

M&C SAATCHI

2015 Preliminary Results

18th March 2016

Overview

- Record results with very good revenue momentum and earnings growth
- Actual revenues up 6% and like-for-like revenues up 10%
- Profit before tax and EPS both up 17%
- Balance sheet robust with net cash of £8.6m
- Rise in full year dividend of 15%
- 2016 has started well

Headline results

12 months to December 2015

	<u>2015</u>	<u>2014</u>	<u>15 v's 14</u>
	£m's	£m's	%
Revenue	178.9	169.4	6%
Profit before tax	20.1	17.2	17%
Taxation	3.9	4.7	-17%
Profit after tax	16.2	12.5	30%
Minority Interest	(3.0)	(2.1)	43%
Profit for period	13.2	10.4	27%
Basic EPS	18.57p	15.88p	17%
Dividend	7.21p	6.27p	15%

Key Ratios

12 months to December 2015

	2015	2014
Headline revenue growth	5.6%	4.6%
Revenue growth in constant currency terms	10.0%	9.8%
Operating margin	10.4%	9.5%
Effective tax rate	19.2%	27.3%
Minority interest: PAT	18.5%	16.8%
Dividend growth	15.0%	15.0%
Basic EPS	18.57p	15.88p
Diluted EPS	18.49p	15.17p

The Headline P&L

12 months to December 2015

	2015	2014	Movement	
	£m's	£m's	£m's	%
Revenue (gross profit)	178.9	169.4	9.5	6%
Operating Expenses	160.3	153.4	6.9	4%
Operating profit	18.6	16.0	2.6	16%
Share of Associates	2.0	1.4	0.6	43%
Net Interest	(0.5)	(0.2)	(0.3)	-
Profit Before Tax	20.1	17.2	2.9	17%
Tax Rate	19.2%	27.3%		
Profit After Tax	16.2	12.5	3.7	30%
Minority Interest	(3.0)	(2.1)	(0.9)	43%
Profit for Period	13.2	10.4	2.8	27%
Headline EPS	18.57p	15.88p	2.69p	17%

Revenue

12 months to December 2015

	<u>2015</u>	<u>2014</u>	<u>15 v's 14</u>	
	£m's	£m's	Reported Rates %	Constant Rates %
UK	84.2	79.1	6.4%	6.4%
Europe	22.7	21.1	7.6%	19.0%
Africa	8.5	8.0	6.3%	11.3%
Asia & Australasia	42.1	44.2	-4.8%	5.2%
Americas	21.4	17.0	25.9%	27.1%
Group Total	<u>178.9</u>	<u>169.4</u>	<u>5.6%</u>	<u>10.0%</u>

The Headline P&L

12 months to December 2015

	UK	Europe	Africa & MENA	Asia & Australasia	Americas	Central Costs	Group Total
Revenue	84.2	22.7	8.5	42.1	21.4	-	178.9
v's 2014 constant rates	6%	19%	11%	5%	27%	-	10%
Operating profit	11.8	3.7	1.0	4.2	3.3	(5.4)	18.6
v's 2014	0%	27%	2%	-17%	631%	4%	16%
Operating Margin	14.0%	16.1%	12.3%	9.9%	15.2%	-	10.4%
2014	14.9%	13.7%	12.8%	11.5%	2.6%	-	9.5%
Share of Associates	0.8	-	-	0.3	0.9	-	2.0
Net Interest	(0.1)	-	-	0.1	-	(0.5)	(0.5)
Central Costs	(0.4)	(0.1)	-	(0.3)	-	0.8	-
Profit Before Tax	<u>12.1</u>	<u>3.6</u>	<u>1.0</u>	<u>4.3</u>	<u>4.2</u>	<u>(5.1)</u>	<u>20.1</u>
Tax Rate	18.2%	33.3%	30.0%	27.9%	16.7%	33.3%	19.2%
Profit After Tax	<u>9.9</u>	<u>2.4</u>	<u>0.7</u>	<u>3.1</u>	<u>3.5</u>	<u>(3.4)</u>	<u>16.2</u>
Minority Interest	1.1	0.7	0.3	0.5	0.4	-	3.0
Profit for Period	<u>8.8</u>	<u>1.7</u>	<u>0.4</u>	<u>2.6</u>	<u>3.1</u>	<u>(3.4)</u>	<u>13.2</u>

Top 10 Clients

- Boots
- Celcom
- Commonwealth Bank
- Ferrero
- IAG
- IKEA
- O₂
- Optus
- Pernod Ricard
- RBS

Top 10 = 30% of Revenue (2014 31%)

UK

- 6% revenue growth, with CRM and Mobile continuing to perform particularly positively. Mobile was Agency of the Year (again)
- New business wins include: Airbus, BNY Mellon, Carnival, PHE (adult health), Royal Mail, Samsung, Pernod Ricard's Passport Scotch and Unilever's Toni & Guy and Cornetto
- Minor margin slippage (14.9% to 14.0%) with £900k of advertising agency restructuring costs
- Now selling 30% of advertising agency to management following our proven owner driver model
- Exporting CRM and PR along with Mobile and S&E
- Started new shopper agency, driving purchase conversion

Europe

- Like-for-like revenues up 19%
- Stockholm maintains very good new business performance, won E.ON and Com Hem (TV and broadband)
- Germany and Italy continue to shine. Italy won Becks, ING and Unicredit
- In France, advertising still slow but upsides from digital and PR diversification
- Opened in Turkey, following the Chinese model
- Spain (Associate) a bit better, won RENFE (state train operator), some Google, Saimaza (JDE coffee) and Endesa (energy)

Middle East and Africa

- Like-for-like revenues increased 11%
- Strong second half contributions from both Cape Town and Johannesburg. Awarded Agency of the Year
- Wins in year included some Continental Tyres, Lancewood (cheese), Twinsaver (tissues) and significantly Nando's
- Abu Dhabi steadily building revenues beyond Etihad including Abu Dhabi Tourism and just opened in Dubai last month
- Opened in Tel Aviv. Proven team and benefits of Israel as tech hub
- Middle East (Associate) still a difficult market

Asia and Australasia

- Like-for-like revenues ahead 5%
- Australia doing very well, just won Woolworths without a pitch. Awarded Agency of the Year (again)
- Associate in China aeiou continues to work well and impress
- Japan proved challenging with the loss of some clients and the office is currently under review
- Malaysia still excelling and won Mitsubishi, Wonda coffee and the global relaunch of Malaysian Airlines
- Singapore developing well and has been picking up more Government assignments

Americas

- Like-for-like revenues up 27%
- SS+K relationship in New York flourishing. Wins included Baker & McKenzie (lawyers), Canyon Ranch (spas), a three state promotional project for Delta, NCAA, The New Yorker and Planned Parenthood. In the light of this outstanding growth, this month we increased our shareholding from 33% to 51%
- Just acquired 51% of MCD Partners in New York and Chicago to develop our US CRM offer
- Impressive progress in Los Angeles. Acquired Heavenspot in June, a small social media and digital agency
- Completed Sao Paulo upgrade in February 2015, acquiring 25% of Santa Clara following the Chinese model

Balance Sheet, Cash and Dividend

- Balance sheet remains strong
- Net cash of £8.6m (2014 - £5.1m) after £5.2m spend on acquisitions, predominantly Santa Clara and second payment for LMFM
- Minority put option liability flat with little share price movement in year (330p to 326p)
- Final dividend increased 15% from 4.87p to 5.60p, which takes full year dividend up 15% from 6.27p to 7.21p

Balance sheet

	2015	2014
	31st Dec.	31st Dec.
	£m's	£m's
Non Current Assets	62.8	57.8
Net Debtors	96.0	76.9
Net Creditors	(98.8)	(77.3)
Net Tax	(0.3)	(1.7)
Net Cash	8.6	5.1
Net Current Assets	<u>5.5</u>	<u>3.0</u>
Provision for minority put options	(24.4)	(24.5)
Non Current liabilities	(1.9)	(0.4)
Net assets	<u>42.0</u>	<u>35.9</u>

Cash

	<u>£m's</u>
Opening balance as at 1st January 2015	5.1
Effect of exchange revaluation	(0.9)
Operating profit	18.6
Net Interest paid	(0.5)
Tax paid in period	(5.3)
Depreciation	2.0
Capital expenditure	(1.9)
Free cash flow before working capital	12.9
Impact of working capital movements	3.1
Dividends paid (ordinary & MI)	<u>(6.4)</u>
Net cash flow before acquisitions	9.6
Acquisitions	(5.2)
Closing Balance as at 31st December 2015	<u>8.6</u>

Our Competitive Advantages

- Entrepreneurial culture and ownership structure fosters market beating growth
- Genuine integrated offering delivers greater effectiveness and efficiency to clients
- Agility and cash allows us to get behind new high growth opportunities faster
- Recognised as such by the media, awarded Network of the Year runner up;

“Coming up on the outside with a clutch of plaudits this year and an increasingly compelling network proposition is M&C Saatchi” Campaign

Outlook

- 2015 was another year of outstanding progress for M&C Saatchi
- Our proven strategy of winning new business and starting new businesses continues to deliver with the Group producing record revenue and profits
- The current strong performance across the Global network positions us well for the future.
- We are therefore confident we will continue to make good progress in 2016 and beyond

Additional Financial Information

Regional Profit and Loss Accounts

UK

Summary Profit & Loss 12 months to December 2015

	<u>2015</u> £000's	<u>2014</u> £000's	<u>15 v's 14</u>	
			£000's	%
Revenue	84,159	79,144	5,015	6.3%
Underlying operating profit	11,781	11,756	25	0.2%
Group costs	(5,361)	(5,160)	(201)	3.9%
Recharged	393	451	(58)	-12.9%
Reported operating profit	<u>6,813</u>	<u>7,047</u>	<u>(234)</u>	<u>-3.3%</u>
Associate	809	1,074	(265)	-
Net interest	(528)	(146)	(382)	-
Profit before tax	<u>7,094</u>	<u>7,975</u>	<u>(881)</u>	<u>-11.0%</u>
Underlying margin	14.0%	14.9%		-0.9 PTS
Reported margin	8.1%	8.9%		-0.8 PTS

Europe

Summary Profit & Loss 12 months to December 2015

	<u>2015</u> £000's	<u>2014</u> £000's	<u>15 v's 14</u>	
			£000's	%
Revenue	22,745	21,092	1,653	7.8%
Underlying operating profit	3,668	2,892	776	26.8%
Group recharge	(83)	(72)	(11)	15.3%
Reported operating profit	<u>3,585</u>	<u>2,820</u>	<u>765</u>	<u>27.1%</u>
Associate	24	(19)	43	-
Net interest	(61)	(54)	(7)	13.0%
Profit before tax	<u>3,548</u>	<u>2,747</u>	<u>801</u>	<u>29.2%</u>
Underlying margin	16.1%	13.7%		2.4 PTS
Reported margin	15.8%	13.4%		2.4 PTS

Middle East & Africa

Summary Profit & Loss 12 months to December 2015

	<u>2015</u> £000's	<u>2014</u> £000's	<u>15 v's 14</u>	
			£000's	%
Revenue	8,549	8,004	545	6.8%
Underlying operating profit	1,048	1,027	21	2.0%
Group Recharge	-	-	-	-
Reported operating profit	<u>1,048</u>	<u>1,027</u>	<u>21</u>	<u>2.0%</u>
Associate	-	-	-	-
Net interest	(16)	(11)	(5)	-
Profit before tax	<u>1,032</u>	<u>1,016</u>	<u>16</u>	<u>1.6%</u>
Underlying margin	12.3%	12.8%		-0.5 PTS
Reported margin	12.3%	12.8%		-0.5 PTS

Asia & Australasia

Summary Profit & Loss 12 months to December 2015

	<u>2015</u> £000's	<u>2014</u> £000's	<u>15 v's 14</u>	
			£000's	%
Revenue	42,103	44,173	(2,070)	-4.7%
Underlying operating profit	4,188	5,064	(876)	-17.3%
Group recharge	(309)	(331)	22	-6.6%
Reported operating profit	<u>3,879</u>	<u>4,733</u>	<u>(854)</u>	<u>-18.0%</u>
Associate	327	224	103	-
Net interest	69	58	11	19.0%
Profit before tax	<u>4,275</u>	<u>5,015</u>	<u>(740)</u>	<u>-14.8%</u>
Underlying margin	9.9%	11.5%		-1.6 PTS
Reported margin	9.2%	10.7%		-1.5 PTS

Americas

Summary Profit & Loss

12 months to December 2015

	<u>2015</u> £000's	<u>2014</u> £000's	<u>15 v's 14</u>	
			£000's	%
Revenue	21,372	16,960	4,412	26.0%
Underlying operating profit	3,253	445	2,808	631.0%
Group recharge	-	(47)	47	-100.0%
Reported operating profit	<u>3,253</u>	<u>398</u>	<u>2,855</u>	<u>717.3%</u>
Associate	858	71	787	1108.5%
Net interest	63	(79)	142	-179.7%
Profit before tax	<u>4,174</u>	<u>390</u>	<u>3,784</u>	<u>970.3%</u>
Underlying margin	15.2%	2.6%		12.6 PTS
Reported margin	15.2%	2.3%		12.9 PTS