

System1 Interim Results

November 2020

System1
The Effectiveness Agency



Financial Performance

6 months to 30 September 2020

System1

The Effectiveness Agency



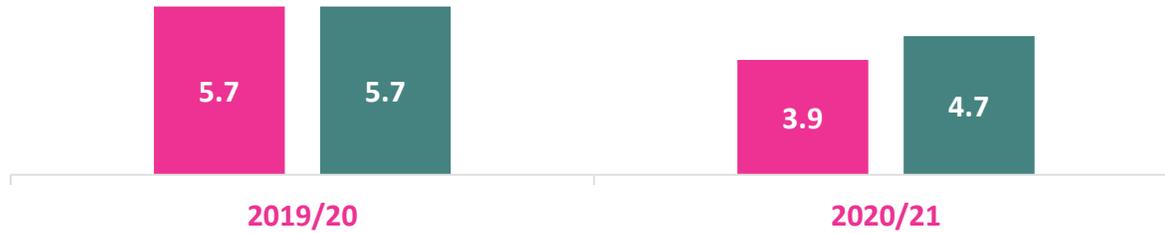
Profit & Loss H1

	2020	2019	Change £m	Change %
Adjusted Revenue	10.1	13.6	-3.5	-25%
Adjusted Gross Profit	8.6	11.5	-2.9	-25%
Adjusted Operating Costs	-8.2	-9.6	-1.4	-14%
Adjusted Profit Before Tax	0.4	1.9	-1.5	-83%
Statutory (Loss)/Profit Before Tax	-0.4	1.4	-1.8	-126%
Tax Charge/Credit	0.5	-0.5	1.0	NA
Statutory Profit After Tax	0.1	0.9	-0.7	-86%

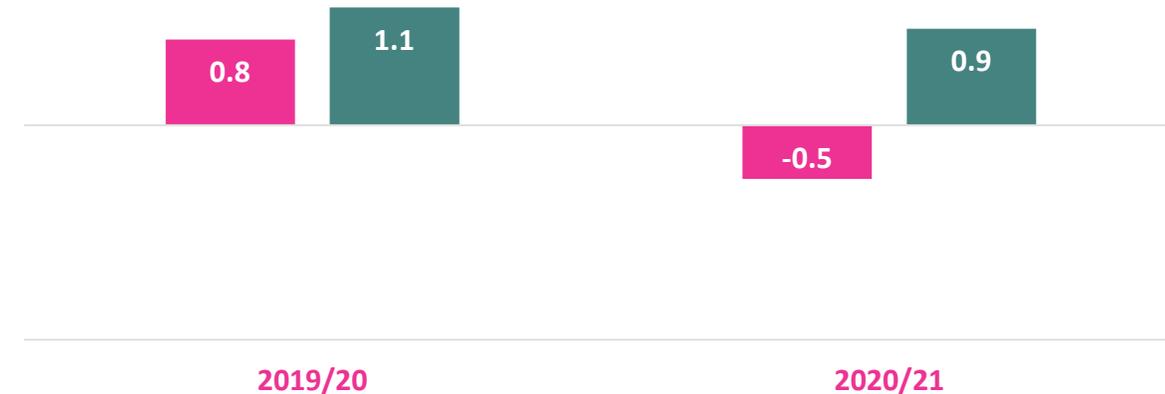
Progress in Q2 on Q1

Adjusted Gross Profit (£m)

■ Q1 ■ Q2



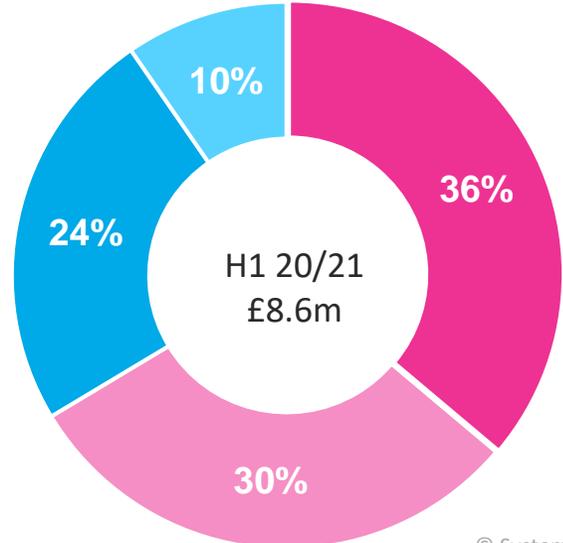
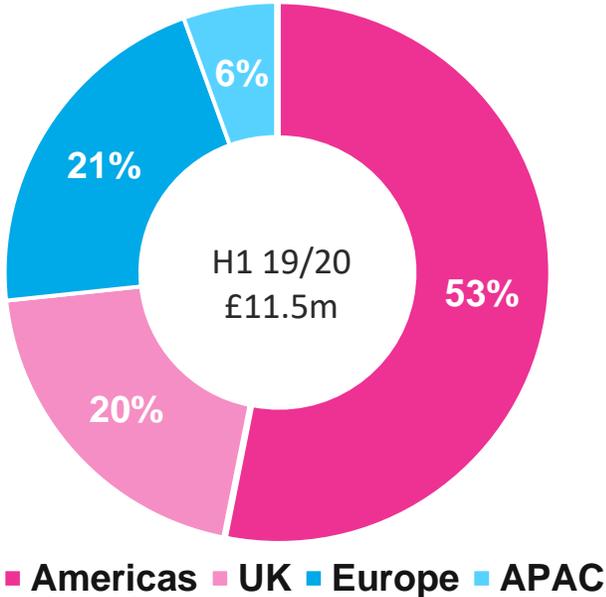
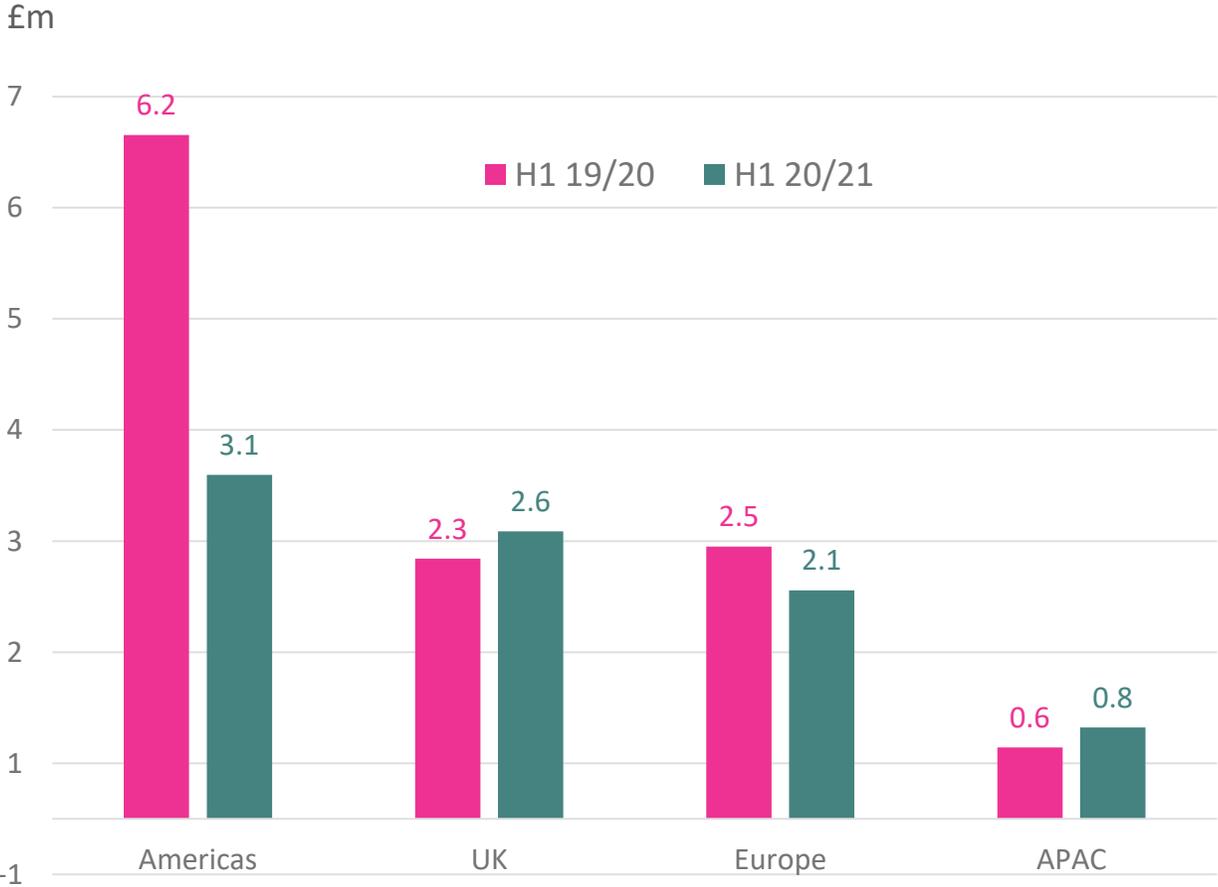
Adjusted Profit Before Tax (£m)



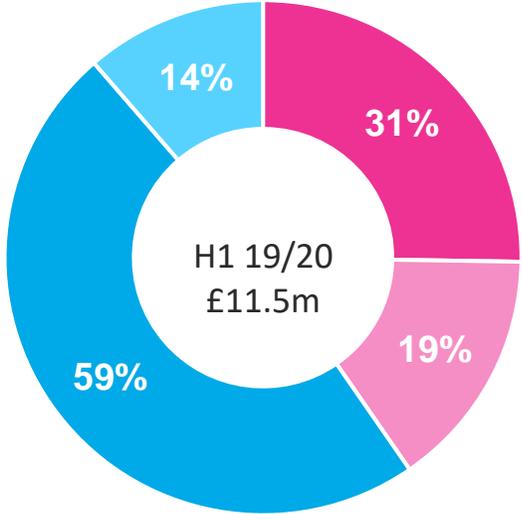
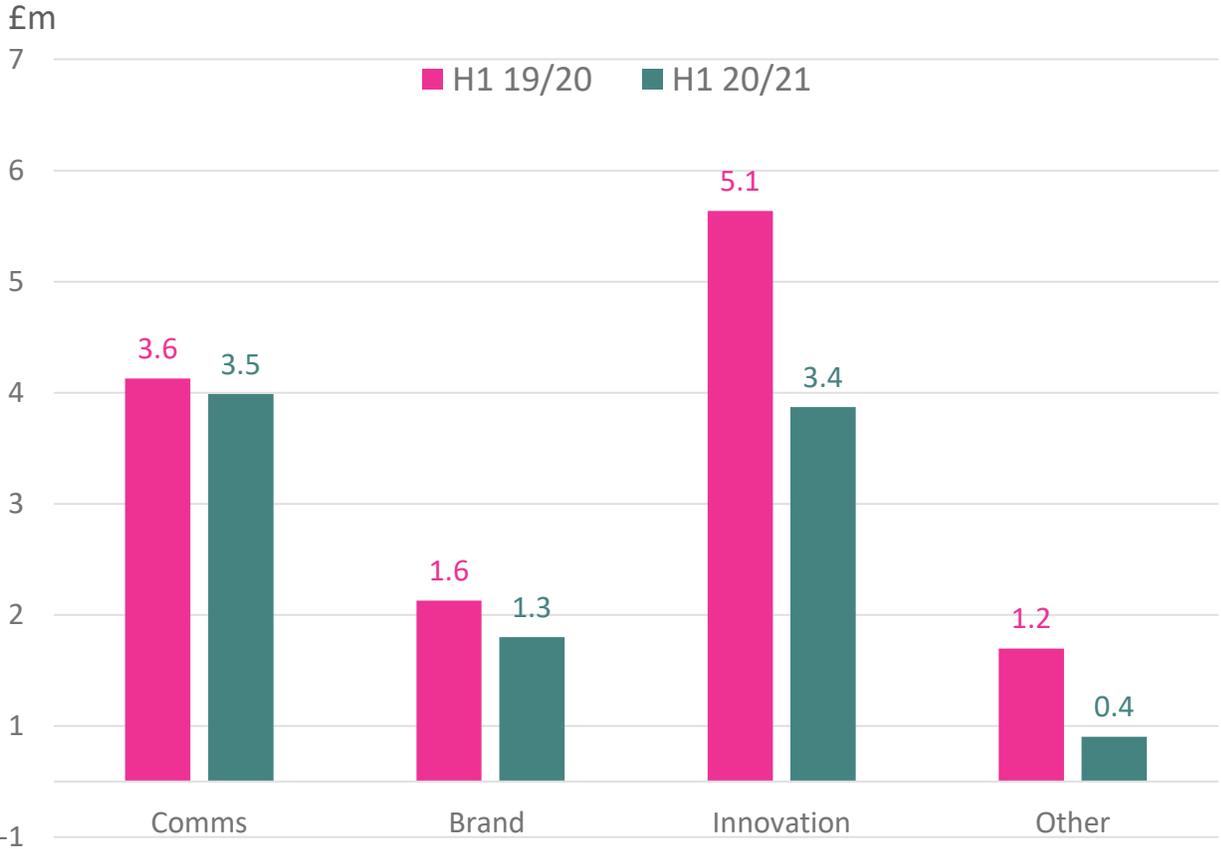
- Q1: 32% decline; Q2: 18% decline
- Quarterly average GP last year £5.3m
- We are currently trading ahead of Q4 20-21 (£4.4m)

- £1.3m of the £1.5m H1 profit decline occurred in Q1
- Expenditure remains under control: Q2 adj profit down £0.2m on GP £1.0 lower

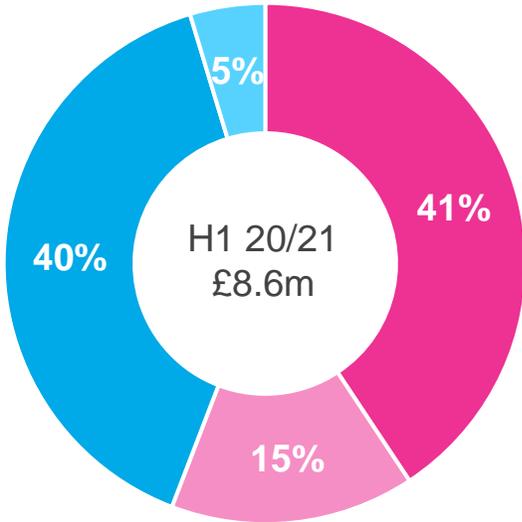
H1 Gross Profit by Region



H1 Gross Profit by Product Group



■ Comms ■ Brand ■ Innovation ■ Other



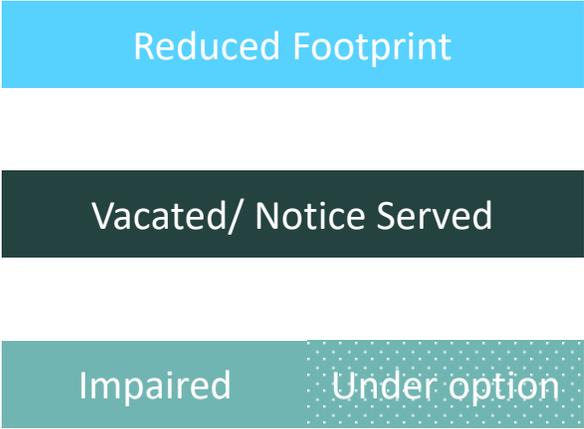
Cashflow & Funding

£m	H1 2020/21	H1 2019/20
(Loss)/Profit before tax	(0.4)	1.4
Tax received/(paid)	0.5	(0.2)
Property lease payments	(0.6)	(0.6)
Working capital movements	(0.2)	(0.6)
Non-cash movements	1.8	0.8
Capex	(0.1)	(0.3)
Cash Flow Before Financing	1.0	0.5
Dividends	-	(0.8)
Net cash from borrowings (PPP)	0.5	-
Cash movement	1.5	(0.3)
Closing Cash at 30 September	8.0	4.1
Borrowings	(2.9)	-
Net Cash at 30 September	5.1	4.1

- **Period-end Net Cash up £1m on H1 and FY2019/20**
- **£0.5m R&D Tax Credit received**
- **£0.5m under the PPP scheme: reported as Borrowings but confirmed as forgiven in full in November**
- **No interim dividend**

Office Portfolio Changes in 2020

Office/ % of Total	2020	2021	2022	2023	2024
LA 7%	Vacated/ Notice Served	Impaired	Impaired	Impaired	Impaired
Singapore 1%	Reduced Footprint	Reduced Footprint	Impaired	Impaired	Impaired
Paris 1%	Reduced Footprint	Reduced Footprint	Impaired	Impaired	Impaired
Chicago 4%	Vacated/ Notice Served	Vacated/ Notice Served	Impaired	Impaired	Impaired
Havant 2%	Reduced Footprint	Reduced Footprint	Impaired	Impaired	Impaired
Shoreham 1%	Reduced Footprint	Reduced Footprint	Impaired	Impaired	Impaired
Sao Paulo 2%	Reduced Footprint	Reduced Footprint	Reduced Footprint	Impaired	Impaired
Rio 2%	Vacated/ Notice Served	Impaired	Impaired	Impaired	Impaired
Lausanne 2%	Reduced Footprint	Reduced Footprint	Reduced Footprint	Impaired	Impaired
Hamburg 2%	Impaired	Impaired	Impaired	Impaired	Impaired
Rotterdam 1%	Vacated/ Notice Served	Vacated/ Notice Served	Vacated/ Notice Served	Impaired	Impaired
London 52%	Reduced Footprint	Reduced Footprint	Reduced Footprint	Reduced Footprint	Reduced Footprint
NYC 23%	Impaired	Impaired	Impaired	Impaired	Under option



Future Reporting

- **New finance & operations system (D365) up and running since October**
- **Better line of sight to normalised operational performance via adjusted metrics**
- **“Democratisation of data” inside the business**
- **More emphasis on Data (“Blue”) v Consultancy (“Yellow”) revenue streams to align with automation strategy**
- **More emphasis on Revenue and adjusted PBT; less on Gross Profit**
- **Less emphasis on product groups**

Summary

- Sales momentum has grown from a low Q1 base
- Americas down 50pc in H1, recovering well since September
- We are winning in the UK specifically -- and with Test Your Ad generally
- Operating business as usual expenditure remains under control
- Operating cash flow £0.5m up on H1 last year – helped by tax credit
- Important strategic investments in people, product and systems have been maintained and protected throughout the period



Test Your Suite

Strategy, Execution & Progress

November 2020

System 1

The Effectiveness Agency



Market Research
\$42bn

Advertising
\$900bn

Marketing
\$1700bn

Every year \$900bn is spent on Advertising. Over 50% has little or no effect & yet only 0.1% is spent testing whether an Ad will work

2% Ad pre-tests \$0.9bn
6% Brand-track \$2.7bn
7% Idea-testing \$3.1bn

Future Performance

MISSION

We empower every marketer to create effective ads,
launch successful new products & improve brand equity

VISION

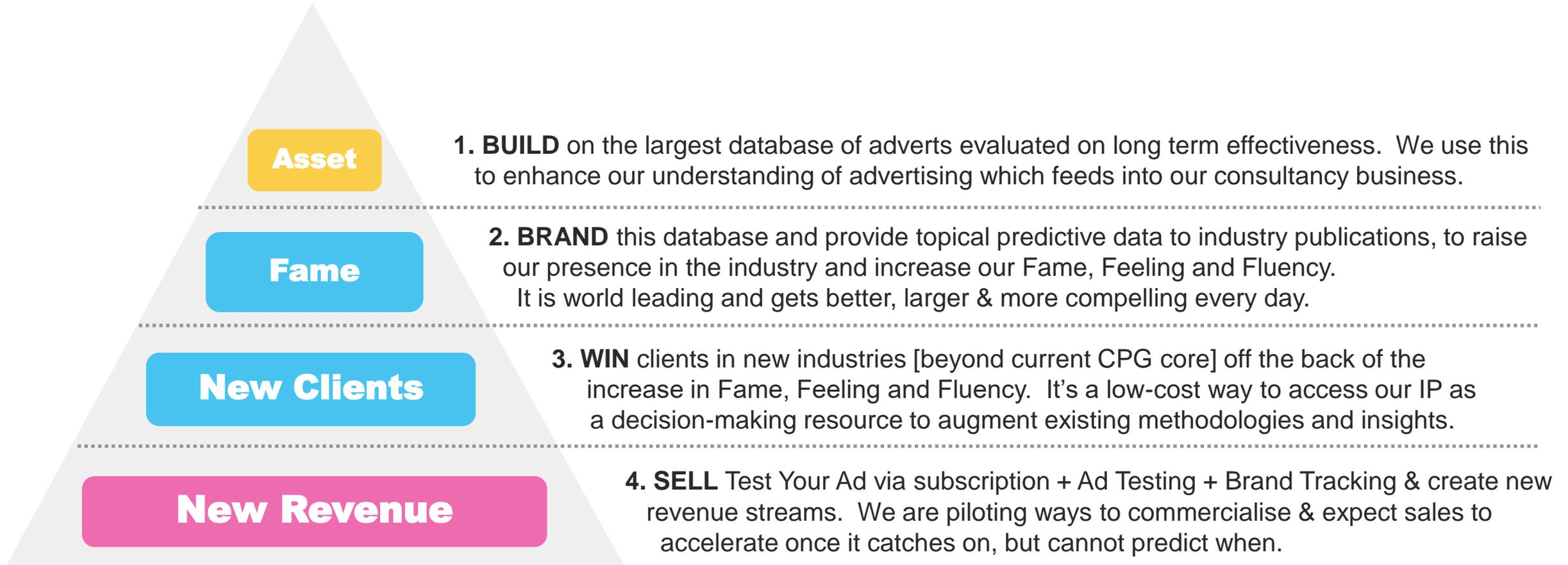
Let's be the insurgent, transform the industry,
& put a dent in the Marketing universe

GOAL

Undisputed #1 for predicting & improving
Marketing Effectiveness



Goal Hierarchy: sequential & progressive (since Sept 2018)



Lemon Digital | If emotional response is important on TV, it is imperative online.



Asset

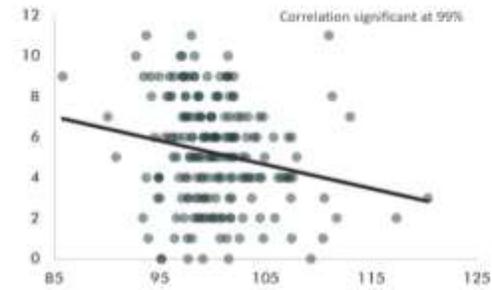


“The importance of Orlando's research in an increasingly digital advertising market cannot be overstated. It should serve as a massive wake-up call to the armies of digital marketers who have preached the ‘timely and relevant information’ mantra for the last 20 years and rejected the idea of entertaining advertising: they urgently need to rethink, if online video is to sit at the top table of long-term ad effectiveness and profitability.”

Peter Field Co-author ‘Long & Short of It’

The same right-brain features also attract and sustain our attention

Total no. of ‘left brain’ features in ad

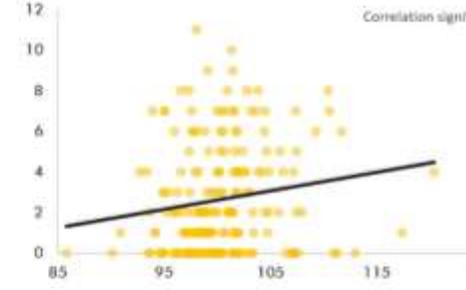


TVision's Creative Attention Score



‘Frontality – Instruction – Product’

Total no. of ‘right brain’ features in ad



TVision's Creative Attention Score



‘Character – Incident – Place’

System1 EFFWORKS IFA TVISION An analysis of 191 US TV ads using Spring/Summer 2020 which had been considered / tested by both ST and TVision.

Right-brained video campaigns generate broader and longer effects



System1 EFFWORKS IFA Note: 32 BA campaigns that used online video 2014-2020 where creative was available for analysis (140 video assets)

First Aired From: May 2001

Country: UK

Category: 2020 Christmas Ads (UK)

Include Results from My Ads

First Aired To: Nov 2020

Sort: Default: Highest Star Rating

Brand: Please Select



Aldi Christmas Launch Ad 2020 (Kevin The Carrot)

Aldi

5.8 Star Rating: Exceptional

1.47 Spike Rating: Exceptional

65 Fluency Rating: Good

Total Spend: --

First Aired Date: 6/11/2020



A Comfy Carol

DFS

5.5 Star Rating: Exceptional

1.53 Spike Rating: Exceptional

72 Fluency Rating: Strong

Total Spend: --

First Aired Date: 9/11/2020



Love, Passion & Care

Thorntons

5.4 Star Rating: Exceptional

1.52 Spike Rating: Exceptional

76 Fluency Rating: Strong

Total Spend: --

First Aired Date: 6/11/2020



Christmas UK Advert 2020

Sky Cinema

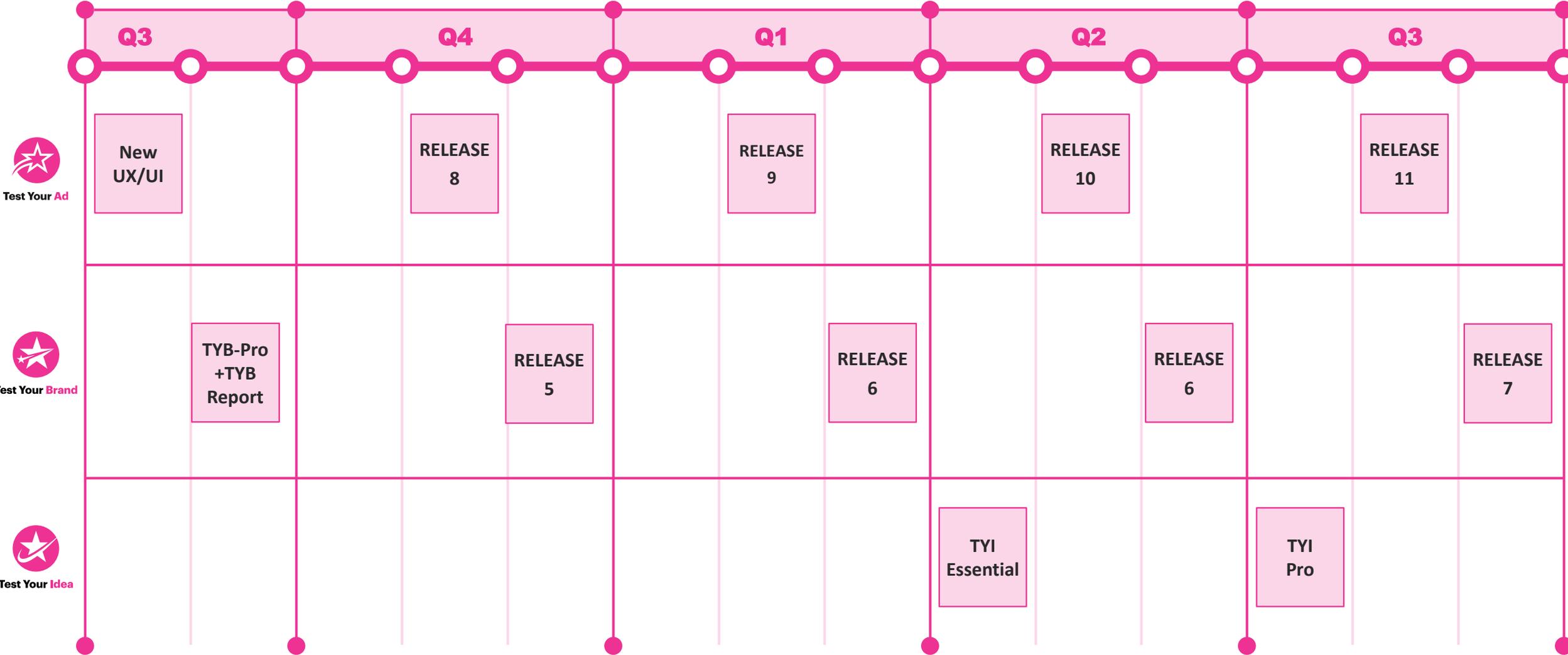
Profit Projector

A Brand new Test Your Ad feature is the Profit Projector. Based on inputting key Share of Market and Share of Voice data we are able to forecast your predicted future share based on the strength of your new Star rating (vs the category average).

If you input agency cost, production cost and gross margin information we are also able to translated this into a projection of Profit for the following 12 months to help you make the financial case for creativity

The screenshot displays the 'System1 Test Your Ad Premium' interface. At the top, there are navigation tabs: 'MY ADS', 'TOPICAL ADS', 'AD RANKINGS', 'COMPANY VIEW', and 'PROFIT PROJECTOR'. A search bar is located on the right. The main content area is divided into a left sidebar and a main panel. The sidebar contains three steps: '1 Brand & Category', '2 Share Of Market', and '3 Profit & Return on Advertising Investment', each with an 'Edit' button. Below these is a '3/3 COMPLETED' indicator. The main panel features a large yellow circle with '£1.5m' and the text 'We predict an additional £1.5m profit for the next 12 months.' Below this are two circular gauges: 'Brand Star Rating' showing a current rating of 4.7 (with a category average of 2.4) and 'Extra Share of Voice' showing a current value of +18% (with a recommended value of 10%). A summary text at the bottom states: 'We project that WWF will result in an incremental profit of £1.5m. This is based on the above increases of star rating and extra share of voice.'

Test Your Roadmap | Major releases 20-21

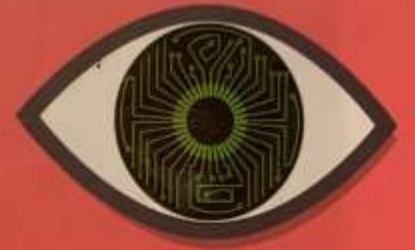


System1 A.I.

**The Economics,
Ideas & Initiatives**



Prediction Machines

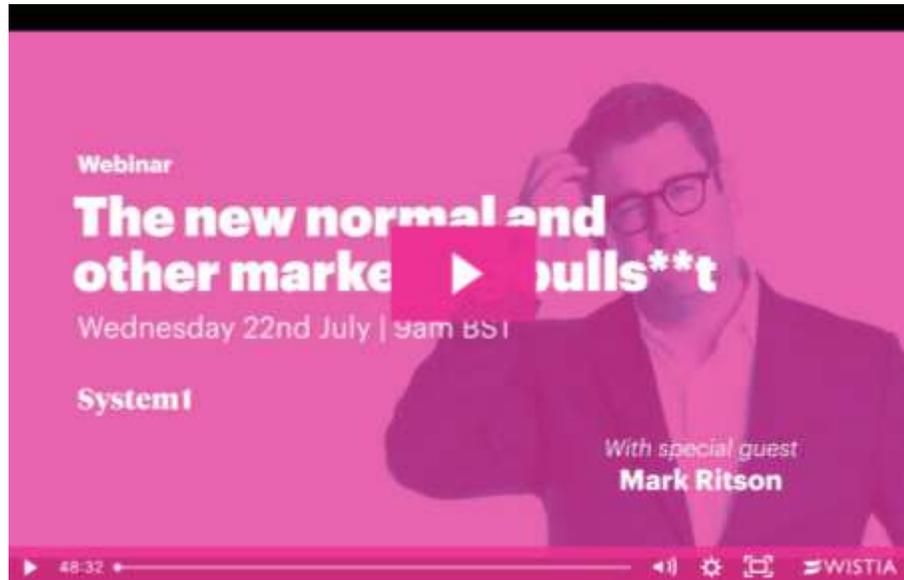


The Simple Economics of
Artificial Intelligence

Fame



AOTW = 6 new client wins



x78 Lemon Presentations (500% increase)
11 high quality articles p.m (50% increase)

“System1 are special because you’ve looked at creativity in a far more detailed way.

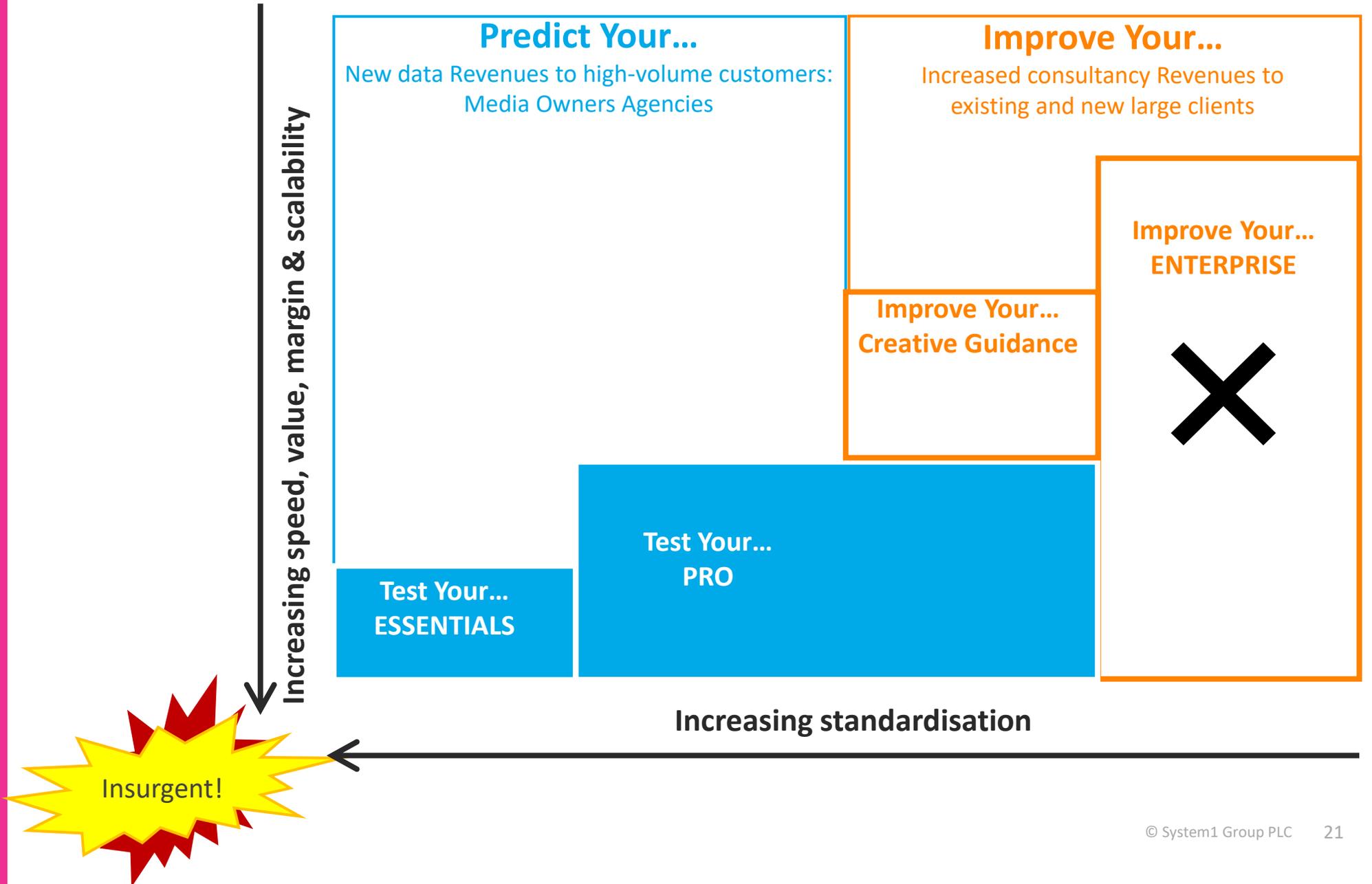
You’ve balanced the creativity / media thing, you’ve done it on an effectiveness basis.

You’re not paying me as far as I know, so I endorse System1, I think the work is great.”

Mark Ritson

Blue 'Predict Your' data + Yellow 'Improve Your' consultancy on top

**New
Clients
Revenues**





**We do not sell custom
market research**



**We sell predictive data &
supporting consultancy**

5 Reasons why you should work with us

1. **Predictive** – our measures have been proven over many years to accurately predict both short & long term results in market
2. **Validated** – don't take our word for it. We have validated our predictions with in market results to prove a close correlation between Star rating & market share
3. **Actionable** – our creative guidance is clear & helps you improve the effectiveness of your Ad and deliver better results regardless of channel and market
4. **Automated** – Ad testing results in 24 hours in many markets and allows you to benchmark vs all your competitors in a cost efficient way
5. **People** – last but not least, a very experienced, talented team who have worked in your category



Pricing principles

- ★ We price to drive aggressive market penetration via our data products
- ★ Our global ratecards will be simple and completely transparent
- ★ We will offer a modular approach to allow clients to flexibly deploy our data and consultancy
- ★ We only ever offer price support on our data products and this will be based on a clear volume commitment as scale is the enabler of a lower unit price
- ★ As and when we increase the value delivered through a product or service we will increase the price accordingly to reflect that value

Test Your Ad | Offer specification and global Ratecard

Test Your Ad Essential

The Essential predictors of your Ad's success

- ★ n=150 Nat Rep sample
- ★ Star - long term potential
- ★ Spike – short term potential
- ★ Fluency – strength of branding
- ★ FaceTrace® second by second emotion
- ★ FluencyTrace® second by second branding
- ★ 24-hour results delivered in online portal, with tailored report

£2,000
€2,200
\$3,000

Per Ad
24hrs

Test Your Ad Pro

Prediction and Diagnostics for your Ad

In addition to 'Essential'

- ★ Nat Rep and Custom sample
- ★ Types of happiness
- ★ Reasons for emotion
- ★ Associations with the Ad
- ★ Left & Right Brain features
- ★ Fluent Devices
- ★ 24-hour results delivered in online portal, with tailored report

£4,000
€4,400
\$6,000

Per Ad
48hrs

Test Your Ad Creative Guidance

Everything you need to improve your Ad's success

In addition to 'Pro'

- ★ Expert Creative Guidance
- ★ PowerPoint de-brief from expert
- ★ Results delivered in 48 hours

+£6,000 to Pro
+€6,600 to Pro
+\$9,000 to Pro

Per Ad
+48hrs

Test Your Ad Premium

Track company, competitors & category Ad effectiveness

- ★ Access up to 40,000+ TV Ads
- ★ Every TV Ad for the past 4 years
- ★ All major advertised categories in the US & UK
- ★ Star-Spike-Fluency, FaceTrace™ FluencyTrace™ & Ad Spend
- ★ Advertising performance (spend-weighted) by Company, Brand & Ad
- ★ Any new TV Ad tested & added to the database within 24 hours

£24,000
€26,400
\$36,000

1 Category, 1 Market per annum
New Ads Daily

Test Your Proposition has already led to increased Big-Pitch wins

	2020/21 Big Pitches vs. 2019/20	2020/21 <u>% Increase</u> in Win-Rate	 Tech Wins 20/21	 Media Wins 20/21	 Financial Wins 20/21	 Auto Wins 20/21	 CPG Wins 20/21
Test Your <u>Ad</u>	x3	+64%	3	5	1	1	6
Test Your <u>Brand</u>	x2	+50%	1	1	1	2	3
Test Your <u>Idea</u>	Same	Same	1	1	1	1	3



| It started with a talk in EFF Week ...

System1





| Started & probably won with an Ad of the Week

The graphic features a dark background with a close-up of a man's face. A large, pink-outlined number '1' is superimposed over the right side of his face. The text 'Ad Of The Week' is written in white, bold, sans-serif font across the middle. A yellow star with the number '3.8' is in the bottom right corner. A pink banner at the top contains the text 'System1'.

Adidas Seizes The Sporting Moment

Our Ad Of The Week is "Ready For Sport" by Adidas, the latest in their campaign celebrating the return of sport after lockdown.

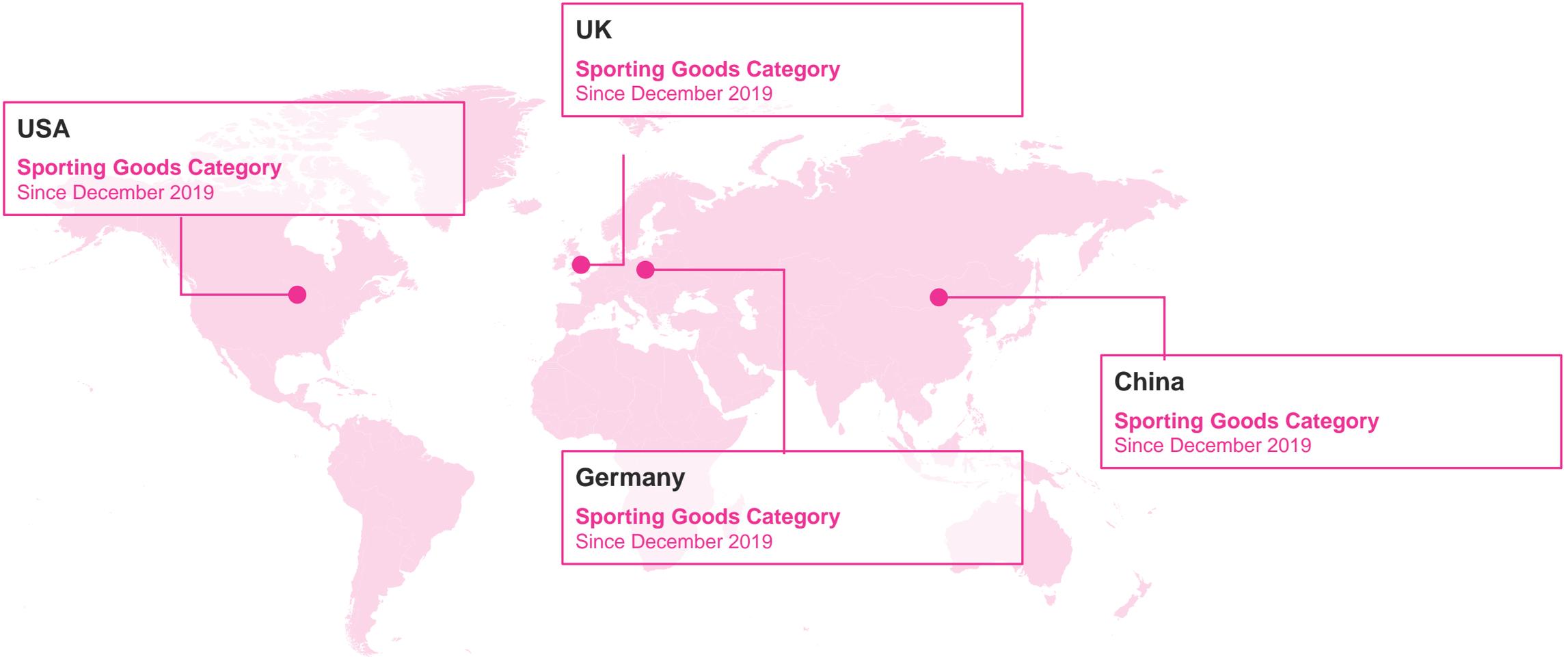


For more analysis of the ad, its performance, and how the direct approach can sometimes pay dividends, check out the [full post](#).

Read the full post



| 4 Core Markets, including Sporting Goods Category Db/Subscription
8 Campaigns a year = 75% Blue Data Sales & 25% Yellow Guidance Sales



Thank You

System1

The Effectiveness Agency

