M&C SAATCHI

2010 Preliminary Results

24th March 2011

Overview

- Excellent figures all round; organic revenue growth of 16%, increased operating margin, PBT up 29% to £13.3m and net earnings up 25%
- Back to 2008 operating performance level after taking out the benefit of higher interest rates
- Final dividend raised by 10%, resulting in full year dividend up 7.7%
- Balance sheet remains very healthy

Headline results

12 months to December 2010

	2010 £000's	2009 £000's	10 v's 9 %
Revenue	125,144	103,435	21%
Operating profit	13,292	10,360	28%
Profit before tax	13,281	10,288	29%
Profit after tax	8,374	6,585	27%
Minority Interest	(608)	(370)	64%
Profit for period	7,766	6,215	25%
Basic EPS	12.59p	10.15p	24%

Key Ratios

12 months to December 2010

	2010	2009
Headline revenue growth	21.0%	-0.9%
Organic revenue growth	15.6%	-5.2%
Operating margin	10.6%	10.0%
PBT margin	10.6%	9.9%
Effective tax rate	37.1%	36.2%
Minority interest: PAT	7.3%	5.6%
Basic E.P.S	12.59p	10.15p
Diluted E.P.S	12.26p	9.67p

The Headline P&L

12 months to December 2010

	2010	2009	Movement	
	£000's	£000's	£000's	%
Revenue (gross profit)	125,144	103,435	21,709	21%
Operating Expenses	111,238	92,667	18,571	20%
LTIP Expense	614	408	206	50%
Operating profit	13,292	10,360	2,932	28%
Share of Associates	61	64	(3)	-
Net Interest	(72)	(136)	64	-47%
Profit Before Tax	13,281	10,288	2,993	29%
Tax Rate	37.1%	36.2%		
Profit After Tax	8,374	6,585	1,789	27%
Minority Interest	(608)	(370)	(238)	64%
Profit for Period	7,766	6,215	1,551	25%
Headline EPS	12.59p	10.15p	2.44p	24%

The Headline P&L

12 months to December 2010

	UK	Europe	Asia & Australasia	Americas	New Offices	Clear	Central Costs	Group Total
Revenue	53,700	10,963	44,115	4,107	1,221	11,038	-	125,144
v's 2009	9%	14%	31%	56%	-	30%	-	21%
v's 2009 - organic	9%	18%	14%	50%	-	29%	-	16%
Operating profit	10,997	1,661	3,630	(249)	(778)	1,976	(3,945)	13,292
v's 2009	5%	49%	59%	-	-	53%	6%	28%
Operating Margin	20.5%	15.2%	8.2%	-	-	17.9%	-	10.6%
2009	21.3%	11.5%	6.8%	-	-	15.2%	-	10.0%
Share of Associates	-	61	-	-	-	-	-	61
Net Interest	70	(59)	97	(25)	4	3	(162)	(72)
Central Costs	(787)	(73)	(364)	(10)	-	-	1,234	-
Profit Before Tax	10,280	1,590	3,363	(284)	(774)	1,979	(2,873)	13,281
Tax Rate	30.1%	36.7%	34.8%	-	-	30.2%	22.7%	37.1%
Profit After Tax	7,185	1,029	2,192	(407)	(784)	1,380	(2,221)	8,374
Minority Interest	179	329	494	(70)	(382)	58	-	608
Profit for Period	7,006	700	1,698	(337)	(402)	1,322	(2,221)	7,766

Revenue

12 months to December 2010

	2010	2009	10 v's 09	
	£000's	£000's	Reported Rates %	Constant Rates %
UK	53,700	49,079	9.4%	9.4%
Europe	10,963	9,639	13.7%	17.7%
Asia & Australasia	44,115	33,583	31.4%	14.4%
Americas	4,107	2,635	55.9%	50.2%
Clear	11,038	8,499	29.9%	28.8%
Organic total	123,923	103,435	19.8%	14.4%
New offices	1,221	-	-	-
Group Total	125,144	103,435	21.0%	15.6%

Top 10 Clients

- ANZ
- Barclays
- Boots
- Celcom
- Dixons
- Optus
- Qantas
- RBS
- Westfield
- Woolworths

Three changes from a year ago - COI, GSK and Pernod Ricard out, with Boots, Celcom and Qantas in

Top 10 = 33% of Revenue (2009 37%)

UK

- The UK has delivered best annual new business performance since listing in 2004, in spite of some first half client losses
- Key new clients:
  iShares, Mail on Sunday, Network Rail, The Olympic Delivery Authority, Bathstore, IKEA, Netjets and COI Cancer Awareness
- Increasing number of integrated wins across communication channels
- Continued focus on margin and cost control. Media buying remuneration remains under pressure

Europe

- Revenue up 18%, operating profit increased 49% and 3.6 point margin improvement
- Trading environment no easier – but we are making good progress
- Germany performed very well
- In France, the advertising market remains tough but benefited from direct marketing, digital and PR expansion
- Spain (Associate) made a modest contribution

Asia and Australasia

- Strong revenue performance and margin improvement in second half
- Australia had good new business wins in 2010: Brand Australia, David Jones, ING, Woolworths hardware, Georg Jensen
- As did Malaysia: Volkswagen, Bursa Malaysia and MAB (Malaysian Airports)
- Japan and New Zealand making steady headway
- India and China's clients remain project based and they are both currently looking to secure larger retained clients

Americas

- LA has won business in the last six months: Trafalgar Travel, Proximo Spirits (Three Olives Vodka) and Ugg boots
- We have explored alliances in New York and are currently establishing a hub for our growing non-advertising businesses
- We are acquiring 60% of a larger agency (£3.1m of revenues) and merging this into our Sao Paulo office in order to scale up the operation

Global Network

- Global Network now completed and focus is on winning Global Clients
- South Africa - Cape Town in February 2010
  - Johannesburg in October 2010
- MENA - Beirut in April 2010 (Associate)
- Italy - Milan in June 2010
- Russia - Moscow in March 2011 (Associate)
- Going well, some investment will continue in first half of 2011

Clear

- Maintained first half strong start, with very good growth in US and Asia
- New clients include BSkyB, Celcom, Colgate, Coors, Pepsi, Philips and Pizza Hut
- Cross referring clients well – Pfizer in Asia, Kraft and Reckitt Benckiser in Australia and Unilever across all offices
- New office in Australia and recent opening in Singapore
- New management team promoted
- Global “Brand Desire” research proving powerful new business tool

Balance Sheet, Cash and Dividend

- Balance sheet robust
- Second half saw the usual seasonal working capital inflow
- Cash at year-end of £31m (2009:£15m), bolstered by advance 2011 client payments
- Minority put options up year on year £11m, 99% of total is “paper” based
- Final dividend increased 10% from 2.75p to 3.03p, full-year dividend is up 7.7% year on year

Balance sheet

	2010	2009
	31st Dec.	31st Dec.
	£000's	£000's
Non Current Assets	69,016	66,377
Net Debtors	84,997	55,631
Net Creditors	(113,847)	(72,596)
Net Working Capital Position - Excl. Cash	(28,850)	(16,965)
Net Tax	(1,150)	(1,911)
Cash	31,388	15,111
Net Current Assets	1,388	(3,765)
Bank Loan	(2,656)	(4,447)
Deferred Consideration	(675)	(229)
Provision for minority put options	(15,035)	(3,923)
Non Current liabilites	(967)	(897)
Net assets	51,071	53,116

Cash

			£000's
Opening balance as at 1st January 2010			**15,111**
Effect of exchange revaluation			626
Operating profit	12,675		
Net Interest paid	(72)		
Tax paid in period	(4,636)		
Depreciation	2,847		
Capital expenditure - cash & lease payments	(2,563)		
Free cash flow before working capital		8,251	
Impact of working capital movements		12,769	
Dividends paid (ordinary & MI)		(2,606)	
Net cash inflow before acquisitions			18,414
Acquisitions			(1,280)
Subsidiary sale of own shares to minorities			397
Reduction in bank loans			(1,880)
Closing Balance as at 31st December 2010			**31,388**

Outlook

- 2011 has started well. Despite caution regarding the macro environment, we are currently enjoying good revenue momentum
- The Network is now in place. Winning global new business is key focus. Already in 2011 we have won Visit Britain, FTI Consulting, Kaspersky, BAE Systems and Garmin
- Exporting our new higher margin businesses is the second strategic task – Clear, Sport & Entertainment and Mobile
- We also continue to invest for future growth. In the UK we are taking 25% in both a start up data business and Human Digital, a new social media insight business
- We are confident we will continue to make progress in 2011 and beyond

Additional Financial Information

Regional Profit and Loss Accounts

UK

Summary Profit & Loss
12 months to December 2010

	2010	2009	10 v's 09	
	£000's	£000's	£000's	%
Revenue	53,700	49,079	4,621	9.4%
Underlying operating profit	10,997	10,453	544	5.2%
Group costs	(3,946)	(3,734)	(212)	5.7%
Recharged	448	482	(34)	-7.1%
Reported operating profit	7,499	7,201	298	4.1%
Associate	-	-	-	-
Net interest	(92)	(181)	89	-49.2%
Profit before tax	7,407	7,020	387	5.5%
Underlying margin	20.5%	21.3%		-0.8 PTS
Reported margin	14.0%	14.7%		-0.7 PTS

Europe

Summary Profit & Loss
12 months to December 2010

	2010	2009	10 v's 09	
	£000's	£000's	£000's	%
Revenue	10,963	9,639	1,324	13.7%
Underlying operating profit	1,661	1,112	549	49.4%
Group recharge	(73)	(71)	(2)	2.8%
Reported operating profit	1,588	1,041	547	52.5%
Associate	61	64	(3)	-
Net interest	(59)	(56)	(3)	5.4%
Profit before tax	1,590	1,049	541	51.6%
Underlying margin	15.2%	11.5%		3.7 PTS
Reported margin	14.5%	10.8%		3.7 PTS

Asia & Australasia

Summary Profit & Loss
12 months to December 2010

	2010	2009	10 v's 09	
	£000's	£000's	£000's	%
Revenue	44,115	33,583	10,532	31.4%
Underlying operating profit	3,630	2,278	1,352	59.4%
Group recharge	(364)	(369)	5	-1.4%
Reported operating profit	3,266	1,909	1,357	71.1%
Associate	-	-	-	-
Net interest	97	99	(2)	-2.0%
Profit before tax	3,363	2,008	1,355	67.5%
Underlying margin	8.2%	6.8%		1.4 PTS
Reported margin	7.4%	5.7%		1.7 PTS

Americas

Summary Profit & Loss
12 months to December 2010

	2010	2009	10 v's 09	
	£000's	£000's	£000's	%
Revenue	4,107	2,635	1,472	55.9%
Underlying operating profit	(249)	(1,038)	789	-76.0%
Group recharge	(10)	(42)	32	-76.2%
Reported operating profit	(259)	(1,080)	821	-76.0%
Associate	-	-	-	-
Net interest	(25)	(3)	(22)	-
Profit before tax	(284)	(1,083)	799	-73.8%
Underlying margin	-	-		- PTS
Reported margin	-	-		- PTS

New Offices

Summary Profit & Loss
12 months to December 2010

	2010	2009	10 v's 09	
	£000's	£000's	£000's	%
Revenue	1,221	-	1,221	-
Underlying operating profit	(778)	-	(778)	-
Group Recharge	-	-	-	-
Reported operating profit	(778)	-	(778)	-
Associate	-	-	-	-
Net interest	4	-	4	-
Profit before tax	(774)	-	(774)	-
Underlying margin	-	-		- PTS
Reported margin	-	-		- PTS

Clear

Summary Profit & Loss
12 months to December 2010

	2010	2009	10 v's 09	
	£000's	£000's	£000's	%
Revenue	11,038	8,499	2,539	29.9%
Underlying operating profit	1,976	1,289	687	53.3%
Group recharge	-	-	-	-
Reported operating profit	1,976	1,289	687	53.3%
Associate	-	-	-	-
Net interest	3	5	(2)	-
Profit before tax	1,979	1,294	685	52.9%
Underlying margin	17.9%	15.2%		2.7 PTS
Reported margin	17.9%	15.2%		2.7 PTS