

CRESTON PLC
The Insight and Communications Group
FY10 Preliminary Results and Proposed Disposal
28 June 2010

Don Elgie – CEO
Barrie Brien – COO & CFO



CRESTON
plc

Insight and communications for the 21st century



AGENDA

- Introduction
- FY10 Financial Results
- Divisional Structure & Performance
- Strategic Priorities
- Proposed Disposal
- Summary
- Appendix

Introduction

- Met our FY10 objectives of:
 - i. Focus on sharing and innovation via the new organisational structure
 - ii. Continue to drive growth in our digital expertise and offer
 - iii. Maximise our financial performance, balance sheet and cash flow to continue gearing reduction
 - iv. Remain flexible and adjust cost base quickly to market changes
- A resilient performance and gained market share
- The proposed disposal of DLKW accelerates our focus on providing marketing solutions in the digital age



RESULTS FOR THE FINANCIAL YEAR TO 31 MARCH 2010

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Financial Highlights

■ Revenue of £80.5 million (2009: £83.8 million)	-4%
■ Digital and on-line revenue at 31% of Group (2009: 28%)	+6%
■ Headline* PBIT margin (2009: 19%)	18%
■ Headline PBT of £13.8 million (2009: £14.2 million)	-3%
■ Headline PAT of £10.4 million (2009: £10.1 million)	+2%
■ A £16.0 million decrease in total debt resulted in a ratio of total debt to Headline EBITDA of 1.6 (2009: 2.3)	
■ Proposed full year dividend per share of 1.00 pence (2009: 0.73 pence)	+37%

* Reconciliation of Headline to Reported PBIT, PBT and PAT in Appendix



Income Statement

	Headline Results March 2010		Reported Results March 2010	
	£'000	Growth %	£'000	Growth %
Revenue	80,500	-4%	80,500	-4%
PBIT	14,257	-9%	9,032	-27%
Pre-tax profit	13,782	-3%	8,153	-19%
Post-tax profit	10,370	+2%	5,133	-22%
Diluted EPS (pence)	17.65	-4%	8.74	-27%
Dividends per share (pence)	1.00	+37%	1.00	+37%

- Headline results stated before:
 - CML goodwill written off (non-cash) £3.8m
 - Severance & closure costs £0.9m
 - Deemed Remuneration £0.5m
 - Notional interest (non-cash) £0.4m



Segmental Analysis

	Revenue			Headline PBIT			Headline PBIT Margin	
	2010 £m	2009 £m	Growth %	2010 £m	2009 £m	Growth %	2010	2009
Insight	16.0	16.7	-4%	4.9	4.5	+9%	31%	27%
Communications	55.7	58.7	-5%	8.9	11.6	-23%	16%	20%
Health	8.8	8.4	+5%	2.7	2.7	+1%	31%	32%
Head Office	-	-	-	(2.2)	(3.2)	+29%	-	-
Total	80.5	83.8	-4%	14.3	15.6	-9%	18%	19%

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



Operating Cash Flow

	2010 £'000	2009 £'000
Headline PBIT	14,257	15,605
Depreciation & Amortisation	1,699	2,359
Headline¹ EBITDA	15,956	17,964
Share Based Payments & (Profit)/Loss on sale of Fixed Assets	(93)	126
Working Capital Movement	3,106	3,747
Headline Operating Cash Flow	18,969	21,837
Headline Cash Conversion (Headline Operating Cash Flow: Headline EBITDA)	119%	122%
Free Cash Flow ²	13,659	14,478
Free Cash Flow per share	23.24p	26.38p

Notes:

- ¹ The difference between Headline & Reported Operating Cash Flow is the cash impact of the Headline adjustments.
- ² Free Cash Flow is defined as operating cash flow after taxation, net finance income/(cost), income from financial assets and capital expenditure.



Analysis of Headline Net and Total Debt

	As at 31 March 2009 £'000	Acquisitions £'000	Cash Flow £'000	As at 31 March 2010 £'000
Cash and short term deposits	2,806	-	(28)	2,778
Revolving credit facility	(7,000)	-	(6,000)	(13,000)
Acquisition loan notes	(23)	(19,682)	16,618	(3,087)
Term Bank loans	(14,400)	-	2,800	(11,600)
Finance leases	(8)	-	(8)	(16)
Net (debt)	(18,625)	(19,682)	13,382	(24,925)
Restricted cash deposits	22	-	(22)	-
Headline Deferred Consideration	(23,122)	19,682	3,440	-
Total (debt) including restricted cash deposits	(41,725)	-	16,800	(24,925)

- Remaining £3.1million loan notes to be paid in July 2010
- Total and net debt are now the same as no further deferred consideration

Headline Debt and Gearing History

- Track record of reducing debt and gearing levels

	March 2007 £'m	March 2008 £'m	March 2009 £'m	March 2010 £'m
12 month rolling Headline EBITDA	15.9	17.5	18.0	16.0
Bank debt	21.4	16.4	18.6	21.8
Loan notes	0.3	1.4	-	3.1
Deferred consideration	34.2	31.6	23.1	-
Total debt	55.9	49.4	41.7	24.9
Total debt : EBITDA	3.5 x	2.8 x	2.3 x	1.6 x
Gearing ¹ (%)	70%	60%	47%	26%

Note:

¹ Gearing is defined as total debt/Reported net assets

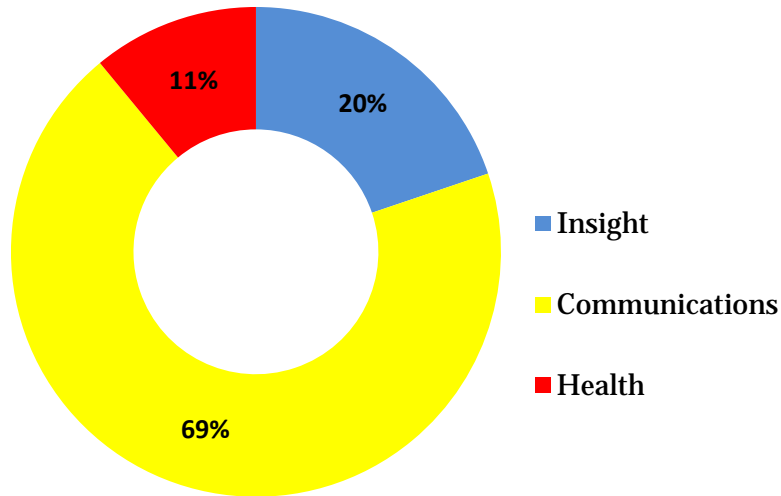


DIVISIONAL PERFORMANCE

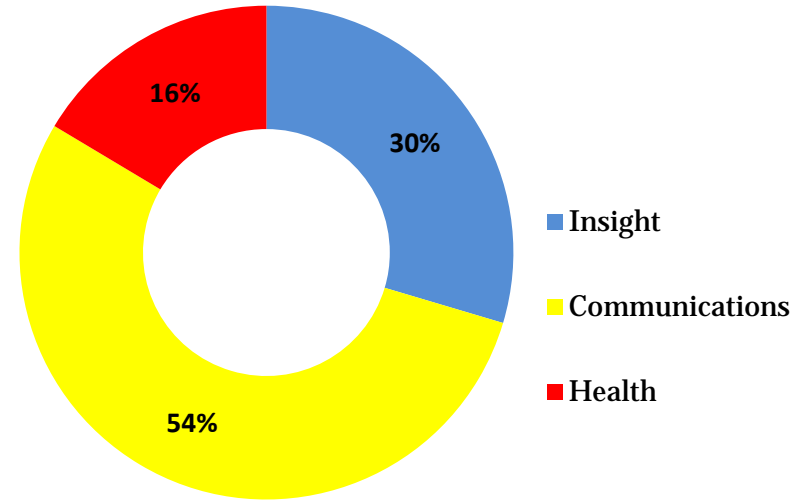
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Divisional Analysis

FY10 Revenue by Division



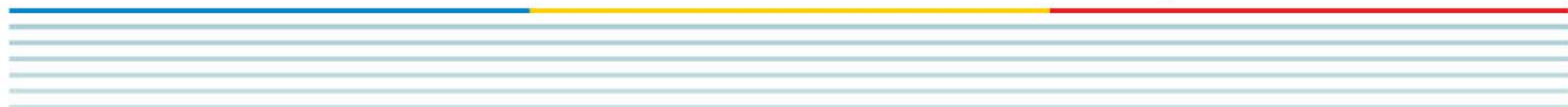
FY10 Headline PBIT by Division





Client Ranking by Revenue

Creston plc					
Top 20 Clients	Client	Insight	Communications	Health	Client Tenure
1	COI	●	●	●	1987
2	Nissan		●		1996
3	Morrisons		●		2006
4	HBOS		●		2000
5	Unilever	●	●		1990
6	Infiniti		●		2007
7	Danone	●	●		1996
8	General Motors Europe		●		2002
9	Vodafone	●			1997
10	GSK	●	●	●	2005
11	E.ON		●		2009
12	Jaguar		●		2008
13	Land Rover		●		2008
14	T-Mobile	●	●		2005
15	Aviva	●			2008
16	Canon	●	●		2001
17	Burger King	●	●		2002
18	Toyota		●		2009
19	Lloyds TSB	●	●		1992
20	SCA Tena	●	●		2005



Insight Division

	Revenue £'m	Growth %	Headline Profit £'m	Growth %	Margin %
Insight	16.0	-4%	4.9	+9%	31%
Online division: newvista research	4.5	+4%			

- Like-for-Like revenue and Headline PBIT (i.e. excluding CML and MSTs) of +1% and +3% respectively
- CML closed during the year as it was severely affected by the recession
- newvista research now accounts for 28% of the division's revenue (FY09: 26%)
- Inspired, a new Centre of Excellence specialising in qualitative research was launched
- ICM launched Influencer, Film Services research and newvistalive
- New Business wins include GSK, Samsung, Sainsbury's Finance and Wrigleys

Communications Division

	Revenue £'m	Growth %	Headline Profit £'m	Growth %	Margin %
Communications	55.7	-5%	8.9	-23%	16%
Digital	20.4	+6%			

- Unable to avoid the impact of the recession, so managed costs to protect operating profit margin
- Exceptional year for EMO, due to growing demand for targeted and accountable local marketing
- TRA delivered a year of strong growth under new Managing Director
- Continued to invest in Centres of Excellence strategy with the launch of 'Things With Wings', specialising in social media marketing; and created a new mobile marketing business unit
- New Business wins include E.ON, Kerry Foods, Digital UK, Facebook, COI (NHS Blood) and Evian

Health Division

	Revenue £'m	Growth %	Headline Profit £'m	Growth %	Margin %
Health	8.8	+5%	2.7	+1%	31%

- Revenue growth came from significant new business successes (e.g. Roche, Takeda, GSK and Nucletron) and expanded business from existing clients
- International business now at 35 per cent of division's revenues
- Newly established Rock (medical education company) has flourished
- TMWdigitalhealth (results included within Communications) worked closely with the division and referred clients include Bausch & Lomb, GSK, Pfizer



STRATEGIC PRIORITIES

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Vision and Strategy

- Our vision and long term strategy remain unchanged:
“insight and communications for the 21st century”
- The accelerating change of communications and marketing presents major challenges and opportunities
- Our objective is to meet our clients’ needs for tomorrow’s new media age, not yesterday’s
- To date we have evolved rapidly and our digital revenue accounts for 31% of the Group, with no acquisitions
- We continue to drive collaboration and innovation
- To invest in the faster growth and more resilient areas of the marketing mix



The opportunity...

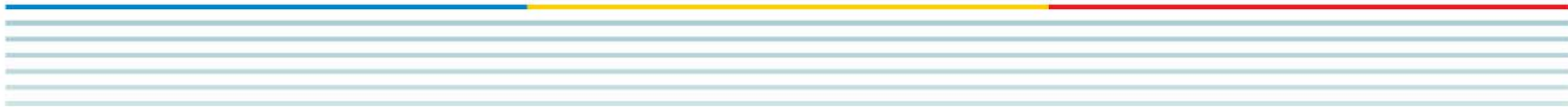
- Offline advertising has gone through major upheaval in last 5 years and led to a material decline in budgets (21% decline since 2007)
- Growth of the internet, digital channels and communication technologies has led to a major structural change in marketing
- Technology has re-shaped how people live, consume media, choose and buy products and services
- Targeted marketing also allows greater efficiency in budgets and less waste
- Recessionary pressures are also driving clients to demand greater effectiveness
- The advertising “Big Idea” can still be impactful but targeted and accountable communications based on consumer insight is the growth area in marketing



The UK marketing industry spend indexed since 2007

Indexation (2007: Base)	2007 Actual	2008 Actual	2009 Actual	2010 Forecast	2011 Forecast		2009 Actual £'m
Traditional Media	100.0	91.9	85.7	78.2	79.1		8,871
Digital	100.0	120.3	126.6	135.6	146.1		3,457
Market Research	100.0	105.9	99.5	105.4	110.3		2,030
Public Relations	100.0	107.0	101.2	101.2	105.3		590

Source: Group M (Summer 2010)



The 20th century model

Advertising

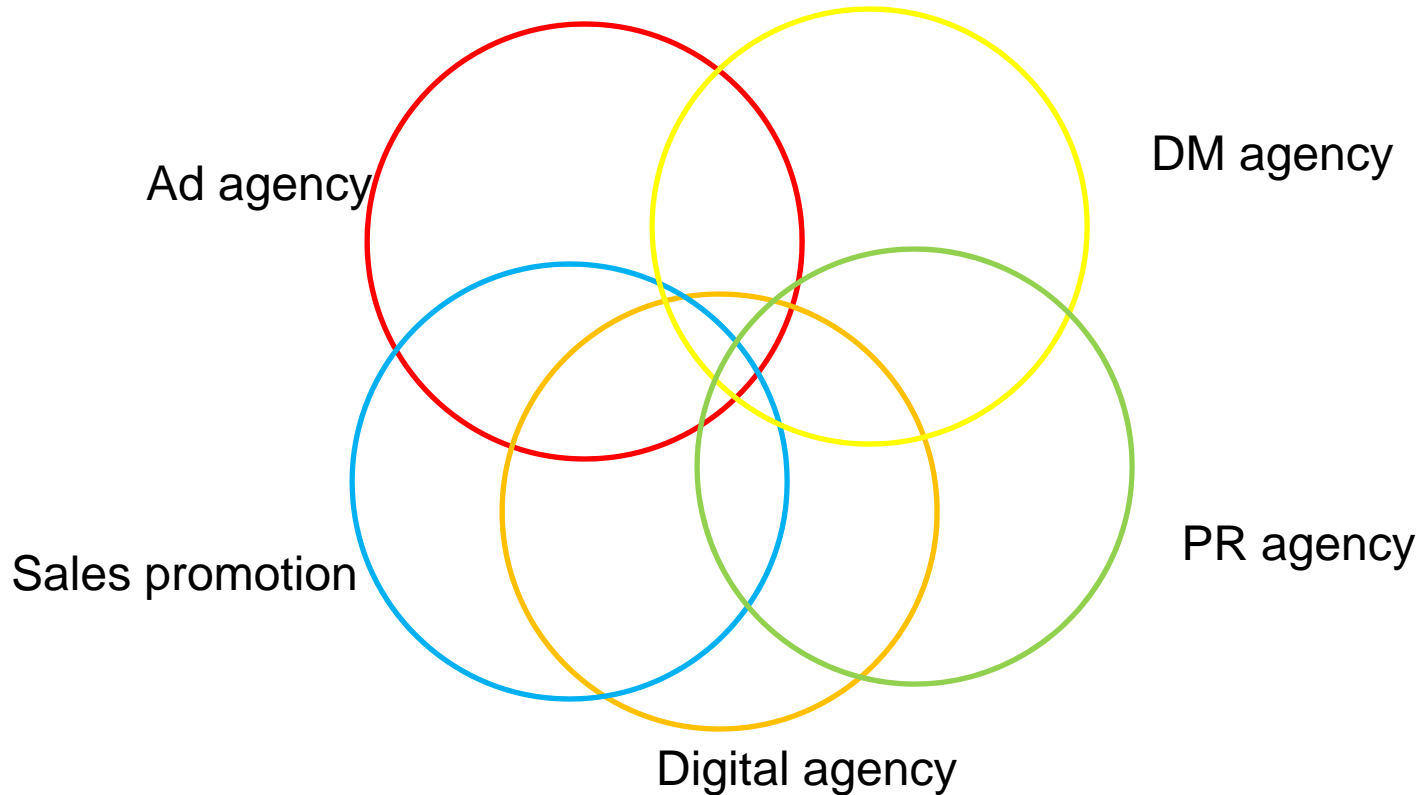
DM

PR

**Sales
Promotion**

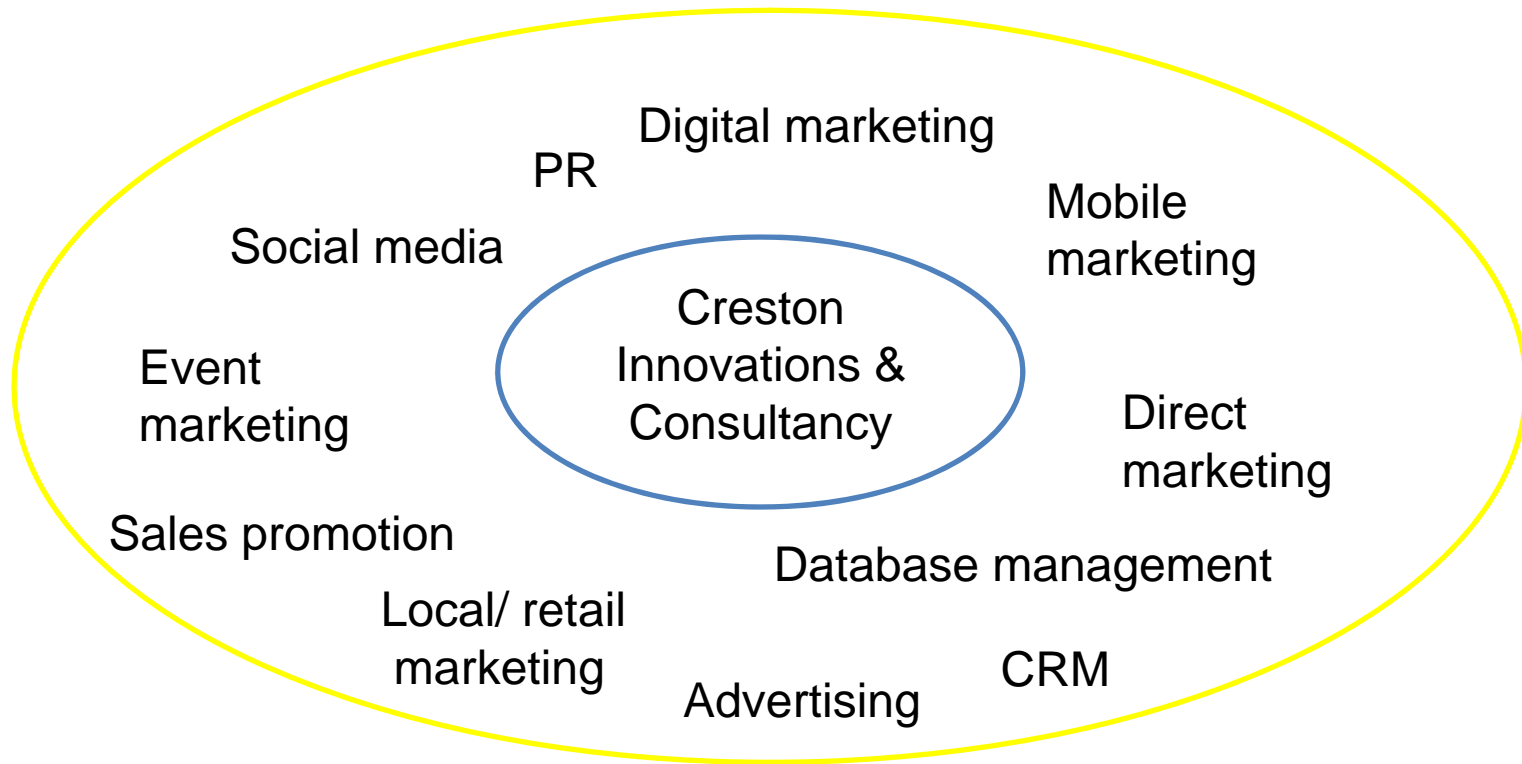
Specialist discipline agencies that share clients
by each providing a unique skill set

... the 20th century agencies in the 21st Century



The boundaries are blurring and agencies are trying to do many of the same things for the same clients

Our Communications Division for the 21st Century



CIC will offer marketing & brand consultancy, communications planning and lead the innovation and collaboration for clients; plus it will be the incubator of new solutions for emerging channels and trends

Strategic Priorities

- i. Insight* – expand our capabilities and tools, especially in data analytics and online

- ii. Communications* – embrace change; accelerate our digital innovation; and collaborate to combine all the client needs for strategic consultancy, consumer insight, creative and effectiveness

- iii. Health* – complement our existing offer, especially in CRM, digital, market research and medical education



PROPOSED DISPOSAL

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Proposed disposal

- Lowe London (part of IPG) has agreed to buy 100% of DLKW Group* for £28 million cash on completion
- DLKW is Creston's only traditional advertising agency
- This transaction is subject to shareholder approval at a general meeting to be held in mid July 2010
- Net of fees, proceeds will be c.£27.6 million

(*DLKW Group represents DLKW & Partners, Dialogue DLKW and The Composing Room)

Financial Information on DLKW Group

£000s	2007	2008	2009	2010 (unaudited)
Revenue	23,857	22,840	22,102	19,241
Reported (IFRS) PBIT*	4,171	3,784	3,597	3,109
PBITChange (%)		(9%)	(5%)	(14%)

- Disposal multiple is 9x FY10 PBIT
- Non-cash loss on disposal of c.£3.2 million in FY11 (goodwill and intangibles of £30.8 million less net proceeds of £27.6 million). This will be subject to a net assets adjustment on completion

(* Excludes Headline addbacks)

Effect on banking facility

- The outstanding term loan of £11.6 million will be repaid and cancelled
- Any sums drawn down against the £25 million revolving credit facility (RCF) will be repaid (£11 million as per May 2010 management accounts)
- If there is no reinvestment of the disposal proceeds within 6 months, then the RCF of £25 million will reduce to c.£9 million until 31 March 2012 (£27.6 million less term loan of £11.6 million paid off)

Use of proceeds

- Disposal proceeds of £28 million will fundamentally change the Group's gearing from £25 million debt as at the end of March 2010
- Disposal will provide capacity to invest in the continued development of our three Divisions and their strategic priorities
- Any future investment will be made only where there are client demands and opportunities; and in high growth and resilient areas
- If start-up or acquisition investments are made, future Group total debt levels will be managed to c. 1.0 to 1.5x EBITDA



SUMMARY

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Summary

- We grew our market share in a tough year
- Insight and Health are performing well and continue to broaden their offer
- The disposal of DLKW demonstrates that we take decisive action to meet the changing needs of the industry
- We will be heavily weighted to Insight, digital communications and Health
- We will be focussed on the fastest growth areas for the economic upturn
- Post disposal we will have a strong balance sheet and facility to invest in growth opportunities
- Current trading in line with management's expectations, including some good new business wins to start the year



APPENDIX

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Headline to Reported reconciliation FY10

	PBIT £'000	PBT £'000	PAT £'000
Headline	14,257	13,782	10,370
Restructuring costs	(922)	(922)	(922)
Goodwill write-off	(3,786)	(3,786)	(3,786)
Deemed Remuneration	(517)	(517)	(517)
Notional Interest	-	(404)	(404)
Taxation Impact			392
Reported (IFRS)	9,032	8,153	5,133



FY10 Revenue Segmentation

Revenue by Region

