
HUNTSWORTH

Interim Results – June 2010

26 August 2010

grayling



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Agenda

- **Introduction** Peter Chadlington
- **The results** Sally Withey
- **Going global** Sally Withey
- **Our four brands** Brand CEOs
- **Conclusion and outlook** Peter Chadlington

- Four strong independent brands
- Strong like-for-like growth potential
- Increasingly working together
- Earlier return to Group like-for-like growth than predicted

Numbers

- H1 consensus met
- No highlighted items other than amortisation of intangibles
- 89% of annual revenue committed
- Strong margins
- Underlying results are 47% of consensus revenue and on track to meet management profit expectations
- 3 of 4 divisions demonstrating like-for-like growth between 4% to 7%
- Grayling 4.9% like-for-like decline in H1. Forecast to grow in H2 as new international business wins come on stream

Behind the numbers

- Strategy to build global and international business
- 3 global accounts of £3m+ each in Huntsworth Health
- Grayling wins £5m of new international business as a result of the rebranding
- Global accounts more than doubled to 8% of group revenue
- Multi office revenues increased to 33%

On track to double
historic like-for-like growth
to 7% plus during 2011

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The results

The results

£m	2010	Margin	2009	Margin	Growth
Revenue	87.0		76.5		13.7%
Operating profit pre-central costs	17.9	20.6%	14.9	19.4%	
Central costs	(4.3)		(4.0)		
Operating profit post-central costs	13.6	15.7%	10.9	14.2%	25.6%
Associates	-		1.2		
Net finance costs	(1.6)		(1.1)		
Profit before tax	12.0		11.0		9.0%
Tax and tax rate	(2.8)	23.0%	(3.1)	28.0%*	
Minority interests	(0.0)		(0.1)		
Attributable profits	9.2		7.8		
Basic EPS (pence)	3.9		3.8		1.9%
Dividend (pence)	0.90		0.75		20.0%

* 2009 full year tax rate was 25.5%

Highlighted Items

£m	2010	2009
Headline PBT	12.0	11.0
Amortisation of intangibles	2.4	2.4
Brand rationalisation	-	5.3
Impairment of investment in associates (CSV)	-	1.2
Acquisition payments deemed remuneration	-	0.5
Loss on disposal	-	0.1
Total Highlighted Expenses	2.4	9.5
PBT After Highlighted Items	9.6	1.5

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

Cash Flow

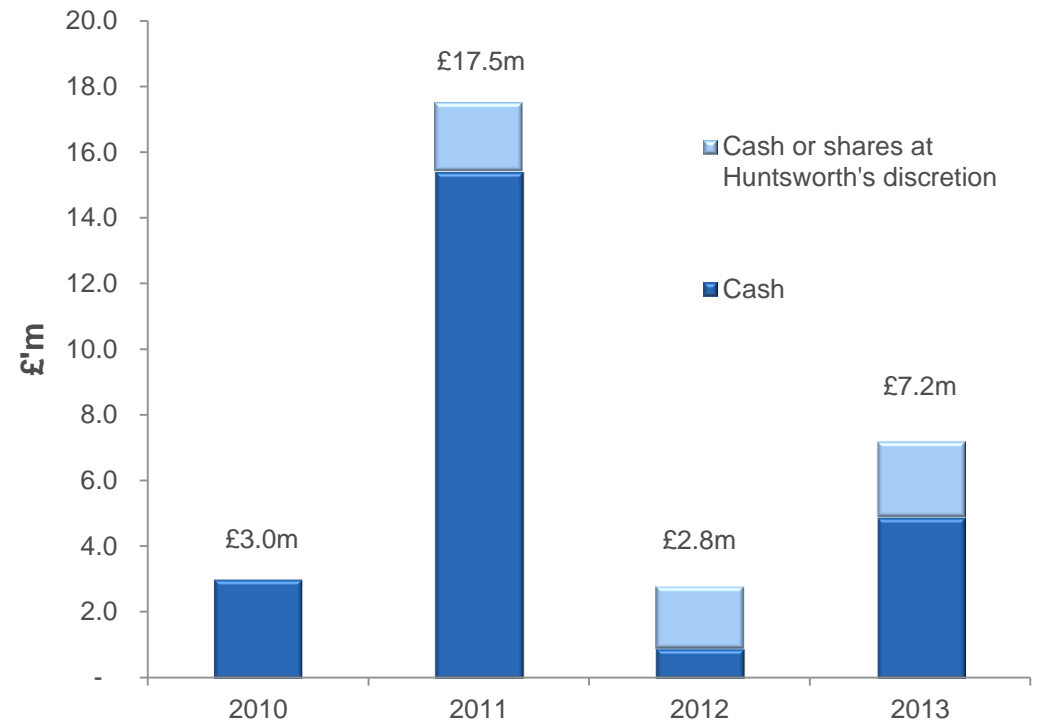
£m	H1 2010	H1 2009	FY 2009
Operating profit before highlighted items	13.6	10.9	23.2
Depreciation, share options & working capital	(5.1)	(3.1)	5.3
Cash generated from operations	8.5	7.8	28.5
Conversion	63%	72%	123%
Strategic branding initiative & exceptional cash flow	(3.1)	(5.1)	(10.5)
Interest, tax, capex & dividends from associates	(4.0)	(1.1)	(2.4)
Free cash flow	1.4	1.6	15.6
Acquisitions, disposals & deferred consideration	(6.7)	(4.2)	(20.0)
Group dividends, share buy back & FX movement on debt & other	(1.6)	(3.8)	(11.1)
Net movement	(6.9)	(6.4)	(15.5)
Closing net debt	(55.9)	(39.9)	(49.0)

Detailed cash flow in Appendix

Debt and Deferred Consideration

- £55.9m debt vs £87.0m facility, reducing to £82.5m available to September 2012
- Net debt vs continuing EBITDA 1.7x (Covenant < 3.0)
- Interest cover of 14x (Covenant > 4.0)

Deferred Consideration - £30.5m



On track to meet full year management expectations

H1 2010

- In line with half year consensus

Revenue

- Returned to like-for-like¹ growth at 0.4%
- Net new business up 11% on H1 2009
- Full year forecast committed revenues at 89%

Operating Profit

- Margin pre central costs up to 20.6%, post central costs up to 15.7%
- Underlying margin² post central costs of 16.9%

(1) Like-for-like revenues are at constant exchange rates adjusted to include pre-acquisition revenues and exclude disposals/closures

(2) Underlying profit and 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

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Global Progress

Divisional Overview

Division	Share of Group Revenue	Revenue £'m	Operating Profit £'m	Margin	Full year Committed Revenues	Like-for-like Growth
Grayling	48%	41.8	8.2	19.6%	89%	(4.9)%
Huntsworth Health	29%	25.1	5.2	20.8%	88%	7.1%
Red	8%	6.7	1.5	21.9%	93%	5.0%
Citigate	15%	13.5	3.0	22.3%	90%	4.2%
Total Operations	100%	87.1	17.9	20.6%	89%	0.4%
Centre		(0.1)	(4.3)			
Total Group		87.0	13.6	15.7%	89%	0.4%

Global and multi office revenues increased

Global clients

- 8% of revenues, up from 3% in 2009

Multi office

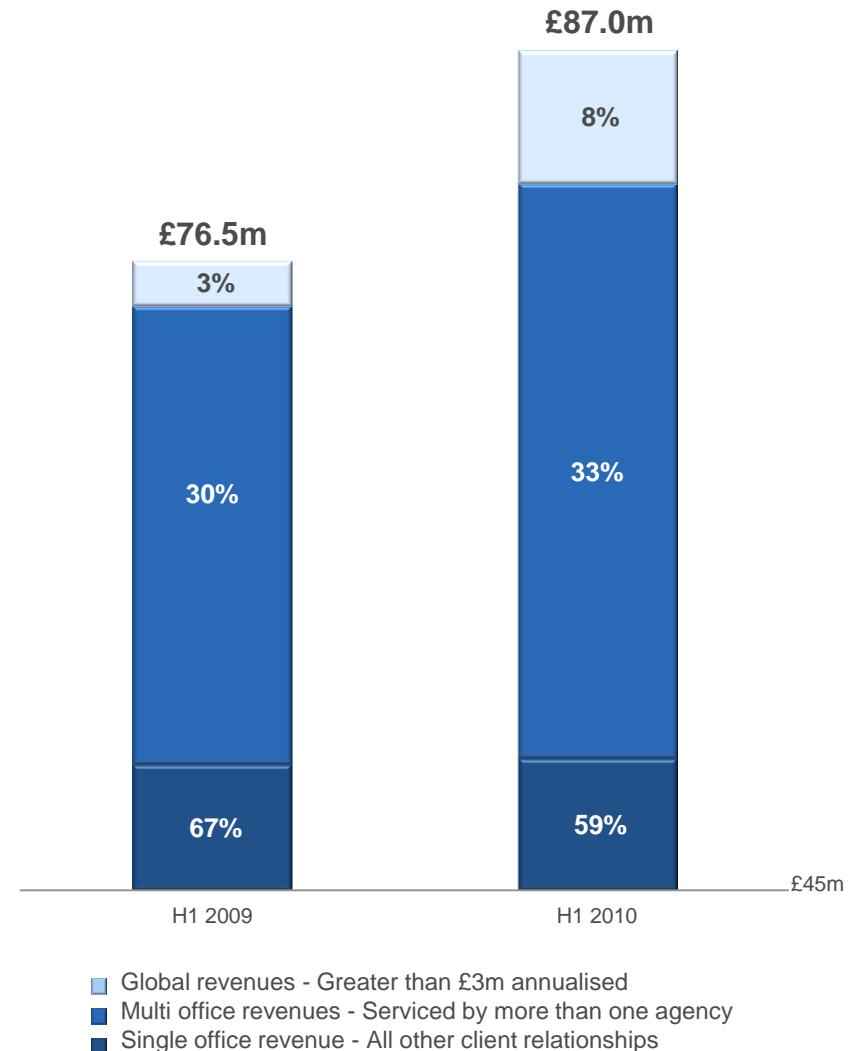
- 33% of revenues, up from 30% in 2009

Cross divisional

- QFCA - Significant PR win between Citigate and Grayling
- A major top 50 pharmaceutical win between Huntsworth Health and Grayling

Single office

- Resigned non profitable business



Building a Global business

- Take a long term view
- Global brand recognition
- Culture and management team
- Focus/targeted approach
- Lose commodity business
- Target global and international clients
- Increasing remits from existing clients
- Develop digital

Grayling Progress

We have:

- Established unifying global brand in January 2010
- Rationalised management team
- Made strategic investments
- Established international new business team
- Launched EU tenders capability
- Invested in digital capabilities

Which has resulted in:

- £5m of multi office new client wins
- 33% growth in the top 50 multi office clients
- Expanded remits with 11 of our top 15 clients
- Increase in average client fees of 7%

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Global Public Relations
& Public Affairs

Overview

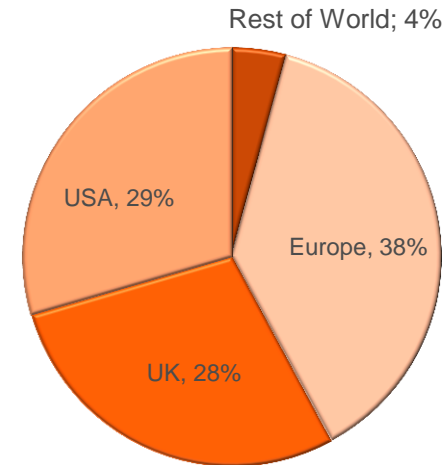
Revenue	£41.8m
Like-for-like growth	(4.9)%
Margin	19.6%
FY Committed revenue	89%

No. of employees	841
Average fee per client	£56k
No. of major listed clients	150
% of fees on retainers	67%

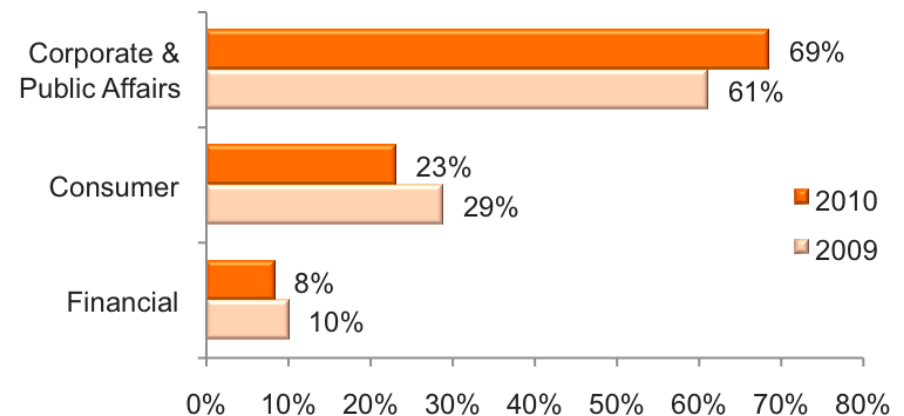
Top clients as % of Group revenue

Top client	0.6%
Top 10 clients	4.0%

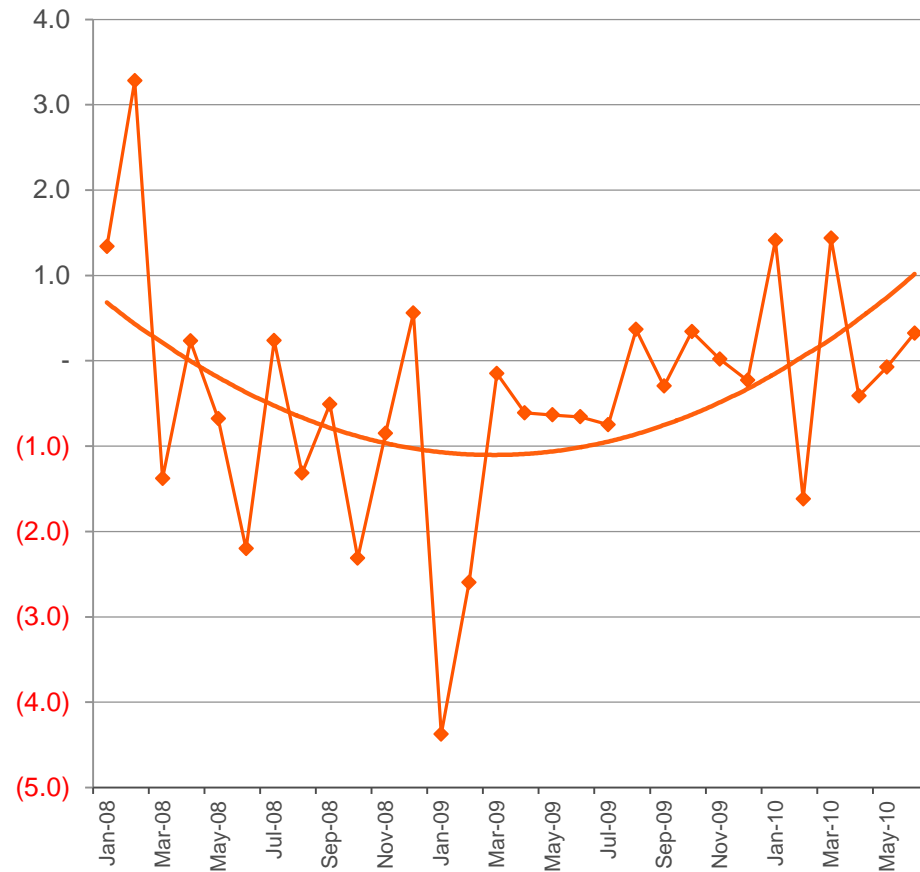
Revenue by geography



Revenue by practice areas



Grayling Year on Year Monthly Movement in Net New Business Wins £m



- We have demonstrated that the Group like-for-like revenue growth lags new business growth by 2 quarters – returning to growth overall for H1 2010
- We expect Grayling to return to growth during H2 2010 following 9% like-for-like new business growth in H1 2010

- £5m of annualised international wins, with a 45% conversion rate: Apcor, Nabucco, Aviva, EIU and Singapore Government
- Average client fees up 7%
- Average 58% growth from expanded remits within 11 of our top 15 clients
- Multi office clients increased from 7% to 10% of Group revenues
- Bigger single country wins include: SNCF, Tech America, Mauritius Tourism Promotion Board, Facebook, Kellogg's and General Motors

- Brand and proposition now firmly established and gaining traction
- Full year committed revenues at 89%
- Strongest ever pipeline including a number of substantial international opportunities at various stages of development
- Our EU tender business launched in May with €10m of tender opportunities already in the pipeline
- Recent wins are well placed to support growth in H2 2010 and Group growth target for 2011



Global Healthcare Communications

29% of Group revenue

Overview

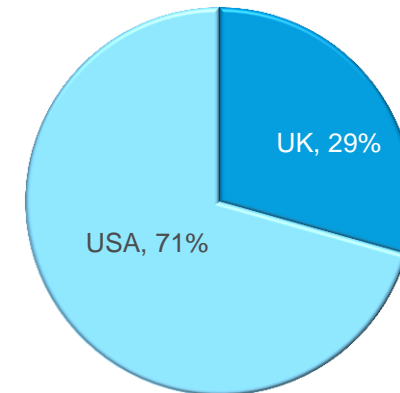
Revenue	£25.1m
Like-for-like growth	7.1%
Margin	20.8%
FY Committed revenue	88%

No. of employees	418
Average fee per client	£424k
Average fee per brand	£193k
No. of top 50 pharma co's	39

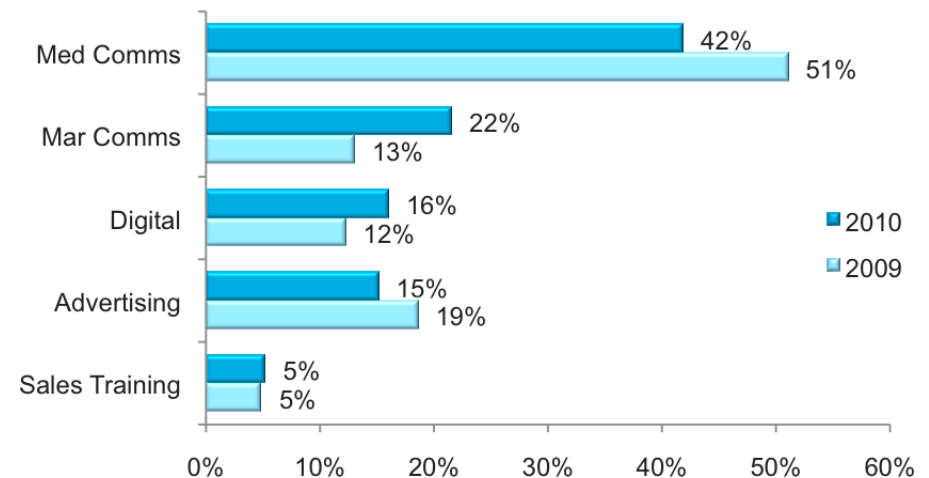
Top clients as % of Group revenue

Top client	2.6%
Top 10 clients	9.2%

Revenue by geography



Revenue by practice areas



- 3 Global clients delivering greater than £3m each, up from 2 in 2009
- Preferred Provider status at 8 major pharmaceutical companies, up from 5 in 2009
- Largest ever medical communications win £2m+ with Novartis
- Largest ever sales training contract signed with J&J
- Average annual revenue per client within the top 50 pharmaceutical companies of more than £850k
- Geographic footprint expanded into Asia

Integrated multi-channel marketing

On-line: Unbranded Condition Awareness



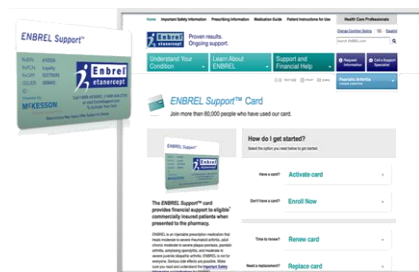
Branded On-line: Professional & Consumer



Mobile: iPhone Support App



Patient Support: Support Program & 'Click to Chat,'



Relationship Marketing: Emails & Direct Mail



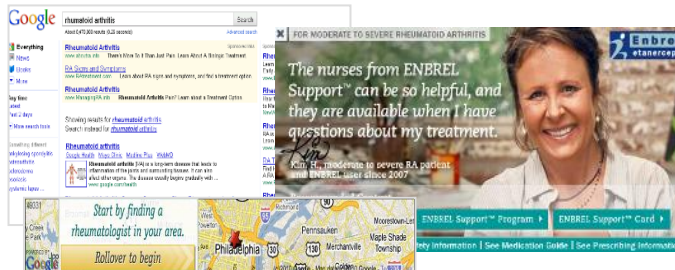
In Office: Patient Education



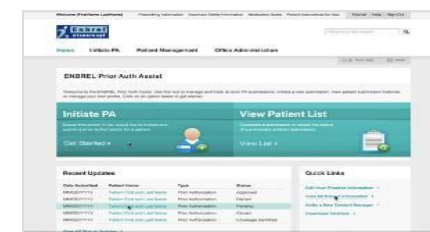
POS: Retail/Pharmacy Trigger Ads



Digital Display/Search Engine Marketing



Managed care Integration: Prior Authorisation Portal



- 88% Committed Revenues for 2010
- Excellent new business momentum with identified new business that has been pitched or is being scoped more than double compared to 2009
- Digital revenues continue to grow at greater than 36%
- Acquisition of ScopeMedical in July 2010 provides access to 4 new global clients with whom we have not previously worked
- Asia off to great start with Pfizer win of more than £200k

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Specialist Public Relations

Overview

Revenue	£6.7m
Like-for-like growth	5.0%
Margin	21.9%
FY Committed revenue	93%

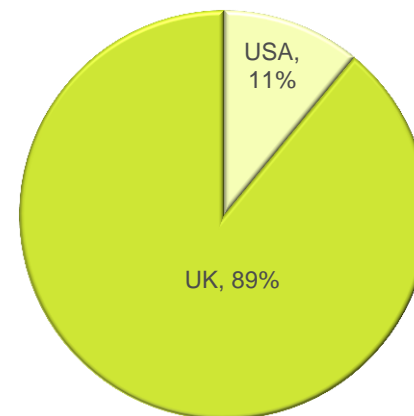
No. of employees	134
Average fee per client	£182k ¹
No. of major listed clients	29
% of fees on retainers	92%

Top clients as % of Group revenue

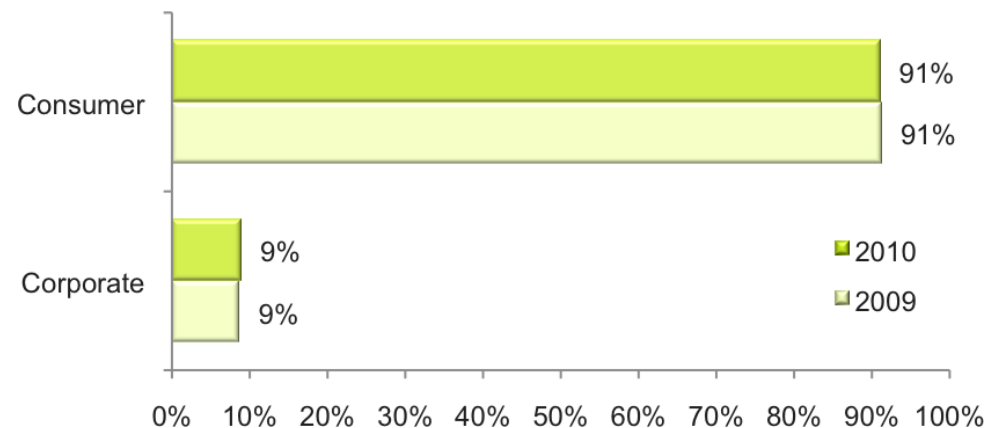
Top client	0.7%
Top 10 clients	4.0%

1. Excluding public sector

Revenue by geography



Revenue by practice areas



- Red grew again in the first six months of the year after very strong growth in 2009
- Public sector losses in May totalling proforma £0.8m in H2 2010, but revenues have already been replaced by recent wins
- Wins included Avis, Barclaycard, alli, Kelkoo, Tommee Tippee, Coca Cola, Thistle and Adobe

Specialist consultancy set to continue to do well

Key metrics demonstrate resilience:

- 93% committed full year revenues, highest in group despite losing public sector revenue
- Grew during recession and continues to grow



Global Financial &
Corporate Communications

Overview

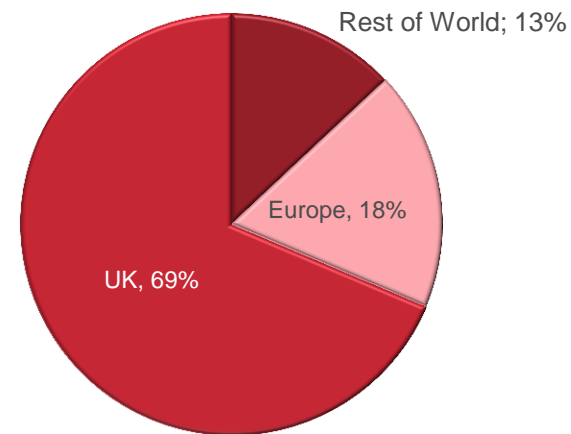
Revenue	£13.5m
Like-for-like growth	4.2%
Margin	22.3%
FY Committed revenue	90%

No. of employees	195
Average fee per client	£54k
No. of major listed clients	58
% of fees on retainers	62%

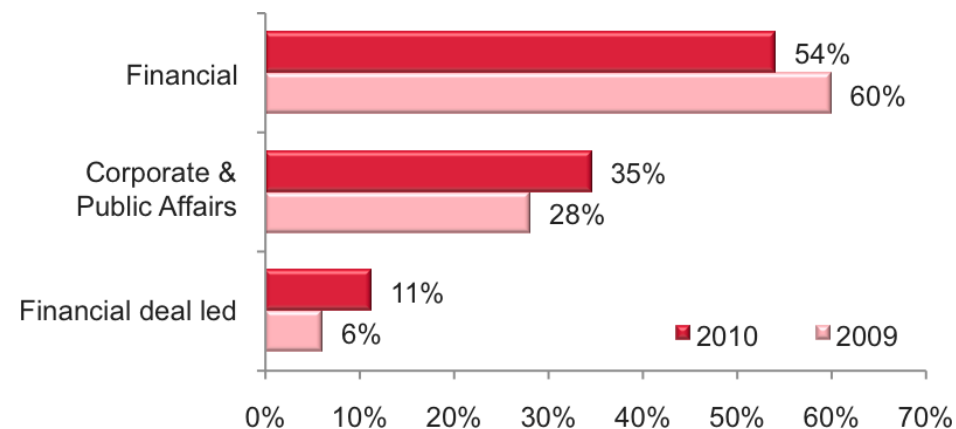
Top clients as % of Group revenue

Top client	0.5%
Top 10 clients	2.7%

Revenue by geography



Revenue by practice areas



- Transaction and IPO wins include:
 - VT Group
 - Scott Wilson
 - Poundland
 - OAO Protec (Russia's largest IPO since 2007)
 - Russian Sea Group
 - LBi (Europe's largest marketing and technology agency)
- Significant Group PR win - Qatar Financial Centre Authority in conjunction with Grayling
- Others:
 - easyGroup, PetroNeft, Chaucer, Schrodgers, GSK Consumer Healthcare, Direct Line, May Gurney, Foreign Currency Direct
- Streamlined management structure in Citigate London

- Citigate strengthened its position in the M&A market and was the fourth largest global advisor to global M&A deals (source: Mergermarkets)
- Sustained growth since Q409
- Strong retainer base at 62%, up from 58% in 2009
- Services extended in the areas of internal communications and digital crisis management
- Well placed to develop as capital market activity continues and improves

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Conclusions and Outlook

Outlook on track for 7%+ like-for-like revenue growth during 2011

- Global accounts – More than doubled to 8% of Group revenue
- Multi office revenue growth – Increased from 30% to 33% of Group revenue
- Cross divisional revenue growth – Two significant wins during H1 2010
- Digital growth – Tracking at 36% in Huntsworth Health and integrated into most PR campaigns

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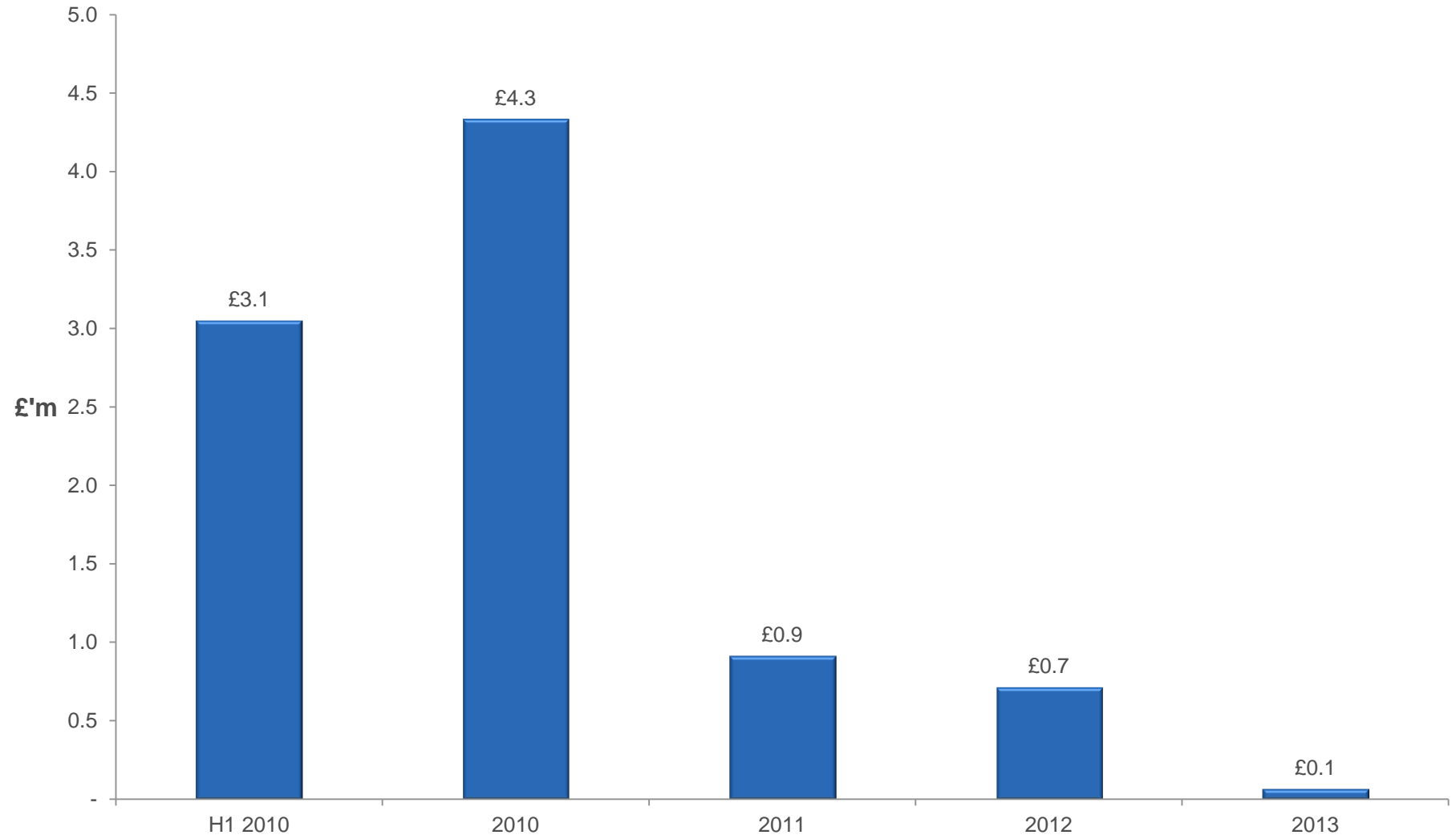
Appendix

Balance Sheet

£m	H1 2010	H1 2009	FY 2009
Intangible assets	290.2	250.2	287.2
Fixed assets & investments	5.1	6.7	5.1
Current assets – excluding cash	48.1	43.7	48.7
Other liabilities	(56.4)	(52.6)	(60.1)
Deferred consideration	(30.5)	(21.6)	(32.2)
Provisions	(4.5)	(6.3)	(6.7)
Net deferred tax	0.3	(0.3)	1.1
Net debt	(55.9)	(39.9)	(49.0)
Total net assets	196.4	179.9	194.1
Gearing	22.2%	18.1%	20.2%

- Underlying tax charge of £2.8m, giving an effective rate of 23.0%
- Forecast underlying tax rate is expected to hold at a similar level in 2011, before increasing towards c.30% as losses are utilised
- The underlying tax rate is subject to the volatility of the share price
- The tax credit of £0.3m from highlighted items is a non cash item relating to the amortisation of intangibles
- Tax paid in the first half was £1.7m vs the underlying tax charge of £2.8m. The difference is largely explained by the impact of deferred tax

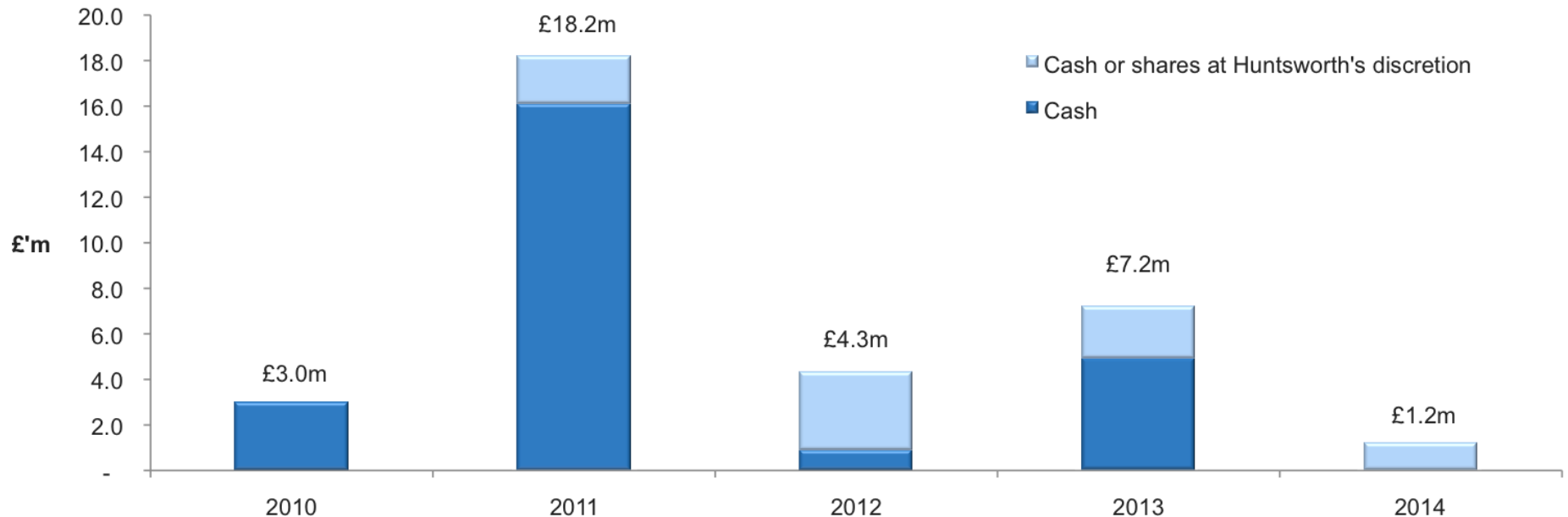
Exceptional cash flow forecast



Deferred Consideration

- All minority interests were acquired during the period
- ScopeMedical Limited was acquired post 30 June 2010 for an initial consideration of £3.9m, with deferred consideration payable in 2011, 2012 and 2014 estimated at £3.4m

Deferred Consideration including ScopeMedical - £33.9m



Group Revenue broadly spread across industry sectors

