

System1 Group

This replaces RNS number 0856U released on 24 March 2023 at 07:00. The replacement shows a higher resolution version of one of the charts included in the letter to the shareholders extracted from the Circular. The corrected announcement is provided in full below.

24 March 2023

System1 Group PLC (AIM: SYS1) ("System1", or "the Company", or "the Group")

Posting of Circular and Notice of Requisitioned General Meeting

As previously announced on 7 March 2023, System1 received an email from Stefan Barden (former System1 Chief Executive Officer and Board Adviser) and James Geddes (former System1 Chief Financial Officer) seeking to requisition a general meeting of the Company (the "**Requisition**") unless certain Board changes were agreed to by the Company's Board of Directors (the "**Board**").

The following four ordinary resolutions will be proposed to shareholders for consideration at the General Meeting:

- (i) To retire Rupert Howell as Chairman and a Non-Executive Director of the Company;
- (ii) To elect Stefan Barden as Executive Chairman and a Director of the Company;
- (iii) To retire Philip Machray as a Non-Executive Director of the Company; and
- (iv) To re-elect John Kearon as a Director of the Company but moving into a Non-Executive capacity.

Accordingly, the Company is today posting a circular to Shareholders (the "**Circular**") in response to the Requisition and a Notice of General Meeting (the "**Notice**") convening the requisitioned General Meeting for Shareholders which is to be held at the offices of Reed Smith LLP at The Broadgate Tower, 20 Primrose Street, London EC2A 2RS at 10:00 a.m. on 21 April 2023.

The Board considers that all the resolutions proposed by the Requisitioning Shareholders are NOT in the best interest of the Company and the shareholders as a whole.

The Board will be voting against all of them and unanimously recommends that you do the same.

Extracts from the letter to shareholders contained in the Circular is available below. A copy of the Circular and Notice will shortly be made available to view at <https://system1group.com/>.

Capitalised terms used herein but not otherwise defined shall have the same meaning given to them in the Circular being posted to shareholders today.

For further information, please contact:

System1 Group PLC

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Broker)

Simon Bridges / Andrew Potts / Harry Rees

This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. With the publication of this announcement, this information is now considered to be in the public domain.

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Extract of letter to shareholders from the Circular

Dear Shareholder

Notice of general meeting

I am writing to you with details of the general meeting that has been called by two shareholders Mr. Stefan Barden (former System1 chief executive officer and Board adviser) and Mr. James Geddes (former System1 chief financial officer) who together hold approximately 7.38% of the Company's voting rights ("**Requisitioning Shareholders**") as announced on 7 March 2023 ("**GM**"). We will be holding the meeting on Friday, 21 April 2023 at the offices of Reed Smith LLP at The Broadgate Tower, 20 Primrose Street, London EC2A 2RS at 10:00 a.m. The formal notice of the GM is set out on page 11 of this document.

All shareholders are encouraged to attend this meeting in person or by proxy as it will provide the opportunity to vote on matters that will affect the future of the Company.

The Board considers that all the resolutions proposed by the Requisitioning Shareholders are NOT in the best interest of the Company and the shareholders as a whole.

Your Board will be voting against all of them and unanimously recommends that you do the same.

Reasons why the Board recommends you VOTE AGAINST ALL the Resolutions

- 1. We have the right Board for the next phase of the Company's growth**, addressing the Company's most pressing priorities in marketing technology ("MarTech") sales and marketing, as well as a focus on platform, technology and M&A.

Rupert Howell

The Non-Executive Chair, Rupert Howell, has significant and relevant expertise and a range of valuable business connections with current and prospective clients and partners. Rupert also has significant digital and current MarTech experience to guide the executive leadership team as it drives the business forward.

The Board, the executive leadership team and wider business are delighted to have Rupert Howell as Non-Executive Chair. He has already delivered unique value to the business with introductions to one of the world's largest social media platforms, one of the largest global creative agencies and notable talent in the US.

Rupert has a wealth of digital platform and MarTech experience that underpins his leadership. At Reach plc, Rupert led the digital transformation from an analogue print business into a digital-first publishing business and understands the value of funding the growth of a new business with the revenues of an old business - something the Company is now applying to its growth plans. Rupert is also the Chair of ROXi, a Smart TV music video streaming app in partnership with Sky, Samsung, LG, Google TV and Android TV. He is the co-founder of a business-to-business sustainability MarTech platform called Pinwheel, which is already working with major corporates and institutions in their efforts to reach net zero and contribute to planet repair.

Philip Machray

Philip (Phil) Machray, Non-Executive Director, provides strong strategic, business development and financial experience to the Board. He is currently CFO of AIM-listed Merit Group plc, a data and technology business and a Non-Executive Director of AIM-listed Digitalbox plc, a mobile-first digital publisher, and has strong M&A experience.

Phil Machray brings significant experience across technology, data and media sectors having previously run digital platform businesses in the email marketing, property and recruitment sectors as well creating business-to-business revenue streams from advertising, business intelligence and data.

Phil is a trained accountant and brings significant corporate transaction experience having completed acquisitions, disposals, mergers and carve-outs of public and private companies with transaction values ranging from £5 million to £1.2 billion.

John Kearon

John Kearon, Founder and President, was succeeded as CEO on 1 December 2022 by James Gregory, previously COO. John has recently been working in the US, using his unique position as the Company's founder to develop new business opportunities and partnerships. This activity is already bearing fruit with several recent customer wins.

The Board is delighted that John Kearon has been working in the US where System1 has lower levels of name recognition than in the UK. John is leading the charge to build the fame of our Company and our products alongside the US sales team.

John is highly respected, seen as a pioneer of innovation in the industry and has already brought in large new customers as well as establishing relationships with our US partnership targets. The US is the Company's number one target geographically. John is uniquely positioned to succeed in this role and removing him from his executive responsibility would only slow down our US and overall business growth.

2. The US is key to success - a distinguished and tech-savvy US advisory team, assembled by Rupert Howell, is ready to start work after the GM

To succeed in the US marketing and advertising research marketplace the Board believes you have to deploy senior people who have senior contacts in the major brand-owning businesses and their agencies. We have seen already the positive impact of having our Founder & President focusing on the US and employing a very experienced team there. But given the size of the market, we don't believe that alone is enough.

For that reason, subject to defeating the resolutions at the GM, we are forming a new US advisory team that will focus on providing significant introductions to the business, as well as local market advice. The role of the advisory team will be to help the Company grow revenue quickly in the US. The team members will be remunerated on a payment-by-results basis. Subject to agreeing contractual terms, the team will be led by **Jon Bond**, founder of legendary New York agency Kirshenbaum & Bond and now active in the MarTech space. **Noah Brier**, a famous New York digital leader, will also be on the team. He is the founder of BrXnd.ai, co-founder of Variance and Percolate and one of the leading talents in the US MarTech space. Jon and Noah were both introduced to the Company by our Non-Executive Chair Rupert Howell and will only join the advisory team if the current Board remains in place. We are in discussions with other prominent US sector specialists to join this team.

3. The Board has a clearly defined plan for the Company that is starting to work

The Board's Strategic Review was very thorough, including an investigation of various go-to-market structures and strategies, a Board review of M&A opportunities and external advisor feedback. The Board believes that the conclusions were clear and set out how customers buy today, that a 'platform & prediction only' business would materially impact shareholder value, whereas a 'platform, prediction and data-led consultancy' model would thrive; and that M&A activity in late 2022/early 2023 was the wrong time for the business.

We understand how customers buy. The future may require a more self-service purchasing platform and we are both prepared for this and can influence behaviour through proposition and pricing. However, the customer feedback in point 4 illustrates how corporate decision makers think and buy today, relying on a specialist business-to-business sales force to sell our world class platform-based products.

We are starting to deliver ambitious growth plans. While previous years' revenue growth has not met management or shareholder aspirations, under revived new leadership the business is delivering a strong FY23, with high levels of H2 revenue growth, delivered through the combined data and data-led consultancy offer. We strongly believe that we have the right go-to-market strategy and team and that

consultancy offer. We strongly believe that we have the right go to market strategy and team and that we will see growth accelerate in the next year, providing strategic value to the business.

For example, in respect of the **Predict Your (data) and Improve Your (data-led consultancy)** offering only:

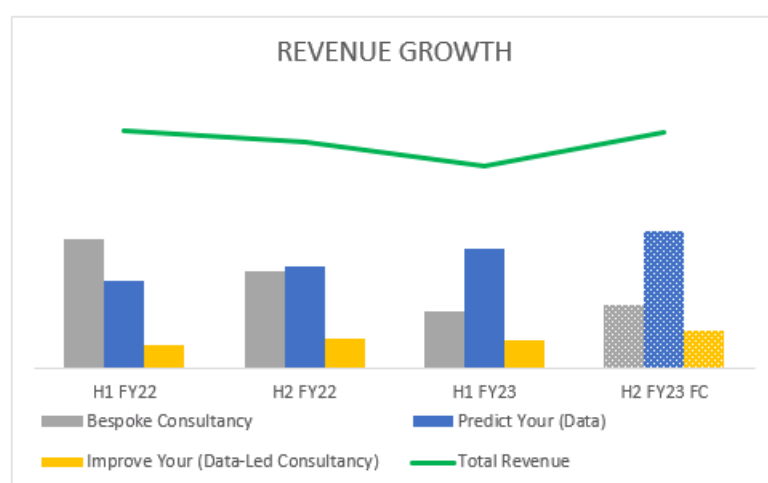
- H1 FY23 saw over 30% revenue growth vs H1 FY22, despite the entire US sales team being exited or resigning from the Company during the first half of calendar 2022 and having to be rebuilt during H1 FY23
- H2 FY23 looks likely to deliver over 30% revenue growth vs H2 FY22
- Q4 FY23 is expected to produce double digit % revenue growth vs Q3 FY23, and we expect Q4 FY23 to deliver 50% higher revenue than Q4 FY22

We believe we have now reached the tipping point where the bespoke consultancy will remain stable.

The Board has recognised the value to our customers of retaining a bespoke consultancy proposition. Retaining this capability has meant we have onboarded some of the world's largest advertisers, who have purchased the full range of propositions from us on condition that we provide their specific requirement for bespoke research consultancy.

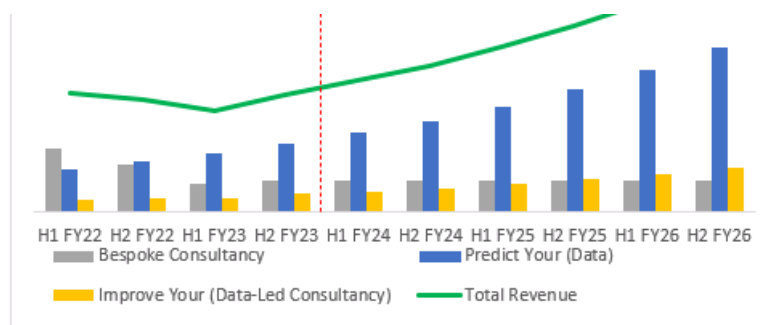
We have grown the Predict Your and Improve Your revenue from launch in H2 FY21 to expected revenue of over £16m in FY23. However, this has been more than offset by a decline in the bespoke consultancy business from £25m to circa £6m in the same timeframe.

Our ambitious growth plans for the strategic product suite will target top line revenue and profit growth. We have stated our ambition to become a Rule of 40 company. To do this, we will need to deliver revenue growth of the 'Predict Your' and 'Improve Your' products, plus EBITDA margin, to total 40. While we are in growth mode, we expect the majority of this to come from revenue, so the Company will need to be growing revenue at a minimum of 25% over the coming years.



Unaudited figures	FY22 £'000						FY23 £'000			
	Q1	Q2	H1	Q3	Q4	FY	Q1	Q2	H1	Q3
	Jun-21	Sep-21	Sep-21	Dec-21	Mar-22	Mar-22	Jun-22	Sep-22	Sep-22	Dec-22
Predict Your (data)	1,837	2,658	4,495	2,795	2,457	9,747	2,964	3,189	6,153	3,400
Improve Your (data-led consultancy)	686	519	1,205	883	595	2,683	752	694	1,446	862
Other consultancy	3,978	2,677	6,655	2,812	2,199	11,666	1,529	1,368	2,897	1,964
Total Revenue	6,501	5,854	12,355	6,490	5,251	24,097	5,245	5,251	10,496	6,226





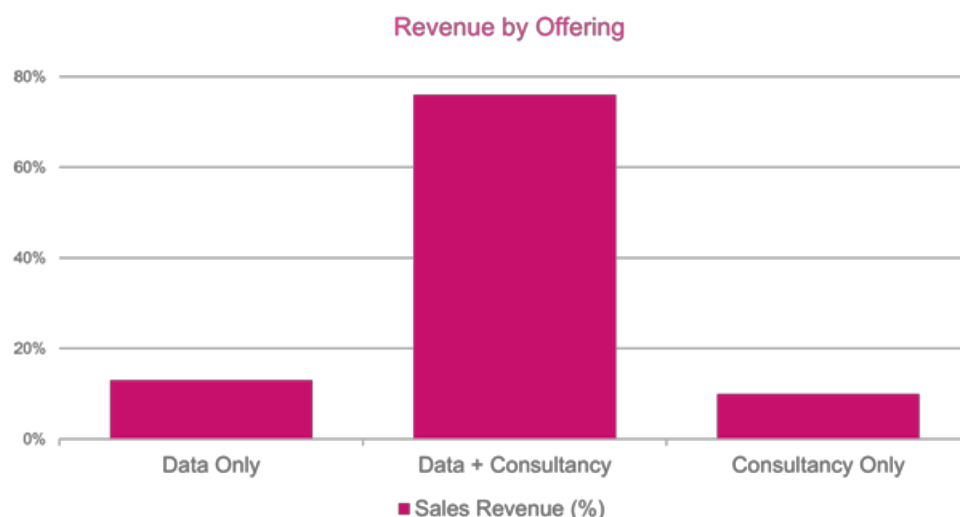
The above financial information is provided for illustrative purposes only and is not intended by the Company to represent or constitute a forecast of profits by the Group.

4. Customers support our go-to market strategy

The Board has received numerous expressions in support of the Company's approach from customers and industry figures alike. For example:

- "I have been a CMO at the Post Office, TSB and now Boots for the last 10 years. No major organisation or reputable CMO would 'buy' creative development or new product development research entirely remotely or online. Of course, the products can be served that way, but a lot of the magic comes from the human interaction between my teams and System1's. This kind of service needs mutual human trust and respect plus intelligent interpretation to be truly effective".*
Pete Markey, CMO, Boots
- "If Finecast is to unlock the true potential of creative effectiveness within the increasingly addressable media world, we need a partner with best-in-class tech and data but more importantly, a team of consultants who can help plug the knowledge gaps within our own global media networks. For Finecast, that's System1."* Kristian Claxton - Global Head of Innovation, Finecast (Digital Media Platform)
- "While the core database (SAAS product) provides the basic foundation, the partnership only comes to life, and adds real value, through the thought leadership and the knowledge and insight that we get with the account team. Without this, the partnership simply couldn't exist."*
Kate Waters, Director of Client Strategy & Planning, ITV

We see this in our results - System1's customers buy predictions and consultancy together. During the first 9 months of the current financial year, our top 10 customers accounted for 35% of revenue; the top 20 customers accounted for 54% of revenue. All these customers bought a combination of Predict Your (data) and Improve Your services or Bespoke Consultancy (data-led consultancy) and have confirmed that they would not buy the predictions without the ability to have the data-led insight alongside it. The Company's business model is to scale by using the platform to process the prediction and first-level insights, supported by high-margin additional consultancy alongside it.



5. The Requisitioning Shareholders have not articulated an alternative strategy beyond re-appointing Mr. Barden to the Board.

The Requisitioning Shareholders have not set out in writing any proposals to deliver an increase in value to shareholders, other than to re-appoint one of them, Mr. Barden, to the Board as a part-time Executive Chair, with remuneration unspecified.

Members of the Board have spoken to Mr. Barden and Mr. Geddes on multiple occasions to understand the intention behind the requisition. The Board has received no proposals, either written or verbal that

set out any change of strategy to deliver an increase in shareholder value. **The only changes proposed are to replace a successful Chair, remove a highly-qualified Non-Executive Director and remove as an executive director our Founder & President who is spearheading a successful new business campaign in the key US market.** The Board does not understand how any additional shareholder value will be added by this requisition; indeed, they believe it can only damage shareholder value, in particular through the additional cost of terminating John Kearon's service agreement.

6. We need expertise in business-to-business sales and marketing - a different skillset from Mr. Barden's

The two Requisitioning Shareholders held Board positions in the business until 2020 and 2022 respectively. Mr Barden was part of the leadership team that designed and implemented the Company's automated product platform between 2017 - 2022. That platform is built and delivering results. We are grateful for Mr. Barden's contribution, in particular his operational and system design expertise, but his work here is done.

The Company has made great progress in automating the platform for delivering world class predictions and insights which we can provide in under 24 hours and at market-leading price.

The Company is now in its next phase of commercialising the platform and has recruited a team that will make this a success. The Board does not need Mr. Barden's operational and technology skillset for this phase of the business's development.

7. The Board does not believe having an Executive Chair would be in the interest of all shareholders, and that Mr. Barden is conflicted by holding a Non-Executive Chair position at Behaviorally, a market research platform business

The Company wishes to highlight Mr. Barden's potential conflict of interest arising from his current role as Non-Executive Chair of Behaviorally, an unlisted market research platform business, that would prevent him from operating both roles concurrently in a transparently independent way. The Board notes that the proposed role of Executive-Chair would breach the UK Corporate Governance Code which stipulates that a Chair should be independent on appointment, and explicitly not a former CEO of the Company. Neither the Board nor the executive leadership team see value in the hybrid role he proposes. We have a plan and a full-time CEO focused on execution and do not need an executive chair.

Whilst Mr. Barden has not set out his remuneration requirements for the role, the Board expects, based on his previous tenure, that these will likely be significantly higher than the existing Non-Executive Chair's remuneration (currently a fee of £42,000 per annum with no equity participation).

8. We will lose our Founder and President, John Kearon, who holds 22% of the Company's voting rights and has advised the Board he will not remain a director on the terms proposed by the Requisitioning Shareholders

John Kearon is passionate about the Company, having invested over 20 years in building the business from its previous guises to today. John wants nothing more than System1 Group PLC to be a success, but believes the proposals made by the Requisitioning Shareholders will severely damage the Company and would prefer to actively stand against the changes.

9. Unless the proposed resolutions are defeated, there is a risk of serious business disruption if the executive leadership and senior team members decide not to serve under Mr Barden

We do not believe that the addition of Mr. Barden to the Board would justify such disruption, to the Company and the associated risk of lost revenue and shareholder value.

Based on our quarterly employee satisfaction survey, the motivation inside the Company is higher than it has been for over 10 years, and the results are coming through. The Company measures staff motivation in a quarterly anonymous survey. Under Mr. Barden's tenure as CEO, average staff motivation levels measured 53%. Following his departure, the average increased to 61% with John Kearon returning as CEO. Since the launch of the new strategy and James Gregory stepping into the role of CEO, staff motivation has further increased to 71%.

The executive leadership and senior management teams are unambiguous in their support for the Company's strategy and the Board. The Board and the executive leadership team are ensuring that the distraction of the GM does not impact business performance. However, the Board is very concerned that many of the executive leadership and senior management team would leave the Company if the proposed resolutions were approved. This would undoubtedly impact the short-term revenue growth of the business, and likely damage the business in the long term.

10. It is not the right time to change the leadership - we have very recently appointed a new Chair and new CEO. The current Board deserves more time to deliver the growth agenda

The Non-Executive Chair was only appointed on 28 September 2022, having previously been a non-executive director from 15 February 2021. He played a key role in the strategic review and made significant executive leadership team changes on 1 December 2022 to execute the newly defined routes to market. The Board and executive team fully support the strategy and believe that the current Board deserves more time to deliver the growth agenda which is showing good early signs of working.

The proposal by the Requisitioning Shareholders comes only five months after the appointment of the Non-Executive Chair and three months after the appointment of the new executive leadership team and the publication of the findings of the Company's strategic review. The Company published its third quarter trading update on 23 February 2023, however this mainly reflected progress before the changes announced on 30 November 2022. Due to the timing of the Requisitioning Shareholders' proposals and with year-end results not due for publication until after any vote, the Company has set out an early view of expected Q4 and FY23 revenues in this document.

The Board unanimously recommends that Shareholders
VOTE AGAINST ALL the Resolutions

'Sad to see the madness over at System1. Just as the company is poised to achieve great things and is on the lips of every decent CMO on the planet, shareholders are trying to oust the founder (never a good idea) and the inestimable Rupert Howell. Great news for the other research and ad testing firms, bad news if you were a fan of what System1 were producing and the way they were building a very strong b2b marketing brand.'

LinkedIn post from 20 March 2023 by Mark Ritson, brand consultant and former marketing professor

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