

M&C Saatchi Group

Q&A Capital Markets Day

28th January 2021

Moray MacLennan:

Now onto the Q&A. So just to remind you there's 10 of us on the call. We're all-in different places, or most of us are in different rooms, different part of the countries, as are you. So, fingers crossed on wi-fi strength.

So, as I said before, Jane is facilitating the questions and over to you Jane if all is in working order.

Jane Boardman:

Thank you, Moray and before we start with the questions, I would just like to let everyone know that this session is being recorded.

So, the first question we have is from Roddy Davidson from Shore Capital. Roddy, if you could turn your camera on, unmute yourself and ask your question, that would be great.

Roddy Davidson, Shore Capital:

Hopefully you can see and hear me okay. My question was actually a slightly more generic one. I'd be really interested to hear your view on how you would expect marketing budgets and advertising spend to build during the current year and beyond? And I'm particularly interested in underlying categories. Strong growth and digital is an absolute given, but areas like TV and outdoor, for example, would be really much appreciated, thank you.

Moray MacLennan:

It's been a devastating year, last year, for traditional media channels. The worst year since records began 40 years ago in terms of decline and, of course, as you say, the growth is all online, social, search display - all showing really strong growth. Looking forward, the predictions are in some ways somewhat predictable. It mirrors Covid to a large extent and also previous trends. So, cinema is down 50%, out of home I think 25% and television is similar. Looking forward I think to an extent it will mirror Covid-19, social distancing and the effects of the pandemic. So, the forecasts show that probably cinema and out of home come back as we move to unlocking following the pandemic. Obviously, print medium has also been devastated.

One of the interesting things I was looking at was the online minutes spent by consumers and the changing in those patterns over the last 12 months. There were many of the things you'd expect, in terms of streaming and music taking up more and more of those increased minutes. The other one, though, was that the online media and news outlets were picking up dramatically...and I thought that was interesting for two reasons. It shows the connected nature, so yes whilst our friends on Fleet Street, their physical product is forecast to continue to decline dramatically, online- people are looking for more trusted forms of media. It just shows the connected media landscape we operate in and shows growth - so all is not lost for them.

I'm also thinking of our media coverage and they're sharpening their pencils to cover us in the future. I think their future can be bright in the online environment and that's

where the eyeballs are, and the forecast shows that. So that's a topline outlook for the coming year.

In terms of the market and the outlook of course it's uncertain at the moment, for obvious reasons. I think you would expect that. There was a hope that marketing budgets would start to unfreeze at the end of first of the quarter, but now it's back to the end of the second quarter in terms of client crystallizing their plans and spend. One thing that we have seen that is perhaps interesting, in the last three weeks, in different geographies and sectors, not in all, but many – from Australia, across Asia, all our offices in India, Indonesia, Malaysia, China, Hong Kong, In the UK, in PR, in Sports and in the US – is that they've all seen a real uptick in terms of new business activity. It was not necessarily expected at the end of last year that we would have such a lively start to this year. And again, analysing that, it goes to show the disruption and extent that people are reconsidering their marketing plans and expenditure and current relationships.

That's a double-edged sword of course, what do they say in advertising? 50% confidence 50% paranoia. If you're taking your people and clients for granted, you're in trouble. So yes, you need to maintain your client base and stability. But really accelerated pitching across sector and geography in the first three weeks of 2021, all of our companies are busy (we never count our chickens in this business, you learn not to) some have come through to wins, but most are still in progress. But hopefully that gives you a broad idea.

Jane Boardman:

Thanks Moray. We have a question sent in by an investor who has asked me to read this for him.

What are the parameters for restarting the dividend? And also, any policy on payout ratio?

Moray MacLennan

Okay, well I'll do a topline on this and Mickey I'll pass over to you.

Our priority as you would expect, given the levels of uncertainty, are to maintain a strong balance sheet so that we can continue to support our growth plans. That's the absolute priority and obviously we hope to be coming towards the end, but clearly, we are not, we are in the middle of this pandemic still which we need to keep in mind. I think also in the relatively short term, and this will be something we will monitor in conjunction with the board, is the furlough money. We have an aspiration, perhaps slightly stronger than an aspiration, and that's the intention when the circumstances are right, to pay that furlough money, which was in the region of £600,000, back. But of course, over time excess capital we would plan to pay back to shareholders.

Mickey, anything more precise in terms of the details of that question?

Mickey Kalifa:

There are just a couple of things I would add. The priority at this moment in time, with the pandemic still ongoing and it being still uncertain, as you said, Moray, is we have to maintain a strong balance sheet. We have to preserve or look after our cash. And one other fundamental as well is we have a refinancing coming up in June, so it would

be perhaps unwise or premature to make a call on any form of distribution until that is done.

Thanks Jane.

Jane Boardman:

Next Question from Julian Addison from DBay Advisors. Would you like to turn your screen on, unmute yourself and ask your question, Julian?

Julian Addison, Dbay Advisors: How far along are you in the transition to the new operating strategy? And how are your management P&L's structured?

Moray MacLennan:

We've made good progress. There was a real focus, certainly in the first half of last year and continuing through on fixing the problems. They were a shock, but then we reacted reasonably quickly. I talked about closing 14 entities and, I'm not looking for a sympathy vote here, but it's quite complex to do that in terms of the existing client base, the existing people, the existing property liabilities and so that did take a good portion of our time and effort and attention, and I think it was right that it did. Then of course analysing the problems and weaknesses within the current structure and I'd say that was the first half of last year, that took up the majority of the time as we began, of course, to look at a future strategy and started to evolve that. I think we've made really good progress.

Without going into the detail of that in terms of how far along we are, I think we have, it's a very easy thing to say, good buy in, but it's a bit more than just good buy in, because otherwise, strategy is just a bit of paper...until it's been into operation and to be put into operation it has to come from the business, has to be welcomed from the business and move towards it as a business. So, we have been working with the senior management and listening to our people, and as I said in my talk, there's been that going on. So, I think we have I would say engaged, but not yet fully mobilized the people around the world, which is going to be the focus for the next six months or so. Really getting energy and enthusiasm behind it and you know, maybe it's my Presbyterian Scot upbringing - I don't say the word excited very much - but I am excited by the possibilities of doing that because of what I hear back from the people. Because connecting our business has really significant potential for additional revenue, because it's coming from the clients and it's coming from the people, and we have evidence it's succeeding and winning new business.

So, we communicated internally, people are beginning to engage, beginning to connect, we have the incentive policy pretty much in place, working through with Remco, that will be operationalised. We have the chief people officer being announced within the next week or two. In terms of the businesses, the new fuel, the new capabilities - we've launched Fluency, we've identified individuals for all the other businesses. I don't particularly want to go into the details of their offering, because 'the powder is damp, rather than dry', but that analogy probably doesn't work. But usually we keep our powder dry, completely. We wanted to share with you our plans, I don't want to talk about the details of them, but we have people lined up and that's the main thing. It's much easier to identify areas of opportunity but it's no good unless you have good people...you won't win. If you have excellent people you

will win. So, we've identified the talent in those, and I would hope that before the end of the first quarter there will be more news on those capabilities, just to demonstrate how far along the line we are. But certainly, by the end of the second quarter I would expect those to be in place, having an effect.

Also, I talked about the Growth Platform. We have a Chief Growth Officer; she's been in place for twelve months now and she really started to engage. That's one of the reasons we've had the success that we've talked that'll be in three parts and she has started internally in terms of engaging the people. In terms of monitoring and marketing the brand and at the same time, it's not sequential this, identifying opportunities and running at that fast pace, getting the money and revenue in. And so, if I as to put a percentage on it I think we have 70% of the plans in place and I think we've got about 30% of it operationalised, but a real way to go.

In some ways it's easier in Covid to do it because everyone can connect really quickly. We used to get together twice a year, physically, as all the business leaders, and now we do it whenever we feel like it. You know, twice a month. And I think breaking those physical habits into virtual connections really helps in some way for moving at pace. Don't get me wrong, I think the business, like all businesses, but creative businesses in particular, miss that spark that comes, that inspiration that comes from being together. Being optimistic for a second, this is just a personal view, that I think that moment when we get back together, despite the fact that we are coping really well, I think that moment will be a bit like a dam bursting in terms of the creativity energy that comes and floods through, not just our industry, but our company rather. It's going to be a moment; it's going to be quite a party. It's going to add impetus as well, whenever that may be. I've gone slightly off piste there, but hopefully answered your question.

Mickey do you want to add anything from the financial side?

Mickey Kalifa:

Yes, Julian you asked a question about how management P&L's are going to be structured. I addressed a lot of that I think in the presentation but as I said then we have traditionally reported publicly and internally on a geographic basis, and we will continue to do that, and we measure ourselves that way internally. But, we will introduce a measurement within the specialist divisions that I referred to and Moray's been talking about, and also we will have an expanded range of KPI's that each and every senior manager and executive will be measured against and report their P&L against, again I mentioned those in the in the presentation and, coupled with an executive long term incentive plan which measures not only local performance but group performance, the aim is to tie all of our all of our divisions together and to have one singular focus through a P&L, so there are going to be some changes there.

Jane Boardman:

Thanks very much Mickey. The next question is from Alastair Reid from Investec. Alastair can you turn your video on and take your mute off and ask your question.

Alastair Reid, Investec:

Perfect - I'm looking forward to that party, Moray. So, follow up on a couple of earlier questions from people as, firstly on the area kind of new business momentum. How

much do you assume adding new clients contributing to your net revenue growth targets each year, relative to grow share of wallet from existing clients?

And then, where you both have won and lost pitches recently, perhaps you could talk about who you had been competing against and what you have won and lost on?

Then perhaps on one separate area, you obviously highlighted a lot the importance of data and technology in your strategy. Do you've got all the scale and capabilities that you need? Do you assume any growth in tech spending as a proportion of sales over time, for example, with it within your margin aspirations? Thanks a lot.

Moray MacLennan:

Thanks Alastair, a few there. I'll kickoff and Mickey, you can spot the gaps that I leave.

In terms of new clients, it is both. Perhaps it came through in Justin's presentation from Australia, where you know we're the biggest agency in the smallest continent, shall we say, in terms of people, in spend, and so his real focus is yes, of course, moving into those sectors where we're not present but we're present in both, so it's really much very much on deepening those major client engagements.

In many other parts of the world, it's quite different, though. In the US, obviously we're smaller, in the world's biggest market and also generally across all markets often you're, you may know this, but you know you're retained, but your retained on a project basis. So, there's a roster of agencies, not necessarily competing for each task, but each project comes to an end and I think the experience is, especially at the moment, you've got to be pitching and winning to grow.

You've got to be pitching and winning to grow, because people are freezing their budgets, people are postponing sometimes indefinitely, sometimes, of course, just delaying their plans. So, you've got to be filling up the top. You know it's ever been thus to grow, but I think it's even more so to be on those pitches and winning, I think it's essential, but it's certainly a combination of both.

In terms of winning and who we're competing against and what we've won. It's been the case for a while, in our business, you know I could have given you four names five years ago, and they would be our typical competitor. But what's happening much more, I think, as clients see this agency landscape, we can be on a pitch list with a consultant, an Innovation company, a small startup, a holding company network and everything sort of in between so it's much less predictable. Every pitch list is quite different, as the clients are looking for the right solution, which is why I think it's important for us to be in a place where - yes of course we need the investment in technology and data to drive insights so that we have a better understanding and a better, more effective creative output at the end of the day, and in terms of targeting and in terms of efficiency - but you know the unfortunate truth is it's not all inconvenient perhaps, it's not just about that in terms of winning pitches obviously, it's about the quality of the something which is not technology. It's about the quality of the brains and imagination and the ideas coming out at the other end that's critical as well. So, sometimes it's just the quality of the creative analysis and the imagination. And so, having that variety from consultancy businesses as I sort of said at the beginning, all the way through the spectrum to conversion is important because it gives you the flex for each client put together the team of specialists, this is why we're

putting so much weight and importance on our ability and focus and determination to connect our businesses, because I think that's what's required to win.

In terms of examples of winning and not winning, I may turn because they're on the line it'd be nice to ask a couple of my colleagues. I'll say one thing, which is the slightly annoying thing, perhaps. We have had one or two major wins this year, but you know what it's like certain brands and certain franchises don't like agencies using their brands and franchises to promote themselves. Us? Would we do that? So, I can't mention them, but there are significant sporting events, franchises, online tech companies. So, we have had success there. I think it's driven by the two things, as I said. The specialist talent. Clients shop you for your specialist talent, but I think what we're aiming to do as well in the future, and I didn't really emphasize this enough, perhaps in the talk, is that's if you like, door one. Door two is where we have the connected, focused M&C Saatchi brand which we've never had to that extent in terms of a proposition. We've had our principles that we operate by; Diversity of Thought and Brutal Simplicity of Thought, which we're going to keep those, but the idea of having an M&C Saatchi global proposition, a cutting edge, a spearpoint, if you like, is new and I think that additional revenue door will help us win in the future.

I'm conscious of time and questions, but maybe I'll just ask Camilla and Ben, sorry to just pluck you out of the air like that, but then, if we can go to you and just talk about a win and a loss and why. Sorry to put you on the spot, like that, but I have, is that all right, Camilla? Can you hear and talk?

Camilla Kemp, M&C Saatchi London:

I'm here, I've unmuted, I think I've pressed the right button.

Hi everybody and thanks Moray. So yes, lovely to see you all and when I think, probably our most significant win in 2020, we actually referred to in the presentation that we showed, which was the Census, which, without divulging the details, as you mentioned Moray, and that is incredibly confidential, is without doubt one of the most important things that the government has undertaken. It's a once in a decade brief. So, it's very significant and in that context the sort of competition that we would be up against includes other agencies who have a place on the government roster of which we are one. Now the other end of the spectrum, I suppose, where, if the Census is all singing, all dancing in terms of the full capability of our remit, we also are winning in much more specialist briefs and opportunities, where our competition will, by its very nature, be much more specialist. So, we recently won a very exciting and customer strategy task for a retailer, which is confidential I'm afraid and it's got a very nuanced and particular ask of us which is all about understanding how to help transform their data to create a much more interesting and customer proposition.

So those I suppose, are some of the successes that we've had, and I think, where we have been, in fact, it sounds a bit boastful but in 2020 we were very lucky, and there were very few things we actually didn't succeed on, so sometimes it's actually at the very early stages of a process that we might drop out. And, often with clients, that is, about chemistry and sometimes it's actually very beneficial not to get through those early stages, because you decide that the culture of the two businesses isn't right. We know that there are certain businesses we work much better with, and so, in fact, we found that once we got into those chemistry meetings and beyond, we had an incredible conversion rate last year, probably the highest I think we've seen in London for some years.

Moray MacLennan:

Okay, thanks. On the technology question because I suspect there may be other people also interested in the answer to that in terms of our investment in technology and our focus on that, which is essentially around consulting and expertise and not building our own proprietary platforms. Although we do have some of those. I think I'll go to, well, either Justin, Frisco or Christian. I think I'll go to Christian. Spin the wheel. So, Christian, if you are there and we can hear you and it's all clear are you okay to answer that?

Christian Gladwell, M&C Saatchi Performance:

Great. From a performance perspective, we have a couple of ways that we work with our clients. The first way and the primary way we work with people, is we work with our clients in their own technology, environment and that sets us apart because we're primarily closest to their revenue. So, I think we had an earlier question about marketing budgets, oftentimes our fees from cost of sales, cost of goods sold, because the clients that we tend to focus on are all those in the digital and in the mobile economy.

So, we're close to our client's revenue, we come from a different pot than a standardized marketing budget and from a technology perspective we operate in their environments. However, from time to time, we do have the remit or the need to ingest first party data from our clients into our own stack which you've seen, you've seen a technology slide from Moray's original presentation. And we do that, in order to build custom models on behalf of our clients, specifically around targeting and measurement. Those are the two areas that we focus on. It's very fast paced, especially with a lot of regulation, a lot of innovative changes in the industry. Everyone's talking about how to balance themselves when the world becomes cookie-less and IDA-less, that we are anticipating for the middle of March this year, which is going to see a seismic change in the industry, specifically around measurement and we certainly feel that that certain competitors, whether they be consultancies or niche players or indeed holding groups who've invested in particular data sets and particular technological solutions, may be unbalanced because of that. So short answer is, we work primarily in our client's tech stack, we have our own tech stack that we ingest data into in order to build models for our clients, which they own.

Moray MacLennan:

Thank you Christian. I think perhaps back to Jane.

Jane Boardman:

Yes, thanks very much, Moray. We are now going to go to Harry Read from Liberum. If you can turn your camera on, unmute and ask your question.

Harry Read, Liberum:

There we go, thanks for taking a question. I have got a question on the passion marketing segment and obviously some temporary difficulties as you went into lockdown in sports marketing, but I'd be interested in any color on the growth in the esports sector and any activity you're seeing in there.

Moray MacLennan:

I think straight through to either Steve or Jodie. Steve do you want to go first? Let's see if we can make it work all the way from Australia.

Steve Martin:

Yes, I think the business we're in went sideways because one by one by one, the whole sports industry just collapsed. You know it was really based around live sport so, whenever you first heard that the Olympics was going to go, then it was the Masters, then it was Wimbledon and there were so many different events and the Euros. It was like a house of cards. But I think what has been really interesting is there too much focus on what happened in and around these live events and actually it made us realize very, very quickly, that actually all the fans and the audiences hadn't actually gone away, and the appetite for sporting content was still so relevant and it really forced us to pivot you know hugely and very, very quickly towards a much greater digital offering. That was always going to happen, but it fueled it so rapidly. I think our digital output was 70% of our work last year and it was 40% in 2019.

I think the biggest thing for us is that then once live sports started to come back, the audience was purely online, and the numbers were extraordinary. So broadcast numbers, not just in this market in Australia, because Australia, New Zealand, were one of the first markets for live support to come back and live events to come back. But also, just whenever you look at the Premier League in the UK, and Sky had its biggest numbers ever for some games. It just shows the raw appetite for live sport. And brands were suddenly activating not through matchday experiences, but through digital experiences. So, we've seen a huge return and the business as usual in a way. The momentum, probably the last quarter of 2020 was extraordinary for us because of that realization of making cuts very, very quickly, getting into our business and understanding the fans very quickly, and getting into understanding fans behavior was most important, because we were starting to sell the data and the insight and the analytics around that, as well as adding the creative flair. So, it's been very, very strong. I feel really hopeful that this momentum already continuing into quarter one of this year.

Whatever happens within you know sport being live or not, we feel incredibly strong we're seeing huge growth in our New York and North America offering and the same in terms of the comeback in London - so I hope that answers your question, I think it's an area of real strength.

Moray MacLennan:

Specifically and briefly, Steve, on esports?

Steve Martin:

Jodie, maybe one to answer on esports as you've been driving that offer for us.

Jodie Fullagar:

Sorry, got there in the end. Hello everyone, thank you for that question on esports. So, it's an area we've been fascinated by and very, very much leaning into for some time, probably about three years now. We spent quite a lot of time working with our existing client base on really educating them about the space and about the potential and the size of the opportunity.

The reason we are taking more of a kind of strategic move into setting up a kind of official offer in esports this year is because I think we're well past that sort of tipping point of the industry becoming mainstream. I think, for years, there was a lot of talk about you know the sort of potential of esports and the potential for growth within it, and I think we're all pretty confident now it's sort of fully arrived. The challenge now for brands is to understand where to play in e-sports, and how to be authentically relevant. It's particularly challenging in the era of esports because arguably the fans are more cynical, and they are a kind of unit. They're very nuanced so you know you can't talk about esports fans as being some one single entity, they are very differentiated depending on the games that they engage, in the games they watch and obviously there's a big difference between the fans and the players themselves. So, understanding those nuances is really, really important for brands to gain any kind of credible kind of cut through in the space.

So, what we see now is the opportunity to help brands get past what feels like quite confusing to them is fairly new industry, help them understand where the opportunities are, who the big players are, where the kind of big rights opportunities are. We've got a lot of strategic partnerships with a number of rights owners around the world, so we're working really sort of hand in glove with them to help steer our clients and prospective clients into the right spaces in esports. So yes, we're very excited about the potential that this year.

Jane Boardman:

Great. So, we'd now like to go to Steve Liechti at Numis. Yeah, there you are.

Steve Liechti, Numis:

Yeah, okay good. Got there in the end.

First of all, I guess it's an obvious question for people who aren't in your industry, but how much of your business, is still sort of what we would call traditional as opposed to sort of digital growth? And I guess digging into that question you're saying the connected creativity business is about 60% of the overall business growing at 3% and I think in your speech Moray, you talked about, I think you actually mentioned the figure of 10% but I didn't quite hear what the 10% was. I think you said it was traditional, but I wasn't sure.

The part B of that question is within that connected creativity business is there any big chunks of that going backwards, you know on a realistic timescale?

The second question is more on the connected approach. So how much of your business is what you would call connected now? Can you give a percentage of your current couple of hundred million revenue pro forma is connected? And then a follow up to that is, how do you make people connect? You did allude to incentives, a bit. So, is it incentives? Is it systems? Are there systems in place to do that? Thank you.

Moray MacLennan:

Okay, So the traditional one I'll answer first. There's a frustration, you probably heard when I presented and within our industry when talk people talk about traditional advertising and it barely exists in a way, because all media is connected. Even TV is now connected, outdoors is digital. I think when people say traditional, I think you'll stop using that phrase quite soon as there's no agency in the UK which is traditional

because every agency which exists at the moment, I would say is connected to one extent or another across the digital landscape.

It's quite difficult to actually get to a figure in terms of your revenue and output. A few people talked about it in our presentation that, we talked about a bit too much, but we're proud of the impact it made, the Iceland campaign. If you took that as a proxy for the industry now, how much of that is traditional? Is that a traditional campaign as it ran on TV, ran on outdoor? We weren't remunerated on that, we were remunerated on the results, but it was an idea which was rooted on online, because you had to post online and then, of course, there was social and search and other aspects online. In terms of the output itself in terms of number of pieces, I would say one TV commercial and hundreds and hundreds of online materials, pieces of content. So, it was a fraction in terms of digital media but, you're paid to solve a business problem.

Very occasionally of course people come and say, can I have some outdoor or can I have a TV commercial but that's really, really rare. So, that's why it's not being evasive, not to give you a precise figure. It's really, as I said, it's that I soon think that that phrase will disappear from the lexicon. It certainly doesn't apply to our company because of the diversity of things that we do. It's not that we're moving away from the word advertising it's just that if you use it sometimes, especially in this context, people go traditional advertising. No. Connected advertising, and you have to go through that that hoop. But it's to make the two points, I suppose, when it comes to advertising it's connected it's largely digital and also, we have a lot of skills and expertise outside of advertising.

So, moving on to your next question about connected revenue, how much would I estimate was connected within our group. I would say, in the region of 20%, would be my estimate, because so much of it is local. In fact, I think in terms of local vs. local vs. cross border, it would probably be a high local content than that actually. So, I'd say between 10 and 20%. Some real headroom there in terms of making a difference and connecting across geography, and I'd say within specialist expertise in terms of being connected, it would be more in the region of 20%. So again, real opportunity for growth and that's before, of course, you can win some new business opportunities.

And then, in terms of making people connect... I think if we have to make them then we failed, to be honest. Yes, we have incentive plans in the offing, that will encourage and reward for group growth rather than individual sector growth within our company. So yes, that will underpin and help encourage behaviors, but I think the objective will be that we're not making people do that. Yes, we enable them to, as you said through platforms internally and we're looking at existing platforms that we already have; HubSpot, Egnyte and others that already exist, that the growth team are working with in terms of prospecting, in terms of connecting and in terms of making it easier. But on top of that is a cultural and communication thing, I think. People want to do it. They'll buy into the strategy and therefore there will be a desire and you want them to run towards it really.

Jane Boardman:

There is a question here from an investor that has asked me to ask the question his behalf.

With regards to the 18% margin target, how much margin or proportion approximately is expected to be returned to minorities, rather than PLC shareholders? And as a second question from the same investor, which is what would have been the 2019 sales attributable to the offices or businesses that closed down in 2020?

Mickey Kalifa:

Okay, so I think the first part of the question was how much of our gross profit margin is attributable or paid out to minority shareholders. Well, that on a steady state basis or over time, this is going to come down. I talked earlier about the fact that there is a liability that we have to pay out to settle put options, when we've done that, then our minority shareholdings decrease over time. So, over the course of the next five years, the percentage of our equity that's held by minority shareholders, will reduce. But a steady state number is approximately 20%. If I look out into the over the next five years, a steady state percentage would be 20-25%. It's higher this year, but it will reduce next year as we reduce the number of executive managers who have held shares.

There was a second part of the question. What would it be in the 2019 sales attributable to the officers or business that close down in 2020? That's just a number which is 15 million pounds.

Jane Boardman:

Thank you, Mickey. We now are on to our final question, and this is from Jonathan Barrett at Panmure Gordon. So, Jonathan would you like to turn your video, unmute yourself and ask your question?

Johnathan Barrett, Panmure Gordon:

Hi guys, I've got two questions for you. The first one is just around the connected piece. There are two elements is, for me, first of all, do you have the culture in place for everybody to work together? As part of that, Steve asked the question about incentives. How much of the Incentives is going to be based on group? Is it going to be quite material? Is it going to be over 50%? Is it going to be quite a small proportion? Then the other side of that is the math's in terms of, if you don't sell enough of the integrated services, what will that do to your margin? Because 18% is about 50% higher than you've previously achieved, which is quiet a bold assumption to get to 18%.

Are you making any assumptions re the resilience of the high margin activities over time that don't allow for any pricing reduction as those services mature?

The second question is just going back to the minorities there. Obviously, you've got the pay down of roughly about 30% I think of your equity you've got going out the door on settling the put cool options over next few years. Mickey talked about an average, but I just want to understand when we get to year five in the plan, what do we think that's going to stabilize at going forward? Do we expect more minority structures to be in place, such that it keeps ticking over at 10% or will it disappear?

Moray MacLennan:

Okay, Mickey I'll hand over to you for the second part, but I'll do the first bit.

On the culture you're going to expect me to say yes, and I am going to say yes and to give some credibility to that in terms of people working together and the desire to

work together is we're quite a different company in terms of the brand, in terms of our size and in terms of our business strategy and all of that helps. The Saatchi brand is quite different in the effect it has internally to a holding company brand or a brand or a company that's been built through acquisition. Because we're built through a startup culture, people have joined us because they want to be part of Saatchi and they're proud of the brand and that it's a customer facing brand. You know the PLC name; the M&C Saatchi Group is something that has resonance and meaning with clients and we sell to clients and we market to clients as such. Everyone's within that umbrella, they bought into that and they've grown with it, so it is more familiar than an acquired company or a company which is incredibly diffuse. It's a size thing as well. An advantage of being our size is that it is easier to communicate, it is possible to get that sense of community and togetherness, so the culture absolutely gives us the opportunity to do that. You talk about cross-sell. It is different because I've worked in cross our environments and it's "I'll bung you a fiver if you recommend us" and it doesn't really work. What works is when there's mutual benefit in a client need. Working together in a culture which binds people together. So, that's it on that.

On the incentive side of things, I'm not going to put a precise percentage on that because that's still to be crystallized precisely and, more to the point, still to be communicated internally. But what I will say about that is that it will be a significant percentage. But in a way, more to the point is that people's current deal, the value of it, is dependent on the share price and the fortunes of the group. So, if you have to work together, or you can do better working together, it helps the group. If the group works, yes, you might have a connected incentive program but also, it's better for your own company. There's not a separate M&C Saatchi Group P&L. All the money sits within the specialist divisions, you know that's where the revenue and the profit goes. I think that in some ways is the most important thing.

Mickey Kalifa:

I think your question, Jonathan was what does this look like five years from now? Moray just said and we said throughout that we are going to continue to startup businesses within the organization and that will happen, we're not going to stop that model. It's proven to be a huge success for the business. Some of our largest divisions today were startups 5-10 years ago within the organization, so we're going to continue that model.

We will refine the model of incentive model, as Moray said, we are still in the process of finalizing it, it's imminent and it will be talked about internally very, very soon. But it will continue, however, I think the very important point that I didn't get across in my presentation it's important is when you look at the scale of the dilution that we're talking about the very, very large chunks of it, the largest elements of it relates to acquisitions, that the company embarked on years ago and they are essentially a form of deferred consideration. The startup culture that we operate that that doesn't yield that level of dilution so we're very much looking the numbers, the dilution that we're looking at the moment is as a result of historic acquisitions. As we've said, the strategy is not even built on acquisition, so I think looking out into the future that number will invariably come down, it will still exist, but it will come down materially.

Jane Boardman:

Having said that that was the final question, there is actually one that's just come in, and I think we've just got enough time to answer it. So, can we go to Jessica Pok from Peel Hunt please for the final question.

Jessica Pok, Peel Hunt:

Hi, two questions please. Firstly, in terms of the client base and the way it's split between the sectors has that changed at all with the recent client wins? Can you give more color on you know, which is the largest proportion?

Also, a question for Christian M&C Performance. How's the change in privacy and data sharing for the tech platforms affected your business?

Moray MacLennan:

In terms of the wins and the pitches, let's see if they come through. Some of the ones that we've already got would enhance our tech sector, it would enhance the entertainment sector and the travel and tourism sectors. In terms of the other 40 or 50 pictures that are currently active, we haven't broken those down yet, and I think let's wait to see whether we were successful first and then where it will strengthen.

Where we're looking to strengthen, I mean it's at the moment, it's fortuitous perhaps that some of the sectors that we operate have held up well in the pandemic - we're strong in government and social issues that's held up well. Tech, TMT has held up well and some of the financial institutions held up well and that we would expect that to see that, though. But of course, there's still gaps and there's still things to go for and just because FMCG has been hit hard doesn't mean that we're not going to be focusing on that in the future. We will report back on that, though, in terms of how that evolves over the next six to 12 months in terms of sector strength.

I think it's now over to Christian about privacy and data protection.

Christian Gladwell:

Well, I mean short answer is, it hasn't. I think that really is testament to the fact that we are a data processor, we're not a data owner and we haven't invested in the data set and then seeked to resell that to clients. So, as I mentioned earlier, we primarily operate in our client's technology environments, working with their first party data, rather than trying to sell them our first party data so, the regulation has not impacted us at all. In fact, it's even strengthened our case, because what they're looking for his expertise in making sense of the data, they've got both from a measurement and targeting perspective or practitioner's perspective, but also from a legal perspective. Thank you.

Jane Boardman:

I think that's everything, so that's all the questions. Thank you everyone for asking your questions and back to you, Moray.

Moray MacLennan:

Well, thanks for joining us, thank you to my colleagues, especially those I haven't gone to. I've had a lot of texts from team members very keen to contribute, so apologies in Australia and America and everywhere else for that. And, as I said, if you've got any other questions here's an email address you can send them to

capitalmarketsday2021@mcsaatchi.com. I look forward to meeting obviously some of you as Mickey and I will be fixing meetings over the coming weeks and months.

Thanks for joining us for today, I hope that it was helpful and interesting.

- Ends -