AozoraStep
For professional clients

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Exit S4 Capital: Uncertainty over turnaround[1]

Company:	S4 Capital (SFOR)	**Market Cap:**	27.3p (£170m)
Industry:	Marketing	**Net debt:**	£145m (Q1 25)
Country:	US, worldwide	**Revenue:**	£731m (net revenue trail)
Date:	13th June 2025	**Adj. EBITDA:**	£85.5m (12m trailing)
Dividend:	1p (3.7%)	**Free cash flow:**	£40m (FY 25 guidance)
Entry:	27p (£168m)	**Exit:**	24.5p (£150m) (+37%)

Why exit S4 Capital?

- Free cash flow range of £0-40m implies a wide range of outcomes
- WPP cuts 2025 marketing spending predictions
- Iran war offered alternative investment opportunities and put some risk on their Middle East expansion

A murkier outlook

Similar to RWS, I exited S4 Capital when the Iran-Israel conflict began to allocate the capital towards the oil and gas sector. However, after the 12-day war was over, I did not move the capital back into S4 Capital, as the trade deals kept waiting and the outlook for the economy as a whole did not improve, but perhaps deteriorated. WPP also came out to cut 2025 ad spend predictions due to tariff uncertainty[2] and the relative value to Publicis, WPP and Omnicom became a touch less attractive. By mid-June I would have expected a few more trade deals as well, but they also kept me waiting. Overall, it made me a bit more cautious about the reallocation of capital, and I wanted to have less USD exposure.

[1] all assumptions and observations are based on internal modelling and data analysis
[2] https://digiday.com/media-buying/wpp-cuts-2025-ad-spend-predictions-in-response-to-tariff-uncertainty/

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