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15 July 2020

S4 Capital plc

("S⁴ Capital" or the "Company" or the "Group")

Trading Update and Financing Plan to provide flexibility and firepower to accelerate merger strategy

S⁴ Capital plc (SFOR.L), the tech-led, new age, new era digital advertising and marketing services company, today issues an update on trading since the Group's AGM in June.

Key Highlights

- May like-for-like gross profit up almost 5%, year-to-date like-for-like gross profit up over 12% and year-to-date pro-forma gross profit up almost 14%
- Company continues to believe April will be the trough month for 2020 and performance and momentum will increase in June and through H2
- Strong new business activity with two major pitches, both of which would be "whoppers" (more than 5% of the Company's revenue), if won
- The Board remains confident of being able to deliver sector leading, double digit like-for-like revenue and gross profit growth for 2020, along with a reasonably strong operating earnings before interest, taxes, depreciation and amortisation margin
- Expansion of revolving credit facilities agreed with Barclays, Credit Suisse and JP Morgan to commit EUR43.5 million (equivalent to c.£39 million) to the existing HSBC facility of EUR85 million including term loan (equivalent to c.£76 million), giving total revolver capacity of EUR78.5 million (equivalent to c.£70 million)
- Proposed fundraising of up to approximately £100 million (the "Fundraising") to provide flexibility and firepower to accelerate merger strategy. Further details of the Fundraising and the terms and conditions of the placing are described in a separate announcement.

Executive Chairman Sir Martin Sorrell commented:

"In line with our mantra of "faster, better, cheaper", now is not the time to slow down. We believe that it is precisely the time to quicken the development of our capabilities around digital transformation, accelerated by the pandemic. We have a great team in place, as good as I have seen anywhere, eager to create new and exciting ideas for our clients. We, therefore, want to ensure that the Company has the necessary flexibility to capitalise on opportunities as they arise."

Trading Update

As previously reported, the Company's like-for-like gross profit growth for Q1 2020 was 19% (January: 33%, February: 21%, March: 6%). In April at the height of the covid-19 lockdowns like-for-like gross profit grew over 3%. As expected May like-for-like gross profit growth was stronger, up almost 5% and the Company continues to believe April will be the trough month for 2020 performance and that momentum will increase in June and through H2. Year-to-date like-for-like gross profit was up over 12% and year-to-date pro-forma gross profit growth was almost 14%.

This growth has been underpinned by continued strong new business activity. The Company's land and expand strategy continues to pay dividends with new assignments from existing clients such as Google, Facebook, LinkedIn, HP, Amazon, Netflix, Procter & Gamble, Mondelēz, Bayer, Sprint and two other NDA clients in tech and

pharma. The Company has converted significant opportunities at several new clients in 2020 including Paypal, Havaianas, Reckitt Benckiser, Toyota, Gympass, Whirlpool, a global Pharmaceutical brand (replaced an advertising holding company on the roster), a global Consumer Electronics brand and an Asia-based Automotive brand.

Several of these clients have the potential and trajectory to become "whoppers" (more than 5% of the Company's revenue) over time and the Company is in the very final stages of two major pitches, one FMCG and one Automotive company, both of which would be "whoppers" if won.

As a result of this heightened momentum, the Company remains confident of delivering sector leading, double digit like-for-like revenue and gross profit growth for 2020, along with a reasonably strong operating earnings before interest, taxes, depreciation and amortisation margin. The Company also continues to believe it has a fighting chance of achieving the pre covid-19 three-year plan for 2020-2022, which calls for a doubling of the Company organically, at both top line and earnings before interest, taxes, depreciation and amortisation levels. This positive view is backed up by a recent survey of industry peers from Credit Suisse in its "Ad Agencies: Beyond the Pandemic Acceleration of digital transformation vs traditional services" report in which 44% of respondents named S⁴ Capital as the agency most likely to have future financial success, double the votes of the second placed brand.

Strong Balance Sheet Strengthened Further with Extended Revolving Credit Facility

The Company took strong, decisive and early action on costs in March in order to protect its liquidity and maintain a strong balance sheet as the extent of the covid-19 pandemic became clear. This included reducing salaries for executives and non-executive Board members; terminating and consolidating office leases; reducing operating expenses in areas like travel, entertainment and marketing; and controlling hiring and the use of freelancers. As a precaution, the Company drew down its full revolving credit facility of EUR35 million (equivalent to c.£32 million), modelled for various cash flow scenarios; and instituted a strong daily focus on receivables and cash flows.

These measures have been successfully implemented and the Company has exceeded its best-case projections for liquidity, remaining cash positive throughout 2020, so far.

To further support and strengthen its liquidity position, the Company has recently agreed the expansion of its revolving credit facilities with Barclays, Credit Suisse and JP Morgan to commit EUR43.5 million (equivalent to c.£39 million) to the existing HSBC facility of EUR85 million including term loan (equivalent to c.£76 million), giving total revolver capacity of EUR78.5 million (equivalent to c.£70 million).

Fundraising to Ensure Additional Firepower to Execute Merger Strategy

To date the Company has announced 13 transactions, building out its practice areas in its core strategic pillars of Digital Content and Data & Programmatic, in line with its strategy as a tech-led, new age, new era, digital advertising and marketing services company. The Company continues to deliver in line with its mantra of "faster, better, cheaper". The Group has raised approximately £350 million since inception and the Company currently has a market capitalisation of approximately £1.5 billion, reflecting a disciplined and strategic approach to deal-making and a highly efficient return on capital.

S⁴ Capital's unique approach to deal structure is built around the strategic importance of integration, in order to create a unitary structure. The Company typically structures each transaction 50% in cash and 50% in S⁴ Capital ordinary shares, ensuring that entrepreneurial management teams are incentivised and motivated at a one firm level. 100% of the equity is purchased to avoid complex, fragmenting earnout structures, which encourages a seamless and instant integration, avoiding operational silos and internal competition.

This approach has contributed to the strong growth of the Company with gross profit up 361%, on a reported basis, up 51% like-for-like and up 47% pro-forma in 2019, the Company's first full year of operation. This growth has been enhanced by the strategic merger additions to the Company, with speedy integration adding a flywheel effect.

S⁴ Capital entered 2020 with a strong deal pipeline and has already completed mergers with Circus Marketing (March 2020) and Digodat (July 2020) and signed a merger with Lens10 (June 2020). The Company continues to have a strong deal pipeline with three potential deals currently in due diligence: one in eCommerce around a major platform in the United States which is expected to be announced imminently, one in Digital Content in Germany and one in Analytics and Measurement in the United Kingdom. There are also several additional potential deals at a letter of intent negotiation stage and various early-stage discussions. The Board believes that despite the economic headwinds caused by covid-19, S⁴ Capital, given its continued growth, is in a unique position to accelerate its acquisition strategy of merging with high-quality, complementary businesses, increasing its scale and capabilities and further stimulating growth. The proceeds from the Fundraising will be used to fund the cash proportion of the initial or deferred consideration payable in relation to certain of the Company's mergers or deals and to provide additional firepower to allow the Group to accelerate its merger strategy. The Fundraising will also allow the Company to execute deals in negotiations pro-actively and explore larger deals, as well as respond quickly and with agility to opportunities as they arise. Any transactions will continue to be in line with S⁴ Capital's

existing strategy, deal structure and value discipline (including 5-10X EBITDA and 1-2X Revenue multiples). The focus will continue to be on strong records of organic growth, consistently strong EBITDA margins and little or no risk of technological disintermediation. Further details of the Fundraising and the terms and conditions of the placing are described in a separate announcement.

S⁴ Capital is excited about the future opportunities around digital transformation and disruption, which it believes will only increase as a result of covid-19 and will allow it to continue to execute its strategy at pace. The Board unanimously believes that the Fundraising is in the best interests of all shareholders.

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About S⁴ Capital

S⁴ Capital plc (SFOR.L) is the tech-led, new age, new era digital advertising and marketing services company, established by Sir Martin Sorrell in May 2018.

Its strategy is to build a purely digital advertising and marketing services business for global, multinational, regional and local clients and millennial-driven influencer brands. This will be achieved initially by integrating leading businesses in three practice areas: first-party data, digital content, digital media planning and buying, along with an emphasis on "faster, better, cheaper" executions in an always-on consumer-led environment, with a unitary structure.

Digital is by far the fastest-growing segment of the advertising market. S⁴ Capital estimates that in 2019 digital accounted for approximately 47.5% or \$275 billion of total global advertising spend of \$550-600 billion (excluding about \$400 billion of trade support, the primary target of the Amazon advertising platform), and projects that by 2022 this share will grow to approximately 55-60%.

S⁴ Capital combined with MediaMonks, the leading AdAge A-listed creative digital content production company led by Victor Knaap and Wesley ter Haar, in July 2018, and with MightyHive, the market-leading programmatic solutions provider for future thinking marketers and agencies, led by Peter Kim and Christopher S. Martin, in December 2018.

In April 2019, MightyHive merged with ProgMedia to expand operations into Latin America and MediaMonks acquired film studio Caramel Pictures to expand content studio capabilities. In June 2019, MediaMonks announced a planned merger with Australia-based BizTech, a leading marketing transformation and customer experience company. In August 2019, MediaMonks merged with Amsterdam-based digital influencer marketing agency IMA. In October 2019, MediaMonks merged with Firewood Marketing, the largest digital marketing agency based in Silicon Valley, that was recently ranked, along with MediaMonks, as one of the fastest growing agencies by Adweek, and MightyHive merged with award-winning UK-based digital analytics, biddable media and data science company ConversionWorks and South Korea-based data and analytics consultancy MightyHive Korea. In November 2019, MediaMonks announced its merger with Delhi-based content creation and production company WhiteBalance and then with fully integrated digital agency Circus Marketing in January 2020. In July 2020, MightyHive merged with Digodat, one of the leading Latin American data and analytics consultancies. In June 2020, MightyHive announced its merger with Lens10, a leading Australian digital strategy and analytics consultancy.

Victor, Wesley, Pete, Christopher and Peter Rademaker (formerly Chief Financial Officer of MediaMonks, now Chief Financial Officer of S⁴ Capital), all joined the S⁴ Capital Board as Directors. The S⁴ Capital Board also includes Rupert Faure Walker, Paul Roy, Daniel Pinto, Sue Prevezer, Elizabeth Buchanan, Scott Spirit, Naoko Okumoto, Margaret Ma Connolly and Miles Young.

The Company has 2,600 people in 30 countries across the Americas, Europe, the Middle East and Africa and Asia-Pacific and a market capitalisation of approximately £1.5 billion (c.\$1.9 billion), and would rank well into the FTSE 250. It has achieved Unicorn status in a little over one year, unique in the advertising and marketing services industry.

Sir Martin was CEO of WPP for 33 years, building it from a £1 million "shell" company in 1985 into the world's largest advertising and marketing services company with a market capitalisation of over £16 billion on the day he

left. Today its market capitalisation is c.£7.5 billion. Prior to that he was Group Financial Director of Saatchi & Saatchi Company plc for nine years.

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Financial information

All financial information in this announcement is unaudited.

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