



2021 Trading Update

May 2021

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Trading Update


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CMO TODAY

Demand for Digital Ad Services Fuels Growth at S4

The three-year-old digital marketing company said like-for-like revenue grew 15.2% last year and anno design shop Jam3




Martin Sorrell, executive chairman at S4 Capital, said the company expects to end the year with at least five clients generating more than \$20 million each in revenue for S4.

PHOTO: JONATHAN BRADY/PA WIRE/ZUMA PRESS

By [Alexandra Bruell](#)
March 25, 2021 2:17 pm ET

PRINT TEXT

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4 minutes

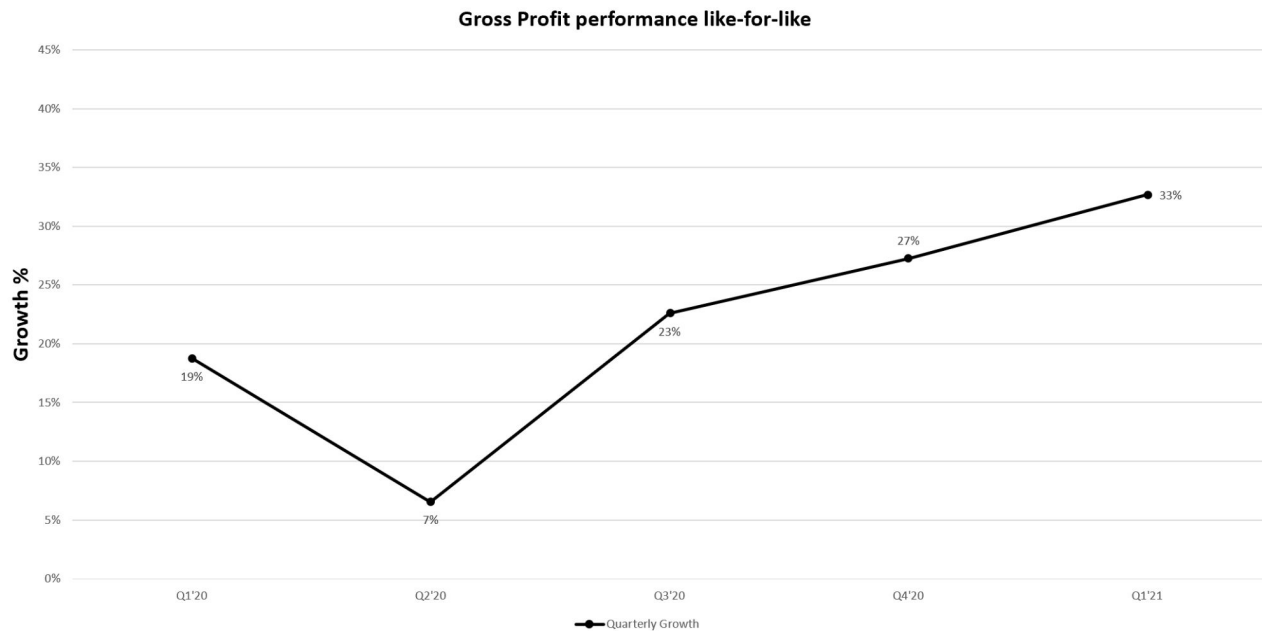
Martin Sorrell's plan for his nearly three-year-old business, [S4 Capital](#) PLC, was to sell digital ad and marketing services that compete on price and quality. It served him well during the pandemic.

01

Financial Performance

- / Q1 reported Revenue up 71% to £121.6 million
- / Q1 reported Gross Profit up 71% to £104.0 million
- / Q1 like for like and pro-forma Revenue up 35%
- / Q1 like for like and pro-forma Gross Profit up 33%
- / All regions showed strong growth
- / Cash flow remains strong with net cash balances in average in Q1 of £50 million
- / Near term bond issue to further enhance merger transaction firepower
- / 2021 full year: sector-leading 30% (up from 25%) in like-for-like Revenue and Gross Profit

Gross Profit performance like-for-like

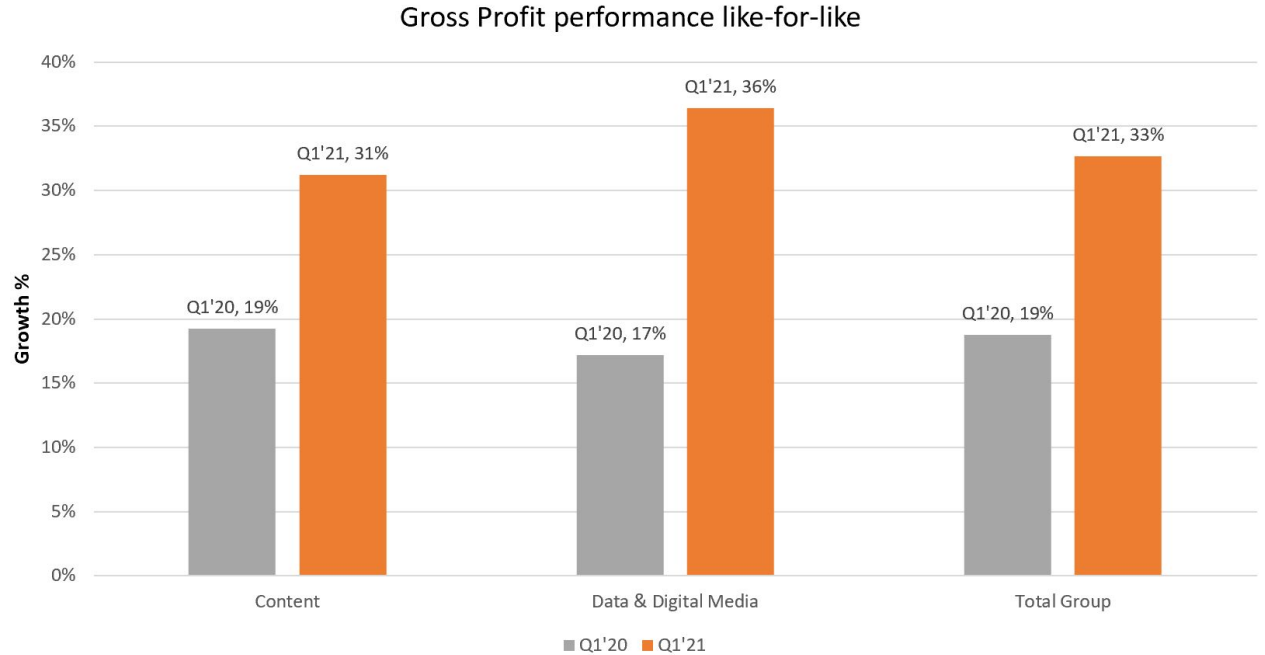


Revenue and Gross Profit by Practice

£'000	Reported		+/- %	Like-for-Like*		+/- %
	Q1 2021	Q1 2020		Q1 2021	Q1 2020	
Revenue						
Content	92,198	56,267	64%	92,198	68,214	35%
Data & Digital Media	29,391	14,698	100%	29,391	21,720	35%
Total	121,589	70,965	71%	121,589	89,934	35%
Gross Profit						
Content	74,579	46,128	62%	74,579	56,824	31%
Data & Digital Media	29,391	14,596	101%	29,391	21,543	36%
Total	103,970	60,724	71%	103,970	78,367	33%

* like-for-like relates to 2020 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2021 applying currency rates as used in 2021

Gross Profit performance like-for-like by practice



Gross Profit by Geography

£'000	Reported		+/- %	Like-for-Like*		+/- %
	Q1 2021	Q1 2020		Q1 2021	Q1 2020	
Gross Profit by Geography						
Americas	73,419	45,154	63%	73,419	56,648	30%
EMEA	21,631	11,004	97%	21,631	15,046	44%
Asia-Pacific	8,920	4,566	95%	8,920	6,673	34%
Total	103,970	60,724	71%	103,970	78,367	33%

* like-for-like relates to 2020 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2021 applying currency rates as used in 2021

Content Practice

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Geopolitical Disruption Demands Local Trust

CMOs At Global Brands Must Pivot To Truly Multilocal Operations

by Thomas Husson
February 11, 2021

Why Read This Report

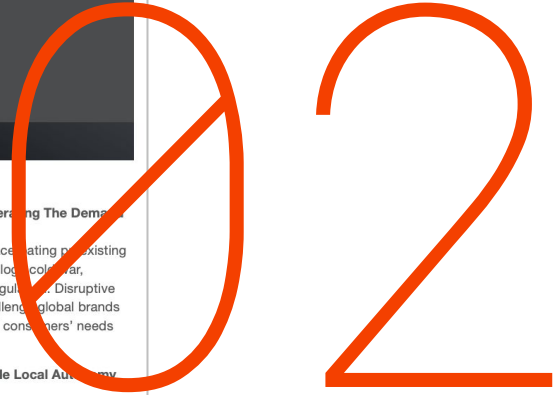
Even before COVID-19, significant economic, political, and tech trends were fragmenting the global order. The pandemic's economic and social crises and associated geopolitical shifts will drive further fragmentation. CMOs must anticipate the impact of this new global order on their brands and revisit their marketing in light of increasingly demanding and polarized consumers. This report helps CMOs at global brands close the technological, cultural, and behavioral gaps they face in creating globally consistent brand messages that meet local consumer expectations.

Key Takeaways

Tectonic Shifts Are Accelerating The Demand For Local Brands
The COVID-19 crisis is exacerbating pre-existing trends, leading to a technological cold war, protectionism, and local regulatory changes. Disruptive geopolitical forces will challenge global brands to deeply understand local consumers' needs and values.

Global Brands Must Enable Local Autonomy And Trust
Marketers should synch digital, offline, and human interactions to activate their brands through localized content. The key success factor here isn't technology but empowering local teams.

Local Trust Is The Key To Morphing Into A Truly Multilocal Company
Tensions between governments and the tech titans will favor the emergence of trusted midsize enterprises that expand by prioritizing regional differences and local operations.



Content Q1

01. Main focus Q1

Main focus this year is on building integrated clients teams across Content, DDM and Countries for our 42 Tier 1 & 2 brands.

Next to that, we freed up teams for integration of the labels: in tooling, brand, finance and HR. Besides investing in client cockpits and categories like Governmental, PR, virtual events and Social and beefing up our APAC presence.

02. Whoppers

We identified 5 Whoppers: (20M USD Rev)

Google
Brand (under NDA)
Facebook
BMW
Mondelez

For BMW and Mondelez, we started scaling up the teams in market and hubs (appr. 120 FTE per brand).

While the revenue in Jan-Feb was slightly behind, we saw better numbers in March and see serious traction in the coming months.

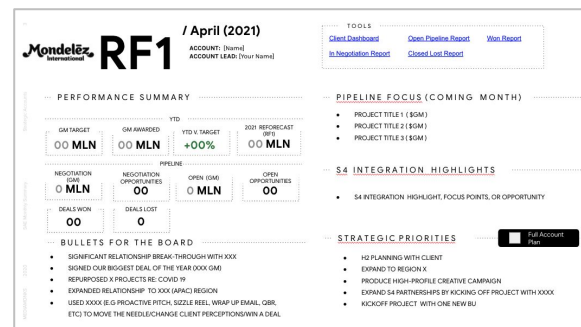
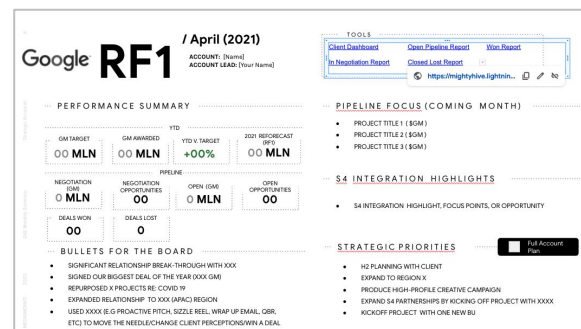
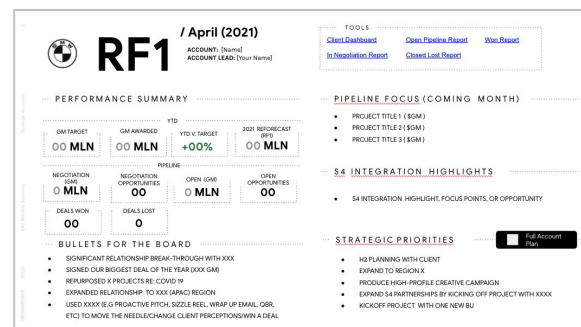
03. What's next

We've never seen this type of new business activity, and it feels like a once in a decade opportunity to grab new business – across our Tier 1 & 2 and by adding new logos and Whoppertunities globally.

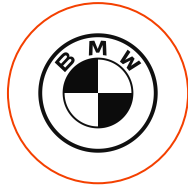
We still need to scale 25% of the BMW and Mondelez teams while winning new business for existing brands like Allianz. We will do a continuous push on reporting, tooling, branding and integration and have a rigorous focus on Tier 1 & 2 Client Growth.

Our Client Team Process

- Kicked off Integrated reporting and forecasting process for Tier 1 & 2 Clients across Content and DDM
- Monthly forecasts and account updates provided by Client leads
- Reviewed strategic account updates with senior leadership for all Tier 1 and select Tier 2 accounts led by our newly appointed head of Clients, Amy Michael (previously Chief Client Officer at Firewood)
- Process to be repeated quarterly, with addition of Client Margin reporting beginning with RF2



Whopper updates



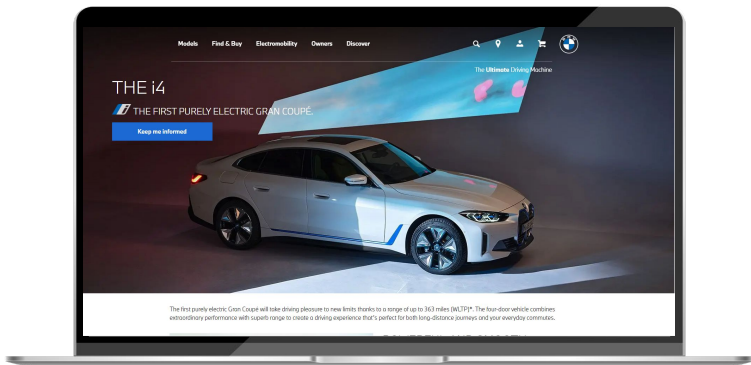
- Significant reduction in forecast uncertainty since RF0, due to increase in revenue across photo/film, expansion of retained team, and integration opportunities.
- Cost efficiency driven through use of near/offshore hubs.
- Planning underway for 29 markets.
- Integration opportunities with Ad tech, social media and Adobe DAM implementations.



- Additional 2021 upside possible when MDLZ 2022 budgets are available in August.
- MM Client team actively engaged in client 2022 planning process.
- Priorities include unlocking web work in Europe (80+ projects), ensuring delivery on early deliverables, moving upstream in campaign planning, personalized content at scale and CDJ thinking.

A view of our work

BMW i4 Landing Pages



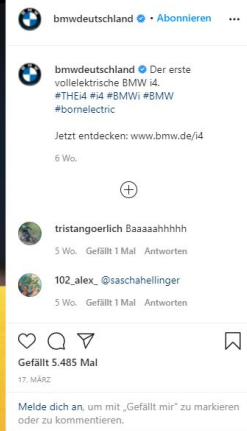
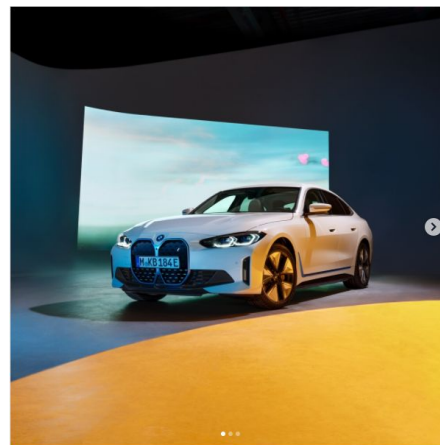
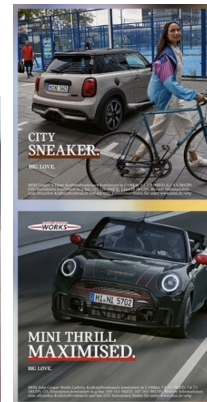
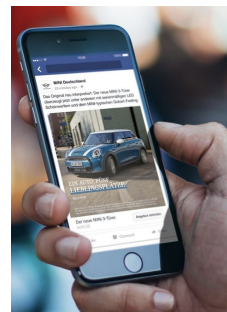
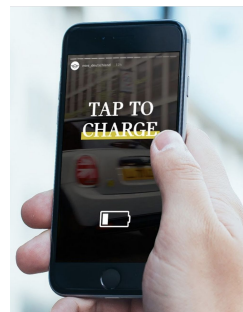
Newspaper ads for MINI Germany



MINI YouTube how to videos



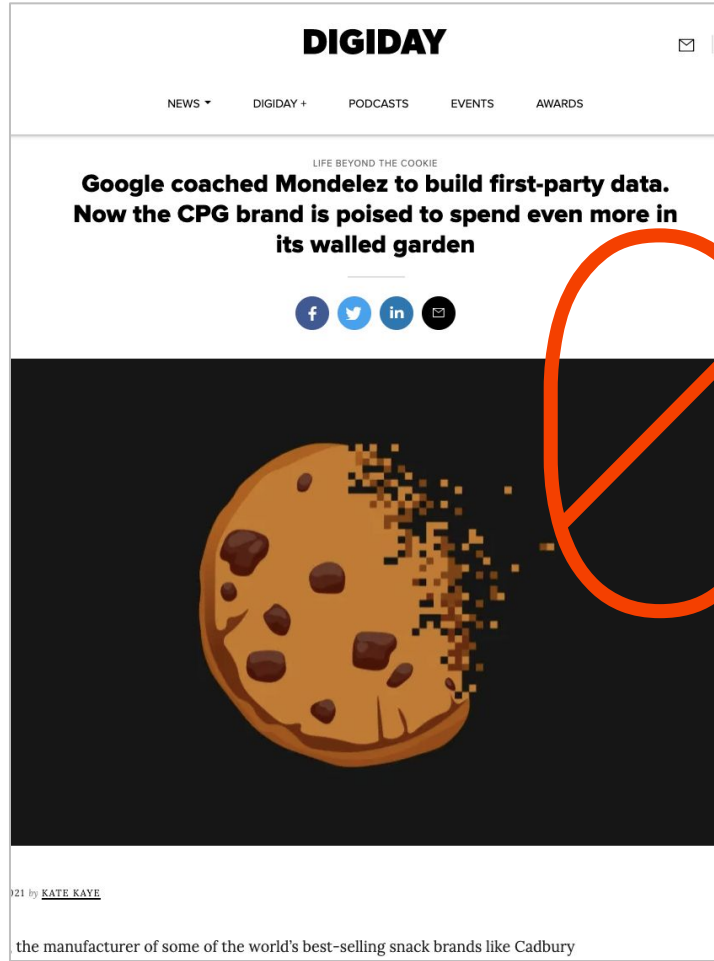
Social ads MINI & i4



What's next

- General **client optimism** and **budget growth**, especially in Tier 1 and 2 Clients, with Social and Fashion being the fastest growing parts of the business.
- Expanding and further integration of Decoded, Jam3, TOMORROW and Staud Studios.
- Growth also fueled by expansion of S4 capabilities due to **integration**.
- Global Client teams realizing additional **regional growth** opportunities outside of client HQ region.
- **Experiential** opportunities re-emerging as **hybrid events** (in person + virtual) in US parts and parts of APAC.

Data & Digital Media Practice



Demand for Performance Marketing Services Accelerates

Recent Mergers

Metric Theory

Performance and Growth Marketing Services for Mid-Market Challenger Brands

Decoded Advertising

Performance and Creative Services for Enterprise Brands

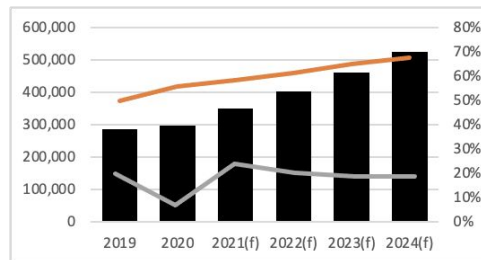
Raccoon

Performance Marketing firm based in LATAM / Brazil

Performance Budgets Lift

- COVID era's **acceleration of digital transformation** and forced **transition of traditional marketing dollars to digital** pushes growth in performance marketing
- Seeing more cases of digital branding and awareness budgets being combined with or shifting to performance teams
- Digital ad spend is expected to grow by **10-20% every year into 2024***

Digital Ad Spending Worldwide, 2019-2024
billions, % change, and % of total media ad spending



■ Spend — % of Total Spend — % Growth

Opportunities and Trends

- As advertisers start to see **3rd party data targeting diminish**, S4 will be uniquely positioned to steward performance marketing programs through the transition to **1st party audience reliance**
- Diminishing audience-based targeting and increased automation within ad platforms creates an opportunity to further marry **creative and content excellence** with **performance marketing execution**
- Privacy changes will potentially **favor the walled gardens** (Google, Facebook, Amazon) and likely **push even more budget to the platforms where the S4 performance team operates**
 - New walled gardens after years of no new challengers (**Pinterest, TikTok, Snap**)



Privacy is disrupting digital marketing; S4 is uniquely positioned to help advertisers adapt

Digital marketing is in the midst of a decade-long state of upheaval

Virtually no area of digital marketing & advertising will be untouched by “the death of the cookie.”

This trend started roughly in 2018. With no end in sight, it is now a self-reinforcing “Game of Thrones” between:

- **Industry competitors** (Walled Gardens, device makers, etc)
- **Public opinion** on intrusive tracking, data breaches, etc
- **Government** scrutiny and regulation across privacy rights, geopolitics, and antitrust

A massive market for multidisciplinary services to help advertisers adapt

Adapting to the “death of the cookie” will require advertisers (and their partners) to make massive adjustments to:

- Direct-to-consumer (DTC) relationships and value proposition
- Collection and processing of consented consumer & marketing data
- Digital media planning & buying
- Creative strategy
- Performance measurement

Legacy incumbents lack the multidisciplinary breadth, the focus on digital, and the first-party data expertise to provide effective services.

A realignment of digital media around S4 platform partners

Increasing privacy restrictions and less data-sharing will mean that in order to reach the very largest consumer audiences (Amazon, Facebook, Google, etc), advertisers will have to work in closer and more sophisticated ways with the so-called “Walled Gardens,” boosting demand for S4 partner services.



The S4 portfolio of companies and partners covers the key pieces of the puzzle

S4 is actively investing in the key strategic enablers that will win the next decade of Privacy.

- First-party data and direct consumer (DTC) relationships



- Test & learn



- Econometric measurement (media mix modeling)



- Privacy-safe data collection, processing, and activation



- Resurgence of the role of creative (vs media) as a driver of performance



Clients

The screenshot shows a news article from ADWEEK. The title is "S4 Capital's MediaMonks Gains Allianz as New Client". The sub-headline reads: "MediaMonks has begun the search for a global account lead for the new client". Below the text is a large image with the MediaMonks logo on a black background and the Allianz logo on a blue background. A large orange circle with a diagonal slash is drawn over the Allianz logo. Below the image, the text says: "The S4 Capital agency is currently seeking a global client lead based in Munich." followed by "Media Monks, Allianz". The author is listed as "BY STEPHEN LEPIKAK" with a "PREMIUM" badge and the date "APRIL 1, 2021". The article body begins with: "German financial services provider Allianz has hired creative digital company MediaMonks to manage its worldwide digital assets. The S4 Capital agency is currently seeking a global client lead based in Munich, who will run the team on the account, according to a LinkedIn post."



Q1 - A strong quarter for new business

Land & Expand

T Mobile

P&G

PayPal

Mondelēz International

amazon

LinkedIn

NETFLIX

Google

Robinhood

FACEBOOK

ABInBev

hp

New Clients

DIESEL

Emma[®]
The Sleep Company

McLaren
RACING

Allianz



crocs[™]

shopify

Guitar Center

N26

IMAYLA

BANORTE

instacart

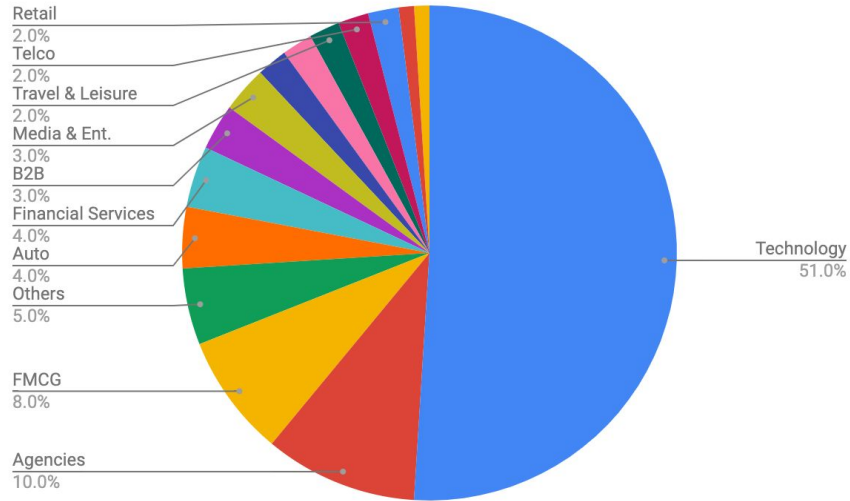
xero

Pitches

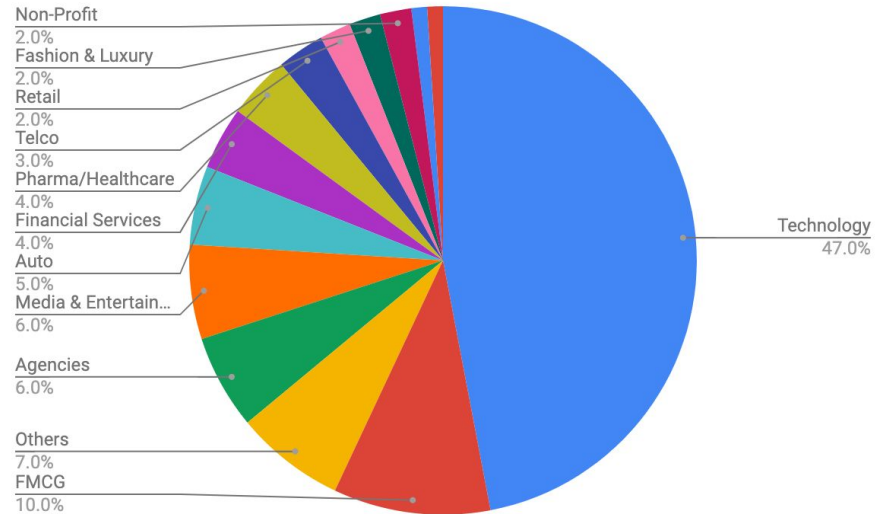


Our client portfolio

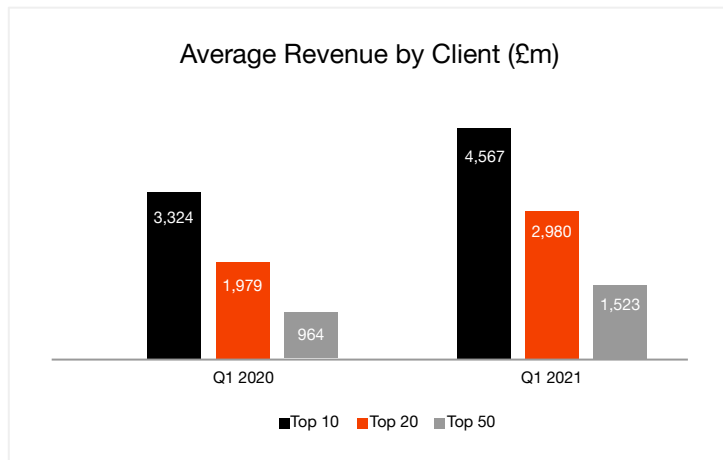
Q1 2020 Revenue



Q1 2021 Revenue

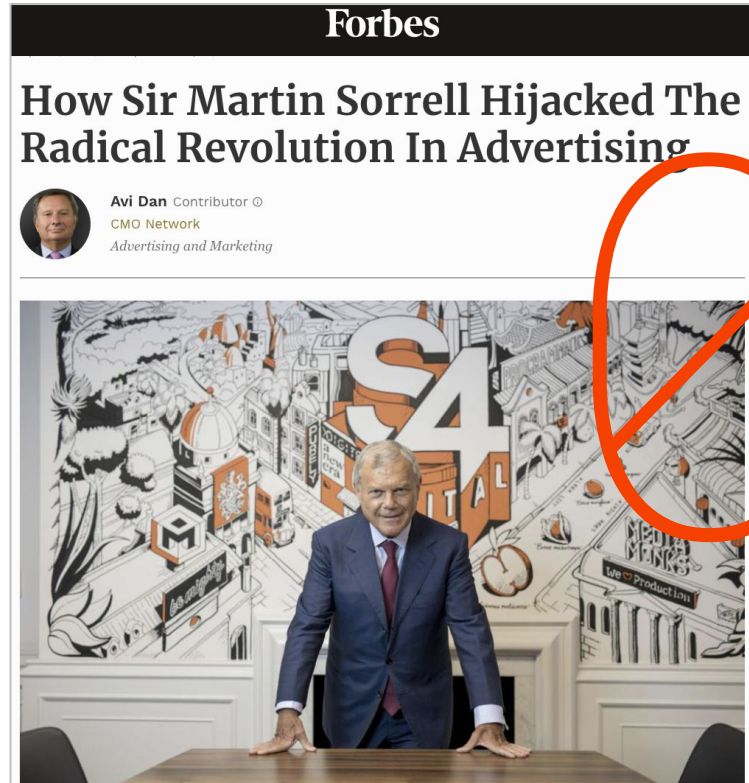


An attractive and expanding client base



	Q1 2020			Q1 2021		
	No of Clients	% of Revenue	Cumulative % Revenue	No of Clients	% of Revenue	Cumulative % Revenue
Above £5m	1	26%	26%	2	18%	18%
£1-£5m	7	18%	44%	16	29%	47%
£0.5-£1m	10	10%	54%	19	11%	58%
£0.1-0.5m	78	23%	77%	146	25%	83%

Mergers

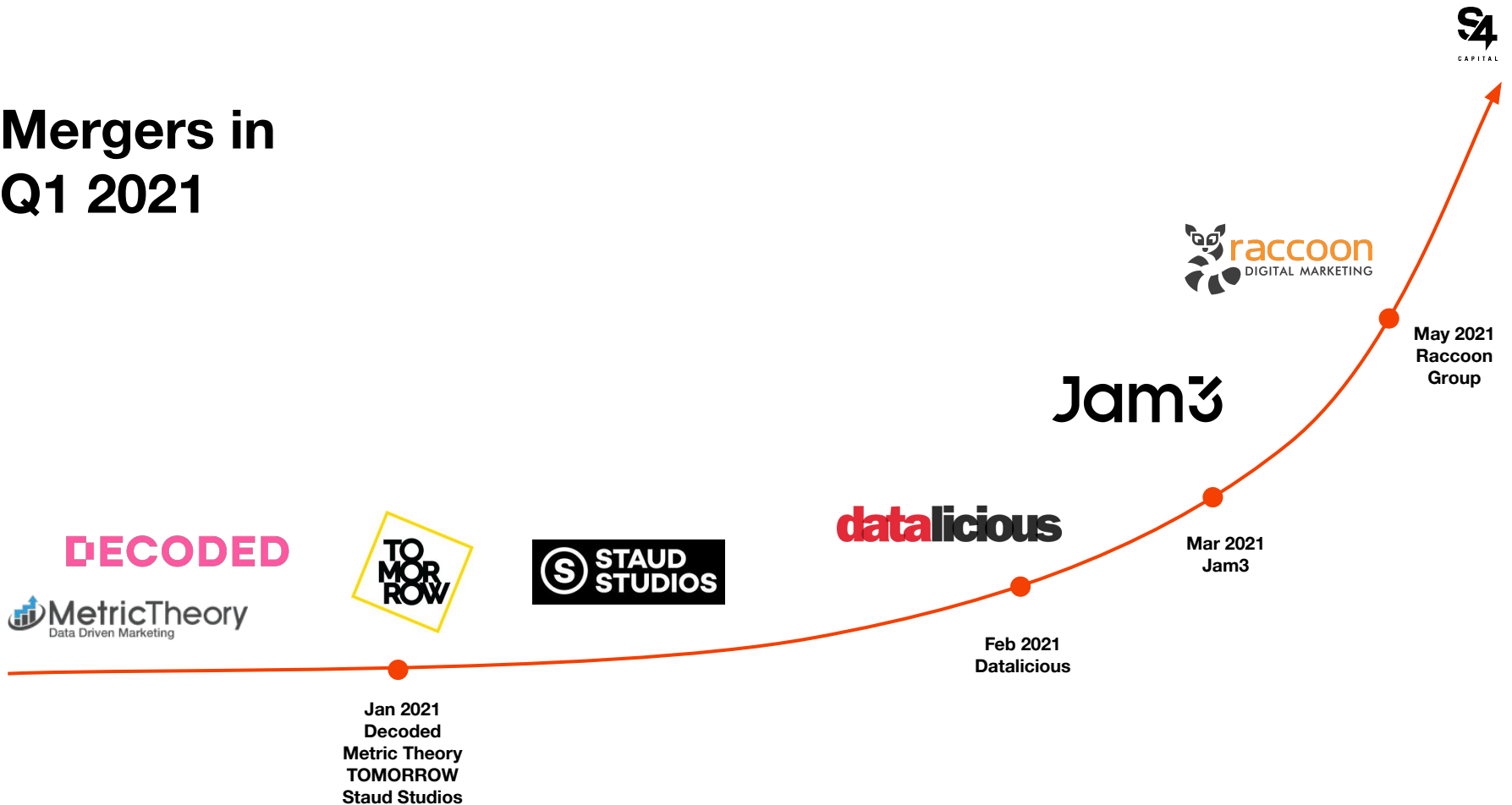


Sir Martin Sorrell PHOTO CREDIT: VICKI COUCHMAN

2020 was a horrible year on Madison Avenue. All major ad groups had shrunk considerably. Some like Omnicom and WPP, posting revenue declines in the near

5

Mergers in Q1 2021



Summary & Outlook

- / People are safe and mostly still working from home; concern for colleagues in Brazil and India
- / S4 Capital continues to lead the industry in growth and margin
- / Strong balance sheet, liquidity and cash flow
- / Healthy new business record and pipeline
- / Significant progress on our 20² “Whopper” strategy
- / Robust merger pipeline, Bond issue imminent
- / “Industry-leading” ESG targets and commitments
- / Increased 2021 GP target to 30%, confident on 3 year plans
- / Unitary structure is leading to “conversion at scale”
- / We believe S4 Capital is a royalty on digital transformation and marketing

Q&A