

SECOND QUARTER  
2021

EARNINGS  
CONFERENCE  
CALL

AUGUST 4, 2021

# THE STAGWELL GROUP

SKDKnickerbocker



CODE AND THEORY

FORWARDPMX

FINN

WYECOMM

STAGWELLTECH

The Harris Poll

Targeted  
Victory

Wolfgang  
LAW



harrisx

OBSERVATORY



MULTIVIEW

SLOANE & COMPANY



MDCXPartners

# FORWARD LOOKING INFORMATION & OTHER INFORMATION

**This press release contains forward-looking statements. Statements in this press release that are not historical facts, including without limitation the information under the heading "Financial Outlook" and statements about the Company's beliefs and expectations, earnings (loss) guidance, recent business and economic trends, potential acquisitions, and estimates of amounts for redeemable noncontrolling interests and deferred acquisition consideration, constitute forward-looking statements. Words such as "estimates", "expects", "contemplates", "will", "anticipates", "projects", "plans", "intends", "believes", "forecasts", "may", "should", and variations of such words or similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and are subject to change based on a number of factors, including those outlined in this section. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update publicly any of them in light of new information or future events, if any.**

**Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statements. Such risk factors include, but are not limited to, the following:**

- risks associated with international, national and regional unfavorable economic conditions that could affect the Company or its clients, including as a result of the novel coronavirus pandemic ("COVID-19");
- the effects of the outbreak of COVID-19, including the measures to reduce its spread, and the impact on the economy and demand for our services, which may precipitate or exacerbate other risks and uncertainties;
- an inability to realize expected benefits of the redomiciliation of the Company from the federal jurisdiction of Canada to the State of Delaware (the "Redomiciliation") and the subsequent combination of the Company's business with the business of the subsidiaries of Stagwell Media LP ("Stagwell") that own and operate a portfolio of marketing services companies (the "Business Combination" and, together with the Redomiciliation, the "Transactions") or the occurrence of difficulties in connection with the Transactions;
- adverse tax consequences in connection with the Transactions for the Company, its operations and its shareholders, that may differ from the expectations of the Company, including that future changes in tax law, potential increases to corporate tax rates in the United States and disagreements with the tax authorities on the Company's determination of value and computations of its attributes may result in increased tax costs;
- the occurrence of material Canadian federal income tax (including material "emigration tax") as a result of the Transactions;
- the impact of uncertainty associated with the Transactions on the Company's businesses;
- direct or indirect costs associated with the Transactions, which could be greater than expected;
- risks associated with severe effects of international, national and regional economic conditions;
- the risk of parties challenging the Transactions or the impact of the Transactions on the Company's debt arrangements;
- the Company's ability to attract new clients and retain existing clients;

# FORWARD LOOKING INFORMATION & OTHER INFORMATION

- *reduction in client spending and changes in client advertising, marketing and corporate communications requirements;*
- *financial failure of the Company's clients;*
- *the Company's ability to retain and attract key employees;*
- *the Company's ability to achieve the full amount of its stated cost saving initiatives;*
- *the Company's implementation of strategic initiatives;*
- *the Company's ability to remain in compliance with its debt agreements and the Company's ability to finance its contingent payment obligations when due and payable, including but not limited to those relating to redeemable noncontrolling interests and deferred acquisition consideration;*
- *the successful completion and integration of acquisitions which complement and expand the Company's business capabilities; and*
- *foreign currency fluctuations.*

**Investors should carefully consider these risk factors, other risk factors described herein, and the additional risk factors outlined in more detail in the Company's 2020 Form 10-K, filed with the Securities and Exchange Commission (the "SEC") on March 16, 2021 and accessible on the SEC's website at [www.sec.gov](http://www.sec.gov)., under the caption "Risk Factors," and in the Company's other SEC filings.**

# SECOND QUARTER 2021 FINANCIAL RESULTS

# SECOND QUARTER & SIX MONTHS ENDED JUNE 30, 2021 FINANCIAL HIGHLIGHTS

## **GAAP Revenue**

- Q2 2021 GAAP revenue of \$209.6 million reported quarter on quarter growth of \$47.2 million, or 29.1%, compared to Q2 2020 of \$162.3 million
- Q2 2021 GAAP revenue reported sequential growth of \$28.3 million, or 15.6%, compared to Q1 2021 of \$181.2 million
- Six Months 2021 reported GAAP Revenue of \$390.8 million reported period on period growth of \$43.9 million, or 12.7%, compared to Q2 2020 of \$346.9 million

## **Net Revenue <sup>(1)</sup>**

- Q2 2021 Net revenue of \$181.8 million reported quarter on quarter growth of \$51.5 million, or 39.5%, compared to Q2 2020 of \$130.4 million
- Q2 2021 Net revenue reported sequential growth of \$23.8 million, or 15.0%, compared to Q1 2021 of \$158.1 million
- Six Months 2021 reported Net Revenue of \$339.9 million reported period on period growth of \$58.7 million, or 20.9%, compared to Q2 2020 of \$281.2 million

## **Adjusted EBITDA <sup>(2)</sup>**

- Q2 2021 Adjusted EBITDA of \$38.7 million reported quarter on quarter growth of \$18.5 million, or 91.5%, compared to Q2 2020 of \$20.2 million
- Q2 2021 Adjusted EBITDA reported sequential growth of \$14.9 million, or 62.4%, compared to Q1 2021 of \$23.8 million
- Six Months 2021 reported Adjusted EBITDA of \$62.6 million reported period on period growth of \$20.7 million, or 49.5%, compared to Q2 2020 of \$41.8 million

Note: See appendix – “DEFINITION OF NON-GAAP FINANCIAL MEASURES”

<sup>(1)</sup> – Refer to non-GAAP reconciliation of Net Revenue on slide 21

<sup>(2)</sup> – Refer to non-GAAP reconciliation of Adjusted EBITDA on slide 19, 21 and 21

# SECOND QUARTER 2021 REVENUE HIGHLIGHTS

## **Components of GAAP Revenue**

Q2 2021 GAAP revenue growth was \$47.2 million, or 29.1%, and consisted of the following:

- Organic revenue growth of \$38.7 million, or 23.8%
- Inorganic revenue contributed \$7.5 million
- Foreign exchange effects on revenue was \$1.0 million

## **Components of Net Revenue <sup>(1)</sup>**

Q2 2021 Net revenue growth was \$51.5 million, or 39.5%, and consisted of the following:

- Organic net revenue growth of \$43.0 million, or 33.0%
- Inorganic net revenue contributed \$7.5 million
- Foreign exchange effects on net revenue was \$1.0 million

Note: See appendix – “DEFINITION OF NON-GAAP FINANCIAL MEASURES”

<sup>(1)</sup> – Refer to non-GAAP reconciliation of Net Revenue on slide 21

# SIX MONTHS 2021 REVENUE HIGHLIGHTS

## **Components of GAAP Revenue**

Six Months 2021 GAAP revenue growth was \$43.9 million, or 12.7%, and consisted of the following:

- Organic revenue growth of \$25.9 million, or 7.5%
- Inorganic revenue contributed \$17.1 million
- Foreign exchange effects on revenue was \$0.9 million

## **Components of Net Revenue <sup>(1)</sup>**

Six Months 2021 Net revenue growth was \$58.7 million, or 20.9%, and consisted of the following :

- Organic net revenue growth of \$40.8 million, or 14.5%
- Inorganic net revenue contributed \$17.1 million
- Foreign exchange effects on net revenue was \$0.9 million

Note: See appendix – “DEFINITION OF NON-GAAP FINANCIAL MEASURES”

<sup>(1)</sup> – Refer to non-GAAP reconciliation of Net Revenue on slide 18

# SUMMARY OF OPERATING PERFORMANCE COMPARATIVE: 2021-Q2 VS 2020-Q2 & SIX MONTHS 2021 VS SIX MONTHS 2020

<i>(in thousands)</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
Net Revenue	\$ 181,845	\$ 130,356	39.5%	\$ 339,918	\$ 281,192	20.9%
Third-party direct costs	27,715	31,974	-13.3%	50,884	65,681	-22.5%
Revenue	\$ 209,560	\$ 162,330	29.1%	\$ 390,802	\$ 346,873	12.7%
Operating expenses:						
Cost of services sold	122,074	103,296	18.2%	234,073	224,054	4.5%
Office and general expenses	52,674	41,243	27.7%	104,952	84,515	24.2%
Depreciation and amortization	10,381	10,108	2.7%	21,331	19,864	7.4%
Total operating expenses	185,129	154,647	19.7%	360,356	328,433	9.7%
Operating income	24,431	7,683	218.0%	30,446	18,440	65.1%
Other expenses, net:						
Interest expense, net	(1,935)	(1,976)		(3,286)	(2,887)	
Other expense, net	(486)	(691)		122	2,336	
Income before taxes and equity in earnings (losses) of unconsolidated affiliates	22,010	5,016		27,282	17,889	
Provision for income taxes	(3,348)	(134)		(4,021)	(593)	
Income before equity in earnings (losses) of unconsolidated affiliates	18,662	4,882		23,261	17,296	
Equity in earnings (losses) of unconsolidated affiliates	(3)	(37)		1	42	
Net income	18,659	4,845		23,262	17,338	
Less: Net income attributable to noncontrolling interests	1,470	1,671		2,623	2,809	
Less: Net (loss) income attributable to redeemable noncontrolling interests	(156)	(1,097)		(1,071)	(1,789)	
Net income attributable to Member	\$ 17,345	\$ 4,271		\$ 21,710	\$ 16,318	

Note: See appendix – “DEFINITION OF NON-GAAP FINANCIAL MEASURES”

(1) – Refer to non-GAAP reconciliation of Net Revenue on slide 21



# GAAP REVENUE & NET REVENUE SUMMARY

(in thousands)

»» GAAP REVENUE	Quarter on Quarter Change (2 <sup>nd</sup> Quarter)		Six Months Change	
	Revenue	% Change	Revenue	% Change
<b>JUNE 30, 2020</b>	<b>162,330</b>		<b>346,873</b>	
Organic Revenue	38,712	23.8%	25,899	7.5%
Inorganic Revenue <sup>(1)</sup>	7,477	4.6%	17,136	4.9%
Foreign exchange effects	1,041	0.6%	894	0.3%
<b>Total Change</b>	<b>47,228</b>	<b>29.1%</b>	<b>43,929</b>	<b>12.7%</b>
<b>JUNE 30, 2021</b>	<b>209,560</b>		<b>390,802</b>	

»» NET REVENUE <sup>(1)</sup>	Quarter on Quarter Change (2 <sup>nd</sup> Quarter)		Six Months Change	
	Revenue	% Change	Revenue	% Change
<b>JUNE 30, 2020</b>	<b>130,356</b>		<b>281,192</b>	
Organic Revenue	43,010	33.0%	40,771	14.5%
Inorganic Revenue <sup>(1)</sup>	7,437	5.7%	17,061	6.1%
Foreign exchange effects	1,041	0.8%	894	0.3%
<b>Total Change</b>	<b>51,488</b>	<b>39.5%</b>	<b>58,726</b>	<b>20.9%</b>
<b>JUNE 30, 2021</b>	<b>181,845</b>		<b>339,918</b>	

Note: See appendix – "DEFINITION OF NON-GAAP FINANCIAL MEASURES"

<sup>(1)</sup> – Refer to non-GAAP reconciliation of Inorganic Revenue and Net Revenue on slide 28

# GAAP REVENUE & NET REVENUE ADJUSTED BASIS

## REVENUE ADJUSTED FOR POLITICAL SEASONALITY

(in thousands)

»» GAAP REVENUE	Quarter on Quarter Change (2 <sup>nd</sup> Quarter)		Year to Date (2 <sup>nd</sup> Quarter)	
	Revenue	% Change	Revenue	% Change
<b>June 30, 2020</b>	\$	<b>148,959</b>	\$	<b>321,325</b>
Organic Revenue		65,454 43.9%		76,994 24.0%
Inorganic Revenue <sup>(1)</sup>		7,477 5.0%		17,136 5.3%
Foreign exchange effects		1,041 0.7%		894 0.3%
<b>Total Change</b>		<b>73,971 49.7%</b>		<b>95,024 29.6%</b>
<b>June 30, 2021</b>	\$	<b>222,931</b>	\$	<b>416,350</b>

»» NET REVENUE <sup>(1)</sup>	Quarter on Quarter Change (2 <sup>nd</sup> Quarter)		Year to Date (2 <sup>nd</sup> Quarter)	
	Revenue	% Change	Revenue	% Change
<b>June 30, 2020</b>	\$	<b>125,511</b>	\$	<b>266,799</b>
Organic Revenue		52,701 42.0%		69,558 26.1%
Inorganic Revenue <sup>(1)</sup>		7,437 5.9%		17,061 6.4%
Foreign exchange effects		1,041 0.8%		894 0.3%
<b>Total Change</b>		<b>61,179 48.7%</b>		<b>87,513 32.8%</b>
<b>June 30, 2021</b>	\$	<b>186,690</b>	\$	<b>354,311</b>

Note: See appendix – "DEFINITION OF NON-GAAP FINANCIAL MEASURES"

<sup>(1)</sup> – Refer to non-GAAP reconciliation of Adjusted Results on slide 23 and 24

# GAAP REVENUE QUARTERLY

*(in thousands, except percentages)*

	2020			2021		% Change Q221 vs Q220	YTD June		
	Q2	Q3	Q4	Q1	Q2		2020	2021	% change
<b>GAAP Revenue:</b>									
Digital - Marketing	\$ 50,998	\$ 54,227	\$ 61,318	\$ 66,631	\$ 76,324	49.7%	\$101,546	\$142,955	40.8%
Digital - Content	23,651	28,895	31,905	28,015	33,278	40.7%	64,352	61,293	-4.8%
Research - Technology	11,907	13,311	13,959	15,339	21,933	84.2%	28,217	37,272	32.1%
Research - Corporate	12,847	11,553	17,348	16,575	17,770	38.3%	25,161	34,345	36.5%
Communications, Public Affairs and Advocacy	52,423	107,465	173,192	43,300	48,580	-7.3%	104,662	91,880	-12.2%
All Other	10,504	12,646	15,341	11,382	11,676	11.2%	22,934	23,058	0.5%
<b>Total</b>	<b>\$ 162,331</b>	<b>\$ 228,097</b>	<b>\$ 313,062</b>	<b>\$ 181,242</b>	<b>\$ 209,560</b>	<b>29.1%</b>	<b>\$346,872</b>	<b>\$390,803</b>	<b>12.7%</b>

# ADJUSTED EBITDA QUARTERLY

(in thousands, except percentages)

	2020			2021		% Change Q221 vs. Q220
	Q2	Q3	Q4	Q1	Q2	
Digital - Marketing	\$ 8,540	\$ 14,596	\$ 15,759	\$ 11,384	\$ 16,663	95.1%
Digital - Content	(2,237)	(792)	1,995	(1,797)	1,337	n/a
Research – Technology	2,342	2,681	2,985	3,673	6,010	156.6%
Research - Corporate	1,883	849	2,741	2,589	3,372	79.1%
Communications, Public Affairs and Advocacy	9,023	20,256	39,539	8,009	10,047	11.3%
All Other	1,420	1,848	1,482	576	1,668	17.5%
Corporate	(753)	(2,316)	(304)	(592)	(379)	n/a
<b>Total</b>	<b>\$ 20,218</b>	<b>\$ 37,122</b>	<b>\$ 64,197</b>	<b>\$ 23,842</b>	<b>\$ 38,718</b>	<b>91.5%</b>
<b>GAAP Revenue</b>	<b>\$ 162,331</b>	<b>\$ 228,097</b>	<b>\$ 313,062</b>	<b>\$ 181,242</b>	<b>\$ 209,560</b>	
Adjusted EBITDA margin (GAAP Revenue)	12.5%	16.3%	20.5%	13.2%	18.5%	
<b>Net Revenue</b>	<b>\$ 130,359</b>	<b>\$ 152,859</b>	<b>\$ 199,179</b>	<b>\$ 158,075</b>	<b>\$ 181,844</b>	
Adjusted EBITDA margin (Net Revenue)	15.5%	24.3%	32.2%	15.1%	21.3%	

Note: See appendix – “DEFINITION OF NON-GAAP FINANCIAL MEASURES”

<sup>(1)</sup> – Refer to non-GAAP reconciliation of Net Revenue on slide 21 <sup>(2)</sup> – Refer to non-GAAP reconciliation of Adjusted EBITDA on slide 18, 19 and 20

# ADJUSTED EBITDA SIX MONTHS ENDED

(in thousands, except percentages)

	Six Months Ended June 30		% Change Q221 vs. Q220
	2020	2021	
Digital - Marketing	\$ 14,511	\$ 28,047	93.3%
Digital - Content	(1,249)	(460)	-63.2%
Research - Technology	6,130	9,683	58.0%
Research - Corporate	3,063	5,961	94.6%
Communications, Public Affairs and Advocacy	19,118	18,056	-5.6%
All Other	1,236	2,244	81.6%
Corporate	(960)	(971)	1.1%
<b>Total</b>	<b>\$ 41,849</b>	<b>\$ 62,560</b>	<b>49.5%</b>
<b>GAAP Revenue</b>	<b>\$ 346,873</b>	<b>\$ 390,802</b>	
Adjusted EBITDA margin (GAAP Revenue)	12.1%	16.0%	
<b>Net Revenue</b>	<b>\$ 281,192</b>	<b>\$ 339,918</b>	
Adjusted EBITDA margin (Net Revenue)	14.9%	18.4%	

Note: See appendix – "DEFINITION OF NON-GAAP FINANCIAL MEASURES"

<sup>(1)</sup> – Refer to non-GAAP reconciliation of Net Revenue on slide 21

<sup>(2)</sup> – Refer to non-GAAP reconciliation of Adjusted EBITDA on slide 18, 19 and 20

# SUMMARY OF CASH FLOW

## COMPARATIVE: SIX MONTHS 2021 vs SIX MONTHS 2020

Operating Cash as a %  
of Adjusted EBITDA:  
Six Months 2021: 62.7%  
Six Months 2020: 111.7%

Net cash used in investing activities  
included capital expenditures:  
Six Months 2021: \$7,288  
Six Months 2020: \$5,317

*(in thousands, except percentages)*

Net cash provided by operating activities  
Net cash used in investing activities  
Net cash (used in) provided by financing activities  
Effect of exchange rate changes on cash, cash equivalents and restricted cash  
Net (decrease) increase in cash, cash equivalents and restricted cash  
Cash, cash equivalents and restricted cash at the beginning of the period  
**Cash, cash equivalents and restricted cash at the end of the period**

**Supplemental cash flow information:**

Cash interest paid  
Income taxes paid

**Non-cash investing and financing activities:**

Acquisitions of business  
Unrealized loss on investments  
Contributions by Stagwell Media LP  
Distributions to Stagwell Media LP  
Payment of deferred acquisition consideration

**Six Months Ended June 30**

	<b>2021 – Q2</b>	<b>2020 – Q2</b>
Net cash provided by operating activities	\$39,218	\$ 46,813
Net cash used in investing activities	(7,288)	(7,908)
Net cash (used in) provided by financing activities	(52,710)	(23,653)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,773	380
Net (decrease) increase in cash, cash equivalents and restricted cash	(19,007)	15,632
Cash, cash equivalents and restricted cash at the beginning of the period	92,457	63,860
<b>Cash, cash equivalents and restricted cash at the end of the period</b>	<b>\$73,450</b>	<b>79,492</b>
<b>Supplemental cash flow information:</b>		
Cash interest paid	(4,649)	(4,490)
Income taxes paid	(3,047)	(1,310)
<b>Non-cash investing and financing activities:</b>		
Acquisitions of business	-	(23,720)
Unrealized loss on investments	-	(4,999)
Contributions by Stagwell Media LP	12,122	83,242
Distributions to Stagwell Media LP	(13,000)	-
Payment of deferred acquisition consideration	(7,080)	(64,322)

# AVAILABLE LIQUIDITY<sup>(1)</sup>

	June 30,	December 31,
<i>(in thousands)</i>	2021	2020
Commitment Under JPM Credit Facility	\$ 325,000	\$ 325,000
Drawn	187,698	201,636
Undrawn Letters of Credit	7,111	5,482
Undrawn Commitments Under JPM Credit Facility <sup>(1)</sup>	130,192	117,882
Total Cash, Cash Equivalents and Restricted Cash	73,450	92,457
<b>Liquidity</b>	<b>\$ 203,642</b>	<b>\$ 210,339</b>

Note: See appendix – “DEFINITION OF NON-GAAP FINANCIAL MEASURES”

<sup>(1)</sup> Subject to available borrowings under the JPM Credit Facility.

# DEBT PROFILE AS OF JUNE 30, 2021

## BORROWING MATURITY SCHEDULE, COVENANT AND RATIOS

Covenant	June 30, 2021	
Total Leverage Ratio <sup>(1)</sup>	1.09	
Maximum per covenant	4.25	
Minimum per covenant	1.00	

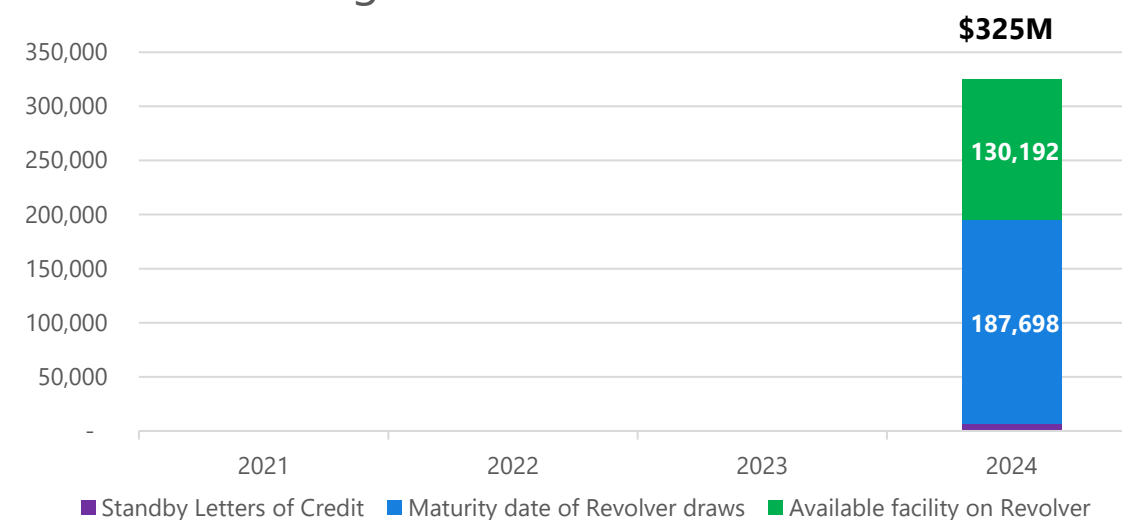
  

Adjusted EBITDA Ratios	LTM June 30,	
<i>(in thousands, except ratios)</i>	2021	2020
Adjusted EBITDA	\$ 163,879	\$ 99,071
Total Debt / Adjusted EBITDA	1.2	2.30
Net Debt / Adjusted EBITDA	0.7	1.50

Debt		
Term debt	\$ 497	\$ 1,491
Borrowings under Revolver	<u>187,698</u>	<u>229,266</u>
<b>Total Debt</b>	<b>188,195</b>	<b>230,757</b>
Cash, cash equivalents and restricted cash	<u>73,450</u>	<u>79,492</u>
<b>Net Indebtedness</b>	<b>\$ 114,745</b>	<b>\$ 151,265</b>

### Borrowing Structure as of June 30, 2021



Note: See appendix – "DEFINITION OF NON-GAAP FINANCIAL MEASURES"

<sup>(1)</sup> The leverage ratio is not based on generally accepted accounting principles and are not presented as alternatives measures of operating performance or liquidity. The ratio includes, among other things, pro forma adjustments for acquisitions, one-time charges, and other items, as defined in the JPM Credit Facility Agreement. They are presented here to demonstrate compliance with the covenants in the JPM Credit Facility Agreement, as non-compliance with such covenants could have a material adverse effect on the Company.

<sup>(2)</sup> Based on borrowings excludes Deferred Acquisition Consideration, which totaled \$[X] as of June 30, 2021.

<sup>(3)</sup> On November 13, 2020, the Company entered into a term loan agreement that provided the Company with a Delayed Draw Term Loan A in an aggregate principal amount of \$90.0 million ("DD Term Loan A").

The DD Term Loan A will mature on November 13, 2023, provided that if the MDC Proposed Transaction is not consummated within thirty days of the draw of the DD Term Loan A, the maturity date will be thirty-one days after the draw.

Proceeds of the borrowing under the DD Term Loan A will be used to partially fund a distribution by the Company prior to the closing of the Proposed MDC Transaction. Borrowing reported on the maturity schedule do not include the unfunded DD Term Loan A.



# TOTAL NET OBLIGATIONS

*(in thousands)*

**June 30, 2021**

<b>Net Indebtedness<sup>(1)</sup></b>	<b>114,745</b>
Deferred Acquisition Consideration	16,283
Redeemable Non-Controlling Interest	2,626
Non-Redeemable Non-Controlling Interest	30,947
Investments	(1,865)
<b>Total Other Obligations</b>	<b>47,991</b>
<b>Total Net Obligations</b>	<b>162,736</b>

Note: See appendix – "DEFINITION OF NON-GAAP FINANCIAL MEASURES"

<sup>(1)</sup> Refer to non-GAAP reconciliation of Net Indebtedness on slide 12

# APPENDIX

# ADJUSTED EBITDA QUARTERLY RECONCILIATION BY SEGMENT

(in thousands)	2020					2021		For the six months ending June 30,	
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	2020	2021
<b>Digital – Marketing</b>									
Operating income	2,413	5,027	10,429	9,939	<b>27,810</b>	3,740	10,715	7,440	14,455
Depreciation and amortization	3,228	3,283	3,096	3,815	<b>13,422</b>	3,728	3,710	6,511	7,438
Deferred acquisition consideration adjustments	-	-	761	1,239	<b>2,000</b>	3,650	1,956	-	5,606
Other items, net	330	230	308	767	<b>1,634</b>	266	283	560	549
<b>Adjusted EBITDA</b>	<b>5,971</b>	<b>8,540</b>	<b>14,594</b>	<b>15,760</b>	<b>44,866</b>	<b>11,384</b>	<b>16,663</b>	<b>14,511</b>	<b>28,047</b>
<b>Digital - Content</b>									
Operating income	(2,852)	(5,738)	(4,093)	(1,307)	<b>(13,990)</b>	(5,181)	(2,082)	(8,590)	(7,263)
Depreciation and amortization	3,053	2,953	3,030	3,050	<b>12,086</b>	3,148	3,190	6,006	6,338
Deferred acquisition consideration adjustments	-	-	-	-	-	-	-	-	-
Other items, net	787	548	271	252	<b>1,858</b>	236	230	1,335	466
<b>Adjusted EBITDA</b>	<b>988</b>	<b>(2,237)</b>	<b>(792)</b>	<b>1,995</b>	<b>(46)</b>	<b>(1,797)</b>	<b>1,337</b>	<b>(1,249)</b>	<b>(460)</b>
<b>Research - Technology</b>									
Operating income	3,301	1,840	2,113	2,113	<b>9,367</b>	3,041	5,380	5,141	8,421
Depreciation and amortization	487	502	568	872	<b>2,429</b>	632	640	989	1,272
Deferred acquisition consideration adjustments	-	-	-	-	-	-	-	-	-
Other items, net	-	-	-	-	-	-	(10)	-	-
<b>Adjusted EBITDA</b>	<b>3,788</b>	<b>2,342</b>	<b>2,681</b>	<b>2,985</b>	<b>11,796</b>	<b>3,673</b>	<b>6,010</b>	<b>6,130</b>	<b>9,693</b>
<b>Research – Corporate</b>									
Operating income	609	774	286	2,157	<b>3,827</b>	2,048	2,721	1,383	4,769
Depreciation and amortization	571	559	562	582	<b>2,274</b>	541	651	1,130	1,192
Deferred acquisition consideration adjustments	-	-	-	-	-	-	-	-	-
Other items, net	-	550	-	2	<b>552</b>	-	0	550	-
<b>Adjusted EBITDA</b>	<b>1,180</b>	<b>1,883</b>	<b>848</b>	<b>2,741</b>	<b>6,653</b>	<b>2,589</b>	<b>3,372</b>	<b>3,063</b>	<b>5,961</b>

# ADJUSTED EBITDA QUARTERLY RECONCILIATION BY SEGMENT

(in thousands)	2020					2021		For the six months ending June 30,	
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	2020	2021
<b>Communications, Public Affairs and Advocacy</b>									
Operating income	8,911	6,314	19,437	35,742	<b>70,404</b>	6,426	8,450	15,225	14,876
Depreciation and amortization	1,183	1,573	1,455	1,696	<b>5,907</b>	1,583	1,395	2,756	2,978
Deferred acquisition consideration adjustments	-	1,121	(638)	1,774	<b>2,257</b>	-	-	1,121	-
Other items, net	1	15	2	327	<b>345</b>	-	202	16	202
<b>Adjusted EBITDA</b>	<b>10,095</b>	<b>9,023</b>	<b>20,256</b>	<b>39,539</b>	<b>78,913</b>	<b>8,009</b>	<b>10,047</b>	<b>19,118</b>	<b>18,056</b>
<b>All Other</b>									
Operating income	(941)	660	1,094	568	<b>1,381</b>	(545)	1,216	(281)	671
Depreciation and amortization	756	760	754	672	<b>2,942</b>	833	310	1,516	1,143
Deferred acquisition consideration adjustments	-	-	-	242	<b>242</b>	288	142	-	430
Other items, net	1	-	-	-	<b>1</b>	-	0	1	-
<b>Adjusted EBITDA</b>	<b>(184)</b>	<b>1,420</b>	<b>1,848</b>	<b>1,482</b>	<b>4,566</b>	<b>576</b>	<b>1,668</b>	<b>1,236</b>	<b>2,244</b>
<b>Corporate</b>									
Operating income	(685)	(1,231)	(2,825)	(10,320)	<b>(15,061)</b>	(3,516)	(1,968)	(1,916)	(5,484)
Depreciation and amortization	478	478	509	500	<b>1,965</b>	485	485	956	970
Deferred acquisition consideration adjustments	-	-	-	-	-	-	-	-	-
Other items, net	-	-	-	9,516	<b>9,516</b>	2,439	1,103	-	3,542
<b>Adjusted EBITDA</b>	<b>(207)</b>	<b>(753)</b>	<b>(2,316)</b>	<b>(304)</b>	<b>(3,580)</b>	<b>(592)</b>	<b>(379)</b>	<b>(960)</b>	<b>(971)</b>

# ADJUSTED EBITDA CONSOLIDATED RECONCILIATION

<i>(in thousands, except percentages)</i>	2020					2021		For the six months ending June 30,	
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	2020	2021
Net income	12,493	4,845	21,422	32,701	<b>71,461</b>	4,603	18,659	17,338	23,262
Equity in (losses) earnings of unconsolidated affiliates	(79)	37	35	(51)	<b>(58)</b>	(4)	3	(42)	(1)
Provision for income taxes	459	134	2,618	2,726	<b>5,937</b>	673	3,348	593	4,021
Other (income) expense, net	(3,027)	691	594	1,919	<b>177</b>	(608)	486	(2,336)	(122)
Interest expense, net	911	1,976	1,778	1,558	<b>6,223</b>	1,351	1,935	2,887	3,286
Depreciation and amortization	9,756	10,108	9,974	11,187	<b>41,025</b>	10,950	10,381	19,864	21,331
Deferred acquisition consideration adjustments	-	1,121	149	3,227	<b>4,497</b>	3,936	2,098	1,121	6,034
Other items, net	1,118	1,306	552	10,931	<b>13,906</b>	2,941	1,808	2,424	4,749
<b>Adjusted EBITDA</b>	<b>21,631</b>	<b>20,218</b>	<b>37,122</b>	<b>64,198</b>	<b>143,168</b>	<b>23,842</b>	<b>38,718</b>	<b>41,849</b>	<b>62,560</b>

# RECONCILIATIONS

## INORGANIC GAAP REVENUE AND INORGANIC NET REVENUE

(in thousands)	2020					2021		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD
<b>INORGANIC GAAP REVENUE</b>								
GAAP revenue	\$ 184,543	\$ 162,330	\$ 228,097	\$ 313,062	<b>\$ 888,032</b>	\$ 181,242	\$ 209,560	\$ 390,802
Organic revenue for the period	(154,822)	(140,923)	(216,959)	(299,785)	<b>(812,488)</b>	(171,435)	(203,124)	(374,559)
Foreign exchange effects	(847)	188	760	478	<b>579</b>	(147)	1,041	894
<b>Inorganic GAAP Revenue</b>	<b>\$ 28,874</b>	<b>\$ 21,595</b>	<b>\$ 11,898</b>	<b>\$ 13,755</b>	<b>\$ 76,123</b>	<b>\$ 9,660</b>	<b>\$ 7,477</b>	<b>\$ 17,137</b>
<b>INORGANIC NET REVENUE</b>								
GAAP revenue	\$ 184,543	\$ 162,330	\$ 228,097	\$ 313,062	<b>\$ 888,032</b>	\$ 181,242	\$ 209,560	390,802
Third party direct costs	(33,710)	(31,971)	(75,238)	(113,882)	<b>(254,801)</b>	(23,168)	(27,715)	(50,884)
Net revenue	150,833	130,359	152,859	199,180	<b>633,231</b>	158,074	181,845	339,918
Organic revenue for the period	(125,733)	(112,795)	(142,291)	(186,473)	<b>(567,292)</b>	(148,588)	(175,409)	(321,963)
Foreign exchange effects	(847)	188	760	478	<b>579</b>	(147)	1,041	894
<b>Inorganic Net Revenue</b>	<b>\$ 24,253</b>	<b>\$ 17,752</b>	<b>\$ 11,328</b>	<b>\$ 13,185</b>	<b>\$ 66,518</b>	<b>\$ 9,338</b>	<b>\$ 7,477</b>	<b>\$ 17,061</b>

# RECONCILIATIONS

## SECOND QUARTER - ADJUSTED GAAP REVENUE AND ADJUSTED NET REVENUE

	Communications, Public Affairs and Advocacy ("CPAA") Normalization Adjustment					GAAP Revenue As Reported plus the difference between current period reported and Average of CPAA Periods Reported	
	GAAP REVENUE As Reported	As Reported		Reporting Periods Calculations		% Change	
		For the three months ending June 30,		Average of CPAA Periods Reported	Difference between current period reported and Average		
		2019	2020				
i	ii	iii	iv = (ii + iii) / 2	v = ii - iv	vi = v + i		
<b>June 30, 2020</b>	<b>\$ 162,330</b>	<b>\$ 25,681</b>	<b>\$ 52,423</b>	<b>\$ 39,052</b>	<b>\$ (13,371)</b>	<b>\$ 148,959</b>	
Organic Revenue	38,712	26,742	(3,843)			65,453	43.9%
Inorganic Revenue(1)	7,477	-	-			7,477	5.0%
Foreign exchange effects	1,041	-	-			1,041	0.7%
<b>Total Change</b>	<b>47,230</b>	<b>26,742</b>	<b>(3,843)</b>			<b>73,971</b>	<b>49.7%</b>
<b>June 30, 2021</b>	<b>\$ 209,560</b>	<b>\$ 52,423</b>	<b>\$ 48,580</b>	<b>\$ 50,501</b>	<b>\$ 13,371</b>	<b>\$ 222,930</b>	

	Communications, Public Affairs and Advocacy ("CPAA") Normalization Adjustment					Net Revenue As Reported plus the difference between current period reported and Average of CPAA Periods Reported	
	Net Revenue As Reported	As Reported		Reporting Periods Calculations		% Change	
		For the three months ending June 30,		Average of CPAA Periods Reported	Difference between current period reported and Average		
		2019	2020				
i	ii	iii	iv = (ii + iii) / 2	v = ii - iv	vi = v + i		
<b>June 30, 2020</b>	<b>\$ 130,356</b>	<b>\$ 16,354</b>	<b>\$ 26,045</b>	<b>\$ 21,200</b>	<b>\$ (4,845)</b>	<b>\$ 125,511</b>	
Organic Revenue	43,011	9,691	4,964			52,701	42.0%
Inorganic Revenue(1)	7,437	-	-			7,437	5.9%
Foreign exchange effects	1,041	-	-			1,041	0.8%
<b>Total Change</b>	<b>51,489</b>	<b>9,691</b>	<b>4,964</b>			<b>61,179</b>	<b>48.7%</b>
<b>June 30, 2021</b>	<b>\$ 181,845</b>	<b>\$ 26,045</b>	<b>\$ 31,009</b>	<b>\$ 28,527</b>	<b>\$ 4,845</b>	<b>\$ 186,690</b>	

# RECONCILIATIONS

## SIX MONTHS ENDED - ADJUSTED GAAP REVENUE AND ADJUSTED NET REVENUE

	Communications, Public Affairs and Advocacy ("CPAA") Normalization Adjustment					GAAP Revenue As Reported plus the difference between current period reported and Average of CPAA Periods Reported	
	GAAP REVENUE As Reported	As Reported		Reporting Periods Calculations		% Change	
		For the six months ending June 30,		Average of CPAA Periods Reported	Difference between current period reported and Average		
		2019	2020				
i	ii	iii	iv = (ii + iii) / 2	v = ii - iv	vi = v + i		
<b>June 30, 2020</b>	<b>\$ 346,873</b>	<b>\$ 53,567</b>	<b>\$ 104,662</b>	<b>\$ 79,115</b>	<b>\$ (25,548)</b>	<b>\$ 321,325</b>	
Organic Revenue	25,899	51,095	(14,966)			76,994	24.0%
Inorganic Revenue(1)	17,136	-	2,183			17,136	5.3%
Foreign exchange effects	894	-	-			894	0.3%
<b>Total Change</b>	<b>43,929</b>	<b>51,095</b>	<b>(12,783)</b>			<b>95,024</b>	<b>29.6%</b>
<b>June 30, 2021</b>	<b>\$ 390,802</b>	<b>\$ 104,662</b>	<b>\$ 91,879</b>	<b>\$ 98,270</b>	<b>\$ 25,548</b>	<b>\$ 416,349</b>	

	As Reported					Net Revenue As Reported plus the difference between current period reported and Average of CPAA Periods Reported	
	Net Revenue As Reported	For the six months ending June 30,		Reporting Periods Calculations		% Change	
		2019		2020			
		2019	2020	Average of CPAA Periods Reported	Difference between current period reported and Average		
i	ii	iii	iv = (ii + iii) / 2	v = ii - iv	vi = v + i		
<b>June 30, 2020</b>	<b>\$ 281,192</b>	<b>\$ 31,302</b>	<b>\$ 60,088</b>	<b>\$ 45,695</b>	<b>\$ (14,393)</b>	<b>\$ 266,799</b>	
Organic Revenue	40,771	28,786	(9,463)			69,558	26.1%
Inorganic Revenue(1)	17,061	-	2,127			17,061	6.4%
Foreign exchange effects	894	-	-			894	0.3%
<b>Total Change</b>	<b>58,726</b>	<b>28,786</b>	<b>(7,337)</b>			<b>87,513</b>	<b>32.8%</b>
<b>June 30, 2021</b>	<b>\$ 339,918</b>	<b>\$ 60,088</b>	<b>\$ 52,751</b>	<b>\$ 56,420</b>	<b>\$ 14,393</b>	<b>\$ 354,312</b>	



# OTHER MISCELLANEOUS INFORMATION

<i>(in thousands)</i>	2020					2021		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD
<b>OTHER ITEMS, NET</b>								
Acquisition-related expenses	\$ 657	\$ 478	\$ 461	\$ 9,392	\$ 10,988	\$ 2,646	\$ 1,297	\$ 3,943
Other non-recurring items	-	-	-	-	-	295	511	806
Other restructuring costs	470	865	94	1,490	2,919	-	-	-
<b>Total other items, net</b>	<b>\$ 1,127</b>	<b>\$ 1,343</b>	<b>\$ 555</b>	<b>\$ 10,882</b>	<b>\$ 13,907</b>	<b>\$ 2,941</b>	<b>\$ 1,808</b>	<b>\$ 4,749</b>
<b>CASH INTEREST, NET &amp; OTHER</b>								
Cash interest paid	\$ 1,871	\$ 2,619	\$ 2,798	\$ 1,999	\$ 9,287	\$ 2,361	\$ 2,288	\$ 4,649
Interest income	317	225	232	234	1,008	200	75	275
<b>Total cash interest, net &amp; other</b>	<b>\$ 2,188</b>	<b>\$ 2,844</b>	<b>\$ 3,030</b>	<b>\$ 2,233</b>	<b>\$ 10,295</b>	<b>\$ 2,561</b>	<b>\$ 2,363</b>	<b>\$ 4,924</b>
<b>CAPITAL EXPENDITURES, NET</b>								
<b>Capital expenditures</b>	<b>\$ 2,663</b>	<b>\$ 2,654</b>	<b>\$ 3,660</b>	<b>\$ 3,122</b>	<b>\$ 12,099</b>	<b>\$ 3,311</b>	<b>\$ 3,977</b>	<b>\$ 7,288</b>
<b>MISCELLANEOUS DISCLOSURES</b>								
Net income attributable to noncontrolling interest	\$ 1,138	\$ 1,671	\$ 4,522	\$ 10,900	\$ 18,231	\$ 1,153	\$ 1,470	\$ 2,623
Net loss attributable to redeemable noncontrolling interest	(692)	(1,097)	(908)	(429)	(3,126)	(915)	(156)	(1,071)
Cash taxes	2,105	(795)	2,308	7,096	10,714	928	2,119	3,047

# DEFINITION OF NON-GAAP FINANCIAL MEASURES

In addition to its reported results, Stagwell Marketing Group has included in this supplemental management presentation certain financial results that the Securities and Exchange Commission defines as "non-GAAP financial measures." Management believes that such non-GAAP financial measures, when read in conjunction with the Company's reported results, can provide useful supplemental information for investors analyzing period to period comparisons of the Company's results. Such non-GAAP financial measures include the following:

#### **Net Revenue**

GAAP Revenue adjusted to exclude certain third-party direct costs when the Company acts as principal for the services rendered in the client arrangement.

#### **Inorganic Revenue**

"Inorganic Revenue" consists of (i) for acquisitions during the current year, the revenue effect from such acquisitions as if the acquisition had been owned during the equivalent period in the prior year and (ii) for acquisitions during the previous year, the revenue effect from such acquisitions as if they had been owned during that entire year (or same period as the current reportable period), taking into account their respective pre-acquisition revenues for the applicable periods.

#### **Organic Revenue**

Organic revenue is calculated by subtracting both the foreign exchange and acquisition (disposition) components from total revenue. "Organic revenue growth" and "organic revenue decline" refers to the positive or negative changes in revenue that were not attributable to the effects of foreign exchange or acquired run rate revenue from acquisitions. The organic revenue growth (decline) component reflects the constant currency effects of (a) the change in revenue of the Company's Brands that have been held throughout each of the comparable periods presented, and (b) inorganic revenue.

#### **Adjusted EBITDA**

Adjusted EBITDA is a non-GAAP financial measure that represents Net income adjusted for (a) interest expense, (b) provision for income taxes, (c) depreciation and amortization expense, (d) other income (expenses), (e) equity in earnings (losses) of unconsolidated affiliates, (f) deferred acquisition consideration adjustments, and (g) other items, net. Other items, net includes items such as acquisition-related expenses, other non-recurring items and other restructuring costs.

#### **Net Indebtedness**

Net Indebtedness is a non-GAAP financial measure that is defined as total debt less cash, cash equivalents and restricted cash.

Included in the Company's earnings release and supplemental management presentation are tables reconciling The Company's reported results to arrive at certain of these non-GAAP financial measures.