S[4]Capital plc
("S[4]Capital" or "the Company" or "the Group")
Unaudited 2022 preliminary results

Full year net revenue like-for-like growth of 26% slightly ahead of guidance
Operational EBITDA £124 million slightly ahead of guidance and up sharply in H2 to over £90 million versus £30 million in H1
Operational EBITDA margin improved significantly in H2 to 18% versus 8% in H1
Net debt at £110 million, better than guidance of £130-170 million
Continued client conversion at scale, with 10 'whoppers' and a further 14 in sight
Despite volatile economic environment expect continued progress in 2023

£ millions	Year ended 31 Dec 2022	Year ended 31 Dec 2021	change Reported	change Like-for-like[3]	change Pro-forma[4]
Billings[1]	1,890.5	1,296.9	45.8%	23.5%	24.3%
Revenue	1,069.5	686.6	55.8%	24.3%	25.8%
Net revenue[2]	891.7	560.3	59.1%	25.9%	27.1%
Operational EBITDA[5]	124.2	101.0	23.0%	-16.4%	-11.8%
Operational EBITDA margin[5]	13.9%	18.0%	-410bps	-710bps	-650bps
Adjusted[6] operating profit	114.1	94.8	20.4%		
Adjusting[6] items	(249.4)	(136.9)	-82.2%		
Operating loss	(135.3)	(42.1)	-221.4%		
Loss for period	(159.6)	(56.7)	-181.5%		
Basic loss per share *(pence)*	(27.0)p	(10.3)p	-16.7p		
Adjusted[6] basic earnings per share *(pence)*	11.8p	13.0p	-1.2p		
Number of people	8,891	7,700			
Net debt[7]	110.2	18.0			

Financial highlights

- Billings[1] were £1,890.5 million, up 46% on a reported basis, up 24% like-for-like[3].
- Revenue £1,069.5 million, crossing £1 billion for the first time, up 56% reported, 24% like-for-like and up 26% pro-forma.
- Net revenue[2] £891.7 million, up 59% reported, and 26% like-for-like and 27% pro-forma, as the Group continued to outperform both the digital advertising and transformation markets. Two year and three-year stacks (like-for-like growth stacks for the last two and three years) are 70% and 89%.
- Operational EBITDA[5] £124.2 million, up 23% reported and down 16% like-for-like reflecting investment in hiring in the first half ahead of net revenue growth, partly offset by the benefit from increased focus on people investment and cost management in the second half.
- Operating loss £135.3 million, after £249.4 million of primarily combination related expense, being payments linked to continued employment and the associated expenses and amortisation totalling £229.8 million versus £123.0 million in 2021.
- Basic loss per share of 27.0p, down 16.7p versus 10.3p basic loss per share in 2021.

- Adjusted[6] basic earnings per share, which excludes adjusting items after tax, of 11.8p per share, down 9% versus 13.0p per share last year.
- Net debt[7] ended the period at £110.2 million, or 0.8x net debt/pro-forma operational EBITDA, reflecting combination payments made in 2022, principally for TheoremOne and XX Artists, both 2022 combinations and Raccoon, a combination in 2021. Net debt was well below the bottom end of the guidance range of £130 – 170 million reflecting better working capital management.
- The balance sheet remains strong with sufficient liquidity and long-dated debt maturities to facilitate growth. Pro-forma operational EBITDA was £136.3 million.

Strategic and operational highlights

- In 2022 we secured 10 'whopper' relationships, up from 6 in 2021 and 2 in 2020. We have identified a further 14 clients which are trending towards 'whopper' status (i.e. revenue of over $20m per annum) making a potential total of 23, despite scaling down some of our work for one of them (Mondelez) in early 2023, having mutually chosen not to renew a contract. We remain on track to reach our 20^2 objective (20 clients with revenue of $20m per annum).
- We had a challenging first half of 2022, despite H1 net revenue growth of 28% like-for-like, as hiring ahead of the revenue and net revenue growth impacted profitability particularly in the Content practice.
- Profit performance in the second half was much improved, with significant cost management measures implemented, including a brake on hiring and discretionary cost controls. These controls had the desired effect, with the number of people at year-end being around 8,900, similar to over 9,000 at the half-year. A more balanced approach to our investment in people will be maintained going forward.
- Major progress has been made in improving financial controls, treasury, risk and governance and these improvements are now included in our processes and practices. These include significant additions to the team and organisational and reporting changes.
- The Content practice posted 24% like-for-like net revenue[2] growth, with Data&Digital Media up 17% and Technology Services up 72%. Data&Digital Media had a more challenging second half, with net revenue growth lower than the first half and corrective actions have been taken to align the cost base with activity levels. Content significantly improved on the first half, particularly in operational EBITDA margin delivery, as a result of the improved controls and cost management. Technology Services remained strong.
- Geographically, on a like-for-like basis, the Americas net revenue growth was up 27% and now accounts for 75.6% of the total, EMEA, accounting for 17.5% grew at 31% and Asia Pacific, accounting for the remaining 6.9% grew at 4.8%, chiefly reflecting the impact of covid-19 lockdowns in China on the region in 2022.
- Three new combinations were added to the Group in 2022, with total initial payments of £89.2 million.
- In January Data&Digital Media practice combined with 4Mile Analytics, a data consultancy specialising in custom data experiences powered by the Looker platform. 4Mile has faced significant challenges since joining the Group and has performed below expectations.
- In May the Technology Services practice made a large and significant combination with TheoremOne, a leader in agile, full stack innovation, engineering and design, which helps major enterprises achieve strategic digital transformation. TheoremOne has performed well since joining the Group.
- In July the Content practice combined with XX Artists, a Los Angeles based digital marketing agency. XX Artists has performed well since joining the Group.
- Colin Day was appointed as a Non-Executive Director and Chair of the Audit and Risk Committee in August 2022.

Outlook

- Our two major addressable markets, first the digital platforms, which drive 90% of our net revenues, are forecast to grow advertising revenue by around 7-8% in 2023 and the second, technology services, which accounts for about 10% of our net revenue, by 8-10%. We expect to grow faster than these markets, as in previous years, and set a like-for-like net revenue[2] growth target for 2023 of 8-12%, after taking into account the pro-forma impact of one 'whopper' account reduction on net revenue[10]. The pipeline remains healthy.

- The operational EBITDA margin is targeted to be in the range of 15-16%[8] for the full year, with the performance for the full year weighted to the second half as normal.
- Our net debt is anticipated to rise in 2023 reflecting combination payments for prior year combinations, after which virtually all of the existing contingent consideration due will have been satisfied. Our expected range is £180-220 million. We maintain our maximum leverage target of 1.5-2 times operational EBITDA.
- Over the longer term we expect our growth to outperform our market and competition and operational EBITDA margins to return to historic levels of 20%+.

Sir Martin Sorrell, Executive Chairman of S^{4}Capital plc said:

"The Company continued to outperform the growth of the digital advertising and transformation markets in 2022, crossing £1 billion revenue for the first time and to broaden and deepen relationships with its largest clients, continuing conversion at scale. The actions taken by our management and the positive response by our people to the first half challenge of balancing growth in net revenue with growth in costs, have delivered a much improved second half performance. This really reflects what the Company is capable of achieving. We have momentum going into 2023 and are cautiously optimistic, despite the slowdown of growth in our major addressable markets. We expect to make continued progress, stimulated, in particular, by the early and rapid implementation of revolutionary new technologies such as AI."

Notes:
1. Billings is unaudited gross billings to client including pass through costs.
2. Net revenue is revenue less direct costs.
3. Like-for-like is a non-GAAP measure and relates 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.
4. Pro-forma numbers relate to unaudited full year non-statutory and non-GAAP consolidated results 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.
5. 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. Operational EBITDA margin is operational EBITDA as a percentage of net revenue.
6. Adjusted for acquisition related expenses, non-recurring items and recurring share-based payments.
7. Net debt excludes lease liabilities.
8. This is a target and not a profit forecast.
9. Controlled billings are unaudited billings we influenced in addition to billings that flowed through our income statement.
10. For guidance purposes 2022 pro-forma net revenue is £907 million, including the full year impact of 2022 combinations TheoremOne and XX Artists and a small adjustment for reduced activity on Mondelēz.

Disclaimer
This announcement includes 'forward-looking statements'. All statements other than statements of historical facts included in this announcement, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Company's services) are forward-looking statements.

Forward-looking statements are subject to risks and uncertainties and accordingly the Company's actual future financial results and operational performance may differ materially from the results and performance expressed in, or implied by, the statements. These factors include but are not limited to those described in the Company's prospectus dated 8 October 2019 which is available on the news section of the Company's website. These forward- looking statements speak only as at the date of this announcement. S^{4}Capital expressly disclaims any obligation or undertaking to update or revise any forward-looking statements contained herein to reflect actual results or any change in the assumptions, conditions or circumstances on which any such statements are based unless required to do so.

No statement in this announcement is intended to be a profit forecast and no statement in this announcement should be interpreted to mean that earnings per share of the Company for the current or future years would necessarily match or exceed the historical published earnings per share of the Company.

Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website for any other website, is incorporated into, or forms part of, this announcement nor, unless previously published by means of a recognised information service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, shares in the Company.

Results webcast and conference call

A webcast and conference call covering the results will be held today at 17:30 BST/12:30 EDT. A webcast of the presentation will be available at www.s4capital.com during the event.

17.30 BST webcast (watch only) and conference call (for Q&A):

Webcast: https://brrmedia.news/SFOR_FY22

Conference call:

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Preliminary results statement overview

2022 was good in parts, with continued strong, client conversion and top-line like-for-like growth offset by weaker than expected operational EBITDA margins. We ended the year with good momentum, with the second half delivering three times the operational EBITDA of the first half. The much improved second half performance reflected the expected market leading net revenue growth, tighter cost management and better cash generation, underpinned by enhanced commercial discipline and financial processes. These will remain the core focus.

2022 was our fourth full financial year, with revenue of over £1 billion for the first time. Net revenue of nearly £900 million was up 26% on a like-for-like basis ahead of our 2022 target of 25%. The growth rate achieved was well ahead of those generated by our two main addressable markets – digital media and transformation. Operational EBITDA of £124.2 million was also slightly ahead of the revised guidance of £120 million. We delivered an overall operational EBITDA margin of 13.9%, with a H2 margin of 18.2%. We are encouraged by the improved profitability in the second half, which represented c.75% of the full year operational EBITDA. The Company has a strong balance sheet, with net debt ending lower than we had anticipated at £110 million or 0.8x pro-forma operational EBITDA. The net debt outperformance is due to better working capital management and reflects our strengthened financial discipline around billing and receivables.

We made two important, large, combinations with TheoremOne and XX Artists, both of which performed well in their first year with the Company. We also merged with a smaller firm, 4 Mile Analytics, built around Google's Looker platform, that has disappointed and accordingly we have written down the goodwill and the majority of the assets and are executing a reorganisation. In 2023 there will be a cash outflow relating to 2022 and prior year combinations, with net debt expected to rise as a result. We will maintain a conservatively levered balance sheet and the focus for the time being will be on maximising value from our existing businesses.

Both digital media and transformation growth rates remain well above those of traditional, analogue markets. We are mainly focused on the digital media and transformation markets and are at the heart of developing trends around Blockchain, the Metaverse and AI. We are already starting to use Artificial Generative Intelligence in improving copywriting productivity, in delivering more empathetic hyper-personalisation (better targeted content at greater scale), more automated media planning and buying and ensuring our people have access to what we term AI's 'superpowers'. We do, however, expect our markets and clients to grow more slowly in 2023, reflecting the weaker global economic conditions which have been impacted by inflation and higher interest rates, and general geopolitical uncertainty around US/China relations, the war in Ukraine and relations with Iran.

The Company reports in three well defined practices Content, Data&Digital Media and Technology Services. Content, which had a challenging first half, had much improved operational EBITDA delivery in the second half with net revenue growth converting to the bottom line reflecting a more tightly managed cost base. Data&Digital Media saw operational EBITDA reduce significantly in 2022 against a strong comparative in 2021. Net revenue growth, although good, was lower than expected in the second half and costs ran ahead of growth. Corrective actions are being taken. In Technology services both Zemoga and TheoremOne performed strongly in the year. As expected and reflecting the need to improve the Company's financial management, central costs grew significantly in 2022 with investment in people and processes to strengthen finance, legal, governance and assurance.

ESG

2022 was a year of focus, concentrated around the three areas of our ESG strategy: Zero Impact Workspaces, Sustainable Work, and Diversity, Equity and Inclusion (DE&I). We are adopting new tools to help us move towards increased transparency and measuring of CO_2 emissions. We continue to engage with leading stakeholders, industry efforts and global initiatives – like the World Economic Forum and Shanghai Municipality's International Business Leaders' Advisory Council (IBLAC). After signing The Climate Pledge in 2021 with a goal to reach Net Zero by 2040, we took full inventory of our emissions, using the Greenhouse Gas (GHG) Protocol standards to understand the reduction opportunities within the Company. We submitted our SBTi letter of commitment and are developing a detailed roadmap in 2023. Across the Company, we donated 4,090 hours for community and charity services and increased our For Good projects from 251 to 445.

We focused on our people and people experience with the launch of our DE&I platform, Diversity in Action, which touches all aspects of our business. Embedding a greater understanding of diversity and cultural fluency into the Company is also a top priority. We signed the United Nations (UN) Women's Empowerment Principles and continue to focus on closing the representation gap in our industry by providing training to underserved and/or underrepresented talent. We also enhanced our

ESG governance structure, updated our global policies and compliance, completed our Task Force on Climate-related Financial Disclosures (TCFD) risk assessment and entered our ESG data into the CDP global disclosure system for the first time.

Board update

In 2022 the Company strengthened its Board with a number of senior appointments.

In January 2022 we were pleased to welcome Mary Basterfield as our new Group Chief Financial Officer and Director. Mary has over 20 years of extensive financial experience and, since joining, Mary has appointed several experienced finance professionals within the Group and practice finance teams. The team has made significant progress in the year allowing the Company to deliver its full year 2022 results in a timely manner.

On 2 August 2022, Colin Day was appointed to S^{4}Capital's Board as a Non-Executive Director including as the new Chair of the Audit and Risk Committee. Colin has decades of experience in both management and governance roles.

In addition, Christopher S. Martin, one of the founders of MightyHive Inc., has been appointed Chief Operating Officer, to scale the Company's organisational structure and processes.

We now have a Board of 15 directors, nine Non-Executive Directors of which four are women and five are men, and six Executive Directors.

Summary and outlook

The strategy of S^{4}Capital remains the same. The Company's purely digital transformation model, based on first-party data fuelling the creation, production and distribution of digital advertising content, distributed by digital media and built on technology platforms to ensure success and efficiency, resonates with clients. Our tagline 'faster, better, cheaper, more' or 'speed, quality, value, more' (to which with the arrival of AI we have added 'more') and a unitary structure both appeal strongly, even more so in challenging economic times.

For 2023 we target our net revenue growth rate to reflect those of the two main addressable digital markets we serve. We estimate this as around 8-12% like-for-like, after reflecting the pro-forma impact of one 'whopper' reduction on net revenue. We will continue to manage costs tightly and target an operational EBITDA margin of 15-16%[8]. As in previous years, given our seasonality, 2023 will again be second half weighted. Longer term we expect to continue to be able to deliver strong net revenue growth with operational EBITDA margins returning to historic levels.

Financial review

Summary of results

£ millions	Year ended 31 Dec 2022	Year ended 31 Dec 2021	change Reported	change Like-for-like[3]	change Pro-forma[4]
Billings[1]	1,890.5	1,296.9	45.8%	23.5%	24.3%
Revenue	1,069.5	686.6	55.8%	24.3%	25.8%
Net revenue[2]	891.7	560.3	59.1%	25.9%	27.1%
Operational EBITDA[5]	124.2	101.0	23.0%	-16.4%	-11.8%
Operational EBITDA margin[5]	13.9%	18.0%	-410bps	-710bps	-650bps
Adjusted[5] operating profit	114.1	94.8	20.4%		
Adjusting[6] items	(249.4)	(136.9)	-82.2%		
Adjusted[5] operating profit margin	12.8%	16.9%	-410bps		
Net finance expenses and loss on net monetary position	(24.4)	(13.6)	-79.4%		
Adjusted[6] result before income tax	89.7	81.2	10.5%		
Adjusted[6] Income tax expenses	(20.0)	(9.4)	-112.8%		
Adjusted[6] result for the period	69.7	71.8	-2.9%		
Adjusted[6] basic earnings per share *(pence)*	11.8p	13.0p	-1.2p		

A full list of alternative performance measures and non-IFRS measures together with reconciliations to IFRS or GAAP measures are set out in the Alternative Performance Measures.

Financial summary

It has been encouraging to see the progress made during the year, given the challenges of the first half, including the delay to the 2021 results and profit underperformance, as we delivered a much stronger second half. The second half performance reflected enhanced financial processes and controls, supported by a strengthened finance team, an improved operational EBITDA margin, also reflecting tighter cost controls and better cash generation centred around working capital. While we are pleased with the second half performance, we will continue to focus on all of these areas throughout 2023 to support the Company as it continues to grow and scale profitably.

Billings[1] were £1.9 billion, up 46% on a reported basis, up 24% on a like-for-like[3] and pro-forma[4] basis. Controlled billings[9], that is billings we influenced in addition to billings that flowed through our income statement, increased to approximately £5.7 billion (2021: £3.9 billion).

Revenue was £1,069.5 million, up 56% from £686.6 million on a reported basis, up 24% like-for-like, and up 26% on a pro-forma basis.

Net revenue was £891.7 million, up 59% reported, up 26% like-for-like, and 27% pro-forma. Throughout the year our addressable markets remained reasonably strong, and we continued to outperform them.

Reported operational EBITDA was £124.2 million compared to £101.0 million in the prior year, an increase of 23%. Operational EBITDA was down 16% on a like-for-like basis and down 12% on a pro-forma basis. The like-for-like growth reflects challenges in our Data&Digital Media practice after a strong 2021, particularly in the second half, and also hiring ahead of the net revenue growth in Content in the first half. The Technology practice performed strongly. The outturn was modestly ahead of our revised Operational EBITDA target of £120 million.

Operational EBITDA margin was 13.9%, down 410 basis points versus 18.0% in 2021, down 710 basis points like-for-like and 650 basis points pro-forma impacted by the speed of headcount growth ahead of net revenue growth in the Content and Data&Digital Media practices, particularly in the first half. We implemented tighter controls from the end of the first half which are having the desired effect. The second half operational EBITDA margin was 18.2%. Our ambition remains to return the margins to historic levels, above 20%, over the medium term.

Adjusted operating profit was up 20% on a reported basis to £114.1 million from £94.8 million, before adjusting items of £249.4 million, including combination payments tied to continued employment, share-based compensation, restructuring costs primarily related to headcount and amortisation of business combination intangible assets. Like-for-like adjusted operating profit was down 20% and pro-forma adjusted operating profit was down 15%.

The reported operating loss of £135.3 million, was £93.2 million higher than in 2021, reflecting an increase in the amortisation of intangible assets, accounting for combinations including those made in 2022, the write down of 4Mile and the impact of increased personnel costs. Loss for the year was £159.6 million (2021: £56.7 million).

Adjusted basic earnings per share was 11.8p, versus adjusted basic earnings per share of 13.0p in 2021.

The Board has decided that no dividends will be declared in 2022, as was the case in 2021, given the focus is on profitable growth and reducing the level of net debt.

Practice and Geographic Performance

£ millions	**Year ended 31 Dec 2022**	Year ended 31 Dec 2021	change Reported	change Like-for-like[3]	change Pro-forma[4]
Content	582.7	385.6	51.1%	24.1%	25.6%
Data&Digital Media	216.8	167.1	29.7%	17.3%	17.4%
Technology Services	92.2	7.6	1,113.2%	72.3%	62.4%
Net revenue[2]	**891.7**	560.3	59.1%	25.9%	27.1%
Americas	673.8	391.1	72.3%	27.1%	28.6%
EMEA	156.2	116.0	34.7%	31.2%	31.2%
Asia-Pacific	61.7	53.2	16.0%	4.8%	4.8%
Net revenue[2]	**891.7**	560.3	59.1%	25.9%	27.1%
Content	74.1	52.3	41.7%	-0.3%	6.0%
Data&Digital Media	39.9	55.0	-27.5%	-39.9%	-39.8%
Technology Services	36.1	3.1	1,064.5%	109.9%	87.8%
S^4 central	(25.9)	(9.4)	-175.5%	-172.6%	-172.6%
Operational EBITDA	**124.2**	101.0	23.0%	-16.4%	-11.8%

Practice performance

Content practice operational EBITDA was £74.1 million, up 42% on a reported basis versus last year, down 0.3% on a like-for-like basis and up 6% on a pro-forma basis. The Content practice operational EBITDA margin was 12.7%, compared to 13.6% last year, reflecting increased investment in people in the first half of the year to staff newly secured 'whoppers'. The investment in hiring ran further ahead of net revenue growth than planned. The Company responded to this and the H2 2022 operational EBITDA margin improved to 18.1%.

Data&Digital Media practice operational EBITDA was £39.9 million, down 28% on a reported basis from last year, down 40% on a like-for-like and pro-forma basis. Data&Digital Media practice operational EBITDA margin was 18.4%, compared to a strong performance in 2021 of 32.9%, reflecting the significantly increased investment in people to drive future growth and an increase in travel and office costs post covid-19. We were concerned by the H2 2022 performance for Data&Digital Media and corrective actions have been taken to improve operational EBITDA delivery.

Technology Services, which now includes Zemoga and TheoremOne, performed strongly with operational EBITDA of £36.1 million representing an operational EBITDA margin of 39.2%.

Geographic performance

The Americas (75.6% of total) net revenue was £673.8 million, up 72% on a reported basis from last year. On a like-for-like and pro-forma basis the Americas net revenue was up 27% and 29% respectively, reflecting continued outperformance of the market given growth in our 'whoppers' and major clients.

EMEA (17.5% of total) net revenue was £156.2 million, up 35% from last year on a reported basis. On both a like-for-like and pro-forma basis EMEA net revenue was up 31% primarily reflecting 'whopper' growth and market outperformance.

Asia Pacific (6.9% of total) net revenue was £61.7 million, up 16% on a reported basis. On both a like-for-like and pro-forma basis Asia Pacific net revenue was up 4.8% reflecting continued organic growth, despite the impact of covid-19 lockdowns in China on the region.

Cash flow

£ 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)
Change in working capital	(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 debt)/net cash	(18.0)	51.6
Net debt	(110.2)	(18.0)

The table reflects how the business is managed and this is a non-statutory cash flow format.

Free cash flow for 2022 was £69.8 million, an increase of £36.5 million compared to 2021. This was driven by an improvement in operational EBITDA and the benefits of the focus on working capital management, with only a small outflow of £5.1 million in year (in contrast to an outflow of £33.4 million in 2021). This was partially offset by increased cash interest costs reflecting the term loan being in place for the full year and the increase in interest rates during the year.

Cash paid in relation to combinations (M&A) increased £60.9 million year on year to £162.6 million reflecting payments made in relation to 2022 combinations and prior year activity.

Treasury and net debt

Net debt reconciliation *£ millions*	2022	2021
Cash and cash equivalents	223.6	301.0
Loans and borrowings (excluding bank overdraft)	(333.8)	(317.1)
Bank overdraft	-	(1.9)
Net debt	**(110.2)**	(18.0)

The year-end net debt was £110.2 million (2021: £18.0 million) or 0.8x net debt/pro-forma operational EBITDA, after the initial 2022 combination payments and contingent consideration related to prior year combinations. The balance sheet remains strong with sufficient liquidity and long dated debt maturities. During the year S[4]Capital Group complied with the covenants set in its loan agreement.

Interest and tax

Income statement net financing costs were £25.7 million (2021: £12.3 million), an increase of £13.4 million due to increased levels of borrowing, to finance the in-year combinations, increased in interest rates, increased lease costs and the discounting of contingent consideration. The income statement tax credit for the year was £0.1 million (2021: £1.1 million charge) reflecting higher losses in the year.

Balance sheet

Overall the Group reported net assets of £849.6 million as at 31 December 2022, which is an increase of £48.4 million compared to 31 December 2021, driven mainly by the combinations made in the year increasing the goodwill balance, partially offset by increased contingent consideration and holdbacks.

Acquisitions

Content practice

- On 1 July 2022, S[4]Capital plc announced the business combination between Media.Monks and XX Artists, an award-winning social media marketing agency, headquartered in Los Angeles, with a competitive talent edge, for an expected total consideration of approximately £20.5 million. XX Artists performed well in the year.

Data&Digital Media practice

- On 11 January 2022, S[4]Capital plc announced the business combination between Media.Monks and 4 Mile Analytics, a California-based data analytics, data engineering, data governance, software engineering, UX design and project & product management business, for an expected total consideration, including performance linked contingent consideration, of approximately £25.1 million. The business has performed well below our expectations and accordingly we have written down the goodwill and the majority of the assets.

Technology Services practice

- On 16 May 2022, S[4]Capital plc announced the business combination between Media.Monks and TheoremOne, a California-based leader in agile, full-stack, innovation, engineering, and design and helps major enterprises achieve strategic achieve strategic digital transformation. The expected total consideration is approximately £143.0 million and the business performed well in the year.

About S[4]Capital

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

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 three practices: Content, Data&Digital Media and Technology Services, along with an emphasis on 'faster, better, cheaper, more' execution in an always-on consumer-led environment, with a unitary structure.

Victor Knaap, Wesley ter Haar, Christopher S. Martin, Scott Spirit and Mary Basterfield all joined the S[4]Capital Board as Executive Directors. The S[4]Capital Board also includes Rupert Faure Walker, Paul Roy, Daniel Pinto, Sue Prevezer, Elizabeth Buchanan, Naoko Okumoto, Margaret Ma Connolly, Miles Young and Colin Day.

The Company now has approximately 8,900 people in 31 countries with approximately 70% of revenue across the Americas, 20% across Europe, the Middle East and Africa and 10% across Asia-Pacific. The longer-term objective is a geographic split of 60%:20%:20%. Content currently accounts for approximately 60% of revenue, Data&Digital Media 30% and Technology Services 10%. The long-term objective for the practices is a split of 50%:25%:25%.

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.

Unaudited consolidated statement of profit or loss

for the year ended 31 December 2022

	Note	2022 Unaudited £'000	2021 Unaudited £'000
Revenue	7	1,069,489	**686,601**
Direct costs		(177,797)	(126,338)
Net revenue	7	891,692	560,263
Personnel costs		(682,072)	(412,537)
Other operating expenses		(83,327)	(49,829)
Acquisition, restructuring and other expenses		(155,873)	(83,496)
Depreciation, amortisation and impairment		(105,711)	(56,456)
Share of loss of joint ventures		(5)	–
Total operating expenses		(1,026,988)	(602,318)
Operating loss		(135,296)	**(42,055)**
Adjusted operating profit		114,096	94,808
Adjusting items[1]		(249,392)	(136,863)
Operating loss		(135,296)	(42,055)
Finance income		1,493	1,032
Finance costs		(27,200)	(13,283)
Net finance costs		(25,707)	(12,251)
Gain / (loss) on the net monetary position		1,337	(1,344)
Loss before income tax		(159,666)	**(55,650)**
Income tax credit / (expense)		32	(1,065)
Loss for the year		(159,634)	**(56,715)**
Attributable to owners of the Company		(159,634)	(56,715)
Attributable to non-controlling interests		–	–
		(159,634)	**(56,715)**
Loss per share is attributable to the ordinary equity holders of the Company		(27.0)	(10.3)
Basic loss per share (pence)			
Diluted loss per share (pence)		(27.0)	(10.3)

1. Adjusting items comprises amortisation and impairment of intangibles of £78.8 million (2021: £39.5 million) , acquisition and restructuring expenses of £155.9 million (2021: £83.5 million) and share-based payments of £14.7 million (2021: £13.9 million).

The results for the year are wholly attributable to the continuing operations of the Group.

Unaudited consolidated statement of comprehensive income

for the year ended 31 December 2022

	2022 Unaudited £'000	2021 Unaudited £'000
Loss for the year	**(159,634)**	**(56,715)**
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit pension liabilities	(1)	–
Items that may be reclassified to profit or loss		
Foreign operations – foreign currency translation differences	70,673	(6,358)
Other comprehensive income/(expense)	70,672	(6,358)
Total comprehensive expense for the year	**(88,962)**	**(63,073)**
Attributable to owners of the Company	(88,962)	(63,073)
Attributable to non-controlling interests	-	–
	(88,962)	**(63,073)**

S4 CAPITAL

Unaudited consolidated balance sheet

as at 31 December 2022

	Note	2022 Unaudited £'000	2021 Unaudited Restated[1] £'000
Assets			
Goodwill	8	720,365	624,989
Intangible assets	9	445,161	356,289
Right-of-use assets		55,703	36,608
Property, plant and equipment		29,701	21,548
Deferred tax assets		16,827	6,526
Other receivables		12,208	3,185
Non-current assets		**1,279,965**	**1,049,145**
Trade and other receivables		440,799	335,498
Cash and cash equivalents		223,574	301,021
Current assets		**664,373**	**636,519**
Total assets		**1,944,338**	**1,685,664**
Liabilities			
Deferred tax liabilities		(65,960)	(68,627)
Loans and borrowings	11	(326,225)	(308,571)
Lease liabilities		(43,122)	(31,423)
Contingent consideration and holdbacks	12	(11,278)	(31,749)
Other payables		(5,687)	(2,845)
Non-current liabilities		**(452,272)**	**(443,215)**
Trade and other payables		(443,171)	(334,916)
Contingent consideration and holdbacks	12	(177,329)	(86,677)
Loans and borrowings	11	(674)	(2,523)
Lease liabilities		(15,274)	(10,545)
Tax liabilities		(6,009)	(6,550)
Current liabilities		**(642,457)**	**(441,211)**
Total liabilities		**(1,094,729)**	**(884,426)**
Net assets		**849,609**	**801,238**
Equity			
Share capital		141,958	138,827
Share premium		5,866	446,910
Merger reserves		-	205,717
Other reserves		175,192	76,654
Foreign exchange reserves		48,469	(22,203)
Retained earnings/(accumulated losses)		478,024	(44,767)
Attributable to owners of the Company		**849,509**	**801,138**
Non-controlling interests		100	100
Total equity		**849,609**	**801,238**

Notes:
1. The comparatives as at 31 December 2021 have been restated for measurement period adjustments in respect of business combinations and re-presented to split out certain balance sheet items and provide more clarity for the year ended 31 December 2022. See Note 2.

Unaudited consolidated statement of changes in equity

For the year ended 31 December 2022

Equity	Share capital £'000	Share premium £'000	Merger reserves £'000	Other reserves £'000	Foreign exchange reserves £'000	Retained earnings/ (accumulated losses) £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2021	**135,516**	**364,195**	**205,717**	**29,275**	**(15,845)**	**(3,181)**	**715,677**	**100**	**715,777**
Comprehensive loss for the year									
Loss for the year	–	–	–	–	–	(56,715)	(56,715)	–	(56,715)
Other comprehensive income	–	–	–	–	(6,358)	–	(6,358)	–	(6,358)
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(6,358)**	**(56,715)**	**(63,073)**	**–**	**(63,073)**
Hyperinflation revaluation	–	–	–	1,633	–	–	1,633	–	1,633
Transactions with owners of the Company									
Issue of Ordinary Shares	–	–	–	–	–	–	–	–	–
Business combinations	3,311	82,715	–	45,856	–	–	131,882	–	131,882
Share-based payments	–	–	–	(110)	–	15,129	15,019	–	15,019
At 31 December 2021	**138,827**	**446,910**	**205,717**	**76,654**	**(22,203)**	**(44,767)**	**801,138**	**100**	**801,238**
At 1 January 2022	**138,827**	**446,910**	**205,717**	**76,654**	**(22,203)**	**(44,767)**	**801,138**	**100**	**801,238**
Hyperinflation restatement	–	–	–	3,266	–	–	3,266	–	3,266
Adjusted opening balance	138,827	446,910	205,717	79,920	(22,203)	(44,767)	804,404	100	804,504
Comprehensive loss for the year									
Loss for the year	–	–	–	–	–	(159,634)	(159,634)	–	(159,634)
Other comprehensive income	–	–	–	–	70,672	–	70,672	–	70,672
Total comprehensive income/ (loss) for the year	**–**	**–**	**–**	**–**	**70,672**	**(159,634)**	**(88,962)**	**–**	**(88,962)**
Transactions with owners of the Company									
Issue of Ordinary Shares	–	–	–	–	–	–	–	–	–
Realised merger reserve	–	(462,705)	(205,717)	–	–	668,422	–	–	–
Business combinations	3,131	21,661	–	94,852	–	–	119,644	–	119,644
Share-based payments	–	–	–	420	–	14,003	14,423	–	14,423
At 31 December 2022	**141,958**	**5,866**	**–**	**175,192**	**48,469**	**478,024**	**849,509**	**100**	**849,609**

Notes:

1. Other reserves include the deferred equity consideration of £171.8 million (2021: £77.0 million), made up of the following: TheoremOne for £55.0 million, Raccoon for £43.0 million, Decoded for £48.0 million, XX Artists for £7.8 million, Cashmere for £6.9 million, Zemoga £8.7 million, 4Mile for £2.3 million and Destined for £0.1 million, the treasury shares issued in the name of S[4]Capital plc to an employee benefit trust for the amount of £1.8 million (2021: £2.5 million), and hyperinflation impact in Argentina of £4.9 million (2021: £1.6 million).
2. During the year ended 31 December 2022, the Group undertook a reduction of capital to effect the cancellation of the C ordinary shares resulting from the capitalisation of the sum of £205,717,000 standing to the credit of the Company's merger reserve.

Unaudited consolidated statement of cashflows

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flows from operations	13	97,250	**68,496**
Income taxes paid		(18,988)	(13,874)
Net cash flows from operating activities		78,262	**54,622**
Cash flows from investing activities			
Investments in intangible assets		(1,512)	(3,458)
Investments in property, plant and equipment		(16,379)	(11,119)
Acquisition of subsidiaries, net of cash acquired	6	(123,655)	(86,604)
Tax paid as result of acquisition		-	(5,116)
Financial fixed assets		1,755	(323)
Cash flows from investing activities		(139,791)	**(106,620)**
Cash flows from financing activities			
Proceeds from issuance of shares		206	1,143
Additional borrowings during the year	11	-	342,994
Payment of lease liabilities		(17,534)	(10,903)
Repayments of loans and borrowings	11	(891)	(110,895)
Transaction costs paid on borrowings		-	(8,379)
Interest paid		(14,166)	(5,530)
Cash flows from financing activities		(32,385)	**208,430**
Net movement in cash and cash equivalents		(93,914)	**156,432**
Cash and cash equivalents beginning of the year[1]		299,122	142,052
Exchange gain/(loss) on cash and cash equivalents		18,350	638
Cash and cash equivalents at the end of the year[1]		223,558	**299,122**

Note:

1 Including bank overdrafts £nil (2021: £1.9m).

Notes to the unaudited consolidated financial statements

for the year ended 31 December 2022

1. General information

S[4]Capital plc ('S[4]Capital 'or 'Company') is a public limited company incorporated on 14 November 2016 in the United Kingdom. The Company has its registered office at 12 St James's Place, London, SW1A 1NX, United Kingdom.

The unaudited consolidated financial statements represent the results of the Company and its subsidiaries (together referred to as 'S[4]Capital Group 'or the 'Group').

S[4]Capital Group is a new age/new era digital advertising and marketing services company.

2. Basis of preparation

A. Statement of compliance

The financial statements of S[4]Capital plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial information set out above does not constitute the company's statutory accounts for the year ended 31 December 2022. The statutory accounts for 2022 will be finalised based on the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course. The unaudited financial information is prepared under the historical cost basis, unless stated otherwise in the accounting policies.

The Group has undertaken a detailed going concern assessment, reviewing its current and projected financial performance and position. The Directors believe that the Group's forecasts have been prepared on a prudent basis. On 6 August 2021, S[4]Capital Group signed a new facility agreement, consisting of a Term Loan B of EUR 375 million (expiring August 2028) and a multicurrency Revolving Credit Facility (RCF) of £100 million (expiring August 2026). Considering the Group's bank covenant and liquidity headroom, the Directors have concluded that the Group will be able to operate within its facilities and comply with its banking covenants for at least 12 months and therefore believe it is appropriate to prepare the financial statements of the Group on a going concern basis and that there are no material uncertainties which gives rise to a significant going concern risk. Given its debt maturity profile and available facilities, the Directors believe the Group has sufficient liquidity to fulfil financial obligations as they become due for at least 12 months.

B. Restatement and re-presentation

The changes made to the fair value of the net identifiable assets acquired and the consideration during the Measurement Period resulted in an increase in the goodwill balance of £363,000 which has been retrospectively adjusted (see Note 6).

The impact of the retrospective adjustment on the consolidated balance sheet at 31 December 2021 is shown below. The consolidated balance sheet has also been re-presented to provide consistently with the presentation of balances for the year ended 31 December 2022 and provide further clarity by splitting out specific balance sheet items.

	31 December 2021			
	As reported £'000	Restated £'000	Re-presented £'000	As restated £'000
Goodwill	–	363	624,626	624,989
Intangible assets	980,915	–	(624,626)	356,289
Total non-current assets	**1,048,782**	**363**	**–**	**1,049,145**
Total assets	**1,685,301**	**363**	**–**	**1,685,664**
Deferred tax liabilities	(68,478)	(149)	–	(68,627)
Total non-current liabilities	**(443,066)**	**(149)**	**–**	**(443,215)**
Trade and other payables	(324,059)	93	(10,950)	(334,916)
Contingent consideration and holdbacks	(86,370)	(307)	–	(86,677)
Tax liabilities	(17,500)	–	10,950	(6,550)
Total current liabilities	**(440,997)**	**(214)**	**–**	**(441,211)**
Total liabilities	**(884,063)**	**(363)**	**–**	**(884,426)**
Net assets	**801,238**	**–**	**–**	**801,238**

C. Functional and presentation currency

The unaudited consolidated financial statements are presented in Pound Sterling (GBP or £), the Company's functional currency. All financial information in Pound Sterling has been rounded to the nearest thousand unless otherwise indicated.

3. Significant accounting policies

The unaudited consolidated financial statements have been prepared on a consistent basis with the accounting policies of the Group which were set out on pages 113 to 123 of the Annual Report and Accounts 2021. No changes have been made to the Group's accounting policies in the year ended 31 December 2022.

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

4. Critical accounting judgements and estimates

The following are the critical accounting judgements and estimates, made by management in the process of applying the Group's accounting policies, that have the most significant effect on the amounts recognised in the Group's unaudited consolidated financial statements.

Judgements

The judgments and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition

The Group's revenue is earned from the provision of data and digital media solutions and technology services. Under IFRS 15, revenue from contracts with customers is recognised as, or when, the performance obligation is satisfied.

Specifically for the Content segment, due to the size and complexity of contracts, management is required to form a number of judgements in the determination of the amount of revenue to be recognised including the identification of performance obligations within the contract and whether the performance obligation is satisfied over time or at a point in time. The key judgment is whether revenue should be recognised over time or at point in time. Where revenue is recognised over time, an estimate must be made regarding the progress towards completion of the performance obligation.

Impairment of goodwill and intangible assets

The Group applies judgement in determining whether the carrying value of goodwill and intangible assets have any indication of impairment on an annual basis, or more frequently if required. Both external and internal factors are monitored for indicators of impairment. When performing the impairment review, management's approach for determining the recoverable amount of a cash-generating unit is based on the higher of value in use or fair value less cost to dispose. In determining the value in use, estimates and assumptions are used to derive cashflows, growth rates and discount rates. The recoverable amount is compared with the carrying amount of the cash generating units. See Note 8 and 9 for further information.

Tax positions

The Group is subject to sales tax in a number of jurisdictions. Judgement is required in determining the provision for sales taxes due to uncertainty of the amount of tax that may be payable. Provisions in relation to uncertain tax positions are established on an individual rather than portfolio basis, considering whether, in each circumstance, the Group considers it is probable that the uncertainty will crystallise.

Use of alternative performance measures

In establishing which items are disclosed separately as adjusting items to enable a better understanding of the underlying financial performance of the Group, management exercise judgement in assessing the size and nature of specific items. The Group uses alternative performance measures as we believe these measures provide additional useful information on the underlying trend, performance, and position of the Group. These underlying measures are used by the Group for internal performance analyses, and credit facility covenants calculations. The alternative performance measures include 'adjusted operating profit', 'adjusting items', 'EBITDA' (earnings before interest, tax, depreciation) and 'operational EBITDA'. The terms 'adjusted operating profit', 'adjusting items', 'EBITDA' and 'operational EBITDA' are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. The measures are not intended to be a substitute for, or superior to, GAAP measures. A full list of alternative performance measures and non-IFRS measures together with reconciliations to IFRS or GAAP measures are set out in the Alternative Performance Measures.

Estimates

Fair value of assets and liabilities acquired and measurement of consideration on business combinations

During the year, the Group acquired 4Mile on 11 January 2022, TheoremOne on 16 May 2022 and XX Artists on 1 July 2022. The most significant fair value adjustments arising on the acquisitions were in relation to allocating the purchase price to the acquired intangibles recognised in the form of customer relationships.

In determining the fair value of the customer relationships to be recognised, estimates and assumptions are used in deriving the cashflows, renewal rates and discount rates. The cashflows include estimates of revenue growth, attrition rates, profit margins, contract durations, discount rates. Management involves external advisors on the valuation techniques used in determining the fair value of customer relationships. These inputs, combined with our internal knowledge and expertise on the relevant market growth opportunities, enabled management to determine the appropriate value of customer relationships. See Note 6 for further details.

The Group recognises contingent consideration on acquisitions, which comprise both performance and employment linked contingent consideration. The fair value of contingent consideration is based on management's best estimate of achieving future targets to which the contingent consideration is linked to, which is the most significant unobservable input. See Note 6 and 12 for further information.

5. Statutory information and independent review

The unaudited consolidated financial statements for the year ended 31 December 2022 and the financial information for the year ended 31 December 2022 do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2021 have been delivered to the Registrar of Companies and received an unqualified auditors' report, did not include a reference to any matters to which the auditors drew attention by way of an emphasis of matter and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006.

6. Acquisitions

Current year acquisitions

Content Practice

On 1 July 2022, S[4]Capital plc announced the business combination between Media.Monks and XX Artists LLC (known as XX Artists), an award winning Social Media Marketing agency, headquartered in Los Angeles, with a competitive talent edge, for an expected total consideration of approximately £20.5 million, including initial cash consideration of £11.8 million. The initial £11.8 million cash outlay was funded through the Group's own cash resources for the entire issued share capital of XX Artists. The acquisition will augment the Group's Social Media Marketing capabilities. Since the acquisition date, XX Artists contributed £25.3 million to the Group's revenue and £4.6 million to the Group's operational EBITDA for the year ended 31 December 2022.

Included within the total purchase consideration is deferred consideration of £7.8 million and holdbacks of £0.8 million. The deferred consideration relates to the share issuances which have been deferred with no element contingent on future events. The holdbacks relate to amounts held back due to cover and indemnify the Group against certain acquisition costs and damages. The Group currently expects to settle the maximum holdback amount. The amount payable would be dependent on the amount of these acquisition costs and damages, with the minimum amount payable being nil.

In relation to XX Artists, the employment linked contingent consideration due to the sellers who remain employees of the business is deemed to represent employee remuneration given that it will be forfeited in the event of a seller being a bad leaver and therefore should be excluded from the total purchase consideration. At 31 December 2022, £35.8 million was included within the employment linked contingent consideration (see Note 12) with no additional amounts to be accrued in future periods as the liability had been accrued in full. The employment linked contingent consideration is payable on the basis that XX Artists achieved agreed post acquisition EBITDA targets for the 12 month period ended 31 December 2022. This represents the maximum amount payable as at the date of the acquisition. The business is expected to achieve the performance targets in full. If the business does not achieve the minimum performance target the amount payable would be nil.

The assets and liabilities in the table below remain provisional as the purchase price allocation have not been fully finalised at the end of the reporting period.

	Book value £'000	Fair value adjustments £'000	Provisional fair value £'000
Intangible assets – Customer relationships	–	15,402	**15,402**
Intangible assets – Brand names	–	990	**990**
Property, plant and equipment	388	–	**388**
Right-of-use asset	–	709	**709**
Other non-current assets	42	–	**42**
Cash and cash equivalents	96	–	**96**
Trade and other receivables	9,898	–	**9,898**
Trade and other payables	(8,122)	–	**(8,122)**
Lease liabilities	–	(709)	**(709)**
Net identifiable assets	2,302	16,392	**18,694**
Goodwill	18,192	(16,392)	**1,800**
Total	**20,494**	**-**	**20,494**

Cash	11,880
Deferred consideration	7,786
Holdback obligations	828
Total purchase consideration	**20,494**
Cash consideration	11,880
Cash and cash equivalents acquired	(96)
Cash outflow on acquisition (net of cash acquired)	**11,784**

Data&Digital Media practice

On 11 January 2022, S[4]Capital plc announced the business combination between Media.Monks and 4Mile LLC (known as 4Mile), a California-based leader in data analytics, data engineering, data governance, software engineering, UX design and project & product management, for an expected total consideration, including performance linked contingent consideration, of approximately £25.1 million including initial cash consideration of £7.0 million. The initial cash outlay was funded through the Group's own cash resources for the entire issued share capital of 4Mile. This will enhance the Group's global analytics capabilities and expands its client base. Since the acquisition date, 4Mile contributed £8.0 million to the Group's revenue and £0.7 million to the Group's operational EBITDA for the year ended 31 December 2022.

Included within the total purchase consideration is performance linked contingent consideration of £12.5 million, deferred consideration of £2.3 million and holdbacks of £3.4 million. The performance linked contingent consideration is payable on the basis that 4Mile achieved agreed post acquisition Gross Margin targets for the 12 months ending 31 December 2022. The deferred consideration of £2.3 million relates to the share issuances which have been deferred with no element contingent on future events.

The assets and liabilities recognised as a result of the acquisition is as follows:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Intangible assets – Customer relationships	–	7,725	7,725
Intangible assets – Brand names	–	366	366
Intangible assets – Order backlog	–	822	822
Intangible assets – Software	–	325	325
Property, plant and equipment	42	–	42
Other non-current assets	1	–	1
Cash and cash equivalents	2,334	–	2,334
Trade and other receivables	1,674	–	1,674
Trade and other payables	(1,525)	–	(1,525)
Other non-current liabilities	(258)	–	(258)
Net identifiable assets	2,268	9,238	11,506
Goodwill	22,812	(9,238)	13,574
Total	**25,080**	–	**25,080**
Cash			6,964
Deferred consideration			2,264
Performance linked contingent consideration			12,450
Holdback obligations			3,402
Total purchase consideration			**25,080**
Cash consideration			6,964
Cash and cash equivalents acquired			(2,334)
Cash outflow on acquisition (net of cash acquired)			**4,630**

As part of the 4Mile acquisition, the Group is also contracted to pay employment linked contingent consideration due to sellers who remain employees of the business, which is deemed to represent employee remuneration given that it will be forfeited in the event of a seller being a bad leaver. The full amount of employment linked contingent consideration, of £6.5 million, had been accrued by 31 December 2022.

During the period, £6.8 million of the performance linked contingent consideration which had been recognised on acquisition and £2.8 million relating to employment linked contingent consideration which had been accrued in the post acquisition period was released into the consolidated statement of profit or loss respectively as performance targets were not expected to be achieved in full. At 31 December 2022, the performance linked and employment linked contingent consideration remaining on the balance sheet is £8.8 million and £3.7 million respectively. The amounts held at 31 December 2022 represent the maximum amount payable as the performance targets have not been met in full. If the business does not achieve the minimum performance target the amounts payable would be nil. Given the performance of the business we expect to have commercial discussions with the sellers regarding the outstanding consideration.

At 31 December 2022, the £5.0 million of holdbacks relates to amounts held back due to cover and indemnify the Group against certain acquisition costs and damages. The Group currently expects to settle the maximum holdback amount. The amount payable would be dependent on the acquisition costs and damages, with the minimum amount payable being nil.

Technology Services practice

On 16 May 2022, S[4]Capital plc announced the business combination between Media.Monks and Citrusbyte LLC, Proof LLC, Technical Performance Services LLC, Lemma Solutions LLC and Formula Partners LLC (collectively known as TheoremOne), a California-based leader in agile, full-stack innovation, engineering, and design and helps major enterprises achieve strategic digital transformation, for an expected total consideration of approximately £143.0 million. The initial consideration of £78 million was funded through the Group's own cash resources for the entire share capital of TheoremOne. The acquisition augments the Group's Technology Services and consulting capabilities and expands its client base. Since the acquisition date, TheoremOne contributed £59.0 million to the Group's revenue and £22.5 million operational EBITDA for the year ended 31 December 2022.

Included within the total purchase consideration is deferred consideration of £55.0 million and holdbacks of £10.0 million. The deferred consideration relates to the share issuances which have been deferred with no element contingent on future events. The holdbacks relate to amounts held back due to cover and indemnify the Group against certain acquisition costs and damages. The Group currently expects to settle the maximum holdback amount. The amount payable would be dependent on the amount of these acquisition costs and damages, with the minimum amount payable being nil.

In relation to TheoremOne, the employment linked contingent consideration due to sellers who remain employees of the business is deemed to represent employee remuneration given that it will be forfeited in the event of a Seller being a bad leaver and therefore should be excluded from the total purchase consideration. At the 31 December 2022, £54.2 million was included within employment linked contingent consideration. A further £28.9 million will be accrued during the year ended 31 December 2023. The employment linked contingent consideration is payable on the basis that TheoremOne achieves post acquisition EBITDA targets for the 12 month period ended 31 December 2022.

This represents the maximum amount payable as at 31 December 2022. The business is expected to achieve the performance targets in full. If the business did not achieve the minimum performance target the amount payable would be nil.

The assets and liabilities in the table below remain provisional as the purchase price allocation have not been fully finalised at the end of the reporting period.

	Book value £'000	Fair value adjustments £'000	Provisional fair value £'000
Intangible assets – Customer relationships	–	81,102	81,102
Intangible assets – Brand names	–	1,881	1,881
Intangible assets – Order backlog	–	7,023	7,023
Property, plant and equipment	553	–	553
Other non-current assets	140	–	140
Cash and cash equivalents	5,238	–	5,238
Trade and other receivables	12,780	(1,978)	10,802
Trade and other payables	(1,753)	–	(1,753)
Net identifiable assets	16,958	88,028	104,986
Goodwill	126,034	(88,028)	38,006
Total	**142,992**	–	**142,992**
Cash			77,975
Deferred consideration			55,016
Holdbacks			10,001
Total purchase consideration			**142,992**
Cash consideration			77,975
Cash and cash equivalents acquired			(5,238)
Cash outflow on acquisition (net of cash acquired)			**72,737**

The goodwill represents the potential growth opportunities and synergy effects from the acquisitions. The goodwill for 4Mile, TheoremOne and XX Artists is deductible for US tax purposes. Trade receivables, net of expected credit losses, acquired are considered to be fair value and are expected to be collectable in full. The gross contractual amounts receivable of the acquired companies at the acquisition date are £18.6 million of which £2.0 million was expected to be uncollectable at the date of acquisition.

The total acquisition costs of £13.2 million (2021: £8.1 million) have been recognised under acquisition and set-up related expenses in the consolidated statement of profit or loss.

Since the acquisition date, the acquired companies, XX Artists, 4Mile and TheoremOne, contributed £92.3 million to the Group's revenue and £27.8 million operational EBITDA to the Group's results for the year ended 31 December 2022. If the acquisitions had occurred on 1 January 2022, the Group's revenue would have been £1,108.7 million and the Group's operational EBITDA for the year would have been £136.3 million.

Prior year acquisitions

The initial accounting for the business combination of Raccoon, Zemoga, Cashmere and Maverick were incomplete by the 31 December 2021. As required by IFRS 3, the following fair value adjustments have been made during the measurement period, which had no material impact on the profit and loss statement.

	As disclosed at 31 December 2021		At 31 December 2022
	Provisional fair value £'000	Fair value adjustments £'000	Fair value £'000
Intangible assets – Customer relationships	86,552	–	86,552
Intangible assets – Brand names	2,804	–	2,804
Intangible assets – Order backlog	3,547	–	3,547
Intangible assets – Software	829	–	829
Property, plant and equipment	2,827	–	2,827
Right-of-use asset	6,022	–	6,022
Other non-current assets	703	–	703
Cash and cash equivalents	15,839	–	15,839
Trade and other receivables	20,918	–	20,918
Trade and other payables	(21,897)	91	(21,806)
Current taxation	(8,439)	–	(8,439)
Lease liabilities	(6,354)	–	(6,354)
Other non-current liabilities	(2,288)	–	(2,288)
Deferred taxation	(16,337)	(160)	(16,497)
Net identifiable assets	84,726	(69)	84,657
Goodwill	134,975	365	135,340
Total	**219,701**	**296**	**219,997**
Payment in kind (common stock)	56,236	–	56,236
Cash	77,204	–	77,204
Deferred consideration	28,444	–	28,444
Performance linked contingent consideration	45,672	296	45,968
Holdback obligations	12,145	–	12,145
Total purchase consideration	**219,701**	**296**	**219,997**
Cash consideration	77,204	–	77,204
Cash and cash equivalents acquired	(15,839)	–	(15,839)
Cash outflow on acquisition (net of cash acquired)	**61,365**	**–**	**61,365**

Raccoon Group (Raccoon)

Included within the total purchase consideration is deferred consideration of £16.8 million and holdbacks of £0.1 million. The deferred consideration relates to the share issuances which have been deferred with no element contingent on future events. The holdbacks relate to amounts held back due to cover and indemnify the Group against certain acquisition costs and damages. The Group currently expects to settle the maximum holdback amount. The amount payable would be dependent on the amount of these acquisition costs and damages, with the minimum amount payable being nil.

In relation to Raccoon, the contingent consideration linked to employment due to sellers who remain employees of the business is deemed to represent employee remuneration given that it will be forfeited in the event of a Seller being a bad leaver and therefore should be excluded from the total purchase consideration. At the 31 December 2022, the payable balance is £55.1 million with no additional amounts to be accrued in future period as the liability had been accrued in full.

The contingent consideration linked to employment is payable on the basis that Raccoon achieved agreed post-acquisition EBITDA targets for the 12 month period ended 31 December 2022. This represents the maximum amount payable as at the date of the acquisition. The business is expected to achieve the performance targets in full. If the business did not achieve the minimum performance target the amount payable would be nil.

Zemoga Group (Zemoga)

The total purchase consideration within the provisional fair value for the year ended 31 December 2021, included performance linked contingent consideration of £22.0 million (restated to £22.2 million), deferred consideration of £5.5 million and holdbacks of £7.7 million. During the year ended 31 December 2022, the Group settled the performance linked contingent consideration and partially settled the holdbacks. The performance linked contingent consideration represents the maximum amount payable and has been paid during the year as the business achieved post acquisition EBITDA targets for the 12 months ending 31 December 2021.

The deferred consideration of £5.5 million relates to the share issuances which have been deferred with no element contingent on future events. The remaining £6.3 million, as at 31 December 2022, of holdbacks relates to amounts held back due to cover and indemnify the Group against certain acquisition costs and damages. The Group currently expects to settle the maximum holdback amount. The amount payable would be dependent on the amount of these acquisition costs and damages, with the minimum amount payable being nil.

Cashmere Agency Inc (Cashmere)

Included within the total purchase consideration is deferred consideration of £6.2 million and holdbacks of £2.8 million. The deferred consideration relates to the share issuances which have been deferred with no element contingent on future events. The holdbacks relates to amounts held back due to cover and indemnify the Group against certain acquisition costs and damages. The Group currently expects to settle the maximum holdback amount. The amount payable would be dependent on the amount of these acquisition costs and any damages, with the minimum amount payable being nil.

7. Segment information

A. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM has been identified as the Board of Directors of S^{4}Capital Group.

During the year, S^{4}Capital Group has three reportable segments as follows:

- Content practice: Creative content, campaigns, and assets at a global scale for paid, social and earned media – from digital platforms and apps to brand activations that aim to convert consumers at every possible touchpoint.
- Data&Digital Media practice: Full-service campaign management analytics, creative production and ad serving, platform and systems integration and transition and training and education.
- Technology Services practice: digital transformation services in delivering advanced digital product design, engineering services and delivery services.

The customers are primarily businesses across technology, FMCG and media and entertainment. Any intersegment transactions are based on commercial terms.

The Board of Directors monitor the results of the reportable segments separately for the purpose of making decisions about resource allocation and performance assessment prior to charges for tax, depreciation and amortisation.

The Board of S^{4}Capital Group uses net revenue rather than revenue to manage the Company due to the fluctuating amounts of direct costs, which form part of revenue.

The following is an analysis of the Group's net revenue and results by reportable segments:

2022	Content £'000	Data&Digital Media £'000	Technology services £'000	Total £'000
Revenue	755,422	220,498	93,569	1,069,489
Net revenue	582,713	216,818	92,161	891,692
Segment profit[1]	74,053	39,870	36,137	150,060
Overhead costs				(25,888)
Adjusted non-recurring and acquisition related expenses[3]				(170,533)
Depreciation, amortisation and impairments[2]				(88,935)
Net finance costs and gain on net monetary position				(24,370)
Loss before income tax				(159,666)

2021	Content £'000	Data&Digital Media £'000	Technology services £'000	Total £'000
Revenue	513,433	165,646	7,522	**686,601**
Net revenue	385,552	167,079	7,632	560,263
Segment profit[1]	52,286	55,024	3,087	110,397
Overhead costs				(9,410)
Adjusted non-recurring and acquisition related expenses[3]				(97,372)
Depreciation, amortisation and impairments[2]				(45,670)
Net finance costs and loss on net monetary position				(13,595)
Loss before income tax				**(55,650)**

Notes:
1 Including £16.8m (2021: £10.8m) depreciation and impairment on right-of-use assets.
2 Excluding £16.8m (2021: £10.8m) depreciation and impairment on right-of-use assets.
3 Consisting of acquisition and restructuring expenses of £155.9m (2021: £83.5m) and share-based payment costs of £14.7m (2021: £13.9m).

Segment profit represents the profit earned by each segment without allocation of the share of loss of joint ventures, central administration costs including directors' salaries, finance income, non-operating gains and losses, and income tax expense. This is the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance.

B. Information about major customers

S^{4}Capital Group has an attractive and expanding client base with seven clients providing more than £20 million of revenue per annum representing 39% of the Group's revenue. During the year ended 31 December 2021 five clients provided more than £20 million of revenue representing 31% of the Group's revenue.

One customer accounted for more than 10% of the Group's revenue during the year, contributing £187.5 million. The revenue from this customer was attributable to both the Content and Data&Digital Media segments. For the prior year, one customer accounted for more than 10% of the Group's revenue, contributing £94.2 million. The revenue from this customer was attributable to both the Content and Data&Digital Media segments.

8. Goodwill

Net book value	**2022 £'000**	2021[1] £'000
At 1 January	**624,989**	498,113
Acquired through business combinations	**53,380**	135,338
Impairments	**(15,165)**	-
Foreign exchange differences	**57,161**	(8,462)
At 31 December	**720,365**	**624,989**

1. Restated for the business combinations. Refer to Note 2.

During the year an amount of £53.4 million has been acquired through business combinations. See Note 6.

Goodwill represents the excess of consideration over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill – impairment testing

Goodwill acquired through business combinations is allocated to CGUs for impairment testing. The goodwill balance is allocated to the following CGUs:

	2022 £'000	2021[1] £'000
Content	**393,252**	372,305
Data&Digital Media	**241,014**	210,347
Technology Services	**86,099**	42,337
Total	**720,365**	**624,989**

1. Restated for the initial accounting for business combinations. Refer to Note 2.

The recoverable amount for each CGU is determined using a value-in-use calculation. In determining the value in use, the Group uses forecasted revenue and profits adjusted for non-cash transactions to generate cash flow projections. The forecasts are prepared by management based on Board approved business plans for each CGU which reflect result expectations, including the impact of inflation, cash performance and historic trends.

An underlying revenue growth rate of 14.5% to 57.6% (2021: 21% to 45%) per annum depending on the practice in years one to three have been used accordingly. Beyond the explicit three year forecast period, a two year transition period bridging the revenue growth to the assessed long term growth rate has been used. Following the fourth year, a long term growth rate has been applied in perpetuity. A terminal value has been applied using an underlying long term growth rate of 2.0% (2021: 2.0%). The cash flows have been discounted to present value using a pre-tax discount rate which was between 11.2% and 11.9% (2021: 9.4% and 9.8%) depending on the CGU. The value-in-use exceeds the carrying amount of the CGUs by two to three times.

Sensitivity analysis has been carried out by adjusting the respective CGU discount rates and growth rates. Based on the Group's sensitivity analysis, no indicators of impairment have been identified. In carrying out the impairment review, management believes that there are no CGUs where reasonably possible changes to the underlying assumptions exist that would give rise to an impairment.

During the end of the reporting period, the Group assessed there to be an indicator of impairment in relation to the goodwill, customer relationships and brand names relating to 4Mile. The indicator of impairment was as a result of the actual performance of 4Mile being significantly lower than forecasted. As a result of the impairment review, the Group recognised an impairment of goodwill of £15.2 million for 4Mile. 4Mile is part of the DDM segment but the business has not yet been integrated and is monitored separately by the Group. The intangible assets relating to customer relationships, brand names and other intangible assets were also impaired by £6.1 million, £0.3 million and £0.3 million respectively to the value in use recoverable amount. The impairment of goodwill and intangible assets has been recognised within the consolidated statement of profit or loss within depreciation, amortisation and impairment.

9. Intangible assets

	Customer relationships £'000	Brands £'000	Order Backlog £'000	Other £'000	Total £'000
Cost					
At 1 January 2021	307,120	18,557	11,794	11,207	348,678
Acquired through business combinations	86,552	2,804	3,547	829	93,732
Additions	–	–	–	3,458	3,458
Disposals	–	–	–	(117)	(117)
Foreign exchange differences	(4,632)	(478)	(354)	(174)	(5,638)
At 31 December 2021	**389,040**	**20,883**	**14,987**	**15,203**	**440,113**
Acquired through business combinations	**104,229**	**3,237**	**7,846**	**325**	**115,637**
Additions	**–**	**–**	**–**	**1,512**	**1,512**
Disposals	**–**	**–**	**(22,915)**	**–**	**(22,915)**
Foreign exchange differences	**38,534**	**1,960**	**614**	**1,381**	**42,489**
At 31 December 2022	**531,803**	**26,080**	**532**	**18,421**	**576,836**
Accumulated amortisation and impairment					
At 1 January 2021	(32,243)	(3,121)	(7,604)	(2,757)	(45,725)
Charge for the year	(26,762)	(3,312)	(6,380)	(3,037)	(39,491)
Foreign exchange differences	842	47	326	177	1,392
At 31 December 2021	**(58,163)**	**(6,386)**	**(13,658)**	**(5,617)**	**(83,824)**
Charge for the year	**(38,542)**	**(5,554)**	**(9,184)**	**(3,731)**	**(57,011)**
Impairment	**(6,103)**	**(277)**	**–**	**(304)**	**(6,684)**
Disposals	**–**	**–**	**22,915**	**–**	**22,915**
Foreign exchange differences	**(5,394)**	**(622)**	**(441)**	**(614)**	**(7,071)**
At 31 December 2022	**(108,202)**	**(12,839)**	**(368)**	**(10,266)**	**(131,675)**
Net book value					
At 31 December 2021	**330,877**	**14,497**	**1,329**	**9,586**	**356,289**
At 31 December 2022	**423,601**	**13,241**	**164**	**8,155**	**445,161**

The impairment of customer relationships, brands and other intangibles relates to 4Mile. See Note 8.

10. Interest in joint ventures

The Group, through its subsidiary S^{4}Capital 2 Ltd a directly owned subsidiary, together with Stanhope Capital LLP (Stanhope LLP), through its subsidiary Portman Square General Partner S.à r.l. (Stanhope), subscribed for the initial EUR6,000 of shares each to incorporate S4S Ventures General Partner S.à r.l. (GP), a Luxembourg company. The GP has since established two S4S Ventures funds established in Luxembourg and the US. The Group has a 50% interest in the GP, a joint venture whose primary activity is to invest in technology companies focused on the marketing and advertising industries, to focus on early-stage technology investments with the ability to transform the sector. S4S aims to invest in companies across five principal areas: Martech, Adtech, Data Technology, Creative Technology, and Emerging Digital Media/Content. The Group's interest is accounted for using the equity method in the consolidated financial statements.

11. Loans and borrowings

	Bank Loans £'000	Senior secured term loan B (TLB) £'000	Transaction Costs £'000	Interest on Facilities Agreement £'000	Total £'000
Balance at 1 January 2021	**91,285**	**–**	**(844)**	**–**	**90,441**
Drawdowns	24,632	318,938	(8,379)	–	335,191
Acquired through business combinations	2,760	–	–	–	2,760
Loans Waived	(1,592)	–	–	–	(1,592)
Repayments	(110,895)	–	–	(5,530)	(116,425)
Charged to profit-or-loss	–	–	1,283	6,169	7,452
Exchange rate differences	(2,864)	(3,833)	(21)	(15)	(6,733)
Total transactions during the year	**(87,959)**	**315,105**	**(7,117)**	**624**	**220,653**
Balance at 31 December 2021	**3,326**	**315,105**	**(7,961)**	**624**	**311,094**
Drawdowns	**16**	-	-	-	**16**
Acquired through business combinations	**258**	-	-	-	**258**
Loans Waived	**(266)**	-	-	-	**(266)**
Repayments	**(2,790)**	-	-	**(13,543)**	**(16,333)**
Charged to profit-or-loss	-	-	**1,320**	**13,543**	**14,863**
Exchange rate differences	**45**	**17,471**	**(283)**	**34**	**17,267**
Total transactions during the year	**(2,737)**	**17,471**	**1,037**	**34**	**15,805**
Balance at 31 December 2022	**589**	**332,576**	**(6,924)**	**658**	**326,899**
Included in current liabilities	**16**	-	-	**658**	**674**
Included in non-current liabilities	**573**	**332,576**	**(6,924)**	-	**326,225**

S^{4}Capital Group has a facility agreement, consisting of a Term Loan B (TLB) of EUR 375 million and a multicurrency Revolving Credit Facility (RCF) of £100 million. During 2022, the RCF remained fully undrawn. The interest on the facilities is the aggregate of the variable interest rate (EURIBOR, LIBOR or, in relation to any loan in GBP, SONIA) and a margin based on leverage (between 2.25% and 3.75%). The duration of the facility agreement is seven years in relation to the TLB, therefore the termination date is August 2028, and five years in relation to the RCF, therefore the termination date is August 2026.

During the reporting period, the average interest rate of the outstanding loans amounted to 4.76% (2021: 2.96%) The average effective interest rate for the outstanding loans is 4.06% (2021: 2.93%) and during the period interest expense of £13.5 million was recognised (2021: £6.2 million).

The facility agreement imposes certain covenants on the Group. The loan agreement states that (subject to certain exceptions) S^{4}Capital Group will not provide any other security over its assets and receivables and will ensure that the net debt will not exceed 4.50:1 of the pro-forma earnings before interest, tax, depreciation, and amortisation, measured at the end of any relevant period of 12 months ending each semi-annual date in a financial year. During the year S^{4}Capital Group complied with the covenants set in the loan agreement.

12. Financial instruments

The Board of Directors of S4Capital plc has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. S4Capital Group reports in Pound Sterling.

All funding requirements and financial risks are managed based on policies and procedures adopted by the Board. S4Capital Group does not issue or use financial instruments of a speculative nature.

S4Capital Group is exposed to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

The Group is exposed to risks that arise from its use of financial instruments. The principal financial instruments used by the Group, from which financial instrument risk arises, are trade and other receivables, cash and cash equivalents, accrued income, trade and other payables, loans and borrowings, contingent consideration and lease liabilities.

Fair values of the Group's financial assets and liabilities are categorised into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs) as applicable for contingent consideration.

To the extent financial instruments are not carried at fair value in the consolidated balance sheet, the carrying amount approximates to fair value as of the financial year end due to the short-term nature.

Financial instruments by category

Financial assets	2022 £'000	2021 £'000
Cash and cash equivalents	223,574	301,021
Trade receivables	349,600	271,747
Accrued income	44,728	36,870
Other receivables	42,236	12,365
Total	**660,138**	**622,003**

Financial liabilities	2022 £'000	2021[1] £'000
Financial liabilities held at amortised cost		
Trade and other payables	(369,192)	(265,079)
Loans and borrowings	(326,899)	(311,094)
Lease liabilities	(58,396)	(41,968)
Financial liabilities held at fair value through profit and loss		
Contingent consideration and holdbacks	(188,607)	(118,426)
Total	**(943,094)**	**(736,567)**

Note

1. The comparatives as at 31 December 2021 have been restated for measurement period adjustments in respect of business combinations and re-presented for consistency with the presentation for the year ended 31 December 2022. See Note 2.

The following table categorises the Group's financial liabilities held at fair value on the consolidated balance sheet. There have been no transfers between levels during the year.

Financial liabilities	2022 Fair value £'000	2022 Level 3 £'000	2021 Fair value Restated[1] £'000	2021 Level 3 Restated[1] £'000
Contingent consideration and holdbacks	188,607	188,607	118,426	118,426
Total	**188,607**	**188,607**	**118,426**	**118,426**

Note
1. The comparatives as at 31 December 2021 have been restated for measurement period adjustments in respect of business combinations. See Note 2.

The following table shows the movement in contingent consideration and holdbacks.

Contingent consideration and holdbacks	Performance linked contingent consideration £'000	Employment linked contingent consideration £'000	Holdbacks £'000	Total £'000
Balance at 1 January 2021	**57,885**	**1,732**	**10,306**	**69,923**
Acquired through business combinations	45,968	–	12,145	58,113
Recognised in consolidated statement of profit and loss	–	72,250	–	72,250
Cash paid	(19,281)	(9,985)	(5,923)	(35,189)
Equity settlement	(41,527)	(5,718)	–	(47,245)
Exchange rate differences	(80)	383	271	574
Balance at 31 December 2021[1,2]	**42,965**	**58,662**	**16,799**	**118,426**
Acquired through business combinations	12,450	-	14,232	26,682
Recognised in consolidated statement of profit and loss	(13,067)	155,599	1,581	144,113
Cash paid	(16,949)	(38,936)	(9,437)	(65,322)
Equity settlement	(19,126)	(35,449)	-	(54,575)
Exchange rate differences	4,677	11,818	2,788	19,283
Balance at 31 December 2022	**10,950**	**151,694**	**25,963**	**188,607**
Included in current liabilities	40,744	40,866	5,067	86,677
Included in non-current liabilities	2,221	17,796	11,732	31,749
Balance at 31 December 2021	**42,965**	**58,662**	**16,799**	**118,426**
Included in current liabilities	**10,950**	**151,694**	**14,685**	**177,329**
Included in non-current liabilities	-	-	**11,278**	**11,278**
Balance at 31 December 2022	**10,950**	**151,694**	**25,963**	**188,607**

Note
1. The comparatives as at 31 December 2021 have been restated for measurement period adjustments in respect of business combinations. See Note 2.
2. In the prior year we referred to the employment linked contingent consideration as £67.9 million, however, this should have been £58.7 million as reflected in the table above.

Where the contingent consideration conditions have been satisfied, the Group recognises deferred equity consideration, which is included within Other Reserves.

The fair value of the performance linked contingent consideration has been determined based on management's best estimate of achieving future targets to which the consideration is linked. The most significant unobservable input used in the fair value measurements is the future forecast performance of the acquired business. The fair value is assessed and recognised at the acquisition date, and reassessed at each balance sheet date thereafter, until fully settled, cancelled or expired. Any change in the range of future outcomes is recognised in the consolidated statement of profit or loss. The impact of discounting on the performance linked contingent consideration is £1.5 million for the year (2021: £nil). During the year ended 31 December 2022, a revaluation gain of £14.6million (2021: £nil) was recognised in the consolidated statement of profit or loss.

The fair value of the employment linked contingent consideration has been determined based on management's best estimate of achieving future targets to which the consideration is linked. The most significant unobservable input used in the fair value measurements is the future forecast performance of the acquired business. The fair value is assessed at the acquisition date, and systematically accrued over the respective employment term. Any changes in the range of future outcomes are recognised in the consolidated statement of profit or loss. During the year ended 31 December 2022, the amounts recognised in the consolidated statement of profit or loss, of £155.6 million (2021: £72.3 million), related to the systematic accrual of the employment linked contingent consideration.

Holdbacks relate to amounts held by the Group to cover and indemnify the Group against certain acquisition costs and damages. The fair value of the holdbacks has been determined based on management's best estimate of the level of the costs incurred and damages expected to which the holdback is linked, which is the most significant unobservable input used in the fair value measurement. During the year ended 31 December 2022, £1.6 million (2021: £nil) has been recognised in the consolidated statement of profit or loss.

13. Net debt and cashflow reconciliation

The following table shows the reconciliation of net cash flow to movements in net debt:

	Borrowings and overdraft £'000	Cash £'000	Net Debt £'000	Leases £'000	Net Debt including Lease Liabilities £'000
Net debt as at 1 January 2021	**(91,285)**	**142,052**	**50,767**	**(28,960)**	**21,807**
Financing cash flows	(232,099)	158,331	(73,768)	10,903	(62,865)
Acquired through business combinations	(2,760)	-	(2,760)	(6,354)	(9,114)
Lease additions	-	-	-	(15,953)	(15,953)
Foreign exchange adjustments	6,712	638	7,350	(76)	7,274
Interest expense	(6,169)	-	(6,169)	(1,602)	(7,771)
Interest payment	5,530	-	5,530	-	5,530
Other	1,016	-	1,016	74	1,090
Net debt as at 31 December 2021	**(319,055)**	**301,021**	**(18,034)**	**(41,968)**	**(60,002)**
Financing cash flows	891	(95,778)	(94,887)	17,534	(77,353)
Acquired through business combinations	(258)	-	(258)	(709)	(967)
Lease additions	-	-	-	(26,946)	(26,946)
Foreign exchange adjustments	(17,550)	18,331	781	(3,498)	(2,717)
Interest expense	(13,543)	-	(13,543)	(2,146)	(15,689)
Interest payment	13,543	-	13,543	-	13,543
Other	2,149	-	2,149	(663)	1,486
Net debt as at 31 December 2022	(333,823)	223,574	(110,249)	(58,396)	(168,645)

The following table shows the items included in the cash flows from operations:

	2022 £'000	2021 £'000
Cash flows from operating activities		
Loss before income tax	(159,666)	**(55,650)**
Financial income and expenses	25,707	12,251
Depreciation and amortisation	105,711	56,456
Share-based payments	14,216	13,876
Acquisition, restructuring and other expenses	155,873	83,496
Contingent consideration paid	(38,936)	(9,985)
Share of loss in joint venture	5	-
(Gain)/loss on the net monetary position	(1,337)	1,344
Increase in trade and other receivables	(48,682)	(131,662)
Increase in trade and other payables	44,359	98,370
Cash flows from operations	**97,250**	**68,496**

14. Events occurring after the reporting period

There were no material post balance sheet events, that require adjustment or disclosure, occurring between the reporting period and the 29 March 2023.

Alternative Performance Measures

The Group has included various unaudited alternative performance measures (APMs) in its unaudited consolidated financial statements. The Group includes these non-GAAP measures as it considers these measures to be both useful and necessary to the readers of the Annual Report and Accounts to help them more fully understand the performance and position of the Group. The Group's measures may not be calculated in the same way as similarly titled measures reported by other companies. The APMs should not be viewed in isolation and should be considered as additional supplementary information to the IFRS measures. Full reconciliations have been provided between the APMs and their closest IFRS measures.

The Group has concluded that these APM's are relevant as they represent how the Board assesses the performance of the Group and they are also closely aligned with how shareholders value the business. They provide like-for-like, year-on-year comparisons and are closely correlated with the cash inflows from operations and working capital position of the Group. They are used by the Group for internal performance analysis and the presentation of these measures facilitates comparison with other industry peers as they adjust for non-recurring factors which may materially affect IFRS measures. Adjusting items for the Group include amortisation of acquired intangibles, acquisition related expenses costs, share based payments, employment-related acquisition costs and restructuring costs. Whilst adjusted measures exclude amortisation of intangibles, acquisition costs and restructuring costs they do include the revenue from acquisitions and the benefits of the restructuring programmes and therefore should not be considered a complete picture of the Group's financial performance, that is provided by the IFRS measures.

The adjusted measures are also used in the calculation of the adjusted earnings per share and banking covenants as per our agreements with our lenders.

APM	Closest IFRS measure	Adjustments to reconcile to IFRS Measure	Reason for use
Consolidated statement of profit or loss			
Controlled Billings	Revenue	Includes media spend contracted directly by clients with media providers and pass-through costs (see reconciliation A1 below)	It is an important measure to help understand the scale of the activities that Group has managed on behalf of its clients, in addition to the activities that are directly invoiced by the Group.
Billings	Revenue	Includes pass through costs (see reconciliation A1 below)	It is an important measure to understand the activities that are directly invoiced by the Group to its clients.
Net Revenue	Revenue	Excludes direct costs (see reconciliation A2 below)	This is more closely aligned to the fees the Group earns for its services provided to the clients. This is a key metric used in business when looking at the Practice performance.
Operational EBITDA	Operating profit	Excludes amortisation of intangible assets, Acquisition related expenses, share based payments and PPE depreciation (see reconciliation A3 below)	Operational EBITDA is Operating profit before the impact of adjusting items, amortisation of intangible assets and PPE depreciation. The Group considers this to be an important measure of Group performance and is consistent with how the Group is assessed by the Board and investment community
Like-for-Like	Revenue and operating profit	Is the prior year comparative, in this case 2021, restated to include acquired businesses for the same months as 2022, and restated using same FX rates as used in 2022 (see reconciliations A4 below)	Like for like is an important measure used by the Board and investors when looking at Group performance. It provides a comparison that reflects the impact of acquisitions and changes in FX rates during the period.

APM	Closest IFRS measure	Adjustments to reconcile to IFRS Measure	Reason for use
Pro-forma	Revenue and operating profit	Is full year consolidated results in constant currency and for acquisitions as if the Group had existed in full for the year (see reconciliations A5 below)	Pro-forma figures are used extensively by management and the investment community. It is a useful measure when looking at how the Group has changed in light of the number of acquisitions that have been completed and to understand the performance of the Group.
Adjusted basic earnings per share	Basic earnings per share	Excludes amortisation of intangible assets, acquisition related expenses, share based payments and restructuring expenses (see reconciliation A6 below)	Adjusted basic earnings per share is used by management to understand the earnings per share of the Group after removing non-recurring items and those linked to combinations.
Consolidated balance sheet			
Net debt	None	See reconciliation A7 below	Net debt is cash less gross bank loans (excluding transaction costs). This is a key measure used by management and in calculations for bank covenants.

Billings and Controlled billings (A1)	2022 £'000	2021 £'000
Revenue	1,069,489	686,601
Pass-through expenses	820,988	610,249
Billings[1]	1,890,477	**1,296,850**
Third party billings direct to clients	3,760,747	2,696,311
Controlled billings[2]	5,651,224	**3,993,161**

Notes:
1. Billings is gross billings to clients including pass-through expenses.
2. Controlled billings are billings we influenced.

Net Revenue (A2)	2022 £'000	2021 £'000
Revenue	1,069,489	686,601
Direct costs	(177,797)	(126,338)
Net Revenue	891,692	**560,263**

Reconciliation to Operational EBITDA (A3)	2022 £'000	2021 £'000
Operating (loss) / profit	(135,296)	(42,055)
Amortisation and impairment of intangible assets	78,859	39,491
Acquisition, restructuring and other expenses	155,873	83,496
Share based payment	14,660	13,876
Depreciation of property, plant and equipment[1]	10,076	6,179
Operational EBITDA	124,172	100,987

Note:
1. Depreciation of property, plant and equipment is exclusive of depreciation on right-of-use assets

Like-for-Like (A4)

Like-for-like revenue Year ended 31 December 2021	Content £'000	Data&Digital Media £'000	Technology Services £'000	Total £'000
Revenue	**513,433**	**165,646**	**7,522**	**686,601**
Impact of acquisitions	79,389	34,590	50,005	163,984
Impact of foreign exchange	29,454	(15,854)	(3,629)	9,971
Like-for-like revenue[1]	**622,276**	**184,382**	**53,898**	**860,556**
% like-for-like revenue change	21.4%	19.6%	73.6%	24.3%

Note:

1. Like-for-like is a non-GAAP measure and relates 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.

Like-for-like net revenue Year ended 31 December 2021	Content £'000	Data&Digital Media £'000	Technology Services £'000	Total £'000
Net revenue	**385,552**	**167,079**	**7,632**	**560,263**
Impact of acquisitions	57,902	33,520	49,328	140,750
Impact of foreign exchange	26,252	(15,741)	(3,479)	7,032
Like-for-like net revenue[1]	**469,706**	**184,858**	**53,481**	**708,045**
% like-for-like net revenue change	24.1%	17.3%	72.3%	25.9%

Note:

1. Like-for-like is a non-GAAP measure and relates 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.

Like-for-like Operational EBITDA Year ended 31 December 2021	Total £'000
Operational EBITDA	**100,987**
Impact of acquisitions	39,039
Impact of foreign exchange	8,450
Like-for-like operational EBITDA[1]	**148,476**
% like-for-like operational EBITDA change	-16.4%

Note:

1. Like-for-like is a non-GAAP measure and relates 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.

Pro-forma (A5) Pro-forma revenue	Content £'000	Data&Digital Media £'000	Technology Services £'000	Total £'000
FY22 Revenue	**755,422**	**220,498**	**93,569**	**1,069,489**
Impact of acquisitions	17,146	284	21,818	39,248
FY22 Pro-forma revenue[1]	**772,568**	**220,782**	**115,387**	**1,108,737**
FY21 Revenue	**513,433**	**165,646**	**7,522**	**686,601**
Impact of acquisitions	83,287	34,590	65,758	183,635
Impact of foreign exchange	29,785	(15,854)	(2,726)	11,205
FY21 Pro-forma revenue[1]	**626,505**	**184,382**	**70,554**	**881,441**
% pro-forma revenue change	23.3 %	19.7%	63.5%	25.8%

Note:

1. Pro-forma relates to unaudited full year non-statutory and non-GAAP consolidated results 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.

Pro-forma net revenue	Content £'000	Data&Digital Media £'000	Technology Services £'000	Total £'000
FY22 net revenue	**582,713**	**216,818**	**92,161**	**891,692**
Impact of acquisitions	10,540	276	21,572	32,388
FY22 Pro-forma net revenue[1]	**593,253**	**217,094**	**113,733**	**924,080**
FY21 net revenue	**385,552**	**167,079**	**7,632**	**560,263**
Impact of acquisitions	60,345	33,520	64,970	158,835
Impact of foreign exchange	26,454	(15,741)	(2,585)	8,128
FY21 Pro-forma net revenue[1]	**472,351**	**184,858**	**70,017**	**727,226**
% pro-forma net revenue change	25.6%	17.4%	62.4%	27.1%

Pro-forma Operational EBITDA	Total £'000
FY22 operational EBITDA	**124,172**
Impact of acquisitions	12,083
FY22 Pro-forma operational EBITDA[1]	**136,255**
FY21 Operational EBITDA	**100,987**
Impact of acquisitions	44,712
Impact of foreign exchange	8,796
FY21 Pro-forma operational EBITDA[1]	**154,495**
% pro-forma operational EBITDA change	-11.8%

Adjusted basic earnings per share (A6)

Year ending 31 December 2022	Reported £'000	Amortisation and impairment[1] £'000	Acquisition expenses £'000	Share-based payment £'000	Restructuring expenses £'000	Adjusted £'000
Operating (loss) / profit	**(135,296)**	**78,859**	**150,973**	**14,660**	**4,900**	**114,096**
Net finance costs	**(25,707)**	-	-	-	-	**(25,707)**
Gain on net monetary position	**1,337**	-	-	-	-	**1,337**
(Loss) / profit before income tax	**(159,666)**	**78,859**	**150,973**	**14,660**	**4,900**	**89,726**
Income tax credit/(expense)	**32**	**(16,714)**	**(64)**	**(2,454)**	**(837)**	**(20,037)**
(Loss) / profit for the year	**(159,634)**	**62,145**	**150,909**	**12,206**	**4,063**	**69,689**

1. Amortisation and impairment relate to the intangible assets recognised as a result of the acquisitions.

Year ending 31 December 2021	Reported £'000	Amortisation[1] £'000	Acquisition expenses £'000	Share-based payment £'000	Restructuring expenses £'000	Adjusted £'000
Operating profit	(42,055)	39,491	83,496	13,876	–	**94,808**
Net finance costs	(12,251)	–	–	–	–	(12,251)
Loss on net monetary position	(1,344)	–	–	–	–	(1,344)
(Loss) / profit before income tax	(55,650)	39,491	83,496	13,876	–	**81,213**
Income tax expense	(1,065)	(6,941)	(1,426)	–	–	(9,433)
(Loss) / profit for the year	(56,715)	32,550	82,070	13,876	–	**71,780**

1. Amortisation relates to the amortisation of the intangible assets recognised as a result of the acquisitions.

Adjusted basic result per share	2022	2021
Adjusted profit attributable to owners of the Company (£'000)	69,689	71,780
Weighted average number of ordinary shares for the purpose of basic EPS (shares)	590,667,949	551,752,618
Adjusted basic earnings per share(pence)	11.8	13.0

Net Debt (A7)

Net debt is cash less gross bank loans (excluding transaction costs). This is a measure used by management and in calculations for bank covenants.

Net debt	2022 £'000	2021 £'000
Cash and bank	223,574	301,021
Loans and borrowings (excluding bank overdrafts)	(333,807)	(317,156)
Bank overdrafts	(16)	(1,899)
Net debt	**(110,249)**	**(18,034)**
Lease liabilities	(58,396)	(41,968)
Net debt including lease liabilities	(168,645)	(60,002)