# M&C SAATCHI PLC

INTERIM RESULTS

SIX MONTHS ENDED
30 JUNE 2023

14 September 2023

# M&C SAATCHI PLC
# (the "Company")
# Interim results for the six months ended 30 June 2023

**Strong double-digit growth in the Issues and Passions specialisms.**
**Good margin momentum going into second half with acceleration of new operating model.**

### H1 Highlights

#### Financial

- Net revenue of £120.4million (H1 2022: £129.4million).
- Headline operating profit margin of 8.3% (H1 2022: 14.0%), with Q2 margin of 12%.
- Headline profit before tax of £8.8million (H1 2022: £16.0million), with strong operating leverage mitigating the impact of lower revenue.
- Headline EPS of 4.47p (H1 2022: 6.37p).
- Net cash at 30 June 2023 of £15.4million (30 June 2022: £39.7million), reflecting lower trading and the settling of put options.

#### Operational

- Strong double-digit net revenue growth in our Issues (+22% LFL) and Passions (+10% LFL) specialisms, which now account for c.£40million (33%) of the Group's net revenue, demonstrates the value of our ongoing diversification away from traditional advertising. New clients include Unilever, Channel 4 and JPMorgan, with new assignments from Diageo, Samsung and Pepsico.
- Good progress being made on the strategy set out at the Capital Markets Day, with growth in our Fluency brand expanding our data capabilities, and put option settlement creating more opportunities for growth and investment returns.
- Along with the wider market, we have seen a significant slowdown in technology client spend in our Media specialism and a slower pace of new business wins in the Advertising division. However, 85% of the Company's full year revenue forecast is now booked as at the end of August, marginally ahead of 84% for the same time last year. Recovery is expected in the second half of the year.
- Enhanced, simplified leadership structure under a new Executive Chair implemented, with investment focused on our specialisms, and new leadership roles to drive creativity, execution, and efficiency.
- Global efficiency programme refocussed to accelerate quick wins, while delivering the strategy for the longer term. As a result, we expect to deliver annualised savings of £3.8million in FY2023 with an in-year impact of £1.5million. We are targeting annualised savings of £10million by the end of FY2024.

**Current Trading and Outlook**

- Revenue pacing marginally ahead of this time last year, with 85% of full year expected revenue booked. Improving momentum in H2, with a small single digit net revenue decline expected.
- Operating leverage in Advertising, combined with our global efficiency programme, means that we are expecting improvement in Headline operating margin in H2. Full year margin is expected to be in line with last year.
- In light of the continued challenging macro environment, we are taking a cautious view overall on H2. In 2024, the Group should benefit from the global efficiency programme and review of loss-making entities.

## Unaudited Headline[1] Results

| Six Months To 30 June 2023 | | | | |
|---|---|---|---|---|
| | **2023 £M** | **2022 £M** | ***Movement*** | ***LFL[2]*** |
| Net revenue[1] | 120.4 | 129.4 | *(7%)* | *(7%)* |
| Operating profit | 10.0 | 18.1 | *(45%)* | *(48%)* |
| Profit before taxation | 8.8 | 16.0 | *(45%)* | *(48%)* |
| Earnings[3] | 5.5 | 7.8 | *(30%)* | *(12%)* |
| Operating profit margin | 8.3% | 14.0% | *-5.7pts* | |
| EBITDA[4] | 14.5 | 22.8 | *(36%)* | |
| Net cash[1] | 15.4 | 39.7 | *(61%)* | |

## Unaudited Statutory Results

| Six Months To 30 June 2023 | | | |
|---|---|---|---|
| | **2023 £M** | **2022 £M** | ***Movement*** |
| Revenue | 216.7 | 221.7 | *(2%)* |
| Net revenue[1] | 120.4 | 129.4 | *(7%)* |
| Operating (loss)/profit | (3.6) | 2.7 | *(231%)* |
| (Loss)/profit before taxation | (5.1) | 0.3 | *(1759%)* |
| Losses[3] | (6.3) | (4.0) | *(57%)* |
| Operating (loss)/profit margin | (3.0%) | 2.1% | *-5.1pts* |

[1] Refer to Notes for the definition of Headline net revenue and net cash.
[2] Like-for-like excluding the effect of the disposal of Clear Deutschland GMBH in H1 2023 and retranslating 2022 figures to 2023 FX rates.
[3] Earnings and Losses are calculated after deducting tax and the share of profits attributable to non-controlling interests.
[4] EBITDA is calculated excluding the income statement charges relating to IFRS 16.

**Moray MacLennan, Chief Executive Officer, said:**

*The diversification of our offering, combined with swift action on our cost base, have ensured good momentum into the second half, despite a slower start to 2023. Strong double-digit growth in Issues and Passions, in particular, reflects our continued investment in our specialisms.*

**Zillah Byng-Thorne, Executive Chair, said:**

*The second half of the year is about growth, execution, and efficiency. Whilst some economic headwinds are likely to continue, we are focused on what we can control: continued connectivity of our business, elevating our highest-margin businesses in resilient segments, underpinned by tight cost management.*

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014.

**M&C Saatchi Half Year 2023 Results - Analyst Presentation**

M&C Saatchi plc will host an in-person analyst presentation today at 9:00am at 36 Golden Square, London, W1F 9EE. The presentation will be followed by a Q&A with Zillah Byng-Thorne, Executive Chair, Moray MacLennan, Chief Executive Officer, and Bruce Marson, Chief Financial Officer.

Please email MCS@Brunswickgroup.com to register to attend. Dial-in details are also available for those not able to attend in person.

For further information please call:

| | |
|---|---|
| **M&C Saatchi plc** | +44 (0)20-7543-4500 |
| Zillah Byng-Thorne, Executive Chair | |
| Moray MacLennan, Chief Executive Officer | |
| Bruce Marson, Chief Financial Officer | |
| **Numis Securities Limited** | +44 (0)20-7260-1000 |
| Nick Westlake, Iqra Amin | |
| **Liberum Limited** | +44 (0)20-3100-2000 |
| Max Jones, Benjamin Cryer, Will King | |
| **Brunswick Group Limited** | +44 (0)207-404-5959 |
| Andrew Porter, Kate Pope | |

## SUMMARY OF RESULTS

Net revenue for H1 was £120.4million, down 7.0% compared to last year. Our specialisms delivered £70.3million (+0.9% vs last year), compared to the Advertising division at £50.1m, (-16.1% vs last year), reflecting the delivery of our strategy set out at our Capital Markets Day earlier this year. The specialisms were fueled by double digit revenue growth in the Issues (+20.6%) and Passions (+11.0%) specialisms, underpinning their strong market position. Along with the wider market, we experienced challenging trading conditions in H1, particularly in those businesses with more exposure to a technology client base or where there is more discretion around client spend resulting in lead times for new projects widening. This had an impact on revenues in our Media specialism (-30.1%) and the Advertising division (-16.1%), although we saw a strong performance in our US advertising business (+4.1%).

Headline operating costs decreased by 1% to £110.4million compared to H1 2022 (£111.3million) and decreased by 11% versus H2 2022 (£124.4million). The nature of the business means that as some markets began to see revenue soften, we were able to flex the variable cost base, with most of these actions impacting Q2 onwards, while ensuring we continued to invest in our specialisms. As a consequence, the Headline operating profit margin was 12% in Q2, compared to 8.3% for H1 overall. This improvement in margins was also a consequence of some of the early wins from the global efficiency programme announced at our Capital Markets Day, with £0.5million of savings delivered within the H1 results.

Overall Headline operating profit was £10.0million, a decline of £8.1million versus last year. The global efficiency programme has been refocused into quick wins and more structural savings. The quick wins have secured annualised savings of £3.8million already, which is expected to have an impact of £1.5million in FY2023. We are targeting further annualised savings of around £6million by the end of FY2024, as a result of the centralisation of certain back and middle office functions.

In H2, we expect continued strong momentum in the Issues and Passions specialisms, and some recovery in the Media specialism and Advertising division, supported by the typical seasonality of client campaigns.

On a statutory basis, the Company delivered a loss before tax of £5.1million (2022: £0.3million profit), due to the decline in net revenue of £9.0million that has been partially mitigated by statutory cost savings of £3.6million.

Net cash as at 30 June 2023 was £15.4million (£30.0million at 31 December 2022). During H1, we cash-settled £3.3milliion of put options and experienced a negative working capital swing of £6.8million driven by lower trading volumes and one-off adverse working capital timing at the end of June, much of which we expect to reverse in H2. During H2 we expect to cash settle a further £15.5million of put options, leaving us with a residual liability of c.£12million at a 152p share price.

### Market Dynamics

Market growth in the first half of 2023 slowed significantly, with clients slower to commit budgets and generally spending less. While there are some indications of the wider market beginning to recover in H2 2023 and beyond, we are taking a cautious outlook for H2 until we see more data points. Beyond the economic trends we see several key themes emerging:

- Generative AI – especially the diversity, scale, and rate of acceleration of the application layer.
- Digital transformation – continuing at pace, and responsible for a large proportion of the sector's growth.
- Complex marketing mix – channel and customer engagement platform fragmentation resulting in client demand for simplification and consolidation.
- Automation at speed – increased speed, personalisation and customisation of messaging across more channels as a result of tech (including Generative AI).
- Creativity as a competitive advantage – enabling differentiation, cut through and improved ROI.
- Sustainability - albeit eclipsed in coverage by the economic headwinds and cost of living crisis.

We have reflected these themes in our proposition and believe we are well positioned to succeed due to our: broad diversified client base, geographic breadth, and specialist capabilities in resilient, counter-cyclical segments: public sector, issues-based marketing, passions and talent.

### Strategy Update

During our Capital Markets Day, we outlined our strategy centred around accelerating high-margin, digital-led growth, with three clear pillars:

- Building capabilities with a focus on data, tech and digital transformation.
- Developing new opportunities through M&A and partnerships; moving away from start-ups.
- A new operating model that delivers significant cost savings and enhanced productivity.

Delivery of this strategy is core to our ongoing success. In H1 we have made good progress, with Fluency growing at scale and underpinning our data capabilities. The settlement of the put options also means that only 10% of earnings will be attributable to minorities by the end of 2023 (2022: 25%), further simplifying our opportunities for growth and freeing up capital for M&A moving forward. The initial benefit of our operating model work is beginning to be seen in our business, and we expect to have completed our new organisation design by the end of the year.

At the heart of our strategy is creativity and award-winning work. The recent additions to our trophy cabinet are an endorsement of this, winning awards in Data (Campaign's Start up Agency of the Year – M&C Saatchi Fluency) and Consultancy (Consultant of the Year – Consulting Magazine). While winning, Agency of The Year, Sports Industry Awards (M&C Saatchi Sport & Entertainment) and Performance Marketing Agency of Year – Marketing Interactive, highlight the peer recognition of our specialisms.

Our ongoing ability to deliver on this strategy is underpinned by a focus on growth, execution and efficiency, and the key developments in each of these areas is outlined below.

**Growth Plans**

Core to our strategy are our growth plans. As technology advances, creativity is even more integral to our future growth than it has been in our past. Our ability to stand out from the crowd, with award winning creative, is the easiest way to win new clients, and while we have many fantastic creative resources across the businesses, we had no one person representing our creative agenda at the leadership table. As a result, we have embarked on a search for a new Chief Creative Officer who will set the benchmark for our work internally, while also playing a hands-on leadership role across our UK Group.

We are focussing our investment and energy on growing our strategically important businesses, whilst also undertaking a review of loss-making and non-core entities. Where businesses do not have a clear route to profitability within the next 18 months we will look to divest or close them, unless there is a clear strategic imperative not to.

Replicating success is an easy way to accelerate growth and, as we have examined our track record, it is evident that where we provide clients with integrated solutions across regional advertising centres, we excel. As a consequence, we have decided to organise around a regional first strategy. The benefits of this include simplifying collaboration and ensuring more of our revenue can become connected, harnessing the benefits of the wider group at scale.

Justin Graham will lead this for us across the APAC region, while Marcus Peffers will take on an extended remit to include Chief Executive Officer of the UK Group. The increased focus on regional integration supports the drive towards connected revenue, which now accounts for c.60% of net revenue, driven by technology platforms, new capabilities and collaboration processes.

**Execution**

The effective execution of our strategy is critical to our success. To enable this, we have made a number of changes to how we are organised and drive performance. To improve alignment, clear accountabilities and ownership, we have simplified our leadership structure from over 20 (the old ExCo) to a new Executive Leadership Team of 13. This new team includes two newly created roles including the Chief Creative Officer as referenced above and a Chief Operating Officer who will support the execution and delivery of the global efficiency programme. A new way of working, focussed on meeting cadences, pipeline management and lead sharing has been introduced. This is in addition to work that is underway for a new LTIP and incentive plan for the Executive Leadership Team and senior leaders, to drive collaboration and entrepreneurialism.

**Efficiency**

We have broadened and deepened the scope of our global efficiency programme and refocussed it into two streams; quick wins and structural changes. Having identified savings of just under £4million already, we are now targeting an additional £6.2million of savings from the creation of shared service centres and centralised procurement. This will bring the total annualised savings to £10million by the end of 2024, and we expect the costs of change to be in the range of 0.5-1x of the saving.

During the year we intend to merge our small advertising head office in Asia with Australia, to increase resource and capability available to the APAC region. While we have also reviewed the central group structure reducing the absolute size of the team, with increased accountability for growth and strategy being devolved to the regions and specialisms, in order for the Group to focus on delivery of global efficiencies and effective capital allocation.

## Headline Segmental Information (Like-for-Like)[1]

## Specialisms

| | Net Revenue<br>H1 2023<br>£000 | Net Revenue<br>H1 2022<br>£000 | *Movement* | Operating Profit<br>H1 2023<br>£000 | Operating Profit<br>H1 2022<br>£000 | *Movement* |
|---|---|---|---|---|---|---|
| Specialisms | 70,158 | 70,250 | *0%* | 13,866 | 19,979 | *(31%)* |
| Advertising | 50,091 | 59,465 | *(16%)* | 461 | 4,113 | *(89%)* |
| Group Central Costs | - | - | - | (4,353) | (4,922) | *12%* |
| **Total** | **120,249** | **129,715** | ***(7%)*** | **9,974** | **19,170** | ***(48%)*** |

Specialisms now represent 58% of the Group's net revenue (from 49% two years ago). These specialisms contributed £70.3million of the Group's net revenue (H1 2022: £70.3million, 54%), and £13.9million (139%) of the Group's Headline operating profit (H1 2022: £20.0million, 104%). Net revenue decreased by £0.1million (0%) compared to H1 2022, the revenue decline in Media offsetting the strong growth in Issues and Passions.

Headline operating profit margins decreased to 19.8% from 28.4% in H1 2022, due to the impact of the revenue decline in Media (which is high margin), although this was partially mitigated in the Media specialism by headcount reductions in the US and UK. In addition, the Issues, Passions and Consulting specialisms have invested in staff to retain the best talent and added headcount to drive future growth.

Advertising contributed £50.1million (42%) of the Group's net revenue (H1 2022: £59.5million, 46%) and £0.5 million (5%) of the Group's Headline operating profit (H1 2022: £4.1million, 21%). Net revenue decreased by £9.4million (16%) compared to H1 2022. Operating profit margins decreased to 0.9% from 6.9% in H1 2022, as cost saving measures lagged the decrease in revenue.

[1] Like-for-like excluding the effect of the disposal of Clear Deutschland GMBH in H1 2023 and retranslating 2022 figures to 2023 FX rates. Additionally, 2022 comparators have been restated in respect of agencies which changed from Advertising to Specialisms in H2 2022

- **Specialisms**
  - **Issues – driving critical global and social change, protecting the planet, transforming lives for the better**

    A net revenue increase of £4.1million to £23.4million (+21.5%), driven by ongoing growth of the security and defense business, continuing the momentum from the prior year. New client assignments include WHO, Ofcom, and UNICEF.

  - **Passions – connecting brands direct to consumers through passions and personalities**

    A net revenue increase of £1.6million to £17.1million (+10.3%), driven mainly by the Sport and Entertainment business in the UK, which supported clients such as Barclays to maximise their sponsorship of Wimbledon, and the Sport and Entertainment business in Germany, which won new clients such as Porsche.

  - **Consulting – transforming businesses by unlocking existing and new growth opportunities**

    A net revenue decrease of £0.2million to £17.5million (-0.7%), with our CX business in the US winning additional new projects and our small startup consultancies starting to win more new business including McDonalds, Channel 4 and Nike. This was offset by a decline in our brand design business as clients pause or defer new projects.

  - **Media – connecting brands with today's connected customers**

    A net revenue decrease of £5.6million to £12.1million (-31.9%), due to the well-publicised downturn in the technology sector in the US and UK. A restructuring programme has been undertaken to mitigate the full-year profit impact of the lower revenues during H1 2023. However, we did pick up some notable wins with Amazon, Sega and TickPick.

- **Advertising – Blending marketing science with creativity through earned, owned and paid-for content**

  A net revenue decrease of £9.4million to £50.1million (-15.8%). The Advertising division includes a large number of businesses. We saw good revenue growth in the US, driven primarily by increased activity with Meta; Italy, driven by growth in its partnership with EY; Brazil, driven by increased spend from clients (including BASF and Uber); and UAE, where we won more work with new and existing clients. While our businesses in the UK, Australia, Germany and China, suffered revenue declines year-on-year as a consequence of the challenging market conditions.

**Group Central Costs**

Further to the global efficiency programme, central costs have reduced by £0.5million to £4.4million (12%). This is driven primarily by a reduction in external audit fees and executive bonuses.

## Income Statement

- **Statutory Profit Before Tax**

Statutory loss before tax was £5.1m (2022: £0.3m profit). This loss was primarily driven by non-trading items, such as the revaluations of put options and equity investments. A full listing of these items is set out in Note 4.

- **Taxation**

The effective tax rate for H1 2023 has decreased to 23.7% (H1 2022: 29.1%). This is mainly due to the takeover transaction costs in H1 2022, which were treated as non-deductible for corporation tax provision purposes.

- **Earnings**

The Headline earnings decline was partially mitigated, as minority interests were further reduced in H1 to 18% (from 32% in H1 2022).

## Balance sheet and cashflow

- **Cash and Borrowings**

Operating cash inflow before movements in working capital was £4.2million, which was lower than last year (£7.7million in H1 2022), but in line with the lower profitability.

We invested £1.6million, similar to last year, buying replacement IT equipment, fit-outs for new offices in Dubai and Berlin, and procuring new software. We paid out £3.3million to settle put options and reduce our minority interests (with more to come in H2). We also paid what was due on our property leases (£4.4million), down from £4.9million last year.

Cash net of bank borrowings at 30 June 2023 is £15.4million, compared to £30.0million of net cash at 31 December 2022 and £39.7million net cash at 30 June 2022.

- **Working Capital Movement**

Trade and other receivables decreased by £15.7million (11%) between 30 June 2022 and 30 June 2023, driven by the reduction in activity. Trade and other payables decreased by £33.1million (19%) between 30 June 2022 and 30 June 2023, driven by the reduction in activity and lower levels of cost accruals.

Net working capital decreased by £6.8million since the beginning of the year. This has been driven by lower trading volumes (which has reduced our ongoing positive working capital position) and one-off timings on when suppliers have been paid and clients have been billed in June (versus December). We expect much of this to reverse in H2.

- **Put Options**

Based on the put option holders that have exercised in 2023, around 50% of the remaining liability will be settled in H2 2023. This is expected to reduce minority interests to 10% of Headline earnings in 2023, down from nearly 40% in 2019. We expect the remaining liability at the end of the year to be around £15m, and this will be settled over the next five years.

- **Other Balance Sheet Movements**

The other movements include the revaluation of unlisted equity investments held in early-stage companies, reported as financial assets at fair value through profit and loss. The revaluation of £1.9million of these companies is excluded from Headline results.

## Notes to Editors

**Company**
M&C Saatchi plc, a company incorporated and domiciled in England and Wales with company number 05114893, listed on the AIM Market of the London Stock Exchange plc.

**Group**
The Company and its subsidiaries.

**Headline results**
A self-defined alternative measure of profit that provides a different perspective to the Statutory results. The Directors believe it provides a better view of the underlying performance of the Company, because it excludes a number of items that are not part of routine business income and expenses. These Headline figures are a better way to measure and manage the business and are used for internal performance management and reward. “Headline results” is not a defined term in IFRS.

Headline results represent the underlying trading profitability of the Group and excludes:
• Separately disclosed items that are one-off in nature and are not part of running the business.
• Acquisition-related costs.
• Gains or losses generated by disposals of subsidiaries and associates.
• Fair value adjustments to unlisted equity investments, acquisition related contingent consideration and put options.
• Dividends paid to IFRS 2 put option holders.

A reconciliation of Statutory to Headline results is presented in Note 4.

**Operating profit margin**
Operating profit margin refers to the percentage calculated through dividing operating profit by net revenue.

**Net cash**
Net cash refers to cash and cash equivalents, less borrowings of the Group, derived from the accounts in the balance sheet, excluding lease liabilities.

**Net revenue**
Net revenue is equal to revenue less project cost / direct cost. It is not an IFRS defined term. It is, however, used as a key performance indicator by the Group.

**Revenue**
Revenue comprises the total of all gross amounts billed, or billable to clients in respect of commission-based, fee-based and any other income where we act as principal and our share of income where we act as an agent. The difference between Billings and Revenue is represented by costs incurred on behalf of clients with whom we operate as an agent, and timing differences where invoicing occurs in advance or in arrears of the related revenue being recognised.

**EBITDA**
EBITDA is earnings before depreciation, amortisation, finance expense and taxation, and excludes any charges relating to IFRS 16. It is not an IFRS defined term. It is, however, used as a key performance indicator by the Group.

**Billings**
Billings comprise all gross amounts billed, or billable to clients in respect of commission-based and fee-based income, whether acting as agent or principal, together with the total of other fees earned, in addition to those instances where the Group has made payments on behalf of customers to third parties. It is stated exclusive of VAT and sales taxes.

**Minority interests and non-controlling interests**
Within the Group, there are a number of subsidiary companies and partnerships in which employees hold a direct interest in the equity of those companies. These employees are referred to as minority shareholders. Of these subsidiary companies and partnerships, most account for the shareholding of their minority shareholders as a management

incentive (through the award of conditional shares) and are 100% consolidated in the Group’s financial statements. The remaining four subsidiary companies (including one without a put option) account for their minority shareholders as non-controlling interests, a defined IFRS term, with their share of the Group’s profits being shown separately on the Income Statement.

# Unaudited Consolidated Income Statement

| | Note | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Year ended 31 December 2022 |
|---|---|---|---|---|
| | | **£000** | **£000** | **£000** |
| **Billings** | | **250,448** | **262,208** | **597,520** |
| **Revenue** | | **216,672** | **221,699** | **462,533** |
| Project cost / direct cost | | (96,281) | (92,305) | (191,393) |
| **Net revenue** | | **120,391** | **129,394** | **271,140** |
| Staff costs | | (99,030) | (94,401) | (198,765) |
| Depreciation | | (4,458) | (4,543) | (9,326) |
| Amortisation | | (397) | (454) | (1,060) |
| Impairment charges | | (426) | – | (564) |
| Other operating charges | | (17,731) | (27,712) | (49,474) |
| Other (losses)/gains | | (1,922) | 452 | (1,403) |
| **Operating (loss)/profit** | | **(3,573)** | **2,736** | **10,548** |
| Share of results of associates and joint ventures | | (14) | – | (10) |
| Gain on disposal of subsidiaries | | 304 | – | – |
| Finance income | | 874 | 70 | 391 |
| Finance costs | | (2,650) | (2,501) | (5,506) |
| **(Loss)/profit before taxation** | | **(5,059)** | **305** | **5,423** |
| Taxation | | (1,223) | (4,294) | (5,178) |
| **(Loss)/profit for the period** | | **(6,282)** | **(3,989)** | **245** |
| Attributable to: | | | | |
| Equity shareholders of the Group | | (6,376) | (4,137) | 90 |
| Non-controlling interests | | 94 | 148 | 155 |
| **(Loss)/profit for the period** | | **(6,282)** | **(3,989)** | **245** |
| (Loss)/Earnings per share | | | | |
| Basic (pence) | 4 | (5.22)p | (3.38p) | 0.07p |
| Diluted (pence) | 4 | (5.22)p | (3.38p) | 0.07p |

**Headline results**

| | Note | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Year ended 31 December 2022 |
|---|---|---|---|---|
| **Net revenue** | | 120,391 | 129,394 | 271,140 |
| Operating profit | 4 | 9,980 | 18,079 | 35,388 |
| Profit before tax | 4 | 8,848 | 16,041 | 31,833 |
| Profit after tax attributable to equity shareholders of the Group | 4 | 5,462 | 7,790 | 18,105 |
| EBITDA | | 14,524 | 22,774 | 45,168 |

## Unaudited Consolidated Statement of Comprehensive Income

| | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Year ended 31 December 2022 |
|---|---|---|---|
| | £000 | £000 | £000 |
| **(Loss)/profit for the period** | **(6,282)** | **(3,989)** | **245** |
| **Other comprehensive income/(loss)** | | | |
| Exchange differences on translating foreign operations before tax | (3,657) | 3,988 | 4,785 |
| **Other comprehensive income/(loss) for the period net of tax** | **(3,657)** | **3,988** | **4,785** |
| **Total comprehensive (loss)/income for the period** | **(9,939)** | **(1)** | **5,030** |
| Total comprehensive (loss)/income attributable to: | | | |
| Equity shareholders of the Group | (10,033) | (41) | 4,875 |
| Non-controlling interests | 94 | 40 | 155 |
| **Total comprehensive (loss)/income for the period** | **(9,939)** | **(1)** | **5,030** |

## Unaudited Consolidated Balance Sheet

| | Six months ended 30 June 2023 £000 | Six months ended 30 June 2022 £000 | Year ended 31 December 2022 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 39,812 | 41,785 | 41,968 |
| Investments in associates and JVs | 177 | 200 | 191 |
| Plant and equipment | 7,793 | 6,287 | 8,310 |
| Right-of-use assets | 39,191 | 42,297 | 43,992 |
| Other non-current assets | 1,290 | 1,283 | 1,107 |
| Deferred tax assets | 5,878 | 7,105 | 5,131 |
| Financial assets at fair value through profit or loss | 10,796 | 15,515 | 11,986 |
| Deferred and contingent consideration | 738 | – | 914 |
| | **105,675** | **114,472** | **113,599** |
| **Current assets** | | | |
| Trade and other receivables | 130,054 | 145,803 | 132,067 |
| Current tax assets | 5,274 | 1,587 | 3,909 |
| Cash and cash equivalents | 27,393 | 56,429 | 41,492 |
| | **162,721** | **203,819** | **177,468** |
| **Current liabilities** | | | |
| Trade and other payables | (142,649) | (173,954) | (155,547) |
| Provisions | (487) | (917) | (1,056) |
| Current tax liabilities | (2,551) | (2,215) | (481) |
| Borrowings | (157) | (6,913) | (4,430) |
| Lease liabilities | (6,003) | (6,139) | (6,448) |
| Deferred and contingent consideration | – | (1,250) | – |
| Minority shareholder put option liabilities | (21,578) | (26,953) | (18,419) |
| | **(173,425)** | **(218,341)** | **(186,381)** |
| **Net current (liabilities) / assets** | **(10,704)** | **(14,522)** | **(8,913)** |
| **Total assets less current liabilities** | **94,971** | **99,950** | **104,686** |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | (1,939) | (902) | (1,245) |
| Corporation tax liabilities | – | – | (856) |
| Borrowings | (11,795) | (9,795) | (6,802) |
| Lease liabilities | (45,890) | (48,371) | (49,122) |
| Minority shareholder put option liabilities | (5,075) | (5,296) | (4,429) |
| Other non-current liabilities | (3,566) | (3,322) | (4,046) |
| | **(68,265)** | **(67,686)** | **(66,500)** |
| **Total net assets** | **26,706** | **32,264** | **38,186** |

## Unaudited Consolidated balance sheet (continued)

| | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Year ended 31 December 2022 |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Equity** | | | |
| Share capital | 1,227 | 1,227 | 1,227 |
| Share premium | 50,327 | 50,327 | 50,327 |
| Merger reserve | 37,554 | 37,554 | 37,554 |
| Treasury reserve | (550) | (550) | (550) |
| Minority interests put option reserve | (2,506) | (6,615) | (2,896) |
| Non-controlling interests acquired | (33,251) | (29,190) | (32,984) |
| Foreign exchange reserve | 2,981 | 5,841 | 6,638 |
| Accumulated loss | (29,092) | (26,564) | (21,303) |
| Equity attributable to shareholders of the Group | 26,690 | 32,030 | 38,013 |
| Non-controlling interests | 16 | 234 | 173 |
| **Total equity** | **26,706** | **32,264** | **38,186** |

## Unaudited Consolidated Statement of Changes in Equity

| | Share capital £000 | Share premium £000 | Merger reserve £000 | Treasury reserve £000 | MI put option reserve £000 | Non-controlling interests acquired £000 | Foreign exchange reserves £000 | Retained earnings/ (accumulated losses) £000 | Subtotal £000 | Non-controlling interests in equity £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **At 31 December 2022** | **1,227** | **50,327** | **37,554** | **(550)** | **(2,896)** | **(32,984)** | **6,638** | **(21,303)** | **38,013** | **173** | **38,186** |
| Share option charge | – | – | – | – | – | – | – | 491 | **491** | – | **491** |
| Exercise of Minority Interest put options | – | – | – | – | 390 | (267) | – | – | 123 | (123) | – |
| Disposal of subsidiaries | – | – | – | – | – | – | – | (69) | **(69)** | – | **(69)** |
| Dividends | – | – | – | – | – | – | – | (1,834) | (1,834) | (128) | **(1,962)** |
| **Total transactions with owners** | – | – | – | – | 390 | (267) | – | **(1,412)** | **(1,289)** | **(251)** | **(1,540)** |
| Total (loss)/profit for the period | – | – | – | – | – | – | – | (6,376) | **(6,376)** | 94 | **(6,282)** |
| Total other comprehensive loss for the period | – | – | – | – | – | – | (3,657) | – | **(3,657)** | – | **(3,657)** |
| **At 30 June 2023** | **1,227** | **50,327** | **37,554** | **(550)** | **(2,506)** | **(33,251)** | **2,981** | **(29,092)** | **26,690** | **16** | **26,706** |

| | Share capital £000 | Share premium £000 | Merger reserve £000 | Treasury reserve £000 | MI put option reserve £000 | Non-controlling interests acquired £000 | Foreign exchange reserves £000 | Retained earnings/ (accumulated losses) £000 | Subtotal £000 | Non-controlling interests in equity £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **At 31 December 2021** | **1,227** | **50,327** | **37,554** | **(550)** | **(6,615)** | **(29,190)** | **1,853** | **(22,122)** | **32,484** | **373** | **32,857** |
| Share option charge | – | – | – | – | – | – | – | 1,229 | **1,229** | – | **1,229** |
| Amount paid on settlement of LTIP | – | – | – | – | – | – | – | (500) | **(500)** | – | **(500)** |
| Exercise of Minority Interest put options | – | – | – | – | 3,719 | (3,794) | – | – | **(75)** | 75 | **–** |
| Dividends | – | – | – | – | – | – | – | – | **–** | (430) | **(430)** |
| **Total transactions with owners** | – | – | – | – | 3,719 | (3,794) | – | 729 | **654** | (355) | **299** |
| Total profit for the period | – | – | – | – | – | – | – | 90 | **90** | 155 | **245** |
| Total other comprehensive income for the period | – | – | – | – | – | – | 4,785 | – | **4,785** | – | **4,785** |
| **At 31 December 2022** | **1,227** | **50,327** | **37,554** | **(550)** | **(2,896)** | **(32,984)** | **6,638** | **(21,303)** | **38,013** | **173** | **38,186** |

# Unaudited Consolidated Cashflow Statement and Analysis of Net Cash

| | Six months ended 30 June 2023 £000 | Six months ended 30 June 2022 £000 | Year ended 31 December 2022 £000 |
|---|---|---|---|
| **Operating profit/(loss)** | **(3,573)** | **2,736** | **10,548** |
| **Adjustments for:** | | | |
| Depreciation of plant and equipment | 1,250 | 1,263 | 2,480 |
| Depreciation of right-of-use assets | 3,208 | 3,280 | 6,846 |
| Impairment of right-of-use assets | 463 | – | – |
| Loss on sale of plant and equipment | 22 | – | 165 |
| Loss on sale of software intangibles | 1 | – | 175 |
| Revaluation of financial assets at FVTPL | 1,922 | (452) | 1,403 |
| Revaluation of contingent consideration | – | 266 | 266 |
| Amortisation of acquired intangible assets | 296 | 302 | 597 |
| Impairment of goodwill and other intangibles | – | – | 556 |
| Impairment and amortisation of capitalised software intangible assets | 101 | 152 | 635 |
| Exercise of share-based payment schemes with cash | – | – | (500) |
| Equity settled share-based payment expenses | 491 | 195 | 1,229 |
| **Operating cash before movements in working capital** | **4,181** | **7,742** | **24,400** |
| Decrease/(Increase) in trade and other receivables | 2,486 | (16,684) | (4,187) |
| (Decrease)/Increase in trade and other payables | (8,683) | 26,225 | 9,104 |
| (Decrease)/Increase in provisions | (569) | (276) | (137) |
| **Cash generated from operations** | **(2,585)** | **17,007** | **29,180** |
| Tax paid | (1,812) | (4,412) | (6,712) |
| **Net cash (used in)/from operating activities** | **(4,397)** | **12,595** | **22,468** |
| **Investing activities** | | | |
| Disposal of subsidiary (net of cost disposed of) | (44) | – | – |
| Proceeds from sale of unlisted investments | – | 138 | 918 |
| Purchase of plant and equipment | (1,402) | (1,181) | (4,383) |
| Purchase of capitalised software | (212) | (220) | (1,192) |
| Interest received | 302 | 70 | 391 |
| **Net cash (used in)/generated from investing activities** | **(1,356)** | **(1,193)** | **(4,266)** |
| **Net cash (used in)/from operating and investing activities** | **(5,753)** | **11,402** | **18,202** |

## Unaudited Consolidated Cashflow Statement and Analysis of Net Cash

| | Six months ended 30 June 2023 £000 | Six months ended 30 June 2022 £000 | Year ended 31 December 2022 £000 |
|---|---|---|---|
| **Net cash (used in)/from operating and investing activities** | **(5,753)** | **11,402** | **18,202** |
| **Financing activities** | | | |
| Dividends paid to non-controlling interests | (128) | (287) | (430) |
| Cash consideration for non-controlling interests acquired | (3,264) | (1,729) | (12,104) |
| Payment of deferred consideration | – | – | (1,250) |
| Payment of lease liabilities | (3,051) | (3,454) | (7,307) |
| Proceeds from bank loans | 5,000 | – | – |
| Repayment of bank loans | (106) | (10,000) | (13,410) |
| Interest paid | (821) | (619) | (1,200) |
| Interest paid on lease liabilities | (1,474) | (1,489) | (2,970) |
| **Net cash used in financing activities** | **(3,844)** | **(17,578)** | **(38,671)** |
| **Net (decrease)/ increase in cash and cash equivalents** | **(9,597)** | **(6,176)** | **(20,469)** |
| Effect of exchange rate fluctuations on cash held | (285) | 1,031 | 2,711 |
| Cash and cash equivalents at the beginning of the year | 37,221 | 54,979 | 54,979 |
| **Total cash and cash equivalents at the end of period** | **27,339** | **49,834** | **37,221** |
| Cash and cash equivalents | 27,393 | 56,429 | 41,492 |
| Bank overdrafts[1] | (54) | (6,595) | (4,271) |
| **Total cash and cash equivalents at the end of period** | **27,339** | **49,834** | **37,221** |
| Bank loans and borrowings | (11,898) | (10,113) | (7,212) |
| **Net cash** | **15,441** | **39,721** | **30,009** |

[1] These overdrafts are legally offset against balances held in the UK; however, they have not been netted off in accordance with the requirements of IAS32.42.

## Notes to the Unaudited Consolidated Interim Financial Statements

### 1. General information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office and the Company is 36 Golden Square, London W1F 9EE.

The Company is listed on the AIM market of the London Stock Exchange.

This consolidated half-yearly financial information was approved for issue on 13 September 2023.

The comparative financial information for the year ended 31 December 2022 in these interim financial statements does not constitute statutory accounts for that year.

The statutory accounts for the year ended 31 December 2022 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

### 2. Basis of preparation

This consolidated half-yearly financial information for the six months ended 30 June 2023 has been prepared on the going concern basis, in accordance with the AIM Rules for companies. The interim financial statements do not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2022.

### 3. Use of judgements and estimates

In the course of preparing the interim financial statements, management necessarily makes judgements and estimates that can have a significant impact on the interim financial statements. These estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Significant accounting judgements*

Management has considered the following judgements, which have the most significant effect in terms of the amounts recognised, and their presentation, in the interim financial statements. These are the same accounting estimates and judgements the Group has applied in its financial statements for the year ended 31 December 2022:

- Non-controlling interests put option accounting – IFRS 2 or IFRS 9

The key judgement is whether the awards are given beneficially as a result of employment, which can be determined where there is an explicit service condition, where the award is given to an existing employee, where the employee is being paid below market value or where there are other indicators that the award is a reward for employment. In such cases, the awards are accounted for as a share-based payment in exchange for employment services under IFRS 2.

Otherwise, where the holder held shares prior to the Group acquiring the subsidiary, or gained the equity to start a subsidiary using their unique skills, and there are no indicators it should be accounted for under IFRS 2, then the award is accounted for under IFRS 9.

- Impairment – assessment of CGUs and assessment of indicators of impairment

Impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. Assets with finite lives are reviewed for indicators of impairment (an impairment “trigger”) and judgement is applied in determining whether such a trigger has occurred. External and internal factors are monitored by management, including a) adverse changes in the economic or political situation of the geographic locale in which the underlying entity operates, b) heightened risk of client loss or chance of client gain, and c) internal reporting suggesting that an entity’s future economic performance is better or worse than previously expected. Where management have concluded that such an indication of impairment exists, then the recoverable amount of the asset is assessed.

For the interim financial statements, management have concluded that no such indication of impairment exists.

*Significant estimates and assumptions*

The areas of the Group’s interim financial statements subject to key assumptions and other significant sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described below. The Group has based its assumptions and estimates on information available when the interim financial statements were prepared.

- Deferred tax assets

The Group assesses the future availability of carried forward losses and other tax attributes by reference to jurisdiction-specific rules around carry forward and utilisation and it assesses whether it is probable that future taxable profits will be available against which the attribute can be utilised.

- Fair value measurement of financial instruments

The Group holds certain financial instruments which are recorded on the balance sheet at fair value at the point of recognition and remeasured at the end of each reporting period. At the period end these relate to:

(i) equity investments at FVTPL in non-listed limited companies; and
(ii) certain contingent consideration.

No formal market exists to trade these financial instruments and, therefore, their fair value is measured by the most appropriate valuation techniques available, which vary based on the nature of the instruments. The inputs to the valuation models are taken from observable markets where possible, but where this is not feasible, judgement is required to establish fair values.

- Share-based incentive arrangements

Share-based incentives are valued at the date of the grant, using stochastic Monte Carlo pricing models with non-market vesting conditions. Typically, the value of these awards is directly related to the performance of a particular entity of the Group in which the employee holds a minority interest, the Company's share price (market vesting condition) and the future profitability of the Group (non-market vesting condition). For elements that are based on market vesting conditions, the key inputs to the pricing model are risk-free interest rates, share price volatility and expected future performance of the entity to which the award relates. Management apply judgement to these inputs, using various sources of information, including the Company's share price, experience of past performance and published data on risk-free interest rates (government gilts). For elements that are based on non-market vesting conditions, periodic reassessment of the future profitability of the Group is made and the accounting charge is adjusted.

## 4. Headline results

### Headline results – Six Months Ended 30 June 2023

| | Statutory results | Separately disclosed items[1] | Amortisation of acquired intangibles[2] | FVTPL investments under IFRS 9[3] | Gain/loss on disposal of subsidiaries | Impairment of non-current assets | Dividends paid to put holders | Put option accounting | Headline results |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Net revenue** | **120,391** | – | – | – | – | – | – | – | **120,391** |
| Staff costs | **(99,030)** | 954 | – | – | – | – | 3,668 | 6,156 | **(88,252)** |
| Depreciation | **(4,458)** | – | – | – | – | – | – | – | **(4,458)** |
| Amortisation | **(397)** | – | 296 | – | – | – | – | – | **(101)** |
| Impairment charges[4] | **(426)** | – | – | – | – | 463 | – | – | **37** |
| Other operating charges | **(17,731)** | 423 | – | (329) | – | – | – | – | **(17,637)** |
| Other (losses)/gains | **(1,922)** | – | – | 1,922 | – | – | – | – | – |
| **Operating profit** | **(3,573)** | **1,377** | **296** | **1,593** | – | **463** | **3,668** | **6,156** | **9,980** |
| Share of result of and gain on disposal of associates and joint ventures | **(14)** | – | – | – | – | – | – | – | **(14)** |
| Gain/(loss) on disposal of subsidiaries[5] | **304** | – | – | – | (304) | – | – | – | – |
| Finance income | **874** | – | – | – | – | – | – | – | **874** |
| Finance expense | **(2,650)** | – | – | 365 | – | – | – | 293 | **(1,992)** |
| **Profit before taxation** | **(5,059)** | **1,377** | **296** | **1,958** | **(304)** | **463** | **3,668** | **6,449** | **8,848** |
| Taxation | **(1,223)** | (363) | (72) | (514) | – | – | – | – | **(2,172)** |
| **(Loss)/profit for the year** | **(6,282)** | **1,014** | **224** | **1,444** | **(304)** | 463 | 3,668 | **6,449** | **6,676** |
| Non-controlling interests | **(94)** | – | – | – | – | – | (1,120) | – | (1,214) |
| **(Loss)/profit attributable to equity holders of the Group** | **(6,376)** | **1,014** | **224** | **1,444** | **(304)** | **463** | **2,548** | **6,449** | **5,462** |

[1] Refer to Note 6
[2] Amortisation of intangible assets acquired in business combinations (including goodwill and acquired intangibles but excluding software).
[3] Financial assets at fair value through profit and loss (FVTPL) relates to assets held in the Saatchinvest portfolio and by the Australian business.
[4] The headline impairment is net positive due to the unwinding of a historic impairment balance of film assets held by the Australian business.
[5] Gain mainly relates to the reversal of put option liability relating to Clear Deutschland GMBH.

## Headline results – Six Months Ended 30 June 2022

| | Statutory results | Separately disclosed items[1] | Amortisation of acquired intangibles[2] | FVTPL investments under IFRS 9 | Revaluation of contingent consideration | Dividends paid to IFRS 2 put holders | Put option accounting | Headline results |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Net revenue** | **129,394** | **–** | **–** | **–** | **–** | **–** | **–** | **129,394** |
| Staff costs | **(94,401)** | 903 | – | – | – | 4,635 | 953 | **(87,910)** |
| Depreciation | **(4,543)** | – | – | – | – | – | – | **(4,543)** |
| Amortisation | **(454)** | – | 302 | – | – | – | – | **(152)** |
| Other operating charges | **(27,712)** | 8,345 | – | 391 | 266 | – | – | **(18,710)** |
| Other gains/ losses | **452** | – | – | (452) | – | – | – | **–** |
| **Operating profit** | **2,736** | **9,248** | **302** | **(61)** | **266** | **4,635** | **953** | **18,079** |
| Finance income | **70** | – | – | – | – | – | – | **70** |
| Finance expense | **(2,501)** | – | – | – | – | – | 393 | **(2,108)** |
| **Profit before taxation** | **305** | **9,248** | **302** | **(61)** | **266** | **4,635** | **1,346** | **16,041** |
| Taxation | **(4,294)** | (298) | (88) | 18 | – | – | – | **(4,662)** |
| **(Loss)/profit for the year** | **(3,989)** | **8,950** | **214** | **(43)** | **266** | **4,635** | **1,346** | **11,379** |
| Non-controlling interests | **(148)** | – | – | – | – | (3,441) | – | **(3,589)** |
| **(Loss)/profit attributable to equity holders of the Group** | **(4,137)** | **8,950** | **214** | **(43)** | **266** | **1,194** | **1,346** | **7,790** |

[1] Refer to Note 6
[2] Amortisation of intangible assets acquired in business combinations (including goodwill and acquired intangibles but excluding software).

## Headline results – Year Ended 31 December 2022

| | Statutory results | Separately disclosed items | Amortisation of acquired intangibles | Impairment of non-current assets | FVTPL investments under IFRS 9 | Revaluation of contingent consideration | Dividends paid to IFRS2 put holders | Put option accounting | Headline results |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Net revenue** | **271,140** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **271,140** |
| Staff costs | **(198,765)** | 3,412 | – | – | – | – | 7,811 | 1,119 | **(186,423)** |
| Depreciation | **(9,326)** | – | – | – | – | – | – | – | **(9,326)** |
| Amortisation | **(1,060)** | – | 597 | – | – | – | – | – | **(463)** |
| Impairments | **(564)** | – | – | 564 | – | – | – | – | **–** |
| Other operating charges | **(49,474)** | 9,940 | – | – | (272) | 266 | – | – | **(39,540)** |
| Other losses | **(1,403)** | – | – | – | 1,403 | – | – | – | **–** |
| **Operating Profit** | **10,548** | **13,352** | **597** | **564** | **1,131** | **266** | **7,811** | **1,119** | **35,388** |
| Share of results of associates and JV | **(10)** | – | – | – | – | – | – | – | **(10)** |
| Finance income | **391** | – | – | – | – | – | – | – | **391** |
| Finance expense | **(5,506)** | – | – | – | 456 | – | – | 1,114 | **(3,936)** |
| **Profit before taxation** | **5,423** | **13,352** | **597** | **564** | **1,587** | **266** | **7,811** | **2,233** | **31,833** |
| Taxation | **(5,178)** | (1,982) | (174) | – | (409) | – | – | (47) | **(7,790)** |
| **Profit for the year** | **245** | **11,370** | **423** | **564** | **1,178** | **266** | **7,811** | **2,186** | **24,043** |
| Non-controlling interests | **(155)** | – | – | – | – | – | (5,783) | – | **(5,938)** |
| **Profit attributable to equity holders of the Group** | **90** | **11,370** | **423** | **564** | **1,178** | **266** | **2,028** | **2,186** | **18,105** |

## Notes to the Unaudited Consolidated Interim Financial Statements (continued)

### 5. Earnings per share

### Earnings per share – Six Months Ended 30 June 2023

Basic and diluted earnings per share are calculated by dividing appropriate earnings metrics by the weighted average number of the Company's ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of the Company's shares in issue on the assumption of conversion of all potentially dilutive ordinary shares. The dilutive effect of unvested outstanding put options is calculated based on the number that would vest had the balance sheet date been the vesting date. Since the Company made a statutory loss no diluted earnings per share is calculated.

| | Statutory 2023 | Headline 2023 |
|---|---|---|
| **(Loss)/profit attributable to equity shareholders of the Group (£000)** | **(6,376)** | **5,462** |
| **Basic earnings per share** | | |
| Weighted average number of shares (thousands) | **122,257** | **122,257** |
| **Basic (loss)/earnings per share** | **(5.22)p** | **4.47p** |
| **Diluted earnings per share** | | |
| Weighted average number of shares (thousands) as above | **122,257** | **122,257** |
| **Diluted (loss)/earnings per share** | **(5.22)p** | **4.47p** |

### Earnings per share – Six Months Ended 30 June 2022

| | Statutory 2022 | Headline 2022 |
|---|---|---|
| **Profit attributable to equity shareholders of the Group (£000)** | **(4,137)** | **7,790** |
| **Basic earnings per share** | | |
| Weighted average number of shares (thousands) | **122,257** | **122,257** |
| **Basic (loss)/earnings per share** | **(3.38)p** | **6.37p** |
| **Diluted earnings per share** | | |
| Weighted average number of shares (thousands) as above | **122,257** | **122,257** |
| **Diluted (loss)/earnings per share** | **(3.38)p** | **6.37p** |

## Earnings per share – Year Ended 31 December 2022

| | Statutory | Headline |
|---|---|---|
| **Year ended 31 December 2022** | **2022** | **2022** |
| **Profit attributable to equity shareholders of the Group (£000)** | **90** | **18,105** |
| **Basic earnings per share** | | |
| Weighted average number of shares (thousands) | 122,257 | 122,257 |
| **Basic EPS** | **0.07p** | **14.81p** |
| **Diluted earnings per share** | | |
| Weighted average number of shares (thousands) as above | 122,257 | 122,257 |
| Add | | |
| – LTIP | 905 | 905 |
| – Put options | 11,302 | 11,302 |
| **Total** | **134,464** | **134,464** |
| **Diluted EPS** | **0.07p** | **13.47p** |
| Excluding the put options (payable in cash) | (11,302) | (11,302) |
| Weighted average numbers of shares (thousands) including dilutive shares | 123,162 | 123,162 |
| **Diluted EPS – excluding items we intend and are able to pay in cash** | **0.07p** | **14.70p** |

## 6. Separately disclosed items

Separately disclosed items include one-off, non-recurring revenues or expenses. These are shown separately and are excluded from Headline profit to provide a better understanding of the underlying results of the Group.

### 30 June 2023

Separately disclosed items for the six months ended 30 June 2023 comprise the following:

| | Operating costs | Staff costs | Taxation | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Global efficiency programme | 421 | 106 | (132) | **395** |
| Local strategic review and restructuring | 2 | 848 | (231) | **619** |
| **Total separately disclosed items** | **423** | **954** | **(363)** | **1,014** |

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In H2 2022, the Group commenced a global efficiency programme, with the assistance of PricewaterhouseCoopers LLP. The professional and legal fees and staff costs incurred in relation to this project were classified as non-Headline (£527k).

In addition, within nine of the agencies in the Group, a strategic review has been commenced which has resulted in staff redundancy costs in the period. The strategic review and restructuring costs are treated as separately disclosed items only when a role has been permanently eliminated from the business (there should be no intention for the role to be replaced in the next 12 months). There are £848k of redundancy costs included within non-Headline strategic review and restructuring, and £150k of redundancy costs are included within the Headline staff costs.

### 30 June 2022

Separately disclosed items for the six months ended 30 June 2022 comprise the following:

| | Operating costs | Staff costs | Taxation | Total |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Takeover transaction costs | 8,645 | 903 | (298) | **9,250** |
| Other | (300) | – | – | **(300)** |
| **Total separately disclosed items** | **8,345** | **903** | **(298)** | **8,950** |

During 2022, the Company was subject to two competing offers to acquire the entire issued share capital of the Company. Managing the Company's response to these two offers resulted in significant external advisory costs and a refocusing of several key internal personnel away from the day-to-day running of the business.

Other separately disclosed items relate to the release of the provision associated with the Financial Conduct Authority investigation, which is now closed with no enforcement action being taken, the cost of which was previously treated as Non-Headline.

### 31 December 2022

Separately disclosed items for the year ended 31 December 2022 comprise the following:

| | Operating costs | Staff costs | Taxation | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Takeover transaction costs | 9,210 | 1,623 | (1,294) | **9,539** |
| Strategic review and restructuring | 992 | 1,789 | (688) | **2,093** |
| Other | (262) | – | – | **(262)** |
| **Total separately disclosed items** | **9,940** | **3,412** | **(1,982)** | **11,370** |

In H2 2022, the Company incurred incremental bonus costs paid to several key individuals of £594k to reflect the significant additional workload they had to undertake in defence of the takeover bids.

The Group commenced a global efficiency programme, with the assistance of PricewaterhouseCoopers LLP. The professional fees incurred in relation to this project have been classified as non-Headline (£922k). In addition, within three of the agencies in the Group, a strategic review commenced which resulted in staff redundancy costs in the year (£1,789k).

### 7. Segmental information

The Group's operating segments are aligned to those business units that are regularly evaluated by the chief operating decision maker ("CODM"), namely, the Board, in making strategic decisions, assessing performance and allocating resources.

We primarily assess the Group's performance by division, namely Advertising, Specialisms and Group Central Costs. The segmental information is reconciled to the Headline results in Note 4.

## Notes to the Unaudited Consolidated Interim Financial Statements (continued)

### Segmental Information by Division[1]

| Six Months Ended 30 June 2023 | Advertising £000 | Specialisms £000 | Group Central Costs £000 | Total £000 |
|---|---|---|---|---|
| Net revenue | 50,092 | 70,299 | – | 120,391 |
| Operating profit/(loss) | 464 | 13,869 | (4,353) | 9,980 |
| Operating profit margin | 0.9% | 19.7% | – | 8.3% |
| Profit/(loss) before tax | 153 | 11,146 | (2,451) | 8,848 |

| Six Months Ended 30 June 2022 | Advertising (restated)[2] £000 | Specialisms (restated) £000 | Group Central Costs £000 | Total £000 |
|---|---|---|---|---|
| Net revenue | 59,658 | 69,736 | – | 129,394 |
| Operating profit/(loss) | 3,259 | 19,742 | (4,922) | 18,079 |
| Operating profit margin | 5.5% | 28.3% | – | 14.0% |
| Profit/(loss) before tax | 2,671 | 18,477 | (5,108) | 16,041 |

| Year Ended 31 December 2022 | Advertising £000 | Specialisms £000 | Group Central Costs £000 | Total £000 |
|---|---|---|---|---|
| Net revenue | 124,300 | 146,840 | – | 271,140 |
| Operating profit/(loss) | 11,728 | 35,015 | (11,355) | 35,388 |
| Operating profit margin | 9% | 24% | – | 13% |
| Profit/(loss) before tax | 9,928 | 31,604 | (9,699) | 31,833 |

[1] The segmental reporting reflects Headline results
[2] The disclosure has been restated to reclassify entities who changed from Advertising to Specialisms during H2 2022, and to recalculate the allocation of local central costs in line with the method applied in H2 2022 and H1 2023.

## Segmental Information by Geography

| Six Months Ended 30 June 2023 | UK £000 | Europe £000 | Middle East and Africa £000 | Asia £000 | Australia £000 | Americas £000 | Group Central Costs £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| Net revenue | 46,642 | 6,957 | 10,940 | 10,750 | 22,613 | 22,489 | – | 120,391 |
| Operating profit/(loss) | 8,713 | 247 | 1,030 | 1,105 | 1,541 | 1,697 | (4,353) | 9,980 |
| Operating profit margin | 18.7% | 3.6% | 9.4% | 10.3% | 6.8% | 7.5% | – | 8.3% |
| Profit/(loss) before tax | 7,674 | 171 | 928 | 1,056 | 1,015 | 455 | (2,451) | 8,848 |

| Six Months Ended 30 June 2022 | UK £000 | Europe £000 | Middle East and Africa £000 | Asia £000 | Australia £000 | Americas £000 | Group Central Costs £000 | Total £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 |

| Year Ended 31 December 2022 | UK £000 | Europe £000 | Middle East and Africa £000 | Asia £000 | Australia £000 | Americas £000 | Group Central Costs £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| Net revenue | 98,241 | 15,316 | 23,368 | 26,154 | 52,855 | 55,206 | – | 271,140 |
| Operating profit/(loss) | 19,528 | 1,852 | 2,625 | 6,951 | 5,817 | 9,970 | (11,355) | 35,388 |
| Operating profit margin | 19% | 12% | 11% | 29% | 11% | 18% | – | 13% |
| Profit/(loss) before tax | 17,416 | 1,832 | 2,345 | 6,757 | 4,904 | 8,278 | (9,699) | 31,833 |

## 8. Net finance income / (expense)

| | Six months ended 30 June 2023 £000 | Six months ended 30 June 2022 £000 | Year ended 31 December 2022 £000 |
|---|---|---|---|
| Bank interest receivable | 189 | 66 | 331 |
| Other interest receivable | 682 | – | 55 |
| Sublease finance income | 3 | 4 | 5 |
| **Finance income** | **874** | **70** | **391** |
| Bank interest payable | (788) | (508) | (1,200) |
| Amortisation of loan costs | (95) | (111) | (222) |
| Interest on lease liabilities | (1,474) | (1,489) | (2,970) |
| Amortisation adjustment to minority shareholder put option liabilities | (293) | (393) | (1,114) |
| **Finance expense** | **(2,650)** | **(2,501)** | **(5,506)** |
| **Net finance expense** | **(1,776)** | **(2,431)** | **(5,115)** |

## 9. Taxation

Income tax expenses are recognised based on management's estimate of the average annual income tax rate expected for the full financial year.

The estimated effective Headline annual tax rate used for H1 2023 is 23.7% (H1 2022: 29.1%; Full Year 2022: 24.5%).

We expect smaller variations in future statutory tax rates due to lower amounts of significant non-deductible items such as share-based payments (put option charges) and dividends that are payable to minority shareholders that are defined as a staff cost.

## 10. Dividends

The Board believes that the Group has significant growth potential. Accordingly, the Board believes that the Group would be best served, and this potential realised, from investing annual profits back into the business and into new growth initiatives.

However, the Board recognises the importance of dividends within the Company's capital allocation policy, alongside the settlement of put options and investment in growth initiatives. The Board therefore decided to resume the payment of dividends in 2023 and intends to adopt a progressive dividend policy in the future.

The Company did not pay a dividend to its shareholders in 2022. Given the full year financial performance in 2022, the Board declared a final dividend of 1.5 pence per ordinary share for the financial year ended 31 December 2022, which was paid in July 2023.

Due to the weighting of profits to H2, the Board does not recommend an interim dividend for the year ending 31 December 2023 (2022: nil).

## 11. Share-based payments

In 2021, the Board made the decision that all put options would be settled in cash. However, the optionality remains to issue shares in the Company to settle put options in the future, should circumstances warrant.

### Total future expected put option liabilities at 30 June 2023

| | | | Potentially payable | | | | | |
|---|---|---|---|---|---|---|---|---|
| **At 152p** | **Paid H1 2023** | **Payable H2 2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **Total** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| IFRS9 put option schemes* | 785 | 1,929 | 19 | – | 1,983 | – | – | **3,931** |
| IFRS2 put option schemes** | 2,493 | 13,573 | 6,057 | 1,594 | 953 | 882 | 542 | **23,601** |
| **Total** | 3,278 | 15,502 | 6,076 | 1,594 | 2,936 | 882 | 542 | **27,532** |

* At 30 June 2023 IFRS9 put option schemes includes a £566k fair value discount for time.
** At 30 June 2023 94% of IFRS2 put option schemes by value were vested. The balance sheet liability at 30 June 2023 is £22,250k.

Put option holders are not required to exercise their put options at the first opportunity. Many do not and prefer to remain shareholders in the subsidiary companies they manage. As a result, some put option holders may not exercise their put options on the dates estimated in the table above. If the Company in the future decides to settle these put options with the Company's shares, then the amount of Company shares that will be provided is equal to the liability divided by the Company's share price at the date of settlement.

### Effect of a change in share price

The same data from the table above is presented in the table below, but in this analysis the potential payments are based on a range of different potential future share prices.

**Put option schemes**

| | | | Potentially payable | | | | | |
|---|---|---|---|---|---|---|---|---|
| Future share price of Company | **Paid H1 2023** | **Payable H2 2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **Total payable** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| 140.0p | 3,278 | 15,502 | 5,585 | 1,460 | 2,861 | 813 | 499 | 26,720 |
| 152.0p | 3,278 | 15,502 | 6,076 | 1,594 | 2,936 | 882 | 542 | 27,532 |
| 175.0p | 3,278 | 15,502 | 7,019 | 1,852 | 3,080 | 1,016 | 624 | 29,093 |
| 200.0p | 3,278 | 15,579 | 7,943 | 2,032 | 3,316 | 1,161 | 713 | 30,744 |
| 225.0p | 3,278 | 15,830 | 8,794 | 2,139 | 3,730 | 1,306 | 802 | 32,601 |

The Board has issued LTIPs to certain key individuals, which at a share price of 152.0p would generate a maximum potential payable of £4.6million, assuming all awards are held to their vesting date and fully vest. LTIPs are accounted for as equity-settled, and thus do not create a balance sheet liability.

### 12. Events after the balance sheet date

Moray MacLennan informed the Company of his intention to retire from his role of Chief Executive Officer of the Company. The Company and Mr MacLennan agreed that this change will take effect as of 30 September 2023. Until a new Chief Executive Officer joins the Company, which is expected to be within the next 12 months, Zillah Byng-Thorne, currently Non-Executive Chair, is acting as Executive Chair of the Company effective 1 September 2023.

As a result of settling put option arrangements, the Company paid out £11.5million to put options holders in July 2023.

The Directors are not aware of any other events since 30 June 2023 that have had, or may have, a significant impact on the Group's operations, the results of those operations, or the state of affairs of the Group in future years.