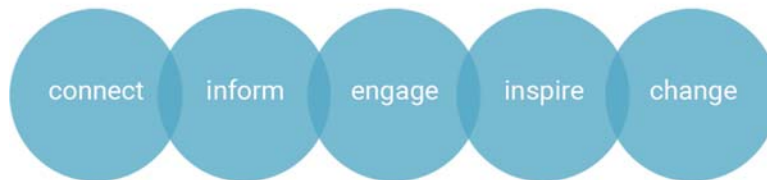


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Informa
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INFORMA

Stephen A. Carter, Group Chief Executive

Gareth Wright, Group Finance Director

QUESTIONS FROM

Will Packer, Exane BNP Paribas

Chris Collett, Deutsche Bank AG

Simon Davies, Canaccord Genuity Ltd

Steve Liechti, Investec Specialist Bank

Tom, Citigroup

Simon Baker, Société Générale

Nick Dempsey, Barclays

Patrick Wellington, Morgan Stanley



Introduction & Highlights

Stephen A. Carter, Group Chief Executive

Good morning, and welcome to our half year results. I'm very conscious as ever that this is a busy time of year, certainly for results presentations, and so we're always very appreciative of people who take the time to join us, particularly physically, so welcome. And also welcome to those people who are joining us on the webcast.

Usual form today. I'll say a few introductory remarks, hand over to Gareth, and then he'll pass the baton back to me and then we'll throw it open to as many questions as people have.

I think these are our headlines. I suspect most people will have seen the press release, had a bit of a chance to have a look at it, even on a busy results posting day. Our sense of where we are is we're in good shape and gaining pace and momentum. We're in a peak year of investment for our growth acceleration plan - and we'll talk a bit about that, both in detail and in specifics. But from our perspective the pleasing thing is that inside the business what it feels like is a business gaining strength, resilience and capability. And we'll try to give folks a bit of a sense of that as we go through the presentation.

These are the headline numbers. The organic growth rate ticking along nicely, driven in the main by strong growth in our Exhibitions business which is our newest business. I think this compares with just a notch above 1% this time last year. The reported revenue a bit higher. That's mainly a function of currency, but that is also a function of the fact that over the last few years we've weighted the business deliberately more and more towards the US market which is something we are purposefully continuing to do. We've also had a strong performance from the acquisitions that joined the business last year so we feel good about those.

Very good profit translation which we're pleased with. A little bit of a drop-off on the earnings line. That's largely to do with debt, which Gareth will unpick. It's a mixture of cost of debt, the fact that most of our debt is US denominated debt, and then we've done I think the prudent thing on a bit of history to do with the old performance improvement business that some long-term watchers of the company may be aware of.

We've confirmed our dividend commitment as per the growth acceleration plan for the Interim Dividend and the balance sheet is pretty much steady as it goes.

Forward outlook, our guidance remains as-is. We're on track for another full year of growth in revenue and adjusted earnings. I'll give a little bit of guidance on that as it relates to the individual divisions towards the end of my section after Gareth.

This is very much the peak year of investment for us in the GAP programme both in absolute terms in cash for this year, in compound terms, and in activity. There's nothing here that's particularly new, certainly not for us. Pretty much all of what we planned is happening at a pace and rate across now all four of the businesses, and indeed in our global support functions where we're also busy building capability particularly in reporting and in talent management. All four operating divisions are on track for their growth targets against the GAP programme, so we feel confident not only about the activity but also about the projected return rates.

And these aspects of the GAP programme should hopefully be now familiar to people. What we're seeking to do is to build capability across the business in all these areas, to get ourselves to a point whereby we have predictability both in performance and then in returns.

We've done a lot on talent across the business, not just at the management level but in some very specific areas of the business, particularly in sales, sales renovation, sales incentive structures and sales programmes.



Technology has probably been the biggest area of talent change for us as a company. It was never really previously an area where we had a cadre of skill and capability beyond a certain level. We're now into our second year of our graduate training programme. Training more generally has become quite a big investment area for the company, and probably most materially in terms of driving behaviour and shifts in performance has been the shift in the architecture of the incentive structures within the business which has pivoted more towards revenue and long-term performance and away from solely in-year profit.

On the product side a lot of activity here which starts at the front end with recognising that the world's gone essentially 100% mobile and if you're in the data and information business, mobility and mobile responsiveness is key for your product format and product presentation.

Digital which is a statement of the obvious for most of us has not always historically been the case at Informa, and now that is pretty much the watch-word through all of our businesses. I'll bring that to life a little bit later.

On the platform side, platforms come in lots of ways for us, whether that's sales management platforms, content management platforms, data capability, or indeed the way in which we communicate with our customers. The operating structure of the business I think is now pretty clear, the four divisions operate as-is, they operate well, they're coherent, they're well-managed, they have integrated management teams, and in reporting, tracking, accounting and accountability the business is predictable.

On a portfolio level we are now moving more and to organising the business around verticals. So first shift - renovate the business, simplify it, build some capability and then start to pivot the business more around the markets.

On M&A we remain very disciplined on M&A. We are very focused on what happens internationally. We are now very much an international business; nearly 60% of our revenues are now in USD or USD-pegged revenues. We are focused on building scale particularly in Global Exhibitions and in developing our position in vertical markets that we feel good about, such as TMT where you saw us make a small addition today.

This I suppose is my version of a Brexit slide but I don't intend to say much about Brexit. It doesn't materially affect our business, but it gives you a sense of the shape and feature of the Group. Our revenue by geography which shows that whilst we are now firmly domiciled here, we're headquartered here, a significant proportion of our cost base is here, actually a relatively small proportion of our revenues are in sterling or indeed in euros.

I think more interesting is our revenue by type. One of the things that we talked about very early days was how did we begin to shift the mix of predictability and future visibility on the revenues. That is a function of bolstering our Subscription business both in academic journals and BI, improving our subscription renewal and our annual contract values, and growing the scale of our Exhibitions business versus our Conference business. And the combination of all those is getting us pretty close to a point whereby we have about two thirds of our forward revenue which we can see with some degree of predictability, which gives us quite a lot of comfort on a going-forward basis.

When you wrap that all up, what are we building towards? This is the operational fitness picture we first started talking about in 2014. We are moving to a point I hope where we will have a very sustainable, predictable performance across the business, in revenue, in profit and in earnings, underpinned by underlying growth as well as then addition on top from acquisitions in markets that we're interested in. Continuing to grow the predictable and recurring revenues and taking our spot revenues as a proportion of our mix down, and improving the operating leverage in the business to give us scale where we want to add, we can add effectively and get the benefit from it.



Cash generation is an attractive feature of our business and that remains strong. International scale we're interested in but we remain interested in the main in building that position in the United States. We are moving slowly to becoming more of a digital and data business and that capability is something we will build over time. And a robust and steady balance sheet which give us forward strength but also the ability to weather changes in external markets is a kind of security feature of the business. And that's the shape and feel of the group that we're slowly but surely building over time.

Now I'll hand over to Gareth. Gareth?

Financial Review

Gareth Wright, Group Finance Director

Thanks. Good morning everyone. As Stephen said we acknowledge that it's a busy day in the markets today so we appreciate you taking the time to come along and hear our half-year results.

We've talked consistently about 2016 being a year of disciplined delivery. This remains our core commitment for the year. Our focus is on continued operational progress and ongoing financial delivery whilst managing our way through 2016, the peak year of investment for the growth acceleration plan.

We have today announced organic revenue growth of 2.5% for the first half of 2016 which represents an acceleration on the growth reported this time last year, and an acceleration of the growth reported at year end. This starts to demonstrate the progress on our objective to improve the Group's revenue performance through the period of the Growth Acceleration Plan. Reported revenue is up 4.7% to almost £650m, reflecting a currency tailwind from the stronger USD and a positive performance from the businesses added in 2015, along with the improved organic growth that we have delivered.

This reported revenue growth has driven a 6.3% increase in adjusted OP to just over £200m, which in turn drives earnings 3% higher after an increase in the interest charge which I'll break out in a minute.

The group's balance sheet remains robust, healthy, and positioned for growth. The ratio of net debt to EBITDA is 2.4x at the half year, well within the 2 to 2.5x range that we've communicated previously.

The Interim Dividend has increased by 4% which delivers the increased minimum commitment that we made in February for dividend growth through the period of the Growth Acceleration Plan. And the delivery of strong free cash flow remains a key objective. We've delivered on this in the first half of 2016 on an underlying basis, though there are some one-off factors that I'll talk about on the following slide.

Moving to the income statement I'll start by talking you through the results by division. Global Exhibitions performed strongly in the first half of 2016, delivering organic revenue growth of 11.6%. The portfolio has performed really well, driven by strong performance from the top 20 events. Significantly the subsequent growth in operating profit has resulted in Global Exhibitions now being the largest division in terms of operating profit generation in the first half of the year, and the significance of this fact is that having our highest margin business and our fastest growing business as the largest drives an expansion in the Group operating margin despite the incremental year on year investments being put into all four divisions. Finally the reported revenue growth for Exhibitions of 14% represents bolt-on acquisitions plus the benefit of a stronger USD.

Turning to Academic Publishing we've delivered a solid first half performance with half-year organic revenue growth of 0.9%. This represents a stronger performance in the Journals business and a less strong performance in Books, but the result does not change our expectations for full year growth broadly in line with last year's results. It does reflect a lower demand in volumes in books, principally



in US print books, but that is consistent with the trading we saw at the end of 2015. Finally the reported revenue growth of 10% year on year primarily reflects the 2015 acquisitions of Maney and Ashgate and also the benefit of a stronger USD.

Business Intelligence continues to deliver on its turnaround plan in the first half of 2016. The half year organic revenue decline was 0.5% but we believe the division is positioned to deliver organic revenue growth for the full year based on the improvements in the renewal rates we've seen in the first half of the year, and based on the year on year increase in the annualised contract value that the division is currently running. The reported revenue decline of 3% reflects the 2015 disposal of the Consumer Information business.

Knowledge and Networking continues to make progress with its strategic repositioning. The half-year organic revenue decline of 4.7% is driven by two main factors. Phasing of events for the first half of 2015 to the second half of 2016 equates to about half of the decline and there is also a reduction in the number of events operated.

To step back, a key dynamic in both these factors that I've just mentioned is the brand consolidation strategy being pursued by the K&N management team to merge smaller events with larger ones, thereby creating stronger community brands. In the first half this has had the effect to reduce the number of events outright and to reposition the events within the year.

Additionally the division has seen headwinds in Brazil and the Middle East from macro factors in those regions, but we highlight that the performance in the core verticals has been robust and continues to represent a strong base to deliver future growth.

Finally the reported decline of 9% reflects the 2015 disposals of the businesses in the Netherlands, Denmark, Sweden and Russia.

In summary this half-year performance leaves us on track to deliver on targets we've set ourselves for 2016.

So our strategies, the 2014 to 2016 Growth Acceleration Plan. This slide will look very familiar to long-term informal watchers but that's with good reason, because we're reconfirming that our expectations remain unchanged in respect of the profile of investments and the profile of returns that we forecast from the programme.

In the first half of 2016 we invested around £25m through the programme, leaving us on target to complete the majority of investments by the end of 2016. We also reconfirmed that the governance we have put in place on the project is functioning as planned. The financials are certainly difficult to track externally and it's difficult to separate the BAU from the GAP, but additionally, internally I can guarantee that we are tracking the returns on a project by project basis.

In terms of the delivery phase what's really exciting about the Growth Acceleration Plan in 2016 is that we're starting to move into the delivery phase where the projects go live. This is a phase where our customers in all four divisions start to see the benefits in the investment programme kicked off in 2015. This visibility over launches also builds our confidence in the ability of the Growth Acceleration Plan to deliver the returns targeted.

At this stage we're certainly early in the timeline as we have only seen the first couple of projects go live. But the frequency of launches is on track and will gain momentum across the second half of 2016 and right across the next year.

Turning to the income statement as a whole we can see that the Group has generated over £200m of adjusted OP with a 40 basis point increase in the operating margin to just over 31% driven by the strong margin and the strong growth in Global Exhibitions. The P&L costs of the Growth Acceleration



Plan impact the margin by almost a percentage point in the first half of 2016, so the overall expansion in the margin is despite the headwind from that investment.

The 6% increase in operating profits delivers a 3% increase in earnings. The slides notes a number of factors between OP and EPS but by far the largest factor is the increased interest charge resulting from three things. From a \$250m US private placement loan note taken out in the third quarter of last year securing long term seven year and ten year financing for the business but increasing the Group's interest cost. From an increase in the Group's interest charge in 2016 because of the stronger USD. And from the prudent treatment of interest on a long term loan receivable. This loan receivable results from the 2013 disposal of five corporate training businesses for a mixture of cash and interest bearing loan notes. Following a period of under-performance in the business we have taken the prudent view not to accrue interest in 2016 on these loan notes which has a £2m year on year impact on the half year interest charge.

So in summary this performance delivers a 3% increase in earnings in the first half of 2016.

As I said at the top of my piece, generating free cash flow is a key area of focus. In the first half of 2016 there have been four specific one-off factors that have impacted free cash flow generation. The £14m year on year increase in capex as part of the Growth Acceleration Plan investment programme. The timing of cash flows in Academic Publishing, principally the £15m timing shift in the receipt from Swets. A £14m one-off benefit in the first half of 2015 for tax. And incremental interest payments because of the USPP borrowings and stronger USD that I mentioned earlier.

We're confident about stronger free cash flow performance in the second half of the year. There will be further cash outflows supporting the capex investment in the Growth Acceleration Plan and the investment payments in the second half, but the Swets dynamic and the tax dynamic are all in the first half. Additionally we take confidence from the Subscription, recurring and forward booked revenue streams that make up two thirds of the Group revenue where the cash inflows are weighted to the second half of the year,

Reported Net Debt has increased to £105m with two key factors: the effect of the strengthening USD at the half year on our USD borrowings and the payment of the Group's final dividend for 2015.

In terms of leverage the half year position is strong, with Net Debt EBITDA at 2.4x, calculated per our bank agreement using the average exchange rates to translate closing debt and including a full year of EBITDA in respect of acquisitions completed to date. This leaves us within the 2 to 2.5x gearing range that you have been expecting. Finally the headroom on our facilities of £400m at the half year provides real funding flexibility going forward.

The Group's funding strategy is unchanged despite the volatility in foreign exchange post-Brexit, because having circa 80% of our borrowings USD-denominated is consistent with the Group's EBITDA generation in USD.

Our Debt Maturity is secure, with the first repayments due in December 2017 and the RCF extendable to 2021.

Another key feature of our balance sheet that we're keen to highlight as we often feel it gets lost is our very low pension exposure. The Group's Defined Benefit pension scheme closed to new accrual a number of years ago. No cash contributions have to be made under the current funding scheme, and the current funding scheme will not be reviewed until 2018. And finally despite the weakening gilt yields in the run-up to half year, the liability is only £15.6m.

Our strategy to position the Group for growth is about maintaining financial performance whilst making investments and focusing on the delivery of future returns. Whilst in 2014 to 2017 the Growth Acceleration Plan is only entering the delivery phase, our focus on returns has already been demonstrated in the Group's return on capital employer metrics. Since the end of 2013 we've added



80 basis points to the Group's ROCE, driven by elements of our strategy focusing on operating structure, management model and portfolio management, despite at the same time making the investments that substantially improve the Group's capability for future performance.

So if that slide summarises progress let's finish by recapping on a couple of areas of performance delivered in the first half of 2016. Delivery of progressive improvement in organic revenue is a key objective at a portfolio level for the management team. We've delivered growth in adjusted operating profit and a growth in adjusted operating profit margin, despite this being the peak year of investment in the Growth Acceleration Plan. We're focused on driving free cash flow generation and making progress despite specific one-off year on year factors, and we have a robust balance sheet characterised by leverage within our long term target range and a very small pension liability relative to the Group's overall balance sheet.

Thank you for listening. I'm now going to pass you back to Stephen.

Business Review

Stephen A. Carter, Group Chief Executive

Thanks, Gareth. It's Gareth's birthday tomorrow so he's very excited about getting to the end of all this.

Right. I'm now going to try to give you a bit of colour and then we'll get into questions. I'll give you a bit of colour on each of the businesses but in each of these categories, so just a little bit about each of them maybe to bring it to life for people.

The sort of central sense that we have inside the company which is always difficult if you're looking from the outside is, as I said earlier, a building of capability for the long term and an improvement in ambition. And I'm just going to pick out some highlights here. If you start with product. We're new to this market as most people know. Our history was not in Exhibitions. It gives us two advantages really by comparison to most of our peers. The first is we don't have anything else in this business other than Exhibitions, and often when you look at Exhibitions businesses there's a long tail. We don't really have a long tail. So this is a pure, pure-play Exhibitions business.

As a consequence we have quite a lot of powerful brands in this business. CBE in the Beauty market, Monaco Yacht Show in the Luxury market, World of Concrete in the Construction market, Supply Side West in Food Ingredients market. Vita Foods also in the Food Ingredients market. Green Build in the Sustainability market, Arab Health in the Healthcare market. And one of the truths of this business is it's a migration to scale. The big brands are doing well and the power brands are doing even better.

So our portfolio feels very robust and for those of you, who were with us in Washington last year who followed it, that's really what drives behind our market marker strategy which is to build positions in markets, use those brands to then drive an ability to deliver more products and services. To do that you need capabilities that we never previously had, which is not surprising because we didn't really have a business here. And that's what's behind what's going on in the platform area whether it be on sales management, whether it be on marketing, whether it be on customer management, and whether it be on what you deliver to your customers either at the event, before the event or after the event.

That drives over time as the business matures a shift from individual events to verticals and management of longer term relationships, and you can begin to see the emergence of our business in different verticals. That you should expect to continue to see the expansion of, and that's really where our M&A focus is. How do we build our platforms in each of those verticals to give us more scale benefits now that we think we've got an operating model that works pretty well. And that's what's behind the desire to move from exhibition organiser to market maker.



As Gareth said, quite an interesting junction point for us that we find ourselves at the half year where this is the biggest profit contributor. Over time you should expect to see this business grow and grow as a contributor to the Group.

Academic Publishing, a long time part of the Group, the most stable part of the Group. The business with probably the most debt, the most security. And that security is essentially rooted in again in the middle box, in a very robust product. That product pivots around content, whether that be hundreds of thousands of books or millions of articles, and the growth of our content library is the fundamental strategy that we have in that business.

Then what you need to do with that content library as you build it is you then need to sell it as effectively as possible whether you're selling it to corporates, to professionals, to institutions, to individuals, to authors, whether you're selling it in an open access format or whether you're selling it in a subscription format or in a unit sale format.

And again that leads you to some changes and some investments in what you need to have on the platform side, because increasingly content discovery and discoverability in and amongst these author and user communities is what allows you to drive usage, and ultimately in this market pricing is increasingly predicated upon usage. And so most of the investments you see in this business are in and around our platform capability because we feel very good about where we are on the product side.

Having said that, it's a great business, the margins are strong, it's well-run, we know what we're doing. I would be confident in saying this is a machine, it's an operating machine, it knows what it's doing. Nevertheless we felt there was more operating efficiency we could drive into this business and that was what was behind the creation of the single global Books business and the single global Journals business which is allowing us to drive greater performance in production, in distribution, in sales, and in external contract negotiation with the intermediaries and the aggregators and the distributors. It makes us feel very secure about the margin and the profit as well as using the products and the platforms to drive the revenue.

We continue to do M&A here, some bolt-on acquisitions. Haven't done any so far this year but we continue to look for them where we see the content. Again the content needs to fit in subject areas that we feel comfortable in, and we have already got scale benefits so we feel very confident about how we integrate for further scale.

The next two businesses are really the swing vote in Informa, and as a consequence you will see at this year's Investor Day these will be the two businesses that we'll kind of lift the bonnet for. And for those of you who've got the time we would encourage you to run along. We'll make it a bit easier, it will be in London not Washington. And both the managements teams in this business will be by then I think in a very clear view, they'll be 18 months to two years into the execution of their turnaround.

The Business Intelligence business is improving at a scale and rate, and we feel quietly confident that our ambition to deliver a full year of positive growth in '16 we can do. And fundamentally what drives that is the core of that business, 86% of the revenue, is in Subscriptions, and our subscription renewal rates are ticking up month on month. Our average contract values are ticking up month on month. We had our best month ever in one product, in Agri we did just over 96% renewal in the month. So we feel very good about where we're going on the core business. The ancillary areas of the business - Consulting, Advertising and One-off Activity - is an area where we're now turning our minds to.

But really the focus of the long term future of this business is in and around building our customer management, our insight platforms, our intelligence products, and then improving our marketing activity to sit on top of what is now I think a much more efficient sales machine.

This business is now firmly organised around market verticals both in terms of sales and editorial. Those are the five markets that we're in. They're not actually written here in order of either strength



or performance but definitely Pharma is our strongest, and then there's a mix across the piece. We have about 100 individually priced digital products that we're taking to market, and we are just beginning to scan the market for interesting additions to this portfolio as we see the business return to growth.

And then finally K&N, the most difficult business to understand from the outside because there isn't an external market proxy for it, and so it's quite hard to get your head round if you're not inside the company. It's also the business that's going through the most radical restructuring. As Gareth alluded to, we have materially pruned or reduced in simple terms the Events portfolio to a level of hundreds of events that we have cancelled which were really contributing little or nothing either to the long term sustainability of the business and in large part were clogging up the operating machine.

This business is now increasingly much like the Global Exhibitions business, developing product around brands, where we have market positions in communities and categories where we can build a long-term point of differentiation and some continuous engagement. We have deployed our own digital platform for those core products, the core digital platform. We've moved the entire business onto one Sales Force operation for those major brands. We are shifting the use of our customer database to a point that allows us to do really very revealing customer analytics on attendance, repeat, value and participation.

That streamlined structure now focusing really on three verticals: TMT, Finance and Life Sciences, has made it very easy for us to know where we want to invest, to grow. And you saw us today announce the addition of the Light Reading business on top of what we'd already done organically in the US in TMT where we had no business at all. And you will see us continue to do the same in Finance and Life Sciences. Our ambition here given the scale of restructuring is if we can come out of the year flat we'll be comfortable, and we have a kind of quiet confidence that we might do a bit more than that.

So if you add that all up where is the Group shaping for the end of the year? I think the top two businesses which are the main engines of the performance of the Group at the moment, which were the things we put under the spotlight externally at last year's Investor Day, we feel good about the strong growth in Exhibitions and we see no change to that where we're sitting today. Our forward placing numbers are good, our advance booking numbers are strong and our portfolio makes us pretty resilient both in market sectors and geographies.

Academic Publishing feels steady year on year. Business Intelligence, this will be the year for it to break for growth. And then the question is can we get to flat or more in K&N, but actually its overall scale of contribution to the Group doesn't leave us with the same sort of exposure that historically was the case when you looked at the portfolio.

What's our ambition as we go into 2017? It's to get to the point whereby we consistently can do steady growth above 3%, maintain our margins, secure the cash flows and continue to reward our shareholders with a consistent share of the returns in dividend growth individually.

This is where we are to date. We feel we're on track for full year expectations. And for those of you who are available, please put this date in your diary. On the 6th October in London. We'll confirm the location. I'm not entirely sure who the humour will be from but I assume that will be Richard.

And now is probably the time for questions. Thank you very much for listening.

Questions and Answers

Will Packer, Exane BNP Paribas



Three questions from me, please. Firstly could we have some commentary around the Business Intelligence performance in H1 by product, by vertical? Is there any particular areas which are stronger or weaker driving the recovery in growth?

Secondly at K&N what portion of the -5% organic revenue growth was due to product pruning versus the underlying performance? And could you just talk us through your confidence in a strong rebound in H2, because it sounds quite significant. Thanks.

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Stephen A. Carter, Group Chief Executive
In K&N?

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Will Packer, Exane BNP Paribas
Yes, yes.

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Stephen A. Carter, Group Chief Executive
That was two. Did I miss a question? Just the rebound was your third?

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Will Packer, Exane BNP Paribas
Yes.

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Stephen A. Carter, Group Chief Executive
Okay let me have a go, and then maybe Gareth can come in. Well, let me take them in the last order. On K&N my understanding - correct me if I'm wrong - is if you look at that decline it's essentially 50/50 roughly. About half of it is printing. The numbers are how many events have we not got in the first half that we had this time last year. I'm carrying 200, 300. I mean it's quite a number, Will. And then about 50% of it is phasing, because we have three quite significant events that last year were in the first half that will be in the second half this year.

So if you look at those two that pretty much would give you a flat half year performance, which probably answers your rebound question. This business is always second-half weighted. Most of the big brands in the core are in the second half. We've got pretty good forward visibility into placing and booking so I think we feel good about the core for the second half, and I think that gives us certainly confidence on flat.

On BI if you - it depends how you measure it. If you did it by ACV, if you did it by Annualised Contract Value I think the ordering effect would be - I mean this is slightly invidious, because remember that people inside the business watch this webcast too, so we don't tend to rank league tables of sector performance. But the range is about 75% up to about north of 90%. 75% is TMT and north of 90 is Agri and Pharma. So there's a bit of a range on ACV.

That's a slightly unfair metric because actually we have a much stronger consulting business in TMT than we do for example in Pharma, so the downside is when you haven't quite got your consulting engines firing across all sectors it doesn't show. And that's an area we've just hired a new Head of Consulting as part of the talent addition. We're building up a Consulting proposition. We're putting some new products to market. So we're doing some new things on pricing and customer consulting.



So we - you know, our first order of business was to resolve the subscription issue. Second order of business was to actually invest in the product. We've got a lot of new products coming off the line now. We've got a new Agri product, we've got a new, three or four new Finance products, we've got half a dozen new Pharma products. So that gives you a kind of sense of the difference.

But I think the headline I would give you on the Subscription and ACV business there isn't a particular strong winner. I think the difference between how much growth we do versus the growth we will do, will be largely a function of the other revenue streams rather than out-performance or under-performance on Subs in the five verticals. That would be my take. I don't know if you want to add any colour, Gareth?

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Gareth Wright, Group Finance Director

I think I'd agree with all that. I think on the K&N you'd say that it just books up slightly later than the Exhibition revenue streams, and so at this stage whilst the booking patterns look good and the visibility is good, it's not as developed as an exhibition would be at this stage. So we'll be watching it closely as we go through Q3 into Q4, because October/November that is the peak trading period for that business.

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Stephen A. Carter, Group Chief Executive

Any other questions? I thought we were going to get away with one question there, or maybe three.

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Chris Collett, Deutsche Bank AG

Can I just follow up on BI. Could you tell us about the annualised contract value where you currently stand today. Are you running ahead of where you were this time last year, and if so would you like to tell us how much you're running ahead?

Then secondly was just on the Academic business. I know that the GAP Investment was never particularly skewed to Academic. It looks like there are just a few projects that are coming through. Given the continued subdued growth there, is that an area where you think you would actually like to spend a little bit more, where you have some more projects in mind that you could invest in?

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Stephen A. Carter, Group Chief Executive

A good spot on the second question. Why I don't I come in on the second, and then maybe you come in on the BI/ACV trend.

The short answer is yes, Chris. The way I would describe it is when we started on this programme we I think for good reason prioritised what I would describe, what I described at the beginning of the presentation as a renovation, both of the portfolio and the product, in our Events and in our Intelligence businesses, because candidly they were - how shall I put it - well, they were the areas that needed it most. And we felt good about the fundamental sustainability of where we were in Academic.

But no market stands still, and the Knowledge and Learning market in Academic similarly is moving at a pace. That looks like a very 'Steady Eddy' business but underneath those big numbers there's a lot of moving parts as you and I have discussed. So definitely we do believe there's some investment needed and we are in fact up-ticking the level of investment in Academic. And I think a) that's the right thing to do to preserve the long-term position in that market, and b) I think it's the right time for us to do it as we grow in confidence in the fundamental resilience of the overall portfolio.



I think if we didn't have the confidence we had in the other growing improvement in the other businesses we might be a little bit more cautious on that, but now that we do it feels to us about the right time to do it.

So where are we investing, which is probably your supplementary question. We're investing in a single content management system across the entirety of our Books and Journals business. Currently they're formatted completely separately so you can't search across format. You can't actually search beyond actually subject matter category. So we are investing quite heavily in discoverability. We're investing in our Author Management services because ultimately whether the format ends up being a book or a journal, if you're a content business - and we're a content business - your single biggest strength is your relationship with your authors. One of the great strengths of this business is cost of goods sold relative to the return. But you need to invest in your authors and the way in which you manage those relationships, so we're investing there.

We're investing in international sales capability, in editorial capability, in other markets, because we see that as growth, as Humanities, as Social Science grows.

And then finally we're investing in and around what you might call the professional knowledge markets. If you look at our book categories where we tend to do best by subject matter is in those categories which are closest to professional activities and professional accreditation. And that's an area both in Books and in Journals which historically we haven't nurtured as much as we could do, and so we're investing there, actually organically and inorganically. So when you see us add content in inorganic acquisitions, bolt-on acquisitions, they tend to be in those subject areas as well.

But yes, that is the temperature is being turned up in a good way I think there.

On BI?

Gareth Wright, Group Finance Director

Yes, on BI we track the annualised contract value on a regular basis which just gives us a good run rate feel for how the business is going to trade going forward rather than how it's traded historically. We talked about this business being in growth for the full year, and the annualised contract position supports that view. It's not up wildly but in terms of growth year on year the position does support that.

We haven't talked about movements in ACV specifically period on period in the past, because it's a metric we've developed recently. But as I say it does support and it is consistent with the idea of growth over the full year.

Stephen A. Carter, Group Chief Executive

Two or three, four questions here?

Simon Davies, Canaccord Genuity Ltd

Two from me. Firstly on Academic Books, you alluded to softness in physical book sales. To what degree is that being offset by Digital and how do you see that playing out for the full year? And secondly in terms of Events, what percentage of revenues now come from the Middle East and how do you see prospects for that over the next 12 to 18 months?

Stephen A. Carter, Group Chief Executive



What percentage comes from the Middle East, do you know that number? A lot less than it was three years ago. I'll answer the forward forecast. We feel okay about the forward forecast. Actually we've had most of our major events. We've got two major brands in the Middle East in the back end of the year, and actually the forward placing and bookings on those are okay. So we're not flagging any question mark there.

As a percentage?

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Gareth Wright, Group Finance Director

Obviously in terms of the Exhibitions division that's a key part of the revenue stream. But as Stephen said it's a revenue stream in Exhibitions weighted very much towards H1, even Q1 actually, so the exposure in the second half of the year is relatively small.

In terms of K&N, their Middle Eastern revenues are a bit more discretionary in terms of attendance at our courses, and also they have previously had quite a lot of government funded either courses or training schemes, etc. And with the oil price that has been a bit of a drag on their performance in the first half of this year and actually the second half of last year.

But overall in terms of the business you're looking at 3-4% of the business in terms of revenue stream across the whole of the Group, and therefore not individually significant but certainly an issue for K&N as a division.

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Stephen A. Carter, Group Chief Executive

I mean part of why we deliberately moved into the US two or three years ago was to try and balance out that over-dependence in the Middle East, notwithstanding the fact there remains a strong business in Exhibitions.

On your Books question I mean digital books are growing, sort of high single, low double digit growth. Physical books - I mean the trouble with these - I noticed yesterday actually some analysis on the trade book market that physical books were in growth. It's not our sense of where the Academic Book market is on physical. It's sort of nominal decline year on year. But again that's at a headline level. It depends what category and subject you're in, it really does vary. But the short answer to your question is the net of the two is probably marginal. That would be my read of where we are at the half year.

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Steve Liechti, Investec Specialist Bank

Just on Exhibitions, you sort of touched on it a bit but just remind me - or can you remind me within your top 20 events, how many of them are actually in the first half?

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Stephen A. Carter, Group Chief Executive

That's a very specific question, Steve, so I'm looking across the room. 75%.

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Steve Liechti, Investec Specialist Bank

Yes, I thought it was quite a big number.

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Stephen A. Carter, Group Chief Executive

We're very H1 loaded.

Steve Liechti, Investec Specialist Bank

So is it fair to assume on that basis that the organic growth, it's fair to assume the organic growth will tail off in the second half? Because if naturally your top 20 events are growing disproportionately faster than the rest of the portfolio.

Stephen A. Carter, Group Chief Executive

I'm not giving the business an easy pass in July. Look, I think tail-off, it depends what your definition of tail-off is. There's no doubt that the bigger brands are doing better, that's for sure, but we've actually still got some big brands to trade in the second half. Green Builds in the second half; Middle East Electricity, Cityscape Global is in the second half. So we've still got some big brands to trade.

You know, versus the first half number might it be off a bit? It might be. But that sort of depends what your definition of tail-off is. It might be off a bit on where we are in the first half, but we would still expect a strong performance through the year.

Steve Liechti, Investec Specialist Bank

Great, thanks. And second, on K&N, Gareth, this goes back to what you just said I think on Energy. I think last year for this you gave us some figures in terms of what the drag from Energy was over a certain period, I can't remember what it was. I just wonder can you give us an equivalent number in the first half, what the drag from Energy was in K&N?

Gareth Wright, Group Finance Director

The good news and bad news is it's a lot less than last year because unfortunately it's a significantly smaller business than it was a year or two ago in terms of K&N. The Dubai business has been a bit of a drag. It's not been a material drag in terms of the organic decline I wouldn't say in terms of the percentage points of decline. The main things are the phasing and the volume events taken out. So maybe half a percentage point or something like that for K&N. But it's certainly a dynamic that doesn't help them when they're trying to get back into growth. But the business is as I say substantially smaller than it was 18 months ago.

Steve Liechti, Investec Specialist Bank

But the comp gets easier in the second half on that basis?

Gareth Wright, Group Finance Director

In theory yes. Again Dubai is a business that really shuts down over the summer for obvious reasons. So they're never really a second half growth engine but the comp will definitely be easier for the first half of next year.

Stephen A. Carter, Group Chief Executive

A question here and then a question over there.



Tom, Citigroup

I had actually just one question on Academic Publishing. It's a bit of a general question. Given we've got quite a lot of FX volatility, I'm interested in how that impacts in your perception budgeting decisions for libraries. Does it impact their ability to make more discretionary purchases?

And then the second sort of linked question is, I was speaking to one industry person and they were saying actually you tend to get at an industry level more discretionary spend towards the second half when you get budget flushes and things like that. Are we potentially building up to a risk that there is sort of cyclical downdraft in some of the more discretionary areas of outright sales?

Stephen A. Carter, Group Chief Executive

'I don't think we particularly know' is the answer. We're not seeing it at the moment, to answer your question very directly. We have as you would expect in all of our businesses both as good practice and also given that we were doing our results presentation today, we've gone through quite a significant level of screening and analysis to see whether or not there is any trading effect as a consequence of the very specific issues in the UK and more generally because of the currency knock-ons. We don't see that right now, so that would be our read of that position here today. But I think worth tracking.

It could, to your analysis, however, go the other way as well. It could conceivably be a benefit. We're not baking that in either, but it could be. And indeed if you look at our Academic business we have a lot of cost here in the United Kingdom and actually we have a pretty significant business in the US, . So it cuts both ways.

Simon Baker, Société Générale

Three questions please. One just going on from that review of the business and where you are post-Brexit and UK risks. Currency is the key impact really for a resilient business like yourself. Your net debt to EBITDA went up to 2.4 because of currency restatement, if I've got that right. To what extent has that actually changed your own acquisition pipeline and what you might be looking at, and what you're thinking there?

Secondly, a bit more of a definitional question, but when we looked at the ROCE chart and we saw ROCE go up, does that include capital employ getting restated because of currency? If not, what would that have looked like if you hadn't got the benefit of sterling weakness within that Net Income?

And thirdly, as you were talking about the Alternative Investment Priorities under GAP and the Academic business comes up, do you still have enough scope within GAP to cover some of these new targets for investment, or are you starting to increasingly think that it's almost time to push some stuff back for GAP2, whenever that might be?

Stephen A. Carter, Group Chief Executive

Why don't I take the last question and then Gareth maybe you take the ROCE and the spot question on gearing.

I think we feel comfortable with the investment range in GAP. I think there is an open question which still remains which is when we get into 2018 if we hit our growth ambitions what will be the right going forward investment level for the business. I've always taken the view that the first off the bat answer to that is certainly higher than it was historically, and secondly you would determine the right answer to that depending upon what the mix of the business is, which slightly goes to your M&A question. If

we continue to grow in scale in Exhibitions, Exhibitions is just a less capital demanding business than either Academic or BI.

So the mix of the portfolio by the time we get to 2018 I think will have the biggest impact on that. But hopefully by then what we'll be talking about is a Group that across the board is in growth, and then that also gives you a different operational leverage that you can work with too.

Gareth do you want to?

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Gareth Wright, Group Finance Director

Yes, in terms of the leverage at the half year, 2.4x, that's consistent with where we were this time last year - 2.4x at the year end but 2.4x at the half year. So that kind of reflects the shape of our cash generation, we're generally a much more second half weighted cash generation business. So our half year leverage tends to be towards the high point for the year because of the payment of the final dividend from the prior year. So it's not unduly surprising to see it at that level at the half year.

In terms of the hedging, the EBITDA and the currency split in EBITDA and in the borrowings are pretty correlated. We suppose we can manage the borrowings that way to keep the two broadly in line. And also in the leverage calculation as I said in the speech, the way that works for our covenant purposes is that we use the average exchange rates for the period to translate the borrowings. So you are not going to get a mismatch between an average rate of 138, say, for the P&L, 132 for closing. You've got the two at the same rate. So that exchange rate volatility is taken into account in the calculation.

So as I said we're comfortable with how we're managing the volatility risk through the borrowings and through the balance sheet, and we're going to continue doing it the way we've been doing it over the last 18 months or so.

In terms of ROCE, the FX effect there, yes, the FX definitely benefits returns with a stronger USD, but also the capital employed gets rebased in the calculation at a higher level as well. So the two kind of mirror each other out.

In terms of what's driving it, though, as I say I don't think it's FX. I think the key thing if I had to pick one thing out, it would be the portfolio management strategy column from GAP. If you remember the six bubbles we've talked about previously in terms of the growth acceleration plan, one of them is portfolio management and that's about identifying the businesses that are delivering lower returns and doing something about them, either through targeted investment or in the second half of 2015 you saw us dispose of a number of businesses in BI and in Knowledge & Networking. That for me is the key single driver in the improvement in capital employed on that graph.

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Nick Dempsey, Barclays

Inside your M&A spend in the first half there's £31m of Other Intangible Asset Purchases. That was £41m for last year. How much of that is earn-outs and should we be knocking in £30m - £40m every year for earn-outs in the next few years?

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Stephen A. Carter, Group Chief Executive

A great question. None of it's mine, Nick.

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Gareth Wright, Group Finance Director



A reasonable amount of it is earn-out. We would say that we start every year with, I don't know, it depends on the year but you start with 10, 20, maybe more in terms of deferred and contingent consideration in our cash flow for prior year deals. So that is a dynamic that we budget for. It's included in our guidance and it is a factor in our numbers.

When we talk about our leverage calculation actually to be clear we do add that deferred consideration to our leverage when we talk about the number. So we've got a full year benefit from the earnings from the acquisitions, but we also have the full cost of the acquisitions in the borrowing number that we're using for our leverage calculation. So there's no mismatch in terms of the leverage number.

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Nick Dempsey, Barclays

So the difference between the 10 to 20 and the 41 last year was that small bits and pieces?

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Gareth Wright, Group Finance Director

Yes, exactly, it's just been the volume of events, volume of acquisitions, and the timing of the deferred consideration payments. Some of them are very quickly after the completion date. Some of them we stagger out over a number of years where we feel we've got a development proposition in the business and we're buying it because of its long-term positioning. We'll therefore in that situation have a longer tail on the third consideration payments and effectively remunerate the management team for delivering the business case they've sold to us.

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Nick Dempsey, Barclays

Thanks

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Patrick Wellington, Morgan Stanley

A couple of questions. You were interested in buying part of the Thomson Reuters IP business we believe, so can you tell us what sort of assets you were after there and how much you might have spent, and indeed whether the rise in leverage has put you off the scale of bolt-on acquisitions?

And the second one is I think you said at the end of your presentation that you were looking consistently longer-term for about 3% organic revenue growth and a stable margin. A stable margin a bit surprising. Does that suggest that your Exhibitions margin is vastly high by the standards of the industry and probably doesn't go up and might go down over time?

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Stephen A. Carter, Group Chief Executive

Great questions. Let me have a go, and then Gareth can come in.

I don't think we have, unless Richard is going to correct me, I don't think we commented on the rumour in relation to the asset that you referred to and I don't think we would.

To your more specific and general question, really to Gareth's point about capital employed, we are through an acquisition lens our first objective if it's what you might call a scale acquisition rather than a bolt-on acquisition, is the quality of the asset. And in the main we have been focused largely looking at the Exhibitions market and Academic Publishing. Then if you wanted to drill that down a bit further, we are more focused on particular markets, particular verticals where we think we bring competency and a market position.



Then if you wanted to go a little bit further which maybe leads me into your margin question, the reason why we've weighted ourselves more to the US is because the US business has very attractive margin features. Might that tick down a bit over time? It's possible, Patrick, but I don't think materially. I certainly don't think it's going to tick up, because we've got really very, very strong margins in our Exhibitions business.

But maybe slightly to connect your question and Nick's previous question on the earn-out, the earn-out feature tends to be a function of smaller bolt-on acquisitions generally, when you're doing the larger institutional, they tend to be different deal structures for obvious reasons.

Is there anything else you want to add, Gareth?

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Gareth Wright, Group Finance Director

I think as you say there's an operating gearing benefit from the Exhibitions business growing, but we're also looking to position it for stronger future growth. So things like bringing in a CTO in the second half of last year, bringing in a digital revenue specialist as we talked about on the Investor Day. These are capabilities that we have added since the first half of last year that I think give us a better growth prospect going forward but obviously don't deliver immediately on day one in terms of the business.

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Stephen A. Carter, Group Chief Executive

Any other questions? Great, well listen, I appreciate everyone's time, it's a busy day. Thank you very much for coming and if you're having a summer, have a good one.

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