

PORTA

Communications with impact

May 2016

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ABOUT PORTA COMMUNICATIONS

- Founded in November 2011
- Porta is a holding company for a diverse group of rapidly growing international public relations and advertising agencies the majority of which were start-ups
- These agencies provide a global integrated multi-service, multi-product communications product
- Clients are increasingly looking for an integrated approach to communication - this is driving growth throughout the Group
- This organic growth has been supplemented by strategic income producing acquisitions
- All the key executives in the Group are either shareholders or option holders in Porta direct or through their own companies in the Group

2. OPERATIONAL HIGHLIGHTS

HIGHLIGHTS OF PRELIMINARY RESULTS FOR 2015

- Gross profit (fee income) up 39% to £26.9m (2014: £19.4m)
- Organic growth in gross profit of 14% against a low single figure sector average
- Reported EBITDA (after all costs) up 447%
- Number of clients up by 231 to 836 – an increase of 38%
- Headline EBITDA up 27% to £2.6m (2014: £2.1m)
- Headline profit before tax of £829,291
- Operating cash flow of £1.3m positive compared with £3.4m negative in 2014

KEYS TO SUCCESS - START-UPS AND SELECTIVE STRATEGIC ACQUISITIONS

- Built Group with seven start-ups
- Generated real value for shareholders
- Quality businesses at a fraction of an acquisition cost

Start-ups

Newgate Communications

London

Australia

Singapore

Hong Kong

Abu Dhabi

2112 Communications

13 Communications

- Strategic acquisitions to augment start-ups
- All are fully integrated into Porta Group
- Cash generative
- Accelerated growth plans

Acquisitions

Threadneedle Communications

Redleaf Communications

PPS Group

Publicasity

Capital Access Group

KEYS TO SUCCESS – AN INTEGRATED APPROACH

- Strong integrated platform which is:
 - Bonded by our equity culture right across the Group
 - Driving our above average growth in fee income on a consistent basis
 - Satisfying the changing needs of clients on an international basis
 - Attracting top quality executives in the industry

KEYS TO SUCCESS – AN INTEGRATED APPROACH

	Financial PR	Crisis	Corporate PR	Public Affairs	Research	Marketing & Advertising	Consumer PR	Narrative Building	Digital	Investor Relations
London										
Newgate Communications (Inc.PPS Group)	●	●	●	●				●	●	●
13 Communications							●		●	
2112 and Summit						●		●	●	
Redleaf Communications	●	●	●						●	●
Publicasity							●		●	
Capital Access Group									●	●
Australia										
Newgate Communications	●	●	●	●	●			●	●	●
Singapore										
Newgate Communications	●	●	●	●				●	●	●
Hong Kong										
Newgate Communications	●	●	●	●				●	●	●
Abu Dhabi										
Newgate Communications	●	●	●	●				●	●	●

3. DIVISIONAL ANALYSIS

HIGHLIGHTS OF TRADING YEAR

Newgate UK

- Integrated PPS and Threadneedle
- Rationalised business
- Closed:
 - Brussels
 - Frankfurt
 - Other teams
- Building for the future

Newgate Hong Kong

- Strong year advising on a number of contested situations, including hedge fund Elliott in its proxy battle with Samsung in South Korea

Newgate Australia

- Another outstanding year with 12% growth in fees and EBITDA margin of 27%
- Advised on Transgrid, the largest target government trade sale in Australian history
- Also advised on the biggest infrastructure project in Australia Sydney Metro Project
- Plans to double size of business

Newgate Singapore

- Solid performance in difficult competitive conditions



HIGHLIGHTS OF TRADING YEAR

Redleaf

- Gross profit up 22% at £3.5m and EBITDA up 27% at £1.08m
- Fees per head up 15% at £148k



Publicasity

- Good solid first full year under new management
- Fee income £2.7m
- Successfully integrated into Group



13 Communications

- Small consumer start-up which has won some nice clients and has now turned into profits on a consistent basis



2112 and Summit

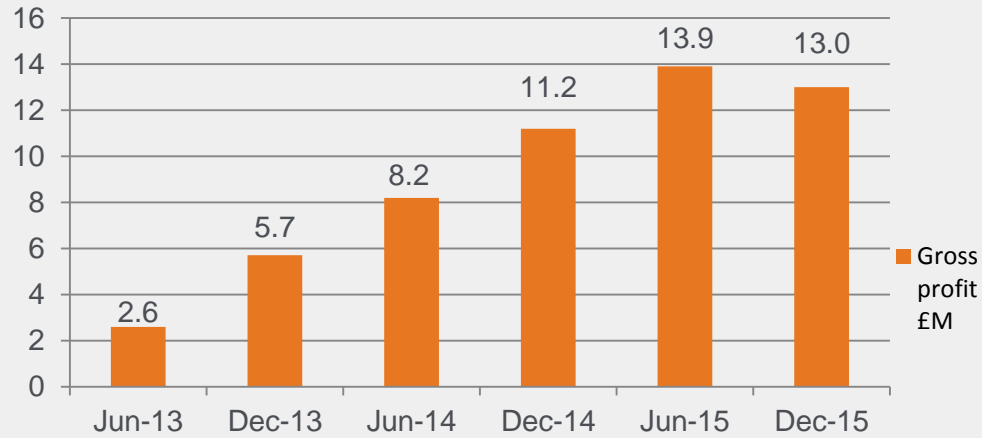
- On the back of some top quality client fee income rose 34% on year, but have yet to make a meaningful financial contribution to Group
- Substantial cost savings have been made
- 2112 handles Porta Group largest client BNY Mellon



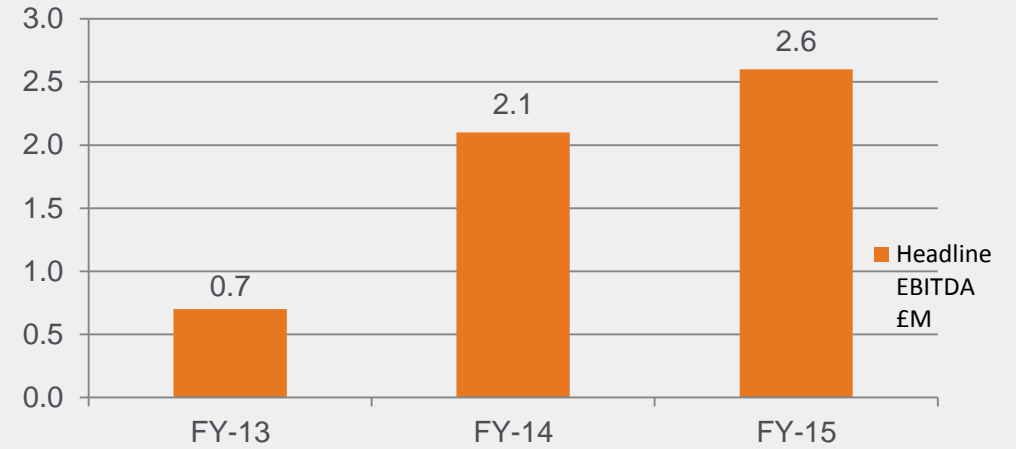
4. FINANCIALS

HEADLINE FINANCIALS

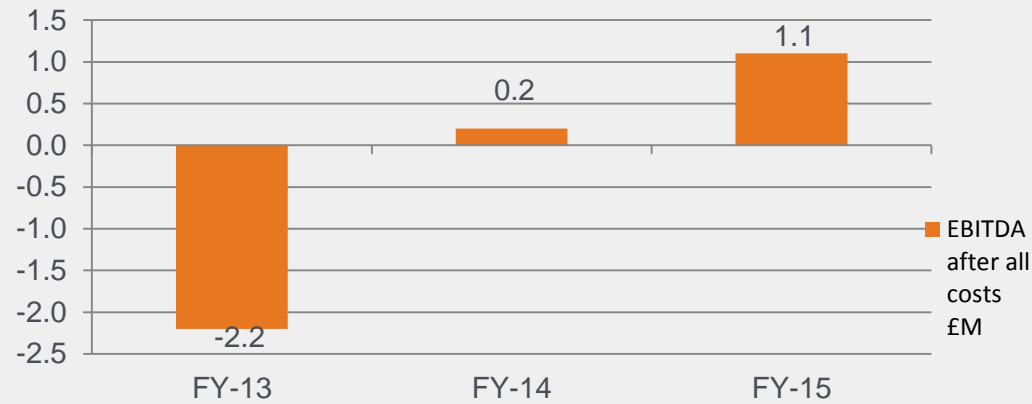
Gross Profit



Headline EBITDA



Reported EBITDA



HEADLINE EBITDA

£000	FY-13	FY-14	FY-15
Reported EBITDA – post central costs *	(2,211)	196	1,072
Exceptionals:			
Start-up losses	2,160	613	0
Acquisition costs	24	272	37
Non-recurring property costs	0	323	86
Restructuring costs	184	190	756
Legal & professional costs	481	276	341
Share based payments	100	186	315
Total exceptionals	2,949	1,860	1,535
Headline EBITDA – post central costs	738	2,056	2,607

* The IFRS gain on acquisition of £475k is removed from the FY-14 reported EBITDA for comparative purposes

HEADLINE PBT

£000	FY-13	FY-14	FY-15
Reported EBITDA – post central costs *	(2,211)	196	1,072
Amortisation and depreciation	(426)	(1,448)	(2,718)
Finance expense (net)	(468)	(688)	(1,242)
Share of loss in associates	(27)	(7)	(25)
Reported PBT – post central costs *	(3,132)	(1,947)	(2,913)
EBITDA exceptionals	2,949	1,860	1,535
Amortisation on acquired intangibles	257	1,042	2,207
Headline PBT– post central costs	74	955	829

* The IFRS 3 gain on acquisition of £475k is removed from the FY-14 reported EBITDA and PBT for comparative purposes

PRELIM RESULTS BY DIVISION

£000	FY-14	FY-15	FY-14	FY-15	FY-14	FY-15
	Communications		Marketing & Advertising		Total Operations	
Gross profit (fee income) *	16,714	23,533	2,540	3,415	19,254	26,948
EBITDA – reported	1,955	3,289	(38)	(386)	1,917	2,903
Exceptionals	573	890	257	187	830	1,077
One-off group entrance fee	920	0	105	0	1,025	0
Headline EBITDA	3,540	4,179	365	(199)	3,905	3,980
Central Costs					(1,721)	(1,831)
Exceptionals					1,030	458
One-off group entrance fee					(1,025)	0
Headline EBITDA – post central costs					2,056	2,607
Headline EBITDA margin	21.1%	17.7%	14.4%	-5.8%	10.7%	9.7%

* Total reported gross profit in FY-14 of £19,405k includes £110k of fees in Head Office related to the Brussels practice

GROSS PROFIT (FEE INCOME) BY BUSINESS

£000	FY-13	FY-14	FY-15
Communications			
Newgate (UK/Europe)	5,043	5,535	4,197
Newgate Australia	2,296	6,466	6,505
Newgate Singapore (10 months in FY-14)	0	605	721
Newgate Hong Kong	0	0	1,358
Newgate Abu Dhabi	0	0	265
13 Communications	49	265	405
Redleaf (9 months in FY-14)	0	2,250	3,515
PPS Group (3 months in FY-14)	0	1,154	3,873
Publicasity (2 months in FY-14)	0	439	2,694
Total Communications	7,388	16,714	23,533
Growth YOY	115.8%	126.2%	40.8%
Marketing & Advertising			
2112	781	2,230	2,838
Summit	219	311	577
Total Marketing & Advertising	1,000	2,540	3,415
Growth YOY	-20.1%	154.0%	34.4%
Total Operations	8,388	19,254	26,948
Growth YOY	79.4%	129.5%	40.0%

BALANCE SHEET

£000	FY-13	FY-14	FY-15
Non current assets	10,330	22,518	21,618
Current assets:			
WIP	2,320	1,115	925
Receivables	7,829	7,761	7,326
Cash	2,545	1,791	1,787
Discontinued operations	0	3,434	0
Total current assets	12,694	14,101	10,038
Current liabilities:			
Payables/liabilities	(8,758)	(7,193)	(8,565)
Loans	(2,815)	(4,575)	(4,956)
Overdraft	(1,211)	0	0
Discontinued operations	0	(3,434)	0
Total current liabilities	(12,784)	(15,202)	(13,521)
Non current liabilities	(3,917)	(6,123)	(6,516)
Net assets	6,232	15,294	11,619

CASH FLOW

£000	FY-13	FY-14	FY-15
Profit / (loss) before taxation	(3,132)	(1,947)	(2,913)
Loss from discontinued operations	63	(2,530)	(352)
Depreciation and amortisation	595	1,620	2,718
Tax Paid	(7)	(219)	(1,019)
Rent deposit	0	(1,000)	0
Finance costs (net)	545	712	1,241
Share based payment expense	100	186	315
Changes in working capital (incl FX gain/loss)	(2,651)	(219)	1,353
Cash flow from operations	(4,487)	(3,397)	1,343
Fixed/intangible assets	(260)	(644)	(353)
Acquisitions – net of cash acquired	(483)	(3,117)	49
Dividends (NCI)	(63)	(341)	(728)
Interest (net)	(79)	(49)	15
Net proceeds from fund raise	5,434	6,595	0
Proceeds from loans	2,800	3,000	1,711
Loan repayments	(1,000)	(2,577)	(1,897)
Lease repayments	0	(97)	(134)
Discontinued operations	(86)	(123)	0
Net increase (decrease) in cash	1,776	(750)	6
Beginning cash	778	2,545	1,791
Effect of FX	(9)	(4)	(10)
Cash balance	2,545	1,791	1,787

NET DEBT

£000	FY-13	FY-14	FY-15
Non current			
Discounted bond	(2,224)	(2,518)	(2,813)
Secured bank loan	(650)	0	0
Finance lease	(15)	(305)	(229)
Total non current	(2,889)	(2,823)	(3,042)
Current			
Loans - related party	(450)	0	0
Loans	(2,361)	(2,934)	(4,755)
Loan notes	0	(1,557)	(100)
Finance lease	(4)	(81)	(101)
Total current	(2,815)	(4,575)	(4,956)
Total debt	(5,704)	(7,395)	(7,998)
Cash	2,545	1,791	1,787
Net debt	(3,159)	(5,604)	(6,211)

5. THE PLAN FROM HERE

STRATEGY

Based on a very stable platform of businesses which will continue to generate strong growth the Group objective is to:

- Continue to develop our integrated model within our equity partnership structure
- Attract the best executives and clients
- Continue to outperform the sector
- Reduce the impact of debt/interest
- Consider strategic acquisitions that add value, enhance the product mix and accelerate growth

OUTLOOK

- Trading ahead of budget in first quarter of 2016
- Slowdown in project work ahead of the EU referendum in the UK makes it difficult to predict the outcome for the next three to four months
- Organic growth expected to comfortably outperform sector in 2016
- Exceptional costs expected to be significantly lower in the current year
- Further senior hires planned

6. THE PRESENTATION TEAM

PRESENTATION TEAM



David Wright
CEO and Founder of Porta

- Founded Citigate in 1988 – created international PR network
- 1997 Incepta/Citigate reverse – became CEO and subsequently Chairman
- Left Incepta in 2003/4 having created a global business which was merged with Huntsworth plc in a transaction worth £195m



Gene Golembiewski
Group Finance Director

- Started career as Certified Public Accountant in the U.S. at Touche Ross & Co
- Switched to marketing services and joined Omnicom owned Ketchum, becoming the International Finance Director
- Joined Gavin Anderson & Co as Worldwide CFO and COO in 1997
- Joined Porta in 2013

PRESENTATION TEAM



Steffan Williams **Group Managing Director**

- Previously founded Capital Communications in 2001, taking it to become a top ten player within the EMEA region. He then sold it to Publicis Groupe and went on to lead MSLGroup's Strategic Communications business across the EMEA region.
- Most recently, he was a Partner at Finsbury where he worked on a number of high profile M&A transactions such as Holcim/Lafarge, Greene King/Spirit and Crown/Rexam.
- Joined Porta in 2015

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7. Appendix

FINANCIAL PR VALUES

- Quotes from the FT on 6th May 2016 ‘Financial PR spins a new global story’



“ Leading financial communications companies from New York to Hong Kong are responding to growing demand for ‘whisperers’ with global, political and digital nous. Nowadays, PR firms are expected to craft a corporate narrative that works across different markets, to handle complex relations with governments whose interests often diverge and to provide rapid-response crisis management. ”

“ ‘As financial media becomes more international and increasingly complex, clients want financial PR firms like Brunswick with global footprints and political connections,’ says Frank Aquila, a Sullivan & Cromwell lawyer who has worked on deals including Kraft’s merger with Heinz and InBev’s acquisition of Anheuser-Busch. ”

“Richard Barton, managing director at Newgate Communications in Hong Kong, agrees that local expertise can sometimes be crucial. ‘It’s surprising that distant corporate headquarters can still sometimes underestimate local issues, which have the ability to blow up and derail a deal’ he says.”

OUR OFFICE AND NETWORK COMPANIES

