



# Interim Results

For 6 months to 31st January 2020  
27 March 2020

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# Highlights



# Establishing a strong platform for future long-term growth

## FINANCIAL

### On a continuing underlying basis:

- NFI £32.2m (2019 1H: £36.5m) down 12% year on year
- PBT £2.7m (2019 1H: £6.8 million), down 60% year-on-year
- Basic EPS 5.7p
- Net debt improvement to £3.1m



## OPERATIONAL

- UK Engineering down 7%
  - UK Technology performance remained challenging, with NFI down 25%
  - The Solutions business grew by 1% against prior year
  - Excluding China, International NFI down 14%
  - China business discontinued post period end
  - Good progress on previously announced Improvement Plan
  - The Group's cooperation with the US authorities with respect to historical transactions in our discontinued telecommunication infrastructure business remains ongoing.
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# Financial Results



# Net Fee Income

## Continuing Group NFI declined 12% YoY

Net Fee Income (NFI) <sup>1</sup> £'m	2020 H1	2019 H1	Change
Engineering	23.4	25.1	-7%
Technology	4.8	6.4	-25%
<b>UK</b>	<b>28.2</b>	<b>31.5</b>	<b>-10%</b>
International	4.0	5.0	-21%
<b>Continuing Total Group NFI<sup>2&amp;3</sup></b>	<b>32.2</b>	<b>36.5</b>	<b>-12%</b>
Contract	22.8	25.7	-11%
Perm	9.4	10.8	-13%
<b>Continuing</b>	<b>32.2</b>	<b>36.5</b>	<b>-12%</b>
Discontinued	0.1	1.9	-95%
Total Group NFI	32.3	38.4	-16%

- Excluding China, Group NFI declined 11%. China 2020 H1 NFI was £0.3m (2019 H1: £0.8m)

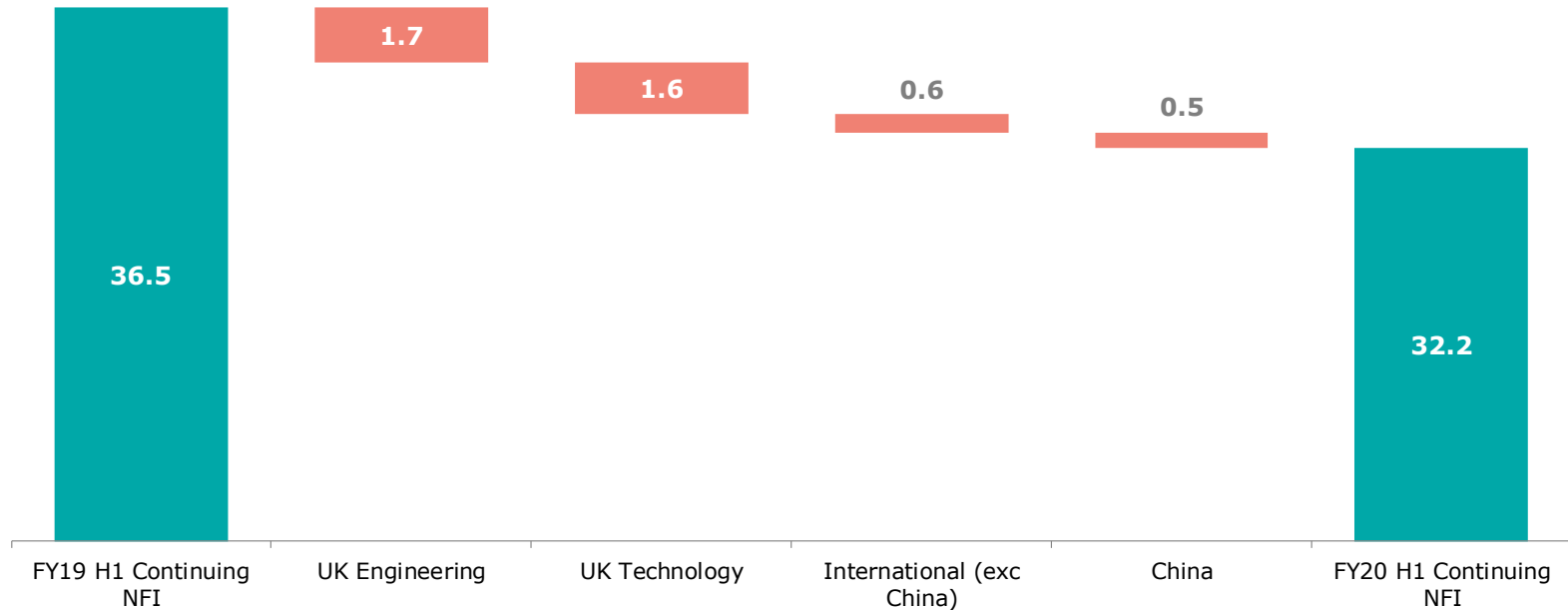
1 Net Fee Income ("NFI") is calculated as revenue less contractor payroll costs, on a like for like constant currency basis

2 Continuing results exclude the discontinued business (as part of previously announced Q1 2019 restructuring) comprising Contract Telecoms Infrastructure markets in Africa, Asia and Latin America (some of which was UK sourced) plus our operations in Dubai, Kuala Lumpur and Qatar

3 On a continuing basis there is no material impact from constant currency adjustment

# Continuing business

## NFI bridge £'m



- Continuing Group NFI 12% lower than prior year
- UK Engineering decline of 7% due to challenging market conditions which persisted through H1
- UK Technology down 25% on prior year (partly due to 20% reduction in headcount), but turnaround now underway
- International business decline of 21%. Excluding China, International NFI was down 14% year-on-year primarily driven by the Americas where the benefits of the Group's investment are taking longer to emerge than anticipated.

# Continuing underlying PBT

Financial Results

The business

Improvement Plan

Summary & Outlook

## Continuing underlying EBIT down 54% YoY

6 months to 31 Jan	2020 1H			2019 1H			Continuing reported change %	Continuing underlying change %
	Continuing Reported	Adjustments	Continuing underlying <sup>2</sup>	Continuing Reported	Adjustments	Continuing underlying <sup>2</sup>		
	£m	£m	£m	£m	£m	£m		
Revenue	297.9	-	297.9	322.3	-	322.3	-8%	-8%
Contract NFI	22.8	-	22.8	25.7	-	25.7	-11%	-11%
Contract gross margin	7.9%		7.9%	8.2%		8.2%		
Permanent fees	9.4	-	9.4	10.8	-	10.8	-13%	-13%
Gross profit (NFI) <sup>1</sup>	32.2	-	32.2	36.5	-	36.5	-12%	-12%
Gross margin (%)	10.8%		10.8%	11.3%		11.3%		
Admin expenses	(29.0)	0.5	(28.6)	(30.1)	1.4	(28.7)	-3%	-0%
EBIT	3.1	0.5	3.6	6.5	1.4	7.9	NA	-54%
NFI conversion (%)	9.8%		11.2%	17.7%		21.5%		
Operating margin (%)	1.1%		1.2%	2.0%		2.4%		
Financing	(2.3)	1.5	(0.9)	(1.0)	(0.0)	(1.0)	+128%	-17%
Profit before tax <sup>3</sup>	0.8	1.9	2.7	5.4	1.4	6.8	NA	-60%

- Included within underlying PBT are China losses, excluding China PBT would be £3.2m (2019 1H: £6.8m), a 53% decline year on year

1. NFI is calculated as revenue less contractor payroll costs

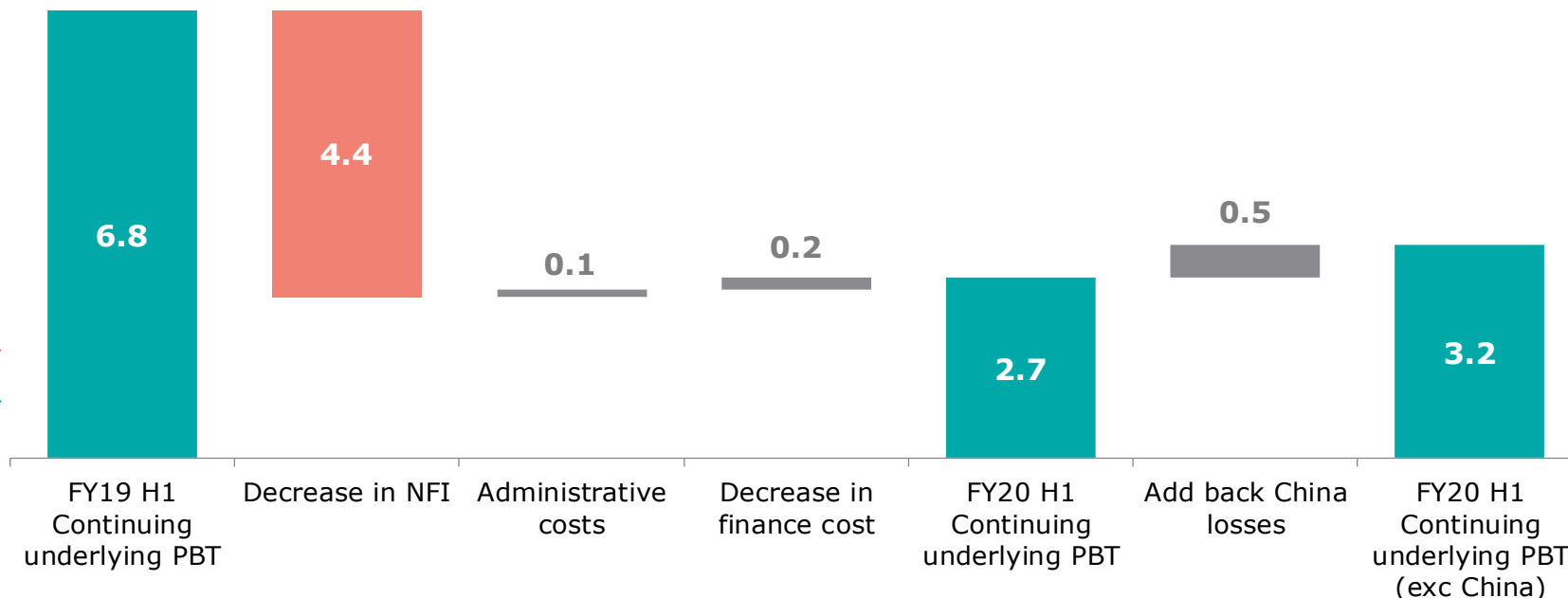
2. Continuing underlying results exclude the NFI and trading (losses) / profits before taxation of discontinued businesses being the contract Telecoms Infrastructure markets in Africa, Asia and Latin America as well as operations in Dubai, Malaysia and Qatar (2020 1H: £(1.0)m, 2019 1H: £(2.6)m), non-underlying items within administrative expenses in 2020 1H primarily related to restructuring and gains on sale of investments (2020 1H: £0.1m, 2019 1H: £0.8m), amortisation of acquired intangibles (2020 1H: £0.3m, 2019 1H: £0.6m), and exchange (losses) / gains from revaluation of foreign assets and liabilities (2020 1H: £(1.5)m, 2019 1H: £0.0m).

3. 2020 1H results are prepared on under IFRS 16 lease accounting, there is no retrospective adjustment for 2019 1H



# Continuing business

## PBT bridge £'m



- Continuing underlying Profit before tax is £2.7m (2019 1H: £6.8m)
- Included within underlying PBT are China losses, excluding China PBT would be £3.2m (2019 1H: £6.8m), a 53% decline year on year
- Finance costs improved by 20% year-on-year attributable to lower average net debt and refinancing Administrative costs are flat year-on-year
- Investment in sales functions and systems offset by headcount reductions in underperforming areas and commission cost savings

# Profit after tax and EPS

Financial Results

The business

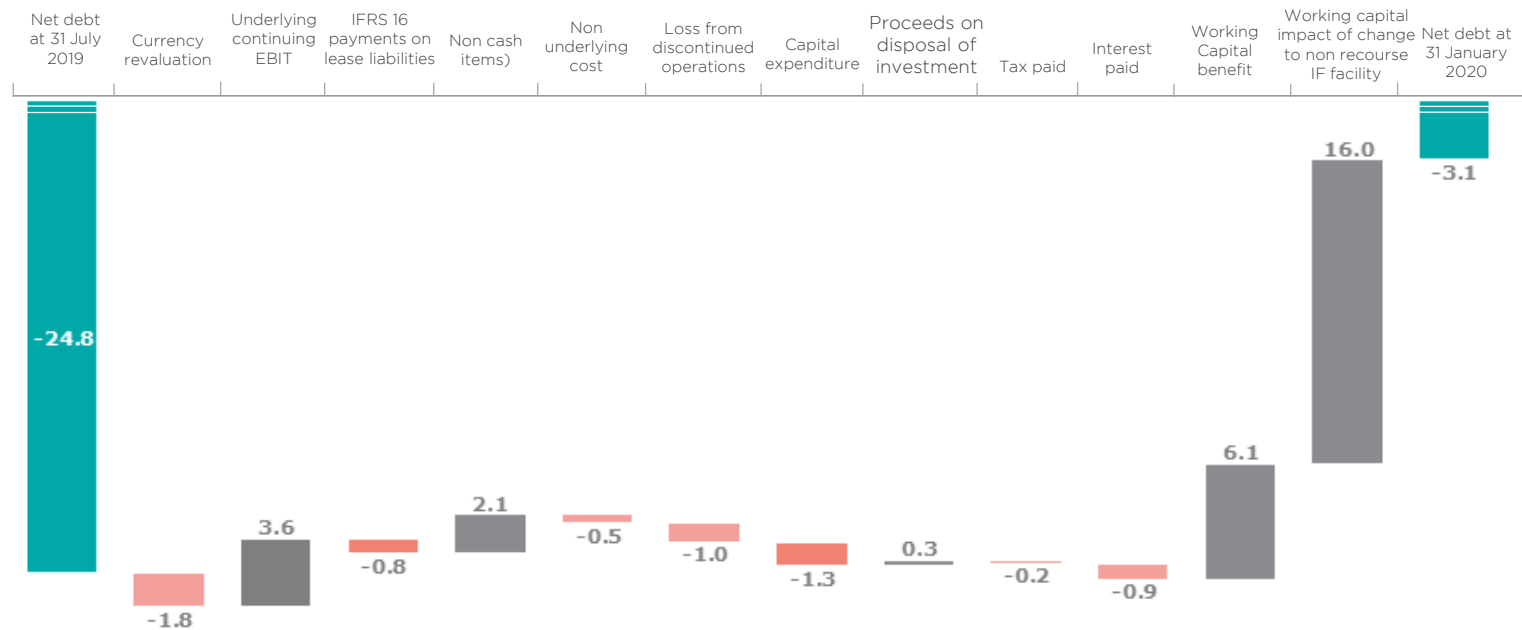
Improvement Plan

Summary & Outlook

6 months to 31 January	2020 1H			2019 1H			Underlying change %
	Total reported group £m	Continuing reported £m	Continuing underlying £m	Total reported group £m	Continuing reported £m	Continuing underlying £m	
(Loss) / Profit before tax	(0.2)	0.8	2.7	2.8	5.4	6.8	-60%
Taxation	(0.5)	(0.6)	(0.9)	(1.9)	(1.4)	(1.7)	-46%
<b>(Loss) / Profit after tax</b>	<b>(0.6)</b>	<b>0.2</b>	<b>1.8</b>	<b>0.9</b>	<b>4.0</b>	<b>5.2</b>	<b>-64%</b>
<b>Earnings per share</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	
Basic	(2.0)	0.5	5.7	2.9	12.5	16.0	-64%
Diluted	(1.9)	0.5	5.5	2.8	12.4	15.8	-65%
<b>Dividend per share</b>			<b>0.0</b>			0.0	

- Included within continuing underlying PBT are China losses of £0.5m (2019 1H: £0.0m), excluding China PBT would be £3.2m (2019 1H: £6.8m), a 53% decline year on year. Continuing underlying Profit after tax would be £2.3m (2019 1H: £5.2m) and Basic EPS would be 7.3 pence per share.
- Effective tax rate was 32.8% (2019 H1 24.3%). This increase in the effective tax rate for the continuing business is due overseas losses cannot be offset against UK profits.

# Significant reduction in net debt



- 88% reduction in Group net debt from July 2019
- Days sales outstanding ('DSO' or 'debtor days') at 39 (July 2019: 45 days)
- Working capital remains a key focus to manage Group Net Debt.,
- Jan 20 working capital movements driven by strong DSO from UK debtors
- Capex spend relates to Primary Business Systems investment project
- Refinancing completed (in place to October 2022)
- Restructure of a portion of the invoice discounting facility from a recourse to non-recourse basis

# The business and progress against Improvement plan



# Gattaca Investment Case

## Gattaca has a number of strong fundamentals to build on...

...and is investing in great opportunities to optimise the Group to become a more focused, disciplined and efficient business.

**Defining arguments:**

**Supporting evidence:**



**Focused growth strategy**

- Cross-selling and focus on growing share of client wallet provides significant growth opportunity
- Integrated, Group-wide tech platform being put in place, maximizing productivity and allowing cross-discipline working
- Investing in organic growth in geographies with clear growth prospects
- Growing and investing in Solutions services which embed Gattaca within client operations and deliver incremental margin improvement
- More agile, scalable business being built



**Market-leading solutions with a trusted reputation**

- A leading provider of specialised and in-demand engineering and technology skills
- Ability to deliver tailored solutions and products
- Broad client base and long-term partnerships. Average tenure of Gattaca's top 50 client relationship is 7.7 years
- Leading brands in both Engineering and Technology(source: REC):
  - No. 2 UK engineering - Matchtech
  - No. 4 UK technology - Networkers
- Known for:
  - Membership of many engineering and technology associations
  - Work alongside academic institutions



**Defined, high growth markets**

- STEM skills in demand across geographies and end-markets, driven by growing importance of the digital economy
- Demand for STEM skills robust regardless of wider economic environment
- Well-established and scalable UK business - however with further significant growth and market share opportunity
- Expertise and specialist focus being leveraged internationally, particularly in the Americas where there is significant growth opportunity



**Deep expertise with revitalised leadership**

- Deep skill- and sector-based expertise within the business
- Now combined with a new management team, bringing fresh perspective and drive to professionalise the business
- Group-wide Improvement Plan in place and delivering results
- Transformation underway professionalising market approach, with rigour and clear methodology being applied to sales
- Growth potential of business being unleashed, limiting factors being eliminated

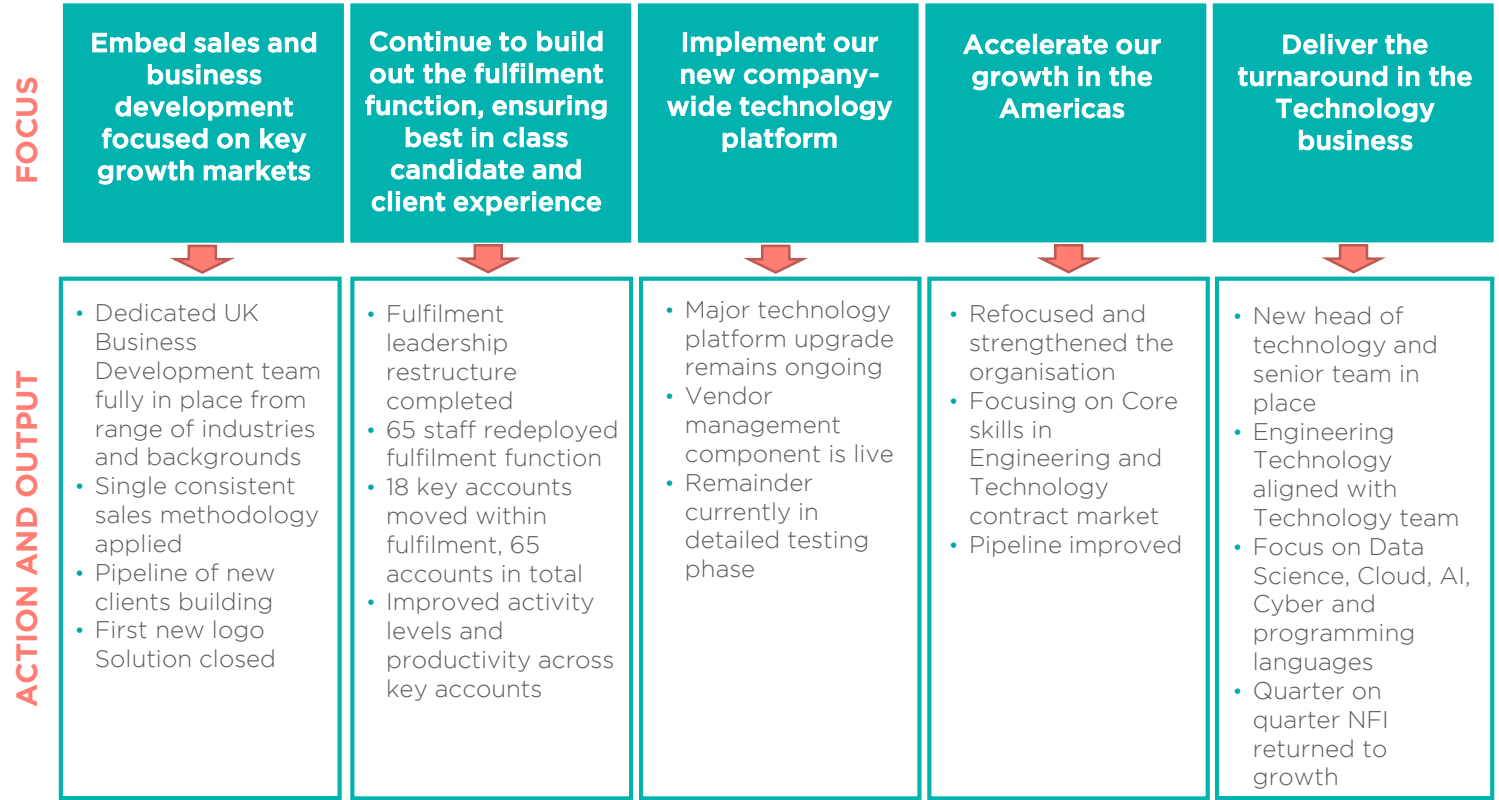


**Resilient business model**

- Focused on STEM skills which will remain in- demand regardless of macroeconomic picture
- Business has remained profitable throughout turnaround
- Progressively de-gearing
- Contract-perm split of 70/30 provides consistent revenue opportunity - "Predictable and recurring"
- Growing Solutions business(c. 30% of UK NFI) further embedding Gattaca within client operations and increasing stickiness and quality of revenue
- Unexploited perm opportunity provides further growth opportunity - Contract to remain dominant



# Achievements against 2020 focus



# Summary & Outlook



## Summary

- Improvement Plan has continued to progress
- Net debt reduced to £3.1m from £24.8m at 31 July 2019
- China business exited post period end
- The group is fully functional with staff working remotely with all product lines fully operational and supporting our customers, contractors and candidates.
- Experiencing reduction in active contractors of approximately 20% from pre-COVID-19 levels and significant reduction in permanent placements

## Outlook

- Outlook unpredictable given the COVID-19 pandemic
- We are taking fundamental actions to take the business through the current situation and allow the business to return to growth as the market recovers.
- We will continue to adapt our response as the situation evolves



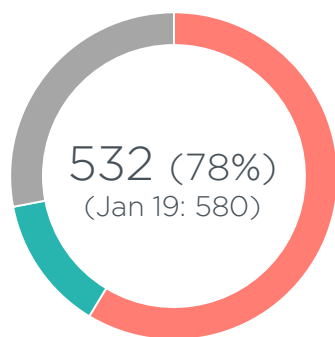
# Appendices



# Group Structure

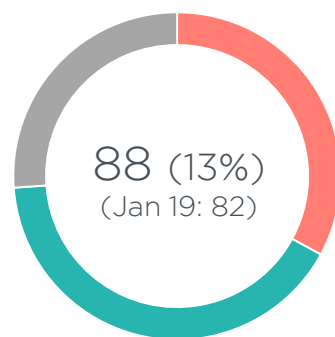
## United Kingdom

(86% of Group NFI)



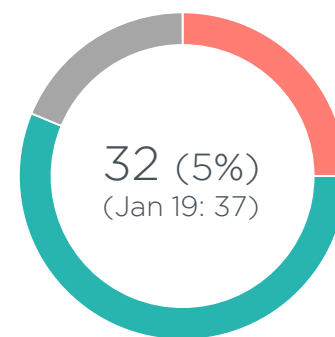
## Americas

(9% of Group NFI)



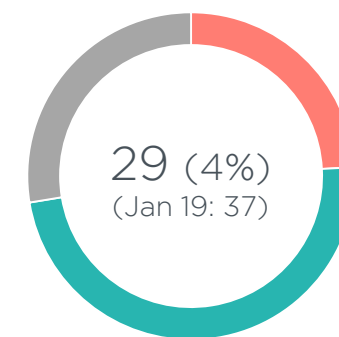
## Asia

(2% of Group NFI)



## EMEA

(3% of Group NFI)



■ Engineering   
 ■ Technology   
 ■ Management and Group Support

## GLOBAL HEADCOUNT<sup>1</sup>

# 681

(Jan 19: 736)

## SALES

# 495 (73%)

(Jan 19: 540 73%)

## MANAGEMENT & SUPPORT

# 186 (27%)

(Jan 19: 196 27%)

1. Note: Headcount as presented above is as at January 2020 and relates to total group headcount including all discontinued operations

# Pro Forma underlying PBT reconciliation

<b>6 months to 31 January (£'m)</b>	<b>2020</b>	<b>2019</b>	<b>Change</b>
Group Profit before tax	<b>(0.2)</b>	2.8	<b>(3.0)</b>
Add back: discontinuing loss / (profit) before tax	<b>1.0</b>	2.6	<b>(1.6)</b>
<b>Continuing Profit before tax as reported</b>	<b>0.8</b>	5.4	<b>(4.6)</b>
Non-underlying Items	<b>0.1</b>	0.8	<b>(0.6)</b>
Amortisation of intangibles	<b>0.3</b>	0.6	<b>(0.3)</b>
Foreign exchange differences	<b>1.5</b>	(0.0)	1.5
<b>Continuing underlying Profit before tax</b>	<b>2.7</b>	6.8	<b>(4.1)</b>

# Backing sheet

