

DCD Media plc  
Investor Presentation  
May 2008



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## Group Profile

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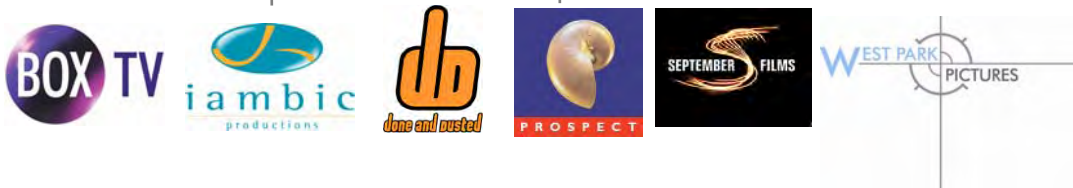
- Vertically-integrated producer and distributor of programme content for television, DVD and new media markets
- Top 10 player in the UK independent production and distribution sector
- Recognition across wide range of genres - factual, entertainment, drama, staged events, music and arts
- 50 major international awards and nominations to date
- 200+ clients worldwide
- Growing pool of internationally recognised directors and producers
- 8 operating subsidiaries
- Offices in London, Bristol, Cardiff, New York and Los Angeles

# Group Structure



## Production

## Distribution



Share of group turnover 80%

Share of group turnover 20%

## Management Team

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- Chairman David Elstein
- Chief Executive Chris Hunt
- Chief Financial Officer John McIntosh
- Finance Director Michael Barton
- Director Nicky Davies Williams (NBDtv/DCD Media)
- Director Justin Thomson-Glover (Box TV)
- Director Simon Pizey (Done and Dusted)
- Non-executive Director Richard Price MBE
- Non-executive Director Tarik Wildman

# Business Model



## CONTENT

- Originate and develop content for TV and other media
- Produce to agreed formats and prices
- Manage to final delivery

## DISTRIBUTION

- English language and overseas markets
- DVD/new media sales and specialist markets including schools

## IP VALUE

- Retention of profit from sales to non-UK markets
- Exploitation of library catalogue

## 3-year Background

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- In 2005 DCD Media (then Digital Classics) was a small vertically-integrated producer and distributor of arts programming, revenue £3.1m, loss before tax £0.4m
- In 2006 DCD acquired 2 production companies diversifying into drama (Box TV) and events and entertainment (Done & Dusted), plus distributor NBD TV, all of which have then grown. Part year contributions from them fuelled growth to revenue £13.3m, loss before tax £0.3m
- FY2007 demonstrates first full year contribution from 2006 acquisitions showing revenue £26.8m and PBT £1.3m
- In August 2007 DCD acquired three more production companies, producing factual entertainment formats (September Firms), lifestyle programming (Prospect Pictures) and international documentaries (West Park Pictures), each creating programme rights for further exploitation by NBD TV to continue speed of growth
- 1H2008 shows further growth fuelled by acquisition and internal performance to revenue £18.1m, with heavy weighting to 2H as in previous years

# Financial Results

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Year ended 30 June 2007 - a year of strong growth

- Turnover doubling to £26.8m (2006: £13.3m)
- Gross profit up 87% at £5.8m (2006: £3.1m)
- Pre-tax profits\* at £1.36m (2006: loss £0.3m)

*\* Adjusted to exclude exceptional items and non cash items; amortisation of goodwill on acquisitions and programme library*

## Financial Results

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### Interim results to 31 Dec 2007 show further progress

- Revenue for the six months to 31 Dec 2007 up 38% at £18.1m (six months to 31 Dec 2006: £13.1m), reflecting partial contributions from newly acquired companies (August) and organic growth
- Gross profit up 81% at £4.7m (2006: £2.6m)
- PBT\* up 56% at £0.25m (2006: £0.16m)

\*adjusted for non cash items

# Operational Highlights

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- The result fulfils Board's expectations for revenue and profit growth and shows its acquisition and consolidation strategy is soundly based
- As in previous years the Group's performance is heavily weighting towards H2, demonstrated by post period-end performance to date plus visible future earnings
- Revenue and profit growth due both to contribution from companies acquired during the period, and internal growth
- Box TV biggest primetime drama series plus mini-series contributes to 1H and 2H 2008
- Done and Dusted add to their concerts and annual events, with continued growth in US, and gained two new television/web series commissions
- Iambic airs its biggest ever commission and develops four projects whose earnings fall in 2H
- Distribution division catalogue and sales significantly increased, including major new media deal
- DVD & Download division secures further major content supply deal materially exceeding expectations

# Industry Drivers

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- **Demand** – Growth in demand for quality content despite stable TV viewing hours+
- **Communications Act 2003**
  - Code of Practice for the industry under Ofcom
  - New price agreements between broadcasters and producers
  - Statutory 25% outsourced production quotas for independents
  - Annual industry reviews
  - Independents to exploit programme rights in non-UK markets
  - Independents to retain profits from non-UK sales
- **BBC:** Window of Creative Competition - buy in of an additional 25% of qualifying hours from independents
- **Multi-media:** Digital platform provides new routes to market and new revenue opportunities

## Key Growth Drivers

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- Overall independent TV producers' revenue in 2007: £2.14bn\*
- In 2007 the BBC and ITV spend on independent producers rose by £140m\*
- Revenues to smaller independent producers fell in 2007 while the consolidating companies including DCD saw a rise from £936m to £1.08bn\*
- In UK TV sector £1.18bn 44% of total £2.6bn domestic spend goes to independent producers
- DCD does not rely on any single brand and now produces over 600 programmes annually
- DCD has diversified and growing client base – currently supplying to 200 broadcasters and other media buyers with no client exceeding 10% of revenue
- The development of new media platforms creates potential new revenues
- Simple vertically integrated structure creates synergies through in house rights exploitation
- Horizontal integration of production units creates economies of scale and creative synergies

\*Source: *PACT Census Feb 2008 and Broadcast Magazine Mar 2008*

# Strategy

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- Maintain and increase profitable growth
- Expand through mix of organic growth and acquisitions
- Maintain balance sheet strength
- Retain and incentivise management and creative talent
- Develop new categories and markets including new media

# Acquisitions Update

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- **September Films** – factual, e.g. *Bridezillas*, *Hollywood Lives*, *Haunted Homes*, *When Women Rule The World*, *Beauty and The Geek* for US and UK distribution

- Consideration £9.06m

→ **Strong US presence, genre diversification**

- **Prospect Pictures** – lifestyle, e.g. *Daily Cooks Challenge*, *Call Me A Cabbie*, *Take Away My Takeaway* – high volume and stable earnings

- Consideration £7.05m

→ **High volume strands providing stable earnings, genre diversification**

- **West Park Pictures** – documentaries, e.g. *Stephen Fry: HIV & Me*, *Last Chance To See*, *Stairway To Heaven*

- Consideration £2.96m

→ **High global exploitation potential for in-house distributor, strong internal growth**

*Completed Aug 2007; total consideration £19.1m, 50/50 mix of equity and debt; average multiple 7.4x adjusted EBITDA. All believed to be earnings enhancing*

# Acquisition Funding

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- **Funding:** Consideration satisfied by £8.5m (before expenses) via placing of 10,625,000 new ord. shares at 80p per share after 1 for 100 share consolidation
- **New debt:** £4m of convertible debt
- **Balance sheet:** Pro forma consolidated net debt increased to approximately £10.6m and pro forma net assets of c.£40m, gearing of c.26%

## Projects update

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- Primetime reality show *'When Women Rule The World'* for Channel 4, autumn 2008
- New 22 one hour episodes of hit show *'Bridezillas'* for the US market from June 2008
- Live and staged events *'T4 On The Beach'* for Channel 4, July 2008 and *'The Victoria's Secret Fashion Show'* for CBS (US), November 2008
- Major primetime series *'Alan Whicker's Journey Of A Lifetime'* for BBC2
- Major one-off drama *'Affinity'* due to air on ITV in summer 2008
- New series of *'Daily Cooks Challenge'* fronted by Antony Worrall Thompson for ITV
- *'King Lear'* starring Ian McKellen for Channel 4, Christmas 2008
- Documentaries on many subjects including Placido Domingo, Stephen Fry, Werner Herzog, Carole King, the Olympic gymnastics, the RAF, Lali the baby with two faces, Shakespeare, Richard Hammond, London's tallest tower, The Prince's Charities.

## Summary

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- Leading industry consolidator
- Extended range of programme content
- All subsidiaries in profit
- Large and expanding client base
- Enhanced primary market opportunities in overseas markets, particularly US
- Creative and marketing synergies through enlarged production base
- Expanded programme catalogue for secondary markets

# Appendices



*The '... Cooks!' series - ITV*

# Independent Sector

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## Revenues and profits

- Revenues up to £2.14 bn
- Average revenues per company increased by 9.4%
- Average profit margins per company up to 9.3%

## Industry consolidation

- 10 companies account for 60% of sector's revenues
- Group-owned companies now generate 66% of industry revenue
- Group-owned companies create 87% of industry growth

## Sources of revenue

- UK broadcasters fuelling indies' growth with spending up by £156m
- Revenues from TV increased year on year to £1.89bn
- Multichannel commissions account for 11% of TV revenues
- A large majority of international revenues come from the US

## Company Milestones

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DCD Media has grown both organically and through acquisitions

- Dec 1999 Group founded and listed on AIM
- Nov 2000 Acquisition of Iambic Productions
- Oct 2001 Launch of Digital Classics Distribution
- Mar 2004 Acquisition of RM Associates
- Jun 2005 Launch of DVD label
- Dec 2005 Double acquisition of NBD Television and Box TV
- Feb 2006 Acquisition of Done and Dusted
- Jul 2006 Merging of distribution divisions into one single operating unit NBDtv
- Aug 2007 Triple acquisition of September Films, Prospect Pictures and West Park Pictures
- Mar 2008 Launch of international video download site

# Income Statement



## DCD Media Plc - Income Statement

Year ended 30 June (£'000)	2005	2006	2007*
Turnover	3,134	13,296	26,776
Gross profit	1,629	3,079	5,776
Operating profit/(loss)	-566	-1,011	106
Net interest	1	-206	-488
<b>PBT/(Loss)</b>	<b>-564</b>	<b>-1,217</b>	<b>-382</b>
Exceptional Item			-297
Amortisation of goodwill	-201	-710	-1,179
Amortisation of catalogue	-289	-2,363	-6,564
<b>Adjusted PBT/(Loss)</b>	<b>-683</b>	<b>-301</b>	<b>1,360</b>

\* Note: Pre August 2007 acquisitions

# Balance Sheet



## DCD Media Plc - Balance Sheet

As at 30 June (£'000)	2005	2006	2007*
Intangible Assets	6,007	27,351	26,331
Tangible Assets	137	185	212
	<b>6,144</b>	<b>27,536</b>	<b>26,543</b>
Current assets			
Work in progress	169	27	1,076
Debtors	2,996	8,364	7,281
Cash	24	1,493	1,003
	<b>3,189</b>	<b>9,884</b>	<b>9,361</b>
Current liabilities	-2,456	-8,446	-7,322
Net current (liabilities)/assets	<b>733</b>	<b>1,438</b>	<b>2,039</b>
Non-current liabilities	-	-7,667	-7,315
<b>Total net assets</b>	<b>6,877</b>	<b>21,307</b>	<b>21,267</b>

\* Note: Pre August 2007 acquisitions

# Cashflow



<b>DCD Media Plc - Cash Flow</b>			
Year ended 30 June (£'000)	2005	2006	2007*
<b>Net cash inflow/(outflow) from operations</b>	<b>-197</b>	<b>96</b>	<b>8,885</b>
Interest and tax	-37	-228	-489
Capital expenditure and financial investment	-64	-97	-138
Expenditure on intangibles		-3,584	-6,723
Acquisitions and disposals	-	-10,539	-
<b>Net cash before financing</b>	<b>-298</b>	<b>-14,352</b>	<b>1,535</b>
Shares issued less costs	-	6,104	-
Conversion of loan stock	-	-	344
Increase(-)/(decrease(+)) in net debt	-298	-8,248	1,879
Opening net cash (+)/debt (-)	295	-3	-8,251
<b>Net cash/(debt) at Y/E</b>	<b>-3</b>	<b>-8,251</b>	<b>-6,372</b>
* Note: Pre August 2007 acquisitions			

## TV - External Commissions by category (%)



	BBC	ITV	Ch 4	Five	DCD Media Areas of interest
Miscellaneous	6	3	6	6	Yes
Sport	20	7	19	48	No
Children's	18	4	0	3	No
Lifestyle	11	5	4	0	Yes
Factual	30	18	38	20	Yes
Drama	5	6	8	0	Yes
Entertainment	10	57	25	23	Yes
Total	100	100	100	100	

Source: Ofcom: The Communications Market – Television August 2007

## Consolidation among the Independents

DCD Media	Done and Dusted, Iambic Productions, Box TV, Prospect, September Films, West Park Pictures
All3Media	South Pacific Pictures, North One TV, Lion TV, Lime Pictures, IDTV, Company Pictures, ARG TV, Cactus Films, All3Media International, Bentley Productions, Maverick Media, MME Movement, Objective Productions
IMG	TWI, Tigress Productions, Tiger Aspect, Darlow Smithson Productions
RDF Media Group	Touchpaper Television, RDF Media, RDF International, Radar TV, IWC Media, The Comedy Unit, Presentable, Foundation TV Productions
Southern Star Group	Oxford Scientific Films, Darrall Macqueen, Carnival Films & Television
Tinopolis	Venner TV, Mentorn, Folio, Sunset & Vine Productions, Music Box, Tinopolis, APP Broadcast, Video Arts Group
Shed Productions Plc	Shed Productions, Ricochet, Outright Distribution, Twenty Twenty TV, Wall to Wall
Endemol UK	Endemol, Cheetah, Initial, Zeppotron, Brighter Pictures, Showrunner, Hawkshead, Victoria Real
Fremantle Media (RTL Group)	Fremantle Media, Talkback Thames, Grundy Productions, Regent Productions
HIT Entertainment	HIT Entertainment, Gullane Entertainment, HIT USA Production, Guinness World Records
Shine	Shine, Firefly, Kudos, Princess

Source: PACT

## Top Shareholders

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Gartmore Investment Management	17.05%
D Green	8.00%
Universities Superannuation Scheme	7.95%
MD Barnard & Co	4.90%
S Pizey (director)	4.54%
I Stewart	4.53%
H Hamilton	4.53%
Artemis Investment Management	3.53%
Marlborough Fund Managers	3.41%
UBS Global Asset Management	3.06%

*Source – Capita IR Services as at 10 April 2008*

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