RNS Number : 8698R
S4 Capital PLC
10 November 2021

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S4 Capital plc
("S4Capital", "the Company" or "the Group")

Third Quarter Trading Update

Like-for-like gross profit/net revenue up over 42% in third quarter and up almost 47% year-to-date with two year stacks of 65% (Q3) and 63% (YTD) and continued client conversion at scale

- Third quarter Revenue up over 106% and almost 56% like-for-like
- Third quarter Gross Profit/Net Revenue up almost 92% and over 42% like-for-like
- Year-to-date Revenue up 101% and 56% like-for-like
- Year-to-date Gross Profit/Net Revenue up over 91% and almost 47% like-for-like
- Third quarter like-for-like Revenue and Gross Profit/Net Revenue two year stack up 69% and 65%
- Year to date like-for-like Revenue and Gross/Net Revenue profit two year stack up 65% and 63%
- As signaled previously, EBITDA and EBITDA margin continue to reflect increasing investment to prioritise top-line growth given success in building our "whopper" client base and structures, as well as emerging service areas and technology platforms to increase efficiency
- Liquidity remained strong in the third quarter with the current monthly net debt position fluctuating between £20 million and £40 million after significant merger payments following launch of €375 million senior secured term loan issue and £100 million revolving credit facility in July
- Client conversion at scale momentum continues with six "whoppers" now secured and nineteen more potentials identified

· Ten mergers or combinations announced year to date, five in the Content practice, four in Data&digital media and the first in Technology services. Six exclusive letters of intent have been executed, three in content and three in data&digital media covering all three geographic regions. Integration into the Media.Monks unitary brand of the Content, Data&digital media practices and the new Technology services practice proceeding well

· Company trading in line with external top-line expectations, surpassing the third guidance revision to 40% from 25% at the beginning of 2021

· The Company's latest and fourth three-year plan for 2022-2024 calls yet again for a doubling of top and bottom line organically implying top line and bottom line organic growth of 25% per annum with the digital media and digital transformation industries forecast to grow at 15-20% per annum over the same period

S^4Capital plc (SFOR.L), the new age/new era digital advertising and marketing services company, provides the following trading update for the three months and nine months ended 30 September 2021.

Sir Martin Sorrell, Executive Chairman, said: "Following an exceptionally strong second quarter, we saw continued very strong momentum in the third quarter, which was ahead of the revised 40% top line like-for-like guidance. We now have secured six "whoppers" and identified nineteen more potentials, setting up the possibility of exceeding our 20^2 target. The pandemic has proven to be an accelerator of digital marketing transformation and we are taking full advantage of this opportunity by choosing to invest a proportion of our EBITDA margin in growth"

The Group continued to progress, registering a very strong third quarter performance, following an exceptionally strong second quarter, with two year revenue and gross profit/net revenue stacks ranging between 65% and 69%, in line with the performances of the technology service companies and platforms. The company is now well in line with its target of doubling organically (both top and bottom line) in three years by 2021. Billings were £320.1million up 58%. "Controlled" Billings (the overall Billings the Company directs) were £0.9 billion. Revenue was up over 106% to £178.4 million and gross profit/net revenue up almost 92% to £144.4 million. Like-for-like (including impact of asset purchase and combinations and in constant currency) revenue and gross profit/net revenue were up almost 56% and over 42% respectively.

The number of people in the firm was 6,926 at the end of the third quarter, up 52% like-for-like compared to the same time last year, as we continue to hire aggressively ahead of strong gross profit/net revenue growth of 47% year-to-date and significant new business wins. We also continue to expand our efforts in the areas of diversity, equity and inclusion, particularly in hiring, education and development programmes, such as the black minority focused S4Capital Graduate Fellowship Program. A diverse workforce is a business imperative and we are relatively well positioned, with 40% people of colour and gender balance already in the United States and the United Kingdom, to compete for assignments that increasingly demand diverse teams as a pre-requisite. We still, however, have to raise the proportion of black people we employ, which is currently 6-7% to the levels that exist in the communities in which we operate, which is currently 13% for example in the United States and which we are committed to do. Our climate change commitment is to net zero by 2024, well ahead of industry pledges, as well as the commitments to the Amazon and World Economic Forum Climate pledges, which are less demanding and to achieving B Corp status.

Year to date billings were up over 72% to over £865 million. "Controlled" Billings were £2.6 billion. Year to date, revenue is up 101% to £457.7 million and gross profit/net revenue up over 91% to £381.1 million. Like-for-like revenue is up 56% and gross profit/net revenue up almost 47%.

As in the first six months of 2021, both reported and like-for-like earnings before interest, depreciation and amortisation (EBITDA) and operating gross profit margins reflected the increased investment in client "whopper' management structures, which usually require higher levels of initial expense before significant revenue is earned, chiefly at the Content practice. The Data&digital media practice continued to convert strong revenue and gross profit/net revenue growth to EBITDA, driven by the uncertainty and increase in the marketing vix index (if there was one) as a result of both Apple's decision around IDFA and Google's around deprecation of third party cookies over two years. Technology services has made a very strong start at all levels, although having been only consolidated from September. The Company continues to prioritise top-line growth.

These figures include the impact of content combinations with Decoded Advertising, Tomorrow and Staud Studios from January, Jam 3 from April and Cashmere from September; Data&digital media includes an asset purchase and combinations with Metric Theory from January, Datalicious Australia from February, Raccoon Group from June and Destined from August; Technology services includes Zemoga from September. Integration around Media.Monks, our unitary brand, launched very successfully recently, in Content and Data&digital media and, our new third practice, Technology services continues at significant pace.

Performance by Practice

Content practice revenue was up almost 87% in the third quarter to £129.5 million, with like-for-like up over 60%. Third quarter gross profit/net revenue was up almost 64% to £95.7 million and over 41% like-for-like. Third quarter like-for-like revenue and gross profit/net revenue two year stacks are industry leading at 75% and 69%.

Year-to-date Content practice revenue was up almost 82% to £328.8 million and almost 61% like-for-like. Content gross profit/net revenue was up over 65% to £252.7 million and 47% like-for-like. Year to date like-for-like revenue and gross profit/net revenue two year stacks are industry leading at 71% and 66%.

Data&digital media practice third quarter revenue was up over 186% to £48.9 million and almost 44% like-for-like. Third quarter gross profit/net revenue was up almost 188% to £48.7 million and up almost 45% like-for-like. Third quarter like-for-like revenue and gross profit/net revenue two year stacks are industry leading at 51% and 50%.

Year-to-date Data&digital media practice revenue was up almost 176% to £128.8 million and up almost 46% like-for-like. Gross profit/net revenue was up 176% to £128.3 million and almost 46% like-for-like. As with Content, Data&digital media year to date like-for-like revenue and gross profit/net revenue two year stacks are industry leading at 52% and 53%.

Technology services were included for the first time in September and has not been broken out separately for just one month, despite an excellent start with like-for-like revenue up 76% and gross profit/net revenue up almost 80%. The performance of this practice is currently included in the Content practice, but will be broken out in future reporting as a third, discrete, practice along with existing Technology services gross profit/net revenue in Content and Data&digital, which is not insignificant.

Performance by Geography

The Americas showed strong growth in the third quarter with gross profit/net revenue up almost 86% to £102.2 million and almost 34% like-for-like. Year-to-date the Americas gross profit/net revenue was up over 88% to £271.0 million and 42% like-for-like.

Europe, the Middle East and Africa also grew significantly in the third quarter, with gross profit***/net revenue*** up 115% to £27.9 million and like-for-like up over 75***%***. Year-to-date gross profit/net revenue was up over 106% to £76.2 million and like-for-like up over 65%.

Asia Pacific also grew very strongly from a smaller base, with gross profit/net revenue up almost 98% to £14.3 million in the third quarter and up over 54% like-for-like. Year-to-date gross profit/net revenue grew over 84% to £33.9 million and like-for-like was up almost 48%.

Balance Sheet

Net cash averaged around £1-2 million in the third quarter, reflecting the €375 million senior secured term loan and £100 million revolving credit facility successfully negotiated in July and significant merger cash payments in the third quarter of approximately £56 million. The Company has further current merger funding capacity of well over £400 million, assuming consideration of half shares and half cash, before reaching its maximum target limit of 1.5-2x EBITDA.

Client Development and Momentum

The Company developed a 20^2 client objective last year. That is, to develop twenty clients with more than $20 million revenue per year, termed "whoppers". The company has made significant progress in deepening existing relationships and winning new accounts. Pride of place went last year to the Content practice wins of the BMW/MINI European content and production account named "The Marketing Engine" and Mondēlez global content, tvc and tech infrastructure account, which joined Google and an NDA tech company as the third and fourth "whoppers" in 2021. Significant progress has been made this year in securing two more "whopper" assignments, at Facebook and HP, making a total of six so far. The Company has now identified a further 19 potential 'whoppers." Q3 was another strong quarter for new business with significant land & expand assignments from existing clients including Google, Meta, HP, Amazon, Burberry and Netflix - often in exciting new areas such as The Metaverse, crypto/NFT and Digital Transformation. The company also won new business from clients including M1, Kuaishou, Hasbro, Miele, Luminar, Moncler and Audible (Amazon). Top line momentum continues to build into the fourth quarter, with no negative impact from supply chain discontinuities or the Apple IDFA changes.

The merger or combination pipeline remains very strong and increasingly active in the Americas, EMEA and Asia Pacific. Private equity remains the most significant competitor, although we believe we can significantly differentiate ourselves in identifying entrepreneurial managers who buy in to our mission to build the new age/era advertising and marketing services model, at the same time disrupting the old and, who at the same time, want to leverage our talent, geographic and capital resources and build deeper client relationships.

Current Trading

The Group continues to trade extremely well in line with our top line objectives for 2021, although incremental investments particularly in building client "'whopper" management infrastructure, emerging service areas (such as CTV and the Metaverse) and technology platforms to help automate our workflow continue to have an impact on EBITDA conversion and EBITDA margins in the Content practice. We see no negative impact so far in the remainder of 2021 or beyond from inflation, which we believe is more than transitory, supply chain discontinuities or Apple's changes to IDFA. Inflation gives our clients more pricing power "wiggle room", the supply chain discontinuities have resulted in a decline of discounts and hence increased profitability (eg autos) and the Apple IDFA and Google third party cookie moves have both increased uncertainties and client focus on the power of first party data and platform signals, stimulating interest in data & analytics.

The Group is preparing a new three-year plan for the period 2022-24 and preliminary budgets for 2022, which are consistent with its objectives, which remain a doubling of top and bottom lines organically within three years, as in the first three three year plans, 2019-21, 2020-22 and 2021-23. The advertising and media, marketing services and trade budgets and digital marketing transformation addressable markets currently total well over $2 trillion and are forecast to grow by 15-20% over the next four or five years, despite a slowing of global GDP growth rates from 5-6% this year and 4-5% in 2022 to 2-3% in 2023, as the impact of the pandemic-driven fiscal and monetary stimuli taper and fade. Advertising as a proportion of GDP is forecast to rise from 1.0% to 1.75%, purely driven by the growth of digital advertising and transformation. Traditional media are not forecast to grow. There are effectively two industries, growing digital and no-growth or ex-growth analogue.

Sir Martin Sorrell, Executive Chairman of S^4Capital plc said: "Most importantly, the Board wants to thank all our people for their extraordinary efforts at this particularly difficult time and the efforts of all the front line workers who have protected us and kept us safe. We have noted the impact that the pandemic lockdowns have had on the mental health of our people and their career thinking. We are moving to a hybrid model of at least 60% time in the office, which we believe will preserve and nurture the culture we have developed and want to continue to develop, whilst giving our people the flexibility we believe they now generally desire.

We continue to trade in line with ambitious internal and external targets, which now include doubling both top and bottom lines organically over the period 2022 to 2024. Our consistent, very strong like-for-like gross profit/net revenue growth of almost 47% so far this year and two-year stack of almost 63%, more than five times better than the best of the traditional models and at least the equal of the technology services companies, indicates that we are well positioned in the digital sweetspot of an otherwise stagnant traditional advertising and marketing industry. In addition, clients are responding very well to our new age/new era, purely digital, "holy trinity" model of first party data fueling practices built around digital content, data & digital media and technology services.

Covid-19 has acted as an accelerator for search, social and ecommerce. We have added two more "whoppers" in 2021, Facebook and HP, to our very significant client wins in 2020, which included BMW/MINI in Europe and Mondēlez globally, making six in total. We have identified nineteen more with "whopper" potential. These successes signal that we are achieving client conversion at scale in 2020 and 2021, after achieving brand awareness in 2018 and brand trial in 2019. Our mantra of "faster, better, cheaper" or "speed, quality, value" and our unitary, one P&L structure around Media.Monks, are clearly resonating with clients and differentiating our offer.

We are optimistic about the macro prospects for the remainder of 2021 and 2022, particularly given the continued Global GDP rebound, the vaccine, therapeutic and testing developments and roll out. Beyond 2022, we believe the demand for digital marketing transformation, involving the sales, marketing and information technology functions in client organisations, will accelerate. We plan further integration and combinations in the remainder of 2021 and into 2022 across all practices and functions, all of which will reinforce our client appeal.

Agility, accentuated by the impact of covid-19, remains the key, requisite corporate attribute for marketing success, along with "taking back control" of marketing functions in a 24/7 always on world and integrating and developing first part data -

particularly as the digital marketing industry continues to expand rapidly."

* See market statistics in About S[4]Capital below

Key financials

£000	Reported		+/-%	Like-for-like		+/-%	Reported		+/-%	Like-for-like		+/-%
	Q3 2021	Q3 2020		Q3 2021	Q3 2020		YTD 2021	YTD 2020		YTD 2021	YTD 2020	
Revenue												
Content	129,504	69,317	*87%*	129,504	80,695	*60%*	328,846	181,021	82%	328,846	204,882	61%
Data & Digital Media	48,877	17,075	*186%*	48,877	33,975	*44%*	128,823	46,718	176%	128,823	88,561	45%
Total	**178,381**	**86,392**	***106%***	**178,381**	**114,670**	***56%***	**457,669**	**227,739**	**101%**	**457,669**	**293,443**	**56%**
Gross Profit												
Content practice	95,693	58,370	*64%*	95,693	67,778	*41%*	252,740	152,783	65%	252,740	171,918	47%
Data & Digital Media	48,701	16,929	*188%*	48,701	33,711	*44%*	128,316	46,488	176%	128,316	87,991	46%
Total	**144,394**	**75,299**	***92%***	**144,394**	**101,489**	***42%***	**381,056**	**199,271**	**91%**	**381,056**	**259,909**	**47%**
Gross profit by Geography												
Americas	102,174	55,074	*86%*	102,174	76,287	*34%*	270,962	143,895	88%	270,962	190,854	42%
EMEA	27,887	12,972	*115%*	27,887	15,904	*75%*	76,171	36,963	106%	76,171	46,074	65%
Asia-Pacific	14,333	7,253	*98%*	14,333	9,298	*54%*	33,923	18,413	84%	33,923	22,981	48%
Total	**144,394**	**75,299**	***92%***	**144,394**	**101,489**	***42%***	**381,056**	**199,271**	**91%**	**381,056**	**259,909**	**47%**

A video webcast and conference call covering the trading update will be held today at 09:00 GMT, followed by another webcast and call at 08:00 EST / 13:00 GMT. Both webcasts of the presentation will be available at www.s4capital.com during the event.

09:00 GMT call - For dial in Q&A only

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08:00 EST/13:00 GMT call - For dial in Q&A only

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About S^4Capital

S^4Capital plc (SFOR.L) is the tech-led, new age/new era digital advertising and marketing services company, established by Sir Martin Sorrell in May 2018.

Its strategy is to build a purely digital advertising and marketing services business for global, multinational, regional, local clients and millennial-driven influencer brands. This will be achieved initially by integrating leading businesses in two practice areas: content and data&digital media, along with an emphasis on "faster, better, cheaper" executions in an always-on consumer-led environment, with a unitary structure.

Digital is by far the fastest-growing segment of the advertising market. S^4Capital estimates that in 2020 digital accounted for over 50% (for the first time) or $290 billion of total global advertising spend of $525 billion (excluding over $500 billion of trade promotion marketing, the primary target of the Amazon advertising platform) and projects that by 2022 total global advertising spend will expand to $650 billion and digital's share will grow to approximately 60% and by 2024 to approximately 70%, accelerated by the impact of covid-19.

S^4Capital combined with MediaMonks, the leading AdAge A-listed creative digital content production company led by Victor Knaap and Wesley ter Haar, in July 2018 and with MightyHive, the market-leading digital media solutions provider for future thinking marketers and agencies, led by Peter Kim and Christopher S. Martin, in December 2018.

In April 2019, MightyHive combined with ProgMedia to expand operations into Latin America and MediaMonks acquired film studio Caramel Pictures to expand content studio capabilities. In June 2019, MediaMonks announced a planned combination with Australia-based BizTech, a leading marketing transformation and customer experience company. In August 2019, MediaMonks combined with Amsterdam-based digital influencer marketing agency IMA. In October 2019, MediaMonks combined with Firewood Marketing, the largest digital marketing agency based in Silicon Valley, that was recently ranked, along with MediaMonks and Circus (see below), as one of the fastest growing agencies by Adweek, and MightyHive combined with award-winning UK-based digital analytics, biddable media and data science company ConversionWorks and South Korea-based data and analytics consultancy MightyHive Korea. In November 2019, MediaMonks announced its combination with Delhi-based content creation and production company WhiteBalance (completed in August 2020 - the delay due to necessary merger clearance procedures) and then with fully integrated digital agency Circus Marketing in January 2020 (completed in March 2020).

In May 2020, MightyHive announced a combination with Digodat, one of the leading Latin American data and analytics consultancies, and in June 2020, MightyHive announced its combination with Lens10, a leading Australian digital strategy and analytics consultancy. In July 2020, MightyHive announced a combination with Orca Pacific, a market leading full-service Amazon agency and boutique consultancy firm based in Seattle. In August 2020, MightyHive announced a combination with London-based Brightblue, an econometric and media optimisation consultancy. In September 2020, MediaMonks announced its combination with Dare.Win, expanding its geographical presence to France. In January 2021, MediaMonks announced its combination with integrated creative, technology and media agency Decoded Advertising, Shanghai based creative agency TOMORROW and Stuttgart based automotive specialist STAUD STUDIOS. MightyHive also announced its combination with integrated digital performance marketing agency Metric Theory. In February 2021, MightyHive acquired the assets of Datalicious Australia, a leading Google Marketing Platform, Google Cloud and Google Analytics partner in Asia Pacific. In March 2021, MediaMonks announced it had entered into a conditional agreement in relation to a combination of MediaMonks with Toronto-based design and experience agency, Jam3. In May 2021, MightyHive announced it had entered into a conditional agreement in relation to a combination of MightyHive with the leading digital performance agency in Brazil, Raccoon Group.

On 26 July 2021, MightyHive announced a combination with Salesforce specialist Destined expanding its data and digital media practice in Asia Pacific. On 8 September 2021, the new unitary brand Media.Monks announced a combination with the iconic culture and creative marketing agency Cashmere, based in Los Angeles. Also in September 2021, Media.Monks announced a merger with leading digital transformation services firm Zemoga, headquartered in Los Angeles, with further US offices as well as delivery centres in Colombia. The merger expanded the Media.Monks offering into technology services.

In August 2021, S^{4}Capital launched its unitary brand by merging MediaMonks and MightyHive into Media.Monks, represented by a dynamic logo mark that features MightyHive's iconic hexagon. As the operational brand, Media.Monks underpins S^{4}Capital's agility, digital knowledge and efficiency and is the next step in delivering on its foundational promise to unify content, data&digital media and technology services.

On 16 July 2020, S^{4}Capital announced the successful placing of 36,766,642 new ordinary shares at a price of 315p raising approximately £116 million gross proceeds which has been used for further expansion and combination purposes.

On 19 July 2021, S^{4}Capital announced it had engaged Credit Suisse AG, London branch, HSBC Bank plc and Barclays Bank plc as lead arrangers for a seven-year €375 million senior secured term loan. In addition, it negotiated a five-year £100 million equivalent multicurrency senior secured revolving credit facility with Credit Suisse, HSBC, Barclays, JP Morgan and BNP Paribas. Both term loan and revolving facility were successfully completed in early August 2021. This refinanced its existing €25 million and US$28.9 million term loans and its €35 million and €43.5 million multicurrency revolving credit facilities and will provide approximately £200 million for general corporate purposes, including funding the cash element of future mergers, which is typically one-half of overall consideration. The Company will maintain its policy of maximum net leverage not exceeding 1.5-2x Operational EBITDA.

Victor Knaap, Wesley ter Haar, Pete Kim, Christopher Martin, Peter Rademaker and Scott Spirit all joined the S^{4}Capital Board as Directors. The S^{4}Capital Board also includes Rupert Faure Walker, Paul Roy, Daniel Pinto, Sue Prevezer, Elizabeth Buchanan, Naoko Okumoto, Margaret Ma Connolly and Miles Young.

The Company now has over 6,900 people in 33 countries across the Americas, Europe, the Middle East and Africa and Asia-Pacific and a current market capitalisation of approximately £4.0 billion (c.$5.5 billion) and would rank well inside the FTSE 125. It achieved Unicorn status in a little over one year, unique in the advertising and marketing services industry. 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. Today its market capitalisation is £13 billion, having recently been surpassed by Publicis for the first time. Prior to that Sir Martin was Group Financial Director of Saatchi & Saatchi Company Plc for nine years.

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