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# HUNTSWORTH



INTERIM RESULTS – 30 JUNE 2015

28 August 2015

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# Trading headlines

H1 2015 trading results down year-on-year

Revenue £83.2m (like-for-like revenue decline of 0.7%)

Revenue up from H2 2014 by £1.6m (like-for-like revenue growth of 0.6%)

Operating profit of £6.3m (H1 2014 was £8.9m)

Operating profit down from H2 2014 by £3.0m (decline of 32.3%)

Profit before tax of £5.3m (H1 2014 was £7.7m)

Adjusted diluted EPS of 1.2p

Net debt at 30 June of £33.5m

Interim dividend 0.5 pence per share

**Note:** Results before highlighted items

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# HUNTSWORTH

FINANCIAL REVIEW



# 2015 First Half Year Results

£'m

	H1 2015	H1 2014
<b>Revenue</b>	<b>83.2</b>	<b>83.1</b>
Operating profit pre-central costs	9.9	12.1
<i>Margin</i>	<b>11.9%</b>	14.6%
Central costs	(3.6)	(3.2)
<b>Operating profit post-central costs</b>	<b>6.3</b>	<b>8.9</b>
<i>Margin</i>	<b>7.6%</b>	10.7%
Net finance costs	(1.1)	(1.2)
<b>Profit before tax</b>	<b>5.3</b>	<b>7.7</b>
Tax and tax rate (27%, 25%)	(1.4)	(1.9)
<b>Attributable profits</b>	<b>3.8</b>	<b>5.8</b>
<i>Adjusted diluted EPS (pence)</i>	<b>1.2</b>	<b>1.8</b>

Note: Results before highlighted items

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# HUNTSWORTH

BUSINESS REVIEW



# Business review H1 2015

Group-wide strategic review now complete

Restructuring actions advancing; due for completion Q4 2015





Significant changes made to Grayling senior leadership team

Huntsworth Health the largest division for H1 2015

Citigate UK facing intense competition

Return to growth for Red in H1 as projected

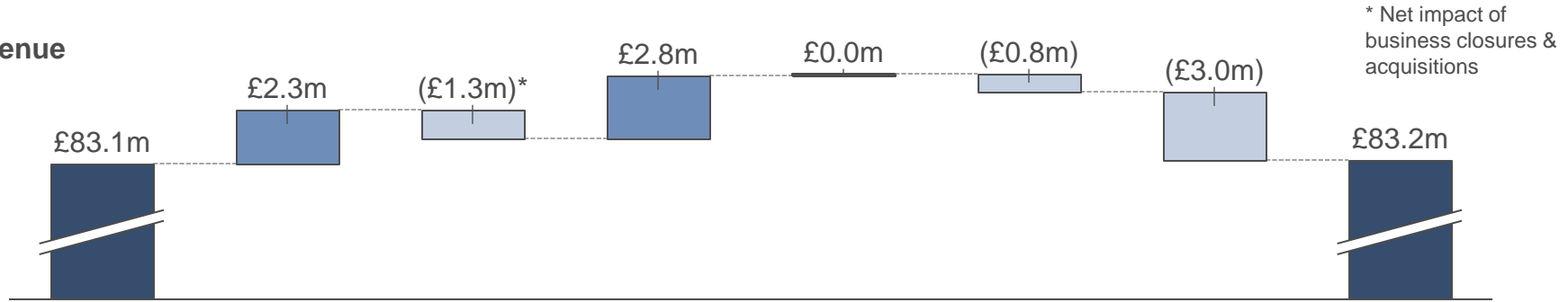
# Divisional Results Summary H1 2015

£'m	 huntsworth health				Total operations
Revenue	35.2	31.7	10.0	6.4	83.2
L4L Revenue Growth	10.3%	(8.8%)	(7.2%)	0.7%	(0.7%)
Operating Profit *	6.6	0.7	1.5	1.1	9.9
Operating Margin	18.7%	2.3%	14.7%	17.0%	11.9%

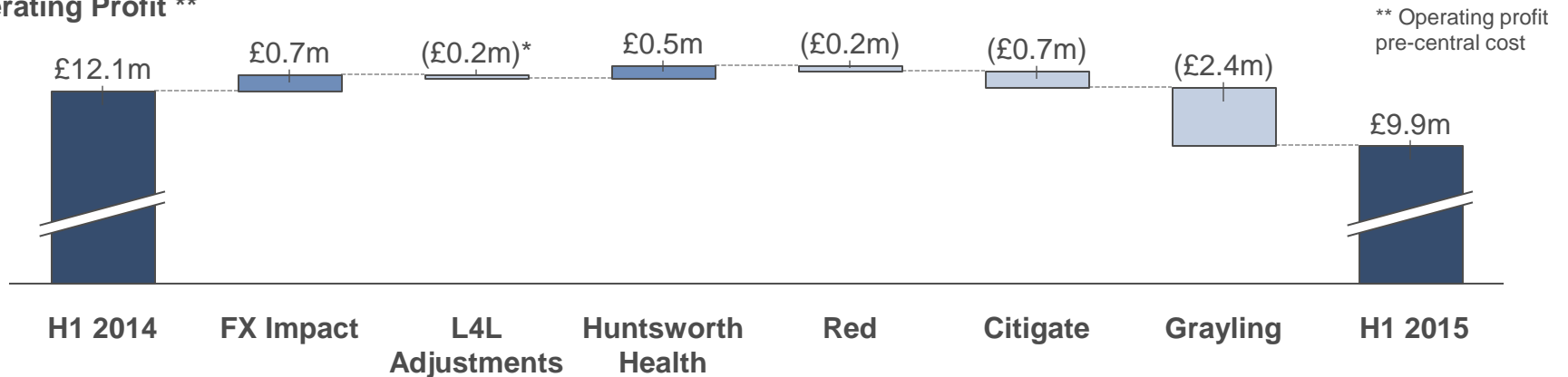
\* Operating profit pre-central cost

# Divisional revenue & OP change

## Revenue



## Operating Profit \*\*



Note: Figures exclude highlighted items



# Huntsworth Health

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- H1 saw Huntsworth Health become the largest division of the Group
- Revenue growth of 10.3% on a like-for-like basis
- Continued strong growth in consumer marketing within the US
- New leadership in the Nitrogen, Apothecom and Tonic groups
- Further expansion into new Asian growth markets planned, with an office in China to be opened during H2

- Revenues down 8.8% on a like-for-like basis
- Significant restructuring through H1 continues, to be completed Q4 2015
- New senior leadership appointed and in place across the business
- Closure/consolidation of loss making businesses during H1
- Scaling resources within the Middle East and Africa to support rapid growth and opportunities
- Significant new client mandates won through H1 despite declining revenue, including Ministry of East African Affairs, Commerce and Tourism in Kenya, Mitel and Croatian National Tourist Board

- Revenue down 7.2% on a like-for-like basis, as London Financial division faces intense competition for mandates
- European and Asian markets maintaining growth, with like-for-like revenue growth of 4.9% and 5.3% respectively
- Despite the competitive conditions, Citigate has won several significant client mandates, including Türkiye İş Bankası A.Ş. (Isbank), Saudi Electricity Company and new financial communications mandates for AECOM and Vectura

- Return to growth in H1 as projected, with revenue increasing 0.7% on a like-for-like basis
- Improved pitch conversion, with several significant new contracts including leading UK house builder, Crest Nicholson and Heathrow Airport
- Digital and content marketing strategy accelerated

# Highlighted items

£'m	H1 2015	H1 2014	
<b>Profit before tax and highlighted items</b>	<b>5.3</b>	<b>7.7</b>	
Amortisation of intangibles	(0.4)	(0.6)	(1) Adjustments to earn-out liabilities, and transaction related costs
Acquisition and transaction related costs (1)	(0.0)	(0.1)	
Facility fees written off (2)	-	(0.4)	(2) Capitalised loan fees on previous loan facility
Impairment of software development costs	(0.6)	-	(3) People, property and office closure costs
Restructuring costs (3)	(1.3)	0.0	
Start-up net operating losses (4)	-	(0.3)	(4) Net operating result of organically started businesses
Impairment charge (5)	(48.8)	-	
<b>Total highlighted items</b>	<b>(51.1)</b>	<b>(1.4)</b>	(5) Total goodwill impairment charge of £48.8m; Grayling £38.0m, Citigate £10.8m
<b>Statutory profit/(loss) before tax</b>	<b>(45.9)</b>	<b>6.3</b>	

# Cash flow

£'m	H1 2015	H1 2014	FY 2014
<b>Cash generated from operations</b>	<b>7.3</b>	<b>4.0</b>	<b>17.9</b>
Cash flow relating to highlighted items	(1.5)	(0.3)	(0.5)
Interest	(0.9)	(1.2)	(2.1)
Tax	(0.7)	(0.8)	(1.3)
Capex	(1.1)	(2.3)	(4.7)
<b>Free cash flow</b>	<b>3.1</b>	<b>(0.6)</b>	<b>9.3</b>
Acquisitions and deferred consideration	(0.7)	(1.0)	(1.1)
Dividends	-	-	(10.1)
Other (including FX)	(0.3)	(1.9)	(1.7)
<b>Net movement in debt</b>	<b>2.1</b>	<b>(3.5)</b>	<b>(3.6)</b>
<b>Closing net debt</b>	<b>33.5</b>	<b>35.5</b>	<b>35.6</b>

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# HUNTSWORTH

STRATEGIC REVIEW



# Strategic Review and outlook

Strategic review completed across the Group

Accelerating growth at Huntsworth Health

Exploring geographic and market expansion opportunities across all brands

Continued restructuring and cost base realignment across Grayling

New senior leaders appointed across several Grayling geographies

Central cost reduction opportunities to be deployed

Options to be considered for businesses unable to sustain growth



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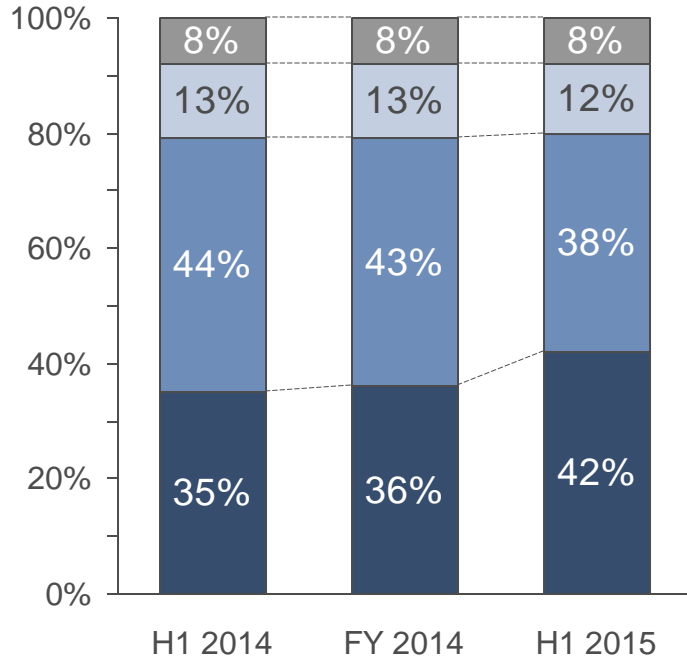
# HUNTSWORTH

APPENDICES

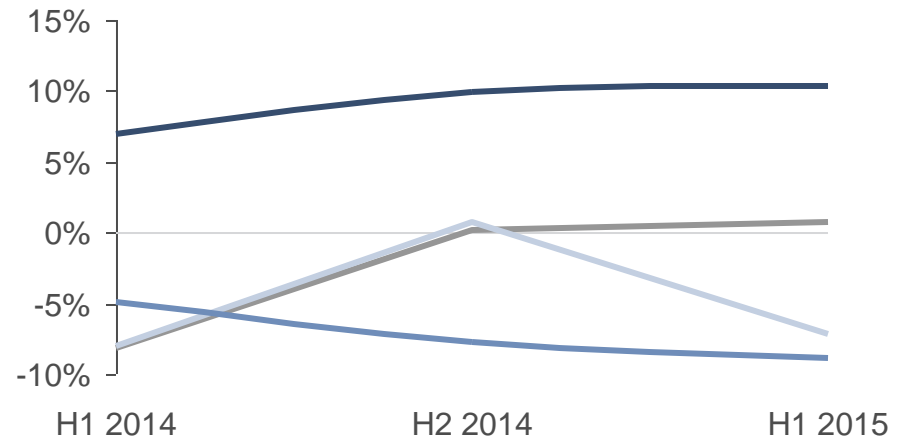


# Revenue by Division

## Proportion of Group Revenue



## L4L Revenue Growth



# Balance sheet

£'m

	H1 2015	FY 2014	H1 2014
Intangible assets	173.9	225.7	291.0
Other non-current assets	7.6	8.1	7.1
Current assets – excluding cash	49.1	45.1	55.0
Other liabilities	(49.6)	(44.5)	(57.5)
Deferred consideration	(1.2)	(1.5)	(3.9)
Provisions	(3.0)	(3.1)	(1.2)
Net deferred tax	2.7	(0.3)	(5.1)
Net debt*	(33.5)	(35.6)	(35.5)
<b>Total net assets</b>	<b>146.1</b>	<b>193.9</b>	<b>249.9</b>
<i>Gearing</i>	18.7%	15.5%	12.4%

\* £90m revolving credit facility and £5m committed overdraft facility. Both run to May 2019

# Taxation

## Income statement:

- Underlying tax - tax expense £1.4m calculated based on an estimated full year effective tax rate of 27.0%
- Highlighted tax - tax credit £4.1m (includes a £3.7m deferred tax credit relating to the goodwill impairment charge in the period)
- Total tax - net tax credit £2.7m

## Cash tax:

- Net corporation tax paid £0.7m
- Difference in net tax paid and total tax credit of £2.7m results mainly from non-cash deferred tax movements, e.g. £3.7m goodwill impairment deferred tax credit

# Divisional revenue by geography

