



Hydrogen  
Group

# Half year interim results

Hydrogen Group plc



September 2017

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# Business Review



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- Acquisition of Argyll Scott completed on 2 June
- New senior management team in place
- Critical mass within the APAC region
- Enlarged Group Headcount of 350
- Substantial synergies identified and being executed on
- Investment in CBFG Limited, a new recruitment investment business

# Acquisition update

## Key benefits

- Client cross fertilisation
- APAC critical mass
- Diluted investment in central costs
- Overhead cost synergies

## Integration Update

- Client wins secured and opportunities identified
- Front office teams now integrated
- Identified synergies significantly greater than anticipated

# Financial Review



- NFI has increased by 5% to £9.4m (H1 2016: £8.9m restated\*\*)
- Growth in permanent NFI of 22% to £4.3m (H1 2016: £3.5m restated\*\*)
- Adjusted\* PBT of £0.2m (H1 2016: £0.5m as restated\*\*)
- Exceptional items in the period totalled £0.6m

\*Adjusted for foreign exchange gains, share based payments, loss from associate and exceptional items

\*\*Restated for the revenue recognition policy change as disclosed in the 2016 year end financial statements

# Trading Summary



	30 June 2017	30 June 2016
Revenue	£56.8m	£59.3m
Gross Profit (Net Fee Income)	£9.4m	£8.9m
- Permanent NFI	£4.3m	£3.5m
- Contract NFI	£5.1m	£5.4m
Operating profit before exceptional items	£0.04m	£0.4m
Adjusted* profit before tax in the period	£0.2m	£0.5m
(Loss)/profit for the period before tax	£(0.6)m	£1.0m

- Only 1 month of trade contributed by Argyll Scott Holdings
- On a pro-forma basis, 53% of the enlarged Group's NFI in H1 was derived from outside the UK (H1 2016: 42%)

\*Adjusted for foreign exchange gains, share based payments, loss from associate and exceptional items

# Balance Sheet



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	30 June 2017	30 June 2016	31 December 2016
Non-current assets	£15.1m	£11.7m	£12.0m
Trade and other receivables	£22.6m	£20.4m	£18.1m
Cash and cash equivalents	£4.1m	£1.9m	£3.1m
<b>Total Assets</b>	<b>£41.8m</b>	<b>£34.0m</b>	<b>£33.2m</b>
Trade payables	£(16.5)m	£(13.9)m	£(12.5)m
Borrowings	£(2.4)m	£(0.8)m	£(1.1)m
Non-current liabilities	£(0.9)m	£(0.2)m	£(0.6)m
<b>Total Liabilities</b>	<b>£(19.8)m</b>	<b>£(14.9)m</b>	<b>£(14.2)m</b>
<b>Net Assets</b>	<b>£22.0m</b>	<b>£19.1m</b>	<b>£19.0m</b>

Balance sheet remains strong with net cash of

£1.7m

Net assets have increased in the period by

£3.0m

Current ratio of

1.4 (H1 2016: 1.5)

# Cash Flow Statement



	30 June 2017	30 June 2016	30 December 2016
<b>Operating cashflows before movements in working capital</b>	£0.5m	£0.6m	£1.3m
<b>Working capital movement</b>	£(1.0)m	£(3.5)m	£(2.2)m
<b>Finance costs</b>	£(0.04)m	£(0.02)m	£(0.1)m
<b>Tax paid</b>	£(0.1)m	£(0.1)m	£(0.2)m
<b>Cash flows arising from exceptional items</b>	£(0.1)m	-	-
<b>Cash acquired from subsidiary</b>	£0.5m	-	-
<b>Increase in borrowings acquired from subsidiary</b>	£0.6m	-	-
<b>Increase in borrowings</b>	£0.7m	£0.4m	£0.6m
<b>Net cash used in investing activities</b>	£(0.2)m	£(0.1)m	£(0.5)m
<b>Exchange gain on translation</b>	£0.1m	£1.5m	£1.2m
<b>Movement in cash in the period/year</b>	£1.0m	£(1.2)m	£0.1m
<b>Cash and cash equivalents</b>	£4.1m	£1.9m	£3.1m
<b>Borrowings</b>	£(2.4)m	£(0.8)m	£(1.1)m
<b>Net cash</b>	£1.7m	£1.1m	£2.0m

# Outlook & Current Trading

- Focus on revenue growth and improved profit conversion from:
  - Organic growth in UK contract book
  - Profitability of the enlarged APAC business
  - Increased client cross fertilisation
  - The impact of overhead and other cost synergies
- Return to sustainable long term profit growth

**Our purpose:** Empowering Careers. Powering Business: Our candidates, our staff, our clients, our investors

**Our Mission:** To shape the future of work through our knowledge of niche markets, passion for people's ambition and obsession with digital innovation

**Key drivers:** Digital innovation improving the productivity of our consultants. Leveraging our global infrastructure. Growing the number of market leading niche businesses

# 2020 Goals



Grow NFI by  
over 10% pa



Grow adjusted  
PBT by at least  
20% pa



Increase our  
underlying PBT  
to NFI conversion  
from 4.5% to > 10%

# Cautionary Statement



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