

# Interim Results

For the 6 months to 31st January 2022





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# Presenting today...



## Matthew Wragg – CEO

Matt has been with Gattaca for 20 years, most recently as Chief Customer Officer and before this, Group Business Development Director. He has substantial knowledge of the recruitment industry and a deep understanding of Gattaca. He has been a member of the Management Board since 2016.



## Oliver Whittaker – CFO

Oliver joined Gattaca in 2017 as Group Director of Financial Planning where he has actively supported the Board and works closely with Matt. Oliver was previously UK Finance Director for Fitness First, has held roles with Serco and IBM, and is an ACA qualified accountant.

# Summary

- Group continuing underlying NFI<sup>1</sup> of £21.6m (+5% YoY), driven by Perm growth of 41%
  - UK growth 9% despite delayed recovery in contract NFI
- Continuing underlying Loss before tax £0.3m (2021 H1<sup>2</sup>: £0.04m loss). Investment in sales headcount continued through the period, +12% on July 21
- Group adjusted net cash exc IFRS 16 lease liabilities £4.8m (31 July 2021: £19.9m). Covenant free
- No interim dividend (2021 H1: nil pence). The Board remains committed to paying dividends when we return to sustainable levels of profitability
- CEO and CFO succession

<sup>1</sup> The presentation is presented on a continuing underlying basis, excluding those operations in South Africa and Mexico which were restated as discontinued in the prior period

<sup>2</sup> Results restated following an April 2021 IFRIC Interpretation Committee agenda decision that resulted in previously capitalised software assets being expensed

# Execution – what's different

## Increased external focus

- Externally focused CEO; previously Chief Customer Officer
- Simplify the sales process
- Invest in marketing to demonstrate key STEM skills messaging
- Increase client acquisition and expansion

## Culture

- Bring through our next generation of leadership
- Increase localised accountability
- Embed purpose, vision, mission and values across the business
- Increase staff engagement and participation

# Execution – what’s different

## Operational Performance

- Realise operating model productivity
- Increase efficiency and performance output
- Leverage investment in technology to improve candidate attraction, conversion and client experience

## Cost review

- Rebalance the cost base: delayering, infrastructure, estate and other third-party costs
- Improve staff retention (culture, talent acquisition, L&D, performance management and leadership)
- Technology leveraged to automate process and enhance service



## WHO WE ARE:

- A leading STEM recruiter & workforce solutions provider
- Aligned to eight growth markets, with expert fulfilment by skill, client and projects
- Deep expertise in our niches
- HRO Today's Bakers Dozen Top RPO provider, EMEA, 2020
- Winner of 'Best Candidate Experience', TIARA Talent Solutions Awards 2020

## WHAT WE DO:

### Technical recruitment services

Traditional staffing

Packaged campaigns

Market insight reporting

### Workforce solutions & consultancy

Workforce solutions

Engineering & technology projects

Talent attraction & employer branding

## SKILLS WE RECRUIT:

### Engineering

MATCHTECH



- Electrical, Mechanical & Civil Design
- Software
- Build & Commissioning
- Concept Design
- Manufacturing & Assembly
- Installation
- Test & Development
- Project & Programme Management
- Quality, H&S & Environment
- Construction, Site, Trackside

### Technology

NETWORKERS

- Cloud & Support Infrastructure
- AI
- Data
- Fibre/Telecom munications
- Project Management & Business Change
- Cyber Security
- ERP

### Training & Assessment

ALDERWOOD

- Training & Instruction
- Assessment

### Professional

BARCLAYMEADE

- Sales & Marketing
- Finance & Accounting
- HR
- Procurement & Supply Chain

## MARKETS WE SERVICE:



# Financial Results

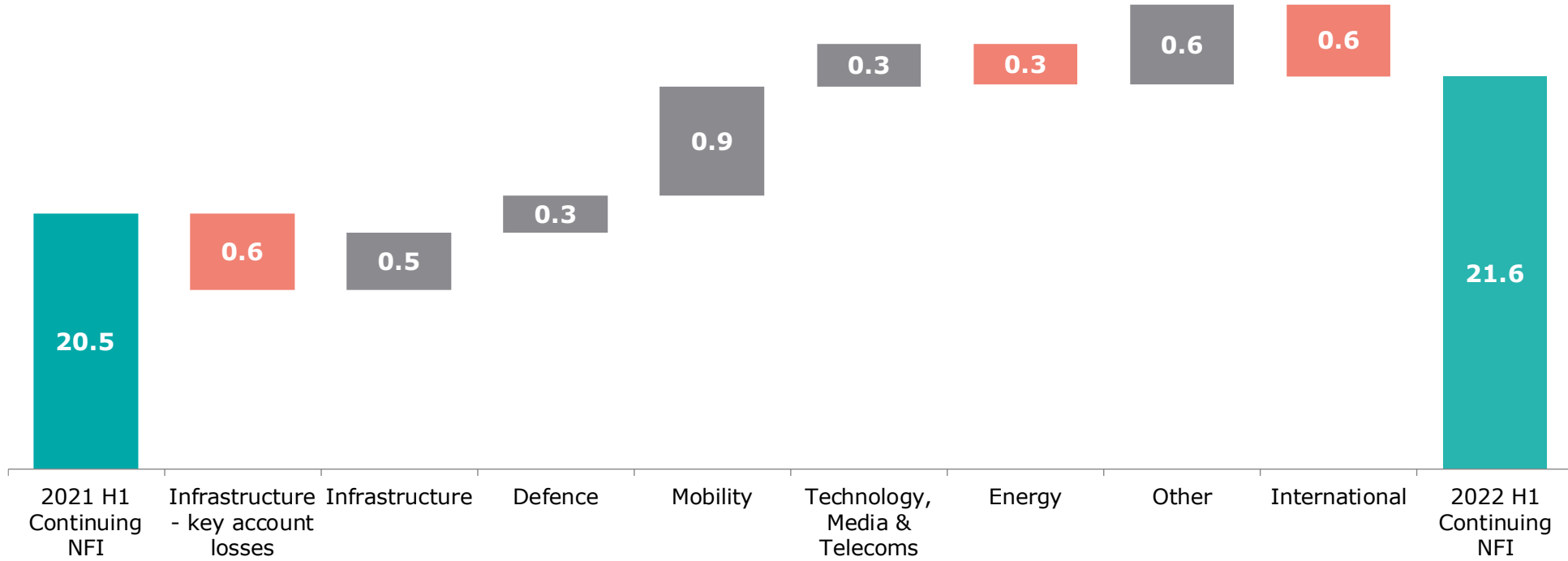


# Continuing Group NFI up 5% year on year

Net Fee Income (NFI) <sup>1</sup> £'m	2021 H1		Change
	2022 H1	(restated)	
Infrastructure	6.7	6.9	-2%
Defence	3.2	2.9	10%
Mobility	2.2	1.4	63%
Technology, Media & Telecoms	2.2	1.9	18%
Energy	1.8	2.1	-15%
Other	4.1	3.5	18%
<b>UK</b>	<b>20.3</b>	<b>18.6</b>	<b>9%</b>
International	1.3	1.9	-30%
<b>Continuing Total Group NFI<sup>2&amp;3</sup></b>	<b>21.6</b>	<b>20.5</b>	<b>5%</b>
Contract	15.1	15.9	-5%
Perm	6.6	4.7	41%
<b>Continuing</b>	<b>21.6</b>	<b>20.5</b>	<b>5%</b>
Discontinued	0.0	0.5	-102%
<b>Total Group NFI</b>	<b>21.6</b>	<b>21.1</b>	<b>3%</b>

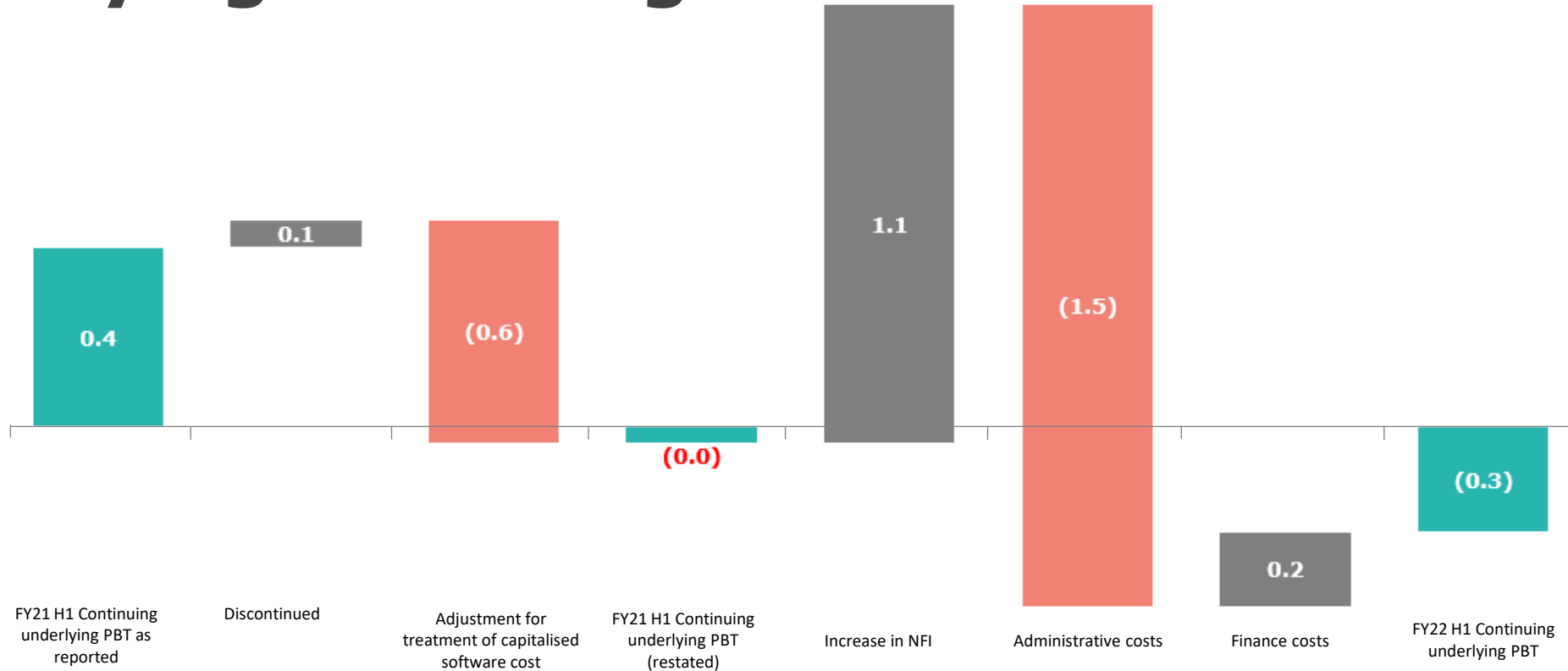
1 Net Fee Income ("NFI") is calculated as revenue less contractor payroll costs, on a like for like constant currency basis  
 2 Continuing results exclude the results of the South Africa and Mexico business which were discontinued in 2021  
 3 On a continuing basis there is no material impact from constant currency adjustment

# Continuing business NFI bridge £'m



- Continuing underlying Group NFI 5% higher
- Client Solutions NFI for 2022 H1 represented £6.9m (2021 H1: £5.2m), 33% higher
- Contract NFI for 2022 H1 was 70% (2021 H1 restated: 77%)

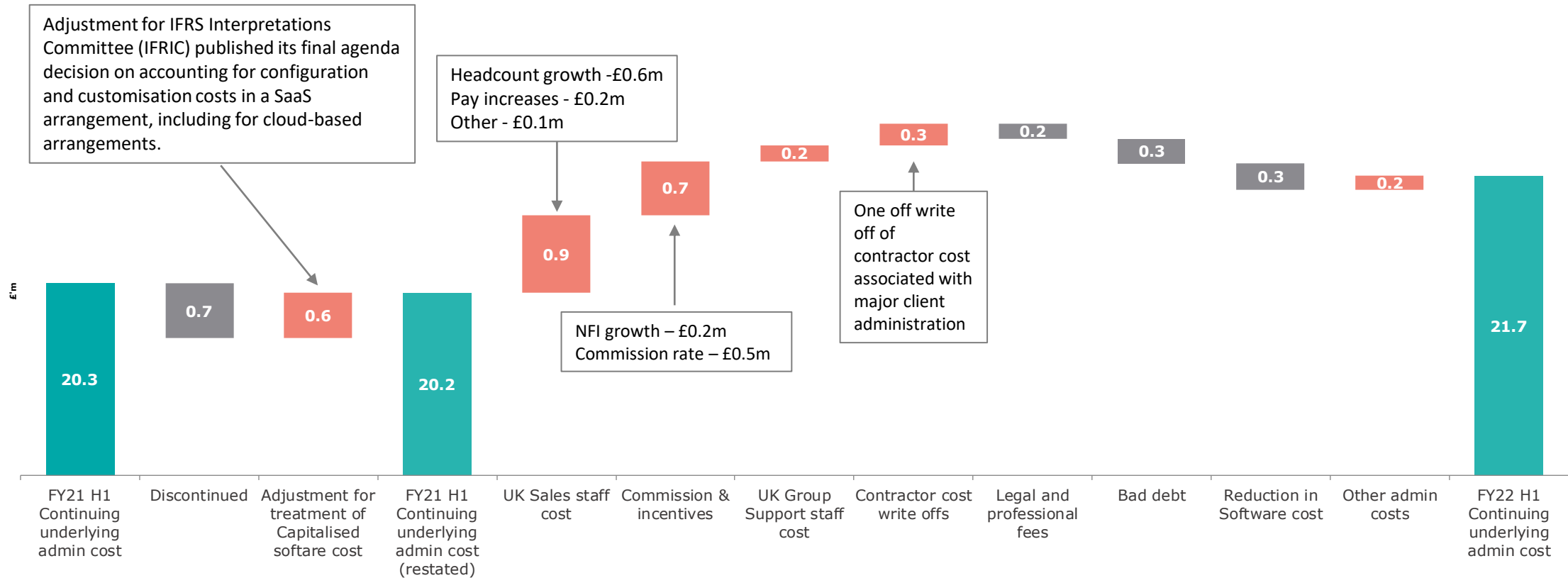
# Underlying PBT bridge



- Continuing underlying loss before tax £0.3m (2021 H1 restated: £(0.0)m loss)
- SA and Mexico, are treated as discontinued
- £0.6m additional cost in prior year related to expensing of Cloud based software development cost previously capitalised (see Appendix, slide 34)
- Admin cost detail, see slide 13



# Administrative cost bridge £'m



# Adjusted Net cash bridge £'m



- Group adjusted net (debt)/ cash (excluding IFRS16 lease liabilities) of £4.8m at 31 January 2022 (31 July 2021: £19.9m net cash). Reported net cash was £(0.1)m (31 July 2021: £14.1m)
- DSO (days sales outstanding) increased by 11 days from 52 to 63 days, approximately 5 days of this increase is attributable to one client. We consider the July 21 DSO to have been near optimal levels, there is room for improvement on our current DSO, and we remain focused on improving our time to bill and time to collect
- £10.4m of non-recourse working capital facility drawn (July 2021: £14.2m)

# Summary & Outlook



# Summary of key initiatives delivered in H1

- Embedded new global technology platform across the Group
  - Market leading AI sourcing tech now integrated, enabling enhanced candidate attraction and engagement
  - Data & MI platform live
- Continued to embed new headcount, with ongoing L&D investment
- Fulfilment function expanding both in UK and via lower cost offshore resource (+29% Jan 22 on July 21)
- Sales headcount expanded by +12% (Jan 22 on July 21)
- Product and pricing aligned to market conditions, favouring perm packages of work
- Group purpose, vision, mission and values launched Sept 21
- ESG and D&I ambitions established

# Outlook

- We expect full year 2022 underlying PBT to be break even as previously indicated
- The trajectory of the business has been slower than previously anticipated impacting rate of recovery in profitability for 2023 and beyond
- We expect to see the benefits of our investment in headcount and the technology platform come through, delivering a return to profitable and sustainable long-term growth
- Continued market demand for STEM talent, which is scarce and in high demand
- Key priorities:
  - Increase external focus
  - Culture
  - Operational performance
  - Continued cost focus

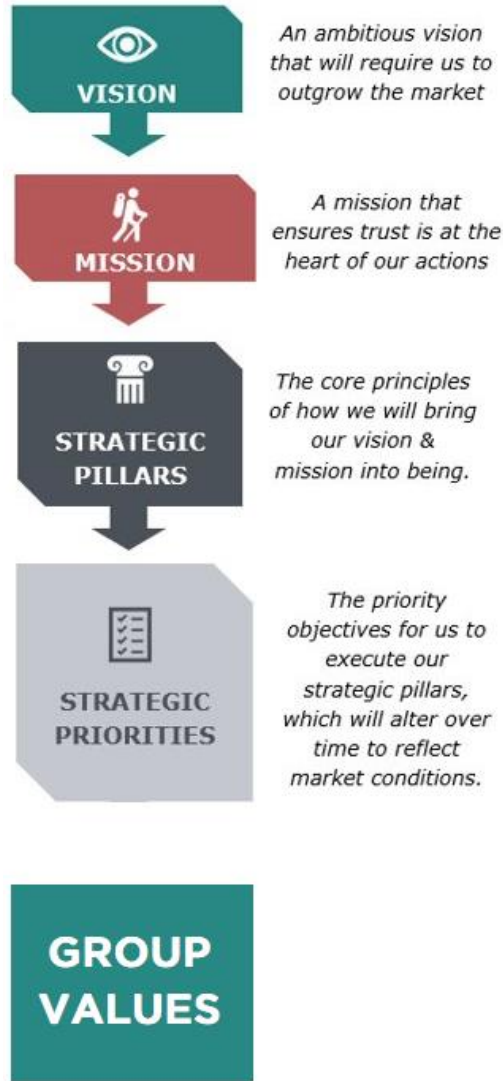




# Appendices



# Our Strategy



To be the **STEM** talent partner of choice

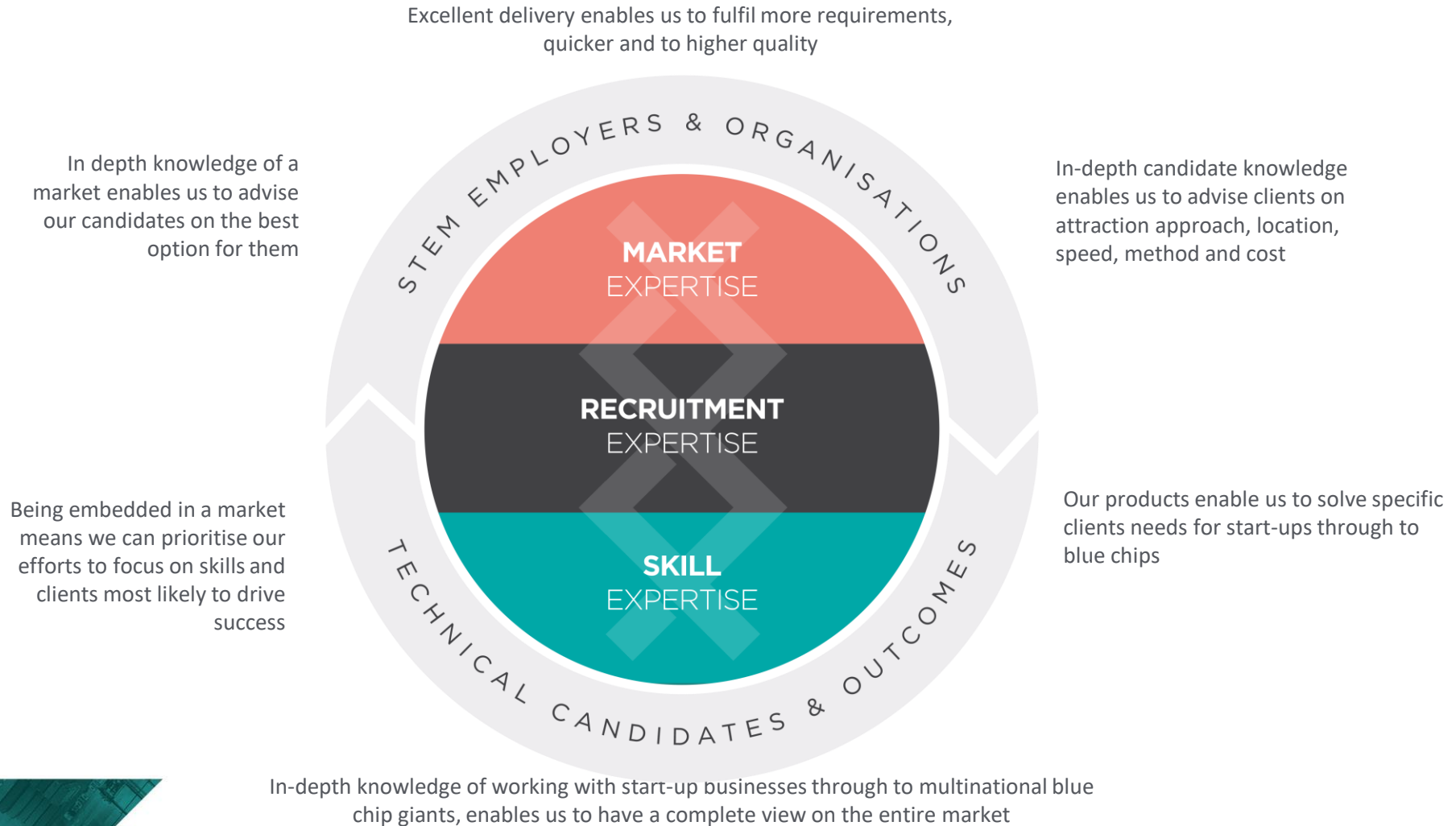
Everyday we deliver a service that is so trusted that our clients, candidates, colleagues and suppliers recommend us without hesitation

- SELL TO A MARKET**
- ADD VALUE BY PRODUCT**
- EXPERT FULFILMENT BY SKILL**
- COLLABORATIVE HIGH-PERFORMING CULTURE**

- Focus on STEM sectors which offer long-term sustainable growth potential
- Maximise & grow geographic penetration from existing footprint
- Provide a full range of services to meet customers needs within our target Sectors and embed a systematic approach to selling them
- Grow workforce solutions as a % of our overall business
- Customer-driven insight to inform need & product development
- Become the go-to supplier for the most in-demand STEM candidates
- Provide a first-class candidate experience to improve retention & attraction
- Increase the capability & efficiency of candidate attraction by realising the potential of Fulfilment function
- Enable our people to achieve their full potential
- Harness our technology platform to deliver a better & more efficient service
- Become a more diverse and sustainable organisation

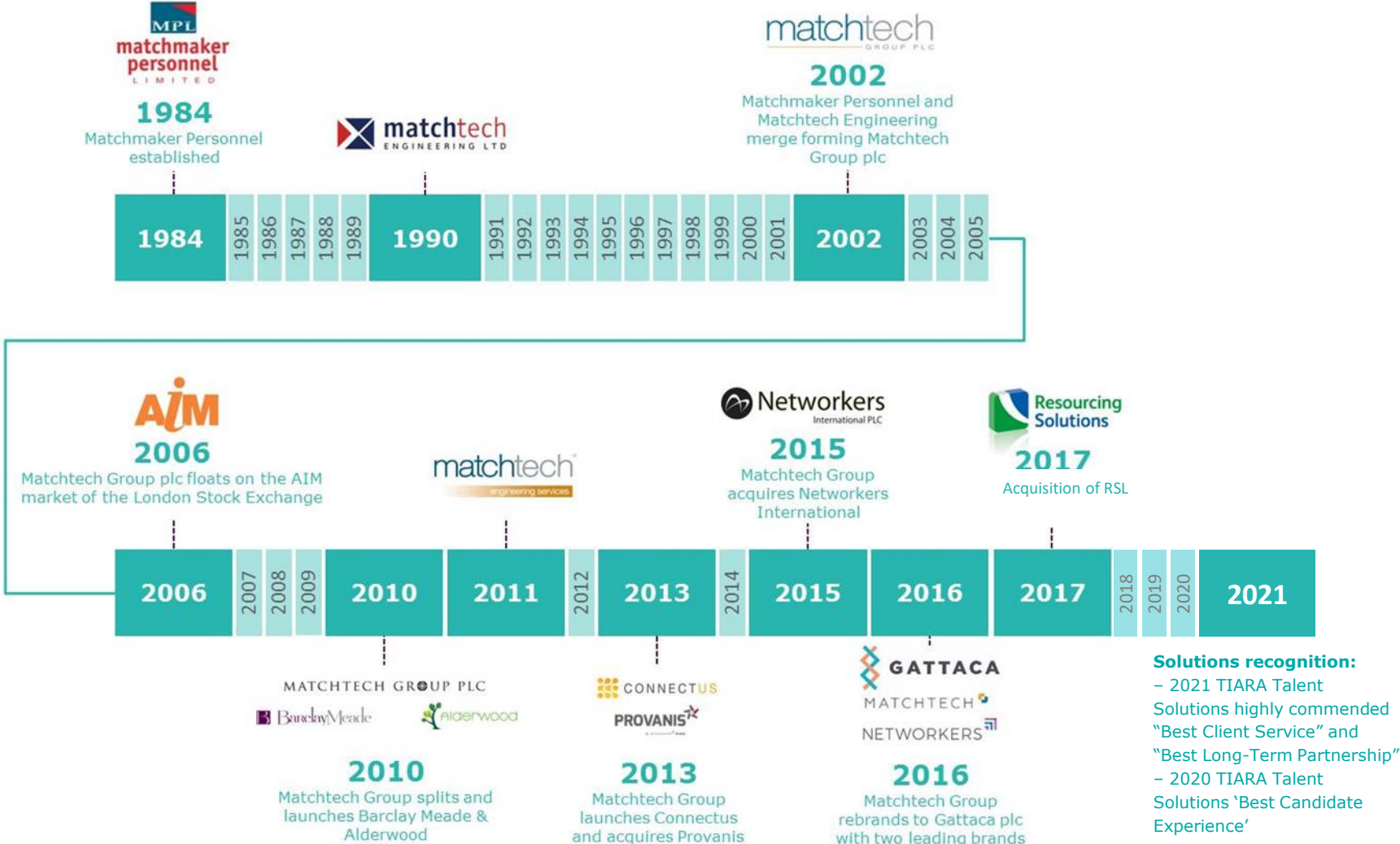


# The business model





# Our History

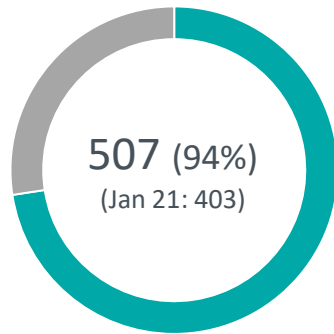




# Group total headcount

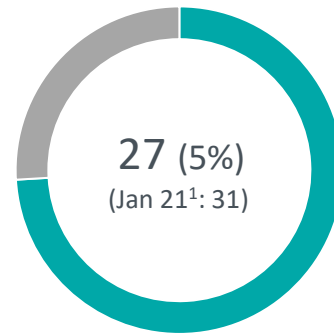
## United Kingdom

(£20.3m, 94% of Group NFI)



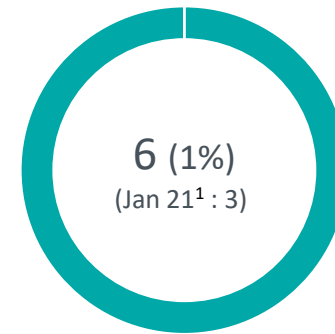
## Americas

(£1.1m, 5% of Group NFI)



## EMEA

(£0.2m, 1% of Group NFI)



■ Sales headcount
 ■ Management and Group Support headcount

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

**540**

(Jan 21: 437<sup>1</sup>)  
24% higher than prior year

## SALES

**394 (73%)**

(Jan 21: 309 71%)  
28% higher

## MANAGEMENT & SUPPORT

**146 (27%)**

(Jan 21: 128 29%)  
14% higher

<sup>1</sup>Headcount as presented above is as at Jan 2022 and relates to group headcount excluding all discontinued operations in Mexico, South Africa and China

# Continuing underlying PBT

6 months to 31 January	2022 H1			2021 H1 (restated)			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	202.2	-	202.2	204.8	-	204.8	-1%	-1%
Contract NFI	15.1	-	15.1	15.9	-	15.9	-5%	-5%
<i>Contract gross margin (%)</i>	<i>7.7%</i>		<i>7.7%</i>	<i>7.9%</i>		<i>7.9%</i>		
Permanent fees	6.6		6.6	4.7	-	4.7	+41%	+41%
Gross profit (NFI) <sup>1</sup>	21.6	-	21.6	20.5	-	20.5	+5%	+5%
<i>Gross margin (%)</i>	<i>10.7%</i>		<i>10.7%</i>	<i>10.0%</i>		<i>10.0%</i>		
Admin expenses	(24.1)	2.4	(21.7)	(20.2)	(0.0)	(20.2)	+19%	+7%
EBIT	(2.5)	2.4	(0.1)	0.3	(0.0)	0.3	n/a	-137%
<i>NFI conversion (%)</i>	<i>-11.4%</i>		<i>-0.5%</i>	<i>1.5%</i>		<i>1.4%</i>		
<i>Operating margin (%)</i>	<i>-1.2%</i>		<i>-0.1%</i>	<i>0.1%</i>		<i>0.1%</i>		
Financing	(0.1)	(0.1)	(0.2)	(0.6)	0.3	(0.3)	-87%	-55%
Loss before tax	(2.5)	2.3	(0.3)	(0.3)	0.3	(0.0)	+718%	n/a

1. NFI is calculated as revenue less contractor payroll costs

2. Continuing underlying results exclude the NFI and profits / (losses) before taxation of discontinued businesses predominantly being operations in Mexico and South Africa (2022 H1: £(0.7)m, 2021 H1 : £(0.2)m), non-underlying items within administrative expenses in 2021 primarily related to reversal of restructuring costs provided for in prior year (2022 H1: £0.1m, 2021 H1 : £(0.2)m), amortisation of acquired intangibles (2022 H1: £0.3m, 2021 H1 : £0.2m), impairment of goodwill (2022 H1: £2m, 2021 H1 : £0.0m), and exchange (losses) / gains from revaluation of foreign assets and liabilities for continuing business(2022 H1: £0.1m, 2021 H1 : £(0.2)m).

3. NFI commentary is on a continuing underlying like for like constant currency basis

# Profit after tax and EPS

6 months to 31 January	2022 H1			2021 H1			Underlying change
	Total reported group	Continuing reported	Continuing underlying	Total reported group	Continuing reported (restated)	Continuing underlying (restated)	
	£m	£m	£m	£m	£m	£m	
Loss before tax	(3.2)	(2.5)	(0.3)	(0.5)	(0.3)	(0.0)	+553%
Taxation	0.2	0.1	0.0	0.1	0.1	0.0	-66%
<b>Loss after tax</b>	<b>(3.1)</b>	<b>(2.4)</b>	<b>(0.2)</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>0.0</b>	<i>n/a</i>
<b>Earnings per share</b>							
	pence	pence	pence	pence	pence	pence	
Basic	(9.5)	(7.5)	(0.8)	(1.3)	(0.7)	0.0	<i>n/a</i>
Diluted	(9.5)	(7.5)	(0.8)	(1.3)	(0.7)	0.0	<i>n/a</i>
<b>Dividend per share</b>			<b>0.0</b>			<b>0.0</b>	

- Basic continuing underlying EPS (0.8) pence per share (2021 H1: (0.0) pence per share)
- Effective continuing underlying tax rate 5% (2021 H1: 100%).
- No proposed interim dividend (2021 H1: nil pence)



# Pro forma underlying loss before tax reconciliation

6 months to 31 January (£'m)	2022 H1	2021 H1	Change
Group Loss before tax	(3.2)	(0.5)	(2.7)
Add back: discontinuing Loss before tax	0.7	0.2	0.5
<b>Continuing Loss before tax as reported</b>	<b>(2.5)</b>	<b>(0.3)</b>	<b>(2.2)</b>
Non-underlying Items	0.1	(0.2)	0.3
Amortisation of intangibles	0.3	0.2	0.1
Impairment of goodwill	2.0	0.0	2.0
Foreign exchange differences	(0.1)	0.3	(0.4)
<b>Continuing underlying Loss before tax</b>	<b>(0.3)</b>	<b>0.0</b>	<b>(0.3)</b>

# Cloud-based Software: Treatment of Implementation Costs

Following the IFRS Interpretation Committee's agenda decision published in April 2021, the Group changed its accounting policy relating to the capitalisation of certain software costs, specifically relating to the capitalisation of implementation costs such as configuration and customisation costs for cloud-based software under Software-as-a-service (SaaS) arrangements. This change in accounting policy has been applied to all relevant capitalised intangible asset costs held on the balance sheet, restating prior period information.

	<b>(Loss)/profit before tax</b>		<b>Net assets</b>		
	H1 2021 £m	FY 2021 £m	01/08/2020 £m	31/01/2021 £m	31/07/2021 £m
As previously reported	0.1				
Restatement of discontinued operations	0.1				
As previously reported	0.2	2.2	39.7	39.9	40.9
Adjustments relating to cloud-based implementation costs	(0.5)	(1.4)	(4.7)	(5.2)	(5.8)
Restated	(0.3)	0.8	35.0	34.7	35.1

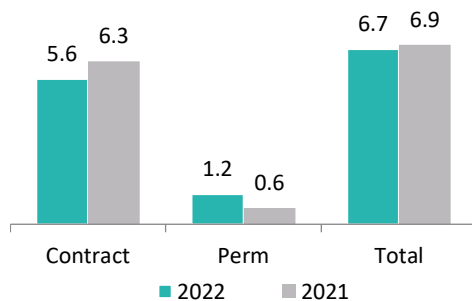


# Sector Updates



# Infrastructure

## NFI



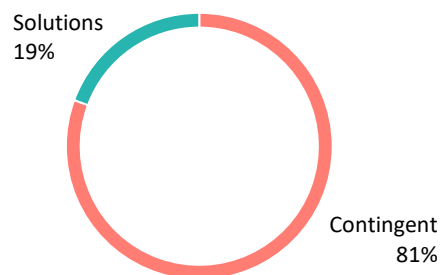
## SALES HEADCOUNT JAN 22



# 123

(UP 7% FROM JULY)

## PRODUCT MIX



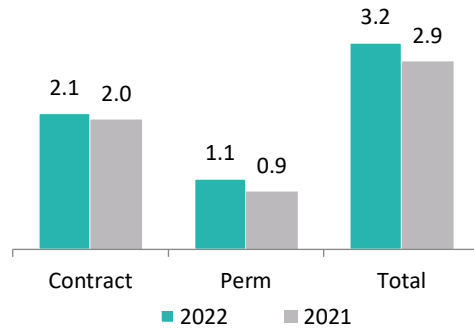
## Market commentary

- **Labour Demand:** UK Infrastructure demand up 2% on pre-Covid levels (up 67% QoQ)<sup>1</sup> Shortage of skilled labour and increased requirement for international attraction
- **Service line trends:** Heavy focus on Permanent recruitment within Consultant Engineering and Direct Source for early phase of major programmes
- **Market Investment:** AMP (water) and CP6 (rail) investment now in build/construction phases requiring increased contract labour.
- **Our Position:** Ready for increased contract demand, expanding regional reach within UK, building a perm capability, digitalisation of market provides us growth opportunity.
- **Skill trends:** Skilled blue-collar technicians in all markets most in demand. Utilities, Fibre and EV charging driving much of this extra demand.

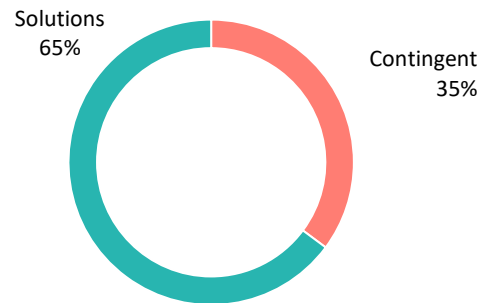
<sup>1</sup> Source: ONS

# Defence

## NFI



## PRODUCT MIX



## SALES HEADCOUNT JAN 22



# 84

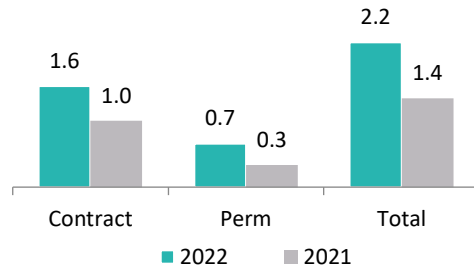
(UP 12% FROM JULY)

## Market commentary

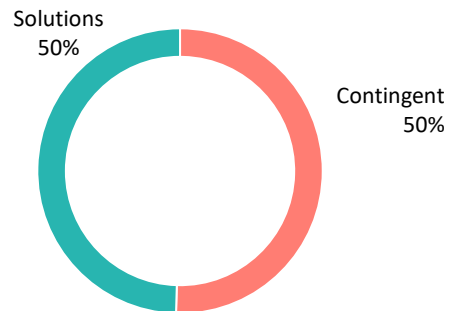
- **Labour Demand:** Stable market during economic fluctuations. Demand in the Defence sector has increased by 17.5%
- **Service line trends:** Permanent recruitment has seen strongest demand, with some reduction of overall contractor workforce post IR35 and Covid. Partnership led permanent and contract recruitment required to compete with broader Tech markets
- **Market Investment:** Increased importance of Defence expenditure in both UK and US markets creates ongoing sustainable scale opportunity
- **Our Position:** Major client access is strong, currently working with 68% of the MoD Top 100 suppliers. Well placed to service Technology and Engineering, as well as growth opportunity in Manufacturing and IT
- **Skill trends:** Systems and software are most in demand skills in the local and broader Technology market

# Mobility

## NFI



## PRODUCT MIX



## SALES HEADCOUNT JAN 22



# 37

(UP 23% FROM JULY)

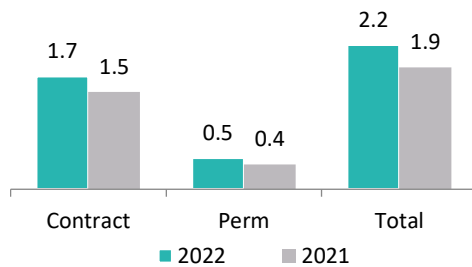
## Market commentary

- **Labour Demand:** Growing market attractiveness as industry rebuilds; attrition within market still high, skilled labour lost to alternative markets
- **Service line trends:** Permanent demand outstrips contract as businesses rebuild having released large numbers during extended market downturn
- **Market Investment:** Supply chains have been impacted by pandemic, semi conductor shortages and now Ukraine
- **Our Position:** Despite the loss of a significant client we still retain a wide client spread in Aerospace, Automotive and Marine subsectors with a strong candidate base in all markets and growing international capability
- **Skill trends:** Technician level supply still tightest market, investment in new Technology driving high demand especially across EV and Battery development



# Technology, Media & Telco

## NFI



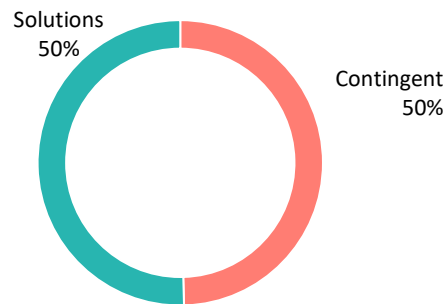
## SALES HEADCOUNT JAN 22



# 36

(UP 20% FROM JULY)

## PRODUCT MIX

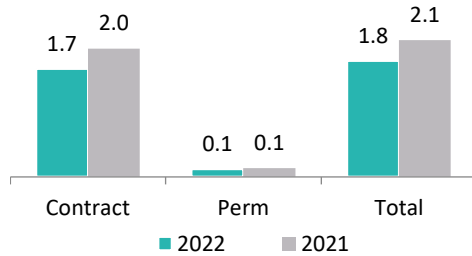


## Market commentary

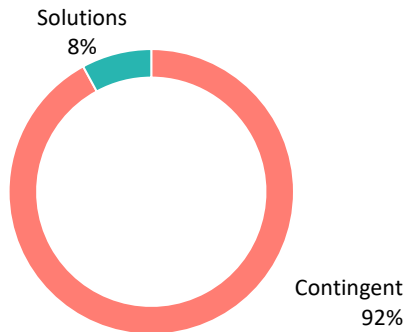
- **Labour Demand:** Robust market demand with all sectors investing in technology skills; lower barriers associated with geographical / remote working
- **Service line trends:** Strong demand for Permanent hires, particularly for “packages” of hires (vs. one off hires), provides scalable opportunities. Contract demand lags but is climbing as the 'great resignation' slows
- **Market Investment:** Funding levels for TMT clients is shifting through the investment lifecycle. International investment is rising as the UK tech ecosystem continues to show strong signs of delivery
- **Our Position:** Group’s experience (skill, market and geographical footprint) plays to market opportunity
- **Skill trends:** Focus remains around in demand skills regarding Development languages, Cloud and Security

# Energy

NFI



## PRODUCT MIX



## SALES HEADCOUNT JAN 22



# 21

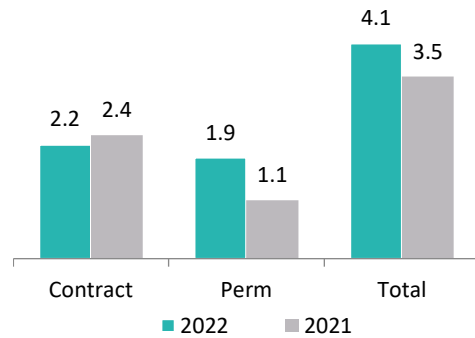
(UP 14% FROM JULY)

## Market commentary

- **Labour Demand:** Pressures on global energy production creating opportunity in the market
- **Service line trends:** Contract demand is high, related to Project and Seasonal projects. Purchased via multi vendor PSL with speed and volume key capability requirements
- **Market Investment:** Investment increasing across all sectors within Energy
- **Our Position:** Requirement for us to focus on key market areas to create scale. Build on our credentials and client access across; Renewables, Nuclear, O&G and T&D
- **Skill trends:** Demand focusing around Project Management, Controls (Planning, Cost, Estimation, Risk) and design engineers, driven by the investment in programmes

# UK Other

## NFI



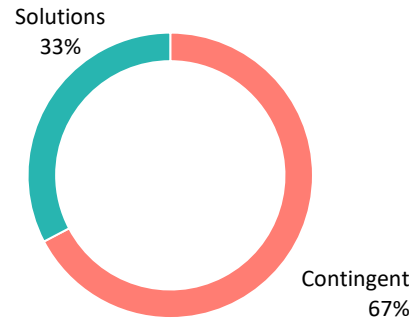
## SALES HEADCOUNT JAN 22



# 67

(UP 17% FROM JULY)

## PRODUCT MIX



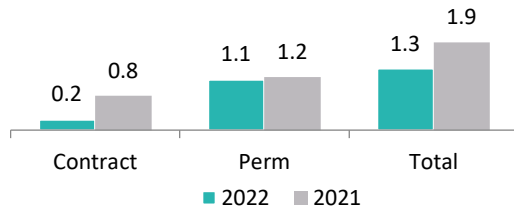
## Market commentary

- **Labour Demand:** Labour demand across all business support, skill development and STEM roles are at record high, resulting in salary and rate increases
- **Service line trends:** Demand for Permanent outstrips that of Contract, increased appetite for retained projects and solutions
- **Market Investment:** All markets investing for growth or recovery
- **Our Position:** Geographical strength in Southern UK for all skill sets and client types. Growing capability in fledgling sectors to utilise current Technology and Engineering talent pools
- **Skill trends:** Strong demand for experienced talent across; Procurement, Finance, Tech Sales, Design, Manufacturing and Maintenance



# International

## NFI



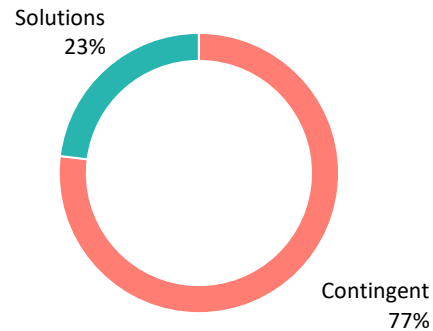
## SALES HEADCOUNT JAN 22



# 26

(UP 18% FROM JULY)

## PRODUCT MIX



## Market commentary

- **Labour Demand:** North America and Europe hiring demands tracks similar to UK
- **Service line trends:** All regions predominantly focused on the permanent market; looking for multi location delivery capability which plays to our multinational operation
- **Market Investment:** Positioned to capitalise on STEM skill permanent recruitment focus. Current penetration currently limited to 3 of 8 sectors
- **Our position:** Expansion opportunity in North America and Europe leveraging a stabilised and maturing operating model
- **Skill trends:** Technology; Dev Ops, Cloud, Cyber and Business Digitalisation are main focus areas. Engineering; Transmission and Distribution design and build skills are in high demand

# Backing sheet

