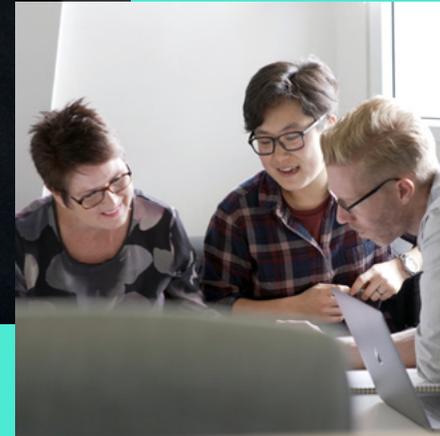


Operational excellence

Philip Franklin
Chief Operating Officer



THE POWER OF CHANGE



We set ourselves challenging priorities, in a year when the ongoing impact of the pandemic was typically underestimated socially and professionally. Throughout all of these external storms, our teams demonstrated exceptional resilience and commitment.



Operational excellence continued

There's always room for improvement, which means we must always be open to the power of positive change. This is the clarion call of operations and the intrinsic challenge that underlies everything we do, even when we are celebrating success – and we have had many reasons to celebrate success in the past year.

Understanding that the job is never done, that marginal gains are 'gains' just the same, that change must be a continuum – this is the mission of our business at an individual, team and company level.

Perhaps it can sometimes seem like the myth of Sisyphus; no sooner have we rolled our boulder to the top of the hill than it rolls right back down and we start again. But, rather than an endless – and thankless – task, I prefer to think, as Thomas Edison once did, that our restlessness to improve 'is discontent and discontent is the first necessity of progress'. Progress is impossible without change.

Delivering growth during disruption

Last year, we spent a lot of time thinking about the structure of our business and translating those thoughts into a new operational model. The pandemic provided us with a unique opportunity to rethink and reshape without the twin distractions (or anchors) of 'legacy' and 'status quo'. This new model was driven by our desire to do more and work better for our clients and the resultant deconstruction of the business into squads, tribes and hubs has been a powerful new influence on our progress.

We set ourselves challenging priorities, in a year when the ongoing impact of the pandemic was typically underestimated socially and professionally. The heralded 'return to the office' happened only in fragments and even then was regularly checked by numerous stop-start lockdowns.

Throughout all of these external storms our teams demonstrated exceptional resilience and commitment, and our strong client service ethic meant that work for clients continued to be delivered on time and without any compromise to our standards of quality and creativity.

Our structure

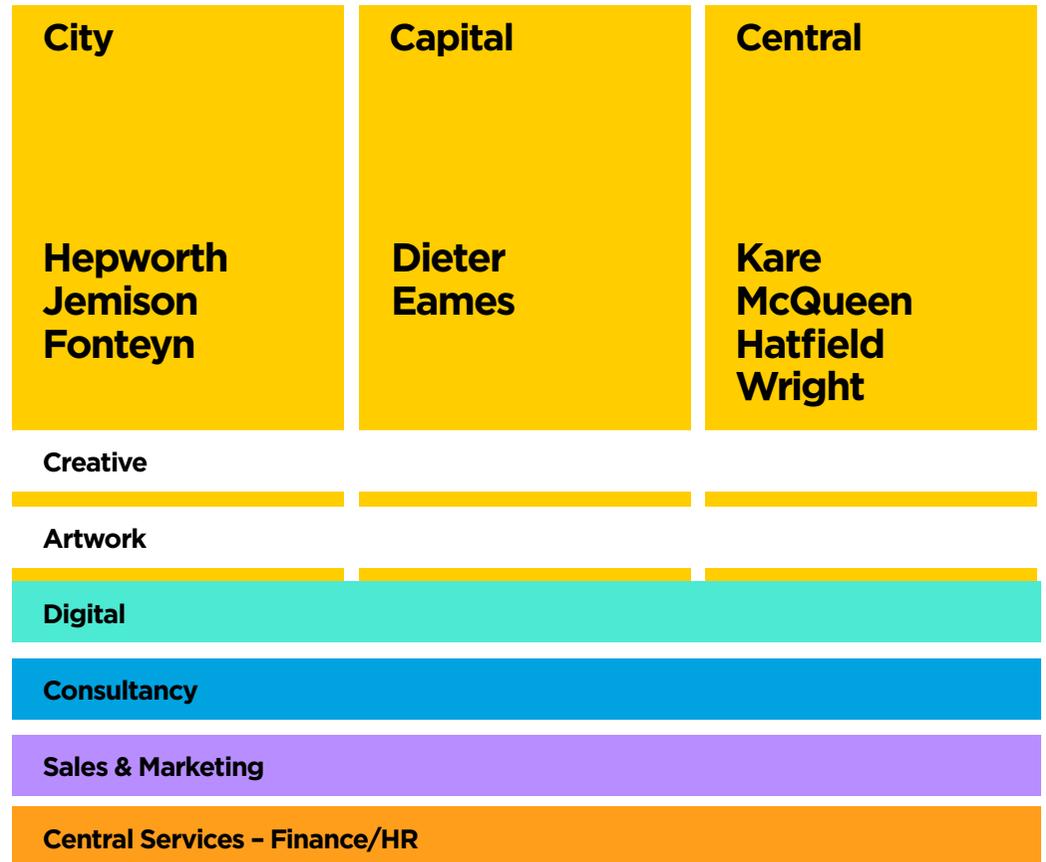
Our operational structure is designed to support our ambition to be client-centric, creative and consultative in everything we do. Enabling us to forge enduring relationships that deliver real value.

Squads

Squads are teams that work across client portfolios. They're based across our network of creative hubs in Dubai, Edinburgh, London, Manchester and Warwick.

Tribes

Tribes work across squads to provide creative, consultancy, digital and support services.



Operational excellence continued

Operational highlights

- The successful introduction of squads, tribes and hubs was underlined by revenue outperformance for 10 out of 11 squads in their first year, outstanding performance at any time but particularly given the continuing impact of COVID-19.
- We are seeing strong levels of collaboration and more multi-disciplinary briefs. All of this contributes to growth in average revenue per account of 10% versus last year and increased levels of client development.
- A new centralised resourcing structure has resulted in enhanced use of Group resources, greater cost control and a reduction in 'lost' hours.
- We have successfully introduced new tools to support our operations. Squads all have financial trackers and KPI dashboards which enable them to manage and monitor their client portfolios.
- We embarked on a new project with data analysis company Ammonite to ensure we get the most value from the data that underpins our operations, both financial and non-financial.

10%

Growth in average revenue per account

Focus areas

Restructuring for success

Our ambitions for our new organisational structure were manifold, but key among them was the opportunity to work more closely together and with our clients, to gain valuable insights from improving our understanding and sharing our knowledge that would translate into higher-quality work and stronger, broader and deeper client relationships.

My team and I focused on leading and supporting the new squad structure to achieve account growth with the commercial awareness and rigour that were the foundations of their formation and key to our overall success.

The introduction of financial trackers and consistent KPIs provided squads with a clearer view of the data that underpins their performance and at the same time gave senior leadership a better oversight and greater insight into what was happening at an account level. This provided a basis for more rounded discussions with squad and account leads.

Data visibility and ownership

Our focus on improving data visibility meant that confidence in achieving financial goals was achieved at an earlier stage than in previous years – this despite extremely volatile market conditions. The discipline of scrutinising client portfolios, identifying areas of concern alongside opportunities for growth, started to be embedded and began to add richness and value to our forecasting.

While squad skills and capabilities with regard to data ownership improved throughout the year, they also highlighted areas where our systems were deficient and triggered the review of our data requirements that began in Q4.

A microscope on profitability

The emphasis on job and account profitability was underlined at quarterly account profitability clinics. These were forums where the dynamics of an account could be addressed in detail from initial proposal to final outcome and everything in between. The takeout from these was documented as lessons learned and actions agreed; this is an area where there is still a huge opportunity for improvement.

Our new Group Resource Director, Jenny Rehling, has had a major impact, not just in improving the utilisation and flexibility of group resources but in driving change as to how we transition between our permanent employees and the substantial freelance and contracted workforce that we require throughout the year. We have a much better understanding of how these interact and this will create greater efficiencies in the coming year.

Faster, more secure and more stable technology

We reviewed our technology in the context of the many stresses engendered by the pandemic and enforced home working. This review resulted, first, in a move to LucidLink as a faster, more secure and more stable environment for all our files and folders.

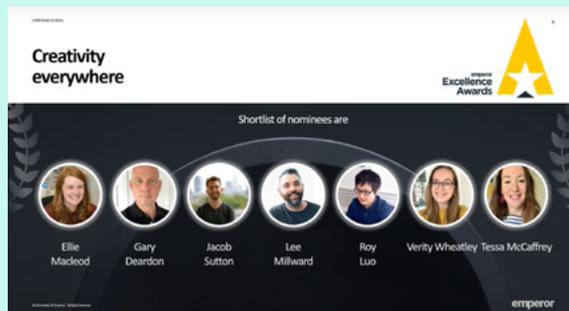
It has also meant a second migration to Microsoft 365 from Google. This is happening as I write and will also result in a stronger, more flexible and overall superior environment for our future communications requirements. We will monitor our progress throughout the coming year in this critical area.

Operational excellence continued

We recognise excellence

At Emperor we have some amazing talent and what better way to recognise that than with the reintroduction of our Excellence and Values Awards. In line with our pledge, these awards help us to recognise throughout the year a range of hardworking partners within our business and also those who are unsung heroes.

- **Every March** and October, we have our Values Awards.
- **Every July and December**, we will have our Excellence Awards including a CEO award.
- **Once a year** in March, as part of the Values Awards, we have the 'Stuart Wisken Caring and Kindness Award'.
- **A £50 voucher** is given for each award, with £200 to the charity of choice for the winner of the Caring and Kindness Award from the Emperor Foundation.



PLEDGE

Priorities for 2021/22

For the year ahead, there are many areas in which we want to continue to drive change and improvement, building on the momentum that has been established through our responses to the extraordinary challenges we have faced in the past 18 months. We have in place a governance framework (see page 70) that details the workstreams that have been prioritised and sets out our approach and objectives.

Better understanding and embedding data

Building on our progress with data over the past 12 months, we have a significant opportunity to benefit from a more complete understanding of the data that flows through our business. However, the complexity of that data, which comes from a multitude of different sources, has meant that timely analysis and interpretation is difficult. In order to accelerate progress we have commissioned a data partner, Ammonite, to work with us in this area and to support our development with its expertise. The objectives we have set ourselves are:

- Developing an agreed and consistent set of KPIs for all levels of the business.
- Automating and optimising more of our reports.
- Supporting squads, tribes and hubs with dashboards that enable them to understand their performance in more meaningful ways.
- Creating a future-fit data framework that can support our growing requirements, particularly in the area of HR and responsible business reporting.

A structure to support succession

Steve's announcement that he is stepping aside as CEO and the exciting prospect of our new Co-CEO structure with Vic and Cam at the helm undoubtedly necessitates a further review of the structure that supports their leadership.

We need to make sure that we are maximising the collective strength of our senior leadership team, Board, Executive Committee (Exco), hubs, tribes and squads. There is a wealth of talent and experience, and ensuring that we are structured in a way that generates real value for the leadership and for the business as a whole is absolutely vital.

Transitioning to flexible hybrid working

We all recognise that the post-pandemic working environment will be radically different from that which we left behind in March 2020. We don't yet know exactly what that means but undoubtedly a far more flexible approach to office and home working will be one of the key features.

There are implications for the way we set up our working spaces, the technology we rely on to support us, communications and, indeed, culture. It's therefore important that we have a workstream focusing on this, helping provide the insight and feedback that we will need to continue to adapt.

Operational excellence continued

Client-centricity, propositions and revenue rebalancing

As ever we continue to scrutinise and challenge ourselves to achieve our strategic goal of growing with and through our clients. That means being restless in our ambitions for our client relationships, always wanting to expand our remit, work more efficiently and deliver quality and value.

Our propositions are more closely interwoven than at any time previously and our focus must be on continuing this and, ultimately, shifting the balance of our revenues from majority reporting to majority non-reporting. Although we did not progress on this goal this year, we have put in place further investment in our non-reporting propositions and, through the squads, we can expect that the balance begins to shift during 2021/22.

This objective is important for a range of reasons, not least additional diversification of revenue sources. Rebalancing has significant non-financial benefits as well, in particular for people and teams doing different types of work, an important part of professional development. From an operational perspective there are considerable advantages to greater diversification of work, notably:

- Encourages and enables our squads to be more collaborative with our proposition tribes and multi-disciplinary in their approach to clients.
- Helps maintain consistent utilisation rates throughout the year.
- Enables more efficient use and sharing of group resources.
- Benefits our clients, with a simplified structure and closer integration of services.

KPIs

Profitability* %

Excludes Emperor Presentations

2018	5.7
2019	8.0
2020	10.2
2021	11.6

* Earnings before Interest, Tax, Depreciation and Amortisation as a % of Revenue

This is our key profitability KPI which we monitor on a monthly and rolling 12 month basis. Margin in 2020/21 showed a significant step up continuing a positive trend.

Revenue per head** £000

Excludes Emperor Presentations

2018	82.6
2019	85.6
2020	82.4
2021	84.4

**Total revenue/Average permanent headcount

We track revenue per head as a measure of efficiency. Our target is £100,000 per head (permanent staff). In the financial year 2019/20 this KPI suffered as a result of the sudden fall in revenue due to COVID-19. In 2020/21 there was a bounce back and the general trend over recent years has been positive.

Staff costs to revenue* %

Excludes Emperor Presentations

2018	71.0
2019	68.5
2020	67.3
2021	68.4

*Total staff costs excluding shareholder salaries, including freelancers

At the company level we track the staff costs to revenue ratio as a key measure of margin control. Our target is 60% and the trend over the past few years has generally been positive. However in 2020/21 it increased as a result of the return to full pay after 4 months of pay cuts in 2019/20, and the payment of the Employee Dividend.

Reporting vs. Non-reporting

