WPP Scangroup PLC

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Responses to questions raised by shareholders at the Annual General Meeting on 27 May 2022

Question Number	Account Number	Shareholder Name	Question	Board and management response
1	15344792	SHAH,SHITUL MANSUKH	What is the Board doing to stop the sliding share price which is at an all time low currently below 3/- per share?	The Board and new management of the company are working hard to improve performance and profitability of the Group. We hope that this will start to show results soon and that the share price will increase as a result. The Group has a depth of talent and expertise across the markets that it operates in that is unrivalled. We have had a few significant wins of business this year giving confidence to our ability to take the business back to growth and profitability. Having said this, we also are cognisant of the Global macro economic headwinds due to European war and the federal rate hikes due to inflationary pressure in USA and Europe and slower rebound in China, resulting in the GDP of Global Markets GDP being more subdued. This impacts our local Kenyan Macro environment, and we are seeing economic growth rates being revised, indicating that the market is tough. This creates risk aversion for investment into frontier and emerging markets and subdues growth. These macro economic factors have had and will continue to impact the NSE index and trading volumes on the bourse. We have a large constituency of foreign investors and these global factors have impacted their sentiments yielding a bearish view, this reflected in the overall decline in the stock prices at the Nairobi Stock Exchange.
2	20915315	KARANJA,EVANS MUGAMBI	With the decline of share valuation to its lowest Levels. Does SCAN consider repurchasing some shares to improve its general outlook in the market.	
3	17720406	TOLE MWAKIO PETER	When does the Board project that the group will be back to profitability? We have been treated to optimism in the annual reports, but these turn out to be giving false hopes. Those of us who bought shares at KES50 a share, have lost a lot in this investment.	
4	20915315	KARANJA,EVANS MUGAMBI	Is Scangroup on its deathbed?	
5	20415215	A/C KE 002335	What is the Board's intention as regards the Company's cash balance in terms of how much it intends to pay out as dividends (and when) vs. how much it intends to retain?	Future distribution of cash to shareholders by means of dividends will depend on the level of distributable reserves. In the interim the Board continues to assess possible investment opportunities in the region but taking a cautious approach to risk bearing in mind current business conditions.
6	20415215	A/C KE 002335	For the portion of the cash the company intends to retain and invest, please describe the strategy.	
7	2358204	NJOROGE,JUSTUS MURIITHI	Operating & Administrative expenses have been quite high quite high for the last two years, I think; in fact, it's so high to the extent that it totally wipes out gross profit! What's being done to address that? And lastly, why haven't details of the same been provided in the notes section of the annual report?	Operating and administrative expenses are high in relation to income. These costs nevertheless reduced in 2021 by KES 240m or 9% while Gross Profit increased by 5% compared to the prior year. Disclosures of expenses in the audited accounts are as required by International Financial and Reporting Standards.

8	20915315	KARANJA,EVANS MUGAMBI	What growth strategies does SCAN plan for the future, considering the challenges faced by advertising	We are looking to enhance our Digital and technology solutions, riding the curve of the new future in this space. We also are looking at greater collaboration across the WPP network, aggregating a larger skill set which allows more global and regional clients choose us for their growth agenda. Finally we are going to use data more to support all our solutions, thus making decisions more real time, more targeted reducing waste and ensuring more effective use of client marketing spend. This presents a compelling value proposition for clients to buy into. We will be making announcements in the short term on progress we have made in this area.

9	3484564	NDEMI MARY GORETI WAMBUI	What the dividend per share this financial year?	The Company is not planning to declare a dividend for 2021 in view of the financial results for the year and also due to the lack of distributable reserves.
10	254118	KANGETHE,MONICA WANGUI	How do I get my dividends for the past years?	Questions relating to individuals' personal circumstances such as unclaimed dividends will be responded to individually.
11	3425983	MIGAYI,GLORIA ATIENO	I have not been receiving statements and dividend payouts.	
12	20415215	A/C KE 002335	Following the transfer from the Share Premium Account to Merger Reserve, what is the Company's capacity, from an accounting perspective, to pay dividends today?	Despite the transfer from the Merger Reserve to distributable reserves during 2021, the Company has an accumulated deficit of KSH 262m the end of 2021 and is therefore not currently able to pay a dividend.
13	20415215	A/C KE 002335	What is the dividend policy going-forward?	The Company will take all actions reasonably possible to re-instate distributable reserves to allow dividends to be paid to shareholders to the maximum extent prudently possible.

14	3183653	ARITHI,PAUL KIMATHI	How does WPP Scangroup work?	WPP Scangroup is a marketing, brand building and communication group that provides communication solutions to its clients.

15	7024614	MOMANYI,REINPETER ONDEYO	About the overseas investment of Ksh 4.7 billion that you are planning to write off. We need accountability on this. Who was responsible and you cleared the former CEO on any financial wrong doing?	There is no KSH 4.7bn write off. During the year a transfer of KSH 4.7bn was made from the company's Share Premium account to a Merger Reserve as permitted by Section 388 of the Companies Act. This transfer relates to the share premium arising on the acquisition of shares in Ogilvy, H+K and other companies in 2013. An appropriation of KSH 3.3bn was subsequently made from the consolidated P&L reserves to the Merger Reserve representing an amount that was not recognized as goodwill but was adjusted directly against reserves in 2013 when the company acquired the balance of shares in Ogilvy and H+K companies not already owned. The transfer does not impact the Group's profitability nor does it reduce its assets. Further details can be found in the Group's audited accounts. As reported in the 2020 Annual report, following the completion of the investigation into the former CEO and CFO, the auditors of the Company extended the scope of their audit work as a result of the reduced reliance they were able to place on the normal internal controls of the Company. The investigation did not identify items of a material nature that required adjustment to the net results of the Company or the Group for the year ended 31 December 2020 or to the balance sheets at that date. Further the former CEO and CFO resigned in the course of the investigation.

16	20863420	FULTON SHIUNDU	1. Note 13 of the FY21 annual report with the segment breakdown showed that Kenya's operations have been historically unprofitable. The directors outlined eloquently, in their strategic goals and key outlook, about the exciting growth opportunities but little was mentioned about a strategy to improve profitability in Kenya. My questions are specifically:	
16 (i)			a. What accounts for the significant operating loss in the Kenyan entity despite 2x revenue over sales from other geographies - Kenya is 2x larger but 4x lower profitability?	To some extent the more senior talent in the Group resides in Kenya accounting for higher costs in that market in relation to revenue. Additionally some of the larger costs provisions have been make in Kenya.
16 (ii)			b. Can management provide specific issues in Kenya that drive this significant underperformance and the key strategies and expected timelines to improve these results?	Kenya is a highly competitive market a corresponding negative impact on profitability.
16 (iii)			c. Can the board confirm what metrics they use to monitor performance of the operating business geographically between Kenya vs Rest of Africa - do they monitor segment operating profit before interest income or after? If the latter, is it fair to incorporate non-operating income to review operating performance?	The Board and management strive to deliver operating profits in all markets that the Group operates in. Performance is measured based on operating profit excluding non-operating income.
17			2. Working capital management has been challenging, given that the accounts mention that typical revenue is invoiced and is payable after 30-60 days. However, looking at the accounts, the receivables accounts have been significant and increasing beyond 160 days outstanding.	
17 (i)			a. Please provide context on what is driving lengthening and consistent difficulties in collections?	While every effort is made to ensure clients pay on agreed contractual payment terms, a number of clients fail to adhere to agreed terms. Additionally credit terms agreed at a global level on certain multinational clients have lengthened.
17 (ii)			b. Are you able to provide breakdown on ageing receivables between the public and private sector clients?	The Group does not disclose this information.
17 (iii)			c. VAT recoverable has continued to increase, could management please provide colour on the existing issues driving significant recoverable from the tax authority. How did the auditors get comfortable on the levels of provisions applied to these assets, and the likelihood of recoverability?	The net VAT receivable position has increased as the Group has a number of zero rated or VAT exempt clients. The Group's auditors performed recoverability tests and were satisfied the VAT recoverable asset was fairly stated in the balance sheet at the year end.
17 (iv)			d. Payable days were increased significantly in FY21, possibly to mitigate against the increase in receivables. Can management comment on the risk and pressure such a strategy exerts on suppliers and how you get comfortable in managing this risk?	The Group endeavours to adhere to payment terms agreed with suppliers. At the same time the Group will generally aim to match client payment terms with those agreed with suppliers to avoid a negative impact on cash flows.
18			3. Capital allocation is a critical component for managing shareholder returns.	

18 (i)			a. Can management talk through how they think about capital allocation decisions and the balance between investing in the business and typical returns on this investment expected relative to the approach on capital return to shareholders?	The Board and management will carefully assess investment opportunities taking into account perceived risk and the opportunity cost of foregoing interest on bank deposits which are currently around 8.5% in Kenya.
18 (ii)			b. Given the reliance on interest income in mitigating the losses in the Kenya operations (as evident in note 13), would it be fair to assume dividend policy is impacted by the need to keep significant cash balances in the business?	The declaration of dividends is to a large extent determined by the company's results and the availability of distributable reserves out of which a dividend can be declared. The Board restructured the share capital of the company during 2021 in order to boost distributable reserves to the maximum extent possible.
18 (iii)			c. Given the current share price relative to conservative valuation on an asset perspective, is there consideration to consider strategies such as share buy-backs to buy back shares are these extremely low valuations and boost shareholder returns?	The Board will continue to assess how best to utilise the Group's cash resources to deliver the greatest return to shareholders.