

M&C SAATCHI

2014 Preliminary Results

26th March 2015

Overview

- Good results with both strong revenue momentum and earnings growth
- Actual revenues up 4.6% and like-for-like revenues up 9.8%
- Profit before tax ahead 18% and EPS up 28%
- Balance sheet strong with net cash of £5m, following share buyback plus LMFM and SS+K acquisitions
- Rise in full year dividend of 15%
- 2015 has started well

Headline results

12 months to December 2014

	<u>2014</u>	<u>2013</u>	<u>14 v's 13</u>
	£m's	£m's	%
Revenue	169.4	162.0	5%
Profit before tax	17.2	14.6	18%
Taxation	4.7	4.4	6%
Profit after tax	12.5	10.2	23%
Minority Interest	(2.1)	(2.0)	5%
Profit for period	10.4	8.2	27%
Basic EPS	15.88p	12.39p	28%
Dividend	6.27p	5.45p	15%

Key Ratios

12 months to December 2014

	2014	2013
Headline revenue growth	4.6%	4.9%
Revenue growth in constant currency terms	9.8%	6.9%
Operating margin	9.5%	8.4%
Effective tax rate	27.3%	30.4%
Minority interest: PAT	16.8%	19.5%
Dividend growth	15.0%	10.1%
Basic EPS	15.88p	12.39p
Diluted EPS	15.17p	11.65p

The Headline P&L

12 months to December 2014

	<u>2014</u>	<u>2013</u>	<u>Movement</u>	
	£m's	£m's	£m's	%
Revenue (gross profit)	169.4	162.0	7.4	5%
Operating Expenses	153.4	148.3	5.1	3%
Operating profit	<u>16.0</u>	<u>13.7</u>	<u>2.3</u>	<u>17%</u>
Share of Associates	1.4	0.9	0.5	56%
Net Interest	(0.2)	-	(0.2)	-
Profit Before Tax	<u>17.2</u>	<u>14.6</u>	<u>2.6</u>	<u>18%</u>
Tax Rate	27.3%	30.4%		
Profit After Tax	<u>12.5</u>	<u>10.2</u>	<u>2.3</u>	<u>23%</u>
Minority Interest	(2.1)	(2.0)	(0.1)	5%
Profit for Period	<u>10.4</u>	<u>8.2</u>	<u>2.2</u>	<u>27%</u>
Headline EPS	15.88p	12.39p	3.49p	28%

Revenue

12 months to December 2014

	2014	2013	14 v's 13	
	£m's	£m's	Reported Rates %	Constant Rates %
UK	79.1	72.7	8.8%	8.8%
Europe	21.1	19.4	8.8%	14.9%
Africa	8.0	8.1	-1.2%	13.6%
Asia & Australasia	44.2	50.0	-11.6%	-1.2%
Americas	17.0	11.9	42.9%	51.3%
Group Total	169.4	162.1	4.5%	9.8%

The Headline P&L

12 months to December 2014

	UK	Europe	Africa & MENA	Asia & Australasia	Americas	Central Costs	Group Total
Revenue	79.1	21.1	8.0	44.2	17.0	-	169.4
v's 2013 constant rates	9%	15%	14%	-1%	51%	-	10%
Operating profit	11.8	2.9	1.0	5.1	0.4	(5.2)	16.0
v's 2013	1%	54%	173%	10%	-	1%	17%
Operating Margin	14.9%	13.7%	12.8%	11.5%	2.6%	-	9.5%
2013	16.0%	9.7%	4.7%	9.2%	0.7%	-	8.4%
Share of Associates	1.1	-	-	0.2	0.1	-	1.4
Net Interest	0.1	(0.1)	-	0.1	(0.1)	(0.2)	(0.2)
Central Costs	(0.4)	(0.1)	-	(0.3)	-	0.8	-
Profit Before Tax	<u>12.6</u>	<u>2.7</u>	<u>1.0</u>	<u>5.1</u>	<u>0.4</u>	<u>(4.6)</u>	<u>17.2</u>
Tax Rate	19.8%	33.3%	20.0%	35.3%	-	19.6%	27.4%
Profit After Tax	<u>10.1</u>	<u>1.8</u>	<u>0.8</u>	<u>3.3</u>	<u>0.2</u>	<u>(3.7)</u>	<u>12.5</u>
Minority Interest	1.3	0.4	0.4	0.5	(0.5)	-	2.1
Profit for Period	<u>8.8</u>	<u>1.4</u>	<u>0.4</u>	<u>2.8</u>	<u>0.7</u>	<u>(3.7)</u>	<u>10.4</u>

Top 10 Clients

- Boots
- Celcom
- Commonwealth Bank
- Ferrero
- IKEA
- Jaguar Land Rover
- O₂
- Optus
- Pernod Ricard
- RBS

Top 10 = 31% of Revenue (2013 31%)

UK

- 9% revenue growth, with CRM and Mobile continuing to perform particularly strongly
- LIDA won Customer Engagement Agency of the Year (again) and Mobile awarded Mobile Agency of the Year EMEA
- New business wins include: Land Rover, John Lewis, Oxfam, Sky Bet, Ballantine's, Foot Locker, Doodle and Douwe Egberts (global)
- Acquired Lean Mean Fighting Machine in April to bolster digital capabilities
- Operating margin held at 15%
- Exporting CRM and PR along with Mobile and S&E
- Exploration of new opportunities in content and shopper

Europe

- Like-for-like revenues up 15%
- Stockholm maintains strong new business performance
- Germany and Italy continue to excel. Italy won BMW
- In France, advertising still slow but pitching successfully. Wins include McCain, Thomas Cook and a place on EDF roster
- Looking to open in Turkey, following the Chinese model
- Spain (Associate) a bit better, won RENFE (state train operator) at the end of the year

Middle East and Africa

- Like-for-like revenues increased 14%
- Strong contributions from both Cape Town and Johannesburg
- Key wins in year: Pepsico and Deloitte Consulting
- Abu Dhabi still building revenues beyond Etihad and won TwoFour54 (tax-free media and entertainment centre)
- Just opened in Tel Aviv. Proven team and benefits of Israel as tech hub
- Middle East (Associate) still a challenging market

Asia and Australasia

- Like-for-like revenues down 1% but operating profit up 10% and margin increased to 11.5%
- Australia had a very good new business run: IAG, Lexus, A2 milk and Cricket Australia. Won Agency of the Year
- Closed New Zealand
- Associate in China aeiou continues to work well, won Microsoft business
- Malaysia maintains excellent contribution
- Replicated Chinese model in India with February
- Singapore won Jaguar Land Rover and continues to win Government work

Americas

- Like-for-like revenues up 51%
- Acquired 33% of SS+K in New York in November. Working well and won J W Marriott with worldwide support
- Strong progress in Los Angeles - won UGG social media business across US
- Mobile (NY, LA and SF) won Best US Agency for Mobile
- Sao Paulo upgrade in February 2015, acquiring 25% of Santa Clara following the Chinese model

Balance Sheet, Cash and Dividend

- Balance sheet remains strong
- Net cash of £5m compares with 2013's £33m (pre £21m January share buy back). Spent £8.5m on acquisitions, predominantly SS+K
- Minority put options down 36%. Share price flat (333 to 330), follows some exercise of puts in France, Australia and Mobile
- Final dividend increased 15% from 4.24p to 4.87p, which takes full year dividend up 15% from 5.45p to 6.27p

Balance sheet

	2014	2013
	31st Dec.	31st Dec.
	£m's	£m's
Non Current Assets	57.8	57.0
Net Debtors	76.9	66.8
Net Creditors	(77.3)	(64.9)
Net Working Capital Position - Excl. Cash	(0.4)	1.9
Net Tax	(1.7)	(2.2)
Net Cash	5.1	33.2
Net Current Assets	3.0	32.9
Provision for minority put options	(24.5)	(38.2)
Non Current liabilities	(0.4)	(0.5)
Net assets	35.9	50.8

Cash

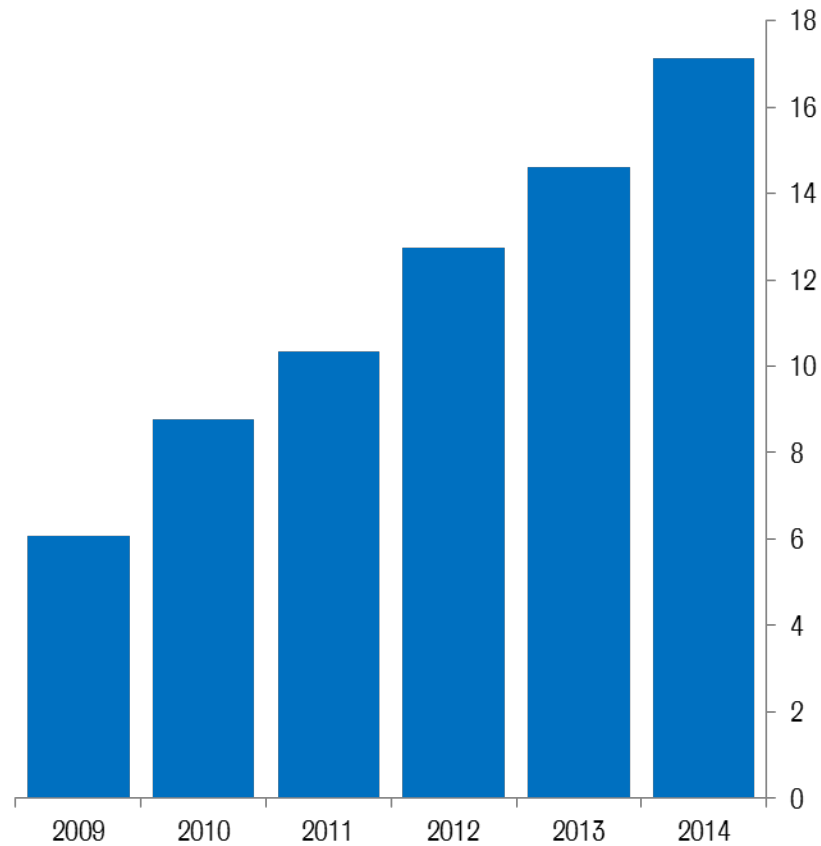
	<u>£m's</u>
Opening balance as at 1st January 2014	33.2
Effect of exchange revaluation	(0.4)
Operating profit	13.6
Net Interest received	(0.2)
Tax paid in period	(5.3)
Depreciation	2.6
Capital expenditure	(2.8)
Free cash flow before working capital	7.9
Impact of working capital movements	1.7
Dividends paid (ordinary & MI)	(5.6)
Net cash flow before acquisitions	4.0
Acquisitions	(8.5)
Purchase of own shares	(21.5)
New York investment	(1.7)
Closing Balance as at 31st December 2014	<u>5.1</u>

Our Competitive Advantages

- Entrepreneurial culture and ownership structure fosters market beating growth
- Genuine integrated offering delivers greater effectiveness and efficiency to clients
- Agility and cash allows us to get behind new high growth opportunities faster

The Results

Profit before tax £'ms



CAGR = 23.1%

Outlook

- 2014 was another year of excellent progress for M&C Saatchi

We maintain our strategy of winning new business and starting new businesses, in particular;

- Accelerating new business with focus on global network clients
- Investing in high-growth new businesses in mature markets
- Investing in scaling-up most desirable markets
- Rolling out proven models across network

We are confident we will continue to make good progress in 2015 and beyond

Additional Financial Information

Regional Profit and Loss Accounts

UK

Summary Profit & Loss 12 months to December 2014

	<u>2014</u> £000's	<u>2013</u> £000's	<u>14 v's 13</u>	
			£000's	%
Revenue	79,144	72,681	6,463	8.9%
Underlying operating profit	11,757	11,642	115	1.0%
Group costs	(5,159)	(4,942)	(217)	4.4%
Recharged	449	396	53	13.4%
Reported operating profit	<u>7,047</u>	<u>7,096</u>	<u>(49)</u>	<u>-0.7%</u>
Associate	1,074	983	91	-
Net interest	(145)	(44)	(101)	-
Profit before tax	<u>7,976</u>	<u>8,035</u>	<u>(59)</u>	<u>-0.7%</u>
Underlying margin	14.9%	16.0%		-1.1 PTS
Reported margin	8.9%	9.8%		-0.9 PTS

Europe

Summary Profit & Loss 12 months to December 2014

	<u>2014</u> £000's	<u>2013</u> £000's	<u>14 v's 13</u>	
			£000's	%
Revenue	21,092	19,434	1,658	8.5%
Underlying operating profit	2,891	1,881	1,010	53.7%
Group recharge	(72)	(71)	(1)	1.4%
Reported operating profit	<u>2,819</u>	<u>1,810</u>	<u>1,009</u>	<u>55.7%</u>
Associate	(19)	23	(42)	-
Net interest	(54)	(55)	1	-1.8%
Profit before tax	<u>2,746</u>	<u>1,778</u>	<u>968</u>	<u>54.4%</u>
Underlying margin	13.7%	9.7%		4.0 PTS
Reported margin	13.4%	9.3%		4.1 PTS

Africa & MENA

Summary Profit & Loss

12 months to December 2014

	<u>2014</u> £000's	<u>2013</u> £000's	<u>14 v's 13</u>	
			£000's	%
Revenue	8,004	8,055	(51)	-0.6%
Underlying operating profit	1,027	376	651	173.1%
Group Recharge	-	-	-	-
Reported operating profit	<u>1,027</u>	<u>376</u>	<u>651</u>	<u>173.1%</u>
Associate	-	(152)	152	-
Net interest	(11)	104	(115)	-
Profit before tax	<u>1,016</u>	<u>328</u>	<u>688</u>	<u>209.8%</u>
Underlying margin	12.8%	4.7%		8.3 PTS
Reported margin	12.8%	4.7%		8.2 PTS

Asia & Australasia

Summary Profit & Loss 12 months to December 2014

	<u>2014</u> £000's	<u>2013</u> £000's	<u>14 v's 13</u>	
			£000's	%
Revenue	44,173	49,961	(5,788)	-11.6%
Underlying operating profit	5,064	4,621	443	9.6%
Group recharge	(330)	(234)	(96)	41.0%
Reported operating profit	<u>4,734</u>	<u>4,387</u>	<u>347</u>	<u>7.9%</u>
Associate	224	67	157	-
Net interest	58	37	21	56.8%
Profit before tax	<u>5,016</u>	<u>4,491</u>	<u>525</u>	<u>11.7%</u>
Underlying margin	11.5%	9.2%		2.3 PTS
Reported margin	10.7%	8.8%		1.9 PTS

Americas

Summary Profit & Loss

12 months to December 2014

	<u>2014</u> £000's	<u>2013</u> £000's	<u>14 v's 13</u>	
			£000's	%
Revenue	16,960	11,908	5,052	42.4%
Underlying operating profit	445	79	366	-
Group recharge	(47)	(91)	44	-48.4%
Reported operating profit	<u>398</u>	<u>(12)</u>	<u>410</u>	<u>-</u>
Associate	71	-	71	-
Net interest	(80)	(15)	(65)	-
Profit before tax	<u>389</u>	<u>(27)</u>	<u>416</u>	<u>-</u>
Underlying margin	2.6%	0.7%		2.0 PTS
Reported margin	2.3%	-		2.3 PTS