

M&C SAATCHI

2015 Interim Results

10th September 2015

Overview

- A successful first half with good revenue momentum and earnings growth
- Actual revenues up 5.9% and like-for-like revenues up 9.1%
- Both Profit before tax and EPS ahead 13%
- Maintenance of positive Balance sheet
- Interim dividend increased 15% from 1.40p to 1.61p

Headline results

6 months to June 2015

	<u>2015</u>	<u>2014</u>	<u>15 v's 14</u>
	£m's	£m's	%
Revenue	87.5	82.6	6%
Profit before tax	9.6	8.5	13%
Taxation	2.0	2.4	-17%
Profit after tax	7.6	6.1	25%
Minority Interest	(1.2)	(1.0)	20%
Profit for period	6.4	5.1	25%
Basic EPS	8.96p	7.96p	13%
Dividend	1.61p	1.40p	15%

Key Ratios

6 months to June 2015

	2015	2014
Headline revenue growth	5.9%	3.1%
Revenue growth in constant currency terms	9.1%	10.8%
Operating margin	10.6%	9.7%
Effective tax rate	21.2%	28.3%
Minority interest: PAT	15.9%	16.5%
Dividend growth	15.0%	15.7%
Basic EPS	8.96p	7.96p
Diluted EPS	8.96p	7.52p

The Headline P&L

6 months to June 2015

	<u>2015</u>	<u>2014</u>	<u>Movement</u>	
	£m's	£m's	£m's	%
Revenue (gross profit)	87.5	82.6	4.9	6%
Operating Expenses	78.2	74.6	3.6	5%
Operating profit	<u>9.3</u>	<u>8.0</u>	<u>1.3</u>	<u>16%</u>
Share of Associates	0.6	0.6	-	0%
Net Interest	(0.3)	(0.1)	(0.2)	-
Profit Before Tax	<u>9.6</u>	<u>8.5</u>	<u>1.1</u>	<u>13%</u>
Tax Rate	21.2%	28.3%		
Profit After Tax	<u>7.6</u>	<u>6.1</u>	<u>1.5</u>	<u>25%</u>
Minority Interest	(1.2)	(1.0)	(0.2)	20%
Profit for Period	<u>6.4</u>	<u>5.1</u>	<u>1.3</u>	<u>25%</u>
Headline EPS	8.96p	7.96p	1.00p	13%

Revenue

6 months to June 2015

	<u>2015</u>	<u>2014</u>	<u>15 v's 14</u>	
	£m's	£m's	Reported Rates %	Constant Rates %
UK	41.1	37.9	8.4%	8.4%
Europe	10.4	10.4	0.0%	11.5%
Africa	4.1	3.9	5.1%	2.6%
Asia & Australasia	21.9	22.1	-0.9%	6.3%
Americas	10.0	8.3	20.5%	19.3%
Group Total	<u>87.5</u>	<u>82.6</u>	<u>5.9%</u>	<u>9.1%</u>

The Headline P&L

6 months to June 2015

	UK	Europe	Africa & MENA	Asia & Australasia	Americas	Central Costs	Group Total
Revenue	41.1	10.4	4.1	21.9	10.0	-	87.5
v's 2014 constant rates	8%	12%	3%	6%	19%	-	9%
Operating profit	5.8	1.3	0.3	2.7	1.7	(2.5)	9.3
v's 2014	5%	8%	-41%	3%	168%	0%	16%
Operating Margin	14.2%	12.7%	6.8%	12.0%	17.3%	-	10.6%
2014	14.7%	11.9%	12.0%	11.5%	7.7%	-	9.7%
Share of Associates	0.4	-	-	0.1	0.1	-	0.6
Net Interest	-	-	-	-	-	(0.3)	(0.3)
Central Costs	(0.2)	-	-	(0.2)	-	0.4	-
Profit Before Tax	6.0	1.3	0.3	2.6	1.8	(2.4)	9.6
Tax Rate	20.0%	30.8%	-	30.8%	16.7%	29.2%	20.9%
Profit After Tax	4.8	0.9	0.3	1.8	1.5	(1.7)	7.6
Minority Interest	0.5	0.2	0.1	0.2	0.2	-	1.2
Profit for Period	4.3	0.7	0.2	1.6	1.3	(1.7)	6.4

Top 10 Clients

- Boots
- Celcom
- Commonwealth Bank
- IAG
- IKEA
- Jaguar Land Rover
- O₂
- Optus
- Pernod Ricard
- RBS

Top 10 = 33% of Revenue (2014 29%)

UK

- 8% revenue growth, with CRM and Mobile continuing to do particularly well
- New business wins include:
 - Airbus, Carnival, Oxfam, PHE(adult health), Royal Mail, sofa.com
 - Pernod Ricard's Passport Scotch and Unilever's Toni & Guy
- Operating margin held at 14%
- Exporting CRM and PR along with Mobile and S&E
- Started new shopper agency, driving purchase conversion

Europe

- Like-for-like revenues up 12%
- Stockholm maintains its strong new business performance; significant win of EON in June
- Germany and Italy continue to excel. Italy won Becks, ING and Unicredit
- In France, advertising still slow but benefited from positive digital and PR contributions
- In July, acquired a minority stake in INSPI(RED) and formed M&C Saatchi Istanbul
- Spain (Associate) a bit better, won RENFE (state train operator) and some Google

Middle East and Africa

- Like-for-like revenues increased 3%, with slow start but strong second half anticipated
- Good full-year growth in both Cape Town and Johannesburg
- Wins include some Continental Tyres and significantly Nando's
- Abu Dhabi steadily building revenues beyond Etihad
- Opened in Tel Aviv in January. Proven team and benefits of Israel as tech hub
- Middle East (Associate) still a tough market

Asia and Australasia

- Like-for-like revenues up 6%
- Australia had a strong start following their excellent new business run in 2014
- Associate in China aeiou continues to impress and work well
- Malaysia maintains their very good contribution and won the global relaunch of Malaysian Airlines
- Singapore picked up some more Government work for the Ministry of Health

Americas

- Like-for-like revenues up 19%
- SS+K relationship in New York has started very well. Won J W Marriott with worldwide support and Comcast
- Looking at NY CRM acquisition possibilities
- Strong progress in Los Angeles. In June acquired Heavenspot, a small social media and digital agency
- Completed Sao Paulo upgrade in February, acquiring 25% of Santa Clara replicating the Chinese model

Balance Sheet, Cash and Dividend

- Balance sheet remains strong
- Net cash of £1.6m compares with £5.1m at year-end. Spent £6.8m on acquisitions, predominantly Santa Clara and second payment for LMFM
- Minority put options down 16%, follows some exercise of puts in France, Australia and Mobile
- Interim dividend increased 15% from 1.40p to 1.61p

Balance sheet

	2015	2014
	30th June	30th June
	£m's	£m's
Non Current Assets	60.0	57.6
Net Debtors	82.1	71.4
Net Creditors	(75.9)	(64.0)
Net Tax	(0.8)	(1.8)
Net Cash	1.6	9.6
Net Current Assets	<u>7.0</u>	<u>15.2</u>
Provision for minority put options	(22.9)	(27.3)
Non Current liabilities	(0.4)	(0.5)
Net assets	<u>43.7</u>	<u>45.0</u>

Cash

	<u>£m's</u>
Opening balance as at 1st January 2015	5.1
Effect of exchange revaluation	(0.8)
Operating profit	8.3
Net Interest received	(0.2)
Tax paid in period	(2.1)
Depreciation	2.0
Capital expenditure	<u>(0.5)</u>
Free cash flow before working capital	7.5
Impact of working capital movements	(2.0)
Dividends paid (ordinary & MI)	<u>(1.4)</u>
Net cash flow before acquisitions	4.1
Acquisitions	(6.8)
Closing Balance as at 30th June 2015	<u>1.6</u>

Outlook

- M&C Saatchi has made good headway over the first six months of 2015
- We produced positive revenue and earnings growth
- This stems from new business wins and continuing widening of our business offering
- Looking ahead, we are confident that we will continue to make progress in the full year and beyond
- The strategy is consistent and continues to deliver

Additional Financial Information

Regional Profit and Loss Accounts

UK

Summary Profit & Loss 6 months to June 2015

	<u>2015</u> £000's	<u>2014</u> £000's	<u>15 v's 14</u>	
			£000's	%
Revenue	41,111	37,821	3,290	8.7%
Underlying operating profit	5,837	5,566	271	4.9%
Group costs	(2,500)	(2,452)	(48)	2.0%
Recharged	219	217	2	0.9%
Reported operating profit	<u>3,556</u>	<u>3,331</u>	<u>225</u>	<u>6.8%</u>
Associate	346	430	(84)	-
Net interest	(266)	(67)	(199)	-
Profit before tax	<u>3,636</u>	<u>3,694</u>	<u>(58)</u>	<u>-1.6%</u>
Underlying margin	14.2%	14.7%		-0.5 PTS
Reported margin	8.6%	8.8%		-0.2 PTS

Europe

Summary Profit & Loss 6 months to June 2015

	<u>2015</u> £000's	<u>2014</u> £000's	<u>15 v's 14</u>	
			£000's	%
Revenue	10,427	10,372	55	0.5%
Underlying operating profit	1,327	1,231	96	7.8%
Group recharge	(36)	(36)	-	0.0%
Reported operating profit	<u>1,291</u>	<u>1,195</u>	<u>96</u>	<u>8.0%</u>
Associate	(6)	(17)	11	-
Net interest	(23)	(24)	1	-4.2%
Profit before tax	<u>1,262</u>	<u>1,154</u>	<u>108</u>	<u>9.4%</u>
Underlying margin	12.7%	11.9%		0.8 PTS
Reported margin	12.4%	11.5%		0.9 PTS

Middle East & Africa

Summary Profit & Loss 6 months to June 2015

	<u>2015</u> £000's	<u>2014</u> £000's	<u>15 v's 14</u>	
			£000's	%
Revenue	4,076	3,934	142	3.6%
Underlying operating profit	278	473	(195)	-41.2%
Group Recharge	-	-	-	-
Reported operating profit	<u>278</u>	<u>473</u>	<u>(195)</u>	<u>-41.2%</u>
Associate	-	-	-	-
Net interest	(2)	9	(11)	-
Profit before tax	<u>276</u>	<u>482</u>	<u>(206)</u>	<u>-42.7%</u>
Underlying margin	6.8%	12.0%		-5.1 PTS
Reported margin	6.8%	12.0%		-5.2 PTS

Asia & Australasia

Summary Profit & Loss 6 months to June 2015

	<u>2015</u> £000's	<u>2014</u> £000's	<u>15 v's 14</u>	
			£000's	%
Revenue	21,930	22,134	(204)	-0.9%
Underlying operating profit	2,621	2,541	80	3.1%
Group recharge	(161)	(165)	4	-2.4%
Reported operating profit	<u>2,460</u>	<u>2,376</u>	<u>84</u>	<u>3.5%</u>
Associate	78	160	(82)	-
Net interest	47	19	28	147.4%
Profit before tax	<u>2,585</u>	<u>2,555</u>	<u>30</u>	<u>1.2%</u>
Underlying margin	12.0%	11.5%		0.5 PTS
Reported margin	11.2%	10.7%		0.5 PTS

Americas

Summary Profit & Loss 6 months to June 2015

	<u>2015</u> £000's	<u>2014</u> £000's	<u>15 v's 14</u>	
			£000's	%
Revenue	10,024	8,355	1,669	20.0%
Underlying operating profit	1,731	647	1,084	167.5%
Group recharge	(21)	(16)	(5)	31.3%
Reported operating profit	<u>1,710</u>	<u>631</u>	<u>1,079</u>	<u>-</u>
Associate	122	-	122	-
Net interest	19	(14)	33	-
Profit before tax	<u>1,851</u>	<u>617</u>	<u>1,234</u>	<u>-</u>
Underlying margin	17.3%	7.7%		9.5 PTS
Reported margin	17.1%	8%		9.5 PTS