

2022 Results

29 March 2023

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Chapter 1

Results

Financial Highlights

<p>Net revenue</p> <p>£891.7m</p> <p>+25.9% like-for-like¹</p>	<p>Operational EBITDA²</p> <p>£124.2m</p> <p>-16.4% like-for-like</p>	<p>EBITDA Margin³</p> <p>13.9% (H2 18.2%)</p> <p>vs 21.0% prior year like-for-like</p>
<p>Adjusted Profit before Tax⁴</p> <p>£89.7m</p> <p>vs £81.2m prior year reported</p>	<p>Adjusted EPS</p> <p>11.8p</p> <p>vs 13.0p prior year reported</p>	<p>Net Debt⁵</p> <p>£110.2m</p> <p>0.8x leverage⁶ H2 cash generative</p>

Momentum going into 2023, and we expect continued progress despite economic volatility

1. Like-for-like is a non-GAAP measure related to 2021 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2022 applying currency rates as used in 2022

2. Operational EBITDA is adjusted for acquisition related expenses, non-recurring items and recurring share-based payments, and includes right-of-use assets depreciation. It is a non-GAAP measure management uses to assess the underlying business performance

3. Operational EBITDA margin is operational EBITDA as a percentage of net revenue

4. Adjusted profit before tax is the pre-tax profit adjusted for acquisition, restructuring and other expenses, amortisation, and share based payments

5. Net debt excludes lease liabilities

6. Net debt leverage is calculated as net debt / pro forma operational EBITDA

Significantly enhanced finance function

- / Group finance team now appropriate for the size, and growth ambitions of the company, and operating well
- / Content finance team stabilised, with additional expertise and experience added
- / Robust processes and documentation in place for IFRS15 revenue recognition
- / Strong controls on investment in people and discretionary spend remain in place
- / First year of internal audit plan completed, hiring for head of internal audit underway
- / Continued focus on cash and working capital management

Income statement

- / Strong net revenue growth, driven by organic growth, new 'whoppers' and 2021 / 2022 combinations
- / Like-for-like growth ahead of addressable markets
- / Operational EBITDA of £124.2m, 13.9% margin
- / Significantly stronger second half Operational EBITDA at £94.1m and 18.2% margin, vs £30.1m in the first half
- / Adjusting items primarily combination related
- / Finance expense reflects a full year of facilities refinanced in 2021

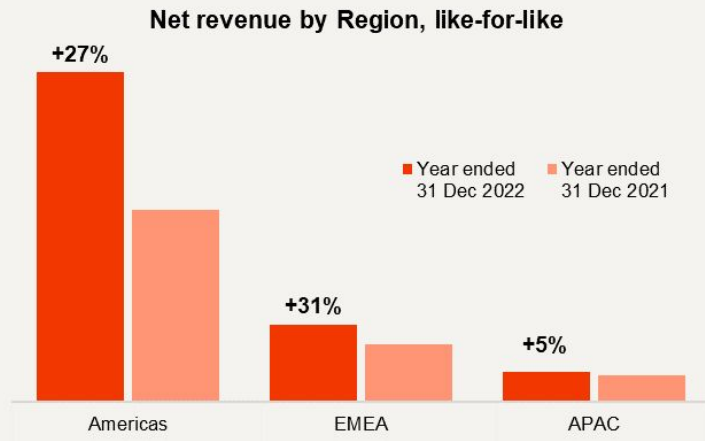
Adjusting items		
For the period ended 31 December	2022	2021
£ millions		
Amortisation of acquired intangibles	78.9	39.5
Share based payments	14.7	13.9
Acquisition, restructuring & other expenses	155.8	83.5
Total of Adjusting items	249.4	136.9

£ millions	Year ended 31 Dec 2022	Year ended 31 Dec 2021	Change Reported
Revenue	1,069.5	686.6	55.8%
Net revenue	891.7	560.3	59.1%
Operating expenses	(765.4)	(462.4)	65.5%
Acquisition, restructuring & other expenses	(155.9)	(83.5)	86.7%
Depreciation & amortisation	(105.7)	(56.5)	87.1%
Total operating expenses	(1,027.0)	(602.4)	70.5%
Operational EBITDA	124.2	101.0	23.0%
Operating profit / (loss)	(135.3)	(42.1)	-221.4%
Adjusting items	249.4	136.9	-82.2%
Adjusted operating profit ¹	114.1	94.8	20.4%
Finance expense & other	(24.4)	(13.6)	-79.4%
Profit / (loss) before income tax	(159.7)	(55.7)	-186.7%
Income tax credit / (expense)	0.1	(1.0)	110.0%
Profit / (Loss) for the period	(159.6)	(56.7)	-181.5%
Operational EBITDA Margin	13.9%	18.0%	-410bps
Adjusted basic earnings per share	11.8	13.0	-9.2%

1. Adjusted operating profit is operating profit adjusted for acquisition, restructuring and other expenses, amortisation and share based payments

Growth by practice

- Strong growth across Content and Technology Services
- Content delivered much improved Operational EBITDA in the second half reflecting better cost management
- Data&Digital Media grew reasonably well, although more slowly in the second half. Costs grew ahead of topline and corrective actions have been taken
- S⁴ central costs reflect investment in financial management, governance and assurance



£ millions	Year ended 31 Dec 2022	Year ended 31 Dec 2021	Change Reported	Change Like-for-like
Content	582.7	385.6	51.1%	24.1%
Data&Digital Media	216.8	167.1	29.7%	17.3%
Technology Services	92.2	7.6	1113.2%	72.3%
Net revenue	891.7	560.3	59.1%	25.9%
Content	74.1	52.3	41.7%	-0.3%
Data&Digital Media	39.9	55.0	-27.5%	-39.9%
Technology Services	36.1	3.1	1064.5%	109.9%
S ⁴ central costs	(25.9)	(9.4)	-175.5%	-172.6%
Operational EBITDA	124.2	101.0	23.0%	-16.4%
Content	12.7%	13.6%	-90bps	-310bps
Data&Digital Media	18.4%	32.9%	-1450bps	-1750bps
Technology Services	39.2%	40.8%	-160bps	710bps
Operational EBITDA Margin	13.9%	18.0%	-410bps	-710bps

Debt & balance sheet

- / Strong and liquid balance sheet
- / £100m RCF remains undrawn
- / 2022 year end net debt £110.2m, leverage at 0.8x
- / 2023 year end net debt is expected to be between £180 - £220m, mainly due to combination payments

Availability and usage of net debt facilities

	Net Debt £ millions	Facility millions	Undrawn £ millions	Maturity Due date
Term Loan	332.6	€375.0	-	August 2028
RCF	-	£100.0	100.0	August 2026
Other Loans	1.2			
Cash	(223.6)			
Net debt	110.2		100.0	
Net debt to pro-forma operational EBITDA	0.8x			

£ millions	As at 31 Dec 2022	As at 31 Dec 2021
Assets		
Non-current assets		
Intangible assets	1,165.5	981.3
Right-of-use assets	55.7	36.6
Property, plant and equipment	29.7	21.5
Others	29.0	9.8
Current assets		
Trade and other receivables	440.8	335.5
Cash and cash equivalents	223.6	301.0
Total assets	1,944.3	1,685.7
Liabilities		
Non-current liabilities		
Deferred tax liabilities	(66.0)	(68.6)
Loans and borrowings	(326.2)	(308.6)
Others	(60.1)	(66.0)
Current liabilities		
Trade and other payables	(443.2)	(334.9)
Contingent consideration and holdback	(177.3)	(86.7)
Others	(21.9)	(19.7)
Total liabilities	(1,094.7)	(884.5)
Net assets	849.6	801.2
Attributable to owners of the company	849.5	801.1
Non-controlling interests	0.1	0.1
Total equity	849.6	801.2

Cashflow highlights

- / Capital expenditure includes fit out of new unitary offices in Sao Paulo, Buenos Aires and London, and investment in IT infrastructure
- / Increase in interest reflects a full year of facilities refinanced in 2021, and higher Euribor rates
- / Improving working capital management (2022 change in working capital at 0.3% of billings versus 2.6% in 2021)
- / M&A costs include:
 - / £89.2m Initial payments related to 2022 combinations
4 Mile Analytics, XX Artists and TheoremOne
 - / £12.7m payments into escrow
 - / £60.7m related to prior years' activity, including
£38.9m relating to contingent consideration tied to employment

£ millions	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Operational EBITDA	124.2	101.0
Capital expenditure	(16.1)	(14.9)
Interest paid	(14.2)	(5.5)
Income tax paid	(19.0)	(13.9)
Free cashflow before change in working capital	74.9	66.7
Change in working capital ¹	(5.1)	(33.4)
Free cashflow	69.8	33.3
Mergers & Acquisitions	(162.6)	(101.7)
Other	0.6	(1.2)
Movement in net debt	(92.2)	(69.6)
Opening net cash / (net debt)	(18.0)	51.6
Net debt	(110.2)	(18.0)
<i>Net debt to pro-forma Operational EBITDA</i>	<i>0.8x</i>	<i>0.2x</i>

1. Working capital includes movement on receivables, payables, principal elements of lease payments and depreciation of ROU assets

2023 Guidance

2022 Pro forma net revenue¹

c.£907m

Incl. combinations made in 2022

Expect to grow ahead of addressable markets

8-12%

Net revenue growth targeted

EBITDA margin

15-16% targeted²

Longer term EBITDA margin targeted to return to historic levels

EBITDA

H2 weighted

Net finance expense

c.£32m (cash c.£27m)

Effective tax rate

25-27%

Cash contingent consideration

c.£102m due in 2023

c.£96m due in H1

Momentum going into 2023, and we expect continued progress despite economic volatility

1. Pro-forma net revenue relates to unaudited full year non-statutory and non-GAAP consolidated net revenue 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, and adjusted for Mondelēz, which will cease to be a 'whopper' in 2023

2. This is a target, not a profit forecast



Chapter 2

Market Momentum

2023 Continued growth in our addressable markets

Digital Media Spend is projected to grow at 7-8% in 2023¹

The 3 main platforms are forecast to grow ad revenue 7-8% in 2023²

Digital Transformation Services projected to grow 11.7% in 2023³

AI is already a \$197bn market growing at 44%⁴

Influencer spend will be \$21.1bn in 2023, up 29%⁵

Top 25 Agency Groups had 2021 revenues of \$129bn, S⁴ Capital has 0.73% market share, up 87%⁶

“Ultimately, we think Digital Transformation is still in its early stages, with long-term secular growth tailwinds, which we believe extend well beyond the current economic cycle.”⁷

1. Groupm, Dentsu, ZenithOptimedia, Magna Dec 2022
 2. Morgan Stanley, Mar 2023
 3. Gartner Digital Business Implementation Services, Apr 2022
 4. GrandView Research, Artificial Intelligence Market Report

5. Influencer MarketingHub
 6. AdAge, April 2022
 7. Franklin Templeton, Tech Sector 2023 Outlook



Chapter 3

Client Analysis

20² Client Strategy ('whoppers')

2020



2021



2022

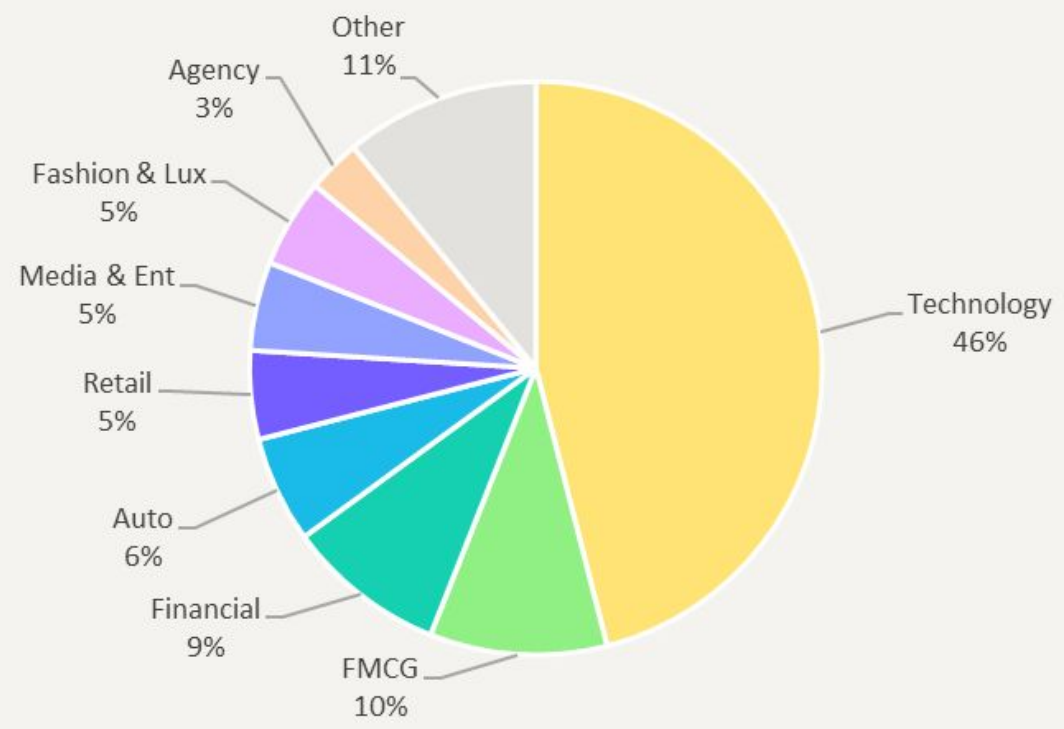


Potential Next 14

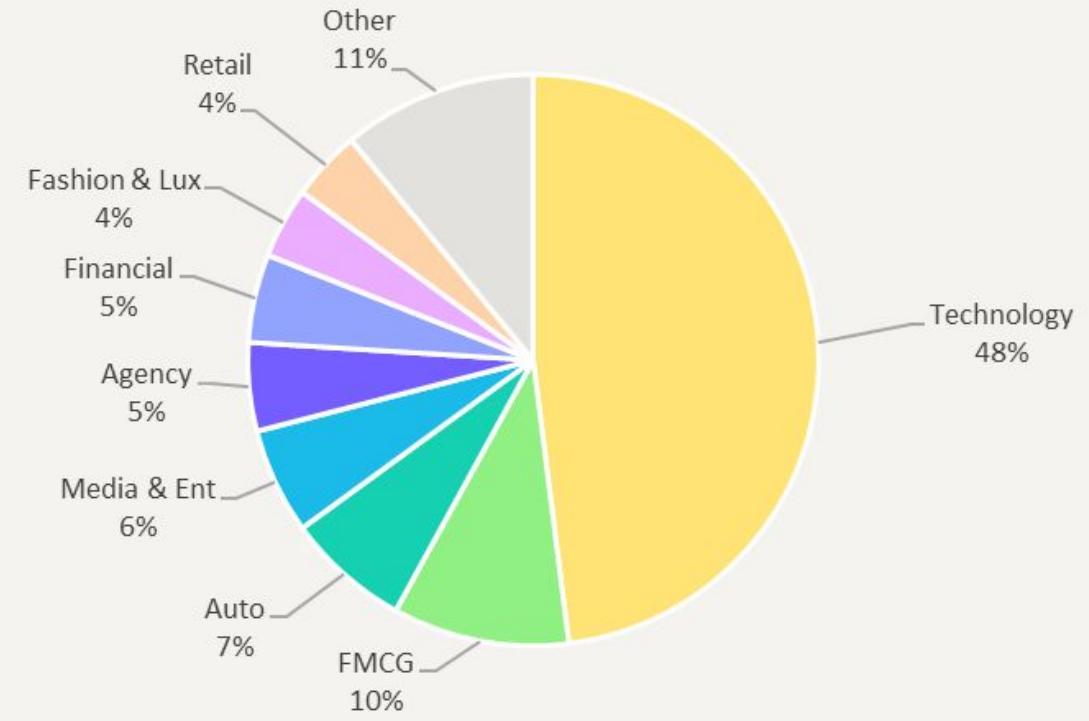


Our client portfolio

FY2022 Client Categories

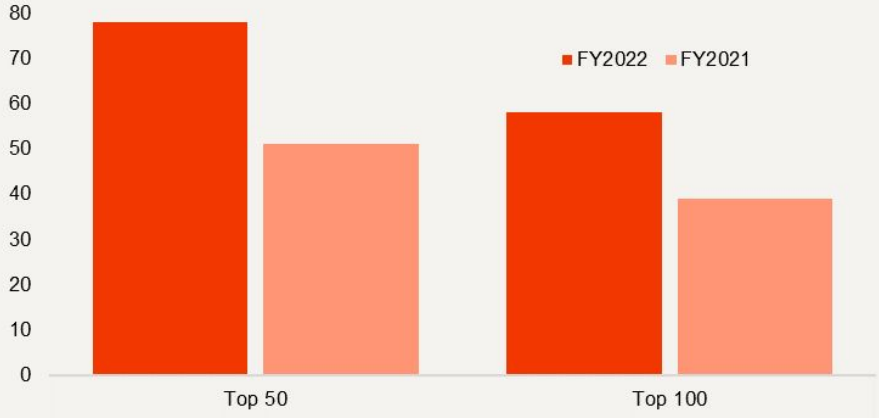


FY2021 Client Categories

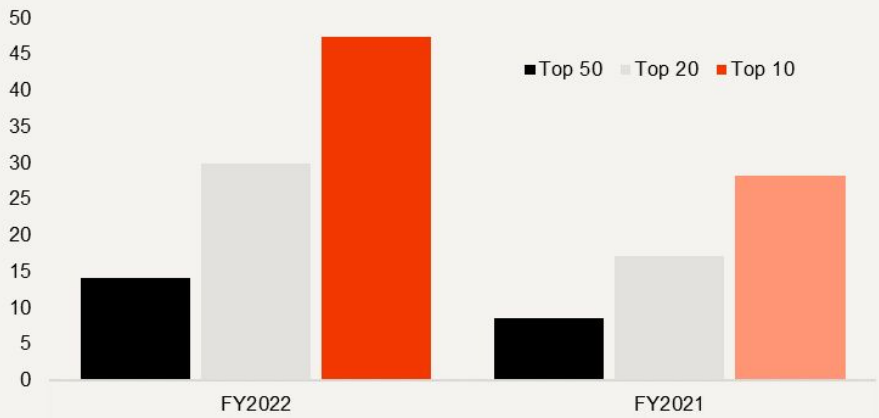


An attractive & expanding client base

Clients across multiple practices (%)



Average revenue by client (£m)



	FY22			FY21		
	No of Clients	% of Revenue	Cumulative %	No of Clients	% of Revenue	Cumulative %
> £10m	15	51%	51%	10	41%	41%
£5-10m	11	8%	59%	7	7%	48%
£1-5m	96	18%	77%	74	22%	70%
£0.1-1m	649	18%	95%	523	23%	93%



Chapter 4

Content

Content | 2022 Highlights

A year of streamlined operations and efficiency, improved integrated offerings, and unmatched creativity.

OUR CLIENTS

servicing
+300 brands globally
and counting

partnering with 7/10 of the most
innovative
companies
in the world



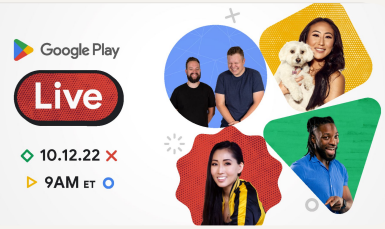
17/20 out of our global scaled clients belong to any of the 10 categories with the highest media investment
growth rate

OUR WORK

Our immersive work with **Getty Villa** was awarded **site of the year in the biggest digital craft award shows**, like the **FWA's** and the **AWWWards**



Evolving commerce and retail experiences like **Google Play Live** by using the power of Virtual and Experiential



We celebrated Women's History Month by partnering with the **NBA and Meta**



Fast & successful **metaverse and web 3.0** leader.



OUR POSITIONING

Media.Monks Crashes Onto the Forrester Wave for First Time

One year after the rebranding, we crashed onto the Forrester Wave™: **Marketing Creative and Content Services, Q3 2022 report, evaluated as a strong performer alongside other well-recognized competitors.**

OUR PEOPLE



Global Pride in Action: During June and July, our Monks spent 10,416 minutes engaging with their local LGBTQIA+ communities and organizations and planned over 21 events around the world.



We launched NextUp.Monks, a competition for young creatives with Cannes Lions and Netflix.



To empower women in the workplace, marketplace, and community, we developed the S4 Women Leadership Program in collaboration with the Haas School of Business at UC Berkeley in California.



Agency of the Year



For social media



Production agency of the year



13 WINS
26 SHORT LISTED



#3 Top International Agency
#4 Top Large Agency
#20 Fastest Growing Agency



Best place to work in multiple markets

Content | 2023 Outlook

The one P&L model and our ability to offer integrated solutions is leading to long-term strategic partnerships and expansion into new markets as clients ask for efficiency and consolidation.

OUR PRODUCTS

Our integrated approach to media, data, tech, and creativity, alongside the benefits of our single P&L model, are door-openers to new RFP opportunities, especially among Scaled Clients looking to **improve their marketing efficiencies**:

Embedding teams into clients structures

Expanding teams to Excellence Hubs (Kuala-Lumpur, Egypt, Poland & Mexico)

Integrating Technology practice with existing work in Media, Data, and Creative.

OUR WORK

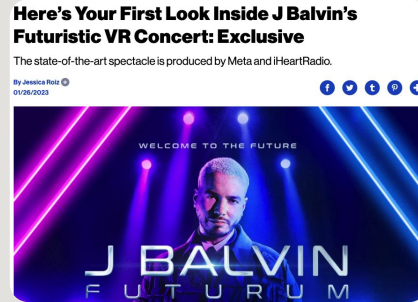
Accelera Cummings
Brand Repositioning & Integrated Campaign



Cross - Capabilities
services and work on our big clients like BMW



iHeartMedia partnering with Meta
World Premieres New Singles from Niall Horan and Melvin Crispell; Hosts J Balvin in Unique VR Concert Experience

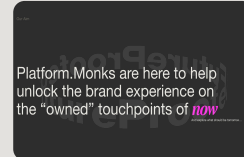
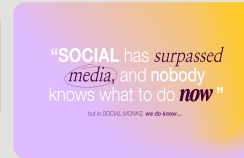


In a year when growth is key priority for CMOs, we keep building brands across every stage of the conversion funnel

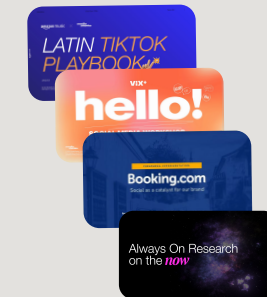
OUR NORTHSTAR IN ACTION

► **DIFFERENTIATION & MARGIN**
Capabilities

► **Capabilities GTM's**



► **RETAIN & EXPANDING**
Our Clients



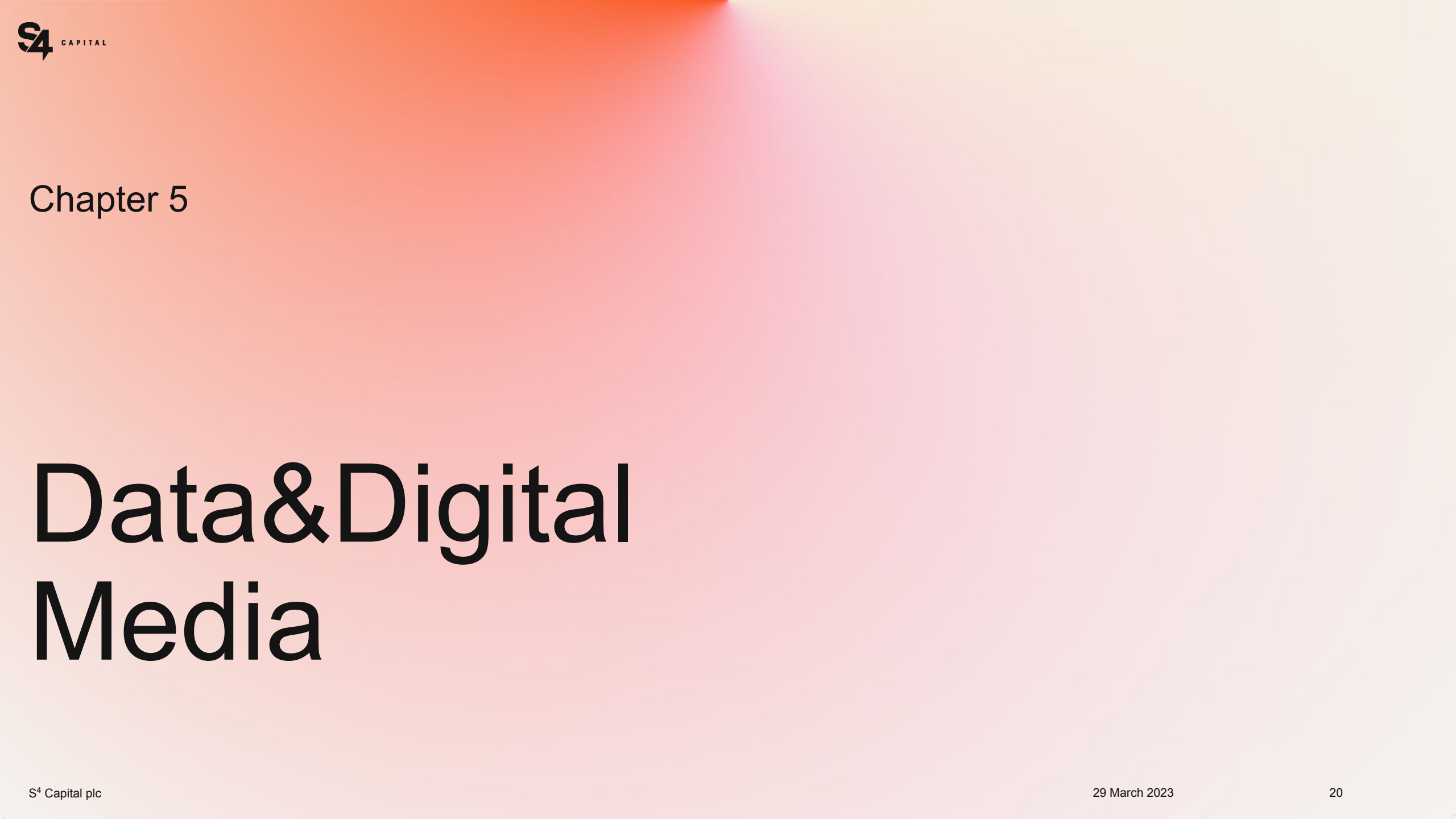
THOUGHT LEADERSHIP

We are walking the talk, driving meaningful conversations that position ourselves as an industry thought leader across all areas of our business:

In Creative: Lead Angi Wachter shared with the Incorporated Society of British Advertisers (ISBA) **why DCO should be on every brand's to-do list.**

In Digital | Tech: Media.Monks supported the launch of the **Next Level initiative**, which aims to improve diversity within the digital and tech sectors through the power of storytelling.

In Data: Global Senior Vice President, Measurement.Monks **Michael Cross** spoke with **Adweek** about how marketing mix modeling is more relevant than ever to both CMOs and CFOs.



Chapter 5

Data & Digital Media

Data&Digital Media | 2022 Highlights

Clients



FOREVER 21



Work



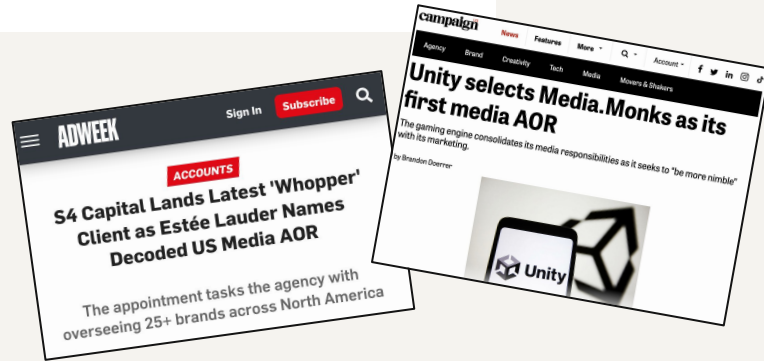
Client transition to GA4 saw **550% increase** in In-App Orders



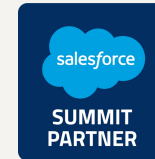
Global Summit Partner Status Achieved



Amazon Ads 2022 Performance Growth Award UK Winner



Integration



Global Summit Partner Status Achieved

New integrated brand launches!



Measurement Media Strategy Planning + Buying

Leveraging our extensive expertise across industries (VR, Web3, Metaverse) to bring the best for our clients

Thought Leadership

Helping brands navigate the new era of data privacy

Why client-agency trust is key for automated privacy solutions at scale



By Jenni Baker | Senior Editor
JANUARY 10, 2023 | 10 MIN READ

Sponsored by: Google

Leading Diageo's GA4 migration across hundreds of sub-brands with **customer privacy, automation, and measurement** at the forefront



LBB | Media.Monks on Why Brands Want Laser-Focused Media in a Tough Economy

Melissa Wisehart, Ben Brown and Jason Day w/ LBB's Laura Swinton

"taking the broader dynamics of the wider world into account and applying them with nuance."

"we can be much more surgical"

'content effectiveness', - coherence between the media strategy and content assets... + Technology + AI

Data&Digital Media | 2023 Outlook

Data

Digital Media

C360 (CRM)

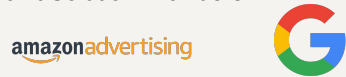
Commerce

Partners



Google Cloud
Furthering our engagement with strategic partners such as Snowflake and GCP


Expansion of Partnerships with Point Solution Providers.




Reinforce strategic partnerships in key regions

Strengthened investment in retail media



 **PARTNER** New Salesforce Managed Services Partner program achieving top level status - Ridge - for 2023

 Establishing a partnership with Walmart Connect and becoming a preferred partner

Capability Expansion



Global Expansion Measure.Monks offering



Ramping up our development of modularized enterprise-grade, cloud-based data and analytics products



Increase stickiness among resale clients through cross-selling media, data, content, and tech solutions



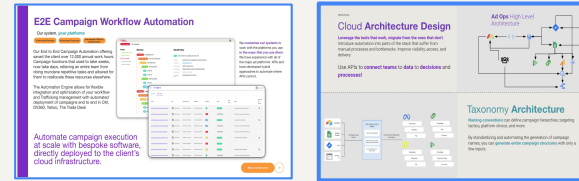
Bolster up our hub strategy for just-in-time resourcing without sacrificing quality performance



Investment in data & tech products to fuel our media practice

Automation

Launching R&D Automation Consulting Services in Market



Partnership Development



Continued investment in internal automation initiatives

- 40+ company-wide automation workflows
- Launching Internal Automation Portal to enhance citizen automation



Media OS updates to fuel automation and AI to inform media strategy for clients

Thought Leadership



Media.Monks was named a strategic launch partner for [Salesforce Web3 Tech](#)



Chapter 6

Technology Services

Technology Services | 2022 Highlights

Launched new *people experience* programs



New Accessibility practice leader

Joe Devon

Co-founder of GAAD

New partnerships



Celebrated by our clients

“We have been delighted by your Partnership and collaboration; Your ability to attract talent”

Katherine Spacke,
First American



19 New Clients in our Portfolio, including:



ISO 27001 Certified

for 2nd year



Acknowledged as an

Industry Leader



Technology Services | 2023 outlook

*Bringing New Capabilities to Market
that drive Enterprise Depth*

Doubling down on AI
solutions for our clients
and our company.

New paths to growth for our
clients through outcome-
focused consulting.

Increase delivery velocity
with global talent and
effective methods.

AI & ML Capabilities

AI Readiness Assessments

AI-Enabled Engineering

Generative AI Solutions

Business Consulting

Executive Strategy & Advisory

Product, Service, & Org Design

Emerging Technology

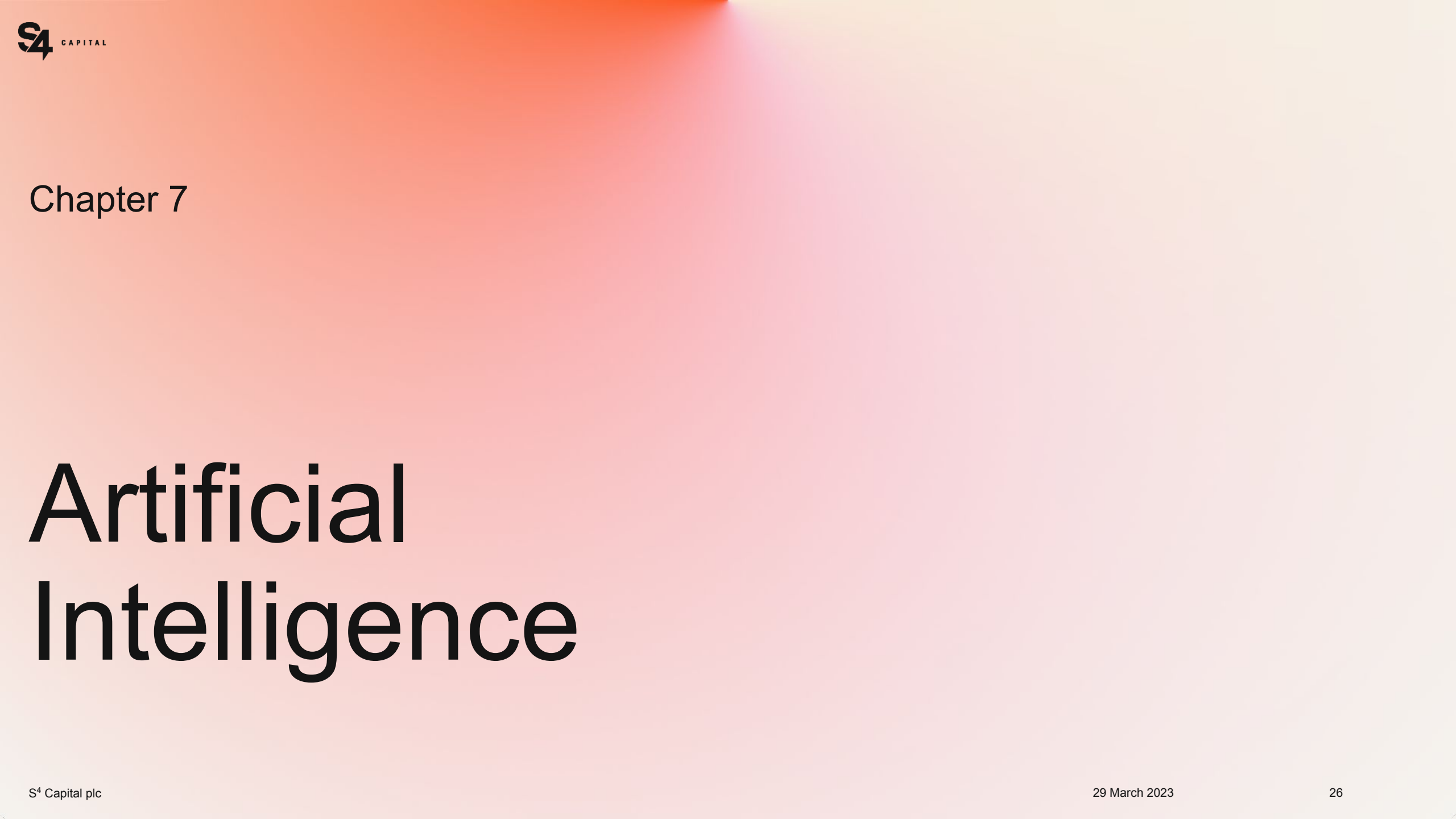
Workforce Acceleration

Strategic Staffing

Enablement & Coaching

Managed Capacity

*New
Services
Launched*



Chapter 7

Artificial Intelligence

Artificial Intelligence



WHAT'S
HAPPENING *now*

This is an(other) *IPHONE MOMENT* for our industry

Which ad was made by humans?



Our opportunity is *NOW*

TRANSFORMATION

- Marketing Operations
- Technology
- Teams & Talent

Hyper PERSONALIZATION

- Content At Scale
- Brand Experience
- Innovation



AI makes our model *INEVITABLE*

Faster, better, cheaper, *MORE*
by unlocking key platforms &
tech

Data

Media

Content

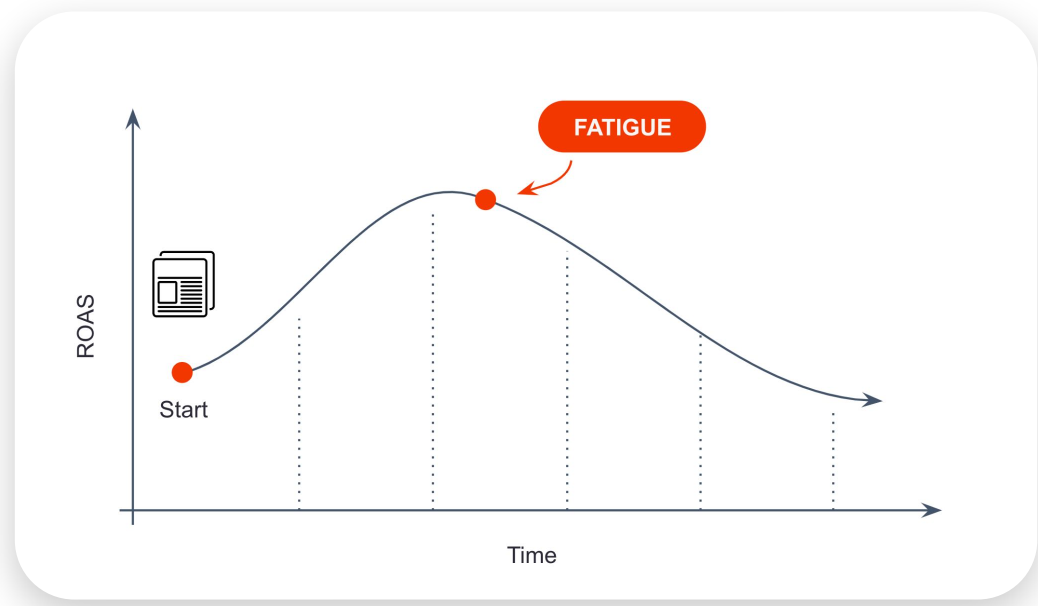
Tech

Our early mover *ADVANTAGE*

PIPELINES



PARTNERSHIPS

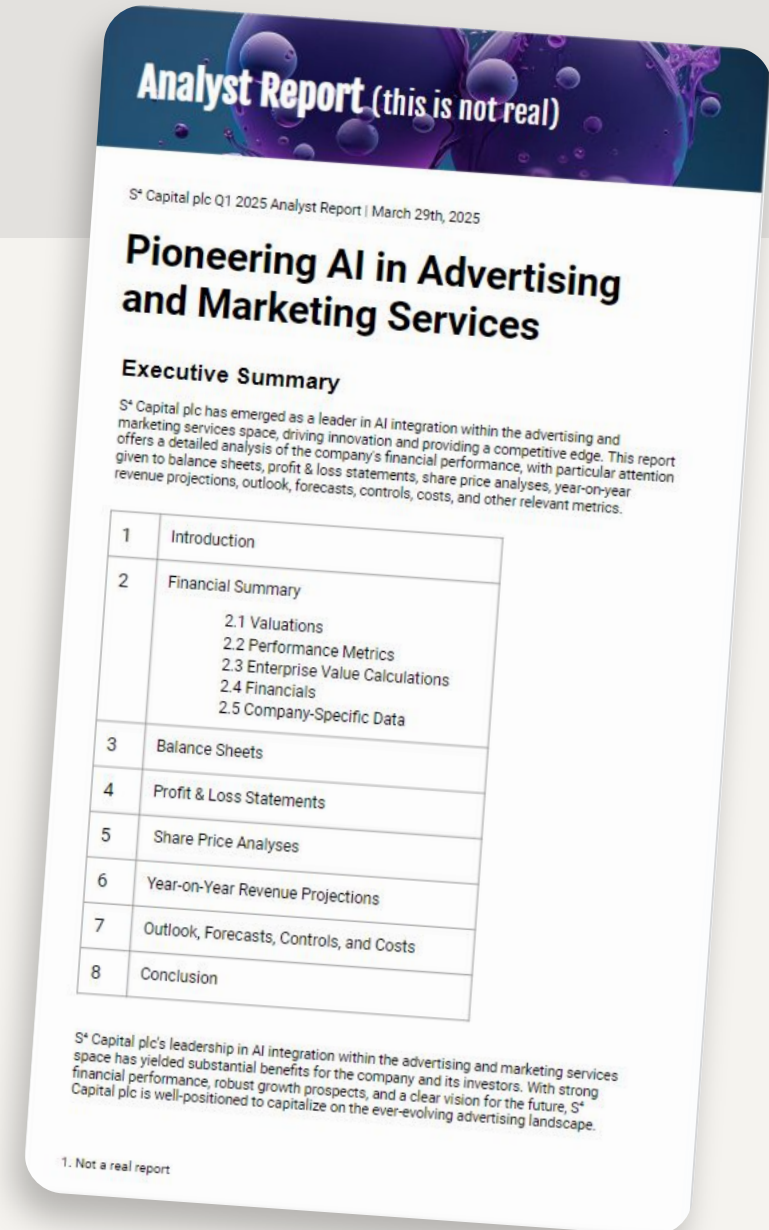


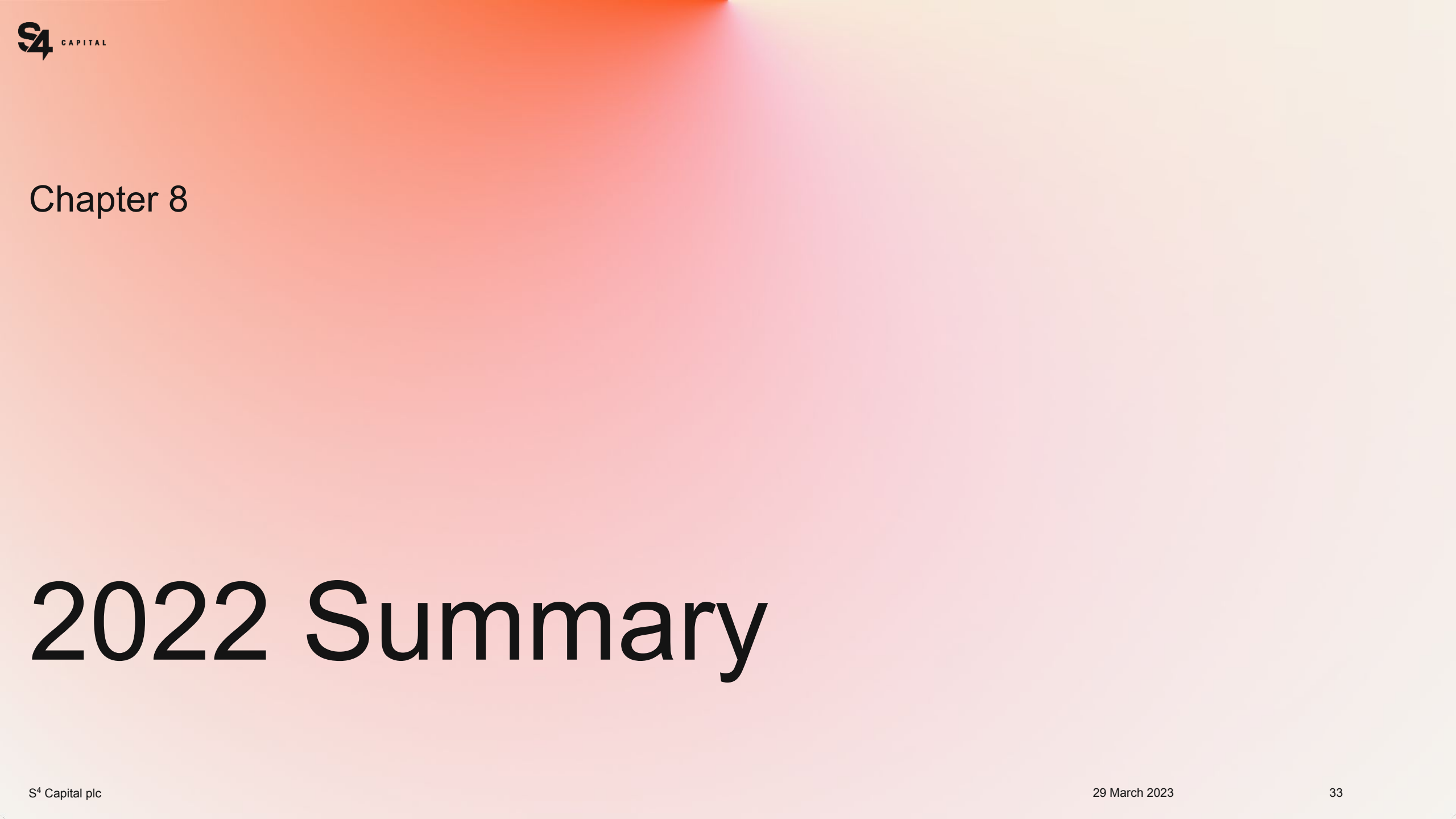
And finally... what does AI mean to *YOU?*

Exec Summary

“S⁴ Capital plc has emerged as a leader in AI integration within the advertising and marketing services space, driving innovation and providing a competitive edge. This report offers a detailed analysis of the company's financial performance, with particular attention given to balance sheets, profit & loss statements, share price analyses, year-on-year revenue projections, outlook, forecasts, controls, costs, and other relevant metrics.”

Full report [here](#)





Chapter 8

2022 Summary

2022 Summary

- / Full year results slightly ahead of guidance
- / Revenue exceeded £1bn for the first time
- / Operational EBITDA and margin delivery improved sharply in second half
- / Net debt improvement reflecting better working capital management
- / Significant progress in improving financial controls, treasury, risk management and governance
- / Further client conversion at scale, with 10 ‘whoppers’ and progress towards our 20² goal
- / Second half discipline around investment in people and discretionary spend maintained
- / Good progress around our ESG strategy: zero impact work spaces, sustainable work, and diversity, equity and inclusion
- / Continued momentum in our two major addressable markets, albeit at reduced levels of growth
- / 2023 focus to continue to build on the growth in ‘whopper’ clients; to deepen efforts in integration across our three practice and geographical areas; and to provide industry leading advances in AI for our clients
- / Targeting like-for-like net revenue growth ahead of our addressable markets in 2023; EBITDA margin targeted at 15-16%



Chapter 9

Q&A



Chapter 10

Appendix

Appendix 1 | Additional information

Guidance on adjusting items for 2023

- / Amortisation c.£65m
- / Share based payments c.£15-£20m
- / Acquisition, restructuring and other expenses c.£55-£65m
- / Total adjusting items expected c.£135-£150m

Weighted average share count

- / Expected weighted average share count for 2023 of c.670m²

Shares Consideration Committed

- / Deferred share issuance of c.14m shares in 2023 and c.36m in 2024, totalling c.50m
- / Expected contingent consideration shares of c.59m in 2023 (assuming current share price¹)

Cash Contingent Consideration

- / Expected cash contingent commitments of c.£102m in 2023

Invested Capital

- / Invested capital to date c.£1bn³
- / Invested capital plus 6% CAGR to date c.£1.2bn⁴

1. Calculated using the closing share price on 23rd March 2023 of 173.4p

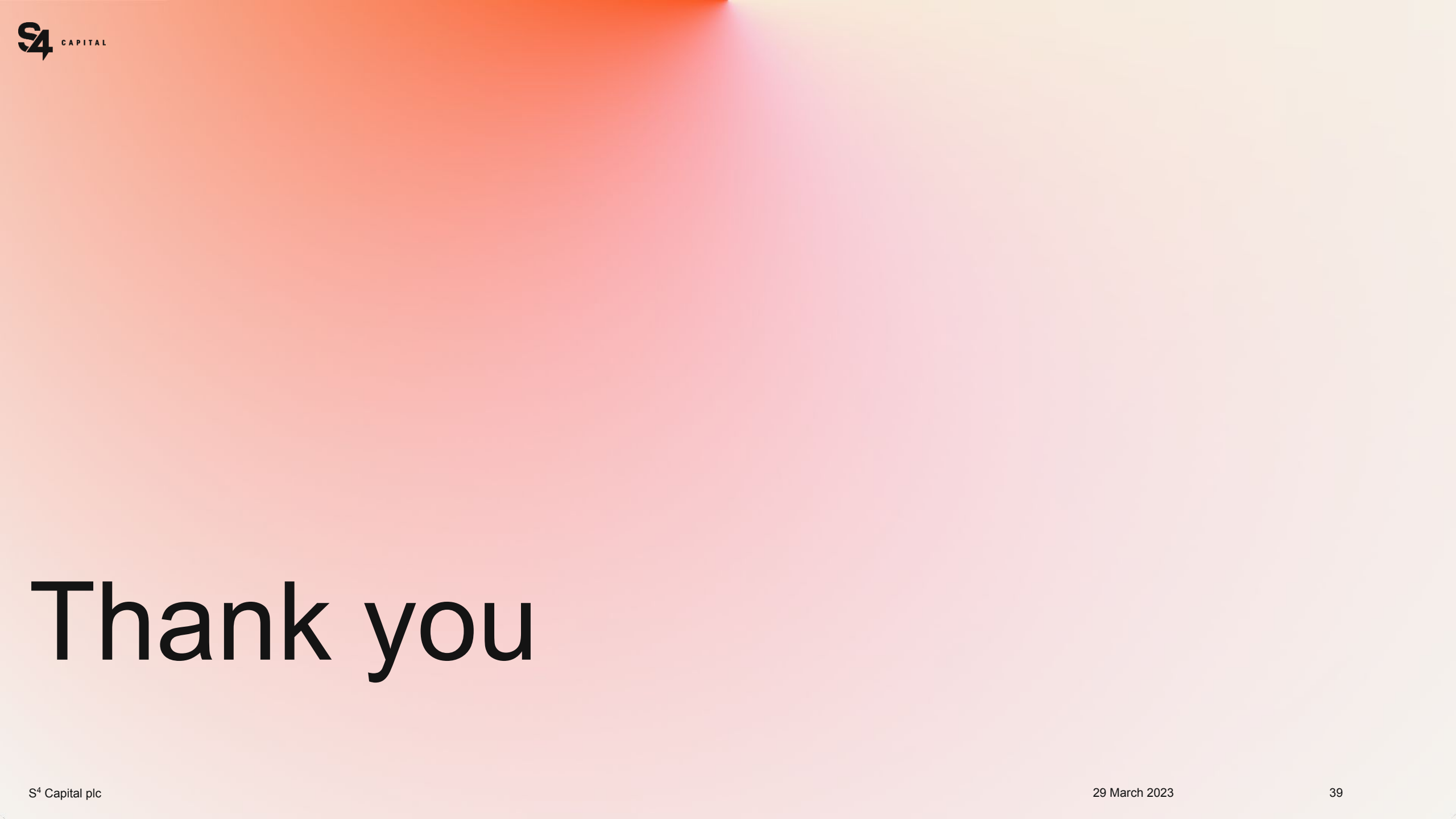
2. Estimated weighted average share count excluding any impact due to the incentive shares. Note this number will fluctuate depending on the share price applied to, and timing of contingent consideration shares

3. Invested capital is the sterling value of capital injected into S⁴ Capital 2 Ltd which effectively mirrors the net proceeds of equity issuance by S⁴ Capital plc-plus the sterling value of all ordinary shares issued by S⁴ Capital plc as consideration for mergers and acquisitions

4. Invested capital plus 6% CAGR is the sterling value of invested capital as increased at a compound annual growth rate of 6% from the date of the injection into S⁴ Capital 2 Ltd which is effectively the date of any equity issuance by S⁴ Capital plc for cash and the date any consideration for mergers and acquisition became due up to 28 March 2023

Appendix 2 | Reconciliation to EBITDA

£ millions	Year ended 31 Dec 2022	Year ended 31 Dec 2021	Change Reported
Reconciliation to Operational EBITDA			
Operating profit / (loss)	(135.3)	(42.1)	221.4%
Adjusting items	249.4	136.9	82.2%
Depreciation (excl. right-of-use depreciation)	10.1	6.2	62.9%
Operational EBITDA	124.2	101.0	23.0%
S ⁴ central costs	(25.9)	(9.4)	175.5%
Operational EBITDA before central costs	150.1	110.4	36.0%



Thank you