Q1 2024
Trading Update

10 May 2024

Contents

1 Trading Update

Q1 financial headlines and outlook

Revenue[1]

Q1

£210.2m

-19.7% reported

-16.6% like-for-like[1]

Net revenue[2]

Q1

£186.4m

-14.9% reported

-11.7% like-for-like

Net debt[3]

At 31 March 2024

£206m

2.2x leverage[4]

FY 2024 net debt expectation c.£150m – £190m

2024 Net revenue

Targeted to be down on prior year[5]

Client caution likely to persist and wider market uncertainty

2024 Operational EBITDA[6]

Targeted to be broadly similar level to 2023[5]

Heavily H2 weighted with improving end markets and normal seasonality

Practice outlook

Content profitability expected to improve due to cost reductions

DDM expects similar top and bottom-line performance to 2023

Technology Services expects challenging year

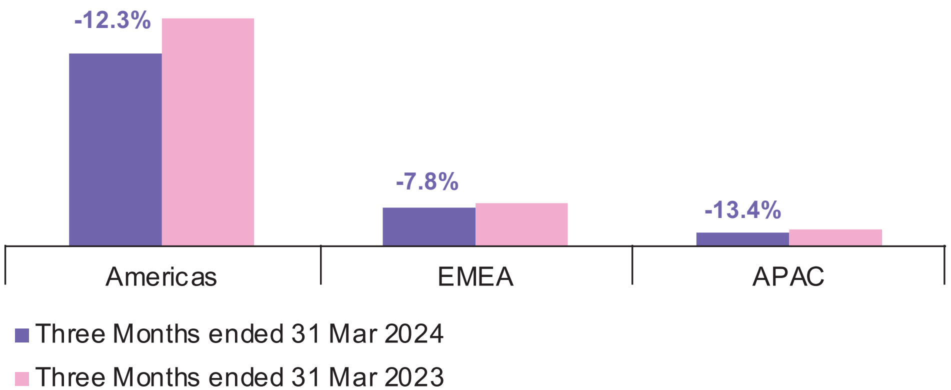
1. Like-for-like is a non-GAAP measure related to 2023 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2024 applying currency rates as used in 2024
2. Net revenue is revenue less direct costs
3. Net debt excludes lease liabilities
4. Net debt leverage is calculated as net debt / pro forma 12 month Operational EBITDA
5. This is a target, not a forecast or a profit forecast
6. 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

Net revenue by practice and region

- Net revenue decreased, -11.7%, in line with expectations
- **Content** saw some growth across scaled and portfolio clients, but overall activity was down on Q1 2023 partly due to lower demand from some technology clients. The practice saw sequential improvement within the quarter
- Content saw improved margins year on year in Q1 reflecting the cost actions taken in 2023
- **Data&Digital Media's** performance showed lower activity particularly in the media and activation business lines
- **Technology Services'** net revenue decreased as expected with lower activity from some key clients
- **FX** impacted reported growth, particularly USD to GBP

£millions	Q1 2024	Q1 2023	Change Reported	Change Like-for-Like[1]
Content	115.7	131.4	-11.9%	-8.5%
Data&Digital Media	46.5	52.7	-11.8%	-8.5%
Technology Services	24.2	35.0	-30.9%	-28.4%
Net revenue	**186.4**	**219.1**	**-14.9%**	**-11.7%**

Net revenue by region, like-for-like



1. Like-for-like is a non-GAAP measure related to 2023 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2024 applying currency rates as used in 2024

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Market Momentum

2024 strong growth in digital media, Tech Services flat

Digital media spend

Growth in 2023[1]

+7.8%

Projected growth in 2024[1]

+6.9% to $552bn

Ad revenue growth – 5 main platforms

Q1 2024

+18%

2024 forecast[2]

+12% to $554bn

Digital Transformation Service revenues at peers

2023 growth

+5.2%

2024 projected growth[3]

+0.5%

1. Groupm, Dentsu, 2024
2. Morgan Stanley, Apr 2024 (Alphabet, Meta, Amazon, Microsoft, Snap Ad Revenues)
3. Company Reports (Globant, EPAM, Endava, Thoughtworks, CI&T, Accenture) Apr 24

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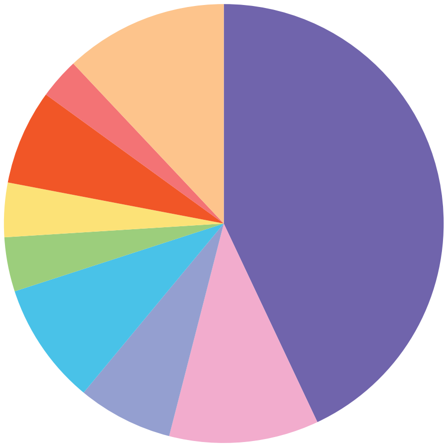
Client Analysis

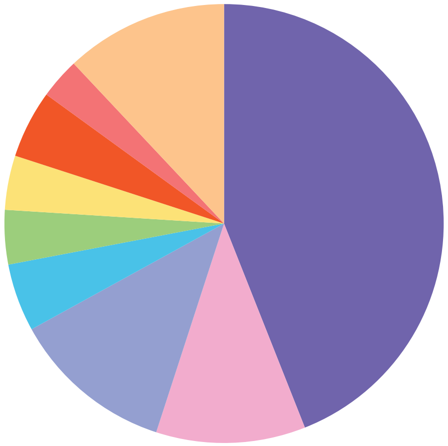
Client Analysis

Q1 2024 Client Categories



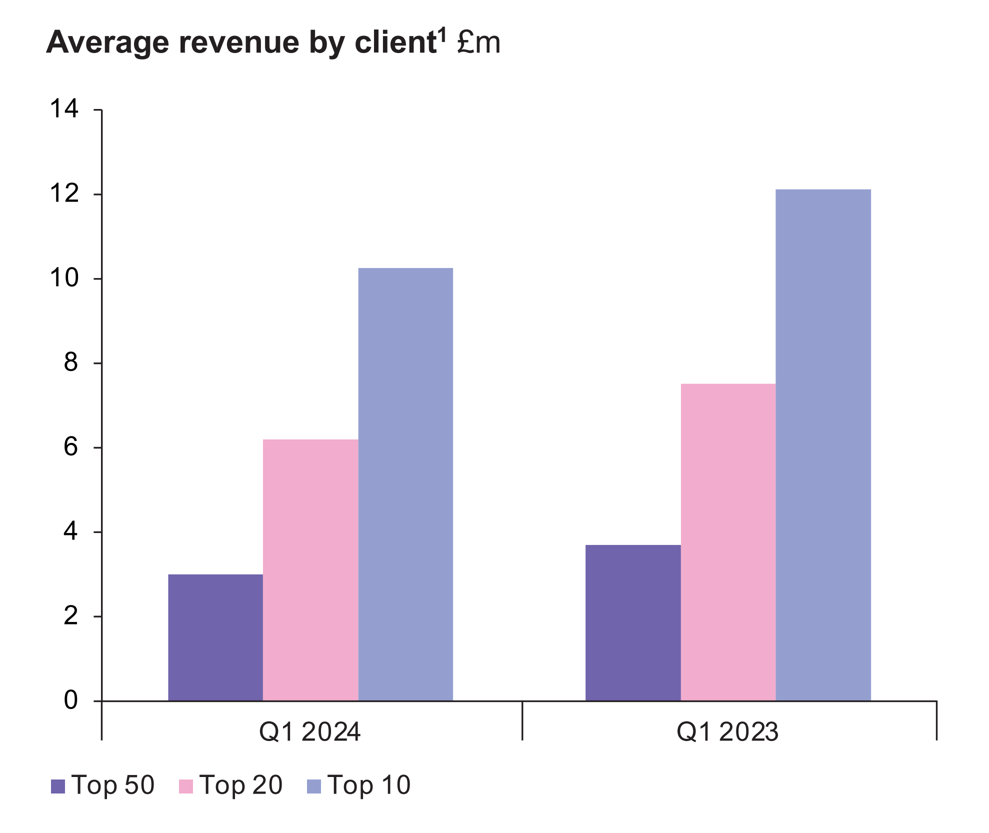
Technology	43%
FMCG	11%
Financial	7%
Auto	9%
Retail	4%
Media & Ent	4%
Fashion & Lux	7%
Agency	3%
Other	12%

Q1 2023 Client Categories



Technology	44%
FMCG	11%
Financial	12%
Auto	5%
Retail	4%
Media & Ent	4%
Fashion & Lux	5%
Agency	3%
Other	12%

Client Analysis



£millions	Q1 2024 No of clients	Q1 2024 % of revenue	Q1 2024 Cumulative %	Q1 2023 No of clients	Q1 2023 % of revenue	Q1 2023 Cumulative %
>£10m	3	31%	31%	4	35%	35%
£5–10m	4	11%	42%	4	10%	45%
£1–5m	21	21%	63%	28	24%	69%
£0.1–1m	195	26%	89%	203	20%	89%

1. Average revenue by client for Top 10, 20 & 50 based on the clients for each respective year

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Summary and Outlook

Summary and Outlook

- Q1 trading as anticipated, reflecting continuing client caution and a reduction in activity with some key Technology Services clients
- Q1 net revenue decrease of -11.7% like-for-like
- Sequential improvement within the quarter in the Content practice
- We maintain a disciplined approach to managing our cost base, with an increasing focus on driving efficiency across the Company as well as utilisation and pricing
- Number of Monks now c.7,600 - down 13% vs. Q1 2023 and 1% lower than our year-end figure of c.7,700
- Net debt of £206m is after £10m combination payments settled in Q1. Our targeted range for the year end remains £150m - £190m
- Justin Billingsley appointed Chief Growth Officer focussing on Content and DDM
- 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 capitalising on our prominent AI positioning as clients start to experiment with and implement applications
- Given the current outlook for Technology Services and wider market uncertainty, we maintain our targets[1] of like-for-like net revenue down on the prior year and a broadly similar level of operational EBITDA as 2023
- We remain confident our strategy, business model and talent, together with scaled client relationships position us well for growth in the longer term, with an emphasis on deploying free cash flow to shareholder returns, now all significant merger payments are behind us

1. This is a target, not a forecast or a profit forecast

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Q&A

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Appendix

Appendix

Guidance on adjusting items for 2024

Amortisation

c.£50m-£55m

Share based payment

c.£10m-£15m

Acquisition, restructuring and other expenses

c.£20m-£25m

Total adjusting items expected

c.£80m-£95m

Weighted average share count

Expected weighted average share count for 2024 of

c.675m[1]

Expected weighted average share count for 2025 of

c.685m[1]

Share consideration committed

Issuance of deferred shares of c.36m shares in 2024 and c.57m in 2025, totalling

c.93m

2024 expected contingent consideration shares of

c.1m

Cash contingent consideration

Cash contingent consideration payments of

c.£10m settled in Q1 2024 and

c.£1m in 2025, totalling c.£11m

Invested Capital

Invested capital to date

c.£1.1bn[2]

Invested capital plus 6% CAGR to date

c.£1.4bn[3]

1. Estimated weighted average share count excluding any impact due to the incentive shares
2. 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
3. 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 12 March 2024

Thank you

S4 CAPITAL