

M&C Saatchi

Progress in net revenue and margin

M&C Saatchi's FY24 results were broadly as indicated at January's update, with net revenue ahead 4% like-for-like and a nudge up in operating margin to 15.2%, from 15.0% in FY23. This partly reflects the shift in mix towards the higher-margin non-advertising specialisms, now two-thirds of net revenue, partly the benefits of scale and partly the early benefits of the efficiency drive, which had reached the target of £10m of annualised savings by the year-end. The group had net cash of £15.3m at the year-end, which, along with undrawn facilities, gives plenty of scope for investment within the business through adding creative and sales talent and to pursue appropriate bolt-on acquisitions to fill in capabilities or geographies.

Non-advertising driving net revenue and margin

The non-advertising specialisms produced the higher growth in FY24, with Issues (25% of net revenue), working mainly with the public sector, particularly strong, more than offsetting the impact of more difficult trading conditions in Consulting and Passions & PR. Advertising had tough comparatives for the second half and for the year was down 2% like-for-like, with the UK and Australia notably difficult markets, but with bright spots in the Middle East and Europe. Advertising remains core to the group, acting as a shop window for the other activities and highlighting the creativity at its centre. Client retention remains very strong, with retained clients accounting for 92% of FY23 net revenue also working with the group in FY24.

In shape for the next phase

Restructuring is now largely complete, as is the back-office reconfiguration. Management targets a further annualised £3m of savings from the middle office, encompassing elements of production and data. The introduction of a group-wide CRM system is reaping additional benefits identifying opportunities for cross- and up-selling, also facilitated by the new group structure. This has historically been a missed opportunity, and is now being incentivised on a regional basis. Key team-strengthening appointments are now also largely made, particularly in creative. With the results, M&C Saatchi also introduced its new AI-powered tool, the Cultural Power Index, which looks to identify the impact of brands in their markets. This should help drive new business as well as support the existing client roster.

Finances also in shape

Year-end net cash of £15.3m was up from £8.3m at end FY23, with 85% operating cash conversion, ahead of management's 80% target. Put option settlements of £8.6m were paid in the year, with the remaining liability now just £3.7m.

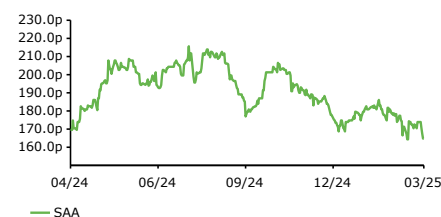
Consensus forecasts							
Year end	Net revenue (£m)	EBIT (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
12/23	222.8	33.4	29.3	16.60	1.60	10.0	1.0
12/24	231.0	35.2	30.5	17.60	1.95	9.5	1.2
12/25e	239.0	38.4	35.2	20.30	2.30	8.2	1.4
12/26e	252.6	42.8	40.1	23.00	2.60	7.2	1.6

Source: Company accounts, LSEG Data & Analytics

Media
28 March 2025

Price 166.50p
Market cap £204m

Share price performance



Share details

Code	SAA
Listing	AIM
Shares in issue	122.3m
Net cash as at 31 December 2024	£15.3m

Business description

M&C Saatchi operates across a globally diverse, regional network, delivering creative, strategic and data-led services across five global specialisms: Advertising, Consulting, Issues, Passions & PR and Media.

Bull points

- Good momentum in non-advertising segments.
- Improving margins with mix, lower cost base.
- Cash-rich balance sheet supports pursuit of opportunities.

Bear points

- Uncertain macroeconomic backdrop.
- Challenging advertising markets in the UK and Australia.
- Slow client decision-making in consulting.

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