

# Tribal Group plc

Half year results for the six months  
ended 30 June 2009

**Peter Martin**  
Chief Executive

**Simon Lawton**  
Group Finance Director

18 August 2009

**T R I B A L**

- Summary
  - Financial performance
  - Business review
  - Outlook
  - Q & A
-

Six months ended 30 June	2009	2008	Change
Revenue	£125.2m	£113.3m	+11%
Profit before tax*	£8.5m	£9.1m	-7%
Underlying profit before tax**	£9.3m	£9.1m	+2%
Earnings per share*	6.7p	7.4p	-9%
Dividend per share	1.85p	1.7p	+9%
Operating cash flow	£12.3m	£20.6m	
Operating cash conversion	153%	207%	

\* : Before amortisation of intangibles and financial instrument costs

\*\* : Profit before tax\* restated before restructuring costs of £0.8m

- Progress in a challenging trading environment
- Continued strength in many sectors
- Difficult conditions in specific areas
- Restructuring programme largely completed
- Substantially increased committed income
- Healthy sales pipeline
- International development progressed

## Committed Income / Sales Pipeline

## Total committed income

30 June 2009



£217m

31 December 2008



£139m

## Sales pipeline

30 June 2009



£258m

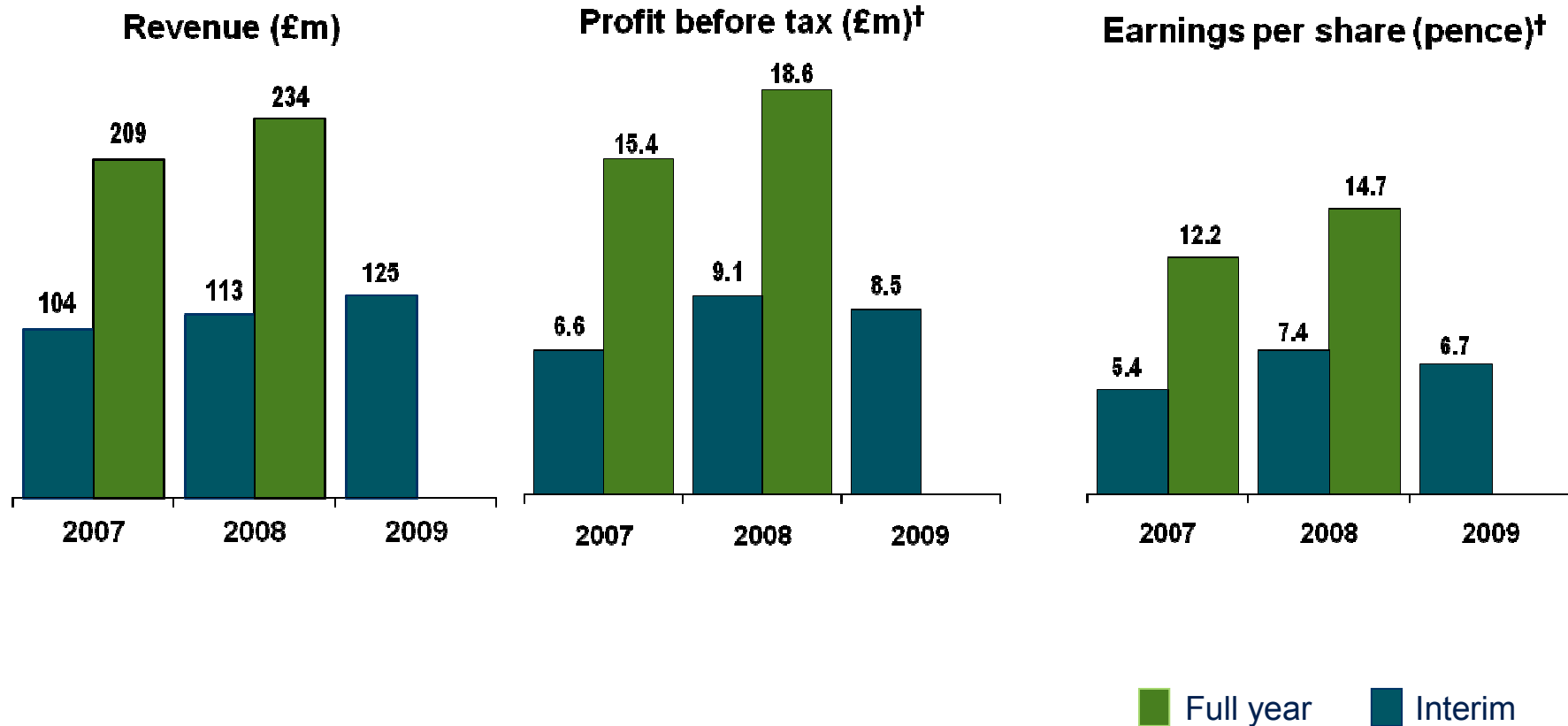
31 December 2008



£297m

## Financial performance

Simon Lawton  
Group Finance Director



Note: Historic figures stated for continuing operations only

<sup>†</sup> Before amortisation of intangibles, goodwill impairment and financial instrument costs

Six months ended 30 June	2009 £m	2008 £m	Growth %	
<b>Continuing Operations</b>				
Turnover	152.8	143.6	+6%	▪ Revenue increase of 11%
<b>Revenue</b>	<b>125.2</b>	<b>113.3</b>	<b>+11%</b>	▪ Operating profit* down 5% to £9.0m
Operating profit*	9.0	9.5	-5%	▪ Restructuring costs of £0.8m
<i>Operating margin</i>	7.2%	8.4%		▪ Revenue investments of £0.5m
Interest	(0.5)	(0.4)		▪ Operating margin lower at 7.2%
<b>Profit before tax*</b>	<b>8.5</b>	<b>9.1</b>	<b>-7%</b>	▪ Low effective tax rate due to one-off benefit from prior year release
Tax	(1.9)	(2.5)		▪ Earnings per share down 9% to 6.7p
<b>Profit after tax*</b>	<b>6.6</b>	<b>6.6</b>		▪ Weighted average shares in issue up 6%
<b>Adjusted fully diluted EPS* (p)</b>	<b>6.7p</b>	<b>7.4p</b>	<b>-9%</b>	▪ Interim dividend 1.85p
<b>No of WA diluted shares ('000)</b>	<b>90,169</b>	<b>84,988</b>	<b>+6%</b>	

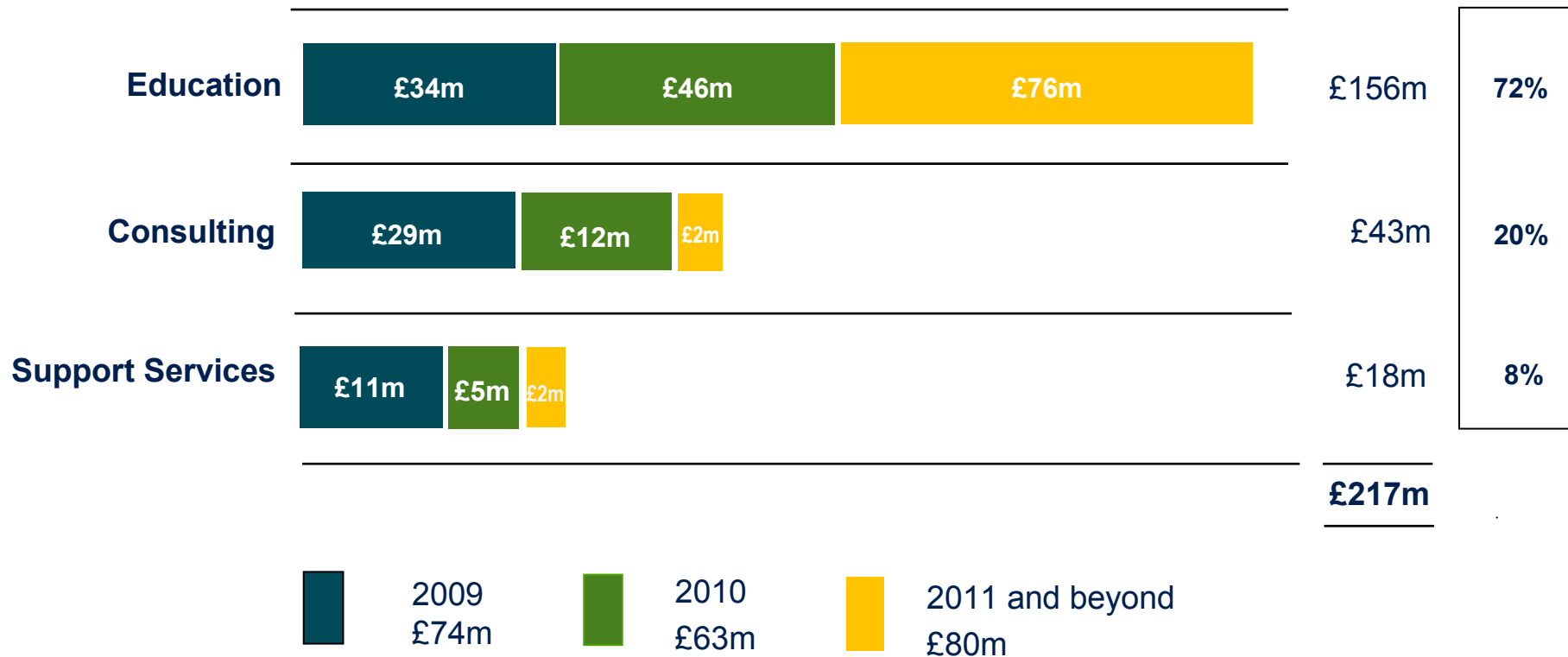
\* Before amortisation of intangibles and financial instrument costs

## Restructuring Costs

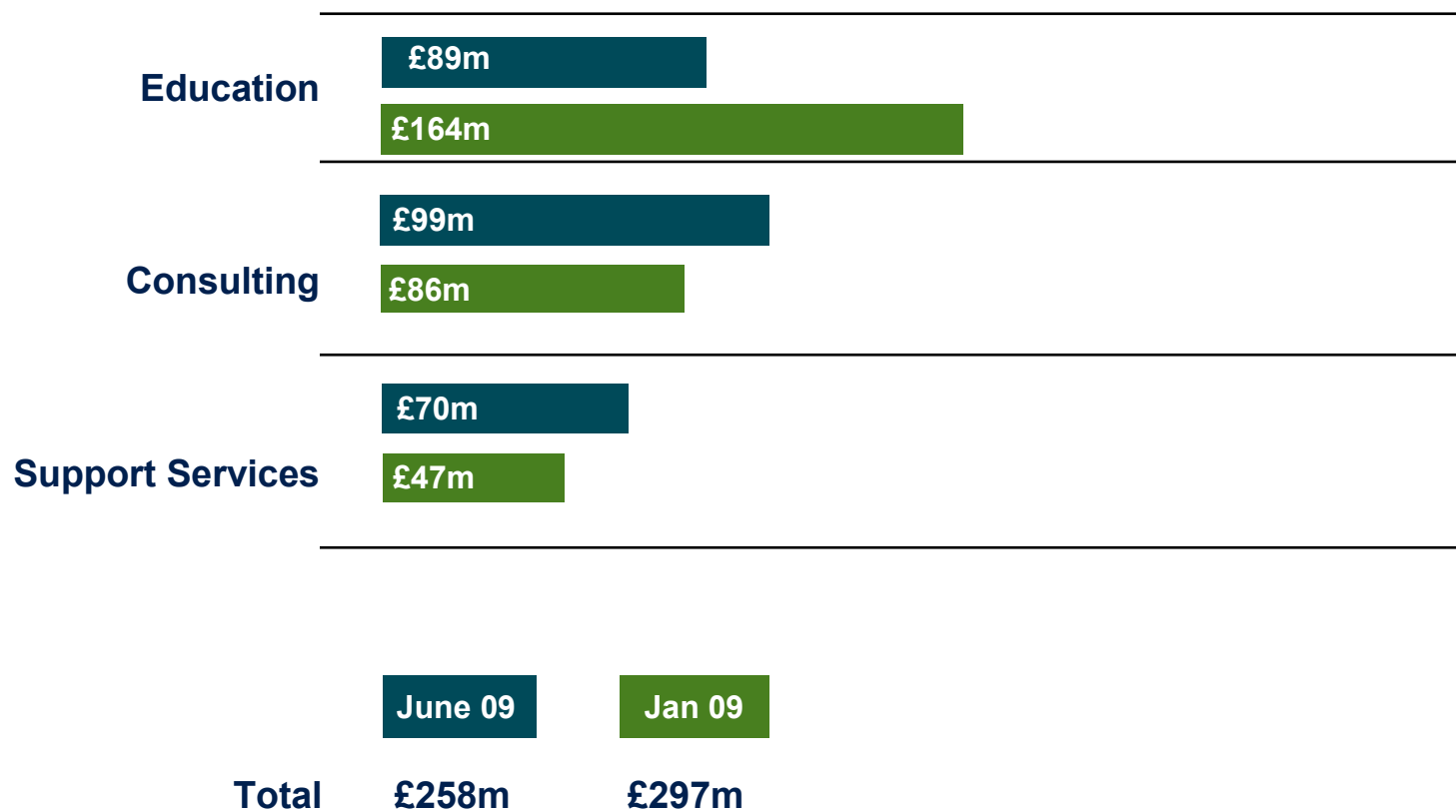
	<b>Staff Numbers</b>	<b>H1 Cost £'000</b>	<b>2009 Cost £'000</b>	<b>Min. H2 Savings £'000</b>	<b>Min. Annualised Savings £'000</b>
Consulting					
- Regeneration	37	45	194	625	1,500
- Other	4	37	44	75	175
Education	51	173	222	850	2,175
Support Services					
- Architecture	48	361	375	630	1,550
- Communications	14	208	208	250	500
- Other	8	20	73	70	200
<b>Total</b>	<b>162</b>	<b>844</b>	<b>1,116</b>	<b>2,500</b>	<b>6,100</b>

**At 30 June 2009**

**% of Total**



**At 30 June 2009**



	June 2009 £m	December 2008 £m
Intangible assets	224.7	217.5
Other non-current assets	11.3	11.2
Net debt	(15.8)	(19.7)
Net working capital	<u>(18.6)</u>	<u>(13.6)</u>
<b>Net assets</b>	<b><u>201.6</u></b>	<b><u>195.4</u></b>
Share capital	85.6	83.1
Profit and loss reserves	49.2	45.9
Minority interest	2.1	1.8
Other reserves	<u>64.7</u>	<u>64.6</u>
<b>Total equity and reserves</b>	<b><u>201.6</u></b>	<b><u>195.4</u></b>

- Intangible assets increased by £7m due to acquisition of Newchurch
- Net debt decreased by £3.9m
- Gearing of 7.8% (December 2008 : 10.1%)
- Minority interest held in three businesses; bought out one in July 2009

## Group Cash Flow

Six months ended 30 June	2009 £m	2008 £m
<b>Operating cash flow</b>		
- continuing operations	13.8	19.6
- increase in restricted cash	<u>1.9</u>	<u>3.8</u>
	15.7	23.4
Interest	(0.4)	(0.4)
Tax	<u>(3.0)</u>	<u>(2.4)</u>
<b>Net cash flow before investing &amp; financing</b>	<b>12.3</b>	<b>20.6</b>
Capital expenditure	<u>(2.6)</u>	<u>(2.0)</u>
<b>Free cash flow</b>	<b>9.7</b>	<b>18.6</b>
Acquisitions (net of cash acquired)	(4.7)	(13.0)
Minorities and deferred consideration	(1.1)	(5.0)
Dividends paid	-	(1.2)
(Repayment) / increase in loans	<u>(1.5)</u>	<u>6.8</u>
<b>Net increase in cash</b>	<b><u>2.4</u></b>	<b><u>6.2</u></b>

- Operating profit to cash flow conversion of 153% (2008 : 207%)
- Seasonally strong working capital management
- Tax paid in 2009 included payment of £0.7m for acquired tax balances
- Capital expenditure comprises:
  - Tangible assets £1.2m (2008:£1.2m)
  - Product development £1.4m (2008: £0.8m)
- Newchurch acquisition completed for £7.9m (£2.5m in shares)

## Group Net Debt

	June 2009 £m	December 2008 £m
Group net debt	19.6	21.7
Less : restricted cash	<u>(3.8)</u>	<u>(2.0)</u>
Group debt	<u>15.8</u>	<u>19.7</u>
Bank revolver facilities (to 2012)	40.0	40.0
Working capital facility	<u>6.0</u>	<u>3.0</u>
Bank headroom	<u>30.2</u>	<u>23.3</u>

- £40m bank facility until June 2012 with HBoS and HSBC

	Actual	Covenant
Interest cover	x14.9	>x3.0
Debt to EBITA	x0.7	<x3.5

- Interest rate swap in place over £25m of debt through to 2013, providing interest rate certainty at 2.9% until 2010, 4.45% thereafter.
- Current margin 75 bps

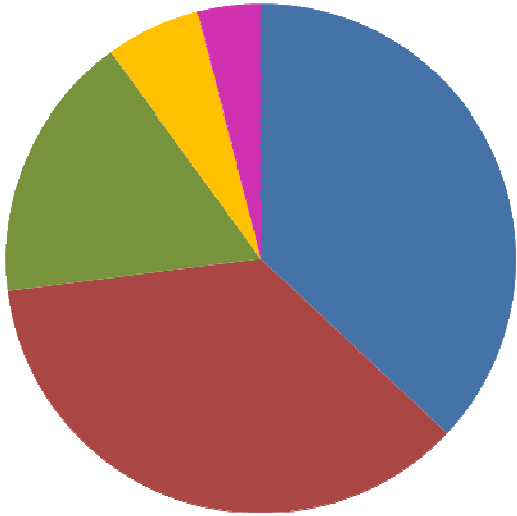
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## **Business review**

Peter Martin

Chief Executive

2009 H1 Revenue : £125.2m

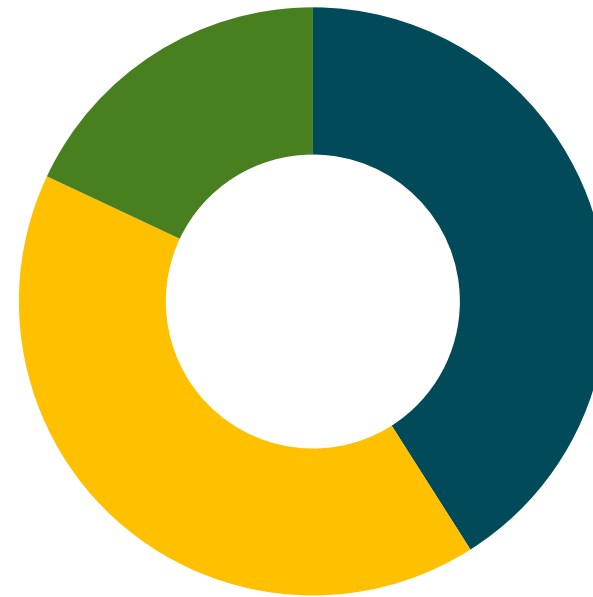


Education	37%
Civil Government	36%
Health	17%
UK Public Sector	<u>90%</u>
International	6%
Other	<u>4%</u>
	<u><u>100%</u></u>

## Business Stream Analysis

2008: H1 Revenue: £113.3m

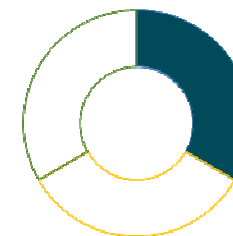
2009: H1 Revenue: £125.2m



	<b>Education</b>	<b>£50m</b>	<b>44%</b>
	<b>Consulting</b>	<b>£40m</b>	<b>36%</b>
	<b>Support Services</b>	<b>£23m</b>	<b>20%</b>

	<b>Education</b>	<b>£51m</b>	<b>41%</b>
	<b>Consulting</b>	<b>£52m</b>	<b>41%</b>
	<b>Support Services</b>	<b>£22m</b>	<b>18%</b>

Six months ended	30 June 2009	30 June 2008
Revenue (£000)	51,737	50,527
Operating profit (£000)	6,964	7,483
Operating profit margin (%)	13.5%	14.8%



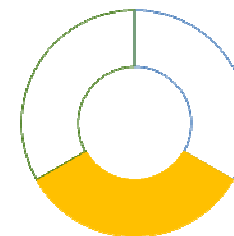
**Financial performance**

- Revenue increased by 2% to £51.7m
- Operating profit fell by 7% to £7.0m
- Good performance in children’s services and inspections
- Margin impacted by:
  - phasing of software sales (H1/H2)
  - reorganisation costs
  - investment : bid costs  
business development capacity  
new products / services

**Business review**

- Reorganisation now largely completed
- Major contract wins:
  - Ofsted £75m
  - Offender learning £11m
  - University of Sydney £4m
- Committed income up by 97% to £156m
- Sales pipeline remains healthy
- International development in Australia and Middle East
  - full year cost of ~ £0.5m

Six months ended	30 June 2009	30 June 2008
Revenue (£000)	52,006	40,286
Operating profit (£000)	4,725	3,558
Operating margin (%)	9.1%	8.8%



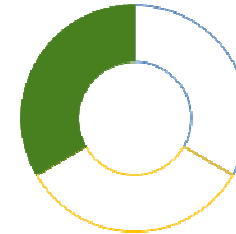
### Financial performance

- Revenue increased by 29% to £52m
- Organic growth of 3%
- Operating profit increased by 33% to £4.7m
- Health
  - successful integration of acquisitions
  - significant growth, particularly in commissioning
- Central Government
  - good progress within a competitive environment
- Housing, Regeneration & Local Government
  - challenging conditions in regeneration,
  - restructuring now completed
  - good progress in local government
- Continued progress from Tribal HELM

### Business review

- Across consulting:
  - pressure on fee rates increasing
  - decisions / approvals taking longer
  - emphasis on cost reduction / productivity offerings
  - risk / reward mechanisms
- Successful entry onto new frameworks (DWP, DH)
- Committed income of £43m at June 2009
- Strong pipeline in health and internationally

Six months ended	30 June 2009	30 June 2008
Revenue (£000)	22,862	23,369
Operating profit (£000)	1,009	1,705
Operating margin (%)	4.4%	7.3%



**Financial performance**

- Revenue fell by 2% to £22.9m
- Significant fall in operating profit to £1.0m
- Financial performance impacted by:
  - funding issues in FE capital programme
  - competitive environment for communications
  - restructuring costs

**Business review**

- Architecture
  - activity in FE market remains very low
  - excellent progress in health (major contract wins)
  - significant international opportunities
- Communications
  - competitive pressures in public sector
  - reduced demand in private sector
  - health and education remain priorities
- Resourcing
  - tough market conditions
  - benefiting from new wins / improved margins
- Committed income of £18m at June 2009

**T R I B A L**

## **Outlook**

Peter Martin  
Chief Executive

- Macro environment  
UK fiscal position will deteriorate  
Spending cuts inevitable
  
- Anticipated response  
Reform becomes an imperative:
  - cost reduction
  - productivity / efficiency improvement
  - more outsourcing / competitive tendering
  - shared services
  
- Policy priorities  
Education  
Health  
Overseas Development

- Develop our service offerings
  - Consultancy —————> services and solutions (health commissioning, school improvement)
  - Cost reduction, efficiency and productivity offerings (local government)
  
- Increase our committed income
  - Larger, longer-term service contracts
  - Pipeline conversion
  
- Expand internationally
  - Major donor organisations (World Bank, EU, DFID)
  - Education and health
  - Australia / Middle East

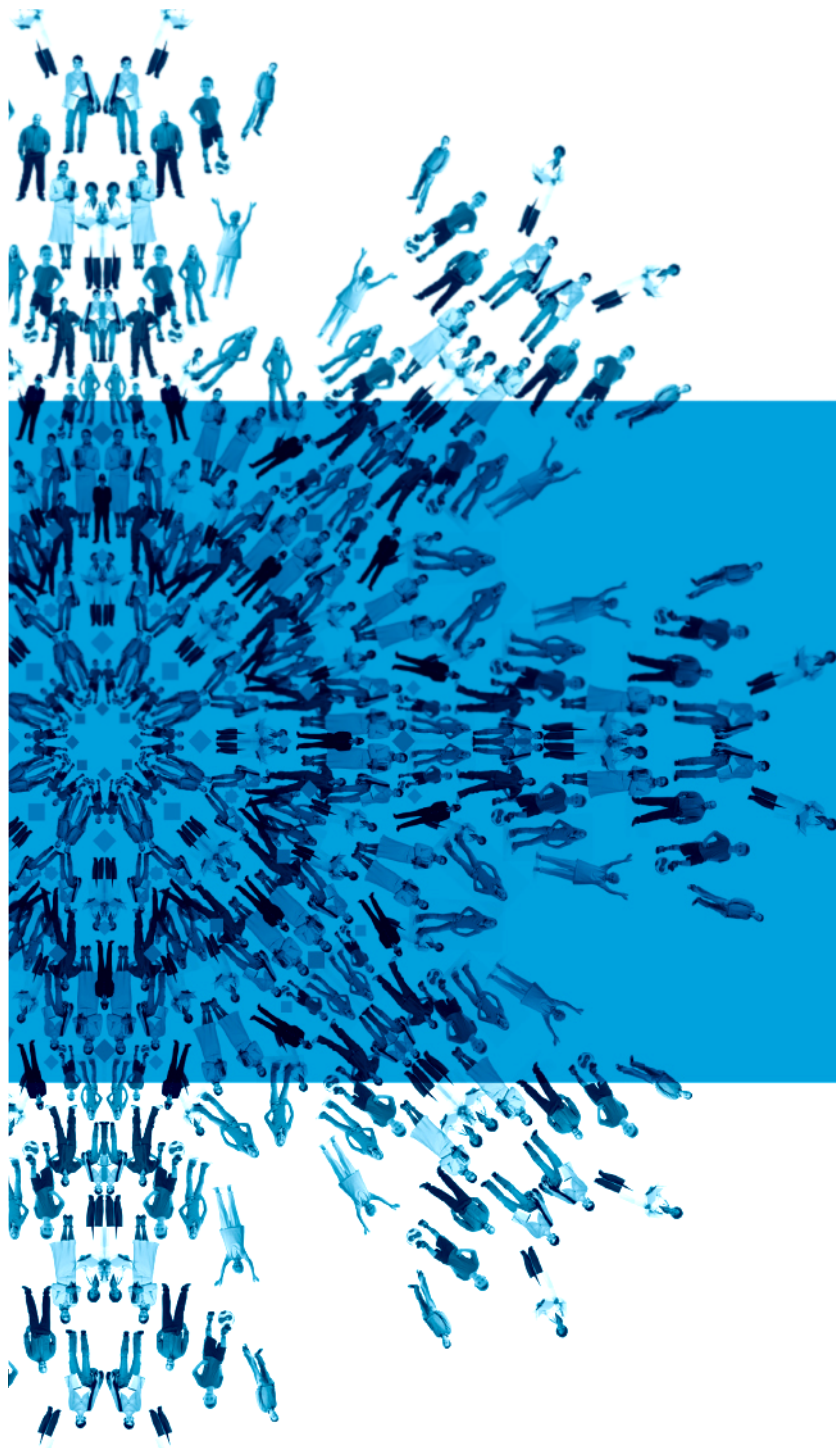
- Rigorous focus on cost base
  - Staff costs
  - Overhead control
  
- Accelerate collaboration
  - Integrated service offerings (Healthy FE, DCSF recruitment portal)
  - Competitive advantage

- Delivered plus committed revenue 83% of 2009 plan at end of July
- Current pipeline
  - 44% Education
  - 29% Health
  - 25% International
- Restructuring / investment
  - Costs / investment predominantly in H1
  - Benefit in H2
- Remain on track to deliver 2009 expectations

**T R I B A L**

**Q & A**





# Tribal Group plc

**Half year results for the six months  
ended 30 June 2009**

**END**

This presentation is intended only as a summary of key points from Tribal Group plc's announcement of its half year results for the six months ended 30 June 2009. Accordingly, reference should be made to the "Half Year Results 2009" and not to this presentation.

**T R I B A L**