

M&C SAATCHI

2012 Preliminary Results

18th March 2013

Overview

- Strong results with good revenue momentum and earnings growth leading to like for like operating profit up 20%
- Continued investment for the future
 - Three new offices added (Abu Dhabi, Singapore and Stockholm)
 - New York relaunched with outstanding management team
- Rise in full year dividend of 10%
- Balance sheet robust with net cash up £3m to £17.9m
- 2013 has started well, the strategy continues to deliver

Headline results

12 months to December 2012

	<u>2012</u>	<u>2011</u>	<u>12 v's 11</u>
	£000's	£000's	%
Revenue	169,486	153,133	11%
Like for like Op.profit	18,551	15,399	20%
2012 New offices	(1,483)	-	
Profit before tax	17,182	15,562	10%
Profit after tax	11,640	10,767	8%
Minority Interest	(2,080)	(1,849)	12%
Profit for period	9,560	8,918	7%
Basic EPS	15.10p	14.30p	6%

Key Ratios

12 months to December 2012

	2012	2011
Headline revenue growth	10.7%	22.4%
Revenue growth in constant currency terms	11.7%	20.0%
Operating margin (excl. new offices)	10.9%	10.1%
Operating margin (incl. new offices)	10.1%	10.1%
Effective tax rate (excl. new offices)	29.8%	31.0%
Effective tax rate (incl. new offices)	32.4%	31.0%
Minority interest: PAT	17.9%	17.2%
Basic E.P.S	15.10p	14.30p
Diluted E.P.S	13.92p	14.00p

The Headline P&L

12 months to December 2012

	2012	2011	Movement	
	£000's	£000's	£000's	%
Revenue (gross profit)	169,486	153,133	16,353	11%
Operating Expenses	151,493	136,510	14,983	11%
LTIP Expense	925	1,224	(299)	-24%
Operating profit	17,068	15,399	1,669	11%
Share of Associates	91	115	(24)	-21%
Net Interest	23	48	(25)	-52%
Profit Before Tax	17,182	15,562	1,620	10%
Tax Rate	32.4%	31.0%		
Profit After Tax	11,640	10,767	873	8%
Minority Interest	(2,080)	(1,849)	(231)	12%
Profit for Period	9,560	8,918	642	7%
Headline EPS	15.10p	14.30p	0.80p	6%

The Headline P&L

12 months to December 2012

	UK	Europe	Africa	Asia & Australasia	Americas	Clear	Central Costs	Group Total
Revenue	75,401	16,164	6,604	53,798	8,031	9,488	-	169,486
v's 2011	13%	11%	121%	8%	19%	-22%	-	11%
Operating profit	15,252	2,331	237	3,443	66	276	(4,537)	17,068
v's 2011	17%	14%	-14%	46%	-14%	-86%	3%	11%
Operating Margin	20.2%	14.4%	3.6%	6.4%	0.8%	2.9%	-	10.1%
2011	19.5%	14.1%	9.2%	4.7%	1.1%	16.5%	-	10.1%
Share of Associates	77	(88)	102	-	-	-	-	91
Net Interest	63	(45)	15	14	(38)	2	12	23
Central Costs	(791)	(71)	-	(110)	(87)	-	1,059	-
Profit Before Tax	<u>14,601</u>	<u>2,127</u>	<u>354</u>	<u>3,347</u>	<u>(59)</u>	<u>278</u>	<u>(3,466)</u>	<u>17,182</u>
Tax Rate	25.2%	33.5%	47.2%	46.8%	-	20.9%	20.8%	32.4%
Profit After Tax	<u>10,925</u>	<u>1,384</u>	<u>187</u>	<u>1,781</u>	<u>(111)</u>	<u>220</u>	<u>(2,746)</u>	<u>11,640</u>
Minority Interest	1,231	435	98	565	(255)	6	-	2,080
rounding				-	-			
Profit for Period	<u>9,694</u>	<u>949</u>	<u>89</u>	<u>1,216</u>	<u>144</u>	<u>214</u>	<u>(2,746)</u>	<u>9,560</u>

Revenue

12 months to December 2012

	2012	2011	12 v's 11	
	£000's	£000's	Reported Rates %	Constant Rates %
UK	75,401	66,974	12.6%	12.6%
Europe	16,164	14,540	11.2%	18.8%
Africa	6,604	2,987	121.1%	144.0%
Asia & Australasia	53,798	49,700	8.2%	6.9%
Americas	8,031	6,736	19.2%	26.1%
Clear	9,488	12,196	-22.2%	-22.7%
Group Total	169,486	153,133	10.7%	11.7%

Top 10 Clients

- Boots
- Celcom
- Commonwealth Bank
- David Jones
- Dixons
- Ferrero
- IKEA
- O₂
- Optus
- RBS

Top 10 = 28% of Revenue (2011 30%)

UK

- Good revenue growth, particularly CRM and Mobile
- New business wins include:
Ballantine's, Center Parcs, National Trust, Harveys, Intercontinental Hotels, Peroni, Viking and Virgin Holidays
- Increasing number of integrated wins across communication channels
- Exporting CRM and PR along with Mobile and Sport & Entertainment. Talent agency (Merlin Elite) acquisition made in January 2013 widens Sport's offer
- Close focus on cost control
- Operating margin increased 0.7%

Europe

- Revenue up 11% and operating profit increased 14%
- We are making good progress despite the macro-economic factors
- Germany, Italy and Switzerland performing well. Sport & Entertainment launched in Germany and Switzerland won Nestlé assignment
- In France, advertising remains slow but benefiting from diversification. Retained La Banque Postale and won Grand Prix at Euro Effies for Havana Club (Pernod Ricard)
- Stockholm launched December. Won LG and Carlsberg
- Spain (Associate) still underperforming, but no P&L impact

Middle East and Africa

- Strong growth in both Cape Town and Johannesburg
- Key wins in year: Edgars Department Stores and Nedbank BTL
- Sport & Entertainment and Mobile launched in August
- Abu Dhabi opened in April on back of Etihad win
- Middle East (Associate) still a challenging market

Asia and Australasia

- Revenue increased 8% and operating profit up 46%
- Key driver is Australia, which is performing well with Optus retention and Commonwealth Bank win
- New Zealand impacted by two of their main clients putting spends on hold
- Malaysia maintains excellent contribution, now appraising Indonesia
- China underperformed; heads of terms agreed and already working with strong local partner
- Japan and India both profitable but modest
- Singapore launched in February and winning business

Americas

- Relaunch of New York in Q4 with outstanding new management team
- Busy pitching and wooing intermediaries
- Looking at tactical acquisitions to broaden offering
- Progress in Los Angeles and Sao Paulo which both continue to win new business

Clear

- Weak second half follows on from Q2 cooling
- Major clients spent 50% less than 2011 - budget cuts or restructuring. Not felt anywhere else in the Group
- Significant downsizing of New York and Asian operations
- Extensive cost cutting undertaken across the board, netting a 31% saving
- Offer simplified and now back winning new business (Q4 wins from Bacardi, Novartis, Samsung and Pepsico)
- Q1 2013 profitability much improved

Balance Sheet, Cash and Dividend

- Balance sheet remains strong
- Net cash of £17.9m compares with 2011's £14.9m – made some small acquisitions plus investment in new offices
- Minority put options up with 55% increase in share price (up 64p from £1.165 to £1.805)
- Final dividend increased 10% from 3.5p to 3.85p, which takes full year dividend up 10% from 4.50p to 4.95p

Balance sheet

	2012	2011
	31st Dec.	31st Dec.
	£000's	£000's
Non Current Assets	70,145	70,494
Net Debtors	100,289	94,572
Net Creditors	(107,964)	(103,802)
Net Working Capital Position - Excl. Cash	<u>(7,675)</u>	<u>(9,230)</u>
Net Tax	(2,928)	(1,948)
Net Cash	17,926	14,889
Net Current Assets	<u>7,323</u>	<u>3,711</u>
Deferred Consideration	-	(128)
Provision for minority put options	(20,482)	(17,092)
Non Current liabilities	(800)	(939)
Net assets	<u>56,186</u>	<u>56,046</u>

Cash

	<u>£000's</u>
Opening balance as at 1st January 2012	14,889
Effect of exchange revaluation	(404)
Operating profit	17,068
Net Interest received	32
Tax paid in period	(5,178)
Depreciation	3,419
Capital expenditure - cash & lease payments	<u>(2,787)</u>
Free cash flow before working capital	12,554
Impact of working capital movements	(65)
Dividends paid (ordinary & MI)	<u>(4,436)</u>
Net cash outflow before acquisitions	8,053
Acquisitions	(3,199)
New Offices investment	(1,413)
Closing Balance as at 31st December 2012	<u>17,926</u>

Outlook

- 2013 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 2013 and beyond

Additional Financial Information

Regional Profit and Loss Accounts

UK

Summary Profit & Loss 12 months to December 2012

	<u>2012</u> £000's	<u>2011</u> £000's	<u>12 v's 11</u>	
			£000's	%
Revenue	75,401	66,974	8,427	12.6%
Underlying operating profit	15,252	13,031	2,221	17.0%
Group costs	(4,437)	(4,412)	(25)	0.6%
Recharged	168	237	(69)	-29.1%
Reported operating profit	<u>10,983</u>	<u>8,856</u>	<u>2,127</u>	<u>24.0%</u>
Associate	77	(13)	90	-
Net interest	75	(31)	106	-
Profit before tax	<u>11,135</u>	<u>8,812</u>	<u>2,323</u>	<u>26.4%</u>
Underlying margin	20.2%	19.5%		0.7 PTS
Reported margin	14.6%	13.2%		1.4 PTS

Europe

Summary Profit & Loss

12 months to December 2012

	<u>2012</u> £000's	<u>2011</u> £000's	<u>12 v's 11</u>	
			£000's	%
Revenue	16,164	14,540	1,624	11.2%
Underlying operating profit	2,331	2,053	278	13.5%
Group recharge	(71)	(70)	(1)	1.4%
Reported operating profit	<u>2,260</u>	<u>1,983</u>	<u>277</u>	<u>14.0%</u>
Associate	(88)	93	(181)	-
Net interest	(45)	(46)	1	-2.2%
Profit before tax	<u>2,127</u>	<u>2,030</u>	<u>97</u>	<u>4.8%</u>
Underlying margin	14.4%	14.1%		0.3 PTS
Reported margin	14.0%	13.6%		0.4 PTS

Africa

Summary Profit & Loss 12 months to December 2012

	<u>2012</u> £000's	<u>2011</u> £000's	<u>12 v's 11</u>	
			£000's	%
Revenue	6,604	2,987	3,617	121.1%
Underlying operating profit	237	276	(39)	-14.1%
Group Recharge	-	-	-	-
Reported operating profit	<u>237</u>	<u>276</u>	<u>(39)</u>	<u>-14.1%</u>
Associate	102	35	67	-
Net interest	15	1	14	-
Profit before tax	<u>354</u>	<u>312</u>	<u>42</u>	<u>13.5%</u>
Underlying margin	3.6%	9.2%		-5.6 PTS
Reported margin	3.6%	9.2%		-5.6 PTS

Asia & Australasia

Summary Profit & Loss 12 months to December 2012

	<u>2012</u> £000's	<u>2011</u> £000's	<u>12 v's 11</u>	
			£000's	%
Revenue	53,798	49,700	4,098	8.2%
Underlying operating profit	3,443	2,358	1,085	46.0%
Group recharge	(110)	(79)	(31)	39.2%
Reported operating profit	<u>3,333</u>	<u>2,279</u>	<u>1,054</u>	46.2%
Associate	-	-	-	-
Net interest	14	124	(110)	-88.7%
Profit before tax	<u>3,347</u>	<u>2,403</u>	<u>944</u>	39.3%
Underlying margin	6.4%	4.7%		1.7 PTS
Reported margin	6.2%	4.6%		1.6 PTS

Americas

Summary Profit & Loss

12 months to December 2012

	<u>2012</u> £000's	<u>2011</u> £000's	<u>12 v's 11</u>	
			£000's	%
Revenue	8,031	6,736	1,295	19.2%
Underlying operating profit	66	77	(11)	-14.3%
Group recharge	(87)	(88)	1	-1.1%
Reported operating profit	<u>(21)</u>	<u>(11)</u>	<u>(10)</u>	<u>-</u>
Associate	-	-	-	-
Net interest	(38)	(4)	(34)	-
Profit before tax	<u>(59)</u>	<u>(15)</u>	<u>(44)</u>	<u>-</u>
Underlying margin	0.8%	1.1%		-0.3 PTS
Reported margin	-	-		- PTS

Clear

Summary Profit & Loss 12 months to December 2012

	<u>2012</u> £000's	<u>2011</u> £000's	<u>12 v's 11</u>	
			£000's	%
Revenue	9,488	12,196	(2,708)	-22.2%
Underlying operating profit	276	2,016	(1,740)	-86.3%
Group recharge	-	-	-	-
Reported operating profit	<u>276</u>	<u>2,016</u>	<u>(1,740)</u>	<u>-86.3%</u>
Associate	-	-	-	-
Net interest	2	4	(2)	-
Profit before tax	<u>278</u>	<u>2,020</u>	<u>(1,742)</u>	<u>-86.2%</u>
Underlying margin	2.9%	16.5%		-13.6 PTS
Reported margin	2.9%	16.5%		-13.6 PTS