



16 June 2022

S4 Capital plc

("S⁴Capital" or "the Company")

AGM Statement

Like-for-like 2022 Gross Profit/Net Revenue Growth guidance remains at 25%

S⁴Capital plc (SFOR.L), the tech-led, new age, new era, digital advertising and marketing services company, announces that at the Annual General Meeting of the Company to be held today, Sir Martin Sorrell, Executive Chairman of the Company, will make the following statement.

"2021 was a very busy fourth year for S⁴Capital, both organically and through mergers and the tempo has been maintained in the first four months of 2022 and we remain comfortable with like-for-like 2022 gross profit/net revenue growth guidance of 25%, combined with a targeted steady improvement in Operational Earnings Before Interest, Depreciation and Amortisation (EBITDA) margins, with Operational EBITDA significantly skewed to the second half of the year.

I am pleased to say that, currently, relatively few (around 120) of our people and their families have reportedly been infected by Covid-19 or developed serious problems as a result, although we have seen a recent increase in the number of reported cases across the globe and particularly in Latin America. About half of our 86 Monks in Ukraine have relocated, mainly in Central and Eastern Europe, with the other half remaining to fight. We have ceased our operations in Russia, where we had 10 Monks.

First, I want to remind everyone, again, of our Company's definitive and differentiated strategy, based on four core principles. I say "our company" as it is both your Company as our shareowners and our Company, as your management team. We are tightly aligned with you – over 40% of our shareowners are connected to our Monks or Directors. But back to those four core principles: We are purely digital, because that's where the growth is, even more so in a Covid-19 world. In a 24/7, always-on digital world, our business model is to focus on first party data, which, in turn, fuels the creation, production and distribution of digital advertising and marketing creative content through our data & digital media planning and buying and programmatic and performance executions. And we have recently expanded our services to include Technology services to fully provide digital marketing transformation services for our clients. Our mantra or strap line is "faster, better, cheaper" or "speed, quality, value", because that's what clients want. Finally, our organisational structure is unitary, with a single P&L, as clients

want the best people working on their business, not caring where they come from. We don't do fragmenting earnouts.

Having built out our Content practice over the last four years around MediaMonks and our Data&digital media practice around MightyHive over the same period, we added 12 content companies and 11 data & digital media companies before last year's AGM and eight in the last seven months of 2021 and the first five months of 2022 before this one. There has been considerable emphasis with each merger on integration from the earliest point possible and extracting synergies, particularly revenue synergies, to emphasise the importance of our unitary structure.

In July 2021, MightyHive expanded its Data&digital media practice in Asia Pacific with Salesforce specialist Destined.

In August 2021, the Company successfully raised a seven year €375 million senior secured term loan B (TLB) and five year £100 million equivalent multi-currency senior secured revolving credit facility to enhance facilities for combinations. Also in August 2021, MediaMonks and MightyHive combined into one unitary brand: Media.Monks, reflecting both our Content and Data&digital media roots through MightyHive's iconic hexagon.

In September 2021, the newly-branded Media.Monks expanded its creative and culture capabilities in the United States with Cashmere and added a third practice, Technology services, through a combination with Bogotá-based Zemoga.

In November 2021, Media.Monks combined with Miyagi, expanding its content capabilities in Italy.

In December 2021, Media.Monks further enhanced its US Salesforce capabilities with Chicago-based Maverick Digital.

In January 2022, Media.Monks combined with 4 Mile Analytics, a California-based data analytics company.

In May 2022, Media.Monks added to its Technology services practice with US-based digital marketing transformation consultancy TheoremOne. We continue to explore in-bound and out-bound combination opportunities, but only on pre-audit delay equity pricing.

Since our last AGM in June of 2021, our Company has almost doubled its number of Monks to approximately 9,000 in 33 countries, although its market capitalisation has halved to £1.3 billion (\$1.7 billion), reflecting both the falls in global stock markets and the delay in issuing our 2021 financial results. S⁴Capital achieved £ and \$ "unicorn" status within 18 months of its re-listing and would rank in the FTSE 200 by market capitalisation, if it had a premium listing.

Our new Group Chief Financial Officer, Mary Basterfield, who has extensive media, agency and digital experience, is focussed, apart from on our entire business, on trying to ensure that any audit delay does not occur again. At Board level, we will be adding a Non-Executive Director as Chairman of the Audit Committee shortly. At the Company level, we have already added or will add further financial control, treasury, compliance, risk and governance and internal audit resources. Finally, at the Content practice level, which is where the major delay issues arose around IFRS 15, in particular, we have already strengthened the control, pricing and estimating functions.

Despite forecasts for 2022 global GDP growth continuing to decline from a high of 5-6% to now under 3% and forecasts for 2022 digital advertising being reduced from 15-20% to 10-15%, client activity

remains strong. There are significant macro-economic concerns around the impact of a perfect storm of the withdrawal of the Covid fiscal and monetary stimulus, higher interest rates, inflation, the war in Ukraine and the impact of extended Chinese lockdowns. Whilst the War has affected economic activity in Central and Eastern Europe and the Chinese Government's zero-Covid policy slowed the economy in China and affected morale, the only noticeable impact so far on clients is a greater emphasis on media mix modelling, measurement, activation and results. This tends to favour digitally-focussed businesses like ours, which focus on so called "lower funnel" work, which is understandably results orientated. We remain comfortable with market guidance of 25% like-for-like gross profit/net revenue growth for 2022 and target a steady improvement in Operational EBITDA margins and Operational EBITDA significantly skewed to the second half of the year.

As in previous years, the Company continues to invest heavily in talent or human capital, in order to attract, develop and grow the human fabric of the Company essential to achieving high organic growth rates. The S⁴ Fellowship Programme aimed at recruiting interns from the historically black universities and the S⁴Women Leadership Programme with UC Berkeley have both completed their second programmes, representing good examples of our diversity, equity and inclusion initiatives. In addition, the S⁴ Scholars Programme, aimed specifically at recruiting High School students is now live.

We are confident that we will be able to deliver sector leading, high double digit like-for-like revenue and gross profit growth for 2022 and target a steady improvement in operational earnings before interest, taxes, depreciation and amortisation margin. We are also confident that we will achieve our three-year plan for 2022-24 (as well as the previous three three-year plans), which calls for a doubling of the Company organically, at both top line and Operational EBITDA levels.

We always knew that our people, being digital natives, would adapt effortlessly and productively to working from home and, as a result, we are further developing a hybrid office model, which accommodates those of our people who want to work more from home and who want to commute more flexibly and provides spaces for working, interacting with colleagues and interacting with clients. We have terminated a number of office leases, which have enabled us to integrate our operations even faster than we originally thought in the cities in which we operate.

The Company's cash flow remains good and our Company will continue to examine strategic combinations, but only issuing equity at a level of 425p or higher, the share price before the impact of the delay in our 2021 results.

Having achieved brand awareness and brand trial over our first four years, our focus remains on broadening and deepening existing client relationships and conversion at scale. Our eight biggest clients will now achieve "whopper" status in a full year (i.e. over \$20 million of revenue) compared with five this time last year, but we still search for bigger and deeper relationships, and a further nineteen clients, eight in technology and telecommunications have been identified as having "whopper" potential over the three year plan period 2022-24. Our objective remains 20 in total. Since our last AGM we have seen the expansion of our major client relationships with additional assignments and geographies at brands including Google, Meta, Amazon, Paypal, HP, Netflix, Procter & Gamble, Mondelez and BMW. We also saw significant new business with engagements from new clients including Brewdog, Tiktok, Diageo, [Booking.com](https://www.booking.com), Allianz, Miele, Instacart, Pearson, Dropbox, Canva, Constellation Brands, M1 and the US media account of a large FMCG company, which will become a leading account in 2023.

Geographically, we have added offices in Colombia and Uruguay since the last AGM and we do not believe that we will have to add more than four or five markets to our existing tally of 33 countries. We continue to examine our needs for deeper strategic insight and adding technology services, along

with increasing focus on the importance of first party data and the walled gardens, following the death of the cookie, which we are already well positioned for.

Finally, I would like to formally welcome Mary Basterfield as our new Group Chief Financial Officer and Director to her first AGM and to thank both Peter Rademaker and Peter Kim for their hard work and success as Directors, as they choose not to seek re-election this year. We will now have a Board of 14 directors, 8 non-executive, four women, four men and six executive directors and plan to add a new Non-Executive Director to be Chairman of the Audit Committee shortly.

As the AGM is a hybrid AGM, shareowners will have received joining instructions for electronic access via the Lumi AGM app, including details of voting and Q&A functions. Details are set out in the Notice of Annual General Meeting.

Guest access to the AGM without voting or a Q&A facility will be available as a webcast via the following link: <https://stream.brrmedia.co.uk/broadcast/62a700d74699121b35bc8210>

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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 by integrating leading businesses in three practice areas: Content, Data&digital media and Technology services, 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 2021 digital accounted for over 60% (for the first time) or \$400-450 billion of total global advertising spend of \$680-700 billion (excluding over \$500 billion of trade promotion marketing, the primary target of the Amazon advertising platform) and projects that by 2025 total global advertising spend will expand to \$975 billion and digital's share will grow to approximately 70%, accelerated by the impact of covid-19. In fact 97% of the projected growth in Advertising spend between 2021 and 2025 will come from Digital. Global spend on Digital Transformation (the primary addressable market for Technology Services) is growing at 21% CAGR and projected to be \$879bn by 2025.

In 2018, S⁴Capital combined with MediaMonks, the leading AdAge A-listed creative digital content production company led by Victor Knaap and Wesley ter Haar, and then with MightyHive, the market-leading digital media solutions provider for future thinking marketers and agencies, led by Peter Kim and Christopher S. Martin.

Since then, MediaMonks and MightyHive combined with more than 25 companies across Content, Data&digital media and Technology services. For a full list, please see the S⁴Capital website.

In August 2021, S⁴Capital launched its unitary brand by merging MediaMonks and MightyHive into Media.Monks, represented by a dynamic logo mark that features MightyHive's iconic hexagon. As the operational brand, Media.Monks underpins S⁴Capital's agility, digital knowledge and efficiency and is the next step in delivering on its foundational promise to unify Content, Data&digital media and Technology services.

Victor Knaap, Wesley ter Haar, Christopher Martin, Mary Basterfield and Scott Spirit all joined the S⁴Capital Board as Executive 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 around 9,000 people in 33 countries across the Americas, Europe, the Middle East and Africa and Asia-Pacific and a current market capitalisation of approximately £1.3 billion (c.\$1.7 billion) and would rank in the FTSE 200. 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 £10.8 billion, dropping into third place behind both Omnicom and Publicis for the first time ever. Prior to that Sir Martin was Group Financial Director of Saatchi & Saatchi Company Plc for nine years.