

Half year results for six months ended 30 June 2011

Keith Evans

Chief Operating Officer

Steve Breach

Group Finance Director



Agenda

- 1.** Overview and key messages
- 2.** Financial review
- 3.** Business review
- 4.** Outlook
- 5.** Q&A

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Financial summary

Income statement Six months ended 30 June	2011	2010	Change
Revenue	£57.5m	£52.4m	9.7%
Adjusted operating profit	£3.9m	£3.7m	7.3%
Adjusted profit before tax	£2.8m	£3.1m	(10.0)%
Adjusted earnings per share	2.9p	2.3p	26.1%
Interim dividend per share	0.40p	1.85p	(78.4)%
	30 June 2011	31 Dec 2010	
Committed income	£180.2m	£186.1m	
Net debt	£17.3m	£18.5m	

Overview

- ➔ **Major disposals and restructuring of the Group now complete**
- ➔ **Two-divisional structure now in place**
 - ➔ **Technology** delivers high value software products and bespoke solutions
 - ➔ **Services** delivers long term contracts with significant technology content
- ➔ **Resilient revenue visibility - £180.2m of committed income**
- ➔ **EBITDA growth of 6.5% in continuing business to £4.9m**
- ➔ **Net debt reduced to £17.3m – comfortably operating within covenants**
- ➔ **Secured important new business opportunities**

Financial Summary

-  Exited loss making businesses, reduced net debt and eliminated contingent pension liabilities
-  Enhanced financial visibility and accountability through better organisational shape
-  Cost reduction programme delivered to reduce overheads - over £5m annualised benefit
-  Incentive plans restored across business to support growth
-  Adjusted EPS 2.9p: 0.4p dividend declared at half year

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Key takeaways



Underlying margin recovery started in both divisions



Excess central overheads (post disposals) during H1 - now reduced



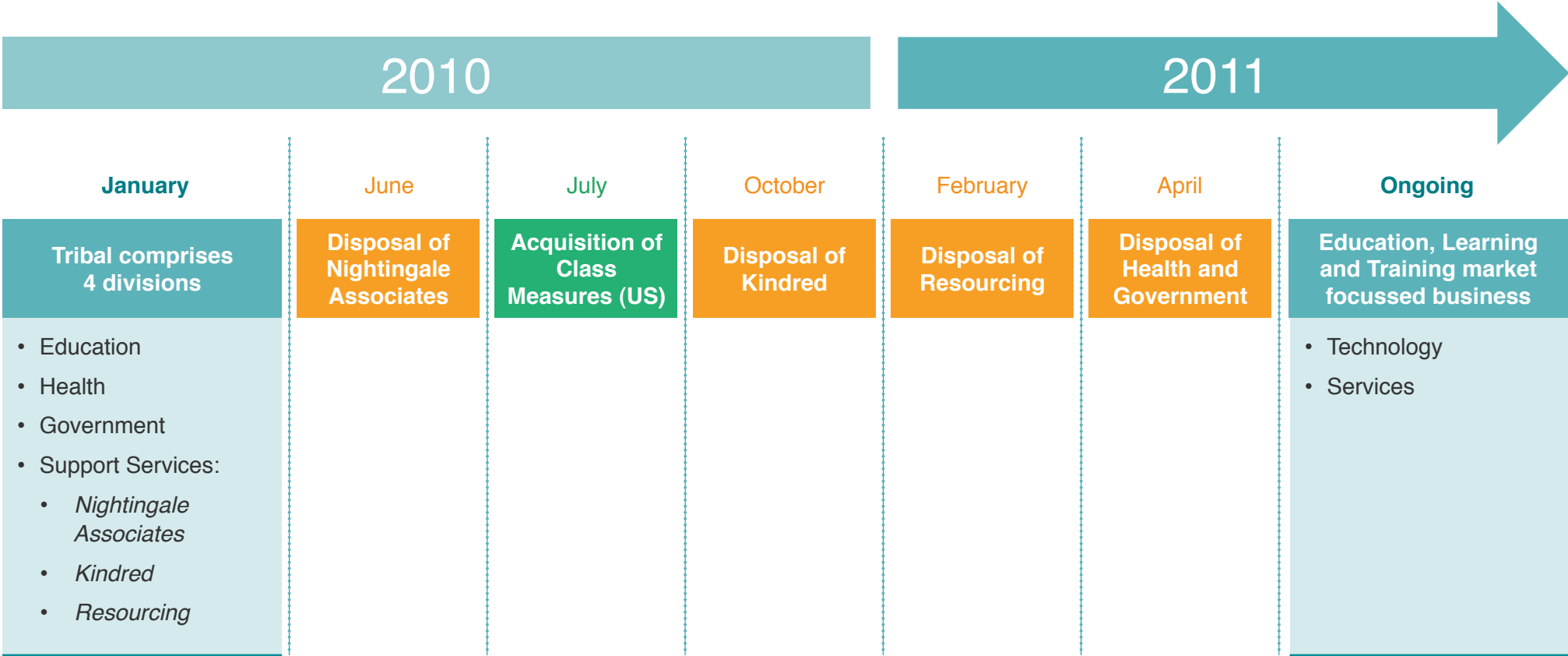
Balance sheet strengthened – debt reduced and bank facilities refreshed



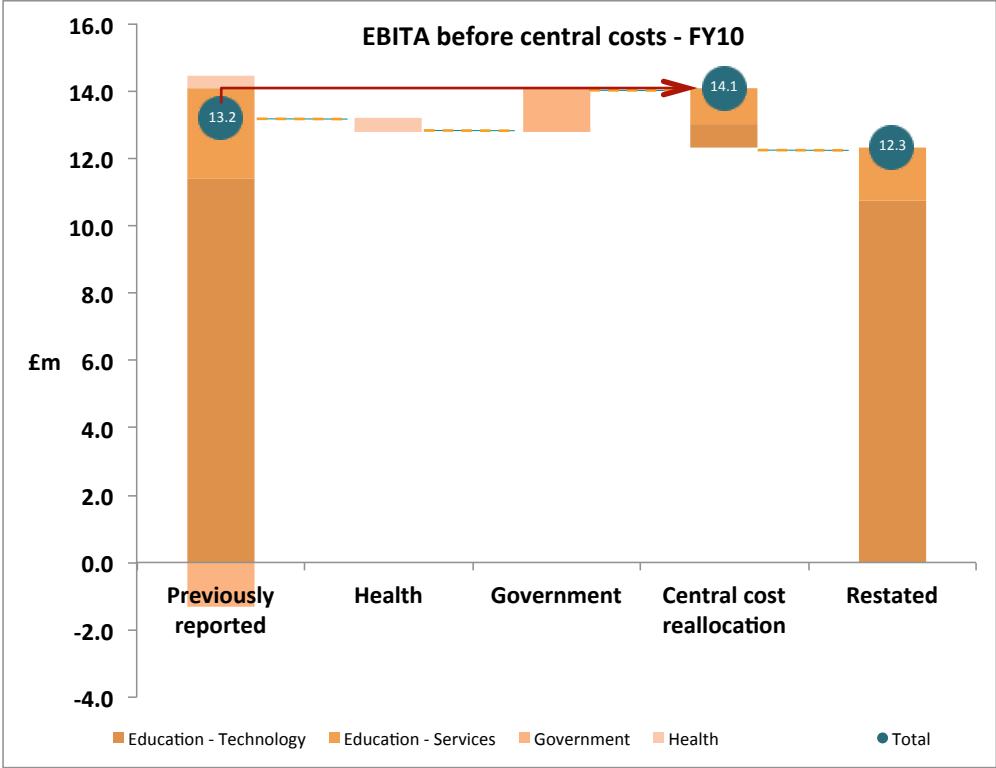
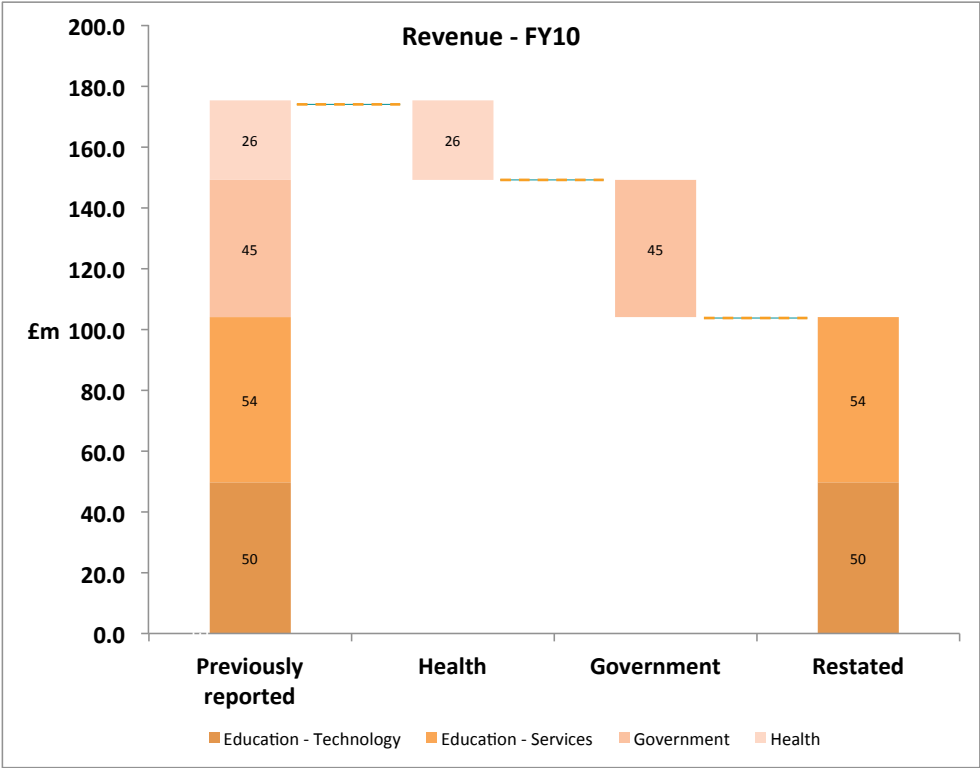
Dividend reset



Re-shaping the business



Tribal after completion of disposals – revenue and EBITA before central costs



➔ Group revenue for FY10 reduced from £175m to £104m on a pro forma basis following disposal of Health and Government businesses...

➔ ...but EBITA before central costs reallocation increases as loss-making activities are eliminated

Income Statement – H1 2011

	HY 2011 £m	HY 2010 £m	Change %
Revenue	57.5	52.4	9.7%
EBITDA	4.9	4.6	6.5%
Adjusted operating profit	3.9	3.7	7.3%
Operating margin	6.8%	7.0%	
Interest	(1.1)	(0.6)	
Adjusted profit before tax	2.8	3.1	(10.0)%
Tax	-	(0.9)	
Adjusted profit after tax	2.8	2.2	
Adjusted earnings per share	2.9p	2.3p	26.1%
Interim dividend per share	0.40p	1.85p	(78.4)%

Note - percentages are stated based on the figures set out in the half year accounts which presented to the nearest £000. Minor differences in the percentages may arise if these are recalculated using the figures set out above as these are rounded to the nearest £m.

- Results presented based on adjusted profit measures
- Revenue growth in both Technology and Services
- Cost reduction programme will benefit H2
- Good progress on underlying operating margins
- Increased business development costs in international markets
- Interest costs increased due to:
 - Higher average debt (pre disposals)
 - Cost of new facility
 - Terms of hedge instrument (now settled)
- Tax charges
 - Current year benefits from offset against exceptional costs
 - Future years likely to be close to standard corporation tax rate
- Dividend reset

Divisional performance

	HY 2011 £m	HY 2010 £m	Change %
Technology			
Revenue	22.9	21.9	4.6%
Segment operating profit	4.4	5.1	(13.6%)
<i>Segment operating margin</i>	<i>19%</i>	<i>23%</i>	
Services			
Revenue	36.5	31.8	14.7%
Segment operating profit	1.6	0.8	110.7%
<i>Segment operating margin</i>	<i>4%</i>	<i>3%</i>	
Unallocated corporate expenses	(2.1)	(2.2)	4.7%
Operating profit	3.9	3.7	7.3%

Technology

- Growth supported by international development
- Short term impact from business development costs and increased product investment

Services

- Revenue growth driven by Ofsted Early Years contract implemented in H2 2010
- Operating profit enhanced through growth and streamlined business development costs

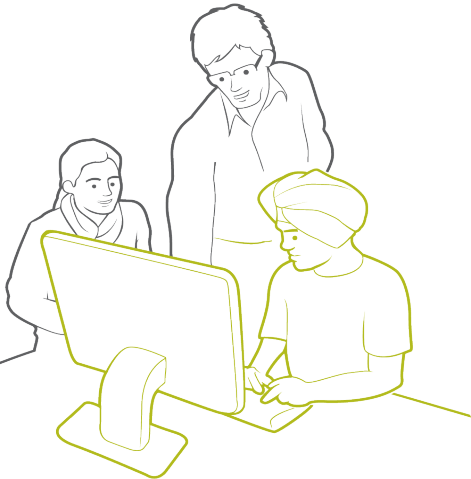
Corporate expenses

- Cost reduction actions well advanced but benefits in H2 2011

Cost reduction

£m	H1 2011 Impact	H2 2011 Impact	Annualised
Headcount reduction	0.5	2.2	4.8
Property cost reduction	-	0.2	0.3
Total cost reduction	0.5	2.4	5.1

- Realigning cost base to structure of continuing business
 - Management delayering
 - Support function efficiencies
 - Headcount reduction – approx. 70 FTEs
 - Exiting surplus properties
- Programme now largely complete
- Benefit weighted to H2 2011
- Full annualised benefit in FY2012
- Targeting sustained low cost structure with group overheads of less than 4% of revenue
- Restoration of incentive plans will offset a portion of the savings



Exceptional costs

£m	HY 2011	HY 2010
Restructuring costs	4.2	0.6
China - business development costs	-	0.6
Release of deferred consideration relating to US acquisition	(0.7)	-
Exceptional costs arising from continuing operations	3.5	1.2

Restructuring costs

- Exceptional restructuring costs of £4.2m
 - Redundancy costs: £2.1m
 - Property provisions: £1.3m
 - Other: £0.8m
- Other additional exceptional costs in H2 2011 as cost reduction programme completed

US acquisition (completed 2010)

- No further consideration anticipated to be payable

Discontinued operations / disposals

£m	HY 2011	HY 2010
Operating (loss) / profit before amortisation of IFRS 3 intangibles and exceptional costs	(0.7)	3.5
Exceptional costs	(3.3)	(0.9)
Goodwill impairment	-	(2.2)
Amortisation of IFRS3 intangibles	(0.3)	(0.4)
Operating (loss) / profit	(4.3)	-
Tax	(0.2)	(0.5)
(Loss) / profit on disposal of discontinued operations	(18.7)	0.3
Net loss attributable to discontinued operations	(23.2)	(0.2)

Exceptional costs

- Pre-disposal restructuring costs

Disposal of Health & Government

- Loss on disposal of £18.5m
- Maximum gross proceeds £15.9m
 - Initial consideration of £13.4m
 - Deferred and contingent consideration up to £2.5m

- Defined benefit pensions obligations transferred

Disposal of Resourcing

- Loss on disposal of £1.3m
- Contingent consideration estimated at £1.8m over 3 years

Disposal of Nightingale

- Additional profit on disposal due to contingent consideration in excess of previous estimate by £1.1m

Balance sheet

£m	30 June 2011	31 Dec 2010
Intangible assets	77.2	102.9
Net working capital	(18.6)	(17.9)
Net assets held for resale	(0.1)	(1.1)
Net debt	(17.3)	(18.5)
Other non-current net assets	4.0	4.4
Net assets	45.2	69.8
Share capital	4.7	4.7
Profit and loss reserves	14.4	38.8
Other reserves	26.1	26.3
Equity shareholders funds	45.2	69.8

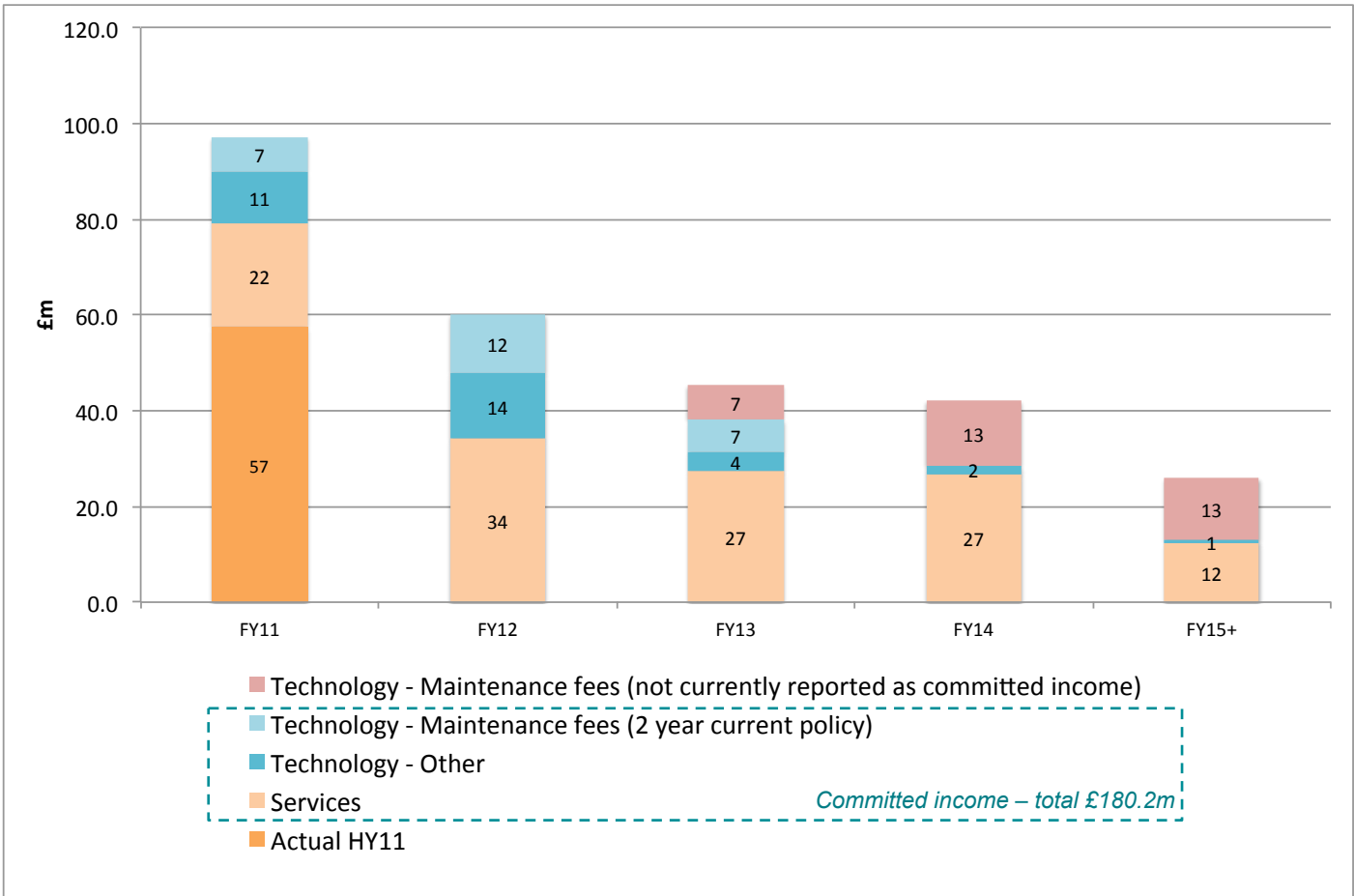
- Good working capital profile in continuing activities
- Net debt reduced
- Secure bank facilities:
 - £30m revolving debt facility agreed in March 2011, committed to February 2015
 - Appropriate covenants
 - £10m combined bonding and working capital facility renewable in March 2012
- Pension liabilities (actual and contingent) substantially eliminated through sale of Government business

Cashflow

£m	HY 2011	HY 2010
Operating cash flow		
- continuing activities	(1.2)	12.5
- decrease in restricted cash	(0.8)	(1.9)
- discontinued activities	(5.6)	(4.4)
	(7.6)	6.2
Tax received / (paid)	0.9	(1.5)
Net cash from operating activities	(6.7)	4.7
Disposals	10.9	3.5
Capital expenditure	(1.8)	(2.2)
Interest	(1.0)	(0.5)
Loan repayments	(9.0)	(0.1)
Change in cash	(7.6)	5.4
Movement in loans	8.8	0.1
Change in net debt	1.2	5.5

- Operating cash flow from continuing activities unusually low
 - Reversal of favourable credit terms secured at 31 December 2010
 - Impact of exceptional costs
- Capital expenditure maintained at prudent levels

Committed income



- Sustained high levels of committed income - £180.2m

Technology

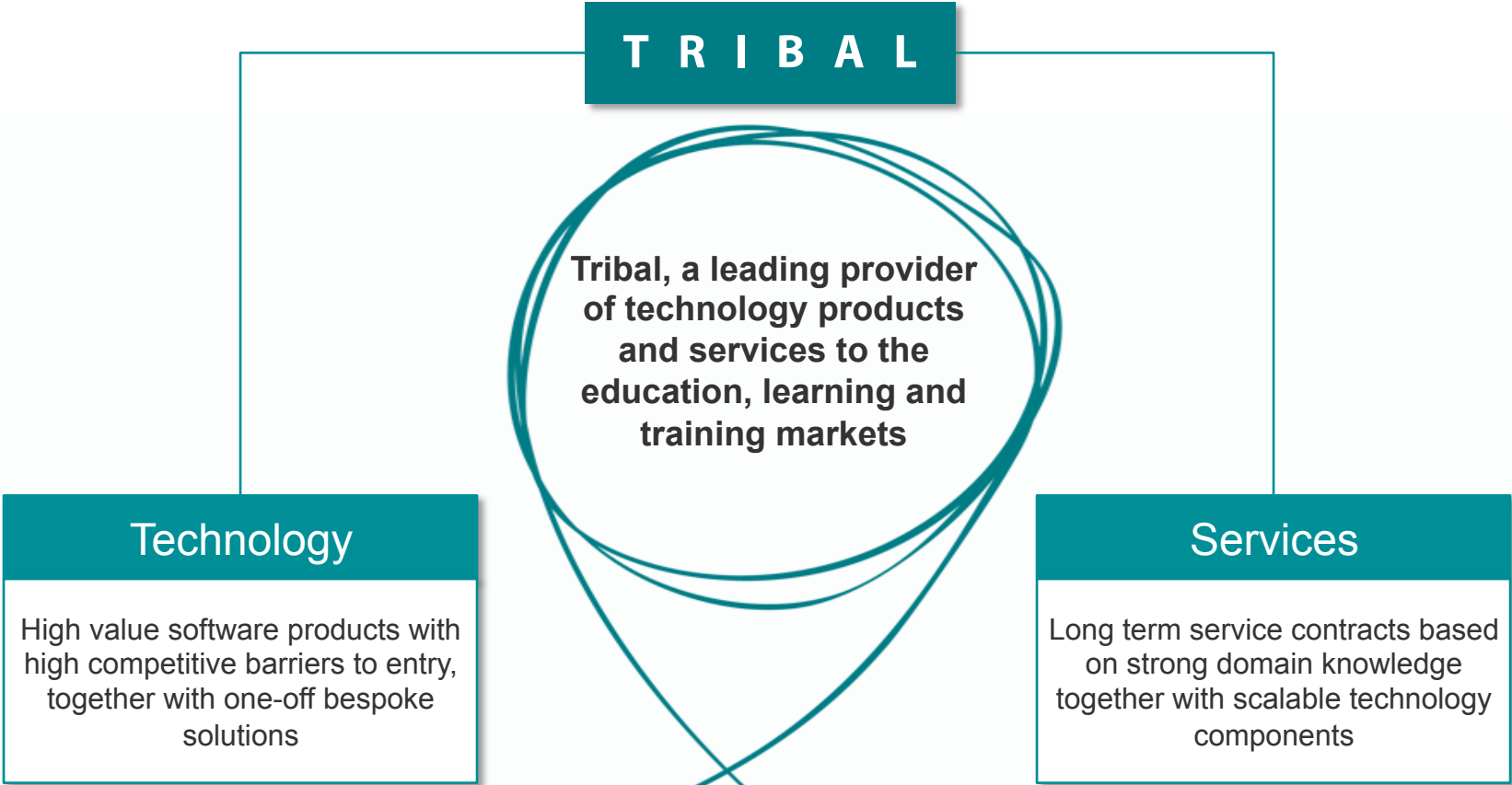
- Technology committed incomes includes annual maintenance fees
- Client retention rates high
- Additional amounts show estimated benefit of maintenance fees from installed software base over 5 years

Services

- Ofsted inspection contracts provide substantial visibility supported by a portfolio of additional smaller contracts

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Group structure and strategy

Four key building blocks

Business structure

Business now organised as two divisions:

- Technology
- Services

Plans for growth

- Significant opportunities in the UK and internationally
- Product extensions
- New sales

Cost reduction

- Sustainable low cost model implemented
- Significant cost reduction achieved

Sales structures

- Clear shape and discipline
- 'Big ticket' team established
- Restructured divisional teams
- Improved incentive plans

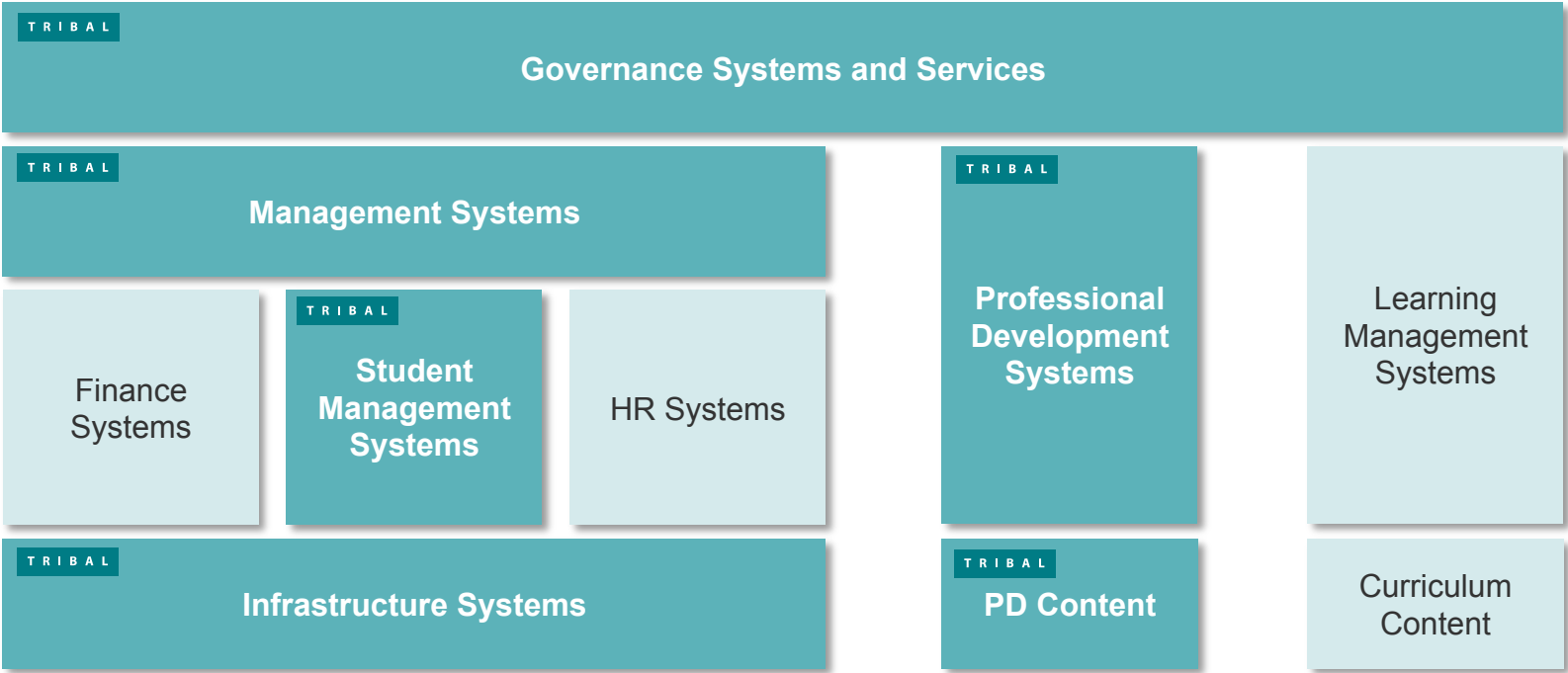
Technology Division

	HY 2011 £m	HY 2010 £m	Change %
Revenue			
Licence	3.7	3.4	8.8%
Implementation	8.2	8.4	(2.4)%
Maintenance	7.4	7.1	4.2%
Other	3.6	3.0	20.0%
	22.9	21.9	4.6%
Segment operating profit	4.4	5.1	(13.6)%
<i>Segment operating margin</i>	<i>19%</i>	<i>23%</i>	

- High value software business
- High barriers to entry
- Market leader in UK with c70% of University market and c45% FE College market
- Serving four keys areas:
 - Universities
 - FE Colleges
 - Education authorities
 - Training providers
- Clear growth drivers
 - Market share gains
 - New and improved modules
 - Geographic expansion
 - Firmly established in Australia and New Zealand



Technology products – structure and trends



Services Division

	HY 2011 £m	HY 2010 £m	Change %
Revenue			
Quality Improvement Services	23.4	19.7	20.6%
Adult Learning and Careers	9.6	9.0	6.7%
Professional Development Solutions	3.5	3.1	12.9%
	36.5	31.8	14.7%
Segment operating profit	1.6	0.8	110.7%
<i>Segment operating margin</i>	<i>4%</i>	<i>2%</i>	

Serves 3 key markets



Quality Improvement



Adult Learning and Careers



Professional Development

- Long term contracts 3-5 years in length
- Technology at core of service offering
- Market leader in chosen segments:
 - Inspections and improvement
 - c40% share of Ofsted inspections
 - US appointment in Nashville
 - Apprenticeships management
 - McDonald's, DHL, Royal Mail
 - Offender careers advice and guidance
 - Learning portals

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Outlook

-  **Markets**
 -  **Technology** International credentials established, business now focussed on organic and new customer growth with good UK and international prospects
 -  **Services** Contract margins and competitiveness being optimised through more use of embedded technology with good growth prospects in UK and international markets
-  **Cost base now restructured – benefit in H2 and beyond**
-  **Efficient and stable platform for new growth initiatives**
-  **Trading in line with management’s full year expectations**
-  **Potential to make further progress over the medium term**

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Half year results for six months ended 30 June 2011

END

This presentation is intended only as a summary of key points from Tribal Group plc's announcement of its results for the six months ended 30 June 2011 (the "Half Year Results 2011"). Accordingly, reference should be made to the Half Year Results 2011 and not to this presentation.

