

# Parity Group plc

Investor Presentation

Preliminary Results 2012

Audited



# Strategic Plan Review

## June - December 2010

- Cost cutting and business redirection
- New banking deal
- New strategic direction

## 2011

- Raise £6.4m for working capital and investment
- Restructure Board and invest in top management
- Stabilise the business and move into positive EBITDA
- Invest in new strategy for current business

## 2012

- Grow revenues
- Improve profitability
- Move into the Digital Agency world
- Increase emerging technology skills

## 2013

- Pivotal year for acquisition plan
- Creative Technology divisions
  - Digital Agency
  - Systems Integration
- Human Resources divisions
  - Resources
  - Talent Management



# Headline Numbers

## Group

- Revenues up 7.2% at £85.9m (2011: £80.1)m
- Adjusted EBITDA of £1.27m (2011: £0.36m)
- Group profit before non-recurring items and tax £0.28m (2011 : £0.71m loss)

## Divisional Results

- **Resources**
  - £4m divisional contribution (2011 : £ 3.5m)
  - Contractor numbers up 15% in 2012 (2011 : up 10%)
  - Expanded portfolio now more balanced towards private sector
- **Systems**
  - £1.29m divisional contribution (2011 : £1.86m)
  - Margins remained stable at 20%
  - First TechLab initiative announced
- **Talent Management**
  - £0.67m divisional contribution (2011 : £0.46m)
  - 14 clients gained following entry in GB market during 2012
  - Wins included Sheffield Hallam, the Welsh Assembly and the National Skills Academy
- **Inition (acquired May 2012)**
  - £0.26m divisional contribution
  - Inition first earn out achieved 3 months early
  - Clients in 2012 included Jaguar Land Rover, Gadget Show and Castrol



# Headline News

- Return to profit pre non-recurring items and tax
- Return to revenue growth
- Create two distinct divisions
  - Parity Digital Solutions; lead Parity's strategy on digital agencies
  - Parity Professionals; people into work
- Stephen Whyte appointed as CEO of Parity Digital Solutions
- Inition acquisition on track
- Systems wins new BI business
- Resources third year of growth in contractor numbers
- Talent Management 14 new GB clients from standing start
- Further savings:
  - AX replacement underway
  - Sub-tenant for WBH
  - Efficiencies from two division structure



# Financial Summary

## Income Statement

	Parity Group	
	2012 £000	2011 £000
Revenue	85,887	80,452
Segmental contribution	6,220	5,829
Central costs	(4,488)	(4,826)
Investment costs	(461)	(688)
<b>Adjusted EBITDA</b>	<b>1,271</b>	356
Depreciation and amortisation	(497)	(537)
Share based payments	(124)	(177)
Finance income	695	770
Finance costs	(1,061)	(1,124)
<b>Profit/ (Loss) before tax and non-recurring items</b>	<b>284</b>	(712)
Non-recurring items	(1,350)	(1,437)
<b>Loss before tax</b>	<b>(1,066)</b>	(2,149)

- Revenue up 7.2%
- Segmental contribution up 6.7%
- Central costs down by 6.2%
- Adjusted EBITDA up 257%
- Return to profit before tax and non-recurring costs
- Non-recurring costs – AX write off, transaction costs, property release

Adjusted EBITA is the statutory measure before non recurring items and share based payments



# Financial Summary

## Divisional Performance

	Revenue		Contribution	
	2012 £000	2011 £000	2012 £000	2011 £000
Resources	<b>75,289</b>	68,662	<b>4,000</b>	3,506
Systems	<b>6,504</b>	9,209	<b>1,288</b>	1,862
Talent Management	<b>2,202</b>	2,271	<b>674</b>	461
Inition	<b>1,892</b>	n/a	<b>258</b>	n/a
<b>Total</b>	<b>85,887</b>	80,142	<b>6,220</b>	5,829

### Resources

- Revenue up by 9.6%
- Divisional contribution up by 14%
- Continuing growth in contractor numbers

### Systems

- Margins remained stable with H2 margins strengthening
- Core clients performing well
- New Business Intelligence client

### Talent Management

- Divisional contribution up by 46%
- Margins improved to 30% (2011:20%)
- £3.7m of new business generated during 2012

### Inition (acquired May 2012)

- £0.26m divisional contribution in 7 months
- First earn out target achieved 3 months early
- Strong client list



# Financial Summary

## Balance Sheet

	Parity Group	
	2012	2011
Intangible assets	<b>7,756</b>	5,547
Tangible assets	<b>415</b>	593
Deferred tax	<b>1,318</b>	1,384
Trade and other receivables	<b>13,064</b>	12,655
Cash and cash equivalents	<b>2,871</b>	5,241
Asset based lending (ABL) financing	<b>(8,292)</b>	(6,504)
Trade and other payables	<b>(9,437)</b>	(8,783)
Provisions	<b>(770)</b>	(1,947)
Retirement plan liability	<b>(3,047)</b>	(2,467)
Net Assets	<b>3,878</b>	5,719

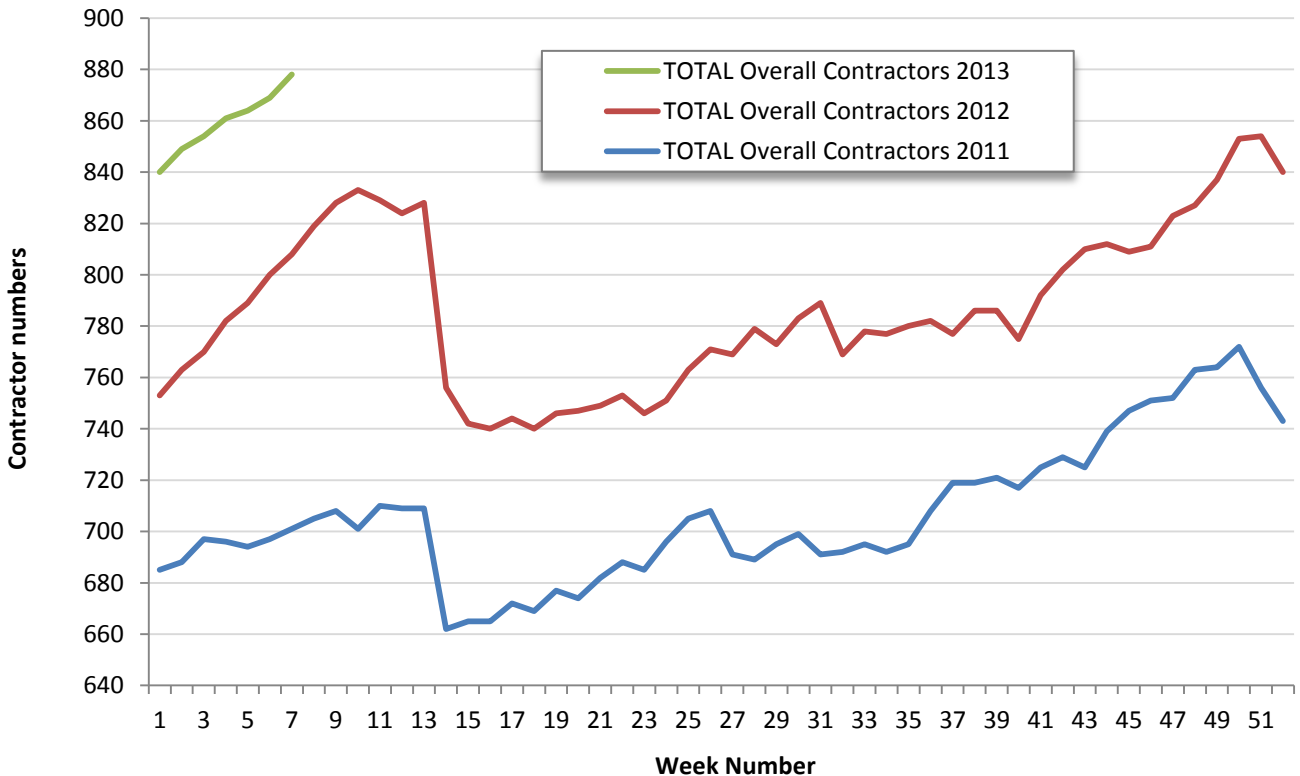
- Increase in intangibles due to goodwill on acquisition of Inition
- Operations before working capital adjustments generated cash of £688k (2011: £1.13m outflow)
- Increase in net debt due mainly to:
  - Acquisition programme - Inition and transaction costs
  - Legacy payments including Computacenter termination payment; property payments and pension deficit payments
- Trade and other receivable increased due to higher revenue and acquisition but debtor days improved to 26 days (2011: 27 days)
- Trade and other payables includes £1m deferred consideration for Inition



# Parity Resources Highlights

- 67 new clients including 25 for permanent recruitment
- Contractor numbers up 15% year on year
- Conversion ratios up from 26% to 30%
- New sectors identified e.g. engineering and digital skills
- Growth in Scottish market

## Contractor numbers 2010 - 2012





# Parity Resources

## New Clients 2012



# Parity Systems

## Highlights

- Stabilised operating margins at 20%
- Key clients continue to spend (BAT; Charity Commission; MOD etc.)
- One year extension to the existing framework agreement for BAT
- New Business Intelligence contract in Northern Ireland
- Maintained Gold Partner status with Microsoft and Oracle
- New TechLab initiative with Royal Holloway University of London



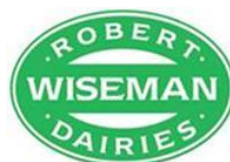
# Talent Management Highlights

- 14 new clients in GB from standing start
- Won re-bid of DEL and FastStream programmes
- £3.7m of new business achieved
- University wins with Sheffield Hallam; Teesside, Nottingham Trent and Bedfordshire
- Win with Welsh Assembly – 4 Universities
- Delivery partner for National Skills Academy, Food and Drink



# Talent Management

## New Clients 2012



# Inition

## Some projects in 2012

Shell	Visualisation of Shell's new technology centre in Bangalore
Mycamine	Augmented Reality visualisation from inside a patient for drug treatment
Jaguar	Full size augmented reality for new Jaguar launch
Nissan Duke	Immersive experience for campaign to align brand with extreme sports
V-Time	Use of virtual reality to improve quality of life for elderly
Starlight	3D projection system for Starlight Express production
Gadget Show	Use of our CrowdSense system for Birmingham LG Arena
Space Worldwide	Augmented reality from an unmanned drones perspective

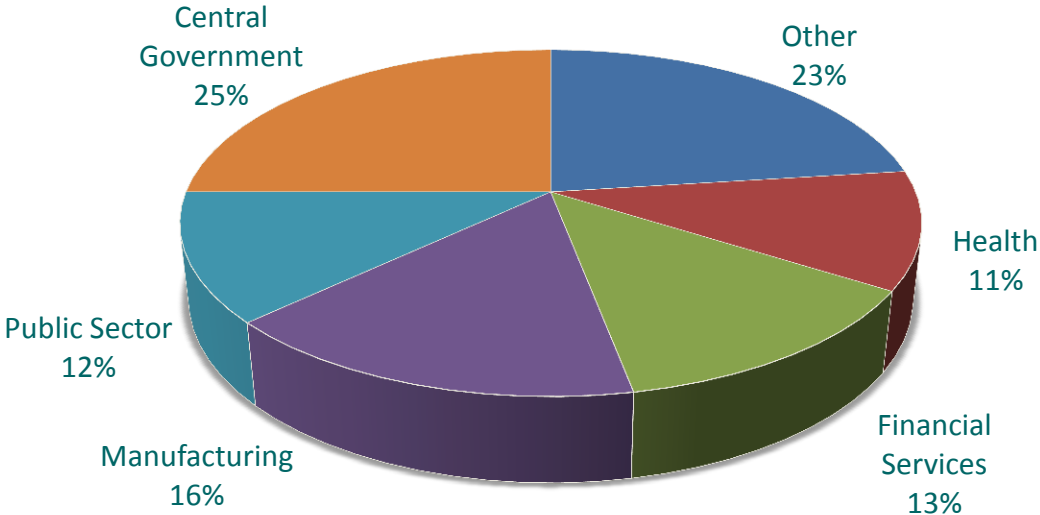


Inition's demo studio in Shoreditch

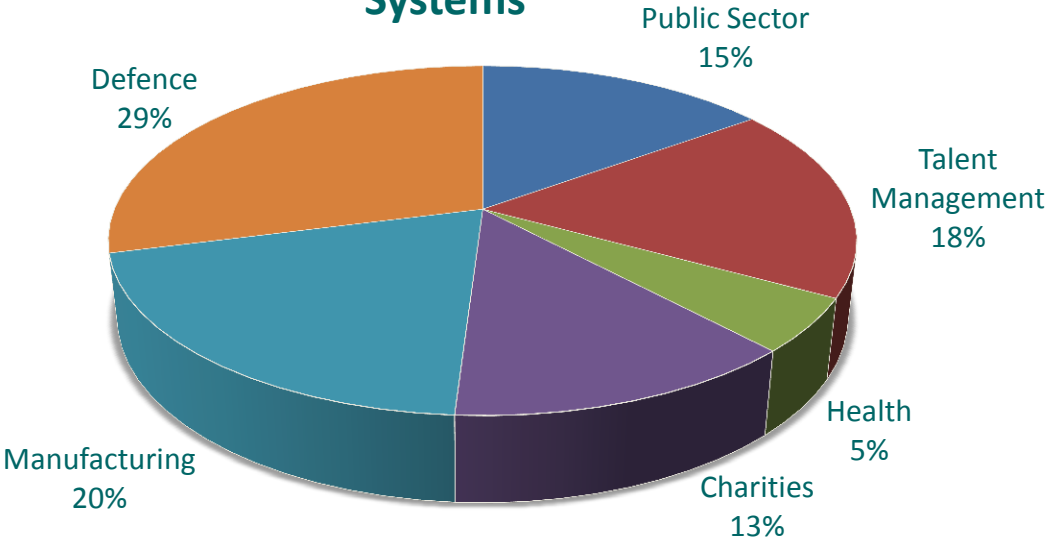


# Revenue Split by Sector

## Resources



## Systems



# Digital Strategy

