



ServicePoint
document management | facilities management | reprographics



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document management | facilities management | reprographics

Q3 2002 Results Announcement
November 2002

www.servicepoint.net

Reuters SPS.MC

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Highlights: Complete focus and delivering results



Service Point
Infrastructure of Public Water and Energy

The strategy has been executed,...

- ▶ Implementation of digital reprographics and doc management strategy → Clear industrial focus and reduced volatility and risk
- ▶ Restructuring of operations and cost cutting implemented for 6 million euros → Margins improvement
- ▶ Doubled EBITDA to 14.3 million euros → Improved market perception
- ▶ Bottom line profit 3.3 million euros → Third consecutive quarter with positive profits

...results have not yet achieved management expectations...

- ▶ Tough economic and financial environment is perceived in both Europe and the US, but investment in infrastructure are moving
- ▶ Implementation of bottom line actions is impacting short term PL, but we are 6-7% from EBITDA and EBIT targets
- ▶ Exchange rate has impacted 6% Q3 EBITDA

Nevertheless hard numbers have been delivered

- ▶ Net debt has been reduced by 35% since Q3 2001
- ▶ Gross margins improved (7%) at consolidated level
- ▶ Capex is being controlled as planned (-63% vs last year)
- ▶ Spare production capacity is available (30%-40%)
- ▶ E-repro (+40% increase in sales) and FM / OSS (+18% increase in sales)
- ▶ Doubled EBITDA to 14.3 million euros
- ▶ Strengthened BS
- ▶ Improved sales mix (E-repro, FM/OSS)
- ▶ Positive impact on net debt consequence of FM/OSS
- ▶ Possibility to reduce further net debt in next 2/3 years
- ▶ Organic growth in high value channels
- ▶ Improved market perception

H1 Consolidated results: A sustained improvement trend



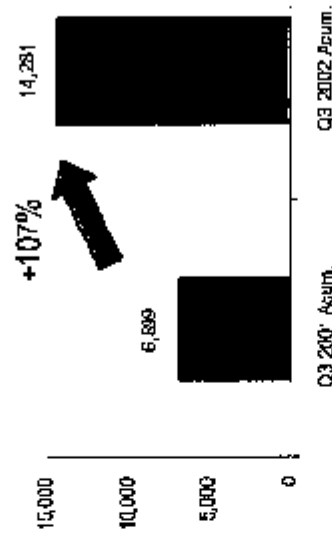
Consolidated results

EURO '000	Q3 02	Q3 01	% Diff.
Sales	152,698	282,392	-46%
Gross Margin	84,676	135,892	-38%
Gross Margin %	55%	48%	
EBITDA	14,281	6,899	107%
EBITDA %	9%	2%	
EBIT	4,302	-15,510	NA
EBIT %	3%	-5%	
PAT	3,438	-25,773	NA
PAT %	2%	-9%	
Net Assets	110,118	379,586	-71%
Total Assets	255,079	660,350	-61%
Net Debt	80,424	124,068	-35%

- ▶ Sales decrease due to sale of Oia, L. Control and divestments in "non focused" operations.
- ▶ Gross margin improvement thanks to better sales mix towards digital reprographics and document management services.
- ▶ Net Assets reduction due to de-consolidation of Oia and Logic Control, losses of Oia in Q4 01 and exchange rates effects (18m euros)
- ▶ Net Debt reduction 35% since Q3 2002

EBITDA and EBIT

EBITDA evolution



EBIT evolution

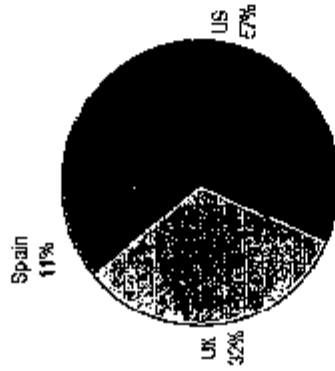


Breakdown of sales: SPS is focusing on e-repro and FM/OSS

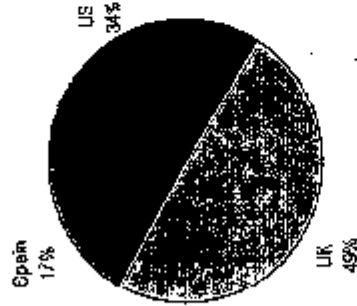


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Business Support Solutions

Q3 YTD Sales per company



Including 52m euros US office products during H1 02



Pro Forma excluding 52m euros US office products during H1 02

Opportunities:

USA:

- ▶ Geographic expansion, Rollup FM/OSS model
- ▶ Leverage UK e-repro model

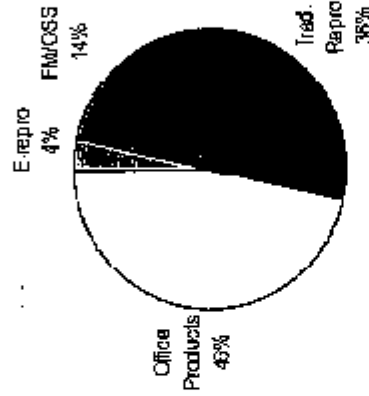
UK

- ▶ Pipeline FMs (of which T5 already won)

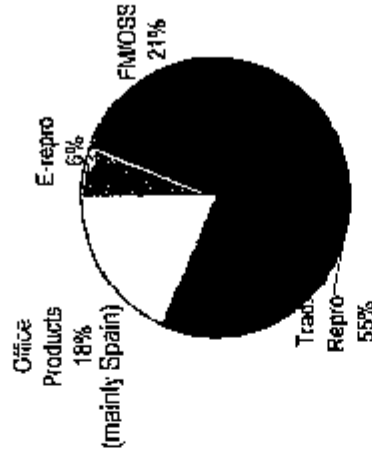
Spain

- ▶ Madrid Market
- ▶ UK / US Know how and ramp up investments 2000-2001

Sales per channel



Including 52m euros US office products during H1 02



Pro Forma excluding 52m euros US office products during H1 02

Opportunities:

Traditional Channel

- ▶ Gaining market share to small reprographics companies

FM / OSS

- ▶ Outsourcing trend
- ▶ Participation to large projects for AEC industry

E-repro

- ▶ Increased use of technologies (e-repro, DMS, etc.)

H1 Consolidated Balance Sheet



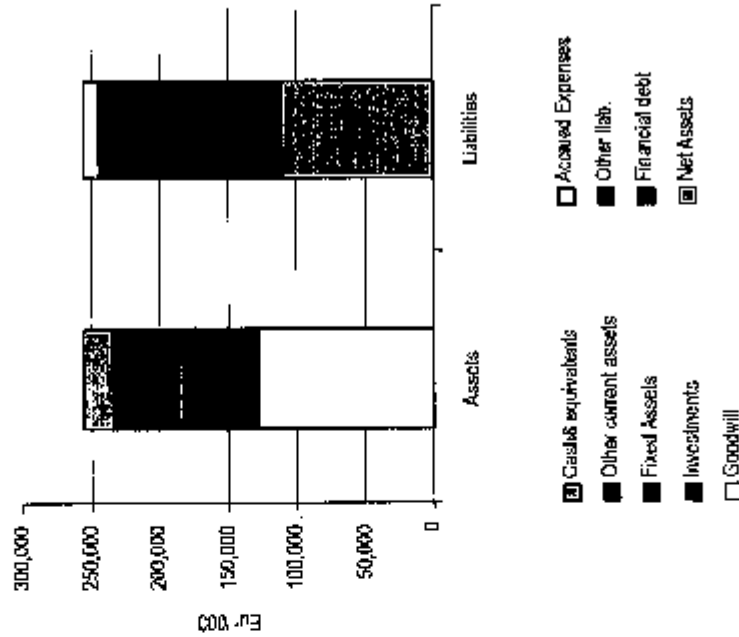
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Summarised Balance Sheet

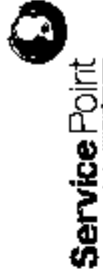
	DMIV		CNMV	
	Q3 2002	Q3 2001	Q3 2002	Q3 2001
Cash & equivalents	19,634	25,234	64,735	71,373
Acc. Receivable	28,966	65,692	18,883	40,949
Stocks	5,356	18,923	11,169	16,280
Other Current assets	16,191	32,302	10,046	44,583
Fixed Assets	31,238	131,466	38,718	77,989
Investments	25,459	36,778	3,410	29,670
Goodwill	127,235	349,954	110,118	379,585
Total Assets	255,079	660,349	255,079	660,348
Net Financial Debt			80,424	124,088

- ▶ Changes in Balance Sheet due do exit of Ola, Logic Control and office supplies business in the US.
- ▶ Net Financial debt reduction from 124 to 80 million (-35%).
- ▶ Net Assets reduction since Dec 2001 (Net Assets of 153,5 m Euros) due to write off goodwill product's division Charrette (6,5 m Euros), Exchange rate differences (18m Euros) and lineal amrcisation goodwill through reserves (4m Euros).
- ▶ Service Point has tax losses carried forward for a value for over 160 m Euros.

Balance Sheet



Net Debt reduction



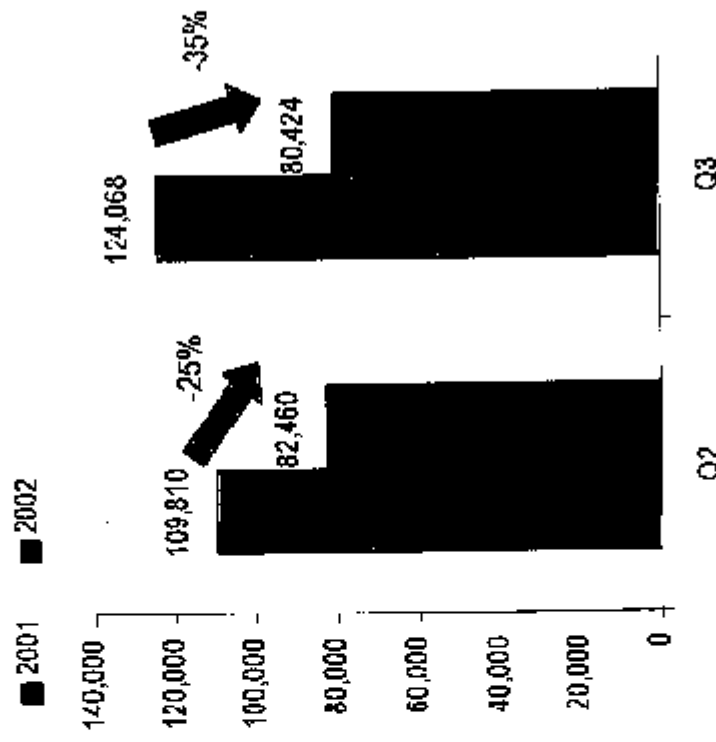
Net Debt reduction

Net Debt evolution

- Last 12 months change -35%
- Change since beginning of the year -11%
- Last quarter change -2%

- ▶ SPS is continuously reducing its net debt, by focusing on the digital reprographics and document management model.
- ▶ SPS is also committed to improving its net debt profile. Composition of net debt as of September 2002 was: 60% Short Term; 40% Long Term. In October the company has signed a 9mln euros LT line in the UK (structuring ST into LT) to: a) improve debt profile; b) generate cash resources to expand digital reprographics and document management business in the UK. Further actions to improve ST / LT profile are being analysed and discussed.
- ▶ Further net debt reduction is foreseen by controlling capex. (See details on the following page), increase EBITDA and improve working capital

Net Debt reduction Q3 02 vs Q3 01

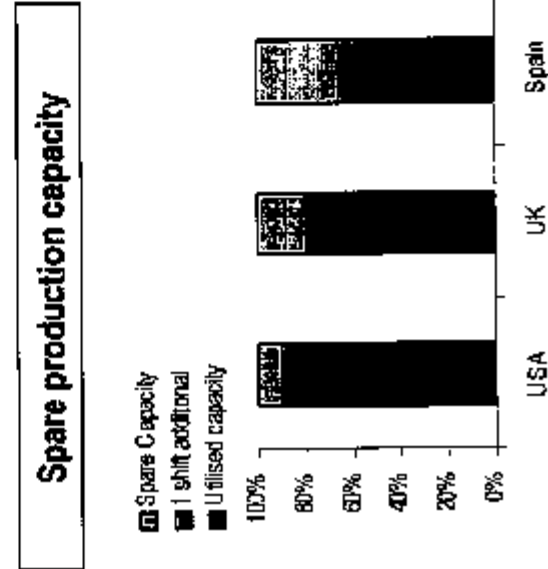
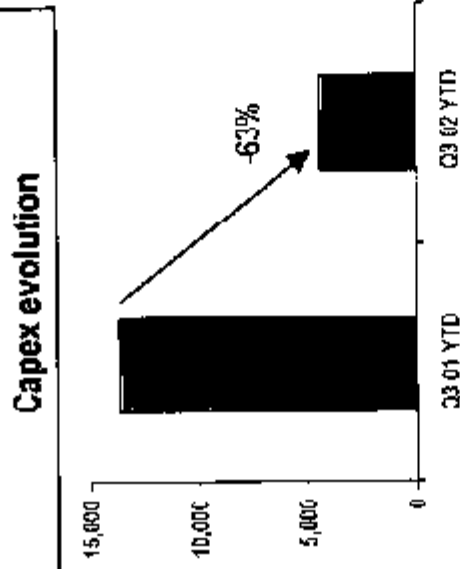


- ▶ Net debt as of June 2002 was 25% lower than same period 2001.
- ▶ Net debt as of September 2002 was 80.4 million euros, 35% lower than same period 2001

Optimisation of assets potential capacity

Capex control and good assets spare capacity

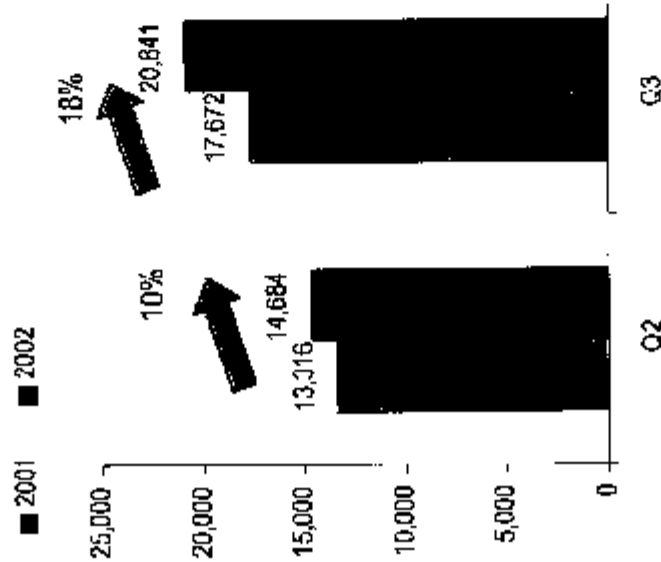
- ▶ Capex has been reduced by 63% on Q3 01 pro forma results (excluding Ola and Logic Control) in line with expectations
- ▶ Capex reduction has been driven by:
 - ▶ During 2000 and 2001 SPS completed its SAP implementation. SAP capex Q3 YTD 01 was around 5 million euros.
 - ▶ SPS has finalised the "digitalisation" of its service point network. As of today virtually all points are fully digitalised allowing offer of most advanced document management services. Structural capex (i.e. discretionary) will be minimised in the next 2/3 years)



- ▶ Thanks to FM/OSS focus, the percentage of capex which is "discretionary" is firmly increased (approx. 50% of capex in 2002), as investments are linked to signed recurrent contracts.
- ▶ SPS has a good spare assets capacity (=possibility of increased volumes of reprographics production without increasing number or size of actual equipment), having built an infrastructure which can be successfully leveraged.
- ▶ Spare capacity is lower in the US (where thanks to a higher concentration of sales through FM/OSS machines are sized on the customer needs and contracted volumes) and lower in Spain where digital reprographics services have been launched more recently.

Sustained trend in the outsourcing channel (all organic)

FMOSS Sales Evolution



FMOSS are growing by 18% year on year

- ▶ FMOSS growing in line with trends in outsourcing.
- ▶ Stable / growing sales also in downturn scenarios
- ▶ Opportunities of tailor made solutions with customer loyalty above average.
- ▶ Capex and costs are incurred only when agreement are signed
- ▶ T5 has had an impact of only 300,000 euros to date. Much higher volumes are expected starting Q1 2003.
- ▶ Good start of Q4 with FM / National contracts signed with Jarvis, Alan Baxters, DBI with aggregated sales of 1,8 million sales (with no impact on sales in September).
- ▶ Services:
 - ▶ In-house reprographics services - plotting, large format copying, color & b/w digital printing.
 - ▶ Proprietary expense recovery systems to track all in-house printing & copying - converts overhead reprographics expenses into billable work.
 - ▶ Custom reports enable clients to recover reimbursable expenses from their customers.

Sample of FMs signed / renewed in 2002



T5 Heathrow
New contract



Barajas Madrid
New contract

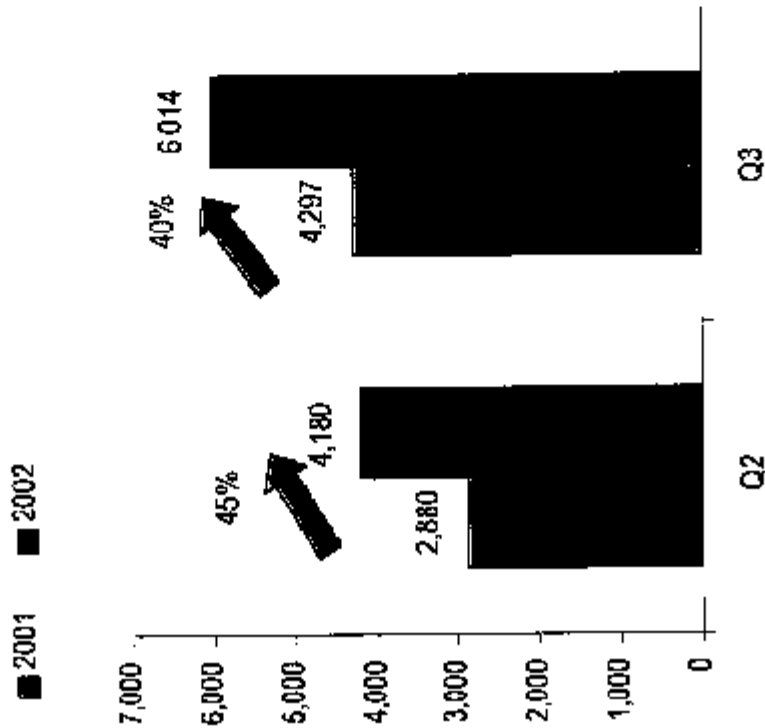


Jaguar Cars
Renewed

Development of the e-repro channel (all organic)



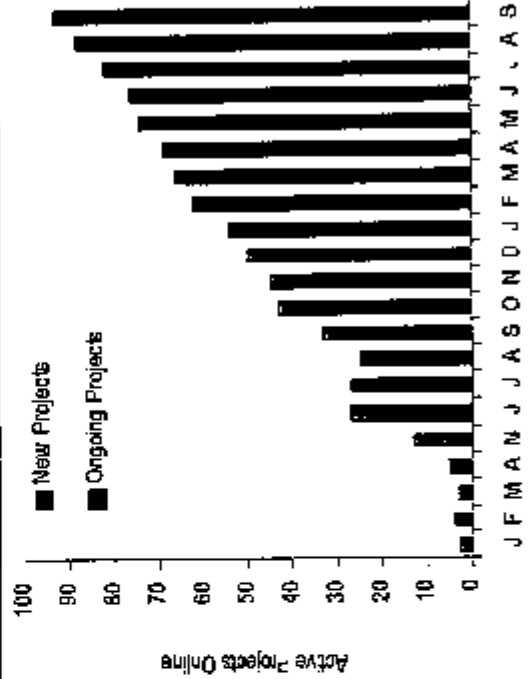
E-repro Sales Evolution



E-repro sales are growing by 40% year on year

- ▶ 40% increase in e-repro services, increased customer connectivity and development of value added services.
- ▶ YTD 453 EDMS projects which manage 2,183,000 documents and 433 Gigabytes
- ▶ 410,000 documents transferred through Repronet
- ▶ More Strategic Relationship with Customers, away from price per page

Evolution of Planlink projects in the US



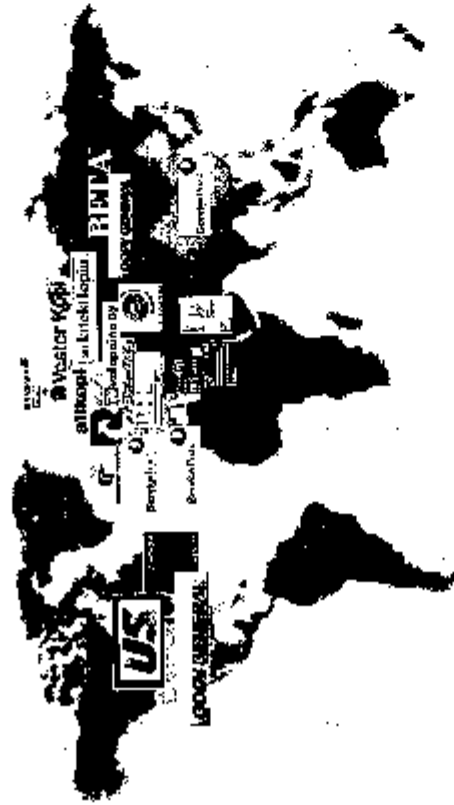
Globalgrafixnet development: 400 points



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Key Facts Globalgrafixnet

- ▶ Largest Digital distribution & Print Network (interflora for Repro)
- ▶ Globalgrafixnet has expanded to 400 locations (60 new in 02)
- ▶ Expansion into new regions East Europe, South America, Middle East and Asia
- ▶ Partnership with USRN, leading North American Network, to develop technology and support global customers
- ▶ Major customer such as Amec & Skanska
- ▶ Launched new software tool Gx2 & Resold to 3rd Parties
- ▶ Support for global customer, technology development, acquisition targets sales channel



globalgrafixnet LOCATIONS

Brazil	France	Italy	Sweden
China	Germany	Japan	Switzerland
Czech Republic	Hungary	Poland	Ukraine
Denmark	Latvia	Russia	United Arab Emirates
Estonia	Lithuania	Saudi Arabia	United Kingdom
Finland	Netherlands	Singapore	
		Spain	



www.globalgrafix.net

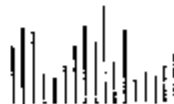
SPS has created centres of Excellence to maximise cross countries synergies within the group

Marketing

- ▶ WW marketing plan coordination
- ▶ Brand management
- ▶ Intranet and Web
- ▶ Global marketing tools, publications, promotions.
- ▶ Development of international synergies on sales (customers internationalisation)
- ▶ All marketing investments towards one single brand and with one clear message for the AEC community



Service Point
Service Guide



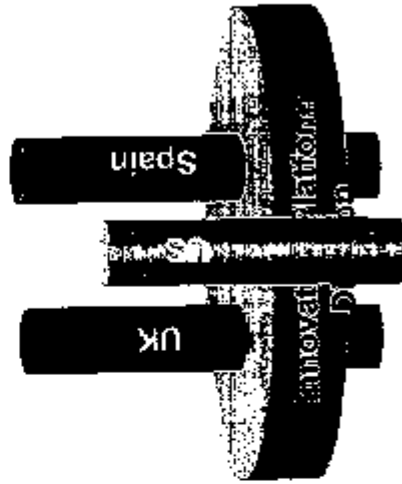
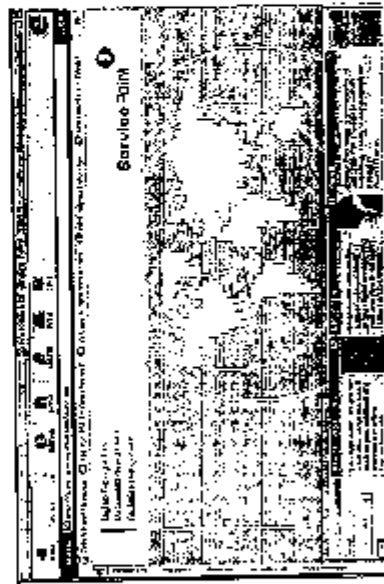
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IT

- ▶ SAP implementation and deployment as a common platform
- ▶ Communications Voice and Data
- ▶ Standardisation of reporting
- ▶ WW service providers

E-repro

- ▶ Continued promotion and enhancement of existing product offering
- ▶ Consolidate Product Branding across the group
- ▶ Expanded sales coverage by promoting local product offering into new markets (Planlink to UK & Spain, IAS to USA/Spain & etc)



Total costs savings and synergies between 600,000 and 1 million euros



Management of day to day operations: Profit improvement actions

SPS is fully dedicated to its day to day management and maximisation of synergies

- ▶ Development of multi national contracts with vendors (HP, Océ, Ikon, etc.)
 - ▶ 550K euros savings in 2003 by leveraging on purchase power (free renewal mach lines, maintenance costs, etc.)
 - ▶ Flexibility for better re-allocation of machines within countries without additional costs
- ▶ Fix costs reductions programmes (outsourced back office activities, offload production peaks, etc.)
- ▶ SAP common platform and software
 - ▶ Improved controls and performance analysis for medium term better profitability
 - ▶ Rationalisation (reduction in back office functions and rationalised process)
- ▶ Roll out HR planning, training, reporting and rationalisation
 - ▶ Improvement on service level on high margin high technology services
 - ▶ Reduction of 60 people (3% of total personnel)

Costs Savings Implemented and Incremental

	2002	2003
USA	2,110	500
UK	2,158	1,000
Spain	1,196	500
Other	300	300
Total	5,763	2,300
Impact in 2002	1,500	0

Sample improvement actions follow ups

EBIT Improvement Plan (new)

Country	2002	2003	2004	2005	2006	2007	2008	2009	2010
USA	114	114	114	114	114	114	114	114	114
UK	114	114	114	114	114	114	114	114	114
Spain	114	114	114	114	114	114	114	114	114
Other	114	114	114	114	114	114	114	114	114
Total	456	456	456	456	456	456	456	456	456



Major industry drivers that will be faced by SPS in the next 12 months

▶ Technology:

- ▶ Rapid paradigm shift towards EDMS and/or Web enabled solutions, it is estimated that currently 25% of construction projects are using document management. (*Construction News*)
- ▶ 51% of companies say they plan to implement electronic document management technology in 2003. (*National Construction Survey*)
- ▶ Adoption of document technology for efficiencies (cost, time & risk), it estimated 25% saving in document cost (copying, fax, & post) by using document management technology (*Construction News*)
- ▶ 40% of constructor companies view themselves as aggressive adopters of technology (*National Construction Survey*)
- ▶ 40.1% of companies say that electronic document management is of high importance (*National Construction Survey*)
- ▶ 52.3% say that project owners are requiring them to adopt technology tools (*National Construction Survey*)

▶ Outsourcing:

- ▶ Market indications and customer expectations, show an increasing trend (15-20%) towards In-House solutions, especially as company want to make their cost base more flexible
- ▶ The increased capability, ease of use and lower operating cost of low volume equipment, large format printers and "All In" devices enables SPS to offer more flexible 'hybrid' solutions or "Near-OSS" programs, whereby SPS will be able to retain all the benefits to the customer of In House with offload to our production centers in a "seamless fashion".

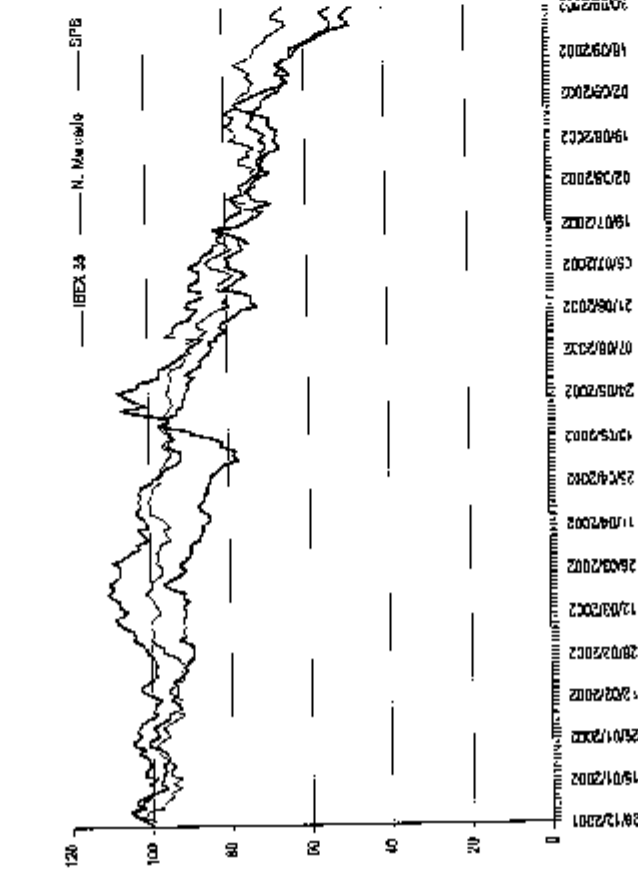
▶ Competition:

- ▶ Challenges for smaller companies
 - ▶ Lack of necessary capital for expansion
 - ▶ Difficult to stay abreast new technologies and unable to manage large complex projects
 - ▶ Do no have volume buying power to negotiate with suppliers
- ▶ Equipment Manufacturers increasingly competing in the FM channel, but not independent on choice of machines

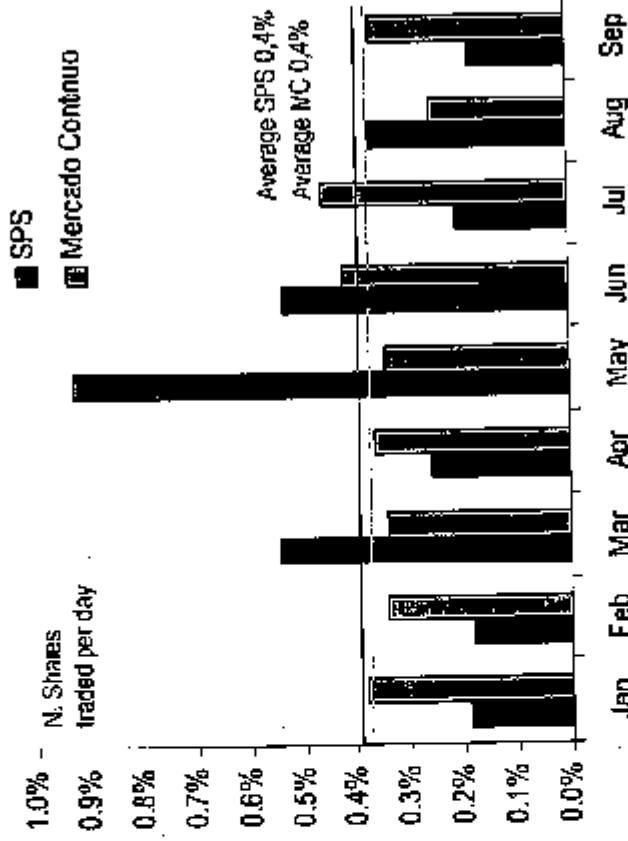


Share Price and share volume evolution in Q3 2002

Share price evolution: 28 Dic 2001 = 100



Share volume evolution



- ▶ Service Point share decrease in line with Technological markets
- ▶ SPS drivers to create shareholders value:
 - ▶ Q/Q improvement
 - ▶ Better positioning for comparative stock market multiples, in the services / outsourcing sector







- ▶ Good volumes (0,4%) in line with historic traditional volumes of traded shares.
- ▶ SPS shares have the same liquidity as Mercado Continuo (MC is strongly weighted for Ibex 35 blue chips).

Conclusions: An Opportunity







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A Division of Service Corporation International

SPS is a focused company with a clear strategy and delivering results

- ▶ One clear strategy 
 - ▶ Company structuring implemented 
 - ▶ Net Debt reduction 
 - ▶ EBITDA improvement 
 - ▶ Net profit achieved 
 - ▶ Reinforced management team 
- Digital reprographics and document management
- Sale of non strategic assets
- 35% in 12 months
- Doubled in 12 months
- 3 consecutive quarters with positive PAT
- Operations international COO doing thorough job

Today SPS is a sound equity story which is based on:

- ▶ High Value market segment 
 - ▶ Outsourcing 
 - ▶ Technologies 
 - ▶ Recurrent sales 
- Architects, Engineers and Construction
- FM, OSS growing by 18%
- E-repro growing by 40% and with a higher customer demand for high value services
- FMs 3/4 year contracts and renewable already represent 21% of sales

We think SPS is a clear opportunity at current historic low share price