



Interim Results  
11<sup>th</sup> December 2006

This presentation may make forward looking statements regarding future events and the future financial performance of the Company. These references may be subject to risks and uncertainties that cannot be forecast and therefore must be treated in the appropriate way.



# Chris Stone

## Chief Executive



# Interim results 06/07

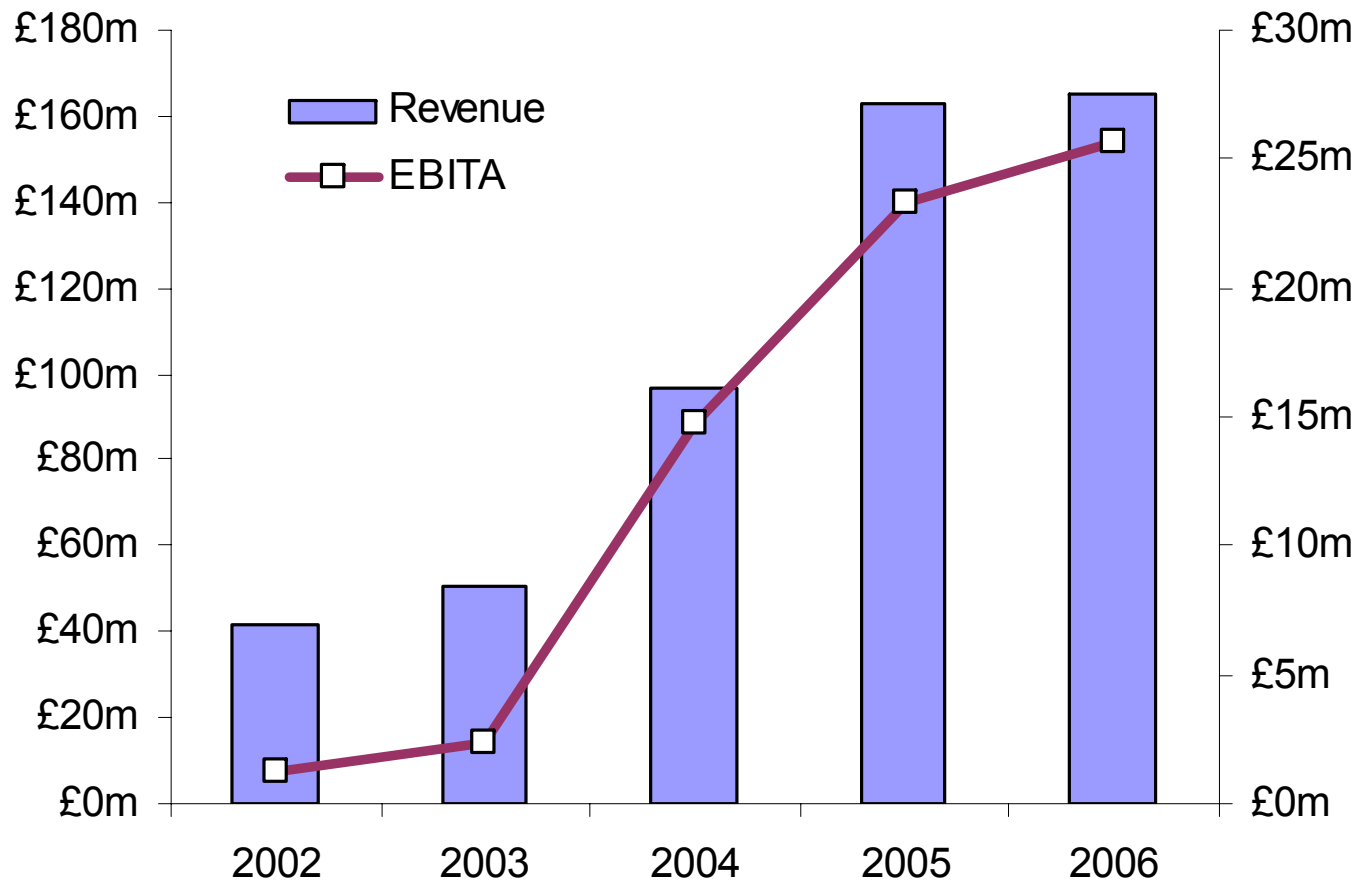
- Summary
- Financial review
- Prospects

# Interim highlights

- Revenues of £165.2m, up 2%, 3% excluding 3PP
  - ▶ Strong organic growth in Human Resources
- EBITA of £25.6m, up 10%
  - ▶ Margin improvement to 15.5%
- Adjusted EPS up 31%
  - ▶ Dividend up 20%\*
- Five bolt-on acquisitions completed to date
  - ▶ All earnings accretive
  - ▶ Will help accelerate organic growth

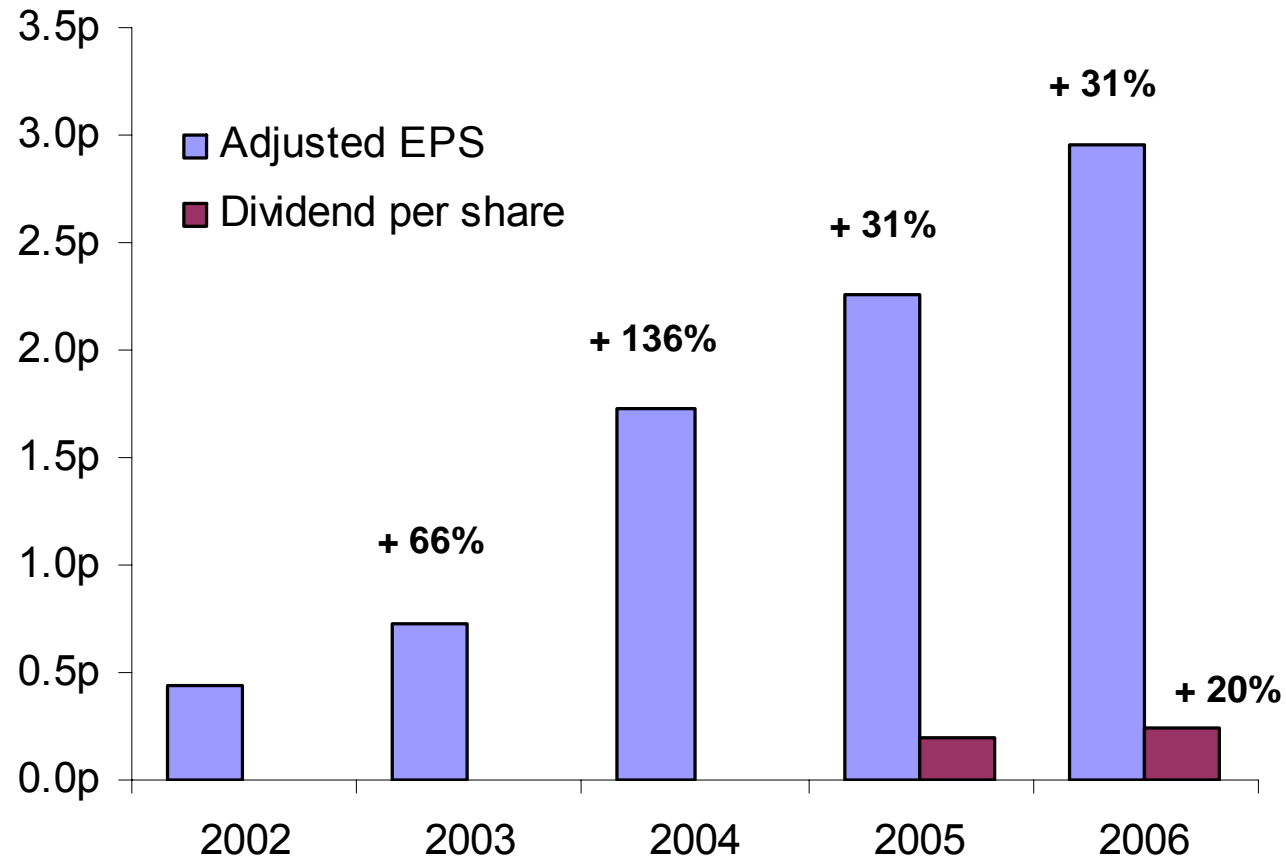
\* Pro-forma

# 5 years of revenue and profit growth



H1 figures

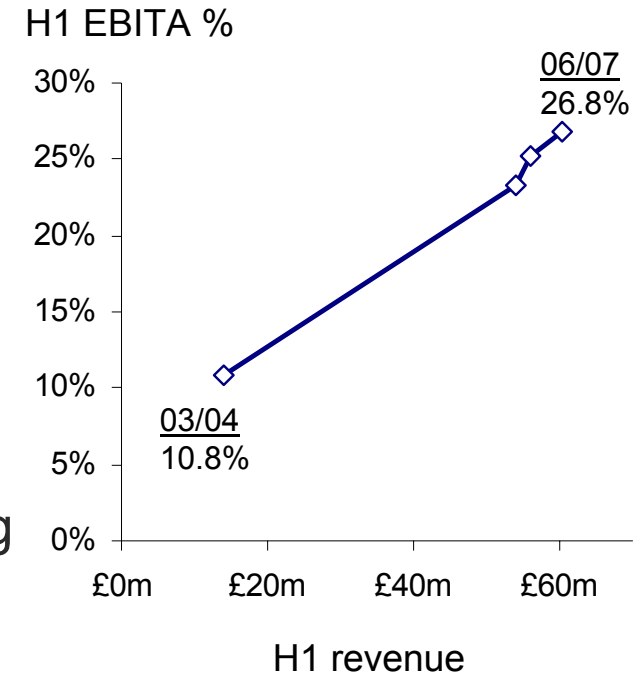
# Adjusted earnings per share growth



Note: 2005 dividend is pro-forma

# Human Resources: H1 review

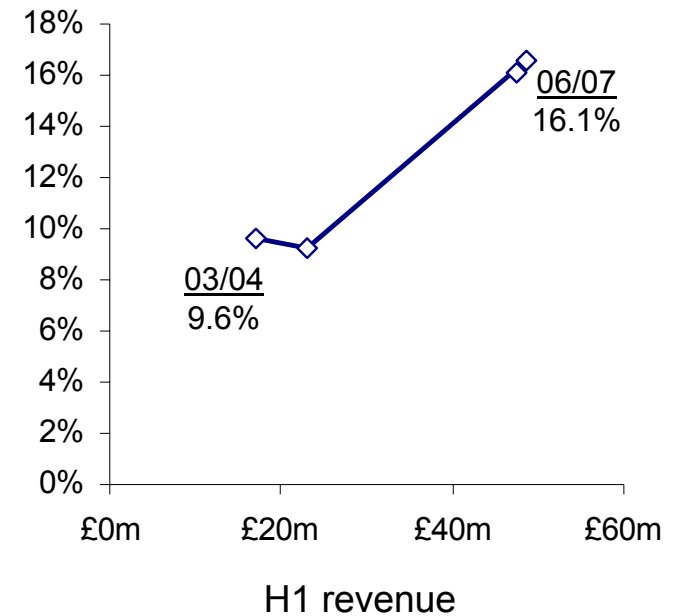
- Revenue growth of 7.8%
  - ▶ Organic growth 6.0%, with several significant contract wins
- Profit growth of 14.4%
- Acquisitions completed enhance ability to accelerate growth
  - ▶ Edis - pensions software and outsourcing
  - ▶ Engage - time and attendance software
  - ▶ BIM - payroll processing for SMEs
  - ▶ Link - (H2) equal pay and job evaluation software
- Order book growth of 19%
- Well positioned to provide larger and broader outsourced services



# Public Services: H1 review

- Revenue decline of 2.2%
  - ▶ Structural changes in Criminal Justice market
  - ▶ Longer lead times in Local Government
- Profit decline of 4.7%
- Several significant contract wins in the period
- No acquisitions completed, but plenty of opportunity
  - ▶ Product portfolio infill
  - ▶ Service capability extension

H1 EBITA %

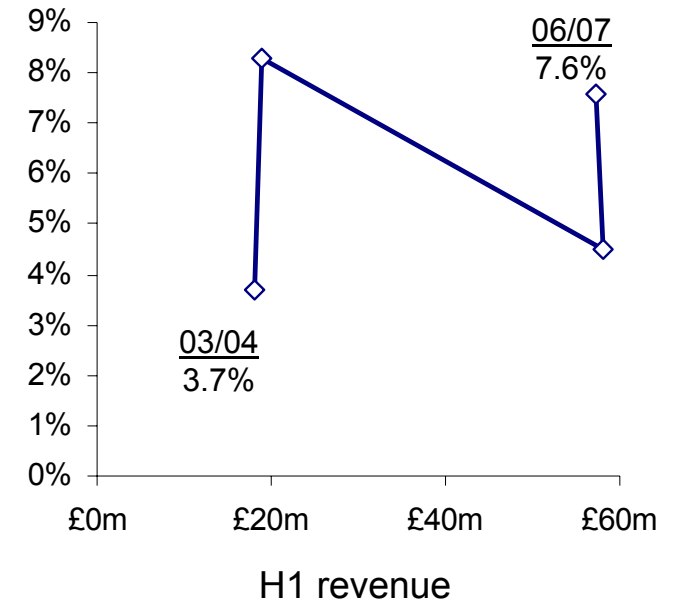


# Managed Services: H1 review

- Revenue growth of 2.6%\*
    - ▶ Organic growth of 0.5%\*
  - Profit growth of 66.3%
    - ▶ Focus on value-added services
  - Work started on Bristol BSF and Lot 6 Education contracts
  - Order book up 9% with Lot 6
- 
- Further investment in Rave Technologies

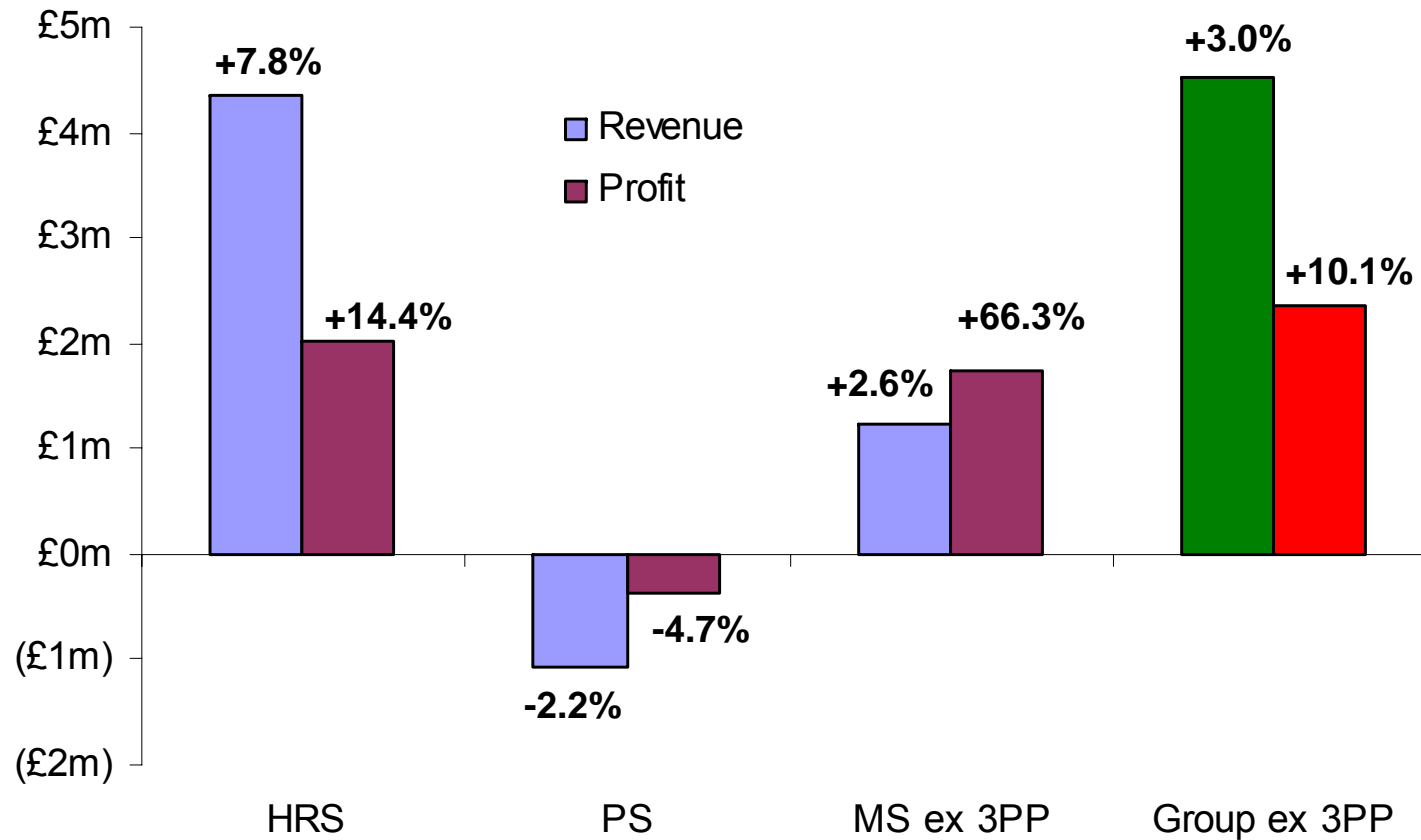
\* Excluding 3PP

H1 EBITA %



# Divisional and Group performance

Year on year growth



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# John Stier

## Finance Director



## Profit and loss highlights

£m	H1 06/07	H1 05/06	Growth
Revenue	165.2	162.7	2%
EBITA	25.6	23.3	10%
PBT	13.9	10.0	38%
Adjusted EPS	2.96p	2.26p	31%

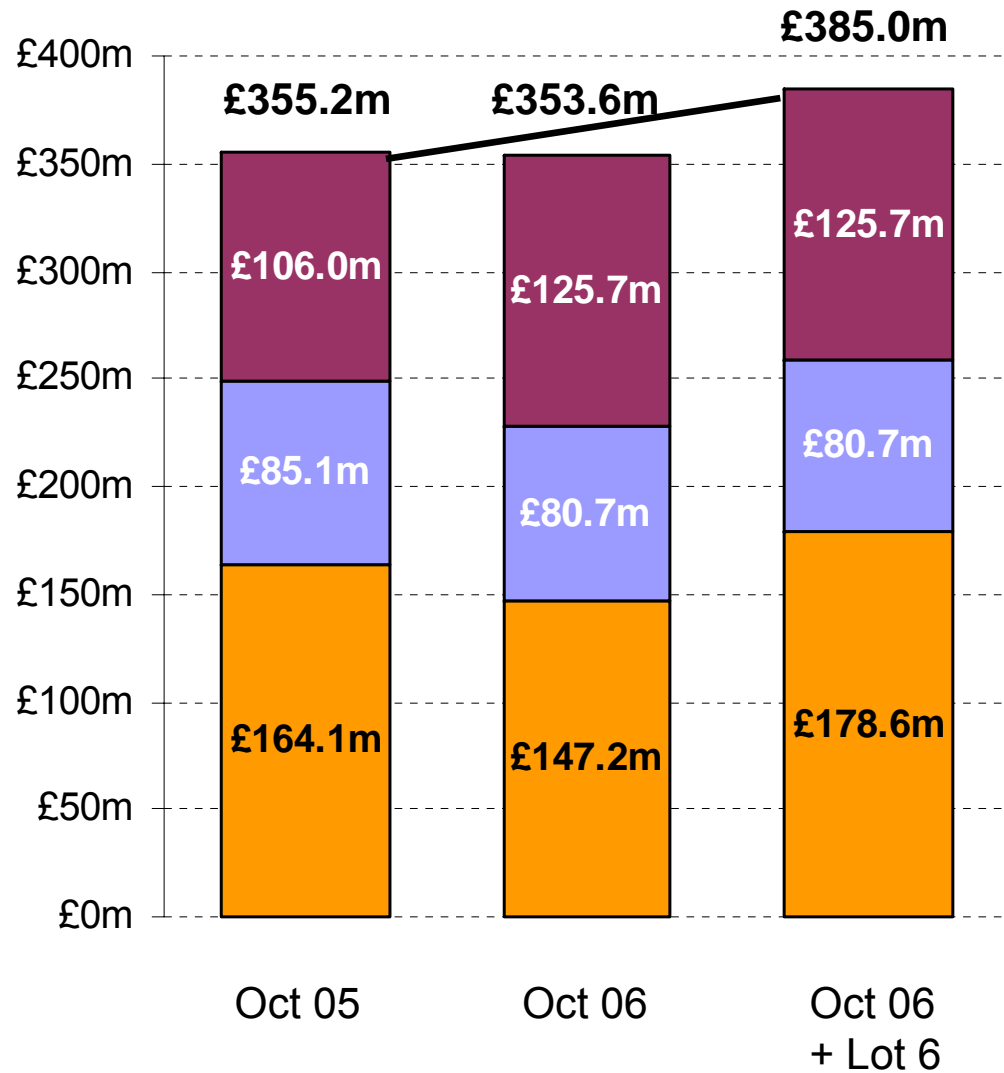
# Divisional performance

£m	H1 06/07			H1 05/06			Growth	
	Revenue	EBITA	Margin	Revenue	EBITA	Margin	Revenue	EBITA
Human Resources	60.5	16.2	26.8%	56.1	14.2	25.2%	7.8%	14.4%
Public Services	47.5	7.7	16.1%	48.5	8.0	16.6%	-2.2%	-4.7%
Managed Services	57.2	4.3	7.6%	58.0	2.6	4.5%	-1.4%	66.3%
Group costs		(2.6)			(1.5)			68.1%
<b>Total</b>	<b>165.2</b>	<b>25.6</b>	<b>15.5%</b>	<b>162.7</b>	<b>23.3</b>	<b>14.3%</b>	<b>1.5%</b>	<b>10.1%</b>

# Profit and loss

	H1 06/07	H1 05/06	Growth
Revenue	165.2	162.7	1.5%
<b>EBITA</b>	<b>25.6</b>	<b>23.3</b>	<b>10.1%</b>
Amortisation of intangibles	(3.8)	(3.6)	
Share option costs	(1.4)	(1.6)	
<b>Operating profit</b>	<b>20.4</b>	<b>18.0</b>	<b>13.2%</b>
Financing costs	(6.6)	(8.2)	
Income from associate	0.0	0.2	
<b>Profit before tax</b>	<b>13.9</b>	<b>10.0</b>	<b>38.5%</b>
Tax	(3.7)	(3.4)	
Retained profit	10.2	6.6	
Earnings per share (p)			
Basic	1.91p	1.22p	56.6%
<b>Adjusted basic</b>	<b>2.96p</b>	<b>2.26p</b>	<b>30.9%</b>

# Order book



Group +8%

Human Resources +19%

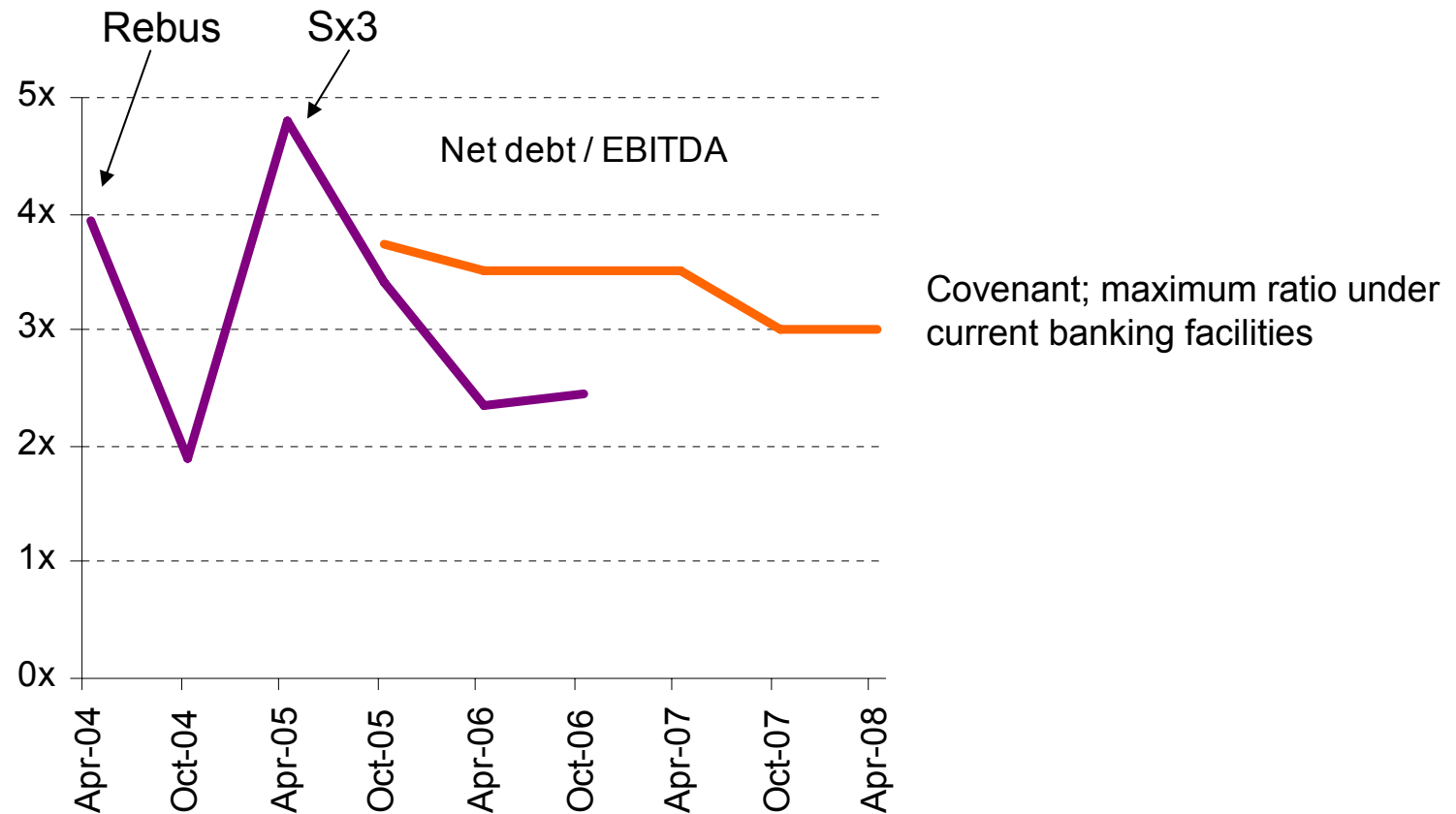
Public Services -5%

Managed Services +9%

# Cash-flow and financing

- Operating cash-flow up 11% to £20.1m (2005: £18.0m)
- Profit to cash conversion of 78% after capex (2005: 77%)
- Free cash-flow growth of 35% to £10.7m (2005: £7.9m)
- Net debt at 31-Oct was £171.6m
- Headroom at 31-Oct of £90m
- Four acquisitions completed in H1, a further one in H2. Funded through cash-flow
- First dividend of £3.2m paid in the period

# Financing facilities



- Strong cash-flow provides comfort against banking covenants
- Facilities headroom of £90m provides flexibility

## Balance sheet summary

£m	Oct-06	Apr-06	Oct-05
Goodwill	365.1	348.2	347.8
Intangible fixed assets	84.0	77.5	79.5
Non-current assets	54.3	54.7	70.8
Net current liabilities	(56.6)	(51.4)	(77.6)
Pension deficit	(57.8)	(54.5)	(53.0)
Provisions	(12.1)	(14.8)	(10.1)
Net debt	(171.6)	(158.9)	(171.3)
<b>Net assets</b>	<b>205.3</b>	<b>200.8</b>	<b>186.1</b>

# Insurance claim update

- Interim receipts at 31-Oct-06 of £30m. Further £10m received in Nov-06
- Discussions progressing with insurers on property
  - ▶ Permanent replacement in Hemel Hempstead has been identified
- Insurance claim expected to be settled in H2
- Net impact on P&L in period is neutral
- Uninsured loss claim could provide one-off upside in future. Costs incurred not recovered from insurers written off in full

# Summary

- Strong progress in Human Resources and Managed Services
- Public Services markets challenging, especially Criminal Justice
- Group-wide, profits and cash-flow have shown very strong growth
  - ▶ EBITA up 10%
  - ▶ PBT up 39%
  - ▶ EPS up 31%
  - ▶ Free cash flow up 35%
- Year to date five bolt on deals completed. All accretive and add to product offering, helping to drive growth
- Dividend increase of 20% pro-forma to 0.24p per share
- Funds available to support further growth

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# 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 judiciously where we can build leading businesses

# Strategy: Human Resources

- Expand distribution
  - ▶ 9 countries currently
- UK software customers
  - ▶ New name clients
  - ▶ Maximise cross-selling opportunities
- BPO
  - ▶ Increase client numbers
  - ▶ Wider service offering to clients
  - ▶ Increase offshore capability
    - ▶ Indian headcount Oct-05; 3, currently 50
- SME contributes 9% of Group profit
  - ▶ Opportunity to double in next few years
- Enhanced by bolt-on acquisitions widening service offerings and addressable markets

# Strategy: Public Services

- Criminal Justice – market inertia due to;
  - ▶ Reorganisation of constabularies
  - ▶ Funding changes – PITO replaced with NPIA
- Local Government
  - ▶ Good progress with core application business
  - ▶ Agenda changing, applications demand changing
    - ▶ Software & service bundle
- Fewer, larger opportunities expected going forwards
- Northgate well positioned to benefit

# Strategy: Managed Services

- Growth focused on:
  - ▶ Northern Ireland Public Services
  - ▶ Education
- Pipeline strong
- Local Government operations more closely aligned with Northgate Public Services

# Outlook

- The Board is confident that organic growth will accelerate in H2
- Northgate's core product set and service capabilities are strong
- Public Sector markets are experiencing a higher degree of change
- Revenue visibility remains high and the pipeline is strong
- Order book is up 8% with Lot 6
- Further acquisitions will strengthen Northgate's position
- The Group is well positioned to take advantage of market developments



## Appendices

# Organic growth

## Appendix 1

£m	H1 06/07	H1 05/06 Pro-forma	Growth
Human Resources	60.5	57.1	6.0%
Public Services	47.5	48.5	-2.2%
Managed Services	48.0	47.8	0.5%
Managed Services 3PP	9.2	11.2	-17.9%
Total	<u>165.2</u>	<u>164.6</u>	<u>0.3%</u>
<b>Group excluding Managed Services 3PP</b>	<b>156.0</b>	<b>153.4</b>	<b>1.7%</b>

# Cash-flow summary

	H1 06/07	H1 05/06	Growth
Opening net debt	(158.9)	(173.5)	
<b>EBITA</b>	<b>25.6</b>	<b>23.3</b>	10.1%
Depreciation and amortisation	10.4	10.0	
Working capital movements	2.1	(0.8)	
Provisions	(3.0)	(4.9)	
Capex	(15.0)	(9.5)	
<b>Net cash-flow from operations</b>	<b>20.1</b>	<b>18.0</b>	<b>11.4%</b>
Interest paid	(5.9)	(6.3)	
Pension deficit payment	(3.3)	(1.1)	
Tax paid	(0.2)	(2.7)	
<b>Free cash-flow</b>	<b>10.7</b>	<b>7.9</b>	<b>35.1%</b>
Acquisitions	(19.6)	(5.2)	
Non-cash debt movement	(0.6)	(0.6)	
Dividend paid	(3.2)	0.0	
Movement in net debt	(12.7)	2.2	
Closing net debt	(171.6)	(171.3)	

# Adjusted EPS calculation

## Appendix 3

£m	H1 06/07	H1 05/06	Growth
Retained profit	10.2	6.6	55.1%
Amortisation of intangibles	3.8	3.6	
Share option costs	1.4	1.6	
Deferred tax	0.4	0.2	
Adjusted profit	<u>15.7</u>	<u>12.0</u>	31.1%
Weighted shares (m)	532.2	531.4	0.2%
<b>Adjusted EPS</b>	<b>2.96p</b>	<b>2.26p</b>	<b>30.9%</b>