



7 May 2026

S⁴Capital plc
First Quarter Trading Update
 ("S⁴Capital", "the Company" or "the Group")

Full year guidance reiterated

Reported net revenue² down 8.9%, 5.0% like-for-like³

First quarter performance in line with expectations with improving operating margins

Quarter end net debt⁵ £111.8 million, 1.4x pro-forma 12 month Operational EBITDA¹, down £33.0 million reported and £45.6 million like-for-like

The Company repurchased €85.2 million of its Term Loan B at a discount reducing it to €289.9 million with a targeted reduction to €250 million

2026 like-for-like net revenue expected to be in line with current analyst consensus, slightly below 2025, with operational EBITDA⁶ margin targeted to increase by at least 100 basis points

2026 net debt target unchanged at £60-90 million

The Board will approve an interim dividend of 1.1p and recommend a final dividend of 1.1p, subject to shareowner approval where necessary, if performance and liquidity targets are delivered

The Company's capital allocation policy prioritises dividends first, debt repayment second and share buy-backs third
The Board will implement a 50% dividend payout policy out of adjusted basic earnings per share over the medium-term, subject to financial targets being met

Key financials

<i>£ millions</i>	Three months ended 31 March 2026	Three months ended 31 March 2025	change Reported	change Like-for-like ³
Billings⁴	419.8	463.3	(9.4%)	(4.9%)
Revenue				
Marketing Services	151.8	162.6	(6.6%)	(3.1%)
Technology Services	13.0	15.5	(16.1%)	(10.3%)
Total	164.8	178.1	(7.5%)	(3.7%)
Net revenue				
Marketing Services	136.2	148.3	(8.2%)	(4.5%)
Technology Services	13.0	15.4	(15.6%)	(10.3%)
Total	149.2	163.7	(8.9%)	(5.0%)
Net revenue by Geography				
Americas	122.9	130.5	(5.8%)	(0.5%)
EMEA	17.9	24.3	(26.3%)	(27.8%)
Asia-Pacific	8.4	8.9	(5.6%)	(4.5%)
Total	149.2	163.7	(8.9%)	(5.0%)

Financial highlights

- / Reported revenue £164.8 million, down 7.5% and 3.7% like-for-like.
- / Reported net revenue £149.2 million, down 8.9% and 5.0% like-for-like. This reflects heightened macroeconomic uncertainty caused by the conflict in the Middle East and continued client caution, especially amongst technology clients, as they allocate even more spend to building Artificial Intelligence (AI) infrastructure. The four main Hyperscalers alone are planning to spend over \$700 billion in 2026.
- / Subject to shareowner approval, the Board proposes to pay a final dividend of 1.1p per share in respect of 2025, amounting to £7.4m, a 10% increase compared to 2024, on 10 July 2026 to all shareowners on the register as at 5 June 2026.
- / 2026 like-for-like net revenue is expected to be in line with current analyst consensus, slightly below 2025, with operational EBITDA margin targeted to increase by at least 100 basis points, primarily due to the annualised impact of the 2025 cost actions. As a result of those cost actions, the proportion of operational EBITDA realised in H1 2026 is expected to increase compared to H1 2025.
- / Quarter end net debt was £111.8 million, or 1.4x net debt/pro-forma 12 month operational EBITDA versus £144.8 million on the same date last year. This is a reported improvement of £33.0 million and a like-for-like improvement of £45.6 million over the first quarter end of 2025. We continue to target a net debt range of £60 - £90 million for year end.
- / The Company continues to repurchase its Term Loan B at a discount, with a total of €85.2 million repurchased to date, including the €25.7 million previously announced. This reduces the outstanding Term Loan B to €289.8 million, with a target to reduce it further to a steady state of €250 million.
- / The Board also plans to implement a medium-term dividend payout policy of 50% of adjusted basic earnings, if financial targets are achieved. For 2026, the Board will approve an interim dividend of 1.1p and recommend a final dividend of 1.1p, subject to shareowner approval where necessary, if performance and liquidity targets are met and would be a first short-term step in implementing the capital allocation policy on dividend payout.

Sir Martin Sorrell, Executive Chairman of S⁴Capital Plc said:

“Trading in the first quarter has been in line with the Board’s expectations, despite client caution reflecting continuing macroeconomic and geopolitical volatility, heightened by the increased conflict in the Middle East. Technology clients continue to increase capital expenditure on expanding AI infrastructure and capacity, with the four main hyperscalers alone planning to spend well over \$700 billion in 2026. We anticipate that clients will remain cautious in the near term, as global GDP growth slows, inflation increases and interest rates stubbornly refuse to fall or even increase.

However, we remain confident in our strategy, business model and talent, together with our scaled client relationships and strong momentum behind our new go-to-market proposition.

We see significant opportunities as clients become more selective about growth geographically and increasingly focused on implementing technologies such as AI, Blockchain and Quantum to drive efficiency. We are also seeing the benefits of our own restructuring and cost programmes and continue our focus on cost control and margin improvement. We are seeing significant AI marketing transformation at scale in verticals where there are existential threats - in autos in response to Chinese AV’s and EV’s; in financial services, in response to fintech platforms; and, finally, in package goods, as previous price increases during and post-Covid make it difficult to pass on commodity price increases and consequently pressure margins

We reiterate our full year guidance and expect 2026 like-for-like net revenue to be in line with current analyst consensus, slightly below 2025, with operational EBITDA margin targeted to increase by at least 100 basis points, primarily reflecting the annualised impact of the 2025 cost actions. We target 2026 year end net debt of £60 to £90 million.

The Company’s capital allocation policy is dividends first, debt repurchase second and share buybacks third. The Company has continued to repurchase its Term Loan B at a discount, with €85.2 million repurchased to date, including the €25.7 million previously announced. This reduces the Term Loan B outstanding to €289.9 million, with a targeted reduction to €250 million. The Board plans to implement a 50% dividend payout policy in the medium-term and the first step will be the payment of a 1.1p dividend both for the interim and final dividends for 2026, if financial targets for 2026 are achieved and shareowners approve. This reflects our commitment to deliver consistent shareowner returns.”

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 2025 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2026, applying currency rates as used in 2026.
4. Billings is gross billings to clients including pass through costs.
5. Net debt excludes lease liabilities.
6. This is a target and not a profit forecast.

Q1 Trading Update

As previously highlighted, trading in the quarter reflected both continued uncertainty around global macroeconomic conditions, particularly reflecting the heightened conflict in the Middle East and lower marketing spend from technology clients, which account for approximately half of revenue, as they focussed on boosting capital expenditure to build out AI infrastructure and capacity.

Reported billings were £419.8 million down 9.4%, 4.9% like-for-like. Reported revenue was down 7.5% to £164.8 million, 3.7% like-for-like. Reported net revenue declined 8.9%, 5.0% like-for-like, which did represent a sequential improvement over the final quarter of 2025.

Q1 operational EBITDA was in line with our expectations, reflecting the benefit of cost actions taken in 2025 in reaction to lower activity levels and a continued focus on pricing and billability. The number of Monks in the Company was circa 6,200 at the end of the first quarter, down 11% compared to circa 7,000 at the end of the Q1 2025 and 2% lower than year end of circa 6,350. 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 4.5% and 8.2% reported to £136.2 million, reflecting ongoing caution especially in EMEA and lower activity with some of our larger technology clients.

Technology Services first quarter like-for-like net revenue was down 10.3% and 15.6% reported to £13.0 million, impacted by continued client caution, especially amongst technology clients as they allocate even more spend to building AI infrastructure, as well as longer sales cycles for new business.

Performance by Geography

On a like-for-like basis, the Americas performed stronger than expected with net revenue down 0.5% and now accounts for 82% of the Company's net revenue. EMEA, accounting for 12%, was down 27.8%. Asia Pacific (APAC), accounting for the remaining 6% was down 4.5%.

Reported Americas net revenue was £122.9 million, down 5.8%, EMEA net revenue was £17.9 million, down 26.3% and Asia Pacific was £8.4 million, down 5.6%.

New business and AI

Continuing the trends seen during the year, we are seeing our AI initiatives considerably improve visualisation and copywriting productivity, deliver considerably more effective and economic hyper-personalisation at scale, more automated and integrated media planning and buying, improving general client and agency efficiency and democratise knowledge, flattening organisational structures. We are now producing high quality commercials using AI technologies such as Runway, Luma, Flux, Omniverse (Nvidia), Substance (Adobe) and Unreal that 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. As a result, we are changing our revenue model from a purely, time-based approach to one more based on outputs - i.e. use of assets and subscriptions.

We are seeing significant opportunities for new business, particularly driven by our AI tools and capability. This is particularly so in the Automotive sector, where we have recently won assignments from major manufacturers in Japan, South Korea, China and India as the category establishes itself as an early adopter of AI at scale, in reaction to the existential pressure from Chinese EV's and AV's. We see similar opportunities in Financial Services where we have seen an uptick in pipeline and wins as Financial Institutions move beyond pilots and concerns around AI governance to full scale adoption, again reflecting an existential threat, this time from new fin-tech platforms. In FMCG we continue to build on the traction of winning "Real-Time Brands" and "Orchestration Partner" engagements with two leading US-based Global clients in 2025, one of these client relationships has expanded internationally and we are engaged in several scaled pitches in this category. Package-goods is a third vertical where an existential threat, this time increasing commodity prices and an inability to pass on price increases to consumers, given recent

price hikes during inflationary Covid and post-Covid periods. We continue to win multiple exploratory assignments and AI film projects, 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. A number of clients have called out the proprietary AI applications we have implemented, and as a result, we have won four major AI industry awards in the last two years.

Our go-to-market propositions, Orchestration Partner, Real-Time Brands, Media Acceleration and Digital Transformation are all starting to resonate strongly with clients. These are built around hyper-personalisation at scale, social media, brand strategy, platform expertise and leveraging of technology.

Dividend

On the 23 March 2026 the Board proposed a final dividend of 1.1p per share, amounting to £7.4 million, subject to shareowner approval. This will be paid on 10 July 2026 to all shareowners on the register as at 5 June 2026.

Balance Sheet

Quarter end net debt⁵ was £111.8 million, or 1.4x net debt/pro-forma 12 month operational EBITDA. The pro-forma 12 month operational EBITDA was £82.5 million. This compares to £144.8 million reported at the end of the first quarter last year, or 1.7x. We expect net debt to reduce as we progress through 2026 and reiterate our target of £60 to £90 million for year end.

ESG

We remain committed to the pillars of our ESG strategy: Our Responsibility to the World, People Fulfilment, and One Brand. We have strengthened our external reporting and reporting tools, while further embedding ESG governance and integrating ESG into our strategic direction and day-to-day decision-making. This shows a more mature and integrated approach to transparency and reinforces ESG as a fundamental part of how we operate.

Summary and outlook

Clients are expected to remain cautious in the near term due to macroeconomic uncertainty, evolving tariff dynamics, and the heightened conflict in the Middle East. In addition, technology clients are shifting priorities toward AI capex rather than opex including marketing. Despite this, the Company remains confident in its strategy, business model, talent, and scaled client relationships, positioning it for sustainable long-term growth.

Full year guidance is reiterated with 2026 like-for-like net revenue expected to be in line with current analyst consensus, slightly below 2025, with operational EBITDA margin targeted to increase by at least 100 basis points, primarily due to the annualised impact of the 2025 cost actions. As a result of those cost actions, the proportion of operational EBITDA realised in H1 2026 is expected to increase compared to H1 2025.

Our targeted range for net debt at 31 December 2026 is £60 million to £90 million. We target medium-term leverage of under 1.0x pro-forma 12 month operational EBITDA. Over the longer term we expect operational EBITDA margins to increase significantly and return to historic levels of around 20%.

The Company's capital allocation policy is to prioritise dividends first, debt repayment second and share buy-backs third as net debt falls further. Further The Company has repurchased €85.2 million to date. The Board is implementing a medium-term dividend payout policy of 50% of adjusted basis earnings. As a first step, the Board will approve an interim dividend of 1.1p and recommend a final dividend of 1.1p, subject to shareowner approval where necessary, if performance and liquidity targets are met.

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. Our promise 'faster, better and more efficient' 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.

09:00 BST webcast (watch only) and conference call (for Q&A):

Webcast: https://brrmedia.news/SFOR_Q1_26

Conference call:

UK: +44 (0) 33 0551 0200

US: +1 786 697 3501

Quote 'S4 Capital Q1 Results' when prompted by the operator.

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Sir Martin Sorrell, Executive Chairman

About S⁴Capital

S4 Capital is a purely digital advertising and marketing services business built for global, multinational, regional, and local clients and millennial-driven influencer brands. The business operates through two data and digital media driven Practices: Marketing Services and Technology Services, emphasising 'faster, better and more efficient' execution in an always-on consumer-led environment. Its unitary structure positions the Company as a systems integration partner delivering real-time relevance in the post-agency era.

The Company now has approximately 6,200 people in 34 countries with approximately 82% of net revenue across the Americas, 12% across Europe, the Middle East and Africa and 6% across Asia-Pacific. The longer-term objective is a geographic split of 60%:20%:20%. Marketing Services accounted for approximately 91% of net revenue and Technology Services 9%. The target allocation is a practice split of 75%:25%.

Sir Martin Sorrell 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.

Disclaimer

This announcement includes 'forward-looking statements'. All statements other than statements of historical facts included in this announcement, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Company's services) are forward-looking statements.

Forward-looking statements are subject to risks and uncertainties and accordingly the Company's actual future financial results and operational performance may differ materially from the results and performance expressed in, or implied by, the statements. These factors include but are not limited to those described in the Company's prospectus dated 8 October 2019 which is available on the news section of the Company's website. These forward-looking statements speak only as at the date of this announcement. S⁴Capital expressly disclaims any obligation or undertaking to update or revise any forward-looking statements contained herein to reflect actual results or any change in the assumptions, conditions or circumstances on which any such statements are based unless required to do so.

No statement in this announcement is intended to be a profit forecast and no statement in this announcement should be interpreted to mean that earnings per share of the Company for the current or future years would necessarily match or exceed the historical published earnings per share of the Company.

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