

# Next Fifteen

Interim Results April 27<sup>th</sup> 2010

# Results overview

- This FY carried forward the Q4 momentum from previous year
- Revenue growth in US and APAC. Signs of recovery in EMEA
- Results in line with management expectations
- Client wins include: Bloom Energy, Harmon International, NetFlix, HP, Schneider Electric, BA

# Overview continued

- P&L impact of £0.2m in creation of a digital communications agency within this FY
- Legacy restructuring costs from previous year of £0.2m booked in this period
- Acquisition costs, including those classified as remuneration, of £0.2m booked in this period
- Acquired Upstream Asia PR businesses for \$1.1m
- Acquired M Booth & Associates for \$4m initial consideration
- Acquired additional 30% of 463 Communications for \$2.1m
- Balance sheet in good health with net debt of only £1.43m

# Headline results

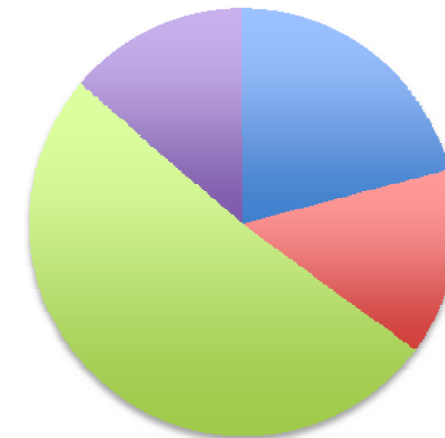
- 2% revenue growth to £34.2m (2009: £33.5m)
- 44% profit growth to £2.08m (2009: £1.44m)
- EBITDA of £3.6m (2009: £2.6m)
- 51% EPS growth to 2.58p (2009: 1.71p)
- Dividend up 5.6% to 0.475p (2009: 0.45p)
- Integrated Upstream Asia to make Bite a global agency
- Created Project Metal (digital marketing agency)

# Trading update

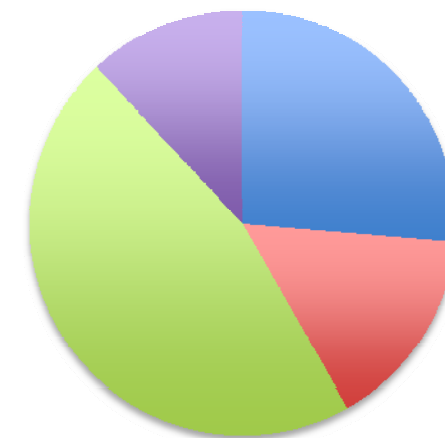
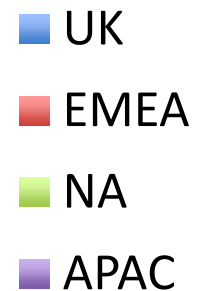
- Revenues steadily improving in all regions. US showing strong overall recovery
- Margins recovering towards pre-crunch levels
- New business pipeline has reverted to normal
- No unusual pressure on pricing or staff costs

# Geographic PR revenue

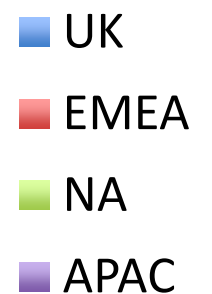
- US grew 13%
- EMEA declined 6%
- APAC grew 17%
- UK declined 19%
- Our structure:
  - 6 PR agencies
  - 1 digital consultancy
  - 1 research co
  - 18 countries
  - 13 offices in US
  - 4 offices in UK
  - 16 offices in APAC
  - 11 offices in EMEA



**H1 2010**



**H1 2009**



# Top 10 clients

- IBM (*Text 100*)
- Microsoft (*Bite*)
- HP (*Bite*)
- Boots (*Lexis*)
- Yahoo! (*Outcast*)
- AMD (*Bite*)
- Cisco (*Text 100*)
- Xerox (*Text 100*)
- Lenovo (*Text 100*)
- American Express (*M Booth*)



31% of revenues  
(36% in 2009)

# Financials

David Dewhurst

Group Finance Director



# Income statement

	H1 10	H1 09	Growth
	£m	£m	%
Billings	42.6	39.4	8.3
<b>Revenue</b>	<b>34.2</b>	<b>33.5</b>	<b>2.2</b>
Adj Operating profit	2.4	3.6	(32)
Adj Operating margin	7.1%	10.6%	
<b>Profit before tax</b>	<b>2.1</b>	<b>1.4</b>	<b>44</b>
<b>Adjusted Profit</b>	<b>2.2</b>	<b>3.5</b>	<b>(37)</b>
Tax	(0.6)	(0.5)	
Retained profit	1.5	0.9	56
Dividend	0.475p	0.45p	5.6
<b>Basic EPS</b>	<b>2.58p</b>	<b>1.71p</b>	<b>51</b>
<b>Adjusted EPS</b>	<b>2.85p</b>	<b>4.47p</b>	<b>(36)</b>

# Performance indicators

	H1 10	H1 09
• Staff cost to revenue (%)	69.5	66.8
• Adjusted profit before tax margin (%)	6.6	10.6
• Net cash from operating activities (£m)	2.2	1.6
• EBITDA (£m)	3.6	2.6
• Operating profit by segment (£m)		
– US	2.5	2.2
– UK	1.7	2.0
– EMEA	0.8	0.5
– APAC	0.5	0.3
– Other	0.1	0.1

# EPS and tax

- Basic EPS up to 2.58p from 1.71p because of the absence of one-off reorganisation costs and fair value movements but adjusted number is down to 2.85p from 4.47p reflecting lower earnings in the recession.
- The dilution impact has increased to 6.6% following the restructuring of the LTIP, making it more likely that the employee incentive shares will vest.
- Tax rate of 30% has been forecast for the year, which is slightly higher than last year's final rate, reflecting the recent acquisitions.

# Balance sheet

	H1 10	H1 09	YE 09
	£m	£m	£m
Intangible assets	27.8	19.2	18.4
Office equipment	2.0	2.6	1.9
Other non-current assets	2.2	2.9	2.2
Current assets	28.3	24.8	22.8
Non-current liabilities	(13.0)	(6.6)	(5.3)
Current liabilities	(20.9)	(16.9)	(15.2)
<b>Net Assets</b>	<b>26.4</b>	<b>25.9</b>	<b>24.9</b>
Share Capital	1.4	1.4	1.4
Reserves	25.2	25.7	23.9
Own shares	(1.2)	(1.2)	(1.2)
Minorities	1.0		0.8
<b>Total Equity</b>	<b>26.4</b>	<b>25.9</b>	<b>24.9</b>
Net (debt)/ cash	(1.4)	(0.8)	1.8

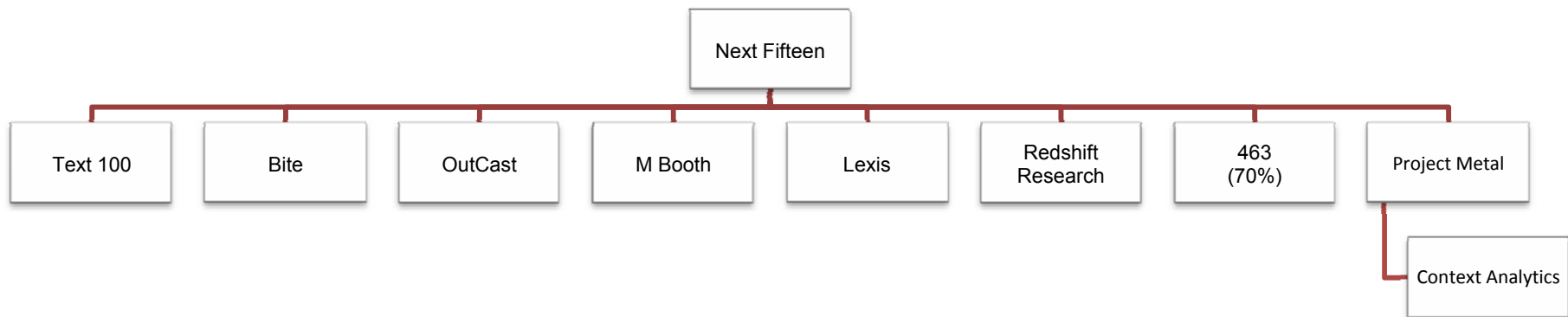
# Cash flow

	<b>H1 10</b>	<b>H1 09</b>	<b>YE 09</b>
	£m	£m	£m
Inflow from operating activities	3.7	3.7	5.2
Working capital items	(0.9)	(1.4)	1.1
Net inflow from operations	2.8	2.3	6.3
Taxation	(0.7)	(0.8)	(1.5)
Net capital expenditure	(0.6)	(0.3)	(0.5)
Acquisitions	(4.3)	(4.4)	(4.5)
Own shares	-	(0.1)	-
Interest	(0.2)	(0.2)	(0.4)
Dividends	-	-	(0.9)
Minority dividends	(0.1)	-	(0.2)
Financing – bank loan	1.8	(0.5)	(1.3)
- hire purchase	(0.1)	(0.2)	(0.2)
<b>Decrease in cash</b>	<b>(1.4)</b>	<b>(4.3)</b>	<b>(3.2)</b>

# Summary

- Set for record revenue of £70m
- Margins now recovering towards pre-crunch levels
- Remain active on small acquisitions
- Project Metal already generating strong interest outside the Group

# Group structure



## **US and Canada**

San Francisco

New York

Washington

Boston

Rochester

Los Angeles

Toronto

## **EMEA**

London

Paris

Munich

Milan

Madrid

Amsterdam

Stockholm

Copenhagen

Helsinki\*

Oslo

Johannesburg

## **APAC**

Tokyo

Hong Kong

Beijing

Shanghai

Kuala Lumpur

Singapore

New Delhi

Mumbai

Bangalore

Chennai

Sydney

Seoul\*

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Auckland\*

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