



# 2012 Interim Results Presentation

April 2012

**GROWING  
DIVERSIFYING  
ADDING VALUE**

*Adrian Gunn - Chief Executive Officer*

*Tony Dyer - Chief Financial Officer*

# H1 Headlines

## *Key Financials*



# H1 Headlines

## *Operations*

- Unprecedented demand for Contract staff within our core technical markets
- Record number of contractors on assignment (up 23% on 31 January 2011 to 6,400)
- Record average weekly contract NFI
  
- Diversification strategy in Professional Services now fuelling Permanent fee growth
- Permanent recruitment fees now represent 33% of Group NFI
- Record average weekly permanent fees
  
- NFI per head in the period increased by 12%
  
- Acquired in January 2012 the internal recruitment arm of Xchanging plc

# H1 Results and Group performance

# H1 Results

## Income Statement

Period to 31 January	2011 H1 £m	2012 H1 £m	Increase
Revenue	141.1	<b>176.7</b>	+25%
<i>Contract NFI</i>	9.4	<b>11.6</b>	+23%
<i>Contract gross margin (%)</i>	6.9%	<b>6.8%</b>	
<i>Permanent Fees</i>	4.2	<b>5.6</b>	+33%
<b>Gross profit (NFI)</b>	13.6	<b>17.2</b>	+26%
<i>Gross margin (%)</i>	9.6%	<b>9.7%</b>	
Operating overheads	(11.1)	<b>(13.8)</b>	-24%
<b>Profit from operations</b>	2.5	<b>3.4</b>	+36%
<i>NFI conversion (%)</i>	18.4%	<b>19.8%</b>	
<i>Operating margin (%)</i>	1.8%	<b>1.9%</b>	
Net interest	(0.2)	<b>(0.2)</b>	
<b>Profit before tax</b>	2.3	<b>3.2</b>	+39%
Taxation	(0.7) <i>29%</i>	<b>(1.0)</b> <i>29%</i>	
<b>Profit after tax</b>	1.6	<b>2.2</b>	+38%

# H1 Results

## Overheads

<b>Period to 31 January</b>	<b>2011 H1 £m</b>	<b>2012 H1 £m</b>	<b>2012 H1 £m</b>
Staff and Sales & Marketing Costs	9.5	10.1	<b>11.4</b>
Establishment & Administration Expenses	1.1	1.3	<b>1.4</b>
Financial & Professional Costs	0.5	0.4	<b>1.0</b>
<b>Total Overheads</b>	<b>11.1</b>	<b>11.8</b>	<b>13.8</b>
<b>Overheads as a % of NFI</b>	<b>82%</b>	<b>73%</b>	<b>80%</b>

# H1 Results

## *Earnings per share & Dividends*

Period to 31 January	2011 H1 £m	2012 H1 £m	Increase
<b>Profit after tax</b>	1.6	<b>2.2</b>	+38%
Average shares in issue	23.4	<b>23.4</b>	+0%
Shares under option	0.3	<b>1.1</b>	+267%
<b>Fully diluted shares</b>	23.7	<b>24.5</b>	+3%
<b>Earnings Per Share</b>			
Basic	6.9p	<b>9.5p</b>	+38%
Diluted	6.8p	<b>9.1p</b>	+34%
<b>Dividend Per Share</b>			
Interim	5.0p	<b>5.0p</b>	<i>Maintained</i>

# H1 Results

## Statement of financial position

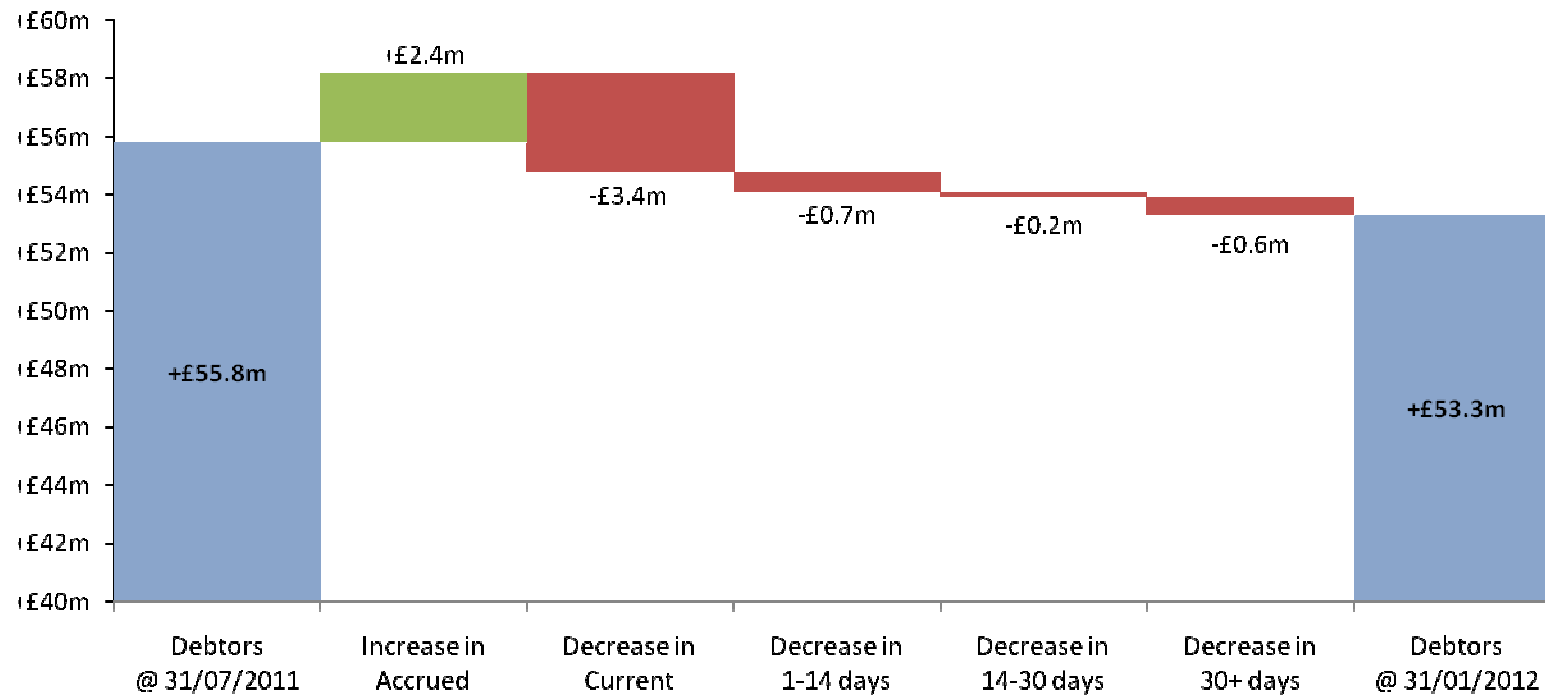
<b>As at 31 January</b>	<b>2011 H1</b> £m	<b>2012 H1</b> £m
Non-current assets	1.9	<b>2.5</b>
Current assets		
Trade debtors	39.2	<b>53.3</b>
Other debtors	0.6	<b>0.9</b>
Cash <sup>1</sup>	0.8	<b>0.9</b>
<b>Total assets</b>	<b>42.5</b>	<b>57.6</b>
Current liabilities		
Trade & other creditors	(13.9)	<b>(20.7)</b>
Invoice discounting facility <sup>2</sup>	(5.6)	<b>(11.9)</b>
<b>Net assets</b>	<b>23.0</b>	<b>25.0</b>
<b>Net debt<sup>1+2</sup></b>	<b>(4.8)</b>	<b>(11.0)</b>
<i>Debtor days</i>	<i>47</i>	<i>47</i>



# Group Performance

## Debtors

- £35m committed banking facilities until 7 April 2013
- Discussions have commenced with Barclays
- Reduction in debtor days to 47 (31 July 2011: 53)



# H1 Results

## Cashflow

Period to 31 January	2011 H1 £m	2012 H1 £m
<b>Profit from operations</b>	2.5	<b>3.4</b>
Working capital decrease in trade debtors	1.2	<b>2.2</b>
Working capital (decrease)/increase in trade creditors	(0.5)	<b>3.2</b>
Non-cash items	0.4	<b>0.6</b>
<b>Cash inflow from operating activities</b>	3.6	<b>9.4</b>
<i>Cash conversion (%)</i>	<i>144%</i>	<i>276%</i>
Capital expenditure (net of disposal proceeds)	(0.2)	<b>(0.9)</b>
Interest	(0.2)	<b>(0.3)</b>
Taxation	(1.0)	<b>(0.7)</b>
<b>Net cashflow (before dividends and financing)</b>	2.2	<b>7.5</b>
Dividends paid	(2.5)	<b>(2.5)</b>
<b>Movement in banking facilities &amp; cash</b>	(0.3)	<b>5.0</b>

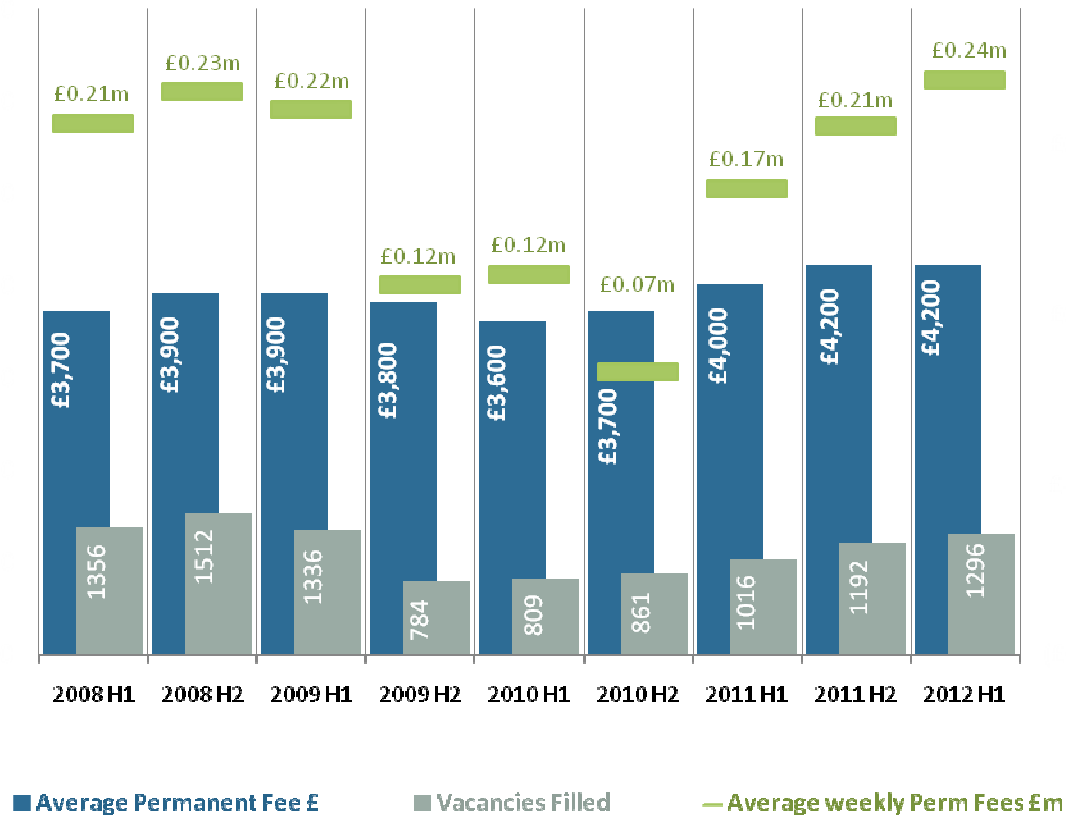
# H1 Results

## Group NFI analysis

By Segment	2011 H1	2012 H1	Increase	% of NFI
	£m	£m	%	
Engineering	4.7	5.8	+23%	34%
Built Environment	2.5	2.9	+16%	17%
Information Systems & Technology	2.9	3.6	+24%	21%
Science & Medical	0.9	0.9	+0%	5%
<b>Matchtech UK</b>	<b>11.0</b>	<b>13.2</b>	<b>+20%</b>	<b>77%</b>
<b>Matchtech Germany</b>	<b>0.2</b>	<b>0.4</b>	<b>+100%</b>	<b>2%</b>
<b>Professional Services</b>	<b>1.7</b>	<b>2.8</b>	<b>+65%</b>	<b>16%</b>
<b>elemense</b>	<b>0.7</b>	<b>0.8</b>	<b>+14%</b>	<b>5%</b>
<b>Matchtech Group plc</b>	<b>13.6</b>	<b>17.2</b>	<b>+26%</b>	<b>100%</b>
<b>By Type</b>	<b>2011 H1</b>	<b>2012 H1</b>	<b>Increase</b>	<b>% of NFI</b>
	£m	£m		
Contract NFI	9.4	11.6	+23%	67%
Permanent Fees	4.2	5.6	+33%	33%
<b>Matchtech Group plc</b>	<b>13.6</b>	<b>17.2</b>	<b>+26%</b>	<b>100%</b>

# Group Performance

## Permanent Activity



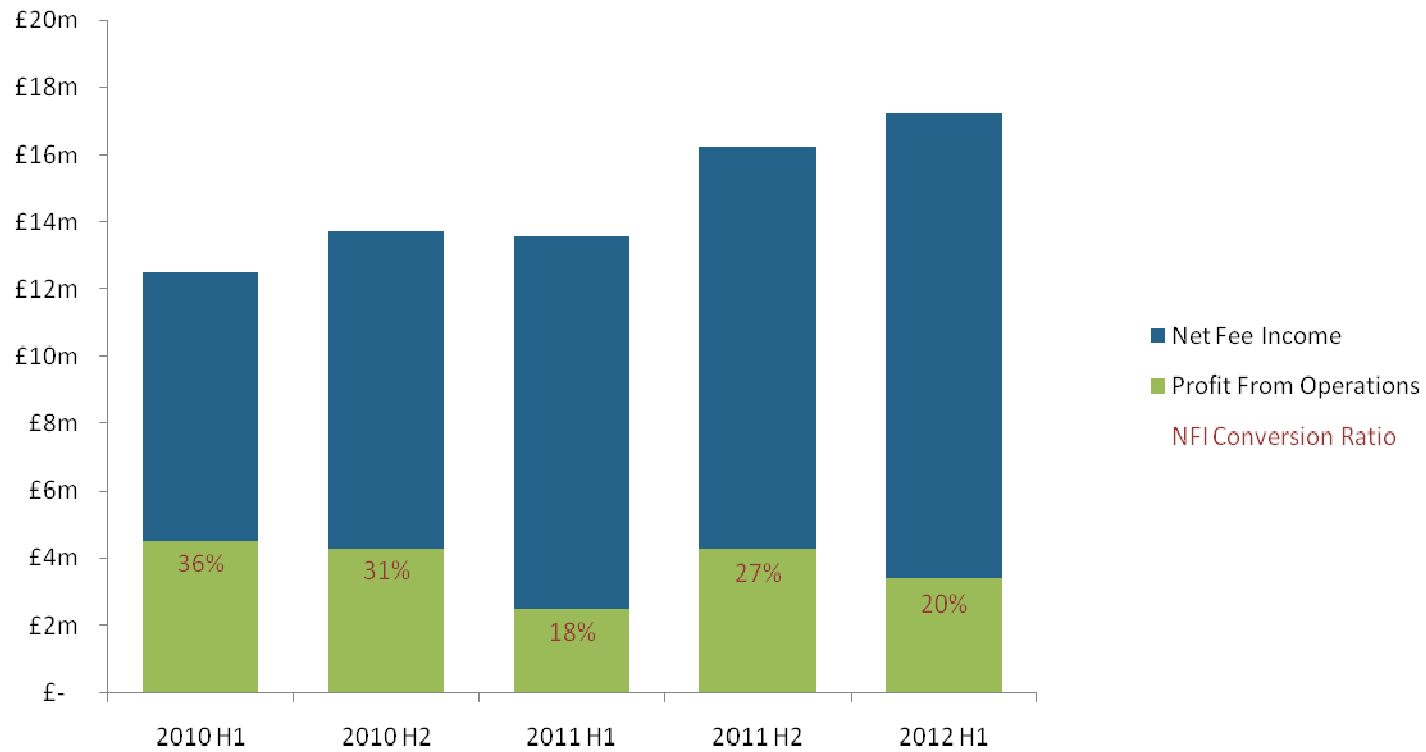
# Group Performance

## Contract Activity



# Group Performance

## Half Year Performance



# H1 Business Unit and Sector overview



# 5-year business plan

## *Seven key aims*



**Expanding our sector diversification and geographical reach** by building on our early successes looking at opportunities to grow into new sectors and add additional strategic locations



**Increasing the NFI we generate per employee** by focusing on developing existing client relationships and winning new business outside the technical sector



**Building our conversion ratio of NFI to profit from operations** as our investments mature, continuing the Group's ability to generate high levels of return from NFI



**Improving our staff retention levels** by continuing to look at staff engagement and providing career opportunities. This is a key factor in determining how fast the Group can grow



**Enhancing internal systems performance and controls** to deliver an even faster, more efficient and robust service to our clients



**Maximising cross-selling opportunities across the Group** by utilising the increasingly varied client base being created with our expanding brands



**Extending our international reach** by developing a structured rollout of international opportunities



# Business Overview

## Engineering Sector (34% of Group NFI)



Performance (£m)	2011 H1	2012 H1	Change
Revenue	64.5	<b>79.7</b>	+24%
Contract NFI	4.0	<b>4.8</b>	+20%
Contract gross margin (%)	6.2%	<b>6.0%</b>	
Permanent Fees	0.7	<b>1.0</b>	+43%
<b>Total NFI</b>	4.7	<b>5.8</b>	+23%
Gross margin (%)	7.3%	<b>7.3%</b>	
Operating overheads	(2.3)	<b>(3.2)</b>	-39%
<b>Profit from operations</b>	2.4	<b>2.6</b>	+8%

KPI's	2011 H1	2012 H1	Change
% Contract	85%	<b>83%</b>	-2%
% Permanent	15%	<b>17%</b>	+2%
Permanent Placements	204	<b>230</b>	+13%
Average Permanent Fee	£3,700	<b>£4,600</b>	+24%
Contractors on assignment	2,200	<b>2,800</b>	+27%
Sales force headcount	55	<b>62</b>	+13%

**Vertical Markets** Oil & Gas; Aerospace; Marine; Automotive; Renewable Energy

**Key Clients** BAe via Xchanging, Babcock Marine, Ricardo, ExxonMobil, Cameron, Aston Martin

**New Client Wins** BMW, Go Ahead, Tullow Oil, Technip Offshore Wind, Fairline, Princess Yachts

# Business Overview

*Built Environment Sector (17% of Group NFI)*



Performance (£m)	2011 H1	2012 H1	Change
Revenue	30.9	<b>37.8</b>	+22%
Contract NFI	2.2	<b>2.5</b>	+14%
<i>Contract gross margin (%)</i>	<i>7.1%</i>	<i>6.6%</i>	
Permanent Fees	0.3	<b>0.4</b>	+33%
<b>Total NFI</b>	2.5	<b>2.9</b>	+16%
<i>Gross margin (%)</i>	<i>8.1%</i>	<i>7.7%</i>	
Operating overheads	(1.5)	<b>(1.8)</b>	-20%
<b>Profit from operations</b>	1.0	<b>1.1</b>	+10%

KPI's	2011 H1	2012 H1	Change
% Contract	88%	<b>86%</b>	-2%
% Permanent	12%	<b>14%</b>	+2%
Permanent Placements	83	<b>118</b>	+42%
Average Permanent Fee	£3,900	<b>£3,100</b>	-21%
Contractors on assignment	1,200	<b>1,400</b>	+17%
Sales force headcount	33	<b>44</b>	+33%

**Vertical Markets** Water & Utilities; Rail Infrastructure; Highways & Planning; Power & Nuclear

**Key Clients** Transport for London, Mouchel, Atkins, WSP, RPS, Black & Veatch, Babcock, AWE

**New Client Wins** Invensys Rail, Mott Macdonald, Morrison Utility Service, HS2

# Business Overview

*Information Systems & Technology Sector (21% of Group NFI)*



Performance (£m)	2011 H1	2012 H1	Change
Revenue	26.5	<b>37.3</b>	+41%
Contract NFI	1.6	<b>2.1</b>	+31%
<i>Contract gross margin (%)</i>	<i>6.0%</i>	<i>5.6%</i>	
Permanent Fees	1.3	<b>1.5</b>	+15%
<b>Total NFI</b>	2.9	<b>3.6</b>	+24%
<i>Gross margin (%)</i>	<i>10.9%</i>	<i>9.7%</i>	
Operating overheads	(1.8)	<b>(2.5)</b>	-39%
<b>Profit from operations</b>	1.1	<b>1.1</b>	+0%

KPI's	2011 H1	2012 H1	Change
% Contract	55%	<b>58%</b>	+3%
% Permanent	45%	<b>42%</b>	-3%
Permanent Placements	267	<b>319</b>	+19%
Average Permanent Fee	£4,900	<b>£4,800</b>	-2%
Contractors on assignment	800	<b>1,100</b>	+38%
Sales force headcount	42	<b>51</b>	+21%

**Vertical Markets** Electronic Systems; Business Information Systems; Corporate Accounts

**Key Clients** Transport for London, Babcock, Avanade, Arqiva, Skandia, Invensys, Rockwell Automation

**New Client Wins** Selex SI, Xchanging, Hiscox, General Dynamics, Veolia

# Business Overview

## Science & Medical Sector (5% of Group NFI)



Performance (£m)	2011 H1	2012 H1	Change
Revenue	2.9	<b>4.0</b>	+38%
Contract NFI	0.3	<b>0.4</b>	+33%
Contract gross margin (%)	10.3%	<b>10.0%</b>	
Permanent Fees	0.6	<b>0.5</b>	-17%
<b>Total NFI</b>	0.9	<b>0.9</b>	+0%
Gross margin (%)	31.0%	<b>22.5%</b>	
Operating overheads	(0.9)	<b>(0.9)</b>	+0%
<b>Profit from operations</b>	-	-	-

KPI's	2011 H1	2012 H1	Change
% Contract	33%	<b>44%</b>	+11%
% Permanent	67%	<b>56%</b>	-11%
Permanent Placements	177	<b>177</b>	+0%
Average Permanent Fee	£3,000	<b>£3,100</b>	+3%
Contractors on assignment	220	<b>250</b>	+14%
Sales force headcount	24	<b>21</b>	-13%

**Vertical Markets** Pharmaceutical; Medical; Clinical; Industrial

**Key Clients** Alliance Medical, Lonza, UCB, Covance, Prysmian

**New Client Wins** Owen Mumford

# Business Overview

*elemense (5% of Group NFI)*



Performance (£m)	2011 H1	2012 H1	Change
Revenue	6.6	5.0	-24%
Contract NFI	0.6	0.8	+33%
<i>Contract gross margin (%)</i>	<i>9.1%</i>	<i>16.0%</i>	
Permanent Fees	0.1	-	-100%
<b>Total NFI</b>	0.7	<b>0.8</b>	+14%
<i>Gross margin (%)</i>	<i>10.6%</i>	<i>16.0%</i>	
Operating overheads	(1.0)	(1.0)	+0%
<b>Profit from operations</b>	(0.3)	<b>(0.2)</b>	+33%

**17%** (£52m)

of the Group's revenue comes from accounts that elemense manages

**Existing Clients** Babcock Marine, Mouchel, Ricardo, Invensys, Claverham, WSP

**Client Renewed/Extended** Selex SI, Prysmian

**New Clients** Xchanging, WYG

# Business Overview

## Professional Services (16% of Group NFI)



Performance (£m)	2011 H1	2012 H1	Change
Revenue	9.1	<b>11.4</b>	+25%
Contract NFI	0.6	<b>0.8</b>	+33%
<i>Contract gross margin (%)</i>	<i>6.6%</i>	<i>7.0%</i>	
Permanent Fees	1.1	<b>2.0</b>	+82%
<b>Total NFI</b>	<b>1.7</b>	<b>2.8</b>	+65%
<i>Gross margin (%)</i>	<i>18.7%</i>	<i>24.6%</i>	
Operating overheads	(3.3)	<b>(3.7)</b>	-12%
<b>Profit from operations</b>	<b>(1.6)</b>	<b>(0.9)</b>	+44%

KPI's	2011 H1	2012 H1	Change
% Contract	35%	<b>29%</b>	-6%
% Permanent	65%	<b>71%</b>	+6%
Permanent Placements	155	<b>262</b>	+69%
Average Permanent Fee	£6,000	<b>£6,200</b>	+3%
Permanent Placements	130	<b>190</b>	+46%
Average Permanent Fee	£1,600	<b>£1,800</b>	+13%
Contractors on assignment	360	<b>390</b>	+8%
Sales force headcount	73	<b>70</b>	-4%

**Vertical Markets** Procurement; Accounting; Sales; Marketing; HR; Executive Search; Training

**Key Clients** Babcock, Mouchel, Arqiva, BP, Carnival, Ingeus, Hit Training

**New Client Wins** PA Consulting, Mettis Aerospace, Nandos, Virgin Management, Paypal, Ocado

# Business Overview

## Matchtech Germany (2% of Group NFI)



Performance (£m)	2011 H1	2012 H1	Change
Revenue	0.6	1.4	+133%
Contract NFI	0.1	0.3	+200%
Contract gross margin (%)	16.7%	21.4%	
Permanent Fees	0.1	0.1	+0%
<b>Total NFI</b>	0.2	0.4	+100%
Gross margin (%)	33.3%	28.6%	
Operating overheads	(0.3)	(0.7)	-133%
<b>Profit from operations</b>	(0.1)	(0.3)	-200%

KPI's	2011 H1	2012 H1	Change
% of Contract NFI	50%	75%	+25%
% of Permanent Fees	50%	25%	-25%
Permanent Placements	8	11	+38%
Average Permanent Fee	£ 10,000	£ 7,700	-23%
Contractors on assignment	18	35	+94%
Sales force headcount	7	9	+29%

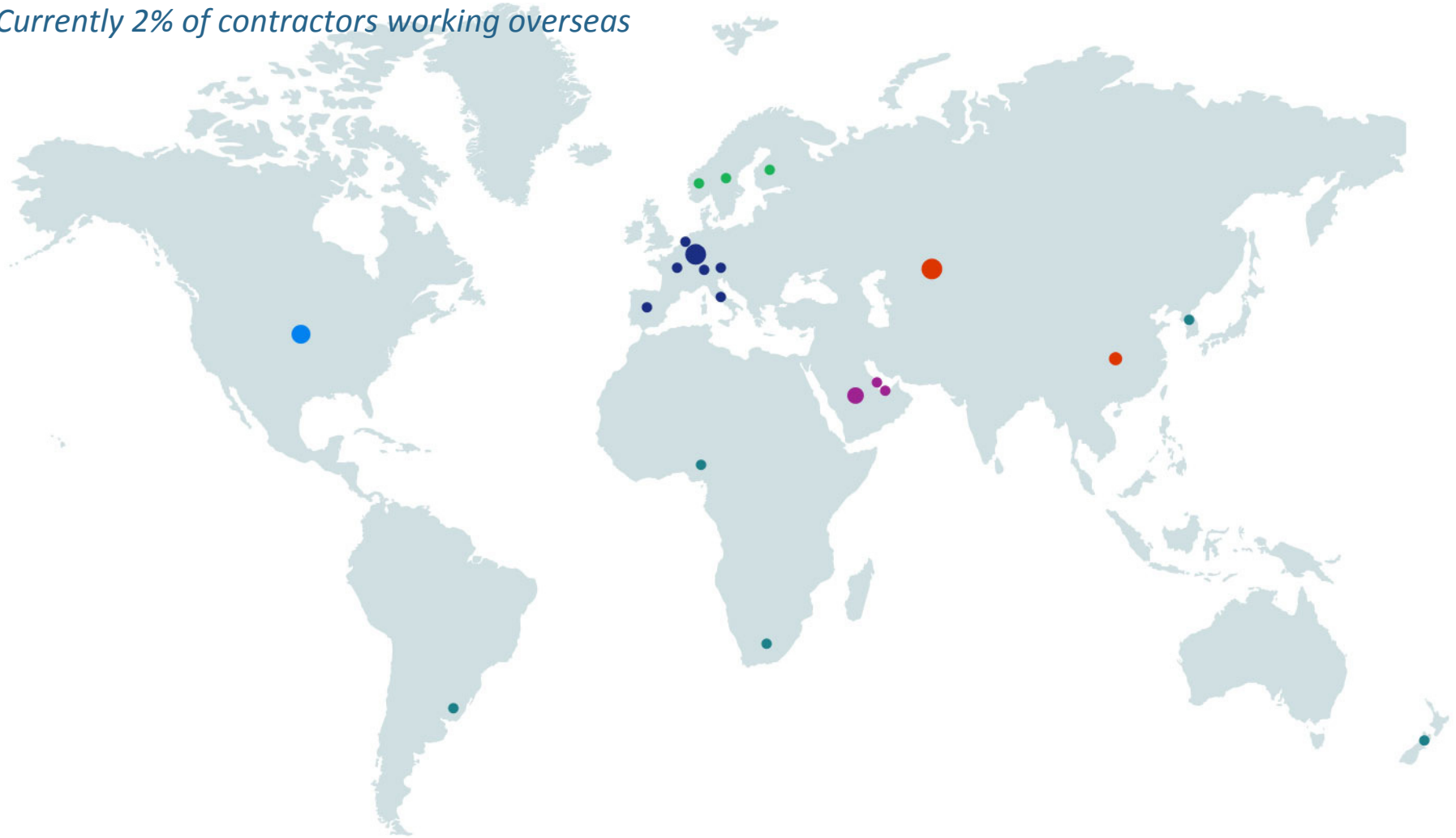
**Vertical Markets** Aerospace; Automotive; Energy

**Key Clients** Porsche, EADS Eurocopter, BE Aerospace, Rolls Royce, MTU Aero Engines

**New Client Wins** DHL, Behr, MB Tech, Daimler

# Extending our International Reach

*Currently 2% of contractors working overseas*





# Shared Services

## *Adding Value*

- Investment has been made across all our Shared Service Departments
  - Legal & Compliance
  - Bids & Marketing
  - IT Systems & Infrastructure
  - Finance & Accounting
  - HR & Training
- Supporting the ongoing diversification of the business
- Continually adding value to maintain and enhance our customer relationships
- Enabling us to deliver our company goal  
**“Always exceed the expectations of our customers and lead the recruitment sector through effective delivery and quality of service”**
- Investment made and expect to get operational leverage going forwards



## Outlook and Investment Summary

# Outlook

## *Confidence in core markets and continued diversification strategy*

- Core UK technical markets remain strong
  - Strong global demand for our clients' products and services
  - Major UK infrastructure projects which we support provide us with long term visibility
  - Increasing trend of designing international infrastructure in the UK
- New business areas - Professional Services & Germany - continuing to gain traction
  - Improving NFI per head in sales
  - Building NFI conversion ratio to operating profit
- Trading for the first two months of H2 in line with the Board's expectations
  - Contractors on assignment continue to increase (up 8% since 31 January 2012)
  - Demand for permanent recruitment has increased in Q3 compared with the previous quarter.

# Investment Summary

## *Key strengths of the business*

<b>Excellent client base</b>	Good mixture of contingency and framework agreements
<b>Niche industry focus</b>	Operating within many sectors
<b>Well balanced</b>	Healthy mix of perm and contract recruitment
<b>Clear growth potential</b>	Opportunity to scale core business internationally
<b>Strong yield</b>	Solid dividend payout record
<b>Experienced management team</b>	Building a sustainable business model for the long term

# Appendices

# Board of Directors

## **George Materna - Chairman**

Over 30 years experience of the recruitment industry, and is the founder of Matchtech.

## **Adrian Gunn - Chief Executive Officer**

Joined in 1988; appointed to PLC Board in 2004 as Business Development Director, Group Sales Director and Group MD before becoming CEO in 2009. Adrian is a Council Member of the Recruitment & Employment Confederation and a Regional Council Member for the South East and sits on the CBI's Employment Policy Committee.

## **Tony Dyer – Chief Financial Officer**

Qualified as Chartered Management Accountant in 1995. Joined Matchtech in 1996 as management accountant. Appointed to PLC Board in 2004 as Finance Director before becoming CFO in 2009.

## **Andy White - Non-Executive Deputy Chairman**

A chartered engineer, he formed Matchtech Engineering with George Materna in 1990.

## **Ric Piper - Non-Executive Director** *(appointed 2006)*

Chairman/NED of a number of public & private businesses and a member of the Financial Reporting Review Panel.

## **Stephen Burke - Non-Executive Director** *(appointed 2006)*

A plc Director of Michael Page from 2001-2005. Currently Chief Executive of Healthcare Locums plc.

## **Richard Bradford - Non-Executive Director** *(appointed August 2011)*

Former CEO of AIM listed Carlisle Group from 1997 to 2008. Currently Chief Executive of UK-based InHealth Group.

## **Rudi Kindts - Non-Executive Director** *(appointed March 2012)*

Group HR Director of the FTSE 100 company British American Tobacco from 2004 until 2011.

# Executive Team

## **Keith Lewis - Managing Director, Matchtech UK**

Keith, a Fellow of the Institute of Recruitment Professionals (FIRP), joined us in 1993 as a Senior Consultant, before progressing to his current position. Keith is also on the Steering Committee for the Engineering & Technical sector at the Recruitment & Employment Confederation (REC).

## **Nigel Lynn - Managing Director, Barclay Meade and Alderwood Education**

Nigel has over 23 years' experience in the professional staffing recruitment industry. He is a qualified Accountant and after successfully building and selling his own recruitment business, he was recruited to build the professional staffing business of Carlisle Holdings plc. Nigel joined the Group in early 2010 in order to build the professional and education businesses.

## **Peter Collis - Managing Director, elemense**

Peter started his career in Engineering & Procurement at BAE Systems, before moving to Accenture to specialise in Supply Chain Outsourcing and Consulting. Following a move into recruitment, he established hyphen as an RPO business at Spring Group. Before joining us, Peter was a Board Member at Wynnwith Group. Peter joined the Group in July 2010.

## **David Rees - HR Director**

David is responsible for the Learning and Development strategy within the Group. David has worked with us for 19 years working his way up to Divisional Director in 2002. In 2008, David was asked to lead our new HR & Training initiatives, and in 2009, was appointed as an Executive Director.

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