

# **Euromoney Institutional Investor PLC**

## **2013 Half Results Presentation**

**Colin Jones, Finance Director**

May 16, 2013

# 2013 HALF YEAR

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- **Financial Review**
- Trading Review
- Strategy/Outlook

# HIGHLIGHTS<sup>1</sup>

£m	2011	2012	2013	Change
Revenue	167.6	189.4	<b>187.3</b>	-1%
Adjusted PBT <sup>1</sup>	41.6	48.6	<b>52.4</b>	+8%
<i>Statutory PBT<sup>1</sup></i>	32.7	39.8	<b>42.7</b>	+7%
Adjusted EPS <sup>1</sup>	25.7p	29.7p	<b>31.9p</b>	+7%
Dividend	6.25p	7.00p	7.00p	=
Net debt	102.7	88.5	<b>38.1</b>	

<sup>1</sup>As reconciled in appendix to chairman's statement

# KEY MESSAGES

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- ◆ Revenues down 1% to £187.3m
- ◆ Underlying revenues excl event timing differences +1%
- ◆ Subscription revenues flat but signs of return to growth
- ◆ Adj PBT up 8% to £52.4m – decrease in underlying trading offset by savings on central costs
- ◆ Group operating margin unchanged at 30%
- ◆ Continued investment in new products and technology
- ◆ Four acquisitions announced since year end
- ◆ Interim dividend unchanged at 7p a share
- ◆ Outlook remains challenging, trading in line with board expectations

# FINANCIAL HIGHLIGHTS

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- ◆ Net debt increased by £7.3m to £38.1m since Sept 30 due to acquisitions and absence of scrip dividend
- ◆ Cash conversion 76% (2012: 87%) due to timing of incentives and CAP payments
- ◆ Underlying deferred revenues up 7%
- ◆ Adjusted net finance costs down £2.2m
- ◆ No significant FX impact on revenues / translation
- ◆ Underlying tax rate down to 22% due to UK rate reductions
- ◆ Interim dividend reflects 3x cover and 1/3 interim policy, with EPS adjustment for smoothing of CAP costs

# DEFERRED REVENUE

£m	Sept-12 to Mar-13		Mar-12 to Mar-13	
	Subs	Other	Subs	Other
Opening balance	81.0	24.1	86.8	27.5
Acquisitions	3.1	-	3.1	-
FX	4.1	0.7	3.4	0.6
NDR conversion	8.5	-	8.0	-
Adjusted opening balance	96.7	24.8	101.3	28.1
Underlying movement	6.9	5.4	2.3	2.1
<b>Closing balance</b>	<b>103.6</b>	<b>30.2</b>	<b>103.6</b>	<b>30.2</b>
Underlying growth %	7%	22%	2%	7%

# CAP

- ♦ CAP profit target achieved 2 years earlier than expected in FY11, leading to £6.6m accelerated CAP cost...
- ♦ ...offset by reduced CAP cost in FY12 to FY14

£m	FY11	FY12	FY13	FY14
<b>Actual CAP cost</b>	<b>15.9</b>	<b>6.3</b>	<b>2.2</b>	<b>-</b>
(Acceleration)/reversal	(6.6)	1.1	4.0	1.5
<b>Underlying CAP cost</b>	<b>9.3</b>	<b>7.4</b>	<b>6.2</b>	<b>1.5</b>

- ♦ Accelerated CAP cost excluded from FY11 Adjusted PBT to avoid distortion of underlying trading performance – but added back for dividend purposes for FY12 to FY14
- ♦ 50% CAP vesting Q2 FY13: 1.75m shares and £7.5m cash
- ♦ Second 50% Q2 2014

# 2013 HALF YEAR

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# TRADING SUMMARY

£m	2011	2012	2013	Change
Revenue	167.6	189.4	<b>187.3</b>	-1%
Adjusted operating profit <sup>1</sup>	49.8	56.7	<b>55.5</b>	-2%
Adjusted PBT <sup>1</sup>	41.6	48.6	<b>52.4</b>	+8%
Operating margin	29.7%	29.9%	<b>29.6%</b>	-0.3%

<sup>1</sup>As reconciled in appendix to chairman's statement

# TRADING HIGHLIGHTS

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- ◆ Total revenues down 1%, underlying revenues up 1%
- ◆ Timing differences on biennial events
- ◆ No significant FX impact
- ◆ Subscription revenues return to growth
- ◆ Pressure on bank advertising continued
- ◆ Growth from new events, mainly in US
- ◆ Group operating margin constant at 30%:
  - ◆ Headcount tightly controlled
  - ◆ Divisional margins down in line with revenues and continued investment in technology and new products (FY13: £6m vs FY12: £5m)
  - ◆ Offset by reductions in incentive costs and losses on forward FX hedges

# REVENUE BY TYPE

£m	2012	2013	Change	@ constant fx rates
Subscriptions	100.2	<b>100.1</b>	-	+1%
Advertising	24.9	<b>22.5</b>	-10%	-9%
Sponsorship	20.5	<b>21.0</b>	+2%	+3%
Delegates	41.1	<b>36.9</b>	-10%	-10%
Other/closed	4.8	<b>6.2</b>	+29%	+30%
	191.5	<b>186.7</b>	-3%	-2%
FX (loss)/gain on forward contracts	(2.1)	<b>0.6</b>		
Total	189.4	<b>187.3</b>	-1%	-1%

# REVENUE CHANGE BY QTR

Y-o-Y % change	FY2012 (excl NDR)				HY2013	
	Q1	Q2	Q3	Q4	Q1	Q2
Subscriptions	+8%	+6%	+6%	+2%	-3%	+3%
Advertising	-13%	-4%	-	-10%	-10%	-10%
Sponsorship	+2%	-1%	-7%	-	+8%	-3%
Delegates	+10%	+30%	-	-9%	+1%	-21%
Other	-13%	+21%	-3%	+14%	+35%	+21%
Total	+3%	+8%	+1%	-2%	-1%	-4%
Total <sup>1</sup>	+3%	+9%	+3%	-1%	+1%	-3%

<sup>1</sup> After effect of FX hedging

# REVENUE CHANGE BY QTR <sup>2</sup>

Y-o-Y % change	FY2012 (excl NDR)				HY2013	
	Q1	Q2	Q3	Q4	Q1	Q2
Subscriptions	+9%	+5%	+5%	+1%	-2%	+3%
Advertising	-13%	-5%	-1%	-11%	-8%	-10%
Sponsorship	+2%	-1%	-9%	-2%	+10%	-3%
Delegates	+10%	+31%	-1%	-10%	+2%	-21%
Other	-13%	+20%	-4%	+14%	+38%	+21%
Total	+4%	+8%	-	-4%	+1%	-4%
Total <sup>1</sup>	+3%	+8%	+1%	-2%	+2%	-3%

<sup>1</sup> After effect of FX hedging

<sup>2</sup> At constant exchange rates

# REVENUE BY DIVISION

£m	2012	2013	Change	@ constant fx rates
Financial Publishing	36.5	<b>31.8</b>	-13%	-12%
Business Publishing	27.5	<b>28.9</b>	+5%	+6%
Conferences & Seminars	46.7	<b>47.2</b>	+1%	+2%
Training	15.0	<b>14.1</b>	-7%	-6%
Research & Data	65.8	<b>64.7</b>	-2%	-1%
	191.5	<b>186.7</b>	-3%	-2%
FX (loss)/gain on forward contracts	(2.1)	<b>0.6</b>		
Total	189.4	<b>187.3</b>	-1%	-1%

# OPERATING PROFIT BY DIVISION<sup>1</sup>

£m	2012	2013	Change
Financial Publishing	10.9	<b>8.6</b>	-22%
Business Publishing	9.3	<b>9.8</b>	+6%
Conferences & Seminars	15.8	<b>14.7</b>	-7%
Training	2.9	<b>2.4</b>	-19%
Research & Data	28.3	<b>26.5</b>	-6%
Corporate costs / closed businesses	(10.5)	<b>(6.5)</b>	
<b>Total</b>	<b>56.7</b>	<b>55.5</b>	<b>-2%</b>

<sup>1</sup>Before effect of FX hedging

# OPERATING MARGIN BY DIVISION

	H1 2012	H2 2012	FY 2012	H1 <b>2013</b>
Financial Publishing	30%	34%	32%	<b>27%</b>
Business Publishing	34%	41%	38%	<b>34%</b>
Conferences & Seminars	34%	29%	31%	<b>31%</b>
Training	20%	25%	22%	<b>17%</b>
Research & Data	43%	42%	43%	<b>41%</b>
Group margin <sup>1</sup>	30%	30%	30%	<b>30%</b>

<sup>1</sup>After corporate costs



# 2013 HALF YEAR

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# GROWTH DRIVEN STRATEGY

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Strategy designed to build a more focused, more robust and higher quality global information and events business

- ◆ (1) Maintain tight cost control and focus on high margins
- ◆ (2) Drive organic growth:
  - ◆ *Increase share of revenues derived from subscriptions*
  - ◆ *Invest in new online data and research products*
  - ◆ *Invest in technology to accelerate print to online migration*
  - ◆ *Improve product quality through editorial investment*
  - ◆ *Focus on synergies – quality and effectiveness of marketing*
  - ◆ *Roll out successes to new geographies esp emerging markets*
  - ◆ ***Drive acquisition synergies through central infrastructure***
- ◆ (3) Using healthy b/s and strong cash flows for selective acquisitions to accelerate growth and build market share
- ◆ (4) Retain and foster entrepreneurial culture

# GROWTH DRIVERS

£m	% of Growth	Profit <sup>1</sup>	Revenue
FY 2002		35.2	179.7
Acquisitions	31%	33.0	95.1
Post-acquisition growth	39%	40.8	77.1
Organic growth	30%	31.8	42.2
FY 2012		140.8	394.1
CAGR		15%	8%

<sup>1</sup>Adjusted operating profit excluding corporate costs

# ACQUISITIONS - 1



US-based private membership organisation for executives who lead technology innovation in global organisations



Insider Publishing is the leading information source and events provider for the international insurance and reinsurance markets



Australian provider of investment forums for senior executives of superannuation funds and global asset management firms

Quantitative Techniques: benchmark and calculation agent business of HSBC which creates and maintains more than 100 equity and bond indices for HSBC's global markets division as well as over 60 external clients

# ACQUISITIONS - 2

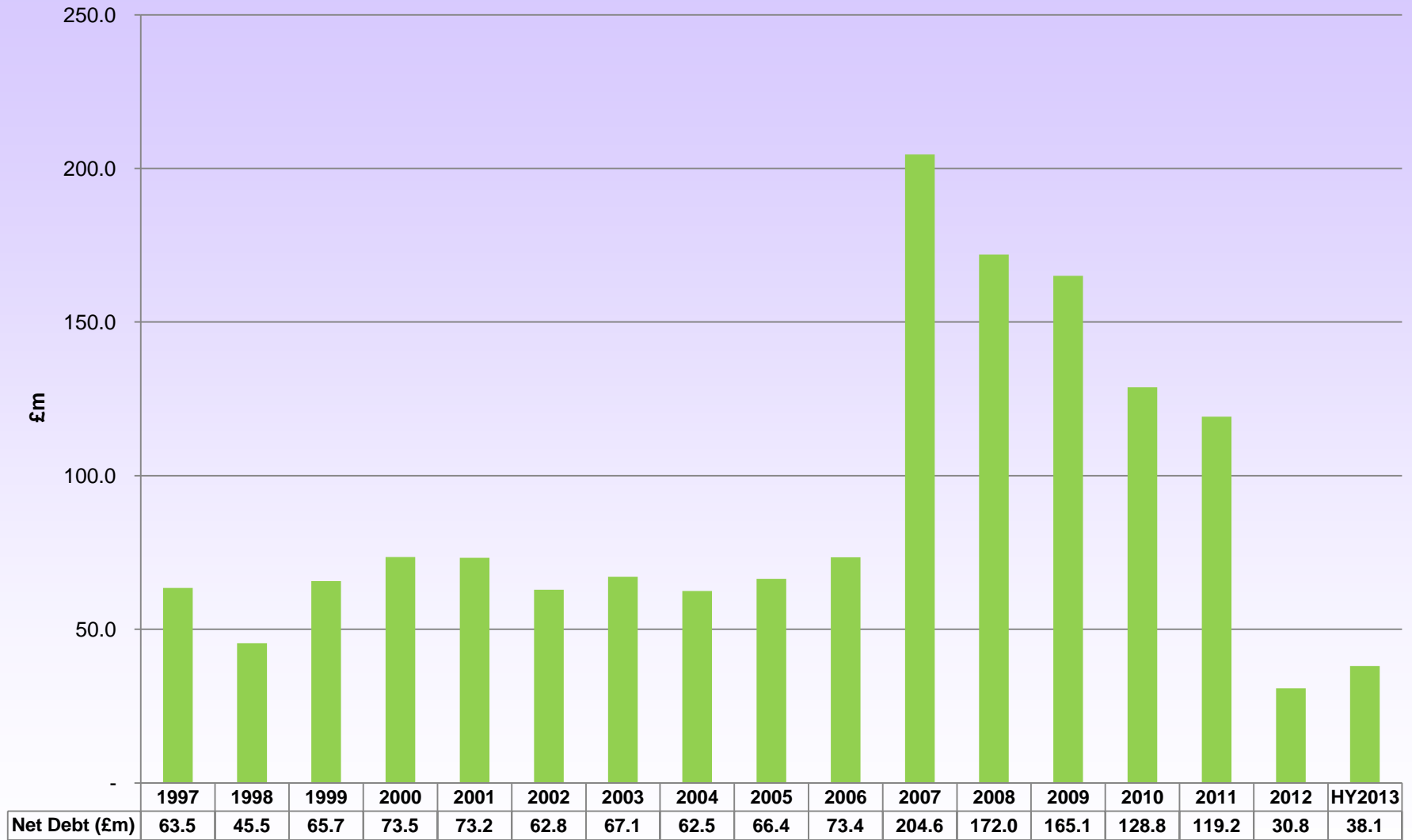
£m	TTI Vanguard	Insider Publishing	CIE
Effective date of acquisition	Jan 2013	Mar 2013	Apr 2013
Initial equity purchased	87%	100%	75%
Initial payment (excl cash acquired)	£5m	£14.4m	£9.9m
Advance contingent consideration	-	£2.4m	-
EBIT (for valuation)	£0.9m	£2.1m	£1.65m
Implied multiple	6.49x	8x	8x
Earn-out payable (undiscounted):			
2014	£0.3m	-	-
2015	£0.2m	£4.7m	£0.8m
2016	-	-	£0.9m

# ACQUISITIONS - 3

£m	Revenue				Profit			
	H1	<b>H2</b>	Total	Annual	H1	<b>H2</b>	Total	Annual
TTI/Vanguard	0.7	<b>1.4</b>	2.1	2.8	0.2	<b>0.4</b>	0.6	0.8
Insider Publishing	0.1	<b>2.8</b>	2.9	5.1	-	<b>1.3</b>	1.3	2.2
CIE	-	<b>1.2</b>	1.2	3.4	-	<b>0.6</b>	0.6	1.8
	0.8	<b>5.4</b>	6.2	11.3	0.2	<b>2.3</b>	2.5	4.8
Finance costs	-	-	-	-	(0.1)	<b>(0.7)</b>	(0.8)	(1.5)
Adjusted PBT	0.8	<b>5.4</b>	6.2	11.3	0.1	<b>1.6</b>	1.7	3.3

\*Annualised to Sept 30 2013

# NET DEBT



# OUTLOOK

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- ◆ Despite strength of global equity markets....
- ◆ .....uncertainty persists over Eurozone (Cyprus etc), US fiscal cliff (sequestration), commodities and China
- ◆ Global banks remain focussed on restoring profitability (ie cost cutting) and balance sheets, esp with increased regulation and capital requirements
- ◆ Positive signs incl US (vs Europe), M&A activity, structured products (US) – but lag effect on customer spend
- ◆ Continue to stick to successful strategy:
  - ◆ Manage margins tightly
  - ◆ Maintain investment in digital transition
  - ◆ Focus on emerging markets
  - ◆ Acquisition integration and synergies
  - ◆ Strong cash flows support more bolt-on acquisitions



# **Euromoney Institutional Investor PLC**

## **2013 Half Year Results Presentation**

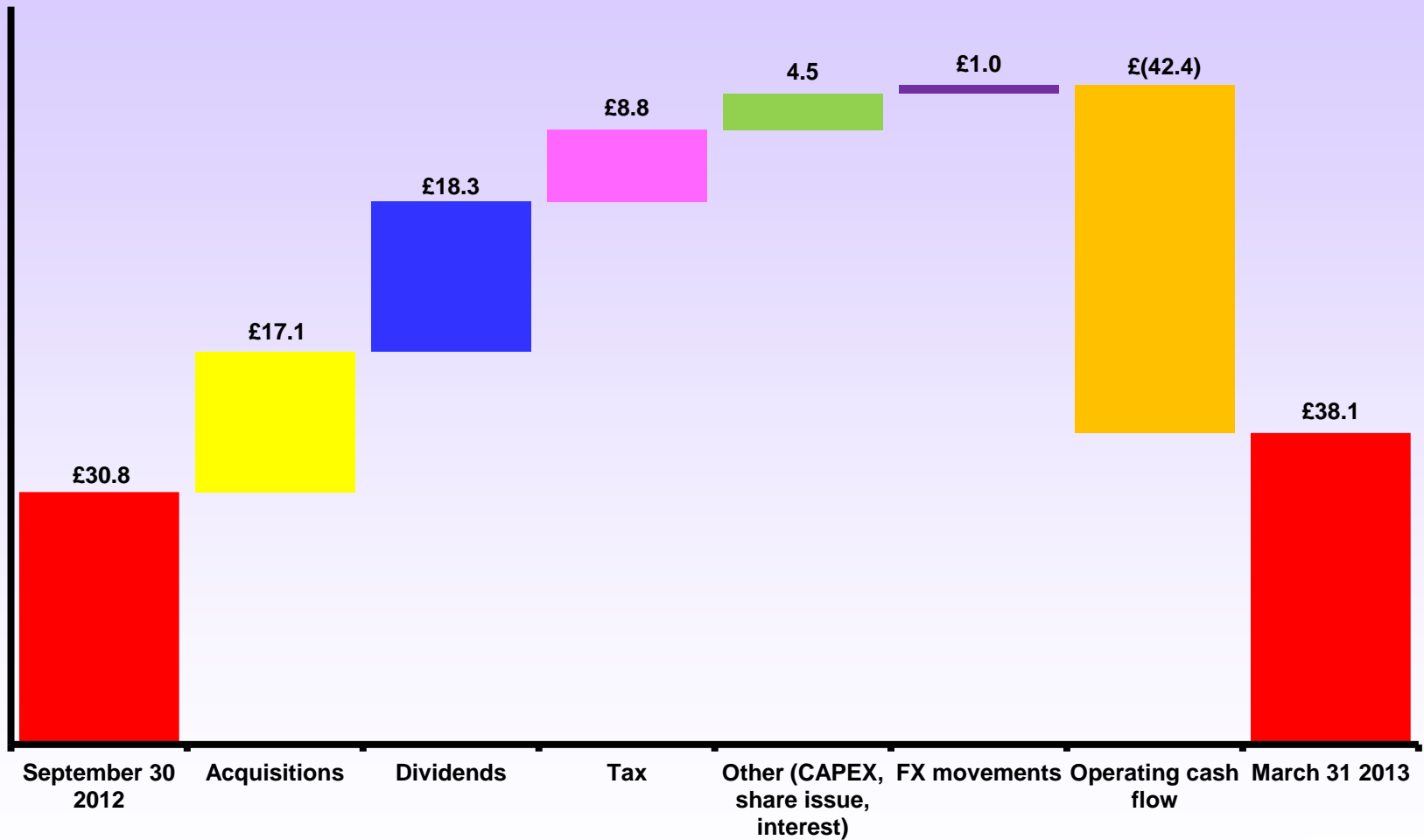
**Colin Jones, Finance Director**

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**Appendix**

# CASH FLOW / NET DEBT



# CASH CONVERSION

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	Cash generated from operations	Adjusted operating profit	Cash conversion
<b>Headline cash conversion</b>	<b>42.4</b>	<b>55.5</b>	<b>76%</b>
<i>Add back:</i>			
Profit share and incentives	20.1	12.3	16%
CAP cash payment	7.5	-	11%
<b>Underlying cash conversion</b>	<b>70.0</b>	<b>67.8</b>	<b>103%</b>

# NET FINANCE COSTS

£m	FY 2012	HY 2012	HY 2013
Interest on debt facility	(4.7)	(2.8)	(1.3)
Interest on tax	(1.0)	(0.6)	-
Other	0.1	0.1	0.2
<b>Underlying net finance costs</b>	<b>(5.6)</b>	<b>(3.3)</b>	<b>(1.1)</b>
Acquisition deferred consideration	-	-	(0.1)
Acquisition option commitments	2.0	(0.5)	(2.1)
<b>Statutory net finance costs</b>	<b>(3.6)</b>	<b>(3.8)</b>	<b>(3.3)</b>

See note 5

# TAX

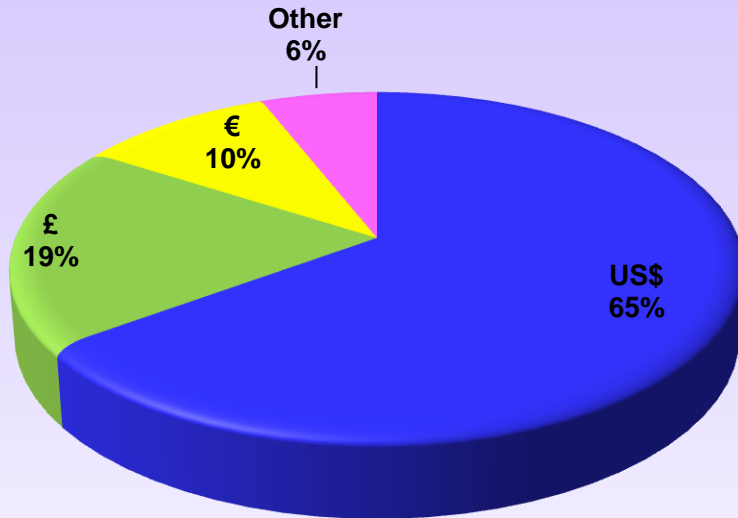
£m	FY 2012	HY 2012	HY 2013
Adjusted PBT	106.8	48.6	52.4
<b>Statutory tax charge</b>	<b>(22.5)</b>	<b>(11.9)</b>	<b>(10.2)</b>
Add: other tax adjustments	(0.8)	0.2	(1.2)
<b>Underlying tax charge</b>	<b>(23.3)</b>	<b>(11.7)</b>	<b>(11.4)</b>
<b>Underlying tax rate</b>	<b>22%</b>	<b>24%</b>	<b>22%</b>

Underlying tax rate 22-23% for FY13 depending on profit mix

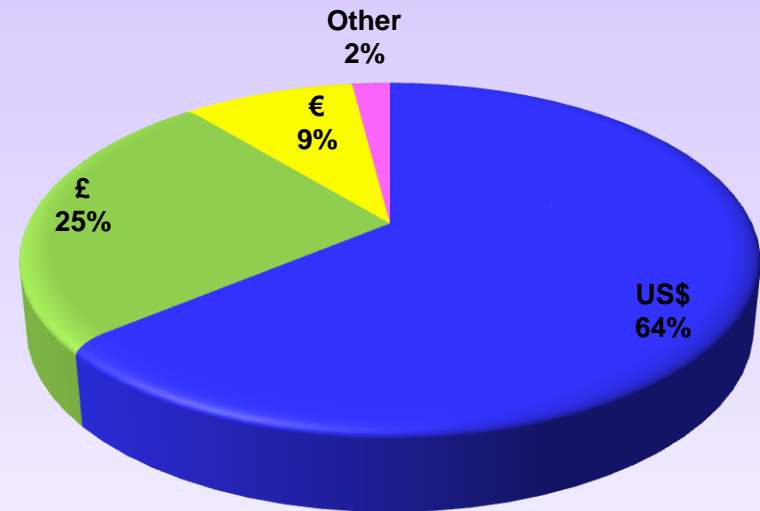
See note 6

# IMPACT OF FX

## Revenue <sup>1</sup>



## Profit before tax <sup>1</sup>



USD	2013	2012
Average rates	1.59	1.58
Closing rates	1.52	1.61

USD	1¢ movement
Revenue	+/- £1.3m
Profit	+/- £0.5m

<sup>1</sup>Before effect of FX hedging

# REVENUE CHANGE BY QTR

Y-o-Y % change	FY2012				HY2013	
	Q1	Q2	Q3	Q4	Q1	Q2
Subscriptions	+25%	+20%	+21%	+3%	-3%	+3%
Advertising	-13%	-4%	-	-10%	-10%	-10%
Sponsorship	+2%	-1%	-7%	-	+8%	-3%
Delegates	+10%	+30%	-	-9%	+1%	-21%
Other	-13%	+21%	-3%	+14%	+35%	+21%
Total	+11%	+15%	+7%	-1%	-1%	-4%
Total <sup>1</sup>	+11%	+16%	+9%	-2%	+1%	-3%

<sup>1</sup> After effect of FX hedging



# REVENUE CHANGE BY QTR <sup>2</sup>

Y-o-Y % change	FY2012				HY2013	
	Q1	Q2	Q3	Q4	Q1	Q2
Subscriptions	+26%	+19%	+19%	+2%	-2%	+3%
Advertising	-13%	-5%	-1%	-11%	-8%	-10%
Sponsorship	+2%	-1%	-9%	-2%	+10%	-3%
Delegates	+10%	+31%	-1%	-10%	+2%	-21%
Other	-13%	+20%	-4%	+14%	+38%	+21%
Total	+12%	+15%	+6%	-3%	+1%	-4%
Total <sup>1</sup>	+11%	+15%	+7%	-2%	+2%	-3%

<sup>1</sup> After effect of FX hedging

<sup>2</sup> At constant exchange rates