



FDM Group (Holdings) plc

Investec Best Ideas Conference - 2020

Rod Flavell - CEO

Mike McLaren - CFO

2020 – How has FDM fared?

- *Resilient performance through to the end of October 2020; CV-19 impacting the Group to differing degrees of significance, longevity and economic effect across each of our geographies:*
 - *UK and EMEA; Q1 pre-CV-19 strong performance, Lockdown1 slowed progress but from 1st June and the return to office of the Business Development teams deal volumes have improved;*
 - *North America; performance has varied across USA as differing states have closed/opened/closed but overall the performance has been stable. Canada has been tougher with longer and deeper restrictions but performance is improving;*
 - *APAC; first in to lockdown but appears to be almost post CV-19 and has performed strongly in each sub-territory.*
- *Training has been or is being delivered remotely in every territory as restrictions require; it has proved to be a highly successful and informative process.*
- *No FDM employee has been furloughed and we have introduced a wage for signed-off (training completed awaiting client deployment) trainees in the UK to help them through short term uncertainty. No UK Government assistance or support sought or taken.*
- *Strong cash generation and cash balances with no debt. September 2020 cash of £56m*

2020 – The marketplace, our clients and our people.

- *In usual times the Group trains technical to business courses in the ratio of c.60/40; today that ratio is c.80/20. Technical skills and 'Digital Transformation' are the focus.*
- *Banking has remained a strong sector for FDM in CV-19 and Government (both around BREXIT and otherwise) is showing increased demand for Mounties.*
- *Our newer clients in Life Sciences and Telecommunications are showing increasing demand for Mounties.*
- *Energy, Leisure and Travel remain difficult. Since the initial return of some Mounties as we entered Lockdown 1 numbers have broadly stabilized but we are not expecting meaningful growth in 2020 or 2021 in these sectors.*
- *Mountie internalisation at the end of 2 years has slowed; normally (non CV-19) we run c.12 % to 15% post-two year Mounties; today we are running c.20%. Based upon previous experience we estimate that this is unlikely to start to normalize prior to 2022.*
- *Training completions in 2020 are estimated at c.35% lower than in 2019 (1,350 this year). Recruitment and training continue at differing levels in each territory. Application levels remain high.*
- *Our unutilised resource (returned from assignment or completed training and awaiting assignment) is higher than normal but down from 2020 highs (c.425 Mounties now down from 750 in Lockdown 1.0. Normal would be c.300 Mounties in November).*

2020 – The marketplace – the bigger picture.

- *IDC estimates that in 2020 Global Spend on Digital Transformation will be c. \$44bn (doubled since 2014) and that this is set to increase to \$462bn by 2024. CV-19 has hardened the commitment to Digital Transformation; the spend is now structural rather than economically cyclical.*
- *Mounties on deployment are 'contingent labour' for our clients; often a preferred option in times of uncertainty.*
- *Average length of Mountie service with FDM is increasing; churn of Mounties is reducing. Margins for post two-year Mounties are lower but acceptable.*
- *Remote training is likely not an experiment that FDM would have undertaken, but it has proven to be effective and efficient. Over time FDM's real estate footprint will reduce in scale and alter in nature.*
- *FDM is exploring third party accreditation for its training and examinations, has a nascent Apprenticeship program in the UK, is working with two Universities in the UK on degree awards for some staff and is reviewing how it might be able to offer an alternative to University.*
- *ESG/CSR is at the heart of FDM's business model; it is becoming key to many of our clients across various geographies and key to many of our current and prospective investors.*

FDM – The future.

- *The Mountie model has demonstrated its strength during CV-19 and is showing signs of strong traction in territories where CV-19 restrictions are being lifted.*
- *Post Lockdown 1 we brought sales and business development teams back into the offices (distanced) early; it demonstrably improved our sales activity.*
- *The waypoint on the journey remains 5,000 Mounties assigned to clients; CV-19 has pushed this back by, perhaps, two years but it remains the target.*
- *FDM's balance sheet is robust, its p&l account healthy and its cash conversion consistently high.*
- *FDM's commitment to a high dividend to profit payout ratio (80% to 90% profit distribution) remains key to the Board's thinking.*
- *We continue to hire, we continue to train and we continue to win new clients.*