



S4 Capital plc
("S⁴Capital" or "the Company")

Results for the six months ended 30 June

Industry leading progress despite covid-19 driven by global digital tech and healthcare focus

Like-for-like gross profit (net revenue) up over 12% with accelerating growth from April trough through July

Company well on track to deliver full year expectations with increasing client conversion at scale

Financial highlights

- / Billings* £260.4 million, up 41.4% reported, up 12.7% like-for-like**, up 12.8% pro-forma***.
- / Revenue £141.3 million, up 60.7% reported, up 6.9% like-for-like, up 7.8% pro-forma.
- / Gross profit £124.0 million, up 76.6% reported, up 12.2% like-for-like, up 13.2% pro-forma.
- / Like-for-like gross profit growth of 18.8% in Q1 and 6.5% in Q2 due to covid-19, bottoming in April at over 3%, accelerating in May to over 5%, in June to over 11% and into the second half of 2020 in July to over 18%.
- / Operational EBITDA**** before central costs £20.5 million, up 69.2% reported, down 4.7% like-for-like and down 3.8% pro-forma, as the Company dealt with the impact of covid-19 by maintaining people levels and the human fabric of the firm and prioritised top-line growth. Headcount increased to 2,644 from 1,375 at the end of the first half last year, like-for-like headcount increased by 22%, to support the even stronger revenue and gross profit growth anticipated in second half and achieve expectations for 2020.
- / Operational EBITDA £18.0 million, up 86.8% reported, down 6.0% like-for-like and down 5.0% pro-forma.
- / Operating profit £2.5 million, which includes adjusting items of £13.8 million (acquisition expense, amortisation and share-based compensation), versus an operating loss of £6.2 million in 2019 and pro-forma operating profit of £3.0 million.
- / Result before income tax £0.1 million, which includes adjusting items, versus a loss of £8.5 million in 2019 and pro-forma result before income tax of £0.7 million.
- / Result for the period £0.5 million (loss) which includes adjusting items after taxation versus £8.8 million (loss) in 2019 and pro-forma result for the period of £0.1 million (loss).
- / Adjusted basic net result of 2.3p per ordinary share, up over 155%, versus 0.9p per share in the first half of last year.
- / Basic and diluted net result per share 0.1p (loss) which includes adjusting items after tax versus 2.5p (loss) in 2019 and pro-forma adjusted basic net result per share 0.0p.
- / Liquidity continued to strengthen despite the impact of covid-19, with net cash balances throughout almost all of the half-year, despite significant merger payments, with period end net cash***** £7.2 million, which, of course, excludes the £113 million net proceeds of the share placing which took place in July. Our revolver facilities have been increased to approximately £70 million from approximately £31 million, although our actual cash flows have exceeded even the most optimistic forecasts made at the peak of the covid-19 crisis in late March.
- / On 16 July, the Company announced the placing of 36,766,642 new ordinary shares at 315p, which represented a small premium to the then market price and raised approximately £113 million net proceeds, which will be used for further expansion, principally combinations, mergers and acquisitions.

Operational highlights

- / As the primarily analogue advertising holding companies are forecast to savage their head counts by 50,000 or so as their net revenues fell by between 10-26% in Q2 2020, prioritising revenue and gross profit growth at this early stage of the Company's development continues to be part of its strategy, boosted by substantial human capital investment, particularly given anticipated stronger second half momentum.
- / Part of our purpose is to provide jobs and long-term career opportunities for our people. We are growing S⁴Capital in a responsible and sustainable way, for the long-term benefit of all, making a meaningful difference and leaving a light footprint. Sustainability is an integral part of S⁴Capital's long-term business strategy, growing the world's brightest talent to create a skilled, diverse workplace and applying technology and our digital expertise for the greater good. Our strategy and activities are built around three pillars: Sustainable Production, Zero Impact Monastery and Diversity & Inclusion. In response to the recent appalling racist events in America, the Company has instituted a number of immediate programmes and changes – first to its recruitment and internal education programmes, secondly, with a matching contribution plan for a number of selected non-profits and lastly with the establishment of a Black Fellowship Programme for university graduates and S4 Scholars Programme for black high school students in the United States.
- / Client roster continues to be dominated by and strengthened in technology, as well as in fast moving consumer goods (FMCG), in telecommunications and in pharmaceuticals, both by practice and geography. Notable assignments in the first half of 2020 were won with Paypal, Dole Foods, Bumble, Verizon, Shopify and Twitch, the LA 2028 Olympics, a global consumer electronics company (NDA), a global automotive company (NDA) and a global FMCG (NDA) amongst others, as our new agency consultancy model gains traction. Continued inclusion in a growing number of major client reviews. Having achieved brand awareness and brand trial over the first two years of its existence, the Company has high hopes of adding two more “whoppers” to our roster of clients – that is, clients who represent more than \$20 million of revenue each year. We currently have two, Google and another well-known tech company (NDA), and a new one will be announced, we hope, very shortly. We have set a new client conversion target of “20²”, that is 20 clients with over \$20 million annual revenue.
- / By practice, Content gross profit up 109% reported, 14% like-for-like and over 15% pro-forma. Data & digital media up 18% reported, 7% both like-for-like and pro-forma.
- / By geography, the Americas gross profit up 87% reported, 13% like-for-like and 14% pro-forma. EMEA was up 43% reported, up 7% like-for-like and pro-forma. Asia-Pacific was up 87% reported, up 18% like-for-like and pro-forma.
- / Non-Executive Director and senior management appointments in the first half and third quarter including Miles Young.
- / Content and data capabilities added in Latin America, the United States, Spain and Australia in the first half through three combinations.
- / Further data, ecommerce and econometric and media optimisation capabilities added in the United States and the United Kingdom after the half year end through two combinations.

Outlook

- / Although below pre-covid-19 budgets, the second half of 2020 has started strongly in line with the Q1 and Q2 revised forecasts, with July like-for-like gross profit up 18.2% and pro-forma up 14.6%.
- / Given the progress in the first half of 2020 and July, the Company believes it has an even stronger fighting chance of doubling organically (meaning like-for-like) over the three years 2020-22 and delivering like-for-like double digit revenue and gross profit growth and reasonably strong margins in 2020. The Company's prospects for 2021 also look stronger given the organic growth rate, increasing client conversion at scale, significant merger activity and the likely post-covid-19 economic recovery from relatively low levels of covid-19 economic growth.
- / We continue to believe that the shape of the covid-19 recession is essentially a reverse square root, with a sharp fall followed by a sharp recovery, although not immediately to prior levels. Within this, there will be some V-shaped verticals like technology, healthcare, financials, in-home entertainment and online shopping. There will be U-shaped verticals like packaged goods and autos and there will be more L-shaped verticals like travel and hospitality. We also believe that Q2 2020 represents the low point (in our case in April 2020), with significant sequential improvements in Q3 and Q4, followed by a full-throated recovery in 2021, driven by a distributed vaccine or vaccines by Q2 of 2021.



Sir Martin Sorrell, Executive Chairman of S⁴Capital Plc said

“The tragedy of covid-19 has only accelerated the speed of digital transformation and disruption at consumer, media and enterprise levels. These results confirm that S⁴Capital is currently in a growth sweetspot and that its digital only, faster, better, cheaper, unitary, “holy trinity” model, which combines first party data with digital content, data and digital media, is migrating from brand awareness and trial to conversion at scale. After less than two years as a listed company and with a market capitalisation of around \$2.5 billion, which is well in to the top 200 FTSE companies, we are now in a position to build stronger value-adding relationships with tech, healthcare, financial and FMCG clients amongst others and with a strong and liquid balance sheet in a great financial place to expand through further combinations, which will add to our data, content, digital media and technological capabilities. We will continue to update the market on progress in reaching our new client conversion target of “20²”, that is 20 clients with over \$20 million of annual revenues.”

*Billings is gross billings to client including pass through costs

**Like-for-like relates to 2019 being restated to show the numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2020 applying currency rates as used in 2019

***Pro-forma numbers relate to unaudited full year non-statutory and non-GAAP consolidated results in constant currency as if the S⁴Capital Plc Group (the group) had existed in full for the year and have been prepared under comparable GAAP with no consolidation eliminations

****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 (also see note 13)

*****Net cash comprises cash minus bank loans

Results webcast and conference call

A webcast and conference call covering the results will be held today at 09:00 BST in London, followed by another webcast and call at 08:00 EDT / 13:00 BST. Both webcasts of the presentation will be available at www.s4capital.com during the event.

09:00 BST call - For dial in Q&A only:

UK: +44 (0)330 336 9411

US: +1 323-994-2093

Confirmation code: 9071519

08:00 EDT/13:00 BST call – For dial in Q&A only

UK: +44 (0)330 336 9411

US: +1 323-794-2590

Confirmation code: 6412423

Capital Markets ‘Day’

9, 10, 11 September

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About S⁴Capital

S⁴Capital 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, local clients and millennial-driven influencer brands. This will be achieved initially by integrating leading businesses in two practice areas: Data & digital media and Content, 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. S⁴Capital 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%. It is anticipated that in 2020, total global advertising spend will shrink to approximately \$500-550 billion, driven by a fall in traditional media advertising expenditure. However digital advertising spend is expected to remain constant or increase slightly and therefore improve its market share of total advertising spend to over 50% for the first time.

S⁴Capital 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 digital media solutions provider for future thinking marketers and agencies, led by Peter Kim and Christopher S. Martin, in December 2018.

In April 2019, MightyHive combined 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 combination with Australia-based BizTech, a leading marketing transformation and customer experience company. In August 2019, MediaMonks combined with Amsterdam-based digital influencer marketing agency IMA. In October 2019, MediaMonks combined 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 combined with award-winning UK-based digital analytics, biddable media and data science company ConversionWorks and South Korea-based data consultancy MightyHive Korea (formerly Datalicious). In November 2019, MediaMonks announced its combination with Delhi-based content creation and production company WhiteBalance (completed in August 2020 – the delay due to necessary merger clearance procedures) and then with fully integrated digital agency Circus Marketing in January 2020 (completed in March 2020).

In May 2020, MightyHive announced a combination with Digodat, one of the leading Latin American data consultancies, and in June 2020, MightyHive announced its combination with Lens10, a leading Australian digital strategy and analytics consultancy. In July 2020, MightyHive announced a combination with Orca Pacific, a market leading full-service Amazon agency and boutique consultancy firm based in Seattle. In August 2020, MightyHive announced a combination with London-based Brightblue, an econometric and media optimisation consultancy.

On 16 July 2020 S⁴Capital announced the successful placing of 36,766,642 new ordinary shares at a price of 315p raising approximately £116m gross proceeds which will be used for further expansion and M&A purposes.

Victor, Wesley, Pete, Christopher and Peter Rademaker (formerly Chief Financial Officer of MediaMonks, now Chief Financial Officer of S⁴Capital), all joined the S⁴Capital Board as Directors. The S⁴Capital 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 over 2,650 people in 30 countries across the Americas, Europe, the Middle East and Africa and Asia-Pacific and a current market capitalisation of approximately £1.9 billion (c.\$2.6 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 less than £8 billion. Prior to that Sir Martin was Group Financial Director of Saatchi & Saatchi Company Plc for nine years.

Summary of results

	Notes	Six months ended 30 Jun 2020 GBP'000	Six months ended 30 Jun 2019 GBP'000	Year ended 31 Dec 2019 GBP'000	Like-for-like ¹ Six months ended 30 Jun 2019 GBP'000	Proforma ² Six months ended 30 Jun 2020 GBP'000	Proforma Six months ended 30 Jun 2019 GBP'000
Revenue	5	141,344	87,972	215,132	132,168	144,449	133,941
Cost of sales		17,375	17,787	43,814	21,678	17,375	21,707
Gross profit	5	123,969	70,185	171,318	110,490	127,074	112,234
Content		94,410	45,215	113,365	82,818	97,515	84,562
Data & Digital media		29,559	24,970	57,953	27,672	29,559	27,672
America's		88,818	47,411	117,063	78,569	91,672	80,223
EMEA		23,991	16,798	40,765	22,473	24,242	22,563
Asia-Pacific		11,160	5,976	13,490	9,448	11,160	9,448
Total operating expenses		121,477	76,414	175,153	107,470	124,025	108,836
Operating profit / (loss)		2,492	(6,229)	(3,835)	3,020	3,049	3,398
Adjusted operating profit		16,265	8,736	31,148	18,108	16,823	18,486
Adjusting items	13	(13,773)	(14,965)	(34,983)	(15,088)	(13,773)	(15,088)
Operating profit / (loss)		2,492	(6,229)	(3,835)	3,020	3,049	3,398
Net finance expenses		(2,374)	(2,261)	(5,360)	(2,056)	(2,356)	(2,056)
Profit / (loss) before income tax		118	(8,490)	(9,195)	964	693	1,342
Adjusted result before income tax		13,891	6,475	25,788	16,052	14,466	16,430
Adjusting items	13	(13,773)	(14,965)	(34,983)	(15,088)	(13,773)	(15,088)
Profit / (loss) before income tax		118	(8,490)	(9,195)	964	693	1,342
Income tax expense		(641)	(329)	(845)	(1,218)	(751)	(1,358)
Loss for the period		(523)	(8,819)	(10,040)	(254)	(58)	(16)
Adjusted result for the period		10,894	3,288	18,986	11,655	11,360	11,893
Adjusting items	13	(13,773)	(14,965)	(34,983)	(15,088)	(13,773)	(15,088)
Tax on adjusting items		2,356	2,858	5,957	3,179	2,356	3,179
Loss for the period		(523)	(8,819)	(10,040)	(254)	(58)	(16)
Operating profit / (loss)		2,492	(6,229)	(3,835)	3,020	3,049	3,398
Adjusting items	13	13,773	14,965	34,983	15,088	13,773	15,088
Depreciation (excl. right-of-use assets)		1,719	890	2,260	1,025	1,719	1,025
Operational EBITDA		17,984	9,626	33,408	19,133	18,543	19,511
Central costs		2,493	2,475	5,817	2,361	2,493	2,361
Operational EBITDA before central costs		20,477	12,101	39,225	21,494	21,036	21,872
Weighted average number of shares in issue for the purpose of basic and adjusted net result per share		465,697,844	348,354,880	368,067,622	465,697,844	474,908,603	474,908,603
Net result attributable to equity owners of the company (GBP'000)		(523)	(8,819)	(10,040)	(254)	(58)	(16)
Basic net result per share (pence)		(0.1)	(2.5)	(2.7)	(0.1)	(0.0)	(0.0)
Diluted net result per share (Pence)		(0.1)	(2.5)	(2.7)	(0.1)	(0.0)	(0.0)
Adjusted result for the period		10,894	3,288	18,986	11,655	11,360	11,893
Adjusted basic net result per share (pence)		2.3	0.9	5.2	2.5	2.4	2.5

- Notes:
- Like-for-like is a non-GAAP measure relates to 2019 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2020 applying currency rates as used in 2020;
 - Proforma 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.

3. The key risks for the company achieving their objectives remain the same as at year end and can be found on page 21 up to and including page 26 of the Annual Report and Accounts 2019.

S⁴Capital is proud to report strong statutory, like-for-like and pro-forma revenue and gross profit growth for the first six months of 2020, despite the impact of covid-19. We still believe, that despite the pandemic, we have a fighting chance of achieving our target of doubling the size of the Company organically by 2022.

Billings were £260.4 million, up 41.4% on a reported basis, up 12.7% on a like-for-like basis and 12.8% on a pro-forma basis. Controlled Billings were approximately \$1.3 billion.

Revenue was £141.3 million, up 60.7% from £88.0 million on a reported basis, up 6.9% on a like-for-like basis and up 7.8% on a pro-forma basis, partially reflecting the weakness of the pound sterling against the US dollar in the first half of 2020 in comparison to the first half of 2019.

Reported gross profit was £124.0 million, up 76.6% from £70.2 million for the comparable period in 2019, up 12.2% like-for-like and up 13.2% pro-forma.

Like-for-like gross profit growth decelerated from 18.8% in Q1 to 6.5% in Q2 due to covid-19, but bottomed in April at 3.4% and accelerated to 11.2% in June and 18.2% in July, just below where it was in February.

Operational Earnings Before Interest, Taxes, Depreciation and Amortisation ('EBITDA') before S⁴Capital central costs was £20.5 million versus £12.1 million, an increase of 69.2%, primarily reflecting a covid-19-driven reduction in freelance, travel and office costs and despite an increase of 22% in the like-for-like headcount in the first half from 1,375 people to 2,644 people at the end of the first half. As outlined in both the First Quarter Trading Statement of 7 May 2020 and the AGM statement of 8 June 2020, the Group has continued to invest heavily in human capital, as it geared up for even greater expansion in the second half of the year as a result of stronger client demand and geographic and practice expansion. This will support even stronger anticipated revenues and gross profit growth in the second half of 2020, which have already been signaled in the strong results for July.

Operational EBITDA was £18.0 million up 86.8%, compared to £9.6 million for the comparable period last year on a reported basis. Operational EBITDA was down 6% on a like-for-like basis and down 5% on a pro-forma basis.

Adjusted operating profit was up 86.2% at £16.3 million on a reported basis, before adjusting items of £13.8 million, including non-recurring items, share-based compensation and amortisation of certain intangible assets. Like-for-like adjusted operating profit was down 10.2% and pro-forma adjusted operating profit was down 9.0%, primarily reflecting the impact of covid-19 and the increase in like-for-like number of people in the firm, as the Company geared up for a stronger second half.

Adjusted profit before income tax was £13.9 million, up 114.6% versus £6.5 million in the comparable period last year. On a like-for-like basis adjusted result before income tax was down 13.5% and down 12.0% on a pro-forma basis.

Adjusted profit for the period was £10.9 million, up 231.4% on a reported basis, but down 6.5% on a like-for-like basis and down 4.5% on a pro-forma basis.

Adjusted basic net result was 2.3p per share, versus adjusted basic net result per share of 0.9p in the first half of 2019.

The Board has decided that there will be no interim dividend declared for the first half of 2020, although it continues to review the advisability of declaring a modest dividend in future.

Gross profit, Operational EBITA and Operational EBITA margins by practice

Content practice gross profit was £94.4 million (76% of total gross profit), up 108.8% on a reported basis from last year. Gross profit on a like-for-like basis was up 14.0% and up 15.3% on a pro-forma basis.

Data & digital media practice gross profit was £29.6 million (24% of total gross profit), up 18.4%, from last year on a reported basis. Gross profit on a like-for-like and pro-forma basis was up 6.8%.

Content practice operational EBITDA before S⁴Capital central costs was £15.5 million, up 73% from last year, which was an easier comparative period and reflected the impact of several combinations and down 11% on a like-for-like basis and down 10% on a pro-forma basis, reflecting the impact of covid-19. The Content practice operational EBITDA margin was 16.4%, compared to 19.9% last year, reflecting increased investment in human capital to maintain the fabric of the Company during covid-19 and prepare for a stronger second half.

Data & digital media practice operational EBITDA before S⁴Capital central costs was £5.0 million, up 60% from last year and up over 24% on both a like-for-like and proforma basis, reflecting a very strong comparative first half in 2019, the impact of covid-19 on US operations in the first half and the increased investment in human capital to prepare for a stronger second half. Data & digital media practice operational EBITDA margin was 16.9%, compared to 12.5% last year, reflecting a fall in travel, office and other operating expenses during covid-19.

Gross Profit by Geography

Americas (72% of total) was £88.8 million, up 87.3% on a reported basis from last year. On a like-for-like basis Americas gross profit was up 13.0% and up 14.3% on a pro-forma basis reflecting the relative resilience and agility of our two practices in the United States and Canada and the strength of our market position in Latin America.

EMEA (19% of total gross profit) was £24.0 million, up 42.8% from last year on a reported basis. On a like-for-like basis EMEA gross profit was up 6.8% and up 7.4% on a pro-forma basis reflecting the severity of the impact of covid-19 in Q2 in the key markets of EMEA.

Asia Pacific (9% of total) was £11.2 million, up 86.7% on a reported basis. On a like-for-like and pro-forma basis Asia Pacific gross profit was up 18.1% reflecting the relatively rapid recovery in the region's major markets from the earlier impact of covid-19.

Client activity, development and integration

There has been strong individual Content practice and Data & digital media practice client development in FMCG, pharmaceutical, media, financial services, telecommunications, hospitality, retail, sport and technology. High profile wins during the first half have included PayPal, Bumble, Dole Foods, Verizon, Shopify, Twitch, the LA 2028 Olympics, a global consumer electronics company (NDA), a global automotive company (NDA) and a global FMCG (NDA).

Significant developments continue at Google, Procter & Gamble, LinkedIn, Facebook, Netflix, Uber, Sprint, Bayer, Electrolux, HP, Amazon, a global pharmaceutical company (NDA) and a global consumer electronics company (NDA) amongst others. The Company is increasingly being included in a number of major industry reviews, reflecting the client interest in the new era, new age agency consultancy model. We have high hopes of adding two more "whoppers" to our roster of clients - that is clients who represent more than \$20 million of revenue each year. We currently have two, Google and another well-known tech company (NDA), and a new one will be announced, we hope, very shortly. We have set a new client conversion target of "20²", that is 20 clients with over \$20 million annual revenue.

There has been significant joint and integrated activity in the auto, durables, healthcare, FMCG, financial services, media, retail, sports, telecommunications and technology areas.

The first office integrations have been implemented successfully in Amsterdam, Buenos Aires and Singapore and following the impact of covid-19 escalated integrations are being planned in all of the 46 cities that the Company operates in, dependent on the expiration dates of existing leases. Cross-functional geographic co-operation continues to be significant. In addition, the Company is implementing sales pipeline and HR tooling to underpin its unitary structure. First steps are being taken to implement unified ERP tooling.

Merger and acquisition activity

This year has seen significant activity, with five transactions aimed at continuing to build our Content capabilities and building out our data and key platform capabilities and resources. After the onset of covid-19 in March, one of the objectives was to try to maintain a strong balance sheet and not be overly ambitious at this stage given the uncertainties triggered by the pandemic.

In January, the Content practice division built around MediaMonks combined with Circus Marketing a fully integrated digital agency with offices in Mexico, Brazil, Argentina, Colombia, Costa Rica and Chile in Latin America, Los Angeles in the United States and in Spain. Clients include Netflix, Spotify, Google, Facebook, Uber and others on its A-list roster.

In May, the Data & digital media practice built around MightyHive combined with Digodat, one of the leading Latin American data consultancies, with offices in Argentina, Colombia, Chile, and Mexico and clients including Google, Telecom Argentina, Banco Galicia, Cencosud, BBVA, Grupo Falabella and Intercorp.

In June, the same practice announced its combination with Lens10, a leading Australian digital strategy and analytics consultancy with offices in Australia and clients including CottonOn, National Rugby League, Australian Ballet and ME Bank.

After the end of the first half of 2020, in July, MightyHive announced its combination with Orca Pacific, a market leading full-service Amazon agency and boutique consultancy based in Seattle and clients including Reebok, Uni-ball, OshKosh B'gosh, Godiva, Del Monte and Kenroy Home.

Finally, towards the end of August, MightyHive combined with BrightBlue Consulting, a London-based econometrics and media optimisation consultancy, with clients including the Coop, Royal Mail, Secret Escapes, Hiscox, NHS, LV, and Habito. The last four combinations have significantly added to MightyHive's service capabilities, not only expanding its geographical reach in Latin America, Asia Pacific, the United States and the United Kingdom, but also functionally in data, analytics and econometrics, complementing its digital media.

In all cases total consideration paid or payable was approximately half in cash and half in S⁴Capital Ordinary Shares, with a two-year lock-up from date of issue. Multiples paid were in the range of approximately 1-2 times revenues and 5-10 times EBITDA, depending on current and forecast performance over the current and/or following year, with no earnouts. The total consideration for all five transactions is expected to be approximately £119 million. The merger pipeline is extremely strong in both Content and Data & digital media.

To further strengthen the Company's balance sheet and to provide flexibility in securing financing for opportunities that may occur as a result of the disruption caused by covid-19, the Company announced in July the successful placing of 36,766, 642 (7.5% of the enlarged ordinary share capital) new ordinary shares at 315p, a small premium to the then market price. This raised a further net £113 million cash to add to the Company's resources and financial strength.

Balance sheet liquidity

Liquidity remains strong with half-year end net cash around £7.2 million, which excludes the net cash proceeds of around £113 million from the recent share placing.

S⁴Capital remains content to contemplate leverage of up to approximately twice EBITDA, as indicated previously.

Outlook and July results

Like for like growth rates continue to accelerate, with July's revenue and gross profit up 6.9% and 18.2%, just below where it was in February.

As anticipated in the Company's pre-covid-19 budget and Q1 and Q2 revised forecasts, the second half is targeted to be even stronger and has started very well.

Unaudited consolidated interim statement of profit or loss

for the six month period ended 30 June 2020

	<i>Notes</i>	Six months ended 30 Jun 2020 <i>GBP'000</i>	Six months ended 30 Jun 2019 <i>GBP'000</i>	Year ended 31 Dec 2019 <i>GBP'000</i>
Revenue	5	141,344	87,972	215,132
Cost of sales		17,375	17,787	43,814
Gross profit	5	123,969	70,185	171,318
Personnel costs		92,412	46,606	111,572
Other operating expenses		14,278	12,145	25,803
Acquisition and set-up related items	13	(1,805)	7,358	12,806
Depreciation and amortisation		16,592	10,305	24,972
Total operating expenses		121,477	76,414	175,153
Operating profit / (loss)		2,492	(6,229)	(3,835)
Adjusted operating profit		16,265	8,736	31,148
Adjusting items	13	(13,773)	(14,965)	(34,983)
Operating profit / (loss)		2,492	(6,229)	(3,835)
Finance income		-	-	20
Finance expenses		(2,374)	(2,261)	(5,380)
Net finance expenses		(2,374)	(2,261)	(5,360)
Profit / (loss) before income tax		118	(8,490)	(9,195)
Income tax expense		(641)	(329)	(845)
Loss for the period		(523)	(8,819)	(10,040)
Attributable to owners of the Company		(523)	(8,819)	(10,040)
Attributable to non-controlling interests		-	-	-
		(523)	(8,819)	(10,040)
Loss per share is attributable to the ordinary equity holders of the Company				
Basic loss per share <i>(pence)</i>	7	(0.1)	(2.5)	(2.7)
Diluted loss per share <i>(pence)</i>	7	(0.1)	(2.5)	(2.7)

Unaudited consolidated interim statement of comprehensive income

for the six month period ended 30 June 2020

	Six months ended 30 Jun 2020 <small>GBP'000</small>	Six months ended 30 Jun 2019 <small>GBP'000</small>	Year ended 31 Dec 2019 <small>GBP'000</small>
Loss for the period	(523)	(8,819)	(10,040)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Foreign operations – foreign currency translation differences	34,341	1,494	(20,620)
	34,341	1,494	(20,620)
Total comprehensive gain / (loss) for the period	33,818	(7,325)	(30,660)
Attributable to owners of the company	33,818	(7,325)	(30,660)
Attributable to non-controlling interests		-	-
	33,818	(7,325)	(30,660)

Unaudited consolidated interim balance sheet

as at 30 June 2020

	<i>Notes</i>	Six months ended 30 Jun 2020 <i>GBP'000</i>	Six months ended 30 Jun 2019 ¹ <i>GBP'000</i>	Year ended 31 Dec 2019 ¹ <i>GBP'000</i>
Assets				
Non-current assets				
Intangible assets	8	611,962	404,646	540,129
Right-of-use assets		23,127	16,159	25,779
Property, plant and equipment		12,880	5,692	9,730
Deferred tax assets		993	190	1,086
Other receivables		2,606	2,033	2,731
		651,568	428,720	579,455
Current assets				
Trade and other receivables	9	120,409	95,589	126,353
Cash and cash equivalents		84,972	26,944	66,106
		205,381	122,533	192,459
Total assets		856,949	551,253	771,914
Liabilities				
Non-current liabilities				
Loans and borrowings	10	45,800	46,253	42,374
Lease liabilities		17,579	9,844	18,787
Contingent considerations		410	16	3,669
Other payables		2,159	2,089	2,007
Deferred tax liabilities		56,446	40,563	54,834
		122,394	98,765	121,671
Current liabilities				
Trade and other payables	11	124,949	95,322	118,014
Loans and borrowings	10	31,935	-	-
Contingent considerations and holdbacks		15,858	8,013	51,202
Lease liabilities		6,769	6,468	7,975
Tax liabilities		13,475	5,548	6,751
		192,986	115,351	183,942
Total liabilities		315,380	214,116	305,613
Net assets		541,569	337,137	466,301
Equity				
Attributable to owners of the company				
Share capital		122,530	91,038	117,307
Reserves		418,939	245,999	348,894
		541,469	337,037	466,201
Non-controlling interests		100	100	100
Total equity		541,569	337,137	466,301

Note:

1. Restated for the initial accounting for the business combination of MightyHive Inc.

Unaudited consolidated interim statement of cash flows

for the six month period ended 30 June 2020

	Six months ended 30 Jun 2020	Six months ended 30 Jun 2019	Year ended 31 Dec 2019
<i>Notes</i>	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Cash flows from operating activities			
Profit / (loss) before income tax	118	(8,490)	(9,195)
Finance income and expenses	2,374	2,262	5,360
Depreciation and amortisation	16,592	10,305	24,972
Share based compensation	6,141	1,319	7,177
Decrease / (increase) in trade and other receivables	11,936	(14,184)	(31,288)
Increase in trade and other payables	405	22,464	35,116
Cash flows from operations	37,566	13,676	32,142
Income taxes paid	(1,246)	(2,147)	(7,571)
Net cash flows from operating activities	36,320	11,529	24,571
Cash flows from investing activities			
Investments in intangible assets	(49)	-	(1,578)
Investments in property, plant and equipment	(4,192)	(947)	(7,865)
Acquisition of subsidiaries, net of cash acquired	(40,876)	(2,571)	(56,954)
Financial fixed assets	192	(592)	(779)
Cash flows from investing activities	(44,925)	(4,110)	(67,176)
Cash flows from financing activities			
Proceeds from issuance of shares	126	-	97,451
Amount draw down during the period	31,025	-	22,418
Payment of lease liabilities and interest	(5,688)	(4,494)	(6,687)
Repayments of loans and borrowings	-	-	(24,119)
Interest paid	(474)	(1,105)	(4,744)
Cash flows from financing activities	24,989	(5,599)	84,319
Net movement in cash and cash equivalents	16,384	1,820	41,714
Cash and cash equivalents beginning of the period	66,106	25,005	25,005
Exchange gain / (loss) on cash and cash equivalents	2,482	119	(613)
Cash and cash equivalents at end of period	84,972	26,944	66,106

Unaudited consolidated interim statement of changes in equity

for the six month period ended 30 June 2020

Equity	Number of shares	Share capital GBP'000	Share premium GBP'000	Merger reserves GBP'000	Other reserves GBP'000	Foreign exchange reserves GBP'000	Retained losses GBP'000	Total GBP'000	Non-controlling interests GBP'000	Total equity GBP'000
Balance at 1 January 2019	363,396,923	90,849	52,871	205,717	(847)	1,870	(8,266)	342,194	100	342,294
Comprehensive loss for the period										
Loss for the period	-	-	-	-	-	-	(8,819)	(8,819)	-	(8,819)
Foreign currency translation differences	-	-	-	-	-	1,494	-	1,494	-	1,494
Transactions with owners of the company										
Issue of Ordinary Shares	600,673	150	694	-	-	-	-	844	-	844
Employee share schemes	155,689	39	64	-	-	-	1,221	1,324	-	1,324
Balance at 30 June 2019	364,153,285	91,038	53,629	205,717	(847)	3,364	(15,864)	337,037	100	337,137
Comprehensive loss for the period										
Loss for the period	-	-	-	-	-	-	(1,221)	(1,221)	-	(1,221)
Foreign currency translation differences	-	-	-	-	-	(22,114)	-	(22,114)	-	(22,114)
Transactions with owners of the company										
Issue of Ordinary Shares	104,723,961	26,181	120,488	-	-	-	-	146,669	-	146,669
Employee share schemes	350,013	88	185	-	(313)	-	5,870	5,830	-	5,830
Balance as at 31 December 2019	469,227,259	117,307	174,302	205,717	(1,160)	(18,750)	(11,215)	466,201	100	466,301
Comprehensive loss for the period										
Loss for the period	-	-	-	-	-	-	(523)	(523)	-	(523)
Foreign currency translation differences	-	-	-	-	-	34,341	-	34,341	-	34,341
Transactions with owners of the company										
Issue of Ordinary Shares	20,275,846	5,068	30,364	-	(250)	-	-	35,182	-	35,182
Employee share schemes	619,074	155	390	-	(426)	-	6,149	6,268	-	6,268
Balance as at 30 June 2020	490,122,179	122,530	205,056	205,717	(1,836)	15,591	(5,589)	541,469	100	541,569

Notes to the unaudited consolidated interim financial statements

for the six month period ended 30 June 2020

1. General information

S⁴Capital Plc ('S⁴Capital' or 'Company') is a public limited company incorporated on 14 November 2016 in the United Kingdom. The Company has its registered office at 12 St James's Place, London, SW1A 1NX, United Kingdom.

The unaudited consolidated interim financial statements represent the results of the Company and its subsidiaries (together referred to as 'S⁴Capital Group' or the 'Group'). An overview of the subsidiaries is provided in note 14 on page 108 of the Annual Report and Accounts 2019.

S⁴Capital Group is a new age/new era digital advertising and marketing services company.

2. Basis of preparation

A. Statement of compliance

The unaudited consolidated interim financial statements is a condensed set of financial information and has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. They have been prepared in accordance with IAS 34, Interim Financial Reporting.

The unaudited consolidated interim financial statements were authorized for issue by the Board of Directors on 9 September 2020.

B. Functional and presentation currency

The unaudited consolidated interim financial statements are presented in pounds sterling (GBP or £), the Company's functional currency. All financial information in pounds sterling has been rounded to the nearest thousand unless otherwise indicated.

3. Significant accounting policies

The unaudited consolidated interim financial statements have been prepared on a consistent basis with the accounting policies of the Group which were set out on pages 87 to 95 of the Annual Report and Accounts 2019. No changes have been made to the Group's accounting policies in the period ended 30 June 2020.

Certain new accounting standards and interpretations have been published that are not mandatory for the six-month reporting period ending 30 June 2020 and have not yet been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4. Statutory information and independent review

The unaudited consolidated interim financial statements for the six month period ended 30 June 2020 and the financial information for the year ended 31 December 2019 do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2019 have been delivered to the Registrar of Companies and received an unqualified auditors' report, did not include a reference to any matters to which the auditors drew attention by way of an emphasis of matter and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006. The consolidated interim financial statements are unaudited but have been reviewed by the auditors and their report is set out below at the end of the document.

5. Segment information

A. Revenue from operations

	Six months ended 30 Jun 2020 <small>GBP'000</small>	Six months ended 30 Jun 2019	Year ended 31 Dec 2019
		<small>GBP'000</small>	<small>GBP'000</small>
Services	141,344	87,972	215,132
Total	141,344	87,972	215,132

B. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the Directors and executive management of S⁴Capital Group.

During the period, S⁴Capital Group has been active in two segments.

- / Content: Creative content, campaigns and assets at a global scale for paid, social and earned media – from digital platforms and apps to brand activations that aim to convert consumers at every possible touchpoint.
- / Data & digital media: this technology and services practice encompasses full-service campaign management analytics, creative production and ad serving, platform and systems integration and transition and training and education.

The customers are businesses across various industries.

The Directors and executive management monitor the results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment prior to charges for tax, depreciation and amortisation.

During the reporting period management changed the name of Programmatic to Data & digital media. The activities of the segment remain the same.

During the period, S⁴Capital Group has not been active in the first-party data practice. Operating segment information under the primary reporting format is disclosed below:

	First-party data <i>GBP'000</i>	Content <i>GBP'000</i>	Data & digital media <i>GBP'000</i>	Total <i>GBP'000</i>
Six months ended 30 June 2020				
Gross profit	-	94,410	29,559	123,969
Segment profit	-	15,491	4,987	20,478
Overhead cost				(2,493)
Adjusted non-recurring and acquisition related expenses				(13,773)
Depreciation ¹ and amortisation				(1,719)
Finance expenses				(2,375)
Profit before income tax				118

¹ Depreciations is exclusive of depreciation on right-of-use assets.

	First-party data <i>GBP'000</i>	Content <i>GBP'000</i>	Data & digital media <i>GBP'000</i>	Total <i>GBP'000</i>
Six months ended 30 June 2019				
Gross profit	-	45,215	24,970	70,185
Segment profit	-	8,980	3,121	12,101
Overhead cost				(2,475)
Adjusted non-recurring and acquisition related expenses				(8,676)
Depreciation ¹ and amortisation				(7,179)
Finance expenses				(2,261)
Loss before income tax				(8,490)

¹ Depreciations is exclusive of depreciation on right-of-use assets.

	First-party data <i>GBP'000</i>	Content <i>GBP'000</i>	Data & digital media <i>GBP'000</i>	Total <i>GBP'000</i>
Year ended 31 December 2019				
Gross profit	-	113,365	57,953	171,318
Segment profit	-	25,570	13,654	39,224
Overhead cost				(5,817)
Adjusted non-recurring and acquisition related expenses				(19,983)
Depreciation ¹ and amortisation				(17,259)
Finance expenses				(5,360)
Loss before income tax				(9,195)

¹ Depreciations is exclusive of depreciation on right-of-use assets.

6. Income tax

	Six months ended 30 Jun 2020 <small>GBP'000</small>	Six months ended 30 Jun 2019 <small>GBP'000</small>	Year ended 31 Dec 2019 <small>GBP'000</small>
Current tax for the year	(3,004)	(1,798)	(4,022)
Adjustments for current tax of prior years	7	(1)	(36)
Total current tax	(2,997)	(1,799)	(4,058)
Decrease in deferred tax	2,356	1,470	3,213
Income tax expense	(641)	(329)	(845)

7. Earnings per share

	Six months ended 30 Jun 2020	Six months ended 30 Jun 2019	Year ended 31 Dec 2019
Loss attributable to shareowners of the company <small>(GBP'000)</small>	(523)	(8,819)	(10,040)
Weighted average number of ordinary shares	465,697,844	348,354,880	368,067,622
Basic loss per share	(0.1)	(2.5)	(2.7)
Diluted loss per share	(0.1)	(2.5)	(2.7)

Earnings per share is calculated by dividing the net result attributable to the shareowners of the S⁴Capital Group by the weighted average number of Ordinary Shares in issue during the period.

8. Intangible assets

	Goodwill <small>GBP'000</small>	Customer relationships <small>GBP'000</small>	Brands <small>GBP'000</small>	Order Backlog <small>GBP'000</small>	Other <small>GBP'000</small>	Total <small>GBP'000</small>
Cost	238,237	151,224	13,910	4,381	1,946	409,698
Accumulated amortisation	-	(3,139)	(213)	(4,201)	(9)	(7,562)
Net book value at 1 January 2019	238,237	148,085	13,697	180	1,937	402,136
Acquired through business combinations	6,027	1,059	-	-	1	7,087
Amortisation charge for the year	-	(5,438)	(473)	(178)	(199)	(6,288)
Foreign exchange differences	1,531	167	14	(2)	1	1,711
Total transactions during the period	7,558	(4,212)	(459)	(180)	(197)	2,510
Cost	245,795	152,450	13,924	4,379	1,948	418,496
Accumulated amortisation	-	(8,577)	(686)	(4,379)	(208)	(13,850)
Net book value at 30 June 2019	245,795	143,873	13,238	-	1,740	404,646
Acquired through business combinations	100,583	65,172	2,082	1,098	2,589	171,524
Additions	-	-	-	-	1,578	1,578
Amortisation charge for the year	-	(6,579)	(644)	(1,034)	(455)	(8,712)
Foreign exchange differences	(17,542)	(10,358)	(695)	(64)	(248)	(28,907)
Total transactions during the period	83,041	48,235	743	-	3,464	135,483
Cost	328,836	206,706	15,276	5,464	6,364	562,646
Accumulated amortisation	-	(14,598)	(1,295)	(5,464)	(1,160)	(22,517)
Net book value at 31 December 2019	328,836	192,108	13,981	-	5,204	540,129
Acquired through business combinations	40,111	-	-	-	-	40,111
Additions	-	-	-	-	49	49
Amortisation charge for the year	-	(7,874)	(819)	-	(745)	(9,438)
Foreign exchange differences	25,738	14,001	1,008	-	364	41,111
Total transactions during the period	65,849	6,127	189	-	(332)	71,833
Cost	394,685	222,046	16,405	5,863	6,887	645,886
Accumulated amortisation	-	(23,811)	(2,235)	(5,863)	(2,015)	(33,924)
Net book value at 30 June 2020	394,685	198,235	14,170	-	4,872	611,962

BizTech Group

On 20 December 2019, MediaMonks acquired the assets from BizTech Australia and 100% of the shares in BizTech Enterprise Solutions Canada Ltd. BizTech is an Adobe and digital transformation specialist. The transaction with BizTech Kazakhstan and BizTech Russia is expected to close in the third quarter of 2020. The initial accounting for the business combination of the BizTech Group was incomplete by the end of the six-month reporting period ended 30 June 2020. At the end of the reporting period, the identifiable intangibles acquired were not identified, are consequently not measured and are therefore not deducted from goodwill. During the measurement period in 2020, S⁴Capital Group will obtain the information necessary to identify and measure the identifiable intangible assets and retrospectively adjust the provisional amounts recognised at the acquisition date.

Circus Marketing

On 8 January 2020, S⁴Capital Plc announced the combination of MediaMonks with the fully integrated digital agency Circus Marketing for a total consideration of USD 53.3 million. The combination was completed on 12 March 2020. The initial accounting for the business combination of the Circus Marketing Group was incomplete by the end of the six-month reporting period ended 30 June 2020. Since the acquisition date, Circus Marketing contributed GBP 10.1 million to the Group's revenue and GBP 1.5 million into the Group's profit for the six-month reporting period ended 30 June 2020 and added approximately GBP 2.3 million of net assets to the balance sheet of the Group. At the end of the reporting period, the identifiable intangibles acquired were not identified, are consequently not measured and are therefore not deducted from goodwill. During the measurement period in 2020, S⁴Capital Group will obtain the information necessary to identify and measure the identifiable intangible assets and retrospectively adjust the provisional amounts recognized at the acquisition date.

9. Trade and other receivables

	Six months ended 30 Jun 2020 <i>GBP'000</i>	Six months ended 30 Jun 2019 <i>GBP'000</i>	Year ended 31 Dec 2019 <i>GBP'000</i>
Trade receivables	108,830	89,021	119,632
Prepayments	3,921	1,980	2,073
Accrued income	5,355	2,096	3,790
Other receivables	2,303	2,492	858
Total	120,409	95,589	126,353

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. A provision for expected credit loss of GBP 2.0 million was recognised on the Group's trade receivables at the end of the period (30 June 2019 GBP 1.2 million, 31 December 2019 GBP 1.4 million).

10. Loans and borrowings

Loans and borrowings	Bank loans <i>GBP'000</i>	Transaction costs <i>GBP'000</i>	Total <i>GBP'000</i>
Principal amount	46,516	(975)	45,541
Accumulated charges to profit or loss	-	97	97
Balance as at 1 January 2019	46,516	(878)	45,638
Charged to profit-or-loss	-	98	98
Exchange rate differences	519	(2)	517
Total transactions during the period	519	96	615
Principal amount	47,035	(977)	46,058
Accumulated charges to profit or loss	-	195	195
Balance as at 30 June 2019	47,035	(782)	46,253
Additions	22,418	(205)	22,213
Repayments	(24,119)	-	(24,119)
Charged to profit-or-loss	-	110	110
Exchange rate differences	(2,119)	36	(2,083)
Total transactions during the period	(3,820)	(59)	(3,879)
Principal amount	43,215	(1,134)	42,081
Accumulated charges to profit-or-loss	-	293	293
Balance as at 31 December 2019	43,215	(841)	42,374
Additions	31,025	25	31,050
Repayments	-	-	-
Charged to profit-or-loss	-	126	126
Exchange rate differences	4,293	(109)	4,184
Total transactions during the period	35,318	42	35,360
Principal amount	78,533	(1,240)	77,293
Accumulated charges to profit-or-loss	-	442	442
Balance as at 30 June 2020	78,533	(798)	77,735
Repayment obligations coming 12 months	31,935	-	31,935
Non-current balance as at 30 June 2020	46,598	(798)	45,800

As of 6 July 2018, S⁴Capital Group signed a facility agreement, consisting of:

- / A EUR 25.0 million term loan facility
- / A USD 28.9 million term loan facility; and
- / A multicurrency Revolving Credit Facility (RCF) of EUR 35 million, which was fully drawn at the end of the reporting period (31 December 2019 nil, 31 December 2018 EUR 2 million was drawn).

The interest of the facilities is the aggregate of the variable interest rate (LIBOR or, in relation to any loan in euro, EURIBOR) and a margin based on leverage (between 1.25% and 3.00%). During the reporting period, the average interest rate of the outstanding loans amounts to 1.71% (six month period ending 30 June 2019 3.32%, 12 month period ending 31 December 2019 2.92%). The average effective interest rate for the outstanding loans is 1.65% (six month period ending 30 June 2019 3.22%, 12 month period ending 31 December 2019 2.84%) and during the period interest expense of GBP 0.6 million (six month period ending 30 June 2019 1.0 million, 12 month period ending 31 December 2019 GBP 2.0 million) million was recognised.

The duration of the facility agreement is five years; therefore, the termination date of the facility agreement is 6 July 2023. S⁴Capital Group shall repay each of the loans in full on the termination date.

The bank loans impose certain covenants on the Group. The loan agreement states that (subject to certain exceptions) S⁴Capital Group will not provide any other security over its assets and receivables and will ensure that the following financial ratios, measured at the end of any relevant period of 12 months ending each semi-annual date in a financial year commencing on 30 June 2019, are met:

- / net debt will not exceed 300% of the earnings before interest, tax, depreciation and amortisation; and
- / net finance charges will not exceed 300% of the earnings before interest, tax, depreciation and amortisation.

During the period S⁴Capital Group is in compliance with these covenants.

11. Trade and other payables

	Six months ended 30 Jun 2020 GBP'000	Six months ended 30 Jun 2019 GBP'000	Year ended 31 Dec 2019 GBP'000
Trade payables	85,584	76,988	88,986
Accruals	21,701	13,399	14,447
Deferred income	17,664	4,935	14,581
Total	124,949	95,322	118,014

12. Related party transactions

Details of compensation for key management personnel are disclosed on pages 64 to 66 of the Annual Report and Accounts 2019. S⁴Capital Group did not have any other related party transactions during the financial period.

13. Reconciliation to non-GAAP measures of performance

Management includes non-GAAP measures as they consider these measures to be both useful and necessary. They are used by management for internal performance analyses; the presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies; and these measures are useful in connection with discussions with the investment community.

Six months ended 30 Jun 2020	Reported GBP'000	Amortisation ¹ GBP'000	Acquisition and set-up related expenses ² GBP'000	Share based compensation GBP'000	Adjusted GBP'000
Operating profit / (loss)	2,492	9,438	(1,805)	6,141	16,265
Net finance expenses	(2,374)	-	-	-	(2,374)
Profit / (loss) before income tax	118	9,438	(1,805)	6,141	13,892
Income tax expense	(641)	(2,356)	-	-	(2,997)
Profit / (loss) for the period	(523)	7,082	(1,805)	6,141	10,895

¹ Amortisation relates to the amortisation of certain intangible assets recognised as a result of the acquisitions.

² Acquisition and set-up related expenses relate to acquisition related advisory fees of GBP 5.4 million, bonuses of GBP 1.0 million and revaluation of contingent considerations of GBP 8.2 million credit.

Six months ended 30 Jun 2019	Reported GBP'000	Amortisation ¹ GBP'000	Acquisition and set-up related expenses ² GBP'000	Share based compensation GBP'000	Adjusted GBP'000
Operating profit / (loss)	(6,229)	6,288	7,358	1,319	8,736
Net finance expenses	(2,261)	-	-	-	(2,261)
Profit / (loss) before income tax	(8,490)	6,288	7,358	1,319	6,475
Income tax expense	(329)	(1,291)	(1,567)	-	(3,187)
Profit / (loss) for the period	(8,819)	4,997	5,791	1,319	3,288

¹ Amortisation relates to the amortisation of certain intangible assets recognised as a result of the acquisitions.

² Acquisition and set-up related expenses relate to acquisition related bonuses of GBP 6.3 million and transaction related advisory fees of GBP 1.1 million.

Year ended 31 Dec 2019	Reported GBP'000	Amortisation ¹ GBP'000	Acquisition and set-up related expenses ² GBP'000	Share based compensation GBP'000	Adjusted GBP'000
Operating profit / (loss)	(3,835)	15,000	12,806	7,177	31,148
Net finance expenses	(5,360)	-	-	-	(5,360)
Profit / (loss) before income tax	(9,195)	15,000	12,806	7,177	25,788
Income tax expense	(845)	(3,893)	(2,064)	-	(6,802)
Profit / (loss) for the period	(10,040)	11,107	10,742	7,177	18,986

¹ Amortisation relates to the amortisation of certain intangible assets recognised as a result of the acquisitions.

² Acquisition and set-up related expenses relate to acquisition related bonuses of GBP 7.2 million and transaction related advisory fees of GBP 5.6 million.

	Six months ended 30 Jun 2020 <i>GBP'000</i>	Six months ended 30 Jun 2019 <i>GBP'000</i>	Year ended 31 Dec 2019 <i>GBP'000</i>
Reconciliation to adjusted operational EBITDA			
Operating profit / (loss)	2,492	(6,229)	(3,835)
Amortisation of intangible assets	9,438	6,288	15,000
Acquisition and set-up related expenses	(1,805)	7,358	12,806
Share based compensation	6,141	1,319	7,177
Depreciation property, plant and equipment ¹	1,719	890	2,260
Operational EBITDA	17,984	9,626	33,408

¹ Depreciation property, plant and equipment is exclusive of depreciation on right-of-use assets

	Six months ended 30 Jun 2020 <i>GBP'000</i>	Six months ended 30 Jun 2019 <i>GBP'000</i>	Year ended 31 Dec 2019 <i>GBP'000</i>
Billings¹			
Revenue	141,344	87,972	215,132
Pass-through expenses	119,105	96,262	240,648
Billings	260,449	184,234	455,780

¹ Billings is gross billings to client including pass-through expenses

	Six months ended 30 Jun 2020	Six months ended 30 Jun 2019	Year ended 31 Dec 2019
Adjusted Basic net result per share			
Weighted average number of shares in issue	465,697,844	348,354,880	368,067,622
Adjusted net result attributable to equity of owners of the company <i>(GBP'000)</i>	10,895	3,288	18,986
Adjusted Basic net result per share	2.3	0.9	5.2

14. COVID-19

A summary of the Group's operational response in relation to COVID-19 is presented on page 2 and 3 of the Annual Report and Accounts 2019.

Whilst the full financial impact of the crisis for the remainder of 2020 and 2021 is impossible to predict, the Group's actual cash flows have exceeded even the most optimistic forecasts made at the peak of the COVID-19 crisis in late March. In August the Group has carried out a new sensitivity analyses on their forecasted cash-flows for the remainder of 2020 and 2021 gaming substantial falls in revenue, with cost corrections, compared to budget, which indicate viability and the Group will comply with the covenants set in the loan agreement. Accordingly, the Directors continue to adopt the going concern basis in preparing the unaudited consolidated interim financial statements.

Liquidity continued to strengthen despite of COVID-19, therefore the group repaid its revolving credit facility of EUR 35 million in August 2020, which was fully utilized in advance of announced mergers in March 2020. The Group also signed an additional facility agreement, consisting of a multicurrency Revolving Credit Facility of EUR 43.5 million, increasing its total available credit facilities to EUR 78.5 million, currently fully unutilized.

15. Events occurring after the reporting period

A. Mergers and acquisitions

- / On 26 May 2020, MightyHive announced the combination with Digodat, a leading Latin American data and analytics consultancy. The combination has closed on 10 July 2020;
- / In November 2019, MediaMonks announced the combination with WhiteBalance, Indian-based digital creative and production agency. This combination has completed on 27 August 2020.
- / On 27 August 2020, MightyHive combined with Brightblue Consulting, an award-winning UK based data analytics and measurement consultancy.
- / On 30 June 2020, MightyHive announced the combination with Lens10, a leading Australian digital strategy and analytics consultancy, pending Foreign Investment Review Board and Australian Competition and Consumer Commission.
- / The total consideration for the above four transactions is expected to be approximately GBP 55 million.
- / On 29 July 2020, MightyHive announced the combination with Orca Pacific, a market leading full-service Amazon agency and boutique consultancy firm based in Seattle.
- / The transaction with BizTech Kazakhstan and BizTech Russia is expected to close in the second half-year of 2020.

B. Equity placing

On 16 July, the Company announced the placing of 36,766,642 new ordinary shares at 315p, which represented a small premium to the then market price and raised approximately £113 million net proceeds, which will be used for further expansion, principally mergers and acquisitions.

C. New facility agreement

As of 15 July 2020, S⁴Capital Group signed an additional facility agreement, consisting of a multicurrency Revolving Credit Facility (RCF) of EUR 43.5 million, of which at the end of the reporting period nil is drawn. The interest of the facilities is the aggregate of the variable interest rate (LIBOR or, in relation to any loan in euro, EURIBOR) and a margin based on leverage (between 2.00% and 3.75%). The duration of the facility agreement is three years; therefore, the termination date of the facility agreement is July 2023. S⁴Capital Group shall repay each of the loans in full on the termination date.

The bank loans impose certain covenants on the Group. The loan agreement states that (subject to certain exceptions) S⁴Capital Group will not provide any other security over its assets and receivables and will ensure that the following financial ratios, measured at the end of any relevant period of 12 months ending each semi-annual date in a financial year, are met:

- / net debt will not exceed 300% of the earnings before interest, tax, depreciation and amortisation; and
- / net finance charges will not exceed 300% of the earnings before interest, tax, depreciation and amortisation.

During the period S⁴Capital group complied with the covenants set in the loan agreement.

Responsibility statement

We confirm that to the best of our knowledge:

- / The set of interim financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
- / The interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- / The interim management report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions (note 12) that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board on 9 September 2020

Sir Martin Sorrell
Executive Chairman

Peter Rademaker
Group Chief Financial Officer

Independent review report to the members of S⁴Capital Plc

Report on the unaudited consolidated interim financial statements

Our conclusion

We have reviewed S⁴ Capital Plc's unaudited consolidated interim financial statements (the "interim financial statements") in the Interim results 2020 report of S⁴ Capital Plc for the 6 month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

We have reviewed

The interim financial statements comprise:

- / the unaudited consolidated interim balance sheet as at 30 June 2020;
- / the unaudited consolidated interim statement of profit or loss and unaudited consolidated interim statement of comprehensive income for the period then ended;
- / the unaudited consolidated interim statement of cash flows for the period then ended;
- / the unaudited consolidated interim statement of changes in equity for the period then ended; and
- / the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim results 2020 report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim results 2020 report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim results 2020 report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim results 2020 report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim results 2020 report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

London

9 September 2020