

# M&C SAATCHI

2010 Preliminary Results

24<sup>th</sup> March 2011

# Overview

- Excellent figures all round; organic revenue growth of 16%, increased operating margin, PBT up 29% to £13.3m and net earnings up 25%
- Back to 2008 operating performance level after taking out the benefit of higher interest rates
- Final dividend raised by 10%, resulting in full year dividend up 7.7%
- Balance sheet remains very healthy

# Headline results

12 months to December 2010

	<u>2010</u>	<u>2009</u>	<u>10 v's 9</u>
	£000's	£000's	%
Revenue	125,144	103,435	21%
Operating profit	13,292	10,360	28%
Profit before tax	13,281	10,288	29%
Profit after tax	8,374	6,585	27%
Minority Interest	(608)	(370)	64%
Profit for period	7,766	6,215	25%
Basic EPS	12.59p	10.15p	24%

# Key Ratios

12 months to December 2010

	2010	2009
Headline revenue growth	21.0%	-0.9%
Organic revenue growth	15.6%	-5.2%
Operating margin	10.6%	10.0%
PBT margin	10.6%	9.9%
Effective tax rate	37.1%	36.2%
Minority interest: PAT	7.3%	5.6%
Basic E.P.S	12.59p	10.15p
Diluted E.P.S	12.26p	9.67p

# The Headline P&L

12 months to December 2010

	<u>2010</u>	<u>2009</u>	<u>Movement</u>	
	£000's	£000's	£000's	%
Revenue (gross profit)	125,144	103,435	21,709	21%
Operating Expenses	111,238	92,667	18,571	20%
LTIP Expense	614	408	206	50%
Operating profit	<u>13,292</u>	<u>10,360</u>	<u>2,932</u>	<u>28%</u>
Share of Associates	61	64	(3)	-
Net Interest	(72)	(136)	64	-47%
Profit Before Tax	<u>13,281</u>	<u>10,288</u>	<u>2,993</u>	<u>29%</u>
Tax Rate	37.1%	36.2%		
Profit After Tax	<u>8,374</u>	<u>6,585</u>	<u>1,789</u>	<u>27%</u>
Minority Interest	(608)	(370)	(238)	64%
Profit for Period	<u>7,766</u>	<u>6,215</u>	<u>1,551</u>	<u>25%</u>
Headline EPS	12.59p	10.15p	2.44p	24%

# The Headline P&L

12 months to December 2010

	UK	Europe	Asia & Australasia	Americas	New Offices	Clear	Central Costs	Group Total
Revenue	53,700	10,963	44,115	4,107	1,221	11,038	-	125,144
v's 2009	9%	14%	31%	56%	-	30%	-	21%
v's 2009 - organic	9%	18%	14%	50%	-	29%	-	16%
Operating profit	10,997	1,661	3,630	(249)	(778)	1,976	(3,945)	13,292
v's 2009	5%	49%	59%	-	-	53%	6%	28%
Operating Margin	20.5%	15.2%	8.2%	-	-	17.9%	-	10.6%
2009	21.3%	11.5%	6.8%	-	-	15.2%	-	10.0%
Share of Associates	-	61	-	-	-	-	-	61
Net Interest	70	(59)	97	(25)	4	3	(162)	(72)
Central Costs	(787)	(73)	(364)	(10)	-	-	1,234	-
Profit Before Tax	<u>10,280</u>	<u>1,590</u>	<u>3,363</u>	<u>(284)</u>	<u>(774)</u>	<u>1,979</u>	<u>(2,873)</u>	<u>13,281</u>
Tax Rate	30.1%	36.7%	34.8%	-	-	30.2%	22.7%	37.1%
Profit After Tax	<u>7,185</u>	<u>1,029</u>	<u>2,192</u>	<u>(407)</u>	<u>(784)</u>	<u>1,380</u>	<u>(2,221)</u>	<u>8,374</u>
Minority Interest	179	329	494	(70)	(382)	58	-	608
Profit for Period	<u>7,006</u>	<u>700</u>	<u>1,698</u>	<u>(337)</u>	<u>(402)</u>	<u>1,322</u>	<u>(2,221)</u>	<u>7,766</u>

# Revenue

12 months to December 2010

	2010	2009	10 v's 09	
	£000's	£000's	Reported Rates %	Constant Rates %
UK	53,700	49,079	9.4%	9.4%
Europe	10,963	9,639	13.7%	17.7%
Asia & Australasia	44,115	33,583	31.4%	14.4%
Americas	4,107	2,635	55.9%	50.2%
Clear	11,038	8,499	29.9%	28.8%
Organic total	123,923	103,435	19.8%	14.4%
New offices	1,221	-	-	-
Group Total	125,144	103,435	21.0%	15.6%

# Top 10 Clients

- ANZ
- Barclays
- Boots
- Celcom
- Dixons
- Optus
- Qantas
- RBS
- Westfield
- Woolworths

Three changes from a year ago - COI, GSK and Pernod Ricard out,  
with Boots, Celcom and Qantas in

Top 10 = 33% of Revenue (2009 37%)



# UK

- The UK has delivered best annual new business performance since listing in 2004, in spite of some first half client losses
- Key new clients:  
iShares, Mail on Sunday, Network Rail, The Olympic Delivery Authority, Bathstore, IKEA, Netjets and COI Cancer Awareness
- Increasing number of integrated wins across communication channels
- Continued focus on margin and cost control. Media buying remuneration remains under pressure

# Europe

- Revenue up 18%, operating profit increased 49% and 3.6 point margin improvement
- Trading environment no easier – but we are making good progress
- Germany performed very well
- In France, the advertising market remains tough but benefited from direct marketing, digital and PR expansion
- Spain (Associate) made a modest contribution

# Asia and Australasia

- Strong revenue performance and margin improvement in second half
- Australia had good new business wins in 2010: Brand Australia, David Jones, ING, Woolworths hardware, Georg Jensen
- As did Malaysia: Volkswagen, Bursa Malaysia and MAB (Malaysian Airports)
- Japan and New Zealand making steady headway
- India and China's clients remain project based and they are both currently looking to secure larger retained clients

# Americas

- LA has won business in the last six months: Trafalgar Travel, Proximo Spirits (Three Olives Vodka) and Ugg boots
- We have explored alliances in New York and are currently establishing a hub for our growing non-advertising businesses
- We are acquiring 60% of a larger agency (£3.1m of revenues) and merging this into our Sao Paulo office in order to scale up the operation

# Global Network

- Global Network now completed and focus is on winning Global Clients
- South Africa
  - Cape Town in February 2010
  - Johannesburg in October 2010
- MENA - Beirut in April 2010 (Associate)
- Italy - Milan in June 2010
- Russia - Moscow in March 2011 (Associate)
- Going well, some investment will continue in first half of 2011

# Clear

- Maintained first half strong start, with very good growth in US and Asia
- New clients include BSkyB, Celcom, Colgate, Coors, Pepsi, Philips and Pizza Hut
- Cross referring clients well – Pfizer in Asia, Kraft and Reckitt Benckiser in Australia and Unilever across all offices
- New office in Australia and recent opening in Singapore
- New management team promoted
- Global “Brand Desire” research proving powerful new business tool

# Balance Sheet, Cash and Dividend

- Balance sheet robust
- Second half saw the usual seasonal working capital inflow
- Cash at year-end of £31m (2009:£15m), bolstered by advance 2011 client payments
- Minority put options up year on year £11m, 99% of total is “paper” based
- Final dividend increased 10% from 2.75p to 3.03p, full-year dividend is up 7.7% year on year

# Balance sheet

	2010	2009
	<u>31st Dec.</u>	<u>31st Dec.</u>
	£000's	£000's
Non Current Assets	69,016	66,377
Net Debtors	84,997	55,631
Net Creditors	(113,847)	(72,596)
Net Working Capital Position - Excl. Cash	<u>(28,850)</u>	<u>(16,965)</u>
Net Tax	(1,150)	(1,911)
Cash	31,388	15,111
Net Current Assets	<u>1,388</u>	<u>(3,765)</u>
Bank Loan	(2,656)	(4,447)
Deferred Consideration	(675)	(229)
Provision for minority put options	(15,035)	(3,923)
Non Current liabilities	(967)	(897)
Net assets	<u>51,071</u>	<u>53,116</u>



# Cash

	<u>£000's</u>
Opening balance as at 1st January 2010	15,111
Effect of exchange revaluation	626
Operating profit	12,675
Net Interest paid	(72)
Tax paid in period	(4,636)
Depreciation	2,847
Capital expenditure - cash & lease payments	<u>(2,563)</u>
Free cash flow before working capital	8,251
Impact of working capital movements	12,769
Dividends paid (ordinary & MI)	<u>(2,606)</u>
Net cash inflow before acquisitions	18,414
Acquisitions	(1,280)
Subsidiary sale of own shares to minorities	397
Reduction in bank loans	(1,880)
Closing Balance as at 31st December 2010	<u><b>31,388</b></u>

# Outlook

- 2011 has started well. Despite caution regarding the macro environment, we are currently enjoying good revenue momentum
- The Network is now in place. Winning global new business is key focus. Already in 2011 we have won Visit Britain, FTI Consulting, Kaspersky, BAE Systems and Garmin
- Exporting our new higher margin businesses is the second strategic task – Clear, Sport & Entertainment and Mobile
- We also continue to invest for future growth. In the UK we are taking 25% in both a start up data business and Human Digital, a new social media insight business
- We are confident we will continue to make progress in 2011 and beyond

# Additional Financial Information

Regional Profit and Loss Accounts

# UK

## Summary Profit & Loss 12 months to December 2010

	<u>2010</u> £000's	<u>2009</u> £000's	<u>10 v's 09</u>	
			£000's	%
Revenue	53,700	49,079	4,621	9.4%
Underlying operating profit	10,997	10,453	544	5.2%
Group costs	(3,946)	(3,734)	(212)	5.7%
Recharged	448	482	(34)	-7.1%
Reported operating profit	<u>7,499</u>	<u>7,201</u>	<u>298</u>	<u>4.1%</u>
Associate	-	-	-	-
Net interest	(92)	(181)	89	-49.2%
Profit before tax	<u>7,407</u>	<u>7,020</u>	<u>387</u>	<u>5.5%</u>
Underlying margin	20.5%	21.3%		-0.8 PTS
Reported margin	14.0%	14.7%		-0.7 PTS

# Europe

## Summary Profit & Loss 12 months to December 2010

	<u>2010</u> £000's	<u>2009</u> £000's	<u>10 v's 09</u>	
			£000's	%
Revenue	10,963	9,639	1,324	13.7%
Underlying operating profit	1,661	1,112	549	49.4%
Group recharge	(73)	(71)	(2)	2.8%
Reported operating profit	<u>1,588</u>	<u>1,041</u>	<u>547</u>	<u>52.5%</u>
Associate	61	64	(3)	-
Net interest	(59)	(56)	(3)	5.4%
Profit before tax	<u>1,590</u>	<u>1,049</u>	<u>541</u>	<u>51.6%</u>
Underlying margin	15.2%	11.5%		3.7 PTS
Reported margin	14.5%	10.8%		3.7 PTS

# Asia & Australasia

## Summary Profit & Loss 12 months to December 2010

	2010 £000's	2009 £000's	10 v's 09	
			£000's	%
Revenue	44,115	33,583	10,532	31.4%
Underlying operating profit	3,630	2,278	1,352	59.4%
Group recharge	(364)	(369)	5	-1.4%
Reported operating profit	3,266	1,909	1,357	71.1%
Associate	-	-	-	-
Net interest	97	99	(2)	-2.0%
Profit before tax	3,363	2,008	1,355	67.5%
Underlying margin	8.2%	6.8%		1.4 PTS
Reported margin	7.4%	5.7%		1.7 PTS

# Americas

## Summary Profit & Loss 12 months to December 2010

	<u>2010</u> £000's	<u>2009</u> £000's	<u>10 v's 09</u>	
			£000's	%
Revenue	4,107	2,635	1,472	55.9%
Underlying operating profit	(249)	(1,038)	789	-76.0%
Group recharge	(10)	(42)	32	-76.2%
Reported operating profit	<u>(259)</u>	<u>(1,080)</u>	<u>821</u>	<u>-76.0%</u>
Associate	-	-	-	-
Net interest	(25)	(3)	(22)	-
Profit before tax	<u>(284)</u>	<u>(1,083)</u>	<u>799</u>	<u>-73.8%</u>
Underlying margin	-	-		- PTS
Reported margin	-	-		- PTS

# New Offices

Summary Profit & Loss  
12 months to December 2010

	<u>2010</u> £000's	<u>2009</u> £000's	<u>10 v's 09</u> £000's	%
Revenue	1,221	-	1,221	-
Underlying operating profit	(778)	-	(778)	-
Group Recharge	-	-	-	-
Reported operating profit	<u>(778)</u>	<u>-</u>	<u>(778)</u>	<u>-</u>
Associate	-	-	-	-
Net interest	4	-	4	-
Profit before tax	<u>(774)</u>	<u>-</u>	<u>(774)</u>	<u>-</u>
Underlying margin	-	-		- PTS
Reported margin	-	-		- PTS



# Clear

## Summary Profit & Loss 12 months to December 2010

	<u>2010</u> £000's	<u>2009</u> £000's	<u>10 v's 09</u>	
			£000's	%
Revenue	11,038	8,499	2,539	29.9%
Underlying operating profit	1,976	1,289	687	53.3%
Group recharge	-	-	-	-
Reported operating profit	<u>1,976</u>	<u>1,289</u>	<u>687</u>	<u>53.3%</u>
Associate	-	-	-	-
Net interest	3	5	(2)	-
Profit before tax	<u>1,979</u>	<u>1,294</u>	<u>685</u>	<u>52.9%</u>
Underlying margin	17.9%	15.2%		2.7 PTS
Reported margin	17.9%	15.2%		2.7 PTS