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6 June 2024

S⁴Capital plc

AGM Statement

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

Full year targets maintained reflecting like-for-like net revenue² down on the prior year and a broadly similar overall level of operational EBITDA^{1,3} to 2023 reflecting cost actions and customary significant second half weighting

S⁴Capital plc (SFOR.L), the tech-led, new age, new era digital advertising, marketing and technology services company is announcing that at the Annual General Meeting of the Company being held now, at 12 noon, Sir Martin Sorrell, Executive Chairman of the Company, is making the following statement:

"2023, our fifth full year, was a difficult year with slower market growth and continuing macroeconomic uncertainty. The first half saw a mixed performance with less momentum and an anticipated second half seasonal uplift, which did not materialise amidst continuing client caution together with economic and geopolitical challenges. Overall, we saw clients very much focused on the short term, particularly in relation to larger transformation projects, which resulted in longer sales cycles, along with lower regional and local opportunities. Our stated 'whopper' strategy of building broad-scaled relationships with leading enterprise clients continues to drive our business, ending the year with 10 against our target of 20 such relationships. We remain focused on a disciplined approach to costs, number of Monks and operational cash generation.

Trading in the first four months continues to reflect the impact of volatile global macroeconomic conditions, general client caution, continuing amongst technology clients and a reduction in activity with some of our larger Technology Services clients, although there has been some improvement in the profitability of the Content Practice during this period. We continue to develop our larger, scaled relationships with leading enterprise clients and are increasing our focus on margin improvement through greater efficiency, utilisation, billability and pricing. We maintain our targets for the full year and, as in prior years, financial performance will be significantly second half weighted reflecting both our normal seasonality and an expected improvement in market conditions.

We want to take this opportunity to remind everyone of our Company's definitive and differentiated strategy, which continues to be based on four core principles - digital only; data driven; faster, better, cheaper and more; and unitary. We say "our Company", as it is both your Company as our shareowners and our Company, as your management team. We are still tightly aligned with you - with around 40% of our share capital connected to our Monks and/or Directors. We are purely digital, because that is where the growth is, even more so in a post Covid-19, 24/7 always-on digital world fuelled by AI. Our data-driven, business model derives insights from first party data and platform signals, which fuel the creation, production and distribution of digital advertising and marketing content through our data&digital media planning and buying, programmatic and performance executions. We continue to expand our capabilities in Technology Services to fully provide digital marketing transformation services for our clients. The transformational shift to Artificial Intelligence (AI) is incorporated into our strap line of "faster, better, cheaper and more" to reflect our enhanced ability, to integrate AI across our uniquely, unitary operations.

We remain confident in our strategy, business model and talent. These together with scaled client relationships position us well for growth in the longer term, with an emphasis on deploying free cash flow, as and when appropriate, to improve shareowner returns, particularly now that all significant merger payments have been made.

New business activity continues at healthy levels, particularly with the current focus on hyper-personalisation or personalisation at scale, accelerated by AI. Marketeers are starting to split their activities into two areas or levels - upper funnel, strategic, big idea creative, which is in turn then activated by a lower funnel creative content platform or factory. This involves significant organisational change and is being embraced by clients that are both successful and those facing disruptive change - all being accelerated by the deprecation of third party cookies. New business wins in the first four months include Burger King, Panasonic, FanDuel, AliExpress, Decathlon, Santander and ICBC. In addition, the Company continues to capitalise on its strong AI positioning winning multiple exploratory assignments as clients experiment and explore applications and develop use cases. These are currently focused on visualisation and copywriting, hyper-personalisation at scale, media planning and buying, general client/agency efficiency and democratisation of knowledge.

Since our last AGM in June of 2023, our Company has reduced the number of Monks in the Company to around 7,600 compared to around 8,600 at this time last year, a reduction of circa 1,000, reflecting the ongoing progress made in aligning our cost base with the demand we are seeing from our clients. We will maintain a disciplined approach to managing our cost base, with an increasing focus on driving efficiency across the Company as well as utilisation, billability and pricing.

For 2024 at a Practice level, we continue to expect Content to show a profitability improvement reflecting the benefit of cost reductions made in 2023 and in 2024. Data&digital Media will show a similar top and bottom-line performance to the prior year with some modest margin improvement, while the outlook for Technology Services remains challenging and the performance will be lower, following a significant 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 continue to target like-for-like net revenue to be down on the prior year with a broadly similar overall level of operational EBITDA as 2023³, as a result of cost improvements made last year. The comparatives with 2023 will continue to be relatively harder in the first half and will ease in the second half.

We continue to 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 the second half of 2024 reflecting positive free cash flow and significantly lower combination payments. Our targeted range for the year end remains £150 million to £190 million. We continue to aim for financial leverage of around 1.5 times operational EBITDA over the medium term (our key covenant is 4.5 times). 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%.

Our talented people have responded positively to the challenging trading conditions and our drive for efficiency. We have continued to make progress in the three areas of our ESG strategy: People Fulfilment, Our Responsibility to the World and One Brand. We are grateful for the ongoing support of our shareowners and remain confident in our strategy, business model and talent, which together with scaled client relationships position us well for growth in the longer term.

As announced on 27 March 2024 and to continue aligning our governance to a more traditional board composition, Christopher S. Martin, Victor Knaap, Wes ter Haar and Scott Spirit will all be retiring from the Board at the conclusion of today's AGM, with Wes ter Haar becoming a Board observer. They will retain their current roles within the Company, including any involvement in the Executive Committee. In addition, as announced on 29 April 2024, Paul Roy will also step down from the Board at the conclusion of the AGM, as part of reducing his commitments to commercial and corporate interests. Finally, in consideration of the Board structure as well as her time commitments, Naoko Okumoto will not seek re-election from shareowners at today's AGM, and step down from the Board at the conclusion of the AGM. We take this opportunity to publicly thank all of our retiring directors, both executive and non-executive for their contribution and commitment to S⁴Capital during their tenure on the Board."

As the AGM is a hybrid, shareowners will have received instructions for electronic access via the Lumi AGM app, including details of voting and Q&A functions. Details are set out in the Notice of Annual General Meeting. Guest access to the AGM without voting or a Q&A facility is available as a webcast at https://brrmedia.news/SFOR_AGM24.

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Notes (in this document):

1. 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.
2. Net revenue is revenue less direct costs.
3. This is a target and not a profit forecast

About S⁴Capital

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

Our strategy is to build a purely digital advertising and marketing services business for global, multinational, regional, and local clients, and millennial-driven influencer brands. This will be achieved by integrating leading businesses in three practices: Content, Data&digital Media and Technology Services, along with an emphasis on 'faster, better, cheaper, more' execution in an always-on consumer-led environment, with a unitary structure.

The S⁴Capital Board includes Rupert Faure Walker, Daniel Pinto, Sue Prevezer, Elizabeth Buchanan, Margaret Ma Connolly, Miles Young and Colin Day as Non-Executive Directors.

The Company now has approximately 7,600 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.

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. S⁴Capital expressly disclaims any obligation or undertaking to update or revise any forward-looking statements contained herein to reflect actual results or any change in the assumptions, conditions or circumstances on which any such statements are based unless required to do so.

No statement in this announcement is intended to be a profit forecast and no statement in this announcement should be interpreted to mean that earnings per share of the Company for the current or future years would necessarily match or exceed the historical published earnings per share of the Company.

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.

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