



Scangroup

Investor Presentation

3rd May 2010



AFRICARSING

Agenda

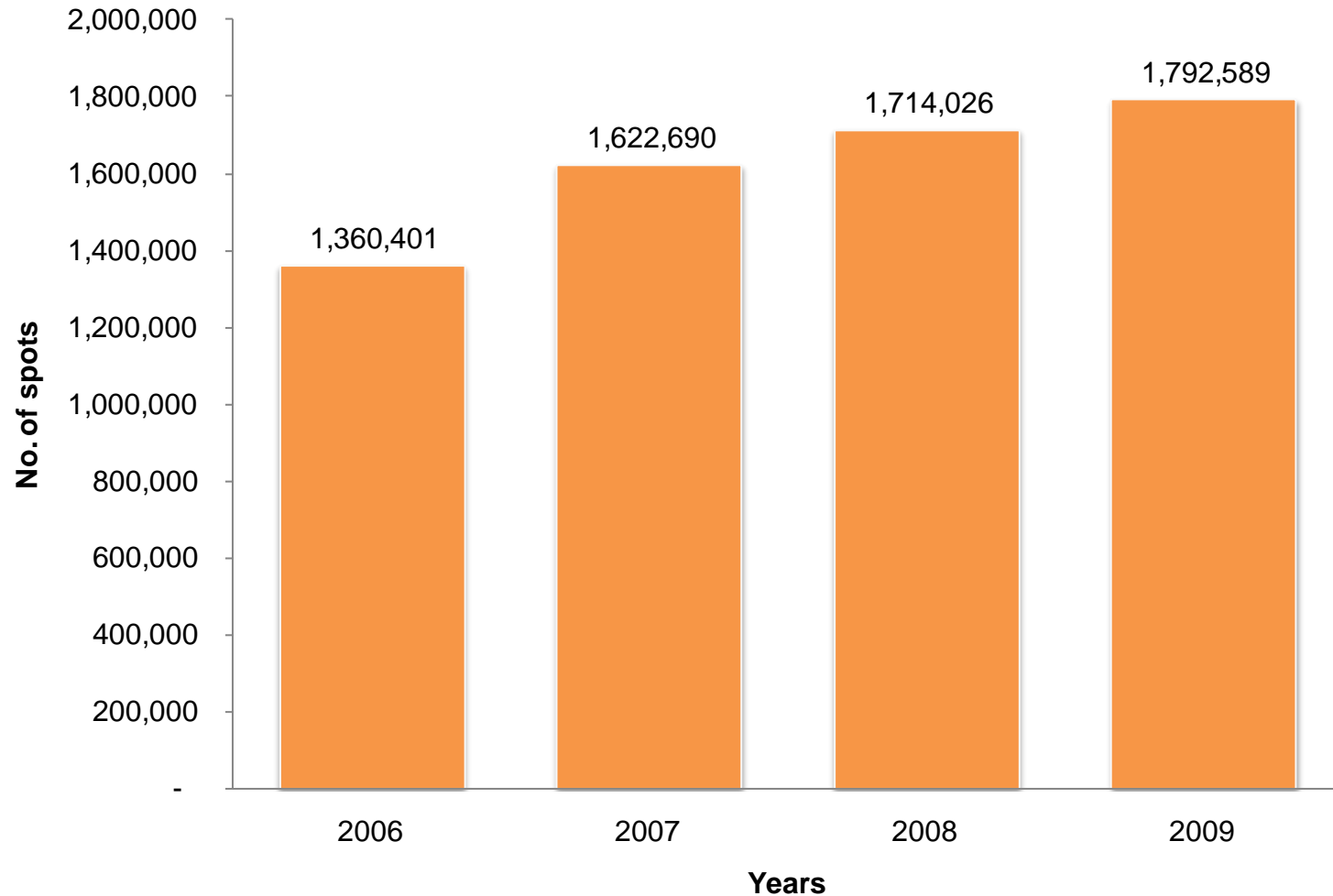
- How did we do for 2009
 - Industry performance
 - Financial review
- Strategy going forward



Industry Performance - Adex

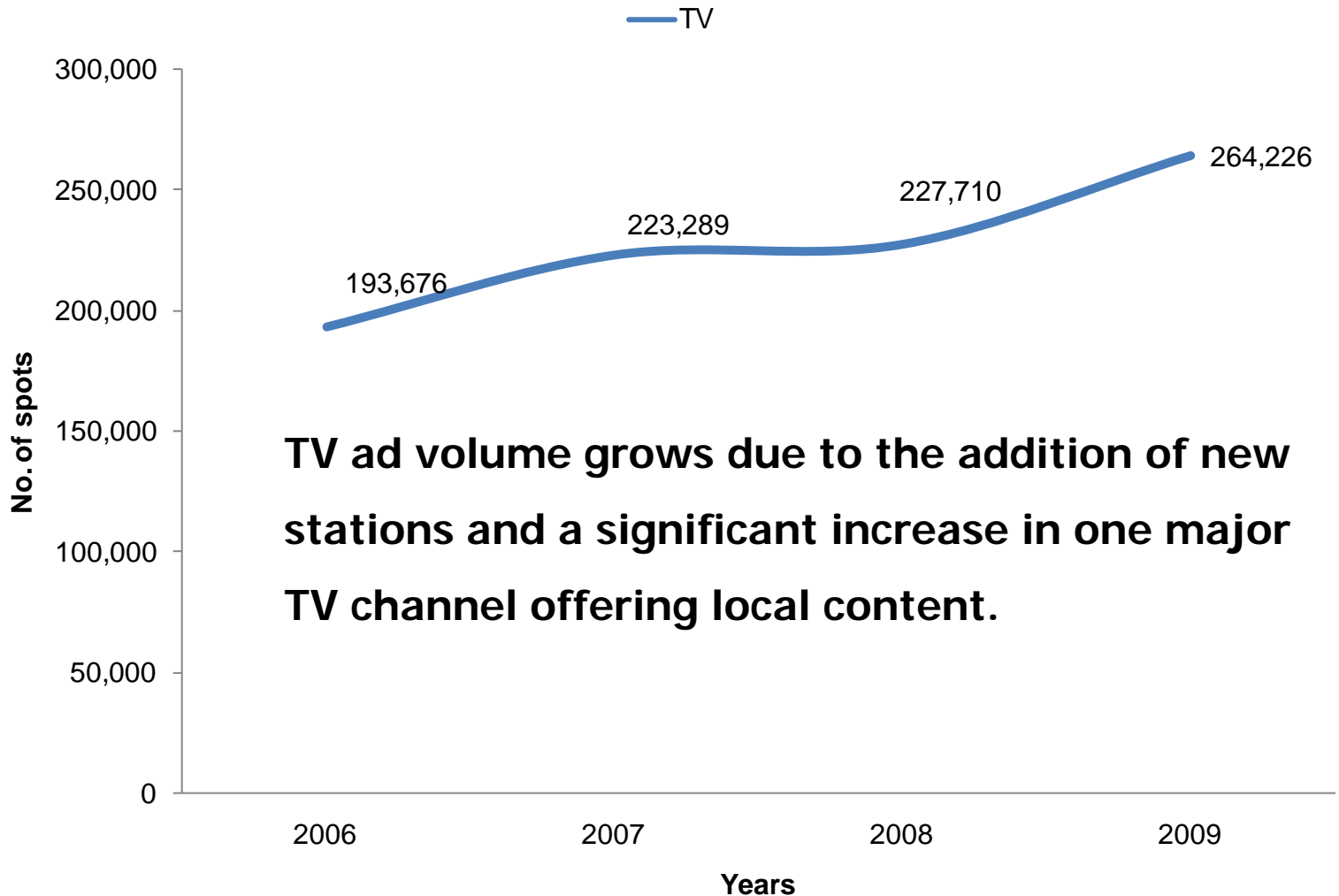
- Synovate introduces a new measure of industry performance – AdXposure. This will measure advertising volume rather than value
- Previous Adex – based on gross rate card and did not take into account discounts/ value adds/
 - Hence was not a true representation of the industry

AdX volume up by 5%



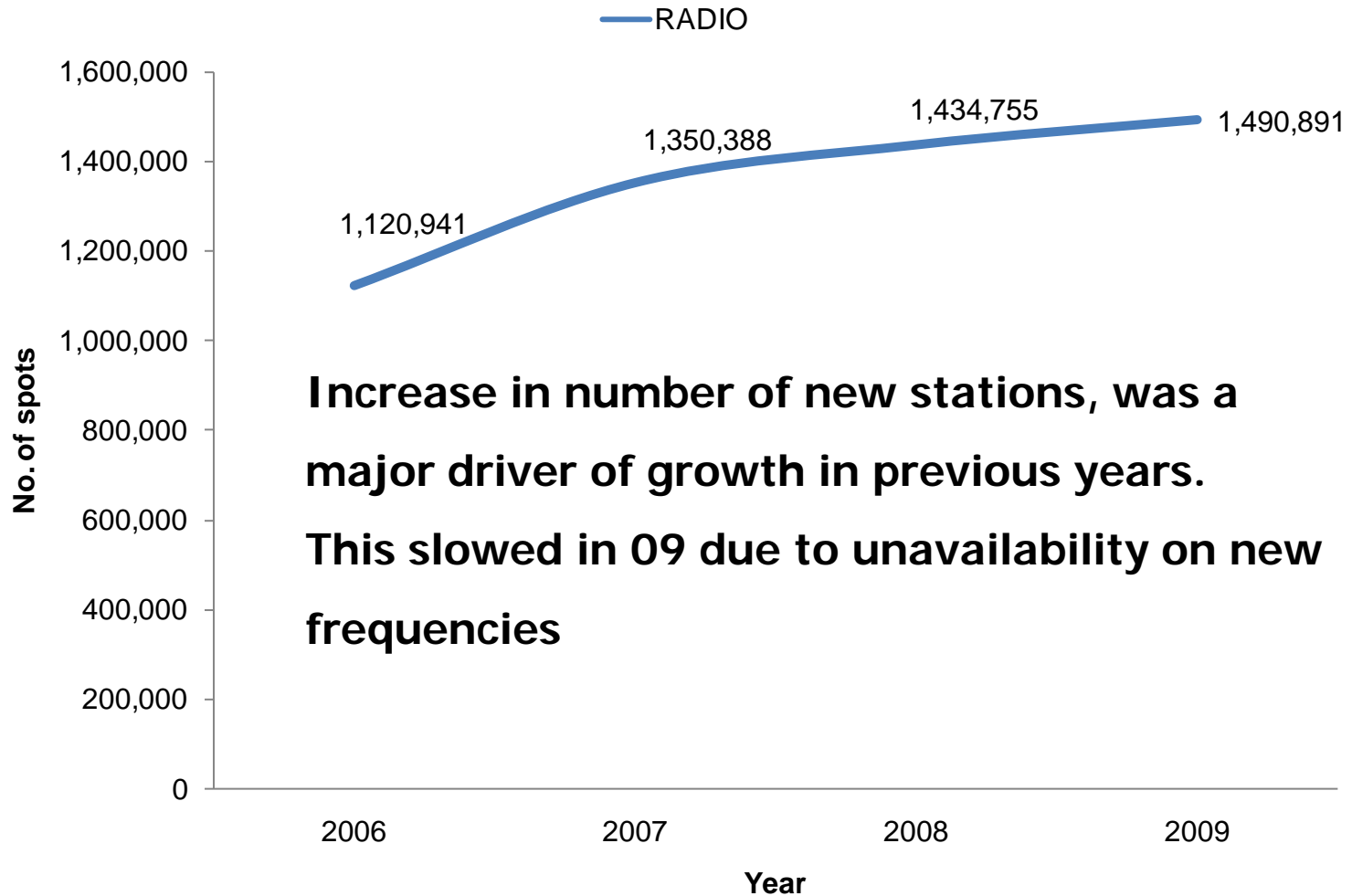
Source: Synovate

AdX TV volume up by 16%



TV ad volume grows due to the addition of new stations and a significant increase in one major TV channel offering local content.

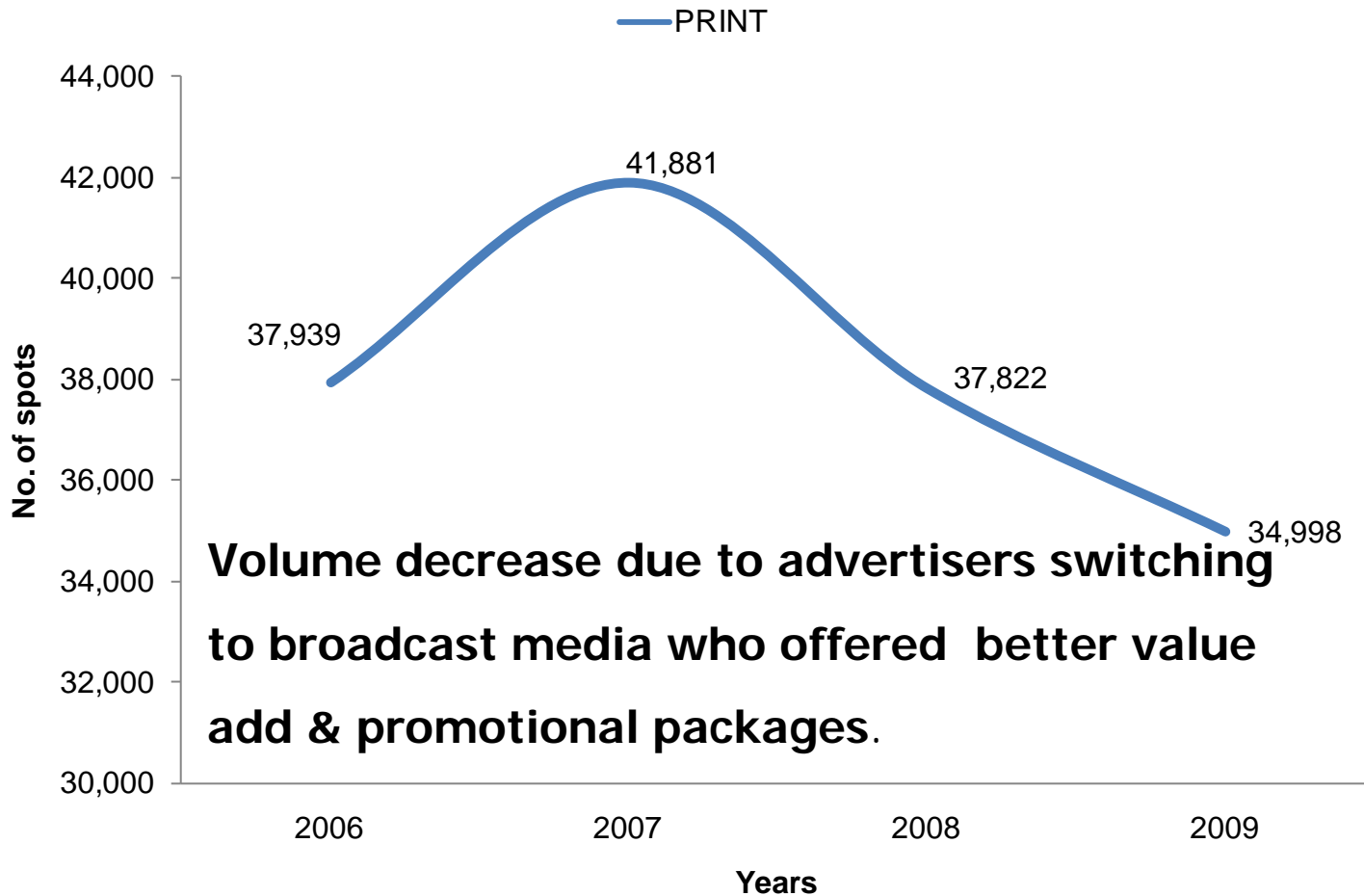
AdX Radio volume up by 4%



Increase in number of new stations, was a major driver of growth in previous years.

This slowed in 09 due to unavailability on new frequencies

AdX Print volume down by 7%



Volume by Category

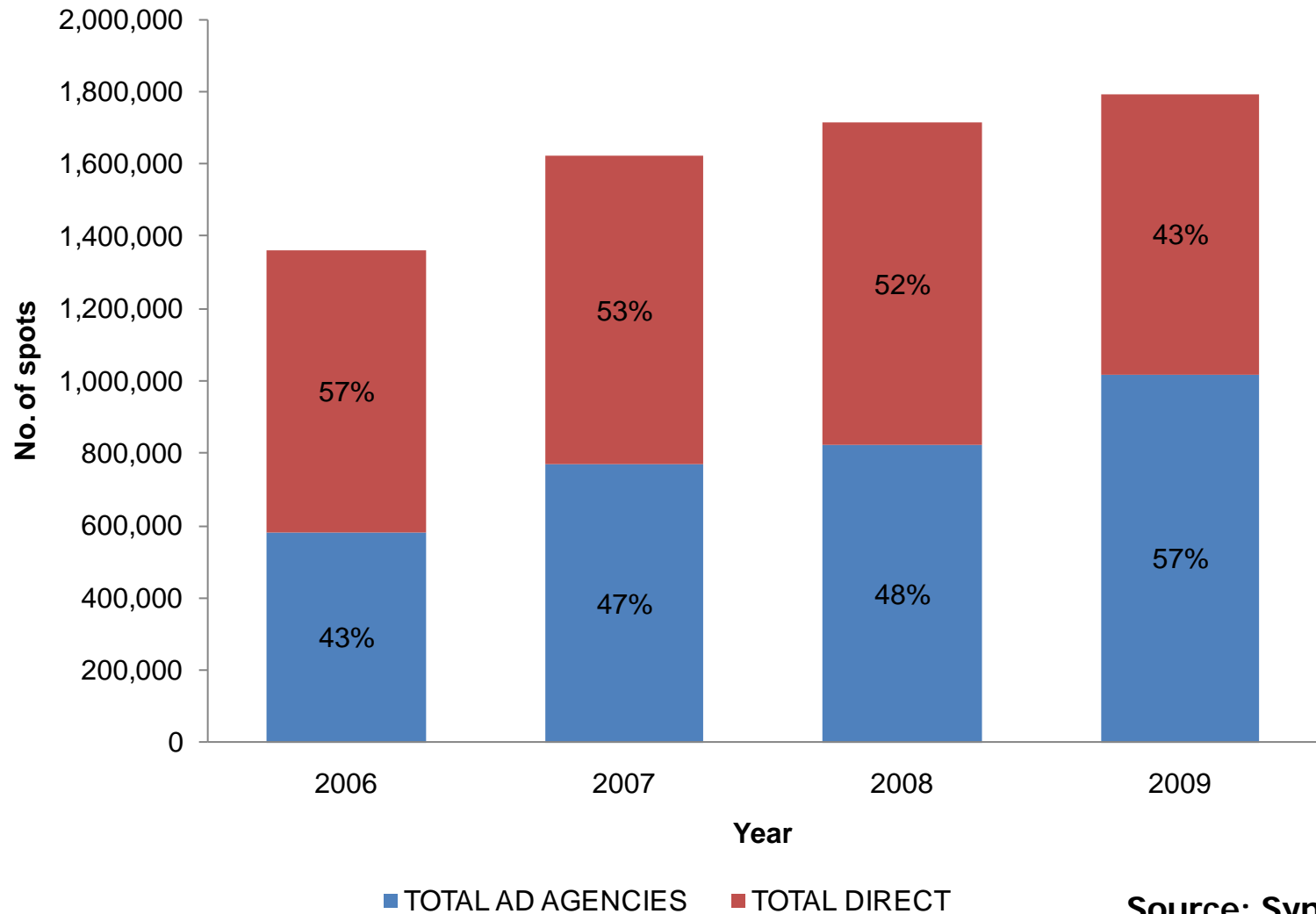
	2006	2007	2008	2009
COMMUNICATIONS	19%	23%	28%	28%
FINANCIAL SERVICES	7%	11%	11%	15%
CORPORATE & MULTIBRAND	9%	13%	10%	9%
HOUSEHOLD	12%	6%	7%	8%
FOODS	12%	7%	6%	8%
PHARMACEUTICALS	5%	6%	6%	7%
BEVERAGES	8%	7%	9%	5%
MEDIA	4%	5%	5%	4%
PUBLISHING/EDUCATION	3%	3%	4%	3%
TOURISM & ENTERTAINMENT	6%	4%	3%	3%
PERSONAL CARE	5%	5%	3%	3%
RETAIL	4%	4%	3%	3%
TRANSPORT	3%	2%	2%	2%
VETERINARY & AGRICULTURE	1%	2%	2%	2%
CLOTHING, FABRICS & FOOTWEAR	0%	0%	0%	1%
OFFICE EQUIPMENT & SERVICES	1%	1%	1%	0%
SUPPLEMENTS & CONGRATULATIONS	0.2%	0.2%	0.2%	0.1%
TOBACCO	0.1%	0.2%	0.1%	-
No. of spots	1,360,401	1,622,690	1,714,026	1,792,589

Source: Synovate

Category up and downs

- Communications: Flat. Competitors intermittently varied their spend throughout the year but no net effect on the growth of the sector.
- Financial: Marginal 4% growth – new entrants + mobile money + money transfers up spend.
- Beverage: Drops 4%, as the major players cut spends ahead of the expected economic slow down in 2009
- Others: more or less flat –plus- minus marginally

Volume for Agencies up 9 points



Source: Synovate

Agency Market Share

AD AGENCY	2006	2007	2008	2009
SCANGROUP	56%	64%	56%	61%
ACCESS LEO BURNETT LIMITED	1%	2%	5%	13%
OGILVY & MATHER	12%	14%	6%	10%
ZK ADVERTISING LTD	18%	8%	18%	8%
AYTON YOUNG AND RUBICAM	8%	8%	10%	4%
EXPRESS ADVERTISING	0%	1%	1%	1%
SPREAD MARKETING AGENCY LTD	1%	1%	1%	1%
OTHER AD AGENCIES	1%	1%	1%	1%
MARKETING COMMUNICATIONS LTD	2%	2%	2%	0%
TOTAL NO OF SPOTS	582,301	769,540	821,192	1,019,347

Source: Synovate

Our core strategy

- Offer global best practices to our clients across all marketing service disciplines
- Across all geographies in Sub Saharan Africa



Focus 2009

The year started with a note of caution as a result of which we decided to put on hold our geographical expansion plan and instead focused on two key areas;

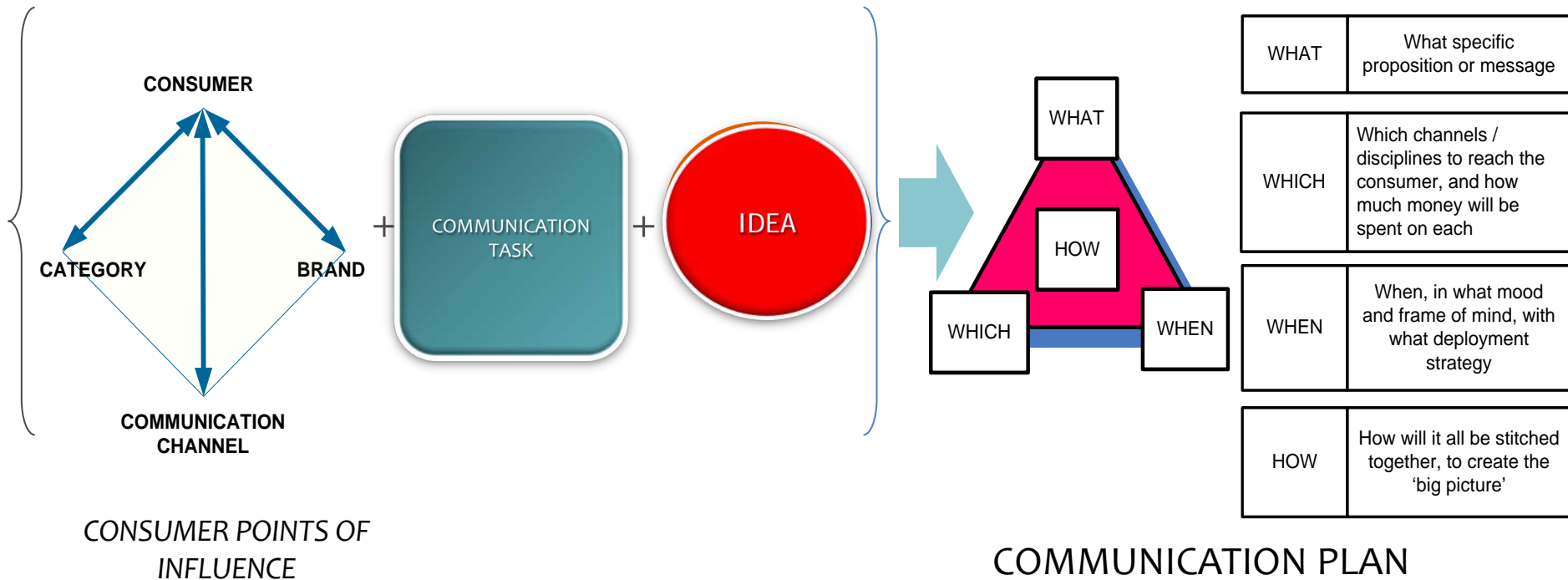
1. Setting up of Joint Ventures

- Hill & Knowlton
- Squad Digital
- Smollan
- Ogilvy

2. Internal reorganising of our back office



We Fuse 3 inputs in defining our integrated plans.

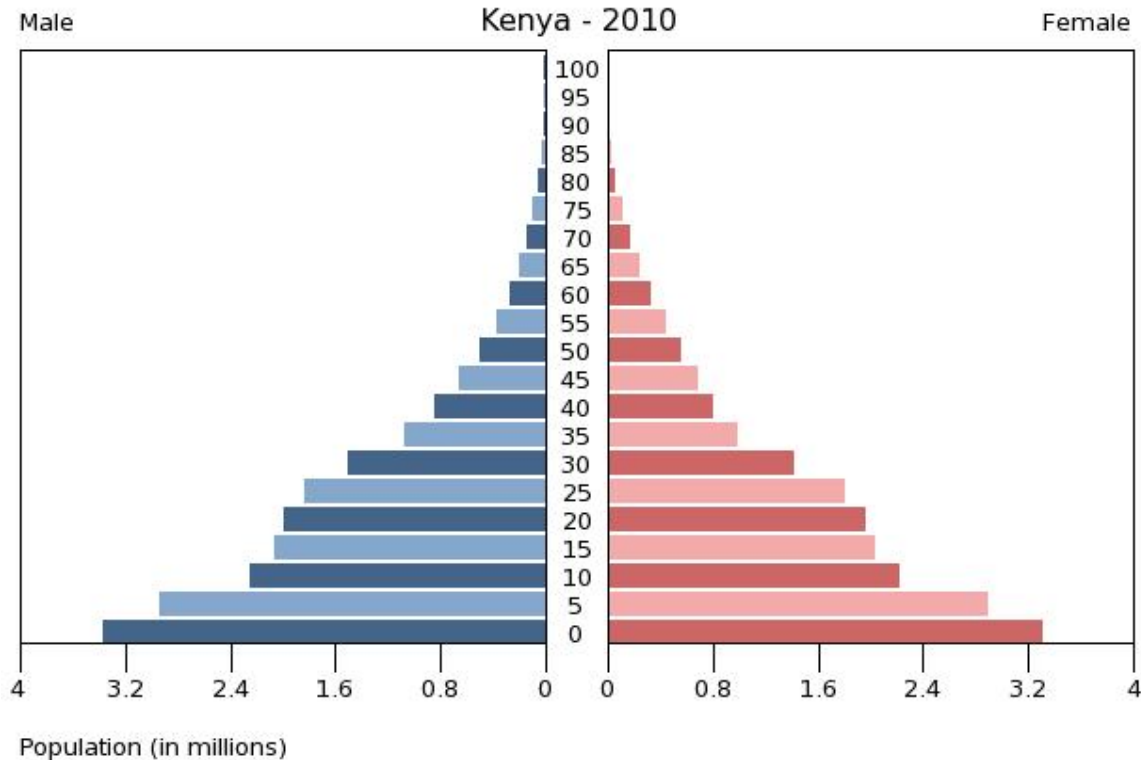


If Facebook was a measure

- Users in 2008 (Sep): ~50,000
- Users in 2010 (Mar): ~652,440



Population Distribution by Age

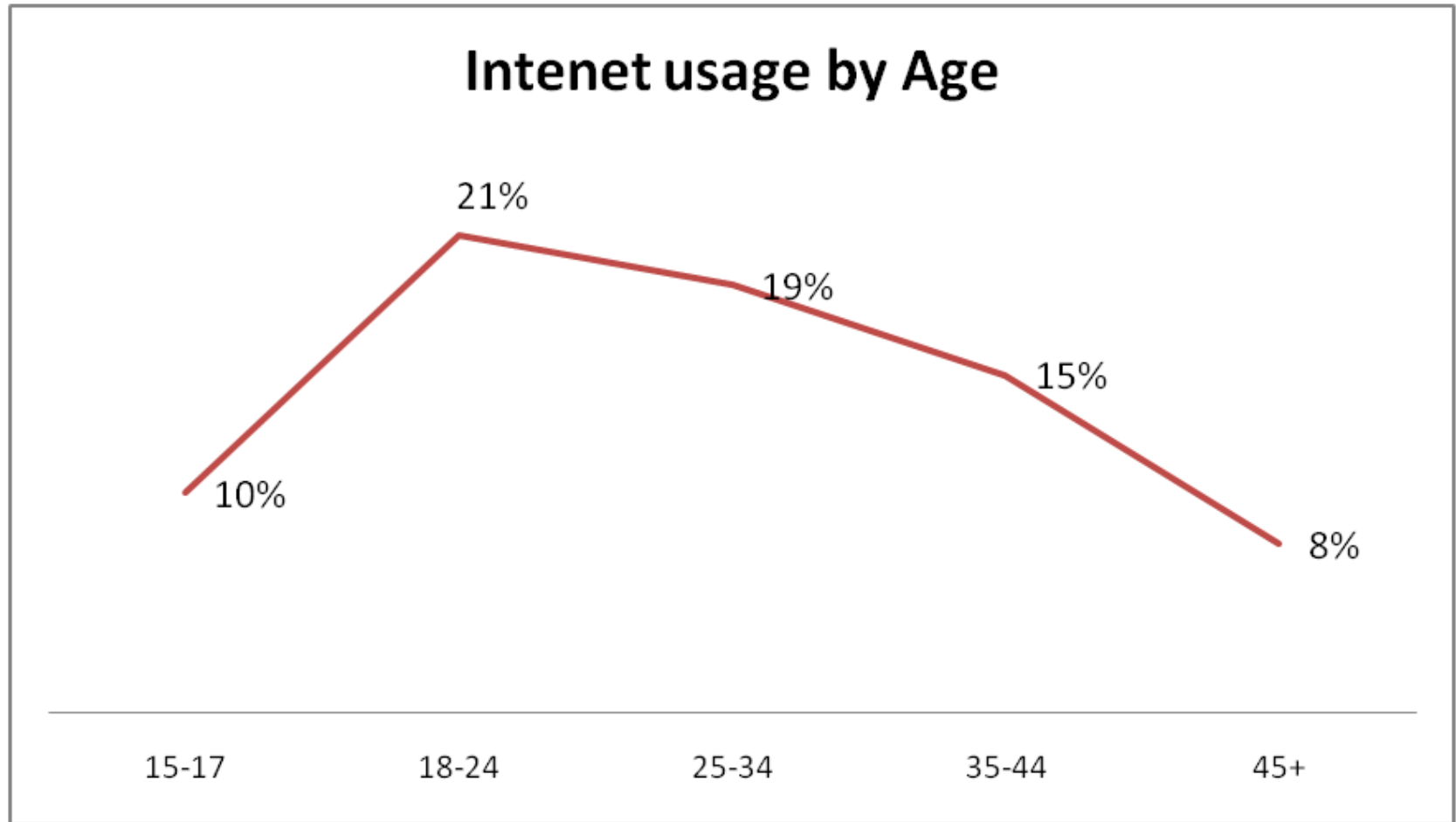


2010

- Nearly 10% of total population is online
- 30% population between 15-30 yrs
- Staggering 70%+ under the age of 30

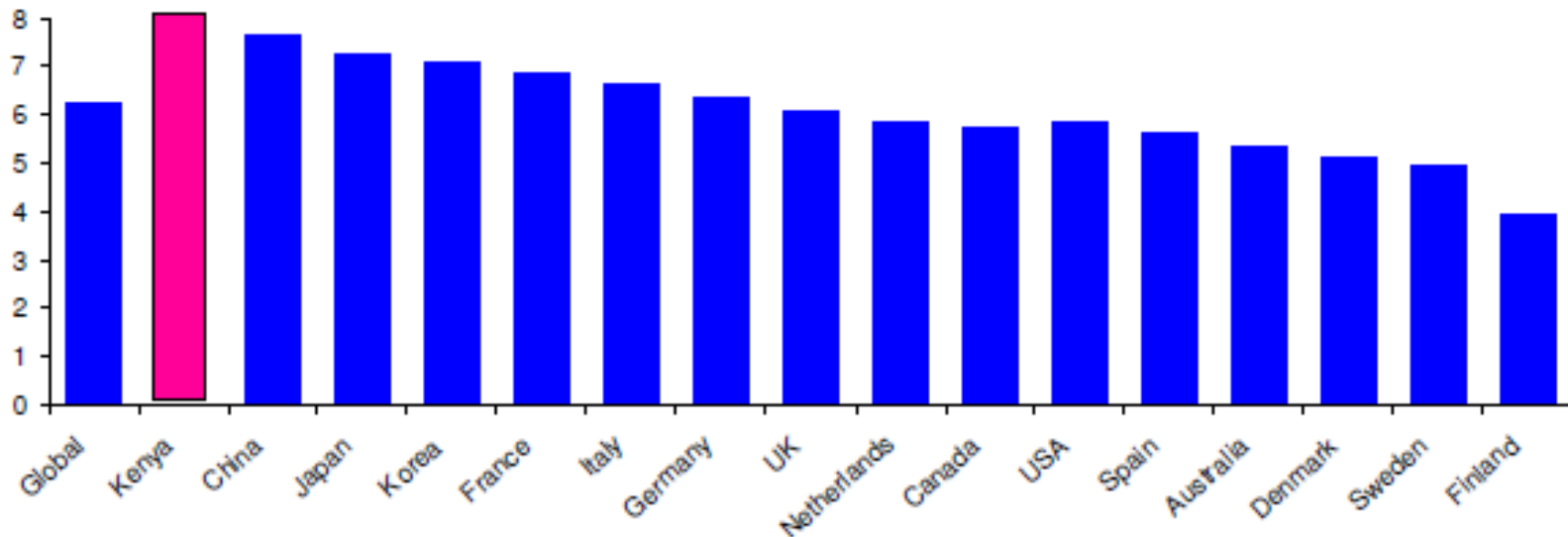


Youth are most Internet Savvy



The web is very important to Kenyan users, outstripping a lot of major nations

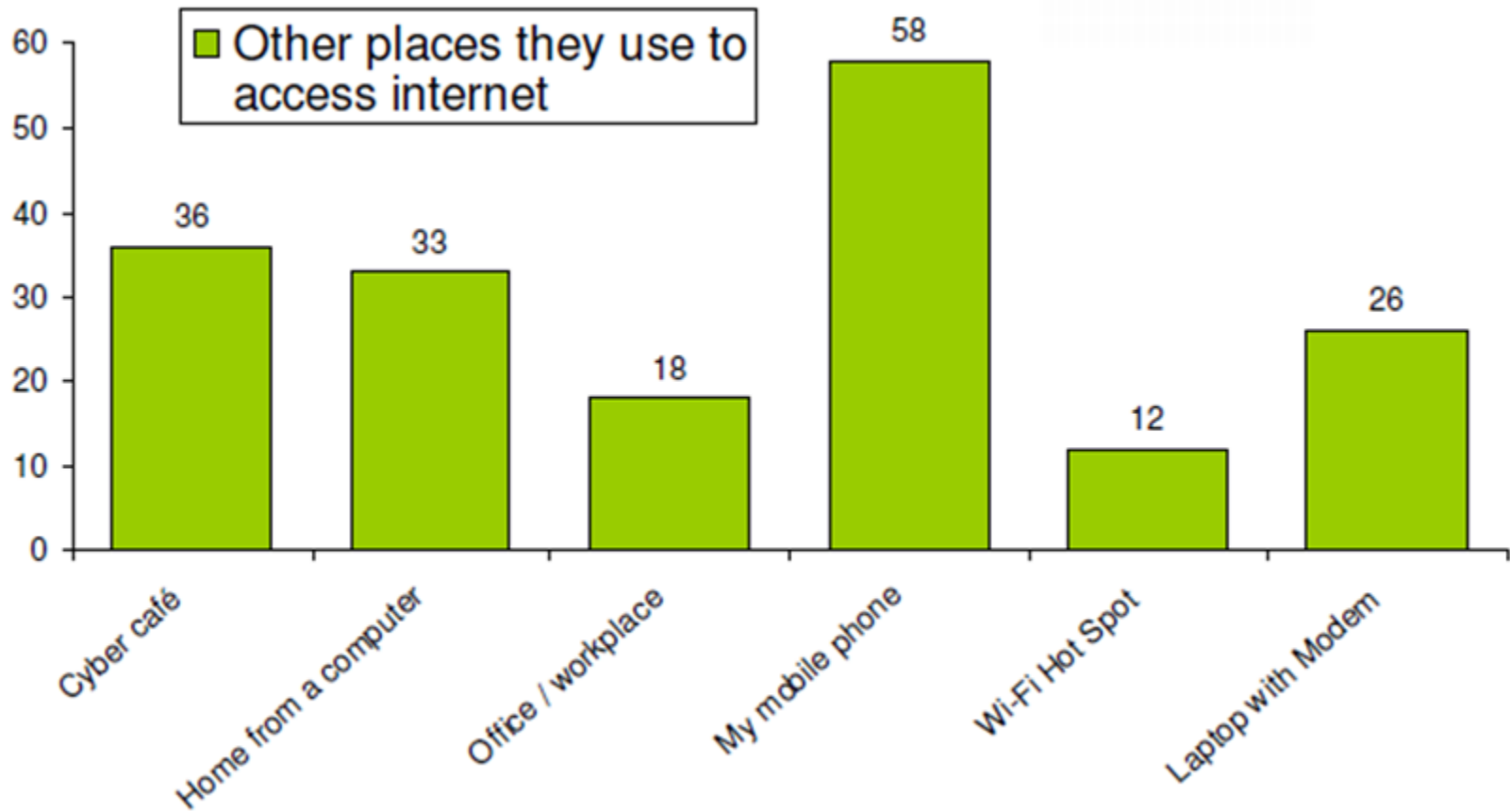
How much would not having the internet affect your daily routine and personal activities? (10 = very much, 1 = not at all)



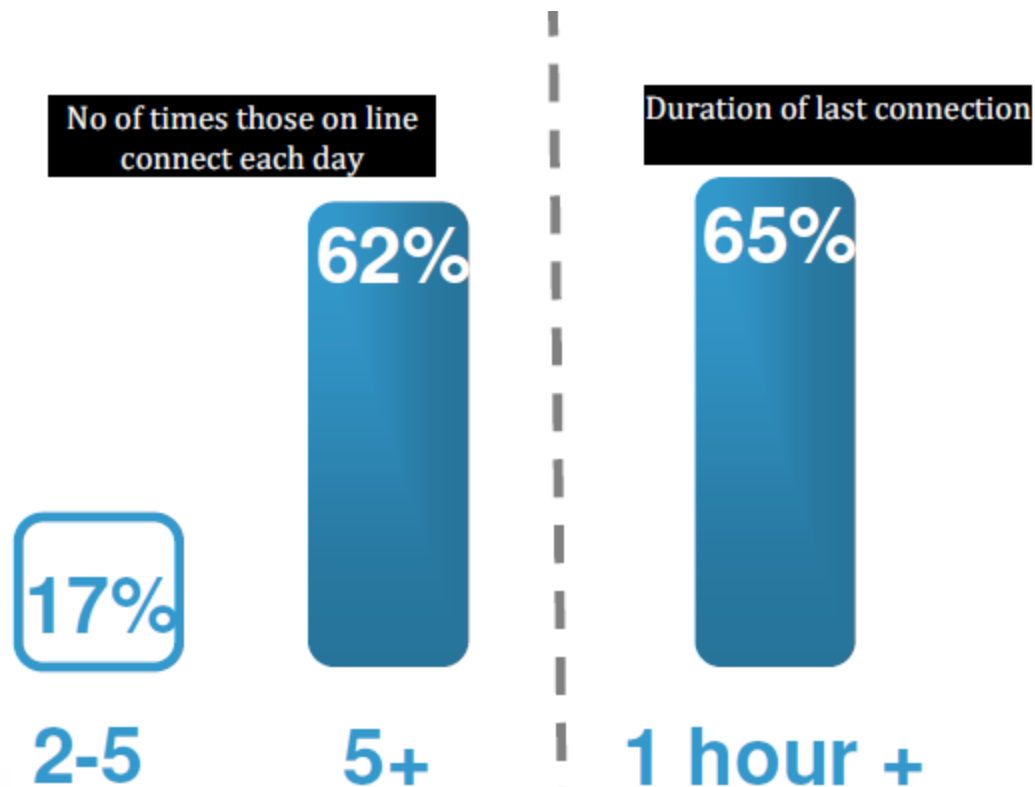
TNS multi-country study



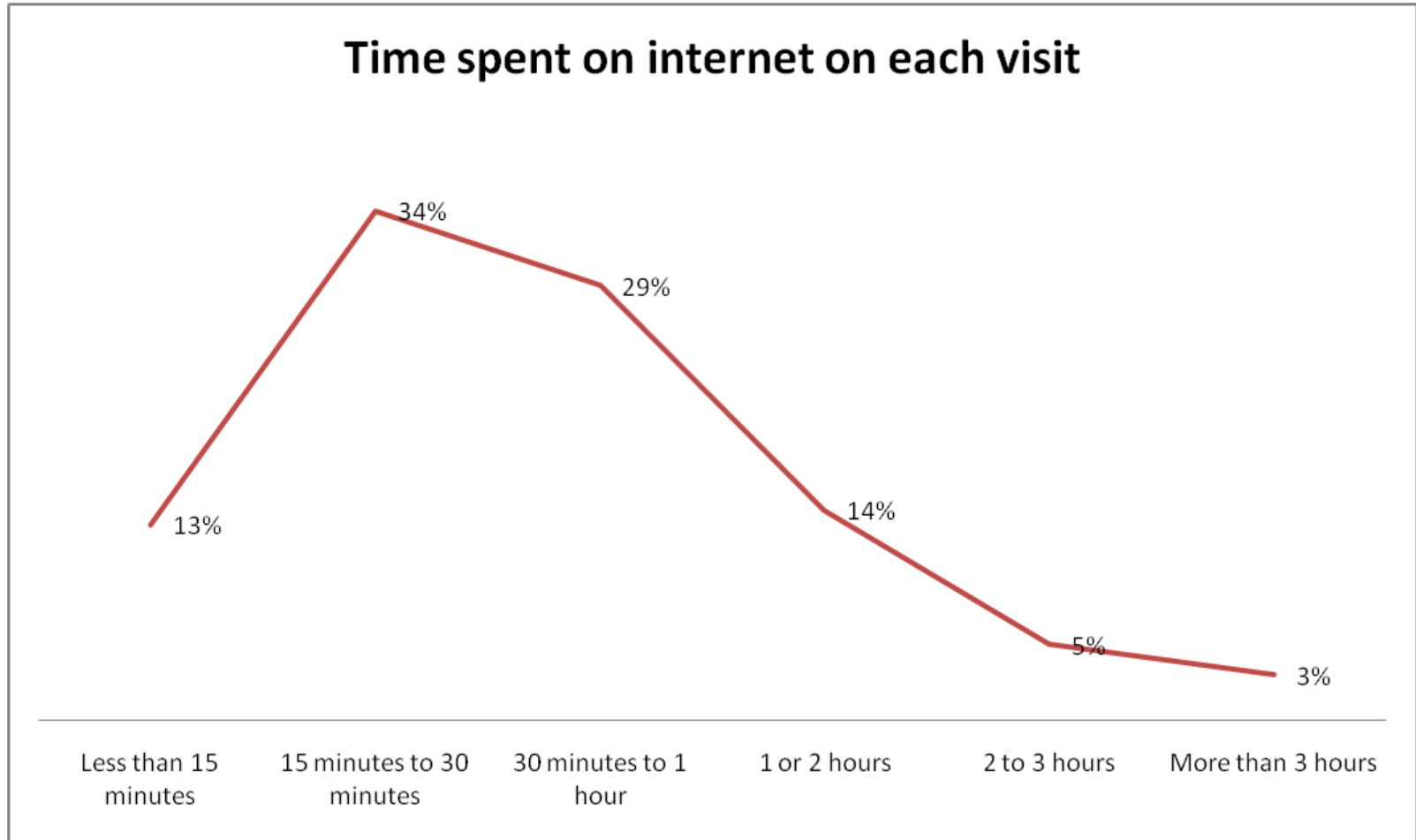
Mobile phone is the main backup access source



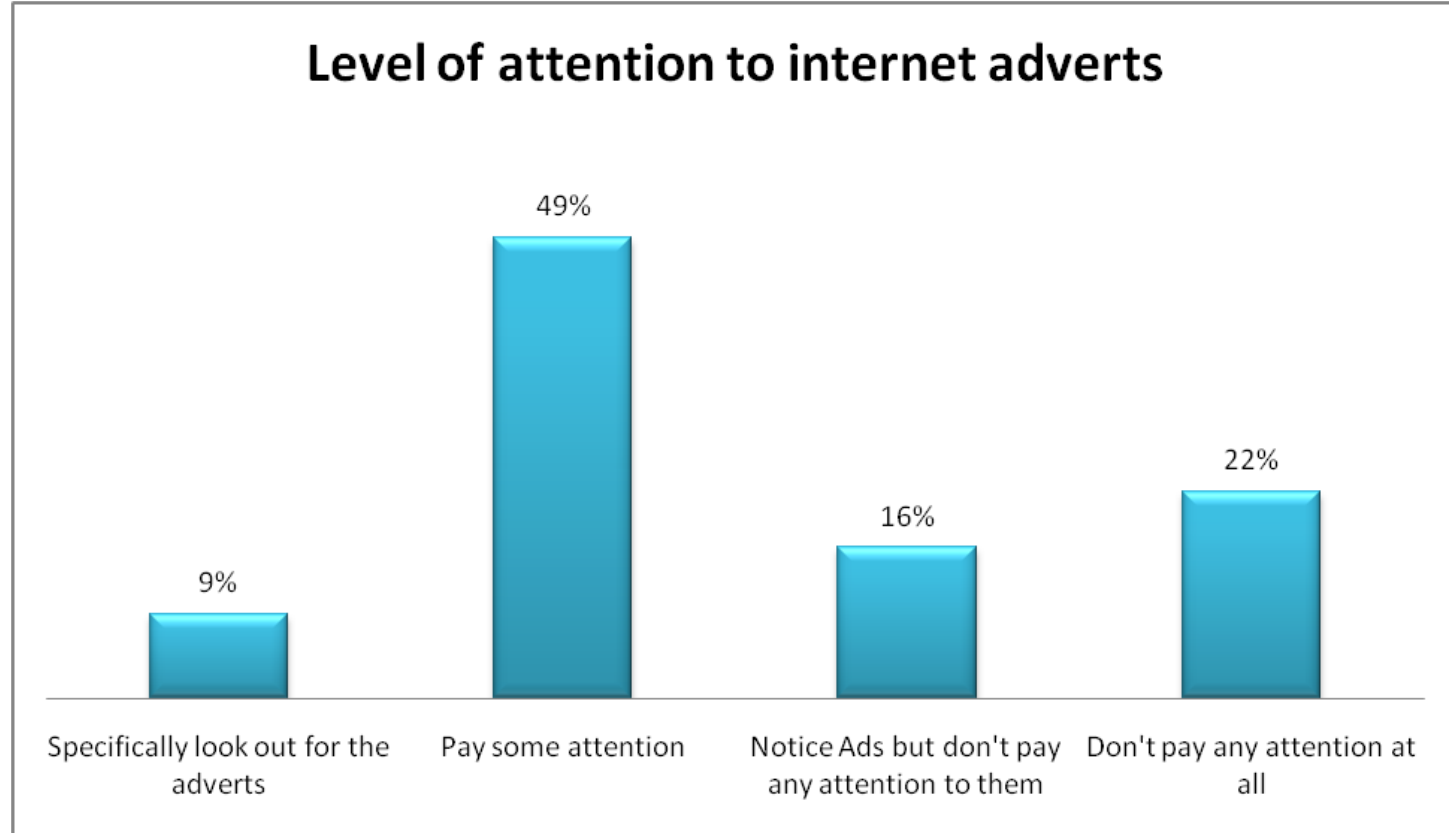
Kenyans go online frequently..and demand for higher connectivity is more



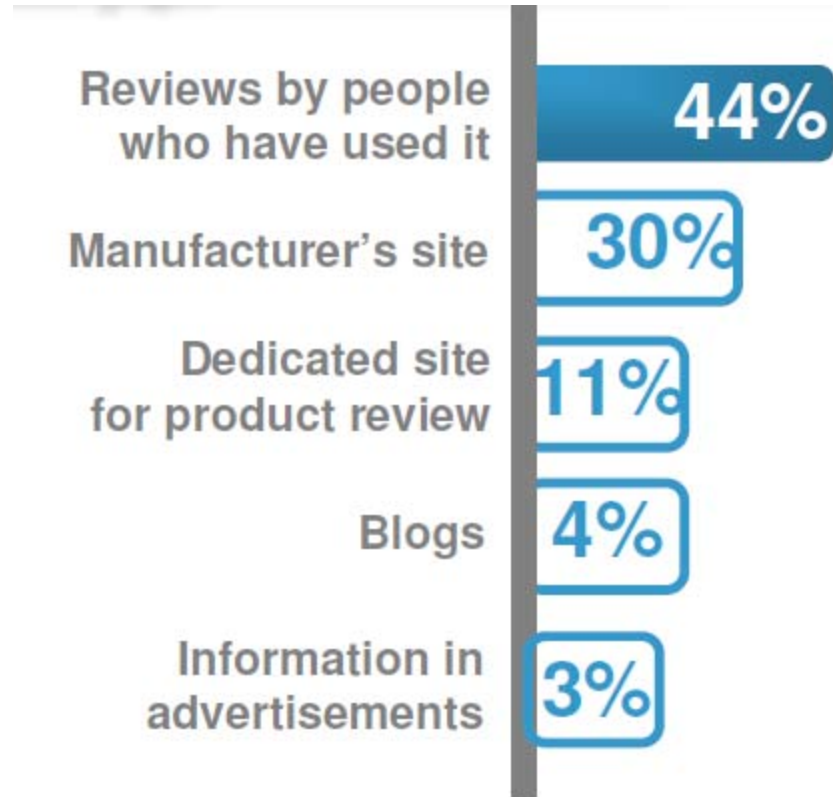
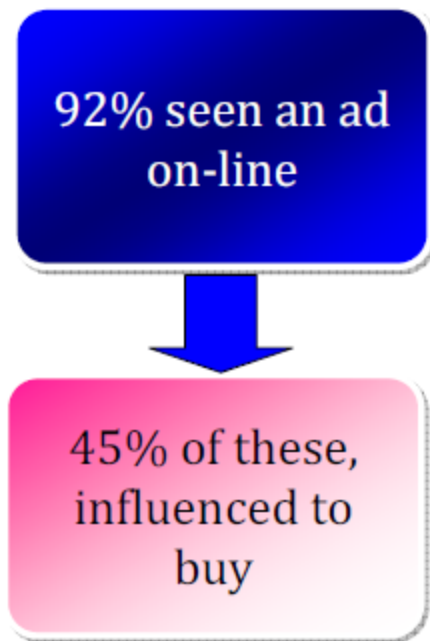
Time spend matches TV at ~70 min



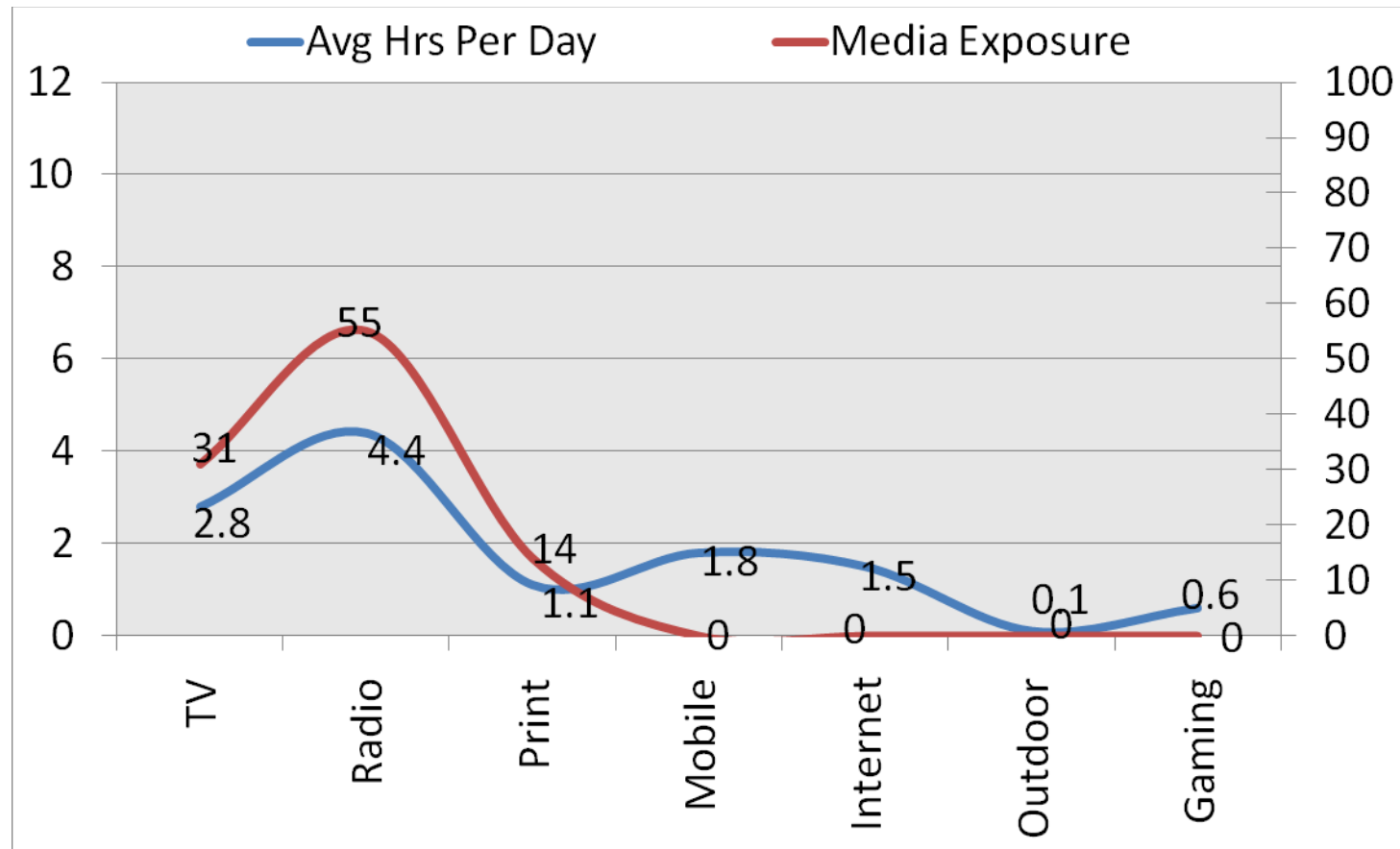
Over 60% pay attention to advertisements

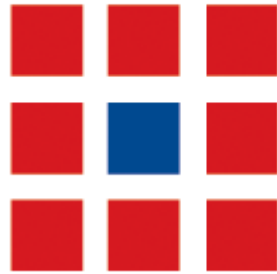


Advertising



Digital v/s Traditional Advertising





Financial Review



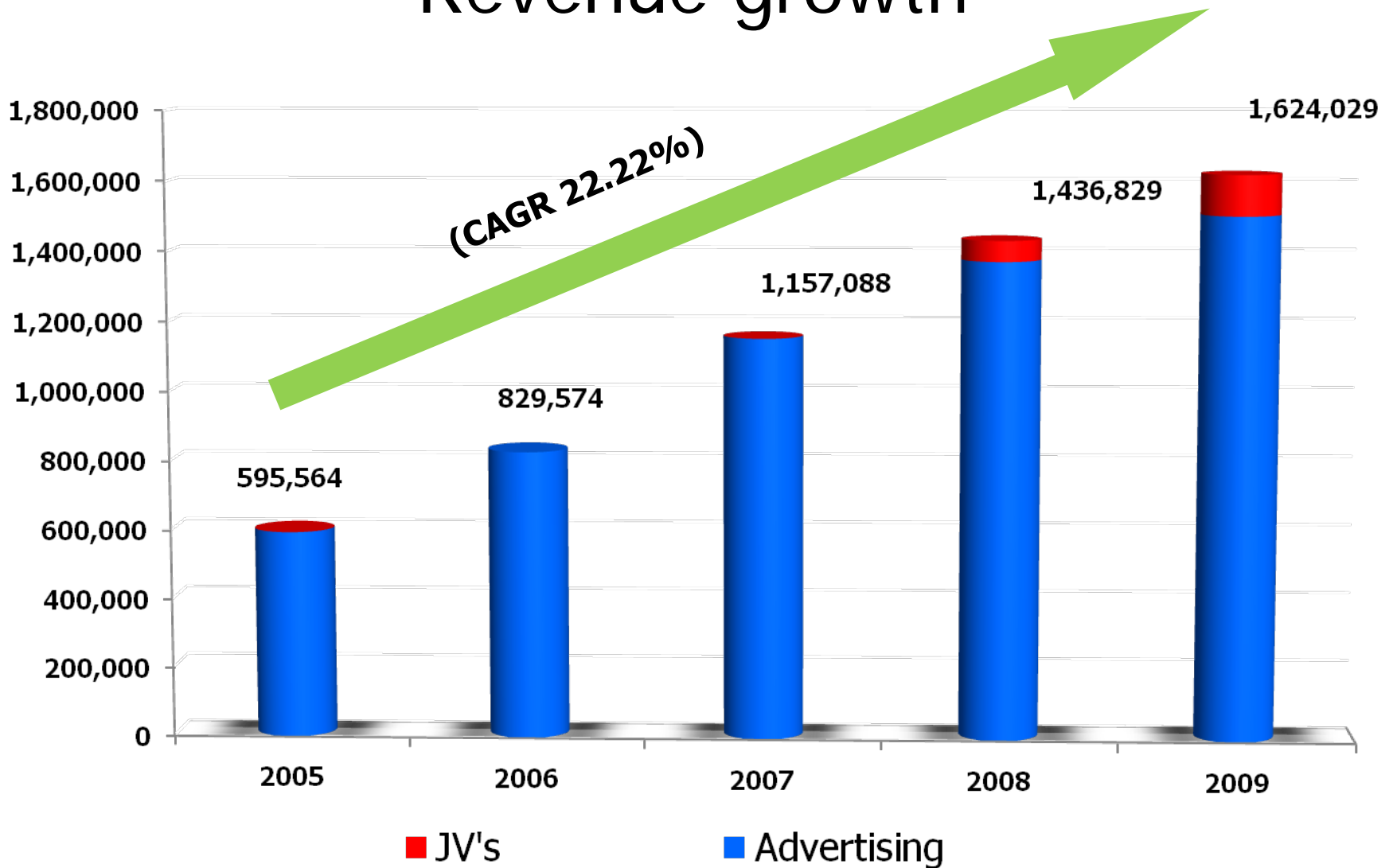
AFRICARSING

Headline Results - 2009

In Ksh'000	2009	Growth %
Revenue	1,624,029	13%
EBITDA	481,056	1%
PBT	544,100	25%
Net operating cash flow	306,014	349%
Cash conversion	64%	-
Free cash flow	274,853	233%
Basic and Diluted EPS (Ksh)	1.81	1%

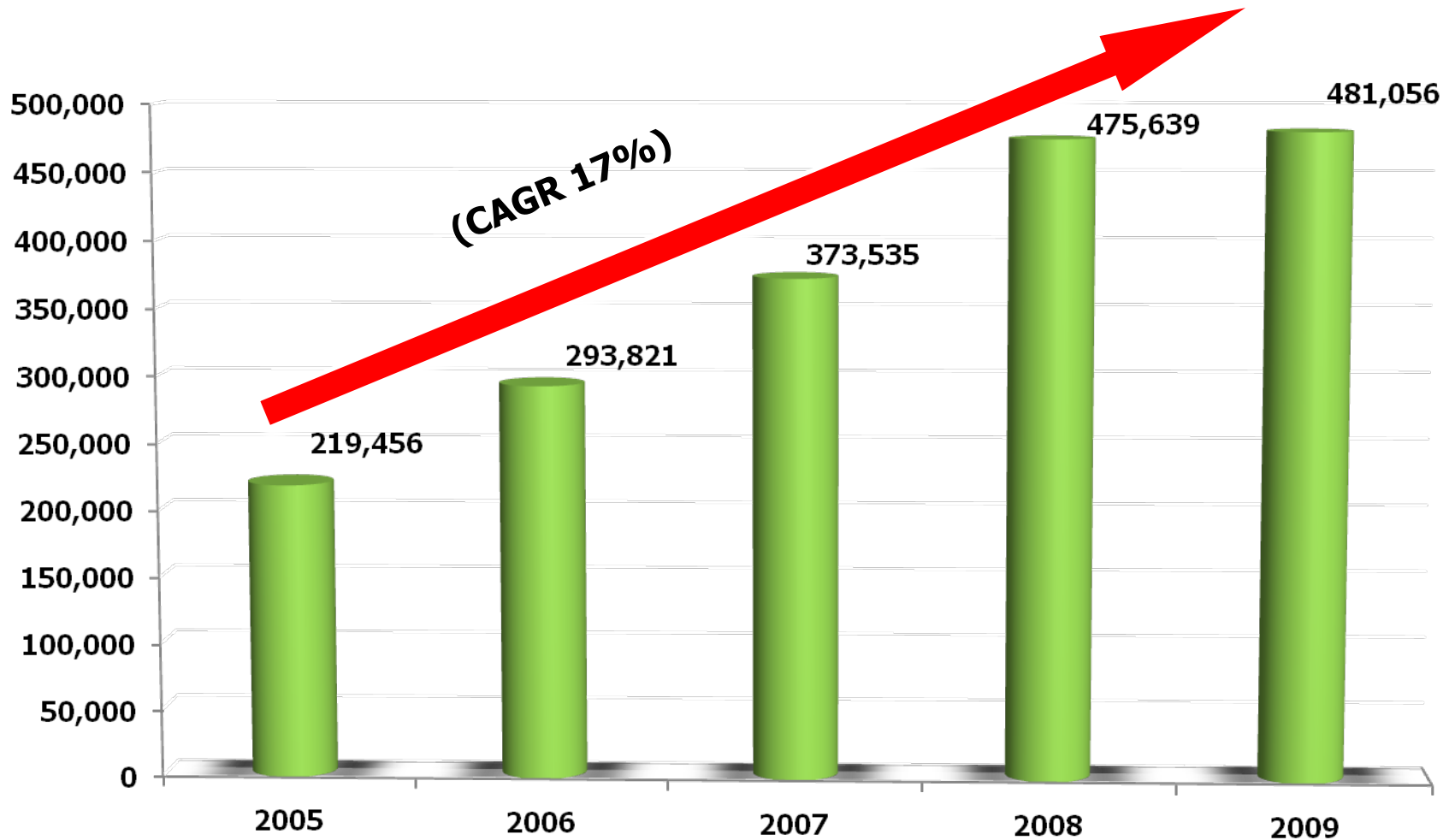


Revenue growth



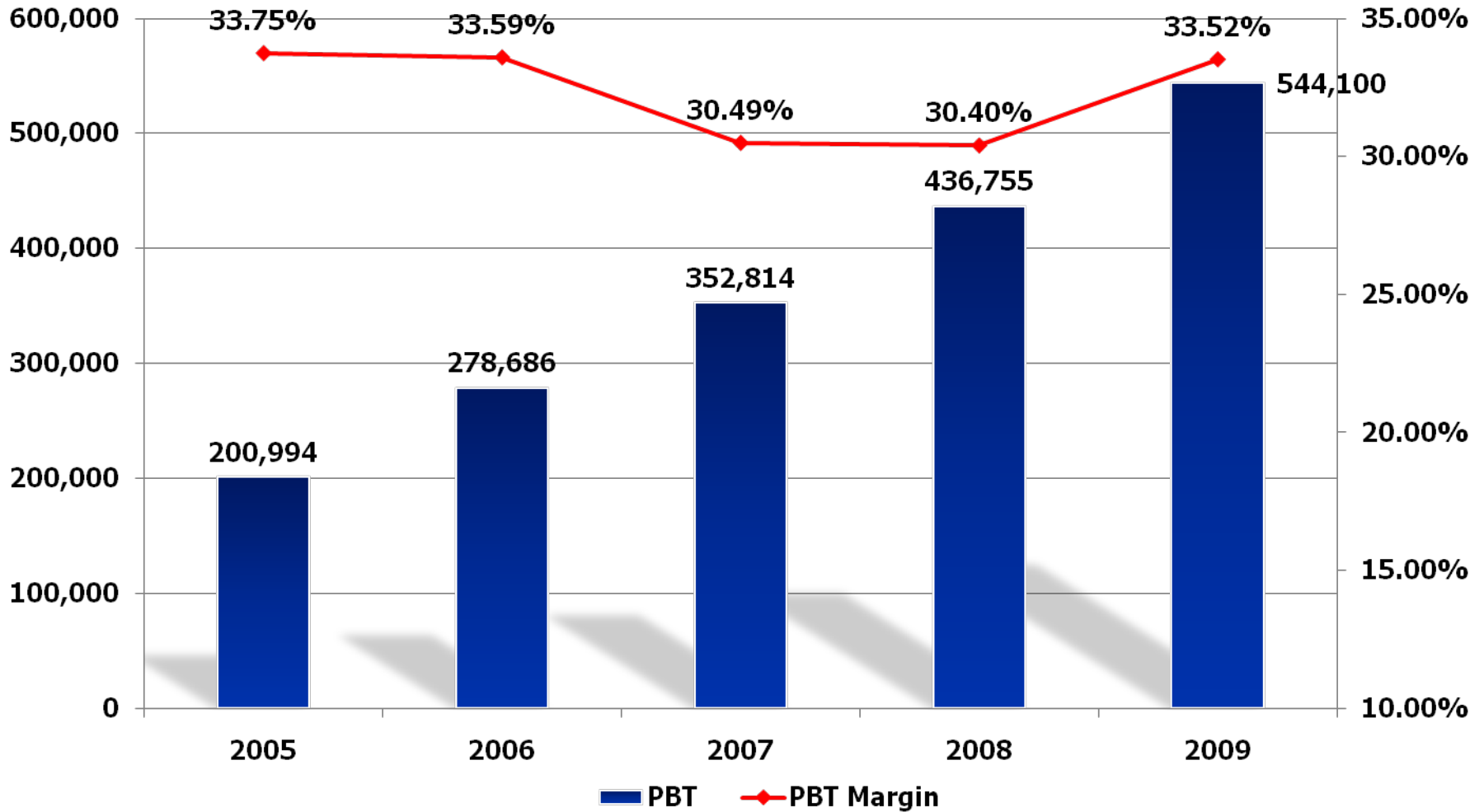
AFRICA RISING

EBITDA

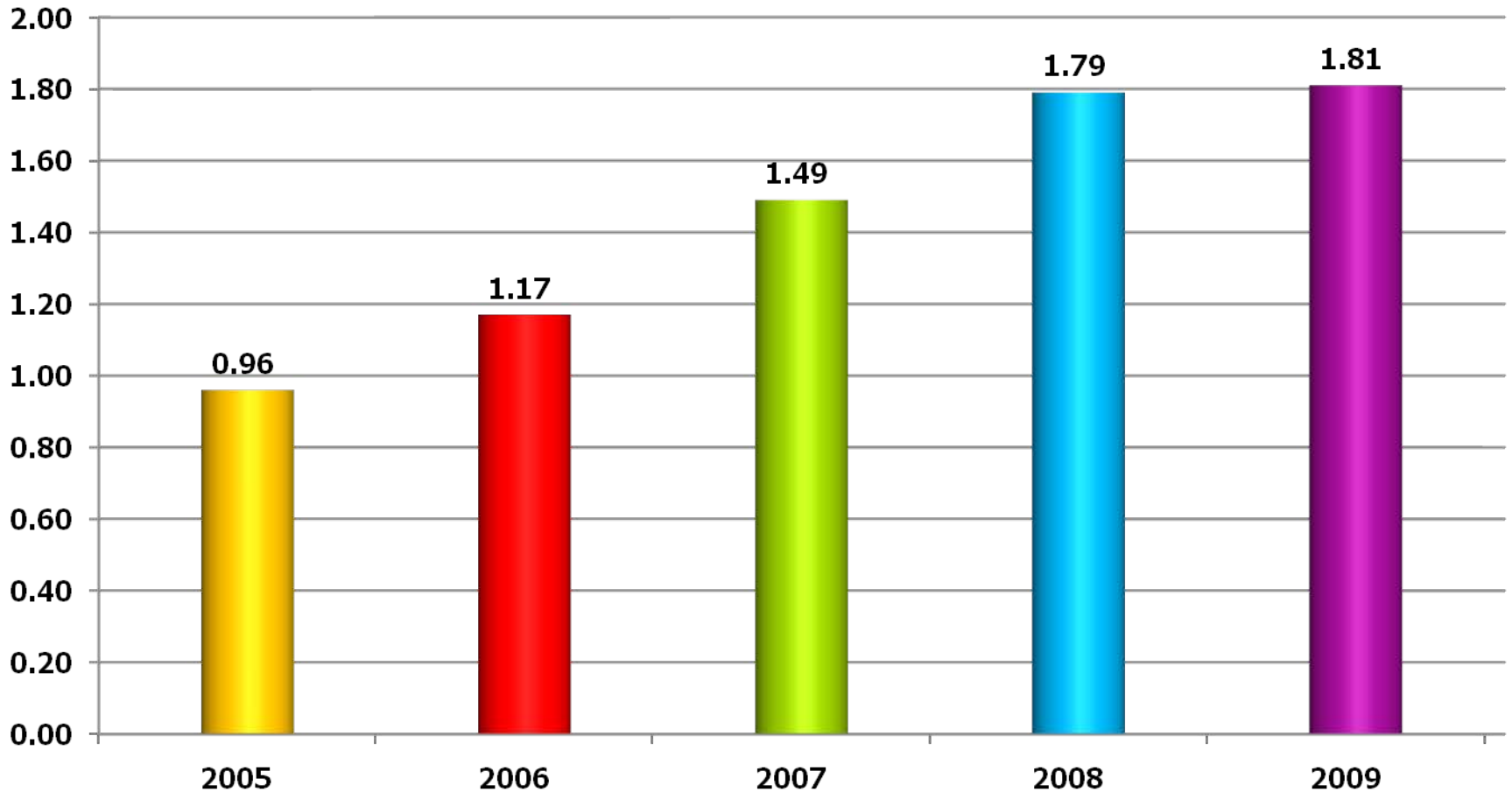


AFRICARSING

Profit Before Tax



Growth in Earnings per share (EPS)



AFRICARSING

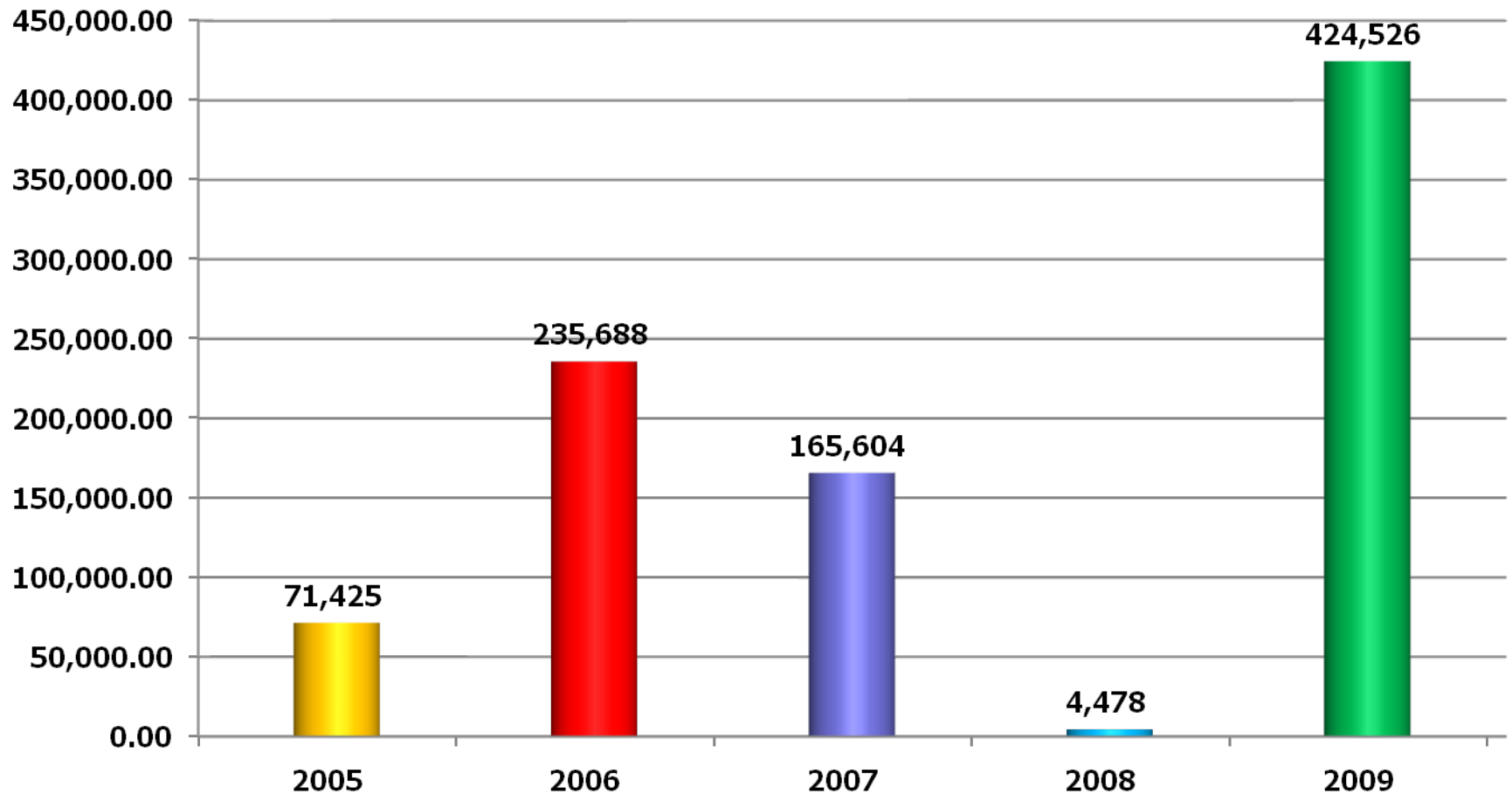
Financial result summary

All Amounts in KShs' 000	31 st December 2008	31 st December 2009	% Change
Billings	5,789,716	5,920,012	2%
Revenues	1,436,892	1,624,029	13%
Operating expenses	(961,253)	(1,142,973)	19%
EBITDA	475,639	481,056	1%
Depreciation/amortization	(28,152)	(29,177)	4%
Net Interest Income / (Expense)	(10,732)	92,221	n/a
Profit Before Tax	436,755	544,100	25%
Taxation Charge	(120,966)	(142,952)	18%
Profit After Tax	315,789	401,148	27%

Financial Position

All Amounts in KShs' 000	31 st December 2008	31 st December 2009
Non Current Assets	180,133	190,706
Current Assets (other than liquid)	2,483,168	2,555,116
Liquid Assets	1,110,656	1,205,765
Total Assets	3,773,957	3,951,587
Non Current Liabilities	4,065	11,620
Current Liabilities	1,690,428	1,573,745
Total Equity	2,079,464	2,366,222

Cash Generated From Operations



AFRICARSING

Condensed Cash flow statement

Kshs '000	31st December 2008	31st December 2009
Net Cash (Used in)/generated from operations	(147,803)	306,014
Net Cash used in investing activities	(64,234)	(455,765)
Net Cash generated from/(used in) in Financing activities	1,158,324	(132,530)
Increase / (Decrease) in cash and cash equivalents	946,287	(282,281)
Movement in Cash and Cash Equivalents		
At the beginning of the period	21,805	964,691
Increase / (Decrease) during the period	946,287	(282,281)
Effect of exchange rates	(3,401)	(5,642)
At the end of the period	964,691	676,768

Proposed Dividend

Particulars	Year 2008	Year 2009
Basic earning per share – Ksh	1.79	1.81
Dividend per share – Ksh	0.75*	0.50
Dividend as % of EPS	41.89%	27.62%
Total Dividend Payout Ksh	136 Million	110 Million

*Other than Cavendish Square holding BV (WPP group company) who was paid a dividend of Ksh 0.26 per share. This was as per the terms of the subscription agreement which did not entitle them to participate in a dividend in respect of the nine months period up to 30th September 2008.

Cash available from Operations

	Kshs'000
Subscription money received from WPP	1,335,172
Less: Used for working capital	(400,000)
Add: Interest earned on the funds (net of tax)	96,626
Earmarked for investment and expansion	1,031,799
 <u>Available funds at 31 December 2009:</u>	
Kenya Government Securities	528,997
Short-term bank deposits	497,378
Cash and bank balances	179,390
	<u>1,205,765</u>
 <u>Less:</u>	
Earmarked for investments & expansion	(1,031,799)
Dividends proposed for 2009	(110,345)
Funds to be retained for additional working capital requirements	<u>63,621</u>

The funds received from WPP as subscription money for future expansion and interest earned thereon are not included above.

Conclusion:

- ❖ Solid track record
- ❖ Strong results against a challenging economic environment
- ❖ Healthy balance sheet with Ksh 1.2 bn of liquid assets
- ❖ Phenomenal improvement in cash conversion
- ❖ Improve EBITDA margin, a priority





Strategy 2010

Pan African



AFRICARSING

What's going for us

- The Ogilvy deal
 - It has defined our African growth strategy



AFRICARSING

The principles of the Ogilvy deal

- It's a Joint venture – both have a vision for growth in sub Saharan Africa
- It's a share swap
- It gives us & our clients immediate access to 21 markets across the continent

Ogilvy Transaction	Total
Relevant key figures for 2009	
Kshs'000	
Billings	1,914,080
Revenue	502,272
Profit before tax	89,148
<i>Source: Management accounts 2009</i>	

Impact of the Ogilvy partnership

Growth % over 2008	Scangroup Stand alone	Impact of the Ogilvy Transaction (Assumption: if the acquisition was effective 1 January 09)
	<i>As reported</i>	<i>Combined</i>
Revenue	13%	48%
PBT	25%	44%
Profit after tax	27%	46%
PAT attributable to Scangroup shareholders	30%	39%

The calculations above are made assuming that the Group acquired interest in Ogilvy from 1st January 2009 and are based on management accounts for the twelve months period ended 31st December 2009. They are used for indicative purposes only to show the impact on earnings had the transaction completed on 1 January 2009

Note: EPS will be diluted by approximately 5.95% being the dilutive effect due to the new issue of shares for the transaction

What's the deal in Kenya

- O&M East Africa Ltd
- 50/50
- Swap with KM & Ogilvy South Africa
- Current management to continue
- Independently run

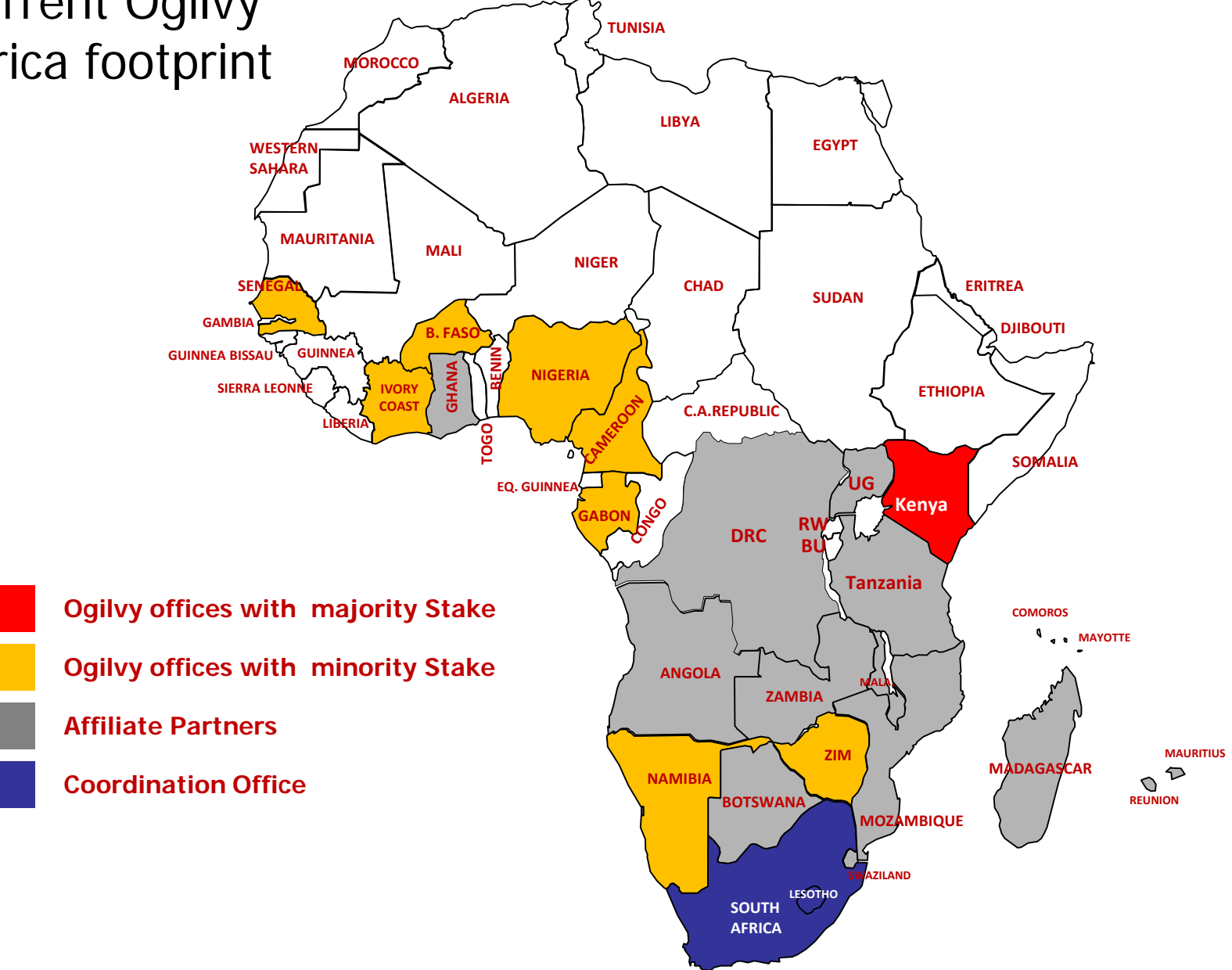


What's the deal in Africa

- O&M Africa BV
- 51/49
- Swap with Ogilvy South Africa
- Set up management in Nairobi – continue with the coordination office in SA
- Minority interest in 8 markets
- Affiliate arrangement in 13 markets



Current Ogilvy Africa footprint



- Ogilvy offices with majority Stake
- Ogilvy offices with minority Stake
- Affiliate Partners
- Coordination Office

Minority Stakes

Burkina Faso	Ocean Ogilvy	25%
Cameroon	Ocean Ogilvy	25%
Cote d' Ivoire	Ocean Ogilvy	25%
Gabon	Ocean Ogilvy	25%
Senegal	Ocean Ogilvy	25%
Namibia	Ogilvy Namibia	30%
Nigeria	Prima Garnet	13%
<i>Zimbabwe</i>	<i>Option to take back</i>	<i>25%</i>



Affiliate partners

- Angola, Botswana, DRC, Ghana, Madagascar, Malawi, Mauritius, Mozambique, Reunion, Swaziland, Tanzania, Uganda & Zambia



Key Challenges

- Ogilvy Integration in Kenya and across the affiliate network
 - Client & Staff fallouts if any
 - Achieve back office efficiencies & synergies
 - Network integration
- Clients looking for efficiencies
- Pressure on fees to continue



Other considerations

- Set up a central management team to manage the network
- We will entrench the 'Ogilvy' culture in the network – tools – training etc
- Buy in from all Local, Pan African & Global clients
- The SA coordination branch office will add value to the network



Core thrust for 2010

- We will drive Ogilvy as our main brand across the continent and will build on this network
- SCANAD will be positioned as a 'creative hotshop' independent African brand
- Our other brands – Redsky, MIEA, JWT & Grey to remain independent



The WPP culture

- As we execute our strategy we will be looking at WPP and their operating companies for support for human resource development, tools, key learnings and all other plus points that we had articulated in our IM to our shareholders.



We will succeed in Africa



Thank you for your time