

HOGG ROBINSON GROUP PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2010

26 May 2010

HOGG ROBINSON GROUP PLC

WELCOME AND OVERVIEW

David Radcliffe, Chief Executive

OVERVIEW

- **A strong performance**
 - In line with expectations
 - Validates defensive nature of our business model
- **Our client portfolio remains loyal**
 - Retention rate remains above 90%
 - Travelling less but will return to pre-recession levels
- **Cost base aligned to current volumes**
 - Travel spend down 12%; revenue down 7%; operating profit up 11%
- **Underlying operating profit margin up from 9.8% to 10.8%**
- **In good shape to grow**
 - As retained clients return to 'normal' travel activity
 - Net new business wins and strong pipeline will add to future growth

HOGG ROBINSON GROUP PLC

FINANCIAL REVIEW

Julian Steadman, Group Finance Director

KEY FINANCIALS

Years ended 31 March	2010	2009	Change
Revenue	£326.8m	£351.3m	(7.0%)
Underlying operating profit ⁽¹⁾	£35.2m	£34.6m	1.7%
Underlying profit before tax ⁽¹⁾	£28.4m	£24.7m	15.0%
Underlying earnings per share ⁽¹⁾	6.3p	4.7p	34.0%
Exceptional items	(£3.3m)	(£5.6m)	£2.3m
Net debt	(£77.5m)	(£85.3m)	£7.8m
Total dividend	1.2p	1.2p	-
Dividend cover	5.3x	3.9x	N/A

(1) Before amortisation of acquired intangibles and exceptional items

EARNINGS

Years ended 31 March	2010 £m	2009 £m	Change £m
Underlying operating profit ⁽¹⁾	35.2	34.6	0.6
Associates and joint ventures	0.2	0.1	0.1
Finance costs	(7.0)	(10.0)	3.0
Underlying profit before tax ⁽¹⁾	28.4	24.7	3.7
Amortisation of acquired intangibles	(3.9)	(3.7)	(0.2)
Exceptional items	(3.3)	(5.6)	2.3
Profit before tax	21.2	15.4	5.8
Tax	(6.9)	(6.3)	(0.6)
Net profit	14.3	9.1	5.2

(1) Before amortisation of acquired intangibles and exceptional items

REVENUE AND UNDERLYING OPERATING PROFIT ⁽¹⁾

Years ended 31 March	2010 £m	2009 £m	Change
Europe	229.6	257.9	(11.0%)
North America	69.3	67.6	2.5%
Asia Pacific	16.7	16.0	4.4%
Spendvision	11.2	9.8	14.3%
Total Revenue	326.8	351.3	(7.0%)
Europe	28.1	32.0	(£3.9m)
North America	6.8	0.7	£6.1m
Asia Pacific	(1.1)	(1.0)	(£0.1m)
Spendvision	1.4	2.9	(£1.5m)
Total Underlying Operating Profit ⁽¹⁾	35.2	34.6	£0.6m
Underlying operating profit margin ⁽¹⁾	10.8%	9.8%	1.0%

(1) Before amortisation of acquired intangibles and exceptional items

EFFECTIVE MANAGEMENT OF COST BASE



FINANCE COSTS

Years ended 31 March	2010 £m	2009 £m	Change £m
External interest (net)	(3.3)	(8.4)	5.1
IAS19 pension costs	(3.2)	(1.2)	(2.0)
Amortised fees	(0.5)	(0.4)	(0.1)
Net finance costs	(7.0)	(10.0)	3.0

- **Average debt over the period is higher than at the year end**
- **Preparations underway for refinancing**
 - Likely to result in increased borrowing costs

EXCEPTIONAL ITEMS

Years ended 31 March	2010 £m	2009 £m	Change £m
Restructuring costs	(3.3)	(6.9)	3.6
Unutilised acquisition accruals	-	1.6	(1.6)
Deferred tax recognition	-	(0.3)	0.3
Total	(3.3)	(5.6)	2.3

TAXATION

Years ended 31 March	2010			2009		
	Pre-tax £m	Tax £m	Rate %	Pre-tax £m	Tax £m	Rate %
Underlying profit	28.4	(8.4)	30%	24.7	(8.8)	36%
Amortisation of acquired intangibles	(3.9)	1.2	31%	(3.7)	1.1	30%
Exceptional items	(3.3)	0.3	9%	(5.6)	1.4	25%
Statutory result	21.2	(6.9)	33%	15.4	(6.3)	41%

CASH FLOW

Years ended 31 March	2010 £m	2009 £m	Change £m
EBITDA ⁽¹⁾	44.5	42.3	2.2
Cash flow from exceptional items	(7.0)	0.6	(7.6)
Working capital movements	5.7	29.2	(23.5)
Capital expenditure	(11.1)	(9.4)	(1.7)
Additional pension contributions	(7.6)	(7.2)	(0.4)
Interest ⁽²⁾	(2.8)	(6.9)	4.1
Tax	(5.1)	(3.8)	(1.3)
Other movements	(0.4)	(0.8)	0.4
Free cash inflow	16.2	44.0	(27.8)
Acquisitions and disposals	(0.3)	0.1	(0.4)
Dividends	(1.2)	(12.0)	10.8
Currency translation and other	(6.9)	(7.0)	0.1
Decrease in net debt	7.8	25.1	(17.3)

(1) Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) is before exceptional items

(2) Includes dividends received from associates and joint ventures

PENSION PLANS

Deficits of £126.4m – up £61.1m since Mar 2009; down £1.1m since Sep 2009

- **UK deficit of £115.9m – up £64.6m**
- **Overseas deficits of £10.5m – down £3.5m**

UK scheme

- **Assets up by £31.7m – investment performance**
 - Investment in equities 57%
- **Liabilities up by £96.3m**
 - Discount rate lower (6.7% to 5.5%) - liabilities up £66.7m
 - Inflation rate higher (2.7% to 3.5%) - liabilities up £20.8m

FUNDING

Covenant calculations	31 Mar 10	30 Sep 09	31 Mar 09
Net debt : EBITDA	1.7x	2.5x	2.0x
Interest cover	13.5x	7.2x	5.0x

- **£220m committed facility to 2011 plus uncommitted facilities**
- **Covenants measured only at end March and September, and require**
 - Net debt less than 3.0 times EBITDA
 - EBITDA at least 4.0 times net external interest
- **Average debt higher than end March and September**
- **Preparations underway for refinancing**
 - Likely to result in increased borrowing costs

HOGG ROBINSON GROUP PLC

OPERATING REVIEW AND OUTLOOK

David Radcliffe, Chief Executive

OPERATING REVIEW

- **Strong performance under extremely challenging conditions**
- **Our fee-based business model works**
 - Minimal impact from shifts to cheaper travel options
 - Cost base aligned to current volumes
 - Margin improvement
- **Keep doing the same - providing excellent service and value for money**
 - Client retention rate remains above 90%

PRICEWATERHOUSECOOPERS 

P&G

- **Well placed to grow**
 - **As retained clients return to ‘normal’ travel activity**
 - **Net new business wins and strong pipeline**

INDUSTRY TRENDS

CLIENT ACTIVITY

- **Managed client retention rate maintained above 90%**
- **Client priorities:**
 - Reduce overall travel spend; client travel spend down 12% YOY
 - Continue to demand excellent service and value for money
- **Clients willing to consider changes – opportunities for HRG**
- **Specific trends:**
 - Stronger compliance
 - Increased demand for data
 - Stronger control of meetings management
 - More online and self-booking
 - Trend towards regional service centres replacing country locations

CLIENT ACTIVITY Cont'd

- **Continued to win more business than we lost**
- **New clients include:**
 - Altana
 - Bertelsmann
 - Department for International Development
 - Discovery Communications
 - Evonik
 - KKR
 - Novartis
 - Scottish Enterprise Department
 - Volkswagen
 - Wells Fargo
 - Wincanton
- **Strong sales pipeline spanning a range of sectors**

WHY WE ARE WINNING

- **We deliver value for money**
- **A global network – one of only three experienced global TMCs**
- **A proven fee-based business model**
 - Flexible
 - Stress tested during the recession
- **A stable and diverse client portfolio**
 - No single client or sector dominates
 - Contract-backed, with multi-year relationships
- **Technology**
 - Our technology is standalone, non-aligned and capable of working with most appropriate solution for our clients
 - We have our own data integration and independent warehouse capability
 - Our technology is capable of independently connecting to wherever the inventory is regardless of distribution platform
- **Our culture is that quality service is always paramount**

SUMMARY AND OUTLOOK

- **Strong performance in line with expectations**
 - Resilience of business model (re-)affirmed
 - Cost base aligned to current volumes
- **Margin increased**
- **Business in good shape and ready for any growth opportunities**
 - Managed client retention rate remained above 90% - growth in recovery
 - Net new business wins and strong pipeline will add to growth
- **Expect to deliver further progress in FY11**

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APPENDICES

REVENUE TREND

Years ended 31 March	2009		2010	
£m	H1	H2	H1	H2
Revenue				
Corporate Travel Management				
Europe	127.0	130.9	109.1	120.5
North America	31.2	36.4	32.2	37.1
Asia Pacific	8.6	7.4	8.3	8.4
Spendvision	4.2	5.6	5.7	5.5
Total	171.0	180.3	155.3	171.5

EARNINGS TREND

Years ended 31 March £m	2009		2010	
	H1	H2	H1	H2
Underlying operating profit ⁽¹⁾				
Corporate Travel Management				
Europe	12.9	19.1	8.9	19.2
North America	(0.6)	1.3	2.3	4.5
Asia Pacific	(0.1)	(0.9)	(0.5)	(0.6)
Spendvision	0.8	2.1	0.6	0.8
Total	13.0	21.6	11.3	23.9
Associates and joint ventures	0.2	(0.1)	-	0.2
Finance costs (net)	(5.4)	(4.6)	(3.8)	(3.2)
Underlying profit before tax	7.8	16.9	7.5	20.9
Amortisation of acquired intangibles	(1.7)	(2.0)	(1.9)	(2.0)
Exceptional items	-	(5.6)	(2.3)	(1.0)
Profit before tax	6.1	9.3	3.3	17.9
Tax	(2.0)	(4.3)	(1.1)	(5.8)
Net earnings	4.1	5.0	2.2	12.1

(1) Operating profit before amortisation of acquired intangibles and exceptional items

CASH FLOW TREND

Years ended 31 March	2009		2010	
£m	H1	H2	H1	H2
EBITDA ⁽¹⁾	16.7	25.6	15.8	28.7
Cash flow from exceptional items	2.9	(2.3)	(4.6)	(2.4)
Working capital movements	(7.3)	36.5	(7.4)	13.1
Interest paid	(4.3)	(2.6)	(2.0)	(0.8)
Tax paid	(2.9)	(0.9)	(2.2)	(2.9)
Capital expenditure	(3.6)	(5.8)	(4.9)	(6.2)
Pension funding in excess of EBITDA charge	(3.4)	(3.8)	(3.7)	(3.9)
Other movements	(0.1)	(0.7)	0.3	(0.7)
Free cash (outflow) / inflow	(2.0)	46.0	(8.7)	24.9
Acquisitions and disposals	0.1	-	-	(0.3)
Dividends paid to external shareholders	(8.4)	(3.6)	-	(1.2)
Currency translation and other	(2.3)	(4.7)	(2.0)	(4.9)
(Increase) / decrease in net debt	(12.6)	37.7	(10.7)	18.5

(1) Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) is before exceptional items

BALANCE SHEET TREND

Years ended 31 March	2009		2010	
£m	H1	H2	H1	H2
PPE & intangibles	248.5	275.9	269.1	271.0
Working capital	(51.0)	(93.7)	(86.5)	(101.2)
Net debt	(123.0)	(85.3)	(96.0)	(77.5)
Taxation	19.9	24.4	41.4	38.8
Pension liabilities (net of tax)	(39.2)	(65.3)	(127.5)	(126.4)
Provisions & other	(2.3)	(8.3)	(7.6)	(4.0)
Net assets / (liabilities)	52.9	47.7	(7.1)	0.7

PRINCIPAL FOREIGN CURRENCY RATES

		Sep 08	Mar 09	Sep 09	Mar 10
Income statement					
Euro	EUR	1.26	1.20	1.14	1.13
Swiss Franc	CHF	2.04	1.87	1.73	1.69
Swedish Crowns	SEK	11.97	12.07	11.96	11.66
Norwegian Krone	NOK	10.15	10.19	9.96	9.60
US Dollar	USD	1.92	1.70	1.60	1.60
Canadian Dollar	CAD	1.97	1.91	1.79	1.73
Balance sheet					
Euro	EUR	1.27	1.08	1.09	1.12
Swiss Franc	CHF	2.00	1.63	1.66	1.60
Swedish Crowns	SEK	12.43	11.85	11.18	10.92
Norwegian Krone	NOK	10.54	9.68	9.28	9.00
US Dollar	USD	1.78	1.43	1.60	1.52
Canadian Dollar	CAD	1.90	1.80	1.72	1.54

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