

M&C SAATCHI GROUP

FY 2023 RESULTS

Results for the year ended 31 December 2023

10 April 2024

AGENDA

- 1 Highlights - Zillah Byng-Thorne, Executive Chair
- 2 Financial performance - Bruce Marson, CFO
- 3 Strategy and outlook- Zillah Byng-Thorne
- 4 Q&A

A YEAR OF PROGRESS

Benefitted from accelerated pace of transformation

FY23 benefitted from self-help measures in challenging market conditions

- £3.9m of annualised cost savings
- £3m of operating losses discontinued
- H2 23 operating profit 30% up on H2 22
- Like for like (LFL) operating profit margin up 20 bps to 14.2%
- LFL revenues is H2 +1% vs -6% in H1

Rebalancing of our portfolio lends resilience

- Advertising 42% and other specialisms 58% of net revenue
- Issues net revenue up 21%
- Passions net revenue up 8%

Shareholder returns drives capital allocation

- £15.4m of put options settled
- Increased final dividend of 1.6 pence per share proposed

Strengthening leadership

Strengthening performance and encouraging outlook

The year has started well

- Q1 24 encouraging like-for-like revenue trends

Transformation to deliver much more

- On track for £10m of annualised cost savings FY 24
- Integrated advertising model client focused
- Establishing global shared services to improve capability, efficiency and agility, underpinning margin

New operating model, Regional first

- New operating model highlights differentiation for clients, regional first underpinned by specialisms

Cash generative; strengthened balance sheet

- Capable of 80% operating cash conversion*
- New debt facility agreed with banks, £50m RCF, 3 year term

Current trading in line with expectations

FY 2023 RESULTS

BRUCE MARSON, CHIEF FINANCIAL OFFICER

FY23 KEY HEADLINES

Encouraging H2 recovery
and like-for-like
momentum
into Q1 24

Benefitted from
cost measures taken and
the exit from loss-making
businesses

3% EPS growth following
reduction of minorities
as put option liabilities
reduced

Cash reflects investment in
settlement of put options
and FY 22
bonus payments

Proposed increased final
dividend of 1.6p given
growth in EPS

MARKED PROFIT PROGRESSION H1 TO H2

H2 improvement driven by cost actions and portfolio management

H2 shows LFL* net revenue growth of 1% vs H1 -6%

Swing in operating profit growth from -45% in H1 to +30% in H2

Corresponding swing in operating margin from 8.3% in H1 (down 5.7 points on FY 22) to 16.9% in H2 (up 4.7 points on FY 22)

£m	H1 Headline results			H2 Headline results		
	FY23	FY22	Mvt	FY23	FY22	Mvt
Net revenue LFL	116.0	122.8	(6)%	128.1	127.1	1%
Net revenue	120.4	129.4	(7)%	132.4	141.7	(7)%
Operating profit	10.0	18.1	(45)%	22.4	17.3	30%
Operating profit margin %	8.3%	14.0%	(5.7) pts	16.9%	12.2%	4.7 pts

*Throughout this presentation, a LFL basis applies constant foreign exchange rates and removes those businesses we have discontinued

NET REVENUE – OTHER SPECIALISMS NOW 58% OF GROUP

Group net revenue fell -7%, but -2% LFL

- Tougher trading conditions in Advertising, Consulting and Media but...
- Good growth in Issues and Passions
- Diversification lends resilience with growth in non-cyclical specialisms such as Issues
- Advertising reduced in share of Group - now 42% of Group net revenue (FY22: 46%)
- Other Specialisms grown overall - now 58% of Group net revenue (FY22: 54%)

	Reported net revenue		LFL net revenue		% Total Group net revenue	
	FY23 £m	Mvt %	FY23 £m	Mvt %	FY23 %	Mvt pts
Issues	51.1	+21%	51.1	+22%	20%	+5
Passions	36.2	+8%	36.2	+10%	14%	+2
Consulting	33.7	-9%	33.1	-6%	14%	-
Media	26.3	-23%	26.3	-21%	10%	-3
Total Other specialisms	147.3	+0%	146.7	+2%	58%	+4
Advertising	105.5	-15%	97.4	-8%	42%	-4
Total Group	252.8	-7%	244.1	-2%	100%	-

MIX ACROSS REGIONS UNDERPINS RESILIENCE

UK saw strong growth in Issues and Passions offsetting a slowdown in Advertising and Consulting

APAC impacted by declines in Media, as a consequence of contraction in tech spend in H1, and weaker performance in our Advertising businesses

Americas was largely impacted by the declines in Media spending, with some weaker performance in Advertising

Europe saw strong growth in Italy Advertising and Germany Passions

Middle East reflects strong momentum in market, with major client retention and exciting new clients wins

	Like-for-like		% Total Group reported net revenue	
	FY23 £m	Mvt %	FY 23 %	Mvt pts
UK	101.2	+1%	40%	+4
APAC	60.7	-10%	26%	-3
Americas	46.9	-8%	19%	-1
Africa	16.1	+8%	6%	-
Europe	11.7	+18%	6%	-
Middle East	7.5	+19%	3%	+1
Total Group	244.1	-2%	100%	-

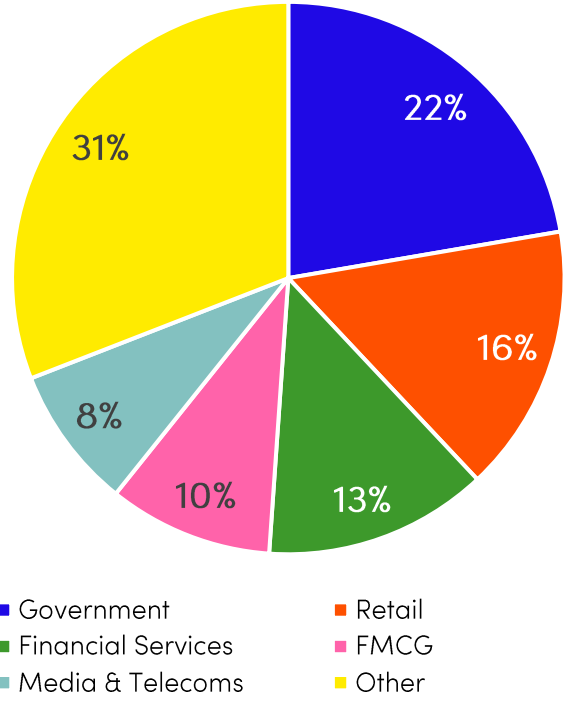
APAC merges Asia and Australia; managed from Australia

Middle East and Africa split reflects growth and prospects in the Middle East and new Executive Leadership structure

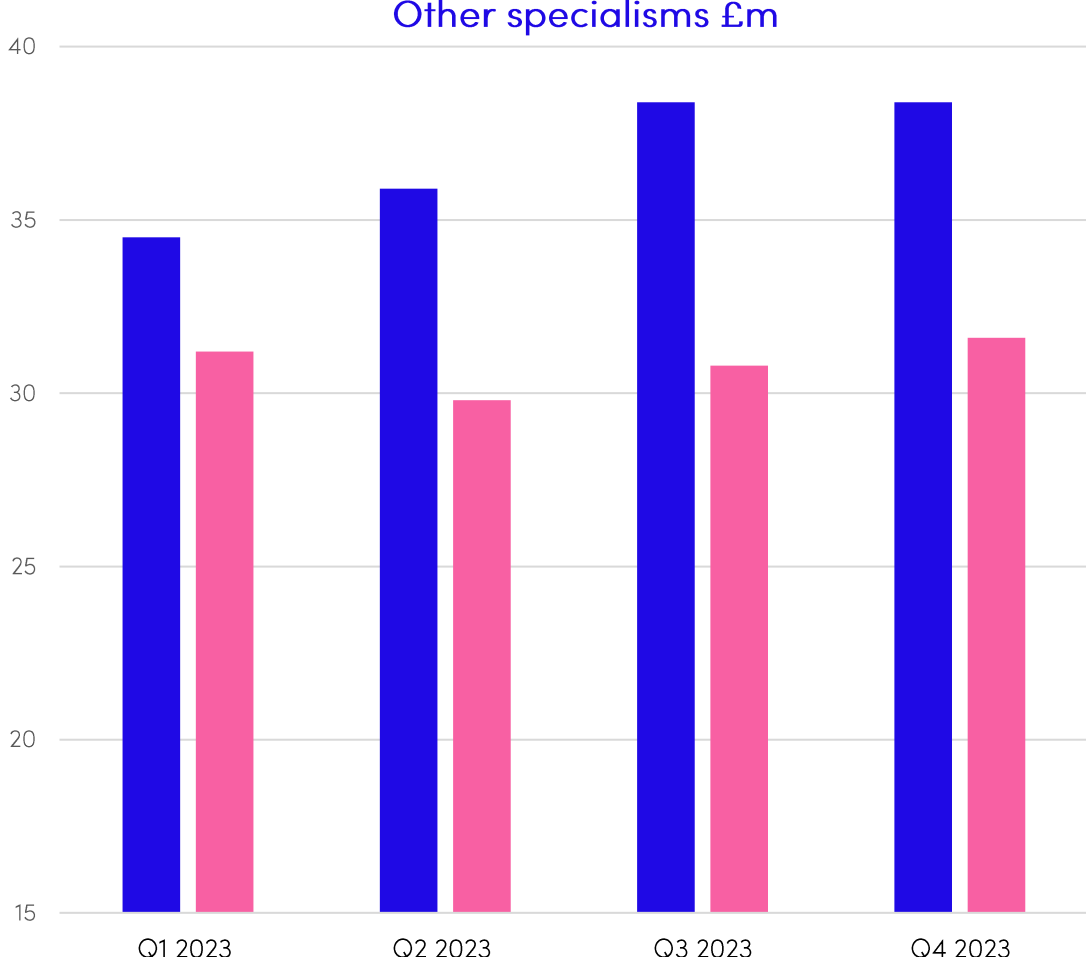
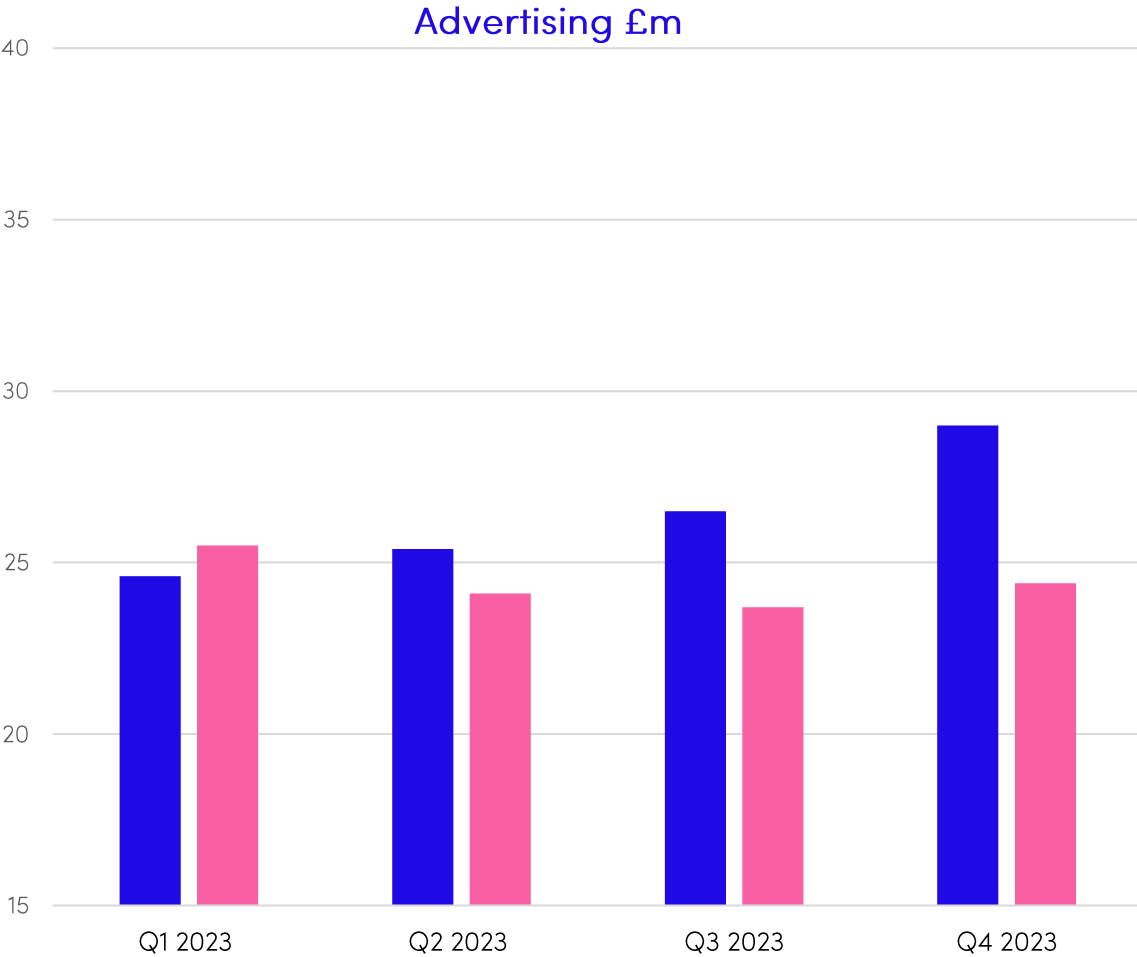
DIVERSIFIED MIX OF CLIENTS

Sector	Top clients
Government	Dept of Home Affairs, Dept of International Trade, Dept for Education, Tourism Australia
Retail	Woolworths, Amazon, adidas, Big W, De'Longhi
Financial Services	Discover Financial Services, Commonwealth Bank of Australia, Standard Bank, Barclays, JP Morgan Chase
FMCG	Heineken, PepsiCo, William Grant, Coca Cola, Nestle
Media & Telecoms	Optus, Meta, Allen Media, Celecom, Sky
Other	Grab, Toyota, Mount Sinai, Aldar Properties, Costa Coffee

2023 Net revenue by sector



OPERATING LEVERAGE MOMENTUM THROUGH 2023



■ Net revenue ■ Total operating costs

■ Net revenue ■ Total operating costs

RATIONALISED PORTFOLIO WILL HELP 2024

Closed or reduced interest in businesses contributing £8.7m net revenue and loss before tax of £3.1m.

- Disposed of Clear Germany, Hong Kong and Indonesia
- Closed non-core businesses in Advertising (in Singapore, China, UK and Germany)
- Closed non-core businesses in Consulting (Thread and Life)
- Reduced interest in M&C Saatchi Sweden (to minority)

Simplification of the portfolio materially complete in FY24, with South Africa just announced.

£m	Discontinued included in reported		
	FY23	FY22	Mvt
Net revenue	8.7	14.9	(42)%
Operating costs	(11.6)	(16.0)	28%
Operating profit	(2.9)	(1.1)	(163)%
PBT	(3.1)	(1.4)	(121)%
Op margin	(33.5)%	(7.7)%	(258) pts

TRANSFORMATION SUPPORTS OPERATING MODEL

Rationalised, optimised, more efficient

2023 actions

- Rationalised Group head office
- Reduced property portfolio UK and Australia
- Renegotiated and reduced third party spend

Exceeded our FY23 target with £3.9m annualised savings

- £3.3m exceptional costs (£1.1m cash; £2.2m property impairment charges)

2024 actions

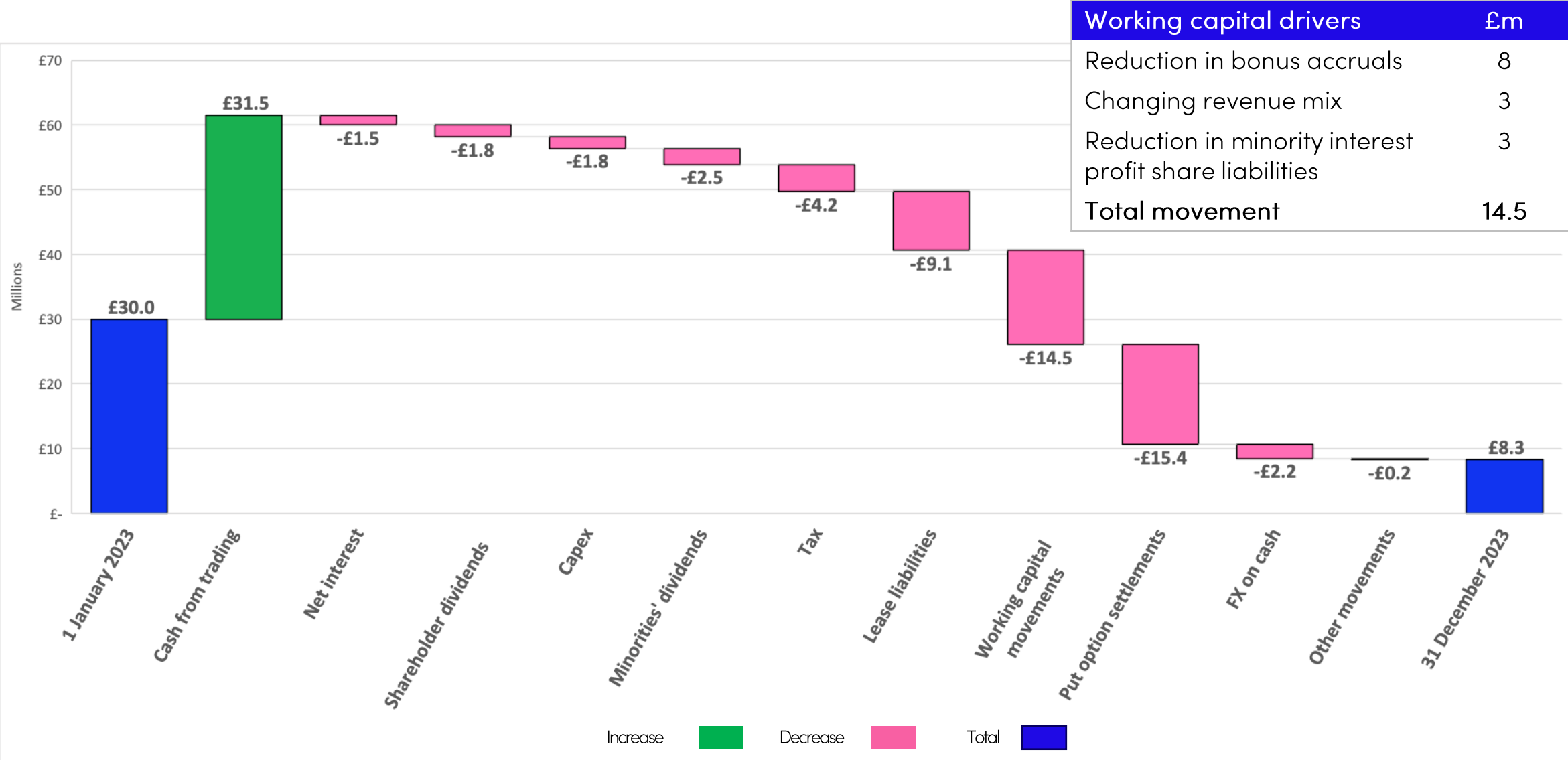
- Reshaping and offshoring of HR, IT and Finance
- Further reductions in property in UK, Australia, Asia and US
- Further rationalisation and renegotiation of third party spend

P&L impact in 2024 expected to be an incremental £4m

On track to deliver £10m annualised savings by the end of FY24

	FY23 actions		
	In year	In FY24	Annualised
People	0.5	1.5	2.0
Property	0.5	0.2	0.7
Procurement	1.0	0.2	1.2
TOTAL	2.0	1.9	3.9
Project costs	0.7		
People costs	0.4		
Cash cost total	1.1		

CASH GENERATION AND UTILISATION



SIGNIFICANT PUT OPTION LIABILITY REDUCTION

Settlement of £15.4m put option liability in FY23

As at 31 December 2023, with share price of 160p, remaining liability of £14.4m

68% (£9.9m) of the remaining liability is potentially payable in 2024.

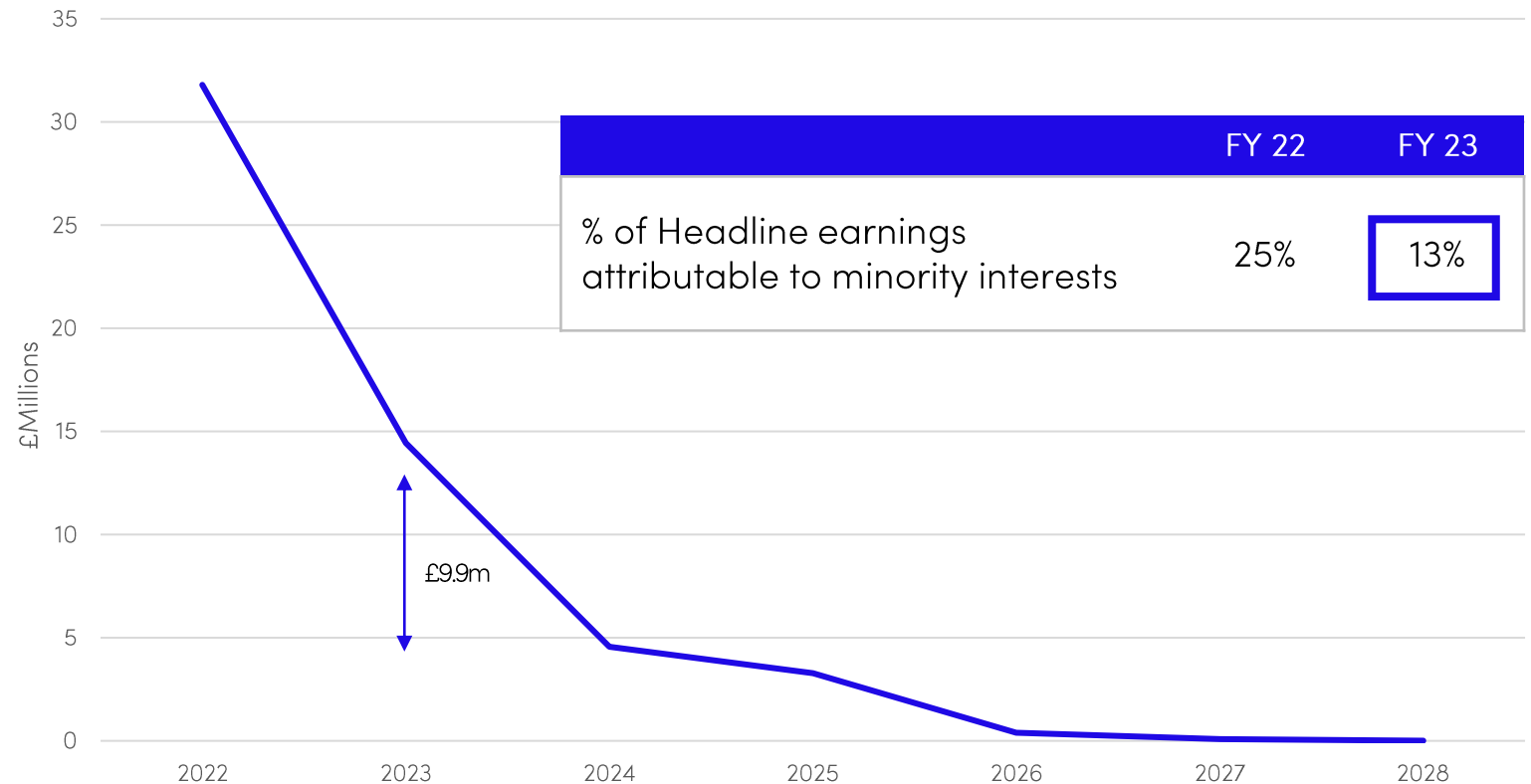
- Of this £5.3m already agreed and 9 options still to be finalised

The remaining balance is payable to 2028

Cash will be freed up for re-investment and selective M&A to address gaps in:

- Client-facing capabilities
- Regional coverage

Projected year end put option liability*



*Assuming share price of 160p and all options are exercised when due. Amounts will vary in line with the financial performance of the relevant business, overall Group performance and the share price

CASH GENERATION AND UTILISATION

Encouraging H2 recovery
and like-for-like momentum
into Q1 24

Benefits of
transformation and
rationalisation driving profit
growth

Significant reduction in put
option liability

Improving cash generation

Dividend of 1.6p

FY 24 BUILDING ON A STRONGER BASE

STRATEGY AND OUTLOOK

SHAPING THE BUSINESS FOR THE FUTURE

ZILLAH BYNG-THORNE, EXECUTIVE CHAIR

PROACTIVE SELF-HELP IN FY23 WITH LONG-TERM BENEFITS

Actions to drive profitability

People: implemented centers of excellence reviewing ways of working to determine where roles were no longer necessary or duplicated

Property: rationalised and optimised UK, Australia and US portfolios

Procurement: greater efficiency on the use of service providers and better internal cost controls

And to simplify our portfolio

More resilient: non-advertising share of total net revenue rose to 58% (FY 22 54%)

Regional first: Geographic units to play to regional strengths while retaining global specialism

Simplified portfolio: disposed of, closed and reduced investment in businesses that were lossmaking with further rationalisation of non-core to come to strengthen overall revenue mix

WE ARE TRANSFORMING OUR OPERATING MODEL

Client focused, new operating model

Client focused solutions to enable success

- Bringing beautiful simple solutions to complex problems, underpinned by our creative heritage

Aligning our businesses to new operating model and go-to-market strategy

- Regional first, client focused
- Global specialism where only we can win

Delivering structural, long-term improvement in Group operating margins

- Eliminating loss makers
- Harnessing advantage of our location strategy

Streamlining, strengthening and motivating the team

Senior leadership team strengthened through internal appointments and external hires

- Powerful blend of old and new, bringing new capabilities & fresh thinking

Allowing people to be creative but also more accountable

- Harmonising reward and incentive across leadership teams, increased focus on group goals

Board reshaped and strengthened with two new NEDs and a new CEO

NEW OPERATING MODEL CREATING GREATER ALIGNMENT

Regional first

- A clear and integrated agency solution at the regional level – where we have a right to win
- Integrated agency model reduces complexity for our clients while functioning as a shop window for specialisms
- Defining our core markets; local heroes, challenger brands & social purpose

Integrated agency model

- A simpler proposition – reducing the number of distinct faces we present to clients
- Single go-to-market approach, showcasing our breadth

Global specialisms

- Meeting clients globally, regional and locally
- Unique solutions, with scale of global company but flexibility of a boutique

Global centres of excellence

- Removing internal barriers; increasing the speed of delivery; improving our efficiency – internally and client-facing
- Accessing unique skills via common middle office functions notably content production, data, analytics and social media

STRENGTHENED, STREAMLINED, REBALANCED TEAM

- Senior leadership team strengthened by both internal appointments and external hires
- The team has greater accountability
- Board has also been reshaped and strengthened with two new NEDs
- Appointment of Zaid Al-Qassab as CEO from 13 May
- New Chief Creative Officer appointment to be announced shortly



Zaid Al-Qassab, CEO elect



SS&K team at opening of new New York office



Jo Bacon, newly appointed CEO M&C Saatchi UK, and Marcus Peffers, CEO M&C Saatchi UK Group

OUR IMMEDIATE FOCUS IN FY24

Launching our new go-to-market strategy and approach

- Clear communication of the M&C Saatchi brand
- Relationship focus new business where we have a right to win, and are clearly differentiated
- New communication amplification strategy to showcase our expertise and thought leadership

Optimising and rationalising our operating model to deliver further margin expansion

- Group support functions including finance, IT and HR transitioning to specialist Hubs for middle and back office
- Onboarding new creative leadership
- Reducing complexity by simplifying the remaining portfolio, fewer bigger bets

Creating a simpler, stronger and more capable backbone to underpin our regional first, global specialism operating model

CAPITAL ALLOCATION

Strong fundamentals for cash generation

Transformation to support performance

- Cost base structurally improving, enabling execution of new operating model

Cash conversion

- Targeting 80% of operating profits converted to cash per annum over medium term. Core business is capital light, total capex reduced to £1.8m (FY 22 £5.6m)

Significantly reduced minorities profile

- £15.4m of put option liabilities settled in FY23, minority interests now materially lower in FY24

Strong balance sheet

- Targeting EBITDA: net debt through cycle < 1.5x

Capital allocation principles

Re-investment for growth

- Aligned to new regional first, global delivery-led operating model
- Adding capability, capacity and scale for impact

Selective M&A

- Open to opportunities to accelerate growth via small bolt-ons

Returns to shareholders

- Progressive dividend policy, FY23 increased final dividend of 1.6 pence per share proposed

OUTLOOK - GROWING IN CONFIDENCE

Encouraging signs from our actions

- Strengthened performance in H2 23
- Encouraging start to the year, with growth in profits & LFL revenue vs Q1 23
- Confident of meeting expectations in FY24

Self-help remains key

- Delivering our target of £10m of annualised cost savings
- Further active portfolio management
- New leadership team and structure

Stronger foundations for growth

- New simplified operating model to deliver growth - regional first; global specialism
- Structural changes to costs, resulting in increased operating leverage
- Expect to deliver 80% operating cashflow conversion per annum over the medium term

M&C SAATCHI GROUP

Our strengths

- Powerful, recognised brand
- Valued creative power
- Stellar client base
- Improving cyclical resilience through specialist and sector mix
- Strengthened leadership

Transformation for growth

- Growth through regional first, global specialism delivery
- Efficiency and flexibility through removing complexity and cost
- Removing barriers to free cash-flow generation
- Active portfolio management focusing on growth

Enhancing shareholder returns

- Reinvestment in long-term growth
- Highly selective M&A to fill gaps and bring capabilities
- Optimising capital structure to reduce dilution and maintain leverage under 1.5x
- Sustainable, progressive dividend policy

BEAUTIFULLY SIMPLE SOLUTIONS FOR AN INCREASINGLY COMPLEX WORLD

Q&A

ADVERTISING

M&C Saatchi

42% (FY 22 46%) of
Group net revenue

*Scaled and personalised
content to create and fulfil
demand*

ISSUES

World Services

20% (FY 22 15%) of Group
net revenue

*Communications for defence,
diplomacy and development*

PASSIONS

Sport & Entertainment,
Talent

14% (FY 22 12%)
of Group net revenue

*Connecting brands direct to
consumers through passions
and personalities*

CONSULTING

M&C Saatchi

14% (FY 22 14%)
of Group net revenue

*Growth consulting in high-
margin and emerging sectors*

MEDIA

M&C Saatchi Performance

10% (FY 22 13%) of Group
net revenue

*Connecting brands with
digitally connected consumers*



APPENDIX

THE DAY JOB – SOME OF OUR FY23 SUCCESSES



FY23 RESULTS

£m	FY23	FY22	Change	LFL change
Net revenue	252.8	271.1	-7%	-2%
Headline operating profit	32.4	35.4	-8%	-1%
Headline PBT	28.7	31.8	-10%	-1%
Headline EPS (p)	15.2p	14.8p	+3%	
Operating profit margin (%)	12.8%	13.1%	-0.3pts	+0.2pts
Net cash	8.3	30.0		
Dividends per share (p)	1.6p	1.5p	6%	

NET REVENUE – BY SPECIALISM

	Reported net revenue			LFL net revenue			% Group total net revenue		
	FY23 £m	FY22 £m	Mvt %	FY23 £m	FY22 £m	Mvt %	FY23 %	FY22 %	Mvt pts
Issues	51.1	42.2	+21%	51.1	41.7	+22%	20	15	+5
Passions	36.2	33.4	+8%	36.2	33.0	+10%	14	12	+2
Consulting	33.7	37.0	-9%	33.1	35.4	-6%	14	14	-
Media	26.3	34.2	-23%	26.3	33.4	-21%	10	13	-3
Total other specialisms	147.3	146.8	+0%	146.7	143.5	+2%	58	54	+4
Advertising	105.5	124.3	-15%	97.4	106.4	-8%	42	46	-4
Total group	252.8	271.1	-7%	244.1	249.9	-2%	100	100	-

RESULTS - BY DIVISION

£m	Advertising			Other specialisms			Group central costs			Total Group £m		
	FY 23	FY 22	Mvt	FY 23	FY 22	Mvt	FY 23	FY 22	Mvt	FY 23	FY 22	Mvt
Net revenue	105.5	124.3	(15)%	147.3	146.8	1%	-	-	-	252.8	271.1	(7)%
Operating costs	(97.5)	(112.6)	13%	(115.3)	(111.8)	(3)%	(7.6)	(11.3)	33%	(220.4)	(235.7)	6%
Operating profit	8.0	11.7	(32)%	32.1	35.0	(8)%	(7.6)	(11.3)	33%	32.4	35.4	(8)%
Op margin	8%	9%	(1) pts	22%	24%	(2) pts	-	-	-	13%	13%	-