



Creating a high growth, high margin global HR business

2<sup>nd</sup> May 2007

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# Agenda

- Overview
- ARINSO
- Northgate hr & ARINSO
- Enlarged group profile
- Transaction structure
- Expected timing & process
- Current trading of Northgate
- Summary

# Overview - Northgate's strategy

- Build our business around IPR to create market leading positions
- Broaden our range of products and services using our technical skills to respond to client needs
- Supplement organic growth with appropriate acquisitions that complement our existing business and product portfolio
- Expand overseas to build leading global business

**Organic Growth**



**Organic Growth**



**M&A**



**M&A**

# Overview – Proposed Transaction

- Northgate to acquire Jos Sluys' 60.4% shareholding in ARINSO and subsequently launch mandatory offer for the remaining shares
  - ▶ Offer values ARINSO at c. £257m<sup>+</sup>
  - ▶ Funded through cash and new Northgate shares
  - ▶ Jos Sluys to become a c. 8% shareholder in Northgate and join the board
  - ▶ Full support of ARINSO board and senior management
- Complementary businesses in HR services
  - ▶ Proprietary software, outsourcing, consulting, systems integration
  - ▶ Ability to provide an “end-to-end” solution
- Enlarged business has the opportunity to become a leading global provider of HR services
- Cash consideration fully debt financed by a syndicate of banks
  - ▶ Efficient use of balance sheet to maximise shareholder value enhancement
  - ▶ Reduction in financial leverage through strong cash flows
- Expected to be earnings enhancing in first full year post completion\*

<sup>+</sup> Northgate share price of 87.50 pence; EUR:GBP exchange rate of 1.469

\* Nothing in this statement should be interpreted to mean the earnings per share of the enlarged group will necessarily match or exceed the historic published earnings per share of Northgate

# Overview – Vision & Strategy

- Vision
  - ▶ Create global leader in best of breed HR solutions
    - ▶ Consulting, Technology, Integration, Operations
- Strategy
  - ▶ Business organised around three customer segments
  - ▶ “On premise” – standard software implementation supported by Consulting, Integration & Technology
  - ▶ “Co-sourced” – as above combined with some elements of hosted / outsourced services (SaaS, payroll)
  - ▶ “Outsourced” – fully outsourced payroll & other HR processes; Multi-country & local

**Core focus of Northgate going forward will be the HR business**

# ARINSO – one of the leading independent pure-play HR services and solutions provider in Europe

- Strong blue chip customer base
  - ▶ 20% approx. of Fortune 500 as customers
  - ▶ >6m employees managed on solutions installed by ARINSO
- Proven HR & payroll BPO platform
  - ▶ Positioned in high growth HR BPO market
  - ▶ 600,000 employees directly managed by ARINSO
- HRO revenues have increased from 10% of revenue in 2000 to 39% in 2006
- Scale & global reach
  - ▶ More than 2,500 professionals in 27 countries
- Fully operational HR service centre infrastructure
  - ▶ Near shore & offshore
- Highly experienced & entrepreneurial management team
  - ▶ Top 10 managers – average age 43; average l.o.s. > 8 years
  - ▶ Top 50 managers – average age 41; average l.o.s. > 6 years

**The jewel of the European HR industry**

# ARINSO – a snapshot

## HR Services & Solutions

### Business Consulting

- HR Business Cases
- HR Process Improvement
- HR Transformation Management
- HR Service Center Design

### Technology Services

- Global & Local HR Projects (SAP, Oracle & PeopleSoft)
- Global and Local Payroll Engines
- Innovative e-HR Solutions
- Service Center Technology

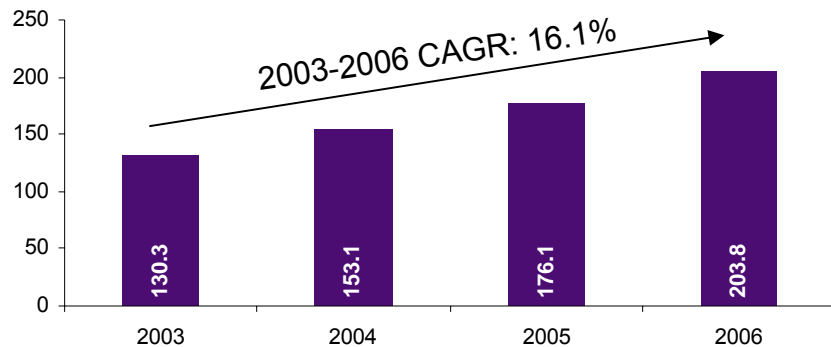
### People Services

- HR Business Process Outsourcing (HRO)
- Managed Payroll Services (MPS)
- HR Application Maintenance Outsourcing (AMO)
- Infrastructure Management (ISO)

## Key Customers

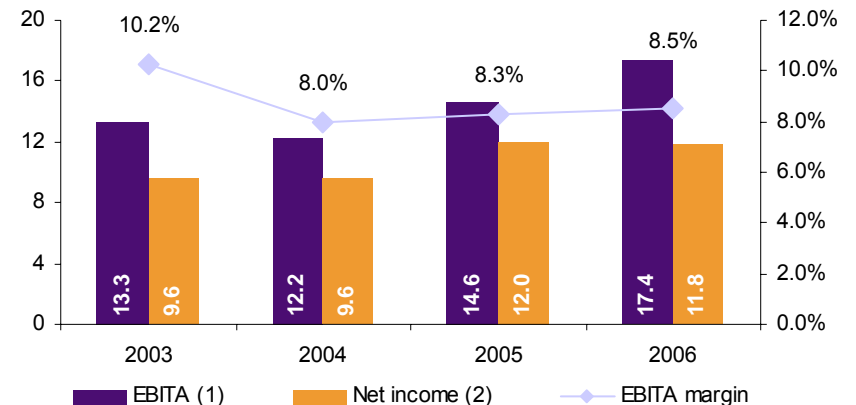


## Revenue by activity (€m)



Source ARINSO Annual Report 2006

## EBITA/Earnings (€m)



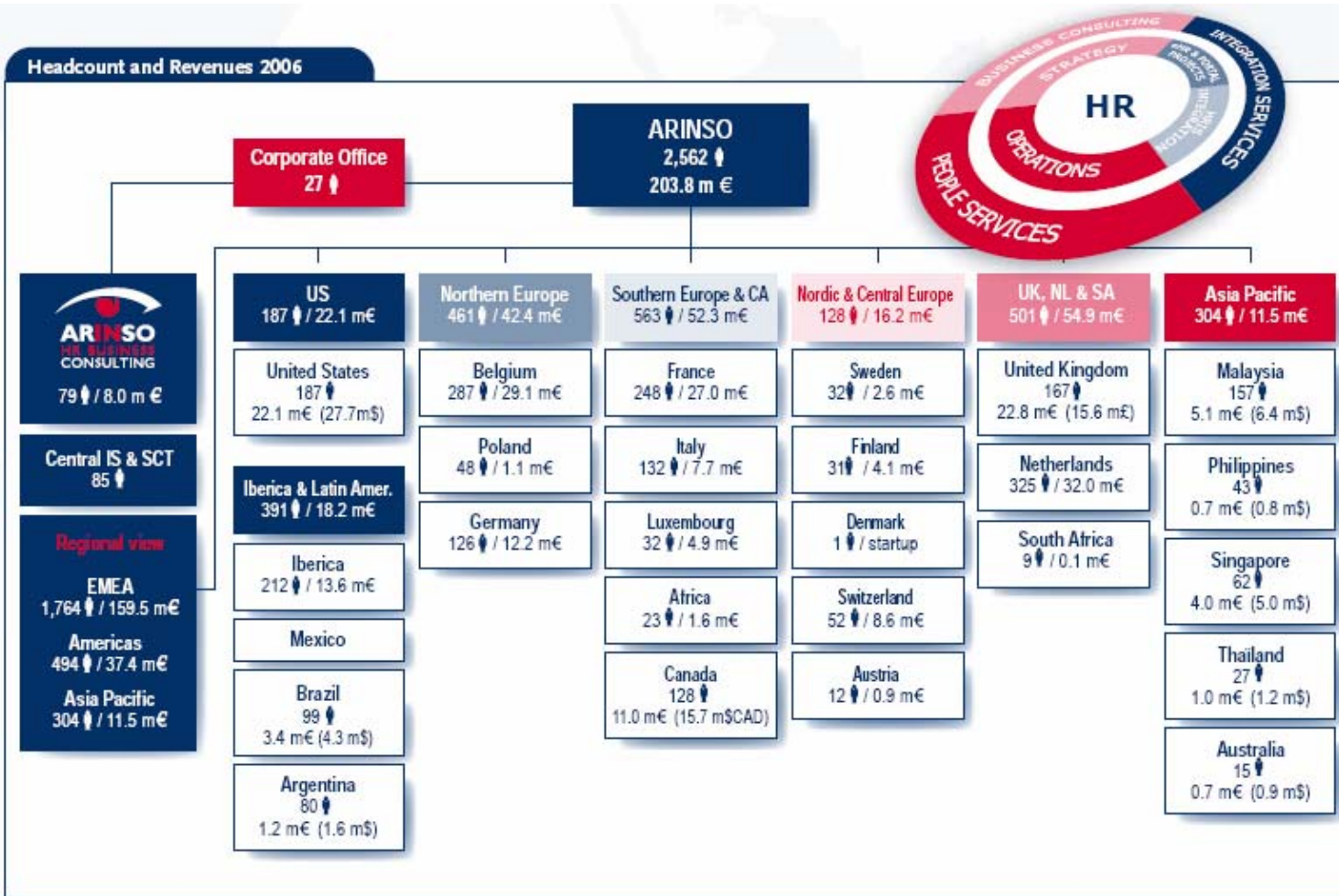
Source ARINSO Annual Report 2006

Notes

1. EBITA = Earnings before interest, income taxes, amortisation and goodwill
2. After tax income before impairment of goodwill

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# ARINSO – Geographic Coverage



Established global reach

# Northgate hr & ARINSO – Transaction Rationale

- Complementary business profiles with cross-selling opportunities
- Enhanced scale and reach with increased ability to win large global and multi-regional HR outsourcing deals
- Opportunity to improve ARINSO BPO productivity
- Combines leading edge proprietary and scalable HR platforms – ResourceLink and SAP in parallel and complementary
- Well positioned to address the c. \$15 billion+ worldwide HR outsourcing market



**Opportunity to  
create a global  
pure-play HR  
services and  
solutions  
provider**

# Northgate hr & ARINSO - Opportunity

- Drive operational efficiency improvement
  - ▶ ARINSO systems integration margins lower than market
  - ▶ ARINSO BPO margins lower than Northgate, adjusted for licence
- Accelerate localisation of ResourceLink
  - ▶ Joint technology review by ARINSO demonstrated potential of ResourceLink
  - ▶ ARINSO provides HR subject matter experts for 25+ countries
- Drive ResourceLink sales to new markets
  - ▶ Local management, sales, systems integration & operations capability will accelerate sales of ResourceLink
  - ▶ ResourceLink platform for local payroll opportunities
- Continue to expand SAP business
  - ▶ Market is growing universe of global SAP customers
  - ▶ Competition based on other global SI & Outsourced providers
  - ▶ Acknowledged as leading SAP partner by SAP (Winner of SAP Pinnacle Partner Award 2006)

# Enlarged Group – Organisation

- Combined entity requires new Northgate HR structure to accelerate to global HR leadership
  - ▶ Geographic-based management team
  - ▶ Line of business & global account management overlay
    - ▶ HR strategic consulting
    - ▶ SAP Systems integration consulting
    - ▶ Non-SAP Systems integration consulting (Oracle/Psft, ResourceLink)
    - ▶ ResourceLink sales
    - ▶ HR BPO based on SAP
    - ▶ HR BPO based on Northgate proprietary technology (ResourceLink)
- Talent from both organisations applied to this new model
  - ▶ Senior GM in each country to run multiple business lines
    - ▶ Integrated model critical to achieve revenue growth synergy
    - ▶ Nb. not all business lines will be applicable to each country
    - ▶ ResourceLink sales & service to be added to existing infrastructure
- Targets will be driven “top down” for management to deliver
  - ▶ Change program will be driven by Chief Executive
  - ▶ New margin & revenue expectations set to achieve potential of combined business

# Enlarged Group - Financial Profile

£m	Northgate hr <sup>1</sup>	ARINSO <sup>2, 4</sup>	<b>Enlarged Northgate hr</b>	Northgate PS & MS <sup>1</sup>	<b>Enlarged Northgate Group</b>
Revenue	118.2	138.7	<b>256.9</b>	217.1	<b>474.0</b>
EBITA	33.3	11.8	<b>45.1</b>	29.2	<b>69.1<sup>3</sup></b>
EBITA margin	28.2%	8.5%	<b>17.6%</b>	13.4%	<b>14.6%</b>

Source: Annual & Interim Financial Statements

Notes:

1. 12 months to 31 October 2006
2. 12 months to 31 December 2006
3. Includes Northgate central costs of £5.1m
4. EUR:GBP exchange rate of 1.469

# Transaction Structure

- Northgate signed conditional SPA to acquire Jos Sluys' 60.4% shareholding in ARINSO
  - ▶ €18.75 in cash and 5 new Northgate shares for each ARINSO share valuing each ARINSO share at €25.18<sup>+</sup>
  - ▶ Jos Sluys to become a c. 8% shareholder in Northgate and join the Northgate board
- Conditions
  - ▶ SPA conditional on Northgate shareholder approval
  - ▶ Break fee of £7.5m payable by Northgate should shareholder approval not be granted
- Subsequent mandatory offer to minority shareholders
  - ▶ Once SPA's go unconditional, Northgate gains effective control of ARINSO triggering a mandatory takeover in Belgium
  - ▶ Northgate will launch a mandatory public offer to minority shareholders valuing the whole of ARINSO at c. £257m<sup>+</sup>
- The proposed transaction has the full support of the ARINSO board and senior management
- Northgate has also committed to equity incentives for ARINSO management and employees

\* Closing price of Northgate of 87.50 pence and GBP:EUR exchange rate of 1.469

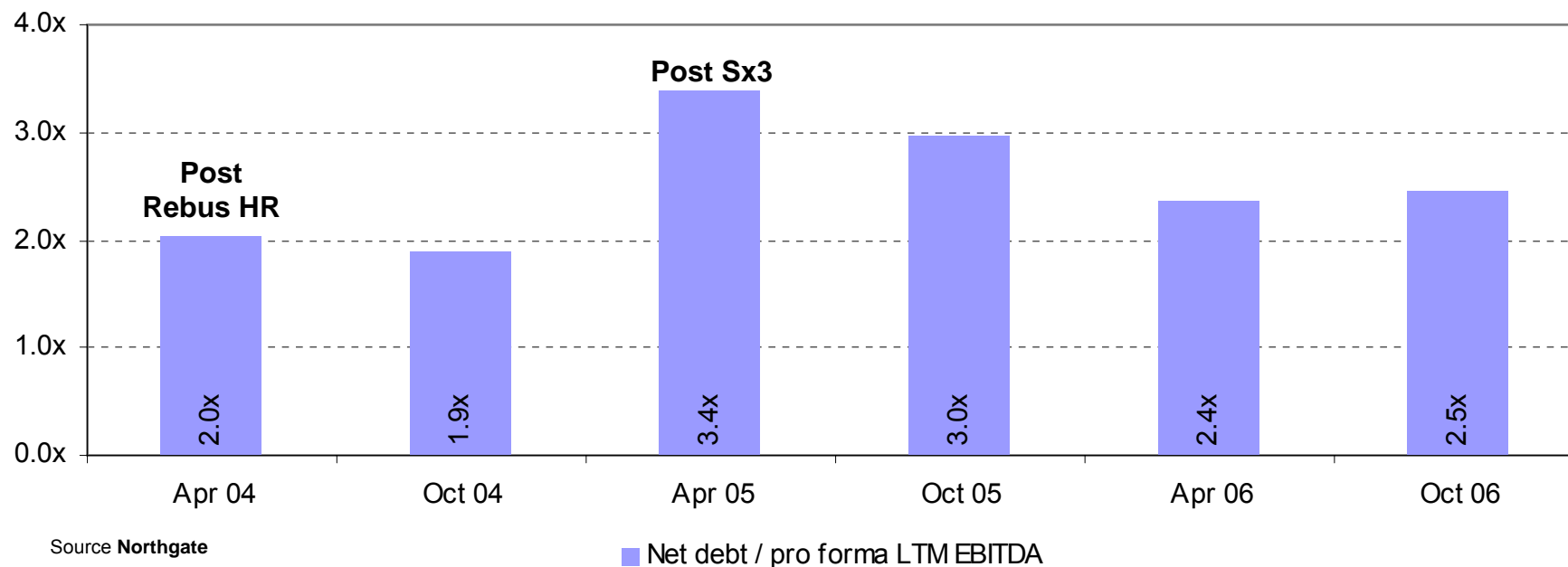
# Transaction Structure – financing & impact

- Cash consideration fully debt funded
  - ▶ New £500m debt facility being provided by a syndicate of banks
  - ▶ Funds cash consideration and refinances existing Northgate debt
  - ▶ Efficient use of balance sheet to enhance shareholder value
- Financial leverage will be increased, reaching a maximum level of c. 4x (net debt / EBITDA) immediately post completion
  - ▶ Compares to 1.6x post Rebus & 3.0x post Sx3 acquisitions
  - ▶ Strong cash flows from the enlarged group will quickly decrease leverage
  - ▶ Take advantage of the Public Services and Managed Services divisions profit & cash flow to buy higher growth business
- 2007/08 is year of transition - completion expected Q3 2007 - modest dilution arising from acquisition
- Thereafter in first full year post completion, expect earnings accretion\*
- In conjunction with the transaction, the Northgate board has proposed a one-off £15m contribution to the Northgate pension scheme
  - ▶ Will reduce the IFRS deficit of the scheme by c. 25%

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# Transaction Structure – financing & impact

- Northgate has a track record of debt financing acquisitions and reducing leverage through strong cash flow generation
  - ▶ Net debt / (pro forma) EBITDA of 3.4x immediately post completion of Sx3
  - ▶ Reduced to 2.5x within 18 months
- Net debt / EBITDA expected to quickly fall below c. 4x post acquisition of ARINSO



# Expected timing & process

- Explanatory circular to be posted to Northgate shareholders as soon as practicable
- EGM is expected to take place no later than 31 July 2007
- SPA goes unconditional upon receipt of Northgate shareholder approval
  - ▶ As a result, Northgate will acquire 60.43% of ARINSO
- Acquisition of shares will trigger mandatory offer to minority shareholders in ARINSO
  - ▶ Mandatory offer will be made to remaining shareholders in accordance with Belgium rules on public takeovers
  - ▶ Process will then follow the Belgium mandatory takeover timetable

# Current trading of Northgate

- Northgate also today released its trading update for the year to 30 April 2007
- Highlights
  - ▶ Overall good progress in 2006/2007
  - ▶ Human Resources built on excellent first half performance with a number of significant new contract wins
  - ▶ Managed Services saw good progress, particularly in the education sector
  - ▶ Public Services division returned to growth in the second half but criminal justice market remains challenging
  - ▶ Completed acquisition of Kendrick Ash, a public sector consultancy
  - ▶ One-off restructuring charge of £6m, off-set by one-off property gains
  - ▶ EBITA at lower end of management expectations with investment in sales maintained
  - ▶ EPS ahead of management expectations

# Summary

- Transformational deal for Northgate's HR activities
- Accelerates Northgate's strategy to internationalise its HR business
- Combines two complementary businesses with cross-selling opportunities and creates increased opportunities for growth
- Full support of the ARINSO board and senior management
- Efficient use of balance sheet
- Expected to be earnings enhancing in first full year post completion\*

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**Q&A**



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