

**M&C SAATCHI GROUP**

# **INTERIM RESULTS**

Six Months Ended  
30 June 2022

7 September 2022

# AGENDA

## 01 Results

Strong growth, in line with expectations: H1 2022 Headline Profit Before Tax up over 50% versus H1 2021. Positive outlook<sup>1</sup> in the region of £31m FY22 and £41m FY23.

## 02 Strong Independent Future

Proven resilience. Accelerated Strategy. Clear plan.

# INTERIM 2022 RESULTS SUMMARY

- Net revenue growth 9.6% (LFL: 9.6%)
- Headline operating profit margin up 3.5pts to 14.0% (LFL: 14.5%)
- Headline profit before tax up 52.4% to £16.0 million (LFL: 44.0%)
- Strong net cash of £39.7million, up from £31.8million at 30 June 2021
- Tactical cost reduction initiatives and focus on cost management

# HEADLINE INTERIM 2022 RESULTS

## Consistently Strong Growth

Like-for-like growth in revenue of 9.6%, excluding the effect of acquisitions that occurred in 2021

Like-for-like profit before tax increased by 44.0%

Full year profit before tax in-line with previous announcements

	2022 £m	2021 £m	Movement £m	%	LFL* %
Headline					
Net revenue	129.4	118.1	11.3	9.6%	9.6%
Operating profit	18.1	12.4	5.7	46.4%	46.1%
Profit before tax	16.0	10.5	5.5	52.9%	44.0%
Earnings <sup>^</sup>	7.8	4.0	3.8	95.0%	84.2%

\* Like-for-like growth excluding effect of increased stake in previous associates during 2021

<sup>^</sup> Earnings are calculated after deducting tax and the share of profits attributable to non-controlling interests

# KEY RATIOS

## Significantly Improved Headline Margin & Earnings

Significant growth achieved in 2021,  
which has continued into 2022

Operating leverage driving margin  
growth

Strong earnings growth at a headline  
level

	2022	2021
Headline net revenue growth	9.6%	14.2%
Headline operating margin	14.0%	10.5%
Headline effective tax rate	29.1%	36.3%
Headline Basic EPS	6.37p	3.32p
Headline Diluted EPS	6.37p	3.11p
EBITDA	£22.8m	£16.8m

# 2022 SEGMENTAL PERFORMANCE

	High Growth Specialisms	Advertising & CRM	Group Central Costs	Total
Six Months Ended 30 June 2022	£m	£m	£m	£m
Net revenue	68.4	61.0	–	129.4
Operating profit/(loss)	20.1	2.9	(4.9)	18.1
Operating profit margin	29.5%	4.7%	–	14.0%
Profit/(loss) before tax	19.2	1.9	(5.1)	16.0

## Total of High-Growth Specialisms

- 53% of group revenue
- 82% of group operating profit
- 29.5% operating profit margin

*Significant net revenue and operating profit margin growth. Specialisms include material counter-cyclical revenue streams*

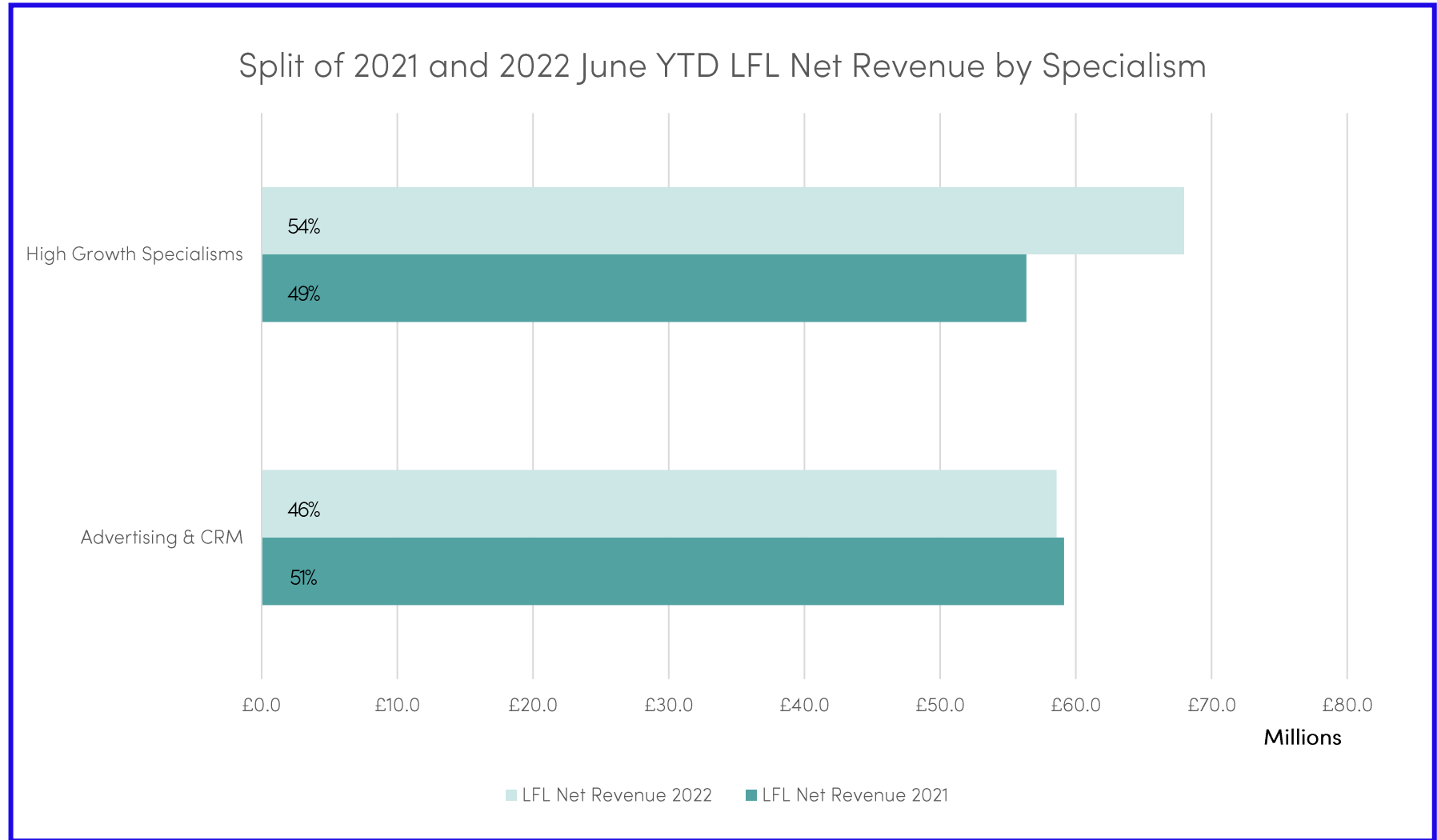
## Total of Advertising & CRM

- 47% of group revenue
- 18% of group operating profit
- 4.7% operating profit margin

*Focus on margin improvement across the specialism*

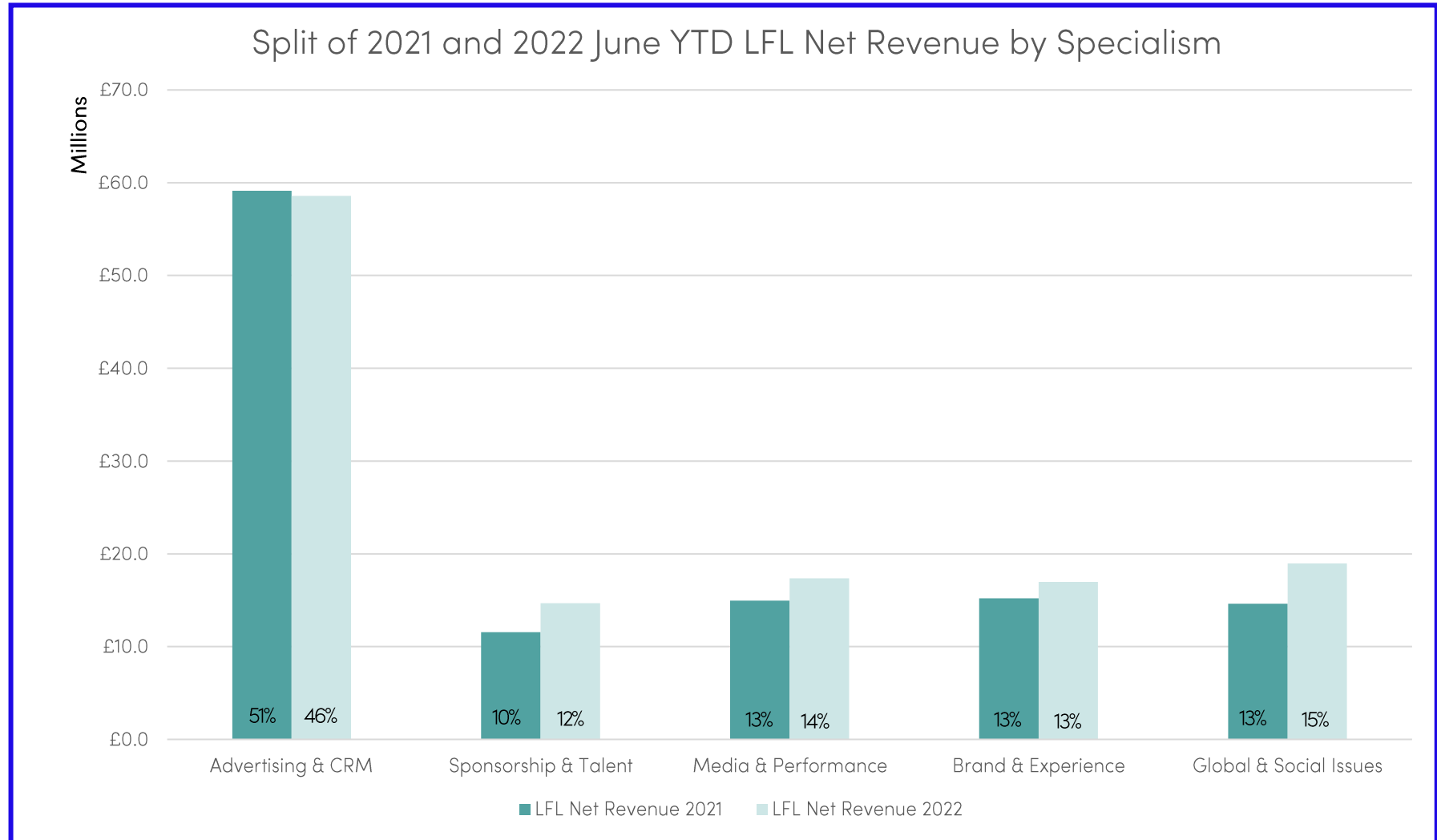
# INTERIM NET REVENUE GROWTH

- High growth specialisms represent more than half of the business and are growing faster



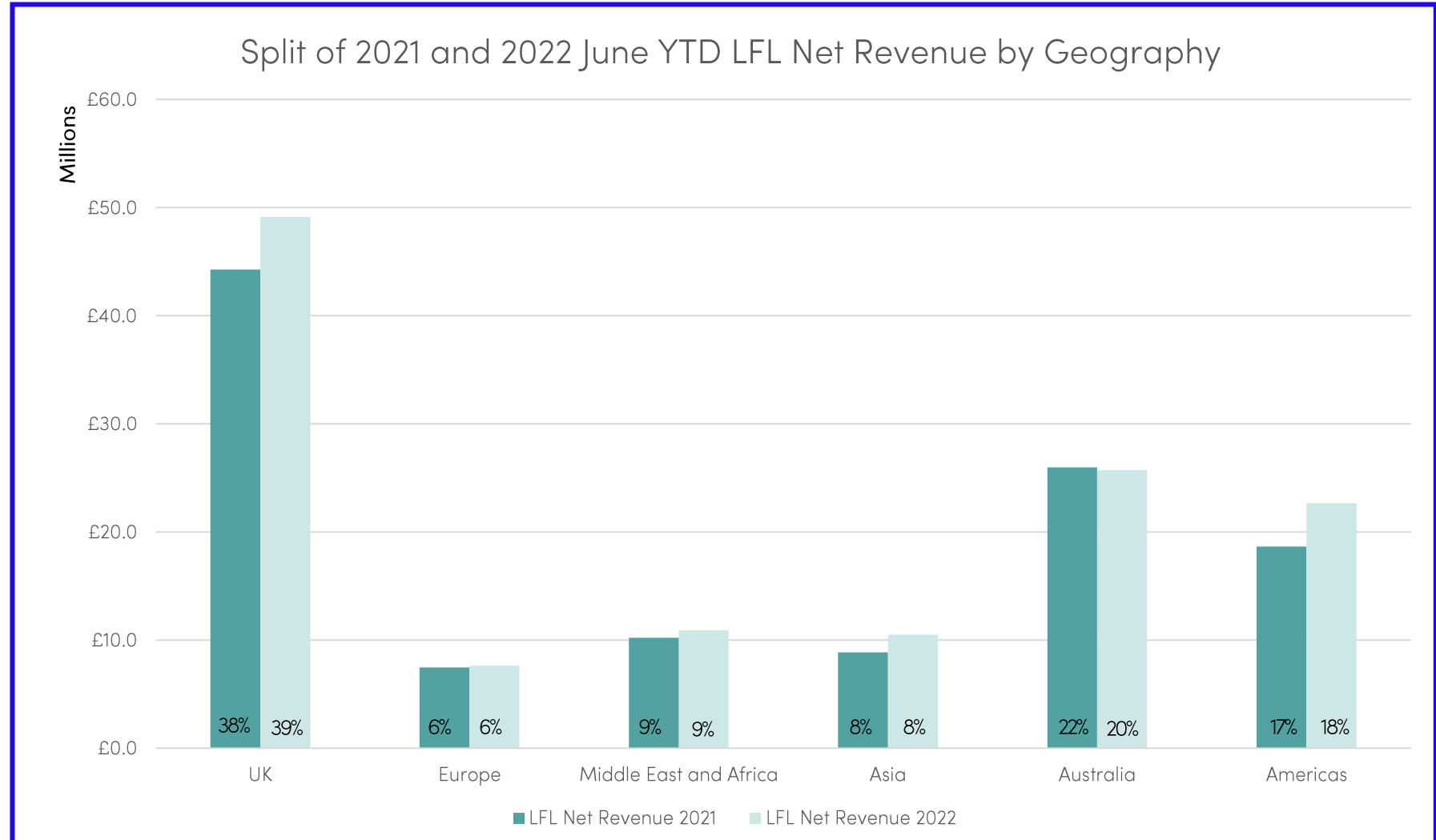
# INTERIM NET REVENUE, BY SPECIALISM

- Growth in other specialisms has resulted in the % share of Advertising & CRM decreasing from 51% to 46% between 2021 and 2022
- Sponsorship & Talent revenue growth of 27% between June 2021 and 2022, a movement in share from 10% to 12%
- Global & Social Issues revenue growth of 30% between June 2021 and 2022, a movement in share from 13% to 15%



# INTERIM NET REVENUE, BY REGION

- UK market revenue growth of 11% between June 2021 and 2022, a movement in share from 38% to 39%
- Asia revenue growth of 19% between June 2021 and 2022, consistent share of 8%
- Americas revenue growth of 21% between June 2021 and 2022, a movement in share from 17% to 18%
- Australia revenue decline of 1% between June 2021 and 2022, a movement in share from 22% to 20%



# BALANCE SHEET AND CASH MANAGEMENT



- Strong cash conversion and disciplined cash management
- Consistent increase in cash
- Net cash £31.8m at Jun 21, £34.4m at Dec 21 and £39.7m at Jun 22
- Reduction in debt to £10m
- Liquidity headroom of £67m at Aug 22
- Remains the Board's intention to reinstate dividends from 2022

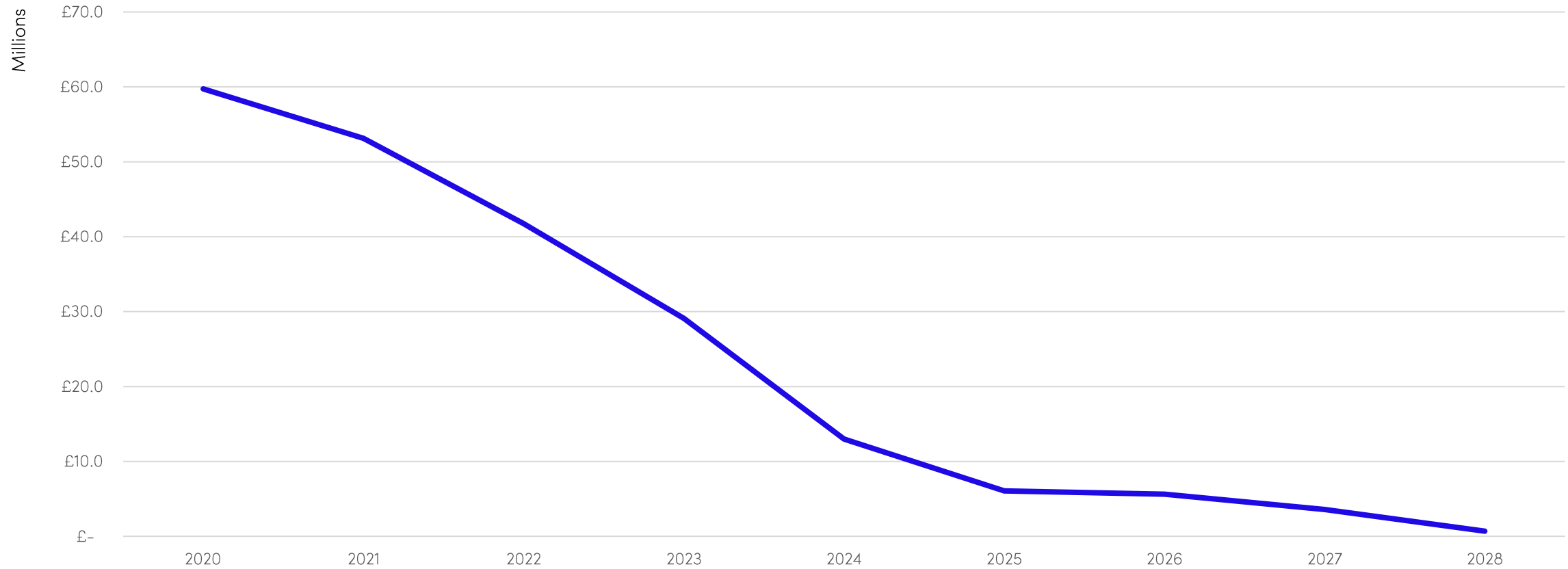
# MINORITY LIABILITY

Significant tapering of minority interests expected over the next two years

Future share price of Company	Paid 1 <sup>st</sup> Half 2022	Payable 2 <sup>nd</sup> half 2022	2023	2024	2025	2026	2027	2028	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
150.0p	1,807	10,847	15,090	6,593	398	1,930	2,854	661	38,373
160.0p	1,807	10,847	16,096	6,926	428	2,039	2,886	705	39,927
175.0p	1,807	10,847	17,605	7,425	474	2,204	2,934	771	42,260
200.0p	1,807	10,847	20,119	8,395	551	2,479	3,268	882	46,541

# MINORITY LIABILITY TRAJECTORY

Cumulative Put Option Liability Trajectory Assuming Share Price of 160p



# OUTLOOK

- H1 momentum has continued into H2 with July Headline PBT ahead of the Board's expectations
- Full year Headline profit before tax expected to be in the region of £31m<sup>(1)</sup>, up 15% on FY2021
- Despite deteriorating economic conditions, well positioned: specialist capabilities, counter-cyclical revenue streams and geographic breadth
- Major, global cost efficiencies programme initiated to reduce duplication and drive global centralisation in 2023
- Maintaining 2023 Headline profit before tax forecast in the region of £41m

# AGENDA

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## 02 Strong Independent Future

Proven resilience. Accelerated Strategy. Clear plan.

(1) As per the Company's announcement on 29 April 2022 in respect of its profit forecasts of Headline profit before tax in the region of £31 million and £41 million for the years ending 31 December 2022 and 31 December 2023 respectively and subsequent confirmations of those profit forecasts in the announcement on 20 May 2022, the scheme document published on 17 June 2022 and the defence circular published on 28 June 2022.

# PROVEN RESILIENCE

## EXTREME CHALLENGES

Misstatements  
Covid  
Hostile Takeover

## GALVANISED MANAGEMENT

Loyal leadership  
Strong colleague engagement  
Purpose-led

## RECORD RESULTS

Revenue growth  
Profit delivery  
Strong cash position

## ROBUST RESPONSE

New Board & Governance  
Restructuring  
New Strategy

## DELIVERING FOR CLIENTS

Client retention  
Major wins  
Connected growth

# ACCELERATED STRATEGY

## SIMPLIFICATION

- Efficiencies from technology platforms
- Automating and standardising cross-group collaboration
- Strengthened back-office
- Local and central cost reduction initiatives

## CONNECTION

- Connected revenue now comprising over 50% of total
- Cross-discipline, cross-market wins enabled by growth team and multi-disciplinary capabilities
- Deploying connected global technology platforms including global CRM to drive growth
- Launched dedicated sustainability consultancy, M&C Saatchi LIFE

## DIGITISATION

- Scaling data analytics capability
- Launched Brand Desire, AI-powered, proprietary brand intelligence platform
- Hired a Chief Data and Technology Officer
- Launched Thread Innovation
- Developing SME marketing SaaS platform

# CLEAR PLAN

## COUNTER-CYCLICAL INVESTMENT

- Performance Media
- Sponsorship & Talent
- Global & Social Issues

## GLOBAL EFFICIENCY PROGRAMME

- Simplified operating model
- Centralised procurement
- Consolidating functions

## STRONGER CONNECTIVITY

- Scaling data offer
- Standard global technology platforms
- Extending CX and innovation capability

## NETWORK OPPORTUNITY

- Enhanced creativity
- New capabilities
- Geographic focus

**M&C SAATCHI GROUP**

**THANK YOU**

# APPENDICES

# INTERIM NET REVENUE BY SPECIALISM & REGION

Net Revenue	Reported			LFL		
	2022	2021	2022 vs 2021	2022	2021	2022 vs 2021
Specialism	£m	£m	Movement	£m	£m	Movement
Advertising & CRM	61.0	61.6	(0.9%)	58.6	59.1	(0.9%)
Performance Media	17.4	15.0	15.9%	17.4	15.0	15.9%
Global & Social Issues	19.4	14.7	31.4%	19.0	14.6	29.7%
Brand & Experience	17.0	15.2	11.6%	17.0	15.2	11.6%
Sponsorship & Talent	14.7	11.6	27.2%	14.7	11.6	27.2%
<b>Group total</b>	<b>129.4</b>	<b>118.1</b>	<b>9.6%</b>	<b>126.6</b>	<b>115.5</b>	<b>9.6%</b>
Net Revenue	Reported			LFL		
Region	2022	2021	2022 vs 2021	2022	2021	2022 vs 2021
	£m	£m	Movement	£m	£m	Movement
UK	49.1	44.3	10.9%	49.1	44.3	10.9%
Europe	7.6	7.5	2.3%	7.6	7.5	2.3%
Middle East & Africa	10.9	10.2	6.7%	10.9	10.2	6.7%
Asia	12.3	10.7	15.5%	10.5	8.9	18.5%
Australia	25.7	26.0	(1.0%)	25.7	26.0	(1.0%)
Americas	23.7	19.5	21.7%	22.7	18.7	21.4%
<b>Group total</b>	<b>129.4</b>	<b>118.1</b>	<b>9.6%</b>	<b>126.6</b>	<b>115.5</b>	<b>9.6%</b>

# HEADLINE INTERIM RESULTS, BY REGION

Stronger performance across most regions in terms of net revenue

	UK	Europe	Middle East and Africa	Asia	Australia	Americas	Group Central Costs	Total
Six Months Ended 30 June 2022	£000	£000	£000	£000	£000	£000	£000	£000
Net revenue	49,126	7,644	10,900	12,310	25,726	23,688	–	129,394
Operating profit/(loss)	11,232	715	912	4,185	2,091	3,866	(4,922)	18,079
Operating profit margin	22.9%	9.4%	8.4%	34.0%	8.1%	16.3%	–	14.0%
Profit/(loss) before tax	11,550	684	767	4,146	1,686	2,316	(5,108)	16,041

# STATUTORY INTERIM 2022 RESULTS

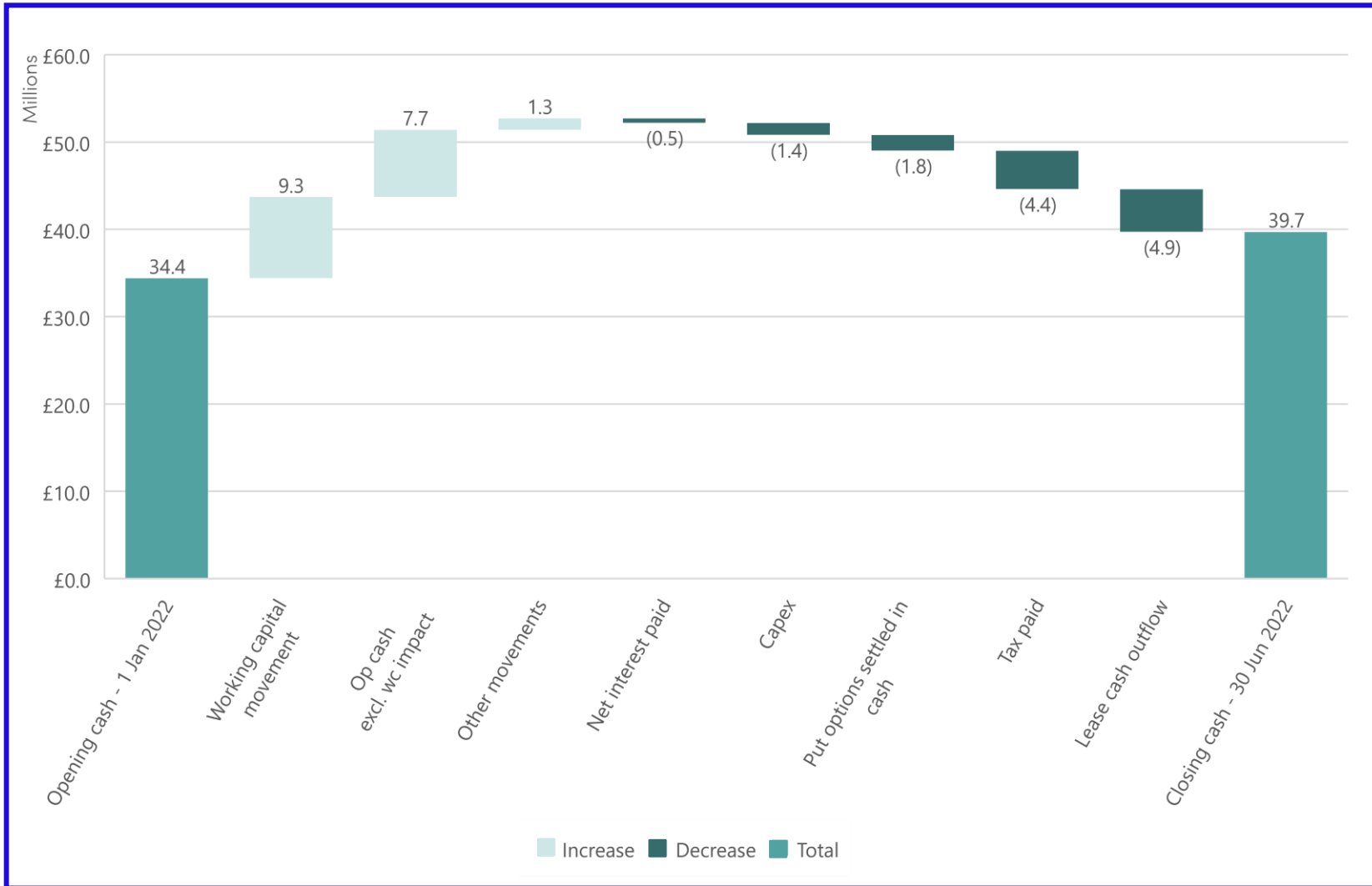
## Takeover Costs Impacting Statutory Results

Reduction in operating profit, profit before tax and the negative EPS in 2022 is due to the impact of ongoing takeover costs (£9.5m)

Statutory outlook positive in H2

	2022	2021
Net revenue	£129.4m	£118.1m
Net revenue growth	9.6%	14.2%
Operating profit	£2.7m	£7.0m
Operating profit margin	2.1%	6.0%
Profit before tax	£0.3m	£4.8m
Earnings	(£4.1m)	£1.5m
Basic EPS	(3.38p)	1.27p
Diluted EPS	(3.38p)	1.19p

# CASHFLOW WATERFALL



Strong operating cash position

Positive working capital movement in the first half of the year.