

WPP SCANGROUP Plc

Investor Presentation 2018 Results
April, 2019

WE ARE A
**CREATIVE
TRANSFORMATION
COMPANY**

AGENDA

OUR STRATEGY

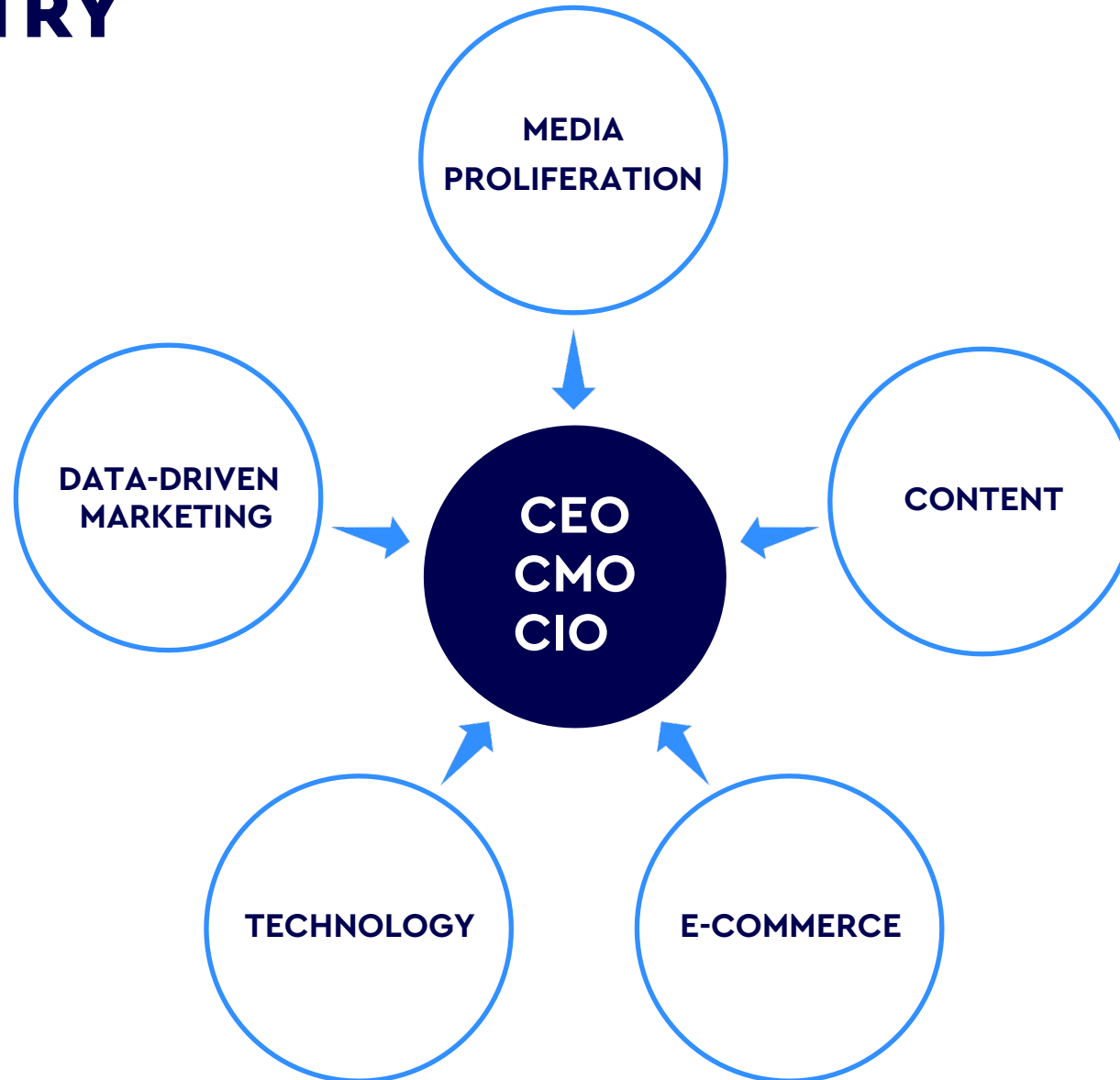
OUR VISION AND OFFER

A SIMPLER STRUCTURE

TECHNOLOGY

LEADERSHIP AND TALENT

TECHNOLOGY IS FUNDAMENTALLY RESHAPING OUR INDUSTRY



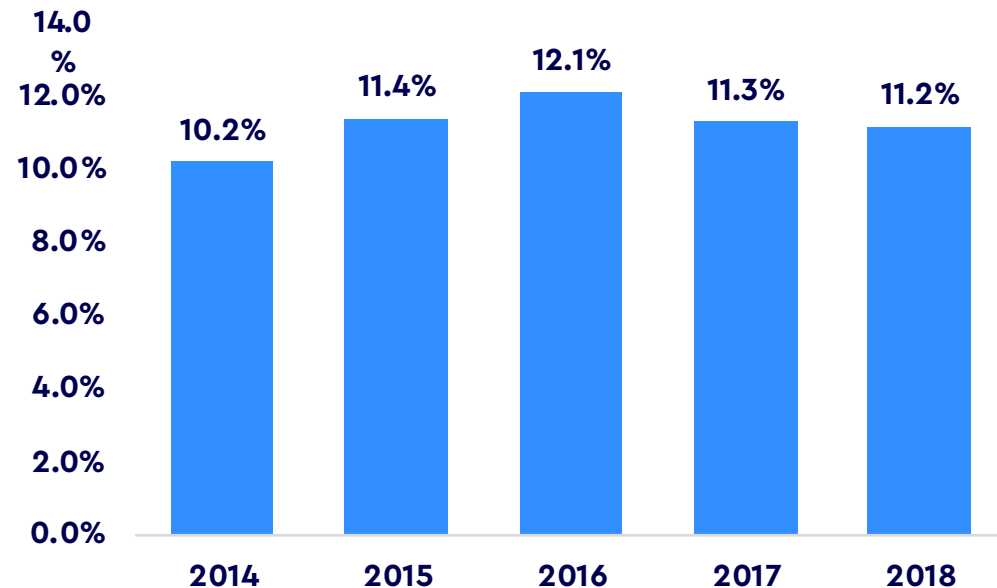
OUR INDUSTRY IS FACING STRUCTURAL CHANGE, NOT STRUCTURAL DECLINE

KEY CHALLENGES

- 1 Role of "traditional" agencies challenged
- 2 Our clients are being disrupted
- 3 Consultants competing with technology and talent
- 4 Facebook, Google and Alibaba vying for talent and attention

OUR CLIENTS ARE NOT CUTTING SPEND, BUT LOOKING FOR BROADER PARTNERSHIPS

MARKETING EXPENSE AS SHARE OF REVENUE*



CREATIVITY

MEDIA INSIGHT
AND PERFORMANCE

DATA EXPERTISE

TECHNOLOGY

*Source Gartner: October 2018

CMO Budget Allocation – Mean Percentage of Budget Shown

* Survey of 353 marketing executives in North America and the UK at companies with more than \$250 million in annual revenues

THE NEW WPP SCANGROUP STARTS WITH SUBSTANTIAL ASSETS

CLIENTS AND PARTNERSHIPS

- Partner to most of the world's & continent's largest companies
- Partner to the world's & the continent's media and technology companies

SCALE

- Global & pan African networks
- #1 media buying scale
- Strength in critical markets, e.g., Kenya, Nigeria, Ghana, Tanzania

CREATIVITY

- Partner to the CMO
- Understanding of consumers

TECHNOLOGY

- Growing CIO relationships
- Significant marketing technology offer in place

WPP SCANGROUP CLIENTS



WPP SCANGROUP IN SS AFRICA

BRANDS OGILVY, JWT, GREY, SCANAD, KANTAR, GROUPEM, SQUAD, H+K

REVENUE: \$53 MILLION ● ADVERTISING 34% ● MEDIA 8% ● PR 7% ● TECH 8% ● RESEARCH 43%

HEADCOUNT: 1200

WHOLLY OWNED						
KENYA	A	M	PR	T	R	57%
NIGERIA	A	M	PR	T	R	14%
GHANA	A	M	PR		R	8%
TANZANIA	A	M	PR	T	R	2%
UGANDA	A	M	PR		R	2%
ZAMBIA	A	M				-
RWANDA	A	M	PR			1%
IVORY COAST					R	4%
SENEGAL					R	3%
CAMEROON					R	1%
UK					R	5%
SA			PR	T		3%

MINORITY OWNED		
ZIMBABWEA	A	M
NAMABIA	A	M
IVORY COAST	A	M
SENEGAL	A	M
CAMEROON	A	M
DRC	A	M

WE WILL EXPAND OUR OFFER IN HIGH GROWTH AREAS



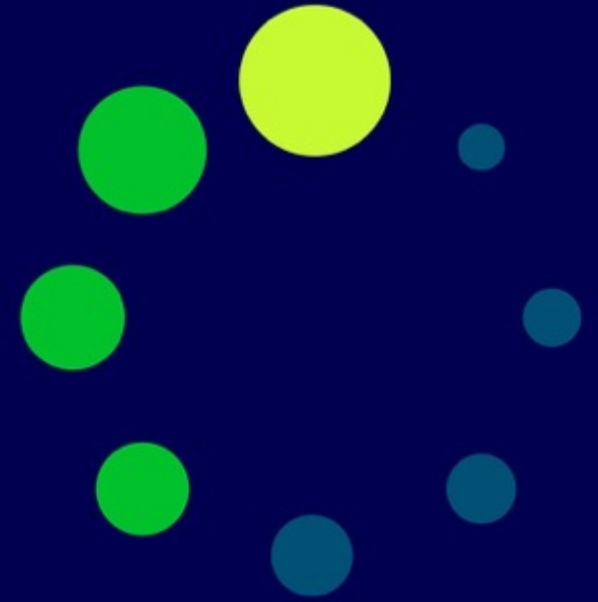
COMMUNICATIONS

EXPERIENCE

COMMERCE

TECHNOLOGY

TECHNOLOGY AS AN INFLECTION FOR GROWTH



THE NEW AGENCY MODEL

Solutions that deliver against critical business problems, & exploit untapped opportunities

Solutions delivered via technology – Leverage Data & AI to build proprietary IP that can deliver those solutions

Package Industry specific Vertical Solutions, scaled globally

WHAT SOLUTIONS ARE WE DRIVING FOR OUR CLIENTS, LEVERAGING DATA & TECH?

- How do we help reduce cost of customer acquisition, & drive sales at scale?
- How do we help improve sales efficiencies?
- How do we help banks reduce mobile lending default rates?
- How do we help Insurance businesses improve premium persistency?
- How do we help improve customer retention, increased product usage & up-sell?
- How do we help cross-sell multiple products to a same customer
- How do I improve customer engagement while at the same time reduce my CRM costs?

RETAIL



BANKING



INSURANCE



TAXI SERVICE



CREATIVE



TRAVEL



MEDIA BUYING



Traditional Service Industries delivered via
Technology

OPTIMUS MARKETING AUTOMATION

**CUSTOMER LIFECYCLE
MANAGEMENT SOLUTION
DELIVERED ON TECHNOLOGY**



PACKAGING INDUSTRY SPECIFIC CLM SOLUTIONS IN SOFTWARE, FOR GLOBAL SHIPPING

Banking

Automate new to bank customer acquisitions, manage leads across channels, and maximize customer lifetime value at scale and speed.

Insurance

Automate new customer acquisitions and insurance renewals, manage leads across channels, and maximize customer lifetime value at scale and speed.

Telcos

Automate new subscriber acquisitions, win back lapsed customers, reduce churn and maximize customer lifetime value at scale and speed.

Airlines

Automate new customer acquisitions, automate instant call backs to unfulfilled bookings, and maximize customer lifetime value at scale and speed.

OPTIMUS CLIENTS



Across 8 countries



Tanzania



Kenya



Kenya



SA, Nigeria
& Kenya

3,600+

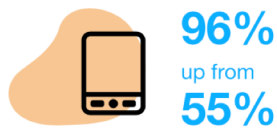
Active users on Optimus

80,000+

Leads being managed on Optimus

190,000+

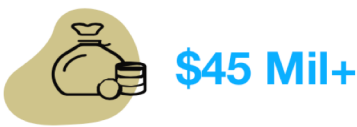
Automated, data-driven communications
sent out from Optimus



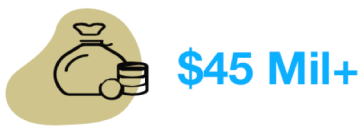
Digital activation rate for new to
bank customers



Sales conversions and increasing



Revenue generated for our clients



Revenue generated for our clients



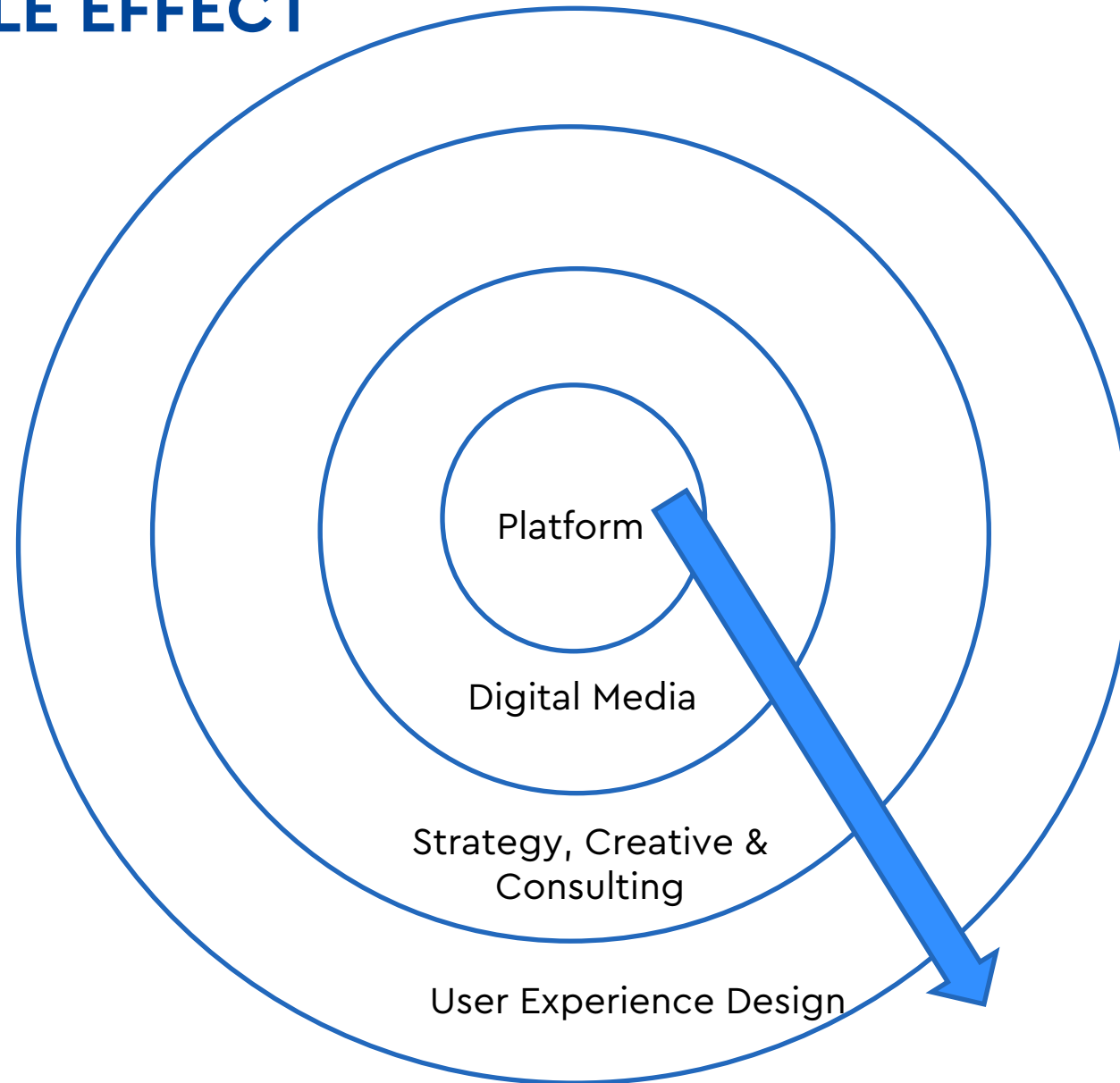
THE DIGITAL TRANSFORMATION VALUE CHAIN

WPP-SCANGROUP Play	Digital Transformation Value Chain	Competition
Old Mutual	Problem Identification	Consultants such as McKinsey, Accenture, Delloite
Old Mutual/Barclays	Solution Architecting	Consultants such as McKinsey, Accenture, Delloite
	Platform Identification	Consultants such as McKinsey, Accenture, Delloite, WPP
Old Mutual/Barclays	Solution Deployment	Technology Platforms such as Oracle, IBM
Old Mutual	Solution Design	Specialist UX design agencies such as Wunderman, Solomon
Barclays/Old Mutual	Change Management	Consultants such as McKinsey, Accenture, Delloite
Barclays/KCB/Old Mutual	Solution Marketing (Creative, strategy, media)	Marketing Agencies such as WPP

We are now fighting new competition – Oracle, Adobe, IBM & Salesforce

We are hiring new skills – Data Scientists, UX designers, AI engineers, System Integrators, CRM delivery managers, Business Consultants

OPTIMUS RIPPLE EFFECT



SME'S – THE NEXT GROWTH FRONTIER

1 Mil Small Business
advertisers on
Instagram in US alone









6 Mil Small Business
advertising on Facebook
in US alone

100 Mil USD spent
on Digital advertising
in Kenya in 2017, approx.
80 mil USD by
Small Businesses

**PRESENTING
OPTIMUS MINI –
BUSINESS & MARKETING
AUTOMATION PLATFORM
FOR SME'S**

FINANCIAL OUTLOOK

HEADLINE RESULTS AUDITED FY2018 VS FY2017

Key Financials (Ksh'M)	FY 18	FY 17	YoY%	
Net Sales	4,505	4,123	+9.3%	
Operating Profit	641	412	+55.5%	
Interest Income	291	290	+0.2%	
Profit before Tax	960	696	+37.8%	
Net Income after MI	554	455	+21.9%	
EPS	1.37	1.20	+13.9%	
DPS	1.00	0.75	+33.3%	
Special Dividend	3.00	0.00		

2018 STATUTORY ACCOUNTS– P&L

KSH'000	2018 FY	2017 FY	FY	
			+/-	+/- %
REVENUE	4,504,904	4,122,869	382,035	9%
OPERATING COSTS	(3,863,870)	(3,710,602)	(153,268)	-4%
OPERATING PROFIT	641,034	412,267	228,767	55%
OTHER INCOME (NET OF IMPAIRMENT)	32,907	21,130	11,777	56%
FX (LOSS) / GAIN	(5,157)	(27,395)	22,238	81%
NET INTEREST INC (EXP)	291,104	290,412	692	0%
PROFIT BEFORE TAX	959,888	696,414	263,474	38%
TAX	(347,679)	(218,471)	(129,208)	-59%
PROFIT AFTER TAX	612,209	477,943	134,266	28%
MINORITY INTEREST	57,728	23,247	34,481	148%
NET INCOME	554,481	454,696	99,785	22%
WEIGHTER AVERAGE NUMBER OF SHARES (IN THOUSANDS)	405,511	378,865	26,645	7%
EPS	1.37	1.20	0.17	14%
OP To Revenue	14%	10%		
PBT TO Revenue	21%	17%		
PAT To Revenue	14%	12%		

2018 STATUTORY BALANCE SHEET - ASSETS

KES'000	31/12/2018	31/12/2017	+/-
Non-current assets			
Equipment	361,613	340,186	21,427
Associate Investments	197,781	4,541	193,240
Long term loan receivables	-	498,684	(498,684)
Receivable from related parties	314,256	-	314,256
Deferred Tax Asset	719,684	379,251	340,433
Goodwill	1,590,913	1,612,235	(21,322)
	<u>3,184,247</u>	<u>2,834,897</u>	<u>349,350</u>
Current Assets			
Trade and other receivables	5,637,216	6,501,076	(863,860)
Work-in-progress	73,960	93,055	(19,095)
Receivable from related parties	263,300	181,547	81,753
Tax recoverable	841,726	688,137	153,589
Cash and cash equivalents	4,424,749	3,460,200	964,549
	<u>11,240,951</u>	<u>10,924,015</u>	<u>316,936</u>
TOTAL ASSETS	14,425,198	13,758,912	666,286

- Capex continues to remain under control
- LT loan receivable converted partly to associate Investments and partly to receivables from related party
- Deferred tax asset increase due to IFRS9 Adjustment and due to acquisition of TNS
- Goodwill impairment in Millward Brown Ghana
- Receivables from related parties increase attributed to consolidation of TNS entities
- Increase in cash due to improved working capital










2018 STATUTORY BALANCE SHEET - LIABILITIES

KES'000	31/12/2018	31/12/2017	+/-
<i>Current Liabilities</i>			
Trade and other payables	4,672,024	4,359,821	312,203
Tax payable	204,556	153,692	50,864
Payable to related parties	540,104	262,721	277,383
Dividends payable	14,055	11,629	2,426
	<u>5,430,739</u>	<u>4,787,863</u>	<u>642,876</u>
<i>Non-current Liabilities</i>			
Deferred tax liability	2,974	5,880	(2,906)
Loan payable to a related party	502,106	-	502,106
	<u>505,080</u>	<u>5,880</u>	<u>499,200</u>
<i>Capital and Reserves</i>			
Share Capital	432,156	378,865	53,291
Share Premium	9,155,166	8,281,817	873,349
P&L reserve	(813,799)	508,141	(1,321,940)
Translation reserve	(407,094)	(320,031)	(87,063)
Minority interest	122,950	116,377	6,573
Total Equity	<u>8,489,379</u>	<u>8,965,169</u>	<u>(475,790)</u>
TOTAL LIABILITIES	14,425,198	13,758,912	666,286

- Loan payable to a related party increase due to acquisition which brought in debt
- Minority interest increase as a result of 20% minority shareholding in Kantar TNS






GEOGRAPHY & MEDIUM

Net Sales by Location FY

Net Sales	Kenya	Nigeria	Ghana	FWA	UK	South Africa	Tanzania	Uganda	Zambia
2019	 58%	 15%	 7%	 7%	 5%	 3%	 2%	 2%	 1%
2018	62%	11%	10%	4%	3%	3%	3%	3%	1%

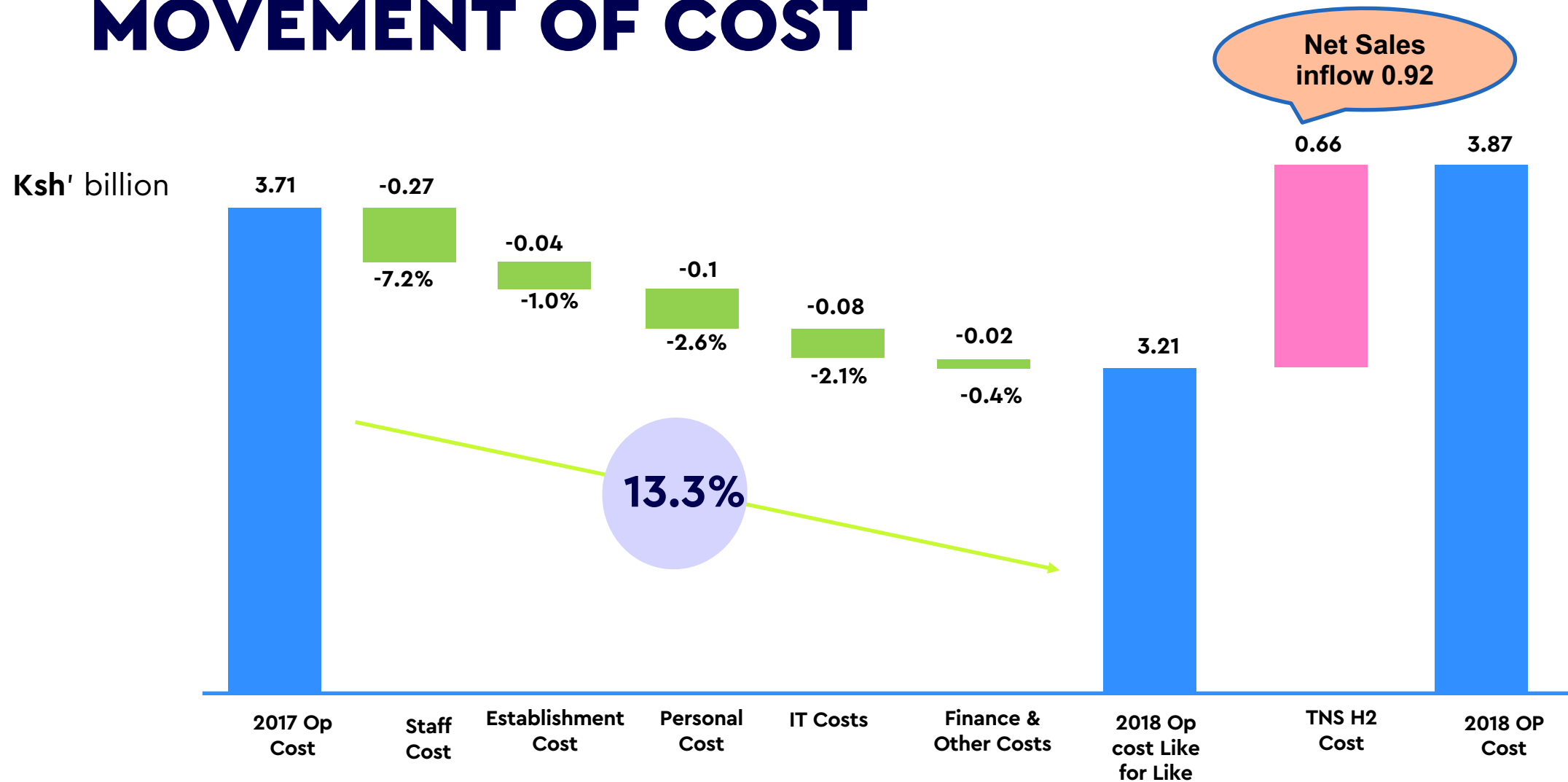
- Complete change due to TNS acquisition

Net Sales by Medium FY

Net Sales	Advertising	Media	Research	Digital	PR
2019	 37%	 7%	 40%	 10%	 7%
2018	48%	8%	31%	6%	7%

- Research has become single largest discipline surpassing creative advertising

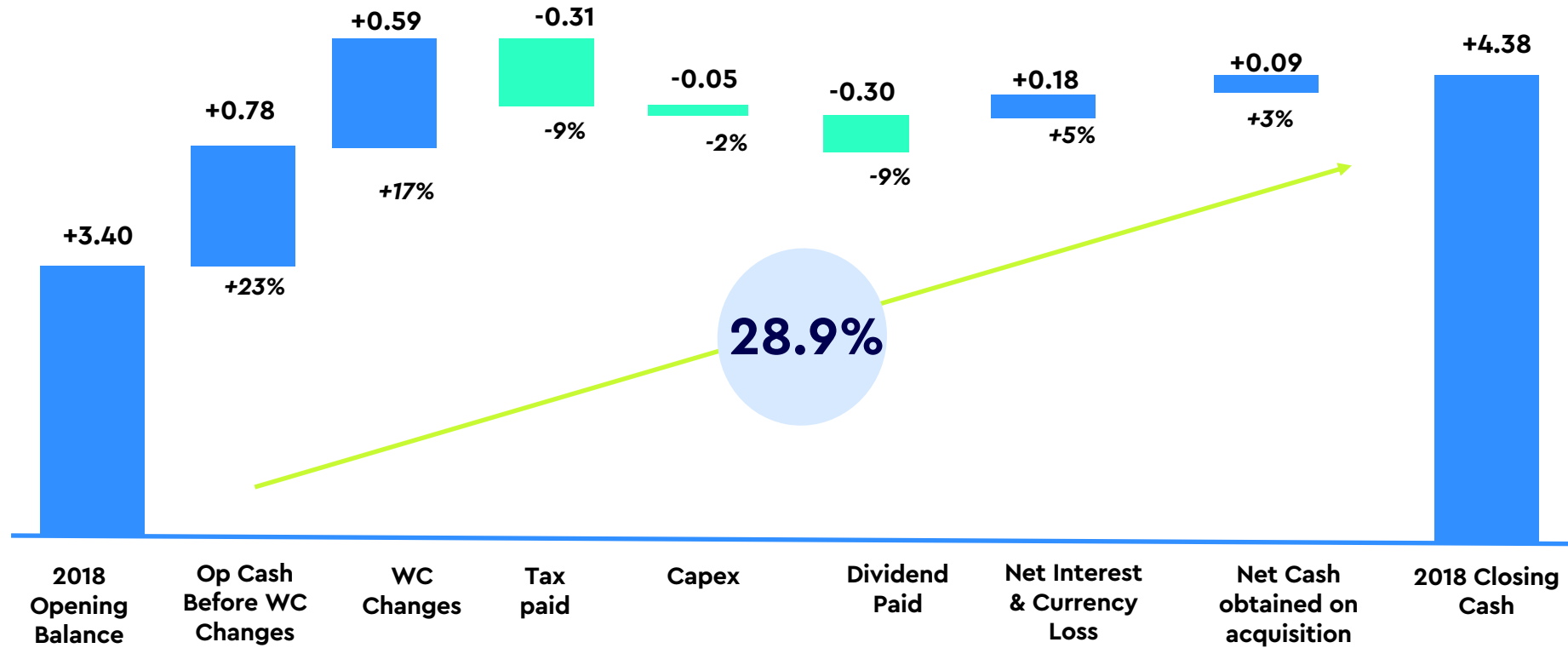
MOVEMENT OF COST



- Cost savings more than reduction in Net Sales (Like for Like)

MOVEMENT OF CASH

Ksh' billion



- Positive cash generation from Operations

DISCLAIMER

This presentation contains certain forward-looking statements – that is, statements related to future, not past events and circumstances – which may relate to one or more of the financial conditions, results of operations and businesses of WPP Scangroup plc and certain of the plans and objectives of WPP Scangroup with respect to these items. These statements are generally, but not always, identified by the use of words such as 'will', 'expects', 'is expected to', 'aims', 'should', 'may', 'objective', 'is likely to', 'intends', 'believes', 'anticipates', 'plans', 'we see' or similar expressions. Actual results may differ from those expressed in such statements, depending on a variety of factors. Nothing in this presentation is intended as a forecast, nor should it be taken as such.

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Our most recent Annual Report other period filings are available on our website at www.wpp-scangroup.com

FINANCIAL OUTLOOK

WHAT WE ARE AIMING TO ACHIEVE BY 2020

ORGANIC GROWTH

Organic growth from existing clients enabled by data, technology and creative

MARGIN

Headline operating profit margin of at least 20%

FREE CASH FLOW

Free cash flow conversion of 70 to 80% excluding old debts

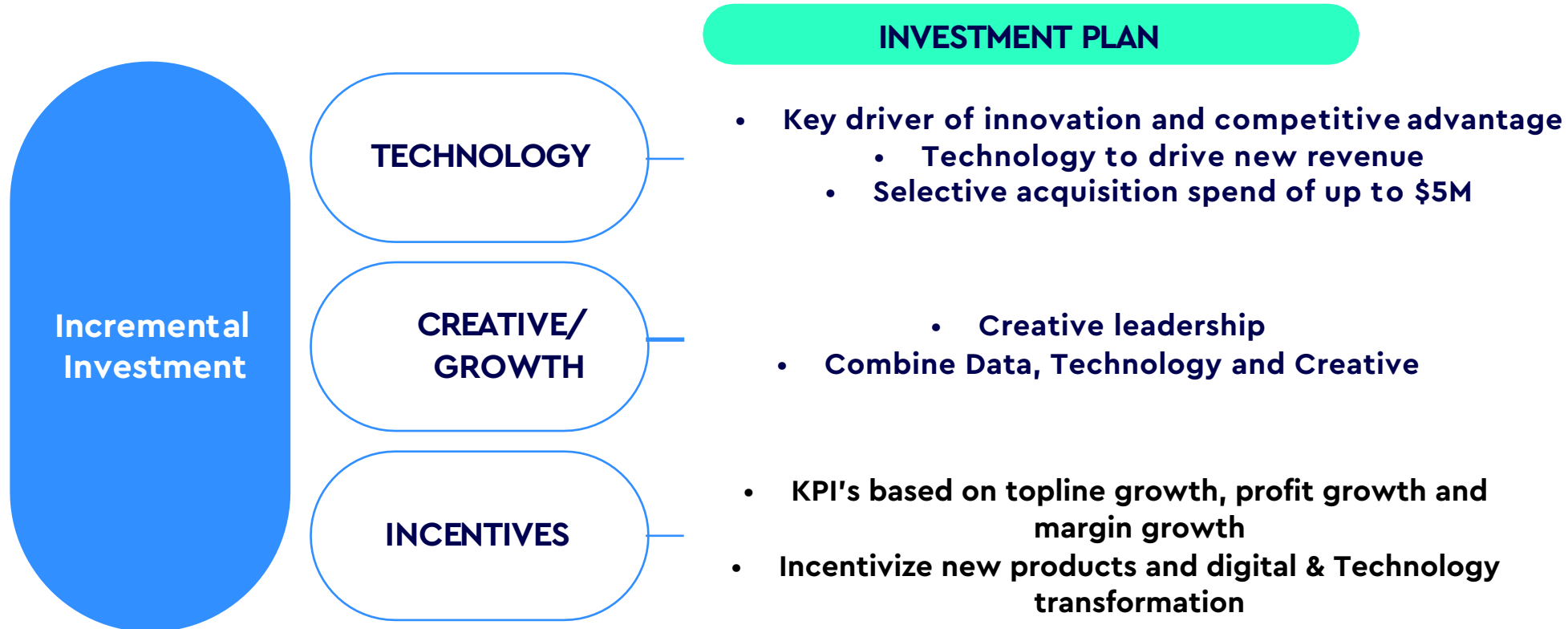
CONTROLLED CAPEX & INVESTMENT IN THE RIGHT LINE OF BUSINESS

ORGANIC GROWTH

	2017		2020
Advertising	Slow Growth	>	Expected growth with improved economy
Media	Declining spends	>	Expected growth with improved economy
Digital & Technology	Growing fast	>	New output focused products will lead growth
Research	Slow growth	>	Aggressive New Business Strategy
Public Relations	Slow growth	>	Aggressive New Business Strategy

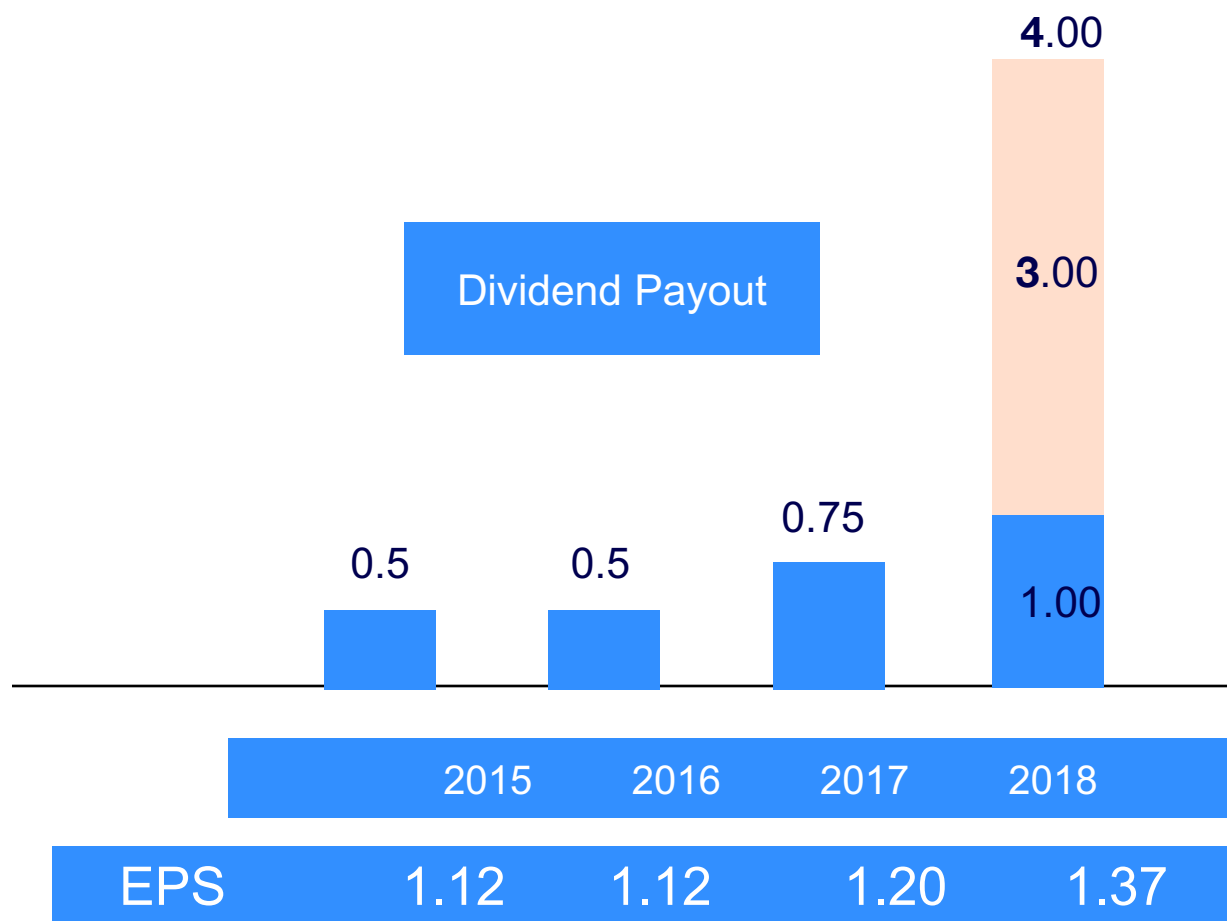
INVESTMENT

INVEST IN CREATIVE & TECHNOLOGY TALENT & PRODUCTS



P&L INVESTMENT COST OF \$1M BY 2020

DIVIDEND TREND



- Increase in dividend over the last two years
- To maintain a policy of consistent dividend growth
- Part of cash deemed to be excess paid off as special dividend
- Current Dividend yield at 33.33%

GUIDANCE 2019

Net Sales

+8% to +12%

Operating Profit

+20% to +25%

EPS

+12% to 18%

**THANK YOU
FOR YOUR TIME**