



2020 H1 Trading Update

September 2020

Contents

- 01 Results
- 02 Content Practice
- 03 Data & Digital Media Practice
- 04 Clients
- 05 Mergers
- 06 Sustainability
- 07 Talent, Diversity & Inclusion
- 08 Summary and outlook
- 09 Q&A

Trading Update



01

Financial performance

- / Billings* £260.4million and pro-forma** billings £264.9 million
- / Revenue £141.3 million up 61% from £88.0 million, like-for-like*** revenue up 7%, pro-forma up 8%
- / Gross profit £124.0 million up 77% from £70.2 million, like-for-like up 12%, pro-forma up 13%
- / Operational EBITDA**** £18.0 million up 87%, like-for-like down 6%, pro-forma down 5%
- / Operational EBITDA margin 14.5%, up 0.8 margin points on 2019, pro-forma 14.6%
- / Operating profit £2.5 million, which includes adjusting items of £13.8 million (acquisition expenses, amortization and share-based compensation), versus an operating loss of £6.2 million in 2019 and pro-forma operating profit of £3.0 million
- / Result before income tax £0.1 million, which includes adjusting items, versus a loss of £8.5 million in 2019 and pro-forma result before income tax of £0.7 million
- / Result for the period £0.5 million (loss) which includes adjusting items after taxation versus £8.8 million (loss) in 2019 and pro-forma result for the period £0.1 million (loss)
- / Adjusted Basic net result per share 2.3p versus 0.9p in 2019
- / Basic net result per share 0.1p (loss) versus 2.5p (loss) in 2019 and pro-forma net result per share 0.0p
- / Mid year net cash***** £7.2 million, including the £45.8 million term loan drawn and drawdown revolving facilities of £31.9 million
- / Good start to Q3 2020 with July gross profit up 18%, and maintaining 2020 full year: sector-leading double digit growth on like-for-like Revenue and Gross Profit and reasonably strong EBITDA margin

*Billings is gross billings to client including pass through costs

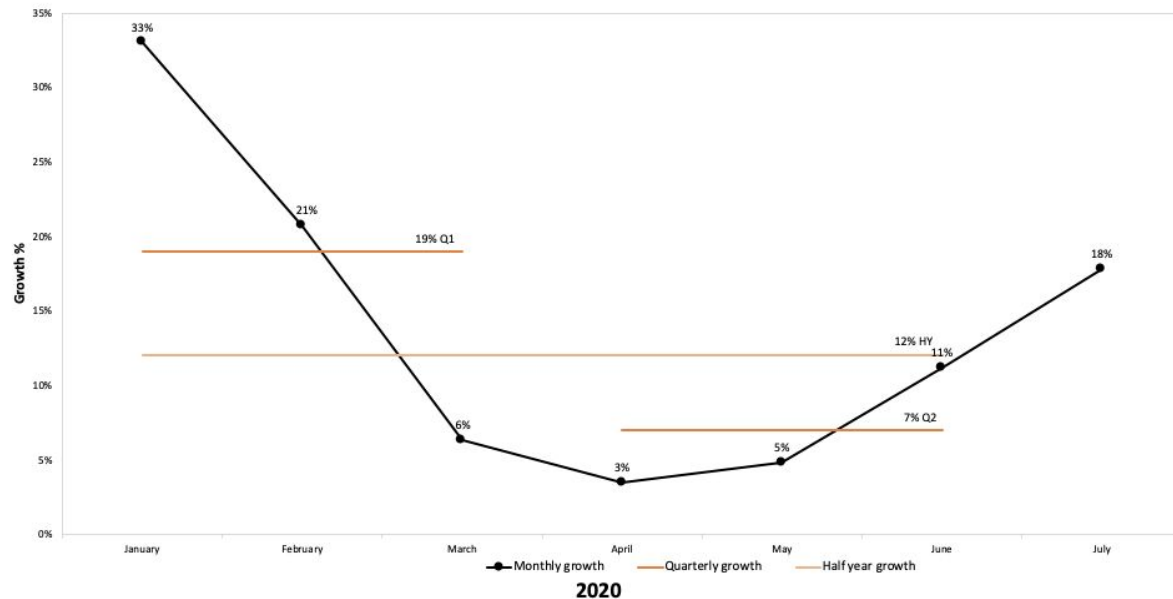
**Pro-forma numbers relate to unaudited full year non-statutory and non-GAAP consolidated results in constant currency as if the group had existed in full for the year and have been prepared under comparable GAAP with no consolidation eliminations

***like-for-like relates to 2019 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2020 applying currency rates as used in 2020

****Operational EBITDA is EBITDA adjusted for non-recurring items and recurring share-based payments and is a non-GAAP measure management uses to assess the underlying business performance

*****Net cash including bank loans

Gross Profit performance like-for-like



Unaudited condensed consolidated income statement

	Six months ended	Six months ended	Like for like cc Six months ended 30 June	Proforma Six months ended 30	Proforma Six months ended 30
	30 June	30 June	ended 30 June	June 2020	June 2019
	2020	2019	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000
For the period ended 30 June					
Revenue	141,344	87,972	132,168	144,449	133,941
Cost of sales	17,375	17,787	21,677	17,375	21,707
Gross profit	123,969	70,185	110,490	127,074	112,234
Net operating expenses	121,477	76,414	107,470	124,025	108,836
Operating profit/ (loss)	2,492	(6,229)	3,020	3,049	3,398
Adjusted operating profit	16,266	8,735	18,108	16,823	18,486
Adjusting items	(13,773)	(14,965)	(15,088)	(13,773)	(15,088)
Operating profit/ (loss)	2,492	(6,229)	3,020	3,049	3,398
Net finance expense	(2,374)	(2,261)	(2,056)	(2,356)	(2,055)
Result before income tax	119	(8,490)	964	693	1,343
Income tax expense	(641)	(329)	(1,218)	(751)	(1,358)
Result for the period	(523)	(8,819)	(254)	(58)	(15)

Unaudited condensed consolidated income statement

	Six months ended	Six months ended	Like for like cc Six months ended 30 June	Proforma Six months ended 30 June	Proforma Six months ended 30 June
	2020	2019	2019	2020	2019
For the period ended 30 June	£'000	£'000	£'000	£'000	£'000
Reconciliation to operational EBITDA					
Operating profit / (loss)	2,492	(6,229)	3,020	3,049	3,398
Adjusting items	13,773	14,965	15,088	13,773	15,088
Depreciation (excluding right-of-use asset depreciation)	1,719	890	1,025	1,720	1,025
Operational EBITDA	17,985	9,626	19,134	18,543	19,511
Central costs	2,493	2,475	2,361	2,493	2,361
Operational EBITDA before central costs	20,478	12,101	21,495	21,036	21,872
Reconciliation to adjusted operating profit					
Operating profit / (loss)	2,492	(6,229)	3,020	3,049	3,398
Adjusting items	13,773	14,965	15,088	13,773	15,088
Adjusted operating profit	16,266	8,735	18,108	16,823	18,486
Reconciliation to adjusted result before income tax					
Result before income tax	119	(8,490)	964	693	1,343
Adjusting items	13,773	14,965	15,088	13,773	15,088
Adjusted result before income tax	13,892	6,475	16,052	14,466	16,431

Unaudited condensed consolidated income statement

	Six months ended	Six months ended	Like for like cc Six months ended 30 June 2019 £'000	Proforma Six months ended 30 June 2020 £'000	Proforma Six months ended 30 June 2019 £'000
	30 June 2020 £'000	30 June 2019 £'000			
For the period ended 30 June					
Reconciliation to adjusted result for the period					
Result for the period	(523)	(8,819)	(254)	(58)	(15)
Adjusting items	13,773	14,965	15,088	13,773	15,088
Tax on adjusting items	(2,356)	(2,858)	(3,179)	(2,356)	(3,179)
Adjusted result for the period	10,895	3,288	11,655	11,360	11,894
Earnings per share					
Weighted average number of shares in issue for the purpose of basic and adjusted net result per share	465.697.844	348.354.880	465.697.844	474.908.603	474.908.603
Net result attributable to equity owners of the Company (£'000)	(523)	(8,819)	(254)	(58)	(15)
Basic net result per share (pence)	(0.1)	(2.5)	(0.1)	(0.0)	(0.0)
Diluted net result per share (pence)	(0.1)	(2.5)	(0.1)	(0.0)	(0.0)
Adjusted non-recurring expenses and acquisition related expenses	6,352	7,358	7,453	6,352	7,453
Share based compensation	6,141	1,318	1,317	6,141	1,317
Revaluation contingent considerations	(8,157)	-	-	(8,157)	-
Adjusted amortisation of intangible assets related to acquisitions	9,438	6,289	6,318	9,438	6,318
Adjusted tax on adjustments	(2,356)	(2,858)	(3,179)	(2,356)	(3,179)
Adjusted net result	10,895	3,288	11,655	11,360	11,894
Adjusted Basic net result per share	2.3	0.9	2.5	2.4	2.5

Unaudited consolidated balance sheet

/ Increase in intangibles driven by combination with Circus and exchange rate differences

/ Receivables decreased as a result of strong focus

/ Net cash position of £7.2 million, including the £45.8 million term loan drawn and drawdown revolving facilities of £31.9 million

/ Most contingent considerations are settled in relation to 2019 M&A transactions

		Six months ended 30 Jun 2020 GBP'000	Six months ended 30 Jun 2019 ¹ GBP'000	Year ended 31 Dec 2019 ¹ GBP'000
Assets				
Non-current assets				
Intangible assets	4	611,962	404,646	540,129
Right-of-use assets		23,127	16,159	25,779
Property, plant and equipment		12,880	5,692	9,730
Deferred tax assets		993	190	1,086
Other receivables		2,606	2,033	2,731
		651,568	428,720	579,455
Current assets				
Trade and other receivables	3	120,409	95,589	126,353
Cash and cash equivalents		84,972	26,944	66,106
		205,381	122,533	192,459
Total assets		856,949	551,253	771,914
Liabilities				
Non-current liabilities				
Deferred tax liabilities		56,446	40,563	54,834
Loans and borrowings	20	45,800	46,253	42,374
Lease liabilities		17,579	9,844	18,787
Contingent considerations		410	16	3,669
Other payables		2,159	2,089	2,007
		122,394	98,765	121,671
Current liabilities				
Trade and other payables	21	124,949	95,322	118,014
Loans and borrowings	20	31,935	-	-
Contingent considerations and holdbacks		15,858	8,013	51,202
Lease liabilities		6,769	6,468	7,975
Tax liabilities		13,475	5,548	6,751
		192,986	115,351	183,942
Total liabilities		315,380	214,116	305,613
Net assets		541,569	337,137	466,301
Equity				
Attributable to owners of the company				
Share capital		122,530	91,038	117,307
Reserves		418,939	245,999	348,894
		541,469	337,037	466,201
Non-controlling interests		100	100	100
Total equity		541,569	337,137	466,301

Unaudited consolidated statement of cash flows

/ Strong cash flow: £37.6 million cash flow from operations with £18 million EBITDA in HY1

/ Cash flow from investing activities mainly relate to the combination of Circus and settlement of 2019 combinations

/ Cash flow from financing activities mainly relate to the drawdown of the revolving facility early March

	Six months ended 30 Jun 2020 GBP'000	Six months ended 30 Jun 2019 GBP'000	Year ended 31 Dec 2019 GBP'000
<i>Notes</i>			
Cash flows from operating activities			
Profit / (loss) before income tax	118	(8,490)	(9,195)
Financial income and expenses	2,374	2,262	5,360
Depreciation and amortisation	16,592	10,305	24,972
Share based compensation	6,141	1,319	7,177
Acquisition and set-up related expenses	(1,805)	7,358	12,806
Decrease / (increase) in trade and other receivables	11,936	(14,184)	(31,288)
Increase in trade and other payables	2,210	15,106	22,310
Cash flows from operations	37,566	13,676	32,142
Income taxes paid	(1,246)	(2,147)	(7,571)
Net cash flows from operating activities	36,320	11,529	24,571
Cash flows from investing activities			
Investments in intangible assets	(49)	-	(1,578)
Investments in property, plant and equipment	(4,192)	(947)	(7,865)
Acquisition of subsidiaries, net of cash acquired	(40,876)	(2,571)	(56,954)
Financial fixed assets	192	(592)	(779)
Cash flows from investing activities	(44,925)	(4,110)	(67,176)
Cash flows from financing activities			
Proceeds from issuance of shares	126	-	97,451
Amount draw down during the period	31,025	-	22,418
Payment of lease liabilities and interest	(5,688)	(4,494)	(6,687)
Repayments of loans and borrowings	-	-	(24,119)
Interest paid	(474)	(1,105)	(4,744)
Cash flows from financing activities	24,989	(5,599)	84,319
Net movement in cash and cash equivalents	16,384	1,820	41,714
Cash and cash equivalents beginning of the period	66,106	25,005	25,005
Exchange gain / (loss) on cash and cash equivalents	2,482	119	(613)
Cash and cash equivalents at end of period	84,972	26,944	66,106

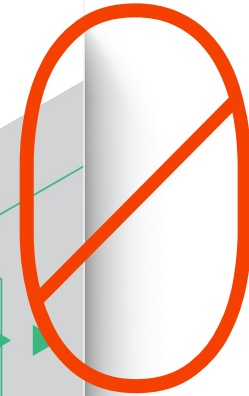
Pro Forma gross profit, operational EBITDA and EBITDA by practice

- / Content practice gross profit 77% of total against 75% in 2019
- / Data & digital media practice gross profit 23% of total against 25% in 2019
- / Content practice Operational EBITDA before central costs GBP 16.0 million
- / Content practice Operational EBITDA margin 16.5%
- / Data & digital media practice Operational EBITDA before central costs GBP 5.0 million
- / Data & digital media practice Operational EBITDA margin 16.9%

Pro Forma Gross profit by Geography

- / Americas (72% of total) GBP 91.7 million (+14%)
- / EMEA (19% of total) GBP 24.2 million (+7%)
- / Asia Pacific (9% of total) GBP 11.2 million (+18%)

Content Practice



Intro

The pandemic has significantly challenged brands' ability to produce the content they need to connect with consumers. It has also disrupted product delivery and availability, shifting priorities and accelerating the need to transform.



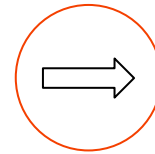
COVID Recap

Our teams have proactively helped brands not only keep up with new consumer behaviors, but innovate for a new era, one that virtualizes consumer experiences. These growing areas of our business are a key reason why we are up, where many traditional networks & agencies are down.



Our New Solutions

- / Virtual events: next-generation broadcasting & interactive livestreaming.
- / Safe & remote production: keeping brands moving.
- / Entertainment: Original, interactive content across alternative.
- / Ecommerce: redefined for an era of everywhere commerce.



What's next

The pandemic has accelerated adoption of the S4 model. New global research from MediaMonks conducted by Forrester Consulting finds the pandemic has done more than accelerate brands' transformation initiatives as many marketers double down on what's next.

Big ideas delivered “more of the same”

While clients keep paying big for Big Ideas, the cultural impact and consumer change promised by traditional networks seem less and less prevalent.

While traditional brands and agencies continued to focus on storytelling through one-hit wonder 30 second spots, we helped our clients virtualize their consumer experiences and quickly solve ecosystem gaps to help them create best in class digital consumer journeys.

Wesley, do you still find you need to convince clients that modern marketing doesn't have to be about big, "famous" ads? There are two parts to that. One is that the greatest trick traditional agencies have played on marketers is hiding behind the principle of the big idea.

th.
A new voice for a new age of Canadian marketing

Every COVID-19 Commercial Is Exactly The Same



Avi Dan Contributor 

CMO Network

Advertising and Marketing

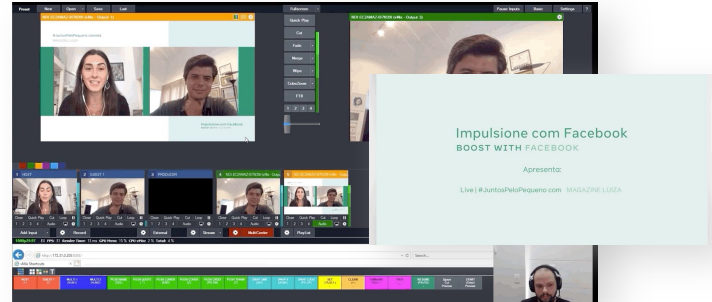
We stepped up to the Virtual Stage

Powering Events with LiveXP

Take Live Events to the Next Level, Online or Off

Having a video conferencing platform isn't a livestream strategy. Brands can go much further in giving audiences and performers alike a sense of presence and agency by driving interaction – if they have the right tools.

Our cloud-based suite of livestreaming tools, LiveXP, powers all of our virtual events. The suite is built to enable two-way interaction between audiences and talent in the moment, turning fans and event attendees into true participants.





Helped Broadcast for a Digital Age

NBA VR Live Broadcasts

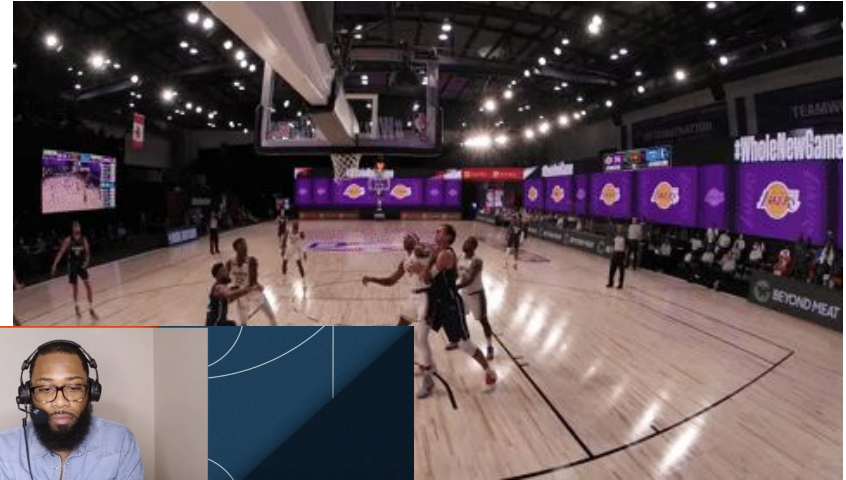
Keeping NBA's Head in the Game

What's the difference between WorkFH and WatchFH? Not much, based on a lot of live shows these days. We upped our broadcasting game by partnering with Yahoo Sports, the National Basketball Association (NBA) and RYOT join forces to enhance the at-home fan experience.

We virtually transported viewers to ESPN's Wide World of Sports Complex via VR – now anyone with an Oculus device can get the best seat in the house – without even leaving their house.

The immersive broadcasts are powered by 5G, further enhancing the experience through interactive elements that change the game on how we think about sports spectatorship through virtualization.

That's a Monk!



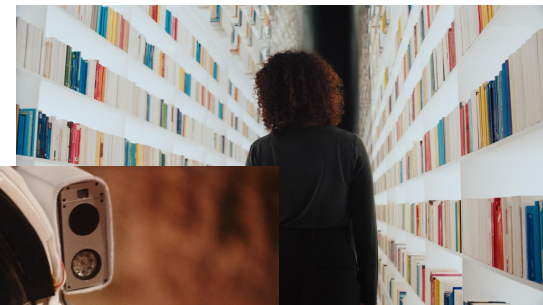
Doubled down on Original Content with **CAA**



Solving NASA's Toughest Challenges

An Out-of-This-World Perspective

Original content enables brands to shape culture and engage with consumers authentically. Partnering with Google Cloud, we produced a four-part series of films that demystify technology and inspire everyday audiences about the future of humanity. Detailing the work of the Frontier Development Lab and how their work impacts life on Earth, the films show what brands can achieve through gorgeous, cinematic content that stands on its own legs.



With Commerce everywhere in the full CDJ

Dole Sunshine

A Customer-Obsessed Platform Ripe for Picking

We're entering an age of Everywhere Commerce, in which consumers no longer need to enter a store or visit a digital marketplace to make a purchase; instead, it's just a tap or swipe away from the content and media that consumers engage with all day. Brands have found a sudden need to make their products available physically and mentally with consumers.

Our fresh website for produce brand Dole achieves this by bringing the brand promise and products to life. With little time to spare, we worked quickly to develop a platform that enhances the customer experience—highlighting how focusing on consumer-facing touchpoints can drive significant transformation at speed and scale across the customer experience.

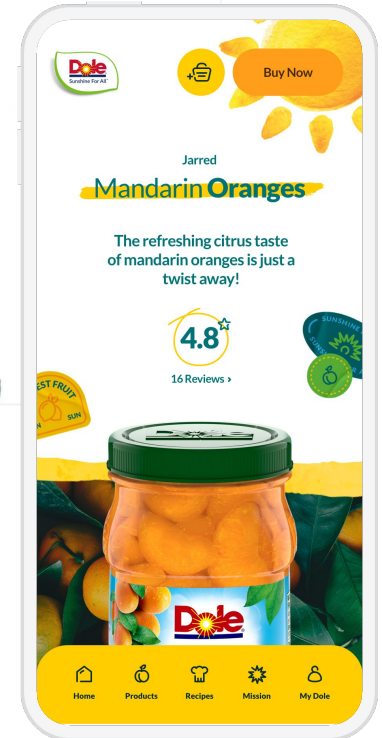
MARKETING-INTERACTIVE

Dole's global CMO Rupen Desai admits he is the 'accidental marketer'

JANICE TAN / 17 JULY 2020



"As we expand the purpose, promise and initiatives globally, we will be looking at expanding the agency relationships. These are ongoing conversations with our existing partners and they should be able to prove to us that they are capable of expanding the relationship."



What's next?

“Transformation has not moved the needle. Companies have been transforming digitally for the past decade, but to what end?”

“Digital transformation was never optional. But most firms treated it that way, applying digital technology in dribs and drabs — until COVID-19 shuttered economies and forever altered the patterns of life and work and commerce.”

— Forrester

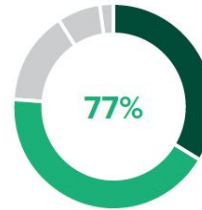
2020 Transformed Transformation

The past decade has been defined by **perpetual digital transformation**: brands put it in the "important but not urgent" category, consultancies made money on consulting rather than creating, and brands focused on laying technology pipes over enhancing the user experience.

Then COVID happened, serving as a stress test for how transformed brands actually are – demonstrating how effective DX investments of the past have been, and what's needed next.

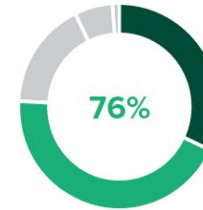
"Please state your agreement or disagreement to the following statements."

My organization provides **superior customer experiences** because of our **digital transformation efforts**.



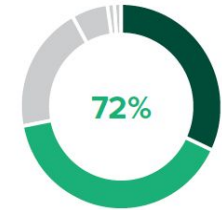
■ Strongly agree ■ Agree

Our **digital transformation efforts** before the COVID-19 pandemic have **set us up for success** after it.



■ Strongly agree ■ Agree

The **next phase** of transformation will focus on **virtual experiences**.



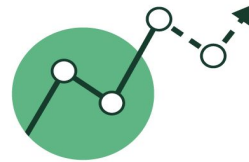
■ Strongly agree ■ Agree

Base: 366 global marketing managers and above with responsibility over digital transformation strategy/efforts at their organizations
Source: A commissioned study conducted by Forrester Consulting on behalf of MediaMonks, August 2020

The Next Frontier for Digital Transformation

Forrester Consulting writes: “The next frontier for digital transformation is **brand virtualization** – meeting customers where they are with differentiated, digital environments...”

Brand virtualization is *not* simply translating an experience into a virtual environment. It means rebuilding your strategy and role from the ground up, refocusing efforts on how to best show up for consumers where, when and how they prefer.



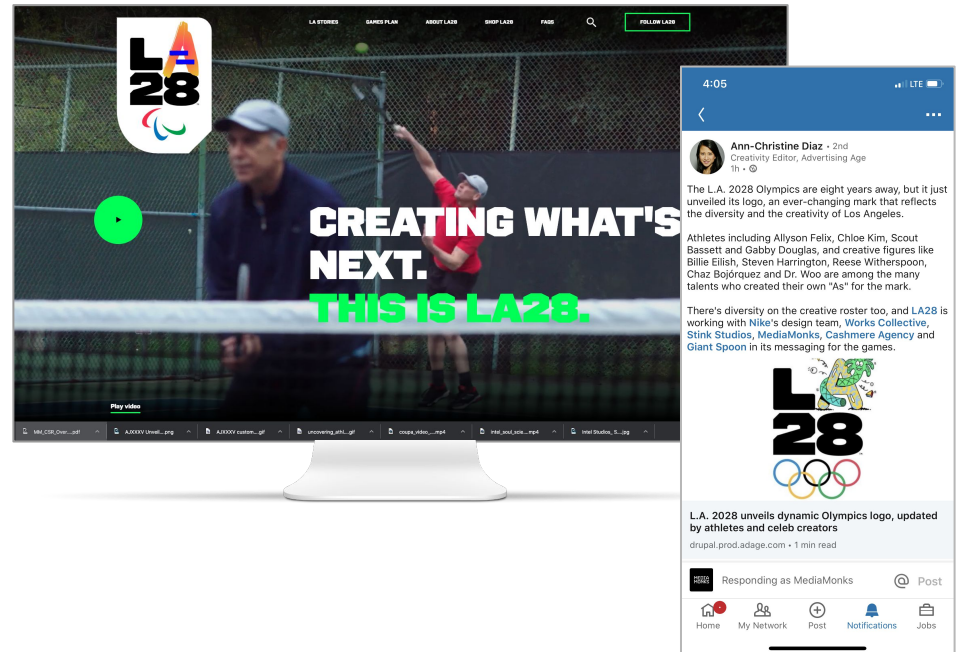
59% noted that COVID-19 has had a significant impact on their companies' plans to **increase investment in virtualization.**

Refreshing an Icon for the long term

LA28.com

Connecting the World's Biggest Celebration of Unity
For LA28, the Olympics seek to foster a deeper relationship with Millennials and Gen Z: “How do we keep something fresh and allow us to stay connected to people as we look to the horizon?” LA28 CMO Amy Gleeson told Ad Age.

We’re building LA28 to refresh the Games’ identity and reflect the vibrant diversity of LA, helping the organization connect with a digital-native generation – an audience we understand well, because we fit in it.



Data & Digital Media Practice



03

Thought Leadership for Changing Times

LIVE
with
MightyHive

Live with MightyHive / Con Vivo en MightyHive

Live webinars for global audiences with MightyHive experts on data and digital media topics to keep marketers abreast of the latest developments in [supply chain transparency](#), [understanding analytics data](#), and the latest with [data clean rooms](#).

Industry Outlook with Think with Google

Sir Martin Sorrell and Pete Kim delivered their industry outlook and [why first-party data is so important for brands and marketers](#).

Harvard Case Study on Digital Transformation for Sprint

Sprint, MightyHive and Harvard Business School collaborated to publish a [case study](#) in the marketing discipline on the bold digital transformation Sprint achieved in bringing digital media in-house in a 2-year journey with MightyHive.



**HARVARD
BUSINESS SCHOOL**

Bolstering a Best-in-Class Data Practice



People

[Sayf Sharif](#) Joins MightyHive as Senior Director of Data, North America

A digital analytics veteran with 20 years of experience and previous positions leading analytics practices at LunaMetrics and Seer Interactive.



[Toby McAra](#) Joins MightyHive as Head of Enterprise Data Solutions, EMEA

Over 20 years of experience with senior roles driving significant growth for industry leaders like Google Analytics, Adometry and Adobe.



Certification & Partnerships

Google Cloud Platform Global Marketing Analytics Certification & Launch of Treasure Data Customer Data Platform (CDP) Partnership

Certified Marketing Analytics specialization, joining an elite group of 25 companies with global certification (out of thousands), and creating an official partnership with leading CDP Treasure Data and Snowflake, the cloud data platform.

Expanding Our Global Data Footprint

Officially Launching the MightyHive Data Practice

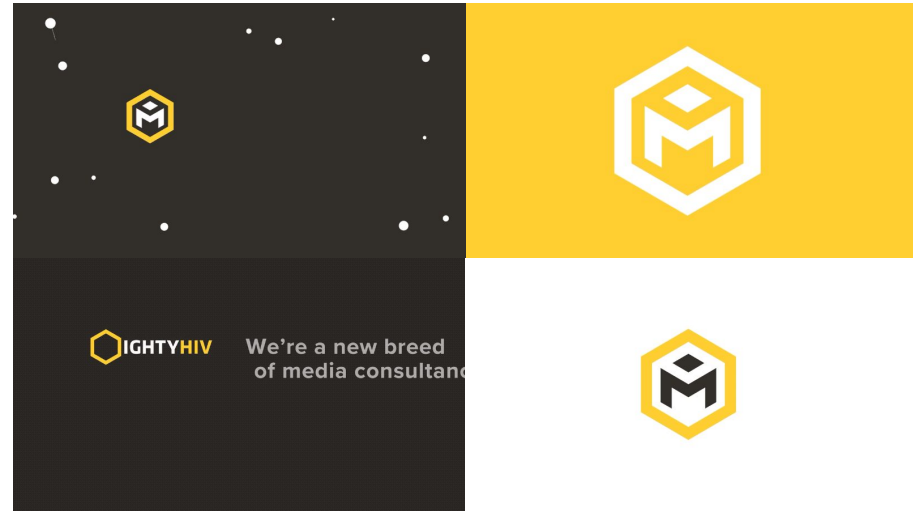
Creating a scaled, global capability for marketers in need of a Data Agency of Record to help them harness first-party data and understand privacy.

Expanding Analytics Capability in Latin America and Australia

The merger with Digodat, Latin America's largest independent analytics firm, expanded the MightyHive footprint into Buenos Aires, Mexico City, Bogotá, and Santiago, and MightyHive doubled-down on our APAC presence with a merger with Australian analytics leader Lens10.

Adding Predictive Analytics Specialists to Change Marketing Measurement

In August, MightyHive merged with Brightblue, a specialist in marketing mix modelling and predictive analytics.

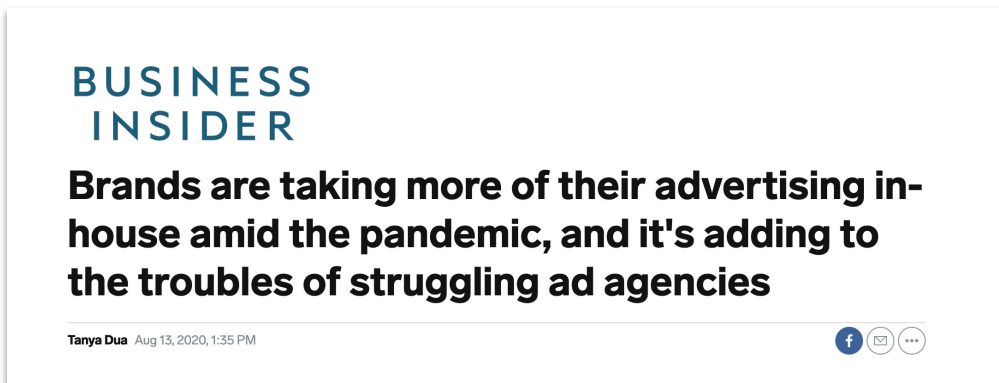


Interest in Media In-Housing Remains High

Demand for in-housing services is robust, with COVID-related economic stresses accelerating digital transformations.

MightyHive added several large-scale in-housing initiatives and expanded the relationship with leading in-housing client Bayer to include US Consumer Health, Crop Science, and Pharmaceuticals.

MightyHive clients Sprint and Bayer were honored as finalists and winners, respectively for In-House Media Team of the Year at the 2020 AdExchanger Awards.



Congratulations, Sprint!

Best In-House Media Operation
AdExchanger Awards Finalists



Congratulations, Bayer!

Best In-House Media Operation
AdExchanger Awards Finalists



Riding the eCommerce Wave

MightyHive merged with **Orca Pacific**, the leading the leading full-service Amazon agency and consultancy.

This adds differentiated ecommerce expertise to MightyHive's advisory, media, and data capabilities during a time when COVID trends have pulled forward 3-5 years of consumer eCommerce adoption into 2020. (Morgan Stanley, "Mid-year US Advertising Outlook").



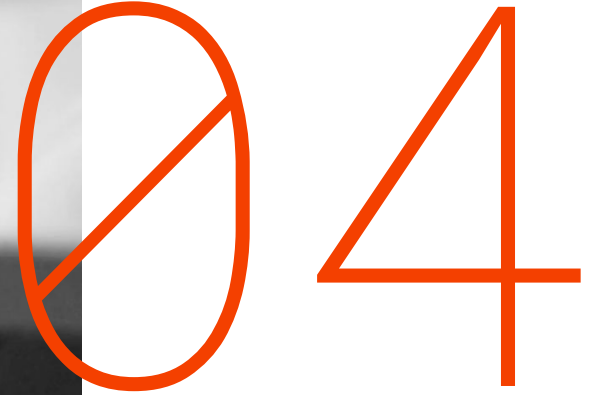
John Ghorso, CEO

Kashif Zafar, EVP
Sales & Marketing

Lisa Lockwood,
EVP Client
Services



Clients

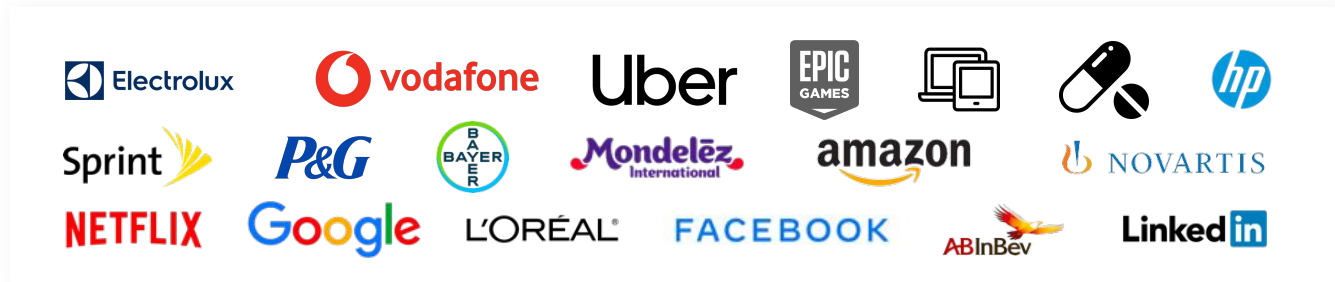


Q1 - A strong quarter for new business

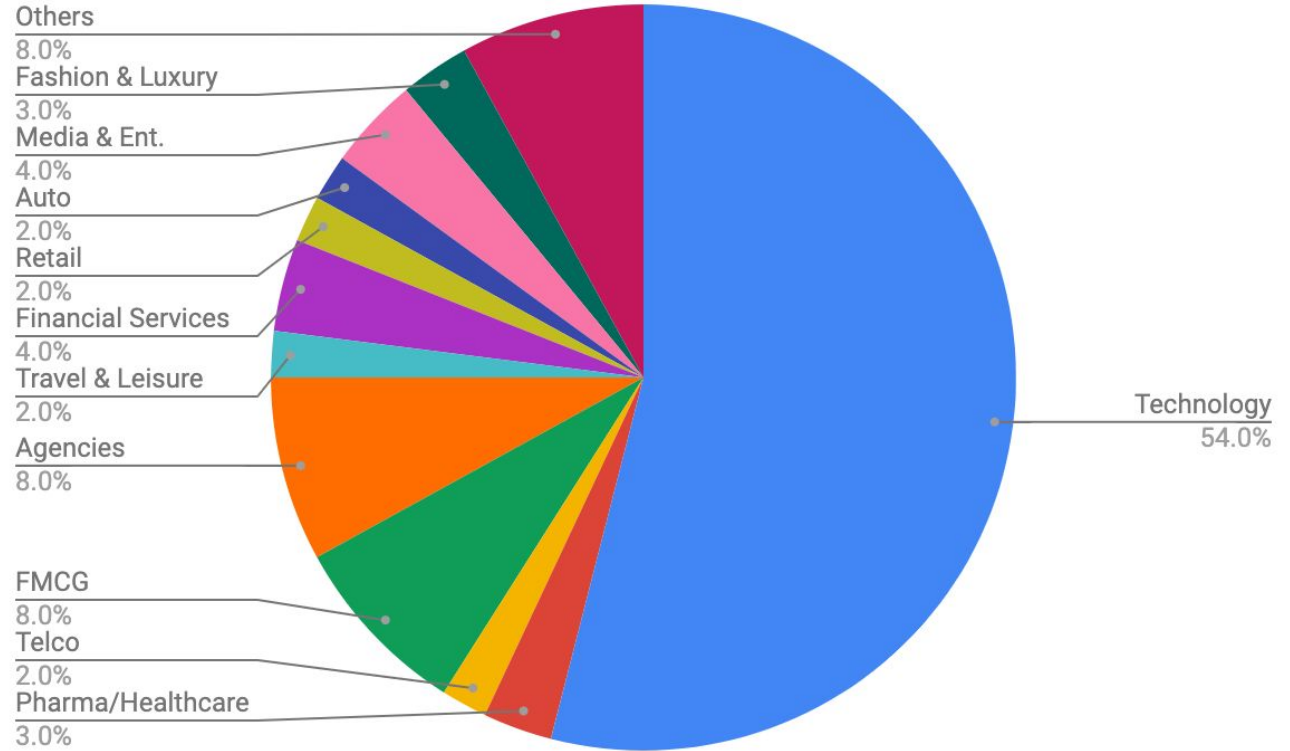
Land



& Expand



Client portfolio

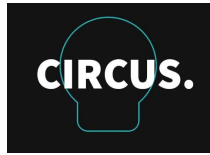


Mergers



05

Mergers



JAN 2020

MAY 2020

JUNE 2020

JULY & AUGUST 2020



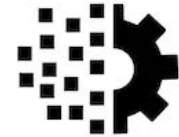
Data & Analytics



Geography



eCommerce



Digital Transformation

Sustainability



~~0~~ 6

Sustainability

“Sustainability is built into our business model. If we are focused on the long term, there is no conflict between profitability and the interests of all stakeholders. If you are focused on the short term, there is. It’s that simple!”

Sir Martin Sorrell

Executive Chairman. S4Capital

Sustainability Strategy: Three pillars

1. Sustainable Production: taking care of our work and clients.

We leverage our expertise to innovate with creativity and technology for good

2. Zero-Impact Workspaces: taking care of our house and household.

We are working towards a climate neutral and environmentally conscious workplace

3. Diversity & Inclusion: taking care of ourselves and each other.

We recognise individuality, foster a respectful culture and emphasise the value of ideas

Sustainability Strategy: On the ground

- / Local and regional Employee Resource Groups created to deliver strategy
- / KPIs set for each of our three pillars, including to achieve zero greenhouse gas emissions by 2024
- / Short-term (2020 - 2021), mid-term (2025) and long-term (2030) targets are being set in 2020 to give us visibility on progress and the ability to adapt
- / UN Sustainable Development Goals embedded – specifically: gender equality, supporting the marginalised and disadvantaged, sustainable communities, responsible production and consumption, tackling climate change
- / Projects for Good – see www.s4capital.com/sustainability

Talent & Diversity



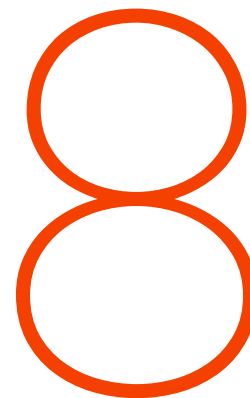
Talent & Diversity

- / Commitment to diversity - published figures (US /UK) on S4's site
- / Accountability - ongoing tracking; surveying; assessment and research
- / Public forum participation - 600 and Raising, 3% conference, Adcolor, One School
- / Hiring - re-shaping the process to attract minority applicants; educating hiring managers: hiring for culture fit AND for culture *ADD*
- / Fellowship Programme - recruitment launching in 1-2 weeks. Programme starts February 2021

Talent & Diversity

- / Education - Allyship / anti-racist training; ongoing training for all; looking at specific training for managers
- / Business practices and products - clients expect diverse teams; our teams producing style-guides for a more inclusive client product
- / ERGs - Black employees and anti-racist ERG at FW, Culture Collective at MH, a WoMMen in Tech ERG at MM worldwide, MH's Tribus in Argentina, MM BA LGBTQ+, Culture Club, #MM_Cares, #mmba_ladies . . .
- / Goals set for the board - looking to increase the number of women

Summary



Summary & Outlook

- / People are safe and mostly working from home*
- / S4 continues to lead the industry in growth and margin*
- / Strong balance sheet and liquidity, stress-tested*
- / Early cost action taken and we retain flexibility*
- / Favourable client portfolio for growth (54% Technology)*
- / Healthy new business record and pipeline*
- / Trends are towards increased digital transformation*
- / Covid-19 accelerates adoption of S4 model and integration*
- / Ready for recovery, whatever the shape*
- / Conversion at scale the priority, 20² Clients*

Q&A