

CRESTON PLC  
The Insight and Communications Group  
FY11 Preliminary Results  
21 June 2011

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Don Elgie – CEO  
Barrie Brien – COO & CFO



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Insight and communications for the 21<sup>st</sup> century



## AGENDA

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- Financial & Operational Performance for the Year to March 2011
- Strategic and Business Update
- Technology and Marketing
- Summary
- Appendix





## Highlights

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- Disposal of DLKW and acquisition of Cooney/ Waters & Alembic
- Positive momentum with like-for-like revenue +7% (+10% in Q4)
- Growth driven by digital (+19%), new business and international
- Investments reduced H1 PBIT margin, recovered in H2 to 18%
- Invested in the leadership development of senior staff
- Balance sheet transformed to net cash, even post acquisition
- Proposed full year dividend +200% to 3 pence per share

Now weighted to the faster growth and higher margin  
marketing services

## Income Statement

|                             | Headline Results * |        | Reported Results |        |
|-----------------------------|--------------------|--------|------------------|--------|
|                             | March 2011         |        | March 2011       |        |
|                             | £'m                | Change | £'m              | Change |
| Revenue                     | 67.8               | + 11%  | 67.8             | + 11%  |
| PBIT (pre FX loss)          | 10.9               | +1%    | 8.9              | +50%   |
| PBIT                        | 10.8               | 0%     | 8.7              | + 48%  |
| Pre-tax profit              | 10.4               | + 1%   | 8.4              | + 66%  |
| Post-tax profit             | 7.5                | - 6%   | 5.7              | + 94%  |
| Diluted EPS (pence)         | 12.39              | - 8%   | 9.41             | + 89%  |
| Dividends per share (pence) | 3.00               | + 200% | 3.00             | + 200% |

- Diluted EPS decline due to effective Headline tax rate from 24% to 29% plus a marginal (2.6%) increase in weighted average number of shares.

\* Reconciliation of Headline to Reported PBIT, PBT and PAT in Appendix



## Positive Operating Cash Flow

|  | 2011<br>£'000 | 2010<br>£'000 |
|--|---------------|---------------|
| <b>Headline EBITDA</b>   | <b>12,096</b> | <b>12,154</b> |
| Share Based Payments & (Profit)/Loss on sale of Fixed Assets             | 38            | (93)          |
| Working Capital Movement   | (640)         | 2,209         |
| <b>Headline Operating Cash Flow<sup>1</sup></b>                          | <b>11,494</b> | <b>14,270</b> |
| Headline Cash Conversion (Headline Operating Cash Flow: Headline EBITDA) | 95%           | 117%          |
| Cash effect of headline add-backs  | (1,557)       | (584)         |
| <b>Reported Operating Cash Flow</b>                                      | <b>9,937</b>  | <b>13,686</b> |
| Reported Cash Conversion (Reported Operating Cash Flow: Headline EBITDA) | 82%           | 113%          |
| Free Cash Flow <sup>2</sup>  | 6,480         | 10,251        |

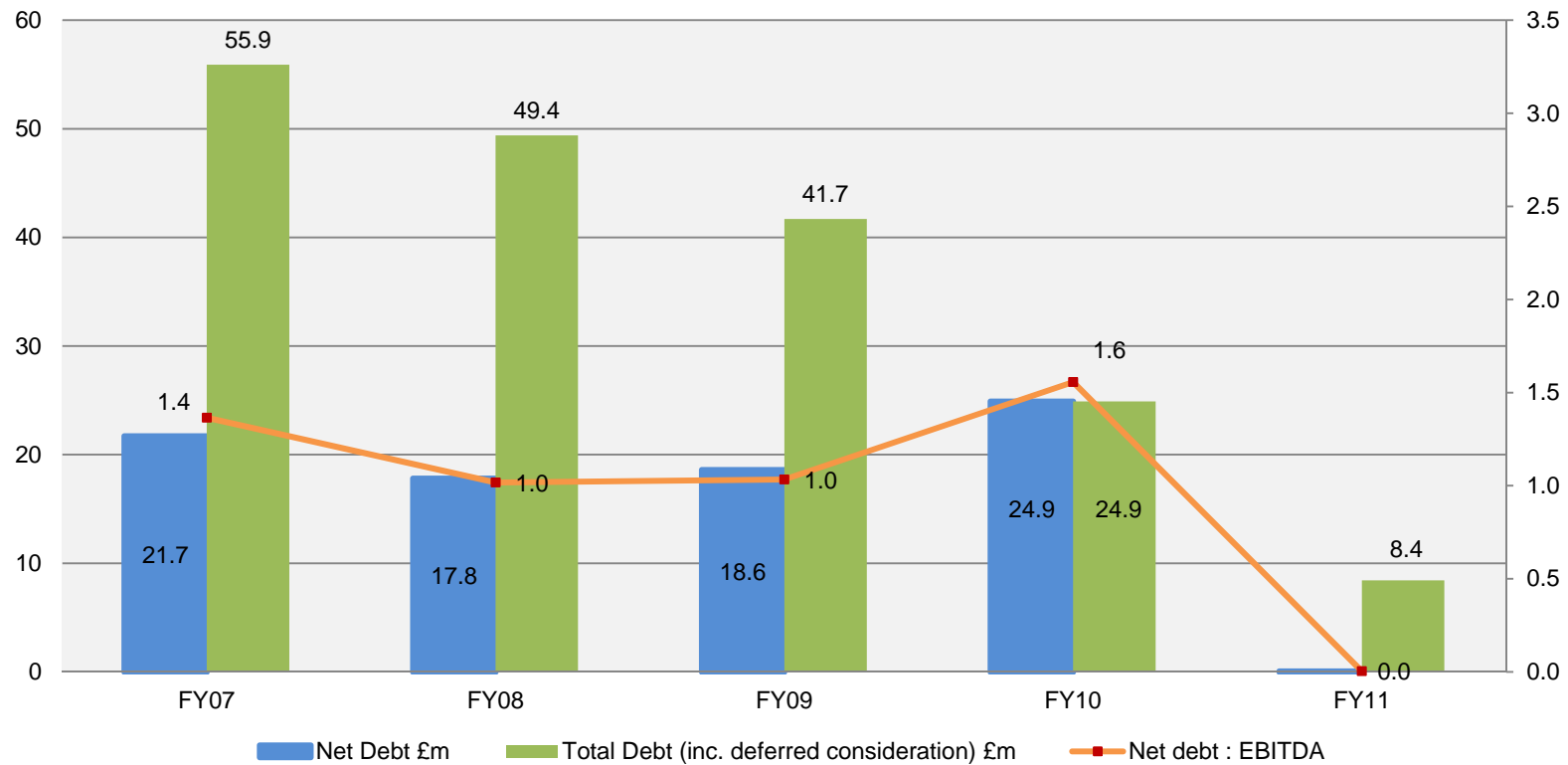
Notes:

- 1 The difference between Headline & Reported Operating Cash Flow is the cash impact of the Headline adjustments.
- 2 Free Cash Flow is defined as operating cash flow after taxation, net finance income/(cost), income from financial assets and capital expenditure.





## Balance Sheet Transformed as Moves to Net Cash



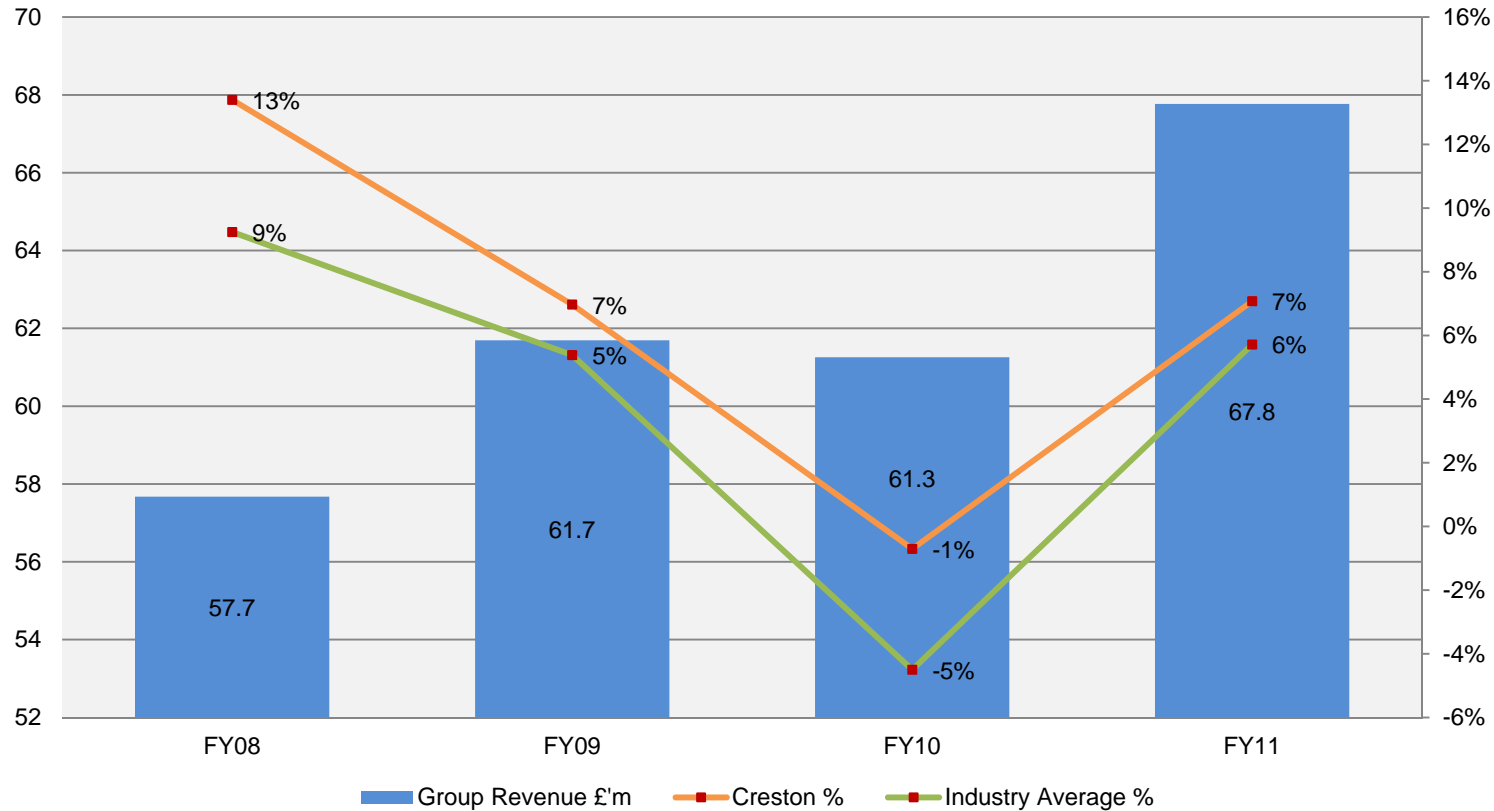
- £25 million of unutilised banking facility

Net Debt : EBITDA is on a non continuing basis.

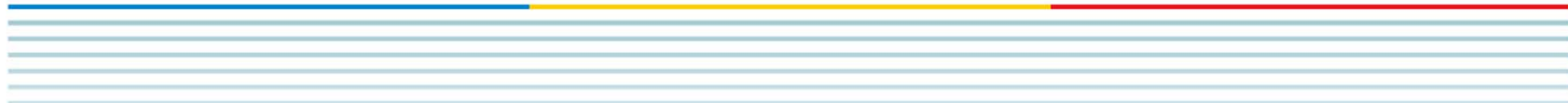




## Like-for-like Revenue Growth Out-Performs the Market



The Industry Average group comprises Aegis, Cello, Chime, Huntsworth, M&C Saatchi, and WPP. Organic revenues have been applied where like-for-like growth was not available. Growth rates have not been adjusted where the financial year ends are non-coterminous.



## Long Term Blue-Chip Client Portfolio



DIAGEO

Canon



amazon



facebook

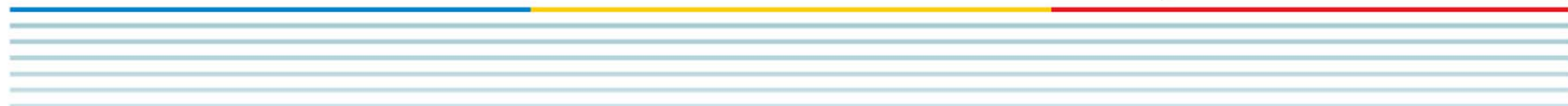


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## Client Ranking by FY11 Revenue

| Top 20 Clients | Client          | Insight | Communications | Health | Client Tenure |
|----------------|-----------------|---------|----------------|--------|---------------|
| 1              | Nissan          |         | •              |        | 1996          |
| 2              | Infiniti        |         | •              |        | 2007          |
| 3              | Danone          | •       | •              |        | 1996          |
| 4              | COI             | •       | •              |        | 1987          |
| 5              | Unilever        | •       | •              |        | 1990          |
| 6              | Diageo          |         | •              |        | 2002          |
| 7              | GlaxoSmithKline | •       | •              | •      | 2005          |
| 8              | Jaguar          |         | •              |        | 2008          |
| 9              | Astellas        | •       |                | •      | 2007          |
| 10             | Land Rover      |         | •              |        | 2008          |
| 11             | Canon           |         | •              |        | 2001          |
| 12             | Aviva           | •       |                |        | 2008          |
| 13             | Vodafone        | •       |                |        | 1997          |
| 14             | Toyota          |         | •              |        | 2009          |
| 15             | UCB             |         |                | •      | 2008          |
| 16             | Lexus           |         | •              |        | 2006          |
| 17             | Sainsburys      | •       | •              |        | 2006          |
| 18             | Sanofi Pasteur  | •       |                | •      | 1992          |
| 19             | Astra Zeneca    |         |                | •      | 2003          |
| 20             | Pepsi-Co        | •       | •              |        | 2004          |



## Revenue Facts and Figures

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- Digital and on-line now > 41% of Group revenue
- Our top 20 clients make up 55% of revenue
- Our top 50 clients make up 75% of revenue
- Almost half of our top 20 clients are the UK's top 100 spenders\*
- Of the top 50 clients
  - 20 clients serviced by at least 2 companies
  - 11 clients serviced by 3 companies
- Average revenue per client is £252k
- Average tenure of top 20 clients is 9 years

\*Source: Nielsen Media Research



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# DIVISIONAL PERFORMANCE

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## Segmental Analysis

|                | Revenue    |            |             | Headline PBIT |            |             | Headline PBIT Margin |       |
|----------------|------------|------------|-------------|---------------|------------|-------------|----------------------|-------|
|                | 2011<br>£m | 2010<br>£m | Change<br>% | 2011<br>£m    | 2010<br>£m | Change<br>% | 2011                 | 2010  |
| Insight        | 14.8       | 16.0       | - 7%        | 4.1           | 4.9        | - 16%       | 28%                  | 31%   |
| Communications | 41.1       | 36.5       | + 13%       | 6.2           | 5.5        | + 14%       | 15%                  | 15%   |
| Health         | 11.8       | 8.8        | + 33%       | 3.4           | 2.7        | + 27%       | 29%                  | 31%   |
| Head Office    | -          | -          | -           | (3.0)         | (2.2)      | - 33%       | -                    | -     |
| Total          | 67.8       | 61.3       | + 11%       | 10.8          | 10.8       | 0 %         | 15.9%                | 17.6% |

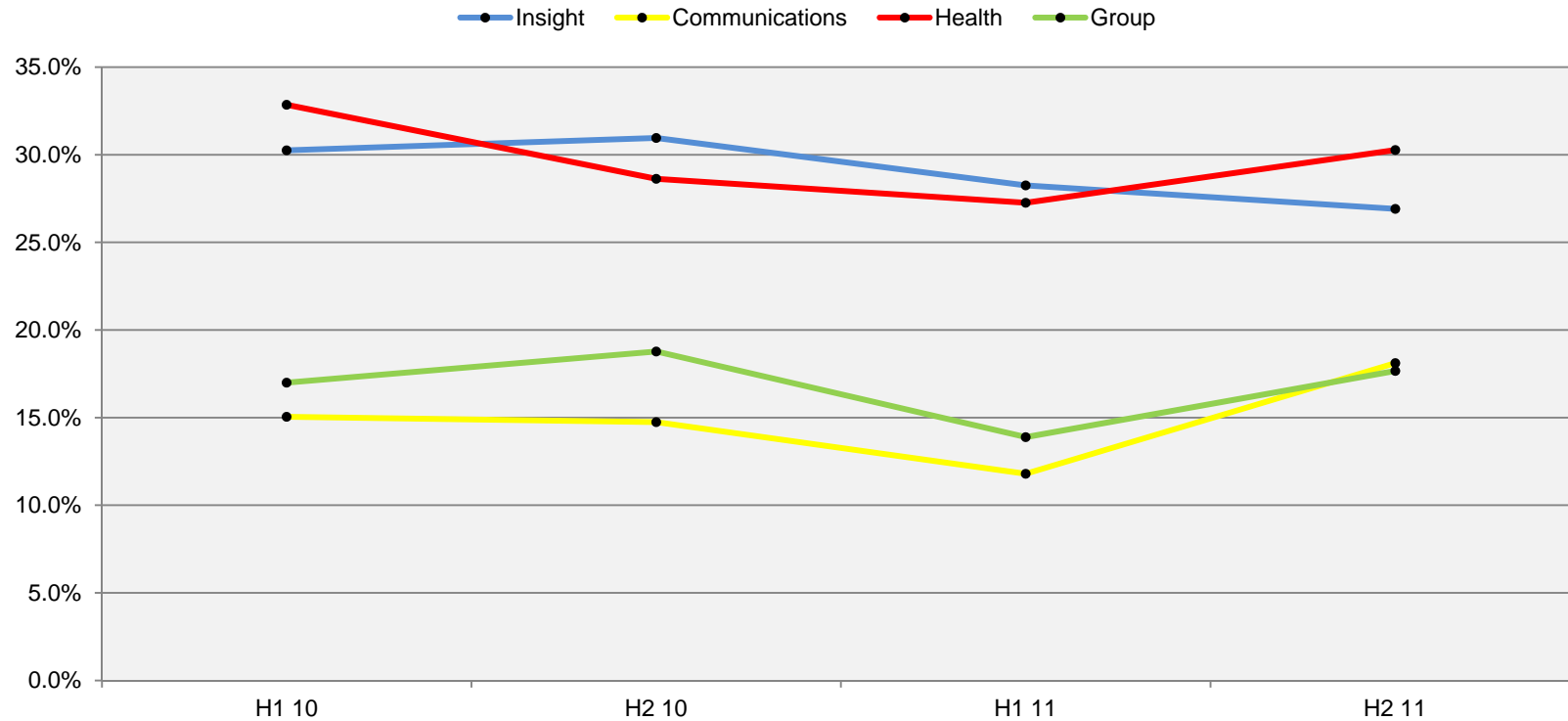
- Insight lost no clients, but performance due to:
  - i. Market (especially social and government) declined
  - ii. ICM's management changes and operating costs increased
  - iii. ICM's gross margin declined but reversed for FY12
- All Communication companies grew
- Health like-for-like revenue +8% and PBIT +9%

(All percentages are calculated on a £'000 basis and not rounded)

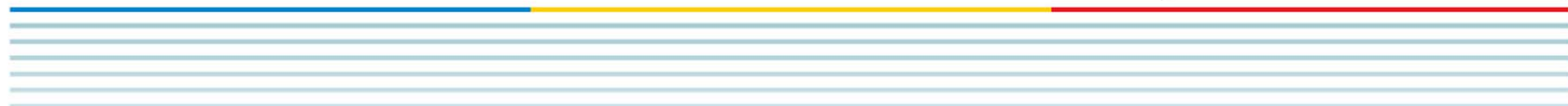




## Divisional Headline PBIT Margin



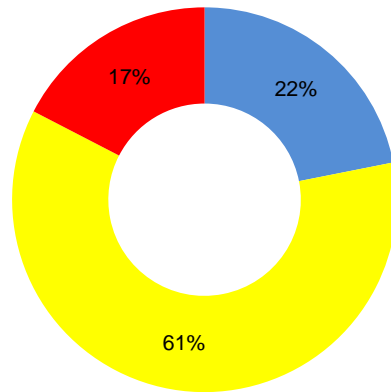
- H2 PBIT margin of 18% versus H1 of 14%



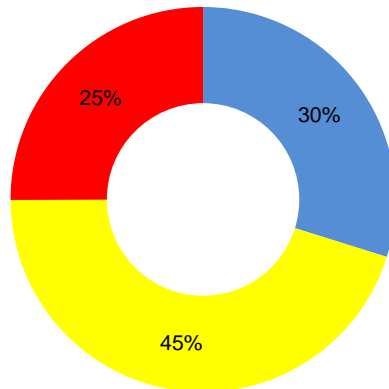


## Divisional Analysis

**FY11 Revenue by Division**

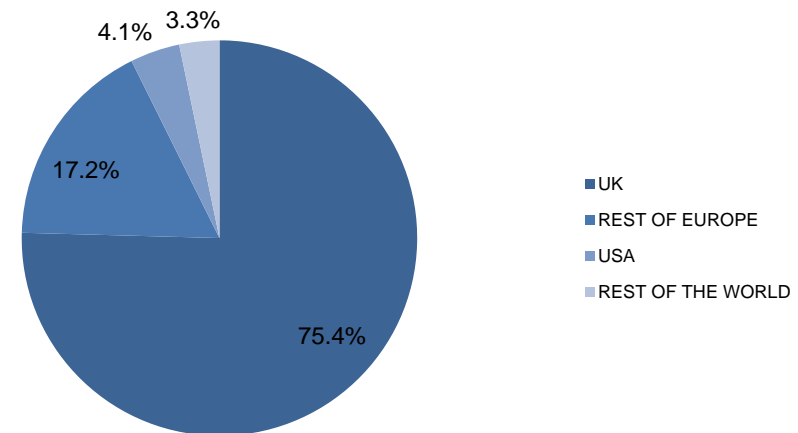


**FY11 Headline PBIT by Division**



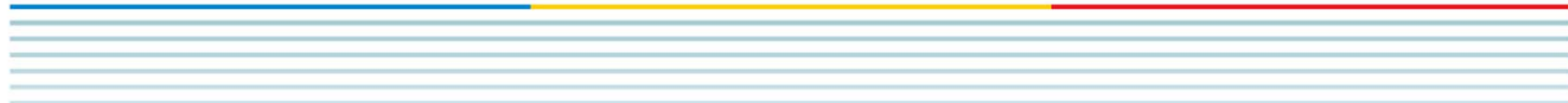
■ Insight  
■ Communications  
■ Health

**FY11 Group Revenue by Region (%)**



■ UK  
■ REST OF EUROPE  
■ USA  
■ REST OF THE WORLD

- Weighting will change with full year impact of Cooney/ Waters





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# STRATEGIC & BUSINESS UPDATE

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## Business Profile

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- Focused on Insight and Communications
- Over 800 staff based in the UK and USA
- Structured and shaped for the future needs of marketing
- First rate complementary businesses working together to better serve their clients – *“innovation through collaboration”*
- Blue chip, global clients of long tenures with big marketing spends
- Ambitious management team of great depth, breadth and experience with very long tenures
- 10 years old and road tested through a global recession

## Financial Profile

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- Good visibility of earnings and substantial recurring revenues
- Profitable, industry leading margins and highly cash generative
- Strong balance sheet
- Ability to invest in organic and acquisitive growth initiatives
- Acquisitions structured to avoid equity dilution and over leveraging
- Progressive dividend policy



## Growth Drivers & Opportunities

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- International exposure
- Demand in the faster growth services of:
  - Digital marketing
  - PR and social media
  - Localised marketing
- Blue chip client base offer greater opportunities
- Opportunity to deliver cross-agency, multi-channel campaigns
- Exposed to high profit margin of insight and health
- Growth in market share

## Investment Strategy and Criteria

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- Identified investment/ growth opportunities in all three divisions
- Investments are client driven eg HTC, no “field of dreams” strategy
- International:
  - To enhance services to existing UK clients
  - Focus on a micro network, with hubs in US, Europe and Asia
  - Other countries supported by existing affiliate networks
  - Will consider selective acquisitions where strong strategic fit
- UK:
  - Expand services and maintain innovation to existing clients primarily via start-ups

## Short Term Targets for Divisions (1-2 years)

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- Insight
  - Expand on-line and advanced analytics offer
  - Integrating insight into Communications Division, “ICM-inside”
  - Develop Health Insights
- Communications
  - Develop new local health marketing offer
  - Extend digital capabilities
  - Improve recovery rates and margin
- Health
  - Pursue global PR projects via Cooney/ Waters & RDC
  - Develop the consumer health offer
  - Grow digital capabilities and revenue to c20% of division

## Short Term Targets for Group (1-2 years)

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- Capitalise on FY11 investments to drive earnings growth, eg Creston Unlimited, Cooney/ Waters etc
- 1 to 2 international start-ups to meet client demand
- Grow international revenue to c35% of the group
- Cross sell to more existing clients, aided by Creston Unlimited
- Grow digital revenue to c50% of the group
- Continue HR investment to attract, train and retain the best talent



## Long Term Targets (3-5 years)

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- Maintain above market organic growth rates
- 50% international revenues
- 50% of top 50 clients shared across 3 or more companies
- Maintain strong balance sheet (< 1.5x debt: EBITDA) and high free cash flow
- Maintain an entrepreneurial environment where great things happen for our clients and talent



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# HOW TECHNOLOGY IS AFFECTING THE WAY WE UNDERSTAND, INSPIRE & COMMUNICATE

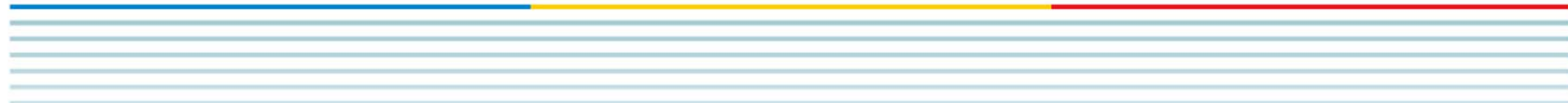
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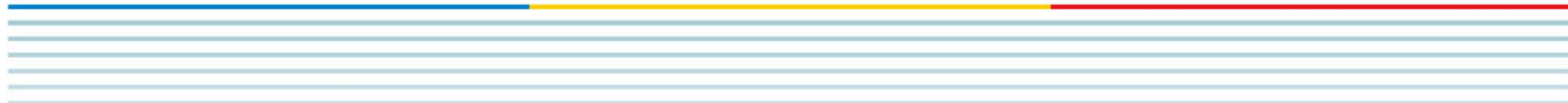
## 4.6 bn Mobile Subscriptions vs 4.2 bn...

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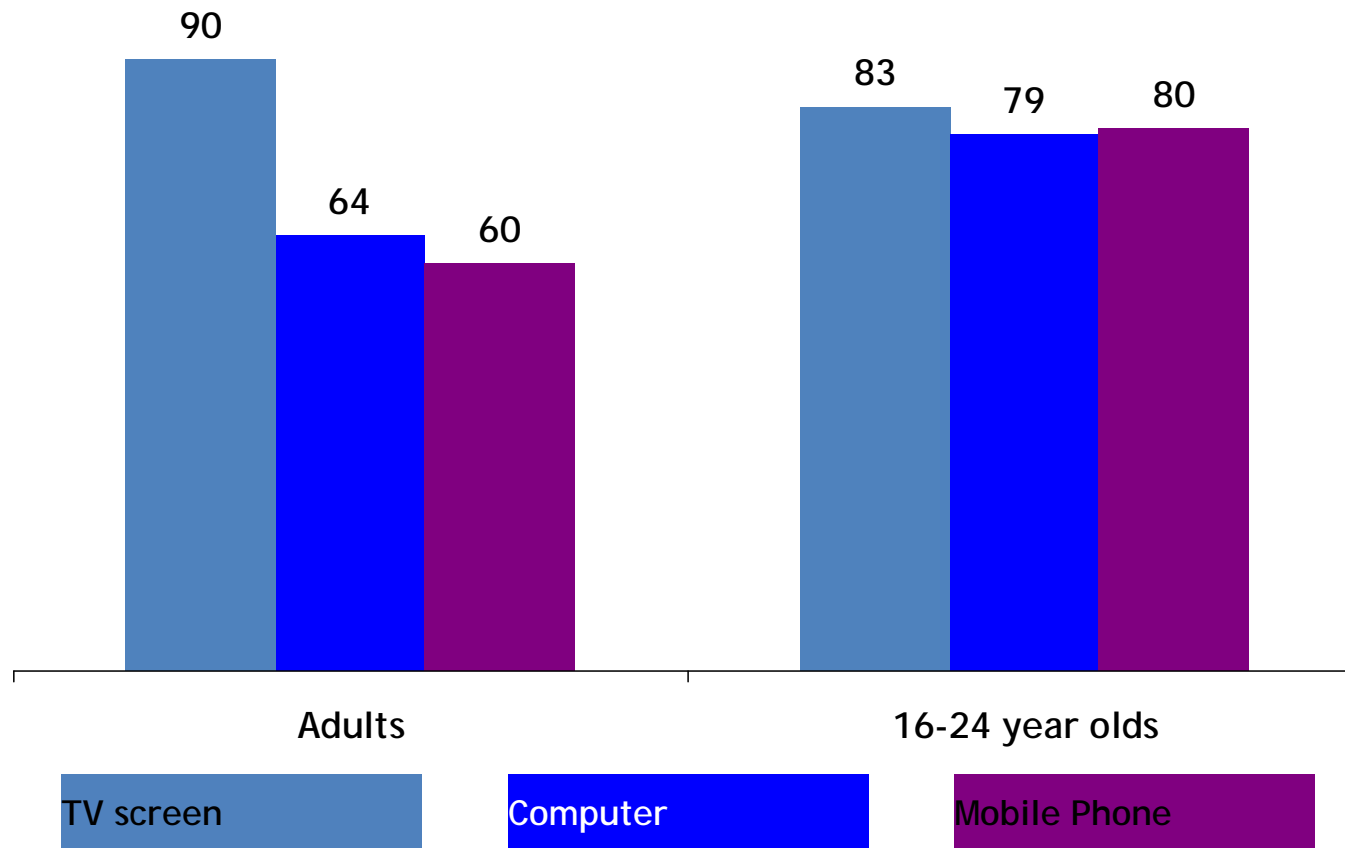
# The New World - Mobile, Social & Connected





## Digital Devices are Changing Behaviour

% using device each day





## Research Techniques are Evolving

DIGITAL LISTENING

Social media monitoring

Panel based brand tracking

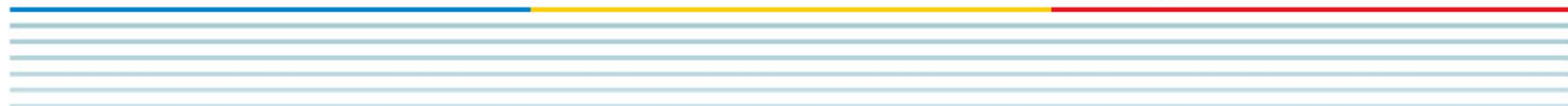
Digital audit

DIGITAL ENGAGEMENT

Online journeys

Online focus groups

Research communities



# TECHNOLOGY HAS COMPLETELY CHANGED THE WAY BRANDS CONNECT AND INTERACT WITH THEIR CONSUMERS

# 20% OF BRITONS REGULARLY EAT THEIR EVENING MEALS IN FRONT OF A COMPUTER

UKPA March 2010

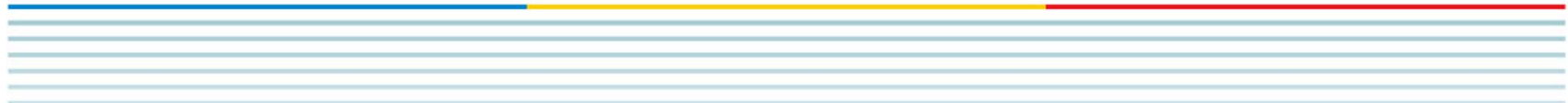


# 90% OF CONSUMERS USE THE INTERNET TO RESEARCH VEHICLE PURCHASES

Marketing week. March 2011

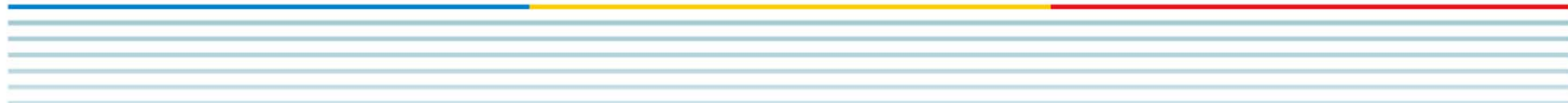
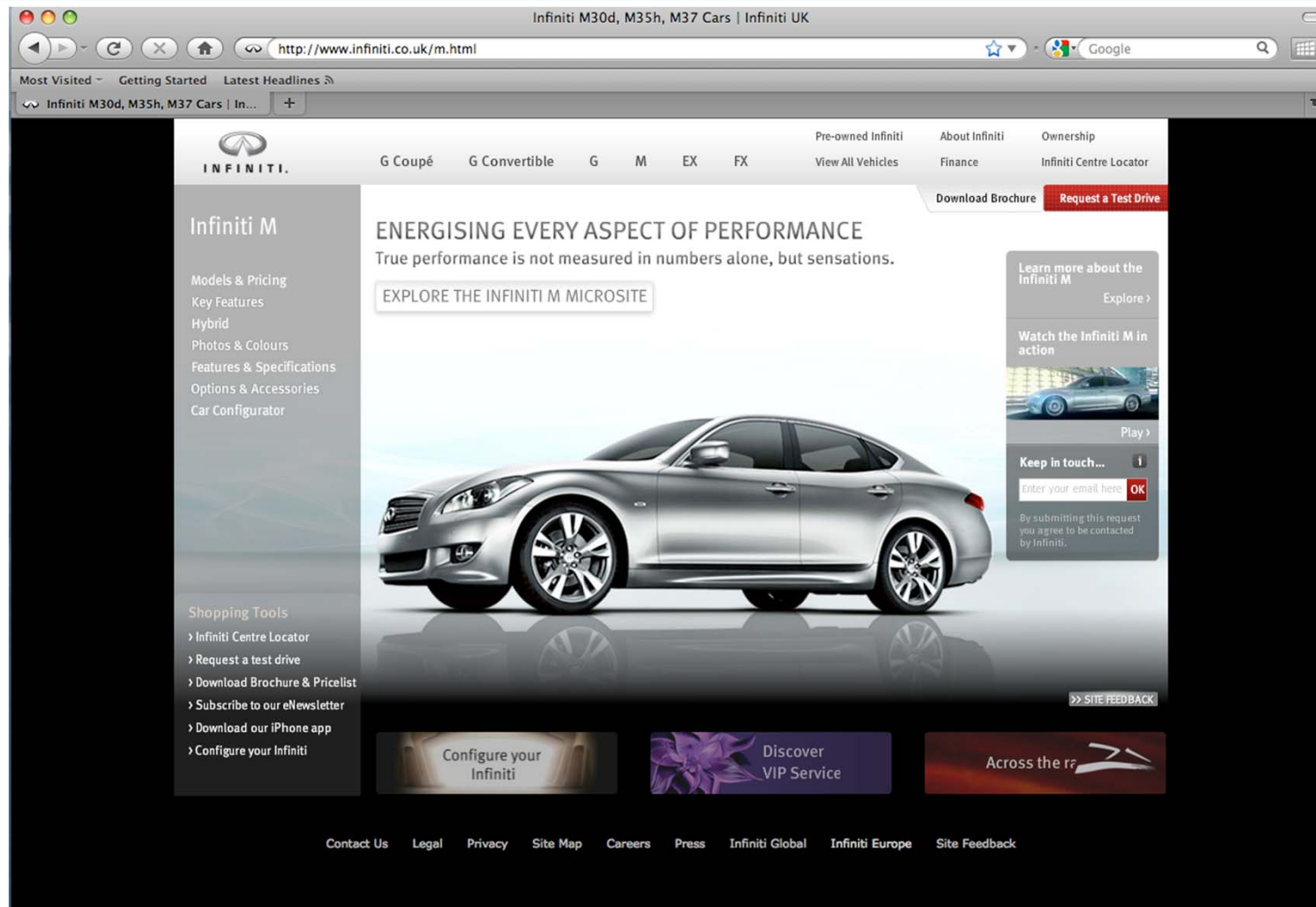
78% OF POTENTIAL CAR  
BUYERS SAY THEY WILL  
USE THEIR MOBILE  
DEVICES FOR BOTH  
SEARCHING AND  
PURCHASING THEIR CAR

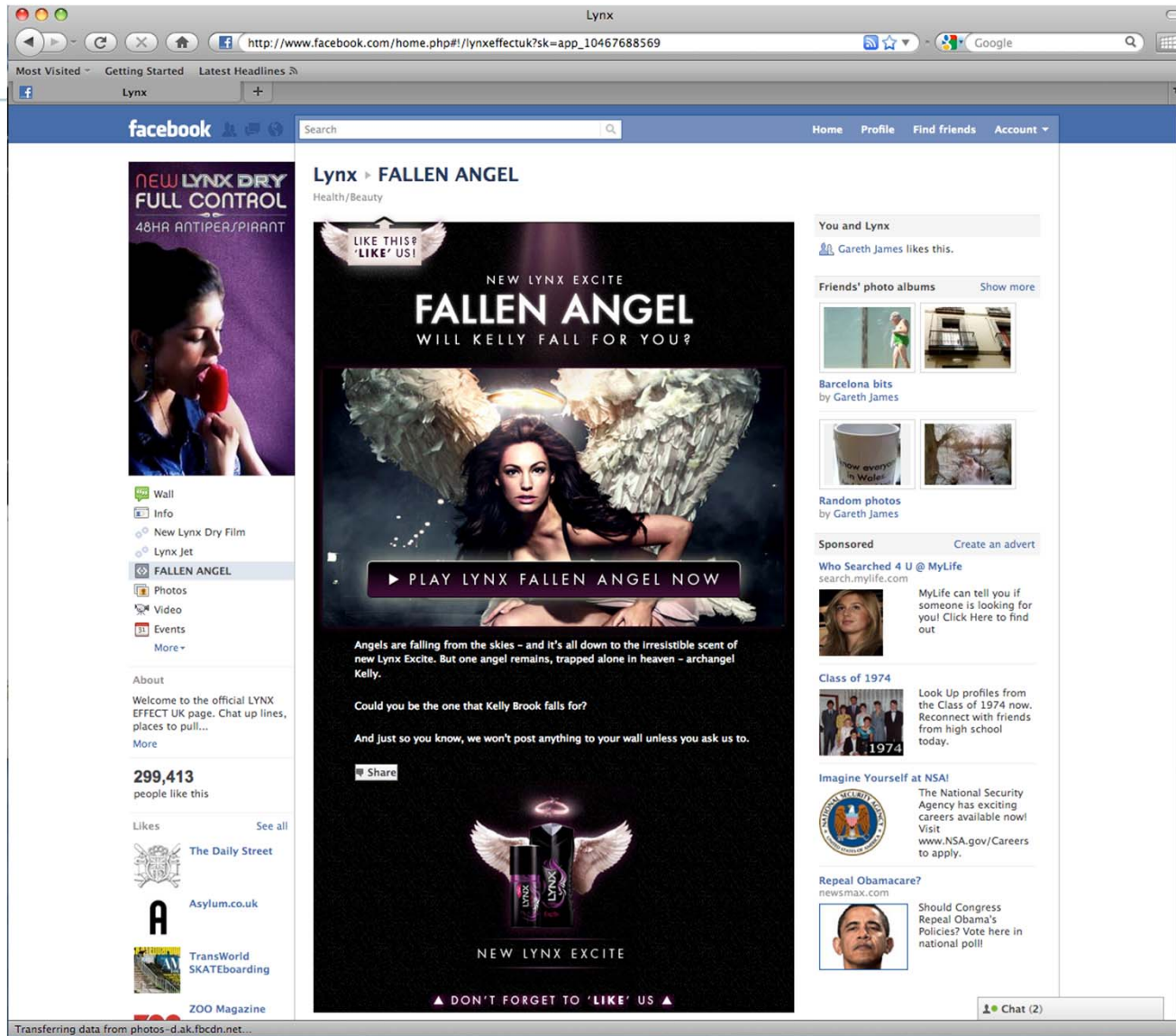
GoMo News – April 2011





## Case Study 2: Launching The Infiniti Brand Online





The screenshot shows a Facebook page for 'Lynx - FALLEN ANGEL' in the Health/Beauty category. The main content is a large advertisement for 'NEW LYNX EXCITE FALLEN ANGEL' featuring a woman with angel wings. The ad includes the text 'WILL KELLY FALL FOR YOU?', a 'PLAY LYNX FALLEN ANGEL NOW' button, and a 'Share' button. Below the ad, there is a paragraph of text: 'Angels are falling from the skies - and it's all down to the irresistible scent of new Lynx Excite. But one angel remains, trapped alone in heaven - archangel Kelly. Could you be the one that Kelly Brook falls for? And just so you know, we won't post anything to your wall unless you ask us to.' The page also shows a sidebar with navigation options (Wall, Info, New Lynx Dry Film, Lynx Jet, FALLEN ANGEL, Photos, Video, Events), a '299,413 people like this' count, and a list of likes including 'The Daily Street', 'Asylum.co.uk', 'TransWorld SKATEboarding', and 'ZOO Magazine'. On the right side, there are sections for 'You and Lynx' (Gareth James likes this), 'Friends' photo albums', 'Barcelona bits', 'Random photos', 'Sponsored' (MyLife, Class of 1974, Imagine Yourself at NSA!, Repeal Obamacare?), and a 'Chat (2)' button at the bottom.



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# SUMMARY



## Summary

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- Transformational year with disposal and acquisition
- Weighted to Insight, digital communications and Health
- Communications and Health out performing, Insight back to growth
- New business pipeline stronger than ever
- Innovation and collaboration has strengthened our client offer
- Growth opportunities across all divisions
- Strong balance sheet to invest in growth opportunities
- Client budgets stabilised despite anaemic UK recovery
- Dividend increase signifies Board's confidence in outlook



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# APPENDIX

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## Balance Sheet Transformed

|                                | 2011<br>£'000  | 2010<br>£'000   |
|--------------------------------|----------------|-----------------|
| Goodwill                       | 101,280        | 119,081         |
| Investments                    | -              | 550             |
| Property, plant and equipment  | 3,523          | 3,616           |
| Deferred tax assets            | 688            | 766             |
| <b>Non-current assets</b>      | <b>105,491</b> | <b>124,013</b>  |
| Cash                           | 1,677          | 2,778           |
| Debtors & WIP                  | 30,497         | 35,283          |
| Creditors                      | (30,807)       | (38,425)        |
| Bank loans and loan notes      | (1,716)        | (27,687)        |
| <b>Net current liabilities</b> | <b>(349)</b>   | <b>(28,051)</b> |
| Deferred consideration         | (8,376)        | -               |
| Non-current finance leases     | (2)            | (8)             |
| <b>Net assets</b>              | <b>96,764</b>  | <b>95,954</b>   |

## Headline to Reported Reconciliation FY11

|  | PBIT<br>£'000 | PBT<br>£'000  | PAT<br>£'000 |
|--|---------------|---------------|--------------|
| <b>Headline</b>                            | <b>10,761</b> | <b>10,448</b> | <b>7,467</b> |
| Start up and acquisition related costs     | (1,317)       | (1,317)       | (1,317)      |
| Restructuring costs                        | (240)         | (240)         | (240)        |
| Amortisation of acquired intangible assets | (219)         | (219)         | (219)        |
| Deemed Remuneration                        | (239)         | (239)         | (239)        |
| Notional finance cost                      | -             | (68)          | (68)         |
| Taxation Impact                            |               |               | 286          |
| <b>Reported</b>                            | <b>8,746</b>  | <b>8,365</b>  | <b>5,670</b> |

## Analysis of Headline Net and Total Debt

|   | As at 31<br>March 2010<br>£'000 | Acquisitions<br>£'000 | Cash Flow<br>£'000 | Foreign<br>Exchange<br>£'000 | As at 31<br>March 2011<br>£'000 |
|---|---------------------------------|-----------------------|--------------------|------------------------------|---------------------------------|
| Cash and short term deposits            | 2,778                           | -                     | (1,056)            | (45)                         | 1,677                           |
| Bank overdraft                          | -                               | -                     | (1,696)            | -                            | (1,696)                         |
| Revolving credit facility               | (13,000)                        | -                     | 13,000             | -                            | -                               |
| Acquisition loan notes                  | (3,087)                         | -                     | 3,067              | -                            | (20)                            |
| Term Bank loans                         | (11,600)                        | -                     | 11,600             | -                            | -                               |
| Finance leases                          | (16)                            | -                     | 7                  | -                            | (9)                             |
| Net (debt)                              | (24,925)                        | -                     | 24,922             | (45)                         | (48)                            |
| Provision for deferred<br>consideration | -                               | (8,376)               | -                  | -                            | (8,376)                         |
| Total (debt)                            | (24,925)                        | (8,376)               | 24,922             | (45)                         | (8,424)                         |

- Paid £5.9 million consideration for Cooney/ Waters from cash flow
- Remaining £20k loan notes to be settled on demand