

# **Euromoney Institutional Investor PLC**

## **2011 Results Presentation**

**Colin Jones, Finance Director**

November 10, 2011

# 2011 RESULTS PRESENTATION

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- **Financial Review**
- Trading Review
- Ned Davis Research
- Strategy/Outlook

# KEY MESSAGES

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- ◆ Record results driven by continued growth in subscriptions and strong performance of events
- ◆ £100m CAP profit target reached two years ahead of plan
- ◆ Accelerated CAP cost £6.6m (excl from Adjusted PBT)
- ◆ Operating margin maintained at 30% in spite of significant investment in technology and digital products
- ◆ Operating cash flows up 17%, operating cash conversion 108%
- ◆ NDR acquisition completed and performing well
- ◆ Dividend reflects policy of 3x cover
- ◆ Positive revenue trends for Q1 other than advertising but...
- ◆ .... dark clouds - global economic growth and Eurozone crisis present big challenges beyond Q1

# RECORD PROFITS<sup>1</sup>

£m	2009	2010	2011	change
Revenue	317.6	330.0	<b>363.1</b>	+10%
Adjusted PBT <sup>1</sup>	63.0	86.6	<b>92.7</b>	+7%
Statutory PBT <sup>1</sup>	(17.4)	71.4	<b>68.2</b>	-4%
Adjusted diluted EPS <sup>1</sup>	40.4p	53.5p	<b>56.0p</b>	+5%
Dividend	14.0p	18.0p	<b>19.0p</b>	+6%
Net debt	165.1	128.8	<b>119.2</b>	-7%

<sup>1</sup>As reconciled in appendix to Chairman's Statement

# ADJUSTED PBT<sup>1</sup>

£m	2010	2011
<b>Adjusted PBT</b>	<b>86.6</b>	<b>92.7</b>
Intangible amortisation	(13.7)	(12.2)
Exceptional items (net)	(0.2)	(3.3)
Accelerated long term incentive	-	(6.6)
Acq deferred consideration	-	(1.8)
Acq option commitments	(1.3)	(0.6)
<b>Statutory profit</b>	<b>71.4</b>	<b>68.2</b>

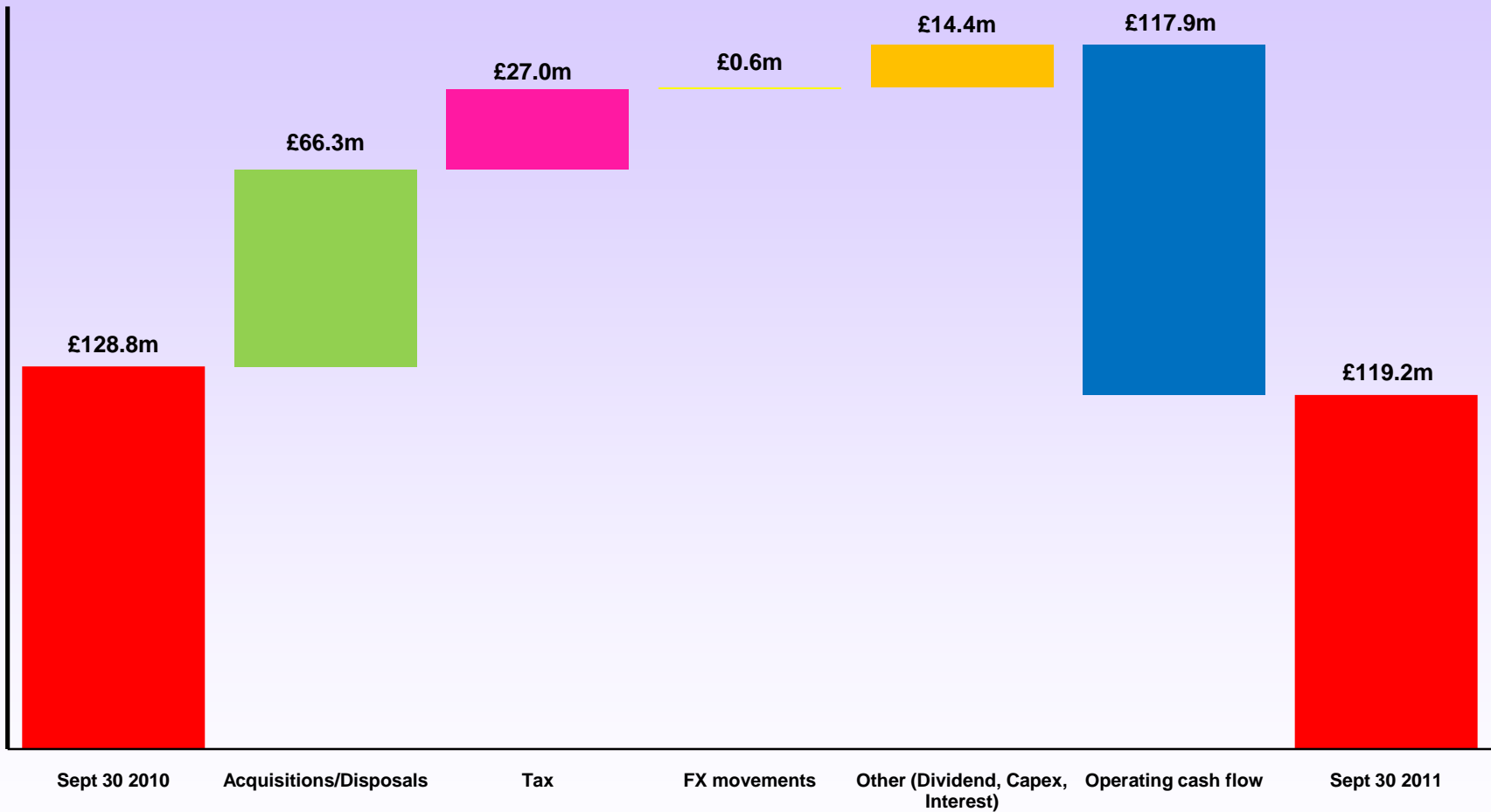
<sup>1</sup>See appendix to Chairman's Statement

# FINANCIAL HIGHLIGHTS

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- ◆ Net debt increased by £16m since Mar 31 following £65m acquisition of NDR
- ◆ Net debt:EBITDA only 1.0x
- ◆ Cash conversion improved to 108% (2010: 101%)
- ◆ Average cost of funds 5.7% (2010: 5.2%) but saving of £2.1m due to lower debt
- ◆ No significant FX impact on debt
- ◆ Exceptional items £3.2m: NDR acquisition costs £1m; NDR restructuring £0.8m; other restructuring £1.7m
- ◆ Total dividend 18.75p (2010: 18.0p) reflecting 3x dividend cover
- ◆ Final dividend 12.50p (2010: 11.75p) with scrip alternative

# CASH FLOW / NET DEBT



# NET FINANCE COSTS

£m	2010	2011
Interest on debt facility	(9.6)	(7.0)
Other	0.2	(0.2)
<b>Adjusted net finance costs</b>	<b>(9.4)</b>	<b>(7.2)</b>
Acquisition deferred consideration	-	(1.8)
Acquisition option commitments	(1.3)	(0.6)
<b>Statutory net finance costs</b>	<b>(10.7)</b>	<b>(9.6)</b>

See note 8



# TAX

£m	2010	2011
Adjusted PBT	86.6	92.7
<b>Statutory tax charge</b>	(12.8)	(22.5)
Add: release of prior years' provisions	(9.4)	-
Add: other tax adjustments	(1.1)	(1.7)
<b>Adjusted tax charge</b>	(23.3)	(24.2)
<b>Underlying tax rate</b>	27%	<b>26%</b>
<b>Cash tax paid</b>	1.9	<b>27.0</b>

See note 9

# CAP

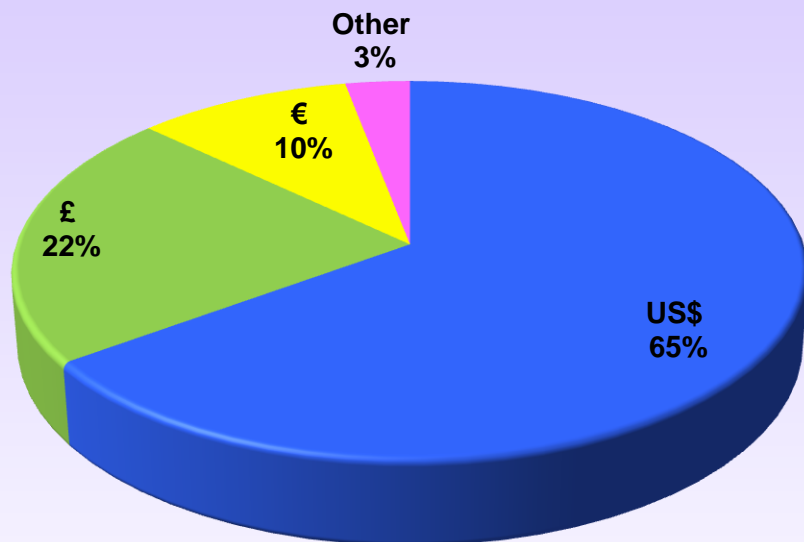
- ◆ Total cost £30m spread over CAP life
- ◆ FY10 accounted for on basis of 2013 vesting
- ◆ FY11 H1 assumed 2012 vesting
- ◆ £100m profit target achieved 2 years earlier than expected leading to £6.6m accelerated CAP cost...
- ◆ ...Offset by reduced CAP cost in FY12 to FY14

£m	FY10	FY11	FY12	FY13	FY14	FY15
2011 vesting	3.9	15.8	8.1	2.2	-	-
2012 vesting	3.9	9.2	9.2	6.0	1.7	-
2013 vesting	3.9	6.8	6.8	6.8	4.5	1.2

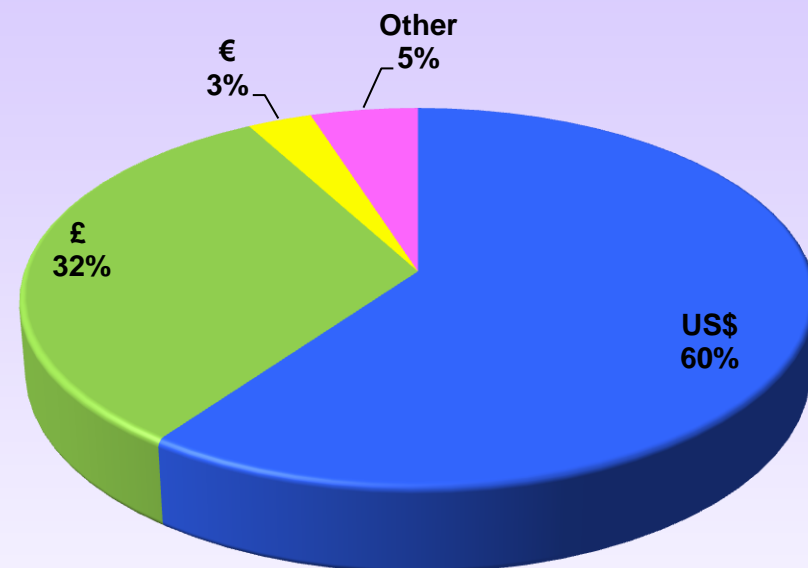
- ◆ Accelerated CAP cost excluded from Adjusted PBT to avoid distortion of underlying trading performance
- ◆ CAP profit target increased to £105m for NDR

# IMPACT OF FX

## Revenue <sup>1</sup>



## Profit before tax



USD	2011	2010
Average rates	1.61	1.55
Closing rates	1.56	1.58

USD	1¢ movement
Revenue (£m)	+/- 1.2
Profit (£m)	+/- 0.4

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

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# TRADING SUMMARY

£m	2009	2010	2011	change
Revenue	317.6	330.0	<b>363.1</b>	+10%
Adjusted operating profit <sup>1</sup>	79.4	100.1	<b>109.0</b>	+9%
Adjusted PBT <sup>1</sup>	63.0	86.6	<b>92.7</b>	+7%
Operating margin	25.0%	30.3%	<b>30.0%</b>	

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

# TRADING HIGHLIGHTS

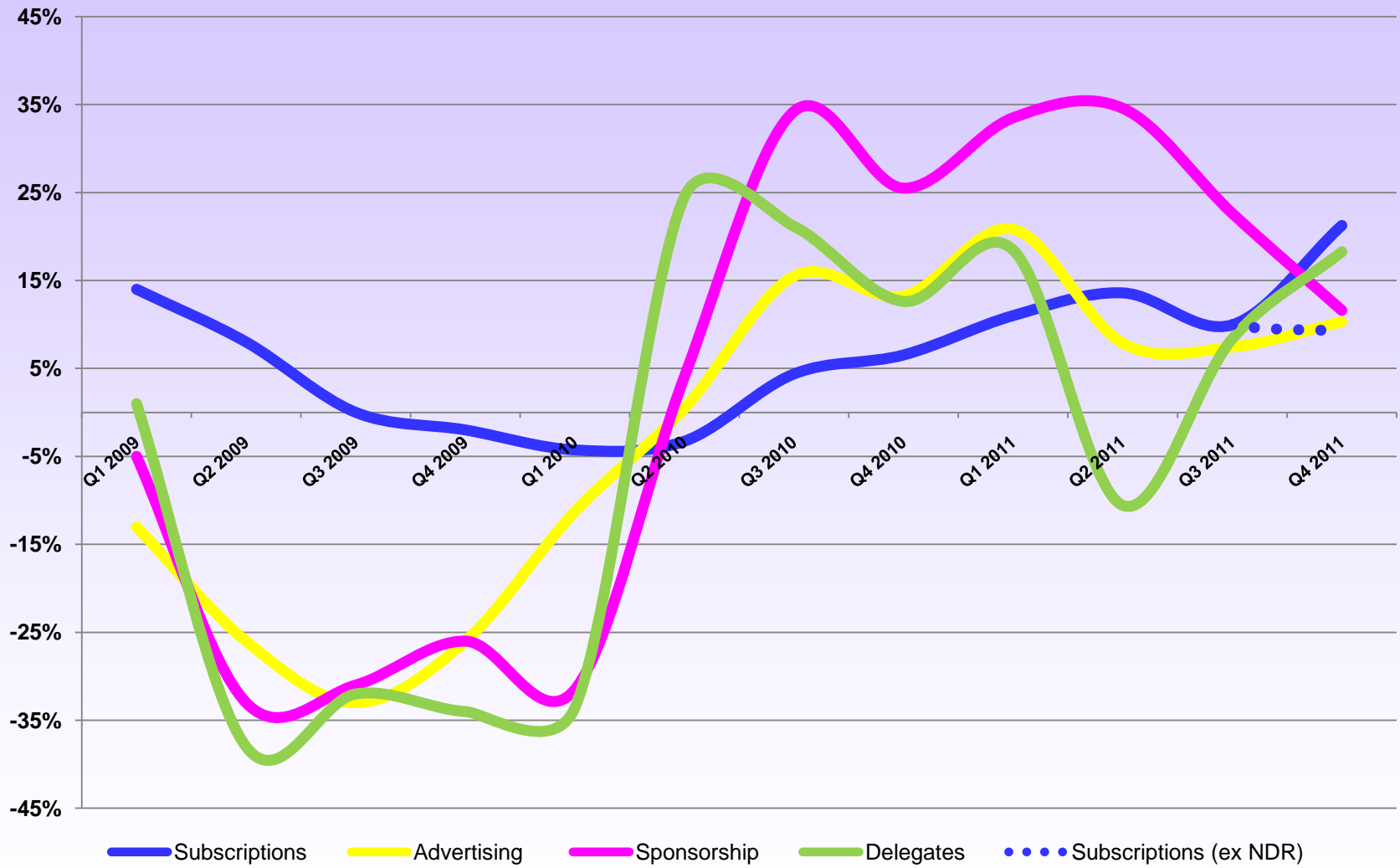
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- ◆ Revenues up 10% to £363m – growth across all streams
- ◆ FX impact in H2 masks consistent growth Q2 – Q4
- ◆ Revenue trends since Q3 IMS:
  - ◆ Underlying subscription growth 9%
  - ◆ Advertising growth but sales slowed in Q4 – now being felt in Q1
  - ◆ Events still in good shape
  - ◆ Training late cycle(?) recovery
- ◆ Operating margin maintained at 30% after 1% fall in H1:
  - ◆ H2 investment spend maintained at £5m (2010: £4m), £9m for year (2010: £6m)
  - ◆ Revenue growth generated from higher margin research and data products
  - ◆ Tight headcount control after rapid increase in 2010 H2

# REVENUE BY TYPE

£m	2010	<b>2011</b>	change	@ constant fx rates
Subscriptions	153.7	<b>171.0</b>	+11%	+14%
Advertising	57.6	<b>62.7</b>	+9%	+11%
Sponsorship	40.5	<b>48.8</b>	+20%	+25%
Delegates	70.8	<b>75.0</b>	+6%	+8%
Other/closed	11.6	<b>9.4</b>	-19%	-18%
	334.2	<b>366.9</b>	+10%	+12%
FX loss on forward contracts	(4.2)	<b>(3.8)</b>		
Total	330.0	<b>363.1</b>	+10%	+12%

# REVENUE GROWTH BY QTR<sup>1</sup>



<sup>1</sup> At constant exchange rates



# REVENUE CHANGE BY QTR

Y-o-Y % change	FY2010		FY2011			
	H1	H2	Q1	Q2	Q3	Q4
Subscriptions	-7%	+9%	+13%	+13%	+3%	+17%
Advertising	-7%	+16%	+24%	+6%	+1%	+7%
Sponsorship	-18%	+34%	+37%	+32%	+14%	+7%
Delegates	-9%	+20%	+20%	-11%	+4%	+16%
Other	-22%	-1%	+15%	-37%	-21%	-27%
Total	-9%	+15%	+19%	+6%	+4%	+12%
Total <sup>1</sup>	-8%	+16%	+21%	+7%	+4%	+11%

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

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

Y-o-Y % change	FY2010		FY2011			
	H1	H2	Q1	Q2	Q3	Q4
Subscriptions	-3%	+5%	+11%	+14%	+10%	+21%
Advertising	-5%	+14%	+21%	+8%	+7%	+10%
Sponsorship	-14%	+31%	+34%	+35%	+23%	+12%
Delegates	-9%	+18%	+18%	-11%	+8%	+18%
Other	-18%	-4%	+11%	-37%	-18%	-26%
Total	-7%	+12%	+16%	+7%	+10%	+16%
Total <sup>1</sup>	-5%	+13%	+18%	+8%	+10%	+15%

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

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

# REVENUE CHANGE BY QTR (ex NDR)<sup>2</sup>

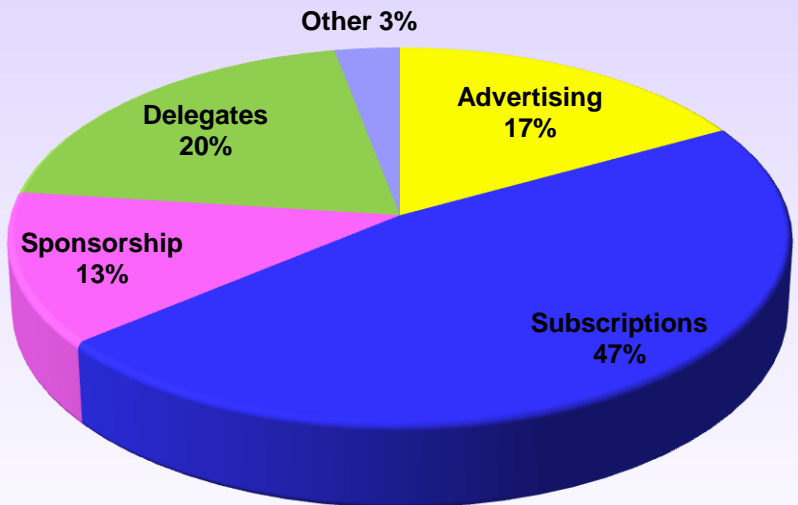
Y-o-Y % change	FY2010		FY2011			
	H1	H2	Q1	Q2	Q3	Q4
Subs (ex NDR)	-3%	+5%	+11%	+14%	+10%	+9%
Advertising	-5%	+14%	+21%	+8%	+7%	+10%
Sponsorship	-14%	+31%	+34%	+35%	+23%	+12%
Delegates	-9%	+18%	+18%	-11%	+8%	+18%
Other	-18%	-4%	+11%	-37%	-18%	-26%
Total	-7%	+12%	+16%	+7%	+10%	+10%
Total <sup>1</sup>	-5%	+13%	+18%	+8%	+10%	+9%

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

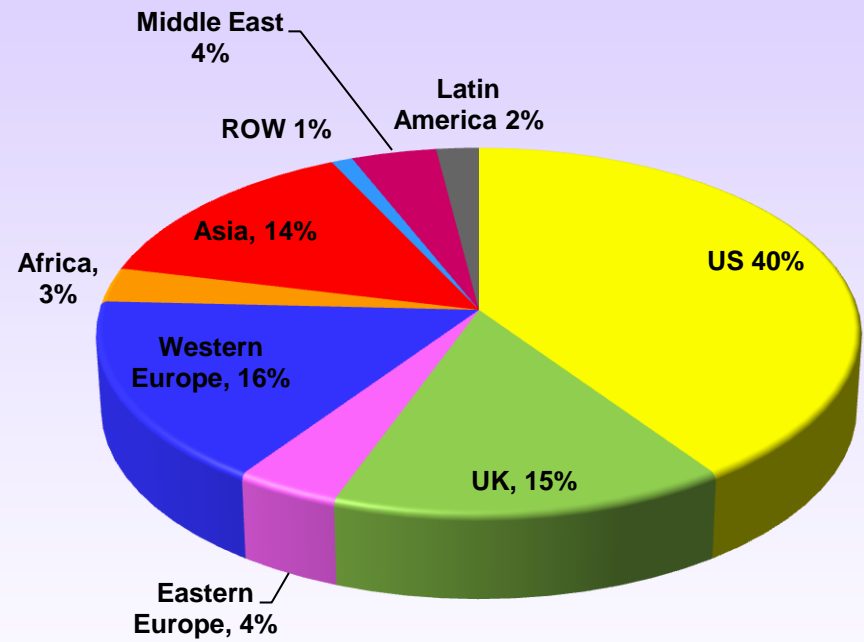
<sup>2</sup>At constant exchange rates

# REVENUE MIX

## Revenue By Type



## Revenue by Destination



# REVENUE BY DIVISION

£m	2010	<b>2011</b>	Change	@ constant fx rates
Financial Publishing	79.5	<b>83.8</b>	+5%	+7%
Business Publishing	55.7	<b>59.5</b>	+7%	+8%
Training	29.9	<b>32.5</b>	+9%	+10%
Conferences & Seminars	76.9	<b>86.2</b>	+12%	+15%
Research & Data	92.2	<b>104.9</b>	+14%	+16%
	334.2	<b>366.9</b>	+10%	+12%
FX loss on forward contracts	(4.2)	<b>(3.8)</b>		
<b>Total</b>	330.0	<b>363.1</b>	+10%	+12%

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

£m	2010	<b>2011</b>	change
Financial Publishing	27.3	<b>28.2</b>	+3%
Business Publishing	22.8	<b>23.4</b>	+2%
Training	7.2	<b>7.8</b>	+10%
Conferences & Seminars	23.5	<b>26.6</b>	+13%
Research & Data	38.0	<b>42.5</b>	+12%
Corporate/closed businesses	(18.7)	<b>(19.5)</b>	+4%
<b>Total</b>	100.1	<b>109.0</b>	+9%

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

# OPERATING MARGIN BY DIVISION

	2010	H1 2011	H2 2011	FY 2011
Financial Publishing	34%	<b>32%</b>	<b>36%</b>	<b>34%</b>
Business Publishing	41%	<b>35%</b>	<b>43%</b>	<b>39%</b>
Training	24%	<b>24%</b>	<b>24%</b>	<b>24%</b>
Conferences & Seminars	31%	<b>32%</b>	<b>30%</b>	<b>31%</b>
Research & Data	42%	<b>42%</b>	<b>40%</b>	<b>41%</b>
Total <sup>1</sup>	30%	<b>30%</b>	<b>30%</b>	<b>30%</b>

<sup>1</sup>After corporate costs

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# NDR FITS EUROMONEY'S STRATEGY

## Euromoney's acquisition criteria

Electronic information		✓✓✓
Subscriptions		✓✓✓
Financial sector		✓✓✓
High margin	Opportunity	✓✓
Global reach	Opportunity	✓✓
Emerging markets	Opportunity	
Robust business model		✓✓✓
High growth potential	Opportunity	✓✓✓

# NDR DEAL STRUCTURE

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Initial equity purchased	85%
Ned Davis & 6 key analysts	Reinvested
Initial payment for 85% of equity	£64.8m
Pre-tax profits for year to 30 Sept 2011	£8.4m*
Implied multiple	9.1x**
Earn-out for remaining equity	2012 & 2013
Estimated value for 2012 earn-out	£5.4m***
Estimated value for 2013 earn-out	£6.6m***

\* Before financing costs of £3.4m and before exceptionals

\*\* £64.8m initial payment divided by 85% equity acquired divided by £8.4m profits

\*\*\* Dependent on profits growth. Discounted earn-out value of £10.1m (9.7%)

# A SECTOR WE UNDERSTAND - BCA

BCA acquired with Metal Bulletin in 2006

Revenues have increased at a CAGR of 16% since 2006

Lessons from BCA:

- ◆ Invest in sales force globally
- ◆ Invest in the quality of analysts
- ◆ Opportunities to launch new products globally

BCA Revenues 2006-11 (US\$m)



# COMPLEMENTARY, NOT COMPETITIVE

	<u>Ned Davis Research</u>	<u>BCA</u>
Research style	Data driven, short commentaries	Ideas driven, longer thought pieces, more analytical
Geographical coverage	Mostly US	International
Market coverage	Mostly equities	Equities, fixed income commodities
Products	Bundled subs; customised data research	Single subscription products, sold separately
Client base	Mostly US	International
Sales team	Entirely US	International
Editorial team	Entirely US, Florida	Mostly Montreal
Competitive advantage	Quality of data	Quality of analysis and ideas

# NDR – A ROBUST BUSINESS MODEL

## NDR renewal rates



Even at the bottom of the financial crisis, NDR achieved revenue renewal rates in excess of 85%.

# NDR – GROWTH OPPORTUNITIES

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- ◆ Migrate from a regional to a global model
- ◆ Invest in sales people
- ◆ Leverage the BCA client base
- ◆ Adopt a product strategy
- ◆ New products
- ◆ Better pricing
- ◆ New revenue models
- ◆ New management structure

# NDR – SO FAR, SO GOOD

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- ◆ Underlying revenue growth of 10%
- ◆ New management structure now in place
- ◆ Key sales appointments made
- ◆ Cost synergies coming through
- ◆ New products in the pipeline

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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 business

- ◆ (1) Maintain high margins
- ◆ (2) Invest to drive organic growth:
  - ◆ *Launch new, high quality electronic subscription products*
  - ◆ *Accelerate online product migration*
  - ◆ *Improve product quality through editorial investment and focus on hard to get data*
  - ◆ *Focus on key strength – quality and effectiveness of marketing*
  - ◆ *Quickly roll out successes to new geographies esp emerging markets*
- ◆ (3) Use strong cash flows to fund selective acquisitions to accelerate growth strategy and build market share eg NDR
- ◆ (4) Invest in people / infrastructure to support growth

# CURRENT TRADING / VISIBILITY

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- ◆ Dark clouds over 2012 horizon: worsening economic outlook, continued uncertainty over Eurozone crisis, inflation in emerging markets
- ◆ Clear signs of weakness in advertising
- ◆ Delegate and sponsorship revenues holding up well and good subscription momentum from Q4
- ◆ Overall Q1 outlook reasonably positive other than advertising....
- ◆ ... but limited visibility for Q2 onwards and weak sentiment approaching key budget season for customers
- ◆ Hiring go slow already in place
- ◆ Current trading volatile but in line with board's expectations

# FY12 OUTLOOK

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- ◆ CAP target increased by £5m (net of funding) to £105m for NDR acquisition
- ◆ NDR performing well
- ◆ Further reduction in net finance costs
- ◆ Digital investment to continue at no more than 2011 levels
- ◆ US\$ <\$1.65 is positive
- ◆ Individual CAP rewards based on 2012 profits so even stronger incentive to maintain / grow profits in 2012 and 2013
- ◆ Diversity of revenues and emerging market exposure provide downside protection

# **Euromoney Institutional Investor PLC**

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**Colin Jones, Finance Director**

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