



RNS Number : 8812G  
S4 Capital PLC  
24 July 2023

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**S4 Capital plc**  
**("S<sup>4</sup>Capital" or the "Company")**  
**Trading Update**

The Company is providing a trading update for the first six months of 2023 and revised targets for the full year following a preliminary review of the Company's financial results for the period and the second quarter revised forecast for 2023.

Net revenue in the second quarter was below budget with May and June in particular, reflecting the challenging macroeconomic conditions and clients, especially those in the technology sector, remaining cautious and very focussed on the short term. We continue to see longer sales cycles, particularly for larger transformation projects. Some impact has been seen in each of the Practices, but it is particularly evident in Content. Like-for-like net revenue growth for the Company is expected to be c.5% in the first half.

The slower topline growth has resulted in the Company's Operational EBITDA and Operational EBITDA margin being below budget, but showing reported progress on the prior year. Based on the slower market growth in the first half, we now target full year like-for-like net revenue growth to be in a range of 2-4%, as opposed to 6-10% previously. We now target Operational EBITDA margin of 14.5-15.5%, as opposed to 15-16% previously. As in prior years, 2023 will again be significantly second half weighted reflecting our seasonality. Based on our preliminary review of the H1 results, Technology services continues to perform well, Data&digital has seen growth slow compared to 2022, but is trading satisfactorily, while Content has had a more difficult period generating results below our budget.

Reflecting the market backdrop, the Company continues to maintain a disciplined approach to cost management, including headcount and discretionary costs. We expect these actions to support the outturn in the second half.

Net debt at 30 June 2023 was approximately £115 million. The first half figures do not include expected cash consideration on prior year combinations, which will see net debt rise by the year-end, in line with our targeted range of £180-220 million. The balance sheet remains strong with sufficient liquidity and long-dated debt maturities. There will be no

further merger payments next year and as a result the net debt position is expected to improve significantly in 2024.

We remain confident our talent, business model, strategy and scaled client relationships position us well for industry-leading growth in the medium term and the initial client traction we are seeing with our Artificial Intelligence initiatives further reinforces our confidence.

Further details will be given when the results for the first half are released on the 18 September 2023.

Enquiries:

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#### About S<sup>4</sup>Capital

S<sup>4</sup>Capital 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 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 Martin, Scott Spirit and Mary Basterfield all joined the S<sup>4</sup>Capital Board as Executive Directors. The S<sup>4</sup>Capital 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 has approximately 8,600 people in 32 countries with approximately 70% of revenue across the Americas, 20% across Europe and the Middle East and 10% across Africa and Asia-Pacific. The longer term objective is a split of 60%:20%:20%. Content currently accounts for approximately 60% of revenue, Data&digital 30% and Technology services 10%. The long-term objective 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.

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