Pace plc Preliminary results for the year ended 31 December 2010

8 March 2011

A year of strong revenue and earnings growth and three acquisitions

Pace, a leading global developer of technologies and products for managed subscription TV and broadband services, announces its results for the year ended 31 December 2010.

Financial Highlights

- Revenues increased by 17.4% to £1,330.9m (2009: £1,133.5m), with organic revenues[1] growing 9.7%
- Adjusted[2] EBITA up 35.6% to £103.6m (2009: £76.4m) with organic business[1] contributing £94.3m and acquisitions £9.3m
- Return on sales[3] increased to 7.8% (2009: 6.7%)
- Total operating profit before exceptionals up 31.9% to £91.9m (2009: £69.7m)
- Profit before tax (after exceptionals) up 1.7% to £71.1m (2009: £69.9m)
- One-off exceptional costs of £19.0m from transaction related expenses, acquisition integration costs and restructuring to implement post-acquisition operating structure
- Adjusted[4] basic EPS up 23.8% to 23.9p (2009: 19.3p), basic EPS 17.0p, down 4% post one-off exceptional costs (2009:17.7p)
- Proposed final dividend of 1.45p, resulting in total full year dividend of 2.175p, up 45% (2009: 1.5p)
- Closing net debt[5] of £200.7m, after successful $450m debt raising to fund acquisitions

Operating Highlights

2010 was a year of strong organic and acquisition led growth, in which the business:

- Increased volume shipments, including new gateway products, by 29% to 22.2m (2009: 17.2m)
- Completed three strategically important acquisitions, delivering a positive contribution to Group performance for the financial year
- On track to achieve cost efficiencies, including 2Wire operational synergies
- Established a leading position in the telecoms gateway market; number one in the USA
- Broadened product portfolio, creating new opportunities in software and services and enhancing the Group's leadership in technologies for the digitally converging home
- Continued to gain market share across all markets: from operators in emerging markets through to those now needing advanced connected home technologies

Commenting on the results, Neil Gaydon, Chief Executive Officer, said:

“Pace has delivered a strong year with a 24% increase in underlying earnings and we successfully completed three acquisitions that are already earnings enhancing and delivering significant synergies.

“During 2010 we have continued to strengthen our position as a leading provider of technologies to the global market for managed subscription TV and broadband services. At the same time we opened up new opportunities in home networking and advanced gateways by adding significant new capabilities in software, services and support.

“Conditions across our global markets continue to be positive. Operators are utilising Pace’s widening range of products, technologies and services to enhance their consumer offering; from launching digital in emerging markets to providing solutions and services that enable home convergence in advanced markets.”

Outlook

In 2010 Pace delivered strong growth. This was achieved organically and through acquisition with Pace becoming the global number one in digital set-top boxes whilst establishing a leading position in advanced telecom gateways through the acquisition of 2Wire Inc. At the same time the Group added significant new capabilities to its technology and service offerings that have enhanced earnings and market position.

In 2011 the Group is looking to achieve further growth for its set-top box technologies and telecom gateways as well as add profitable new opportunities for its software, services and support. The Board believes the growing complexity and inter-dependency of payTV and broadband services, coupled with ongoing demand in current, emerging and advanced markets, will drive sustained demand for the Group’s products and services.

The Board expects 2011 revenue growth of a similar level to that achieved in 2010. The Group’s new gateway, software and services businesses will represent over 20% of total sales. The Board expects further return on sales progress as Pace develops its new business opportunities and further leverages its established and highly efficient operating model.

Overall, the Board is confident that Pace has created an excellent platform for growth as its customers continue to lead the global evolution of managed digital services into and around the home.

[1] Organic revenues exclude the contribution of Pace’s three 2010 acquisitions (Bewan, 2Wire and Latens)

[2] Adjusted EBITA is operating profit before exceptional costs and amortisation of other intangibles

[3] Adjusted EBITA as a per cent of sales is expressed as return on sales

[4] Adjusted EPS is based on earnings before the post tax value of exceptional costs and amortisation of other intangibles

[5] Net debt is borrowings net of cash and cash equivalents

Preliminary Results Statement

(for the year ended 31st December 2010)

(PDF, 123KB, 25 pages)