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# RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

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AUGUST 2011

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# Commercial highlights



# Commercial highlights



**ALEXANDER PROUDFOOT**  
*people • productivity • profitability*

**Kurt Salmon** 

- Robust top and bottom line performance, building on changes made in 2010
- Good H1 2011 performance from Alexander Proudfoot, benefiting from growing workload in natural resources sector
- Successful Kurt Salmon merger, beginning to deliver benefits
- Kurt Salmon performance improving across core markets
- Investment in the business to drive organic growth, alongside continued focus on margin improvement
- Positive cash generation and further reduction in net debt





# Financial highlights



# Financial highlights

## > Robust H1 2011 performance

- Revenue up 19% at £155.6m (2010: 131.3m)
- Operating profit up 22% to £13.7m (2010: £11.2m)
- Underlying\* operating profit up 24% to £15.3m (2010: £12.4m)
- Underlying\* operating profit margin higher at 9.9% (2010: 9.4%)
- Profit for the half year increased to £9.1m (2010: £6.5m)
- Net debt reduced by 31% to £51.7m (June 2010: £74.8m)
- Basic earnings per share increased to 2.1p (2010: 2.0p)
- Underlying basic earnings per share increased to 2.4p (2010: 2.2p)
- Interim dividend increased to 0.2p per share (2010: 0.15p)

The term 'underlying' is defined as: 'before non-recurring items, the amortisation of acquired intangible assets and the impairment of acquired goodwill from continuing operations'.





# Financial performance



## Profit and loss account

➤ Increase in revenue and operating profit

	H1 2011 £m	H1 2010 £m
<b>Revenue</b>	<b>155.6</b>	<b>131.3</b>
<b>Underlying EBITDA</b>	<b>16.4</b>	<b>13.9</b>
<b>Underlying operating profit</b>	<b>15.3</b>	<b>12.4</b>
Amortisation of intangibles	(1.3)	(1.4)
Non-recurring items	(0.3)	0.2
<b>Operating profit</b>	<b>13.7</b>	<b>11.2</b>
Net interest cost	(1.2)	(1.9)
<b>Profit before tax</b>	<b>12.5</b>	<b>9.3</b>
Tax expense	(3.4)	(2.8)
<b>Profit for the period</b>	<b>9.1</b>	<b>6.5</b>

# Cash flow and debt

## > Cash generation from operations

Historically, the first half has not been cash generative (cash bonuses are largely paid in the first half)

£2.7m reduction in net debt since the 2010 year-end

	H1 2011 £m	H1 2010 £m
<b>Operating profit</b>	<b>13.7</b>	<b>11.2</b>
Depreciation / amortisation	2.4	2.9
Other non-cash items	0.8	(1.0)
(+)/- net working capital	(10.2)	(22.3)
<b>Cash generated/(absorbed) by operations</b>	<b>6.7</b>	<b>(9.2)</b>
Capital raised	1.2	25.0
Purchase of shares	(1.5)	-
Reclassification from investments	-	(0.2)
Capital expenditure	(0.8)	(0.6)
Interest paid	(1.4)	(1.9)
Taxes paid	(2.2)	(4.5)
Dividends paid	(0.7)	
Exchange difference	1.4	0.1
<b>(+)/- in net debt</b>	<b>2.7</b>	<b>8.7</b>



## Net assets

➤ Increase in net assets

	June 2011 £m	Dec 2010 £m
Intangible assets	280.4	276.9
Tangible assets	3.2	2.9
Investments	3.3	3.2
Deferred tax asset	18.7	19.1
Trade and other receivables	95.5	76.5
Cash and cash equivalents	20.7	25.7
<b>Total assets</b>	<b>421.8</b>	<b>404.3</b>
Borrowings	(72.4)	(80.1)
Other payables	(134.2)	(122.7)
Retirement benefit obligations	(24.9)	(25.7)
<b>Total liabilities</b>	<b>(231.5)</b>	<b>(228.5)</b>
<b>Net assets</b>	<b>190.3</b>	<b>175.8</b>

# Revenue by geography

## Global business

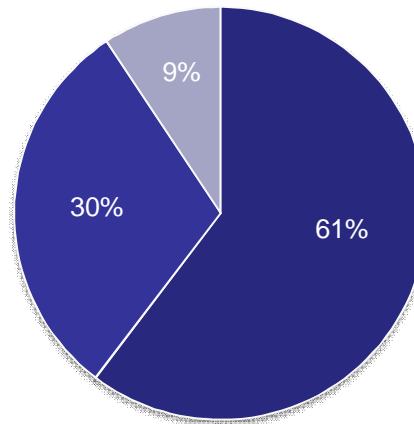
The Group is present in the important markets across the globe

H1 UK revenues were approx. 6% of the total

Rest of World principally comprises southern Africa and Asia

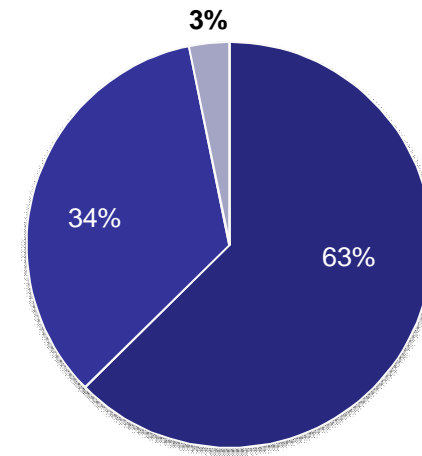
### H1 2011 revenue

■ Europe ■ Americas ■ ROW



### H1 2010 revenue

■ Europe ■ Americas ■ ROW





# Non-recurring items

## Minimal net impact

Further restructuring costs relating to the completion of the Kurt Salmon merger

	H1 2011 £m	H1 2010 £m
Kurt Salmon merger	(1.8)	(1.1)
Legal provision release	1.5	1.5
Other	-	(0.2)
	<b>(0.3)</b>	<b>0.2</b>

## Underlying tax rate

### > H1 2011 benefit from prior year items

H1 2011 underlying tax charge includes benefit from prior year items

Full year expected underlying tax charge will be higher

The Group made the majority of its profits in the US and France

	H1 2011		H1 2010	
	Profit £m	Tax £m	Profit £m	Tax £m
<b>Declared profit before tax</b>	<b>12.5</b>	<b>(3.4)</b>	<b>9.3</b>	<b>(2.8)</b>
Non-recurring items	0.3	(0.3)	(0.2)	(0.4)
Amortisation of intangibles	1.3		1.4	
Exceptional prior year item				(0.5)
<b>Adjusted profit before tax</b>	<b>14.1</b>	<b>(3.7)</b>	<b>10.5</b>	<b>(3.7)</b>
<b>Underlying tax rate</b>		<b>26%</b>		<b>35%</b>



## Earnings per share

Improved EPS despite dilutive impact of capital raising

	H1 2011 £m	H1 2010 £m
Underlying profit after interest	14.1	10.5
Underlying tax charge	(3.7)	(3.2)
<b>Underlying earnings</b>	<b>10.4</b>	<b>7.3</b>
Weighted average share capital	436.3m	332.9m
<b>Underlying basic EPS</b>	<b>2.4p</b>	<b>2.2p</b>
<b>Basic EPS</b>	<b>2.1p</b>	<b>2.0p</b>



## Divisional performance



## Performance by division



Strong recovery in Alexander Proudfoot in H2 2010 has continued

Significant improvement in Kurt Salmon Associates, versus H2 2010

	Revenue		Operating profit		Operating margin	
	H1 2011 £m	H1 2010 £m	H1 2011 £m	H1 2010 £m	H1 2011 %	H1 2010 %
Alexander Proudfoot	44.4	23.9	5.8	(0.2)	13.2%	-0.9%
Kurt Salmon	111.2	107.4	9.5	12.6	8.5%	11.7%
<b>Total MCG</b>	<b>155.6</b>	<b>131.3</b>	<b>15.3</b>	<b>12.4</b>	<b>9.9%</b>	<b>9.4%</b>

# Alexander Proudfoot

## > Good first half result

	H1 2011 £m	H1 2010 £m
Revenue	44.4	23.9
Operating profit	5.8	(0.2)
Operating profit %	13.2%	-0.9%

- Continuing improvement in H1 2011, following strong recovery in H2 2010
- Good performance in Europe and Rest of World, lower revenue growth in North America
- Increase in demand from natural resources sector and emerging markets
- Management focus on building long term client relationships alongside project sales
- Strong current order book and positive H2 2011 outlook



# Kurt Salmon

## > Growing in key markets

	H1 2011 £m	H1 2010 £m
Revenue	111.2	107.4
Operating profit	9.5	12.6
<i>Operating profit %</i>	8.5%	11.7%

- H1 2011 revenue growth versus H1 2010, and underlying operating profit for H1 2011 stronger than H2 2010
- Merger successfully implemented 1<sup>st</sup> January 2011, benefits being delivered in terms of client opportunities and recruitment
- Good progress in all key markets and geographies
- Continued investment for growth, and management focus on margin improvement
- Current order book at higher level than in 2009 and 2010





# Prospects



# Prospects

## > Positive momentum

- Positive momentum in the business, but global economic outlook remains uncertain
- Stronger, more active management of the businesses following changes made last year
- Continuing need for focus on operational efficiencies and margin improvement
- Investment in the businesses to promote profitable organic growth and to retain and recruit key staff
- Strong order book and healthy pipeline at this stage of the year





# Appendices



# Alexander Proudfoot



- Operational improvement business
  - Revenue / productivity increase and cost reduction
  - Works across all industries – natural resources, manufacturing, services
- Global operations
  - Headquartered in Atlanta, offices in North America, Europe, South Africa and Brazil
- Direct sell, mainly to CEOs
  - Average project size in excess of £2m
  - Order book visibility generally 4-6 months
  - c300 employees
- Major competitors include Celerant, Highland Group and AT Kearney



# Kurt Salmon



- Management consultancy business
  - Strategy, process improvement, systems design
  - Provides industry specific services to both private and public sectors
- International operations, core markets are in France and the US
  - Headquartered in Paris, offices in US, Europe, North Africa and Japan
- Relationship sell to CXOs
  - Average project size around £300k
  - Order book visibility generally 2-4 months (public sector can be longer)
  - c1,400 employees
- Major competitors include Accenture, McKinsey, Oliver Wyman, Bain and Booz Allan