

Mitchell Communication Group

Presentation to ASX Small to Mid Caps Conference, Singapore

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Presented by:

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...nothing is beyond our reach.

Agenda

- Company & Industry Overview
- Business Overview
- Financials
- Summary

Company & Industry Overview

Industry Standing & Track Record

- ✓ Market leader, number 1 in majority of business pursuits
- ✓ More than 35 years of company history and industry experience
- ✓ Leader and pioneer in the field of marketing communications
- ✓ Highly influential industry participant
- ✓ Defied market trends and continually outperformed the market operationally and financially
- ✓ Long held client and supplier relationships
- ✓ Diversified but equally integrated
- ✓ Not exposed to a single sector or client relationship
- ✓ Financially strong



Company & Industry Overview cont...

Company

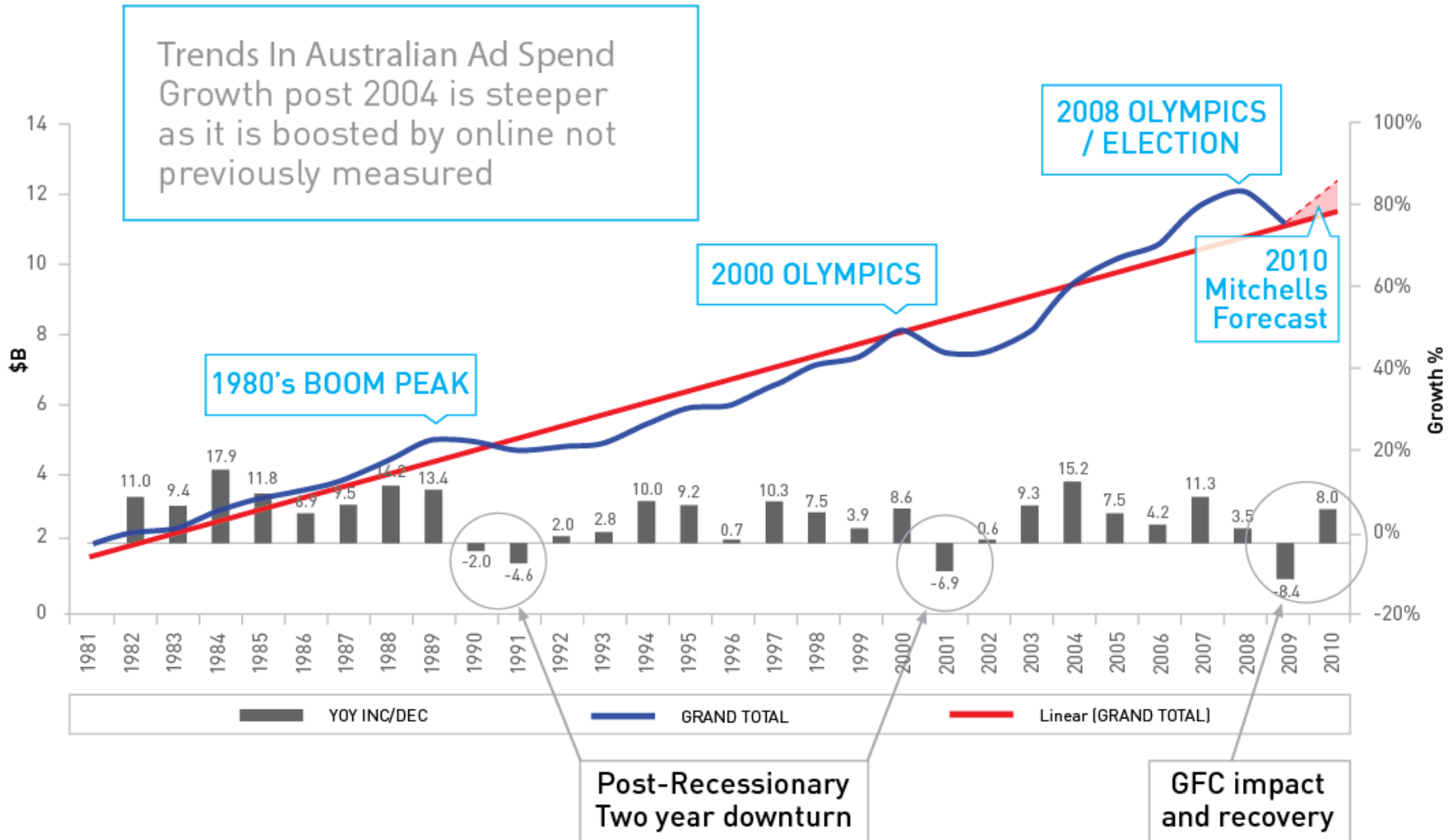
- The Mitchell Communication Group has been established for more than 35 years (ASX: MCU)
- An annual turnover in excess of \$1.1bn per annum and market capitalisation of \$250m (as at 24 May 2010)
- 21 different businesses, each with a different marketing and communications speciality, all of which are 100% owned
- Australia's largest and number one media agency (six years in a row)¹
- Australia's number 1 full service digital media agency
- Australia's most dominant media agency²
- Over 2,500 clients and 600 operational staff across Australia, New Zealand and Singapore
- Consistently outperformed the market operationally and financially

1 – The Nielsen Company

2 – RECMA

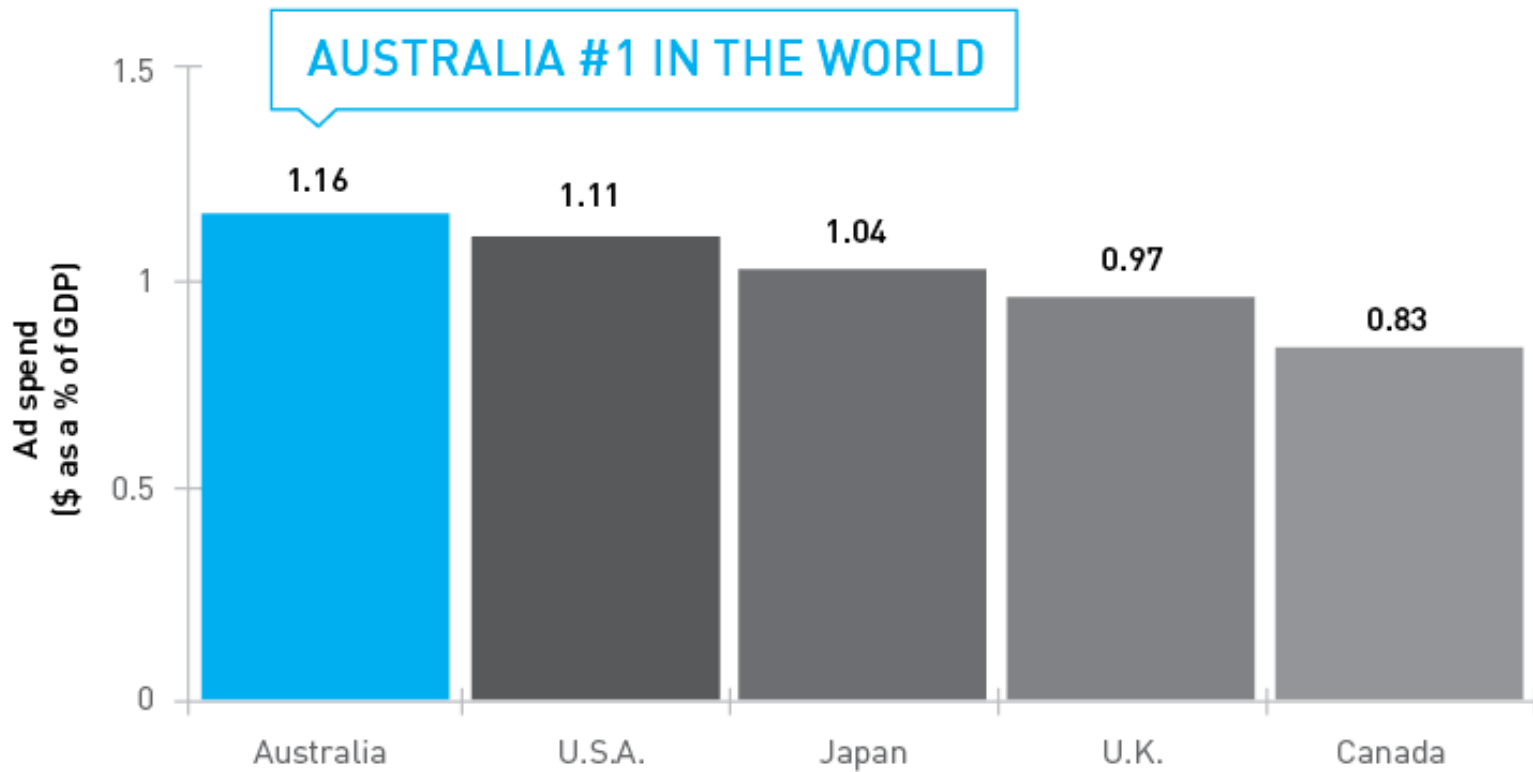


Company & Industry Overview cont...



Company & Industry Overview cont...

Market Competitiveness: Ad spend as % GDP



Company & Industry Overview cont...

Industry

- The advertising market in Australia is estimated to be approximately \$12bn per annum
- Australia has the highest advertising expenditure per capita of any country in the world
- The Mitchell Communication Group is Australia's largest media buyer with the next 13 largest all being subsidiaries of international companies¹
- With the exception of the Mitchell Communication Group, the Australian traditional media agency market is dominated by subsidiaries of a handful of large, multinational creative agencies. Similarly, the media is (by and large) controlled by a limited number of well known media companies (and their private equity partners)

1 – The Nielsen Company

Company & Industry Overview cont...

Industry cont...

- The landscape with respect to Digital media is more disaggregated, with more niche players commonly only providing one or two different types of services and more publishers than traditional media i.e. long tail
- Diversified and technology services compete in a market of niche players



Company & Industry Overview cont...



Digital

- digital communications strategy
- digital media planning and buying
- ROI planning and tracking
- search engine marketing
- search strategy
- e-marketing
- digital creative services



Media

- media communications strategy
- media planning and buying
- consumer insights research
- specialist strategic advice
- branded content solutions



Diversified

- public relations
- corporate social responsibility
- brand experience
- sponsorships
- mobile marketing
- printing and signage
- sports ground marketing
- video and event production services
- media strategy and leverage
- sponsorship negotiation & leverage
- talent management
- digital publishing



Technology

- branding, digital media and application development
- automated ad agency templating



Research

- qualitative and quantitative research
- marketing analytics
- communication planning tools and process



Business Overview

Media Division

- Development of media communications strategy; execution of media planning and buying; consumer insights research; specialist strategic advice; and branded content solutions. No creative services
- Thirty five year track record and Australia's largest and number one media agency (six years in a row)¹ – ~10% market share
- Australia's most dominant media agency²
- In excess of 2,000 clients, 80% Australian, Number 1 in Melbourne, Brisbane & Perth
- Strong cash flows
- Truly National operational
- Long held client and supplier relationships
- Approx. \$1bn placed on traditional media in Australia and New Zealand in 2009 through newspapers, free and pay TV, magazines, radio, cinema, out of home, etc... for our clients

1 – The Nielsen Company

2 – RECMA



Business Overview cont...

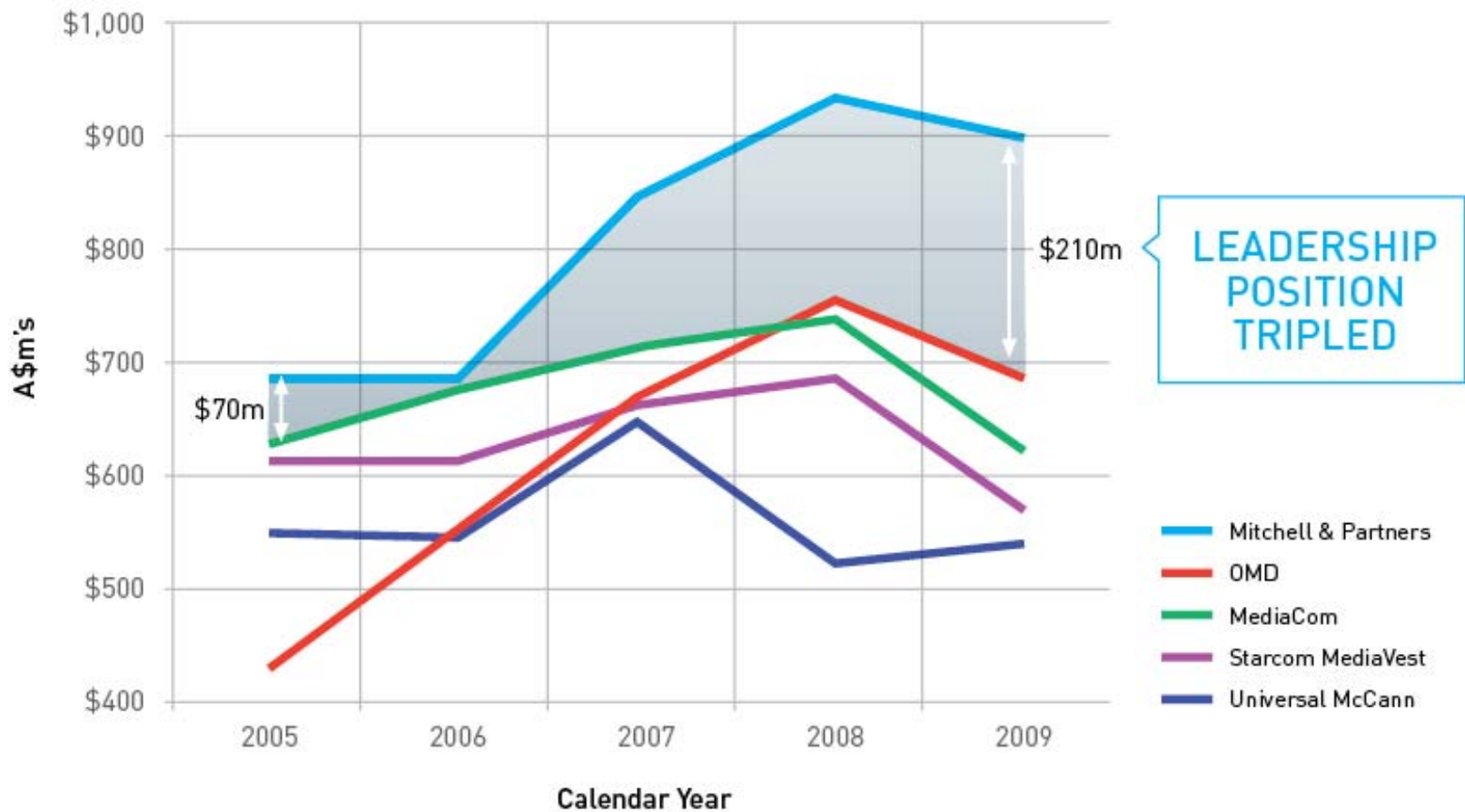
Media Division

- Working capital benefit – receipt versus payment
- 220 staff in media division
- 25% of the Group's EBITDA (excluding Corporate)
- Forecast ad market spend growth +8% p.a. next three years
- Under represented in the categories of: retail (luxury goods); entertainment & leisure; real estate; food (confectionary); toiletries/cosmetics; pharmaceutical



Business Overview cont...

Top 5 Australian Media Agencies by Media Billings



Business Overview cont...

Digital Division

- Full service digital agency – buying and creative
- Development of digital communications strategy; execution of digital planning and buying; ROI planning & tracking; SEO & SEM; and digital creative services
- Approx. \$130 million placed in Australia & New Zealand on digital media in 2009, primarily display and search for our clients
- 55% of the Group's EBITDA (excluding Corporate)
- Google's largest customer in Australia and the largest "display" agency based upon billings
- 200 staff across digital media and digital creative



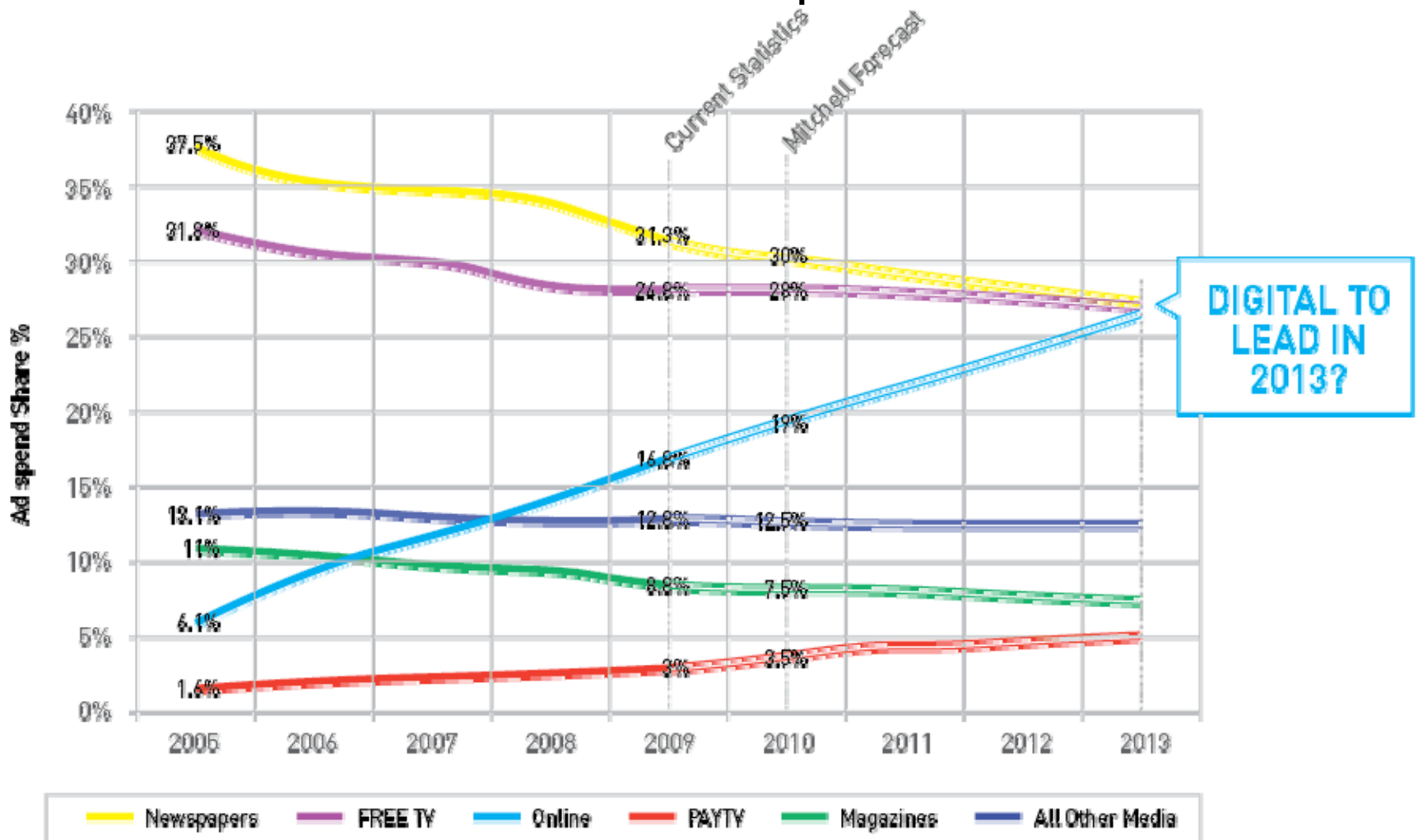
Business Overview cont...

Digital Division

- Australia's largest full service digital and search agency, consistently out pacing and muscling the growth of the market and competitors
- Longest track record (10 years) of any digital agency in Australia
- Integrated service offering with traditional media
- Internal and external forecasts believe that digital advertising will increase by +50% over the next 3 – 4 years via market growth and convergence from traditional media
- Operates at higher margins as compared to traditional media
- Despite having ~ 10% market share, under represented in similar areas as traditional media

Business Overview cont...

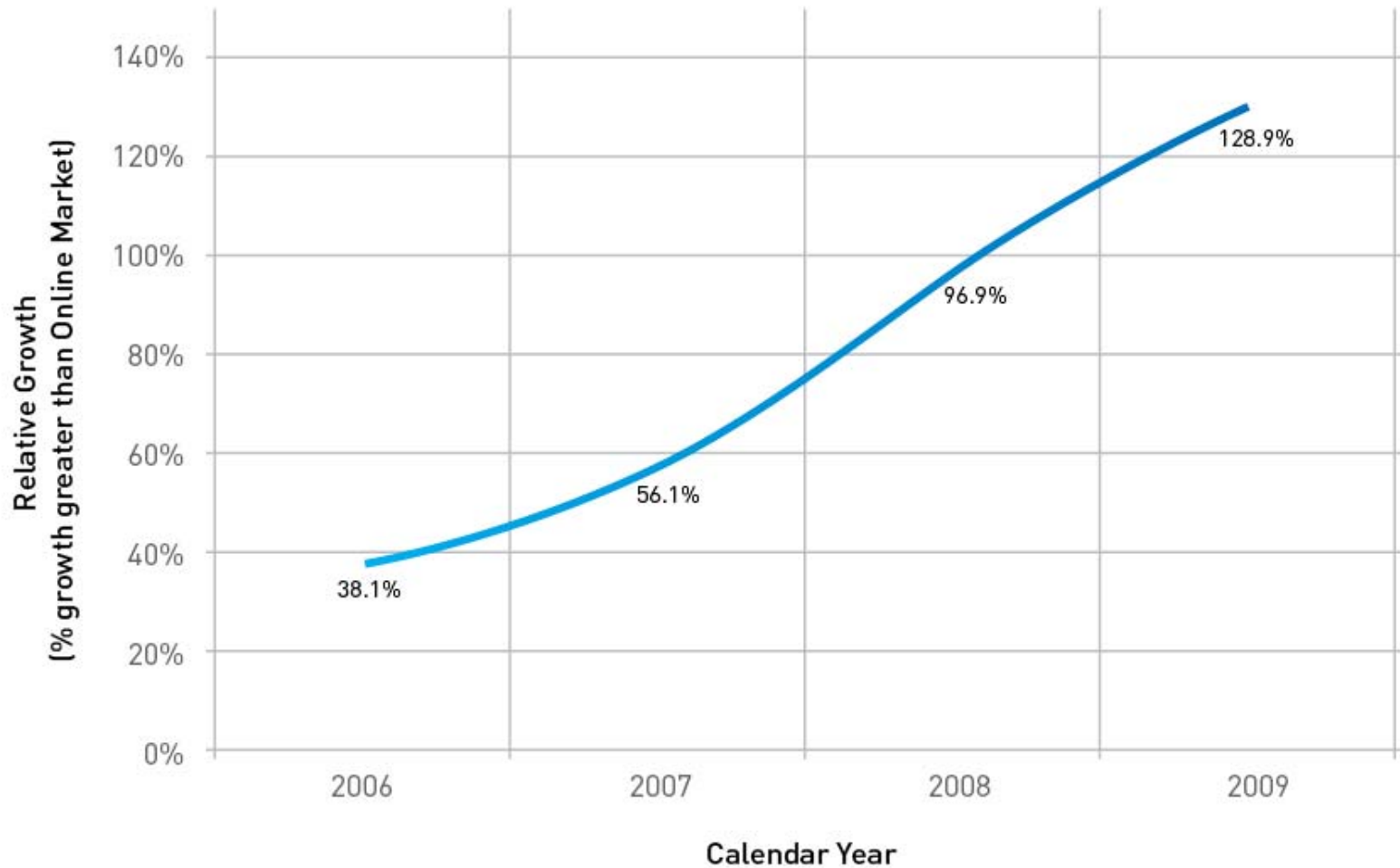
Online is the favourite to take the lead in ad spend share



Source: C.E.A.S.A. 2005 - 2009 and company data 2010 onwards

Business Overview cont...

Mitchells Digital - Significantly out paces the market



Source: Company data and IAB

Business Overview cont...

Diversified Division

- Range of marketing communications services including: public relations and brand experience; sponsorships, sporting rights and sportsground marketing; digital publishing; mobile marketing; marketing application development; and research
- All relatively strong margin, marketing communications services which can be delivered as standalone services or media “add ons”
- Remuneration is primarily fee for service with the largest costs being employee costs
- 20% of the Group’s EBITDA (excluding Corporate)
- 185 staff in diversified division



Business Overview cont...

Diversified Division

- Premium asset properties, long term contracts
- Opportunity to cross sell
- Capital cost restrictions create barriers to entry
- Innovation, embryonic and organic opportunities
- Market share growth



Financials

Group - 1H FY'10 Financial Results ...

- Billings, revenues, profits and cash flows all up
- Increase in interim, fully franked dividend
- Key Financial Highlights:

Gross Billings	↑ 6% to \$661.1 million
Operating Revenues	↑ 11% to \$122.9 million
EBITDA	Steady at \$15.1 million
Net Profit After Tax	↑ 4% to \$8.4 million
Operating Cash Flow	↑ 132% to \$29.5 million
Basic & Diluted EPS	Steady at 2.8 cps
Interim Dividend	↑ 21% to 2.3 cps

Billings and cash inflows in excess of \$660m

4% profit growth

Shareholders rewarded with 21% increase in interim dividend

Financials cont...

Abridged income statement

	1H FY'10	1H FY'09	Mvt	Mvt
	\$m	\$m	\$m	%
Operating Income	\$122.9	\$110.8	\$12.1	11%
Operating Expenses	\$107.8	\$95.7	\$12.1	13%
EBITDA	\$15.1	\$15.1	-	-
Depreciation & Amortisation ¹	\$1.5	\$1.3	\$0.2	15%
Amortisation of Intangibles on Acquisition	\$1.0	\$1.3	(\$0.3)	(23%)
EBIT	\$12.6	\$12.5	\$0.1	1%
Net Interest Expense	\$0.5	\$0.8	(\$0.3)	(38%)
Tax	\$3.7	\$3.6	\$0.1	3%
Net Profit After Tax	\$8.4	\$8.1	\$0.3	4%

*Profit after tax up
4%*

*EBITDA up 18%
excluding
Diversified
Division*

Financials cont...

Balance sheet

- Service business, minimal fixed assets, mainly working capital assets and liabilities and intangibles relating to acquisitions
- Strong cash flows ~ \$1.3bn per annum
- Cash surplus (net of debt) of \$24.7 million at 31 December 2009
- 1H FY'10 cash flows from operations of \$29.5 million (after tax paid of \$5.4 million), up \$16.8 million or 132% on pcp
- New finance facility signed during the period (replacing existing facility), featuring:
 - All-in-one, cash advance and overdraft facility for up to \$90 million;
 - For acquisitions, general corporate and working capital purposes;
 - “Evergreen” with initial term to 31 October 2011, reviewable thereafter.

Operating cash flows of \$29.5 million, up 132%

Summary

Strong opportunities for ongoing growth

- ✓ At the bottom of a +4 year upswing in the advertising cycle
- ✓ Under represented in numerous ad spend categories across all business pursuits
- ✓ Sitting upon the crest of a significant wave of ad spend to digital media at high margin
- ✓ Deep organic business opportunities, including the ability to cross sell at high margins and lock clients in whilst providing them with savings and a greater level of marketing communication services
- ✓ Shareholder focussed

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