

# **M&C SAATCHI**

**2009 Preliminary Results**

**March 2010**

**Shareholder Presentation**

# Overview

- The most unpredictable and challenging year since the start of the company
- Results are in line with management and market expectations
- To a greater or lesser extent, the majority of our clients implemented budget cuts and imposed fee reductions
- No major clients lost
- We were still out there winning new business but not enough to compensate for market and fee contraction

# Overview (Cont)

- We made a significant investment of £1.4 million opening three new offices
- Costs have been managed office by office – saving where activity had decreased but increases to support new investment and clients
- Cash flows continue to be strong
- Balance sheet in good health

# Headline Results

12 months to December 2009

	<u>2009</u>	<u>2008</u>	<u>09 V's 08</u>
	£000's	£000's	%
Revenue	103,435	104,383	-1%
Operating profit b/f new offices	11,715	13,739	-15%
New offices	<b>(1,355)</b>	0	0%
Operating profit	10,360	13,739	-25%
Profit before tax	10,288	14,095	-27%
Profit after tax	6,585	9,592	-31%
Minority Interest	<b>(370)</b>	<b>(568)</b>	-35%
Profit for period	6,215	9,024	-31%
Basic EPS	10.15p	15.05p	-33%

# Key Ratios

Headline results

	<u>2009</u>	<u>2008</u>
Revenue growth	-0.9%	19.1%
Organic revenue growth	-5.2%	11.0%
Operating margin	10.0%	13.2%
PBT margin	9.9%	13.5%
Effective tax rate	36.2%	31.8%
Minority interest: PAT	5.6%	5.9%
Basic E.P.S	10.15p	15.05p
Diluted E.P.S	9.67p	14.62p

# The Headline P&L

12 months to December 2009

	<u>2009</u> £000's	<u>2008</u> £000's	<u>Inc/Dec</u>	
			£000's	%
<b>Revenue (gross profit)</b>	<b>103,435</b>	<b>104,383</b>	<b>(948)</b>	<b>-1%</b>
Operating Expenses	93,075	90,644	2,431	<b>3%</b>
<b>Operating profit</b>	<u><b>10,360</b></u>	<u><b>13,739</b></u>	<u><b>(3,379)</b></u>	<u><b>-25%</b></u>
Share of Associate	64	(81)	145	*
Net Interest	(136)	437	(573)	*
<b>Profit Before Tax</b>	<u><b>10,288</b></u>	<u><b>14,095</b></u>	<u><b>(3,807)</b></u>	<u><b>-27%</b></u>
Tax Rate	36.2%	31.8%		
<b>Profit After Tax</b>	<u><b>6,585</b></u>	<u><b>9,592</b></u>	<u><b>(3,007)</b></u>	<u><b>-31%</b></u>
Minority Interest	(370)	(568)	198	-35%
<b>Profit for Period</b>	<u><b>6,215</b></u>	<u><b>9,024</b></u>	<u><b>(2,809)</b></u>	<u><b>-31%</b></u>
<b>Headline EPS</b>	<b>10.15p</b>	<b>15.05p</b>	<b>-4.90p</b>	<b>-33%</b>

# Revenue

12 months to December 2009

	2009	2008	09 V's 08		2009
	£000's	£000's	Reported Rates %	Constant Rates %	constant rates
UK	49,079	52,357	-6.3%	-6.3%	49,079
Clear	8,499	10,422	-18.5%	-18.5%	8,499
Europe	9,444	8,727	8.2%	-3.5%	8,425
Asia & Australia	33,227	28,949	14.8%	4.0%	30,121
America	2,386	3,200	-25.4%	-37.1%	2,014
Organic total	102,635	103,655	-1.0%	-5.3%	98,138
New offices	800		-	-	800
Discontinued operations	-	728	-	-	
Group Total	103,435	104,383	-0.9%	-5.2%	98,938

# Top 10 Clients

- ANZ
- Barclays
- COI
- DSGI
- GlaxoSmithKline
- NatWest
- Optus
- Pernod Ricard
- Westfield
- Woolworths (Aus)

Top 10 = 33% (2008: 32%)

# The Headline P&L

12 months to December 2009

	UK	Europe	Asia & Australia	America	New Offices	Clear	Central Costs	Group Total
<b>Revenue</b>	<b>49,079</b>	<b>9,444</b>	<b>33,227</b>	<b>2,386</b>	<b>800</b>	<b>8,499</b>	<b>0</b>	<b>103,435</b>
V's 2008	-6%	8%	12%	-25%	0%	-18%	-	-1%
V's 2008 - organic	-6%	-3%	4%	-37%	0%	-18%	-	-5%
<b>Operating profit</b>	<b>10,453</b>	<b>1,315</b>	<b>2,707</b>	<b>(315)</b>	<b>(1,355)</b>	<b>1,289</b>	<b>(3,734)</b>	<b>10,360</b>
V's 2008	-7.2%	0.8%	13.9%	-206%	0%	-32%	10%	-25%
<b>Operating Margin</b>	<b>21.3%</b>	<b>13.9%</b>	<b>8.1%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>15.2%</b>	<b>-3.6%</b>	<b>10.0%</b>
2008	21.5%	15.0%	8.0%	9.2%	0.0%	18.3%	-3.2%	13.2%
Share of Associate	0	64	0	0	0	0	0	64
Net Interest	102	(55)	103	2	(10)	5	(283)	(136)
Central Costs	792	71	369	3	39	0	(1,274)	0
<b>Profit Before Tax</b>	<b>9,763</b>	<b>1,253</b>	<b>2,441</b>	<b>(316)</b>	<b>(1,404)</b>	<b>1,294</b>	<b>(2,743)</b>	<b>10,288</b>
Tax Rate	29.3%	34.7%	37.1%	32.3%	-1.0%	30.7%	28.6%	36.2%
<b>Profit After Tax</b>	<b>6,904</b>	<b>840</b>	<b>1,535</b>	<b>(214)</b>	<b>(1,418)</b>	<b>897</b>	<b>(1,959)</b>	<b>6,585</b>
Minority Interest	80	226	194	(24)	(106)	0	0	370
<b>Profit for Period</b>	<b>6,824</b>	<b>614</b>	<b>1,341</b>	<b>(190)</b>	<b>(1,312)</b>	<b>897</b>	<b>(1,959)</b>	<b>6,215</b>

# The Headline P&L

12 months to December 2009

	UK	Europe	Asia & Australia	America	New Offices	Clear	Central Costs	Group Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Revenue</b>								
V's 2008 - £000's	<b>(3,276)</b>	717	3,550	<b>(816)</b>	800	<b>(1,923)</b>	0	<b>(948)</b>
- %	-6.3%	8%	12%	-25%	0%	-18%	-	-1%
<b>Operating expenses</b>								
V's 2008 - £000's	<b>(2,471)</b>	707	3,220	<b>(205)</b>	2,155	<b>(1,307)</b>	332	<b>2,431</b>
- %	-6.0%	10%	12%	-7%	0%	-15%	10%	3%
<b>Operating profit</b>								
V's 2008 - £000's	<b>(805)</b>	10	330	<b>(611)</b>	<b>(1,355)</b>	<b>(616)</b>	<b>(332)</b>	<b>(3,379)</b>
- %	-7%	1%	14%	*	*	-32%	10%	-25%
<b>Cost V's revenue movement</b>	75%	99%	91%	25%	269%	68%		-256%
<b>Headcount reduction</b>								
<b>Operating Margin</b>								
-2009	21.3%	13.9%	8.1%	0.0%	0.0%	15.2%	-3.6%	10.0%
-2008	21.5%	15.0%	8.0%	9.2%	0.0%	18.3%	-3.2%	13.2%

# Cash

	<u>£000's</u>
<b>Opening balance @ 1st January 2009</b>	<b>9,271</b>
Exchange revaluation	7
Operating profit	10,178
Net Interest paid	(98)
Tax paid in period	(4,024)
Depreciation	2,300
Capital expenditure - cash & lease payments	(1,815)
<b>Free cash flow before working capital</b>	<b>6,541</b>
Impact of working capital movements	4,493
Dividends paid (ordinary & MI)	(2,629)
<b>Net cash inflow before acquisitions</b>	<b>8,405</b>
Acquisitions	(536)
Equity issued	118
Reduction to bank loans	(2,154)
<b>Closing Balance @ 31st December 2009</b>	<b>15,111</b>

# Balance Sheet

31<sup>st</sup> December 2009

	<b>2009</b>	<b>2008</b>
	<u>£000's</u>	<u>£000's</u>
<b>Non Current Assets</b>	<b>66,377</b>	<b>65,988</b>
Net Debtors	<b>55,631</b>	<b>61,491</b>
Net Creditors	<b>(72,640)</b>	<b>(74,066)</b>
<b>Net Working Capital Position - Exc Cash</b>	<b>(17,009)</b>	<b>(12,575)</b>
Net Tax	<b>(1,911)</b>	<b>(2,381)</b>
<b>Cash</b>	<b>15,111</b>	<b>9,271</b>
<b>Net Current Assets</b>	<b>(3,809)</b>	<b>(5,685)</b>
Bank Loan	<b>(4,447)</b>	<b>(6,702)</b>
Deferred Consideration	<b>(229)</b>	<b>(116)</b>
Provision for minority put options	<b>(3,879)</b>	<b>(3,697)</b>
Non Current liabilities	<b>(897)</b>	<b>(965)</b>
<b>Net assets</b>	<b>53,116</b>	<b>48,823</b>

# The U.K.

- The market is tough but not in meltdown
- Content business performing well – revenue down by 4%
- Volume related media activity was more challenging – revenue down by 11%
- Costs being managed carefully – cost saving to revenue reduction of 75%

# The U.K. (Cont)

- Tough new business environment
- Key new clients
  - Change4Life
  - Castrol ( Sponsorship )
  - Boots Advantage Card
  - The State of Georgia
  - The Carphone Warehouse ( CRM )
- Increased pitch activity in 2010
- Investing in Mobile

# Europe

- Difficult, but not as bad as we once feared
- Like-for-like revenue down by 3% (reported revenue up 8%)
- Cost saving ratio of 56% and margin down to 14%  
(2008: 15%)
- Very slow new business environment but there have been some important wins:

France: Comté (Cheese)

Prodmarques (poster sites)

Terres de Whisky (Jameson)

Germany: Munich Re

- Spain – improving. Group's share of profit £64k (2008: (£81k))

# Asia and Australia

- A mixed but significantly improved results from the region
- Like-for-like revenue increase of 4% - margin stable at 8%
  - Australia & Malaysia good: Like-for-like revenue up 8%
  - Greater China showing momentum: Like-for-like revenue growth of 4% and operating profit up to £0.5m
  - New Zealand and India both loss making

# Asia and Australia (Cont)

- Current client activity holding up well and good new business across the region
  - Australia: Freedom Furniture, Etrade, KR Castlemaine
  - HK: National Geographic, Disneyland, ANZ, AIA
  - Shanghai: Shin Ho (soy sauce), Cerebos (health supplements)
- Re-creating owner-driver model in Australia to stimulate greater growth

# America

- Trading remains very difficult
- Critical to be in America
- Options being progressed and tested

# New Offices

- Geneva – February 2009 (ahead of target)
- Tokyo – August 2009 (ahead of target)
- Sao Paulo – March 2009 (has work to do)
- New openings in 2010:
  - South Africa in partnership with Mike Abel (Former CEO Australia)
- Guangzhou (China) – 4<sup>th</sup> office in Greater China
- Could be further openings as driven by clients' needs and management excellence

# New Developments

- Agreement in principle to acquire majority stake in mobile specialist Inside Mobile
- Agreement in principle to acquire minority stake in Lebanon based Agency, Quantum, that will operate across the Middle East and North Africa
- Refreshing owner-driver entrepreneurial model

# Outlook

- The Group has made a good start to 2010
- We are ahead of budget through the first quarter but visibility still remains an issue for the full year
- Our new businesses will still be in investment phase during 2010 but moving towards profitability by end of year
- We anticipate good returns in 2011 and beyond

# The U.K.

## Summary Profit & Loss

12 months to December 2009

	<u>2009</u> £000's	<u>2008</u> £000's	<u>09 V's 08</u>	
			£000's	%
<b>Revenue</b>	49,079	52,357	(3,278)	-6.3%
<b>Underlying operating profit</b>	10,453	11,259	(806)	-7.2%
<b>Group costs</b>	(3,734)	(3,381)	(353)	10.4%
<b>Recharged</b>	482	293	189	64.5%
<b>Reported operating profit</b>	<u>7,201</u>	<u>8,171</u>	<u>(970)</u>	<u>-11.9%</u>
<b>Associate</b>	0	0	0	***
<b>Net interest</b>	(181)	508	(689)	-135.6%
<b>Profit before tax</b>	<u>7,020</u>	<u>8,679</u>	<u>(1,659)</u>	<u>-19.1%</u>
<b>Underlying margin</b>	21.3%	21.5%		-0.2 PTS
<b>Reported margin</b>	14.7%	15.6%		-0.9 PTS

# Clear

## Summary Profit & Loss 12 months to December 2009

	<u>2009</u> £000's	<u>2008</u> £000's	<u>09 V's 08</u>	
			£000's	%
Revenue	8,499	10,422	<b>(1,923)</b>	-18.5%
Underlying operating profit	1,289	1,905	<b>(616)</b>	-32.3%
Group recharge	0	0	0	-
Reported operating profit	<u>1,289</u>	<u>1,905</u>	<u><b>(616)</b></u>	<u>-32.3%</u>
Associate	0	0	0	-
Net interest	5	21	<b>(16)</b>	-
Profit before tax	<u>1,294</u>	<u>1,926</u>	<u><b>(632)</b></u>	<u>-32.8%</u>
Underlying margin	15.2%	18.3%	-	PTS
Reported margin	15.2%	18.3%	-	PTS

# Europe

## Summary Profit & Loss

12 months to December 2009

	<u>2009</u> £000's	<u>2008</u> £000's	<u>09 V's 08</u>	
			£000's	%
<b>Revenue</b>	9,444	8,727	717	8.2%
<b>Underlying operating profit</b>	1,315	1,306	9	0.7%
<b>Group recharge</b>	(71)	(38)	(33)	86.8%
<b>Reported operating profit</b>	<u>1,244</u>	<u>1,268</u>	<u>(24)</u>	<u>-1.9%</u>
<b>Associate</b>	64	(81)	145	***
<b>Net interest</b>	(55)	(213)	158	***
<b>Profit before tax</b>	<u>1,253</u>	<u>974</u>	<u>279</u>	<u>28.6%</u>
<b>Underlying margin</b>	13.9%	15.0%		-1.0 PTS
<b>Reported margin</b>	13.2%	14.5%		-1.4 PTS

# Asia & Australia

## Summary Profit & Loss

12 months to December 2009

	<u>2009</u> £000's	<u>2008</u> £000's	<u>09 V's 08</u>	
			£000's	%
Revenue	33,227	29,677	3,550	12.0%
Underlying operating profit	2,707	2,376	331	13.9%
Group recharge	(369)	(273)	(96)	35.2%
Reported operating profit	<u>2,338</u>	<u>2,103</u>	<u>235</u>	<u>11.2%</u>
Associate	0	0	0	***
Net interest	103	119	(16)	-13.2%
Profit before tax	<u>2,441</u>	<u>2,222</u>	<u>219</u>	<u>9.9%</u>
Underlying margin	8.1%	8.0%		0.1 PTS
Reported margin	7.0%	7.1%		0.0 PTS

# America

## Summary Profit & Loss

12 months to December 2009

	2009 £000's	2008 £000's	09 V's 08	
			£000's	%
Revenue	2,386	3,200	(814)	-25.4%
Underlying operating profit	(315)	295	(610)	-206.8%
Group recharge	(3)	(3)	0	0.0%
Reported operating profit	(318)	292	(610)	-208.9%
Associate	0	0	0	***
Net interest	2	2	0	0.0%
Profit before tax	(316)	294	(610)	-207.5%
Underlying margin	0.0%	9.2%		-9.2 PTS
Reported margin	0.0%	9.1%		-9.1 PTS

# New Offices

## Summary Profit & Loss

12 months to December 2009

	<u>2009</u> £000's	<u>2008</u> £000's	<u>09 V's 08</u> £000's	%
<b>Revenue</b>	<b>800</b>	<b>0</b>	<b>800</b>	***
<b>Underlying operating profit</b>	<b>(1,355)</b>	<b>0</b>	<b>(1,355)</b>	***
<b>Group Recharge</b>	<b>(39)</b>	<b>0</b>	<b>(39)</b>	***
<b>Reported operating profit</b>	<b>(1,394)</b>	<b>0</b>	<b>(1,394)</b>	***
<b>Associate</b>	<b>0</b>	<b>0</b>	<b>0</b>	***
<b>Net interest</b>	<b>(10)</b>	<b>0</b>	<b>(10)</b>	***
<b>Profit before tax</b>	<b>(1,404)</b>	<b>0</b>	<b>(1,404)</b>	***
<b>Underlying margin</b>	<b>0.0%</b>	<b>0.0%</b>		<b>0.0</b> PTS
<b>Reported margin</b>	<b>0.0%</b>	<b>0.0%</b>		<b>0.0</b> PTS