

System1 Interim Results

6 months to 30 September
2019

Context

- Our vision is to be global no 1 in Advertising Effectiveness
- We play in three research markets: Advertising Testing (our core), Brand Tracking & Innovation
- We operate in 6 of the largest advertising geographies in the world and have large global clients
- We are widely acknowledged as being among the intellectual leaders in our field
- We have been working on upgrading our IT and moving into data to better scale the business
- We are also strengthening the management team to enable better execution
- Going forward we will
 - Apply laser focus in Behavioural Science to winning in Advertising Effectiveness
 - Continue the significant progress made in digitising products and data via AdRatings
 - Focus on winning larger, longer-term 'System Sales' with clients

H1 2019/20 Summary

- Gross Profit (main top line indicator) up 7% (4% in constant currency)
- Normalised PBT (excluding AdRatings and Share Based Payments) up 26%
- AdTesting (core product area) grew 18%
- Invested £0.29m on upgrading IT, digitising products and strengthening management team
- Margins increased: Normalised PBT as percentage of Revenue 17% (up from 14% in H1 2018/19)
- Invested £1.17m in AdRatings - grew database from 34,924 to 42,646 rated adverts
- Enhanced Advertising Effectiveness reputation with new book - Lemon
 - Published by IPA (one of world's foremost Advertising Effectiveness authorities)
 - Received wide industry endorsement
- Cash remains strong - balance at period-end of £4.10m
- Maintaining interim dividend (at 1.1 pence) without limiting investment

The background features a dark blue gradient with several vertical teal bars of varying heights. A red line graph with multiple peaks and valleys is overlaid on the bars. On the right side, there is a large, thick pink outline of the number '1'.

STRATEGIC UPDATE

Past Performance

Future Performance

Marketing
\$1,700bn

Advertising
\$900bn 53%

2% Ad-Testing \$0.9bn
7% Innovation \$3.1bn
6% Brand Tracking
\$2.7bn

MR
\$42bn

System1: THE Effectiveness Agency

MISSION

We exist to empower every marketer to create great advertising & prove creativity's value to their business

VISION

A world where all advertising is effective & no money is wasted

BUSINESS GOAL

Make System1 an industry standard & our Creative Guidance Systems indispensable to Marketing Futures

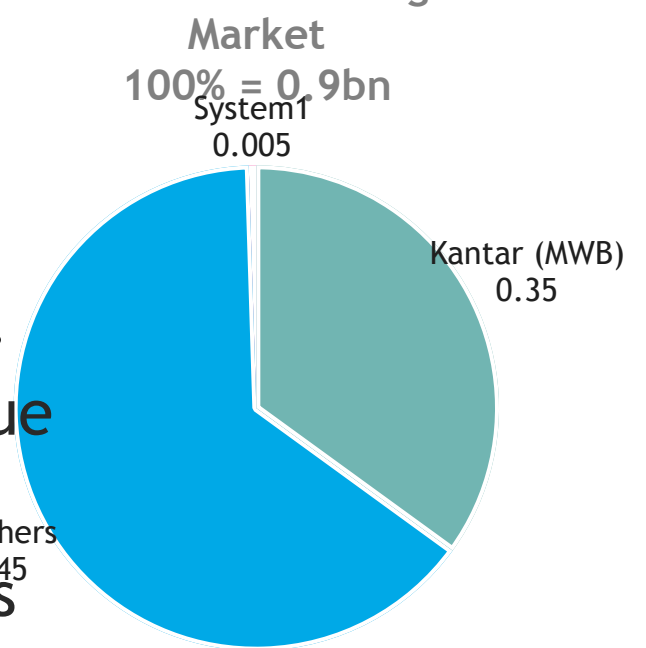
Challenger Strategy with Data-&-Services

• DON'T

Fight head to head
Play by existing rules
Overextend resources

DO

Change the rules & create THE std.
Prove Creative Effectiveness & Value
Win Agency adoption & advocacy
Multiple services & convert in steps



DATA Effectiveness

1. Create THE industry standard effectiveness metrics
2. Repackage Data to provide increasing value to clients
3. Collaborate, build advocacy & drive S1 Fame/reputation

DATA
AdRatings

SERVICES
Consultancy

SERVICES Effectiveness

1. Standardise winning Products for best quality, price & growth
2. Invest in Talent & Mktg to create demand & increase conversion
3. Professionalise: R&G, Delivery, IT to drive efficiency up, costs down

THE Effectiveness Agency: Data & Services Fly-Wheel



H1 FINANCIALS



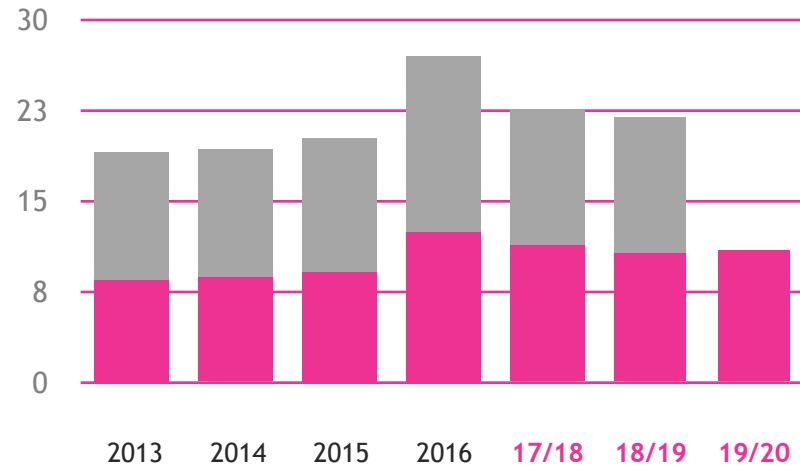
P&L

£m	H1 2019/20			H1 2018/19		
	Consulting	Data (AdRatings)	Total	Consulting	Data (AdRatings)	Total
Revenue	13.71	0.02	13.73	13.18	-	13.18
Gross Profit	11.57	0.02	11.59	10.80	-	10.80
Overheads	9.19	-	(9.19)	(8.90)	-	(8.90)
AdRatings Operating Exp	-	(1.10)	(1.10)	-	(1.09)	(1.09)
SBP* and Exceptional Credit	0.10	-	0.10	0.25	-	0.25
PBT	2.48	(1.08)	1.40	2.15	(1.09)	1.06

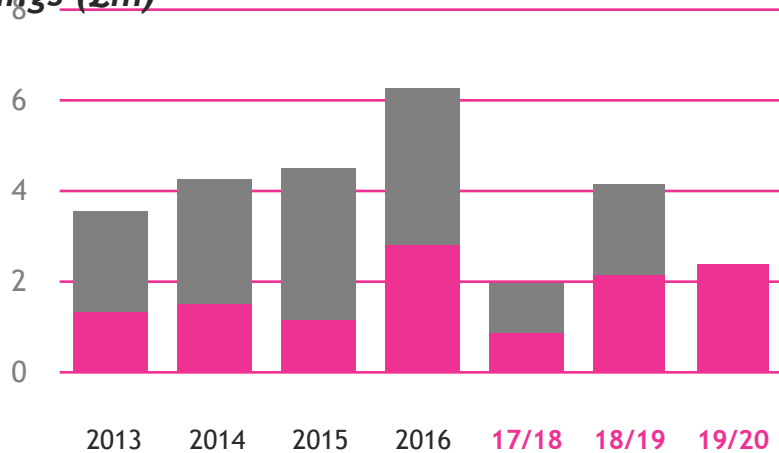
* SPB are Share Based Payments

Historic Context

Gross Profit (£m)



Normalised Profit Before Tax excluding AdRatings (£m)



- 4% increase in Revenue (2% in constant currency)
- 7% increase in Gross Profit (4% constant currency)
- 26% growth in Normalised PBT (excluding AdRatings)
- 33% growth in PBT (including AdRatings)
- Effective tax rate flat at 37%
- 34% growth in PAT (including AdRatings)
- 33% growth in diluted EPS

18/19 Profit Before Tax includes £0.25m exceptional credit relating to business rates rebate

Profit and Cost Improvements

	£m	Growth
Gross Profit	11.59	7%
Overheads (ex AdRatings)	9.19	3%
Normalised PBT (ex AdRatings)	2.40	26%
AdRatings	(1.10)	-1%
Share Based Payments	0.10	NM
Profit Before Tax	1.40	33%
Tax	0.51	31%
Post-Tax Profit	0.89	34%

- Overheads up 3%
- Within Overheads, approx. £0.29m invested in IT infrastructure, digitisation of products and strengthening management team
- Normalised PBT margin improving
 - 17% in H1 2019/20
 - 15% 4 yr average
 - 14% in H1 2018/19
- Effective tax rate
 - 29% in H1 2019/20 (excl AdRatings)
 - 37% in H1 2019/20 (incl AdRatings)
 - 28% in H1 2018/19 (excl AdRatings)
 - 37% in H1 2018/19 (incl AdRatings)

Cashflow

£m	H1 2019/20	H1 2018/19
Profit Before Tax (before AdRatings)	2.49	2.15
Tax Paid	(0.17)	(0.30)
Movement in Payables	(0.98)	(0.72)
Movement in Receivables	0.37	(1.41)
Other working capital movements, Capex, and non-cash	(0.04)	0.24
Operating Cash Flow pre-financing (pre AdRatings)	1.67	(0.04)
AdRatings	(1.17)	(1.34)
Operating Cash Flow pre-financing (post AdRatings)	0.50	(1.38)
Dividends	(0.80)	(0.80)
Cash Flow	(0.30)	(2.18)
Cash balance at 30 September	4.10	3.55

- Cash flow conversion of 67% of Profit Before Tax (pre AdRatings)
- Maintaining interim dividend of 1.1 pence

SUMMARY



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END

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