

HUNTSWORTH



Interim Results – June 2011
25 August 2011

Agenda

- Introduction
- Results
- Grayling
- Huntsworth Health
- Red
- Citigate
- Conclusion and outlook

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Introduction



Introduction

- Group Strategy
 - Buy, build and rationalise
 - 4 divisions
 - Attract multi-national clients to challenge industry conglomerates
 - Apply financial discipline
- Making this strategy a reality is slower than we would wish
 - Market dynamics
 - Business in transition
 - Economic situation, particularly in the Eurozone
- Gaining momentum, global and multi-office business up to 46% of revenues

Introduction

- We will achieve our targeted 7% like-for-like growth during 2011 and we expect 2012 to be significantly ahead of this
- Going forward we will be showing:
 - Rising profits
 - A decline in earn outs
 - A reduction in debt
 - And critically this transition phase will be behind us
- Our confidence in our strategy is reflected in our dividend, up 11% to 1.0p

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Results



Results

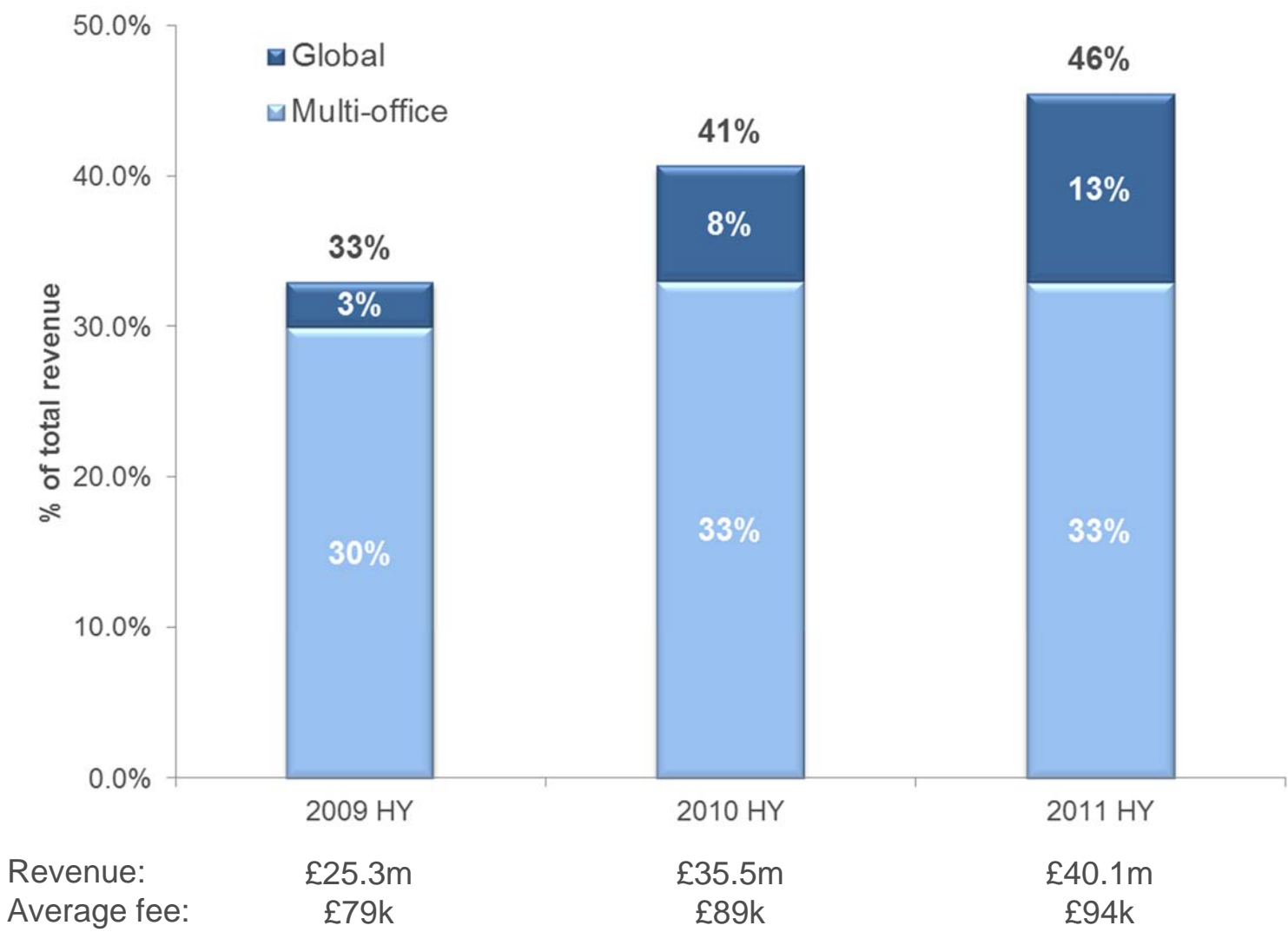
£'m	2011	Margin	2010	Margin	Growth
Revenue	88.1		87.0		1.3%
Operating profit pre-central costs	15.7	17.8%	17.9	20.6%	
Central costs	(4.2)		(4.3)		
Operating profit post-central costs	11.5	13.1%	13.6	15.7%	(15.3)%
Net finance costs	(2.0)		(1.6)		
Profit before tax	9.6		12.0		(20.4)%
Tax and tax rate	(1.8)	18.5%	(2.8)	23.0%	
Attributable profits	7.8		9.2		
Diluted EPS (pence)	3.1		3.8		(16.8)%
Dividend (pence)	1.0		0.9		11.1%

Highlighted items

£'m	2011	2010
Headline PBT	9.6	12.0
Amortisation of intangibles	2.1	2.4
Transaction costs	1.0	-
Adjustments to deferred consideration	0.3	-
Total highlighted expenses	3.4	2.4
PBT after highlighted items	6.2	9.6

Following a change in accounting rules ('IFRS 3 Business Combinations (revised 2008)'), from 1 January 2010 all costs of acquisitions including transaction costs and changes in the value of contingent consideration are expensed and disclosed as highlighted items.

Global & multi-office revenues



Like-for-like revenue growth

- Growth profile improving
- Expected to meet target of 7% during 2011 and that these growth rates will significantly accelerate into 2012
- Momentum building for success in 2012 and beyond

Division	Revenue split	Interim 2011	Q1 2011	Q2 2011
Grayling	48.9%	2.6%	(0.8)%	5.6%
Huntsworth Health	29.1%	2.1%	2.1%	2.1%
Citigate	15.0%	(2.5)%	(2.5)%	(2.4)%
Red	7.0%	1.8%	(1.0)%	4.4%
Total Operations	100.0%	1.6%	(0.2)%	3.3%

Underlying margins

Division	Operating profit £'m	Statutory margin	Underlying margin
Grayling	6.7	15.5%	16.5%
Huntsworth Health	5.2	20.4%	22.0%
Red	1.1	17.9%	19.5%
Citigate	2.7	20.1%	21.0%
Total Operations	15.7	17.8%	19.0%
Centre	(4.2)		
Total Group	11.5	13.1%	14.3%

- Underlying margins adjusted for costs incurred in H1 not repeated in H2
- Resources being held to service increased revenue in H2 and 2012
- Expect margins to hold during 2011 and return to target levels in 2012

Cash flow - on track for 100% conversion in full year

£'m	HY 2011	HY 2010	FY 2010
Cash generated from operations	6.2	8.5	30.8
Conversion	54%	63%	104%
Exceptional cash flow	(1.0)	(3.1)	(5.1)
Capex, interest and tax	(4.4)	(4.0)	(8.0)
Free cash flow	0.8	1.4	17.7
Acquisitions	(7.7)	(2.7)	(6.5)
Deferred consideration	(12.3)	(4.0)	(7.9)
Dividends and share buy back	(0.2)	(1.1)	(7.3)
FX & other	(0.3)	(0.5)	0.1
Net movement	(19.7)	(6.9)	(3.9)
Closing net debt	(72.6)	(55.9)	(52.9)

Debt and Deferred consideration

- £72.6m net debt vs. £110.0m facility (available until 2015)
- Reducing debt profile to under £50m by 2014 and under £15m by 2016
- £12.3m deferred consideration paid in H1 2011
- Deferred consideration profile reducing to under £4m per year by 2014

£'m	H2 2011	2012	2013	2014	2015	2016	Total
Cash or shares at Huntsworth's discretion	2.0	3.4	3.8	2.8	1.2	0.8	14.0
Cash	4.0	2.1	2.7	1.0	0.6	0.4	10.8
Total	6.0	5.5	6.5	3.8	1.8	1.2	24.8

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Divisional analysis



grayling



- £43.1m revenues, 49% of Group
- Now in its 2nd year as a global brand
- H1 like-for-like growth of 2.6%, Q2 showing 5.6% with momentum accelerating going forward
- 67% of annual revenues on retainer
- Average client fees increased by 13% to £63,000, top 10 clients now represent 11% of revenue (2010: 8%)
- Significant international wins, including:
 - British Airways, DHL, DEK, Barry Callebaut and Ace European Group
 - Further EU assignments worth over €2m

- Top 50 client growth programme paying dividends with increasing mandates from Google, Kapsch, Audi Volkswagen, BAE Systems and Wonderful Pistachios
- New acquisition Atomic performing strongly in the US
- First GraylingAtomic office established in London. Rollout in key European markets well advanced
- GraylingDutko PR division established in D.C. to complement Government Relations unit
- Strongest ever pipeline of international opportunities as our reputation for handling complex multi-market clients grows
- Expect like-for-like growth nearing double digits in 2012



**Huntsworth
Health**



- £25.7m of revenues, 29% of Group, like-for-like growth of 2.1%
- Operating margin of 20.4%, underlying margin of 22.0%
- Global clients (> £3m) increased to 4 (2010: 3)
- Increased the number of clients where we are a Preferred Provider to 10 (2010: 8)
- Signed 13 new Master Services Agreements in the first half of 2011
- We work with 38 of the world's Top 50 Pharmaceutical Companies
 - Average annual revenue per client within the Top 50 is £1.1m, up 5% from 2010

- Awarded two very large global programmes by top 10 pharma companies in May and June
 - These programmes are estimated to deliver £2.5m through the end of 2012 with only £250k (10%) being recognised in 2011
- An analysis of the impact of these and other large global wins on 2012 shows that, along with the present new business momentum, there is potential for revenue growth in 2012 at or near double digits

red



- £6.2m of revenues, 7% of Group, like-for-like growth of 1.8%
- Like-for-like growth excluding public sector losses of 23.9%
- Operating margin of 17.9%, underlying margin of 19.5%
- 91% of annual revenues on retainer
- Strong niche UK agency with Fortune 500 and FTSE 100 clients

- Red's largely blue chip client base provides a degree of shelter from the worst effects of the current market sluggishness
- Significant new client wins include Adobe, 20th Century Fox Home Entertainment, The GAME Group and a brief to support Samsung UK's Olympic Games activities
- Red has seen further progress in the agency's diversification strategy into the Corporate, Healthcare, Technology and Digital markets. All areas are showing growth

| Citigate



- £13.2m revenues, 15% of Group, like-for-like decline of 2.5%
- A small decline from last year reflecting principally a subdued IPO and M&A market
- Encouragingly the London Financial practice has shown good revenue growth through H1, 3.1% up
- The public policy division has found trading tough, as have some of our Asian offices where transaction income has decreased
- Operating margin of 20.1%, underlying margin of 21.0%
- 69% of annual revenues on retainer, up 8% on 2010. Any upturn in transactions and capital market activities will boost Citigate's results significantly

- IPO mandates still few and far between however notable transactions included:
 - Lonza Group's takeover of Arch Chemicals (\$1.2 billion)
 - Hanover Insurance takeover of Chaucer Holdings (£313 million)
 - Investec's potential acquisition of Evolution Group
 - Merger of Yorkshire and Norwich & Peterborough Building Societies
- New retained mandates included: Espirito Santo, RBS Insurance, Korn Ferry and Hawker Beechcraft
- In Europe, Citigate recorded solid revenue growth. Citigate France won Accor and Quilvest during the period
- We continue to strengthen our retainer revenue base. Revenue growth profile will improve with the return of transactions

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Conclusion and outlook



Conclusion and outlook

- Our strategy to drive growth through global and multi-office revenues is providing real momentum
- We are confident of reaching our targeted like-for-like growth rate of 7% during 2011 – significantly ahead of our historic results
- Subject to global economic circumstances, we expect to start the next calendar year with a steeply rising revenue curve. We believe that we are very well placed to meet consensus revenues in 2012
- Margins are slightly diluted while we hold resource to service expected increased revenues
- Our dividend increase reflects not only the highly cash generative nature of our business but also confidence in our global strategy and growth prospects moving forwards

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Appendix



Balance sheet

£'m	H1 2011	H1 2010	FY 2010
Intangible assets	306.7	290.2	291.9
Fixed assets & investments	5.6	5.1	5.3
Current assets – excluding cash	53.4	48.1	46.1
Other liabilities	(58.1)	(56.4)	(52.4)
Deferred consideration	(24.8)	(30.5)	(28.2)
Provisions	(2.6)	(4.5)	(2.9)
Net deferred tax	-	0.3	(0.5)
Net debt	(72.6)	(55.9)	(52.9)
Total net assets	207.6	196.4	206.4
Gearing	25.9%	22.2%	20.5%

Taxation

■ **Income Statement:**

- Total tax expense of £0.8m, comprising an underlying expense of £1.8m and a highlighted credit of £0.9m.
- The underlying tax expense of £1.8m results in an effective tax rate of 18.5% on underlying profits of £9.6m.
- Forecast underlying effective tax rate is expected to rise towards the mid-twenties range in the short to medium term.
- The tax credit of £0.9 within highlighted items is predominantly a non-cash item relating to the amortisation of intangibles.

■ **Cash Tax:**

- Corporation tax paid in the first half was £1.8m. Cash tax is expected to increase in future years as tax losses are utilised.