

FINANCIAL PLANS

BRUCE MARSON

Interim Chief Financial Officer

AGENDA

1. Looking Back – 2020 to 2022
2. Looking Forward – 2022 to 2027
3. Our resilience to economic headwinds

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CAUTIONARY STATEMENT REGARDING 2022 FINANCIALS

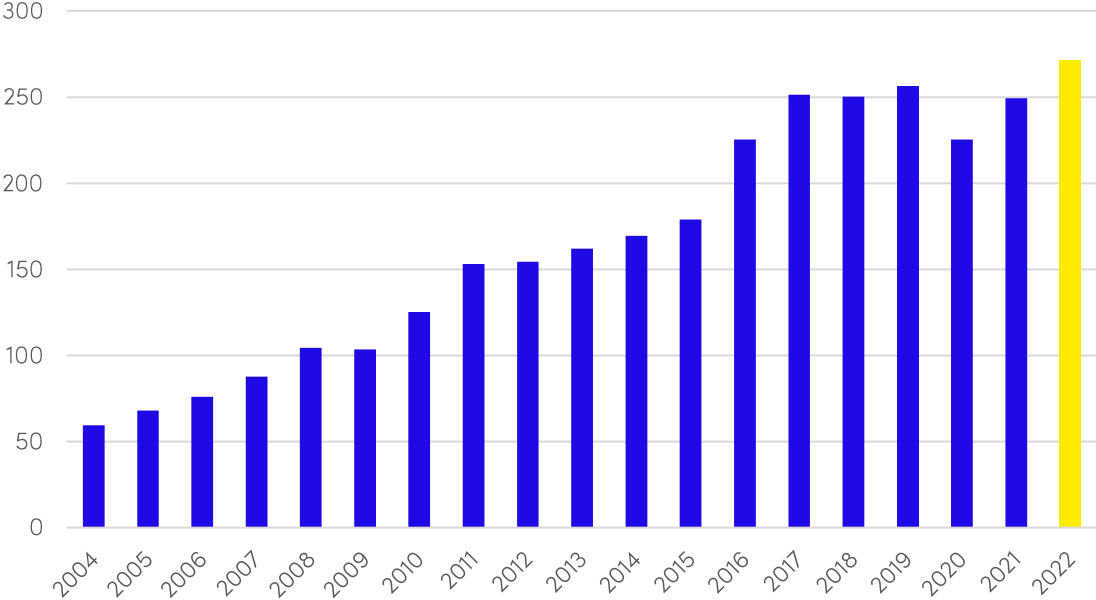
The 2022 figures are currently being audited.

However, they do represent the final draft position.

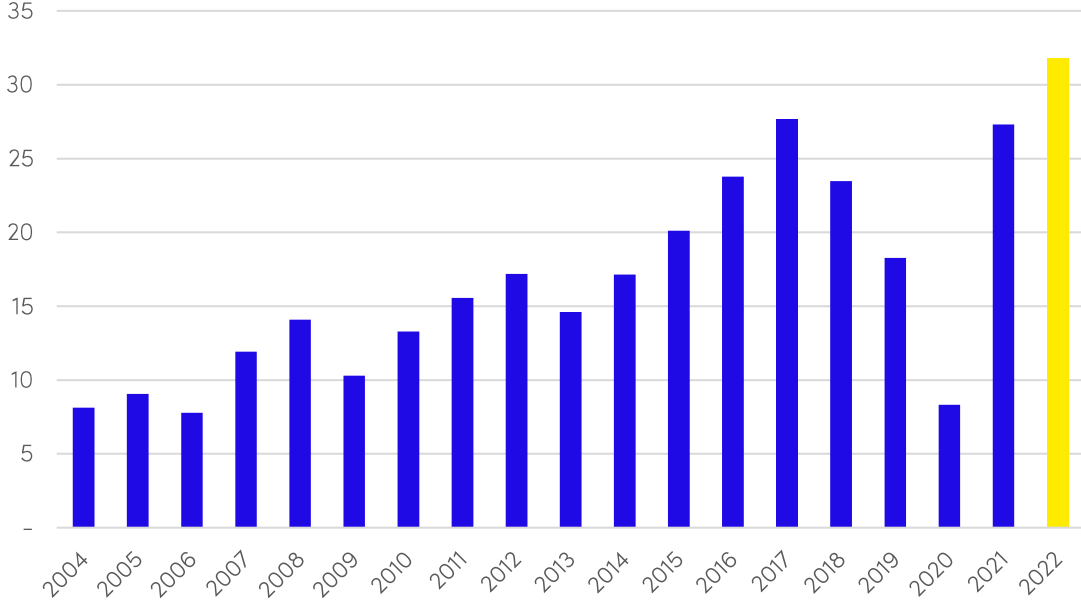
LOOKING BACK

2022 HAS BEEN A RECORD YEAR

Net Revenue - £m



Headline Profit before Tax - £m

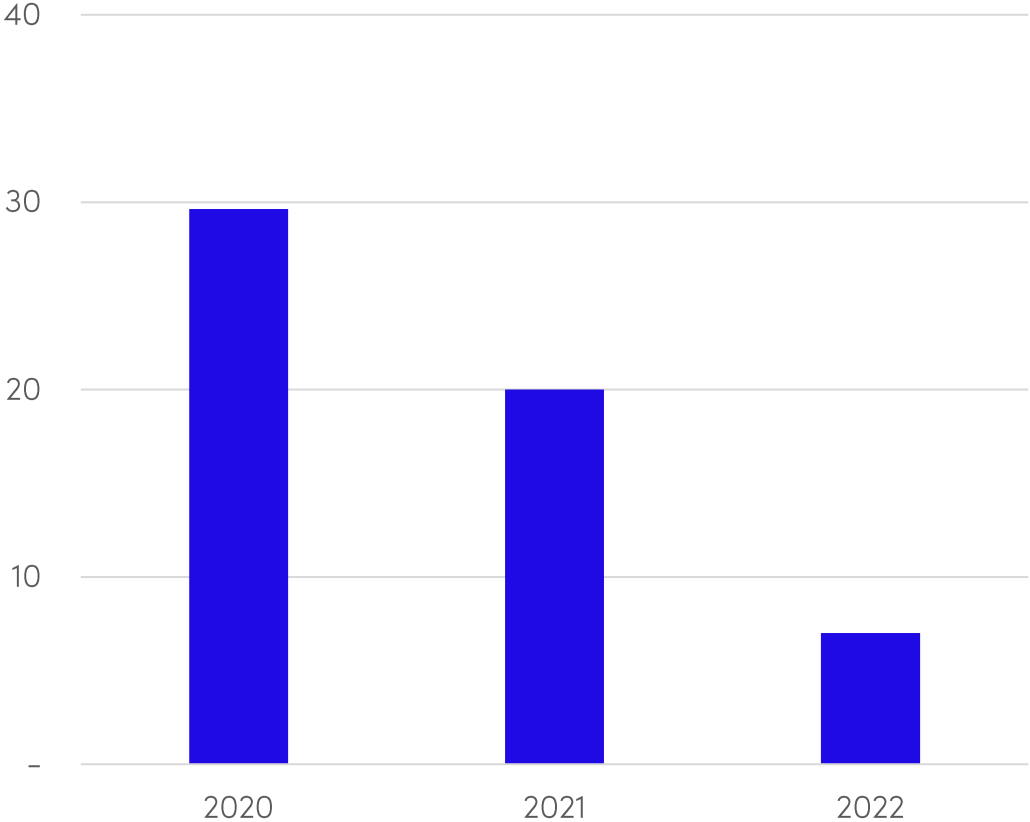


AHEAD OF PREVIOUS CMD TARGETS

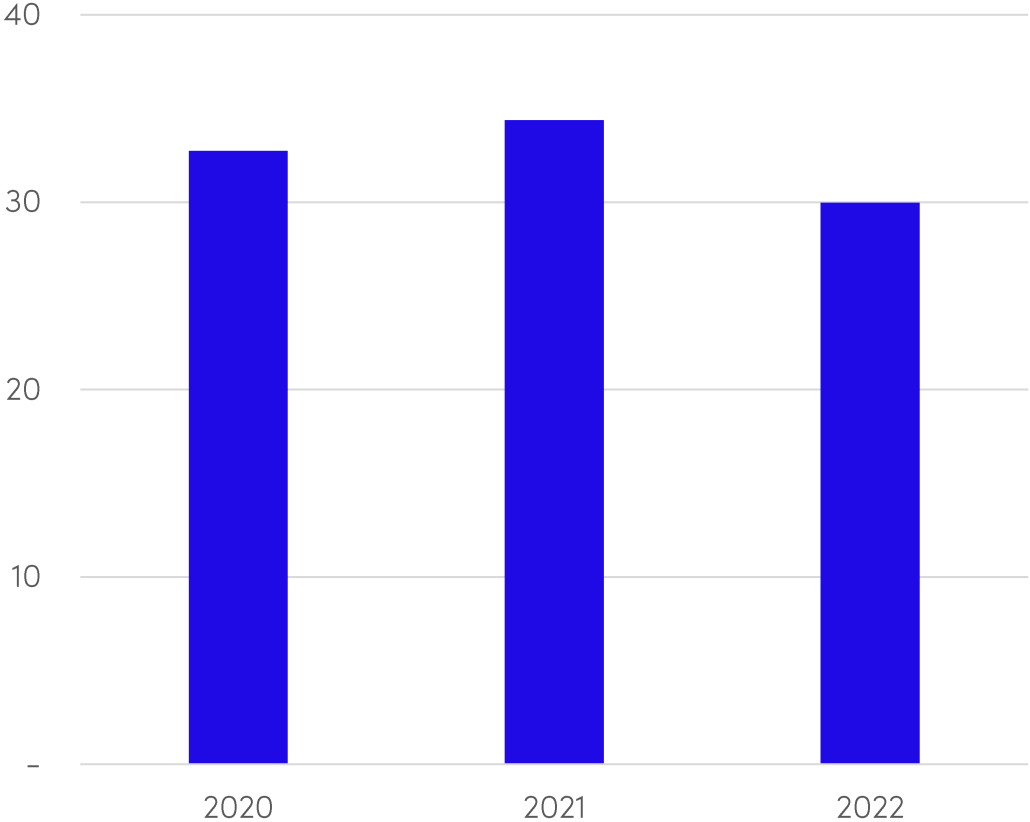
	2020 £m	2021 £m	2022 £m	Growth 2021 %	Growth 2022 %	2020 – 2022 CAGR %	Previous CMD Targets (2020–2025)
NET REVENUE	225.4	249.3	271.4	11%	9%	10%	6% CAGR
OPERATING PROFIT	12.0	31.1	35.4	160%	13%	71%	+25% CAGR
OP MARGIN %	5%	12%	13%	7 pts	1 pts		18% by 2025
HEADLINE PBT	8.3	27.3	31.8	228%	16%	95%	

CASH POSITION STRONG

RCF Drawdown - £m



Net Cash - £m



CENTRAL COSTS REDUCED

	PLC Costs	Central Group Costs	Central Regional Costs (UK/US)
What's included	<ul style="list-style-type: none"> • Board – Directors & Non-Execs • Group Audit fees • Group tax fees • Broker/Nomad fees • Corporate PR fees • External legal fees • Registrar fees 	<ul style="list-style-type: none"> • Group Finance team • Group HR team • Growth team • Group Strategy Director • Head of Transformation • Head of ESG • RCF interest and fees • Treasury system costs 	<ul style="list-style-type: none"> • Property lease costs • Building services and operations • HR operations • Employee relations • Talent acquisition • Talent development • IT systems maintenance and development • Hardware and software • Regional Finance, Legal and Commercial team
Headline Cost in 2022 (£m)	£5.5m	£5.9m	£14.7m
Key savings since 2020	<ul style="list-style-type: none"> • Audit fee (£0.6m) • Legal/Consultancy (£0.3m) 		<ul style="list-style-type: none"> • Property lease costs (£1.2m) • Building services (£0.6m)

GOVERNANCE AND CONTROLS IMPROVED

- Company-wide governance and controls have been transformed over the last 2 years.
- External audit process has been accelerated.
- Forecasting is more accurate and robust.
- Management of cash is more centralised and efficient.

**LOOKING
FORWARD**

5 YEAR TARGETS 2022-2027



2022-2027 CAGR %

8%

16%

2020-2022 CAGR %

10%

71%

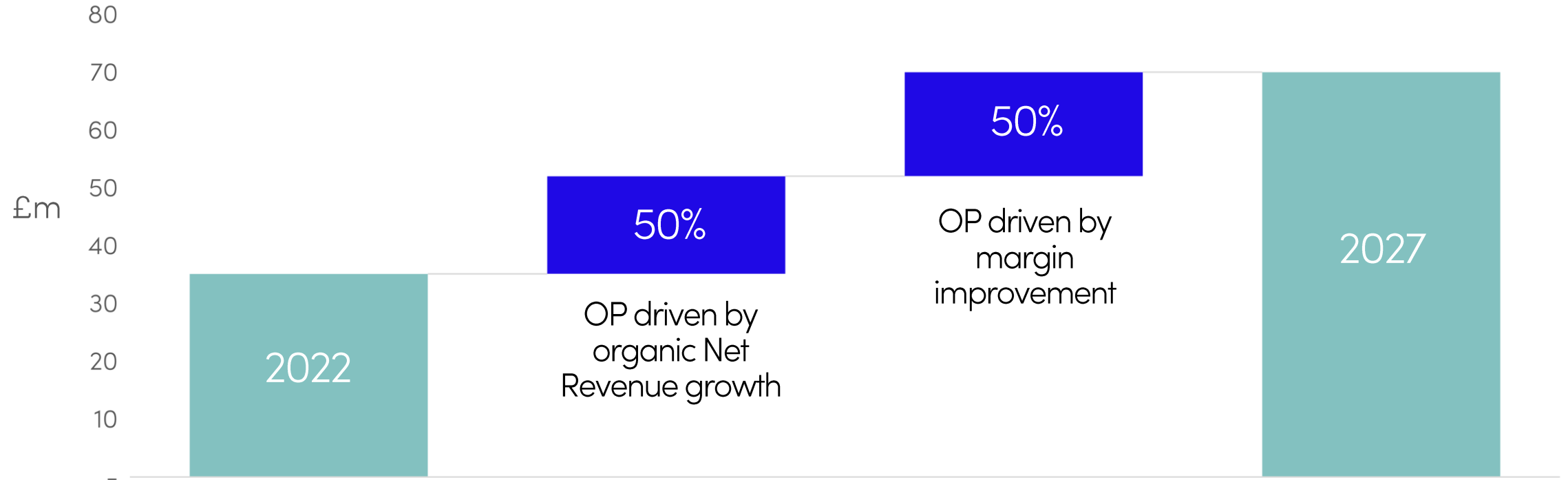
Global Advertising Holdcos
(CAGR 2021-2024; Target)

4.5%-5.5%

16-18%

5 YEAR OPERATING PROFIT GROWTH 2022-2027

Operating Profit Growth drivers (%) - 2022 to 2027



REVENUE GROWTH

8% CAGR OVER NEXT 5 YEARS

	2022 £m	2022 -2027 CAGR	Revenue Share by Specialism	
			2022	2027
Higher Margin Specialisms	146.8	10%	54%	60%
Media	34.2	8%	12%	13%
Issues	42.2	9%	16%	17%
Consulting	37.0	13%	14%	17%
Passions	33.4	10%	12%	13%
Advertising	124.6	6%	46%	40%
GROUP	271.4	8%	100%	100%

MARGIN IMPROVEMENT

	Operating Margin %		
	2020	2022	2027
Higher Growth Specialisms Advertising	12%	24%	26%
GROUP	5%	13%	18%
Industry Peer Group		15.5%	16-18%

Key drivers:

- cost efficiency programmes,
- investment in technology,
- turnarounds in agencies where margins were depressed through exceptional circumstances,
- smarter commercial finance and operations.

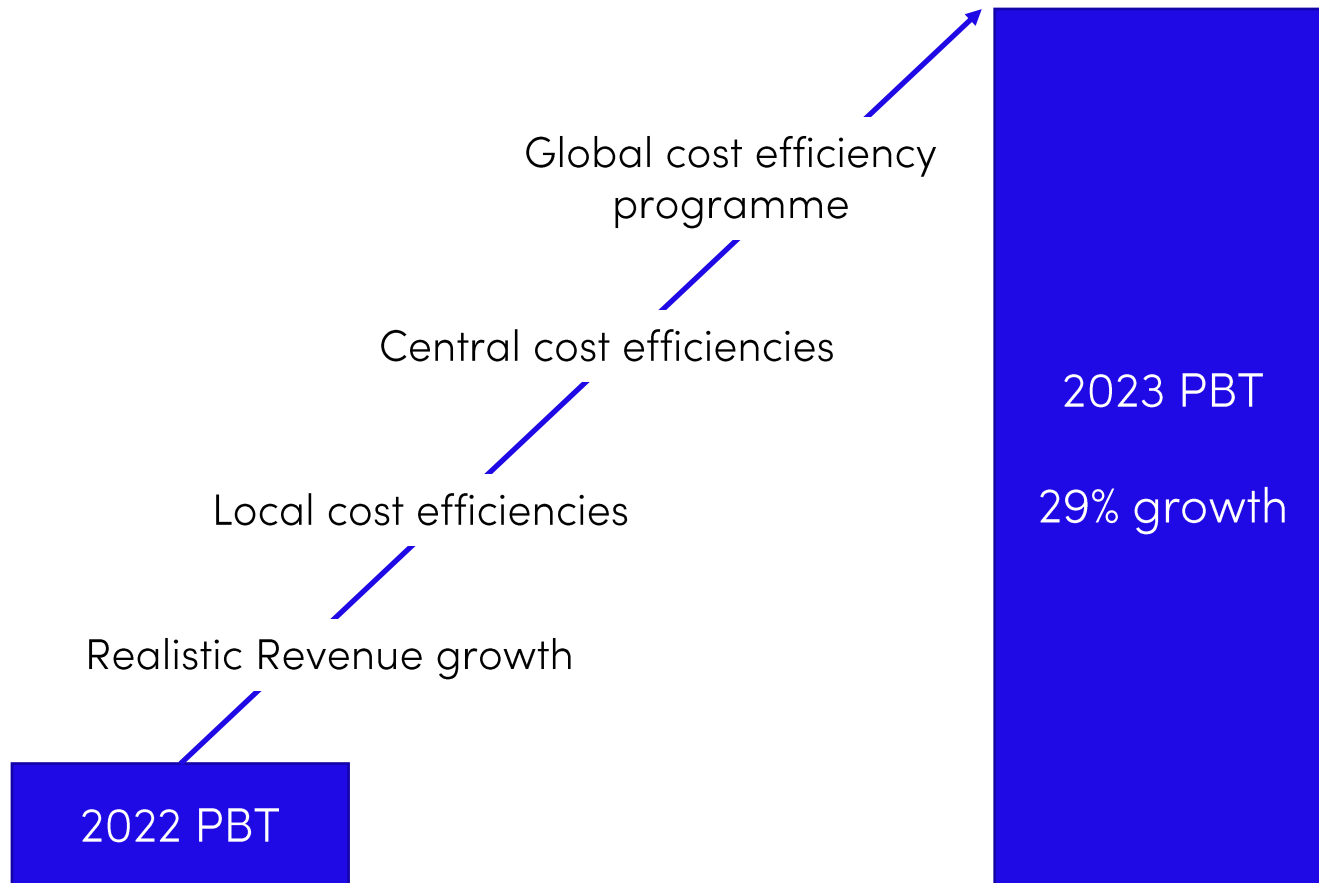
OPERATING PROFIT GROWTH

16% CAGR OVER NEXT 5 YEARS

	2022 - 2027 CAGR		Share by Specialism	
	2022 £m	2022 - 2027 CAGR	2022	2027
Higher Growth Specialisms	34.8	12%	75%	72%
Advertising	12.0	16%	25%	28%
Central Costs	(11.4)	-		
GROUP	35.4	16%	100%	100%

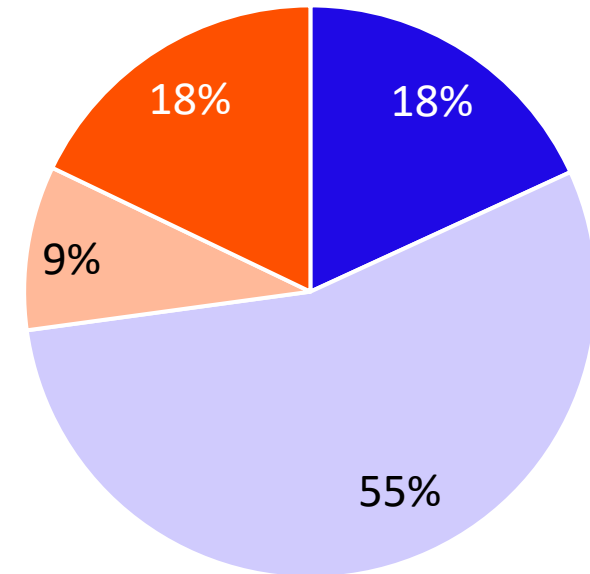
THE 2023 PLAN IS CLEAR AND ACHIEVABLE

29% PBT growth in 2023



2023 Net Revenue – at November 2022

Visibility on 2023 Revenue is as good as at the same time as 2022 (which we outperformed by 6%)



- Existing Client – Contracted
- Existing Client – Expected
- New Client – Identified
- New Client – Unidentified

COST EFFICIENCY PROGRAMMES

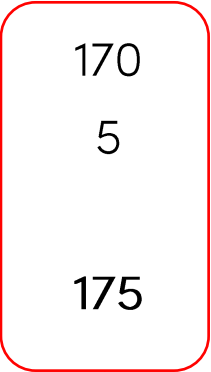
2022 cost base

Front Office and Service Functions
£m

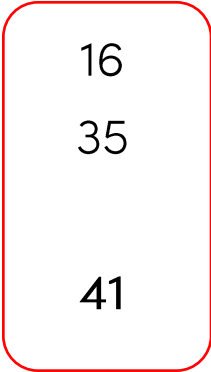
Back Office and Support Functions
£m

Staff Costs
Other Operating costs

Total in Scope



Local cost efficiency programme



Central cost efficiency programme

Global cost efficiency programme

- Key efficiency areas:
- Procurement
 - Real Estate
 - Back Office

Expect annual savings of 10-15% of in scope cost base

CAPITAL ALLOCATION PRIORITIES

Priority	Allocation	Rationale
1	Investing in the business to turbo-charge growth opportunities	To drive organic growth
2	Payment of put option liabilities	To reduce minority interests to accelerate Earnings and Cashflow growth
3	Repayment of RCF drawdown	To reduce bank interest costs and maximise headroom for future investments
4	Reinstatement of PLC dividends	To reward shareholders now that the Company has successfully weathered the recent storms
5	Investment in M&A	To drive accretive Earnings growth and strengthen market proposition

PUT OPTIONS REDUCING

As a reminder, the put option liability is driven by:

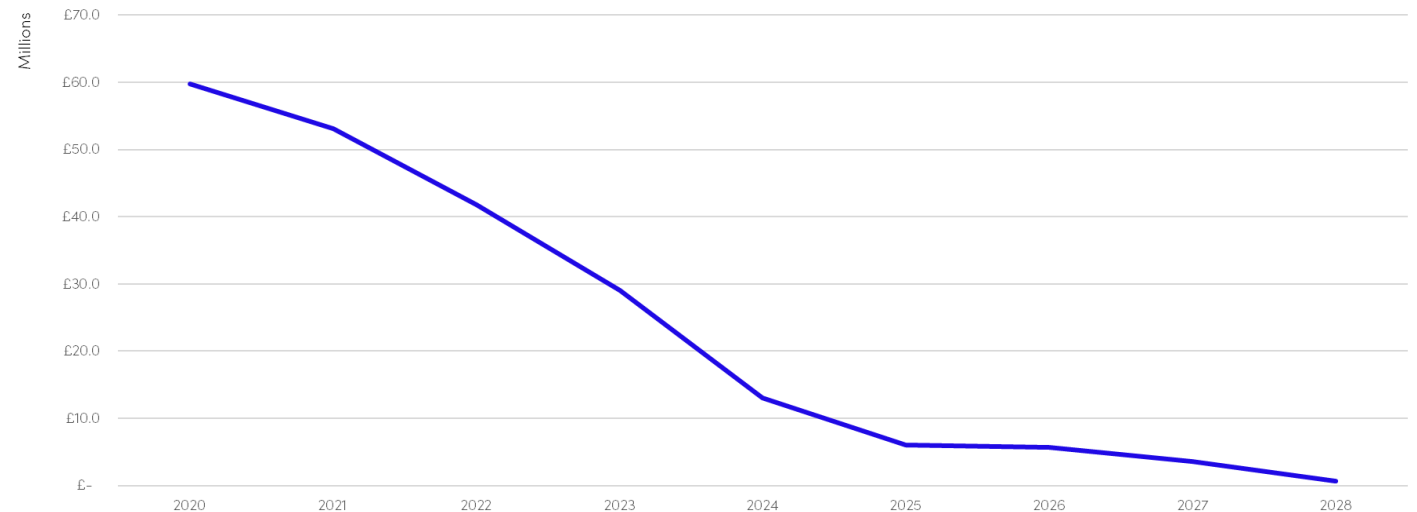
$$\text{Local Entity profitability} \times \frac{\text{PLC market capitalisation}}{\text{Group PLC profitability}} \times \% \text{ shareholding owned by option holder}$$

This incentivises option holders to:

- maximise their local entity's profit,
- maximise the Group's share price.

Liabilities will be settled in cash (not equity).

Cumulative Put Option Liability Trajectory Assuming Share Price of 160p



EARNINGS AND CASHFLOW ACCELERATING

	2022 £m	2027 £m	2022 – 2027 CAGR
HEADLINE PBT	31.8	70	17%
HEADLINE EARNINGS	18.2	50	22%
NET CASH	30.0	195	45%

(after settlement of put options but before PLC dividends and M&A)

M&A APPROACH

Criteria for Targets

Strategic Fit

- High-growth specialist sectors
- Differentiated tech and data capabilities

Cultural Fit

- Good chemistry with management team
- Bought into the Saatchi vision

Operational Fit

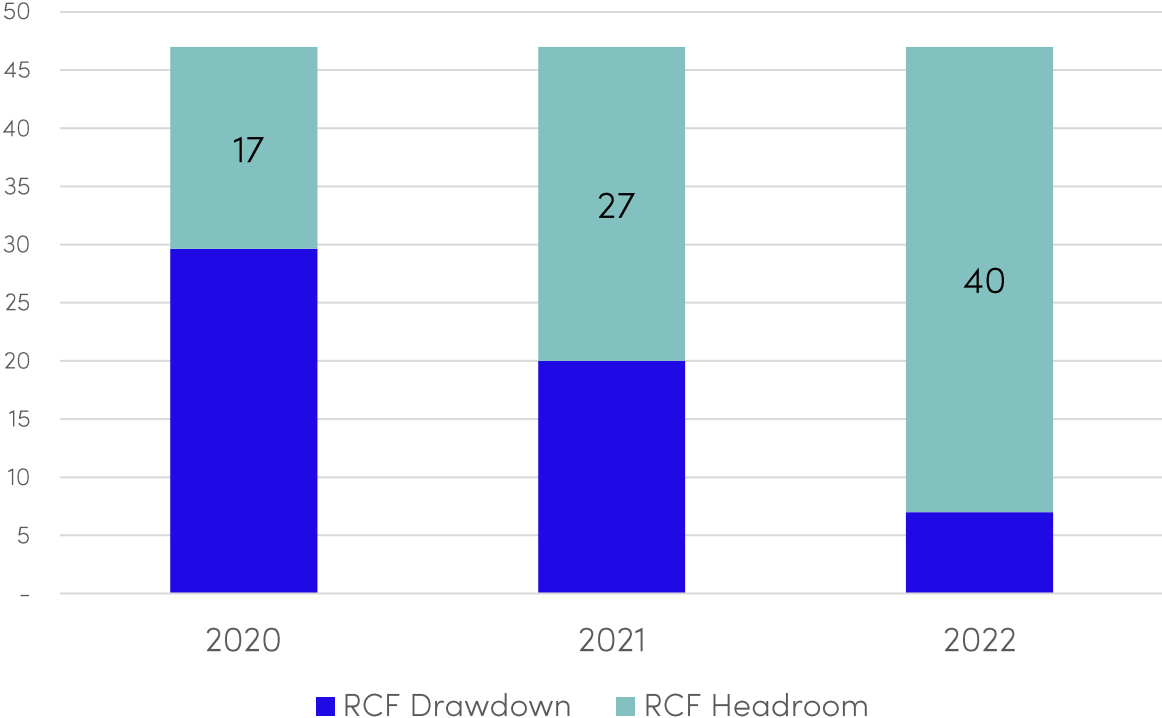
- Scope for significant synergies both on costs and cross-selling of Revenue
- Clear integration plan

Financial Fit

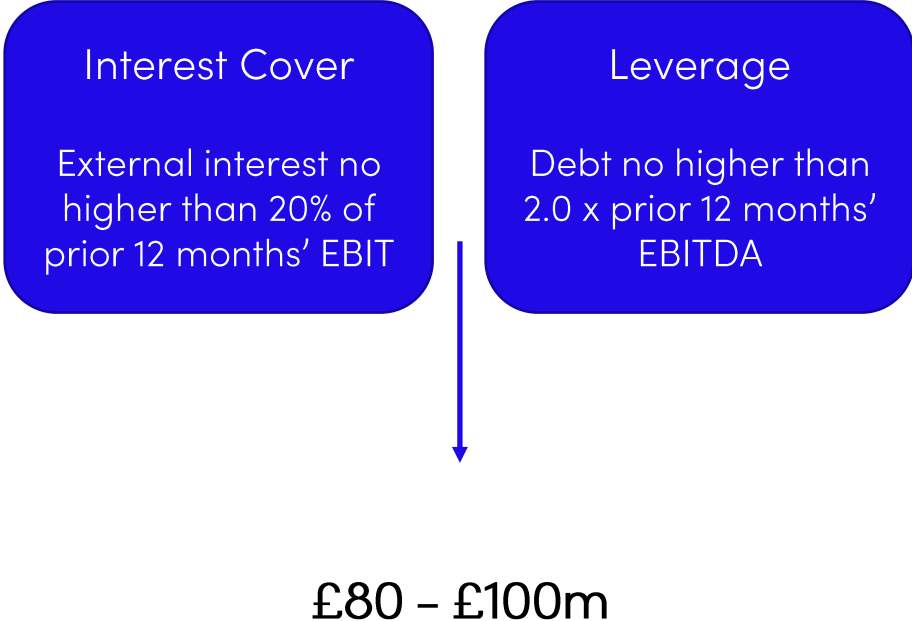
- Earnings accretive
 - Returns above the cost of capital
 - High growth/high margin
-

FUNDING FUTURE M&A

Current RCF - £m



Future RCF

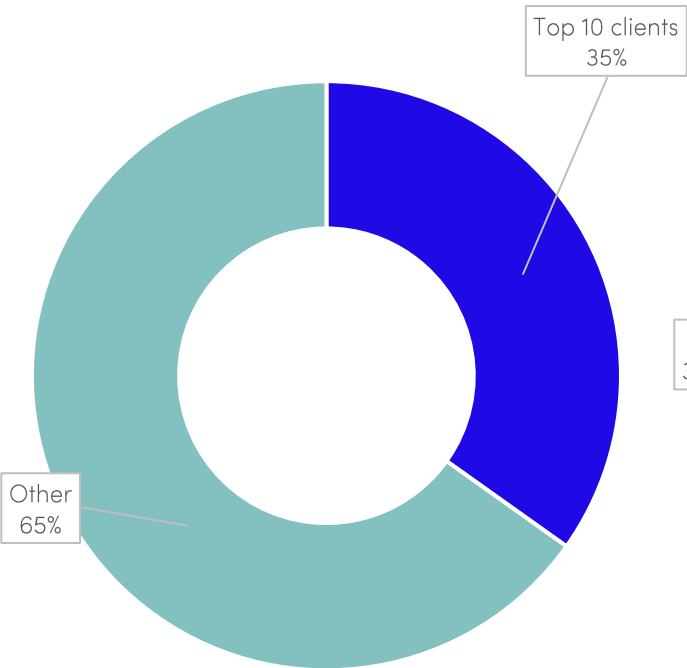


Plus surplus net cashflows of +£20m from 2024 (after settlement of put options)

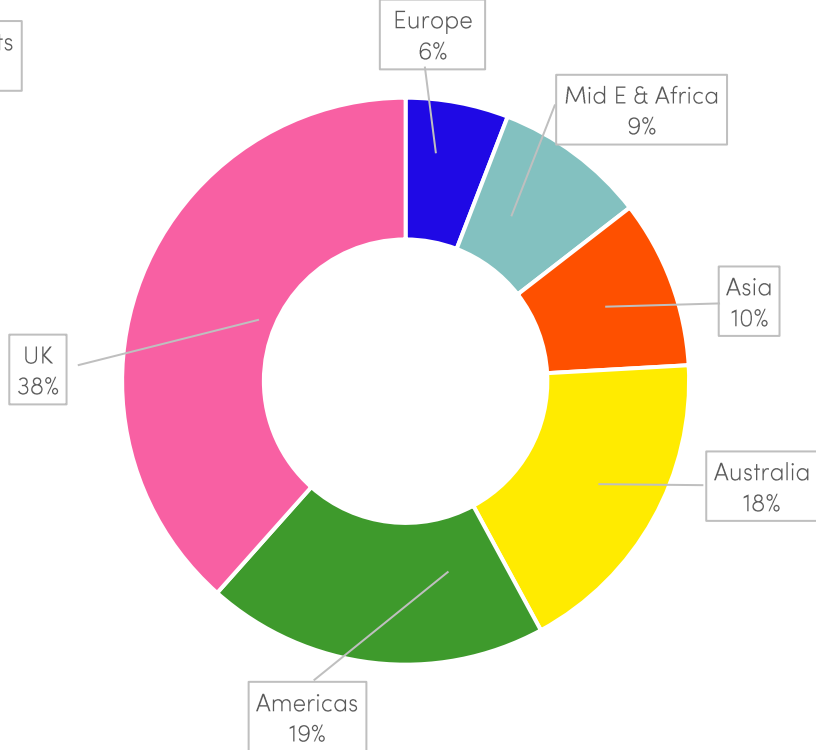
**OUR RESILIENCE
TO ECONOMIC
HEADWINDS**

WE HAVE COMMERCIAL BREADTH

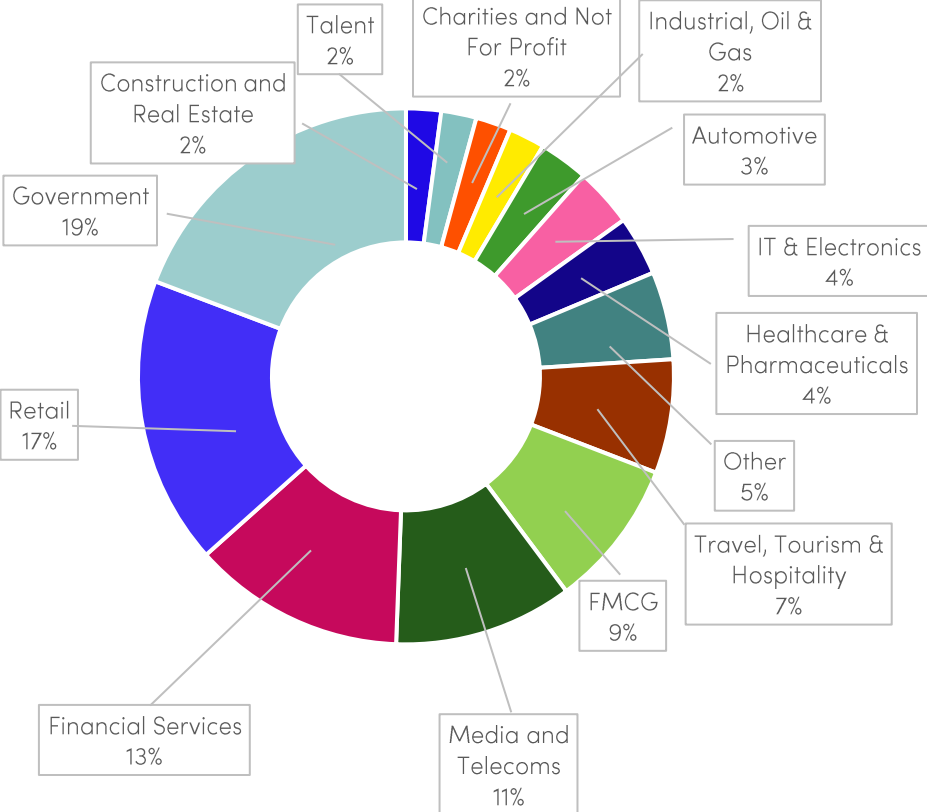
Client breadth



Geographical breadth



Sector breadth



UNIQUE RESILIENCE

- Significant counter-cyclical profit contributors.
- High exposure to resilient sectors.
- More flexible cost base – fixed costs already reduced.
- Experienced management team.
- Strong and growing balance sheet.

SUMMARY

SUMMARY

Record financial
results since last
CMD

Strong balance
sheet & financial
disciplines

Significant and
deliverable
growth forecast
for next 5 years

THANK YOU