Next Fifteen Preliminary Results

October 19th 2010

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Highlights

- A record year, a strong, well managed business
  - Organic* revenue growth of 7.7% during H2
  - Record adjusted profits of £6.6m
  - Acquired M Booth, Upstream, OneXeno and Type3
  - Launched Beyond in US and UK
  - Added significant new clients including TiVo, Allied Bakeries, Hershey’s, Alibaba, Bloom Energy, Trend Micro and Schneider Electric

* excluding acquisitions

Financial headlines

- Revenue: £72.3m up by 11% (2009: £65.4m)
- Headline profit: £6.6m up by 26% (2009: £5.2m)
- PBT: £5.3m up by 68% (2009: £3.2m)
- EBITDA: £8.4m up by 53% (2009: £5.5m)
- Adjusted EPS: 8.45p up by 30% (2009: 6.48p)
- Dividend: 1.85p up by 9% (2009: 1.7p)
- Organic revenue growth: 7.7%* H2 FY10 - H1FY10

* Excluding acquisitions

News

- First move into Corporate and Financial communications
  - Acquisition of 85% of The Blueshirt Group
  - Initial consideration $3m
  - Further payments based on performance over four years estimated at $8m
  - SF and NY
  - ~$5.6m revenues in 2010, 20% margins
  - Managed 8 IPOs in 2010
- Further expansion in Corporate and Financial with desire for a European presence

Recent trading history

	2007	2008	2009	2010
Revenue	£59.3m	£63.1m	£65.4m	£72.3m
Adjusted profit before tax	£5.58m	£6.58m	£5.25m	£6.61m
Adjusted profit before tax margin %	9.4%	10.4%	8.0%	9.1%
EBITDA	£7.2m	£7.4m	£5.5m	£8.4m
Net cash from operating activities	£5.2m	£8.5m	£4.8m	£5.1m
Adjusted EPS	7.09p	8.62p	6.48p	8.45p
Dividend per share	1.5p	1.7p	1.7p	1.85p

Industry landscape

- Digital became the focus of all marketing
  - disintermediation of media and role of content
  - changing balance/convergence of PR/Advertising
- Globalization continues
- Governments cutting back on comms
- High level of M&A activity
  - some groups over exposed/reliant on debt

Key strategies

- **<u>Manage</u>** the business **flawlessly**
  - Put agency equity in to the hands of key staff
  - Drive organic revenue growth
  - Focused and successful history of acquisitions
  - Strong balance sheet
  - Work with investors to fund growth
- **Drive <u>digital</u> excellence** with every client
  - Exploit Beyond and OneXeno acquisitions
- Continue to **grow a <u>global</u> business**

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By 2013

- Derive 20% of revenues from APAC
- Derive 40% of revenues outside traditional Tech PR base
- Including new Healthcare business ~ 10% revenues
- Increase operating margins pre-central costs to 17.5% (pre-tax margins of 12%)
- Revenues of £110m – £90m from current businesses and £20m from acquisitions

Successful acquisition strategy

2003

Applied Communications
(now Bite)
Springboard for Bite into the US

2005

Lexis PR
Strategic expansion into consumer PR with award wining agency

Outcast Communications
Added a market-leading US technology and digital agency

2009

Upstream Asia
(now Bite)
Bolstered Bite's APAC offering, making Bite a global agency

M Booth
Added an award winning US agency to provide international capability to complement Lexis in UK

2010

Blueshirt
Strategic expansion into corporate and financial communications

OneXeno
(now Bite)
Added to Bite'APAC 's digital capabilities

Type 3
(now Beyond)
Creating the Group's first specialist digital agency by combining with Context Analytics and Project Metal

Glasshouse
(now Lexis)
Add corporate PR capability

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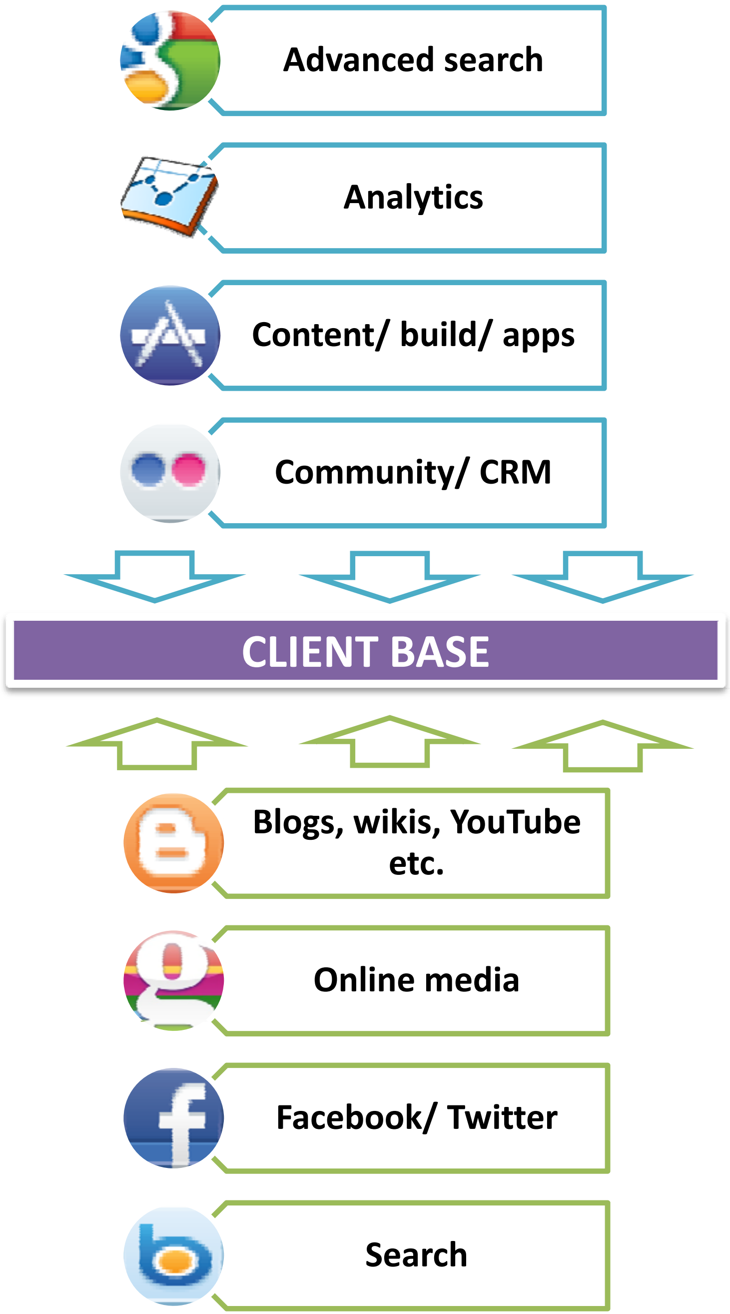
Digital

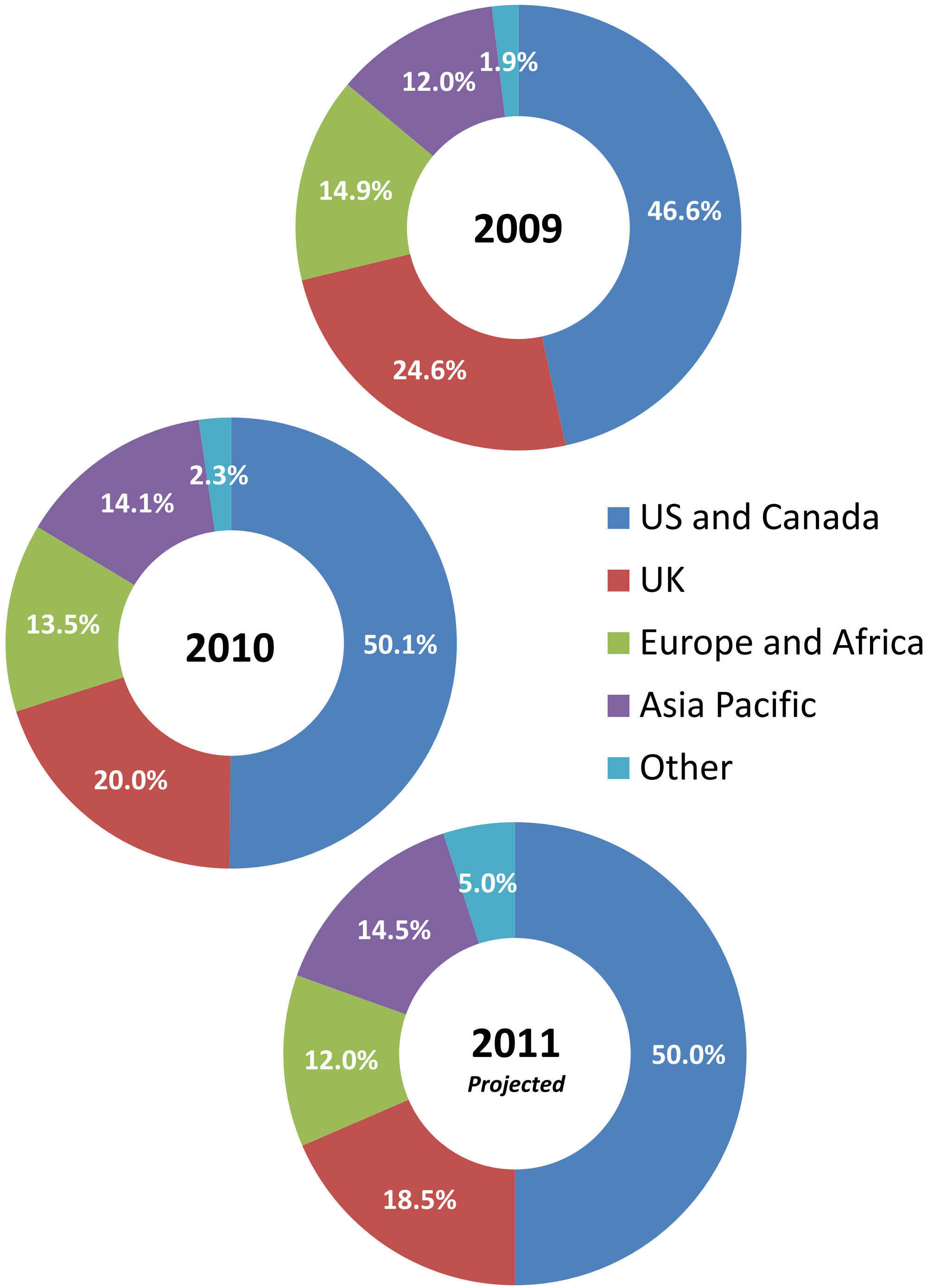
- Common, Group-wide digital approach
- Over 90% clients using digital
- Beyond and OneXeno providing specialist skills
- Major clients include;

Virgin
Hilton
AMD
IBM
Cisco
facebook



Global

- Diversified strategy, especially with APAC growth following Upstream acquisition
- North American strength critical for future growth as many global tech clients have HQ in US



Global footprint

7 PR/communications agencies

1 research agency

1 specialist digital agency

Coverage in **19** countries

North America: **17** offices

EMEA: **11** offices

UK: **5** offices

APAC: **16** offices

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Major clients

Top 10 clients account for 32% of revenues

Financials

David Dewhurst

Group Finance Director

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Income statement

	FY 10	FY 09	Growth
	£m	£m	%
Billings	91.2	77.3	18
Revenue	**72.3**	**65.4**	**11**
Adj Operating profit	7.0	5.7	22
Adj Operating margin	9.7%	8.8%	
Profit before tax	**5.3**	**3.2**	**68**
Adjusted Profit	**6.6**	**5.2**	**26**
Tax	(1.6)	(0.9)	
Retained profit	3.7	2.3	
Dividend	1.85p	1.70p	9
Basic EPS	**6.75p**	**3.67p**	**84**
Adjusted EPS	**8.45p**	**6.48p**	**30**

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Performance indicators

	FY 10	FY 09
• Staff cost to revenue (%)	68.8	67.0
• Adjusted profit before tax margin (%)	9.1	8.0
• Net cash from operating activities (£m)	5.1	4.8
• EBITDA (£m)	8.4	5.5
• Operating profit by segment (£m)		
– US	7.3	6.3
– UK	2.4	3.0
– EMEA	1.2	1.2
– APAC	0.2	0.4
– Other	0.1	0.1

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EPS

- Basic EPS up to 6.75p from 3.67p because of the improved trading performance and the absence of one-off reorganisation costs . The adjusted EPS is 8.45p, calculated after adding back notional finance charges on deferred consideration and goodwill amortisation.
- The dilution impact has increased to 10.8% following the restructuring of the LTIP, making it more likely that the employee incentive shares will vest and after taking account of shares expected to be issued as deferred consideration.

Tax

- Tax rate of 30% is 2% higher than last year. This reflects the increased proportion of profits coming from US, losses in some of the acquired Upstream operations and the reduced value of the UK deferred tax asset following the reduction in UK corporation tax rates.

Balance sheet

	FY 10	FY 09
	£m	£m
Intangible assets	27.1	18.4
Office equipment	2.3	2.0
Other non-current assets	2.5	2.2
Current assets	29.5	22.8
Non-current liabilities	(8.6)	(5.3)
Current liabilities	(25.2)	(15.2)
Net Assets	**27.6**	**24.9**
Share Capital	1.4	1.4
Reserves	26.1	23.9
Own shares	(0.9)	(1.2)
Minorities	1.0	0.8
Total Equity	**27.6**	**24.9**
Net (debt)/ cash	(0.9)	1.8

Cash flow

	FY 10	FY 09
	£m	£m
Inflow from operating activities	8.9	5.2
Working capital items	(2.3)	1.1
Net inflow from operations	6.6	6.3
Taxation	(1.5)	(1.5)
Net capital expenditure	(1.4)	(0.5)
Acquisitions	(4.3)	(4.6)
Own shares	0.1	-
Interest	(0.4)	(0.3)
Dividends	(0.9)	(0.9)
Minority dividends	(0.3)	(0.2)
Financing – bank loan	2.1	(1.3)
- hire purchase	(0.1)	(0.2)
Decrease in cash	**(0.1)**	**(3.2)**

Summary and outlook

- Marketing industry undergoing major transition
- Transition to digital in full swing
- Global footprint proving significant asset
- Record year, with another record year in progress

Appendix

- Group structure
- Office locations

Group Structure

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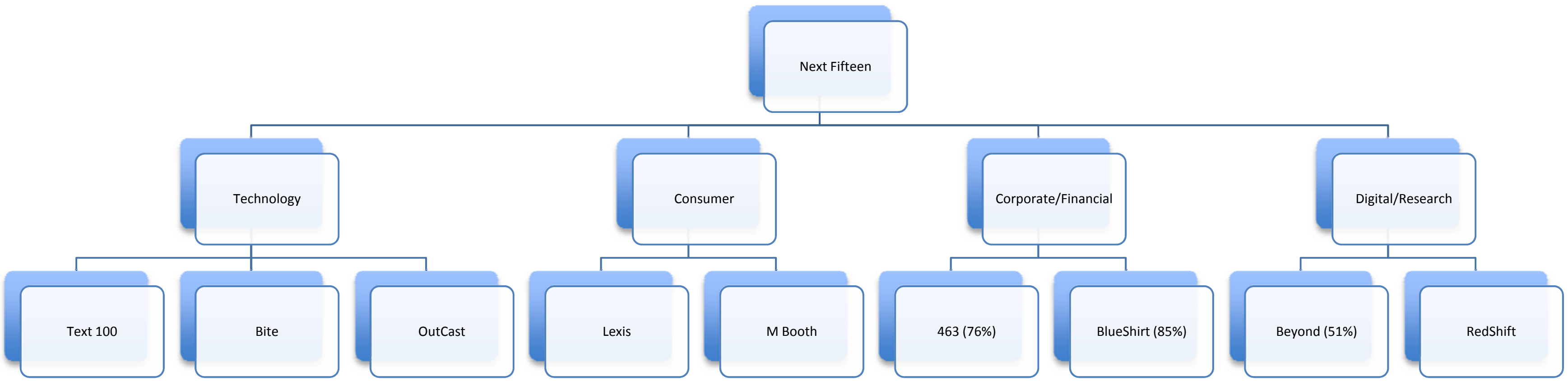

Office locations

US and Canada	EMEA	APAC
San Francisco	London	Tokyo
New York	Paris	Hong Kong
Washington	Munich	Beijing
Boston	Milan	Shanghai
Rochester	Madrid	Kuala Lumpur
Los Angeles	Amsterdam	Singapore
Toronto	Stockholm	New Delhi
	Copenhagen	Mumbai
	Helsinki*	Bangalore
	Oslo	Chennai
	Johannesburg	Sydney
		Seoul*
		Tapei*
		Auckland*

* Licensed partners

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