SFOR XLON S4 Capital PLC

Third Quarter Trading Update · RNS 7032A · 28 October 2026

S4Capital trims 2026 revenue outlook again but holds £85m EBITDA and cuts net debt to £76.0m

Share price	53p
Market cap	£355m
52-week range	15.7p - 57p
Shares in issue	670.1m
12-month change	+117.4%

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SUMMARY

S4Capital's third-quarter trading update today showed net revenue falling faster while profit and debt targets held. Like-for-like net revenue fell 7.3% in the quarter, against 5.6% over nine months, and full-year revenue is now expected to come in marginally below the previous guidance of a high-single-digit decline. Operational EBITDA is held at £85 million, the margin target rises to 13.7%, and adjusted earnings per share should beat the 6.1p consensus. Net debt of £76.0 million was half the level of a year earlier. Revenue guidance has now slipped at three consecutive updates since June, so the investment case rests on cost control and deleveraging. The shares were 53.00p on 28 October, up 5.20% on the day and close to their 57.00p 52-week high.

KEY FIGURES

FIGURE	VALUE	PERIOD	CHANGE
Q3 net revenue	£156.3 million	Three months to 30 Sep 2026	Down 6.4% reported, 7.3% like-for-like
Nine-month net revenue	£464.3 million	Nine months to 30 Sep 2026	Down 6.2% reported, 5.6% like-for-like
Q3 Technology Services net revenue	£13.6 million	Three months to 30 Sep 2026	Down 17.6% like-for-like
Q3 Americas net revenue	£123.9 million	Three months to 30 Sep 2026	Down 9.0% reported, 10.0% like-for-like
Net debt (excluding leases)	£76.0 million	30 Sep 2026	Down £75.1 million on 30 Sep 2025; 0.7x pro-forma operational EBITDA
Term Loan B outstanding	€198.8 million	After post-30 Sep repurchases	From €375 million originally
FY2026 operational EBITDA target	£85 million	FY2026	Unchanged; margin now at least 13.7%, up at least 160 basis points
H1 free cash flow	£10.4m	Six months to 30 Jun 2026	Prior £16.0m
Net debt at half year	£66.3 million	30 Jun 2026	
Interim dividend	1.35p	2026 interim, paid 6 Oct 2026	

Sources: Third Quarter Trading Update RNS, 28 Oct 2026; Interim Results for 2026, 5 Aug 2026

THE ANNOUNCEMENT

- Third-quarter net revenue was £156.3 million, down 6.4% reported and 7.3% like-for-like. Over nine months net revenue was £464.3 million, down 6.2% reported and 5.6% like-for-like, so the decline steepened in the latest quarter.
- Full-year 2026 like-for-like net revenue is now expected to be marginally below the previous guidance of a high-single-digit decline. Operational EBITDA (operating profit before acquisition costs, restructuring and share-based payments) stays at the £85 million analyst consensus, with the margin expected to rise by at least 160 basis points to 13.7%. Adjusted basic EPS is expected to exceed the 6.1p consensus.
- Net debt, which excludes leases, was £76.0 million at 30 September, or 0.7x pro-forma trailing operational EBITDA, compared with £151.1 million a year earlier and a covenant ceiling of 4.5x. The company expects to finish the year comfortably within its £50-£80 million target range and Sir Martin Sorrell expects it to be almost net debt free next year.
- A further €50.9 million of the Term Loan B was repurchased after 30 September, €10.5 million of it still to settle. With €125.3 million bought earlier, the loan outstanding falls to €198.8 million from €375 million.
- Technology Services net revenue fell 17.6% like-for-like in the quarter and the Americas fell 10.0%, blamed on technology clients putting AI infrastructure spending ahead of marketing budgets. Marketing Services also lost work from a scope reduction at BMW. EMEA grew 3.1% and Asia-Pacific 9.4% like-for-like.

AGAINST GUIDANCE

The revenue outlook has weakened at each update this year. The AGM statement on 4 June expected 2026 like-for-like net revenue of £632-663 million. The interim results on 5 August moved that to a mid-single-digit decline, and today's outlook is marginally below a high-single-digit decline. Profit and debt guidance moved the other way. Operational EBITDA stays at the £85 million consensus, while the margin increase rises from the 140 basis points guided in August to at least 160 basis points. In August the year-end net debt range was lowered from £60-£90 million to £50-£80 million, and the company now expects to be comfortably within it. Adjusted EPS is guided above the 6.1p consensus, repeating August's language with the consensus figure now stated.

BULL CASE

- Profit is holding despite falling sales. The annualised effect of cost actions taken in the second half of 2025 lifted first-half operational EBITDA to £38.0 million from £20.8 million, and the full-year margin is now guided to 13.7% on an unchanged £85 million.
- Balance-sheet risk has largely gone. Net debt has halved in a year to £76.0 million, leverage of 0.7x sits far below the 4.5x covenant, and the Term Loan B has shrunk to €198.8 million from €375 million. That frees cash for the stated order of dividends, more debt repurchases and then share buybacks.
- Early signs of recovery outside the US. EMEA and Asia-Pacific both grew in the quarter, and named assignments from Google, Amazon, Nubank and Nike, plus wider automotive and FMCG remits, support the argument that AI-led work will refill budgets once clients move from infrastructure to deployment. A leaner cost base would make any return of revenue highly profitable.

BEAR CASE

- The revenue decline is accelerating, not easing. Third-quarter like-for-like net revenue fell 7.3% against 5.6% for nine months, and the Americas, about 81% of net revenue, fell 10.0%. The announcement gives no pipeline value or timetable for when AI spending turns into work S4Capital wins, and Sir Martin Sorrell said in June that the company needed to do more to drive top-line growth.
- Cash conversion lags the adjusted profit figures. First-half free cash flow fell to £10.4m from £16.0m while operational EBITDA nearly doubled, and net debt rose from £66.3 million at June to £76.0 million at September. A 50% payout on adjusted EPS above 6.1p will compete with debt repurchases for that cash.
- Adjusted measures flatter the picture. First-half statutory operating profit was £5.00m against £38.0m of operational EBITDA, which excludes share-based payments and restructuring. At the end of 2025 goodwill of £381m and intangibles of £258m exceeded equity of £506m.
- Much of the improvement may already be priced in. At 53.00p on 28 October the shares sat near the top of a 52-week range of 15.70p to 57.00p, so a quarter of slower sales with unchanged profit guidance offers little new to extend the move.

WHAT TO WATCH

- Year-end net debt at 31 December 2026 against the £50-£80 million range, after the October dividend and the €10.5 million of loan purchases still to settle. A figure in the lower half would back the 'almost net debt free' claim, while a further sequential rise would undermine it.
- Fourth-quarter like-for-like net revenue in the Americas and Technology Services, the two areas behind the third-quarter weakness. A narrowing decline would be the first sign of the revenue line stabilising.
- The full-year results cash flow statement, showing how much of the £85 million operational EBITDA turns into free cash after restructuring, interest, tax and dividends.
- 2027 guidance, and whether it quantifies AI-driven new business with a revenue figure or timetable or relies on client names and industry awards.

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