

Informa plc – H1 2022 Update

Thursday 4 August 2022

12:00 (noon) BST

Speaker: Stephen Carter - Group Chief Executive Officer

Stephen Carter

Thank you very much, Zoltan. And good morning, good afternoon, everybody. We've got a goodly number of people on the call so I appreciate your time. I know it's a busy day and a busy week for results, and indeed, it's August.

We've made two statements today, one of which should be reasonably familiar in substance, although the specifics are slightly different because it is a confirmation of our half-year results that we released preliminarily a few days back or a week or so ago when we did the Industry Dive acquisition. And the second announcement or statement was new news. It was confirming the sale and divestment of our Maritime business, specifically for \$460 million in round numbers, but more generally bringing to an end the process of divestment of our Intelligence portfolio that started when we announced our GAP II strategy in December of last year.

On the first, on our results, I think the headlines are clear. Our business is doing well, our businesses are in total in growth. Our Academic business continues its improvement in reach and range and revenue growth. And underneath that, there is a continued investment in expanding our provision of service development, our acceleration in open access, and the improvement in the user services and therefore enhancing content discovery and usage. And all of those things are the building blocks of growth.

In our B2B Markets business, we're seeing a progressive and paced return, post the pandemic. In the markets that are fully opened, we are more than fully trading. In the markets that are still opening, which really for us materially is now just mainland China, we are seeing progressive reopening. We talked about that at our preliminary release ten days or so ago and we've got no new news on there. We operate in six locations in mainland China. We're working with the authorities in each location. We rescheduled our program to backend load to match the reopening as and when it comes. But we've effectively de-risked our numbers for a more modest China in 2022 than we had assumed in January. But because of the strength of the performance elsewhere in the world, we're able to really ride that out.

Our Informa Tech business goes from strength to strength in that full-service model of facing off against an end market and providing a range of B2B services which is essentially what we do in Informa Tech: data, research, media marketing services, specialist conferences and unique branded events, which is the full Informa Tech offer, now augmented by the addition of NetLine, content indication and lead qualification,

and Industry Dive specialist content and audience development. So you can see in Informa Tech, I wouldn't call it a microcosm because it's becoming a really substantial business in its own right, but a macrocosm of what we're seeking to do in our specialist market strategy.

Our revenues, therefore, are significantly up year-on-year as indeed are our profits. The flow through to profits is very good. Our cash position is extremely strong and that leaves us with a net positive cash position at the half year.

On the second statement around Maritime and the completion of our divestment program, we are, I think, legitimately pleased with where we have got to. It's really only six months or so since we made that announcement. We've moved at a reasonable pace and we've done it sequentially, first Pharma, then our Fund Flow Intelligence Business, and now most recently Maritime. And much like we did in Pharma, we've retained an equity position in the Maritime Business. We know it extremely well. We have a high degree of confidence in the future value of that business but we also accept that in Maritime much like in Fund Flow and in Pharma, Citeline, there was a need for significant capital investment and our strategy will be to deploy our capital in our two big markets where we have major brands in major market positions.

The consequence of the \$3 billion worth of value that we realised through that program is it's allowed us to significantly de-risk the balance sheet and strengthen it. As a technical matter, even post the Industry Dive acquisition, I think we will be at a net debt of effectively close to zero at the year end. And, it also is allowing us to return capital to shareholders through the buyback and we announced at our preliminary release that we are resuming the ordinary dividends.

So if you take those two statements side by side, strong results, completion of the divestment program, strength in balance sheets, and a clear plan to invest for organic and inorganic growth in both of our main markets. That's where the company is at the half-year 2022. There's work for us to do in the remainder of '22 but we feel, I think, confident in our guidance through to the year end and we're now very much turning our mind to the further growth that we can see in '23 and '24.

I'll pause there, Zoltan, and take questions.

Coordinator

[Operator instructions]. We have our first question now. The first question is coming from Lisa Yang from Goldman Sachs. Please go ahead. Your line is open.

Lisa Yang

Good afternoon. Just a quick question. I think firstly on the review of your Business Intelligence portfolio, I'm just wondering if you could give us an update on Financial Intelligence. You talk about you're saying you have completed the review. So does it mean you're now intending to keep the Financial Intelligence business and what will be the rationale behind that? That's the first question.

And secondly, it feels like the margins for Taylor & Francis was down a bit more than 250 basis points in H1. I think you did mention you're obviously investing for future growth. Should we be assuming a similar margin decline in H2 as well? And then could you confirm the budget should start to improve in 2023 as you pass the peak of investment this year? These are my only two questions. Thank you.

Stephen Carter

Thanks very much, Lisa, for the question. On the Financial Intelligence portfolio, well that was always in a slightly different place from Pharma and Maritime. We have actually divested one of our businesses in that portfolio, the Fund Flow Intelligence Business, EPFR, which we confirmed when we did our preliminary release in July, which actually we also sold to Montagu who are the buyer today of the Maritime Business. So that was a full divestment.

Our Curinos Business, or the joint venture with Curinos, we had already taken a different path with that before we announced this divestment program where we've gone into partnership with Inflexion where we have a majority shareholding in Curinos. And that business is on a growth plan over a three- to five-year period which we had pre-agreed. And it's doing very well. We will let that run its course and then see where we get to at the end of that period and then that's really a judgement about timing. So our approach to the Intelligence portfolio was always slightly different. But yes, you're correct, that is the end of the divestment program.

On T&F and the margin, I don't think it was you who asked this question in July but we got asked a similar question. We've been very open that in this year we are investing in Taylor & Francis to take a growth rate up to 4%. We are seeing a progressive improvement quarter-on-quarter in revenue growth. That investment is going into a whole range of activities in the business, including enhancing our open access volume capability, improving the service development that we are delivering to our authors, and as I said in my opening comments, enhancing content discovery. And we believe that that will give us a high growth rate and that as we go into '23 and '24 you'll begin to see that flow back through again in the margin.

But that organic investment in Taylor & Francis and indeed in B2B Markets is as an important part of the GAP II program as is targeted acquisition.

Lisa Yang

Thank you. That's helpful.

Coordinator

The next question is coming from Omar Sheikh from Morgan Stanley. Please go ahead.

Omar Sheikh

I've just got three questions if I could, please. First of all, on the decision to keep, I think there's two businesses within Financial Intelligence, IGM and Zephyr, could you just talk about what the investment requirements are for those businesses? Would you need to invest much? Is that going to make a difference to the overall Group investment profile? That's the first question.

And secondly, you've got a couple of stakes now at 20% of Maritime and 15% of Pharma. Could you talk about what your plans are for those stakes? Are they locked up? When will you be free to sell and what are your intentions as you sit here today on those stakes?

And then finally, I know it's only been a couple of weeks since you talked to us about China and it looks like from the statement today you've more or less reiterated what you said. Can you just maybe talk about how you feel about the reopening there as you go into the last few months of the year? Thank you.

Stephen Carter

Thanks, Omar. I'll take those in reverse order. I mean, it's really only a few days on from when we did our announcement in July and there's nothing really that we would materially change in our view on China. As you know in China, we operate in six locations. Some of those locations are already open and we are trading. We are reasonably optimistic that the opening program that's sketched out through to the backend of the year will continue on current course of speed. The big swing vote for us would be what happens in Shanghai, and we probably will get a clearer guide on that, I think, in the middle of August. But as a practical matter, we've tried to de-risk the forecast for '22 and that's inherent in our reconfirmed guidance.

I think the real question I'd be asking if I was you is, what do we think China will be like in '23? And we have a high degree of confidence that there's progressive opening even if there are a couple of stumbles in the remainder of '22. It's only going in one direction and I think we are confident that that direction will see the Chinese business come back strongly. And we've seen that in 10, 15, 20 countries around the world, which have had different pace rates on reopening. So, I think we're comfortable on that.

On our retained shareholding in Citeline, in Lloyd's List, and indeed our majority position in Curinos, I'm not going to get into details of specific shareholder agreements but suffice it to say that we're very comfortable that we can make the right decisions at the right time to maximise value. And we're confident that those partnerships and investments will have real forward value for the Group. And we have gone into those either as a minority in the main or in the one instance with Curinos as a majority because we see that's the route to maximum value and we've got a lot of flexibility in how we develop those.

On IGM and Zephyr, they were always in a different category than anything else in the Intelligence portfolio, partly because we have got some overlap in our business in Informa Connect. We have a wealth management portfolio and a private capital business inside Informa Connect, which as well as a little bit like in Informa Tech where as well as having a branded events business we also have media platforms, media brands and some content assets.

And so, our intention is to combine our fixed interests in wealth management business with that existing finance portfolio. It does require a bit of investment but in the context of \$3 billion of value, I

don't think anyone will externally notice that. And we're very comfortable that the investment in product combined with the products and the platforms we already have actually we've come to the conclusion that we can create a better business through that combination than we could extract value through selling it as two standalone businesses. And part of that is informed by the fact that the total value realised significantly exceeded not only the market's expectations but candidly our own. And so we feel confident in making that decision and carrying it on a go-forward basis.

Is that clear?

Omar Sheikh Yes, that's very clear, Stephen. Thanks very much.

Stephen Carter Pleasure.

Coordinator Thank you. The next question is coming from Sarah Simon from Berenberg. Please go ahead. Your line is open.

Sarah Simon Yes, just a housekeeping question. Given that you are retaining some of those Financial Intelligence assets, what's the delta in terms of what's retained? So, previous guidance obviously had been we'd been given estimates for the EBITDA that would disappear but obviously it's not going to be quite as much of that that goes now. So if you could just give us a reconciliation so that we know we've got the profitability from those retained businesses going forward that would be helpful, probably more of a Gareth question, really.

Stephen Carter Well, if Gareth were here, Sarah, he could give you that answer, but even if he were, I think what we'd do, if you don't mind, is I will get either Gareth or Richard or Mitesh to follow up with you and anyone else who is interested in what the specifics are on a going-forward basis. I mean, Curinos was never removed from the model. Curinos we were always going to retain. The only other thing that's changed is Zephyr and IGM, which will stay within the Group. We've never broken out Zephyr and IGM on their own as a revenue line. And they will end up being consolidated inside Informa Connect.

Sarah Simon Okay, in Connect. I'll follow up.

Stephen Carter But they were always in the model for much of this year. So really it's more a question for '23 and as I say, the intention is to combine them with the finance portfolio that already sits within Connect. That's really the only difference, I think, and we'll clarify exactly what that means for '23 afterwards.

Is that helpful?

Sarah Simon Yes, but can I ask one follow on, which is the minority stakes you've kept as part of the disposal process, have you got any puts on those or is the exit really subject to them being a trade sale or an IPO in due course?

Stephen Carter Sorry, Sarah, I missed the first bit of your question. Are you talking about our minority holdings?

Sarah Simon Yes as to monetising those in due course. Have you got put options agreed as part of that process or is it more a question of when Montagu or Warburg Pincus sell or IPO you get your cash out then?

Stephen Carter They're all individually different because for example in the case of Curinos, we are the majority shareholder. But we've entered into all three of those positions with a view that the businesses will be more valuable in a period of time and we are intending to be shareholders at the level that we are a shareholder in order to capture that value. And it varies depending upon the agreement.

Sarah Simon Okay, thanks.

Coordinator Thank you. Our next question is coming from Nick Dempsey from Barclays. Please go ahead. Your line is open.

Nick Dempsey Yes, good afternoon. First of all, you committed to £725 million of buyback to maybe get you through to April or something like that. You originally talked about £1 billion. Now that you've sold a little bit less than you'd originally planned, might you stop at £725 million, pause for the rest of 2023, at least? How will you be making that decision about continuing the buyback?

The second question, have you experienced any changes in the forward booking dynamics at all around shows that are exposed to more cyclical markets? I think construction will probably be the front of that in the US.

And the third question, really a follow on from the things other people have asked, but can you give us a sense of the conversations you've been having with your customers in China, even though there aren't necessarily data to point to? I just want to see if there's anything you can give us to reassure us about particularly 2023 and the demand coming through.

Stephen Carter Okay, thanks for those. Why don't we just take them in the order you asked them actually? On the buyback, you're correct. Obviously it's slightly dependent upon the price but our view is about the same as yours that that will probably take us through until end of the first quarter, plus or minus a bit in 2023. And then I think we'll just take a view then. And if that's a better use of available capital then we might extend it or continue it as part of an ongoing shareholder return program. Or if we think there's a better return to be achieved through deployment of capital within appropriate limits, then we would deploy that elsewhere. But I think it gives us time and also I think that touches on your third question, which it also gives us time to allow the return dynamic in the B2B events market to play itself out.

To your question around forward booking, we're seeing no change in forward bookings. I mean as you know, we don't really have—construction is probably our most cyclical end market but one of the

many strengths of our portfolio is that our end markets are not as prone to cyclicity and they are very fragmented. But, I mean, looking at weekly data, and forward bookings, we are seeing if anything the opposite. It's strengthening and growing rather than weakening.

On China, I think we're seeing a very similar experience that we've had in North America, in the Middle East, in Europe, in South America, in ASEAN, which is when you reopen the markets, your strongest source of demand is from your domestic SME customers because they've been denied access to customers and denied access to markets. And one of the strengths of our Chinese business is that it is very much a domestic business; I'm talking about mainland China here. The Hong Kong brands and the Hong Kong market is different. But in mainland China, the vast majority of our customer base are domestic and so we've stayed very close to our customer base.

We've actually had to go through, much like we did in North America and the Middle East and in Europe, a postponement rescheduling. Similarly we've seen, I would say, close to zero demand for refunds and so the level of rolling commitment from customers remains high.

Our judgement, our commercial trading judgement, is that the question outside of macro geopolitics, the question, the operational question in China is do we see safe and successful phased reopening in the six locations that we operate and we're working very responsibly with local authorities, local operators, state governments to ensure that that works as well as it can. And I suspect '22 will be a series of experiments which will then lead us into a '23 which on our current expectations will be far more normalised.

Nick Dempsey

That's helpful. Thank you.

Coordinator

The next question is coming from Adam Berlin from UBS. Please go ahead.

Adam Berlin

Hi, good afternoon, everyone. Just a couple of questions from me. The first one is on Informa Markets. If I've done my math right I think H1 revenue was 56% of 2019. And I just want to check I'm not missing things. So there's no China. You've still got some shows that won't have as much international participation, and I think there are some shows that have closed down and won't be returning. Is there anything else that explains why it's only 56%? Is there anything removed from H2 and anything like that that should help H2 revenue? That's the first question on Informa Markets.

And the second question is on Informa Tech, which had very strong revenues in the half. But I noticed that the margin was down considerably on H1 '19 even though the revenue was higher. So could you just explain a little bit about why the Informa Tech margin is much lower than it was in 2019? Maybe the question is more for Gareth...

Stephen Carter

I'll try and do a poor man's impersonation of Gareth, Adam, if I can. On the 2019, I just can't give you the data, and I don't think Gareth

could either, because I mean you're correct that if you're looking at what is this year versus '19, you're correct that there was effectively no China. And China is a non-trivial first half, which is actually really second quarter for us normally and the second quarter was zero. So that is a major change. There are some shows that we closed. That's definitely the case. And, the average of '19 to '22 comparables is probably tracking between 75% to 85% depending upon the brand.

So how that reconciles to 56%, 56% feels like a low number. I suspect that the answer is, but I can't give you the data points, that there are a number of brands that are happening in the back half of the year in '22 that were in the front half of the year in '19 if you know what I mean. And therefore because we've had two years of rescheduling and postponement, '22 was always going to be a slightly out of cycle year, and so you end up with a little bit of distortion if you're comparing literally first half '19 with first half '22. So I think those are the building blocks but I can't tell you here are the 16 brands that were in first half and they're now in the second half. We'd have to reconcile that offline.

On Informa Tech, the only material difference that I can think of that would speak to margin is that we had a major launch in first half '22 in Saudi Arabia, which was the LEAP event, which was the first year of an event and we deliberately took the view that the way in which to launch into that market was to launch large rather than normally what we would do is we would launch a product at small to moderate scale. We would accept that we would probably lose money in year one; year two, it might get a breakeven; year three you start to make profit. In this case, we applied the same approach but with an ambition to get to real scale and we got to enormous scale. I mean, I think it was officially the largest ever launch tech event anywhere in the world. I think we ended up at north of 80,000 to 100,000 attendees. So it was an extraordinary successful event on the revenue line and on the participation line.

But we highly invested in it to maximise its success both for itself and also to open up the Saudi market. And you will have seen in July that was part of what lay behind the agreement we've now reached with our partners in Saudi to expand further in other categories. And up until now, we have I think—maybe struggled is not quite the right word—but we've never quite previously managed the formula for entry into that market. And so we took the view that we would go for a scale entry and that will have had quite some margin impact on Tech. I think that will be the primary implication as the Tech margin.

Adam Berlin

Thank you very much, Stephen. It's very helpful.

Coordinator

The next question is coming from Omar Sheikh from Morgan Stanley. Please go ahead.

Stephen Carter

Are you there, Omar?

Omar Sheikh

Sorry, I was on mute. I'm back in for just a couple of quick follow-ups if I may. Firstly, could you maybe just give us the adjusted EBITDA

for the two businesses that you're going to keep within finance, so IGM and Zephyr, for maybe '21? That would be helpful.

And then secondly, on the H1 adjusted operating profit, you were slightly ahead, almost materially ahead of what you guided to just a few weeks ago. So, does that make you more confident about getting maybe above the top of the range for the full year? Or is it just phasing? Thanks.

Stephen Carter

Thanks, Omar. Adam, if you're still on the line, the other thought that I had on the '19 to '22 comparable is that '19 had a much higher biannual component than '22 would have done even in a normal year. So that's another variation in Informa Market's first half.

To Omar's questions, no, to your second question. I wouldn't revise your full year forecast. I mean, we've guided to the upper end of the range and we're comfortable holding that guidance. As we've discussed on this call and in other instances, we've got some variables in the market, not least China, and at the moment, it's difficult to be entirely accurate as to what pace and rate and volume mainland China will return. And we've got a job of work to do in the backend of the year in two or three of our businesses.

So I wouldn't over interpret it. You're correct. I mean, I think the number we guided in the preliminary release was to 220 plus, and we've ended up at 235 in round numbers. But I think that was really just to do with the fact that—and you know what it's like in the preliminary statement, the one thing you don't want to do is be on the wrong side of the number. And we were very focused on completing the Industry Dive acquisition, and we just wanted to give the market an overview of our overall performance alongside the arrival of Industry Dive.

So just when we got into the statutory finalisation of the profit, the first half profit just happened to be higher. I wouldn't over interpret it and I wouldn't extrapolate it into the second half. If anything changes, by the time we do our IMS in November we'll know where we are in China, and so we'll give further guidance at that time. But I wouldn't change it now.

On Zephyr and IGM in the '21 numbers, the EBITDA contribution is around, I would say, 10 million.

Omar Sheikh

Brilliant. That's very clear. Thanks a lot. I'll stop asking questions now.

Stephen Carter

No worries. Zoltan, do we have any other questions?

Coordinator

Yes, we have one more question. This question is coming from Sami Kassab from BNP Paribas. Please go ahead.

Sami Kassab

Thank you and good afternoon, everyone. I have two questions, please. The first one is on open access. Can you comment on your open access volume and revenue growth rates in H1 and whether this has

accelerated or perhaps suffered a slowdown because of the high 2021 base?

And the second question on Informa Markets, it seems to me that official labour statistics seem to suggest that the pace of recruitment in the US trade show industry is lagging the top line recovery. I see Informa Markets margin coming stronger than expected, so perhaps deflecting that trend. And I want to ask you whether you expect any structural changes in the margin profile of your North American trade shows. How different would the margins be if you were running at 100% of 2019 revenues? Would they be higher? Thank you.

Stephen Carter

Thanks for those questions. On the second, I mean, I can say we're in—I mean, I don't know the specific numbers for markets in North America but I do know our specific overall recruitment numbers and they're high. So we are actively recruiting in all markets and we're also recruiting at scale in what are newer areas, not new areas but newer areas for the business in product management, in technology, in digital marketing. And those are actually highly competitive as skills and profiles, particularly in the North American market. So in the main it's requiring us to be more competitive, not less. I think we have added net a significant, i.e. hundreds of new colleagues for the company over the period and that is a big part of our GAP II program is investing in skills. So, no, I don't think that speaks to the shift in the margin.

As to a structural change, I mean, I understand why everybody wants to baseline to '19. We're not ignoring '19 but in a sense, it's sort of history. Our business is quite different. The product and the service offering that we're delivering to customers is really quite different. We're investing significantly in smart event development, in digital enhancement of the live product. We're pioneering on demand systems to sit alongside the live product. We're moving into audience development, lead generation and data curation. It's going to be a different business. We actually think it'll be a higher growth business with very attractive margins but we're not really baselining it off '19.

On open access, we don't break out the details of open access either on a quarterly or half basis. But to your question, no, we haven't seen any structural change in open access volumes.

Sami Kassab

Thank you very much.

Stephen Carter

Thanks.

Coordinator

Thank you.

Stephen Carter

Zoltan, if we have no other questions, why don't we wrap it up? Thanks very much. I know it's a busy day in the schedule. Appreciate the time and the interest and thanks for everyone's time and have a good summer.

Coordinator

Thank you, everyone. That concludes your conference call for today. You may now disconnect. Thank you for joining and enjoy the rest of the day.