

TRIBAL

# Tribal Group plc

**Preliminary results for year ended 31 December 2009**

**Peter Martin**  
Chief Executive

**Steve Breach**  
Group Finance Director

23 March 2010



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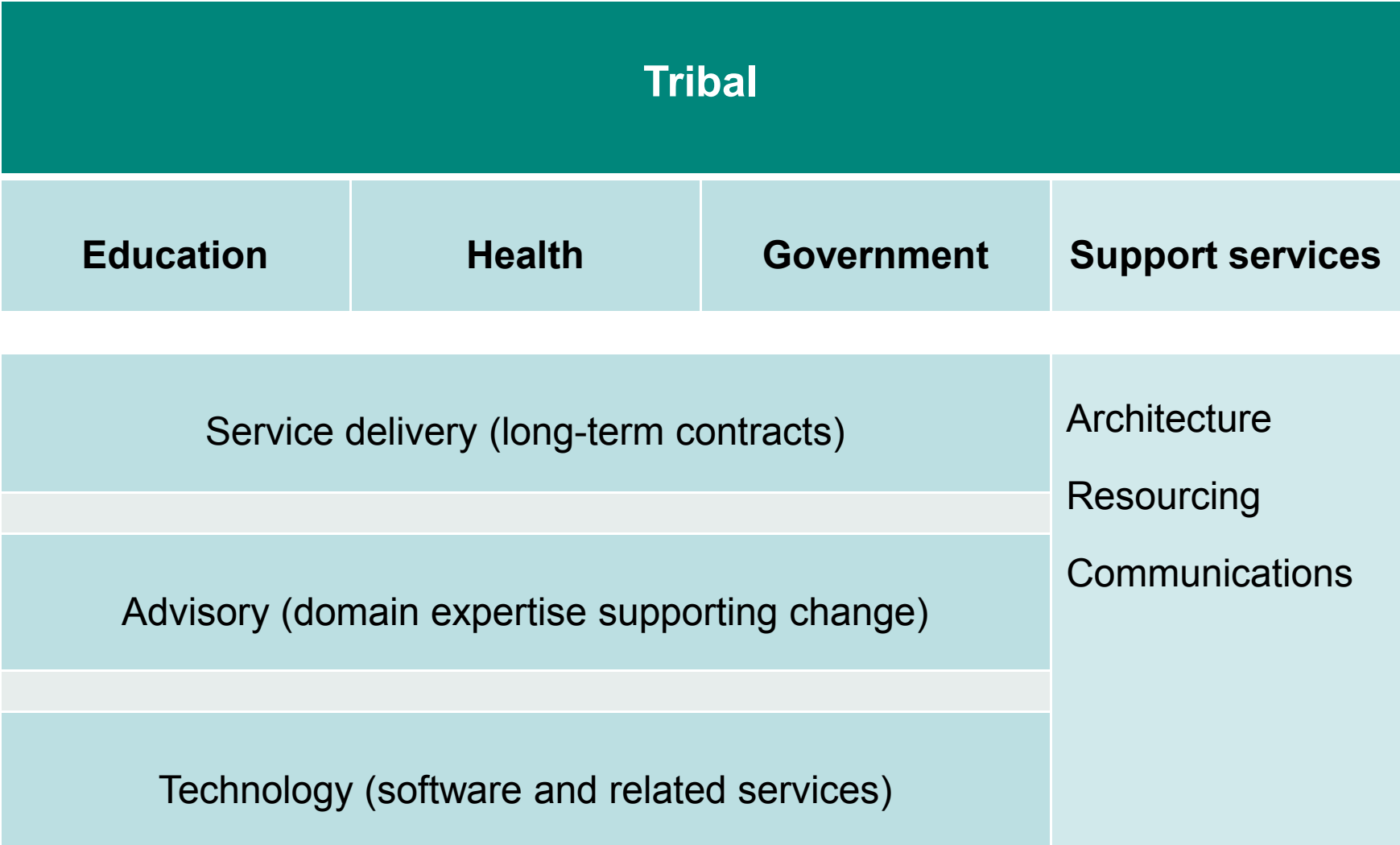
# Introduction

Peter Martin  
Chief Executive

<b>Year ended 31 December</b>	<b>2009</b>	<b>2008</b>	<b>Change</b>
Revenue	£238.0m	£226.7m	+5%
Profit before tax*	£17.2m	£17.6m	-3%
Earnings per share*	13.3p	13.9p	-4%
Full year dividend per share	4.60p	4.35p	+6%
Operating cash conversion	127%	145%	
Committed income	£217m	£139m	+56%

\* Continuing operations after restructuring costs of £1.1m but before goodwill impairment and amortisation of intangibles

- Challenging conditions in certain consulting and support services markets
- Growth in Education with substantial increase in committed income
- Health business re-positioned on services and advisory
  - Significant improvement in revenue visibility
- Acquisition of minority consulting interests
  - Established integrated Government business
- Cost reduction well-advanced; annualised savings in excess of £7.5m
- Significant change programme being implemented
- Prudent evaluation of goodwill; non-cash impairment charge of £61.6m



- Short-term election uncertainty  anticipated impact on H1 2010 trading
- Identified opportunities for growth over the medium-term
- Deficit reduction will be a policy priority for any new government
- Public sector organisations will be required to do 'more for less'
- Change and reform will become an imperative
  - Substantial opportunity for the private sector
- New business won in recent months reflects the transformation agenda
- Significant international prospects:
  - Education
  - International development

## Financial performance

Steve Breach  
Group Finance Director

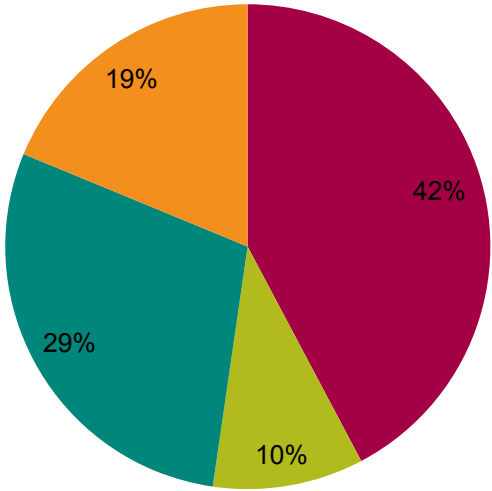
## Income statement

Year ended 31 December	2009 £m	2008 £m	Growth %
Revenue	238.0	226.7	+5%
Operating profit (before restructuring costs)	19.3	19.0	+2%
<i>Operating margin (before restructuring costs)</i>	8.1%	8.4%	
Operating profit*	18.2	19.0	-4%
<i>Operating margin</i>	7.7%	8.4%	
Interest	(1.0)	(1.4)	
<b>Profit before tax*</b>	<b>17.2</b>	<b>17.6</b>	<b>-3%</b>
Tax	(4.2)	(4.7)	
Profit after tax*	13.0	12.9	
<b>Earnings per share* (p)</b>	<b>13.3p</b>	<b>13.9p</b>	<b>-4%</b>
<b>Dividend per share</b>	<b>4.60p</b>	<b>4.35p</b>	<b>+6%</b>

- Operating profit\* £18.2m (after £1.1m of restructuring costs)
- Operating margin down from 8.4% to 7.7% (8.1% before restructuring costs)
- Closed regeneration business treated as discontinued
- Fall in interest cost despite increased borrowing
- Effective tax rate of 24.4%
- Final dividend 2.75p; total dividend of 4.60p

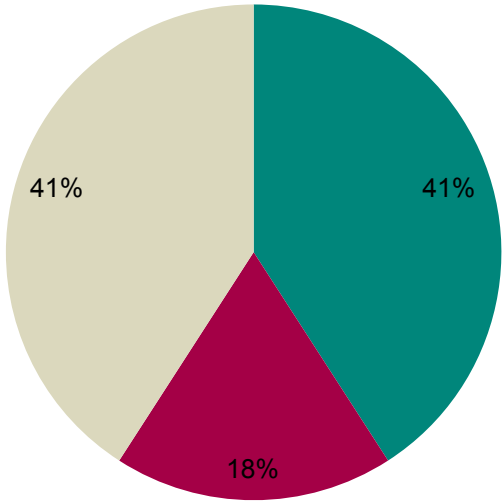
\* Continuing operations before amortisation of intangibles and goodwill impairment

Segmental analysis

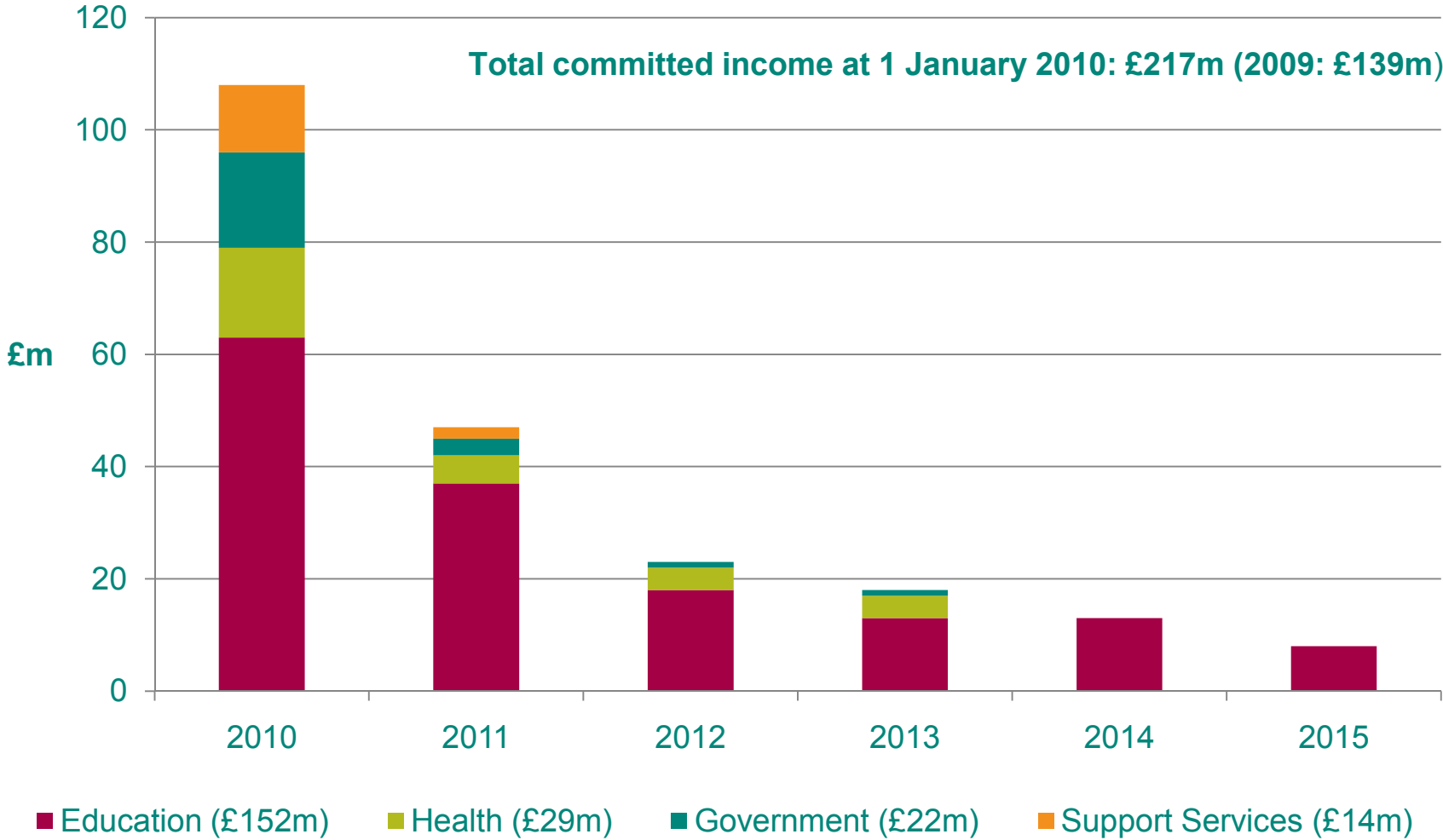


- Education
- Health
- Government
- Support services

Activity analysis  
(Excluding Support services)



- Service delivery
- Advisory
- Technology



Sales pipeline at 1 January 2010: £284m



- Education
- Health
- Government
- Support services

Sales pipeline at 1 January 2009: £297m



At 31 December	2008	Additions	Impairment (Discont.) (Cont.)		2009
	£m		£m	£m	£m
Education	71.7	-	-	-	71.7
Health	21.0	6.1	-	(2.3)	24.8
Government	73.7	8.1	(4.0)	(28.4)	49.4
Support services	43.4	(0.3)	-	(30.9)	12.2
	<u>209.8</u>	<u>13.9</u>	<u>(4.0)</u>	<u>(61.6)</u>	<u>158.1</u>

- Goodwill impairment charge of £61.6m:
  - Health: £2.3m
  - Government: £28.4m
  - Support services: £30.9m
- Significant headroom in Education
- Prudent evaluation of goodwill carrying value
- Cautious approach taken, particularly to discount rates
- Account taken of likely government spending priorities
- Support services assessed in the context of exploration of strategic options
- Capital reduction process proposed to increase distributable reserves

Year ended 31 December	2009	2008
	£m	£m
<b>Operating cash flow</b>		
- continuing operations	23.2	27.4
- (decrease) / increase in restricted cash	0.7	(1.3)
- discontinued operations	(2.7)	(0.5)
	<u>21.2</u>	<u>25.6</u>
Interest	(1.0)	(0.9)
Tax	(6.1)	(3.3)
<b>Net cash flow before investing and financing</b>	<b>14.1</b>	<b>21.4</b>
Capital expenditure	(4.4)	(5.1)
<b>Free cash flow</b>	<b>9.7</b>	<b>16.3</b>
Acquisitions, minorities and deferred considerations	(13.3)	(24.6)
Dividends paid	(4.4)	(4.4)
Increase in loans	3.5	10.6
<b>Net change in cash</b>	<b>(4.5)</b>	<b>(2.1)</b>

- Operating profit to cash flow conversion of 127% (2008: 145%)
- Free cash flow of £9.7m (2008: £16.3m)
- Capital expenditure of £4.4m (2008: £5.1m) includes:
  - Product development - £1.3m (2008: £1.0m)
  - Business systems - £1.2m (2008: £0.8m)
- One acquisition plus purchase of outstanding minority interests completed for £13.3m

## Balance sheet

As at 31 December	2009 £m	2008 £m
Intangible assets	166.8	217.5
Other non-current assets	10.2	11.2
Net debt	(27.8)	(19.7)
Net working capital	(12.7)	(13.6)
<b>Net assets</b>	<b>136.5</b>	<b>195.4</b>
Share capital	83.4	83.1
Profit and loss reserves	21.5	45.9
Minority interest	-	1.8
Other reserves	31.6	64.6
<b>Total equity and reserves</b>	<b>136.5</b>	<b>195.4</b>

- Net debt increased following one acquisition and purchase of minority interests
- Strong working capital management
- Gearing of 20% (December 2008: 10%)
- £40m bank facility until June 2012 with Bank of Scotland and HSBC
- Covenant compliance:

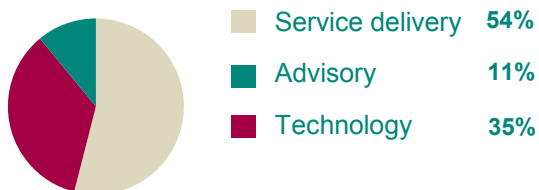
	Actual	Covenant
Interest cover	12.7x	>3.0x
Debt to EBITA	1.9x	<3.5x

## Business review

Peter Martin  
Chief Executive

Summary (£'000)	2009	2008
Revenue	101,264	96,408
Operating profit	15,226	14,303
Margin	15.0%	14.8%
Employees	1,014	994

Revenue split



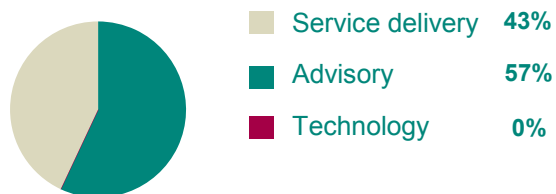
Committed income



- Progress across all key financial metrics
- Successful implementation of £75m Ofsted contract
- Strengthened market positions in core student management software
- Technology capability deployed widely to support educational improvement
- Long-term delivery contracts secured in offender learning, adult careers and schools improvement
- Excellent international progress:
  - Inspections in the Middle East
  - Sydney University
  - School improvement in Massachusetts
  - Early Years joint venture in China
- Recent award of £64m Early Years Ofsted contract

Summary (£'000)	2009	2008
Revenue	25,674	17,444
Operating profit	2,432	2,355
Margin	9.5%	13.5%
Employees	165	92

### Revenue split



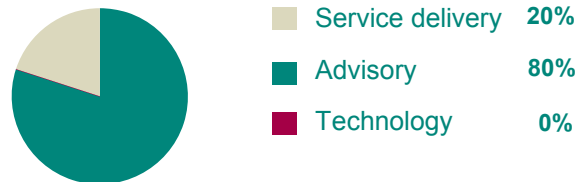
### Committed income



- Significant growth in revenue, supported by acquisitions
- Business repositioned to deliver both health services and advisory work
- 2009 margin impacted by low H2 utilisation in traditional consultancy offering and business development investment
- Substantial increase in committed income
- Successful development of commissioning business with Primary Care Trusts (PCTs)
- New £20m contract to deliver informatics / analytics solutions to nine PCTs in South Central
- Significant increase in hospital transformation work

Summary (£'000)	2009	2008
Revenue	69,440	65,778
Operating profit	5,269	5,510
Margin	7.6%	8.4%
Employees	481	504

Revenue split



Committed income



- Performance affected by difficult trading conditions in certain markets, particularly regeneration
- Regeneration business closed in October 2009
- Acquisition of outstanding minority interests in consulting subsidiaries:
  - Single, integrated Government practice
  - Rationalisation of operations
- Good progress in central and local government
- Leading advisory position in social housing sector
  - More difficult H2 trading conditions
- Tribal HELM performed well in international development markets
- Successful tender for Buying Solutions framework – single largest channel for government advisory work

## Support services

Summary (£'000)	2009	2008
Revenue	45,058	49,010
Operating profit	3,292	4,386
Margin	7.3%	8.9%
Employees	607	606

### Committed income



- Challenging trading conditions across many areas
- Resourcing
  - Weaker demand in core advertising market
  - Margin improvement through cost reduction
- Architecture
  - Strong performance in health with several significant contract wins
  - Cost base reduced in further education following cancellation of capital projects
- Communications
  - Difficult market conditions across both public and private sectors
  - Early wins for integrated offering
- Support services businesses identified as non-core

## Outlook

Peter Martin  
Chief Executive

- Core objective is to drive improvement in earnings
- Focus principally on organic growth (UK and overseas)
  - Grow service delivery and technology as a proportion of revenue
- Target increasing levels of committed income
- Management attention on operational improvements:
  - Cost reduction programme will deliver annualised savings in excess of £7.5m
  - Better resource management → improved productivity
  - Enhanced sales skills
  - Improved pricing models
  - Focus on overheads
- Investment in software development

- Education
  - Ofsted Early Years
  - China JV (Early Years)
  - 'Inspirational Schools' transformation programme
  - Service offerings around market-leading student management systems
  
- Health
  - Hospital managed services
  - Community provider services / care management
  - Managed / outsourced informatics services
  - Business intelligence software
  
- Government
  - Outsourced inspections
  - Cost reduction / transformation
  - Wider service offering to international donors
  - New markets (social care, defence)

- Delivered plus committed revenue 53% of 2010 plan at end of February
- Anticipated impact of general election on H1 2010, particularly advisory
- Early Years Ofsted contract win secured (£64m over five years)
- Benefit of cost reduction programme in H2
- Continued focus on operational improvements
- Full year performance anticipated to be in line with Board's expectations

## Q&A

TRIBAL

# Tribal Group plc

## Preliminary results for year ended 31 December 2009

END

This presentation is intended only as a summary of key points from Tribal Group plc's announcement of its results for the year ended 31 December 2009 (the "Full Year Results 2009"). Accordingly, reference should be made to the Full Year Results 2009 and not to this presentation.

