LBi second quarter and first half year 2009 Margins protected well in difficult circumstances

PRESS RELEASE
Stockholm/Amsterdam, 23 July 2009

LBi - the global digital marketing and technology agency today announces its second quarter and half year results 2009

Margins protected well in difficult circumstances

Second quarter highlights
Strong operational progress booked in key markets, the U K and the U S. Performance per country remained varied and effects of recession in smaller geographies are shown in unpredictability in the sales cycle

Net sales (at constant rates) declined 17,9% year-on-year to EUR 34.3 million, reflecting slightly lower spend by retained clients, deferred projects and a decline in one-off inbound projects

Good sequential growth in E BITDA to EUR 4.5 million, representing an 18.4% increase

EBITDA margin improved from 10.9% (adjusted) to 13.1% sequentially as a result of restructuring, organisational design and effective cost efficiency measures*

Positive operating cash flow of EUR 7.4 million reflects continued focus on working capital and cash flow management. N et debt reduced by 21% to EUR 26.7 million

First half year highlights
Net sales (at constant rates) down 12.2% year-on-year to EUR 69.1 million, adjusted E BITDA (at constant rates) in line with previous levels

Strong improvement of adjusted EBITDA-margin from 10.4% to 12.0%*

Earlier announced one-time restructuring charges of EUR 3.8 million booked in the first quarter 2009

Earnings per share came in at EUR -0.01 (0.03)

Positive operating cash flow of EUR 4.4 million reflects continued focus on working capital and cash flow management

Looking ahead
Consistent evidence in key markets, the UK and the US, of a more positive outlook based on inbound activity and weighted funnel

Largely completed organisational redesign in US expected to have a positive effect on E BITDA in second half year

Continued focus on cash flow management and anticipated further net debt reduction in the second half year

Further improvement of effectiveness and lowering cost base pursued aimed at building the full-service digital agency best equipped to serve global accounts

***** The EBITDA margin for Q1 (10.9 %) and H1 (12.0%) are adjusted and exclude restructuring charges of EUR 3.8 million

A word from the CEO

As anticipated, we have seen continued pressure on the top line in a number of markets in the second quarter. The decline is mainly a consequence of a slowdown in decision making on the client side. Despite lower sales, we have been able to protect our margins and even reported a sequential underlying margin improvement in the second quarter. We recorded an EBITDA of EUR 4.5 million on net sales of EUR 34.3 million, which represents an EBITDA margin of 13.1%, compared to 10.9% in the first quarter of 2009 and 14.5 % in the second quarter of 2008. During the quarter, we continued to improve our efficiency and saw a first positive impact of the earlier announced restructuring and organizational redesign, with annualised structural cost savings expected to exceed EUR 9 million.

The performance in the quarter reflects good operational progress in our key markets the US and UK. Both these territories track well to plan. As a consequence of aggressive cost cutting, margins in the UK are now at an historic high of 20.6%. In the US, we largely completed the organisational redesign in the quarter, which we expect to have a positive impact on EBITDA in the second half of the year. In both markets, the weighted new business pipeline is strengthening as deferred spending gets green light.

In Central & Southern Europe and Scandinavia the story is market specific. Germany has managed margin well given the marked pressure on the top line. Our Berlin based branding business MetaDesign continues to suffer as a consequence of its exposure to the automotive sector and we don't expect conditions in Germany to improve in the short term. Performance in other European countries remained varied and the effects of the recession are in many instances still acute. Smaller territories that are already at an optimised cost structure such as Sweden, Belgium, Denmark and Spain are struggling with unpredictability in forecasts and a top line which can spike and contract with little notice. This makes effective resource utilisation difficult, which will likely be exacerbated by the seasonal third quarter holiday period.

We remain cautious about the macro economic developments in a number of smaller countries and will as a consequence further improve efficiencies and lower our cost base on a selective market specific basis. We will continue to mitigate the effects of local market contraction by distributing revenues via our US and European hubs in the UK and the Netherlands. Clients such as Etihad, Lloyds, National Grid and Sony are successfully serviced across multiple geographies and we see an increasing interest from clients who want us to service them across all major markets. As a full-service digital agency, we are uniquely positioned to service such complex global opportunities. Indeed LBi is now the only agency ranked as a market leader in both Europe and the US by Forrester in its 2009 Wave report.

Luke Taylor, CEO