

WELCOME TO CARNABY STREET



# 2022 RESULTS PRESENTATION

12 Months Ended  
31 December 2022

TICKETS ON SALE  
6 - 31 JULY 2022

TICKETS ON SALE  
6 - 31 JULY 2022



18 April 2023

- 1 Overview
- 2 2022 Results
- 3 Outlook & Strategic Update

# 2022 OVERVIEW

Focus maintained on delivery to clients, resulting in record revenues and Headline PBT.

Reinstatement of dividends.

A galvanised and unified senior management team.

Benefit of transformation from Advertising to Creative Solutions Company underlined through specialism performance.

# A CREATIVE SOLUTIONS COMPANY WITH A DIVERSE RANGE OF SPECIALIST EXPERTISE

## Advertising

*Scaled and personalised content to create and fulfil demand*

- Data analytics
- Social strategy
- Dynamic digital content
- Precision & personalisation
- Loyalty
- Owned & earned

## Consulting

*Growth consulting in high-margin and emerging sectors*

- Growth
- Data analytics
- CX & DX
- SME marketing SaaS
- Innovation
- Sustainability

## Issues

*Communications for defence, diplomacy and development*

- Unique combination of communications and subject matter experts
- Hard-to-reach audience skills
- Narrative tracking technology

## Passions

*Connecting brands direct to consumers through passions and personalities*

- Sport, entertainment & lifestyle
- Experiential content
- Talent management
- Influencer management & consultancy

## Media

*Connecting brands with digitally connected consumers*

- Audience modelling
- Planning & buying
- Analytics & optimisation

# GROWTH OF HIGH MARGIN SPECIALISMS

Advertising

Consulting

Issues

Passions

Media

Share of  
2022 Group  
Net Revenue

46%

14%

15%

12%

13%

Share of  
2022 Group  
Operating  
Profit

25%

75%

# 2022 HIGHLIGHTS

New consultancy capabilities established in growth sectors and with strong new business performance:

- Digital innovation, CX/DX, sustainability, data analytics

Strong new business performance across all specialist divisions, including:

- Covid Inquiry, PepsiCo, Australia Retirement Trust, Tinder, Diageo, UNICEF, Unilever, FIFA, Kia, and LVMH.
- Appointment to global rosters – Emirates Airlines, Samsung, and VW Group.

Industry recognition across capabilities:

- Start Up Agency of the year (Data analytics), Global PR Agency of the year, Performance Media Buyer of the year EMEA, UK Sponsorship Agency of the year, Digital Agency of the year Indonesia, Most Innovative business Australia and Consultant of the year US.

Global efficiency programme initiated, with focus on back-office consolidation and offshoring, centralising procurement, rationalising property portfolio and simplifying legal and operating entities.

ESG commitments published with Science Based Targets initiative validation.

- 1 Overview
- 2 2022 Results
- 3 Outlook & Strategic Update

# 2022 WAS A RECORD YEAR

Record net revenue of £271.1m (up 8.7% from 2021)

Record Headline profit before tax of £31.8 million (up 16.5% from 2021)

Headline operating profit margin of 13.1% (up 56pts from 2021)

Headline earnings per share of 14.8p (up from 11.3p in 2021)

Net Cash of £30.0m

Reinstatement of dividends – final dividend of 1.5p

# 2022 RESULTS

## Strong Year

Net Revenue growth was driven primarily by the High Growth Specialisms half of the business.

Operating profit growth was driven by margin improvement in Advertising, the stronger growth in the higher margin non-Advertising half of the business and an improved focus on central cost control.

Earnings growth was enhanced by the partial settlement of the put option liability.

Statutory profit was adversely affected predominantly by the costs of the unsuccessful takeover bids and by other non-trading items.

	Headline			Statutory		
	2022 £m	2021 £m	<i>Movement</i> %	2022 £m	2021 £m	<i>Movement</i> %
Revenue	462.5	394.6	17.2%	462.5	394.6	17.2%
Net Revenue	271.1	249.3	8.7%	271.1	249.3	8.7%
Operating Profit	35.4	31.1	13.8%	10.5	27.3	(61.5)%
PBT	31.8	27.3	16.5%	5.4	21.6	(75.0)%
PAT	24.0	20.0	20.5%	0.2	13.2	(98.5)%
Earnings	18.1	13.7	32.8%	0.1	12.8	(99.2)%

# 2022 KEY METRICS

Operating margin growth to 13.1% represents continued progress towards the operating profit margin target of 18% by 2027.

Record Headline EBITDA achieved.

Basic and diluted EPS growth above 30%.

	Headline		
	2022	2021	<i>Movement</i>
Operating Profit Margin %	13.1%	12.5%	<i>0.6pts</i>
EBITDA	£45.2m	£40.8m	<i>10.8%</i>
Basic EPS	14.8p	11.3p	<i>31.1%</i>
Diluted EPS	13.5p	10.1p	<i>33.9%</i>
Effective Tax rate	24.5%	26.6%	<i>(2.1)pts</i>

# AHEAD OF PREVIOUS CMD TARGETS

	2020 £m	2021 £m	2022 £m	<i>Growth 2021 %</i>	<i>Growth 2022 %</i>	2020 – 2022 CAGR %	<i>Previous CMD Targets (2020-2025)</i>
Net Revenue	225.4	249.3	271.1	11%	9%	10%	6% CAGR
Operating Profit	12.0	31.1	35.4	160%	14%	71%	+25% CAGR
<i>OP margin %</i>	5%	12%	13%	7 pts	1 pts		18% by 2025
Headline PBT	8.3	27.3	31.8	228%	16%	95%	

# NET REVENUE GROWTH – BY SPECIALISM

High Growth Specialisms now represent 54% of the Group's Net Revenue (up from 49% in 2021 and 36% in 2019).

Passions grew by 23% LFL, to represent 12% of the Group.

Issues grew by 22% LFL, to represent 15% of the Group.

Consulting grew by 8% LFL, to represent 14% of the Group.

Media declined by 1.5% LFL, due to the technology sector downturn.

Advertising declined 4% LFL, due to client budget cutbacks in UK and the impact of Covid lockdowns in China.

	Reported			Like-for-like (LFL)*		
	2022 £m	2021 £m	<i>Growth</i> %	2022 £m	2021 £m	<i>Growth</i> %
Passions	33.4	24.5	36.7%	33.4	27.3	22.6%
Issues	42.2	33.9	24.4%	41.4	33.9	22.0%
Consulting	37.0	30.9	19.6%	37.0	34.3	7.7%
Media	34.2	32.8	4.2%	34.2	34.7	(1.5)%
<b>High Growth Specialisms</b>	<b>146.8</b>	<b>122.1</b>	<b>20.2%</b>	<b>146.0</b>	<b>130.2</b>	<b>14.4%</b>
Advertising	124.3	127.2	(2.3)%	118.1	123.0	(4.0)%
<b>Total Group</b>	<b>271.1</b>	<b>249.3</b>	<b>8.7%</b>	<b>264.1</b>	<b>253.2</b>	<b>4.3%</b>

\*The like-for-like basis applies constant foreign exchange rates and removes the impact of any acquisitions or disposals, and adjusts for reclassifications between specialisms.

# HEADLINE RESULTS - BY DIVISION

Advertising improved its OP margin to 9.4%. Net Revenue declined, but costs were closely managed, resulting in a £0.7m increase in operating profit.

The OP margin of the High Growth Specialisms remained high at an average of 23.8%. The 20% Net Revenue growth converted into a £2.8m increase in operating profit.

A focus on improved management of Group Central Costs generated a £0.8m saving in operating costs versus last year.

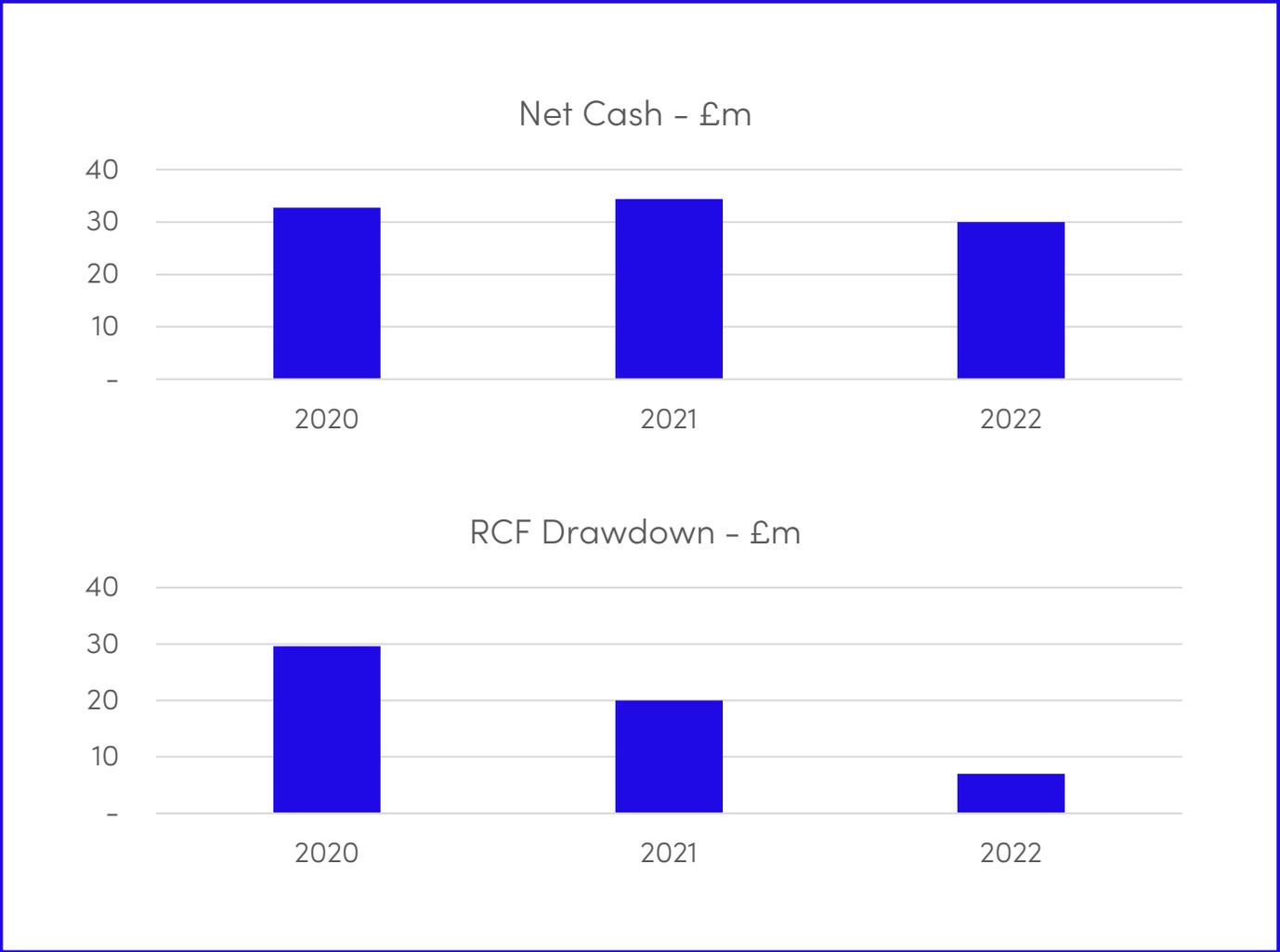
	Advertising £'000	High Growth Specialisms £'000	Group Central Costs £'000	Total Group £'000
<b>2022</b>				
Net revenue	124,300	146,840	-	271,140
Operating Profit	11,728	35,015	(11,355)	35,388
OP Margin	9.4%	23.8%	-	13%
PBT	9,928	31,604	(9,699)	31,833
<b>2021</b>				
Net revenue	127,195	122,141	-	249,336
Operating Profit	11,052	32,244	(12,160)	31,136
OP Margin	8.7%	26.4%	-	12%
PBT	9,370	30,792	(12,848)	27,314

# NET CASH

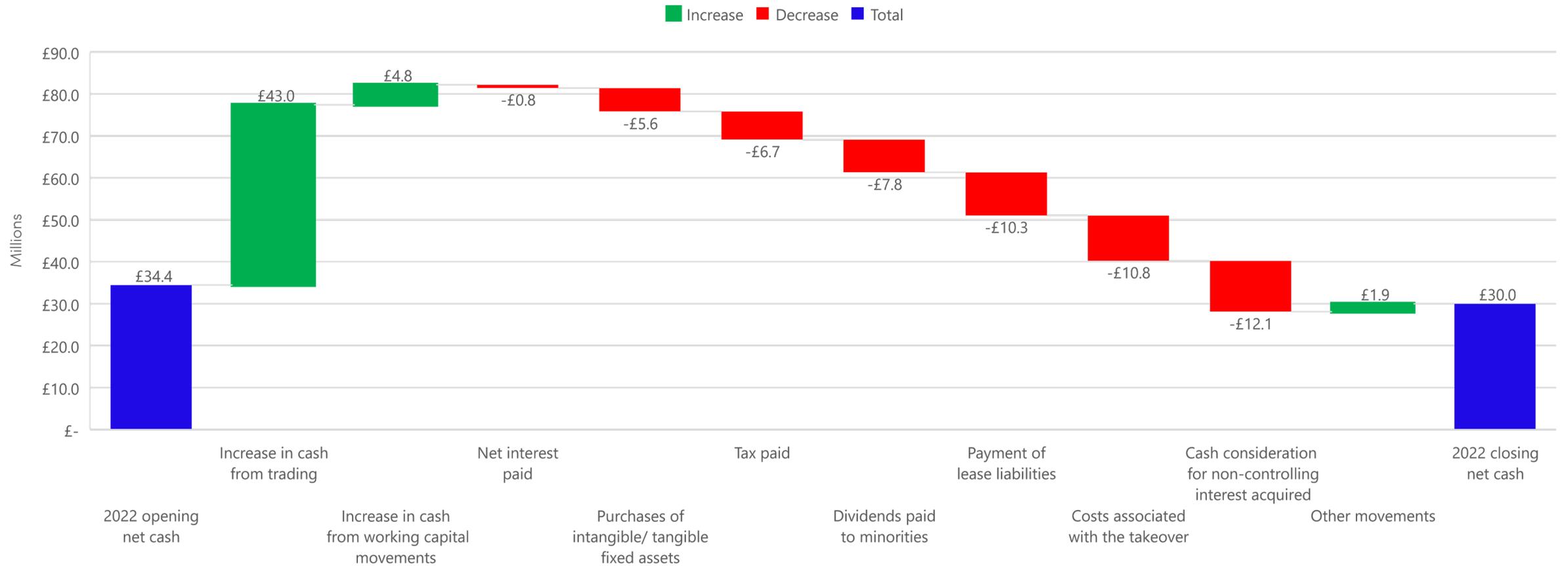
The Company remains in a strong net cash position.

RCF drawdown reduced from £20.0m in 2021 to £7.0m in 2022.

The strong cash position enables us to settle future put options in cash and has allowed us to declare a final 2022 dividend.



# MOVEMENT IN NET CASH IN 2022

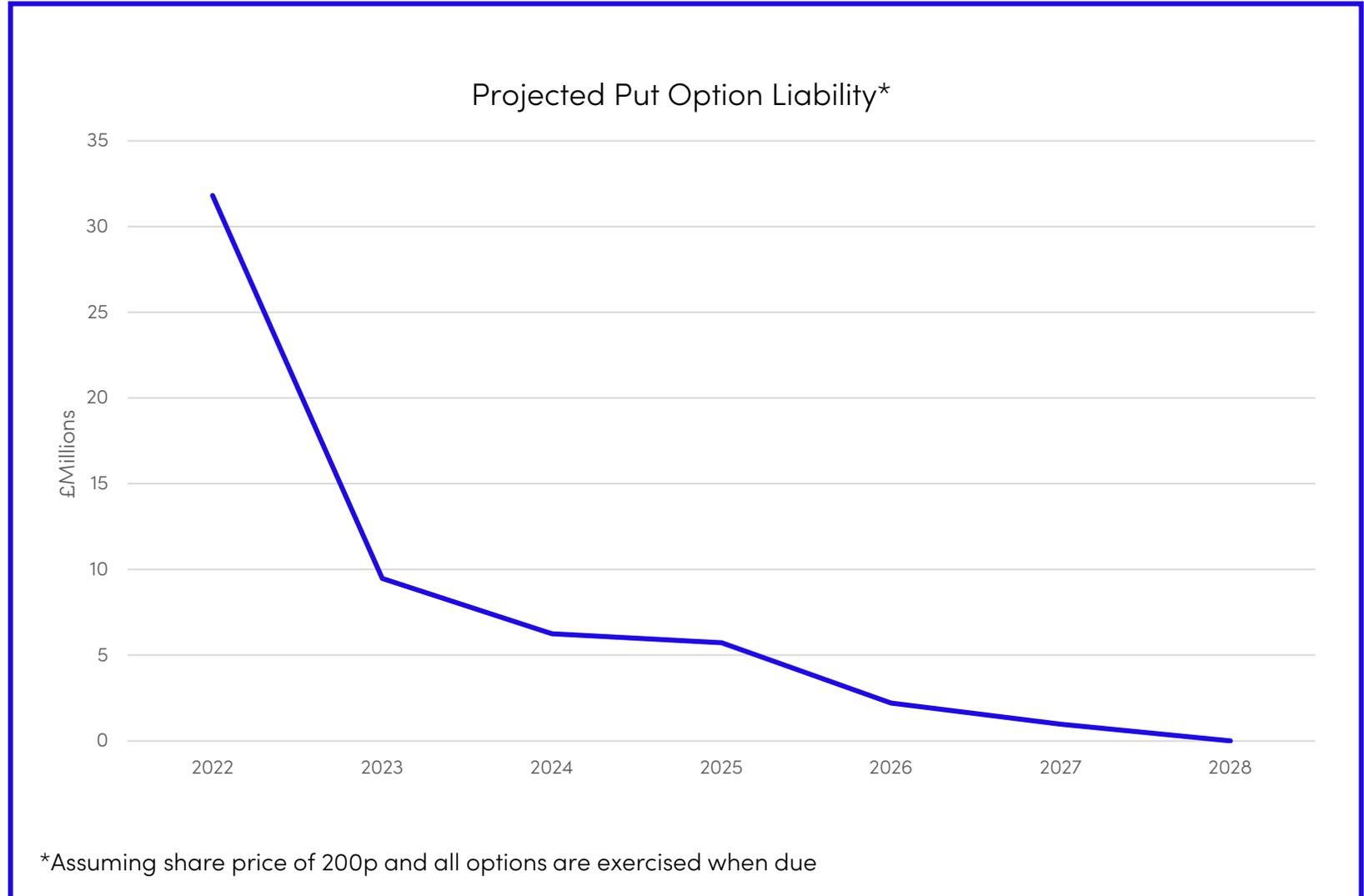


# PUT OPTION LIABILITY

This chart shows the cash payments required to settle put options for the next six years, based on the future share price of the Company at 200p and the estimated future business performance for each business unit as per our long-term business plan.

Up to 70% of the total liability can be settled in 2023.

Minority interests are expected to reduce to 10% of Headline earnings in 2023 (from 25% in 2022; 38% in 2019).



# CAPITAL ALLOCATION PRIORITIES

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

- 1 Overview
- 2 2022 Results
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# 2023 OUTLOOK

Headline PBT expected to be in line with market expectations (£36.5m - £38.0m).

This would represent 15-19% PBT growth versus 2022.

Revenue phasing in line with historic average.

Profit will be more weighted towards H2.

To date, the Media specialism has been adversely affected by headwinds in the technology sector.

Consulting, Issues and Passions specialisms have good momentum and strong new business pipelines.

Global cost efficiency programme is underway with cost savings to come through in H2.

# UPDATE SINCE FEBRUARY CMD

M&A: areas of investment crystallised and targets in the process of being identified – focus on Passions and Issues specialisms, social and analytics, and the US.

New CX proposition in place across markets identified in CMD.

New TX proposition to be launched in Q2.

New leadership in key Advertising markets of the UK and US underway – appointments expected in Q2 and H2 respectively.

M&C Saatchi EU to be launched 18 April.

New internal collaboration and connection platform to be launched 18 April.

Zillah Byng-Thorne appointment expected to be effective from June.

# 5 YEAR TARGETS (CMD) : 2022-2027



2022-2027 CAGR %

8%

16%

*2020-2022 CAGR %*

*10%*

*71%*

# STRATEGIC SUMMARY

To be the world's leading creative solutions company, of specialist expertise, connected through data and tech, to deliver meaningful change.

Differentiated through breadth of capabilities.

Global efficiency programme initiated to deliver cost savings and margin improvement.

Simplification programme in place to deliver a reduction in legal and operating entities.

Growth through M&A to replace start up strategy.

**M&C SAATCHI GROUP**

**THANK YOU**

**M&C SAATCHI GROUP**

# **APPENDICES**

# PEOPLE & PLANET: ESG COMMITMENTS

## PLANET COMMITMENTS

- THE WAY WE WORK**
- 1 Set a Net Zero target, in line with the SBTi Net Zero standard
  - 2 Reduce our scope 1, 2 and 3 emissions by 50% by 2030
  - 3 Be carbon neutral across our own operations by 2025 and across our value chain by 2030

- THE WORK WE DO**
- 4 Build climate-literate teams
  - 5 Grow the % of revenue from planet positive campaigns year on year
  - 6 Review the environmental approach of potential new clients

## PEOPLE COMMITMENTS

- THE WAY WE WORK**
- 7 Evolve how we recruit, develop and reward our people to address under-representation
  - 8 Create an inclusive experience where all can flourish, perform and belong
  - 9 Inspire and support people from under-represented groups to start careers in the industry

- THE WORK WE DO**
- 10 Train our teams to champion DE&I and embed 'Conscious Creativity'
  - 11 Offer people and funding to organisations that have a positive impact
  - 12 Collaborate with key partners to create campaigns that support our People and Planet ambitions

# NET REVENUE GROWTH - BY REGION

UK grew 3% LFL, but decreased its share of the Group to 36%.

Americas grew 14% LFL, to represent 20% of the Group.

Middle East & Africa grew 12% LFL, to represent 9% of the Group.

Asia revenue grew 10% LFL, to represent 10% of the Group.

Australia declined 5% LFL, due to client churn in its Advertising business, but still represents 20% of the Group.

	Reported			Like-for-like (LFL)*		
	2022	2021	% Growth	2022	2021	% Growth
UK	98.2	95.1	3.3%	98.2	95.1	3.3%
Europe	15.3	15.2	0.7%	15.3	15.5	(1.1)%
Middle East & Africa	23.4	20.2	15.6%	23.4	20.9	11.7%
Asia	26.1	23.3	12.1%	22.1	20.0	10.3%
Australia	52.9	54.0	(2.1)%	52.9	55.9	(5.4)%
Americas	55.2	41.5	33.1%	52.2	45.8	13.9%
<b>Total Group</b>	<b>271.1</b>	<b>249.3</b>	<b>8.7%</b>	<b>264.1</b>	<b>253.2</b>	<b>4.3%</b>

\*The like-for-like bases applies constant foreign exchange rates and removes the impact of any acquisitions or disposals.

# PUT OPTION LIABILITY

This table presents a range of potential cash payments to settle put options for the next six years, based on the future share price of the Company, the estimated future business performance for each business unit, and assuming the put options are exercised as soon as possible. These forecasts are based on the Group's long-term plans developed as part of our budget cycle.

Future Share Price of the Company	Potentially payable						Total £'000
	2023 £'000	2024 £'000	2025 £'000	2026 £'000	2027 £'000	2028 £'000	
At 151p*	£17,498	£2,470	£373	£2,932	£924	£740	<b>£24,937</b>
At 160p	£18,324	£2,609	£401	£2,978	£979	£784	<b>£26,075</b>
At 175p	£19,746	£2,841	£448	£3,102	£1,071	£858	<b>£28,066</b>
At 200p	£22,323	£3,227	£526	£3,522	£1,224	£981	<b>£31,803</b>
At 225p	£24,800	£3,512	£604	£3,941	£1,377	£1,103	<b>£35,337</b>
At 250p	£27,226	£3,747	£682	£4,360	£1,530	£1,226	<b>£38,771</b>
At 300p	£32,121	£4,217	£838	£5,199	£1,836	£1,471	<b>£45,682</b>

\* Share price at 31 December 2022

# STATUTORY TO HEADLINE PBT RECONCILIATION

