



Interim Results

For 6 months to 31st January 2019

3 April 2019



Presenting today

Kevin Freeguard
Chief Executive Officer



Salar Farzad
Chief Financial Officer



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Highlights

Highlights

Financial Results

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Summary & Outlook

On a continuing basis

- NFI 2% up
- EBIT Conversion up 3 points to 22%
- PBT up 12%
- Net debt reduced by £8.4m on 2018 H1
- Improvement Plan launched

6 months to 31 January

	2019 Continuing underlying ² £m	2018 Continuing underlying ² £m	Year on year %
Gross Profit (NFI) ¹	36.5	36.0	2%
Profit before tax	6.8	6.1	12%
Profit after tax	5.2	4.8	8%
Net Debt ³	27.8	36.2	£8.4m Reduced

¹ NFI is calculated as revenue less contractor payroll costs

² Continuing underlying results exclude the NFI and trading (losses) / profits of discontinued businesses (2019: £(2.6)m, 2018 £0.9m), non-underlying items within continuing administrative expenses (2019: £0.8m, 2018 £0.5m), amortisation of acquired intangibles (2019: £0.6m, 2018 £1.6m), impairment of goodwill and acquired intangibles (2019: £0.0m, 2018 £17.1m) and P&L exchange gains from revaluation of foreign assets and liabilities (2019: £0.0m, 2018 £(0.4m) loss).

³ Included within Net Debt are Capitalised Financing costs (2019: £(0.2)m, 2018: £(0.3)m)

Financial Results

Net Fee Income

Financial Results

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Continuing Group NFI is up 2% YoY

Net Fee Income (NFI) ¹ £'m	2019 1H	2018 1H	Change
Engineering	25.1	24.2	4%
Technology	6.4	7.4	-13%
UK	31.5	31.6	0%
International	5.0	4.4	14%
Continuing Total Group NFI	36.5	36.0	2%
Contract	25.7	26.0	-1%
Perm	10.8	10.0	9%
Continuing	36.5	36.0	2%
Discontinued	1.9	3.8	-51%
Total Group NFI	38.4	39.8	-3%

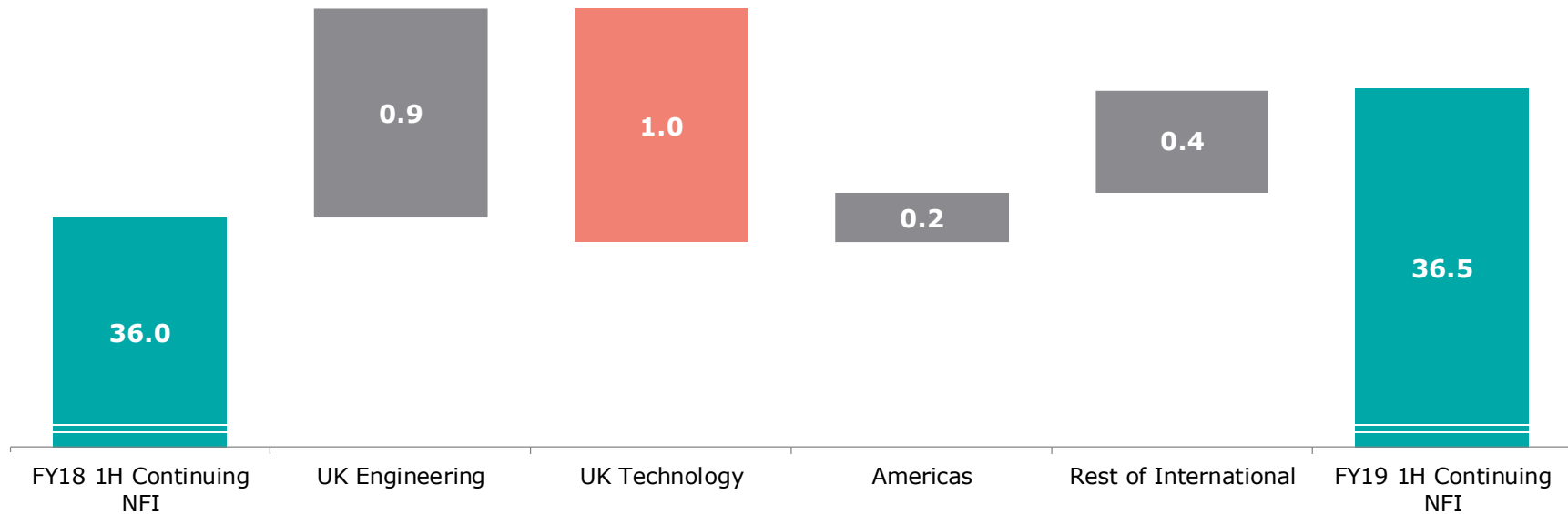
¹ Net Fee Income ("NFI") is calculated as revenue less contractor payroll costs

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



- ▶ UK Engineering continues to grow well with key major contract wins
- ▶ UK Technology reductions resulting from team rebalancing and repositioned to a stronger base from which to grow. Profit contribution increased on prior half year reflecting improved structure and focus on profitable business
- ▶ Post International restructure, the continuing international business grew well year on year

Main NFI drivers

Financial Results

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- ▶ Group continuing NFI growth of 2% on a continuing only basis
- ▶ UK Engineering NFI +4% (5% excluding Projects)
 - Maritime +25%; Engineering Technology +11% and Infrastructure +7%
 - Auto -20% due to challenges in the UK auto sector; lower Gattaca Projects NFI in H1 reflecting lumpy nature of this business
- ▶ UK Technology NFI declined by 13% year-on-year, driven by UK IT (-8%) and UK Telecoms (-38%); but UK Technology contribution +15% better
 - UK IT was impacted by the planned closure of our Technology Sales business unit in Bromley and a temporarily reduced headcount as we sought to rebalance our consultant workforce
 - UK Telecoms underwent a substantial restructuring during the period and is being repositioned to address the higher growth and value-added parts of the sector
- ▶ International +14%
 - Americas +6%
 - Other international +35%: China +84% and South Africa +15%
- ▶ Some shift towards Permanent 30:70 (1H 18: 28:72) from contract partly driven by RPO wins within UK Engineering and growth of the continuing businesses in China and Mexico
- ▶ On a continuing basis there is no material impact from constant currency adjustment

Income statement - continuing

Financial Results

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Continuing underlying EBIT up 15% YoY;
Continuing underlying EBIT Conversion at 22% (2018 H1 19%)

6 months to 31 Jan	2019		2018		Continuing reported change %	Continuing underlying change %
	Continuing Reported	Continuing underlying ¹	Continuing Reported	Continuing underlying ¹		
	£m	£m	£m	£m		
Revenue	322.3	322.3	305.3	305.3	+6%	+6%
Contract NFI	25.7	25.7	26.0	26.0	-1%	-1%
<i>Contract gross margin (%)</i>	<i>8.2%</i>	<i>8.2%</i>	<i>8.8%</i>	<i>8.8%</i>		
Permanent fees	10.8	10.8	10.0	10.0	+9%	+9%
Gross profit (NFI)	36.5	36.5	36.0	36.0	+2%	+2%
<i>Gross margin (%)</i>	<i>11.3%</i>	<i>11.3%</i>	<i>11.8%</i>	<i>11.8%</i>		
Admin expenses	(30.1)	(28.7)	(48.3)	(29.1)	-38%	-2%
EBIT	6.5	7.9	(12.4)	6.9	NA	+15%
<i>NFI conversion (%)</i>	<i>18%</i>	<i>22%</i>	<i>-34%</i>	<i>19%</i>		
<i>Operating margin (%)</i>	<i>2.0%</i>	<i>2.4%</i>	<i>-4.0%</i>	<i>2.2%</i>		
Financing	(1.0)	(1.0)	(1.2)	(0.8)		
Profit before tax	5.4	6.8	(13.6)	6.1	NA	+12%

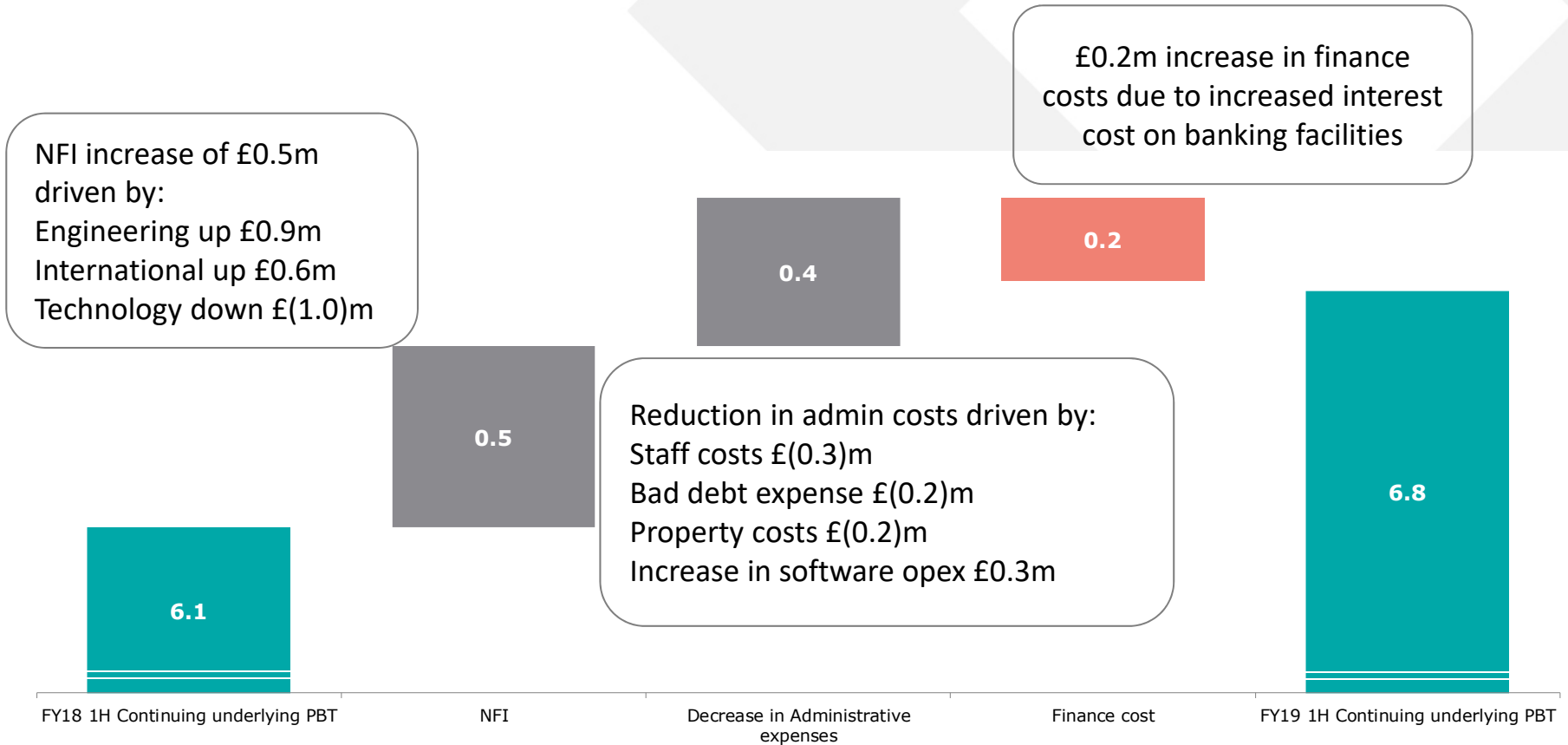
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Continuing underlying PBT bridge £'m



Continuing underlying PBT up £0.7m YoY (+12%)



See slide 4 for definition of continuing underlying

Earnings per share & dividends

Financial Results

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6 months to 31 January	2019				2018				Underlying change
	Total reported group £m	Total group underlying £m	Continuing reported £m	Continuing underlying ¹ £m	Total reported group £m	Total group underlying £m	Continuing reported £m	Continuing underlying £m	
(Loss) / Profit before tax	2.8	4.2	5.4	6.8	(12.7)	7.0	(13.6)	6.1	+12%
Taxation	(1.9)	(2.2)	(1.4)	(1.7)	(0.5)	(2.2)	0.3	(1.3)	+24%
(Loss) / Profit after tax	0.9	2.0	4.0	5.2	(13.2)	4.8	(13.2)	4.8	+8%
Earnings per share									
	pence	pence	pence	pence	pence		pence	pence	
Basic	2.9	6.3	12.5	16.0	(42.0)	14.4	(42.2)	14.3	+12%
Diluted	2.8	6.3	12.4	15.8	(41.3)	14.2	(41.5)	14.0	+13%
Dividend per share				0.0				3.0	

- ▷ EPS of 16.0p up by 12% and ahead of expectations
- ▷ Ongoing WHT expected to be approx £100k against £1.4m in FY18 and £2.0m in FY17
- ▷ As expected, no Interim dividend
- ▷ Board will consider dividends at year end, if resumed this would be at modest levels

¹ Profit Before Tax £6,817,000 less Taxation £1,662,000 = £5,155,000 profit after tax rounded to £5.2m

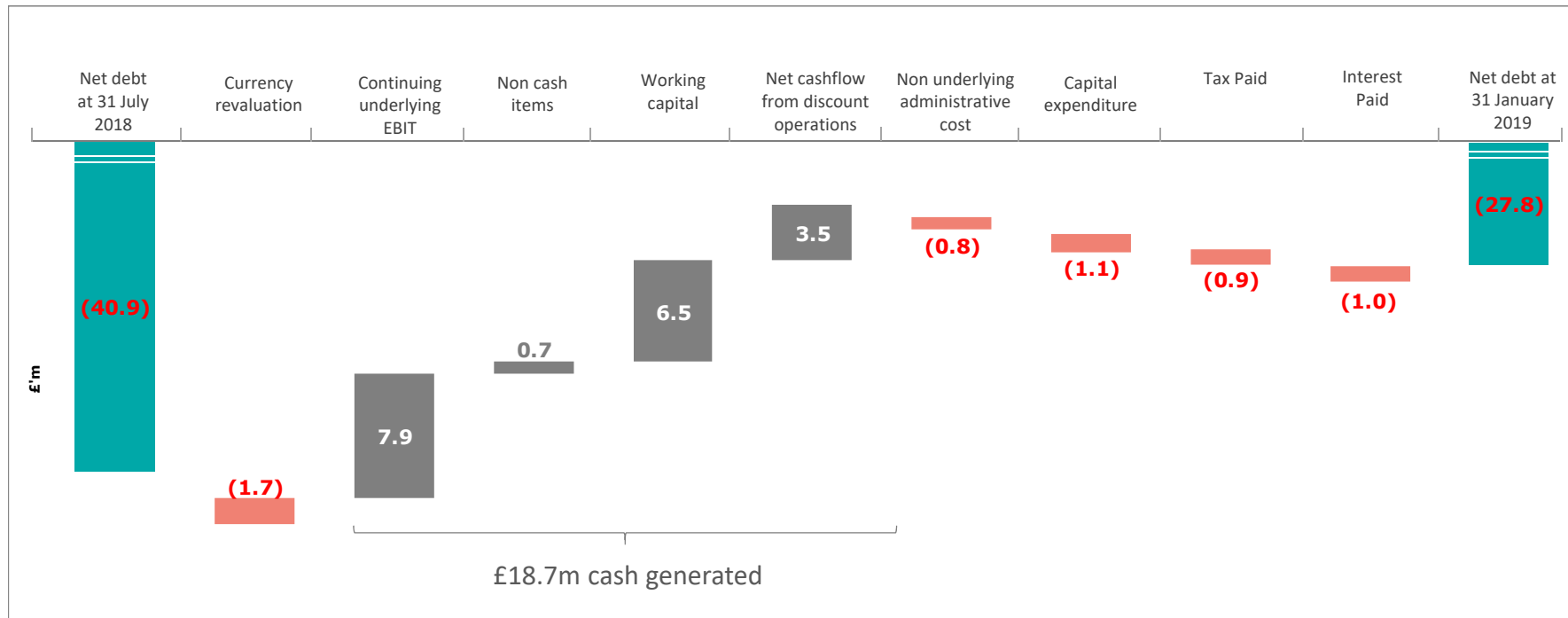
Cash flow & net debt £'m

Financial Results

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- ▷ Days sales outstanding (DSO or debtor days) at 46 (July 2018: 52 days)
- ▷ Working capital continues to be a key management focus to manage Group Net Debt, the Jan 19 working capital movements were driven by;
 - strong DSO
 - seasonal benefit to working capital observed each January
 - discontinued business positive cashflow of £4.3m as the costs of closure were offset by the positive impact of unwind in working capital unwind
- ▷ Capex relates to the Primary Business Systems investment project

Current Position

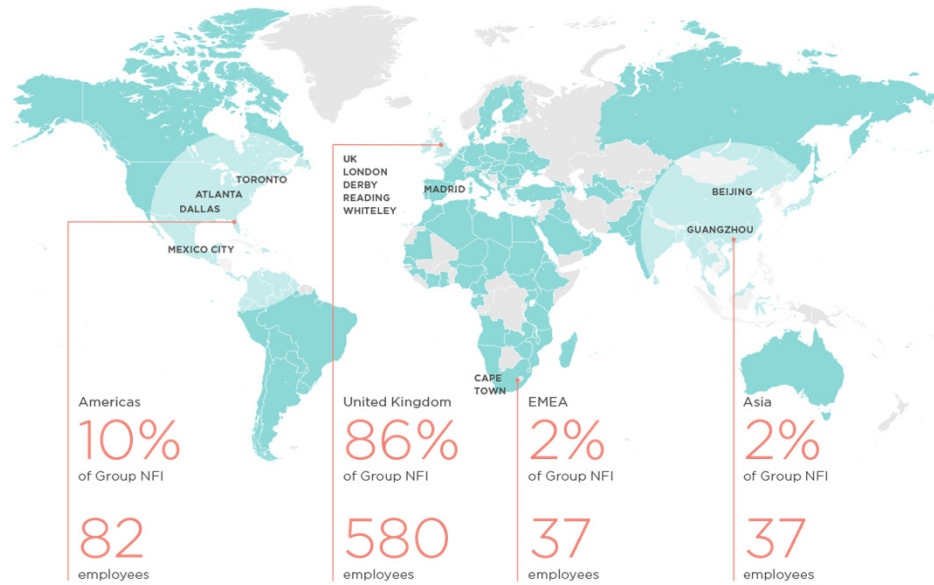
Gattaca Group

Financial Results

Current Position

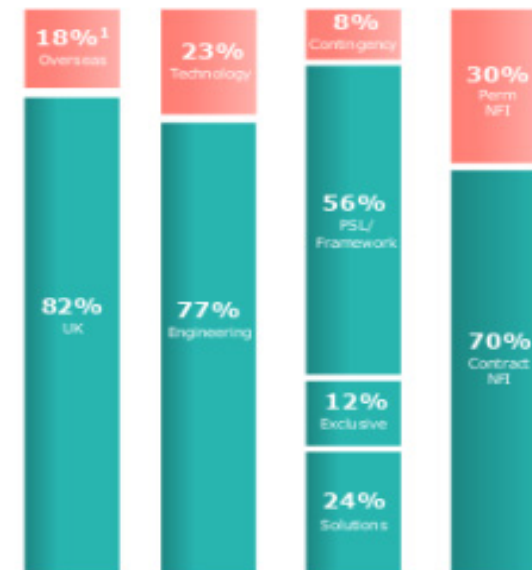
Improvement Plan

Summary & Outlook



We currently operate in all countries shaded in green

Net Fee Income contribution distribution



¹ Includes overseas NFI generated from the UK

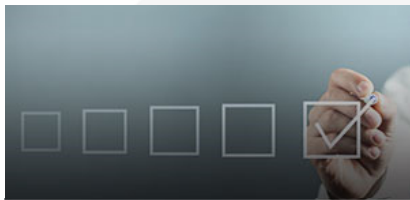
Fundamental strengths

Financial Results

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Strong product offering



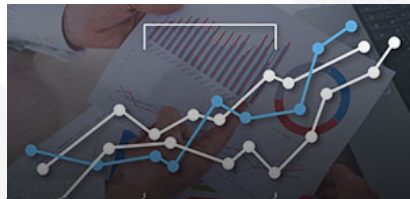
Brand reputation



Long-standing client relationships



Good presence in key markets



Profitable



Exposure to growing STEM skills requirements



Employee engagement, L&D, great place to work



Strong delivery capability

Significant opportunities

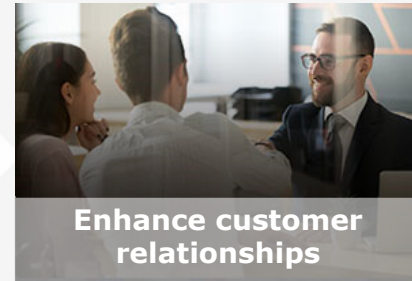
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Focusing on the levers within our control will accelerate growth





Improvement Plan

Accelerating growth

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GROW THE CUSTOMER BASE AND DEEPEN RELATIONSHIPS

- AN ALIGNED GO TO MARKET PLAN
- INCREASED SALES EFFORT
- UPSELL/ CROSS SELL
- TARGET NEW CLIENTS

INNOVATE AND DEVELOP PRODUCTS TO MEET CLIENT NEEDS

- IMPLEMENT CONSISTENT PRODUCT METHODOLOGY
- IMPROVE BREADTH OF OFFERING TO MARKET
- BUILD OUT ADDITIONAL CLIENT OFFERINGS

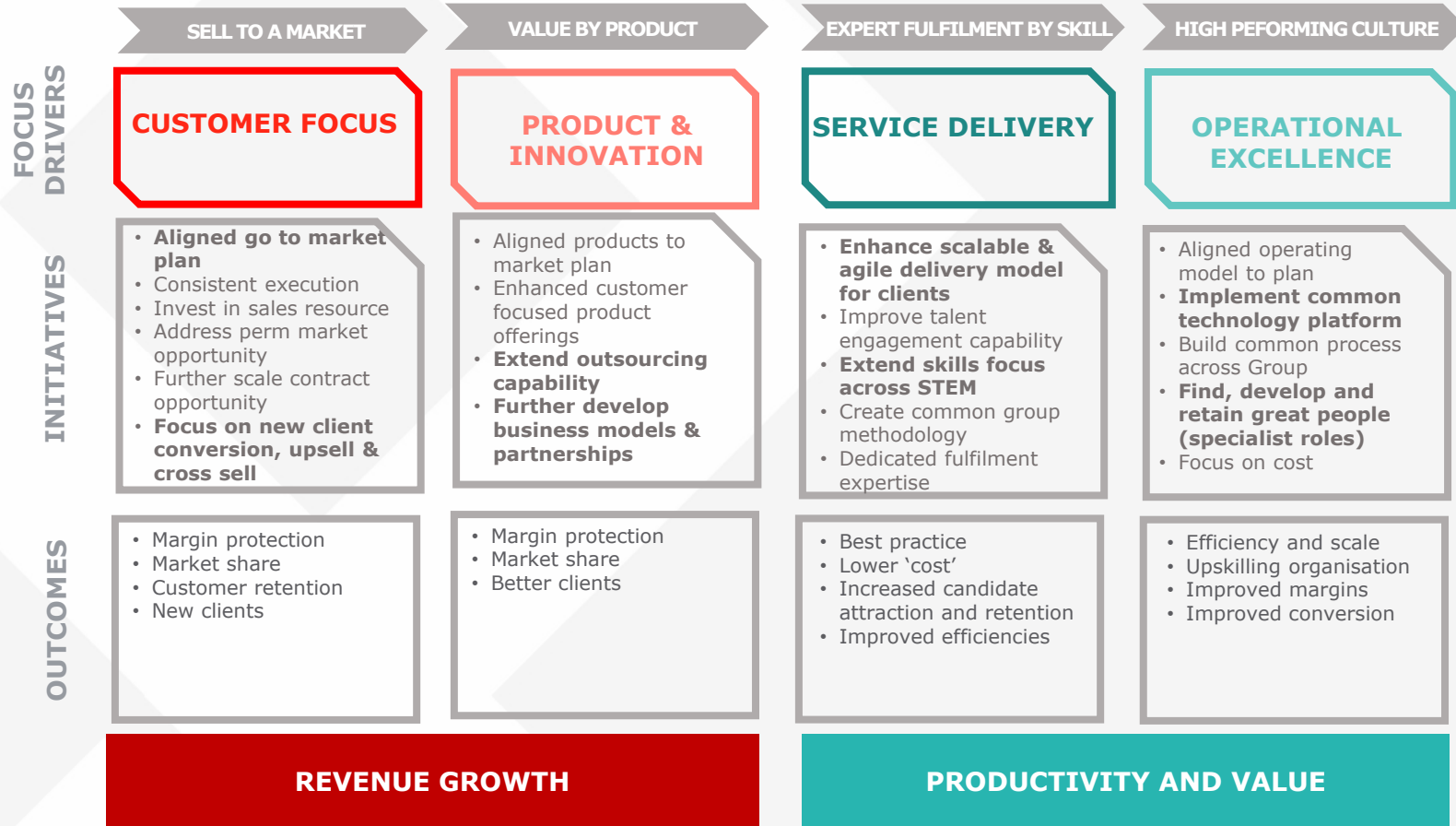
ENRICH THE CANDIDATE EXPERIENCE. EXPAND OUR UNIQUE DELIVERY CAPABILITY

- BEST IN CLASS FULFILMENT CAPABILITY
- AGILE DELIVERY MODEL
- IMPROVE CANDIDATE ATTRACTION METHODOLOGY
- EXTEND SKILLS RANGE IN STEM

ONE COLLABORATIVE HIGH PERFORMING CULTURE

- FIND, DEVELOP AND RETAIN GREAT PEOPLE
- BE RECOGNIZED FOR OUR EXPERTISE
- INCREASED FOCUS ON COLLABORATION AND CONTINUED LEARNING

Execution of Improvement Plan



Organisational effectiveness

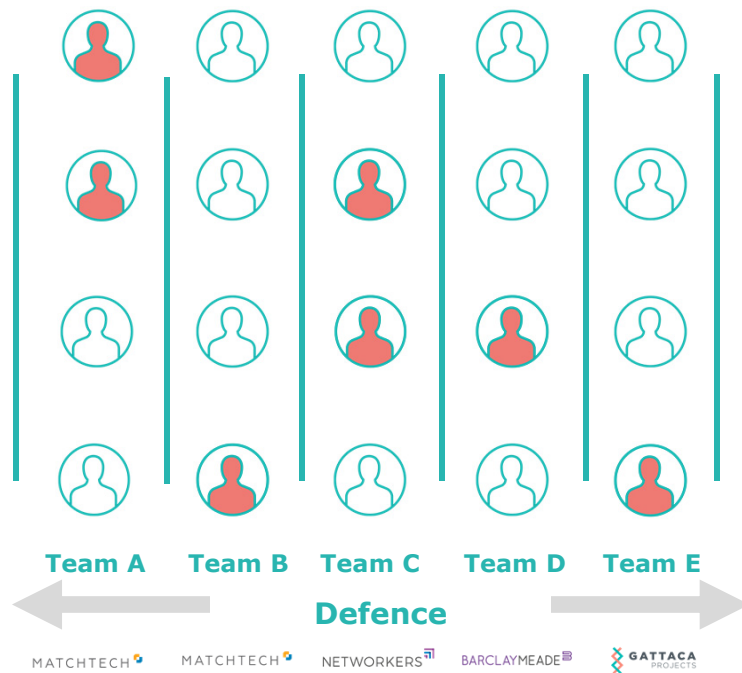
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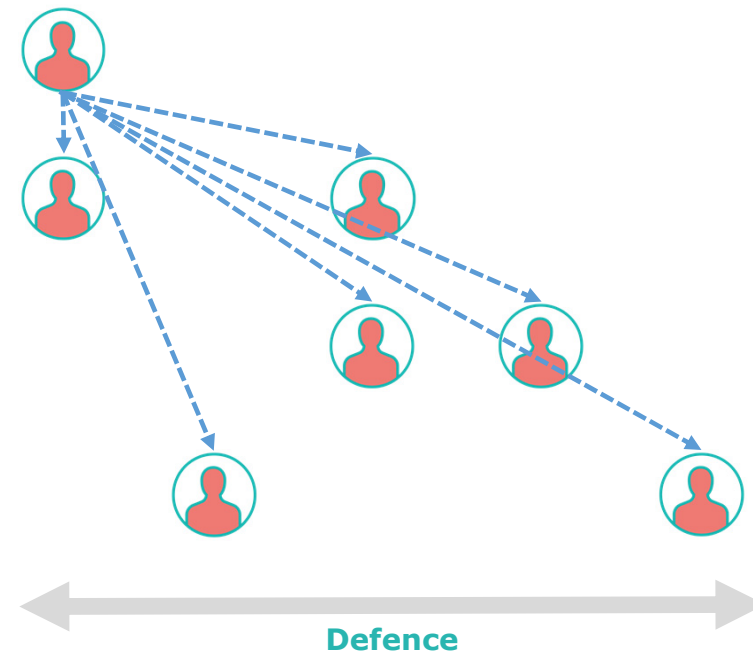
Summary & Outlook

Today's approach to the Defence market



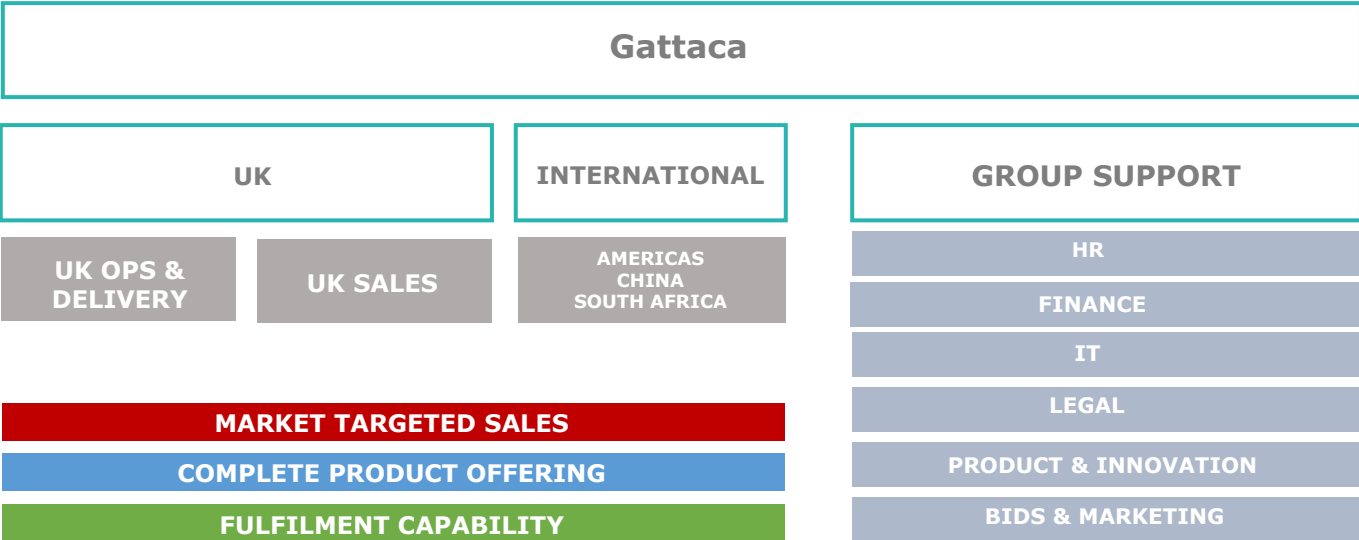
Teams approaching the market in silos

Tomorrow's Defence offering



One aligned team

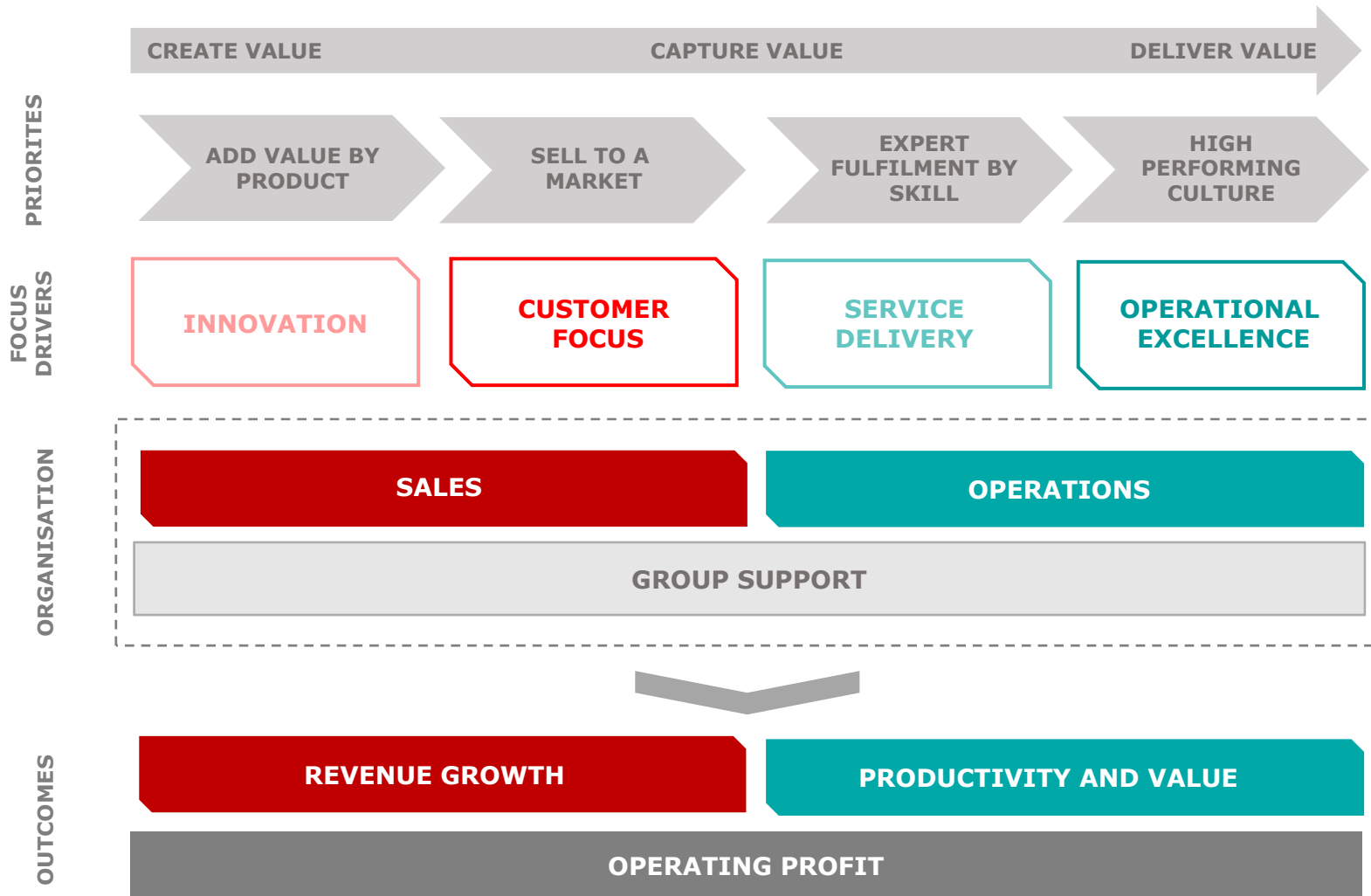
Aligning the organisation for growth



Accelerating growth



➤ FOCUS FIX GROW



Summary & outlook

Summary & Outlook

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Summary

- ▷ NFI up 2%
- ▷ EBIT Conversion improved by 3 points to 22%
- ▷ PBT up 12%
- ▷ EPS of 16.0p up by 12%
- ▷ Net debt reduced
- ▷ Improvement Plan launched

Outlook

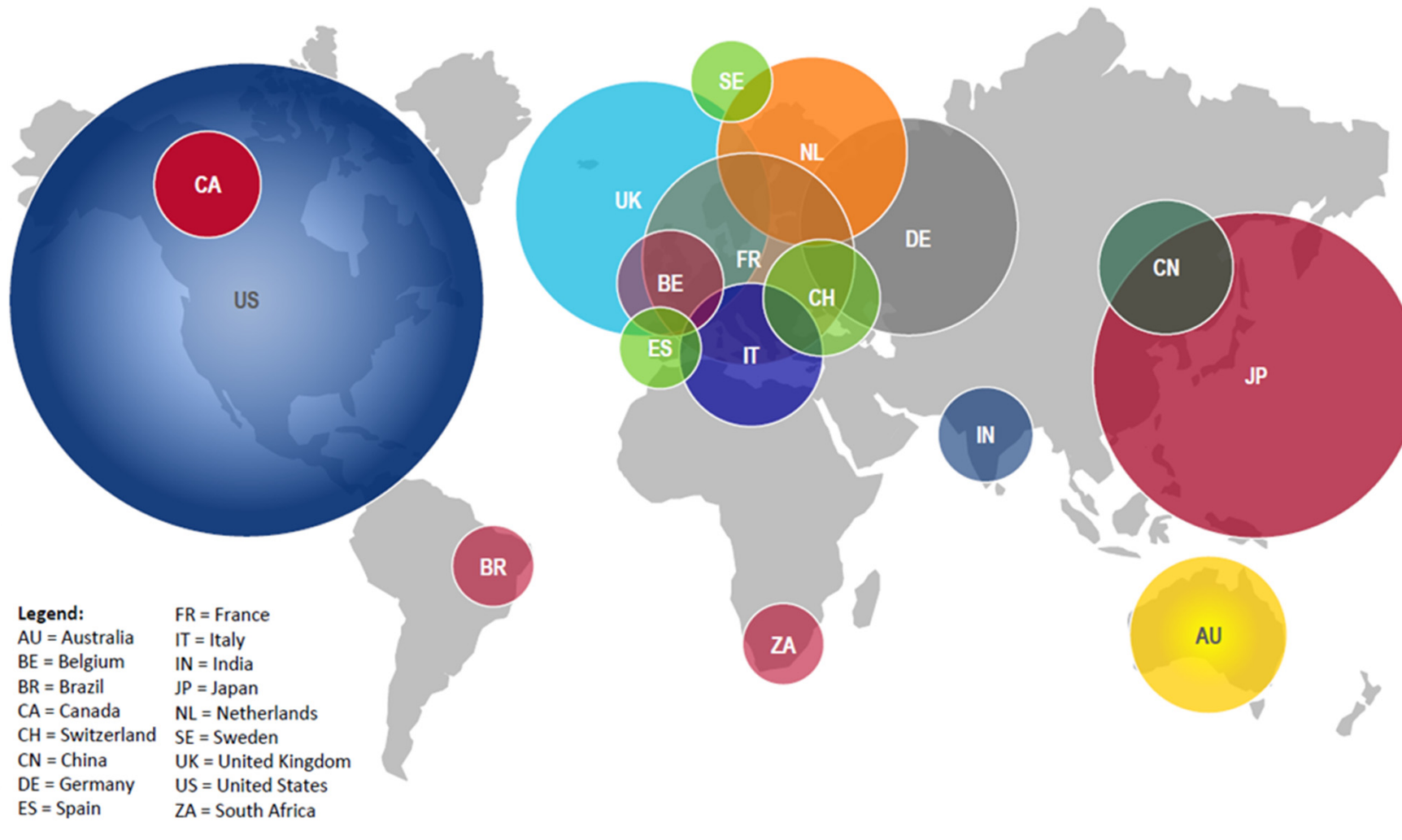
- ▷ Increased uncertainty in economy
- ▷ Q3 trading so far in line with management expectations
- ▷ Board's view on full year unchanged

Q&A

Appendices

- 1. Market size & opportunity**
- 2. Headcount**
- 3. Financial reconciliations**

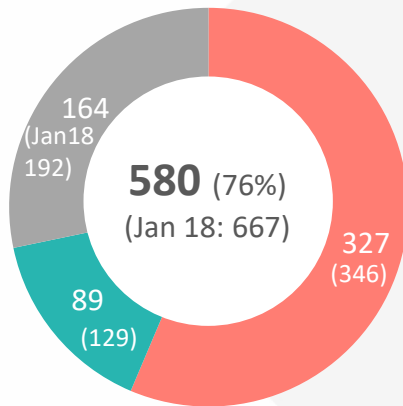
Market size (by value) and opportunity. \$466bn revenue market



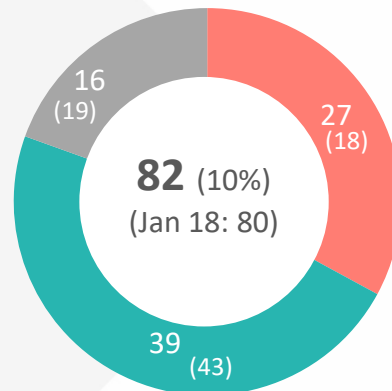
Source: Staffing Industry Analytics

Global headcount

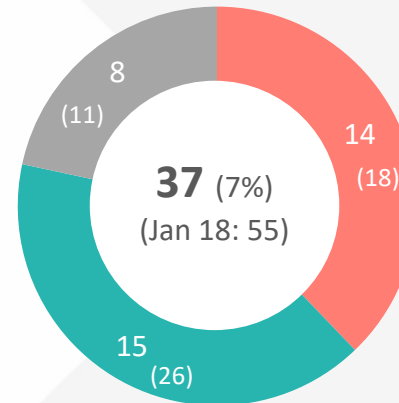
United Kingdom (86% of Group NFI)



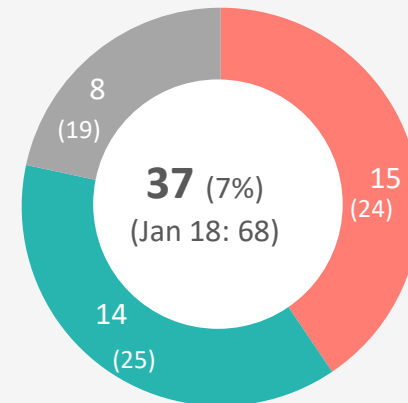
Americas (10% of Group NFI)



Asia (2% of Group NFI)



EMEA (2% of Group NFI)



- Engineering
- Technology
- Management & Group Support

Global headcount: **736** (Jan 18: 870, July 18: 810)

Sales: **540** (73%) (Jan 18: 629 72%, July 18: 578 71%)

Management & Support: **196** (27%) (Jan 18: 241 28%, July 18: 232 29%)

Pro Forma underlying PBT reconciliation

Period to 31 January (£'m)	2019	2018 ¹	Change
Group Profit before tax	2.8	(12.7)	15.5
Add back: discontinuing loss / (profit) before tax	2.6	(0.9)	3.5
Continuing Profit before tax as reported	5.4	(13.6)	19.0
Non-underlying Items	0.8	0.5	0.3
Amortisation of intangibles	0.6	1.6	(1.0)
Impairment of acquired intangibles	0.0	17.1	(17.1)
Foreign exchange differences	(0.0)	0.4	(0.5)
Continuing underlying Profit before tax	6.8	6.1	0.7

¹ 2018 Continuing Profit Before Tax £(13,556,000)m add back; Non underlying items £476,000, Amortisation of intangibles £1,615,000, Impairment of acquired intangibles £17,122,000 and foreign exchange differences £443,000 = £6,100,000 Continuing underlying Profit before tax rounded to £6.1m.

Breakdown of discontinued operations

Period to 31 January (£'m)	2019 Gross Profit	2019 PBT	2018 Gross Profit	2018 PBT
International Telco discontinued	0.5	0.3	0.8	0.4
Americas Telco discontinued	0.1	0.1	0.5	0.3
Asia discontinued	0.4	(0.3)	1.1	0.0
MEA discontinued	0.6	(0.3)	1.4	0.1
	1.6	(0.2)	3.8	0.9
Non underlying closure costs		(2.4)		0.0
Total discontinued	1.6	(2.6)	3.8	0.9

Backing Sheet