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DELTA REPORT

10-Q

STAGWELL INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	2218
CHANGES	433
DELETIONS	991
ADDITIONS	794

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023 March 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______________ to ______________

Commission File Number: 001-13718

Logo.jpg

Stagwell Inc.
(Exact name of registrant as specified in its charter)

Delaware	86-1390679
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
One World Trade Center, Floor 65	
New York, New York	10007
(Address of principal executive offices)	(Zip Code)

(646) 429-1800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.001 per share	STGW	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer,"

accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated Filer	☐	Accelerated Filer	☒
Non-accelerated Filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of common shares outstanding as of November 1, 2023 April 29, 2024, was 120,634,327 117,581,272 shares of Class A Common Stock and 151,648,740 151,648,741 shares of Class C Common Stock.

STAGWELL INC.

QUARTERLY REPORT ON FORM 10-Q

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EXPLANATORY NOTE

References in this Quarterly Report on Form 10-Q (this "Form 10-Q") to "Stagwell," the "Company," "we," "us," "our" and "our" the "Company" refer to Stagwell Inc. and, unless the context otherwise requires or otherwise is expressly stated, its subsidiaries.

All dollar amounts are stated in U.S. dollars unless otherwise stated.

Note About

Forward-Looking Statements

This document contains forward-looking statements, statements. within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company's representatives may also make forward-looking statements orally or in writing from time to time. Statements in this document that are not historical facts, including, statements about the Company's beliefs and expectations, future financial performance, growth, and future prospects, the Company's strategy, business and economic trends and growth, technological leadership and differentiation, potential and completed acquisitions, anticipated operating efficiencies and synergies and estimates of amounts for redeemable noncontrolling interests and deferred acquisition consideration, constitute forward-looking statements. Forward-looking statements, which are generally denoted by words such as "aim," "anticipate," "assume," "believe," "continue," "could," "create," "estimate," "expect," "focus," "forecast," "foresee," "future," "goal," "guidance," "in development," "intend," "likely," "look," "maintain," "may," "ongoing," "opportunity," "outlook," "plan," "possible," "potential," "predict," "project," "should," "target," "will," "would" or the negative of such terms or other variations thereof and terms of similar substance used in connection with any discussion of current plans, estimates and projections are subject to change based on a number of factors, including those outlined in this section.

Forward-looking statements in this document are based on certain key expectations and assumptions made by the Company. Although the management of the Company believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. The material assumptions upon which such forward-looking statements are based include, among others, assumptions with respect to general business, economic and market conditions, the competitive environment, anticipated and unanticipated tax consequences and anticipated and unanticipated costs. These forward-looking 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. These forward-looking statements are subject to various risks and uncertainties, many of which are outside the Company's control. Therefore, you should not place undue reliance on such statements. 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;
- the continued impact of the coronavirus pandemic ("COVID-19"), and evolving strains of COVID-19 on the economy and demand for the Company's services, which may precipitate or exacerbate other risks and uncertainties;
- inflation and actions taken by central banks to counter inflation;
- the Company's ability to attract new clients and retain existing clients;
- the impact of a 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 compete in the markets in which it operates;
- the Company's ability to achieve its 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 Company's ability to manage its growth effectively, including effectively;
- the successful completion Company's ability to identify, complete and integration of integrate acquisitions that complement and expand the Company's business capabilities; capabilities, to identify and complete divestitures and to achieve the anticipated benefits therefrom;
- the Company's ability to develop products incorporating new technologies, including augmented reality, artificial intelligence, and virtual reality, and realize benefits from such products;
- an inability to realize expected benefits of the combination of the Company's business with the business use of MDC Partners Inc. (the "Transactions") and other completed, pending or contemplated acquisitions; artificial intelligence, including generative artificial intelligence;

- adverse tax consequences in connection with the Transactions for the Company, its operations and its shareholders, stockholders, that may differ from the expectations of the Company, including that future changes in tax law, laws, 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 determinations that may result in increased tax costs;
- adverse tax consequences in connection with the occurrence Transactions, including the incurrence of material Canadian federal income tax (including material "emigration tax") as a result of the Transactions; ;
- the Company's unremediated material weaknesses in internal control over financial reporting and its ability to establish and maintain an effective system of internal control over financial reporting; reporting, including the risk that the Company's internal controls will fail to detect misstatements in its financial statements;
- the Company's ability to accurately forecast its future financial performance and provide accurate guidance;
- the Company's ability to protect client data from security incidents or cyberattacks;
- economic disruptions resulting from war and other geopolitical tensions (such as the ongoing military conflict conflicts between Russia and Ukraine) Ukraine and in Israel and Gaza), terrorist activities and natural disasters;
- stock price volatility; and
- foreign currency fluctuations.

Investors should carefully consider these risks and the additional risk factors described in more detail in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (our "2022 "2023 Form 10-K"), filed with the Securities and Exchange Commission (the "SEC") on March 6, 2023 March 11, 2024, and accessible on the SEC's website at www.sec.gov, under the caption "Risk Factors," and in the Company's other SEC filings.

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

STAGWELL INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except per share amounts)

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,
		2023	2022	2023	2022	
Revenue	Revenue	$ 617,573	$ 663,791	$ 1,872,282	$ 1,979,607	
Revenue						
Revenue						
Operating Expenses						
Operating Expenses						
Operating Expenses	Operating Expenses					
Cost of services	Cost of services	384,980	417,134	1,201,309	1,253,765	
Cost of services						
Cost of services						
Office and general expenses						
Office and general expenses						
Office and general expenses	Office and general expenses	160,021	119,186	481,379	429,121	
Depreciation and amortization	Depreciation and amortization	38,830	32,207	107,795	95,642	
Depreciation and amortization						
Depreciation and amortization						
Impairment and other losses	Impairment and other losses	—	25,211	10,562	28,034	
		583,831	593,738	1,801,045	1,806,562	
Impairment and other losses						
Impairment and other losses						
			644,205			
			644,205			
			644,205			
Operating Income						
Operating Income						
Operating Income	Operating Income	33,742	70,053	71,237	173,045	
Other income (expenses):	Other income (expenses):					
Other income (expenses):						
Other income (expenses):						
Interest expense, net						
Interest expense, net						
Interest expense, net	Interest expense, net	(25,886)	(19,672)	(67,755)	(56,552)	
Foreign exchange, net	Foreign exchange, net	(140)	(3,927)	(2,288)	(4,163)	

Foreign exchange, net

Foreign exchange, net

Other, net	Other, net	(271)	147	(467)	182
		(26,297)	(23,452)	(70,510)	(60,533)
Income before income taxes and equity in earnings of non-consolidated affiliates		7,445	46,601	727	112,512

Other, net

Other, net

(24,490)

(24,490)

(24,490)

Income (loss) before income taxes and equity in earnings of non-consolidated affiliates

Income (loss) before income taxes and equity in earnings of non-consolidated affiliates

Income (loss) before income taxes and equity in earnings of non-consolidated affiliates

Income tax expense	Income tax expense	4,324	11,540	12,425	20,150
Income (loss) before equity in earnings of non-consolidated affiliates		3,121	35,061	(11,698)	92,362

Income tax expense

Income tax expense

Loss before equity in earnings of non-consolidated affiliates

Loss before equity in earnings of non-consolidated affiliates

Loss before equity in earnings of non-consolidated affiliates

Equity in income (loss) of non-consolidated affiliates	Equity in income (loss) of non-consolidated affiliates	(4)	213	(447)	1,053
Net income (loss)		3,117	35,274	(12,145)	93,415

Equity in income (loss) of non-consolidated affiliates

Equity in income (loss) of non-consolidated affiliates

Net loss

Net loss

Net loss

Net (income) loss attributable to noncontrolling and redeemable noncontrolling interests

Net (income) loss attributable to noncontrolling and redeemable noncontrolling interests

Net (income) loss attributable to noncontrolling and redeemable noncontrolling interests	Net (income) loss attributable to noncontrolling and redeemable noncontrolling interests	(2,464)	(24,665)	8,548	(59,668)

Net income (loss) attributable to Stagwell Inc. common shareholders	Net income (loss) attributable to Stagwell Inc. common shareholders	$ 653	$ 10,609	$ (3,597)	$ 33,747
Net income (loss) attributable to Stagwell Inc. common shareholders					
Net income (loss) attributable to Stagwell Inc. common shareholders					
Earnings (Loss) Per Common Share:					
Earnings (Loss) Per Common Share:					
Earnings (Loss) Per Common Share:	Earnings (Loss) Per Common Share:				
Basic	Basic	$ 0.01	$ 0.08	$ (0.03)	$ 0.27
Basic					
Basic					
Diluted					
Diluted					
Diluted	Diluted	$ 0.00	$ 0.08	$ (0.03)	$ 0.26
Weighted Average Number of Common Shares Outstanding:	Weighted Average Number of Common Shares Outstanding:				
Weighted Average Number of Common Shares Outstanding:					
Weighted Average Number of Common Shares Outstanding:					
Basic					
Basic					
Basic	Basic	110,787	125,384	118,772	124,710
Diluted	Diluted	265,006	130,498	118,772	131,550
Diluted					
Diluted					

See Notes to the Unaudited Consolidated Financial Statements.

STAGWELL INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(amounts in thousands)

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,
		2023	2022	2023	2022	
COMPREHENSIVE INCOME (LOSS)	**COMPREHENSIVE INCOME (LOSS)**					
Net income (loss)		$ 3,117	$ 35,274	$(12,145)	$ 93,415	
Other comprehensive (loss) - Foreign currency translation adjustment		(13,516)	(30,505)	(6,153)	(59,678)	
COMPREHENSIVE INCOME (LOSS)						
COMPREHENSIVE INCOME (LOSS)						

Net loss
Net loss
Net loss
Other comprehensive income (loss) - Foreign currency translation adjustment
Other comprehensive income (loss) - Foreign currency translation adjustment
Other comprehensive income (loss) - Foreign currency translation adjustment

Comprehensive income (loss) for the period	Comprehensive income (loss) for the period	(10,399)	4,769	(18,298)	33,737
Comprehensive (income) loss attributable to the noncontrolling and redeemable noncontrolling interests		5,483	(24,665)	34,829	(59,668)

Comprehensive income (loss) for the period
Comprehensive income (loss) for the period
Comprehensive loss attributable to the noncontrolling and redeemable noncontrolling interests
Comprehensive loss attributable to the noncontrolling and redeemable noncontrolling interests
Comprehensive loss attributable to the noncontrolling and redeemable noncontrolling interests

Comprehensive income (loss) attributable to Stagwell Inc. common shareholders	Comprehensive income (loss) attributable to Stagwell Inc. common shareholders	$(4,916)	$(19,896)	$ 16,531	$(25,931)

Comprehensive income (loss) attributable to Stagwell Inc. common shareholders
Comprehensive income (loss) attributable to Stagwell Inc. common shareholders

See Notes to the Unaudited Consolidated Financial Statements.

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STAGWELL INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(amounts in thousands)

		September 30, 2023	December 31, 2022		March 31, 2024	December 31, 2023
ASSETS						
ASSETS						
ASSETS	**ASSETS**					
Current Assets	Current Assets			Current Assets		

Cash and cash equivalents	Cash and cash equivalents	$ 98,705	$ 220,589
Accounts receivable, net	Accounts receivable, net	670,090	645,846
Expenditures billable to clients	Expenditures billable to clients	128,903	93,077
Other current assets	Other current assets	104,082	71,443
Total Current Assets	Total Current Assets	1,001,780	1,030,955
Fixed assets, net	Fixed assets, net	81,373	98,878
Right-of-use lease assets - operating leases	Right-of-use lease assets - operating leases	245,187	273,567
Goodwill	Goodwill	1,572,489	1,566,956
Other intangible assets, net	Other intangible assets, net	844,004	907,529
Other assets	Other assets	125,376	115,447
Total Assets	Total Assets	$3,870,209	$3,993,332
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST, AND SHAREHOLDERS' EQUITY			
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS ("RNCI"), AND SHAREHOLDERS' EQUITY			
Current Liabilities	Current Liabilities		
Current Liabilities			
Current Liabilities			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	$ 306,956	$ 357,253
Accrued media	Accrued media	183,510	240,506
Accruals and other liabilities	Accruals and other liabilities	205,861	248,477
Advance billings	Advance billings	335,600	337,034
Current portion of lease liabilities - operating leases	Current portion of lease liabilities - operating leases	67,976	76,349
Current portion of deferred acquisition consideration	Current portion of deferred acquisition consideration	104,294	90,183
Total Current Liabilities	Total Current Liabilities	1,204,197	1,349,802
Long-term debt	Long-term debt	1,498,129	1,184,707

Long-term portion of deferred acquisition consideration	Long-term portion of deferred acquisition consideration	29,443	71,140	
Long-term lease liabilities - operating leases	Long-term lease liabilities - operating leases	271,285	294,049	
Deferred tax liabilities, net	Deferred tax liabilities, net	47,717	40,109	
Other liabilities	Other liabilities	55,099	69,780	
Total Liabilities	Total Liabilities	3,105,870	3,009,587	
Redeemable Noncontrolling Interests	Redeemable Noncontrolling Interests	10,085	39,111	
Commitments, Contingencies and Guarantees (Note 9)				
Shareholders' Equity				
Commitments, Contingencies and Guarantees (Note 10)				Commitments, Contingencies and Guarantees (Note 10)
Shareholders' Equity				
Common shares - Class A & B				
Common shares - Class A & B				
Common shares - Class A & B	Common shares - Class A & B	116	132	
Common shares - Class C	Common shares - Class C	2	2	
Paid-in capital	Paid-in capital	324,926	491,899	
Paid-in capital				
Paid-in capital				
Retained earnings	Retained earnings	24,586	29,445	
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(18,813)	(38,941)	
Stagwell Inc. Shareholders' Equity		330,817	482,537	
Stagwell Inc. Shareholders' Equity				
Noncontrolling interests	Noncontrolling interests	423,437	462,097	
Total Shareholders' Equity		754,254	944,634	
Total Liabilities, Redeemable Noncontrolling Interests and Shareholders' Equity		$3,870,209	$3,993,332	
Total Shareholders' Equity				
Total Liabilities, Redeemable Noncontrolling Interests and Shareholders' Equity				

See Notes to the Unaudited Consolidated Financial Statements.

STAGWELL INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

		Nine Months Ended September 30,	
		2023	**2022**
	2024	**Three Months Ended March 31,**	
Cash flows from operating activities:	**Cash flows from operating activities:**		
Net income (loss)		$ (12,145)	$ 93,415
Adjustments to reconcile net income to cash (used in) provided by operating activities:			
Cash flows from operating activities:			
Cash flows from operating activities:			
Net income			
Net income			
Net income			
Adjustments to reconcile net income to cash used in operating activities:			
Adjustments to reconcile net income to cash used in operating activities:			
Adjustments to reconcile net income to cash used in operating activities:			
Stock-based compensation			
Stock-based compensation			
Stock-based compensation	Stock-based compensation	34,615	33,410
Depreciation and amortization	Depreciation and amortization	107,795	95,642
Depreciation and amortization			
Depreciation and amortization			
Amortization of right-of-use lease assets and lease liability interest			
Amortization of right-of-use lease assets and lease liability interest			
Amortization of right-of-use lease assets and lease liability interest			
Impairment and other losses	Impairment and other losses	10,562	28,034

Impairment and other losses			
Impairment and other losses			
Deferred income taxes	Deferred income taxes	(1,112)	(1,557)
Deferred income taxes			
Deferred income taxes			
Adjustment to deferred acquisition consideration			
Adjustment to deferred acquisition consideration			
Adjustment to deferred acquisition consideration	Adjustment to deferred acquisition consideration	10,881	(14,420)
Other, net	Other, net	(4,292)	1,679
Other, net			
Other, net			
Changes in working capital:			
Changes in working capital:			
Changes in working capital:	Changes in working capital:		
Accounts receivable	Accounts receivable	(25,405)	(34,637)
Accounts receivable			
Accounts receivable			
Expenditures billable to clients			
Expenditures billable to clients			
Expenditures billable to clients	Expenditures billable to clients	(36,217)	5,525
Other assets	Other assets	6,539	4,100
Other assets			
Other assets			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	(58,716)	34,630
Accrued expenses and other liabilities	Accrued expenses and other liabilities	(149,267)	(138,947)
Accrued expenses and other liabilities			
Accrued expenses and other liabilities			
Advance billings	Advance billings	(1,759)	(23,017)
Advance billings			
Advance billings			
Current portion of lease liabilities - operating leases			

Current portion of lease liabilities - operating leases			
Current portion of lease liabilities - operating leases			
Deferred acquisition related payments	Deferred acquisition related payments	(9,021)	(10,776)
Net cash (used in) provided by operating activities		(127,542)	73,081
Deferred acquisition related payments			
Deferred acquisition related payments			
Net cash used in operating activities			
Net cash used in operating activities			
Net cash used in operating activities			
Cash flows from investing activities:			
Cash flows from investing activities:			
Cash flows from investing activities:	**Cash flows from investing activities:**		
Capital expenditures	Capital expenditures	(12,205)	(16,103)
Capital expenditures			
Capital expenditures			
Acquisitions, net of cash acquired			
Acquisitions, net of cash acquired			
Acquisitions, net of cash acquired	Acquisitions, net of cash acquired	(6,678)	(37,461)
Capitalized software	Capitalized software	(19,026)	(9,392)
Capitalized software			
Capitalized software			
Other			
Other			
Other	Other	(6,939)	(1,328)
Net cash used in investing activities	**Net cash used in investing activities**	(44,848)	(64,284)
Net cash used in investing activities			
Net cash used in investing activities			
Cash flows from financing activities:			
Cash flows from financing activities:			

Cash flows from financing activities:	Cash flows from financing activities:		
Repayment of borrowings under revolving credit facility	Repayment of borrowings under revolving credit facility	(1,250,500)	(855,000)
Repayment of borrowings under revolving credit facility			
Repayment of borrowings under revolving credit facility			
Proceeds from borrowings under revolving credit facility			
Proceeds from borrowings under revolving credit facility			
Proceeds from borrowings under revolving credit facility	Proceeds from borrowings under revolving credit facility	1,562,500	989,500
Shares repurchased and cancelled	Shares repurchased and cancelled	(203,958)	(43,637)
Shares repurchased and cancelled			
Shares repurchased and cancelled			
Distributions to noncontrolling interests			
Distributions to noncontrolling interests			
Distributions to noncontrolling interests	Distributions to noncontrolling interests	(24,538)	(38,486)
Payment of deferred consideration	Payment of deferred consideration	(31,666)	(61,089)
Purchase of noncontrolling interest		—	(3,600)
Debt issuance costs		(150)	—
Payment of deferred consideration			
Payment of deferred consideration			
Net cash provided by (used in) financing activities		51,688	(12,312)
Net cash provided by financing activities			
Net cash provided by financing activities			
Net cash provided by financing activities			

Effect of exchange rate changes on cash and cash equivalents	Effect of exchange rate changes on cash and cash equivalents	(1,182)	(15,243)
Net decrease in cash and cash equivalents		(121,884)	(18,758)
Effect of exchange rate changes on cash and cash equivalents			
Effect of exchange rate changes on cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	220,589	184,009
Cash and cash equivalents at beginning of period			
Cash and cash equivalents at beginning of period			
Cash and cash equivalents at end of period			
Cash and cash equivalents at end of period			
Cash and cash equivalents at end of period	**Cash and cash equivalents at end of period**	$ 98,705	$165,251
Supplemental Cash Flow Information:	Supplemental Cash Flow Information:		
Supplemental Cash Flow Information:			
Supplemental Cash Flow Information:			
Cash income taxes paid	Cash income taxes paid	$ 40,088	$ 23,315
Cash income taxes paid			
Cash income taxes paid			
Cash interest paid			
Cash interest paid			
Cash interest paid	Cash interest paid	63,878	61,016
Non-cash investing and financing activities:	Non-cash investing and financing activities:		
Non-cash investing and financing activities:			

Non-cash investing and financing activities:

STAGWELL INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS - (continued)
(amounts in thousands)

	Nine Months Ended September 30,	
	2023	**2022**
Establishment of Tax Receivables Agreement liability	—	17,649
Non-cash payments for deferred acquisition consideration	20,119	—
Reduction of Deferred tax liability related to exchange of Paired Units	—	20,763

	Three Months Ended March 31,	
	2024	**2023**
Acquisitions of business	6,139	—
Acquisitions of noncontrolling interest	10,167	—
Share issuances	341	—

See Notes to the Unaudited Consolidated Financial Statements.

STAGWELL INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(amounts in thousands)

	Three Months Ended September 30, 2023									
	Common Shares - Class A & B		Common Shares - Class C		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Stagwell Inc. Shareholders' Equity	Noncontrolling Interests	Shareholders' Equity
	Shares	Amount	Shares	Amount						
Balance at June 30, 2023	**116,039**	**$ 116**	**151,649**	**$ 2**	**$ 309,521**	**$ 27,496**	**$ (13,244)**	**$ 323,891**	**$ 438,299**	**$ 762,190**
Net income	—	—	—	—	—	653	—	653	2,464	3,117
Other comprehensive loss	—	—	—	—	—	—	(5,569)	(5,569)	(7,947)	(13,516)
Total other comprehensive income (loss)						653	(5,569)	(4,916)	(5,483)	(10,399)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(8,155)	(8,155)
Changes in redemption value of RNCI	—	—	—	—	—	(3,562)	—	(3,562)	—	(3,562)
Restricted awards granted or vested	670	1	—	—	174	—	—	175	—	175
Shares repurchased and cancelled	(818)	(1)	—	—	(4,604)	—	—	(4,605)	—	(4,605)
Stock-based compensation	—	—	—	—	17,050	—	—	17,050	—	17,050
Change in ownership held by Class C holders	—	—	—	—	(215)	—	—	(215)	215	—
Other (1)	—	—	—	—	3,000	(1)	—	2,999	(1,439)	1,560
Balance at September 30, 2023	**115,891**	**$ 116**	**151,649**	**$ 2**	**$ 324,926**	**$ 24,586**	**$ (18,813)**	**$ 330,817**	**$ 423,437**	**$ 754,254**

(1) The Other line within Paid-in Capital includes $3.0 million in connection with the modification of certain stock-appreciation rights from equity to cash-settled that were subsequently exercised in equity.

	Three Months Ended March 31, 2024									
	Common Shares - Class A		Common Shares - Class C		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Stagwell Inc. Shareholders' Equity	Noncontrolling Interests	Shareholders' Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2023	**118,469**	**$ 118**	**151,649**	**$ 2**	**$ 348,494**	**$ 21,148**	**$ (13,067)**	**$ 356,695**	**$ 468,577**	**$ 825,272**
Net income (loss)	—	—	—	—	—	(1,282)	—	(1,282)	569	(713)
Other comprehensive loss	—	—	—	—	—	—	(2,864)	(2,864)	(4,282)	(7,146)
Total other comprehensive loss	—	—	—	—	—	(1,282)	(2,864)	(4,146)	(3,713)	(7,859)
Purchases of noncontrolling interest	—	—	—	—	1,744	—	—	1,744	(10,226)	(8,482)
Changes in redemption value of RNCI	—	—	—	—	—	(250)	—	(250)	—	(250)
Restricted awards granted or vested	151	—	—	—	254	—	—	254	—	254
Shares repurchased and cancelled	(4,828)	(5)	—	—	(30,581)	—	—	(30,586)	—	(30,586)
Restricted shares forfeited	(18)	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	13,550	—	—	13,550	—	13,550
Change in ownership held by Class C shareholders	—	—	—	—	(6,047)	—	—	(6,047)	6,047	—
Shares issued, acquisitions	993	1	—	—	6,138	—	—	6,139	—	6,139
Other	52	1	—	—	344	2	—	347	(795)	(448)
Balance at March 31, 2024	**114,819**	**$ 115**	**151,649**	**$ 2**	**$ 333,896**	**$ 19,618**	**$ (15,931)**	**$ 337,700**	**$ 459,890**	**$ 797,590**

STAGWELL INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY - (continued)
(amounts in thousands)

	Nine Months Ended September 30, 2023									
	Common Shares - Class A & B		Common Shares - Class C		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Stagwell Inc. Shareholders' Equity	Noncontrolling Interests	Shareholders' Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2022	**131,724**	**$ 132**	**160,909**	**$ 2**	**$ 491,899**	**$ 29,445**	**$ (38,941)**	**$ 482,537**	**$ 462,097**	**$ 944,634**
Net loss	—	—	—	—	—	(3,597)	—	(3,597)	(8,548)	(12,145)
Other comprehensive loss	—	—	—	—	—	—	20,128	20,128	(26,281)	(6,153)
Total other comprehensive income (loss)						(3,597)	20,128	16,531	(34,829)	(18,298)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(19,164)	(19,164)
Changes in redemption value of RNCI	—	—	—	—	—	(621)	—	(621)	—	(621)
Restricted awards granted or vested	3,647	4	—	—	171	—	—	175	—	175
Shares repurchased and cancelled	(31,580)	(32)	—	—	(204,926)	—	—	(204,958)	—	(204,958)
Restricted shares forfeited	(13)	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	33,883	—	—	33,883	—	33,883
Change in ownership held by Class C holders	—	—	—	—	(14,597)	—	—	(14,597)	14,597	—
Shares issued, acquisitions	2,853	3	—	—	20,116	—	—	20,119	—	20,119
Conversion of Class C to Class A shares	9,260	9	(9,260)	—	(9)	—	—	—	—	—
Other (1)	—	—	—	—	(1,611)	(641)	—	(2,252)	736	(1,516)
Balance at September 30, 2023	**115,891**	**$ 116**	**151,649**	**$ 2**	**$ 324,926**	**$ 24,586**	**$ (18,813)**	**$ 330,817**	**$ 423,437**	**$ 754,254**

(1) The Other line within Paid-in Capital includes $1.6 million in connection with the modification of certain stock-appreciation rights from equity to cash-settled that were subsequently exercised in equity.

See Notes to the Unaudited Consolidated Financial Statements.

STAGWELL INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY - (continued)
(amounts in thousands)

	Three Months Ended September 30, 2022									
	Common Shares - Class A & B		Common Shares - Class C		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Stagwell Inc. Shareholders' Equity	Noncontrolling Interests	Shareholders' Equity
	Shares	Amount	Shares	Amount						
Balance at June 30, 2022	**131,838**	**$ 135**	**164,427**	**$ 2**	**$ 368,345**	**$ 10,268**	**$ (34,451)**	**$ 344,299**	**$ 513,085**	**$ 857,384**
Net income	—	—	—	—	—	10,609	—	10,609	24,665	35,274
Other comprehensive loss	—	—	—	—	—	—	(30,505)	(30,505)	—	(30,505)
Total other comprehensive income (loss)						10,609	(30,505)	(19,896)	24,665	4,769
Changes in redemption value of RNCI	—	—	—	—	—	(14,658)	—	(14,658)	—	(14,658)
Restricted awards granted or vested	1,689	2	—	—	(2)	—	—	—	—	—
Shares repurchased and cancelled	(2,032)	(4)	—	—	(13,872)	—	—	(13,876)	—	(13,876)
Restricted shares forfeited	(3)	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	9,583	—	—	9,583	—	9,583
Conversion of Class C to Class A shares	51	1	(51)	—	(1)	—	—	—	—	—
Finalization of MDC acquisition accounting	—	—	—	—	(16,294)	—	—	(16,294)	2,301	(13,993)
Other	1	1	—	—	904	354	—	1,259	(5,575)	(4,316)
Balance at September 30, 2022	**131,544**	**$ 135**	**164,376**	**$ 2**	**$ 348,663**	**$ 6,573**	**$ (64,956)**	**$ 290,417**	**$ 534,476**	**$ 824,893**

	Three Months Ended March 31, 2023									
	Common Shares - Class A & B		Common Shares - Class C		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Stagwell Inc. Shareholders' Equity	Noncontrolling Interests	Shareholders' Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2022	**131,724**	**$ 132**	**160,909**	**$ 2**	**$ 491,899**	**$ 22,095**	**$ (15,478)**	**$ 498,650**	**$ 430,164**	**$ 928,814**
Net income	—	—	—	—	—	1,389	—	1,389	(4,258)	(2,869)
Other comprehensive loss	—	—	—	—	—	—	2,225	2,225	2,222	4,447
Total other comprehensive income (loss)	—	—	—	—	—	1,389	2,225	3,614	(2,036)	1,578
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(8,025)	(8,025)
Changes in redemption value of RNCI	—	—	—	—	—	1,076	—	1,076	—	1,076
Restricted awards granted or vested	1,838	2	—	—	(2)	—	—	—	—	—
Shares repurchased and cancelled	(3,766)	(4)	—	—	(26,125)	—	—	(26,129)	—	(26,129)
Stock-based compensation	—	—	—	—	7,392	—	—	7,392	—	7,392
Change in ownership held by Class C shareholders	—	—	—	—	(3,273)	—	—	(3,273)	3,273	—
Other	—	—	—	—	—	(640)	—	(640)	1,217	577
Balance at March 31, 2023	**129,796**	**$ 130**	**160,909**	**$ 2**	**$ 469,891**	**$ 23,920**	**$ (13,253)**	**$ 480,690**	**$ 424,593**	**$ 905,283**

STAGWELL INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY - (continued)
(amounts in thousands)

	Nine Months Ended September 30, 2022									
	Common Shares - Class A & B		Common Shares - Class C		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Stagwell Inc. Shareholders' Equity	Noncontrolling Interests	Shareholders' Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2021	**118,252**	**$ 118**	**179,970**	**$ 2**	**$ 382,893**	**$ (6,982)**	**$ (5,278)**	**$ 370,753**	**$ 508,287**	**$ 879,040**
Net income	—	—	—	—	—	33,747	—	33,747	59,668	93,415
Other comprehensive loss	—	—	—	—	—	—	(59,678)	(59,678)	—	(59,678)
Total other comprehensive income (loss)						33,747	(59,678)	(25,931)	59,668	33,737
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(29,957)	(29,957)
Changes in redemption value of RNCI	—	—	—	—	—	(20,546)	—	(20,546)	—	(20,546)
Restricted awards granted or vested	3,678	4	—	—	(4)	—	—	—	—	—
Shares repurchased and cancelled	(6,011)	(6)	—	—	(43,637)	—	—	(43,643)	—	(43,643)
Restricted shares forfeited	(111)	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	25,475	—	—	25,475	—	25,475
Conversion of Class C to Class A shares	15,594	16	(15,594)	—	(16)	—	—	—	—	—
Purchases of noncontrolling interests	—	—	—	—	(1,000)	—	—	(1,000)	(3,600)	(4,600)
Acquisition of noncontrolling interest	—	—	—	—	—	—	—	—	2,667	2,667
Finalization of MDC acquisition accounting	—	—	—	—	(16,294)	—	—	(16,294)	2,301	(13,993)
Other	142	3	—	—	1,246	354	—	1,603	(4,890)	(3,287)
Balance at September 30, 2022	**131,544**	**$ 135**	**164,376**	**$ 2**	**$ 348,663**	**$ 6,573**	**$ (64,956)**	**$ 290,417**	**$ 534,476**	**$ 824,893**

See Notes to the Unaudited Consolidated Financial Statements

STAGWELL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Basis of Presentation

Stagwell Inc. (the “Company,” “we,” or “Stagwell”), incorporated under the laws of Delaware, conducts its business through its networks and its portfolio of marketing services firms (“Brands”), which provide marketing and business solutions that realize the potential of combining data and creativity. Stagwell’s strategy is to build, grow and acquire market-leading businesses that deliver the modern suite of services that marketers need to thrive in a rapidly evolving business environment.

The accompanying consolidated financial statements Unaudited Consolidated Financial Statements include the accounts of Stagwell and its subsidiaries. Stagwell has prepared the unaudited consolidated interim financial statements included herein in accordance with accounting principles generally accepted in the United States (“GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for reporting interim financial information on Form 10-Q. Accordingly, pursuant to these rules, the footnotes do not include certain information and disclosures. The preparation of financial statements in conformity with GAAP requires us to make judgments, assumptions and estimates about current and future results of operations and cash flows that affect the amounts reported and disclosed. Actual results could differ from these estimates and assumptions. The consolidated results reports for interim periods are not necessarily indicative of results for the full year and should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (“2022 2023 Form 10-K”).

The accompanying financial statements reflect all adjustments, consisting of normal recurring accruals, which in the opinion of management are necessary for a fair statement, in all material respects, of the information contained therein. Intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to the prior year financial information to conform to the current year presentation.

Revision of Previously Issued Unaudited Consolidated Financial Statements

In connection with the preparation of the consolidated financial statements during 2023, the Company identified the following errors in the areas of income taxes, noncontrolling interests, and accumulated other comprehensive loss related to its previously filed 2022 annual consolidated financial statements.

We recorded an out-of-period adjustment in• In the first quarter of 2023, which should have been reflected in the prior year financial statements. The impact of the adjustment was we identified an error related to allocate foreign currency gains and losses not being allocated from Accumulated other comprehensive loss to noncontrolling interest shareholders. As a result of the correction, Noncontrolling interests and Accumulated other comprehensive loss declined was overstated by approximately $24.0 million, but there $23.5 million. There was no impact to Total Shareholders' Equity. The adjustment was reflected within other comprehensive Equity as of December 31, 2022. Also, we identified a $2.1 million understatement of income (loss). There was no impact tax expense, and overstatement to Net income tax payable (Accruals and Other Liabilities) and deferred tax asset (Other Current Assets) of $2.4 million and $4.5 million, respectively, relating to an error in the annual or interim periods calculation of valuation allowances. These errors were originally corrected within the year ended December 31, 2022. The Company evaluated first quarter of 2023 as management determined the impact of the out-of-period adjustment and concluded that this error was errors were not material to the current period or any quarterly financial statements as of its previously issued financial statements. and for the three months ended March 31, 2023.

- In the second quarter of 2023, we recorded a $5.3 million and $7.4 million out-of-period adjustment, respectively, identified an error related to increase an understatement of income tax expense and income tax payable (Accruals and Other Liabilities) by $5.3 million due to correct an understatement incorrect applications of the expense which should have been reflected in the prior year financial statements. tax payments. The Company evaluated also identified a misclassification of $12.9 million as a result of improper netting of income tax receivables (Other Current Assets) and payables (Accruals and Other Liabilities). This error resulted in an incremental $7.3 million misclassification of income tax receivables and payables as of March 31, 2023, which was originally corrected within the impact second quarter of the out-of-period adjustment and concluded that 2023 as management determined the errors were not material to the current period or any quarterly financial statements as of its previously issued financial statements. The adjustment is not expected to be material and for the three and six months ended June 30, 2023.

- In the fourth quarter of 2023, we identified an incremental $10.4 million understatement of tax expense as well as balance sheet misclassification between income tax accounts included within Other Current Assets, Other Assets, Accruals and Other Liabilities, and Deferred Tax Liabilities. These errors were related to the year ending December 31, 2023. incorrect applications of tax payments, and the incorrect calculation of deferred tax balances for items mainly associated with interest expense, intangible assets, fixed assets, state tax, basis adjustment for partnership, and the related valuation allowance. We also identified an error in our tax receivable agreement ("TRA") liability calculation which resulted in a $2.1 million overstatement of other expenses and of Other Liabilities.

As a result of the above, the Company's previously filed first quarter of 2023 interim consolidated financial statements have been revised. See Note 17 of the Notes included herein for additional information. The remaining 2023 interim financial statements will be presented as revised when such financial statements are issued.

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Recent Developments

On October 2, 2023 April 3, 2024, the Company acquired 100% What's Next Partners ("WNP"), for 4.3 million Euros ("€") (approximately $5 million) in cash. In connection with the acquisition, the sellers are entitled to contingent consideration up to a maximum value of €8.5 million (approximately $9 million), partially subject to continued employment and meeting certain future earnings targets, of which a portion may be settled in shares of the membership interest of Left Field Labs, LLC, a digital experience design and strategy company, for approximately $9.4 million in cash, and 825 thousand shares of Company's Class A Common Stock, common stock, par value $0.001 per share (the "Class A Common Stock"), at the Company's discretion.

On April 5, 2024, the Company acquired PROS Agency ("PROS"), for 26.5 million Brazilian reals ("R$") (approximately $5 million) of which R$21.2 million (approximately $4 million) was paid in cash and R$5.3 million (approximately $1 million) in 182,256 shares of Class A Common Stock, subject to post-closing adjustments. In connection with the acquisition, the sellers are entitled to contingent consideration up to a maximum value of R$72.5 million (approximately $14 million), partially subject to continued employment and meeting certain future earnings targets, of which a portion may be settled in shares of Class A Common Stock at the Company's discretion.

2. New Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-09, Income Taxes (Topic 740) Improvements to Income Tax Disclosures ("ASU 2023-09"), to enhance the transparency and decision usefulness of income tax disclosures by requiring disaggregated information about an entity's effective tax rate reconciliation, as well as information on taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. The Company is evaluating the impact of the adoption of this guidance on the Company's financial statements and disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280) Improvements to Segment Disclosures ("ASU 2023-07"), to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The Company is evaluating the impact of the new requirements, effective for the Company's 2024 Financial Statements, to determine the level of disclosure of segment expenses.

3. Acquisitions

2024 Acquisitions

Acquisition of Team Epiphany

On January 2, 2024, the Company acquired Team Epiphany, LLC (“Epiphany”), for $15.8 million, of which $10.8 million was paid in cash and $5.0 million in 797,916 shares of Class A Common Stock, subject to post-closing adjustments. In connection with the acquisition, the sellers are entitled to contingent consideration up to a maximum value of $17.0 million, subject to continued employment and meeting certain future earnings targets, of which a portion may be settled in shares of Class A Common Stock at the Company’s discretion.

The consideration has been allocated to the assets acquired and assumed liabilities of Epiphany based upon fair values. The preliminary purchase price allocation is as follows:

	Amount
	(dollars in thousands)
Cash and cash equivalents	$ 1,095
Accounts receivable, net	8,677
Expenditures billable to clients	4,823
Other current assets	402
Right-of-use lease assets	2,788
Fixed assets	184
Identifiable intangible assets	4,316
Accounts payable	(1,086)
Accruals and other liabilities	(664)
Advance billings	(8,808)
Current portion of lease liabilities - operating leases	(516)
Long-term lease liabilities - operating leases	(2,600)
Net assets assumed	8,611
Goodwill	7,237
Purchase price consideration	**$ 15,848**

The excess of purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which is primarily attributable to the assembled workforce of Epiphany. Goodwill of $7.2 million was assigned to the Integrated Agencies Network reportable segment. The goodwill is deductible for income tax purposes.

Intangible assets consist of trade names and customer relationships. We amortize purchased intangible assets on a straight-line basis over their respective useful lives. The weighted average life of the total acquired identifiable intangible assets is three years. The following table presents the details of identifiable intangible assets acquired:

	Estimated Fair Value	Estimated Useful Life in Years
	(dollars in thousands)	
Customer relationships	$ 3,767	3
Trade names	549	3
Total acquired intangible assets	$ 4,316	

Pro Forma Financial Information

The unaudited pro forma information for the periods set forth below gives effect to the acquisition as if it occurred as of January 1, 2023. The pro forma revenue and net income (loss) for the three months ended March 31, 2024 would not be materially different from the actual revenue and net income (loss) reported. The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of that time.

	Three Months Ended March 31, 2023
	(dollars in thousands)
Revenue	$ 630,838
Net loss	$ (2,121)

Revenue and Net income attributable to Epiphany, included within the Unaudited Consolidated Statements of Operations for the three months ended March 31, 2024 was $13.4 million and less than $0.1 million, respectively.

The purchase price accounting is not yet final as the Company may still make adjustments due to changes in post-closing adjustments.

Other 2024 Acquisitions

On March 1, 2024, the Company acquired Sidekick Live Limited (“Sidekick”), for 4.6 million British pounds (“£”) (approximately $6 million) of which £3.6 million (approximately $5 million) was paid in cash, £0.1 million (approximately $0.2 million) was incurred as a certain payable to sellers, and £0.9 million (approximately $1 million) in 195,431 shares of Class A Common Stock, subject to post-closing adjustments. In connection with the acquisition, the sellers are entitled to contingent consideration up to a maximum value of £8.0 million (approximately $10 million), subject to continued employment requirements and meeting certain future earnings targets, of which a portion may be settled in shares of Class A Common Stock at the Company’s discretion. The excess of purchase consideration over the fair value of the net assets acquired was mainly recorded as goodwill, which is primarily attributable to the assembled workforce of Sidekick and expected growth related to new customer relationships. Goodwill of $2.0 million was assigned to the Communications Network reportable segment. The goodwill is not fully deductible for income tax purposes. The purchase price accounting is not yet final as the Company may still make adjustments due to changes in post-closing adjustments.

2023 Acquisitions

On November 1, 2023, the Company acquired Movers and Shakers LLC (“Movers and Shakers”), a digital creative company, for $14.7 million, of which $10.2 million was paid in cash and $4.5 million in 1.0 million shares of Class A Common Stock, subject to post-closing adjustments. In connection with the acquisition, the sellers are entitled to contingent consideration up to a maximum value of $35.0 million, subject to meeting certain future earnings targets and continued employment, of which a portion may be settled in shares of Class A Common Stock at the Company’s discretion. The excess of purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which is primarily attributable to the assembled workforce of Movers and Shakers and expected growth related to new customer relationships. Goodwill of $8.2 million was assigned to the Integrated Agencies Network reportable segment. The goodwill is fully deductible for income tax purposes. The purchase price accounting is not yet final as the Company may still make adjustments due to changes in post-closing adjustments.

On October 2, 2023, the Company acquired Left Field Labs LLC (“LFL”), a digital experience design and strategy company, for $13.2 million, of which $9.4 million was paid in cash and $3.8 million in 825,402 of Class A Common Stock, subject to post-closing adjustments. In connection with the acquisition, the sellers are entitled to contingent consideration up to a maximum value of $51.0 million, subject to continued employment and meeting certain future earnings targets, of which a portion may be settled in shares of Class A Common Stock at the Company’s discretion.

On October 31, 2023, the Company completed the sale of its integrated healthcare marketing agency and pharmaceutical commercialization platform, ConcentricLife, for $245 million in cash.

On November 1, 2023, the Company acquired Movers and Shakers LLC, a business that provides social media marketing solutions, for approximately $15 million, to be paid in cash or up to 30% in shares of Class A Common stock, subject to post-closing adjustments. In connection with the acquisition, the sellers are entitled to contingent consideration up to a maximum value of $35 million, subject to meeting certain future earnings targets, of which a portion may be settled in shares of Class A Common Stock at the Company’s discretion.

2. Acquisitions

2022 Acquisitions

Acquisition of Brand New Galaxy

On April 19, 2022, the Company acquired Brand New Galaxy (“BNG”), for approximately $20.9 million of cash consideration, as well as contingent consideration up to a maximum value of $50.0 million. The contingent consideration is due upon meeting certain future earnings targets through 2024, with approximately 67% payable in cash and 33% payable in shares of Class A Common Stock.

The consideration has been allocated to the assets acquired and assumed liabilities of BNG based upon fair values, with any excess purchase price allocated to goodwill. The purchase price allocation is as follows:

		Amount
		(dollars in thousands)
Cash and cash equivalents	$	2,766
Accounts receivable		10,147
Other current assets		671
Fixed assets		1,587
Identifiable intangible assets		12,740
Other assets		1,583
Accounts payable		(4,771)
Accruals and other liabilities		(6,880)
Advance billings		(1,159)
Other liabilities		(3,642)
Net assets assumed		13,042
Goodwill		24,643
Purchase price consideration	**$**	**37,685**

The excess of purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which is primarily attributable to the assembled workforce of BNG. Goodwill of $24.6 million was assigned to the Brand Performance Network reportable segment. The majority of the goodwill is non-deductible for income tax purposes.

Intangible assets consist of trade names, customer relationships and developed technology. We amortize purchased intangible assets on a straight-line basis over their respective useful lives. The weighted average life of the total acquired identifiable intangible assets is approximately ten years. The following table presents the details of identifiable intangible assets acquired:

		Fair Value	Estimated Useful Life in Years
		(dollars in thousands)	
Customer relationships	$	6,150	10
Trade names		5,500	10
Developed technology		1,090	7
Total acquired intangible assets	$	12,740	

Pro Forma Financial Information

The unaudited pro forma information for the periods set forth below gives effect to the acquisition as if it occurred as of January 1, 2021. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of that time.

		Nine Months Ended September 30, 2022
		(dollars in thousands)
Revenue	$	1,989,833
Net income	$	92,670

Revenue attributable to BNG, included within the Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2023 was $7.7 million and $21.8 million, respectively, and Net loss was $0.7 million and $0.2 million, respectively. Revenue attributable to BNG, included within the Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2022 was $5.9 million and $11.2 million, respectively, and Net loss was $2.5 million and $2.6 million, respectively.

Acquisition of TMA Direct, Inc.

On May 31, 2022, the Company acquired approximately 87% of TMA Direct, Inc. ("TMA Direct") for approximately $17.2 million of cash consideration and approximately $0.5 million of deferred acquisition payments. The Company was also granted an option to purchase the remaining 13% minority interest in TMA Direct for up to approximately $13.3 million.

The consideration has been allocated to the assets acquired and assumed liabilities of TMA Direct based upon fair values, with any excess purchase price allocated to goodwill. The purchase price allocation is as follows:

		Amount
		(dollars in thousands)
Accounts receivable	$	582
Other current assets		669
Identifiable intangible assets		13,200
Accounts payable		(379)
Other liabilities		(270)
Noncontrolling interests		(2,667)
Net assets assumed		11,135
Goodwill		6,569
Purchase price consideration	**$**	**17,704**

The excess of purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which is primarily attributable to the assembled workforce of TMA Direct. Goodwill of $6.6 million was assigned to the Communications Network reportable segment. The majority of the goodwill is deductible for income tax purposes.

Intangible assets consist of trade names and customer relationships. We amortize purchased intangible assets on a straight-line basis over their respective useful lives. The weighted average life of the total acquired identifiable intangible assets is ten years. The following table presents the details of identifiable intangible assets acquired:

		Fair Value	Estimated Useful Life in Years
		(dollars in thousands)	
Customer relationships	$	11,400	10
Trade names		1,800	10
Total acquired intangible assets	$	13,200	

Pro Forma Financial Information

The unaudited pro forma information for the periods set forth below gives effect to the acquisition as if it occurred as of January 1, 2021. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of that time.

		Nine Months Ended September 30, 2022
		(dollars in thousands)
Revenue	$	1,983,437
Net income	$	94,768

Revenue attributable to TMA Direct, included within the Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2023 was $2.1 million and $8.7 million, respectively and Net income was $0.3 million and $0.7 million, respectively. Revenue attributable to TMA Direct, included within the Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2022 was $3.8 million and $5.0 million, respectively, and Net income was $1.4 million and $1.6 million, respectively.

Acquisition of Maru Group Limited Ltd.

On October 3, 2022, the Company acquired Maru Group Limited Ltd. (“Maru”) for approximately £23.0 million (approximately $25.8 million) in cash consideration.

The consideration has been allocated to the assets acquired and assumed liabilities of Maru based upon fair values, with any excess purchase price allocated to goodwill. The purchase price allocation is as follows:

		Amount
		(dollars in thousands)
Cash and cash equivalents	$	1,033
Accounts receivable		7,374
Other current assets		899
Fixed assets		157
Identifiable intangible assets		14,300
Other assets		1,920
Accounts payable		(4,087)
Accruals and other liabilities		(9,154)
Advance billings		(6,462)
Deferred tax liability		(3,328)
Other liabilities		(2,891)
Net assets assumed		(239)
Goodwill		26,033
Purchase price consideration	**$**	**25,794**

The excess of purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which is primarily attributable to the assembled workforce of Maru LFL and expected growth related to new customer relationships and geographic expansion. relationships. Goodwill of $26.0 million was assigned to the All Other reportable segment. The goodwill is partially deductible for income tax purposes.

Intangible assets consist of trade names, customer relationships, and developed technology. We amortize purchased intangible assets on a straight-line basis over their respective useful lives. The weighted average life of the total acquired identifiable intangible assets is approximately eight years. The following table presents the details of identifiable intangible assets acquired:

		Fair Value	Estimated Useful Life in Years
		(dollars in thousands)	
Customer relationships	$	4,900	10
Trade names		4,000	10
Developed technology		5,400	2-7
Total acquired intangible assets	$	14,300	

Pro Forma Financial Information

The unaudited pro forma information for the periods set forth below gives effect to the acquisition as if it occurred as of January 1, 2021. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of that time.

		Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022
		(dollars in thousands)		
Revenue	$	672,435	$	2,009,482
Net income	$	30,113	$	79,414

Revenue attributable to Maru, included within the Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2023 was $7.7 million and $25.5 million, respectively and Net loss was $3.2 million and $7.6 million, respectively.

Acquisition of Wolfgang, LLC.

On October 3, 2022, the Company acquired the remaining 80% interest that it did not already own in Wolfgang, LLC., ("Wolfgang") for approximately $3.8 million in cash consideration and 175 thousand shares of Class A Common Stock with a fair value of $1.2 million.

The consideration has been allocated to the assets acquired and assumed liabilities of Wolfgang based upon fair values, with any excess purchase price allocated to goodwill. The purchase price allocation is as follows:

		Amount
		(dollars in thousands)
Cash and cash equivalents	$	1,606
Accounts receivable		1,180
Other current assets		100
Identifiable intangible assets		1,055
Other assets		46
Current liabilities		(278)
Net assets assumed		3,709
Goodwill		2,451
Purchase price consideration including fair value of previously owned interest	**$**	**6,160**

The excess of purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which is primarily attributable to the assembled workforce of Wolfgang. Goodwill of $2.5$8.0 million was assigned to the Integrated Agencies Network reportable segment. The majority of the goodwill is fully deductible for income tax purposes.

Intangible assets consist of customer relationships. We amortize purchased intangible assets on a straight-line basis over their respective useful lives. The weighted average life of the total acquired identifiable intangible assets is approximately five years.

Pro Forma Financial Information

The unaudited pro forma information for the periods set forth below gives effect to the acquisition as if it occurred as of January 1, 2021. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of that time.

		Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022
	(dollars in thousands)			
Revenue	$	665,615	$	1,988,548
Net income	$	35,114	$	94,769

Revenue attributable to Wolfgang, included within the Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2023 was $1.5 million and $3.6 million, respectively, and Net income was $0.1 million and $0.4 million, respectively.

Acquisition of Epicenter Experience LLC.

On October 3, 2022, the Company acquired the assets of Epicenter Experience LLC., ("Epicenter") for approximately $9.9 million in cash consideration, as well as contingent consideration up to a maximum value of $5.0 million. The contingent consideration is subject to meeting certain future earnings targets through 2024 and can be paid up to 25% in shares of Class A Common Stock.

The consideration has been allocated to the assets acquired and assumed liabilities of Epicenter based upon fair values. The purchase price allocation is as follows:

		Amount
		(dollars in thousands)
Accounts receivable	$	901
Other current assets		45
Identifiable intangible assets		7,300
Accounts payable		(148)
Other current liabilities		(650)
Net assets assumed		7,448
Goodwill		4,416
Purchase price consideration	**$**	**11,864**

The excess of purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which is primarily attributable to the assembled workforce of Epicenter. Goodwill of $4.4 million was assigned to the All Other reportable segment. The majority of the goodwill is deductible for income tax purposes.

The intangible asset acquired was developed technology. We amortize purchased intangible assets on a straight-line basis over their respective useful lives. The weighted average life of the total acquired identifiable intangible assets is approximately five years.

Pro Forma Financial Information

The unaudited pro forma information for the periods set forth below gives effect to the acquisition as if it occurred as of January 1, 2021. The pro forma information is presented for informational purposes only and accounting is not necessarily indicative of yet final as the results of operations that actually would have been achieved had the acquisition been consummated as of that time.

	Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
	(dollars in thousands)			
Revenue	$	664,882	$	1,982,784
Net income	$	35,147	$	93,023

Revenue attributable Company may still make adjustments due to Epicenter, included within the Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2023 was $1.1 million and $3.3 million, respectively, and Net loss was $0.1 million and less than $0.1 million, respectively.

Other Acquisitions changes in post-closing adjustments.

On July 3, 2023, the Company acquired Tinsel Experiential Design LLC ("Tinsel"), a marketing and design company, for approximately $2.5 million in cash consideration, subject to post-closing adjustments. In connection with the agreement, acquisition, the previous owners sellers are entitled to contingent consideration, subject to continued employment, and meeting certain future earnings targets. The excess of purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which is primarily attributable to the assembled workforce of Tinsel and expected growth related to new customer relationships. Goodwill of $1.6 million was assigned to the Integrated Agencies Network reportable segment. The majority of goodwill is fully deductible for income tax purposes. The purchase price accounting is not yet final as the Company may still make adjustments due to changes in post-closing adjustments.

On April 25, 2023, the Company acquired Huskies, Ltd. ("Huskies"), for approximately €5.2 million (approximately $5.6 $6 million) of cash consideration, of which €0.9 million (approximately $1.0 $1 million) is deferred, subject to post-closing adjustments. The excess of purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which is primarily attributable to the assembled workforce of Huskies and expected growth related to new customer relationships and geographic expansion. Goodwill of $2.6 million was assigned to the Brand Performance Network reportable segment. The majority of goodwill is non-deductible for income tax purposes. The purchase price accounting is not yet final as the Company may still make adjustments due to changes in post-closing adjustments.

2023 Dispositions

On July 12, 2022 October 31, 2023, the Company acquired PEP Group Holdings B.V. sold ConcentricLife ("Concentric"), an omnichannel content creation and adaption production company which was included in Integrated Agencies Network, to a strategic buyer for approximately $0.5 million $245.0 million in cash consideration, as well as contingent consideration up to resulting in a maximum value pre-tax gain of €2.6 million. $94.5 million. The contingent consideration is subject to meeting certain future earnings targets through 2025.

On July 15, 2022, gain was recognized within Gain on sale of business within the Company acquired Apollo Program II Inc., a real-time artificial intelligence-powered software-as-a-service platform, for approximately $2.3 million in cash consideration, as well as guaranteed deferred payments Consolidated Statements of $1.0 million and $1.5 million on or prior to July 1, 2023 and July 1, 2024, respectively.

2022 Purchases of Noncontrolling Interests

On April 1, 2022, the Company acquired the remaining interest in Hello Design, LLC ("Hello Design") that it Operations. The divestiture did not already own for an aggregate purchase price represent a strategic shift that would have a major effect on the Company's consolidated results of $4.6 million, comprised operations, and therefore its results of a closing cash payment operations were not reported as discontinued operations.

3. 4. Revenue

Disaggregated Revenue Data

The Company provides a broad range of services to a large base of clients across the full spectrum of verticals globally. The primary source of revenue is from Brand arrangements in the form of fees for services performed, commissions, and from performance incentives or bonuses. Certain clients may engage with the Company in various geographic locations, across multiple disciplines, and through multiple Brands. Representation of a client rarely means that Stagwell handles marketing communications for all Brands or product lines of the client in every geographical location. The Company's Brands often cooperate with one another through referrals and the sharing of both services and expertise, which enables Stagwell to service clients' varied marketing needs by crafting custom integrated solutions. Additionally, the Company maintains separate, independent operating companies to enable it to effectively manage potential conflicts of interest by representing competing clients across the Stagwell network.

The following table presents revenue disaggregated by our principal capabilities for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. We reclassified certain brands into the Stagwell Marketing Cloud Group (software-as-a-service and data-as-a-service tools for the in-house marketers) principal capability in the third quarter of 2023. We All prior periods presented have reported disaggregated revenue data using the new classification and have recast the 2022 disaggregated revenue data been revised to conform to the current year classification. reflect these changes.

			Three Months Ended September 30,		Nine Months Ended September 30,	
			Three Months Ended March 31,			
			Three Months Ended March 31,			
			Three Months Ended March 31,			
Principal Capabilities	Principal Capabilities	Reportable Segment	2023	2022	2023	2022
			(dollars in thousands)			
			(dollars in thousands)			
			(dollars in thousands)			
			(dollars in thousands)			
Digital Transformation	Digital Transformation	All segments	$ 141,543	$ 187,664	$ 487,114	$ 583,977
Creativity and Communications	Creativity and Communications	All segments	300,026	304,971	851,652	892,416
Creativity and Communications						
Creativity and Communications						
Performance Media and Data						
Performance Media and Data						
Performance Media and Data	Performance Media and Data	Brand Performance Network	72,785	67,302	215,691	202,622
Consumer Insights and Strategy	Consumer Insights and Strategy	Integrated Agencies Network	45,929	50,256	147,310	156,460
Consumer Insights and Strategy						
Consumer Insights and Strategy						
Stagwell Marketing Cloud Group	Stagwell Marketing Cloud Group	All segments	57,290	53,598	170,515	144,132
			$ 617,573	$ 663,791	$ 1,872,282	$ 1,979,607
Stagwell Marketing Cloud Group						
Stagwell Marketing Cloud Group						
			$			
			$			
			$			

Stagwell has historically largely focused where the Company was founded, in North America, the largest market for its services in the world. The Company has expanded its global footprint to support clients in international markets. Stagwell's Brands are located in the United States and United Kingdom, and more than 32 other countries around the world. The Company continues to expand its global footprint to support clients in international markets. Historically, some clients have responded to weakening economic conditions with reductions to their marketing budgets, which included discretionary components that are easier to reduce in the short term than other operating expenses.

The following table presents revenue disaggregated by geography for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

			Three Months Ended September 30,		Nine Months Ended September 30,	
			Three Months Ended March 31,			
			Three Months Ended March 31,			
			Three Months Ended March 31,			
Geographical Location	Geographical Location	Reportable Segment	2023	2022	2023	2022
			(dollars in thousands)			
			(dollars in thousands)			
			(dollars in thousands)			
			(dollars in thousands)			
United States	United States	All	$ 498,314	$ 553,744	$ 1,523,420	$ 1,650,610
United Kingdom	United Kingdom	All	40,323	42,774	116,889	125,950

United Kingdom							
United Kingdom							
Other	Other	All		78,936	67,273	231,973	203,047
			$	617,573	$ 663,791	$ 1,872,282	$ 1,979,607
Other							
Other							
			$				
			$				
			$				

Contract Assets and Liabilities

Contract assets consist of fees and reimbursable outside vendor costs incurred on behalf of clients when providing advertising, marketing and corporate communications services that have not yet been invoiced to clients. Unbilled service fees were $187.4 million and $116.4 million at September 30, 2023 and December 31, 2022, respectively, and are included as a component of Accounts receivable, net on the Unaudited Consolidated Balance Sheets. Outside vendor costs incurred on behalf of clients which have yet to be invoiced were $128.9 million and $93.1 million at September 30, 2023 and December 31, 2022, respectively, and are included on the Unaudited Consolidated Balance Sheets as Expenditures billable to clients. Such amounts are invoiced to clients at various times over the course of providing services. In arrangements in which we are acting as principal, contract assets are included as a component of Accounts receivable on the Unaudited Consolidated Balance Sheet. These assets were $186.6 million and $141.9 million as of March 31, 2024 and December 31, 2023, respectively. In arrangements in which we are acting as agent, contract assets are included on the Unaudited Consolidated Balance Sheet as Expenditures billable to clients. These assets were $111.7 million and $114.1 million as of March 31, 2024 and December 31, 2023, respectively.

Contract liabilities represent advanced billings to customers for fees and reimbursements of third-party costs, whether we act as principal or agent. Such fees and reimbursements of third-party costs are classified as Advance billings on the Company's Unaudited Consolidated Balance Sheets. Sheet. In arrangements in which we are acting as an agent, the recognition related to the contract liability is presented on a net basis within the Unaudited Consolidated Statements of Operations. Advance billings at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were $335.6 $302.5 million and $337.0 $301.7 million, respectively. The decrease increase in Advance billings of $1.4 $0.8 million for the nine three months ended September 30, 2023 March 31, 2024 was primarily driven by $185.8 million of revenue recognized that was included in the Advance billings balances as of December 31, 2023, the incurrence of third-party costs, offset by cash payments received or due in advance of satisfying our performance obligations, offset by $300.2 obligations.

The Company acquired $5.5 million in contact assets and $8.8 million in contact liabilities in connection with the acquisition of revenues recognized that were Epiphany. See Note 3 of the Notes included in the Advance billings balances as of December 31, 2022 and reductions due herein for additional information related to the incurrence of third-party costs.

this acquisition.

Changes in the contract asset and liability balances during the nine three months ended September 30, 2023 March 31, 2024 were not materially impacted by write offs, impairment losses or any other factors.

Unsatisfied Performance Obligations

The majority of our contracts are for periods of one year or less. For those contracts with a term of more than one year, we had approximately $122.5 $93.4 million of unsatisfied performance obligations as of September 30, 2023 March 31, 2024 of which we expect to recognize approximately 30% in 2023, 57% 76% in 2024, 23% in 2025 and 13% 1% in 2025.

2026.

4.

5. Earnings (Loss) Per Share

The following tables table set forth the computations of basic and diluted loss per common share for the three and nine months ended September 30, 2023 March 31, 2024 (amounts in thousands, except per share amounts):

		Three Months Ended September 30, March 31, 2023 2024
Earnings Loss Per Share - Basic		
Numerator:		
Net incomeloss	$	3,117 (713)
Net income loss attributable to Class C shareholders		1,047 (33)
Net income attributable to other equity interest holders		(1,616)(2,431)
Net income attributable to noncontrolling and redeemable noncontrolling interests		(569)(2,464)
Net income loss attributable to Stagwell Inc. common shareholders	$	653 (1,282)
Denominator:		
Weighted average number of common shares outstanding		110,787 112,633
EarningsLoss Per Share - Basic	$	0.01(0.01)
Earnings Loss Per Share - Diluted		
Numerator:		
Net income loss attributable to Stagwell Inc. common shareholders	$	653 (1,282)
Net Adjustment to net loss:		
Fair value adjustment for deferred acquisition obligations (net of income attributable to Class C shareholders tax expense)		(224) 33
	$	686 (1,506)
Denominator:		
Basic - Weighted Average number of common shares outstanding		110,787 112,633
Dilutive shares:		
Stock appreciation rights		407
Restricted share and restricted unit awards		2,139
Employee Stock Purchase Plan shares		24
Class A shares		113,357
Class C shares		151,649
Diluted - Weighted average number of common shares outstanding		265,006
Earnings Per Share - Diluted	**$**	**0.00**
Anti-dilutive:		
Class A Shares to settle deferred acquisition obligations		7,480 3,772

Earnings Per Share - Basic		
Numerator:		
Net loss	$	(12,145)
Net loss attributable to Class C shareholders		7,684
Net loss attributable to other equity interest holders		864
Net loss attributable to noncontrolling and redeemable noncontrolling interests		8,548
Net loss attributable to Stagwell Inc. common shareholders	$	(3,597)
Denominator:		
Dilutive - Weighted average number of common shares outstanding		118,772 116,405
EarningsLoss Per Share - Basic & Diluted	$	(0.03) (0.01)
Anti-dilutive:		
Class C Shares		151,649
Stock Appreciation Rights and Restricted Awards		5,532 4,531
Employee Stock Purchase Plan shares		72 49

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The following table sets forth the computations of basic and diluted earnings per common share for the three and nine months ended September 30, 2022 March 31, 2023:

		Three Months Ended September 30,		Nine Months Ended September 30,
		2022		2022
Earnings Per Share - Basic		(amounts in thousands, except per share amounts)		
Numerator:				
Net income	$	35,274	$	93,415
Net income attributable to Class C shareholders		(19,286)		(51,027)
Net income attributable to other equity interest holders		(5,379)		(8,641)
Net income attributable to noncontrolling and redeemable noncontrolling interests		(24,665)		(59,668)
Net income attributable to Stagwell Inc. common shareholders	$	10,609	$	33,747
Denominator:				
Weighted Average number of common shares outstanding		125,384		124,710
Earnings Per Share - Basic	**$**	**0.08**	**$**	**0.27**
Earnings Per Share - Diluted				
Numerator:				
Net income attributable to Stagwell Inc. common shareholders	$	10,609	$	33,747
Denominator:				
Basic - Weighted Average number of common shares outstanding		125,384		124,710
Stock appreciation right awards		1,837		1,885
Restricted share and restricted unit awards		3,277		4,955
Dilutive - Weighted average number of common shares outstanding		130,498		131,550
Earnings Per Share - Diluted	**$**	**0.08**	**$**	**0.26**

		Three Months Ended March 31, 2023
Earnings Per Share - Basic		(amounts in thousands, except per share amounts)
Numerator:		
Net loss	$	(2,869)
Net loss attributable to Class C shareholders		1,963
Net loss attributable to other equity interest holders		2,295
Net loss attributable to noncontrolling and redeemable noncontrolling interests	$	4,258
Net income attributable to Stagwell Inc. common shareholders	$	1,389
Denominator:		
Weighted Average number of common shares outstanding		125,199
Earnings Per Share - Basic	$	0.01
Earnings Per Share - Diluted		
Numerator:		
Net income attributable to Stagwell Inc. common shareholders	$	1,389
Net loss attributable to Class C shareholders		(1,963)
	$	(574)
Denominator:		
Basic - Weighted Average number of common shares outstanding		125,199
Dilutive shares:		
Stock appreciation right awards		1,929
Restricted share and restricted unit awards		1,769
Class C Shares		160,909
Dilutive - Weighted average number of common shares outstanding		289,806
Earnings Per Share - Diluted	$	—

Restricted stock awards of 3.7 4.6 million and 2.3 0.7 million as of September 30, 2023 March 31, 2024 and 2022, 2023, respectively, were excluded from the computation of diluted earnings (loss) per common share because the performance contingencies necessary for vesting were not met as of the reporting date.

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6. Deferred Acquisition Consideration

Deferred acquisition consideration on the Unaudited Consolidated Balance Sheets Sheet consists of deferred obligations related to contingent and fixed purchase price payments, and contingent and fixed retention payments tied to continued employment of specific personnel. Contingent deferred acquisition consideration is recorded Arrangements that are not contingent upon future employment are initially measured at the acquisition date fair value and adjusted are remeasured at each reporting period within Office and general expenses on the Unaudited Consolidated Statements of Operations.

Arrangements that are contingent upon future employment are expensed as earned over the respective vesting (employment) period within Office and general expenses on the Unaudited Consolidated Statements of Operations.

The following table presents changes in deferred acquisition consideration measured at fair value on a recurring basis using significant unobservable inputs, and a reconciliation to the amounts reported on the Unaudited Consolidated Balance Sheets Sheet as of September 30, 2023 March 31, 2024 and December 31, 2022 Consolidated Balance Sheet as of December 31, 2023:

		September 30, 2023	December 31, 2022
		(dollars in thousands)	

	March 31, 2024	March 31, 2024	December 31, 2023
	(dollars in thousands)		(dollars in thousands)

		September 30, 2023	December 31, 2022
Beginning balance	Beginning balance	$ 161,323	$ 222,369
Payments (1)	Payments (1)	(60,806)	(74,963)
Adjustments to deferred acquisition consideration (2)	Adjustments to deferred acquisition consideration (2)	10,881	(12,779)
Additions (3)	Additions (3)	22,172	26,594
Currency translation adjustment	Currency translation adjustment	140	(758)
Other	Other	27	860
Ending balance (4)	Ending balance (4)	$ 133,737	$ 161,323

(1) Includes deferred acquisition consideration payments settled in the shares of Class A Common Stock of $20.1 $32.8 million and $1.0 million, respectively, for the period ended September 30, 2023 and December 31, 2022 December 31, 2023.

(2) Adjustment Adjustments to deferred acquisition consideration contains fair value changes from the Company's initial estimates of deferred acquisition payments. payments and accretion of expense as awards are earned over the vesting period.

(3) In 2021, the Company entered into an agreement to purchase the remaining 26.7% interest in Targeted Victory it did not previously own. The agreement provided for the purchase of 50% of the interest on October 1, 2021 (payable (paid in October 2023) and 50% on July 31, 2023 (payable in October 2025 with a seller's right to defer until October 2027). In connection with the purchase, the estimated amount payable in October 2025, was reclassified from redeemable noncontrolling interest to deferred acquisition consideration. consideration in 2023.

(4) The contingent and fixed deferred acquisition consideration obligation was $90.9 $56.8 million and $42.8 $44.0 million, respectively, as of September 30, 2023 March 31, 2024 and $69.9 $57.5 million and $91.4 $43.6 million, respectively, as of December 31, 2022 December 31, 2023. The deferred acquisition consideration as of September 30, 2023 March 31, 2024 and December 31, 2023, includes $42.6 $30.3 million and $29.3 million, respectively, expected to be settled in shares of Class A Common Stock.

6. 7. Leases

The Company leases office space in North America, Europe, Asia, South America, Africa, and Australia. This space is primarily used for office and administrative purposes by the Company's employees in performing professional services. These leases are classified as operating leases and expire between years 2023 2024 through 2034. The Company's finance leases are immaterial.

Lease costs are recognized in the Unaudited Consolidated Statements of Operations over the lease term on a straight-line basis. Leasehold improvements are depreciated on a straight-line basis over the lesser of the term of the related lease or the estimated useful life of the asset.

Some of the Company's leases include options to extend or renew the leases through 2044. The renewal and extension options are not included in the lease term as the Company is not reasonably certain that it will exercise its option.

From time to time, the Company enters into sublease arrangements with unrelated third parties. These leases subleases are classified as operating leases and expire between years 2023 2024 through 2032. Sublease income is recognized over the lease term on a straight-line basis. Currently, the Company subleases office space in North America and Europe.

As of September 30, 2023 March 31, 2024, the Company entered into three two operating leases for which the commencement date has not yet occurred primarily because of the premises being prepared for occupancy by the landlord. Accordingly, these three two leases

represent an obligation of the Company that is not reflected within the Unaudited Consolidated Balance Sheets Sheet as of September 30, 2023 March 31, 2024. The aggregate future liability related to these leases is approximately $6.0 million $2.9 million.

The discount rate used for leases accounted for under the FASB's Accounting Standards Codification ("ASC") ASC 842 is the Company's collateralized credit adjusted borrowing rate.

The following table presents lease costs and other quantitative information for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,
		2023	2022	2023	2022	
Lease Cost:	Lease Cost:	(dollars in thousands)				
Lease Cost:						
Lease Cost:						(dollars in thousands)
Operating lease cost	Operating lease cost	$19,029	$19,966	$57,557	$54,929	
Variable lease cost	Variable lease cost	5,517	4,759	15,735	13,963	
Variable lease cost						
Variable lease cost						
Sublease rental income						
Sublease rental income						
Sublease rental income	Sublease rental income	(1,903)	(3,636)	(7,519)	(11,128)	
Total lease cost	Total lease cost	$22,643	$21,089	$65,773	$57,764	
Total lease cost						
Total lease cost						
Additional information:						
Additional information:						
Additional information:	Additional information:					
Cash paid for amounts included in the measurement of lease liabilities for operating leases	Cash paid for amounts included in the measurement of lease liabilities for operating leases					
Cash paid for amounts included in the measurement of lease liabilities for operating leases						
Cash paid for amounts included in the measurement of lease liabilities for operating leases						
Operating cash flows						
Operating cash flows						
Operating cash flows	Operating cash flows	$22,823	$22,694	$67,095	$69,827	

Right-of-use lease assets obtained in exchange for operating lease liabilities and other non-cash adjustments	$ 8,145	$ 5,189	$14,681	$27,878
Right-of-use lease assets obtained in exchange for operating lease liabilities and other non-cash adjustments (1)				
Right-of-use lease assets obtained in exchange for operating lease liabilities and other non-cash adjustments (1)				
Right-of-use lease assets obtained in exchange for operating lease liabilities and other non-cash adjustments (1)				

(1) Includes Right-of-use lease assets obtained in exchange for operating lease liabilities related to acquisitions.

As of September 30, 2023 March 31, 2024, the weighted average remaining lease term (in years) was 6.3 years and the weighted average discount rate were 6.4 and 5.1%, respectively. was 5.5%.

Operating lease expense is included in Office and general expenses in the Unaudited Consolidated Statements of Operations. The Company's lease expense for leases with a term of 12 months or less is immaterial.

For In the three months ended September 30, 2023 March 31, 2024, the Company did not record an impairment for leases. In the nine months ended September 30, 2023, the Company recorded company ceased using certain office space and as such recognized a charge of $9.2 million, to reduce the carrying value of two of its right-of-use lease assets and related leasehold improvements. The right-of-use lease assets related to agencies within the Integrated Agencies Network.

In the three and nine months ended September 30, 2022, the Company recorded a charge of $1.7 million and $2.0 million, respectively, primarily $1.5 million to reduce the carrying value of one of its right-of-use lease assets and related leasehold improvements. The right-of-use lease assets and related leasehold improvements related to an agency within the Integrated Agencies Network.

With regard to the aforementioned impairments, the Company evaluated the facts and circumstances related to the use of the assets which indicated that they may not be recoverable. Using estimated sublease income to develop expected future cash flows, it was determined that the fair value of the assets were less than their carrying value. The impairment charges are charge is included in Impairment and other losses within the Unaudited Consolidated Statements of Operations.

The following table presents minimum future rental payments under the Company's leases as of September 30, 2023 March 31, 2024 and their reconciliation to the corresponding lease liabilities:

		Maturity Analysis	Maturity Analysis	
		(dollars in thousands)		
	Remaining 2023	$ 20,220		
	(dollars in thousands)			(dollars in thousands)
2024	2024	79,852		
2025	2025	63,117		
2026	2026	51,672		
2027	2027	47,110		
2028				
Thereafter	Thereafter	139,394		
Total	Total	401,365		
Less: Present value discount	Less: Present value discount	(62,105)		
Lease liability	Lease liability	$ 339,260		

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8. Debt

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company's indebtedness was comprised as follows:

	March 31, 2024	March 31, 2024	December 31, 2023
	(dollars in thousands)		(dollars in thousands)
Credit Agreement			

		September 30, 2023	December 31, 2022
		(dollars in thousands)	
Credit Agreement		$ 412,000	$ 100,000
5.625% Notes			
5.625% Notes			
5.625% Notes	5.625% Notes	1,100,000	1,100,000
Debt issuance costs	Debt issuance costs	(13,871)	(15,293)
5.625% Notes, net of debt issuance costs			
Total long-term debt	Total long-term debt	$1,498,129	$1,184,707

Interest expense related to long-term debt included in Interest expense, net on the Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2023, was $25.3 $20.4 million and $65.9 million, respectively, and for the three and nine months ended September 30, 2022 was $19.0 million and $54.9 $18.3 million, respectively.

The amortization of debt issuance costs included in Interest expense, net on the Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 was $0.7 million and $2.5 million, respectively, and for the three and nine months ended September 30, 2022 was $0.6 million, and $1.8 million, respectively.

Revolving Credit Agreement

The Company is party to a senior secured revolving credit facility with a five-year maturity with a syndicate of banks (the "Credit Agreement"). On May 4, 2023, the Company amended the The Credit Agreement to, among other things, increase the provides revolving commitments under the Credit Agreement by $140.0 million from $500.0 million of up to $640.0 million and permit permits restricted payments for share repurchases or redemptions from certain of its stockholders in an aggregate principal amount of up to $150.0 million.

The Credit Agreement contains sub-limits for revolving loans denominated in pounds and euros not to exceed the U.S. dollar equivalent of $50.0 million in pounds and $50.0 million in euros and $100.0 million in the aggregate. Additionally, the Credit Agreement contains a $15.0 million sub-limit for letters of credit denominated in pounds or euros.

Borrowings pursuant to the Credit Agreement bear interest at a rate equal to, at the Company's option, (i) the greatest of (a) the prime rate of interest in effect on such day, (b) the federal funds effective rate plus 0.50% and (c) the Secured Overnight Financing Rate ("SOFR") plus 0.10%, plus 1% in each case, plus the applicable margin (calculated based on the Company's Total Leverage Ratio, as defined in the Credit Agreement) at that time or (ii) the SOFR rate plus 0.10% plus the applicable margin (calculated based on the borrowers' total leverage ratio) at that time.

Advances under the Credit Agreement may be prepaid in whole or in part from time to time without penalty or premium. The Credit Agreement commitment may be reduced by the Company from time to time. Principal amounts outstanding under the Credit Agreement are due and payable in full at maturity on August 3, 2026.

The Credit Agreement contains a number of financial and nonfinancial covenants and is guaranteed by substantially all of our present and future subsidiaries, subject to customary exceptions. The Company was in compliance with all covenants as of September 30, 2023 March 31, 2024.

A portion of the Credit Agreement in an amount not to exceed $50.0 million is available for the issuance of standby letters of credit. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had issued undrawn outstanding letters of credit of $24.9 $15.8 million and $25.3 $16.2 million, respectively.

Senior Notes

The Company had $1.1 billion aggregate principal amount of 5.625% senior notes (“5.625% Notes”) outstanding as of September 30, 2023 March 31, 2024. The 5.625% Notes are due August 15, 2029 and bear annual interest of 5.625% to be paid semiannually on February 15 and August 15 of each year, commencing on February 15, 2022. year.

The 5.625% Notes are guaranteed on a senior unsecured basis by substantially all of the Company’s subsidiaries. The 5.625% Notes rank (i) equally in right of payment with all of the Company’s or any guarantor’s existing and future unsubordinated indebtedness, (ii) senior in right of payment to the Company’s or any guarantor’s existing and future subordinated indebtedness, (iii) effectively subordinated to any of the Company’s or any guarantor’s existing and future secured indebtedness to the extent of the collateral securing such indebtedness, including the Credit Agreement, and (iv) structurally subordinated to all existing and future liabilities of the Company’s subsidiaries that are not guarantors.

Our obligations under the 5.625% Notes are unsecured and are effectively junior to our secured indebtedness to the extent of the value of the collateral securing such secured indebtedness. Borrowings under the Credit Agreement are secured by

substantially all of the assets of the Company, and any existing and future subsidiary guarantors, including all of the capital stock of each restricted subsidiary.

The Company may, at its option, redeem the 5.625% Notes in whole at any time or in part from time to time, on and after August 15, 2024 at a redemption price of 102.813% of the principal amount thereof if redeemed during the twelve-month period beginning on August 15, 2024, at a redemption price of 101.406% of the principal amount thereof if redeemed during the twelve-month period beginning on August 15, 2025 and at a redemption price of 100% of the principal amount thereof if redeemed on August 15, 2026 and thereafter. Prior to August 15, 2024, the Company may, at its option, redeem some or all of the 5.625% Notes at a price equal to 100% of the principal amount of the 5.625% Notes plus a “make whole” premium and accrued and unpaid interest. The Company may also redeem, at its option, prior to August 15, 2024, up to 40% of the 5.625% Notes with the net proceeds from one or more equity offerings at a redemption price of 105.625% of the principal amount thereof.

If the Company experiences certain kinds of changes of control (as defined in the indenture), holders of the 5.625% Notes may require the Company to repurchase any 5.625% Notes held by them at a price equal to 101% of the principal amount of the 5.625% Notes plus accrued and unpaid interest. In addition, if the Company sells assets under certain circumstances, it may be required to use the net sale proceeds (as defined in the indenture) to offer to repurchase the 5.625% Notes at a price equal to 100% of the principal amount of the 5.625% Notes plus accrued and unpaid interest, up to the net sale proceeds amount.

The indenture includes covenants that, among other things, restrict the Company’s ability and the ability of its restricted subsidiaries (as defined in the indenture) to incur or guarantee additional indebtedness; pay dividends on or redeem or repurchase the capital stock of the Company; make certain types of investments; create restrictions on the payment of dividends or other amounts from the Company’s restricted subsidiaries; sell assets; enter into transactions with affiliates; create liens; enter into sale and leaseback transactions; and consolidate or merge with or into, or sell substantially all of the Company’s assets to, another person. These covenants are subject to a number of important limitations and exceptions. The 5.625% Notes are also subject to certain covenants, customary events of default, including cross-payment default and cross-acceleration provisions. The Company was in compliance with all covenants as of September 30, 2023 March 31, 2024.

8. 9. Noncontrolling and Redeemable Noncontrolling Interests

When acquiring less than 100% ownership of an entity, the Company may enter into agreements that give the Company an option to purchase, or require the Company to purchase, the incremental ownership interests under certain circumstances. Where the option to purchase the incremental ownership is within the Company’s control, the amounts are recorded as Noncontrolling interests within Shareholder’s Shareholders’ Equity in the Unaudited Consolidated Balance Sheets. Sheet. Where the incremental purchase may be required of the Company, the amounts are recorded as Redeemable noncontrolling interests in mezzanine equity in the Unaudited Consolidated Balance Sheets Sheet at their estimated acquisition date redemption value and adjusted at each

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reporting period for changes to their estimated redemption value through Retained earnings (but not less than their initial redemption value), except for foreign currency translation adjustments.

The following table presents Net income (loss) attributable to noncontrolling and redeemable noncontrolling interests between holders of Class C common stock, par value $0.00001 per share (the “Class C Common Stock”) shareholders and other equity interest holders for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(dollars in thousands)			
Net income (loss) attributable to Class C shareholders	$ 33	$ 19,286	$ (7,684)	$ 51,027

	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended March 31,
2024	
	(dollars in thousands)
	(dollars in thousands)
	(dollars in thousands)

Net loss attributable to Class C shareholders					
Net income attributable to other equity interest holders	Net income attributable to other equity interest holders	1,001	2,287	1,221	4,083
Net income (loss) attributable to noncontrolling interests		$ 1,034	$ 21,573	$ (6,463)	$ 55,110
Net income attributable to other equity interest holders					
Net income attributable to other equity interest holders					
Net loss attributable to noncontrolling interests					
Net loss attributable to noncontrolling interests					
Net loss attributable to noncontrolling interests					
Net income (loss) attributable to redeemable noncontrolling interests					
Net income (loss) attributable to redeemable noncontrolling interests					
Net income (loss) attributable to redeemable noncontrolling interests	Net income (loss) attributable to redeemable noncontrolling interests	1,430	3,092	(2,085)	4,558
Net income (loss) attributable to noncontrolling and redeemable noncontrolling interests	Net income (loss) attributable to noncontrolling and redeemable noncontrolling interests	$ 2,464	$ 24,665	$ (8,548)	$ 59,668
Net income (loss) attributable to noncontrolling and redeemable noncontrolling interests					
Net income (loss) attributable to noncontrolling and redeemable noncontrolling interests					

The following table presents noncontrolling interests between holders of Class C Common Stock shareholders and other equity interest holders as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
		(dollars in thousands)			
March 31, 2024 (dollars in thousands)					(dollars in thousands)
Noncontrolling interest of Class C shareholders	Noncontrolling interest of Class C shareholders	$ 393,763	$ 428,406		
Noncontrolling interest of other equity interest holders		29,674	33,691		

Noncontrolling interest of other equity interest holders (1)			
Total noncontrolling interests	Total noncontrolling interests	$ 423,437	$ 462,097

(1) In January 2024, the Company entered into an agreement to purchase the remaining ownership interest in a subsidiary it previously controlled, the consideration for which was a portion of the subsidiary that was transferred to the noncontrolling interest owner. The non-cash purchase resulted in a reduction of the subsidiary noncontrolling interest by approximately $10 million.

The following table presents changes in redeemable noncontrolling interests:

		September 30, 2023	December 31, 2022
		(dollars in thousands)	
	March 31, 2024	March 31, 2024	December 31, 2023
	(dollars in thousands)		(dollars in thousands)
Beginning balance	Beginning balance	$ 39,111	$ 43,364
Redemptions (1)	Redemptions (1)	(22,172)	(1,400)
Distributions	Distributions	(5,374)	(2,822)
Distributions			
Distributions			
Changes in redemption value	Changes in redemption value	621	(8,711)
Net income (loss) attributable to redeemable noncontrolling interests	Net income (loss) attributable to redeemable noncontrolling interests	(2,085)	8,135
Net income (loss) attributable to redeemable noncontrolling interests			
Net income (loss) attributable to redeemable noncontrolling interests			
Other	Other	(16)	545
Ending balance	Ending balance	$ 10,085	$ 39,111

(1) Redemptions for the nine months year ended September 30, 2023 December 31, 2023, is associated with redeemable noncontrolling interest of a certain brand we did not previously own. The amount was reclassified as a deferred acquisition contingent obligation (see Note 5) 6).

The noncontrolling shareholders' ability to exercise any such option right is subject to the satisfaction of certain conditions, including conditions requiring notice in advance of exercise and specific employment termination conditions. In addition, these rights cannot be exercised prior to specified staggered exercise dates. The exercise of these rights at their earliest contractual date would result in obligations of the Company to fund the related amounts during 2023 2024 to 2027. 2028. It is not determinable, at this time, if or when the owners of these rights will exercise all or a portion of these rights.

The redeemable noncontrolling interest of $10.1 million $11.3 million as of September 30, 2023 March 31, 2024, consists of $6.2 million $7.8 million, assuming that the subsidiaries meet certain performance metrics, and $3.9 million $3.5 million upon termination of such owner's employment with the applicable subsidiary or death.

These adjustments will not impact the calculation of earnings (loss) per share if the redemption values are less than the estimated fair values. As such, there is no related impact on the Company's earnings (loss) per share calculations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Comprehensive Loss Income (Loss) Attributable to Noncontrolling and Redeemable Noncontrolling Interests

For the three months ended September 30, 2023 March 31, 2024, comprehensive loss attributable to the noncontrolling and redeemable noncontrolling interests was $5.5 million, $3.7 million, which consists of $2.5 million $0.6 million of net income and $7.9 million $4.3 million of other comprehensive loss.

For the nine three months ended September 30, 2023 March 31, 2023, comprehensive loss attributable to the noncontrolling and redeemable noncontrolling interests was $34.8 $2.0 million, which consists of $8.5 $4.3 million of net loss and $26.3 $2.2 million of other comprehensive loss. income.

9. 10. Commitments, Contingencies, and Guarantees

Legal Proceedings. The Company's operating entities are involved in legal proceedings and regulatory inquiries of various types. While any litigation or investigation contains an element of uncertainty, the Company has no reason to believe that the outcome of such proceedings or claims will have a material adverse effect on the financial condition or results of operations of the Company.

Guarantees. Generally, the Company has indemnified the purchasers of certain assets in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification guarantees

typically extend for a number of years. Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying unaudited consolidated financial statements Unaudited Consolidated Financial Statements with respect to these indemnification guarantees. The Company continues to monitor the conditions that are subject to guarantees and indemnifications to identify whether it is probable that a loss has occurred and would recognize any such losses under any guarantees or indemnifications in the period when those losses are probable and estimable.

Commitments. At September 30, 2023 March 31, 2024, the Company had $24.9 $15.8 million of undrawn letters of credit outstanding. See Note 8 of the Notes included herein for additional information.

The Company entered into three two operating leases for which the commencement date has not yet occurred as of September 30, 2023 March 31, 2024. See Note 6 7 of the Notes included herein for additional information.

In the ordinary course of business, the Company may enter into long-term, non-cancellable contracts with partner associations that include revenue or profit-sharing commitments related to the provision of its services. These contracts may also include provisions that require the partner associations to meet certain performance targets prior to any obligation to the Company. As of September 30, 2023 March 31, 2024, the Company estimates its future minimum commitments under these non-cancellable agreements to be: $2.7 million, $6.8 million, $6.6 million, $4.0 million, $2.9 million and $6.8 million $5.2 million for the remainder of 2023, 2024, and $6.9 million, $4.2 million, $3.0 million, $3.1 million and $3.8 million for 2025, 2026, 2027, 2028, and thereafter, respectively.

The Company has also entered into a certain long-term, non-cancellable contract with a certain vendor for cloud services that requires the Company to commit to minimum spending over the contract term. As of March 31, 2024, the Company estimates its future minimum commitments under this agreement to be: $5.5 million for the remainder of 2024, and $6.9 million, $8.7 million, $10.4 million, $12.7 million and $15.3 million for 2025, 2026, 2027, 2028, and thereafter, respectively.

10. 11. Share Capital

The authorized and outstanding share capital of the Company is below.

Class A Common Stock

There are 1.0 billion shares of Class A Common Stock authorized, of which 115.9 million 114.8 million shares were issued and outstanding as of September 30, 2023 March 31, 2024. Each share of Class A Common Stock carries one vote and represents an economic interest in the Company.

Class B Common Stock

During the nine months ended September 30, 2023, each remaining share of Class B Common Stock par value $0.001 per share (the "Class B Common Stock") then issued and outstanding or held by the Company was reclassified as and converted into 1.25 shares of Class A Common Stock, with any fractional shares to which a holder of shares of Class B Common Stock would have been entitled rounded up to the nearest whole share of Class A Common Stock. As a result, there were no shares of Class B Common Stock issued and outstanding as of September 30, 2023.

Class C Common Stock

There are 250.0 million shares of Class C Common Stock authorized, par value $0.00001 per share (the "Class C Common Stock") of which 151.6 million shares were issued and outstanding as of September 30, 2023 March 31, 2024. Each share of Class C Common Stock carries one vote and does not represent an economic interest in the Company. Each share of Class C Common Stock is paired with a corresponding common unit of Stagwell Global LLC ("OpCo") OpCo (each such paired share of Class C Common Stock and common unit of OpCo, a "Paired Unit"). Each holder of Paired Units may, at its option, exchange such Paired Units for shares of Class A Common Stock on a one-to-one basis (i.e., one Paired Unit for one share of Class A Common Stock).

In the three and nine months ended September 30, 2023, holders of the Paired Units exchanged approximately nil and 9.3 million Paired Units, respectively, for the same number of shares of Class A Common Stock.

Class A Common Stock Repurchases

The Company may purchase up to an aggregate of $250.0 million ofshares of outstanding Class A Common Stock under its stock repurchase program (the "Repurchase Program") as well as repurchases outside of the Repurchase Program.

On March 1, 2023, the Company's board of directors (the "Board") authorized an extension and a $125.0 million increase in the size of the Repurchase Program to an aggregate of $250.0 million, with any previous purchases under the Repurchase Program continuing to count against that limit. . The Repurchase Program as amended, will expire expires on March 1, 2026.

Under the Repurchase Program, share repurchases may be made at our discretion from time to time in open market transactions at prevailing market prices, including through trading plans that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, in privately negotiated transactions, or through other means. The timing and number of shares repurchased under the Repurchase Program will depend on a variety of factors, including the performance of our stock price, general market and economic conditions, regulatory requirements, the availability of funds, and other considerations we deem relevant. The Repurchase Program may be suspended, modified or discontinued at any time without prior notice. Our board Board of directors Directors (the "Board") will review the Repurchase Program periodically and may authorize adjustments of its terms.

During the nine three months ended September 30, 2023 March 31, 2024, 6.7 million 4.0 million shares of Class A Common Stock were repurchased pursuant to the Repurchase Program at an aggregate value, excluding fees, of $42.5 million $24.6 million. These shares were repurchased at an average price of $6.38 $6.11 per share. The remaining value of shares of Class A Common Stock permitted to be repurchased under the Repurchase Program was $155.7 million $114.0 million as of September 30, 2023 March 31, 2024.

In addition to the repurchases under the Repurchase Program, on May 23, 2023, the Company repurchased approximately 23.3 million shares of Class A Common Stock from certain affiliates of AlpInvest Partners B.V. at a price of $6.43 per share, for an aggregate total repurchase price of approximately $150.0 million.

Employee Stock Purchase Plan

The Board adopted the 2023 Employee Stock Purchase Plan (the "ESPP"), which was approved at the Company's annual meeting of shareholders held on June 14, 2023. A total of 3.0 million shares of Class A Common Stock is are reserved for sale under the ESPP Employee Stock Purchase Plan (the "ESPP") to eligible employees as defined in the plan. Under the ESPP, eligible employees can elect to withhold up to 15% of their earnings, subject to certain maximums, to purchase shares of Class A Common Stock on certain plan-defined dates. The purchase price for each offering period is 92.5% of the fair market value of shares of Class A Common Stock at the end of the offering period. The plan is considered compensatory resulting in the fair value of the discount being expensed over the service period.

The total number of shares authorized that remained available to be issued was 2.9 million as of March 31, 2024. During the three and nine months ended September 30, 2023 March 31, 2024, there were no material costs expenses incurred by the Company related to the ESPP and contributions to the ESPP were nominal.

11. 12. Fair Value Measurements

A fair value measurement assumes a transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. The hierarchy for observable and unobservable inputs used to measure fair value into three broad levels are described below:

- Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 - Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3 - Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Financial Instruments that are not Measured at Fair Value on a Recurring Basis

The following table presents certain information for our financial liability that is not measured at fair value on a recurring basis as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(dollars in thousands)			
5.625% Notes	$ 1,100,000	$ 881,705	$ 1,100,000	$ 902,000

	March 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(dollars in thousands)			

5.625% Notes	$ 1,100,000	$ 1,002,496	$ 1,100,000	$ 1,010,658

The fair value of this instrument is based on quoted market prices in markets that are not active. Therefore, this debt is classified as Level 2 within the fair value hierarchy.

Financial Instruments Measured at Fair Value on a Recurring Basis

Contingent deferred acquisition consideration (Level 3 fair value measurement) is initially recorded at the acquisition date fair value and adjusted at each reporting period. The estimated liability is determined in accordance with models of each business' future performance, including revenue growth and free cash flows. These models are dependent upon significant assumptions, such as the growth rate of the earnings of the relevant subsidiary during the contractual period and the discount rate. These growth rates are consistent with the Company's long-term forecasts. As of September 30, 2023 March 31, 2024, the discount rate used to measure these liabilities ranged from 5.2% 9.1% to 5.6% 9.9%.

As these estimates require the use of assumptions about future performance, which are uncertain at the time of estimation, the fair value measurements presented on the Unaudited Consolidated Balance Sheets Sheet are subject to material uncertainty.

See Note 5 6 of the Notes included herein for additional information regarding contingent deferred acquisition consideration.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the carrying amount of the Company's financial instruments, including cash, cash equivalents, accounts receivable and accounts payable, approximated fair value because of their short-term maturity.

Non-financial Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

Certain non-financial assets are measured at fair value on a nonrecurring basis, primarily goodwill, intangible assets (Level 3 fair value measurements) and right-of-use lease assets (Level 2 fair value measurement). Accordingly, these assets are not measured and adjusted to fair value on an ongoing basis but are subject to periodic evaluations for potential impairment.

The Company recognized an impairment of an intangible asset for the nine months ended September 30, 2023. The Company recognized an impairment of goodwill in the three and nine months ended September 30, 2022. See Note 12 7 of the Notes included herein for additional information.

The Company recognized an impairment of information on right-of-use lease assets for the nine months ended September 30, 2023 and for the three and nine months ended September 30, 2022. See Note 6 of the Notes included herein for additional information. assets.

12. 13. Supplemental Information

Stock Based Awards

Stock-based compensation recognized for awards authorized under the Company's employee stock incentive plans during the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $33.3 $12.8 million and $26.3 $7.4 million, respectively. This increase was included as a component of stock-based compensation in Office and general expenses and Cost of services within the Unaudited Consolidated Statements of Operations.

On June 14, 2023, the Company's compensation committee approved the modification of certain stock appreciation right awards. The modification provides the grantees the option to settle the awards in either cash or Class A Common Stock. As a result, the Company recognized $4.3 million and $0.5 million of incremental stock-based compensation expense for the three and nine months ended September 30, 2023, respectively, and a liability of $6.0 million as of September 30, 2023. The incremental expense is included in Office and general expenses in the Unaudited Consolidated Statement of Operations. The associated liability is included in Accruals and other liabilities in the Unaudited Consolidated Balance Sheets.

Certain of the Company's subsidiaries grant awards to their employees providing them with an equity interest in the respective subsidiary (the "profits interests awards"). The awards generally provide the employee the right, but not the obligation, to sell their profits interest in the subsidiary to the Company based on a performance-based formula and, in certain cases, receive a profit share distribution. The profits interests awards are primarily settled in cash, with certain awards having stock-settlement provisions at the Company's discretion. The corresponding liability associated with these profits interests awards was $17.3 million $19.8 million and $21.0 $20.3 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, and is included as a component of Accruals and other liabilities and Other liabilities on the Unaudited Consolidated Balance Sheets. Sheet. Stock-based compensation recognized for these awards was $1.3 $1.7 million and $5.6 $4.6 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. This was included as a component of stock-based compensation in Cost of services within the Unaudited Consolidated Statements of Operations.

Transfer of Accounts Receivable

The Company transfers certain of its trade receivable assets to third parties under agreements to sell certain of its accounts receivables. agreements. Per the terms of these agreements, the Company surrenders control over its trade receivables upon transfer.

The trade receivables transferred to the third parties were $263.7 $69.8 million and $87.9 $56.2 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The amount collected and due to the third parties under these arrangements was $10.1 $3.7 million as of September 30, 2023 March 31, 2024 and $5.7 $1.8 million as of December 31, 2022 December 31, 2023. Fees for these arrangements were recorded in Office and general expenses in the Unaudited Consolidated Statements of Operations and totaled $4.1 $0.9 million and $0.6 $1.0 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Impairment and Other Losses

The Company recognized an impairment and other losses charge of $10.6 million for the nine months ended September 30, 2023 related to the impairment of an intangible asset totaling $1.4 million, right-of-use lease assets totaling $6.1 million and its related leasehold improvements totaling $3.1 million.

The intangible asset impairment related to the discontinuation of a trade name in the Brand Performance Network reportable segment.

The Company recognized an impairment and other losses charge of $28.0 million for the nine months ended September 30, 2022, primarily related to the impairment of goodwill totaling $23.5 million, and the impairment of right-of-use lease assets and related leasehold improvements totaling $2.0 million. The goodwill impairment was to write-down the carrying value in excess of the fair value at two reporting units, one within the Brand Performance Network and one within the All Other category. The right-of-use lease asset and related leasehold improvement impairment was recorded in two reporting units, one in Brand Performance Network reporting segment, and one in Integrated Agencies Network reporting segment. The expense was recorded within Impairment and other losses on the Unaudited Consolidated Statements of Operations.

Current Expected Credit Losses

The Company adopted ASC 326, Current Expected Credit Losses, on January 1, 2023, which requires the measurement and recognition of expected credit losses using a current expected credit loss model. The allowance for credit losses on expected future uncollectible accounts receivable is estimated considering forecasts of future economic conditions in addition to information about past events and current conditions. The adoption resulted in an increase in the allowance for accounts receivables and a decrease to opening Retained earnings of $2.1 million, of which $1.4 million was subsequently allocated to noncontrolling interests. These amounts are presented within the “Other” line on the Statement of Shareholders’ Equity.

13. 14. Income Taxes

Our tax provision for interim periods is determined using an estimated annual effective tax rate, adjusted for discrete items arising in interim periods.

The Company had an income tax expense for the three months ended September 30, 2023 March 31, 2024 of $4.3 $2.6 million (on a pre-tax income of $7.4 $1.4 million resulting in an effective tax rate of 58.1% 189.5%) compared to income tax expense of $11.5 $0.2 million (on pre-tax income loss of $46.6 $2.4 million resulting in an effective tax rate of 24.8% (9.8)%) for the three months ended September 30, 2022.

The difference in the effective tax rate of 58.1% in the three months ended September 30, 2023, as compared to 24.8% in the three months ended September 30, 2022, is due to the change in the pretax income and related reduction in benefit from the disregarded entity structure.

The Company had an income tax expense for the nine months ended September 30, 2023 of $12.4 million (on a pre-tax income of $0.7 million resulting in an effective tax rate of 1709.1%) compared to income tax expense of $20.2 million (on pre-tax income of $112.5 million resulting in an effective tax rate of 17.9%) for the nine months ended September 30, 2022 March 31, 2023.

The difference in the effective tax rate of 1709.1% 189.5% in the nine three months ended September 30, 2023 March 31, 2024, as compared to 17.9% (9.8)% in the nine three months ended September 30, 2022 March 31, 2023, is primarily due to the change in pre-tax the pretax income, tax a reduction in benefit of impairments offset by from the disregarded entity structure, and an increase in valuation allowance, lower non-deductible share-based compensation, windfalls offset by uncertain tax positions added in 2023.

The OECD (Organisation for Economic Co-operation and out-of-period adjustments Development) has proposed a global minimum tax of 15% of reported profits (Pillar 2) that has been agreed upon in 2023. See Note 1 principle by over 140 countries. During 2023, many countries took steps to incorporate Pillar 2 model rule concepts into their domestic laws. Although the model rules provide a framework for applying the minimum tax, countries may enact Pillar 2 slightly differently than the model rules and on different timelines and may adjust domestic tax incentives in response to Pillar 2. Accordingly, we are still evaluating the Notes potential consequences of Pillar 2 on our longer-term financial position. In 2024, we expect to the Unaudited Consolidated Financial Statements. incur insignificant tax expenses in connection with Pillar 2.

Although it is reasonably possible that a change in the balance of unrecognized tax benefits may occur within the next 12 months, based on the information currently available, we do not expect any change to be material to our unaudited consolidated financial statements.

Tax Receivables Agreement

In connection with the Tax Receivable Agreement (“TRA”), the Company is required to make cash payments to Stagwell Media LP (“Stagwell Media”) equal to 85% of certain U.S. federal, state and local income tax or franchise tax savings, if any, that we actually realize, or in certain circumstances are deemed to realize, as a result of (i) increases in the tax basis of OpCo’s assets resulting from exchanges of Paired Units (defined in Note 10) 11) for shares of Class A Common Stock or cash, as applicable, and (ii) certain other tax benefits related to us making payments under the TRA. The TRA liability is an estimate and actual amounts payable under the TRA could differ from this estimate.

In connection with the exchange of Paired Units for shares of Class A Common Stock, the Company has recognized a TRA liability of $28.7 million and an associated deferred tax asset of $33.8 million as of September 30, 2023 and December 31, 2022. There were no exchanges of Paired Units for shares of Class A Common Stock during 2023. 2024. As of March 31, 2024, the Company has recorded a TRA liability of $26.7 million, and an associated deferred tax asset, net of amortization, of $29.0 million, in connection with the exchange of Paired Units and the projected obligations under the TRA.

14.

15. Related Party Transactions

In the ordinary course of business, the Company enters into transactions with related parties, including its affiliates. The transactions may range in the nature and value of services underlying the arrangements. The following table presents significant related party transactions where a third related party receives services from the Company:

	Total Transaction Value	Total Transaction Value	Total Transaction Value	Revenue		Due From Related Party	
	Three Months Ended March 31,			Three Months Ended March 31,		March 31, 2024	December 31, 2023

Services		
	(dollars in thousands)	
	(dollars in thousands)	
	(dollars in thousands)	
Marketing and advertising services (1)		
Marketing and advertising services (1) (2)		
Marketing and website development services (3)		
Polling services (4)		
Polling services (4) (5)		

		Revenue				Due From Related Party	
		Three Months Ended September 30,		Nine Months Ended September 30,			
Services	Total Transaction Value	2023	2022	2023	2022	September 30, 2023	December 31, 2022
		(dollars in thousands)					
Marketing and advertising services (1) (2)	Continuous (7)	$ 665	$ 718	$1,823	$ 866	$ 1,544	$ 1,029
Marketing and advertising services (2)	$3,576 and Continuous (7)	600	966	1,193	2,038	4,283	4,831
Marketing and website development services (3)	$7,165 and Continuous (7)	759	2,658	2,702	6,945	609	488
Polling services (4) (5)	$1,903	670	93	962	303	420	280
Polling services (5)	$797	116	109	282	477	169	—
Polling services (6)	$4,431	90	1,295	1,046	2,248	7	—
Total Total		$ 2,900	$5,839	$8,008	$12,877	$ 7,032	$ 6,628
Total							
Total							

(1) A member of the Company's board Company's Board was the President of directors holds a client. This person retired from his position, and is no longer an executive leadership position or is on the board of directors employee of the client. client effective January 2, 2024

(2) Brands' partners and executives either hold a key leadership position in or are on the board of directors of the client.

(3) Client has a significant interest in the Company.

(4) A family member of the Company's Chief Executive Officer holds a key leadership position in the client.

(5) A family member of the Company's President holds a key leadership position in the client.

(6) Founder of the client has significant interest in the Company.

(7) Certain of the contractual arrangements within these transactions were entered into for an indefinite term and are invoiced as services are provided, while others have a fixed definitive contract value.

In 2019, a Brand entered into a loan agreement with a related party who holds a minority interest in the Brand. The loan receivable of $1.2 $0.4 million and $3.6 million $0.8 million due from the third party is included within Other current assets in the Company's Unaudited Consolidated Balance Sheets Sheet as of September 30, 2023 March 31, 2024 and December 31, 2022 Consolidated Balance Sheet as of December 31, 2023, respectively. The Company recognized less than $0.1 million and $0.2 million less than $0.1 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and $0.1 million and $0.2 million for the three and nine months ended September 30, 2022, 2023, respectively, of interest income within Interest expense, net on its Unaudited Consolidated Statements of Operations. In addition, in 2021, the Brand entered into an arrangement to obtain sales and management services from the same third party. Under the arrangement, the Brand has incurred $1.1 million $0.4 million and $1.8 million $0.2 million of related party expense for the three and nine months ended September 30, 2023, respectively March 31, 2024 and $0.6 million and $1.3 million for the three and nine months ended September 30, 2022, 2023, respectively. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, $0.8 million $0.6 million and $1.4 million $0.6 million, respectively, was due to the third party.

In 2018, a Brand entered into an agreement to provide marketing and advertising services to a related party whose partners hold executive leadership positions in the Brand. Under the arrangement, the Brand recognized $0.2 million and $0.3 million of revenue for the three months ended March 31, 2024 and 2023, respectively. No revenue was due from the related party as of March 31, 2024 and December 31, 2023, respectively. In addition, on behalf of the related party, the Brand serves as an agent to transfer funds from one of the related party's customers to the related party. The Brand does not receive revenue from this arrangement. No funds were due to the related party as of March 31, 2024. As of December 31, 2023, $0.7 million was due to the related party.

In 2022, the Company made loans to three employees of a subsidiary each in the amount of approximately $0.9 million, together with interest on the unpaid principal balance at a fixed interest rate equal to 3.5% per annum, compounding quarterly. The cash from the loan was used by the employees to purchase the noncontrolling interest of 13.3% in TMA Direct. As of March 31, 2024 $2.7 million was due from the related parties and included in Other assets in the Unaudited Consolidated Balance Sheet.

15.

16. Segment Information

The Company determines an operating segment if a component (i) engages in business activities from which it earns revenues and incurs expenses, (ii) has discrete financial information, and is (iii) regularly reviewed by the Chief Operating Decision Maker ("CODM"), who is Mark Penn, Chief Executive Officer and Chairman, to make decisions regarding resource allocation for the segment and assess its performance. Once operating segments are identified, the Company performs an analysis to determine if aggregation of operating segments is applicable. This determination is based upon a quantitative analysis of the expected and historic average long-term profitability for each operating segment, together with a qualitative assessment to determine if operating segments have similar operating characteristics.

The CODM uses Adjusted EBITDA (defined below) as a key metric, to evaluate the operating and financial performance of a segment, identify trends affecting the segments, develop projections and make strategic business decisions. Adjusted EBITDA is defined as Net income excluding non-operating income or expense to achieve operating income, plus depreciation and amortization, stock-based compensation, deferred acquisition consideration adjustments, and other items. Other items include restructuring costs, acquisition-related expenses, and non-recurring items.

The Company made changes to its internal management and reporting structure in the first quarter of 2023, 2024, resulting in an update a change to our its reportable segments (Networks). The change in reportable segments was that Mono, Specifically, certain agencies previously in within the Integrated Agencies Brand Performance Network is are now within Allison & Partners in the Communications Network, and Storyline (a Brand specializing in research and survey generation), previously in the Communications Network, is now within Constellation in the Integrated Agencies Network. Periods presented prior to the first quarter of 2023 2024 have been recast to reflect the reclassification of certain reporting units (Brands) between operating segments.

The Company has three reportable segments as follows: "Integrated Agencies Network," "Brand Performance Network" and the "Communications Network." In addition, the Company combines and discloses operating segments that do not meet the aggregation criteria, and includes the elimination of certain intercompany services, as "All Other." This segment also includes the elimination of intercompany revenue. The Company also reports corporate expenses, as further detailed below, as "Corporate." All segments follow the same basis of presentation and accounting policies as those described throughout the Notes included herein.

- The **Integrated Agencies Network** includes five operating segments: the Anomaly Alliance, Constellation, the Doner Partner Network, Code and Theory, and National Research Group. The operating segments offer an array of complementary services spanning our core capabilities of Digital Transformation, Performance Media & Data, Consumer Insights & Strategy, and Creativity & Communications. The Brands included in the operating segments that comprise the Integrated Agencies Network reportable segment are as follows: Anomaly Alliance (Anomaly, Concentric and Scout (Brands)) (Anomaly), Constellation (72andSunny, Crispin LLC, Colle McVoy, Hunter, Instrument, Redscout, Team Enterprises, Storyline, Harris Insights, Left Field Labs, Movers and Harris Insights) Shakers, and Team Epiphany), the Doner Partner Network (Doner, KWT Global, Harris X, Veritas, Doner North, and Yamamoto (Brands)) Yamamoto), Code and Theory, (Code and Theory and Y Media Labs) and National Research Group.

  These operating segments share similar characteristics related to (i) the nature of their services; (ii) the type of clients and the methods used to provide services; and (iii) the extent to which they may be impacted by global economic and geopolitical risks. In addition, these operating segments may occasionally compete with each other for new business or have business move between them.

- The **Brand Performance Network** ("BPN") is comprised of a single operating segment. BPN includes a unified media and data management structure with omnichannel media placement, creative media consulting, influencer and business-to-business marketing capabilities. Our Brands in this segment aim to provide scaled creative performance through developing and executing sophisticated omnichannel campaign strategies leveraging significant amounts of consumer data. BPN's Brands provide media solutions such as audience analysis, media planning, and buying across a range of digital and traditional platforms (out-of-home, paid search, social media, lead generation, programmatic, television, broadcast, among others) and includes multichannel Brands Assembly, Brand New Galaxy, Crispin Porter Bogusky, Vitro, Forsman & Bodenfors, Goodstuff, Bruce Mau, digital creative & transformation consultancy Gale, B2B specialist Multiview, CX specialists Kenna, and travel media experts Ink.

- The **Communications Network** reportable segment is comprised of a single operating segment, our specialist network that provides advocacy, strategic corporate communications, investor relations, public relations, online fundraising and other services to both corporations and political and advocacy organizations and consists of our Allison & Partners, brands, SKDK brands, and Targeted Victory brands.

- **All Other** consists of the Company's digital innovation group and Stagwell Marketing Cloud Group, including Maru and Epicenter, and products such as ARound, PRophet and ARound. SmartAssets.

- **Corporate** consists of corporate office expenses incurred in connection with the strategic resources provided to the operating segments, as well as certain other centrally managed expenses that are not fully allocated to the operating segments. These office and general expenses include (i) salaries and related expenses for corporate office employees,

including employees dedicated to supporting the operating segments, (ii) occupancy expenses relating to properties occupied by all corporate office employees, (iii) other office and general expenses including professional fees for the financial statement audits and other public company costs, and (iv) certain other professional fees managed by the

corporate office. Additional expenses managed by the corporate office that are directly related to the operating segments are allocated to the appropriate reportable segment and the All Other category.

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		(dollars in thousands)			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
	2024				
		(dollars in thousands)			
		(dollars in thousands)			
		(dollars in thousands)			
Revenue:	**Revenue:**				
Integrated Agencies Network	Integrated Agencies Network	$ 348,781	$ 366,437	$ 1,032,914	$ 1,092,364
Integrated Agencies Network					
Integrated Agencies Network					
Brand Performance Network					
Brand Performance Network					
Brand Performance Network	Brand Performance Network	173,361	171,463	574,729	563,546
Communications Network	Communications Network	82,505	122,455	230,261	314,472
Communications Network					
Communications Network					
All Other	All Other	12,926	3,436	34,378	9,225
All Other					
All Other					
Total Revenue					
Total Revenue					
Total Revenue	Total Revenue	$ 617,573	$ 663,791	$ 1,872,282	$ 1,979,607
Adjusted EBITDA:	**Adjusted EBITDA:**				
Adjusted EBITDA:					
Adjusted EBITDA:					
Integrated Agencies Network					
Integrated Agencies Network					
Integrated Agencies Network	Integrated Agencies Network	$ 77,177	$ 76,198	$ 211,377	$ 215,462
Brand Performance Network	Brand Performance Network	23,193	24,312	67,387	89,259

Brand Performance Network					
Brand Performance Network					
Communications Network					
Communications Network					
Communications Network	Communications Network	17,294	25,489	35,754	59,089
All Other	All Other	(4,005)	(363)	(10,166)	(972)
All Other					
All Other					
Corporate	Corporate	(11,890)	(10,544)	(39,193)	(35,015)
Corporate					
Corporate					
Total Adjusted EBITDA					
Total Adjusted EBITDA					
Total Adjusted EBITDA	Total Adjusted EBITDA	$ 101,769	$ 115,092	$ 265,159	$ 327,823
Depreciation and amortization	Depreciation and amortization	$ (38,830)	$ (32,207)	$ (107,795)	$ (95,642)
Depreciation and amortization					
Depreciation and amortization					
Impairment and other losses					
Impairment and other losses					
Impairment and other losses	Impairment and other losses	—	(25,211)	(10,562)	(28,034)
Stock-based compensation	Stock-based compensation	(12,065)	(12,258)	(34,615)	(33,410)
Stock-based compensation					
Stock-based compensation					
Deferred acquisition consideration					
Deferred acquisition consideration					
Deferred acquisition consideration	Deferred acquisition consideration	(6,401)	29,789	(10,881)	14,420
Other items, net	Other items, net	(10,731)	(5,152)	(30,069)	(12,112)
Other items, net					
Other items, net					
Total Operating Income					
Total Operating Income					
Total Operating Income	Total Operating Income	$ 33,742	$ 70,053	$ 71,237	$ 173,045
Other Income (expenses):	**Other Income (expenses):**				
Other Income (expenses):					
Other Income (expenses):					
Interest expense, net					
Interest expense, net					
Interest expense, net	Interest expense, net	$ (25,886)	$ (19,672)	$ (67,755)	$ (56,552)
Foreign exchange, net	Foreign exchange, net	(140)	(3,927)	(2,288)	(4,163)
Foreign exchange, net					
Foreign exchange, net					
Other, net	Other, net	(271)	147	(467)	182
Income before income taxes and equity in earnings of non-consolidated affiliates		7,445	46,601	727	112,512
Other, net					

Other, net					
Income (loss) before income taxes and equity in earnings of non-consolidated affiliates					
Income (loss) before income taxes and equity in earnings of non-consolidated affiliates					
Income (loss) before income taxes and equity in earnings of non-consolidated affiliates					
Income tax expense	Income tax expense	4,324	11,540	12,425	20,150
Income (loss) before equity in earnings of non-consolidated affiliates		3,121	35,061	(11,698)	92,362
Income tax expense					
Income tax expense					
Loss before equity in earnings of non-consolidated affiliates					
Loss before equity in earnings of non-consolidated affiliates					
Loss before equity in earnings of non-consolidated affiliates					
Equity in income (loss) of non-consolidated affiliates	Equity in income (loss) of non-consolidated affiliates	(4)	213	(447)	1,053
Net income (loss)		3,117	35,274	(12,145)	93,415
Equity in income (loss) of non-consolidated affiliates					
Equity in income (loss) of non-consolidated affiliates					
Net loss					
Net loss					
Net loss					
Net (income) loss attributable to noncontrolling and redeemable noncontrolling interests					
Net (income) loss attributable to noncontrolling and redeemable noncontrolling interests					
Net (income) loss attributable to noncontrolling and redeemable noncontrolling interests	Net (income) loss attributable to noncontrolling and redeemable noncontrolling interests	(2,464)	(24,665)	8,548	(59,668)
Net income (loss) attributable to Stagwell Inc. common shareholders	Net income (loss) attributable to Stagwell Inc. common shareholders	$ 653	$ 10,609	$ (3,597)	$ 33,747
Net income (loss) attributable to Stagwell Inc. common shareholders					
Net income (loss) attributable to Stagwell Inc. common shareholders					

The Company’s long-lived assets (i.e., Right-of-use-lease assets-operating leases and Fixed asset, net) was $318.9 million ($260.4 million in the United States and $58.5 million in all other countries) as of March 31, 2024, and $332.1 million ($268.5 million in the United States and $63.6 million in all other countries) as of December 31, 2023.

The Company’s CODM does not use segment assets to allocate resources or to assess performance of the segments and therefore, total segment assets have not been disclosed.

See Note 3 4 of the Notes included herein for a summary of the Company’s revenue by geographic region for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

17. Revision of previously issued Unaudited Consolidated Financial Statements for the first quarter of 2023

The following table presents selected unaudited revised financial information for the three months ended March 31, 2023, in connection with the revision detailed in Note 1 included herein. There were no changes to previously issued cash flows generated from (used by) operating, investing, or financing activities for any of the impacted periods. The quarterly interim consolidated balance sheet was only impacted by the effects of the balance sheet adjustments discussed in Note 1 of the Notes included herein. For the three months ended March 31, 2023, we have included the line items that were impacted by the correction of errors originally adjusted as out-of-period in the 2023 interim financial statements.

The impact of the revision on the previously issued unaudited quarterly financial information is as follows:

Unaudited Consolidated Statements of Operations and
Unaudited Consolidated Statements of Comprehensive Income (Loss)

	Three Months Ended March 31, 2023		
	As reported	**Adjustment**	**As revised**
Income tax expense	$ 2,384	$ (2,148)	$ 236
Loss before equity in earnings of non-consolidated affiliates	(4,790)	2,148	(2,642)
Net loss	(5,017)	2,148	(2,869)
Net loss attributable to noncontrolling and redeemable noncontrolling interests	5,460	(1,202)	4,258
Net income attributable to Stagwell Inc. common shareholders	443	946	1,389
Earnings (Loss) Per Common Share			
Basic	0.00	0.01	0.01
Diluted	(0.01)	0.01	0.00
Other comprehensive income - foreign currency translation adjustment	4,425	22	4,447
Other comprehensive income	4,425	22	4,447
Comprehensive income (loss) for the period	(592)	2,170	1,578
Comprehensive loss attributable to the noncontrolling and redeemable noncontrolling interests	26,723	(24,687)	2,036
Comprehensive income attributable to Stagwell Inc. common shareholders	26,131	(22,517)	3,614

Unaudited Consolidated Statements of Shareholders' Equity

	Three Months Ended March 31, 2023		
	As reported	**Adjustment**	**As revised**
Net income attributable to Stagwell Inc. common shareholders	$ 443	$ 946	$ 1,389
Net income (loss) attributable to Noncontrolling Interests	(2,917)	1,202	(1,715)
Other comprehensive income	25,688	(23,463)	2,225
Other comprehensive income (loss) attributable to Noncontrolling Interests	(21,263)	23,485	2,222
Total other comprehensive income	**$ 4,425**	**$ 22**	**$ 4,447**

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

TheThe following discussion and analysis is are based on and should be read in conjunction with our unaudited consolidated financial statements Unaudited Consolidated Financial Statements and the notes related thereto included elsewhere in Part 1, Item 1 of this Form 10-Q. The following discussion and analysis contains contain forward-looking statements and should be read in conjunction with the disclosures and information contained and referenced under the captions “Note about Forward-Looking Statements” in this Form 10-Q and “Forward-Looking Statements” and “Risk Factors” in our 2022 this Form 10-K. 10-Q. The following discussion and analysis also includes include a discussion of certain non-GAAP financial measures. A description of the non-GAAP financial measures discussed in this section and reconciliations to the comparable GAAP financial measures are below.

In this section, the terms "Stagwell," "we," "us," "our" and the "Company" refer to Stagwell Inc. and its direct and indirect subsidiaries. References to a "fiscal year" mean the Company's year commencing on January 1 of that year and ending December 31 of that year (e.g., fiscal 2023 2024 means the period beginning January 1, 2023, January 1, 2024 and ending December 31, 2023 December 31, 2024).

Executive Summary

Overview

Stagwell conducts its business through its networks, which provide marketing and business solutions that realize the potential of combining data and creativity. Stagwell's strategy is to build, grow and acquire market-leading businesses that deliver the modern suite of services that marketers need to thrive in a rapidly evolving business environment. Stagwell's differentiation lies in its creative roots and proven entrepreneurial leaders, which together with innovations in technology and data, bring transformational marketing, activation, communications and strategic consulting services to clients. Stagwell leverages its range of services in an integrated manner, offering strategic, creative and innovative solutions that are technologically forward and media-agnostic. The Company's strategy is intended to challenge the industry status quo, realize outsized returns on investment, and drive transformative growth and business performance for its clients and stakeholders.

Stagwell manages its business by monitoring several financial and non-financial performance indicators. The key indicators that we focus on are revenue, operating expenses, capital expenditures and the non-GAAP financial measures described below. Revenue growth is analyzed by reviewing a mix of measurements, including (i) growth by major geographic location, (ii) growth from existing clients and the addition of new clients, (iii) growth by principal capability, (iv) growth from currency changes, and (v) growth from acquisitions. In addition to monitoring the foregoing financial indicators, the Company assesses and monitors several non-financial performance indicators relating to the business performance of our networks. These indicators may include a network's recent new client win/loss record; the depth and scope of a pipeline of potential new client account activity; the overall quality of the services provided to clients; and the relative strength of the network's next generation team that is in place as part of a potential succession plan to succeed the current senior executive team.

Revision of Previously Issued Consolidated Financial Statements

In connection with the preparation of the consolidated financial statements during 2023, the Company identified errors in the areas of income taxes, noncontrolling interests, and accumulated other comprehensive loss related to its previously filed 2022 financial statements. The Company revised the 2022 annual financial statements in its 2023 Form 10-K. See Notes 1, 21 and 22 of the Notes in the Company's 2023 Form 10-K for additional information regarding the correction of the errors. See Notes 1 and 17 of the Notes included herein for information regarding the revisions made to the previously issued unaudited financial statements for the first quarter of 2023.

Recent Developments

On October 2, 2023 April 3, 2024, the Company acquired 100% What's Next Partners ("WNP"), for 4.3 million Euros ("€") (approximately $5 million) in cash. In connection with the acquisition, the sellers are entitled to contingent consideration up to a maximum value of €8.5 million (approximately $9 million), partially subject to continued employment and meeting certain future earnings targets, of which a portion may be settled in shares of the membership interest of Left Field Labs, LLC, a digital experience design and strategy company, for approximately $9.4 million in cash, and 825 thousand shares of Company's Class A Common Stock, common stock, par value $0.001 per share (the "Class A Common Stock"), at the Company's discretion.

On April 5, 2024, the Company acquired PROS Agency ("PROS"), for 26.5 million Brazilian reals ("R$") (approximately $5 million) of which R$21.2 million (approximately $4 million) was paid in cash and R$5.3 million (approximately $1 million) in 182,256 shares of Class A Common Stock, subject to post-closing adjustments. In connection with the acquisition, the sellers are entitled to contingent consideration up to a maximum value of $51.0 R$72.5 million (approximately $14 million), partially subject to continued employment and meeting certain future earnings targets, of which a portion may be settled in shares of Class A Common Stock at the Company's discretion.

On October 31, 2023, the Company completed the sale of its integrated healthcare marketing agency and pharmaceutical commercialization platform, ConcentricLife, for $245 million in cash.

On November 1, 2023, the Company acquired Movers and Shakers LLC, a business that provides social media marketing solutions, for approximately $15 million, to be paid in cash or up to 30% in shares of Class A Common stock, subject to post-closing adjustments. In connection with the acquisition, the sellers are entitled to contingent consideration up to a maximum value of $35 million, subject to meeting certain future earnings targets, of which a portion may be settled in shares of Class A Common Stock at the Company's discretion.

Significant Factors Affecting our Business and Results of Operations

The most significant factors affecting our business and results of operations include national, regional, and local economic conditions, our clients' profitability, mergers and acquisitions of our clients, changes in top management of our clients and our ability to retain and attract key employees. New business wins and client losses occur due to a variety of factors. The two most

significant factors are (i) our clients' desire to change marketing communication firms, and (ii) the digital and data-driven products that our portfolio of marketing services firms, which we refer to as "Brands," offer. A client may choose to change marketing communication firms for several reasons, such as a change in leadership where new management wants to retain a Brand that it may have previously worked with. In addition, if the client is merged or acquired by another company, the marketing communication firm is often changed. Clients also change firms as a result of the firm's failure to meet marketing performance targets or other expectations in client service delivery.

Seasonality

Historically, we typically generate the highest quarterly revenue during the fourth quarter in each year. In addition, within our Communications Network, client concentration increases during election years due to the cyclical nature of our advocacy Brands. The highest volumes of retail related consumer marketing increase with the back-to-school season through the end of the holiday season.

Non-GAAP Financial Measures

The Company reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP"). In addition, the Company has included non-GAAP financial measures and ratios, which management uses to operate the business, which it believes provide useful supplemental information to both management and readers of this report in making period-to-period comparisons in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by GAAP and should not be construed as an alternative to other titled measures determined in accordance with GAAP. The non-GAAP financial measures included are "net revenue," "organic net revenue growth or decline, (decline)," "Adjusted EBITDA," and "Adjusted Diluted EPS."

"Organic Net revenue" refers to revenue growth" and "Organic revenue decline" refer to the positive or negative revenue results, respectively, of subtracting the impact of foreign exchange and acquisitions (dispositions) from total revenue growth.

excluding billable costs. The impact of foreign currency represents the period-over-period change in revenue driven by the fluctuation of foreign exchange rates between such periods and is calculated as the difference between prior period revenue reported and prior period revenue converted utilizing the current period foreign exchange rates.

The impact of acquisitions is calculated as follows: (a) for entities purchased in the current year, prior year revenue of the acquired entity beginning on the acquisition date, as if we acquired the entity in the prior year, through the end of the reported period and (b) for entities purchased in the prior year, prior year revenue of the acquired entity as if we acquired the entity at the beginning of the reported period through the date of acquisition (prior year revenue for the period we did not own the acquired entity).

The impact of divestitures is calculated as the prior year revenue of the disposed entity from the date of disposition, as if the entity was disposed of in the prior year, to the end of the reporting period.

"Net Organic revenue growth" and "Net Organic revenue decline" include the adjustments above and also excludes the impact of Company believes billable costs in analyzing Organic revenue growth (decline) as these costs and their fluctuations are not indicative of the operating performance of our its underlying business.

"Organic net revenue growth (decline)" reflects the year-over-year change in the Company's reported net revenue attributable to the Company's management of the entities it owns. We calculate organic net revenue growth (decline) by subtracting the net impact of acquisitions (divestitures) and the impact of foreign currency exchange fluctuations from the aggregate year-over-year increase or decrease in the Company's reported net revenue.

The net impact of acquisitions (divestitures) reflects the year-over-year change in the Company's reported net revenue attributable to the impact of all individual entities that were acquired or divested in the current and prior year. We calculate impact of an acquisition as follows: (a) for an entity acquired during the current year, we present the entity's prior year net revenue for the same period during which we owned it in the current year as impact of the acquisition in the current year; and (b) for an entity acquired in the prior year, we present the entity's prior year net revenue for the period during which we did not own the entity in the prior year as impact of the acquisition in the current year. We calculate impact of a divestiture as follows: (a) for a divestiture in the current year, we present the entity's prior year net revenue for the same period during which we no longer owned it in the current year as impact of the divestiture in the current year; and (b) for a divestiture in the prior year, we present the entity's prior year net revenue for the period during which we owned it in the prior year as impact of the divestiture in the current year. We calculate the impact of any acquisition or divestiture without adjusting for foreign currency exchange fluctuations.

The impact of foreign currency exchange fluctuations reflects the year-over-year change in the Company's reported net revenue attributable to changes in foreign currency exchange rates. We calculate the impact of foreign currency exchange fluctuations for the portion of the reporting period in which we recognized revenue from a foreign entity in both the current year and the prior year. The impact is calculated as the difference between (1) reported prior period net revenue (converted to U.S. dollars at historical foreign currency exchange rates) and (2) prior period net revenue converted to U.S. dollars at current period foreign exchange rates.

"Adjusted EBITDA EBITDA" is defined as Net income (loss) attributable to Stagwell Inc. common shareholders excluding non-operating income or expense to achieve operating income (loss), plus depreciation and amortization, stock-based compensation, deferred acquisition consideration adjustments, and other items. Other items include restructuring costs, acquisition-related expenses, and non-recurring items. Adjusted EBITDA for our reportable segments is reconciled to Operating Income (Loss), as Net Income (Loss) is not a relevant reportable segment financial metric.

"Adjusted Diluted EPS EPS" is defined as (i) Net income (loss) attributable to Stagwell Inc. common shareholders, plus net income (loss) attributable to Class C shareholders, excluding the impact of amortization expense, impairment and other losses, stock-based compensation, deferred acquisition consideration adjustments, discrete tax items, and other items, based on total consolidated amounts, then allocated to Stagwell Inc. common shareholders and Class C shareholders, based on their respective income allocation percentage using a normalized effective income tax rate divided by (ii) (a) the weighted average number of common shares outstanding plus (b) the weighted average number of shares of Class C common Common Stock outstanding. Other items includes include restructuring costs, acquisition-related expenses, and non-recurring items. The diluted weighted average shares

outstanding include shares of Class C Common Stock as if converted to shares of Class A Common Stock to calculate Adjusted Diluted EPS.

All amounts are in U.S. dollars unless otherwise stated. Amounts reported in millions herein are computed based on the amounts in thousands. As a result, the sum of the components, and related calculations, reported in millions may not equal the total amounts due to rounding.

The percentage changes included in the tables in Item 2 herein that are not considered meaningful are presented as "NM."

Segments

The Company determines an operating segment if a component (i) engages in business activities from which it earns revenues and incurs expenses, (ii) has discrete financial information, and is (iii) regularly reviewed by the Chief Operating Decision Maker ("CODM"), who is Mark Penn, Chief Executive Officer and Chairman, to make decisions regarding resource allocation for the segment and assess its performance. Once operating segments are identified, the Company performs an analysis to determine if aggregation of operating segments is applicable. This determination is based upon a quantitative analysis of the expected and historic average long-term profitability for each operating segment, together with a qualitative assessment to determine if operating segments have similar operating characteristics.

The CODM uses Adjusted EBITDA as a key metric, to evaluate the operating and financial performance of a segment, identify trends affecting the segments, develop projections and make strategic business decisions.

The Company made changes to its internal management and reporting structure in the first quarter of 2023, 2024, resulting in an update a change to our its reportable segments (Networks). The change in reportable segments was that Mono, Specifically, certain agencies previously in within the Integrated Agencies Brand Performance Network is are now within Allison & Partners in the Communications Network, and Storyline (a Brand specializing in research and survey generation), previously in the Communications Network, is now within Constellation in the Integrated Agencies Network. Periods presented prior to the first quarter of 2023 2024 have been recast to reflect the reclassification of certain reporting units (Brands) between operating segments.

The Company has three reportable segments as follows: "Integrated Agencies Network," "Brand Performance Network" and the "Communications Network." In addition, the Company combines and discloses operating segments that do not meet the aggregation criteria, and includes the elimination of certain intercompany services, as "All Other." The Company also reports corporate expenses, as further detailed below, as "Corporate." All segments follow the same basis of presentation and accounting policies as those described throughout the Notes to the Unaudited Consolidated Financial Statements included herein and in Note 2 of the Company's Audited Consolidated Financial Statements included in the 2022 2023 Form 10-K.

In addition, Stagwell reports its corporate office expenses incurred in connection with the strategic resources provided to the networks, as well as certain other centrally managed expenses that are not fully allocated to the operating segments as Corporate. Corporate provides client and business development support to the networks as well as certain strategic resources, including accounting, administrative, financial, real estate, human resource and legal functions.

The following discussion focuses on the operating performance of the Company for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 and the financial condition of the Company as of September 30, 2023 March 31, 2024.

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Results of Operations:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	**2022**	**2023**	**2022**
		(dollars in thousands)			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
	2024			**2024**	**2023**
	(dollars in thousands)				(dollars in thousands)
Revenue:	**Revenue:**				
Integrated Agencies Network					
Integrated Agencies Network					
Integrated Agencies Network	Integrated Agencies Network	$348,781	$366,437	$1,032,914	$1,092,364
Brand Performance Network	Brand Performance Network	173,361	171,463	574,729	563,546
Communications Network	Communications Network	82,505	122,455	230,261	314,472
All Other	All Other	12,926	3,436	34,378	9,225

Total Revenue	**Total Revenue**	$617,573	$663,791	$1,872,282	$1,979,607
Operating Income	Operating Income	$ 33,742	$ 70,053	$ 71,237	$ 173,045
Operating Income					
Operating Income					
Other Income (Expenses):	**Other Income (Expenses):**				
Other Income (Expenses):					
Other Income (Expenses):					
Interest expense, net					
Interest expense, net					
Interest expense, net	Interest expense, net	$ (25,886)	$ (19,672)	$ (67,755)	$ (56,552)
Foreign exchange, net	Foreign exchange, net	(140)	(3,927)	(2,288)	(4,163)
Other, net	Other, net	(271)	147	(467)	182
Income before income taxes and equity in earnings of non-consolidated affiliates		7,445	46,601	727	112,512
Other, net					
Other, net					
Income (loss) before income taxes and equity in earnings of non-consolidated affiliates					
Income tax expense	Income tax expense	4,324	11,540	12,425	20,150
Income (loss) before equity in earnings of non-consolidated affiliates		3,121	35,061	(11,698)	92,362
Loss before equity in earnings of non-consolidated affiliates					
Equity in income (loss) of non-consolidated affiliates	Equity in income (loss) of non-consolidated affiliates	(4)	213	(447)	1,053
Net income (loss)		3,117	35,274	(12,145)	93,415
Net loss					
Net (income) loss attributable to noncontrolling and redeemable noncontrolling interests	Net (income) loss attributable to noncontrolling and redeemable noncontrolling interests	(2,464)	(24,665)	8,548	(59,668)
Net income (loss) attributable to Stagwell Inc. common shareholders	Net income (loss) attributable to Stagwell Inc. common shareholders	$ 653	$ 10,609	$ (3,597)	$ 33,747

Reconciliation to Adjusted EBITDA:	Reconciliation to Adjusted EBITDA:				

Reconciliation to Adjusted EBITDA:

Reconciliation to Adjusted EBITDA:

Net income (loss) attributable to Stagwell Inc. common shareholders

Net income (loss) attributable to Stagwell Inc. common shareholders

Net income (loss) attributable to Stagwell Inc. common shareholders	Net income (loss) attributable to Stagwell Inc. common shareholders	$ 653	$ 10,609	$ (3,597)	$ 33,747
Non-operating items (1)	Non-operating items (1)	33,089	59,444	74,834	139,298
Operating income	Operating income	33,742	70,053	71,237	173,045
Depreciation and amortization	Depreciation and amortization	38,830	32,207	107,795	95,642
Impairment and other losses	Impairment and other losses	—	25,211	10,562	28,034
Stock-based compensation	Stock-based compensation	12,065	12,258	34,615	33,410
Deferred acquisition consideration	Deferred acquisition consideration	6,401	(29,789)	10,881	(14,420)
Other items, net	Other items, net	10,731	5,152	30,069	12,112
Adjusted EBITDA	**Adjusted EBITDA**	$101,769	$115,092	$ 265,159	$ 327,823

(1) Non-operating items includes items within the Statements of Operations, below Operating Income, and above Net income (loss) attributable to Stagwell Inc. common shareholders.

(1) Non-operating items includes items within the Statements of Operations, below Operating Income, and above Net income (loss) attributable to Stagwell Inc. common shareholders.

(1) Non-operating items includes items within the Statements of Operations, below Operating Income, and above Net income (loss) attributable to Stagwell Inc. common shareholders.

THREE MONTHS ENDED SEPTEMBER 30, 2023 MARCH 31, 2024 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2022 MARCH 31, 2023

Consolidated Results of Operations

The components of operating results for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 were as follows:

	Three Months Ended September 30,

	2023	2022	Change	
	(dollars in thousands)			
			$	%

Three Months Ended March 31,

Three Months Ended March 31,
Three Months Ended March 31,

2024

2024
2024

(dollars in thousands)
(dollars in thousands)
(dollars in thousands)

$

$
$
Revenue
Revenue

		2024	2022	Change $	Change %
Revenue	Revenue	$ 617,573	$ 663,791	$ (46,218)	(7.0) %
Operating Expenses	Operating Expenses				
Cost of services	Cost of services	384,980	417,134	(32,154)	(7.7) %
Office and general expenses	Office and general expenses	160,021	119,186	40,835	34.3 %
Depreciation and amortization	Depreciation and amortization	38,830	32,207	6,623	20.6 %
Impairment and other losses	Impairment and other losses	—	25,211	(25,211)	(100.0) %
		$ 583,831	$ 593,738	$ (9,907)	(1.7) %
Operating Income	Operating Income	$ 33,742	$ 70,053	$ (36,311)	(51.8) %

Operating Expenses
Operating Expenses
Cost of services
Cost of services
Office and general expenses
Office and general expenses
Depreciation and amortization
Depreciation and amortization
Impairment and other losses
Impairment and other losses
$
$
$
Operating Income
Operating Income

	Three Months Ended September 30,			
	2023	2022	Change	
	(dollars in thousands)			
			$	%

Three Months Ended March 31,

Three Months Ended March 31,

				Three Months Ended March 31,					
		2024							
		2024							
		2024							
				(dollars in thousands)					
				(dollars in thousands)					
				(dollars in thousands)					
						$			
						$			
						$			
Net Revenue									
Net Revenue									
Net Revenue	Net Revenue	$	534,864	$	555,754	$	(20,890)	(3.8)	%
Billable costs	Billable costs		82,709		108,037		(25,328)	(23.4)	%
Billable costs									
Billable costs									
Revenue									
Revenue									
Revenue	**Revenue**		617,573		663,791		(46,218)	(7.0)	%
Billable costs	Billable costs		82,709		108,037		(25,328)	(23.4)	%
Billable costs									
Billable costs									
Staff costs									
Staff costs									
Staff costs	Staff costs		338,914		349,127		(10,213)	(2.9)	%
Administrative costs	Administrative costs		62,339		61,600		739	1.2	%
Administrative costs									
Administrative costs									
Unbillable and other costs, net									
Unbillable and other costs, net									
Unbillable and other costs, net	Unbillable and other costs, net		31,842		29,935		1,907	6.4	%
Adjusted EBITDA	**Adjusted EBITDA**		101,769		115,092		(13,323)	(11.6)	%
Adjusted EBITDA									
Adjusted EBITDA									
Stock-based compensation									
Stock-based compensation									
Stock-based compensation	Stock-based compensation		12,065		12,258		(193)	(1.6)	%
Depreciation and amortization	Depreciation and amortization		38,830		32,207		6,623	20.6	%
Depreciation and amortization									
Depreciation and amortization									
Deferred acquisition consideration									
Deferred acquisition consideration									
Deferred acquisition consideration	Deferred acquisition consideration		6,401		(29,789)		36,190		NM
Impairment and other losses	Impairment and other losses		—		25,211		(25,211)	(100.0)	%
Impairment and other losses									
Impairment and other losses									
Other items, net	Other items, net		10,731		5,152		5,579		NM

Other items, net

Other items, net

Operating Income (1)

Operating Income (1)

Operating Income (1)	**Operating Income** (1)	$	33,742	$	70,053	$	(36,311)	(51.8)	%

(1) See the Results of Operations section above for a reconciliation of Operating Income to Net income (loss) attributable to Stagwell Inc. common shareholders.

(1) See the Results of Operations section above for a reconciliation of Operating Income to Net income (loss) attributable to Stagwell Inc. common shareholders.

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(1) See the Results of Operations section above for a reconciliation of Operating Income to Net income (loss) attributable to Stagwell Inc. common shareholders.

Revenue

Revenue for the three months ended September 30, 2023 March 31, 2024 was $617.6 million $670.1 million, compared to $663.8 million $622.4 million for the three months ended September 30, 2022 March 31, 2023, a decrease an increase of $46.2 million $47.6 million.

Net Revenue

The components of the fluctuations in net revenue for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 were as follows:

			Net Revenue - Components of Change					Change	
		Three Months Ended September 30, 2022	Foreign Currency	Net Acquisitions (Divestitures)	Organic	Total Change	Three Months Ended September 30, 2023	Organic	Total
				(dollars in thousands)					
Integrated Agencies Network	Integrated Agencies Network	$311,926	$664	$2,117	$(17,639)	$(14,858)	$297,068	(5.7)%	(4.8)%
Brand Performance Network	Brand Performance Network	160,473	2,666	1,573	(2,284)	1,955	162,428	(1.4)%	1.2%

Net Revenue - Components of Change

Net Revenue - Components of Change

Net Revenue - Components of Change

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

(dollars in thousands)

(dollars in thousands)

(dollars in thousands)

Integrated Agencies Network

Integrated Agencies Network

Brand Performance Network									
Brand Performance Network									
Communications Network									
Communications Network									
Communications Network	Communications Network	79,919	70	—	(17,573)	(17,503)	62,416	(22.0)%	(21.9)%
All Other	All Other	3,436	(32)	9,738	(190)	9,516	12,952	(5.5)%	NM
		$555,754	$3,368	$13,428	$(37,686)	$(20,890)	$534,864	(6.8)%	(3.8)%
All Other									
All Other									
		$521,662							
		$521,662							
		$521,662							
Component % change	Component % change		0.6%	2.4%	(6.8)%	(3.8)%			
Component % change									
Component % change									

For the three months ended September 30, 2023 March 31, 2024, organic net revenue decreased $37.7 million increased $9.0 million, or 6.8% 1.7%. The macroeconomic uncertainty continues increase was primarily attributable to challenge the industry an increase in 2023. This contributed public affairs spend with 2024 being a political campaign year and new wins in 2024, partially offset by a decrease in client spending due to certain clients pausing projects and reduced spending, specifically budget cuts in the technology, sector. In addition, the loss of clients also contributed to the decline in organic net revenue. retail, and financial sectors. The increase decrease in net acquisitions (divestitures) was primarily driven by the acquisitions of Team Epiphany, LLC (“Epiphany”), Movers and Shakers LLC (“Movers and Shakers”), Huskies, Ltd. (“Huskies”), Epicenter Experience and Left Field Labs LLC (“Epicenter” Left Field Labs”), Wolfgang, LLC offset by the sale of ConcentricLife (“Wolfgang” Concentric”) and Maru Group Limited Ltd. (“Maru”).in the fourth quarter of 2023.

The geographic mix in net revenues for the three months ended September 30, 2023 March 31, 2024 and 2022 is 2023 was as follows:

		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended September 30,		2024	2023
		2023	2022		
		(dollars in thousands)			
	(dollars in thousands)				(dollars in thousands)
United States	United States	$424,163	$453,160		
United Kingdom	United Kingdom	42,114	42,443		
United Kingdom					
United Kingdom					
Other					
Other					
Other	Other	68,587	60,151		
Total	Total	$534,864	$555,754		
Total					
Total					

Impairment and Other Losses Operating Income

The Company recognized an impairment and other losses charge of $25.2 million Operating income for the three months ended September 30, 2022 March 31, 2024 was $25.9 million, primarily related compared to the impairment of goodwill totaling $23.5 million. The goodwill impairment was to write-down the carrying value in excess of the fair value at two reporting units, one in the Brand Performance Network and one within the All Other category. The expense was recorded within Impairment and other losses on the Unaudited Consolidated Statements of Operations.

Operating Income

Operating Income $16.2 million for the three months ended September 30, 2023 was $33.7 million, compared to Operating Income of $70.1 million for the three months ended September 30, 2022 March 31, 2023, representing a decrease an increase of $36.3 million $9.6 million. The change in Operating Income was primarily attributable to a decrease the increase in Revenue partially offset by an increase in Cost of services, and Impairment and other losses and an increase in Office and general expenses and Depreciation and amortization. expenses.

The decrease increase in Cost of services was primarily attributable to lower higher billable costs, commensurate with lower revenue, lower staff the increase in revenues, the inclusion of costs due to cost savings initiatives and lower stock-based compensation primarily due to a reduction from acquired entities, partially offset by the elimination of costs of Concentric which was sold in fair value the fourth quarter of profits interest awards. 2023.

The increase in Office and general expenses was primarily attributable to an increase increases in stock-based compensation and occupancy-related expenses, partially offset by a decrease in deferred acquisition consideration expense.

consideration. Occupancy-related expenses increased primarily due to the acceleration of lease expense due to the cease-use of property associated with the Company's real estate consolidation initiative.

Deferred acquisition consideration increased approximately $36.2 million, decreased $3.9 million, primarily attributable to as a significant result of a reduction in the fair value of the deferred acquisition consideration liability associated with a certain Brand that occurred obligations in the third first quarter of 2022. 2024 versus the same period last year.

Depreciation and amortization expense Stock-based compensation increased approximately $6.6 million, $4.1 million primarily attributable to acceleration an increase in the number of amortization for shares being expensed and a higher weighted average grant date fair value in the discontinuation first quarter of certain trade names, 2024 as well as compared to the recognition first quarter of intangible assets in connection with the acquisition of Maru, Wolfgang, 2023.

Impairment and Epicenter.

Other, net

Other, net, other losses for the three months ended September 30, 2023 March 31, 2024 was expense of $0.3 million, compared to income of $0.1 million for the three months ended September 30, 2022, representing a decrease of $0.4 million.

Foreign Exchange Transaction Gain (Loss)

The foreign exchange loss for the three months ended September 30, 2023 $1.5 million. This was $0.1 million compared attributable to a loss charge to reduce the carrying value of $3.9 million for a right-of-use lease asset and related leasehold improvements. The right-of-use lease asset and related leasehold improvements were related to an agency within the three months ended September 30, 2022, primarily attributable to the U.S. dollar weakening against the Euro and British Pound. Integrated Agencies Network.

Interest Expense, Net

Interest expense, net for the three months ended September 30, 2023 March 31, 2024 was $25.9 million, $21.0 million compared to $19.7 million $18.2 million for the three months ended September 30, 2022 March 31, 2023, representing an increase of $6.2 million $2.8 million, primarily attributable to higher levels of debt outstanding under the Credit Agreement (as defined and discussed in Note 7 8 of the Notes to the Unaudited Consolidated Financial Statements included herein), and a higher interest rate of borrowings on amounts outstanding under the Credit Agreement.

Foreign Exchange, Net

The foreign exchange loss for the three months ended March 31, 2024 was $2.3 million, compared to a loss of $0.7 million for the three months ended March 31, 2023, primarily attributable to a loan funding originating in British Pounds and payable in United States Dollars.

Other, Net

Other, net for the three months ended March 31, 2024 was $1.3 million of a loss, compared to income of $0.2 million for the three months ended March 31, 2023. The increase in expense was primarily driven by a loss on investments.

Income Tax Expense

The Company had an income tax expense for the three months ended September 30, 2023 March 31, 2024 of $4.3 million $2.6 million (on a pre-tax income of $7.4 million $1.4 million resulting in an effective tax rate of 58.1% 189.5%), compared to income tax expense of $11.5 million $0.2 million (on pre-tax income loss of $46.6 million $2.4 million resulting in an effective tax rate of 24.8% (9.8)%) for the three months ended September 30, 2022 March 31, 2023.

The difference in the effective tax rate of 58.1% 189.5% in the three months ended September 30, 2023 March 31, 2024 as compared to 24.8% (9.8)% in the three months ended September 30, 2022, March 31, 2023 is due to the change in the pretax pre-tax income, and related a reduction in benefit from the disregarded entity structure. structure, and an increase in non-deductible share-based compensation, offset by a reduction in uncertain tax positions.

Noncontrolling and Redeemable Noncontrolling Interests

The effect of noncontrolling and redeemable noncontrolling interests for the three months ended September 30, 2023 March 31, 2024 was income of $2.5 million $0.6 million compared to income a loss of $24.7 million $4.3 million for the three months ended September 30, 2022, representing a decrease of $22.2 million. March 31, 2023. The change is attributable to the decline in net income (loss) resulting in a lower noncontrolling interest allocated to the holders of Class C Common Stock.

Net Income (Loss) Attributable to Stagwell Inc. Common Shareholders

As a result of the foregoing, net income attributable to Stagwell Inc. common shareholders for the three months ended September 30, 2023 was $0.7 million, compared to net income attributable to Stagwell Inc. common shareholders of $10.6 million for the three months ended September 30, 2022.

Earnings (Loss) Per Share

Dilutive EPS and Adjusted Diluted EPS for the three months ended September 30, 2023 was as follows:

	GAAP	Adjustments (1)	Non-GAAP
	(amounts in thousands, except per share amounts)		
Net income attributable to Stagwell Inc. common shareholders	$ 653	$ 20,844	$ 21,497
Net income attributable to Class C shareholders	33	26,530	26,563
Net income attributable to Stagwell Inc. and Class C and adjusted net income	$ 686	$ 47,374	$ 48,060
Weighted average number of common shares outstanding	113,357	5,663	119,020
Weighted average number of common Class C shares outstanding	151,649	—	151,649
Weighted average number of shares outstanding	265,006	5,663	270,669
Dilutive EPS and Adjusted Diluted EPS	$ 0.00		$ 0.18
Adjustments to Net income (1)			
Amortization		$ 31,182	
Impairment and other losses		—	
Stock-based compensation		12,065	
Deferred acquisition consideration		6,401	
Other items, net		10,731	
		$ 60,379	
Adjusted tax expense		(13,005)	
		$ 47,374	

(1) Adjusted Diluted EPS is defined within the Non-GAAP Financial Measures section of the Executive Summary.

Diluted EPS and Adjusted Diluted EPS for the three months ended September 30, 2022 was as follows:

	GAAP	Adjustments (1)	Non-GAAP
	(amounts in thousands, except per share amounts)		
Net income attributable to Stagwell Inc. common shareholders	$ 10,609	$ 16,863	$ 27,472
Weighted average number of common shares outstanding	130,498	—	130,498
Diluted EPS and Adjusted Diluted EPS	$ 0.08		$ 0.21
Adjustments to Net income (1)			
Amortization		$ 25,808	
Impairment and other losses		25,211	
Stock-based compensation		12,258	
Deferred acquisition consideration		(29,789)	
Other items, net		5,152	
		38,640	
Adjusted tax expense		(420)	
		$ 38,220	
Less: Net income attributable to Class C shareholders		(21,357)	
Net income attributable to Stagwell Inc. common shareholders		$ 16,863	

(1) Adjusted Diluted EPS is defined within the Non-GAAP Financial Measures section of the Executive Summary.

Adjusted EBITDA

Adjusted EBITDA for the three months ended September 30, 2023 was $101.8 million, compared to $115.1 million for the three months ended September 30, 2022, representing a decrease of $13.3 million, primarily attributable to the decrease in revenue, partially offset by lower operating expenses.

Integrated Agencies Network

The components of operating results for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 were as follows:

	Three Months Ended September 30,			
	2023	2022	Change	
	(dollars in thousands)			
			$	%
Revenue	$ 348,781	$ 366,437	$ (17,656)	(4.8)%
Operating Expenses				
Cost of services	221,781	235,035	(13,254)	(5.6)%
Office and general expenses	62,975	62,434	541	0.9 %
Depreciation and amortization	22,559	18,286	4,273	23.4 %
Impairment and other losses	—	1,735	(1,735)	(100.0)%
	$ 307,315	$ 317,490	$ (10,175)	(3.2)%
Operating Income	$ 41,466	$ 48,947	$ (7,481)	(15.3)%

	Three Months Ended September 30,			
	2023	2022	Change	
	(dollars in thousands)			
			$	%
Net Revenue	$ 297,068	$ 311,926	$ (14,858)	(4.8)%
Billable costs	51,713	54,511	(2,798)	(5.1)%
Revenue	348,781	366,437	(17,656)	(4.8)%
Billable costs	51,713	54,511	(2,798)	(5.1)%
Staff costs	177,173	190,975	(13,802)	(7.2)%
Administrative costs	28,610	27,343	1,267	4.6 %
Unbillable and other costs, net	14,108	17,410	(3,302)	(19.0)%
Adjusted EBITDA	77,177	76,198	979	1.3 %
Stock-based compensation	6,706	5,308	1,398	26.3 %
Depreciation and amortization	22,559	18,286	4,273	23.4 %
Deferred acquisition consideration	1,018	841	177	21.0 %
Impairment and other losses	—	1,735	(1,735)	(100.0)%
Other items, net	5,428	1,081	4,347	NM
Operating Income	$ 41,466	$ 48,947	$ (7,481)	(15.3)%

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Revenue

Revenue for the three months ended September 30, 2023 was $348.8 million, compared to $366.4 million for the three months ended September 30, 2022, a decrease of $17.7 million.

Net Revenue

The components of the fluctuations in net revenue for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 were as follows:

		Net Revenue - Components of Change					Change	
	Three Months Ended September 30, 2022	Foreign Currency	Net Acquisitions (Divestitures)	Organic	Total Change	Three Months Ended September 30, 2023	Organic	Total
	(dollars in thousands)							
Integrated Agencies Network	$311,926	$664	$2,117	$(17,639)	$(14,858)	$297,068	(5.7)%	(4.8)%

Component % change	0.2%	0.7%	(5.7)%	(4.8)%

The decline in organic net revenue was primarily attributable to the loss of clients in the retail sector and clients who withheld spending in the financial, and technology sectors due to uncertain macroeconomic factors. The increase in net acquisition (divestitures) was primarily attributable to the acquisition of Wolfgang.

Operating Income

Operating Income for the three months ended September 30, 2023 was $41.5 million, compared to $48.9 million for the three months ended September 30, 2022, representing a decrease of $7.5 million. The change in Operating Income was primarily attributable to a decrease in Revenue and Cost of services, and an increase in Depreciation and amortization.

The decrease in Cost of services was primarily attributable to lower billable costs, commensurate with lower revenue and lower staff costs associated with cost saving initiatives.

Depreciation and amortization expense increased approximately $4.3 million, primarily attributable to acceleration of amortization for the discontinuation of a certain trade name, as well as the recognition of intangible assets in connection with acquisition of Wolfgang.

Operating Income was lower and Adjusted EBITDA was higher, amounts are driven by the decrease in revenue mix of income and expenses as detailed above.

Brand Performance Network

The components of operating results for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 were as follows:

	Three Months Ended September 30,			
	2023	2022	Change	
	(dollars in thousands)			
			$	%
Revenue	$ 173,361	$ 171,463	$ 1,898	1.1 %
Operating Expenses				
Cost of services	101,928	105,298	(3,370)	(3.2)%
Office and general expenses	56,070	47,386	8,684	18.3 %
Depreciation and amortization	9,229	8,205	1,024	12.5 %
Impairment and other losses	—	7,494	(7,494)	(100.0)%
	$ 167,227	$ 168,383	$ (1,156)	(0.7)%
Operating Income	$ 6,134	$ 3,080	$ 3,054	99.2 %

	Three Months Ended September 30,			
	2023	2022	Change	
	(dollars in thousands)			
			$	%
Net Revenue	$ 162,428	$ 160,473	$ 1,955	1.2 %
Billable costs	10,933	10,990	(57)	(0.5)%
Revenue	173,361	171,463	1,898	1.1 %
Billable costs	10,933	10,990	(57)	(0.5)%
Staff costs	103,349	100,062	3,287	3.3 %
Administrative costs	22,953	23,661	(708)	(3.0)%
Unbillable and other costs, net	12,933	12,438	495	4.0 %
Adjusted EBITDA	23,193	24,312	(1,119)	(4.6)%
Stock-based compensation	1,744	2,923	(1,179)	(40.3)%
Depreciation and amortization	9,229	8,205	1,024	12.5 %
Deferred acquisition consideration	2,130	1,444	686	47.5 %
Impairment and other losses	—	7,494	(7,494)	(100.0)%
Other items, net	3,956	1,166	2,790	NM
Operating Income	$ 6,134	$ 3,080	$ 3,054	99.2 %

Revenue

Revenue for the three months ended September 30, 2023 was $173.4 million, compared to $171.5 million for the three months ended September 30, 2022, an increase of $1.9 million.

Net Revenue

The components of the fluctuations in net revenue for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 were as follows:

		Net Revenue - Components of Change					Change	
	Three Months Ended September 30, 2022	Foreign Currency	Net Acquisitions (Divestitures)	Organic	Total Change	Three Months Ended September 30, 2023	Organic	Total
				(dollars in thousands)				
Brand Performance Network	$160,473	$2,666	$1,573	$(2,284)	$1,955	$162,428	(1.4)%	1.2%
Component % change		1.7%	1.0%	(1.4)%	1.2%			

The decline in organic net revenue was primarily attributable to client losses and decreased spending in the communications sector, primarily as a result of the writer and actor strike, the healthcare sector due to reduced budgets and work post the peak of the COVID pandemic, and the transportation and travel/lodging sector. The increase in net acquisitions (divestitures) was primarily driven by a $1.6 million increase in revenue derived from the acquisition of Huskies.

Operating Income

Operating Income for the three months ended September 30, 2023 was $6.1 million compared to $3.1 million for the three months ended September 30, 2022, representing an increase of $3.1 million. The change in Operating Income was primarily attributable to an increase in Revenue and Office and general, and a decrease in Cost of services and Impairment and other losses.

The decrease in Cost of services was primarily attributable to lower staff costs associated with cost saving initiatives and lower stock-based compensation.

Stock-based compensation expense decreased approximately $1.2 million, primarily attributable to a decrease in the value of profits interests awards.

The increase in Office and general expenses was primarily attributable to an increase in staff costs due to increased headcount and an increase in employee salaries.

Deferred acquisition consideration increased approximately $0.7 million primarily attributable to the increase in fair value of certain awards, partially offset by a decrease due to the earn out period for a certain award ending in the second quarter of 2023.

Impairment and other losses decreased by approximately $7.5 million due to the impairment of goodwill in the third quarter of 2022.

Operating Income increased and Adjusted EBITDA decreased primarily due to a slight increase in revenues, partially offset by a decrease in expenses as detailed above.

Communications Network

The components of operating results for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 were as follows:

	Three Months Ended September 30,			
	2023	2022	Change	
	(dollars in thousands)			
			$	%
Revenue	$ 82,505	$ 122,455	$ (39,950)	(32.6)%
Operating Expenses				
Cost of services	51,913	75,649	(23,736)	(31.4)%
Office and general expenses	18,551	(9,666)	28,217	NM
Depreciation and amortization	2,784	2,683	101	3.8 %
	$ 73,248	$ 68,666	$ 4,582	6.7 %
Operating Income	$ 9,257	$ 53,789	$ (44,532)	(82.8)%

	Three Months Ended September 30,			
	2023	2022	Change	
	(dollars in thousands)			
			$	%
Net Revenue	$ 62,416	$ 79,919	$ (17,503)	(21.9)%
Billable costs	20,089	42,536	(22,447)	(52.8)%
Revenue	82,505	122,455	(39,950)	(32.6)%
Billable costs	20,089	42,536	(22,447)	(52.8)%
Staff costs	37,412	45,030	(7,618)	(16.9)%
Administrative costs	7,626	9,332	(1,706)	(18.3)%
Unbillable and other costs, net	84	68	16	23.5 %
Adjusted EBITDA	17,294	25,489	(8,195)	(32.2)%
Stock-based compensation	1,252	671	581	86.6 %
Depreciation and amortization	2,784	2,683	101	3.8 %
Deferred acquisition consideration	3,757	(32,074)	35,831	NM

Other items, net	244	420	(176)	(41.9)%
Operating Income	$ 9,257	$ 53,789	$ (44,532)	(82.8)%

Revenue

Revenue for the three months ended September 30, 2023 was $82.5 million, compared to $122.5 million for the three months ended September 30, 2022, a decrease of $40.0 million.

Net Revenue

The components of the fluctuations in net revenue for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 were as follows:

		Net Revenue - Components of Change					Change	
	Three Months Ended September 30, 2022	Foreign Currency	Net Acquisitions (Divestitures)	Organic	Total Change	Three Months Ended September 30, 2023	Organic	Total
			(dollars in thousands)					
Communications Network	$79,919	$70	$—	$(17,573)	$(17,503)	$62,416	(22.0)%	(21.9)%
Component % change		0.1%	—%	(22.0)%	(21.9)%			

The decline in organic net revenue was attributable to decreased spending in public relations and related advocacy services as compared to higher spending in 2022 associated with the 2022 elections and decreased spending in the technology sector driven by unfavorable macroeconomic conditions.

Operating Income

Operating Income for the three months ended September 30, 2023 was $9.3 million, compared to $53.8 million for the three months ended September 30, 2022, representing a decrease of $44.5 million. The change in Operating Income was primarily attributable to a decrease in Revenue and Costs of services, and an increase in Office and general expenses.

The decrease in Cost of services was primarily attributable to lower billable costs, commensurate with lower revenue, and lower staff costs associated with cost saving initiatives.

The increase in Office and general expenses was primarily attributable to an increase in deferred acquisition consideration expense, partially offset by a decrease in staff costs (as detailed above).

Deferred acquisition consideration increased approximately $35.8 million, primarily attributable to a significant reduction in the fair value of the deferred acquisition consideration liability associated with a certain Brand that occurred in the third quarter of 2022.

Operating Income and Adjusted EBITDA were lower, driven entities not entirely owned by the decrease in revenue and increase in expenses as detailed above.

All Other

The components of operating results for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 were as follows:

	Three Months Ended September 30,			
	2023	2022	Change	
	(dollars in thousands)			
			$	%
Revenue	$ 12,926	$ 3,436	$ 9,490	NM
Operating Expenses				
Cost of services	9,203	1,152	8,051	NM
Office and general expenses	7,784	2,653	5,131	NM
Depreciation and amortization	2,138	1,207	931	77.1 %
Impairment and other losses	—	15,982	(15,982)	(100.0)%
	$ 19,125	$ 20,994	$ (1,869)	(8.9)%
Operating Loss	$ (6,199)	$ (17,558)	$ 11,359	(64.7)%

	Three Months Ended September 30,			
	2023	2022	Change	
	(dollars in thousands)			
			$	%
Net Revenue	$ 12,952	$ 3,436	$ 9,516	NM
Billable costs	(26)	—	(26)	(100.0)%
Revenue	12,926	3,436	9,490	NM

Billable costs	(26)	—	(26)	(100.0)%
Staff costs	10,391	2,735	7,656	NM
Administrative costs	1,849	1,045	804	76.9 %
Unbillable and other costs, net	4,717	19	4,698	NM
Adjusted EBITDA	(4,005)	(363)	(3,642)	NM
Stock-based compensation	268	7	261	NM
Depreciation and amortization	2,138	1,207	931	77.1 %
Deferred acquisition consideration	(504)	—	(504)	(100.0)%
Impairment and other losses	—	15,982	(15,982)	(100.0)%
Other items, net	292	(1)	293	NM
Operating Loss	$ (6,199)	$ (17,558)	$ 11,359	(64.7)%

Revenue

Revenue for the three months ended September 30, 2023 was $12.9 million, compared to $3.4 million for the three months ended September 30, 2022, an increase of $9.5 million.

Net Revenue

The components of the fluctuations in net revenue for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 were as follows:

		Net Revenue - Components of Change					Change	
	Three Months Ended September 30, 2022	Foreign Currency	Net Acquisitions (Divestitures)	Organic	Total Change	Three Months Ended September 30, 2023	Organic	Total
			(dollars in thousands)					
All Other	$3,436	$(32)	$9,738	$(190)	$9,516	$12,952	(5.5)%	NM
Component % change		(0.9)%	NM	(5.5)%	NM			

The increase in net acquisitions (divestitures) was primarily driven by a $6.4 million increase in revenue from the acquisition of Maru.

Operating Loss

Operating Loss for the three months ended September 30, 2023 was $6.2 million compared to $17.6 million for the three months ended September 30, 2022, representing a decrease of $11.4 million. The change in Operating Loss was primarily attributable to an increase in Revenue, Cost of services, and Office and general expenses, and a decrease in Impairment and other losses.

The increase in Cost of services was primarily attributable to higher unbillable and staff costs, commensurate with higher revenue, and due to the acquisition of Maru.

The increase in Office and general expenses was primarily attributable to an increase in staff costs primarily associated with the acquisition of Maru.

The decrease in Impairment and other losses was primarily attributable to the impairment of goodwill during the third quarter of 2022.

The decrease in Operating Loss and decrease in Adjusted EBITDA were driven by higher revenue, partially offset by higher expenses as detailed above.

Corporate

The components of operating results for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 were as follows:

	Three Months Ended September 30,			
	2023	2022	Change	
	(dollars in thousands)			
			$	%
Staff costs	$ 10,589	$ 10,325	$ 264	2.6 %
Administrative costs	1,301	219	1,082	NM
Adjusted EBITDA	(11,890)	(10,544)	(1,346)	12.8 %
Stock-based compensation	2,095	3,349	(1,254)	(37.4)%
Depreciation and amortization	2,120	1,826	294	16.1 %
Other items, net	811	2,486	(1,675)	(67.4)%
Operating Loss	$ (16,916)	$ (18,205)	$ 1,289	(7.1)%

Operating Loss for the three months ended September 30, 2023 was $16.9 million, compared to $18.2 million for the three months ended September 30, 2022, representing a decrease of $1.3 million.

The decrease in Operating Loss was primarily attributable to lower stock-based compensation expense attributable to the vesting of certain awards in 2023.

NINE MONTHS ENDED SEPTEMBER 30, 2023 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2022

Consolidated Results of Operations

The components of operating results for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 were as follows:

	Nine Months Ended September 30,			
	2023	2022	Change	
	(dollars in thousands)			
			$	%
Revenue	$ 1,872,282	$ 1,979,607	$ (107,325)	(5.4)%
Operating Expenses				
Cost of services	1,201,309	1,253,765	(52,456)	(4.2)%
Office and general expenses	481,379	429,121	52,258	12.2 %
Depreciation and amortization	107,795	95,642	12,153	12.7 %
Impairment and other losses	10,562	28,034	(17,472)	(62.3)%
	$ 1,801,045	$ 1,806,562	$ (5,517)	(0.3)%
Operating Income	$ 71,237	$ 173,045	$ (101,808)	(58.8)%

	Nine Months Ended September 30,			
	2023	2022	Change	
	(dollars in thousands)			
			$	%
Net Revenue	$ 1,595,586	$ 1,638,707	$ (43,121)	(2.6)%
Billable costs	276,696	340,900	(64,204)	(18.8)%
Revenue	1,872,282	1,979,607	(107,325)	(5.4)%
Billable costs	276,696	340,900	(64,204)	(18.8)%
Staff costs	1,034,645	1,040,117	(5,472)	(0.5)%
Administrative costs	196,846	183,359	13,487	7.4 %
Unbillable and other costs, net	98,936	87,408	11,528	13.2 %
Adjusted EBITDA	265,159	327,823	(62,664)	(19.1)%
Stock-based compensation	34,615	33,410	1,205	3.6 %
Depreciation and amortization	107,795	95,642	12,153	12.7 %
Deferred acquisition consideration	10,881	(14,420)	25,301	NM
Impairment and other losses	10,562	28,034	(17,472)	(62.3)%
Other items, net	30,069	12,112	17,957	NM
Operating Income (1)	$ 71,237	$ 173,045	$ (101,808)	(58.8)%

(1) See the Results of Operations section above for a reconciliation of Operating Income to Net income (loss) attributable to Stagwell Inc. common shareholders.

Revenue

Revenue for the nine months ended September 30, 2023 was $1,872.3 million, compared to $1,979.6 million for the nine months ended September 30, 2022, a decrease of $107.3 million.

Net Revenue

The components of the fluctuations in net revenue for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 were as follows:

		Net Revenue - Components of Change					Change	
	Nine Months Ended September 30, 2022	Foreign Currency	Net Acquisitions (Divestitures)	Organic	Total Change	Nine Months Ended September 30, 2023	Organic	Total
	(dollars in thousands)							
Integrated Agencies Network	$929,033	$(3,173)	$6,271	$(39,004)	$(35,906)	$893,127	(4.2)%	(3.9)%
Brand Performance Network	487,829	(2,466)	11,296	(5,636)	3,194	491,023	(1.2)%	0.7%
Communications Network	212,620	(282)	1,918	(37,224)	(35,588)	177,032	(17.5)%	(16.7)%
All Other	9,225	(170)	35,135	(9,786)	25,179	34,404	NM	NM

	$1,638,707	$(6,091)	$54,620	$(91,650)	$(43,121)	$1,595,586	(5.6)%	(2.6)%
Component % change		(0.4)%	3.3%	(5.6)%	(2.6)%			

For the nine months ended September 30, 2023 and 2022, organic net revenue decreased $91.7 million, or 5.6%. The macroeconomic uncertainty continues to challenge the industry in 2023. This contributed to certain clients pausing projects and reduced spending, specifically in the technology sector. In addition, the loss of clients also contributed to the decline in organic net revenue. The increase in net acquisitions (divestitures) was primarily driven by the acquisitions of Maru, Epicenter, TMA Direct, Inc. (“TMA”), Brand New Galaxy (“BNG”), Huskies, and Wolfgang.

The geographic mix in net revenues for the nine months ended September 30, 2023 and 2022 was as follows:

	Nine Months Ended September 30,			
	2023		2022	
	(dollars in thousands)			
United States	$	1,276,144	$	1,333,571
United Kingdom		115,829		122,798
Other		203,614		182,338
Total	$	1,595,587	$	1,638,707

Impairment and Other Losses

The Company recognized an impairment and other losses charge of $10.6 million during the nine months ended September 30, 2023 related to the impairment of an intangible asset totaling $1.4 million, right-of-use lease assets totaling $6.1 million and the associated leasehold improvements totaling $3.1 million. The expense was recorded within Impairment and other losses on the Unaudited Consolidated Statements of Operations.

The Company recognized an impairment and other losses charge of $28.0 million for the nine months ended September 30, 2022, primarily related to the impairment of goodwill totaling $23.5 million, and the impairment of right-of-use lease assets and related leasehold improvements totaling $2.0 million. The goodwill impairment was to write-down the carrying value in excess of the fair value at two reporting units, one within the Brand Performance Network and one within the All Other category. The right-of-use lease asset and related leasehold improvement impairment was recorded in two reporting units, one in Brand Performance Network reporting segment, and one in Integrated Agencies Network reporting segment. The expense was recorded within Impairment and other losses on the Unaudited Consolidated Statements of Operations.

Operating Income

Operating Income for the nine months ended September 30, 2023 was $71.2 million, compared to $173.0 million for the nine months ended September 30, 2022, representing a decrease of $101.8 million. The change in Operating Income was primarily attributable to a decrease in Revenue, Cost of services, and Impairment and other losses, partially offset by an increase in Office and general expenses, and Depreciation and amortization.

The decrease in Cost of services was primarily attributable to lower billable costs commensurate with lower revenue and lower staff costs associated with cost-savings initiatives, partially offset by higher unbillable and staff costs primarily associated with the acquisitions of Maru and Epicenter.

The increase in Office and general expenses was primarily attributable to an increase in stock-based compensation expense, deferred acquisition consideration, and occupancy-related expenses.

Occupancy-related expenses increased primarily due to nonrecurring credits incurred in the first quarter of 2022 connected with a benefit associated with the initiative to consolidate real estate in New York City.

Deferred acquisition consideration increased approximately $25.3 million, primarily attributable to a significant reduction in the fair value of the deferred acquisition consideration liability associated with a certain Brand that occurred in the third quarter of 2022.

Stock-based compensation increased $1.2 million primarily attributable to new awards being issued in 2023, partially offset by the reduction in the fair value of certain profits interest awards.

Depreciation and amortization expense increased $12.2 million, primarily attributable to the recognition of intangible assets in connection with the acquisition of Maru, Wolfgang, and Epicenter.

Other, net

Other, net for the nine months ended September 30, 2023 was an expense of $0.5 million, compared to income of $0.2 million for the nine months ended September 30, 2022.

Foreign Exchange, Net

The foreign exchange loss for the nine months ended September 30, 2023 was $2.3 million, compared to a loss of $4.2 million for the nine months ended September 30, 2022, primarily attributable due to the U.S. dollar weakening against the Euro and British Pound.

Interest Expense, Net

Interest expense, net for the nine months ended September 30, 2023 was $67.8 million compared to $56.6 million for the nine months ended September 30, 2022, representing an increase of $11.2 million, primarily attributable to higher levels of debt outstanding under the Credit Agreement, and a higher interest rate of borrowings on amounts outstanding under the Credit Agreement.

Income Tax Expense

The Company had an income tax expense for the nine months ended September 30, 2023 of $12.4 million (on a pre-tax income of $0.7 million resulting in an effective tax rate of 1709.1%) compared to income tax expense of $20.2 million (on pre-tax income of $112.5 million resulting in an effective tax rate of 17.9%) for the nine months ended September 30, 2022.

The difference in the effective tax rate of 1709.1% in the nine months ended September 30, 2023 as compared to 17.9% in the nine months ended September 30, 2022 is primarily due to the change in pre-tax income, tax benefit of impairments offset by an increase in valuation allowance, lower share-based compensation windfalls and out-of-period adjustments in 2023. See Note 1 in the Notes to the Unaudited Consolidated Financial Statements.

Noncontrolling and Redeemable Noncontrolling Interests

The effect of noncontrolling and redeemable noncontrolling interests for the nine months ended September 30, 2023 was a loss of $8.5 million compared to income of $59.7 million for the nine months ended September 30, 2022, representing a decrease of $68.2 million. The change is attributable to the decline in net income (loss) resulting in a lower noncontrolling interest allocated to the holders of Class C Common Stock. Company.

Net Income (Loss) Attributable to Stagwell Inc. Common Shareholders

As a result of the foregoing, net loss attributable to Stagwell Inc. common shareholders for the nine three months ended September 30, 2023 March 31, 2024 was $3.6 million $1.3 million compared to net income of $33.7 million $1.4 million for the nine three months ended September 30, 2022 March 31, 2023.

Earnings (Loss) Per Share

Diluted EPS and Adjusted Diluted EPS for the nine three months ended September 30, 2023 was March 31, 2024 were as follows:

		GAAP	Adjustments(1)	Non-GAAP
		(amounts in thousands, except per share amounts)		
	GAAP (amounts in thousands, except per share amounts)	GAAP	Adjustments(1)	Non-GAAP (amounts in thousands, except per share amounts)
Net income (loss) attributable to Stagwell Inc. common shareholders	Net income (loss) attributable to Stagwell Inc. common shareholders	$ (3,597)	$ 61,195	$ 57,598
Net income attributable to Class C shareholders	Net income attributable to Class C shareholders	—	70,200	70,200
Net income (loss) attributable to Stagwell Inc. and Class C and adjusted net income	Net income (loss) attributable to Stagwell Inc. and Class C and adjusted net income	$ (3,597)	$ 131,395	$127,798
Weighted average number of common shares outstanding	Weighted average number of common shares outstanding	118,772	10,736	129,508
Weighted average number of common shares outstanding				
Weighted average number of common shares outstanding				

Weighted average number of common Class C shares outstanding	Weighted average number of common Class C shares outstanding	—	156,092	156,092
Weighted average number of shares outstanding	Weighted average number of shares outstanding	118,772	166,828	285,600
Diluted EPS and Adjusted Diluted EPS	Diluted EPS and Adjusted Diluted EPS	$ (0.03)		$ 0.45
Diluted EPS and Adjusted Diluted EPS				
Diluted EPS and Adjusted Diluted EPS				
Adjustments to Net Income (loss) (1)	**Adjustments to Net Income (loss)** (1)			
Adjustments to Net Income (loss) (1)				
Adjustments to Net Income (loss) (1)				
Amortization				
Amortization				
Amortization	Amortization		$ 86,605	
Impairment and other losses	Impairment and other losses		10,562	
Impairment and other losses				
Impairment and other losses				
Stock-based compensation				
Stock-based compensation				
Stock-based compensation	Stock-based compensation		34,615	
Deferred acquisition consideration	Deferred acquisition consideration		10,881	
Deferred acquisition consideration				
Deferred acquisition consideration				
Other items, net	Other items, net		30,069	
			172,732	
Other items, net				
Other items, net				
Adjusted tax expense	Adjusted tax expense		(33,653)	
Adjusted tax expense				

Adjusted tax expense		
		139,079
Net loss attributable to Class C shareholders	Net loss attributable to Class C shareholders	(7,684)
		$ 131,395
Net loss attributable to Class C shareholders		
Allocation of adjustments to net income (loss)		
Net loss attributable to Class C shareholders		
		$
		$
		$
Allocation of adjustments to net income (loss) 1		
Allocation of adjustments to net income (loss) 1		
Allocation of adjustments to net income (loss) 1		
Net income attributable to Stagwell Inc. common shareholders		
Net income attributable to Stagwell Inc. common shareholders		
Net income attributable to Stagwell Inc. common shareholders	Net income attributable to Stagwell Inc. common shareholders	$ 61,195
Net income attributable to Class C shareholders	Net income attributable to Class C shareholders	77,884
Net income attributable to Class C shareholders		
Net income attributable to Class C shareholders		
Net loss attributable to Class C shareholders	Net loss attributable to Class C shareholders	(7,684)
Net loss attributable to Class C shareholders		
Net loss attributable to Class C shareholders		
		24,554
		24,554
		24,554
		$

	$	
	$	
		70,200
	$	131,395

(1) Adjusted Diluted EPS is defined within the Non-GAAP Financial Measures section of the Executive Summary.

Diluted EPS and Adjusted Diluted EPS for the nine three months ended September 30, 2022 was March 31, 2023 were as follows:

GAAP	GAAP	Adjustments(1)	Non-GAAP
(amounts in thousands, except per share amounts)			(amounts in thousands, except per share amounts)
Net income attributable to Stagwell Inc. common shareholders			
Net income (loss) attributable to Class C shareholders			
Net income (loss) attributable to Stagwell Inc. and Class C and adjusted net income			
Weighted average number of common shares outstanding			
Weighted average number of common shares outstanding			
Weighted average number of common shares outstanding			
Weighted average number of common Class C shares outstanding			
Weighted average number of shares outstanding			
Diluted EPS and Adjusted Diluted EPS			
Diluted EPS and Adjusted Diluted EPS			

Diluted EPS and Adjusted Diluted EPS
Adjustments to Net income (loss) (1)
Adjustments to Net income (loss) (1)
Adjustments to Net income (loss) (1)
Amortization
Amortization
Amortization
Impairment and other losses
Impairment and other losses
Impairment and other losses
Stock-based compensation
Stock-based compensation
Stock-based compensation
Deferred acquisition consideration
Deferred acquisition consideration
Deferred acquisition consideration
Other items, net
Other items, net
Other items, net

	GAAP	**Adjustments**(1)	**Non-GAAP**
	(amounts in thousands, except per share amounts)		
Net income attributable to Stagwell Inc. common shareholders	$ 33,747	$ 52,699	$86,446
Weighted average number of common shares outstanding	131,550	—	131,550
Diluted EPS and Adjusted Diluted EPS	$ 0.26		$ 0.66
Adjustments to Net income(1)			
Amortization		$ 75,877	
Impairment and other losses		28,034	
Stock-based compensation		33,410	
Deferred acquisition consideration		(14,420)	
Other items, net		12,112	

		135,013
Adjusted tax expense	Adjusted tax expense	(15,569)
		$ 119,444
Less: Net income to attributable to Class C shareholders		(66,745)
Net income attributable to Stagwell Inc. common shareholders		$ 52,699
Adjusted tax expense		
Adjusted tax expense		

(1) Adjusted Diluted EPS is defined within the Non-GAAP Financial Measures section of the Executive Summary.

Adjusted EBITDA

Adjusted EBITDA for the nine three months ended September 30, 2023 March 31, 2024 was $265.2 million $90.3 million, compared to $327.8 million $72.2 million for the nine three months ended September 30, 2022 March 31, 2023, representing a decrease an increase of $62.7 million $18.1 million, primarily driven by lower an increase in Operating Income, as discussed above.

Integrated Agencies Network

The components of operating results for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 were as follows:

		Nine Months Ended September 30,			
		2023	2022	Change	
		(dollars in thousands)			
				$	%
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024			
		2024			
		2024			
		(dollars in thousands)			
		(dollars in thousands)			
		(dollars in thousands)			
				$	
				$	
				$	
Revenue					
Revenue					
Revenue	Revenue	$1,032,914	$1,092,364	$(59,450)	(5.4)%
Operating Expenses	Operating Expenses				
Operating Expenses					
Operating Expenses					
Cost of services					
Cost of services					
Cost of services	Cost of services	668,261	707,437	(39,176)	(5.5)%
Office and general expenses	Office and general expenses	190,417	192,781	(2,364)	(1.2)%

Office and general expenses

Office and general expenses

Depreciation and amortization

Depreciation and amortization

Depreciation and amortization	Depreciation and amortization	61,416	55,136	6,280	11.4 %
Impairment and other losses	Impairment and other losses	9,175	2,519	6,656	NM
		$ 929,269	$ 957,873	$(28,604)	(3.0)%

Impairment and other losses

Impairment and other losses

$

$

$

Operating Income	Operating Income	$ 103,645	$ 134,491	$(30,846)	(22.9)%

Operating Income

Operating Income

Three Months Ended March 31,

		Nine Months Ended September 30,			
		2023	2022	Change	
		(dollars in thousands)			
				$	%
Net Revenue	Net Revenue	$ 893,127	$ 929,033	$(35,906)	(3.9)%
Billable costs	Billable costs	139,787	163,331	(23,544)	(14.4)%
Revenue	**Revenue**	1,032,914	1,092,364	(59,450)	(5.4)%
Billable costs					
Billable costs					
Billable costs	Billable costs	139,787	163,331	(23,544)	(14.4)%
Staff costs	Staff costs	548,012	575,959	(27,947)	(4.9)%
Administrative costs	Administrative costs	86,200	86,002	198	0.2 %
Unbillable and other costs, net	Unbillable and other costs, net	47,538	51,610	(4,072)	(7.9)%

	2024		2023		Change		Three
	(dollars in thousands)						(dollar
	$						
Net Revenue	$292,772	$	$	304,187	$	$(11,415)	(3.8)
Billable costs	59,947	37,018	37,018	22,929	22,929		61.9
Revenue	352,719	341,205	341,205	11,514	11,514		3.4
	59,947	37,018	37,018	22,929	22,929		61.9
Staff costs	186,534	196,165	196,165	(9,631)	(9,631)		(4.9)
Administrative costs	30,602	31,381	31,381	(779)	(779)		(2.5)
Unbillable and other costs, net	15,528	16,782	16,782	(1,254)	(1,254)		(7.5)

Adjusted EBITDA	**Adjusted EBITDA**	211,377	215,462	(4,085)	(1.9)%	**Adjusted EBITDA**	60,108	59,859	59,859	249	249	0.4
Stock-based compensation	Stock-based compensation	15,945	15,044	901	6.0 %	Stock-based compensation	9,321	8,288	8,288	1,033	1,033	12.5
Depreciation and amortization	Depreciation and amortization	61,416	55,136	6,280	11.4 %	Depreciation and amortization	19,381	18,950	18,950	431	431	2.3
Deferred acquisition consideration	Deferred acquisition consideration	8,118	5,697	2,421	42.5 %	Deferred acquisition consideration	2,045	5,991	5,991	(3,946)	(3,946)	(65.9
Impairment and other losses	Impairment and other losses	9,175	2,519	6,656	NM	Impairment and other losses	1,500	—	—	1,500	1,500	100.0
Other items, net	Other items, net	13,078	2,575	10,503	NM	Other items, net	5,511	3,092	3,092	2,419	2,419	78.2
Operating Income	**Operating Income**	$ 103,645	$ 134,491	$(30,846)	(22.9)%	**Operating Income**	$ 22,350	$	$ 23,538	$	$ (1,188)	(5.0)

Revenue

Revenue for the nine three months ended September 30, 2023 March 31, 2024 was $1,032.9 million $352.7 million compared to $1,092.4 million $341.2 million for the nine three months ended September 30, 2022 March 31, 2023, a decrease an increase of $59.5 million $11.5 million.

Net Revenue

The components of the fluctuations in net revenue for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 were as follows:

		Nine Months Ended September 30, 2022	Net Revenue - Components of Change: Foreign Currency	Net Acquisitions (Divestitures)	Organic	Total Change	Nine Months Ended September 30, 2023	Change: Organic	Total
		(dollars in thousands)							
Integrated Agencies Network	Integrated Agencies Network	$929,033	$(3,173)	$6,271	$(39,004)	$(35,906)	$893,127	(4.2)%	(3.9)%
Component % change	Component % change		(0.3)%	0.7%	(4.2)%	(3.9)%			

	Three Months Ended March 31, 2023	Net Revenue - Components of Change: Foreign Currency	Net Acquisitions (Divestitures)	Organic	Total Change	Three Months Ended March 31, 202
	(dollars in thousands)					
Integrated Agencies Network						
Integrated Agencies Network	$304,187	$369	$(357)	$(11,429)	$(11,417)	$292,770

The decline decrease in organic net revenue was primarily attributable to the loss of lower spending due to budget cuts by large clients in the retail sector technology and clients who withheld spending financial services sectors, and client losses during the later part of 2023 in the financial, communications retail and retail sector due to uncertain macroeconomic factors and the writer and actor strikes. healthcare sectors. The increase decrease in net acquisitions (divestitures) was primarily driven by a $4.6 million increase the sale of Concentric in revenue from the acquisition fourth quarter of Wolfgang. 2023, partially offset by the acquisitions of Epiphany, Movers and Shakers and Left Field Labs.

Operating Income

Operating Income income for the nine three months ended September 30, 2023 March 31, 2024 was $103.6 million $22.4 million, compared to $134.5 million $23.5 million for the nine three months ended September 30, 2022 March 31, 2023, representing a decrease of $30.8 million $1.2 million. The change in Operating Income was primarily attributable to a decrease in Revenue and Cost of services, partially offset by an increase in Impairment and other losses and Depreciation and amortization.

The decrease in Cost of services was primarily attributable to lower billable costs, commensurate with lower revenue and lower staff costs associated with cost savings initiatives.

Depreciation and amortization expense increased $6.3 million, primarily attributable to the recognition of intangible assets in connection with the acquisition of Wolfgang.

Impairment and other losses increased approximately $6.7 million due to the impairment of two right-of-use assets and the related leasehold improvements in the second quarter of 2023.

Operating Income and Adjusted EBITDA were lower, driven by the decrease in revenue, partially offset by a decrease in expenses as detailed above.

Brand Performance Network

The components of operating results for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 were as follows:

	Nine Months Ended September 30,			
	2023	2022	Change	
	(dollars in thousands)			
			$	%
Revenue	$ 574,729	$ 563,546	$ 11,183	2.0 %
Operating Expenses				
Cost of services	357,224	341,796	15,428	4.5 %
Office and general expenses	163,832	152,668	11,164	7.3 %
Depreciation and amortization	26,021	25,044	977	3.9 %
Impairment and other losses	1,387	8,051	(6,664)	(82.8)%
	$ 548,464	$ 527,559	$ 20,905	4.0 %
Operating Income	$ 26,265	$ 35,987	$ (9,722)	(27.0)%

	Nine Months Ended September 30,			
	2023	2022	Change	
	(dollars in thousands)			
			$	%
Net Revenue	$ 491,023	$ 487,829	$ 3,194	0.7 %
Billable costs	83,706	75,717	7,989	10.6 %
Revenue	574,729	563,546	11,183	2.0 %
Billable costs	83,706	75,717	7,989	10.6 %
Staff costs	313,813	297,243	16,570	5.6 %
Administrative costs	70,963	65,830	5,133	7.8 %
Unbillable and other costs, net	38,860	35,497	3,363	9.5 %
Adjusted EBITDA	67,387	89,259	(21,872)	(24.5)%
Stock-based compensation	3,365	9,152	(5,787)	(63.2)%
Depreciation and amortization	26,021	25,044	977	3.9 %
Deferred acquisition consideration	1,112	7,349	(6,237)	(84.9)%
Impairment and other losses	1,387	8,051	(6,664)	(82.8)%
Other items, net	9,237	3,676	5,561	NM
Operating Income	$ 26,265	$ 35,987	$ (9,722)	(27.0)%

Revenue

Revenue for the nine months ended September 30, 2023 was $574.7 million, compared to $563.5 million for the nine months ended September 30, 2022, an increase of $11.2 million.

Net Revenue

The components of the fluctuations in net revenue for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 were as follows:

	Net Revenue - Components of Change	Change

	Nine Months Ended September 30, 2022	Foreign Currency	Net Acquisitions (Divestitures)	Organic	Total Change	Nine Months Ended September 30, 2023	Organic	Total
	(dollars in thousands)							
Brand Performance Network	$487,829	$(2,466)	$11,296	$(5,636)	$3,194	$491,023	(1.2)%	0.7%
Component % change		(0.5)%	2.3%	(1.2)%	0.7%			

The decline in organic net revenue was primarily attributable to decreased spending and client losses in the communications sector, primarily as a result of the writer and actor strike, as well as decreased spending in the retail and healthcare sectors. The increase in net acquisitions (divestitures) was primarily driven by a $7.8 million increase in revenue from the acquisition of BNG and $2.7 million increase in revenue from the acquisition of Huskies.

Operating Income

Operating Income for the nine months ended September 30, 2023 was $26.3 million, compared to $36.0 million for the nine months ended September 30, 2022, representing a decrease of $9.7 million. The change in Operating Income income was primarily attributable to an increase in Revenue, Costs Cost of services, and Office Impairment and general expenses, other losses, partially offset by a decrease in Impairment Office and other losses. general expenses.

The increase in Cost of services was primarily attributable to higher billable costs, commensurate with higher revenue, higher partially offset by a decrease in staff costs primarily associated with an increased headcount resulting due to the sale of Concentric in higher salary costs the fourth quarter of 2023 and the acquisition of Huskies, partially offset by lower a decrease in stock-based compensation.

Stock-based compensation expense decreased approximately $5.8 million, The decrease in Office and general expenses was primarily attributable to a decrease in deferred acquisition consideration, and staff costs (as discussed above), partially offset by an increase in stock-based compensation.

Deferred acquisition consideration decreased $3.9 million, primarily as a result of a reduction in the fair value of profits interests awards. certain obligations in the first quarter of 2024 versus the same period last year.

Stock-based compensation increased $1.0 million primarily attributable to an increase in the number of shares being expensed and weighted average grant date fair value in the first quarter of 2024 as compared to the first quarter of 2023.

Impairment and other losses for the three months ended March 31, 2024 was $1.5 million. This was attributable to a charge to reduce the carrying value of a right-of-use lease asset and related leasehold improvements.

Adjusted EBITDA increased $0.2 million, primarily driven by a decrease in Operating Income, partially offset by an increase in Other items, net, due to an increase in severance-related expenses.

Brand Performance Network

The components of operating results for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 were as follows:

	Three Months Ended March 31,			
	2024	2023	Change	
	(dollars in thousands)			
			$	%
Revenue	$ 213,962	$ 201,928	$ 12,034	6.0 %
Operating Expenses				
Cost of services	139,787	132,048	7,739	5.9 %
Office and general expenses	52,966	48,245	4,721	9.8 %
Depreciation and amortization	7,514	7,937	(423)	(5.3)%
	$ 200,267	$ 188,230	$ 12,037	6.4 %
Operating Income	$ 13,695	$ 13,698	$ (3)	— %

	Three Months Ended March 31,			
	2024	2023	Change	
	(dollars in thousands)			
			$	%
Net Revenue	$ 162,562	$ 151,652	$ 10,910	7.2 %
Billable costs	51,400	50,276	1,124	2.2 %
Revenue	213,962	201,928	12,034	6.0 %
Billable costs	51,400	50,276	1,124	2.2 %

Staff costs	98,431	96,060	2,371	2.5 %
Administrative costs	22,071	20,931	1,140	5.4 %
Unbillable and other costs, net	14,566	11,713	2,853	24.4 %
Adjusted EBITDA	27,494	22,948	4,546	19.8 %
Stock-based compensation	2,043	567	1,476	NM
Depreciation and amortization	7,514	7,937	(423)	(5.3)%
Deferred acquisition consideration	(777)	(1,179)	402	(34.1)%
Other items, net	5,019	1,925	3,094	NM
Operating Income	$ 13,695	$ 13,698	$ (3)	— %

Revenue

Revenue for the three months ended March 31, 2024 was $214.0 million, compared to $201.9 million for the three months ended March 31, 2023, an increase of $12.0 million.

Net Revenue

The components of the fluctuations in net revenue for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 were as follows:

		Net Revenue - Components of Change					Change	
	Three Months Ended March 31, 2023	Foreign Currency	Net Acquisitions (Divestitures)	Organic	Total Change	Three Months Ended March 31, 2024	Organic	Total
	(dollars in thousands)							
Brand Performance Network	$151,652	$1,708	$1,708	$7,496	$10,912	$162,564	4.9%	7.2%
Component % change		1.1%	1.1%	4.9%	7.2%			

The increase in organic net revenue was primarily attributable to new clients and increased spending by existing clients specifically in communications, consumer products, food and beverage, and transportation sectors. The increase in net acquisitions was primarily driven by the acquisition of Huskies.

Operating Income

Operating Income for the three months ended March 31, 2024 was $13.7 million, compared to $13.7 million for the three months ended March 31, 2023 representing no change, primarily attributable to an increase in Revenue, offset by an increase in Cost of services and Office and general expenses.

The increase in Cost of services was primarily attributable to higher billable and unbillable costs, commensurate with the increase in revenues and an increase in staff costs due to cost saving initiatives in 2023.

The increase in Office and general expenses was primarily attributable to an increase in staff costs occupancy-related expenses related to the acceleration of lease expense due to the cease-use of property associated with the Company's real estate consolidation initiative.

Adjusted EBITDA increased $4.5 million, primarily driven by an increased headcount and salary increases, an increase in Other Items, net due to the increase in occupancy-related expenses partially offset by a decrease discussed above, and an increase in deferred acquisition consideration.

Occupancy-related expenses stock-based compensation. Stock-based compensation increased primarily due to nonrecurring credits incurred an increase in the number of shares being expensed and weighted average grant date fair value in the first quarter of 2022 connected with a benefit associated with the initiative to consolidate real estate in New York City.

Deferred acquisition consideration decreased approximately $6.2 million primarily attributable 2024 as compared to the reduction in fair value in 2023 associated with a Brand that was acquired in the second quarter of 2022 and the earn out period for a certain award ending in the second first quarter of 2023.

Impairment and other losses decreased approximately $6.7 million, primarily due to the impairment of goodwill and right of use assets in 2022, as discussed above.

Operating Income and Adjusted EBITDA decreased due to an increase in revenues more than offset by an increase in expenses as detailed above.

Communications Network

The components of operating results for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 were as follows:

	Nine Months Ended September 30,			
	2023	2022	Change	
	(dollars in thousands)			
			$	%

		Three Months Ended March 31,							
		Three Months Ended March 31,							
		Three Months Ended March 31,							
		2024							
		2024							
		2024							
		(dollars in thousands)							
		(dollars in thousands)							
		(dollars in thousands)							
						$			
						$			
						$			
Revenue									
Revenue									
Revenue	Revenue	$	230,261	$	314,472	$	(84,211)	(26.8)	%
Operating Expenses	Operating Expenses								
Operating Expenses									
Operating Expenses									
Cost of services									
Cost of services									
Cost of services	Cost of services		149,873		200,328		(50,455)	(25.2)	%
Office and general expenses	Office and general expenses		51,551		29,223		22,328	76.4	%
Office and general expenses									
Office and general expenses									
Depreciation and amortization									
Depreciation and amortization									
Depreciation and amortization	Depreciation and amortization		8,216		7,787		429	5.5	%
		$							
		$	209,640	$	237,338	$	(27,698)	(11.7)	%
Operating Income		$	20,621	$	77,134	$	(56,513)	(73.3)	%
		$							
		$							
Operating Income (Loss)									
Operating Income (Loss)									
Operating Income (Loss)									

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Three Months Ended March 31,							Three Months 3
Nine Months Ended September 30,			2024		2023		Change
2023	2022	Change					
(dollars in thousands)							
		$	%				

		(dollars in thousands)											(dollars in
				$									
Net Revenue	Net Revenue	$177,032	$212,620	$(35,588)	(16.7)%	Net Revenue	$67,488	$	$ 52,971	$	$14,517	27.4	2
Billable costs	Billable costs	53,229	101,852	(48,623)	(47.7)%	Billable costs	26,258	13,488	13,488	12,770	12,770	94.7	
Revenue	**Revenue**	230,261	314,472	(84,211)	(26.8)%	**Revenue**	93,746	66,459	66,459	27,287	27,287	41.1	
Billable costs													
Billable costs													
Billable costs	Billable costs	53,229	101,852	(48,623)	(47.7)%		26,258	13,488	13,488	12,770	12,770	94.7	9
Staff costs	Staff costs	115,846	128,784	(12,938)	(10.0)%	Staff costs	39,264	40,077	40,077	(813)	(813)	(2.0)	
Administrative costs	Administrative costs	25,096	24,475	621	2.5 %	Administrative costs	8,704	8,756	8,756	(52)	(52)	(0.6)	
Unbillable and other costs, net	Unbillable and other costs, net	336	272	64	23.5 %	Unbillable and other costs, net	136	126	126	10	10	7.9	
Adjusted EBITDA	**Adjusted EBITDA**	35,754	59,089	(23,335)	(39.5)%	**Adjusted EBITDA**	19,384	4,012	4,012	15,372	15,372	NM	
Stock-based compensation	Stock-based compensation	2,177	1,077	1,100	NM	Stock-based compensation	1,049	507	507	542	542	NM	
Depreciation and amortization	Depreciation and amortization	8,216	7,787	429	5.5 %	Depreciation and amortization	2,894	2,713	2,713	181	181	6.7	
Deferred acquisition consideration	Deferred acquisition consideration	3,403	(27,466)	30,869	NM	Deferred acquisition consideration	(1,114)	539	539	(1,653)	(1,653)	NM	
Other items, net	Other items, net	1,337	557	780	NM								
Operating Income		$ 20,621	$ 77,134	$(56,513)	(73.3)%								
Other items, net													
Other items, net							282		605		(323)		(53.4)
Operating Income (Loss)						**Operating Income (Loss)**	$16,273		$ (352)		$16,625		

Revenue

Revenue for the nine three months ended September 30, 2023 March 31, 2024 was $230.3 million $93.7 million, compared to $314.5 million $66.5 million for the nine three months ended September 30, 2022 March 31, 2023, a decrease an increase of $84.2 million $27.3 million.

Net Revenue

The components of the fluctuations in net revenue for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 were as follows:

	Nine Months Ended September 30, 2022	Net Revenue - Components of Change: Foreign Currency	Net Acquisitions (Divestitures)	Organic	Total Change	Nine Months Ended September 30, 2023	Change: Organic	Total
		(dollars in thousands)						

	Net Revenue - Components of Change		Net Revenue - Components of Chan				
Three Months Ended March 31, 2023		Three Months Ended March 31, 2023	Foreign Currency	Net Acquisitions (Divestitures)	Organic	Total Change	

		(dollars in thousands)													
Communications Network															
Communications Network															
Communications Network	Communications Network	$212,620	$(282)	$1,918	$(37,224)	$(35,588)	$177,032	(17.5)%	(16.7)%	$52,971	$(49)	$273	$14,292	$14,516	$67,487
Component % change	Component % change		(0.1)%	0.9%	(17.5)%	(16.7)%									

The decline increase in organic net revenue was primarily attributable to decreased spending in public relations and related advocacy services as compared to higher spending in 2022 associated with the 2022 elections as well as decreased spending new clients in the technology healthcare and consumer products sectors, and increased spending by existing clients in the public affairs sector due to as 2024 is a reduction in budgets stemming from the current macroeconomic conditions. The increase in net acquisitions (divestitures) was driven by a $1.9 million increase in revenue from the acquisition of TMA. political campaign year.

Operating Income (Loss)

Operating income (loss) for the nine three months ended September 30, 2023 March 31, 2024 was $20.6 million $16.3 million compared to $77.1 million $0.4 million for the nine three months ended September 30, 2022 March 31, 2023, representing a decrease an increase of $56.5 million $16.6 million. The change in Operating Income income (loss) was primarily attributable to a decrease an increase in Revenue and Costs Cost of services, and an increase a decrease in Office and general expenses.

The decrease increase in Cost of services was primarily attributable to lower an increase in billable costs, commensurate with lower higher revenue, and partially offset by a decrease in staff costs associated with cost savings initiatives. primarily attributable to restructuring costs.

The increase decrease in Office and general expenses was primarily attributable to an increase in deferred acquisition consideration expense, partially offset by a decrease in staff costs related to cost saving initiatives. consideration.

Deferred acquisition consideration increased approximately $30.9 million decreased $1.7 million, primarily attributable to a significant reduction in the fair value of the deferred acquisition consideration liability associated with a certain Brand that occurred in the third quarter of 2022. Brand.

Operating Income and Adjusted EBITDA were lower increased $15.4 million, primarily driven by lower revenue, partially offset by lower expenses as detailed above. an increase in Operating Income.

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All Other

The components of operating results for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 were as follows:

		Nine Months Ended September 30,			
		2023	2022	Change	
		(dollars in thousands)			
				$	%
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024			
		2024			
		2024			
		(dollars in thousands)			
		(dollars in thousands)			
		(dollars in thousands)			
				$	
				$	
				$	
Revenue					
Revenue					
Revenue	Revenue	$ 34,378	$ 9,225	$ 25,153	NM
Operating Expenses	Operating Expenses				
Operating Expenses					

Operating Expenses					
Cost of services					
Cost of services					
Cost of services	Cost of services	25,796	4,204	21,592	NM
Office and general expenses	Office and general expenses	18,502	6,029	12,473	NM
Office and general expenses					
Office and general expenses					
Depreciation and amortization	Depreciation and amortization	6,152	2,458	3,694	NM
Impairment and other losses		—	17,464	(17,464)	(100.0) %
Depreciation and amortization					
Depreciation and amortization					
		$ 50,450	$ 30,155	$ 20,295	67.3 %
		$			
		$			
		$			
Operating Loss	Operating Loss	$ (16,072)	$ (20,930)	$ 4,858	(23.2) %
Operating Loss					
Operating Loss					

	Three Months Ended March 31,				Three Mont
	2024		2024	2023	Ch
	(dollars in thousands)				(dollar
	$				
Net Revenue		Net Revenue $ 9,632	$ 12,852	$(3,220)	(2
Revenue (1)					
Revenue (1)					
Revenue (1)		9,632	12,852	(3,220)	(2

		Nine Months Ended September 30,												
Staff costs														
		2023	2022	Change										
Staff costs														
		(dollars in thousands)												
				$	%									
Net Revenue		$ 34,404	$ 9,225	$ 25,179	NM									
Billable costs		(26)	—	(26)	(100.0)%									
Revenue (1)		34,378	9,225	25,153	NM									
Billable costs		(26)	—	(26)	(100.0)%									
Staff costs	Staff costs	31,124	7,919	23,205	NM		7,821	10,487	10,487	(2,666)	(2,666)	(25.4)		
Administrative costs (1)	Administrative costs (1)	1,244	2,249	(1,005)	(44.7)%	Administrative costs (1)	3,209	3,195	3,195	14	14	0.4		
Unbillable and other costs, net	Unbillable and other costs, net	12,202	29	12,173	NM	Unbillable and other costs, net	2,588	2,975	2,975	(387)	(387)	(13.0)		
Adjusted EBITDA	**Adjusted EBITDA**	(10,166)	(972)	(9,194)	NM	**Adjusted EBITDA**	(3,986)	(3,805)	(3,805)	(181)	(181)	4.8		
Stock-based compensation	Stock-based compensation	427	15	412	NM	Stock-based compensation	98	32	32	66	66	NM		

Depreciation and amortization	Depreciation and amortization	6,152	2,458	3,694	NM	Depreciation and amortization	2,421	1,948	1,948	473	473	24.3
Deferred acquisition consideration	Deferred acquisition consideration	(1,752)	—	(1,752)	(100.0)%	Deferred acquisition consideration	—	(1,263)	(1,263)	1,263	1,263	(100.0)
Impairment and other losses		—	17,464	(17,464)	(100.0)%							
Other items, net												
Other items, net												
Other items, net	Other items, net	1,079	21	1,058	NM		174	—	—	174	174	100.0
Operating Loss	**Operating Loss**	$(16,072)	$(20,930)	$ 4,858	(23.2)%	**Operating Loss**	$(6,679)	$	$ (4,522)	$	$(2,157)	47.7

(1) All Other Revenue and Administrative costs include approximately $6.0 million of eliminations of intercompany services.

Revenue

Revenue for the nine three months ended September 30, 2023 March 31, 2024 was $34.4 million $9.6 million, compared to $9.2 million $12.9 million for the nine three months ended September 30, 2022 March 31, 2023, an increase a decrease of $25.2 million $3.2 million.

Net Revenue

The components of the fluctuations in net revenue for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 were as follows:

	Nine Months Ended September 30, 2022	Net Revenue - Components of Change: Foreign Currency	Net Acquisitions (Divestitures)	Organic	Total Change	Nine Months Ended September 30, 2023	Change: Organic	Total
	(dollars in thousands)							
All Other	$9,225	$(170)	$35,135	$(9,786)	$25,179	$34,404	NM	NM
Component % change		(1.8)%	NM	NM	NM			

	Three Months Ended March 31, 2023	Net Revenue - Components of Change: Foreign Currency	Net Acquisitions (Divestitures)	Organic	Total Change	Three Months Ended March 31, 2024	
	(dollars in thousands)						
All Other							
All Other							
All Other	$12,852	$(202)	$(1,691)	$(1,326)	$(3,219)	$9,633	(10.3)%
Component % change							

The decline decrease in organic net revenue was primarily attributable to budget cuts and client losses from clients in the elimination of intercompany revenue during the nine months ended September 30, 2023. The increase in net acquisitions (divestitures) was primarily driven by a $21.2 million increase in revenue from the acquisition of Maru food and a $3.2 million increase in revenue from the acquisition of Epicenter. beverage, travel and transportation, and technology sectors.

Operating Loss

Operating Loss for the nine three months ended September 30, 2023 March 31, 2024 was $16.1 million $6.7 million compared to $20.9 million $4.5 million for the nine three months ended September 30, 2022 March 31, 2023, representing a decrease an increase of $4.9 million $2.2 million. The change in Operating Loss was primarily attributable to an increase a decrease in Revenue, Cost of services, Office and general expenses and Depreciation and amortization, partially offset by a decrease in Impairment and other losses. Cost of services.

The increase decrease in Cost of services Services was primarily attributable to higher unbillable and staff costs, commensurate with higher revenue, and due to the acquisitions derecognition of Maru and Epicenter. certain noncontrolling interest in the first quarter of 2024.

The increase in Office and general expenses was Adjusted EBITDA decreased $0.2 million, primarily attributable to driven by an increase in staff costs primarily associated with the acquisitions of Maru and Epicenter.

Depreciation and amortization expense increased approximately $3.7 million, primarily attributable to the recognition of intangible assets in connection with the acquisitions of Maru and Epicenter.

Impairment and other losses decreased primarily due to the impairment of goodwill in the third quarter of 2022.

The decrease in Operating Loss, and Adjusted EBITDA were driven by higher revenue, more than offset by higher expenses (as detailed above), and partially offset by a decrease in Impairment and other losses. as discussed above.

Corporate

The components of operating results for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 were as follows:

		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Nine Months Ended September 30,			
		2023	2022	Change	
		(dollars in thousands)			
				$	%
		(dollars in thousands)			
		(dollars in thousands)			
		(dollars in thousands)			
				$	
				$	
				$	
Staff costs					
Staff costs					
Staff costs	Staff costs	$ 25,850	$ 30,212	$ (4,362)	(14.4) %
Administrative costs	Administrative costs	13,343	4,803	8,540	NM
Administrative costs					
Administrative costs					
Unbillable and other costs, net					
Unbillable and other costs, net					
Unbillable and other costs, net					
Adjusted EBITDA					
Adjusted EBITDA					
Adjusted EBITDA	**Adjusted EBITDA**	(39,193)	(35,015)	(4,178)	11.9 %
Stock-based compensation	Stock-based compensation	12,701	8,122	4,579	56.4 %
Stock-based compensation					
Stock-based compensation					
Depreciation and amortization					
Depreciation and amortization					
Depreciation and amortization	Depreciation and amortization	5,990	5,217	773	14.8 %
Other items, net	Other items, net	5,338	5,283	55	1.0 %
Other items, net					
Other items, net					

Operating Loss	**Operating Loss**	$	(63,222)		$	(53,637)		$	(9,585)	17.9	%

Operating Loss

Operating Loss

Operating Loss for the nine three months ended September 30, 2023 March 31, 2024 was $63.2 million $19.8 million compared to $53.6 million $16.1 million for the nine three months ended September 30, 2022 March 31, 2023, representing an increase of $9.6 million $3.7 million. The increase in Operating Loss was primarily attributable to an increase in stock-based compensation, staff costs, partially offset by a decrease in Staff administrative costs.

Staff costs decreased due to cost-savings initiatives.

Stock-based compensation expense increased approximately $4.6 million, by $3.3 million primarily attributable to the modification as a result of certain share-based payment awards, awards granted a health insurance benefit recognized in the second and third quarter of 2023, and the completed vesting of awards in the second half of 2022 as well as the first quarter of 2023.

Administrative costs decreased by $1.4 million primarily attributable to a reduction in professional, consulting and legal fees partially offset by an increase in occupancy related expenses.

Occupancy-related expenses increased primarily due to the commencement of two new offices in the first quarter of 2024 and the assumption of an office, as part of the sale of Concentric, that was previously included under Integrated Agencies Network.

Liquidity and Capital Resources:

The following table provides summary information about the Company's liquidity position:

	Nine Months Ended September 30,			
	2023		2022	
	(dollars in thousands)			
Net cash (used in) provided by operating activities	$	(127,542)	$	73,081
Net cash used in investing activities		(44,848)		(64,284)
Net cash provided by (used in) financing activities		51,688		(12,312)

	Three Months Ended March 31,			
	2024		2023	
	(dollars in thousands)			
Net cash used in operating activities	$	(53,121)	$	(85,113)
Net cash used in investing activities		(26,124)		(10,815)
Net cash provided by financing activities		91,086		12,923

The Company had cash and cash equivalents of $98.7 million $129.8 million and $220.6 million $119.7 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The Company expects to maintain sufficient cash and/or available borrowings to fund operations for the next twelve months and subsequent periods. The Company has historically maintained and expanded its business using cash generated from operating activities, funds available under the Credit Agreement, and other initiatives, such as obtaining additional debt and equity financing. On May 4, 2023, as discussed in Note 7 of the Notes included herein, the Company amended the The Credit Agreement to, among other things, increase the provides revolving commitments under the Credit Agreement by $140.0 million from $500.0 million of up to $640.0 million and permit permits restricted payments for share repurchases or redemptions from certain of its stockholders in an aggregate principal amount of up to $150.0 million. As of September 30, 2023 March 31, 2024, the Company had $412.0 million $182.0 million of borrowings outstanding $24.9 million and $15.8 million of outstanding issued and undrawn letters of credit resulting in $203.1 million $442.2 million unused amount under the Credit Agreement.

The Company transfers certain of its trade receivable assets to third parties under agreements to sell certain of its accounts receivables. agreements. Per the terms of these agreements, the Company surrenders control over its trade receivables upon transfer.

The trade receivables transferred to the third parties were $263.7 $69.8 million and $87.9 $56.2 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The amount collected and due to the third parties under these arrangements was $10.1 $3.7 million as of September 30, 2023 March 31, 2024 and $5.7 $1.8 million as of December 31, 2022 December 31, 2023. Fees for these arrangements were recorded in Office and general expenses in the Unaudited Consolidated Statements of Operations and totaled $4.1 $0.9 million and $0.6 $1.0 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

On March 1, 2023, the Board authorized The Company may purchase up to an extension and a $125.0 million increase in the size aggregate of our$250.0 million of shares of outstanding Class A Common Stock under its stock repurchase program (the (the "Repurchase Program") to an aggregate of $250.0 million, with any previous purchases under the Repurchase Program continuing to count against that limit. . The Repurchase Program as amended, will expire expires on March 1, 2026.

During the nine three months ended September 30, 2023 March 31, 2024, 6.7 million 4.0 million shares of Class A Common Stock were repurchased pursuant to the Repurchase Program at an aggregate value, excluding fees, of $42.5 million $24.6 million. These shares were repurchased at an average price of $6.38 $6.11 per share. The remaining value of shares of Class A Common Stock permitted to be repurchased under the Repurchase Program was $155.7 million $114.0 million as of September 30, 2023 March 31, 2024. The Company's Board of Directors (the “Board”) will review the Repurchase Program periodically and may authorize adjustments of its terms. The Repurchase Program may be suspended, modified or discontinued at any time without prior notice.

On May 23, 2023, the Company repurchased approximately 23.3 million shares of Class A Common Stock from certain AlpInvest Partners B.V. at a price of $6.43 per share, for an aggregate total repurchase price of approximately $150.0 million.

The Company’s obligations extending beyond twelve months primarily consist of deferred acquisition consideration payments, purchases of noncontrolling interests, subsidiary awards, capital expenditures, scheduled lease obligation payments, and interest payments on borrowings under the Company’s 5.625% Notes (as defined in Note 8 of the Notes included herein) and Credit Agreement. The Company expects to make estimated cash payments in the future to satisfy obligations under the our Tax Receivables Agreement with Stagwell Media LP and OpCo (“TRA”) (see Note 13 14 of the Notes included herein for additional details). The amount and timing of payments are contingent on the Company achieving certain tax savings, if any, that we actually realize, or in certain circumstances are deemed to realize as a result of (i) increases in the tax basis of OpCo’s assets resulting from exchanges of Paired Units (each as defined in Note 10 11 of the Notes included herein) for shares of Class A Common Stock or cash, as applicable, and (ii) certain other tax benefits related to the Company making payments under the TRA. Based on the current outlook, the Company believes future cash flows from operations, together with the Company’s existing cash balance and availability of funds under the Credit Agreement, will be sufficient to meet the Company’s anticipated cash needs for the next twelve months and subsequent periods. The Company’s ability to make scheduled deferred acquisition consideration payments to make principal and interest payments, to refinance indebtedness or to fund planned capital expenditures or other obligations will depend on future performance, which is subject to general economic conditions, the competitive environment and other factors, including those described in this Form 10-Q and in the Company’s other SEC filings.

Cash Flows

Operating Activities

Cash flows used in operating activities for the nine three months ended September 30, 2023 March 31, 2024, were $127.5 million, primarily driven by unfavorable working capital requirements, including the timing of media supplier payments, partially offset by earnings.

Cash flows provided by operating activities for the nine months ended September 30, 2022, were $73.1 million $53.1 million, primarily driven by earnings, partially offset by unfavorable working capital requirements, including the timing of media supplier payments.

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Cash flows used in operating activities for the three months ended March 31, 2023, were $85.1 million, primarily driven by earnings and unfavorable working capital requirements timing of media supplier payments.

Investing Activities

Cash flows used in investing activities were $44.8 million $26.1 million for the nine three months ended September 30, 2023 March 31, 2024, primarily driven by $19.0 $8.8 million in capitalized software spend, $12.2 $5.4 million in capital expenditures, and $6.7 million $11.7 million for acquisitions, net of cash acquired.

Cash flows used in investing activities were $64.3 million $10.8 million for the nine three months ended September 30, 2022 March 31, 2023, primarily driven by $9.4 $6.7 million in capital capitalized software spend, $16.1 million $3.4 million in capital expenditures, and $37.5 million $0.2 million in acquisitions, net of cash acquired.

Financing Activities

During the nine three months ended September 30, 2023 March 31, 2024, cash flows provided by financing activities were $51.7 million $91.1 million, primarily driven by $312.0 million $123.0 million in net borrowings under the Credit Agreement, partially offset by shares repurchased and cancelled of $204.0 million $29.7 million, payments of deferred consideration of $31.7 million $1.7 million, and distributions to noncontrolling interests of $24.5 $0.6 million.

During the nine three months ended September 30, 2022 March 31, 2023, cash flows used in provided by financing activities were $12.3 $12.9 million, primarily driven by $134.5 $50.0 million in net borrowings under the Credit Agreement, partially offset primarily by shares repurchased and cancelled $10.9 million of $43.6 million, payments of deferred consideration of $61.1 million, and distributions to noncontrolling interests of $38.5 million. and $26.1 million in shares repurchased and cancelled.

Total Debt

Debt, net of debt issuance costs, as of September 30, 2023 March 31, 2024, was $1,498.1 million $1,269.5 million as compared to $1,184.7 million $1,145.8 million outstanding at December 31, 2022 December 31, 2023. See Note 7 8 to the Unaudited Consolidated Financial Statements included herein for information regarding the Company’s 5.625% Notes, and the Credit Agreement, which provides for a $640.0 million senior secured revolving credit facility maturing on August 3, 2026.

The Company is currently in compliance with all of the terms and conditions of the Credit Agreement, and management believes, based on its current financial projections, that the Company will be in compliance with its covenants over the next twelve months.

If the Company loses all or a substantial portion of its lines of credit under the Credit Agreement, or if the Company uses the maximum available amount under the agreement, it will be required to seek other sources of liquidity. If the Company were unable to find these sources of liquidity, for example through an equity offering or access to the capital markets, the Company’s ability to fund its working capital needs and any contingent obligations with respect to acquisitions and redeemable noncontrolling interests would be adversely affected.

Pursuant to the Credit Agreement, the Company must maintain a Total Leverage Ratio (as defined in the Credit Agreement) below an established threshold. For the period ended September 30, 2023 March 31, 2024, the Company’s calculation of this ratio, and the maximum permitted under the Credit Agreement, respectively, were calculated based on the trailing twelve months as follows:

	September 30, 2023 March 31, 2024
Total Leverage Ratio	3.75 3.21
Maximum per covenant	4.25

These ratios and measures are not based on GAAP and are not presented as alternative measures of operating performance or liquidity. Some of these ratios and measures include, among other things, pro forma adjustments for acquisitions, one-time charges, and other items, as defined in the Credit Agreement. They are presented here to demonstrate compliance with the covenants in the Credit Agreement, as non-compliance with such covenants could have a material adverse effect on the Company.

Material Cash Requirements

The Company's Brands enter into contractual commitments with media providers and agreements with production companies on behalf of its clients at levels that exceed the revenue from services. Some of our Brands purchase media for clients and act as an agent for a disclosed principal. These commitments are included in Accounts payable and Accrued media when the media services are delivered by the media providers. Stagwell takes precautions against default on payment for these services including the procurement of credit insurance and has historically had a very low incidence of default. Stagwell is still

exposed to the risk of significant uncollectible receivables from our clients. The risk of a material loss could significantly increase in periods of severe economic downturn.

Deferred acquisition consideration on the balance sheet consists of deferred obligations related to contingent and fixed purchase price payments. See Note 5 6 of the Notes included herein for additional information regarding contingent deferred acquisition consideration. As of September 30, 2023, approximately $42.6 million of the deferred acquisition consideration is expected to be settled in shares of Class A Common Stock.

When acquiring less than 100% ownership of an entity, the Company may enter into agreements that give the Company an option to purchase, or require the Company to purchase, the incremental ownership interests under certain circumstances. Where the incremental purchase may be required of the Company, the amounts are recorded as redeemable noncontrolling interests in mezzanine equity. See Note 8 9 of the Notes included herein for additional information regarding noncontrolling interests and redeemable noncontrolling interests.

Certain of the Company's subsidiaries grant awards to their employees providing them with an equity interest in the respective subsidiary (the "profits interests awards"). The awards generally provide the employee the right, but not the obligation, to sell its interest in the subsidiary to the Company based on a performance-based formula and, in certain cases, receive a profit share distribution.

The Company intends to finance the cash portion of these contingent payment obligations using available cash from operations, borrowings under the Credit Agreement (or any refinancings thereof), and, if necessary, through the incurrence of additional debt and/or issuance of additional equity. The ultimate amount payable in the future relating to these transactions will vary because it is dependent on the future results of operations of the subject businesses and the timing of when these rights are exercised.

Critical Accounting Estimates

See Note 2 of the Company's 2022 2023 Form 10-K for information regarding the Company's critical accounting estimates.

Website Access to Company Reports and Information

Stagwell Inc. is the successor SEC registrant to MDC Partners Inc. Stagwell Inc.'s Internet website address is www.stagwellglobal.com. The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to the Exchange Act, will be made available free of charge through the Company's website as soon as reasonably practical after those reports are electronically filed with, or furnished to, the SEC. The Company announces material information to the public through a variety of means, including filings with the SEC, press releases, public conference calls, and its website. The Company uses these channels, as well as social media, including its Twitter account (@stagwell) and its LinkedIn page (https://www.linkedin.com/company/stagwell/), to communicate with investors and the public about the Company, its products and services, and other matters. Therefore, investors, the media, and others interested in the Company are encouraged to review the information the Company makes public in these locations, as such information could be deemed to be material information. Information on or that can be accessed through the Company's websites or these social media channels is not part of this Form 10-Q, and the inclusion of the Company's website addresses and social media channels are inactive textual references only.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

In the normal course of business, the Company is exposed to market risk related to interest rates, foreign currencies and impairment risk.

Debt Instruments: At September 30, 2023 March 31, 2024, the Company's debt obligations consisted of amounts outstanding under its Credit Agreement and the 5.625% Notes. The 5.625% Notes bear a fixed 5.625% interest rate. The Credit Agreement bears

interest at variable rates based upon SOFR, EURIBOR, and SONIA depending on the duration of the borrowing product. The Company's ability to obtain the required bank syndication commitments depends in part on conditions in the bank market at the time of syndication.

On April 28, 2022, the Company amended its Credit Agreement. This amendment replaced references to LIBOR with references to SOFR. With regard to our variable rate debt, a 10% increase or decrease in interest rates would change our annual interest expense by approximately $2.5 million $2.0 million.

Foreign Exchange: While the Company primarily conducts business in markets that use the U.S. dollar, the Canadian dollar, the Euro and the British Pound, its non-U.S. operations transact business in numerous different currencies. The Company's results of operations are subject to risk from the translation to the U.S. dollar of the revenue and expenses of its non-U.S. operations. The effects of currency exchange rate fluctuations on the translation of the Company's results of operations are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 2 of the Company's Audited Consolidated Financial Statements included in the 2022 2023 Form 10-K. For the most part, revenues and expenses incurred related to the non-U.S. operations are denominated in their functional currency. This reduces the impact that fluctuations in exchange rates will have on profit margins. Translation of intercompany debt, which is not

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intended to be repaid, is included in cumulative translation adjustments. Translation of current intercompany balances are included in net income (loss). The From time to time, the Company generally does not may enter into foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

Impairment Risk: For the nine three months ended September 30, 2023 March 31, 2024, the Company recorded an impairment charge of $10.6 $1.5 million to reduce the carrying value of two one of its right-of-use lease assets and related leasehold improvements and a long lived asset, specifically a trade name. improvements. See Note 7 of the Notes included herein for additional information.

See the Significant Accounting Policies section in the "Notes to Audited Consolidated Financial Statements" of the Company's 2022 2023 Form 10-K for information related to impairment testing for Goodwill, Right-of-use lease assets and long lived long-lived assets and the risk of potential impairment charges in future periods. See the Critical Accounting Estimates section in "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's 2023 Form 10-K for information related to the risk of potential impairment charges in future periods.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance ensure that information required to be disclosed in our reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported **within** the time periods specified by in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO"), who is our principal executive officer, and Chief Financial Officer ("CFO"), who is our principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

We conducted an evaluation, under the supervision and with the participation of our management, including our CEO, CFO, and management Disclosure Committee, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rules 13a-15(e) Rule 13a-15(b) and 15d-15(e) 15d- 15(b) of the Exchange Act. Based on that evaluation, and in light of the material weaknesses identified in our internal control over financial reporting as disclosed in our Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023, our CEO and CFO concluded that, as of September 30, 2023 March 31, 2024, our disclosure controls and procedures were not effective.

Material Weakness Remediation Plan and Status

Under

The Company, under the leadership of our CFO, has continued to improve our internal control over financial reporting and our Senior Vice President of Sarbanes-Oxley Act, the Company has made significant progress with we believe these actions will be effective in the remediation of these the material weaknesses, and continued to execute on the previously communicated remediation however these activities through September 30, 2023. Particularly:currently remain ongoing.

- We continued our enhanced communications with the Audit Committee of the Board of Directors for increased oversight. The Company also formally reports quarterly to the Audit Committee regarding progress against the remediation plan. plan.
- We In the prior year, we designed and implemented controls over the our risk assessment process that include included detailed qualitative and quantitative factors to identify and assess risks and implement or modify controls in response to those risks. We are further enhancing our risk assessment process to identify potential risks related to the ongoing performance of controls. The risk assessment is regularly updated for new entities and changes in risk profile.
- Based on our assessment of the current state of the system of internal control at the consolidated and brand levels, we enhanced existing business processes and control activities and assessed the adequacy of resources.
- We implemented new controls and enhanced are improving existing controls across our information technology environment including general all business processes covering all significant accounts, focusing on controls related to access, change management over the review of journal entries, account reconciliations and segregation of duties as well as assessing the sufficiency of resources with an appropriate level of accounting knowledge, experience, and centralized certain IT training in the finance and accounting functions.
- We redesigned and strengthened control activities over reconciliations including enhanced review and approval controls.
- We designed and enhanced are enhancing our management review controls to improve monitoring of internal control over financial reporting.
- We also formalized internal control policies and procedures and conducted multiple in-depth training sessions with control owners throughout the Company.

The Company has also continued to roll out its finance transformation initiative, which involves a phased deployment of new enterprise resource planning and human resource information systems and a shared service platform.

During the nine months ended September 30, 2023, management evaluated our internal control processes, remediated gaps in the design of internal controls and has been making progress in performing operating effectiveness testing. We will consider the above material weaknesses to be fully remediated once the applicable controls operate for a sufficient period of time and our management has concluded, through testing, that these controls are operating effectively. We may also conclude that additional measures may be required In addition, as we continue to remediate monitor the material weaknesses in effectiveness of our internal control over financial reporting, which we may necessitate further perform additional internal control changes. changes as necessary.

Change

Changes in Internal Control Over Financial Reporting

Other than the changes discussed above in connection with our implementation of the remediation plan, there

There were no other changes in our internal control over financial reporting (as such term is defined in Rules 13a–15(f) 13a-15(f) and 15d–15(f) 15d-15(f) under the Exchange Act) that occurred during our most recent the quarter ended March 31, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, we are involved in various legal proceedings. We do not currently expect that these proceedings will have a material adverse effect on our results of operations, cash flows or financial position.

Item 1A. ***Risk Factors***

There have been no material changes to the risk factors in Part I, Item 1A "Risk Factors" of our 2022 2023 Form 10-K. These risks could materially and adversely affect our business, results of operations, financial condition, cash flows, projected results and future prospects. These risks are not exclusive and additional risks to which we are subject to include the factors listed under "Note About Forward-Looking note about "Forward-Looking Statements" and the risks described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

Unregistered Sales of Equity Securities

In the three months ended September 30, 2023 March 31, 2024, the Company granted the Company granted 85,041 21,593 restricted stock units underlying shares of Class A Common Stock and as inducement for employment. We also issued 222,569 1,045,296 shares of Class A Common Stock as purchase consideration in connection with acquisitions and for additional interests in subsidiaries. These transactions were exempt from registration under Section 4(a)(2) of the Securities Act. The 85,042 shares were granted as inducement for employment. The 222,569 shares were issued as a result of the exercise of stock appreciation rights that were granted as inducement for employment. The Company received no cash proceeds and no commissions were paid to any person in connection with the issuance of these shares.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

On March 1, 2023, the Board authorized an extension and a $125.0 million increase in the size of the Repurchase Program. Under the Repurchase Program, as amended, we may repurchase up to an aggregate of $250.0 million outstanding of shares of our outstanding Class A Common Stock, with any previous purchases under the Repurchase Program continuing to count against that limit. The Repurchase Program will expire on March 1, 2026. Under the Repurchase Program, share repurchases may be made at our discretion from time to time in open market transactions at prevailing market prices (including through trading plans that may be adopted in accordance with Rule 10b5-1 of the Exchange Act), in privately negotiated transactions, or through other means. The timing and number of shares repurchased under the Repurchase Program will depend on a variety of factors, including the performance of our stock price, general market and economic conditions, regulatory requirements, the availability of funds, and other considerations we deem relevant. The Repurchase Program may be suspended, modified or discontinued at any time without prior notice. The Board will review the Repurchase Program periodically and may authorize adjustments of its terms. Pursuant to its Credit Agreement (as defined and discussed in Note 7 8 of the Notes included herein) and the indenture governing the 5.625% Notes, the Company is currently limited as to the dollar value of shares it may repurchase in the open market.

The following table details our monthly shares repurchased during the third first quarter of 2023 2024 and the approximate dollar value of shares that may yet be purchased pursuant to the Repurchase Program:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Program (2)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program (2)
7/1/2023 - 7/31/2023	230,630	$ 7.93	—	$ 158,434,817
8/1/2023 - 8/31/2023	2,194	$ 5.66	—	$ 158,434,817
9/1/2023 - 9/30/2023	585,710	$ 4.72	585,710	$ 155,660,866
Total	**818,534**	**$ 5.63**	**585,710**	**$ 155,660,866**

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Program (2)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program (2)
1/1/2024 - 1/31/2024	1,034,693	$ 6.56	1,029,540	$ 131,839,608
2/1/2024 - 2/28/2024	1,587,444	$ 6.47	1,114,223	$ 124,812,923
3/1/2024 - 3/31/2024	2,205,730	$ 5.83	1,877,200	$ 113,953,763
Total	**4,827,867**	**$ 6.20**	**4,020,963**	**$ 113,953,763**

(1) Includes information for all shares repurchased by the Company, including shares repurchased as part of the Company's publicly announced Repurchase Program, and 232,824 806,904 shares to settle employee tax withholding obligations related to the vesting of restricted stock awards and restricted stock units.

(2) Only includes information for shares repurchased as part of the Company's publicly announced Repurchase Program.

Item 3. ***Defaults Upon Senior Securities***

None.

Item 4. ***Mine Safety Disclosures***

Not applicable.

Item 5. ***Other Information***

During the quarterly period covered by this Form 10-Q, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (each as defined in Item 408 of Regulation S-K).

Unregistered Sales of Equity Securities

On November 1, 2023, the Company issued 2,845,446 shares of Class A Common Stock in fulfillment of $12.7 million of its payment obligation with respect to the purchase of additional interests in its Targeted Victory subsidiary.

The issuance of the shares is exempt from registration under Section 4(a)(2) of the Securities Act, as amended. The Company will receive no cash proceeds and no commissions will be paid to any person in connection with the issuance.

On November 1, 2023, the Company acquired Movers and Shakers LLC, a business that provides social media marketing solutions, for approximately $15 million, approximately $4.5 million of which was paid through the issuance of 1,006,766 shares of Class A Common Stock. In connection with the acquisition, the previous owners are entitled to two contingent payments, each up to $17.5 million, subject to meeting certain future earnings targets for the three-year period from November 1, 2023 to November 1, 2026 and the two-year period from November 1, 2026 to November 1, 2028. The Company may elect to pay up to 50% of each contingent payment in shares of Class A Common Stock. The number of shares issued will be calculated based on the volume-weighted average closing price of the Class A Common Stock for the 10 trading days immediately prior to the earlier of the date the Company notifies the sellers of its election or the payment due date.

The issuance of the shares is exempt from registration under Section 4(a)(2) of the Securities Act, as amended. The Company will receive no cash proceeds and no commissions will be paid to any person in connection with the issuance.

Item 6. ***Exhibits***

The exhibits required by this item are listed on the Exhibit Index.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation of Stagwell Inc., as amended (incorporated by reference to Exhibit 3.1 to the Company's Company's Form 10-Q filed on May 9, 2023).
3.2	Amended and Restated Bylaws of Stagwell Inc. (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K filed on August 2, 2021).
31.1	Certification by Chief Executive Officer pursuant to Rules 13a - 14(a) and 15d - 14(a) under the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification by Chief Financial Officer pursuant to Rules 13a - 14(a) and 15d - 14(a) under the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification by Chief Executive Officer pursuant to 18 USC. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification by Chief Financial Officer pursuant to 18 USC. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101	Interactive Data File, for the period ended September 30, 2023 March 31, 2024. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.*
104	Cover Page Interactive Data File. The cover page XBRL tags are embedded within the inline XBRL document and are included in Exhibit 101.*

* Filed herewith.
** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STAGWELL INC.

/s/ Mark Penn

Mark Penn

Chairman of the Board and Chief Executive Officer (Principal Executive Officer)

November May 2, 2023 2024

/s/ Frank Lanuto

Frank Lanuto

Chief Financial Officer (Principal Financial Officer)

November May 2, 2023 2024

Exhibit 31.1

Certification Pursuant to Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Mark Penn, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 of Stagwell Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 2, 2023 May 2, 2024

	/s/ MARK PENN
By:	Mark Penn
Title:	Chairman and Chief Executive Officer
	(Principal Executive Officer)

Exhibit 31.2

Certification Pursuant to Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Frank Lanuto, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 of Stagwell Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2023 May 2, 2024

	/s/ FRANK LANUTO
By:	Frank Lanuto
Title:	Chief Financial Officer
	(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Stagwell Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Penn, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2023 May 2, 2024

/s/ MARK PENN	
By:	Mark Penn
Title:	Chairman and Chief Executive Officer
	(Principal Executive Officer)

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Stagwell Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Frank Lanuto, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2023 May 2, 2024

/s/ FRANK LANUTO

By: Frank Lanuto
Title: Chief Financial Officer
(Principal Financial Officer)

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