

# **2004 Results**

7 March 2005



## Important notice

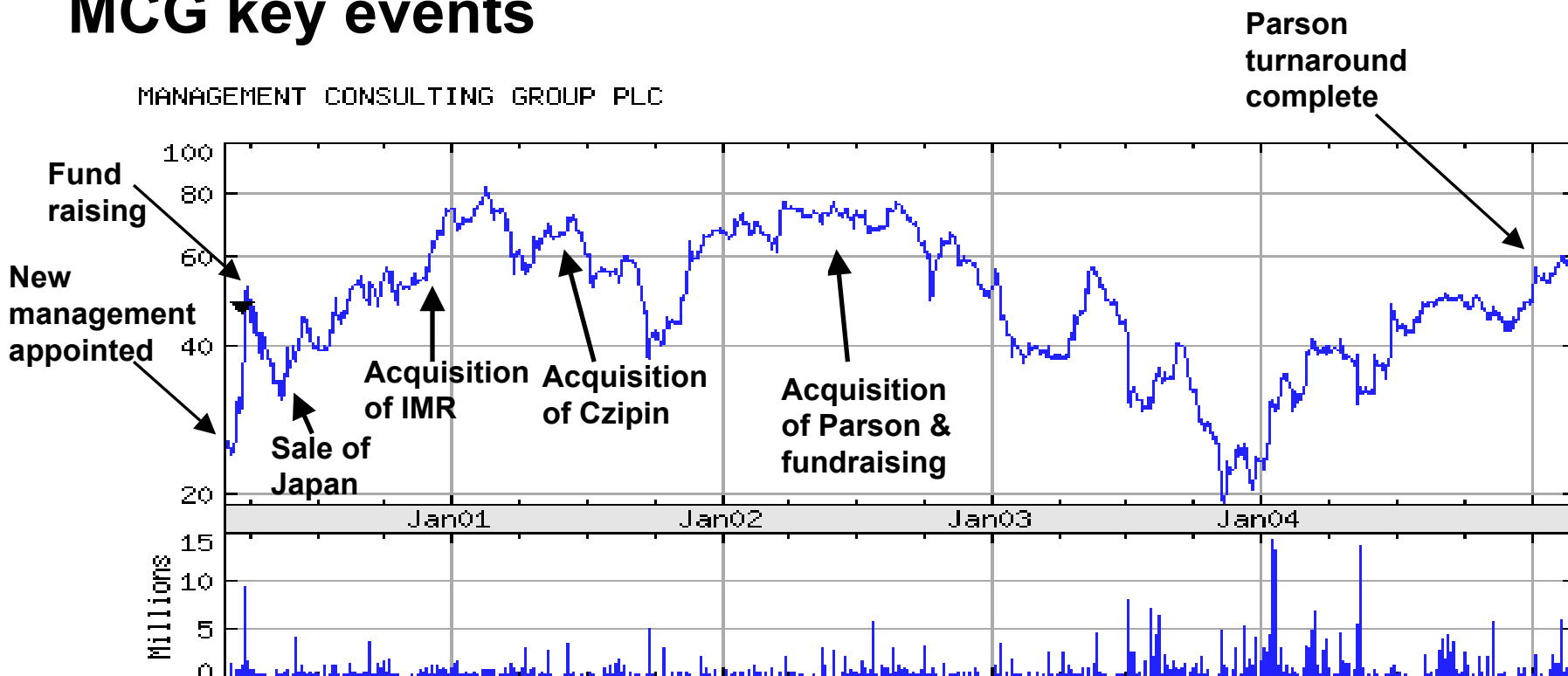
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# Agenda

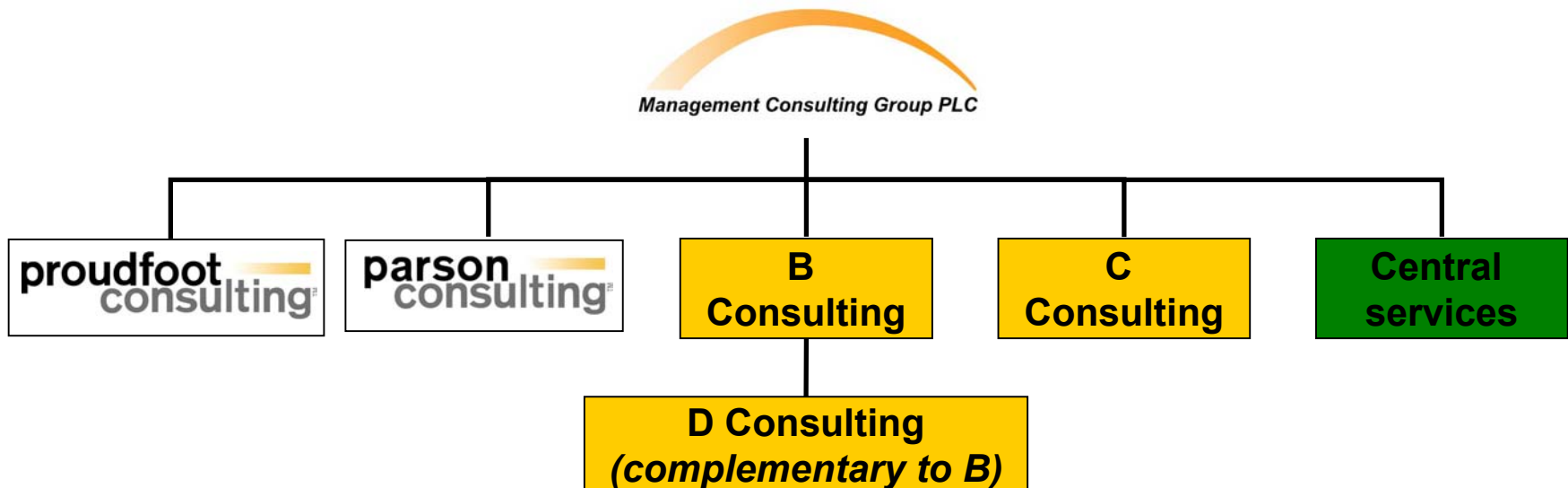
- Introduction
- The market
- 2004 key points
- Profit and loss account
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- Outlook

# MCG key events



- A £100 investment made in MCG on 31 December 2000 would have been worth £250 as at 31 December 2004

# Group structure



***MCG will become an umbrella organisation for different consulting offerings***

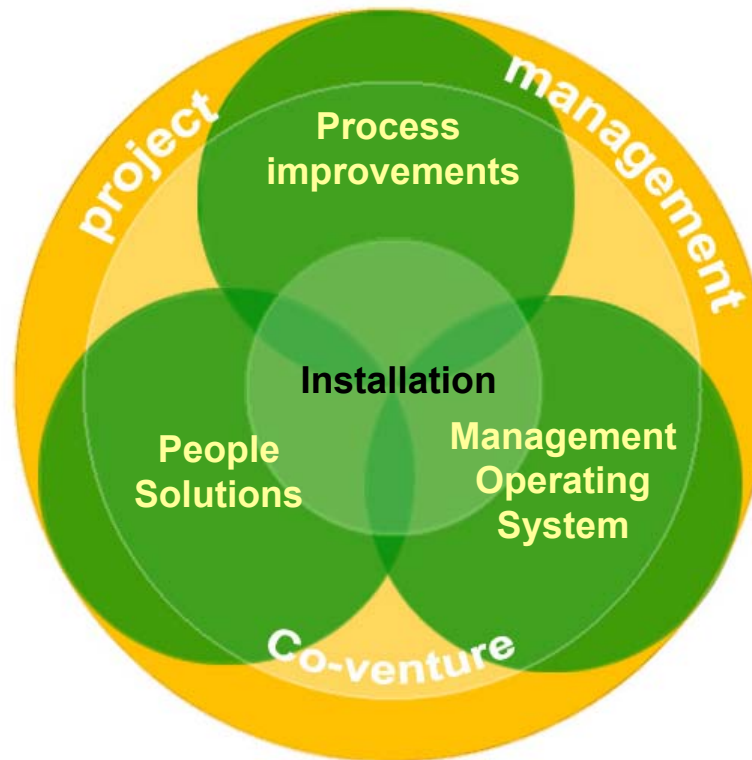
## **MCG – adding value to its shareholders**

- Drives strategic developments
- Manages acquisitions and post acquisition performance improvement
- Allocates capital to the consultancies to allow investment in growth areas
- Disseminates best practice management skills to the consultancies
- Determines remuneration structures
- Initiates cross selling opportunities where appropriate
- Provides shared services where tangible benefits can be obtained through scale

# Proudfoot Consulting – installation

The enhancement and design of processes to increase sales and throughput; and reduce costs, overheads and capital expenditure

Behavioural analysis, training, coaching and communications to enhance skills and embrace change



Coherent, impactable operational indicators to provide immediate visibility of past and predictable under-performance that prompts corrective managerial actions

**Tight, structured approach with measurable payback in predetermined timescales**

# Proudfoot Consulting - first year no net cash impact

*“Your annualised earnings enhancement will exceed our fee”*



*“Can you afford not to discuss your issues with us?”*



# Proudfoot Consulting – representative clients

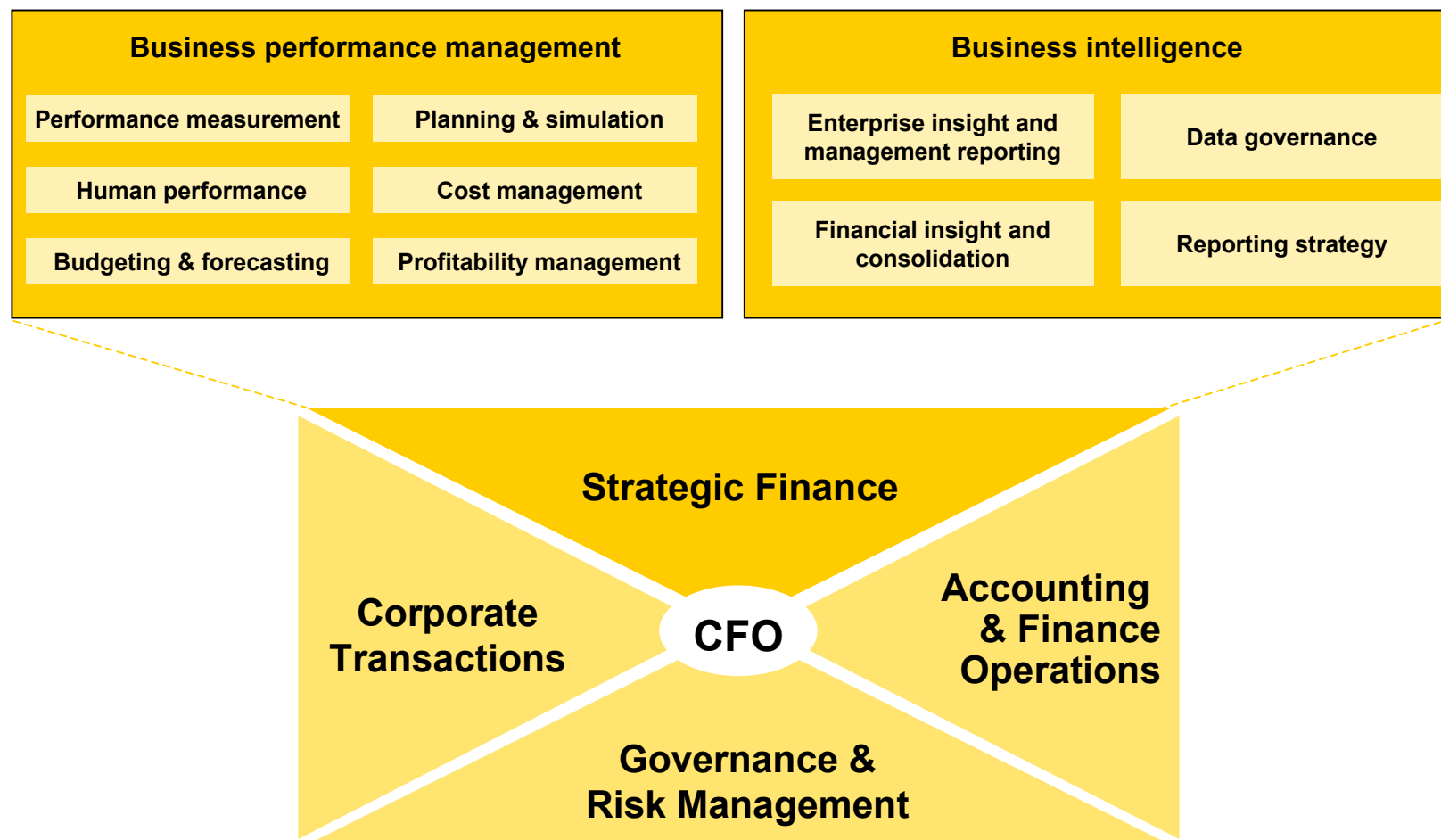


# Parson Consulting - High-performing Finance

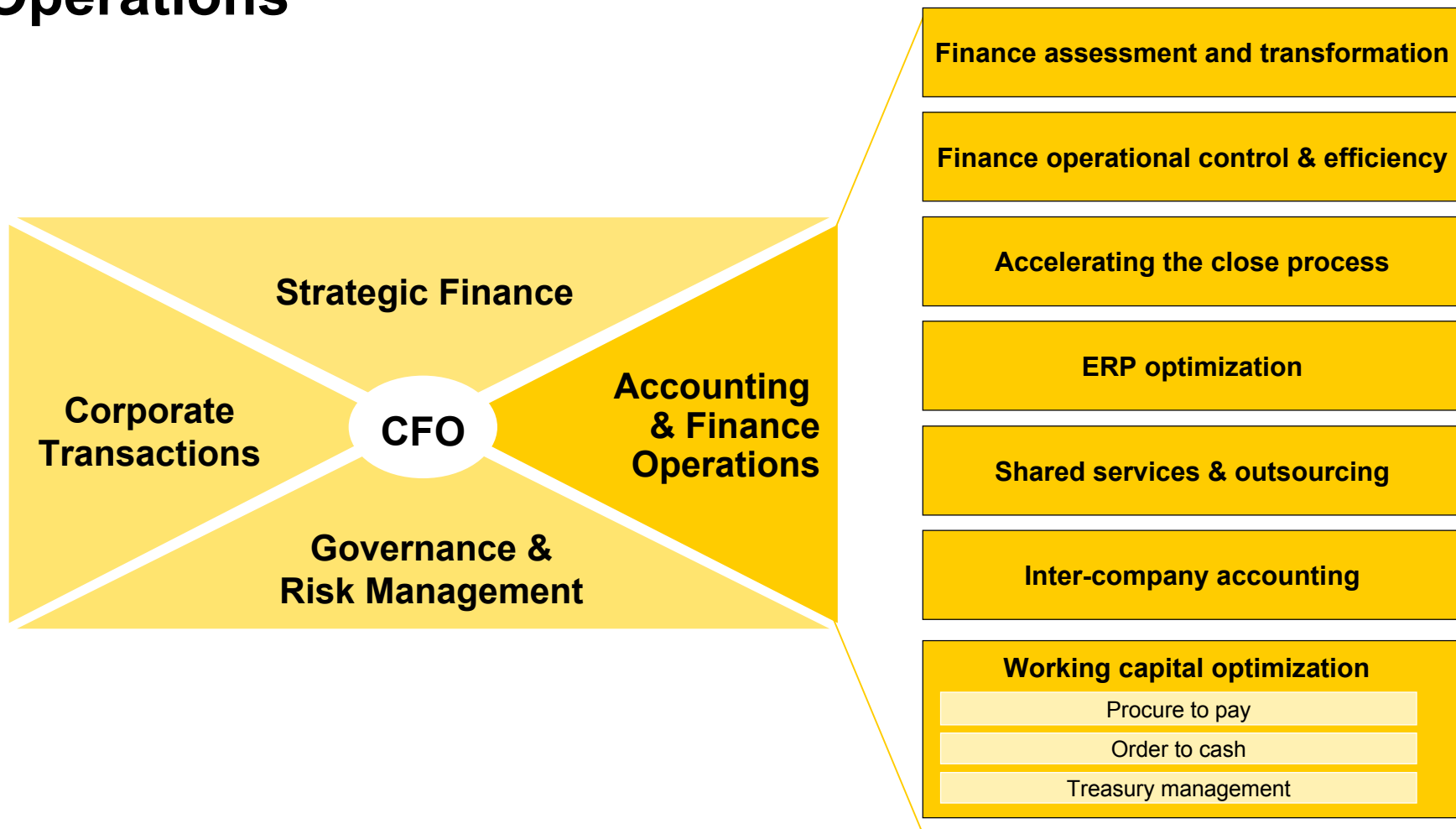
Provide financial information and insight to stakeholders



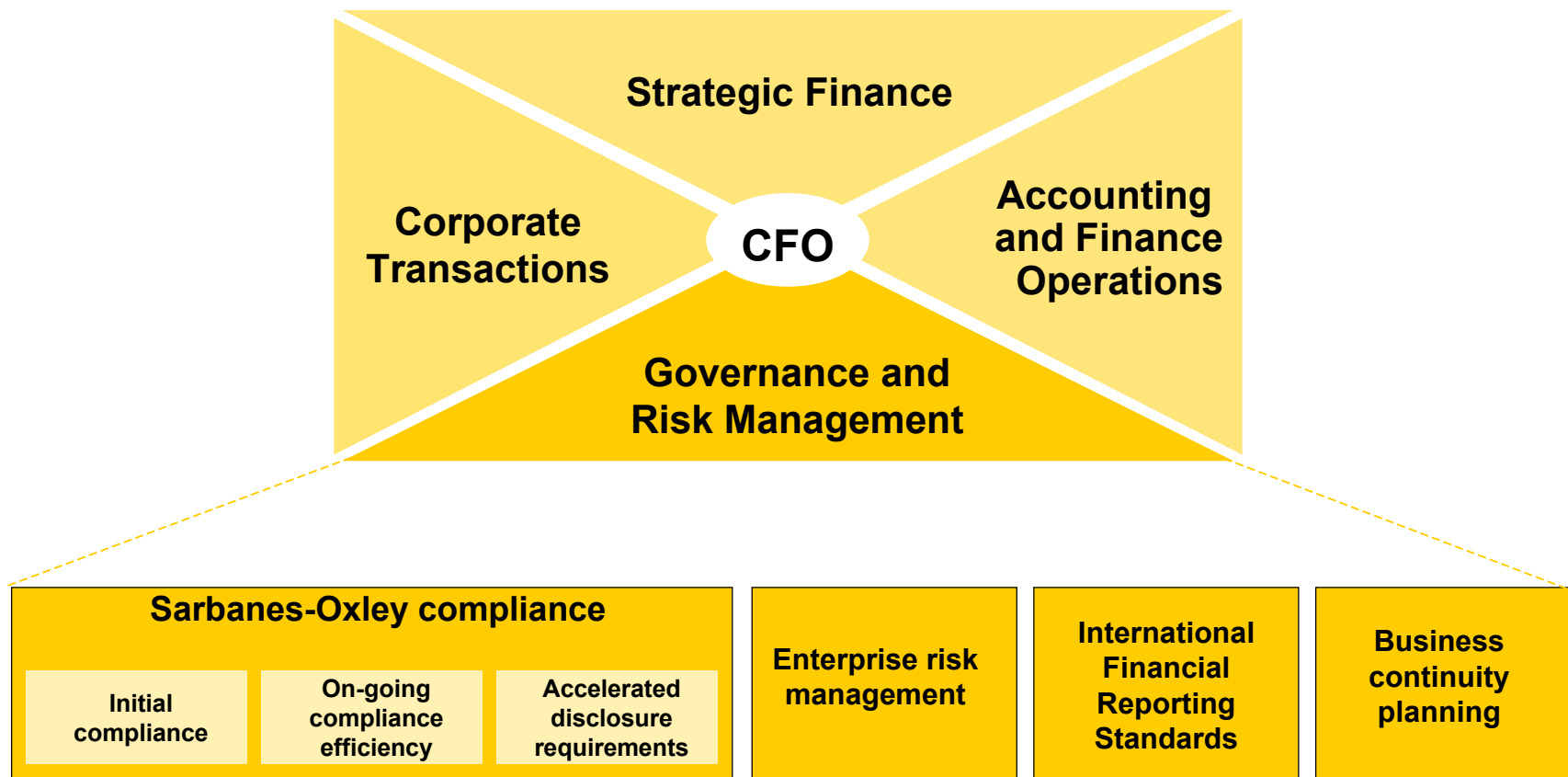
# Parson Consulting - Strategic Finance services



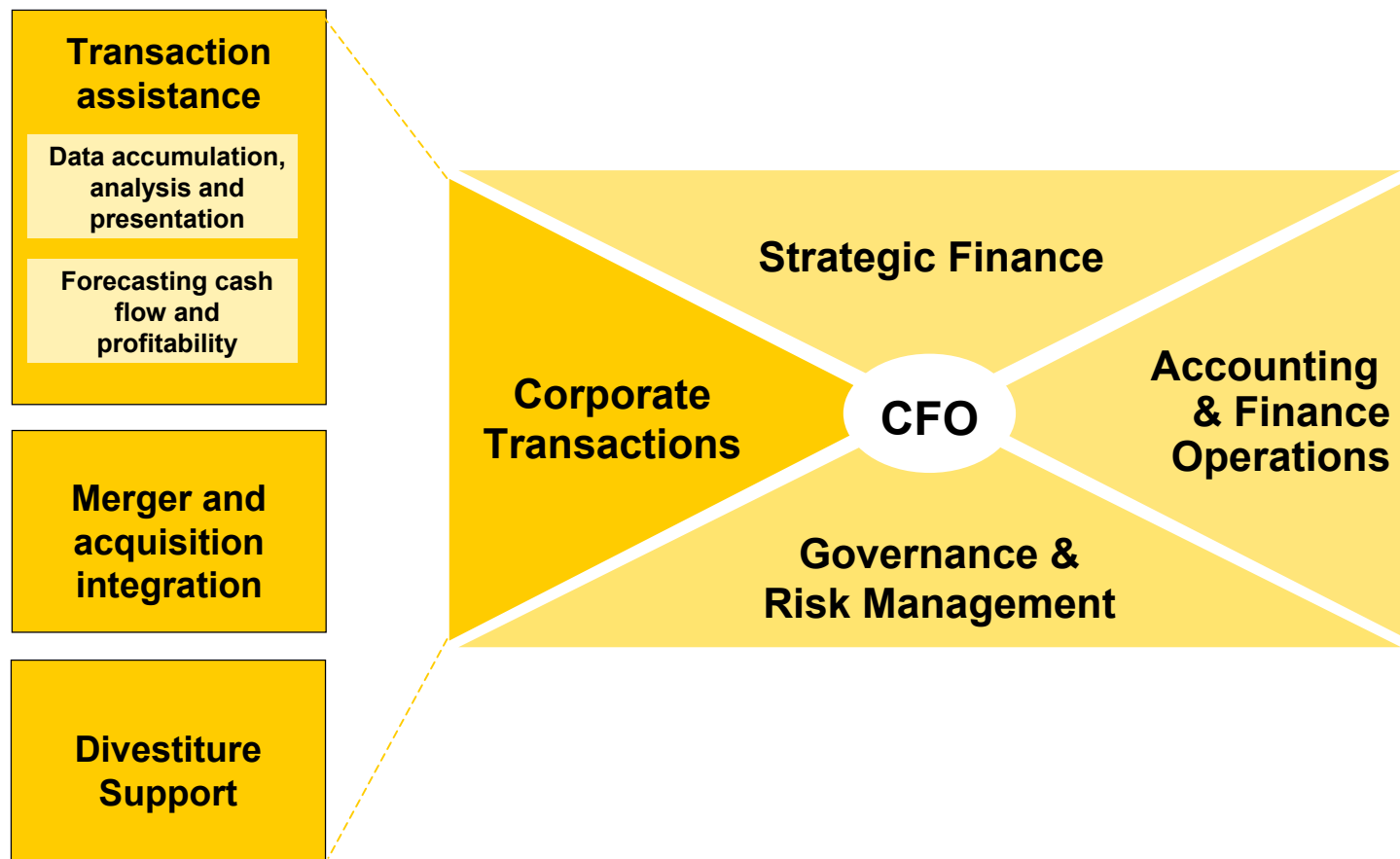
# Parson Consulting - Accounting & Finance Operations



# Parson Consulting - Governance & Risk Management services



# Parson Consulting - Corporate Transaction services



# Parson Consulting – representative clients

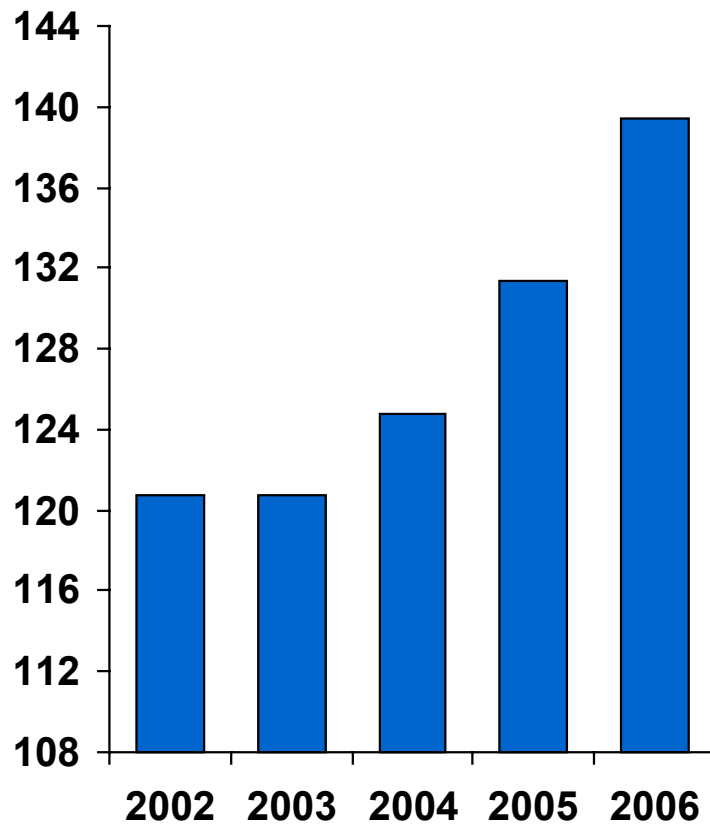


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# Consulting market place (US\$ 125bn)



Source: Kennedy Information

Kennedy information is projecting an improved landscape for consulting businesses with growth rates as follows:

- No growth in 2003
- 3% in 2004
- 5% forecast for 2005
- 6% forecast for 2006

Across the key consulting markets Kennedy is projecting the following growth rates for 2005/06:

|               | Share of<br>Global market | CAGR |
|---------------|---------------------------|------|
| North America | 58%                       | 6.3% |
| EMEA          | 34%                       | 4.5% |
| AsiaPacific   | 7%                        | 5.6% |

# MCG's position in the market

## Market

- Overall growth rates in 2004 only 3%
- Overall growth in 2005 expected to be 5% with the US leading the growth
- European marketplace lagging the US
- Asia Pacific (ex-Japan) optimism is high

## MCG

- Significantly exceeded
- Well placed – US dominant market for MCG
- Maintain presence in all markets, use period to consolidate position
- Separate Proudfoot Consulting unit in China; explore opportunities for Parson Consulting; maintain relationships with Proudfoot Consulting Japan

# MCG's position in the market

## Market

- India optimism is very high
- Private Equity driving change in some industries
- Increased focus on the finance function and governance issues beyond Sarbanes-Oxley

## MCG

- Not an attractive marketplace due to low billing rates
- Significant presence in this market
- Parson Consulting well placed as a conflict-free advisor

# MCG's position regarding consulting sectors

## Market

- Operational consulting remains strong
- Financial management consulting is strong, mainly governance related
- IT consulting remains sluggish
- Strategy consulting improving
- HR consulting improving
- Risk/security/forensic consulting improving

## MCG

- Provides opportunities for organic growth
- Build on Sarbanes-Oxley relationships and sell more of the new services
- Avoid
- Avoid
- Monitoring and interested
- Monitoring and interested

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## 2004 – The Group's achievements

- Proudfoot Consulting capitalised on the market opportunities to deliver significantly above market growth in revenue
- Parson Consulting turnaround complete. Revenue is now greater than acquisition price.
- Parson Consulting service offering extended beyond Sarbanes-Oxley compliance. We invested in new offerings, new geographies and further key staff
- After investing in growth the operational gearing allowed us to turn 34% of the turnover increase into earnings
- Current order book and prospects list is strong
- Earnings per share is at the highest for a decade
- Dividend increased 34%

## 2004 - Proudfoot Consulting

- North American business was strong in the financial, telecoms and natural resource sectors (underlying revenue up 41%)
- Europe experienced growth in the industrial sector (underlying revenue up 25%)
- Private equity penetration increased
- Improved procurement handling
- Black empowered JV established in South Africa
- Local Chinese office established

## 2004 - Parson Consulting

- Turn-around complete
- Significant development of new service offerings
- Less reliant on Sarbanes-Oxley initial compliance work in the US
- Entered into a partnership to assist with continuing Sarbanes-Oxley work
- Client base broadened significantly
- Moved prices up
- The European practice made a positive contribution to the results
- Further strengthened middle management



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# Profit and loss account

## Turnover

Proudfoot Consulting  
Parson Consulting

Cost of sales

## Gross profit

Selling costs  
Administrative expenses  
Goodwill amortisation

## Operating profit/(loss)

*Before goodwill amortisation*

After goodwill amortisation  
Finance costs

## Profit/(Loss) before tax

Tax

## Profit/(Loss) after tax

## Gross profit margin

## Selling costs to turnover

## Headline EPS

| 2004         | 2003        | Change   |                      |
|--------------|-------------|----------|----------------------|
| Year<br>£m   | Year<br>£m  | Reported | Currency<br>Adjusted |
| 81.4         | 68.2        | 19%      | 26%                  |
| 37.8         | 20.4        | 85%      | 106%                 |
| <b>119.2</b> | <b>88.6</b> | 35%      | 44%                  |
| (60.2)       | (45.1)      |          |                      |
| 59.0         | 43.5        |          |                      |
| (30.4)       | (28.3)      |          |                      |
| (16.3)       | (15.0)      |          |                      |
| (3.8)        | (4.0)       |          |                      |
| <b>12.3</b>  | <b>0.2</b>  |          |                      |
| 8.5          | (3.8)       |          |                      |
| (0.0)        | (0.1)       |          |                      |
| 8.5          | (3.9)       |          |                      |
| (3.0)        | (1.0)       |          |                      |
| 5.5          | (4.9)       |          |                      |
| 49%          | 49%         |          |                      |
| 25%          | 32%         |          |                      |
| 5.0          | (0.5)       |          |                      |

## Geographical analysis: turnover

|                             | 2004         | 2003        | Change     |                      |
|-----------------------------|--------------|-------------|------------|----------------------|
|                             | Year<br>£m   | Year<br>£m  | Reported   | Currency<br>Adjusted |
| <b>Proudfoot Consulting</b> |              |             |            |                      |
| North America               | 44.2         | 35.0        | 26%        | 41%                  |
| Europe                      | 29.3         | 23.6        | 24%        | 25%                  |
| Rest of world               | 7.9          | 9.6         | (18%)      | (19%)                |
|                             | <hr/> 81.4   | <hr/> 68.2  | <hr/> 19%  | <hr/> 26%            |
| <b>Parson Consulting</b>    |              |             |            |                      |
| North America               | 33.5         | 19.4        | 73%        | 93%                  |
| Europe                      | 4.3          | 1.0         | 330%       | 331%                 |
|                             | <hr/> 37.8   | <hr/> 20.4  | <hr/> 85%  | <hr/> 106%           |
| <b>Total</b>                | <b>119.2</b> | <b>88.6</b> | <b>35%</b> | <b>44%</b>           |

# Geographical analysis: EBITDA

|                             |               | 2004                      |                          |            |              | 2003                      |              |
|-----------------------------|---------------|---------------------------|--------------------------|------------|--------------|---------------------------|--------------|
|                             |               | Operating<br>result<br>£m | Goodwill<br>amortn<br>£m | Depn<br>£m | EBITDA<br>£m | Operating<br>result<br>£m | EBITDA<br>£m |
| <b>Proudfoot Consulting</b> |               |                           |                          |            |              |                           |              |
|                             | North America | 10.9                      | —                        | 0.5        | 11.4         | 8.1                       | 8.8          |
|                             | Europe        | (2.3)                     | 2.2                      | 0.3        | 0.2          | (6.1)                     | (3.6)        |
|                             | Rest of world | (0.8)                     | —                        | 0.1        | (0.7)        | 0.3                       | 0.3          |
|                             |               | 7.8                       | 2.2                      | 0.9        | 10.9         | 2.3                       | 5.5          |
| <b>Parson Consulting</b>    |               |                           |                          |            |              |                           |              |
|                             | North America | 0.6                       | 1.6                      | 0.3        | 2.5          | (5.3)                     | (3.3)        |
|                             | Europe        | 0.1                       | —                        | —          | 0.1          | (0.8)                     | (0.8)        |
|                             |               | 0.7                       | 1.6                      | 0.3        | 2.6          | (6.1)                     | (4.1)        |
| <b>Total</b>                |               | <b>8.5</b>                | <b>3.8</b>               | <b>1.2</b> | <b>13.5</b>  | <b>(3.8)</b>              | <b>1.4</b>   |

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# Balance sheet

|   | 2004        | 2003        |
|---|-------------|-------------|
|   | £m          | £m          |
| <b>Fixed assets</b>                           |             |             |
| Intangible assets                             | 62.3        | 69.2        |
| Tangible assets                               | 1.8         | 1.6         |
|   | <u>64.1</u> | <u>70.8</u> |
| <b>Current assets</b>                         |             |             |
| Debtors                                       | 12.6        | 7.9         |
| Cash and cash equivalents (net)               | 14.5        | 9.7         |
|   | <u>27.1</u> | <u>17.6</u> |
| <b>Creditors due within one year</b>          | (30.7)      | (24.0)      |
| <b>Creditors due after one year</b>           | (2.5)       | (3.3)       |
| <b>Provisions for liabilities and charges</b> | (2.9)       | (3.2)       |
| <b>Retirement benefits liability</b>          | (11.4)      | (13.2)      |
|   | <u>43.7</u> | <u>44.7</u> |
| <b>Net assets</b>                             |             |             |

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# IFRS

- Major impact is no amortisation of goodwill
- Other minor changes related to share-based payments, deferred bonus schemes and dividends
- Under IFRS the reported operating profit and profit after tax would have been £3.9m higher
- Net assets at 31 December 2004 would have been £49.2m, which is £5.5m higher than under UK GAAP, primarily due to the non-amortisation of goodwill (£3.8m) and the non-accrual of the proposed final dividend (£1.2m)



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## Outlook for 2005

- Continue to invest in both Parson Consulting and Proudfoot Consulting
- Revenue for first two months in line with 2004
- Order book at end of February was up 10% on beginning of the year
- Parson Consulting expected to be a more significant part of the Group in 2005
- Anticipate further progress in 2005

# Priorities for 2005



- Drive cross-selling opportunities
- Evaluate potential acquisitions



- Exploit opportunities arising from US market growth
- Maintain flexible approach in Europe
- Exploit new opportunities in South Africa and China
- Invest in service line development including further private equity offerings



- Roll-out new service lines
- Capitalise on continuing Sarbanes-Oxley related needs
- Establish four new offices in Paris, Sydney and two US locations
- Continue recruitment in line with service development

# **2004 Results**

7 March 2005

