resultsINTERNATIONAL

BULLETIN

GLOBAL LEADERS IN CREATING AND REALISING VALUE WITHIN THE MARCOMS AND DIGITAL MEDIA INDUSTRY

Bulletin
Overview

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Transformation in the eye of the storm

Much has changed in the global markets over the past twelve months, and in fact much continues to change. However, through the challenges, new opportunities are emerging.

Lending has screeched to a halt and equity markets have plummeted. In 2008, the NASDAQ, FTSE and Nikkei were down 41%, 31% and 45%, respectively. These trends have led to a lack of currency to fuel acquisitions. Furthermore, change of control provisions in existing debt facilities are effectively a poisoned pill since the cost to refinance is prohibitive. As a result, global M&A volume slowed – down 30% in 2008, including inflated deal volume from banking mergers, and the expectation is for another 25-30% decline in 2009.

In the marcoms sector, 2008 operations were somewhat buffered by the quadrennial effect. However, valuations have been very negatively impacted by the high degree of uncertainty looking forward. Magna, ZenithOptimedia and Group M Futures continue to revise their 2009 global ad spend forecasts and now expect a decline of 0.2-0.3%.

The third quarter earnings releases of the large advertising networks and the online advertising leaders also capture this dynamic. Maurice Levy (Publicis): "We have entered a turbulent zone and it is very difficult to predict the intensity or duration of that turbulence." Michael Roth (IPG): "As the crisis begins to impact the global economy, we're seeing it beginning to weigh on marketers' plans for both Q4 and 2009. This makes the prospects of a slowdown in client spend more of a risk." Martin Sorrell (WPP): "There is no doubt that the disintegration in the financial markets has had and will continue to have, a significant negative effect on consumer and corporate confidence. As a result, 2009 will be a very tough year." John Wren (Omnicom): "No one could have anticipated the current credit crisis or the

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TRANSFORMATION IN THE EYE OF THE STORM

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unprecedented volatility that's created in the financial markets. We are in the process of trying to assess the impact these events will have on advertising spending for the first half of 2009." Eric Schmidt (Google): "It is clear that the economic situation is so fluid, that we are all in uncharted territory." Susan Decker (Yahoo): "We're anticipating slower online advertising growth in Q4 and into 2009 as the real economic impact of recent capital market dislocation takes hold." Many of these comments have been followed by redundancy announcements.

Now to some good news. A clue lies in the share prices of the quoted marcoms companies, which are now so far below their value fundamentals that companies can, and arguably sometimes need to take bold and often painful decisions. Strategic initiatives that have been thwarted in recent years by valuation differentials may become more viable. Aegis finally merging with Havas, for example, or a major online agency acquiring a traditional offline agency to meet ever-increasing pressures for fully integrated client solutions.

There is, of course, the problem of funding. Cash may continue to be scarce, but the willingness of private equity firms to make counter-cyclical investments is apparent, particularly those comfortable to work without leverage. Some of the more transformational deals may simply involve shares. Assets may be bartered between owners and both horizontal and vertical mergers may be seen.

It is ironic that in the midst of a gathering recession, we could be about to see some cathartic transactions that will significantly alter the competitive landscape. Fresh opportunities could be created for this inherently entrepreneurial industry that will feed renewed investor interest as the economic cycle motors forward again.

Meanwhile digital marketing continues to be an area to see at least some continuing signs of growth. Internet advertising spend is actually expected to surpass broadcast television advertising spend in the UK in 2009 and in the US by 2011, and many clients are demanding cross-platform solutions. Almost all companies are prioritising data-driven initiatives and acquisitions. Meaningful impact from mobile, in-game and social network advertising continue to be a theme for the longer term, but there are critical thresholds in sight. In mobile, Nielsen recently indicated that over 15% of US mobile subscribers actively use the mobile internet with UK (13%) close behind. In-game advertising is also now being measured by Nielsen and got a publicity boost this fall when a billboard featuring a message from then US presidential candidate Barack Obama was placed in the driving game "Burnout Paradise". In social networking, a recent study by Accenture indicated that close to 70% of companies surveyed expect to make money from user-generated content within the next three years with ad-supported sponsorships expected to be the most prevalent business model.

Other areas that will become increasingly relevant in a world where the trend is towards on-demand media include getting closer to the consumer through the retail experience and branded content advertising where consumers are engaged in targeted and measurable ways. CRM and loyalty marketing are segments that will find some benefit from a downturn in the economy with focus on retaining the customers.

Emerging markets are also still attractive. In India and China, growth rates have come down from well into the double digits but remain in the mid to high single digits. Talented and innovative startups that emerged after initial waves of consolidation 5+ years ago are starting to mature and seek foreign investors or acquirers.

Overall, 2009 is looking like a time to be cautious but opportunistic. Just like smart marketers should take advantage of a challenging economic climate to build market share, marcoms and new media leaders should continue to look for growth and pursue transactions that are driven by strong strategic rationale. For independent firms evaluating strategic alternatives, there will be value for those that are well positioned to continue innovating whilst navigating the economic turmoil.

60 SECONDS WITH CEO, INTERNATIONAL, MIKE PITTS

Q: What brought you to specialise in the marcoms industry?

A: *It is an exciting, ever-changing, innovative industry. Marcoms and new media has also been a theme of much of my experience as a M&A advisor.*

Q: What do you think are the greatest challenges facing businesses today?

A: *Staying focused on creating long term value in a time of economic uncertainty and extreme financial market volatility.*

Q: In your opinion, what are the hot sectors to watch?

A: *Data-driven models, including social network mining, as well as cross-segment integrated businesses and getting closer to a real tipping point in mobile.*

Q: How do you view the industry in 10 years time?

A: *Highly fluid across geographies, very mobile and interactive.*

Q: What do you do for fun when you're not at work?

A: *Work is fun when you have a great team and interesting clients. My 2-year old son also keeps me very entertained.*

Q: How would you describe life at Results International?

A: *Unique, diverse, full of opportunity.*

Q: And your final word?

A: *Get to know the Results team … it will be worth it!*

Please contact Mike Pitts at mpitts@resultsig.com if you would like to get in touch.

BARRIE BRIEN
CFO/COO OF CRESTON
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GUEST ARTICLE

HOW TO LEAD YOUR AGENCY IN TROUBLED TIMES

One of Warren Buffet's well known quotes is: "Only when the tide goes out, do you discover who's been swimming naked". This really gets to the heart of the issue of whether the business has been built for sustainable growth; or simply ridden the wave of good fortune as the markets have grown on the back of their own exuberance.

Leading your agency in troubled times, should not be materially different from leading your agency in the good times. Leadership involves many attributes: understanding the drivers of developing trends, setting the vision of the company, investing in the client offer to drive revenue and client retention, and finally managing the cost base to preserve a respectable margin.

Continuous investment in your client offer and people – whatever the general economic conditions is crucial to generate a sustainable competitive advantage for your agency and your clients. We are in a dynamic industry with changing trends and technology, consequently clients quite rightly constantly challenge their agencies to ensure they are getting the best accountable, strategic and creative product. If you can make a compelling difference to a client's business because your offer is at the cutting edge of the industry, then you will continue to grow your revenue and gain market share.

The other half of the profit equation is the operating cost. Closely managing your cost base in line with projected revenue is essential at any stage of a company's life cycle. One must never fall into a comfort zone and allow the company to become FDH (fat, dumb and happy). It is clearly a more difficult challenge to manage your cost base in troubled times but as our industry increasingly moves to a consultancy-based business model, you clearly need the right talent in place to maximise your fees to a client. Cutting costs to maintain a profit, as many groups in our industry do, usually ends in a poorer level of service, reducing revenue and consequently a vicious downward spiral that is difficult to break. There is no doubt that a company needs to make a profit. Profit generates cash flow, money to invest in the business, rewards for the agency and therefore a healthier company. This is why never losing money must be Rule number 1, and Rule number 2 must be not to forget Rule number 1.

There is no doubt that leading your agency in troubled times is more testing. It is during these difficult times, when operating costs are under pressure, that leadership must embody all you are asking for from your agencies. Leadership that demonstrates your willingness to sacrifice is essential, if that is what you are asking from your people. However, confident leadership that continues to focus on the client offer plus the future changes in the industry, is paramount to ensure your company is at the forefront of the competition during the tough times and at the start of the eventual recovery.

GROWTH IN CHALLENGING TIMES

INVESTING IN PERFORMANCE, TALENT AND NEW TECHNOLOGIES

In September 2008 key industry players from around the globe came together at the W Hotel in New York for Results' annual international conference.

A packed auditorium listened intently to fifteen different speakers over the course of two days, sharing their views on various aspects of the industry, with the key theme being how to stay ahead in a dynamic and increasingly global industry.

The line up of speakers included:

- Andrew Robertson, President & CEO of BBDO Worldwide
- Ian Millner, CEO, iris Worldwide
- Ben Fox, VP, Adconion
- Don Scales, CEO, iCrossing
- Dan Parker, CD, Sponge
- Steve Gatfield, CEO Lowe Worldwide/IPG
- Tom Harrison, Chairman & CEO, DAS Global, Omnicom Group Inc.
- David Verklin, CEO, Canoe Ventures
- Lori Bellows, Senior Legal Council, Nokia
- Andrew Benett, Global Chief Strategy Officer, Euro RSCG
- Geoff Hamlin, Partner, Cartesian Capital Group
- Antonio Fadiga, CEO, Fischer America
- Brian Wieser, CFA/SVP Magna (Interpublic)

If you'd like to view the conference webcast please contact us at alurssen@resultsig.com

TIM BOURNE and ROBIN GADSBY

CEO and MD OF EXPOSURE respectively

www.exposure.net

GUEST ARTICLE

HOW TO BE TRULY INTEGRATED

There's no word with quite as much baggage, in the marketing space, as 'integration'. Every agency claims it as their own – and who wouldn't? Not being integrated implies disjointedness, departments who can't work together and a subsequent inability for agencies to deliver everything that a client might want.

But with everyone from digital agencies to PR companies claiming to be integrated, the word has lost some of its power.
So what does it mean to be a genuinely integrated agency?

Some years ago, as the word came into vogue, integration was simple: ad agencies would come up with the creative, and all the other agencies would follow; making sure that a DM pack sent and the in-store collateral created following a TV blast would look and feel the same as the broadcast ad.

But integration is now a very different entity compared with ten, or even just five years ago. Partly because of the explosion and diversification of media channels and partly because there are more brands with more messages competing for attention. Gone are the days of the interruption model, when recall was the most important metric. Now we're in a world of engagement, consumers don't buy a brand just because they've seen it on TV.

This means that it is now all about devising an integrated end-to-end customer experience and reflecting this in the way a client does its business through to the relationship with its marketing agencies.

Of course, there are many models and routes to achieving this for clients, who will choose to manage the agencies they work with as they feel best. But if an agency is going to claim integration, how can they best deliver this?

One way is not to think solely in terms of the consumer experience, and of synchronising on and offline communications, but to think beyond this, engaging the entire chain of people who will be touched by the work that is produced.

As well as making sure that the visible consumer elements of a campaign work together, real integration now means engaging all stakeholders of a brand or business.

Integration isn't just about making sure that all the consumer channels line up, but about engaging the entire chain of interested parties, including the all important trade audience too. This could include appropriate incentives and training for customer service departments and sales staff as well as distribution strategies, trade promotions and merchandising support to build and support appropriate distribution.

Reflecting integration in agency structure is a different kettle of fish – but essential for generating truly integrated thinking among staff. For us, Exposure is the brand – and while we have different areas of the business (events, promotion, innovation, design, PR etc.), it's all part of the same company – as opposed to a network or small agency group with lots of different, often acquired agency sub brands. We've even kept all of our offices and departments on the same street (Little Portland Street, near Oxford Circus) – so clients who have to meet with different areas of the business don't need to go across town to a different agency within a network, but can pop next door.

Exposure was founded on not being set in any one discipline – in the early days, we went out of our way to avoid it and simply positioned ourselves as an agency that could target youth and lifestyle audiences. We've moved on from solely targeting that demographic, and now aim to secure briefs with no media bias.

However, if a particular media solution is needed and even if the client comes in with a requirement for something – say PR, SP, digital or straight ads – we can provide this, and then cross-sell our services. Currently, none of our top 10 clients work with fewer than four departments within the agency.

Clients come in to buy 'Exposure' – in whatever discipline that may be. It's leaner, more collaborative as a model, and means that you don't have 10 companies within a group vying for portions of work, as you might with an agency network comprised of a variety of specialist agencies, for example.

Creating an integrated agency is about having a collaborative culture across the entire business – even when that business expands internationally.

Acquiring companies abroad means buying into another agency's culture – and while this has worked very successfully for some businesses, we've found that building agencies from scratch (we have offices in New York, Los Angeles, San Francisco – and one due to open in Tokyo in 2009) and equipping them with all the tools they need has worked best for us, allowing us to replicate Exposure's model across the globe. It's a slower way of going about it, but really allows the fledging agencies to grow and develop in a more natural way.

Of course, this is just one view of how integration can work. For some clients, buying specialisms, wherever they exist, and co-ordinating multiple agencies within this structure, can work well. But as an 'integrated agency', an ability to think, plan and offer a solution to a problem – with no channel bias – is imperative, even if a client decides they only want to use you for a single discipline. Structuring your business in a neutral way in order to service this can only help to achieve this goal.

LORD CHADLINGTON
CEO OF HUNTSWORTH
www.huntsworth.co.uk

GUEST ARTICLE

PR: COMING OF AGE

In the current market climate, only a fool could seriously maintain that 'everything will be fine', when all we hear of is imminent disaster. On the other hand it seems that doom-mongering simply leads to missing those few opportunities that do exist. But there is a happy medium – 'realistic pessimists'; those people that believe that good news will always find you, you just have to sift through the bad news first, analyse it and organise your business quickly to react to it. This attitude is as rewarding in bull markets as it is in bear or recessionary markets. Always understand the downside.

The global economic environment is extremely challenging. At Huntsworth, we track business flows with significantly more precision, immediacy and management focus than ever before, and because of this our business is in good shape. In the first half of 2008 we achieved 49% of consensus revenues, profits before tax and earning per share. Strong trading has continued, giving us confidence that we will meet full year management expectations. Our policy on acquisitions to complete and improve our network capabilities remains unchanged. We will only acquire businesses where we see a long term strategic fit and clear opportunities for integration and improvement as part of our Group. The current economic climate may provide some cost-effective opportunities in this regard.

In PR I believe that we are strong because we adopt this business precept of realistic pessimism and with this is mind, here are six reasons that outline why PR agencies should weather the economic storm, and come out the other side in relatively good order.

One: In the last decade it has been generally accepted that PR is an essential tool for all organisations, albeit commercial, governmental, not for profit. So, we no longer have to persuade clients of the value of PR and then persuade them to use our services. Today the market has matured and most organisations recognise what we can do. Also, simple evaluation techniques have evolved which allow clients to gauge the value they are getting from their PR investment.

Two: The number of clients operating as multi-office businesses is increasing significantly, meaning PR is no longer confined to one geography. In 2007, 29% of Huntsworth's revenues were serviced through, integrated, multi-office accounts, up from 11% in 2006. These accounts are harder to win but they stay with you longer – if only because there are so few really professional agencies with the necessary geographic reach and people skills.

Three: For most clients the PR canvas has broadened significantly because of the challenge of digital. The average American relies on seven media outlets a day. The digital and closely related viral worlds are all about content and that's where PR shines. The digital role is getting bigger and bigger and at Huntsworth we are integrating these activities into existing PR elements. Alongside this, Reputational Management and Corporate Social Responsibility programmes are all contributing to this expanding PR market place. And digital is part of them all.

Four: Most PR and healthcare accounts are still small budget items. A full scale advertising budget is a big ticket item. While a client may damage a brand in the long term by cutting advertising in a recession, it does have an immediate, favourable impact on short term profits, which is of most concern to CEOs who only have an expectation of three years or so in their jobs. But the average PR fee is only £45k, cutting these sorts of sums will have virtually no impact on our clients' short term profitability.

Further more PR firms are not dependant on one or two dominant clients, our largest client represents no more than 2% of total revenues. Losing one of these may be uncomfortable but would not be devastating to the business.

Five: It's only fairly recently that progressive financial controls became an integral part of our PR industry. Today it is embedded in our DNA. We employ over 100 professionally qualified financial executives both at the operations and at the centre to making sure that any downturn in revenues is thoroughly interrogated, appropriate costs removed or any discretionary costs deferred or cancelled.

Six: Our businesses are stronger. We have learnt our lessons of being over-geared, burdened with heavy earn-out commitments and a falling share price. We understand our balance sheets better. In the three years since merging with Incepta we have halved our debt and at the end of 2008 expect debt to be little more than one times our EBITDA. With its current structure, Huntsworth will be virtually debt and earn out free by the end of this planning period.

So the realistic pessimist view leads to the conclusion that our clients are more aware of what we can do in a broader sphere than ever before, that we manage our businesses better than we did in other recessions and we are also entering the downturn with stronger companies than ever before.

I am confident enough to claim that this industry has come of age. There is a sense of realism – pessimistic realism among colleagues in Huntsworth and those running competitive agencies. In the face of prolonged battery of the top line, there is enough maturity and experience in all our PR businesses – and the industry as a whole – to come out of it into the sunny uplands of economic recovery in a far better shape than the doom merchants predict.

RESULTS INTERNATIONAL DIGITAL

TOP NINE PREDICTIONS FOR 2009

Results International gets out its binoculars to see what 2009 might have in store.

Our predictions/questions for 2009 may have raised eyebrows, even two years ago but such is the speed of change – particularly since the recession has started to bite hard and create totally new dynamics for most people, that we could well see some surprising partnerships that are inspiring examples of diversification and groundbreaking transactions:

1) It may be shocking to the traditionalists, but will 2009 be a tipping point for digital when we see a digital agency acquire a traditional agency?

2) Facebook TV anyone? As it continues to seek new ways to monetise its traffic we could certainly see the launch of Facebook's own channel.

3) Celebrity and search are both enjoying phenomenal popularity in their own spheres. So bringing them together in the form of celebrity-led search engines makes more sense than initial reactions might suggest – don't you want to know which aftershave Warren Buffet uses?!

4) Independent television companies may well diversify into online video production, which is edgier and cheaper.

5) Data will be the winner. He who has the knowledge has the power. Advertising has traditionally been about selling audiences but the internet is about selling behaviour … and the currency of behaviour is data.

6) PayPal (eBay) might acquire a bank and transform itself into a major commercial banking institution. It could become the most solid bank around, giving online banking a new dimension, embracing globalisation in the form of simplicity and security.

7) Will Microsoft find a solution to its conflict of interest? The product part of aQuantive is already integrated into Microsoft's advertising offer http://advertising.microsoft.com/. It might just pull off the divestment of Razorfish (its agency offering) to avoid the continuing poacher/gamekeeper accusations.

8) Nokia may take a lead in the music genome project, acquiring Pandora Media (or a lesser known European search technology company). Nokia sales are declining, despite it being a pioneer in the mobile handset business and it needs to add value if it is to grow and stand up to its new competitor Apple.

9) We could see Vodafone acquire a social network as the internet goes mobile? Mobile service providers will experiment even more actively with video and social networking and will partner with content providers. We will see them growing their investment in advertising monetisation businesses so as not to cede growing mobile advertising revenue to third parties.

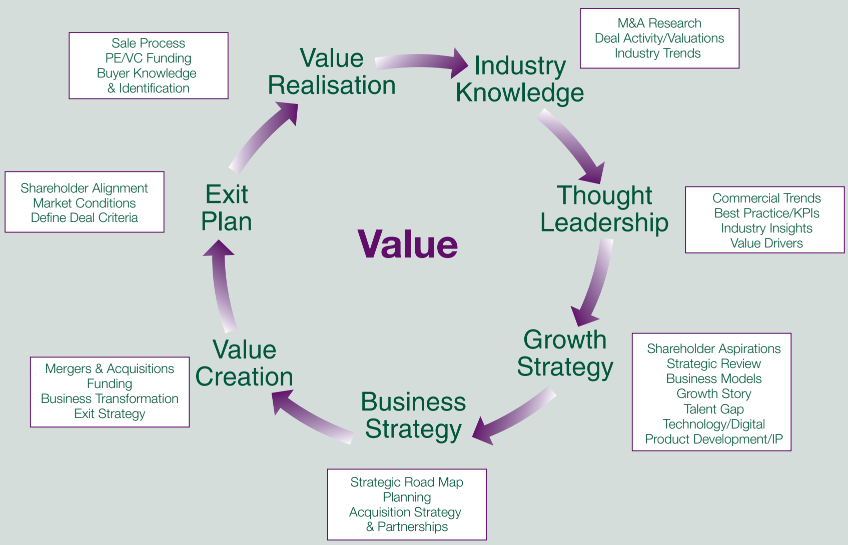
If you'd like to discuss this topic in more detail, please contact Results International at alurssen@resultsig.com.

Results International Group provides in-depth business and corporate finance advice to global marketing communication and digital companies. Our work is focused on building and enriching value over time. We enable owners and managers to drive the strategic and operational development of their businesses with maximum return throughout all stages of the business life cycle.

Results' input is directed towards enhancing performance, reducing risk and increasing sustainable profit growth. Our goal is to ensure that maximum value is added to the business, which can be fully realised when the time is right. The firm's partners and consultants bring a depth of experience across all aspects of business growth and corporate finance.

Results International Group operates globally.

CREATING & REALISING VALUE



For further information on our strategic consulting service offering, please contact Caroline Johnson, Partner, at cjohnson@resultsig.com or Sara Fielding, Senior Consultant at sfielding@resultsig.com

STEVE HARDING, CEO, EUROPE
OGILVY*ACTION*

SHOPPER MARKETING

THE UNPREDICTABLE SIDE OF SHOPPERS

Shopper Marketing is attracting new prominence and over the next three years is expected to grow at a rate higher than that for almost any other marketing discipline, according to *The Grocery Manufacturers Association (2008 GMA Deloitte/Consulting LLP) study.*

Why? The answer is, as ever, results – measurable results.

Insightful shopper marketing has proved itself to be an approach that can put clear daylight between competing brands, or as The GMA/Deloitte study put it: *'Companies that have embraced shopper marketing as a key component of 360-degree integrated marketing are growing 50% faster than those categories they participate in.'*

But until recently shopper insight relied on often misunderstood statistics, including the classic, '70% of purchase decisions are made in store', courtesy of the *Consumer Buying Habits Study* 1995 POPAI study from the US.

Now a new global shopper study, aptly named, *Shopper Decisions Made In-Store* (SDMIS) from Ogilvy*Action*, adds new depth and clarity to existing statistics, revealing what's truly happening in the world's shopping aisles.

The SDMIS study, which relies on 14,000 shopper interviews across 24 markets, unearths new shopper insights for marketers, whether they are targeting shoppers buying soft drinks from convenience stores in the United States, skin care products in London, coffee from supermarkets in Asia, or shampoo in Latin America.

It shows that shopper decision-making varies significantly by market, category and channel – in short, shoppers are unpredictable and are significantly influenced by their surroundings.

As Peter Breen of the In-Store Marketing Institute pin-points in his recent article 'Hey, Get Your Own Purchase Decision Level', *In-store Marketer*, Sept 2008: 'The Ogilvy*Action* study is valuable, not for any single data point within it, but for the fact that it contains many data points, revealing that the level of in-store decision-making varies significantly, based on product category, store format and other factors.'

In-store activity can and does influence purchase decisions and is therefore vital to a brand's success.

Some of the more compelling findings include:

- Nearly 30 percent of shoppers around the world wait until they're in the store to decide which brand they will buy and, in the UK, this rises to nearly 40%.
- One in ten shoppers globally and 16% in the UK simply change their minds in store and buy a different brand to that which they had planned.

More than one in ten shoppers leave a product they planned to buy on the shelf and walk away empty-handed. And in the US, this rises to almost 20%. This statistic alone represents many millions of pounds in new purchases up for grabs by marketers who can successfully activate their brands in-store.

Almost 20% of shoppers purchase in a category they hadn't planned to visit.

The study also reveals differences in behaviour between men and women and at different ages.

It shows which countries have highest levels of brand loyalty – Chinese shoppers are promiscuous, compared to Germans – and it shines a light on category specific behaviour; for example, those who didn't intend to buy beer but actually did once in store.

But a vital learning from Ogilvy*Action*'s study is that influencing shoppers at the point of purchase is a complex task, the specifics of which vary widely based on the brand, the store and the shopper profile and mission.

Andrew Aylett, planning director at Ogilvy*Action* London says: 'Above all, the study tells us that one size does not fit all. Whether 40%, 50% or 70% of shopper decisions are made in store is not the point; the answer is so much more interesting than that. The study proves that shopper decision-making in retail varies hugely across market and within market. It is a highly complex and dynamic environment and we and our clients can exploit the opportunities much more effectively if we really understand what is going on.'

The SDMIS study is endorsed by Harvard Business School Professor John Quelch, whose *1983 Harvard Business Review* paper proved to be highly portentous.

'Managing activities at the point of purchase to gain competitive advantage is even more important today than it was when the *Better Marketing at the Point of Purchase* study was first published in 1983,' says Quelch.

The SDMIS survey covers six categories globally and eight in the UK: shampoo, skin care, coffee, beer, soft drinks, cigarettes, confectionery, household detergents and explores shopper behaviour across category, across market, by age and gender and behaviour around brand and volume.

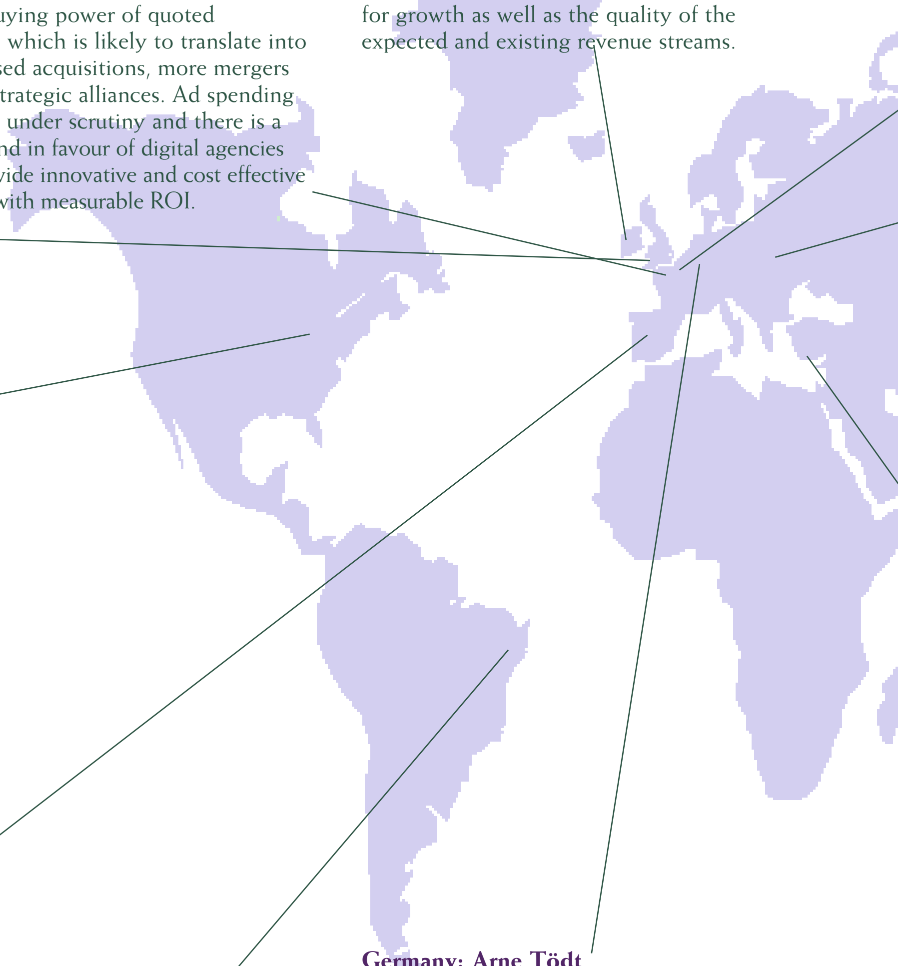
A GLOBAL PERSPECTIVE

United Kingdom: Keith Hunt
The remarkable economic events of the last year have certainly reduced the level of M&A in the UK from the highs of '07 but the market is far from dead with a healthy number of transactions still underway.
The mid-market quoted consolidators are suffering from very depressed share prices which has seriously hindered their ability to do the sort of deals we've seen in the past, nevertheless there has been a flow of modest deals as groups make bolt-ons to their existing subsidiaries. At the larger end of the market the global networks continue to show interest in acquiring high growth companies, especially in the digital space. PE firms are also coming into their own as counter-cyclical investors willing to invest for the longer term. In addition we've seen steady interest from overseas companies looking to expand into marcoms in the UK. As always in a downturn, quality is key. There will always be interest in well run companies that are best in class.

US: Keith McCracken
The US economy had been limping along since the sub-prime mortgage crisis broke in early 2007. In early September it was thrown into turmoil, when the need for a full scale federally-funded rescue plan became evident. It's not all doom and gloom, however (although it feels that way for many) and we have a hunch that smart investors and well-run Marcoms businesses are simply waiting for an indicative trigger (a sign) that will allow them to feel comfortable and not foolish about getting back into an investment mode. On the M&A front activity has definitely slowed or has been postponed until Q1 2009.
There is, however, a palpable pent-up desire to make up for lost ground now that the election is passed and we leave a wholly unsatisfactory 2008 behind us.

Spain: Pedro Calderón
The collapse of the housing market and construction industry, made worse by the global financial crisis has created one of Spain's worst economic outlooks in decades. The Madrid stock market is down more than 50% since January 2008.
The IMF recently forecast that Spain will enter a recession in 2009 – its first since 1993 – and said it "will be harder-hit than other European countries". M&A activity levels present key opportunities. Firstly, acquisition transactions will complete at more reasonable price levels than in the last two years, as sellers will take a more sober view. Secondly, mergers could generate cost synergies to protect profitability, which is critical at this point.

Nordic, Benelux & Italy: Arne Myhre
The common denominator in these otherwise rather different markets, is negative overall growth that led to uncertainty and indecision in 2008. However, innovations continue and new technologies go mainstream. Internet goes mobile, new technologies enable monetisation of content, online payment companies move more cash than traditional banks and online self-service costs a fraction of any off-line process.
Indecision will assure lost competitive advantage so it's not the answer in 2009. Depressed share prices may continue to limit the buying power of quoted companies, which is likely to translate into fewer focused acquisitions, more mergers and more strategic alliances. Ad spending will remain under scrutiny and there is a general trend in favour of digital agencies able to provide innovative and cost effective marketing with measurable ROI.



Brazil: Eduardo Steiner, Flávio Corrêa
Emerging markets, especially Brazil, will take a more relevant position in the growth strategy of international marcoms agencies. For the first time emerging countries may help to mitigate the business turmoil in the USA, Europe and Japan. The Brazilian advertising market grew 15.5% this year, equivalent to $8.1 billion, with digital being the segment of highest growth (45%). Although the road ahead is uncertain, international agencies continue to expand their operations in Brazil. In a recent visit to Brazil, WPP's Martin Sorrell stressed that their investments in emerging markets such as Brazil will grow.

Ireland: Damian Ryan
Major buyers continue to look for companies with high absolute profits after tax, strong cash generation, integrated services, high margins and a broad client base. Whilst improving financials remains important, achieving critical mass is no longer seen as the primary objective for M&A however and securing additional skills is now key, indicating the growing shortages of talent in the rapidly growing digital sector and direct marketing.
When deciding between acquisition targets, the most important factors continue to be business fit and prospects for growth as well as the quality of the expected and existing revenue streams.

Germany: Arne Tödt
Although the German economy was robust at the start of the financial crisis, leading economic institutions announced that Germany could enter a recession in 2009. While the pressure will increase on branding budgets, BTL budgets are expected to be less affected. Growth in digital is expected to remain robust; performance-based, targeted campaigns and conversions optimisation are growing trends. The German M&A market is evolving from a seller's to a buyer's market. Large transactions have significantly declined, smaller deals up to €100m are less affected. In the next 6 to 12 months we will probably see very few digital marketing transactions getting a chance to complete – unless sellers develop a realistic view on current achievable multiples.

At Results International, we have a unique global team of marcoms and new media industry experts closely monitoring the trends while working on many transformational transactions. As proven specialist advisors in the industry, we are ideally suited to provide advice in challenging market conditions and our network is structured to connect buyers and sellers in a rapidly evolving industry and across increasingly blurred borders. Below are some further insights from our team across a number of geographies.

France: François Jourdan
For many years the French economy has been penalised by a low rate of individual indebtedness (70% compared to 140% in the US) and restrictive bank regulations. Now there may turn out to be two significant advantages in the financial turmoil. French banks such as BNP or Société Générale are said to be better off than others. Up to now advertising spending has not been significantly reduced but we expect that it will happen soon.

Central & Eastern Europe: David Blois
Central and Eastern Europe will not be immune from global recession. Used to volatility, the region will be well placed to survive and grow with a burgeoning middle class and emerging local brands. Recession aside, there will be strong near term growth in the digital sector as this is behind the West and already shows great potential. M&A activity is strong with particular interest in the larger markets of Turkey and Russia. Trade investors are driven by the opportunity to better service clients in new markets. Strategic investors understand the upward long term trends and see the current volatility as an interesting buying opportunity.

China: Chris Beaumont
Of course, China will be affected adversely by the credit crunch in the West and the decrease in consumer confidence and spending. It is still the main production centre for the majority of goods sold in Western stores. This will see growth going down from the recent frothy levels of 10-11% to around 7% – a growth level that most developed countries would die for. There are also the relatively new middle class consumers in China who were not there in previous recessions. These number over 200 million – nearly the population of the USA, although they consume goods at a much lower level, given their lower disposable incomes, low use of debt and high savings levels. For M&A prospects, strategic acquisitions will continue in emerging markets. International companies continue to want to access businesses with high growth potential. Valuations will be reduced but sellers will continue to be open to partners who offer strong, strategic propositions and global best in class practices.

Asia-Pacific: Andrew Kefford
Asian banks went through a re-structuring after the Asia Crisis, which swept through the region (excluding China and India) in 1998. Prior to this, fiscal discipline had been lax. Many banks were still family-owned and the banking environment had very few controls in place for deposit ratios. Bank lending against property was fuelling chronic speculation in the housing markets. As part of the IMF rescue packages, which were put in place at that time, many banks were re-structured and re-funded with new management. This resulted in far more cautious lending policies and a conservative attitude to debt, which has resulted in the majority of the banks and financial institutions avoiding the financial meltdown experienced in North America and Europe. International firms continue to explore M&A activities across the region while in China and India there are a number of growing local firms which may see the opportunities available in North America and Europe and move into these markets.

Middle East: Imad Kublawi
The global financial crisis has hit the Gulf region after six years of high oil prices, so there is abundance of cash in the Gulf to both shelter the crisis and maintain international investments as evidenced from recent events:

- Acquiring about 30% of Barclays share capital
- Pumping US$ 32bn into the banking sector in UAE
- Acquiring Manchester City football club
- Bringing the Guggenheim and Louvre museums to Abu Dhabi
- Urged by the British PM to be among the biggest donors to an expanded International Monetary Fund (IMF) bailout scheme

However the economic global uncertainty has caused losses in the Gulf stock markets and the real estate market has been the worst hit. 2008 maintained the same level of advertising spend growth as 2007, at 25%. The growth forecast for 2009 is just below 10%. M&A is active on both sides with active international buyers (Europe, Asia, USA) and local sellers. Some transactions are expected to be completed half way through 2009.

India: Sunil Gupta
The economy's fundamentals remain strong and growth is expected at 7%. India should remain a market with continued potential for investors. The weakening of the Rupee means exports will be more competitive, boosting Forex inflow as well as making acquisitions cheaper. M&A activity in the marcoms sector saw its first wave completed about two years ago when the last major independent ad agency was bought by Publicis. The next wave has started but sporadically, and will see two patterns. Firstly, investments and consolidation in new media (still very small) and BTL companies by international companies. Secondly, M&A within Indian companies themselves, especially in the acquisition of smaller, companies to enable groups to extend their geographical reach. Media and Entertainment could be big opportunities with India's TV and film industry being among the largest in the world.

To discuss global expansion, please contact us at alurssen@resultsig.com.

INDUSTRY VIEW

HOW WILL DIGITAL MODELS EVOLVE IN THE FUTURE

Jacques van Niekerk
Chief Executive Officer
Acceleration eMarketing

We see increased specialisation in the digital agency world. At one end we see data-driven audience management supported by real-time campaign analytics. At the other end of the scale there is creative idea generation and communications innovation. The former will lead to a more quantitative servicing bureau, where hard and fast metrics rule, a place where media planners will be more like analysts and media buyers more like commodity traders. At the opposite end of the spectrum ad creation and production costs will continue to spiral down, but qualitative creative insights and strategic business innovation will come at a premium.

Simon Mansel
Managing Director
TBG

Whilst it may be a cliché to say that the digital landscape is evolving faster than can comfortably be understood, it is nonetheless true. As a consequence, unless this rate of change falls dramatically – and let's face it, unexpectedly – it is hard to see anything other than a bright future for specialist digital agencies. This is because traditional agencies still tend to deal with the complexity of the digital world by treating it as some kind of technical bolt-on to a pre-defined off-line marketing strategy, rather than a world of new ways to engage people with brands. And until they do, digital specialists will simply become more and more indispensable to thoughtful clients.

Ben Langdon
Chief Executive
Digital Marketing Group plc

Digital is already taking a central role in brand marketing. Digital agencies need to either become more 'brand' literate by employing planners and creatives able to build brand equities, or align themselves with partners who can deliver this capability. Either way, the old ad agency model is defunct. The new agency model, and especially for those integrating digital/direct/data, will operate higher up the 'client food chain' and become more successful in monetising its value than mere digital agencies. And digital, like above-the-line, will become increasingly regional and global. Digital agencies should consider partnering with existing media planning and buying networks to access local consumer insight and implementation rather than reinvent the tired advertising agency network model.

M&A Opportunities

The following summary is a sample of the range of companies currently represented by Results International. If there are other sectors or areas of opportunity not indicated here that interest you, please advise us at the earliest opportunity.

If you'd like to discuss the opportunities below in more detail, please contact us at alurssen@resultsig.com.

UNITED KINGDOM:

EAGLE	Truly integrated, ROI-driven agency, blue chip clients, EBITDA c£800k.
FRASER	Speech recognition technology company, seeks capital fundraising of £1.6m.
JADE	UK data-led direct marketing agency focused on the 'not for profit' sector. EBIT £390k.
JAVA	Solutions-driven digital agency specialising in advanced online applications, email marketing and mobile web. EBIT c£1.4m.
LANCIA	Through-the-line creative agency, based in North West England.
ORANGE	This agency is a leading player within the mobile marketing arena. Blue chip clients.
SILVER	Award-winning London based digital/direct marketing agency, 100+ strong.
ZEBRA	Funding required for a UK based online and mobile marketing business with unique and exclusive sports content and a large and growing fan base.

WESTERN EUROPE:

ARIZONA	Profitable digital marketing services agency, Ireland. EBIT c£150k.
CARONTE	Madrid based advertising agency. Specialist in managing public administration campaigns. PBT €450k.
GAMER	Fast growing, dynamic Irish games company seeking acquisition finance €1.5m.
ISOLA	Well established, award-winning through-the-line agency. Dublin based. Turnover €8m.
LIFFEY	Irish based online recruitment board seeks expressions of interest from suitable acquirers.
MICHELANGELO	Independent ambient media planning and buying agency based in Madrid.
NORSEMAN	Top 5 PR consultancy, headquarters in Stockholm with solid financials and excellent client list. EBIT €500k.
PASSPORT	Irish specialist affiliate marketing company seeking investment.
PREMIER	Irish mobile directory enquiries service seeking investment.
SPRINGBOK	Highly successful Paris based advertising agency. Long term, high margin business with strong growth.

NORTH AMERICA:

ACACIA	Promotions agency with focus on consumer behaviour. Divisions include shopper and digital content marketing. Rev $10m.
BEECH	US based email marketing service and software provider. Small, well managed and profitable.
CHESTNUT	Small shopper marketing agency with top clients and high profit margins.

ASIA-PACIFIC:

ALASKA	Integrated data-driven agency based in Mumbai with aggressive overseas expansion plan seeks fundraising.
ALPS	Integrated software solutions provider based in India. Services include CRM, online advertising and website development.
MERLION	The leading design company in South East Asia. Blue chip client base.

MENA:

AQUA	Dubai based experiential marketing agency with young and creative talent. Good margins.
ATLANTIS	Dubai based award-winning advertising agency with a talented and ambitious management team.

EASTERN EUROPE:

AUSTEN	Leading PR consultancy, Istanbul. Blue chip clients. EBIT: €600k.
FORD	Ukraine based, through-the-line agency with strong international brands and creative reputation. EBIT €1.5m.
MORGAN	Leading Istanbul integrated agency. Revenue €14m. Highly profitable. EBIT €4m.
WOLESLEY	Moscow based, high quality through-the-line creative agency with digital heritage. Experienced western management.
XENON	Turkey research-based media group. EBIT €1.5m.

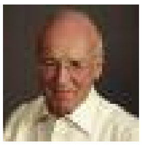
Conditions:

1. Respondents are deemed to accept the need for absolute confidentiality on all information provided by clients and will be expected to sign a confidentiality letter before any information will be provided.
2. The information contained in this document does not constitute an offer or invitation to subscribe for shares. Every reasonable effort has been made to ensure the reliability of the information contained herein, but no warranty is given as to its accuracy or completeness.

RESULTS INTERNATIONAL

MEET THE TEAM

UK


Graham Beckett: Founding Partner


Chris Jones: Non-Executive Chairman

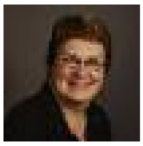

Keith Hunt: Managing Partner


Andy Collins: Senior Partner


Caroline Johnson: Partner, Head of Consulting


Richard Eyre: Non-Executive Director

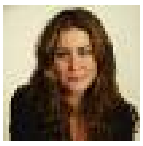

Mandy Merron: Non-Executive Director


Sara Fielding: Senior Consultant


Mark Seabright: Senior Consultant


Lori Murphree: Corporate Finance Manager


Hemavli Bali: Corporate Finance Manager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Dan Egerton: Project Manager, Consulting


David Copp: Analyst

INTERNATIONAL


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Andrew Kefford: President International, Regional Director Asia-Pacific


Flávio Corrêa: Regional Director, Latin America


David Blois: Regional Director, Eastern and Central Europe


Jim Bell: Regional Director, Western Europe


Keith McCracken: Regional Director & Managing Partner, North America


Jonathan Hirst: Partner, US


Ronnie Cohen: Partner, US


Damian Ryan: Partner, Ireland & Head of Digital


Clare McAndrew: Partner, Ireland


François Jourdan: Partner, France


Peter Schork: Chairman, Germany


Arne Myhre: Managing Partner, Nordic, Benelux, & Italy


Arne Tödt: Managing Partner, Germany


Pedro Calderón: Managing Partner, Spain & Portugal


Imad Kublawi: Partner, MENA


Sunil Gupta: Managing Partner, India


Chris Beaumont: Regional Director, North Asia


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