

reach4entertainment enterprises plc
March 2013



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Corporate Profile

Company Description (AIM:R4E)

reach4entertainment enterprises plc is an entertainment, advertising and marketing company. The Company provides a wide range of advertising and marketing services for live and filmed entertainment, including market research, print production, media strategy, publishing and sponsorship. www.r4e.com

Summary

Shares in issue	74.89m
Market Capitalisation	£3.75m
52 Week High	17p
52 Week Low	3.25p
YTD	-0.25p / -4.76%

Source: Morningstar (at market close 1/3/13)

Operating Divisions



DEWYNTERS

Newman
DISPLAYS LIMITED



THEATREMERCHANDISE.COM

12 month share price performance



Source: Morningstar

Shareholder overview

Major Shareholders	Amount	Holding %
Stoller Family Partners LLP	18,927,358	25.27
Webb Asset Management Ltd	8,685,873	11.60
Herald Investment management	7,325,000	9.78
Roy Nominees Limited	6,000,000	8.01
J M Finn Nominees Limited	5,961,452	7.96
Barclayshare Nominees Limited	3,446,625	4.60

Source: Capita Registrars

¹ Theatremerchandise.com is the operating name for Dewynters Advertising Inc.

Board of Directors

- **David Stoller, Executive Chairman**

Mr. Stoller was appointed to the reach4entertainment enterprises plc board on 16 December 2010. Mr. Stoller began his professional career as an attorney in 1982. He was a partner and co-head of global project finance for Milbank, Tweed, Hadley & McCloy, LLP where he helped build one of the world's largest and most successful project finance practices, participating personally in financings totalling more than \$4 billion. At the end of 1992, Mr. Stoller joined Charterhouse Group International, a large New York City-based private equity firm, as Chairman of its Environmental Capital Group. In 1993, Mr. Stoller, through the Charterhouse Environmental Capital Group, launched American Disposal Services, an integrated waste management company that ultimately acquired and consolidated, with \$34 million in equity capital, more than 80 waste management companies. American Disposal had a successful IPO in July 1996 and was sold in 1998 to Allied Waste at a price exceeding \$1.1 billion. In August of 1998, Mr. Stoller left Charterhouse to launch Americana Financial Services, raising over \$40 million in private equity capital. Americana (now the American Wholesale Insurance Group) is currently among the largest private wholesale insurance brokerage in the United States. Mr. Stoller holds a BA from the University of Pennsylvania, an MA from the Graduate Faculty of the New School for Social Research and a J.D. from Fordham University School of Law. He is also a graduate of the Harvard Business School Advanced Management Program.

- **Shirley Stapleton, Finance Director**

Ms. Stapleton is a Chartered Accountant, and has held a variety of finance roles, principally in connection with the airline and brewing industries. Previous positions include Procurement roles with Gate Gourmet and British Airways Plc, and Corporate Finance and Strategic Development roles with Air New Zealand and Guinness Brewing Worldwide Ltd. Ms. Stapleton joined reach4entertainment enterprises plc in the capacity of Chief Finance Officer in March 2010, and was appointed to the Board as Finance Director on 16 December 2010 and as Company Secretary as of 20 April 2011.

- **Marcus Yeoman, Non-Executive Director**

Mr. Yeoman is currently non-executive director of AIM listed Avisen plc. He is also a non-executive director of three PLUS quoted companies, as well as holding directorships of a number of private companies which have engaged him principally to assist them with their growth strategies. His early career started with the formation of three companies in IT infrastructure and distribution, after which he moved into small company broking and corporate work with Rathbone Stockbrokers Limited and Cheviot Capital (Nominees) Limited. In 1999, he led a management buy-in into a golf products company with external debt and equity funding. In 2003, Marcus established Springtime Consultants Ltd and has been acting as a consultant or non-executive director to smaller companies in the high growth sector. He has also assisted a number of quoted companies with M&A work.

- **Richard Ingham, Non-Executive Director**

Mr. Ingham has extensive experience of the finance industry having worked at Chase Manhattan Bank for 19 years, as well as ABN Amro where he was head of the Special Industries Groups in Amsterdam and subsequently Director of Corporate Finance in its London office. He left ABN Amro in 2002 to establish Glen House Capital Strategies, a corporate finance boutique. Richard has a proven track record in advising on and raising substantial sums of capital in a wide diversity of industries.

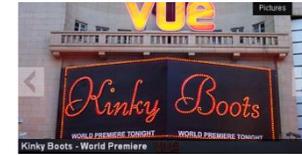
London operations – Dewynters and Newman Displays

DEWYNTERS

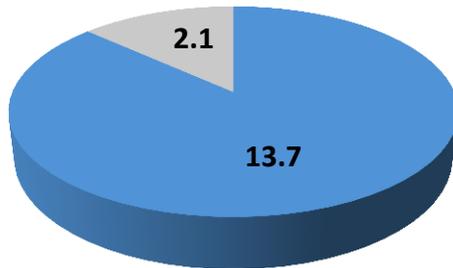
Dewynters, founded in 1876, is a global market leader in full-service live entertainment marketing, branding and advertising. The company provides marketing, design, advertising, promotions, digital media and merchandise services to the theatre industry.



Founded in 1988, Newman Displays is the UK's leading large scale outdoor signage, front of house, marquee display and installation company. Its clients include major West End theatre productions, leading film companies, cinemas and major global events.

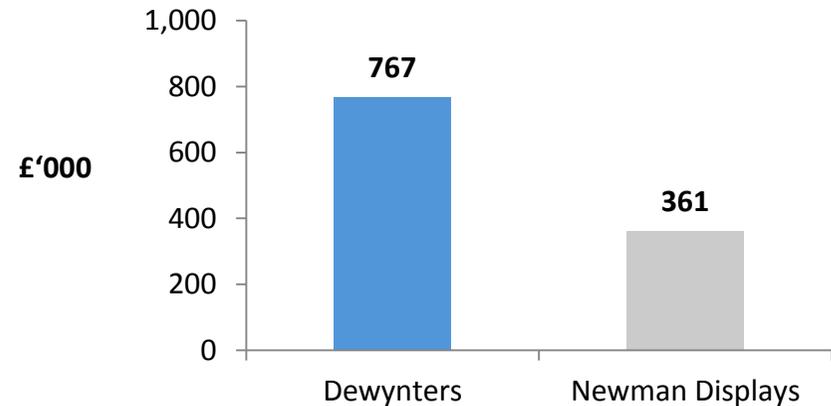


Dewynters and Newman Displays H12012 Revenue - £15.7m



■ Dewynters ■ Newmans

Dewynters and Newman Displays H12012 EBITDA - £1.1m



WHAT WE DO

SELECTED CLIENTS

H1 2012 FINANCIAL PERFORMANCE

New York operations – SpotCo and Dewynters Advertising Inc.

WHAT WE DO



Established in 1996, SpotCo is a world-leading theatrical marketing agency that also services clients across opera, dance, music, galleries, museums and live events.

SELECTED CLIENTS



THEATREMERCHANDISE.COM

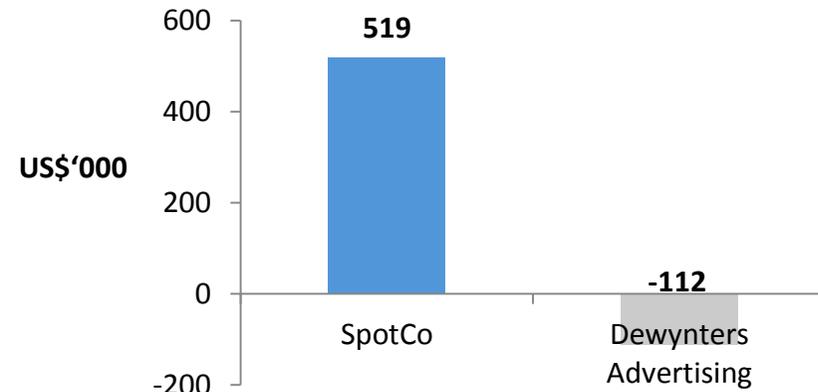
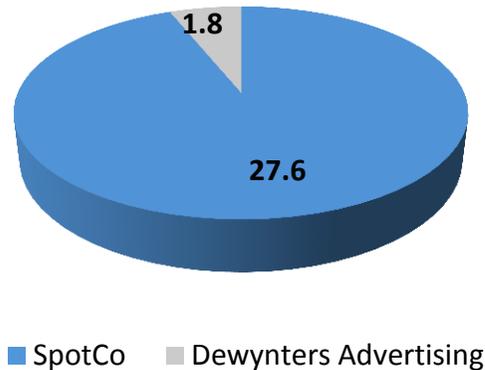
Founded in 1983, Theatremerchandise.com is the official in-theatre merchandising operation for some of the biggest theatrical productions on Broadway. The company produces a wide variety of merchandise, promotional items, souvenir brochures and programmes.



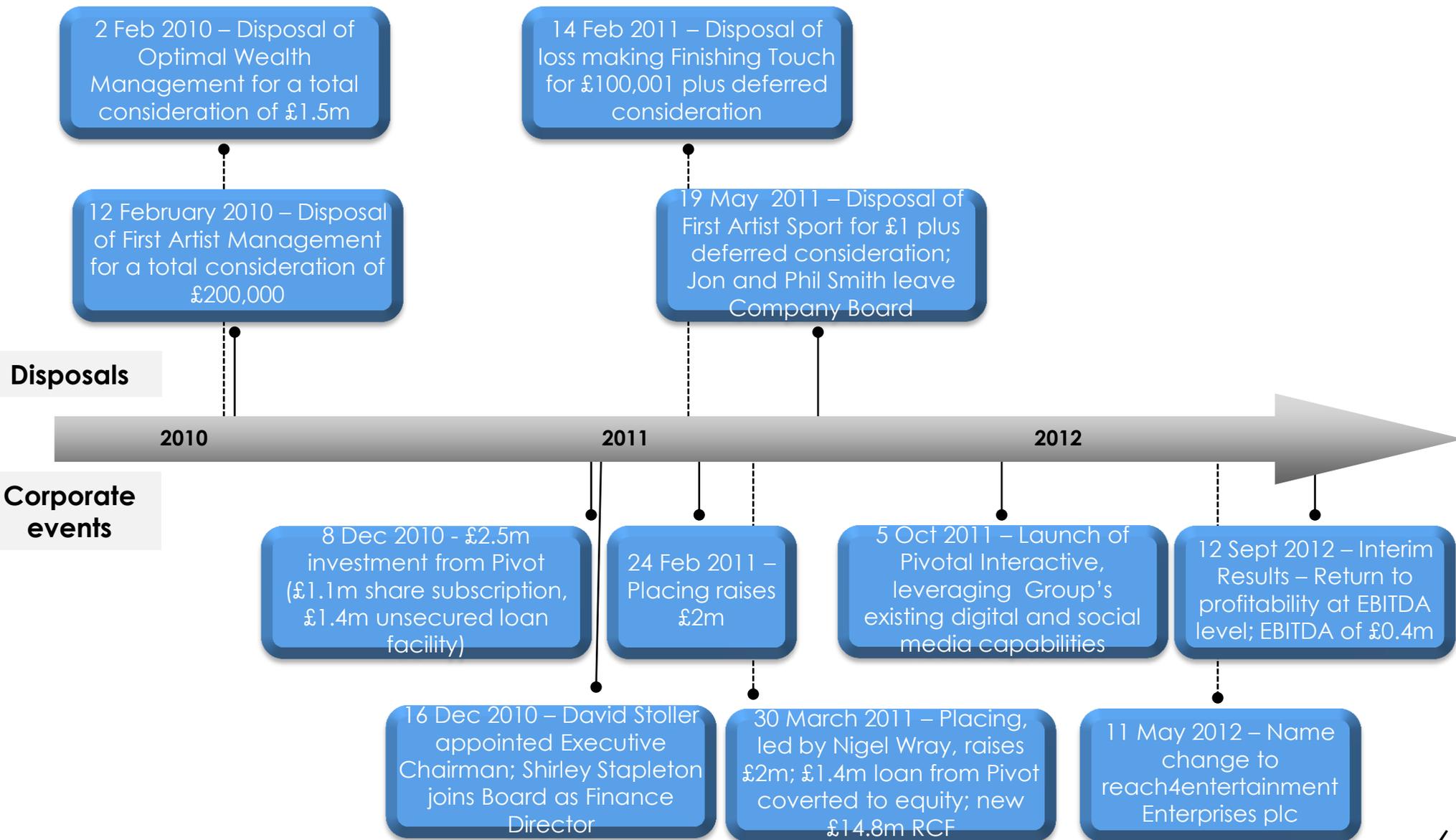
SpotCo and Dewynters Advertising H12012 Revenue – US\$29.4m

SpotCo and Dewynters Advertising H12012 EBITDA – US\$0.4m

H1 2012 FINANCIAL PERFORMANCE



Restructuring – Measured progress, reshaped business



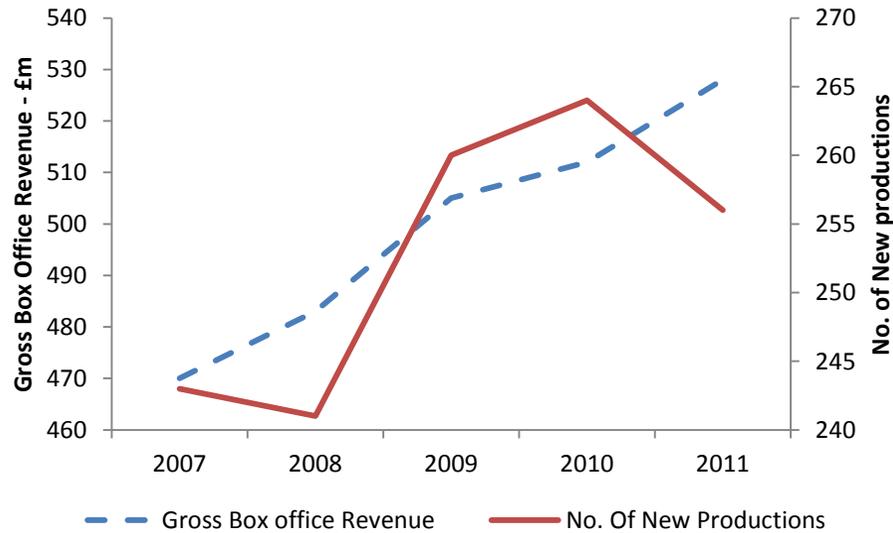
Delivering on strategic priorities



Established businesses with market-leading positions and well respected management teams leaves r4e well positioned to exploit growth potential in the medium-term

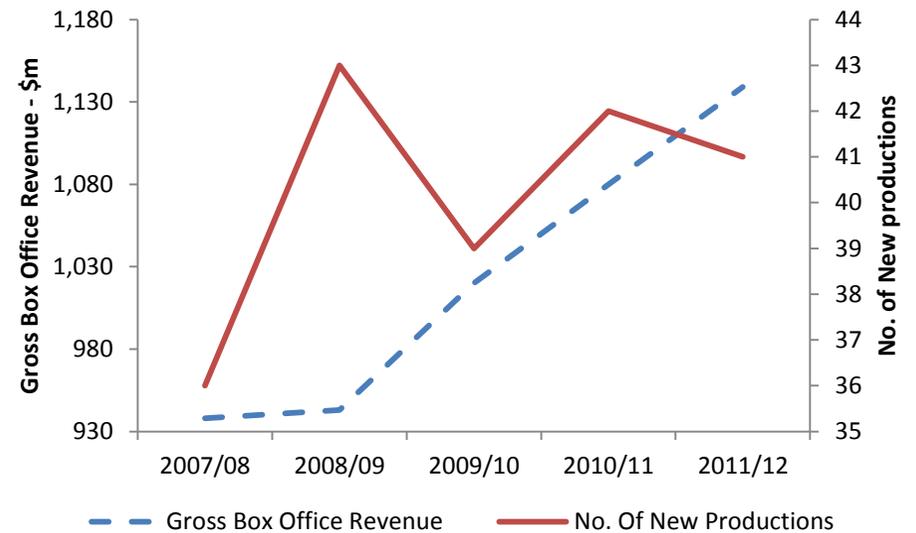
Well placed in growing markets

Gross box office revenue and new show openings - London



Source: The Society of London Theatre Box office Data Report 2011

Gross box office revenue and new show openings - Broadway



Source: www.broadwayleague.com (Official website of the Broadway theatre industry)

- Positive trends in both key territories – London and New York – in terms of gross box office takings and new production openings, the latter being a key revenue driver for the Group

H1 2012 Highlights

- Results that reflect substantial operational progress Group has made following extensive restructuring in 2012
 - Streamlined core business centred around two market-leading companies in Dewynters and SpotCo
 - Increasingly integrated approach to marketing services to clients on a transatlantic basis
 - Continued commitment towards overhead reduction
 - Commitment to leveraging core skills and key relationships Group-wide to exploit emerging opportunities in associated sectors

Financial Summary and H1 2012 Results

£m	Unaudited six months to 30 June 2012	Unaudited six months to 31 May 2011
Revenue	34.3	39.4
Cost of sales	(25.1)	(30.5)
Gross Profit	9.1	8.8
Administrative expenses	(9.2)	(9.5)
Operating (loss) / profit	(0.1)	(0.7)
Net finance costs	(0.4)	(0.3)
Loss before tax	(0.4)	(1.0)
Taxation	0.1	0.1
Loss from continuing operations	(0.3)	(0.9)
Discontinued operations	-	-
Loss for the period	(0.3)	(0.9)
Loss per share from contd. operations	(0.47p)	(1.78p)

- Return to profitability at EBITDA level; Adjusted EBITDA (before exceptional administrative expenses) increased 83 per cent to £0.5m (H1 2011: £0.3m)
- Reduced loss before tax of £0.4m, an improvement of £0.6m against losses of £1.0m in H1 2012

Segmental Financial Information

£m	Unaudited six months to 30 June 2012		Unaudited six months to 31 May 2011	
	Revenue	Profit	Revenue	Profit
NY Operations ¹	18.5	0.3	24.7	1.1
London Operations ²	15.7	1.1	14.7	0.4
Head Office	-	(0.9)		(1.2)
Group Total	34.3	0.5	39.4	0.3
Exceptionals, depreciation & amortisation		(0.6)		(1.0)
Operating Loss		(0.1)		(0.7)
Net finance costs		(0.4)		(0.3)
Loss before tax and discontinued operations		(0.4)		(1.0)

¹ NY Operations: SpotCo and DAI

² London Operations: Dewynters and Newman Displays

- Strong performance from London operations offset by weaker performance from NY operations, a trend the Group is seeking to reverse in H2
- Reduction in central costs, with management focussed on further reduction in H2 2012

Balance Sheet

£m	30 June 2012	31 May 2011
Non-Current Assets	18.8	20.9
Current Assets	9.9	8.8
Total Assets	28.7	29.8
Current Liabilities	(13.7)	(11.7)
Non-Current Liabilities	(16.4)	(17.6)
Total Liabilities	(30.1)	(29.3)
Net (Liabilities) / Assets	(1.4)	0.5

- Company maintains a strong relationship with its lenders, Allied Irish Bank (“AIB”) and has recently agreed a set of financial covenants with AIB in relation to the Company's £14.8 million revolving credit facility; the covenants take effect from 31 December 2012 and remain in place for the duration of the RCF, which matures in May 2015
- Current Liabilities include provision of £2.7m in relationship to final earn out payment due to vendor of SpotCo ; a debt repayment agreement was entered into on 14 November 2012

Recent Events - SpotCo earn out agreement, Placing and Directors Share Subscription

- 14 Nov 2012 - Company entered into a debt repayment agreement with Mr Drew Hodges, the vendor of SpotCo, restructuring the outstanding debt of US\$4.2m relating to the Company's acquisition of SpotCo in 2008
 - US\$0.2m was repaid in cash on signing the Agreement;
 - US\$3m to be repaid in 12 quarterly instalments of US\$0.25m each starting on 1 January 2013
 - Once the US\$3m has been repaid, the Company has the right to require the remaining US\$1 million due to be satisfied by a subscription for Ordinary Shares
 - Drew Hodges remains as SpotCo CEO and confirmed his commitment to the business
- 12 Oct 2012 - £0.35m raised from existing shareholders through Placing
- 26 Nov 2012 – Directors subscription for new shares raising £75,000

Recent actions have strengthened the Company's balance sheet and provided clarity on issues surrounding long-term liabilities; SpotCo debt repayment agreement demonstrates Company's confidence with regard to short to medium- term cash generation

Recent Trading Update – 28 January 2013 - Highlights

- Strong H2 performance ensuring r4e will report a profit for the year ended 31 December 2012
 - Healthy performance from Dewynters augmented by strong performance from Newman Displays
 - Solid performance from SpotCo with a positive profit contribution despite challenging market conditions
 - Impact of restructuring action beginning to show; Head Office overheads reduced by c. £2m
 - Reorganisation of loss-making New York based Dewynters Advertising Inc; expected to produce modest future profit
- Confident r4e will continue to make progress throughout 2013
 - Dewynters and SpotCo both have strong slate of new shows
 - Reach4events has made a positive start; other new initiatives advancing

Summary – Outlook and Prospects

- Restructuring action completed; streamlined business with renewed focus
- Strategic focus on three distinct areas:
 - Harness strengths of core theatre marketing businesses to further develop market-leading positions by driving integration on transatlantic basis
 - Maintain cost-conscious culture and, where possible, eliminate further costs, particularly from Group centre
 - Leverage core skill set to exploit opportunities in associated market sectors
- Group trading profitably at EBITDA level and confident of returning to full profitability in the short-term

With restructuring activity completed and each of our operating divisions holding market leading positions, r4e is well placed to embark on a period of sustained growth

Contacts

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