

# Investor Presentation March 2019

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# Agenda

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- **Introduction to RTC**
- **2018 Group financial review**
- **2018 Recruitment business review**
- **Summary and outlook**
- **Appendices**
  - **Significant shareholdings**
  - **Board biographies**



# Introduction to RTC



**RTC Group is predominantly an engineering and technical recruitment company.**

**RTC Group supplies white and blue collar and contingent labour to a broad range of industries and clients in domestic and overseas markets.**

## RTC recruitment businesses



Engineering and technical recruitment for major infrastructure projects and SMEs.

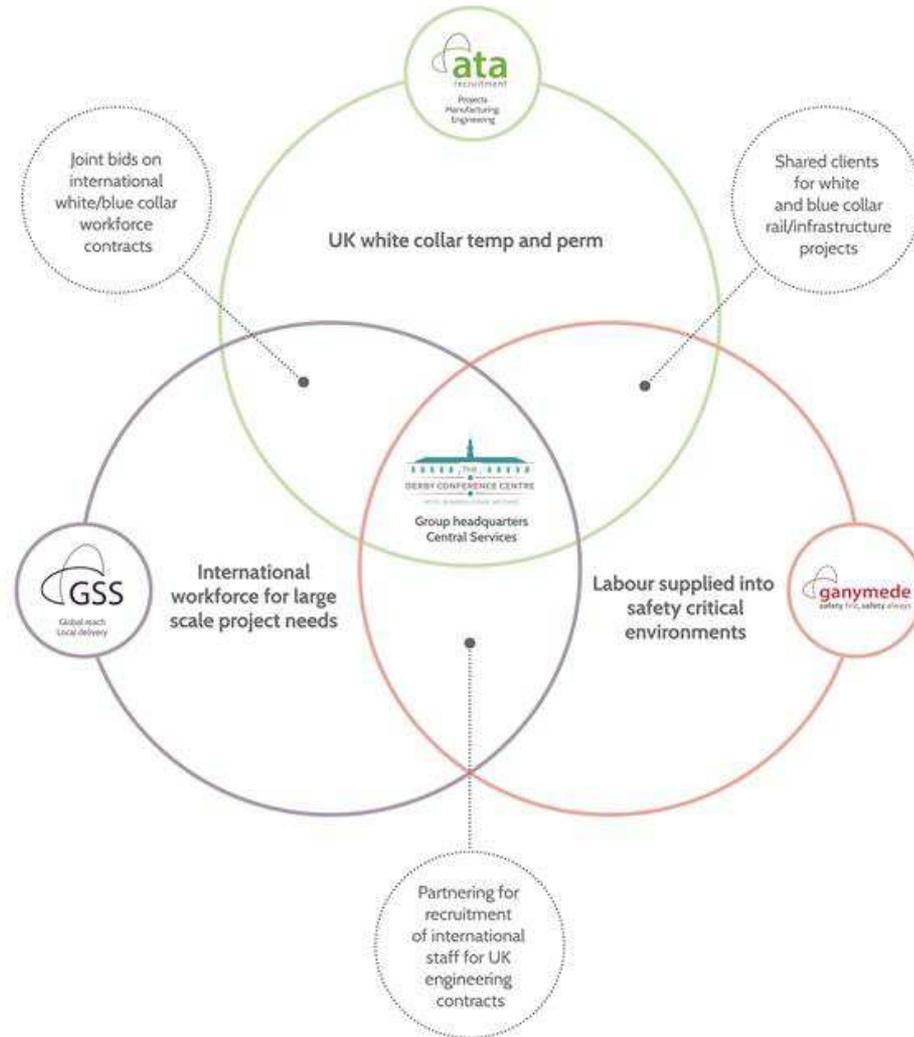


Labour supply into safety critical environments. Emphasis on Rail and gas and electrical engineers.



Staffing solutions provided internationally specialising in large scale projects in hostile locations.

# RTC business model



## Key clients



## RTC Group history

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- **Established in 1963**
- **1997 floated on AIM**
- **2007 current CEO appointed**
- **2008 rebranded RTC Group**
- **2009 strategic turnaround programme launched**
- **2014 acquisition of RIG Energy Limited and long-term growth plan outlined**
- **2015 awarded Network Rail contract for contingent labour services**
- **2017 awarded SSE Plc contract for provision of dual fuel installers to its smart-meter rollout programme**
- **2018 Group revenue increased for the tenth successive year and since we outlined our long-term growth plan in 2014 we have delivered EBITDA growth of 80%, EPS growth of 72% and dividend growth of over 150% to our shareholders**

# Turnaround programme

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- **New vision and strategy**
  - **Our Vision** 'To build a £150m+ turnover business generating sustainable returns and increasing earnings per share for our investors'.
  - **Our Strategy** 'To establish each of our core businesses of ATA, Ganymede and GSS into market leading service providers through a combination of organic growth and targeted acquisitions.'
- **Brand enhancement**
- **Subsidiary company review**
- **Business mix exposure**
- **Senior management team changes**

## The changing shape of our recruitment business

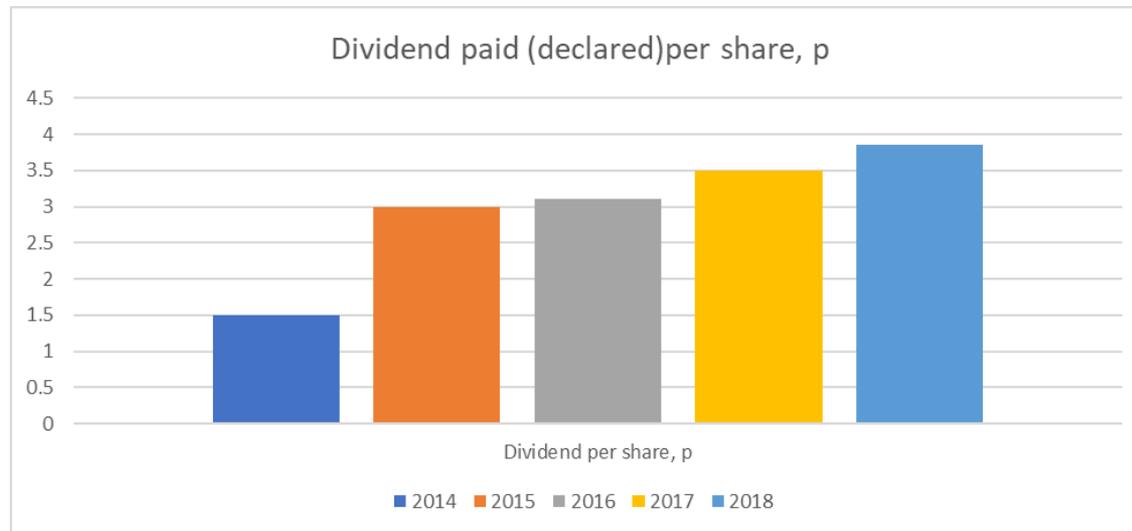


	Historic split	Current split
	2007	2018
<b>Gross profit*</b>		
Permanent	80%	30%
Temporary	20%	70%
<b>Client type (revenue)</b>		
SME	80%	30%
Large corporate	20%	70%
<b>Delivery location (revenue)</b>		
UK	100%	80%
Overseas	0%	20%
<b>Order book (revenue)</b>		
Booked	10%	50%
Spot	90%	50%

\*Gross profit consists of the total placement fees of permanent candidates and revenue earned on the placement of temporary candidates less the salary cost of temporary candidates and direct variable costs associated with the provision of temporary candidates including equipment and work wear, travel and training costs.

## Returns to shareholders since 2014

- Basic EPS growth 72% (2014: 5.92p, 2018: 10.20p).
- Dividends
  - Over £2m returned to shareholders in dividend payments.
  - Dividend growth over 150% (2014: 1.5p per share, 2018: 3.85p per share).
  - Dividend yield in respect of 2018 7.5%.



- Share price increased over 200% (1 January 2014 15.5p, 31 December 2018 51.0p).



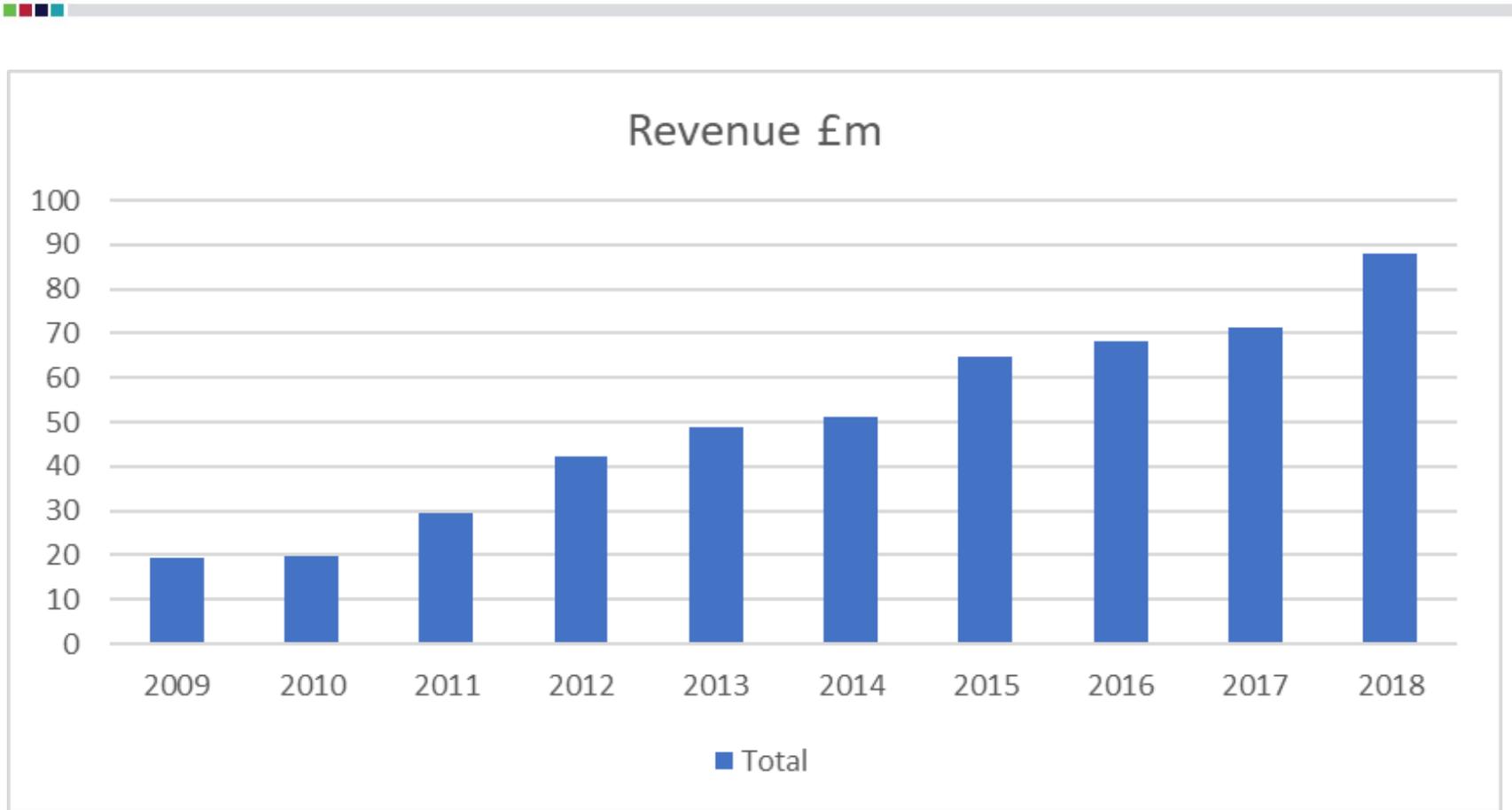
# 2018 Group financial review

## Financial highlights 2018

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- Revenue £87.8m up 22%. Tenth successive year of growth.
- All Group businesses delivering increased profitability.
- 70% of gross profit delivered by our more resilient contracting business.
- Profit before tax £1.9m up 58%.
- Basic EPS 10.2p up 44%.
- Interest cover 16.4 (2017:15.4).
- Improvement in current ratio and gearing.
- Operating well within facility as regards cash availability.

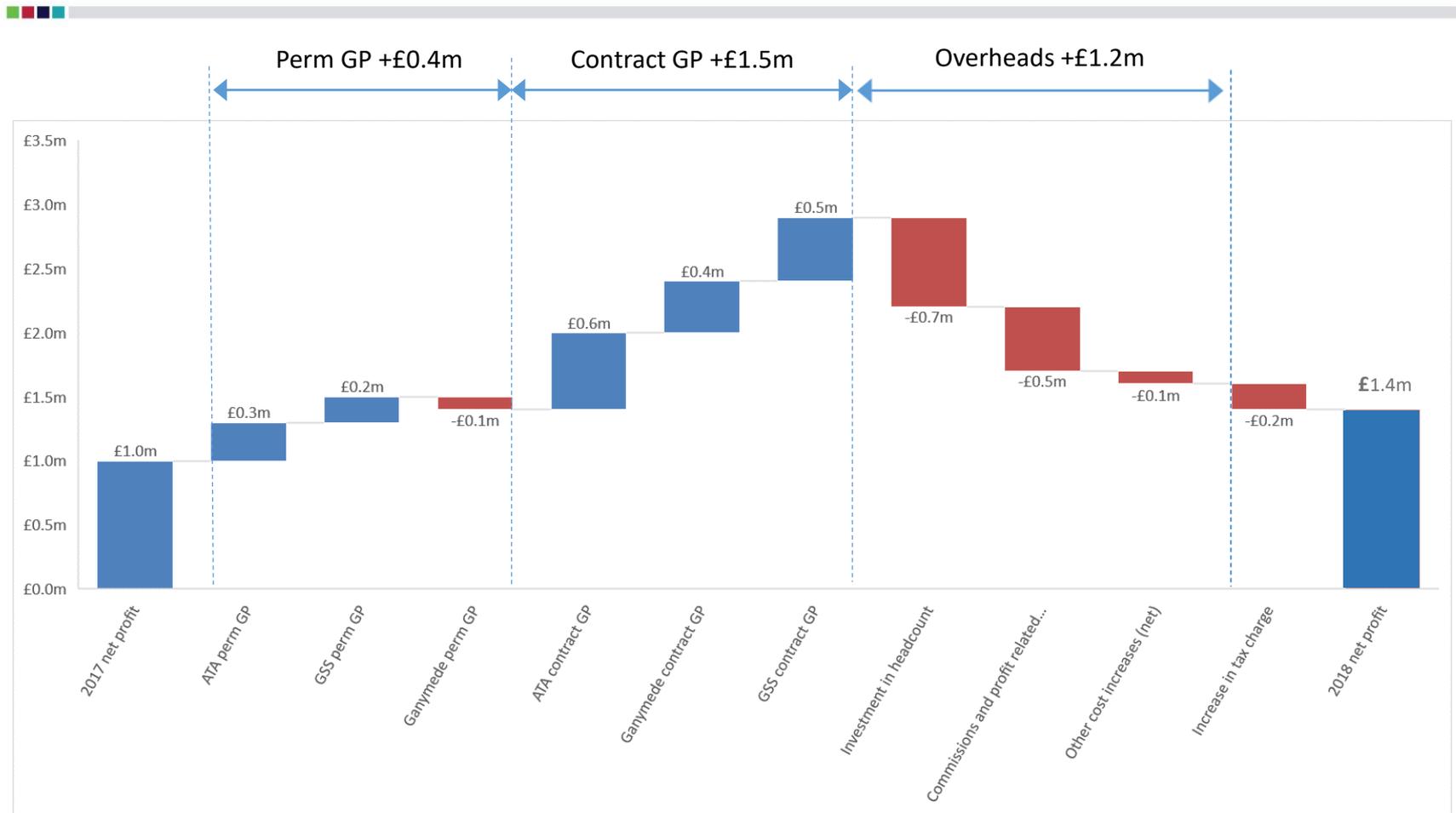
## Revenue growth for tenth successive year



## Income statement

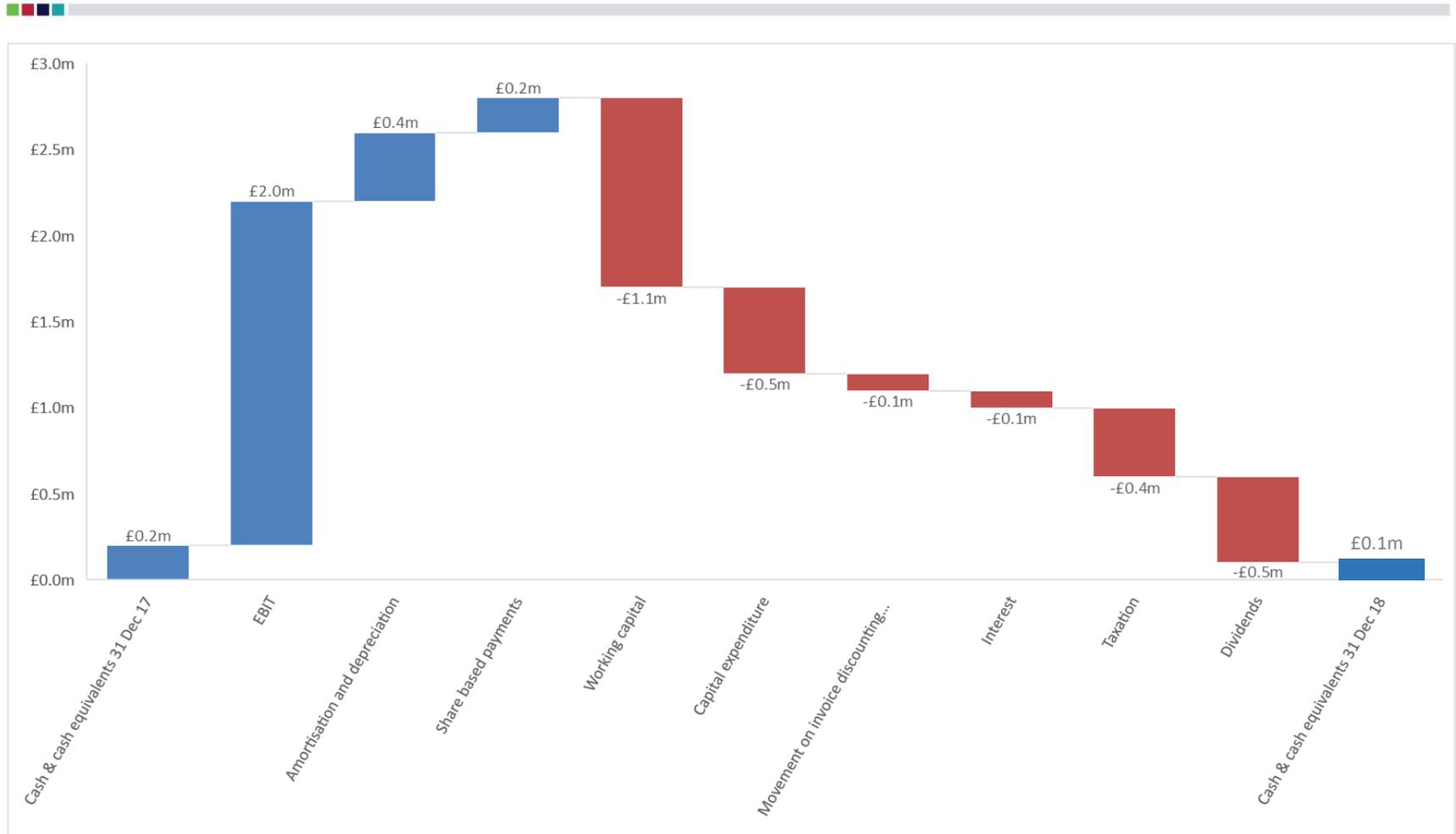
£m	2018	2017	% Change
<b>Revenue</b>	<b>87.8</b>	<b>71.2</b>	<b>23%</b>
Permanent fees	3.2	2.9	10%
Contract gross profit	9.9	8.2	21%
Derby site gross profit	0.8	0.8	-
<b>Gross profit</b>	<b>13.9</b>	<b>12.0</b>	<b>16%</b>
<i>Gross margin</i>	<i>16%</i>	<i>17%</i>	
Overheads	(11.9)	(10.8)	(11%)
<b>Profit from operations</b>	<b>2.0</b>	<b>1.2</b>	<b>66%</b>
<i>Profit from operations conversion from gross profit</i>	<i>14%</i>	<i>10%</i>	
<i>Profit from operations conversion from revenue</i>	<i>2.2%</i>	<i>1.7%</i>	
Financing	(0.1)	(0.1)	-
<b>Profit before tax</b>	<b>1.9</b>	<b>1.2</b>	<b>58%</b>

# Profit bridge



Note: The Group has invested in increasing headcount to position themselves for future growth. Absolute headcount across the Group has increased by around 20 from 1 January 2018 to 195. Commissions and profit related pay also increased in line with gross profit and profitability respectively.

# Cashflow bridge



Notes: Working capital movement reflecting increase in levels of contract business in ATA clients on 60 days coupled with a few key clients paying late in first week of January.

## Financing

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- The Group is financed using an invoice discounting facility of up to £9m (increase to £11m approved if required) and a net overdraft position of £50,000 with HSBC.
- Utilisation of the invoice discounting facility was £4.6m at 31 December 2018 (2017: £4.7m). On average the Group has £4m headroom in its invoice discounting facility which it can use, for example to make acquisitions from cash or to invest in its existing businesses to grow them.
- With the invoice discounting facility the Group is able to draw down based on sales made. The security for the bank is the ownership of those debtor balances. As sales increase the ability to draw cash increases.
- There is no term debt.

## Earnings per share and dividends

	2018
<b>Profit after tax</b>	<b>£1.4m</b>
Basic weighted average number of shares	14.1m
Dilutive effect of share options	1.3m
<b>Fully diluted weighted average number of shares</b>	<b>15.4m</b>
<b>Earnings per share</b>	
Basic	10.20p
Diluted	9.36p
<b>Dividend per share (in respect of 2018)</b>	<b>3.85p</b>
Dividend yield on 31 December 2018 share price of 51p	7.5%

Note: Of the 14,643,707 shares in issue – 417,027 are held in an Employee Benefit Trust (no dividends payable).



# 2018 Recruitment business review

## ATA performance 2018

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### ATA

- £0.3m increase in profit from operations to £1.6m (2017: £1.3m). A very solid year of growth.
- Increase in perm placements in year 553 (2017: 499).
- Increase in average no. of contractors in year 422 (2017: 369).
- Now providing a fully integrated recruitment service providing both white and blue collar solutions reducing hire related costs for customers through streamlined recruitment.
- Investment in headcount to achieve future growth. Headcount at end of period 69 (2017: 58), based out of London, Derby, Leicester and Leeds.

## Ganymede performance 2018

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### Ganymede

- £0.1m increase in profit from operations to £1.9m (2017: £1.8m).
- Total hours delivered to clients 1,365,765 (2017: 1,305,411).
- Average weekly hours 26,265 (2017: 25,104).
- Successful year with long-term contract with Network Rail experiencing lower than expected throughput in H1 but with H2 rebounding solidly.
- Continued investment in health and safety, including Ganymede's mobile safety vehicle, and apprentice training.
- Trainee and apprenticeship investment programme has seen Ganymede introduce over 100 new young employees into the sector during the year.
- SSE Plc contract to supply dual fuel meter installers to their smart-meter rollout programme slower to build than anticipated due to delays in approval of smart-meter technology.
- Headcount at end of period 54 (2017: 50), based out of London, Derby, Wales, Crewe, Doncaster, Portsmouth and Milton Keynes.

## GSS performance 2018

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### GSS

- £0.4m increase in profit from operations to £0.9m (2017: £0.5m).
- Average contractors numbers grew to 905 (2017: 750) as GSS' key client secured new contracts.
- Relationships with major American international facilities management companies gathered momentum as a full year of the contract won in 2017 was delivered.
- Headcount at end of period 5 (2017: 4), based in Birmingham and Dubai.



# Summary and outlook

## Summary and outlook

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- Revenue growth from circa £20m to over £80m over past 10 years. Aim is to take the business to over £150m through both organic growth and targeted acquisition.
- Core recruitment businesses support industries and clients with solid growth opportunities:
  - ATA continuation of growth in contractors numbers, particularly into infrastructure projects. Perm and contract activity in engineering and technical sustainable;
  - Ganymede Rail continuing to deliver labour to Network Rail on its core maintenance contract and other projects. Together with growing other rail related business. Ganymede Energy delivering on its contract with SSE Plc and seeking opportunities for further similar contracts; and
  - International business is growing and poised to take advantage of new opportunities.
- New management in place at our conference centre is gathering momentum in increasing sales and delivering new initiatives to maximise usage and profitability from the site.
- Management and governance structure and support services capable of administering significant growth.
- Continuing to pay a progressive level of dividend to our shareholders (maintaining at least 2x cover).



# Appendices

## Significant shareholdings

Significant shareholdings > 3% as notified at 1 February 2019		No.of shares	%
<b>Not in public hands</b>			
WJC Douie	Director	2,409,113	16.45%
AM Pendlebury	Director	696,871	4.76%
Sub-total not in public hands		3,105,984	21.21%
<b>In public hands</b>			
Gerard Anthony Mason		1,178,735	8.05%
Alison Chapman		1,155,340	7.89%
Chelverton Asset Management		1,000,000	6.83%
David Stredder		825,000	5.63%
Graham J Chivers		525,809	3.59%
Sub-total in public hands		4,684,884	31.99%
Total significant holdings		7,790,868	53.20%
Total no. of shares		14,643,707	100.00%

Note: S L Dye and B W May (who are directors of the Company) each hold 43,000 and 30,000 shares respectively.

## Board biographies

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### **W J C Douie, Executive Chairman**

After two years in export sales, commencing in 1962, with British Oxygen, he moved into banking with Midland Bank and qualified as an associate of the Institute of Bankers. In 1969 he moved into Merchant Banking, joining Keyser Ullmann Limited and spent 11 years in investment management, corporate finance and instalment credit joining the Bank board in 1975. In 1981, following the merger of Keyser Ullmann and Charterhouse Japhet, he left to buy out, and become Chairman of, the Group's Instalment Credit subsidiary, Broadcastle Plc, and to become Chairman of British Benzol Limited, a fully listed Company in the solid fuel industry. Following the acquisition by Broadcastle of Harton Securities Limited (a bank authorised by the Bank of England), he oversaw the merger of Broadcastle Plc and ATA Selection Plc, a USM listed recruitment Company, before becoming Chairman of the Group in 1990. He joined with Clive Chapman in 1992 to purchase the ailing ATA business from the Group and remains Executive Chairman.

### **A M Pendlebury, Group Chief Executive Officer**

Andy held several senior management positions during his long career with British Aerospace Plc. In 1992 he joined the board of Wynnwith Engineering and was appointed Managing Director in 1995 establishing the business as one of the United Kingdom's fastest growing recruitment businesses. In 2002 Andy joined GKN Plc as interim Managing Director of the Company's in-house recruitment business Engage and guided it through the board's divestment strategy. From 2004 to 2007, as Chief Executive, he engineered a trading turnaround and subsequent sale to the Morson Group of White & Nunn Holdings. He joined the Board of RTC Group Plc as a Non-Executive in July 2007, becoming Group Chief Executive in October 2007.

### **S L Dye, Group Finance Director**

Sarah is a Chartered Accountant who has worked in both the public and private sectors in the UK and overseas. Sarah qualified with BDO before moving to The Post Office Plc and then The Boots Company Plc gaining experience in risk management, internal audit and commercial finance. In 1998, Sarah joined Allied Domecq Plc as Finance and Planning Manager for Europe. In 2004 Sarah joined Nottingham Trent University where she held several senior finance positions. Sarah spent five years in New Zealand with the Office of the Auditor-General, working with central and local government entities and the tertiary sector. In 2011 Sarah joined Staffline Group Plc as Group Financial Controller. Sarah was appointed Group Finance Director of RTC Group in February 2013.

### **B W May, Senior Independent Non-Executive Director**

Brian is a Chartered Civil Engineer and progressed his career in Tarmac Construction Ltd, subsequently holding several senior positions in Mowlem Plc over the course of 15 years. In 2000, Brian became Chief Executive of Laing Construction Plc, followed by HBG Construction Ltd in 2001. Brian held the position of Chief Executive Officer of Renew Holdings for 11 years until his retirement in 2016. Brian was appointed senior independent non-executive in 2015. Brian is independent in that he has no related party interest in the business and does not receive profit share.