8 May 2025

S[4]Capital plc
First Quarter Trading Update
("S[4]Capital", "the Company" or "the Group")

First quarter like-for-like[3] net revenue[2] down 11.4%, reported down 12.2%, reflecting continuing technology client caution and headwind from one key client in Technology Services
Constant currency net revenue and operational EBITDA[1,7] full year targets unchanged and expected to be broadly similar to 2024, with greater second half weighting than last year and usual, reflecting the timing of revenue from significant new business
Net debt[6] £144.8 million at first quarter end versus £206.0 million at first quarter end last year and target for the end of 2025 remains a range of £100-140 million
Continued focus on larger, scaled relationships, pricing, billability and margin improvement
Tariffs create short-term uncertainty, but opportunity for long-term technology adoption, particularly AI, to implement greater efficiency in a slower growth world

Key financials

£ millions	Three months ended 31 March 2025	Three months ended 31 March 2024	change Reported	change Like-for-like[3]	change Pro-forma[4]
Billings[5]	**463.3**	430.1	7.7%	8.6%	8.6%
Revenue					
Marketing Services	**162.6**	185.9	(12.5%)	(11.3%)	(11.3%)
Technology Services	**15.5**	24.3	(36.2%)	(36.5%)	(36.5%)
Total	**178.1**	210.2	(15.3%)	(14.3%)	(14.3%)
Net revenue					
Marketing Services	**148.3**	162.2	(8.6%)	(7.5%)	(7.5%)
Technology Services	**15.4**	24.2	(36.4%)	(36.9%)	(36.9%)
Total	**163.7**	186.4	(12.2%)	(11.4%)	(11.4%)
Net revenue by Geography					
Americas	**130.5**	146.7	(11.0%)	(10.5%)	(10.5%)
EMEA	**24.3**	29.4	(17.3%)	(15.9%)	(15.9%)
Asia-Pacific	**8.9**	10.3	(13.6%)	(11.0%)	(11.0%)

Total	**163.7**	186.4	(12.2%)	(11.4%)	(11.4%)

Sir Martin Sorrell, Executive Chairman of S[4]Capital Plc said:

"As indicated previously, trading in the first quarter reflects the continuing impact of, to say the least, volatile global macroeconomic conditions. As a result, clients remain generally cautious, with technology clients, which account for almost half our revenue, in particular, continuing to prioritise capital expenditure on AI over operating expenditure, such as marketing. As anticipated, our Technology Services Practice continued to be affected by a reduction in one of our larger relationships. Our liquidity and cashflow was much improved compared with the first quarter of 2024 and net debt was at a similar level to the year-end. This was despite the first quarter, as usual, being the lowest quarter of activity and reflecting our focus on working capital and cost control.

The global macroeconomic environment has become even more challenging in 2025. Assessing the impact of US imposed tariffs has been added to the three principal risks around US/China relations, Russia/Ukraine and Iran/Middle-East. Clients, therefore, are likely to remain cautious. However, once the levels of tariffs are negotiated and impacts assessed, we believe clients will become more selective about the geographies in which they operate in order to find growth and focused on implementing technologies, such as, but not only AI, to drive efficiency in a slower growth, higher inflation and higher interest rate environment. This may be the time when AI-adoption accelerates at scale. With that said, we expect an improved performance in the second half of the year, aided by the phasing of revenue from new business. We will continue to focus on our cost base and will take further action to support profitability and expect net revenue and operational EBITDA to be broadly similar to 2024, on a constant currency basis, with a further reduction in net debt by year end to the range of £100-140 million.

We continue to focus on our larger, scaled relationships with leading enterprise clients and our drive for margin improvement through greater efficiency, utilisation, billability and pricing. We remain confident in our strategy, business model and talent, which together with scaled client relationships position us well for growth in the longer term. We continue to capitalise on our prominent AI positioning and are seeing multiple initial AI-related assignments and new business opportunities."

Notes (in this document):

1. Operational EBITDA is operating profit or loss adjusted for acquisition related expenses, non-recurring items (primarily acquisition payments tied to continued employment, amortisation and impairment of business combination intangible assets and restructuring and other one-off expenses) and recurring items (share-based payments) and includes right-of-use assets depreciation. It is a non-GAAP measure management uses to assess the underlying business performance. Operational EBITDA margin is operational EBITDA as a percentage of net revenue.
2. Net revenue is revenue less direct costs.
3. Like-for-like is a non-GAAP measure and relates to 2024 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2025, applying currency rates as used in 2025.
4. 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 in the pre-acquisition period.
5. Billings is gross billings to clients including pass through costs.
6. Net debt excludes lease liabilities.
7. This is a target and not a profit forecast.

Q1 Trading Update

The macroeconomic environment in the first quarter remained challenging with significant volatility and uncertainty in global economic policy. Clients have remained cautious and we also saw a reduction in activity in one key Technology Services client, as expected. Billings were £463.3 million up 8.6% like-for-like and 7.7% reported, reflecting stronger digital media planning and buying activity. Like-for-like revenue was down 14.3%, down 15.3% reported to £178.1 million. Like-for-like net revenue declined 11.4%, or 12.2% on a reported basis to £163.7 million.

Q1 operational EBITDA was in line with our expectations, reflecting the benefit of cost actions taken in reaction to lower activity levels. The number of Monks in the Company was around 7,000 at the end of the first quarter, down 8% compared to circa 7,600 at the end of the Q1 2024 and 2% lower than our year end figure of about 7,150, reflecting the continued focus on pricing and billability. We maintain a disciplined approach to managing our cost base and continue our drive for margin improvement through greater efficiency, utilisation, billability and pricing.

Performance by Practice

Marketing Services like-for-like net revenue for the first quarter was down 7.5% and 8.6% reported to £148.3 million, reflecting ongoing caution and lower activity with some of our larger technology clients, who continued to prioritise spend on building AI capacity. Marketing Services continues to focus on efficiency, utilisation, billability and pricing.

Technology Services' first quarter like-for-like net revenue was down 36.9% and 36.4% reported to £15.4 million primarily reflecting lower activity with one key client and as well as longer sales cycles for new business.

Performance by Geography

The Americas like-for-like net revenue, which accounts for 80% of the Company's total, was down 10.5%, but with strong growth in Latin America. EMEA, accounting for 15%, was down 15.9%, with lower activity in the UK, Germany and the Netherlands. Asia Pacific, accounting for the remaining 5%, was down 11.0%, affected by Australia and Singapore.

New business and AI

We are seeing our AI initiatives improve visualisation and copywriting productivity, deliver considerably more effective and economic hyper-personalisation (better targeted content at greater scale), delivering more automated and integrated media planning and buying, improving general client and agency efficiency and democratising knowledge. Monks.Flow is our AI product solution that automates marketing workflows and we are continuing to add applications and expand its capabilities. Our end-to-end suite of Monks.Flow products orchestrates and helps enable our clients to more easily implement AI solutions, particularly in visualisation and copywriting, in hyper-personalisation at scale, in real time focus groups and linking media planning and buying. We are now producing high quality commercials using AI technologies such Runway, Flux, Omniverse (Nvidia), Substance (Adobe) and Unreal that literally take hours and days to produce at significantly lower cost rather than traditional production techniques, which take weeks and months at significantly greater cost. The quality continues to improve in real time and clients that are exposed to the results of these AI technologies are very excited about their implementation and the commercial impact on their marketing budgets and return on investment.

We are seeing significant opportunities for new business, particularly driven by our AI tools and capability. New business wins in the first quarter include new or broadened relationships with Asana, Amplifon, Samsung, Square, NCS and Opella. We also continue to expand many of our existing relationships, in particular GM and Amazon, which will ramp up significantly in the second half of the year. In April we won a large "Real Time Brands" assignment with an existing TMT "whopper", which will also contribute to our second half performance and over time more than double in size. We continue to win multiple exploratory assignments, as clients experiment and explore AI applications and develop AI use cases. AI capability is becoming more central to the agency's way of working and new business efforts. In this regard the Company's early adoption of AI and proactive approach to staff training on AI is beginning to pay off.

Our new Go-To-Market propositions, Orchestration Partner, Real Time Brands, Glass Box Media and Digital Transformation are all starting to resonate strongly with clients. These are built around hyper-personalisation at scale, social media, brand strategy, transparent media buying and planning and the leveraging of technology.

Dividend

On the 23 March 2025 the Board proposed a final dividend of 1p per share, amounting to £6.1 million, subject to shareowner approval. This will be paid on 10 July 2025 to all shareowners on the register as at 6 June 2025.

Balance Sheet

Net debt[6] ended the first quarter at £144.8 million, or 1.7x net debt/12 month pro-forma operational EBITDA. This compares to £206.0 million at the end of the first quarter last year. The trailing 12 months pro-forma EBITDA was £85.5 million. We expect net debt to reduce as we progress through the second half of 2025 and maintain our target of £100 to £140 million for year end. The balance sheet has sufficient liquidity and long-dated debt maturities to facilitate growth and our key covenant, being net debt not to exceed 4.5x the 12 month pro-forma EBITDA. Our RCF of £100 million remains undrawn.

Board

The Company was pleased to announce the appointment of Radhika Radhakrishnan as Chief Financial Officer on 1 May 2025, succeeding Mary Basterfield. Radhika was Global Chief Finance Officer of Wavemaker, one of WPPs media brands at Group M, and at Bartle Bogle Hegarty (BBH), one of Publicis' creative agencies. Prior to her time at BBH, she was Chief Finance Officer at 20th Century Fox UK and Chief Financial Officer of Hachette Filipacchi UK, now Hearst Magazines. Radhika qualified as a Chartered Accountant with Ernst & Young London and is a Non-Executive Director of the University of Cambridge Press and Assessment Board.

The Board unanimously thanks Mary for her hard work and commitment over the last three years and for improving cost management, liquidity and the financial processes of the company and wishes her every success in her future career.

The Company was also pleased to announce the appointment of Nirvik Singh as an independent Non-executive Director of S4 Capital plc on 1 May 2025. Nirvik previously served as Global Chief Operating Officer and President International of Grey Group, a WPP subsidiary, overseeing operations across Europe, Latin America, the Middle East, Africa and Asia-Pacific. He has also led multiple acquisitions in China, India, South Korea, the UAE, the UK and South Africa, covering sectors such as e-commerce, data analytics and marketing technology. Beginning his career at Lipton India, a Unilever company, Nirvik transitioned into advertising, becoming CEO of Grey Group India at 33 and later leading its expansion into South Asia. In 2010 he relocated to Singapore, when he was appointed Chairman and CEO of Grey Asia-Pacific, before assuming his global role in 2019. He is currently Chairman of Hype Luxury, a luxury mobility aggregator, Non-executive Director of Shoppers Stop, a $800m market capitalisation retail company, Non-executive Director and member of the Nomination and Remuneration, and Risk Committees of Gulf Oil India and an Advisor to Charge Europa, a Polish EV charging company.

Both Radhika and Nirvik will stand for election to the Board at the Annual General Meeting to be held on 4 June 2025.

ESG

We remain committed to the pillars of our ESG strategy: people fulfilment, our responsibility to the world and one brand. We continue to focus on improving our external reporting, our reporting tools and governance to help us move towards increased transparency and effective reporting and to comply with future global regulatory requirements.

Summary and outlook

We maintain our targets for the year.

For the Company as a whole, despite the wider market uncertainty and significant volatility in global economic policy, particularly as a result of the US-imposed tariffs, we continue to target net revenue and operational EBITDA[7] to be broadly similar to 2024 on a constant currency basis. We will continue to focus on our cost base and will take further action to support profitability, if necessary. As expected the comparatives for the first half continue to be difficult, in part due to the residual effect of the reduction in revenue from one key client in Technology Services. We expect an improved performance in the second half of the year and a greater second half weighting than in the prior year, enhanced by the phasing of new business revenue, including wins already secured.

Our targeted range for the year end net debt remains £100 million to £140 million. We target medium term financial leverage at the lower end of our previous range of around 1.5 times operational EBITDA. Over the longer term we continue to expect our growth to outperform our markets and operational EBITDA margins to return to historic levels of around 20%[7].

The strategy of S4Capital remains the same. The Company’s unitary, purely digital transformation model, based on first-party data fuelling the creation, production and distribution of digital advertising content, distributed by digital media and built on technology platforms to ensure success and efficiency, resonates with clients.

We continue to streamline and integrate our businesses, we have rebranded to Monks and are focusing all our current capabilities into two Practices: Marketing Services and Technology Services. Our tagline ‘faster, better, cheaper and more’ or ‘speed, quality, value and more’ and a unitary structure both appeal strongly, even more so in challenging economic times.

Webcast and conference call

A webcast and conference call will be held at 09:00 BST in London, followed by another webcast and call at 08:00 EDT/13:00 BST.

09:00 BST webcast (watch only) and conference call (for Q&A):
Webcast: https://brrmedia.news/SFOR_Q125
Conference call:
UK: +44 (0) 33 0551 0200
US: +1 786 697 3501

08:00 EDT/13:00 BST webcast (watch only) and conference call (for Q&A):
Webcast: https://brrmedia.news/SFOR_Q125_US
Conference call:
UK: +44 (0) 33 0551 0200
US: +1 786 697 3501

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About S^{4}Capital

Our strategy is to build a purely digital advertising and marketing services business for global, multinational, regional, and local clients, and millennial-driven influencer brands. This will be achieved by integrating leading businesses in two synchronised Practices: Marketing services and Technology services, along with an emphasis on 'faster, better, cheaper, more' execution in an always-on consumer-led environment, with a unitary structure.

The Company now has approximately 7,000 people in 33 countries with approximately 80% of net revenue across the Americas, 15% across Europe, the Middle East and Africa and 5% across Asia-Pacific. The longer-term objective is a geographic split of 60%:20%:20%. Marketing Services accounted for approximately 90% of net revenue, and Technology Services 10%. The longer term objective is a practice split of 75%:25%.

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. Prior to that Sir Martin was Group Financial Director of Saatchi & Saatchi Company Plc for nine years.

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