30 June 2021

M&C SAATCHI PLC

(the "Company")

Unaudited results for the year ended 31 December 2020 and trading update

The Company today announces its unaudited results for the year ended 31 December 2020. The Company demonstrated resilience and agility in a challenging environment during 2020 and announces that trading is ahead of expectations for the first five months of 2021.

Key Updates

- 2020 Headline profit before tax £8.3m (2019: £17.2m). Ahead of expectations, reflecting strong client retention and new business performance.
- Headline Operating profit margin 5.3% (or over 7.5% excluding losses from entities that were disposed of/divested); H1 2021 current run rate 10%+.
- Strong client retention and new business performance. New appointments and assignments from clients including Tik Tok, Lexus, HM Government and Tinder.
- Net cash: £33.0m (2019: £16.6m). A new three year £47m revolving credit facility with National Westminster Bank plc and Barclays Bank PLC was agreed post year end.
- Simplification programme: 34% reduction in the number of operating units 2019-2021.
- Business transformation programme including new divisional structure introduced in 2021 delivering strong digital growth.
- Trading ahead of expectations for first five months of 2021. Half year Headline profit before tax expected to be in excess of £10m.
- Management expects full year results to be ahead of consensus.
- Potential to reduce dilution from future share issues from c.19% to c.5%.

Financial results for the year to 31 December 2020

	Headline*			Statutory		
£m	**2020**	**2019**** restated**	**Movement**	**2020**	**2019**	**Movement**
Net revenue **	225.4	256.4	-12.1%	-	-	-
Operating profit/(loss)	12.0	19.5	-38.5%	(4.9)	(11.0)	55.2%
Operating profit/(loss) margin	5.3%	7.6%	-2.3pt	-2.2%	-4.3%	+2.1pt
Profit/(loss) before taxation	8.3	17.2	-51.5%	(8.5)	(8.6)	1.1%
Profit/(loss) for the year	5.0	11.9	-57.6%	(9.9)	(11.8)	15.9%
Earnings ***	1.6	7.0	-77.0%	(9.9)	(11.8)	15.9%
Earnings/(loss) per share	1.5p	7.7p	-80.3%	(9.1)p	(13.1)p	30.3%
Net cash				33.0	16.6	99.0%

*The Headline results reflect the underlying profitability of the business units by excluding exceptional items; the amortisation or impairment of intangible assets (including goodwill and acquired intangibles, but excluding software) acquired in business combinations; changes to contingent consideration and other acquisition related charges taken to the income statement; impairment of investments in associates and right-of-use assets; gain or loss on disposal of associates and subsidiaries; revaluation of investments in relation to SaatchInvest and their related costs; and the income statement impact of put option accounting and share-based payment charges.
** Net revenue is excluded from Statutory results due to it not being a defined term in IFRS.
*** Earnings are calculated after deducting the share of profits attributable to non-controlling interests.
**** 2019 Headline operating profit restated (reduced) by £1.1m as a result of put option schemes being reclassified as bonuses, previously reported as equity settled schemes. Refer to Note 19 of the unaudited consolidated non-statutory financial statements.

Commenting on the 2020 results, Gareth Davis, Chairman:

"I am pleased to report that 2020 proved to be a year of resilient business performance. Whilst the Covid-19 pandemic disrupted all of our lives, both personally and professionally, the business rose to the challenge. We aggressively addressed the need to simplify the Group's operating structure. We drove efficiencies through a robust cost reduction programme. We strengthened the business through the introduction of greater central controls, new processes and systems.

These measures, together with a focus on corporate governance and the introduction of a new strategy have laid firm foundations for renewed growth in the coming year".

Commenting on current performance and outlook, Moray MacLennan, Chief Executive Officer:

"2020 was undoubtedly a watershed year for the Company. We went into the year confronted by Covid-19 and ended with a new strategy and the unswerving support of the Group's employees and a new structure in place for 2021.

The resilience of the Company and our people was reflected in the outstanding client retention across 2020. Our agility allowed us to quickly adapt to the new market conditions (including an even greater focus on digital) and enabled the swift implementation of our new strategy.

This is delivering a positive performance in the first five months of 2021, so we anticipate being ahead of consensus for the full year. Profit in all five of the new divisions has grown in 2021 through meeting new client demands in the new digital landscape.

This initial success and our continued focus on innovation, technology and data, combined with creativity, which is at our core, gives us confidence for the remainder of the year and beyond".

For further information please call:

M&C Saatchi Plc Moray MacLennan, Mickey Kalifa	+44 (0)20-7543-4500
Tulchan Communications Tom Murray, Matt Low, Hollie Ralston	+44 (0)20-7353-4200
Numis Securities Nick Westlake, Hugo Rubinstein, NOMAD Charles Farquhar, Corporate Broking	+44 (0)20-7260-1000
Liberum Neil Patel, Benjamin Cryer, Edward Phillips, Will King	+44 (0)20-3100-2000

Chairman and Chief Executive Statement

2020 Performance

2020 was a year when the Company simplified its operations, grew client relationships and demonstrated extraordinary resilience.

We saw unprecedented trading conditions, with many clients worldwide reducing or cancelling their marketing spend. While there was a 12% reduction in Group net revenue, swift action on costs protected profitability so that the operating profit margin reduction was only 2 percentage points. Encouragingly, underlying margin for 2020, excluding losses from entities that were disposed of/divested, was over 7.5%. This provided a strong platform for continued business transformation.

Key Themes:

Simplification:

Simplification was made a key priority. Twenty operating entities were sold, closed or merged.

The process has continued in 2021 and the number of operating entities has now been reduced by 34% compared to 2019 year end.

Losses in Spain and France were reduced through taking our shareholding to minority status. This allows us to continue to have a meaningful presence for international assignments, but de-risks for the future.

In Singapore, plans for a fundamental restructure were drawn up, to be implemented in 2021.

We combined our advertising and CRM agencies into a single, more relevant offering for clients in the new digital landscape. The combined business, under new leadership, delivered a turnaround in profit.

Additionally, we merged our different PR agencies into a single, global capability.

Our marketing consultancy business unified its UK and US operations to improve efficiencies.

Resilience:

Corporate Governance: Substantial progress has been made to comply fully with the UK Corporate Governance Code 2018. New financial systems and personnel have laid the foundations for a better-controlled and managed Group.

One of the Company's priorities was the management of cash and liquidity. We are pleased to say that we excelled in this regard, with year-end cash being significantly ahead of expectations – net cash of £33.0m, twice the level of the previous year.

We received approximately £1m of furlough payments in the UK, which have now voluntarily been returned in full to HMRC.

Further centralisation across our HR function will accelerate the move from a federation of local operations to a more unified global Group through the introduction of new policies, procedures and platforms.

Covid-19 Response: The Company responded with agility to the crisis. M&C Saatchi Sport & Entertainment was hit hard by the cancellation of events but had a near perfect record in terms of client retention and new business conversion. Critically, it pivoted from a live event landscape to one entirely digitally focused.

Significant contracts were secured from health authorities across the globe to help combat the Covid-19 crisis, including the UK, Australia and a number of developing markets.

Our Talent and Influencer businesses continued to perform strongly by capitalising on the accelerated demand for online content.

Our Global & Social Issues business continued to see strong demand in the Covid-19 environment and grew revenues.

Our Performance Media business benefited from continued online growth to deliver strong results.

Industry Awards & Accolades included: M&C Saatchi Sport & Entertainment, Agency of the Year; M&C Saatchi Performance, Media Buying Agency of the Year; M&C Saatchi Milan, Agency of the Decade; M&C Saatchi Indonesia, Digital Agency of the Year.

Client growth:

Deepening Client Relationships: Client retention was very strong. The scope of work from existing clients was successfully extended. Examples include new assignments from: UK Government, Costa, O2, Homebase, Yum Foods across GCC, Nandos in South Africa and Woolworths, Commonwealth Bank and Optus in Australia.

Strong new business performance. New clients included:

UK & Europe: Census 2021, COP26, Barclays, Kia, TikTok, Hello Fresh, Care International.

Tele2, Fortum, Polaroid.

Africa / Middle East Standard Bank, TikTok, Astron Energy, Telkom, Wizz Air.

Asia: Indonesia Tourism Ministry, BP Castrol, Tinder, Grab.

Australia: Victoria State Government, World Vision, Domain, Origin Energy, Maurice Blackburn.

US: The Biden-Harris campaign, NFL, Anheuser Busch, Weather Channel, Iceland Tourism.

Sustainability & ESG:

The Company's mission of driving Meaningful Change has been applied to our own actions for Environmental and Social Governance (ESG) under two key pillars: Planet and People.

In addition to established environmental credentials that have resulted in our headquarters running on 100% renewable electricity, 2020 saw full implementation of the UK Government's Streamlined Energy and Carbon Reporting (SECR) Policy disclosing energy use and associated greenhouse gas (GHG) emissions from London, our global HQ and largest global footprint.

The Company also launched a number of initiatives to lead the advancement of our industry's need to actively embrace diverse talent. Open House was a first in creating access to industry knowledge and employment experience via a virtual education programme for 1,500 trainees in every corner of the world, over eight weeks. Additionally, Mentor Black Business was established to help black businesses thrive, giving access to the best industry experience. 500 black-owned SMEs registered, accessing over 1,500 mentors. It was supported by major corporations such as Google, Lloyds, and Goldman Sachs.

Work we created for clients to address these issues included: International Solar Alliance in the UK, Cisco's global conservation campaign, and Haven Shelter in South Africa.

Financial Performance by Region:

UK

- Like-for-like net revenue in the UK declined by 14% (2020: £88.9m 2019: £103.2m).
- Headline operating profit was up 21% (2020: £16.4m 2019: £13.5m).
- Headline operating costs decreased by 19%.

Europe

- Like-for-like net revenue in Europe declined by 7% (2020: £28.4m 2019: £30.5m).
- Headline operating profit declined by 51% (2020: £1.5m 2019: £3.0m).
- Headline operating costs reduced by 2%.

Middle East and Africa

- The Middle East and Africa region performed well. Like-for-like net revenue was down by just 6% (2020: £15.6m 2019: £16.6m).
- Headline operating profit declined by 55% (2020: £0.7m 2019: £1.5m).
- Headline operating costs remained flat.

Asia

- Like-for-like net revenue declined by 25% (2020: £10.5m 2019: £13.9m).
- Headline operating profit reduced by 287% (2020: -£0.8m 2019: £0.4m).
- Headline operating costs reduced by 10%.

Australia

- Like-for-like net revenue declined by 6% (2020: £47.4m 2019: £50.6m).
- Headline operating profit reduced by 41% (2020: £3.1m 2019: £5.2m).
- Headline operating costs reduced by 12%.

Americas

- Like-for-like net revenue declined by 17% (2020: £34.6m 2019: £41.6m).
- Headline operating profit reduced by 19% (2020: £2.5m 2019: £3.1m).
- Headline operating costs reduced by 12%.

2021 trading and outlook

Strong financial performance in 2021 to date:

- Strong growth in net revenue and Headline profit before tax in the first five months of 2021.
- Headline operating margin for the first five months exceeds 10%.
- Headline profit before tax for the first six months is expected to be around £10m (H1 2020: £2m).
- Strong performance across all divisions driven by new business wins against a more positive market backdrop, especially in recent weeks.
- Continued balance sheet strength, with net cash of £32m as at 31 May 2021.

Full year 2021:

- Net revenue, Headline profit before tax and Headline earnings projected to end year ahead of consensus.
- Strength of H1 performance may not be fully matched in H2.
- A very positive first five months of the year, but the market remains fluid and with limited visibility.

A new strategy and operating model were introduced in January 2021, the three key elements of which were:

- A move from being primarily a local and siloed group to one that is connected across disciplines and geographies, fuelled by data and technology.
- A new proposition: to navigate, create and lead Meaningful Change.
- Restructure: simplify into five new divisions to make the Group easier to understand, operate and grow with. These divisions to be fuelled by enhanced technology, digital proficiency, data capabilities and sustainability expertise.

The five new divisions are:

- Connected Creativity: The application of marketing science and creativity to solve complex problems in the digital landscape – across PESO (paid, earned, shared and owned) channels.
- Brand, Experience and Innovation: Transformative digital experience, design and innovation.
- Performance Media: Connecting brands with today's connected customers.
- Passion Marketing: Connecting brands direct to consumers through their passions.
- Global and Social Issues: Driving critical global and social change. Protecting the planet, transforming lives for the better.

All five divisions are trading ahead of the Company's forecast at the beginning of 2021, having been successfully positioned to capitalise on the increasingly digital market.

New business wins and new assignments from existing clients include: Victoria State Government, Sonos, Commonwealth Bank, McCain and Campbell's.

Looking forward, we see the opportunity to apply our digital expertise and investment in new capabilities, to capitalise on the following certainties:

- The accelerated pattern of digital transformation established during 2020 will continue. Marketeers will respond to people's deepening relationship with technology and their full immersion in a digital world. This goes beyond e-commerce to encompass every aspect of consumers' lives, including healthcare, well-being, leisure, education, personal interactions and relationships. The new strategy positions the Company to deliver modern creativity in this digital world.

- The inexorable rise of direct to consumer (D to C) will be a focus for our Connected Creativity Division. In this brutally competitive Darwinian market, a brand needs to be desirable and trusted in order to survive. This requires brilliant creative platforms built on data-driven insight. To thrive, brands need connected and relevant digital experience delivery through customer experiences (CX) and precision marketing. We will further invest in e-commerce expertise to build on our existing global capabilities. We will continue to excel in paid, earned, shared and owned channels.

- ESG will move to the very centre of marketing plans at high speed. Whilst the vast majority state it as a priority, 50% of CMOs are at the beginning of placing sustainability at the heart of their plans and are looking for resource and expertise in order to do so. We will be investing in growing this expertise with announcements in the coming months.

The Group will also continue to invest in its data capabilities. Data analytics will sit at the heart of the Company and will continue to enhance excellence; pan division, agency and territory.

Fluency, our data consultancy, launched at the beginning of 2021 and is already working across all five divisions. New clients include Volvo, The National Trust, Thames Water and Bio Healthcare.

2020 Financial Review

Financial key performance indicators

The Group manages its operational performance through a number of financial key performance indicators. These are stated below with the comparative key performance indicators for 2019.

	Headline			Statutory		
£m	**2020**	**2019 restated*** **	**Movement**	**2020**	**2019**	**Movement**
Net revenue *	225.4	256.4	-12.1%	-	-	-
Operating profit/(loss)	12.0	19.5	-38.5%	(4.9)	(11.0)	55.2%
Operating profit/(loss) margin	5.3%	7.6%	-2.3pt	-2.2%	-4.3%	+2.1pt
Profit/(loss) before taxation	8.3	17.2	-51.5%	(8.5)	(8.6)	1.1%
Profit/(loss) for the year	5.0	11.9	-57.6%	(9.9)	(11.8)	15.9%
Earnings **	1.4	7.0	-77.0%	(9.9)	(11.8)	15.9%
Earnings/(loss) per share	1.5p	7.7p	-80.3%	(9.1)p	(13.1)p	30.3%
Net cash				33.0	16.6	99.0%

* Net revenue (revenue less project cost / direct cost) is excluded from Statutory results due to it not being a defined term in IFRS.
** Earnings are calculated after deducting the share of profits attributable to non-controlling interests.
*** 2019 Headline profit restated (reduced) by £1.1m as a result of put option schemes being reclassified as bonuses, previously reported as equity settled schemes. Refer to Note 19 of the unaudited consolidated non-statutory financial statements.

Headline results

To better assist the readers' understanding of the underlying performance of the business, the commentary concentrates on the Headline measures used by the Board to assess the underlying profitability of the Group. These Headline figures are alternative performance measures that the Board considers provide an appropriate basis to manage the business, to monitor its results on a day-to-day basis, enable comparability with industry peers and like for like year on year on comparisons. Headline measures exclude all accounting charges related to acquired equity, put options and passive investments.

The Headline results also make like-for-like year-on-year comparisons more understandable and more closely correlate with the cash and working capital position of the Group. The following items are excluded from Headline results:

- Exceptional items;
- Amortisation and impairment of intangible assets (including goodwill and acquired intangibles, but excluding software) acquired in business combinations;
- Changes to contingent consideration and other acquisition related charges taken to the income statement;
- Impairment of investment in associates;
- Profit and loss on disposal of subsidiaries and associates;
- Furlough monies received in 2020 that were repaid in 2021;
- Revaluation of unlisted investments in relation to SaatchInvest and their related costs;
- The income statement impact of put option accounting and share-based payment charges.

2020 Trading

The Group experienced a sharp reduction in net revenue in the first three months of the year, reporting a Headline operating loss of £(2.2)m in that initial three-month period. By taking action to reduce the cost base early in the year, the Group was able to mitigate the impact of the reduced revenue. The combination of salary cuts, staff reductions in the form of redundancies, reduced freelancer numbers and reduced travel costs, contributed to a 9.9% decline in operating costs compared to 2019. The Group acted quickly in securing Covid-19 Government financial support, where it was available. This took the form of furlough payments, loan forgiveness programmes and tax deferment schemes. We secured £1.0m in the UK through the Coronavirus Job Retention Scheme but repaid the full amount in 2021.

The key movements between Statutory and Headline results

	Year ended 31 December 2020	**Year ended 31 December 2019 (restated)**
Reconciliation of headline profit before taxation to statutory profit before taxation	**£m**	**£m**
Statutory loss before taxation	(8.5)	(8.6)
Exceptional items	2.0	6.2
Amortisation of acquired intangibles	1.7	2.5
Impairment of non-current assets	3.9	11.1
(Gain) on disposal of associates	–	(13.0)
(Gain) on disposal of subsidiaries	(1.4)	–
FVTPL investments under IFRS 9	2.1	0.7
Revaluation of contingent consideration	0.4	0.2
Dividends paid to IFRS 2 put option holders	4.7	5.8
Put option accounting – IFRS 9 and IFRS 2	3.4	12.3
Headline profit before taxation	8.3	17.2

Some of the larger items causing the movement between Statutory and Headline results for 2020 are explained below:

Exceptional items, including restructuring

Exceptional items of £2.0m (2019: £6.2m) include one-off restructuring and reorganisation costs arising from the Group-wide commitment to reduce the overhead cost base, as well as the furlough money received that was repaid subsequent to year end, and professional fees relating to the accounting misstatements identified in 2019. The restructuring costs were principally staff redundancy costs, predominantly involving companies in the UK, US, Australia and Singapore.

Impairment of non-current assets

During the Covid-19 pandemic, the Group reviewed its global property portfolio in the wake of the move to a more flexible working environment. We determined that approximately 17,000 square feet or 30% of the Group's real estate in London, is now surplus to requirements and we are actively marketing the space. Accordingly, of the £3.9m total impairment charge, £2.7m relates to an impairment against the carrying value of our right-of-use property assets. The significantly higher charge in 2019 was due to impairment of goodwill (£5.9m) and associate investments (£5.2m).

Gain on disposal of subsidiaries

The Board made a strategic decision at the start of 2020 to eliminate loss-making businesses from the Group by the end of the year. As a result, a total of 20 entities were either closed, merged or our interest in those entities was divested. Combined, they contributed £4.0m of losses in 2020. The breakdown of the £1.4m gain on disposals and more detail on these losses and costs are provided in Note 9 of the unaudited consolidated non-statutory financial statements.

Financial assets at fair value through profit and loss - FVTPL investments under IFRS 9

The Group holds unlisted equity investments in early-stage companies detailed in Note 15 of the unaudited consolidated non-statutory financial statements. The revaluation of these companies is excluded from Headline results. Two of the unlisted investments went into administration resulting in a write-down of £2.5m.

Put option accounting

These costs comprise IFRS 2 and IFRS 9 charges, profit allocations and dividends paid to holders of put options, the charge being excluded from Headline results. During the year, two put option schemes which had previously been reported as equity settled schemes were reclassified as bonus scheme liabilities. The reclassification had no P&L impact, but reduced equity by £1.1m and increased trade and other payables by £1.1m at the start of the year. It also increased 2019 Headline staff costs by £1.1m so the 2019 comparative numbers in Notes 1,3 and 5 of the unaudited consolidated non-statutory financial statements have been adjusted and 2019 Headline profit has reduced accordingly. The directors do not consider the reclassification requires an adjustment to prior period financial statements. This is because the magnitude of the balances in equity and trade and other payables is sufficiently large that it would not alter the view of a user of the financial statements of the strength of the consolidated balance sheet.

Financial income and expense

The Group's finance income and expenses includes bank and other interest, lease interest, amortisation of loan costs and fair value adjustments to minority shareholder put option liabilities (IFRS 9).

Interest on leases increased to £2.5m (2019: £1.8m).

Fair value adjustment of put option liabilities created a debit of £(0.1)m (2019: £(2.8)m). Further details can be found in Note 6 of the unaudited consolidated non-statutory financial statements.

Non-controlling interests (minority interests)

On a headline reporting basis, the share of profits attributable to non-controlling interests decreased to £3.4m (2019: £4.9m). This was in line with the overall decrease in the Group's profits.

However, for statutory reporting, certain costs that were charged to non-controlling interests in headline reporting are required (under IFRS 2) to be accounted for as staff costs, as the share option charge is accrued, and subsidiary dividend is paid. Most of the minorities' share and rewards from local equity have been defined as staff costs.

Dividend

The Company did not pay a dividend to its shareholders in 2020 (2019: £9.8m) because of the need to retain cash in the business during the Covid-19 pandemic . The Board has reviewed the dividend policy as part of the Group's recent strategic review and is not proposing to pay a final dividend for the year ended 2020 (2019: nil). The Board concluded that the Group's priority is to return the business to pre-pandemic levels of profitability and earnings and, thereafter, to grow in line with the targets set out at the Capital Markets Day held in January 2021. Assuming a return to normal trading conditions, we would then expect to reinstate dividends, taking into consideration the competing demands for the Group's cash.

Cash flow and banking arrangements
Total cash as at 31 December 2020 was £76.3m (2019: £69.0m). Cash net of bank borrowings was a net surplus of £33.0m compared to a net surplus of £16.6m in 2019.

The Group's net cash flow from operating activities was £33.7m. The improvement in working capital in 2020 was driven by a combination of factors including the Group's improved treasury and cash collection procedures.

The Group extended its revolving credit facility (RCF) with National Westminster Bank plc in May 2020, which was then reduced from £36.0m to £33.0m from 1 December 2020. As at 31 December 2020, £27.0m of the RCF was drawn. In addition to the RCF, the Group had a £5m overdraft facility with National Westminster Bank plc, which remained unutilised as at 31 December 2020.

On 31 May 2021, the Company entered into a revolving multicurrency facility agreement with National Westminster Bank Plc and Barclays Bank PLC for up to £47m (the "Facility"). The Facility includes a £2.5m overdraft and the ability to draw up to £3m as bonds. The Facility is provided on a three-year term (with two optional one-year extensions). The primary purpose of the Facility is to support the Group's working capital requirements which are capable of significant movement within any given month and from one month to the next.

Capital expenditure
Total capital expenditure in 2020 (including software acquired) decreased to £3.7m (2019: £5.8m). Capex includes £0.9m on computer equipment and £0.5m on software and film rights. The remaining £2.3m was incurred on leasehold improvements and furniture and fittings, most of which was incurred in the refurbishment of the Group's London headquarters.

Share-based incentive arrangements
The Group operates a business model through which senior management have minority ownership in the subsidiary companies they operate, through share-based incentive (put option) arrangements. Accounting for share-based payments is a complex area, with different accounting treatments applicable depending on the nature of the share scheme in place. To increase clarity in this area we have indicated the potential dilutive effect in Note 17 of the unaudited consolidated non-statutory financial statements, providing an estimate of the total number of shares issuable in each of the next five years through the various share-based payments schemes based on different share prices that might prevail over that period.

This is summarised in the table below which shows shares issued and dilution at different share prices:

Effect of a change in the share price								
		Potentially issuable						
Shares total by year	**Issued in 2021 '000**	**2021 '000**	**2022 '000**	**2023 '000**	**2024 '000**	**2025 '000**	**Total issued and issuable '000**	**% dilution on issued shares***
At 83.6p	7,252	11,340	8,746	4,603	2,849	689	35,255	23%
At 100p	6,827	10,511	7,881	4,313	2,817	740	32,863	21%
At 135p	6,827	9,430	6,860	3,950	2,911	857	30,532	20%
At 150p	6,827	9,158	6,601	3,861	2,989	909	30,024	19%
At 200p	6,827	8,545	6,019	3,661	3,329	1,090	29,146	19%
At 250p	6,827	8,178	5,670	3,541	3,736	1,272	28,897	18%
At 300p	6,827	7,933	5,437	3,461	4,175	1,456	28,961	18%

* based on the current issued share capital of 122,743,435 and taking into consideration all potentially issuable shares.

Using the above data and a share price ranging from 135p to 300p, the total dilution to existing shareholders from the issue of new shares between now and the end of 2025 will be between 18% -

20%. The Board is actively considering options to substantially reduce dilution and we will update shareholders on these initiatives following the Company's annual general meeting to be held in 2021.

Note: This analysis has been calculated using the Group's most recent budgets and long-term financial plans to derive valuations for the share-based schemes. However, valuations may be different to those used for this analysis, with the result that the number of shares to be issued and the dilutive impact may be different to that stated above.

Global accounting function, controls and systems

The historical accounting issues identified in 2019 brought to light fundamental organisational and control weaknesses within the Group's finance and accounting functions. The Group has historically operated a decentralised accounting function. The increased size and complexity of the Group necessitated a move to a standardised and enhanced accounting, consolidation and forecasting system. As at 31 May 2021, approximately 70% of the global Group, as measured by net revenue, had moved over to this NetSuite-Workday platform. We have also deployed a global cash management and cash forecasting platform, Kyriba, providing real-time data and access to all bank accounts across the Group.

The Group worked tirelessly in implementing changes and improvements in its financial management, controls and governance. 2020 was an extremely challenging year, but the improved financial discipline imposed across the Group was instrumental in supporting our recovery from the challenges of recent years.

Requirements in connection with publication of non-statutory accounts

These are not the Company's statutory financial statements; these are non-statutory financial statements and do not constitute the Company's statutory financial statements for 2019 or 2020. The Company's audited financial statements for the year ended 31 December 2020 will be issued as soon as the audit has been completed.

This statement along with the unaudited consolidated non-statutory financial statements and analyst presentation is available on our website https://www.mcsaatchiplc.com/reports-results/2020