



25 March 2021

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

Unaudited 2020 preliminary results

New age/new era digital marketing model starts to convert at scale

Significant growth in like-for-like and pro-forma billings, revenue, gross profit and EBITDA

Announcement of MediaMonks conditional combination with Jam3

Financial Highlights

- Billings* £653.4 million, up 43.4% reported, up 19.6% like-for-like*** and pro-forma** billings £768.4 million, up 22.3%.
- Revenue £342.7 million, up 59.3% reported from £215.1 million, like-for-like up 15.2%, pro-forma up 20.1%.
- Gross profit £295.2 million, up 72.3% reported from £171.3 million, like-for-like up 19.4%, pro-forma up 23.7%.
- Operational EBITDA**** £62.2 million, up 86.1% reported, like-for-like up 18.3%, pro-forma up 30.6%.
- Operational EBITDA margin 21.1%, up 1.6 margin points on 2019 reported, like-for-like down 0.2 margin points, pro-forma up 1.2 margin points.
- Operating profit £8.1million versus an operating loss of £3.8 million in 2019. Operating profit is after charging £49.9 million of Adjusting Items relating to acquisitions, amortisation and share based payments (including £7.4 million in deferred, contingent combination payments tied to continued employment). Pro-forma operating profit of £16.9 million versus an operating loss of £1.2 million in 2019.
- Profit before income tax £3.1 million, after charging adjusting items, versus a loss of £9.2 million in 2019 and pro-forma profit before income tax of £12.1 million
- Statutory result for the period £3.9 million (loss) after charging adjusting items after taxation versus £10.0 million (loss) in 2019 and pro-forma result for the period of £1.2 million (loss)
- Adjusted basic net result per share 7.9p versus 5.2p in 2019 and 9.8p pro-forma
- Basic and diluted net result per share 0.8p (loss) which includes adjusting items after tax versus 2.7p (loss) in 2019 and pro-forma adjusted basic net result per share 0.2p (loss)
- Year-end net cash***** £51.6 million, even after significant combination payments since £113 million net fundraising in July 2020, reflecting strong liquidity from operations and EBITDA conversion to cash flow from operating activities of 99% versus 74% in 2019
- Good start to 2021 with like-for-like January gross profit well ahead of budget and with budgeted gross profit growth like-for-like for 2021 of 25%

*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 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

****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. Operational EBITDA margin is operational EBITDA

divided by Gross Profit.
 *****Net cash including bank loans

Strategic and operational Highlights

- In January, MediaMonks announced a combination with Circus Marketing, a fully integrated digital agency, based in the Americas and Spain (consolidated as from March 2020).
- In May, MightyHive announced a combination with Digodat, a leading Latin American data & analytics consultancy (consolidated as from July).
- In June, MightyHive announced a combination with Lens 10, a leading Australian digital strategy & analytics consultancy (consolidated as from October).
- In July, MightyHive announced a combination with Orca Pacific, a Seattle-based, Amazon-managed service provider (consolidated as from August) and raised £113 million net proceeds from a placing.
- In August, MightyHive, announced a combination with BrightBlue Consulting, an award-winning UK-based, data analytics and measurement consultancy (consolidated as from September).
- In September, BMW/MINI announced a new agency partner network in Europe, called THE MARCOM ENGINE which included MediaMonks, which would be “at the heart of the new constellation”. On the same day, MediaMonks announced a combination with Dare.Win, an award-winning, Paris-based, digital creative agency.
- In November, Mondēlez International confirmed that MediaMonks had won its competitive pitch to manage its tech infrastructure and websites globally, plus content production for North America, Latin America, Asia, Middle-East and Africa.
- Post year end:
 - In January 2021, MediaMonks announced combinations with Decoded Advertising, an integrated, creative, technology and media agency, based in New York and also combined with Tomorrow, an award-winning, Shanghai-based, creative agency and with Staud Studios, a high-end creative, production studio, specialising in the automotive industry.
 - Also, in January, MightyHive announced a combination with Metric Theory, an integrated performance marketing agency, providing services across search, social and commerce media. Metric Theory and Decoded Advertising were completed on 31 December, 2020 after the market was closed. As a result, the balance sheets of both combinations are included in the consolidated balance sheet of the Group.
 - In February, MightyHive acquired the assets of Datalicious Australia, a Sydney, Melbourne and Brisbane-based data & analytics company.
 - Today, S⁴Capital announced that it has entered into a conditional agreement in relation to a combination of MediaMonks with highly awarded design and experience agency, Jam3, based in Toronto with offices in Amsterdam, Los Angeles and Uruguay.
 - The pace of on-boarding both the new BMW/MINI and Mondēlez “Whoppers” has intensified during the first and second quarters of 2021.
- Addition of functional talent teams in fashion and luxury, social media and government communications from leading competitors, the first during 2020 and the last two in 2021.
- Launch of both S4 Fellowship Programme for students from Historically Black Colleges and Universities and in due course, High Schools in the United States and S4 Women Leadership Programme in association with UC Berkeley in California.
- The Group now has approximately 4,400 people in 31 countries, trending towards double where we were this time last year.
- In addition to new client BMW/MINI and the significant broadening of our relationship with Mondēlez, there were major new remits from clients such as Google, Facebook, Amazon, Netflix, Procter & Gamble, T-Mobile, Bayer & HP and major new assignments from Cisco, Embibe, Harley Davidson, PayPal, LA28, Shopify and Verizon amongst others, reflecting the strong tech orientation of the Company’s client base and the growing healthcare and FMCG focus.
- Current pipeline running at stronger level than last year



- Appointment of Miles Young, a leading, industry-knowledgeable Non-Executive Director, to the Board.

Sir Martin Sorrell, Executive Chairman of S⁴Capital plc said:

“Our second full financial year was again outstandingly successful. Having established brand awareness and secured brand trial in the back end of 2018 and in 2019, we set about converting client relationships at scale and now have five “Whoppers” secure or in sight, in line with our ultimate 20 squared objective, that is 20 clients each generating revenues of over \$20 million per annum.

Pride of place for these achievements should go to our (now) over 4,400 people in 31 countries, who have responded unflinchingly to the colossal strain and challenge of the pandemic. Their creativity, adaptability, resilience and hard work have made this success possible and have started to prove the potency of our new age/new era, digital, data-driven, unitary model, which has started to gain significant traction. The pandemic has, at the same time, accelerated adoption of digital transformation amongst consumers, across all media and within enterprises and, in turn, stimulated the demand from clients for digital marketing expertise.

We continued to grow our top line and bottom line at industry leading rates, despite covid-19 and exhibited agility in developing new content revenue streams quickly, such as robotic production, animation and on-line events and driving data & digital marketing net revenues, particularly in the fourth quarter and into this year. We continued to broaden and deepen our Content and Data & digital media practices through organic growth and by the addition of a further four Content and six Data & digital media companies in 2020 and so far in early 2021. We further integrated our unitary client offering around our Content and Data & digital media practices. We broadened and deepened our client roster. We embraced the diversity, equity and inclusion and ESG opportunities and challenges with unique black-orientated fellowship and female executive leadership programmes, changed hiring practices and education programmes and made zero carbon commitments targeting 2024. We achieved double \$ and £ Unicorn status in terms of stock market value, in only our second full year, while strengthening our balance sheet to take advantage of short-term opportunities.

2021 has started strongly, well in line with our latest three year plan to double organically in three years and we are focused on three objectives for the year - to bed down our two new “Whoppers” and develop and identify five more; to roll-out our unitary branding; and to continue to broaden and deepen our digital client offering by combination. We believe 2021 and 2022 will be very strong years economically, as the world rebounds from the pandemic and spends and invests the huge pandemic-driven fiscal and monetary stimulus. Digital marketing expenditure is closely correlated, but not dependent on GDP growth, just as traditional media spending used to be in the last century.”

Results webcast and conference call

A webcast will be held at 8.00am GMT. A live webcast of the presentation will be available during the event at: <https://brrmedia.news/9ms2h>

For Q&A:

UK: +44 (0)330 336 9125

US: +1 323-794-2093

Confirmation code: 6050306

A further live webcast conference call to cover the results will be held today at 9.00am EDT / 13.00pm GMT and will be available at: <https://brrmedia.news/9fjjd>

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Chairman's Letter

Dear Shareowner,

My Executive colleagues, Victor Knaap, Wesley ter Haar, Pete Kim, Christopher Martin, Peter Rademaker, Scott Spirit, Michel de Rijk and I are delighted to present our third full year results for the period ending 31 December 2020 to our fellow shareowners.

In 2020, we continued to build our existing relationships with clients such as Google, Facebook, Amazon, Netflix, Procter & Gamble, T-Mobile, Bayer and Mondēlez and won significant new business from BMW/MINI, Cisco, Embibe, Harley Davidson, PayPal, LA28, Shopify and Verizon. Tech clients account for around 55% of revenues, with a growing cadre of healthcare and FMCG clients.

We now project five "Whoppers" (clients with revenues over \$20 million per annum), as opposed to only two at this time last year. We have also now identified five more potential "Whoppers", where we currently project \$5-15 million of revenue per annum and potentially could break through the \$20 million per annum level. We are also in the process of identifying five more potential "Whoppers" currently generating under \$10 million per annum, bringing the total actual and potential "Whoppers" to 15 out of the target of 20.

2020 also saw significant strengthening and deepening of our Content and Data & digital media practices. MediaMonks broadened and deepened its geographical footprint in 2020 and so far in 2021, adding North and Latin American and Spanish content capabilities with Circus Marketing, entering the French market with Dare.Win, combining with Decoded in the United States, doubling up in Shanghai with Tomorrow and opening up in Germany with Staud Studios to build on the BMW/MINI relationship. MediaMonks also added significant talent from competitors in the areas of fashion and luxury, new digital media social content and digital government communications. MightyHive was even more active in 2020 and so far in 2021, building its data & analytics capability inside and outside the United States through the addition of Digodat in Latin America, Lens 10 in Australia and New Zealand, Orca Pacific specialising in the Amazon platform in Seattle, BrightBlue Consulting in the UK and a second Datalicious operation in Australia to complement South Korea. MightyHive also stepped up its performance media capabilities adding Metric Theory.

Both MediaMonks and MightyHive have integrated each combination into our Content and Data & digital media practices and brands and we are starting to roll out our unitary brand. We already operated as a single P&L, pretty much from inception, so as to develop and maintain a seamless, fully integrated offer for our clients. In addition, although nothing good can be said to have come from it, the pandemic did enable us to consolidate separate offices on a city-by-city basis faster, as existing leases were terminated more quickly. In addition, property consolidation will be assessed faster as vaccinations start to kick-in and lockdowns ease, starting in the second quarter of 2021. There is little doubt that we will not go back to the old normal in terms of office location, layout and use. There will be more flexible working from home, probably about 40% of the working week, with more flexible commuting times, more dispersed working and living patterns and different office layouts, with separate spaces for our people to meet, to work and to engage with clients. We are also starting to increasingly consolidate our strategic, client content and data and programmatic offer at the S4Capital level.

Our focus on both developing our advertising and marketing services know how and geographical expansion, particularly in Asia Pacific, was further underlined by the appointment of Miles Young, Warden of New College, Oxford University as a non-executive director. He was formerly my colleague at WPP, where he was at Ogilvy for 35 years and ran it very successfully for eight years until 2016, expanding their footprint aggressively in growth areas such as digital content and media and Asia Pacific, particularly China and India - truly one of David Ogilvy's "Gentlemen with Brains".

Summary of results

Condensed Consolidated Income Statement For the period ended 31 Dec 2020 (unaudited)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019	YoY%	Like for like cc Year ended 31 Dec 2019	YoY%	Proforma Year ended 31 Dec 2020	Proforma Year ended 30 Dec 2019	YoY%
	£'000	£'000		£'000		£'000	£'000	
For the period ended 31 December								
Revenue	342,687	215,132	59%	297,410	15%	421,092	350,576	20%
Cost of sales	47,505	43,814	8%	50,129	-5%	52,137	52,324	0%
Gross profit	295,182	171,318	72%	247,281	19%	368,955	298,252	24%
Net operating expenses	287,049	175,153	64%	247,079	16%	352,008	299,422	18%
Operating profit/ (loss)	8,133	(3,835)	-	202	3919%	16,948	(1,170)	-
Adjusted operating profit	57,950	31,148	86%	50,019	16%	80,453	62,335	29%
Adjusting items	(49,817)	(34,983)	-	(49,817)	-	(63,505)	(63,505)	-
Operating profit/ (loss)	8,133	(3,835)	-	202	3919%	16,948	(1,170)	-
Net finance expense	(5,037)	(5,360)	-	(5,672)	-	(4,821)	(5,530)	-
Profit / (loss) before income tax	3,096	(9,195)	-	(5,469)	-	12,126	(6,700)	-
Income tax expense	(7,025)	(845)	-	(3,436)	-	(13,323)	(6,543)	-
Loss for the period	(3,929)	(10,040)	-	(8,905)	-	(1,197)	(13,243)	-

Reconciliation to operational EBITDA								
Operating profit / (loss)	8,133	(3,835)		202	16,948	(1,170)		
Adjusting items	49,817	34,983		49,817	63,505	63,505		
Depreciation (excluding right-of-use asset depreciation)	4,228	2,260		2,520	4,679	2,829		
Operational EBITDA	62,178	33,408	86%	52,539	18%	85,132	65,164	31%
Central costs	6,112	5,817		5,859	6,112	5,859		
Operational EBITDA before central costs	68,290	39,225	74%	58,398	17%	91,244	71,023	28%

Reconciliation to adjusted operating profit								
Operating profit / (loss)	8,133	(3,835)		202	16,948	(1,170)		
Adjusting items	49,817	34,983		49,817	63,505	63,505		
Adjusted operating profit	57,950	31,148	86%	50,019	16%	80,453	62,335	29%

Reconciliation to adjusted result before income tax								
Result before income tax	3,096	(9,195)		(5,469)	12,126	(6,700)		
Adjusting items	49,817	34,983		49,817	63,505	63,505		
Adjusted result before income tax	52,913	25,788	105%	44,348	19%	75,631	56,805	33%

Reconciliation to adjusted result for the period								
Result for the period	(3,929)	(10,040)		(8,905)	(1,197)	(13,243)		
Adjusting items	49,817	34,983		49,817	63,505	63,505		
Tax on adjusting items	(6,996)	(5,957)		(6,996)	(10,401)	(10,401)		
Adjusted result for the period	38,892	18,986	105%	33,916	15%	51,907	39,861	30%

Earnings per share						
Weighted average number of shares in issue for the purpose of basic and adjusted net result per share	493,290,974	368,067,662		493,290,974	529,788,744	529,788,744
Net result attributable to equity owners of the Company (£'000)	(3,929)	(10,040)		(8,905)	(1,197)	(13,243)
Basic net result per share (pence)	-0.8	-2.7		-1.8	-0.2	-2.5
Diluted net result per share (pence)	-0.8	-2.7		-1.8	-0.2	-2.5
Adjusted non-recurring expenses and acquisition related expenses	15,768	12,806		15,768	15,768	15,768
Share based compensation	12,331	7,177		12,331	12,331	12,331
Revaluation contingent considerations	(1,430)	0		(1,430)	(1,430)	(1,430)

Adjusted amortisation of intangible assets related to acquisitions	23,148	15,000		23,148	36,836	36,836		
Adjusted tax on adjustments	(6,996)	(5,957)		(6,996)	(10,401)	(10,401)		
Adjusted net result	38,892	18,986		33,916	51,907	39,861		
Adjusted Basic net result per share (pence)	7.9	5.2	53%	6.9	15%	9.8	7.5	30%

Gross margin per territory								
Americas	206,316	117,062	76%	173,258	19%	270,550	216,543	25%
EMEA	58,233	40,765	43%	52,776	10%	65,216	58,618	11%
Asia-Pacific	30,633	13,490	127%	21,248	44%	33,190	23,091	44%
Total	295,182	173,318	72%	247,281	19%	368,955	298,252	24%

Gross margin per practice								
Content	220,497	113,365	95%	182,792	21%	264,671	210,117	26%
Programmatic	74,685	57,953	29%	64,489	16%	104,285	88,135	18%
Total	295,182	171,318	72%	247,281	19%	368,955	298,252	24%

Turning to the results themselves, we thought it would be most useful to compare the reported results not only with last year's reported results, but also on an unaudited like-for-like and unaudited pro-forma basis, particularly given the continued rapid inorganic expansion of the Company in 2020.

Billings were £653.4 million, up 43.4% on a reported basis, up 19.6% like-for-like and up 22.3% pro-forma. Controlled Billings, that is billings we influenced in addition to billings that flowed through our income statement, were approximately £2.3 billion (2019: £1.9 billion). Revenue was £342.7 million, up 59.3% from £215.1 million on a reported basis, up 15.2% like-for-like, and up 20.1% on a pro-forma basis. Gross profit was £295.2 million, up 72.3% reported, up 19.4% like-for-like, and up 23.7% pro-forma. Operating profit was £8.1 million versus an operating loss of £3.8 million in 2019. Operational EBITDA was £62.2 million, up 86.1% reported, up 18.3% like-for-like, and up 30.6% pro-forma. Operational EBITDA margin was 21.1%, up 1.6 margin points versus 19.5% reported in 2019, down 0.2 margin points like-for-like and, up 1.2 margin points pro-forma. Adjusted basic net result per share was 7.9p versus 5.2p in 2019, 6.9p like-for-like and 9.8p pro-forma. Statutory result for the period was £3.9 million (loss), versus a reported £10.0 million (loss) in 2019, after charging under IFRS £7.4 million of combination payments, which were tied to the continued employment of key merger share-owning principals. Although such contractual provisions result in a non-cash charge to the income statement, your Board believes this is a better commercial approach given the nature of our business. Basic and diluted net result per share were 0.8p (loss) per share, versus 2.7p (loss) in 2019, like-for-like 1.8p (loss) per share and pro-forma 0.2p (loss) per share. Year-end net cash was £51.6 million, despite making £83 million in cash combination payments, since the £113 million gross equity fundraising in July 2020 and reflecting strong cash flow from operating activities with 99% operating cash flow conversion from EBITDA. In line with our first half statement in September 2020, Operational EBITDA margins improved significantly in the second half from 14.5% to 25.8%, as the first half increased investment in people yielded higher productivity in the second half.

Pro-forma billings were £768.4 million. Pro-forma revenue was £421.1 million and pro-forma gross profit was £369.0 million up 20.1% and 23.7% respectively in 2019. Pro-forma operational EBITDA was £85.1 million, up 30.6% on 2019, with operational EBITDA margin at 23.1%, up 1.2 margin points on the previous year. Pro-forma adjusted operating profit excluding adjusting items of £63.5 million, is £80.5 million, up 29.1% on the previous year. Pro-forma adjusted pre-tax profits were £75.6 million versus £56.8 million in the previous year, up 33.1%. Pro-forma adjusted result for the period was £51.9 million, up 30.2%. Adjusted pro-forma basic earnings per share before exceptional items were 9.8p, up from 7.5p in the previous year. The Board continues to recommend no dividend given the growth opportunities that beckon.

By geography, on a pro-forma basis, the Americas accounted for 73.3% of gross profit against 72.6% in 2019. Europe, the Middle-East and Africa represented 17.7% of gross profit against 19.7% in 2019. Asia-Pacific represented 9.0% of gross profit against 7.7% in 2019. Growth in gross profit was up 24.9% in the Americas, 11.3% in Europe, Middle-East and Africa and 43.7% in Asia-Pacific. Our long-term objective is to achieve a geographic distribution of 40% in the Americas, 20% in Europe, the Middle-East and Africa and 40% in Asia-Pacific, particularly given the likely continuing rise of China and India and despite the US/China trade frictions.

By practice, on a pro-forma basis, Content accounted for 71.7% of gross profit against 70.4% in 2019. The Data & digital media practice represented 28.3% of gross profit against 29.6% in 2019. Growth in gross profit was up 26.0% like-for-like at the Content practice and up 18.3% at the Data & digital media practice. Our long-term objective is to achieve a practice distribution around two-thirds Content and one-third Data & digital media, emphasising the growing importance of digital video.

Significant new business wins include assignments from Google, Facebook, Amazon, Netflix, Procter & Gamble, T-Mobile, Bayer, HP, Cisco, Embibe, Harley Davidson, PayPal, LA28, Shopify and Verizon amongst others as we expanded our tech client portfolio and presence in healthcare and FMCG. Encouragingly, our current pipeline is proportionally ahead of last year's level.

The Environment, Social and Governance

In 2020, the Company upped its game significantly in all three areas. We actively track our CO₂ emissions and perform competitively with a sample of other similar companies in the areas of gender and diversity. We have committed to achieving zero greenhouse gas emissions by 2024, in response to the World Economic Forum 2020 Davos Manifesto and were the first advertising and marketing firm to commit to the Amazon Climate Challenge, which has a longer term objective in relation to zero emissions. We are seeking B Corp status by the end of the year.

Last year, we averaged a 0.82 female to male ratio across the firm, representing a significant improvement over last year's ratio of 0.47. In response to the tragic killing of George Floyd and the surge behind the Black Lives Matter movement, we organised a firm-wide, matched contribution campaign, which raised \$0.3 million for four key black charities. We, immediately, also began to intensify changes in our hiring and educational policies in relation to diversity, equality and inclusion, with a public commitment to publish annually and improve our diversity numbers so as to be representative of the communities we work in. We are already approximately 40% People of Colour in the United States, with strong Hispanic and Asian representation, in particular. In the markets we can legally measure, we are approximately 5% Black, which, for example in the United States, still represents significant under-representation of the communities we work in. In California, such a percentage may be representative, but nationally, where the proportion is 13% and in New York, where it is 25%, it is unacceptable. These are our objectives. We have also hired our first Fellows (and Fellowesses) in the S4 Fellowship Programme, who exclusively come from Historically Black Colleges and Universities in the United States. We have outstanding recruits for this four-year, multi-practice programme, who will be evangelising the programme across the United States shortly into High Schools too. Finally, we have just started the S4 Women Leadership Programme, identifying 50 female leaders from across the firm to study on-line with UC Berkeley, California for the next 18 months.

Across S⁴Capital we donated an additional \$0.4 million to charities and also aim to contribute to society and the needs of the planet with our Projects for Good, which are all related to the United Nations Sustainable Development Goals. In 2020, we delivered 41 Projects for Good.

We also launched S⁴ Impact Day globally, a volunteering day when all our 4,400 people in 31 countries can tangibly give back to the communities of which they are a part.

As regards Governance, we continued to enhance the Board with the addition of one new Director, now with four female and four male Non-Executive Directors. The recommendations of Lord Hill's Report to the UK's Chancellor of the Exchequer also provides a possible pathway to a premium or standard listing with fund indexation, if, of course, the recommendations are accepted.

Outlook and current trading

All-in-all, we continued to fire on all cylinders in 2020, with like-for-like revenue and gross profit up 15.2% and 19.4% and pro-forma revenue and gross profit growth of 20.1% and 23.7% and a pro-forma operational EBITDA margin of over 23%, after central costs. January 2021 like-for-like gross profit growth was strong and ahead of budget. This performance is planned to continue into 2021, with budgets and plans targeting strong revenue, gross profit growth and improving operational EBITDA margin and the three-year plan for 2021-3 targeting a doubling of the firm organically, excluding combinations.

There is no doubt that covid-19 has had a devastating impact on the global economy and society. Our people have been put under immense strain, particularly with the illness and loss of family members. We applaud their resilience, hard work and success and thank them for all their efforts. We took the view that we would not make significant reductions in the number of people in the firm, nor rely in any significant way on government support or funding. This was a bold thing to do, particularly in the pressure cooker of the end of the first quarter and beginning of the second quarter in 2020. Our Content practice, representing about three quarters of our business pivoted very quickly to robotic production and animation and converting live events to virtual ones. We, therefore, created significant new content revenue streams very quickly, with April 2020 being the weakest like-for-like growth month, but still a growth month. There was then a steady progression in the Content practice gross profit organic growth rate through 2020 and into 2021. The Data & digital media practice was more impacted by covid-19 in Quarters 2 and 3 2020, but still grew gross profit organically significantly over those quarters, with the growth accelerating markedly in Quarter 4 and into 2021.

Overall, it is clear that covid-19 has accelerated the adoption of digital transformation and digital media at three levels. Firstly, at the consumer level, with consumers buying groceries and essentials on-line, educating their kids on-line, using financial services on-line and gorging on on-line entertainment and gaming. Secondly, media trends have been accelerated, with the streamers like Netflix and Disney+ gaining on free to air tv, traditional newspapers and magazines under greater pressure from digital alternatives and traditional outdoor being increasingly eclipsed by digital outdoor. Finally, enterprise adoption of digital transformation has accelerated, as covid-19 disrupted steady state growth and during that disruption “change agents” have been given more oxygen to implement digital organisational change.

It is also clear that the Company’s purely digital model based on first party data (reinforced by the recent privacy policy decisions by Apple and Google) fuelling the creation, production and distribution of digital advertising content and distributed by digital media is increasingly resonating with clients. Our tag line “faster, better, cheaper” or “speed, quality, value” and unitary, one P&L structure also appeal strongly. The imperatives for 2021 continue to be to move beyond brand awareness and brand trial to greater client conversion at scale and achieving our 20 squared objective as rapidly as possible; to roll out our unitary branding; and to broaden and deepen our service capability through mergers and combination.

Best wishes,

Sir Martin Sorrell
Executive Chairman

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 2020 digital accounted for over 50% (for the first time) or \$290 billion of total global advertising spend of \$525 billion (excluding over \$500 billion of trade promotion marketing, the primary target of the Amazon advertising platform), and projects that by 2022 this share will grow to approximately 60% and by 2024 to approximately 66%, accelerated by the impact of covid-19.

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 and Circus (see below), 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 and analytics consultancy MightyHive Korea. 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 and analytics 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. In September 2020, MediaMonks announced its combination with Dare.Win, expanding its geographical presence to France. In January 2021, MediaMonks announced its combination with integrated creative, technology and media agency Decoded Advertising, Shanghai based creative agency TOMORROW and Stuttgart based automotive specialist STAUD STUDIOS. MightyHive also announced its combination with integrated digital performance marketing agency Metric Theory. In February 2021, MightyHive acquired the assets of Datalicious, a leading Google Marketing Platform, Google Cloud and Google Analytics partner in Asia Pacific.

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

Victor Knaap, Wesley ter Haar, Pete Kim, Christopher Martin, Peter Rademaker and Scott Spirit all joined the S⁴Capital Board as Directors. The S⁴Capital Board also includes Rupert Faure Walker, Paul Roy, Daniel Pinto, Sue Prevezer, Elizabeth Buchanan, Naoko Okumoto, Margaret Ma Connolly and Miles Young.

The Company now has over 4,400 people in 31 countries across the Americas, Europe, the Middle East and Africa and Asia-Pacific and a current market capitalisation of approximately £2.5 billion (c.\$3.5 billion), and would rank around the FTSE 150. It 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 £11 billion. Prior to that Sir Martin was Group Financial Director of Saatchi & Saatchi Company Plc for nine years.

Unaudited consolidated statement of profit or loss

For the year ended 31 December 2020

	<i>Notes</i>	2020 Unaudited <i>£'000</i>	2019 Unaudited <i>£'000</i>
Revenue		342,687	215,132
Cost of sales		47,505	43,814
Gross profit		295,182	171,318
Personnel costs		205,135	111,572
Other operating expenses		30,561	25,803
Acquisition and set-up related expenses		14,338	12,806
Depreciation and amortisation		37,015	24,972
Total operating expenses		287,049	175,153
Operating profit (loss)		8,133	(3,835)
Adjusted operating profit		57,950	31,148
Adjusting items		(49,817)	(34,983)
Operating profit (loss)		8,133	(3,835)
Finance income		698	20
Finance expenses		(5,735)	(5,380)
Net finance expenses		(5,037)	(5,360)
Profit (loss) before income tax		3,096	(9,195)
Income tax expense	5	(7,025)	(845)
Loss for the year		(3,929)	(10,040)
Attributable to owners of the Company		(3,929)	(10,040)
Attributable to non-controlling interests		-	-
		(3,929)	(10,040)
Loss per share is attributable to the ordinary equity holders of the Company			
Basic loss per share (pence)	3	(0.8)	(2.7)
Diluted loss per share (pence)	3	(0.8)	(2.7)

Unaudited consolidated statement of comprehensive income

For the year ended 31 December 2020

	2020 Unaudited <i>£'000</i>	2019 Unaudited <i>£'000</i>
Profit (loss) for the year	(3,929)	(10,040)
Other comprehensive income (loss) <i>Items that may be reclassified to profit or loss</i>		
Foreign operations – foreign currency translation differences	2,905	(20,620)
Total other comprehensive income (loss)	2,905	(20,620)
Total comprehensive loss for the year	(1,024)	(30,660)
Attributable to owners of the Company	(1,024)	(30,660)
Attributable to non-controlling interests	-	-
	(1,024)	(30,660)

Unaudited consolidated balance sheet

At 31 December 2020

	Notes	2020 Unaudited £'000	2019 Unaudited £'000
Assets			
Non-current assets			
Intangible assets	4	799,129	540,129
Right-of-use assets		21,653	25,779
Property, plant and equipment		14,537	9,730
Deferred tax assets		2,068	1,086
Other receivables		2,125	2,731
		839,512	579,455
Current assets			
Trade and other receivables		181,391	126,353
Cash and cash equivalents		142,052	66,106
		323,443	192,459
Total assets		1,162,955	771,914
Liabilities			
Non-current liabilities			
Deferred tax liabilities		62,100	54,834
Loans and borrowings		44,819	42,374
Lease liabilities	5	15,942	18,787
Contingent consideration		32,593	3,669
Other payables		1,941	2,007
		157,395	121,671
Current liabilities			
Trade and other payables		191,125	118,014
Contingent consideration and holdback		35,742	51,202
Loans and borrowings		45,623	-
Lease liabilities		7,047	7,975
Tax liabilities		12,480	6,751
		292,017	183,942
Total liabilities		449,412	305,613
Net assets		713,543	466,301
Equity			
Attributable to owners of the Company			
Share capital		135,516	117,307
Reserves		577,927	348,894
		713,443	466,201
Non-controlling interests		100	100
Total equity		713,543	466,301

Unaudited consolidated statement of cash flows

For the year ended 31 December 2020

	2020 Unaudited £'000	2019 Unaudited £'000
Cash flows from operating activities		
Profit (loss) before income tax	3,096	(9,195)
Financial income and expenses	5,037	5,360
Depreciation and amortisation	37,015	24,972
Share based compensation	12,331	7,177
Acquisition and set-up related expenses	14,338	12,806
Increase in trade and other receivables	(29,282)	(31,288)
Increase in trade and other payables	29,893	22,310
Cash flows from operations	72,428	32,142
Income taxes paid	(10,758)	(7,571)
Net cash flows from operating activities	61,670	24,571
Cash flows from investing activities		
Investments in intangible assets	(34)	(1,578)
Investments in property, plant and equipment	(7,396)	(7,865)
Acquisition of subsidiaries, net of cash acquired	(124,155)	(56,954)
Financial fixed assets	871	(779)
Cash flows from investing activities	(130,714)	(67,176)
Cash flows from financing activities		
Proceeds from issuance of shares	113,386	97,451
Additional borrowings	45,378	22,418
Payment of lease liabilities and interest	(12,175)	(6,687)
Repayments of loans and borrowings		(24,119)
Interest paid	(742)	(4,744)
Cash flows from financing activities	145,847	84,319
Net movement in cash and cash equivalents	76,803	41,714
Cash and cash equivalents beginning of the year	66,106	25,005
Exchange gain/(loss) on cash and cash equivalents	(857)	(613)
Cash and cash equivalents at 31 December	142,052	66,106

Unaudited consolidated statement of changes in equity

For the year ended 31 December 2020

Equity	Number of shares	Share capital £'000	Share premium £'000	Merger reserves £'000	Other reserves¹ £'000	Foreign exchange reserves £'000	Accumulated losses £'000	Total £'000	Non- controlling interests £'000	Total equity £'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 year										
Loss for the year	-	-	-	-	-	-	(10,040)	(10,040)	-	(10,040)
Foreign currency translation differences	-	-	-	-	-	(20,620)	-	(20,620)	-	(20,620)
Total comprehensive loss for the year		-	-	-	-	(20,620)	(10,040)	(30,660)		(30,660)
Transactions with owners of the Company										
Issue of Ordinary Shares	105,324,634	26,331	121,182	-	-	-	-	147,513	-	147,513
Employee share schemes	505,702	127	249	-	(313)	-	7,091	7,154	-	7,154
Balance 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 year										
Profit for the year	-	-	-	-	-	-	(3,929)	(3,929)	-	(3,929)
Foreign currency translation differences	-	-	-	-	-	2,905	-	2,905	-	2,905
Total comprehensive loss for the year		-	-	-	-	2,905	(3,929)	(1,024)	-	(1,024)
Transactions with owners of the Company										
Issue of Ordinary Shares	36,766,642	9,192	103,995	-	-	-	-	113,187	-	113,187
Business combinations	34,744,022	8,686	84,564	-	28,655	-	-	121,905	-	121,905
Employee share schemes	1,327,535	331	1,334	-	(454)	-	11,963	13,174	-	13,174
Balance at 31 December 2020	542,065,458	135,516	364,195	205,717	27,041	(15,845)	(3,181)	713,443	100	713,543

Notes to the consolidated financial statements

General information

S⁴Capital plc ('S⁴Capital' or 'Company'), is a public Company, limited by shares, 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 preliminary consolidated condensed financial statements represent the results of the Company and its subsidiaries (together referred to as 'S⁴Capital Group' or the 'Group').

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

Basis of preparation

The financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. They have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU.

On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. The Consolidated Financial Statements will transition to UK-adopted international accounting standards for financial periods beginning 1 January 2021.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2020. The statutory accounts for 2020 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course. The unaudited financial information is prepared under the historical cost basis, unless stated otherwise in the accounting policies.

Accounting policies

The accounting policies will be included in the Annual Report and Accounts 2020. The accounting policies are materially consistent with those described in the Annual Report and Accounts 2019, which were set out on pages 87 to 95.

New and amended standards adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not 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.

Critical accounting estimates and judgements

The critical accounting estimates and judgments will be included in the Annual Report and Accounts 2020. These are consistent with those described in the Annual Report and Accounts 2019, which were set out on pages 87 and 89.

1. 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 year, S⁴Capital Group has been active in two segments.

// Content Practice: 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 primarily businesses across technology, FMCG and media & entertainment.

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.

Operating segment information under the primary reporting format is disclosed below:

	Content Practice £'000	Data & Digital media £'000	Total £'000
2020			
Gross profit	220,497	74,685	295,182
Segment profit ¹	45,609	21,603	67,212
Overhead cost			(5,034)
Adjusted non-recurring and acquisition related expenses			(26,669)
Depreciation ² and amortisation			(27,376)
Net finance expenses			(5,037)
Profit before income tax			3,096

¹ Including £ 9.6 million depreciation on right-of-use assets

² Excluding £ 9.6 million depreciation on right-of-use assets

	Content £'000	Data & Digital media £'000	Total £'000
2019			
Gross profit	113,365	57,953	171,318
Segment profit ¹	25,570	13,654	39,224
Overhead cost			(5,817)
Adjusted non-recurring and acquisition related expenses			(19,983)
Depreciation ² and amortisation			(17,259)
Net finance expenses			(5,360)
Loss before income tax			(9,195)

¹ Including £ 7.7 million depreciation on right-of-use assets

² Excluding £ 7.7 million depreciation on right-of-use assets

Key management of S⁴Capital Group uses gross profit rather than revenue to manage the Group due to the fluctuating amounts of third-party costs and/or pass-through expenses, which form part of revenue.

2. Adjusting items

S⁴Capital Group uses certain adjusted earnings measures to provide additional clarity about the performance of the business. Therefore, the operating profit in the condensed consolidated income statement is also adjusted for the following items, which comprise:

// Acquisition and set-up related expenses are not considered part of underlying trading and are material one-off expense or income, which are relevant to an understanding of the underlying performance of the Group.

// Amortisation of certain fair value adjustments recorded in respect of finite-life intangible assets recognised in the purchase price allocation of the acquisitions.

// Share based compensation.

The adjusting items amount to £49.8 million for the financial year ended 31 December 2020 (for the financial year ended 31 December 2019: £35.0 million). The tables below provide a reconciliation of the Group's reported statutory earnings measures to its adjusted measures

	Reported £'000	Amortisation ¹ £'000	Acquisition and set-up related expenses ² £'000	Share based compensation £'000	Adjusted £'000
January to December 2020					
Operating profit	8,133	23,148	14,338	12,331	57,950
Net finance expenses	(5,037)	-	-	-	(5,037)
Profit before income tax	3,096	23,148	14,338	12,331	52,913
Income tax expense	(7,025)	(5,758)	(1,238)	-	(14,021)
(Loss) profit for the year	(3,929)	17,390	13,100	12,331	38,892

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 £2.2 million and transaction related advisory fees of £13.6 million and the accounting for contingent considerations of £1.4 million.

January to December 2019	Reported £'000	Amortisation ¹ £'000	Acquisition and set-up related expenses ² £'000	Share based compensation £'000	Adjusted £'000
Operating (loss) profit	(3,835)	15,000	12,806	7,177	31,148
Net finance expenses	(5,360)	-	-	-	(5,360)
(Loss) profit before income tax	(9,195)	15,000	12,806	7,177	25,788
Income tax credit / (expense)	(845)	(3,893)	(2,064)	-	(6,802)
(Loss) profit for the year	(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 £7.2 million and transaction related advisory fees of £5.7 million.

3. Earnings per share

	2020	2019
Income (Loss) attributable to shareowners of the Company (£'000)	(3,929)	(10,040)
Weighted average number of ordinary shares	493,290,974	368,067,622
Basic loss per share (pence)	(0.8)	(2.7)
Diluted loss per share (pence)	(0.8)	(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 year.

4. Intangible assets

	Goodwill £'000	Customer relationships £'000	Brands £'000	Order Backlog £'000	Other £'000	Total £'000
Net book value at 1 January 2019	238,237	148,085	13,697	180	1,937	402,136
Acquired through business combinations	106,610	66,231	2,082	1,098	2,590	178,611
Additions	-	-	-	-	1,578	1,578
Amortisation charge for the year	-	(12,017)	(1,117)	(1,212)	(654)	(15,000)
Foreign exchange differences	(16,011)	(10,191)	(681)	(66)	(247)	(27,196)
Total transactions during the year	90,599	44,023	284	(180)	3,267	137,993
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	228,376	39,379	1,059	3,065	2,269	274,148
Addition	-	-	-	-	34	34
Reclassifications	(2,793)	2,298	211	-	-	(284)
Amortisation charge for the year	-	(17,747)	(1,866)	(1,919)	(1,616)	(23,148)
Foreign exchange differences	5,503	2,303	294	56	94	8,250
Total transactions during the year	231,086	26,233	(302)	1,202	781	259,000
Cost	559,922	250,583	16,799	8,805	8,745	844,854
Accumulated amortisation	-	(32,243)	(3,121)	(7,604)	(2,757)	(45,725)
Net book value at 31 December 2020	559,922	218,340	13,678	1,201	5,988	799,129

Acquisitions 2020

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and provisional goodwill of the subsidiaries acquired in financial year 2020 are as follows:

	Content Practice £'000	Data & digital media practice £'000	Total Fair value £'000
Intangible assets – Customer relationships	21,836	17,543	39,379
Intangible assets – Brand names	663	396	1,059
Intangible assets – Order backlog	1,652	1,413	3,065
Intangible assets – Software	-	2,269	2,269
Property, plant and equipment	2,110	343	2,453
Financial fixed assets	165	102	267
Cash and cash equivalents	12,259	7,555	19,814
Trade and other receivables	30,753	7,408	38,160
Trade and other payables	(34,601)	(5,423)	(40,026)
Current taxation	567	(985)	(418)
Lease liabilities	(674)	-	(674)
Other non-current liabilities	(385)	(1,553)	(1,937)
Deferred taxation	(6,619)	(5,045)	(11,664)
Net assets	27,726	24,023	51,749
Goodwill	126,908	101,469	228,376
Total purchase consideration	154,634	125,492	280,125
Payment in kind (common stock)	24,293	49,379	73,671
Cash	73,361	50,079	123,442
Deferred consideration	29,222	5,890	35,111
Contingent consideration	27,757	20,143	47,899
Total purchase consideration	154,634	125,492	280,125
Purchase consideration – cash	73,361	50,079	123,440
Cash and cash equivalents	12,259	7,555	19,814
Cash outflow on acquisition (net of cash acquired)	61,102	42,524	103,626

In 2020, S⁴Capital Group combined with the following businesses:

Content Practice

Combinations in 2020 of the Group's Content Practice are:

// On 8 January 2020, S⁴Capital plc announced (completed and control passed on 12 March 2020) the combination of MediaMonks with the fully integrated digital agency Circus Network.

// On 10 September 2020, S⁴Capital plc announced that MediaMonks has entered into exclusivity in relation to a combination with Dare.Win, an award-winning Paris based digital creative agency. The combination expands MediaMonks' geographical presence to France, Europe's third largest advertising market. At the end of the reporting year, the opening balance sheet has not been agreed upon and therefore the calculated goodwill is provisional.

// In November 2019, S⁴Capital plc announced (completed and control passed on 27 August 2020) the combination of MediaMonks with WhiteBalance, Indian-based digital creative and production agency.

// On 4 January 2021, S⁴Capital plc announced (completed and control passed on 31 December 2020) the combination of MediaMonks with Decoded Advertising, a San Francisco-based marketing agency. Decoded Advertising buys media across search, social and ecommerce properties.

Data & digital media practice

Combinations in 2020 of the Group's Data & digital media practice are:

// On 26 May 2020, S⁴Capital plc announced (completed and control passed on 10 July 2020) the combination of MightyHive with Digodat, a leading Latin American data and analytics consultancy.

// On 30 June 2020, S⁴Capital plc announced the combination of MightyHive with Lens10, a leading Australian digital strategy and analytics consultancy, pending Foreign Investment Review Board and Australian Competition and Consumer Commission.

// On 29 July 2020, S⁴Capital plc announced the combination of MightyHive with Orca Pacific, a market leading full-service Amazon agency and boutique consultancy firm based in Seattle.

// On 27 August 2020, S⁴Capital plc announced the combination of MightyHive with Brightblue Consulting, an award-winning UK based data analytics and measurement consultancy

// On 4 January 2021, S⁴Capital plc announced (completed and control passed on 31 December 2020) the combination of MightyHive with Metric Theory, an US-based agency fully integrated agency covering creative, media and technology

The goodwill represents the potential growth opportunities and synergy effects from the acquisition. The goodwill is not deductible for tax purposes. Trade receivables net of expected credit losses acquired are considered to be fair value and are expected to be collectable in full.

The contingent considerations are contingent on the acquired companies achieving their 2020 results and, in some cases their 2021 and 2022 results, as determined upon acquiring the subsidiary. The contingent considerations are included for the maximum amount of the consideration expected.

The total acquisition costs of £10.8 million (2019: £4.7 million) have been recognised under acquisition and set-up related expenses in the statement of profit or loss.

Firewood

Contingent consideration arising from business combinations is fair valued, with key inputs including the probability of success, consideration of potential delays and the expected levels of future revenues. In 2020, Management has identified changes in certain key assumptions with respect to the acquisition of Firewood Marketing Inc that caused the calculated fair value to vary compared to the initial calculated fair value. Revaluations of Contingent consideration are recognised in Selling, general and administrative costs and include a decrease of £8.8 million in 2020 (2019: nil) based on revised milestone probabilities, and revenue forecasts, relating mainly to the acquisition of Firewood Marketing.

Events occurring after the reporting period

On 11 January 2021, S⁴Capital plc announced that TOMORROW, an award-winning Shanghai-based creative agency, is combined with MediaMonks, S⁴Capital's Content Practice. The combination expands MediaMonks' existing capabilities and presence in China, the world's second largest advertising market.

On 20 January 2021, S⁴Capital plc announced a combination with Staud Studios, a German high-end creative production studio specialising in the automotive industry. Pursuant to the terms of the Transaction, we have agreed to issue 661,927 ordinary shares of 25 pence each in the capital of the Company, credited as fully paid, as initial consideration. The Initial Consideration Shares will be subject to a restriction on sale until 22 January 2023.

On 1 February 2021, S⁴Capital plc announced that MightyHive has acquired the assets of Datalicious, a leading Google Marketing Platform, Google Cloud and Google Analytics partner in Asia Pacific. Datalicious is a specialised data and analytics consultancy, helping marketers make sense of their data. Datalicious tracks and analyzes customer interactions across multiple marketing channels, so clients can drive the most impact from their marketing dollars and create targeted and personalised customer experiences and staff and clients in the financial services, telecommunications and media industries will become part of S⁴Capital's expanding Data and Digital media practice at MightyHive.

On 25 March 2021, S⁴Capital announced that it has entered into a conditional agreement in relation to a combination of MediaMonks with the highly awarded design and experience agency, Jam3, based in Toronto with offices in Amsterdam, Los Angeles and Uruguay

5. Income tax expense

The corporate income tax charge comprises the following:

	2020 £'000	2019 £'000
Current tax for the year	(12,970)	(4,022)
Adjustments for current tax of prior years	(203)	(36)

Total current tax	(13,173)	(4,058)
Movement in deferred tax	6,148	3,213
Income tax expense in profit or loss	(7,025)	(845)
	2020	2019
	<i>£'000</i>	<i>£'000</i>
Income (Loss) before income taxes	3,096	(9,195)
Tax credit at the UK rate of 19% (2019:19%)	(589)	1,747
Tax effect of amounts which are non-deductible (taxable)	(4,245)	(2,074)
Differences in overseas tax rates	(1,988)	(554)
Adjustment for current taxes of prior years	(203)	36
Income tax expense in profit or loss	(7,025)	(845)

The applicable tax rate is based on the proportion of the contribution to the result by the Group entities and the tax rate applicable in the respective countries. The applicable tax rate in the respective countries ranges from 17% to 35%. The effective tax rate used to calculate the actual tax charge for the year deviates from the applicable tax rate mainly because of non-deductible items, amortisation, accelerated capital allowances over depreciation on plant, property and equipment and differences in overseas tax rates.