

# M&C SAATCHI

2017 Preliminary Results

22<sup>nd</sup> March 2018

# Overview

- Record results in terms of both revenue and earnings
- Actual revenues up 12%, constant currency revenues up 7%
- Profit before tax increased 16% and EPS ahead 9%
- Balance sheet strong with net cash of £10.3m
- Rise in full year dividend of 15%
- 2018 has begun well

# Our Competitive Advantages

- Entrepreneurial culture and ownership structure fosters market beating growth
- Genuine integrated offering delivers greater effectiveness and efficiency to clients
- No dependency upon FMCG, media buying and M&A
- Agility and cash allows us to get behind new opportunities faster
- We start companies with the best talent in attractive geographies and in new growth channels. 16 new businesses launched in 2017

# Headline results

12 months to December 2017

	<u>2017</u>	<u>2016</u>	<u>Movement</u>	
	£m's	£m's	£m's	%
Revenue	251.5	225.4	26.1	12%
Profit before tax	27.6	23.7	3.9	16%
Taxation	6.8	4.1	2.7	66%
Profit after tax	20.8	19.6	1.2	6%
Minority Interest	(2.8)	(4.2)	1.4	-33%
Profit for period	18.0	15.4	2.6	17%
Basic EPS	23.04p	21.07p	1.97p	9%
Dividend	9.53p	8.29p	1.24p	15%

# Key Ratios

12 months to December 2017

	<u>2017</u>	<u>2016</u>
Headline revenue growth	11.7%	26.0%
Revenue growth in constant currency terms	6.9%	19.1%
Operating margin	10.6%	10.2%
Operating margin (excluding start-ups)	11.3%	10.2%
Effective tax rate	23.6%	17.3%
Minority interest: PAT	13.5%	21.4%
Dividend growth	15.0%	15.0%
Basic EPS	23.04p	21.07p

# Revenue

12 months to December 2017

	<u>2017</u>	<u>2016</u>	<u>17 v's 16</u>	
	£m's	£m's	Reported Rates %	Constant Rates %
UK	94.0	88.5	6.2%	6.2%
Europe	33.5	26.7	25.5%	17.2%
Africa	14.7	11.7	25.6%	8.5%
Asia & Australia	64.7	52.5	23.2%	14.9%
Americas	44.6	46.0	-3.0%	-7.4%
Group Total	<u>251.5</u>	<u>225.4</u>	<u>11.7%</u>	<u>6.9%</u>

# The Headline Regional P&L

12 months to December 2017

£m's	UK	Europe	Middle East & Africa	Asia & Australia	Americas	Central Costs	Group Total
Revenue v's 2016	94.0 6%	33.5 25%	14.7 26%	64.7 23%	44.6 -3%	- -	251.5 12%
Operating profit v's 2016	15.0 48%	5.1 29%	1.6 44%	7.4 34%	4.4 -37%	(5.2) -2%	28.3 16%
Operating Margin 2016	16.0% 11.7%	15.2% 15.1%	10.9% 9.3%	11.4% 11.0%	9.9% 15.5%	- -	11.3% 10.2%
Share of Associates	1.6	-	-	0.4	-	-	2.0
Net Interest	0.1	(0.1)	-	-	(0.6)	(0.5)	(1.1)
Start up costs	(0.5)	-	-	-	(1.1)	-	(1.6)
Profit Before Tax	16.2	5.0	1.6	7.8	2.7	(5.7)	27.6
Tax Rate	16.0%	32.0%	25.0%	26.9%	44.4%	19.3%	23.6%
Profit After Tax	13.6	3.4	1.2	5.7	1.5	(4.6)	20.8
Minority Interest	0.8	0.7	0.5	1.2	(0.4)	-	2.8
Profit for Period	12.8	2.7	0.7	4.5	1.9	(4.6)	18.0

# Top 10 Clients

- Celcom
- Commonwealth Bank
- Ferrero
- Lexus
- O<sub>2</sub>
- Optus
- Pernod Ricard
- RBS
- Sky
- Woolworths

Top 10 = 29% of Revenue (2016 28%)



# UK

- 6% revenue growth, with S&E, PR and Mobile continuing to trade particularly positively
- New Business wins included: Dreams, Visit Britain, Little Dish, Lipton, The Body Shop, Costa Coffee and Clinique
- S&E was crowned Large Sponsorship Consultancy of the year, PR was awarded Mid-sized PR Agency of the year and Mobile won Most Effective Mobile Agency
- Ad Agency team now complete, incentivised with shares and building good new business momentum
- Started Re UK and M&C Saatchi Merlin, our talent management agency, launched a social influencer division in May which has very positive growth potential

# Europe

- Like-for-like revenues up 17%
- Sweden maintains dynamic new business performance, winning AMFF (property), PE Consulting (engineering) and Centerpartiet
- Germany and Italy continue to excel. Mobile opened in Berlin whilst Italy picked up Sisal (gaming) and were reappointed by Unicredit
- France remains challenging but in the second half our Paris office won some Casino Supermarkets, Charles & Alice and Bonduelle
- Madrid is much improved and we started a Spanish sponsorship operation

# Middle East and Africa

- Like-for-like revenues up 9%
- South Africa converted Windhoek, Heineken Export and SARB. In January 2018, they picked up Lexus and Automark (second-hand car retailer)
- Acquired 51% of Levergy, a Johannesburg S&E company in June
- UAE rebuilding, with good wins including Aldar Properties, UAE Banks Federation and some Unilever (Lipton)
- M&C Saatchi PR opened in UAE (won ADM Rolls-Royce)
- Tel Aviv progressing well and won Jaguar

# Asia and Australia

- Like-for-like revenues up 15%
- Australia performed well, benefiting from a full-year of Woolworths. They won some Pfizer, Prudential and Jack Daniels
- Acquired 51% of Sydney media buying operation Bohemia in February 2017
- The Source started in Melbourne last March
- Looking to enhance our Mumbai offer
- Opened in Jakarta in January 2018

# Americas

- Like-for-like revenues down 7%
- In US, Mobile performed well but there was a drag from SS+K, who had a challenging year with a significant second half slowdown in political and charitable projects. Major restructuring undertaken and profitable in Q1 2018
- LIDA NY opened for business (won Aston Martin)
- LA improving and appointed by Pacific Life
- Unveiled Clear and S&E in LA
- This year we launched Majority in LA, a production company with an all-women Director roster
- Our Mexico City office started in September

# Balance Sheet, Cash and Dividend

- Strong Balance sheet
- Net cash of £10.3m (30<sup>th</sup> June net borrowing of £3.9m) with working capital much improved in the second half
- Final dividend increased 15% from 6.44p to 7.40p, which takes full year dividend up 15% from 8.29p to 9.53p

# Balance sheet

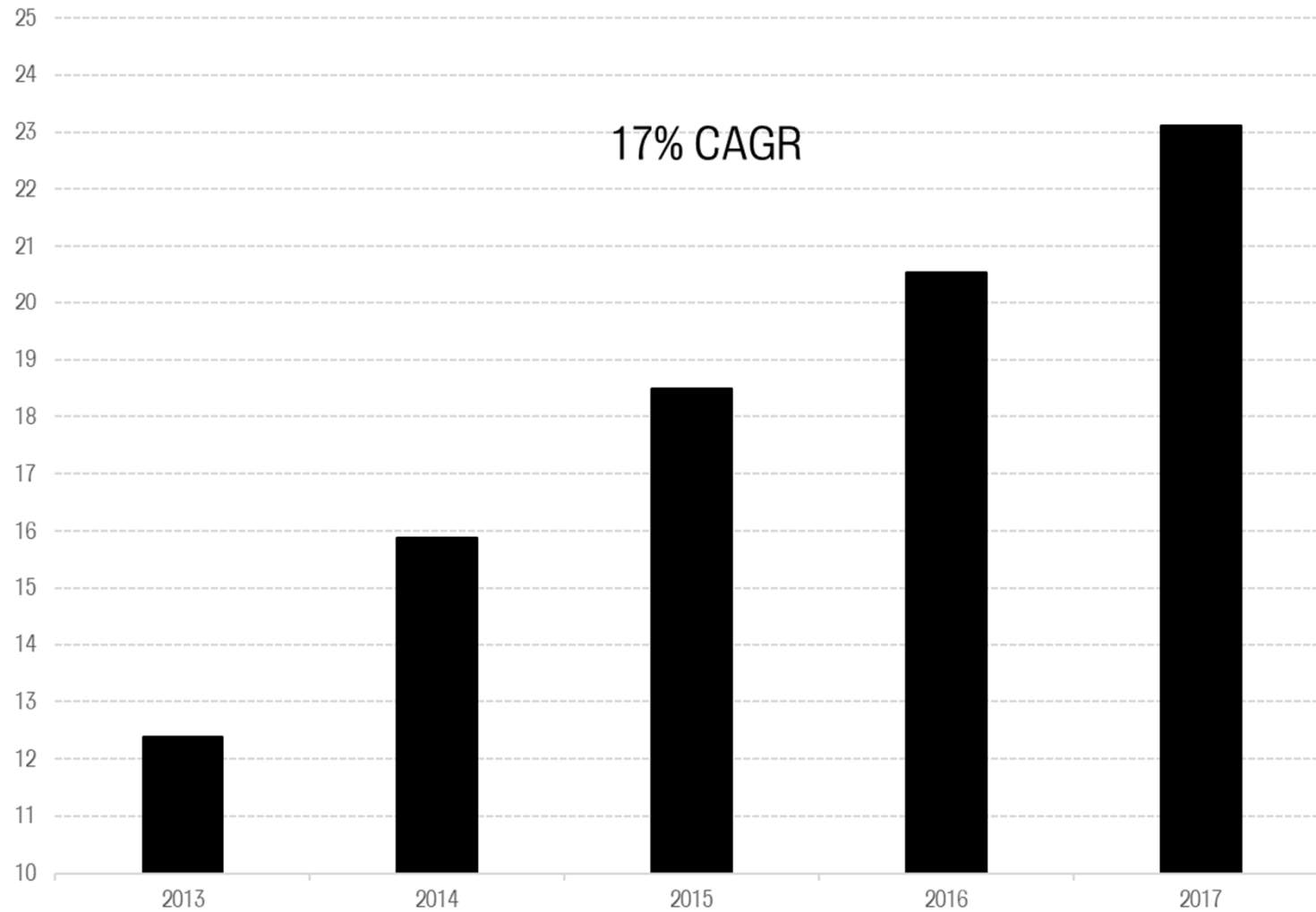
	2017	2016
	31st Dec.	31st Dec.
	£m's	£m's
Non Current Assets	85.3	84.1
Net Debtors	127.9	117.3
Net Creditors	(129.2)	(118.5)
Net Tax	(0.3)	(0.1)
Net Cash	10.3	3.6
Net Current Assets	<u>8.7</u>	<u>2.3</u>
Provision for minority put options	(25.1)	(33.2)
Non Current Liabilities	(4.8)	(3.8)
Net Assets	<u>64.1</u>	<u>49.4</u>

# Cash

	<u>£m's</u>	
Opening balance as at 1st January 2017		<b>3.6</b>
Operating profit	26.8	
Net Interest paid	(1.1)	
Tax paid in period	(6.7)	
Depreciation	3.0	
Capital expenditure	(3.3)	
Free cash flow before working capital	18.7	
Impact of working capital movements	1.6	
Dividends paid	<u>(9.1)</u>	
Net cash flow before acquisitions		11.2
Acquisitions and start up costs		(4.5)
Closing balance as at 31st December 2017		<u><b>10.3</b></u>



# M&C Saatchi 5 year EPS



# Outlook

- 2017 was another record year for M&C Saatchi in terms of both revenue and earnings
- Our established strategy of winning new business and starting new businesses continues to deliver
- We see good growth across both our network and business channels
- The year has begun well and we are confident that we will continue to make good progress in 2018 and beyond