

# 2014 FINAL RESULTS PRESENTATION

March 2015



C E L L O  
GROUP

# CELLO – AN INTRODUCTION

- We supply marketing advisory services to blue chip clients primarily in the pharmaceutical sector
- 2 businesses – Cello Health and Cello Signal
- Global infrastructure in Europe, USA and Asia
- c.1000 professionals
- Large, high quality senior management team organised as partnership
- 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

## 2014 HIGHLIGHTS

- Gross profit up 8.4% to £81.0m (2013: £74.7m)
- Headline profit before tax up 9.9% to £9.4m (2013:£8.5m)
- Headline operating margin 12.1% (2013: 12.2%)
- Like-for-like gross profit up 3.9%
- Full year dividend per share up 15.6% to 2.60p (2013: 2.25p)
- Acquisition of iS Healthcare Dynamics Ltd, Line Digital Ltd and Worldwide Promedica Inc in the year
- VAT provision made of £2.1m (before tax and client recovery) following substantial progress with HMRC

## SEGMENTAL ANALYSIS

	<b>2014</b>			<b>2013</b>		
	<b>Headline Gross Profit £m</b>	<b>Headline Operating Profit £m</b>	<b>Margin %</b>	Headline Gross Profit £m	Headline Operating Profit £m	Margin %
Cello Health	<b>40.0</b>	<b>8.5</b>	<b>21.2%</b>	35.6	7.6	21.2%
Cello Signal	<b>39.5</b>	<b>3.4</b>	<b>8.7%</b>	37.9	3.9	10.2%
Sub total	<b>79.5</b>	<b>11.9</b>	<b>15.0%</b>	73.5	11.5	15.6%
Central cost	-	<b>(2.1)</b>	-	-	(2.4)	-
Group	<b>79.5</b>	<b>9.8</b>	<b>12.2%</b>	73.5	9.1	12.2%

# CELLO HEALTH

	<b>2014</b>	<b>2013</b>	<b>% change</b>
£'000			
Headline Gross profit	<b>39,966</b>	35,632	12.2%
Headline operating profit	<b>8,464</b>	7,560	12.0%
Margins	<b>21.2%</b>	21.2%	-

- Like-for-like gross profit up 3.6% (2012: 6.4%)
- Margin 21.2% (2013: 21.2%)
- Client base robust and expanding globally
- Global footprint under one brand
- More evidence of successful joint pitching
- First contribution from iS Healthcare Dynamics Ltd
- Large \$7m contract won in December

# CELLO SIGNAL

	<b>2014</b>	<b>2013</b>	<b>% change</b>
£'000			
Headline Gross profit	<b>39,469</b>	37,873	4.2%
Headline operating profit	<b>3,433</b>	3,877	(11.5%)
Margins	<b>8.7%</b>	10.2%	

- Like-for-like gross profit growth of 4.2% (2013: 16.2%)
- Margin 8.7% (2013: 10.2%)
- Like-for-like growth driven by US Offices and digital, against tough comparator
- Impact of £0.4m Pulsar loss and minimal margin in fledgling US business
- Increasingly international footprint
- Acquisition of Line Digital Ltd in the year
- Below-the-line provision for VAT resulting from charities activity

# INCOME STATEMENT

	<b>2014</b>	<b>2013</b>
	<b>£m</b>	<b>£m</b>
<b>Gross profit</b>	<b>81.0</b>	<b>74.7</b>
<b>Headline operating profit</b>	<b>9.8</b>	<b>9.1</b>
Interest	(0.4)	(0.6)
<b>Headline profit before tax</b>	<b>9.4</b>	<b>8.5</b>
Restructuring costs	(0.5)	(0.5)
Start-up investment	(0.5)	(0.4)
Deal related costs	(1.3)	(0.7)
Amortisation	(1.0)	(1.2)
Share options	(0.2)	(0.2)
Provisions for VAT payable	(2.1)	-
<b>Statutory profit before tax</b>	<b>3.8</b>	<b>5.5</b>

# INCOME STATEMENT ITEMS

<b>Item</b>	<b>£'m</b>	<b>Comment</b>
Restructuring costs	0.5	Margin improvement
Start up investment	0.5	Overseas offices
Deal related costs and share options	1.5	Deal related liabilities (iS)
Amortisation	1.0	
Provision for VAT payable	2.1	Pre tax, pre client recovery. Material item agreed in principle, some less material items remain.



# BALANCE SHEET

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>£m</b>	<b>£m</b>
Goodwill	<b>73.4</b>	<b>71.2</b>
Intangible assets	<b>1.5</b>	<b>1.3</b>
Fixed assets	<b>2.3</b>	<b>2.2</b>
Deferred tax asset	<b>0.9</b>	<b>0.8</b>
Current non cash assets	<b>40.0</b>	<b>36.3</b>
Cash	<b>5.6</b>	<b>6.0</b>
Creditors < 1 year	<b>(40.8)</b>	<b>(40.1)</b>
Net current assets	<b>4.8</b>	<b>2.2</b>
Creditors > 1 year	<b>(13.4)</b>	<b>(9.4)</b>
Net assets	<b>69.5</b>	<b>68.3</b>

# CASH FLOW AND NET DEBT

	2014	2013	
	£m	£m	Comment
<b>Net cash inflow from operating activities</b>	<b>4.8</b>	<b>11.0</b>	
Interest	(0.4)	(0.5)	Reducing interest charge
Tax	(2.4)	(1.7)	Prior year charge paid in current year
Capex	(1.4)	(1.3)	Includes £0.3 R&D spend
Acquisitions/cash/loan note issuance	(1.6)	(0.8)	Net impact of iS Healthcare, Line Digital, Promedica
Dividends	(2.6)	(1.6)	Three dividends paid in year. 2014 Dividend up 15.6%. Five year record of >10%pa growth
<b>Net debt movement</b>	<b>(3.6)</b>	<b>5.1</b>	
Opening net debt	(3.6)	(8.7)	
<b>Closing net debt</b>	<b>(7.2)</b>	<b>(3.6)</b>	£20.0m RCF until March 2018. Extended in September 2014
<b>Closing net debt: ebitda</b>	<b>0.6</b>	<b>0.3</b>	Margin is 125-230 bps over LIBOR

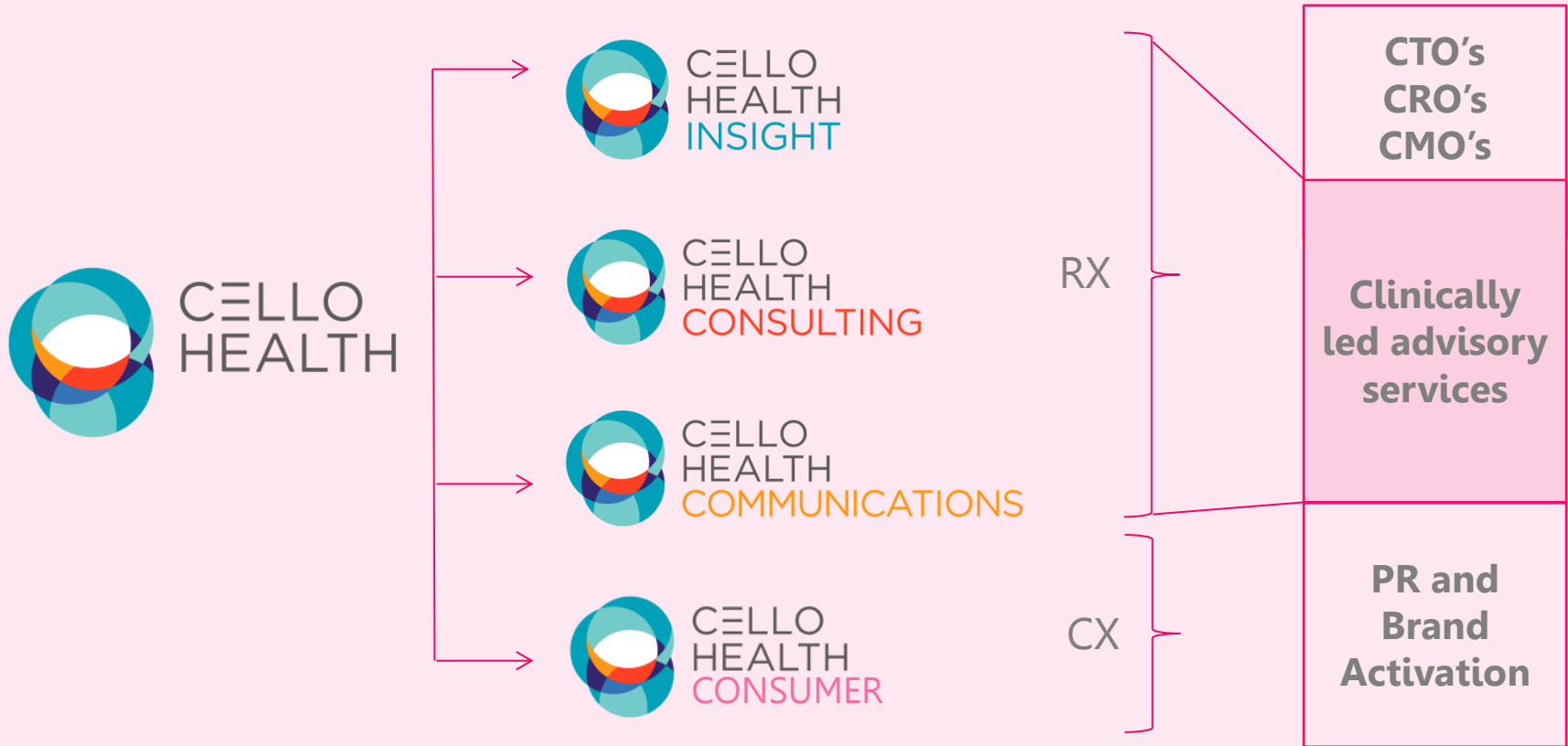
# CELLO HEALTH

[www.cellohealth.com](http://www.cellohealth.com)

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



# CELLO HEALTH: CAPABILITIES



# PHARMACEUTICAL INDUSTRY TRENDS

- Industry growth CAGR 2013-2020 of 5.1%<sup>1</sup>
- Record new US drug approvals (43% up on 2012)<sup>1</sup>
- Growth in Research and Development pipeline of 46%<sup>1</sup>
- 'Patent cliff' effect receding<sup>1</sup>
- 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 services<sup>2</sup>
- 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 buyers<sup>2</sup>

<sup>1</sup> 2014 Evaluate Ltd

<sup>2</sup> Berkery Noyes Investment Bankers

# CONTINUED CONSOLIDATION IN CLINICAL HEALTHCARE MARKETING SERVICES



(backed by Thomas H Lee Partners)



PUBLICIS GROUP UK

## 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 Health 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: MID TERM GROWTH STRATEGY

- 600+ professionals
- + core Biotech clients
- + web based analytics and communications capability
- 50% US; 50% other
- Organic growth, complemented with targeted acquisition

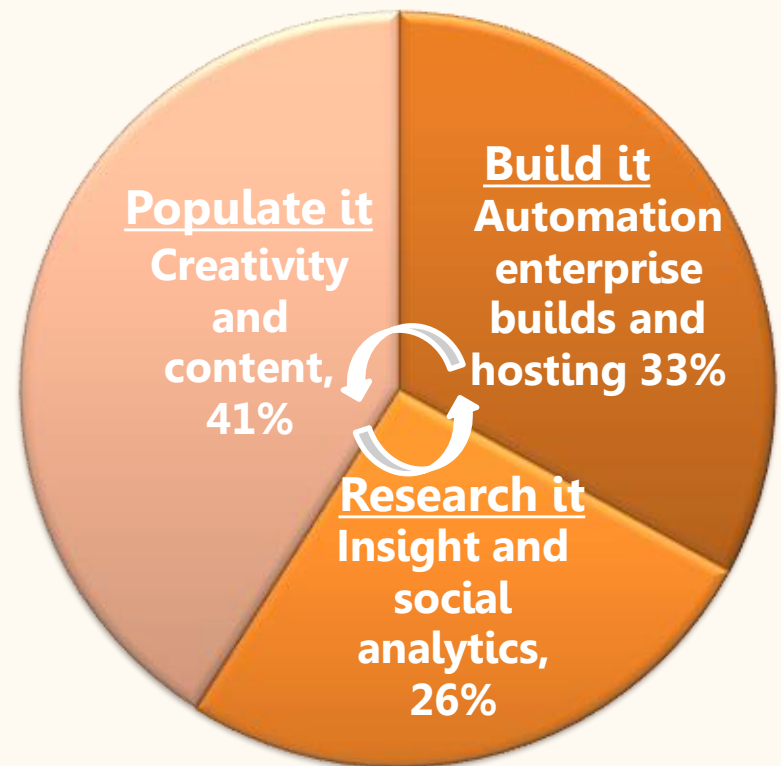


# CELLO SIGNAL

[www.cellosignal.com](http://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



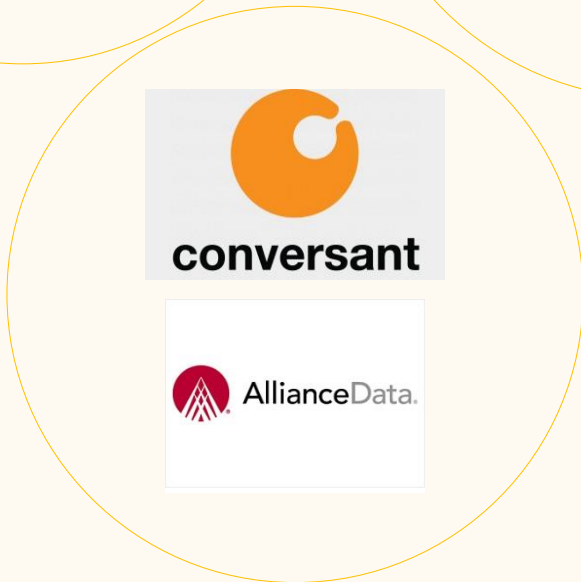
# CELLO SIGNAL: FOCUS ON SCALE CONTRACTS



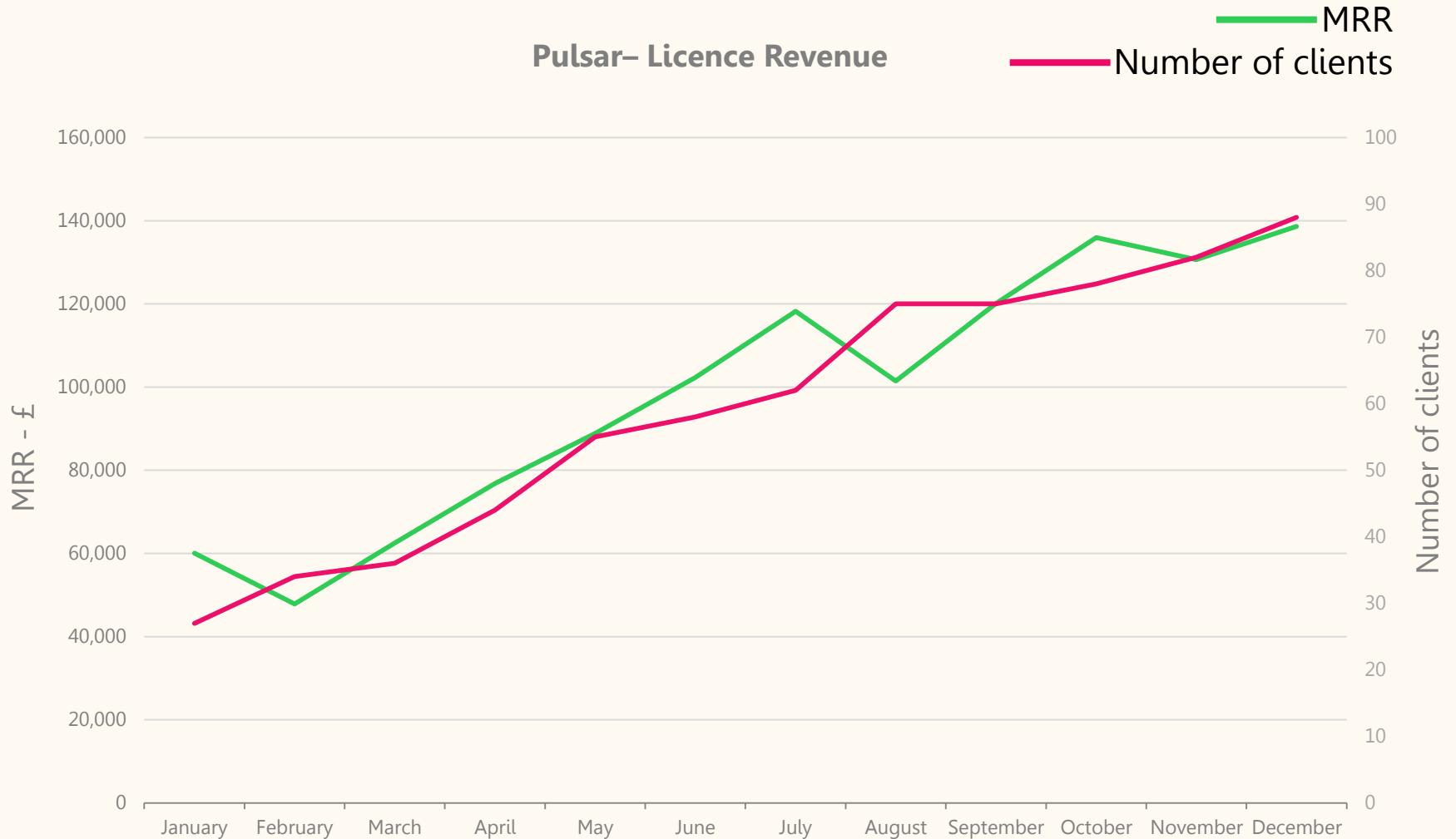
## CELLO SIGNAL: INDUSTRY TRENDS

- 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



# CELLO SIGNAL: PULSAR SOFTWARE LICENCE REVENUE



# CELLO SIGNAL: PLANNED DEVELOPMENTS IN 2015 AND BEYOND

- Focus on enlarging digital back end and social media front end
  - Continued investment in Pulsar
  - Entry into enterprise level builds via contract wins
- Continued focus on securing large scale contracts
- Continued focus on license subscription sales
- Continued focus on margin improvement (15% mid term target)
  - Margin improvement helped by reduced losses at Pulsar and raised margins in US business

## 2014 SUMMARY AND OUTLOOK FOR 2015

- Robust growth in fee income in both Cello Health and Cello Signal for 2014
- Long standing client relationships remain strong and growing
- Rapidly increasing international exposure
- Strong digital product offering
- Strong balance sheet
- Progressive dividend
- Confident 2015 outlook based on current pipeline

# THANK YOU

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Mark Scott, CEO

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