

M&C SAATCHI

2009 Interim Results

24th September 2009

Overview

- It's tough! (No surprise here)
- Reduced marketing budgets and activity is translating into reduced fees
- Recognition by clients that agency costs have to be reduced in line with fees
- We don't see improvement in second half, although comparatives will improve

But

- In the context of the current environment, we are happy with the shape of business
- Costs are being managed entity by entity
- We are continuing to invest and build for the future
 - 3 new offices opened
 - Brand extended into new markets
- Focused on the recovery

Headline Results

6 months to June 2009

	<u>2009</u> £000's	<u>2008</u> £000's	<u>09 V's 08</u> %
Revenue	49,801	51,769	-4%
Operating profit	5,527	7,721	-28%
Profit before tax	5,357	7,962	-33%
Profit after tax	3,473	5,410	-36%
Minority Interest	(263)	(314)	-16%
Profit for period	3,210	5,096	-37%
Basic EPS	5.27p	8.62p	-39%

Key Ratios

6 months to June 2009

	<u>2009</u>	<u>2008</u>
Headline revenue growth	-3.8%	38.8%
Organic revenue growth	-7.5%	33.4%
Operating margin	11.1%	14.9%
PBT margin	10.8%	15.4%
Effective tax rate	34.5%	31.7%
Minority interest: PAT	7.6%	5.8%
Basic E.P.S	5.27p	8.62p
Diluted E.P.S	5.14p	8.02p

The Headline P&L

6 months to June 2009

	<u>2009</u>	<u>2008</u>	<u>Inc/Dec</u>	
	£000's	£000's	£000's	%
Revenue (gross profit)	49,801	51,769	(1,968)	-4%
Operating Expenses	44,101	43,798	303	1%
LTIP Expense	173	250	(77)	-31%
Operating profit	<u>5,527</u>	<u>7,721</u>	<u>(2,194)</u>	<u>-28%</u>
Share of Associate	(107)	(100)	(7)	7%
Net Interest	(63)	341	(404)	-118%
Profit Before Tax	<u>5,357</u>	<u>7,962</u>	<u>(2,605)</u>	<u>-33%</u>
Tax Rate	34.5%	31.7%		
Profit After Tax	<u>3,473</u>	<u>5,410</u>	<u>(1,937)</u>	<u>-36%</u>
Minority Interest	(263)	(314)	51	-16%
Profit for Period	<u>3,210</u>	<u>5,096</u>	<u>(1,886)</u>	<u>-37%</u>
Headline EPS	5.27p	8.62p	-3.35p	-39%

The Headline P&L

6 months to June 2009

	UK	Europe	Asia & Australia	America	New Offices	Clear	Central Costs	Group Total
Revenue	23,757	4,546	15,354	1,304	150	4,690	0	49,801
V's 2008	-6%	10%	4%	-15%	0%	-23%	-	-4%
V's 2008 - organic	-6%	-5%	1%	-36%	0%	-23%	-	-7%
Operating profit	5,016	469	1,566	(213)	(579)	921	(1,653)	5,527
V's 2008	-14%	-12%	50%	-228%	0%	-44%	10%	-28%
Operating Margin	21.1%	10.3%	10.2%	0.0%	0.0%	19.6%	-3.3%	11.1%
2008	23.1%	12.9%	7.1%	10.8%	0.0%	27.2%	0.0%	14.9%
Share of Associate	0	(107)	0	0	0	0	0	(107)
Net Interest	69	(27)	55	1	(1)	5	(165)	(63)
Central Costs	384	20	131	2	33	0	(570)	(0)
Profit Before Tax	4,701	314	1,490	(214)	(612)	926	(1,248)	5,357
Tax Rate	29.4%	35.9%	32.6%	38.5%	0.0%	32.4%	28.3%	34.5%
Profit After Tax	3,318	163	1,005	(132)	(612)	626	(895)	3,473
Minority Interest	62	78	167	(20)	(24)	0	0	263
Profit for Period	3,256	85	838	(112)	(588)	626	(895)	3,210

Revenue

6 months to June 2009

	2009	2008	09 V's 08	
	£000's	£000's	Reported Rates %	Constant Rates %
UK	23,757	25,195	-5.7%	-5.7%
Asia & Australia	15,354	14,219	8.0%	1.5%
America	1,304	1,541	-15.4%	-36.0%
Europe	4,546	4,145	9.7%	-4.9%
Clear	4,690	6,099	-23.1%	-23.1%
Organic total	49,651	51,199	-3.0%	-6.8%
New offices	150		-	-
Discontinued operations	-	570	-	-
Group Total	49,801	51,769	-3.8%	-7.5%

Top 10 Clients

- ANZ
- Barclays
- DSGI
- GlaxoSmithKline
- Optus
- Pernod Ricard
- Qantas
- RBS
- Westfields
- Woolworths (Aus)

Top 10 = 32% of Revenue

The U.K.

- The market is tough but not in meltdown
- It's procurement department heaven
- Client service critical
- Costs being managed
- New business is slow
- Key new clients
 - Change4Life
 - Boots Advantage Card
 - The Carphone Warehouse
 - Castrol
 - The State of Georgia

Clear

- First into recession – first out?
- Turnover 9% up on second half 2008 levels
- Brand extended into Hong Kong and Australia

Europe

- Slow!
- Near zero visibility from current clients
- Signs of new business picking up
- Cautious optimism

Asia and Australia

- Australia doing well and looks positive for remainder of year
 - Good new business
 - Mitre 10
 - Freedom Furniture
 - Deacons
 - Current client activity holding up well (with exceptions)
- Greater China gaining momentum, visibility into 2010 tricky
- Malaysia good
- India and New Zealand - difficult

America

- Trading remains very difficult
- Critical to be in America
- Options being considered

New Offices

- Geneva - February
- Sao Paolo - March
- Tokyo - August
- It's early, but performing as expected
- Investment will continue into 2010

Cash and Balance Sheet

- Balance sheet strong
 - Deferred consideration £0.2M
- Seasonal working capital outflow
- Bank Debt £4.9M; facility continues to 2011
- Year end net cash approx £4.0M

Balance Sheet

	2009	2008	2008
	30th June	30th June	31st December
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Non Current Assets	65,690	73,687	65,988
Net Debtors	51,124	64,632	61,491
Net Creditors	(57,721)	(71,704)	(74,066)
Net Working Capital Position - Exc Cash	<u>(6,597)</u>	<u>(7,072)</u>	<u>(12,575)</u>
Net Tax	(1,997)	(1,698)	(2,381)
Cash	4,470	1,980	9,271
Net Current Assets	<u>(4,124)</u>	<u>(6,790)</u>	<u>(5,685)</u>
Bank Loan	(4,861)	(7,468)	(6,702)
Deferred Consideration	(229)	(5,029)	(116)
Provision for minority put options	(2,332)	(5,251)	(3,697)
Non Current liabilities	(927)	(1,539)	(965)
Net assets	<u>53,217</u>	<u>47,610</u>	<u>48,823</u>

Cash

	<u>£000's</u>
Opening balance @ 1st January 2009	9,271
Effect of exchange revaluation	(493)
Operating profit	5,462
Net Interest paid	(63)
Tax paid in period	(1,923)
Depreciation	1,254
Capital expenditure - cash & lease payments	(894)
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Free cash flow before working capital	3,836
Impact of working capital movements	(6,028)
Dividends paid (ordinary & MI)	(189)
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Net cash outflow before acquisitions	(2,381)
Acquisitions	(333)
Equity issued	111
Reduction to bank loans	(1,705)
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Closing Balance @ 31th June 2009	<u>4,470</u>

Dividend

- Interim dividend held at 0.87p

Outlook

- “Not as bad as we once anticipated, but not as rosy as we would hope”
- Current trading is solid
- Outlook for 2009 remains in line with Management expectations
- Medium term forecasts, very difficult
- New office openings and extending brands will drive future growth

Additional Financial Information

- Regional P&L's

The U.K.

Summary Profit & Loss

6 months to June 2009

	2009 £000's	2008 £000's	09 V's 08	
			£000's	%
Revenue	23,757	25,195	(1,438)	-5.7%
Underlying operating profit	5,016	5,810	(794)	-13.7%
Group costs	(1,653)	(1,500)	(153)	10.2%
Recharged	186	147	39	26.5%
Reported operating profit	<u>3,549</u>	<u>4,457</u>	<u>(908)</u>	<u>-20.4%</u>
Associate	0	0	0	***
Net interest	69	657	(588)	-89.5%
Profit before tax	<u>3,618</u>	<u>5,114</u>	<u>(1,496)</u>	<u>-29.3%</u>
Underlying margin	21.1%	23.1%		-1.9 PTS
Reported margin	14.9%	17.7%		-2.8 PTS

Clear

Summary Profit & Loss 6 months to June 2009

	<u>2009</u> £000's	<u>2008</u> £000's	<u>09 V's 08</u>	
			£000's	%
Revenue	4,690	6,099	(1,409)	-23.1%
Underlying operating profit	921	1,659	(738)	-44.5%
Group recharge	0	0	0	-
Reported operating profit	<u>921</u>	<u>1,659</u>	<u>(738)</u>	<u>-44.5%</u>
Associate	0	0	0	-
Net interest	5	5	0	-
Profit before tax	<u>927</u>	<u>1,664</u>	<u>(737)</u>	<u>-44.3%</u>
Underlying margin	19.6%	27.2%	-	PTS
Reported margin	19.6%	27.2%	-	PTS

Europe

Summary Profit & Loss 6 months to June 2009

	<u>2009</u> £000's	<u>2008</u> £000's	<u>09 V's 08</u>	
			£000's	%
Revenue	4,546	4,145	401	9.7%
Underlying operating profit	469	534	(65)	-12.2%
Group recharge	(20)	(19)	(1)	6.1%
Reported operating profit	<u>449</u>	<u>515</u>	<u>(66)</u>	<u>-12.9%</u>
Associate	(107)	(100)	(7)	***
Net interest	(27)	(91)	64	***
Profit before tax	<u>314</u>	<u>324</u>	<u>(10)</u>	<u>-3.1%</u>
Underlying margin	10.3%	12.9%		-2.6 PTS
Reported margin	9.9%	12.4%		-2.6 PTS

Asia & Australia

Summary Profit & Loss 6 months to June 2009

	2009 £000's	2008 £000's	09 V's 08	
			£000's	%
Revenue	15,354	14,789	565	3.8%
Underlying operating profit	1,566	1,045	521	49.9%
Group recharge	(131)	(126)	(5)	4.3%
Reported operating profit	<u>1,435</u>	<u>919</u>	<u>516</u>	<u>56.1%</u>
Associate	0	0	0	***
Net interest	55	36	19	52.9%
Profit before tax	<u>1,490</u>	<u>955</u>	<u>535</u>	<u>56.0%</u>
Underlying margin	10.2%	7.1%		3.1 PTS
Reported margin	9.3%	6.2%		3.1 PTS

New Offices

Summary Profit & Loss 6 months to June 2009

	<u>2009</u> £000's	<u>2008</u> £000's	<u>09 V's 08</u>	
			£000's	%
Revenue	150	0	150	***
Underlying operating profit	(579)	0	(579)	***
Group Recharge	(33)	0	(33)	***
Reported operating profit	<u>(611)</u>	<u>0</u>	<u>(611)</u>	<u>***</u>
Associate	0	0	0	***
Net interest	(1)	0	(1)	***
Profit before tax	<u>(613)</u>	<u>0</u>	<u>(613)</u>	<u>***</u>
Underlying margin	0.0%	0.0%		0.0 PTS
Reported margin	0.0%	0.0%		0.0 PTS