

# **M&C SAATCHI**

## **2006 Interim Results**

October 2006

# Key Messages

- Strong revenue growth
  - Strong new business performance
  - Additional assignments from current clients
  - Expansion into new markets
- 1<sup>st</sup> half profit impacted by higher costs

But

- Outlook for full year significantly ahead of our previous expectations

# The Numbers

Six Month Ended June 2006

	<u>2006</u>	<u>2005</u>	<u>Inc / Dec</u>	
	£'000s	£'000s	£'000s	%
<b>Revenue</b>	<b>34,655</b>	<b>31,882</b>	<b>2,773</b>	<b>8.7</b>
Operating Expenses	32,463	28,319	4,144	14.6
<b>Operating Profit</b>	<b>2,129</b>	<b>3,563</b>	<b>-1434</b>	<b>-40.2</b>
Net Interest	661	647	14	2.2
Share of associate	3	-143	146	-
<b>Profit Before Tax</b>	<b>2,856</b>	<b>4,067</b>	<b>-1,211</b>	<b>29.8</b>
Tax Rate	45.5%	33.8%	-	11.7 pts
Minority Interest	-445	-326	-119	36.5
<b>Profit for period</b>	<b>1,118</b>	<b>2,368</b>	<b>-1,250</b>	<b>-52.8</b>

*Note: Excludes amortisation*

# Revenue

Six Month Ended June 2006

	2006				2005
	Constant Rates		Actual Rates		£'000s
	£'000s	%	£'000s	%	£'000s
UK	20,278	6.6	20,278	6.6	19,026
Asia Pacific	12,116	5.7	12,281	7.2	11,458
USA	1,487	6.4	1,556	11.3	1,398
Europe	539	-	540	-	0
Group	34,420	8.0	34,655	8.7	31,882

# The UK

Six Month Ended June 2006

## Summary Profit & Loss

	<u>2006</u> £'000s	<u>2005</u> £'000s	<u>Inc/Dec</u> %
Revenue	20,278	19,026	6.5
Operating Expenses	<u>16,900</u>	<u>15,674</u>	<u>7.8</u>
<b>Operating Profit</b>	<b>3,376</b>	<b>3,352</b>	<b>0.7</b>
Operating Margin	16.6%	17.6%	-1.0pts

# The UK

- Growth driven by
  - Media planning / buying including new digital media activity
  - PR
  - Direct & digital marketing
- Business won in second half 2005 making good contribution
  - Direct Line
  - RBS Retail
  - Natwest Mortgages
  - Ribena
  - Mini – direct
  - Weetabix – Walker Media
  - Independent News & Media – Walker Media
  - Halfords – Walker Media

# The UK

## New Accounts Won in 2006

<u>Advertising</u>	<u>LIDA Direct/Digital</u>	<u>IS Integrated</u>	<u>Influence</u>
Allied Bakeries	Swiss One	Silverjet	European Commission
Lucozade Energy	Conran	Royal Caribbean	Saudi Airlines
Interpoker	Telewest	Accident Exchange	DEFRA
CBRE	Tear Fund		

  

<u>Talk PR &amp; Provenance</u>	<u>Sports &amp; Entertainment</u>	<u>Walker Media</u>
Cosmopolitan	TRA Libraries	Barclays
Armani	Holsten Pils	Cashcade
Bagir	The FA	Unwins Seeds
Image Restaurants		Dairy Farmers of Britain
Forte		The Mall
		Foxtons

# Asia Pacific

Six Month Ended June 2006

## Summary Profit & Loss

	<u>2006</u>	<u>2005</u>	<u>Inc/Dec</u>	
	<u>£'000s</u>	<u>£'000s</u>	<u>£'000s</u>	<u>%</u>
Revenue	12,281	11,458	823	7.2
Operating Expenses	<u>12,272</u>	<u>10,576</u>	<u>1,696</u>	<u>16.0</u>
Operating Profit	9	882	873	-
Operating Margin	0.1%	7.7%	-7.6 pts	



# Asia Pacific

- Mixed performance from Asia Pacific
  - Revenue increase of 5.7% (constant currencies) but profit declines to £9k
- Poor Profitability due to start up phases in India & Thailand and client losses in Singapore, Hong Kong and New Zealand that wasn't replaced in first half
- Good new busiess won in H1 06 to contribute to H2
- A significant proportion of revenue is commission based and biased towards second half

# Asia Pacific

Six Month Ended June 2006

## The Issue

	<u>Revenue</u> £'000s	<u>Operating Expenses</u> £'000s	<u>Operating Profit</u> £'000s
Australia / Malaysia	+969	+838	+131
New Offices	+332	+497	-165
New Zealand / Singapore	-871	-140	-731
Other	+230	+342	-112
<b>Total</b>	<b>+660</b>	<b>+1537</b>	<b>-877</b>
Exchange	164	160	4
<b>Total</b>	<b>+824</b>	<b>+1697</b>	<b>-873</b>

# Asia Pacific

## New Accounts Won in 2006

### Australia

Sydney Water

### New Zealand

Business Rewards

Pacific Magazine

Pizza Hut

### Hong Kong

KFC

Sun Hung Kei

Securities

### Taiwan

New York Life

Vei Dang

### Shanghai

Hunya Food

### Singapore

Aviva Insurance

Regent Motors

### Thailand

AIA

Intercontinental  
Hotels

Coca Cola Project

### India

Intercontinental  
Hotels

Anand HCL

# America

Six Month Ended June 2006

## Summary Profit & Loss

	<u>2006</u> <u>£'000s</u>	<u>2005</u> <u>£'000s</u>	<u>Inc/Dec</u> <u>£'000s</u>
Revenue	1,556	1,398	11.3
Operating Cost	<u>1,794</u>	<u>1,547</u>	<u>15.7</u>
Operating Profit	-238	-149	-59.8
Operating Margin	-	-	-

# America

- Revenue up 6.4% (constant currencies)
  - Strong growth from LA up 49% offset New York reduction
- Key account wins in LA in 06
  - City National Bank
  - Network Omni
  - State of New Mexico
- New York making good progress
  - Pods (won June 05)
  - AIG (won May 06)
  - Silver Jet (won Aug 06)
- LA wins Petco in August 06
  - \$30 million gross billing
  - Significant contribution to growth in 07

# Europe

Six Month Ended June 2006

## Summary Profit & Loss

	<u>2006</u> <u>£'000s</u>	<u>2005</u> <u>£'000s</u>	<u>Inc/Dec</u> <u>£'000s</u>
Revenues	540	-	-
Operating Cost	<u>1,495</u>	<u>-</u>	<u>-</u>
Operating Profit	-955	-	-
Operating Margin	-	-	-

# Europe

- French office opened in Paris in September 05.  
Accounts won:
  - Pernod Ricard (Havana Club, Olmeca)
  - S'miles
  - Branley Museum
  - Bordeaux Wines
  - 20 minutes
  - Yves Rocher (July)
  - Prisma
- Acquired majority stake in German agency International Projects (renamed M&C Saatchi).  
Key Clients:
  - Coca Cola, Ferrero, K-Swiss Europe, Kinder, MTV, Viva, Hypovereinsbank
- In negotiations with potential partners in Spain to acquire initial 25%
- Nick Hurrell leave October 06
  - European region to be restructured under Moray MacLennan

# Tax Rate

	<u>PBT</u> £'000s	<u>Tax Change</u> £'000s	<u>Tax Rate</u> %
Reported	2,856	1,293	45.3
French Losses	479		
NY Losses	478		
Sub Total	<u>3,813</u>	<u>1,293</u>	<u>33.9</u>
Underlying 2005 Rate			<u>32.5</u>
Movement			1.4
		Increased Contribution from LA	0.8 (tax rate 41%)
		Lower contribution from Singapore	0.6 (tax rate 20%)



**Commercial Break**

# Minority Interest

	<u>2006</u>	<u>2005</u>	<u>Inc/Dec</u>
	£'000s	£'000s	
PAT	709	1,873	
Amortisation	-854	-821	
Europe	-816	-365	
New Zealand/Singapore	-427	-	
Other Losses	-292	-	
Adjusted PAT	<u>3,098</u>	<u>3,059</u>	-
Minority Interest	445	326	36.5 %
MI %	<u>14.4%</u>	<u>10.7%</u>	<u>3.7 pts</u>
		Walker Media (25.0%)	2.5 pts
		Talk PR (27.1%)	1.2 pts

# Conclusion

- First half profit impact compensated for by very healthy revenue growth and significantly greater profit expectations for full year
- Major new business wins across regions and successful expansion into new markets
- Further growth expected from new business pipeline, further development of non-advertising business streams and continued international expansion
- Very good outlook continues into 2007