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S4 Capital PLC
28 January 2025



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S⁴ Capital plc
Fourth Quarter Trading Update

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

Fourth quarter in line with expectations and anticipated 2024 full year results slightly ahead of current consensus, with liquidity and net debt significantly better than expected

S⁴ Capital plc (SFOR.L) confirms that trading in the fourth quarter was in line with the expectations outlined on 7th November and 2024 is expected to be slightly above current consensus of net revenue at £746 million and operational EBITDA of £84 million. Fourth quarter like for like net revenue showed a sequential improvement over the first three quarters. The Company anticipates like for like net revenue will be down approximately 11% and operational EBITDA margin in the range of 11-12% for the year. Operational EBITDA improved as a result of significant cost reductions, which continued throughout the fourth quarter. Net debt will be significantly below current consensus of £185 million and below the lower end of the previously indicated range of £150-190 million, following a strong focus on working capital. The net debt to EBITDA ratio at the end of 2024 is expected to be approximately 1.6x versus current consensus of 2.2x and a targeted range of 1.5-2.0x.

Reflecting trading conditions in the second half of 2024 and the subsequent medium term outlook, the Company expects a non-cash impairment charge to be included in exceptional items in the full year results for 2024.

The annual results for 2024 will be announced on 24 March 2025. at which point the Company will provide more detailed targets for 2025. Current indications are for net revenue and operational EBITDA to be broadly similar in 2025 to 2024.

Sir Martin Sorrell, Executive Chairman of S⁴Capital plc said:

"Trading in the fourth quarter improved over the first three, with stronger like for like net revenues performance and operational EBITDA margins. However, our industry continued to reflect the trends seen earlier in the year. Tech clients, accounting for approximately half of our revenue, continued to invest significantly in capital expenditure to build AI capacity rather than marketing operating expenditure. Global macro-economic conditions remained challenging and interest rates relatively high and there was some underperformance, when compared to our markets. In addition our Technology Services practice continued to be affected by a reduction in one of our larger relationships. Despite this challenging environment, the Company successfully improved its cost base and protected operating margins. Liquidity and net debt was significantly better due to improved profitability in the fourth quarter and tight working capital control, coming in below the lower end of our net debt range.

Although it is early in the year, there is still some macro-economic uncertainty, interest rates remain high and clients are likely to remain cautious. That said, the headwind we experienced in Technology Services is likely to ease and initial indications are for net revenue and operational EBITDA to be broadly similar in 2025 to 2024. We will maintain our focus on cost efficiency for the year ahead.

We continue to focus on our larger, scaled relationships with leading enterprise clients, while driving margin improvement through greater efficiency, utilisation, billability and pricing. We remain confident in our strategy, business model and talent, which together with scaled client relationships position us well for growth in the longer term. We continue to capitalise on our prominent AI positioning and see multiple AI related assignments."

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About S⁴Capital

Our strategy is to build a purely digital advertising and marketing services business for global, multinational, regional, and local clients, and millennial-driven influencer brands. This will be achieved by integrating leading businesses in two synchronised practices: Marketing services and Technology services, along with an emphasis on 'faster, better, cheaper, more' execution in an always-on consumer-led environment, with a unitary structure.

The Company now has approximately 7,200 people in 33 countries with approximately 80% of net revenue across the Americas, 15% across Europe, the Middle East and Africa

and 5% across Asia-Pacific. The longer-term objective is a geographic split of 60%:20%:20%. At the Group's last full year results Content accounted for approximately 60% of net revenue, Data&Digital Media 25% and Technology Services 15%.

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. Prior to that Sir Martin was Group Financial Director of Saatchi & Saatchi Company Plc for nine years.

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