

# FDM

## Education and training

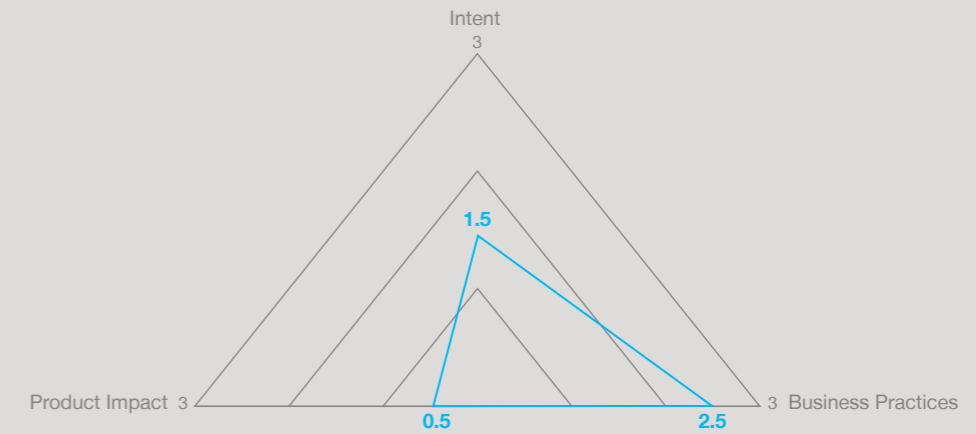


FDM provides training and job opportunities for graduates, ex-forces personnel and people returning to the workplace following an extended absence, with a view to promoting social mobility. Their recruits are called Mounties.

## Investment Case

|  |   |
|--|---|
| <p><b>What challenge is the Company tackling?</b></p>  | <p>Social mobility is a global challenge. In today's Britain, where you start from has a big influence on where you end up. Indeed, for young people it seems that the link between demography and destiny is becoming stronger rather than weaker. The same is true in the US where the likelihood of earning more than your parents has declined from 90% in 1970 to about half in 2016. Education is critical to social mobility. However, a higher-level education does not guarantee a higher paid job. Unpaid and/or unadvertised internships, and the reliance on them in the job market, are cited as some of the key barriers to realising social mobility from higher education. As such, people from disadvantaged backgrounds may not be in a position to capitalise on the potentially transformative effects of a university education.</p> |
| <p><b>Is the Company's offering sufficiently different and better than the status quo?</b></p> | <p>FDM aims to address social mobility and inclusion by launching the careers of talented people with the right aptitude and attitude, but who face barriers to accessing the job market. Unlike traditional routes FDM are offering a unique proposition. Mounties are given 9-16 weeks of intensive training in various IT training centres, before FDM deploys them as consultants in client offices for 2 years. At the end of the 2-year period clients can 'poach' the consultant or send them back to FDM for employment. This model offers companies a flexible way to access staff with the IT skills they need, as well as providing training and employment opportunities for a population who would otherwise struggle to access them.</p>  |
| <p><b>Is there a committed management team? What have they done before?</b></p>                | <p>Rod Flavell, CEO and his wife Sheila Flavell, Chief Operating Officer have grown the company organically since 1995 and hold c. 15% of the shares outstanding. Mr Flavell's enthusiasm for trying to level the playing-field for individuals by providing them with the skills and opportunities to enjoy progressive careers is palpable.</p>   |
| <p><b>How does the Company treat stakeholders?</b></p>   | <p>FDM has been recognised as a good place to work for graduates and veterans and is independently acknowledged for its contribution to social mobility. Gender diversity is where they are most outstanding and has been a purposeful decision by CEO Flavell since the beginning. FDM have been mentioned in the UK Digital Strategy for their efforts in supporting women in the tech sector and Sheila Flavell, COO, is particularly active in this regard. The multi-year relationships and high utilisation rates of the Mounties suggest that FDM are serving their customers well also.</p>   |
| <p><b>Is there a potential to create a profitable and defensible business?</b></p>             | <p>While FDM's model and proposition are not unique, the company has a strong competitive advantage in its reputation (both among graduates and returners-to-work as well as its customer base). The company works closely with customers to ensure the courses it offers to Mounties are tailored to their business needs while its impressive customer list and 15+ year track record provides an advantage in seeking new customers. Maintaining a culture that attracts high quality trainees and trainers is key to this. This is a capital-light business that is cash generative and generates high returns.</p>   |
| <p><b>Is the business attractively valued?</b></p>   | <p>Demand for FDM's services is supported by the global shortage of IT expertise. In addition to growth in the underlying market, the company has a fantastic opportunity in markets beyond the UK. While the addressable market is hard to define, one way to assess the opportunity is to consider the current revenue relative to UK GDP and to apply this to the market outside the UK, this suggests that FDM can continue growing at 15%+ for at least five years with significant growth opportunities thereafter.</p>   |

## Impact Analysis



### Product Impact

FDM has around 3,000 Mounties, which means their impact is relatively narrow in comparison to other holdings in the portfolio. Growth plans are slow and steady, aiming for 5,000 by 2020. Depth is difficult to measure as the challenge (social mobility) is multi-faceted.

### Intent

FDM shows evidence of continually developing their recruitment processes and ongoing investment in diversity, which shows commitment to delivering on social mobility.

### Business Practices

FDM's approach to gender diversity is particularly positive, especially in the context of the tech sector. Whilst independence on the Board could be improved they seem to be doing everything else right.

|   | Relevant Targets  | Relevant Products  |
|---|---|--|
| <p><b>4 QUALITY EDUCATION</b></p>               | <p><b>Target 4.4</b> By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p>   | <p>FDM currently has 3,000 people undertaking training or working in client organizations. FDM works closely with their customers (companies with IT needs) to ensure that the training they provide is directly applicable to a professional role.</p>  |
| <p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p> | <p><b>Target 8.5</b> By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p> <p><b>Target 8.6</b> By 2020, substantially reduce the proportion of youth not in employment, education or training.</p> | <p>FDM's open approach to recruitment ensures that opportunities are made available to candidates from a wide variety of backgrounds.</p> <p>FDM seeks to provide employment opportunities for those who traditionally find it difficult to access the job market in a way that maximises their potential.</p> |

**This presentation is intended solely for the use of professional investors and should not be relied upon by any other person. It is not intended for use by retail clients.**

---

## IMPORTANT INFORMATION AND RISK FACTORS

---

Baillie Gifford & Co and Baillie Gifford & Co Limited are authorised and regulated by the Financial Conduct Authority (FCA). Baillie Gifford & Co Limited is an Authorised Corporate Director of OEICs’.

Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK Professional/Institutional clients only. Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford & Co and Baillie Gifford Overseas Limited are authorised and regulated by the FCA in the UK.

Baillie Gifford Investment Management (Europe) Limited provides investment management and advisory services to European (excluding UK) clients. It was incorporated in Ireland in May 2018 and is authorised by the Central Bank of Ireland. Through its MiFID passport, it has established Baillie Gifford Investment Management (Europe) Limited (Frankfurt Branch) to market its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in Germany. Similarly, it has established Baillie Gifford Investment Management (Europe) Limited (Amsterdam Branch) to market its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in The Netherlands.

Baillie Gifford Investment Management (Europe) Limited also has a representative office in Zurich, Switzerland pursuant to Art. 58 of the Federal Act on Financial Institutions (“FinIA”). It does not constitute a branch and therefore does not have authority to commit Baillie Gifford Investment Management (Europe) Limited. It is the intention to ask for the authorisation by the Swiss Financial Market Supervisory Authority (FINMA) to maintain this representative office of a foreign asset manager of collective assets in Switzerland pursuant to the applicable transitional provisions of FinIA.

Baillie Gifford Investment Management (Europe) Limited is a wholly owned subsidiary of Baillie Gifford Overseas Limited, which is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited and Baillie Gifford & Co are authorised and regulated in the UK by the Financial Conduct Authority.

Persons resident or domiciled outwith the UK should consult with their professional advisers as to whether they require any governmental or other consents in order to enable them to invest, and with their tax advisers for advice relevant to their own particular circumstances.

### Important Information Hong Kong

Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 is wholly owned by Baillie Gifford Overseas Limited and holds a Type 1 and a Type 2 licence from the Securities & Futures Commission of Hong Kong to market and distribute Baillie Gifford’s range of collective investment schemes to professional investors in Hong Kong. Baillie Gifford Asia (Hong

Kong) Limited 柏基亞洲(香港)有限公司 can be contacted at Suites 2713-2715, Two International Finance Centre, 8 Finance Street, Central, Hong Kong, Telephone +852 3756 5700.

### Important Information Japan

Mitsubishi UFJ Baillie Gifford Asset Management Limited (“MUBGAM”) is a joint venture company between Mitsubishi UFJ Trust & Banking Corporation and Baillie Gifford Overseas Limited. MUBGAM is authorised and regulated by the Financial Conduct Authority.

### Important Information Australia

Baillie Gifford Overseas Limited (ARBN 118 567 178) is registered as a foreign company under the Corporations Act 2001 (Cth) and holds Foreign Australian Financial Services Licence No 528911. This material is provided to you on the basis that you are a “wholesale client” within the meaning of section 761G of the Corporations Act 2001 (Cth) (“Corporations Act”). Please advise Baillie Gifford Overseas Limited immediately if you are not a wholesale client. In no circumstances may this document be made available to a “retail client” within the meaning of section 761G of the Corporations Act. This material contains general information only. It does not take into account any person’s objectives, financial situation or needs.

### Important Information South Africa

Baillie Gifford Overseas is registered as a Foreign Financial Services Provider with the Financial Sector Conduct Authority in South Africa.

### Important Information North America

Baillie Gifford International LLC is wholly owned by Baillie Gifford Overseas Limited; it was formed in Delaware in 2005 and is registered with the SEC. It is the legal entity through which Baillie Gifford Overseas Limited provides client service and marketing functions in North America. Baillie Gifford Overseas Limited is registered with the SEC in the United States of America.

The Manager is not resident in Canada, its head office and principal place of business is in Edinburgh, Scotland. Baillie Gifford Overseas Limited is regulated in Canada as a portfolio manager and exempt market dealer with the Ontario Securities Commission (“OSC”). Its portfolio manager licence is currently passported into Alberta, Quebec, Saskatchewan, Manitoba and Newfoundland & Labrador whereas the exempt market dealer licence is passported across all Canadian provinces and territories. Baillie Gifford International LLC is regulated by the OSC as an exempt market and its licence

is passported across all Canadian provinces and territories. Baillie Gifford Investment Management (Europe) Limited (“BGE”) relies on the International Investment Fund Manager Exemption in the provinces of Ontario and Quebec.

### Important Information South Korea

Baillie Gifford Overseas Limited is licensed with the Financial Services Commission in South Korea as a cross border Discretionary Investment Manager and Non-discretionary Investment Adviser.

### Important Information Oman

Baillie Gifford Overseas Limited (“BGO”) neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently, BGO is not regulated by either the Central Bank of Oman or Oman’s Capital Market Authority. No authorization, licence or approval has been received from the Capital Market Authority of Oman or any other regulatory authority in Oman, to provide such advice or service within Oman. BGO does not solicit business in Oman and does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. The recipient of this document represents that it is a financial institution or a sophisticated investor (as described in Article 139 of the Executive Regulations of the Capital Market Law) and that its officers/employees have such experience in business and financial matters that they are capable of evaluating the merits and risks of investments.

### Important Information Qatar

The materials contained herein are not intended to constitute an offer or provision of investment management, investment and advisory services or other financial services under the laws of Qatar. The services have not been and will not be authorised by the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or the Qatar Central Bank in accordance with their regulations or any other regulations in Qatar.

### Important Information Israel

Baillie Gifford Overseas is not licensed under Israel’s Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 5755-1995 (the Advice Law) and does not carry insurance pursuant to the Advice Law. This document is only intended for those categories of Israeli residents who are qualified clients listed on the First Addendum to the Advice Law.

### Potential for Profit and Loss

All investment strategies have the potential for profit and loss. Past performance is not a guide to future returns. It should not be assumed that recommendations/transactions made in the future will be profitable or will equal performance of the securities mentioned.

This document contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.

All information is sourced from Baillie Gifford & Co and is current unless otherwise stated.

The images used in this document are for illustrative purposes only

### Financial Intermediaries

This document is suitable for use of financial intermediaries. Financial intermediaries are solely responsible for any further distribution and Baillie Gifford takes no responsibility for the reliance on this document by any other person who did not receive this document directly from Baillie Gifford.