

Interim results for the 6 months to 30 June 2015

SEPTEMBER 2015

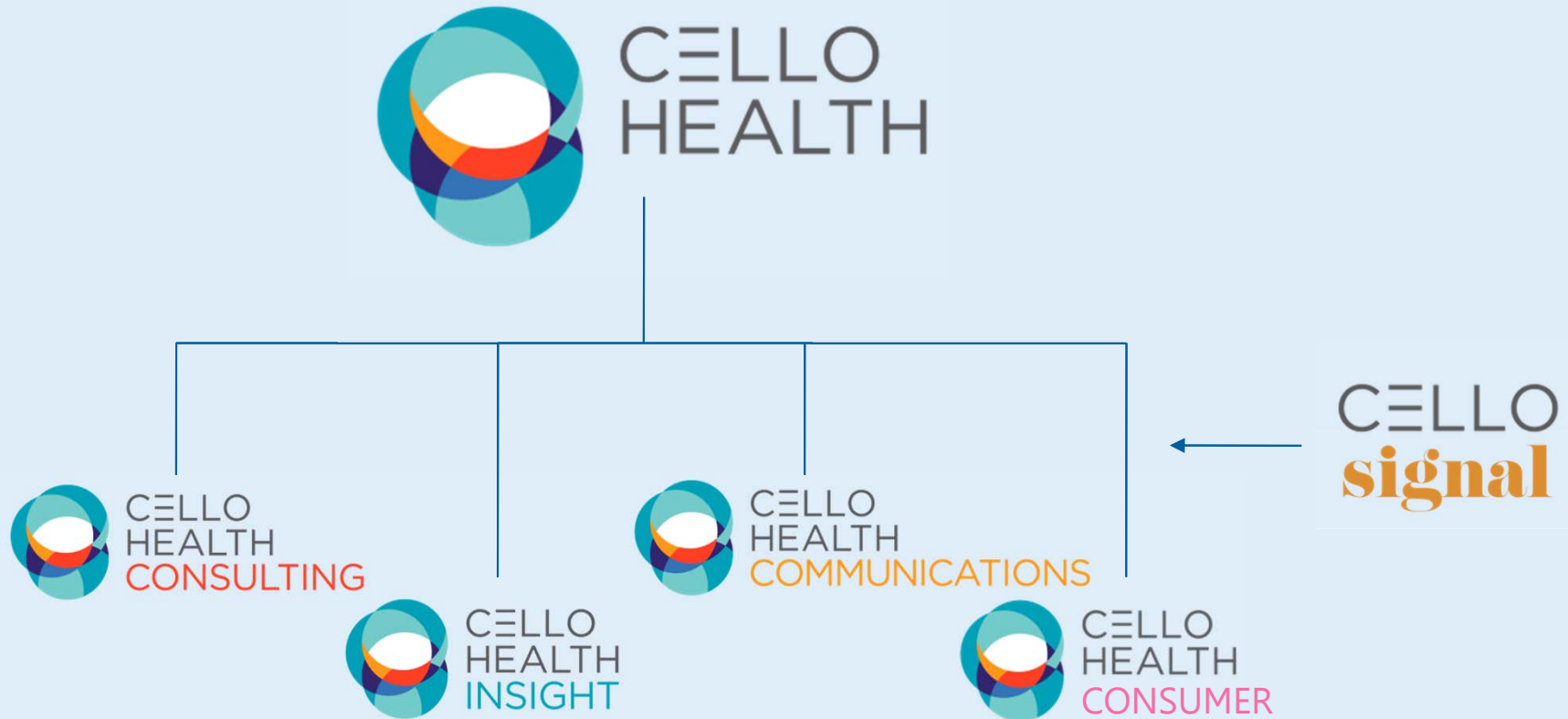
C E L L O
GROUP



CELLO – INTRODUCTION

- We supply marketing advisory services primarily in the pharmaceutical sector
- Global infrastructure in Europe, USA and Asia
- c.1000 professionals
- £81.0m gross profit, £9.8m headline operating profit (2014)
- Long term client relationships with good contracted profile and visibility
- Low client concentration
- Low gearing and low earn out profile
- Strong and growing dividend
- c.40% of shares held by staff

CELLO – INTRODUCTION



FINANCIAL HIGHLIGHTS FOR H1 2015

- Gross profit up 6.1% to £41.9m (2014: £39.5m)
- Like-for-like gross profit up 1.8%
- Headline profit before tax £4.2m (2014: £4.4m)
- Headline operating margin 10.5% (2014: 12.0%)
- Interim dividend per share up 5% to 0.84p (2014: 0.80p)
- 2015 Net debt £9.8m (December 2014: £7.2m; June 2014: £10.2m)

SEGMENTAL ANALYSIS

	H1 2015			H1 2014		
	Headline Gross Profit £m	Headline Operating Profit £m	Margin %	Headline Gross Profit £m	Headline Operating Profit £m	Margin %
Cello Health	21.7	4.3	19.9%	19.7	4.2	21.2%
Cello Signal	20.0	1.0	4.8%	19.4	1.5	7.6%
Sub total	41.7	5.3	12.6%	39.1	5.7	14.4%
Central cost	-	(0.9)	-	-	(1.0)	-
Group	41.7	4.4	10.5%	39.1	4.7	12.0%

- Reported like-for-like gross profit growth - Health 2.1%; Signal 1.0%

CELLO HEALTH

H1	2015	2014	% change
£'000			
Gross profit	21,683	19,667	10.3%
Headline operating profit	4,310	4,168	3.4%
Margins	19.9%	21.2%	-

- Reported like-for-like gross profit up 2.1% (H1 2014: 7.1%; FY 2014: 3.6%)
- Like-for-like gross profit from Consulting, Insight and Communications up 7.0%
- Operating margin flat at 19.9% (2014: 21.2%)
- Client base maintained
- Global footprint more robust
- iS Health included for full period
- Establishment of Cello Health BioConsulting in April 2015

CELLO SIGNAL

H1	2015	2014	% change
£'000			
Gross profit	19,993	19,410	3.0%
Headline operating profit	950	1,469	(35.3)%
Margins	4.8%	7.6%	

- Reported like-for-like gross profit growth of 1.0% (H1 2014: 16.2%; FY 2014: 4.2%)
- Margin of 4.8% (2014: 7.6%)
- Tough comparator
- Increasingly international footprint, leads to investment in staff costs in US
- Pulsar growth from 88 to over 150 clients

2015 INCOME STATEMENT

H1	2015	2014
	£m	£m
Gross profit	41.9	39.5
Headline operating profit	4.4	4.7
Interest	(0.2)	(0.2)
Headline profit before tax	4.2	4.5
Restructuring costs	(0.3)	-
VAT provision	(1.1)	-
Start-up investment*	(0.2)	(0.1)
Acquisition costs	-	(0.2)
Acquisition related employee expense	(0.5)	(0.3)
Amortisation	(0.3)	(0.4)
Share Options	(0.1)	(0.1)
Statutory profit before tax	1.7	3.4

*start-up investments principally comprise Cello Health BioConsulting

VAT ISSUE CHRONOLOGY

Time frame

- | | |
|--------------------------|---|
| Historical | <ul style="list-style-type: none">• Zero rated status of supplies to charities supported by industry guidance and rulings |
| September 2014 | <ul style="list-style-type: none">• Challenge by HMRC regarding zero rated status of these supplies; specifically lists, post, data services and unaddressed mail |
| December 2014 | <ul style="list-style-type: none">• Provision made of £2.1m – contingent liability of £0.8m |
| October 2014 – June 2015 | <ul style="list-style-type: none">• Widespread consultation with industry groups• Contribution to industry challenge of new HMRC policy |
| July 2015 | <ul style="list-style-type: none">• Publication of new guidance – RCB 10 (2015) |
| September 2015 | <ul style="list-style-type: none">• Additional provision of £1.1m – contingent liability removal• Further informal questioning by HMRC of industry interpretation of RCB 10 (2015) |
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2015 BALANCE SHEET

	30 June 2015	30 June 2014
	£m	£m
Goodwill	73.4	72.5
Intangible assets	1.1	1.9
Fixed assets	2.1	2.5
Deferred tax asset	1.0	0.9
Trade and receivables	37.8	40.8
Cash	1.2	2.4
Creditors < 1 year	(35.6)	(37.8)
Net current assets	3.4	5.4
Creditors > 1 year	(11.6)	(12.2)
Net assets	69.4	71.0

CASH FLOW AND NET DEBT

	2015 £m	2014 £m	Comment
Net cash inflow from operating activities	(0.4)	(4.7)	Normal pattern
Interest	(0.1)	(0.2)	
Tax	(0.2)	(0.9)	Low, as tax refund on VAT provision collected
Capex	(0.5)	(0.8)	
Acquisitions/loan note issuance	-	0.3	
Share option proceeds	0.1	0.1	
Dividends	(1.5)	(0.5)	Timing differences, dividend growth
Net debt movement	(2.6)	(6.7)	
Opening net debt	(7.2)	(3.5)	
Closing net debt	(9.8)	(10.2)	
Adjusted net debt: ebitda	1.65	1.31	

DIVIDEND

- Interim dividend increased by 5% to 0.84p (2014: 0.80p)
- 9 year unbroken full year dividend growth record

DEFERRED CONSIDERATION

- Expected payment in May 2017 £2.8m

OPERATIONAL REVIEW

CELLO HEALTH

www.cellohealth.com

- Clinically-led marketing advisory and delivery
- 50% pre launch, 50% post launch
- 400 professionals
- 22 of the top 25 global pharmaceuticals companies are clients
- International reach (London, New York, Philadelphia, Chicago, San Francisco, Boston)
- Long term habitual spending patterns from global clients
- Recent acquisition of iS Healthcare



PHARMACEUTICAL SUPPLY INDUSTRY TRENDS





- Industry growth CAGR 2013-2020 of 5.1%¹
- Record new US drug approvals (43% up on 2012)¹
- Growth in Research and Development pipeline of 46%¹
- 'Patent cliff' effect receding¹
- Continued consolidation of Big Pharma offset by growth in new Big Biotech
- £92 BN global support services market; highly fragmented; with strong growth in use of professional services²
- Increasing role of procurement in large contract awards
- Increasing role of technology/digital platforms
- Increasingly rapid consolidation in healthcare professional service space, with average deal at 2.2 x revenue driven by trade and PE buyers²

¹ 2014 Evaluate Ltd
² Berkery Noyes Investment Bankers

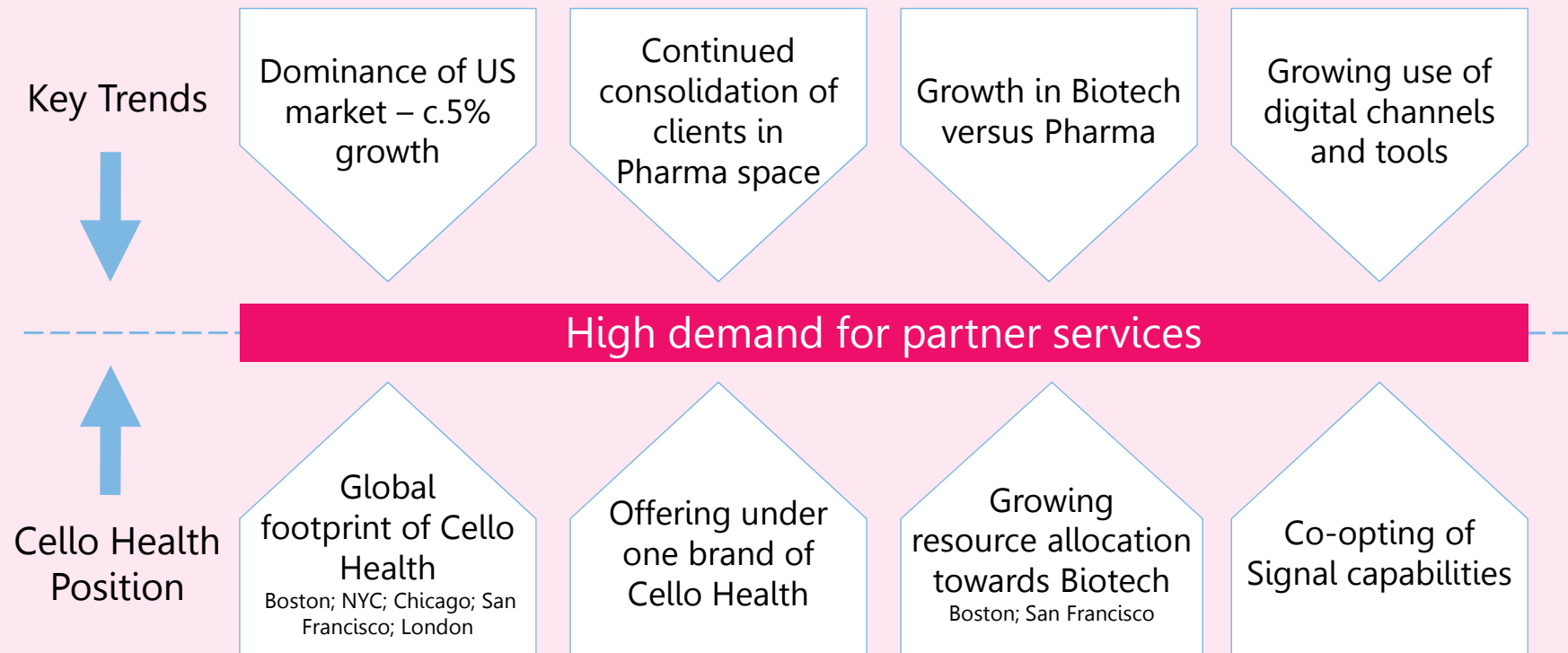
CELLO HEALTH – COMPETITOR OVERVIEW

Company	MedComm	Marketing	Operational Support	Analytical Support	Market Research	Regulatory & Compliance
Accenture plc	█			█		█
Cello Group plc	█	█		█	█	
Ceuta Healthcare, Ltd.		█		█		
China NT Pharma Group	█	█				
CMIC Co., Ltd	█	█		█	█	█
Healthcare Consultancy Group (s/o Omnicom Group)	█	█				█
HealthSTAR Communication	█	█	█	█		
ICON plc	█			█	█	
IMS Health		█		█		
inVentiv Health, Inc.	█	█	█	█		
M3, Inc. (M3 USA Corporation)		█			█	
Medical Knowledge Group	█			█		
Medidata Solutions	█	█	█	█		█
MediMedia USA, Inc.	█					
Omnicom Systems, Inc.			█	█		█
PAREXEL International Corp.	█	█	█	█		█
PDI, Inc.		█				
Pilgrim Quality Solutions, Inc.				█		█
Publicis Group SA	█	█				
Qol Co. Ltd.	█	█		█		
Semcon AB (publ)						█
The Interpublic Group of Companies, Inc.	█	█			█	
Xerox Corporation (TMS Health, LLC)		█	█			
UDG Healthcare plc		█	█	█		
WPP plc	█	█			█	

CELLO HEALTH – CORE CAPABILITIES

Core Capability	Specialism
 <p>CELLO HEALTH INSIGHT</p>	<ul style="list-style-type: none"> • Qualitative – all types, global coverage • Quantitative – all types, global coverage • Social/Consumer – digital/online patients, health care professionals
 <p>CELLO HEALTH CONSULTING</p>	<ul style="list-style-type: none"> • Strategic Marketing • Brand and Portfolio Strategy (pre, post brand launch to loss of patent) • Early Product Commercialisation (managed care, market access) • Business Science (analytics, decision support software and tools, advisory) • Marketing Excellence (process, organisation/people development)
 <p>CELLO HEALTH COMMUNICATIONS</p>	<ul style="list-style-type: none"> • Strategic Communication Planning (medical, scientific, consumer) • Medical Communication Gap Analysis and Evidence Assessment • Medical and Health Consumer Marketing Communications • Scientific Data Dissemination and Education • Public Affairs and Influencer Marketing
 <p>CELLO HEALTH CONSUMER</p>	<ul style="list-style-type: none"> • Strategic Consulting and Research

CELLO HEALTH – COMPETITIVE ADVANTAGE



CELLO HEALTH – DEVELOPMENTS IN 2015

- Continued addition of professionals, particularly in US
- Continued support of investment initiatives – market access consulting
- Additional US office expansion – Chicago, San Francisco, and Boston
- Expansion of iS Healthcare and Promedica acquired in 2014
- Focus on managing procurement processes with larger scale contract wins
- Major contract and multiple joint project wins affirm validity of strategy

CELLO HEALTH – 2016 GROWTH PLAN

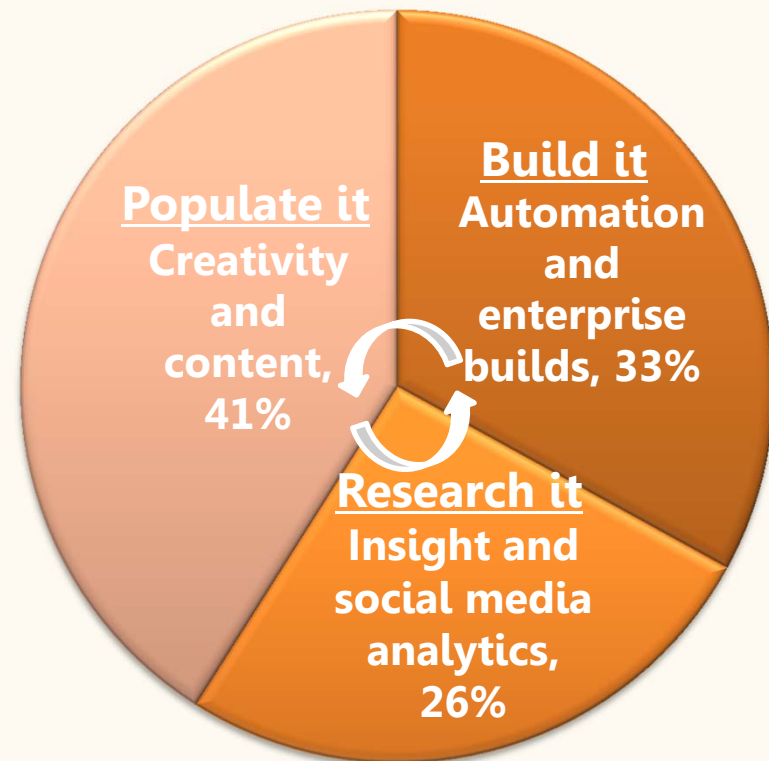
- Addition of capabilities (e.g. regulatory advisory)
- Continued organic expansion in USA
- Organic drive into digital and social media offering
 - Closer integration of Cello Signal to support Health growth strategy

CELLO SIGNAL

www.cellosignal.com

- Digital and social media marketing solutions for big corporates
- 500 professionals
- Blue chip global client base: Technology, Mobile, FMCG, Retail, Financial Services, Public Sector and Charities
- Solid contracted revenue stream and visibility
- Global office network: Edinburgh, London, Cheltenham, New York, Los Angeles, San Francisco, Singapore and Hong Kong
- Strong technology underpinning and proprietary software licensing model

Share of 2014 gross profit



CELLO SIGNAL – INDUSTRY TRENDS

- Universal migration of customer acquisition and retention online
- Integration with large scale CRM systems
- Shift to continuous, 'big data' based customer engagement
- Shift to social media format for data acquisition and engagement
- Rapid supplier consolidation
- Entry of large scale technology players – Adobe, Salesforce.com, Microsoft and Google

CELLO SIGNAL – A CONSOLIDATING SECTOR



DIGITAS

LBi

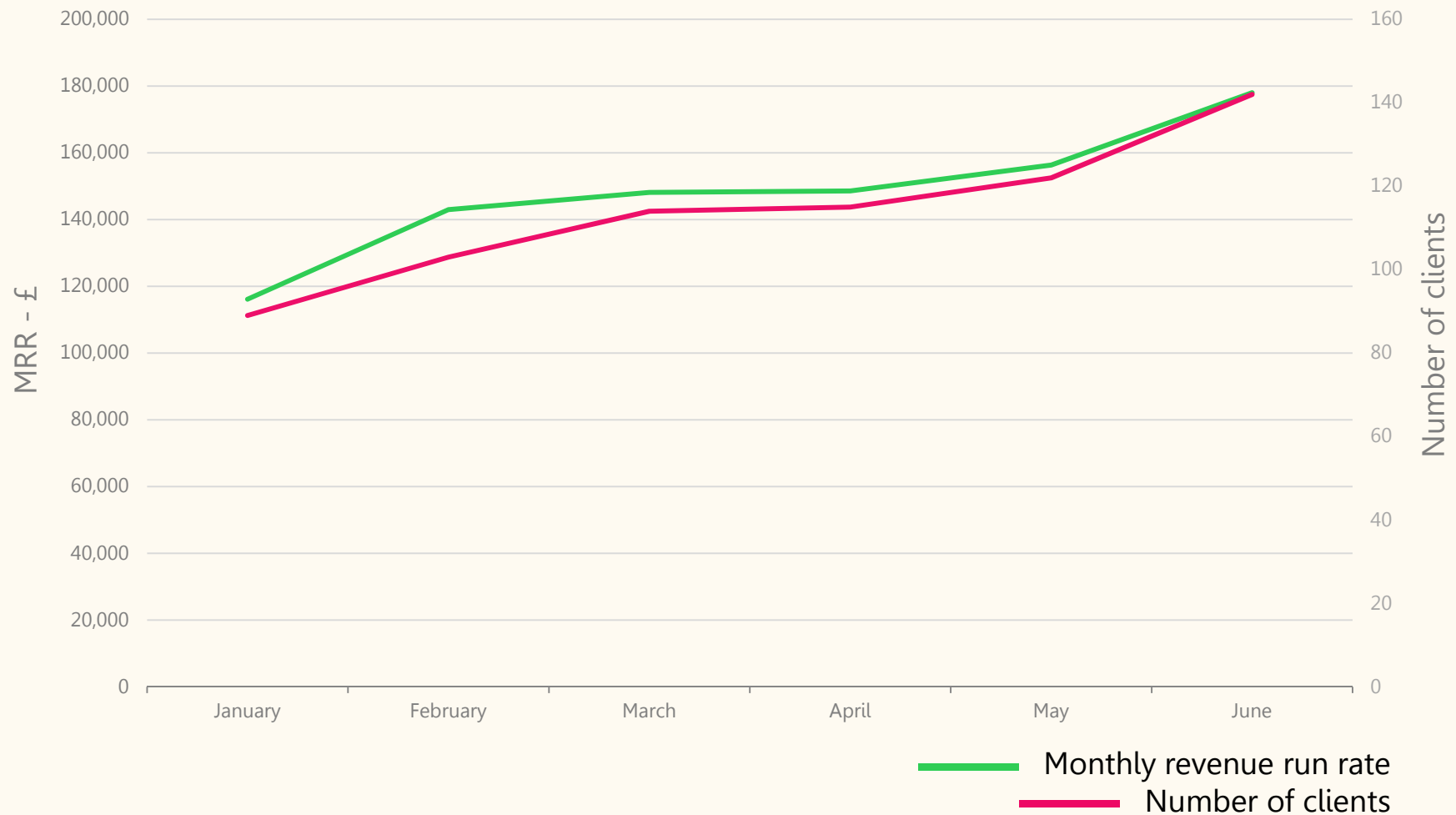


CELLO SIGNAL – 2015/2016 GROWTH STRATEGY

- Focus on supporting growth strategy of Cello Health in digital and social media in healthcare space
 - Technical digital and social media capability
 - Social Health (charities and government)
- Margin enhancement through efficiency gains

CELLO SIGNAL – PULSAR SOFTWARE LICENCE REVENUE

2015 Pulsar- Licence Revenue



SUMMARY AND OUTLOOK FOR 2015

- Solid growth in fee income in both Cello Health and Cello Signal
- Long standing client relationships remain strong and growing
- Rapidly increasing exposure to US market
- Leverage of Cello Signal into healthcare
- Strong balance sheet
- Progressive dividend
- Good 2015 outlook based on current pipeline

THANK YOU

Mark Scott, CEO
Mark Bentley, Group Finance Director

Cello Group plc
11-13 Charterhouse Buildings
London EC1M 7AP
020 7812 8460
www.cellogroup.com