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## Results for the year ended 31 December 2012

March 2013



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# Commercial highlights

# Commercial highlights

## > Resilient performance

- Resilient performance for the year despite continuing difficult market conditions in Europe
- Good performance from Alexander Proudfoot, delivering improved profitability
- Kurt Salmon progress in the US and Asia offset by weaker activity in European markets
- Non-core and underperforming practices have been restructured
- Strong and long standing client relationships have continued to provide foundation for success in core markets
- Continuing focus on investment and growth opportunities where appropriate
  - Kurt Salmon acquisition of New Albany Healthcare
  - Alexander Proudfoot expansion in emerging markets

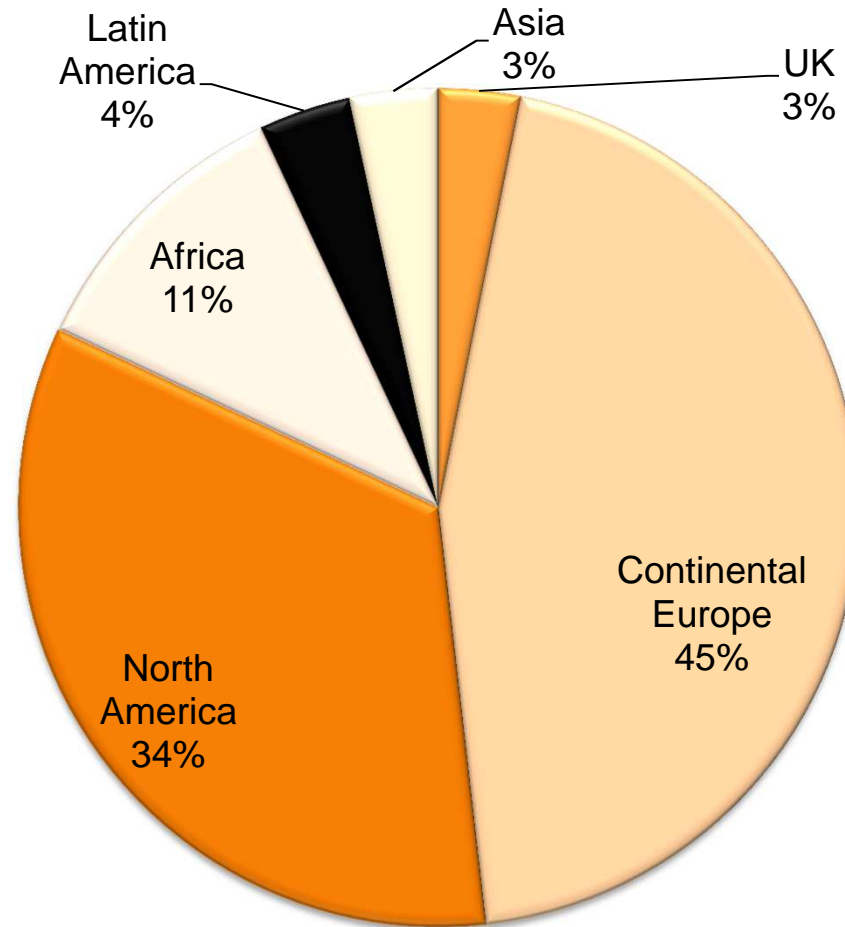
# Revenue by geography

## Global business

The Group is present in the important markets across the globe

97% of MCG's revenues were derived from outside the UK

18% of 2012 revenues related to client projects outside North America and Western Europe



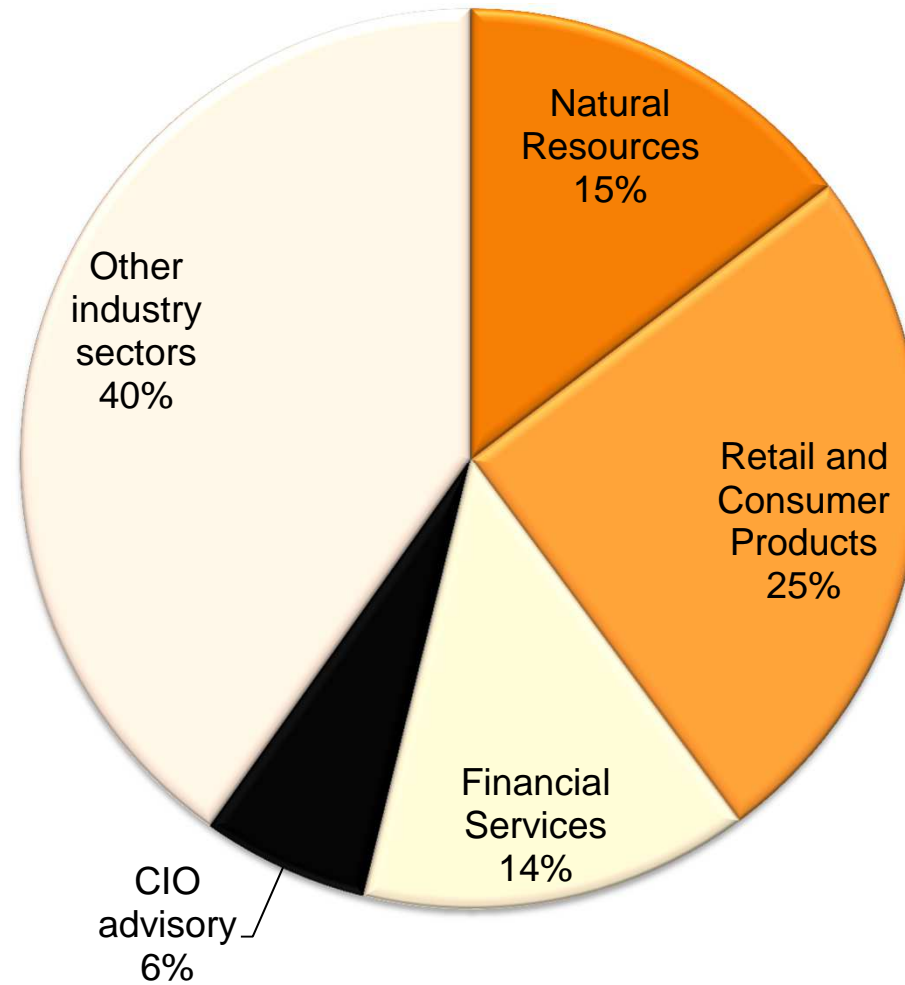
Pie chart shows revenue by delivery location

## Revenue by sector

### > Sector strengths

Key verticals which are managed on a global basis represent 60% of revenue

Other industry sectors represent national practices which are not managed globally



## Strong client relationships

> Excellent “repeat business”

- 75% of Kurt Salmon’s top twenty clients in 2012 have been clients of the business in the last five years
- 60% of Alexander Proudfoot’s revenues in 2012 related to work for clients with whom the business had an existing relationship

# Recognition for Kurt Salmon

> Track record of delivery

## **Kurt Salmon named a leader in Gartner's Magic Quadrant Report**

Gartner recognised Kurt Salmon as a leader in its *"Magic Quadrant for Business Operations Consulting Services, Worldwide"* published in September 2012. The report evaluated the capabilities of ten firms which provide business operations consulting services on a global basis, including Deloitte, PWC, KPMG and Bearing Point, based principally on feedback from their clients.

Gartner positioned Kurt Salmon in the "leaders" section in the Magic Quadrant, which measures firms in terms of their "ability to execute" and "completeness of vision". Kurt Salmon received the highest score of all the firms covered for client centricity, reflecting close attention to client needs and strong senior leadership relationships. Kurt Salmon was praised by clients for its deep industry expertise, and its ability to move seamlessly from strategy to execution in multiple engagement scenarios.

*"Magic Quadrant for Business Operations Consulting Services, Worldwide"* published by Gartner on 27th September, 2012.



## Alexander Proudfoot capabilities



***“The Company has engaged the services of leading mining consultants, Alexander Proudfoot (part of Management Consulting Group plc) to assist Avocet in realising material, measurable and sustainable business improvements.”***

Avocet Mining PLC - Operational and Expansion Update  
Announcement dated 29<sup>th</sup> June 2012

***“Daily mining volumes improved by some 11% compared with Q2 2012, as a result of a programme of operating improvement initiatives implemented in conjunction with Alexander Proudfoot.”***

Avocet Mining PLC - Unaudited results for the quarter ended 30 September 2012  
Announcement dated 1<sup>st</sup> November 2012

## Employee share awards

### Alignment with shareholder value creation

If all share awards vest, and new shares are issued where possible, the maximum dilution is c5%

If all share awards vest, and new shares are issued where possible, the aggregate of internal shareholdings would increase to c20% (from c12% now)

	2012	2011
<b>Share award charge</b>	<b>£3.1m</b>	<b>£1.7m</b>
<b>Awards in year</b>		
Number of staff	<b>98</b>	<b>86</b>
Number of shares	<b>25.3m</b>	<b>26.7m</b>
<b>Awards at year end</b>		
Number of staff	<b>112</b>	<b>91</b>
Number of shares	<b>43.4m</b>	<b>27.6m</b>
<b>Source on vesting</b>		
From existing shares*	<b>19.8m</b>	<b>16.3m</b>
From new or existing shares	<b>23.5m</b>	<b>11.3m</b>

\*At 31 December 2012 the MCG Employee Benefit Trust held 11.3m shares for this purpose, and MCG held 1.3m Treasury shares



## Financial highlights

# Financial highlights

## > Resilient performance

- Revenues 6% lower at £285.8m (2011: £302.6m); approximately 2% lower on a constant currency basis
- Underlying\* operating profit of £25.7m (2011: £28.3m)  
Underlying operating profit margin broadly flat at 9% (2011: 9%)
- Operating profit of £18.2m, down 29% (2011: £25.5m)
- Strong financial position maintained with net debt broadly unchanged at £30.3m (2011: £28.2m), below 1x adjusted EBITDA\*\*
- Underlying\* Basic EPS of 3.5p (2011: 3.8p). Basic EPS 2.4p (2011: 3.7p)
- Total dividend increased 10% to 0.825p per share (2011: 0.75p per share)

\*The term 'underlying' is defined as: 'before non-recurring items, and the amortisation of acquired intangible assets'.

\*\*Adjusted EBITDA is underlying operating profit, after adding back depreciation and amortisation (£2.4m) and the cost of share awards (£3.1m)

## Profit and loss account

Underlying operating profit margins broadly maintained

	2012 £m	2011 £m
<b>Revenue</b>	<b>285.8</b>	<b>302.6</b>
<b>Gross profit</b>	<b>100.5</b>	<b>104.4</b>
<b>Underlying EBITDA</b>	<b>28.1</b>	<b>30.2</b>
<b>Underlying operating profit</b>	<b>25.7</b>	<b>28.3</b>
Amortisation of intangibles	(2.3)	(2.6)
Non-recurring items	(5.3)	(0.2)
<b>Operating profit</b>	<b>18.2</b>	<b>25.5</b>
Net interest cost	(2.2)	(2.3)
<b>Profit before tax</b>	<b>16.0</b>	<b>23.2</b>
Tax expense	(4.3)	(6.7)
<b>Profit for the period</b>	<b>11.7</b>	<b>16.4</b>

<i>Underlying EBITDA margin</i>	9.8%	10.0%
<i>Underlying operating profit margin</i>	9.0%	9.4%
<i>Operating profit margin</i>	6.4%	8.4%

## Cash flow and debt

➤ Net debt broadly unchanged

Net debt is below 1x adjusted EBITDA (as measured for bank covenant purposes)

	2012 £m	2011 £m
<b>Operating profit</b>	<b>18.2</b>	<b>25.5</b>
Depreciation and amortisation	4.7	4.6
Share award charge	3.1	1.7
Additional pension funding	-	(2.8)
(+)/- net working capital/other items	(11.1)	3.5
<b>Cash generated by operations</b>	<b>14.9</b>	<b>32.5</b>
Equity issue/share purchases	0.3	9.0
Acquisition	(0.3)	(1.5)
Capital expenditure	(2.7)	(2.6)
Net interest paid	(2.3)	(2.5)
Taxes paid	(10.2)	(6.2)
Dividends paid	(3.6)	(2.0)
Investments realised	1.4	-
Exchange differences	0.4	(0.5)
<b>(Increase)/reduction in net debt</b>	<b>(2.1)</b>	<b>26.2</b>
<b>Net debt at beginning of year</b>	<b>(28.2)</b>	<b>(54.4)</b>
<b>Net debt at end of year</b>	<b>(30.3)</b>	<b>(28.2)</b>

## Net assets

➤ No significant change

	2012 £m	2011 £m
Intangible assets	266.4	274.3
Tangible assets	2.6	3.1
Investments	2.0	2.9
Deferred tax asset	20.0	18.6
Trade and other receivables	66.4	72.8
Cash and cash equivalents	14.9	19.8
<b>Total assets</b>	<b>372.3</b>	<b>391.5</b>
Borrowings	(45.2)	(47.9)
Other payables	(107.7)	(125.7)
Retirement benefit obligation	(24.8)	(23.2)
<b>Total liabilities</b>	<b>(177.7)</b>	<b>(196.8)</b>
<b>Net assets</b>	<b>194.6</b>	<b>194.7</b>

## Non-recurring items

Restructuring costs relate to Kurt Salmon Europe

	2012 £m	2011 £m
Property rationalisation	(2.4)	(1.1)
Restructuring costs	(2.9)	-
Asset write downs	(0.4)	-
Disposals	0.4	-
Kurt Salmon merger	-	(4.4)
Acquisition costs	-	(0.2)
Legal provision release	-	5.5
	<b>(5.3)</b>	<b>(0.2)</b>



## Underlying tax rate

Lower tax rate reflects geographic mix of profit in 2012

	2012		2011	
	Profit £m	Tax £m	Profit £m	Tax £m
<b>Declared profit before tax</b>	<b>16.0</b>	<b>(4.3)</b>	<b>23.2</b>	<b>(6.7)</b>
Non-recurring items	5.3	(1.6)	0.2	(1.7)
Amortisation of intangibles	2.3	(0.8)	2.6	(1.0)
<b>Adjusted profit before tax</b>	<b>23.6</b>	<b>(6.7)</b>	<b>26.0</b>	<b>(9.4)</b>
<b>Headline tax rate</b>		<b>27%</b>		<b>29%</b>
<b>Underlying tax rate</b>		<b>28%</b>		<b>36%</b>

## Earnings per share

Lower underlying EPS reflects dilutive effect of warrant exercise

	2012		2011	
	£m	pence	£m	pence
<b>Profit for the period/basic EPS</b>	<b>11.7</b>	<b>2.4</b>	<b>16.4</b>	<b>3.7</b>
Non-recurring items	5.3		0.2	
Amortisation of intangibles	2.3		2.6	
Tax credit on non-recurring items and intangibles	(2.4)		(2.6)	
<b>Underlying post tax earnings/EPS</b>	<b>16.9</b>	<b>3.5</b>	<b>16.6</b>	<b>3.8</b>



## Divisional performance

# Kurt Salmon



	2012	2011
	£m	£m
Revenue	199.0	215.6
Op. profit	13.5	16.8
<i>Op. margin %</i>	6.8%	7.8%
Employees	1,355	1,406

- Reported revenues 8% lower, but only 4% lower at constant exchange rates
- Lower margin reflects weakness in European business
- Activity levels in the French business have now stabilised at the lower levels experienced in 2012
- Non-core and lower margin activities in Europe and elsewhere have been restructured
- Revenue growth and improved margin in the United States and Asia operations
- Healthy order book and encouraging pipeline of prospects at the start of 2013

# Alexander Proudfoot



	2012 £m	2011 £m
Revenue	86.8	87.0
Op. profit	12.2	11.6
<i>Op. margin %</i>	14.1%	13.3%
Employees	315	321

- Revenues maintained at same level as previous year
- Margin improvement to 14.1%
- Continuing strong presence in natural resources and emerging markets, compensating for weaker European revenues
- New operations established in Chile in 2012 and in Hong Kong in 2013
- Flexible, global delivery model, well placed to benefit from opportunities in emerging markets
- Order intake slowed in the latter part of 2012 and this is likely to impact the first half of 2013



# Prospects

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- Kurt Salmon European revenues have stabilised, but we expect that these operations will continue to be affected by macroeconomic weakness in the Eurozone
- Encouraging start to the year for Kurt Salmon operations in North America and Asia
- Alexander Proudfoot continues to benefit from demand in natural resources and growth in emerging markets
- The order intake in Alexander Proudfoot slowed in the latter part of 2012 and this is likely to have some impact on the first half of 2013
- We continue to invest and to focus on opportunities in growing markets and industry sectors, particularly in the US and emerging markets