RNS Number : 4203I
S4 Capital PLC
27 March 2024

S4Capital plc

("S4Capital" or "the Company" or "the Group")

Audited 2023 preliminary results

Full year results in line with revised expectations

Net revenue[2] down 2.1% on a reported basis, down 4.5% like-for-like[3]

Operational EBITDA[5] £93.7 million down 24.6% on a reported basis, down 36.6% like-for-like, excluding the one-off benefit of £9.3 million from the significant devaluation of the Argentinian Peso

Operational EBITDA margin in line with revised targets at 10.7%, improved performance in second half due to cost reductions

Net debt[7] at £180.8 million at the lower end of targeted range of £180 million to £220 million

First share buyback programme completed in March 2024

Challenging macroeconomic conditions and client caution likely to persist, despite the prospect of lower interest rates

Major client relationships remain resilient with Top 10, 20 and 50 performing better than average

2024 target like-for-like net revenue expected to be down on the prior year with a broadly similar overall level of operational EBITDA[9]

Jean-Benoit Berty appointed Chief Operating Officer, Board membership simplified and Executive Committee strengthened to improve performance

£ millions	**Year ended 31 Dec 2023**	Year ended 31 Dec 2022[8]	change Reported	change Like-for-like[3]	change Pro-forma[4]
Billings[1]	1,870.5	1,890.5	(1.1%)	(1.4%)	(1.4%)
Revenue	1,011.5	1,069.5	(5.4%)	(7.8%)	(7.8%)
Net revenue[2]	873.2	891.7	(2.1%)	(4.5%)	(4.5%)
Operational EBITDA[5]	93.7	124.2	(24.6%)	(36.6%)	(36.7%)
Operational EBITDA margin[5]	10.7%	13.9%	(320bps)	(550bps)	(540bps)

Adjusted operating profit[6]	82.0	114.1	(28.1%)
Adjusting items[6]	(61.8)	(249.4)	75.2%
Operating profit/(loss)	20.2	(135.3)	114.9%
Loss for year	(6.0)	(160.5)	96.3%
Basic loss per share *(pence)*	(0.9)	(27.2)	26.3
Adjusted basic earnings per share[6] *(pence)*	5.7	11.4	(5.7)
Number of Monks	7,707	8,891	
Net debt[7]	(180.8)	(110.2)	

Financial highlights

¤ Billings £1,870.5 million, down 1.1% on a reported basis and down 1.4% like-for-like.

¤ Revenue £1,011.5 million, down 5.4% reported and down 7.8% like-for-like.

¤ Net revenue £873.2 million, down 2.1% reported and down 4.5% like-for-like, primarily reflecting challenging macroeconomic conditions compared to 2022. It also reflected cautious spending from clients, particularly those in the technology sector and by smaller client relationships and regional and local clients, along with a difficult year for new business and lower seasonal uplift in the fourth quarter. However, two-year and three-year net revenue stacks (like-for-like net revenue growth stacks for the last two and three years) are 21.4% and 65.1%.

¤ Operational EBITDA in line with revised expectations at £93.7 million, down 24.6% reported and down 36.6% like-for-like. This was primarily due to lower revenue, with costs tightly controlled and headcount down 13% versus December 2022. In December 2023, the Argentinian Peso significantly devalued by over 50%, and operational EBITDA excludes this one-off benefit of £9.3 million which is included in adjusted items. Had this item been included, operational EBITDA would have been £103.0 million.

¤ Operating profit £20.2 million, an improvement of £155.5 million on the prior year, primarily due to lower combination related payments.

¤ Basic loss per share of 0.9p, compared to 27.2p basic loss per share in 2022.

⁄ Adjusted basic earnings per share, which excludes adjusting items after tax, of 5.7p per share, compared to 11.4p per share last year.

¤ Net debt ended the year at £180.8 million, or 1.9x net debt/pro-forma[4] operational EBITDA[5] of £93.3 million. Net debt was at the lower end of the £180 million to £220 million target range, reflecting tight cost control and lower combination payments. Combination payments relating to prior years' merger activity have largely been completed, with the majority of the balance of £11.4 million settled in the first quarter of 2024.

¤ The balance sheet has sufficient liquidity and long-dated debt maturities to facilitate growth, with the maturity of the €375 million term loan in August 2028 and the currently undrawn £100 million RCF in August 2026, we have comfortable headroom against the key covenant - that net debt will not exceed 4.5x the pro-forma operational EBITDA[10].

¤ Following the recently completed share buyback of 1% of the Company's share capital earlier this month, the Board will consider paying an inaugural dividend following this year's half-year results, if further operational progress has been made. Our focus remains on using free cash flow to reduce debt, buyback shares and dividends.

Strategic and operational highlights

¤ After four years of very strong growth (like-for-like net revenue growth of 44.0% in 2019, 19.4% in 2020, 43.7% in 2021 and 25.9% in 2022), 2023 was a difficult year with a like-for-like decline of 4.5% in net revenue. After growth in the first half of the year, the third and fourth quarters were more challenging. This reflects global macroeconomic conditions and client caution and fear of recession, a difficult year for new business and lower seasonal uplift than in previous years. We saw longer sales cycles, particularly for larger transformation projects and whilst all practices saw some impact, this was most evident in Content with some technology clients, a reduction in smaller project-based assignments and with local and regional clients. The final results for 2023 were in line with our revised targets.

¤ Our stated 'whopper' strategy of building broad scaled relationships with leading enterprise clients continues to drive our revenue. Revenues from our top clients are subject to the same global macroeconomic pressures, however, we saw better performance in our top 20 and top 50 clients. We closed 2023 with 10 'whoppers', that is clients delivering over $20 million of revenue per annum, the same number as in 2022 and against our target of 20.

¤ Profitability came under pressure due to lower revenue than budgeted and significant cost reductions were made to deliver an operational EBITDA margin of 10.7%, in line with revised targets. Margins improved in the second half as cost reductions took effect. While we have seen some salary and related benefits inflation, we continue to maintain a disciplined approach to cost management, including headcount and discretionary costs. These controls have resulted in 7,707 Monks at year end, down over 13% from 8,891 at the same time in 2022. The Group continues to manage costs tightly, given the current uncertain market outlook.

¤ The Content practice's net revenue was down 10.0% like-for-like and down 9.2% on a reported basis, with Data&Digital Media down 3.1% like-for-like and down 4.4% on a reported basis. Technology Services was up 21.6% like-for-like and up 48.6% on a reported basis. Content had a very challenging year and was particularly impacted in the second half by lower spending by certain technology clients, lower regional and local opportunities, a difficult year for new business and lower seasonal uplift. Data&Digital Media had modest growth in the first half, but declined in the second half, highlighting tougher end markets. Technology Services had good growth in the first half, but slowed significantly in the second half of the year due to longer sales cycles for transformation projects, phasing of work and a reduction in activity from some larger clients.

¤ Geographically, on a like-for-like basis, Americas net revenue was down 2.8% and now accounts for 79% of total net revenue, primarily reflecting the growth in Technology Services. EMEA, accounting for 15%, was down 10.9% due to the weaker macroeconomic environment and Asia Pacific, accounting for the remaining 6%, was down 9.2%, reflecting lower client demand.

¤ Growth rates in digital media and transformation markets remain above those of traditional, analogue markets. We are mainly focused on these two digital markets and are at the heart of developing trends around AI, Quantum Computing, the Metaverse and Blockchain for marketing. We are starting to see traction from our AI initiatives: clients are engaging us for workshops, audits and strategic advice and almost all our presentations and new engagements involve AI in one way or another. Our approach was recognised by Adweek, as we won their inaugural AI Agency of the Year award in 2023. In early 2024 we launched Monks.Flow, an AI-centric professional managed service and the initial response is encouraging - we believe this product will be an essential differentiator for us as clients move from testing to full-scale adoption of AI. The Company has key partnerships with AI technology leaders such as Google, Nvidia, OpenAI, Runway, AWS and Adobe and we are working closely with them to develop and implement use cases. Media.Monks are a NVIDIA Service Delivery Partner, which guides the migration of Brands and Industries to AI-powered workflows and compute. We are transforming the marketing services landscape through our adoption of NVIDIA software platforms throughout Monks.Flow.

- Our talented people have responded positively to the challenges of the year and we have continued to focus on the three areas of our ESG strategy: People Fulfilment, Our Responsibility to the World and One Brand.

Board and management structure

We are delighted to announce Jean-Benoit Berty, has been appointed Chief Operating Officer and a member of the Executive Committee with immediate effect. Prior to joining the Company, Jean-Benoit was a Senior Partner at Ernst & Young for approximately 18 years, where he held various leadership roles, including being the Technology, Media & Telecommunications Leader, Head of Industries and part of the original management team to build the Consulting practice. Jean-Benoit has also spent the past 12 years advising boards and management teams in the advertising and media industry on strategic and operational initiatives. His experience spans across strategic growth; commercial, organisational and operational effectiveness; margin improvement and enterprise-wide transformation. His previous roles include being Vice President at Capgemini Consulting and Managing Director at CRM consultancies. Christopher S Martin will now be able to focus 100% on leading the Data&Digital Media practice.

Following last year's Board effectiveness review, the Board decided to develop a more traditional, streamlined Board structure, where Directors are primarily non-executive. As a result, Christopher S. Martin, Victor Knaap, Wes ter Haar and Scott Spirit have all agreed to retire from the Board at the conclusion of the next annual general meeting. Each of the retiring executive directors will retain their current roles within the Company and, as now, their involvement in the Executive Committee, where they will be joined by Jean-Benoit Berty. Finally, Wes ter Haar will become a Board Observer, as an example of our founder/management ownership approach and to support input into our strategy, such as the focus on AI..

Outlook

- We expect clients to remain cautious in the near term, despite the possibility of interest rate reductions later in 2024.

- At a practice level we expect Content to show a profitability improvement reflecting the benefit of cost reductions made in 2023, Data&Digital Media to show a similar top and bottom line performance to the prior year with some margin improvement, while the outlook for Technology Services is more challenging and expected to be lower, following a reduction in activity with some key clients.

- For the Company as a whole, given the current outlook for Technology Services and wider market uncertainty, we are targeting like-for-like net revenue to be down on the prior year with a broadly similar overall level of operational EBITDA as 2023, as a result of cost reductions made in the previous year. The comparatives with 2023 will be difficult in the first-half and will be easier in the second-half. We expect the year to be heavily second-half weighted, with improving end markets and our normal seasonality.

- Our net debt is expected to fall in 2024 reflecting positive free cash flow and significantly lower combination payments. Our targeted range for the year end is £150 million to £190 million. We continue to aim for financial leverage of around 1.5 times operational EBITDA over the medium term.

- Over the medium to longer term we continue to expect our growth to outperform our markets and operational EBITDA margins to return to historic levels of around 20%.

Sir Martin Sorrell, Executive Chairman of S4 Capital plc said:

"After our first four strong net revenue growth years, we had a difficult 2023 reflecting challenging global macroeconomic conditions, fears of recession and high interest rates. This resulted in client caution to commit and extended sales cycles, particularly for larger projects, a difficult year for new business, as well as spend reductions from some regional and smaller client relationships. We saw better relative performance and continued resilience in our top 20 and top 50 clients, with our ten largest client relationships strong. We took significant actions to reduce costs in the year and maintain a disciplined approach to operational efficiency. We are targeting like-for-like net revenue for 2024 to be down on the prior year, with a broadly similar overall level of profit performance to 2023. As usual, the year is likely to be weighted to the second half, aided by lower interest rates and the impact of our Artificial Intelligence initiatives. We remain confident that our talent, business model, strategy and scaled client relationships position us well for above average growth in the longer term, with an emphasis on deploying free cash flow to boost shareowner returns. We welcome Jean-Benoit Berty as Chief Operating Officer. His extensive management consulting experience will be of great value in focusing on the opportunities and challenges we face. The simplification of Board membership and strengthening of the Executive Committee will also enable us to focus more on our performance. "

Notes:

1. Billings is gross billings to client including pass through costs.
2. Net revenue is revenue less direct costs.
3. Like-for-like is a non-GAAP measure and relates to 2022 being restated to show the audited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2023 applying currency rates as used in 2023.
4. Pro-forma numbers relate to audited 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. Operational EBITDA is operating profit or loss adjusted for acquisition related expenses, non-recurring items (primarily acquisition payments tied to continued employment, amortisation 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.
6. Adjusted figures are adjusted for non-recurring and recurring items as defined above.
7. Net debt excludes lease liabilities.
8. The prior year figures have been restated for the adoption of the amendment to IAS 12.
9. This is a target and not a profit forecast.
10. Net debt/pro-forma operational EBITDA as defined per the facilities agreement.

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. S[4]Capital 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.

Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website for any other website, is incorporated into, or forms part of, this announcement nor, unless previously published by means of a recognised information service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, shares in the Company.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 of 16 April 2014 as it forms part of English law by virtue of the European Union (Withdrawal) Act 2018.

Results webcast and conference call

A webcast and conference call covering the results will be held today at 09:00 GMT in London, followed by another webcast and call at 08:00 EDT/ 13:00 GMT. Both webcasts of the presentation will be available at www.s4capital.com during the event. Those wishing to ask questions as part of the Q&A should use the conference call facility.

09:00 GMT webcast (watch only):

Webcast: https://brrmedia.news/SFORFY23UK

Conference call: USA Local: +1 786 697 3501

USA Toll Free: 866 580 3963

UK-Wide: +44 (0) 33 0551 0200

UK Toll Free: 0808 109 0700

Confirmation code: Quote 'S4Capital Results' when prompted by the operator

08:00 EDT / 13:00 GMT webcast (watch only):

Webcast: https://brrmedia.news/SFORFY23US

Conference call:

USA Local: +1 786 697 3501

USA Toll Free: 866 580 3963

UK-Wide: +44 (0) 33 0551 0200

UK Toll Free: 0808 109 0700

Confirmation code: Quote 'S4Capital Results US' when prompted by the operator

Enquiries to

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Preliminary results statement overview

2023 was a difficult year with slower market growth and continuing macroeconomic uncertainty. The first half saw a mixed performance with slower growth and an expected second half seasonal uplift did not materialise amidst continuing client caution and further economic and geopolitical challenges. Overall, we have seen clients very much focused on the short term, particularly in relation to larger transformation projects which has resulted in longer sales cycles, along with lower regional and local opportunities and we have found it harder to convert new business opportunities. Our stated 'whopper' strategy of building broad scaled relationships with leading enterprise clients continues to drive our business and we are half-way to our objective of 20 such relationships. We remain focused on a disciplined approach to costs, headcount and operational cash generation.

In the second half of 2023, as expected, there was cash outflow relating to prior year combination payments, with net debt rising as a result. Due to significant cost reductions and £10 million of merger payments being moved into the following year, we ended the year with net debt at the lower end of our guided range. We will maintain a liquid balance sheet and the focus will be on improving operating performance and deploying free cash flow to buybacks and dividends.

The Company reports in three well defined practices:

- Content had a challenging year, with like-for-like net revenue declining, particularly in the second half, which impacted margins significantly, although this was tempered by strong cost discipline. Content practice operational EBITDA was £38.9 million, down 47.5% on a reported basis versus 2022 and down 55.7% on a like-for-like basis. Continued control on hiring and reorganisation of the practice has reduced the number of Monks at the year end. We continue to focus on improving the operating model, integration and forecasting. We have made changes to the leadership structure of the Content practice including, a new co-CEO Bruno Lambertini, and new leadership in key markets, including Matt Godfrey in APAC, to reinvigorate growth in local and regional clients.
- Data&Digital Media saw a modest like-for-like net revenue decline, which impacted margins. Corrective action on costs was taken. Data&Digital Media practice operational EBITDA was £33.5 million, down 16.0% on a reported basis from the last year and down 21.7% on a like-for-like basis reflecting the decline in revenue, people cost and related benefits increases and higher travel and selling costs against a Covid impacted comparison.
- Technology Services, after a strong first half, declined slightly in the second half due to phasing and a reduction in work with some larger clients and strong comparatives. Overall the practice delivered operational EBITDA of £43.4 million, up 20.2% on a reported basis from the prior year and up 0.7% like-for-like. Given these trends, Technology Services faces a challenging outlook for 2024, both at the revenue and profit level.

The Americas net revenue was £688.1 million and now represents 79% of our total net revenue with the benefit of the growth in Technology Services. EMEA and APAC had a more challenging year and now represent 15% and 6% of our total respectively.

Both Data&Digital Media and Technology Services market growth rates remain above those of traditional, analogue markets. We are mainly focused on the digital media and transformation markets and are at the heart of developing trends around AI, the Metaverse, Blockchain and Quantum Computing. We are seeing our AI initiatives have impact in improving visualisation and copywriting productivity, in delivering hyper-personalisation at scale, in more automated media planning and buying, in improving general client and agency efficiency and in democratising knowledge. This includes the launch of Monks.Flow, an AI-centric professional managed service. The initial client traction reinforces our confidence in our offering and approach. There is ongoing geopolitical uncertainty around US/China relations, the war in Ukraine and conflict in the Middle East meaning clients are likely to remain cautious despite confidence improving on the prior year, with the expectation of interest rate reductions to come later in 2024.

ESG

2023 was focused around the three areas of our ESG strategy: People Fulfilment, Our Responsibility to the World and One Brand. We are adopting new tools to help us move towards increased transparency and measuring of CO2 emissions. We continue to engage with leading stakeholders, industry efforts and global initiatives - like the World Economic Forum, Shanghai Municipality's International Business Leaders' Advisory Council (IBLAC) and Amazon's Climate Pledge. Our goal is to reach Net Zero by 2040 and we have a clear understanding of the emission reduction opportunities within the Company. We have submitted our SBTi targets for approval. Across the Company, we donated 1,449 hours for community and charity services and increased our For Good projects from 445 to 502.

We focused on our people and people experience using our DE&I platform, Diversity in Action, which touches all aspects of our business. We ran our third Women in Leadership programme at Berkley University and welcomed three new S^4 Fellows. Embedding a greater understanding of diversity and cultural fluency into the Company is also a top priority. We are a signatory to the United Nations (UN) Women's Empowerment Principles and continue to focus on closing the representation gap in our industry by providing training to underserved and/or underrepresented talent.

Summary and outlook

We expect clients to remain cautious in the near term, despite the possibility of interest rate reductions later in 2024.

At a practice level we expect Content profitability to show an improvement reflecting the benefit of cost reductions made in 2023, Data&Digital Media to show a similar top and bottom line performance to the prior year with some margin improvement, while the outlook for Technology Services is more challenging and expected to be lower, following a reduction in activity with some key clients.

For the Company as a whole, given the current outlook for Technology Services and wider market uncertainty, we are targeting like-for-like net revenue to be down on the prior year with a broadly similar overall level of operational EBITDA as 2023. The comparatives with 2023 will be difficult in the first-half and will be easier in the second-half. We expect the year to be heavily second-half weighted with improving end markets and our normal seasonality.

Our net debt is expected to reduce in 2024 due to positive free cash flow and significantly lower combination payments. Our targeted range for the year end is £150 million to £190 million. We continue to aim for financial leverage of around 1.5 times operational EBITDA over the medium term.

Over the medium to longer term we continue to expect our growth to outperform our markets and operational EBITDA margins to return to historic levels of around 20%. The strategy of S^{4}Capital remains the same. The Company's 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 tagline 'faster better cheaper and more (to which with the arrival of AI we have added 'more') and a unitary structure both appeal strongly, even more so in challenging economic times.

Financial review

Summary of results

£ millions	**Year ended 31 Dec 2023**	Year ended 31 Dec 2022[8]	change Reported	change Like-for-like[3]	change Pro-forma[4]

Billings[1]	1,870.5	1,890.5	(1.1%)	(1.4%)	(1.4%)
Revenue	1,011.5	1,069.5	(5.4%)	(7.8%)	(7.8%)
Net revenue[2]	873.2	891.7	(2.1%)	(4.5%)	(4.5%)
Operational EBITDA[5]	93.7	124.2	(24.6%)	(36.6%)	(36.7%)
Operational EBITDA margin[5]	10.7%	13.9%	(320bps)	(550bps)	(540bps)
Adjusted operating profit	82.0	114.1	(28.1%)		
Adjusting items[6]	(61.8)	(249.4)	75.2%		
Adjusted operating profit margin[6]	9.4%	12.8%	(340bps)		
Net finance expenses and loss on net monetary position	(34.1)	(24.4)	(39.8%)		
Adjusted result before income tax[6]	48.1	88.4	(46.4%)		
Adjusted Income tax expenses[6]	(11.6)	(20.9)	(44.2%)		
Adjusted result for the year[6]	36.5	67.5	(45.9%)		
Adjusted basic earnings per share[6] *(pence)*	5.7	11.4	(5.7)		

A full list of alternative performance measures and non-IFRS measures together with reconciliations to IFRS or GAAP measures is set out in the Alternative Performance Measures.

Financial summary

Despite a challenging 2023 with slower market growth and ongoing macroeconomic uncertainty, cautious spending from clients, a difficult year for new business and a lower seasonal uplift than in previous years, we have continued to enhance our financial processes and controls, supported by a now well established finance team, with a focus on operational EBITDA margin, tight cost controls, forecasting and driving cash generation. We will continue to focus on all of these areas throughout 2024 along with ongoing investments in finance systems and processes to support the Group in delivering its targets for the year.

Billings were £1,870.5 million, down 1.1% on a reported basis, down 1.4% on a like-for-like basis.

Revenue was £1,011.5 million, down 5.4% from £1,069.5 million on a reported basis, down 7.8% on a like-for-like basis.

Net revenue was £873.2 million, down 2.1% reported, down 4.5% like-for-like.

Operational EBITDA was £93.7 million compared to £124.2 million in the prior year, a reported decrease of 24.6% and down 36.6% on a like-for-like basis reflecting the challenging revenue trajectory. We have continued to maintain a disciplined approach to cost management, including headcount and discretionary costs. These controls have resulted in the number of Monks at the end of the year being 7,707, down 13% from 8,891 at this time last year and down 15% on the June 2022 figure. In December 2023, the Argentinian Peso significantly devalued by over 50%. Operational EBITDA excludes this one-off benefit of £9.3m, which is included in adjusting items.

Operational EBITDA margin was 10.7%, down 320 basis points versus 13.9% in 2022 and down 550 basis points like-for-like reflecting primarily the lower growth and margins in the Content practice and lower margins in Technology Services and Data&Digital Media. Our ambition remains to return full year margins to historic levels, around 20%, over the medium to longer term.

Adjusted operating profit was down 28.1% on a reported basis to £82.0 million from £114.1 million, before adjusting items of £61.8 million (2022: £249.4 million). The reduction in adjusting items is largely due to lower combination payments tied to continued employment. Adjusting items also includes share-based payments, restructuring costs primarily related to headcount, amortisation of business combination intangible assets and the benefit to our costs of the significant devaluation of the Argentinian Peso. The reported operating profit of £20.2 million, was an improvement of £155.5 million on 2022, reflecting a reduction in the acquisition expenses. The loss for the year was £6.0 million (2022: loss £160.5 million).

Adjusted basic earnings per share was 5.7p, versus adjusted basic earnings per share of 11.4p in 2022. Basic loss per share was 0.9p (2022: 27.2p).

Practice and Geographic Performance

£ millions	**Year ended 31 Dec 2023**	Year ended 31 Dec 2022	change Reported	change Like-for-like[3]	change Pro-forma[4]
Content	528.9	582.7	(9.2%)	(10.0%)	(10.0%)
Data&Digital Media	207.3	216.8	(4.4%)	(3.1%)	(3.1%)
Technology Services	137.0	92.2	48.6%	21.6%	21.3%
Net revenue[2]	873.2	891.7	(2.1%)	(4.5%)	(4.5%)
Americas	688.1	683.9	0.6%	(2.8%)	(2.8%)
EMEA	133.1	148.3	(10.2%)	(10.9%)	(10.9%)
Asia-Pacific	52.0	59.5	(12.6%)	(9.2%)	(9.2%)
Net revenue[2*]	873.2	891.7	(2.1%)	(4.5%)	(4.5%)
Content	38.9	74.1	(47.5%)	(55.7%)	(55.7%)
Data&Digital Media	33.5	39.9	(16.0%)	(21.7%)	(21.7%)
Technology Services	43.4	36.1	20.2%	0.7%	0.5%
S[4] central	(22.1)	(25.9)	14.7%	15.0%	15.4%
Operational EBITDA[5]	93.7	124.2	(24.6%)	(36.6%)	(36.7%)

*The prior year geographical split of net revenue has been re-presented to be consistent with the internal reporting provided to the Group's Board of Directors in the current year.

Practice performance

The Content practice's net revenue was down 10.0% like-for-like and down 9.2% on a reported basis, with Data&Digital Media down 3.1% like-for-like and down 4.4% on a reported basis. Technology Services was up 21.6% like-for-like and up 48.6% on a reported basis.

Content practice operational EBITDA was £38.9 million, down 47.5% on a reported basis versus 2022, down 55.7% on a like-for-like basis. The Content practice operational EBITDA margin was 7.4%, compared to 12.7% in 2022, reflecting lower revenues impacting profitability. Continued control on hiring and reorganisation of the practice has reduced the number of Monks at the year end. We continue to focus on improving the operating model, integration and forecasting.

Data&Digital Media practice operational EBITDA was £33.5 million, down 16.0% on a reported basis from the last year, down 21.7% on a like-for-like basis. Data&Digital Media practice operational EBITDA margin was

16.2%, compared to 18.4%, reflecting the decline in revenue, people and related benefits cost inflation and higher travel and selling costs against a Covid impacted comparison.

Technology Services performed strongly in the year, with operational EBITDA of £43.4 million, up 20.2% on a reported basis from the prior year, up 0.7% like-for-like and delivering an operational EBITDA margin of 31.7%.

Geographic performance

The Americas net revenue was £688.1 million (79% of total), up 0.6% on a reported basis from last year. On a like-for-like basis the Americas net revenue was down 2.8%, with growth in our 'whoppers' offset by slower market growth and client caution.

EMEA net revenue was £133.1 million (15% of total), down 10.2% from last year on a reported basis. On a like-for-like basis EMEA net revenue was down 10.9% primarily reflecting macroeconomic conditions leading to slower market growth and client caution and a difficult new business environment.

Asia Pacific net revenue was £52.0 million (6% of total), down 12.6% on a reported basis. On a like-for-like basis Asia Pacific net revenue was down 9.2% reflecting challenging market conditions and lower client demand.

Cash flow

£ millions	**Year ended 31 Dec 2023**	Year ended 31 Dec 2022
Operational EBITDA	93.7	124.2
Capital expenditure[1]	(10.2)	(16.1)
Interest and facility fees paid	(26.7)	(16.3)
Income tax paid	(20.5)	(19.0)
Restructuring and other one-off expenses paid	(20.8)	(4.9)
Change in working capital[2]	(1.7)	1.9
Free cash flow	**13.8**	**69.8**
Mergers & Acquisitions	(80.8)	(162.6)
Other	(3.6)	0.6
Movement in net debt	**(70.6)**	**(92.2)**
Opening net debt	(110.2)	(18.0)
Net debt	**(180.8)**	**(110.2)**

The table reflects how the business is managed and this is a non-statutory cash flow format.

1. Includes purchase of intangible assets, purchase of property, plant and equipment and security deposits.
2. Working capital primarily includes movement on receivables, payables, principal elements of lease payments and depreciation of right-of-use assets.

Free cash flow for 2023 was £13.8 million, a reduction of £56.0 million compared to 2022, with a lower operational EBITDA, increased cash interest costs reflecting higher interest rates, restructuring payments and a slight outflow in working capital.

Cash paid in relation to combinations (M&A) decreased £81.8 million versus the prior year to £80.8 million reflecting lower M&A activity. The majority of the cash payments have now been made with the majority of the balance of £11.4 million settled in the first quarter of 2024.

Treasury and net debt

Net debt reconciliation *£ millions*	**2023**	2022
Cash and cash equivalents	145.7	223.6
Loans and borrowings (excluding bank overdrafts)	(326.5)	(333.8)
Net debt	**(180.8)**	**(110.2)**

The year end net debt was £180.8 million (2022: £110.2 million) or 1.9x net debt/pro-forma operational EBITDA. During the year, the S^4Capital Group (as defined in its facilities agreement) complied with the covenants set in that agreement. The pro-forma operational EBITDA for the year was £93.3 million. S^4Capital Group will ensure that the net debt will not exceed 4.5:1 of the pro-forma earnings before interest, tax, depreciation, and amortisation, measured at the end of any relevant period of 12 months ending each semi-annual date in a financial year, as defined in the facility agreement. As at 31 December 2023, the net debt/pro-forma EBITDA, as defined by the facilities agreement, was 1.9x.

The balance sheet has sufficient liquidity and long dated debt maturities. The duration of the facilities agreement is seven years in relation to the TLB, therefore the termination date is August 2028, and five years in relation to the RCF, therefore the termination date is August 2026.

Interest and tax

Consolidated statement of profit or loss net financing costs were £35.4 million (2022: £25.7 million), an increase of £9.7 million due to higher interest rates and increased lease costs. The profit or loss tax credit for the year was £7.9 million (2022: £0.8 million expense).

Balance sheet

Overall the Group reported net assets of £865.9 million as at 31 December 2023, which is an increase of £15.8 million compared to 31 December 2022, driven mainly by a reduction in contingent consideration balances.

Acquisitions

On 31 October 2023, S^4Capital plc announced the business combination of Formula Consultants Incorporated ('FCI') for an expected total consideration of £1.2 million, including performance linked consideration of £0.4 million. The initial cash outlay was funded through the Group's own cash resources for the entire issued share capital of FCI. The purchase price allocation has been finalised and net identifiable assets acquired totaled £1.0 million, including cash and cash equivalents of £0.3 million. Goodwill arising on the acquisition was £0.2 million. FCI has contributed £0.4 million to the Group's revenue and £0.3 million to the Group's operational EBITDA since the acquisition date.

About S^4 Capital

S^4Capital 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.

The S[4] Capital Board includes Rupert Faure Walker, Paul Roy, Daniel Pinto, Sue Prevezer, Elizabeth Buchanan, Naoko Okumoto, Margaret Ma Connolly, Miles Young and Colin Day as Non-Executive Directors.

The Company now has approximately 7,700 people in 32 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%. Content currently accounts for approximately 60% of net revenue, Data&Digital Media 25% and Technology Services 15%. 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.

Audited consolidated statement of profit or loss

For the year ended 31 December 2023

	Notes	**2023 £m**	2022 Restated[1] £m
Revenue	7	**1,011.5**	1,069.5
Direct costs		**(138.3)**	(177.8)
Net revenue	7	**873.2**	**891.7**
Personnel costs		**(670.8)**	(682.1)
Other operating expenses		**(92.6)**	(83.3)
Acquisition, restructuring and other one-off expenses		**(11.9)**	(155.9)
Depreciation, amortisation and impairment		**(77.9)**	(105.7)
Share of profit of joint venture		**0.2**	-
Total operating expenses		**(853.0)**	(1,027.0)
Operating profit/(loss)		**20.2**	**(135.3)**
Adjusted operating profit		**82.0**	114.1
Adjusting items[2]		**(61.8)**	(249.4)
Operating profit/(loss)		**20.2**	(135.3)
Finance income		**2.8**	1.5
Finance costs		**(38.2)**	(27.2)
Net finance costs		**(35.4)**	(25.7)
Gain on the net monetary position		**1.3**	1.3
Loss before income tax		**(13.9)**	**(159.7)**
Income tax credit/(expense)		**7.9**	(0.8)
Loss for the year		**(6.0)**	**(160.5)**
Attributable to owners of the Company		**(6.0)**	(160.5)
Attributable to non-controlling interests		**-**	-
		(6.0)	**(160.5)**
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss per share (pence)		**(0.9)**	(27.2)
Diluted loss per share (pence)		**(0.9)**	(27.2)

Notes:

1. The comparatives for the year ended 31 December 2022 have been restated for the adoption of the amendment to IAS 12 (see Note 2).
2. Adjusting items comprises amortisation and impairment of £48.6 million (2022: £78.9 million), acquisition expenses of £9.2 million gain (2022: £151.0 million expense), share-based payments of £10.1 million (2022: £14.6 million) and restructuring and other one-off expenses of £12.3 million (2022: £4.9 million).

The results for the year are wholly attributable to the continuing operations of the Group.

Audited consolidated statement of comprehensive income

For the year ended 31 December 2023

	2023 £m	2022 Restated[1] £m
Loss for the year	**(6.0)**	**(160.5)**
Other comprehensive (expense)/income		
Items that may be reclassified to profit or loss		
Foreign operations - foreign currency translation differences	**(53.8)**	70.7
Other comprehensive (expense)/income	**(53.8)**	70.7
Total comprehensive expense for the year	**(59.8)**	**(89.8)**
Attributable to owners of the Company	**(59.8)**	(89.8)
Attributable to non-controlling interests	**-**	-
	(59.8)	**(89.8)**

Notes:

1. The comparatives for the year ended 31 December 2022 have been restated for the adoption of the amendment to IAS 12 (see Note 2).

Audited consolidated balance sheet

As at 31 December 2023

	Note	2023 £m	2022 Restated[1] £m
Assets			
Goodwill	8	**691.3**	718.8
Intangible assets		**381.6**	445.2
Right-of-use assets		**45.8**	55.7
Property, plant and equipment		**21.9**	29.7
Interest in joint ventures		**0.2**	-
Deferred tax assets		**7.3**	5.4
Other receivables		**13.7**	12.2
Non-current assets		**1,161.8**	**1,267.0**
Trade and other receivables		**407.5**	442.4
Current tax assets		**4.9**	-
Cash and cash equivalents		**145.7**	223.6
Current assets		**558.1**	**666.0**
Total assets		**1,719.9**	**1,933.0**
Liabilities			
Deferred tax liabilities		**(32.7)**	(54.1)
Loans and borrowings		**(320.9)**	(326.2)
Lease liabilities		**(35.8)**	(43.1)
Contingent consideration and holdbacks	9	**(7.3)**	(11.3)

	Note		
Provisions		(2.7)	(5.7)
Non-current liabilities		**(399.4)**	**(440.4)**
Trade and other payables		(418.1)	(443.2)
Contingent consideration and holdbacks	9	(18.2)	(177.3)
Loans and borrowings		(0.2)	(0.7)
Lease liabilities		(13.2)	(15.3)
Provisions		(1.0)	-
Current tax liabilities		(3.9)	(6.0)
Current liabilities		**(454.6)**	**(642.5)**
Total liabilities		**(854.0)**	**(1,082.9)**
Net assets		**865.9**	**850.1**
Equity			
Share capital		145.9	142.0
Share premium		80.4	5.9
Other reserves		162.7	175.2
Foreign exchange reserves		(5.3)	48.5
Retained earnings		482.1	478.4
Attributable to owners of the Company		**865.8**	**850.0**
Non-controlling interests		0.1	0.1
Total equity		**865.9**	**850.1**

Notes:

1. The comparatives as at 31 December 2022 have been restated for the adoption of measurement period adjustments in respect of business combinations, the adoption of the amendment to IAS 12, the deferred tax offsetting and reclassification between trade and other payables and provisions (see Note 2).

Audited consolidated statement of changes in equity

For the year ended 31 December 2023

	Share capital[1] £m	Share premium £m	Merger reserves £m	Other reserves[2] £m	Foreign exchange reserves £m	Retained earnings/ (accumulated losses)[3] £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total equity £m
At 1 January 2022	**138.8**	**446.9**	**205.7**	**76.7**	**(22.2)**	**(44.8)**	**801.1**	**0.1**	**801.2**
Amendment to IAS 12 restatement[3]	-	-	-	-	-	1.3	1.3	-	1.3
Hyperinflation restatement	-	-	-	3.3	-	-	3.3	-	3.3
Adjusted opening balance	138.8	446.9	205.7	80.0	(22.2)	(43.5)	805.7	0.1	805.8
Comprehensive (loss)/income for the year									
Loss for the year	-	-	-	-	-	(160.5)	(160.5)	-	(160.5)
Other comprehensive income	-	-	-	-	70.7	-	70.7	-	70.7
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	**70.7**	**(160.5)**	**(89.8)**	**-**	**(89.8)**
Transactions with owners of the Company									
Realised merger reserve[4]	-	(462.6)	(205.7)	-	-	668.3	-	-	-
Business combinations	3.2	21.6	-	94.8	-	-	119.6	-	119.6
Share-based payments	-	-	-	0.4	-	14.1	14.5	-	14.5
At 31 December 2022[3]	**142.0**	**5.9**	-	**175.2**	**48.5**	**478.4**	**850.0**	**0.1**	**850.1**
Hyperinflation restatement	-	-	-	**2.6**	-	-	**2.6**	-	**2.6**
Adjusted opening balance	**142.0**	**5.9**	-	**177.8**	**48.5**	**478.4**	**852.6**	**0.1**	**852.7**
Comprehensive loss for the year									
Loss for the year	-	-	-	-	-	(6.0)	(6.0)	-	(6.0)

Other comprehensive expense	-	-	-	-	(53.8)	-	(53.8)	-	(53.8)
Total comprehensive loss for the year	-	-	-	-	(53.8)	(6.0)	(59.8)	-	(59.8)
Transactions with owners of the Company									
Business combinations	3.9	74.5	-	(15.7)	-	-	62.7	-	62.7
Share-based payments	-	-	-	0.6	-	9.7	10.3	-	10.3
At 31 December 2023	145.9	80.4	-	162.7	(5.3)	482.1	865.8	0.1	865.9

Notes:

1. At the end of the reporting period, the issued and paid up share capital of S4Capital plc consisted of 583,064,256 (2022: 567,832,883) Ordinary Shares having a nominal value of £0.25 per Ordinary Share.
2. Other reserves include the deferred equity consideration of £156.2 million (2022: £171.8 million), which comprises TheoremOne for £81.4 million (2022: £55.0 million), Raccoon for £43.6 million (2022: £43.0 million), Decoded for £nil (2022: £47.9 million), XX Artists for £25.3 million (2022: £7.8 million), Cashmere for £nil (2022: £6.9 million), Zemoga for £3.4 million (2022: £8.7 million), 4 Mile for £2.3 million (2022: £2.3 million) and Destined for £0.2 million (2022: £0.2 million), the treasury shares issued in the name of S4Capital plc to an employee benefit trust for the amount of £1.2 million (2022: £1.8 million), and the impact of hyperinflation in Argentina of £7.5 million (2022: £4.9 million)
3. The opening balance as at 1 January 2022 and the comparatives as at 31 December 2022 have been restated for the adoption of the amendment to IAS 12 (see Note 2).
4. During the year ended 31 December 2022, the Group undertook a reduction of capital to effect the cancellation of the C ordinary shares resulting from the capitalisation of the sum of £205.7 million outstanding to the credit of the Company's merger reserve.

Audited consolidated statement of cash flows

For the year ended 31 December 2023

	Note	**2023 £m**	2022 Restated[1] £m
Cash flows from operating activities			
Loss before income tax		(13.9)	(159.7)
Net finance costs		35.4	25.7
Depreciation, amortisation and impairment		77.9	105.7
Share-based payments		10.1	14.2
Acquisition, restructuring and other one-off expenses		11.9	155.9
Employment linked contingent consideration paid		(77.7)	(38.9)
Restructuring and other one-off expenses paid		(20.8)	(4.9)
Share of profit in joint venture		(0.2)	-
Gain on the net monetary position		(1.3)	(1.3)
Other non cash items		(9.8)	-
Decrease/(increase) in trade and other receivables		11.3	(48.7)
(Decrease)/increase in trade and other payables		(13.1)	49.3
Cash flows from operations		9.8	97.3
Income taxes paid		(20.5)	(19.0)
Net cash flows (used in)/from operating activities		(10.7)	**78.3**
Cash flows from investing activities			
Purchase of intangible assets		(2.1)	(1.5)
Purchase of property, plant and equipment		(5.9)	(16.4)
Acquisition of subsidiaries, net of cash acquired[2]	6, 9	(3.1)	(123.7)
Amounts (paid into)/withdrawn from security deposits		(2.2)	1.8

Cash flows used in investing activities	**(13.3)**	**(139.8)**
Cash flows from financing activities		
Proceeds from issuance of shares	**0.2**	0.2
Principal element of lease payments[1]	**(16.3)**	(15.4)
Repayments of loans and borrowings	**(0.2)**	(0.9)
Interest and facility fees paid[1]	**(26.7)**	(16.3)
Cash flows used in financing activities	**(43.0)**	**(32.4)**
Net movement in cash and cash equivalents	**(67.0)**	(93.9)
Cash and cash equivalents beginning of the year	**223.6**	299.1
Exchange (loss)/gain on cash and cash equivalents	**(10.9)**	18.4
Cash and cash equivalents at the end of the year	**145.7**	**223.6**

Notes:

1. The comparatives for the year ended 31 December 2022 have been reclassified (see Note 2).
2. Comprises cash paid on the current year acquisition of £0.8 million (2022: £96.8 million) less cash acquired of £0.3 million (2022: £7.6 million), cash paid into escrow accounts of £nil (2022: £12.8 million) and contingent consideration and holdback payments, net of cash released from escrow accounts, of £2.6 million (2022: £21.7 million).

Notes to the audited consolidated financial statements

For the year ended 31 December 2023

1. General information

S4Capital plc ('S4Capital' or 'Company') is a public limited company incorporated on 14 November 2016 in the United Kingdom. The Company has its registered office at 12 St James's Place, London, SW1A 1NX, United Kingdom.

The audited consolidated financial statements represent the results of the Company and its subsidiaries (together referred to as 'S4Capital Group' or the 'Group').

S4Capital Group is a new age/new era digital advertising and marketing services company.

2. Basis of preparation

A. Statement of compliance

The financial statements of S4Capital plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial information set out above does not constitute the company's statutory accounts for the year ended 31 December 2023. The statutory accounts for 2023 will be finalised based on the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course. The audited financial information is prepared under the historical cost basis, unless stated otherwise in the accounting policies.

The Group has undertaken a detailed going concern assessment, reviewing its current and projected financial performance and position. The Directors believe that the Group's forecasts have been prepared on a prudent basis. Considering the Group's bank covenant and liquidity headroom and cost mitigation actions which could be implemented, the Directors have concluded that the Group will be able to operate within its facilities and comply with its banking covenants for the foreseeable future and therefore believe it is appropriate to prepare the financial statements of the Group on a going concern basis and that there are no material uncertainties which gives rise to a significant going concern risk. Given its debt maturity profile and available facilities, the Directors believe the Group has sufficient liquidity to match its requirements for the foreseeable future.

B. Restatement and reclassification

Business combinations

The consolidated balance sheet at 31 December 2022 has been restated for fair value adjustments relating to the TheoremOne acquisition. See Note 6 for further details.

Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12 Income Taxes)

An amendment to IAS 12 Income taxes was published in May 2021 and became effective for the Group from 1 January 2023. The amendment narrowed the scope of the deferred tax recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Group has considered the impact of this amendment, notably in relation to the accounting for deferred taxes on leases and dilapidation provisions. The impact of transitioning to the revised standard was to increase deferred tax assets by £0.3 million, decrease deferred tax liabilities by £1.0 million and increase total equity by £1.3 million as at 1 January 2022. The impact on the consolidated statement of profit or loss was £0.8 million expense for period ended 31 December 2022. As a result, basic and diluted loss per share has increased by 0.2 pence. The impact of this retrospective adjustment on the consolidated balance sheet at 31 December 2022 is shown below.

Deferred tax offset

The impact of this retrospective adjustment as at 31 December 2022 was a £9.7 million decrease on both deferred tax assets and deferred tax liabilities, with no impact on net assets. The impact on the consolidated balance sheet at 1 January 2022 was £nil. The impact on the consolidated statement of profit or loss was £nil.

Provisions and other payables

Provisions previously presented as other payables have been reclassified to be shown separately on the consolidated balance sheet to provide consistency with the presentation of balances for the year ended 31 December 2023.

	31 December 2022					
	As reported £m	Business combinations £m	Amendment to IAS 12 £m	Deferred tax offset £m	Reclassification £m	As restated £m
Goodwill	720.4	(1.6)	-	-	-	718.8
Deferred tax assets	16.8	-	(1.7)	(9.7)	-	5.4
Total non-current assets	1,280.0	(1.6)	(1.7)	(9.7)	-	1,267.0
Trade and other receivables	440.8	1.6	-	-	-	442.4
Total current assets	664.4	1.6	-	-	-	666.0
Total assets	1,944.4	-	(1.7)	(9.7)	-	1,933.0
Deferred tax liabilities	(66.0)	-	2.2	9.7	-	(54.1)
Provisions	-	-	-	-	(5.7)	(5.7)
Other payables	(5.7)	-	-	-	5.7	-
Total non-current liabilities	(452.3)	-	2.2	9.7	-	(440.4)
Total liabilities	(1,094.8)	-	2.2	9.7	-	(1,082.9)
Net assets	849.6	-	0.5	-	-	850.1

Reclassification of statement of cash flows

The statement of cash flows for the year ended 31 December 2022 has been reclassified to provide consistency with the presentation of amounts for the year ended 31 December 2023.

	31 December 2022		
	As reported £m	Reclassification £m	As restated £m
Cash flows from operating activities:			
Restructuring and other one-off expenses paid	-	(4.9)	(4.9)
Increase in trade and other payables	44.4	4.9	49.3
Cash flows from operations	97.3	-	97.3
Cash flows from financing activities:			
Principal element of lease payments	17.5	(2.1)	15.4
Interest and facility fees paid	14.2	2.1	16.3
Cash flows used in financing activities	(43.0)	-	(43.0)

C. Functional and presentation currency

The audited consolidated financial statements are presented in Pound Sterling (GBP or £), the Company's functional currency. All financial information in Pound Sterling has been rounded to the nearest million unless otherwise indicated.

D. Principal risks and uncertainties

The principal risks and uncertainties facing the Group as at 31 December 2023 relate to the following:

- ¤ Macroeconomic headwinds
- ¤ Operational decision making
- ¤ Talent lifecycle
- ¤ Governance and compliance
- ¤ Artificial intelligence
- ¤ Integration of acquisitions
- ¤ Key customers
- ¤ Reputation risk
- ¤ Information security & data privacy
- ¤ Competitive environment

3. Accounting policies

The audited consolidated financial statements have been prepared on a consistent basis with the accounting policies of the Group which were set out on pages 139 to 154 of the Annual Report and Accounts 2022, excluding the impact of amended standards as detailed below.

A number of amended standards became applicable for the current reporting period. These are as follows:

Definition of accounting estimates (Amendments to IAS 8)

In February 2021, the IASB issued Definition of accounting estimates (Amendments to IAS 8) to clarify the distinction between accounting policies and accounting estimates. The amendments are effective for reporting periods beginning on or after 1 January 2023. The Group adopted this standard as of 1 January 2023. The adoption of this standard had no material impact on the Groups audited consolidated financial statements.

Making Materiality Judgements (Amendments to IAS 1 and IFRS Practice Statement 2)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 "Making Materiality Judgements", which provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their material accounting policies and adding guidance on how entities are to apply the concept of materiality in making decisions about accounting policy disclosures. These amendments are applicable for annual periods beginning on or after 1 January 2023. These amendments have been adopted as of such date and their adoption has had no material impact on the Group's consolidated financial statements.

Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12 Income Taxes)

In May 2021, the IASB issued Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12 Income Taxes) to clarify how to account for deferred tax on transactions including leases and decommissioning obligations. The amendments are effective for reporting periods beginning on or after 1 January 2023. The Group adopted this standard as of 1 January 2023 and retrospectively applied the changes as at 1 January 2022, as detailed in Note 2.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued *IFRS 17 Insurance Contracts*. IFRS 17 replaces IFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of IFRS 17. This standard is effective for reporting periods beginning on or after 1 January 2023. The Group adopted this standard as of 1 January 2023. The adoption of this standard had no material impact on the Group's audited consolidated financial statements.

Pillar 2

The Group is within the scope of the OECD Pillar Two model rules which will come into effect from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023. Under the legislation, the Group is liable to pay a top-up tax on adjusted jurisdictional profits for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate.

Based on the Pillar Two assessment undertaken by the Group using the relevant information for the year ending 31 December 2023, the Group should be able to benefit from one of the three tests under the transitional CbCr safe harbour for most of its jurisdictions. The Group considers that the total amount of top up tax arising in respect of its jurisdictions is expected to be immaterial and as such has not undertaken detailed calculations required under the legislation. The Group expects to undertake a Pillar 2 assessment in the second quarter of 2024 for the purposes of interim reporting based on its forecasts for the year ending 31 December 2024.

4. Critical accounting judgements and estimates

The following are the critical accounting judgements and estimates, made by management in the process of applying the Group's accounting policies, that have the most significant effect on the amounts recognised in the Group's audited consolidated financial statements.

Judgements

Revenue recognition

The Group's revenue is earned from the provision of data and digital media solutions and technology services. Under IFRS 15, revenue from contracts with customers is recognised as, or when, the performance obligation is satisfied. Specifically for the Content segment, due to the size and complexity of contracts, management is required to form a number of judgements in the determination of the amount of revenue to be recognised including the identification of performance obligations within the contract and whether the performance obligation is satisfied over time or at a point in time. The key judgement is whether revenue should be recognised over time or at point in time. Where revenue is recognised over time, an estimate must be made regarding the progress towards completion of the performance obligation.

Impairment of goodwill and intangible assets

The Group applies judgement in determining whether the carrying value of goodwill and intangible assets have any indication of impairment at each reporting period, or more frequently if required. Both external and internal factors are monitored for indicators of impairment. When performing the impairment review, management's approach for determining the recoverable amount of a cash-generating unit is based on the higher of value in use or fair value less cost to dispose. In determining the value in use, estimates and assumptions are used to derive cash flows, growth rates and discount rates. See Note 8 for further information.

Tax positions

The Group is subject to sales tax in a number of jurisdictions. Judgement is required in determining the provision for sales taxes due to uncertainty of the amount of tax that may be payable. Provisions in relation to uncertain tax positions are established on an individual rather than portfolio basis, considering whether, in each circumstance, the Group considers it is probable that the uncertainty will crystallise.

Use of alternative performance measures

In establishing which items are disclosed separately as adjusting items to enable a better understanding of the underlying financial performance of the Group, management exercises judgement in assessing the size and nature of specific items. The Group uses alternative performance measures as we believe these measures provide additional useful information on the underlying trend, performance, and position of the Group. These underlying measures are used by the Group for internal performance analyses, and credit facility covenant calculations. The alternative performance measures include 'adjusted operating profit', 'adjusting items', 'EBITDA' (earnings before interest, tax, depreciation) and 'operational EBITDA'. The terms 'adjusted operating profit', 'adjusting items', 'EBITDA' and 'operational EBITDA' are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. The measures are not intended to be a substitute for, or superior to, GAAP measures. A full list of alternative performance measures and non-IFRS measures together with reconciliations to IFRS measures are set out in the Alternative Performance Measures.

Estimates

Impairment of goodwill and intangible assets

The recoverable amount for each CGU is determined using a value-in-use calculation. In determining the value-in-use, the Group uses forecasted revenue and profits adjusted for non-cash transactions to generate cash flow projections. The forecasts are prepared by management based on the Board-approved three-year business plans for each CGU along with a one-year management-prepared extrapolation period. The forecasts reflect the expected financial performance for each CGU, and consider the impact of inflation and the latest macroeconomic trends and external factors, as well as historic performance and trends, amongst other factors.

5. Statutory information and independent review

The condensed audited consolidated financial statements for the year ended 31 December 2023 do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. A full copy of the 2023 Annual Report and Accounts will be available online in April 2024. The statutory accounts for the year ended 31 December 2022 have been delivered to the Registrar of Companies and received an unqualified auditors' report, did not include a reference to any matters to which the auditors drew attention by way of an emphasis of matter and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006.

6. Acquisitions

Current year acquisitions

On 31 October 2023, S^{4}Capital plc announced the business combination of Formula Consultants Incorporated ('FCI') for an expected total consideration of £1.2 million, including performance linked consideration of £0.4 million. The initial cash outlay was funded through the Group's own cash resources for the entire issued share capital of FCI.

The purchase price allocation has been finalised and net identifiable assets acquired totalled £1.0 million, including cash and cash equivalents of £0.3 million. Goodwill arising on the acquisition was £0.2 million. FCI has contributed £0.4 million to the Group's revenue and £0.3 million to the Group's operational EBITDA since the acquisition date. If the acquisition had occurred on 1 January 2023, the Group's Revenue and operational EBITDA would have been £1,012.2 million and £93.3 million respectively.

Prior year acquisitions

XX Artists

The initial accounting for the business combination of XX Artists was provisional at the 31 December 2022 and was finalised as at 30 June 2023. There has been no change to the provisional fair value as disclosed at 31 December 2022.

At 31 December 2023, the employment linked contingent consideration was unconditional, on the basis that XX Artists fully achieved post acquisition EBITDA targets for the 12 month period ended 31 December 2022. As a result, during the year ended 31 December 2023 £35.8 million of employment linked contingent consideration was derecognised, with £15.3 million being cash settled, £17.5 million being recognised as deferred equity consideration and a revaluation gain of £0.9 million recognised in the consolidated statement of profit or loss.

At 31 December 2023, the holdback remaining on the balance sheet was £1.3 million. The Group expects to settle the maximum amounts, as the business had achieved the post acquisition EBITDA targets for the 12 month period ended 31 December 2022.

TheoremOne

The initial accounting for the business combination of TheoremOne was provisional at the 31 December 2022. As required by IFRS 3, the following fair value adjustments have been made during the measurement period, which had no material impact on the consolidated statement of profit or loss.

	As disclosed at 31 December 2022		At 31 December 2023
	Provisional fair value £m	Fair value adjustments £m	Fair value £m
Net identifiable assets	105.0	-	**105.0**
Goodwill	38.0	(1.5)	**36.5**
Total	143.0	(1.5)	**141.5**
Cash	78.0	-	**78.0**
Deferred consideration	55.0	-	**55.0**
Holdback obligations	10.0	-	**10.0**
Adjustment to purchase consideration[1]	-	(1.5)	**(1.5)**
Total purchase consideration	143.0	(1.5)	**141.5**

Notes:

1. Adjustment to purchase consideration relates to the amount to be recovered by the Group through the completion accounts process.

During the year ended 31 December 2023, £28.5 million was charged to the consolidated statement of profit or loss with no further amounts to be accrued which related to the employment linked contingent consideration due to sellers who remain employees of the business.

At 31 December 2023, the employment linked contingent consideration was unconditional, on the basis that TheoremOne fully achieved post acquisition EBITDA targets for the 12 month period ended 31 December 2022. As a result, £79.0 million of employment linked contingent consideration was derecognised, with £39.5 million being cash settled, £26.4 million being recognised as deferred equity consideration and a revaluation gain of £13.1 million recognised in the statement of profit or loss.

Included within other reserves as at 31 December 2023 is £81.4 million, comprised of £55.0 million of deferred consideration on initial acquisition and £26.4 million recognised during the period, as explained above.

At 31 December 2023, £6.0 million of holdbacks remain as a liability, relating to amounts held back to cover and indemnify the Group against certain acquisition costs and damages. The Group currently expects to settle the maximum holdback amount. The amount payable would be dependent on the amount of these acquisition costs and damages, with the minimum amount payable being £nil.

4 Mile

At 31 December 2023, the performance linked and employment linked contingent consideration remaining on the balance sheet was £6.7 million and £2.6 million respectively. As a result of partially achieving post acquisition EBITDA targets for the 12 month period ended 31 December 2022, this amount was agreed and will be paid in 2024. As a result, a revaluation gain of £1.5 million recognised in the consolidated statement of profit or loss and a gain of £1.1 million recognised in the consolidated statement profit or loss through contingent consideration as remuneration during the year ended 31 December 2023.

At 31 December 2023, £4.7 million of holdbacks remain relating to amounts held back to cover and indemnify the Group against certain acquisition costs and any damage. The Group currently expects to settle the maximum holdback amount. The amount payable would be dependent on the acquisition costs and any damages, with the minimum amount payable being £nil.

Raccoon Group (Raccoon)

At 31 December 2023, the employment linked contingent consideration was unconditional, on the basis that Raccoon fully achieved post acquisition EBITDA targets for the 12 month period ended 31 December 2022. As a result, £55.1 million of employment linked contingent consideration was derecognised, with £20.7 million cash settled, £17.4 million recognised as deferred equity consideration, a revaluation gain of £3.4 million recognised in the consolidated statement of profit or loss and a gain of £14.4 million recognised in the consolidated statement of profit or loss through contingent consideration as remuneration.

Zemoga Group (Zemoga)

At 31 December 2023, £0.9 million of holdbacks remain relating to amounts held back to cover and indemnify the Group against certain acquisition costs and damages. The Group currently expects to settle the maximum holdback amount. The amount payable is dependent on the amount of these acquisition costs and damages, with the minimum amount payable being £nil. During the year the Group settled £2.0 million of holdbacks, with a revaluation gain of £3.3 million recognised in the consolidated statement of profit or loss.

Cashmere Agency Inc (Cashmere)

At 31 December 2023, £nil of holdbacks remain relating to amounts held back to cover and indemnify the Group against certain acquisition costs and damages. The Group settled £1.6 million of holdbacks during the year, with a revaluation gain of £1.2 million recognised in the consolidated statement of profit or loss.

7. Segment information

A. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM has been identified as the Board of Directors of S^{4}Capital Group.

During the year, S^{4}Capital Group has three reportable segments as follows:

- Content: Creative content, campaigns, and assets at a global scale for paid, social and earned media - from digital platforms and apps to brand activations that aim to convert consumers at every possible touchpoint.
- Data&Digital Media: Full-service campaign management analytics, creative production and ad serving, platform and systems integration and transition, training and education.
- Technology Services: digital transformation services in delivering advanced digital product design, engineering services and delivery services.

The customers are primarily businesses across technology, FMCG and media and entertainment. Any intersegment transactions are based on commercial terms.

The Board of Directors monitor the results of the reportable segments separately for the purpose of making decisions about resource allocation and performance assessment prior to charges for tax, depreciation and amortisation.

The Board of S^{4}Capital Group uses net revenue rather than revenue to manage the Group due to the fluctuating amounts of direct costs, which form part of revenue.

The following is an analysis of the Group's net revenue and results by reportable segments:

2023	Content £m	Data&Digital Media £m	Technology services £m	Total £m
Revenue	664.1	210.4	137.0	1,011.5
Net revenue	528.9	207.3	137.0	873.2
Segment profit[1]	46.5	35.2	43.4	125.1
Overhead costs				(22.1)
Adjusted non-recurring and acquisition related expenses[2]				(22.0)
Depreciation, amortisation and impairment[3]				(60.8)
Net finance costs and gain on net monetary position				(34.1)
Loss before income tax				(13.9)

2022	Content £m	Data&Digital Media £m	Technology services £m	Total £m
Revenue	755.4	220.5	93.6	**1,069.5**
Net revenue	582.7	216.8	92.2	891.7
Segment profit[1]	74.1	39.9	36.1	150.1
Overhead costs				(25.9)
Adjusted non-recurring and acquisition related expenses[2]				(170.6)
Depreciation, amortisation and impairment[3]				(88.9)
Net finance costs and loss on net monetary position				(24.4)

Loss before income tax	**(159.7)**

Notes:
1. Including £17.1 million (2022: £16.8 million) depreciation on right-of-use assets.
2. Comprised of acquisition and restructuring expenses of £11.9 million (2022: £155.9 million) and share-based payment costs of £10.1 million (2022: £14.6 million).
3. Excluding £17.1 million (2022: £16.8 million) depreciation on right-of-use assets.

Segment profit represents the profit earned by each segment without allocation of the share of loss of joint ventures, central administration costs including Directors' salaries, finance income, non-operating gains and losses, and income tax expense. This is the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance.

B. Information about major customers

One customer (2022: one) accounted for more than 10% of the Group's revenue during the year, contributing £177.5 million (2022: £187.5 million). The revenue from this customer was attributable to both the Content and Data&Digital Media segments.

8. Goodwill

	2023 £m	2022 Restated[1] £m
At 1 January	**718.8**	625.0
Acquired through business combinations	**0.2**	51.8
Impairments	**-**	(15.2)
Foreign exchange differences	**(27.7)**	57.2
At 31 December	**691.3**	**718.8**

Notes:
1. The comparatives as at 31 December 2022 have been restated for measurement period adjustments in respect of business combinations for year ended 31 December 2023 (see Note 2).

During the year an amount of £0.2 million (2022: £51.8 million) has been acquired through business combinations and has been allocated to the Technology Services CGU.

Goodwill represents the excess of consideration over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Impairment testing

Goodwill acquired through business combinations is allocated to CGUs for the purpose of the impairment testing. The Group's three CGUs are Content, Data&Digital Media and Technology Services. The goodwill balance is allocated to each of the three CGUs as follows:

	2023 £m	2022[1] Restated £m
Content	**413.6**	393.3
Data&Digital Media	**197.6**	241.0
Technology Services	**80.1**	84.5
Total	**691.3**	**718.8**

Notes:
1. The comparatives as at 31 December 2022 have been restated for measurement period adjustments in respect of business combinations for year ended 31 December 2023 (see Note 2).

The recoverable amount for each CGU is determined using a value-in-use calculation. In determining the value-in-use, the Group uses forecasted revenue and profits adjusted for non-cash transactions to generate cash flow projections. The forecasts are prepared by management based on the Board-approved three-year business plans for each CGU along with a one-year management-prepared extrapolation period. The forecasts reflect the expected financial performance for each CGU, and consider the impact of inflation and the latest macroeconomic trends and external factors, as well as historic performance and trends, amongst other factors.

Sensitivity analysis has been carried out for the value-in-use calculations of each CGU. Based on this sensitivity analysis, it has been determined that the excess of recoverable amount over the carrying amount of all three CGUs could, without changing other assumptions, be reduced to nil as a result of reasonably possible changes in the key assumptions of net revenue growth and EBITDA percentage margin in the cash flow forecasts, which are considered the two most sensitive assumptions.

For Content, with a headroom of £85.1 million, the range of net revenue growth rates across the four-year forecast period is between -0.3% and 12.6%, and the range of EBITDA margin across the four-year forecast period is between 14.1% and 20.0%. A pre-tax discount rate of 13.9% has been used, with a long-term growth rate of 2.0% applied in perpetuity beyond the four-year explicit forecast period. The recoverable amount would equal the carrying amount either if net revenue growth range were to be reduced to a range of -0.4% to 7.6% (with margins remaining unchanged) or if EBITDA margin were to be reduced to a range of 12.7% to 18.6% (with net revenue growth remaining unchanged).

For Data & Digital Media, with a headroom of £34.4 million, the range of net revenue growth rates across the four-year forecast period is between -0.2% and 13.3%, and the range of EBITDA margin across the four-year forecast period is between 15.0% and 20.0%. A pre-tax discount rate of 13.9% has been used, with a long-term growth rate of 2.0% applied in perpetuity beyond the four-year explicit forecast period. The recoverable amount would equal the carrying amount either if net revenue growth range were to be reduced to a range of -0.3% to 8.8% (with margins remaining unchanged) or if EBITDA margin were to be reduced to a range of 13.5% to 18.4% (with net revenue growth remaining unchanged).

For Technology Services, with a headroom of £61.0 million, the range of net revenue growth rates across the four-year forecast period is between -13.9% and 50.1%, and the range of EBITDA margin across the four-year forecast period is between 11.8% and 22.0%. A pre-tax discount rate of 13.4% has been used, with a long-term growth rate of 2.0% applied in perpetuity beyond the four-year explicit forecast period. The recoverable amount would equal the carrying amount either if net revenue growth range were to be reduced to a range of -19.5% to 29.5% (with margins remaining unchanged) or if EBITDA margin were to be reduced to a range of 7.8% to 18.1% (with net revenue growth remaining unchanged).

The consequential impacts of the changes in net revenue growth/EBITDA margins on cash flow assumptions including working capital movements and tax charges have been incorporated into the sensitivity analyses referred to above.

9. Financial instruments

Financial instruments by category

Financial assets	**2023 £m**	**2022 £m**
Cash and cash equivalents	**145.7**	223.6
Trade receivables	**346.8**	349.6
Accrued income	**28.2**	44.7
Other receivables	**33.1**	43.9
Total	**553.8**	**661.8**

Financial liabilities	**2023 £m**	**2022 £m**
Financial liabilities held at amortised cost		
Trade and other payables	**(348.9)**	(369.2)
Loans and borrowings	**(321.1)**	(326.9)
Lease liabilities	**(49.0)**	(58.4)
Financial liabilities held at fair value through profit or loss		
Contingent consideration and holdbacks	**(25.5)**	(188.6)
Total	**(744.5)**	**(943.1)**

The following table categorises the Group's financial liabilities held at fair value on the audited consolidated balance sheet. There have been no transfers between levels during the year (2022: none).

Financial liabilities held at fair value	**2023 Fair value £m**	**2023 Level 3 £m**	**2022** Fair value £m	**2022** Level 3 £m
Contingent consideration and holdbacks	**(25.5)**	**(25.5)**	(188.6)	(188.6)
Total	**(25.5)**	**(25.5)**	**(188.6)**	**(188.6)**

The following table shows the movement in contingent consideration and holdbacks.

Contingent consideration and holdbacks	Performance linked contingent consideration £m	Employment linked contingent consideration £m	Holdbacks[1] £m	Total £m
Balance at 1 January 2022	**(42.9)**	**(58.7)**	**(16.8)**	**(118.4)**
Acquired through business combinations	(12.5)	-	(14.2)	(26.7)
Recognised in consolidated statement of profit or loss[2]	13.1	(155.6)	(1.6)	(144.1)
Cash paid	17.0	38.9	9.4	65.3
Equity settlement	19.1	35.4	-	54.5
Exchange rate differences	(4.7)	(11.7)	(2.8)	(19.2)
Balance at 31 December 2022	**(10.9)**	**(151.7)**	**(26.0)**	**(188.6)**
Acquired through business combinations	**(0.4)**	**-**	**-**	**(0.4)**
Recognised in consolidated statement of profit or loss[2]	**1.6**	**4.1**	**5.8**	**11.5**
Cash paid	**-**	**77.7**	**5.9**	**83.6**
Equity settlement	**-**	**62.3**	**0.4**	**62.7**
Exchange rate differences	**0.7**	**4.6**	**0.4**	**5.7**
Balance at 31 December 2023	**(9.0)**	**(3.0)**	**(13.5)**	**(25.5)**
Included in current liabilities	(10.9)	(151.7)	(14.7)	(177.3)
Included in non-current liabilities	-	-	(11.3)	(11.3)
Balance at 31 December 2022	**(10.9)**	**(151.7)**	**(26.0)**	**(188.6)**
Included in current liabilities	**(8.6)**	**(3.0)**	**(6.6)**	**(18.2)**
Included in non-current liabilities	**(0.4)**	**-**	**(6.9)**	**(7.3)**
Balance at 31 December 2023	**(9.0)**	**(3.0)**	**(13.5)**	**(25.5)**

Notes:

1. Holdback payments of £5.9 million(2022: £9.4 million) includes £3.3 million (2022: £4.7 million) of cash paid out escrow accounts.

2. Includes a charge of £13.2 million (2022: £172.4 million) relating to employment linked contingent consideration and holdback deemed remuneration, a

credit of £24.7 million relating to a fair value gain (2022: £29.8 million) and a charge of £nil (2022: £1.5 million) relating to the impact of discounting.

Where the contingent consideration conditions have been satisfied, consideration that is payable as equity is recognised within Other Reserves as deferred equity consideration.

The fair value of the performance linked contingent consideration has been determined based on management's best estimate of achieving future targets to which the consideration is linked. The most significant unobservable input used in the fair value measurements is the future forecast performance of the acquired business. The fair value is assessed and recognised at the acquisition date, and reassessed at each balance sheet date thereafter, until fully settled, cancelled or expired. Any change in the range of future outcomes is recognised in the consolidated statement of profit or loss as a fair value gain or loss. The impact of discounting on the performance linked contingent consideration is £nil for the year (2022: £1.5 million). During the year ended 31 December 2023, a fair value gain of £1.9 million (2022: £14.6 million) was recognised in the consolidated statement of profit or loss.

The fair value of the employment linked contingent consideration has been determined based on management's best estimate of achieving future targets to which the consideration is linked. The most significant unobservable input used in the fair value measurements is the future forecast performance of the acquired business. The fair value is assessed at the acquisition date, and systematically accrued over the respective employment term. Any changes in the range of future outcomes are recognised in the consolidated statement of profit or loss as a fair value gain or loss. During the year ended 31 December 2023, a £3.8 million credit (2022: £155.6 million charge) was recognised in the consolidated statement of profit or loss. The £3.8 million (2022: £155.6 million charge) comprised a charge of £13.5 million (2022: £170.8 million) relating to the systematic accrual of the employment linked contingent consideration and a fair value gain of £17.3 million (2022: £15.2 million).

Holdbacks relate to amounts held by the Group to cover and indemnify the Group against certain acquisition costs and damages. The fair value of the holdbacks has been determined based on management's best estimate of the level of the costs incurred and damages expected to which the holdback is linked, which is the most significant unobservable input used in the fair value measurement. During the year ended 31 December 2023, a credit of £5.8 million (2022: £1.6 million charge) has been recognised in the consolidated statement of profit or loss.

10. Net debt reconciliation

The following table shows the reconciliation of net cash flow to movements in net debt:

	Borrowings and overdrafts £m	Cash £m	Net debt £m	Leases £m	1Net debt including Lease Liabilities £m
Net debt as at 1 January 2022	**(319.0)**	**301.0**	**(18.0)**	**(42.0)**	**(60.0)**
Financing cash flows	0.9	(95.8)	(94.9)	15.4	(79.5)
Acquired through business combinations	(0.3)	-	(0.3)	(0.7)	(1.0)
Lease additions	-	-	-	(26.9)	(26.9)
Foreign exchange adjustments	(17.6)	18.4	0.8	(3.5)	(2.7)
Interest expense	(13.5)	-	(13.5)	(2.1)	(15.6)
Interest payment	13.5	-	13.5	2.1	15.6
Other	2.2	-	2.2	(0.7)	1.5
Net debt as at 31 December 2022	**(333.8)**	**223.6**	**(110.2)**	**(58.4)**	**(168.6)**
Financing cash flows	**0.2**	**(67.0)**	**(66.8)**	**16.3**	**(50.5)**
Acquired through business combinations	**-**	**-**	**-**	**(0.2)**	**(0.2)**
Lease additions	**-**	**-**	**-**	**(14.0)**	**(14.0)**
Foreign exchange adjustments	**6.8**	**(10.9)**	**(4.1)**	**1.1**	**(3.0)**
Interest expense	**(22.7)**	**-**	**(22.7)**	**(2.3)**	**(25.0)**
Interest payment	**23.1**	**-**	**23.1**	**2.3**	**25.4**
Other	**(0.1)**	**-**	**(0.1)**	**6.2**	**6.1**
Net debt as at 31 December 2023	**(326.5)**	**145.7**	**(180.8)**	**(49.0)**	**(229.8)**

Notes:

1. The comparatives for the year ended 31 December 2022 have been reclassified between financing cash flows and interest payment (see Note 2).

11. Related party transactions

Apart from key management personnel compensation and the interest in S4S Ventures detailed in the Annual Report and Accounts 2022, S^{4}Capital Group did not have any other related party transactions during the year (2022: nil).

12. Events occurring after the reporting period

There were no material post balance sheet events, that require adjustment or disclosure, occurring between the reporting period and 26 March 2024.

Appendix- Alternative Performance Measures

The Group has included various audited alternative performance measures (APMs) in its audited consolidated financial statements. The Group includes these non-GAAP measures as it considers these measures to be both useful and necessary to the readers of these audited consolidated financial statements to help them more fully understand the performance and position of the Group. The Group's measures may not be calculated in the same way as similarly titled measures reported by other companies. The APMs should not be viewed in isolation and should be considered as additional supplementary information to the IFRS measures. Full reconciliations have been provided between the APMs and their closest IFRS measures.

The Group has concluded that these APMs are relevant as they represent how the Board assesses the performance of the Group and they are also closely aligned with how shareholders value the business. They provide like-for-like, year-on-year comparisons and are closely correlated with the cash inflows from operations and working capital position of the Group. They are used by the Group for internal performance analysis and the presentation of these measures facilitates comparison with other industry peers as they adjust for non-recurring factors which may materially affect IFRS measures. Adjusting items for the Group include amortisation of acquired intangibles, acquisition related expenses costs, share-based payments, employment-related acquisition costs and restructuring costs. Whilst adjusted measures exclude amortisation of intangibles, acquisition costs and restructuring costs they do include the revenue from acquisitions and the benefits of the restructuring programmes and therefore should not be considered a complete picture of the Group's financial performance, that is provided by the IFRS measures.

The adjusted measures are also used in the calculation of the adjusted earnings per share and banking covenants as per our agreement with our lenders.

APM	Closest IFRS measure	Adjustments to reconcile to IFRS Measure	Reason for use
Audited consolidated statement of profit or loss			
Controlled Billings	Revenue	Includes media spend contracted directly by clients with media providers and pass-through costs (see reconciliation A1 below)	It is an important measure to help understand the scale of the activities that Group has managed on behalf of its clients, in addition to the activities that are directly invoiced by the Group.
Billings	Revenue	Includes pass through costs (see reconciliation A1 below)	It is an important measure to understand the activities that are directly invoiced by the Group to its clients.
Net Revenue	Revenue	Excludes direct costs (see reconciliation A2 below)	This is more closely aligned to the fees the Group earns for its services provided to the clients. This is a key metric used by the Group when looking at the Practice performance.
Operational EBITDA	Operating profit	Excludes acquisition related expenses, non-recurring items (primarily acquisition payments tied to continued employment, amortisation of business combination intangible assets and restructuring and other one-off expenses) and recurring share-based payments, and includes right-of-use assets depreciation. (see reconciliation A3 below)	Operational EBITDA is Operating profit or loss before the impact of adjusting items, amortisation of intangible assets and PPE depreciation. The Group considers this to be an important measure of Group performance and is consistent with how the Group is assessed by the Board and investment community.
Like-for-Like	Revenue and operating profit	Is the prior year comparative, in this case 2022, restated to include acquired businesses for the same months as 2023, and restated using same FX rates as used in 2023 (see reconciliations A4 below)	Like-for-like is an important measure used by the Board and investors when looking at Group performance. It provides a comparison that reflects the impact of acquisitions and changes in FX rates during the year.

APM	Closest IFRS measure	Adjustments to reconcile to IFRS Measure	Reason for use
Pro-forma	Revenue and operating profit	Is the full year consolidated results in constant currency and for acquisitions as if the Group had existed in full for the year (see reconciliations A5 below)	Pro-forma figures are used extensively by management and the investment community. It is a useful measure when looking at how the Group has changed in light of the number of acquisitions that have been completed and to understand the performance of the Group.
Adjusted basic earnings per share	Basic earnings per share	Excludes amortisation of intangible assets, acquisition related expenses, share-based payments and restructuring and other one-off expenses (see reconciliation A6 below)	Adjusted basic earnings per share is used by management to understand the earnings per share of the Group after removing non-recurring items and those linked to combinations.
Adjusted profit year	(Loss)/Profit for the year	Excludes amortisation of intangible assets, acquisition related expenses, share-based payments and restructuring and other one-off expenses (see reconciliation A6 below)	Adjusted profit for the year is used by management to understand the profit for the Group after removing non-recurring items and those linked to combinations.

Audited consolidated balance sheet			
Net debt	None	Net debt is cash less gross bank loans (excluding transaction costs and lease liabilities). This is a key measure used by management and in calculations for bank covenants (see reconciliation A7 below)	Net debt is a commonly used metric to identify the debt obligations of the Group after utilising cash in bank.
Audited consolidated statement of cash flows			
Free cash flow	Net cash inflow/(outflow) from operating activities	Net cash flow from operating activities adjusted for investments in intangibles and property, plant and equipment, lease liabilities, interest and facility fees paid, security deposits and employment linked contingent consideration paid.	Free cash flow is a commonly used metric used to identify the amount of cash at the disposal of the Group.

Billings and Controlled billings (A1)

	2023 £m	2022 £m
Revenue	1,011.5	1,069.5
Pass-through expenses	859.0	821.0
Billings[1]	1,870.5	**1,890.5**
Third party billings direct to clients	3,152.3	3,760.7
Controlled billings[2]	5,022.8	**5,651.2**

Notes:

1. Billings is gross billings to clients including pass-through expenses.

2. Controlled billings are billings we influenced.

Net Revenue (A2)

	2023 £m	2022 £m
Revenue	1,011.5	1,069.5
Direct costs	(138.3)	(177.8)
Net Revenue	873.2	**891.7**

Reconciliation to Operational EBITDA (A3)

	2023 £m	2022 £m
Operating profit/(loss)	20.2	(135.3)
Amortisation and impairment of intangible assets	48.6	78.9
Acquisition expenses	(9.2)	151.0
Share-based payment	10.1	14.6
Restructuring and other one-off expenses[1]	11.8	4.9
Depreciation of property, plant and equipment[2]	12.2	10.1
Operational EBITDA	93.7	**124.2**

Notes:

1. Restructuring and other one-off expenses relates to restructuring costs of £18.2 million (2022: £4.9 million), transformation costs of £2.9 million (2022: £nil), offset by £9.3 million due to the significant devaluation of the Argentinian Peso (2022: £nil).

2. Depreciation of property, plant and equipment is exclusive of depreciation on right-of-use assets and includes £0.5 million expense (2022: £nil) relating to the significant devaluation of the Argentinian Peso.

Like-for-Like (A4)

Like-for-like revenue	Content	Data&Digital Media	Technology Services	Total
Year ended 31 December 2022	£m	£m	£m	£m
Revenue	**755.4**	**220.5**	**93.6**	**1,069.5**
Impact of acquisitions	41.5	8.4	80.3	130.2
Impact of foreign exchange	(31.8)	(11.3)	(59.5)	(102.6)
Like-for-like revenue[1]	**765.1**	**217.6**	**114.4**	**1,097.1**
% like-for-like revenue change	(13.2%)	(3.3%)	19.8%	(7.8%)

Notes:

1. Like-for-like is a non-GAAP measure and relates to 2022 being restated to show the numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2023,

applying currency rates as used in 2023.

Like-for-like net revenue	**Content**	**Data&Digital Media**	**Technology Services**	**Total**
Year ended 31 December 2022	**£m**	**£m**	**£m**	**£m**
Net revenue	**582.7**	**216.8**	**92.2**	**891.7**
Impact of acquisitions	23.9	8.1	79.0	111.0
Impact of foreign exchange	(19.0)	(11.0)	(58.5)	(88.5)
Like-for-like net revenue[1]	**587.6**	**213.9**	**112.7**	**914.2**
% like-for-like net revenue change	(10.0%)	(3.1%)	21.6%	(4.5%)

Notes:

1. Like-for-like is a non-GAAP measure and relates to 2022 being restated to show the audited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2023, applying currency rates as used in 2023.

Like-for-like Operational EBITDA	**Total £m**
Year ended 31 December 2022	
Operational EBITDA	**124.2**
Impact of acquisitions	39.9
Impact of foreign exchange	(16.4)
Like-for-like operational EBITDA[1]	**147.7**
% like-for-like operational EBITDA change	(36.6%)

Notes:

1. Like-for-like is a non-GAAP measure and relates to 2022 being restated to show the audited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2023, applying currency rates as used in 2023.

Pro-forma (A5)	**Content £m**	**Data&Digital Media £m**	**Technology Services £m**	**Total £m**
Pro-forma revenue				
FY23 Revenue	**664.1**	**210.4**	**137.0**	**1,011.5**
Impact of acquisitions	-	-	0.7	0.7
FY23 Pro-forma revenue[1]	**664.1**	**210.4**	**137.7**	**1,012.2**
FY22 Revenue	**755.4**	**220.5**	**93.6**	**1,069.5**
Impact of acquisitions	41.5	8.4	80.9	130.8
Impact of foreign exchange	(31.8)	(11.3)	(59.4)	(102.5)
FY22 Pro-forma revenue[1]	**765.1**	**217.6**	**115.1**	**1,097.8**
% pro-forma revenue change	(13.2%)	(3.3%)	19.6%	(7.8%)

Notes:

1. Pro-forma relates to audited 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 year.

Pro-forma net revenue	**Content £m**	**Data&Digital Media £m**	**Technology Services £m**	**Total £m**
FY23 net revenue	**528.9**	**207.3**	**137.0**	**873.2**
Impact of acquisitions	-	-	0.6	0.6
FY23 Pro-forma net revenue[1]	**528.9**	**207.3**	**137.6**	**873.8**
FY22 net revenue	**582.7**	**216.8**	**92.2**	**891.7**
Impact of acquisitions	23.9	8.1	79.7	111.7
Impact of foreign exchange	(19.1)	(11.0)	(58.5)	(88.6)
FY22 Pro-forma net revenue[1]	**587.5**	**213.9**	**113.4**	**914.8**
% pro-forma net revenue change	(10.0%)	(3.1%)	21.3%	(4.5%)

Notes:

1. Pro-forma relates to audited 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 year.

Pro-forma Operational EBITDA	**Total £m**
FY23 operational EBITDA	**93.7**

Impact of acquisitions	(0.4)
FY23 Pro-forma operational EBITDA[1]	93.3
FY22 Operational EBITDA	**124.2**
Impact of acquisitions	39.5
Impact of foreign exchange	(16.4)
FY22 Pro-forma operational EBITDA[1]	147.3
% pro-forma operational EBITDA change	(36.7%)

Notes:

1. Pro-forma relates to audited 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 year.

Adjusted basic earnings per share (A6)

Year ended 31 December 2023	Reported £m	Amortisation and impairment[1] £m	Acquisition expenses[2] £m	Share-based payments £m	Restructuring and other one-off expenses[3] £m	Adjusted £m
Operating profit	20.2	48.6	(9.2)	10.1	12.3	82.0
Net finance costs	(35.4)	-	-	-	1.5	(33.9)
Gain on net monetary position	1.3	-	-	-	(1.3)	-
(Loss) / profit before income tax	(13.9)	48.6	(9.2)	10.1	12.5	48.1
Income tax expense	7.9	(14.7)	-	(0.7)	(4.1)	(11.6)
(Loss) / profit for the year	(6.0)	33.9	(9.2)	9.4	8.4	36.5

Notes:

1. Amortisation and impairment relates to the intangible assets recognised as a result of the acquisitions.
2. Acquisition expenses relate to acquisition related advisory fees of £2.3 million, contingent consideration as remuneration of £13.2 million and remeasurement gain on contingent considerations of £24.7 million.
3. Restructuring and other one-off expenses relate to restructuring costs of £18.2 million, transformation costs of £2.9 million, offset by £8.8 million due to the significant devaluation of the Argentinian Peso.

	Reported	Amortisation[1]	Acquisition expenses[2]	Share-based payments	Restructuring and other one-off expenses[3]	Adjusted
Year ended 31 December 2022	£m	£m	£m	£m	£m	£m
Operating (loss)/profit	**(135.3)**	**78.9**	**151.0**	**14.6**	**4.9**	**114.1**
Net finance costs	(25.7)	-	-	-	-	(25.7)
Gain on net monetary position	1.3	-	-	-	(1.3)	-
(Loss) / profit before income tax	**(159.7)**	**78.9**	**151.0**	**14.6**	**3.6**	**88.4**
Income tax expense	(0.8)	(16.7)	(0.1)	(2.5)	(0.8)	(20.9)
(Loss) / profit for the year	**(160.5)**	**62.2**	**150.9**	**12.1**	**2.8**	**67.5**

Notes:

1. Amortisation and impairment relates to the intangible assets recognised as a result of the acquisitions.
2. Acquisition expenses relate to acquisition related advisory fees of £7.9 million, bonuses of £0.4 million, contingent consideration as remuneration of £172.4 million and remeasurement gain on contingent considerations of £29.7 million.
3. Restructuring and other one-off expenses relate to restructuring costs of £4.9 million.

Adjusted basic result per share	2023	2022
Adjusted profit attributable to owners of the Company (£m)	36.5	67.5
Weighted average number of ordinary shares for the purpose of basic EPS (shares)	639,218,703	590,667,949
Adjusted basic earnings per share (pence)	5.7	11.4

Net debt (A7)	2023 £m	2022 £m
Cash and bank	145.7	223.6
Loans and borrowings (excluding bank overdrafts)	(326.5)	(333.8)
Net debt	(180.8)	**(110.2)**
Lease liabilities	(49.0)	(58.4)
Net debt including lease liabilities	(229.8)	(168.6)

Free cash flow (A8)	2023 £m	2022 £m
Net cash (outflow)/inflow from operating activities	(10.7)	78.3
Employment linked contingent consideration paid	77.7	38.9
Interest and facility fees paid	(26.7)	(16.3)
Investments in intangible assets	(2.1)	(1.5)
Investments in property, plant and equipment	(5.9)	(16.4)
Security deposits	(2.2)	1.8
Principal element of lease payments	(16.3)	(15.4)
Other	-	0.4
Free cash flow	13.8	69.8