

Harvey Nash Group Plc

Full Year Results

For the year ended 31 JAN 2011

28 April 2011



Highlights

SIGNIFICANT MARKET SHARE GAINS Revenue of £422m ahead of 2009 peak (£420m)

GOOD GEARING TO CYCLICAL RECOVERY Operating profit up 45% on 2010

STRONG CASH FLOW GENERATION Increased net cash to £8.3m

DIVIDEND Increased dividend +10%

EXPANSION Additional offices in Europe (Norway, Finland, Germany)

NEW CONTRACTS SECURED 5 year outsourcing contract & 2 significant RPO wins

BOARD Additional Non Executive Director and Group Director of Talent

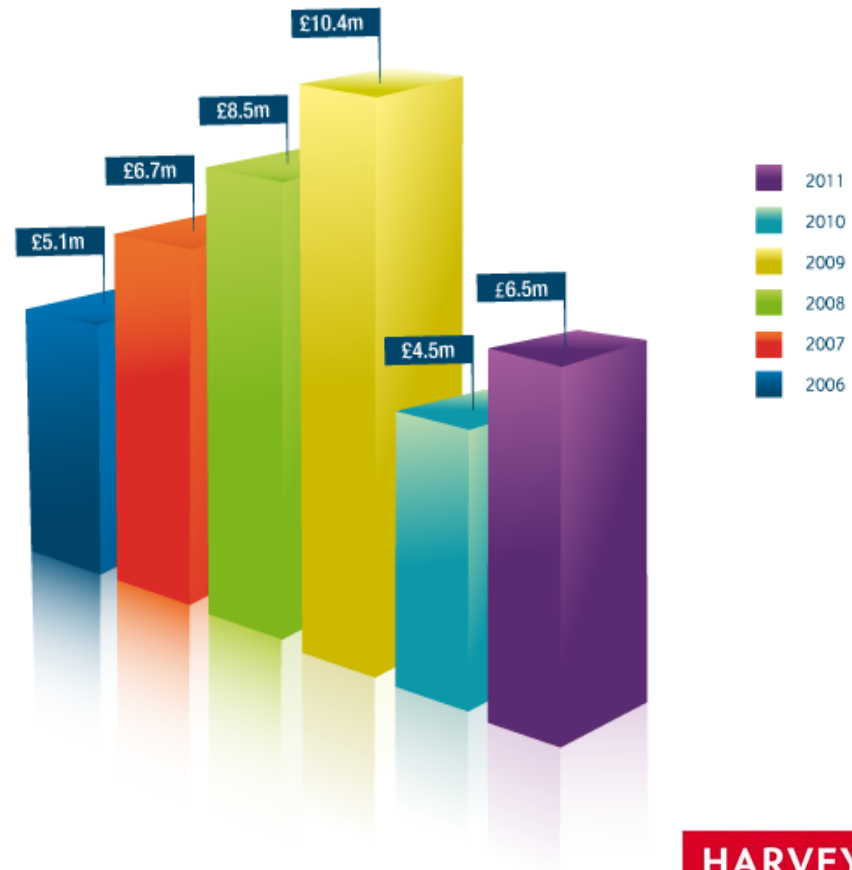
Remaining profitable through the recession

Revenue

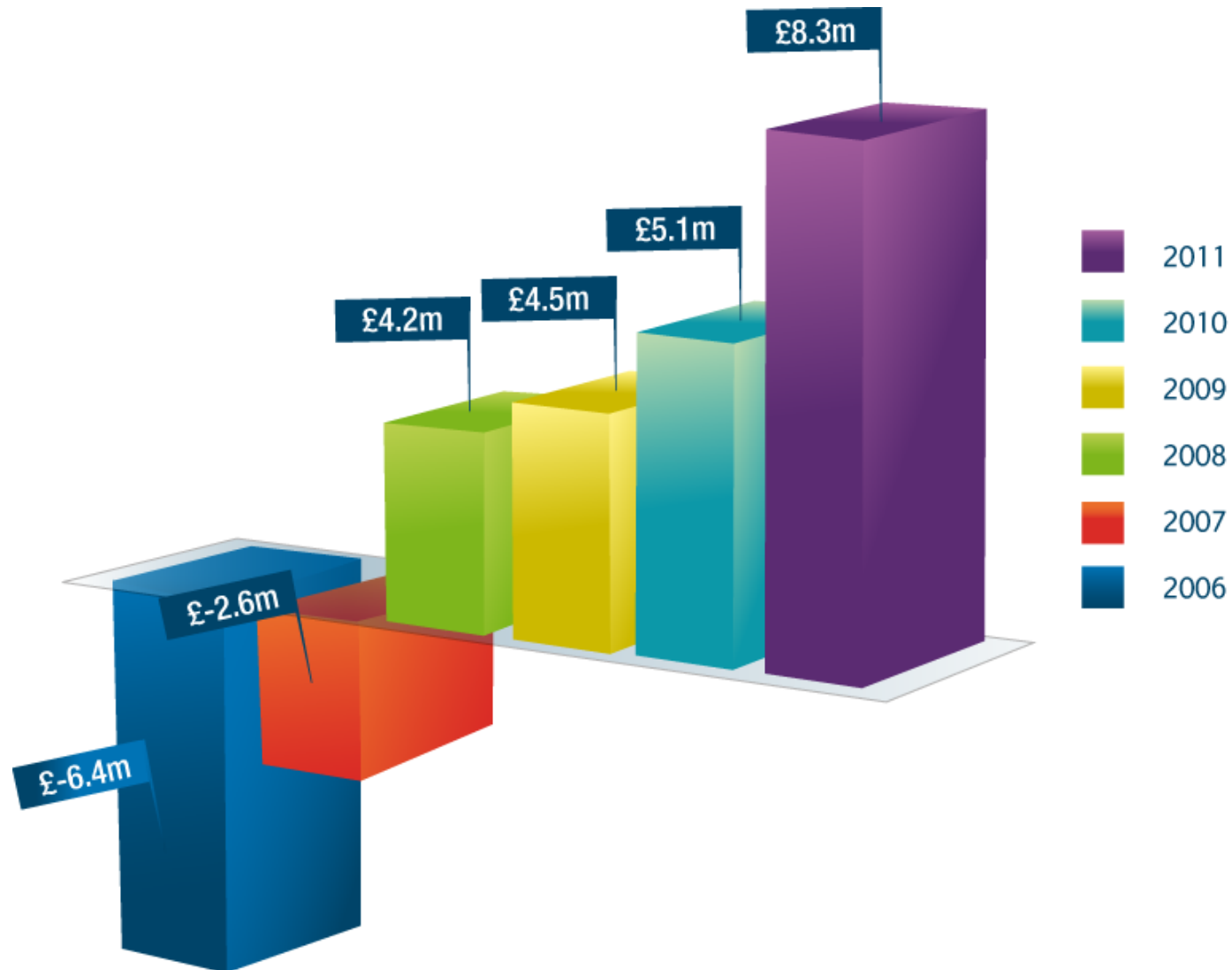


Operating Profit

(before non recurring)



Maintaining strong net cash position



Financial Overview

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Income Statement (1)

£m	2011	2010	%
Turnover	<u>422.3</u>	<u>376.2</u>	+12%
Gross profit	<u>68.5</u>	<u>60.4</u>	+13%
Operating profit	6.5	4.5	+45%
Net interest paid	(0.2)	(0.4)	
Adjusted profit before tax	6.3	4.1	+53%

Income Statement (2)

£m	2011	2010	%
Adjusted profit before tax	6.3	4.1	+53%
Non recurring items*	(0.03)	(2.8)	
Profit before tax	6.3	1.3	+387%
Taxation	(1.9)	(0.4)	+360%
Profit after taxation	4.3	0.9	+400%

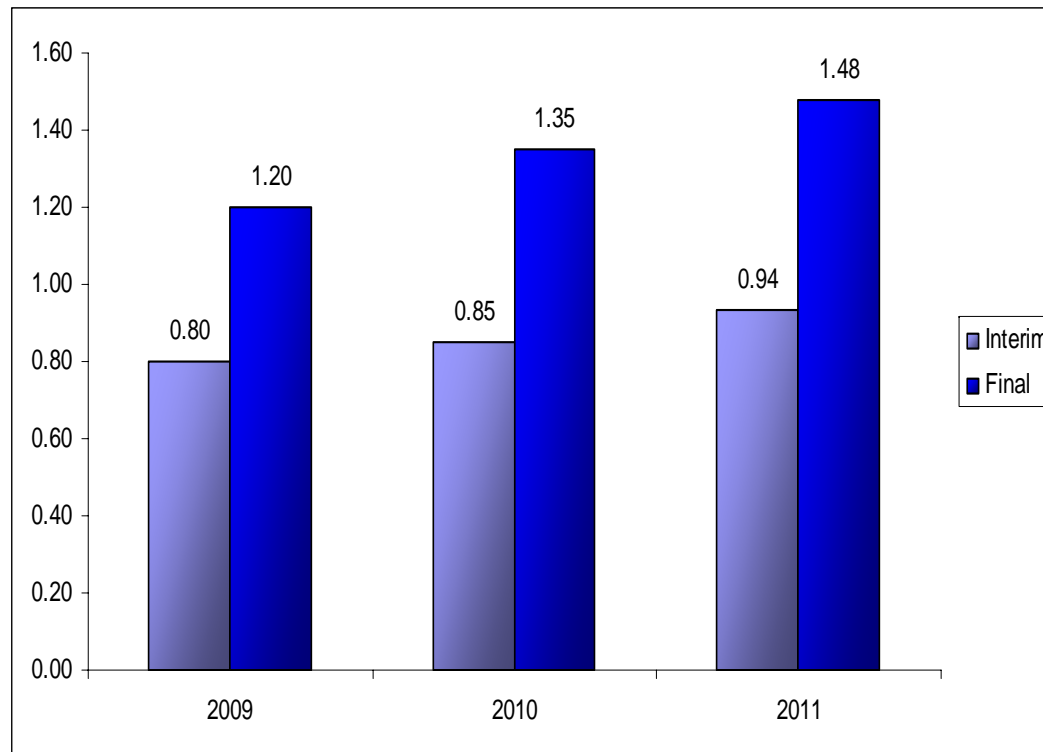
- 2011 Acquisition costs
- 2010 Cost of headcount reduction and charge for empty property

Income Statement (3)

£m	2011	2010	%
Profit after taxation	4.3	0.9	+400%
Minority interest	(0.1)	(0.1)	-
Retained earnings	4.2	0.8	+435%
Basic earnings per share	5.85p	1.09p	+437%
Weighted avg no of shares	72.7m	72.7m	
Shares in issue	73.5m	73.5m	

Increased dividends +10%

Strong returns



DIVIDEND GROWTH THROUGH
THE DOWNTURN

FINAL DIVIDEND
2011: 1.48p 2010: 1.35p

INCREASED BY 10%

DIVIDEND COVER
2.4 times

Taxation

£m	2011	2010
Current tax	1.6	1.6
Deferred tax	0.3	(1.2)
Total tax charge	1.9	0.4
Overall tax rate	31%	32%

Sound balance sheet

	31 Jan 2011	31 Jan 2010	
Fixed assets	4.0	3.2	← IT ASSETS + £0.8m Mainly client funded projects
Intangible assets	48.7	46.2	← GOODWILL +£2.5M Acquisition (Norway) & Forex
Debtors	83.7	73.6	← DEBTOR DAYS 45.2 (2010: 46)
Net current liabilities	(85.6)	(73.8)	← INCREASE IN TRADING Benefit from one off items in Germany and Switzerland
Deferred taxation	2.2	2.5	
Net cash	8.3	5.1	← No DEFINED BENEFIT pension No OFF BAL SHEET debt financing
Net assets	61.3	56.8	

Cash Flow (1)

£m	2011	2010
Profit before tax	6.3	1.3
Non cash and interest added back	2.1	2.0
Taxation	(1.0)	(2.9)
Interest	(0.2)	(0.4)
Capex	(2.5)	(2.7)
- Group	(0.6)	(0.6)
- Client IT Projects	(1.9)	(2.1)
Free cash flow	4.7	(2.7)

Cash Flow (2)

£m	2011	2010
Free cash flow	4.7	(2.7)
Working Capital	1.7	5.4
Acquisition costs	(1.5)	-
Share buy back	-	(0.3)
Dividends Group shareholders	(1.7)	(1.5)
Minorities	(0.3)	-
Net cash inflow	2.9	0.9

Funding growth



Total facility:	£40m*
Hedging:	Euros/Sterling/US\$*
Purpose:	Working capital funding
Facility:	Invoice discounting & overdraft
Notice period:	12 months rolling
Main coverage:	Europe UK & USA*
Covenants:	No covenants, debtors ageing
Pricing:	Competitive

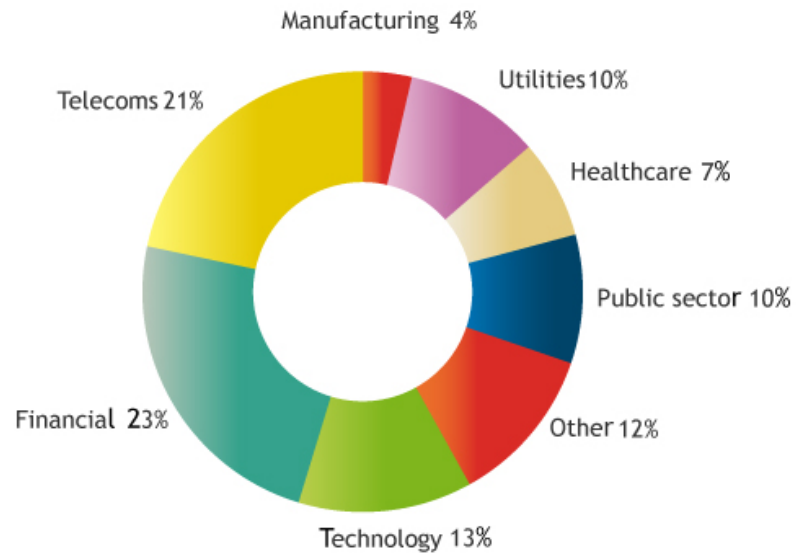
*US facilities \$6m arranged post year end



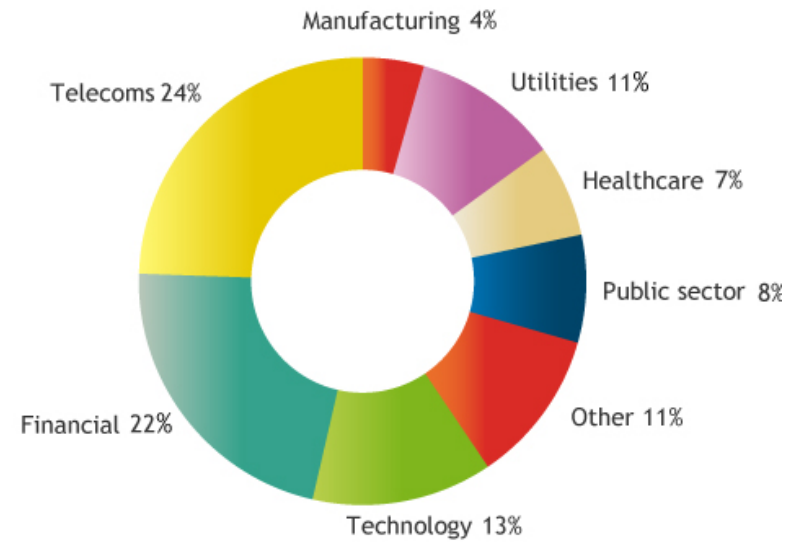
Operational review

Diversity - revenue by sector

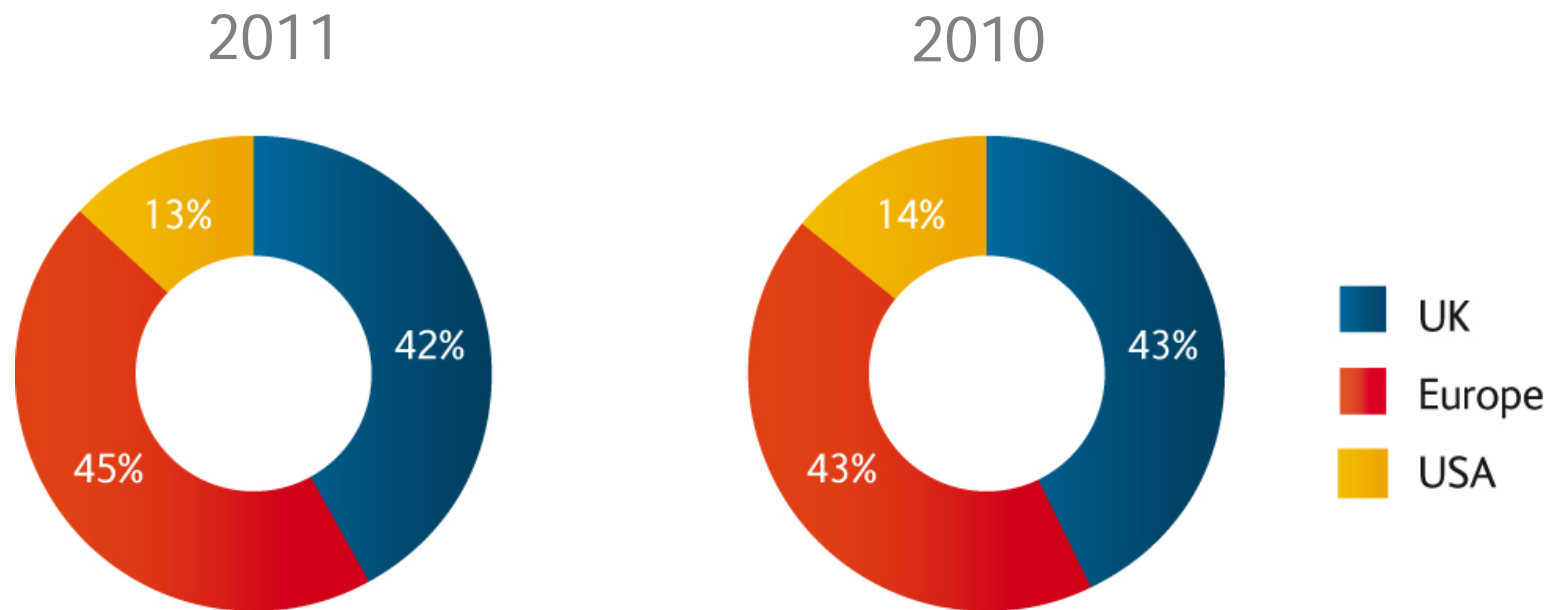
2011



2010



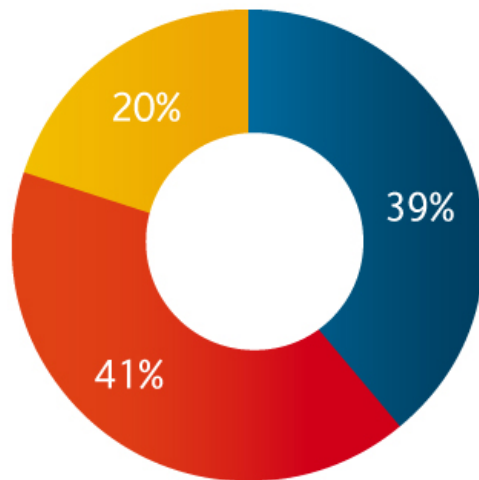
Geographical diversity



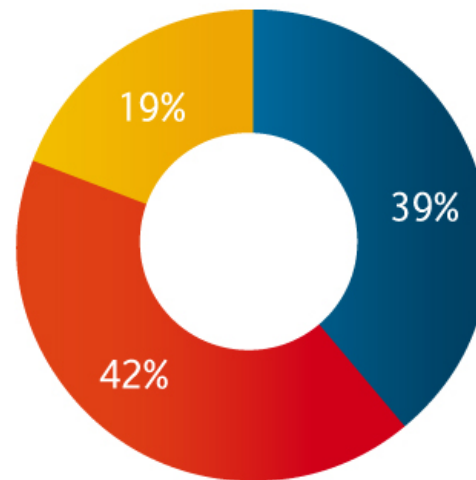
Gross Profit

Services mix

2011



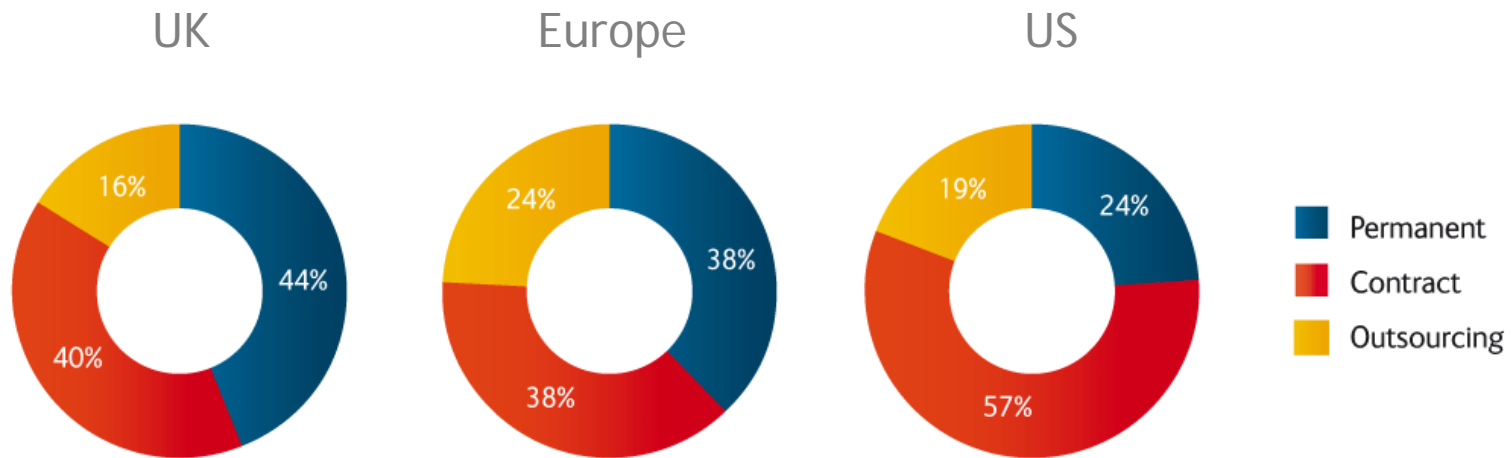
2010



- Permanent
- Contract
- Outsourcing

Gross Profit

Portfolio of services



UK & Ireland

£m	2011	2010	%
Revenue	131.5	110.3	+19%
Net fee income	28.3	24.9	+14%
Operating profit	2.7	1.9	+41%

- Excellent flow through to profit, increased market share
- Fastest growing market is mobile applications (+44% in revenues)
- Expansion in Financial Services, new City of London office
- UK regions strong; Ireland profitable, Scotland +73%
- Offshoring continues to grow (+44%)

Europe

£m	2011	2010	%
Revenue	256.4	236.7	+8%
Net fee income	31.1	27.3	+14%
Operating profit	3.2	2.5	+28%

- Focus investment on Northern Europe and changing mix:
 - outsourcing (Germany) and permanent recruitment (Nordic)
- Netherlands and Switzerland subdued during 2010 but Belgium/Lux robust
- Nordic: Sweden Finland strong, Denmark improving
 - Introduction of new services, expanding headcount
 - Acquisition in Norway on track
- Germany; stronger in H2
 - Requirements for freelance and projects. New outsourcing contract secured

USA

£m	2011	2010	%
Revenue	34.4	29.3	+17%
Net fee income	9.1	8.3	+11%
Operating profit	0.6	0.03	1755%

- High unemployment resulting in delayed recovery in permanent recruitment
- Expansion of services portfolio
- East Coast vs West Coast
- 2011 increasing demand for permanent hires
- Confidence of further progress in 2011/12

Strategic focus

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Strategic update

Objective: Capitalising on market share gains

- Win additional Managed Service contracts
 - the gateway to new recruitment clients
- Leveraging market leading position in UK, Sweden, Norway and Germany
 - Expanding successful marketing programme
 - Build on new satellite offices Edinburgh, Copenhagen, Warsaw, Helsinki
 - Increase headcount in Munich and Stuttgart
 - Introduce additional Group services
- In the US, focus on rising demand for permanent recruitment
 - Increasing fee-earning headcount and building critical mass
- Looking for earnings enhancing bolt-on acquisitions

Outlook & Conclusion

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Current trading

UK

Demand still robust: caution on government/consumer/retail and business confidence appears vulnerable

EUROPE

Growth: Strong demand in Germany and the Nordic region, France, Netherlands & Switzerland improving

USA

Jobless recovery over: strong demand, permanent recruitment

“...the current year has started well...”

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Thank You

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