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This Document comprises a prospectus relating to S<sup>4</sup>Capital plc and the Issue prepared in accordance with the Prospectus Regulation. This Document has been approved by the Financial Conduct Authority in accordance with section 87A of the FSMA and has been filed with the Financial Conduct Authority in accordance with Article 20 of the Prospectus Regulation. In accordance with Article 21 of the Prospectus Regulation, this Document has been made available to the public free of charge on the Company's website.

This Document has been approved by the Financial Conduct Authority, as competent authority under Regulation (EU) 2017/1129. The Financial Conduct Authority only approves this Document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129 and such approval should not be considered as an endorsement of the issuer that is the subject of this Document or an endorsement of the quality of the securities that are the subject of this prospectus and investors should make their own assessment as to the suitability of investing in the securities.

The Open Offer Entitlements, the Application Form and the New Ordinary Shares are only transferable, and this Document may only be distributed, subject to the restrictions set out in paragraph 7 of Part II of this Document. No action has been taken by the Company, HSBC Bank plc or Dowgate Capital Limited that would permit an offer of the New Ordinary Shares, the Open Offer Entitlements or possession or distribution of this Document, the Application Form or any other offering or publicity material in any jurisdiction where action for that purpose is required other than in the United Kingdom.

The Company and each of the Directors, whose names appear on page 24 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge of the Company and the Directors that the information contained in this Document is in accordance with the facts and that this Document makes no omission likely to affect its import.

**You should read this Document (including the relevant parts of any document incorporated into it by reference and any accompanying document) in its entirety. In particular, your attention is drawn to the section entitled "Risk Factors" on pages 8 to 20 of this Document for a discussion of the risks that might affect the value of your shareholding.**

## S<sup>4</sup>Capital plc

*(Incorporated and registered in England and Wales with number 10476913)*

Merger with Firewood Marketing, Inc.

Firm Placing and Placing and Open Offer of 70,422,535 New Ordinary Shares of £0.25 each at an Issue Price of 142 pence per New Ordinary Share

Admission of New Ordinary Shares to the standard segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities

**Joint Broker and Joint Bookrunner**

HSBC Bank plc

**Joint Broker and Joint Bookrunner**

Dowgate Capital Limited

The Existing Ordinary Shares have been admitted to the standard segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities. Applications will be made to the Financial Conduct Authority and the London Stock Exchange for the New Ordinary Shares to be admitted to the standard segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities respectively. Admission to trading on the Main Market constitutes admission to trading on a regulated market. It is expected that, subject to the conditions of the proposed merger with Firewood Marketing, Inc. being satisfied or waived, the Placing Agreement becoming wholly unconditional (save for Admission) and if the Company's applications in relation to Admission are approved, Admission will become effective and dealings in the New Ordinary Shares will commence at 8.00 a.m. on 25 October 2019.

A Standard Listing affords investors in the Company a lower level of regulatory protection than that afforded to investors in companies whose securities are admitted to the premium segment of the Official List, which are subject to additional obligations under the Listing Rules.

It should be noted that the Financial Conduct Authority will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules and/or those aspects of the Disclosure Guidance and Transparency Rules with which the Company has indicated in this Document that it intends to comply on a voluntary basis, nor to impose sanctions in respect of any failure by the Company to so comply.

If you sell or transfer or have sold or otherwise transferred all of your Existing Ordinary Shares held in certificated form prior to 8.00 a.m. on 8 October 2019 (the date and time when the Existing Ordinary Shares are expected to be marked ex-entitlement to the Open Offer by the London Stock Exchange), please forward this Document, and if relevant, the accompanying Application Form to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or will be effected, for onward delivery to the purchaser or transferee. However, neither this Document nor any Application Form should be forwarded to or transmitted into any jurisdiction where to do so may constitute a violation of local securities laws or regulations, including, but not limited to, subject to certain exceptions, the Excluded Territories or their respective territories or possessions. If you sell or transfer or have sold or otherwise transferred only part of your registered holding of Existing Ordinary Shares prior to 8.00 a.m. on 8 October 2019, please contact the stockbroker, bank or other agent through whom the sale or transfer was effected immediately and refer to the instructions regarding split applications set out in the Application Form, if relevant. If your registered holding of Existing Ordinary Shares which were sold or transferred was held in uncertificated form and was sold or transferred before the date that the Existing Ordinary Shares are marked ex-entitlement, a claim transaction will automatically be generated by CREST which, on settlement, will transfer the appropriate number of Open Offer Entitlements to the purchaser or transferee. Please refer to paragraph 7 of Part II of this Document if you propose to send this Document and/or the Application Form outside the United Kingdom.

The distribution of this Document and the accompanying documents, and/or the transfer of the Open Offer Entitlements through CREST, into

jurisdictions other than the United Kingdom, may be restricted by law or regulation. Therefore, persons into whose possession this Document (and/or any accompanying documents) comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws and regulations of any such jurisdiction. In particular, subject to certain exceptions, this Document, the Application Form and any other related documents should not be distributed, forwarded to or transmitted in or into any Excluded Territory or any other jurisdiction where the extension or availability of the Open Offer would breach any applicable law or regulation.

HSBC Bank plc ("HSBC"), which is authorised by the Prudential Regulation Authority ("PRA") and regulated in the UK by the PRA and the FCA, and Dowgate Capital Limited ("Dowgate"), which is authorised and regulated in the UK by the FCA, are each acting exclusively for the Company in connection with the Issue. Neither HSBC nor Dowgate will regard any other person (whether or not a recipient of this Document) as a client in relation to the Issue and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for providing advice in relation to Issue or any transaction, matter or arrangement described in this Document. Apart from the responsibilities and liabilities, if any, which may be imposed upon HSBC and Dowgate by the FSMA or the regulatory regime established thereunder, none of HSBC, Dowgate or any of their respective affiliates or any of their or their respective affiliates' directors, officers, partners, members, employees or advisers ("Representatives") accepts any responsibility whatsoever, and no representation or warranty, express or implied, is made or purported to be made by any of them, or on their behalf, for or in respect of any act or omissions of the Company relating to the Issue and the contents of this Document, including its accuracy, completeness, fairness, verification or sufficiency, or concerning any other document or statement made or purported to be made by it, or on its behalf, in connection with the Company, the New Ordinary Shares, the Issue, and nothing in this Document is, or shall be relied upon as, a warranty or representation in this respect, whether as to the past or future. Each of HSBC, Dowgate and each of their respective affiliates and Representatives disclaim, to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of the acts or omissions of the Company in relation to the Issue this Document or any such statement.

**The Open Offer closes at 11.00 a.m. on 22 October 2019 and payment is required in full by this time. If you are a Qualifying non-CREST Shareowner (other than, subject to certain exceptions, Qualifying non-CREST Shareowners with a registered address in any of the Excluded Territories) and wish to apply or subscribe for Open Offer Shares under the Open Offer, you should complete the accompanying Application Form and return it with your remittance in accordance with the instructions set out in paragraph 5 of Part II of this Document and in the Application Form. If you are a Qualifying CREST Shareowner (other than, subject to certain exceptions, Qualifying CREST Shareowners with a registered address in any of the Excluded Territories) the relevant CREST instructions must have settled as explained in Part II of this Document by no later than 11.00 a.m. on 22 October 2019. The Application Form is personal to Qualifying non-CREST Shareowners and cannot be transferred, sold or assigned except to satisfy bona fide market claims. Applications under the Open Offer may only be made by the Qualifying Shareowner originally entitled or by a person entitled by virtue of a bona fide market claim.**

Investors should only rely on the information contained in this Document and any documents incorporated into it by reference. No person has been authorised to give any information or make any representations in relation to the Company other than those contained in this Document and any document incorporated by reference into it and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, its Directors, HSBC, Dowgate or any of their Representatives. The Company will comply with its obligation to publish a supplementary prospectus containing further updated information required by law or by any regulatory authority but assumes no further obligation to publish additional information.

#### **INFORMATION TO DISTRIBUTORS**

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the New Ordinary Shares have been subject to a product approval process, which has determined that such securities are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the New Ordinary Shares may decline and investors could lose all or part of their investment; the New Ordinary Shares offer no guaranteed income and no capital protection; and an investment in New Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Issue. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Ordinary Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the New Ordinary Shares and determining appropriate distribution channels.

#### **OVERSEAS TERRITORIES**

This Document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities by any person in any circumstances in which such offer or solicitation is unlawful.

Subject to certain exceptions, the Issue is not being made to Shareowners or investors in the United States or any other Excluded Territory. Neither this Document nor the Application Form constitutes or forms part of any offer to sell or issue, or any solicitation of any offer to acquire, the New Ordinary Shares offered to any person with a registered address, or who is resident or located in, any jurisdiction in which such an offer or solicitation is unlawful.

The New Ordinary Shares and the Open Offer Entitlements have not been and will not be registered or qualified under the applicable securities laws of any Excluded Territory. Accordingly, subject to certain exceptions, the New Ordinary Shares and the Open Offer Entitlements may not be offered or sold in such jurisdictions or to, or for the account or benefit of, any resident of such jurisdictions. There will be no public offer of the New Ordinary Shares, the Open Offer Entitlements in any of the Excluded Territories.

All Overseas Shareowners and any person (including, without limitation, an agent custodian, nominee, or trustee) who is holding Existing Ordinary Shares for the benefit of such persons or who has a contractual or other legal obligation to forward any documents issued by the Company in connection with the Issue including this Document or any Application Form, if and when received to a jurisdiction outside the

United Kingdom, should read paragraph 7 of Part II of this Document.

Subject to certain exceptions, this Document and the Application Form should not be distributed, forwarded or transmitted in or into the United States or the other Excluded Territories or in or into any jurisdiction or to any person where the extension or availability of the Issue would breach any applicable law.

The New Ordinary Shares and the Open Offer Entitlements have not been and will not be registered under the US Securities Act of 1933, as amended (the "**US Securities Act**"), or under the securities laws of any state or other jurisdiction of the United States and, subject to certain exceptions, may not be offered, sold, pledged, resold, taken up, transferred, delivered or distributed, directly or indirectly, in, into or within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The New Ordinary Shares are being offered and sold either (i) outside the United States in "offshore transactions" as defined in and pursuant to Regulation S under the US Securities Act ("**Regulation S**"), or (ii) in the United States in transactions not involving any public offering in reliance on the exemption from the registration requirements of Section 5 of the US Securities Act provided by Section 4(a)(2) thereof and Regulation D thereunder. There will be no public offer of the New Ordinary Shares or the Open Offer Entitlements in the United States.

The New Ordinary Shares, the Open Offer Entitlements, the Application Form and this Document have not been recommended, approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the Open Offer Entitlements or the accuracy or adequacy of the Application Form or this Document. Any representation to the contrary is a criminal offence in the United States.

The New Ordinary Shares and the Open Offer Entitlements have not been registered with the *Comisión Nacional de Valores* or under any kind of Argentine regulation, and no filing of any kind has been done or requested to perform public offering of the New Ordinary Shares or the Open Offer Entitlements in Argentina in order to offer, sell, deliver, guaranty or transfer in any way the New Ordinary Shares or the Open Offer Entitlements to Argentina or to Argentine residents. The New Ordinary Shares and the Open Offer Entitlements may not be publicly distributed in Argentina.

Within Brazil, this Document may only be delivered on a confidential basis to the Shareowners of the Company and to a limited number of professional investors, in the context of the Issue. Any representation to the contrary is untruthful and unlawful. Neither the information in this Document nor any other document relating to the Issue has been submitted to registration with the *Comissão de Valores Mobiliários ("CVM")* in Brazil and no prospectus (within the meaning of CVM Rule (*Instrução*) No. 400, dated December 29, 2003, as amended), has been published or is intended to be published in respect of the Issue. The New Ordinary Shares and the Open Offer Entitlements may not be offered or sold in Brazil by means of this Document, except in circumstances which do not constitute a public offering in Brazil under Law No. 6,385, dated December 7, 1976, as amended, and under CVM Rule (*Instrução*) No. 400, dated December 29, 2003, as amended. Any public offering or distribution, as defined under Brazilian laws and regulations, of the New Ordinary Shares and Open Offer Entitlements in Brazil is not legal without such prior registration. Documents relating to the Issue, as well as information contained therein, may not be supplied to the public in Brazil, as the Issue is not a public offering of securities in Brazil, nor may they be used in connection with any offer for sales of the New Ordinary Shares and the Open Offer Entitlements to the public in Brazil.

The New Ordinary Shares and the Open Offer Entitlements have not been and will not be registered under any securities laws or regulations of the Netherlands and no general offer of the Existing Ordinary Shares or the New Ordinary Shares is being made into the Netherlands pursuant to this Document, save for an exempted offer in accordance with the Prospectus Regulation to certain pre-existing Shareowners for them to take up their Open Offer Entitlements.

The New Ordinary Shares and the Open Offer Entitlements have not been and will not be registered under any securities laws or regulations of Germany and no offer to the public of the Existing Ordinary Shares or the New Ordinary Shares is being made into Germany pursuant to this Document. This offer of New Ordinary Shares exclusively addresses German Professional Investors within the meaning of Art. 2 lit. e Prospectus Regulation / Annex II of MiFID II. This offer of New Ordinary Shares will at no time be made to retail investors / consumers located in Germany. Neither the Company nor the circulation of any document in relation thereto has been approved by BaFin.

The New Ordinary Shares may not be publicly offered in Switzerland and will not be admitted to trading or listed on SIX Swiss Exchange AG (together with SIX Exchange Regulation AG, and each individually, "**SIX**") or any other stock exchange or regulated trading venue in Switzerland. This Document has been prepared without regard to the disclosure standards for issuance prospectuses pursuant to article 652a or article 1156 of the Swiss Code of Obligations of March 30, 1911, as amended, or the disclosure standards for listing prospectuses pursuant to article 27 et seq. of the Listing Rules of SIX of October 25, 2018 or pursuant to the listing rules of any other stock exchange or regulated trading venue in Switzerland. Neither this Document nor any other offering or marketing material relating to the New Ordinary Shares or the Open Offer may be publicly distributed in or into or otherwise made publicly available in Switzerland. Neither this Document nor any other offering or marketing material relating to the New Ordinary Shares, the Open Offer or the Company has been or will be filed with or approved by any Swiss regulatory authority. In particular, this Document has not been and will not be filed with, and the Open Offer of the New Ordinary Share has not been and will not be approved or supervised by, the Swiss Financial Market Supervisory Authority (FINMA) or SIX. The investor protection afforded to acquirers of securities in Swiss public offerings does not extend to acquirers of New Ordinary Shares in the Open Offer.

This Document has not been registered with, or approved by, the Gibraltar Financial Services Commission. The distribution of this Document in Gibraltar is made under one or more exemptions from the requirement to issue a prospectus under the Prospectuses Act 2005. The Prospectuses Act 2005 transposes the provisions of the EU Prospectus Directive 2003/71/EC, and applies the EU Prospectus Regulation 2017/1129, into Gibraltar law.

Any reproduction or distribution of this Document in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the New Ordinary Shares is prohibited, except to the extent such information is available publicly. By accepting delivery of this Document, each offeree of the New Ordinary Shares agrees to the foregoing.

None of the Company, the Directors, HSBC, Dowgate or any of their respective affiliates or any of their or their respective affiliates' Representatives is providing prospective investors with any representations or warranties or any legal, financial, business, tax or other advice. Prospective investors should consult with their own advisers as needed to assist them in making their investment decision and to advise them whether they are legally permitted to purchase the New Ordinary Shares.

No action has been taken by the Company, HSBC or Dowgate that would permit an offer of the New Ordinary Shares or possession or distribution of this Document or any other offering or publicity material or the Application Form in any jurisdiction where action for that purpose is required, other than in the United Kingdom. None of the Company, HSBC and Dowgate or any of their respective affiliates, directors, officers, employees or advisers is making any representation to any offeree, purchaser or acquirer of New Ordinary Shares regarding the legality of an investment in the Issue or the New Ordinary Shares by such offeree, purchaser or acquirer under the laws applicable to such offeree, purchaser or acquirer.

The Company will comply with its obligation to publish a supplementary prospectus containing further updated information required by law or

any regulatory authority but assumes no further obligation to publish additional documentation.

**NOTICE TO PROSPECTIVE CANADIAN INVESTORS**

The New Ordinary Shares and the Open Offer Entitlements may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 – *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the New Ordinary Shares and the Open Offer Entitlements must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Joint Bookrunners are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

**AVAILABLE INFORMATION**

Copies of this Document will be available on the "Investors" section of the Company's website at [www.s4capital.com](http://www.s4capital.com) and are also available for collection free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of the Company, 12 St James's Place, London SW1A 1NX from the date of this Document, and shall remain available for a period of one month from Admission.

This Document is dated 8 October 2019.

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## SUMMARY

### Section A - Introduction and warnings

The securities offered under the Issue are Ordinary Shares of £0.25 each (ISIN: GB00BFZZM640) in the capital of S<sup>4</sup>Capital plc (the "Company"). The Company's LEI is 21380068SP9V65KPQN68, and its registered office is at 12 St James's Place, London SW1A 1NX. The Company's telephone number is 020 3793 0003.

The competent authority, which has approved this Document on 8 October 2019, is the United Kingdom Financial Conduct Authority, 12 Endeavour Square, London E20 1JN. The FCA's telephone number is 0800 111 6768.

This summary should be read as an introduction to this Document. Any decision to invest in the Ordinary Shares should be based on consideration of this Document as a whole by the investor. Investors in the Ordinary Shares could lose all or part of their invested capital.

Where a claim relating to the information contained in this Document is brought before a court, the plaintiff investor may, under national law, have to bear the costs of translating this Document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Document or where it does not provide, when read together with the other parts of this Document, key information in order to aid investors when considering whether to invest in such securities.

### Section B – Key information on the issuer

#### Section B(1) – Who is the issuer of the securities?

The legal name of the Company, being the issuer of the New Ordinary Shares, is S4 Capital plc, and it trades as S<sup>4</sup>Capital and/or S<sup>4</sup>Capital. The Company was incorporated in England and Wales on 14 November 2016 with the registration number 10476913 as a public company limited by shares. The principal legislation under which the Company operates and under which the Ordinary Shares are issued is the Companies Act and the regulations made thereunder.

S<sup>4</sup>Capital's mission is to create a new era, new media solution embracing data, content and technology in an always-on environment for global, multinational, regional and local clients and for millennial-driven brands. Since its foundation in May 2018, the Group has sought to deliver on this mission through a number of strategic business combinations. The principal trading businesses comprising the Group are (i) MediaMonks, a digital creative production group that partners with clients across industries and markets to create work for leading businesses and brands; (ii) MightyHive, a global leader in advanced marketing and advertising technologies, providing consulting and media operations services to brands and agencies; and (iii) following Admission, Firewood, an international digital marketing agency built on deep partnerships with some of the world's best-known brands.

As at the date of this Document, in so far as it is known to the Company, the following persons held directly or indirectly 3 per cent. or more of the Company's voting rights:

Shareowner	Number of Ordinary Shares	Interests in Existing Ordinary Shares
Sir Martin Sorrell	46,403,700	12.71%
Toscafund Asset Management	33,240,689	9.10%
Oro en Fools B.V.	30,808,225	8.43%
Stanhope	27,482,961	7.52%
Canaccord Genuity Wealth Management	25,160,000	6.89%
EBT	20,830,001	5.70%
Rathbones	19,487,776	5.33%

Source: Company Information.

Sir Martin Sorrell also holds the B Share as a result of which he exercises a significant degree of control over the Company. The holder of the B Share is entitled to appoint one director to the board of directors of the Company and remove or replace such director. The prior written consent of the holder of the B Share is also required for the Group to appoint or terminate any executive or to make any acquisition or disposal with a value exceeding £100,000. The holder of the B Share is also able to defeat any resolution proposed by the Company (save as required by applicable law).

The Company's Executive Directors are Sir Martin Sorrell, Scott Spirit, Peter Rademaker, Victor Knaap, Wesley ter Haar, Peter Kim and Chris Martin. Its statutory auditors are PricewaterhouseCoopers LLP.

#### Section B(2) – What is the key financial information regarding the issuer?

Selected audited financial information, prepared in accordance with IFRS, relating to the Group, on a consolidated basis, for the seven month period from May 2018 to 31 December 2018 is set out below, together with unaudited interim financial information, prepared in accordance with IFRS, for the Group, on a consolidated basis, for the six months ended 30 June 2019:

	As at and for the seven month period ended 31 December 2018 <sup>1</sup>	As at and for the six months ended 30 June 2019
	(audited)	(unaudited)
	(£ millions)	
<b>Statement of profit or loss</b>		
Revenue	54.8	88.0
Operating profit/(loss)	(8.5)	6.2
Profit/(loss) for the period	(8.1)	8.8
<b>Balance sheet</b>		
Total assets	499.0	548.6
Total equity	339.3	334.3
<b>Cash flow statement</b>		
Net cash flows from operating activities	2.5	7.3
Cash flows from investing activities	(263.5)	5.4
Cash flows from financing activities	286.0	-
<b>Cash and cash equivalents at the end of the period</b>	<b>25.0</b>	<b>26.9</b>

### Unaudited pro forma income statement

	The Group Seven months ended 31 December 2018	Adjustments					Pro forma income statement of the Group	
		MediaMonks 1 January 2018 to 9 July 2018	MightyHive 1 January 2018 to 24 December 2018	Firewood Year ended 31 December 2018	Other adjustments (note 5)	£000		
		(note 1)	(note 2)	(note 3)				
Gross profit <sup>2</sup>	37,164	34,404	20,620	42,234	-	134,422		
Total administrative expenses <sup>3</sup>	(45,634)	(25,288)	(21,446)	(35,249)	(2,279)	(129,896)		
Operating (loss) profit	(8,470)	9,116	(826)	6,985	(2,279)	4,526		
Total Finance income/ (Cost)	(651)	(108)	(153)	(159)	-	(1069)		
(Loss) profit before taxation	(9,121)	9,008	(979)	6,826	(2,279)	3,455		
Income tax	1,011	(2,406)	(148)	(251)	-	(1,794)		
(Loss) profit after taxation	(8,110)	6,602	(1,127)	6,575	(2,279)	1,661		
Operating (loss) profit	(8,470)	9,116	826	6,986	(2,279)	4,526		
Depreciation and amortisation	8,155	614	191	100	-	9,150		
EBITDA	(315)	9,730	635	7,175	(2,279)	13,676		
Transaction related expenses	5,005	-	4,147	-	2,279	11,431		
Other exceptional items	-	-	3,207	-	-	3,207		
Adjusted EBITDA (note 6)	4,690	9,730	6,719	7,175	-	28,314		

### Notes:

1. The results of the Group for the seven months ended 31 December 2018 have been extracted without material adjustment from the audited consolidated financial statements of the Group for the period then ended.

#### Adjustments:

2. This adjustment reflects the pre-acquisition results of MediaMonks prior to its acquisition on 9 July 2018, calculated as set out below:

	MediaMonks Year ended 31 December 2018	Less: MediaMonks 9 July 2018 to 31 December 2018	MediaMonks 1 January 2018 to 9 July 2018
	(note a)	(note b)	
	£000	£000	
Gross profit <sup>4</sup>	70,604	(36,200)	34,404
Total administrative expenses <sup>5</sup>	(56,424)	31,136	(25,288)
Operating (loss) profit	14,180	(5,064)	9,116
Total Finance income/ (Cost)	43	(151)	(108)
(Loss) profit before taxation	14,223	(5,215)	9,008
Income tax	(4,034)	1,628	(2,406)
(Loss) profit after taxation	10,189	(3,587)	6,602
Operating (loss) profit	14,180	(5,064)	9,116
Depreciation and amortisation	1,271	(657)	614

<sup>1</sup> The seven month period from May 2018 to 31 December 2018 represents the Group's first period of existence commencing on the incorporation date of S4 Limited (which was acquired by the Company on 28 September 2018 by way of reverse takeover). Because prior to the reverse takeover the Company effectively had no substance and S<sup>4</sup> Limited was acting as the parent company of the Group, S<sup>4</sup> Limited has been treated as the acquirer for accounting purposes and the Group's consolidated financial statements have been prepared from the date of its incorporation. The Group's audited consolidated financial information for this period consolidates the results of the MediaMonks Group and the MightyHive Group from the date of their respective mergers with the Group on 9 July 2018 and 24 December 2018, respectively.

<sup>2</sup> Gross profit is the product of revenue minus cost of sales.

<sup>3</sup> Total administrative expenses is the product of administrative expenses plus exceptional expenses.

<sup>4</sup> Gross profit is the product of revenue minus cost of sales

<sup>5</sup> Total administrative expenses the a product of administrative expenses plus exceptional expenses

EBITDA	15,451	(5,721)	9,730
Transaction related expenses	191	(191)	-
Adjusted EBITDA (note 6)	15,642	(5,912)	9,730

**Notes:**

- a. The results of MediaMonks for the year ended 31 December 2018 have been extracted without material adjustment (save for the conversion from Euros to Sterling at the average exchange rate for the year of €1.133:£1) from the financial statements of MediaMonks set out in Part XIII of this document.
- b. This represents the results of MediaMonks which have been consolidated into the financial statements of the Group for the seven months ended 31 December 2018, ie from the date of acquisition of MediaMonks (9 July 2018), and have been sourced from the consolidation schedules underpinning the Group's financial statements
- c. This represents the results of MediaMonks for the period in 2018 prior to its consolidation into the Group financial statements, and has been calculated as the results in column a. less the results in column b.

3. This adjustment reflects the pre-acquisition results of MightyHive prior to its acquisition on 24 December 2018, calculated as set out below.

	MightyHive Year ended 31 December 2018 (note a) £000	Less: MightyHive 24 December 2018 to 31 December 2018 (note b) £000		MightyHive 1 January 2018 to 24 December 2018 (note c) £000	
Gross profit <sup>6</sup>	21,536	(916)		20,620	
Administrative expenses	(14,842)	750		(14,092)	
Exceptional expenses	(7,354)	-		(7,354)	
Operating (loss) profit	(660)	(166)		(826)	
Total Finance income/(Cost)	(155)	2		(153)	
(Loss) profit before taxation	(815)	(164)		(979)	
Income tax	(151)	3		(148)	
(Loss) profit after taxation	(966)	(161)		(1,127)	
Operating (loss) profit	(660)	(166)		(826)	
Depreciation and amortisation	198	(7)		191	
EBITDA	(462)	(173)		(635)	
Transaction related expenses	4,147	-		4,147	
Other exceptional items	3,207	-		3,207	
Adjusted EBITDA	6,892	(173)		6,719	

**Notes:**

- a. The results of MightyHive for the year ended 31 December 2018 have been extracted without material adjustment (save for the conversion from Dollars to Sterling at the average exchange rate for the year \$1.344:£1) from the financial statements of MightyHive set out in Part XIV of this document.
- b. This represents the results of MightyHive which have been consolidated into the financial statements of the Group for the year ended 31 December 2018, ie from the date of acquisition of MightyHive (24 December 2018), and have been sourced from the consolidation schedules underpinning the Group's financial statements.
- c. This represents the results of MightyHive for the period in 2018 prior to its consolidation into the Group financial statements, and has been calculated as the results in column a. less the results in column b.

4. The results of Firewood for the year ended 31 December 2018 under IFRS are extracted from the table below.

	Firewood Year ended 31 December 2018 (US GAAP) (note a) £000	IFRS adjustments		Firewood Year ended 31 December 2018 (IFRS) (note c) £000	
Revenue	42,234	-		42,234	
Administrative expenses	(35,368)	119		6,985	
Operating profit	6,866	119		6,985	
Total Finance income/(cost)	42	(201)		159	
Profit before taxation	6,908	(82)		6,826	
Income tax	(251)	-		(251)	
Profit after taxation	6,657	(82)		6,575	

**Notes:**

- a. The results of Firewood for the year ended 31 December 2018 have been extracted without material adjustment (save for the conversion from Dollars to Sterling at the average exchange rate for the year of \$1.344:£1) from the US GAAP financial statements of Firewood out in Part XII of this document.
- b. This represents adjustments to leases under IFRS 16, to recognise leases, previously recognised as operating and finance leases, as right of use assets.
- c. This represents the results of Firewood for the year ended 31 December 2018 under IFRS as adopted by the EU.

5. This adjustment comprises the estimated costs of the acquisition of Firewood of £2.3 million.

6. Adjusted EBITDA, as defined by the Company and by MediaMonks, is operating profit adjusted for depreciation and amortisation and transaction related costs and, in the case of Firewood, operating profit adjusted for depreciation and amortisation.

7. Save for the estimated costs of the acquisition of Firewood, the adjustments are expected to have a continuing effect on the Group.

<sup>6</sup> Gross profit is the product of revenue minus cost of sales.

8. No account has been taken of the trading performance of the Group or of Firewood since 31 December 2018 nor of any other event save as disclosed above.

### Unaudited pro forma statement of net assets

	The Group As at 30 June 2019 (note 1)	Adjustments				
		Firewood As at 31 December 2018 (IFRS) (note 2)	Acquisition of Firewood (note 3)	Net issue proceeds (note 4)	Pro forma net assets of the Group	
		£000	£000	£000	£000	
<b>Assets</b>						
<b>Non-current assets</b>						
Right of use asset	16,159	4,222	-	-	20,381	
Property, plant and equipment	5,692	174	-	-	5,866	
Intangible assets	401,948	271	113,738	-	515,957	
Other receivables	2,033	-	-	-	2,033	
Deferred tax asset	190	-	-	-	190	
	426,022	4,667	113,738	-	544,427	
<b>Current assets</b>						
Trade and other receivables	95,589	8,485	-	-	104,074	
Cash and cash equivalents	26,944	3,915	(62,869)	95,996	63,959	
<b>Total current assets</b>	<b>122,533</b>	<b>12,400</b>	<b>(62,869)</b>	<b>95,996</b>	<b>168,033</b>	
<b>Total assets</b>	<b>548,555</b>	<b>17,067</b>	<b>50,842</b>	<b>95,996</b>	<b>712,460</b>	
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Trade and other payables	(2,877)	-	-	-	(2,877)	
Long term leases	(9,844)	(2,972)	-	-	(12,816)	
Loans and borrowings	(46,269)	-	-	-	(46,269)	
Deferred tax	(37,865)	-	-	-	(37,865)	
<b>Total non-current liabilities</b>	<b>(96,855)</b>	<b>(2,972)</b>	<b>-</b>	<b>-</b>	<b>(99,827)</b>	
<b>Current liabilities</b>						
Trade and other payables	(97,409)	(2,102)	-	-	(99,511)	
Deferred revenue	-	(2,335)	-	-	(2,335)	
Loans and borrowings	-	(222)	-	-	(222)	
Deferred consideration	(8,013)	-	-	-	(8,013)	
Short term lease liabilities	(6,468)	(1,448)	-	-	(7,916)	
Taxation	(5,548)	-	-	-	(5,548)	
<b>Total current liabilities</b>	<b>(117,438)</b>	<b>(6,107)</b>	<b>-</b>	<b>-</b>	<b>(123,545)</b>	
<b>Total liabilities</b>	<b>(214,293)</b>	<b>(9,079)</b>	<b>-</b>	<b>-</b>	<b>(223,372)</b>	
<b>Net assets</b>	<b>334,262</b>	<b>7,988</b>	<b>50,842</b>	<b>95,996</b>	<b>489,088</b>	

### Notes:

1. The net assets of the Group at 30 June 2019 have been extracted without material adjustment from the interim unaudited consolidated financial statements of the Group for the six months ended 30 June 2019.

#### Adjustments:

2. The net assets of Firewood as at 31 December 2018 under IFRS are extracted from the table below:

	Firewood As at 31 December 2018 (US GAAP) £000 (note a)	IFRS adjustments £000 (note b)		Firewood As at 31 December 2018 (IFRS) £000 (note c)		
<b>Assets</b>						
<b>Non-current assets</b>						
Right of use asset	-	4,222	4,222	4,222		
Property, plant and equipment	174	-	-	174		
Other assets	271	-	-	271		
	445	4,222	4,222	4,667		
<b>Current assets</b>						
Trade and other receivables	8,485	-	-	8,485		
Cash and cash equivalents	3,915	-	-	3,915		
<b>Total current assets</b>	<b>12,400</b>	<b>-</b>	<b>-</b>	<b>12,400</b>		
<b>Total assets</b>	<b>12,845</b>	<b>4,222</b>	<b>4,222</b>	<b>17,067</b>		
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Long term leases	-	(2,972)	(2,972)	(2,972)		

<b>Current liabilities</b>			
Trade and other payables	(2,324)	22	(2,102)
Deferred revenue	(2,335)	-	(2,335)
Borrowings	-	(222)	(222)
Short term lease	-	(1,448)	(1,448)
<b>Total current liabilities</b>	(4,659)	(1,448)	(1,448)
<b>Total liabilities</b>	(4,659)	(4,420)	(9,079)
<b>Net assets</b>	8,186	(198)	7,988

- a. The net assets of Firefly as at 31 December 2018 have been extracted without material adjustment (save for the conversion from Dollars to Sterling at the exchange rate at that date of \$1.273:£1) from the US GAAP financial statements of Firefly out in Part XII of this document.
- b. This represents adjustments to leases under IFRS 16, to recognise leases previously recognised as operating and finance leases as right-of-use assets and the reclassification of borrowings from trade and other payables to borrowings.
- c. This represents the net assets of Firefly as at 31 December 2018 under IFRS as adopted by the EU.

- 3. For the purposes of this pro forma information, no adjustment has been made to the separate assets and liabilities of Firewood to reflect their fair value. The difference between the net assets of Firewood as stated at their book value at 31 December 2018 and the estimated consideration has therefore been presented as a single value in "Intangible assets". The net assets of Firewood will be subject to a fair value restatement as at the effective date of the transaction. Actual intangible assets included in the Company's next published financial statements may therefore be materially different from those included in the pro forma statement of net assets. The estimated consideration for Firewood is approximately \$150 million (£118 million) comprising 41,428,571 New Ordinary Shares issued at a price of 142 pence per New Ordinary Share:

	£000
Consideration payable in cash	62,896
Consideration payable in shares	58,830
Book value of net assets of Firewood as at 31 December 2018	(7,988)
Estimated intangible assets arising on the acquisition of Firewood	113,738

- 4. This adjustment represents net Issue proceeds of £96 million (gross Issue proceeds of £100 million less expenses directly attributable to the Issue and the estimated costs of the acquisition of Firefly of £4 million).
- 5. No account has been taken of the financial performance of the Group since 30 June 2019 or of Firewood since 31 December 2018 nor of any other event save as disclosed above.

### Section B(3) – What are the key risks that are specific to the issuer?

- There can be no guarantee that conditions in the Merger Agreement (some of which may be beyond the control of the Company) will be satisfied and accordingly that the Firewood Merger will complete in accordance with the terms of the Merger Agreement or at all, and if the Firewood Merger is completed there can be no assurance that the Group will be able to integrate the Firewood business into its current operations successfully.
- Upon completion of the Firewood Merger, the Group has an obligation to make payments to the selling security holders of Firewood in US Dollars. The Issue Price will, however, be in pounds sterling. The Group is accordingly subject to the risk of adverse movements in the exchange rate between US Dollars and pounds sterling in the period between entry into the Merger Agreement and completion of the Firewood Merger.
- The digital media and communication services industry is highly competitive amongst established players, as well as subject to significant disruption from new market participants. In accordance with standard industry terms, the Group's clients may, in some instances, terminate their contractual relationship with the Group at will or with limited notice periods.
- The Group may be reliant on key relationships with third parties with significant market positions.
- Data protection and privacy laws and regulations govern the Group's ability to collect and use personal information. Such data protection regulation and legislation, in the EU or in any other territory, may restrict or prevent the Group and its clients from using underlying customer data to tailor and target marketing and advertisements.
- The Directors consider a number of executives key to the management of the Group and the execution of its overall strategy, including the Executive Directors. The Directors believe that the loss of any key people could significantly impede the Group's financial plans, product development, project completion, marketing and other plans, which could affect its ability to comply with its financing arrangements and other commitments.
- As part of the Group's strategy, the Directors intend to identify further suitable merger opportunities. If the Group fails to complete a proposed merger, it may be left with substantial unrecovered transaction costs. Furthermore, even if an agreement is reached relating to a proposed merger, the Group may fail to complete such merger for reasons beyond its control.
- The Group's strategy may result in the acquisition of digital, technology and other businesses that have been recently established and have experienced rapid growth. Such high-growth businesses may have systems and controls that have not increased in scope and sophistication in line with revenue or other growth.
- There can be no assurance that the due diligence undertaken with respect to a potential acquisition will reveal all relevant facts that may be necessary to evaluate such acquisition, including the determination of the price the Group may pay, or to formulate a business strategy.
- It is unlikely that any substantial business operation acquired by the Group will immediately fit the Group's business model, and

there can be no certainty that the Group will be able to successfully undertake implementation programmes within a reasonable timescale and cost.

## Section C – Key information on the securities

### Section C(1) – What are the main features of the securities?

The securities offered under the Issue are Ordinary Shares of £0.25 each (ISIN: GB00BFZZM640) in the Company. The Ordinary Shares are denominated in pounds sterling. When issued, the New Ordinary Shares will be identical to and rank in full for all dividends or other distributions declared made or paid after Admission and in all other respects will rank pari passu with the Existing Ordinary Shares in issue. In a general meeting, each owner of Ordinary Shares has one vote on a show of hands and one vote per Ordinary Share on a poll. In an insolvency, the Ordinary Shares rank senior to the B Share but junior to all other liabilities of the Company.

The Ordinary Shares are freely transferable and there are no restrictions on transfer. The Directors intend to commence the payment of dividends when it becomes commercially prudent to do so. The payment of dividends will be subject to maintaining an appropriate level of dividend cover and the need to retain sufficient funds for reinvestment in the business, to finance any capital expenditure and for other working capital purposes.

### Section C(2) – Where will the securities be traded?

Subject to, *inter alia*, Shareowner approval, application will be made for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities, which is a regulated market and is where the Existing Ordinary Shares are currently traded. Application will also be made to the FCA for the New Ordinary Shares to be admitted to the standard segment of the Official List. The Ordinary Shares (and the New Ordinary Shares when issued and allotted) are not and will not be listed on any other regulated market.

### Section C(3) – What are the key risks that are specific to the securities?

- There can be no assurance that the Ordinary Shares will be actively traded.
- The Group has in place an incentivisation scheme through which Sir Martin Sorrell and other executives will be rewarded for increases in shareowner value, subject to certain conditions and performance hurdles. If the Company were obliged to issue Ordinary Shares in satisfaction of the rights of the Incentive Shares, the holders of Ordinary Shares may face significant dilution.
- Since the control rights that Sir Martin Sorrell exercises via the B Share are negative in nature, there is a risk that, should the interests of Sir Martin Sorrell and the Company and/or the other Shareowners come into conflict, the Company would be deadlocked and unable to take any action to further its operations and strategy.
- Shareowners may not be offered the right or opportunity to participate in any such future share issues to fund acquisitions or otherwise, which may dilute existing Shareowners' interests in the Company.
- A Standard Listing affords Shareowners a lower level of regulatory protection than that afforded to investors in companies with Premium Listings on the Official List.

## Section D – Key information on the Placing and Admission

### Section D(1) – Under which conditions and timetable can I invest in this security?

Pursuant to the Placing Agreement, the Joint Bookrunners have severally agreed to use their respective reasonable endeavours to procure Firm Placees for 36,506,852 New Ordinary Shares at the Issue Price representing gross proceeds of £100 million. The Firm Placed Shares are not subject to clawback and are not part of the Placing and Open Offer. The terms and conditions of the Firm Placing are set out in placing letters that have been sent to each Firm Placee.

The Open Offer Shares have been conditionally placed with institutional investors by the Joint Bookrunners, subject to clawback to satisfy valid applications by Qualifying Shareowners under the Open Offer.

The Open Offer Shares are being offered to Qualifying Shareowners by way of the Placing and Open Offer (representing gross proceeds of £100 million at the Issue Price). Excluded Overseas Shareowners will not be able to participate in the Open Offer. The Open Offer provides an opportunity for Qualifying Shareowners to participate in the fundraising (subject to compliance with applicable securities laws) by subscribing for their Open Offer Entitlement. Qualifying Shareowners will have an Open Offer Entitlement of:

#### 1 Open Offer Share for every 10.764 Existing Ordinary Shares

Registered in the name of the relevant Qualifying Shareowner on the Record Date and so in proportion to any other number of Existing Ordinary Shares held (that is, not including any allocations made in respect of the Firm Placing or the Placing).

Open Offer Entitlements will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will not be allocated but will be aggregated and made available in the Placing.

The Open Offer is being made on a pre-emptive basis to Qualifying Shareowners and is not subject to scaling back. Pursuant to the Placing Agreement the Joint Bookrunners have severally agreed to use their respective reasonable endeavours to conditionally place all of the Open Offer Shares with institutional investors at the Issue Price subject to clawback to satisfy valid applications by Qualifying Shareowners under the Open Offer. Any New Ordinary Shares that are available under the Open Offer and are not taken up by Qualifying Shareowners pursuant to their Open Offer Entitlements will be placed under the Placing.

The expected timeline of principal events in relation to the Issue is set out below. All dates and times are indicative only and may be adjusted by the Company in consultation with HSBC and Dowgate, in which event details of the new times and dates will be notified to the FCA, the London Stock Exchange and, where appropriate, Shareowners. References to times are to London time.

Record Date for entitlements under the Open Offer	7 October 2019
Announcement of the Issue	8 October 2019
Ex-entitlement date	8 October 2019
Date of this Document	8 October 2019
Despatch of this Document, Application Form and Forms of Proxy	8 October 2019
Open Offer Entitlements credited to stock accounts in CREST of Qualifying CREST Shareowners	9 October 2019
Recommended latest time for requesting withdrawal of Open Offer Entitlements	4.30 p.m. on 17 October 2019
Recommended latest time for depositing Open Offer Entitlements into CREST	3.00 p.m. on 18 October 2019
Recommended latest time for splitting Open Offer Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 18 October 2019
Latest time and date for receipt of completed Open Offer Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 22 October 2019
Latest time and date for receipt of Forms of Proxy and electronic proxy appointments via CREST	11.00 a.m. on 22 October 2019
Announcement of the results of the Open Offer	7.00 a.m. on 23 October 2019
Time and date of the General Meeting	11.00 a.m. on 24 October 2019
Results of General Meeting announced	24 October 2019
Admission and commencement of dealings in the New Ordinary Shares	8.00 a.m. on 25 October 2019
CREST stock accounts expected to be credited for the New Ordinary Shares	25 October 2019
Despatch of definitive share certificates for New Ordinary Shares (where applicable)	within 14 days of Admission

Subject to, *inter alia*, Shareowner approval, application will be made for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities, which is a regulated market and is where the Existing Ordinary Shares are currently traded. Application will also be made to the FCA for the New Ordinary Shares to be admitted to the standard segment of the Official List. The Ordinary Shares (and the New Ordinary Shares when issued and allotted) are not and will not be listed on any other regulated market.

Shareowners will experience dilution in their ownership and voting interests pursuant to the Firm Placing and the Consideration Issue whether or not they are Qualifying Shareowners who take up their Open Offer Entitlements. If Qualifying Shareowners take up the offer of New Ordinary Shares under the Open Offer in full, as a result of the Issue and the Firewood Merger their proportionate ownership and voting interests in the Ordinary Shares will be diluted by 16 per cent. If they do not take up any of their Open Offer Entitlement their holdings will be diluted by 23 per cent. The percentage of the Company's issued share capital that the Existing Ordinary Shares represent will be reduced by 23 per cent. to 77 per cent. as a result of the Issue and the Firewood Merger.

The costs and expenses (including irrecoverable VAT) of, and incidental to, Admission, the Issue and the Firewood Merger payable by the Company are expected to be £4.0 or approximately 4.0 per cent. of the gross proceeds of the Issue. Other than such expenses, which the Company intends to pay out of the proceeds of the Issue, there are no commission, fees or expenses to be charged to investors by the Company under the Issue.

### **Section D(2) – Why is this prospectus being produced?**

The Company is proposing to raise net proceeds of £98.3 million pursuant to the Firm Placing and the Placing and Open Offer of 70,422,535 New Ordinary Shares at an Issue Price of 142 pence per New Ordinary Share. Following Admission, the Company's principal use of the net proceeds of the Issue will be to pay the cash payment of up to \$77.5 million due under the Merger Agreement. Such cash payment is in addition to the remaining \$72.5 million which will be payable in Consideration Shares, as required under the Merger Agreement.

Of the remaining approximately £35.2 million from the net proceeds, £2.7 million is expected to be used to meet other expenses arising in connection with the Firewood Merger and Admission. The remaining approximately £32.5 million of net proceeds, is expected to be used for general corporate purposes, to fund potential acquisitions and to implement the Company's strategy. Pursuant to the terms of the Merger Agreement, the Company is also proposing to issue 41,428,571 New Ordinary Shares pursuant to the Consideration Issue at the Issue Price. The Firm Placing and the Placing and Open Offer are not subject to an underwriting commitment on a firm commitment basis.

## RISK FACTORS

*Investment in the Company and the New Ordinary Shares carries a significant degree of risk, including risks in relation to the Firewood Merger; risks relating to the Group's business and operations, strategy and financial profile; legal and regulatory risks; and risks relating to the New Ordinary Shares.*

*Prospective investors should note that the risks relating to the business and operations of the Group, its proposed sector of activity, its financial profile and the New Ordinary Shares summarised in the section of this Document headed "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Ordinary Shares. However, as the risks which the Company faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Document headed "Summary" but also, among other things, the risks and uncertainties described below.*

*The risks referred to below are those risks the Company and the Directors consider to be the material risks relating to the Group. However, there may be additional risks that the Company and the Directors do not currently consider to be material or of which the Company and the Directors are not currently aware that may adversely affect the Group's business, financial condition, results of operations or prospects. Investors should review this Document carefully and in its entirety and consult with their professional advisers before acquiring any New Ordinary Shares. If any of the risks referred to in this Document were to occur, the results of operations, financial condition and prospects of the Group could be materially adversely affected. If that were to be the case, the trading price of the New Ordinary Shares and/or the level of dividends or distributions (if any) received from the New Ordinary Shares could decline significantly. Further, investors in the New Ordinary Shares could lose all or part of their investment.*

### 1 RISKS RELATING TO THE FIREFLY MERGER

*There can be no guarantee that the Firewood Merger will complete, or that Firewood will be successfully integrated into the Group*

The Merger Agreement contains a number of conditions precedent to the satisfaction of which completion of the Firewood Merger is subject. Such conditions precedent include, *inter alia*, non-breach of certain representations and warranties made by both Firewood and the Group, applicable waiting periods under applicable anti-trust law having expired or otherwise having been terminated, no material adverse effect occurring and the Placing Agreement becoming unconditional except as regards the Admission and the conditionality of the Merger Agreement. There can be no guarantee that such conditions will be satisfied and accordingly that the Firewood Merger will complete in accordance with the terms of the Merger Agreement or at all.

If the Firewood Merger does not complete, the Group may suffer reputational damage which may make the identification and execution of further acquisitions materially more difficult, which could have a material adverse effect on the execution of the Group's strategy.

In addition, if the Firewood Merger is completed, there can be no assurance that the Group will be able to integrate the Firewood business into its current operations successfully, retain key personnel of Firewood or retain and manage the Firewood business successfully. Additionally, there can be no assurance that the Group will be able to achieve results in the future similar to those achieved by the acquired operations, that it would be able to compete effectively in the markets served by the acquired operations or that it would be able to manage any growth resulting from the Firewood Merger effectively. As a result, the anticipated benefits of the Firewood Merger may not be realized fully or at all, or within the time period expected, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group may be subject to foreign exchange risk in the period between entry into the Merger Agreement and completion of the Firewood Merger***

Pursuant to the Merger Agreement the Group has an obligation (conditional upon the Firewood Merger proceeding to completion) to make payments to the selling security holders of Firewood in US Dollars. The Issue Price and therefore the proceeds of the Issue will be denominated and settled in pounds sterling. Accordingly, the Group is subject to the risk of adverse movements in the exchange rate between US Dollars and pounds sterling in the period between entry into the Merger Agreement and completion of the Firewood Merger. For example, pounds sterling has depreciated by 2.7 per cent. against the US Dollar between 1 July 2019 and 30 September 2019, and further instability in the pounds sterling/US Dollar exchange rate is likely as the 31 October 2019 deadline for the UK to exit the European Union approaches.

While the Company has sought to raise gross proceeds in excess of the amount required at current exchange rates and intends to enter into hedging products there can be no assurance that this strategy will work as expected. If there is a material adverse move in the exchange rate between US Dollars and pounds sterling, there is a risk that the proceeds of the Issue will be insufficient to meet the cash consideration due upon completion of the Firewood Merger. In such circumstances, and depending on the size of any shortfall, the Group may be forced (among other things) to utilise existing or additional debt facilities and will bear the costs of such arrangements, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Firewood Group's contractual arrangements may be subject to change of control provisions***

The Firewood Group is party to contracts with both suppliers (including landlords) and clients that are subject to change of control provisions that give the relevant counterparty the right to terminate the contract. While the due diligence process carried out by the Company sought to identify such change of control provisions, none of the relevant contractual counterparties have yet been formally approached and there is a risk that there may be additional contracts subject to change of control provisions that have not been identified through the due diligence process. Equally, while the Merger Agreement contains certain obligations on Firewood to procure the consent of counterparties to the change of control, the Company may elect to waive such obligations in respect of any or all the relevant contracts.

There is therefore a risk that one or more counterparties may elect to terminate their contractual arrangements with the Firewood Group as a result of the change of control resulting from the Firewood Merger. To the extent that such counterparties do so, the Firewood Group's operations may be materially disrupted, and its revenues and profitability and financial position and prospects adversely affected, which could in turn have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2 RISKS RELATING TO THE INDUSTRY, BUSINESS AND OPERATIONS OF THE GROUP**

***The Group competes for clients in a highly competitive industry***

The digital media and communication services industry is highly competitive. The Group competes with established players, as well as new market participants. The Group's competitors include large multinational advertising and marketing communication companies, regional and national marketing services companies, digital and strategy consultants and new market participants, such as consultancy businesses and technology companies.

The ability to attract new clients and to retain or increase the amount of work from existing clients may also in some cases be limited by client policies on conflicts of interest which may operate to prohibit the Group from working for two or more clients in the same industry or sector. Further, the ability of the Group to attract new clients may be limited by contractual provisions entitling existing clients to the most favourable prevailing terms offered by the Group. In accordance with standard industry terms clients may, in some instances, terminate their contractual relationship with the Group at will or with limited notice periods. Additionally, the Group has agreed with certain existing clients, and may agree with future clients, to contract on terms no less favourable than those offered to such clients' competitors or generally, which could have a material adverse effect on its revenue and profitability.

Clients moving their accounts to another digital media production company on relatively short notice, choosing another provider over the Group or placing restrictions on the representation or servicing of competing accounts or product lines, could have a material adverse effect on the Group's market share

and its business, financial condition, results of operations and prospects.

***The Group is dependent on relationships with certain third parties with significant market positions***

The Group is reliant on its relationship with certain third-party platforms, particularly Google Marketing Platform and the rest of the Google advertising ecosystem, but also Amazon and Facebook (collectively "**Third Party Advertising Platforms**"). The services and technology solutions provided by the Group are primarily focussed at enabling brands to execute marketing campaigns through these Third Party Advertising Platforms. A significant proportion of the Group's new client wins arise as a result of collaboration by these Third Party Advertising Platforms. Despite the Group's formation and expansion of new and existing relationships with even more Third Party Advertising Platforms, there is a risk to the Group if any or all of these Third party Advertising Platforms: (i) ceased to be a market leader or operate at all in the online advertising industry; (ii) were subject to adverse publicity and/or legal, regulatory or governmental action that materially impeded its provision of advertising services and infrastructure; (iii) were to cease to regard the Group as a preferred partner (in particular, the Group has no contractual assurance as to the duration or terms of its relationship with such counterparties); (iv) expand its operations such that it competed directly with the Group; or (v) otherwise ceased to be available as a technology provider to the Group on desirable terms or at all; any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group receives a material proportion of its revenue from large clients***

The Group receives a significant proportion of its income from a small number of large clients, including Google and other Google Partners. In addition, for the financial years ended 31 December 2018 and 2017 respectively, the Firewood Group derived a significant majority of its revenue from Google Partners. Consequently, following the Firewood Merger, Google is expected to become the Group's most significant client and generate a higher percentage of the Group's revenue as compared to previous financial years.

With respect to Google, Firewood is party to an agreement with Google LLC (the "**Google ISA**") which sets out the basic terms and conditions upon which the Firewood Group can contract with the Google Partners. Other members of the Group have separate and individual agreements with Google and other Google Partners.

The clients of the Group and the Firewood Group, including Google Partners, are generally able to reduce advertising and marketing spend, change payment terms or cancel projects on short notice or at will. There can be no assurance that all of the clients of the Group or of the Firewood Group will continue to utilise their respective services to the same extent, or at all, in the future. Following the Firewood Merger, in the event that the Google ISA is terminated, expires or not renewed, or the Group is otherwise unable to contract with Google Partners for any other reason, the Group's business, financial condition, results of operations and prospects could be materially adversely effected if not replaced by new client accounts or an increase in business from other existing clients. Similarly, in the event of a significant reduction in spend by, or the loss of one or more of the Group's other significant clients, if not replaced by new client accounts or an increase in business from other existing clients, the Group's business, financial condition, results of operations and prospects could be materially adversely effected.

***The Group is subject to credit risk through the default of a client or other counterparty***

The Group is subject to credit risk through the default of a client or other counterparty. The Group's trading businesses are generally paid in arrears for a significant proportion of their respective services and invoices are typically payable within 120 days or less. A relatively small number of clients also make up a significant percentage of the Group's debtors. There can be no assurance that a significant client or clients may not at any future time file for bankruptcy, become insolvent or otherwise be unable or unwilling to pay sums due. In such event, the Group may be unable to collect balances due to it on a timely basis or at all. The damages, costs, expenses or legal fees arising from lack of payment by a significant client or other counterparty could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Any negative impact on the reputation of and value associated with any of the Group's trading names could have a material adverse effect on its business and results of operations***

The Group's trading names are important assets of its business. Maintaining the reputation of and value

associated with these trading names is central to the success of the Group's business, but the execution of the Group's strategy may fail to accomplish this objective or adverse media comment may damage its reputation or those of its trading businesses. The reputation of the Group or its trading businesses may also be harmed if it encounters difficulties in the provision of new or existing services, whether due to technical faults, lack of suitably qualified people, changes to its traditional product offerings, financial difficulties, client acceptance or otherwise, any of which could have a material adverse effect on its business, financial condition, results of operations and prospects.

***The Group may be vulnerable to hacking, identity theft and fraud***

A failure of or breach in cybersecurity ("cyber incidents") refers to both intentional and unintentional events that may cause the relevant party to lose proprietary information, suffer data corruption, or lose operational capacity. In general, cyber incidents can result from deliberate attacks ("cyber-attacks") or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorised access to digital systems (e.g. through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption). Cyber-attacks may also be carried out in a manner that does not require gaining unauthorised access, such as denial-of-service attacks on websites (i.e. efforts to make network services unavailable to intended users).

Cyber incidents may cause significant disruption and materially impact business operations, potentially resulting in financial losses, impediments to trading, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs.

While the Group has in place security measures and guidelines in an effort to prevent hacking, identity theft and fraud, including the loss of intellectual property, it may not be able to fully protect itself and its customers from unauthorised access or hacking. For example, the Group is subject to the risk that unauthorised persons could access its systems and fraudulently transfer funds or obtain data on the Group and/or its clients. Any such unauthorised access, whether or not such access results in financial loss, could result in significant reputational damage to the Group amongst its clients and the market generally and affected parties could seek damages from the Group, any of which could have a material adverse effect on its business, financial condition, results of operations and prospects.

***The Group depends and will continue to depend on the ability to attract and retain key people without whom it may not be able to manage its business effectively***

The Directors consider a number of executives key to the management of the Group and the execution of its overall strategy. Such people include Sir Martin Sorrell, Victor Knaap, Wesley ter Haar, Peter Rademaker, Peter Kim, Scott Spirit and Christopher Martin. In addition, as a result of the manner in which the Company has executed and will execute business combinations, the economic exposure of certain executives to the performance of their business has been reduced, and consequently such executives and people may prove more difficult to incentivise and retain. The Directors believe that the loss of any key people could significantly impede the Group's financial plans, product development, project completion, marketing and other plans, which could affect its ability to comply with its financing arrangements and other commitments. In addition, competition for qualified executives in the digital media and marketing industry is intense. The Group's growth and success in implementing its business plans largely depends on its continued ability to attract and retain experienced senior executives as well as highly skilled people and it may not be successful in doing so. If any of its senior executives or other key people ceases their employment with the Group, its business, prospects, financial position and results of operations could be materially adversely affected. While the Group may seek to put in place key person insurance in respect of certain individual executives, there can be no assurance that such insurance policies will answer to the loss of key executives as expected or at all, or that the level of cover will offset the impact of the loss of a key executive fully.

In particular, should Sir Martin Sorrell cease to be able to act as the Executive Chairman of the Group there could be a material adverse effect on the business, prospects, financial condition, results of operations and development of the Group, as well as the market price of the Ordinary Shares.

***The Group is subject to foreign exchange risk***

The Group does and expects to continue to generate a significant proportion of its revenue in US Dollars and other currencies. As the Group prepares consolidated financial statements in pounds sterling, there is a

risk that any significant period-on-period movement in foreign exchange rates between pounds sterling and other currencies in which revenue is generated could have an impact on the Group's results and financial position. This translation risk is caused by changes in foreign exchange rates rather than a change in the assets, liabilities, revenues or costs themselves. In addition, to the extent that the Group's costs are denominated in pounds sterling or currencies other than those in which it receives payment from clients, the Group is subject to foreign exchange risk. The Group may seek to borrow in US Dollars or otherwise engage in hedging transactions to mitigate such risks, but there is no guarantee that such mitigation strategies (if employed) may work to reduce foreign exchange risk as intended or at all.

Changes in exchange rates between Euros and other currencies could lead to significant changes in the Group's reported financial results from period to period. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political or regulatory developments. Although the Group may seek to manage its foreign exchange exposure, including by active use of hedging and derivative instruments, there is no assurance that such arrangements will be entered into or available at reasonable cost at all times when the Group wishes to use them or that they (if employed) will be sufficient to cover the risk of adverse currency movements, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

### 3 RISKS RELATING TO THE GROUP'S STRATEGY

#### ***The Company may not successfully identify and complete, or, if completed, integrate further suitable merger opportunities in the future***

As part of the Group's strategy, the Directors intend to identify further suitable merger opportunities and complete the purchase of the identified businesses. The Company cannot estimate how long this will take. If the Group fails to complete a proposed merger (for example, because it has been outbid by a competitor) it may be left with substantial unrecovered transaction costs, including break fees, legal costs or other expenses. Furthermore, even if an agreement is reached relating to a proposed merger, the Group may fail to complete such merger for reasons beyond its control. Any such event will result in a loss to the Group of the related costs incurred, which could materially adversely affect subsequent attempts to identify and acquire another target business.

It is unlikely that any substantial business operation acquired by the Group will immediately fit the Group's business model or be currently operating exactly in accordance with the Group's requirements. The success of the Group's mergers will therefore depend on the Group's ability to implement the necessary strategic, operational and financial programmes in order to integrate any mergers with the Group's existing businesses. There is no certainty that the Group will be able to successfully implement such change programmes within a reasonable timescale and cost, and any inability to do so could have a material adverse impact on the Group's performance and prospects. Further, there can be no guarantee that revenue, cost or operational synergies identified in connection with a merger will be realised as expected or at all.

No assurance can be given that the Group's strategy will be successful or that the Group will be able to generate positive returns for Shareowners. If the Group's strategy is not successfully implemented, or any amendments or modifications made to such strategy are unsuccessful, this could have a material adverse effect on its business, financial condition, results of operations and prospects.

#### ***The Group's strategy with respect to future mergers and other capital expenditure projects will be adjusted based on a number of factors, including the availability of attractive targets and the Group's ability to obtain additional funding***

Although the Group currently intends to continue to pursue potentially attractive mergers following the Firewood Merger, the Group may need to adjust this strategy if it determines that it would need to raise additional capital to complete such mergers and that it would be unable to do so on attractive terms or at all. In the event that the Group does seek to raise additional capital through an offering of equity securities, the Group may not receive sufficient support from its existing Shareowners to raise additional equity, and new equity investors may be unwilling to invest on terms that are favourable to the Group, or at all. Furthermore, lenders or investors may be unwilling to extend debt financing to the Group on attractive terms, or at all. To the extent that additional equity or debt financing is

necessary to make such mergers and such financing is unavailable or only available on terms that are unacceptable to the Group, the Group may be compelled either to restructure or abandon a particular merger target or proceed with acquisitions on less favourable terms, which may reduce the Group's return on the investment and may have a material adverse effect on the Group's financial results and performance, including its ability to pay dividends.

In addition, the Group may want to deploy additional capital in the future for the expansion of any of its acquired businesses, their activities and/or business development, and may seek to fund such projects from equity or debt sources. While the Group would not proceed with a merger without arranging funding for the working capital requirements of that business and for the execution of its initial strategy, with respect to the acquired business, the Group may require funds that it is unable to raise on favourable terms or at all. If additional funds are raised by issuing equity securities, material dilution to the then existing shareholdings may result. The Group's strategy with respect to the amount and timing of future expenditure for any long term strategies will depend on a number of factors, some of which are outside of the Group's control, including its ability to raise funds. If the Group determines that it is not able to obtain additional capital on acceptable terms, or at all, it may alter its strategy and curtail or abandon such expansion, activities and/or business development or change its financial policies, including dividend payments, which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group and the returns to Shareowners.

***High-growth businesses may have systems and controls that are less well developed than more established businesses in the same industry***

The Group's strategy may result in the acquisition of digital, technology and other businesses that have been recently established and have experienced rapid growth in the years prior to integration into the Group. Such high-growth businesses may have systems and controls that have not increased in scope and sophistication in line with revenue or other growth. Moreover, high-growth businesses may have, and/or have had, limited negotiating power or experience and therefore may be subject to unusual or onerous contractual terms or exposed to liabilities that larger and/or more developed comparable businesses would not be. The Directors may make a commercial judgement as to the risks of acquiring such high-growth businesses in the overall context of the attractiveness of any such transaction. Accordingly, there is a risk that the Group may acquire businesses that require material effort to integrate and/or continue for a period (or indefinitely) to be subject to adverse contractual provisions and/or material liabilities, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Material facts or circumstances may not be revealed in the due diligence process***

The Group conducts such due diligence as it deems reasonably practicable and appropriate based on the facts and circumstances applicable to any merger under consideration. There can be no assurance that the due diligence undertaken with respect to a potential merger will reveal all relevant facts that may be necessary to evaluate such merger, including the determination of the price the Group may pay, or to formulate a business strategy. Furthermore, the information provided during due diligence may be incomplete, inadequate or inaccurate. As part of the due diligence process, the Group will also make subjective judgments regarding the results of operations, financial condition and prospects of a potential opportunity.

If the due diligence investigation fails to correctly identify material issues and liabilities that may be present in a target company or business, or if the Group considers such material risks to be commercially acceptable relative to the opportunity, and the Group proceeds with a merger, the Group may subsequently incur substantial impairment charges or other losses. In addition, following a merger, the Group may be subject to significant, previously undisclosed liabilities of the acquired business that were not identified during due diligence and which could contribute to poor operational performance, undermine any attempt to restructure the acquired company or business in line with the Group's business plan and have a material adverse effect on the Group's financial condition and results of operations.

Even if the due diligence process identifies material issues and liabilities that may be present in a target company or business, the Group may nevertheless proceed with a merger on the basis of contractual protections granted to the Group by the relevant seller pursuant to the merger documentation. The Group may seek to enhance such contractual protections through the purchase of warranty and indemnity or other similar insurance products. Where losses arise in connection with identified issues and liabilities, there can be no assurance that the Group will be willing or able to make use of the contractual protections available

to it. Further, there can be no guarantee that the Group or its agents will be able to purchase appropriate warranty and indemnity insurance policies on commercially acceptable terms, or at all, or that, if such an insurance policy is purchased, it will answer to losses incurred by the Group as expected, or at all. Any such losses incurred by the Group could have a material adverse effect on its business, financial condition, results of operations and prospects.

***The general economic climate may be adverse for the Group***

The Group may acquire or make investments in companies and businesses that are susceptible to economic recessions or downturns. In particular, the Group's strategy is to acquire digital marketing and communications services businesses, a sector in which valuations are typically more growth dependant than other sectors. During periods of adverse economic conditions, spending for services such as digital media and other communications services may decline, thereby potentially decreasing revenues and causing financial losses, difficulties in obtaining access to, and fulfilling commitments in respect of, financing, and increased funding costs. Consumer confidence, recessionary and/or inflationary trends, consumer credit availability, interest rates, consumers' disposable incomes and unemployment rates may have a material adverse impact on client demand and sales levels.

Any of the foregoing could cause the value of the investment to decline. In addition, during periods of adverse economic conditions, the Company may have difficulty accessing financial markets, which could make it more difficult or impossible for the Group to obtain funding for additional investments and negatively affect its operating results. Accordingly, adverse economic conditions could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Indebtedness incurred in connection with any future merger could lead to a decline in post-acquisition operating results***

The Group may incur substantial indebtedness in connection with future mergers whether in the near or longer term which could ultimately result in:

- default and foreclosure on the Group's assets, if its cash flow from operations was insufficient to pay its debt obligations as they became due, most likely, if at all, at the end of a term facility which is expected to be five years or more; or
- an inability to obtain additional financing, if any indebtedness incurred contained covenants restricting its ability to incur additional indebtedness.

The occurrence of any or a combination of these, or other, factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**4 RISKS RELATING TO THE GROUP'S FINANCIAL PROFILE**

***The Group may not be able to generate sufficient cash flow to repay all of its debt obligations at maturity and it may be able to raise capital or refinance only on terms that are not attractive to Shareowners***

In order to fund the MediaMonks Merger, the Company's indirect subsidiary, Bidco, drew down the Term Loan on 9 July 2018. In addition, Bidco has further drawn down €10 million from the Revolving Facility to fund the IMA Merger and for general corporate purposes. Both the Term Loan and the Revolving Facility were made available to Bidco pursuant to the HSBC Facilities Agreement, as amended by the A&R Deed.

The Group's ability to repay the Term Loan on maturity in 2023 or to refinance any other bank debt incurred will depend on its ability to generate cash. The Group's ability to generate cash in turn depends on many factors, including, among others:

- general economic conditions and conditions affecting client spending;
- competition;
- the demand and price levels for its services;
- its ability to improve its business processes and procedures;
- its future operating performance;
- its level of capital expenditures;

- the availability of financing in the capital markets at attractive rates, or at all; and
- legal, tax, litigation, regulatory and other factors affecting its business.

The Group may not be able to raise additional capital or refinance its debt on terms that are favourable to it or the Shareowners. If additional funds are raised by issuing equity securities, such issuance could be on terms that result in material dilution to the then existing Shareowners. In addition, the terms of any refinancing indebtedness may be materially more burdensome to the Group than the indebtedness it refinances. Such terms, including additional restrictions on the Group's operations and higher interest rates, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and could have a material adverse effect on the value of the Ordinary Shares.

***The Group is exposed to risks associated with movements in interest rates as a result of having floating rate debt***

Each of the Term Loan and the Revolving Facility has a floating interest rate. Although the Group has no current intention to do so within the next 12 months, it may also incur further debt in the future (in particular in connection with any acquisitions) and such debt may have a floating interest rate. As a result of having a floating rate debt, the Group is exposed to movements in certain reference interest rates (under the terms of the HSBC Facilities Agreement, EURIBOR and LIBOR). To the extent that such reference rates (or any replacement reference rate(s) adopted from time to time) increase, the amount of interest payable by the Group will increase. Any such increase will reduce the cash available to the Group to apply in furthering its strategies and developing its business. Such increases may also adversely affect the ability of the Group to comply with the Interest Cover Ratio and Net Debt to EBITDA Ratio financial covenants imposed on the Group by the HSBC Facilities Agreement.

Interest rates are highly sensitive to many factors beyond the Group's control, including central banks' policies, and international and domestic economic and political conditions. The level of interest rates can fluctuate due to, among other things, inflationary pressures, disruption to financial markets or the availability of bank credit. If interest rates rise, the Group will use a greater proportion of its revenues to pay interest expenses on its floating rate debt. While the Group may in the future choose to hedge, totally or partially, its interest rate exposure, any such measures may not be sufficient to protect it from such risks and there can be no assurance that it will be able to enter into hedge agreements in the future on satisfactory terms, or at all. Any hedging arrangements will also expose the Group to credit risk in respect of the hedging counterparty.

Any of the foregoing may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Restrictions imposed by the Group's debt obligations may limit its ability to take certain actions***

The HSBC Facilities Agreement contains provisions that limit the Group's ability to operate its business, including the covenants set out below. For example, some of these provisions are expected to limit the Group's ability to enter into mergers, make material disposals, incur additional financial indebtedness, create security over assets, provide guarantees and indemnities, make loans and make certain investments. In addition, the HSBC Facilities Agreement contains financial covenants that will require the Group to maintain specified financial ratios while either or both of the Term Loan and the Revolving Facility are drawn.

The HSBC Facilities Agreement contains two financial covenants – a Net Debt to EBITDA Ratio (which must not be greater than 3.00:1.00) and an Interest Cover Ratio (which must not be less than 3.00:1.00). These financial covenants will be tested on each date a compliance certificate is delivered to the lenders. Beginning with the half year ending 30 June 2019, the Group is required to deliver a compliance certificate alongside its consolidated half yearly (within 90 days of such half year-end) and yearly financial statements (within 120 days of such year-end). Accordingly, the first financial covenant test date will be no later than 28 September 2019.

These covenants could adversely affect the Group's ability to finance its future operations and its capital needs, pursue acquisitions and engage in other business activities that may be in the Group's best interest. In addition, a failure to comply with these obligations could lead to a default under the terms of the HSBC Facilities Agreement, which would prevent the Group from borrowing any additional amounts thereunder or the lenders thereunder declaring all outstanding principal and interest becoming immediately

due and payable. As a result, the Group would likely seek to either raise additional capital through the issuance of additional equity securities or identify another source of debt financing. If additional funds are raised by issuing equity securities, such issuance could be on terms that result in material dilution to the then existing Shareowners. In addition, the terms of any new source of debt financing may be materially more burdensome to the Group. Such terms, including additional restrictions on the Group's operations and higher interest rates, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and could have a material adverse effect on the value of the Ordinary Shares.

## 5      **LEGAL AND REGULATORY RISKS**

### ***The Group and its clients are subject to increasingly complex privacy and data protection laws and may be subject to privacy or data protection failures***

The operations of the Group are subject to a number of laws relating to privacy and data protection governing its ability to collect and use personal information. These data protection and privacy-related laws and regulations are becoming increasingly restrictive and complex and may result in greater regulatory oversight and increased levels of enforcement and sanctions. For example, the European Union's General Data Protection Regulation ("GDPR") came into force on 25 May 2018 and constitutes a major reform of the EU legal framework on the protection of personal data, and provides for fines of up to 4 per cent. of global turnover to be levied for breaches. This complex legal and regulatory framework has resulted in a greater compliance burden for businesses. The Group has incurred and will continue to incur significant costs to ensure compliance with applicable data protection laws and regulations. The introduction of new laws and regulations similar to GDPR could further increase costs going forward, which could have a material impact on the Group's results of operations and financial condition. In addition, evolving and changing definitions of personal data and personal information under US, UK, EU and other laws, especially relating to classification of Internet Protocol addresses, machine identification, location data, and other information, may limit or inhibit the ability of the Group and any other businesses acquired by the Company to operate or expand their business, including limiting the provision of services and/or development of products that may involve the gathering, analysing and/or sharing of data. Even the perception of privacy concerns, whether or not valid, may harm the reputation of the Group and inhibit use of the use of its products and services by current and future clients, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the services currently provided by the Group (or those which may be provided by it in future) may derive value from and ultimately incorporate the data held by its clients on such clients' underlying customers, and the Group could be subject to liability to certain of its clients as a result of any data protection violations that may arise in connection with the use of data from such clients' underlying customers. In particular, the Firewood Group is subject to uncapped liability to certain of its clients with respect to customer data privacy violations. While the existing Group does and will continue to seek to implement contractual safeguards, as a result of making platform and data analytic services directly accessible to clients, it may not be practicable to control whether or not personal data is uploaded by such clients into systems operated or maintained by the Group. To the extent that data protection regulation and legislation, in the EU or in any other territory, restricts or prevents the Group and its clients from using underlying customer data to tailor and target marketing and advertisements, its business, financial condition, results of operations, and prospects may be materially adversely affected.

### ***The intellectual property rights of the Group are important to its business***

The MediaMonks Group's most material intellectual property rights are those which subsist in the creative content it produces for its clients. The MightyHive Group's most material intellectual property rights are those which subsist in the custom software, consulting output and technology solutions it produces for its clients. In practice, such content is created by the people and executives of the Group on its behalf.

The law regarding the assignment of intellectual property rights by employees and sub-contractors is complex and, as a result, there is a risk that the title to the relevant intellectual property rights has not been correctly assigned to the Group. Accordingly, there is a risk that such employees and/or sub-contractors may take action to enforce such intellectual property rights against the Group and/or its respective clients. In addition, the Group licenses and utilises certain third party "proprietary" and "open source" software as part of its solutions offering. An author or another third party that distributes such third party or open source software could allege that the Group had not complied with the conditions of one or more of these licences.

Any such claims, regardless of merit, could (i) result in litigation, which could result in substantial expenses, (ii) divert the attention of management, (iii) cause significant delays, (iv) materially disrupt the conduct of the business and (v) have a material adverse effect on the Group's financial condition and results of operations. Equally, there is a risk that the Group is in breach of its contractual obligations to transfer or grant licenses over such intellectual property rights to its clients. To the extent that such risks materialise the Group could be subject to litigation and/or incur reputational damage, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group operates in a number of markets where corruption risk is high, and it is subject to anti-corruption legislation and international sanctions laws in the countries in which it operates***

The Group operates in a number of markets where the corruption risk has been identified as high by organisations such as Transparency International. If the Group fails to comply with anti-corruption and anti-bribery legislation in the countries in which it operates or to create a corporate environment opposed to corruption or fails to instil business practices that prevent corruption, it could be subject to enforcement action under such laws, which could expose the Group, the Directors and senior officers to civil and criminal sanctions.

Furthermore, the Group is subject to the laws and regulations of the US, EU and other jurisdictions that impose sanctions and regulate the supply of services to certain countries. As the Group operates internationally, it is exposed to the risk that it could fail to comply with these laws which could expose it to civil and criminal penalties including fines and the imposition of economic sanctions against the Group, which could result in significant reputational damage and withdrawal of banking facilities and therefore have a material adverse effect on its business, financial condition, results of operations and prospects.

***The Group is subject to prescriptive labour laws in certain jurisdictions***

The Group operates in a number of jurisdictions which impose requirements upon employers above a certain size. As a result of the Group's size, it may be subject to more onerous obligations in such jurisdictions than smaller businesses. In particular, the Group is required to form works councils and establish other policies and procedures. To the extent that the Group does not or has not complied with such requirements, there is a risk of enforcement action from the relevant legal authorities. Such enforcement action could adversely affect the financial position and prospects of the Group as well as causing reputational damage that may result in clients reducing or eliminating their relationship with the Group, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group is subject to risks from legal and arbitration proceedings***

The Group may in the future become involved in commercial disputes as well as legal and arbitration proceedings, with public authorities or private entities, which involve claims for damages or other sanctions, for instance arising out of acquisitions or other material contracts entered into by any member of the Group. In addition, the costs related to litigation and arbitration proceedings may be significant. In the event of a negative outcome of any material proceedings, whether based on a judgment or a settlement agreement, the Group could also be forced to make substantial payments or accept other sanctions, which could have a material adverse effect on its business, prospects, financial condition and results of operations.

## 6 RISKS RELATING TO THE ORDINARY SHARES

***The Ordinary Shares will carry investment risk and will have limited liquidity and investors may not be able to realise returns on their investment in Ordinary Shares***

There can be no assurance that the Ordinary Shares will be actively traded. The market for Ordinary Shares may be, or may become, relatively illiquid, particularly given the lock-in and orderly market arrangements described in paragraph 4 of Part III of this Document and therefore the Ordinary Shares may be or may become difficult to sell. The market price of the Ordinary Shares may not reflect the underlying value of the Company. The market price and price which investors may realise for their holding of the Ordinary Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Ordinary Shares or in response to various factors and events, including the Group's performance generally, variations in the Group's interim or full year operating results, business developments of the Company, the Group and/or its competitors, significant purchases or sales of Ordinary Shares, legislative changes, and general economic, political or regulatory conditions, and other factors outside the control of

or extraneous to the Company. Potential investors should be aware that the value of securities and the income from them can go down as well as up, and investors may realise less than, or lose all of, their investment or may not be able to realise their investment in the Ordinary Shares within a time period they would regard as reasonable.

#### ***Orderly market arrangements***

A significant proportion of the Group's Shareowners are subject to 12 and 24 month lock-in periods during which they have agreed, subject to certain exceptions, not to offer, sell, contract to sell, grant options over or otherwise dispose of, directly or indirectly, their respective Ordinary Shares. Sir Martin Sorrell, Rupert Faure Walker, Paul Roy and Sue Prevezer are Directors who are subject to such restrictions in addition to certain other persons as described in further detail in paragraph 4 of Part III of this Document. Although there is no present intention or arrangement to do so, such Shareowners may, following the expiry of the applicable initial lock-in period, sell their Ordinary Shares without restriction. The market price of Ordinary Shares could decline significantly as a result of any sales of Ordinary Shares by such Shareowners following expiry of such period (or otherwise) or the perception that these sales could occur.

#### ***The interests of significant Shareowners may conflict with those of other Shareowners and Sir Martin Sorrell exercises control over the Company***

Following Admission, Sir Martin will hold approximately 11.6% of the issued Ordinary Shares. Moreover, Sir Martin holds the B Share. As the holder of the B Share, Sir Martin has extensive control rights over the Company. Sir Martin has the ability to appoint a director to the board of directors of the Company and to remove and replace that director. The appointment or termination of any executive within the Group and any acquisition or disposal by the Group worth in excess of £100,000 requires the prior written consent of Sir Martin. Sir Martin, through the voting rights attaching to the B Share, has the ability to defeat any resolution proposed to the Shareowners.

The interests of Sir Martin Sorrell may be different from the interests of the Company or the other Shareowners. In particular, the control exercised by Sir Martin means that certain transactions are impossible without the support of Sir Martin and may have the effect of preventing an acquisition or other change in control of the Company.

Since the control rights that Sir Martin exercises via the B Share are negative in nature, there is a risk that, should the interests of Sir Martin and the Company and/or the other Shareowners come into conflict, the Company would be deadlocked and unable to take any action to further its operations and strategy. To the extent that the Company does become deadlocked, this will have a material adverse effect on its business, financial condition, results of operations or prospects and the value of the Ordinary Shares.

#### ***Potential dilution from the issue of additional Consideration Shares under the Merger Agreement***

Shareowners will experience dilution in their ownership and voting interests pursuant to the Firm Placing and the shares issued to Firewood Equityowners as consideration (the "**Consideration Issue**") (as further described below) whether or not they are Qualifying Shareowners who take up their Open Offer Entitlements. If Qualifying Shareowners take up the offer of New Ordinary Shares under the Open Offer in full, as a result of the Issue and the Firewood Merger their proportionate ownership and voting interests in the Ordinary Shares will be diluted by 16 per cent. If they do not take up any of their Open Offer Entitlement their holdings will be diluted by 23 per cent. The percentage of the Company's issued share capital that the Existing Ordinary Shares represent will be reduced by 23 per cent. to 77 per cent. as a result of the Issue and the Firewood Merger.

At closing, the Firewood Equityowners will be allotted 28,506,490 Consideration Shares at the Issue Price having an aggregate value of \$49.9 million, representing approximately 48.3 per cent. of the consideration due to the Firewood Equityowners under the Merger Agreement. The remaining consideration payable at closing to the Firewood Equityowners (\$53.3 million, or 51.7 per cent. of the consideration due at closing to the Firewood Equityowners) will be settled in cash on the date of Admission. However, if the 30-day VWAP of the Company's Ordinary Shares as at the close of trading two business days prior to Admission measured in US dollars at the exchange rate at that time were to decline below the US dollar equivalent of the Issue Price at signing so that the equity value of the share consideration was less than 40 per cent. of the total merger consideration, the Firewood Equityowners would be entitled to request that a greater number of Consideration Shares at the Issue Price form part of the total merger consideration, along with a corresponding decrease in cash consideration, in order for the equity value of the share consideration

(based on the 30-day VWAP) to represent at least 40 per cent. of the total merger consideration. The Company is permitted to issue 120,297,844 New Ordinary Shares within its existing authorities to satisfy the share consideration due under the Merger Agreement, and, for illustrative purposes only, a US dollar equivalent of a 30-day VWAP of \$0.42 would result in the Company issuing the full number of New Ordinary Shares within its existing authorities if the Firewood Equityowners requested the additional share consideration under such circumstances. If the Company were required to issue additional Consideration Shares at the request of the Firewood Equityowners as a result of the above, the amount of dilution faced by Shareowners would increase, which could have a material adverse effect on the value of the Ordinary Shares. If the Company were required to issue Consideration Shares in addition to the number covered by this Document, the Company will publish a prospectus or supplementary to this Document in the event such additional Consideration Shares (together with any other relevant Ordinary Shares not covered by a prospectus and issued over the previous 12 months) were to represent 20 per cent. or more of the Company's Existing Ordinary Shares.

***Potential dilution from the incentivisation of the Group's executives***

The Group has in place an incentivisation scheme through which Sir Martin Sorrell and other executives will be rewarded for increases in Shareowner value, subject to certain conditions and performance hurdles as set out in paragraph 5 of Part III of this Document. Sir Martin Sorrell holds 4,000 A2 Incentive Shares in S<sup>4</sup> Limited. S<sup>4</sup> Limited has further authorised the issue of an additional 4,000 A1 Incentive Shares. If the performance condition attaching to the Incentive Shares is satisfied and certain other conditions are satisfied, the Company could become obliged to issue Ordinary Shares in satisfaction of the rights of the Incentive Shares. Further, in certain circumstances, including a sale, merger or liquidation of the Company or S<sup>4</sup> Limited, the holders of Incentive Shares could become entitled to up to 15 per cent. of the return on invested capital in S<sup>4</sup> Limited. In any such circumstances, the holders of Ordinary Shares may face significant dilution, which could have a material adverse effect on the value of the Ordinary Shares.

***Further issues of shares may result in immediate dilution***

The Company may issue additional Ordinary Shares to fund acquisitions. In the case of English companies such as the Company, statutory pre-emption rights prevent the issue of shares for cash consideration without such shares being offered to Shareowners first, subject to the disapplication of such pre-emption rights by a special resolution of the Shareowners. Therefore, existing Shareowners may not be offered the right or opportunity to participate in any such future share issues (if such a special resolution is approved by Shareowners or if further Ordinary Shares are issued for non-cash consideration), which may dilute existing Shareowners' interests in the Company and could have a material adverse effect on the value of the Ordinary Shares.

***The Company will be subject to restrictions in offering Ordinary Shares as consideration for an acquisition in certain jurisdictions and may have to provide alternative consideration, which may have an adverse effect on its operations***

The Company may offer its Ordinary Shares or other securities as part of the consideration to fund, or in connection with, future acquisitions. However, certain jurisdictions may restrict the Company's use of its Ordinary Shares or other securities for this purpose, which could result in the Company needing to use alternative sources of consideration. Such restrictions may limit the Company's available acquisition opportunities or make certain acquisitions more costly.

***The Standard Listing of the Ordinary Shares affords Shareowners a lower level of regulatory protection than a Premium Listing and the Company may be unable to transfer to another listing venue if it wishes to do so***

The Ordinary Shares are admitted to a Standard Listing on the Official List. A Standard Listing affords Shareowners a lower level of regulatory protection than that afforded to investors in companies with Premium Listings on the Official List, which are subject to additional obligations under the Listing Rules. Further details regarding the differences in the protections afforded by a Premium Listing as against a Standard Listing are set out in the section entitled "Consequences of a Standard Listing" in Part III.

Following, or at a similar time to, the completion of any further material acquisition, or at another time at the Company's discretion, the Directors may seek to transfer the Company from a Standard Listing to a Premium Listing or other appropriate listing venue, subject to fulfilling the relevant eligibility criteria at the

time. There can be no guarantee that the Company will meet such eligibility criteria or that a transfer to a Premium Listing or other appropriate listing venue will be achieved. For example, such eligibility criteria may not be met, due to the B Share Rights, circumstances and internal control systems of the Group or if the Company acquires less than a controlling interest in a company whose assets and/or results represent a material part of the Group's assets and/or results. In addition there may be a delay, which could be significant, between the completion of an acquisition and the date upon which the Company is able to seek or achieve a Premium Listing or a listing on another stock exchange.

A change of, or failure to change, listing venue in these circumstances may have a material adverse effect on the valuation of the Ordinary Shares. Alternatively, in addition to, or in lieu of seeking a Premium Listing, the Company may determine to seek a listing on another stock exchange, which may not have standards of corporate governance comparable to those required by a Standard or Premium Listing, or which Shareowners may otherwise consider to be less attractive or convenient, which could have a material adverse effect on the value of the Ordinary Shares.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for entitlements under the Open Offer	7 October 2019
Announcement of the Issue	8 October 2019
Ex-entitlement date	8 October 2019
Date of this Document	8 October 2019
Despatch of this Document, Application Form and Forms of Proxy	8 October 2019
Open Offer Entitlements credited to stock accounts in CREST of Qualifying CREST Shareowners	9 October 2019
Recommended latest time for requesting withdrawal of Open Offer Entitlements	4.30 p.m. on 17 October 2019
Recommended latest time for depositing Open Offer Entitlements into CREST	3.00 p.m. on 18 October 2019
Recommended latest time for splitting Open Offer Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 18 October 2019
Latest time and date for receipt of completed Open Offer Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 22 October 2019
Latest time and date for receipt of Forms of Proxy and electronic proxy appointments via CREST	11.00 a.m. on 22 October 2019
Announcement of the results of the Open Offer	7.00 a.m. on 23 October 2019
Time and date of the General Meeting	11.00 a.m. on 24 October 2019
Results of General Meeting announced	24 October 2019
Admission and commencement of dealings in the New Ordinary Shares	8.00 a.m. on 25 October 2019
CREST stock accounts expected to be credited for the New Ordinary Shares	25 October 2019
Despatch of definitive share certificates for New Ordinary Shares (where applicable)	within 14 days of Admission

**Notes:**

- (a) Each of the times and dates in the table above is indicative only and may be subject to change.
- (b) References to times in this Document are to London time.
- (c) The times and dates set out in the table above and mentioned throughout this Document may be

adjusted by the Company in consultation with HSBC and Dowgate, in which event details of the new times and dates will be notified to the FCA, the London Stock Exchange and, where appropriate, Shareowners.

- (d) Any Existing Ordinary Shares sold prior to the close of business on 7 October 2019, the date on which the Existing Ordinary Shares will trade with entitlement, will be sold to the purchaser with the right to receive entitlements under the Open Offer.

## STATISTICS RELATING TO THE ISSUE

Number of Existing Ordinary Shares in issue as at 8 October 2019 (being the date of this Document)	365,068,524
Issue Price per New Ordinary Share	142 pence
Entitlement under the Open Offer	1 New Ordinary Share for every 10.764 Existing Ordinary Shares
Number of Firm Placed Shares to be issued pursuant to the Firm Placing	36,506,852
Number of Open Offer Shares to be issued pursuant to the Placing and Open Offer	33,915,683
Number of New Ordinary Shares to be issued pursuant to the Consideration Issue	41,428,571
Aggregate number of New Ordinary Shares to be issued	111,851,106
Number of Ordinary Shares in the Enlarged Share Capital	476,919,630
Gross proceeds of the Issue	£100 million
Estimated expenses of the Issue*	£1.7 million
Estimated net proceeds of the Issue	£98.3 million
New Ordinary Shares as a percentage of the Enlarged Issued Share Capital	23 per cent
ISIN of the Existing Ordinary Shares (and the New Ordinary Shares once admitted to trading)	GB00BFZZM640
SEDOL code	BFZZM64
ISIN of the Open Offer Entitlement	GB00BK5MVT64

**Notes:**

\* Stated inclusive of the maximum payment of Shareowner Commissions pursuant to the Placing.

## **DIRECTORS, COMPANY SECRETARY AND ADVISERS**

Directors	Sir Martin Sorrell – Executive Chairman Scott Spirit - Executive Director Victor Knaap – Executive Director Wesley ter Haar – Executive Director Peter Kim – Executive Director Christopher Martin – Executive Director Peter Rademaker – Executive Director and Group CFO Rupert Faure Walker – Non-Executive Director Paul Roy – Non-Executive Director Sue Prevezer – Non-Executive Director Daniel Pinto – Non-Executive Director Elizabeth Buchanan - Non-Executive Director
Registered Office and Business Address of the Directors	12 St James's Place London SW1A 1NX
Company Secretary	Theresa Dadun
Joint Broker and Joint Bookrunner	Dowgate Capital Limited 15 Fetter Lane London EC4A 1BW
Joint Broker, Joint Bookrunner and principal bankers	HSBC Bank plc 8 Canada Square London E14 5HQ
Solicitors to the Company	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Solicitors to the Joint Brokers and Joint Bookrunners	Simmons & Simmons LLP CityPoint One Ropemaker Street London EC2Y 9SS
Reporting Accountants	BDO LLP 55 Baker St London W1U 7EU
Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Registrars to the Company and Receiving Agent	Share Registrars Limited The Courtyard, 17 West Street Farnham Surrey GU9 7DR

## IMPORTANT INFORMATION

Investment in the Company and Ordinary Shares carries significant risk. There can be no assurance that Admission will occur and that the Firewood Merger will complete. In addition, there can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of the Ordinary Shares and any income from Ordinary Shares can go down as well as up and Shareowners may not realise the value of their initial investment. Prospective investors should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see Risk Factors).

Prospective investors contemplating an investment in the Ordinary Shares should recognise that the market value of the Ordinary Shares can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that investors will receive back the amount of their investment in the Ordinary Shares.

This Document should be read in its entirety before making any investment in the Company.

### Forward-looking statements

Certain statements contained herein are forward-looking statements and are based on current expectations, estimates and projections about the potential returns of the Company and the Group and the industry and markets in which the Group will operate, the Directors' beliefs, and assumptions made by the Directors. Words such as "expects", "should", "intends", "plans", "believes", "estimates", "projects", "may", "targets", "would", "could" and variations of such words and similar expressions are intended to identify such forward-looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward-looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, foreign exchange fluctuations, changes of strategic direction, minority shareowner action, failure of internal controls, price and margin pressure, technology developments, systems or network failures, changes in customer requirements, failure of suppliers to deliver against contract, availability of suitable acquisition targets, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of equity financing and/or debt financing on acceptable terms and changes in the legal or regulatory environment. These forward-looking statements speak only as at the date of this Document. Unless required to do so by applicable law or regulation, the Prospectus Regulation, the Listing Rules, the Market Abuse Regulation or the Disclosure Guidance and Transparency Rules, the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

This Document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Group's plans, goals and prospects. These statements and the assumptions that underline them are based on the current expectations of the Directors and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that the actual performance of the Group will not differ materially from the description in this Document.

Investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined on pages 8 to 20 of this Document, their personal circumstances and the financial resources available to them.

Forward-looking statements contained in this Document do not in any way seek to qualify the working capital statement contained in paragraph 15 of Part XVII this Document.

### Market and financial information

The data, statistics and information and other statements in this Document regarding the markets in which the Group operates or will operate are based on the Group's records or are taken or reports prepared by

advisers on its behalf, derived from generally available statistical data and certain informed estimates made by the Group's advisers.

In relation to these sources, such information has been accurately reproduced from the published information and, so far as the Company is aware and is able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Various figures and percentages in tables in this Document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this Document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this Document are, unless otherwise stated, references to time in London, England.

### **Presentation of financial information**

Unless otherwise stated, financial information relating to the Company, the MediaMonks Group, the MightyHive Group and S<sup>4</sup> Limited has been extracted from the audited historical financial statements with respect to each entity incorporated by reference into this Document as set out in more detail in Part XI of this Document.

The Group's audited consolidated financial statements have been prepared for the seven month period from 31 May 2018 to 31 December 2018, which represents the Group's first period of existence commencing on the incorporation date of S<sup>4</sup> Limited (which was acquired by the Company on 28 September 2018 by way of reverse takeover). Because prior to the reverse takeover the Company effectively had no substance and S<sup>4</sup> Limited was acting as the parent company of the Group, S<sup>4</sup> Limited has been treated as the acquirer for accounting purposes and the Group's consolidated financial statements have been prepared from the date of its incorporation. The Group's audited consolidated financial information for this period consolidates the results of the MediaMonks Group and the MightyHive Group from the date of their respective mergers with the Group on 9 July 2018 and 24 December 2018, respectively.

In order to ensure that financial information is presented for the MediaMonks Group and the MightyHive Group for the periods in 2018 before the dates of their respective mergers, financial information in respect of these periods has been provided as follows. Audited financial statements presented under IFRS for the MediaMonks Group for the full year to 31 December 2018 are set out at Part XIII of this document. Audited financial statements presented under US GAAP for the MightyHive Group for the full year to 31 December 2018 are set out at Part XIV of this document.

Unless otherwise stated, financial information relating to the Firewood Group has been extracted from the audited financial statements for the year ended 31 December 2018 set out in Part XII of this Document.

### **No profit forecast**

No statement in this Document is intended as a profit forecast.

### **Non-IFRS financial measures**

The Document includes unaudited non-IFRS measures and ratios, including EBITDA, which are not measures of financial performance under IFRS.

The Group defines EBITDA as profit or loss for the period before net finance costs, income taxes, depreciation and amortisation, impairment and gains/(losses) and disposal of non-current assets, changes in fair value of financial instruments, exchange differences, impairment losses, share-based compensation, gains/(losses) on disposal of financial instruments and other non-recurring costs/income.

Adjusted Operational EBITDA, as defined by the Company, is EBITDA adjusted for the exclusion of transaction related expenses and the amortisation of intangible assets related to acquisitions, which the Directors believe are non-recurring. The table below sets out the reconciliation of Adjusted Operational EBITDA to Operating Loss.

	For the seven month period ended 31 December 2018	For the six months ended 30 June 2019
	(unaudited)	(unaudited)
	(£ millions)	
Operating loss	(8.5)	(6.2)
Adjusting items:		
- Non-recurring expenses and acquisition related expenses	5.0	7.4
- Share based compensation	-	1.3
- Amortisation of intangible assets related to acquisitions	7.5	6.3
Depreciation	0.7	0.9
<b>Adjusted operational EBITDA</b>	<b>4.7</b>	<b>9.6</b>

The Group defines Adjusted Operating Profit as Operating Loss adjusted for the exclusion of transaction related expenses and the amortisation of intangible assets related to acquisitions, which the Directors believe are non-recurring. The table below sets out the reconciliation of Adjusted Operating Profit to Operating Loss.

	For the seven month period ended 31 December 2018	For the six months ended 30 June 2019
	(unaudited)	(unaudited)
	(£ millions)	
Operating loss	(8.5)	(6.2)
Adjusting items:		
- Non-recurring expenses and acquisition related expenses	5.0	7.4
- Share based compensation	-	1.3
- Amortisation of intangible assets related to acquisitions	7.5	0.9
<b>Adjusted operating profit</b>	<b>4.0</b>	<b>8.7</b>

The Group defines Gross Profit as revenue net of third party costs, including pass-through costs to clients such as media spend, expenses incurred in shooting films, materials purchased for specific installation projects, external line production companies used when capacity is exceeded, and commissions.

EBITDA-based and Gross Profit-based measures and the related ratios are used by management as indicators of the Group's operating performance. The Company is not presenting EBITDA-based or Gross Profit-based measures as measures of the Group's results of operations. EBITDA-based and Gross Profit-based measures have important limitations as an analytical tool, and should not be considered in isolation or as substitutes for analysis of the Group's results of operations.

Some of these limitations are:

- EBITDA-based measures do not reflect the impact of significant interest expense or the cash requirements necessary to service interest or principal payments in respect of any borrowings, which could further increase if the Group incurs more debt.
- EBITDA-based measures do not reflect the impact of income tax expense on the operating performance of the Group.
- EBITDA-based measures do not reflect the impact of depreciation of assets on the performance of the Group.
- EBITDA-based measures remove the impact of certain non-recurring items from the performance of the

Group.

The assets of the businesses of the Group that are being depreciated will have to be replaced in the future and such depreciation expense may approximate the cost to replace these assets in the future. By excluding this expense from EBITDA-based measures, these measures do not reflect the future cash requirements of the Group for these replacements.

EBITDA and other non-IFRS measures should not be considered in isolation or as an alternative to profit from operations, cash flow from operating activities or other financial measures of the Group's results of operations or liquidity derived in accordance with IFRS. They have not been prepared in accordance with IFRS or the accounting standard of any other jurisdiction. The Company has included EBITDA, Gross Profit and other non-IFRS measures in this Document, because it believes that they are useful measures of the Group's performance and liquidity. Other companies, including those in the Group's industry, may calculate similarly titled financial measures in a manner different to that of the Group. Because all companies do not calculate these financial measures in the same manner, the presentation of such financial measures in this Document may not be comparable to other similarly titled measures of other companies. Neither EBITDA nor Adjusted Operational EBITDA is audited.

The Directors consider Adjusted Operational EBITDA and Adjusted Operating Profit to be a useful supplemental tool to assist in evaluating operating performance because it eliminates items related to depreciation, amortisation and exceptional items. As there are no generally accepted accounting principles governing the calculation of non-IFRS measures, other companies may calculate such financial data or operating measures differently or may use such financial data and operating measures for different purposes than the Group does, and such financial data and operating measures should therefore not be used to compare the Group against another company. Prospective investors should not consider such financial data or operating measures in isolation, as a substitute for or superior to financial information prepared in accordance with IFRS or as an indication of operating performance. The Directors report Adjusted Operating Profit in the financial statements of the Group.

#### **Firewood Group historical financial information**

The historical financial information of the Firewood Group set out in Part XII of this Document has been prepared in accordance with US GAAP. There are material differences between US GAAP and IFRS as adopted by the European Union. Accordingly, the historical financial information of the Firewood Group should not be considered in isolation. The unaudited pro forma financial information in Part XV contains certain adjustments to present the historical information relating to the Firewood Group in a manner consistent with that of the Group.

Furthermore, this Document contains audited financial information for the Firewood Group for the financial year ended 31 December 2018 and unaudited financial information drawn from management accounts for the Firewood Group for the financial year ended 31 December 2017. The unaudited financial information for the financial year ended 31 December 2017 may not contain certain adjustments which could be deemed necessary to present the unaudited historical information in a manner that is entirely consistent with the audited financial information for the financial year ended 31 December 2018. However, the Directors believe that any such adjustments would not be material in the context of the Firewood Merger or the Group following the Firewood Merger and that the presentation of such unaudited financial information is useful in presenting the historical financial performance of the Firewood Group.

EBITDA, as presented in connection to the Firewood Group, is defined as profit or loss for the year before net finance costs, income taxes and depreciation and amortisation. The table below sets out the reconciliation of EBITDA to net income for the year ended 31 December 2018.

**For the year ended  
31 December 2018**

*(unaudited)*

**(\$ millions)**

<b>EBITDA</b>	<b>10.3</b>
Depreciation	(0.3)
Share-based compensation	(1.1)
Interest earned	0.1
<b>Net income</b>	<b>8.9</b>

Adjusted EBITDA, as presented in connection to the Firewood Group is defined as EBITDA adjusted for non-recurring or exceptional items. The table below sets out the reconciliation of EBITDA to Adjusted EBITDA for the financial year ended 31 December 2018.

**For the year ended  
31 December 2018**

*(unaudited)*

**(\$ millions)**

EBITDA	10.3
Non-recurring items	0.1
<b>Adjusted EBITDA</b>	<b>10.4</b>

### **Currency**

Unless otherwise indicated, all references in this Document to:

- "£", "pounds sterling", "pounds", "sterling", "pence", or "p", are to the lawful currency of the United Kingdom;
- "Euros", "euros" or "€" are to the single currency of the Eurozone;
- "US dollars", "US\$" or "\$" are to the lawful currency of the United States; and
- "SGD" are to the lawful currency of Singapore.

### **Data protection**

The information that an investor provides in documents which relates to the investor (if it is an individual) or a third party individual ("**personal data**") will be held and processed by the Company (and any third party to whom it may delegate certain administrative functions in relation to the Company) in compliance with the relevant data protection legislation and regulatory requirements of the UK. Such information will be held and processed by the Company (or any third party, functionary or agent appointed by the Company) for the following purposes:

- verifying the identity of the investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures and sanctions compliance;
- carrying out the business of the Group and the administering of interests in the Company;
- meeting the legal, regulatory, reporting and/or financial obligations of the Group in Jersey, England and Wales or elsewhere; and
- disclosing personal data to other functionaries of, or advisers to, the Group to operate and/or administer the Group.

Where appropriate it may be necessary for a member of the Group (or any third party, functionary or agent

appointed by a member of the Group) to:

- disclose personal data to third party service providers, agents or functionaries appointed by a member of the Group to provide services to prospective investors; and
- transfer personal data outside of the EEA to countries or territories which do not offer the same level of protection for the rights and freedoms of prospective investors as the UK.

If a member of the Group (or any third party, functionary or agent appointed by a member of the Group) discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it will use reasonable endeavours to ensure that any third party, agent or functionary to whom the relevant personal data are disclosed or transferred is contractually bound to provide an adequate level of protection in respect of such personal data.

In providing such personal data, investors will be deemed to have agreed to the processing of such personal data in the manner described above. Investors are responsible for informing any third party individual to whom the personal data relates of the disclosure and use of such data in accordance with these provisions.

#### **No incorporation of website**

Save to the extent incorporated in Part X, the contents of the Company's or any business in the Group's website past or present, or any other website accessible via hyperlinks from the such websites are not incorporated into, and do not form part of, this Document.

#### **General**

Shareowners and prospective investors should not treat the contents of this Document as advice relating to legal, taxation, investment or any other matters. Shareowners and prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Shareowners and prospective investors must rely upon their own legal advisers, accountants and other financial advisers as to legal, tax, investment or any other related matters concerning the Company and any investment therein. Statements made in this Document are based on the law and practice currently in force in England and Wales and are subject to changes therein. This Document should be read in its entirety before making any application for New Ordinary Shares. Shareowners are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles.

In making an investment decision, each Shareowner and prospective investment must rely on its own examination, analysis and enquiry of the Company and the terms of the Issue.

No person has been authorised to give any information or make any representations other than the information contained in this Document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company. Subject to the requirements of the Prospectus Regulation, neither the delivery of this Document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs of the Company since the date of this Document or that the information in this Document is correct at any time subsequent to its date.

HSBC, Dowgate and their respective affiliates have engaged in transactions with and performed various investment banking, financial advisory and other services for the Company and its affiliates, for which they received customary fees, and they and their respective affiliates may provide such services for the Company and its affiliates in the future. As a result, HSBC, Dowgate and their respective affiliates may have a commercial interest in continuing to provide services to the Company and its affiliates that may be material to the Firm Placing and/or Placing and Open Offer.

In connection with the Firm Placing and/or Placing and Open Offer, HSBC, Dowgate and any of their respective affiliates acting as an investor for their own account(s) may subscribe for New Ordinary Shares and, in that capacity, may retain, purchase, sell, offer or otherwise deal for its or their own account(s) in such securities of the Company, any other securities of the Company or related investments in connection with the Firm Placing and/or Placing and Open Offer or otherwise. In addition, HSBC, Dowgate and

their respective affiliates may enter into derivative transactions in connection with the Firm Placing and/or Placing and Open Offer, acting at the order and for the account of their business and may also purchase or hold New Ordinary Shares as a hedge for these transactions. Accordingly, references in this Document to Ordinary Shares being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, HSBC, Dowgate or any of their respective affiliates acting as an investor for its or their own account(s). Neither HSBC nor Dowgate (as applicable) intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

#### **Definitions**

A list of defined terms used in this Document and a glossary of technical terms are set out in Part XVIII of this Document.

#### **Governing law**

Unless otherwise stated, statements made in this Document are based on the law and practice in force in England and Wales on the date of this Document and are subject to the changes therein.

## PART I - THE FIREWOOD MERGER AND THE ISSUE

### 1 INTRODUCTION

S<sup>4</sup>Capital's mission is to create a new era, new media solution embracing data, content and technology in an always-on environment for global, multinational, regional and local clients and for millennial-driven digital brands. Since its foundation in May 2018, the Group has sought to deliver on this mission through a number of strategic business combinations.

On 9 July 2018, the Group combined with MediaMonks, which partners with clients across industries and markets to create work for leading businesses and brands. Further, on 24 December 2018, the Group was joined by MightyHive, a global leader in advanced marketing and advertising technologies, providing consulting and media operations services to brands and agencies. In May 2019, MediaMonks combined with Caramel Pictures and ProgMedia became part of MightyHive to extend each businesses' respective service suite and geographic reach, and in August 2019, MediaMonks combined with IMAgency Holding B.V. ("IMA"). Furthermore, in June 2019, MediaMonks reached a non-binding agreement of key terms to acquire BizTech.

The opportunity has now arisen for the Company to acquire Firewood Marketing, Inc. ("Firewood"), an international digital marketing agency built on extensive partnerships with some of the world's best-known brands. Firewood is the largest independent agency in Silicon Valley and, along with MediaMonks, has been ranked as one of the fastest growing agencies by Adweek. The Directors believe that the addition of Firewood to the Group will result in the creation of a differentiated and potentially disruptive service offering. Further information on the Firewood Group is set out in Part VII of this Document.

#### ***The Firewood Merger***

On 7 October 2019, the Company and certain of its subsidiaries, including its direct subsidiary, MergeCo, and Firewood entered into a merger agreement (the "**Merger Agreement**") pursuant to which, conditional upon Admission occurring, Firewood will merge with and into MergeCo with the effect that, following Admission, Firewood will be a wholly-owned direct subsidiary of the Company (the "**Firewood Merger**"). The transaction values Firewood at \$150 million on a debt-free and cash-free basis and with normalised working capital, or at an enterprise value to EBITDA multiple of approximately 13.2x (based on unaudited EBITDA for the last twelve months ended 31 July 2019). The Firewood Merger is expected to be significantly accretive to adjusted basic net result per share in the first full financial year following Completion.

For the year ended 31 December 2018, Firewood generated revenue of \$56.8 million which increased by 71.6 per cent. from \$33.1 million in revenue for the year ended 31 December 2017 (unaudited), which in turn had increased by approximately 61 per cent. from the year ended 31 December 2016 (unaudited); and its EBITDA (unaudited) was \$10.3 million which increased by 77.6 per cent. from \$5.8 million for the year ended 31 December 2017, which in turn had increased by approximately 40 per cent. from the year ended 31 December 2016.

Further information on the terms of the Merger Agreement is set out in paragraph 3 below.

#### ***Additional Acquisitions***

The total cash payments for the Firewood Merger will be up to \$77.5 million, and given the Company's strong acquisition pipeline, the Directors propose to raise an additional £32.5 million to part fund the current anticipated additional acquisitions, implement the Company's strategy and for general corporate purposes.

Aligned to its growth strategy, the Directors continue to evaluate opportunities for further growth through merger and acquisition to ensure the Company is best placed to deliver on its objectives. Over the past year, the Company has received approaches about potential acquisition targets both directly and through its advisors. This inbound activity continues at a rapid rate, but the Company has a disciplined, proactive and strategic approach aimed towards sourcing and reviewing acquisitions in two major categories:

- (a) the Company has identified several important geographies where the Group does not currently have a presence, or is underweight, and it is reviewing opportunities to enter and/or upscale in these markets through merger and acquisition; and
- (b) the Company is looking to expand its capabilities in key strategic areas, the broader focus being

on Data, Digital Content and Programmatic Media, with specific service areas under consideration including: Marketplace/eCommerce, First-party Data & Analytics, Social Marketing, Performance Marketing, Marketing Cloud System Integration, Digital Transformation Consulting, Transcreation and Content Studios, as it continues to build service capabilities around the current products and software of companies such as Adobe, Amazon, Facebook, Google and Salesforce.

Given the targeted consideration mix for acquisitions by the Group is 50 per cent. cash and 50 per cent. Ordinary Shares, and the fact that the majority of prospective potential merger and acquisition targets are of a smaller size and cash consideration than the Firewood Merger, the Directors anticipate completing several more potential acquisitions in the coming months using the additional proceeds.

The Group's strategy and implementation therefore continue to depend on availability of attractive acquisition targets and availability of obtaining funding on suitable terms to finance such acquisitions.

### ***The Issue***

In order to fund the cash component of the consideration payable in respect of the Firewood Merger, which will be up to \$77.5 million, and potential additional acquisitions, the Company proposes to raise gross proceeds of £100 million (£98.3 million net of expenses) through the issue of 70,422,535 New Ordinary Shares by way of a Firm Placing and a Placing and Open Offer at the Issue Price of 142 pence per New Ordinary Share. The Issue Price represents a premium of 1.4 per cent. to the Closing Price of 140 pence per Existing Ordinary Share on 7 October 2019 (being the last business day prior to the announcement of the Issue).

### ***Shareowner approval***

The Issue requires Shareowner approval to grant the Directors authority to allot and issue the New Ordinary Shares as if the applicable statutory pre-emption rights did not apply. Approval will be sought at a General Meeting convened for 11.00 a.m. on 24 October 2019, notice of which has been sent to Shareowners in a circular dated on or around the date of this Document (the "**Circular**"). If the Issue Resolution is not passed at the General Meeting, the Issue will not proceed and the Firewood Merger will not complete.

Irrevocable undertakings to vote in favour of the Resolutions have been received from 10 Shareholders (including all of the Directors who are Shareowners) representing 34.8 per cent. of the issued Ordinary Shares of the Company.

## **2 STRATEGIC RATIONALE AND EXPECTED BENEFITS OF THE FIREFLY MERGER**

For the reasons set out below, the Directors believe that the Firewood Merger will further the implementation of the Company's objective of creating a new era, new media solution embracing data, content and technology in an always-on environment for global, multinational, regional and local clients and for millennial-driven digital brands.

### ***Key industry trends and the opportunity***

The Directors have identified a number of key trends in the marketing and communication services industry. These include:

#### ***Pace***

Technology has accelerated the speed and cadence in which clients go to market, reflecting consumers' hastening needs and shortened attention spans. At this increased pace, higher emphasis is placed on developing more content, faster, that is rooted in sound strategic direction and up-to-date and relevant expertise.

#### ***Drive for increased efficiency and effectiveness***

Brands and marketers are focussed on efficiency in the delivery of marketing services. This encompasses both cost-effectiveness of premium creative content, technology solutions and consulting work, the speed with which they can be delivered and their responsiveness once employed. The Directors also believe that brands and marketers want to do more with less and are increasingly emphasising return on investment (ROI - i.e. sales generated by advertising spend).

### *Shift to digital*

As set out in more detail in Part IV of this Document, digital advertising spend has grown rapidly since 2017 and is projected to continue this growth and represent a majority of global advertising spend by 2022.

### *Capability consolidation*

Marketing services are frequently procured on a fragmented basis, with specialist agencies and other service providers taking ownership of only a small part of the delivery of a brand's marketing messages. The Directors believe that brands are increasingly emphasising the importance of an end-to-end delivery skill-set of the kind required to implement large scale and global digital transformation programmes and to take full ownership of the deployment of marketing messages.

### *Decoupling and in-housing*

Brands are increasingly considering moving away from traditional agency relationships and considering instead either in-housing capabilities or engaging with creative production and technology services companies directly. The Directors believe the shift to decoupling and in-housing may be driven, in part, by a lack of transparency in the legacy agency model and a desire for greater control over the marketing process.

### *Change in World's Largest Brands and Largest Spenders*

The inaugural "Brandz Top 100" Brands report in 2006 was led by Microsoft, GE and Coca-Cola.

#### **BRANDZ™ RANKING**

#	Brand	Brand Value 2006 (US\$ millions)
1	Microsoft	62,039
2	GE	55,834
3	Coca-Cola	41,406
4	China Mobile	39,168
5	Marlboro	38,510
6	Wal-Mart	37,567
7	Google	37,445
8	IBM	36,084
9	Citibank	31,028
10	Toyota	30,201

The latest version of the report in 2019 illustrates that, in the past decade, the profile of the world's largest brands has changed dramatically. It is now dominated by technology brands with 7 of the top 10 being internet technology brands.

	Brand	Brand Value 2019 (US\$ millions)
1	Amazon	315,505
2	Apple	309,527
3	Google	309,000
4	Microsoft	251,244
5	Visa	177,918
6	Facebook	158,968
7	Alibaba Group	131,246
8	Tencent	130,862
9	McDonalds	130,368
10	AT&T	108,375

### **Combination benefits**

In the context of the trends outlined above, the Directors believe that the combination of the MediaMonks

Group and Firewood presents a compelling opportunity to create a highly-differentiated service offering underpinned by strategic consulting, efficient premium creative and content production, performance media and technology services that are all delivered via a hybrid in-housing model.

The Directors further believe that this combined offering could be a disruptive force in the advertising and marketing services industry, able to capitalise on the status quo evidenced by the shifts in brand and marketing approaches and priorities set out above. In addition, the Directors believe that the combination of the MediaMonks Group and Firewood, both fast growing businesses (and adjudged so by Adweek's fastest growing agency rankings), will facilitate additional expansion.

#### *Deeper exposure to the US and digital marketing*

The US remains by far the largest advertising market in the world. According to ZenithOptimedia, the US had \$217.0 billion of advertising expenditure in 2018 compared to advertising spend of \$85.2 billion in China. ZenithOptimedia predict spend in the US will reach over \$250 billion in 2021. In addition, ZenithOptimedia estimates that digital (internet) advertising has risen from 12 per cent. of total global advertising spend in 2008 to become the dominant media with a 42 per cent. global market share in 2018. eMarketer estimates that in 2019 digital marketing spend in the US will grow by 19 per cent. to \$129.3 billion (representing 54.2 per cent. of estimated total US advertising spending) and that by 2023, digital will surpass two-thirds of total media spending.

As Firewood is primarily focused on digital marketing in the US, the Firewood Merger will give the Group greater exposure to both the world's largest advertising market and the world's largest and fastest growing media segment.

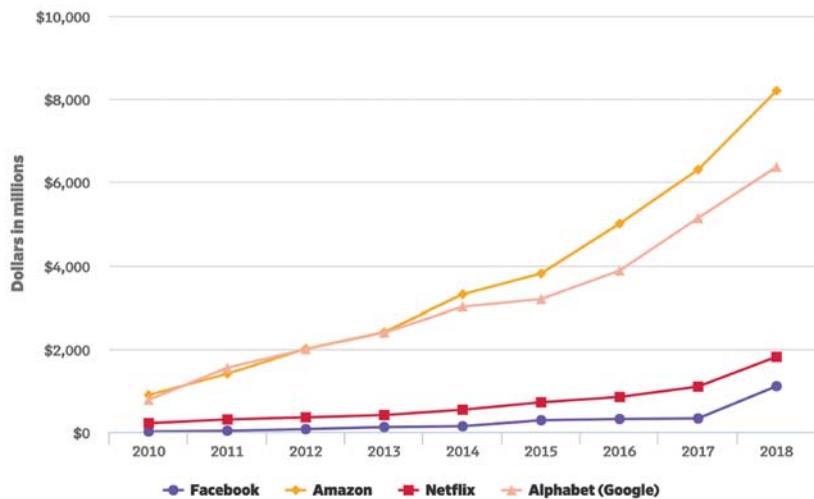
#### *Expanding the Group's largest client relationship*

Prior to the Firewood Merger, Google and other Google Partners together comprise one of the Group's largest and most important clients and partners. MediaMonks works with various Google Partners in the United States, the Netherlands, Singapore and in other countries. MightyHive is a certified partner across a broad spectrum of Google products, working with dozens of Google Partners. A stated goal of the Group is to have scaled relationships with its largest clients. Revenue generated by Google and other Google Partners for the Firewood Group increased significantly during the financial years ended 31 December 2018 and 2017, respectively, and represented a significant majority of the revenue generated by the Firewood Group for such financial years. The Firewood Merger will propel Google to become the Group's most significant client, with Google expected to generate a significant proportion of the Group's revenue following the Firewood Merger. The Directors believe that strengthening the Group's relationship and aligning with new era marketers like Google will position the Group for growth.

#### *Broadening the Group's technology client portfolio*

Firewood has built a client list dominated by the leading technology brands such as Facebook, Google, LinkedIn, Salesforce and VMware, amongst others. These clients are at various stages of embracing the "embedded" model and work in a collaborative and agile way. An important strategic objective for the Group is to align itself with the world's leading technology companies. The Group has targeted reciprocal relationships where technology companies become clients and it builds capabilities to provide services around its products (as is already evident in the Amazon, Facebook and Google relationships). The merger with Firewood allows the Group to significantly expand its technology client portfolio and its presence in San Francisco/Silicon Valley, the headquarters for many of the world's leading technology brands. Technology clients are also expanding their marketing budgets significantly faster than the overall market growth rate. According to analysis from Ad Age, spend from technology companies, in particular FANG (Facebook, Amazon, Netflix and Google – all of whom are clients of the Group), is expanding rapidly.

The below chart sets out worldwide spending since 2010 for Google parent Alphabet, Amazon, Facebook and Netflix. Facebook's advertising spending increased significantly to \$1.1 billion in 2018 from \$8 million in 2010, and Amazon's spending increased to \$8.2 billion from \$890 million.



Source: Ad Age Datacenter analysis of company reports. Facebook and Netflix figures are advertising expenses. Amazon and Alphabet are advertising and promotion expenses.

Among the nation's 100 biggest advertisers, 65 companies increased US ad spending in 2018. FANG represented approximately 7 per cent. of the top 100's spending yet accounted for nearly 30 per cent. of the spending increase.

US spending increase for those 65 companies	\$8.1 billion
US spending increase for FANG	\$2.4 billion
FANG's portion of spending increase	29.6 per cent.
US ad spending for 100 biggest advertisers	\$131.0 billion
FANG's US ad spending	\$8.9 billion
FANG's US spending as per cent. of top 100 advertisers' spending	6.8 per cent.

As a result, the Directors believe the Firewood Merger will allow the Group to service these clients and deliver significant organic growth opportunities, as the Group grows alongside them.

*Helping clients gain control with the "embedded" model as an alternative to "in-housing"*

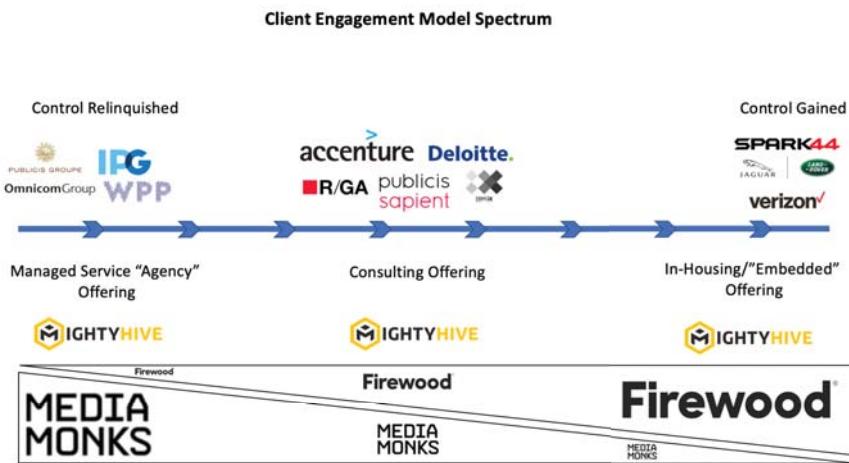
In-housing is an established and structural trend in the Marketing Services industry which has gained traction in recent years. A 2018 report from the Association of National Advertisers ("ANA") in the US stated that 78 per cent. of marketers claim to use an in-house agency, up from 58 per cent. in 2013. In Europe, a recent report commissioned by Bannerflow found that 91 per cent. of marketers have moved at least part of their digital marketing in-house. The ANA report noted that speed, transparency and the importance of data were key reasons that clients were moving more to an in-house model. The survey listed "creative" as the most common service for in-housing, and "media" and "programmatic" services were being brought in-house at the fastest pace as set out in the table below.

Strategic Services Handled In-House		
	Base (2018): 237	
	2018	2013
Creative	76%	60%
Brand/Corporate platform	52%	48%
Marketing/Product	51%	56%
Media	36%	22%
Sales/Channel	27%	20%
Programmatic	24%	Not asked
No strategy done in-house	12%	13%

Q. Which of the services listed below are handled by your in-house agency? (Select all that apply.)

Source: ANA

The Directors believe “in-housing” in of itself is not the end goal of most clients, it is rather a symptom of their desire to take more control over the marketing process. In reality the decision to in-house occurs on a spectrum, and whilst most clients are moving along to the right and taking more control, very few end up at the fully in-housed extreme. (See the Client Engagement Model Spectrum below). Unlike traditional advertising holding companies, who, burdened by incumbency reject the trend of “in-housing” or at best reluctantly go along with it, S4 Capital embraces this trend and has built a business model around it.



Sources: Company data

The traditional model of a client fully outsourcing all its marketing needs to an agency is primarily served by the traditional agency holding companies such as Omnicom, Publicis and WPP. These relationships were traditionally based on retainers but are increasingly moving to project-based scopes of work. In recent years clients have focussed on building their own repositories of first party consumer data and this has in turn lead to a focus on data-driven marketing. The desire for speed, responsiveness and greater value has led clients to explore moving further to the right hand side of this spectrum and take more control of their marketing process, experimenting with different models of engagement including in-housing. This has also been driven by a desire for greater transparency and accountability, especially in the area of creative production which was the subject of a US Department of Justice investigation in 2016, and media

buying which is the subject of ongoing FBI and federal prosecutor investigations following the ANA's "An Independent Study of Media Transparency in the US Advertising Industry" published in 2016. However, despite the trade press and headlines highlighting this trend, few clients have moved to a fully in-house solution with no reliance on agencies/partners.

The Group has built a flexible business model which allows it to help clients establish where on this spectrum they should be operating and partners with them to deliver innovative solutions in a transparent manner. Unlike traditional agencies, who are protecting incumbent revenues and structures, the Group does not have any entrenched interests and can offer more independent advice.

MightyHive already operates across the full client engagement model spectrum: it has a managed service offering for clients and independent agencies who outsource their programmatic media to it. The bulk of its revenue comes from consulting with clients such as Mondelez and Pandora, helping them establish where on the spectrum they should operate, helping them decide on their programmatic technology stack, providing enterprise grade systems integration, data science and analytics around first party data and building and executing direct relationships with the major digital platforms such as Amazon, Facebook and Google. MightyHive also offers an in-housing solution for clients such as Sprint and Bayer who want to take full control over their programmatic media. It helps such clients make this transition and provides ongoing support, maintenance and training.

MediaMonks was originally established to provide digital creative production services to agencies at one end of the spectrum. As clients migrated to the other end of the spectrum, de-coupling production based on transparency and efficiency concerns, a need for greater speed, agility and demanding specialists who can deliver creative content and assets at scale, MediaMonks transitioned its model to work directly with clients and partners wherever they decide to operate on the spectrum. Recently, MediaMonks has been collaborating with clients such as Avon and Shiseido to build and operate dedicated content studios. The Firewood Merger is expected to extend MediaMonks service offering to the other end of the spectrum, allowing it to leverage the "embedded" model that Firewood has pioneered (displayed below) to work with clients in a flexible, collaborative and integrated way.

Firewood business model overview:

Our approach			
Our model	Being embedded.	Extending beyond.	Building scale.
	<p><b>A foundation built on three core principles</b></p> <p><b>Integration.</b> We are the extended team of our partners: no us vs them but a constant emphasis on making the collective better</p> <p><b>Collaboration.</b> From day one, a mentality of one unit in it together (between our partners, our people, the extended organization, and communities we serve)</p> <p><b>Flexibility.</b> Our closeness to the business propels us to try new things and move as the business needs us to with no rigid rules or guidelines for how business has to be done</p>	<p><b>An infrastructure built on handling overflow</b></p> <p>There are always unanticipated events, projects, budgets that shift and need an immediate green light. Our model now extends to support these rapid changes that pop up unexpectedly through an integrated network.</p>	<p><b>An ability to take on project-based work</b></p> <p>Built on flexibility and adaptation, we took the core tenets of the embed model and channeled it into project based work to service all needs. Big or small, short or long, we have the capability to bring our approach to any client.</p> <p>The model has helped us expand to better service our clients across various international markets while still bringing flexibility and scale to new opportunities within those markets.</p>

The Directors believe Firewood's collaborative model of client engagement adds an important, complementary capability for the Group. Firewood seeks to combat the inefficiencies found in traditional agencies by deploying teams of creative and strategic marketing professionals, who work as extensions of their clients' marketing efforts. Firewood describes it as offering "Quality, Speed and Value", mirroring the Group's "Faster, Better, Cheaper".

### Talent

The Firewood Merger is expected to add over 300 experienced digital marketers to the Group who are experienced in both delivering and recruiting personnel who embrace a client-first, collaborative approach. Firewood was ranked as a 2018 "Best Place to Work" by the San Francisco Business Times and Silicon Valley Business Journal and has an annual turnover rate of just 15 per cent., half the industry average. The Directors believe the deep experience and capabilities of the founders and senior management of Firewood will complement the existing senior leadership at MediaMonks and MightyHive.

### *Cross- and up-selling opportunities*

The Group and Firewood have complementary client portfolios and new business pipelines. The Directors therefore believe that the combination of the Group with Firewood would deliver an opportunity to leverage existing and future relationships to cross- and up-sell to existing and future clients.

As at the date of this Document, the Group has over 1,000 clients and Firewood has over 14 with a minimal number of three overlapping clients, offering significant scope for cross-selling between the two groups and an increased profile, especially on the West Coast of the US.

### *Costs synergies*

While the focus of the Group and the Firewood Group is currently on revenue and gross margin growth, the Directors believe that the combination will present a number of opportunities to realise efficiencies. Such efficiencies may include combining certain central services of the Group and opportunistically exploring real estate synergies in certain locations.

### ***Further information on the Group's trading businesses and Firewood***

Further information on the MediaMonks Group and the MightyHive Group is set out in Part V, Part VI, Part XI, Part XIII and Part XIV of this Document, respectively. Further information on Firewood is set out in Part VII and Part XII.

## **3 THE MERGER AGREEMENT**

On 7 October 2019, the Company, its direct subsidiary, MergeCo, Firewood, the Firewood Equityowners, the Firewood stock ownership trust (the "**Firewood ESOP**") and a representative of the selling security holders of Firewood entered into the Merger Agreement pursuant to which Firewood will merge with and into MergeCo with the effect that, following Admission, Firewood will be a wholly-owned indirect subsidiary of the Company.

The Firewood Merger values Firewood at up to \$150 million on a debt-free cash-free basis and with normalised working capital, with \$112.5 million of consideration payable at closing and up to an additional \$37.5 million payable on publication of Firewood's annual accounts for the year ended 31 December 2019, if its budgeted EBITDA is reached.

At closing, the Firewood Equityowners will be allotted 28,506,490 Consideration Shares at the Issue Price having an aggregate value of \$49.9 million, representing approximately 48.3 per cent. of the consideration due to the Firewood Equityowners under the Merger Agreement. The remaining consideration payable at closing to the Firewood Equityowners (\$53.3 million, or 51.7 per cent. of the consideration due at closing to the Firewood Equityowners) will be settled in cash on the date of Admission. However, if the 30-day VWAP of the Company's Ordinary Shares as at the close of trading two business days prior to Admission measured in US dollars at the exchange rate at that time were to decline below the US dollar equivalent of the Issue Price at signing so that the equity value of the share consideration was less than 40 per cent. of the total merger consideration, the Firewood Equityowners would be entitled to request that a greater number of Consideration Shares at the Issue Price form part of the total merger consideration, along with a corresponding decrease in cash consideration, in order for the equity value of the share consideration (based on the 30-day VWAP) to represent at least 40 per cent. of the total merger consideration. If the Company were required to issue Consideration Shares in addition to the number covered by this Document, the Company will publish a prospectus or supplementary to this Document in the event such additional Consideration Shares (together with any other relevant Ordinary Shares not covered by a prospectus and issued over the previous 12 months) were to represent 20 per cent. or more of the Company's Existing Ordinary Shares.

At closing, the holders of restricted stock units ("**RSUs**") in Firewood will have their RSUs accelerated and at closing will receive, in aggregate, 2,564,936 New Ordinary Shares and \$4.8 million in cash. They will also receive deferred consideration, in the event that it becomes payable.

The Firewood ESOP will receive 100 per cent. of its consideration in cash.

Key Firewood executives will also enter into long-term employment arrangements in connection with the Firewood Merger.

Pursuant to the Merger Agreement, the Company also agreed to establish a \$5 million share option plan

for the people of the Firewood Group. Pursuant to the plan, options will be issued by the Company over new Ordinary Shares at market price (or the Issue Price in relation to the initial grant of options). Half of the options to be granted to people will be subject to group performance criteria and the other half (which will be granted equally to the same people) will be subject to performance criteria set for individual people. The performance criteria will be tested after each of the four financial year ends post grant. Where criteria are met, the options will then vest on the second anniversary of meeting the criteria.

Under the Merger Agreement, the Group has the benefit of certain representations and warranties relating to the Firewood Group, its business and operations. \$4.7 million of the cash payable upon closing of the Merger Agreement and 2,410,714 New Ordinary Shares will be placed into escrow accounts, from which, subject to the applicable deductible, the Group will be able to recover general losses arising from a breach of warranty. A further amount may be payable into escrow in the event that any deferred consideration is paid. Under the Merger Agreement, the Group has also made certain warranties and representations as to its capacity and authority and as to the accuracy and completeness of this Document. If such warranties and representations are breached, the Group has agreed to indemnify the selling securityowners of Firewood for losses caused by such breach. Completion of the Firewood Merger pursuant to the Merger Agreement is conditional upon, *inter alia*: the representations and warranties made by the parties remaining true and correct; key executives of Firewood having entered into and not repudiated their service agreements, non-competition agreements and Firewood Lock-in Deeds; and the Issue Resolution passing. However, if the Issue Resolution fails to pass by the requisite majority, the Company is obligated to use its best efforts to raise sufficient funds in combination with cash available for the purposes of the Firewood Merger to complete the Firewood Merger, pursuant to the outstanding authorities granted to the Directors at the AGM. If the Company were unable to do so by 15 December 2019, the Firewood Merger would not complete, and the Company would have no further obligations to Firewood or the Firewood Equityowners.

#### **4 REASONS FOR THE ISSUE AND USE OF PROCEEDS**

The Company is proposing to raise net proceeds of £98.3 million pursuant to the Firm Placing and the Placing and Open Offer of 70,422,535 New Ordinary Shares at an Issue Price of 142 pence per New Ordinary Share. Following Admission, the Company's principal use of the net proceeds of the Issue will be to pay the cash payment of up to \$77.5 million due under the Merger Agreement. Such cash payment is in addition to the remaining \$72.5 million which will be payable in Consideration Shares, as required under the Merger Agreement.

Of the remaining approximately £35.2 million from the net proceeds, £2.7 million is expected to be used to meet other expenses arising in connection with the Firewood Merger and Admission. The remaining approximately £32.5 million of net proceeds, is expected to be used for general corporate purposes, to fund potential acquisitions (see "Additional Acquisitions" in section 1 of this Part I) and to implement the Company's strategy.

Pursuant to the terms of the Merger Agreement, the Company is also proposing to issue 41,428,571 Consideration Shares pursuant to the Consideration Issue at the Issue Price. The Issue is not subject to an underwriting commitment on a firm commitment basis.

#### **5 CURRENT TRADING AND PROSPECTS OF THE GROUP**

On 11 September 2019, the Company announced that the unaudited revenue of the Group for the six months ended 30 June 2019 was £88.0 million and that it had unaudited Gross Profit of £70.2 million and Operational EBITDA of £9.6 million for the same period. Since 30 June 2019, the business of the Group has performed in line with the expectations of its management and the Directors. The Group has, in accordance with its strategy (which is described more fully in paragraph 2 of Part III of this Document) also completed the IMA Merger and been focused on evaluating and consummating the Firewood Merger and completing the merger with Biztech, following the non-binding agreement of key terms in June 2019. The Group continues to review a number of other complementary opportunities to further expand the Group and deliver the Company's strategy of building a multi national digital communication services business.

Since 31 December 2018, the Firewood Group has also continued to perform in line with the expectations of its management for the year to date.

#### **6 PRINCIPAL TERMS OF THE ISSUE**

The Company proposes to raise gross proceeds of £100 million (£98.3 million net of expenses) through the

issue of 70,422,535 New Ordinary Shares by way of a Firm Placing and a Placing and Open Offer at the Issue Price of 142 pence per New Ordinary Share. The Issue Price represents a premium of 1.4 per cent. to the Closing Price of 140 pence per Existing Ordinary Share on 7 October 2019 (being the last business day prior to the announcement of the Issue).

#### ***Firm Placing***

Pursuant to the Placing Agreement, the Joint Bookrunners have severally agreed to use their respective reasonable endeavours to procure Firm Placees for 36,506,852 New Ordinary Shares at the Issue Price representing gross proceeds of £51.8 million. The Firm Placed Shares are not subject to clawback and are not part of the Placing and Open Offer.

The terms and conditions of the Firm Placing are set out in placing letters that have been sent to each Firm Placee.

#### ***Placing and Open Offer***

The Open Offer Shares have been conditionally placed with institutional investors by the Joint Bookrunners, subject to clawback to satisfy valid applications by Qualifying Shareowners under the Open Offer.

The Open Offer Shares are being offered to Qualifying Shareowners by way of the Placing and Open Offer (representing gross proceeds of £48.2 million at the Issue Price). Subject to certain limited exceptions, at the sole discretion of the Company, in consultation with the Joint Bookrunners, excluded Overseas Shareowners will not be able to participate in the Open Offer. The Open Offer provides an opportunity for Qualifying Shareowners to participate in the fundraising (subject to compliance with applicable securities laws) by subscribing for their Open Offer Entitlement. Qualifying Shareowners will have an Open Offer Entitlement of:

#### **1 Open Offer Share for every 10.764 Existing Ordinary Shares**

registered in the name of the relevant Qualifying Shareowner on the Record Date and so in proportion to any other number of Existing Ordinary Shares held (that is, not including any allocations made in respect of the Firm Placing or the Placing).

Open Offer Entitlements will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will not be allocated but will be aggregated and made available in the Placing.

The Open Offer is being made on a pre-emptive basis to Qualifying Shareowners and is not subject to scaling back. Pursuant to the Placing Agreement the Joint Bookrunners have severally agreed to use their respective reasonable endeavours to conditionally place all of the Open Offer Shares with institutional investors at the Issue Price subject to clawback to satisfy valid applications by Qualifying Shareowners under the Open Offer. Any New Ordinary Shares that are available under the Open Offer and are not taken up by Qualifying Shareowners pursuant to their Open Offer Entitlements will be placed under the Placing.

Application Forms for Qualifying non-CREST Shareowners are expected to be posted to Qualifying non-CREST Shareowners on 8 October 2019 and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareowners in CREST by 9 October 2019. The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is 11.00 a.m. on 22 October 2019, with Admission expected to take place on 25 October 2019.

Shareowners should note that the Open Offer is not a rights issue. Qualifying Shareowners should be aware that in the Open Offer, unlike with a rights issue, any Open Offer Shares not applied for by Qualifying Shareowners under their Open Offer Entitlement will not be sold in the market on behalf of, or placed for the benefit of, Qualifying Shareowners who do not apply under the Open Offer, but will be placed under the Placing.

Any Qualifying Shareowner who has sold or transferred all or part of his registered holding(s) of Existing Ordinary Shares prior to the close of business on 7 October 2019 is advised to consult his stockbroker, bank or other agent through whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him under the rules of the London Stock Exchange by those who purchased his holding(s) or part thereof.

Further information on, and the terms and conditions of, the Open Offer are set out in Part II of this Document. The terms and conditions of the Placing are set out in placing letters that have been sent to

each Placee.

## 7 DIRECTOR PARTICIPATION

The Directors are interested in an aggregate of 135,715,695 Ordinary Shares (representing approximately 37.17 per cent. of the Existing Ordinary Shares). Sir Martin Sorrell, Scott Spirit, Oro en Fools B.V. (the joint personal holding company of Victor Knaap and Wesley ter Haar) ("Oro en Fools"), Peter Rademaker, Rupert Faure Walker, Sue Prevezer and Daniel Pinto have irrevocably undertaken to take up their Open Offer Entitlement (representing 15,594,468 New Ordinary Shares). Paul Roy has undertaken not to take up any of his Open Offer Entitlements which represent 147,980 New Ordinary Shares.

Sir Martin Sorrell, Scott Spirit, Peter Rademaker, Rupert Faure Walker, Paul Roy (through an intermediary), Sue Prevezer and Daniel Pinto (together, the "**S<sup>4</sup> Firm Placees**") have agreed to subscribe for, in aggregate, 13,675,734 New Ordinary Shares pursuant to the Firm Placing; and Sir Martin Sorrell, Scott Spirit, Oro en Fools, Peter Rademaker, Rupert Faure Walker, Sue Prevezer and Daniel Pinto (together, the "**S<sup>4</sup> Placees**") have agreed to subscribe for, in aggregate, 15,594,468 New Ordinary Shares pursuant to the Placing which will be subject to clawback in order to satisfy valid applications of Qualifying Shareowners under the Open Offer. To the extent the S4 Placees take up their respective Open Offer Entitlements, their conditional commitment under the Placing will be reduced by a corresponding number of New Ordinary Shares.

Daniel Pinto is the CEO of Stanhope Capital Group, which manages SEF4 Investment SCSp ("**Stanhope**"). Stanhope have irrevocably undertaken to take up their respective Open Offer Entitlements (representing 2,553,228 New Ordinary Shares). Stanhope have also agreed to subscribe for 8,500,000 New Ordinary Shares pursuant to the Firm Placing and 8,200,000 New Ordinary Shares pursuant to the Placing, which will be subject to clawback in order to satisfy valid applications of Qualifying Shareowners under the Open Offer.

Sir Martin Sorrell has been a member of Stanhope Capital Group's Advisory Board since September 2011 but is not involved in its investment decision in relation to the Company.

Further details of the Directors' and PDMRs' participation in the Issue, their shareholdings as at the date of this Document and their anticipated shareholdings at Admission are set out in paragraph 9 of Part XVII of this Document.

## 8 IMPACT OF DILUTION

Shareowners will experience dilution in their ownership and voting interests pursuant to the Firm Placing and the Consideration Issue whether or not they are Qualifying Shareowners who take up their Open Offer Entitlements. If Qualifying Shareowners take up the offer of New Ordinary Shares under the Open Offer in full, as a result of the Issue and the Firewood Merger their proportionate ownership and voting interests in the Ordinary Shares will be diluted by 16 per cent. If they do not take up any of their Open Offer Entitlement their holdings will be diluted by 23 per cent. The percentage of the Company's issued share capital that the Existing Ordinary Shares represent will be reduced by 23 per cent. to 77 per cent. as a result of the Issue and the Firewood Merger.

At closing, the Firewood Equityowners will be allotted 28,506,490 Consideration Shares at the Issue Price having an aggregate value of \$49.9 million, representing approximately 48.3 per cent. of the consideration due to the Firewood Equityowners under the Merger Agreement. The remaining consideration payable at closing to the Firewood Equityowners (\$53.3 million, or 51.7 per cent. of the consideration due at closing to the Firewood Equityowners) will be settled in cash on the date of Admission. However, if the 30-day VWAP of the Company's Ordinary Shares as at the close of trading two business days prior to Admission measured in US dollars at the exchange rate at that time were to decline below the US dollar equivalent of the Issue Price at signing so that the equity value of the share consideration was less than 40 per cent. of the total merger consideration, the Firewood Equityowners would be entitled to request that a greater number of Consideration Shares at the Issue Price form part of the total merger consideration, along with a corresponding decrease in cash consideration, in order for the equity value of the share consideration (based on the 30-day VWAP) to represent at least 40 per cent. of the total merger consideration. Under such circumstances, the amount of dilution faced by Shareowners would increase. The Company is permitted to issue 120,297,844 New Ordinary Shares within its existing authorities to satisfy the share consideration due under the Merger Agreement, and, for illustrative purposes only, a US dollar equivalent of a 30-day VWAP of \$0.42 would result in the Company issuing the full number of New Ordinary Shares

within its existing authorities if the Firewood Equityowners requested the additional share consideration under such circumstances. If the Company were required to issue Consideration Shares in addition to the number covered by this Document, the Company will publish a prospectus or supplementary to this Document in the event such additional Consideration Shares (together with any other relevant Ordinary Shares not covered by a prospectus and issued over the previous 12 months) were to represent 20 per cent. or more of the Company's Existing Ordinary Shares.

## **9 GENERAL MEETING**

The Notice convening a General Meeting to be held at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL at 11.00 a.m. on 24 October 2019 has been sent to Shareowners in the Circular. The purpose of the General Meeting is to consider, and if thought fit, pass the Resolutions, to (among other things) approve the Issue as set out in full in the Notice of General Meeting.

The Issue Resolution proposes that the Directors be authorised to allot and issue up to 114,708,279 Ordinary Shares on a non-pre-emptive basis in connection with the Issue and the Firewood Merger.

Sir Martin Sorrell holds the B Share, which, when voted against a resolution proposed at a general meeting of the Company, carries the right to such number of votes as may be required to defeat the relevant resolution. Sir Martin has given an irrevocable undertaking to vote the B Share in favour of all resolutions at the General Meeting; accordingly, it shall carry one vote.

Irrevocable undertakings to vote in favour of the Resolutions have been received from 10 Shareowners representing 34.8 per cent. of the Existing Ordinary Shares.

**The Issue will not proceed unless the Issue Resolution is passed by the requisite majority, and the Firewood Merger is conditional upon the Issue Resolution passing.**

However, according to the terms of the Merger Agreement, if the Issue Resolution fails to pass, the Company is obligated to use its best efforts to raise sufficient funds in combination with cash available for the purposes of the Firewood Merger to complete the Firewood Merger, pursuant to the outstanding authorities granted to the Directors at the AGM. If the Company were unable to do so by 15 December 2019, the Firewood Merger would not complete, and the Company would have no further obligations to Firewood or the Firewood Equityowners.

## **10 OVERSEAS SHAREOWNERS**

The availability of the New Ordinary Shares under the terms of the Open Offer to Shareowners not resident in the UK may be affected by the laws of the relevant jurisdiction where they are resident. Such persons should inform themselves about and observe any applicable requirements. Further details in relation to Overseas Shareowners are contained in Part II of this Document.

## **11 TAXATION**

Information regarding certain aspects of UK taxation is set out in Part XVI of this Document. This information is, however, intended only as a general guide to certain aspects of the current tax position under UK taxation law. Shareowners who are in any doubt as to their tax position, or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent professional adviser without delay.

## **12 RISK FACTORS**

Shareowners and investors should consider fully the risk factors associated with the Company, Group, its business, the New Ordinary Shares and the Issue. Your attention is drawn to the Risk Factors set out on pages 8 to 20 in this Document.

## PART II - TERMS AND CONDITIONS OF THE OPEN OFFER

### 1 INTRODUCTION

As explained in Part I of this Document, the Board proposes to raise £98.3 million (net of expenses) by the issue of 36,506,852 New Ordinary Shares pursuant to a Firm Placing and 33,915,683 New Ordinary Shares through a Placing and Open Offer all at 142 pence per New Ordinary Share.

Pursuant to the Placing Agreement, the Joint Bookrunners have severally agreed to use their respective reasonable endeavours to conditionally place all of the Open Offer Shares with institutional investors at the Issue Price, subject to clawback to satisfy valid applications by Qualifying Shareowners under the Open Offer.

To the extent that any Firm Placee or Placee procured by the Joint Bookrunners (other than Stanhope, the S<sup>4</sup> Placees and the S<sup>4</sup> Firm Placees) fails to subscribe for any or all of the Firm Placed Shares and/or Placing Shares which have been allocated to it, pursuant to the Placing Agreement, each of the Joint Bookrunners shall severally subscribe, as principal, for such Firm Placed Shares and/or Placing Shares at the Issue Price. Each Joint Bookrunner's obligation to subscribe for Firm Placed Shares and/or Placing Shares is subject to certain conditions in the Placing Agreement. A summary of the Placing Agreement is set out in paragraph 12 of Part XVII of this Document.

This Document and, for Qualifying non-CREST Shareowners only, the accompanying Application Form contain the formal terms and conditions of the Open Offer.

### 2 THE OPEN OFFER

Subject to the terms and conditions set out below and, where relevant, in the Application Form, and pursuant to the Placing Agreement, Qualifying Shareowners are invited to apply for Open Offer Shares at a price of 142 pence per New Ordinary Share, payable in full on application, free of all expenses, on the basis of:

#### **1 New Ordinary Share for every 10.764 Existing Ordinary Shares**

held by them and registered in their names on the Record Date and so in proportion for any other number of Existing Ordinary Shares then held (that is, not including any allocations made in respect of the Firm Placing or the Placing).

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating Qualifying Shareowners' entitlements under the Open Offer.

Fractions of Ordinary Shares will not be allocated to Qualifying Shareowners and entitlements to apply for New Ordinary Shares will be rounded down to the nearest whole number of New Ordinary Shares. Fractional entitlements under the Open Offer will be aggregated and placed in the Placing.

If you have received an Application Form with this Document please refer to paragraph 5.1 and paragraphs 6 to 10 of this Part II.

If you hold your Existing Ordinary Shares in CREST and have received a credit of Open Offer Entitlements to your CREST stock account, please refer to paragraph 5.2 and paragraphs 6 to 10 of this Part II and also to the CREST Manual for further information on the CREST procedures referred to below.

The Open Offer is not a rights issue. Qualifying CREST Shareowners should note that although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareowner originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying non-CREST Shareowners should note that the Application Form is not a negotiable document and cannot be traded.

Before making any decision to acquire Open Offer Shares, you are asked to read and carefully consider all the information in this Document including, in particular, the important information set out in Part I of this Document, as well as this paragraph 2 of Part II and the Risk Factors in this Document. Shareowners who do not participate in the Open Offer will experience dilution of their shareholdings. The material terms of the Issue are contained in this Document.

The Existing Ordinary Shares are listed on the standard segment of the Official List and traded on the London Stock Exchange's Main Market. Application will be made to the FCA and to the London Stock

Exchange for the New Ordinary Shares to be issued in the Issue to be admitted to the standard segment of the Official List and to trading on the London Stock Exchange's Main Market. It is expected that Admission will become effective on 25 October 2019 and that dealings for normal settlement in the New Ordinary Shares will commence at 8.00 a.m. on the same day.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares; all such shares, when issued and fully paid, may be held and transferred by means of CREST.

An application has been made for the Open Offer Entitlements to be admitted to CREST. The conditions for such admission having already been met, the Open Offer Entitlements are expected to be admitted to CREST with effect from 9 October 2019.

The Open Offer Shares will when issued and fully paid be identical to and rank in full for all dividends or other distributions declared made or paid after Admission and in all other respects will rank *pari passu* with the Existing Ordinary Shares in issue. No temporary documents of title will be issued.

### **3 CONDITIONS OF THE ISSUE**

The Issue is conditional upon, amongst other things, Shareowner approval of the Issue Resolution and the Placing Agreement becoming or being declared unconditional in all respects by 8.00 a.m. on 25 October 2019 (or such later time and/or date as the Joint Bookrunners may agree, being not later than 8.00 a.m. on 30 November 2019) and the Placing Agreement not being terminated in accordance with its terms. The Placing Agreement is subject to the satisfaction of certain material conditions, details of which are set out in paragraph 12 of Part XVII (Additional Information) of this Document.

It is expected that all these conditions will be satisfied by 8.00 a.m. on 25 October 2019 and that Admission will become effective at 8.00 a.m. on 25 October 2019, and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 25 October 2019. Definitive certificates in respect of New Ordinary Shares will be prepared and are expected to be posted to those allottees who have validly elected to hold their shares in certificated form within 14 days of Admission. In respect of those allottees who have validly elected to hold their shares in uncertificated form, the New Ordinary Shares are expected to be credited to their accounts maintained in the CREST system as soon as possible after 8.00 a.m. on 25 October 2019.

If the Placing Agreement is not declared or does not become unconditional in all respects, or if it is terminated in accordance with its terms, the Issue will be revoked and will not proceed. In such event, no New Ordinary Shares will be issued, and all monies received by the Receiving Agent in connection with the Open Offer will be returned to applicants without interest and at their risk as soon as practicable and any Open Offer Entitlements admitted to CREST will thereafter be disabled.

### **4 BASIS OF ALLOCATION**

The Open Offer is being made on a pre-emptive basis to Qualifying Shareowners and is not subject to scaling back. Any Ordinary Shares that are available under the Open Offer and are not taken up by Qualifying Shareowners pursuant to their Open Offer Entitlements will be placed in the Placing.

### **5 PROCEDURE FOR APPLICATION AND PAYMENT**

The action to be taken by you in respect of the Open Offer depends on whether, at the relevant time, you have an Application Form in respect of your entitlement under the Open Offer or you have Open Offer Entitlements credited to your CREST stock account in respect of such entitlement.

CREST-sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

If for any reason it becomes necessary to adjust the expected timetable as set out in this Document, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

**5.1 *If you hold your shares in certificated form (not in CREST) in respect of your entitlement under the Open Offer***

**(a) *General***

Qualifying non-CREST (certificated) Shareowners will have received an Application Form enclosed with this Document. The Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date. It also shows the maximum number of New Ordinary Shares for which you are entitled to apply on a *pro rata* basis under the Open Offer, as shown by the total number of Open Offer Entitlements allocated to you. You may also hold such an Application Form by virtue of a *bona fide* market claim.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer.

The Application Form has not been, and will not be, sent to Overseas Shareowners in, or with registered addresses in any Excluded Territories. Brokers, banks and other agents may not send an Application Form to, or submit Application Forms on behalf of, Overseas Shareowners in, or with addresses in any of these countries or a person (including, without limitation, stockbrokers, banks or other agents) who has a contractual or other legal obligation to forward this Document into a jurisdiction other than the United Kingdom.

**(b) *Market claims***

Applications may only be made on the Application Form and may only be made by the Qualifying Shareowner named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to the Open Offer by the London Stock Exchange, being 8 October 2019. Application Forms may be split up to 3.00 p.m. on 18 October 2019. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying non-CREST Shareowner who has sold or transferred all or part of his holding of Existing Ordinary Shares prior to 8 October 2019, being the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to the Open Offer by the London Stock Exchange, should consult his or her broker or other professional adviser as soon as possible, as the invitation to acquire New Ordinary Shares under the Open Offer may be a benefit which may be claimed by the transferee from his or her counterparty pursuant to the rules of the London Stock Exchange. Qualifying Shareowners who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box J on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Application Form should not, however, be forwarded to or transmitted in or into any of the Excluded Territories.

If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 5.2 below.

**(c) *Application procedures***

If you are a Qualifying non-CREST Shareowner and wish to apply for all or some of your entitlement to New Ordinary Shares under the Open Offer you should complete and sign the Application Form in accordance with the instructions on it and send it, together with the appropriate remittance and in accordance with the instructions in this Part II, paragraph 5.1 by post, or by hand (during normal business hours only) to the Receiving Agent, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR.

Please note that the Receiving Agent cannot provide financial advice on the merits of the Open Offer or as to whether or not you should take up your entitlement to New Ordinary Shares under the Open Offer. If any Application Form is sent by first-class post within the United Kingdom, Qualifying non-CREST (certificated) Shareowners are recommended to allow at least four Business Days for delivery. Applications in respect of which remittances are received prior to 11.00 a.m. on the final date for acceptance and payment of the Open Offer from an authorised person (as defined in

FSMA) specifying the number of New Ordinary Shares concerned and undertaking to lodge the relevant Application Form duly completed by not later than 11.00 a.m. on the second Business Day immediately following the final date for acceptance and payment of the Open Offer may be accepted.

(d) *Payments*

All payments must be in Sterling and cheques or banker's drafts should be made payable to "Share Registrars Limited Receiving Agent Account" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on an account at a branch of a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which is a member of either of the Committees of Scottish or Belfast clearing houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees. Such cheques or banker's drafts must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application.

Cheques must be drawn on the personal account of the individual investor where they have sole or joint title to the funds. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the application.

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be allowed on payments made as funds are held in a non-interest bearing account. It is a term of the Open Offer that cheques shall be honoured on first presentation, and the Company may elect in its absolute discretion to treat as invalid acceptances in respect of which cheques are not so honoured. Post-dated cheques and payment via CHAPS, BACS or electronic transfer will not be accepted.

Application monies will be paid into a separate non-interest bearing bank account pending the Open Offer becoming unconditional. In the event that it does not become unconditional by 8.00 a.m. on 25 October 2019 (or such later time and/or date as the Joint Bookrunners may agree, being not later than 8.00 a.m. on 30 November 2019), the Issue will lapse and application monies will be returned by post to applicants, at the applicants' risk and without interest, to the address set out on the Application Form, within 14 days thereafter.

(e) *Effect of application*

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form, you (as the applicant(s)):

- (i) agree that all applications, and contracts resulting therefrom, under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (ii) confirm that in making the application you are not relying on any information or representation other than that contained in this Document, and you accordingly agree that no person responsible solely or jointly for this Document or any part thereof shall have any liability for any such information or representation not so contained;
- (iii) represent and warrant to the Company, HSBC and Dowgate that if you have received some or all of your Open Offer Entitlements from a person other than the Company, you are entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (iv) represent and warrant to the Company, HSBC and Dowgate that you are not a person who by virtue of being resident in or a citizen of any country outside the United Kingdom is prevented by the law of any relevant jurisdiction from lawfully applying for New Ordinary Shares;
- (v) represent and warrant to the Company, HSBC and Dowgate that you are acquiring New Ordinary Shares in an "offshore transaction" as defined in and in accordance with Regulation S and furthermore that, (i) you are not in the United States, or in any of the Excluded

Territories or any other territory in which it is unlawful to make or accept an offer to apply for New Ordinary Shares or to use the Application Form in any manner in which you have used or will use it; (ii) you are not acting for the account or benefit of a person located within the United States, or a person within any of the Excluded Territories or any other territory in which it is unlawful to make or accept an offer to apply for New Ordinary Shares, and were not acting for the account or benefit of such a person at the time the instruction to apply for the New Ordinary Shares was given; and (iii) you and any person for whom you are acting are not acquiring New Ordinary Shares with a view to the offer, sale, resale, delivery or transfer, directly or indirectly, of any such New Ordinary Shares into the United States, or any of the Excluded Territories or any other territory in which it is unlawful to make or accept an offer to apply for New Ordinary Shares, except in each case of (i), (ii) and (iii) where proof satisfactory to the Company, HSBC and Dowgate has been provided that you and any person for whom you are acting are entitled to take up your entitlement without any breach of applicable law; and

(vi) represent and warrant to the Company, HSBC and Dowgate that you are not, and nor are you applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depositary receipts) or Section 96 (clearance services) of the Finance Act 1986.

Further representations and warranties are contained in the Application Form. Each subscriber or purchaser acknowledges that the Company, HSBC and Dowgate will rely upon the truth and accuracy of the foregoing agreements, confirmations, representations and warranties and agrees that if any of the agreements, confirmations, representations or warranties made by such subscriber or purchaser are no longer accurate he shall promptly notify the Company, HSBC and Dowgate. If such subscriber or purchaser is subscribing for, or purchasing, New Ordinary Shares as a fiduciary or agent for one or more investor accounts, each subscriber or purchaser represents that he has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

If you do not wish to apply for any of the New Ordinary Shares to which you are entitled under the Open Offer, you should not complete and return the Application Form.

If you are in doubt as to whether or not you should apply for any of the New Ordinary Shares under the Open Offer, you should consult your independent financial adviser immediately. All enquiries in relation to the procedure for application for Qualifying non-CREST (certificated) Shareowners under the Open Offer should be addressed to the Receiving Agent, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR. Please contact Share Registrars Limited on 01252 821390. Calls are charged at the standard rate. If you are outside the United Kingdom, please call +44 1252 821390. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the proposals nor give any financial, legal or tax advice.

**5.2 *If you have Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer***

**(a) General**

Save as provided in paragraph 7 of this Part II in relation to certain Overseas Shareowners, each Qualifying CREST Shareowner will receive a credit to his stock account in CREST of his Open Offer Entitlements equal to the basic number of New Ordinary Shares for which he is entitled to apply under the Open Offer.

The CREST stock account to be credited will be an account under the Participant ID and Member Account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareowner in respect of which the Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareowners cannot be credited by 3.00 p.m. on 9 October 2019

or such later time as the Company may decide, an Application Form will be sent out to each Qualifying CREST Shareowner in substitution for the Open Offer Entitlements which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this Document will be adjusted as appropriate and the provisions of this Document applicable to Qualifying non-CREST (certificated) Shareowners with Application Forms will apply to Qualifying CREST Shareowners who receive Application Forms.

CREST members who wish to apply for some or all of their entitlements to New Ordinary Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact the Receiving Agent, Share Registrars Limited on 01252 821390. Calls are charged at the standard rate. If you are outside the United Kingdom, please call +44 1252 821390. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the proposals nor give any financial, legal or tax advice.

If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for New Ordinary Shares as only your CREST-sponsor will be able to take the necessary action to make this application in CREST.

(b) *Market claims*

The Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying Shareowner originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly.

(c) *USE Instructions*

Qualifying CREST Shareowners who wish to apply for New Ordinary Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are a CREST sponsored member, procure that their CREST sponsor sends) an Unmatched Stock Event ("USE") instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Share Registrars Limited under the Participant ID and Member Account ID specified below, with a number of Open Offer Entitlements corresponding to the number of New Ordinary Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of New Ordinary Shares referred to in (i) above.

(d) *Content of USE Instructions in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of New Ordinary Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Receiving Agent);
- (ii) the ISIN of the Open Offer Entitlements – GB00BK5MVT64;
- (iii) the Member Account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (iv) the CREST Participant ID of the accepting CREST Member;

- (v) the CREST Participant ID of the Receiving Agent, in its capacity as CREST receiving agent – 7RA36;
- (vi) the Member Account ID of the Receiving Agent, in its capacity as CREST receiving agent – RECEIVE;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of New Ordinary Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 22 October 2019; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 22 October 2019.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (A) a contact name and telephone number (in the free-format shared note field); and
- (B) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle in order to be valid is 11.00 a.m. on 22 October 2019.

If the Issue does not become unconditional by 8.00 a.m. on 25 October 2019 (or such later time and/or date as the Joint Bookrunners may agree, being not later than 8.00 a.m. on 30 November 2019), the Issue will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareowner by way of a CREST payment, without interest, within 14 days thereafter.

**(e) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST***

A Qualifying non-CREST Shareowner's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareowner named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form as per the foregoing is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 22 October 2019. Shortly after depositing their Open Offer Entitlement into their CREST account, CREST holders will receive a credit for their Open Offer Entitlement which will be managed by the Receiving Agent.

In particular, having regard to normal processing times in CREST and on the part of the Receiving Agent, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 18 October 2019, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 17 October 2019, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11.00 a.m. on 22 October 2019. CREST holders inputting the withdrawal of their Open Offer

Entitlement from their CREST account must ensure that they withdraw their Open Offer Entitlement.

Delivery of an Application Form with the CREST Deposit Form duly completed whether in respect of a deposit into the account of the Qualifying Shareowner named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company, HSBC, Dowgate and the Receiving Agent from the relevant CREST member(s) that you are acquiring New Ordinary Shares in an "offshore transaction" as defined in and in accordance with Regulation S and furthermore that, (i) you are not in the United States, or in any of the Excluded Territories or any other territory in which it is unlawful to make or accept an offer to apply for New Ordinary Shares or to use the Application Form in any manner in which you have used or will use it; (ii) you are not acting for the account or benefit of a person located within the United States, or a person within any of the Excluded Territories or any other territory in which it is unlawful to make or accept an offer to apply for New Ordinary Shares, and were not acting for the account or benefit of such a person at the time the instruction to apply for the New Ordinary Shares was given; and (iii) you and any person for whom you are acting are not acquiring New Ordinary Shares with a view to the offer, sale, resale, delivery or transfer, directly or indirectly, of any such New Ordinary Shares into the United States, or any of the Excluded Territories or any other territory in which it is unlawful to make or accept an offer to apply for New Ordinary Shares, except in each case of (i), (ii) and (iii) where proof satisfactory to the Company, HSBC and Dowgate has been provided that you and any person for whom you are acting are entitled to take up your entitlement without any breach of applicable law; and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

Each subscriber or purchaser acknowledges that the Company, HSBC and Dowgate will rely upon the truth and accuracy of the foregoing agreements, confirmations, representations and warranties and agrees that if any of the agreements, confirmations, representations or warranties made by such subscriber or purchaser are no longer accurate he shall promptly notify the Company, HSBC and Dowgate. If such subscriber or purchaser is subscribing for, or purchasing, New Ordinary Shares as a fiduciary or agent for one or more investor accounts, each subscriber or purchaser represents that he has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

(f) *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 22 October 2019 will constitute a valid application under the Open Offer.

(g) *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 22 October 2019. In this connection, CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(h) *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through the Receiving Agent reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of New Ordinary Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question; or

- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the New Ordinary Shares referred to in the USE instruction refunding any unutilised sum to the CREST member in question.

- (i) *Effect of valid application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (i) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (ii) request that the New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this Document and subject to the Articles;
- (iii) agree that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (iv) represent and warrant to the Company, HSBC and Dowgate that he is acquiring New Ordinary Shares in an "offshore transaction" as defined in and in accordance with Regulation S and furthermore that, (i) he is not in the United States, or in any of the Excluded Territories or any other territory in which it is unlawful to make or accept an offer to apply for New Ordinary Shares or to use the Application Form in any manner in which he has used or will use it; (ii) he is not acting for the account or benefit of a person located within the United States, or a person within any of the Excluded Territories or any other territory in which it is unlawful to make or accept an offer to apply for New Ordinary Shares, and was not acting for the account or benefit of such a person at the time the instruction to apply for the New Ordinary Shares was given; and (iii) he and any person for whom he is acting are not acquiring New Ordinary Shares with a view to the offer, sale, resale, delivery or transfer, directly or indirectly, of any such New Ordinary Shares into the United States, or any of the Excluded Territories or any other territory in which it is unlawful to make or accept an offer to apply for New Ordinary Shares, except in each case of (i), (ii) and (iii) where proof satisfactory to the Company, HSBC and Dowgate has been provided that he and any person for whom he is acting are entitled to take up an entitlement without any breach of applicable law;
- (v) represent and warrant to the Company, HSBC and Dowgate that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986;
- (vi) confirm that in making such application he is not relying on any information in relation to the Company other than that contained in this Document and agrees that no person responsible solely or jointly for this Document or any part thereof or involved in the preparation thereof shall have any liability for any such other information and further agree that having had the opportunity to read this Document, he will be deemed to have had notice of all the information concerning the Company contained herein; and
- (vii) represent and warrant to the Company, HSBC and Dowgate that he is the Qualifying Shareowner originally entitled to the Open Offer Entitlements or that he has received such Open Offer Entitlements by virtue of a *bona fide* market claim.

Each subscriber acknowledges that the Company, HSBC and Dowgate will rely upon the truth and accuracy of the foregoing agreements, confirmations, representations and warranties and agrees that if any of the agreements, confirmations, representations or warranties made by such subscriber or purchaser are no longer accurate he shall promptly notify the Company, HSBC and Dowgate. If such subscriber or purchaser is subscribing for, or purchasing, New Ordinary Shares as a fiduciary or agent for one or more investor accounts, each subscriber or purchaser represents that he has sole investment discretion with respect to each such account and full power to make the foregoing

representations and agreements on behalf of each such account.

(j) *The Company's discretion as to rejection and validity of applications*

The Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part II;
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this subparagraph the "**first instruction**") as not constituting a valid application if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for New Ordinary Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

## 6 UK MONEY LAUNDERING REGULATIONS

### 6.1 *Holders of Application Forms*

It is a term of the Open Offer that to ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, in its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements").

The person(s) (the "**Applicant**") who, by lodging an Application Form with payment, and in accordance with the other terms as described above, accept(s) the Open Offer in respect of the New Ordinary Shares (the "**relevant shares**") comprised in such Application Form shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as it may require to satisfy the verification of identity requirements.

The Receiving Agent may therefore undertake requests for proof of identity.

If the Receiving Agent determines that the verification of identity requirements apply to any applicant or application, the relevant shares (notwithstanding any other term of the Open Offer) will not be issued to the applicant unless and until the verification of identity requirements have been satisfied in respect of that application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and none of the Receiving Agent, the Company, HSBC and Dowgate will be liable to any person for any loss, expense or damage suffered or incurred (or alleged), directly or indirectly as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If satisfactory verification of identity has not been received by Share Registrars Limited within a reasonable period of time, then the Application Form or USE message through CREST in question may be rejected, in which event the application will not proceed any further and the application monies (without interest) will be returned to the bank account on which the cheque was drawn at the Applicant's own risk.

The above information is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting Share Registrars Limited's right to require verification of identity as indicated above).

Submission of an Application Form with the appropriate remittance will constitute a warranty from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing (no. 2015/849/EU)); or
- (ii) if the applicant is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (iii) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the name of such applicant; or
- (iv) if the aggregate subscription price for the relevant shares is less than the sterling equivalent of €15,000.00 (approximately £13,000.00).

In other cases the verification of identity requirements may apply. The following guidance is provided in order to assist in satisfying the verification of identity requirements and to reduce the likelihood of difficulties or delays and potential rejection of an application (but does not limit the right of the Receiving Agent to require verification of identity as stated above). Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- (A) if payment is made by building society cheque (not being a cheque drawn on an account of the applicant) or banker's draft, by the building society or bank endorsing on the cheque or draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature by the building society or bank on the reverse of the cheque or banker's draft; or
- (B) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Hong Kong, Iceland, India, Japan, the Republic of Korea, Mexico, New Zealand, Norway, Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the Gulf Cooperation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide written confirmation that it has that status with the Application Form and written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the Receiving Agent or the relevant authority.

In order to confirm the acceptability of any written assurance referred to in (B) above or any other case, the applicant should contact the Receiving Agent; or

- (C) if (an) Application Form(s) is/are in respect of relevant shares with an aggregate subscription price of the sterling equivalent of €15,000.00 (approximately £13,000) or more and is/are lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address.

Third-party cheques will not be accepted.

## 6.2 ***Open Offer Entitlements in CREST in CREST***

If you hold your Open Offer Entitlements in CREST and apply for New Ordinary Shares in respect of all or some of your Open Offer Entitlements in CREST as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then irrespective of the value of the application, the Receiving Agent is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application.

You must therefore contact the Receiving Agent before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Registrar may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the New Ordinary Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the New Ordinary Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

## 7 OVERSEAS SHAREOWNERS

The making of the Open Offer to Overseas Shareowners may be affected by the laws or regulatory requirements of the relevant jurisdiction. The comments set out in this paragraph 7 are intended as a general guide only and any Overseas Shareowners who are in any doubt in this respect should consult their professional advisers. No person receiving a copy of this Document and/or an Application Form and/or receiving a credit of Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form and/or credit of Open Offer Entitlements to a stock account in CREST, unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form or credit of Open Offer Entitlements to a stock account in CREST could lawfully be used without contravention of any legislation or other local regulatory requirements. Receipt of this Document and/or an Application Form or the crediting of Open Offer Entitlements to a stock account in CREST does not constitute an invitation or offer to Overseas Shareowners in the territories in which it would be unlawful to make an invitation or offer and in such circumstances this Document and/or any Application Forms are sent for information only. It is the responsibility of any person receiving a copy of this Document and/or an Application Form and/or receiving a credit of Open Offer Entitlements to a stock account in CREST outside the United Kingdom and wishing to make an application for any New Ordinary Shares to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such other territory.

Persons (including, without limitation, stockbrokers, banks and other agents) receiving an Application Form and/or receiving a credit of Open Offer Entitlements to a stock account in CREST should not, in connection with the Open Offer, distribute or send the Application Form or transfer the Open Offer Entitlements into any jurisdiction where to do so would or might contravene local securities laws or regulations.

If an Application Form or a credit of Open Offer Entitlements to a stock account in CREST is received by any person in any such jurisdiction or by the stockbrokers, banks and other agents or nominees of such person, he or she must not seek to take up the New Ordinary Shares except pursuant to an express agreement with the Company. Any person who does forward an Application Form or transfer the Open Offer Entitlements into any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this paragraph. The Company, HSBC and Dowgate reserve the right to reject an Application Form or transfer of Open Offer Entitlements from or in favour of Shareowners in any such jurisdiction or persons who are acquiring New Ordinary Shares for resale in any such jurisdiction.

The Company, HSBC and Dowgate reserve the right in their absolute discretion to treat as invalid any application for New Ordinary Shares under the Open Offer if it appears to the Company, HSBC and Dowgate and their agents that such application or acceptance thereof may involve a breach of the laws or regulations of any jurisdiction or if in respect of such application the Company, HSBC and Dowgate have not been given the relevant warranty concerning overseas jurisdictions set out in the Application Form or in this Document, as appropriate. All payments under the Open Offer must be made in Sterling.

### 7.1 *European Economic Area*

In relation to each member state of the European Economic Area, an offer to the public of any New Ordinary Shares may not be made in that Relevant Member State pursuant to the Firm Placing, Placing and Open Offer prior to the publication of a prospectus in relation to the New Ordinary Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved

in another Relevant Member State and notified to the competent authority in the first Relevant Member State, all in accordance with the Prospectus Regulation, except that an offer to the public in that Relevant Member State of any New Ordinary Shares may be made at any time:

- (i) to any legal entity which is a "qualified investor" as defined in the Prospectus Regulation;
- (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation); or
- (iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of New Ordinary Shares shall result in a requirement for the Company or any Joint Broker to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23(1) of the Prospectus Regulation and each person who initially acquires any New Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Company and the Joint Bookrunners that it is a "qualified investor" as defined in the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any New Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Open Offer and any New Ordinary Shares to be offered so as to enable a prospective investor to decide to purchase any New Ordinary Shares.

In the case of any New Ordinary Shares being offered to a financial intermediary as that term is used in Article 5 of the Prospectus Regulation, such financial intermediary will also be deemed to have represented, warranted and agreed that it is a "qualified investor" within the meaning of Article 5 of the Prospectus Regulation and (i) the New Ordinary Shares acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, or in circumstances in which the prior consent of the Joint Bookrunners has been obtained to each such proposed offer or resale; or (ii) where New Ordinary Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those New Ordinary Shares to it is not treated under the Prospectus Regulation as having been made to such persons. The Company and the Joint Bookrunners and each of their respective affiliates and others will rely upon the truth and accuracy of the foregoing representation, warranty and agreement.

## 7.2 *United States of America*

The New Ordinary Shares (whether Firm Placed Shares, Placing Shares or Open Offer Shares) and the Open Offer Entitlements and the Existing Ordinary Shares have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of or under the applicable securities laws or regulations of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the New Ordinary Shares or the Open Offer Entitlements in the United States.

Accordingly, the Company is not extending the Open Offer into the United States and none of this Prospectus, the Application Form nor the crediting of Open Offer Entitlements to a stock account in CREST constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire or subscribe for any New Ordinary Shares in the United States. The Application Form will not be sent to, and neither Open Offer Entitlements nor New Ordinary Shares will be credited to a stock account in CREST of, any Qualifying Shareowner with a registered address in the United States. Application Forms sent from or postmarked in the United States, or including a United States registered address, will be deemed to be invalid and all persons acquiring Open Offer Shares and wishing to hold such Open Offer Shares in registered form must provide an address outside the United States for registration of the Open Offer Shares.

The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in, or dispatched from, the United States, or that provides an address in the United States for the receipt of New Ordinary Shares, or which does not make the warranties set out in the Application Form or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements. In addition, except as set out below, any person

exercising Open Offer Entitlements must make the representations and warranties set out in this Part II, as appropriate. Accordingly, except as set out below, the Company reserves the right to treat as invalid (i) any Application Form which does not make the representations and warranties set out in this Part II; and (ii) any USE instruction which does not make the representations and warranties set out in this Part II. In addition, the Company reserves the right to reject any USE instruction sent by or on behalf of any CREST member with a registered address in the United States or which appears to the Company to have been dispatched from the United States or any other Excluded Territory, in a manner which may involve a breach of the laws of any jurisdiction or it or its agents believe may violate any applicable legal or regulatory requirement, or which does not make the representations and warranties set out in this Part II.

Notwithstanding the foregoing, the New Ordinary Shares may be made available under the Open Offer to a limited number of Qualifying Shareowners in the United States in the sole discretion of, or as otherwise agreed by, the Company, in consultation with the Joint Bookrunners, in transactions that are exempt from, or not subject to, the registration requirements set out under the Securities Act.

Any person in the United States into whose possession this Document comes should inform himself about and observe any applicable legal restrictions.

#### **7.3 *Other overseas territories***

Qualifying Shareowners in jurisdictions other than the United States or the Excluded Territories may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this Prospectus and, if relevant, the Application Form. Each person to whom the New Ordinary Shares or the Application Form are distributed, offered or sold outside the United States will be deemed by its subscription for, or purchase of, the New Ordinary Shares to have represented and agreed to the representations and warranties set out in this Part II.

#### **7.4 *Waiver***

The provisions of this paragraph 7 and of any other terms of the Open Offer relating to Overseas Shareowners may be waived, varied or modified as regards specific Shareowners or on a general basis by the Company in its absolute discretion (after consultation with the Joint Bookrunners). Subject to this, the provisions of this paragraph 7 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 7 to Shareowners shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 7 shall apply to them jointly and to each of them.

### **8 WITHDRAWAL RIGHTS**

Qualifying Shareowners wishing to exercise statutory withdrawal rights after publication by the Company of a prospectus supplementing this Document must do so by lodging a written notice of withdrawal which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the Participant ID and the Member Account ID of such CREST member, with the Receiving Agent, so as to be sent by the Qualifying Shareowner no later than two Business Days after the date on which the supplementary prospectus is published or by post or by hand (during normal business hours only) to the Receiving Agent, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR. Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal, provided that the Company will not permit the exercise of withdrawal rights after payment by the relevant Qualifying Shareowner of its subscription in full and the allotment of New Ordinary Shares to such Qualifying Shareowner becoming unconditional save to the extent required by statute. In such event Shareowners are advised to seek independent legal advice.

### **9 TAXATION**

Information regarding certain aspects of UK taxation is set out in Part XVI of this Document. This information is, however, intended only as a general guide to certain aspects of the current tax position under UK taxation law. Shareowners who are in any doubt as to their tax position, or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent professional adviser without delay.

## 10 LISTING, SETTLEMENT, DEALINGS AND PUBLICATION

Application will be made to the FCA for the New Ordinary Shares to be admitted to listing on the standard segment of the Official List and to the London Stock Exchange for the same to be admitted to trading on the Main Market subject to the fulfilment of the conditions of the Open Offer. Subject to the Issue becoming unconditional in all respects (save only as to Admission) it is expected that admission of the New Ordinary Shares to the standard segment of the Official List and to trading on the London Stock Exchange's Main Market will become effective and that dealings therein for normal settlement will commence at 8.00 a.m. on 25 October 2019.

Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 22 October 2019 (the latest date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, New Ordinary Shares will be issued in uncertificated form to those persons who submitted a valid application for New Ordinary Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied (expected to be 25 October 2019). On this day, the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons, entitlement to New Ordinary Shares with effect from Admission (expected to be 25 October 2019).

The stock accounts to be credited will be accounts under the same Participant IDs and Member Account IDs in respect of which the USE instruction was given.

Notwithstanding any other provision of this Document, the Company reserves the right to send Qualifying CREST Shareowners an Application Form instead of crediting the relevant stock account with Open Offer Entitlements, and to allot and/or issue any New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST), or on the part of the facilities and/or systems operated by the Registrars in connection with CREST.

For Qualifying non-CREST Shareowners who have applied by using an Application Form, definitive share certificates in respect of the New Ordinary Shares validly applied for are expected to be despatched by post within seven days of Admission. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers of the New Ordinary Shares by Qualifying non-CREST (certificated) Shareowners will be certified against the share register. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying non-CREST (certificated) Shareowners are referred to the Application Form.

Qualifying CREST Shareowners should note that they will be sent no confirmation of the credit of the New Ordinary Shares to their CREST stock account nor any other written communication by the Company in respect of the issue of the New Ordinary Shares.

The completion and results of the Issue will be announced and made public through an announcement on a Regulatory Information Service as soon as possible after the results are known on or around 23 October 2019.

The terms and conditions of the Open Offer as set out in this Document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, English law. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of, or in connection with, the Open Offer, this Document or the Application Form (including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this Document or the Application Form). By taking up the Open Offer Shares, in accordance with the instructions set out in this Document and, where applicable, the Application Form, Qualifying Shareowners irrevocably submit to the jurisdiction of the courts of England and Wales (including, without limitation, in relation to disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this Document or the Application Form) and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## PART III - INFORMATION ON THE COMPANY

### 1 HISTORY AND OVERVIEW

The Company was formed in 2016 with the objective of creating value for its Shareowners through an acquisition-led growth strategy with an initial focus on acquiring businesses operating in the medical products and devices sector. The Company's shares were admitted to the Official List and to trading on the London Stock Exchange's Main Market on 29 December 2016 when it raised approximately £2.28 million via a placing at 10 pence per Old Ordinary Share. On 31 August 2017, the Company expanded the scope of its investment criteria to include the wider technology sector.

In May 2018 the opportunity to work with Sir Martin Sorrell arose. Sir Martin was previously Chief Executive of WPP plc, the longest-serving director of a FTSE 100 company. Sir Martin acquired a significant stake in WPP in 1985 when its market capitalisation was approximately £1 million; WPP had a market capitalisation of in excess of £15 billion when he left in 2018.

The then Directors considered that a new strategy of building a digital multi national business in the communication services sector, initially by acquisitions, under the leadership of Sir Martin would provide an accelerated route to grow the Company and deliver value to Shareowners.

As a consequence, on 30 May 2018 the Company entered into an agreement to acquire S<sup>4</sup> Capital 2 Limited (formerly S<sup>4</sup> Capital Limited) ("**S<sup>4</sup> Limited**") which had been established by Sir Martin with the objective of building a purely digital multi national communications services business. As at 30 May 2018, S<sup>4</sup> Limited was owned 78 per cent. by Sir Martin and the balance by institutional and other investors. S<sup>4</sup> Limited had no trading activities but had on 29 May 2018 completed an equity issue to raise £51 million in cash. The acquisition of S<sup>4</sup> Limited was subject to a number of conditions, including the publication of a prospectus, which were not expected to be satisfied for a number of months.

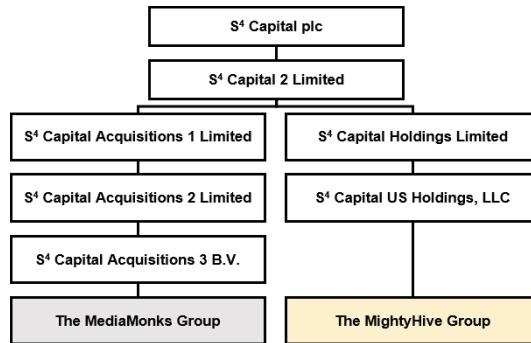
On 9 July 2018, S<sup>4</sup> Limited merged with MediaMonks, a creative digital content production company, at an enterprise valuation of €300 million. The consideration was funded by the drawdown of the Term Loan (€50 million), the net proceeds of the July Placing (€143.34 million), the MediaMonks Subscription (€63.33 million) and the balance from the existing cash resources of S<sup>4</sup> Limited.

On 28 September 2018, the Company combined with S<sup>4</sup> Limited pursuant to the S<sup>4</sup> Acquisition Agreement. The S<sup>4</sup> Acquisition was funded by the issue of 241,285,077 Ordinary Shares and the B Share to the shareowners of S<sup>4</sup> Limited. At the same time, the S<sup>4</sup> Capital Employee Benefit Trust (the "**EBT**"), using funds loaned to it out of the Company's distributable reserves, subscribed for 11,709,601 Ordinary Shares at nominal value. The Ordinary Shares were then re-admitted to a Standard Listing and to trading on the London Stock Exchange's Main Market simultaneously with such issues of Ordinary Shares.

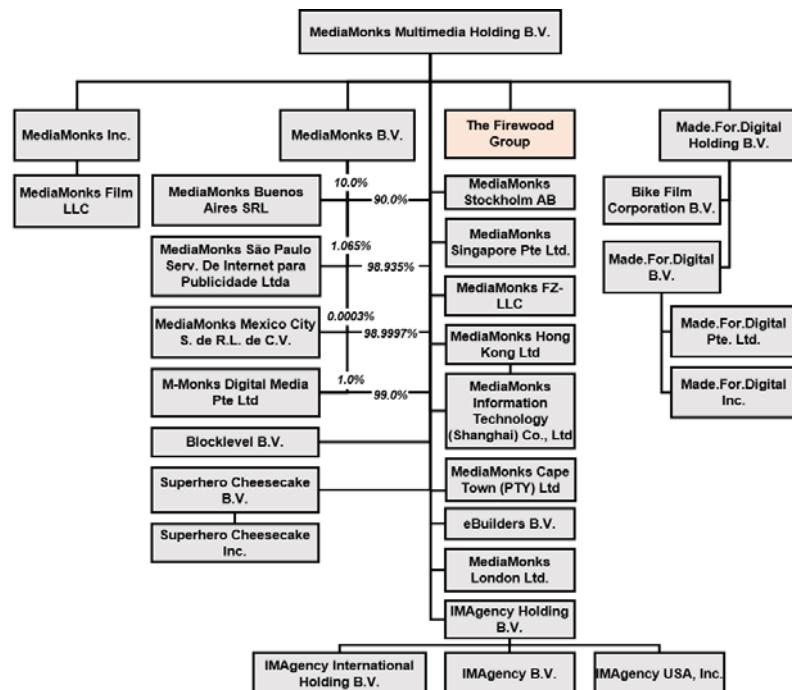
On 24 December 2018, MightyHive joined the Group pursuant to the MightyHive Merger Agreement. At the time of the MightyHive Merger, MightyHive had an enterprise value of \$150 million. The cash consideration for the MightyHive Merger was funded through the issue of 67,272,727 Ordinary Shares at an issue price of 110 pence, raising net proceeds of £70.6 million. In addition, 37,068,087 Ordinary Shares were issued to certain of the selling stockowners of MightyHive, and Rollover Options over a further 8,984,159 Ordinary Shares were granted to certain employees of MightyHive who held vested and unvested options over MightyHive at the time of the MightyHive Merger.

At the same time as the MightyHive Merger, the Company issued a further 3,561,431 Ordinary Shares to the EBT at nominal value using a loan advanced to the EBT by the Company out of the Company's distributable reserves. Such Ordinary Shares have been used to fund a four-year \$5 million share option plan for the people of the MightyHive Group. The Company also agreed that MightyHive could establish a four-year \$5 million cash bonus plan to further incentivise the MightyHive Group's people.

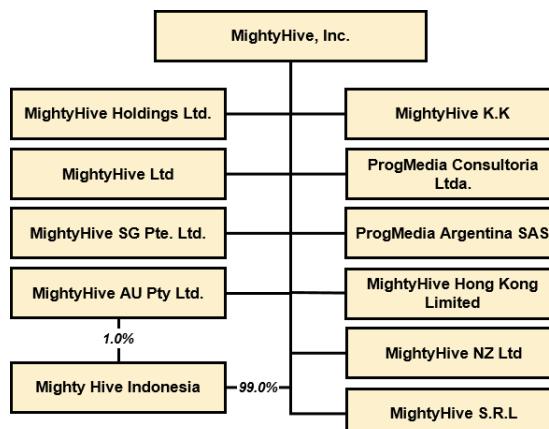
On Admission, the Company will be the parent company for a group comprising S<sup>4</sup> Limited (and its subsidiaries), the MediaMonks Group, the MightyHive Group and the Firewood Group. The structure of the Group's holding companies as they are expected to be shortly following Admission, the MediaMonks Group, the MightyHive Group and the Firewood Group are set out below.



Source: the Company



Source: the Company



Source: the Company



Source: the Company

## 2 STRATEGY OF THE GROUP

S<sup>4</sup>Capital's strategy is derived from an assessment of the opportunities presented by the new marketing age, which is described in more detail in Part IV of this Document. Recognising the impact of technology and data in a low-inflation and lower GDP-growth environment, S<sup>4</sup>Capital has four foundational principles at its core:

- that it will be purely digital;
- that it will have a unitary structure;
- that it will strive to be faster, better and cheaper; and
- that it will focus on first-party data, digital content and programmatic media planning and buying.

Building from these four pillars, the Group's mission is to create a new era, new media solution for embracing data, content and technology in an always-on environment for global, multinational, regional and local clients and for millennial-driven brands.

The Group is and will seek to continue implementing this strategy in the short- and medium-term (that is, in the next two to three years) through investment in and expansion of the MediaMonks Group, the MightyHive Group and the Firewood Group. In addition, the Group will also seek to grow by combining with additional businesses. In such cases, the Group's approach is to merge with, rather than acquire, complementary businesses and to encourage buy-in, rather than sell-outs, from the businesses becoming part of the Group.

The Group's strategy with regard to business combinations is, and will continue to be, implemented by way of a two-stage process. The first stage will comprise the identification of opportunities in various segments of the digital communication services market. As noted above, targeted sectors will include content, first-party data, media planning and buying. The second stage will comprise a rigorous and disciplined analysis of identified target businesses (including as to their ongoing funding requirements). The Group may run either or both stages of this process in respect of more than one potential business combination opportunity at any one time as it is seeking to acquire content, first-party data and analytics capabilities and media planning and buying capacity as a priority, with international expansion naturally following such capacity expansion.

The Group will be global in outlook and structure and seek to grow revenues in markets and functions which the Directors believe have the greatest growth potential.

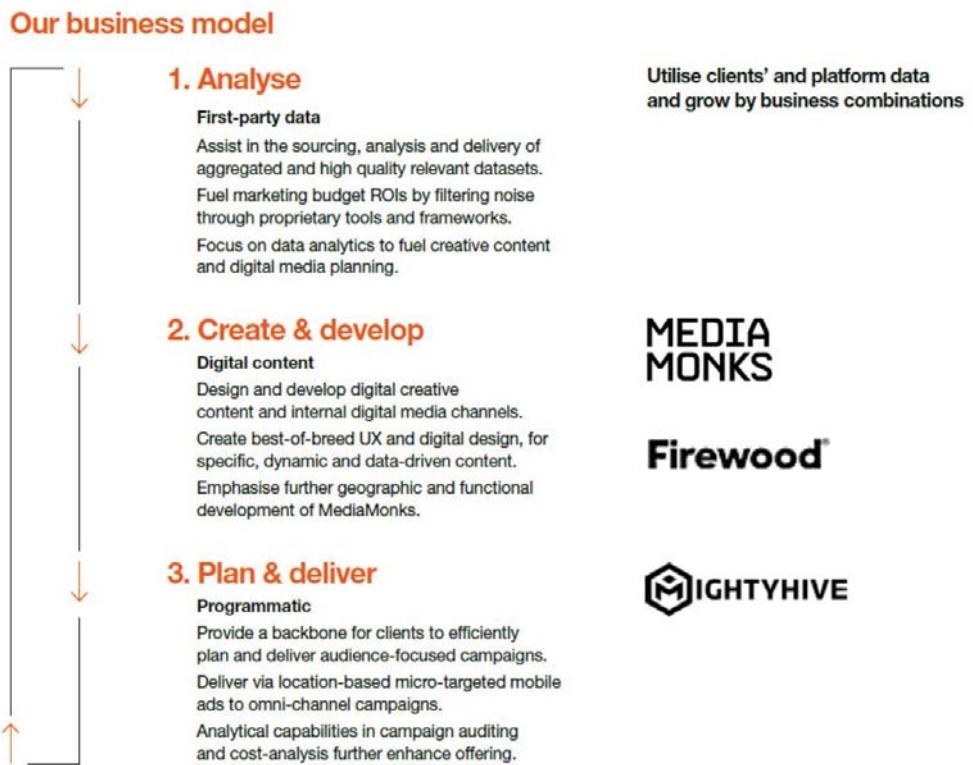
Whilst the Company will continue to review business combination opportunities, the Group will also focus on organic growth, by seeking to broaden and deepen existing client relationships and developing new ones. The Company will maintain a disciplined approach to business combinations, both as to any consideration payable and the working capital requirements of any acquired business. However, given its focus on digital opportunities, valuations are likely to be full. Where possible, the Company will seek to align the management objectives of any acquired business with Shareowners, by offering a substantial proportion of any consideration to management in the form of equity in the Company or by requiring that management invest in the Company.

The Directors expect that a material proportion of any cash consideration required for any substantial business combination is likely to be provided from the proceeds of issue of further Ordinary Shares.

## 3 THE S<sup>4</sup>CAPITAL BUSINESS MODEL

The Company's business model is to 'close the loop' between data analytics, creative development and digital media planning and delivery. Operating on a unitary, single P&L basis, the Company's businesses leverage first-party data to inform the crafting of quality digital content, that is then delivered programmatically. Further analysis of the performance of delivered digital content is then used to refine

both the content and delivery, as shown in the diagram below.



## 4 GOVERNANCE AND LOCK-IN ARRANGEMENTS

### ***The B Share***

Sir Martin Sorrell, as the holder of the B Share, has the right to:

- appoint one Director of the Company from time to time and remove or replace such Director from time to time;
- ensure no executives are appointed or removed without his consent;
- ensure no shareowner resolutions are proposed (save as required by law) or passed without his consent; and
- save as required by law, ensure no acquisition or disposal by the Company or any of its subsidiaries of an asset with a market or book value in excess of £100,000 (or such higher amount as Sir Martin may agree) may occur without his consent.

The B Share will lose the B Share Rights if it is transferred by Sir Martin and also: (i) in any event after 14 years from 28 September 2018 (being the date of Reverse Takeover Admission) (or, if earlier, the date on which Sir Martin retires or dies); or (ii) if Sir Martin sells any of the Ordinary Shares that he received on 28 September 2018 (other than in order to pay tax arising in connection with his holding of such shares).

### ***Relationship Agreement***

Sir Martin entered into the Relationship Agreement with the Company which took effect on 28 September 2018. The Relationship Agreement regulates aspects of the ongoing relationship between the Company and Sir Martin and his associates (as defined by the Listing Rules). The Relationship Agreement includes (amongst other things) provisions to ensure that:

- transactions and arrangements with Sir Martin (and/or any of his associates) will be conducted at arm's length and on normal commercial terms;
- neither Sir Martin nor any of his associates will take any action that would have the effect of preventing

the Company from complying with its obligations under the Listing Rules; and

- neither Sir Martin nor any of his associates will propose or procure the proposal of a Shareowner resolution, which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Relationship Agreement will apply for so long as Sir Martin (and/or any of his associates) controls at least 30 per cent. of the issued ordinary share capital of the Company and/or the rights attaching to the B Share remain in force.

### ***Lock-in Arrangements***

The Company has entered into lock-in arrangements with the Directors and/or the shareowners of businesses that have become part of the Group:

- in connection with the issue of Ordinary Shares on 28 September 2018 pursuant to the S<sup>4</sup> Acquisition Agreement, Sir Martin Sorrell, Rupert Faure Walker and Paul Roy agreed that they will not, for a period of 24 months (in the case of Sir Martin) and 12 months (in the case of Rupert and Paul) from the date of issue, subject to certain exceptions, offer, sell, contract to sell, grant options over or otherwise dispose of, directly or indirectly, the Ordinary Shares issued to them on Reverse Takeover Admission;
- in connection with the issue of Ordinary Shares on 28 September 2018 pursuant to the MediaMonks Merger Agreement, the MediaMonks Subscribers agreed that they will not, for a period of 24 months from the date of issue, subject to certain exceptions, offer, sell, contract to sell, grant options over or otherwise dispose of, directly or indirectly, the Ordinary Shares issued to them on Reverse Takeover Admission;
- in connection with the issue of Ordinary Shares on 24 December 2018 pursuant to the MightyHive Merger Agreement, the MightyHive Equityowners agreed that they will not, for a period of 24 months following the date of issue, subject to certain exceptions, offer, sell, contract to sell, grant options over or otherwise dispose of, directly or indirectly, the Ordinary Shares issued to them pursuant to the Merger Agreement or upon exercise of their Rollover Options (as applicable);
- in connection with the issue of Ordinary Shares for cash in order to fund the cash consideration payable in connection with the MightyHive Merger on 24 December 2018, Rupert Faure Walker, Paul Roy and Sue Prevezner agreed that they will not, for a period of 12 months from the date of issue, subject to certain exceptions, offer, sell, contract to sell, grant options over or otherwise dispose of, directly or indirectly, the Ordinary Shares issued to them on 24 December 2018;
- in connection with the issue of Ordinary Shares for cash in order to fund the cash consideration payable in connection with the MightyHive Merger on 24 December 2018, Stanhope agreed that it will not, for a period of 24 months from the date of issue, subject to certain exceptions, offer, sell, contract to sell, grant options over or otherwise dispose of, directly or indirectly, the Ordinary Shares issued to it on 24 December 2018;
- in connection with the issue of Ordinary Shares pursuant to the ProgMedia QPA, the selling quotaholders of ProgMedia agreed that they will not, for a period of 24 months from 2 May 2019, subject to certain exceptions, offer, sell, contract to sell, grant options over or otherwise dispose of, directly or indirectly, the Ordinary Shares issued to them pursuant to the ProgMedia QPA;
- in connection with the issue of Ordinary Shares pursuant to the IMA Merger Agreement, the IMA shareowners agreed that they will not, for a period of 24 months from issuance of the shares, subject to certain exceptions, offer, sell, contract to sell, grant options over or otherwise dispose of, directly or indirectly, the Ordinary Shares issued to them pursuant to the IMA Merger Agreement;
- in connection with the issue of Ordinary Shares pursuant to the Consideration Issue under the Merger Agreement, the Firewood Equityowners agreed that they will not, for a period of 24 months from issuance of the shares, subject to certain exceptions, offer, sell, contract to sell, grant options over or otherwise dispose of, directly or indirectly, the Ordinary Shares issued to them pursuant to the Merger Agreement; and
- in connection with the issue of Ordinary Shares, whether issued under the Placing, Firm Placing or Open Offer, Rupert Faure Walker, Sue Prevezner, Daniel Pinto, Paul Roy, and Stanhope agreed that they will not, for a period of 12 months (and 24 months for Stanhope) from issuance of the shares, subject to certain exceptions, offer, sell, contract to sell, grant options over or otherwise dispose of, directly or

indirectly, the Ordinary Shares issued to them.

## 5 INCENTIVE ARRANGEMENTS

Arrangements were put in place shortly after S<sup>4</sup> Limited's formation to create incentives for those executives who are expected to make key contributions to the success of the Group. Since that time, the Group has also put in place certain incentive arrangements to incentivise and reward the performance of its people more widely. The Group's success depends upon the sourcing of attractive investment opportunities and the performance of any businesses that are acquired. The Group's incentive arrangements are summarised below.

### ***Incentive Shares***

This incentive arrangement was implemented by the creation of the A1 Incentive Shares and the A2 Incentive Shares. The Incentive Shares provide a financial reward to executives of the Group for delivering shareowner value, conditional on achieving a preferred rate of return.

The Incentive Shares entitle the holders, subject to certain vesting criteria and leaver provisions, to up to 15 per cent. of the growth in value of S<sup>4</sup> Limited provided that the performance condition (as described below) has been met. The Company did not acquire the Incentive Shares pursuant to the S<sup>4</sup> Acquisition Agreement and therefore they remain in issue to incentivise Sir Martin Sorrell and future executives to whom they are issued or sold. The only Incentive Shares in issue at the date of this Document are the 4,000 A2 Incentive Shares held by Sir Martin Sorrell. The directors of S<sup>4</sup> Limited have the authority to issue a further 4,000 A1 Incentive Shares. The issue of further Incentive Shares will not increase the aggregate entitlement of the holders of incentive shares above 15 per cent. of the growth in value of S<sup>4</sup> Limited and will instead operate to dilute the interests of existing holders of the Incentive Shares.

Provided that the growth condition has been satisfied, the Incentive Shares entitle the holders to their return upon a sale or merger of S<sup>4</sup> Limited, its liquidation, the takeover or merger of the Company or, if none of those events has occurred prior to 9 July 2023 (being the fifth anniversary of the MediaMonks Merger), if Sir Martin Sorrell serves notice on the Company requiring it to acquire all of the Incentive Shares eligible for sale on or before 9 July 2025 (being the seventh anniversary of the MediaMonks Merger). If Sir Martin serves such a notice, the growth in value of S<sup>4</sup> Limited is measured against the market capitalisation of the Company based on an average of the mid-market closing price of the Ordinary Shares over the preceding 30 trading days, plus any dividends or distributions over time. Once triggered, all of the Incentive Shares eligible for sale receive value at the same time on a pro rata basis and then automatically reset such that they may receive the same return over a second period of up to seven years.

The consideration payable if the Incentive Shares are triggered, save on a takeover, liquidation or merger of S<sup>4</sup> Limited, will be satisfied by the issue of Ordinary Shares at their market price on the trading day prior to the triggering of the Incentive Shares.

### ***Growth condition***

The growth condition is the compound annual growth rate of the invested capital in S<sup>4</sup> Limited being equal to or greater than 6 per cent. per annum. The growth condition takes into account the date and price at which shares in S<sup>4</sup> Limited have been issued, the date and price of any subsequent share issues and the date and amount of any dividends paid or capital returned by S<sup>4</sup> Limited to the Company. Any cash raised by the Company from time to time will be invested in S<sup>4</sup> Limited so that the growth condition will apply to that capital also.

### ***Vesting conditions***

The Incentive Shares are subject to certain vesting conditions, at least one of which must be (and continue to be) satisfied in order for Sir Martin Sorrell (as the holder of the majority of the A2 Incentive Shares) to elect for the Incentive Shares to be sold to the Company. The vesting conditions are as follows:

- (a) a sale of all or a material part of the business of S<sup>4</sup> Limited;
- (b) a sale of all of the issued S<sup>4</sup> Limited Ordinary Shares by the Company;
- (c) a winding up of S<sup>4</sup> Limited occurring;

- (d) a sale or change of control of S<sup>4</sup> Limited or the Company; or
- (e) it is later than 9 July 2023 (being the fifth anniversary of the MediaMonks Merger).

#### ***Compulsory redemption***

If the growth condition is not satisfied on or before 9 July 2025 (being the seventh anniversary of the MediaMonks Merger), or such later date as the Company and each of the Incentive Share classes agree, the Incentive Shares must be sold to the Company at a price per Incentive Share equal to the subscription price.

#### ***Leaver provisions***

The Incentive Shares are subject to leaver provisions, as set out in the articles of association of S<sup>4</sup> Limited. If a holder of Incentive Shares ceases to be employed by or hold office with the Group, that holder will become a "Leaver" for the purposes of the Articles.

##### ***Leaver provisions applying to the A1 Incentive Shares***

Leavers who hold A1 Incentive Shares ("**A1 Leavers**") will, according to the reason for their becoming a leaver, be categorised as a "Good Leaver", a "Bad Leaver" or an "Intermediate Leaver". An A1 Leaver who has become a Leaver by reason of death, illness or disability (subject to (i) exclusions relating to illness caused by drugs and alcohol and (ii) the discretion of the A2 Majority) will be treated as an "A1 Good Leaver". An A1 Leaver who has become a Leaver by reason of resignation (subject to the discretion of the A2 Majority) will be treated as an "A1 Intermediate Leaver".

A1 Good Leavers and A1 Intermediate Leavers are entitled to retain a proportion of their Incentive Shares determined by reference to when they have become Leavers. If such persons become Leavers on or after the fifth anniversary of the MediaMonks Merger they will retain their entire holding (subject always to the discretion of the A2 Majority). Any Incentive Shares that such persons are obliged to sell will be acquired by the Company at a price per Incentive Share equal to the subscription price. Leavers who are deemed to be "A1 Bad Leavers" will be obliged to sell their entire holding of A1 Incentive Shares to the Company for an aggregate price of £1.00.

##### ***Leaver provisions applying to the A2 Incentive Shares***

Holders of A2 Incentive Shares who become Leavers ("**A2 Leavers**") will be treated as "A2 Bad Leavers" in circumstances where the relevant A2 Leaver has become a Leaver by reason of termination for Cause. A2 Bad Leavers will be obliged to sell their entire holding of A2 Incentive Shares to the Company for an aggregate price of £1.00. In all other circumstances, A2 Leavers will be "A2 Good Leavers" and will be entitled to retain their entire holding of A2 Incentive Shares.

#### ***Group incentive scheme***

The Company has established an equity incentive scheme for executives and senior managers with a Group-wide role and it has been set up to attract and assist with the retention of the Group's key members of management. It is anticipated that grants will be made in the coming months.

#### ***MediaMonks incentive scheme***

In connection with the MediaMonks Merger, S<sup>4</sup> Limited agreed to establish an incentive arrangement for the people of the MediaMonks Group with an aggregate value of €13 million over four years. In order to facilitate the funding of that commitment and to provide a pool of equity which can be used to incentivise other people of the Group, the Company established the S<sup>4</sup>Capital Employee Benefit Trust prior to Reverse Takeover Admission. The Company funded the EBT by way of a loan of £2,927,400.25 out of its distributable reserves in order to subscribe for 11,709,601 Ordinary Shares at their nominal value on 28 September 2018. The EBT can utilise such shares (which had at the time of issue an aggregate value of approximately €13 million) to grant share awards and other options to people of the Group. It is anticipated that grants will be made in the coming months.

#### ***MightyHive incentive schemes***

In connection with the MightyHive Merger, the Company issued 3,561,431 Ordinary Shares to the EBT at nominal value using a loan advanced to the EBT by the Company out of the Company's distributable

reserves. The Ordinary Shares issued to the EBT at the time of the MightyHive Merger have been used to fund a \$5 million share option plan for the people of the MightyHive Group. Since the MightyHive Merger, awards in respect of substantially all of the Ordinary Shares held by the EBT for use in the MightyHive incentive schemes have been granted to the MightyHive Group's people. These awards typically vest over a four year period to promote retention of key personnel within the MightyHive Group.

Further, the Rollover Options granted by the Company in connection with the MightyHive Merger continue to act as a retention incentive to the MightyHive Group's people. In addition, certain equity awards have been agreed to be made to ProgMedia people using Ordinary Shares that were previously subject to lapsed awards held by leavers in the MightyHive Group.

The Company has also agreed to the establishment of a \$5 million restricted cash bonus scheme for the people of the MightyHive Group. These restricted cash bonuses will be paid out of the cash resources of the Group.

## 6 CONSEQUENCES OF A STANDARD LISTING

The Ordinary Shares are, and application will be made for the New Ordinary Shares to be, admitted to listing on the standard segment of the Official List. A Standard Listing provides Ordinary Shareowners in the Company with a lower level of regulatory protection than that afforded to investors in companies whose securities are admitted to the premium segment of the Official List, which are subject to additional obligations under the Listing Rules.

The Ordinary Shares are, and the New Ordinary Shares will be, admitted to listing on the standard segment of the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings and does not require the Company to comply with, *inter alia*, the provisions of Chapters 6 to 13 of the Listing Rules. The FCA does and will monitor the Company's compliance with the first two Listing Principles: taking reasonable steps to establish and maintain adequate procedures, maintain adequate systems and controls to enable it to comply with its obligations and dealing with the FCA in an open and cooperative manner.

The FCA does not and will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules or those aspects of the Disclosure Guidance and Transparency Rules which the Company may indicate that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company to so comply.

### ***Listing Rules which are not applicable to a Standard Listing***

Listing Rules that do not apply to a Standard Listing include:

- Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide the Company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. In particular, the Company is not required to appoint a sponsor in relation to the publication of any prospectus or Admission;
- Chapter 9 of the Listing Rules relating to further issues of shares, issuing shares at a discount in excess of 10 per cent. of market value, notifications and contents of financial information;
- Chapter 10 of the Listing Rules relating to significant transactions which requires shareowner consent for certain acquisitions;
- Chapter 11 of the Listing Rules regarding related party transactions;
- Chapter 12 of the Listing Rules regarding purchases by the Company of its Ordinary Shares; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to the holders of Ordinary Shares.

### ***Listing Rules which are applicable to a Standard Listing***

There are, however, a number of continuing obligations set out in Chapter 14 of the Listing Rules that are applicable to the Company. These include requirements as to:

- the forwarding of circulars and other documentation to the FCA for publication through the document viewing facility and related notification to a regulatory information service;

- the provision of contact details of appropriate persons nominated to act as a first point of contact with the FCA in relation to compliance with the Listing Rules and the Disclosure Guidance and Transparency Rules;
- the form and content of temporary and definitive documents of title;
- the appointment of a registrar;
- the making of regulatory information service notifications in relation to a range of debt and equity capital issues; and
- at least 25 per cent. of the Ordinary Shares being held by the public.

In addition, as a company whose securities are admitted to trading on a regulated market, the Company will be required to comply with the Disclosure Guidance and Transparency Rules.

## 7 TAKEOVER PANEL

The Company is subject to the City Code. Under Rule 9 of the City Code, any person who acquires an interest (as defined in the City Code) in shares which, taken together with shares in which he is already interested in and which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer to all the remaining shareowners to acquire their shares.

Sir Martin Sorrell will be interested in 55,355,076 Ordinary Shares (representing 11.6% of the Ordinary Shares expected to be in issue immediately following Admission) and the B Share. In addition to the exercise of voting rights in respect of his Ordinary Shares, Sir Martin would, as noted in paragraph 4 above, exercise the B Share Rights. The issue of the B Share would result in Sir Martin being able to exercise over 50 per cent. of the voting rights of the Company in relation to any resolutions which he votes against.

Further information regarding Sir Martin Sorrell and persons considered to be acting in concert with him for the purposes of the City Code (the "**Concert Party**") at the time of Reverse Takeover Admission and the application of the City Code to the Company is set out in the Whitewash Circular which was sent to Shareowners on 11 September 2018.

## 8 ADMISSION

Applications will be made to the London Stock Exchange and the FCA for the New Ordinary Shares to be admitted to trading on the Main Market of the London Stock Exchange and admitted to listing on the standard segment of the Official List. If approved, and subject to the conditions of the Placing Agreement being satisfied or waived and the conditions of the Merger Agreement being satisfied or waived, Admission is expected to become effective and dealings in the New Ordinary Shares to commence on 25 October 2019.

## 9 CURRENT TRADING AND PROSPECTS

Information on the current trading and prospects of the Group is set out in paragraph 5 of Part I of this Document.

## 10 DIVIDEND POLICY

The Directors intend to commence the payment of dividends when it becomes commercially prudent to do so. The payment of dividends will be subject to maintaining an appropriate level of dividend cover and the need to retain sufficient funds for reinvestment in the business, to finance any capital expenditure and for other working capital purposes.

Within these parameters, the Company's dividend policy will remain continually under review. The Company can therefore give no assurance that it will be able to pay dividends going forward or as to the amount or timing of such dividends, if any.

## 11 REGULATORY OVERVIEW

Set out below is an overview of the regulatory environment that the Group operates in. The following regulatory factors are those which materially affect, directly or indirectly, the Group's operations.

### ***Privacy and data protection***

The operations of the Group are subject to a number of laws relating to privacy and data protection

governing its ability to collect and use personal information, including the European Union's General Data Protection Regulation ("**GDPR**") which came into force on 25 May 2018. GDPR is a legal framework that requires businesses to protect the personal data and privacy of European Union citizens for transactions that occur within EU member states. In order to comply with GDPR the Group has adopted a strict set of policies and procedures. Staff members are trained on these policies and procedures.

***Anti-corruption and sanctions legislation***

The Group operates in a number of markets where the corruption risk has been identified as high by organisations such as Transparency International. The Group is also subject to the laws and regulations of the US, EU and other jurisdictions that impose sanctions and regulate the supply of services to certain countries. As a result, the Group has adopted a strict set of policies and procedures in order to comply with such laws and regulations and to ensure it is operating according to the best practice in the market and the relevant jurisdictions. Staff members are trained on these policies and procedures.

**12 FURTHER INFORMATION AND RISK FACTORS**

Prospective investors should read the whole of this Document which provides additional information on the Company and the Group and not rely on summaries or individual parts only. In particular, the attention of prospective investors is drawn to the Risk Factors set out on pages 8 to 20 of this Document which contains a summary of the risk factors relating to an investment in the Company and the Ordinary Shares.

## PART IV - MARKET OVERVIEW

### 1 THE NEW MARKETING AGE

The Directors believe that, since the financial crisis of 2007-2008, the environment for marketing has changed significantly. The 11 years since have seen lower inflation and lower GDP-growth in developed markets, which the Directors believe has resulted in brands having diminished power to generate growth through pricing.

At the same time, technology has re-shaped the advertising and marketing services sector. There has been a declining emphasis on traditional broadcast media and a rise of insights-driven targeting. The Directors identify Google, Facebook, Amazon, TenCent and Alibaba, closely followed by Apple and Microsoft, as the key companies in the trend towards targeting. The Group seeks to position itself as a partner to these companies and seeks to take advantage of the changed industry landscape to become a different kind of agency or consultancy partner equipped to meet marketers' evolving needs.

#### ***The growth of digital***

Estimates of the total amount of global marketing expenditure range between \$1 trillion and \$1.7 trillion – of which around \$200 billion is digital.

The circulation of US newspapers has been in steady decline since 1985 (Source: Pew Research Centre, <https://www.journalism.org/fact-sheet/newspapers/>). More recently, viewing figures for linear television in the US and key European markets have been showing weakness since at least 2013.

Global penetration of the internet (now over 50 per cent. according to Miniwatts Marketing Group) is increasing. Moreover, the amount of time each user spends with digital media is still increasing. The Directors believe that these two factors will be drivers of the growth in the future.

#### ***Importance of data, content and programmatic***

The Directors believe that first-party data has become a determining factor in who (brand, retailer, technology platform) controls the relationship with the end consumer. The Directors believe that marketers want to find ways to manage and develop their own data rather than relying on data providers, technology platforms and retailers. As the volume of data grows rapidly, the Directors believe that assisting brands that are seeking to take back control is increasingly important.

The Directors further consider that the increasing importance of new, digital channels has changed the nature of effective creative content. In the place of traditional 'tent-pole' campaigns built around broadcast media, the Directors believe that the always-on nature of the internet means that a constant flow of content informed by data and tailored to specific users and locations is key in delivering performance and return on marketing spend by brands.

Again, digital media channels have created the opportunity for brands to deliver the right creative content to the right consumer at the right time. The Directors believe that the ability to derive insights from consumer data is critical for brands to be able to capitalise on this opportunity, and that this increases the importance of being a trusted partner to clients as they develop programmatic capabilities.

#### ***Faster, better, cheaper***

The Directors believe that the growing importance of technology and the always-on nature of digital media, has increased the importance of agility and responsiveness in marketing. The new marketing era has been likened by Sir Martin Sorrell to running a political campaign that has no election date, and where marketers need to respond to their competitors urgently. The Directors believe that the emphasis on agility may be resulting in brands increasingly moving away from traditional agency relationships and instead either in-housing capabilities or engaging with creative production and technology services companies directly. The Directors believe the shift to decoupling and in-housing is also driven in part by a lack of trust and transparency in the legacy agency model.

Again, the Directors believe that cost-consciousness and emphasis on ROI (i.e. sales generated by a given amount of marketing expense) among marketers has increased. The Directors believe that this has led to a trend towards creating more targeted, lower-cost marketing assets and increased use of digital channels.

Digital marketing is comparatively cheap to produce, and costs can be further reduced through services such as transcreation and localisation by multiplying the number of assets generated by e.g. a single photo or film shoot. In addition, many digital advertising assets are short clips, which are cheaper to produce.

Having the right content is, however, only part of the equation. The tailored content that has been created needs to be delivered to the right audience at the right time. Data analytics and programmatic media buying, fuelled by the increasing amount of time spent by consumers on digital devices, enables digital content to be targeted at specific viewers based on focused criteria (e.g. age, sex, location, income and interests). However, accessing these programmatic benefits often requires significant implementation, training and monitoring, as well as technology services that facilitate interfaces with ad exchanges. The Directors therefore believe that empowering brands to take advantage of the opportunity presented by their data and digital channels is and will continue to be an important aspect of the marketing services industry.

## 2 OVERVIEW OF THE ADDRESSABLE MARKET OF THE GROUP

The MediaMonks Group is active in sections of the advertising and marketing services industry relating to the design and development of digital creative content and internal digital media channels (e.g. website development).

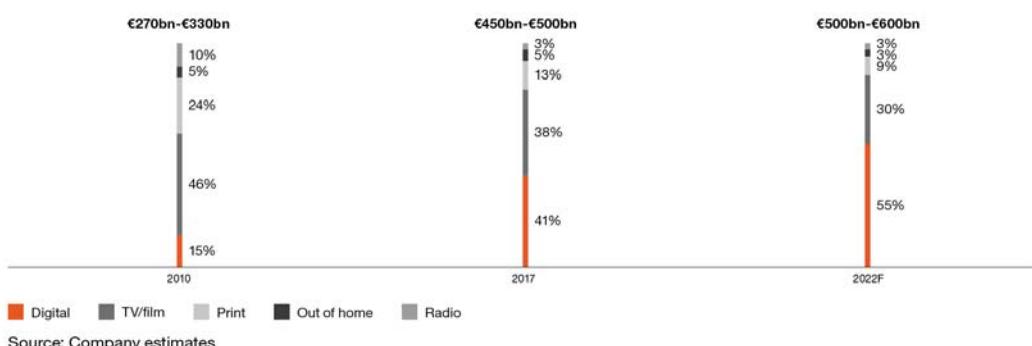
The MightyHive Group is active in sections of the advertising and marketing services industry relating to technology solutions, in-housing assistance and training, programmatic digital media buying and consulting.

The Firewood Group is a full-service digital agency, active in all areas of the digital advertising and marketing services industry.

### ***Trends in the advertising market***

Digital is the fastest growing segment of the advertising market. The Group estimates that in 2017 digital accounted for approximately 40 per cent. of total global advertising spend and by 2022 the Group projects this share will grow to approximately 54 per cent.

#### **Growth in advertising spend 2010-2022F €bn**



Alongside the growth in digital shown above, automated (i.e. programmatic) processing of ad sales and campaign execution has come to represent a significant and growing share of the digital market. The Group estimates that global programmatic spending grew 31 per cent. in 2017, and projects that 2018 programmatic spending will reach over \$60 billion in 2018. The Group estimates that programmatic advertising spending will continue to grow at a rate of approximately 20 per cent. per year.

The Directors believe that the digital and programmatic segments of the advertising market benefit from the drivers of growth described in paragraph 1 of this Part IV.

### ***The MightyHive Group's addressable market size and growth***

The MightyHive Group is active in programmatic advertising technology solutions, training and consulting. Programmatic advertising spend is forecast to reach more than \$84 billion in 2019 growing at approximately 20 per cent. year-over-year, on course to reach \$98 billion in 2020 (source: Zenith Media), and it is estimated that two-thirds of the world's digital display advertising will be traded programmatically in 2019, with higher proportions in MightyHive's key markets: Canada (81 per cent.), the US (78 per cent.) and the

UK (77 per cent.) (source: Zenith Media).

The MightyHive Group participates in this sizeable and growing market by empowering brands to make use of programmatic advertising platforms through its technology solutions, training and consulting services.

#### *Target Market*

MightyHive principally focuses on providing programmatic technology solutions and consulting to leading regional US companies and multinational and global companies.

#### ***The MightyHive Group's markets***

As discussed in more detail in Part VI below, the MightyHive Group operates in two segments: strategic consulting, and technology and services.

##### *Strategic consulting*

MightyHive's strategic consulting business helps clients navigate the programmatic advertising ecosystem. This involves conducting efficiency audits of brands' existing programmatic operations; providing custom integration and dashboards to empower marketers to execute and monitor programmatic advertising campaigns; and facilitating the in-housing of advertising operations and sales support.

##### *Technology and services*

MightyHive's technology and services pillar encompasses full-service campaign management, analytics, creative production and ad serving, platform and systems integration and transition and training and education.

#### ***The MediaMonks Group's addressable market size and growth***

The MediaMonks Group is active in digital content development and production, a segment estimated by the Group to have an approximate value of €25 to €30 billion in the approximately €450 to €500 billion overall global advertising market.

##### *Market segments*

As noted above, digital advertising, in which MediaMonks is primarily active, is the fastest growing segment of the advertising market and the Group estimates that in 2017 it accounted for approximately 40 per cent. of total global advertising spend. By 2022 this share is projected by the Group to grow to approximately 55 per cent.

Within the internal digital channels space, MediaMonks is principally active in the approximately €50 to €75 billion market of the development and support of internal platforms (primarily websites and apps) (source: Group estimates). MediaMonks is not active in segments relating to integration with ERP (enterprise resource planning) software or hosting.

##### *Target market*

MediaMonks primarily focuses on multinational companies. It is estimated by the Group that the size of the target market for digital content development is approximately €15 billion to €17 billion, and the Group estimate that it will grow at a CAGR of 3 per cent. from 2017 to 2022. For platform development the size of the target market is approximately €2 billion to 4 billion, forecast to grow at a CAGR of over 10 per cent. from 2017 to 2022 (source: Group estimates).

##### *Regional segments*

The size of the global and/or multinational advertising market in the principal regions in which MediaMonks operates are estimated to be as follows:

- **US** - between €3 billion and €8 billion;
- **Europe** - between €3 billion and €7 billion;
- **Asia-Pacific** - between €4 billion and €10 billion.

These market sizes have been estimated by the Group by reference to Fortune (Global) 500 revenue split by location of headquarters.

### ***Addressable Markets of the MediaMonks Group's business segments***

As discussed in more detail in Part V below, the MediaMonks Group operates in three segments: Creative Content & Innovation, Assets at Scale and Platforms & e-Commerce. The addressable markets of the MediaMonks Group in respect of each of these business segments is set out below.

#### *Creative Content & Innovation*

Creative Content & Innovation includes the design and production of high quality digital creative content (typically project-based or "one-off"), usually for advertising campaigns. The Group estimates that the target market for digital creative content design and production is approximately €1.5 billion to €2.5 billion per year, and the Group expect it to grow at a CAGR of approximately 9 per cent. from 2017 to 2022 (source: Group estimates).

#### *Assets at Scale*

Assets at Scale focuses on asset production across programmatic advertising, precision marketing, content production and the localisation and transcreation of rollouts (i.e. the use of technology to increase the number of assets created from a single photo shoot). As a result of the frequent need for adapted content, optimised through marketing automation, Assets at Scale revenue is typically recurring in nature and not "one-off". The target market for recurring digital content for Assets at Scale is approximately €12 billion to €15 billion per year, growing at a CAGR of 9 per cent. from 2017 to 2022 (source: Group estimates).

#### *Platforms & e-Commerce*

Platforms & e-Commerce is engaged in the development of websites, apps and other internal e-commerce platforms, primarily for multinational brands. The addressable market for creating these platforms is estimated by the Group to be approximately €50 billion to €75 billion, and the Group expects it to grow at a CAGR of more than 10 per cent. from 2017 to 2022 (source: Group estimates). MediaMonks believes that it is well-positioned in the internal digital channel market by combining its creative skill-set with strong in-house programming capabilities to create user-friendly platforms designed to optimise the user experience and result in guiding users to make sales. The Group estimates that within the addressable market size noted above, MediaMonks' target market size is approximately €2 billion to €4 billion .

### ***The Firewood Group's addressable market and growth***

Firewood is primarily focused on digital marketing in the US, which remains by far the largest advertising market in the world. According to ZenithOptimedia, the US had \$217.0 billion of advertising expenditure in 2018 compared to advertising spend of \$85.2 billion in China. ZenithOptimedia predict spend in the US will reach over \$250 billion in 2021. In addition, ZenithOptimedia estimates that digital (internet) advertising has risen from 12 per cent. of total global advertising spend in 2008 to become the dominant media with a 42 per cent. global market share in 2018. eMarketer estimates that in 2019 digital marketing spend in the US will grow by 19 per cent. to \$129.3 billion (representing 54.2 per cent. of estimated total US advertising spending) and that by 2023, digital will surpass two-thirds of total media spending.

#### *Target market*

Firewood has built a client list dominated by the leading technology brands such as Google, LinkedIn, Facebook, VMware and Salesforce, amongst others. These clients are at various stages of embracing the "embedded" model and working in a collaborative and agile way. Technology clients are also expanding their marketing budgets significantly faster than the overall market growth rate. According to analysis from Ad Age, spend from technology companies, in particular FANG (Facebook, Amazon, Netflix and Google – all of whom are clients of the Group), is expanding rapidly.

## **3 COMPETITION**

The markets in which the Group operates are highly competitive and are becoming more complex. In particular the integration of creative services and technology and the ability to deliver globally are viewed as being key to success. Moreover, a number of organisations that have traditionally been regarded as consultancy businesses with an emphasis on technological services in the digital marketing arena have begun to acquire creative operations and are therefore moving more directly to compete with combined operators such as MediaMonks. Such organisations include IBM, Accenture, Deloitte and PwC.

MediaMonks, MightyHive and Firewood offer (and will, following Admission, offer on a unified basis) clients a combination of creative and technology-based services, and therefore are subject to competition locally, regionally and globally from pure-play creative companies, combined companies and pure-play technology companies.

#### ***Creative competitors***

MediaMonks competes with both global production houses specialising in high-end content and local or regional businesses focused primarily on UX (user experience) and high-tech production. Global production houses with which the MediaMonks Group competes include B-Reel (independent), and Stink (owned by Group 2020). Regional competitors include Acne (owned by Deloitte) and Psyop.

Other categories of creative competitors include specialist marketing implementation companies and transcreation specialists such as Craft (owned by IPG), EG+ (owned by Omnicom), Hogarth (owned by WPP) and Prodigies (owned by Publicis).

#### ***Marketing technology and combined competitors***

The Group's competitors for the technology-based services provided by its trading businesses (such as in the Platforms and e-Commerce pillar described in more detail in Part V of this Document and the technology solutions described in more detail in Part VI of this Document) are primarily comprised of large consultancy houses such as PwC, Deloitte, IBM and Accenture. As noted above, there is a recent trend for businesses such as these to acquire and/or develop creative capabilities in order to compete with the combined offering that has, to date, been a differentiating factor of the services provided by the MediaMonks Group.

Web development businesses and technology innovation platforms also compete with the MediaMonks Group. This category includes R/GA (owned by IPG), Sapient Razorfish and DigitasLBi (both owned by Publicis), AKQA (owned by WPP) and Hearts & Science (owned by Omnicom).

## PART V - INFORMATION ON THE MEDIAMONKS GROUP

### 1 INTRODUCTION AND OVERVIEW

MediaMonks partners with clients across industries and markets to craft work for leading businesses and brands. Founded in 2001, with over 1,000 people across 23 locations, MediaMonks has won 41 Webby's, 131 Cannes Lions, 240 FWAs and has been recognised as an *Ad Age A-Lister*.

MediaMonks offering includes:

- design and production of high value and innovative content, mostly for campaign driven digital productions;
- efficient and cost-effective transcreation: roll-out of omnichannel and multimarket content; and
- development of ecommerce platforms with optimal UX customer journey and digital design.

MediaMonks' services are segmented into three complementary pillars. The purpose of this segmentation is to create leadership responsibility, accountability, organisational governance and a go-to-market proposition. Projects are allocated to a pillar at the initial proposal phase, with the leadership team of the relevant pillar taking ownership of the project throughout its life cycle.

#### ***Creative Content & Innovation pillar***

The Creative Content & Innovation pillar focuses on award-winning, eye-catching campaigns involving virtual reality ("VR"), augmented reality ("AR") and experiential content, such as interactive films and games. MediaMonks aims to use this pillar to showcase emerging technologies and is supported internally by a "Lab" team.

Projects in this pillar are characterised by a life-cycle of two to four months, fixed prices and a comparatively lower EBITDA margin than the other pillars. The aim of the Creative Content & Innovation pillar is to create business opportunities in the other pillars and attract talent to MediaMonks through the exposure and brand awareness that is generated as a result of the successful execution of projects within this pillar. It also serves the role of building up experience and expertise in new technologies and platforms, ensuring continued relevance and continuous business opportunities as brands adopt the likes of AR, AI and Voice into their marketing mix.

The gross profit attributable to the Creative Content & Innovation pillar was £11.6 million, 31.3 per cent. of the Group's gross profit, for the seven month period ended 31 December 2018<sup>7</sup>.

#### ***Assets at Scale pillar***

The Assets at Scale pillar focuses on asset production across programmatic advertising, precision marketing, content production and the localisation and transcreation of rollouts. Localisation and transcreation typically involve customising visuals and texts for different regions and targeted consumer groups. Services provided under the Assets at Scale pillar are aimed at assisting clients with the large-scale roll-out of content across multiple markets, channels and/or touch-points, and helping them utilise data (their own and from third parties) to better personalise their message and marketing.

Clients' frequent need for adapted content that has been optimised by marketing automation is reflected in recurring engagements under the Assets at Scale pillar. Projects in this pillar have an average duration of one to two months, but many fall within the framework of a retained relationship with the ongoing goal being the delivery of quality and efficiency through the use of technology.

The gross profit attributable to the Assets at Scale pillar was £9.8 million, 26.4 per cent. of the Group's gross profit, for the seven month period ended 31 December 2018.

#### ***Platforms & e-Commerce pillar***

The Platforms & e-Commerce pillar develops websites and apps with a focus on e-commerce, primarily for multi-national brands. Services provided under the Platforms & e-Commerce pillar aim to create a

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<sup>7</sup> For the unaudited financial statements for the six months ended 30 June 2019, the Group consolidated the Assets at Scale, Platform and E Commerce, and Creative Content and Innovation operating segments into a single Content segment for MediaMonks representing gross profit of £70.2 million

user experience through digital design and development that enhances the client's "customer funnel". MediaMonks is able to combine its creative skill-set and its in-house programming capabilities to deliver user-friendly platforms for clients, and in many cases help them through a digital transformation process of their business and services.

Core activities of this pillar include design, development, maintenance, testing and hosting of large-scale digital ecosystems that include websites, CMS and CRM implementation and e-commerce. The nature of these services results in recurring work streams, often with long term engagement of agile teams with prices being set by reference to the actual time spent on projects (time and material).

The gross profit attributable to the Platforms and e-Commerce pillar was £14.9 million, 40.2 per cent. of the Group's gross profit, for the seven month period ended 31 December 2018.

## 2 STRENGTHS

The Directors believe that MediaMonks benefits from the following key competitive strengths:

### ***Industry awards and recognition***

MediaMonks has received significant industry recognition for its work and is one of the most awarded digital production companies in the industry.

At the Cannes Lions International Festival of Creativity 2017, MediaMonks won a substantial number of awards including a grand prix, thirteen gold, four silver and five bronze Lions, alongside another fifteen jury nominations. At the Cannes Lions International Festival of Creativity 2018, MediaMonks won 18 gongs, including one Grand Prix for Entertainment. In 2019 MediaMonks won further Cannes Lions, giving MediaMonks an overall total of 131 Lions.

At the Webby Awards 2017, MediaMonks won eight awards across five projects. MediaMonks' wins included:

- a People's Voice and overall win for its *Greenpeace: A Journey to the Arctic* project in the category of Online Film & Video, VR: Cinematic or Pre-Rendered (Branded);
- a win for the *Helping Heart* campaign in the category of Mobile Sites & Apps, Technical Achievement; and
- and a win for the project *Uber: Where To?* in the category of Advertising & Media, Products & Services.

MediaMonks followed this performance in 2018 and 2019 with further wins including:

- for the *Real Estate - Stained Glass* music video, an overall Webby Winner in the category Best Use of Animation or Motion Graphics and a further win in the category Best User Experience;
- for the *Audi: VR Sandbox* project, an overall Webby Winner in the category VR: Branded Interactive, Game or Real-Time and a further win in the Technical Achievement Category;
- a People's Voice award for Technical Achievement for the Red Bull Air Race Live VR project; and
- for *Germany Reporters without Borders - Uncensored Playlist*, a Titanium Lion.

The New York Times described the Webby Awards as the "Internet's highest honour"; over 13,000 entries from 70 countries were received in 2017 alone and in the end, only 9 per cent. of entries reach nominations.

At the Ciclope Festival 2017, MediaMonks was recognised as "Digital Company of the Year" and, among other awards, won the Grand Prix for an interactive VR campaign for Audi which is described in greater detail in paragraph 4 of this Part V.

The Group believes that this industry recognition enhances the ability of MediaMonks to retain and win new clients across all three pillars of Creative Content & Innovation, Assets at Scale and Platforms & e-Commerce. The Group further believes that industry recognition is an important factor in MediaMonks' attraction, recruitment and retention of talent and key people across creative and other roles.

### ***Technological capabilities***

MediaMonks has, both through acquisitions and organically, developed the capability to deliver services to clients that depend upon:

- efficient production at scale;

- technical platform programming capabilities;
- data analysis; and
- combinations of high-end UX (user experience) and design skills with engineering related to core client platforms like AEM and Salesforce.

### **Scale**

MediaMonks has a global footprint with a local presence in certain key markets. This enables MediaMonks to offer clients a single global supplier for digital creative content and positions MediaMonks as an efficient way for international brands to present consistent content across global campaigns. MediaMonks' scale represents a key differentiating factor in the market for digital creative content as much of its current competition is from local specialists.

MediaMonks' structure, with international sales and production offices, allows for stronger local relationships with international brands and enables MediaMonks to tailor both pitches for new business and the services that result according to territory-specific knowledge. The decentralised production model benefits from being located in low(er) cost regions. The Company expects that MediaMonks will benefit from further economies of scale, particularly within the Assets at Scale pillar, and that these may contribute to an improvement in EBITDA margin in the medium term.

Furthermore, MediaMonks focuses on working with multinational companies and millennial-driven influencer brands. Barriers to entry to serve these multinational companies are high as they tend to require scale and/or international footprint and increasingly demand innovative creative content and the ability to roll-out quickly large volumes of content at a cost effective price per asset based on data analytics. MediaMonks' scale therefore means that it is well-positioned with multinational companies as it has a broad geographic footprint and UX (user experience) focus.

### ***Trends in the advertising market***

The Group believes that MediaMonks is well positioned to capitalise on the following trends in its markets:

- **Shift to digital.** The Group estimates that digital advertising spend grew at a CAGR of 23 per cent. between 2010 and 2017 and projects that it will account for 55 per cent. of global advertising spend by 2022. MediaMonks' focus is on digital assets and content, and accordingly the Group believes it stands to benefit from the increasing importance of digital in the advertising spend mix.
- **Consolidation.** Brands are increasingly demanding large scale global digital transformation programmes that require an end-to-end delivery skill set of the kind which MediaMonks is able to offer.
- **Decoupling.** Brands are increasingly engaging directly with digital media companies such as MediaMonks (rather than through advertising agencies). The Group believes that this provides MediaMonks with the opportunity to build stronger relations with clients and improve its Gross Profit.

Further information relating to the trends in the marketing services industry is set out in Part IV of this Document.

### ***Market size and growth opportunity***

As described in greater detail in Part IV of this Document, MediaMonks is active in digital content development & production, a growing, approximately €25 billion to €30 billion segment in the overall approximately €450 billion to €500 billion global advertising market. Although MediaMonks has grown significantly in recent years, it still has only a small market share of a large and fragmented market.

Since the MediaMonks Merger, the MediaMonks Group has started to be engaged by some of the world's largest advertisers (including P&G's Braun). The Directors believe that increased exposure to the leading brands with global footprints represents an important avenue for the future growth of the MediaMonks Group.

### ***Retention and recruitment of people***

MediaMonks' ability to attract, recruit and retain skilled people at all levels is key to its continued success and MediaMonks' recognition within the industry is an important factor in its ability to do so. In a 2017 survey of creatives by Working Not Working magazine, MediaMonks was ranked as one of the top 50 "Companies Creatives Would Kill to Work for Full-Time 2017". Other companies recognised included Nike,

Google, Pixar, Apple, Facebook and Spotify.

### ***Client relationships***

As noted above, the trend towards decoupling has provided MediaMonks with an opportunity to develop direct relationships with key customers. MediaMonks has capitalised on this trend to secure special relationships with leading digital brands (including a global creative partnership with Google), and continues to win recurring and project-based work from the global business that are its core clients.

MediaMonks client list includes some of the largest and most high-profile brands in the world, including P&G's Braun, Audi, Netflix, Google, Amazon, Nike and Mondelez International.

## **3 STRATEGY**

In addition to the combination benefits identified in Part I of this Document, MediaMonks' management have the following key business strategies:

### ***Leverage reputation as a leader in Creative Content and Innovation to win new mandates and up-sell and cross-sell in and into higher-margin pillars and bigger markets***

As noted in paragraph 2 of this Part V, MediaMonks has won numerous awards for its creative content and experiential marketing projects. MediaMonks' strategy is to use the profile generated by awards such as those referred to in paragraph 2 above to win new business in its higher-margin Assets at Scale and Platforms and E-Commerce pillars. The Directors believe that as revenues grow in the Assets at Scale and Platforms and E-Commerce pillars, EBITDA margins will increase in those pillars.

The Directors consider that success in cross-and up-selling into larger and more profitable markets will create a positive feedback loop as MediaMonks' profile and reputation across all of its business segments continue to increase among brands and agencies.

MediaMonks' strategy of up-selling and cross-selling is supported by a proprietary client relationship management and productivity tool, Sanskrit. Sanskrit supports MediaMonks' management and sales personnel by integrating third-party productivity tools and providing up-to-date information on the full life-cycle of projects (from pitch to delivery) on a world-wide basis.

### ***Maintain and enhance reputation as a leader in the field of cutting-edge content and experiential marketing***

MediaMonks' creative credentials are a key component of the strategy of leveraging its leadership in Creative Content and Innovation. It is therefore a key business strategy of MediaMonks to maintain and enhance its position as a leader in the field of cutting-edge content and experiential marketing.

MediaMonks seeks to deliver eye-catching and innovative content and experiential marketing, such as interactive videos and games. This will involve the first-mover use of cutting-edge technologies, such as AR and VR, sometimes in partnership with leading tech partners. The Directors consider the delivery of projects of this kind as an important investment in the profile and reputation of MediaMonks for reasons set out above.

### ***Continue to advance strategy of decentralising production hubs and sales offices***

The ability to deliver services to clients across all three pillars of MediaMonks' business cost-effectively depends in part on MediaMonks' ability to reduce the costs of providing such services. MediaMonks therefore operates a business model that utilises production hubs in low(er)-cost regions. Production hubs are complemented by local sales offices in MediaMonks' key markets (such as the US) which are able to develop stronger local relationships and tailor pitches using local knowledge to improve win-rate and revenue generation.

The acquisitions of production operations in Stockholm in 2015 (Stopp Family AB) and in Latin America (the business of inTacto SRL in Buenos Aires and Cricket Brasil Servicos de Internet para Publicidade Ltda in Sao Paulo) in the first half of 2016 accelerated this strategy. From and including 2015, sales offices have been opened in Los Angeles, Dubai, Shanghai and Mexico City. A new office in San Francisco was also opened during the course of 2018.

***Build on existing client relationships to drive higher recurring and one-off sales with leading global brands***

MediaMonks works with some of the most recognisable brands in the world. However, MediaMonks accounts for a comparatively small amount of such brands' respective digital marketing budgets. MediaMonks is actively seeking to increase the services that it provides to these brands in order to grow the revenue generated from its key relationships.

Successful implementation of this strategy of driving higher recurring and one-off sales with leading global brands would be expected to increase the working capital requirements of the MediaMonks Group as the payment terms of direct-to-brand work are typically less favourable than for agency work. Accordingly, this strategy will be prudently implemented in the context of the MediaMonks Group's overall working capital requirements.

***Continue to grow in key markets and follow brands into new markets***

The Americas are MediaMonks' largest growth market, accounting for 68 per cent. of the Group's gross profit for the six months ended 30 June 2019. MediaMonks has, through the launch of a San Francisco office, expanded its presence in the US, and intends to continue this expansion, with the aim of increasing sales across all three pillars in this region. Separately MediaMonks will seek to strengthen its market position as a viable production partner to global brands by building out its presence in the Latin America and Asia Pacific regions. In particular, MediaMonks has identified Japan and India as key markets which it will evaluate for potential new sales offices, and has the extension of services into Germany under consideration.

The growth of MediaMonks in its existing markets and expansion into new markets is expected to be led by client demand (and therefore to benefit from revenue streams shortly after opening). Accordingly this strategy is not expected to have a material effect on the working capital requirements of the MediaMonks Group. Nevertheless, in considering any expansion of existing operations or the establishment of new operations, regard will be had to the overall working capital requirements of the MediaMonks Group.

***Opportunistic bolt-on M&A to accelerate other key strategies***

MediaMonks has in the past and will continue to use M&A opportunistically to accelerate its other key strategies. The MediaMonks Group will maintain a disciplined approach to acquisitions, both as to any acquisition consideration payable and the working capital requirements of any acquired business. The MediaMonks Group's engagement in M&A activity will be subject to the working capital requirements of the MediaMonks Group and the Group as a whole.

Previous acquisitions include:

- **2014** - the acquisition 51 per cent. of eBuilders B.V. (a localization and transcreation hub) for an initial consideration of €40,000;
- **2015** -
  - the acquisition of an 80 per cent. interest in Blocklevel B.V. (front-end development) for a consideration of approximately €20,000;
  - the acquisition of 100 per cent. of Bike Film Corporation B.V. through Made.For.Digital Holding B.V. (director-driven linear & long-form film) for a consideration of €640,000. The acquisition of Bike Film Corporation B.V. was effected through Made.For.Digital Holding B.V., a joint venture in which the MediaMonks had a 51 per cent. interest; and
  - the acquisition of 100 per cent. Stopp Family AB (a production hub based in Stockholm which has since been renamed MediaMonks Stockholm AB) for a consideration of approximately €3.1 million;
- **2016** -
  - the acquisition of 51 per cent. of Superhero Cheesecake (specialises in crafting best-in-class interactive experiences) for a consideration of €800,000;
  - the acquisition of Cricket Brasil Servicos de Internet para Publicidade Ltda (a production hub based in Sao Paulo, Brazil, which has since been renamed MediaMonks São Paulo Serv. De Internet para Publicidade Ltda) for a consideration of €1.4 million; and

- the acquisition of the business of inTacto SRL (a production hub based in Buenos Aires, which business is now carried on by MediaMonks Buenos Aires SRL) for an aggregate consideration of €3.12 million.
- **2019 -**
  - the acquisition of the business and assets of Caramel Pictures from Will Van der Vlugt Beheer B.V. and Will Van der Vlugt Studio B.V for aggregate consideration of up to €2.9 million;
  - the non-binding agreement of key terms to acquire BizTech; and
  - the merger with IMA (advertising placement with influencers) for aggregate consideration of €16.5 million (€8.6 million of which is as yet unpaid deferred consideration) as more fully described in paragraph 12 of Part XVII.

As at the date of this Document, the MediaMonks Group owns 100 per cent. of the interests in each of the above-named entities other than BizTech. The Minority Interests in each of eBuilders B.V., Made.For.Digital Holding B.V. and Superhero Cheesecake were acquired by the MediaMonks Group on 9 July 2018 pursuant to the Affiliate Acquisition Agreements described more fully in paragraph 12 of Part XVII of this Document.

#### 4 SERVICES

##### ***Creative Content & Innovation***

The Creative Content & Innovation pillar offers clients premium content generation and cutting-edge VR, AR and experiential projects.

###### *Case study - Audi Q5: Enter Sandbox*

Audi's objective was to demonstrate what the new Audi Q5 and its Quattro technology had to offer, in a fun and playful way. The initial brief was to produce a 360° film and a TV commercial, with the purpose of reconnecting with the childhood memory of playing with cars in a sandbox.

MediaMonks' approach was to use the power of VR to turn a physical sandbox into a virtual playground where users could test drive the new Audi Q5. As part of an in-store installation, users could shape the terrain of the physical sand box. This was then scanned (in real time) in 3D, based on 200,000 measure points. To capture the sandbox at such detail, the sandbox was analysed with bursts of infrared light that are captured by a camera, measuring the height differences relative to the camera. This height-depth-scan was then rendered into a 3D model of the sandbox, which users can explore in VR, sitting in a virtual Audi Q5.

The end result was a real-time VR experience, connecting the physical and virtual world: by first the creation of a unique driving experience in the sandbox, then giving users the opportunity to enter the same world in VR.

Starting its life in European showrooms, the VR experience has gone on to become a travelling installation across Europe and the US, and has been viewed more than 25 million times across social media. It also became one of the most awarded projects of 2017, including winning FWA of the Day, FWA of the Month, the Yellow D&AD Branded Content Pencil, 5 Cannes Lions, Ciclope Grand Prix, Gold at the CLIO awards, and 5 Eurobest awards.

###### ***Assets at Scale***

The Assets at Scale pillar focuses on asset production across programmatic advertising, precision marketing, content production and the localisation and transcreation of rollouts. Localisation and transcreation typically involve customising visuals and texts for different regions and targeted consumer groups. Services provided under the Assets at Scale pillar are aimed at assisting clients with the largescale roll-out of content across multiple markets, channels and/or touch-points.

###### *Case study - Dr.Ci:Labo: Online Rebranding*

To relaunch Johnson & Johnson's newly acquired Dr.Ci:Labo line across the Asia-Pacific region with a fresh and more consistent look, MediaMonks produced three videos to help establish a new online branding for Dr.Ci:Labo. In addition to the videos, MediaMonks created 200 high-end assets from the same shoot which were used to promote the new branding on social media channels.

From a single shoot, MediaMonks created over 192 content assets within three weeks. These were pre-tailored for placement on multiple channels using the Hero (one-off, high-impact), Hub (targeted at specific groups), and Hygiene (regular content with a practical angle) approach to content generation. MediaMonks' ability to render a large number of assets from a single shoot brought the cost per asset down to under two per cent. of the initial cost of the videos.

#### **Platforms and e-Commerce**

The focus of this pillar is on the development of websites, apps and other internal e-commerce platforms, primarily for multi-national brands. Services provided under the Platforms & e-Commerce pillar aim to create a user experience through digital design and development that enhances the customer funnel of clients. MediaMonks is able to combine its creative skill-set and its in-house programming capabilities to deliver user-friendly platforms for clients.

#### *Case study: Weber*

Localized across domains, the all-new Weber.com represents the global hub for the brand's digital transformation. To actualize the Weber's ambition of being the ultimate grilling brand, MediaMonks created a platform that offers visitors localised content to drive sales.

#### *Case study: US Air Force*

MediaMonks' user research and testing revealed that prospective recruits for the US Air Force had a variety of interests and priorities, so MediaMonks developed a UX (user experience) that fluidly adapts to each potential recruit. With every new data point that the site learns about users, the content adapts to match the characteristic of that individual. This includes new images, new headlines and new body copy - each visitor's journey through the site is tailored to them. Where most sites use a single user flow for all people, MediaMonks created a site that dynamically routes users toward a decision based upon their specific circumstances and priorities.

## **5 PEOPLE**

MediaMonks had on average 687 full-time equivalent ("FTE") people (total headcount: 547) across its various pillars and territories in the financial year ended 31 December 2018.

The average number of FTE people of the MediaMonks Group (broken down by location) for the MediaMonks Group's last three financial years is as follows:

	<b>FYE 31 December 2016</b>	<b>FYE 31 December 2017</b>	<b>FYE 31 December 2018</b>
The Netherlands	338.7	364.9	439
Americas	111.6	113.0	191
EU countries	43.0	38.0	39
Other	15.4	12.8	18
<b>Total</b>	<b>508.7</b>	<b>528.7</b>	<b>687</b>

## PART VI - INFORMATION ON THE MIGHTYHIVE GROUP

### 1 INTRODUCTION AND OVERVIEW

MightyHive, Inc. ("MightyHive") is a market-leading programmatic solutions provider for future-thinking marketers and agencies. MightyHive offers services focussing on implementation and support, campaign management and consulting. Founded in 2012 and with over 300 people, MightyHive is headquartered in San Francisco, California and has offices in several other locations in the US and internationally including Sydney, London, and Singapore. MightyHive is led by a highly experienced management team with over one hundred years of combined sector experience.

One of the largest and fastest-growing programmatic businesses, MightyHive has a highly differentiated integrated programmatic solutions offering, empowering brands to navigate the highly complex programmatic advertising ecosystem. Where other programmatic service providers have narrow capabilities, MightyHive combines consultancy knowhow with programmatic expertise, technology platform proficiency and the service capabilities required to educate and support clients. This enables MightyHive to deliver end-to-end programmatic consulting, full service campaign management and expert-driven implementation and support capability efficiently and transparently.

MightyHive has achieved significant gross profit growth since 2015.

2016 unaudited revenue was \$11.4 million increasing to \$24.6 million in 2017 and further increasing to \$45.8 million for 2018 (source: unaudited management accounts of the MightyHive Group).

MightyHive's services are grouped into two groupings: strategic consulting, and technology and services.

#### **Strategic consulting**

MightyHive's strategic consulting business helps clients navigate the programmatic advertising ecosystem. This involves conducting efficiency audits of brands' existing programmatic operations; providing custom integration and dashboards to empower marketers to execute and monitor programmatic advertising campaigns; and facilitating the in-housing of advertising operations and sales support. The services offered under the strategic consulting umbrella are as follows:

- **Programmatic audits** – review of data flow and architecture;
- **Custom integrations and dashboards** – API integration and customised dashboards that connect technology platforms and help clients access critical business intelligence;
- **In-housing support** – guidance on team architecture and technology platform selection for organisations launching their own programmatic teams; and
- **Ongoing strategic advisory** – facilitating optimal execution and consistent technological innovation and client fluency in the latest innovations.

#### **Technology and services**

MightyHive's technology and services pillar encompasses full-service campaign management, analytics, creative production and ad serving, platform and systems integration and transition and training and education. The services offered under the technology and services umbrella are as follows:

- **Platform implementation** – platform development, QA and on-demand troubleshooting;
- **Platform migration** – transition to Google Marketing Platform and other technology platforms;
- **Systems integration** – integration of new platforms into existing tech stacks, ensuring full interoperability;
- **Training** – end-to-end training, from fundamentals to advanced techniques and ongoing new feature support;
- **Full-service campaign management** – set-up and optimization for search, display, mobile and video campaigns;
- **Analytics** – integration and analyse data to provide insights to inform better decision making; and
- **Creative production and ad serving** – management of global ad serving across all digital buying (both programmatic and direct) and enabling of design and deployment of rich media creative and search

engine marketing ("SEM") copy.

## 2 STRENGTHS

The Directors believe that MightyHive benefits from the following key competitive strengths:

### ***Partnership with Google***

While Google platforms account for a significant proportion of global ad sales, Google does not choose to engage directly with the majority of the marketers who use the Google advertising ecosystem. MightyHive's relationship with Google was established to assist such marketers with their digital advertising spend and to achieve greater transparency and optimisation.

MightyHive was Google Marketing Platform's first certified marketing partner in 2012 and has since then become a leading programmatic partner to Google across buying, creative, audience, business intelligence, measurement and attribution and analytics, and tag management. As a result of this relationship with Google, MightyHive has worked with brands and agencies to integrate approximately 50,000 end marketers with the platforms it works with, including Google Marketing Platform.

### ***Client base and service offering***

The MightyHive Group has strong relationships with its broad spread of existing clients. This provides the MightyHive Group with opportunities to cross- and up-sell between and within its service offerings. Where clients engage MightyHive on a specific piece of work (such as a programmatic efficiency audit), in a number of cases, this leads to additional workstreams for the same client (such as systems integration, platform implementation and training).

Moreover, MightyHive's client retention rates in the half year to 30 June 2018 are high, especially among higher-value accounts. The low levels of churn enjoyed by the MightyHive Group are set out below.

	H1 2017	H2 2017	H1 2018	H2 2018
Clients generating net revenue over \$100,000	96%	100%	97%	95%
Clients generating net revenue over \$25,000	92%	98%	96%	96%

New business represents a significant proportion of the MightyHive Group's net revenue, with 82 per cent. of the top 50 net revenue opportunities in 2018 arising in connection with new clients and 18 per cent. from existing clients (excluding recurring spend by existing clients).

### ***Partnership pipeline***

Driven by client requests, MightyHive is developing and pursuing partnerships with leading technology companies within the programmatic advertising industry in an ongoing effort to develop Google-calibre relationships throughout the programmatic technology ecosystem.

#### *Facebook*

Facebook is the world's largest social media platform and its demand side platform ("DSP"), Facebook Audience Network, manages \$1 billion in gross annual billings.

Facebook Audience Network offers access to native inventory on the social network and many other publishers across the web.

#### *Amazon*

Amazon is one of the world's largest technology companies and has access to large volumes of consumer data. The Amazon Advertising Platform ("AAP") DSP handles \$1.5 billion in gross billings annually.

AAP offers ad tech solutions that help MightyHive's third party retailers reach customers anywhere on the web. AAP has certified over 100 ad serving technology partners, but the MightyHive management believe that the DSP would benefit from the provision of programmatic consulting services.

## *Salesforce.com*

Salesforce.com is the world's leading Customer Relationship Management solutions provider. Salesforce.com's Marketing and Commerce Cloud generated revenue of approximately \$1.35 billion in the year to 31 January 2018.

Through the Marketing Cloud, Salesforce enables companies to plan, personalize and optimize one-to-one customer marketing journeys, including interactions across email, mobile, social, web and connected products.

### ***Expertise on all major platforms***

MightyHive's service offering encompasses all major platforms, including:

- buying (Google DV360, Amazon, Facebook etc);
- creative (Google Studio, Amazon, Google Web Designer, SalesForce, Amazon, Facebook, Criteo);
- audience (Google Ads Data Hub, Audience Center 360, SalesForce, LiveRamp);
- measurement and attribution (Google Campaign Manager, DoubleVerify, PlaceIQ, MOAT, Placed); and
- site analytics and tag management (Google Tag Manager, Optimize 360, Analytics 360, Adobe Analytics).

The breadth of MightyHive's service capabilities enables MightyHive to act as a one-stop-shop for programmatic solutions and consulting, differentiating its offering to clients.

### ***Growth opportunity in programmatic***

Global programmatic advertising spend is growing at more than 20 per cent. per year and is expected to reach more than \$84 billion in 2019 (source: Group estimates).

Compared to traditional methods, programmatic media buying offers marketers superior efficiencies, increased transparency, and improved targeting and measurement capabilities. Marketers utilize programmatic campaigns to efficiently deliver advertisements to the most relevant audiences at the most appropriate times.

The current programmatic landscape is highly fragmented, with a significant addressable market that the Directors believe is currently underserved by incumbent solution providers. Global programmatic penetration is on pace to reach 68 per cent. by 2020 (source: Group estimates), leaving significant room for MightyHive to grow further.

### ***MightyHive talent and culture***

MightyHive strongly emphasises the importance of talent acquisition and training. New people undergo a training programme designed to provide them with the necessary foundation to become programmatic experts. All people are trained in-house through MightyHive's structured "MightySchool" programme in order to develop a workforce that is talented, diverse (46 per cent. female) and committed to elevating programmatic for each client in a thoughtful and personalised manner.

In order to retain talent, MightyHive's founders developed and implemented a custom form of career coaching to develop an aligned people base that is incentivised by career development. The "MightyResume" approach is based identifying, supporting and actualising key professional, educational and life goals of people, leveraging the skill base and network of MightyHive's leadership team.

## **3 STRATEGY**

The Directors believe that MightyHive operates a scalable platform well-positioned to deliver future growth.

The key growth strategies for MightyHive are as set out below. As at the date of this Document, the MightyHive Group has not committed capital to these strategies.

### ***Continued geographic expansion***

Over the next two years, MightyHive plans to expand operations in Western Europe and Asia-Pacific ("APAC"), two rapidly growing regions that the Directors believe are under-served by programmatic technology experts. This expansion can be delivered in a cost-effective manner thanks to the operational

synergies that will be derived from the MightyHive Merger: MediaMonks and MightyHive may explore sharing office space in new territories.

New offices have been opened in Stockholm, Paris, Milan, Jakarta, Melbourne, Mumbai and Chicago. As a result of the ProgMedia Merger, the MightyHive Group now also has a presence in Sao Paulo and Buenos Aires to serve as a launchpad for MightyHive's operations in the LATAM region.

Further locations targeted for new office openings for MightyHive include Bangkok, Shanghai and Hong Kong. While new office openings are planned, no firm commitments have been entered into by the MightyHive Group in respect of such new offices. When such new offices are opened, the required capital investments is not expected to be material in the context of the MightyHive Group as a whole and will be funded out of cashflow generated by the MightyHive Group.

#### *Western Europe*

Programmatic spending in the UK alone is expected to reach \$5.6 billion in 2018 (source: Zenith). With uncertainty surrounding Brexit and the dynamic regulatory landscape caused by GDPR, MightyHive will look to meet the needs of European marketers who want programmatic experts with a distributed regional presence.

#### *APAC*

With \$7.9 billion of programmatic spending projected for 2018 in China alone (source: Zenith), APAC is the largest region for mobile programmatic investment worldwide. The programmatic industry in APAC is expected to continue to increase as marketers increase ad spend to reach the region's growing middle class.

#### ***Further penetration of enterprise client segment***

MightyHive has already begun concentrating on deepening and developing relationships with global enterprise clients, who will be a key component of MightyHive's future growth plans.

MightyHive has formed and is growing relationships with a number of global enterprise clients, who will be the focus of its client acquisition strategy going forward. MightyHive is able to meet the diverse marketing needs of global enterprise clients, leading to well-known brand referrals from programmatic technology clients. MightyHive also looks to supplement inbound referrals from technology partners with in-house sales and marketing efforts.

Large and mid-size media companies and broadcast and cable networks will be a high priority client segment for MightyHive. Google Ad Manager has been widely adopted by media companies, but the Directors believe that the vertical is relatively under-served by experienced Google programmatic solutions partners. As broadcasters and cable networks adopt the advertising strategies of connected TV providers, programmatic ad trafficking solutions are expected by the Directors and the Proposed Directors to play a larger role in the industry, allowing MightyHive to gain an early-mover advantage.

#### ***Expansion of technology partner relationships***

MightyHive will continue to form new partnerships, largely at the request of clients.

#### *Near term demand-side platform partnerships*

As MightyHive has continued winning global enterprise clients, major technology companies have expressed interest in expanding the scope of their relationships with MightyHive. MightyHive carefully reviews each potential partnership with the goal of curating the best advertising software for its clients.

The Directors regard potential partnerships as important growth opportunities for MightyHive.

#### *Marketing technology partnership opportunities*

MightyHive also plans to develop relationships within the established partnership frameworks of the world's largest marketing technology ("**MarTech**") companies.

MarTech providers such as Salesforce, Adobe, and Oracle have established partnership programs, but are underserved in their ability to onboard and provide ongoing consulting services to programmatic marketers. Many marketing technologies offered by these companies, such as Digital Monitoring Products, Customer Data Platforms, marketing automation, sales enablement, and analytics, are natural complements to

MightyHive's programmatic technologies expertise. By developing a diversified marketing technology expertise MightyHive would enhance its value proposition to both clients and marketing technology providers.

The Directors regard potential partnerships as important growth opportunities for MightyHive.

#### ***Expansion of MightyHive's suite of proprietary technology***

As set out in paragraph 4 below, MightyHive's client offering includes a number of tools to empower account managers to target, deploy, monitor and evaluate programmatic advertising.

The Directors see growth potential in expanding this proprietary suite in order to further improve internal campaign efficiency and improve MightyHive's value proposition to clients. Possible areas of expansion identified by MightyHive Management include:

- developing further in-housing toolkits;
- cross-platform DSP campaign performance and management analytics;
- full-stack ad-monitoring and alerting; and
- machine learning insights for auction prices and inventory.

Development of new technology tools is carried out in-house by the MightyHive Group and is not expected to represent a capital commitment that is material in the context of the MightyHive Group as a whole.

## **4 SERVICES**

### **Technology Services**

MightyHive leverages its broad expertise to advise clients on the optimal deployment of new vendors within an existing technology suite. All implementations are sold in conjunction with additional MightyHive services. Clients are able to choose between various service and pricing tiers dependent on the level of training, technical support, and ongoing platform education they require.

- **Platform implementation** - MightyHive provides platform development, QA, and on-demand troubleshooting to support organizations who want ongoing assistance, new feature training, and best practice guidance.
- **Systems integration** - MightyHive provides hands-on-keyboard incorporation of new technology into existing ad-tech and MarTech stacks ensuring interoperability and maximum effectiveness.
- **Training** - MightyHive provides end-to-end training to help clients leverage their technologies most effectively and gain the expertise required to optimize their marketing efforts.

MightyHive technology services clients include Mondelez International, Yamaha and Sprint.

### ***Strategic Consulting***

MightyHive provides ongoing expert advisory and custom solutions to help clients build, expedite, and optimize their internal programmatic platforms and execution capabilities.

**Programmatic efficiency audit** - An independent, comprehensive evaluation of the entirety of a marketer's technology stack for efficiency, transparency, efficacy and risk in order to guide future development

**In-housing support** - MightyHive provides expert-driven guidance on team architecture, timelines, staffing solutions and technology platforms selection, as well as general programmatic best practices.

**Programmatic-as-a-service** - An extended engagement in which MightyHive develops a bespoke transition strategy and then manages a marketer's shift towards bringing programmatic in-house. Programmatic as a service typically runs in four stages: (i) a diligence phase covering technology and contract audit and GAP analysis; (ii) the development of a transition strategy, evaluating new technology, carrying out support-planning and cost/benefit analysis; (iii) on-site training for clients; and (iv) transition and implementation.

MightyHive strategic consulting clients include Mondelez International, US Bank, Sprint, and Electrolux.

## ***MightyDesk***

MightyDesk is a proprietary, web-based workflow and reporting interface used by MightyHive account managers ("AMs") to monitor and manage clients' programmatic campaigns. MightyDesk is fully integrated with the leading programmatic technology platforms and marketing clients' CRMs, granting MightyHive access to hundreds of terabytes of data MightyHive uses to better inform targeting and ad placement strategy across its entire client portfolio.

MightyDesk accelerates the trafficking of advertising media across client data repositories, ad-tech platforms, and inventory sources while ensuring consistently high campaign quality and reporting coverage. MightyDesk's intuitive user interface and web-based design are key to MightyHive's ability to rapidly onboard programmatic talent and scale the business worldwide.

### *Site Tool - tag deployment*

MightyHive's Site Tool is a Google Chrome extension that tracks pixel activity and associated data, allowing account managers and MightyHive clients to understand webpage and third party browsing activity.

Site Tool monitors network activity and tracks query parameters to help AMs identify performance and data leakage issues. Site Tool is distributed publicly to all MightyHive advertiser and agency clients so they can visualize the data activity behind the content they create and consume.

Site Tool has a simple user interface with additional customization features for sophisticated users. It enhances AMs' ability to identify and resolve page performance issues and elevates MightyHive's brand presence with clients.

### *Custom Audience Tool - audiences*

Custom Audience Tool is the fastest and easiest way for marketers to create and target custom audiences using both offline and online data.

Its intuitive, web-based design enables clients to sign up in under five minutes and launch targeted campaign in as little as one day. Custom Audience Tool runs on a cloud architecture designed to protect client data; only the client has the access to manage and use data. Through the Custom Audience Tool, MightyHive provides industry leading techniques marketers can rely on to improve the performance of campaigns and increase revenues.

Custom Audience Tool has processed over 12,000 custom audiences and is used by over 90 of MightyHive's current clients to target their campaigns using first-party CRM data.

### *Mighty PACK - campaign deployment*

Mighty PACK is a suite of tools designed to accelerate the trafficking of campaigns on client platforms that do not have pre-existing bulk ad deployment tools. With Mighty PACK, campaigns that used to take 24 hours to create can be built and edited in less than five minutes.

AMs use Mighty PACK to create new advertiser accounts across the entire programmatic ecosystem. Mighty PACK is the only API to allow programmatic creation of advertiser accounts by simulating user interaction using a simple, form-based interface that eliminates potential for human error.

### *Waldo - campaign management*

Waldo is a campaign management tool MightyHive AMs use to monitor client spend and activity across the AM's entire book of business.

Waldo generates highly customizable, dynamic reports related to client spend, campaign performance and data from multiple ad-tech platforms into a single source. It integrates with clients' finance and business operations systems, allowing MightyHive to automatically populate report data fields related to the client's entire digital advertising activities.

### *Apollo - campaign insights*

Apollo is a high volume data capture infrastructure that collects impression-level transactions from Google to allow for detailed analysis of campaign, inventory, and creative collateral performance.

Apollo is a secure, scalable, and a convenient solution for interfacing with Google advertising products.

Data visualization tools support detailed performance information reporting used to develop insights based on client queries. Joint integration with client data systems and Google Cloud allow for configuration of impression-level Google Data Transfer reporting, which is typically too large and complex for clients or agencies to manage directly.

## 5 PEOPLE

MightyHive employs approximately 330 people. The average annual headcount by location of the MightyHive Group for the three years to 2018 is as follows:

Territory	FYE 31 December 2016	FYE 31 December 2017	FYE 31 December 2018
USA	54	86	144
Australia	5	15	21
UK	2	5	12
Singapore	1	2	5
Sweden	-	1	1
Canada	-	-	1
New Zealand	-	-	2
Total	62	109	186

## PART VII - INFORMATION ON THE FIREWOOD GROUP

### 1 INTRODUCTION AND OVERVIEW

The Firewood Group is a global digital marketing agency built on deep partnerships with some of the world's best known brands. Its primary services include (i) strategy and planning; (ii) creative services; (iii) performance media; and (iv) technology. The Firewood Group differentiates itself from the traditional marketing agency model by offering its clients integrated services using an embedded highly collaborative model. The Directors believe this model promotes better collaboration, flexibility, a faster response to changing client desires and more direct and cost-effective marketing execution.

The Firewood Group is headquartered in San Francisco, California, and was co-founded in 2010 by Lanya Zambrano (President) and Juan Zambrano (CEO). It has since grown to employ over 300 people across seven offices in Mountain View, California; Sandpoint, Idaho; New York City; Mexico City; Dublin; London and San Francisco.

Firewood has achieved significant revenue and EBITDA growth since 2017, with EBITDA (unaudited) increasing from \$5.8 million for the financial year 31 December 2017 to \$10.3 million for the financial year 31 December 2018.

The table below sets out certain financial information for the Firewood Group. The financial information for the financial year ended 31 December 2017 is unaudited and has been drawn from management accounts for the period, while the financial information for the financial year ended 31 December 2018 is audited<sup>8</sup>.

	For the twelve month period ended 31 December 2017	For the twelve month period ended 31 December 2018
	(unaudited)	(audited)
	(\$ millions)	(\$ millions)
Revenue	33.1	56.8
Operating expenses	28.8	47.4
<b>Operating income</b>	4.2	9.3
Interest income	0.05	0.1
Other expenses	0.04	(0.1)
<b>Net income before income taxes</b>	4.3	9.3
Income tax expense	-	0.3
<b>Net income for the period</b>	4.3	9.0

The Firewood Group generates revenue through a mixture of client embedded work ("**Embedded Revenue**") and time and materials billing for ad hoc projects ("**T&M Revenue**"), with Embedded Revenue accounting for approximately 80 per cent. of the Firewood Group's total revenue for the years ended 31 December 2018 and 2017. Embedded Revenue has been relatively consistent, as the Firewood staff are charged out at a fixed amount per month and are usually moved between client teams between projects. T&M Revenue has been broadly recurring with Firewood's significant clients, and clients are billed for such work on a time and materials basis or, less frequently, on a fixed fee basis.

The Firewood's Group's management utilises several key metrics to evaluate the performance of the business, including (i) billability; (ii) staff costs; and (iii) profitability.

Billability represents the proportion of staff time spent on work charged to clients adjusted for paid time off, and it is a key driver of T&M Revenue. Billability has averaged between 70 per cent. and 80 per cent. over the 2018 financial year and the 2019 financial year-to-date, and management targets a billability rate

<sup>8</sup> The unaudited financial information for the financial year ended 31 December 2017 may not contain certain adjustments which could be deemed necessary to present the unaudited historical information in a manner that is entirely consistent with the audited financial information for the financial year ended 31 December 2018. However, the Directors believe that any such adjustments would not be material in the context of the Firewood Merger or the Group following the Firewood Merger and that the presentation of such unaudited financial information is useful in presenting the historical financial performance of the Firewood Group.

of 80 per cent. Firewood has increased monitoring of billability and implemented various measures aimed at increasing internal efficiencies to improve its billability rate, which it believes will drive T&M Revenue growth and profitability going forward.

Staff costs as a percentage of revenue are a key indicator of the performance of the business. Over the previous two financial years, staff costs and revenue have remained broadly aligned with increases in revenue being matched by a broadly similar increase in staff costs. Staff costs as a percentage of revenue have averaged 68 per cent. during this period.

Profitability is the most important measure of the performance of Firewood's business and is primarily impacted by revenue, billability and staff costs. The Firewood Group had EBITDA margins of 17.5 per cent. and 18.1 per cent. for the financial years ended 31 December 2017 and 2018, respectively. The improvement in profitability was primarily a result of improved leveraging of staff costs resulting in increased billability.

### ***The Embedded Model***

Firewood believes the embedded model is key to Firewood's business success and was developed by Firewood's founders to combat inefficiencies they observed in the traditional agency model by developing teams of creative and strategic marketing professionals who work as extensions of the clients' internal marketing departments. These embedded client teams function as company "ambassadors" and manage the work and deliverables more efficiently lowering overall costs for the client. The frequent communication and collaboration with internal teams promoted by the embedded model helps to reduce miscommunication, drive better brand experiences and reduce re-work, which leads to shorter project times and increased client satisfaction.

The Firewood Group's embedded model is built on the following three core principles:

#### *Collaboration*

The embedded team and the client's internal team, as well as the extended organisation and people, intend to form a mentality of one unit working together.

#### *Integration*

The Firewood embedded team views itself as the extended team of the client with an emphasis on making the collective better and avoiding an "us vs. them" mentality.

#### *Flexibility*

Firewood embedded team's closeness to the business propels it to try new things and be highly responsive to client's changing business needs without having to adhere to rigid rules and guidelines for how business has to be done.

In addition to highly collaborative, responsive, embedded teams, Firewood also has developed an infrastructure built on handling overflow by using other personnel within the Firewood Group. Unanticipated events occur frequently for embedded teams and projects and budgets shift and need immediate approval, and the broader Firewood Group can support these rapid changes and work with embedded teams and clients when needed.

The embedded model is built on adaptation and flexibility, and Firewood has taken its core tenets and expanded it into project based work in order to service all the needs of its clients. This has enabled the Firewood Group to expand to better service its clients across international markets and equipped it with the capability to bring its approach to any client regardless of project size or duration.

## **2 STRENGTHS**

The Directors believe that Firewood benefits from the following key competitive strengths:

#### ***Differentiated embedded approach***

Firewood often works as an extension of its clients' internal marketing departments, enabling a more collaborative and dynamic relationship that streamlines the decision-making and creative process. The embedded model approach allows Firewood to work efficiently and closely with clients while also developing a strong partnership that often creates more opportunities for additional work. This approach is Firewood's cornerstone value proposition, which the Directors believe has allowed it to significantly expand its services to its major clients.

### ***Strong client partnerships***

Firewood's clients include some of the largest technology companies and most recognisable brands in the world, including Google, LinkedIn, Facebook, Salesforce and VMware. Its clients tend to be recurring in nature, in part as a result of its embedded model, which creates deep relationship and trust between the embedded team and a client's internal marketing department.

In particular, Firewood's partnership with Google has been important to the growth of its business. This relationship began in 2012 and has experienced significant year-on-year growth. Revenue generated by Google for the Firewood Group increased by 70% and 44% during the financial years ended 31 December 2018 and 2017, respectively, and represented a significant majority of the revenue generated by the Firewood Group for such financial years. The Directors believe the strength of the partnership with Google and other Google Partners is based on its embrace of Firewood's high-quality diversified service offering and embedded, collaborative model.

In 2013, Firewood worked with six Google Partners. Firewood's relationship with Google Partners has continued to grow and it currently services dozens of Google Partners. The Directors believe this broad footprint reduces the concentration risk typically associated with the "Agency of Record" model, especially as Firewood's partnership with Google extends to such a large number of Google Partners.

### ***Growth opportunities and pipeline***

In addition to its long-standing partnerships with clients such as Google and LinkedIn, Firewood has continued to grow its client base with additional blue-chip brand name companies, such as Facebook, Salesforce and VMware and has a revenue target of approximately \$73 million for the financial year ending 2019 based on contracted work as at 30 June 2019 and an existing pipeline of new client work for the remainder of the year as at 31 August 2019. A significant majority of new business is driven by referrals from current and former Firewood clients, as well as employee relationships. Inbound inquiries from new prospects have also increased as Firewood has increased its PR and marketing via the internet and social media. Firewood has established a new dedicated business development team comprised of account, strategy and creative professionals who are focused on proposal responses and client development.

### ***Expanding international presence***

In addition to its headquarters in San Francisco, Firewood maintains six additional offices, including its EMEA headquarters in Dublin, a creative office in Mexico City and a growing presence in the London and New York City markets. While the majority of its people continue to be based in its California offices, Firewood's additional offices in North America and Europe support many of its clients' global presence. Firewood intends to utilise its international offices, specifically New York and London, to support its growth by focussing on net new acquisition of large client accounts.

### ***Firewood talent and culture***

Firewood has an experienced leadership team with diverse backgrounds and established success in fostering client relationships and building successful organisations, and it emphasises the recruiting and training of the top talent in the industry. It has frequently been ranked as one of the best places to work in the San Francisco Bay Area, including in 2018, and places a high priority on employee satisfaction which it believes has a direct correlation to high performance. In 2018, Firewood hired a Director of People & Culture to further its commitment to employee satisfaction and retention, and Firewood had approximately half the level of voluntary turnover in 2018 (15 per cent.) compared to the rest of the industry (approximately 30 per cent.).

## **3 STRATEGY**

The Directors believe that Firewood has a highly-differentiated service offering underpinned by its embedded model and is well positioned to deliver future growth.

A number of opportunities presented by the combination with Firewood are set out in more detail in Part I of this Document. The key growth strategies for Firewood are as set out below.

The embedded model is key to Firewood's business strategy and was developed by Firewood's founders to combat inefficiencies they observed in the traditional agency model by developing teams of creative and strategic marketing professionals who work as extensions of the clients' internal marketing departments.

This focus on embedding its team members enables the Firewood Group to differentiate itself from the traditional marketing agency model by offering its clients an integrated and collaborative relationship, increasing the frequency of communication with the client. The Directors believe the embedded model promotes better collaboration, flexibility, a faster response to changing client desires and more direct and cost-effective marketing execution, as well as improved communication with the client.

The Firewood client list includes some of the most recognisable brands in the world and largest technology companies, particularly within the United States. With digital marketing spend increasing year on year, and US digital marketing spend expected to increase in 2020 in the US by 16.2 per cent. to represent 52.5 per cent. of total marketing spend (source: Groupm), the Firewood Group intends to expand its client base as well as the depth of its relationships with some of its largest current clients. To this end, the New York office was opened in 2018 to serve as a bridge to Dublin and London to support major clients and with a long-term outlook of diversifying the client base from the technology industry. The Mexico office was originally opened in 2018 to support the existing client base with lower staff costs than in the San Francisco Bay Area. New opportunities with current and prospective clients have prompted Firewood to increase hiring efforts and Firewood management are aiming for it to become a full service office in 2019 financial year.

#### 4 SERVICES

Firewood offers a range of services designed to meet its clients' marketing needs, which include strategy, creative, performance media and technology services.

##### **Strategy**

Firewood's strategy offering works with the client to consider its goals and visualise its success in order to build, rebuild and/or refine blueprints for progress of a client's brand.

Core strategy services offered include:

*Strategic business planning* - clarifying marketing vision and objectives with the client, as well as planning and budgeting.

*Insight development* - conducting a brand or marketing activity audit for the client, providing customer and market research and analysing the competitive landscape.

*Customer lifecycle marketing* - mapping a clients' customer lifecycle journey, relationship marketing and conversion funnel optimisation.

*Go-to-market planning* - channel strategy and planning, experiment design and price testing, user experience testing and design.

*Programme development* - programme innovation services focusing on high-touch, high-value acquisition marketing campaigns, scaled upsell campaigns and analysis of results.

*Programme management* - managing timelines, deliverables and budgets.

##### **Creative**

Firewood's creative offering aims to produce captivating creative content that inspires loyalty among a client's customers by leading with what matters to them most.

Core creative services offered include:

*Creative strategy* - developing concept and programme and communication strategy.

*Brand development* - developing a brand's identity and messaging platform.

*User and customer experience* - crafting information architecture and user flows and wireframing and prototyping.

*Copywriting* - developing short-form and long-form content .

*Design* - presentation, visual, experiential, print and internet and mobile app design.

*Production* - digital asset creation and management, internet and mobile app asset creation.

*Motion design and video* - 2D/3D motion graphics and video production.

*Illustration* - character and scene illustration and iconography design.

## **Performance media**

Firewood's performance media service offering is designed to deliver customised solutions to the client's unique performance media challenges with the aim of driving superior results through the merging of technology, data and strategy.

Core performance media services offered include:

*Strategy* - Channel and audience strategy, media planning and budgeting.

*Search* - search engine marketing, search engine optimisation and website conversion optimisation and testing.

*Paid social* - paid social media campaigns on sites such as Facebook, LinkedIn, Reddit and Twitter

Firewood uses a financial and delivery model for its performance media services that it believes is unique in the industry. Instead of the traditional commission model in which fees are earned on marketing spend regardless of outcome, Firewood uses a fee-for-service model that significantly reduces the cost to clients as their media spend grows. It also embeds senior marketers with clients to focus exclusively on a single product allowing for a deeper understanding of the client and product, which it believes further distinguishes it from competitors.

## **Technology**

Firewood's technology services are focused on crafting practical and compelling solutions aimed at transforming customer touchpoints into intuitive, functional experiences with a client's brand. Firewood has a growing technology team that assists clients in a collaborative way with technical planning, support, development and optimisation. In addition to the development of websites and marketing assets, the technology team builds new proprietary tools, scripts, utilities and applications for clients.

Core technology services offered include:

*Technical strategy* - architecture and application design, enterprise to product-level strategy, IT delivery methodologies, accessibility, infrastructure and operations, application programming interfaces testing.

*Presentation layer development* - HTML, CSS and JavaScript; single-page applications, advanced animations.

*Server-side development* - scalable database design, cloud databases, ecommerce, content management systems.

*Mobile development* - native applications and mobile web experiences.

*Email and landing pages* - email templates, newsletters, deployment, advanced email deployment and personalisation.

*Banners* - animated and dynamic banners.

*Technical operations and efficiency* - business systems analysis and strategy, technical specifications and business process transformation.

*Technical project management* - project planning and forecasting, change management, product development, agile project execution and planning and troubled project recovery.

*Quality assurance* - quality analysis, user experience, scalability and stability, tools and automation and performance and security testing.

*Analytics* - dashboards reporting and data, visualisations, statistical modelling, actionable data insights, Google Data Studio and Tableau.

## **Case Study - LinkedIn**

The Firewood Group's relationship with LinkedIn is continuing to expand and evolve. Starting with just one stakeholder group in 2016, the partnership has grown significantly in three years, with Firewood now serving eight groups within LinkedIn. Management foresees a relationship with LinkedIn similar to that of Google that will be directly related to its ability to provide clients with a wide net of creative and digital services in an efficient and effective manner.

## **Case Study - Google**

Firewood created a multidisciplinary creative, strategy and program management team from within

Firewood. The team was designed to provide integrated and relevant support to a specific Google team, allowing the stakeholder to take ownership of projects themselves, which in turn allowed the project to scale without the runaway costs associated with a traditional agency model. As a result, the Firewood team has had over five years of partnership with the Google team, and there has been growth of 821 per cent. in the size of the project and growth of 275 per cent. in the Firewood team.

## 5 PEOPLE

Firewood employs over 300 people. The headcount by location of the Firewood Group for the three years to 2018 and as of 30 September 2019 is as follows:

Territory	FYE 31 December 2016	FYE 31 December 2017	FYE 31 December 2018	Year to 30 September 2019
San Francisco, CA	101	166	148	193
Mountain View, CA	-	-	101	74
Sandpoint , ID	2	4	5	5
New York, NY-	-	-	2	7
Dublin	-	6	20	21
London	-	-	5	8
Mexico City	-	-	4	5
Remote	1	1	3	2
Total	104	177	288	315

## PART VIII - DIRECTORS AND CORPORATE GOVERNANCE

### 1 DIRECTORS

The Directors are responsible for the overall management and control of the Company. The Directors review the operations of the Company at regular meetings.

The Directors provide the Company with the necessary combination, at this stage of its development, of specialist business sector and corporate and acquisition experience that is key to the successful execution of the Company's strategy. The Board comprises Sir Martin Sorrell as Executive Chairman, Scott Spirit, Victor Knaap, Wesley ter Haar, Peter Kim and Christopher Martin as executive Directors, Peter Rademaker as Group CFO, and Rupert Faure Walker, Paul Roy, Sue Prevezer, Daniel Pinto and Elizabeth Buchanan as Non-Executive Directors. Details on each of them are set out below.

#### ***Sir Martin Sorrell – Executive Chairman | Age: 74***

Sir Martin was from 1986 until April 2018 the chief executive of WPP plc. He was a non executive director of Arconic Inc. from 18 January 2012 until 10 March 2017 and Delta Topco Limited from 14 September 2006 until 31 January 2017. Delta Topco was backed by CVC Capital Partners and was the holding company of Formula One until its sale to Liberty Media in 2017.

#### ***Scott Spirit - Executive Director and Chief Growth Officer | Age: 42***

Scott joined the Company as a Director and Chief Growth Officer on 18 July 2019. He is focussed on clients, mergers and acquisitions and investor relations, and is based out of the Group's newly opened Singapore office.

Scott joined from Artificial Intelligence company, Eureka AI, where he continues to act as a board member and advisor. Previously he worked at WPP plc for 15 years, latterly as Chief Strategy and Digital Officer. Scott was also a director of Nairobi-listed WPP-Scangroup PLC. Prior to his time at WPP he worked at Deloitte and Associated Newspapers.

#### ***Victor Knaap - Executive Director and MediaMonks CEO | Age: 42***

Victor is Chief Executive Officer and Partner of MediaMonks. Since joining in 2003, his role in leading MediaMonks' intercontinental expansion has seen the company's workforce grow to over 900 people worldwide. As well as his international business success, his experience makes him a sought-after speaker and opinion leader for the digital industry.

#### ***Wesley ter Haar - Executive Director and MediaMonks Founder and COO | Age: 41***

Wesley is Chief Operations Officer and Co-founder of MediaMonks (since 2001). Under his leadership the company has grown into a global platform spanning 12 offices in 10 countries. He is a member of SoDa's Board of Directors – the international organisation for the Digital Society – and has spoken at and judged for various industry events including Cannes Lions Festival of Creativity and the Webbys, the leading international award honouring excellence on the Internet.

#### ***Peter Kim - Executive Director and CEO of MightyHive | Age: 45***

Pete Kim, an experienced advertising technology executive with over a decade of industry leadership experience, has served as CEO of MightyHive since its founding in 2012.

Pete was formerly Head of Business Development for Google's Media Platforms, and Director of Product Management at Yahoo!, where he helped pioneer the use of dynamic creative in marketing.

Pete received his undergraduate degree in Biomechanical Engineering at UC Berkeley, and an MBA from the Wharton School at the University of Pennsylvania.

#### ***Christopher Martin - Executive Director and COO and CFO of MightyHive | Age: 41***

Christopher Martin, COO of MightyHive since its founding in 2012, has a 14-year track record of building and leading successful Operations and Client Services organisations.

Prior to founding MightyHive, Christopher held multiple leadership positions at Yahoo!, including Chief

of Staff to the Controllership and Director of Targeting Operations for Dynamic Creative and Audience Targeting Ad Products, where he was responsible for multi-billion dollar P&Ls.

Christopher received his undergraduate degree in Computer Engineering from Lehigh University, and an MBA from the Wharton School at the University of Pennsylvania.

***Peter Rademaker - Executive Director and Group CFO | Age: 56***

Peter joined MediaMonks as Chief Financial Officer in September 2015 with over 20 years' experience as a financial officer in the media and entertainment industry. Before joining MediaMonks, he was CFO, and later on CEO, at CMI Holding. Prior to this, he held various CFO positions at prominent Dutch media companies including Eyeworks, and Talpa.

***Rupert Faure Walker – Non-Executive Director | Age: 72***

Rupert qualified as a Chartered Accountant with Peat Marwick Mitchell in 1972. He joined Samuel Montagu in 1977 to pursue a career in Corporate Finance. Over a period of 34 years advising major corporate clients on mergers, acquisitions, IPOs and capital raisings, including advising WPP on its acquisitions of JWT, Ogilvy & Mather and Cordiant, together with related funding. He was appointed a director of Samuel Montagu in 1982 and was head of Corporate Finance between 1993 and 1998. He was a Managing Director of HSBC Investment Banking until his retirement in 2011.

***Paul Roy – Non-Executive Director | Age: 72***

Paul has over 40 years' experience in the banking, brokerage and asset management industries. In 2003, he co-founded NewSmith Capital Partners LLP, an independent investment management company which was acquired by Man Group in 2015. Prior to founding NewSmith, he was Co-President of the Global Markets and Investment Banking division at Merrill Lynch & Co and had responsibility for worldwide Investment Banking, Debt and Equity Markets. Paul joined Merrill Lynch in 1995 when it acquired Smith New Court Plc a leading market making and brokerage firm on the London Stock Exchange where he was Chief Executive Officer. Between 2007 and 2013, Paul served as Chairman of the British Horseracing Authority responsible for governance and regulation of the sport and is now Chairman of Retraining of Racehorses, racing's main equine charity.

***Sue Prevezer - Non-Executive Director | Age: 60***

Sue Prevezer QC, Co-Managing Partner of Quinn Emanuel Urquhart & Sullivan (UK) LLP has over 25 years of experience of arguing and managing large complex commercial cases at every level of the UK judicial system and in arbitration. She is a qualified solicitor and barrister, and sits as a Deputy High Court Judge, an arbitrator and as a CEDR Mediator. Sue has co-managed the London office of Quinn Emanuel since its inception in 2008. Sue's clients include major corporates, funds, investors, trustees, office holders and high net worth individuals, for whom she manages complex, high value, domestic and international litigation. Sue has particular expertise in company, insolvency related, securitisation and restructuring litigation.

***Daniel Pinto - Non-Executive Director | Age: 53***

Daniel Pinto is Chief Executive and Founding Partner of Stanhope Capital Group, where he chairs the firm's Executive Committee.

Daniel has considerable experience in wealth management and merchant banking having advised some of Europe's most prominent families and industrialists for over 25 years. Formerly Senior Banker at UBS Warburg in London and Paris concentrating on mergers and acquisitions, he was a member of the firm's executive committee in France. He was also Chief Executive of a private equity fund backed by CVC Capital Partners.

Daniel founded the New City Initiative, a think tank comprised of leading independent UK and European investment management firms.

***Elizabeth Buchanan: Non-Executive Director | Age: 45***

Elizabeth joined the Company's board on 12 July 2019 as a Non-Executive Director. She has previously sat on the boards of Because Brand Experience and The Luke Batty Foundation in Australia and is currently a Non-Executive Director at Vital Voices Global Partnership.

Elizabeth has 25 years' experience in technology, marketing and advertising including founding her own full-service digital ad agency, The White Agency, and holding senior roles at WPP, OMD Worldwide and most recently mar-tech innovator Rokt.

## 2 CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance commensurate with the size of the Group following Admission and the interests of Shareowners. Save as set out below, the Board will continue to comply with the UK Corporate Governance Code dated September 2018 issued by the Financial Reporting Council for companies below the FTSE 350 so far as practicable. The UK Corporate Governance Code sets out a number of principles in relation to board leadership, effectiveness, accountability, remuneration and relations with Shareowners. The Board has established two committees: an audit and risk committee and a nomination and remuneration committee. If the need should arise, the Board may set up additional committees as appropriate.

The UK Corporate Governance Code recommends that, as a UK listed company, which is not a member of the FTSE 350, the Company should have at least two non-executive directors determined by the board of directors to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. The Board considers Rupert Faure Walker, Paul Roy, Sue Prevezer and Elizabeth Buchanan to be independent for these purposes.

### ***Audit and risk committee***

The audit and risk committee's role is to assist the board of the Company with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group's annual financial statements, considering the scope of the annual audit and the extent of the non audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal control systems in place within the Group. The audit and risk committee seeks to meet not fewer than three times a year.

The audit and risk committee is chaired by Rupert Faure Walker and its other members are Paul Roy and Sue Prevezer. To promote interaction and information flow between the audit and risk committee and the Board, Sir Martin Sorrell may be invited to attend meetings of the committee as an observer. The UK Corporate Governance Code recommends that an audit committee should consist of at least two independent non-executive directors who are independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Board considers Rupert Faure Walker, Paul Roy and Sue Prevezer to be independent for these purposes.

### ***Nomination and remuneration committee***

The nomination and remuneration committee assists the board of the Company in determining the composition and make up of the board of the Company and recommends what policy the Company should adopt on executive remuneration, determines the levels of remuneration for each of the directors of the Company and recommends and monitors the remuneration of members of senior management. It is also responsible for periodically reviewing the structure of the Company's board and identifying potential candidates to be appointed as directors, as the need may arise and for producing an annual remuneration report to be approved by the members of the Company at the annual general meeting. The nomination and remuneration committee also determines succession plans for the Executive Chairman. The nomination and remuneration committee meets when appropriate and not fewer than twice a year.

The nomination and remuneration committee is chaired by Paul Roy and its other members are Rupert Faure Walker and Sue Prevezer. To promote interaction and information flow between the audit and risk committee and the Board, Sir Martin Sorrell may be invited to attend meetings of the committee as an observer. The UK Corporate Governance Code recommends that a majority of nominations committee be composed of independent non-executive directors independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Board considers Rupert Faure Walker, Paul Roy and Sue Prevezer to be independent for these purposes.

### ***Share dealing***

The Company has in place systems to ensure compliance by the Board, the Group, and its applicable people with the provisions of the Market Abuse Regulation relating to dealings in securities of the Company

and has adopted a share dealing code for this purpose.

## PART IX - OPERATING AND FINANCIAL REVIEW

*This Part IX "Operating and Financial Review" should be read in conjunction with Part IV "Market Overview", the "Historical Financial Information relating to the Company" incorporated into this Document as set out more fully in Part XI. The financial information considered in this Part IX "Operating and Financial Review" is extracted from the "Historical Financial Information relating to the Company" incorporated into this Document as set out more fully in Part XI. The consolidated financial statements referred to in this discussion have been prepared in accordance with IFRS.*

### 1 OVERVIEW

The Company was formed in 2016 with the objective to create value for its Shareowners through an acquisition-led growth strategy with the aim of building a digital multi-national business in the communication services sector. In May 2018, the Company agreed to acquire S<sup>4</sup> Limited which had been established by Sir Martin, and it completed the merger (through a reverse takeover) on 28 September 2018 following S<sup>4</sup> Limited's acquisition of MediaMonks on 9 July 2018. The Group then merged with MightyHive on 24 December 2018.

#### ***MediaMonks***

MediaMonks partners with clients across industries and markets to craft work for leading businesses and brands. Founded in 2001, with over 1,000 people across 23 locations, MediaMonks has won 131 Cannes Lions, 240 FWAs and has been recognised as an *Ad Age A-Lister*. MediaMonks offering includes:

- design and production of high value and innovative content, mostly for campaign driven digital productions;
- efficient and cost-effective transcreation: roll-out of omnichannel and multimarket content; and
- development of ecommerce platforms with optimal UX customer journey and digital design.

MediaMonks' services are segmented into three complementary pillars: (i) assets at scale; (ii) platform and ecommerce; and (iii) creative content and innovation. The purpose of this segmentation is to create leadership responsibility, accountability, organisational governance and a go-to-market proposition. Projects are allocated to a pillar at the initial proposal phase, with the leadership team of the relevant pillar taking ownership of the project throughout its life cycle.

#### ***MightyHive***

MightyHive is a market-leading programmatic solutions provider for future-thinking marketers and agencies. MightyHive offers services focussing on implementation and support, campaign management and consulting. Founded in 2012 and with over 300 people, MightyHive is headquartered in San Francisco, California and has offices in several other locations in the US and internationally including Sydney, London, and Singapore. MightyHive is led by a highly experienced management team with over one hundred years of combined sector experience.

One of the largest and fastest-growing programmatic businesses, MightyHive has a highly differentiated integrated programmatic solutions offering, empowering brands to navigate the highly complex programmatic advertising ecosystem. Where other programmatic service providers have narrow capabilities, MightyHive combines consultancy knowhow with programmatic expertise, technology platform proficiency and the service capabilities required to educate and support clients. This enables MightyHive to deliver end-to-end programmatic consulting, full service campaign management and expert-driven implementation and support capability efficiently and transparently.

MightyHive's services are grouped into two groupings: strategic consulting, and technology and services.

### 2 CURRENT TRADING AND PROSPECTS

On 11 September 2019, the Company announced that the unaudited revenue of the Group for the six months ended 30 June 2019 was £88.0 million and that it had unaudited Gross Profit of £70.2 million and Operational EBITDA of £9.6 million for the same period. Since 30 June 2019, the business of the Group has performed in line with the expectations of its management and the Directors. The Group has, in accordance with its strategy (which is described more fully in paragraph 2 of Part III of this Document) also completed the IMA Merger and been focused on evaluating and consummating the Firewood Merger and

completing the merger with Biztech, following the non-binding agreement of key terms in June 2019. The Group continues to review a number of other complementary opportunities to further expand the Group and deliver the Company's strategy of building a multi national digital communication services business.

Since 31 December 2018, the Firewood Group has also continued to perform in line with the expectations of its management for the year to date.

### 3 KEY FACTORS AFFECTING OPERATIONS

#### ***Acquisitions by the Group***

The Group's results of operations since May 2018 have primarily been affected by the acquisitions of MediaMonks and MightyHive, and future acquisitions, including the merger with Firewood, are expected to significantly impact the Group's results of operations going forward.

S<sup>4</sup> Limited merged with the MediaMonks Group on 9 July 2018 and merged with the Company (through a reverse takeover) on 28 September 2018. The results of the MediaMonks Group were consolidated in the Group's financial statements from that date, and the MediaMonks Group contributed £53.9 million of revenue (total Group revenue of £54.8 million) and £36.2 million of gross profit (total Group gross profit of £37.2 million) to the financial results of the Group in the period ended 31 December 2018. For the six months ended 30 June 2019 (the Group's first financial reporting period that captures a full period of consolidation), the MediaMonks Group contributed £63 million of revenue (total Group revenue of £88 million) and £45.2 million of gross profit (total Group gross profit of £70.2 million) to the financial results of the Group (this contribution matches the reporting on the Content segment in the financial statements for the six months ended 30 June 2019).

The Group merged with the MightyHive Group on 24 December 2018. The results of the MightyHive Group were consolidated in the Group's financial statements from that date, and the MightyHive Group contributed £0.9 million of revenue (total Group revenue of £54.8 million) and £0.9 million of gross profit (total Group gross profit of £37.2 million) to the financial results of the Group in the period ended 31 December 2018. For the six months ended 30 June 2019 (the Group's first financial reporting period that captures a full period of consolidation), the MightyHive Group contributed £25 million of revenue (total Group revenue of £88 million) and £25 million of gross profit (total Group gross profit of £70.2 million) to the financial results of the Group (this contribution matches the reporting on the Programmatic segment in the financial statements for the six months ended 30 June 2019).

The Firewood Merger is expected to complete in October 2019, and the Directors believe it will make a significant contribution to the Group's results of operations. The Firewood Group had revenue of \$56.8 million and net income of \$8.9 million for the year ended 31 December 2018.

The Directors are continuously evaluating acquisition opportunities that would further contribute to the Group's growth. The Directors currently have several potential acquisitions under consideration, all of which are companies with revenues in the range of \$2 million to \$20 million, and the Directors anticipate completing several more transactions in the several months following the publication of this Document, which they expect collectively will have a significant impact on the Group's results of operations in subsequent periods.

The Group's acquisition activity has also resulted in significant one-off acquisition related costs, which have impacted its results of operations and profitability. The Group incurred acquisition related costs of £5.0 million for the period ended 31 December 2018 and £7.4 million for the six months ended 30 June 2019, which contributed to the Group's operating loss during such periods. When the Group's operating loss is adjusted for such one-off expenses along with the amortisation of intangible assets related to acquisitions, it had an adjusted operating profit of £4.0 million for the period ended 31 December 2018 and £8.7 million for the six months ended 30 June 2019. For details on the definition of adjusted operating profit and a reconciliation to operating loss, see the section entitled "Non-IFRS financial measures" in "Important Information" of this Document.

#### ***Client relationships***

The Group's results of operations are driven by strong client relationships, and its client list is dominated by many of the world's leading brands. The Group has secured special relationships with its clients (including a global creative partnership with, and certified marketing partner of, Google), and continues to win work from the global businesses that comprise its core clients. The Group's top ten clients accounted for 32.2 per cent. of its gross profit for the six months ended 30 June 2019, and the Directors believe the strength

of its core client relationships will continue to be a key factor driving the Group's growth.

The Directors believe the Firewood Merger will strengthen its core client relationships, in particular Google, which is expected to become the Group's largest client following the merger. The Directors believe that strengthening this relationship and aligning with a new era marketer like Google, with large, diverse and rapidly growing marketing budgets will position the Group for growth and have a significant impact on its results of operations going forward.

#### ***Global economic environment***

The Group operates a global business, with its most significant operations in North America and Europe. Its financial performance and results of operations are, and will continue to be, impacted significantly by the global macroeconomic environment and the local economic environment in the jurisdictions where it operates. Demand for the Group's services are largely driven by its clients' and prospective clients' advertising and marketing budgets, which are often determined with a view to current and expected macroeconomic conditions. The Directors believe that, in the low-inflation and lower GDP-growth environment since the financial crisis of 2007-2008, the environment for marketing has changed significantly and growth has been driven by technology and data, which has contributed to the Group's growth as a digital media communications business. Any significant changes in the global economic environment will likely impact advertising and marketing strategy and spend among the Group's clients and have a significant effect on the Group's revenue and results of operations.

#### ***Currency fluctuations***

The main currencies for the Group are the US dollar, Euro and pound sterling. The Group's financial statements are presented in pounds sterling, which is the Company's functional currency; and a significant proportion of its revenue and costs are denominated in US dollars and Euros. Foreign currency transactions for each entity within the Group are translated into the functional currency of such entity using the average exchange rates in the month. On consolidation, results of the Group's foreign entities are translated from the local functional currency to pounds sterling using average exchange rates during the period. Changes in exchange rates between US dollars, Euros, pounds sterling and other currencies used by the Group have an impact on, and could lead to significant changes in, the Group's reported financial results from period to period. For detail of foreign exchange risks, please see the risk titled "The Group is Subject to Foreign Exchange Risks" within paragraph 2 of the Risk Factors above.

## **4 DESCRIPTION OF KEY LINE ITEMS**

### ***Revenue***

Revenue consists of income generated from the delivery of services to the Group's clients.

Revenue is recognised when a performance obligation is satisfied in accordance with the terms of the contractual agreement. Typically, performance obligations are satisfied over time as services are rendered. Revenue recognised over time is based on the proportion of level of service performed.

### ***Cost of sales***

Cost of sales represents the direct and indirect expenses that are attributable to the services or product sold, which fall across four main categories of expenses:

- (a) commissions paid to agents, or volume incentives in respect of direct customers;
- (b) external production companies used when capacity is exceeded;
- (c) expenses incurred in shooting films; and
- (d) materials, hardware and equipment purchased for installation projects and wages for freelancers required on specific projects or for specific skills.

### ***Gross profit***

The Group's management uses gross profit rather than revenue to analyse the Group's results of operations due to the fluctuating amounts of third-party costs and/or pass-through expenses, which are included in revenue and accounted for as cost of sales.

### ***Operating expenses***

Operating expenses comprise personnel costs, acquisition-related transaction costs, depreciation and amortisation and other operating expenses.

### ***Finance income and expenses***

Finance income relates primarily to interest earned on cash balances and finance costs relate primarily to interest expense on various types of financing, including bank loans and overdrafts.

### ***Income tax credit***

Income tax expense or income tax credits include both the current and deferred tax expenses and income.

Current tax expense is the tax payable by the Group as a result of income tax settlements for a given year. The applicable tax rate is based on the proportion of the contribution to the result by the Group entities and the tax rate applicable in the respective countries, which ranges from 17 per cent. to 35 per cent. The effective tax rate used to calculate the actual tax charge for the period deviates from the applicable tax rate mainly because of non-deductible tax amortisation and accelerated capital allowances over depreciation on plant, property and equipment.

Deferred tax expenses or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include the temporary differences, measured at the amount expected to be payable or recoverable, between the carrying amounts of assets and liabilities and their tax bases, as well as unused tax losses and tax credits. These amounts are measured by applying to the corresponding temporary difference or tax asset the tax rate at which the asset is expected to be realised or the liability is expected to be settled.

Deferred tax assets are recognised in respect of deductible temporary differences, tax losses during the year that may be offset in subsequent years, and deductions and other tax breaks not used during the year that may apply in future years.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit/(loss) nor taxable profits/(tax loss).

## **5 RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED 30 JUNE 2019 AND THE PERIOD ENDED 31 DECEMBER 2018**

The Group's audited consolidated financial statements have been prepared for the seven month period from May 2018 to 31 December 2018, which represents the Group's first period of existence commencing on the incorporation date of S<sup>4</sup> Limited (which was acquired by the Company on 28 September 2018 by way of reverse takeover). Because prior to the reverse takeover the Company effectively had no substance and S<sup>4</sup> Limited was acting as the parent company of the Group, S<sup>4</sup> Limited has been treated as the acquirer for accounting purposes and the Group's consolidated financial statements have been prepared from the date of its incorporation. As a result, there are no comparative consolidated financial statements for periods prior to May 2018.

The table below sets out the Group's audited consolidated statement of profit or loss for the seven month period from May 2018 to 31 December 2018 and unaudited consolidated statement of profit or loss for the six months ended 30 June 2019.

	<b>For the seven month period ended 31 December 2018</b>	<b>For the six months ended 30 June 2019</b>
	<i>(audited)</i>	<i>(unaudited)</i>
	<i>(£ millions)</i>	
Revenue	54.8	88.0
Cost of sales	17.7	17.8
<b>Gross profit</b>	<b>37.1</b>	<b>70.2</b>

	For the seven month period ended 31 December 2018	For the six months ended 30 June 2019
Operating expenses	45.6	76.4
<b>Operating profit/(loss)</b>	<b>(8.5)</b>	<b>(6.2)</b>
Finance income	0.3	-
Finance expenses	(1.0)	(2.3)
<b>Profit/(loss) before income tax</b>	<b>(9.1)</b>	<b>(8.5)</b>
Income tax credit	1.0	0.3
<b>Profit/(loss) for the period</b>	<b>(8.1)</b>	<b>(8.8)</b>

#### **Revenue**

The Group had revenue of £54.8 million for the seven month period ended 31 December 2018, which was primarily driven by the operations of MediaMonks. The Group had revenue of £88 million for the six months ended 30 June 2019, which also included revenue generated by the operations of MightyHive for the full reporting period.

The Group also recognises and reports revenue by geographical market as set out in the table below:

	For the seven month period ended 31 December 2018	For the six months ended 30 June 2019
	(audited)	(unaudited)
	<i>(£ millions)</i>	<i>(£ millions)</i>
The Americas	30.3	47.4
Europe & Middle East	17.7	16.8
Asia Pacific	3.7	6
<b>Total Revenue</b>	<b>54.8</b>	<b>88</b>

#### **Cost of sales**

The Group incurred sales costs of £17.7 million for the seven month period ended 31 December 2018, which were primarily comprised of costs for external hires and materials; and £17.8 million for the six months ended 30 June 2019, which were primarily comprised of costs for external hires and materials.

#### **Gross profit**

For the reasons described above, the Group recorded gross profit of £37.1 million for the seven month period ended 31 December 2018 and £70.2 million for the six months ended 30 June 2019. For the seven month period ended 31 December 2018, the Group recognised and reported gross profit under four operating segments as set out in the table below:

	For the seven month period ended 31 December 2018
	(audited)
	<i>(£ millions)</i>
Assets at Scale	14.9
Platforms and E Commerce	11.6
Creative Content and Innovation	9.8
Media Planning and Buying	0.9
<b>Total Gross Profit</b>	<b>37.1</b>

The Group's Assets at Scale segment involves the creation of dynamic and data-driven content for global brands. It represented 40.2 per cent. of the Group's gross profit for the seven month period ended 31 December 2018.

The Group's Platform and E-Commerce segment creates digital user design, development of branded ecommerce and mobile apps. It represented 31.3 per cent. of the Group's gross profit for the seven month period ended 31 December 2018.

The Group's Creative Content and Innovation segment is involved in the production of digital content and films using and adapting the latest technology and trends such as artificial intelligence, voice, augmented reality and virtual reality. It represented 26.4 per cent. of the Group's gross profit for the seven month period ended 31 December 2018.

The Group's Media Planning and Buying segment includes full-service campaign management analytics, creative production and ad serving, platform and systems integration and transition and training and education. It represented 3 per cent. of the Group's gross profit for the seven month period ended 31 December 2018.

For the six months ended 30 June 2019, the Group consolidated the Assets at Scale, Platform and E Commerce, and Creative Content and Innovation operating segments into a single Content operating segment, and the Media Planning and Buying operating segment was recategorised as a Programmatic operating segment, as set out in the table below:

	<b>For the six months ended 30 June 2019</b>
	(unaudited)
	<b>(£ millions)</b>
Content Practice	45.2
Programmatic Practice	25.0
<b>Total Gross Profit</b>	<b>70.2</b>

The Group's Content Practice segment represented 64.3 per cent. of the Group's gross profit for the six months ended 30 June 2019.

The Group's Programmatic Practice represented 35.6 per cent. of the Group's gross profit for the six months ended 30 June 2019.

#### ***Operating expenses***

The Group incurred operating expenses of £45.6 million for the seven month period ended 31 December 2018 and £76.4 million for the six months ended 30 June 2019. Over half of the Group's operating expenses during each period were personnel costs, the significant majority of which were wages and salaries as set out in the table below.

	For the seven month period ended 31 December 2018	For the six months ended 30 June 2019
	(audited)	(unaudited)
	(£ millions)	(£ millions)
<b>Personnel costs:</b>		
Wages and salaries	20.1	33.4
Social security costs	3.0	5.4
Defined contribution pension costs	0.4	0.9
Other personnel costs	1.6	5.6
<b>Total personnel costs</b>	<b>25.2</b>	<b>45.3</b>
Other operating expenses	7.3	12.1
Acquisition-related transaction costs	5.0	8.7
Depreciation and amortisation	8.2	10.3
<b>Total operating expenses</b>	<b>45.6</b>	<b>76.4</b>

#### ***Operating profit/(loss)***

For the reasons described above the group had an operating loss of £8.5 million for the seven month period ended 31 December 2018 and an operating loss of £6.2 million for the six months ended 30 June 2019.

#### ***Finance income/(expense)***

The Group incurred net finance expenses of £0.7 million for the seven month period ended 31 December 2018 and had net finance expenses of £2.3 million for the six months ended 30 June 2019, as set out in the table below.

	For the seven month period ended 31 December 2018	For the six months ended 30 June 2019
	(audited)	(unaudited)
	(£ millions)	(£ millions)
<b>Total finance income</b>		
Interest on bank loans and overdrafts	(0.8)	(1.0)
Other financial income and expenses	(0.2)	(1.3)
<b>Total finance expenses</b>	<b>(1.0)</b>	<b>(2.3)</b>
<b>Net finance income/(expenses)</b>	<b>(0.7)</b>	<b>(2.3)</b>

#### ***Profit/(loss) before income tax***

For the reasons described above the group had a loss before income tax of £9.1 million for the seven month period ended 31 December 2018 and a loss before income tax of £8.5 million for the six months ended 30 June 2019.

#### ***Income tax credit***

The Group recognised an income tax credit of £1.0 million for the seven month period ended 31 December 2018 and an income tax expense of £0.3 million for the six months ended 30 June 2019 as set out in the table below.

	For the seven month period ended 31 December 2018	For the six months ended 30 June 2019
	(audited)	(unaudited)
	(£ millions)	
Loss before income tax	(9.1)	(8.5)
Tax at the UK rate of 19%	(1.7)	(1.6)
Tax effect of amounts which are deductible (taxable)	1.0	-
Amortisation of intangibles	1.6	1.5
Differences in overseas tax rates	0.1	(0.2)
Adjustment for current taxes of prior years	0.1	-
<b>Income tax expense/credit in profit and loss</b>	<b>1.0</b>	<b>(0.3)</b>

***Profit/(loss) for the period***

For the reasons described above the group had a loss of £8.1 million for the seven month period ended 31 December 2018 and a loss of £8.8 million for the six months ended 30 June 2019.

**6 LIQUIDITY AND CAPITAL RESOURCES**

The Group maintains cash and cash equivalents to fund the day-to-day requirements of the business. Cash is held primarily in Euro and US Dollars.

***Cash flows***

For the reasons set out above in paragraph 5 of this Part IX, there are no comparative consolidated financial statements for periods prior to May 2018. Therefore, set out below is the Group's audited consolidated cash flow statement for the seven month period from May 2018 to 31 December 2018 and unaudited consolidated cash flow statement for the six months ended 30 June 2019.

	For the seven month period ended 31 December 2018	For the six months ended 30 June 2019
	(audited)	(unaudited)
	(£ millions)	
Net cash flows from operating activities	2.5	7.3
Cash flows from investing activities	(263.5)	(5.4)
Cash flows from financing activities	286.0	-
<b>Net movement in cash and cash equivalents</b>	<b>25.0</b>	<b>1.9</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>25.0</b>	<b>26.9</b>

***Net cash flows from operating activities***

The Group had net cash flows from operating activities of £2.5 million for the seven month period ended 31 December 2018 and £7.3 million for the six months ended 30 June 2019 which were primarily a result of non-cash expenses of depreciation and amortisation and acquisition-related transaction costs offsetting the Group's loss for the periods.

***Cash flows from investing activities***

The Group used £263.5 million of net cash flows in investing activities for the seven month period ended 31 December 2018, nearly all of which was for the acquisitions of MediaMonks and MightyHive.

The Group used £5.4 million of net cash flows in investing activities for the six months ended 30 June 2019, which was primarily for the acquisitions of Caramel and ProgMedia.

***Cash flows from financing activities***

The Group had net cash flows from financing activities of £286.0 million for the seven month period ended 31 December 2018, which was primarily a result of the receipt of proceeds from the issue of Ordinary Shares and the Term Loan and Revolving Facility to fund the Group's acquisitions.

#### ***Capital expenditure***

During the seven-month period from May to 31 December 2018 the Group had invested £1.5 million in tangible fixed assets. These investments mainly relate to computer equipment, furniture and fixtures and leasehold improvements. These investments are the result of the strong growth of the Group in 2018.

#### ***Loans and borrowings***

The Group has total loans and borrowings of £68.2 million as at 31 August 2019.

Please see the summary of the HSBC Facilities Agreement in paragraph 12 of Part XVII of this Document for further details on the facilities in place.

The carried interest of the facilities is the aggregate of the variable interest rate (LIBOR or, in relation to any loan in euro, EURIBOR) and a margin based on leverage (between 1.25 per cent. and 3.00 per cent.). In 2018, the average carried interest rate of the outstanding loans amounted to 3.43 per cent. The average effective interest rate for the outstanding loans was 3.86 per cent. and interest expense of £707,000 was recognised during the seven month period to 31 December 2018.

### **7 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISK OF THE GROUP**

For information relating to the key financial risks applicable to the Group and the policies and procedures it has put in place to manage them, see Note 5 to the consolidated financial statements in the 2018 Annual Report incorporated by reference into this Document.

### **8 CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Group's consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and management judgments concerning the future. These are evaluated constantly and based on historical experience and other factors, including expectations of future events and, where applicable, the justified opinion of renowned experts.

To the extent the actual outcome of these estimates differ from the amounts initially recognised, or information that would modify these estimates becomes available, the effects of any changes in the initial estimates are accounted for in the year they are known.

For information on the estimates and judgments that present significant risk of a material adjustment to the carrying amounts of assets and liabilities in subsequent reporting periods, see Note 2 to the consolidated financial statements in the 2018 Annual Report incorporated by reference into this Document.

### **9 DIVIDEND POLICY**

See Part III, paragraph 10 in relation to the dividend policy of the Company.

## PART X - CAPITALISATION AND INDEBTEDNESS STATEMENT OF S<sup>4</sup> CAPITAL PLC

### ***The Group***

The tables below set out the Group's capitalisation and indebtedness. The capitalisation and indebtedness information set out below has been extracted without material adjustment from the Company's unaudited accounting records as at 31 August 2019.

	As at 31 August 2019
	(£ millions)
<b>Indebtedness</b>	
Guaranteed	-
Secured	-
Unguaranteed/unsecured	-
<b>Total current debt</b>	-
Guaranteed	68.2
Secured	-
Unguaranteed/unsecured	-
<b>Total Non-Current debt (excluding current portion of long-term debt)</b>	<b>68.2</b>
<b>Total indebtedness</b>	<b>68.2</b>
	As at 30 June 2019
	(£ millions)
<b>Capitalisation/Shareowner's equity</b>	
(a) Share capital	91.0
(b) Share premium account	53.6
(c) Merger reserves	205.7
(d) Treasury shares	(3.8)
(e) Foreign exchange reserves	3.4
(f) Retained losses	(15.8)
<b>Total Capitalisation</b>	<b>334.2</b>
	As at 31 August 2019
	(£ millions)
<b>Net cash (indebtedness)</b>	
Cash and cash equivalents	36.1
<b>Liquidity</b>	<b>36.1</b>
Total current debt (see table above)	-
<b>Net current cash position</b>	<b>36.1</b>
Total Non-Current debt (see table above)	(68.2)
<b>Net cash position</b>	<b>(32.1)</b>

## PART XI - INFORMATION INCORPORATED BY REFERENCE

The information incorporated by reference into this Document is available at the Company's website, [www.s4capital.com](http://www.s4capital.com), or in printed form from the Company's registered office at 12 St James's Place, London SW1A 1NX or from the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL in accordance with the details set out in paragraph 23 of Part XVII of this Document.

The tables below set out the various sections of such documents which are incorporated by reference into this Document, so as to provide the information required pursuant to the Prospectus Regulation and to ensure that Shareowners are aware of all information which is relevant to the Issue, the Company and the Ordinary Shares.

Each of the documents incorporated by reference into this Document has previously been published, approved by and filed with the Financial Conduct Authority. Such documents are incorporated in, and form part of, this Document, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Document to the extent that a statement contained herein modifies or supersedes such earlier statement, whether expressly, by implication or otherwise. Any statement so modified or superseded shall not, except as so modified and superseded, constitute a part of this Document.

Any non-incorporated parts of the documents incorporated by reference in this Document are either not relevant for the purposes of the Issue or the relevant information is included elsewhere in this Document. Any documents themselves incorporated by reference in the documents incorporated by reference in this Document shall not form part of this Document.

### 1 HISTORICAL FINANCIAL INFORMATION RELATING TO THE COMPANY AND THE GROUP

The audited financial statements of the Group contained in the annual report and financial statements of the Company for the period ended 31 December 2018 (the "**2018 Annual Report**"), which was sent to Shareowners at the relevant time and is available as described above, contains information which is relevant to Admission and is incorporated by reference into this Document and available at <https://www.s4capital.com/pdf/announcement/2018-Annual-Report.pdf>.

<b>Information incorporated by reference into this Document</b>	<b>Page numbers in the 2018 Annual Report</b>
Independent auditor's report	68 - 73
Consolidated statement of profit or loss	74
Consolidated statement of comprehensive income	75
Consolidated balance sheet	76
Consolidated statement of cash flows	77
Consolidated statement of changes in equity	78
Notes to the consolidated financial statements	79 - 106

The audited financial statements of the Company contained in the annual report and financial statements of the Company for the period ended 31 December 2017 (the "**2017 Annual Report**"), which was sent to Shareowners at the relevant time and is available as described above, contains information which is relevant to Admission and is incorporated by reference into this Document and available at <https://www.s4capital.com/pdf/announcement/Derriston-2017-Annual-Report.pdf>.

<b>Information incorporated by reference into this Document</b>	<b>Page numbers in the 2017 Annual Report</b>
Independent auditor's report	7 - 8
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13 - 19

The unaudited financial statements of the Group contained in the interim report of the Group for the period ended 30 June 2019 (the "**2019 Interim Report**"), which was sent to Shareowners at the relevant time and is available as described above, contains information which is relevant to Admission and is incorporated by reference into this Document and available at <https://www.s4capital.com/pdf/S4Capital-HY-19-results-presentation-print.pdf>.

<b>Information incorporated by reference into this Document</b>	<b>Page numbers in the 2019 Interim Report</b>
Interim statement of comprehensive income	7 - 10
Interim statement of financial position	11
Interim statement of changes in equity	13
Interim statement of cash flows	12
Notes to the interim financial statements	14 - 24

The unaudited financial statements of the Company contained in the interim report of the Company for the period ended 30 June 2018 (the "**2018 Interim Report**"), which was sent to Shareowners at the relevant time and is available as described above, contains information which is relevant to Admission and is incorporated by reference into this Document and available at <https://www.s4capital.com/pdf/announcement/Derriston-Interim-results-2018.pdf>.

<b>Information incorporated by reference into this Document</b>	<b>Page numbers in the 2018 Interim Report</b>
Interim statement of comprehensive income	2 - 3
Interim statement of financial position	3
Interim statement of changes in equity	4
Interim statement of cash flows	4
Notes to the interim financial statements	4 - 6

## **2 HISTORICAL FINANCIAL INFORMATION RELATING TO S<sup>4</sup> LIMITED**

The audited financial statements of S<sup>4</sup> Limited for the period from 22 May 2018 to 30 June 2018 contained in the prospectus published by the Company on 11 September 2018 (the "**September Prospectus**"), which is available as described above, contains information which is relevant to Admission and is incorporated by reference into this Document and available at <https://www.s4capital.com/pdf/announcement/Derriston-Prospectus-and-Circular.pdf>.

<b>Information incorporated by reference into this Document</b>	<b>Page numbers in the September Prospectus</b>
Accountant's report	125 - 126
Consolidated statement of comprehensive income	127
Consolidated statement of financial position	128
Consolidated statement of changes in equity	129
Consolidated statements of cash flows	130
Notes to the financial statements	131 - 137

## **3 HISTORICAL FINANCIAL INFORMATION RELATING TO THE MEDIAMONKS GROUP**

The audited financial statements of the MediaMonks Group for each of the years ending 31 December 2015, 31 December 2016, and 31 December 2017 contained in the September Prospectus, which is available as described above, contains information which is relevant to Admission and is incorporated by reference into this Document and available at <https://www.s4capital.com/pdf/announcement/Derriston-Prospectus-and-Circular.pdf>.

<b>Information incorporated by reference into this Document</b>	<b>Page numbers in the September Prospectus</b>
Accountant's report	80 - 81
Consolidated statement of comprehensive income	82
Consolidated statement of financial position	83
Consolidated statement of changes in equity	84
Consolidated statements of cash flows	85
Notes to the financial statements	86 - 124

The unaudited interim accounts of the MediaMonks Group for the six month periods ended 30 June 2017 and 30 June 2018 contained in the September Prospectus, which is available as described above, contains information which is relevant to Admission and is incorporated by reference into this Document and available at <https://www.s4capital.com/pdf/announcement/Derriston-Prospectus-and-Circular.pdf>.

<b>Information incorporated by reference into this Document</b>	<b>Page numbers in the September Prospectus</b>
Consolidated statement of comprehensive income	139
Consolidated statement of financial position	140
Consolidated statement of changes in equity	141
Consolidated statements of cash flows	142
Notes to the unaudited interim accounts	143

#### 4 HISTORICAL FINANCIAL INFORMATION RELATING TO THE MIGHTYHIVE GROUP

The audited financial statements of the MightyHive Group for the year ending 31 December 2017 contained in the December Prospectus, which is available as described above, contains information which is relevant to Admission and is incorporated by reference into this Document and available at <https://www.s4capital.com/pdf/announcement/S4Capital-Publication-of-Prospectus-Announcement.pdf>.

<b>Information incorporated by reference into this Document</b>	<b>Page numbers in the December Prospectus</b>
Accountant's report	123 - 124
Consolidated Balance Sheet	126
Consolidated Statement of Income	127
Consolidated Statement of Comprehensive Income	128
Consolidated Statement of Stockholders' Equity	129
Consolidated Statement of Cash Flows	130
Notes to Consolidated Financial Statements	131 - 142

## PART XII - HISTORICAL FINANCIAL INFORMATION RELATING TO THE FIREWOOD GROUP

*Note: the historical financial information relating to the Firewood Group presented in this Part XII has been prepared in accordance with US GAAP and accordingly has not been prepared in accordance with IFRS as adopted by the European Union or in a manner consistent with the historical information relating to the Group, the Company, S<sup>4</sup> Limited, the MediaMonks Group or the MightyHive Group.*

*The unaudited financial statements for the Firewood Group for the 12 month period to 31 December 2017 are set out below at Section A and the audited financial statements for the Firewood Group for the 12 month period to 31 December 2018 are set out at Section B below.*

*The attention of investors and Shareowners is drawn to the unaudited pro forma financial information set out in Part XV of this Document, which shows the effect of the Firewood Merger as if it had completed on 1 January 2018 for the purposes of the pro forma income statement and as if it had completed on 30 June 2019 for the purposes of the pro forma statement of net assets and incorporates the adjustments necessary to present the historical financial information relating to the Firewood Group in a manner consistent with that of the Group.*

**SECTION A - UNAUDITED FINANCIAL STATEMENTS FOR THE FIREWOOD GROUP FOR THE 12 MONTHS TO 31 DECEMBER 2017**

*The unaudited financial statements for the Firewood Group for the 12 month period to 31 December 2017 are set out below and are based on the Firewood Group's management accounts for that period<sup>9</sup>.*

**Balance Sheet**

	2017
<b>ASSETS</b>	(\$)
Current assets	
Cash and cash equivalents	4,854,464
Accounts receivable, net	4,715,860
Prepaid expenses and other current assets	142,326
Total current assets	<u>9,712,650</u>
Property and equipment, net	128,862
Other assets	<u>288,397</u>
Total assets	<u><u>10,129,909</u></u>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
Current liabilities:	
Accounts payable	22,715
Accrued liabilities	2,187,186
Deferred revenue	<u>2,059,562</u>
Total liabilities	<u>4,269,463</u>
Stockholders' equity:	
Common stock	-
Additional paid in capital	1,453,863
Retained earnings	<u>4,406,583</u>
Total stockholders' equity	<u>5,860,446</u>
Total liabilities and stockholders' equity	<u><u>10,129,909</u></u>

<sup>9</sup> The unaudited financial information for the financial year ended 31 December 2017 may not contain certain adjustments which could be deemed necessary to present the unaudited historical information in a manner that is entirely consistent with the audited financial information for the financial year ended 31 December 2018. However, the Directors believe that any such adjustments would not be material in the context of the Firewood Merger or the Group following the Firewood Merger and that the presentation of such unaudited financial information is useful in presenting the historical financial performance of the Firewood Group

***Income Statement***

	2017
	(\$)
Revenue	33,078,404
Operating expenses	<u>28,844,845</u>
Operating income	<u>4,233,559</u>
Other income (expense):	
Interest income	47,932
Other expenses, net	<u>39,516</u>
Net income before income tax	<u>4,321,007</u>
Income tax expense	-
Net income	<u>4,321,007</u>

## **Cash Flow Statement**

<b>Cash flows from operating activities:</b>	2017
	(\$)(000s)
Net income	4,321
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation expense	151
Share-based compensation	1,492
Changes in operating assets and liabilities:	
Accounts receivable	(1,771)
Prepaid expenses and other current assets	(92)
Other assets	(233)
Accounts payable	(101)
Accrued liabilities	1,316
Deferred revenue	840
Net cash provided by operating activities	<u>5,924</u>
	<u><u>5,924</u></u>
<b>Cash flows from investing activities:</b>	
Purchases of property and equipment	(218)
Net cash used in financing activities	<u>(218)</u>
	<u><u>(218)</u></u>
<b>Cash flows from financing activities:</b>	
Common stock dividends	(4,371)
Net cash used in financing activities	<u>(4,371)</u>
Net increase in cash and cash equivalents	<u>1,335</u>
<b>Cash and cash equivalents, end of period</b>	<u><u>4,854</u></u>

## **Notes**

## Notes to the Firewood Group's 2017 management accounts

### Note 1

	2017
Concentration of credit risk	
Cash held outside of US	\$ 371,783

### Note 2

	2017
Computers	\$ 269,641
Furniture and fixtures	\$ 116,200
	<hr/>
	\$ 385,841
Accumulated Depreciation	\$ (256,979)
Total	<hr/> <hr/>
Depreciation expense	\$ 128,862

### Note 3

Accrued expenses	\$ 447,219
Foreign VAT and taxes payable	\$ 42,150
Accrued vacation	\$ 489,843
Accrued payroll	<hr/>
	\$ 1,207,974
	<hr/> <hr/>
	\$ 2,187,186

**SECTION B - AUDITED FINANCIAL STATEMENTS FOR THE FIREWOOD GROUP FOR THE 12 MONTH PERIOD TO 31 DECEMBER 2018**

*Note: the historical financial information relating to the Firewood Group presented in this Part XII has been prepared in accordance with US GAAP and accordingly has not been prepared in accordance with IFRS as adopted by the European Union or in a manner consistent with the historical information relating to the Group, the Company, S<sup>4</sup> Limited or the MediaMonks Group.*

*The audited financial statements for the Firewood Group for the 12 month period to 31 December 2018 are set out below.*

**FIREWOOD MARKETING, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2018

FIREWOOD MARKETING, INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors  
Firewood Marketing, Inc.  
San Francisco, California

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Firewood Marketing, Inc., which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statement of operations, stockholders' equity, and cash flows for the year then ended, and the related notes to consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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(Continued)

1.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Firewood Marketing, Inc. as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Crowe LLP*

Crowe LLP

San Francisco, California  
August 14, 2019

FIREWOOD MARKETING, INC.  
CONSOLIDATED BALANCE SHEET  
December 31, 2018

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<u>2018</u>	
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 4,984,176
Accounts receivable, net	10,410,910
Prepaid expenses and other current assets	<u>390,425</u>
Total current assets	15,785,511
Property and equipment, net	220,894
Other assets	<u>345,047</u>
Total assets	<u>\$ 16,351,452</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
Current liabilities:	
Accrued liabilities	\$ 2,958,721
Deferred revenue	<u>2,972,339</u>
Total liabilities	<u>5,931,060</u>
Stockholders' equity:	
Common stock, \$0 par value; 10,000,000 shares authorized; 7,692,690 shares issued and outstanding	-
Additional paid in capital	2,386,053
Retained earnings	<u>8,034,339</u>
Total stockholders' equity	<u>10,420,392</u>
Total liabilities and stockholders' equity	<u>\$ 16,351,452</u>

---

The accompanying notes are an integral  
part of these consolidated financial statements.

3.

FIREWOOD MARKETING, INC.  
CONSOLIDATED STATEMENT OF OPERATIONS  
For the year ended December 31, 2018

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	<u>2018</u>
Revenue	\$ 56,762,017
Operating expenses	<u>47,417,858</u>
Operating income	<u>9,344,159</u>
Other income (expense):	
Interest income	56,392
Other expenses, net	<u>(117,758)</u>
Net income before income taxes	9,282,793
Income tax expense	<u>337,205</u>
Net income	<u>\$ 8,945,588</u>

---

The accompanying notes are an integral part of these consolidated financial statements.

4.

FIREWOOD MARKETING, INC.  
 CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
 For the year ended December 31, 2018

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	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Equity
	<u>Shares</u>	<u>Amount</u>			
Balance – January 1, 2018	7,577,320	-	1,453,863	4,406,583	5,860,446
Share-based compensation	115,370	-	932,190	-	932,190
Common stock dividends	-	-	-	(5,317,832)	(5,317,832)
Net income	-	-	-	8,945,588	8,945,588
Balance – December 31, 2018	<u>7,692,690</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>\$</u>
	7,692,690	\$ 2,386,053	\$ 8,034,339	\$ 10,420,392	

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The accompanying notes are an integral  
 part of these consolidated financial statements.

**FIREWOOD MARKETING, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2018

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	<u>2018</u>
<b>Cash flows from operating activities:</b>	
Net income	\$ 8,945,588
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation expense	255,315
Share-based compensation	932,190
Changes in operating assets and liabilities:	
Accounts receivable	(5,695,050)
Prepaid expenses and other current assets	(248,099)
Other assets	(56,650)
Accounts payable	(22,715)
Accrued liabilities	771,535
Deferred revenue	<u>912,777</u>
Net cash provided by operating activities	<u>5,794,891</u>
<b>Cash flows from investing activities:</b>	
Purchases of property and equipment	<u>(347,347)</u>
Net cash used in investing activities	<u>(347,347)</u>
<b>Cash flows from financing activities:</b>	
Common stock dividends	<u>(5,317,832)</u>
Net cash used in financing activities	<u>(5,317,832)</u>
Net increase in cash and cash equivalents	129,712
Cash and cash equivalents, beginning of period	<u>4,854,464</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 4,984,176</u>
Supplemental disclosure of cash flow information	
Cash paid for income taxes	\$ 81,174

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The accompanying notes are an integral part of these consolidated financial statements.

FIREWOOD MARKETING, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2018

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**NOTE 1 – NATURE OF BUSINESS**

Firewood Marketing, Inc. was incorporated under the laws of the State of California on December 5, 2011.

Firewood Marketing Ireland Limited (“Firewood Ireland”), a wholly-owned subsidiary of Firewood Marketing, Inc., was incorporated and organized under the laws of Ireland on November 18, 2016.

Firewood Marketing Mexico, Sociedad Anonima De Capital Variable (“Firewood Mexico”), a majority-owned subsidiary of Firewood Marketing, Inc., was incorporated and organized under the laws of Mexico on September 12, 2018.

Firewood Marketing, Inc. and its subsidiaries, (collectively, the Company) operates as a performance marketing and creative agency. The Company’s primary services include strategy and planning, digital marketing, and creative services. Firewood Marketing, Inc. partners with clients to provide integrated services through embedding employees onsite, rather than providing all execution from the agency’s office which allows for direct and cost-effective marketing execution.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Consolidation: The consolidated financial statements of the Company include the accounts of Firewood Marketing, Inc., Firewood Ireland, and Firewood Mexico (collectively referred to as the “Company”). All significant intercompany accounts and transactions have been eliminated in consolidation.

Concentration of Credit Risk: The Company’s financial instruments consist primarily of cash and cash equivalents, accounts receivable and accrued liabilities. Cash balances, may at times, exceed Federal Deposit Insurance Corporation limits on insurable amounts. The Company attempts to mitigate this risk by investing excess cash balances with major financial institutions. At December 31, 2018, approximately \$709,000 of cash was held in banks outside of the United States.

For the year ended December 31, 2018, three customers accounted for 95 percent of the Company’s accounts receivable. For the year ended December 31, 2018, three customers accounted for approximately 97 percent of the Company’s revenue.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on available information that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable: Accounts receivable represents amounts due to the Company for services delivered to customers. Management estimates the collectability of accounts receivable based on specific information about customer accounts, past loss experience, and general economic conditions. Interest is not normally charged on receivables. An account is charged off by management when deemed uncollectible, although collection efforts may continue. Accounts receivable are shown net of an allowance for uncollectible accounts. There was no allowance recorded for the year ended December 31, 2018.

Property and Equipment: Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided on the accelerated method over their estimated useful lives, ranging from 3 years to 7 years. Depreciation of leasehold improvements is computed on the straight-line basis over the shorter of the lease term or the useful life of the related asset.

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(Continued)

FIREWOOD MARKETING, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2018

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Impairment of Long-Lived Assets:** The Company reviews the carrying value of long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. No events or circumstances indicated the carrying value of long-lived assets may not be recoverable during the year ended December 31, 2018 and accordingly, no impairment loss was recorded in 2018.

**Deferred Revenue:** Substantially all fees associated with revenue are collected at the time services are performed or in advance. Amounts collected from or billable under the terms of the contract to customers before the services are performed are included in deferred revenue.

**Revenue Recognition:** The Company provides creative, digital and staffing services to customers. Service revenue is recognized as the services are performed, typically based on labor hours incurred or contracted fixed rate. Revenue is recognized only when the following conditions have been established: (1) there is persuasive evidence of an agreement; (2) the service has been provided to the customer; (3) the fee is fixed and determinable; and (4) collectability is reasonably assured.

**Stock-Based Compensation:** The Company accounts for stock-based compensation using the fair value method following the guidance set forth in section 718-10 of the FASB ASC for disclosure about Stock-Based Compensation. This section requires a company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service.

**Income Taxes:** Firewood Marketing, Inc. is an “S” Corporation as defined under section 1362 of the Internal Revenue Code. Therefore, Firewood Marketing, Inc. does not pay federal corporate income taxes on its taxable income. A similar provision exists for state income tax reporting, except that a 1.5% tax is imposed on income, with a required minimum tax of \$800.

Firewood Ireland and Firewood Mexico estimate their current tax expense together with assessing temporary differences resulting from differing treatments of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. A valuation allowance is established for the portion of a deferred tax asset for which it is more likely than not that a tax benefit will not be realized. There were no material deferred tax assets or liabilities as of December 31, 2018.

The Company uses a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Company classifies the liability for unrecognized tax benefits as current to the extent that the Company anticipates payment (or receipt) of cash within one year. Interest and penalties related to uncertain tax positions are recognized in income tax expense. For the year ended December 31, 2018, the Company did not accrue any uncertain tax positions, nor any interest or penalties. The Company does not expect the amount of unrecognized tax benefits to significantly change within the next twelve months.

A number of the Company’s tax returns remain subject to examination by taxing authorities. This includes the United States federal returns from 2015 through 2018, Ireland tax returns from 2016 through 2018, Mexico tax return for 2018, and California state returns from 2014 through 2018.

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(Continued)

8.

FIREWOOD MARKETING, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2018

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fair Value Measurements:** The Company records certain assets and liabilities at fair value. Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1* – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2* – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

*Level 3* – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

**Comprehensive Income:** Comprehensive income consists of net income plus foreign currency translation adjustments. For the year ended December 31, 2018, there were no material foreign currency translation adjustments.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2018:

	<u>2018</u>
Computer equipment and software	\$ 616,979
Furniture and fixtures	<u>116,200</u>
	733,179
Less accumulated depreciation	<u>(512,285)</u>
Total	<u>\$ 220,894</u>

Depreciation expense was \$255,315 for the year ended December 31, 2018.

**NOTE 4 – ACCRUED LIABILITIES**

Accrued expenses consisted of the following at December 31, 2018:

	<u>2018</u>
Accrued expenses	\$ 323,455
Foreign VAT and taxes payable	69,920
Accrued vacation	932,228
Accrued payroll	<u>1,633,118</u>
Total accrued liabilities	<u>\$ 2,958,721</u>

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(Continued)

FIREWOOD MARKETING, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2018

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**NOTE 5 – LINE OF CREDIT**

On August 2016, the Company entered into a \$1,000,000 line of credit. There were no outstanding borrowings under the line of credit as of December 31, 2018. The Company has \$1,000,000 of borrowings available under the line of credit through March 10, 2020.

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

Leases: The Company is obligated under operating leases for office space. The operating lease agreements expire between November 2019 through March 2022. Total rent expense for the year ended December 31, 2018 was \$1,758,526.

Future minimum rental payments under the operating lease agreements as of December 31, 2018 are as follows:

2019	2,172,407
2020	2,162,698
2021	1,701,447
2022	375,531
	<hr/>
	\$ 6,412,083

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. Management believes that any such matters will not have a material effect on the consolidated financial statements.

**NOTE 7 – RESTRICTED STOCK UNITS PLAN**

In 2018, the Company's Board of Directors approved the adoption of the Restricted Stock Units Plan (the "Plan") established to provide incentives to employees, officers, directors, and consultants by offering awards of options or restricted stock to promote the success of the Company.

The Company granted restricted stock unit awards to recipients at no cost during fiscal year 2018. These grants will generally vest, unless otherwise stated in the Award Certificate, over four years on a ratable schedule upon a change in control. The Plan provides for acceleration of the vesting of any or all RSUs upon the occurrence of a change in control. Employees must be employed by the Company on the closing date of the Liquidity Event in order to receive payment. Employees will have the right to receive payment for each of their vested RSUs equal to the Liquidity Share Value, which is calculated based on the quotient of the Liquidity Event Proceeds divided by the total number of all vested and unvested RSUs, outstanding stock, and other stock derivative rights, calculated on a fully-diluted basis. As of December 31, 2018, the Company granted 581,109 restricted stock units. Since a Liquidity Event is not deemed probable until occurrence, no stock based compensation expense was recorded for these awards during 2018.

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(Continued)

10.

FIREWOOD MARKETING, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2018

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**NOTE 8 – EMPLOYEE STOCK OWNERSHIP PLAN**

In 2017, the Company's Board of Directors approved the adoption of the Employee Stock Ownership Plan (the "ESOP"). The ESOP covers all employees who meet eligibility requirements. All employees who started with the Company prior to January 1, 2017, have a participation date of January 1, 2017. For employees who started between January 1, 2017 and September 30, 2017, their participation date is their start date. After September 30, 2017, employees of the Company are eligible to participate in the ESOP upon reaching age 21 and completing one hour of service. Employees are entitled to share in the allocations of employer contributions for each Plan Year in which they are employed on the allocation date (the last day of each Plan Year). So long as the Company is an S Corporation, the distribution of an employee's capital accumulation may be made entirely in cash without granting him or her the right to demand distribution in Company stock. However, if the Company no longer maintains S Corporation status, an employee may elect distribution in Company stock which will be immediately repurchased by the Company. Accordingly, if the Company is no longer an S Corporation and all employees elect distribution in Company stock, the Company would have a maximum repurchase obligation of \$2,768,935.

The Company makes annual contributions to the ESOP as may be determined by the Board of Directors. The Company records compensation expense equal to the current market value of the shares in the year in which the employees earn the contributions. Dividends on ESOP shares are recorded as a reduction in retained earnings. At December 31, 2018, 342,690 shares of the Company's common stock have been allocated to the ESOP. The ESOP share based compensation expense was \$932,190 for the year ended December 31, 2018.

**NOTE 9 – EMPLOYEE BENEFITS**

The Company has a 401(k) profit-sharing plan that covers all eligible employees. Under the Plan, eligible employees may elect to defer up to 90 percent of their annual eligible compensation, subject to Internal Revenue Service limitations. Annual Company contributions to the Plan are discretionary and are determined annually by the Board of Directors. The Company contributed \$739,080 to the plan for the year ended December 31, 2018.

**NOTE 10 – SUBSEQUENT EVENTS**

The Company has evaluated subsequent events after the balance sheet date for appropriate accounting and disclosure, through August 14, 2019, the date on which the consolidated financial statements were available to be issued. The Company determined there were no such events that warrant recognition or disclosure in the consolidated financial statements.

In May 2019, the Company entered into an addendum to the operating lease agreement for an office space in San Francisco, California. The amendment to the lease agreement increased the office space and subsequent lease payments. The base payments were increased by approximately \$2,072,931 from June 2019 through March 2022 which was excluded from the minimum rental payments table in Note 6.

In May 2019, the Company entered into an operating lease agreement for an office facility located in New York, New York. The lease term is May 2019 through February 2023, and future minimum lease payments under the lease amount to \$1,708,535 which was excluded from the minimum rental payments table in Note 6.

## **PART XIII - AUDITED FINANCIAL INFORMATION RELATING TO THE MEDIAMONKS GROUP**

*The audited financial information of the MediaMonks Group set out below for the year to 31 December 2018 has been prepared in accordance with IFRS.*

*The attention of investors and Shareowners is drawn to the unaudited pro forma financial information set out in Part XV of this Document, which includes financial information relating to the MediaMonks Group from the point of the MediaMonks Merger on 9 July 2018 for the purposes of the consolidated pro forma financial statements.*

*Financial Report 2018*  
**MediaMonks Multimedia Holding B.V.**  
Hilversum, the Netherlands

Chamber of Commerce No. 321 08 167  
23 August 2019

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Financial Report 2018  
MediaMonks Multimedia Holding B.V.  
Hilversum, the Netherlands

## **Annual Report of the Board of Directors**

## Directors' report

In the following report the management board of MediaMonks Multimedia Holding B.V. presents its financial statements for the financial year ended on 31 December 2018.

## General information

MediaMonks Multimedia Holding B.V., incorporated and domiciled in the Netherlands, is a private liability company organized under Dutch Law and registered at the Chamber of Commerce of Amsterdam.

MediaMonks is one of the biggest and fastest growing creative production companies in the world. Since our inception in 2001, we have partnered with some of the leading advertising agencies, entertainment studios and technology companies to create digital campaigns, content and platforms for numerous strong home-grown and international brands.

MediaMonks boast an in-house team of 900+ Monks that are versed in an infinite range of digital disciplines. Our award winning capabilities include digital campaigns, platforms & mobile, games, films, virtual reality, post production, animation, rich media and experiential and are recognized by over fifty institutions worldwide, including Cannes, Eurobest, the Webby's and the Awwwards. MediaMonks is a member of Soda and part of the FWA Hall of Fame.

Our business is divided into four pillars. The first pillar is Creative Content that creates anything from inspiring digital campaigns and film. The second pillar is Innovation which is there for swiftly using and adapting the newest technology and trends like AI, Voice, Augmented Reality and Virtual Reality. The third pillar is Assets at Scale and is the premium partner to global brands creating dynamic and data-driven content by an always-on production process. The fourth pillar is Platform & Ecommerce that creates best of breed UX, digital design and development.

MediaMonks Multimedia Holding B.V. is the holding company of all MediaMonks' activities. The list of all entities that are part of the group is shown on page 36 of the annual accounts 2018. Up to July 2018 all shares of MediaMonks Multimedia Holding B.V. were held by Zen B.V. On 9 July 2018 S<sup>4</sup>Capital acquired MediaMonks Multimedia Holding B.V., a transaction that seeks to create the digital platform of the future. MediaMonks operates through 13 offices in 11 countries spanning the United States, the United Kingdom, Continental Europe, Asia, Latin America and the Middle East.

The objective behind the combination is to provide clients with digital services, which are agile, efficient, and of premium creative quality. This was reflected in MediaMonks success in June 2018 at the Cannes Lions International Festival of Creativity with 18 gongs, including one Grand Prix for Entertainment. In addition, the agency provides a global and locally relevant approach, co-locates resources at both agency and client, and serves multi-national, regional and local clients, along with millennial-driven influencer brands.

As from 28 September S<sup>4</sup>Capital Plc is part of the standard segment of the Official List and to trading on the London Stock Exchange's Main Market under the ticker "SFOR.L". The ISIN of the Ordinary Shares is GB00BFZZM640.

## Financial information

The MediaMonks Group adopts EU-IFRSs for the first time as the basis for preparing its consolidated financial statements. The reason for this is that EU-IFRSs are the basis for the ultimate parent in preparing their consolidated financial statements. The Group's date of transition to EU-IFRS's is 1 January 2017. As permitted by IFRS 1, the Group has elected to restate business combinations to comply with IFRS 3 at 1 January 2015.

In total the Company grew its activities to EUR 114.7 million (2017: EUR 75.7 million) due to new client wins and increasing the share of wallet with existing client base. Per the end of 2018 MediaMonks companies are based in 13 offices. Almost all offices across the globe contributed to the organic growth.

Operating result before amortization, depreciation and non-recurring costs amounted to EUR 17.7 million (2017: EUR 8.4 million).

The total assets at the end of the financial year amounted to EUR 51.8 million (2017: EUR 34.0 million) Non-current assets increased with EUR 1.4 million to EUR 13.6 million as a result of higher capital expenditure compared to depreciation as a result of strong growth in 2018 with a substantial increase in the employee base. Current assets grew with EUR 16.4 million to EUR 38.1 million mainly as a result of increased revenues and as a result thereof more a higher trade receivable volume. In addition, the cash position grew substantially. Current liabilities increased with EUR 9.3 mio to EUR 26.0 million as a result of increased business activities.

The solvency ratio is per 31 December 2018 49% (2017: 33%). The current ratio at 31 December 2018 is 1.5 (2017 1.3)

### **Environmental and personnel related information**

In 2018 the group employed 687 employees in average.

MediaMonks is a member of the United Nations Global Compact since 2012. The UNGC is a strategic policy initiative for businesses that are committed aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

Every year we prepare a corporate social responsibility report.

### **Information regarding risks**

Risk management is a continuous process, which is the responsibility of management. Efforts have been made to establish a process for separate monitoring and reporting of business risks. Risks are dealt with during the strategy process, annual planning and target setting, continuous monitoring through periodic board meetings, weekly sales calls and during operational processes (customer projects, customer bid/contract, acquisition, investment and product development projects). Finally, a limited number of people has representation authority within the group.

The Group regularly reviews the level of cash and debt facilities required to fund its activities. Cash flow forecasting is performed in the operating entities and aggregated on Group level. The Group monitors cash flow forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance.

Management does not expect any significant counterparty to fail to meet its obligations.

The main financial risk areas of the Company are:

#### ***Financial***

##### ***Liquidity***

Cash flow from operating activities improved substantially compared to 2017 on the back of improved performance and a controlled working capital. During 2018 the company lost its ability to make use of the banking facility that was in place at the beginning of the year through its previous owner. Due to the improved performance and positive developments in liquidity, the company didn't implement a facility of its own and has enough headroom with its own cash and cash equivalents.

##### ***Market pressure on pricing***

In the key territories in which the company operates, markets are mature, and competition is significant. The company mitigates the effects on price pressure through a number of measures including the creation of unique products with potential high market appeal and value, commercial acumen in all negotiations with customers, and a constant focus on efficiency in the productions.

**Failure of customers to fulfill their payment obligation**

The company has a large number of long standing customers. Any non-payment by such customer may have a substantial financial impact. The financial capabilities of customers are monitored and any new business, including in new regions is assessed before a customer is engaged. Over the past years the Company has experienced only one occasion of non-payment for a limited amount.

**Foreign currency risk**

Approximately 74% of revenues is generated in currencies other than the euro, the Company's reporting currency. Since a substantial part of the cost related to production and administration of local Group companies are in the same currencies as these revenues, the transaction exposure resulting from non-euro business transactions is limited.

**Operational**

**Creativity and technology change**

Our future growth is dependent on our successful creative development and keeping technology up to date. Retention of key employees, new hires, training and our connection to schools and universities is how MediaMonks is able to keep technology and creativity on a high level.

**Cyber security**

We rely on the accuracy, availability and security of our information technology systems. Despite the measures that we have implemented, our systems could be breached or damaged by computer viruses and systems attacks, natural or man-made incidents, disasters or unauthorized physical or electronic access. An insurance policy is in place to cover cyber risks.

**Information regarding financial instruments**

The company uses an interest rate cap to hedge the risk of variable interests.

**Research and development information**

Each year we invest in research and development. Our research and development focuses on developing and commercializing the technologies that are of strategic importance to our future growth. In 2018 as well as 2017 our research and development was predominantly focused on Augmented Reality and Experiential projects.

**Information on male/female partitioning of board members**

There is currently no policy on the desirable male/female split in the Board since we aren't expecting an expansion of the board of MediaMonks Multimedia Holding B.V.

Within the Group, the Board aims to ensure that all the Group's people work in an environment that supports diversity and fosters a culture of dignity and respect. It is committed to supporting employment policies and practices that support equal opportunities and non-discrimination, and that exceed mere compliance with relevant local legislation and accepted practice. The Group's policies and practices of equal opportunities and non-discrimination ensure that an individual's ability, aptitude and talent are the sole determinants in recruitment, training, career development and progression opportunities, rather than their age, beliefs, physical challenges, ethnic origin, gender, marital status, race, religion or sexual orientation.

**Outlook**

We foresee positive market conditions for 2019. Many global brands tend to choose for Digital first or Digital only strategies. The shift from print to TV to online has become even more visible in 2018. And this trend is expected to continue in 2019. Through the advertising agencies or directly to brands we have positioned ourselves as a global production partners for leading brands and technology companies. For 2019 we expect a substantial growth in turnover and operating result. To cater for our expected growth we will grow our work force organically. In 2019, we will continue investing in our

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Hilversum, the Netherlands

company's growth to remain the worlds best global creative production company where growth, quality, profitability and attracting and retaining talent are our focus areas.

Hilversum, 23 August 2019  
The Board of Directors

VK Management B.V.  
as represented by,

Original signed by  
V.O. Knaap

Monk Management B.V.  
as represented by,

Original signed by  
W. ter Haar

## **Consolidated Financial Statements 2018**

## Consolidated statement of profit or loss

For the year ended 31 December

	Notes	2018 €'000	2017 Restated <sup>1</sup> €'000
Revenue	7	114,696	75,655
Cost of sales		34,701	17,780
<b>Gross profit</b>		<b>79,995</b>	<b>57,875</b>
Operating expenses	8	63,928	50,798
<b>Total operating expenses</b>		<b>63,928</b>	<b>50,798</b>
<b>Operating profit</b>		<b>16,067</b>	<b>7,077</b>
Finance income and expenses	9	49	-1,633
<b>Profit before income tax</b>		<b>16,116</b>	<b>5,444</b>
Income tax expense	10	-4,571	-2,053
<b>Profit from continuing operations</b>		<b>11,545</b>	<b>3,391</b>
Profit (loss) from discontinued operations	11	-290	-
<b>Profit for the period</b>		<b>11,255</b>	<b>3,391</b>
Profit is attributable to:			
Owners of the company		10,544	2,670
Non-controlling interests		711	721
		<b>11,255</b>	<b>3,391</b>

<sup>1</sup> See note 4 for details about restatements due to first time application EU-IFRSs

## Consolidated statement of comprehensive income

For the year ended 31 December

	Notes	2018 €'000	2017 Restated <sup>1</sup> €'000
<b>Profit for the period</b>		11,255	3,391
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
None		-	-
<i>Items that will not be reclassified to profit or loss</i>			
Foreign operations - foreign currency translation differences		114	-341
<b>Total comprehensive income for the period</b>		<b>11,369</b>	<b>3,050</b>
 Total comprehensive income of the period attributable to:			
Owners of the company		10,648	2,340
Non-controlling interests		721	710
		<b>11,369</b>	<b>3,050</b>

## Consolidated balance sheet

As at 31 December

	Notes	31-12-2018 €'000	31-12-2017 Restated <sup>1</sup> €'000	01-01-2017 Restated <sup>1</sup> €'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	12	3,842	2,681	3,147
Intangible assets	13	8,699	8,646	8,660
Deferred tax assets	14	163	131	137
Equity-accounted investees	15	-	180	130
Other receivables	16	911	575	587
Total non-current assets		13,615	12,213	12,661
<b>Current assets</b>				
Trade and other receivables	17	27,601	20,136	18,122
Cash and cash equivalents	18	10,536	1,621	1,245
Total current assets		38,137	21,757	19,367
<b>Total assets</b>		<b>51,752</b>	<b>33,970</b>	<b>32,028</b>

<sup>1</sup> See note 4 for details about restatements due to first time application EU-IFRSs

## Consolidated balance sheet

As at 31 December

	Notes	31-12-2018 €'000	31-12-2017 Restated <sup>1</sup> €'000	01-01-2017 Restated <sup>1</sup> €'000
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities	14	112	16	18
Loans and borrowings	19	-	5,362	5,236
Other payables	20	242	549	817
<b>Total non-current liabilities</b>		<b>354</b>	<b>5,927</b>	<b>6,071</b>
<b>Current liabilities</b>				
Loans and borrowings	19	-	30	3,632
Trade and other payables	20	20,482	14,599	11,368
Current tax liabilities	20	5,563	2,104	2,263
<b>Total current liabilities</b>		<b>26,045</b>	<b>16,733</b>	<b>17,263</b>
Total liabilities		26,399	22,660	23,334
<b>Net assets</b>		<b>25,353</b>	<b>11,310</b>	<b>8,694</b>
<b>EQUITY</b>				
Share capital		18	18	18
Share premium		9,151	573	573
Foreign exchange reserves		-81	-185	145
Retained earnings		16,265	9,699	7,029
Capital and reserves attributable to owners of the company	21	25,353	10,105	7,765
Non-controlling interests	21	-	1,205	929
<b>Total equity</b>		<b>25,353</b>	<b>11,310</b>	<b>8,694</b>

<sup>1</sup> See note 4 for details about restatements due to first time application EU-IFRSs

## Consolidated statement of cash flows

For the year ended 31 December

	Notes	2018 €'000	2017 €'000
<b>Cash flows from operating activities</b>			
<b>Profit for the period</b>		11,545	3,391
Adjustments for:			
- Depreciation and amortisation	8C	1,440	1,278
- Net finance cost / (income)	9	-49	1,633
- Income from equity-accounted investees	15C	-	50
- Income tax expense	10	4,571	2,053
		<u>17,507</u>	<u>8,405</u>
Changes in:			
- Trade and other receivables	16, 17	-7,711	-2,002
- Trade and other payables	20	4,218	1,793
<b>Cash flows from operations</b>		<b>14,014</b>	<b>8,196</b>
Income taxes paid		-1,840	-1,625
<b>Net cash inflow from operating activities</b>		<b>12,174</b>	<b>6,571</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	12	-2,657	-973
Acquisition of subsidiaries, net of cash acquired	5	-20,833	-
Acquisition of intangible assets	13	-70	-
Proceeds from sale of property, plant and equipment	12	18	34
Additions to financial assets	15	-157	-
Consideration payment and paid expenses on previously acquired businesses	20	-307	-612
<b>Net cash (outflow) from investing activities</b>		<b>-24,006</b>	<b>-1,551</b>
<b>Cash flows from financing activities</b>			
Interest paid		-348	-313
Proceeds from capital contribution	21A	27,707	-
Repayments of loans and borrowings	19	-6,888	-30
Dividends paid to non-controlling interests	21C	-306	-434
<b>Net cash (outflow) from financing activities</b>		<b>20,165</b>	<b>-777</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>8,333</b>	<b>4,243</b>
Effects of exchange rate changes on cash and cash equivalents		582	-265
Cash and cash equivalents at 1 January	18	1,621	-2,357
<b>Cash and cash equivalents at 31 December</b>		<b>10,536</b>	<b>1,621</b>

## Consolidated statement of changes in equity

For the year ended 31 December

	Notes	Share capital €'000	Share premium €'000	Foreign exchange reserves €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
<b>Balance at 1 January 2017 as originally presented</b>		18	573	146	6,367	7,104	941	8,045
Changes in accounting policies	4	-	-	-1	662	661	-12	649
<b>Restated equity at 1 January 2017</b>		18	573	145	7,029	7,765	929	8,694
Profit for the period (restated) <sup>1</sup>		-	-	-	2,670	2,670	721	3,391
Other comprehensive income (restated) <sup>1</sup>		-	-	-330	-	-330	-11	-341
<b>Total comprehensive income for the period</b>		-	-	-330	2,670	2,340	710	3,050
 <b>Transactions with owners of the Company</b>								
Dividends paid to non-controlling interests	22	-	-	-	-	-	-434	-434
<b>Balance at 31 December 2017</b>		18	573	-185	9,699	10,105	1,205	11,310
 Profit for the period		-	-	-	10,544	10,544	711	11,255
Other comprehensive income		-	-	104	-	104	10	114
<b>Total comprehensive income for the period</b>		-	-	104	10,544	10,648	721	11,369
 <b>Transactions with owners of the Company</b>								
Capital contribution as consideration for acquisition of non-controlling interests	5	-	27,707	-	-	27,707	-1,754	25,953
Deduction share premium for acquisition non-controlling interest	5	-	-19,129	-	-	-19,129	-	-19,129
Dividends provided to shareholders	22	-	-	-	-3,600	-3,600	-	-3,600
Dividends paid to non-controlling interests	22	-	-	-	-	-	-306	-306
Disposal Venture Fathers	5	-	-	-	-	-	134	134
Other movements		-	-	-	-378	-378	-	-378
<b>Balance at 31 December 2018</b>		18	9,151	-81	16,265	25,353	-	25,353

<sup>1</sup>See note 4 for details about restatements due to first time application of IFRS

## Notes to the consolidated financial statements

*for the financial year ended 31 December 2018*

### 1. Corporate information

MediaMonks Multimedia Holding B.V. ("MediaMonks" or "Company") incorporated on 2 August 2005 in Hilversum has its registered office at Schapenkamp 2, 1211 PA, Hilversum, The Netherlands.

As per 9 July 2018, all shares of the Company are held by S<sup>4</sup>Capital Acquisitions 3 B.V. with its registered office at Schapenkamp 2, 1211 PA, Hilversum, The Netherlands. Until 9 July 2018, all shares of the Company were held by Zen B.V. As per 28 September 2018, the ultimate parent entity is S<sup>4</sup>Capital plc, with its registered office at 12 St James's Place, London, United Kingdom which shares are listed at the London Stock Exchange.

The consolidated financial statements represents the results of the Company and its subsidiaries (together referred to as the "MediaMonks Group" or the "Group"). An overview of the subsidiaries is included in note 15 A.

The principal business of the MediaMonks Group is a global creative production partner. The MediaMonks Group turns ideas, strategy and IP into award-winning campaigns, film, content, products and platforms.

### 2. Basis of preparation

#### *A. Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and with Section 2:362(9) of the Netherlands Civil Code.

The consolidated financial statements were authorised for issue by the Board of Directors on 23 August 2019.

#### *B. First time adoption EU-IFRSs*

The MediaMonks Group adopts EU-IFRSs for the first time as the basis for preparing its consolidated financial statements. The reason for this is that EU-IFRSs are the basis for the ultimate parent in preparing their consolidated financial statements. The Group's date of transition to EU-IFRS's is 1 January 2017. As permitted by IFRS 1, the Group has elected to restate business combinations to comply with IFRS 3 at 1 January 2015.

The required disclosures that explain how the transition from Dutch GAAP to EU-IFRS affected the Group's reported financial position and financial performance are included in note 4.

#### *C. Functional and presentation currency*

The consolidated financial statements are presented in Euros, the Company's functional currency. All financial information in euros has been rounded to the nearest thousand unless otherwise indicated.

#### *D. Basis of measurement*

The consolidated financial statements are prepared on a going concern basis. The consolidated financial statements are prepared on the historical cost basis, unless stated otherwise.

#### *E. Critical accounting estimates and judgments*

In preparing these consolidated financial statements, the MediaMonks Group makes certain estimates and judgments. Estimates and judgements are continually evaluated based on historical experience and other factors, including the

expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

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.

**Goodwill and other intangible assets acquired in a business combination**

As set in the accounting policies, goodwill and other intangible assets acquired in a business combination are capitalised. Both initial valuations and valuations for subsequent impairment tests are based on risk adjusted future cash flows discounted using appropriate discount rates. These future cash flows will be based on forecasts which are inherently judgemental. Future events could cause the assumptions to change which could have an adverse effect on the future results of the MediaMonks Group (see note 5 and 13).

There are no other critical accounting estimates and judgments leading to material impact to the financial statements.

***F. Changes in accounting policies***

As this is the first set of IFRS consolidated financial statements being prepared, all relevant standards have been adopted for the first time.

***G. New standards and interpretations not yet adopted***

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

***IFRS 16 Leases***

IFRS 16 was issued in January 2016 and subsequently endorsed by the European Union in November 2017. It results in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group will apply IFRS 16 from its mandatory adoption date of 1 January 2019.

As lessee, if the standard were to be adopted, it would result in the group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term and discloses the total commitment in its accounts. The group is likely to apply the modified retrospective approach in IFRS 16, and therefore will only recognise leases on the balance sheet as at 1 January 2019. This will ensure there is no immediate impact to net assets on that date. At 31 December 2018 operating lease commitments for existing office buildings and company cars amounts €6.5 million. The effect of discounting those commitments result in right-of-use assets of €5.7 million and lease liabilities of approximately €5.9 million being recognised on 1 January 2019.

Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use of assets. This will improve the earnings before interest, taxes, depreciation and amortisation by the amount of its current operating lease cost, which for 2018 amounts € 3.2 million. Operating cash flows will increase and financing cash flows will decrease by approximately € 3.2 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

**Other standards**

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

**3. Significant accounting policies**

**A. Basis of consolidation**

**Business combinations**

The Company accounts for business combinations using the acquisition method when control is transferred to MediaMonks. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

**Subsidiaries**

Subsidiaries are entities controlled by MediaMonks. MediaMonks controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

MediaMonks recognises non-controlling interests in an acquired entity at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Non-controlling interests within equity and within profit for the period are presented separately.

**Loss of control**

When MediaMonks loses control over a subsidiary, MediaMonks derecognises the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**Interests in equity-accounted investees**

The Company's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which MediaMonks has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases.

***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

***B. Revenue recognition***

The MediaMonks Group produces digital campaigns, films, creative content, platforms and e-commerce for home-grown and international brands. The MediaMonks Group has three principal operating segments which are Assets at Scale, Platform and E-commerce and Creative Content and Innovation. Projects in the Assets at Scale have, on average, a one to two month duration and have a mix of fixed pricing and projects on actual time spend basis. The focus of the Platform and E-commerce pillar is on retaining repeat work with a longer lasting characteristics with prices that are mostly based on actual time spent. The characteristics of the projects in the Creative Content and Innovation pillar include a life cycle of two to four months and fixed prices.

Revenue is recognised as a performance obligation is satisfied in accordance with the terms of the contractual agreement. Typically, performance obligations are satisfied over time as services are rendered. Revenue recognised over time is based on the proportion of level of service performed.

The MediaMonks Group determines all the separate performance obligations within the customer's contract at contract inception, which are generally separate services provided by the three pillars to the customers.

The MediaMonks Group determines at contract inception whether each performance obligation will be satisfied (that is, control will be transferred) over time or at a point in time. In general, the MediaMonks Group satisfies a performance obligation and recognises revenue over time, as the asset has no alternative use to the MediaMonks Group and the MediaMonks Group is entitled to payment for performance-to-date. The asset for each project is produced to a customer's specification and the asset can only be used by the customer.

For each performance obligation that is satisfied over time, revenue is recognised by measuring progress towards completion of that performance obligation. Revenue recognised over time is based on the proportion of the level of services performed. For most contracts, costs incurred are used as an objective input measure of performance. The primary input of substantially all work performed under these contracts is labour.

If profit on the project can be determined reliably, revenue is recognised in proportion to the services provided at reporting date. Otherwise, revenue is recognised based on the cost incurred.

Where the total project costs exceed the project revenue, the loss is recognised in cost of sales in the statement of profit and loss. A provision is recognised for such loss.

For projects which are sold on a time and material basis and meet the criteria of recognising revenue over time, the revenue is recognised as the service is performed at the rate contracted on a time and material basis.

Accrued income and deferred income arising on contracts is included in trade and other receivables as accrued income (contract assets) and in trade and other payables as deferred income (contract liabilities), as appropriate. No element of financing is deemed present as the sales are made with a credit term of 30 days; for some large multinational customers with a credit term of 45 days to 120 days.

Revenue is recognised when the revenue recognition criteria as disclosed above for each contract have been met.

**Practical Exemptions**

MediaMonks Group has applied the practical exemptions in IFRS 15:

- not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less; and
- expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

**Cost of sales**

Cost of sales represents the direct and indirect expenses that are attributable to the services or product sold.

**C. Foreign currency**

The main functional currencies for MediaMonks' subsidiaries are the United States Dollar, Euro and Great Britain Pound, Singapore Dollar and Swedish Krona.

**Foreign currency transactions and balances**

- Foreign currency transactions are translated into the functional currency using the average exchange rates in the month.
- Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.
- Share capital, share premium, retained earnings are translated using the exchange rates prevailing at the dates of the transactions.

**Consolidation of foreign entities**

On consolidation, results of the foreign entities are translated from the local functional currency to euros using average exchange rates during the period. All assets and liabilities are translated from the local functional currency to euros using the reporting period end exchange rates. The exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in a separate component of equity.

Exchange differences are recycled to profit or loss as a reclassification adjustment upon disposal of the foreign operation.

**D. Employee benefits**

**Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the MediaMonks Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

MediaMonks Group offers its employees in the Netherlands a defined contribution pension plan. Under this scheme, a fixed contribution is set for employees, without any remaining claims from or obligations towards the employee.

Liabilities related to retirement contributions and related schemes based on defined contributions are recognised as expenses during the period to which they relate.

The most important characteristics of this scheme are:

- The scheme is mandatory for all employees who are 21 years of age or older.
- Pension date is the first month when an employee reaches the age of 67 years.
- The maximum pension giving salary is € 100,000.
- The premium graduated scale is 75.0% of the Ministerial graduated scale 2 (2014) with a basic discount rate of 3.0%.

The Dutch pension schemes are subject to the provisions of the Dutch Pensions Act and are paid by the MediaMonks Group on an obligatory, contractual or voluntary basis to pension funds and insurance companies.

Foreign pension schemes' structures and operations are similar to the Dutch pension schemes. Liabilities arising from foreign pension schemes are recognised and stated in accordance with the valuation of the Dutch pension schemes.

#### ***E. Income tax***

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

##### ***Current tax***

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### ***Deferred tax***

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for temporary differences arising on:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss;
- investments in subsidiaries and associates where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which MediaMonks Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

#### ***F. Property, plant and equipment***

##### **Recognition and measurement**

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

##### **Depreciation**

Depreciation is charged to profit or loss to allocate the cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives for current and comparative periods range as follows:

- Motor vehicles	3-5 years
- Furnitures and fixtures	5 years
- Computer equipment	3-5 years
- Leasehold improvements	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### ***G. Intangible assets***

##### **Recognition and measurement**

##### ***Goodwill***

The MediaMonks Group uses the acquisition method of accounting for the acquisition of subsidiaries. The consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed in the period. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In respect of business combinations that have occurred since 1 January 2015, goodwill represents the excess of the cost of the acquisition over the MediaMonks Group's interest in the fair value of net identifiable assets and liabilities acquired. In respect of business combinations prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded. As permitted by IFRS 1, goodwill arising on acquisitions prior to 1 January 2015 is stated in accordance with Dutch GAAP and has not been re-measured on transition to IFRS.

Goodwill is measured at cost less accumulated impairment losses.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of profit or loss on the acquisition date.

##### ***Brands***

Brands, arising on the acquisition of subsidiaries, are measured at cost less accumulated amortisation and accumulated impairment losses. The acquired brands are well-known brands which are registered, have a good track record and have finite useful lives.

#### ***Other intangible assets***

Other intangible assets, including order backlog arising on the acquisition of subsidiaries, have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Order backlog represents the contracted but not yet fulfilled performance obligations at the time of the business combination.

#### **Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

#### **Amortisation**

Amortisation is charged to profit or loss to allocate the cost of intangible assets over their estimated useful economic lives, using the straight-line method. Goodwill is not amortised.

The estimated useful economic lives of intangible assets for current and comparative periods are as follows:

- Brand names 10 years
- Order backlog 3 months

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

#### ***H. Impairment of non-financial assets***

##### ***Impairment of goodwill***

Goodwill is allocated to specific cash generating units (CGUs). Goodwill is not amortised but is tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

Any impairment of the carrying value is being charged to the consolidated statement of profit or loss. An impairment loss recognised for goodwill cannot be reversed.

##### ***Impairment of other non-financial assets***

Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment in carrying value is being charged to the consolidated statement of profit or loss. Other non-financial assets that have been impaired are reviewed for possible reversal of the impairment loss at the end of each reporting period.

#### ***I. Financial instruments***

Financial instruments include non-current other receivables, trade and other receivables, cash and cash equivalents, loans and borrowings, other non-current liabilities, trade payables and other payables.

##### ***Financial assets and financial liabilities – recognition and derecognition***

MediaMonks initially recognises loans and receivables issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when MediaMonks becomes a party to the contractual provisions of the instrument.

MediaMonks derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards

of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by MediaMonks is recognised as a separate asset or liability.

MediaMonks derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position if, and only if, MediaMonks has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### ***Financial assets – measurement***

##### **Financial assets at amortised cost**

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less loss allowances.

##### **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See notes 6 and 17 for further information about the Group's accounting for trade receivables and for a description of the Group's impairment policies.

##### ***Financial liabilities – measurement***

Financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

##### **Trade payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### ***J. Impairment of financial assets***

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Financial assets are measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A loss allowance for full lifetime expected credit losses is used for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to trade receivables.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

The loss allowance for financial instruments is measured at an amount equal to lifetime expected losses if the credit risk of a financial instrument has increased significantly since initial recognition, unless the credit risk of the financial instrument is low at the reporting date in which case it can be assumed that credit risk on the financial instrument has not increased

significantly since initial recognition. The credit risk is considered low if there is a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. It is rebuttable presumed the credit risk has increased significantly when contractual payments are more than 30 days past due. If a significant increase in credit risk that had taken place since initial recognition and has reversed by a subsequent reporting period (cumulatively credit risk is not significantly higher than at initial recognition) then the expected credit losses on the financial instrument revert to being measured based on an amount equal to the 12-month expected credit losses.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

***K. Equity***

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary share capital is classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

***L. Operating leases***

Rentals paid under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

***M. Cash flow statement***

The cash flow statement is composed using the indirect method. The cash and cash equivalents in the cash flow statement comprise cash and cash equivalents except for deposits with a maturity of longer than three months and minus current bank loans drawn under overdraft facilities. In accordance to the facility agreement bank overdrafts can be netted. Cash flows denominated in foreign currencies are converted based on average exchange rates. Exchange rate differences affecting cash items are shown separately in the cash flow statement.

Income taxes paid and received are included in cash flows from operating activities. Dividends received are included in cash flows from investing activities and interest paid and dividends paid are included in cash flows from financing activities. Purchase consideration paid for acquired subsidiaries are included in cash flows from investing activities, insofar the acquisition is settled in cash. Cash and cash equivalents of the acquired subsidiaries is deducted from the purchase consideration. Transactions not resulting in inflow or outflow of cash are not included in the cash flow statement.

## Notes

### 4. Transition to IFRS

This is the first time that the MediaMonks Group has presented its consolidated financial statements for the year ended 31 December 2018 under EU-IFRSs. The MediaMonks Group historically prepared its consolidated statutory financial statements based on Dutch GAAP. The date of transition to EU-IFRSs was 1 January 2017 as 2017 is the earliest period for which the Group has adopted EU-IFRSs in the preparation of its historical information in these consolidated financial statements.

In preparing the EU-IFRSs consolidated financial statements of 2018, the MediaMonks Group has made some IFRS adjustments to the 2017 comparatives for the profit or loss or equity and certain re-grouping and re-classification of items for the presentation of the consolidated financial statements.

#### Transitional provisions under IFRS 1

IFRS 1, First-time adoption of International Financial Reporting Standards, allows a number of transitional provisions, primarily exemptions and exceptions, when applying EU-IFRSs for the first time. The MediaMonks Group has elected to use the following transitional provision:

- to restate business combinations to comply with IFRS 3 at 1 January 2015. As a result, under EU-IFRSs the carrying amount of goodwill at 1 January 2015 is treated as the deemed cost.

#### IFRS Impact

A summary of the impact to the consolidated balance sheet as from the IFRS transition date as per 1 January 2017 is as follows:

	1 January 2017 €'000	31 December 2017 €'000
<b>Total equity reported in accordance with Dutch GAAP</b>	<b>8,045</b>	<b>9,956</b>
1. Reversal of goodwill amortisation	898	1,841
2. Write off acquisitions-related costs	(882)	(927)
3. Expected loss provision for trade receivables	(20)	(54)
4. Fair value adjustment of initial recognition of loan	804	804
5. Deemed interest expense on loan at amortised cost	(151)	(310)
<b>Total equity reported in accordance with EU-IFRSs</b>	<b>8,694</b>	<b>11,310</b>

A summary of the impact of IFRS transition to the consolidated statement of profit or loss is as follows:

	For the ended 31 December
	2017
	€'000
Profit for the period reported in accordance with Dutch GAAP	2,683
1. Reversal of goodwill amortisation	943
2. Write off acquisitions-related costs	(45)
3. Expected loss provision for trade receivables	(34)
5. Deemed interest expense on loan at amortised cost	(156)
Total profit for the period, excluding non-controlling interest, reported in accordance with EU-IFRSs	3,391
Non-controlling interest reported in accordance with Dutch GAAP	(689)
IFRS adjustments:	
1. Reversal of goodwill amortisation	(32)
2. Write off acquisitions-related costs	-
Total non-controlling interest	(721)
<b>Total profit for the period attributable to owners of the Company reported in accordance with EU-IFRSs</b>	<b>2,670</b>

1. The goodwill amortisation charged under Dutch GAAP has been reversed, resulting in an increase in operating profit in the consolidated statement of profit or loss in 2017 and an increase in goodwill in 2017. Prior PPA's were analysed and the MediaMonks Group did not identify other effects from applying IFRS 3.
2. Under Dutch GAAP, acquisition-related costs were capitalised, but these costs are expensed under EU-IFRSs. This resulted in a decrease in operating profit in the consolidated statement of profit or loss in 2017 and also a corresponding decrease in goodwill in 2017.
3. Under IFRS 9, the Group has calculated expected loss provision for its trade receivables. This resulted in a decrease in operating profit in the consolidated statement of profit or loss in 2017 and also a corresponding decrease in trade receivables of the same amount in 2017. There was no cumulative adjustment of expected credit losses at the first time adoption date of EU-IFRSs.
4. The loan due to Zen B.V. was interest-free. Under EU-IFRSs, at initial recognition, the fair value of the interest-free carrying amounts owed by group undertakings ("the loan") in 2016 was measured at the present value of all future cash receipts discounted using the prevailing market interest rate of 3% and management considered the loan to be repaid by end of five years. The difference between the initial carrying amount and the fair value was capitalised and included in "other reserves". After initial recognition, the loan was measured at amortised cost using the effective interest method and the corresponding entry of the deemed interest expense included in the fair value was charged to finance costs in the profit and loss. The loan was repaid halfway through the year 2018.
5. See 4.

#### **Other adjustments**

The main changes on the face of the MediaMonks Group consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and disclosures in accordance with the requirements of EU-IFRSs are as follows:

- a. There was no requirement for a consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity under Dutch GAAP, but these statements are required to be prepared under EU-IFRSs.
- b. Under Dutch GAAP the presentation on the face of the consolidated statement of profit or loss and on the face of the consolidated balance sheet slightly differs from EU-IFRSs. Besides the level of detail on the face of these statements is less extensive under Dutch GAAP compared to IFRS. For instance, under EU-IFRSs total equity was split between the various categories of capital and reserves attributable to owners of the company and non-controlling interests on the face of the consolidated balance sheet. Under Dutch GAAP total equity was not split on the face of the consolidated balance sheet.
- c. Under EU-IFRSs disclosures in the notes are more extensive compared to Dutch GAAP.

#### **New standards and interpretations**

The following new standards and interpretations, which are effective as per 1 January 2018, have been adopted in these consolidated financial statements as follows:

##### ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 was issued in May 2014 and subsequently endorsed by the European Union in September 2016. IFRS 15 is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The MediaMonks Group adopted IFRS 15 from 1 January 2017. The new accounting policies are set out in note 3B. Application of the new revenue recognition standard had no effect on the consolidated balance, consolidated profit or loss or consolidated cash flows.

##### ***IFRS 9 Financial Instruments***

IFRS 9 was issued in July 2014 and subsequently endorsed by the European Union in November 2016. IFRS 9 includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. MediaMonks Group has implemented IFRS 9 per 1 January 2017. Any impact of IFRS 9 as of 1 January 2017 is recognised directly in equity. MediaMonks Group has assessed the impact of this new standard and has concluded that the impact is limited:

- With regard to the revised classification and measurement principles, IFRS 9 contains three classification categories: 'measured at amortised cost', 'fair value through other comprehensive income' (FVOCI) and 'fair value through profit and loss' (FVPL). The standard eliminates the existing IAS 39 categories: 'loans and receivables', 'held to maturity' and 'available-for-sale'. IFRS 9 has not resulted in changes in presentation and/ or measurement for MediaMonks Group.
- The new general hedging requirements of IFRS 9 did not have any impact on the Group, because MediaMonks Group does not use hedging instruments.
- With regard to the impact of the expected loss model on trade and other receivables MediaMonks Group concluded that the impact is limited. The initial impact recorded in equity per 1 January 2017 amounted to €50 thousand. The impact on the Groups future consolidated statement of profit or loss is also expected to be limited as the standard requires provisions to be recorded earlier and the initial impact of this timing difference has been recorded in equity upon implementation. The methodology adopted by the Group is described in note 21.

## 5. Acquisitions

On 9 July 2018 the MediaMonks Group acquired the 49% shareholdings not owned by the MediaMonks Group, which are Made.for.Digital Holding B.V., ebuilders B.V. and Superhero Cheesecake B.V. and its subsidiaries for a purchase consideration of €20.8 million (see note 15B). Details of the net assets acquired and purchase consideration are as follows:

	ebuilders €'000	Made.for. Digital €'000	Superhero Cheesecake €'000	Total €'000
Subsidiary ebuilders B.V.	378	-	-	378
Subsidiary Made.for.Digital Holding B.V.	-	791	-	791
Subsidiary Superhero Cheesecake B.V.	-	-	473	473
Brand name	-	-	62	62
Net assets	378	791	535	1,704
Deduction share premium				19,129
<b>Total purchase consideration</b>				<b>20,833</b>
 Cash				20,833
<b>Total purchase consideration</b>				<b>20,833</b>
 Purchase consideration - cash				20,833
Cash and cash equivalents				-
<b>Cash outflow on acquisition (net of cash acquired)</b>				<b>20,833</b>

There is no contingent consideration payable. Acquisition costs as a result of these transactions have been included in the acquisition-related transactions costs in the consolidated statement of profit or loss in 2018 (see note 8B).

The difference between the net assets acquired and the total purchase consideration is deducted from the share premium reserves.

### Other acquisitions

On 2 July 2018 MediaMonks Group acquired the remaining 20% interest in Blocklevel B.V. for nil consideration.

### Disposals

On 4 July 2018 the Group disposed of Venture Fathers B.V. (100% owned) and Venture Father One B.V. (75% owned) for nil consideration.

## 6. Financial instruments – fair values and risk management

The board of directors of MediaMonks has overall responsibility for the determination of the MediaMonks 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 MediaMonks Group's competitiveness and flexibility. The MediaMonks Group reports in euros. All funding requirements and financial risks are managed based on policies and procedures adopted by the board. The MediaMonks Group does not issue or use financial instruments of a speculative nature.

The MediaMonks Group is exposed to the following financial risks:

- a) Market risk
- b) Credit risk
- c) Liquidity risk

In common with all other businesses, the MediaMonks Group is exposed to risks that arise from its use of financial instruments. The principal financial instruments used by the MediaMonks Group, from which financial risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents and restricted cash
- Trade and other payables

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 each year end due to the short-term nature.

Financial instruments by category

Financial assets as at 31 December

	2018 €'000	2017 €'000
Cash and cash equivalents	10,536	1,621
Trade receivables (net)	26,177	18,300
Accrued income	106	725
Other receivables	488	427
<b>Loans and receivables at amortised cost</b>	<b>37,307</b>	<b>21,073</b>

Financial liabilities as at 31 December

	2018 €'000	2017 €'000
Trade payables	7,882	3,137
Amounts due to group undertakings	4,127	1,025
Accruals	7,237	6,767
Earn-out accruals	576	883
<b>Trade and other payables</b>	<b>19,822</b>	<b>11,812</b>
Bank loans (secured)	-	38
Loans due to group undertakings	-	5,354
<b>Loans and borrowings</b>	<b>-</b>	<b>5,392</b>
<b>Financial liabilities at amortised cost</b>	<b>19,822</b>	<b>17,204</b>

The management of risk is a fundamental concern of the MediaMonks Group's management. This note summarises the key risks to the MediaMonks Group and the policies and procedures put in place by management to manage them.

a) Market risk

Market risk arises from the MediaMonks Group's use of foreign currencies and interest rates. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk).

Interest rate risk

The MediaMonks Group was exposed to cash flow interest rate risk from bank borrowings and loans at variable rates in the first half of 2018. In the second half of 2018, the MediaMonks Group did not use bank borrowings and loans. The MediaMonks Group's loans and other borrowings are disclosed in note 19. The MediaMonks Group manages the interest rate risk centrally.

**Foreign exchange risk**

Foreign exchange risk is the risk that movements in exchange rates affect the profitability of the business. In general, the MediaMonks Group set up subsidiaries in the countries in case of significant business (opportunities), which partly mitigates the foreign exchange risks. At the moment, the MediaMonks Group does not use hedge instruments to manage foreign exchange risks.

The effect of fluctuations in exchange rates on the USD, GBP, SGD and other currencies denominated trade receivables and payables is partially offset.

As of each year end, the MediaMonks Group's gross exposure to foreign exchange risk is as follows:

	GBP €'000	USD €'000	SGD €'000	Other currencies €'000	Total €'000
<b>31 December 2018</b>					
Trade and other receivables	2,170	15,053	1,154	2,157	20,534
Cash and cash equivalents and restricted cash	1,638	5,724	146	988	8,496
Trade and other payables	(518)	(6,017)	(1,221)	(778)	(8,534)
Loans and borrowings	-	-	-	-	-
<b>Financial assets/ (liabilities)</b>	<b>3,290</b>	<b>14,760</b>	<b>79</b>	<b>2,367</b>	<b>20,496</b>
<b>10% impact - + / -</b>	<b>329</b>	<b>1,476</b>	<b>8</b>	<b>237</b>	<b>2,050</b>
<b>31 December 2017</b>					
Trade and other receivables	922	9,026	921	2,296	13,165
Cash and cash equivalents and restricted cash	1,283	3,193	575	805	5,856
Trade and other payables	(159)	(3,702)	(422)	(1,784)	(6,067)
Loans and borrowings	-	-	-	-	-
<b>Financial assets/ (liabilities)</b>	<b>2,046</b>	<b>8,517</b>	<b>1,074</b>	<b>1,317</b>	<b>12,954</b>
<b>10% impact - + / -</b>	<b>205</b>	<b>852</b>	<b>107</b>	<b>132</b>	<b>1,296</b>

The impact of a 10% decrease (increase) in the foreign exchange rates will result in an increase (decrease) of profit after tax and a decrease (increase) of net financial assets by €2.1 million for December 2018 (2017: €1.3 million).

b) Credit risk

Credit risk is the risk of financial loss to the MediaMonks Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The MediaMonks Group is mainly exposed to credit risk from outstanding trade receivables. The MediaMonks Group's net trade receivables for the reported periods are disclosed in the financial assets table above.

The MediaMonks Group attempts to mitigate credit risk by assessing the credit rating of new customers prior to entering into contracts and by entering contracts with customers with agreed credit terms.

In order to minimise this credit risk, the MediaMonks Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount.

MediaMonks evaluates the collectability of its accounts receivable and provides an allowance for expected credit losses based upon the ageing of receivables as shown in note 17 Trade and other receivables.

Other receivables are considered to be low risk. The management do not consider that there is any concentration of risk within other receivables. No other receivables have been impaired.

Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings. The deposits and cash balances at the main banks are partly insured, some balances at smaller foreign banks are not insured but are not material. The maximum exposure is the amount of the deposit. To date, MediaMonks has not experienced any losses on its cash and cash equivalent deposits.

c) Liquidity risk

Liquidity risk arises from the MediaMonks Group's management of working capital. It is the risk that the MediaMonks Group will encounter difficulty in meeting its financial obligations as they fall due. The MediaMonks Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The table below analyses the MediaMonks Group's financial liabilities by contractual maturities and all amounts disclosed in the table are the undiscounted contractual cash flows:

	Within 1 year €'000	1-2 years €'000	2-5 years €'000	More than 5 years €'000
<b>31 December 2018</b>				
Trade and other payables and accruals	15,695	-	-	-
Amounts due from group undertakings	4,127	-	-	-
<b>Total</b>	<b>19,822</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Within 1 year €'000	1-2 years €'000	2-5 years €'000	More than 5 years €'000
<b>31 December 2017</b>				
Trade and other payables and accruals	10,787	-	-	-
Amounts due from group undertakings	1,025	-	5,850	-
Other bank loans	30	8	-	-
<b>Total</b>	<b>11,842</b>	<b>8</b>	<b>5,850</b>	<b>-</b>

d) Capital management

The MediaMonks Group's capital is made up as follows:

	2018 €'000	2017 €'000
Share capital	18	18
Share premium	9,151	573
Currency translation reserves	(81)	(185)
Retained earnings	16,265	9,699
	<b>25,353</b>	<b>10,105</b>

The MediaMonks Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the MediaMonks Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources and intercompany loans.

## 7. Revenue

### a) Revenue from operations

	2018 €'000	2017 €'000
Revenue arises from:		
Services	114,696	75,655

In 2018 and 2017, no customer represents 10% or more of the MediaMonks Group's revenue.

### b) Geographic segment

An analysis of revenue by geographical market is given below:

	2018 €'000	2017 €'000
North America	60,569	31,743
The Netherlands	29,493	23,510
Other EU countries	11,675	9,062
South America	3,650	4,068
Central America	1,617	-
Middle East	1,189	926
Asia	6,503	6,346
<b>Total</b>	<b>114,696</b>	<b>75,655</b>

### c) Pillar overview

The pillar overview is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the executive management of the MediaMonks Group. The pillar activities are described as follows.

1. Assets at Scale is involved in the creation of dynamic and data-driven content for global brands. This pillar represents 36% of the gross profit in 2018 (2017: 30%).
2. Platform and E-Commerce creates digital user experience design, development of branded e-commerce and apps. This pillar represents 34% of the gross profit in 2018 (2017: 35%).
3. Creative Content and Innovation. This pillar is involved in the production of digital content and films using and adapting the latest technology and trends like artificial intelligence, voice, augmented reality and virtual reality. This pillar represents 30% of the gross profit in 2018 (2017: 35%).

	2018 €'000	2017 €'000
Gross profit Assets at Scale	28,601	17,536
Gross profit Platform and E-Commerce	27,445	20,087
Gross profit Creative Content and Innovation	23,949	20,252
Total gross profit	79,995	57,875
Cost of sales	34,701	17,780
<b>Total</b>	<b>114,696</b>	<b>75,655</b>

Gross profit is defined as revenue recognised by the group that relates directly to the performance obligations satisfied by the group. Amounts charged / chargeable to clients for services by third parties or pass-through expenses are not part of gross profit. Key management of the MediaMonks Group uses gross profit rather than revenue to steer the pillars due to the fluctuating amounts of third-party costs and/or pass-through expenses, which form part of revenue and cost of sales. Therefore, the pillar overview for the three pillars shows gross profit instead of revenue.

## 8. Operating expenses

	2018 €'000	2017 €'000
Personnel costs	49,644	38,648
Other operating expenses	12,844	10,872
Depreciation and amortisation	1,440	1,278
<b>Total operating expenses</b>	<b>63,928</b>	<b>50,798</b>

### A. Personnel costs

	2018 €'000	2017 €'000
Wages and salaries	40,107	31,623
Social security costs	5,727	4,309
Defined contribution pension costs	825	673
Other personnel costs	2,985	2,043
<b>Total personnel costs</b>	<b>49,644</b>	<b>38,648</b>

The key management personnel comprise the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and four partners. Key management personnel compensation (including the directors of the Company) is made up as follows:

	2018 €'000	2017 €'000
Salaries	547	460
Service fees	518	714
Social security costs	41	30
Defined contribution pension costs	17	23
Other benefits	-	14
<b>Total personnel costs</b>	<b>1,123</b>	<b>1,241</b>

Directors' remuneration included in personnel costs:

	2018 €'000	2017 €'000
<b>Fees</b>	<b>431</b>	<b>540</b>

The highest paid director received the following amounts:

	2018 €'000	2017 €'000
<b>Total remuneration paid</b>	<b>216</b>	<b>270</b>

The average monthly number of people during the period is as follows:

	2018	2017
EMEA	478	403
America's	191	113
APAC	18	13
<b>Total number of employees</b>	<b>687</b>	<b>529</b>

**B. Other operating expenses**

	2018	2017
	€'000	€'000
Operating lease costs	4,253	3,326
Sales and marketing costs	1,304	1,357
Travelling costs	1,604	1,297
Advisory, legal, due diligence and related costs	216	45
General and administrative costs	5,467	4,847
<b>Total other operating expenses</b>	<b>12,844</b>	<b>10,872</b>

Impairment losses on trade receivables in 2018 amounting to €79,000 (2017: €1,000) are included in general and administrative costs. Subsequent recoveries of amounts previously written off are credited against the same line item.

Audit fees of PricewaterhouseCoopers Accountants N.V. included in general and administrative costs are as follows:

	2018	2017
	€'000	€'000
Audit fees	161	130
Other audit services	-	-
Non-audit fees - taxation advisory and compliance services	-	-
<b>Total</b>	<b>161</b>	<b>130</b>

**C. Depreciation and amortisation**

	2018	2017
	€'000	€'000
Depreciation of property, plant and equipment	1,407	1,264
Amortisation of intangible assets	33	14
<b>Total depreciation and amortisation</b>	<b>1,440</b>	<b>1,278</b>

**9. Finance income and expenses**

	2018	2017
	€'000	€'000
Foreign exchange gains	395	-
<b>Total finance income</b>	<b>395</b>	<b>-</b>
Interest on bank loans & overdrafts	199	225
Foreign exchange losses	-	1,164
Other financial income and expense	126	88
Deemed interest expense on group loan measured at amortised cost	21	156
<b>Total finance expenses</b>	<b>346</b>	<b>1,633</b>
<b>Net finance income (expenses)</b>	<b>49</b>	<b>(1,633)</b>

The overdraft bank facility and group loan were repaid in July 2018. For details see notes 19 and 23.

## 10. Income tax expense

The effective corporate income tax charge comprise the following:

	2018 €'000	2017 €'000	2018 %	2017 %
Current taxes	4,486	2,078		
Deferred taxes	85	(25)		
<b>Income tax expense in profit or loss</b>	<b>4,571</b>	<b>2,053</b>		
Taxes based on the weighted average applicable rate	4,519	2,017	28.0%	37.0%
Non-deductible expenses	-	78	0.0%	1.4%
Adjustment of current taxes of prior years	52	(42)	0.3%	-0.8%
<b>Income tax expense in profit or loss</b>	<b>4,571</b>	<b>2,053</b>	<b>28.3%</b>	<b>37.7%</b>

The applicable tax rate is based on the proportion of the contribution to the result by the group entities and the tax rate applicable in the respective countries. The applicable tax rate in the respective countries ranges from 17% till 35%. The effective tax rate used to calculate the actual tax charge for the period deviates from the applicable tax rate mainly because of non-deductible tax amortisation and accelerated capital allowances over depreciations on plant, property and equipment. The effective tax rate in 2017 is relatively high, mainly due to the Americas.

## 11. Profit (loss) from discontinued operations

The loss from discontinued operations amounting to €290,000 relates to the disposal of Venture Fathers B.V. in 2018.

## 12. Property, plant and equipment

	Leasehold improvements €'000	Furniture & Fixtures €'000	Computer equipment €'000	Vehicles €'000	Total €'000
<b>COST</b>					
<b>At 1 January 2017</b>	2,390	1,008	3,189	227	6,814
Additions	231	74	652	16	973
Disposals	(7)	(8)	(19)	-	(34)
Foreign exchange differences	(68)	(45)	(63)	(12)	(188)
<b>At 31 December 2017</b>	2,546	1,029	3,759	231	7,565
Additions	974	379	1,300	4	2,657
Disposals	(2)	(1)	(15)	-	(18)
Foreign exchange differences	(28)	(24)	(60)	(11)	(123)
<b>At 31 December 2018</b>	3,490	1,383	4,984	224	10,081
<b>DEPRECIATION</b>					
<b>At 1 January 2017</b>	1,286	422	1,884	75	3,667
Charge for year	377	156	693	38	1,264
Foreign exchange differences	(16)	(17)	(20)	6	(47)
<b>At 31 December 2017</b>	1,647	561	2,557	119	4,884
Charge for year	388	174	816	29	1,407
Foreign exchange differences	(10)	(8)	(30)	(4)	(52)
<b>At 31 December 2018</b>	2,025	727	3,343	144	6,239
<b>NET BOOK VALUE</b>					
<b>at 1 January 2017</b>	1,104	586	1,305	152	3,147
<b>at 31 December 2017</b>	899	468	1,202	112	2,681
<b>at 31 December 2018</b>	1,465	656	1,641	80	3,842

### 13. Intangible assets

	Goodwill €'000	Brands €'000	Software €'000	Order backlog €'000	Total €'000
<b>COST</b>					
<b>At 1 January 2017</b>	8,518	148	-	371	9,037
Write off	-	-	-	(371)	(371)
<b>At 31 December 2017</b>	8,518	148	-	-	8,666
Additions	-	-	70	-	70
Other adjustments	-	16	-	-	16
<b>At 31 December 2018</b>	8,518	164	70	-	8,752
<b>AMORTISATION</b>					
<b>At 1 January 2017</b>	-	6	-	371	377
Charge for year	-	14	-	-	14
Write off	-	-	-	(371)	(371)
Foreign exchange differences	-	-	-	-	-
<b>At 31 December 2017</b>	-	20	-	-	20
Charge for year	-	10	23	-	33
Foreign exchange differences	-	-	-	-	-
<b>At 31 December 2018</b>	-	30	23	-	53
<b>NET BOOK VALUE</b>					
<b>at 1 January 2017</b>	8,518	142	-	-	8,660
<b>at 31 December 2017</b>	8,518	128	-	-	8,646
<b>at 31 December 2018</b>	8,518	134	47	-	8,699

An annual impairment test has been undertaken by comparing the carrying values of goodwill with the recoverable amount of the MediaMonks Group's cash generating units (CGUs) which were Assets at Scale, Platform and E-commerce and Creative Content and Innovation to which the goodwill has been allocated. The recoverable amount of the cash generating unit is based on value-in-use calculations. These calculations use cash flow projections covering a three-year period based on financial budgets and a calculation of the terminal value, for the period following these formal projections.

The key assumptions used for value-in-use calculations are those regarding growth rates, increases in costs and discount rates. The discount rate is reviewed annually to take into account the current market assessment of the time value of money and the risks specific to the cash generating units and rates used by comparable companies. The discount rate has been calculated as the weighted average cost of capital. The pre-tax discount rate used to calculate value-in-use are determined for the three pillars (CGU) and range from 13.2% to 16.5%. Growth rates for forecasts take into account historic experience and current market trends. Costs are reviewed and increased for inflation and other cost pressures. The terminal value calculation is based on a growth rate of 2% for all CGUs. Based on the impairment test, no impairment charge is required on the goodwill.

Management has identified two key assumptions, the projected gross profit and the terminal growth rate. The impairment test shows a substantial headroom in goodwill. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amounts of the CGUs.

The carrying value of goodwill per CGU is as follows:

	2018 €'000	2017 €'000	01.01.2017 €'000
<b>Assets at Scale</b>	1,421	1,421	1,421
<b>Platform and E-commerce</b>	1,568	1,568	1,568
<b>Creative Content and Innovation</b>	5,529	5,529	5,529
<b>Total goodwill</b>	8,518	8,518	8,518

#### 14. Deferred tax assets and liabilities

The movement of the deferred tax assets is as follows:

	2018 €'000	2017 €'000	01.01.2017 €'000
At 1 January	131	137	29
Credited/(charged) to profit or loss	-	23	105
Additions	32	-	3
Realisation	-	(29)	-
<b>At 31 December</b>	<b>163</b>	<b>131</b>	<b>137</b>

Deferred tax assets relate to:

	2018 €'000	2017 €'000	01.01.2017 €'000
Property, plant and equipment	149	107	105
Other temporary differences	14	24	32
<b>Deferred tax assets</b>	<b>163</b>	<b>131</b>	<b>137</b>

The movement of the deferred tax liabilities is as follows:

	2018 €'000	2017 €'000	01.01.2017 €'000
At 1 January	16	18	16
(Credited)/charged to profit or loss	(85)	(2)	(86)
Additions	181	-	-
Acquired through business combinations	-	-	88
<b>At 31 December</b>	<b>112</b>	<b>16</b>	<b>18</b>

Deferred tax liabilities related to:

	2018 €'000	2017 €'000	01.01.2017 €'000
Property, plant and equipment	74	-	-
Intangible assets	38	16	18
<b>Deferred tax liabilities</b>	<b>112</b>	<b>16</b>	<b>18</b>

Deferred taxes in the profit or loss were comprised as follows:

	2018 €'000	2017 €'000	01.01.2017 €'000
<b>Total credited to profit or loss</b>	<b>85</b>	<b>25</b>	<b>191</b>

## 15. Interests in other entities

### A. Subsidiaries

The Group's principal subsidiaries at 31 December 2018 and 31 December 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name of entity	Location, Country	2018	2017
		%	%
MediaMonks B.V.	Hilversum, the Netherlands	100%	100%
MediaMonks Inc.	Delaware, United States	100%	100%
MediaMonks FILMS LLC	Delaware, United States	100%	100%
MediaMonks London Ltd.	London, United Kingdom	100%	100%
MediaMonks Singapore Pte Ltd.	Singapore, Singapore	100%	100%
MediaMonks FZ-LLC	Dubai, United Arab Emirates	100%	100%
MediaMonks Hong Kong Ltd.	Hong Kong, China	100%	100%
MediaMonks Information Technology (Shanghai) Co. Ltd.	Shanghai, China	100%	100%
MediaMonks Stockholm AB	Stockholm, Sweden	100%	100%
MediaMonks Buenos Aires SRL	Buenos Aires, Argentina	100%	100%
MediaMonks São Paulo Serv. De Internet para Publicidade Ltda.	São Paulo, Brazil	100%	100%
Made.for.Digital Holding B.V.	Hilversum, the Netherlands	100%	51%
Made.for.Digital B.V.	Amsterdam, the Netherlands	100%	51%
Made.for.Digital Pte. Ltd.	Singapore, Singapore	100%	51%
Made.for.Digital Inc.	Delaware, United States	100%	51%
Made.for.Digital South Africa (PTY) Ltd.	Capetown, South Africa	100%	-%
Bike Film Corporation B.V. a/a			
The BoardRoom	Amsterdam, the Netherlands	100%	51%
Superhero Cheesecake B.V.	Amsterdam, the Netherlands	100%	51%
Superhero Cheesecake Inc.	Delaware, United States	100%	51%
Blocklevel B.V.	Hilversum, the Netherlands	100%	80%
ebuilders B.V.	Amsterdam, the Netherlands	100%	51%
Venture Fathers B.V.	Amsterdam, the Netherlands	-%	100%
Venture Fathers One B.V.	Amsterdam, the Netherlands	-%	75%

The principal activity of each subsidiary is providing creative digital production or acting as a sales office.

The acquired interests in subsidiaries in 2018 and the disposal of Venture Fathers in 2018 is further disclosed in note 5. In April 2018, Made.for.Digital South Africa (PTY) Ltd. was founded.

**B. Non-controlling interests**

Made.for.Digital Holding BV, Superhero Cheesecake B.V. and ebuilders B.V. - all these subsidiaries of MediaMonks had material non-controlling entities (NCI) as per year end 2017. On 9 July 2018, the MediaMonks Group acquired the 49% shareholdings of all NCI (see note 5).

Summarised financial information for 2017 and the P&L for the first six months of 2018 in relation to the above subsidiaries, before intra-group eliminations, is presented below together with amounts attributable to NCI:

	Made.for. Digital Jan-June 2018 €'000	Superhero Cheesecake Jan-June 2018	Ebuilders Jan-June 2018 €'000	Made.for. Digital 2017 €'000	Superhero Cheesecake 2017 €'000	Ebuilders 2017 €'000
Revenue	7,541	1,639	1,802	10,407	2,617	2,630
Cost of sales	(5,305)	(116)	(82)	(6,800)	(451)	(124)
Gross profit	2,236	1,523	1,720	3,607	2,166	2,506
Operating expenses	(1,626)	(1,044)	(822)	(2,629)	(2,057)	(1,429)
Operating profit	610	479	898	978	109	1,077
Finance income and expenses	(3)	(13)	(9)	(207)	(2)	(2)
Profit before income tax	607	466	889	771	107	1,075
Income tax expense	(149)	(108)	(212)	(237)	(27)	(259)
Profit for the period	458	358	677	534	80	816
Total profit allocated to NCI	224	175	332	293	32	400
<hr/>						
<b>Assets:</b>						
Non-current assets						
Property, plant and equipment	-	-	-	233	124	31
Intangible assets	-	-	-	509	-	-
Other receivables	-	-	-	90	18	-
Current assets						
Trade and other receivables	-	-	-	2,086	950	594
Cash and cash equivalents	-	-	-	229	536	274
Total assets	-	-	-	3,147	1,628	899
<hr/>						
<b>Liabilities:</b>						
Non-current liabilities						
Loans and borrowings	-	-	-	151	8	-
Current liabilities						
Trade and other payables	-	-	-	1,829	731	430
Loans and borrowings	-	-	-	-	30	-
Total liabilities	-	-	-	1,980	769	430
Accumulating NCI	-	-	-	639	483	230

**C. Equity-accounted investees**

Equity-accounted investees related to interests in:

	2018 €'000	2017 €'000	01.01.2017 €'000
Shoot2Share B.V. based in Amsterdam, the Netherlands	-	-	25
VINYLEXPRESS B.V. based in Amsterdam, the Netherlands	-	180	105
<b>Total equity-accounted investees</b>	-	180	130

The changes in equity-accounted investees were as follows:

	2018 €'000	2017 €'000	01.01.2017 €'000
<b>At 1 January</b>	180	130	92
Additions	-	75	38
Disposals	(180)	-	-
Provided for	-	(25)	-
<b>At 31 December</b>	-	180	130

In 2018, Venture Fathers and its subsidiary VinylExpress B.V. has been disposed for nil consideration. At the sale date, these entities had a negative asset value thus the sale was made with nil consideration.

**16. Other receivables**

The changes in other receivables were as follows:

	2018 €'000	2017 €'000	01.01.2017 €'000
<b>At 1 January</b>	575	587	395
Acquired through business combinations	-	-	18
Additions	410	85	181
Repayments	(79)	(65)	(14)
<b>Foreign exchange differences</b>	5	(32)	7
<b>At 31 December</b>	911	575	587

The other receivables consist mainly of rent deposits, the remaining duration of the deposits is longer than one year.

**17. Trade and other receivables**

	2018 €'000	2017 €'000	01.01.2017 €'000
<b>Trade receivables - gross</b>	26,401	18,355	16,924
Less: provision for impairment	(224)	(55)	(54)
<b>Trade receivables - net</b>	26,177	18,300	16,870
Prepayments	830	684	1,067
Accrued income	106	725	-
<b>Other receivables</b>	488	427	185
<b>Total trade and other receivables</b>	27,601	20,136	18,122

Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value. Information regarding the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 6.

The ageing of trade receivables is as follows:

	2018 €'000	2017 €'000	01.01.2017 €'000
Not past due	17,143	12,901	10,913
Past due			
Up to 30 days	5,603	3,639	3,761
31 days - 60 days	2,053	714	1,036
61 days - 90 days	648	441	418
More than 90 days	954	660	796
	26,401	18,355	16,924
<b>Less: impairment provision</b>	<b>(224)</b>	<b>(55)</b>	<b>(54)</b>
<b>Total trade receivables</b>	<b>26,177</b>	<b>18,300</b>	<b>16,870</b>

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 1 January 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance for trade receivables is determined as follows:

	Expected loss rate	2018 €'000	2017 €'000	01.01.2017 €'000
Not past due	0.20%	34	26	22
Past due 1 day - 30 days	0.40%	22	15	15
Past due 31 days - 60 days	0.60%	12	4	6
Past due 61 days - 90 days	0.80%	5	4	3
Past due more than 90 days	1.00%	10	6	8
Loss allowance for individual debtors in default		141	-	-
<b>Total loss allowance for trade receivables</b>		<b>224</b>	<b>55</b>	<b>54</b>

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the MediaMonks Group. The changes in the loss allowance for trade receivables is as follows:

	2018 €'000	2017 €'000	01.01.2017 €'000
At 1 January	55	54	31
Utilised during period	-	-	(125)
Charge/ (credit) to profit or loss	169	1	148
<b>At 31 December</b>	<b>224</b>	<b>55</b>	<b>54</b>

## 18. Cash and cash equivalents

	2018 €'000	2017 €'000	01.01.2017 €'000
<b>Cash and cash equivalents</b>	<b>10,536</b>	<b>1,621</b>	<b>1,245</b>

The cash and cash equivalents for each year-end included restricted cash of €235,000 which is a guarantee for rent obligations and is therefore not freely available to the MediaMonks Group.

## 19. Loans and borrowings

	2018 €'000	2017 €'000	01.01.2017 €'000
<b>Non-current</b>			
Amounts due to group undertakings	-	5,354	5,198
Other bank loans	-	8	38
<b>Total non-current loans and borrowings</b>	<b>-</b>	<b>5,362</b>	<b>5,236</b>
<b>Current</b>			
Bank loans drawn under overdraft facilities	-	-	3,602
Other bank loans	-	30	30
<b>Total current loans and borrowings</b>	<b>-</b>	<b>30</b>	<b>3,632</b>
<b>Total loans and borrowings</b>	<b>-</b>	<b>5,392</b>	<b>8,868</b>

### Bank loans drawn under overdraft facilities

S<sup>4</sup>Capital plc, the ultimate parent company of MediaMonks has signed a facility agreement for bank loans in July 2018. MediaMonks Multimedia Holding B.V., including subsidiaries, is part of the facilities agreement as guarantor.

### Amounts due from group undertakings

Zen B.V., the ultimate parent company of MediaMonks until 9 July 2018, provided a loan to MediaMonks to assist in funding the acquisitions that took place in 2015 and 2016. In July 2018, MediaMonks received a capital contribution from S<sup>4</sup>Capital Acquisitions 3 B.V. to repay the loan that MediaMonks owed to Zen B.V.

## 20. Trade and other payables

	2018 €'000	2017 €'000	01.01.2017 €'000
<b>Non-current</b>			
Earn out	242	549	817
<b>Total non-current other payables</b>	<b>242</b>	<b>549</b>	<b>817</b>
<b>Current</b>			
Trade payables	7,882	3,137	2,867
Amounts due to group undertakings	4,127	1,025	2,522
Accruals	7,237	6,767	5,087
Earn out accruals	334	334	334
Deferred income	902	3,336	558
<b>Total trade and other payables</b>	<b>20,482</b>	<b>14,599</b>	<b>11,368</b>
Income taxes	3,414	747	356
Sales taxes	880	342	620
Wage taxes and social securities contributions	1,269	1,015	1,287
<b>Total current tax liabilities</b>	<b>5,563</b>	<b>2,104</b>	<b>2,263</b>
<b>Total current trade and other payables</b>	<b>26,045</b>	<b>16,703</b>	<b>13,631</b>
<b>Total trade and other payables</b>	<b>26,287</b>	<b>17,252</b>	<b>14,448</b>

Earnout accruals were based on achieving certain business performance targets as set out in the sale and purchase agreement relating to the two acquisitions completed in 2016. Next year payment is the same amount as current year payment.

In 2018, the amounts due to group undertakings is due to the parent company S<sup>4</sup>Capital Acquisitions 3 B.V. In 2017, the amounts due to group undertakings was due to Zen B.V., the ultimate parent company of MediaMonks at that time.

## 21. Total equity

### A. Share capital

The authorised share capital of MediaMonks Multimedia Holding B.V. is 90,000 ordinary shares of €1.00 each. MediaMonks' issued share capital is summarised in the table below:

	Number of shares	Share capital €'000	Share premium €'000	Total €'000
<b>Balance at 1 January 2017</b>	18,000	18	573	591
<b>Balance at 31 December 2017</b>	18,000	18	573	591
Capital contribution received on 9 July 2018	-	-	27,707	27,707
Deduction share premium for acquisition NCI (note 5)	-	-	(19,129)	(19,129)
<b>Balance at 31 December 2018</b>	<b>18,000</b>	<b>18</b>	<b>9,151</b>	<b>9,169</b>

On 31 December 2018, the issued and paid up share capital of MediaMonks consisted of 18,000 ordinary shares each with a nominal value of €1.00 (31 December 2017: 18,000 shares each with a nominal value of €1.00).

On 9 July 2018, MediaMonks received a capital contribution from S<sup>4</sup>Capital Acquisitions 3 B.V. of €27,707,164 to acquire the 49% shareholdings in Made.for.Digital Holding B.V., ebuilders B.V. and Superhero Cheesecake B.V. and its subsidiaries (see note 5) and to repay the loan to Zen B.V. (see note 19).

**B. Reserves**

The following describes the nature and purpose of each reserve within equity:

<b>Share premium</b>	Amount subscribed for share capital in excess of nominal value.
<b>Foreign exchange reserves</b>	Legal reserve for foreign exchange translation gains and losses on the translation of the financial statements of a subsidiary from the functional to the presentation currency.
<b>Retained earnings</b>	Retained earnings represents all other net gains and losses and transactions with shareholders (example dividends) not recognised elsewhere.

**C. Non-controlling interests**

MediaMonks recognises non-controlling interests in an acquired entity at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Non-controlling interests within equity are presented separately. Summarised financial information of material non-controlling interests is included in note 15B.

Changes in non-controlling interests are as follows:

	2018 €'000	2017 €'000	01.01.2017 €'000
At 1 January	1,205	929	70
Acquired through business combinations	-	-	190
Acquisition of remaining minority shares	(1,754)	-	-
Disposal	134	-	-
Minority part brand name and order backlog	-	-	118
Dividends	(306)	(434)	(15)
Profit/ (loss) for the period	711	721	566
Foreign exchange differences	10	(11)	-
<b>At 31 December</b>	<b>-</b>	<b>1,205</b>	<b>929</b>

**22. Dividends**

In 2018 dividends amounting to €3,600,000 (2017: nil) were paid by MediaMonks to its shareholders. The dividends paid per share in 2018 amounts to €200 (2017: nil).

In 2018 dividends amounting to €306,000 (2017: €434,000) were paid to minority interest shareholders.

**23. Related party transactions**

MediaMonks Group companies entered into the following transactions with related parties who are not members of the MediaMonks Group:

- On 9 July 2018 MediaMonks received a capital contribution from S<sup>4</sup>Capital Acquisitions 3 B.V. of €27,707,164 to fund the acquisitions of the 49% shareholdings not owned by the MediaMonks Group, which were Made.for.Digital Holding B.V., ebuilders B.V. and Superhero Cheesecake B.V. For details see notes 5 and 21.
- Zen B.V. (the ultimate parent company of MediaMonks until 9 July 2018) provided a loan to MediaMonks to fund the acquisitions in 2015 and 2016. Zen B.V. also had an intercompany balance with MediaMonks. The loan and intercompany balances were paid back to Zen B.V. in 2018. For details see note 19, 20 and 21.

- As per 31 December 2018, MediaMonks Group has an amount due to the parent company S<sup>4</sup>Capital Acquisitions 3 B.V. of € 4,127,000. As per 31 December 2018, MediaMonks Group has an amount due from Zen B.V. of € 108,000.

Transactions with related parties are made at arm's length, except for the intercompany loan with Zen B.V. which was interest-free and the capital contribution from S<sup>4</sup>Capital Acquisitions 3 B.V.

Details of key management personnel's compensation are given in note 8.

## Unrecognised items

### 24. Contingent liabilities

At 31 December 2018, MediaMonks Group does not have significant contingent liabilities.

### 25. Commitments

#### Capital commitments

Capital commitments represents capital expenditure contracted for at the end of the reporting period but not yet incurred at the year end. At 31 December 2018, MediaMonks Group does not have significant capital commitments.

#### Non-cancellable operating leases

The MediaMonks Group leases certain buildings located in the Netherlands and overseas. Some of the rents payable under these leases are subject to review at intervals specified in the lease. The lease terms are from 1 to 5 years. The MediaMonks Group also leases certain equipment under cancellable operating lease agreements.

The operating leases recognised in the statement of profit or loss of 2018 amounts to €3.2 million.

The total value of minimum lease payments due is payable as follows:

As at 31 December 2018	Within one year €'000	Between one and five years €'000	More than five years €'000	Total €'000
Land and buildings	3,493	2,911	-	6,404
Equipment	42	28	-	70
<b>Total</b>	<b>3,535</b>	<b>2,939</b>	<b>-</b>	<b>6,474</b>

As at 31 December 2017	Within one year €'000	Between one and five years €'000	More than five years €'000	Total €'000
Land and buildings	3,007	2,843	-	5,850
Equipment	27	17	-	44
<b>Total</b>	<b>3,034</b>	<b>2,860</b>	<b>-</b>	<b>5,894</b>

#### Fiscal unity

Until July 2018, the Company constituted a tax entity with Zen B.V. and MediaMonks B.V. for the corporation tax and sales taxes (VAT); each of the companies is jointly and severally liable for the corporate income tax payable by all companies belonging to the fiscal unity.

As per October 2018, the Company constitutes a tax entity with S<sup>4</sup>Capital Acquisitions 3 B.V. and MediaMonks B.V. for the sales taxes (VAT). As per July 2018, the Company constitutes a tax entity with S<sup>4</sup>Capital Acquisitions 3 B.V. and the Dutch subsidiaries MediaMonks B.V., Made for Digital Holding B.V., Made for Digital B.V., Bike Film Corporation B.V., Superhero Cheesecake B.V., ebuilders B.V. and Blocklevel B.V. for the corporate income tax; each of the companies is jointly and severally liable for the corporate income tax payable by all companies belonging to the fiscal unity.

## **26. Events occurring after the reporting period**

No significant events occurred after the reporting period.

## **Company Financial Statements 2018**

## Company statement of profit or loss

For the year ended 31 December 2018

	Notes	2018 €'000	2017 Restated <sup>1</sup> €'000
<b>Revenue</b>		-	-
Operating expenses	1	1,055	396
<b>Total operating expenses</b>		<u>1,055</u>	<u>396</u>
<b>Operating profit</b>		<b>-1,055</b>	<b>-396</b>
Finance income and expenses	2	-170	-207
<b>Profit before income tax</b>		<u>-1,225</u>	<u>-603</u>
Income tax expense		300	118
Profit from subsidiaries and associates, net of tax	4	11,759	3,155
<b>Profit from continuing operations</b>		<u>10,834</u>	<u>2,670</u>
Profit (loss) from discontinued operations	7	-290	-
<b>Profit for the period</b>		<u>10,544</u>	<u>2,670</u>

<sup>1</sup> See note 4 of the consolidated financial statements for details of first time application EU-IFRSs restatements

## Company balance sheet

At 31 December 2018

Before profit appropriation

		31-12-2018	31-12-2017	01-01-2017
	Notes	€'000	Restated <sup>1</sup> €'000	Restated <sup>1</sup> €'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	3	8,012	8,012	8,012
Financial assets	4	20,361	7,463	11,552
Total non-current assets		28,373	15,475	19,564
<b>Current assets</b>				
Trade and other receivables	5	553	1,458	1,048
Cash and cash equivalents		94	9	-
Total current assets		647	1,467	1,048
<b>Total assets</b>		<b>29,020</b>	<b>16,942</b>	<b>20,612</b>

<sup>1</sup> See note 4 of the consolidated financial statements for details of first time application EU-IFRSs restatements

## Company balance sheet

At 31 December 2018

Before profit appropriation

	Notes	31-12-2018 €'000	31-12-2017 Restated <sup>1</sup> €'000	01-01-2017 Restated <sup>1</sup> €'000
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities	6	29	16	18
Provisions	7	-	400	397
Loans and borrowings	8	-	5,354	5,197
Other payables	9	242	549	818
<b>Total non-current liabilities</b>		<u>271</u>	<u>6,319</u>	<u>6,430</u>
<b>Current liabilities</b>				
Loans and borrowings	8	-	-	2,249
Trade and other payables	9	3,396	518	4,168
<b>Total current liabilities</b>		<u>3,396</u>	<u>518</u>	<u>6,417</u>
Total liabilities		<u>3,667</u>	<u>6,837</u>	<u>12,847</u>
<b>Net assets</b>		<u>25,353</u>	<u>10,105</u>	<u>7,765</u>
<b>EQUITY</b>				
Share capital		18	18	18
Share premium		9,151	573	573
Foreign exchange reserves		-81	-185	145
Retained earnings		5,721	7,029	6,493
Net profit		10,544	2,670	536
<b>Total equity</b>	10	<u>25,353</u>	<u>10,105</u>	<u>7,765</u>

<sup>1</sup> See note 4 of the consolidated financial statements for details of first time application EU-IFRSs restatements

## Notes to the company financial statements

### A. General

The company financial statements are part of the 2018 financial statements of MediaMonks Multimedia Holding B.V.

### B. Basis of preparation

The company financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code. For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, MediaMonks uses the option provided in section 2:362(8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of MediaMonks are the same as those applied for the consolidated EU-IFRS financial statements. A reference is made to paragraph Notes to the consolidated financial statements for a description of these principles.

#### Participating interests in group companies

Participating interests in group companies are accounted for in the company financial statements according to the net equity value, with separate presentation of the goodwill component.

#### Result of participating interests

The share in the result of participating interests consists of the share of MediaMonks in the result of these participating interests. Results on transactions involving the transfer of assets and liabilities between MediaMonks and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as unrealised.

### C. First time adoption of EU-IFRSs

MediaMonks adopts EU-IFRSs for the first time as the basis for preparing its financial statements. The date of transition to EU-IFRS's is 1 January 2017. As permitted by IFRS 1, MediaMonks has elected to restate business combinations to comply with IFRS 3 at 1 January 2015.

The required disclosures that explain how the transition from Dutch GAAP to EU-IFRS affected the MediaMonks's reported financial position and financial performance are included in note 4 of the consolidated financial statements.

## Notes

### 1. Operating expenses

Operating expenses amount to €1.0 million (2017: €0.4 million) and comprises among others management fees, advisory expenses, auditor fees and travel expenses. In 2018, directors remuneration amount to €431,000 (2017: €540,000).

No employees were employed by the company during the year and prior year.

### 2. Finance income and expenses

The financial expenses amount to €0.2 million in 2018 (2017: €0.2 million) and include interest expenses, currency results and bank fees.

### 3. Goodwill

Changes in goodwill are as follows:

	2018	2017	01.01.2017
<b>COST</b>			
<b>At 1 January</b>	8,012	8,012	8,012
Additions	-	-	-
<b>At 31 December</b>	8,012	8,012	8,012
<b>ACCUMULATED IMPAIRMENTS</b>			
<b>At 1 January</b>	-	-	-
Impairments	-	-	-
<b>At 31 December</b>	-	-	-
<b>NET BOOK VALUE</b>			
<b>at 1 January</b>	8,012	8,012	8,012
<b>at 31 December</b>	8,012	8,012	8,012

### 4. Financial assets

Changes in financial assets are as follows:

	Subsidiaries & associates €'000	Loans €'000	Total €'000
<b>At 1 January 2017</b>	11,229	323	11,552
Profit for the period	3,155	10	3,165
Additions	-	42	42
Repayments	-	(151)	(151)
Dividends	(6,828)	-	(6,828)
Foreign exchange differences	(317)	-	(317)
<b>At 31 December 2017</b>	7,239	224	7,463

	Subsidiaries & associates €'000	Loans €'000	Total €'000
<b>At 1 January 2018</b>	7,239	224	7,463
Profit for the period	11,759	-	11,759
Acquired through business combinations	1,813	-	-
Additions	1	7	8
Repayments	-	-	-
Dividends	(783)	-	(783)
Foreign exchange differences	101	-	101
<b>At 31 December 2018</b>	20,130	231	20,361

## 5. Trade and other receivables

	2018 €'000	2017 €'000	01.01.2017 €'000
Receivables from associates	-	1,373	839
Income taxes	77	-	187
Sales taxes	312	8	19
Other receivables and prepayments	164	77	3
<b>Total trade and other receivables</b>	<b>553</b>	<b>1,458</b>	<b>1,048</b>

## 6. Deferred tax liabilities

Changes in deferred tax liabilities are as follows:

	2018 €'000	2017 €'000	01.01.2017 €'000
At 1 January	16	18	16
(Credited)/charged to profit or loss	13	(2)	(86)
Additions	-	-	88
<b>At 31 December</b>	<b>29</b>	<b>16</b>	<b>18</b>

Deferred tax liabilities relate to the temporary differences between the valuation in the financial statements and the fiscal valuation of assets and liabilities. The provision is calculated based on the applicable tax rate of 25%.

## 7. Provisions

Changes in provisions are as follows:

	2018 €'000	2017 €'000	01.01.2017 €'000
At 1 January	400	397	289
Reclassification receivables from associates	(688)	-	-
Loss/ (profit) for the period	(2)	3	108
Loss on discontinuing operations	290	-	-
<b>At 31 December</b>	<b>-</b>	<b>400</b>	<b>397</b>

The provisions relate to investments in Venture Fathers B.V. In 2018, MediaMonks disposed of Venture Fathers B.V.

## 8. Loans and borrowings

	2018 €'000	2017 €'000	01.01.2017 €'000
<u>Non-current</u>			
Amounts due to group undertakings	-	5,354	5,197
Other bank loans	-	-	-
<b>Total non-current loans and borrowings</b>	<b>-</b>	<b>5,354</b>	<b>5,197</b>
<u>Current</u>			
Bank loans drawn under overdraft facilities	-	-	2,249
Other bank loans	-	-	-
<b>Total current loans and borrowings</b>	<b>-</b>	<b>-</b>	<b>2,249</b>
<b>Total loans and borrowings</b>	<b>-</b>	<b>5,354</b>	<b>7,446</b>

### Bank loans drawn under overdraft facilities

S<sup>4</sup>Capital plc, the ultimate parent company of MediaMonks has signed a facility agreement for bank loans in July 2018. MediaMonks Multimedia Holding B.V., including subsidiaries, is part of the facilities agreement as guarantor.

### Amounts due from group undertakings

Zen B.V., the ultimate parent company of MediaMonks until 9 July 2018, provided a loan to MediaMonks to assist in funding the acquisitions that took place in 2015 and 2016. On 9 July 2018 S<sup>4</sup>Capital Acquisitions 3 B.V. repaid the loan that MediaMonks owed to Zen B.V.

## 9. Trade and other payables

	2018 €'000	2017 €'000	01.01.2017 €'000
<u>Non-current</u>			
Earn out	242	549	818
<b>Total non-current other payables</b>	<b>242</b>	<b>549</b>	<b>818</b>
<u>Current</u>			
Trade payables	564	9	402
Amounts due to participants and group undertakings	2,359	-	3,116
Earn out accruals	-	334	334
Other payables and accruals	473	175	316
<b>Total current trade and other payables</b>	<b>3,396</b>	<b>518</b>	<b>4,168</b>
<b>Total trade and other payables</b>	<b>3,638</b>	<b>1,067</b>	<b>4,986</b>

## 10. Equity

	Share capital €'000	Share premium €'000	Foreign exchange reserves €'000	Retained earnings €'000	Net profit €'000	Total €'000
<b>Balance at 1 January 2017 as originally presented</b>	18	573	146	6,096	271	7,104
<b>Changes in accounting policies</b>	-	-	(1)	397	265	661
<b>Restated equity at 1 January 2017</b>	18	573	145	6,493	536	7,765
Profit for the period (restated)	-	-	-	-	2,670	2,670
Other comprehensive income (restated)	-	-	(330)	-	-	(330)
<b>Total comprehensive income for the period</b>	-	-	(330)	-	2,670	2,340
Transfer to retained earnings	-	-	-	536	(536)	-
<b>Balance at 31 December 2017</b>	18	573	(185)	7,029	2,670	10,105
 Balance at 31 December 2017 as originally presented	18	573	(184)	6,368	1,994	8,769
<b>Changes in accounting policies</b>	-	-	(1)	661	676	1,336
<b>Balance at 31 December 2017</b>	18	573	(185)	7,029	2,670	10,105
Profit for the period	-	-	-	-	10,544	10,544
Other comprehensive income	-	-	104	-	-	104
<b>Total comprehensive income for the period</b>	-	-	104	-	10,544	10,648
Transfer to retained earnings	-	-	-	2,670	(2,670)	-
 Issue of ordinary shares as consideration for acquisition of non-controlling interests	-	27,707	-	-	-	27,707
Deduction share premium for acquisition non-controlling interest		(19,129)	-	-	-	(19,129)
Dividends provided to shareholders	-	-	-	(3,600)	-	(3,600)
Other movements	-	-	-	(378)	-	(378)
<b>Balance at 31 December 2018</b>	18	9,151	(81)	5,721	10,544	25,353

### Share capital

The authorised share capital of MediaMonks Multimedia Holding B.V. is 90,000 ordinary shares of €1.00 each. On 31 December 2018, the issued and paid up share capital of MediaMonks consisted of 18,000 ordinary shares each with a nominal value of €1.00.

### Reserves

The following describes the nature and purpose of each reserve within equity:

<b>Share premium</b>	Amount subscribed for share capital in excess of nominal value.
<b>Foreign exchange reserves</b>	A legal reserve for foreign exchange translation gains and losses on the translation of the financial statements of a subsidiary from the functional to the presentation currency.
<b>Retained earnings</b>	Retained earnings represents all other net gains and losses and transactions with shareholders (example dividends) not recognised elsewhere.
<b>Net profit</b>	Net profit for the period is presented as unappropriated profit within equity.

### Proposal for profit appropriation

The proposal is to add the profit for the period to retained earnings. The General Meeting of Shareholders will decide on this proposal. Profit for the period is presented as unappropriated 'net profit' within equity.

## 11. Commitments

### Fiscal unity

Until July 2018, the Company constituted a tax entity with Zen B.V. and MediaMonks B.V. for the corporation tax and sales taxes (VAT); each of the companies is jointly and severally liable for the corporate income tax payable by all companies belonging to the fiscal unity.

From July 2018 till September 2018, the Company constituted a tax entity with MediaMonks B.V. for the sales taxes (VAT). As from October 2018, S<sup>4</sup>Capital Acquisitions 3 B.V. is included in the fiscal unity for the sales taxes (VAT).

As per July 2018, the Company constitutes a tax entity with S<sup>4</sup>Capital Acquisitions 3 B.V. and the Dutch subsidiaries MediaMonks B.V., Made for Digital Holding B.V., Made for Digital B.V., Bike Film Corporation B.V., Superhero Cheesecake B.V., ebuilders B.V. and Blocklevel B.V. for the corporate income tax; each of the companies is jointly and severally liable for the corporate income tax payable by all companies belonging to the fiscal unity.

### Declaration of joint and several liability

MediaMonks Multimedia Holding B.V. has issued a section 403 (declaration of joint and several liability) statement for MediaMonks B.V. registered under number 320 840 06 at the Dutch Chamber of Commerce.

## 12. Events occurring after the reporting period

No significant events occurred after the reporting period.

Hilversum, 23 August 2019

The Board of Directors

S<sup>4</sup>Capital Acquisitions 3 B.V.  
as represented by its statutory directors,

VK Management B.V.  
as represented by,

Original signed by  
Sir Martin Sorrell

Original signed by  
V.O. Knaap

Monk Management B.V.  
as represented by,

Original signed by  
W. ter Haar

## **Other information**

## **Profit appropriation pursuant to the articles of association**

The Articles of Association state that, in accordance with Article 13, the annual profit earned is freely available to the General Meeting of Shareholders.

## **Independent auditor's report**

To: the general meeting of MediaMonks Multimedia Holding B.V.

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### **Report on the financial statements 2018**

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#### ***Our opinion***

In our opinion, MediaMonks Multimedia Holding B.V.'s financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

#### ***What we have audited***

We have audited the accompanying financial statements 2018 of MediaMonks Multimedia Holding B.V., Hilversum ('the Company'). The financial statements include the consolidated financial statements of MediaMonks Multimedia Holding B.V. together with its subsidiaries ('the Group') and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2018;
- the following statements for 2018: the consolidated and company statements of profit and loss, the consolidated and company statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

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#### ***The basis for our opinion***

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*EECXK5MAWN34-1028488907-14*

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### *Independence*

We are independent of MediaMonks Multimedia Holding B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

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### ***Report on the other information included in the annual report***

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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### ***Responsibilities for the financial statements and the audit***

#### *Responsibilities of the board of directors*

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The board of directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.



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***Our responsibilities for the audit of the financial statements***

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 23 August 2019  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by E. van Eeden RA

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***Appendix to our auditor's report on the financial statements  
2018 of MediaMonks Multimedia Holding B.V.***

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In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

***The auditor's responsibilities for the audit of the financial statements***

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **PART XIV - AUDITED FINANCIAL INFORMATION RELATING TO THE MIGHTYHIVE GROUP**

*The audited financial information of the MightyHive Group set out below for the year to 31 December 2018 has been prepared in accordance with US GAAP. There are material differences between US GAAP and IFRS as adopted by the European Union.*

*The attention of investors and Shareowners is drawn to the unaudited pro forma financial information set out in Part XV of this Document, which includes financial information relating to the MightyHive Group from the point of the MightyHive Merger on 24 December 2019 for the purposes of the consolidated pro forma financial statements and incorporates the adjustments necessary to present the financial information relating to the MightyHive Group in a manner consistent with that of the Group.*

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*Report of Independent Auditors  
and Consolidated Financial Statements*

**MightyHive, Inc.**

*December 31, 2018 and 2017*



MOSSADAMS

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MOSSADAMS

## Report of Independent Auditors

To the Board of Directors  
and Stockholder of  
MightyHive, Inc.

### Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of MightyHive, Inc. (the Company), a wholly-owned subsidiary of S4 Capital plc, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of income (loss), comprehensive income (loss), stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Moss Adams LLP*

San Francisco, California  
October 7, 2019

## **Consolidated Financial Statements**

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**MightyHive, Inc.**  
**Consolidated Balance Sheets**  
**December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,076,139	\$ 17,841,772
Accounts receivable, net	67,200,484	45,782,127
Prepaid expenses and other current assets	2,066,441	625,086
Tax receivable	<u>925,528</u>	-
 Total current assets	 80,268,592	 64,248,985
 Property and equipment, net	 733,786	 438,218
Deferred tax assets, net	282,583	54,527
Other assets	<u>470,091</u>	<u>245,987</u>
 Total assets	 <u>\$ 81,755,052</u>	 <u>\$ 64,987,717</u>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable	\$ 66,693,492	\$ 57,197,977
Accrued expenses	5,292,553	955,402
Customer prepayments/deferred revenue	<u>362,265</u>	<u>887,446</u>
 Total current liabilities	 72,348,310	 59,040,825
 Deferred rent	 240,475	 133,605
Other liabilities	<u>506,722</u>	<u>369,629</u>
 Total liabilities	 <u>73,095,507</u>	 <u>59,544,059</u>
 Commitments and contingencies (Note 6)		
 Stockholders' equity		
Common stock, \$0.01 par value; 1,000 shares authorized:		
100 issued and outstanding at December 31, 2018	-	-
Previously issued convertible preferred stock, \$0.001 par value;		
2,667,382 shares authorized: 2,667,381 shares issued and		
outstanding at December 31, 2017	-	2,667
Previously issued common stock, \$0.001 par value; 11,329,024		
shares authorized: 8,143,206 shares issued and outstanding		
at December 31, 2017	-	8,108
Additional paid-in capital	8,125,367	3,690,755
Retained earnings	438,526	1,736,144
Accumulated other comprehensive income	<u>95,652</u>	<u>5,984</u>
 Total stockholders' equity	 <u>8,659,545</u>	 <u>5,443,658</u>
 Total liabilities and stockholders' equity	 <u>\$ 81,755,052</u>	 <u>\$ 64,987,717</u>

**MightyHive, Inc.**  
**Consolidated Statements of Operations**  
**Years Ended December 31, 2018 and 2017**

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	<u>2018</u>	<u>2017</u>
REVENUE	\$ 45,702,567	\$ 24,569,019
COST OF REVENUE	<u>16,758,986</u>	<u>6,114,460</u>
GROSS PROFIT	<u>28,943,581</u>	<u>18,454,559</u>
OPERATING EXPENSES		
Engineering, research and development	3,659,513	2,519,337
Sales and marketing	9,559,795	4,705,831
General and administrative	<u>16,611,695</u>	<u>5,999,155</u>
Total operating expenses	<u>29,831,003</u>	<u>13,224,323</u>
INCOME (LOSS) FROM OPERATIONS	(887,422)	5,230,236
INTEREST AND OTHER EXPENSE, net	<u>(207,544)</u>	<u>(20,012)</u>
INCOME (LOSS) BEFORE INCOME TAXES	(1,094,966)	5,210,224
PROVISION FOR INCOME TAXES	<u>202,652</u>	<u>3,369,495</u>
NET INCOME (LOSS)	<u>\$ (1,297,618)</u>	<u>\$ 1,840,729</u>

See accompanying notes.

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**MightyHive, Inc.**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**Years Ended December 31, 2018 and 2017**

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	<u>2018</u>	<u>2017</u>
NET INCOME (LOSS)	\$ (1,297,618)	\$ 1,840,729
OTHER COMPREHENSIVE INCOME:		
Change in cumulative translation adjustment	<u>89,668</u>	<u>21,676</u>
OTHER COMPREHENSIVE INCOME	<u>89,668</u>	<u>21,676</u>
COMPREHENSIVE INCOME (LOSS)	<u><u>\$ (1,207,950)</u></u>	<u><u>\$ 1,862,405</u></u>

**MightyHive, Inc.**  
**Consolidated Statements of Stockholders' Equity**  
**Years Ended December 31, 2018 and 2017**

	Common stock	Shares	Amount	Previously issued convertible preferred stock	Shares	Amount	Previously issued common stock	Shares	Amount	Additional paid-in capital	Retained earnings/ (deficit)	Accumulated other comprehensive income (loss)	Total stockholders' equity
Balance at December 31, 2016	-	\$ -	2,667,381	\$ 2,667	8,132,234	\$ 8,097	\$ 3,231,693	\$ (104,585)	\$ (15,682)	\$ 3,122,180			
Issuance of common stock on exercise of stock options	-	-	-	-	10,872	11	7,273	-	-				7,284
Stock-based compensation	-	-	-	-	-	-	451,789	-	-				451,789
Components of comprehensive income:													
Net income	-	-	-	-	-	-	-	-	-	1,840,729	-	21,676	1,840,729
Currency translation adjustments	-	-	-	2,667,381	2,667	8,143,206	8,108	3,690,755	1,736,144	-	5,984		5,443,658
Balance at December 31, 2017	-	-	-	-	56,768	57	45,652	-	-				45,909
Issuance of common stock on exercise of stock options	-	-	-	-	-	-	-	-	-				
Redemption of common and preferred stock in acquisition of Company by S4 Capital plc (Note 1)	100	-	(2,667,381)	(2,667)	(8,199,974)	(8,165)	10,832	-	-				-
Stock-based compensation	-	-	-	-	-	-	4,377,928	-	-				4,377,928
Components of comprehensive income:													
Net loss	-	-	-	-	-	-	-	(1,297,618)	-	89,668		(1,297,618)	
Currency translation adjustments	-	-	-	-	-	-	\$ 8,125,367	\$ 438,536	\$ 95,652	\$ 8,659,545			
Balance at December 31, 2018	<u>100</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,659,545</u>

See accompanying notes.

**MightyHive, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2018 and 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (1,297,618)	\$ 1,840,729
Adjustments to reconcile net income to net cash provided by operating activities		
Loss on disposal of property and equipment	6,547	-
Depreciation and amortization	265,787	122,567
Stock-based compensation	4,377,928	451,789
Changes in assets and liabilities:		
Accounts receivable, net	(21,418,357)	(30,061,573)
Prepaid expenses and other current assets	(1,441,355)	(320,210)
Tax receivable	(2,811,618)	-
Deferred tax assets, net	(228,056)	225,845
Other assets	(224,104)	(45,082)
Accounts payable	9,495,515	36,678,051
Accrued expenses	4,337,151	(756,901)
Customer prepayments/deferred revenue	(525,181)	423,206
Deferred rent	106,870	43,938
Other liabilities	137,093	369,629
Net cash provided (used) by operating activities	<u>(9,219,398)</u>	<u>8,971,988</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(567,902)</u>	<u>(410,591)</u>
Net cash used by investing activities	<u>(567,902)</u>	<u>(410,591)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contribution from S4 Capital plc in conjunction with acquisition	3,705,356	-
Redemption of previously issued common and preferred stock	(1,819,266)	-
Proceeds from issuance of common stock on exercise of stock options	<u>45,909</u>	<u>7,284</u>
Net cash provided by financing activities	<u>1,931,999</u>	<u>7,284</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>-</u>	<u>21,676</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>89,668</u>	<u>8,590,357</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>17,841,772</u>	<u>9,251,415</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 10,076,139</u>	<u>\$ 17,841,772</u>
<b>SUPPLEMENTAL DISCLOSURES OF OTHER CASH FLOW INFORMATION</b>		
Cash paid for income taxes	\$ 1,593,000	\$ 3,092,000

**MightyHive, Inc.**  
**Notes to Consolidated Financial Statements**

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**NOTE 1 – THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES**

MightyHive, Inc. (the Company), incorporated in the state of Delaware on February 22, 2012, is a Programmatic Solutions provider for forward-thinking marketers and agencies. The Company offers services focusing on implementation and support, campaign management, and consulting.

The Company is headquartered in San Francisco, California and has offices in several other locations in the U.S. and internationally including Sydney, London, Singapore, Canada and Japan.

The Company established wholly-owned subsidiaries in Sydney, Australia and London, United Kingdom in 2016, Singapore in 2017, and Canada and Japan in 2018. The subsidiaries are primarily sales, marketing, and service operation offices and are expected to operate independently as an extension of the parent Company's operations. As a result, the consolidated financial statements of the Company's foreign subsidiaries are measured using the local currency as the functional currency.

On December 24, 2018, the Company was acquired by S4 Capital plc, a public limited company incorporated in the United Kingdom, and became a wholly-owned subsidiary of S4 Capital plc, for total enterprise value of approximately \$150,000,000. The Company elected not to apply push down accounting with respect to this transaction.

**Principles of consolidation** – The consolidated financial statements include the accounts of the Company and its wholly-owned foreign subsidiaries. All significant intercompany transactions and balances have been eliminated.

**Consolidated comprehensive income (loss)** – Generally accepted accounting principles establish standards for reporting and display in the consolidated financial statements of total consolidated net income (loss) and the components of all other non-owner changes in equity, referred to as comprehensive income. Accordingly, the Company has reported the translation gain from consolidation of its foreign subsidiaries in consolidated comprehensive income (loss).

**Foreign currency translation** – The functional currencies of the Company's significant foreign subsidiaries are generally the local currencies. Accordingly, all assets and liabilities of the foreign operations are translated to U.S. dollars at current period end exchange rates, and revenues and expenses are translated to U.S. dollars using average exchange rates in effect during the period. The gains and losses from foreign currency translation of these subsidiaries' financial statements are recorded directly into a separate component of consolidated stockholders' equity under the caption "Accumulated other comprehensive income."

**Estimates** – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash equivalents** – The Company considers all highly liquid investments with an original maturity from the date of purchase of three months or less to be cash equivalents. As of December 31, 2018 and 2017, cash and cash equivalents consist of cash deposited with banks. The recorded carrying amount of cash equivalents, which is cost plus accrued interest, approximates fair value.

## **MightyHive, Inc.**

### **Notes to Consolidated Financial Statements**

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**Concentration of operations** – The Company's service revenues are concentrated in the digital advertising industry which is highly competitive and rapidly changing. Significant technological changes in the industry or customer requirements, or the emergence of competitive services with new capabilities or technologies, could adversely affect the Company's operating results.

The Company is a service partner to Google as further described in the revenue recognition policy below. Approximately 81% and 94% of total revenue was generated from Google Marketing Platform services during the years ended December 31, 2018 and 2017, respectively, and net purchases from Google consisted of approximately \$174,744,000 or 70% and \$113,457,000 or 91% of total purchases during the years ended December 31, 2018 and 2017, respectively. Accounts payable to Google was approximately \$59,711,000 and \$46,989,000 at December 31, 2018 and 2017, respectively. A change in this business relationship could significantly disrupt the business.

The Company's revenue is highly concentrated in the United States making up approximately 89% and 94% of total revenue during the years ended December 31, 2018 and 2017. Approximately 10% and 5% of total revenue during the years ended December 31, 2018 and 2017, was generated out of its wholly-owned Australian subsidiary. Negative effects of the economic and political forces within the market or geographic area could have an adverse impact on the Company's operations.

Significant customers are those which represent more than 10% of the Company's total revenues or accounts receivable balance at each balance sheet date. For the years ended December 31, 2018 and 2017, the Company did not have any customers that accounted for 10% or more of the Company's total revenues. In addition, as of December 31, 2018 and 2017, the Company did not have any customers that accounted for 10% or more of the Company's total accounts receivable.

**Concentrations of credit risk** – Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with federally insured commercial banks in the United States and at times cash balances may be in excess of federal insurance limits. Accounts receivable are stated at the amount the Company expects to collect. The Company generally does not require collateral or other security in support of accounts receivable. To reduce credit risk, management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2018 and 2017, the Company had a reserve of approximately \$1,321,000 and \$215,000, respectively, for estimated credit losses.

**Property and equipment** – Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets, generally 36 to 60 months. Leasehold improvements and property under capital leases are amortized over the shorter of estimated useful lives of the assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the consolidated statements of operations.

**MightyHive, Inc.**  
**Notes to Consolidated Financial Statements**

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**Long-lived assets** – The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No such impairments have been identified to date.

**Revenue recognition** – The Company's revenue is generated primarily from Google Marketing Platform services, various consulting arrangements and pass-through media as further described below. The Company also provides certain set up and training services when requested by its customers. The Company recognizes revenue based on Accounting Standards Codification (ASC) 605, Revenue Recognition, as set forth by the Financial Accounting Standards Board (FASB).

The Company recognizes revenue when all four of the following criteria are met:

- Persuasive evidence of an arrangement exists
- The fee is fixed or determinable
- Collection of the related receivables is reasonably assured
- Delivery of the services has occurred

Often times, the Company enters into arrangements for multiple services at the same time, or within close proximity of one another. In such circumstances, each element is accounted for as a separate unit of accounting because the following criteria are met: the delivered services have value to the customer on a standalone basis as the services are sold separately; the arrangement does not provide the right to return any of the delivered services; and performance of the undelivered services is considered probable and is substantially controlled by the Company.

The Company generates revenue primarily from the following services:

*Google Marketing Platform Full-Stack* – The Company services the full-stack Google Marketing Platform services: Display & Video 360, Campaign Manager, and Search Ads 360. The Marketing Platform services are the primary revenue drivers for the Company in 2018 and 2017. The Company generates its revenue from servicing the marketing platforms as a service partner, the Company recognizes the media fee and associated technology fee billed by Google on a net basis and the service fee is recognized on a gross basis in the month service is performed.

*Consulting and Pass-Through Media* – The Company generates consulting revenue through programmatic efficiency audits, custom integration, and insourcing support services. Programmatic efficiency audits involve a review of current data flow and architecture, programmatic asset mapping, and cost waterfall analysis. Custom integration includes API integration and customized dashboard that connect Google platforms with the rest of the ecosystem. The Company recognizes the consulting revenue on a gross basis and in the month the service is completed. Pass-through media are media under management as part of consulting engagements. As the Company is acting as an agent for the media, the media is billed to the Company and immediately invoiced to the customer. The Company recognizes this revenue on a net basis.

**Cost of Revenue** – Cost of Revenue primarily consist of costs associated with providing advertising and consulting services. These costs include salaries and benefits of related personnel, outsourced contractor expenses and for costs that are indirectly related to the related personnel.

## **MightyHive, Inc.**

### **Notes to Consolidated Financial Statements**

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**Common stock reserve** – The Company reassesses the classification of its stockholders' equity at each balance sheet date. In the event when authorized and unissued common stock is not sufficient, settlement is not within the control of the Company and either asset or liability classification may result.

**Stock-based compensation** – The Company uses the estimated grant date fair value method of accounting. The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of four years with a one-year cliff.

**Research and development** – Research and development costs are charged to operations as incurred.

**Advertising** – The Company expenses the costs of advertising, including promotional expenses, as incurred. Advertising expenses for the years ended December 31, 2018 and 2017, were not significant.

**Income taxes** – Deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities and net operating loss (NOL) and tax credit carryforwards. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Company classifies any liabilities for unrecognized tax benefits as current to the extent that the Company anticipates payment (or receipt) of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes. The Company had approximately \$507,000 and \$370,000 unrecognized tax benefits recorded in other liabilities at December 31, 2018 and 2017, respectively.

**New accounting pronouncements** – In March 2016, the FASB issued ASU No. 2016-09, *Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, (ASU 2016-09) which amends the existing accounting standards for share-based payments. ASU 2016-09 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. The Company adopted ASU No. 2016-09, prospectively as of January 1, 2018. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No 2016-02, *Leases (Topic 842)*. As amended, the new standard requires lessees to recognize almost all leases on their balance sheet as a right-of-use asset and lease liability. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. The standard will be effective beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating this new standard and the impact it will have on its consolidated financial statements.

**MightyHive, Inc.**  
**Notes to Consolidated Financial Statements**

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In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a new standard on revenue recognition. As amended, the new standard contains principles that an entity will need to apply to determine the measurement of revenue and timing of when revenue is recognized. The underlying principle is to recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard has a five-step approach which includes identifying the contract or contracts, identifying the performance obligations, determining the transaction price, allocating the transaction price, and recognizing revenue. The standard also significantly expands the quantitative and qualitative disclosure requirements for revenue, which are intended to help users of financial statements, understand the nature, amount, timing, and uncertainty of revenue and the related cash flows. The standard is effective for annual periods beginning after December 15, 2018, for nonpublic entities and early application is only permitted in certain circumstances. The Company is currently evaluating this new standard and the impact it will have on its consolidated financial statements, information technology systems, process, and internal controls.

**Subsequent events** – The Company has evaluated subsequent events through October 7, 2019, which is the date the consolidated financial statements were available to be issued.

**NOTE 2 – SIGNIFICANT BALANCE SHEET COMPONENTS**

**Accrued expenses** – Accrued expenses consisted of approximately the following at December 31:

	<b>2018</b>	<b>2017</b>
Employee-related liabilities	\$ 2,557,000	\$ 459,000
Professional and other fees	693,000	284,000
Pass-through media costs	2,043,000	-
Other liabilities	-	212,000
	<hr/> <b>\$ 5,293,000</b>	<hr/> <b>\$ 955,000</b>

**NOTE 3 – STOCKHOLDERS’ EQUITY**

At December 31, 2017, the authorized capital stock of the Company consisted of 13,996,406 shares of capital stock, comprising 11,329,024 shares of common stock and 2,667,382 shares of convertible preferred stock. All classes of the Company’s stock had \$0.001 par value.

In connection with the acquisition of the Company by S4 Capital plc (Note 1), all previously issued common stock and convertible preferred stock were redeemed. Subsequent to the acquisition, the authorized capital stock of the Company is 1,000 shares of common stock. There is a total of 100 shares at a par value of \$0.01 per share, of common stock, issued and outstanding 100% owned by S4 Capital plc.

## MightyHive, Inc.

### Notes to Consolidated Financial Statements

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The following capital structure was in effect prior to the Company's acquisition by S4 Capital plc. (Note 1):

**Convertible preferred stock** – At December 31, 2017, convertible preferred stock consisted of approximately the following (except share data):

	Shares authorized	Shares issued and outstanding	Liquidation amount	Gross proceeds
Series Seed	2,667,382	2,667,382	\$ 7,237,000	\$ 3,221,000
	<u>2,667,382</u>	<u>2,667,382</u>	<u>\$ 7,237,000</u>	<u>\$ 3,221,000</u>

The significant features of the Company's convertible preferred stock were as follows:

**Dividend provisions** – All dividends shall have been declared by the Board of Directors pro rata on the common stock and convertible preferred stock on a pari passu basis according to the number of shares of common stock held by such holders. The Company declared no dividends since inception.

**Liquidation preference** – In the event of any liquidation, dissolution or winding up of the Company, the holders of convertible preferred stock then outstanding shall have been entitled to be paid, out of the available funds and assets, and prior and in preference to any payment or distribution of any such funds on any shares of common stock, an amount per share equal to the original issue price of \$2.7131, plus all accumulated but unpaid dividends for the preferred stock, whether or not declared by the Board. If assets were not sufficient to permit such payment, payment will be made on a pro rata, equal priority, pari passu basis to the preferential amount each such stockholder is entitled to receive.

Thereafter, any remaining proceeds shall have been distributed among the holders of common stock pro rata based on the number of shares held by each such holder.

**Conversion rights** – Each outstanding share of convertible preferred stock was convertible into one fully paid and non-assessable share of common stock. The price at which shares of common stock shall have been deliverable upon conversion of shares of Series Seed shall have been \$2.7131. Each share of convertible preferred stock shall have been automatically converted into fully paid and non-assessable shares of common stock immediately prior to the closing of a firm commitment underwritten public offering. Conversion may also have occurred upon written consent of at least a majority of the then outstanding shares of convertible preferred stock, voting as a single class on an as-converted basis.

**Voting rights** – The holders of each share of convertible preferred stock were entitled to the number of votes equal to the number of shares of common stock into which such share was convertible.

**MightyHive, Inc.**  
**Notes to Consolidated Financial Statements**

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**Reserved common stock** – At December 31, 2017, the Company has reserved the following shares of common stock for future issuance for the following purposes:

Conversion of Series Seed	2,667,382
Stock option plan:	
Options issued and outstanding	1,137,766
Options available under the stock option plan	598,221
	<hr/>
	4,403,369
	<hr/>

**NOTE 4 – STOCK-BASED COMPENSATION**

In July 2014, the Company's Board of Directors approved the adoption of a stock option plan (the 2014 Option Plan). As amended, the 2014 Option Plan permitted the Company to grant up to 213,571 shares of the Company's common stock.

In April 2017, the Company's Board of Directors approved a new stock option plan, the 2017 Equity Incentive Plan. The 2017 Equity Incentive Plan permitted the Company to grant up to 1,500,000 of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards other stock awards, plus any outstanding options under the Company's 2014 Option Plan, that are subsequently forfeited or terminated for any reason before being exercised. No further grants of equity awards were to be made under the 2014 Option Plan.

The 2014 Option Plan and 2017 Equity Incentive Plan (the Option Plans) provided for the grant of incentive and nonstatutory stock options to employees, nonemployee directors, and consultants of the Company. Options granted under the 2014 Option Plan and 2017 Equity Incentive Plan generally became exercisable ratably over a four-year period following the date of grant and expired ten years from the date of grant. At the discretion of the Company's Board of Directors, certain options may have been exercisable immediately at the date of grant but were subject to a repurchase right, under which the Company may buy back any unvested shares at their original exercise price in the event of an employee's termination prior to full vesting. All other options were exercisable only to the extent vested. At December 31, 2018 and 2017, there were no shares that had been early exercised that were subject to the Company's repurchase right at that date. The exercise price of incentive stock options granted under the 2014 Option Plan and 2017 Equity Incentive Plan must have been equal to 100% of the fair value of the Company's common stock at the date of grant, as determined by the Board of Directors. The exercise price of nonstatutory options granted under the 2014 Option Plan and 2017 Equity Incentive Plan must have been at least equal to 100% of the fair value of the Company's common stock at the date of grant.

In connection with the acquisition of the Company by S4 Capital plc (Note 1), all previously issued options outstanding that were vested as of the transaction date were redeemed and all unvested shares were automatically cancelled with no consideration. Options are no longer available for grant under the Option Plans.

**MightyHive, Inc.**  
**Notes to Consolidated Financial Statements**

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Stock option activity for the years ended December 31, 2018 and 2017, were as follows:

	Available for grant	Options outstanding	Weighted average exercise price	Weighted average remaining contractual life (in years)
Outstanding at December 31, 2016	180,689	231,770	\$ 0.67	8.98
Shares authorized	1,334,400			
Options granted	(962,918)	962,918	\$ 0.69	
Options exercised	-	(10,872)	\$ 0.67	
Options canceled/forfeited/expired	46,050	(46,050)	\$ 0.68	
Outstanding at December 31, 2017	598,221	1,137,766	\$ 0.69	8.98
Options granted	(572,722)	572,722	\$ 4.14	
Options exercised	-	(56,768)	\$ 0.68	
Options cancelled/forfeited/expired	290,219	(290,219)	\$ 0.73	
Options redeemed due to acquisition (Note 1)	-	(705,414)	\$ 2.65	
Options cancelled due to acquisition (Note 1)	-	(658,087)	\$ 1.65	
Termination of Plan	(315,718)	-	\$ -	
Outstanding at December 31, 2018	-	-		

Stock-based compensation expense for all share-based payment awards granted is based on estimated grant-date fair value. The Company recognizes these compensation costs, and recognizes the compensation costs for only those shares expected to vest on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of four years.

For the years ended December 31, 2018 and 2017, the Company recorded stock-based compensation expense of approximately \$4,378,000 and \$452,000, respectively.

Cash received from option exercises and purchases of shares under the 2017 Equity Incentive Plan and 2014 Option Plan for the years ended December 31, 2018 and 2017, was approximately \$46,000 and \$7,000, respectively.

The total pretax intrinsic value of options exercised during the years ended December 31, 2018 and 2017 was approximately \$318,000 and \$18,000, respectively. The intrinsic value is the difference between the estimated fair value of the Company's common stock at the date of exercise and the exercise price for in-the-money options. The weighted average grant date calculated fair value of options granted during the years ended December 31, 2018 and 2017, was \$1.98 and \$1.82, respectively.

**MightyHive, Inc.**  
**Notes to Consolidated Financial Statements**

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The calculated fair value of option grants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018	2017
Expected dividend yield (1)	0.0%	0.0%
Risk-free interest rate (2)	2.85%	1.93%
Expected volatility (3)	47.63%	50.28%
Expected life (in years) (4)	5.75	5.91

- (1) The Company has no history or expectation of paying cash dividends on its common stock.
- (2) The risk-free interest rate is based on the U.S. Treasury yield for a term consistent with the expected life of the awards in effect at the time of grant.
- (3) The Company identified similar entities that are publicly traded to determine the volatility summarized above while applying an additional risk factor based on the Company's limited period of operations.
- (4) The expected life of stock options granted under the Option Plans is based on historical exercise and cancellation patterns, which the Company believes are representative of future behavior. The expected life represents the period of time that options granted are expected to be outstanding.

**NOTE 5 – INCOME TAXES**

Income (loss) before provision for income taxes consisted of approximately the following for the years ended December 31:

	2018	2017
United States	\$ (1,392,000)	\$ 6,906,000
Foreign	<u>297,000</u>	<u>(1,696,000)</u>
	<u><u>\$ (1,095,000)</u></u>	<u><u>\$ 5,210,000</u></u>

The provision for income taxes consists of approximately the following for the years ended December 31:

	2018	2017
Current income tax expense:		
Federal	\$ 172,000	\$ 2,477,000
State	254,000	453,000
Foreign	<u>3,000</u>	<u>214,000</u>
	<u><u>429,000</u></u>	<u><u>3,144,000</u></u>
Deferred income tax expense (benefit):		
Federal	(160,000)	112,000
State	(66,000)	27,000
Foreign	<u>-</u>	<u>86,000</u>
	<u><u>(226,000)</u></u>	<u><u>225,000</u></u>
Total expense for income taxes	<u><u>\$ 203,000</u></u>	<u><u>\$ 3,369,000</u></u>

**MightyHive, Inc.**  
**Notes to Consolidated Financial Statements**

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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and operating losses and tax carryforwards.

Total net deferred tax assets and liabilities were approximately as follows at December 31:

	2018	2017
Deferred tax assets (liabilities)		
Net operating loss carryforwards	\$ 530,000	\$ 602,000
Accruals and reserves	298,000	33,000
Tax credits	50,000	27,000
Stock-based compensation	4,000	4,000
Property and equipment	<u>(69,000)</u>	<u>(9,000)</u>
Total net deferred tax assets	<u>813,000</u>	<u>657,000</u>
Less: valuation allowance	<u>(530,000)</u>	<u>(602,000)</u>
Total net deferred tax assets	<u><u>\$ 283,000</u></u>	<u><u>\$ 55,000</u></u>

Realization of deferred tax assets is dependent upon future earnings, the timing and amount of which are uncertain. As of each reporting date, the Company considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets. Because of the Company's recent history of operating losses at its foreign subsidiaries, management believes that recognition of the deferred tax assets arising from the above-mentioned foreign future tax benefits of approximately \$530,000 and \$602,000, as of December 31, 2018 and 2017, respectively, due to net operating losses (NOL) carryforwards, is currently not likely to be realized and, accordingly, has provided a full valuation allowance against this balance.

As of December 31, 2018 and 2017, the Company had NOL carryforwards for foreign purposes of approximately \$1,766,000 and \$2,043,000, respectively. As of December 31, 2018 and 2017, the Company also had research tax credit carryforwards for state tax purposes of approximately \$82,000 and \$61,000, respectively. The foreign NOL carryforwards and state tax credits do not expire and will carry forward indefinitely until utilized. Utilization of net operating loss carryforwards and credits may be subject to substantial annual limitations due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended and similar state provisions. The Company has not performed a formal study to assess whether an ownership change has occurred or whether there have been multiple changes since the Company's formation that could limit the use of net operating losses.

**MightyHive, Inc.**  
**Notes to Consolidated Financial Statements**

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The effective tax rate of the Company's provision for income taxes differs from the federal statutory rate as follows for the years ended December 31:

	2018	2017
Statutory rate	21.00%	34.00%
State tax	-38.81%	8.69%
Foreign tax	-1.22%	0.00%
Other	-116.19%	7.14%
Tax reform - tax rate change	0.00%	0.27%
Tax credits	78.98%	-2.38%
Uncertain tax positions	-48.64%	5.57%
Change in valuation allowance	<u>27.64%</u>	<u>11.56%</u>
 Total	 <u>-77.24%</u>	 <u>64.85%</u>

It is the Company's policy to recognize interest and penalties to income tax matters in income tax expense. As of December 31, 2018 and 2017, the Company has accrued interest and penalties related to uncertain tax positions, which were insignificant.

The following table summarizes the activity related to our unrecognized tax benefits for the years ended December 31:

	2018	2017
Unrecognized tax benefits, beginning of year	\$ 370,000	\$ -
Decrease due to prior year tax positions	(17,000)	82,000
Increase due to current year tax positions	<u>154,000</u>	<u>288,000</u>
 Unrecognized tax benefits, end of year	 <u>\$ 507,000</u>	 <u>\$ 370,000</u>

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities through the nation. The Company is not currently under audit by the Internal Revenue Service or other similar state and local authorities. All tax years remain open to examination by major taxing jurisdictions to which the Company is subject to.

On December 22, 2017, the Tax Cuts and Jobs Act (the Act) was signed into law, making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a top corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of the U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of foreign earnings as of December 31, 2017. Consequently, we have recorded a decrease related to the net deferred tax assets of approximately \$15,000 for the year ended December 31, 2017. The state deferred tax effect on federal deferred tax asset has been calculated using 21% rather than the previous 34% federal benefit. The Company has analyzed and determined that there is no transition tax on the deemed repatriation of past earnings of foreign subsidiaries due at his time as the provisional amounts are expected to be offset by foreign tax credits.

## **MightyHive, Inc.**

### **Notes to Consolidated Financial Statements**

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As of December 31, 2018 and 2017, the Company had approximately \$507,000 and \$370,000, respectively, of gross unrecognized tax benefits, all of which would affect the effective tax rate, if recognized. The balance is included in accrued expenses on the consolidated balance sheets. The liability increased by approximately \$137,000 from the prior year. The Company does not anticipate unrecognized tax benefits in the next 12 months that would result in a material change to the Company's consolidated financial position.

#### **NOTE 6 – COMMITMENTS AND CONTINGENCIES**

**Operating leases** – The Company leases its facilities under noncancelable operating leases expiring in February 2021. The Company also leases certain office equipment under operating lease agreements. Rent expense related to the Company's operating leases was approximately \$1,798,000 and \$1,173,000 for the years ended December 31, 2018 and 2017, respectively.

Future minimum payments under noncancelable leases are approximately as follows:

**Fiscal years ending December 31:**

2019	\$ 3,746,000
2020	1,825,000
2021	<u>109,000</u>
 Total	 <u>\$ 5,680,000</u>

**Management incentive plans** – In connection with the acquisition of the Company by S4 Capital plc (Note 1), S4 Capital plc issued 3,561,431 ordinary shares to the Employee Benefits Trust (EBT) at nominal value using a loan advanced to the EBT by S4 Capital plc out of S4 Capital plc's distributable reserves. The ordinary shares issued to the EBT at the time of the transaction have been used to fund a \$5,000,000 share option plan for the employees of the Company. Since the transaction, awards in respect to substantially all of the ordinary shares held by the EBT for use in the Company's incentive plans are expected to be granted to the Company's employees. These awards typically vest over a four-year period to promote retention of key personnel with the Company.

In addition, the rollover options granted by S4 Capital plc in connection with the transaction continue to act as a retention incentive to the Company. Certain equity awards have been agreed to be made, but not yet been granted to date, to ProgMedia Consultoria LTDA (ProgMedia) (Note 7) using ordinary shares that were previously subject to lapsed awards held by former employees of the Company. S4 Capital plc has also agreed to the establishment of a \$5,000,000 restricted cash bonus plan for the Company. These restricted cash bonuses will be paid out of the cash resources of S4 Capital plc.

**MightyHive, Inc.**  
**Notes to Consolidated Financial Statements**

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**NOTE 7 – SUBSEQUENT EVENTS**

In January 2019, the Company amended its noncancelable operating lease in New York with minimum additional lease payments of approximately \$39,000 per month from February 2019 to March 2019 and replaced the previous noncancelable operating lease with minimum lease payments of \$175,000 per month from April 2019 to May 2020.

In April 2019, the Company acquired 100% of the equity of ProgMedia, a Brazilian-based programmatic solutions consulting firm. As a result of the acquisition, the Company is expected to expand operations into Latin America and is expected to increase ProgMedia's customer base and revenue in Brazil and Latin America. The total consideration is equal to the sum of the initial consideration and the deferred consideration, with certain adjustments, as defined by the agreement. The initial consideration is equal to a total cash amount of BRL 8,628,840, due upon completion of the transaction, as defined by the agreement, in exchange for 600,673 parent shares to be apportioned between sellers as defined by the agreement. The deferred consideration, equal to up to BRL 16,865,460, is based on certain performance metrics for fiscal 2019, payable no later than the 10<sup>th</sup> business day after both parties are in agreement. Upon payment of the deferred consideration, a deferred equity consideration shall be issued, as defined by the agreement.

In April 2019, the Company established a wholly-owned foreign subsidiary entitled MightyHive NZ Limited in New Zealand.

In April 2019, the subsidiary of the Company established a wholly-owned foreign subsidiary entitled MightyHive S.r.l. in Italy.

In June 2019, the Company established a wholly-owned foreign subsidiary entitled PT MightyHive Indonesia in Indonesia.

In July 2019, the Company entered into an Intra-Group Loan Agreement, with S4 Capital US Holdings LLC, which provides for borrowings up to \$10,000,000 to finance working capital requirements. Subject to certain restrictions as defined by the agreement, advances maybe repaid and reborrowed. The facility bears an interest rate of 5.5% per annum, payable monthly. All outstanding principal and accrued and unpaid interest shall be repaid in full on December 31, 2019. The agreement requires that the Company comply with certain loan covenants as defined and is secured by substantially all assets of the Company. The Company borrowed \$6,000,000 in July 2019 and repaid the principal and interest in full in August 2019.

In August 2019, the Company established a wholly-owned foreign subsidiary entitled MightyHive Hong Kong Limited in Hong Kong.

In August 2019, the Company established a wholly-owned foreign subsidiary entitled MightyHive India Private Limited in India.

In October 2019, the Company established a wholly-owned foreign subsidiary entitled MightyHive AB in Sweden.



MOSSADAMS

## PART XV - UNAUDITED PRO FORMA FINANCIAL INFORMATION



BDO LLP  
55 Baker Street  
London  
W1U 7EU

The Directors  
S<sup>4</sup> Capital plc  
12 St James's Place  
London  
SW1A 1NX

Draft 8 October 2019

Ladies and Gentlemen  
S<sup>4</sup> Capital plc (the "Company")

### Pro forma financial information

We report on the unaudited pro forma net assets statements and unaudited pro forma income statement (the "Pro Forma Financial Information") set out in Part 15 of the prospectus dated 8 October 2019 (the "Prospectus") which has been prepared on the basis described, for illustrative purposes only, to provide information about how (i) the acquisitions of MediaMonks and MightyHive and the proposed acquisition of Firefly, and (ii) the firm placing, placing and open offer, and subscription of shares might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2018.

This report is required by item 18.4 of Annex 1 of Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council (the "Prospectus Regulation").

### Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro Forma Financial Information in accordance with item 18.4.1 of Annex 1 of the Prospectus Regulation.

It is our responsibility to form an opinion, as required by section 3 of Annex 20 of the Prospectus Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex I of the Prospectus Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

#### **Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

#### **Declaration**

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f) we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 of the Prospectus Regulation.

Yours faithfully

BDO LLP  
Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

#### **Part A - Unaudited pro forma income statement**

The following unaudited pro forma income statement of the Group has been prepared to illustrate the effect of the acquisitions of MediaMonks and of MightyHive and the proposed acquisition of Firewood as if they had occurred at the start of the period, 1 January 2018.

The unaudited pro forma income statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.

The unaudited pro forma income statement is based on the results of the Group for the seven months ended 31 December 2018, as set out in the consolidated financial statements of the Company for the period then ended, and has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing its consolidated financial statements for the period ended 31 December 2018 and on the basis set out in the notes below.

## Pro forma income statement

	The Group Seven months ended 31 December 2018	Adjustments					Pro forma income statement of the Group
		MediaMonks 1 January 2018 to 9 July 2018		MightyHive 1 January 2018 to 24 December 2018	Firewood Year ended 31 December 2018	Other adjustments	
		(note 1) £000	(note 2) £000	(note 3) £000	(note 4) £000	(note 5) £000	
Revenue	54,845	46,621	28,816	42,234	-	-	172,516
Cost of sales	(17,681)	(12,217)	(8,196)	-	-	-	(38,094)
Gross profit	37,164	34,404	20,620	42,234	-	-	134,422
Administrative expenses	(33,122)	(25,288)	(14,092)	(35,249)	-	-	(107,751)
Exceptional expenses	(12,512)	-	(7,354)	-	(2,279)	-	(22,145)
Total administrative expenses	(45,634)	(25,288)	(21,446)	(35,249)	(2,279)	-	(129,896)
Operating (loss) profit	(8,470)	9,116	826	6,985	(2,279)	-	4,526
Finance income	324	-	-	42	-	-	366
Finance cost	(975)	(108)	(153)	(201)	-	-	(1,437)
(Loss) profit before taxation	(9,121)	9,008	(979)	6,826	(2,279)	-	3,455
Income tax	1,011	(2,406)	(148)	(251)	-	-	(1,794)
(Loss) profit after taxation	(8,110)	6,602	(1,127)	6,575	(2,279)	-	1,661
Operating (loss) profit	(8,470)	9,116	(826)	6,985	(2,279)	-	4,526
Depreciation and amortisation	8,155	614	191	190	-	-	9,150
EBITDA	(315)	9,730	(635)	7,175	(2,279)	-	13,676
Transaction related expenses	5,005	-	4,147	-	2,279	-	11,431
Other exceptional items	-	-	3,207	-	-	-	3,207
Adjusted EBITDA (note 6)	4,690	9,730	6,719	7,175	-	-	28,314

**Notes:**

1. The results of the Group for the seven months ended 31 December 2018 have been extracted without material adjustment from the audited consolidated financial statements of the Group for the period then ended.

*Adjustments:*

2. This adjustment reflects the pre-acquisition results of MediaMonks prior to its acquisition on 9 July 2018, calculated as set out below:

	<b>MediaMonks</b> <b>Year ended 31 December</b> <b>2018</b>	<b>Less: MediaMonks 9 July 2018 to</b> <b>31 December 2018</b>	<b>MediaMonks</b> <b>1 January 2018 to 9 July 2018</b>
	<b>(note a)</b> <b>£000</b>	<b>(note b)</b> <b>£000</b>	<b>(note c)</b> <b>£000</b>
Revenue	101,232	(54,611)	46,621
Cost of sales	(30,628)	18,411	(12,217)
	<hr/>	<hr/>	<hr/>
Gross profit	70,604	(36,200)	34,404
Administrative expenses	(56,233)	30,945	(25,288)
Exceptional expenses	(191)	191	-
	<hr/>	<hr/>	<hr/>
Total administrative expenses	(56,424)	31,136	(25,288)
	<hr/>	<hr/>	<hr/>
Operating (loss) profit	14,180	(5,064)	9,116
Finance income	43	(151)	(108)
Finance cost	-	-	-
	<hr/>	<hr/>	<hr/>
(Loss) profit before taxation	14,223	(5,215)	9,008
Income tax	(4,034)	1,628	(2,406)
	<hr/>	<hr/>	<hr/>
(Loss) profit after taxation	10,189	(3,587)	6,602
	<hr/>	<hr/>	<hr/>
Operating (loss) profit	14,180	(5,064)	9,116
Depreciation and amortisation	1,271	(657)	614
	<hr/>	<hr/>	<hr/>
EBITDA	15,451	(5,721)	9,730
Transaction related expenses	191	(191)	-
	<hr/>	<hr/>	<hr/>
Adjusted EBITDA (note 6)	15,642	(5,912)	9,730
	<hr/>	<hr/>	<hr/>

**Notes:**

- (a) The results of MediaMonks for the year ended 31 December 2018 have been extracted without material adjustment (save for the conversion from Euros to Sterling at the average exchange rate for the year of €1.133:£1) from the financial statements of MediaMonks set out in Part XIII of this Document.
- (b) This represents the results of MediaMonks which have been consolidated into the financial statements of the Group for the seven months ended 31 December 2018, ie from the date of acquisition of MediaMonks (9 July 2018), and have been sourced from the consolidation schedules underpinning the Group's financial statements.
- (c) This represents the results of MediaMonks for the period in 2018 prior to its consolidation into the Group financial statements, and has been calculated as the results in column a. less the results in column b.

3. This adjustment reflects the pre-acquisition results of MightyHive prior to its acquisition on 24 December 2018, calculated as set out below.

<b>MightyHive</b> <b>Year ended 31 December</b> <b>2018</b>	<b>Less: MightyHive 24</b> <b>December 2018 to 31</b> <b>December 2018</b>	<b>MightyHive</b> <b>1 January 2018 to 24</b> <b>December 2018</b>
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	(note a) £000	(note b) £000	(note c) £000
Revenue	34,005	(5,189)	28,816
Cost of sales	(12,469)	4,273	(8,196)
 Gross profit	 21,536	 (916)	 20,620
Administrative expenses	(14,842)	750	(14,092)
Exceptional expenses	(7,354)	-	(7,354)
 Operating (loss) profit	 (660)	 (166)	 (826)
Finance cost	(155)	2	(153)
 (Loss) profit before taxation	 (815)	 (164)	 (979)
Income tax	(151)	3	(148)
 (Loss) profit after taxation	 (966)	 (161)	 (1,127)
 Operating (loss) profit	 (660)	 (166)	 (826)
Depreciation and amortisation	198	(7)	191
 EBITDA	 (462)	 (173)	 (635)
Transaction related expenses	4,147	-	4,147
Other exceptional items	3,207	-	3,207
 Adjusted EBITDA	 6,892	 (173)	 6,719

**Notes:**

- (a) The results of MightyHive for the year ended 31 December 2018 have been extracted without material adjustment (save for the conversion from Dollars to Sterling at the average exchange rate for the year \$1.344:£1) from the financial statements of MightyHive set out in Part XIV of this Document.
- (b) This represents the results of MightyHive which have been consolidated into the financial statements of the Group for the year ended 31 December 2018, ie from the date of acquisition of MightyHive (24 December 2018), and have been sourced from the consolidation schedules underpinning the Group's financial statements.
- (c) This represents the results of MightyHive for the period in 2018 prior to its consolidation into the Group financial statements, and has been calculated as the results in column a. less the results in column b.

4. The results of Firewood for the year ended 31 December 2018 under IFRS are extracted from the table below.

	Firewood Year ended 31 December 2018 (US GAAP) (note a)	IFRS adjustments (note b)	Firewood Year ended 31 December 2018 (IFRS) (note c)
	£000	£000	£000
Revenue	42,234	-	42,234
Administrative expenses	(35,368)	119	(35,249)
 Operating profit	 6,865	 119	 6,985
Finance income	42	-	42
Finance expense	-	(201)	(201)
 Profit before taxation	 6,908	 (82)	 6,826

Income tax	(251)	-	(251)
Profit after taxation	6,657	(82)	6,575

**Notes:**

- (a) The results of Firewood for the year ended 31 December 2018 have been extracted without material adjustment (save for the conversion) from Dollars to Sterling at the average exchange rate for the year of \$1.344:£1) from the US GAAP financial statements of Firewood out in Part XII of this Document
- (b) This represents adjustments to leases under IFRS 16, to recognise leases, previously recognised as operating and finance leases, as right-of-use assets.
- (c) This represents the results of Firewood for the year ended 31 December 2018 under IFRS as adopted by the EU.

5. This adjustment comprises the estimated costs of the acquisition of Firewood of £2.3 million.

6. Adjusted EBITDA, as defined by the Company and by MediaMonks, is operating profit adjusted for depreciation and amortisation and transaction related costs and, in the case of Firewood, operating profit adjusted for depreciation and amortisation

7. Save for the estimated costs of the acquisition of Firewood, the adjustments are expected to have a continuing effect on the Group.

8. No account has been taken of the trading performance of the Group or of Firewood since 31 December 2018 nor of any other event save as disclosed above.

## Part B - Unaudited pro forma statement of net assets

The following unaudited pro forma statement of net assets of the Group has been prepared to illustrate the effect of the acquisition of Firewood and the Issue as if they had occurred on 30 June 2019.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results.

The unaudited pro forma statement of net assets is based on the net assets of the Group as at 30 June 2019, as set out in the interim unaudited financial statements of the Group for the period then ended, and has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing its financial statements for the year ended 31 December 2018 and on the basis set out in the notes below.

### Pro forma statement of net assets

	Adjustments				
	The Group As at 30 June 2019	Firewood As at 31 December 2018 (IFRS)	Acquisition of Firewood	Net issue proceeds	Pro forma net assets of the Group
	(note 1) £000	(note 2) £000	(note 3) £000	(note 4) £000	£000
<b>Assets</b>					
<b>Non-current assets</b>					
Right of use asset	16,159	4,222	-	-	20,381
Property, plant and equipment	5,692	174	-	-	5,866
Intangible assets	491,948	271	113,738	-	515,957
Other receivables	2,033	-	-	-	2,033
Deferred tax asset	190	-	-	-	190
	426,022	4,667	113,738	-	544,427
	_____	_____	_____	_____	_____
<b>Current assets</b>					
Trade and other receivables	95,589	8,485	-	-	1904,074
Cash and cash equivalents	26,944	3,915	(62,896)	95,996	63,959
	_____	_____	_____	_____	_____
<b>Total current assets</b>	<b>122,533</b>	<b>12,400</b>	<b>(62,896)</b>	<b>95,996</b>	<b>168,033</b>
	_____	_____	_____	_____	_____
<b>Total assets</b>	<b>548,555</b>	<b>17,067</b>	<b>50,842</b>	<b>95,996</b>	<b>712,460</b>
	_____	_____	_____	_____	_____
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Trade and other payables	(2,877)	-	-	-	(2,877)
Long term leases	(9,844)	(2,972)	-	-	(12,816)
Loans and borrowings	(46,269)	-	-	-	(46,269)
Deferred tax	(37,865)	-	-	-	(37,865)
	_____	_____	_____	_____	_____
<b>Total non-current liabilities</b>	<b>(96,855)</b>	<b>(2,972)</b>	<b>-</b>	<b>-</b>	<b>(99,827)</b>
	_____	_____	_____	_____	_____
<b>Current liabilities</b>					
Trade and other payables	(97,409)	(2,102)	-	-	(99,511)
Deferred revenue	-	(2,335)	-	-	(2,335)
Loans and borrowings	-	(222)	-	-	(222)
Deferred consideration	(8,013)	-	-	-	(8,013)
Short term lease liabilities	(6,468)	(1,448)	-	-	(7,916)
Taxation	(5,548)	-	-	-	(5,548)
	_____	_____	_____	_____	_____
<b>Total current liabilities</b>	<b>(117,438)</b>	<b>(6,107)</b>	<b>-</b>	<b>-</b>	<b>(123,545)</b>
	_____	_____	_____	_____	_____
<b>Total liabilities</b>	<b>(214,293)</b>	<b>(9,079)</b>	<b>-</b>	<b>-</b>	<b>(223,372)</b>

<b>Net assets</b>	334,262	7,988	50,842	95,996	489,088
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**Notes:**

1. The net assets of the Group at 30 June 2019 have been extracted without material adjustment from the interim unaudited consolidated financial statements of the Group for the six months ended 30 June 2019.

*Adjustments:*

2. The net assets of Firewood as at 31 December 2018 under IFRS are extracted from the table below:

	<b>Firewood</b> As at 31 December 2018 (US GAAP)	<b>IFRS</b> adjustments	<b>Firewood</b> As at 31 December 2018 (IFRS)
	<b>£000</b> (note a)	<b>£000</b> (note b)	<b>£000</b> (note c)
<b>Assets</b>			
<b>Non-current assets</b>			
Right of use asset	-	4,222	4,222
Property, plant and equipment	174	-	174
Other assets	271	-	271
	445	4,222	4,667
<b>Current assets</b>			
Trade and other receivables	8,485	-	8,485
Cash and cash equivalents	3,915	-	3,915
<b>Total current assets</b>	<b>12,400</b>	<b>-</b>	<b>12,400</b>
<b>Total assets</b>	<b>12,845</b>	<b>4,222</b>	<b>17,067</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term leases	-	(2,972)	(2,972)
<b>Current liabilities</b>			
Trade and other payables	(2,324)	222	(2,102)
Deferred revenue	(2,335)	-	(2,335)
Borrowings	-	(222)	(222)
Short term lease	-	(1,448)	(1,448)
<b>Total current liabilities</b>	<b>(4,659)</b>	<b>(1,448)</b>	<b>(6,107)</b>
<b>Total liabilities</b>	<b>(4,659)</b>	<b>(4,420)</b>	<b>(9,079)</b>
<b>Net assets</b>	<b>8,186</b>	<b>(198)</b>	<b>(7,988)</b>

**Notes:**

- The net assets of Firewood as at 31 December 2018 have been extracted without material adjustment (save for the conversion from Dollars to Sterling at the exchange rate at that date of £1.273:£1) from the US GAAP financial statements of Firewood out of Part XII of this Document.
- This represents adjustments to leases under IFRS 16, to recognise leases previously recognised as operating and finance leases as right-of-use assets and the reclassification of borrowings from trade and other payables to borrowings.
- This represents the net assets of Firewood as at 31 December 2018 under IFRS as adopted by the EU.

3. For the purposes of this pro forma information, no adjustment has been made to the separate assets and liabilities of Firewood to reflect their fair value. The difference between the net assets of Firewood as stated at their book value at 31 December 2018 and the estimated consideration has therefore been presented as a single value in "Intangible assets". The net assets of Firewood will be subject to a fair value restatement as at the effective date of the transaction. Actual intangible assets included in the Company's next published financial statements may therefore be materially different from those included in the pro forma statement of net assets. The estimated consideration for Firewood is approximately \$150 million (£118 million) comprising 41,428,571 New Ordinary Shares issued at a price of 142 pence per New Ordinary Share:

	£000
Consideration payable in cash	60,884
Consideration payable in shares	56,948
Book value of net assets of Firewood as at 31 December 2018	(7,988)
Estimated intangible assets arising on the acquisition of Firewood	109,844

4. This adjustment represents net Issue proceeds of £96 million (gross Issue proceeds of £100 million less expenses directly attributable to the Issue and the estimated costs of the acquisition of Firefly of £4 million).  
 5. No account has been taken of the financial performance of the Group since 30 June 2019 or of Firewood since 31 December 2018 nor of any other event save as disclosed above.

## PART XVI - TAXATION

The following is a summary of certain United Kingdom tax considerations relating to an investment in the Ordinary Shares.

The comments set out below are based on current United Kingdom law as applied in England and Wales and published HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs), all as at the date of this Document, and all of which may be subject to change, possibly with retroactive effect.

They are intended as a general guide and apply only to shareowners of the Company resident and, in the case of an individual, domiciled for tax purposes in the United Kingdom and to whom "split year" treatment does not apply (except insofar as express reference is made to the treatment of non-United Kingdom residents), who hold shares in the Company as an investment and who are the absolute beneficial owners thereof. Certain categories of shareowners, including those carrying on certain financial activities, those subject to specific tax regimes or benefitting from certain reliefs or exemptions, those connected with the Company or Group, those for whom the shares are employment related securities, and those who own (or are deemed to own) 5 per cent. or more of the shares and/or voting power of the Company (either alone or together with connected persons) may be subject to special rules and this summary does not apply to such shareowners.

Shareowners or prospective shareowners who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

### 1 TAXATION OF DIVIDENDS

The Company will not be required to withhold amounts on account of United Kingdom tax at source when paying a dividend.

#### *Individual Shareowners*

A United Kingdom resident individual shareowner will not be subject to income tax on a dividend such individual shareowner receives from the Company if the total amount of dividend income received by the individual in the tax year (including the dividend from the Company) does not exceed a dividend allowance of £2,000, which will be taxed at a nil rate (the "Dividend Allowance").

In determining the income tax rate or rates applicable to a United Kingdom resident individual shareowner's taxable income, dividend income is treated as the highest part of such individual shareowner's income. Dividend income that falls within the Dividend Allowance will count towards the basic or higher rate limits (as applicable) which may affect the rate of tax due on any dividend income in excess of the Dividend Allowance.

To the extent that a United Kingdom resident individual shareowner's dividend income for the tax year exceeds the Dividend Allowance and, when treated as the top slice of such individual shareowner's income, falls above such individual shareowner's personal allowance but below the basic rate limit, such an individual shareowner will be subject to tax on that dividend income at the dividend basic rate of 7.5%. To the extent that such dividend income falls above the basic rate limit but below the higher rate limit, such an individual shareowner will be subject to tax on that dividend income at the dividend upper rate of 32.5%. To the extent that such dividend income falls above the higher rate limit, such an individual shareowner will be subject to tax on that dividend income at the dividend additional rate of 38.1%.

#### *Corporate shareowners*

Shareowners who are within the charge to corporation tax will be subject to corporation tax on dividends paid by the Company, unless (subject to special rules for such shareowners that are small companies) the dividends fall within an exempt class and certain other conditions are met. Each shareowner's position will depend on its own individual circumstances, although it would normally be expected that the dividends paid by the Company would fall within an exempt class. However, it should be noted that the exemption is subject to anti-avoidance rules. Shareowners should therefore consult their own professional advisers.

#### *Non-UK shareowners*

A Shareowner resident or otherwise subject to tax outside the United Kingdom (whether an individual or

a body corporate) may be subject to foreign taxation on dividend income under local law. Shareowners to whom this may apply should obtain their own tax advice concerning tax liabilities on dividends received from the Company.

## **2 TAXATION OF CAPITAL GAINS**

Shareowners who are resident in the United Kingdom, or, in the case of individuals, who cease to be resident in the United Kingdom for a period of six years or less, may depending on their circumstances (including the availability of exemptions or reliefs), be liable to United Kingdom taxation on chargeable gains in respect of gains arising from a sale or other disposal of shares in the Company.

## **3 INHERITANCE AND GIFT TAXES**

Shares in the Company will be assets situated in the United Kingdom for the purposes of United Kingdom inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to United Kingdom inheritance tax, even if the holder is neither domiciled in the United Kingdom nor deemed to be domiciled there (under certain rules relating to long residence or previous domicile). Generally, United Kingdom inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees of settlements who hold shares in the Company bringing them within the charge to inheritance tax. Holders of shares in the Company should consult an appropriate professional adviser if they make a gift of any kind or intend to hold any shares in the Company through such a company or trust arrangement. They should also seek professional advice in a situation where there is potential for a double charge to United Kingdom inheritance tax and an equivalent tax in another country or if they are in any doubt about their United Kingdom inheritance tax position.

## **4 STAMP DUTY AND STAMP DUTY RESERVE TAX ("SDRT")**

The statements in this section are intended as a general guide to the current United Kingdom stamp duty and SDRT position. Investors should note that certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

### ***Issue***

No stamp duty or SDRT will arise on the issue of Ordinary Shares in registered form by the Company.

### ***Transfers outside of Depositary Receipt Systems and Clearance Services***

Transfers on sale of Ordinary Shares will generally be subject to stamp duty at the rate of 0.5 per cent. of the consideration given for the transfer (rounded up to the next £5). The purchaser normally pays the stamp duty.

An agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. However, if a duly stamped transfer completing an agreement to transfer is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT already paid is generally repayable, normally with interest, and any SDRT charge yet to be paid is cancelled. SDRT is, in general, payable by the purchaser.

### ***Transfers within CREST***

Paperless transfers of Ordinary Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of Ordinary Shares into CREST will not generally be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration.

### ***Transfers to and within Depositary Receipt Systems and Clearance Services***

Where Ordinary Shares are transferred (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or an agent for, a person whose

business is or includes issuing depositary receipts, stamp duty or SDRT may be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration given or, in certain circumstances, the value of the Ordinary Shares (rounded up to the nearest multiple of £5.00 in the case of stamp duty).

However, following litigation, HMRC have confirmed that they will no longer seek to apply the 1.5 per cent. SDRT charge on an issue of shares or securities into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5 per cent. SDRT or stamp duty charge will continue to apply to transfers of shares or securities into a clearance service or depositary receipt arrangement unless they are an integral part of an issue of share capital. However, it was held recently by the ECJ that charges to stamp duty on a transfer to a clearance service for the sole purpose of listing existing shares on a stock exchange or offering new shares to purchase is contrary to EU law, suggesting that the 1.5 per cent. charge on transfers will also be found invalid. Accordingly, it may be appropriate to seek specific professional advice before incurring a 1.5 per cent. stamp duty or SDRT charge. It was confirmed in the Autumn 2017 Budget that the UK government will not reintroduce the 1.5 per cent. charge on the issue of shares (and transfers integral to the issue of share capital) into overseas clearance services and depositary receipt systems following the UK's exit from the EU.

Except in relation to clearance services that have made an election under section 97A(1) of the Finance Act 1986 (to which the special rules outlined below apply), no stamp duty or SDRT is payable in respect of paperless transfers within clearance services or depositary receipt systems.

There is an exception from the 1.5 per cent. charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HM Revenue & Customs. In these circumstances, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer will arise on any transfer of Ordinary Shares into such an account and on subsequent agreements to transfer such Ordinary Shares within such account.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service, which does arise will strictly be accountable by the clearance service or depositary receipt system operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt system.

## PART XVII - ADDITIONAL INFORMATION

### 1 RESPONSIBILITY

The Company and each of the Directors, whose names appear on page 24 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge of the Company and the Directors, the information contained in this Document is in accordance with the facts and this Document does not omit anything likely to affect the import of such information.

### 2 INCORPORATION AND STATUS OF THE COMPANY

- (a) The Company was incorporated England and Wales on 14 November 2016 with the name SJPLL PLC with the registration number 10476913 as a public company limited by shares. On 16 November 2016 the Company changed its name to Derriston Capital Plc. With effect from Reverse Takeover Admission, the Company's name was changed to S4 Capital plc. The Company also trades as S<sup>4</sup>Capital and S<sup>4</sup> Capital. The Company's LEI is 21380068SP9V65KPQN68.
- (b) The principal legislation under which the Company operates and under which the Ordinary Shares are issued is the Companies Act and the regulations made thereunder. The currency of the Ordinary Shares is pounds sterling.
- (c) The Company's registered office is 12 St James's Place, London SW1A 1NX. The Company's telephone number is 020 3793 0003 and its website can be found at [www.S4Capital.com](http://www.S4Capital.com).
- (d) The liability of the members of the Company is limited.
- (e) On 21 November 2016, the Company obtained its trading certificate pursuant to section 761 of the Companies Act.
- (f) The accounting reference date of the Company will, notwithstanding Admission, continue to be 31 December. The Company reports financial information to 31 December in each year.
- (g) The principal activity of the Group is operating a digital media and marketing business.

### 3 SUBSIDIARIES

- (a) There are no companies in which the Company will, following Admission, have an interest other than as set out in this paragraph 3.
- (b) S<sup>4</sup> Limited was incorporated in Jersey under the Companies Law on 22 May 2018 with registered number 126474 as a par value company limited by shares with the name Spitzberg Capital Limited. On 24 May 2018, the Company changed its name to S4 Capital Limited. Shortly after Reverse Takeover Admission, S<sup>4</sup> Limited's name was changed to S4 Capital 2 Limited. The registered office of S<sup>4</sup> Limited is 3rd Floor, 44 Esplanade, St Helier, Jersey JE4 9WG. Since Reverse Takeover Admission, the Company has owned all of the issued ordinary shares of the S<sup>4</sup> Limited. Sir Martin Sorrell holds 4,000 A2 Incentive Shares of £2.00 each in the capital of S<sup>4</sup> Limited. The rights attaching to the Incentive Shares are described more fully in Part III of this Document.
- (c) Holdco was incorporated in Jersey on 13 June 2018 under the Companies Law with registered number 126636 as a par value company limited by shares with the name S4 Capital Acquisitions 1 Limited. The registered office of Holdco is 3rd Floor, 44 Esplanade, St Helier, Jersey JE4 9WG. S<sup>4</sup> Limited owns all of the issued ordinary shares of Holdco.
- (d) Midco was incorporated in Jersey on 13 June 2018 under the Companies Law with registered number 126637 as a par value company limited by shares with the name S4 Capital Acquisitions 2 Limited. The registered office of Midco is 3rd Floor, 44 Esplanade, St Helier, Jersey JE4 9WG. Holdco owns all of the issued ordinary shares of Midco.
- (e) Bidco was incorporated in the Netherlands on 20 June 2018 under the Dutch Civil Code with registered number 71921370 as a private company with limited liability with the name S4 Capital Acquisitions 3 B.V. The registered office of Bidco is Schapenkamp 2, 1211PA Hilversum, the Netherlands. Midco owns all of the issued ordinary shares of Bidco.
- (f) MMMH was incorporated in the Netherlands on 2 August 2005 under the Dutch Civil Code with registered number 32108167 as a private company with limited liability with the name MediaMonks

Multimedia Holding B.V. The registered office of MMMH is Schapenkamp 2, 1211PA Hilversum, the Netherlands. Bidco owns all of the issued ordinary shares of MMMH.

(g) MMMH is the principal holding company of the MediaMonks Group. The principal subsidiaries and subsidiary undertakings of MMMH (each of which is, directly or indirectly, 100 per cent. owned by MMMH) are as follows:

Name	Country of incorporation and registered office	Principal activity
MediaMonks B.V.	The Netherlands	Production and sales
MediaMonks, Inc	USA	Sales
- Subsidiary: MediaMonks Films LLC	USA	Sales
MediaMonks London Ltd.	United Kingdom	Sales
MediaMonks Stockholm AB	Sweden	Production and sales
MediaMonks São Paulo Servicos de Internet para Publicidade Ltda.	Brazil	Production and sales
MediaMonks Buenos Aires S.R.L.	Argentina	Production and sales
MediaMonks Singapore Pte Ltd.	Singapore	Sales
MediaMonks Hong Kong Ltd.	Hong Kong	Holding company
- Subsidiary: MediaMonks Information Technology (Shanghai) Co., Ltd.	China	Sales
MediaMonks FZ-LLC Ltd.	UAE	Sales
MediaMonks Mexico City S. de R.L. de C.V.	Mexico	Sales
M-Monks Digital Media Pte Ltd	India	Production and sales
Superhero Cheesecake B.V.	The Netherlands	Digital production
- Subsidiary: Superhero Cheesecake Inc.	USA	Digital production
Made.For.Digital Holding B.V.	The Netherlands	Holding company
- Subsidiary: Bike Film Corporation B.V.	The Netherlands	Traditional short film production
- Subsidiary: Made for Digital B.V.	The Netherlands	Digital film production
-- Subsidiary: Made.For.Digital Pte. Ltd.	Singapore	Service company
-- Subsidiary: Made.For.Digital (Pty) Ltd.	South Africa	Service company
-- Subsidiary: Made.For.Digital Inc.	USA	Service company
ebuilders B.V.	The Netherlands	Digital production
Blocklevel B.V.	The Netherlands	Holding company
IMAgency Holding B.V.	The Netherlands	Production and sales
IMAgency B.V.	The Netherlands	Production and sales
IMAgency International Holding B.V.	The Netherlands	Production and sales
IMAgency USA, Inc.	USA	Production and sales

(h) S<sup>4</sup> Capital Holdings Limited was incorporated in Jersey on 23 November 2018 under the Companies Law with registered number 127764 as a par value company limited by shares with the name S4 Capital Holdings Limited. The registered office of S<sup>4</sup> Capital Holdings Limited is 3rd Floor, 44 Esplanade, St Helier, Jersey JE4 9WG. S<sup>4</sup> Limited owns all of the issued ordinary shares of S<sup>4</sup> Capital Holdings Limited.

(i) US Holdco was incorporated in Delaware, USA on 26 November 2018 under the Delaware Limited Liability Company Act with file number 7164917 as a limited liability company with the name S<sup>4</sup> Capital US Holdings, LLC. The registered office of US Holdco is 850 New Burton Road, Suite 201, Dover, Delaware 19904. S<sup>4</sup> Capital Holdings Limited owns the entire issued share capital of US Holdco.

(j) MightyHive is the principal holding company of the MightyHive Group. US Holdco owns the entire issued share capital of MightyHive. The principal subsidiary undertakings of MightyHive (each of which is, directly or indirectly, 100 per cent. owned by MightyHive) are as set out below:

Name	Country of incorporation and registered office	Principal activity
MightyHive AU Pty Ltd	Australia	Programmatic solutions services
MightyHive Holdings ULC	Canada	Programmatic solutions services
MightyHive SG Pte. Ltd.	Singapore	Programmatic solutions services
MightyHive Ltd	United Kingdom	Programmatic solutions services
MightyHive K.K.	Japan	Programmatic solutions services
Progmedia Consultoria Ltda	Brazil	Programmatic solutions services
Progmedia Argentina SAS	Argentina	Programmatic solutions services
PT Mighty Hive Indonesia	Indonesia	Programmatic solutions services
MightyHive NZ Ltd.	New Zealand	Programmatic solutions services
MightyHive S.R.L.	Italy	Programmatic solutions services
MightyHive Hong Kong Limited	Hong Kong	Programmatic solutions services

(k) MergeCo was incorporated in Delaware, USA, on 30 September 2019 under the Delaware General Corporation Law with file number 7634014 as a corporation with limited liability with the name Firewood MergeCo, Inc.. The registered office of MergeCo is 850 New Burton Road, Suite 201, Dover, Delaware 19904. Pursuant to the Merger Agreement, upon Admission, Firewood will merge with and into MergeCo such that Firewood will become the Company's wholly-owned direct subsidiary.

(l) Firewood is the principal holding company of the Firewood Group. The principal subsidiary undertakings of Firewood (each of which is, directly or indirectly, 100 per cent. owned by Firewood) are as set out below:

Name	Country of incorporation and registered office	Principal activity
Firewood Marketing Ireland Limited	Republic of Ireland	Production and sales
Firewood Marketing Mexico, Sociedad Anónima de Capital Variable	Mexico	Production and sales

#### 4 SHARE CAPITAL OF THE COMPANY

(a) On incorporation of the Company, one Old Ordinary Share was issued to Rodger Sargent, fully paid up and at a nominal value of 2.5p. On 18 November 2016, the Derriston Founders subscribed for and were allotted, in aggregate, 2,249,999 Old Ordinary Shares at nominal value pursuant to the terms of the Derriston Subscription Letters. On 29 December 2016, the Company issued a further

22,750,000 Old Ordinary Shares at a price of 10 pence per Old Ordinary Share.

(b) With effect from 28 September 2018, the Old Ordinary Shares having a nominal value of 2.5p were consolidated on a ten-for-one basis into the Ordinary Shares having a nominal value of £0.25 per Ordinary Share.

(c) At a general meeting of the Company held on 23 July 2018 it was resolved (in each case with effect from Reverse Takeover Admission) to:

- (i) consolidate the Old Ordinary Shares having a nominal value of 2.5p on a ten-for-one basis into the Ordinary Shares having a nominal value of £0.25 per Ordinary Share;
- (ii) authorise the Directors to issue up to one billion Ordinary Shares in order to acquire shares in S<sup>4</sup> Limited;
- (iii) authorise the Directors to issue the B Share;
- (iv) authorise the Directors to issue Ordinary Shares up to a maximum aggregate nominal amount of £771,208.75 in order to acquire the Incentive Shares;
- (v) adopt the Articles in substitution for and to the exclusion of the Company's then-existing articles of association;
- (vi) change the name of the Company to S4 Capital plc; and
- (vii) remove the performance condition attaching to the Ordinary Shares held by the Derriston Founders.

(d) Upon Reverse Takeover Admission, the Company issued:

- (i) 241,285,077 Ordinary Shares and the B Share to the shareowners of S4 Limited; and
- (ii) 11,709,601 Ordinary Shares at their nominal value to the EBT as described in paragraph 5 of Part III of this Document.

(e) On 24 December 2018, the Company issued:

- (i) 67,272,727 Ordinary Shares to certain institutional and other investors to raise the cash required to fund the MightyHive Merger;
- (ii) 37,068,087 Ordinary Shares to the selling securityowners of MightyHive; and
- (iii) 3,561,431 Ordinary Shares at their nominal value to the EBT.

(f) On 24 December 2018, the Company further authorised the issue of up to 8,984,159 Ordinary Shares to satisfy the Rollover Options when exercised. As at the date of this Document, 234,754 Ordinary Shares have been issued in satisfaction of exercise of the Rollover Options.

(g) On 2 May 2019, the Company issued 600,673 Ordinary Shares in connection with the ProgMedia Merger.

(h) On 20 August 2019, the Company issued 836,174 Ordinary Shares in connection with the IMA Merger.

(i) The Company's issued ordinary share capital as at the date of this Document and immediately following Admission is as set out below:

	<b>Number</b>	<b>Nominal value</b>	<b>Amount</b>
At the date of this Document	365,068,524 Ordinary Shares	£0.25	£91,267,131
Immediately following Admission	476,919,630	£0.25	£119,229,908

(j) The Existing Ordinary Shares will represent 77 per cent. of the Enlarged Share Capital following Admission.

(k) At the annual general meeting of the Company held on 29 May 2019 at the Knowledge Centre, British Library, 96 Euston Road, London NW1 2DB at 11.00 a.m. (the "AGM"). At the AGM, resolutions were passed to, *inter alia*:

(i) authorise the Directors to allot Ordinary Shares:

- (1) up to a nominal amount of £30,283,649.50; and
- (2) comprising equity securities (as defined in the Act) up to a nominal amount of £30,283,649.50 in connection with an offer by way of a rights issue:
  - (A) to ordinary shareowners in proportion (as nearly as may be practicable) to their existing holdings; and
  - (B) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in 2020 or at 6.00 pm on 29 August 2020, whichever is sooner (unless previously renewed, varied or revoked by the Company at a General Meeting). The Company may, before these authorities expire, make an offer or enter into an agreement which would or might require such securities to be allotted after such expiry and the Directors may allot such securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired.

(ii) authorise the Directors to allot equity securities up to a nominal amount of £13,627,642.25 in order to acquire some or all of the Incentive Shares. The authorities conferred on the Directors to allot securities under this resolution will expire at 6.00 pm on 29 May 2024, (unless previously renewed, varied or revoked by the Company at a General Meeting). The Company may, before these authorities expire, make an offer or enter into an agreement which would or might require such securities to be allotted after such expiry and the Directors may allot such securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired.

(iii) authorise the Directors to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be limited:

- (1) to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (2) of resolution (i), by way of a rights issue only):
  - (A) to ordinary shareowners in proportion (as nearly as may be practicable) to their existing holdings; and
  - (B) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

- (2) the allotment of equity securities for cash (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £4,542,547.25,

such authorities to expire at the conclusion of the Annual General Meeting of the Company to be held in 2020 or at 6.00 pm on 29 August 2020, whichever is sooner (unless previously renewed, varied or revoked by the Company at a General Meeting). The Company may, before these authorities expire, make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired.

(iv) authorise the Directors, in addition to the powers granted under resolution (iii) to allot equity securities (as defined in the Act) for cash under the authority granted under paragraph (1) of resolution (i) and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be:

- (1) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £4,542,547.25; and
- (2) used only for the purposes of financing a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date on which the notice of the general meeting was published or for the purposes of refinancing such a transaction within six months of its taking place,

such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in 2020 or at 6.00 pm on 29 August 2020, whichever is sooner (unless previously renewed, varied or revoked by the Company at a General Meeting). The Company may, before this authority expires, make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired.

(v) authorise the Directors, in addition to the powers granted under resolution (iii) and (iv) to allot equity securities (as defined in the Act) for cash under the authority granted under paragraph (1) of resolution (i) and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be:

- (1) limited to the allotment of equity securities up to a nominal amount of £13,627,642.25; and
- (2) used only for the purposes of conducting a private placement of the equity securities to the Company's existing shareowners who have been excluded from an offer being made to ordinary shareowners in proportion (as nearly as may be practicable) to their existing holdings due to legal, regulatory or practical problems in, or under the laws of, any territory,

such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in 2020 or at 6.00 pm on 29 August 2020, whichever is sooner (unless previously renewed, varied or revoked by the Company at a General Meeting). The Company may, before this authority expires, make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired.

(vi) to authorise the Company, pursuant to section 701 of the Act, to make one or more market purchases (within the meaning of section 693(4) of the Act) of up to 36,340,379 ordinary shares in the capital of the Company on the basis that:

- (1) the minimum price (exclusive of expenses) which may be paid for each ordinary share is the nominal amount of that share;
- (2) the maximum price (exclusive of expenses) which may be paid for each ordinary share is the higher of (i) an amount equal to 5 per cent. above the average of the middle market quotations for an ordinary share, as derived from the London Stock Exchange's Daily Official List, for the five business days immediately preceding the day on which the ordinary share is agreed to be purchased, and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is agreed; and
- (3) this authority will expire at the conclusion of the next annual general meeting of the Company to be held in 2019 or, if earlier, on the date which falls 15 months after

27 September 2018 (provided that in relation to the purchase of ordinary shares, the contract for which is concluded before such date and which would or might be executed wholly or partly on or after such date, the Company may purchase ordinary shares pursuant to any such contract under this authority).

(I) The General Meeting, Notice of which is set out at the end of the Circular, has been convened to be held at 11.00 a.m. on 24 October 2019 at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL. The Issue Resolution, upon the passing of which the Firewood Merger and the Issue are conditional, will be proposed as a special resolution at the General Meeting. The Resolutions will be proposed at the General Meeting to:

- (i) authorise the Directors to allot 114,708,249 Ordinary Shares in connection with the Issue and the Consideration Issue on a non-pre-emptive basis;
- (ii) authorise the Directors to allot Ordinary Shares:
  - (1) up to a nominal amount of £39,743,303.50 (such amount to be reduced by any allotments or grants made under sub-paragraph (2) below in excess of such sum);
  - (2) comprising equity securities (as defined in the Act) up to a nominal amount of £79,486,605.00 amount to be reduced by any allotments or grants made under paragraph (1) above) in connection with an offer by way of a rights issue:
    - (A) to ordinary Shareowners in proportion (as nearly as may be practicable) to their existing holdings; and
    - (B) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,and so that the Directors may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authority to apply until the end of the Company's next annual general meeting (or, if earlier, until the close of business on the date which falls 15 months after the General Meeting) but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

  - (iii) authorise the Directors to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be limited:
    - (1) to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (2) of resolution (i), by way of a rights issue only):
      - (A) to ordinary Shareowners in proportion (as nearly as may be practicable) to their existing holdings; and
      - (B) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,
    - (2) in the case of the authority granted under paragraph (1) of resolution (i) and/or in the case of any sale of treasury shares, to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (1) above) up to a nominal amount

of £5,961,495.25.

such authority to apply until the end of the Company's next annual general meeting (or, if earlier, until the close of business on the date which falls 15 months after the General Meeting) but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

- (iv) authorise the Directors, in addition to any power granted under resolution (ii) to allot equity securities (as defined in the Act) for cash under the authority granted under paragraph (1) of resolution (i) and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be:
  - (1) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £5,961,495.25; and
  - (2) used only for the purposes of financing a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date on which the notice of the general meeting was published or for the purposes of refinancing such a transaction within six months of its taking place,

such authority to apply until the end of the Company's next annual general meeting (or, if earlier, until the close of business on the date which falls 15 months after the General Meeting) but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

- (m) The Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities, exchangeable securities or securities with warrants issued or proposed to be issued by the Company other than the Incentive Shares.
- (n) Save as set out in this paragraph 4, there have been no movements in the Company's Ordinary Share capital since incorporation on 14 November 2016 to the date of this Document.
- (o) The Ordinary Shares currently in issue are, and the New Ordinary Shares issued at Admission will be, in registered form and may be held in certified form or in uncertified form. In the case of Ordinary Shares held in uncertified form, the Articles permit the holding and transfer of Ordinary Shares under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The records in respect of Ordinary Shares held in uncertificated form will be maintained by Euroclear and the Company's Registrar, Share Registrars Limited (details of whom are set out on page 24 of this Document).
- (p) It is anticipated that, where appropriate, share certificates will be despatched by first class post within fourteen days of completion of Admission. Temporary documents of title will not be issued. Prior to the despatch of definitive share certificates, transfers will be certified against the register.
- (q) There are no shares in the Company which are held by, or on behalf of, the Company or its subsidiaries.
- (r) The ISIN of the Ordinary Shares is GB00BFZZM640 and the SEDOL is BFZZM64.
- (s) Subject to the Act, any equity shares issued by the Company for cash must first be offered to existing Shareowners in proportion to their holdings of Ordinary Shares. Both the Act and the Listing Rules allow for disapplication of pre-emption rights which may be waived by a special resolution of the Shareowners, either generally or specifically, for a maximum period not exceeding five years.

## 5 SIGNIFICANT SHAREOWNERS

(a) Save as disclosed at paragraph 9 of this Part XVII, the Company is only aware of the following persons who, at the date of this Document, are expected to represent an interest directly or indirectly, jointly or severally in 3 per cent. or more of the Company's share capital or could exercise control over the Company:

Shareowner	Number of Ordinary Shares	Interests in Existing Ordinary Shares
Sir Martin Sorrell	46,403,700	12.71%
Toscafund Asset Management	33,240,689	9.10%
Oro en Fools B.V. <sup>+</sup>	30,808,225	8.43%
Stanhope	27,482,961	7.52%
Canaccord Genuity Wealth Management	25,160,000	6.89%
EBT	20,830,001	5.70%
Rathbones	19,487,776	5.33%

<sup>+</sup> Oro en Fools B.V. is the joint personal holding company of Victor Knaap, the CEO of the MediaMonks Group and Wesley ter Haar, the COO of the MediaMonks Group and is owned (indirectly) 50 per cent. by Victor Knaap and 50 per cent. by Wesley ter Haar. The ordinary shares of Zen 2 B.V. are owned 51 per cent. by Oro en Fools B.V. and 49 per cent. by funds managed by Bencis Capital Partners B.V.

## 6 ARTICLES OF ASSOCIATION

The Articles do not provide for any objects or purposes of the Company and accordingly the Company's objects and purposes are unrestricted. The Articles contain provisions, *inter alia*, to the following effect:

### (a) Share Capital

The Company's share capital consists of Ordinary Shares and the B Share. The liability of the members of the Company is limited to the amount, if any, unpaid on the Ordinary Shares or the B Share held by them as applicable. The Company may issue shares with such rights or restrictions as may be determined by ordinary resolution or as the Board shall determine, including shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder of such shares.

The B Share carries the following rights as inherent rights:

- (i) notwithstanding anything else in the Articles, none of the Directors or the Company may do or agree to do anything which is a B Share Reserved Matter (as described in paragraph 6(b) below) without the consent in writing of the holder of the B Share; and
- (ii) the right to appoint one Director and remove and replace that Director.

The B Share will cease to carry the B Share Rights on the earliest of:

- (i) the date which falls 14 years after the date of issue of the B Share;
- (ii) the transmission or transfer (in whatever manner and including for the avoidance of doubt, by operation of law) by the initial holder of the B Share to any other person;
- (iii) the retirement or resignation of the holder of the B Share from all offices and employment with every member of the Group;
- (iv) the death of the holder of the B Share; and
- (v) the sale (other than a compulsory sale pursuant to Chapter 3 of Part 28 of the Act) by the holder of the B Share of any of the Ordinary Shares issued to him as consideration for the acquisition of S<sup>4</sup> Limited by the Company,

following which the Company may purchase or cancel the B Share or otherwise deal with the B Share as permitted by the Act.

### (b) B Share Reserved Matters

The B Share Reserved Matters comprise:

- (i) the appointment or removal of any executive to or from office or employment with the Company or any of its subsidiary undertakings;
- (ii) the proposal (save as such proposal may be required by the Act) or approval of any Shareowners' resolution of the Company; and
- (iii) any acquisition or disposal by the Company or any of its subsidiary undertakings of an asset with a market or book value in excess of £100,000 or such higher amount as the holder of the B Ordinary Shares determines from time to time (save as such acquisition or disposal may be required by law).

(c) ***Voting rights***

Each holder of Ordinary Shares and the B Share shall be entitled to receive notice of, and to attend and vote at, general meetings of the Company. On a show of hands, every holder of Ordinary Shares who (being an individual) is present in person or by proxy shall have one vote and on a poll every holder of Ordinary Shares shall have one vote for each Ordinary Share held by him, and the holder of the B Share, whether on a show of hands or a poll shall, if he wishes to vote in favour of a resolution, have one vote, and if he wishes to vote against a resolution, have such number of votes as is required to defeat the relevant resolution.

(d) ***Dividends***

The Company may, subject to the provisions of the Act and the Articles, by ordinary resolution from time to time declare dividends to be paid to members not exceeding the amount recommended by the Directors. Subject to the provisions of the Act in so far as, in the Directors' opinions, the Company's profits justify such payments, the Directors may pay interim dividends on any class of shares except for shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. Any dividend, unclaimed after a period of 12 years from the date such dividend was declared or became payable shall, if the Directors resolve, be forfeited and revert to the Company. The Company does not pay interest on any dividend unless otherwise provided by the terms on which the shares were issued or the provision of another agreement.

The Ordinary Shares carry the right to participate in dividends and other distributions *pari passu* among themselves. The B Share does not carry any right to receive dividends or other distributions.

(e) ***Return of capital and sale***

On a return of capital on liquidation or otherwise, the assets of the Company available for distribution between the Shareowners will be applied in the following order of priority:

- (i) first, in respect of each Ordinary Share, a sum equal to the amount paid up or credited as paid up on such Ordinary Share;
- (ii) second, in respect of the B Share, a sum equal to the nominal amount on such B Share; and
- (iii) third, to each Ordinary Shareowner pro rata to the nominal amount of its Ordinary Shares.

The B Share does not have any entitlement to participate in any surplus of the Company on a liquidation and in the event of a takeover offer (as defined in sections 974 to 976 and 991 of the Act) or any other merger or scheme of arrangement involving the acquisition of the Ordinary Shares of the Company the maximum offer price of the B Share shall not in any event exceed the offer price for an Ordinary Share.

(f) ***Transfer of shares***

Each member may transfer all or any of his shares which are in certificated form by means of an instrument of transfer in any usual form or in any other form which the Directors may approve. Each member may transfer all or any of his shares which are in uncertificated form by means of a relevant system in such manner provided for, and subject as provided in, the CREST Regulations.

The Board may, in its absolute discretion, refuse to register a transfer of certificated shares unless:

- (i) it is only for one class of share;
- (ii) it is in favour of no more than four joint transferees;

- (iii) it is duly stamped or is duly certificated or otherwise shown to the satisfaction of the Board to be exempt from stamp duty; and
- (iv) it is delivered for registration to the registered office of the Company (or such other place as the Board may determine), accompanied (except in the case of a transfer by a person to whom the Company is not required by law to issue a certificate and to whom a certificate has not been issued or in the case of a renunciation) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor (or person renouncing) and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.

The Directors may refuse to register a transfer of uncertificated shares in any circumstances that are allowed or required by the CREST Regulations and the relevant system.

(g) **Directors**

Unless otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall not be less than two, but there shall be no maximum number of Directors.

Subject to the Articles and the Companies Act, the Company may by ordinary resolution appoint a person who is willing to act as a Director and the Board shall have power at any time to appoint any person who is willing to act as a Director, in both cases either to fill a vacancy or as an addition to the existing Board.

At the third annual general meeting all Directors shall retire from office and may offer themselves for re-appointment by the Shareowners by ordinary resolution.

At every subsequent annual general meeting any Director who:

- (i) has been appointed by the Directors since the last annual general meeting; or
- (ii) was not appointed or re-appointed at one of the preceding two annual general meetings, must retire from office and may offer themselves for reappointment by the Shareowners by ordinary resolution.

Subject to the provisions of the Articles, the Board, which may exercise all the powers of the Company, may regulate their proceedings as they think fit. A Director may, and the secretary at the request of a Director shall, call a meeting of the Directors.

The quorum for a Directors' meeting shall be fixed from time to time by a decision of the Directors, but it must never be less than two and unless otherwise fixed, it is two.

Questions arising at a meeting shall be decided by a majority of votes of the participating Directors, with each Director having one vote. In the case of an equality of votes the chairman shall have a second or casting vote.

The Directors shall be entitled to receive such remuneration as the Directors shall determine for their services to the Company as directors and for any other service which they undertake for the Company provided that the aggregate fees payable to the Directors must not exceed such amount as may from time to time be decided by ordinary resolution of the Company. The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in connection with their attendance at meetings of Shareowners or class meetings, board or committee meetings or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

The Board may, in accordance with the requirements in the Articles, authorise any matter proposed to them by any Director which would, if not authorised, involve a Director breaching his duty under the Companies Act to avoid conflicts of interests.

A Director seeking authorisation in respect of such conflict shall declare to the Board the nature and extent of his interest in a conflict as soon as is reasonably practicable. The Director shall provide the Board with such details of the matter as are necessary for the Board to decide how to address the conflict together with such additional information as may be requested by the Board.

(h) ***General meetings***

The Company must convene and hold annual general meetings in accordance with the Companies Act.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman of the meeting which shall not be treated as part of the business of the meeting. Save as otherwise provided by the articles, two Shareowners present in person or by proxy and entitled to vote shall be a quorum for all purposes.

(i) ***Capitalisation of profits***

The Directors may, if they are so authorised by an ordinary resolution of the Shareowners, decide to capitalise any undivided profits of the Company (whether or not they are available for distribution), or any sum standing to the credit of the Company's share premium account or capital redemption reserve. The Directors may also, subject to the aforementioned ordinary resolution, appropriate any sum which they so decide to capitalise to the persons who would have been entitled to it if it were distributed by way of dividend and in the same proportions.

(j) ***Uncertificated shares***

Subject to the Companies Act, the Directors may permit title to shares of any class to be issued or held otherwise than by a certificate and to be transferred by means of a relevant system without a certificate.

The Directors may take such steps as it sees fit in relation to the evidencing of and transfer of title to uncertificated shares, any records relating to the holding of uncertificated shares and the conversion of uncertificated shares to certificated shares, or vice-versa.

The Company may by notice to the holder of an uncertificated share, require that share to be converted into certificated form.

The Board may take such other action that the Board considers appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of an uncertified share or otherwise to enforce a lien in respect of it.

(k) ***Borrowing powers***

Subject to the Articles and the Companies Act, the Board may exercise all of the powers of the Company to:

- (i) borrow money;
- (ii) indemnify and guarantee;
- (iii) mortgage or charge;
- (iv) create and issue debentures and other securities; and
- (v) give security either outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(l) ***Disclosure of interests***

If the holder of, or any other person appearing to be interested in, any share has been given notice under section 793 of the Act and has failed in relation to that share (a "**Default Share**") to give the Company notice within the prescribed notice, the prescribed period being no less than 14 days from the date of service of the notice, the following restrictions shall apply (save that the Directors may waive those restrictions in whole or in part at any time):

- (i) the holder of the Default Shares shall not be entitled in respect of those shares to attend or vote, either personally or by proxy at any general meeting of the Company;
- (ii) in addition, where the Default Shares in which one person is interested or appears to the Company to be interested, represent 0.25 per cent. or more of the relevant class (excluding any shares of that class held as treasury shares) the member holding the Default Shares shall not be entitled, in respect of those shares to receive any dividends or other distributions or transfer or agree to transfer any of those shares or any rights in them.

(m) ***Alteration of share capital***

The Company may by ordinary resolution:

- (i) consolidate or consolidate then divide all or any of its share capital into shares of larger amounts than its existing shares;
- (ii) cancel any shares which at the date of the passing of the resolution to cancel them, have not been taken, or agreed to be taken, by any person and diminish the amounts of its share capital by the amount of shares so cancelled; and
- (iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Articles (subject, nevertheless, to the provision of the Act and every other act, statute, statutory instrument, regulation or order being in force from time to time, concerning companies affecting the Company (the "**Statutes**")) and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued new shares.

Subject to the Statutes and any rights attaching to any class of shares, the Company may: (i) purchase its own shares (including any redeemable shares); and (ii) reduce its share capital, any capital redemption reserve, share premium account or other distributable reserve in any manner.

(n) ***Allotment of shares and pre-emption rights***

Subject to the Act and the Articles and in accordance with section 551 of the Act, the Directors shall be generally and unconditionally authorised to exercise for each prescribed period, all the powers of the Company to allot shares up to an aggregate nominal amount equal to the amount stated in the relevant special resolution passed pursuant to section 561 of the Act, authorising such allotment.

Under and within the terms of the said authority or otherwise in accordance with section 570 of the Act, the Directors shall be empowered during each prescribed period to allot equity securities (as defined in the Act):

- (i) in accordance with a rights issue; and
- (ii) otherwise than in connection with a rights issue up to an aggregate nominal amount equal to the amount stated in the relevant ordinary or special resolution passed pursuant to section 551 of the Act, authorising such allotment.

(o) ***Variation of rights***

Subject to the Act, whenever the capital of the Company is divided into different classes of shares, the rights attached to any class of shares in issue may (unless otherwise provided by the terms of issue of the shares of that class) from time to time be varied or abrogated, whether or not the Company is being wound up, either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of such holders (but not otherwise).

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking *pari passu* therewith or subsequent thereto.

## 7 INCENTIVE ARRANGEMENTS

Management and business-wide incentive arrangements have been put in place, details of which are set out in paragraph 5 of Part III of this Document.

## 8 INFORMATION ON THE DIRECTORS

- (a) The names, business addresses and current functions of the Directors are as follows:

Name	Age	Business address	Function
Sir Martin Stuart Sorrell	74	12 St James's Place, London SW1A 1NX	Executive Chairman
Scott Edward Spirit	42	12 St James's Place, London SW1A 1NX	Executive Director and Chief Growth Officer
Victor Olivier Knaap	42	12 St James's Place, London SW1A 1NX	Executive Director, MediaMonks CEO
Wesley ter Haar	41	12 St James's Place, London SW1A 1NX	Executive Director, MediaMonks COO
Peter Sung Pyo Kim	45	12 St James's Place, London SW1A 1NX	Executive Director, MightyHive CEO
Christopher Senne Martin	41	12 St James's Place, London SW1A 1NX	Executive Director, MightyHive COO and CFO
Peter Rademaker	56	12 St James's Place, London SW1A 1NX	Executive Director, Group CFO
Rupert Roderick Faure Walker	72	12 St James's Place, London SW1A 1NX	Non-Executive Director
Paul David Roy	72	12 St James's Place, London SW1A 1NX	Non-Executive Director
Susan Rachel Prevezner	60	12 St James's Place, London SW1A 1NX	Non-Executive Director
Daniel Emile Pinto	53	12 St James's Place, London SW1A 1NX	Non-Executive Director
Elizabeth Buchanan	45	12 St James's Place, London SW1A 1NX	Non-Executive Director

(b) In addition to any directorship of a member of the Group, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this Document:

**Sir Martin Sorrell**

Current directorships/partnerships	Past directorships/partnerships
Chambre de Commerce Francaise de Grande-Bretagne Limited	Arconic, Inc.
Cherwell Films LLP	Delta Topco
Clyde Films LLP	The British Museum Friends
JMCMRJ Foundation	WPP plc
J.M.S. Financial Services Limited	Sorrell Capital LLP
J.M.S. Financial Services (No.2) Limited	
Pruway Investments Limited	
Race Against Dementia	
The Thrombosis Research Institute	
OCS, S.L.	

**Scott Spirit**

Current directorships/partnerships	Past directorships/partnerships
Eureka AI	WPP Scangroup Ltd GIIR Inc.

**Victor Knaap**

Current directorships/partnerships	Past directorships/partnerships
Oro del Amstel Holding B.V.	Oliver Knapp B.V.
Stichting Administratiekantoor VinylExpress	Stichting Save Cheruto
VentureFathers B.V.	
VK Management B.V.	
VOK Holding B.V.	

**Wesley ter Haar**

Current directorships/partnerships	Past directorships/partnerships
ADCN	
F.C. MediaMonks	
Fools Gold Holding B.V.	
Monk Management B.V.	

Pyrite B.V.

**Peter Kim**

**Current directorships/partnerships**

**Past directorships/partnerships**

MightyHive

The Center for Investigative Reporting

Frontier Utilities, LLC

**Christopher Martin**

**Current directorships/partnerships**

**Past directorships/partnerships**

MightyHive

**Peter Rademaker**

**Current directorships/partnerships**

**Past directorships/partnerships**

CMI Holding B.V.

Rademco B.V.

Stichting Aandelenparticipatie

**Rupert Faure Walker**

**Current directorships/partnerships**

**Past directorships/partnerships**

Hadleigh Town Limited

The Hospital and Homes of St. Giles

Landisdale Trust

RRFW Limited

**Paul Roy**

**Current directorships/partnerships**

**Past directorships/partnerships**

Bloc Ventures Limited

British Horseracing Authority Limited

Cyan Blue Jerseyco Limited

NS GP LLP

Cyan Blue Topco Limited

NS Nominees Limited

U-Research Limited

NSCGP Limited

NS Asset Management LLP

NSS Serv Limited

NS Holdings LLP

NewRiver REIT plc

NSCP LLP

NS Trustee Limited

Retraining of Racehorses

Sky Betting and Gaming

Sumitomo Mitsui Trust Bank

Tillmouth & Tweed Salmon Fishings LLP

**Sue Prevezer**

**Current directorships/partnerships**

**Past directorships/partnerships**

Quinn Emanuel Urquhart & Sullivan (UK) LLP

Camden Arts Centre

Quinn Emanuel Urquhart & Sullivan (US) LLP

**Daniel Pinto**

**Current directorships/partnerships**

**Past directorships/partnerships**

69-71 Harcourt Terrace Limited

Jewson Associates Limited

New City Initiative Europe

Stanhope Capital LLP

Pinto Films LLP

Stanhope Capital (Jersey) Limited

Soparexo SA

Stanhope Capital (Cayman) Limited  
 Stanhope Capital (Corporate Member) Limited  
 Stanhope Capital (Switzerland) SA  
 Stanhope Capital Management Limited  
 Stanhope Capital SAS

Elizabeth Buchanan

**Current directorships/partnerships**

**Past directorships/partnerships**

Rokt

Vital Voices Global Partnership

- (c) Save as set out in paragraph 8(b) above, none of the Directors has any business interests or activities outside the Group which are significant with respect to the Group.
- (d) Paul Roy was a director of NSS Serv Limited which was dissolved via voluntary strike-off on 12 January 2016 while he was still a director.
- (e) Paul Roy was a member of NS GP LLP which was dissolved via voluntary strike-off on 5 July 2016 while he was still a member.
- (f) Paul Roy was a director of NS Nominees Limited which was dissolved via voluntary strike-off on 30 May 2017 while he was still a director.
- (g) Paul Roy was a director of NSCGP Limited which was dissolved via voluntary strike-off on 30 May 2017 while he was still a director.
- (h) Paul Roy was a director of NS Trustee Limited which was dissolved via voluntary strike-off on 9 January 2018 while he was still a director.
- (i) Sir Martin Sorrell was a member of Sorrell Capital LLP which was dissolved via voluntary strike-off on 28 April 2015 while he was still a member.
- (j) Daniel Pinto was a director of Jewson Associates Limited which was dissolved via voluntary strike-off on 4 February 2014 while he was still a director;
- (k) Save as disclosed in paragraphs 8(d) to (h), none of the Directors:
  - (i) has any unspent convictions in relation to indictable offences;
  - (ii) has been made bankrupt or has made an individual voluntary arrangement with creditors or suffered the appointment of a receiver over any of his assets;
  - (iii) has been a director of any company which, whilst he was such a director or within 12 months after his ceasing to be such a director, was put into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with the company's creditors generally or with any class of creditors of any company or had an administrator or an administrative or other receiver appointed;
  - (iv) has been a partner in any partnership which, whilst he was a partner, or within 12 months after his ceasing to be a partner, was put into compulsory liquidation or had an administrator or an administrative or other receiver appointed or entered into any partnership voluntary arrangement;
  - (v) has had an administrative or other receiver appointed in respect of any asset belonging either to him or to a partnership of which he was a partner at the time of such appointment or within the 12 months preceding such appointment; or
  - (vi) has received any public criticisms by statutory or regulatory authorities (including recognised professional bodies) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## 9 DIRECTORS' AND OTHERS' INTERESTS

(a) The interests of the Directors at the date of this Document and expected immediately following Admission are set out below:

Shareowner	As at the date of this Document		Immediately following Admission	
	Number of Ordinary Shares	Interests in Ordinary Shares (%)	Number of Ordinary Shares	Interests in Ordinary Shares (%)
Sir Martin Sorrell	46,403,700	12.71%	55,355,076	11.6%
Scott Spirit	135,292	0.04%	161,389	0.0%
Victor Knaap / Wesley ter Haar <sup>+</sup>	39,610,076	10.85%	42,481,229	8.9%
Peter Kim <sup>+</sup>	9,718,863	2.66%	9,718,863	2.0%
Christopher Martin <sup>+</sup>	8,532,760	2.34%	8,532,760	1.8%
Peter Rademaker	708,132	0.19%	844,732	0.2%
Paul Roy <sup>+</sup>	1,592,863	0.43%	1,900,129	0.4%
Rupert Faure Walker	1,303,776	0.35%	1,555,276	0.3%
Sue Prevezer	227,272	0.06%	262,482	0.1%
Daniel Pinto <sup>§</sup>	27,482,961	7.52%	44,182,961	9.3%

Sir Martin Sorrell also holds the B Share as a result of which he exercises a significant degree of control over the Company. The holder of the B Share is entitled to appoint one director to the board of directors of the Company and remove or replace such director. The prior written consent of the holder of the B Share is also required for the Group to appoint or terminate any executive or to make any acquisition or disposal with a value exceeding £100,000. The holder of the B Share is also able to defeat any resolution proposed by the Company (save as required by applicable law). Sir Martin has, in his capacity as the holder of the B Share, given his approval to the Firewood Merger.

<sup>+</sup> Victor Knaap, the CEO of the MediaMonks Group and Wesley ter Haar, the COO of the MediaMonks Group hold their interests in Ordinary Shares through (i) Oro en Fools B.V., their joint personal holding vehicle which is owned (indirectly) 50 per cent. by Victor Knaap and 50 per cent. by Wesley ter Haar; and (ii) Zen 2 B.V. the ordinary share capital of which is owned 51 per cent. by Oro en Fools B.V. and 49 per cent. by funds managed by Bencis Capital Partners B.V. The interests in Ordinary Shares of Victor and Wesley noted above are the aggregate totals of the Ordinary Shares held by these entities. Certain of the interests of Christopher Martin and Peter Kim are held by them through certain family trust arrangements. Certain of the interests of Paul Roy are held through his SIPP.

<sup>§</sup> Daniel Pinto's personal holding in the Ordinary Shares amounts to less than 0.1 per cent. Daniel Pinto's holding for the purposes of this document, however, includes Ordinary Shares which are held by Stanhope, which is managed by the Stanhope Capital Group which provides investment management services to its clients, of which Daniel Pinto is the CEO. Stanhope is an access vehicle set up for clients of the Stanhope Capital Group.

- (b) Sir Martin Sorrell, Scott Spirit, Oro en Fools, Peter Rademaker, Rupert Faure Walker, Sue Prevezer and Daniel Pinto have irrevocably undertaken to take up their Open Offer Entitlements in full (representing, in aggregate, 15,594,468 New Ordinary Shares).
- (c) Paul Roy has undertaken not to take up any of his Open Offer Entitlements which represent 147,980 New Ordinary Shares.
- (d) The S<sup>4</sup> Firm Placees have agreed to subscribe for, in aggregate, 13,675,734 New Ordinary Shares pursuant to the Firm Placing.
- (e) The S<sup>4</sup> Placees have agreed to subscribe for, in aggregate, 15,594,468 New Ordinary Shares

pursuant to the Placing which will be subject to clawback in order to satisfy valid applications of Qualifying Shareowners under the Open Offer. To the extent the S4 Placees take up their respective Open Offer Entitlements, their conditional commitment under the Placing will be reduced by a corresponding number of New Ordinary Shares.

- (f) Save as disclosed in this paragraph 9 and in paragraph 5 of Part III above, no Director, nor any of his connected persons has at the date of this Document, or will have immediately following Admission, any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company or any of its subsidiaries or any related financial product referenced to the Ordinary Shares.
- (g) Sir Martin Sorrell exercises control over the Company and will continue to do so following Admission.
- (h) Save for the issue of A2 Incentive Shares to Sir Martin Sorrell as disclosed in paragraph 5 of Part III above, and the interests of Sir Martin Sorrell, Rupert Faure Walker and Paul Roy in Ordinary Shares as set out above, and the SMS Indemnity, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group.
- (i) There are no loans or guarantees granted or provided by the Company and/or any of its subsidiaries to or for the benefit of any of the Directors which are now outstanding.
- (j) In respect of the Directors, save as set out below, there are no conflicts of interest between any duties they have to the Company and their private interests and/or other duties they may have:
  - (i) Sir Martin Sorrell has been issued the A2 Incentive Shares as disclosed in paragraph 5 of Part III above;
  - (ii) Sir Martin Sorrell has been issued the B Share as disclosed in paragraph 4 of Part III above;
  - (iii) Sir Martin Sorrell is a shareowner in WPP plc which is a potential competitor of the Group;
  - (iv) Sir Martin Sorrell is a director of Olympic Channel Services S.A. and Olympic Channel Services S.L. which are in turn affiliates of Olympic Broadcasting Services S.L. which has engaged the MediaMonks Group to provide creative content, user experience and development services under a services agreement due to last until the second quarter of 2022;
  - (v) Daniel Pinto is the CEO of the Stanhope Capital Group, which manages Stanhope, a significant shareholder in the Company; and
  - (vi) Scott Spirit is a director of Eureka AI, which has in the past been engaged by the Group to provide consultancy services.

## 10 SERVICE AGREEMENTS AND REMUNERATION OF THE DIRECTORS

- (a) On 24 June 2018 S<sup>4</sup> Limited entered into a service agreement with Sir Martin Sorrell, pursuant to which he was appointed by S<sup>4</sup> Limited as Executive Chairman with effect from 23 May 2018. On 8 July 2018 that service agreement was terminated and replaced by a service agreement on identical terms between Midco and Sir Martin Sorrell.
- (b) Pursuant to his service agreement, Sir Martin is entitled to receive a salary of £100,000 per annum, along with an annual bonus of up to 100 per cent. of his fixed annual salary. The service agreement has an initial three year term. Thereafter, either (i) Midco or (ii) Sir Martin may terminate the service agreement by giving not less than 12 months' written notice to the other party, such notice not to be served before the expiry of the initial term. Sir Martin's service agreement contains a restrictive covenant limiting his ability to compete with the Group for a 12 month period following his resignation or termination from employment with the Group. Sir Martin is entitled to a pension contribution equal to 30 per cent. of his gross salary, together with other benefits commensurate with position and duties.
- (c) On 24 June 2018, each of Rupert Faure Walker and Paul Roy entered into a letter of appointment with S<sup>4</sup> Limited pursuant to which, with effect from 24 June 2018, each was appointed by S<sup>4</sup> Limited as a Non-Executive Director until such appointment is terminated by either the relevant Non-Executive Director or the Company on three months' notice. On 10 September 2018, Rupert Faure Walker and Paul Roy entered into letters of amendment to their respective letters of appointment

with S<sup>4</sup> Limited pursuant to which they each, with effect from 28 September 2018, became entitled to receive a director's fee of £25,000 per annum.

- (d) On 9 July 2018, Fools Gold Holding B.V., the personal holding company of Wesley ter Haar, entered into a management agreement with Bidco, pursuant to which Fools Gold Holding B.V. is entitled to receive €17,500 per month, a discretionary annual bonus of up to six months' fees, as well as the signing-on bonuses described in more detail in paragraph 12 of this Part XVII. Either party may terminate the management agreement on six months' notice. Each of Fools Gold Holding B.V. and Wesley ter Haar will be subject to customary non-competition and non-solicitation restrictions for the one year period following termination of the management services agreement. On 5 December 2018 Fools Gold Holding B.V., Bidco and Monk Management B.V. entered into a deed of transfer pursuant to which Monk Management B.V. assumed the rights and obligations of Fools Gold Holding B.V. Monk Management B.V. is a personal service company of Wesley ter Haar.
- (e) On 9 July 2018, Oro del Amstel Holding B.V., the personal holding company of Victor Knaap, entered into a management agreement with Bidco, pursuant to which Oro del Amstel B.V. is entitled to receive €17,500 per month, a discretionary annual bonus of up to six months' fees, as well as the signing-on bonuses described in more detail in paragraph 12 of this Part XVII. Either party may terminate the management agreement on six months' notice. Each of Oro del Amstel Holding B.V. and Victor Knaap will be subject to customary non-competition and non-solicitation restrictions for the one year period following termination of the management services agreement. On 5 December 2018 Oro del Amstel Holding B.V., Bidco and VK Management B.V. entered into a deed of transfer pursuant to which VK Management B.V. assumed the rights and obligations of Oro del Amstel Holding B.V. VK Management B.V. is a personal service company of Victor Knaap.
- (f) On 9 July 2018, Rademco B.V., the personal holding company of Peter Rademaker, entered into a management agreement with Bidco, pursuant to which Rademco B.V. is entitled to receive €24,500 per month. Either party may terminate the management agreement on six months' notice. Each of Rademco B.V. and Peter Rademaker will be subject to customary non-competition and non-solicitation restrictions for the one year period following termination of the management services agreement.
- (g) On 13 November 2018, Sue Prevezner entered into a letter of appointment with the Company pursuant to which, with effect from 7.00 a.m. on 14 November 2018, she was appointed as a Non-Executive Director of the Company until such appointment is terminated by her or the Company on three months' notice. Sue is entitled to a director's fee of £25,000 per annum.
- (h) On 4 December 2018, Victor Knaap, Wesley ter Haar and Peter Rademaker entered into letters of appointment with the Company pursuant to which each was appointed as an executive Director with immediate effect. Pursuant to their letters of appointment, until such appointment is terminated by them or the Company on three months' notice. None of Victor Knaap, Wesley ter Haar and Peter Rademaker is entitled to receive a fee for service as a Director.
- (i) On 4 December 2018, Daniel Pinto entered into a letter of appointment with the Company pursuant to which he was appointed as a Non-Executive Director of the Company on 24 December 2018 until such appointment is terminated by him or the Company on three months' notice. Daniel is entitled to a director's fee of £25,000 per annum.
- (j) On 4 December 2018, Peter Kim and Christopher Martin entered into letters of appointment with the Company pursuant to which each was appointed as a Director of the Company, conditional on and with effect from completion of the MightyHive Merger. Pursuant to their respective letters of appointment, Peter Kim and Christopher Martin's appointment will continue until terminated by either party on three months' notice. Neither Peter Kim nor Christopher Martin is entitled to receive a fee for service as a Director.
- (k) In connection with the MightyHive Merger, each of Peter Kim and Christopher Martin entered into a new service agreement with MightyHive with effect from 24 December 2018. Each service agreement has a three year term and thereafter be terminable by either party at will. Pursuant his service agreement, Peter Kim is entitled to an annual salary of \$207,360 and a discretionary bonus of up to \$207,230. Pursuant his service agreement, Christopher Martin is entitled to an annual salary of \$207,360 along with a discretionary bonus of up to \$207,360. Each of Peter Kim and Christopher Martin is also be subject to non-competition and non-solicitation restrictions for a

period of three years from 24 December 2018 and additionally two years from the date on which the relevant service agreement is terminated.

- (l) On 11 June 2019, Elizabeth Buchanan entered into a letter of appointment with the Company pursuant to which she was appointed as a Non-Executive Director of the Company with effect from 12 July 2019. Such appointment is effective until terminated by Elizabeth or the Company on three months' notice. Elizabeth is entitled to a director's fee of £25,000 per annum.
- (m) On 2 July 2019 Scott Spirit entered into a service agreement with MediaMonks Singapore Pte. Ltd. pursuant to which he was appointed as an executive of the Group and a Director of the Company. The service agreement is terminable by either party upon service of 12 months' notice in writing. In accordance with the terms of his service agreement, Scott is entitled to a fixed annual salary of SGD 540,000 and a bonus of up to 100 per cent. of his base salary. Scott is also entitled to certain other benefits commensurate with his position and duties. Scott's service agreement contains a customary non-competition and non-solicitation restriction for a period of 12 months following his termination.
- (n) The Directors have the benefit of an indemnity from the Company (the terms of which are in accordance with the Companies Act) and appropriate directors' and officers' liability insurance.
- (o) Save as set out in this paragraph 10, on Admission there will be no existing or proposed service agreements between any of the Directors and any member of the Group. Furthermore, save as set out in this paragraph 10 and the share incentive arrangements referred to in paragraph 7 above, there are no commissions or profit-sharing arrangements with any of any of the Directors.
- (p) There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Document.

## 11 PEOPLE

The Company currently has no people other than the Directors. S<sup>4</sup> Limited has two people and Midco employs Sir Martin Sorrell as the Executive Chairman of the Group.

Information regarding MediaMonks Group's people is set out in paragraph 5 of Part V of this Document.

Information regarding the MightyHive Group's people is set out in paragraph 5 of Part VI of this Document.

Information regarding the Firewood Group's people is set out in paragraph 5 of Part VII of this Document.

## 12 MATERIAL CONTRACTS

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group since such members' incorporation or in the period of 2 years prior to the date of this Document, whichever is the longer, and which are, or may be, material to the Group or have been entered into by any member of the Group at any time and contain a provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this Document:

- (a) the Merger Agreement as described more fully in paragraph 3 of Part I;
- (b) the Placing Agreement, as described more fully in this paragraph 12;
- (c) the Receiving Agent Agreement, as described more fully in this paragraph 12;
- (d) the IMA Merger Agreement, as described more fully in this paragraph 12;
- (e) the IMA Lock-In Deeds, as described more fully in paragraph 4 of Part III;
- (f) the ProgMedia QPA, as described more fully in this paragraph 12;
- (g) the Caramel APA, as described more fully in this paragraph 12;
- (h) the MightyHive Merger Agreement, as described more fully in this paragraph 12;
- (i) the December Placing Agreement, as described more fully in this paragraph 12;
- (j) the MightyHive W&I Policy, as described more fully in this paragraph 12;
- (k) the PK Side Letter, as described more fully in this paragraph 12;

- (l) the MightyHive Equityowner Lock-in Deeds, as described more fully in this paragraph 12;
- (m) the Stanhope Lock-in Deed, as described more fully in paragraph 4 of Part III;
- (n) the Relationship Agreement, as described more fully in paragraph 4 of Part III;
- (o) the S<sup>4</sup> Acquisition Agreement, as described more fully in paragraph 1 of Part III;
- (p) the Registrar Agreement, as described more fully in this paragraph 12;
- (q) the July Placing Agreement, as described more fully in this paragraph 12;
- (r) the MediaMonks Merger Agreement, as described more fully in this paragraph 12;
- (s) the MediaMonks W&I Policy, as described more fully in this paragraph 12;
- (t) the MediaMonks Subscriber Lock-in Deeds, as described more fully in this paragraph 12;
- (u) the MediaMonks Affiliate Acquisition Agreements, as described more fully in this paragraph 12;
- (v) the HSBC Facilities Agreement, as described more fully in this paragraph 12;
- (w) the SMS Indemnity, as described more fully in this paragraph 12;
- (x) the Firewood Equityowner Lock-in Deeds, as described more fully in paragraph 4 of Part III; and
- (y) the lock-in deeds entered into by Rupert Faure Walker, Sue Prevezer, Daniel Pinto, Paul Roy, and Stanhope, in favour of the Company, HSBC and Dowgate as described more fully in paragraph 4 of Part III.

### ***Placing Agreement***

The Company has entered into the Placing Agreement pursuant to which the Joint Bookrunners have severally agreed to use their respective reasonable endeavours to procure Firm Placees and Placees for the Firm Placed Shares and the Placing Shares, in each case, at the Issue Price on the basis that the Placing Shares for which Placees are procured shall be the subject of clawback to the extent they are taken up in the Open Offer. To the extent that any Placee (other than Stanhope, the S<sup>4</sup> Placees and any Placee procured by Dowgate) procured by HSBC fails to subscribe for any or all of the Placing Shares which have been allocated to it, HSBC shall subscribe, as principal, for such Placing Shares.

To the extent that any Firm Placee (other than Stanhope, the S<sup>4</sup> Firm Placees and any Firm Placee procured by Dowgate) procured by HSBC fails to subscribe for any or all of the Firm Placed Shares which have been allocated to it, HSBC shall subscribe, as principal, for such Firm Placed Shares.

To the extent that any Placee (other than Stanhope, the S<sup>4</sup> Placees and any Placee procured by HSBC) procured by Dowgate fails to subscribe for any or all of the Placing Shares which have been allocated to it, Dowgate shall subscribe, as principal, for such Placing Shares.

To the extent that any Firm Placee (other than Stanhope, the S<sup>4</sup> Firm Placees and any Firm Placee procured by HSBC) procured by Dowgate fails to subscribe for any or all of the Firm Placed Shares which have been allocated to it, Dowgate shall subscribe, as principal, for such Firm Placed Shares.

The Company has agreed to pay a commission of 2.5 per cent. of the amount equal to the product of the Issue Price and the aggregate number of New Ordinary Shares to be allotted pursuant to the Issue other than the New Ordinary Shares to be subscribed by Stanhope, the S<sup>4</sup> Placees and the S<sup>4</sup> Firm Placees. In addition, in connection with the Placing, the Company has agreed to pay each Placee (other than the S<sup>4</sup> Placees and the S<sup>4</sup> Firm Placees) a placing commission of 1.00 per cent. of the Issue Price multiplied by the number of New Ordinary Shares in their participation which are subsequently subject to clawback to satisfy valid applications by Qualifying Shareowners under the Open Offer, which commission is to be payable by the Joint Bookrunners, as agent for and on behalf of the Company. All expenses incurred by the Joint Bookrunners will be paid by the Company, irrespective of whether Admission occurs.

The Joint Bookrunners' obligation to subscribe for Firm Placed Shares and/or Placing Shares is conditional on certain conditions that are typical for an agreement of this nature including, among others:

- the passing without amendment of the Issue Resolution at the General Meeting on 24 October 2019 (or such later date as the Bookrunners may agree) and the Issue Resolution remaining in force;
- the Company having complied with its obligations under the Placing Agreement or under the terms and

conditions of the Firm Placing and the Placing and Open Offer which, in each case, fall to be performed on or prior to Admission; and

- Admission occurring on or before 8.00 a.m. on 25 October 2019 (or such later time and/or date as the Joint Bookrunners and the Company may agree, being not later than 8.00 a.m. on 30 November 2019).

If, by the time specified in the Placing Agreement (or such later time and/or date as the Joint Bookrunners may agree) any of the conditions have not been fulfilled or waived by the Joint Bookrunners, the Placing Agreement and all obligations of each of the parties thereunder shall immediately cease to have any effect save that certain provisions survive. The Joint Bookrunners may in their discretion waive compliance with the whole or any part of certain of the conditions or extend the time provided for fulfilment of any such conditions but only prior to Admission. In addition, the Joint Bookrunners may terminate the Placing Agreement in certain circumstances (such as a material adverse change or force majeure event) but only prior to Admission. The Joint Bookrunners are not entitled to terminate the Placing Agreement after Admission.

The parties have agreed that in the event a supplementary prospectus is published two or fewer Business Days prior to the closing date of the Open Offer (or such later date as may be agreed by the Joint Bookrunners), the closing date of the Open Offer shall be extended to the date which is three Business Days after the date of publication of the supplementary prospectus.

The Company has given certain customary warranties and undertakings to the Joint Bookrunners including, among other things, warranties in relation to the business, the historical financial information and the information contained in this Document.

#### ***Receiving Agent Agreement***

The Company has entered into the Receiving Agent Agreement dated 8 October 2019, pursuant to which Share Registrars Limited (the "**Receiving Agent**") has been appointed to act as receiving agent of the Company in connection with the Open Offer. The Receiving Agent shall be entitled to receive customary fees for the performance of its services and shall also be entitled to reimbursement of all out of pocket costs, expenses and charges reasonably and properly incurred and documented on behalf of the Company. The Receiving Agent Agreement may be terminated by the Company or the Receiving Agent in certain circumstances such as a material breach which is not remedied.

#### ***IMA Merger Agreement***

On 9 August 2019, MediaMonks Multimedia Holding B.V., entered into the IMA Merger Agreement pursuant to which it acquired the entire issued share capital of IMAgency Holding B.V., the holding company of the IMA Group.

The IMA Merger Agreement valued IMA at €16.5 million on a debt-free, cash-free basis with a normalised level of working capital. €8.6 million of the consideration is as yet unpaid deferred consideration. The consideration was paid from:

- the subscription by the IMA shareowners for 836,174 Ordinary Shares of the Company which completed on 20 August 2019;
- the draw down of €10 million of the Revolving Facility Term Loan on 9 August 2019; and
- the balance from S4 Limited's existing cash resources.

#### ***ProgMedia QPA***

On 19 April 2019, the Company, MightyHive, Bruno Rebouças and Natália Fernandes entered into a quota purchase agreement (the "**ProgMedia QPA**") pursuant to which ProgMedia was combined with the MightyHive Group. The ProgMedia Merger valued ProgMedia (on a debt-free, cash-free basis with normalised working capital) at up to BRL 25,494,300, payable 50 per cent. in cash and 50 per cent. in Ordinary Shares. On closing of the ProgMedia Merger, BRL 4,314,420 was paid in cash to the Sellers and 600,673 Ordinary Shares were issued to the Sellers, credited as fully paid. The payment of the deferred consideration is contingent on the financial performance of ProgMedia in the year to 31 December 2019.

Pursuant to the ProgMedia QPA, MightyHive and the Company have the benefit of certain warranties and indemnities in relation to the operation of ProgMedia in the period before closing of the ProgMedia Merger.

### **Caramel APA**

On 25 April 2019, MediaMonks B.V. entered into an asset purchase agreement with Will Van der Vlugt Beheer B.V. and Will Van der Vlugt Studio B.V. (the "**Caramel APA**"). Pursuant to the Caramel APA, MediaMonks B.V. acquired certain of the business and assets of Will Van der Vlugt Beheer B.V. and Will Van der Vlugt Studio B.V., known as Caramel Pictures, for an aggregate consideration (payable in cash) of €2,075,000 upon completion and up to €825,000 payable conditional, *inter alia*, upon Caramel Pictures meeting a gross profit target for the year to 31 December 2019.

Pursuant to the Caramel APA, MediaMonks has the benefit of certain customary warranties and indemnities in respect of the business and assets comprising Caramel Pictures.

### **MightyHive Merger Agreement**

On 3 December 2018, the Company, its indirect subsidiaries, S<sup>4</sup> Capital Holdings Limited, US Holdco and S<sup>4</sup> Capital MergeCo, Inc., MightyHive and a representative of the selling security holders of MightyHive entered into a merger agreement (the "**MightyHive Merger Agreement**") pursuant to which MightyHive merged with and into S<sup>4</sup> Capital MergeCo, Inc. with the effect that, upon closing pursuant to the MightyHive Merger Agreement, MightyHive became a wholly-owned indirect subsidiary of the Company.

The MightyHive Merger valued MightyHive at \$150 million on a debt-free cash-free basis and with normalised working capital.

Pursuant to the MightyHive Merger Agreement, the holders of MightyHive Common Shares were, on 24 December 2018, allotted 37,068,087 Ordinary Shares having an aggregate value of £40.77 million at 110 pence per Ordinary Share. Such shares represented (i) 50 per cent. of the consideration due to the holders of MightyHive Common Shares other than Peter Kim and (ii) 50 per cent. of the aggregate consideration payable to Peter Kim (including in respect of his MightyHive Preferred Shares). The remaining consideration paid to the holders of MightyHive Common Shares (£39.62 million, or 50 per cent. in respect of holders other than Peter Kim) was settled in cash on 24 December 2018.

Pursuant to the MightyHive Merger Agreement, the holders of MightyHive Options were, on 24 December 2018, granted options over in aggregate 8,984,159 Ordinary Shares of the Company having an aggregate value (net of the relevant exercise prices) of £8.07 million at the issue price of 110 pence per Ordinary Share (the "**Rollover Options**"). The Rollover Options represented in aggregate (i) 50 per cent. of the consideration due to the holders of vested MightyHive Options and (ii) 100 per cent. of the consideration due to the holders of unvested MightyHive Options. The remaining consideration payable to the holders of vested MightyHive Options (£2.98 million) was settled in cash on 24 December 2018.

Pursuant to the MightyHive Merger Agreement, the holders of MightyHive Preferred Shares received the consideration payable to them 100 per cent. in cash on 24 December 2018.

The Company further agreed, under the MightyHive Merger Agreement, to (i) award the MightyHive Group's people \$5 million in restricted cash bonuses; and (ii) establish a \$5 million equity incentive scheme for the MightyHive Group's people.

Under the MightyHive Merger Agreement, the Group has the benefit of certain representations and warranties relating to the MightyHive Group, its business and operations. Certain of these representations and warranties are supported by a warranty and indemnity insurance policy, as described more fully in this paragraph 12. Under the Merger Agreement, the Group has also made certain warranties and representations as to its capacity and authority and as to the accuracy and completeness of the prospectus published by the Company in respect of the MightyHive Merger. If such warranties and representations are breached, the Group has agreed to indemnify the selling securityholders of MightyHive for losses caused by such breach.

### **December Placing Agreement**

On 4 December 2018, the Company, Sir Martin Sorrell, HSBC and Dowgate entered into a placing agreement (the "**December Placing Agreement**") pursuant to which HSBC and Dowgate agreed to use their respective reasonable endeavours to procure subscribers for the Ordinary Shares issued by the Company in the December Placing in order to fund the cash consideration payable in connection with the MightyHive Merger. The December Placing Agreement completed on 24 December 2018 when gross proceeds of £74.0 million were raised by the Company pursuant to the issue of 67,272,727 Ordinary Shares at an issue price of 110 pence per Ordinary Share.

Under the December Placing Agreement, the Company and Sir Martin gave certain customary warranties, undertakings and indemnities in favour of Dowgate and HSBC.

#### ***MightyHive W&I Policy***

The Company agreed to accept an insurance policy upon closing of the Merger Agreement (the "**MightyHive W&I Policy**") pursuant to which certain breaches of the warranties and/or indemnities given by MightyHive to the Company under the Merger Agreement were insured. The MightyHive W&I Policy was paid for by the Company and the selling security owners of MightyHive in equal parts.

#### ***PK Side Letter***

The Company and Peter Kim entered into a side letter to the Merger Agreement dated 7 October 2019 (the "**PK Side Letter**"). Pursuant to the PK Side Letter, Peter Kim agreed to receive the consideration to which he was entitled under the Merger Agreement 50 per cent. in cash and 50 per cent. in New Ordinary Shares valued at 110 pence per Ordinary Share.

#### ***MightyHive Equityowner Lock-in Deeds***

Each of the MightyHive Equityowners entered into their respective lock-in deeds between 4 December 2018 and 24 December 2018, with HSBC, Dowgate and the Company (the "**MightyHive Equityowner Lock-in Deeds**") pursuant to which they agreed with HSBC, Dowgate and the Company that they will not, and that they will use reasonable endeavours to procure that their connected persons will not: (i) dispose of any interest in Ordinary Shares for a period of 24 months from 24 December 2018 subject to certain exceptions.

#### ***Registrar Agreement***

The Registrar is responsible for providing share registration services to the Company under the terms of a registrar's agreement dated 22 December 2016 (the "**Registrar Agreement**"). In certain circumstances, the parties will be entitled to terminate the agreement by giving 6 months' notice, or immediately if an insolvency event occurs in respect of the other party or in the case of material breach (including non-payment of fees due).

The Company has agreed to pay the Registrar's fees in quarterly arrears in respect of its standard service. The basic fee comprises £1.25 per holding per annum (subject to a minimum charge of £400 per quarter). The Registrar may, on 1 April each year, review its fee arrangements and will give the Company at least one month's written notice of any alteration to such charges. Pursuant to the Registrar Agreement, the Company has agreed to indemnify the Registrar against certain losses it may suffer as a result of the performance of its role. The Registrar Agreement is governed by English law.

#### ***July Placing Agreement***

On 6 July 2018, S<sup>4</sup> Limited, the then directors of S<sup>4</sup> Limited and Dowgate entered into a placing agreement (the "**July Placing Agreement**") pursuant to which Dowgate agreed to use reasonable endeavours to procure subscribers for S<sup>4</sup> Limited Ordinary Shares in connection with the July Placing carried out by S<sup>4</sup> Limited in relation to the MediaMonks Merger. The July Placing Agreement completed on 9 July 2018 when gross proceeds of £127,053,857 were raised by S<sup>4</sup> Limited pursuant to the issue of 108,593,040 S<sup>4</sup> Limited Ordinary Shares at a placing price of £1.17 per S<sup>4</sup> Limited Ordinary Share.

Under the July Placing Agreement, Dowgate was entitled to receive a commission of 3 per cent. of the aggregate value of the S<sup>4</sup> Limited Ordinary Shares placed with investors other than Sir Martin Sorrell. Under the July Placing Agreement, S<sup>4</sup> Limited and the then directors of S<sup>4</sup> Limited gave certain customary warranties, undertakings and indemnities in favour of Dowgate.

#### ***MediaMonks Merger Agreement***

On 6 July 2018, S<sup>4</sup> Limited, its subsidiary, Bidco, and Zen B.V., the immediate parent company of MediaMonks Multimedia Holding B.V., entered into the MediaMonks Merger Agreement pursuant to which Bidco acquired the entire issued share capital of MediaMonks Multimedia Holding B.V., the holding company of the MediaMonks Group. The MediaMonks Merger was completed on 9 July 2018.

The MediaMonks Merger Agreement valued MediaMonks at €300 million on a debt-free, cash-free basis with a normalised level of working capital. The consideration was paid from:

- the proceeds of the July Placing, pursuant to which 108,539,040 S<sup>4</sup> Limited Ordinary Shares were issued to certain institutional and other investors for aggregate cash proceeds of €143.34 million which completed on 9 July 2018;
- the subscription by the MediaMonks Subscribers for 47,974,846 S<sup>4</sup> Limited Ordinary Shares for aggregate cash proceeds of €63.32 million which completed on 9 July 2018;
- the draw down of the €50 million Term Loan on 9 July 2018; and
- the balance from S4 Limited's existing cash resources.

Pursuant to the MediaMonks Merger Agreement the Group agreed to establish a €25 million incentive arrangement for the senior management of MediaMonks. At completion of the MediaMonks Merger, €3 million was paid to each of Victor Knaap and Wesley ter Haar and a further €3 million was paid to each of Victor Knaap and Wesley ter Haar on 9 July 2019, being the first anniversary of the MediaMonks Merger. The balance of the incentive arrangement remains available to incentivise other members of the management of the MediaMonks Group over the four year period from completion of the MediaMonks Merger.

Under the MediaMonks Merger Agreement, Bidco has the benefit of certain representations and warranties relating to the operation of the MediaMonks Group and its business. Certain of these representations and warranties and an indemnity in relation to taxation are supported by the W&I Policy that is described more fully in this paragraph 12. Certain other liabilities of Zen B.V. under the MediaMonks Merger Agreement have been severally guaranteed by funds managed by Bencis Capital Partners up to an aggregate maximum of €10 million.

#### **MediaMonks W&I Policy**

On 20 July 2018, S<sup>4</sup> Limited incepted an insurance policy (the "**MediaMonks W&I Policy**") pursuant to which certain breaches of the warranties and/or indemnities given by Zen B.V. under the MediaMonks Merger Agreement have been insured. The MediaMonks W&I Policy was initially paid for by S<sup>4</sup> Limited but, in accordance with the terms of the MediaMonks Merger Agreement, the premium (other than in relation to top-up cover bought by S<sup>4</sup> Limited) was re-charged to Zen B.V.

#### **MediaMonks Subscriber Lock-in Deeds**

Each of the MediaMonks Subscribers entered into a lock-in deed on 10 September 2018 with Dowgate and the Company (the "**MediaMonks Subscriber Lock-in Deeds**") pursuant to which they each agreed with Dowgate and the Company that they will not, and that they will use reasonable endeavours to procure that their connected persons will not: (i) dispose of any interest in Ordinary Shares for a period of 24 months following 28 September 2018 subject to certain exceptions.

#### **MediaMonks Affiliate Acquisition Agreements**

Prior to the MediaMonks Merger, the MediaMonks Group held 51 per cent. interests in each of Superhero Cheesecake B.V., Made.For.Digital Holding B.V. and eBuilders B.V. (together, the "**MediaMonks Affiliates**"), with the remaining 49 per cent. being owned by the founders and/or managers of the MediaMonks Affiliates (the "**Minority Interests**"). It was a term of the MediaMonks Merger Agreement that MediaMonks acquire the Minority Interests prior to completion of the MediaMonks Merger.

Accordingly, MediaMonks entered into acquisition agreements with the holders of the Minority Interests in each of Superhero Cheesecake B.V. and Made.For.Digital Holding B.V. and additionally entered into a notarial deed of transfer relating to the Minority Interests in eBuilders B.V. (together, the "**MediaMonks Affiliate Acquisition Agreements**").

The MediaMonks Affiliate Acquisition Agreements were completed on 9 July 2018 immediately prior to the MediaMonks Merger. The MediaMonks Affiliate Acquisition Agreements valued the MediaMonks Affiliates at an aggregate enterprise value of €57.28 million, which was derived from the same enterprise value to EBITDA multiple implied by the MediaMonks Merger. The consideration payable by MediaMonks to the holders of the Minority Interests was €20.83 million. Under the MediaMonks Affiliate Acquisition Agreements, the sellers of the Minority Interests in each of Superhero Cheesecake B.V. and Made.For.Digital Holding B.V. made certain representations and warranties to MediaMonks and provided an indemnity in relation to certain tax liabilities.

### **HSBC Facilities Agreement**

On 6 July 2018, S<sup>4</sup> Limited, Bidco and HSBC entered into an English law senior unsecured term and revolving credit facility agreement (the "**HSBC Facilities Agreement**") pursuant to which HSBC Bank plc agreed to make a term loan of up to €50 million (the "**Term Loan**") and a revolving credit facility of up to €15 million (the "**Revolving Facility**") available to the Group. Pursuant to the HSBC Facilities Agreement, S<sup>4</sup> Limited paid to HSBC a fee of 1.25 per cent. of the aggregate size of the Term Loan and the Revolving Facility, a structuring fee of €250,000 and an annual agency fee of £27,500.

On 9 August 2019, S<sup>4</sup> Limited, Bidco and HSBC entered into an amendment and restatement deed in respect of the HSBC Facilities Agreement (the "**A&R Deed**"). Pursuant to the A&R Deed, the Revolving Facility was increased to €35 million.

The Term Loan was initially drawn down in full on 9 July 2018 by Bidco in Euros, but 50 per cent. of the amount so drawn was converted into US Dollars and interest and principal in relation to that amount is payable in US Dollars. €2 million of the Revolving Facility was drawn down by Bidco on 24 July 2018 for the general corporate purposes of the MediaMonks Group. A further €12 million was drawn down by Bidco on 5 July 2019 to make the anniversary payments to Victor Knaap and Wesley ter Haar under the MediaMonks Merger Agreement and for general corporate purposes. Additionally, €10 million was drawn down on 9 August 2019 in order to fund the IMA Merger.

Under the HSBC Facilities Agreement, the Company must maintain (i) a Net Debt to EBITDA Ratio of 3.00:1.00 or less and (ii) Interest Cover Ratio of 3.00:1.00 or more. Breach of either or both of such covenants could result in the entire outstanding balance of the Term Loan and the Revolving Facility becoming immediately due and payable. These financial covenants are tested on each date a compliance certificate is delivered to HSBC. The Group is required to deliver a compliance certificate alongside its consolidated half yearly (within 90 days of such half year-end) and yearly financial statements (within 120 days of such year-end).

#### *The Term Loan*

The Term Loan was made available to the Group for the purpose of the MediaMonks Merger. The Term Loan does not amortise and is repayable in a single instalment on the fifth anniversary of drawing down the Term Loan. The interest rate on the Term Loan is defined as (i) EURIBOR in respect to any loan drawn down in Euros or in relation to a loan drawn in any other currency, LIBOR (subject in each case to a floor of zero per cent.) (ii) plus an additional percentage per annum (the spread), dependent upon the Company's Net Debt to EBITDA Ratio from time to time. The spread applicable the Term Loan at various Net Debt to EBITDA Ratios is as follows:

<b>Net Debt to EBITDA Ratio (:1.00)</b>	<b>Applicable spread</b>
More than 3.00	3.00%
2.50 to 3.00	2.50%
2.00 to 2.50	2.00%
1.50 to 2.00	1.75%
1.00 to 1.50	1.50%
Less than 1.00	1.25%

Whenever an event of default continuing, the spread will be 3.00 per cent.

#### *The Revolving Facility*

The Revolving Facility has been made available to the Group for general corporate purposes. The termination date of the Revolving Facility is 13 September 2023. The interest rate on the Revolving Facility is defined as (i) EURIBOR in respect to any loan drawn down in Euros or in relation to a loan drawn in any other currency, LIBOR (subject in each case to a floor of zero per cent.) (ii) plus an additional percentage per annum (the spread), dependent upon the Company's Net Debt to EBITDA Ratio from time to time. The spread applicable the Term Loan at various Net Debt to EBITDA Ratios is as follows:

Net Debt to EBITDA Ratio (:1.00)	Applicable spread
More than 3.00	3.00%
2.50 to 3.00	2.50%
2.00 to 2.50	2.00%
1.50 to 2.00	1.75%
1.00 to 1.50	1.50%
Less than 1.00	1.25%

Whenever an event of default continuing, the spread will be 3.00 per cent.

In addition, 35 per cent. of the applicable spread is payable by the Group to HSBC Bank plc on the unused and uncancelled amount of the Revolving Facility for so long as the Revolving Facility is available to the Group.

#### ***SMS Indemnity***

On 3 July 2018, Sir Martin Sorrell gave the Company and S<sup>4</sup> Limited an uncapped indemnity in respect of claims arising in connection with certain allegations that Sir Martin had, in connection with the MediaMonks Merger, acted in breach of the duty of confidentiality owed by him to WPP and unlawfully diverted a maturing business opportunity from WPP (the "**SMS Indemnity**"). The SMS Indemnity will remain in force for a period of six years from 3 July 2018.

### **13 RELATED PARTY TRANSACTIONS**

From 1 January 2015 or incorporation (whichever is the later) to the date of this Document, members of the Group have entered into the following related party transactions:

- (a) the service agreements and/or letters of appointment (including any ancillary non-competition agreements) with Sir Martin Sorrell and each of the other Executive Directors set out in paragraph 10 above;
- (b) the subscription letters pursuant to which the Directors and their connected persons subscribed for New Ordinary Shares, S<sup>4</sup> Limited Ordinary Shares, S<sup>4</sup> Limited Founder Shares and A2 Incentive Shares (as applicable);
- (c) the MightyHive Equityowner Lock-in Deeds to which Peter Kim and Christopher Martin are party, as described in paragraph 12 above;
- (d) arrangements pursuant to which people of the MightyHive Group had access to premises in New York and Sydney which were leased by Peter Kim and Christopher Martin respectively;
- (e) the PK Side Letter as set out in paragraph 12 above;
- (f) the undertakings pursuant to which each of Sir Martin Sorrell, Peter Rademaker, Daniel Pinto, Oro en Fools B.V. and Zen 2 B.V. agreed not to take up their respective open offer entitlements in respect of the December Placing;
- (g) the undertakings pursuant to which Rupert Faure Walker and Paul Roy agreed to take up their respective open offer entitlements in respect of the December Placing in full;
- (h) the irrevocable undertakings pursuant to which Sir Martin Sorrell, Peter Rademaker, Daniel Pinto, Oro en Fools B.V., Zen 2 B.V., Rupert Faure Walker and Paul Roy severally agreed to vote in favour of the resolutions proposed at the general meeting of the Company held on 20 December 2018;
- (i) the lock-in deeds with each of Sue Prevezza, Paul Roy and Rupert Faure Walker in respect of the ordinary shares each for which each agreed to subscribe pursuant to the December Placing, as described more fully in paragraph 4 of Part III of this Document;
- (j) The Stanhope Lock-in Deed, as described in paragraph 4 of Part III above;
- (k) the award of a €6 million bonus to each of Victor Knaap and Wesley ter Haar upon completion of the MediaMonks Merger and described more fully in paragraph 12 of this Part XVII, the management services agreements with Oro del Amstel Holding B.V., Fools Gold Holding, B.V. and

Rademco B.V., and the deeds of transfer of contract in favour of Monk Management B.V. and VK Management B.V. in each case as described in paragraph 10 above;

- (l) the subscription letters pursuant to which each Derriston Founder subscribed for Derriston Founder Shares at nominal value which were, until the passing of an ordinary resolution by the Shareowners on 23 July 2018, subject to the Derriston Performance Condition;
- (m) the lock-in deeds entered into by the Company and the Derriston Founders pursuant to which each of the Derriston Founders agreed not to dispose of any interest in their Old Ordinary Shares for a period of one year following First Admission except in certain restricted circumstances;
- (n) the letters of appointment of the Non-Executive Directors set out in paragraph 10 above;
- (o) the S<sup>4</sup> Acquisition Agreement described in paragraph 1 of Part III;
- (p) the payment of £5,000 per month to each of Harry Hyman and Rodger Sargent for June, July and August 2018;
- (q) the service agreement between Rodger Sargent and the Company pursuant to which Rodger Sargent was appointed as an executive Director of the Company;
- (r) a settlement agreement dated 29 May 2018 between the Company and Rodger Sargent pursuant to which the parties thereto agreed to settle any claims which Rodger Sargent may have had against the Company or any member of its group from time to time in connection with his employment or its termination. The agreement was entered into as Rodger Sargent had asked not to be paid and had not received the statutory minimum wage. Rodger Sargent employment ceased on 28 September 2018;
- (s) the SMS Indemnity set out in paragraph 12 above; and
- (t) the Relationship Agreement, as described more fully in paragraph 4 of Part III of this Document.

So far as the Company is aware, and save as described above, no member of the Group has been a party to a transaction that would be required to be disclosed as a related party transaction.

## 14 LITIGATION AND ARBITRATION

### *The Group*

There are not, and have not been, any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened as far as the Company is aware), during the 12 months immediately preceding the date of this Document which may have, or have had in the recent past, significant effects on the Company's or the Group's financial position or profitability.

### *Firewood*

There are not, and have not been, any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened as far as the Company is aware), during the 12 months immediately preceding the date of this Document which may have, or have had in the recent past, significant effects on the Firewood Group's financial position or profitability.

## 15 WORKING CAPITAL

The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is for at least the 12 months from the date of this Document.

## 16 NO SIGNIFICANT CHANGE

Save for the changes set out below, there has been no significant change in the financial position or financial performance of the Group since 30 June 2019, being the date as at which the financial information incorporated into this Document by reference, as set out more fully in Part XI of this Document, has been prepared.

The Company regards the following changes as significant in the Group's financial position and financial performance since 30 June 2019:

- the merger with ProgMedia pursuant to the ProgMedia QPA as described more fully in paragraph 12 of this Part XVII;

- the acquisition of Caramel pursuant to the Caramel APA as described more fully in paragraph 12 of this Part XVII;
- the merger with IMA pursuant to the IMA Merger Agreement, and the associated issue of 836,174 Ordinary Shares to the selling shareholders of IMA;
- the entry into the Merger Agreement pursuant to which it is expected that the Firewood Merger will take effect upon Admission.

## 17 PROPERTY

### *Intellectual property*

S<sup>4</sup> Limited holds certain domain names including www.s4capital.com and has registered certain trademarks in applicable jurisdictions. The Group does not own any existing or planned material intangible assets.

The MediaMonks Group owns the existing material intangible assets relating to the MediaMonks business. The MediaMonks Group has registered trade marks (or made equivalent protective registrations) in respect of its primary operating brand name in certain of the jurisdictions in which it operates. The MediaMonks Group's most material assets are those which subsist in the creative work and content it produces for its clients. The MediaMonks Group also owns certain domain names.

The MightyHive Group owns the existing material intangible assets relating to the MightyHive business. The MightyHive Group has registered trade marks (or made equivalent protective registrations) in respect of its primary operating brand name in certain of the jurisdictions in which it operates. The MightyHive Group's most material assets are those which subsist in the custom software, consulting work product and technology solutions it produces. The MightyHive Group also owns certain domain names.

The Firewood Group owns the existing material intangible assets relating to the Firewood business. The Firewood Group has registered trade marks (or made equivalent protective registrations) in respect of its primary operating brand name in certain of the jurisdictions in which it operates. The Firewood Group's most material assets are those which subsist in the creative work and content it produces for its clients. The Firewood Group also owns certain domain names.

### *Property*

The Group does not own any existing or planned material tangible fixed assets, including leased properties, or any major encumbrances thereon.

Save as disclosed in the Historical Financial Information relating to the MediaMonks Group incorporated by reference into this Document as set out more fully in Part XI of this Document, the MediaMonks Group does not own any material tangible fixed assets, including leased properties. The MediaMonks Group typically occupies the premises used in connection with its business on short-term leases which have no material capital value.

Save as disclosed in the accounts relating to the MightyHive Group incorporated by reference into this Document as set out more fully in Part XI of this Document, the MightyHive Group does not own any material tangible fixed assets, including leased properties. The MightyHive Group typically occupies the premises used in connection with its business on short-term leases which have no material capital value.

Save as disclosed in the accounts relating to the Firewood Group included as Part XII of this Document, the Firewood Group does not own any material tangible fixed assets, including leased properties. The Firewood Group typically occupies the premises used in connection with its business on short-term leases which have no material capital value.

## 18 PENSIONS

S<sup>4</sup> Limited makes contributions to the defined contribution pension of the sole person it employs. Midco makes contributions to the pension of the Executive Chairman as described in more detail in paragraph 10 of this Part XVII.

People of the MediaMonks Group participate in defined contribution pension schemes in certain European jurisdictions. The MediaMonks Group does not operate any defined benefit pension schemes.

The MightyHive, Inc. Retirement Plan (the "**MightyHive Plan**") is a voluntary deferral 401(k) plan available to all full and part time people over the age of 21. There were 94 participants in the MightyHive Plan as

at 31 December 2017. The MightyHive Plan does not include any employer match but does require the employer to contribute three per cent. of each person's salary regardless of the level of employee deferral. The MightyHive Plan is administered by Ubiquity, a subsidiary of Charles Schwab.

The Firewood Marketing, Inc. Retirement Plan (the "**Firewood Plan**") is a 401(k) profit sharing plan which is offered to Firewood's US-based employees. The Firewood Plan requires that Firewood make a matching contribution if the participant makes an elective deferral contribution or a catch-up contribution not in excess of 3% of a participant's compensation. Firewood may make a profit sharing contribution on a participant's behalf. The amount contributed to the Plan on a participant's behalf is capped at a fixed dollar amount pursuant to the Internal Revenue Code.

## 19 GENERAL

- (a) BDO LLP of 55 Baker Street, London, W1U 7EU, a member firm of the Institute of Chartered Accountants in England and Wales, has given and not withdrawn its written consent to the inclusion in this Document of its report set out in the opinion on the pro forma financial information included in Part XV of this Document and it has authorised the content of that report within the Document.
- (b) Crowe LLP of 575 Market Street, Suite 3300, San Francisco, California 94105, United States, is a member firm of the American Institute of Certified Public Accountants.
- (c) Moss Adams LLP of 101 Second Street, Suite 900, San Francisco, California 94105 a member firm of the American Institute of Certified Public Accountants, has given and not withdrawn its written consent to the inclusion in this Document of its report set out in the opinion on the financial information included in Part XIV of this Document and it has authorised the content of that report within the Document. Moss Adams LLP accepts responsibility for its report set out in Part XIV of this Document. To the best of its knowledge, the information contained in its report set out in Part XIV of this Document is in accordance with the facts and makes no omission likely to affect its import.
- (d) PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England and Wales.
- (e) No admission to listing or trading of the Ordinary Shares is being sought on any stock exchange other than the main market of the London Stock Exchange.
- (f) The Directors are not aware of any exceptional factors which have influenced the Group's activities or the activities of the Firewood Group.
- (g) It is estimated that the total expenses payable by the Company in connection with Admission will amount to approximately £1.7 million (excluding VAT), including a maximum payment of the Shareowner Commissions.
- (h) The Company expects a typical investor in the Company will be an institutional investor or high net worth individual with a large portfolio of investments.
- (i) There have been no interruptions in the business of the Group or the Firewood Group, which may have or have had a significant effect on the financial position of the Group or the Firewood Group or which are likely to have a material effect on the prospects of the Group for the next 12 months.
- (j) The Ordinary Shares are in registered form and may be held in certificated form. No temporary documents of title will be issued. The New Ordinary Shares will be issued pursuant to the Companies Act and their currency is pounds sterling. The Registrar is responsible for maintaining the Company's register of members.
- (k) Save as described in this Document there are no investments in progress which are significant to the Group and there are no principal future investments on which the Group or Firewood has at the date hereof made firm commitments. Save as described in this Document, there are no existing or planned material tangible fixed assets of the Group.
- (l) Save as described in this Document, neither the Company nor any member of the Group has any joint ventures or undertakings in which it holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.
- (m) Save as described in this Document, the Directors are not aware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.

- (n) Save as described in this Document, the Group is not dependent on patents or licences or industrial, commercial or financial contracts or new manufacturing processes which are material to its business or profitability.
- (o) Save as described in this Document, the Directors are not aware of any significant recent trends in production, sales and inventory, and costs and selling prices since the end of the previous financial year (or incorporation, as applicable) (to the date of this Document) and are similarly not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's or the Group's prospects in its current financial year.
- (p) Where information contained in this Document has been sourced from a third party, the Company confirms that such information has been accurately reproduced. So far as the Company is aware and are able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- (q) Other than in respect of the Ordinary Shares held by the EBT, there are no arrangements in existence under which future dividends of the Company are to be waived or agreed to be waived.
- (r) Other than the Rollover Options, no share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.
- (s) Pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules a person must notify the Company of the percentage of its voting rights he holds as a shareowner or through his direct or indirect holding of certain financial instruments (or a combination of such holdings) if the percentage of those voting rights (a) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. as result of an acquisition or disposal of shares or such financial instruments; or (b) reaches, exceeds or falls below an applicable threshold in (a) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company in accordance with the Disclosure Guidance and Transparency Rules. Certain voting rights held by investment managers, unit trusts, Open-Ended Investment Companies and market makers can be disregarded except at the thresholds of 5 per cent. and 10 per cent. and above.
- (t) Immediately following Admission it is expected that approximately 31.57 per cent of the Enlarged Share Capital will be in public hands for the purposes of the Listing Rules.

## 20 CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. CREST is a voluntary system and holders of Ordinary Shares who wish to have them held outside of CREST will have their details recorded on the Company's register maintained by Share Registrars Limited. The Company's Articles permit the Company to issue shares in uncertificated form in accordance with the CREST Regulations. Accordingly, settlement of transactions in the Ordinary Shares following Admission may continue to take place within the CREST system if Shareowners so wish.

## 21 THE CITY CODE

The Company is not aware of the existence of any takeover bid pursuant to the rules of the City Code, or any circumstances which may give rise to any takeover bid, and the Company is not aware of any public takeover bid by third parties for the Ordinary Shares.

The City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of an acquirer and its concert parties to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstance, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding Ordinary Shares at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of Ordinary Shares by a person holding (together with its concert parties) Ordinary Shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights. Once a person, together with persons acting in concert with him, is interested in Ordinary Shares which in aggregate carry more than 50 per cent. of the voting rights of the Company, any further acquisition of shares would not require such a general offer.

Under the City Code, a concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal and whether or not in writing) actively co-operate, through the acquisition by them of an interest in shares in a company, to obtain or consolidate control of the company (a "**Concert Party**"). Control means holding, or having aggregate holdings, of an interest in shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control.

A circular (the "**Whitewash Circular**") was sent to Shareowners on 11 September 2018 convening a general meeting at 11.00 a.m. on 27 September 2018. The Whitewash Resolution was proposed and passed at the general meeting of the Company held on 27 September 2018. The Whitewash Resolution approved the waiver by the Panel of the obligation that would otherwise have arisen on the Concert Party (or any member of the Concert Party) to make a general offer for the Company under Rule 9 of the City Code as a result of the issue of the B Share to Sir Martin Sorrell.

Under the Act, if an offeror were to make a takeover offer for the Ordinary Shares and were to acquire or unconditionally contract to acquire 90 per cent. of the shares to which the offer relates, and 90 per cent. of the voting rights attached to those shares, within three months of the last day on which its offer can be accepted, it could compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareowners in the Company telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareowners. The consideration offered to the Shareowners in the Company whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

The Act also gives minority Shareowners in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares to which the offer relates, any holder of Ordinary Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Ordinary Shares.

The offeror would be required to give any shareowner in the Company notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareowners to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareowner exercises his or her rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

## **22 AUDITORS AND ACCOUNTING POLICIES**

The auditors of the Company are PricewaterhouseCoopers LLP whose registered address is at 1 Embankment Place, London WC2N 6RH.

The audited accounts of the Company are prepared in accordance with IFRS.

The Company was incorporated on 14 November 2016. The Company's annual report and consolidated accounts are prepared up to 31 December in each year and copies of the report and accounts are sent to Shareowners within the following four months. Shareowners also receive an unaudited interim report covering the six month period to 30 June in each year, which are dispatched to Shareowners within the following two months. Where Shareowners have consented, the Registrar is authorised by the Company to deliver the aforementioned reports and accounts to Shareowners in electronic form. Shareowners will be sent updates on the Group's activities as and when appropriate and in accordance with the Disclosure Guidance and Transparency Rules.

## **23 DOCUMENTS AVAILABLE FOR INSPECTION**

(a) Copies of the following documents are displayed on the Company's website at [www.s4capital.com](http://www.s4capital.com) and may be inspected at the registered office of the Company during usual business hours on any weekday (save for Saturdays, Sundays and public holidays) from the date of this Document until one month following Admission:

- (i) the memorandum and articles of association of the Company;
- (ii) the 2018 Annual Report;

- (iii) the 2017 Annual Report;
- (iv) the 2019 Interim Report;
- (v) the 2018 Interim Report;
- (vi) the September Prospectus;
- (vii) the December Prospectus;
- (viii) the letters of consent given by PricewaterhouseCoopers LLP and BDO; and
- (ix) this Document.

(b) All reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Company's request, any part of which is included or referred to in this Document, may be inspected at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Document until one month following Admission.

Dated: 8 October 2019

## PART XVIII - DEFINITIONS AND GLOSSARY

### DEFINITIONS AND ABBREVIATIONS

The following definitions apply throughout this Document, unless the context requires otherwise:

<b>2017 Annual Report</b>	the annual report and financial statements of the Company for the period ended 31 December 2017;
<b>2018 Annual Report</b>	the annual report and financial statements of the Group for the period ended 31 December 2018;
<b>2018 Interim Report</b>	the interim report of the Group for the period ended 30 June 2018;
<b>2019 Interim Report</b>	the interim report of the Group for the period ended 30 June 2019;
<b>A1 Incentive Shares</b>	the "A1" ordinary shares of £2.00 each in the capital of S <sup>4</sup> Limited;
<b>A2 Incentive Shares</b>	the "A2" ordinary shares of £2.00 each in the capital of S <sup>4</sup> Limited;
<b>A2 Majority</b>	the holder of the majority of the A2 Incentive Shares from time to time;
<b>Act or Companies Act</b>	the Companies Act 2006 as amended, modified or supplemented from time to time;
<b>Admission</b>	the admission of the New Ordinary Shares to the standard segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities;
<b>Application Form</b>	application form which accompanies this Document for Qualifying non-CREST Shareowners for use in connection with the Open Offer;
<b>Articles</b>	the articles of association of the Company;
<b>B Share</b>	the "B" ordinary share of £1.00 in the capital of the Company;
<b>B Share Rights</b>	the control rights of the holder of the B Share;
<b>BDO</b>	BDO LLP;
<b>Bidco</b>	S <sup>4</sup> Capital Acquisitions 3 B.V., a company incorporated in the Netherlands under company number 71921370, an indirect wholly-owned subsidiary of S <sup>4</sup> Limited;
<b>CAGR</b>	compound annual growth rate;
<b>Cause</b>	any of: (a) conviction for any imprisonable offence (other than an offence under road traffic legislation in the UK or elsewhere for which a fine or non-custodial penalty is imposed); (b) conviction for fraud; (c) disqualification from acting as a director; or

	(d) declaration of bankruptcy (or analogous procedures in any jurisdiction);
<b>certificated or in certificated form</b>	a share or security which is not in uncertificated form;
<b>City Code</b>	The City Code on Takeovers and Mergers issued and administered by the UK Panel on Takeovers and Mergers, as amended, modified or supplemented from time to time;
<b>Circular</b>	the circular of the Company dated on or about the date of this Document including a notice to convene the General Meeting;
<b>Closing Price</b>	the closing, mid-market price of an Existing Ordinary Share on 7 October 2019 (the last business day prior to the announcement of the Issue) as published by the London Stock Exchange;
<b>Companies Law</b>	the Companies (Jersey) Law 1991 (as amended from time to time);
<b>Company or S<sup>4</sup>Capital</b>	S <sup>4</sup> Capital plc, a public company limited by shares incorporated in England and Wales with registered number 10476913;
<b>Concert Party</b>	the Shareowners considered by the Company to be acting in concert with Sir Martin Sorrell;
<b>Consideration Issue</b>	the issue of 41,428,571 New Ordinary Shares pursuant to the Merger Agreement;
<b>Consideration Shares</b>	the new Ordinary Shares issued in the Consideration Issue;
<b>CREST</b>	the relevant system (as defined in CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear;
<b>CREST Manual</b>	the rules governing the operation of CREST;
<b>CREST member</b>	a person who has been admitted to Euroclear as a system member (as defined in the Regulations);
<b>CREST participant</b>	a person who has been admitted to Euroclear as a system participant (as defined in the Regulations);
<b>CREST payment</b>	has the meaning given to it in the CREST Manual;
<b>CREST proxy instruction</b>	has the meaning given to it in the CREST Manual;
<b>CREST sponsor</b>	a CREST participant admitted to CREST as a CREST sponsor;
<b>CREST sponsored member</b>	a CREST member admitted to CREST as a CREST sponsored member;
<b>CREST Regulations</b>	the UK Uncertificated Securities Regulations 2001 (as amended) including any modification or re-enactment thereof for the time being

	in force and such other regulations as are applicable to Euroclear and/or CREST;
<b>Data Protection Legislation</b>	EU Regulation 2016/679 ("GDPR") or any equivalent or similar legislation implemented in the United Kingdom following the United Kingdom's withdrawal from the European Union;
<b>December Placing</b>	the firm placing and placing and open offer of 67,272,727 Ordinary Shares at a price of 110 pence per Ordinary Share that completed on 24 December 2018;
<b>December Placing Agreement</b>	the placing agreement dated 4 December 2018 between the Company, Sir Martin Sorrell, Dowgate and HSBC in connection with the December Placing;
<b>December Prospectus</b>	the prospectus published by the Company on 4 December 2018;
<b>Derriston Founders</b>	Harry Hyman, Rodger Sargent and 3B Capital Limited;
<b>Derriston Founder Shares</b>	the Old Ordinary Shares subscribed for by the Derriston Founders pursuant to the Derriston Subscription Letters described more fully in paragraph 13 of Part XVII of this Document;
<b>Derriston Performance Condition</b>	the performance condition to which the Derriston Founder Shares were subject until released pursuant to an ordinary resolution of the Shareowners on 23 July 2018;
<b>Directors or Board</b>	the board of directors of the Company as at the date of this Document, whose names are set out in Part VIII of this Document;
<b>Disclosure Guidance and Transparency Rules or DTR</b>	the Disclosure Guidance and Transparency Rules made by the FCA under Part VI of the FSMA;
<b>Document</b>	this prospectus;
<b>Dowgate</b>	Dowgate Capital Limited, Joint Broker and Joint Bookrunner for the Company;
<b>EBT</b>	the S <sup>4</sup> Capital Employee Benefit Trust established by the Company;
<b>EEA</b>	the European Economic Area;
<b>EEA States</b>	the member states of the European Union and the European Economic Area, each an "EEA State";
<b>Enlarged S<sup>4</sup> Limited Group</b>	S <sup>4</sup> Limited and its subsidiaries following completion of the the MediaMonks Merger;
<b>Enlarged Share Capital</b>	the entire issued share capital of the Company following the issue of the New Ordinary Shares;
<b>EU or European Union</b>	an economic and political confederation of European nations which share a common foreign and security policy and co-operate on justice

	and home affairs;
<b>EURIBOR</b>	the applicable reference rate under the HSBC Facilities Agreement;
<b>Euroclear</b>	Euroclear UK & Ireland Limited, the operator of CREST;
<b>Excess Shares</b>	the New Ordinary Shares (other than the Available Shares) not taken up by Shareowners under the Open Offer;
<b>Excluded Overseas Shareowners</b>	(other than as agreed in writing by the Company and as permitted by applicable law) Shareowners who are resident or otherwise located in any Excluded Territory;
<b>Excluded Territories</b>	Australia, Canada, Guernsey, Japan, Jersey, Hong Kong Special Administrative Region of the People's Republic of China, the Republic of Ireland, Switzerland and the United States or territories for which the distribution of this Document and any accompanying documents or the making of the offer to subscribe for New Ordinary Shares pursuant to the Issue may constitute a violation of relevant securities laws and " <b>Excluded Territory</b> " shall mean any of them;
<b>Executive Directors</b>	Sir Martin Sorrell, Scott Spirit, Victor Knaap, Wesley ter Haar, Peter Kim and Christopher Martin and Peter Rademaker;
<b>Existing Ordinary Shares</b>	the 365,068,524 Ordinary Shares in issue as at the date of this Document;
<b>FCA</b>	the Financial Conduct Authority of the United Kingdom or any successor body;
<b>Firewood</b>	Firewood Marketing, Inc. an S Corporation registered in the USA with file number C3430605;
<b>Firewood Common Stock</b>	the issued and outstanding shares of common stock, no par value per share, of Firewood;
<b>Firewood Equityowners</b>	the holders of Firewood Common Stock (other than the Firewood ESOP);
<b>Firewood Equityowners Lock-in Deeds</b>	the lock-in deeds entered into between each of the Firewood Equityowners and the Company, HSBC and Dowgate as described more fully in paragraph 4 of Part III of this Document;
<b>Firewood ESOP</b>	the Firewood stock ownership trust;
<b>Firewood Merger</b>	the merger between Firewood and the Group pursuant to the Merger Agreement;
<b>Firm Placee</b>	any person who has agreed to subscribe for Firm Placed Shares pursuant to the Firm Placing;
<b>Firm Placed Shares</b>	the 36,506,852 New Ordinary Shares which the Company is proposing to issue pursuant to the Firm Placing;

<b>Firm Placing</b>	the subscription by the Firm Placees for the Firm Placed Shares;
<b>Form of Proxy</b>	the form of proxy enclosed with the Circular for use in connection with the General Meeting;
<b>First Admission</b>	the first admission on 29 December 2016 of the Old Ordinary Shares to listing on the standard segment of the official list and to trading on the London Stock Exchange's Main Market for listed securities;
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended, modified or supplemented from time to time;
<b>General Meeting</b>	the general meeting of the Company convened by the Notice of General Meeting, to be held at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL at 11.00 a.m. on 24 October 2019;
<b>Google</b>	Google Inc.;
<b>Google ISA</b>	the master services agreement between Firewood and Google LLC dated 15 March 2017;
<b>Google Partners</b>	Google, Google LLC and other Google related parties covered by the Google ISA or separate relationships with the Group;
<b>Group</b>	the Company and its subsidiaries from time to time;
<b>HMRC</b>	HM Revenue and Customs;
<b>HSBC</b>	HSBC Bank plc, Joint Broker, Joint Bookrunner and principal bankers to the Company;
<b>HSBC Facilities Agreement</b>	the English law senior unsecured term and revolving credit facility agreement described more fully in paragraph 12 of Part XVII of this Document, as amended and restated from time to time;
<b>Holdco</b>	S <sup>4</sup> Capital Acquisitions 1 Limited, a subsidiary of S <sup>4</sup> Limited and the parent of Midco, and indirectly a wholly-owned subsidiary of S <sup>4</sup> Limited;
<b>IFRS</b>	the International Financial Reporting Standards, as adopted by the European Union;
<b>IMA</b>	the business owned and operated by IMAgency Holding B.V. and acquired by MediaMonks pursuant to the IMA Merger Agreement;
<b>IMA Group</b>	IMAgency Holding B.V. and its subsidiaries from time to time;
<b>IMA Merger</b>	the merger with IMAgency Holding B.V. by MediaMonks pursuant to the IMA Merger Agreement;
<b>IMA Merger Agreement</b>	the share sale and purchase agreement dated 9 August 2019 relating to IMAgency Holding B.V. as more fully described in paragraph 12 of Part XVII of this Document;

<b>Incentive Shares</b>	the A1 Incentive Shares and the A2 Incentive Shares;
<b>Interest Cover Ratio</b>	the ratio of EBITDA (calculated as consolidated operating profit before tax subject to certain adjustments) to the Group's net finance costs in the relevant period;
<b>Issue</b>	the Firm Placing and Placing and Open Offer;
<b>Issue Price</b>	142 pence per New Ordinary Share;
<b>Issue Resolution</b>	the Resolution numbered 1 in the Notice of General Meeting;
<b>Joint Bookrunners</b>	HSBC and Dowgate;
<b>July Placing</b>	the placing of 108,593,040 S <sup>4</sup> Limited Ordinary Shares by Dowgate pursuant to the July Placing Agreement which completed on 9 July 2018;
<b>July Placing Agreement</b>	the placing agreement dated 6 July 2018 between S <sup>4</sup> Limited and Dowgate relating to the July Placing, summary details are set out in paragraph 12 of Part XVII of this Document;
<b>Listing Rules</b>	the Listing Rules made by the FCA under Part VI of the FSMA;
<b>London Stock Exchange</b>	London Stock Exchange plc;
<b>Market Abuse Regulation</b>	Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse;
<b>MediaMonks</b>	the business owned and operated by the MediaMonks Group and acquired by S <sup>4</sup> Limited pursuant to the MediaMonks Merger Agreement;
<b>MediaMonks Merger</b>	the merger with MediaMonks Multimedia Holding B.V. by Bidco pursuant to the MediaMonks Merger Agreement;
<b>MediaMonks Merger Agreement</b>	the share sale and purchase agreement dated 6 July 2018 relating to MediaMonks Multimedia Holding B.V. as more fully described in paragraph 12 of Part XVII of this Document;
<b>MediaMonks Affiliates</b>	Superhero Cheesecake B.V., Made For Digital Holding B.V., and eBuilders B.V.;
<b>MediaMonks Affiliate Acquisition Agreements</b>	the agreements dated 9 July 2018 pursuant to which MediaMonks acquired the Minority Interests;
<b>MediaMonks Group</b>	MediaMonks Multimedia Holding B.V. and its subsidiaries from time to time;
<b>MediaMonks Subscribers</b>	(i) the management shareowners of Zen B.V., comprising: Victor Knaap and Wesley ter Haar (through their jointly-owned holding company, Oro en Fools B.V.); certain funds managed by Bencis Capital Partners (through a Zen 2 B.V., a pooling vehicle with Oro

	en Fools B.V.); Peter Rademaker and certain other members of the management of the MediaMonks Group; and
	(ii) the vendors of shares in the MediaMonks Affiliates not already owned by the MediaMonks Group prior to 9 July 2018 pursuant to the MediaMonks Affiliate Acquisition Agreements;
<b>MediaMonks Subscription Shares</b>	the 47,974,846 S <sup>4</sup> Limited Ordinary Shares subscribed for by the MediaMonks Subscribers under the MediaMonks Subscription Agreements;
<b>MediaMonks Subscription</b>	the subscription by the MediaMonks Subscribers for the MediaMonks Subscription Shares pursuant to the MediaMonks Subscription Agreements;
<b>MediaMonks Subscription Agreements</b>	the subscription agreements entered into between S <sup>4</sup> Limited and each of the MediaMonks Subscribers, as described more fully in paragraph 12 of Part XVII of this Document;
<b>Member State</b>	a member of the EEA;
<b>MergeCo</b>	Firefly MergeCo, Inc., a corporation with limited liability incorporated and registered in Delaware, having its registered office at 850 New Burton Road, Suite 201, Dover, Delaware 19904 USA and with file number 7634014;
<b>Merger Agreement</b>	the merger agreement dated 7 October 2019 pursuant to which Firewood will, upon Admission, merge with and into MergeCo, as more fully described in paragraph 3 of Part I of this Document;
<b>MightyHive</b>	MightyHive, Inc.;
<b>MightyHive Merger</b>	the merger of MightyHive with and into S <sup>4</sup> Capital MergeCo, Inc. pursuant to the MightyHive Merger Agreement;
<b>MightyHive Common Shares</b>	the common shares in MightyHive;
<b>MightyHive Equityowner Lock-in Deeds</b>	the lock-in deeds entered into between each of the MightyHive Equityowners and the Company, HSBC and Dowgate as described more fully in paragraph 12 of Part XVII of this Document;
<b>MightyHive Equityowners</b>	the holders of MightyHive Common Shares and/or MightyHive Options;
<b>MightyHive Group</b>	MightyHive and its subsidiary undertakings from time to time;
<b>MightyHive Merger</b>	the merger pursuant to which MightyHive became part of the Group upon closing of the MightyHive Merger Agreement on 24 December 2018;
<b>MightyHive Merger Agreement</b>	the merger agreement dated 3 December 2018 between, <i>inter alios</i> , the Company and MightyHive pursuant to which MightyHive became part of the Group, as described more fully in paragraph 12 of Part XVII;

<b>MightyHive Options</b>	options over the capital of MightyHive;
<b>MightyHive Preferred Shares</b>	the preferred shares in MightyHive;
<b>MiFID II</b>	EU Directive 2014/65/EU on markets in financial instruments, as amended;
<b>MiFID II Product Governance Requirements</b>	Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II, as well as local implementing measures;
<b>Minority Interests</b>	the interests in the MediaMonks Affiliates not already owned by the MediaMonks Group prior to completion of the MediaMonks Merger Agreement;
<b>Midco</b>	S <sup>4</sup> Capital Acquisitions 2 Limited, a subsidiary of Holdco and the parent of Bidco;
<b>Money Laundering Regulations</b>	the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017;
<b>Net Debt to EBITDA Ratio</b>	the ratio of net debt (calculated to (i) exclude intra-Group debt; (ii) include only the capitalised value of finance leases, and (iii) take account of the Group's cash and cash equivalents from time to time) to EBITDA (calculated as consolidated operating profit before tax subject to certain adjustments);
<b>New Ordinary Shares</b>	the 70,422,535 new Ordinary Shares to be allotted and issued pursuant to the Issue and the 41,428,571 new Ordinary Shares to be issued pursuant to the Consideration Issue;
<b>Non-Executive Directors</b>	Paul Roy, Rupert Faure Walker, Sue Prevezer, Daniel Pinto and Elizabeth Buchanan;
<b>Notice of General Meeting</b>	the notice convening the General Meeting set out at the end of the Circular;
<b>Official List</b>	the Official List of the FCA;
<b>Old Ordinary Shares</b>	the ordinary shares of the Company in existence prior to Reverse Takeover Admission having a nominal value of 2.5 pence each;
<b>Open Offer</b>	the conditional invitation to Qualifying Shareowners to apply for the Open Offer Shares at the Issue Price on a pre-emptive basis;
<b>Open Offer Entitlement</b>	the pro rata entitlement to subscribe for Open Offer Shares allocated to a Qualifying Shareowner pursuant to the Open Offer;
<b>Open Offer Shares</b>	the 33,915,683 New Ordinary Shares for which Qualifying Shareowners are being invited to apply at the Issue Price to be issued pursuant to the terms of the Open Offer;

<b>Ordinary Shares</b>	the ordinary shares of the Company, having a nominal value of £0.25;
<b>Oro en Fools</b>	Oro en Fools B.V., which is the joint personal holding company of Victor Knaap and Wesley ter Haar;
<b>Overseas Shareowners</b>	Shareowners who are resident in, ordinarily resident in, located in or citizens of, jurisdictions outside the UK;
<b>Panel</b>	the Panel on Takeovers and Mergers;
<b>Panel Waiver</b>	the waiver by the Panel of the obligation that would otherwise arise on certain shareowners of the Company (or any member thereof) to make a general offer under Rule 9 of the Takeover Code;
<b>PK Side Letter</b>	the side letter to the Merger Agreement dated 7 October 2018 pursuant to which Peter Kim agreed to receive 50 per cent. of the aggregate consideration due to him under the Merger Agreement in New Ordinary Shares and 50 per cent. in cash;
<b>Placing</b>	the conditional placing by HSBC and Dowgate of the Placing Shares, subject to clawback pursuant to the Open Offer, on behalf of the Company on the terms and subject to the conditions contained in the Placing Agreement;
<b>Placing Agreement</b>	the Placing Agreement dated 8 October 2019 in relation to the Issue made between HSBC, Dowgate and the Company, the terms of which are summarised in paragraph 12 of Part XVII (Additional Information) of this Document;
<b>Placing Shares</b>	the 33,915,683 New Ordinary Shares to be conditionally placed with institutional and certain other investors pursuant to the terms of the Placing;
<b>Placee</b>	any person who has agreed to subscribe for Placing Shares pursuant to the Placing;
<b>Premium Listing</b>	a premium listing under Chapter 6 of the Listing Rules;
<b>ProgMedia</b>	ProgMedia Consultoria Ltda. and ProgMedia Argentina SAS.
<b>ProgMedia Merger</b>	the transaction pursuant to which ProgMedia became part of the MightyHive Group on completion of the ProgMedia QPA;
<b>ProgMedia QPA</b>	the quota purchase agreement dated 19 April 2019 between the Company, MightyHive and the selling quotaholders of ProgMedia;
<b>Prospectus Regulation</b>	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market;
<b>Qualifying CREST</b>	Qualifying Shareowners holding Ordinary Shares in uncertificated

<b>Shareowners</b>	form;
<b>Qualifying non-CREST Shareowners</b>	Qualifying Shareowners holding Ordinary Shares in certificated form;
<b>Qualifying Shareowners</b>	holders of Ordinary Shares (other than Excluded Overseas Shareowners) on the Company's register of members on the Record Date;
<b>Receiving Agent</b>	Share Registrars Limited;
<b>Record Date</b>	the record date for the Open Offer, being close of business on 7 October 2019;
<b>Regulation D</b>	Regulation D under the US Securities Act;
<b>Regulation S</b>	Regulation S under the US Securities Act;
<b>Regulatory Information Service</b>	a service provided by the London Stock Exchange for the distribution to the public of announcements and included within the list maintained at the London Stock Exchange's website;
<b>Relationship Agreement</b>	the relationship agreement between Sir Martin Sorrell and the Company dated 10 September 2018 as described more fully in paragraph 4 of Part III of this Document;
<b>Relevant Member State</b>	each Member State of the European Economic Area that is subject to the Prospectus Regulation;
<b>Resolutions</b>	the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting included with the Circular;
<b>Reverse Takeover Admission</b>	the readmission of the Company's Ordinary Shares to the standard segment of the Official List and to trading on the London Stock Exchange's Main Market on 28 September 2018 in connection with the Company's acquisition of S <sup>4</sup> Limited;
<b>Revolving Facility</b>	the €35 million revolving credit facility made available to the Group by HSBC Bank plc pursuant to the HSBC Facilities Agreement;
<b>Rollover Options</b>	the options over Ordinary Shares in the Company granted to MightyHive Equityowners pursuant to the MightyHive Merger Agreement;
<b>S<sup>4</sup> Acquisition</b>	the acquisition of the S <sup>4</sup> Limited Ordinary Shares and the S <sup>4</sup> Limited Founder Shares by the Company pursuant to the S <sup>4</sup> Acquisition Agreement;
<b>S<sup>4</sup> Acquisition Agreement</b>	the share purchase agreement originally dated 29 May 2018 and amended and restated on 10 September 2018 to reflect the MediaMonks Merger pursuant to which the Company acquired S <sup>4</sup> Limited Ordinary Shares and the S <sup>4</sup> Limited Founder Shares;

<b>S<sup>4</sup> Firm Placees</b>	Sir Martin Sorrell, Scott Spirit, Peter Rademaker, Rupert Faure Walker, Paul Roy (through an intermediary), Sue Prevezer and Daniel Pinto, each of whom have agreed to subscribe for New Ordinary Shares pursuant to the Firm Placing;
<b>S<sup>4</sup> Limited</b>	S <sup>4</sup> Capital 2 Limited (formerly S <sup>4</sup> Capital Limited), a private company limited by shares incorporated in Jersey with registered number 126474;
<b>S<sup>4</sup> Limited Founder Shares</b>	the 39,900,000 "B" ordinary shares of £0.001 each in the capital of S <sup>4</sup> Limited to be acquired by the Company pursuant to the S <sup>4</sup> Acquisition Agreement;
<b>S<sup>4</sup> Limited Ordinary Shares</b>	the ordinary shares of £0.001 each in the capital of S <sup>4</sup> Limited;
<b>S<sup>4</sup> Placees</b>	Sir Martin Sorrell, Scott Spirit, Oro en Fools, Peter Rademaker, Rupert Faure Walker, Sue Prevezer and Daniel Pinto, each of whom have agreed to subscribe for New Ordinary Shares pursuant to the Placing;
<b>September Prospectus</b>	the prospectus published by the Company on 11 September 2018;
<b>Shareowner</b>	a holder of Ordinary Shares;
<b>Shareowner Commissions</b>	commissions payable to Placees pursuant to the Placing Agreement;
<b>Significant Shareowner</b>	a Shareowner who holds three per cent. or more of the Ordinary Shares, current details of whom are set out in paragraph 5 of Part XVII of this Document;
<b>SMS Indemnity</b>	the indemnity given by Sir Martin Sorrell in favour of the Company and S <sup>4</sup> Limited in respect of any losses incurred as a result of the allegations made by WPP plc against Sir Martin Sorrell;
<b>Standard Listing</b>	a standard listing under Chapter 14 of the Listing Rules;
<b>Stanhope</b>	SEF4 Investment SCSp, acting by its General Partner, Portman Square General Partner S.à r.l.;
<b>Stanhope Capital Group</b>	Stanhope Capital LLP;
<b>Stanhope Lock-in Deed</b>	the lock-in deed between Stanhope, HSBC, Dowgate and the Company as described more fully in paragraph 12 of Part XVII of this Document;
<b>Term Loan</b>	the €50 million term facility made available to the Group by HSBC Bank plc pursuant to the HSBC Facilities Agreement and drawn down in full in order to fund the MediaMonks Merger;
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>UK Money Laundering Regulations</b>	the Money Laundering Regulations and any other applicable anti-money laundering guidance, regulations or legislation;

<b>uncertificated or in uncertificated form</b>	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by of CREST;
<b>United States or US</b>	has the meaning given to the term "United States" in Regulation S;
<b>US Securities Act</b>	the US Securities Act of 1933, as amended;
<b>US Holdco</b>	S4 Capital US Holdings LLC, a wholly-owned indirect subsidiary of the Company incorporated and registered in Delaware, USA, having its registered office at 850 New Burton Road, Suite 201, Dover, Delaware 19904 and with file number 7164917;
<b>VAT</b>	UK value added tax;
<b>VWAP</b>	volume weighted average price;
<b>Whitewash Circular</b>	the circular of the Company dated 11 September 2018 which, <i>inter alia</i> , convened a general meeting of the Company at which the Whitewash Resolution was proposed and passed; and
<b>Whitewash Resolution</b>	the ordinary resolution of the independent Shareowners taken on a poll at the general meeting of the Company held on 27 September 2018 to approve the waiver by the Panel of the obligation that would otherwise have arisen on certain Shareowners to make a general offer for the Company under Rule 9 of the City Code as a result of the issue of the B Share to Sir Martin Sorrell upon Reverse Takeover Admission.

## **GLOSSARY OF TECHNICAL TERMS**

<b>AI</b>	artificial intelligence;
<b>AM</b>	a MightyHive client account manager;
<b>API</b>	application programming interface, a set of functions and procedures that allow the creation of applications which access the features or data of an operating system, application, or other service;
<b>AR</b>	augmented reality;
<b>DSP</b>	demand-side platform, a system that allows buyers of digital advertising inventory to manage multiple ad exchange and data exchange accounts through one interface;
<b>CMS</b>	content management system;
<b>CRM</b>	customer relationship management;
<b>Digital Marketing</b>	marketing via an electronic device or the internet;

<b>Dynamic Creative</b>	creative digital advertising which changes its messaging depending on the recipient;
<b>FANG</b>	Facebook, Amazon, Netflix and Google
<b>MarTech</b>	marketing technology;
<b>Multimarket</b>	advertising methods which target multiple target markets simultaneously;
<b>Omnichannel</b>	communication channels and supporting resources which are designed and orchestrated to cooperate rather than just work in parallel;
<b>Programmatic</b>	buying digital advertising space automatically, with algorithms informed by data determining which advertising spaces to buy, how much to pay for them, and which ads to deliver in the acquired space;
<b>QA</b>	quality assurance;
<b>ROI</b>	return on investment, specifically sales generated by advertising spend;
<b>Transcreation</b>	'translating' original text from one language to another while also 'recreating' the original text to make sure it is still appropriate in the context of the new audience and language;
<b>UX</b>	user experience;
<b>Voice</b>	voice-controlled technologies (such as smart-speakers and digital assistants); and
<b>VR</b>	virtual reality.