

HUNTSWORTH

INTERIM RESULTS – 30 JUNE 2014

3 October 2014

Headlines

Revenues of £83.1m (2013: £88.9m) - a like-for-like decline of 1.7% and a constant currency decline of 2.4%

Revenue growth in each of the three key strategic investment areas

Lord Myners, Chairman - Lord Chadlington to step down as Group CEO

Interim dividend maintained

2014 Results bridge

£'m

	Revenue	% change	OP post central costs	% change
2013 Half year	88.9		12.4	
Forex impact (a)	(3.8)	(4.1)%	(0.4)	(3.5)%
Net acquired (b)	(0.6)	(0.7)%	-	-
Organic growth/(decline)	(1.4)	(1.7)%	(0.7)	(5.4)%
2014 Investment programme	-	-	(2.4)	(19.7)%
2014 Half year	83.1	(6.5)%	8.9	(28.6)%

a Reflects the impact of foreign exchange movements on the level of prior year revenue derived in foreign currencies

b Represents the net impact on revenue of acquisitions and business closures made in H1 2014

2014 Results

£'m

H1 2014

H1 2013

Revenue

83.1

88.9

Operating profit pre-central costs

12.1

15.9

Margin

14.6%

17.9%

Central costs

(3.2)

(3.5)

Operating profit post-central costs

8.9

12.4

Margin

10.7%

14.0%

Net finance costs

(1.2)

(1.8)

Profit before tax

7.7

10.6

Tax and tax rate (25%, 24%)

(1.9)

(2.5)

Attributable profits

5.8

8.1

Diluted EPS (pence)

1.8

3.1

Results before highlighted items

Highlighted items

£'m	H1 2014	H1 2013
Profit before tax and highlighted items	7.7	10.6
Amortisation of intangibles	0.6	0.8
Acquisition and transaction related costs (1)	0.1	(0.7)
Facility fees written off (2)	0.4	-
Restructuring costs (3)	(0.0)	2.2
Start-up net operating losses (4)	0.3	-
Total highlighted items	1.4	2.3
Profit before tax	6.3	8.3

1 Adjustments to earn-out liabilities, and transaction related costs

2 Capitalised loan fees in respect to the previous loan facility





3 People, property and rebranding costs

4 Represents the net operating result of organically started businesses – gross revenue of £0.5m

Cash flow

£'m	H1 2014	H1 2013	FY 2013	
Cash generated from operations	4.0	3.0	23.3	
Conversion	45%	24%	99%	
Exceptional cash flow	(0.3)	(2.0)	(4.7)	
Interest	(1.2)	(1.5)	(3.0)	
Tax	(0.8)	(1.3)	(2.4)	
Capex	(2.3)	(1.0)	(2.9)	
Free cash flow	(0.6)	(2.8)	10.3	
Acquisitions and deferred consideration	(1.0)	(0.4)	(3.3)	▪ £3.9m future deferred consideration liabilities remaining
Dividends	-	-	(7.9)	
BF proceeds and other (including FX)	(1.9)	1.1	35.8	
Net movement in debt	(3.5)	(2.1)	34.9	
Closing net debt	35.5	69.0	32.0	

2014 by division

£'m				 huntsworth health	Total operations
Revenue	36.5	6.3	10.9	29.4	83.1
L4L Revenue Growth %	(4.9)%	(8.1)%	(8.0)%	6.9%	(1.7)%
Operating Profit	2.9	1.3	2.2	5.7	12.1
Operating Margin	7.9%*	20.4%	20.6%	19.5%*	14.6%

* Results include investment spend totalling £2.4m

Forward investment strategy

- With 69% of all public relations⁽¹⁾ revenues in UK and Europe, the Group continues its integrated investment strategy in:
 - Growth markets
 - Multi-office revenues
 - Digital
- Margins in 2014 will continue to be diluted with investment primarily in Grayling aimed at building revenues as World economies recover
- The Board expects to see the benefit of these investments from 2015 onwards

(1) Public relations revenues are those from our three public relations divisions, Grayling, Red and Citigate

2014 Investment in talent

INVESTMENT PROGRAMME

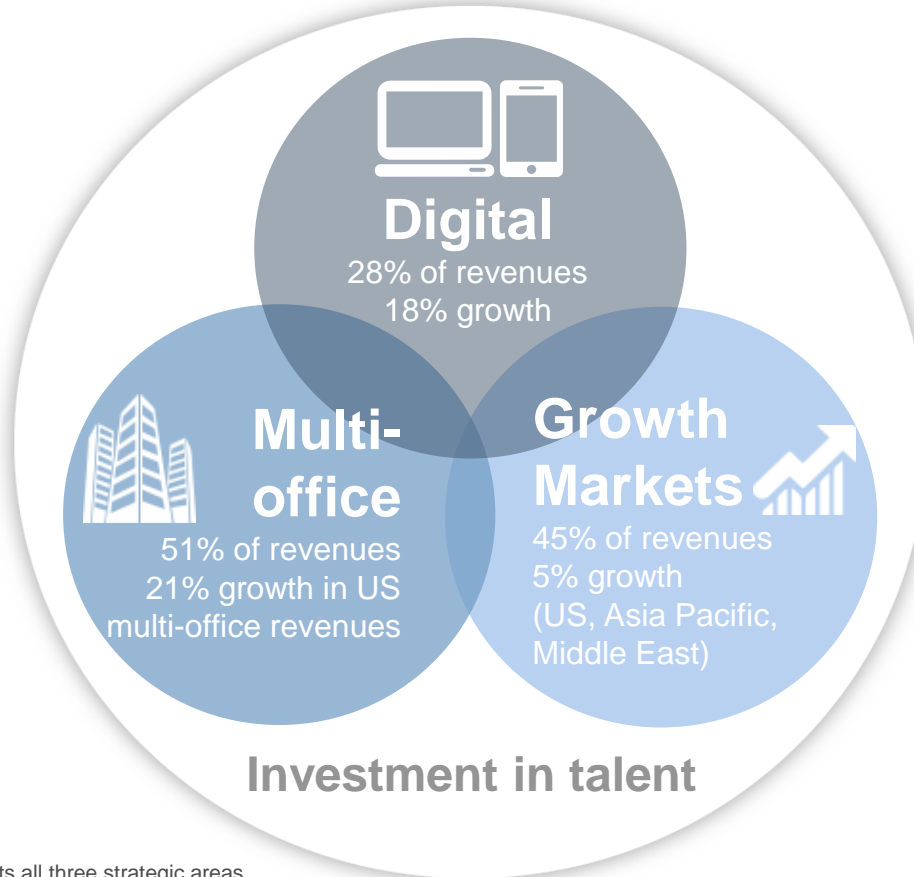
- £2.4m invested
- 38% Huntsworth Health
- 60% Grayling

- 20 senior FTEs recruited
- Representing 77% of H1 investment spend

- 62% of spend in US
- 31% in Asia Pacific and Middle East



2014 Investment outcomes



Investment in talent driving growth which supports all three strategic areas

Citigate

- Revenue £10.9m, 8.0% like-for-like decline (82% of revenues located in UK and Europe)
- 20.6% margin in line with Group metrics
- First quarter weakness in UK domestic M&A market where deal levels declined
 - Number of significant international mandates won including Aspen Insurance Holdings and Oando plc
- 23 IPO mandates won reinforcing Citigate's leading position. Transacted wins included NN Group N.V (UK & Netherlands), Poundland, GAME Digital, Mesaieed Petrochemical Holding Company and PACC Offshore Services Holdings
- Some signs of encouraging revenue momentum

Grayling

- Revenue £36.5m, 4.9% like-for-like decline
- 2013 investment programme continued into 2014 in the growth markets of US, Middle East and Asia Pacific. Post-investment margin of 7.9%
- Good progress in these growth markets offset by disappointing performances in UK and Europe
- 12% growth in digital revenues
- Strong US agency of record wins including Unisys, Concur, ZTE, Qantas, Hobsons and European wins including Starbucks (in France)
- 2014 investment programme in US, Middle East and Asia Pacific to accelerate growth into 2015

Huntsworth Health

- Revenue £29.4m, 6.9% like-for-like growth
- 19.5% margin impacted by 2014 investment programme to support continued revenue growth
- Digital revenue growth 21%
- New business wins solid with multi-million pound wins at 5 of the top 20 global pharma companies
- Revenue growth on track to continue through H2

Red

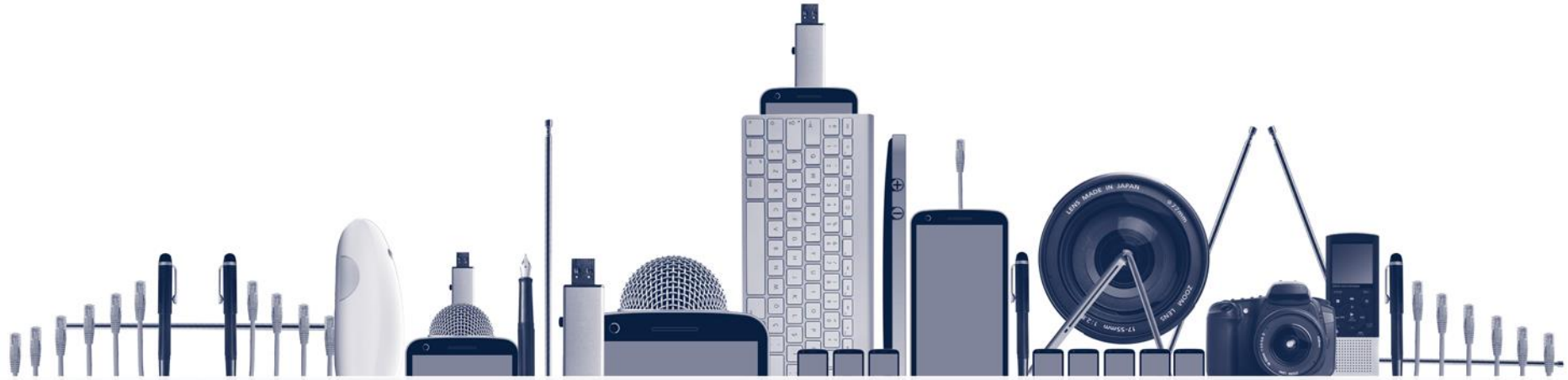
- Revenue £6.3m, 8.1% like-for-like decline
- 20.4% margin in line with Group metrics
- Quality of wins remain robust
 - Coca Cola, Goodman, Skrill and Bristol Myers Squibb
- 32% growth in digital revenues
- Core Consumer market remains subdued but expected to return to growth during the second half

Outlook

Investment strategy delivering significant new business wins

Under-performing markets being addressed

Search for CEO successor in progress



HUNTSWORTH

APPENDICES

Quarterly revenue growth

	Share of Group revenue	Revenue £'m	L4L revenue growth		
			Q1	Q2	H1
Grayling	44%	36.5	(5.2)%	(4.6)%	(4.9)%
Citigate	13%	10.9	(9.5)%	(6.5)%	(8.0)%
Red	8%	6.3	(9.4)%	(6.7)%	(8.1)%
PR	65%	53.7	(6.6)%	(5.2)%	(5.9)%
Huntsworth Health	35%	29.4	3.6%	10.0%	6.9%
Total operations	100%	83.1	(3.3)%	(0.2)%	(1.7)%

Balance sheet

£'m

	H1 2014	FY 2013	H1 2013
Intangible assets	291.0	293.0	302.8
Other non-current assets	7.1	5.5	5.7
Current assets – excluding cash	55.0	50.5	58.8
Other liabilities	(57.5)	(51.8)	(56.8)
Deferred consideration	(3.9)	(1.8)	(9.6)
Provisions	(1.2)	(1.5)	(2.6)
Net deferred tax	(5.1)	(4.3)	(4.0)
Net debt	(35.5)	(32.0)	(69.0)
Total net assets	249.9	257.6	225.3
Gearing	12.4%	11.1%	23.5%

Taxation

Income statement:

- Underlying tax - tax expense £1.9m results in an effective tax rate of 25.0%
- Highlighted tax - tax credit £0.3m
- Total tax - net tax expense £1.6m

Cash tax:

- Net corporation tax paid £0.8m
- Total tax expense of £1.6m – difference mainly due to non-cash items e.g. deferred tax

Board changes

- Lord Chadlington to step down as CEO when a suitable successor is found
 - JV with BF on hold until new CEO in place
- John Farrell stepped down as non-executive director
- Andy Boland, CFO of AA plc, appointed as non-executive director
- A further non-executive director expected to be appointed