

# M&C SAATCHI GROUP

A man with white face paint is submerged in blue water, looking directly at the camera. The background is a soft-focus blue water surface.

2021 Results Presentation

29 April 2022

# AGENDA

1. Summary
2. 2021 Results
3. FY22–FY23 Profit Forecasts
4. Accelerated Strategy
5. Fundamental Underlying Strength

# SUMMARY

## 2021 RESULTS

- Net revenue £249.3m; up 10.6% (up 15.1% LFL), coupled with Headline operating margin up 7.2 percentage points
- Headline profit before tax £27.3m; trebled; record Statutory PBT, and Statutory and Headline operating profit
- Net cash at 31 December 2021 increased to £34.4m

## ACCELERATED STRATEGY

- **More Connected:** driving greater collaboration across specialisms and regions, leveraging central fuel capabilities, and adopting technology platforms to enhance connectivity across the Group
- **Digital Acceleration:** further enhancing our digital capabilities, including ecommerce, data analytics and digital innovation to drive increased revenue and margin improvement
- **Further Simplification:** continuing to drive efficiencies through the use of technology, centralising and potentially offshoring key business functions and making the group's services easier to buy

## FY22 – FY23 PROFIT FORECASTS

- The strong trading performance and momentum in 2021 has continued into the first quarter of 2022
- Forecast Headline PBT in the region of £31.0m in 2022 and £41.0m in 2023
- The strong trading performance has further strengthened the group's cash position

## FUNDAMENTAL UNDERLYING STRENGTH

- The combination of our record financial performance, growth prospects and cash position, as well as a clear strategy for acceleration, reinforces our confidence for the future
- We have a longstanding senior executive team with unparalleled retention and a strong, and growing client base
- M&C Saatchi is an iconic, powerful brand. Our work makes an impact on the world

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# 2021 RESULTS SUMMARY

## FINANCIAL RESULTS

Net revenue £249.3m; up 10.6% (up 15.1% LFL)

Headline profit before tax £27.3m; trebled

Record Headline and Statutory operating profit, and Statutory PBT

Headline operating margin up 7.2 percentage points to 12.5%

Net cash increased to £34.4m

## DELIVERED THROUGH

Like-for-like growth across all specialisms with exceptional performance from high-margin, highly differentiated businesses

Connected wins, deepened relationships and critical client retention

Data analytics embedding in key specialisms plus central data consultancy

Greater operating leverage from simplification and cost efficiencies

Over 50 creative awards won, plus a record number of effectiveness awards

# 2021 RESULTS SUMMARY

## 2021 HEADLINE NUMBERS

	<u>2021</u>	<u>2020</u>	<u>Movement</u>	
	£m	£m	£m	%
Net revenue	249.3	225.4	23.9	10.6%
Operating profit	31.1	12.0	19.1	160.1%
Profit before tax	27.3	8.3	19.0	228.0%
Earnings	13.7	1.7	12.0	729.5%

Rapid recovery from 2020

Ahead of management expectations

PBT more than trebled

## 2021 KEY HEADLINE FIGURES

	<u>2021</u>	<u>2020</u>
Net revenue change	10.6%	(12.1%)
Operating margin	12.5%	5.4%
Effective tax rate	26.6%	39.6%
Basic EPS	11.30p	1.52p
Diluted EPS	10.06p	1.31p
EBITDA	£40.8m	£24.1m

Rapid year-on-year growth across all ratios

EBITDA almost doubled from £24.1m to £40.8m

Operating leverage driving rapid margin improvement

# SEGMENTAL PERFORMANCE HIGHLIGHTS DURING 2021

## 2021 REVENUE GROWTH, BY SPECIALISM & REGION

Net Revenue	Reported			LFL		
	2021	2020	2021 vs 2020	2021	2020	2021 vs 2020
Specialism	£m	£m	Movement	£m	£m	Movement
Advertising & CRM	127.2	128.9	(1.3%)	121.2	114.8	5.6%
Media & Performance	32.8	23.6	39.1%	32.8	23.6	39.1%
Global & Social Issues	33.9	27.9	21.6%	33.2	27.9	18.9%
Brand & Experience	30.9	26.9	15.0%	30.9	26.4	17.1%
Sponsorship & Talent	24.5	18.1	35.3%	24.5	18.1	35.3%
Group total	249.3	225.4	10.6%	242.6	210.8	15.1%

Net Revenue	Reported			LFL		
	2021	2020	2021 vs 2020	2021	2020	2021 vs 2020
Region	£m	£m	Movement	£m	£m	Movement
UK	104.2	86.9	19.9%	104.2	86.8	20.1%
Europe	15.2	28.4	(46.5%)	15.2	16.6	(8.4%)
Middle East & Africa	20.2	15.6	29.2%	20.2	14.9	35.4%
Asia	17.2	10.6	61.9%	12.3	10.6	16.2%
Australia	54.0	48.0	12.5%	54.0	48.0	12.5%
Americas	38.5	35.8	7.6%	36.6	33.9	8.0%
Group total	249.3	225.4	10.6%	242.6	210.8	15.1%

Management reporting at a specialism level in 2021

### Advertising & CRM (LFL):

- 50% of Revenue
- 26% of Group Operating Profit
- 12% Operating Profit Margin\*

### Total of the four other specialisms (LFL):

- 50% of Group Revenue
- 74% of Group Operating Profit
- 26% Operating Profit Margin\*

Regional Growth concentrated in the UK, Middle East and Africa, Asia and Australia

\* Prior to allocation of central costs

# GROWTH ON PRE-COVID REVENUE

## 2021 VERSUS 2019 REVENUE, BY SPECIALISM & REGION

Net Revenue	Reported			LFL		
	2021	2019	2021 vs 2019	2021	2019	2021 vs 2019
Specialism	£m	£m	Movement	£m	£m	Movement
Advertising & CRM	127.2	149.2	(14.8%)	121.2	127.7	(5.1%)
Media & Performance	32.8	32.5	0.9%	32.8	32.5	0.9%
Global & Social Issues	33.9	25.8	31.8%	33.2	25.8	28.9%
Brand & Experience	30.9	30.1	2.6%	30.9	29.8	3.9%
Sponsorship & Talent	24.5	18.8	30.4%	24.5	18.8	30.4%
Group total	249.3	256.4	(2.8%)	242.6	234.5	3.4%

Net Revenue	Reported			LFL		
	2021	2019	2021 vs 2019	2021	2019	2021 vs 2019
Region	£m	£m	Movement	£m	£m	Movement
UK	104.2	103.2	1.0%	104.2	103.0	1.2%
Europe	15.2	30.5	(50.2%)	15.2	17.3	(11.9%)
Middle East & Africa	20.2	16.6	22.0%	20.2	15.2	33.2%
Asia	17.2	13.9	23.6%	12.3	13.9	(11.7%)
Australia	54.0	50.6	6.7%	54.0	50.6	6.7%
Americas	38.5	41.6	(7.5%)	36.6	34.5	6.1%
Group total	249.3	256.4	(2.8%)	242.6	234.5	3.4%

**Advertising & CRM:** good growth in Australia, Africa and Middle East offset by clients losses in Europe and Asia

**Media & Performance:** recovery to 2019 levels

**Global & Social Issues:** significant growth as a result of retaining existing and winning new clients

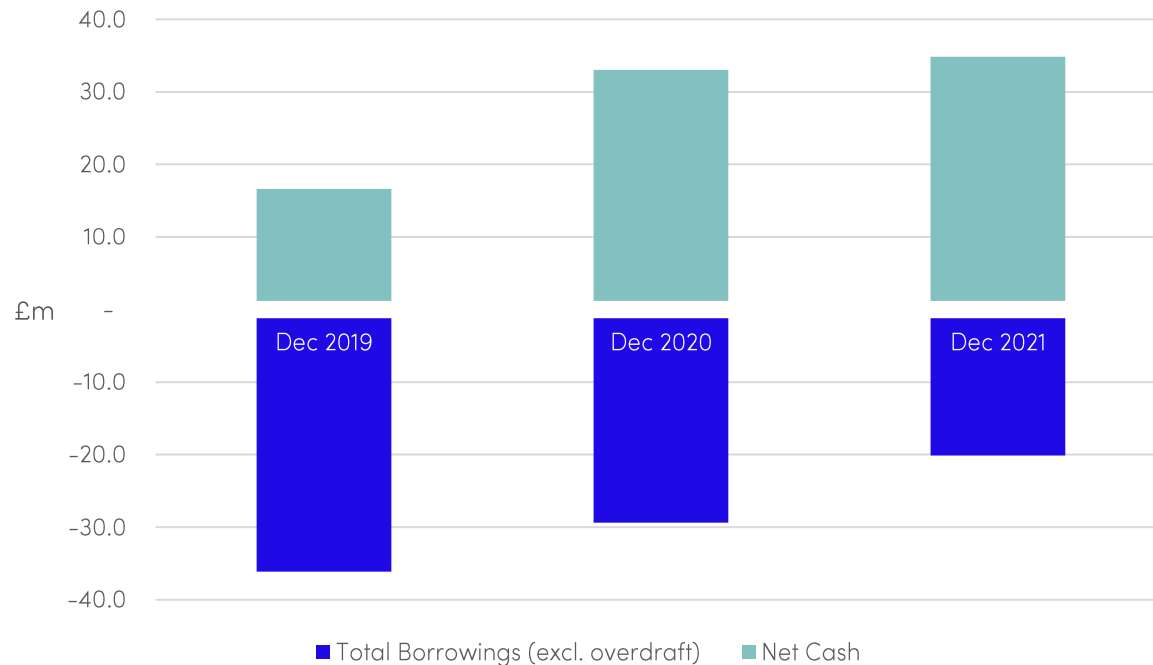
**Brand & Experience:** growth in existing client base; driving new revenue from existing Group clients

**Sponsorship & Talent:** significant new business wins in 2021, strong growth in the US



# STRONG BALANCE SHEET

## STRONG CASH POSITION CREATES OPPORTUNITIES FOR THE USE OF CAPITAL



Strong cash conversion, disciplined cash management and new credit facility

Continual increase in net cash over the past three years to £34.4m in December 2021 and total gross cash of £69.4m

Reduction in drawn down debt to £20m in December 2021 (£15m as at 31 March 2022)

Improvement in net cash in 2021 despite:

- Put option payment of £4.9m in Q4 of FY21
- Settlement in 2021 of payments of £14.5m deferred from 2020

New larger 3 year £47m RCF with NatWest and Barclays

# ELIMINATING SHAREHOLDER DILUTION

## SETTLING PUT OPTIONS IN CASH

Future share price of the Company	Paid so far in 2022 £m	Potentially payable						Total £m
		2022	2023	2024	2025	2026	2027 & 2028	
		£m	£m	£m	£m	£m	£m	
At 190p	0	22	9	8	0	2	4	46
At 210p	1.1	23.6	9.6	8.4	0.2	2.4	4.4	50
At 230p	1.1	25.1	10.5	9.1	0.2	2.6	4.9	54
At 250p	1.1	26.6	11.3	9.9	0.3	2.8	5.3	57
At 300p	1.1	30.4	13.5	11.8	0.4	3.3	6.3	67

All current and future put options expected to be settled with cash

Significant reduction in shareholder dilution (2021 dilution £0.08p per share; 2020 dilution £0.21p per share)

Significant cash available to settle all put options as they fall due

# OUTLOOK

2021 momentum has been sustained in Q1 2022 and is expected to continue into 2022/23 despite current geo-political turmoil and the inflationary impact on consumer spending

Expect higher growth in higher margin specialisms, not as exposed to consumer or economic downturn

Continued focus on connection, digitisation and simplification, driving efficiencies and reflecting client priorities

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# PBT FORECAST GROWTH OF 22% CAGR 2021 TO 2023

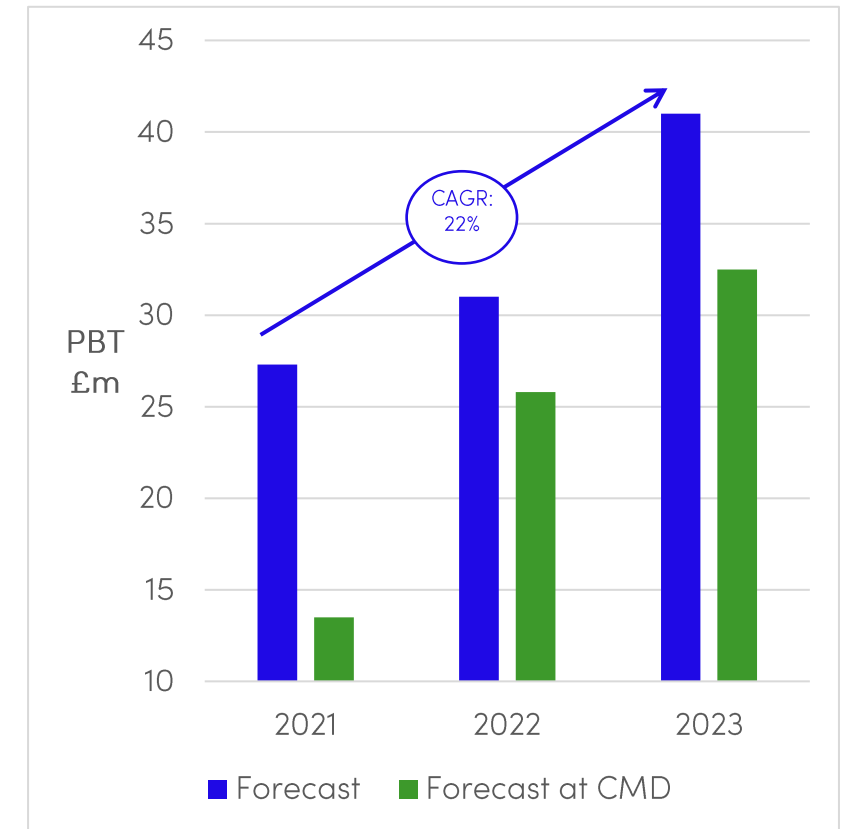
Company profit forecast (PBT) for 2022 and 2023 issued on 29 April 2022

## Headline PBT

- Follows 7 consecutive positive trading updates since January 2021
- Growth forecast to continue. Board has upgraded its Headline PBT forecasts for 2022 and 2023
  - 2022 Headline PBT increases to £31.0m
  - 2023 Headline PBT increases to £41.0m
  - Headline PBT CAGR 2021 to 2023 of 22%

## Growth drivers, 2021 – 2023

- Revenue growth driven by improved connectivity across the group
- Strongest growth in highest margin specialisms – Global & Social Issues, Media & Performance
- Continuation of Group simplification, with a phase two cost reduction programme to be initiated in H2 2022



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# ACCELERATED STRATEGY

## 1 MORE CONNECTED

Driving greater collaboration across specialisms and regions

Leveraging central 'fuel' capabilities including Growth Team, Data Capability, and Innovation and Sustainability start-ups

Adopting shared technology platforms to enhance connectivity across the Group

## 2 DIGITAL ACCELERATION

Connecting and scaling our global marketing capabilities with focused investment in data and martech

Continued focus on digital via substantiated M&A / investment based on client needs: ecommerce, analytics and insight, data tech consulting, and digital product and service innovation

Driving back-office efficiencies by leveraging technology

## 3 FURTHER SIMPLIFICATION

Simplified structure that reflects how clients buy solutions

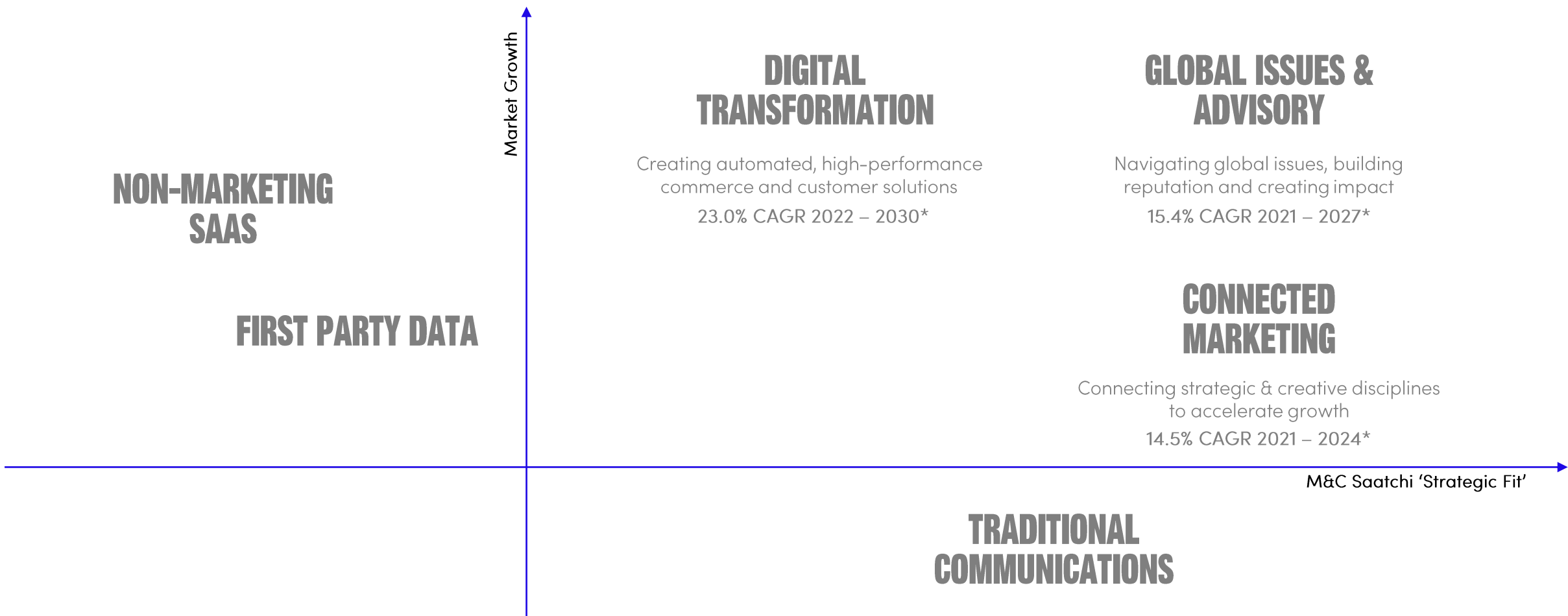
- Addition of Digital Transformation division to focus on high growth client need

- Expansion of Global & Social Issues into Issues, Advisory & Reputation for commercial and government clients

- Rationalisation of remaining specialisms into Connected Marketing

Fully centralised functions with potential to offshore / outsource

# CONTINUING TO INVEST IN THREE PROVEN GROWTH AREAS



\* CAGRs represent market growth rates  
Sources: Researchandmarkets.com, eMarketer; WNIP, Grandview research, M&C Saatchi Analysis  
M&C Saatchi Group



# POTENTIAL SIMPLIFIED STRUCTURE, REFLECTING STRATEGY

## RATIONALE

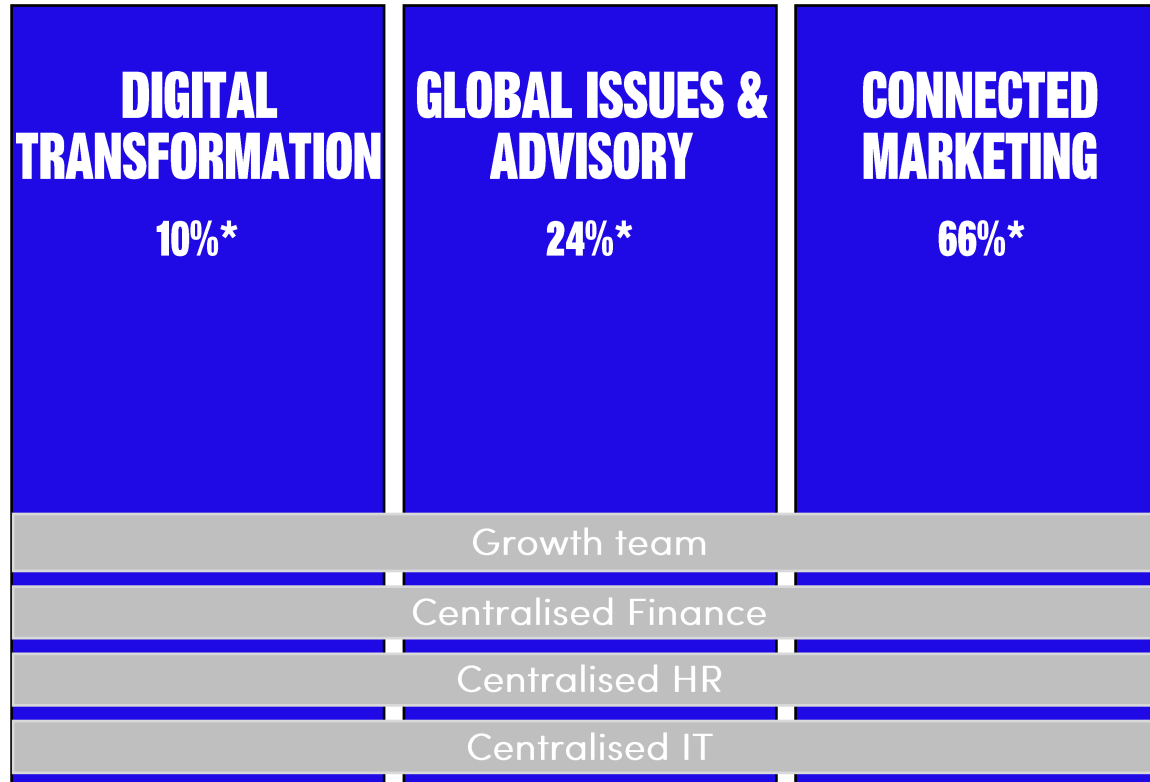
Simplified structure that reflects how clients buy solutions

Addition of Digital Transformation division to focus on high growth client need including Brand & Experience

Expansion of Global & Social Issues into Issues, Advisory & Reputation for commercial & government clients

Rationalisation of Advertising & CRM; Media & Performance; Sponsorship & Talent into single Connected Marketing division

Fully centralised functions with potential to offshore / outsource



## BENEFITS

Targeting broader c-suite clients: CTO, CEO, CMO for the three divisions respectively

Management efficiencies, reducing complexity

Collapsing silos and enabling cross-specialist teams

Clear focus and strategy for M&A with specific target areas

Ruthless focus on high growth, high margin work

Moves upstream into stickier, larger potential contracts

Tech-enabled structure

\* 2021 Headline PBT Split

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# CONFIDENCE IN OUR FUTURE

## GROWTH FOCUS STRATEGY

- Expansion of Global and Social into high growth area of public affairs and reputation management
- Addition of Digital Transformation division to enable growth at scale
- Improved margin from continued digitisation of Connected Marketing

## HEADLINE PBT ACCELERATION

- Strong trading performance and momentum in 2021 and Q1 2022
- Accelerated Headline PBT growth with FY22 and FY23 Headline PBT expected to be in the region of £31.0m and £41.0m, respectively

## STRONG CASH POSITION

- Strongly improved cash position currently £33.9m net cash at 31 March 2022
- Enabling:
  - Cash settlement of put options
  - Organic and M&A Investment
  - Shareholder returns

## SIMPLIFIED STRUCTURE

- Further rationalisation of specialisms, reducing silos and enabling cross-specialist teams
- Fully centralised, global enabling functions with potential for offshoring and outsourcing

## COMMITTED MANAGEMENT

- Loyal management
- Committed to accelerated strategy
- Plus commitment to protect the culture that attracts clients
- Leveraging core brand strengths