the mission

2013 interim results

Contents

- Review of H1
- Financials
- Prospects

Summary of the period

- Underlying business in good shape
- “house of brands” strategy winning good new business
- balloon dog a very positive addition to the group
- Addiction/Aviva disappointments
- Organic growth continues
- Beginning to see signs that the market is improving

Financial summary

- Addiction/Aviva significant adverse impact on H1
  - Headline PBT £1.7m vs £2.1m last time
  - £1.0m of restructuring costs and £0.5m of non-cash impairment
- But underlying business has seen growth
  - Net annualised new business wins of £2.2m
- balloon dog acquisition trading in line with market expectations
  - £0.3m profit in H1 vs market expectations of £0.5m for full year
- Very strong H1 working capital inflows
  - £5m cash inflow from operating activities vs £4m last time
  - Leverage ratio below x1.5 at 30th June -> lower interest rates in H2
- Confidence in second half profits
  - Full year headline PBT expected to be similar to 2012 levels
  - Return to dividend payments

Profit & Loss

	H1 2013	H1 2012	%
Turnover	67.6	59.9	+13%
Operating income ("Revenue")	25.4	22.5	+13%
Operating expenses	(23.4)	(19.7)	
Headline operating profit	2.0	2.8	-26%
Net interest	(0.4)	(0.6)	-41%
Headline PBT	1.7	2.1	-21%
Adjustments to headline profit	(1.6)	-	
PBT	0.1	2.1	
Tax	-	(0.6)	
Earnings	0.1	1.5	
Diluted headline eps	1.5	2.0	

Profit & Loss

	2013	2012
Operating income		
Underlying	22.6	22.5
balloon dog	2.5	-
Addiction	0.3	-
	25.4	22.5
Profit		
Underlying	2.1	2.8
balloon dog	0.3	-
Addiction	(0.4)	-
	2.0	2.8
Interest	(0.4)	(0.6)
Headline PBT	1.7	2.1

Headline adjustments

- Normal M&A-related costs (£0.1m)
  - Amortisation of intangibles
  - Professional fees
- Exceptional restructuring costs (£1.0m)
  - Departure of Bray Leino CEO
  - Redundancy/settlement costs re c60 staff
  - Property consolidation
- Exceptional non-cash impairment (£0.5m)
  - Write-off of Addiction goodwill
  - Write-off of other Addiction intangibles

Dividend

- 0.25p net per share
- Payable on 6th December, to holders at 8th November
- Cash requirement of £0.2m
- Intention to pay twice-yearly and grow over time
- Scrip alternative to be offered in 2014

Balance Sheet

	June 2013	June 2012	Dec 2012
Intangibles	70.9	68.5	71.4
Tangible fixed assets	3.4	2.9	3.2
Working capital	0.3	1.4	4.1
Net bank debt	(8.8)	(12.3)	(12.3)
Acquisition obligations	(1.7)	-	(2.3)
Total net debt	(10.5)	(12.3)	(14.6)
All others (mainly Corp. tax)	(1.3)	(1.0)	(1.4)
Net assets	62.8	59.5	62.7
Bank debt gearing	14%	21%	20%
Total gearing	17%	21%	23%
Debt leverage	x1.4	x1.8	x1.7

Underlying Cash Flow

	H1 2013	H1 2012
Headline operating profit	2.0	2.8
Add back depreciation	0.7	0.5
EBITDA	2.7	3.3
Exceptional costs	(1.0)	-
Changes in working capital	3.7	1.6
Net interest	(0.3)	(0.5)
Taxation	(0.1)	(0.4)
Operating cash flows	5.0	4.0
Capex/investments	(0.7)	(0.8)
Contractual bank debt repayment	(1.1)	(1.8)
Additional debt repayment	(2.5)	(0.5)
Acquisition consideration	(0.5)	-
All others	(0.2)	-
Change in cash balances	-	(0.1)

Prospects

- Market
  - Volatile and unpredictable
- Organic growth
  - GPS still to get going, but good new business pipeline
  - San Francisco and Singapore in response to Client demand
- Non-organic
  - Still looking for acquisition opportunities
- Use of cash
  - Re-stocking EBT
  - Dividends

the mission
own ideas

Addiction april-six balloon dog big brayleino PROOF RLA Robson Brown SOLARIS 'story' thinkbdw yucca