



# Redstone plc

## Interim Results Presentation Six Months Ended 30<sup>th</sup> September 2008

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18 December 2008

# Agenda

- **Introduction**
- **Operational Highlights**
- **Financial Highlights**
- **Cash and Debt Restructuring**
- **Divisional Analysis and Summary**
- **Financials**
- **Strategy & Outlook**
- **Summary**
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## Introduction

- **Satisfactory set of results given that the market becoming increasingly challenging**
- **Program to improve operational efficiencies and reduce costs initiated**
- **Successfully refinanced debt facility**
- **Focused on maintaining core investment whilst protecting profitability**

## Operational highlights

- **Company-wide cost reduction program now initiated**
- **Launch of “Redstone Select” direct marketing initiative**
  - **Focus on cross-selling products to SME customer base**
- **Strong revenue performance in Managed Services in a growth market**
- **Investment in Telecoms division now complete**
  - **Migrated off the BT Network**
    - **Improved customer offering**
    - **Greater operational efficiencies**
    - **Costs reduced by £0.1m per month**

## Financial highlights

- Revenues up by 10% to £106.0m (H1 2008: £96.6m)
- Organic revenue growth of 9%
- Gross margin up 4% to £38.2m (H1 2008: £36.6m)
- Adjusted EBITDA\* of £5.1m down by 23% (H1 2008: £6.5m)
- Adjusted profit before tax\*\* of £2.8m (H1 2008: £4.8m)
- Basic Diluted EPS of (0.73p) (H1 2008: 0.83p)
- Net debt of £26.6m equal to 2.6 x adjusted annualised EBITDA\* (H1 2008: £20.7m); net debt at 31 October 2008 £22.4m

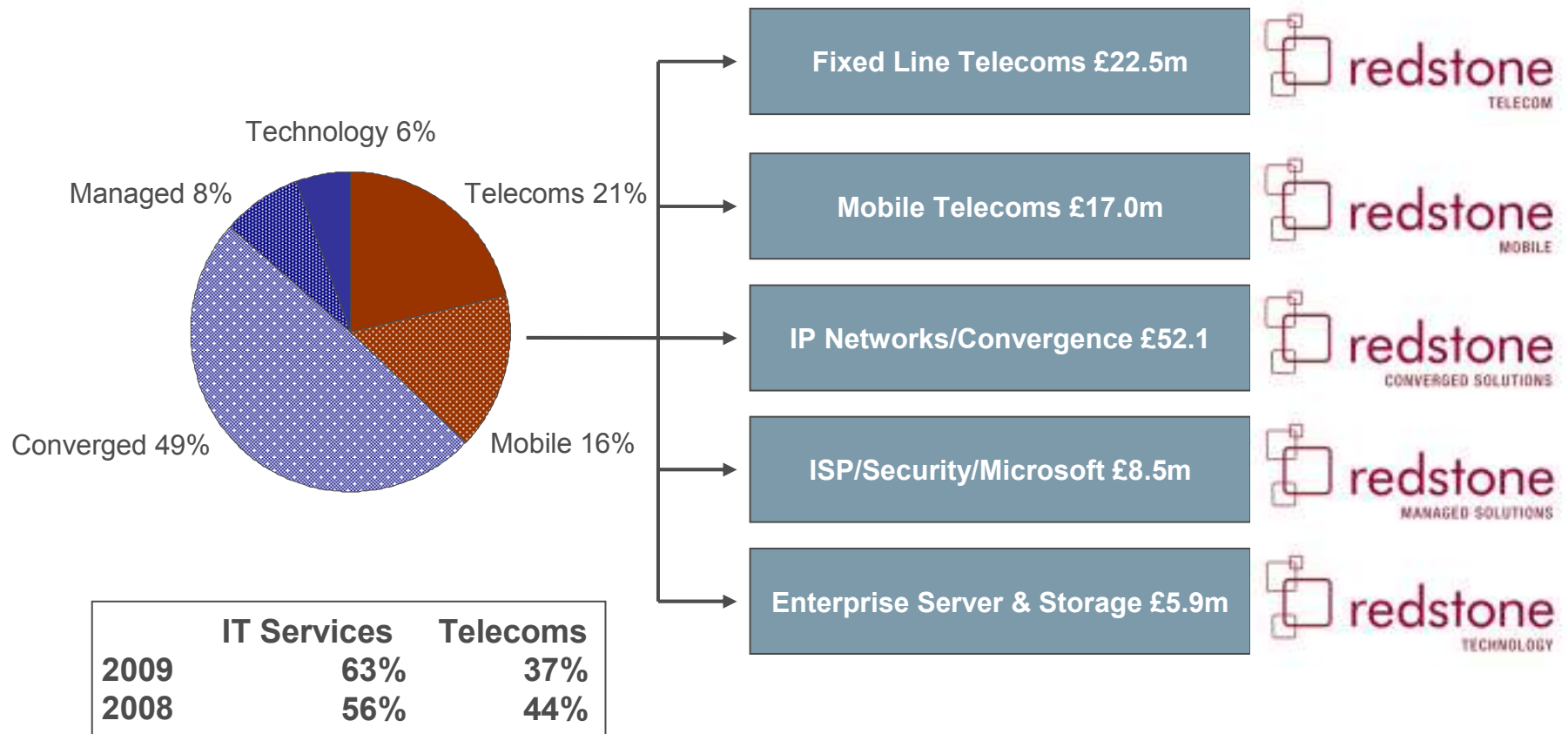
\* Earnings before net finance charges, tax, depreciation, amortisation of intangibles, exceptional items and share based payment charges

\*\* Before amortisation of intangibles, exceptional items and stock compensation

## Cash and debt refinancing

- **Net cash outflow from operations of £3.4m (H1 FY2008: inflow of £2.7m)**
  - Costs associated with 3 major projects all due to complete by end December
  - Significant increase in trade debtors during the period has begun to ease
- **Net debt of £26.6m (H1 FY2008: £20.7m)**
  - Successfully refinanced debt facility with Barclays plc
  - Capital repayments of £2.5m payable every 6 months from Dec 2008
- **Cash balance of £7.2m (H1 FY2008: £10.9m)**

# Divisional analysis of £106m Revenues



## Divisional Summary

### Managed Services

- Experiencing increased activity and orders
- Market growth set to continue

### Technology

- Excellent year owing to fulfilment of large government contracts
- This is not expected going forward with greater emphasis on consultancy

### Mobile

- Increase in data traffic but reduction in voice traffic is lowering margins
- Transition to revenue share per user as opposed to operator share per connection is highly positive for the industry
- Continued investment in mobile division expected to result in further operational efficiencies going forward

## Divisional Summary (continued)

### Converged Solutions

- Established market leading position in “connected real estate”
  - White City, Royal Ascot, Cabot Square
- Awaiting decision as one of two preferred bidders on Birmingham BSF
  - Worth approximately £130m over 7 years
- Exploring opportunities for ICT in new markets
  - Dubai is experiencing high growth within the construction industry
  - UAE construction industry currently valued at \$15bn is expected to grow to \$22bn by 2012\*
- Preferred supplier to Titanic Quarter
- One of two preferred bidders on Salford and Wigan BSF tender
- Prospective provider of further Lancashire-based BSF contracts worth up to £70m

\* Source: United Arab Emirates Infrastructure Report Q1 2008, published November 2007

## Summary income statement

£ million	H1 09 Sept-08	H1 08 Sept-07	
<b>Revenue</b>	106.0	96.6	
<b>Gross Profit</b>	38.2	36.6	
<b>Gross Profit %</b>	36.0%	37.9%	
<b>Operating Expenses</b> <small>(excl. stock compensation, amortisation and exceptional items)</small>	(34.1)	(31.0)	
<b>Adjusted EBITDA*</b>	5.1	6.5	
<b>Amortisation of intangibles</b>	(3.0)	(3.0)	
<b>Exceptional items</b>	(0.6)	(0.9)	
<b>Depreciation</b>	(1.0)	(0.9)	
<b>Interest</b>	(1.3)	(0.9)	
<b>PBT</b>	(1.8)	0.2	
<b>Tax</b>	0.7	1.0	
<b>PAT</b>	(1.1)	1.2	

\* Earnings before net finance costs, tax, depreciation, amortisation of intangibles, exceptional items and share based payment charges

## Strong Revenue Visibility

Stg £ million	
<b>Turnover</b>	<b>Converged Solutions</b>
	<b>Telecoms - Fixed Line</b>
	<b>Telecoms - Mobile</b>
	<b>Managed Solutions</b>
	<b>Technology</b>
	<b>TOTAL</b>
<b>Repeatable Revenue</b>	
<b>Repeatable Revenue %</b>	

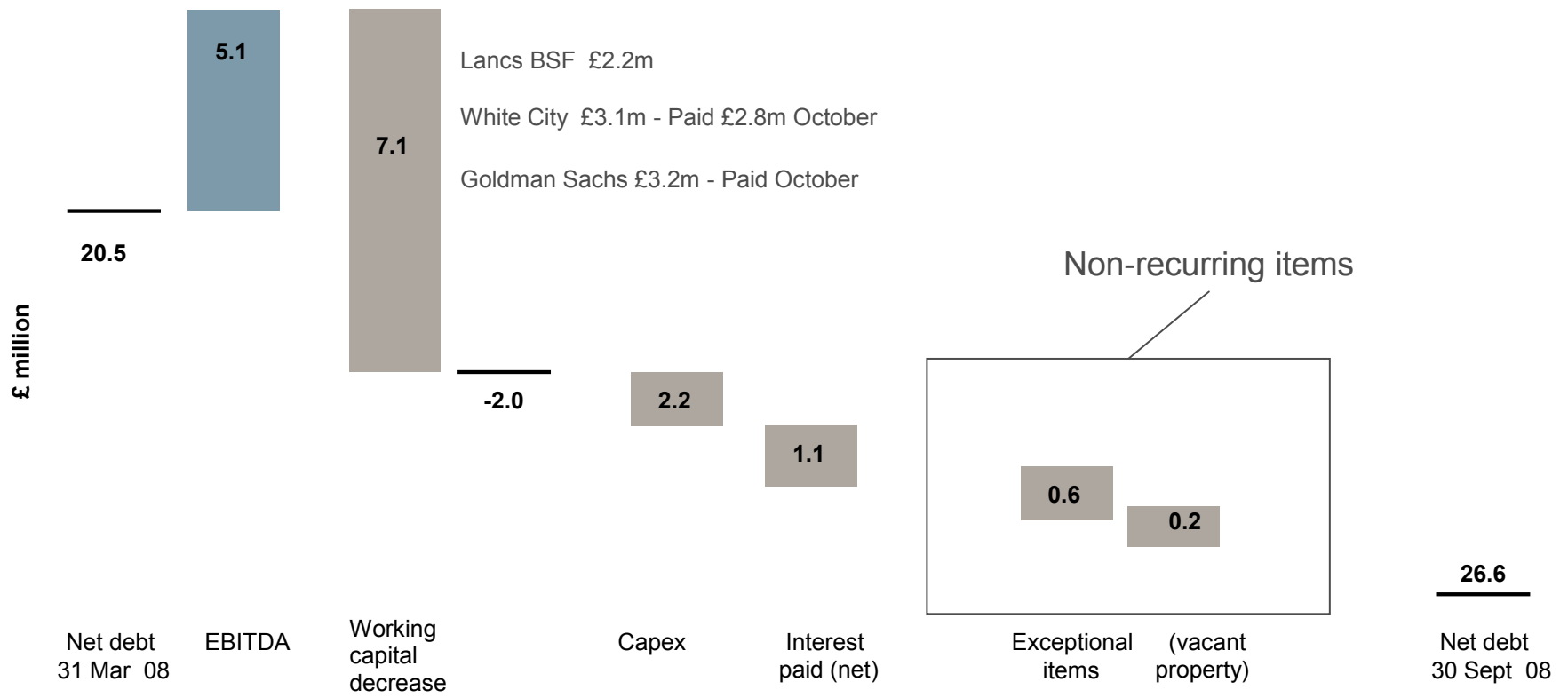
H1 2009	%
52.1	50%
22.5	21%
17.0	16%
8.5	8%
5.9	6%
<b>106.0</b>	<b>100%</b>
<b>56.6</b>	
<b>53%</b>	

H1 2008	%
43.1	45%
24.4	25%
17.8	18%
6.0	6%
5.3	5%
<b>96.6</b>	<b>100%</b>
<b>55.2</b>	
<b>57%</b>	

### Repeatable Revenue:

- Converged Solutions - Maintenance
- Telecoms - Fixed Line - Based on 1% attrition
- Telecoms - Mobile - Mobile distribution indirect revenues
- Managed Solutions - ISP and maintenance
- Technology - Maintenance

# Cash flow and use of funds



Note: Net Debt at 31 October 2008: £22.4m

# Summary Balance Sheet

£ million	30 September 2008	30 September 2007
<b>ASSETS</b>		
<b>Non Current assets</b>		
Intangible assets	91.5	95.5
Investments	0.1	0.2
Property, plant and equipment	5.3	4.3
Deferred tax asset	3.2	3.6
Other non-current assets	0.6	0.0
	<b>100.7</b>	<b>103.7</b>
<b>Current assets</b>		
Inventories	2.5	1.3
Trade and other receivables	50.4	39.6
Income tax receivable	0.6	0.0
Cash at bank and in hand	7.2	10.9
	<b>60.6</b>	<b>51.8</b>
<b>Total Assets</b>	<b>161.3</b>	<b>155.4</b>
<b>EQUITY &amp; LIABILITIES</b>		
<b>Equity</b>		
Called up share capital	14.6	14.5
Share premium account	18.2	17.9
Other reserves	5.9	6.0
Retained earnings	36.9	35.0
	<b>75.5</b>	<b>73.4</b>
<b>Current liabilities</b>		
Trade and other payables	44.6	39.8
Deferred consideration	0.1	0.0
Borrowings	5.6	6.9
Provisions	0.4	1.9
	<b>50.7</b>	<b>48.5</b>
<b>Non Current liabilities</b>		
Trade & other payables	0.1	1.3
Derivative financial instruments	0.5	0.0
Provisions	0.9	0.2
Borrowings	28.2	24.7
Deferred tax liability	5.4	7.3
	<b>35.1</b>	<b>33.5</b>
<b>Total Equity &amp; Liabilities</b>	<b>161.3</b>	<b>155.4</b>

## Strategy & Outlook

- Identify in which areas future demand will be strongest
- Improve operational efficiencies of all business divisions
- Increase presence in BSF projects
- Cross-sell capabilities to existing customer base
- Develop SME business
- Look at potential overseas markets for OneNet Solutions
- Focus on maintaining core investment whilst delivering profitability

## Summary

- **Redstone has produced a strong set of results given the challenging market conditions**
  - Revenue growth of 10% and increased gross margin
- **Current market conditions are expected to persist for the remainder of the year and potentially into the following year**
- **Program already in place to deal with challenging markets**
  - Company-wide cost reduction program now initiated
  - Identifying divisions where growth expected to be strongest
  - Targeting new geographies where markets are buoyant
  - Launching new cross-selling initiatives
- **Focus is on maintaining core investment whilst delivering a reasonable level of profitability going forward**

## Appendices

- **Appendix 1: Redstone Background**
- **Appendix 2: IT/Telecom Competitive Landscape**

## Appendix 1: Redstone Background

- Redstone is an established, credible, market leader for ICT within UK & Ireland
- Unique in providing a comprehensive Telecoms and IT infrastructure services offering to over 20,000 corporate and SME customers
- Avaya Gold, Cisco Gold, HP Elite, Microsoft Gold, Checkpoint and McAfee accredited
- Strong relationships with partners including Catalyst Lend Lease, Hammerson and Westfield leading to higher value, long-term contracts
- Proven references in delivery of major ICT projects
- Higher profile as contracts of increasing size and scale secured

## Appendix 2: IT/Telecom Competitive Landscape

Market Participants	Telecoms	Mobile	Converged Solutions	Managed Solutions	Technology
	BT	O2	BT	RM	IBM
	OPAL (CPW)	Vodafone	KCom	Ramesys	EMC
	C&W	Orange	Di Data	Synetrix	
	Thus	T-Mobile	Azzurri	Phoenix	
	Alt Net	Alt Net	Logicalis	BT	
	Redstone	Redstone	Redstone	Redstone	Redstone

*“Redstone is uniquely positioned as the only IT & Communications provider within the UK and Ireland to be able to offer all core competencies in house.*

*Each principal division is recognised as a market leader in its own right”*



Redstone plc - Thank you

people who innovate

