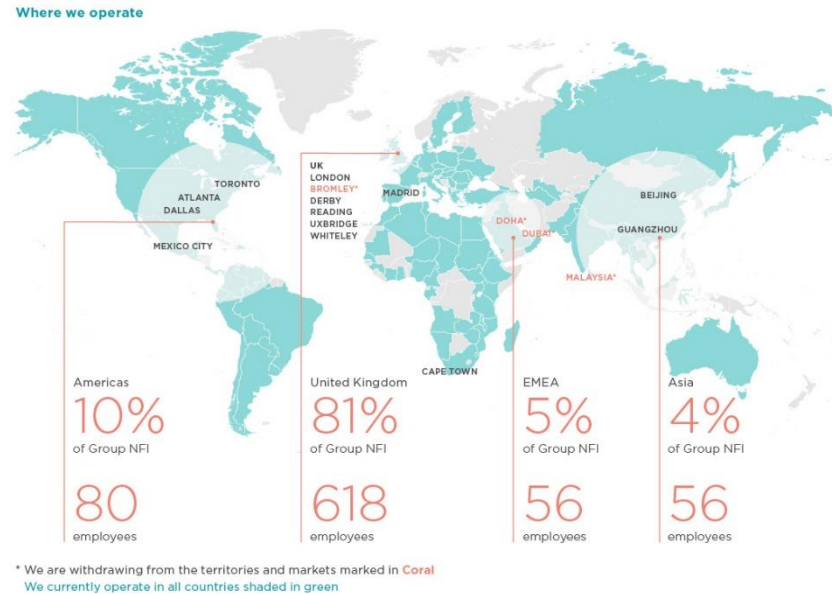


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Introduction



- ▶ Strong sector focus
 - » Number 1 Engineering brand in UK¹
 - » Number 6 Technology brand in UK¹
- ▶ Strong growing business in North America
- ▶ Growing Solutions business which provides superior service and superior returns
- ▶ 700+ experienced and respected specialist staff

¹ Source: Recruitment International Top 10 2017

Headline numbers



Period to 31 July	2018		2017	
	Reported	Pro Forma underlying ¹	Reported	Pro forma underlying ¹
	£m	£m	£m	£m
Gross Profit (NFI)	78.9	78.9	74.7	78.1
Profit before tax	(24.9)	12.7	11.5	17.0
Net Debt	40.9		40.3	

1 NFI is calculated as revenue less contractor payroll costs

2 Pro Forma underlying performance is calculated on a pro-forma basis as though RSL had been owned for the entire prior period and on a constant currency basis.

Underlying results exclude the trading profits / (losses) of discontinued businesses (2018: £0.5m loss; 2017: £0.0m), acquisitions costs (2018: £0.0m; 2017: £0.2m;), amortisation of acquired intangibles (2018: £2.7m; 2017: £3.1m), impairment of goodwill and acquired intangibles (2018: £33.3m; 2017: £0.0m;) and integration and restructuring costs (2018: £1.1m; 2017: £1.4m), exchange gains from revaluation of foreign assets and liabilities (2018: £0.1m; 2017: £nil).



Resetting the business – Actions since half year

Half year planned actions implemented



- ▶ The plans we set out at half year presentation

Current Focus – Back to Basics



- ▶ Maintaining NFI growth; managing headcount
- ▶ International footprint under review
 - » Continue to support Americas, with opportunity to accelerate
 - » Germany closed (licence retained)
 - » All other international locations under review, with focus on scalable, sustainable and material profitability potential
- ▶ Customer profitability – Closer senior management involvement on key accounts and certain business lines with focus on efficiency of delivery models and overall profitability after tax
- ▶ Greater rigour around sales performance management focused on NFI per £ of staff costs
- ▶ Telco restructured
- ▶ Targeting central support costs to profit driving activities
 - » Substantially reduced Marketing department: refocussed to client facing
 - » Reduced HR: refocusing on training, internal recruitment and transactional HR
 - » Looking for transactional Finance reductions, whilst building analysis and business support
- ▶ Address debt, with rebased dividend

Status of actions



- ▶ *"Maintaining NFI growth; managing headcount"* ✓
 - » Like for like growth was flat driven by continuing issues in Telco. Growth in UK Engineering, UK IT, North America and China
 - » Headcount reduction: 810 at July 2018 versus 870 January 2018
 - » Significant additional headcount reduction in process since year end from closure of three offices (in addition to Germany and Singapore) and closure of Bromley office

- ▶ *"International footprint under review"* ✓
 - » Dubai, Malaysia and Qatar offices being closed (in addition to Germany and Singapore)
 - » Exit of Telco infrastructure businesses in Africa, Asia and Latin America largely complete

- ▶ *"Customer profitability – Closer senior management involvement on key accounts and certain business lines with focus on efficiency of delivery models and overall profitability after tax"* ✓
 - » Exit of Telco infrastructure business from three regions following review of three major customers
 - » Solutions profitability revalidated

Status of actions *continued*



- ▶ *"Greater rigour around sales performance management focused on NFI per £ of staff costs"* ✓
 - » Refocussed the business on this key metric
 - » Remuneration structures aligned

- ▶ *"Telco restructured"* ✓
 - » And since then more fundamental scaling back of infrastructure business

- ▶ *"Targeting central support costs to profit driving activities"* ✓
 - » UK support functions centralised
 - » Marketing and HR refocussed
 - » Finance capability repositioned to provide business partnering and support
 - » Abated substantial planned increases but work continues

- ▶ *"Address debt, with rebased dividend"* ✓
 - » Refined dividend policy announced at half year
 - » DSO of 52 at July 2018 compared to 55 in July 2017
 - » Renegotiated facilities providing greater headroom

Financial Results

Full Year NFI

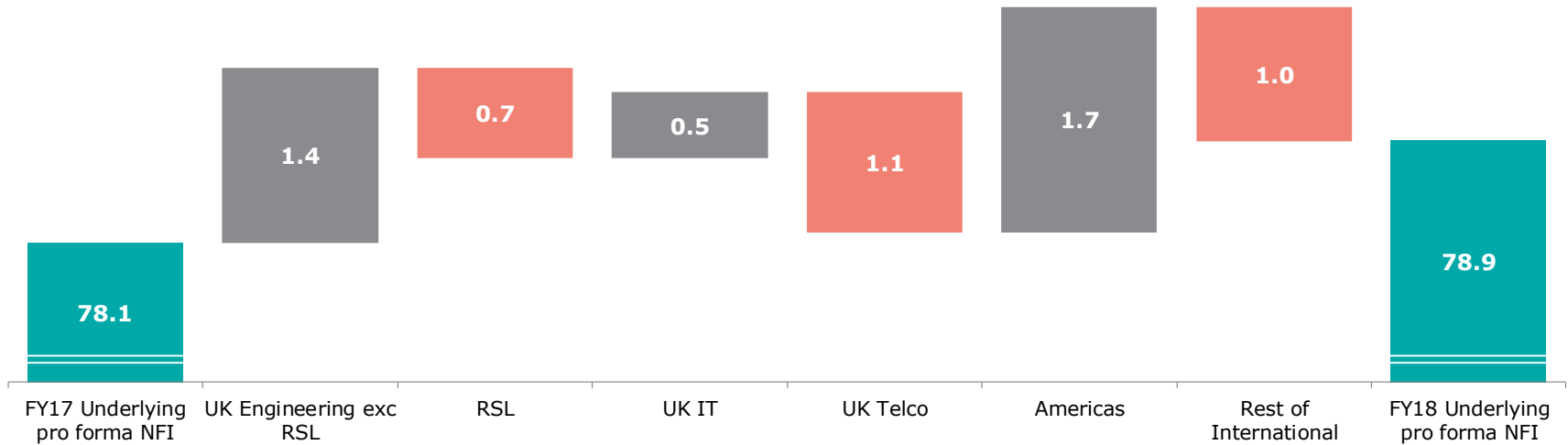


£'m	2018		2017		Change	
	Statutory	Pro Forma Underlying ²	Statutory	Pro Forma Underlying ²	Statutory	Pro Forma Underlying ²
Net Fee Income (NFI)¹	78.9	78.9	74.7	78.1	+6%	+1%
Engineering		47.5		46.9		+1%
Technology		16.7		17.2		-3%
UK		64.2		64.1		+0%
International		14.7		14.0		+5%
Total		78.9		78.1		+1%
Contract		56.8	72%	59.6	76%	-5%
Perm		22.1	28%	18.5	24%	+19%
Total		78.9		78.1		+1%

¹ NFI is calculated as revenue less contractor payroll costs

² Underlying results includes RSL as if it had been a fully owned subsidiary throughout 2017 and is presented on a constant currency basis.

Underlying pro forma NFI bridge



- ▶ Core businesses of UK Engineering; UK IT and Americas growing well, as did China
- ▶ The underperforming areas have been addressed
 - » Telco infrastructure
 - » Dubai, Malaysia and Qatar

Highlights



- ▶ Group NFI growth of 6% statutory and 1% on a proforma constant currency basis adjusting as if RSL fully owned through all of 2017
- ▶ UK Engineering NFI +1.4% (+3.5% excluding RSL)
 - » Engineering Technology +19%; Alderwood +18%, Barclay Meade +17% and Maritime +13%
 - » Aerospace -15% and General Engineering -6%
 - » On a full year basis RSL -10% (H2 -6%, and positive operating contribution in full year)
- ▶ UK Technology NFI -3%,
 - » IT +4% including Development +22% and Cloud +35%; Public Sector -21% and ERP -21%
 - » Telco -20%, excluding Telco Infrastructure other Telco areas -9%
- ▶ International +5% at Constant Currency (+2% statutory)
 - » Americas +28% (US +24%, Canada +58%)
 - » Other international -13%: China +5%; South Africa and Dubai -22%
- ▶ Some shift towards Permanent 28% (2017 24%) from contract 72% (2017 76%)

All NFI numbers are stated a constant currency basis

Income Statement

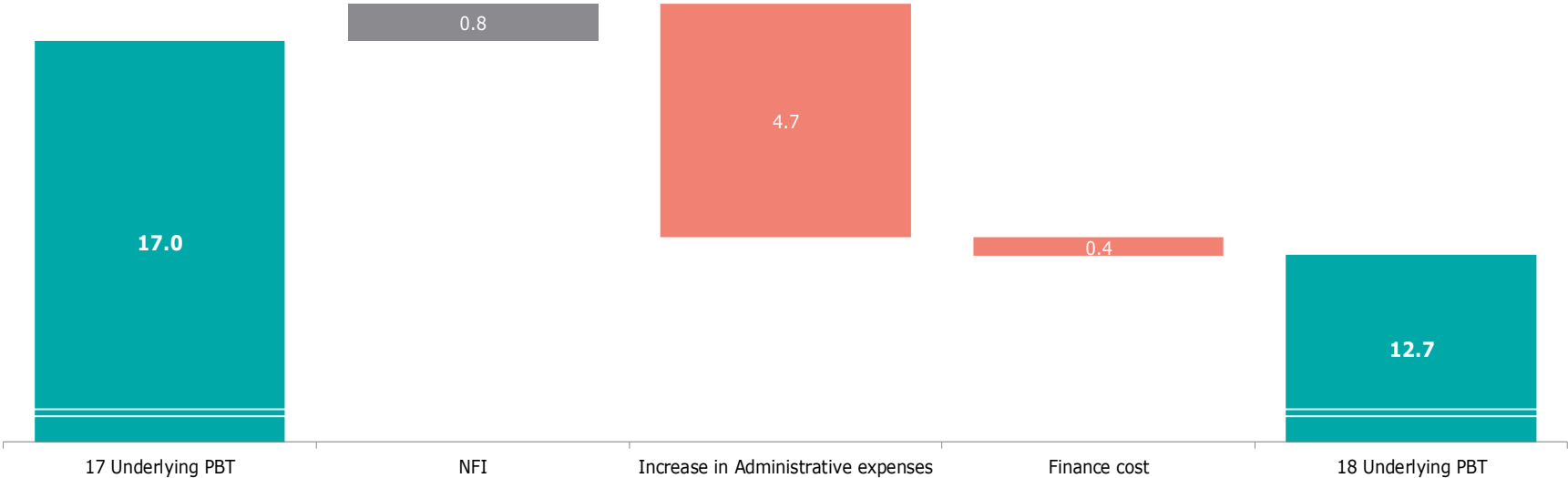


Period to 31 July	2018			2017			Reported change %	Pro forma underlying change %
	Reported £m	Adjustments £m	Pro forma underlying ¹ £m	Reported £m	Adjustments £m	Pro forma underlying ¹ £m		
Revenue	667.5	-	667.5	642.4	20.9	663.3	+4%	+1%
Contract NFI	56.8	-	56.8	56.4	3.2	59.6	+1%	-5%
<i>Contract gross margin (%)</i>	<i>8.8%</i>		<i>8.8%</i>	<i>9.0%</i>		<i>9.2%</i>		
Permanent fees	22.1	-	22.1	18.3	0.2	18.5	+21%	+19%
Gross profit (NFI)	78.9	-	78.9	74.7	3.4	78.1	+6%	+1%
<i>Gross margin (%)</i>	<i>11.8%</i>		<i>11.8%</i>	<i>11.6%</i>		<i>11.8%</i>		
Overheads	(102.3)	37.7	(64.6)	(62.0)	2.1	(59.9)	+65%	+8%
EBIT	(23.4)	37.7	14.3	12.7	5.5	18.2	-284%	-22%
<i>NFI conversion (%)</i>	<i>-30%</i>		<i>18%</i>	<i>17%</i>		<i>23%</i>		
<i>Operating margin (%)</i>	<i>-3.5%</i>		<i>2.1%</i>	<i>2.0%</i>		<i>2.7%</i>		
Financing	(1.5)	(0.1)	(1.6)	(1.2)	0.0	(1.2)		
Profit before tax	(24.9)	37.6	12.7	11.5	5.5	17.0	-316%	-25%

1 NFI is calculated as revenue less contractor payroll costs

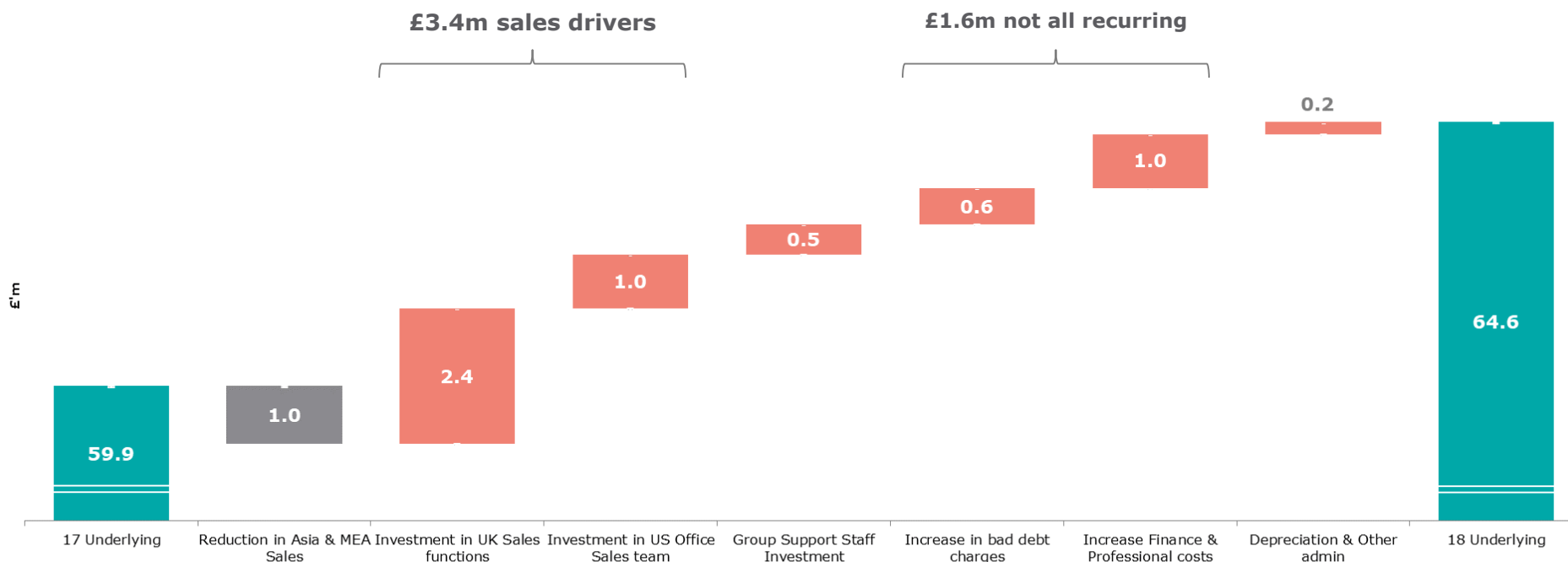
2 Pro Forma underlying performance is calculated on a pro-forma basis as though RSL had been owned for the entire prior period and on a constant currency basis. Underlying results exclude the trading profits / (losses) of discontinued businesses (2018: £0.5m loss; 2017: £0.0m), acquisitions costs (2018: £0.0m; 2017: £0.2m), amortisation of acquired intangibles (2018: £2.7m; 2017: £3.1m), impairment of goodwill and acquired intangibles (2018: £33.3m; 2017: £0.0m) and integration and restructuring costs (2018: £1.2m; 2017: £1.4m), exchange gains from revaluation of foreign assets and liabilities (2018: £0.1m; 2017: £nil).

Proforma underlying PBT bridge



See slide 14 for definition of Pro forma underlying

Administrative Expenses Bridge



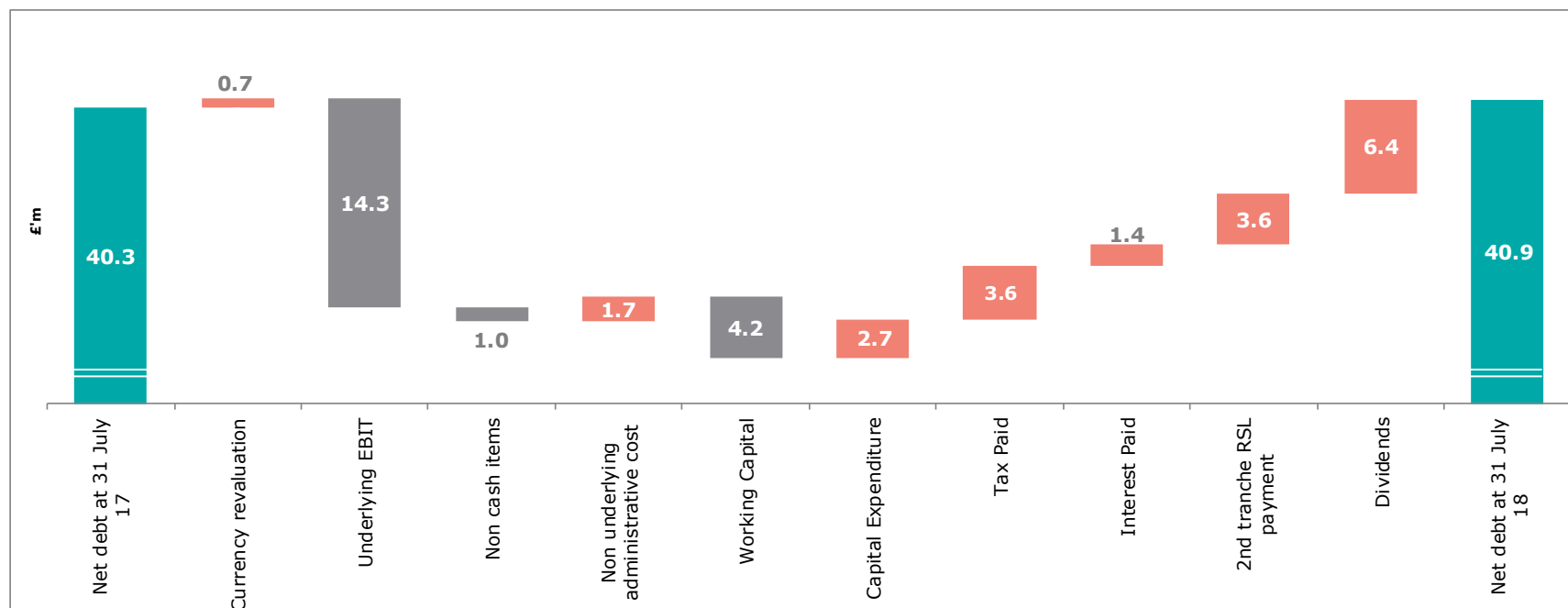
- ▶ Higher cost investment consciously made in late 2017 and 2018 H1 in anticipation of significantly higher NFI
- ▶ Immediate actions taken to abate the rate of increase when the expected growth did not materialise
- ▶ Further focus on costs for 2019, the reset actions as well as the discontinuation of certain businesses will see underlying costs return closer to 2017 levels (as well as some reduction of NFI)

Earnings per share & Dividends



Period to 31 July	2018		2017		Underlying change %
	Reported	Pro forma underlying	Reported	Pro forma underlying	
	£m	£m	£m	£m	
(Loss) / Profit before tax	(24.9)	12.7	11.5	17.0	-25%
Taxation	(2.2)	(5.2)	(4.2)	(5.2)	-0%
(Loss) / Profit after tax	(27.1)	7.5	7.3	11.8	-36%
	million	million	million	million	
Average shares in issue	32.1	32.1	31.5	31.5	
Shares under option	-	-	0.9	0.9	
Fully diluted shares	32.1	32.1	32.4	32.4	-1%
	pence	pence	pence	pence	
Basic	(85.3)	22.6	23.4	37.4	-40%
Diluted	(85.3)	22.6	22.7	36.3	-38%
Dividend per share	3.0	-	23.0	-	

Cash Flow & Net Debt



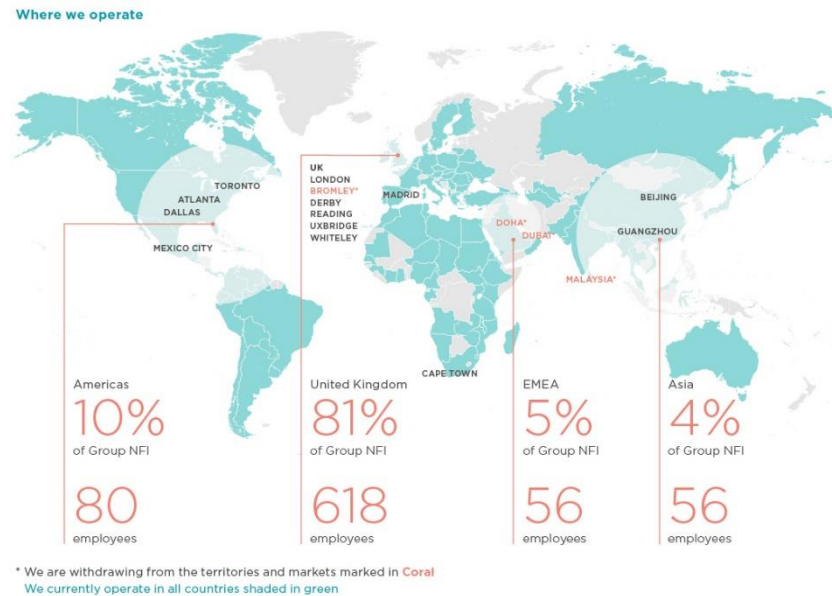
- ▷ Debtor sales outstanding (DSO) or debtor days at 52 (2017: 55 days)
- ▷ Working capital continues as a key management focus to manage Group Net Debt
- ▷ Dividend policy refined at half year. 2x PAT cover through the cycle. Aiming to reduce net debt to less than 2x EBITDA over long term
- ▷ Remaining 30% shareholding of Resourcing Solutions Limited acquired in Q4 18, RSL is now a wholly owned subsidiary
- ▷ Assuming net debt will be broadly flat at the end of 2019 due to known non-underlying and restructuring costs (at this time estimated at £6m P&L and £4.5m 2019 cash out)

Financial Summary



- ▶ Delivered on actions set out at the half year
- ▶ Addressing working capital and debt
- ▶ Outlook
 - » Trading in the first quarter of the year is in line with prior year and the wider recruitment market
 - » Brexit uncertainty continues to be a headwind for Gattaca's end user markets and the UK staffing sector in general
 - » Full year NFI forecast in-line and PAT in line with market expectations
 - » Further one-off restructuring costs in 2019 but working capital unwind of businesses being exited
 - » Overseas office closures and exit of Telecom Infrastructure will reduce NFI, operating profit and PBT, however this will be broadly neutral at PAT due to the benefit of reduced withholding tax
 - » Net debt not expected to fall in 2019 reflecting further investment in systems
 - » The Board will review any dividend in respect of 2019 against our policy of paying 50% of profit after tax throughout the cycle subject to a sustainable reduction in net debt as we focus on reducing overall debt to below 2 times EBITDA. We are assuming no interim dividend in 2019.

Investment case



- ▶ Strong sector focus
 - » Number 1 Engineering brand in UK¹
 - » Number 6 Technology brand in UK¹
- ▶ Strong growing business in North America
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¹ Source: Recruitment International Top 10 2017

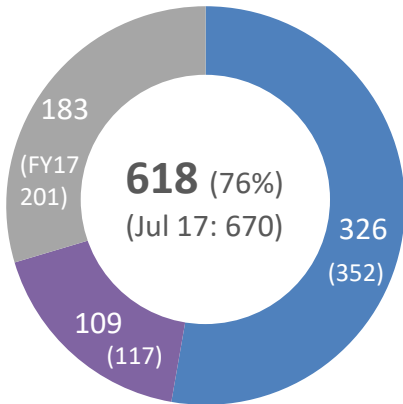
Appendices

Headcount

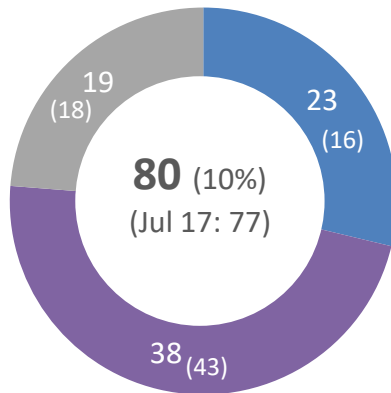
Global Headcount



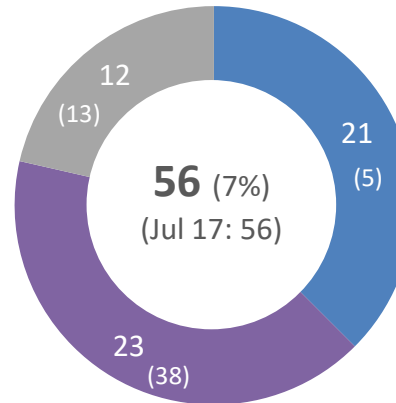
United Kingdom
(81% of Group NFI)



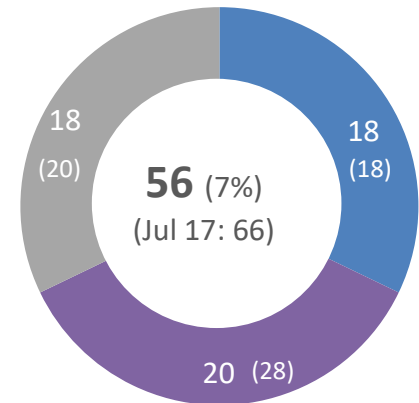
Americas
(10% of Group NFI)



Asia
(4% of Group NFI)



EMEA
(5% of Group NFI)



- Engineering
- Technology
- Management & Group Support

Global headcount: **810** (July 17: 869)

Sales: **578** (71%) (July 17: 617 69%)

Management & Support: **232** (29%) (July 17: 252 31%)

July 18 headcount includes 10 staff retained and dual run as migration of back office roles from Bromley to London was in process.

Financial Reconciliations

Pro Forma underlying PBT reconciliation



£'m	2018	2017	Change
PBT as reported	(24.9)	11.5	(36.4)
Non-underlying Items	1.7	1.6	0.1
Amortisation of intangibles	2.7	3.1	(0.4)
Impairment of acquired intangibles	33.3	0.0	33.3
Impact of Full year consolidation of RSL	0.0	0.9	(0.9)
Foreign exchange differences	(0.1)	(0.1)	0.0
Pro Forma underlying PBT	12.7	17.0	(4.3)

Administrative Costs



£'m	2018	2017	Change
As reported	98.9	64.6	34.3
Non-underlying Items	(1.7)	(1.6)	(0.1)
Amortisation of intangibles	(2.7)	(3.1)	0.4
Impairment of acquired intangibles	(29.9)	0.0	(29.9)
Underlying administrative expenses	64.6	59.9	4.7
Investment in UK Sales functions			2.4
Investment in US Office Sales team			1.0
Reduction in Asia & MEA Sales			(1.0)
Group Support Staff Investment			0.5
Increase Finance & Professional costs			1.0
Increase in bad debt charges			0.6
Depreciation & Other admin			0.2
			4.7

Finance Costs

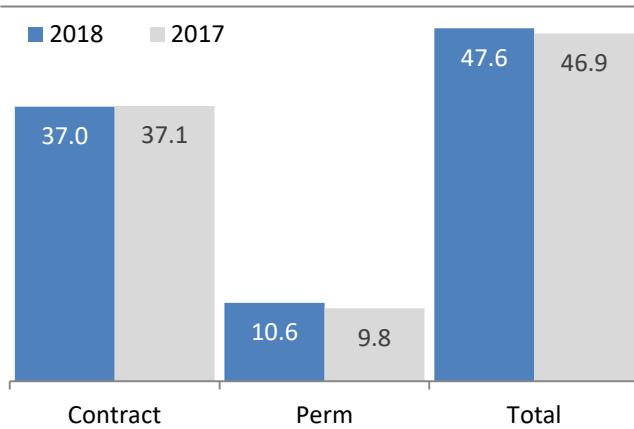


Period to 31 July	2018	2017	
	Reported £m	Reported £m	Variance £m
Bank Interest (receivable) / payable	1.5	1.1	0.4
Amorisation of capitalised finance costs	0.1	0.1	0.0
Foreign current exchange (gains) / losses	(0.1)	(0.0)	(0.1)
Finance Costs	1.6	1.2	0.4

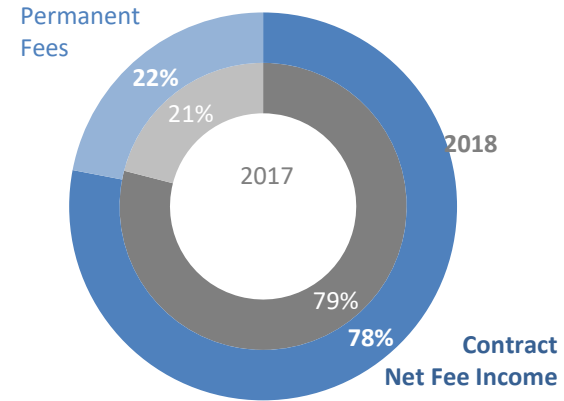
Our Divisions

UK Engineering

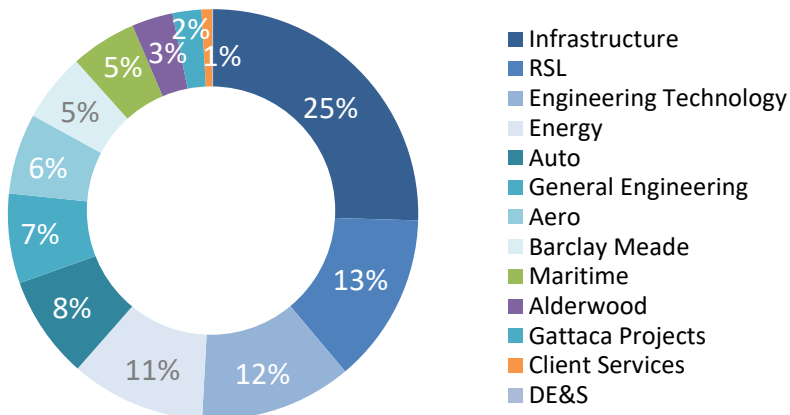
NFI



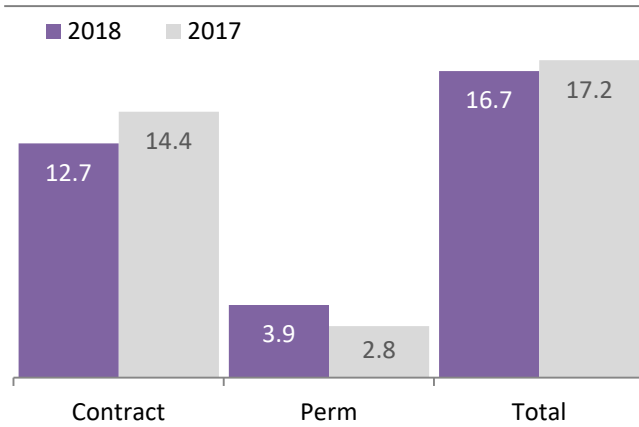
NFI by type



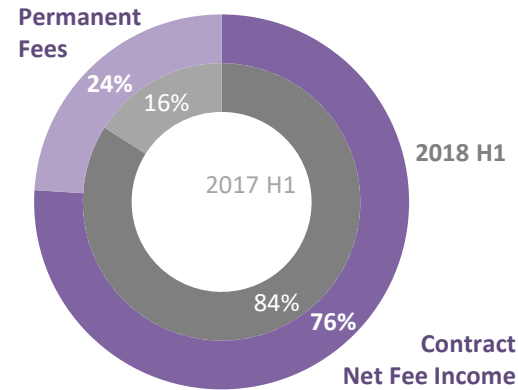
NFI by sector



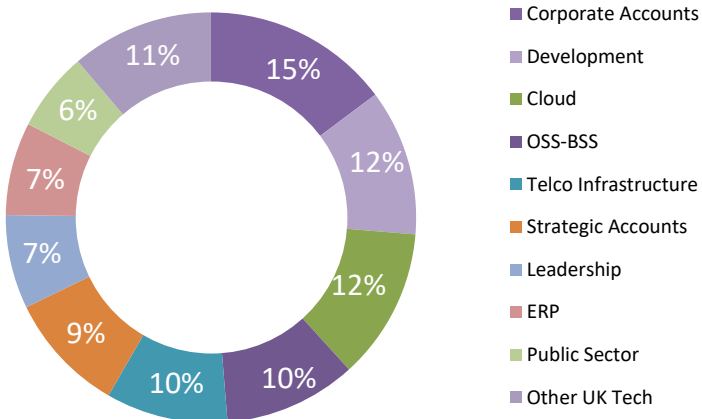
NFI £m



NFI by type

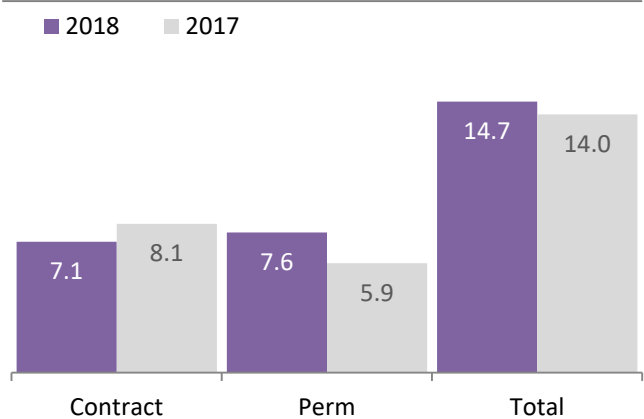


NFI by sector

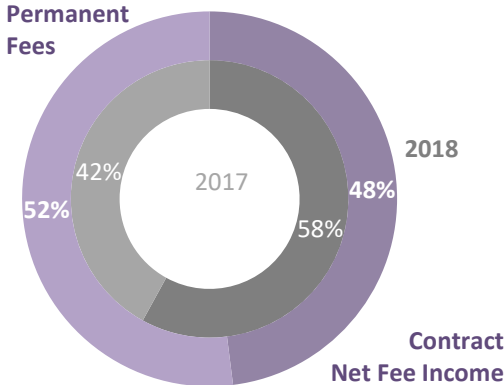


International *(constant currency basis)*

NFI £m



NFI by type



NFI by region

