

CRESTON PLC

Interim Results for the Six Months to 30 September 2010 & Proposed Acquisition of Cooney/Waters Businesses

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30 November 2010



CRESTON
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Insight and communications for the 21st century

Agenda

- Group financial, corporate and operating highlights
- Group financial review
- Divisional performance
- Creston Health strategy and proposed acquisition of Cooney/Waters Businesses
- Strategic priorities
- Summary and outlook
- Appendices

Financial Highlights

- Revenue from continuing operations up 9% to £32.0 million (H1 2010: £29.5 million)
- Headline PBIT of £4.4 million (H1 2010: £5.1 million), reflecting investments in start-ups and staffing up for the significant new business wins
- Reported PBIT of £4.4 million (H1 2010: £0.6 million)
- Strengthened balance sheet with net cash of £0.2 million (March 2010 net debt: £24.9 million)
- Reinstatement of interim dividend of 0.75p per share (Full Year 2010: 1.00p per share)
- Margins expected to recover to historic norms as new revenue streams show increased profitability

Corporate and Operating Highlights

- Strong revenue performance driven by:
 - Annualised net new business wins of £6 million in revenue (H1 2010: £4 million)
 - Start-up successes - Fever, mobile marketing, Rock, Things with Wings
 - Growing demand for more direct and consumer engagement marketing
- Digital and online now represent 41% of revenue (H1 2010: 31%)
- Disposal of advertising business, DLKW Group, for a cash consideration of £28.0 million (gross)
- Formation of Intensity Digital Ltd to deliver integrated digital communications in healthcare
- Proposed acquisition of trade and assets of both Cooney/Waters, a leading NY based healthcare PR agency and its subsidiary, Alembic Health Communications



FINANCIAL REVIEW

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Income Statement (continuing group)

	Headline Results September 2010		Reported Results September 2010	
	£'000	Growth %	£'000	Growth %
Revenue	32,011	+9%	32,011	+9%
PBIT before FX losses	4,636	-8%	4,598	+676%
PBIT	4,445	-12%	4,407	+627%
Pre-tax profit	4,234	-12%	4,196	+2661%
Post-tax profit	3,053	-17%	3,026	+676%
Diluted EPS (pence)	5.06	-22%	5.02	+644%
Dividend per share (pence)	0.75	+100%	0.75	+100%

- Headline adjustment for Deemed Remuneration costs of £38,000
- September 2009 Reported Results included the write off of CML Research goodwill (£3.8m)

Balance Sheet

	Sept 2010 £'000	March 2010 £'000
Goodwill	88,548	119,081
Investments	550	550
Property, plant and equipment	2,902	3,616
Deferred tax assets	533	766
Non-current assets	92,533	124,013
Cash	232	2,778
Debtors & WIP	24,756	35,283
Creditors (ex acq)	(22,103)	(38,425)
Bank loans and loan notes	(30)	(27,687)
Net current assets/(liabilities)	2,855	(28,051)
Non-current finance leases	(8)	(8)
Net assets	95,380	95,954

- Strong balance sheet:
 - i. Net debt to net cash of £0.2m
 - ii. Net trading assets of £6.3m
 - iii. Net current assets of £2.9m compared to net current liabilities of £28.1m in March 2010
- Debt capacity to invest:
 - £25m undrawn (at 30 Sept 2010) committed bank facility

Operating Cash Flow

	September 2010 £'000	September 2009 £'000
Headline PBIT	4,445	5,079
Depreciation & Amortisation	695	664
Headline¹ EBITDA	5,140	5,743
Share Based Payments & (Profit)/Loss on sale of Fixed Assets	5	(120)
Working Capital Movement	(3,276)	(1,073)
Headline Operating Cash Flow	1,869	4,550
Headline Cash Conversion (Headline Operating Cash Flow: Headline EBITDA)	36%	79%

- Low cash conversion as expected. Working capital increased to a normal level during FY11 H1, post the very high 113% cash conversion in FY10 (FY09: 116%)

¹The difference between Headline & Reported Operating Cash Flow is the cash impact of the Headline adjustments.

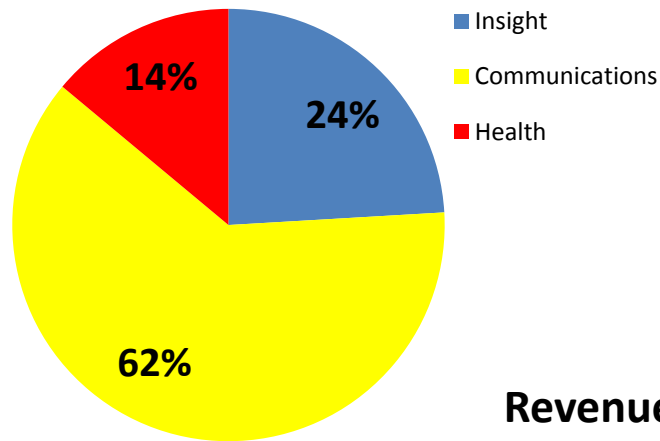


DIVISIONAL PERFORMANCE

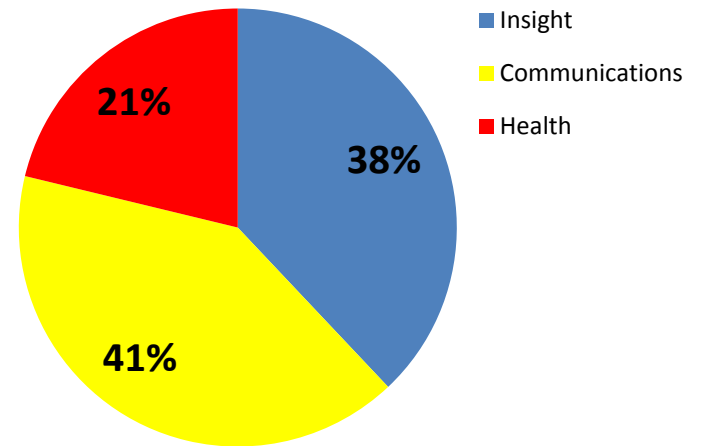
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Divisional Analysis

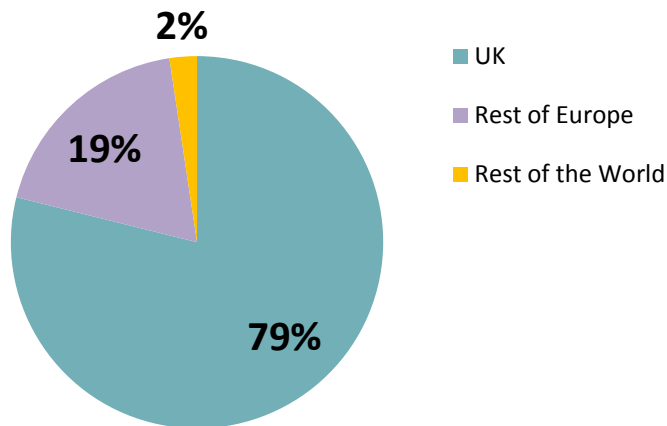
Group Revenue by Division



Group Headline PBIT by Division



Revenue by Region



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Segmental Analysis

30 September	Revenue			Headline PBIT			Headline PBIT Margin	
	2010 £m	2009 £m	Growth %	2010 £m	2009 £m	Growth %	2010	2009
Insight	7.7	7.8	-2%	2.2	2.4	-8%	28%	30%
Communications	19.8	17.4	+14%	2.3	2.5	-7%	12%	14%
Health	4.5	4.2	+6%	1.2	1.4	-12%	27%	33%
Head Office	-	-	-	(1.3)	(1.2)	-8%	-	-
Total	32.0	29.5	+9%	4.4	5.1	-12%	14%	17%

- All divisions have suffered a short term reduction in margin, caused by:
 - i. Additional resource costs to service increased revenue; plus
 - ii. Start-up investments, which are yet to operate at full margin

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

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Client Ranking by Revenue

Top 20	Client	Insight	Communications	Health	Client Tenure
1	Nissan		•		1996
2	Infiniti		•		2007
3	Unilever	•	•		1990
4	COI	•	•	•	1987
5	Danone	•	•		1996
6	GSK	•	•	•	2005
7	Jaguar		•		2008
8	Canon	•	•		2001
9	Aviva	•			2008
10	Land Rover		•		2008
11	Astellas	•		•	2007
12	Toyota		•		2009
13	Lexus		•		2006
14	Vodafone	•			1997
15	Diageo		•		2002
16	National Express		•		2004
17	Lloyds Group	•	•		1992
18	HTC		•		2006
19	Sainsbury's		•		2007
20	BT	•			2001

century

Insight Division

	Revenue £'m	Growth %	H/line Profit £'m	Growth %	Margin %
Insight	7.7	-2%	2.2	-8%	28%
Online division: newvista research	2.4	+17%			

- Resilient performance against a backdrop of public sector budget cuts
- ICM rated as the most accurate pollster during the 2010 UK general elections
- New client wins and global briefs include: BP Castrol, Sainsbury's and Twinings
- Inspired, recently formed ICM and MSL joint qualitative research offer, now gaining momentum across existing client base
- Senior external management recruited at ICM to drive business development and initiatives in digital and online research
- Headline profit affected by one-off costs from management hires at ICM
- New team plus new tools and offers will drive long term growth
- Greater collaboration and knowledge sharing with other divisions demonstrates strength of model

Communications Division

	Revenue £'m	Growth %	H/line Profit £'m	Growth %	Margin %
Communications	19.8	+14%	2.3	-7%	12%
Digital	10.8	+21%			

- Continued demand and trend towards direct and consumer engagement marketing has driven very strong revenue performance (particular demand for PR and local marketing services)
- Key new business wins: Rolls Royce, CA Technologies, Guinness' digital relationship marketing, Pfizer, Twinings Tea and a major international financial services company
- This accelerated growth has caused high short term additional staff cost, which has affected margin
- Start ups including Things with Wings, Mobile Marketing and Search engine optimisation continue to gain traction
- FX loss of £0.2 m contributed to headline profit decline (pre FX loss PBIT +1%)
- Division highly focused on returning to historic margin and profit conversion

Health Division

	Revenue £'m	Growth %	H/line Profit £'m	Growth %	Margin %
Health	4.5	+6%	1.2	-12%	27%

- Strong and consistent revenue growth demonstrates resilience of sector in economic uncertainty
- Key new business wins: Kowa, Panasonic, UCB plus multiple new brands from Astellas and GSK
- Margin affected by planned investment in new OTC consumer advertising proposition at PAN
- Formation of Intensity Digital responds to shift in pharmaceutical marketing budgets towards integrated digital communications to medical specialists
- Growth of Rock Medical Communications (revenue + 66%) demonstrates value of integrating medical education into Health division proposition
- Division continues to work very well as a collection of healthcare companies with high cross referral rates

CRESTON HEALTH STRATEGY AND PROPOSED ACQUISITION OF COONEY/WATERS BUSINESSES



Creston Health – A Family of Communication Experts



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New York-London Presence Crucial to Growth

- US accounts for 70% of global healthcare PR budgets*
- UK second only to US as major global pharmaceutical hub - GSK, Shire and AZ in and around London
- US East Coast home to other major players including GSK, Pfizer, BMS and J&J; many others have a physical presence
- US is world's largest and most influential pharmaceutical market while UK strategically important for Europe
- Major competitors, both networks and independents, located in those two markets - access to talent, pitch opportunities, etc.

* ICCO World Report 2010, CPRF and PRSA Annual Report

Acquisition Highlights

- Acquisition of trade and assets of both Cooney/Waters* and its sister company, Alembic Health Communications*, for a cash only consideration of up to \$30.75m
- One of the highest ranked independent healthcare PR agencies in the US
- Specialist healthcare communications agency with long standing client relationships
- Profitable and good operating profit margin in line with Creston Health (on an underlying basis)
- Strong track record of organic growth
- Excellent industry reputation with award winning campaigns and voted Healthcare Agency of the Year 2010**
- Experienced management team with long tenures of service



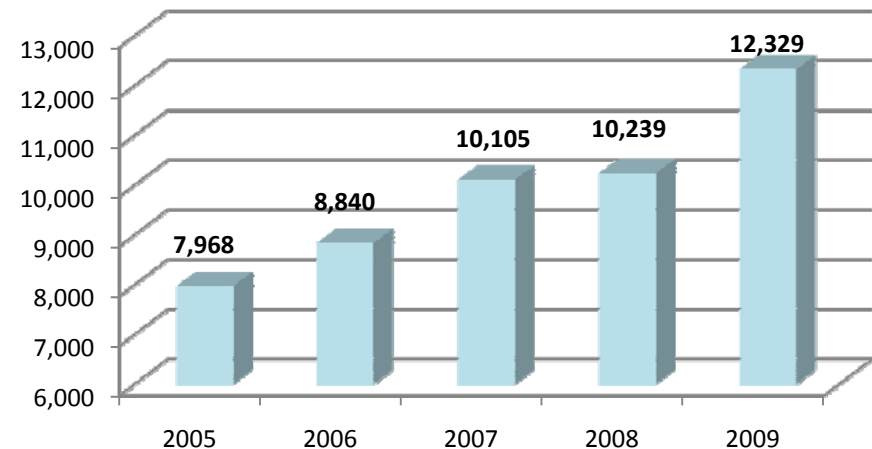
* Together described as the “Cooney/Waters Businesses”

** Source: Holmes Report

Cooney/Waters Businesses Overview

- Founded in 1992
- Based in Manhattan, staff of 50+
- Exclusive focus on health and science across therapeutic areas and health industries
- Subsidiary Alembic Health Communications set up to advance health awareness
- History of working with Creston's healthcare PR agency (Red Door Communications) in London
- Red Door and Cooney/Waters co-founded The Health Collective International Network to service global clients

Cooney/Waters Businesses revenue growth (USD)



Note: 2007, 2008 and 2009 are audited; 2005 and 2006 are from the Cooney/Waters Businesses' financial statements

Cooney/Waters Businesses Key Management



Lenore Cooney
Founder, Chairman



Sherri Michelstein
EVP and President,
Alembic Health



Fred Lake
EVP



Lisa D. Weiss, MPH
EVP



Timothy Bird
President

- Key management to remain with Cooney/Waters Businesses with new employment contracts and retention plan
- Tim Bird to join Creston Health board to exploit collaborative opportunities in client accounts and service offerings



Global Network Through Red Door and Cooney/Waters



* On completion

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Clients Shared with Red Door Communications





Other Current Cooney/Waters / Alembic Clients

sanofi pasteur

The vaccines division of sanofi-aventis Group

Abbott Fund

NMA
NATIONAL MENINGITIS ASSOCIATION

Alcon[®]

NATIONAL
CANCER
INSTITUTE

strativa
PHARMACEUTICALS
a division of Par Pharmaceutical, Inc.

SOLSTICE
NEUROSCIENCES

Strativa
PHARMACEUTICALS

AMERICAN LUNG ASSOCIATION[®]
CURES | CLEAN AIR | SMOKEFREE KIDS
Improving Life, One Breath at a Time

PURDUE[®]

PAR
PHARMACEUTICAL

The Coca-Cola Company



Childhood Influenza
Immunization Coalition
The Power of One Strong Voice

National Foundation for Infectious Diseases

The Beverage Institute For Health & Wellness

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Three Year Historic Financials (US\$ & GB£)

\$'000	Dec 2007	Dec 2008	Dec 2009
Revenue	10,105	10,239	12,329
PBIT (per financial statements)	1,442	1,056	(934)
Add director emoluments ¹	1,450	1,800	4,850
PBIT pre-emoluments	2,892	2,856	3,916
Margin	29%	28%	32%
£'000 ²			
Revenue	6,396	6,480	7,803
PBIT pre-emoluments	1,830	1,808	2,478

¹ Director emoluments

² Exchange rate of £1 : \$1.58 used

Consideration Payments

	Initial payment \$'000	Interim payment \$'000	Final s/holder payment \$'000	Total Cap \$'000
Maximum consideration	9,360	10,000	11,390	30,750
Estimated cash payment period	Q4 FY11	Q1 FY14	Q1 FY16	

- Consideration is based on a multiple between 5 to 5.5x average PBIT from completion to FY15
- Payments will be made to key employees (based on the consideration) in Q1 FY14 and Q1 FY17
- Acquired trade and assets must have a minimum of \$0.9 million net current assets and a minimum cash balance of \$0.7 million. The Group will pay \$ for \$ for any surplus assets above \$0.9 million subject to a maximum additional payment of \$3.4 million
- The Group should be able to obtain tax relief in the US on 100% of the consideration payment over 15 years
- Initial consideration funded from existing £25 million bank facilities
- Future consideration funded from the enlarged Group's future cash flows



Pro Forma Financials - Enlarged Group

	Continuing Group (1) £'000	Cooney/Waters Group (2) £'000	Pro forma Group £'000
Revenue	61,259	7,803	69,062
PBIT	10,812	2,478	13,290
Margin	18%	32%	19%
EBITDA	12,154	2,596	14,750
Net Cash at 30 September 2010 (Creston 2010 Interims)			232
Acquired cash (\$700k at £1:\$1.58)			443
Closing Payment (3)			(5,924)
Implied Net Debt			(5,249)
Estimated Deferred Consideration (vesting over 6 years) (3)			(8,852)
Estimated Employee Payment (3)			(1,915)
Implied Total Debt			(16,016)
Ratio of Implied Net Debt : EBITDA			0.4 x
Ratio of Implied Total Debt : EBITDA			1.1 x

(1) Financials for the year ended 31 March 2010

(2) Financials for the year ended 31 December 2009 (translated at a rate of 1.58)

(3) Consideration figures taken from the 30 November 2010 circular

Acquisition Opportunity & Benefits

- Stronger competitive advantage
- Higher profile = increased lead generation and new business opportunities
- Ability to compete more effectively and efficiently for global campaigns
- Shared learnings = enhanced capabilities, broader and deeper expertise
- Good cultural and strategic fit with Creston as proven by successful Red Door collaboration
- Expected to be earnings enhancing for the Group in year 1

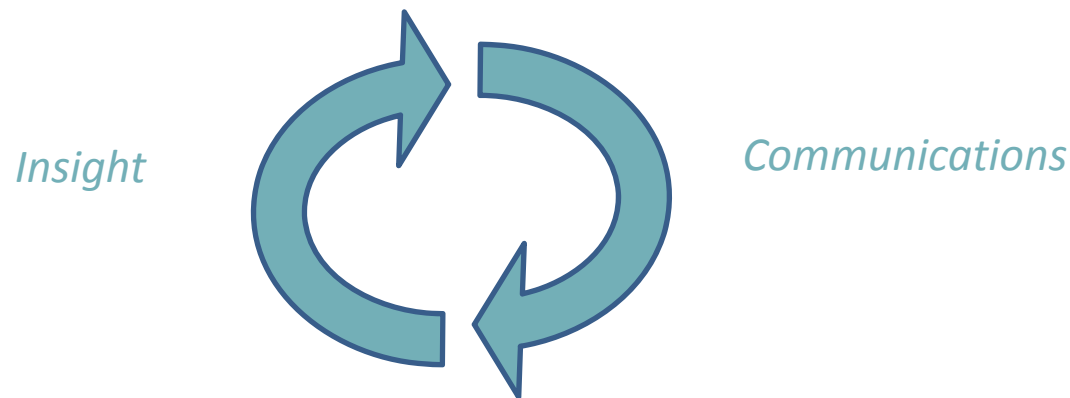


STRATEGIC PRIORITIES



Where We Are Today

- Three established divisions collaborating well together sharing clients and expertise
- Founding vision more relevant than ever, demonstrated by 9% revenue growth
- Investments have impacted short term profit but are fast gaining traction
- Strong balance sheet with capacity for investment
- A great foundation to service our clients across disciplines and geography



A virtual circle leading to more effective work

Strategic Priorities

- Grow PBIT through:
 - Recovery of industry-leading margin
 - Organic - invest in start-ups and innovation
 - Acquisition - strategic, client-driven, low-risk
 - International - expansion to support existing c.20% overseas activity
 - Discipline – new services to support and broaden our existing offer to meet client demand
- Maintain gearing levels to within 1.0-1.5x EBITDA

All expansion across the divisions driven by client need



SUMMARY & OUTLOOK

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Summary & Outlook

- Strong revenue growth driven by increased new business wins and start up successes
- Positive momentum across the Group with active new business pipeline
- New client wins will offset tightening public sector budgets in H2
- Short-term margin pressure will reverse due to the non-recurring nature of some of the H1 staff costs plus a major focus on profit conversion going forward
- Cooney/Waters Businesses acquisition strengthens Creston's specialist healthcare PR offer and expected to be earnings enhancing from year 1
- Well positioned for the period ahead



APPENDICES





Red Door Communications' Clients



Diagnostics



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ROCK clients



PAN clients



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