

17 August 2009

ASX/MEDIA RELEASE

**PHOTON ANNOUNCES FY2009 NET REVENUE GROWTH OF 17%  
AND EBITDA GROWTH OF 14%**

Photon Group Limited (ASX:PGA), Australia's leading marketing services and communications group today announced a record full year result, highlights of which include:

- Strong performance in challenging market conditions
- Net revenue increased 17% year-on-year to \$440.6 million (7% on like-for-like basis)
- EBITDA increased 14% year-on-year to \$89.3 million
- Underlying EBITDA increased 19% year-on-year to \$93.0 million (8% on like-for-like basis)
- Underlying net profit after tax increased 30% year-on-year to \$28.2 million
- Underlying EPS of 27.8 cents vs. 28.6 cents in FY 2008
- Final dividend of 6.5 cps fully franked, taking full year dividends to 12.5 cps

Organic growth and market share gains continued to boost revenue and earnings which enabled Photon Group to announce a 30% lift in underlying net profit after tax from \$21.7 million to a record \$28.2 million for the 12 months ended 30 June 2009.

Photon's results for the twelve months to 30 June:

A\$ millions	2009	2008	Change
Revenue	653.5	574.4	14%
Net Revenue	440.6	376.8	17%
EBITDA	89.3	78.2	14%
Underlying EBITDA	93.0	78.2	19%
Underlying net profit after tax	28.2	21.7	30%
Reported net profit after tax	21.4	21.7	(1%)

Reported net profit after tax was impacted by two material one-off abnormal items; the \$4.2 million non-cash impairment charge associated with the non-controlling investment in Dark Blue Sea Limited and \$3.7 million of redundancy costs associated with business restructures.

Executive Chairman of Photon Group, Mr Tim Hughes said, "Our like-for-like EBITDA growth of 8%, in the midst of the worst global economic environment in decades is very pleasing. It reflects the fact that Photon is positioned to benefit from the structural changes currently taking place in the marketing and advertising industry. We built a robust business, that would deliver growth in good times and bad".

"We have delivered net revenue growth of 7% on a like-for-like basis while our global peers experienced revenue declines. A number of our businesses are favourably exposed to the structural shift we have seen in this downturn, and many businesses such as field marketing, public relations and internet & e-commerce have proven to be counter-cyclical with growth in this economic environment", said Mr Hughes.

"In the first two months of the financial year we have seen some recovery in areas such as event management and corporate communications. With an improving economic outlook and our

exposure to the fastest growing market sectors, we are cautiously optimistic that 2010 will be another record year in terms of revenue and earnings”.

Chief Executive Officer, Mr Matthew Bailey said “We have delivered strong organic growth in the financial year 2009. We made a number of acquisitions in the past to build a robust, diversified portfolio. We acquired carefully at prudent multiples, with appropriate compensation structures to retain talent and clients. We did not have any write-downs on any of our majority owned acquisitions, however, during the year we restructured and closed some businesses resulting in \$3.7 million of one-off costs. The vast majority of our vendors and managers continue to stay with the Group after earn-out payments. In 2009 we focused on organic growth, consolidation and costs. Our strategy is to continue to grow organically, and we are expecting to deliver high single digit EBITDA growth in the coming year”.

“We are announcing an equity raising to reduce debt and strengthen our balance sheet. Our current leverage ratio is 2.9x FY 2009 underlying EBITDA. After the equity raising, our pro-forma leverage ratio at 30 June 2009 would have been 1.8x FY 2009 underlying EBITDA. Based on current estimates, at the time the proceeds of the equity raising are applied to repay debt we will have enough headroom in our existing undrawn bank facilities to cover future estimated earn-outs”, he concluded.

Directors have announced a final fully franked dividend of 6.5 cents per share, payable on 11 September 2009, with the full year’s fully franked dividend of 12.5 cents per share.

### **ANNOUNCEMENT OF EQUITY RAISING**

Photon Group announced Monday that it is undertaking an equity raising to raise approximately \$114.6 million through a fully underwritten placement of ordinary shares to institutional investors and a one for two non-renounceable rights issue of ordinary shares to shareholders.

Under the rights offer, existing eligible Photon shareholders will have the opportunity to subscribe for one new share for each two shares held on the record date (25 August 2009) at a price of \$1.50 per new share. The rights issue is expected to raise approximately \$87.9 million.

The RG Capital group of companies and Tim Hughes, who together own 33% of Photon Group prior to the capital raising have provided commitments to take up their full share of entitlements of 16.95 million shares.

Proceeds will be used to retire debt and strengthen the balance sheet. At the time the proceeds of the equity raising are used to repay debt, the current estimate of future earn-out liabilities will be matched by available headroom under existing facilities.

The capital raising has been managed and underwritten by Morgan Stanley and co-managed by Southern Cross Equities. Palladio Partners acted as financial adviser to the company.

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PhotonGroup



**FY 2009 Results Presentation and Equity Raising**

17 August 2009

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## Definitions & Assumptions

- Pro Forma (PF) – throughout the document pro forma FY 2008 and FY 2007 net revenue and EBITDA are calculated assuming ownership of all companies in the group at 30 June 2009 for the full 12 month period. Pro forma calculations are based on unaudited management accounts and company estimates
- Like-for-like – throughout the presentation like-for-like growth is calculated assuming results for all companies in the group at 30 June 2009 were owned by the group for 100% of the relevant period. Like-for-like EBITDA growth represents the growth in underlying EBITDA on a like-for-like basis for the relevant periods
- Pro forma equity raising shows the impact of the equity raising on Photon's consolidated balance sheet at 30 June 2009 and profit and loss and cash flow statements for the 12 months ended 30 June 2009. The pro forma balance sheet assumes the \$114.6 million net of the fees associated with the equity raising are used to retire debt. The pro forma profit and loss and cash flow statements show the impact assuming the debt was repaid on 1 July 2008
- Underlying EBITDA, EBIT and NPAT in FY 2009 are before one-off restructuring and redundancy charges of \$3.7 million (\$2.6 million after tax) and non-cash impairment charges of \$4.2 million related to the investment in Dark Blue Sea Limited (DBS)
  - Restructuring and redundancy charges are associated with headcount reductions and business consolidations mainly in the following divisions: (i) Integrated Communications and Digital (merged operations of Love, belong and Ad Partners and reduced headcount) (ii) Strategic Intelligence (merged DVL Smith with The Leading Edge and reduced headcount in certain businesses and (iii) Specialised Communications (significant headcount reductions and closed ABT's operations in China and Precinct's operations in New York)

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## Executive Summary



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# PhotonGroup

*We are announcing strong results for the Photon Group in the worst economic climate in decades.*

*Photon has been a beneficiary of the structural changes currently taking place in the marketing and advertising industry ...*

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Structural shift in marketing spend from mass media to direct-to-consumer channels, including internet, mobile and POS  
Consumer marketing has changed to a two-way communication, consumers have a say and control what they want and when  
Channels are fragmented and require one-on-one personal communications driven by state of the art technology

*and in the midst of a global advertising and financial crisis we delivered...*

---

7% like-for-like revenue growth, 8% like-for-like underlying EBITDA growth in FY 2009  
Grew portfolio organically with no material acquisitions  
Focused on cost measures where required

*...and built a robust business, strategically positioned to deliver growth in good times and bad,*

---

Portfolio of specialist businesses to capture industry trends  
Truly diversified, where no single channel, client, business, person or industry represents material risk to performance  
Exposure to counter-cyclical segments  
Past acquisitions at the right price and with the right incentives to retain clients and people

*...and we will continue to deliver, with a strategy to grow our business organically.*

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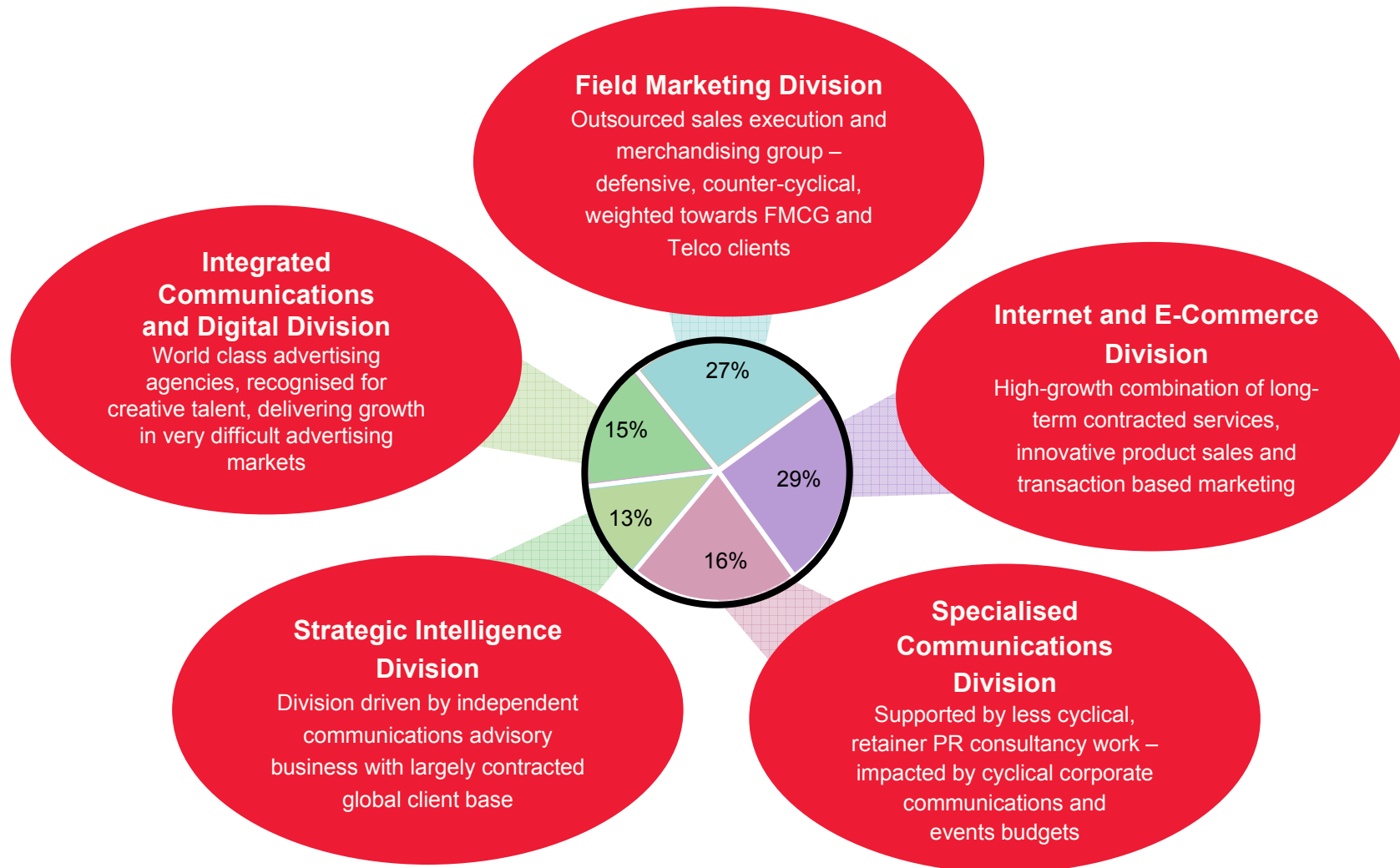
High single digit EBITDA growth expected in FY 2010  
Focusing on organic growth  
Announcing equity raising to strengthen balance sheet



# PhotonGroup

## We Engage Where The Customer Is

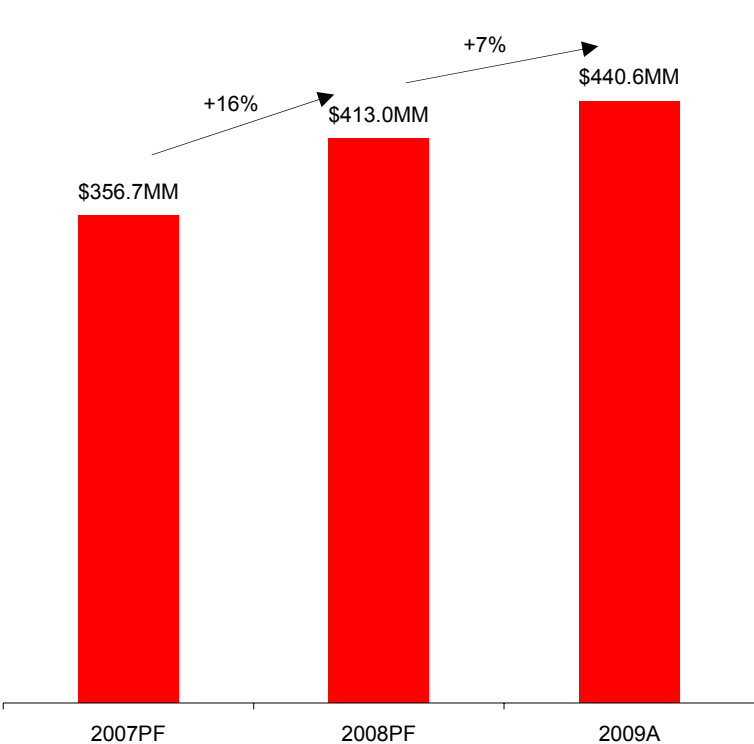
FY 2009 underlying EBITDA by division



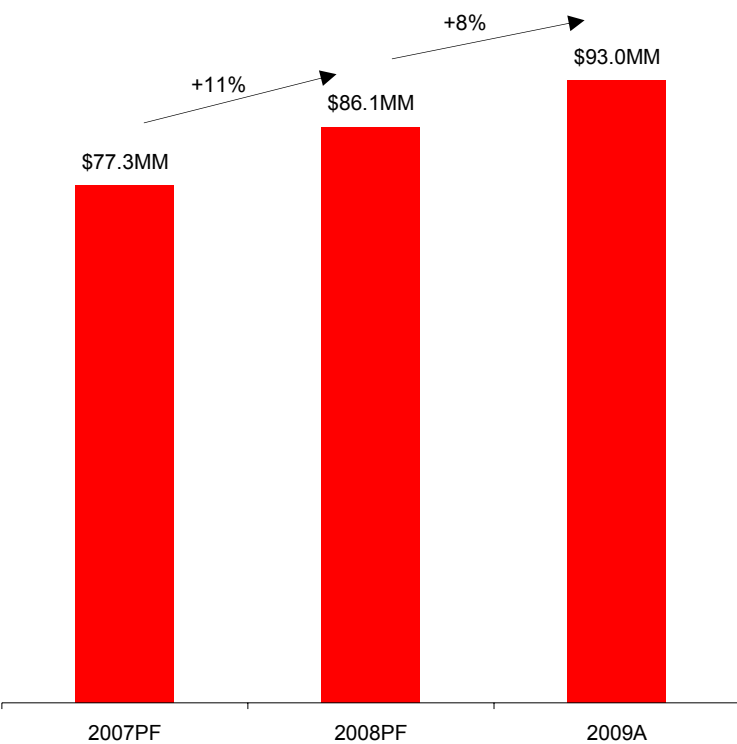
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## Like-for-Like Growth

Like-for-Like Net Revenue



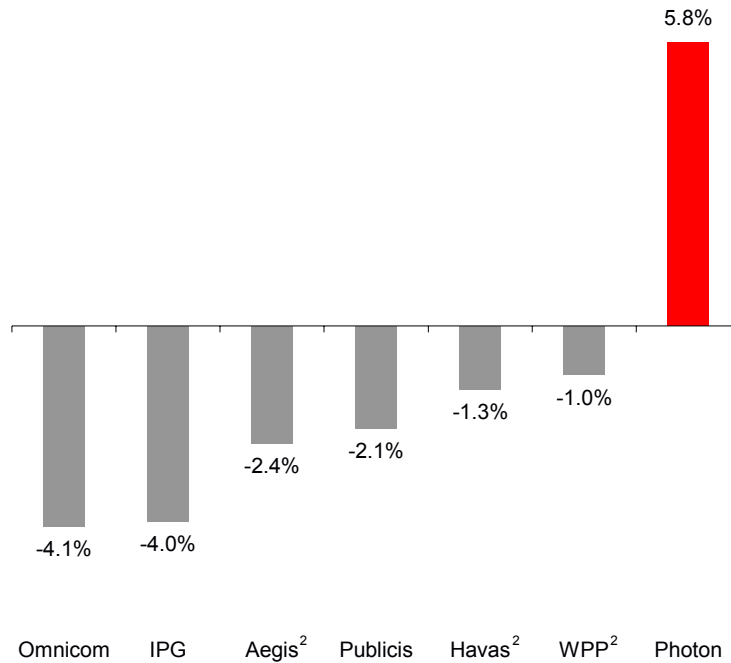
Like-for-Like EBITDA



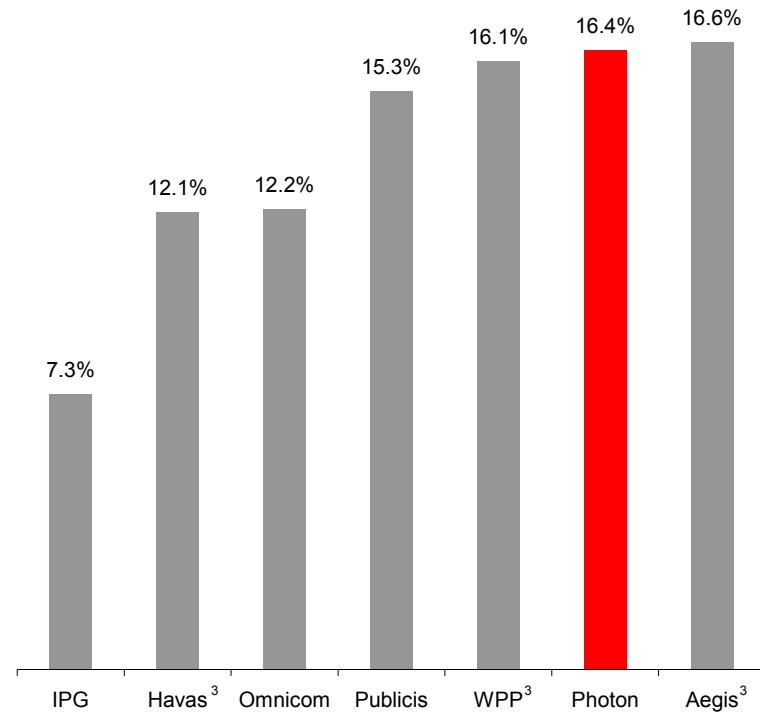
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## FY 2009 Global Peer Analysis

**Revenue Grew in a Tough Market**  
FY 2009 Organic Revenue Growth<sup>1</sup>



**Best in Class Margin**  
FY 2009 Underlying EBIT Margin



1. All companies are presented on a constant currency basis. On a constant currency basis, Photon's growth was 5.8%. On a reported (effective currency basis), Photon's revenue growth was 6.7% (like-for-like)
2. Most recent results available for three quarters ended March 31, 2009
3. Most recent results available for six months ended December 31, 2008

## FY 2009 Financial Highlights

- Strong performance in challenging market conditions
- Net revenue increased 17% year-on-year to \$440.6 million (7% like-for-like)
- Underlying EBITDA increased 19% year-on-year to \$93.0 million (8% like-for-like)
- Underlying net profit after tax increased by 30% year-on-year to \$28.2 million
- Underlying EPS of 27.8 cents vs. 28.6 cents in FY 2008
- Final dividend of 6.5 cps fully franked, taking full year dividends to 12.5 cps

## Divisional Performance

- Field Marketing – significant growth across key businesses in FY 2009 – EBITDA up 21% on FY 2008 (like-for-like)
- Internet and E-Commerce – strong growth with EBITDA up 15% on FY 2008 (like-for-like)
- Specialised Communications – corporate communications and event management businesses suffered due to reduced client spend and exposure to M&A / equity raising markets, however, this was countered by the strong performance of the PR and public affairs companies – EBITDA down by 22% on FY 2008 (like-for-like)
- Strategic Intelligence – Naked performed very well, however research saw a drop in revenue as clients (particularly FMCG) substantially reduced testing ideas for new products, services and marketing strategies – EBITDA up 1% on FY 2008 (like-for-like)
- Integrated Communications and Digital – very strong performance for leading agencies with significant new client wins – EBITDA up 31% on FY 2008 (like-for-like)

## Equity Raising

- Photon is undertaking a \$114.6 million fully underwritten equity raising comprising a \$26.6 million placement and a \$87.9 million 1 for 2 non-renounceable rights issue
- Proceeds will be used to retire debt and strengthen the balance sheet
- Following the equity raising, pro forma debt / underlying EBITDA will be reduced to 1.8x at 30 June 2009 with pro forma underlying interest cover of 7.6x in 2009
- Offer supported by founders and largest shareholder - Interests associated with RG Capital and Tim Hughes who, prior to the capital raising, collectively own 33% of Photon have committed to subscribe for their full rights entitlements
- At the time the proceeds of the equity raising are used to repay debt, the current estimate of future earn-out liabilities will be matched by available headroom under existing facilities

## Outlook

- Photon in FY 2009 delivered solid earnings growth in the worst economic environment seen in decades
- With a diversified business model and strong market position, Photon expects to continue to deliver revenue and earnings growth
- Photon has made no material acquisitions since February 2008 and its strategy is to focus efforts on consolidating and integrating the existing operations to improve profitability and grow organically
- In 4Q 2009 and in the first month of FY 2010 there is evidence that the market environment where Photon's businesses operate overall has improved – July and August to date are performing in line with budgets
- We expect high single digit EBITDA growth in FY 2010, in line with broker consensus
- We anticipate a continuing dividend payout ratio of 50%

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## FY 2009 Results



# PhotonGroup

## FY 2009 Profit and Loss summary

YE 30 June, A\$m	2009A	2008A	Change	2009 Pro Forma for Equity Raising
Gross Revenue	653.5	574.4	14%	653.5
Net Revenue	440.6	376.8	17%	440.6
EBITDA	89.3	78.2	14%	89.3
Underlying EBITDA	93.0	78.2	19%	93.0
Underlying EBITDA Margin	21.1%	20.8%	30bps	21.1%
Underlying EBIT	72.4	61.3	18%	72.4
Underlying EBIT Margin	16.4%	16.3%	9bps	16.4%
Underlying Net Profit After Minorities	28.2	21.7	30%	34.4
Reported Net Profit After Minorities	21.4	21.7	(1%)	nm
Underlying EPS <sup>1</sup>	27.8 cents	28.6 cents		19.6 cents
Reported EPS <sup>1</sup>	21.1 cents	28.6 cents		nm
Payout Ratio <sup>2</sup>	50%	100%		50%
Full Year Dividend	12.5 cents	28.5 cents		9.0 cents

1. WANOS FY 2009 of 101,576,597 (FY 2008 of 75,888,613)

2. FY 2009A payout ratio calculated based on reported NPAT adjusted for non-cash impairment charges of \$4.2 million

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## Balance Sheet and Cash Flow Summary

- As at 30 June 2009 Photon had drawn debt facilities of \$273 million and deferred consideration payment obligations estimated at \$111 million
- The equity raising will assist Photon to reduce debt and fund deferred consideration payments
- No off-balance sheet financing

30 June, A\$m	2009A	2009 Pro Forma for Equity Raising
Cash	24	24
Working Capital	45	45
Financial Assets	10	10
Other Assets	15	15
Fixed Assets	21	21
Intangibles:		
Goodwill	547	547
Identifiable Intangibles	34	34
<b>Total Assets</b>	<b>695</b>	<b>695</b>
Provisions and Other Liabilities	39	39
Deferred Consideration		
Current	67	67
Non-current	45	45
Borrowings		
Current	34	-
Non-current	240	165
Other	6	6
<b>Net Assets</b>	<b>265</b>	<b>373</b>

YE 30 June, A\$m	2009A	2009 Pro Forma for Equity Raising
Underlying EBITDA	93.0	93.0
Increase in working capital	(13.6)	(13.6)
<b>Underlying Gross cash flow</b>	<b>79.4</b>	<b>79.4</b>
Net interest paid	(21.0)	(11.5)
Other	0.1	0.1
Tax	(17.4)	(20.0)
<b>Underlying Operating cash flow</b>	<b>41.0</b>	<b>47.9</b>
CAPEX	(12.3)	(12.3)
<b>Underlying Free cash flow (Pre dividends)</b>	<b>28.7</b>	<b>35.6</b>



# PhotonGroup

## Debt Profile at 30 June 2009

- The equity raising will reduce pro forma leverage at 30 June 2009 to 1.8x debt/EBITDA and increase interest cover to 7.6x

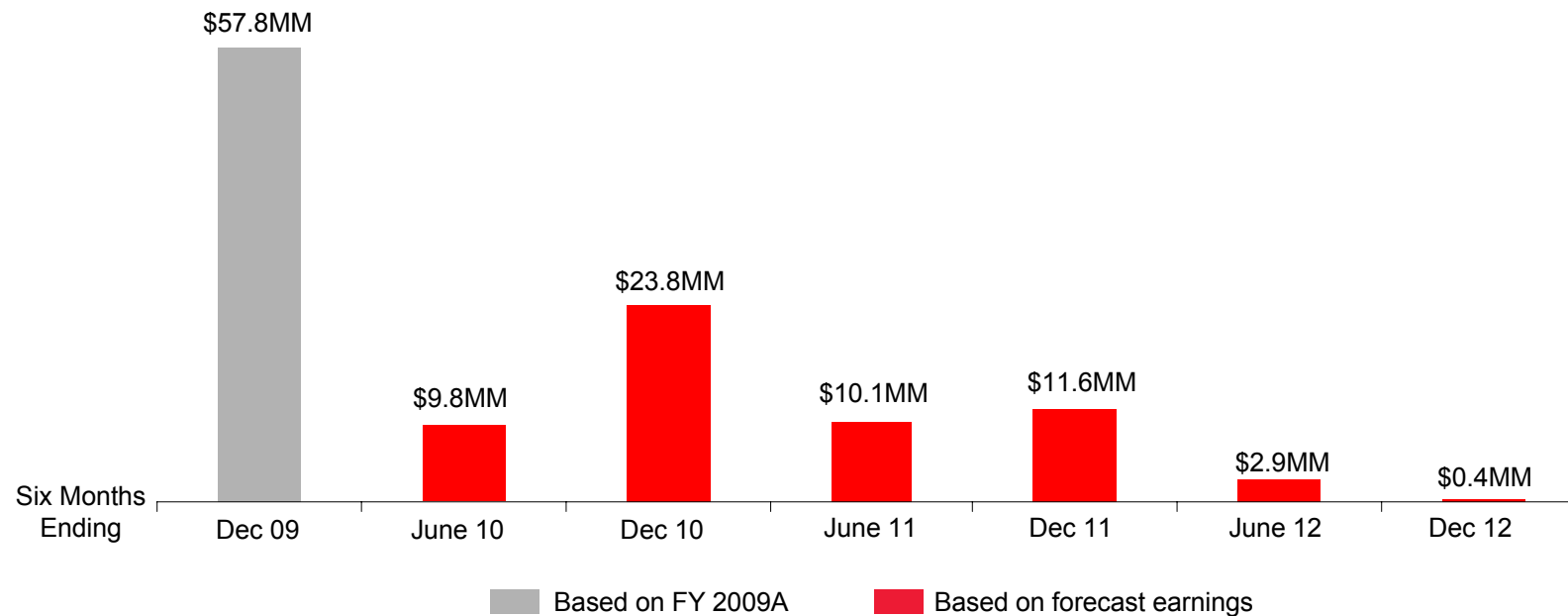
A\$ million	Facility Limit	Term	30 June 2009		30 June 2009 Pro Forma for Equity Raising
			Drawn <sup>1</sup>	Av. Interest Rate	Drawn <sup>1,4</sup>
Facility A1	\$88m	April 10	\$33m	7.3%	-
Facility B	\$120m	Oct 10	\$120m	4.2%	\$45m
Facility A2	\$46m	March 11	\$46m	7.0%	\$46m
Facility C	\$76m	Oct 11	\$74m	4.5%	\$74m
<b>Total Facilities</b>	<b>\$330m</b>		<b>\$273m</b>	<b>5.2%</b>	<b>\$165m</b>
Interest Cover <sup>2</sup>	>3.0x		4.2x		7.6x
Leverage Ratio <sup>3</sup>	<3.0x		2.9x		1.8x

- GBP and USD denominated borrowings converted at 30 June 2009 exchange rate
- Interest cover = normalised LTM EBITA before non-cash options expense / net interest
- Leverage ratio = financial indebtedness / normalised LTM EBITDA before non-cash options expense
- Total facilities drawn after the payment of earn-outs due in FY 2010 is expected to be \$233 million. Refer to paragraph (f) on page 38 regarding debt maturity. The next refinancing date is April 2010. Unless refinanced prior, it is anticipated that \$50 million of currently undrawn facilities will be cancelled in April 2010

# PhotonGroup

## Earn-outs

- Photon has earn-out payables on its balance sheet in relation to previous acquisitions
- Estimate of the liabilities at 30 June 2009 was \$116 million (net present value \$111 million)
- The size of the payments is dependant on the earnings growth of these companies over, typically, a four year period and as a result the actual payment may vary from that presented below
  - However, approximately 50% of earn-out payment liabilities are based on FY 2009 performance and are not subject to material change
- Earn-outs have been strategically designed to allow Photon to retain and integrate businesses, incentivise vendors to stay with the Group and limit risks during integration
- After earn-out period, most vendors have stayed with the Group, either in the management teams of the vended business or in relevant division and Group management positions



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## **Operational Update and Divisional Performance**



# PhotonGroup

## FY 2008 – FY 2009 Net Revenue by Division

AUD '000s	Reported			Like-for-Like		
	FY 2008A	FY 2009A	Growth	FY 2008PF	FY 2009A	Growth
Field Marketing	125,774	141,178	12%	129,061	141,178	9%
Internet and E-Commerce	40,018	51,065	28%	43,164	51,065	18%
Specialised Communications	76,726	79,320	3%	87,289	79,320	(9%)
Strategic Intelligence	52,952	75,739	43%	71,033	75,739	7%
Integrated Comms and Digital	81,359	93,337	15%	82,470	93,337	13%
<b>Total Operating Companies</b>	<b>376,829</b>	<b>440,639</b>	<b>17%</b>	<b>413,016</b>	<b>440,639</b>	<b>7%</b>

## FY 2008 – FY 2009 EBITDA by Division

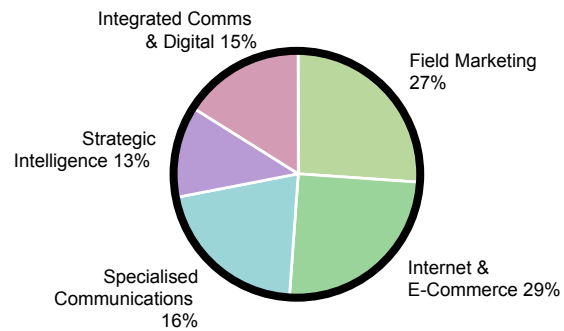
AUD '000s	Reported			Like-for-Like		
	FY 2008A	FY 2009A	Growth	FY 2008PF	FY 2009A	Growth
Field Marketing	22,327	27,635	24%	22,929	27,635	21%
Internet and E-Commerce <sup>1</sup>	24,343	29,059	19%	25,340	29,059	15%
Specialised Communications	18,036	16,422	(9%)	21,135	16,422	(22%)
Strategic Intelligence	10,284	12,770	24%	12,589	12,770	1%
Integrated Comms and Digital	11,745	15,727	34%	12,010	15,727	31%
<b>Total Operating Companies</b>	<b>86,736</b>	<b>101,614</b>	<b>17%</b>	<b>94,003</b>	<b>101,614</b>	<b>8%</b>
Service Centre	(8,562)	(8,639)	1%	(7,856)	(8,639)	10%
<b>Total Group (Underlying)</b>	<b>78,174</b>	<b>92,975</b>	<b>19%</b>	<b>86,147</b>	<b>92,975</b>	<b>8%</b>
One-Off Costs <sup>2</sup>	–	3,671	nm	–	3,671	nm
<b>Total Group (Reported)<sup>1</sup></b>	<b>78,174</b>	<b>89,304</b>	<b>14%</b>	<b>86,147</b>	<b>89,304</b>	<b>4%</b>

1. Internet and E-Commerce division includes income from associates of \$136k and \$145k in FY 2008 and FY 2009, respectively. Reported EBITDA before income from associates is \$89.2 million
2. Restructuring and redundancy charges of \$3.7 million

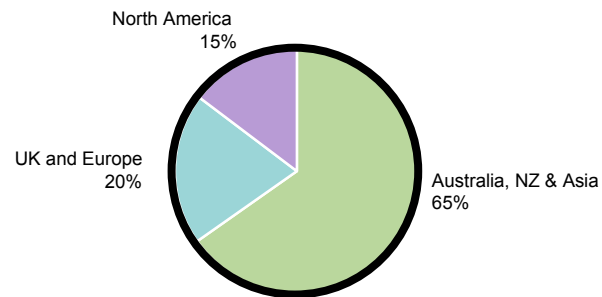
# PhotonGroup

## A Highly Diversified Company

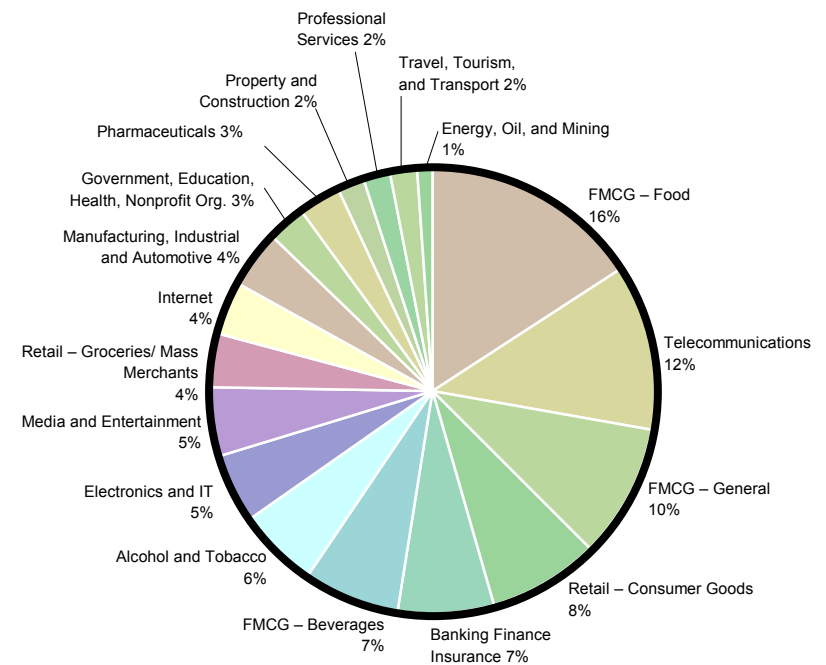
FY 2009A Underlying EBITDA by Division



FY 2009A Underlying EBITDA by Geography



FY 2009A Revenue by Industry



# PhotonGroup

## Field Marketing Division

Outsourced sales execution and merchandising group - defensive, counter-cyclical, weighted towards FMCG and Telco clients

### What the Division Does

- Leading outsourcing group for FMCG and Telco clients
- Field marketing support, including shelf maintenance, display building, POS implementation, ordering and out-of-stock audits
- Store refurbishments / refits for suppliers
- In-store advertising programs
- "Face-to-face" consumer promotions and in-store sampling
- POS data analytics for retailers, suppliers and execution partners
- Flexible work-force of 6,500 casual people and latest field technology

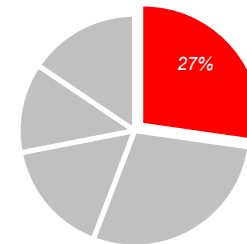
### Key Drivers

- Large growth opportunity as the industry continues to outsource merchandising function from a low base
- Retailers move cost of shelf-stocking and store promotional compliance to suppliers and suppliers outsource to Photon's field marketing division – better economics and performance
- Defensive, counter-cyclical business weighted towards less cyclical FMCG products
- Not directly correlated with companies' advertising spend on media (shelf-stocking / store promotions continue through a downturn)
- Expansion of merchandising into non-FMCG provides growth opportunities

### Examples of Customers



### Field Marketing Contribution to Underlying EBITDA



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## Field Marketing Division

Outsourced sales execution and merchandising group - defensive, counter-cyclical, weighted towards FMCG and Telco clients

### FY 2009 Performance

- Significant growth across key businesses in FY 2009 – EBITDA up 21% on FY 2008 (like-for-like)
- Difficult operating environment for many clients led to an increase in outsourcing activity as clients sought to reduce sales distribution costs
- Significant new contract wins across a number of companies
  - The Bailey Group – Microsoft, Red Bull, Foster's non-alcoholic beverages, Coles re-fit
  - Club Sales – George Weston Foods, Tasti
  - Demonstrations Plus – significant growth in Woolworths account
  - Some clients did cut back spending in FY 2009 due to budget constraints – opportunity to leverage increased spend as budget constraints are lifted
- Increased integration of back-end systems and resources such as IT, casual labour and finance

### Like-for-Like Results

YE 30 June, A\$m	2008PF	2009A	Change
Net Revenue			
First Half	62.5	74.0	18%
Second Half	66.6	67.2	1%
<b>Full Year</b>	<b>129.1</b>	<b>141.2</b>	<b>9%</b>
Underlying EBITDA			
First Half	11.0	15.0	36%
Second Half	11.9	12.6	6%
<b>Full Year</b>	<b>22.9</b>	<b>27.6</b>	<b>21%</b>

### Outlook

- Strong focus on new business conversion as clients continue to outsource sales execution
- Retail Insight launched its range of data products in Australia
- Seek continued growth in existing customer relationships



# PhotonGroup

## Internet and E-Commerce Division

High-growth combination of long-term contracted services, innovative product sales and transaction based marketing

### What the Division Does

- Website management and online publishing services for high volume and high maintenance sites with strong interaction with customer
- E-mail and SMS technology combines with customer data to generate large-volume personalised direct marketing
- Innovative product development in e-commerce marketing
- Online social media marketing services
- Online performance marketing services to drive online traffic
- On-premise and outdoor screen marketing services and events

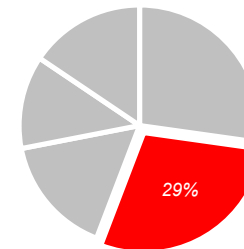
### Key Drivers

- Secular growth as advertisers follow consumers online
- Participation in overall trend towards internet, social media and direct-to-consumer marketing
- Services and support contracts sticky as costly for clients to replicate or transport technical expertise
- State of the art technology to stay ahead of the curve in reaching consumers, resulting in high growth and high margins
- Well diversified portfolio of businesses and clients

### Examples of Customers



### Internet and E-Commerce Contribution to Underlying EBITDA





# PhotonGroup

## Internet and E-Commerce Division

High-growth combination of long-term contracted services, innovative product sales and transaction based marketing

### FY 2009 Performance

- Strong growth in division with EBITDA up 15% on FY 2008 like-for-like
- Online marketing gained market share
  - Online marketing offers marketers ability to accurately measure ROI which is crucial in a tight marketing environment
- Division growth powered by innovation and product developments – e.g. launch of Internet in a Box and Geekversity on-line training program
- New client wins across the group including Travelex, Cisco and Sensis
- Launch of The Population, a specialist social media consulting and activation agency
- Search marketing companies leveraged opportunity to licence proprietary technology to other industry participants

### Like-for-Like Results

YE 30 June, A\$m	2008PF	2009A	Change
Net Revenue			
First Half	17.3	22.4	29%
Second Half	25.9	28.7	11%
<b>Full Year</b>	<b>43.2</b>	<b>51.1</b>	<b>18%</b>
Underlying EBITDA			
First Half	8.7	12.1	39%
Second Half	16.6	16.9	1%
<b>Full Year</b>	<b>25.3</b>	<b>29.1</b>	<b>15%</b>

### Outlook

- New products, clients and increased sector share of total marketing spend are growth drivers
- Social networking and video content remain under monetised providing growth opportunity



# PhotonGroup

## Specialised Communications Division

Supported by less cyclical, retainer PR consultancy work – impacted by cyclical corporate communications and events budgets

### What the Division Does

- PR and public affairs: consultancy work for corporate clients on corporate communications or product launches advising on communications to media, industry analysts, industry groups, consumers, etc.
- Corporate communications: consultancy, design and production of print and online reports (financial reports, prospectus, etc.)
- Experiential and events management: design, planning and execution of live events around brands for both internal and external brand promotion

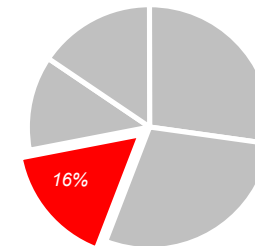
### Key Drivers

- Key exposure is PR, less cyclical business than corporate communications and events with 70 – 80% of revenue contracted
- Clients consolidate PR consultancy providers in a downturn, allowing top tier companies to gain share
- Corporate communications and events clients' budgets reduced during a slowdown which impacts the business
- Highly diversified client base, no single client represents 5% of business

### Examples of Customers



### Specialised Communications Contribution to Underlying EBITDA



# PhotonGroup

## Specialised Communications Division

Supported by less cyclical, retainer PR consultancy work – impacted by cyclical corporate communications and events budgets

### FY 2009 Performance

- Very different performance across different parts of the business
- PR and public affairs companies grew strongly with EBITDA up approximately 15% on FY 2008 (like-for-like)
- Counter-cyclical as public relations firms took market share from other forms of marketing spend – cost effective and measurable
- Significant consolidation in public relations sector saw larger operators (i.e. Frank PR and Hotwire) win a greater share of their clients' total PR spend
- Corporate communications and event management businesses suffered due to reduced client spend and exposure to M&A and equity raising markets – EBITDA down over \$8.2 million from FY 2008
- Cost base restructuring across these business with significant headcount reductions (12% of employees)
- Closed ABT's operations in China and Precinct's operations in New York to focus on core markets

### Like-for-Like Results

YE 30 June, A\$m	2008PF	2009A	Change
Net Revenue			
First Half	35.8	41.4	16%
Second Half	51.5	37.9	(26%)
<b>Full Year</b>	<b>87.3</b>	<b>79.3</b>	<b>(9%)</b>
Underlying EBITDA			
First Half	10.5	7.5	(29%)
Second Half	10.6	8.9	(16%)
<b>Full Year</b>	<b>21.1</b>	<b>16.4</b>	<b>(22%)</b>

### Outlook

- Public relations has good visibility due to retainer nature of revenue
- Frank PR strong start to operations in Australia and Hotwire looking to grow organically in the U.S.
- Anticipating modest recovery in corporate communications and event management

# PhotonGroup

## Strategic Intelligence Division

Division driven by independent communications advisory business with largely contracted global client base

### What the Division Does

- Qualitative and quantitative market research
- Communications strategy advice – solve a marketing problem based on consumer and brand insight
- Develop solutions based on 21st century marketing: tailored communication where consumers have an active role in the process
- Remain independent in providing advice

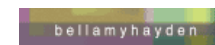
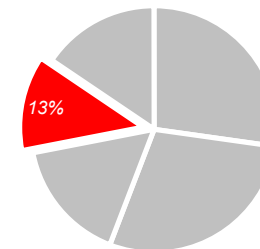
### Key Drivers

- The research part of the business tracks economic activity
- Communications strategy brings ideas to clients that can help them improve their communications with clients and other stakeholders – less correlated to the economic cycle
- Fragmentation of communications market is a driver of retaining independent communication strategy
- Business expanding across geographies following client demand
- About 2/3 of the business outside Australia
- Approximately half of revenue is contracted with global clients – reducing reliance on project work
- Well diversified client base with important less cyclical FMCG sector exposure

### Examples of Customers



### Strategic Intelligence Contribution to Underlying EBITDA



# PhotonGroup

## Strategic Intelligence Division

Division driven by independent communications advisory business with largely contracted global client base

### FY 2009 Performance

- Strong support for Naked's strategic consulting offering in current environment – authority on how global brand can integrate marketing communications
  - U.K. and U.S. markets over-performed with the growth of existing clients and new client wins – Kimberly Clark, Ameriprise, SC Johnson, Adidas
  - Naked broadened its Nordic presence with offices in Sweden and Denmark
- However research saw a drop in revenue as clients halted testing ideas for new products, services and marketing strategies – Australian research market fees down approximately 15% Y-o-Y since 1 January 2009 (source: Association of Market & Social Research Organisations)
- Significant cost base re-alignment in certain businesses to protect margins (13% of headcount reduced)

### Like-for-Like Results

YE 30 June, A\$m	2008PF	2009A	Change
Net Revenue			
First Half	33.5	38.2	14%
Second Half	37.5	37.5	0%
<b>Full Year</b>	<b>71.0</b>	<b>75.7</b>	<b>7%</b>
Underlying EBITDA			
First Half	5.0	4.9	(1%)
Second Half	7.6	7.9	4%
<b>Full Year</b>	<b>12.6</b>	<b>12.8</b>	<b>2%</b>

### Outlook

- Research tends to be a leading indicator of economic activity and spending is expected to recover in this sector
- Naked expected to continue to perform well across all jurisdictions



# PhotonGroup

## Integrated Communications and Digital Division

World class advertising agencies, recognised for creative talent, delivering growth in very difficult advertising markets

### What the Division Does

- Leading advertising agencies – bmf and bwm top tier agencies. “World class agencies based in Sydney”
  - bmf ranked no. 16 agency in the world (The Won Report)
- Success driven by creativity and client commitment
- Integrated campaigns across traditional and new mediums
- Promotional agencies with below the line promotional marketing campaigns, including integrated campaigns, consumer and trade promotions, events, displays, etc.

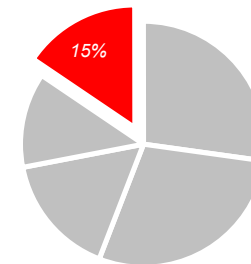
### Key Drivers

- Leading advertising agencies in Photon are talent-driven. Have delivered strong high growth in a very difficult advertising market
- Trend towards appointment of best of breed local agencies
- Mid-market agencies faced more challenging environment and have been consolidated into one operation and cost base reduced
- Majority of revenue under retainer agreements and existing contracts
- Oriented towards less cyclical clients in FMCG and banking
- Well diversified client base
- Significant investment in digital teams and expertise provides incremental revenue opportunities from existing customers

### Examples of Customers



### Integrated Communications and Digital Contribution to Underlying EBITDA



PARTNERS



CORPORATEDGE



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# PhotonGroup

## Integrated Communications and Digital Division

World class advertising agencies, recognised for creative talent, delivering growth in very difficult advertising markets

### FY 2009 Performance

- Very strong performance for leading agencies with significant new client wins – the agency group’s EBITDA was up over 30% on FY 2008 like-for-like
  - BMF – Commonwealth Bank Media, Solo, Ryobi, several Government campaigns
  - BWM – Sanitarium, Telstra Business, Bigpond Digital, Next G
  - AdPartners – Britex, Safcol
  - ISS – Novartis, Gatorade, Pepsi
- Photon’s agencies were beneficiaries of trend of appointing best of breed local specialists
- Clients concentrated in non-cyclical sectors - FMCG, beverages, banking and telecommunications – provided a buffer against budget cuts
- Merged operations of smaller agencies (Love, AdPartners and Belong) under AdPartners brand to maximise profitability – reduction 15% employees across division
- Exited joint venture business in New Zealand due to low growth environment

### Like-for-Like Results

YE 30 June, A\$m	2008PF	2009A	Change
Net Revenue			
First Half	38.1	45.6	20%
Second Half	44.4	47.7	7%
<b>Full Year</b>	<b>82.5</b>	<b>93.3</b>	<b>13%</b>
Underlying EBITDA			
First Half	4.7	5.4	15%
Second Half	7.3	10.3	41%
<b>Full Year</b>	<b>12.0</b>	<b>15.7</b>	<b>31%</b>

### Outlook

- Agency group expected to continue to work with existing base of key clients and target new client opportunities
- Strong focus on growth areas i.e. digital campaigns and mobile promotions
- Continue emphasis on networking and new business referrals across the division



PARTNERS



CORPORATEDGE



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## Equity Raising





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# PhotonGroup

## Summary of the Equity Raising

- Photon is undertaking a fully underwritten equity raising to repay debt and strengthen its balance sheet
- At the time the proceeds of the equity raising are used to repay debt, the current estimate of future earn-out liabilities will be matched by available headroom under existing facilities
- The equity raising of approximately \$114.6 million comprises:
  - An institutional placement of approximately 14.4 million shares at \$1.85 per share to raise approximately \$26.6 million
  - A 1 for 2 non-renounceable rights issue to eligible existing shareholders at \$1.50 per share to raise approximately \$87.9 million
  - New placement shares will rank equally with existing securities and be entitled to receive the final FY 2009 dividend of 6.5 cents and participate in the rights issue
  - New rights issue shares will not be entitled to receive the final FY 2009 dividend
- Entities associated with RG Capital and Tim Hughes who collectively own 33% of Photon (pre-equity raising) have committed to subscribe for their rights entitlements in full
- The institutional placement and entitlement offer are fully underwritten
- Key risks are set out in the Appendix

# PhotonGroup

## Key Investment Highlights

<p><b>Strategically well positioned to capture shift in marketing trends</b></p>	<ul style="list-style-type: none"> <li>• Overweight exposure to segments where marketing dollars are being directed</li> <li>• Approximately 80% of FY 2009 net revenue generated from:             <ul style="list-style-type: none"> <li>• Field Marketing – driven by direct to consumer marketing / in-store expenditure</li> <li>• Internet and E-Commerce – exposed to growing online marketing spend</li> <li>• PR and Strategic Communications – driven by need to obtain independent advice as channel fragmentation continues</li> <li>• Leading local advertising agencies – supported by move to local specialists</li> </ul> </li> </ul>
<p><b>Diversified portfolio of marketing services companies</b></p>	<ul style="list-style-type: none"> <li>• Impact of market volatility significantly reduced due to highly diversified client base, revenue type, service offering and geography</li> <li>• Top 10 clients represent less than 20% of FY 2009 net revenue across 48 group relationships with no one client representing more than 6% of net revenue. Client base weighted towards non-cyclical sectors such as FMCG, banking and telecommunications</li> <li>• No one of the five divisions accounts for more than 1/3 of FY 2009 EBITDA. More than 75% of total net revenue from existing contracts and client relationships</li> <li>• In FY 2009 65% of EBITDA from Australia, NZ and Asia, 35% from North America, U.K. and Europe</li> </ul>
<p><b>Established track record of growth and profitability</b></p>	<ul style="list-style-type: none"> <li>• Management has successfully grown Photon both organically and through acquisitions             <ul style="list-style-type: none"> <li>• Since listing in 2004, net revenue CAGR of 67% and EBITDA CAGR of 77%</li> <li>• Average multiple paid for acquisitions since 2000 is 4.7x underlying FY 2009 EBITDA (including all earn-outs paid to date)</li> </ul> </li> <li>• In FY 2009, the worst economic climate experienced in decades, Photon delivered like-for-like EBITDA growth of 8%, compared to market peers who generally experienced a decline in revenues and earnings</li> </ul>
<p><b>Effective division management structure</b></p>	<ul style="list-style-type: none"> <li>• Divisions headed by experienced industry practitioners who work with the company CEOs to ensure businesses are meeting strategic and growth objectives</li> <li>• Small head office provides financial reporting and risk management framework</li> <li>• Cooperation across group companies to capture revenue synergies</li> </ul>

# PhotonGroup

## Key Investment Highlights

<p><b>Strengthened balance sheet post equity raising</b></p>	<ul style="list-style-type: none"> <li>• Equity raising will significantly de-lever the business             <ul style="list-style-type: none"> <li>• Pro forma leverage will be reduced to 1.8x at 30 June 2009 (excluding estimated future earn-outs liabilities)</li> <li>• Pro forma interest cover of 7.6x</li> </ul> </li> <li>• At the time the proceeds of the equity raising are used to repay debt, the current estimate of future earn-out liabilities will be matched by available headroom under existing facilities</li> </ul>
<p><b>Positive growth outlook</b></p>	<ul style="list-style-type: none"> <li>• For FY 2010, management is expecting a continuation of growth trends experienced in FY 2009, with high single digit EBTIDA growth, in line with broker consensus</li> <li>• Businesses most impacted by the economic cycle (event management, corporate communications and consumer market research) underperformed in FY 2009. Opportunity for upside from recovery of these segments as the economic environment improves</li> <li>• Year to date tracking ahead of budget</li> </ul>
<p><b>Attractive price to participate in the future success of Photon</b></p>	<ul style="list-style-type: none"> <li>• Rights issue price of \$1.50 per share represents:             <ul style="list-style-type: none"> <li>• 36.4% discount to last closing price</li> <li>• 27.6% discount to last month VWAP</li> <li>• 26.2% discount to TERP</li> </ul> </li> <li>• \$1.50 per share implies:             <ul style="list-style-type: none"> <li>• FY 2009PF P/E multiple of 7.7x</li> <li>• FY 2009PF EV/EBITDA multiple of 4.5x, earn-out adjusted FY 2009PF EV/EBITDA multiple of 5.7x</li> </ul> </li> </ul>
<p><b>Equity raising supported by founders and key shareholder</b></p>	<ul style="list-style-type: none"> <li>• Entities associated with RG Capital and Tim Hughes who collectively own 33% of Photon (pre-equity raising) have committed to subscribe for their rights entitlements in full</li> </ul>

## Key Offer Statistics

<b>Institutional Placement</b>	
Amount to be raised under the Institutional Placement	Approximately \$26.6 million
Number of New Shares offered under the Institutional Placement	Approximately 14.4 million
Issue Price of \$1.85 per New Share	21.6% Discount to Last / 18.0% Discount to 5Day VWAP
<b>Non-Renounceable 1 for 2 Right Issue</b>	
Amount to be raised under the Rights Issue	Approximately \$87.9 million
Number of New Shares offered under 1 for 2 Rights Issue	Approximately 58.6 million
Entitlement	1 New Share for every 2 Shares held on Record Date (7.00pm 25 August 2009)
Issue Price of \$1.50 per New Share	36.4% Discount to Last / 26.2% Discount to TERP / 33.5% Discount to 5Day VWAP
<b>Total Raising</b>	
Total number of New Shares offered	Approximately 73.0 million
Total amount to be raised under the Offer	Approximately \$114.6 million

## Timetable

Event	Date
Offer Document lodged with ASX	17 August 2009
Record Date for determining Entitlements	25 August 2009 (7.00pm AEST)
Offer Document Dispatched to Eligible Shareholders	27 August 2009
Offer Opening Date	27 August 2009
Offer Closing Date	14 September 2009 (5.00pm AEST)
Trading on ASX of New Shares on a deferred settlement basis	15 September 2009
Allotment of New Shares	18 September 2009
Dispatch of holding statements	21 September 2009
Trading on ASX of New Shares on a normal settlement basis	22 September 2009

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## Appendix



## Key Risks

Photon is subject to a number of risks and other factors that may impact on both its future performance and the market price at which its Shares trade. Broadly, these risks can be classified as risks general to investing in the stock market and risks specific to an investment in Photon. The New Shares to be issued under the Rights Issue do not carry any guarantee of profitability, dividends or the price at which they will trade on ASX. The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors of which investors need to be aware. However, before taking up the Offer or investing in Photon, the Directors strongly recommend that Shareholders consult their professional advisers before deciding whether to subscribe for New Shares.

### General

As with all stock market investments, there are risks associated with an investment in Photon. Share prices may rise or fall and the price of Shares might trade below or above the Issue Price for the New Shares.

General factors that may affect the market price of Shares include:

- Economic conditions in both Australia and internationally;
- Investor sentiment and local and international share market conditions;
- Changes in interest rates and the rate of inflation;
- Variations in commodity prices;
- The global security situation and the possibility of terrorist disturbances;
- Changes to government regulation, policy or legislation;
- Changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws;
- Changes to the system of dividend imputation in Australia; and
- Changes in exchange rates.

The share prices for many companies have in recent times been subject to wide fluctuations, which in many cases may reflect a diverse range of non-company specific influences including the above factors. Such market factors may have a material adverse effect on the market price of Shares.

### Specific risks relating to Photon

There are also a number of specific risk factors that relate to Photon, including, but not limited to, those set out below.

#### (a) Competitive nature of the industry

Photon and its operating subsidiaries (the Photon Operating Companies) are subject to vigorous competition from other operators within the marketing and communication services industry. Their competitors in the industry include both the large internationally aligned groups and local specialist firms. The competitive environment may result in Photon experiencing client loss. Further, the ability of clients to terminate contracts on short notice (discussed in more detail below) means clients may move their accounts to competitors on relatively short notice. In many cases, a Photon Operating Company represents a client for only a portion of its advertising or marketing services needs or only in particular geographic areas, thus enabling the client continually to compare the effectiveness of Photon's Operating Company against other companies' work. Many clients do not permit a company working for them to represent competing accounts or product lines in the same market. These client conflict policies can and sometimes do prevent Photon from seeking and winning new client assignments.

#### (b) Client's ability to terminate contracts on short notice

In the communications services industry, service agreements with clients are generally terminable by the client upon short notice, typically between one and six months. Some clients also put their advertising and communications contracts up for competitive bidding at regular intervals. Clients generally are able to reduce advertising and marketing spending or cancel projects at any time for any reason. Photon and its Operating Companies rely upon personal relationships with a large number of clients within the marketing and communication services industry in order to maintain and grow their earnings. A significant reduction in spending by key clients, or the loss of key clients or a suite of clients in a particular industry segment, could adversely affect Photon's prospects, business, financial condition and results of operations. Photon has in the past been able to grow its turnover notwithstanding client loss, but there is no guarantee that this will continue.

## Key Risks cont'd

### (c) Dependence on key personnel

The advertising and marketing services industries are highly dependent on the talent, creative abilities and technical skills of the personnel of the service providers and the relationships their personnel have with clients. Photon believes that its Operating Companies have established reputations in the industry that attract talented personnel, as well as structures for retaining and motivating existing employees. However, Photon, like all service providers, is vulnerable to adverse consequences from the loss of key employees. Employees may choose to resign or leave the business, including due to competition among providers of advertising and marketing services for talented personnel.

### (d) Profitability and growth management

While the Company has successfully acquired and grown profitable Operating Companies to date, Photon's continued financial success is dependent upon the continued growth in profitability of these companies. To manage this growth effectively, Photon will need to maintain efficient control and supervision of its operating and financial systems and continue to expand and manage its employees. Future operating results depend to a large extent on management's ability to successfully manage and implement group strategy, organically grow the Operating Companies and manage corporate overhead costs according to budget.

### (e) Seasonality of revenue

Photon's Operating Companies generally experience seasonality in earnings which historically has resulted in stronger revenue generation in the six months ending 30 June compared to the six months ending 31 December. Photon relies on the seasonality trends displayed by its Operating Companies historically to prepare forecasts and budgets. There is no guarantee that the seasonality trends displayed historically will continue in the future, including in the current financial year ending 30 June 2010.

### (f) Current and additional capital requirements

There is no assurance that additional funding will be available to Photon in the future on acceptable terms. If adequate funds are not available, Photon may not be able to meet future funding obligations, develop new business concepts, satisfy existing contractual obligations or otherwise respond to competitive pressures.

Photon has a \$330 million corporate debt facility, of which \$76 million matures in October 2011, \$46 million matures in March 2011, \$120 million matures in October 2010 and \$88 million matures in April 2010. The facilities are currently drawn to \$273 million. Following the Capital Raising Photon will retain these facilities but will reduce the total debt drawn under these facilities to approximately \$165 million and reduce the balance of the debt due in 2010 to approximately \$45 million. Historically, Photon has successfully refinanced its corporate debt facility before it has fallen due. However, there is a refinancing risk that a replacement debt facility will not be available or will not be available on terms as attractive to Photon as its previous borrowing facilities. The next refinancing date is in April 2010. Unless refinanced prior, it is anticipated that \$50 million of currently undrawn facilities will be cancelled in April 2010. Assuming all remaining facilities are refinanced when due, the current estimate of future earn-out liabilities due after April 2010 will be matched by available headroom under those remaining facilities. If Photon is not able to refinance these obligations when they fall due, it could have a materially adverse impact on Photon's financial position and its ability to meet its capital requirements.

### (g) Interest rates

Photon will continue to be exposed to adverse interest rate movements to the extent that underlying borrowings have a floating interest rate exposure that is not hedged. Photon currently has approximately 77% of its total interest rate exposure over the next 12 months subject to movements in interest rates. There is a risk that adverse interest rate movements may have a negative impact on the underlying profitability of Photon.

### (h) Asset value impairment

Photon has a significant amount of acquired goodwill and other acquired intangible assets recorded on its balance sheet. It also has investments in other companies (including a 30.5% non-controlling investment in Dark Blue Sea Limited). Photon annually tests the carrying value of goodwill and investments for impairment. The estimates and assumptions about results of operations and cash flows made in connection with impairment testing could differ from future actual results of operations and cash flows. In addition, future events could cause Photon to conclude that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on Photon's financial position, profitability and capacity to pay dividends.

Photon may use Shares, incur indebtedness, expend cash or use any combination of Shares, indebtedness and cash for all or part of the consideration to be paid in future acquisitions that would result in additional goodwill being recorded on Photon's balance sheet.



## Key Risks cont'd

### (i) Systems risk

A number of Photon's Operating Companies rely to a significant degree on its information technology systems and from time to time incur significant expenditure on systems upgrade and maintenance. IT systems are an essential part of a number of businesses in the group, and as a result, Photon is potentially exposed to a number of risks, including the capacity of existing systems and capital expenditure requirements going forward.

### (j) Regulatory risk

Photon and its Operating Companies are required to comply with a variety of legal and regulatory regimes, including in relation to regulation governing privacy, electronic mail, online/SMS communications, direct sales and marketing, and advertising of certain products and services. Photon is not in a position to foresee the impact that future regulation or changes in the interpretation or operation of existing regulation may have on its Operating Companies. Such changes could have an adverse effect on Photon's business and financial performance.

### (k) Liability risk

The provision of services by Photon's Operating Companies carries with it the risk of liability for losses arising from their work, including indirect or consequential losses suffered by third parties. Where possible, Photon and the Operating Companies will seek to limit their liability contractually to the extent permitted by the law, as it is interpreted from time to time, and it will maintain adequate levels of professional indemnity insurance. However, Photon's insurance and contractual arrangements may not adequately protect it against all potential claims, and any losses falling outside the scope of insurance or contractual limits may adversely affect the earnings of Photon.

### (m) Intellectual property and proprietary rights

The Operating Companies have invested significantly in the development of their information technology platforms, intellectual property, proprietary processes and systems. There can be no guarantee that unauthorised use or copyrighting of the Operating Companies' intellectual property or proprietary rights will be prevented.

### (n) Uncertain final acquisition price for Operating Companies

The acquisition agreements entered into with the vendors of certain Operating Companies require Photon to potentially make additional payments or issue further Shares based on deferred consideration arrangements. The final amounts to be paid and the number of Shares to be issued are uncertain and dependent on individual company EBIT performance, the level of growth in individual company EBIT performance, the Photon Share price, financial performance and the preferences of the vendors to receive cash or Shares. The quantum of outstanding deferred consideration payment obligations is material (refer to page 16) and Photon intends to meet the majority of these obligations from its corporate debt facilities. Refer to paragraph (f) above regarding Photon's current and additional capital requirements.

### (o) International business

Photon and the Operating Companies operate in 14 countries throughout the world. Photon's reporting currency is Australian dollars. However, Photon's significant international operations give rise to an exposure to changes in foreign exchange rates, since most of its revenues from countries other than Australia are denominated in currencies other than Australian dollars. Therefore, changes in exchange rates could adversely affect Photon's profitability and financial position.

Further, Photon's international operations are subject to a number of risks inherent in operating in different countries, including, but not limited to, risks regarding:

- Restrictions on repatriation of earnings; and
- Changes in a specific country's or region's political or economic conditions.

The occurrence of any of these events or conditions could adversely affect Photon's profitability and its ability to increase or maintain its operations in various countries.

### (p) Unfavourable economic conditions

Photon's business is affected by downturns in general economic conditions, changes in clients' underlying businesses and decreases in marketing budgets. At present, the global economy is experiencing a range of adverse effects and any further deterioration in global economic conditions may adversely impact the operating and financial performance of Photon. Downturns in general economic conditions may adversely affect the businesses of Photon's Operating Companies' clients, which can have the effect of reducing the amount of services they purchase from Photon's Operating Companies and thus can materially adversely affect Photon's consolidated results of operations.