# Interim Results

for the 6 months ended 30th September 2011

**08 November 2011**

# Disclaimer

This presentation contains forward-looking statements. These statements appear in a number of places in this presentation and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, revenue, financial condition, liquidity, prospects, growth, strategies, new products, the level of product launches and the markets in which we operate. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. These factors include any adverse change in regulations, unforeseen operational or technical problems, the nature of the competition that we will encounter, wider economic conditions including economic downturns and changes in financial and equity markets. Readers are advised to read pages 16 through 25 in Yell Group plc’s annual report for the financial year ended 31 March 2011. We undertake no obligation publicly to update or revise any forward-looking statements, except as may be required by law.

# Progress Update

**Mike Pocock**

# Progress Update - Trading

- Economic environment increasingly difficult
  - SME Business confidence continues to deteriorate
    - UK index at 8.1, its lowest level since Q3 2009
    - US Small Business Optimism Index at 88.9 (Jan: 94.1)
    - Spanish confidence levels unchanged
- Revenue in line with expectations
  - Print directories - deteriorating trend continues
  - Digital directories - deteriorating trend continues
  - Strong growth in digital services
- Operating model transformation underway
  - Operations / Technology platform integration
  - Management team coming into place

# Progress Update - Strategy

| | April 11 to Sept 11 | |
|---|---|---|
| **People** | ▪ Consumer organisation launched<br>▪ Chief Consumer Officer – Bob Gregerson | ▪ Head of Brand and Design – Chris Landry<br>▪ Global PMO – Howard Rubenstein<br>▪ UK CEO – Richard Hanscott |
| **Partnerships** | ▪ Znode acquisition<br>▪ Microsoft | ▪ Netbiscuits<br>▪ Bazaarvoice |
| **Operations** | ▪ Operating model changes begin<br>▪ Group email migration to Outlook<br>▪ New credit and governance policies applied | ▪ Znode integration<br>▪ Operations /Technology platform integration begins<br>▪ SKU based transaction system |
| **Customer Experience & Brand** | | ▪ Financial PR firm appointed - Finsbury |
| **Products** | ▪ 125,000 new customer websites | ▪ Local newsletter pilot prepared |

# Progress Update - Strategy

| | Sept to Nov 8th | Nov 8th – Mar 12 |
|---|---|---|
| **People** | ▪ Chief Digital Officer – Scott Moore<br>▪ Chief Marketing Officer – Jenny Ashmore<br>▪ Latin and Hispanic org model defined<br>▪ Bonus schemes aligned | • Chief Human Resources Officer<br>• Organisational restructure to drive efficiencies |
| **Partnerships** | ▪ Shopkick | ▪ More partnerships to be signed<br>▪ UK Government initiative |
| **Operations** | ▪ Standardisation of core global systems begins (SAP/Siebel) | |
| **Customer Experience & Brand** | ▪ Global brand agency – Landor | |
| **Products** | ▪ First newsletter launched | ▪ eCommerce offer launched in at least 2 markets<br>▪ Ratings and Reviews offer launched in at least 2 markets<br>▪ eMarketplace pilot in 3 main countries<br>▪ Launch at least 3 strategic initiatives in all markets (and pilot others) |

# Financial Update

## Tony Bates

# Financial Headlines

| **Period ended 30 Sept (£m)** | **6m 2011** | **6m 2010** | ***Change**** | **3m 2011** | **3m 2010** | ***Change**** |
|---|---|---|---|---|---|---|
| Total Revenue | 787.2 | 895.7 | *(12.2%)* | 403.8 | 456.1 | *(13.3%)* |
| Gross margin %** | 57.7 | 57.6 | *0.1pp* | 57.8 | 57.0 | *0.8pp* |
| Indirect costs** | 223.2 | 250.7 | *22.2* | 111.0 | 129.6 | *17.4* |
| EBITDA** | 231.4 | 265.4 | *(10.0%)* | 122.3 | 130.5 | *(4.0%)* |
| Free cash flow | 156.6 | 134.8 | | 83.3 | 51.6 | |
| Net Debt | 2,634 | 2,887 | *9.1%* | | | |



*Like for like percentage changes and variances are at constant exchange rates. Revenue takes into account rescheduling, changes in bundled revenue allocation in the US and acquisitions.

**Excluding exceptional items.

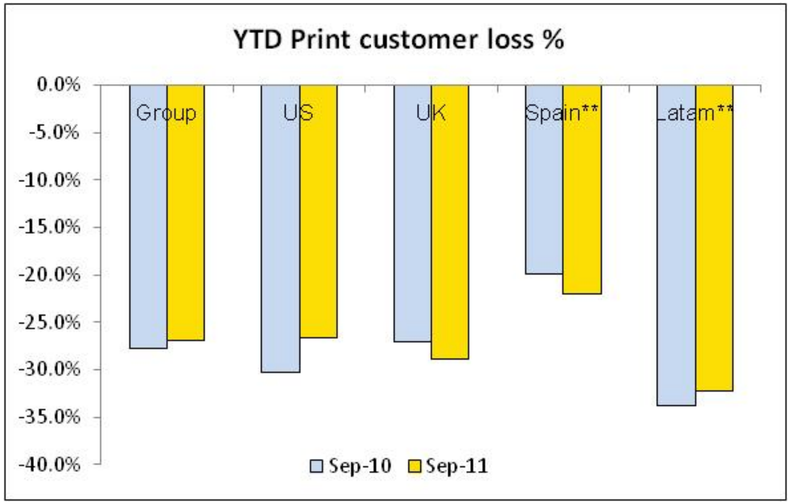
# Revenue Trends

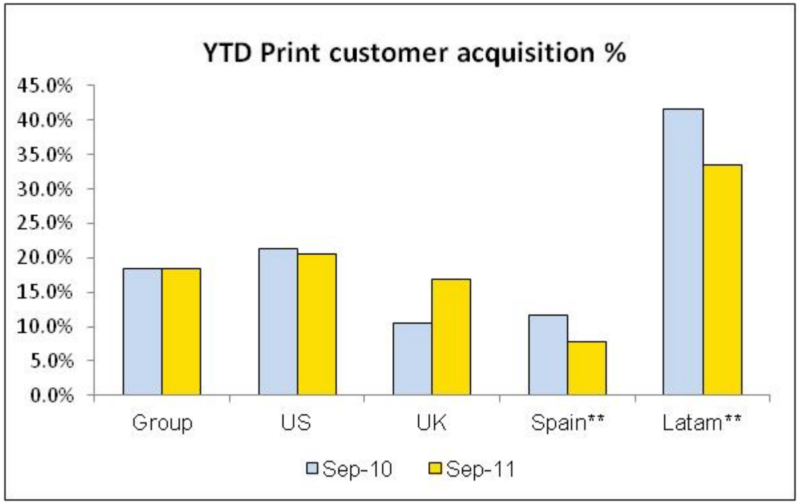
| **Revenue growth*** | **Q1** | **Q2** | ***YTD %*** | **YTD £m** |
|---|---|---|---|---|
| Digital services | 164.9% | 136.5% | 149.1% | 63.6 |
| Digital directories | (7.1%) | (12.3%) | (9.7%) | 172.7 |
| Print and other directories | (18.5%) | (20.1%) | (19.3%) | 550.9 |
| **Underlying growth** | **(11.1%)** | **(13.3%)** | **(12.2%)** | **787.2** |
| Rescheduling etc | 2.4% | 3.2% | 2.8% | |
| **Constant currency** | **(8.7%)** | **(10.1%)** | **(9.4%)** | |
| Digital directories unique visitors** | 39.1m | 42.9m | (15.1%) | |
| Mobile visitors** | | 3.2m | | |

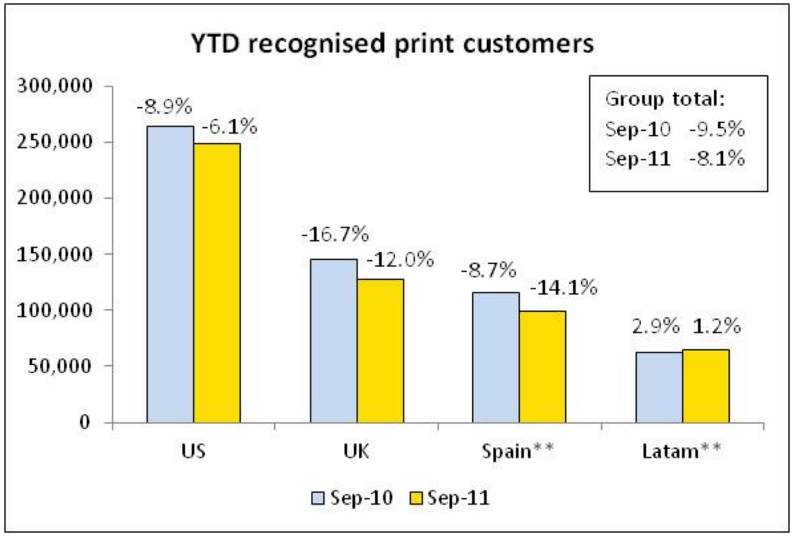
*All growths at constant currency

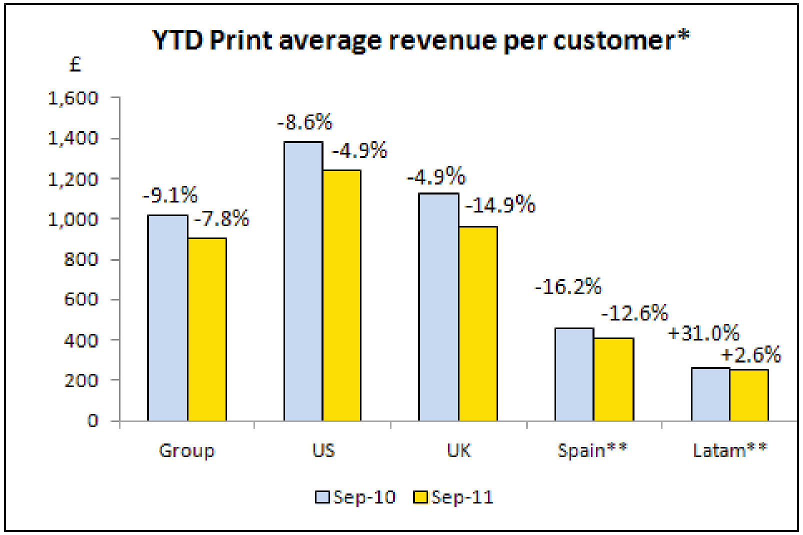
**Visitors for month of period end

# Print Revenue



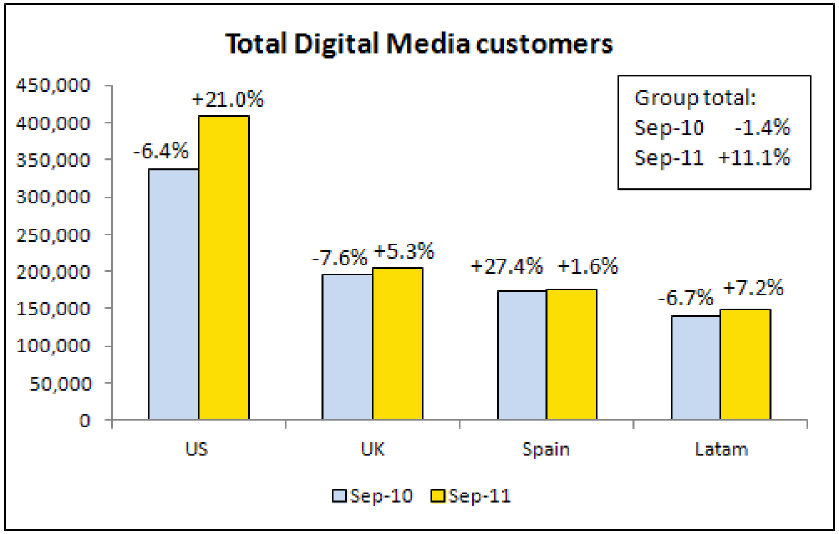



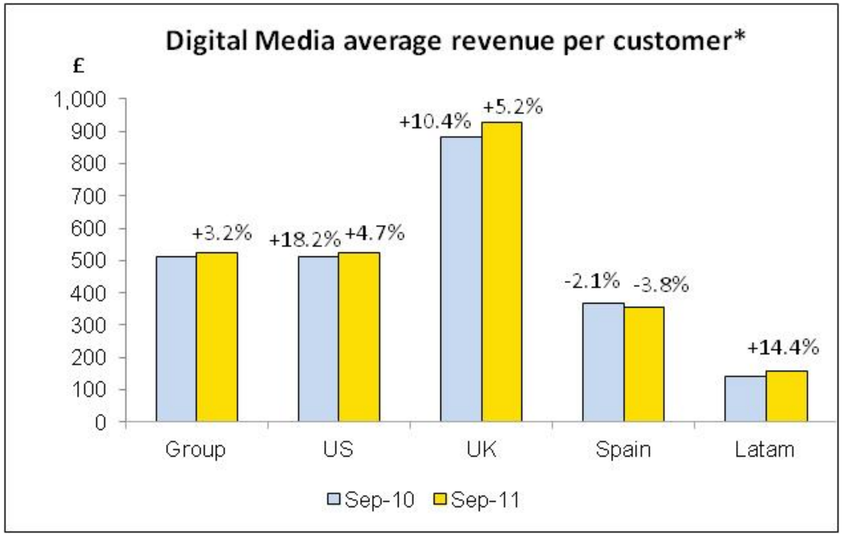



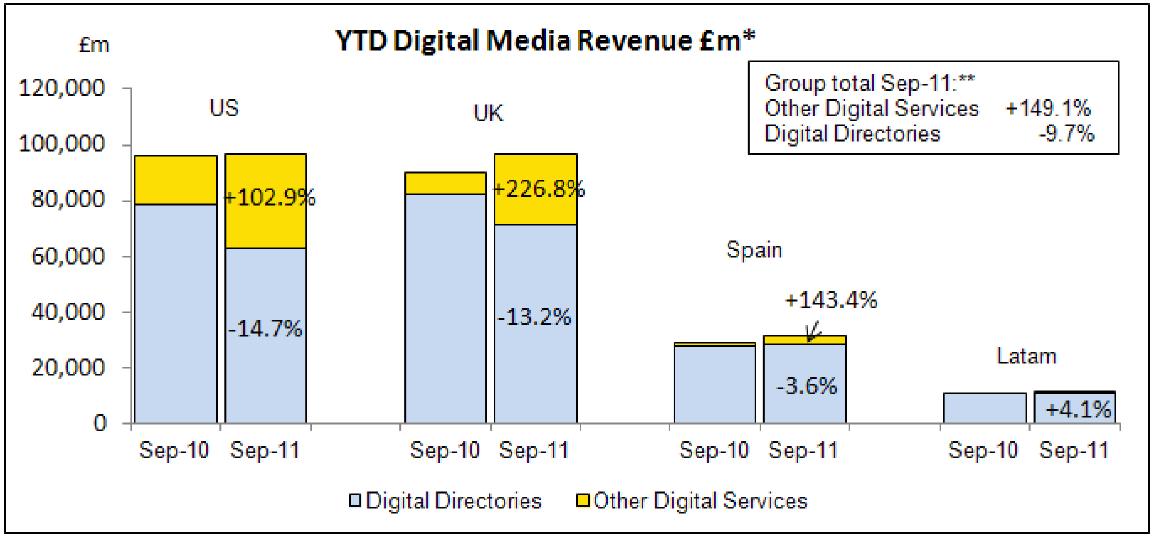

*Growth at constant currency

**Excludes "White Pages"

# Digital Media Revenue




*Growth at constant currency

** Growth adjusted for US allocation

# Cash Flow

| Period ended 30 Sept (£m) | 6m 2011 | 6m 2010 | 3m 2011 | 3m 2010 |
|---|---|---|---|---|
| EBITDA | 231.4 | 265.4 | 122.3 | 130.5 |
| Exceptional costs | (3.9) | (2.2) | (3.9) | (2.2) |
| Movement in working capital | 36.2 | 61.3 | 25.1 | 18.2 |
| Shareplan cost | 9.6 | 10.7 | 4.8 | 5.2 |
| Capex | (28.3) | (43.4) | (15.1) | (27.8) |
| **Operating cashflow** | **245.0** | **291.8** | **133.2** | **123.9** |
| Interest | (68.2) | (131.8) | (33.7) | (62.9) |
| Tax paid | (7.9) | (13.8) | (4.1) | (6.8) |
| Acquisitions | (12.3) | (11.4) | (12.1) | (2.6) |
| **Free cash flow** | **156.6** | **134.8** | **83.3** | **51.6** |

# Debt

| As at 30 Sept (£m) | Cash | Debt | Net Debt |
| --- | --- | --- | --- |
| At 31 March 2011 | 200.5 | (2,965.6) | (2,765.1) |
| Free Cash Flow | 156.6 | - | 156.6 |
| Repaid | (159.8) | 159.8 | - |
| Foreign Exchange | 3.7 | (18.8) | (15.1) |
| Deferred fees & purchase of own shares | - | (10.4) | (10.4) |
| **At 30 Sept 2011** | **201.0** | **(2,835.0)** | **(2,634.0)** |

- 11% headroom on debt to EBITDA covenant
- 27% headroom on interest cover covenant
- Commenced formal process with lenders to re-set debt facility covenant
- Current intention to seek debt purchases of up to £108m below par

# Going forward…..

## FY12 Outlook

- EBITDA within current market expectations
- Full year exceptional – reorganisation costs of circa £25m
- Not expecting covenant breach within FY12

## Capital structure

- Proposal to lenders – presentation pm Monday 14th
- Proposal on Debt / EBITDA covenant headroom
- Conclusion expected before Christmas

## Tender offer

- £108m planned : Available excess cash flow under debt agreements
- Reverse auction (“Solicitation for offers”) following covenant agreement
- Material exceptional profit expected

# QUESTIONS

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