

2017
INTERIM RESULTS
PRESENTATION
HALF YEAR ENDED 30 JUNE 2017

September 2017

CELLO – AN INTRODUCTION

- We supply strategic advisory services to blue chip clients primarily in the pharmaceutical and biotech sectors
- Global infrastructure in UK and USA
- Long-term client relationships with good contracted profile and visibility
- Low client concentration
- Underlying technology capability and IP
- Strong balance sheet
- Strong and growing dividend
- Expansion programme ongoing

FINANCIAL HIGHLIGHTS FOR H1 2017

- Gross profit up 13% to £49.1m (2016: £43.5m)
- Like-for-like gross profit up 5.4% (constant currency: 2.4%)
- Headline profit before tax up 8% to £4.6m (2016: £4.3m)
- Headline operating margin 10.0% (2016: 10.3%)
- Interim dividend per share up 5% to 1.05p (2016: 1.00p)
- June 2017 net debt £6.8m (December 2016: £5.1m; June 2016: £4.8m)
- Completion of acquisition of Defined Health in February and Advantage Healthcare in July
- £14.2m net fundraise in February

SEGMENTAL ANALYSIS

	H1 2017			H1 2016		
	Headline Gross Profit £m	Headline Operating Profit £m	Margin %	Headline Gross Profit £m	Headline Operating Profit £m	Margin %
Cello Health	28.1	4.9	17.4%	22.2	3.9	17.6%
Cello Signal	19.9	1.2	6.0%	20.7	1.7	8.2%
Sub total	48	6.1	12.9%	42.9	5.6	12.6%
Central cost	-	(1.3)	-	-	(1.1)	-
Group	48	4.8	10.0%	42.9	4.5	10.3%

- Constant currency like-for-like gross profit growth : Cello Health 9.3%; Cello Signal -5.0%

CELLO HEALTH

H1	2017 £'000	2016 £'000	% change
Gross profit	28,087	22,162	26.7%
Headline operating profit	4,876	3,906	24.8%
Margins	17.4%	17.6%	-

- Reported like-for-like gross profit up 14.3% (H1 2016: 1.5%; FY 2016: 6.2%)
- Constant currency like-for-like gross profit up 9.3% (2016 FY: 1.7%)
- Operating margin 17.4% (2016: 17.6%)
- Global footprint more robust, following acquisitions of Defined Health and Advantage Healthcare in the USA
- Strong pharmaceutical franchise, and growing biotech client base
- Strong organic performance in the USA
- Cello Health Insight flat, but visibility improved

CELLO SIGNAL

H1	2017	2016	% change
£'000			
Gross profit	19,851	20,714	(4.2%)
Headline operating profit	1,197	1,694	(29.3%)
Margins	6.0%	8.2%	-

- Reported like-for-like gross profit decline of 4.2% (H1 2016: growth of 4.2%. FY 2016: growth of 5.5%)
- Constant currency decline of 5.0%
- Large one off project in H1 2016 not repeated in H1 2017, as previously disclosed
- Weak trading in US Research, prompts restructure in H2
- Operating margin of 6.0% (2016: 8.2%)
- Strong franchise in financial services, global tech clients and utilities
- Pulsar growth to over 300 clients – operationally profitable in UK, launched in US

2017 INCOME STATEMENT

H1	2017	2016
	£m	£m
Gross profit	49.1	43.5
Headline operating profit	4.8	4.4
Interest	(0.2)	(0.1)
Headline profit before tax	4.6	4.2
Restructuring costs	(0.3)	(0.6)
VAT charges / credits	0.3	(2.1)
Start-up investment*	(0.8)	(0.5)
BioConsulting settlement	-	(1.1)
Acquisition related employee expense	(0.4)	(0.5)
Amortisation	(0.3)	(0.2)
Share Options	(0.2)	(0.1)
Statutory profit before tax	2.7	(0.9)

*start-up investments include Pulsar US

ONE-OFF CHARGES AND GAINS

- Restructuring £0.3m
 - Cello Signal headcount and lease reduction on West Coast USA - £0.6m in H2
- Start-up - £0.8m – Pulsar US and Bio Consulting
 - Establishment of Pulsar operations in US
- VAT – recovery from clients of £0.3m

2017 BALANCE SHEET

	30 June 2017	30 June 2016
	£m	£m
Goodwill	73.0	74.2
Intangible assets	0.8	0.8
Fixed assets	2.8	2.3
Deferred tax asset	1.0	0.8
Trade and receivables	45.3	41.2
Cash	2.1	4.0
Creditors < 1 year	(42.9)	(43.6)
Net current assets	4.5	1.6
Creditors > 1 year	(0.6)	(10.9)
Net assets	81.6	68.8

CASH FLOW AND NET DEBT

H1	2017	2016	
	£m	£m	Comments
Net cash inflow/(outflow) from operating activities	(8.2)	3.3	Unwinding of prior year and normal H1 seasonality. Prior year was unusual.
Interest	(0.2)	(0.1)	
Tax	(0.4)	(0.5)	
Capex	(0.8)	(1.0)	
Acquisitions/loan note issuance	(4.1)	(0.3)	Acquisition of Defined Health
Fund raise / share options	14.3	0.2	
Dividends	(2.5)	(1.7)	Impact of revised dividend policy
Forex Movement	(0.3)	(0.5)	Dollar denominated debt
Net debt movement	(1.6)	(0.6)	
Opening net debt	(5.1)	(4.2)	
Closing net debt	(6.7)	(4.8)	
Adjusted net debt: ebitda	1.20	0.92	

DIVIDEND

- Interim dividend up 5% to 1.05p (2016: 1.00p)
- Continuing growth trend of several years

DEFERRED CONSIDERATION

- c. £4.8m is best estimate, including Advantage Health (July deal) payable 2019-21

OPERATIONAL REVIEW

CELLO HEALTH: INTRODUCTION

Clinically-led commercial advisory services

22 of the top 25 global pharmaceuticals companies are clients

c. 500 professionals (scientific and/or industry backgrounds)

International footprint (US, UK)

£47.6m GP, £8.6m HOP (2016)

OUR CAPABILITIES

% of Cello Health
Gross profit (2017)



Understanding the customer, the market, the competition and client performance through primary data gathering 28%



Facilitating decision making on strategy/execution and configuring the organisation to deliver 22%



Generating clinical materials, regulatory submissions, and market engagement materials 33%



Consulting and data gathering on clinical devices, OTC and consumer engagement issues 17%

ORGANISATIONAL STRUCTURE

Stephen Highley - Chairman
Julia Ralston - CEO, USA
Jane Shirley - CEO, Europe
Jon Bircher - Chief Commercial Officer
Andy Brown - Finance Director

Cello Health
Global Board

UK

Farnham Hub
London Hub

US

Yardley Hub (PA)
New York Hub

San Francisco
Chicago
New Jersey
Boston

% of 2017 GP

57 %

43 %

GROWTH DRIVERS

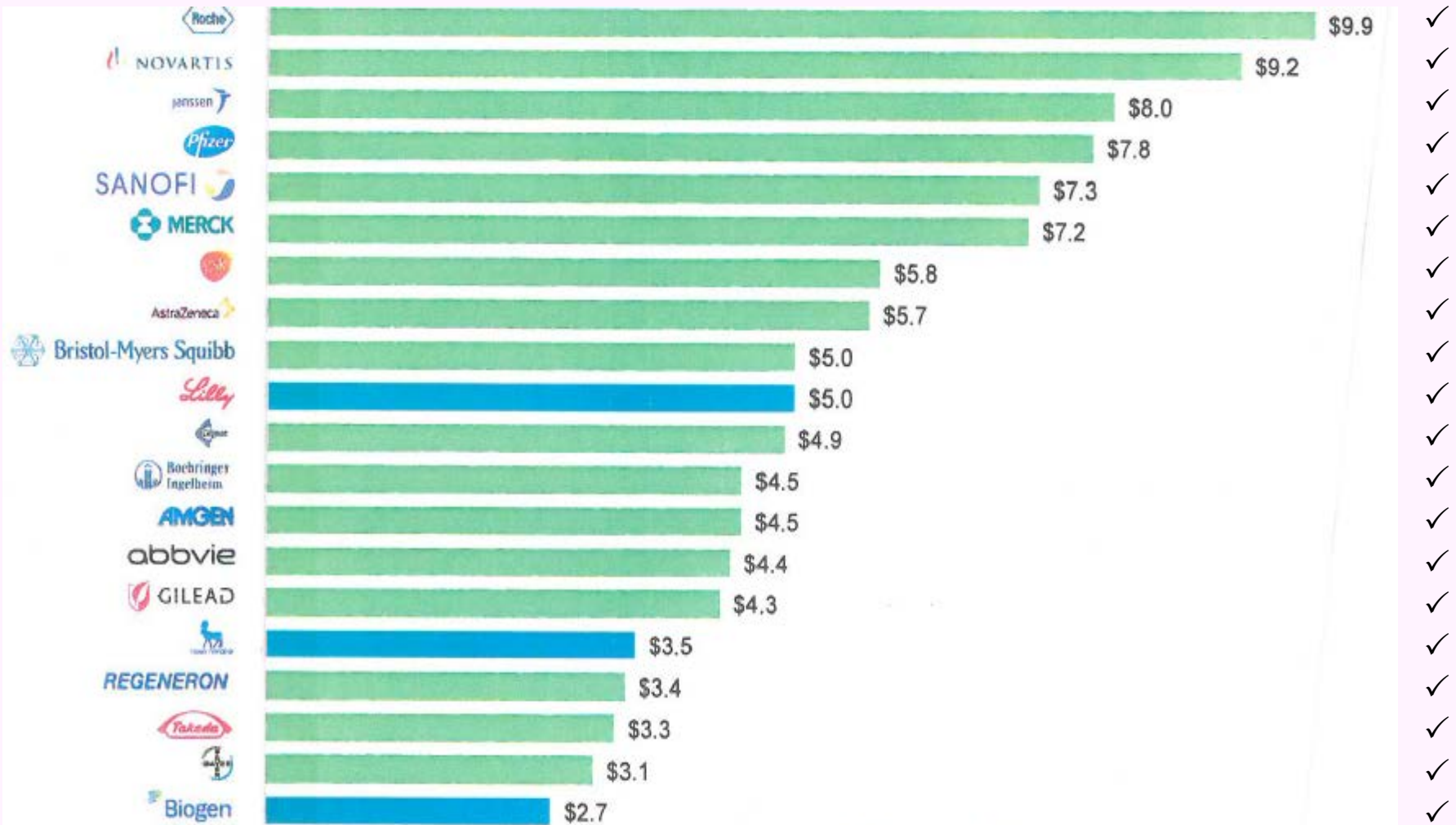
- Global R&D spend has been growing steadily and is forecast to reach \$182bn by 2022*
 - 3.7% CAGR in R&D spend 2006-2015
 - 7.6% CAGR in the number of new drug approvals since 2006
 - 7.4% CAGR in value of CRO market forecast 2015-2019
 - 13% increase in registered clinical trials 2015-2016

GROWTH DRIVERS

Firm

Projected R&D Spend by 2022 *
\$BN

Cello Health
Client



* Source: Evaluate Pharma 2016

GROWTH DRIVERS

The trend towards outsourcing in life sciences is well-established and growing

Healthcare Reform	Regulatory Reform	Globalisation
<ul style="list-style-type: none"> ➤ Continuous cost pressure accelerating propensity to outsource ➤ Reimbursement pressure and payer action 	<ul style="list-style-type: none"> ➤ Increased scrutiny through the product lifecycle (both in the US and the EU) ➤ Number and complexity of requirements are increasing 	<ul style="list-style-type: none"> ➤ Increasing importance of emerging markets ➤ Emerging markets (esp. Asia-Pacific) will contribute c.50% of pharma market by 2022
Technology	Customer-centricity	Patent Expiry
<ul style="list-style-type: none"> ➤ Increasing prevalence of Big Data and cloud based solutions ➤ Stakeholders more connected due to advances in internet technology and digital communications 	<ul style="list-style-type: none"> ➤ Increasing importance of patients as a central stakeholder ➤ Eco-systems of customers and influencers are forming around the patient 	<ul style="list-style-type: none"> ➤ EvaluatePharma estimates there are c.\$215 billion of sales at risk from patent expirations by 2020 ➤ On-going loss of patents remains a critical challenge for innovators

COMPETITION FOR ACQUISITIONS

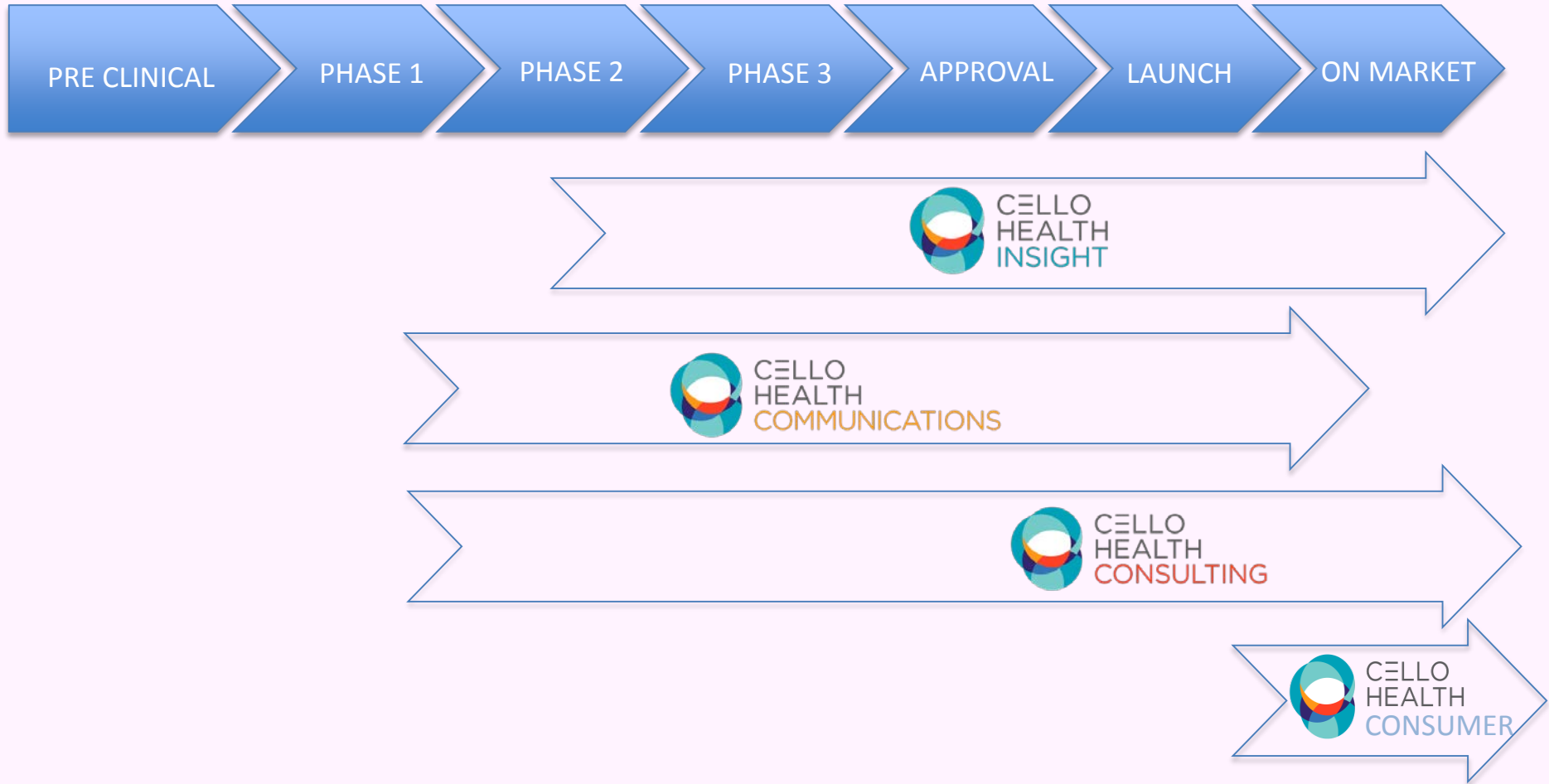
Increased complexity and market growth are driving activity by larger players

Major Quoted Companies	Market Cap (\$m)
Huntsworth Plc	260
Quintiles IMS Holdings	17,600
Inc Research Holdings	7,400
ICON Plc	5,349
Medidata Solutions, Inc	4,473
PAREXEL International Corporation	4,467
Catalent, Inc	4,223
UDG Healthcare Plc	2,105
Medical Innovations Holdings, Inc	1,868

COMPETITIVE ADVANTAGE

- One global brand – Cello Health – and one global resource base
- Commercial advice based on deep clinical competence creates entry barriers
- Shared business development resource
- Centres of excellence – office hubs
- Strong US focus
- Strong biotech capability to complement pharmaceutical core
- Collegiate philosophy driven by investment in training, recruitment and retention

COMPETITIVE ADVANTAGE



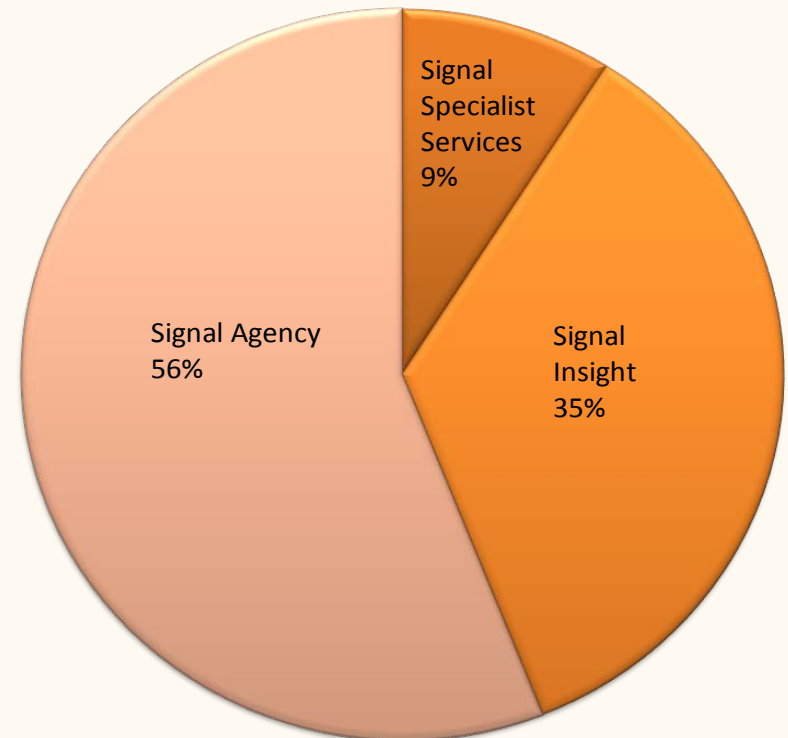
GROWTH IN 2017/18

- Continued addition of professionals, particularly in US
- Continued US office expansion – San Francisco and Boston
- Investment in consulting capability in US
- Push into quantitative research – IQ
- Launch of Pulsar Health product
- Collaboration with Cello Signal to deliver digital communications solutions in US and UK

CELLO SIGNAL - OVERVIEW

- Digital and social media marketing solutions for big corporates
- One core brand – Signal, under one global management board
- Blue chip global client base: Technology, Mobile, FMCG, Retail, Financial Services, Public Sector and Charities
- Strong technology underpinning and proprietary software licensing model
- Solid revenue stream and visibility
- Consolidated UK office structure: (Edinburgh, Cheltenham, London)

Share of 2016 gross profit



CELLO SIGNAL – BLUE CHIP CLIENT FRANCHISE

- Financial Services:



- Tech:



- Utilities:



- Gov & Charities:



PULSAR PERFORMANCE

	H1 2017	Full Year 2016
MRR (£'000)	430	317
# of Clients	310	256

- Retention rate increasing
- Average contract size increasing
- Evolving relationship with Facebook (Insight Partner status confirmed)
- Strong enterprise level client franchise
- Successful entry into US market
- Active deployment in healthcare space



SUPPORTING CELLO HEALTH

- Pharmaceutical and biotech clients increasingly using digital engagement processes, both to gather data and disseminate data
- A range of specialist digital competitors emerging
- Too expensive for CH to acquire businesses in this space
- Cello Signal already has active healthcare clients in addition to deep technical capability
- Major strategic initiative to leverage these skills into Cello Health

CELLO SIGNAL – GROWTH PLANS IN 2017 / 2018

- Margin enhancement through efficiency gains
- Focus on large, complex contracts
- Expansion of Pulsar, with US focus
- Support Cello Health with digital communications resource

SUMMARY AND GROUP OUTLOOK FOR 2017

- Strong growth in fee income in Cello Health
- Rapidly increasing exposure to US market, organically and via acquisitions
- Leverage of Cello Signal digital capabilities into healthcare
- Strong balance sheet
- Significant dividend increase
- Good 2017 outlook based on current pipeline

THANK YOU

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