Tribal Group plc

Half year results for six months ended 30 June 2010

Peter Martin
Chief Executive

Steve Breach
Group Finance Director

16 August 2010

Agenda

- Introduction
- Financial performance
- Business review
- Strategy update
- Outlook
- Q & A

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Introduction

Peter Martin
Chief Executive

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Financial summary

Continuing operations

Six months ended 30 June	2010	2009	Change
Revenue	£95.0m	£99.8m	(4.8)%
Adjusted profit before tax*	£4.6m	£7.7m	(40.3)%
Adjusted earnings per share*	3.6p	6.0p	(40.0)%
Interim dividend per share	1.85p	1.85p	-
Committed income	£255m	£199m	28.1%
Net debt	£22.3m	£15.8m	

* Before exceptional costs, amortisation of intangibles and financial instrument costs

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Business review

- Challenging market conditions in the UK
- Resilient performance in Service Delivery and Technology
- Significant reduction in demand for Advisory
- Change programmes will now achieve £17.5m of annualised cost savings
- Significant growth in committed income
  - £64m Ofsted Early Years contract
- Successful sale of architecture business
- Strategic review completed:
  - Growth initiatives
  - Technology organisation
  - Operational efficiencies
- Refinancing completed
  - Funding secured to February 2015

Market environment

United Kingdom

- Short-term uncertainty, particularly for advisory activities:
  – Reduced consultancy spend in central government
  – Spending decisions deferred across the public sector
  – However, no significant contract cancellations

- Longer-term, public sector finances will drive reform:
  – Comprehensive Spending Review (October 2010)
  – Sales pipeline reflects increasing demand for support to effect change

- Significant opportunities over time to:
  – Assist organisations through transformation
  – Deliver services through lower-cost business models
  – Deploy technology to enhance support and delivery of services

International

- Education is a key priority for all governments:
  - United States
  - Middle East
  - Australasia
  - China

- Donor aid will remain a core policy for the developed world:
  - UK overseas aid budget to increase significantly
  - Major donors committed to continued support

Financial performance

Steve Breach
Group Finance Director

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Income statement

Six months ended 30 June	**2010 £m**	**2009 £m**	***Change %***
Continuing operations			
Revenue	**95.0**	**99.8**	*(4.8%)*
Operating profit*	5.2	8.2	*(36.6%)*
Operating margin %	*5.5%*	*8.2%*	
Interest	(0.6)	(0.5)	
Profit before tax*	**4.6**	**7.7**	***(40.3%)***
Tax	(1.2)	(1.8)	
Profit after tax*	**3.4**	**5.9**	*(42.3%)*
Adjusted eps*	3.6p	6.0p	*(40.0%)*
Interim dividend per share	**1.85p**	**1.85p**	***0.0%***

- Revenue and profit impacted by reduced demand for advisory work
- Mitigation through cost reduction programmes
- Figures stated before exceptional operating costs of £1.6m
- Interim dividend held at prior year level

* Before exceptional costs, amortisation of intangibles and financial instrument costs

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Cost savings

Continuing activities (£m)	*H1 2010*	*H2 2010*	FY2010	FY 2011	Annualised
Cost reduction programme	*3.0*	*4.0*	7.0	8.0	8.0
Capacity realignment	-	*2.5*	2.5	6.5	6.5
Operating efficiencies	-	*0.5*	0.5	1.5	3.0
Cost savings	***3.0***	***7.0***	**10.0**	**16.0**	**17.5**
Exceptional implementation costs	*1.0*	*~ 4.0*	~ 5.0	~ 2.0	

- £17.5m annualised saving is up from £7.5m annualised saving previously announced
- Cost savings refer to actual benefits in the periods to which they relate

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Exceptional costs

Six months ended 30 June	2010	2009
	£m	£m
Continuing operations		
Restructuring costs	1.0	-
Development of joint venture in China	0.6	-
	1.6	**-**
Discontinued operations		
Restructuring costs	0.5	-
	2.1	**-**

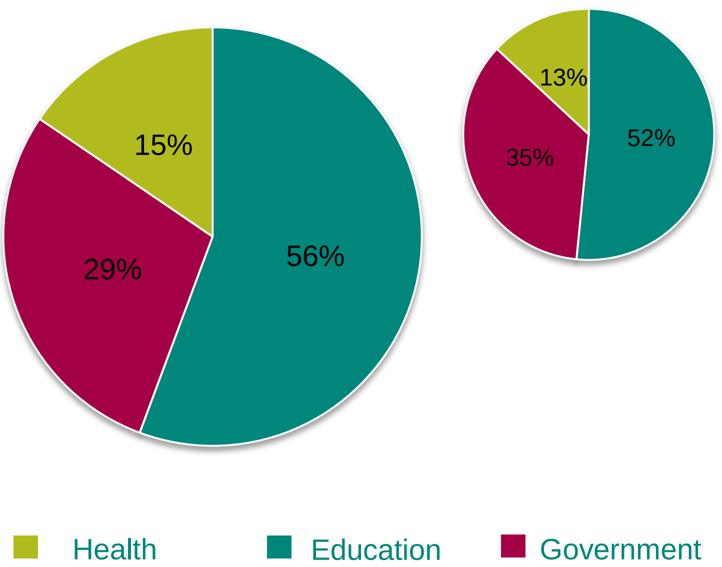
- Restructuring costs principally relate to headcount reduction in H1 2010
- China costs relate to research, business development and pilot work associated with proposed joint venture

Revenue

Segmental analysis

6 months ended June 2010

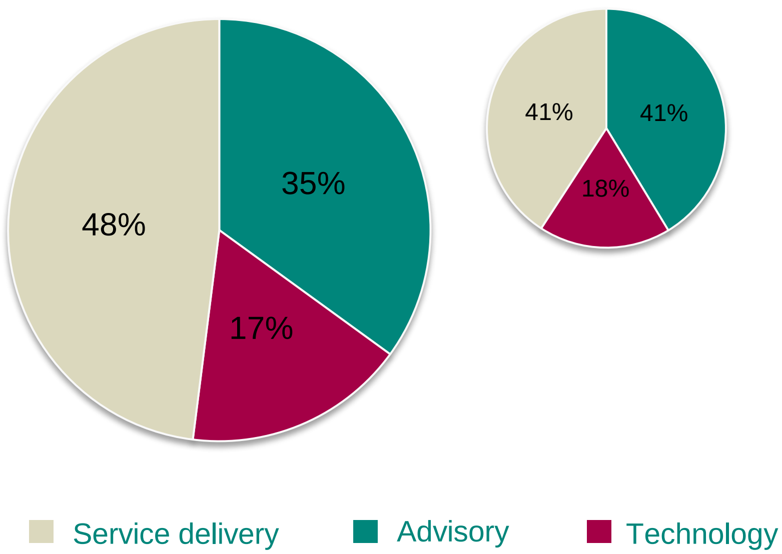
Year ended December 2009



Activity analysis

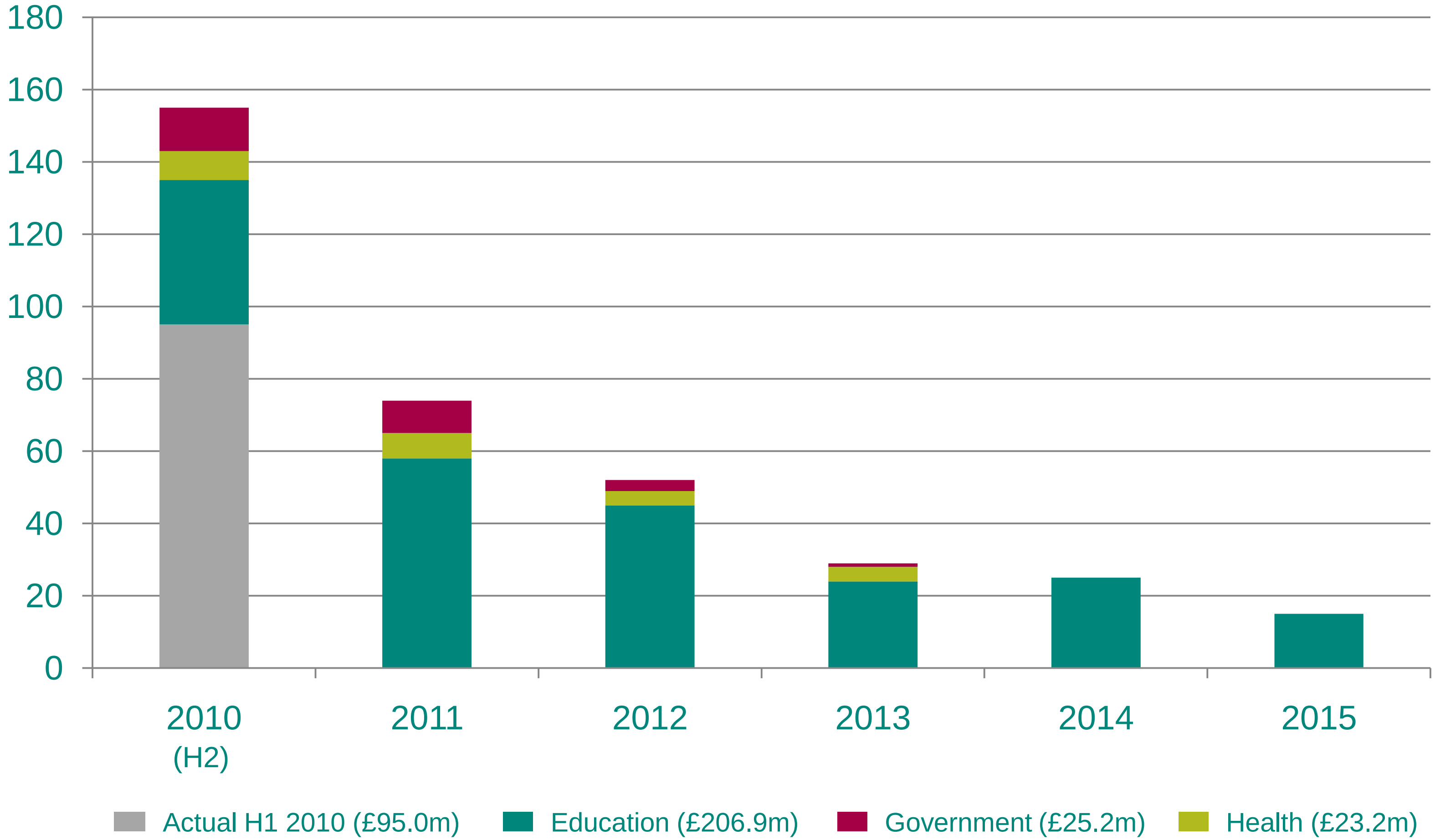
6 months ended June 2010

Year ended December 2009



Committed income

Total committed income* at 1 July 2010: £255m (1 January 2010: £203m / 1 July 2009: £199m)



*: Continuing operations

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Sales pipeline

Sales pipeline at 1 July 2010: £254m

Sales pipeline at 1 January 2010: £256m

- Education
  - Impact of Early Years contract (£64m) moving to committed income
  - Significant increase in international opportunities
- Government
  - Recent improvement in UK pipeline
  - Increase in international development opportunities
- Health
  - Improved flow of service delivery opportunities

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Cash flow

Six months ended 30 June	2010 £m	2009 £m
Operating cash flow		
- continuing operations	10.6	14.4
- (decrease) / increase in restricted cash	(1.9)	1.9
- discontinued operations	(2.5)	(0.6)
	6.2	15.7
Interest	(0.6)	(0.4)
Tax	(1.5)	(3.0)
	4.1	**12.3**
Capital expenditure	(2.2)	(2.6)
Free cash flow	**1.9**	**9.7**
Disposal and acquisitions	3.6	(5.8)
Decrease in loans	(0.1)	(1.5)
Net change in cash	**5.4**	**2.4**

- Working capital demands of longer-term contracts
- Interest costs:
  - Hedged at 2.9% for first £25m of borrowing until 31 December 2010
- Normal levels of capital expenditure
- Disposal proceeds exclude deferred consideration

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Balance sheet

	30 June 2010 £m	31 December 2009* £m
Intangible assets	154.6	162.0
Other non-current assets	8.5	9.8
Net debt	(22.3)	(27.8)
Net working capital	(2.6)	(4.4)
Assets held for resale	0.5	1.9
Other non-current liabilities	(6.1)	(5.0)
Net assets	**132.6**	**136.5**
Share capital & share premium	4.7	83.4
Special reserve	78.7	-
Profit and loss reserves	19.2	21.5
Other reserves	30.0	31.6
Total equity and reserves	**132.6**	**136.5**

* December 2009 comparatives have been adjusted to exclude discontinued operations' assets held for resale

- Net debt reduced to £22.3m
- Gearing of 17% (December 2009: 20%)
- £40m bank facility renewed to February 2015 with Lloyds and HSBC
- Covenant compliance (under new facility)

	Actual	Covenant
Interest cover	7.1x	>4.0x
Debt to EBITDA	1.2x	<3.0x

- Court approval secured for capital reduction

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New bank facilities

- £40m revolving credit facility
- 4.5 years through to February 2015
- Margin increased to ~250 bps (subject to net debt : EBITDA ratio)
- Covenants
  - Net debt : EBITDA no greater than 3.0x
  - Interest cover greater than 4.0x
  - Debt service cover greater than 1.25x

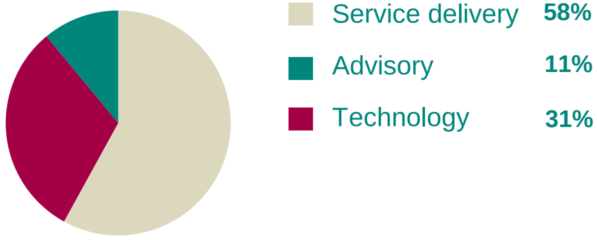
Business review

Peter Martin
Chief Executive

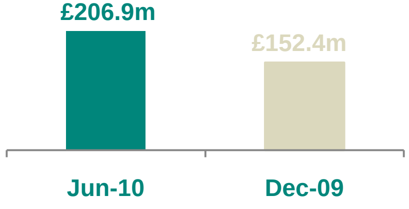
Education

Summary (£m)	2010	2009
Revenue	53.5	51.7
Operating profit	6.8	7.0
Operating margin	12.7%	13.5%

Revenue split



Committed income

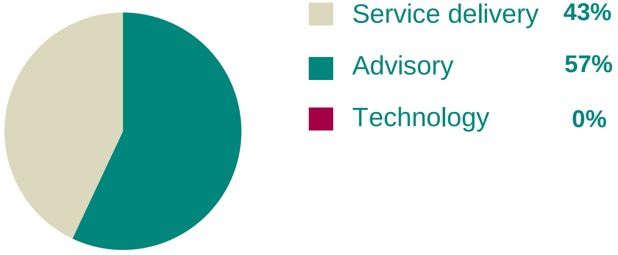


- Resilient performance underpinned by service delivery contracts and technology sales
- Significant increase in committed income
- Implementation of new £64m Ofsted Early Years contract progressing well
- Largest provider of education inspection services in the UK
- Strong sales of technology products into the FE, HE and schools sectors
- Encouraging international progress
- Acquisition completed in Massachusetts to support US development

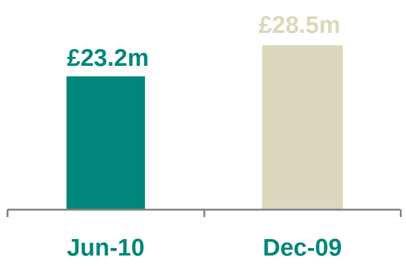
Health

Summary (£m)	2010	2009
Revenue	14.9	13.1
Operating profit	1.0	1.6
Margin	6.8%	11.8%

Revenue split



Committed income

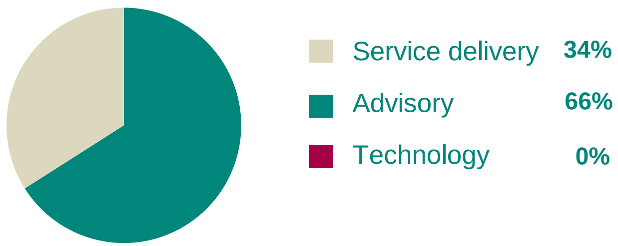


- Revenue growth supported by service delivery contracts
- Margins impacted by prudent profit recognition on longer-term contracts and increased pressure on consultancy spend
- Position established as a leading provider of commissioning services to the NHS
- Increasing demand for hospital transformation work
- Recent White Paper likely to create significant medium-term opportunities

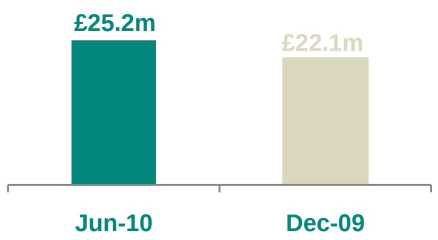
Government

Summary (£m)	2010	2009
Revenue	27.7	36.7
Operating profit	0.5	3.3
Margin	1.9%	9.2%

Revenue split



Committed income



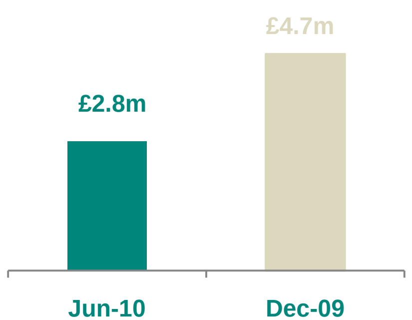
- Operating in very challenging market conditions
- Substantial contraction in demand for advisory activities, particularly in central government
- Large contract with States of Guernsey progressing well
- International development activities continuing to make encouraging progress
- Creation of a single, integrated business completed in April 2010
- Significant cost reduction programme implemented
- Sales pipeline improving, albeit with longer procurement timetables

Support services

Summary (£m)	2010	2009
Revenue*	12.7	13.5
Operating profit*	1.4	0.7
Margin	10.6%	5.5%

* For Resourcing and Communications only

Committed income



- Architecture
  - Disposal completed in June 2010
  - Cash consideration of up to £12.1m (net of disposal costs)
- Resourcing
  - Public sector recruitment activity remains subdued
  - Profitability supported by cost reduction and release of accruals following negotiated settlement
- Communications
  - Very significant reduction in government activity
  - Cost reduction programme implemented

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Strategy update

Peter Martin
Chief Executive

Strategy summary

Sustained pressure on UK government budgets	→ Focus growth on Service Delivery and Technology
Strength of Education Service Delivery and Technology	→ Extend UK service capability Expand internationally Drive Technology into Health and Government
Major changes in structure of UK Health markets	→ Focus Health business on emerging Service Delivery opportunities
Continued market uncertainty around advisory activities	→ Restructure cost base to create more flexible operating model

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Growth priorities

Education	• US schools • International software sales • Outsourced offerings to FE and HE • Early Years opportunity in China • UK apprenticeship programme
Health	• Commissioning for GP consortia • Clinical support services • Patient management services • Informatics outsourcing • Provider management services
Government	• UK diversification: - defence and social care • International expansion: - policing and social housing • Service delivery - Inspections • Donor Aid

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Technology

Student Management Products	Maytas; ebs4; synergy gateway; SITS: e-VISION
Asset Management Products	K2
Learning Management Products	ADVANCE
Platform Based Systems	Microsoft Dynamics
Programme Based Systems	Inspirational Schools
Contract Based Systems	Ofsted; National Centre for Excellence in the Teaching of Mathematics

- Organisational change:
  - Single integrated team
- Structured approach:
  - Common development tools and methodologies
  - Increased productivity
  - Reduced costs of testing and maintenance
- Consolidate technology platforms
  - Accelerate innovation

Operating efficiencies

- Restructuring programmes extended
  - Headcount reduction
  - Unprofitable service lines closed
  - Associate cost reduced
  - Support costs reduced
  - Property savings
- Further change programme
  - Organisational design
  - Resource management (staff and associates)
  - Management control and reporting systems

Outlook

Peter Martin
Chief Executive

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Outlook

- Performance in the second half will benefit from:
  – New contracts (Early Years)
  – Cost savings (£7.0m in H2 2010)
- However, continued uncertainty around advisory activities:
  – Full year performance will be moderately below our previous expectations
- UK public sector finances will drive change and reform:
  – Significant medium-term opportunities for Service Delivery and Technology
- Strategic programme being implemented
  – Growth initiatives
  – Technology organisation
  – Operating efficiencies
- Robust platform for 2011 and beyond

Q&A

Half year results for six months ended 30 June 2010

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 2010 (the "Half Year Results 2010"). Accordingly, reference should be made to the Half Year Results 2010 and not to this presentation.

16 August 2010