



RNS Number : 2684T
S4 Capital PLC
21 July 2022

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

Following preliminary reviews of the Company's financial results for June and the results for the first six months of 2022, whilst like-for-like revenue and gross profit/net revenue growth is in line with full year run rate expectations of 25%, it is clear the Company's EBITDA and EBITDA margin will be below its expectations for the first half of the year.

Whilst revenue and gross profit/net revenue growth remain robust, even against very strong comparatives for Q2 2021 (prior year up 66% like-for-like), continued significant investment in hiring and consequent expansion of the Company's cost base, particularly in the Content practice, have had a negative impact on first half EBITDA and EBITDA margin.

With the pattern of profitability already significantly skewed to the second half of the year, and as previously signalled more than the usual two-thirds weighting, this means that the profitability required for the second half of the year to meet market expectations will be even greater.

As a result, the Board has decided that it would prefer to lower expectations for its target EBITDA for the full year to approximately £120 million whilst maintaining the target of 25% like-for-like gross profit / net revenue growth. The Board notes that analysts currently forecast EBITDA in the range of £154-165 million.

The Board expects Data&digital media and Technology services to deliver healthy EBITDA margins for the full year, but increased costs at our Content practice will impact the Company's overall Operational EBITDA margin in 2022.

Net debt at 30 June 2022 was towards the bottom end of previous guidance of £140-190 million, due to an improvement in working capital. The balance sheet remains strong with sufficient liquidity and long-dated debt maturities.

Specifically, in the Content practice, hiring and staff costs have continued to increase ahead of the gross profit/net revenue growth rate.

Significant cost reduction measures, including a brake on hiring and discretionary cost controls have been introduced already to better balance the growth in revenue, gross profit

/ net revenue and costs. The significant investment in financial controls, risk and governance as previously announced and budgeted will not be impacted in any way by these measures.

Further details will be given when the results for the first half are released in September.

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About S⁴Capital

S⁴Capital plc (SFOR.L) is the tech-led, new age/new era digital advertising and marketing services company, established by Sir Martin Sorrell in May 2018.

Its strategy is to build a purely digital advertising and marketing services business for global, multinational, regional, local clients and millennial-driven influencer brands. This will be achieved 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% or \$420-450 billion of total global advertising spend of \$700-750 billion (excluding over \$500 billion of trade promotion marketing, the primary target of the Amazon advertising platform) and projects that by 2022 total global advertising spend will expand to \$770-850 billion and digital's share will grow to approximately 65% and by 2024 to approximately 70%, accelerated by the impact of covid-19.

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 have 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, Miles Young and Mary Basterfield.

The Company now has over 9,000 people in 32 countries across the Americas, Europe, the Middle East and Africa and Asia-Pacific.

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.

Sir Martin Sorrell, Executive Chairman
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