

M&C SAATCHI

2013 Interim Results

18th September 2013

Overview

- A successful first half with good revenue momentum and earnings growth
- Like for like operating profit (excluding new office investment) up 13%
- Strategy continues of winning new business and investing in new businesses
- Further investment in new offices (Abu Dhabi, New York and Stockholm)
- Balance sheet and cash remain robust
- Interim dividend increased 10% from 1.10p to 1.21p

Headline results

6 months to June 2013

	<u>2013</u>	<u>2012</u>	<u>13 v's 12</u>
	£000's	£000's	%
Revenue	87,138	82,846	5%
Operating profit	10,614	9,414	13%
New office Investment	(1,412)	(759)	86%
Profit before tax	9,250	8,709	6%
Profit after tax	6,264	6,086	3%
Minority Interest	(725)	(1,081)	-33%
Profit for period	5,539	5,005	11%
Basic EPS	8.58p	7.95p	8%

Key Ratios

6 months to June 2013

	2013	2012
Headline revenue growth	5.2%	15.2%
Revenue growth in constant currency terms	5.2%	15.5%
Operating margin	10.6%	10.4%
Operating margin (excl. new offices)	12.2%	11.4%
Effective tax rate	32.3%	30.2%
Minority interest: PAT	11.6%	17.8%
Basic E.P.S	8.58p	7.95p
Diluted E.P.S	8.03p	7.74p

The Headline P&L

6 months to June 2013

	<u>2013</u>	<u>2012</u>	<u>Movement</u>	
	£000's	£000's	£000's	%
Revenue (gross profit)	87,138	82,846	4,292	5%
Operating Expenses	77,779	73,813	3,966	5%
LTIP Expense	157	378	(221)	-58%
Operating profit	<u>9,202</u>	<u>8,655</u>	<u>547</u>	<u>6%</u>
Share of Associates	7	13	(6)	-46%
Net Interest	41	41	-	0%
Profit Before Tax	<u>9,250</u>	<u>8,709</u>	<u>541</u>	<u>6%</u>
Tax Rate	32.3%	30.2%		
Profit After Tax	<u>6,264</u>	<u>6,086</u>	<u>178</u>	<u>3%</u>
Minority Interest	(725)	(1,081)	356	-33%
Profit for Period	<u>5,539</u>	<u>5,005</u>	<u>534</u>	<u>11%</u>
Headline EPS	8.58p	7.95p	0.63p	8%

The Headline P&L

6 months to June 2013

	UK	Europe	Africa & MENA	Asia & Australasia	Americas	Clear	Central Costs	Group Total
Revenue	39,142	9,471	4,305	26,257	3,961	4,002	-	87,138
v's 2012	8%	21%	54%	-3%	24%	-30%	-	5%
Operating profit	8,051	1,059	275	2,592	(580)	528	(2,723)	9,202
v's 2012	7%	-5%	-17%	38%	-	8%	-	6%
Operating Margin	20.6%	11.2%	6.4%	9.9%	-	13.2%	-	10.6%
2012	20.7%	14.2%	11.8%	7.0%	-	8.6%	-	10.4%
Share of Associates	1	6	-	-	-	-	-	7
Net Interest	43	(35)	12	37	(12)	1	(5)	41
Central Costs	(398)	(36)	-	(83)	(39)	-	556	-
Profit Before Tax	<u>7,697</u>	<u>994</u>	<u>287</u>	<u>2,546</u>	<u>(631)</u>	<u>529</u>	<u>(2,172)</u>	<u>9,250</u>
Tax Rate	23.7%	38.9%	-	35.1%	-	26.3%	-	32.3%
Profit After Tax	<u>5,876</u>	<u>610</u>	<u>95</u>	<u>1,652</u>	<u>(662)</u>	<u>390</u>	<u>(1,697)</u>	<u>6,264</u>
Minority Interest	533	28	108	352	(306)	10	-	725
rounding				-	-			
Profit for Period	<u>5,343</u>	<u>582</u>	<u>(13)</u>	<u>1,300</u>	<u>(356)</u>	<u>380</u>	<u>(1,697)</u>	<u>5,539</u>

Revenue

6 months to June 2013

	<u>2013</u>	<u>2012</u>	<u>13 v's 12</u>	
	£000's	£000's	Reported Rates %	Constant Rates %
UK	39,142	36,315	7.8%	7.8%
Europe	9,471	7,825	21.0%	16.8%
Africa	4,305	2,800	53.8%	70.7%
Asia & Australasia	26,257	26,999	-2.7%	-3.2%
Americas	3,961	3,193	24.1%	25.6%
Clear	4,002	5,714	-30.0%	-30.3%
Group Total	<u>87,138</u>	<u>82,846</u>	<u>5.2%</u>	<u>5.2%</u>

Top 10 Clients

- . Boots
- . Celcom
- . Commonwealth Bank
- . Dixons
- . Edgars
- . Ferrero
- . IKEA
- . O₂
- . Optus
- . RBS

Top 10 = 31% of Revenue (2012 30%)

UK

- Good revenue growth, particularly CRM and Mobile
- New business wins include:
 - Adidas, Club Med, HMG Cyber Security, Land Rover, Unipart and the RBS and Boots digital businesses
 - BASF global appointment, led by UK and Germany
- Increasing number of integrated wins across communication channels
- Operating margin held at 21%
- Close focus on cost control
- Exploration of new opportunities in content creation

Europe

- Revenue up 21%
- Stockholm won first six pitches – clients already include Carlsberg, LG and Oxfam
- Germany and Italy continue to excel
- In France, advertising remains sluggish but benefited from positive digital and PR contributions
- Spain (Associate) continues to struggle

Middle East and Africa

- Strong growth in both Cape Town and Johannesburg
- Key wins : Heineken and City of Cape Town
- Unit formed to take advantage of growing African market
- Abu Dhabi has new management in place to build beyond Etihad
- Middle East (Associate) still a tough market

Asia and Australasia

- Operating profit up 38% and margin up to 10%
- Key drivers are successful merger with aeiou in China and New Zealand turnaround
- Australia had a steady first half in an increasingly challenging market. Lost David Jones but made significant savings to cost base
- Malaysia maintains excellent contribution, won 1Malaysia
- Japan and India both profitable – looking for Indian partner along Chinese model
- Singapore profitable after one year. Winning significant Government work

Americas

- Revenues up 24%
- Further investment in New York, which is already proving a valuable network office for global pitching
- Establishing key relationships and already working with General Electric, Pernod Ricard and Reckitt Benckiser
- Progress in Los Angeles and Sao Paulo who both continue to win new business

Clear

- Restructured and rejuvenated
- Back on track with leaner cost base and strong united management team
- Clarified offer, well received and winning new business:
 - Mitchells & Butlers, Dr Oetker, AMP and WWF
plus pharma from Reckitt Benckiser and BMS
- New business pipeline building on the back of Brand Desire and newly-formed Advisory Board

Balance Sheet, Cash and Dividend

- Balance sheet remains strong
- Net cash of £20.0m compares with £17.9m at 31st December – made some small acquisitions plus further investment in new offices
- Minority put options up with 37% increase in share price (£1.805 on 31st December 2012 to £2.465 on 30th June 2013)
- Interim dividend increased 10% from 1.10p to 1.21p

Balance sheet

	2013	2012	2012
	30th June	31st Dec.	30th June
	£000's	£000's	£000's
Non Current Assets	71,881	70,145	72,092
Net Debtors	86,880	100,289	78,589
Net Creditors	(94,130)	(107,964)	(84,586)
Net Working Capital Position - Excl. Cash	<u>(7,250)</u>	<u>(7,675)</u>	<u>(5,997)</u>
Net Tax	(2,067)	(2,928)	(1,599)
Net Cash	19,965	17,926	14,354
Net Current Assets	<u>10,648</u>	<u>7,323</u>	<u>6,758</u>
Provision for minority put options	(26,555)	(20,482)	(19,531)
Non Current liabilities	(717)	(800)	(1,026)
Net assets	<u>55,257</u>	<u>56,186</u>	<u>58,293</u>

Cash

	<u>£000's</u>
Opening balance as at 1st January 2013	17,926
Effect of exchange revaluation	(119)
Operating profit	8,850
Net Interest received	17
Tax paid in period	(3,333)
Depreciation	1,863
Capital expenditure - cash & lease payments	<u>(1,888)</u>
Free cash flow before working capital	5,509
Impact of working capital movements	492
Dividends paid (ordinary & MI)	<u>(1,429)</u>
Net cash outflow before acquisitions	4,572
Acquisitions	(1,106)
New Offices investment	(1,308)
Closing Balance as at 30th June 2013	<u><u>19,965</u></u>

Outlook

- M&C Saatchi has continued to make good headway over the first six months of 2013
- This stems from new business wins and flourishing new businesses
- We delivered good earnings growth, whilst maintaining investment across our new offices
- Looking ahead, we are confident that we will continue to make progress in 2013 and beyond
- The strategy continues to deliver

Additional Financial Information

Regional Profit and Loss Accounts

UK

Summary Profit & Loss 6 months to June 2013

	<u>2013</u> £000's	<u>2012</u> £000's	<u>13 v's 12</u>	
			£000's	%
Revenue	39,142	36,315	2,827	7.8%
Underlying operating profit	8,051	7,512	539	7.2%
Group costs	(2,723)	(2,226)	(497)	22.3%
Recharged	158	187	(29)	-15.5%
Reported operating profit	<u>5,486</u>	<u>5,473</u>	<u>13</u>	<u>0.2%</u>
Associate	1	75	(74)	-
Net interest	38	46	(8)	-
Profit before tax	<u>5,525</u>	<u>5,594</u>	<u>(69)</u>	<u>-1.2%</u>
Underlying margin	20.6%	20.7%		-0.1 PTS
Reported margin	14.0%	15.1%		-1.1 PTS

Europe

Summary Profit & Loss 6 months to June 2013

	<u>2013</u> £000's	<u>2012</u> £000's	<u>13 v's 12</u>	
			£000's	%
Revenue	9,471	7,825	1,646	21.0%
Underlying operating profit	1,059	1,115	(56)	-5.0%
Group recharge	(36)	(36)	-	0.0%
Reported operating profit	<u>1,023</u>	<u>1,079</u>	<u>(56)</u>	<u>-5.2%</u>
Associate	6	(93)	99	-
Net interest	(35)	(20)	(15)	75.0%
Profit before tax	<u>994</u>	<u>966</u>	<u>28</u>	<u>2.9%</u>
Underlying margin	11.2%	14.2%		-3.0 PTS
Reported margin	10.8%	13.8%		-3.0 PTS

Africa & MENA

Summary Profit & Loss 6 months to June 2013

	<u>2013</u> £000's	<u>2012</u> £000's	<u>13 v's 12</u>	
			£000's	%
Revenue	4,305	2,800	1,505	53.8%
Underlying operating profit	275	330	(55)	-16.7%
Group Recharge	-	-	-	-
Reported operating profit	<u>275</u>	<u>330</u>	<u>(55)</u>	<u>-16.7%</u>
Associate	-	31	(31)	-
Net interest	12	3	9	-
Profit before tax	<u>287</u>	<u>364</u>	<u>(77)</u>	<u>-21.2%</u>
Underlying margin	6.4%	11.8%		-5.3 PTS
Reported margin	6.4%	11.8%		-5.4 PTS

Asia & Australasia

Summary Profit & Loss 6 months to June 2013

	2013 £000's	2012 £000's	13 v's 12	
			£000's	%
Revenue	26,257	26,999	(742)	-2.7%
Underlying operating profit	2,592	1,880	712	37.9%
Group recharge	(83)	(112)	29	-25.9%
Reported operating profit	2,509	1,768	741	41.9%
Associate	-	-	-	-
Net interest	37	34	3	8.8%
Profit before tax	2,546	1,802	744	41.3%
Underlying margin	9.9%	7.0%		2.9 PTS
Reported margin	9.6%	6.5%		3.1 PTS

Americas

Summary Profit & Loss 6 months to June 2013

	<u>2013</u> £000's	<u>2012</u> £000's	<u>13 v's 12</u>	
			£000's	%
Revenue	3,961	3,193	768	24.1%
Underlying operating profit	(580)	(445)	(135)	30.3%
Group recharge	(39)	(39)	-	0.0%
Reported operating profit	<u>(619)</u>	<u>(484)</u>	<u>(135)</u>	<u>-</u>
Associate	-	-	-	-
Net interest	(12)	(24)	12	-
Profit before tax	<u>(631)</u>	<u>(508)</u>	<u>(123)</u>	<u>-</u>
Underlying margin	-	-		0.0 PTS
Reported margin	-	-		- PTS

Clear

Summary Profit & Loss 6 months to June 2013

	<u>2013</u> £000's	<u>2012</u> £000's	<u>13 v's 12</u>	
			£000's	%
Revenue	4,002	5,714	(1,712)	-30.0%
Underlying operating profit	528	489	39	8.0%
Group recharge	-	-	-	-
Reported operating profit	<u>528</u>	<u>489</u>	<u>39</u>	<u>8.0%</u>
Associate	-	-	-	-
Net interest	1	2	(1)	-
Profit before tax	<u>529</u>	<u>491</u>	<u>38</u>	<u>7.7%</u>
Underlying margin	13.2%	8.6%		4.6 PTS
Reported margin	13.2%	8.6%		4.6 PTS