

## 2019 Preliminary Results

March 2020

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# Financial performance

- / Billings\* £455.8 million and pro-forma\*\* billings £513.2 million
- / Revenue £215.1 million up 292% from £54.8 million, like-for-like\*\*\* revenue up 41%, pro-forma up 37%
- / Gross profit £171.3 million up 361% from £37.2 million, like-for-like up 44%, pro-forma up 39%
- / Operational EBITDA\*\*\*\* £33.4 million up 612%, like-for-like up 51%, pro-forma up 47%
- / Operational EBITDA margin 19.5%, up 6.9 margin points on 2018, like-for-like 18.6%, pro-forma 20.1%
- / Operating loss £3.8 million, which includes adjusting items of £35.0 million (acquisition expenses, amortization and share-based compensation), versus an operating loss of £8.5 million in 2018 and pro-forma operating profit of £2.5 million
- / Result before income tax £9.2 million (loss), which includes adjusting items, versus a loss of £9.1 million in 2018 and pro-forma result before income tax of £2.8 million (loss)
- / Result for the period £10.0 million (loss) which includes adjusting items after taxation versus £8.1 million (loss) in 2018 and pro-forma result for the period £5.7 million (loss)
- / Adjusted Basic net result per share 5.2p versus 1.0p in 2018
- / Basic and diluted net result per share 2.7p (loss) versus 3.3p (loss) in 2018 and pro-forma adjusted basic net result per share 1.3p (loss)
- / Year-end net cash\*\*\*\*\* £23.7 million, including the £42.4 million loan drawn to partly fund the combination with MediaMonks
- / Good start to 2020 with January top line up over 30%, not seeing any material impact as yet from Coronavirus, and will update the market appropriately

\*Billings is gross billings to client including pass through costs

\*\*Pro-forma numbers relate to unaudited full year non-statutory and non-GAAP consolidated results in constant currency as if the group had existed in full for the year and have been prepared under comparable GAAP with no consolidation eliminations

\*\*\*like-for-like relates to 2018 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2019 applying currency rates as used in 2019

\*\*\*\*Operational EBITDA is EBITDA adjusted for non-recurring items and recurring share-based payments and is a non-GAAP measure management uses to assess the underlying business performance

\*\*\*\*\*Net cash including bank loans

# Unaudited condensed consolidated income statement

	Unaudited 2019 £'000	Year ended 31 December 2018 Audited £'000	Unaudited like-for-like Constant currency 2018 £'000	Unaudited pro-forma FFY 2019 £'000	Unaudited pro-forma FFY constant currency 2018 £'000
<b>For the period ended 31 December</b>					
Revenue	215,132	54,845	152,738	270,987	197,971
Cost of sales	43,814	17,681	33,884	46,808	36,784
<b>Gross profit</b>	<b>171,318</b>	<b>37,164</b>	<b>118,854</b>	<b>224,179</b>	<b>161,187</b>
Net operating expenses	175,153	45,634	133,187	221,647	172,232
<b>Operating (loss) / profit</b>	<b>(3,835)</b>	<b>(8,470)</b>	<b>(14,333)</b>	<b>2,532</b>	<b>(11,045)</b>
<b>Adjusted operating profit</b>	<b>31,148</b>	<b>4,042</b>	<b>20,650</b>	<b>42,500</b>	<b>28,923</b>
Adjusting items	(34,983)	(12,512)	(34,983)	(39,968)	(39,968)
<b>Operating (loss) / profit</b>	<b>(3,835)</b>	<b>(8,470)</b>	<b>(14,333)</b>	<b>2,532</b>	<b>(11,045)</b>
Finance income	20	324	20	20	20
Finance expenses	(5,380)	(975)	(5,380)	(5,379)	(5,380)
<b>Net finance expense</b>	<b>(5,360)</b>	<b>(651)</b>	<b>(5,360)</b>	<b>(5,360)</b>	<b>(5,360)</b>
<b>Result before income tax</b>	<b>(9,195)</b>	<b>(9,121)</b>	<b>(19,693)</b>	<b>(2,828)</b>	<b>(16,405)</b>
Income tax expense	(845)	1,011	2,474	(2,858)	1,434
<b>Result for the period</b>	<b>(10,040)</b>	<b>(8,110)</b>	<b>(17,219)</b>	<b>(5,686)</b>	<b>(14,971)</b>



# Unaudited condensed consolidated income statement

For the period ended 31 December	Unaudited 2019 £'000	Year ended 31 December 2018 Audited £'000	Unaudited like-for-like Constant currency 2018 £'000	Unaudited pro-forma FFY 2019 £'000	Unaudited pro-forma FFY constant currency 2018 £'000
<b>Reconciliation to operational EBITDA</b>					
Operating (loss) / profit	(3,835)	(8,470)	(14,333)	2,532	(11,045)
Adjusting items	34,983	12,512	34,983	39,968	39,968
Depreciation (excluding right-of-use asset depreciation)	2,260	648	1,507	2,463	1,734
<b>Operational EBITDA</b>	<b>33,408</b>	<b>4,690</b>	<b>22,157</b>	<b>44,963</b>	<b>30,657</b>
<b>Holding costs</b>	<b>5,817</b>	<b>1,355</b>	<b>5,817</b>	<b>5,817</b>	<b>5,817</b>
<b>Operational EBITDA before holding costs</b>	<b>39,225</b>	<b>6,045</b>	<b>27,974</b>	<b>50,780</b>	<b>36,474</b>
<b>Reconciliation to adjusted operating profit</b>					
Operating (loss) / profit	(3,835)	(8,470)	(14,333)	2,532	(11,045)
Adjusting items	34,983	12,512	34,983	39,968	39,968
<b>Adjusted operating profit</b>	<b>31,148</b>	<b>4,042</b>	<b>20,650</b>	<b>42,500</b>	<b>28,923</b>
<b>Reconciliation to adjusted result before income tax</b>					
Result before income tax	(9,195)	(9,121)	(19,693)	(2,828)	(16,405)
Adjusting items	34,983	12,512	34,983	39,968	39,968
<b>Adjusted result before income tax</b>	<b>25,788</b>	<b>3,391</b>	<b>15,290</b>	<b>37,140</b>	<b>23,563</b>

# Unaudited condensed consolidated income statement

For the period ended 31 December	Unaudited 2019 £'000	Year ended 31 December 2018 Audited £'000	Unaudited like-for-like Constant currency 2018 £'000	Unaudited pro-forma FFY 2019 £'000	Unaudited pro-forma FFY constant currency 2018 £'000
<b>Reconciliation to adjusted result for the period</b>					
Result for the period	(10,040)	(8,110)	(17,219)	(5,686)	(14,971)
Adjusting items	34,983	12,512	34,983	39,968	39,968
Tax on adjusting items	(5,957)	(1,877)	(5,957)	(7,251)	(7,251)
<b>Adjusted result for the period</b>	<b>18,986</b>	<b>2,525</b>	<b>11,807</b>	<b>27,032</b>	<b>17,747</b>
<b>Earnings per share</b>					
Weighted average number of shares in issue for the purpose of basic and adjusted net result per share	368,067,622	247,776,256	368,067,622	453,956,227	453,956,227
Net result attributable to equity owners of the Company (£'000)	(10,040)	(8,110)	(17,219)	(5,686)	(14,971)
<b>Basic net result per share (pence)</b>	<b>(2.7)</b>	<b>(3.3)</b>	<b>(4.7)</b>	<b>(1.3)</b>	<b>(3.3)</b>
<b>Diluted net result per share (pence)</b>	<b>(2.7)</b>	<b>(3.3)</b>	<b>(4.7)</b>	<b>(1.3)</b>	<b>(3.3)</b>
Adjusted non-recurring expenses and acquisition related expenses	12,806	5,005	12,806	12,806	12,806
Share based compensation	7,177	0	7,177	7,177	7,177
Adjusted amortisation of intangible assets related to acquisitions	15,000	7,507	15,000	19,985	19,985
Adjusted tax on adjustments	(5,957)	(1,877)	(5,957)	(7,251)	(7,251)
Adjusted net result	18,986	2,525	11,807	27,032	17,747
<b>Adjusted Basic net result per share</b>	<b>5.2</b>	<b>1.0</b>	<b>3.2</b>	<b>6.0</b>	<b>3.9</b>

# Unaudited consolidated balance sheet

	31 December 2019 Unaudited £'000	31 December 2018 <sup>1</sup> Audited £'000
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets <sup>1</sup>	540,129	402,301
Right-of-use assets	25,779	-
Property, plant and equipment	9,730	4,007
Deferred tax assets	1,086	188
Other receivables	2,731	1,438
	579,455	407,934
<b>Current assets</b>		
Trade and other receivables	126,353	81,121
Cash and cash equivalents	66,106	25,005
	192,459	106,126
<b>Total assets</b>	<b>771,914</b>	<b>514,060</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities <sup>1</sup>	54,834	41,956
Loans and borrowings	42,374	45,638
Lease liabilities	18,787	-
Contingent considerations	3,669	-
Other payables	4,668	5,260
	122,325	92,854
<b>Current liabilities</b>		
Trade and other payables	118,014	73,143
Contingent considerations and holdbacks	51,202	4,636
Lease liabilities	7,975	-
Current tax liabilities	6,751	4,107
	183,942	81,886
<b>Total liabilities</b>	<b>308,274</b>	<b>174,740</b>
<b>Net assets</b>	<b>463,640</b>	<b>339,320</b>
<b>Equity</b>		
<b>Attributable to owners of the Company</b>		
Share capital	117,307	90,849
Reserves	346,233	248,371
	463,540	339,220
Non-controlling interests	100	100
<b>Total equity</b>	<b>463,640</b>	<b>339,320</b>

<sup>1</sup> Restated, restatement of the initial accounting for the business combination of MightyHive Inc.

# Unaudited consolidated statement of cash flows

	May to December	
	2019	2018
	Unaudited	Audited
	£'000	£'000
Notes		
<b>Cash flows from operating activities</b>		
Loss before income tax	(9,195)	(9,121)
Financial income and expenses	5,361	651
Depreciation and amortisation	24,972	8,172
Share based compensation	7,177	-
Acquisition and set-up related expenses	12,806	5,013
Increase in trade and other receivables	(31,289)	(2,208)
Increase in trade and other payables	22,310	1,235
<b>Cash flows from operations</b>	<b>32,142</b>	<b>3,742</b>
Income taxes paid	(7,571)	(581)
<b>Net cash inflows from operating activities</b>	<b>24,570</b>	<b>3,161</b>
<b>Cash flows from investing activities</b>		
Cash brought forward from Derriston Capital Plc	-	2,172
Investments in intangible assets	(1,578)	-
Investments in property, plant and equipment	(7,865)	(1,476)
Acquisition of subsidiaries, net of cash acquired	(56,954)	(264,186)
Financial fixed assets	(779)	5
<b>Cash outflows from investing activities</b>	<b>(67,176)</b>	<b>(263,485)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	97,451	246,500
Net proceeds from finance institutions	-	45,618
Payment of lease liabilities and interest	(6,687)	-
Repayments of loans and borrowings	(1,696)	(6,138)
Interest paid	(4,749)	(651)
<b>Cash outflows from financing activities</b>	<b>89,068</b>	<b>285,980</b>
<b>Net movement in cash and cash equivalents</b>	<b>41,101</b>	<b>25,005</b>
Cash and cash equivalents beginning of the period	25,005	-
Exchange gain/(loss) on cash and cash equivalents	(612)	-
<b>Cash and cash equivalents at 31 December</b>	<b>66,106</b>	<b>25,005</b>

# Pro Forma gross profit, operational EBITDA and EBITDA by practice

- / Content practice gross profit 73% of total against 76% in 2018
- / Programmatic practice gross profit 27% of total against 24% in 2018
- / Content practice Operational EBITDA before holding company costs GBP 35.9 million
- / Content practice Operational EBITDA margin 22.1%
- / Programmatic practice Operational EBITDA before holding company costs GBP 14.9 million
- / Programmatic practice Operational EBITDA margin 24.1%



# Pro Forma Gross profit by Geography

- / Americas (71% of total) GBP 160.4 million (+39%)
- / EMEA (22% of total) GBP 48.9 million (+27%)
- / Asia Pacific (7% of total) GBP 14.9 million (+107%)

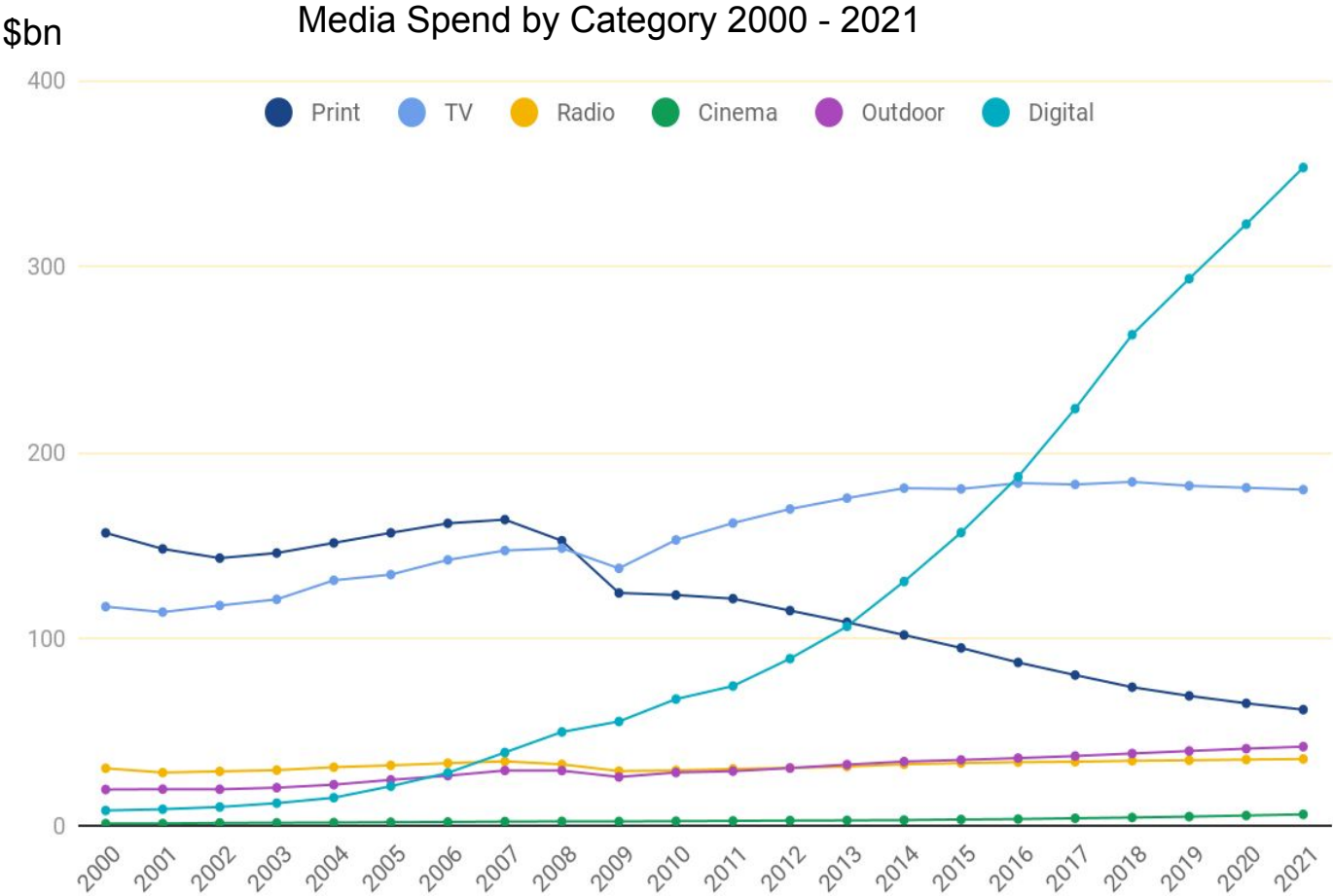
# Digital growth continues apace

Total Media Spend \$640bn<sup>1</sup>

Digital Media Spend \$293bn<sup>1</sup>

Total Marketing Spend \$1.9trn<sup>2</sup>

Trade Marketing Spend \$518bn<sup>3</sup>

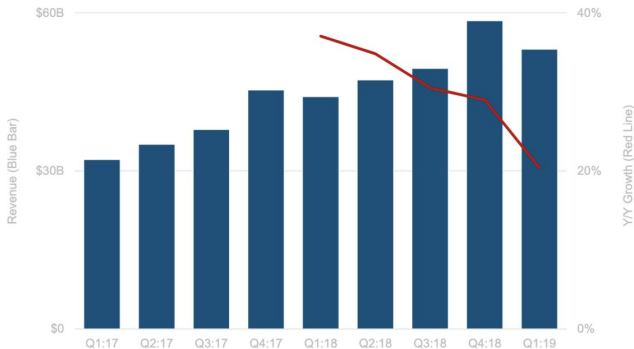


<sup>1</sup>Zenith Optimedia 2019, <sup>2</sup>Groupm TYN 2019, <sup>3</sup>Alix Partners 2019



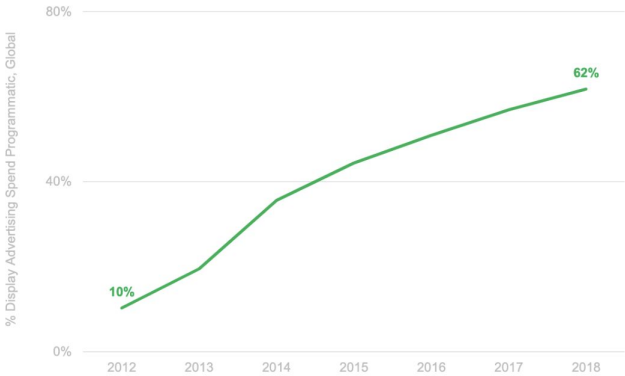
Major platforms, search, social, eCommerce & Programmatic all continue to grow

Leading USA-Based Online Ad Platform Revenue, Global

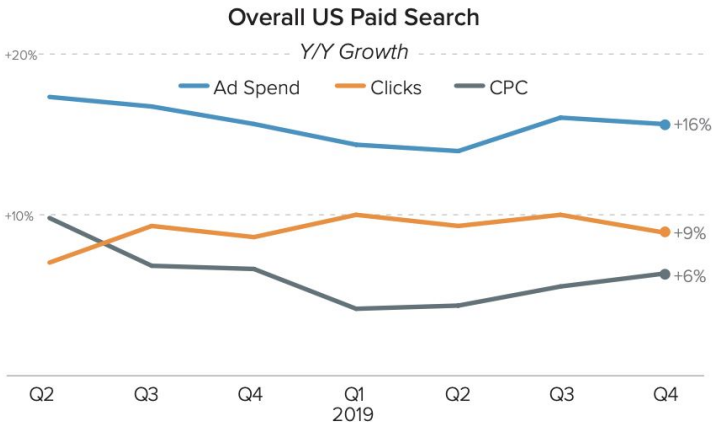


Source Mary Meeker, Bond 2019

Programmatic Buying – % Digital Display Advertising, Global



Source Mary Meeker, Bond 2019



Source Merkle 2019

E-Commerce as % of Retail Sales, USA



Source Mary Meeker, Bond 2019

## S<sup>4</sup>Capital as the service layer

Goal is to be the partner of choice for brands across these platforms

Establishing deep, symbiotic partnerships

Preferential access to data and product roadmap

Integrated service offering comprising data, content and media

Client referrals

FACEBOOK

Adobe



ORACLE

NETFLIX



Baidu 百度

Google

Tencent  
腾讯

ByteDance  
字节跳动

Microsoft



xandr

SAP

amazon

Alibaba.com

LinkedIn

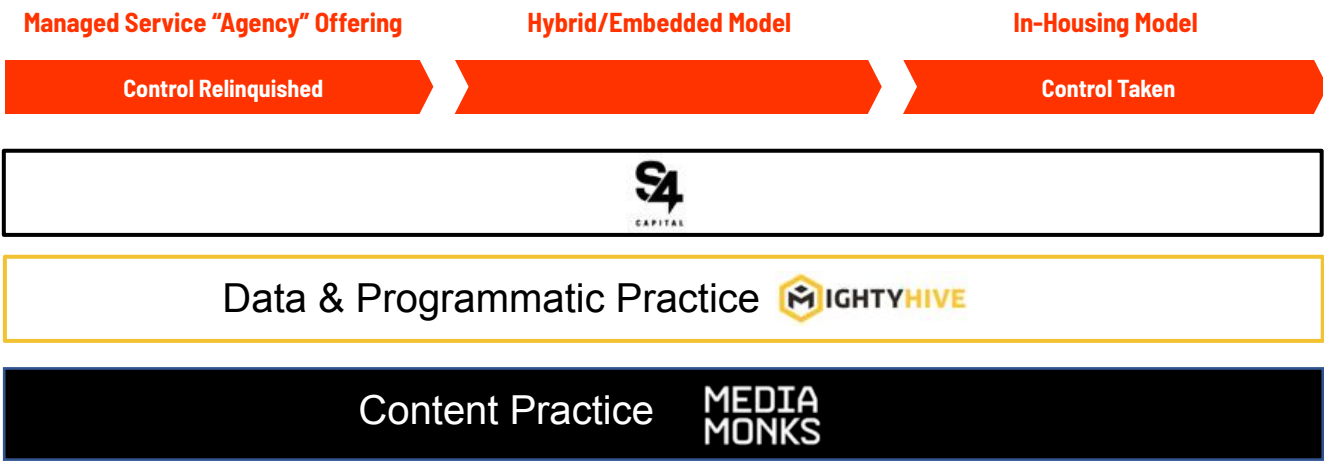
IBM

Spotify

theTradeDesk

S<sup>4</sup>  
CAPITAL

# A new agile, flexible model for client engagement



"34% of brands plan to bring more in-house in 2020"

—Medialink WARC

"What we've tried to do as much as possible on our biggest media partners – Google and Facebook – is just move everything to automated in-house tools and reduce the amount of hands needed."

— EMEA Programmatic & Search Lead, Uber

"You can take advice from partners, from specialists in these really fast-moving areas, but own your own strategy and your own data, and beyond that look for your specialists."

—Head of Media Channels, Marks & Spencer

"it would take blood sweat and tears to get this from **CENSORED** while S4 has been "plug in and play"

— Fortune 500 Client



**It's a rapidly  
changing  
environment**

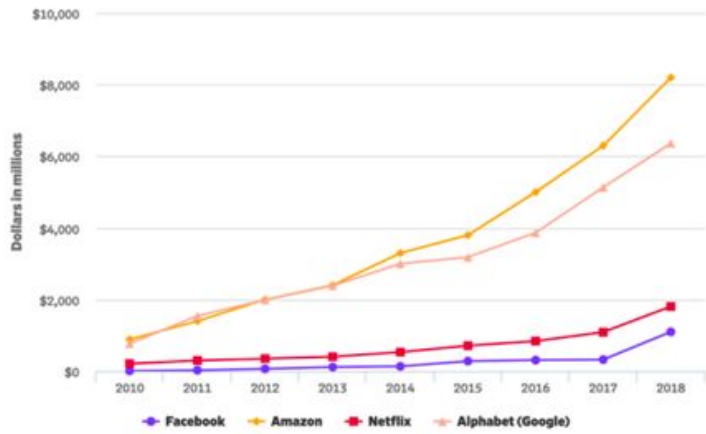


## We grow with our clients



# Technology is our main client segment

FANG spend on worldwide advertising



FACEBOOK

Google

LinkedIn



amazon

Adobe

Microsoft



ByteDance

IBM

NETFLIX

Uber

vmware

SoFi



Sprint

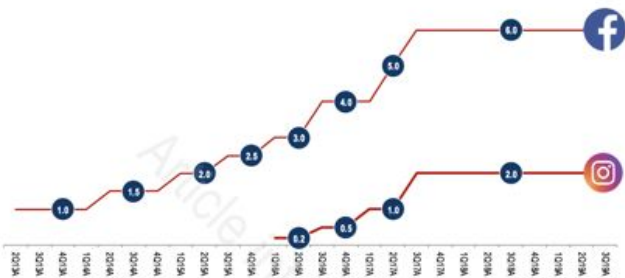
servicenow

Booking.com

# “Torso” clients represent an under- served opportunity

Figure 2: Facebook, Inc. – Total Disclosed Number of Advertisers

in millions



Source: Company data, Credit Suisse



Land & Expand

Client momentum has been Strong



Merger Growth



“Holy Trinity” Growth





# People



**Simone van Bijsterveld**  
Global CFO, former CFO at Novamedia

**Sanne Drogtrøp**  
Executive Producer, APAC. Former W+K and 72andSunny  
Head of Production

**Vivian Opsteeg**  
General Manager Film & Content. Founder Girls in Film and  
former Digital Director VIACOM

**Nora Strandberg Henriksson**  
MD Nordics, former Producer at Appleberg and Nordisk  
Film TV

**Vera Cvetkovic**  
VP solutions Americas, former Senior Manager at Deloitte  
and BizTech

**James Tracy**  
Head of Integrated Production EMEA, former Director of  
Global Production at Oliver

**Falk Eumann**  
Executive Creative Director, former ECD at Little Ugly and  
Caviar Digital



**Smita Salgaonkar**  
Country Manager, India, former GM Accuen (Omnicom)

**Ryo Matsuzaki**  
Senior Director Japan co-Lead, former Senior Director at  
Appier and Principal Acct Manager Google

**Jayne Babine**  
VP of Partnerships Former Head of National Ad Sales at  
TheKnotWW, VP of Media & Advertising Partnership Sales  
at Neustar

**Simon Harris**  
Head of Sales, EMEA Former Head of Programmatic  
Activation for Dentsu Aegis Network

**Julien Coquet**  
Director of Analytics, EMEA, former Analytics Director  
Business & Decisions

**Helena Curado**  
Enterprise Consulting Manager Latam, former Partner at  
Sambodia

# Expanding global presence

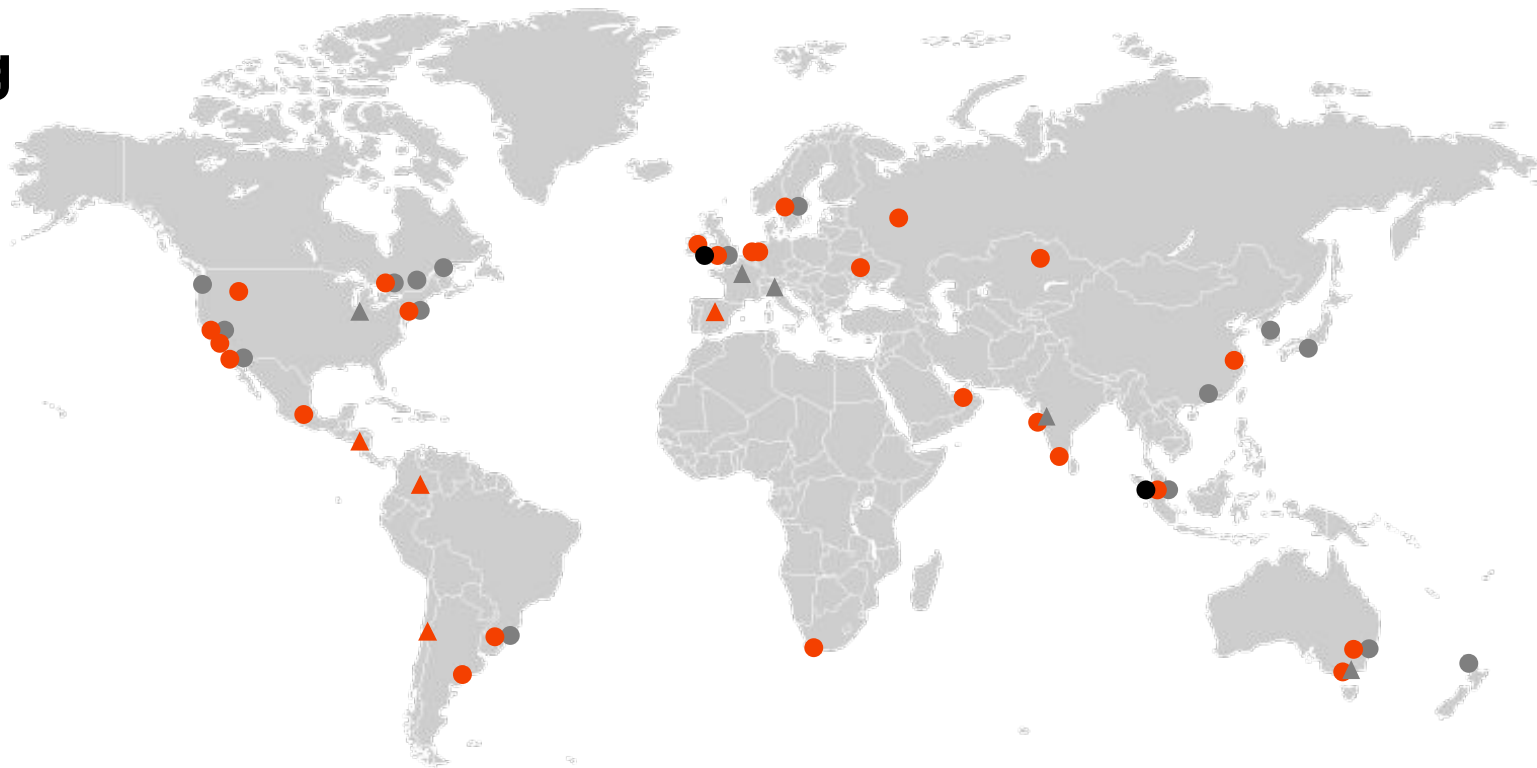
2,500

PEOPLE

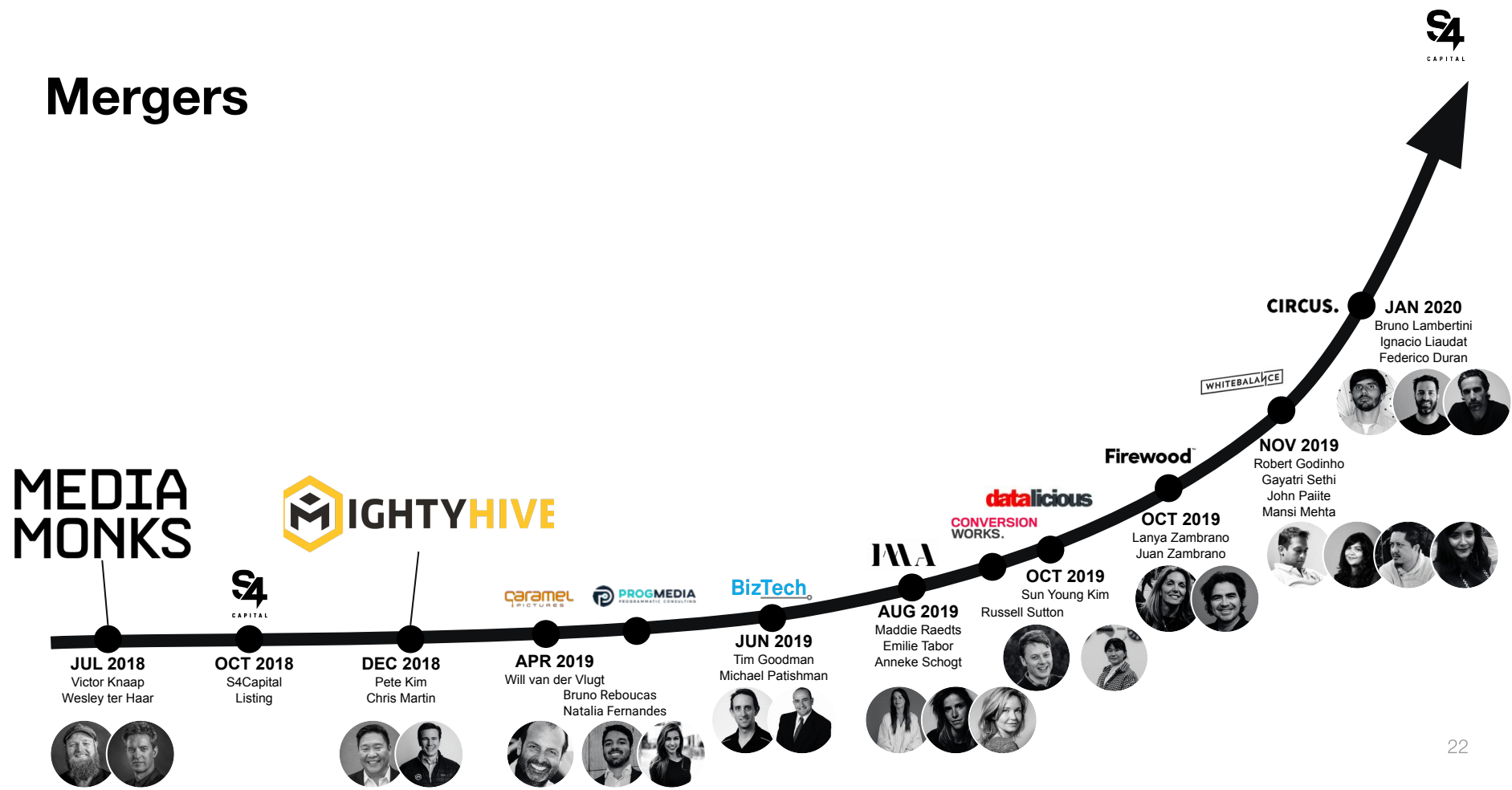
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COUNTRIES

- Content
- ▲ New offices
- Programmatic
- ▲ New offices
- S4 Capital offices



# Mergers



# Integration

OPERATIONS



COMMERCIAL



BRAND



OFFICES

**Stockholm**

MediaMonks and  
MightyHive  
co-located

**Singapore**

MediaMonks and  
MightyHive  
co-located

**Amsterdam**

Film and content  
studios  
consolidated into  
one, IMA with  
MediaMonks

**San Francisco**

MediaMonks and  
MightyHive  
co-located

**Others**

London, Buenos  
Aires, New York  
offices – actively  
examining  
co-location

# Content Practice





# Big goals for the 2020 content team

2500 people  
25+ offices  
1 brand, unbeatable  
positioning & pitch.

MEDIA  
MONKS

# Building on top of the 2019 year of growth



## SCALING OUR PRESENCE

MediaMonks **doubled global headcount** (1000 to 2000) and added core capabilities (Film, Adobe, influencer and embedded) to help global brands consolidate creative & content spend.

With the addition of Caramel Studios, BizTech, IMA, Firewood, WhiteBalance and Circus to the family we've expanded in to key countries across APAC & LATAM and added unique best-in-class capabilities to function as a true end to end partner for our expanding client base.



## CLIENT GROWTH

- Continued growth in key clients (Google, IBM, Amazon) and no key account losses

## NEW CLIENT WINS

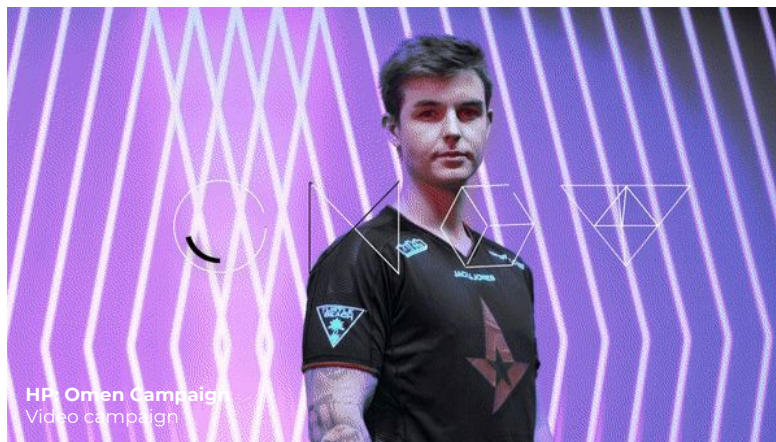
- HP digital
- Pernod Ricard
- Lenovo
- Shiseido
- Fanta APAC
- Avon



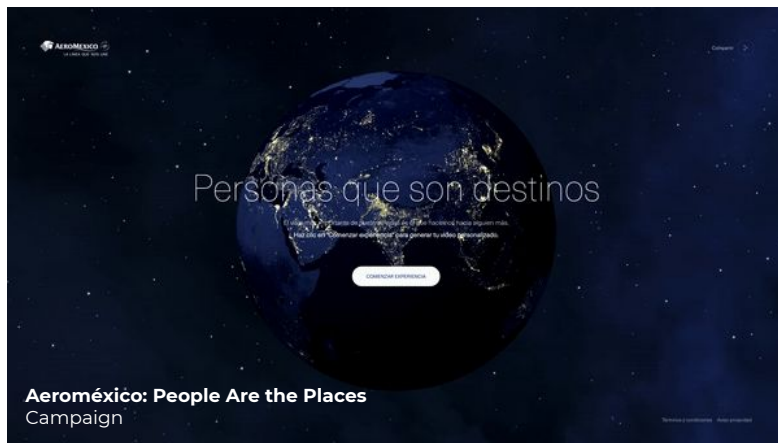
## AWARDS & ACCOLADES

- **MediaMonks the first ever** company to win [250 FWA's!](#)
- **71 shortlists, 42 awards, 5 Grand Prix** for [MediaMonks](#) at Circulo Creativo Mexico
- **Firewood on AdAge's** [best places to work](#) list. We ranked 13 in the top 200
- Our work for [Weber wins Best Connected Home Product at CES 2020](#)
- MediaMonks, Firewood, Circus on [AdAge 100](#) fastest growing agencies list
- Campaign Awards: **Greater China Production Company and South-East Asia Digital Agency of the Year**
- **40+ creative industry awards** incl. Cannes Lions, Clio Awards, Effie's and Webby Awards

# Leading to truly best in class work - US

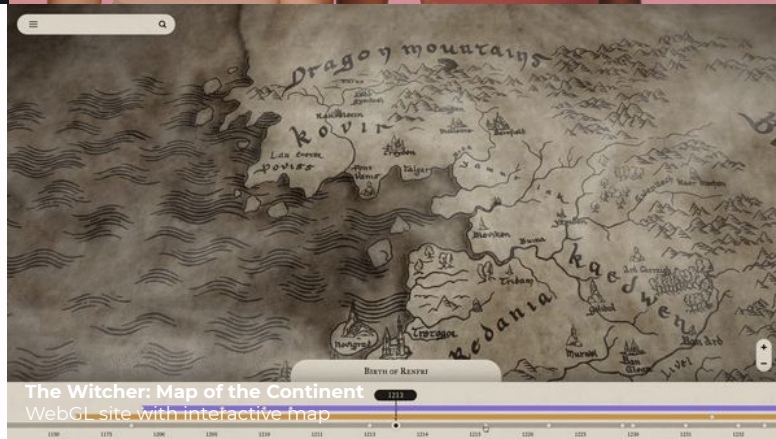
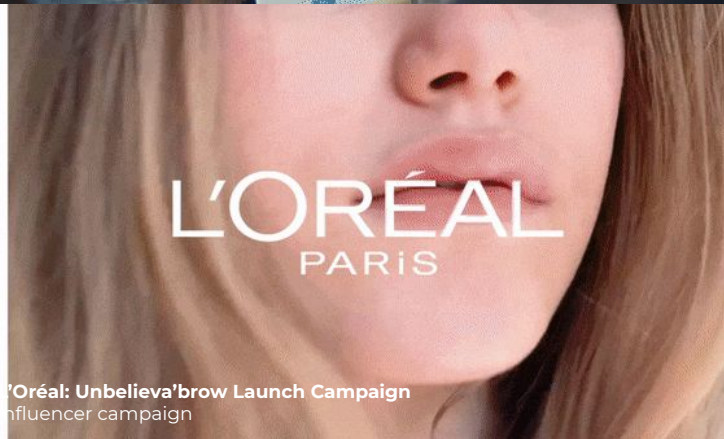
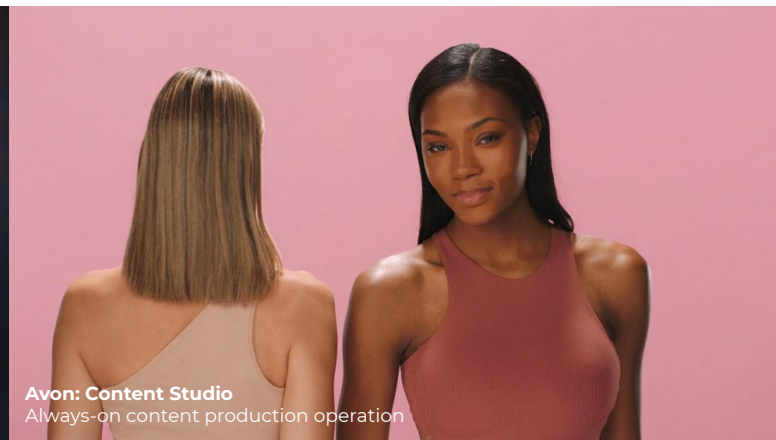


# Leading to truly best in class work - LATAM





# Leading to truly best in class work - EU



# Leading to truly best in class work - APAC



**PUMA: Run My Way**  
Experiential pop-up pavilion in Shanghai



**Google Arts & Culture: Living Jiagu**  
Interactive installation for Google Developer Days



**Neutrogena: Hydro Boost Pod**  
Experiential skincare trial experience



**SK-II: Pitera Confetti Installation**  
In-store activation

# Data & Programmatic Practice

## 2019: A YEAR OF GROWTH



### SCALING OUR PRESENCE

MightyHive **doubled global headcount** (200 to 400)

MightyHive **doubled our number of offices** (12 to 24)

MightyHive welcomed ProgMedia, ConversionWorks, MH Korea to the family

Merger pipeline is focussed on building enterprise consulting and data & analytics capabilities



### CLIENT WINS

- ABInBev
- L'Oreal
- ASICS
- Bayer
- iFood (Brazilian unicorn)
- Lavazza
- SoFi
- Vodafone NZ



### AWARDS & ACCOLADES

**Google:** AUNZ Partner of the Year

**Digiday:** Employer Most Dedicated to Employee Growth

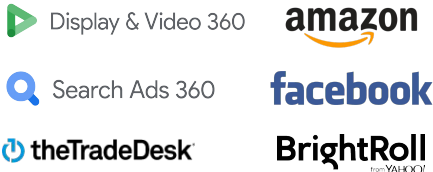
**AdAge:** Sasha Schmitz, Women to Watch EMEA

**Crain's New York and BuiltInNYC:** Best Midsize Companies to Work For

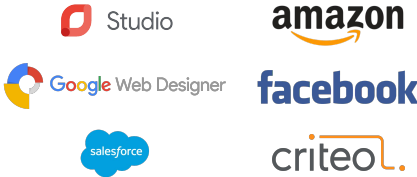


# 2019 PLATFORM AND PARTNERSHIP EXPANSION: EXPERTISE ACROSS THE AD TECH ECOSYSTEM

## BUYING PLATFORMS



## CREATIVE



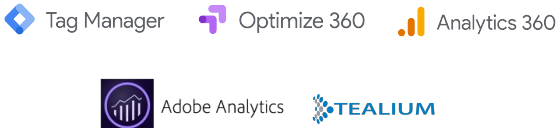
## AUDIENCE



## MEASUREMENT & ATTRIBUTION



## SITE ANALYTICS & TAG MANAGEMENT





# BAYER GOES IN-HOUSE WITH MIGHTYHIVE

**IN 2018** Bayer engaged with MightyHive to bring digital and programmatic capabilities in-house, including programmatic media planning, buying, execution, strategy and analytics.

The engagement is planned to last two years, with MightyHive handling execution in the first year transferring control to Bayer during 2020.

## DIGIDAY

**By 2020, Bayer will take all of its digital media buying in-house**

Digiday 26 Nov 2018

“As we start to onboard all of our data and put things into our system, there will be the question of the bandwidth of the team,” said Palau, “which is why it’s so important to have a group like MightyHive support the business.”



**Bayer To Bring Programmatic In-House**

AdExchanger 23 Oct 2018

Bayer chose MightyHive because of its proven track record, Palau said, but also because the engagement comes with a hard stop.

“If we want to see this vision all the way through, we have to give ourselves a drop-dead date.”





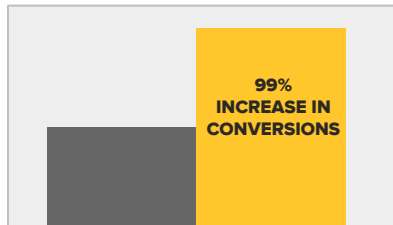
## SPRINT TAKES CONTROL WITH MIGHTYHIVE

MightyHive helped deliver **increased transparency** into Sprint's working media through **digital transformation** which lowered cost and increased conversions.

### GETTING TO TRANSPARENCY

MightyHive worked with Sprint's external vendors to identify areas for improved service delivery and reduced fees. This resulted in a more transparent, efficient, and optimized media buying process.

With more transparent and efficient media buying in place, MightyHive helped Sprint to consolidate disparate data sources in-house for **better marketing data activation**.



### TAKING CONTROL AND DRIVING RESULTS

With greater control over its data, Sprint developed a multi-touch attribution model for better insights. MightyHive built custom reporting for Sprint that delivers real-time reporting. This resulted in a **99% increase in conversions** while lowering cost.

READ THE FULL  
SUCCESS STORY



# CUSTOMER SUCCESS STORY:

## LARGE FINANCIAL SERVICES COMPANY

In six months, MightyHive transitioned the client from a 100% agency-outsourced model to an in-house “hands on keyboard” team, achieving significant **cost savings, efficiency, and increased performance.**



### CLIENT CHALLENGES

A large financial services company needed to improve audience insights, optimize campaign results, and accelerate the marketing team's ability to respond quickly to changing market conditions. To do this, they needed true transparency into their campaign performance and better control over their first-party data.



### THE MIGHTYHIVE APPROACH

MightyHive worked with the client to gain full ownership of all tech contracts including their ad server, DMP, and DSPs. Together we built a team from the ground up by developing and implementing a programmatic training curriculum, and a recruiting and hiring handbook specific to programmatic. The outcome was an in-house programmatic trading desk that now activates an **eight-figure marketing budget**. Once the in-house team was in place, MightyHive recommended shifting traditional TV media spend to over-the-top (OTT) inventory via Amazon DSP, driving incremental inbound sales leads.



### KEY RESULTS

With MightyHive as a partner, the team was able to analyze and discover a significant amount of overlap amongst their media buys. By consolidating media partners, the team saw a **400% increase against their performance goals**. The client was able to identify reporting efficiencies and collaborate with their Analytics team to build a custom optimization model that **reduced** man hours by **96%**.



We charted out a vision so that whatever we build was going to be able to last the test of time.

**JONATHAN HALVORSON**  
VP GLOBAL MEDIA  
MONDELÉZ INTERNATIONAL



# MIGHTYHIVE HELPS MONDELÉZ TRANSFORM DIGITAL AD MEASUREMENT

## PROBLEM

To modernize its marketing, Mondelēz established an ambitious goal: **creating better consumer connections through data**. However, as a global organization working with multiple retail and marketing partners, Mondelēz faced challenges standardizing digital measurement.

## SOLUTION

MightyHive consolidated over a dozen Mondelēz ad server networks into four global regions and **established data governance standards so digital campaigns across brands and markets could yield “apples to apples” reporting data**.

MightyHive then built real-time spend and performance dashboards so Mondelēz global teams could quickly access insights that previously took weeks to compile.

## RESULTS

MightyHive-led technology consolidation and data governance standards unlocked a category-leading capability for Mondelēz to measure **a clear and causal relationship between ad exposures and sales**.

**+10%**  
ROI

**DIGITAL TRANSFORMATION HAS BROUGHT  
A +10% RETURN ON MEDIA INVESTMENT  
GLOBALLY, WITH +16% IN NORTH AMERICA.**

## Summary & Outlook

- / Very strong gross profit and bottom line organic growth in 2019
- / Strong cash flow and Balance Sheet
- / Targeting to double organically in three years 2020-2022
- / Good start to 2020, gross profit up over 30% plus in January
- / Limited effect from Covid-19 Coronavirus so far but we have to be realistic about potential impact
- / Healthy Merger pipeline in data & analytics, content and programmatic media
- / We achieved “Brand Awareness” and “Brand Trial” in 2019, we need “Conversion at Scale” in 2020
- / A number of major client opportunities in development

# Q&A

# Covid 19 (Coronavirus) Impact

- / First and foremost like all companies our primary focus has and continues to be the safety and health of our colleagues and their families.
- / We tested working from home protocols in late Feb and early March in many of our major markets and have now moved to that option in most locations.
- / We only have visibility of January figures at the moment which were strong, gross profit up over 30% in line with budgets. It is unlikely that February will be majorly impacted given most of the current restrictions only came into effect in early March.
- / S<sup>4</sup> Capital is a services business not a media business, we started the year with a strong order book and to date have not seen any significant deterioration, indeed the pipeline is stronger than this time last year
- / Many of our clients moved to a virtual model in the past few weeks and in all cases we now have quickly established a new way of working. It is helpful that many of our client engagements operate as a hybrid/embedded model where we are seen as part of the client marketing team so we already share the same cloud-based tools, security protocols, processes and ways of working.
- / Our unitary structure and common tools across S<sup>4</sup> Capital have made collaboration across the group much easier than it could have been in a more disparate siloed approach.
- / Outside of travel, bricks & mortar retail, hospitality, live events, sports sectors (very limited categories) we are not seeing any cancellations, more reallocations, some of which are actually in our favour. Some discussions of delays but in vast majority of cases an assumption that spending would ramp up once the situation recovers, ideally China offers us some hope of what may happen once countries control the spread of the virus.
- / That said it would be naïve to think this will not have a major effect on the world's economy and GDP growth which is correlated to overall marketing spend. There will be significant pressure on consumption in the short-term (shops are literally shut) and a significant hit to employment (small businesses, travel & hospitality), the extent of these impacts will rely on how quickly the pandemic can be controlled, and that is purely speculation.



# Covid 19 (Coronavirus) Impact

/ Anecdotally we feel there are several factors about the S<sup>4</sup> Capital business which offer us more protection and defend our ability to continue to deliver above market growth, these include:

- “Purely Digital” our business is 100% focussed on digital and much of our work can be produced in virtual working environments, more limited exposure to offline marketing which will be more impacted. Also seeing some live action being transferred to animation or VFX.
- Lean structure (“cheaper”), low overheads, flexible direct costs
- Agility (“faster”) we have already seen clients appreciate our ability to move quickly and continue to provide services under these difficult conditions. We have also been able to help clients switch traditional work or conference/event work to purely digital work.
- We have had strong feedback, especially from our larger and tech-based clients that we are well-positioned in terms of our ways of working and ability to switch to virtual engagement. Large California presence in same timezone is also helpful.
- We have limited exposure to China (less than 3% revenue) and our office is already up and running there and has picked up additional assignments thanks to their availability. Chinese NDRC (National Development and Reform Commission) have claimed Chinese economy will return to normal in Q2.
- We have several examples of working with tech platforms to adjust their advertising products to help brands adapt their spending eg. Working with one to help clients create VR/AR enabled events vs offline ones.
- High exposure to tech clients/sector (50%) which has higher growth rates and likely to continue spending.
- Limited exposure to “Travel & Tourism” sector (less than 3%) where it is clear work is being delayed and cancelled.
- We believe even in the most challenged sectors, the “digital transformation” agenda will be protected and even potentially accelerated. C.f. recent interview with chief digital officer of Royal Caribbean saying exactly this.

/ We will keep the market updated on our progress but we remain confident in our ability to deliver growth, maintain margins and have the benefit of a strong unleveraged balance sheet.