

## FDM Group (Holdings) plc

### Preliminary Results

FDM Group (Holdings) plc ("the Company") and its subsidiaries (together "the Group" or "FDM"), today announces its results for the year ended 31 December 2023.

	31 December 2023	31 December 2022	% change
Revenue	£334.0m	£330.0m	+1%
Adjusted operating profit <sup>1</sup>	£49.6m	£52.2m	-5%
Profit before tax	£55.6m	£45.7m	+22%
Adjusted profit before tax <sup>1</sup>	£50.2m	£52.0m	-3%
Basic earnings per share	37.3p	32.0p	+17%
Adjusted basic earnings per share <sup>1</sup>	32.9p	37.3p	-12%
Cash flow generated from operations	£61.5m	£49.7m	+24%
Cash conversion <sup>2</sup>	111.8%	108.3%	+3%
Adjusted cash conversion <sup>1</sup>	124.1%	95.1%	+30%
Cash position at period end	£47.2m	£45.5m	+4%
Effective income tax rate	26.7%	23.5%	+14%
Dividend per share	36.0p	36.0p	+0%

- Resilient performance in 2023 against a backdrop of very challenging market conditions, with macroeconomic and geopolitical uncertainties.
- FDM's agile business model enabled us to take the action required to align recruitment, training and resource levels appropriately, a programme which continues into the current year.
- Consultants assigned to clients at week 52<sup>3</sup> stood at 3,892 (2022: 4,905), down 21% against the prior year and training completions were 1,338 (2022: 3,179), down 58%.
- Global Consultant utilisation rate<sup>4</sup> was 92.8%, down from the prior year (2022: 97.5%) due to the Group carrying a higher number of undeployed Consultants.
- We secured 47 new clients globally (2022: 74), of which 68% were outside the financial services sector.
- Group revenue increased 1% against the prior year (up 2% on a constant currency basis); adjusted operating profit<sup>1</sup> decreased by 5% to £49.6 million (2022: £52.2 million).
- We maintained our robust balance sheet, with £47.2 million of cash at year end (2022: £45.5 million) and no debt.
- Cash conversion was 111.8% (2022: 108.3%), reflecting continuing strong working capital management.
- We propose a final dividend of 19.0 pence per share, following an interim dividend of 17.0 pence per share declared in July 2023, a total dividend for the year of 36.0 pence per share (2022: 36.0 pence per share).

<sup>1</sup> Adjusted operating profit and adjusted profit before tax are calculated before Performance Share Plan credit/ expense (including social security costs) of £5.4 million (2022: expense £6.4 million). Adjusted basic earnings per share are calculated before the impact of Performance Share Plan credit/ expense (including social security costs and associated deferred tax). The adjusted cash conversion is calculated by dividing cash flow generated from operations by adjusted operating profit.

<sup>2</sup> Cash conversion is calculated by dividing cash flow generated from operations by operating profit.

<sup>3</sup> Week 52 in 2023 commenced on 25 December 2023 (2022: week 52 commenced on 19 December 2022).

<sup>4</sup> Utilisation is calculated as the ratio of cost of utilised Consultants to the total Consultant payroll cost.

### Rod Flavell, Chief Executive Officer, said:

"Reflecting continuing worldwide macroeconomic and geopolitical uncertainties, market conditions in the early months of the current year have remained soft. As we highlighted in January, levels of client engagement remain encouraging. It is however difficult to predict when this will gain sufficient strength to deliver meaningful increases in our Consultants placed with clients.

Group-wide, our activity levels in the year to date are below our previous expectations, with 3,703 Consultants assigned to clients as at 18 March 2024. This, coupled with our strategy to maintain appropriate levels of Consultant resource, and capacity in our internal teams, to meet clients' needs promptly when our markets improve, means that the Board believes that the Group's financial performance for 2024 is likely to be materially below its earlier expectations.

FDM is a robust and agile business, with a strong balance sheet and experienced management team and Board, operating in fundamentally strong markets across a diversified portfolio of clients, sectors and geographies, and we remain confident that our business is well positioned to return to growth as more usual market conditions return."

#### Enquiries

For further information:

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#### Forward-looking statements

This announcement contains statements which constitute "forward-looking statements". Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

#### Inside information

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014 (as it forms part of Retained EU Law as defined in the European Union (Withdrawal) Act 2018).

## We are FDM

FDM Group (Holdings) plc ("the Company" or "FDM") and its subsidiaries (together "the Group" or "FDM") form a global professional services provider with a focus on IT.

We are a global consultancy powering the people behind tech and innovation for over 30 years. We help our clients stay ahead of the latest tech trends and thrive in a rapidly changing world.

## INTRODUCTION

FDM delivered a resilient performance in 2023 against a backdrop of very challenging market conditions, returning a robust financial performance overall and continuing our investment in programmes to support future growth as and when market conditions improve.

The Group delivered an adjusted profit before tax<sup>1</sup> of £50.2 million (2022: £52.0 million). FDM's balance sheet remains strong with closing cash balances of £47.2 million (2022: £45.5 million) and no debt. The Group made dividend payments during the year of £39.3 million (2022: £38.2 million).

<sup>1</sup> The adjusted operating profit is calculated before Performance Share Plan credit/ expense (including social security costs).

### Overview

Following a strong start to 2023, market conditions became challenging from the beginning of the second quarter and remained so for the rest of the year. Macroeconomic and geopolitical uncertainties impacted client confidence, causing them to defer decisions relating to project commencements and Consultant placements. We ended the year with 3,892 Consultants placed with clients (2022: 4,905) and 1,338 Consultants were trained during the year (2022: 3,179). The Group recorded revenue of £334.0 million (2022: £330.0 million) and delivered an adjusted operating profit<sup>1</sup> of £49.6 million (2022: £52.2 million).

FDM's scalable business model enabled the Board to respond quickly to the decrease in client demand and to take appropriate measures to adjust recruitment, training and internal staffing levels and activities to align with market

conditions, a programme that continues in the current year.

## **Our strategy**

FDM's strategy is straightforward: we aim to deliver client-led, sustainable and profitable growth on a consistent basis through our well-established and proven business model, helping clients to stay ahead of the latest tech trends and unlocking opportunities to help them thrive in a rapidly changing world. This model has enabled us to deliver a resilient performance in 2023, in the face of particularly challenging market conditions, by working to fulfil our four key strategic objectives: attract and develop talented Consultants; invest in state-of-the-art Skills Labs to provide expert training; grow and diversify our client base; and expand and consolidate our geographic presence through sustainable and efficient means.

Our strategy requires that all activities and investments produce the appropriate level of return on investment, that they deliver sustained and measurable improvements for all our stakeholders including clients, staff and shareholders, and that they further our objective of launching the careers of talented people worldwide, which remains core to everything we do.

To reinforce our strategy and leadership position, in early 2024 we engaged in a major brand refresh project. This followed extensive consultation during 2023 with all our stakeholders to understand their views on FDM, our vision and our values. The new branding reflects who we are, and what we want to achieve in the future, enabling us to give a clear message to our investors, clients and candidates reflecting what we stand for and how this benefits them.

## **Strategic objectives**

### **Attract and develop talented Consultants**

The strength of our business model is that it allows us to flex recruitment and training in response to changing levels of client demand, while at the same time continuing to invest in our workforce so that we are well positioned to capitalise on opportunities when conditions improve. When market conditions changed at the beginning of the second quarter, with client demand starting to decrease and Consultant placements being deferred, we were able to bring this flexibility and scalability into play, reacting quickly to make adjustments to our levels of resource. Market conditions remained difficult for the rest of the year and we therefore delivered a reduced number of training completions (2023: 1,338; 2022: 3,179), reflecting the change in levels of client demand.

We continue to have an excellent pipeline of already-assessed candidates in all our territories, which our global recruitment teams have worked hard to secure. Our ongoing investment in our Ex-Forces, Returners and Apprenticeships programmes diversify our talent pipeline further. This means that we are well placed to accelerate recruitment and training as and when market conditions and client demand improve.

We continue to attract a high number of applicants across all our operating locations evidencing the appeal that FDM's market-leading, flexible training has in tech skills and innovation globally.

### **Invest in state-of-the-art Skills Labs to provide expert training**

Our hybrid training model offers high quality and flexible training that is attractive to our candidates and, while our training schedules were adjusted in the period in response to client demand, our highly skilled coaches continued to provide ongoing mentoring and upskilling to our benched Consultants.

We remain focused on optimising both the appeal of our training programmes to candidates and of our Consultants to clients. Accreditation of our courses provides - both to candidates and clients - external validation of FDM's programme content, delivery, approach and assessment. Through our partnership with TechSkills, we have now achieved Tech Industry Gold standard accreditation for ten programmes, with the Ex-Forces Advanced Course and the Returners (Business) Programme each achieving Tech Industry Gold accreditation during the year. A total of 325 Consultants completed accredited training in 2023 across the ten available programmes (2022: 653 Consultants completed accredited training across the eight available programmes). Most of our accredited courses have been converted to experiential delivery, replacing traditional academic exams with capability assessments, and transforming the classroom experience into real-world learning through the use of augmented digital content. All of the training content is available through a new, easy to use, and visually-appealing Skills Lab content repository run by our coaches.

As clients look for more specific, detailed and nuanced skillsets within each job role, we have adopted a practice-based approach to managing our benched Consultants. This has enhanced our ability to deploy Consultants whose skill profiles and areas of expertise are a more precise match for clients' requirements.

Our Pods, first developed as a response to the challenges of training during the pandemic, have now become the foundation of our Consultant development. The Pod experience is designed to simulate a client environment where Consultants can work on real projects. Our account managers have strong relationships with our clients which enable them to identify the most in-demand trends in emerging technologies. Our experienced coaches can then adapt the work assigned in the Pods to enable our Consultants to develop skills aligned with these emerging trends.

## **Grow and diversify our client base**

We continue to deliver the highest level of service to our clients and work closely with them to meet their requirements. Client diversification remains a key part of our strategy, with an element of the performance bonus for the Executive Board and senior management being linked to client diversification targets. We secured 47 new clients in the year (2022: 74), of which 23 were in the UK, 7 in North America, 9 in APAC and 8 in EMEA. Of these new clients, 68% were secured from outside the financial services sector. The number of new clients does not include those clients which re-engaged with us during 2023.

## **Expand and consolidate our geographic presence through sustainable and efficient means**

The expansion and consolidation of our geographic presence remains a key growth driver for FDM; whilst global macroeconomic conditions have impacted trading across all our operating regions, we retain a strong management and sales presence in each of our key operating regions. In the first quarter of 2023, we opened new sales offices in Tampa, Florida; Melbourne, Australia; and Limerick, Ireland, each of which contributed promising new business to our portfolio.

## **Our services**

Our business model is focused on coaching and deploying passionate, energetic and self-motivated Consultants with skills across five Practices; Software Engineering; Data & Analytics; IT Operations; Change & Transformation; and Risk, Regulation & Compliance. These five core areas of specialism include multiple interconnected sprints within our Skills Labs, building a versatile and adaptable Consultant workforce.

Consultants acquire skills and develop experience within a diverse range of disciplines under each Practice and can undertake a number of different roles when deployed on assignments.

Our core strengths include our agility, prompt design and delivery capabilities, and, notably, our ability to adapt to the ever-evolving technology landscape. For instance, our growing expertise in AI has enabled us to stay ahead of the market, fostering strong capabilities in the AI space. We established multiple Pods covering diverse scenarios involving the integration of AI into business operations, complemented by successful workshops. These included a workshop on Prompt Engineering, which was attended by seven executives and over 45 engineers from our biggest client and received exceptionally positive feedback. Not only did it consolidate our existing clients' perception of our capabilities, but it also opened doors for FDM to engage with potential new clients regarding opportunities to work together in the future.

### *Consultancy Services*

Underpinned by our core model, our Consultancy Services team was set up to provide added expertise and capability. We help our clients to identify problems, shape change and deliver the right solutions. Using a combination of senior professionals and those at the beginning of their careers, we have the ability to quickly mobilise high-performing teams to deliver collaborative solutions for a wide range of technology problems. Each project is supported by experienced Senior Delivery Consultants who provide management capability. Delivery can be alongside the client's workforce or by FDM Consultants. During 2023 our Consultancy Services delivered a number of very successful projects.

### *Technology Partnerships*

Our Technology Partnerships with some of the world's most innovative organisations ensure that we are at the forefront of technological advancements. The presence of certified trainers authorised to deliver official training from these organisations enhances the support and skillsets we offer to our clients.

In 2023, our Consultants obtained training and certification from Microsoft.

Furthermore, as a Workforce Development Partner to Microsoft, we collaborated to host Industry Insight events aimed at showcasing our capabilities to clients - the events, held in our London and Toronto centres, featured panel discussions with senior leaders in the AI space from Microsoft, our clients, and FDM. They provided a platform to explore the strategies, challenges and success stories surrounding the adoption of AI technologies, while highlighting advice on how AI transformation can align with organisational goals and objectives. The attendance of a large number of clients added depth and value to these discussions.

Our Technology Partners include:

- **Microsoft** - Workforce Development Partner
- **Salesforce** - Trailhead Academy Authorised Learning Partner
- **ServiceNow** - Placement Partner
- **AWS** - AWS Approved Training Partner & AWS reStart Collaboration
- **Appian** - Education Partner
- **nCino** - Workforce Development Partner
- **SAP** - Partner Talent Initiative
- **ISACA** - Accredited Partner

## GROUP RESULTS

### Summary income statement

	Year ending 31 December 2023	Year ending 31 December 2022	% change
Revenue	£334.0m	£330.0m	+1%
Adjusted operating profit <sup>1</sup>	£49.6m	£52.2m	-5%
Operating profit	£55.0m	£45.8m	+20%
Adjusted profit before tax <sup>1</sup>	£50.2m	£52.0m	-3%
Profit before tax	£55.6m	£45.7m	+22%
Adjusted basic EPS <sup>1</sup>	32.9p	37.3p	-12%
Basic EPS	37.3p	32.0p	+17%

### Overview

Against a backdrop of challenging market conditions from the beginning of the second quarter, the Group delivered a resilient performance in 2023. Revenue increased to £334.0 million, up 1% (2022: £330.0 million), adjusted operating profit<sup>1</sup> decreased by 5% to £49.6 million (2022: £52.2 million), with adjusted basic earnings per share<sup>1</sup> down 12%, to 32.9 pence (2022: 37.3 pence). We ended the year with a robust balance sheet, including cash balances of £47.2 million (2022: £45.5 million), having converted 111.8% of our operating profit into operating cash flow. We remain well positioned for future growth with a proven and agile business model that allows us to respond rapidly and effectively to market fluctuations.

Revenue increased by £4.0 million to £334.0 million (2022: £330.0 million). On a constant-currency basis<sup>2</sup> revenue increased by 2%, or £7.4 million. Consultants assigned to clients at week 52 of 2023 decreased by 21%, totalling 3,892 (week 52 of 2022: 4,905). The average number of Consultants assigned to clients was broadly similar in 2023 compared with 2022, resulting in revenue earned in 2023 also being broadly similar to revenue earned in 2022. At week 52 of 2023 our Ex-Forces Programme accounted for 163 Consultants deployed worldwide (week 52 of 2022: 211). Our Returners Programme had 219 Consultants deployed at week 52 of 2023 (week 52 of 2022: 220). The Consultant utilisation rate dropped to 92.8% (2022: 97.5%) as a result of the Group carrying a higher-than-expected number of undeployed Consultants.

An analysis of revenue and headcount by region is set out in the table below:

	Year ending 31 December 2023 Revenue £m	Year ending 31 December 2022 Revenue £m	2023 Consultants assigned to clients at week 52 <sup>3</sup>	2022 Consultants assigned to clients at week 52 <sup>3</sup>
UK	127.8	139.6	1,411	1,958
North America	130.2	116.9	1,322	1,618
EMEA	24.1	19.7	327	318
APAC	51.9	53.8	832	1,011
	334.0	330.0	3,892	4,905

Adjusted Group operating profit margin decreased to 14.8% (2022: 15.8%), due primarily to the cost to the Group of carrying more undeployed Consultants. Administrative expenses, excluding the share-based payment credit/ expense, increased to £107.0 million (2022: £103.4 million) due to the costs arising from the higher number of undeployed Consultants.

<sup>1</sup> Adjusted operating profit and adjusted profit before tax are calculated before Performance Share Plan credit/ expense (including social security costs). Adjusted basic earnings per share are calculated before the impact of Performance Share Plan credit/ expense (including social security costs and associated deferred tax).

<sup>2</sup> The constant-currency basis is calculated by translating current-year and prior-year reported amounts into comparable amounts using the 2023 average exchange rate for each currency. The presentation of the constant-currency basis provides a better understanding of the Group's trading performance by removing the impact on revenue of movements in foreign exchange.

<sup>3</sup> Week 52 in 2023 commenced on 25 December 2023 (2022: week 52 commenced on 19 December 2022).

### Adjusting items

The Group presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of underlying trading performance. The adjusted results are stated before Performance Share Plan credit including associated taxes which totalled £5.4 million (2022: expense of £6.4 million). The Directors believe that excluding these costs provides a more meaningful comparison of the trading performance. These expenses are based on estimates relating to a vesting which may occur up to three years after the date of grant and the assumptions underpinning those estimates can change from year to year.

## Net finance expense

The finance expense includes lease liability interest of £0.7 million (2022: £0.5 million). The Group has no debt.

## Taxation

The Group's total tax charge for the year was £14.9 million, equivalent to an effective tax rate of 26.7%, on profit before tax of £55.6 million (2022: effective tax rate of 23.5% based on a tax charge of £10.8 million and a profit before tax of £45.7 million). The effective tax rate in 2023 has increased from the prior year primarily due to the increase in the UK corporate tax rate from 19% to 25%, effective from 1 April 2023. The effective tax rate also reflects the Group's geographical mix of profits and the impact of items considered to be non-taxable or non-deductible for tax purposes.

## Earnings per share

Basic earnings per share increased in the year to 37.3 pence (2022: 32.0 pence), whilst adjusted basic earnings per share were 32.9 pence (2022: 37.3 pence). Diluted earnings per share were 37.2 pence (2022: 31.8 pence).

## Dividend

During the year, the Group paid two dividends with a total payment to shareholders of £39.3 million (2022: £38.2 million).

At the AGM held on 16 May 2023, a final dividend of 19.0 pence per share for 2022 was approved by shareholders and was paid on 30 June 2023. On 25 July 2023, an interim dividend of 17.0 pence per share for 2023 was declared and was paid on 13 October 2023.

The Board has recommended a final dividend of 19.0 pence per share, subject to shareholder approval at the 2024 AGM, taking the total dividend arising from the 2023 financial year to 36.0 pence per share (2022 total dividend: 36.0 pence per share).

The Board has set a minimum consistent cash buffer at a Group level and will always consider the ongoing needs for the funding of organic growth across the business and the distributable reserves available to the Group when considering dividend levels. As at 31 December 2023, the Company had distributable reserves of £44.7 million. This statement does not form part of the audited financial statements and the distributable reserves figure of £44.7 million is therefore not audited by PwC.

## Cash flow and Statement of Financial Position

The Group's cash balance increased to £47.2 million (2022: £45.5 million). Cash conversion was 111.8% (2022: 108.3%) reflecting continuing strong working capital management. In particular, year-end trade receivables decreased from £34.9 million to £24.9 million. Dividends paid in the year totalled £39.3 million (2022: £38.2 million). Capital expenditure was £0.7 million (2022: £1.2 million) and tax paid was £12.7 million (2022: £13.7 million).

## SEGMENTAL PERFORMANCE

### UK

Macroeconomic uncertainty impacted demand for new Consultants and consequently UK Consultant headcount at week 52 of 2023 was 1,411, a decrease of 547 (28%) on the prior year (2022: 1,958). Revenue decreased by 8% to £127.8 million (2022: £139.6 million); this decrease was less than the decrease in Consultant headcount due to the phasing of headcount. During the year we continued to open new business with 23 new clients compared with the 38 that we added in 2022.

Adjusted operating profit decreased 17% to £25.1 million (2022: £30.3 million) as, although there were fewer training completions, the impact of this was outweighed by the cost of holding a higher than typical number of undeployed ("benched") Consultants to service future client demand.

In response to the change in demand, training completions decreased by 68% to 339 (2022: 1,063).

### North America

As in the UK, macroeconomic uncertainty hindered demand for new Consultants and North America Consultant headcount at week 52 of 2023 was 1,322, a decrease of 296 (18%) on the prior year (2022: 1,618). Despite the reduction in headcount, revenue increased by 11% to £130.2 million (2022: £116.9 million) due to the phasing of headcount year-on-year (the 2023 average headcount was 10% higher than 2022). During the year we added seven new clients compared with the 14 that we added in 2022.

Adjusted operating profit increased 32% to £20.4 million (2022: £15.4 million) which is more than the percentage increase in revenue due to lower paid training costs arising in 2023 compared to 2022. Training completions decreased by 74% to 340 (2022: 1,319) as we adjusted our training schedules to align with client demand.

We continued with our Group strategy to adjust our property footprint to reflect changes in how we train our Consultants with training now being delivered predominantly remotely. During the period, we moved our New York sales office to smaller premises with more flexible tenancy terms and opened a sales office in Florida to support client activity in the region.

## EMEA

EMEA Consultant headcount at week 52 of 2023 was 327, an increase of nine (3%) on the prior year (2022: 318). Revenue increased by 22% to £24.1 million (2022: £19.7 million); this increase was more than the increase in Consultant headcount due to the phasing of headcount. During the year we added eight new clients, the same number as in 2022.

Adjusted operating profit decreased 9% to £2.1 million (2022: £2.3 million), reflecting a higher than typical number of undeployed Consultants. Training completions increased by 15% to 256 (2022: 223).

Ireland experienced good growth in the year with week 52 headcount increasing by 57% to 69 and during the period we opened a sales office in Limerick, Ireland.

## APAC

APAC Consultant headcount at week 52 of 2023 was 832, a decrease of 179 (18%) on the prior year (2022: 1,011). Revenue decreased by 4% to £51.9 million (2022: £53.8 million); the decrease was less than that in the Consultant headcount due to the phasing of headcount. During the year we added nine new clients compared with the 14 that we added in 2022.

Adjusted operating profit decreased 52% to £2.0 million (2022: £4.2 million) reflecting a higher than typical number of undeployed Consultants, as seen elsewhere in the Group. Training completions decreased by 30% to 403 (2022: 574).

In Australia, we expanded our property footprint outside of Sydney, taking on a sales office in Melbourne to act as a base to support an increasing Consultant presence in the region.

## THE BOARD

Rowena Murray joined the Board as a Non-Executive Director on 1 August 2023. Rowena is highly regarded for her experience in investment banking and corporate broking, and her insight into the public markets. She has a strong reputation for helping businesses implement their strategies effectively to generate growth and create value.

## OUR PEOPLE AND OTHER STAKEHOLDERS

FDM is a people business, and I am particularly proud of the passion and commitment which our people across all of our operating regions continued to demonstrate, despite the uncertain market conditions we faced during 2023.

Our people strategy was designed to enable FDM to maintain its position as a high-performing and impactful global organisation with a clear focus on sustainability, scalability, commercial efficiency and flexibility. During 2023 we worked hard to ensure delivery of our strategic aims. Our Consultant Experience team helps to anticipate our Consultants' needs, so that we can deliver a positive experience for them. We have worked hard to put in place a clear structure of career pathways for our Consultants throughout their FDM journey. Optimising our Consultants' performance in this way, and using our close relationships with clients to understand their business needs, ensures that each Consultant deployment has the best chance of success for all stakeholders.

We remain committed to promoting diversity, social mobility and inclusion within our workplaces.

The wellbeing of all our people remains a key priority for the Board. The People Team continues to engage with staff to ensure that their wellbeing is monitored and safeguarded.

The Board extends its thanks to every FDM employee for the quality of their work during 2023, which has enabled us to deliver a resilient performance, while operating in challenging market conditions. Our results reflect their dedication, hard work and commitment.

## THE ENVIRONMENT

We maintain our focus on reducing our impact on the environment whilst further developing the Group's response to climate-related risks and opportunities. This year we have been able to gather more emissions data from our suppliers, which means that our reported Scope 3 emissions from purchased goods and services are more accurate.

## CURRENT TRADING AND OUTLOOK

Reflecting continuing worldwide macroeconomic and geopolitical uncertainties, market conditions in the early months of the current year have remained soft. As we highlighted in January, levels of client engagement remain encouraging. It is however difficult to predict when this will gain sufficient strength to deliver meaningful increases in our Consultants placed with clients.

Group-wide, our activity levels in the year to date are below our previous expectations, with 3,703 Consultants assigned to clients as at 18 March 2024. This, coupled with our strategy to maintain appropriate levels of Consultant resource, and capacity in our internal teams, to meet clients' needs promptly when our markets improve, means that the Board believes that the Group's financial performance for 2024 is likely to be materially below its earlier expectations.

FDM is a robust and agile business, with a strong balance sheet and experienced management team and Board, operating in fundamentally strong markets across a diversified portfolio of clients, sectors and geographies, and we remain

confident that our business is well positioned to return to growth as more usual market conditions return.

## Consolidated Income Statement

for the year ended 31 December 2023

	Note	2023 £000	2022 £000
<b>Revenue</b>	3	<b>333,975</b>	329,972
Cost of sales		(177,449)	(174,353)
<b>Gross profit</b>		<b>156,526</b>	155,619
Administrative expenses		(101,500)	(109,772)
<b>Operating profit</b>	4	<b>55,026</b>	45,847
Finance income		1,396	418
Finance expense		(796)	(604)
<b>Net finance income/ (expense)</b>		<b>600</b>	(186)
<b>Profit before income tax</b>		<b>55,626</b>	45,661
Taxation	5	(14,861)	(10,753)
<b>Profit for the year</b>		<b>40,765</b>	34,908
<b>Earnings per ordinary share</b>		<b>2023 pence</b>	2022 pence
Basic	6	<b>37.3</b>	32.0
Diluted	6	<b>37.2</b>	31.8

The results for the year shown above arise from continuing operations.

## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2023

	2023 £000	2022 £000
<b>Profit for the year</b>	<b>40,765</b>	34,908
<b>Other comprehensive (expense)/ income</b>		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on retranslation of foreign operations (net of tax)	(1,329)	2,148
<b>Total other comprehensive (expense)/ income</b>	<b>(1,329)</b>	2,148
<b>Total comprehensive income for the year</b>	<b>39,436</b>	37,056

## Consolidated Statement of Financial Position

as at 31 December 2023

	Note	2023 £000	2022 £000
<b>Non-current assets</b>			
Property, plant and equipment		10,000	10,000



Right-of-use assets		<b>18,215</b>	10,073
Property, plant and equipment		<b>2,616</b>	3,666
Intangible assets		<b>19,571</b>	19,729
Deferred income tax assets		<b>552</b>	2,316
		<b>40,954</b>	35,784
<b>Current assets</b>			
Trade and other receivables		<b>32,613</b>	45,473
Income tax receivables		<b>3,384</b>	3,450
Cash and cash equivalents	8	<b>47,226</b>	45,523
		<b>83,223</b>	94,446
<b>Total assets</b>		<b>124,177</b>	130,230
<b>Current liabilities</b>			
Trade and other payables	9	<b>25,638</b>	32,962
Lease liabilities		<b>4,512</b>	4,643
Current income tax liabilities		<b>1,428</b>	1,172
		<b>31,578</b>	38,777
<b>Non-current liabilities</b>			
Lease liabilities		<b>15,669</b>	8,250
Provisions		<b>228</b>	-
Deferred income tax liability		<b>31</b>	-
		<b>15,928</b>	8,250
<b>Total liabilities</b>		<b>47,506</b>	47,027
<b>Net assets</b>		<b>76,671</b>	83,203
<b>Equity attributable to owners of the parent</b>			
Share capital	10	<b>1,096</b>	1,092
Share premium		<b>9,705</b>	9,705
All Other reserves		<b>1,567</b>	13,525
Retained earnings		<b>64,303</b>	58,881
<b>Total equity</b>		<b>76,671</b>	83,203

## Consolidated Statement of Cash Flows

for the year ended 31 December 2023

	Note	2023 £000	2022 £000
<b>Cash flows from operating activities</b>			
Group profit before tax for the year		<b>55,626</b>	45,661
Adjustments for:			
Depreciation and amortisation	4	<b>5,742</b>	6,423
Loss on disposal of non-current assets		<b>155</b>	130
Finance income		<b>(1,396)</b>	(418)
Finance expense		<b>796</b>	604
Share-based payment (credit)/ charge (including associated social security costs)		<b>(5,340)</b>	6,727
Decrease/ (increase) in trade and other receivables		<b>11,386</b>	(11,334)
(Decrease)/ increase in trade and other payables		<b>(5,470)</b>	1,872
<b>Cash flows generated from operations</b>		<b>61,499</b>	49,665
Interest received		<b>1,396</b>	418
Income tax paid		<b>(12,741)</b>	(13,665)
<b>Net cash inflow from operating activities</b>		<b>50,154</b>	36,418

<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(651)	(1,204)
<b>Net cash used in investing activities</b>	<b>(651)</b>	<b>(1,204)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	4	-
Proceeds from sale of shares from EBT	468	484
Principal elements of lease payments	(4,807)	(5,470)
Interest elements of lease payments	(718)	(472)
Proceeds from sale of own shares	16	24
Payment for shares bought back	(2,525)	-
Finance costs paid	(72)	(132)
Dividends paid	(39,320)	(38,153)
<b>Net cash used in financing activities</b>	<b>(46,954)</b>	<b>(43,719)</b>
Exchange (losses)/ gains on cash and cash equivalents	(846)	908
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>1,703</b>	<b>(7,597)</b>
Cash and cash equivalents at beginning of year	45,523	53,120
<b>Cash and cash equivalents at end of year</b>	<b>47,226</b>	<b>45,523</b>

## Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

	Share capital £000	Share premium £000	All Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2023	1,092	9,705	13,525	58,881	83,203
Profit for the year	-	-	-	40,765	40,765
Other comprehensive expense for the year	-	-	(1,329)	-	(1,329)
Total comprehensive income for the year	-	-	(1,329)	40,765	39,436
Share-based payments	-	-	(4,434)	-	(4,434)
Transfer to retained earnings	-	-	(4,673)	4,673	-
Own shares sold	-	-	1,003	(496)	507
Own shares purchased	-	-	(2,525)	-	(2,525)
Recharge of net settled share options	-	-	-	(200)	(200)
Dividends (note 11)	-	-	-	(39,320)	(39,320)
Issue of new shares (note 10)	4	-	-	-	4
Total transactions with owners, recognised directly in equity	4	-	(10,629)	(35,343)	(45,968)
<b>Balance at 31 December 2023</b>	<b>1,096</b>	<b>9,705</b>	<b>1,567</b>	<b>64,303</b>	<b>76,671</b>
	Share capital £000	Share premium £000	All Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2022	1,092	9,705	5,126	62,207	78,130
Profit for the year	-	-	-	34,908	34,908
Other comprehensive income for the year	-	-	2,148	-	2,148
Total comprehensive income for the year	-	-	2,148	34,908	37,056

Share-based payments	-	-	5,844	-	5,844
Transfer to retained earnings	-	-	(454)	454	-
Own shares sold	-	-	861	(353)	508
Recharge of net settled share options	-	-	-	(182)	(182)
Dividends (note 11)	-	-	-	(38,153)	(38,153)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total transactions with owners, recognised directly in equity	-	-	6,251	(38,234)	(31,983)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2022</b>	<b>1,092</b>	<b>9,705</b>	<b>13,525</b>	<b>58,881</b>	<b>83,203</b>

## Notes to the Consolidated Financial Statements

### 1 General information

The Group is an international professional services provider focussing principally on IT, specialising in the recruitment, training and deployment of its own permanent IT and business Consultants.

The Company is limited by shares, incorporated and domiciled in the UK and registered as a public limited company in England and Wales with a Premium Listing on the London Stock Exchange. The Company's registered office is 3rd Floor, Cottons Centre, Cottons Lane, London, SE1 2QG and its registered number is 07078823.

The financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Consolidated Financial Statements have been prepared on a historical cost basis. The Consolidated Financial Statements are presented in Pounds Sterling and all values are rounded to the nearest thousand (£000), except where otherwise indicated.

### 2 Basis of preparation

The financial information set out in this preliminary announcement does not constitute statutory accounts for the years ended 31 December 2023 and 31 December 2022, for the purpose of the Companies Act 2006, but is derived from those accounts. The audited statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2023 were approved for issue on 19 March 2024. The Group's auditor reported on the Annual Report and Accounts for the year ended 31 December 2023 on 19 March 2024. Their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with UK-adopted International Financial Reporting Standards, this announcement does not itself contain sufficient information to comply with UK-adopted International Financial Reporting Standards. The accounting policies applied in preparing this financial information are consistent with the Group's financial statements for the year ended 31 December 2022 with the exception of the following standards and amendments which were effective from 1 January 2023 and were adopted by the Group in preparing the financial statements. The adoption of these standards and amendments has not had a material impact on the Group's financial statements in the year:

IFRS 17, 'Insurance contracts'

Amendments

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

Definition of Accounting Estimates (Amendments to IAS 8)

Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)

International Tax Reform-Pillar Two Model Rules (Amendments to IAS 12)

### 3 Segmental reporting

Management has determined the operating segments based on the operating reports reviewed by the Board of

management has determined the operating segments based on the operating reports reviewed by the Board of Directors that are used to assess both performance and strategic decisions. Management has identified that the Executive Directors are the chief operating decision-maker in accordance with the requirements of IFRS 8 'Operating segments'.

As of 31 December 2023, the Board of Directors consider that the Group is organised on a worldwide basis into four core geographical operating segments:

- (1) UK;
- (2) North America;
- (3) Europe, Middle East and Africa, excluding UK ("EMEA"); and
- (4) Asia Pacific ("APAC").

Each geographical segment is engaged in providing services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

All segment revenue, profit before taxation, assets and liabilities are attributable to the principal activity of the Group, being a global professional services provider with a focus on IT.

**For the year ended 31 December 2023**

	UK £000	North America £000	EMEA £000	APAC £000	Total £000
Revenue	127,770	130,167	24,093	51,945	333,975
Depreciation and amortisation	2,420	1,324	362	1,636	5,742
<b>Segment operating profit</b>	<b>28,608</b>	<b>21,641</b>	<b>2,398</b>	<b>2,379</b>	<b>55,026</b>
Finance income <sup>1</sup>	1,334	260	24	11	1,629
Finance costs <sup>1</sup>	(401)	(55)	(61)	(512)	(1,029)
<b>Profit before income tax</b>	<b>29,541</b>	<b>21,846</b>	<b>2,361</b>	<b>1,878</b>	<b>55,626</b>

**As at 31 December 2023**

<b>Total assets</b>	<b>71,625</b>	<b>21,147</b>	<b>13,766</b>	<b>17,639</b>	<b>124,177</b>
<b>Total liabilities</b>	<b>(11,093)</b>	<b>(8,629)</b>	<b>(5,479)</b>	<b>(22,305)</b>	<b>(47,506)</b>

<sup>1</sup> Finance income and finance costs include intercompany interest which is eliminated upon consolidation

Included in total assets above are non-current assets (excluding deferred tax) as follows:

	UK £000	North America £000	EMEA £000	APAC £000	Total £000
31 December 2023	32,358	1,409	911	5,724	40,402

The following foreign entities, which are 100% owned subsidiaries, are material by their size at 31 December 2023:

Entity Name	FDM Group Inc.	FDM Group Canada Inc.	FDM Group Australia Pty Ltd
Country of registration	USA	Canada	Australia
	£000	£000	£000
Revenue	71,884	58,283	21,665
Non-current assets (excluding deferred tax)	1,185	224	4,377

**For the year ended 31 December 2022**

UK £000	North America £000	EMEA £000	APAC £000	Total £000
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	£000	£000	£000	£000	£000
Revenue	139,560	116,937	19,665	53,810	329,972
Depreciation and amortisation	2,599	1,698	291	1,835	6,423
<b>Segment operating profit</b>	<b>25,856</b>	<b>14,111</b>	<b>2,039</b>	<b>3,841</b>	<b>45,847</b>
Finance income <sup>1</sup>	515	152	2	5	674
Finance costs <sup>1</sup>	(196)	(59)	(86)	(519)	(860)
<b>Profit before income tax</b>	<b>26,175</b>	<b>14,204</b>	<b>1,955</b>	<b>3,327</b>	<b>45,661</b>
<b>As at 31 December 2022</b>					
<b>Total assets</b>	<b>69,706</b>	<b>26,915</b>	<b>11,983</b>	<b>21,626</b>	<b>130,230</b>
<b>Total liabilities</b>	<b>(8,602)</b>	<b>(9,775)</b>	<b>(4,906)</b>	<b>(23,744)</b>	<b>(47,027)</b>

<sup>1</sup> Finance income and finance costs include intercompany interest which is eliminated upon consolidation

Included in total assets above are non-current assets (excluding deferred tax) as follows:

	UK £000	North America £000	EMEA £000	APAC £000	Total £000
31 December 2022	23,124	1,654	1,112	7,578	33,468

The following foreign entities, which are 100% owned subsidiaries, are material by their size at 31 December 2022:

	FDM Group Inc. USA £000	FDM Group Canada Inc. Canada £000	FDM Group Australia Pty Ltd Australia £000
<b>Country of registration:</b>			
Revenue	63,512	53,425	23,552
Non-current assets (excluding deferred tax)	890	764	5,532

#### Information about major clients

Clients A and B represent 10% or more of the Group's 2023 and 2022 revenues. Revenue from client A is attributed across all our operating segments, revenue from client B is attributed to North America.

	2023 £000	2022 £000
Revenue from client A	48,960	37,227
Revenue from client B	21,467	40,297

#### 4 Operating profit

Operating profit for the year has been arrived at after charging/ (crediting):

	2023 £000	2022 £000
Net foreign exchange differences	174	(415)
Loss on disposal of property, plant and equipment	148	95
Depreciation of right-of-use assets	4,279	4,533
Depreciation of property, plant and equipment and amortisation of software and software licences	1,463	1,890
Expense relating to short-term leases	600	13

#### 5 Taxation

The major components of income tax expense for the years ended 31 December 2023 and 2022 are:

	2023 £000	2022 £000
<b>Current income tax:</b>		
Current income tax charge	13,352	11,699
Adjustments in respect of prior periods	(249)	(592)

<b>Total current income tax</b>	<b>13,103</b>	11,107
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	<b>1,758</b>	(354)
<b>Total deferred tax</b>	<b>1,758</b>	(354)
<b>Total tax expense reported in the income statement</b>	<b>14,861</b>	10,753

The standard rate of corporation tax in the UK increased from 19% to 25% effective 1 April 2023, accordingly, the profits for 2023 are taxed at 23.5% (2022: 19%). The tax charge for the year is higher (2022: higher) than the standard rate of corporation tax in the UK. The differences are set out below:

	<b>2023</b>	2022
	<b>£000</b>	£000
Profit before income tax	<b>55,626</b>	45,661
Profit before income tax multiplied by UK standard rate of corporation tax of 23.5% (2022: 19%)	<b>13,072</b>	8,676
Effect of different tax rates on overseas earnings	<b>1,562</b>	2,090
Effect of expenses not deductible for tax purposes	<b>99</b>	579
Adjustments in respect of prior periods	<b>(249)</b>	(592)
Effect of unused tax losses not recognised for deferred tax assets	<b>377</b>	-
<b>Total tax charge</b>	<b>14,861</b>	10,753

## 6 Earnings per ordinary share

Basic earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year.

		<b>2023</b>	2022
	£000	<b>40,765</b>	34,908
Profit for the year			
Average number of ordinary shares in issue (thousands)		<b>109,151</b>	109,192
Basic earnings per share	Pence	<b>37.3</b>	32.0

Adjusted basic earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the Parent Company, excluding Performance Share Plan expense (including social security costs and associated deferred tax), by the weighted average number of ordinary shares in issue during the year.

		<b>2023</b>	2022
Profit for the year (basic earnings)	£000	<b>40,765</b>	34,908
Share-based payment (credit)/ expense (including social security costs)	£000	<b>(5,449)</b>	6,356
Tax effect of share-based payment (credit)/ expense	£000	<b>563</b>	(522)
Adjusted profit for the year	£000	<b>35,879</b>	40,742
Average number of ordinary shares in issue (thousands)		<b>109,151</b>	109,192
Adjusted basic earnings per share	Pence	<b>32.9</b>	37.3

## Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one type of dilutive potential ordinary shares in the form of share options; the number of shares in issue has been adjusted to include the number of shares that would have been issued assuming the exercise of the share options.

		<b>2023</b>	2022
Profit for the year (basic earnings)	£000	<b>40,765</b>	34,908
Average number of ordinary shares in issue (thousands)		<b>109,151</b>	109,192
Adjustment for share options (thousands)		<b>329</b>	594

Diluted number of ordinary shares in issue (thousands)		<b>109,480</b>	109,786
		<hr/>	<hr/>
Diluted earnings per share	Pence	<b>37.2</b>	31.8
		<hr/>	<hr/>

## 7 Trade and other receivables

Due to their short-term nature, the Directors consider that the carrying amount of trade receivables approximates to their transaction price. The standard credit terms are 30 days.

	<b>2023 £000</b>	2022* £000
Trade receivables	<b>24,944</b>	34,892
Prepayments and accrued income	<b>6,717</b>	9,389
Other receivables	<b>952</b>	1,192
	<hr/>	<hr/>
	<b>32,613</b>	45,473
	<hr/>	<hr/>

\*The 2022 comparative has been restated as the income tax receivable balance has been presented individually on the face of the Consolidated Statement of Financial Position.

Included within prepayments and accrued income is £2,340,000 of accrued income (2022: £3,862,000).

## 8 Cash and cash equivalents

	<b>2023 £000</b>	2022 £000
Cash at bank and in hand	<b>47,226</b>	45,523
	<hr/>	<hr/>

## 9 Trade and other payables

Due to their short-term nature, the Directors consider that the carrying amount of trade payables approximates to their fair value.

	<b>2023 £000</b>	2022 £000
Trade payables	<b>1,435</b>	2,184
Other payables	<b>2,147</b>	1,856
Other taxes and social security	<b>7,031</b>	9,309
Accruals	<b>15,025</b>	19,613
	<hr/>	<hr/>
	<b>25,638</b>	32,962
	<hr/>	<hr/>

## 10 Share capital

### Authorised, called-up, allotted and fully-paid share capital

	<b>2023 Number of shares</b>	<b>2023 £000</b>	2022 Number of shares	2022 £000
<i>Ordinary shares of £0.01 each</i>				
At 1 January	<b>109,191,669</b>	<b>1,092</b>	109,191,669	1,092
Issued in year	<b>420,183</b>	<b>4</b>	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	<b>109,611,852</b>	<b>1,096</b>	109,191,669	1,092
	<hr/>	<hr/>	<hr/>	<hr/>

### Ordinary shares

All ordinary shares rank equally for all dividends and distributions that may be declared on such shares. At general meetings of the Company, each shareholder who is present (in person, by proxy or by representative) is entitled to one vote on a show of hands and, on a poll, to one vote per share.

There were no changes in the authorised, called-up, allotted and fully-paid share capital during the year.

## 11 Dividends

	2023 £000	2022 £000
<b>Dividends paid</b>		
Paid to shareholders	<b>39,320</b>	38,153

#### 2023

An interim dividend of 17.0 pence per ordinary share was declared by the Directors on 25 July 2023 and was paid on 13 October 2023 to holders on the register on 22 September 2023; the amount paid was £18,539,000.

The Board is proposing a final dividend of 19.0 pence per share in respect of the year to 31 December 2023, for approval by shareholders at the AGM on 14 May 2024; the amount payable will be £20,724,000. Subject to shareholder approval the dividend will be paid on 28 June 2024 to shareholders on the register on 7 June 2024.

This brings the Company's total dividend for the year to 36.0 pence per share (2022: 36.0 pence per share).

The Board continues to operate its dividend policy; the Group will retain sufficient capital to fund ongoing operating requirements, maintain an appropriate level of dividend cover and sufficient funds to invest in the Group's longer-term growth.

#### 2022

An interim dividend of 17.0 pence per ordinary share was declared by the Directors on 27 July 2022 and was paid on 30 September 2022 to holders on the register on 26 August 2022; the amount paid was £18,533,000.

The Board paid a final dividend of 19.0 pence per share on 30 June 2023, to shareholders on the register on 9 June 2023; the amount paid was £20,781,000.

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