

# re-port

## Chairman's Statement



### Summary of Results

	2009 £m	2008 £m	% Change
Operating Income	<b>123.1</b>	112.1	+10%
Operating Profit <sup>2</sup>	<b>20.1</b>	18.2	+10%
Operating Profit Margin <sup>2</sup>	<b>16.4%</b>	16.3%	
<b>Organic<sup>1</sup></b>			
Operating Income	<b>120.7</b>	112.1	+8%
Operating Profit <sup>2</sup>	<b>19.5</b>	18.2	+7%

### Review of Operations

Overall the Group performed extremely well in 2009. The Group acted for 1,389 clients in 2009 compared to 1,381 in 2008. 230 of these clients used more than one of our businesses (256 in 2008) which represented 70% of total operating income (2008 – 66%).

150 clients paid us over £100,000 in 2009, compared to 170 in 2008. Our top 30 clients represented 57% of total operating income (2008 – 48%).

Our two largest clients represented 22.3% of our operating income (2008 – 18.4%). Both clients have been retained since 2003, are high margin and have normal renewal terms. They are both covered by more than one contract covering the various different services provided to the client so that the ending of one contract would be unlikely to lead to all contracts for the same client coming to an end.

Average fee income per client in 2009 was £89,000 compared to £81,000 in 2008. Average income per employee was £118,000 in 2009 compared to £111,000 in 2008. In 2009, 46% of our income came from overseas work compared to 37% in 2008.

### Divisional Performance

2009 was a good year for the Public Relations Division, the Advertising and Marketing Services and the Sports Marketing Divisions, but a disappointing one for our Research Division.

Public Relations continues to be our largest division being 54% of operating income (2008 – 55%), Advertising and Marketing Services was 27% (2008 – 27%), Sports Marketing was 14% (2008 – 12%) and Research 5% (2008 – 6%). The full year impact of the Essentially acquisition should mean that Sports Marketing should be about 20% of Group operating income in 2010.

**“We outperformed the market and our competitors in 2008 and we have done so again in 2009. These are our best results ever and we are very pleased and delighted. We have made three acquisitions, controlled costs and strengthened our existing business. 2010 has started well and we are cautiously optimistic for the outcome of the full year.”**

**Public Relations – Bell Pottinger Group including Good Relations, Harvard and Insight**

	2009 £m	2008 £m	% Change
Operating Income	<b>66.8</b>	61.3	+9%
Operating Profit	<b>13.9</b>	12.1	+15%
Operating Profit Margin	<b>20.8%</b>	19.7%	

Overall the division showed good revenue growth with strong cost control which resulted in an improved margin. Some businesses were affected by the downturn but this was more than offset by other businesses performing beyond our expectations, notably our geopolitical business, Corporate Citizenship and Good Relations.

**Advertising and Marketing Services – VCCP Group and Teamspirit**

	2009 £m	2008 £m	% Change
Operating Income	<b>33.3</b>	30.2	+10%
Operating Profit	<b>4.0</b>	3.5	+14%
Operating Profit Margin	<b>12.0%</b>	11.6%	

Operating income continued to grow whilst costs have grown at a slower rate leading to an improvement in operating profit margin. We believe this trend can continue.

There was a strong performance from VCCP both in the UK and Germany, as well as our digital and search businesses. Teamspirit, our financial services marketing business, performed ahead of our expectations and well ahead of 2008.

**Sports Marketing – Fast Track and Essentially**

	2009 £m	2008 £m	% Change
Operating Income	<b>17.2</b>	13.6	+26%
Operating Profit <sup>2</sup>	<b>3.5</b>	2.8	+27%
Operating Profit Margin	<b>20.6%</b>	20.5%	

The 2009 results include two months of the acquisition of Essentially and a full year of Fast Track. 2008 relates only to Fast Track. The integration of Fast Track and Essentially is going well and both businesses have continued to grow. The Fast Track business in the Middle East has done particularly well.

These are high margin businesses in a marketplace that we believe will continue to grow despite the economic uncertainty.

**Note:**

2. Before taking account of amortisation of acquired intangible assets (£0.3 million, 2008: £0.1 million) and costs relating to acquisitions (£0.2 million, 2008: £nil).

**Research – The Research Group**

	2009 £m	2008 £m	Change %
Operating Income	<b>5.8</b>	7.0	-17%
Operating (Loss)/Profit	<b>(0.2)</b>	0.4	–
Operating Profit Margin	<b>–</b>	5.4%	

The Research Division remains very disappointing. The marketplace has been affected by the economic downturn but our businesses have also underperformed.

Within the division Facts International has performed very well and we are using that business and its management as a basis for restructuring the whole division.

The acquisition of Tree will provide additional opportunities for growth and we expect the division as a whole to show a profit in the first six months of the year and continue to grow thereafter.

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## Operational Highlights of the Year

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- 54 awards across the Group in 2009, most notably
  - VCCP: winner of Marketing's Creative Agency of the Year, Campaign's Campaign of the Year and 3 British Television Advertising Awards; Resonate: Gold Cannes Lion; Good Relations: Gold Cannes Lion; Fast Track: Gold at the Sports Event Management Awards; Teamspirit: 2 Golds, 2 Silvers and 2 Bronzes at Money Marketing Awards; BMT: 7 awards at the MAA Globes.
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- Bell Pottinger retained its position as No. 1 in the 'PR Week' League Table.
  - Fast Track remains No. 1 in 'Marketing' Sponsorship League Table.
  - Emirates' sponsorship of the Rugby 7's World Cup in Dubai.
  - The Home Office's Alcohol Awareness campaign.
  - The Government's Sexual Health campaign.
  - Winning consultancy work for four 2012 Olympic Games partners.
  - VCCP Health's appointment as a roster agency for Merck Sharp and Dohme.
  - The winning presidential election campaign in Gabon.
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## Chairman's Statement (continued)

### Corporate activity

We have completed the acquisition of Tree (London) Limited (Tree) following the announcement that we had entered into the Heads of Terms on 15th January 2010. Tree is a research and data analytics company which we have acquired from Cagney plc for £2 million in cash. The transaction has been funded from the proceeds of a cash placing made on 15th January 2010.

During 2009 we acquired the sports marketing business, Essentially, and we merged Pelham Public Relations, a financial public relations business, with our existing Bell Pottinger Corporate and Financial business.

These three businesses will enhance the range of services we can offer to our clients and will give us additional opportunities for growth in 2010 and beyond.

### Corporate and Social Responsibility

The Group continues to be carbon neutral and reduced its carbon footprint by 42% in 2007 and 2008. We are expecting to have reduced it by a further 5% during 2009. We continue to consider and enhance the environmental impact of our businesses and are working closely with our major suppliers to ensure best practice is embedded in our wider operations. We continue to be included in the FTSE4Good and have been re-accredited with a Big Tick by Business in the Community for our work on climate change.

- Winning Nokia's public relations.
- Winning npower.
- Promoting the economic profile of Bahrain within the region and global markets.
- The Department of Health's organ donation campaign.
- Winning Alibaba.com in Parmigan Bell Pottinger.
- Winning the search marketing for Virgin Money, Sage and Hiscox.
- Winning O2 in the Czech Republic and Slovakia.
- Winning Coca-Cola Enterprises corporate public relations.
- Developing the Hepatitis C campaign for the Department of Health.

- Launching Legal and General's new campaign.
- Enabling Texaco to become an official partner of the Football League.
- Launching Mubadala's Formula 1 website.
- Announcing Duchy Originals' exclusive deal with Waitrose.
- Promoting Paul Bell as Chief Executive of Bell Pottinger Group.
- Welcoming Michael Edge as Head of Digital at VCCP from AKQA.
- Welcoming former member of Shadow Cabinet Tim Collins as Managing Director of Bell Pottinger Public Affairs.

## Outlook

Part of our 2009 strategy was to strengthen our existing business ready for any upturn in the 2010 market. We believe this strategy will be beneficial for 2010. Highlights are:

- We have considerably improved our financial public relations offering through the merger with Pelham. In the first quarter this business has increased its income and its new business conversion has been very good.
- Our public affairs business has had a record start to the year following the appointment of Tim Collins as Managing Director to work alongside Peter Bingle, the Chairman.
- The whole Public Relations Group has been strengthened by the promotion of Paul Bell to Chief Executive alongside Kevin Murray, the Chairman. Paul previously ran our most successful public relations business, Bell Pottinger Sans Frontieres.
- We acquired Essentially which is now being integrated with Fast Track. This year's results show the Sports Marketing Division separate from the Advertising and Marketing Service Division in order to highlight its growth potential for 2010.
- The management of our Research Division has been changed. We have appointed Crispin Beale as Chief Executive. Crispin, together with his Chairman Nick Lamb, more than doubled the profits of Facts International in 2009. We are confident the Division will return to profitability and will once again become an important part of our total business.
- We have completed the acquisition of Tree which will become part of the Research Division and will supply our clients with a service not previously available within the Group.

- Following winning Marketing Magazine's agency of the year and Campaign magazine's 'campaign' of the year, VCCP is receiving a record number of new business opportunities. VCCP has won TCP, Jungle Formula and Gatwick Express already this year and has opened an office in the Czech Republic to service both the Czech Republic and Slovakia for O2.
- We will continue our policy of controlling our costs, increasing the proportion of our costs that are variable and we are targeting an improvement in our margin.
- We will continue our policy of considering earnings enhancing acquisitions that expand our range of services and starting up new businesses to service our existing client list.
- We are well funded and continue to be very cash generative.

All in all we are cautiously optimistic for the outcome of 2010.

**Lord Bell**  
Chairman  
10th March 2010