



RNS Number : 1814C
S4 Capital PLC
09 June 2023



9 June 2023

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

AGM Statement

Like-for-like 2023 Net Revenue Growth guidance remains at 8-12% excluding impact of "whopper" reduction (6-10% including impact)

S⁴Capital plc (SFOR.L), the tech-led, new age, new era digital advertising, marketing and technology services company announces that at the Annual General Meeting of the Company to be held at 1pm today, Sir Martin Sorrell, Executive Chairman of the Company, will make the following statement:

"2022 was a very strong fifth growth year for S⁴Capital, posting like-for-like net revenue growth of 26%, together with the completion of combinations with XX Artists in the Content practice and TheoremOne in Technology services, although like-for-like Operational Earnings Before Interest, Depreciation and Amortisation (EBITDA) growth and Operational EBITDA margins were not where we targeted or wanted them to be.

The pace of like-for-like net revenue growth in the first four months of 2023 has been more modest, reflecting the slowdown in the growth rates of our two main addressable markets, with technology platforms around 6% and technology services to 7-10%. We maintain like-for-like 2023 net revenue growth guidance of 8-12% excluding impact of one "whopper" reduction and 6-10% including it, combined with a targeted steady improvement in Operational EBITDA margins to 15-16%, and with Operational EBITDA significantly skewed to the second half of the year, as usual.

We want to take this opportunity to remind everyone of our Company's definitive and differentiated strategy, based on four core principles. We say "our Company", as it is both your Company as our shareowners and our Company, as your management team. We are still 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 is where the growth is, even more so in a post Covid-19, 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 continue to expand our capabilities in Technology services to fully provide digital marketing transformation services for our clients. The unique, transformational shift to Artificial Intelligence (AI) and Artificial Generative Intelligence (AGI) will only accelerate the pace of digital change and our mantra or strap line has now been modified to "faster, better, cheaper and more" to reflect our enhanced ability to accelerate copywriting and visualisation, to automate media planning and buying, to use AI/AGI as a super tool in our operations, to provide hyperpersonalisation at greater scale and provide data to all our almost 9,000 Monks in 57 offices in 32 countries. We have also initiated a new go-to-market positioning around "Now!", of which you will hear more shortly. 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.

Having built out our Content practice over the last five years around MediaMonks and our Data&digital media practice around MightyHive over the same period, we added eight companies in the last seven months of 2021 and the first five months of 2022, before the last AGM and one in the last seven months of 2022, before this one. The pace of merger activity has lessened recently, as we focus on deeper integration of the mergers that have been completed from the earliest point possible and extracting synergies, particularly revenue synergies, to underline the importance of our unitary structure.

Since our last AGM in June of 2022, our Company has maintained its number of Monks at under 9,000, despite significant net revenue like-for-like growth, in 32 countries (having withdrawn from Russia). At the same time, we continued to strengthen our financial control, treasury, compliance, risk and governance and internal audit resources and hone our pricing and estimating functions.

Forecasts for 2023 and 2024 global GDP growth have been continuously reduced to approximately 2.0-2.5%, reflecting central banks raising interest rates sharply (but perhaps too tardily) and government-driven fiscal tightening. The impact of these financial policies has been deepened by three geo-political forces - the deterioration in US/China relations, particularly over the future of Taiwan, the war in Ukraine and Russia's territorial ambitions and the potential nuclear capability of Iran. For the foreseeable future the world is going to be very different to the previous 50 or so years of globalisation. Growth will be lower and inflation and interest rates higher than previously.

As a result, geographical growth will be more difficult to find and fragmented, with focus on the higher growth Americas, the Middle-East and Asia Pacific. And in that lower overall growth world, the pace of digital transformation will intensify, facilitated by AI/AGI, as clients seek to reduce costs and maintain margins.

Our two major addressable markets, digital advertising driven by the technology platforms and digital transformation look set to grow this year by 7-10%. According to analysts, it will then re-accelerate in 2024 and 2025 to 10-15% in the key US media market, as digital advertising reaches 75% of client budgets by 2025. This tends to favour digitally-focused businesses like ours, which focus on so-called "lower funnel" or performance and activation work and which is understandably performance and results orientated.

As in previous years, the Company continues to invest 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 historically black universities and the S⁴Women Leadership Programme with UC Berkeley are both developing their third programmes, representing good examples of our diversity, equity and inclusion initiatives. In addition, the S⁴ Scholars Programme, aimed specifically at recruiting High School students will be implemented.

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 those 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 strong and our Company will continue to examine strategic combinations, but only issuing equity at share price levels prevailing in early 2022. As indicated in our Q1 results, we will shortly start to buy back the underlying shares in stock options issued each year to management, which amounts to approximately 1% or 6,000,000 shares to counter dilution.

Having achieved brand awareness and brand trial over our first five years, our focus remains on broadening and deepening existing client relationships and conversion at scale.

Our ten biggest clients achieved "whopper" status in 2022 (i.e. over \$20 million of revenue), compared with six this time last year, but we still search for bigger and deeper relationships, and a further fourteen clients, have been identified as having "whopper" potential over the three year plan period 2023-25. 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. We also saw significant new business with engagements from new clients including Philips, Diageo, Pepsico, Booking.com, Tim Horton's, Pernod Ricard, TikTok, Bridgestone, Riot Games, M1, Walmart and Microsoft.

Geographically, we remain present in 32 countries and we do not believe that we will have to add more than four or five markets to our existing country tally. 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 and change in IDFA, which we are already well positioned for."

As the AGM is a hybrid, 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/6475ca27c0e842f4c6ea98db>

Enquiries

S⁴Capital plc

Tel: +44 (0)20 3793 0003

Sir Martin Sorrell, Executive Chairman

Powerscourt (PR adviser to S⁴Capital plc)

Tel: +44 (0)7970 246 725

Elly Williamson

About S⁴Capital

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

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 three practices: Content, Data&digital media and Technology Services, along with an emphasis on 'faster, better, cheaper, more' execution in an always-on consumer-led environment, with a unitary structure.

Victor Knaap, Wesley ter Haar, Christopher S. Martin, Scott Spirit and Mary Basterfield 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 Colin Day.

The Company now has approximately 8,700 people in 32 countries with approximately 70% of revenue across the Americas, 20% across Europe, the Middle East and Africa and 10% across Asia-Pacific. The longer-term objective is a geographic split of 60%:20%:20%. Content currently accounts for approximately 60% of revenue, Data&digital media 30% and Technology Services 10%. The long-term objective for the practices is a split of 50%:25%: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.

Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

AGMFZGGVMRDGFZZ