

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> £000's	<u>2008</u> £000's	<u>09 V's 08</u> %
Revenue	103,435	104,383	-1%
Operating profit <i>b/f</i> new offices	11,715	13,739	-15%
New offices	(1,355)	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	(370)	(568)	-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	%
Revenue (gross profit)	103,435	104,383	(948)	-1%
Operating Expenses	93,075	90,644	2,431	3%
Operating profit	10,360	13,739	(3,379)	-25%
Share of Associate	64	(81)	145	*
Net Interest	(136)	437	(573)	*
Profit Before Tax	10,288	14,095	(3,807)	-27%
Tax Rate	36.2%	31.8%		
Profit After Tax	6,585	9,592	(3,007)	-31%
Minority Interest	(370)	(568)	198	-35%
Profit for Period	6,215	9,024	(2,809)	-31%
Headline EPS	10.15p	15.05p	-4.90p	-33%

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
Revenue	49,079	9,444	33,227	2,386	800	8,499	0	103,435
V's 2008	-6%	8%	12%	-25%	0%	-18%	-	-1%
V's 2008 - organic	-6%	-3%	4%	-37%	0%	-18%	-	-5%
Operating profit	10,453	1,315	2,707	(315)	(1,355)	1,289	(3,734)	10,360
V's 2008	-7.2%	0.8%	13.9%	-206%	0%	-32%	10%	-25%
Operating Margin	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%
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
Profit Before Tax	9,763	1,253	2,441	(316)	(1,404)	1,294	(2,743)	10,288
Tax Rate	29.3%	34.7%	37.1%	32.3%	-1.0%	30.7%	28.6%	36.2%
Profit After Tax	6,904	840	1,535	(214)	(1,418)	897	(1,959)	6,585
Minority Interest	80	226	194	(24)	(106)	0	0	370
Profit for Period	6,824	614	1,341	(190)	(1,312)	897	(1,959)	6,215

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
Revenue								
V's 2008 - £000's	(3,276)	717	3,550	(816)	800	(1,923)	0	(948)
- %	-6.3%	8%	12%	-25%	0%	-18%	-	-1%
Operating expenses								
V's 2008 - £000's	(2,471)	707	3,220	(205)	2,155	(1,307)	332	2,431
- %	-6.0%	10%	12%	-7%	0%	-15%	10%	3%
Operating profit								
V's 2008 - £000's	(805)	10	330	(611)	(1,355)	(616)	(332)	(3,379)
- %	-7%	1%	14%	*	*	-32%	10%	-25%
Cost V's revenue movement	75%	99%	91%	25%	269%	68%		-256%
Headcount reduction								
Operating Margin								
-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>
Opening balance @ 1st January 2009	9,271
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)
Free cash flow before working capital	6,541
Impact of working capital movements	4,493
Dividends paid (ordinary & MI)	(2,629)
Net cash inflow before acquisitions	8,405
Acquisitions	(536)
Equity issued	118
Reduction to bank loans	(2,154)
Closing Balance @ 31st December 2009	15,111

Balance Sheet

31st December 2009

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

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) – 4th 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	%
Revenue	49,079	52,357	(3,278)	-6.3%
Underlying operating profit	10,453	11,259	(806)	-7.2%
Group costs	(3,734)	(3,381)	(353)	10.4%
Recharged	482	293	189	64.5%
Reported operating profit	<u>7,201</u>	<u>8,171</u>	<u>(970)</u>	<u>-11.9%</u>
Associate	0	0	0	***
Net interest	(181)	508	(689)	-135.6%
Profit before tax	<u>7,020</u>	<u>8,679</u>	<u>(1,659)</u>	<u>-19.1%</u>
Underlying margin	21.3%	21.5%		-0.2 PTS
Reported margin	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	(1,923)	-18.5%
Underlying operating profit	1,289	1,905	(616)	-32.3%
Group recharge	0	0	0	-
Reported operating profit	<u>1,289</u>	<u>1,905</u>	<u>(616)</u>	<u>-32.3%</u>
Associate	0	0	0	-
Net interest	5	21	(16)	-
Profit before tax	<u>1,294</u>	<u>1,926</u>	<u>(632)</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	%
Revenue	9,444	8,727	717	8.2%
Underlying operating profit	1,315	1,306	9	0.7%
Group recharge	(71)	(38)	(33)	86.8%
Reported operating profit	<u>1,244</u>	<u>1,268</u>	<u>(24)</u>	<u>-1.9%</u>
Associate	64	(81)	145	***
Net interest	(55)	(213)	158	***
Profit before tax	<u>1,253</u>	<u>974</u>	<u>279</u>	<u>28.6%</u>
Underlying margin	13.9%	15.0%		-1.0 PTS
Reported margin	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

	<u>2009</u> £000's	<u>2008</u> £000's	<u>09 V's 08</u>	
			£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	<u>(318)</u>	<u>292</u>	<u>(610)</u>	<u>-208.9%</u>
Associate	0	0	0	***
Net interest	2	2	0	0.0%
Profit before tax	<u>(316)</u>	<u>294</u>	<u>(610)</u>	<u>-207.5%</u>
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	%
Revenue	800	0	800	***
Underlying operating profit	(1,355)	0	(1,355)	***
Group Recharge	(39)	0	(39)	***
Reported operating profit	<u>(1,394)</u>	<u>0</u>	<u>(1,394)</u>	<u>***</u>
Associate	0	0	0	***
Net interest	(10)	0	(10)	***
Profit before tax	<u>(1,404)</u>	<u>0</u>	<u>(1,404)</u>	<u>***</u>
Underlying margin	0.0%	0.0%		0.0 PTS
Reported margin	0.0%	0.0%		0.0 PTS