

M&C SAATCHI

2011 Preliminary Results

20th March 2012

Overview

- Strong results all round with excellent revenue momentum and earnings growth
- Revenue increased 22% (up 48% in two years) and PBT up 17%
- Rise in full year dividend of 15%
- Balance sheet and cash remain strong
- 2012 has started well

Headline results

12 months to December 2011

	<u>2011</u>	<u>2010</u>	<u>11 vs 10</u>
	£000's	£000's	%
Revenue	153,133	125,144	22%
Operating profit	15,399	13,292	16%
Profit before tax	15,562	13,281	17%
Profit after tax	10,767	8,374	29%
Minority Interest	(1,849)	(608)	204%
Profit for period	8,918	7,766	15%
Basic EPS	14.30p	12.59p	14%

Key Ratios

12 months to December 2011

	2011	2010
Headline revenue growth	22.4%	21.0%
Like for like revenue growth	20.0%	15.6%
Operating margin	10.1%	10.6%
PBT margin	10.2%	10.6%
Effective tax rate	31.0%	37.1%
Minority interest: PAT	17.2%	7.3%
Basic E.P.S	14.30p	12.59p
Diluted E.P.S	14.00p	12.26p

The Headline P&L

12 months to December 2011

	2011	2010	Movement	
	£000's	£000's	£000's	%
Revenue (gross profit)	153,133	125,144	27,989	22%
Operating Expenses	136,510	111,238	25,272	23%
LTIP Expense	1,224	614	610	99%
Operating profit	15,399	13,292	2,107	16%
Share of Associates	115	61	54	89%
Net Interest	48	(72)	120	-167%
Profit Before Tax	15,562	13,281	2,281	17%
Tax Rate	31.0%	37.1%		
Profit After Tax	10,767	8,374	2,393	29%
Minority Interest	(1,849)	(608)	(1,241)	204%
Profit for Period	8,918	7,766	1,152	15%
Headline EPS	14.30p	12.59p	1.71p	14%

The Headline P&L

12 months to December 2011

	UK	Europe	Africa	Asia & Australasia	Americas	Clear	Central Costs	Group Total
Revenue	66,974	14,540	2,987	49,700	6,736	12,196	-	153,133
v's 2010	25%	26%	395%	13%	64%	10%	-	22%
v's 2010 - like for like	25%	23%	395%	6%	65%	11%	-	20%
Operating profit	13,031	2,053	276	2,358	77	2,016	(4,412)	15,399
v's 2010	18%	30%	-	-35%	-	2%	12%	16%
Operating Margin	19.5%	14.1%	9.2%	4.7%	1.1%	16.5%	-	10.1%
2010	20.5%	13.6%	-	8.2%	-	17.9%	-	10.6%
Share of Associates	(13)	93	35	-	-	-	-	115
Net Interest	76	(46)	1	124	(4)	4	(107)	48
Central Costs	(792)	(70)	-	(79)	(88)	-	1,029	-
Profit Before Tax	<u>12,302</u>	<u>2,030</u>	<u>312</u>	<u>2,403</u>	<u>(15)</u>	<u>2,020</u>	<u>(3,490)</u>	<u>15,562</u>
Tax Rate	28.2%	36.4%	-	36.7%	-	29.0%	20.2%	31.0%
Profit After Tax	<u>8,830</u>	<u>1,324</u>	<u>430</u>	<u>1,520</u>	<u>14</u>	<u>1,435</u>	<u>(2,786)</u>	<u>10,767</u>
Minority Interest	618	443	113	541	4	130	-	1,849
Profit for Period	<u>8,212</u>	<u>881</u>	<u>317</u>	<u>979</u>	<u>10</u>	<u>1,305</u>	<u>(2,786)</u>	<u>8,918</u>

Revenue

12 months to December 2011

	<u>2011</u>	<u>2010</u>	<u>11 vs 10</u>	
	£000's	£000's	Reported Rates %	Constant Rates %
UK	66,974	53,700	24.7%	24.7%
Europe	14,540	11,580	25.6%	23.4%
Africa	2,987	604	394.5%	409.1%
Asia & Australasia	49,700	44,115	12.7%	5.9%
Americas	6,736	4,107	64.0%	65.3%
Clear	12,196	11,038	10.5%	11.0%
Group Total	<u>153,133</u>	<u>125,144</u>	<u>22.4%</u>	<u>20.0%</u>

Top 10 Clients

- Boots
- Celcom
- Commonwealth Bank
- David Jones
- Dixons
- Edgars
- IKEA
- Optus
- Pernod Ricard
- RBS

Top 10 = 30% of Revenue (2010 33%)

UK

- Excellent revenue growth of 25%, Mobile booming
- International new business wins:
Garmin, Google, O₂, Pernod Ricard, Siemens and Vertu
continues into 2012, with Etihad and Loewe
- Integration is working and clients are buying
- Media buying remains the most competitive market. Lost Barclays in a procurement driven pitch but strong current new business pipeline
- Close focus on cost control and margin

Europe

- Revenue up 26% and operating profit increased 30%
- Despite economic backdrop, we are making excellent progress
- Germany, Italy and Switzerland all performed well
- In France, advertising new business was slow but benefited from positive direct marketing, digital and PR contributions
- Spain (Associate) made a modest contribution but economy now impacting revenues

Africa

- Both Cape Town and Johannesburg profitable in second year of trading
- Key wins in year: Heineken, Nedbank, Nestlé, Samsung and Edgars Department Stores won this February
- Projected staff count of 100 by end of 2012
- Well positioned to take advantage of growing African market
- MENA (an associate) impacted by Arab Spring, with continuing uncertainty in 2012

Asia and Australasia

- Performance eroded by Australia's client losses (Westfield and Qantas) and difficult Chinese market with severe pricing pressure
- But strong new business year in Australia winning CPA, Dick Smith, EFTPOS, Google, Lend Lease and Masters
- Commonwealth Bank (Global Top 10) won in February
- Another excellent performance from Malaysia
- New Zealand, Japan and India all profitable but small
- Opened Singapore in February 2012 with experienced team

Americas

- Sport & Entertainment, Mobile and Clear now in one New York office
- Outstanding new CEO on board. Further investment in 2012
- Los Angeles lost clients resulting in a marginal profit
- In Sao Paulo, the acquisition completed in March 2011 is now fully integrated and working well. Bradesco has become a key Group client. Winning new business: Minerva and Tetra Pak

Clear

- Slow start in Europe but new management team have restructured and now on track
- Asia and Australia growing well. Singapore profitable in first year
- US flourishing with 93% revenue growth. San Francisco now scheduled to open mid-year
- New clients include:
 - Europe - Asics and Wrigley
 - Asia - Bacardi, De Beers, Fonterra and Revlon
 - USA - GSK, PepsiCo and Vans
 - Australia- EFTPOS and Goodman Fielder

Balance Sheet, Cash and Dividend

- Balance sheet strong
- Excluding client prepayments, net cash of £14.9m compares with £9.7m in 2010, an increase of £5.2m
- Final dividend up 15% from 3.03p to 3.50p, which takes full year dividend up 15% from 3.90p to 4.50p

Balance sheet

	2011	2010
	<u>31st Dec.</u>	<u>31st Dec.</u>
	£000's	£000's
Non Current Assets	70,494	69,016
Net Debtors	94,572	84,997
Net Creditors	(103,802)	(113,847)
Net Working Capital Position - Excl. Cash	<u>(9,230)</u>	<u>(28,850)</u>
Net Tax	(1,948)	(1,150)
Cash	18,779	31,388
Net Current Assets	<u>7,601</u>	<u>1,388</u>
Bank Loan	(3,890)	(2,656)
Deferred Consideration	(128)	(675)
Provision for minority put options	(17,092)	(15,035)
Non Current liabilities	(939)	(967)
Net assets	<u>56,046</u>	<u>51,071</u>

Cash

	<u>£000's</u>
Opening balance as at 1st January 2011	31,388
Effect of exchange revaluation	(88)
Operating profit	14,080
Net Interest received	48
Tax paid in period	(4,159)
Depreciation	4,871
Capital expenditure - cash & lease payments	<u>(3,615)</u>
Free cash flow before working capital	11,225
Impact of working capital movements	(20,025)
Dividends paid (ordinary & MI)	<u>(3,337)</u>
Net cash outflow before acquisitions	(12,137)
Acquisitions	(1,773)
Subsidiary sale of own shares to minorities	58
Increase in bank loans	1,331
Closing Balance as at 31st December 2011	<u>18,779</u>

Outlook

- 2012 has started well with continued revenue momentum

We maintain our strategy:

- Accelerate new business with focus on global network clients
- Invest in high-growth new businesses in mature markets
- Invest in scaling up most desirable markets
- Roll-out proven models across network

We are confident we will continue to make good progress in 2012 and beyond

Additional Financial Information

Regional Profit and Loss Accounts

UK

Summary Profit & Loss 12 months to December 2011

	<u>2011</u> £000's	<u>2010</u> £000's	<u>11 vs 10</u>	
			£000's	%
Revenue	66,974	53,700	13,274	24.7%
Underlying operating profit	13,031	10,997	2,034	18.5%
Group costs	(4,412)	(3,946)	(466)	11.8%
Recharged	237	448	(211)	-47.1%
Reported operating profit	<u>8,856</u>	<u>7,499</u>	<u>1,357</u>	<u>18.1%</u>
Associate	(13)	-	(13)	-
Net interest	(31)	(92)	61	-66.3%
Profit before tax	<u>8,812</u>	<u>7,407</u>	<u>1,405</u>	<u>19.0%</u>
Underlying margin	19.5%	20.5%		-1.0 PTS
Reported margin	13.2%	14.0%		-0.8 PTS

Europe

Summary Profit & Loss 12 months to December 2011

	<u>2011</u> £000's	<u>2010</u> £000's	<u>11 vs 10</u>	
			£000's	%
Revenue	14,540	11,580	2,960	25.6%
Underlying operating profit	2,053	1,578	475	30.1%
Group recharge	(70)	(73)	3	-4.1%
Reported operating profit	<u>1,983</u>	<u>1,505</u>	<u>478</u>	<u>31.8%</u>
Associate	93	48	45	-
Net interest	(46)	(59)	13	-22.0%
Profit before tax	<u>2,030</u>	<u>1,494</u>	<u>536</u>	<u>35.9%</u>
Underlying margin	14.1%	13.6%		0.5 PTS
Reported margin	13.6%	13.0%		0.6 PTS

Africa

Summary Profit & Loss 12 months to December 2011

	<u>2011</u> £000's	<u>2010</u> £000's	<u>11 vs 10</u>	
			£000's	%
Revenue	2,987	604	2,383	394.5%
Underlying operating profit	276	(695)	971	-
Group Recharge	-	-	-	-
Reported operating profit	<u>276</u>	<u>(695)</u>	<u>971</u>	<u>-</u>
Associate	35	13	22	-
Net interest	1	4	(3)	-
Profit before tax	<u>312</u>	<u>(678)</u>	<u>990</u>	<u>-</u>
Underlying margin	9.2%	-		9.2 PTS
Reported margin	9.2%	-		9.2 PTS

Asia & Australasia

Summary Profit & Loss 12 months to December 2011

	<u>2011</u> £000's	<u>2010</u> £000's	<u>11 vs 10</u>	
			£000's	%
Revenue	49,700	44,115	5,585	12.7%
Underlying operating profit	2,358	3,630	(1,272)	-35.0%
Group recharge	(79)	(364)	285	-78.3%
Reported operating profit	<u>2,279</u>	<u>3,266</u>	<u>(987)</u>	<u>-30.2%</u>
Associate	-	-	-	-
Net interest	124	97	27	27.8%
Profit before tax	<u>2,403</u>	<u>3,363</u>	<u>(960)</u>	<u>-28.5%</u>
Underlying margin	4.7%	8.2%		-3.5 PTS
Reported margin	4.6%	7.4%		-2.8 PTS

Americas

Summary Profit & Loss 12 months to December 2011

	<u>2011</u> £000's	<u>2010</u> £000's	<u>11 vs 10</u>	
			£000's	%
Revenue	6,736	4,107	2,629	64.0%
Underlying operating profit	77	(249)	326	-130.9%
Group recharge	(88)	(10)	(78)	780.0%
Reported operating profit	<u>(11)</u>	<u>(259)</u>	<u>248</u>	<u>-95.8%</u>
Associate	-	-	-	-
Net interest	(4)	(25)	21	-
Profit before tax	<u>(15)</u>	<u>(284)</u>	<u>269</u>	<u>-94.7%</u>
Underlying margin	1.1%	-		1.1 PTS
Reported margin	-	-		- PTS

Clear

Summary Profit & Loss 12 months to December 2011

	<u>2011</u> £000's	<u>2010</u> £000's	<u>11 vs 10</u>	
			£000's	%
Revenue	12,196	11,038	1,158	10.5%
Underlying operating profit	2,016	1,976	40	2.0%
Group recharge	-	-	-	-
Reported operating profit	<u>2,016</u>	<u>1,976</u>	<u>40</u>	<u>2.0%</u>
Associate	-	-	-	-
Net interest	4	3	1	-
Profit before tax	<u>2,020</u>	<u>1,979</u>	<u>41</u>	<u>2.1%</u>
Underlying margin	16.5%	17.9%		-1.4 PTS
Reported margin	16.5%	17.9%		-1.4 PTS