

TRIBAL

Tribal Group plc

Preliminary results for year ended 31 December 2010

Keith Evans
Chief Operating Officer

Steve Breach
Group Finance Director



30th March 2011

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

Introduction

Keith Evans
Chief Operating Officer

Year ended 31 December	2010	2009	Change
Revenue	£175.4m	£193.7m	-9%
Profit before tax ¹	£5.9m	£13.8m	-57%
Earnings per share ¹	5.0p	10.7p	-53%
Operating cash flow ²	£20.1m	£20.3m	-1%
Full year dividend per share	2.5p	4.6p	-46%
Committed income	£217m	£203m	+7%
Net debt	£18.5m	£27.8m	-33%

¹ Continuing operations before exceptional items, goodwill impairment and amortisation of IFRS 3 intangibles

² Operating cash flow defined as net cash from continuing operating activities less interest

- 2010 represented a very challenging year for public sector advisory services
 - Political uncertainty and lead up to the Comprehensive Spending Review
 - Significant reduction in government purchasing of advisory services
 - Resulted in profit downgrades in August and October
- Despite these challenges
 - Operating profit (before exceptional costs) – £7.4m
 - EBITDA (before exceptional costs) – £10.9m
- This was underpinned by the following key factors:
 - Education proved largely revenue resilient to the wider market conditions
 - Revenue supported by a strong portfolio of long term contracts and service agreements
 - Strong IPR and recurring revenue streams from installed base of technology products
 - Aggressive action taken to realign the cost base to meet new levels of demand

- Implemented a £28m cost reduction programme delivered over 2010 and 2011
 - Organisational streamlining, property and overhead reduction – £8.5m
 - Capacity realignment – headcount reduction – £16.5m
 - Operational efficiencies including the creation of an integrated Technology skills and asset resource – £3.0m

- Completed the disposal of support services businesses
 - Architecture business sold to IBI Group in June 2010 for cash consideration of up to £13.1m
 - Communications sold to management in October 2010 for nominal sum
 - Resourcing sold to TMP in February 2011 for contingent consideration of up to £6m

- Secured a new bank facility of £40m committed to 2015

- Progressed our strategy objectives
 - Reduce exposure to advisory revenues: *2009 – 41%, 2010 – 35%*
 - Increase technology based revenue: *2009 – 18%, 2010 – 23%*
 - Increase international revenues: *2009 – 8%, 2010 – 10%*
 - Implemented a single technology development operation across all businesses

Financial performance

Steve Breach
Group Finance Director

Income statement

Year ended 31 December	2010 £m	2009 £m	Change %
Revenue	175.4	193.7	-9%
Operating profit*	7.4	14.9	-50%
<i>Operating margin</i>	4.2%	7.7%	
Interest	(1.5)	(1.1)	
Profit before tax*	5.9	13.8	-57%
Tax	(1.2)	(3.3)	
Profit after tax*	4.7	10.5	
Earnings per share* (p)	5.0p	10.7p	-53%
Dividend per share	2.5p	4.6p	-46%

- Revenue impacted by reduced demand for advisory services
- Profit impact reduced through substantial cost reduction programmes
- Operating profit* down from £14.9m to £7.4m
- Operating margin down from 7.7% to 4.2%
- Support services businesses disposal programme now complete; treated as discontinued activities
- Effective tax rate of 21%
- Final dividend 0.65p; total dividend of 2.50p

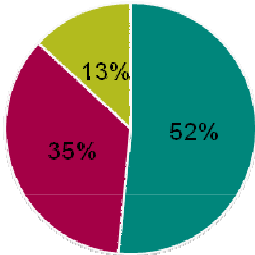
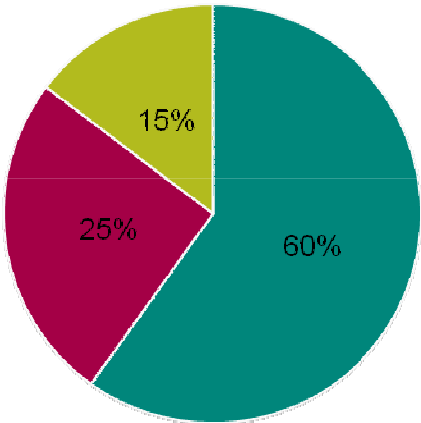
* Continuing operations before exceptional items, amortisation of intangibles, IFRS 3 intangibles and goodwill impairment

Segmental analysis

Activity analysis

Year ended December 2010

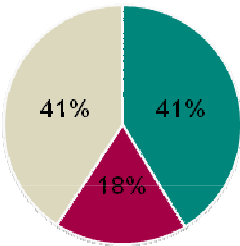
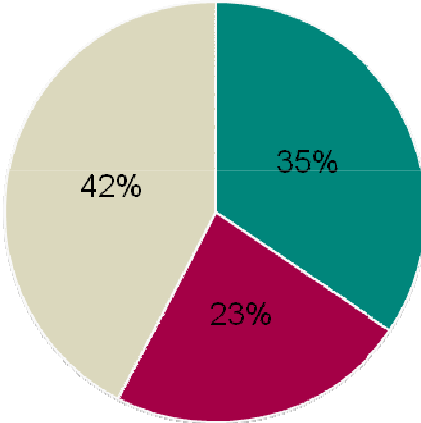
Year ended December 2009



Health Education Government

Year ended December 2010

Year ended December 2009



Service delivery Advisory Technology

Divisional analysis

Profit & loss account (£m)	H1 2010	H2 2010	FY 2010	FY 2009
Education				
Revenue	53.5	53.1	106.6	101.3
Operating profit	6.8	7.3	14.1	15.2
Health				
Revenue	14.9	11.2	26.1	25.7
Operating profit	1.0	(0.6)	0.4	2.4
Government				
Revenue	27.7	17.7	45.4	69.4
Operating profit	0.5	(1.8)	(1.3)	5.3

Education

- Full year impact of cost reduction and operating efficiency savings offset underlying seasonal revenue reduction in H2 2010

Health & Government

- Challenges following changes in government resulted in a significant downturn in H2 2010
- Capacity realignment programmes implemented in August and December 2010

Cost reduction

Continuing activities (£m)	FY 2010 impact	FY 2011 impact	Annualised
Cost reduction programme	7.5	8.5	8.5
Capacity realignment	3.5	16.5	16.5
Operating efficiencies	0.5	1.5	3.0
Cost reduction	11.5	26.5	28.0

- Cost reductions offset reduced revenue and provide platform of efficiencies going forward
- Annualised savings of £17.5m announced at half year stage – now increased to £28.0m

Exceptional costs

Year ended 31 December	2010	2009
	£m	£m
Continuing operations		
Restructuring costs	7.1	-
Impairment of business system	1.9	-
Development of joint venture in China	0.8	-
Advisory costs associated with potential offers for the Group	0.6	-
	10.4	-
Discontinued operations		
Restructuring costs	2.2	-
	2.2	-

- Restructuring costs principally relate to:
 - Headcount reduction
 - Property rationalisation
- Impairment of business system relates to historic expenditure on Microsoft AX ERP system
- China costs relate to research, business development and pilot work associated with proposed joint venture (currently on hold)

At 31 December	2009	Add'ns and disp'ls	Impairment charges		2010
			Discont	Cont	
	£m	£m	£m	£m	£m
Education	71.7	0.9	-	-	72.6
Health	24.8	-	-	(15.4)	9.4
Government	49.3	-	-	(36.2)	13.1
Support services	12.3	(7.5)	(4.8)	-	-
	158.1	(6.6)	(4.8)	(51.6)	95.1

- Goodwill impairment charge of £51.6m in Health and Government

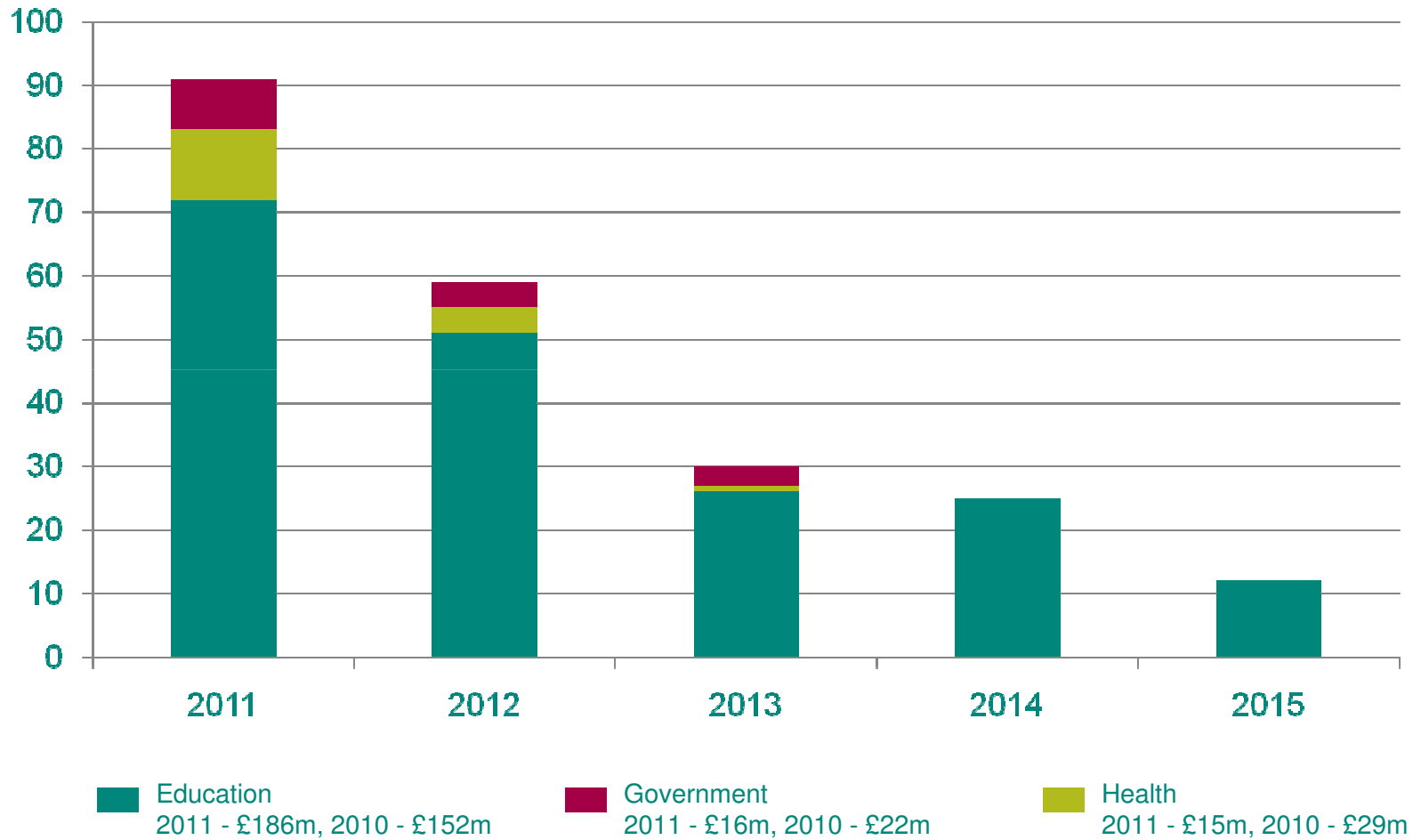
As at 31 December	2010 £m	2009 £m
Intangible assets	102.9	166.8
Other non-current assets	9.4	11.2
Net debt	(18.5)	(27.8)
Net working capital	(24.0)	(13.7)
Net assets	69.8	136.5
Share capital	4.7	83.4
Profit and loss reserves	38.8	21.5
Other reserves	26.3	31.6
Total equity and reserves	69.8	136.5

- Overall reduction in net debt due to strong working capital management in Q4 2010
- Gearing of 27% (December 2009: 20%)
- £40m bank facility renewed to February 2015 with Lloyds Banking Group and HSBC
- Court approved capital reduction scheme completed

Year ended 31 December	2010 £m	2009 £m
Operating cash flow		
- continuing operations	24.4	26.7
- (decrease) / increase in restricted cash	(1.5)	0.7
- discontinued operations	(5.6)	(6.2)
	<u>17.3</u>	<u>21.2</u>
Interest	(1.4)	(1.0)
Tax	(1.4)	(6.1)
	<u>14.5</u>	<u>14.1</u>
Net cash flow before investing and financing		
Capital expenditure	(5.6)	(4.4)
	<u>8.9</u>	<u>9.7</u>
Free cash flow		
Acquisitions, disposals, minorities and deferred considerations	4.5	(13.3)
Dividends paid	(4.3)	(4.4)
Movement in loans	(3.8)	3.5
	<u>5.3</u>	<u>(4.5)</u>
Net change in cash		

- Strong operating cash flow conversion
 - Effective working capital management at year end
 - Will reverse during Q1 2011
- Operating cash flow is after cash flows related to exceptional costs of £7.3m
- Free cash flow of £8.9m (2009 - £9.7m)
- Capital expenditure of £5.6m (2009 - £4.4m) includes:
 - Product development - £1.9m (2009 - £1.3m)
 - Business systems - £1.3m (2009 - £1.2m)
- Acquisitions and disposals:
 - Acquired Class Measures in US
 - Disposals of Support Services businesses

Total committed income* at 1 January 2011: £217m (1 January 2010: £203m)



*: Continuing operations

Sales pipeline at 1 January 2011: £289m



- **Education**
 - Significant increase in international opportunities

- **Health**
 - Short-term uncertainty reduced new business activity in H2 2010

Sales pipeline at 1 January 2010: £256m



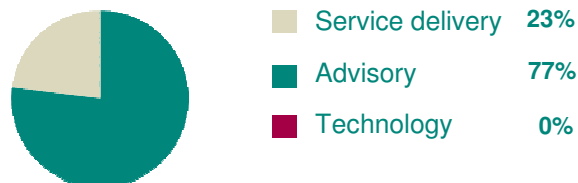
- **Government**
 - Recent improvement in UK pipeline
 - Increase in international development opportunities

Business review

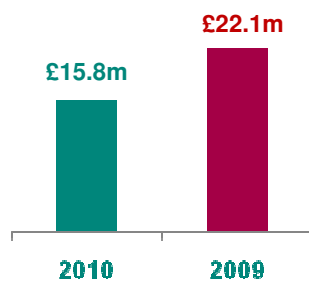
Keith Evans
Chief Operating Officer

Summary (£'000)	2010	2009
Revenue	45,405	69,440
Operating profit	(1,294)	5,269
Margin	(2.8%)	7.6%
Employees	158	328

Revenue split



Committed income



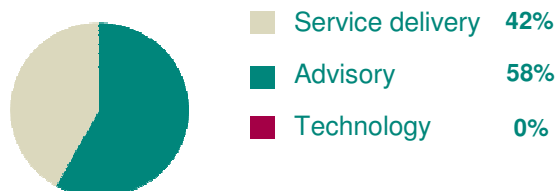
- Performance adversely affected by Coalition Government stance to consulting spend; particularly in central government
- As a result:
 - Associate/interim management business closed in July 2010
 - £13.5m annualised reduction in cost base
- Steady progress in local/regional government and social housing but with reduced activity levels
- Progress made on Tribal HELM diversification strategy - new donors, geographies and services
 - Significant contract award with Education to provide special needs advice to the Turkish Government (£5.6m)
- As at 28 February 2011
 - Committed income at £21m
 - Secured 48% of planned 2011 revenue
 - Pipeline of £80m

Government – *Market Opportunities*

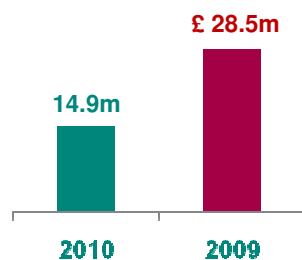
- *Managing major change programmes – as part of the government’s public services reform agenda*
- *Big Society – forming consortia and supporting third sector partners to deliver the government’s ‘Big Society’ agenda*
- *Inspections – using our education inspections credentials to support other government bodies for similar programmes*
- *Police middle office services – outsourcing non-warranted middle office activities*
- *Donor aid – increasing activity supporting international donor aid funded programmes*

Summary (£'000)	2010	2009
Revenue	26,088	25,674
Operating profit	392	2,432
Margin	1.5%	9.5%
Employees	154	202

Revenue split



Committed income

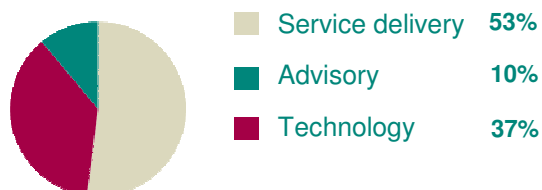


- Sustained full year revenues, though difficult trading conditions resulted in significant fall in H2
 - £5.5m of annualised cost savings implemented in year
- Advisory Services, focussing on clinical productivity improvement, beginning to show upturn
- In December a £22m, 5 year contract awarded to deliver training and learning services, based on Tribal's e-learning platform, to all NHS hospitals in the South West SHA.
- Implementation of the commissioning support contract with South Central SHA across 9 PCTs has strengthened our position in the emerging commissioning support market
- As at 28 February 2011
 - Committed income at £18m
 - Secured 56% of planned 2011 revenue
 - Pipeline of £19m

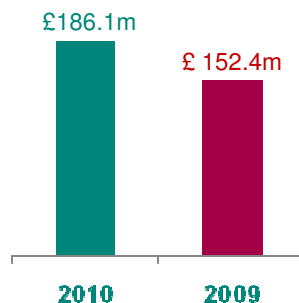
- GP Commissioning Consortia – *providing a range of support and services to emerging and pathfinder consortia*
- Informatics and patient management services – *supporting commissioning bodies in the analysis of patient data to support clinical interventions*
- Productivity and performance improvement – *supporting NHS providers in implementing cost and quality improvement programmes*
- Outsourced services – *including resource utilisation, medicines management, informatics and clinical coding*

Summary (£'000)	2010	2009
Revenue	106,621	101,264
Operating profit	14,079	15,226
Margin	13.2%	15.0%
Employees	1,396	1,036

Revenue split



Committed income



- Growth in revenue despite challenging UK market
- Successful implementation of the £64m Ofsted Early Years contract involving the transfer of 250 staff
- Successful implementation and growth of the University of Sydney contract, and secured the University of Otago contract
- Continued growth in long term contracts in adult careers and development, including the £22m South West SHA learning and development contract
- Acquisition and integration of US schools business – Class Measures. Strong pipeline of opportunities generated.
- As at 28 February 2011
 - Committed income at £187m
 - Secured 66% of planned 2011 revenue
 - Pipeline of £161m

Education – *Market Opportunities*

- Schools – *international opportunities for our inspection services and school improvement technology and services (US and Middle East)*



- Professional Development – *extension of our e-learning management portal into health and social care markets. (UK and US)*



- Apprenticeship – *strong government funding is creating opportunities for our Apprenticeship based technology centred products and services (UK)*



- Student Management Software – *strong international opportunities (Australia and New Zealand) for our student management software products*

SITS: e-VISION



- Shared Services – *emerging opportunities in the UK - HE and FE markets for shared services solutions for registry, finance, HR and student placement functions*



- Markets
 - Government – challenging markets, but showing signs of stability
 - Health – short term challenges, but good prospects for growth in the medium term
 - Education – strong prospects for growth, particularly internationally
- Cost bases now aligned with revenues
- As at 28 February 2011
 - Committed income – £226m
 - Secured 62% of 2011 planned revenue
 - Pipeline of £260m
- Current trading in line with expectations - sound footing to make good progress in 2011
- Remain in an offer period – announcements to be made in due course

Q&A

T R I B A L

Tribal Group plc

Preliminary results for year ended 31 December 2010

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

