



HUNTSWORTH

Interim Results – June 2009

27th August 2009

Gathering momentum, branding for growth

First Half in Summary

First Half 2009 in Summary



- Revenue and PBT are at 48% of the consensus full year forecast and EPS at 49%
- Operating margins sustained
- Cash conversion at 72%
- Closing net debt of £39.9m (despite significant one off costs)
- 90% of 2009 revenues committed in line with this stage last year
- Declared interim dividend of 0.75p, up 7.1% on last year
- On track to meet full year expectations

NB The above results are before highlighted items

Global Business

A Three Stage Process



Stage 1

- Buy and build
- Acquisitions include: Axis, Dorland, Incepta, Momentum, Quiller, Tonic
- ✓ Huntsworth has a good track record of integrating acquisitions and delivering sector leading margins

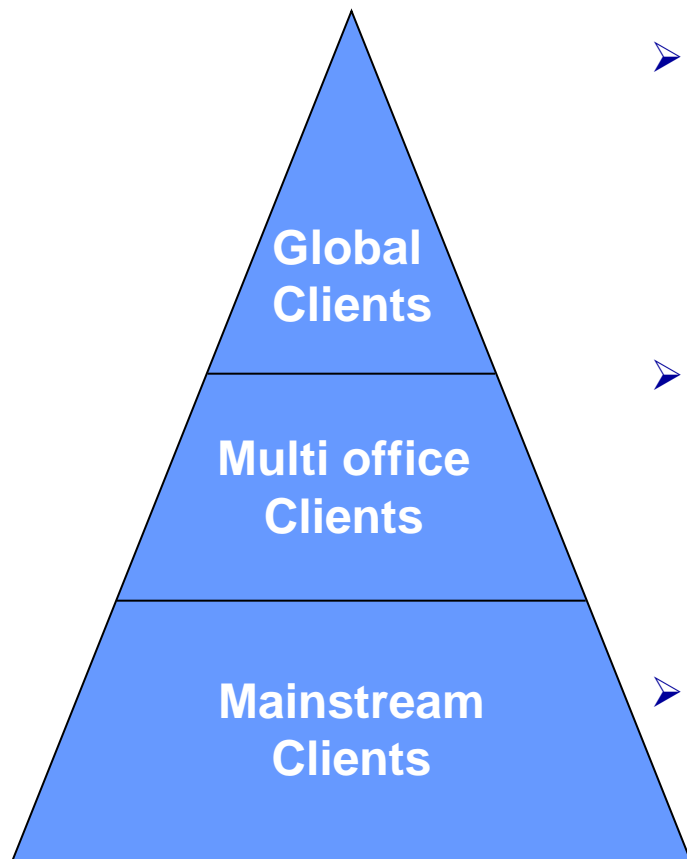
Stage 2

- Focus on more multi office business
- ✓ Multi office client revenues now 30% of total group revenue

Stage 3

- Focus on global clients
- Strategic Branding Initiative
- ✓ Branding at Huntsworth Health bringing global results

Global PR Market



➤ Global clients: £3m - £15m of annual revenues, tend to be serviced by agencies with global brands

Huntsworth Health has 2 such clients (3% of group revenues)

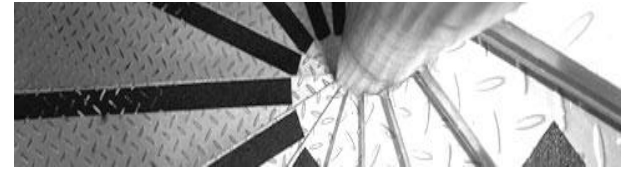
➤ Multi office or multinational clients: Up to £3m of annual revenues, tend to be serviced by international as opposed to global agencies

30% of group revenues from such clients H1 09

➤ Mainstream clients: largely single office clients with annual revenues below £1m

Two thirds of group revenues from such clients H1 09

Boosting Organic Growth



- Revenues have grown 47% 2005 – 2008
- Recent organic revenue growth averaging 4%, how can we improve ?
 - By building both pure and integrated digital revenues – pure doubled in H1 09 to 4% of the group revenue
 - By maintaining and building multi office revenues **within** brands
 - By building multi office business **across** brands
 - By winning multi million dollar PR pitches for global clients as we have in Huntsworth Health
- Where we act locally for global clients, we are seeing increasing demand to pitch for their global business

Winning Global Clients



- The key focus for Stage 3 is to **respond** to global client demands and deliver : –
 - Global Brands – clarity of branding across key territories
 - Global Talent - consistent global service quality
 - Global Management - group level dedicated resource
 - Global Profile - exploit our status as global independent

- ✓ Global clients are attracted by global PR brands

We Currently have 26 Major Brands!



Strategic Branding Initiative - Overview

- This is work in progress
- Already reduced 36 brands to 26
- Now reduce to one healthcare brand and three PR brands
- Huntsworth Health is furthest advanced and growing fastest
- The current downturn means we can compress a planned 24/36 month programme to less than 12 months

New Shape of Huntsworth Group



New Shape of Huntsworth Group

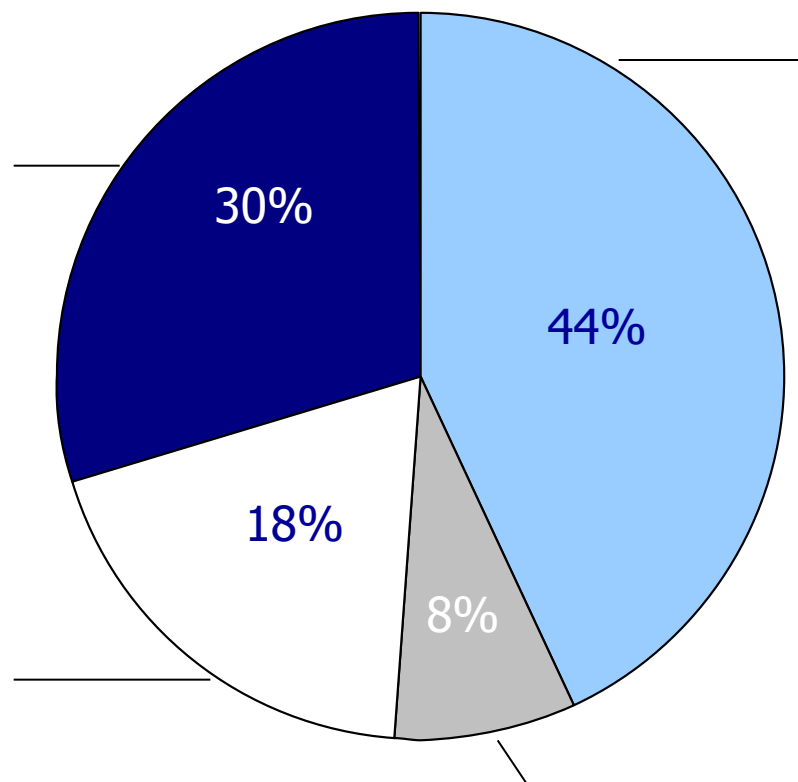


Huntsworth Health

£48m revenues, 420 staff in 12 principal offices including London, New York, San Francisco & Boston and utilises European network

Grayling

£70m revenues, 830 staff in 44 principal offices including London, Western Europe, CEE, Russia, New York, Los Angeles, Singapore & China



Citigate

£29m revenues, 235 staff in 11 principal offices in London, Amsterdam, Paris, Frankfurt, Singapore, Hong Kong and Doha

Red

£13m revenues, 140 staff in 3 offices in London and US, New York and San Francisco

The revenues are based on an estimated split of the current full year consensus and do not constitute a forecast

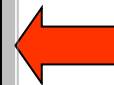
Challenger Brand

- Already in stage 3
- Organic revenue growth of 7.9%
- Clients include 39 of the top 50 pharmaceutical companies including.
- Now delivering global campaigns to Johnson & Johnson and Schering-Plough
- Our latest strategy to leverage our international network has delivered 5 million dollar plus accounts in last 6 months including:
 - \$10m Wyeth campaign
 - AstraZeneca and MedImmune flu vaccine campaign utilising both US and UK teams

Top 3 Global Independent

	Firm	2008 Net Fees \$m	Employees	Ownership
1	Edelman	449.2	2997	Edelman
2	Waggener Edstrom	119.7	843	Waggener Edstrom
3	APCO Worldwide	112.4	569	APCO
4	Ruder Finn Group	96.1	545	Ruder Finn
5	Text 100	63.0	540	Next Fifteen

source O'Dwyer's, March 2009



Grayling at number 3

➤ Combination of strength in Western Europe, leading network in CEE/ Russia and established positions in UK, Asia and US

- Full service agency – existing clients, global service
- Key clients include Nestlé, Atel, Colt, Nokia, Diageo, General Electric
- Natural candidate for global pitch lists

- Globally recognised financial and corporate brand
- New holding company formed with new CEO being recruited to take the brand forward globally
- Key clients include: Qatar Investment Authority, Tullow Oil, Carphone Warehouse, Morrisons, State Street, Associated British Foods and Lloyds Pharmacy
- Top 3 agency in London with smaller brands in Europe and Asia
- Enhancing presence in key financial markets through start ups, investment programmes and building on existing network operations
- New office in Doha in response to client demand



Reputation for Creativity

- Leading UK consumer agency expanded in recent years through new and fast-growing Healthcare, Digital, Corporate and Technology
- 21% revenue growth in H1 09
- Satellite offices in New York and San Francisco are enabling increasing levels of transatlantic client handling
- Key clients include: McDonald's, American Express, McAfee, Samsung, Nintendo and UK Government
- Red is the all-time most nominated agency in the UK PR Week awards and is currently the UK's Media Employer of the Year
- Steady expansion planned

Growth in Digital



- Digital is a key part of all our work, all 4 brands have integrated digital resource
- Huntsworth Health and Red also have pure digital businesses - Evoke and Shiny Red - both developed organically
- Pure digital comprises £7m (4%) of group revenues and 12% of Huntsworth Health

Global Experience at Huntsworth



Executive Team

- 10 senior executives with international client expertise

Non-Executive

- John Farrell ex Publicis CEO specialist agencies and marketing services
- Michael Birkin ex Omnicom Vice Chairman Omnicom Asia-Pacific

Changing emphasis of board

Recent Client Wins First Half 2009



Huntsworth Health

- MedImmune and AstraZeneca - global brand development
- Allergan – Acne
- Baxter – Haemophilia
- Novartis – Cardiovascular

New Grayling

- Coca-Cola
- Procter & Gamble
- Glaxo SmithKline
- Royal Mail Group

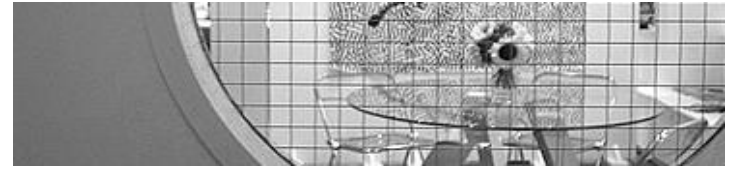
Citigate

- London Stock Exchange
- ING Investment Management
- Qatar Navigation and Qatar Shipping Merger

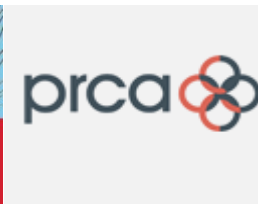
Red

- Samsung UK
- Habitat
- Department of Health NHS LifeCheck

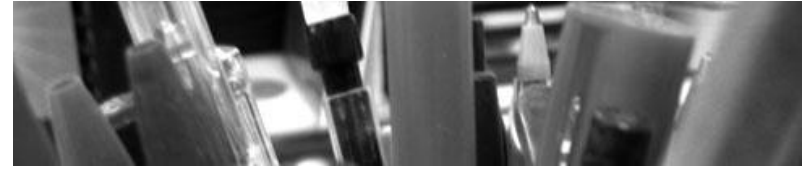
Quality of Work



- ✓ Huntsworth Group agencies have been shortlisted for more 2009 PRWeek award categories than any other agency network

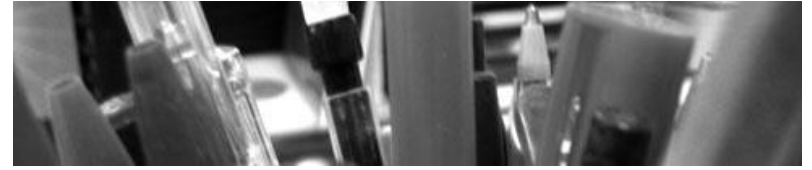


Key Benefits of Initiative



- Scale means brands are natural candidate for pitch lists
- Profit neutral 2010, revenue growth from 2011
- Greater transparency
- Focuses acquisition strategy
- Will attract more top talent to group

Key Benefits of Initiative



**Ultimately, it's all about
accelerating organic growth**

The Numbers

Headline Profits – A resilient performance

£m	H1 2009	Margin	FY City Consensus	H1 vs FY Consensus	H1 2008
Revenue	76.5		160.9	48%	80.5
Operating profit pre-central costs	14.9	19.4%			
Central costs	(4.0)				
Operating profit post-central costs	10.9	14.2%			13.3
Associates	1.2				
Net finance costs	(1.1)				
Profit before tax	11.0		22.8	48%	12.2
Tax and tax rate	(3.1)	28.0%			
Minority interests	(0.1)				
Attributable profits	7.8				
Basic EPS (pence)	3.8		7.6	49%	4.2

Versus 2008 – Revenues down 4.9% and PBT down 9.5%

Highlighted Items

£m	2009	2008
Headline PBT	11.0	12.2
Strategic Branding Initiative Costs	5.3	-
Amortisation of intangibles	2.4	2.8
Impairment of investment in associates (CSV)	1.2	1.0
(Profit) / loss on disposals	0.1	(2.4)
Acquisition payments deemed remuneration	0.5	0.4
Total Highlighted Expenses	9.5	1.8
PBT After Highlighted Items	1.5	10.4

Strategic Branding Initiative Costs

- £5.3m charged to date in highlighted items
 - £3.3m is a direct result of re-branding
 - £2.0m has resulted from a strategic review of all brands
- Impact is likely to be profit neutral in 2010 with revenue growth from 2011
- Expected to be complete by the end of 2009
- We anticipate total cash costs for 2009 will be c.£8m
- Two major global wins would more than cover these costs

Cash Flow – Operating Cash Flow Up

£m	H1 2009	H1 2008	FY 2008
Cash generated from operations	7.8	7.4	28.8
Conversion	72%	56%	110%
Branding Initiative and Exceptional cash flow	(5.1)	(2.2)	(4.4)
Dividends received from associates	1.6	1.1	2.1
Interest, tax and capex	(2.7)	(4.5)	(9.9)
Free cash flow	1.6	1.8	16.6
Group dividends	-	-	(4.7)
Acquisitions, disposals & deferred consideration	(4.2)	9.9	4.9
Share Purchases	(2.1)	(0.1)	(0.2)
FX movement on debt & other	(1.7)	0.7	4.0
Net movement	(6.4)	12.3	20.6
Closing net debt	(39.9)	(41.8)	(33.5)

Strong Balance Sheet - with Headroom on Debt

- £82.5m loan facility available to July 2012
 - reducing from £90m in 2010 and
 - £87m in 2011 as term repaid
- Net debt to EBITDA ratio of 1.5 (Covenant < 3)
- Interest cover of 8.4 (Covenant > 4)
- We are operating well within our banking covenants and have significant debt headroom

Deferred Consideration

Payable £m	Cash	Cash or Shares	Total
2009	0.6	4.1	4.7
2010	0.6	3.0	3.6
2011	12.2	-	12.2
2012+	-	1.1	1.1
Total	13.4	8.2	21.6

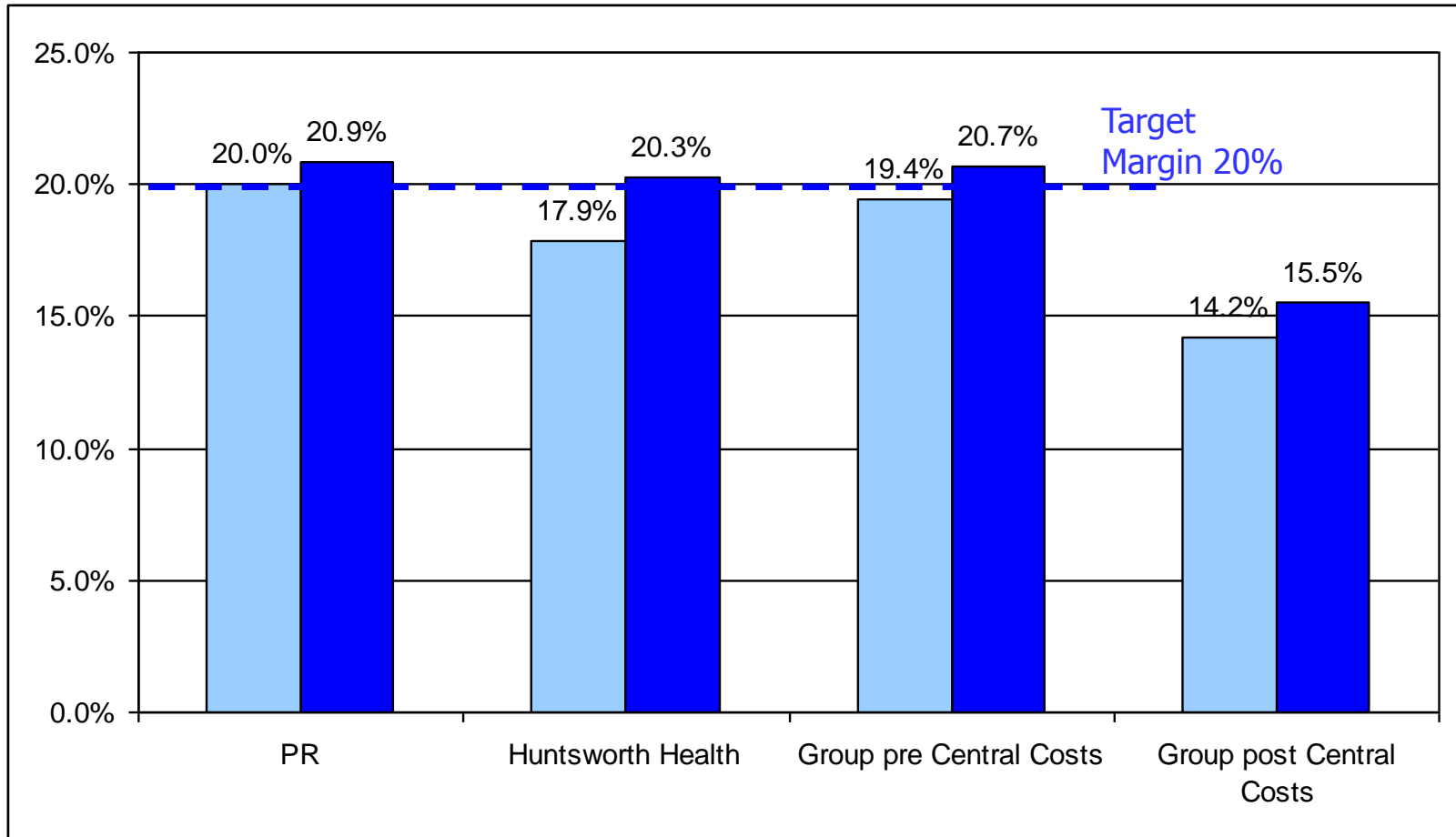
- Payment of earn-outs is contingent on performance
- Earn outs based on latest forecasts with average profit growth of 50% post acquisition
- At the end of 2009, 76% of Group profits will be free from earn-out

Currency hedging

- We have options in place for 2009 to hedge our USD and Euro profits
 - USD option at \$1.50
 - Euro option at €1.15
 - Approximately 40% of 2009 Group profits are denominated in USD with 20% in Euros
- Average rates in the first half were \$1.50 and €1.11
- Profits protected from weakening currencies in the second half

Margins and Revenues

First Half Operating Margin - Sustained



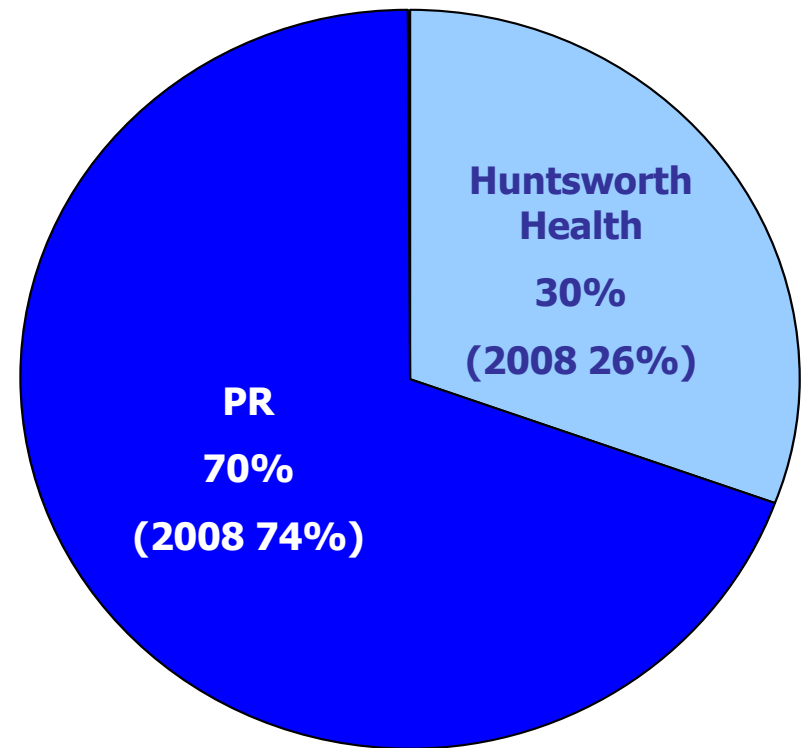
Actual Underlying

Underlying margin is before IFRS accounting adjustments which result in higher staff costs in the first half due to vacation pay accruals and US payroll taxes which reverse in the second half

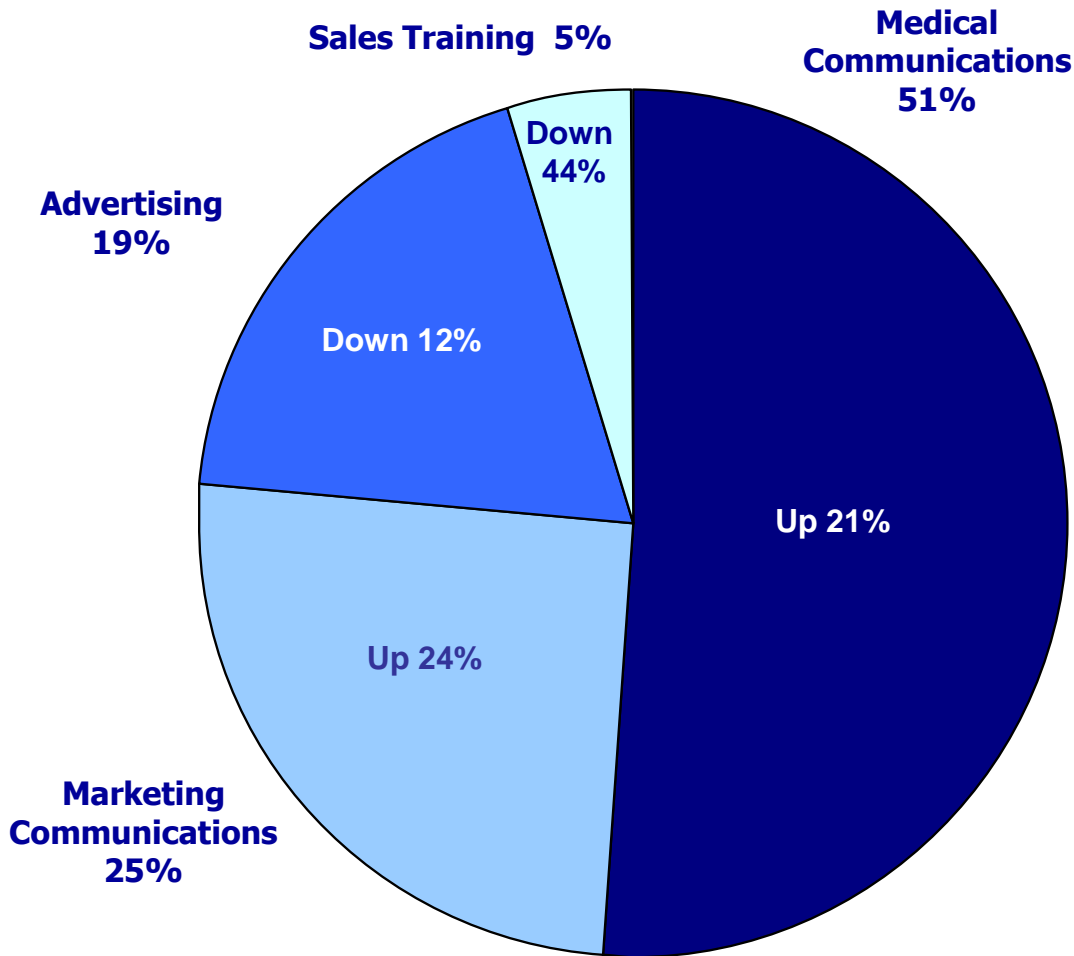
Group Revenue

- Overall organic revenue decline of 4.2% year on year in line with forecast
- Our revenues are broadly spread across business sectors with no significant exposure other than healthcare at 30%

Proforma Divisional Split

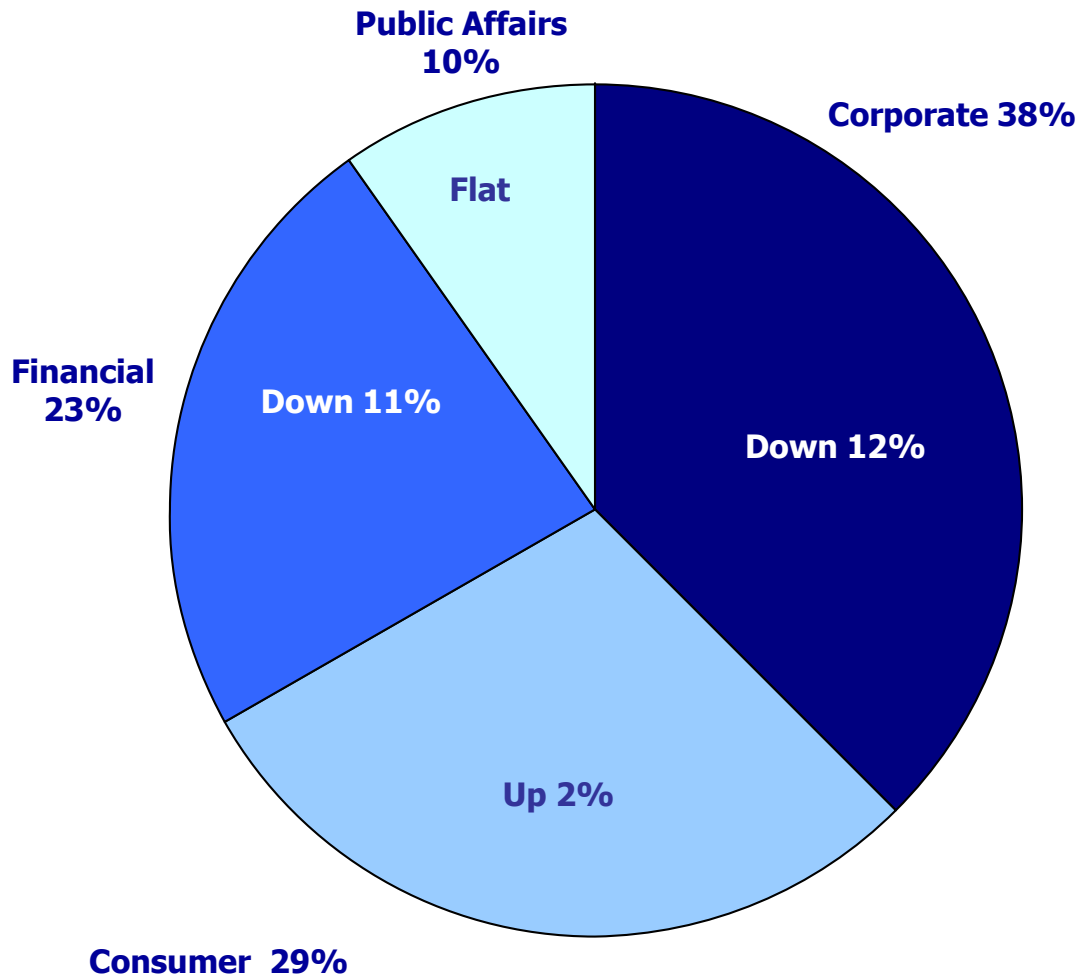


Huntsworth Health



- Huntsworth Health organic revenue up 7.9%
- Key areas of medical and marketing communications up showing strong growth
- Advertising remains difficult but we have retained clients and are seeing early signs of stabilisation
- Sales training on track to return to growth in H2 09

Public Relations



- Organic PR revenue decline 8.4%
- Financial down due to M&A and IPO activity, now only 1% of group revenues
- Consumer continues to grow as it replaces advertising spend
- Corporate down as nervous clients reduce budgets. Client attrition low
- Public Affairs remains stable due to continued demand driven by political change

New Business

- Net new business of £20m won in H1 09 (2008: £30m)
 - 36% from new or increased retainers (2008: 44%)
 - 64% from PR project work (2008: 56%)
- Only 3.5% of clients lost in the year (2008: 3.4%) with all of the previous years top 25 clients retained
- Gross new business won is at a similar level to last year
- Confidence is now returning, and net monthly wins are closer to the 2008 trend
- ✓ Over 96% of clients retained so we should see sustainable growth as the market recovers and spending is reinstated

Summary & Outlook

Global Business



- Meeting clients global needs
- Strategic Branding Initiative completed by end of 2009
- Group now of a scale and structure to win major global clients
- Cost of initiative £5.3m to date, £8.0m for the year
- Dedicated global client team enhanced by new non executive directors

Summary



- PBT in line with market expectations at 48% of full year consensus with EPS at 49%
- Underlying operating company margin still above 20% target
- Cash conversion up to 72%
- Significant debt headroom of £43m to 2012
- Interim dividend of 0.75p, up 7.1%



Outlook

- 90% of 2009 revenues committed in line with this stage last year
- New Business pipeline gaining momentum since Jan/Feb
- Tightly managed Group with track record at maintaining margins
- Clients stable with 96% retained
- Well positioned for economic recovery

**Gathering momentum,
branding for growth**

HUNTSWORTH

Appendices

Balance Sheet

£m	H1 2009	FY 2008
Intangible assets	250.2	258.9
Fixed assets & investments	6.7	9.4
Current assets – excluding cash	43.7	48.7
Other Liabilities	(52.6)	(57.9)
Deferred consideration	(21.6)	(18.5)
Provisions	(6.3)	(6.8)
Net deferred tax	(0.3)	-
Net debt	(39.9)	(33.5)
Total net assets	179.9	200.3
Gearing	18.1%	14.3%

Taxation

- Underlying tax rate of 28%
- Expected to increase gradually towards a rate of c.30% over the next two to three years as losses are utilised
- Tax paid in the half was £1.0m vs an underlying tax charge of £3.1m. The cash benefit reflects the impact of highlighted items, deferred tax and the timing of cash payments

Strength of Client Portfolio

	PR	Huntsworth Health	Total Group
Revenue split H1 09	71%	29%	100%
Number of employees at 30.06.09	1,159	384	1,543
Average fee per client	£59k	£192k	£74k
Top clients as a % Group revenue			
Top client	1.6%	1.0%	1.6%
Top 10 clients	7.0%	6.7%	8.2%
Top 25 clients	12.5%	12.9%	16.3%

Extending our reach

North America

Canada
Mexico
USA

UK

England
Scotland
Wales

Europe

Austria	Estonia	Lithuania	Slovenia
Belgium	Finland	Netherlands	Spain
Bosnia & Herzegovina	France	Norway	Sweden
Bulgaria	Germany	Poland	Switzerland
Croatia	Greece	Portugal	Turkey
Cyprus	Hungary	Romania	Ukraine
Czech Republic	Ireland	Russia	
Denmark	Italy	Serbia	
	Latvia	Slovak Republic	

Asia

Azerbaijan
China
India
Japan
Kazakhstan
Korea
Malaysia
Philippines
Singapore
Taiwan
Thailand

South America

Argentina
Brazil
Chile
Colombia
Paraguay

Africa

Egypt
Kenya
Morocco
Nigeria
South Africa
Tunisia

Middle East

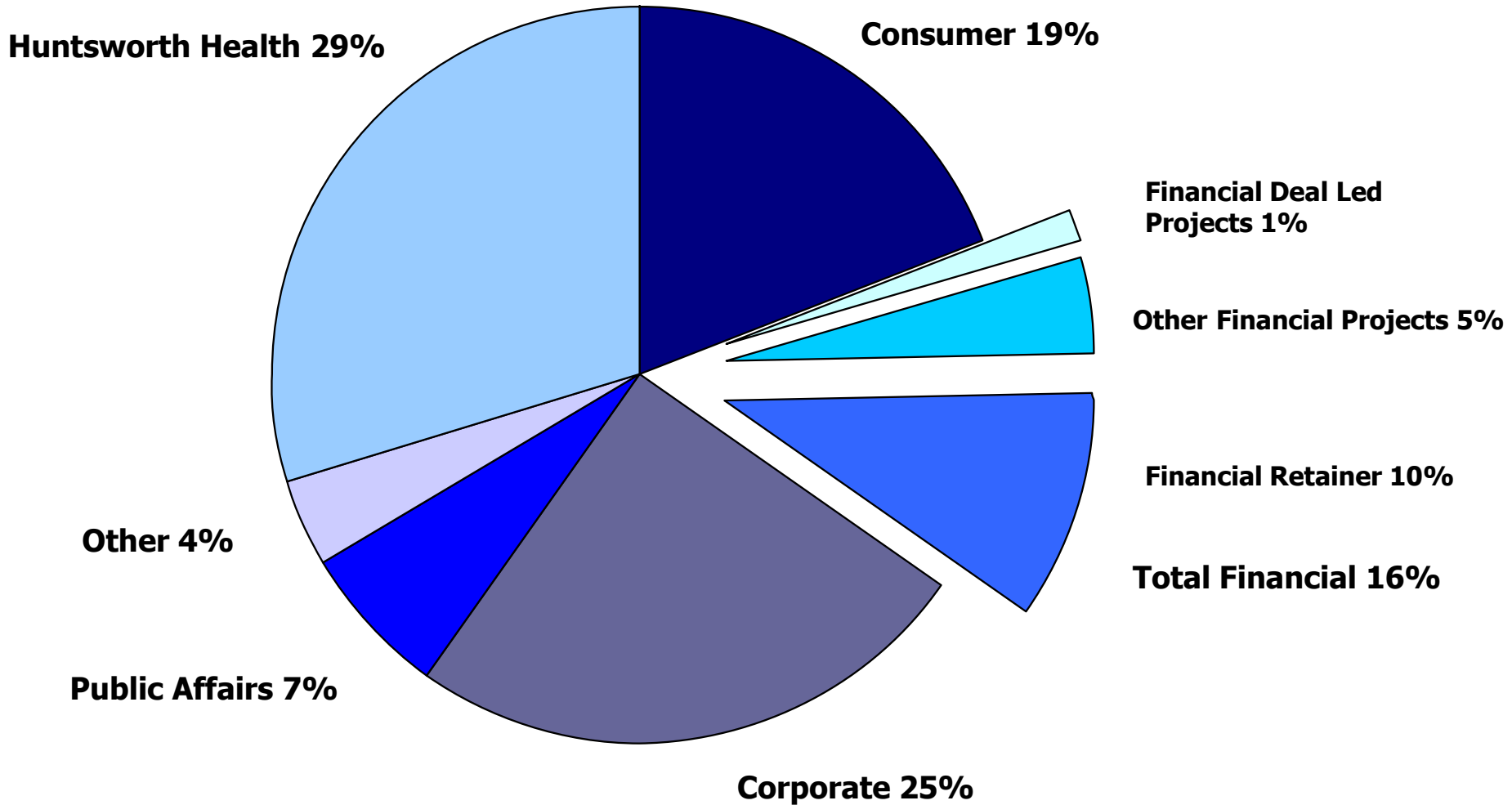
Israel
Qatar
Saudi Arabia
United Arab Emirates

Australasia

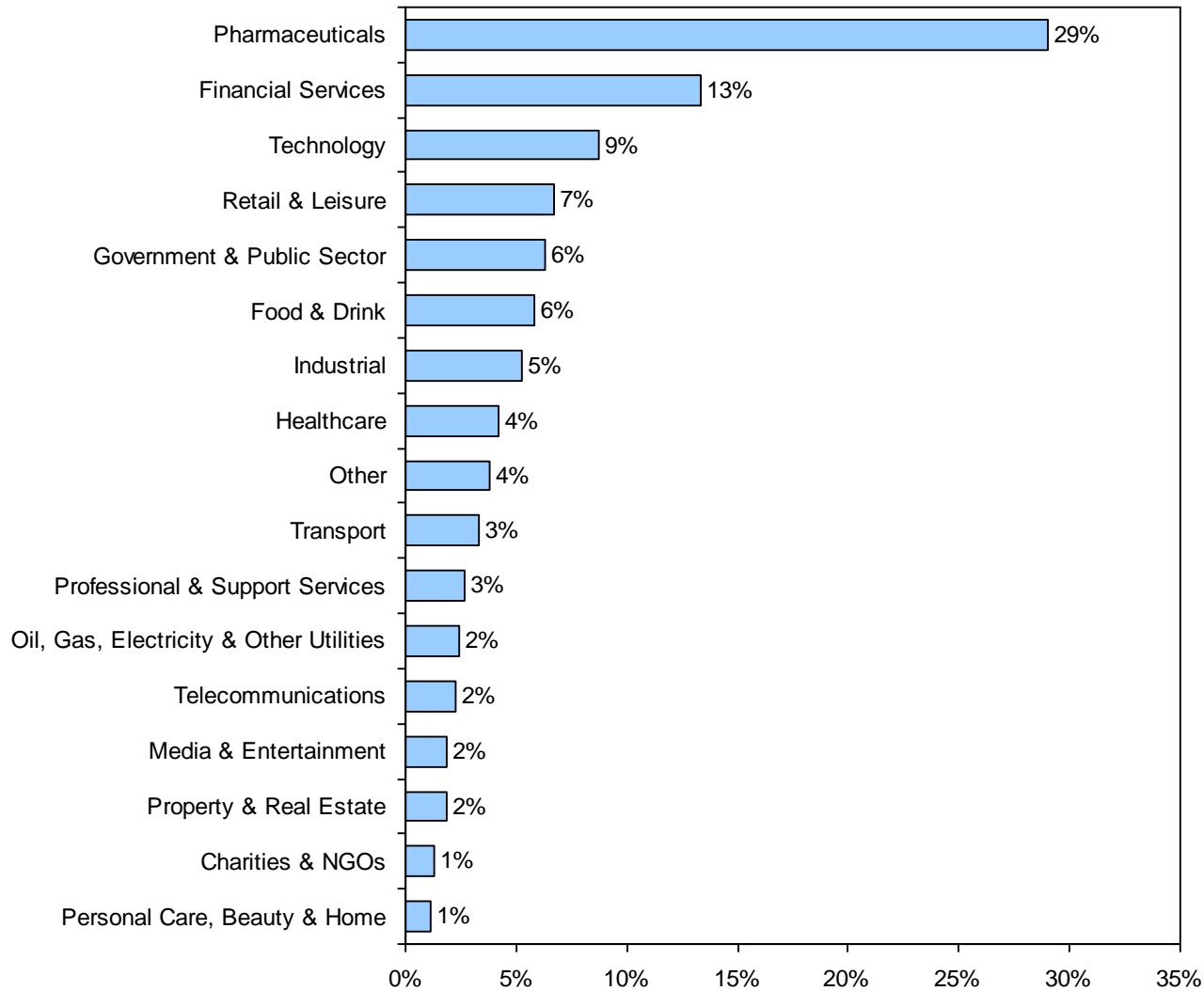
Australia
New Zealand

● Huntsworth Locations
● Huntsworth Affiliates

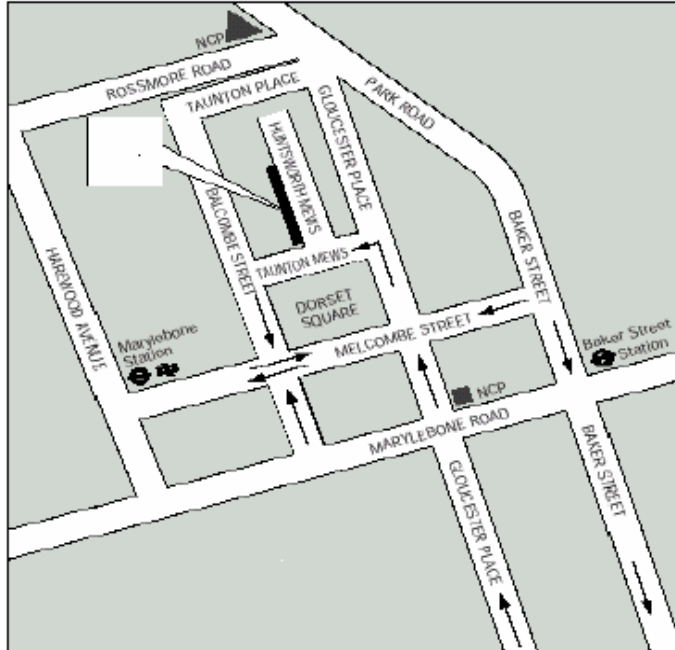
Group Revenue spread across Practice Areas



Group Revenue broadly spread across Industry Sectors



Contacts



15-17 Huntsworth Mews
London
NW1 6DD
Tel: 020 7224 8778
Fax: 020 7723 1977
www.huntsworth.com

Closest Tube Stations:
Baker Street or Marylebone

Closest Mainline Station:
Marylebone

Peter Chadlington, Chief Executive

peter.chadlington@huntsworth.com

Sally Withey, Chief Operating Officer

sally.withey@huntsworth.com