RECSAATCH!

2014 Interim Results

11th September 2014

Overview

- A successful first half with strong revenue momentum and very good earnings growth
- Actual revenues up 3% and like-for-like revenues increased 11%
- Profit before tax ahead 17% and EPS up 24%
- Strategy of winning new business and investing in new businesses continues to deliver
- Balance sheet and cash remain robust
- Interim dividend increased 15% from 1.21p to 1.40p

Headline results

	2014	2013	14 v's 13
	£000's	£000's	%
Revenue	82,616	80,143	3%
Profit before tax	8,502	7,275	17%
Taxation	2,409	2,411	-
Profit after tax	6,093	4,864	25%
Minority Interest	(1,006)	(725)	39%
Profit for period	5,087	4,139	23%
Basic EPS	7.96p	6.41p	24%

Key Ratios

	2014	2013
Headline revenue growth	3.1%	5.7%
Revenue growth in constant currency terms	10.8%	5.7%
Operating margin	9.7%	8.5%
Effective tax rate	28.3%	33.1%
Minority interest: PAT	16.5%	14.8%
Dividend growth	15.7%	10.0%
Basic EPS	7.96p	6.41p
Diluted EPS	7.52p	6.00p

The Headline P&L

	2014	2013	-	Movement		ent
	£000's	£000's		£000's		%
Revenue (gross profit)	82,616	80,143		2,473		3%
Operating Expenses	74,610	73,159		1,451		2%
Operating profit	8,006	6,827	•	1,179	- –	17%
Share of Associates	573	471		102		22%
Net Interest	(77)	(23)		(54)		-
Profit Before Tax	8,502	7,275	-	1,227		17%
Tax Rate	28.3%	33.1%				
Profit After Tax	6,093	4,864	•	1,229		25%
Minority Interest	(1,006)	(725)		(281)		39%
Profit for Period	5,087	4,139	,	948	· –	23%
Headline EPS	7.96p	6.41p		1.55p		24%

Revenue

_	2014	2013	14 v's 13	
	£000's	£000's	Reported Rates <u>%</u>	Constant Rates <u>%</u>
UK	37,509	32,147	16.7%	16.7%
Europe	10,372	9,471	9.5%	14.0%
Africa	3,934	4,305	-8.6%	11.0%
Asia & Australasia	21,582	26,257	-17.8%	-2.6%
Americas	5,506	3,961	39.0%	56.8%
Clear	3,713	4,002	-7.2%	-3.1%
Group Total	82,616	80,143	3.1%	10.8%

The Headline P&L

	UK	Europe	Africa & MENA	Asia & Australasia	Americas	Clear	Central Costs	Group Total
Revenue v's 2013 constant rates	37,509 17%	10,372 14%	3,934 11%	21,582 -3%	5,506 57%	3,713 -3%	-	82,616 11%
Operating profit v's 2013	6,306 11%	1,240 17%	473 72%	2,560 -1%	(458)	337 -36%	(2,452) -10%	8,006 17%
Operating Margin 2013	16.8% 17.7%	12.0% 11.2%	12.0% 6.4%	11.9% 9.9%	-	9.1% 13.2%	-	9.7% 8.5%
Share of Associates Net Interest Central Costs	430 (25) (214)	(17) (24) (36)	9 -	160 19 (165)	(16) (16)	- 2 -	(42) 431	573 (77) -
Profit Before Tax Tax Rate	6,497	<u>1,163</u> 30.1%	482	2,574 32.1%	(490)	339 38.6%	(2,063)	8,502 30.4%
Profit After Tax	5,174	808	358	1,748	(609)	208	(1,594)	6,093
Minority Interest	475	211	173	437	(308)	18	-	1,006
Profit for Period	4,699	597	185	1,311	(301)	<u>190</u>	(1,594)	5,087

Top 10 Clients

Boots

Celcom

Commonwealth Bank

Ferrero

IKEA

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Optus

Pernod Ricard

• RBS

Sky Italia

Top 10 = 29% of Revenue (2013 31%)

UK

- 17% revenue growth, with CRM and Mobile continuing to do well
- New business wins include:
 - Land Rover, John Lewis, Sky Bet, Ballantine's, Foot Locker and Doddle
 - Globally appointed on Douwe Egberts
- Acquired Lean Mean Fighting Machine in April to bolster digital capabilities
- Operating margin held at 17%
- Exporting CRM and PR along with Mobile and Sport & Entertainment
- Exploration of new opportunities in content creation

Europe

- Like-for-like revenues up 14%
- Stockholm maintains strong new business performance
- Germany and Italy continue to excel
- In France, advertising still sluggish but pitching successfully.
 Wins include McCain, Thomas Cook and a place on EDF roster
- Spain (Associate) continues to struggle

Middle East and Africa

- Like-for-like revenues up 11%
- Good growth in both Cape Town and Johannesburg
- Key wins: Pepsico and Deloitte Consulting
- Unit servicing the African market is winning assignments:
 Amstel in Cameroon and Guinness in Ghana
- Abu Dhabi continues to build revenues beyond Etihad: Royal Development Company and ADGM
- Middle East (Associate) still a tough market

Asia and Australasia

- Like-for-like revenues down 3%
- Australia had a very good new business run, which will impact second half: IAG, Lexus, A2 milk and Cricket Australia
- Closed New Zealand
- Associate in China aeiou continues to work well, won Microsoft business
- Malaysia maintains excellent contribution
- Replicated Chinese model in India with February
- Singapore won Asian appointment on Jaguar and continues to win Government work

Americas

- Like-for-like revenues up 57%
- Further investment in New York. Looking at associate investment to enhance presence and accelerate growth
- Good progress in Los Angeles, who won UGG social media business across US
- Still looking to upgrade in Sao Paulo, following the Chinese business model

Clear

- Like-for-like revenues down 3%
- US had good first half
- Slower Q2 in UK and Australia, with thin new business pipelines
- Looking to recruit outstanding consultants with proven new business track records
- Clear have relocated to Golden Square and now working more closely with other UK Group companies

Balance Sheet, Cash and Dividend

- Balance sheet remains strong
- Following £21m share buy back in January, net cash down to £9.6m. Some timing differences in UK working capital, will correct in second half
- Minority put options down with 23% decrease in share price (333 at 31st December 2013 to 258 on 30th June 2014)
- Interim dividend increased 15% from 1.21p to 1.40p

Balance sheet

	2014	2013
	30th June	31st Dec.
	£000's	£000's
Non Current Assets	57,632	56,991
Net Debtors Net Creditors	71,472 (64,016)	66,794 (64,900)
Net Working Capital Position - Excl. Cash	7,456	1,894
Net Tax	(1,795)	(2,197)
Net Cash	9,596	33,231
Net Current Assets	15,257	32,928
Provision for minority put options Non Current liabilites	(27,223) (668)	(38,169) (506)
Net assets	44,998	50,824

Cash

		£000's	
Opening balance as at 1st January 2013 Effect of exchange revaluation			33,231 19
Operating profit Net Interest paid Tax paid in period Depreciation Capital expenditure	7,636 (178) (3,066) 1,808 (1,498)		
Free cash flow before working capital		4,702	
Impact of working capital movements Dividends paid	-	(3,144) (827)	
Net cash flow before acquisitions			731
Acquisitions Purchase of own shares New York investment			(1,598) (21,477) (1,310)
Closing Balance as at 30th June 2014		- -	9,596

Outlook

- Our results for the first six months of 2014 showed continued revenue momentum and excellent earnings growth and give us confidence for a successful full year outcome
- This success is based upon a combination of new business wins in our core operations and a growing contribution from our developing new businesses
- Most of these have yet to reach their full potential and we are anticipating even better returns in 2015

Additional Financial Information

Regional Profit and Loss Accounts

UK Summary Profit & Loss 6 months to June 2014

	2014	2013	14 v's	s 13
	£000's	£000's	£000's	%
Revenue	37,509	32,147	5,362	16.7%
Underlying operating profit	6,306	5,676	630	11.1%
Group costs Recharged	(2,452) 217	(2,723) 158	271 59	-10.0% 37.3%
Reported operating profit	4,071	3,111	960	30.9%
Associate Net interest	430 (67)	465 (25)	(35) (42)	-
Profit before tax	4,434	3,551	883	24.9%
Underlying margin	16.8%	17.7%		-0.9 PTS
Reported margin	10.9%	9.7%		1.2 PTS

Europe

	2014	2013	14 v	's 13
	£000's	£000's	£000's	%
Revenue	10,372	9,471	901	9.5%
Underlying operating profit	1,240	1,059	181	17.1%
Group recharge	(36)	(36)	-	0.0%
Reported operating profit	1,204	1,023	181	17.7%
Associate Net interest	(17) (24)	6 (34)	(23) 10	- -29.4%
Profit before tax	1,163	995	168	16.9%
Underlying margin	12.0%	11.2%		0.8 PTS
Reported margin	11.6%	10.8%		0.8 PTS

Africa & MENA

	2014	2013	14 v	's 13
	£000's	£000's	£000's	%
Revenue	3,934	4,305	(371)	-8.6%
Underlying operating profit	473	275	198	72.0%
Group Recharge	-	-	-	-
Reported operating profit	473	275	198	72.0%
Associate Net interest	- 9	- 12	- (3)	-
Profit before tax	482	287	195	67.9%
Underlying margin	12.0%	6.4%		5.7 PTS
Reported margin	12.0%	6.4%		5.6 PTS

Asia & Australasia

	2014	2013	14 v'	s 13
	£000's	£000's	£000's	%
Revenue	21,582	26,257	(4,675)	-17.8%
Underlying operating profit	2,560	2,592	(32)	-1.2%
Group recharge	(165)	(83)	(82)	98.8%
Reported operating profit	2,395	2,509	(114)	-4.5%
Associate Net interest	160 19	- 37	160 (18)	- -48.6%
Profit before tax	2,574	2,546	28	1.1%
Underlying margin	11.9%	9.9%		2.0 PTS
Reported margin	11.1%	9.6%		1.5 PTS

Americas

	2014	2014 2013 14 v's 13	's 13	
	£000's	£000's	£000's	%
Revenue	5,506	3,961	1,545	39.0%
Underlying operating profit	(458)	(580)	122	-
Group recharge	(16)	(39)	23	-59.0%
Reported operating profit	(474)	(619)	145	-
Associate Net interest	- (16)	- (12)	- (4)	-
Profit before tax	(490)	(631)	141	
Underlying margin	-	<u> </u>		- PTS
Reported margin	-	-		- PTS

Clear

	2014	2013	14 v's 13	
	£000's	£000's	£000's	%
Revenue	3,713	4,002	(289)	-7.2%
Underlying operating profit	337	528	(191)	-36.2%
Group recharge	-	-	-	-
Reported operating profit	337	528	(191)	-36.2%
Associate	-	-	-	-
Net interest	2	(1)	3	-
Profit before tax	339	527	(188)	-35.7%
Underlying margin	9.1%	13.2%		-4.1 PTS
Reported margin	9.1%	13.2%		-4.1 PTS