

# Investor Presentation

May 2018



WPP SCANGROUP





# Agenda

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2017 Highlights

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Financial Analysis

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Outlook and Guidance

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## Mission

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To be the leading, fully integrated Marketing Solutions company across Sub Saharan Africa.

## Purpose

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Create a continuous, relevant dialogue with consumers across traditional and emerging channels by leveraging data, technology and creativity to build profitable brands.





## Key successes in 2017

### Restructuring

- Physical integration of SCANAD and Squad in Kenya
- Co-location of all Ogilvy operations under one roof in Kenya
- Defined our position as “The Agency of the Future”
- Integration of Millward Brown and TNS and encouraging collaboration across the group
- **Resulting in significant efficiencies, integration, better delivery to clients and cost savings**

### Focus on core Geographical Markets

- Nigeria – Resolved the long running dispute with our former affiliate partner. Market research, PR, Digital and Media established.
- Ghana – Strong position with SCANAD & Ogilvy. Digital offer embedded into the Ogilvy unit.



# 2018 priorities for our business

## Top Line Growth

- Maintain our leadership position – “Agency of the Future offering tech based business solutions”
- Kantar TNS acquisition will help us build better synergies in insights and data. And will help our entry into FWA markets.

## Continue regional focus

- Will consider restructuring our regional businesses in Uganda and Tanzania.
- Continued ongoing improvement in the creative product.

## Nigeria

- Nigeria issue resolved without any significant impact in our books. Will exercise our ‘loan note option’ by taking at 24.9% stake in First Primus in May 2018.
- Launching Ogilvy Nigeria in June 2018
- Media operations ongoing –rebrand to Mediacom Nigeria in June 2018

## Diversification

- Intent to enter into branded content development
- TV and web-series (locally relevant)

# Key global trends set to disrupt our business



## Shift to Multi screen (Mobile)

Consumer to be followed across devices



## Audience based targeting

Linear TV addressable space to reach 74 million households by 2021



## Programmatic advertising

\$1.1 B in 2011 to \$45.9B in 2019



## Integration of brands in Content

Substantial allocation to content marketing

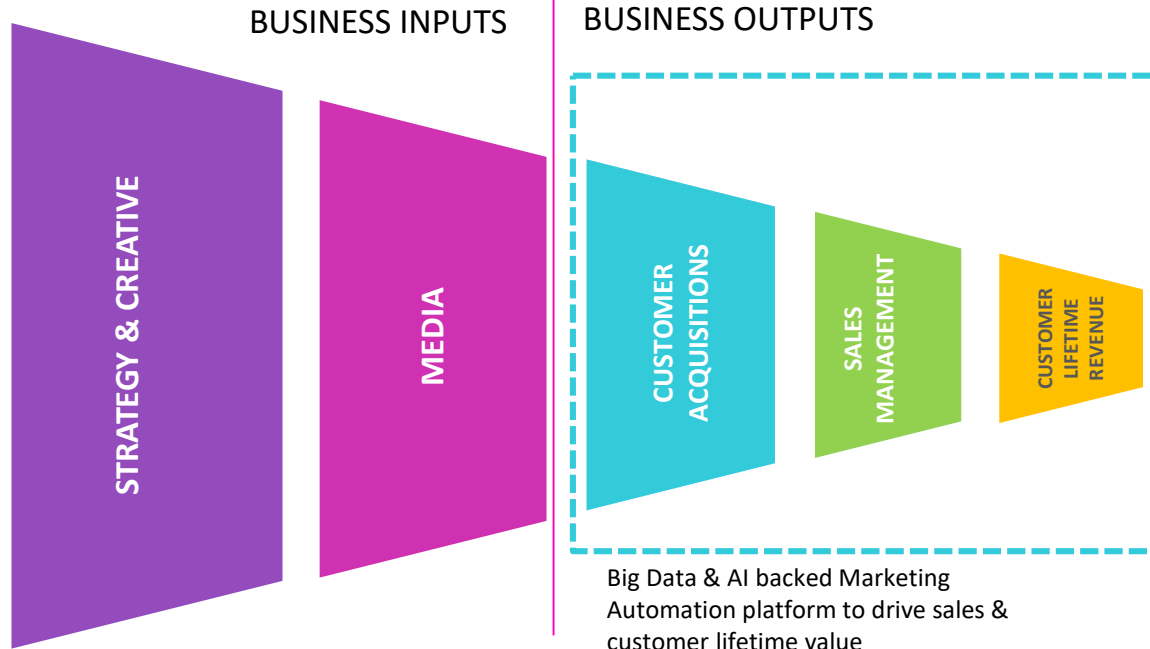


## Development of VR/AR experiences

27% higher emotional engagement than 2D



# Using data & tech to offer business solutions





## What does it mean to drive solutions for our clients?

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Align our Output with Client's Output

- How do we help reduce cost of customer acquisition, & drive sales at scale?
- How do we help improve sales effectiveness?
- How do we help improve customer retention, increased product usage & cross-sell?
- How do I improve customer engagement while at the same time reduce my CRM costs?



# Using data & tech for KCB to accelerate online account opening at scale & speed



think with Google

Success Stories Research Industry Perspectives Collectio

CASE STUDY

## KCB uses Gmail ads to surpass target for new accounts by 227% within 14 days

**THE GOALS**

- Drive leads
- Open 1,400 new accounts within 14 days

**THE APPROACH**

- Built online account opening form within Gmail
- Initiated Gmail ads campaign

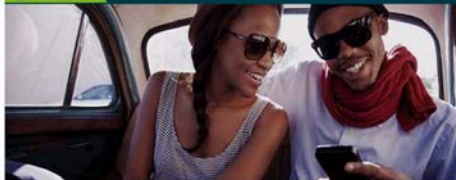
**THE RESULTS**

- Opened 227% more accounts than targeted
- 8.7% click-through rate
- 10.9% conversion rate

Collapsed ad

**KCB Bank** Join the KCB Family.  
Open an account in less than a 5 Minutes.

**KCB BANK**



**We are everywhere you are**

With a KCB M-Benki account you can now earn interest from your savings, get a quick loan, transfer your money directly to your bank account and much more all from your mobile phone.

**Benefits**

- Account Balance & Mini statement
- Sending money from your M-PESA account to your KCB account
- Sending money to any mobile number
- Cash withdrawal at KCB Mtaani Agents
- Account to Account transfer

Fill the form and get an M-Benki account now

Name

Email Address

Phone Number

ID / Passport

I accept the [Terms & Conditions](#)

**GO AHEAD**



## Marketing Automation Platform – Optimus

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Big Data & Artificial Intelligence driven Marketing Automation Platform to drive customer lifecycle management

- Improve advertising effectiveness with bullseye targeting to reduce cost of customer acquisition, & drive sales at scale
- Improve sales effectiveness by allowing businesses to manage, nurture and convert leads
- Improve customer retention, increase product usage & create triggers for cross-sell





**Financial Analysis**

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**Outlook and Guidance**

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## 2017 Business Environment: Kenya

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- **Twelve NSE listed companies declare profit warning for 2017**
    - Prolonged electioneering process
    - Interest rate caps
    - Drought
  - **27 companies declared reduced profits for 2017**
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## Headline Results 2017 vs 2016

Key Financials (Ksh'M)	FY 17	FY 16	YoY%	
Revenue	4,123	4,835	-14.7%	↓
Operating Profit	412	360	+14.7%	↑
Interest Income	290	407	-28.6%	↓
Profit before Tax	696	726	-4.1%	↓
Net Income after MI	455	423	7.1%	↑
EPS	1.20	1.12	7.1%	↑
DPS	0.75	0.50	+50.0%	↑



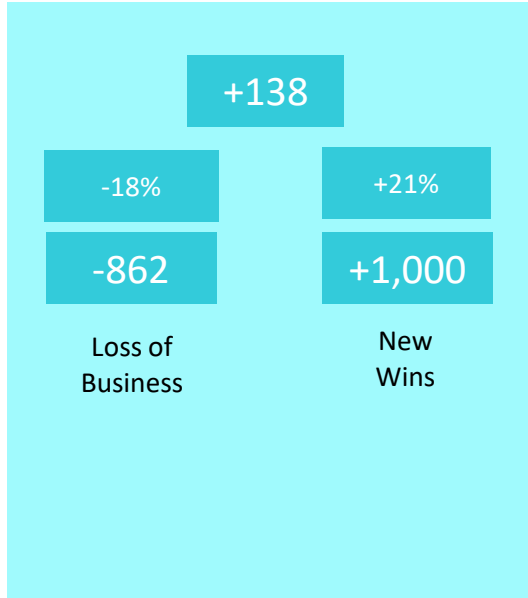
# The story of our Revenue



Ksh'M

4,835

2016  
Revenue



4,123

2017  
Revenue

- We won more clients in value than we lost
- Lost more from our existing clients

# Geography & Medium

## Revenue by Location

Revenue	Kenya	Ghana	Nigeria	Tanzania	Uganda	South Africa	Zambia	Gabon	Rwanda
2017	● 73%	● 8%	● 6%	● 4%	● 3%	● 3%	● 2%	● 1%	● 0%
2016	60%	9%	5%	5%	5%	5%	2%	9%	1%

- Almost all locations saw a decline except for Kenya
- Reversal of trend as Kenya increased its share

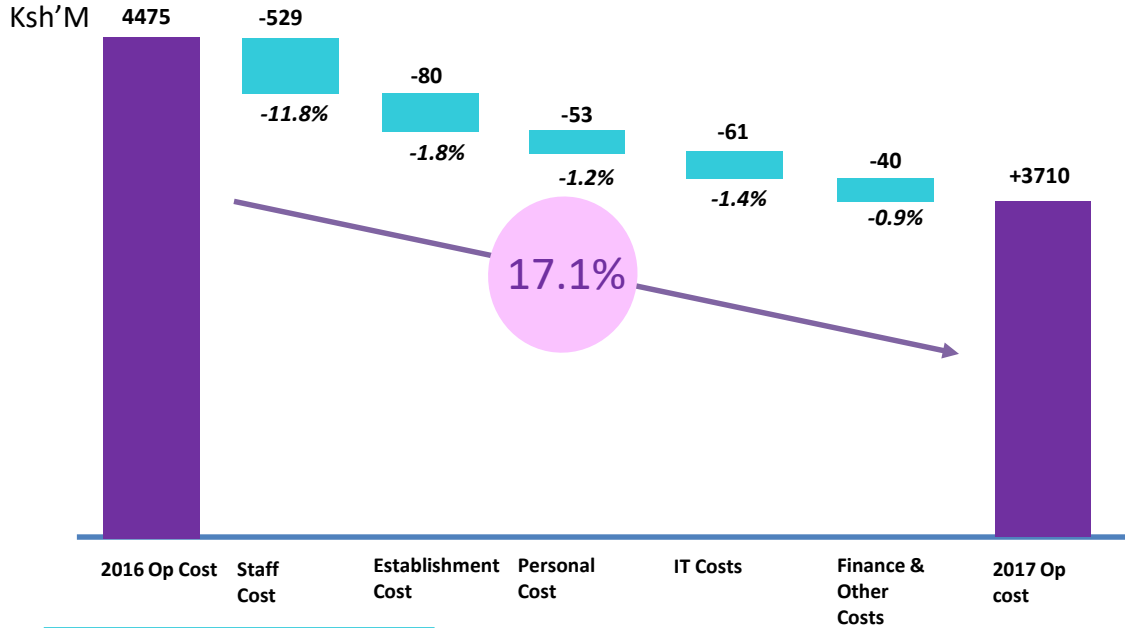
## Revenue by Medium

Revenue	Advertising	Media	Research	Digital	PR
2017	● 48%	● 11%	● 13%	● 15%	● 13%
2016	59%	9%	12%	10%	10%

- Lower spends impacted the share of advertising, media and research
- Digital & PR only showing growth



# The story of our Cost



Year	EBIT %	PBT %
2014	13%	18%
2015	9%	17%
2016	7%	15%
2017	12%	19%

- Our cost efficiency measures continued
- Optimized on staff productivity and office locations





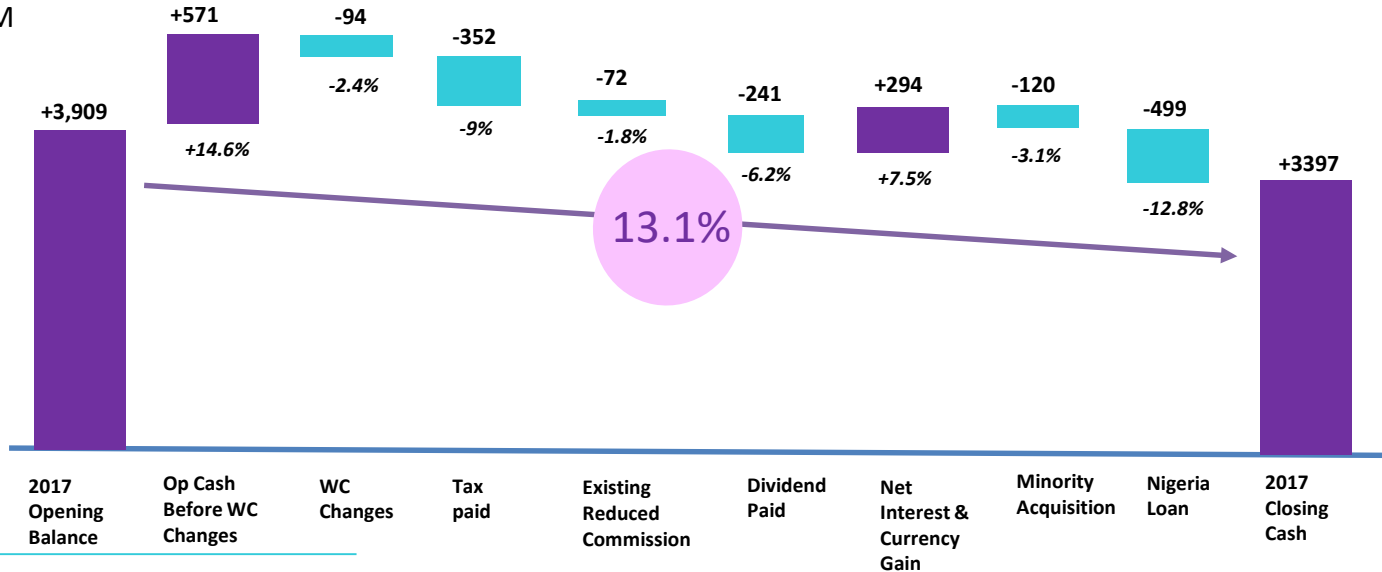
# Headline Results 2017 H2 vs H1

Key Financials (Ksh'M)	H2 17	H1 17	H2oH2%	
Revenue	2124	1998	6%	↑
Operating Profit	313	99	216%	↑
Interest Income	150	140	7%	↑
Profit before Tax	452	244	85%	↑
Profit after Tax	321	157	104%	↑
Net Income after MI	309	146	112%	↑
EPS	0.82	0.39	112%	↑



# The story of our Cash

Ksh'M



- Positive cash generation from Operations
- Cash utilized to acquire Minority & Nigeria plans



# 2017 Audited Balance sheet

KES'000	31/12/2017	31/12/2016	+/-
<b>Non-current assets</b>			
Equipment	340,186	398,730	-58,544
Associate Investments	4,541	4,067	474
Long term loan receivables	498,684	0	498,684
Deferred Tax Asset	379,251	359,205	20,046
Goodwill	1,612,235	1,612,235	0
	2,834,897	2,374,237	460,660
<b>Current Assets</b>			
Trade and other receivables	6,501,076	6,326,467	174,609
Receivable from related parties	181,547	135,314	46,233
Work-in-progress	93,055	82,367	10,688
Tax recoverable	688,137	586,471	101,666
Cash and cash equivalents	3,460,200	3,981,542	-521,342
	10,924,015	11,112,161	-188,146
<b>TOTAL ASSETS</b>	<b>13,758,912</b>	<b>13,486,398</b>	<b>272,514</b>

- Equipment continues to reduce as we have fully amortised the ERP system and as we continue to control capex



# 2017 Audited Balance sheet



KES'000	31/12/2017	31/12/2016	+/-
<b>Current Liabilities</b>			
Trade and other payables	4,359,821	4,270,656	89,165
Payable to related parties	262,721	178,080	84,641
Tax payable	153,692	212,481	-58,789
Dividends payable	11,629	11,880	-251
	<u>4,787,863</u>	<u>4,673,097</u>	<u>114,766</u>
<b>Non-current Liabilities</b>			
Deferred tax liability	5,880	4,662	1,218
Loan payable to related parties	0	0	0
	<u>5,880</u>	<u>4,662</u>	<u>1,218</u>
<b>Capital and Reserves</b>			
Share Capital	378,865	378,865	0
Share Premium	8,281,817	8,281,817	0
P&L reserve	508,451	320,150	188,301
Translation reserve	-320,031	-353,434	33,403
Minority interest	116,067	181,241	-65,174
Total Equity	<u>8,965,169</u>	<u>8,808,639</u>	<u>156,530</u>
<b>TOTAL LIABILITIES</b>	<u>13,758,912</u>	<u>13,486,398</u>	<u>272,514</u>

- Trade payables increased as a result of slower debt collections and consequent supplier payments
- Improvement in Tax payable due to lower tax due to reduced interest and closure of operations in Gabon





# Disclaimer

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Forward looking statements contained in this presentation are based upon what management of the company believes are reasonable assumptions, there can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could materially differ from those anticipated in such statements. The company undertakes no obligation to update forward looking statements if circumstances or management's estimates or opinions should change except as required by applicable laws. The reader or viewer is cautioned not to place undue reliance on forward looking statements.

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## FY 2018 Guidance

Like for Like Organic Revenue Growth

5%

Like for like Net Income Growth

10%



# The TNS Kantar Transaction

Key Metrics (Ksh'M)	Kshs	US\$
Net Sales 2017	1,856	17.9
EBIT (80%)	265	2.6
Value paid for 80%	1,126	10.9
Net Sales Multiple	0.61	0.61
EBIT Multiple	4.24	4.24



# Key Statistics

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<b>Shareholding</b>	WPP Plc	50.01%
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	Bharat Thakrar	12.05%
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	Others	10.90%
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<b>Billings 2017</b>		\$163M
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<b>Revenue 2017</b>		\$48M
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<b>Market Cap Average 2017</b>		\$48M
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Thank you for your time



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