

# **Euromoney Institutional Investor PLC**

## **2011 Half Year Results Presentation**

**Colin Jones, Finance Director**

May 19, 2011

# 2011 HALF YEAR

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

# KEY MESSAGES

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- ◆ 13% revenue growth reflects strong Q1 recovery (+20%) then slowing against tougher comps in Q2 (+7%)
- ◆ Adj PBT £41.6m held back by increased CAP costs, timing differences and investment strategy
- ◆ Operating margin 30% vs 31% reflects investment strategy as well as headcount lag, mitigated by revenue growth
- ◆ Strong operating cash flows reduced debt by £26m to £103m and net debt: EBITDA to just 1x
- ◆ Signs of slowing in year-on-year growth rates for advertising and delegate revenues and....
- ◆ ...tougher revenue comps for H2 esp subscriptions
- ◆ Trading in line with board's expectations

# FIRST HALF KEY DATA<sup>1</sup>

£m	2009	2010	2011	change
Revenue	160.7	147.8	<b>167.6</b>	+13%
Adjusted PBT <sup>1</sup>	29.9	40.0	<b>41.6</b>	+4%
Statutory PBT <sup>1</sup>	(41.8)	32.7	<b>32.7</b>	=
Adjusted EPS <sup>1</sup>	18.5p	24.9p	<b>25.7p</b>	+3%
Dividend	6.25p	6.25p	<b>6.25p</b>	=
Net debt	214.7	178.1	<b>102.7</b>	-42%

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

# ADJUSTED PBT<sup>1</sup>

£m	2010	2011
<b>Adjusted PBT</b>	<b>40.0</b>	<b>41.6</b>
Intangible amortisation	(7.6)	(5.8)
Exceptional items (net)	1.6	(1.4)
Movement in deferred consideration	-	(1.8)
Acq option commitments	(1.3)	0.1
<b>Statutory profit</b>	<b>32.7</b>	<b>32.7</b>

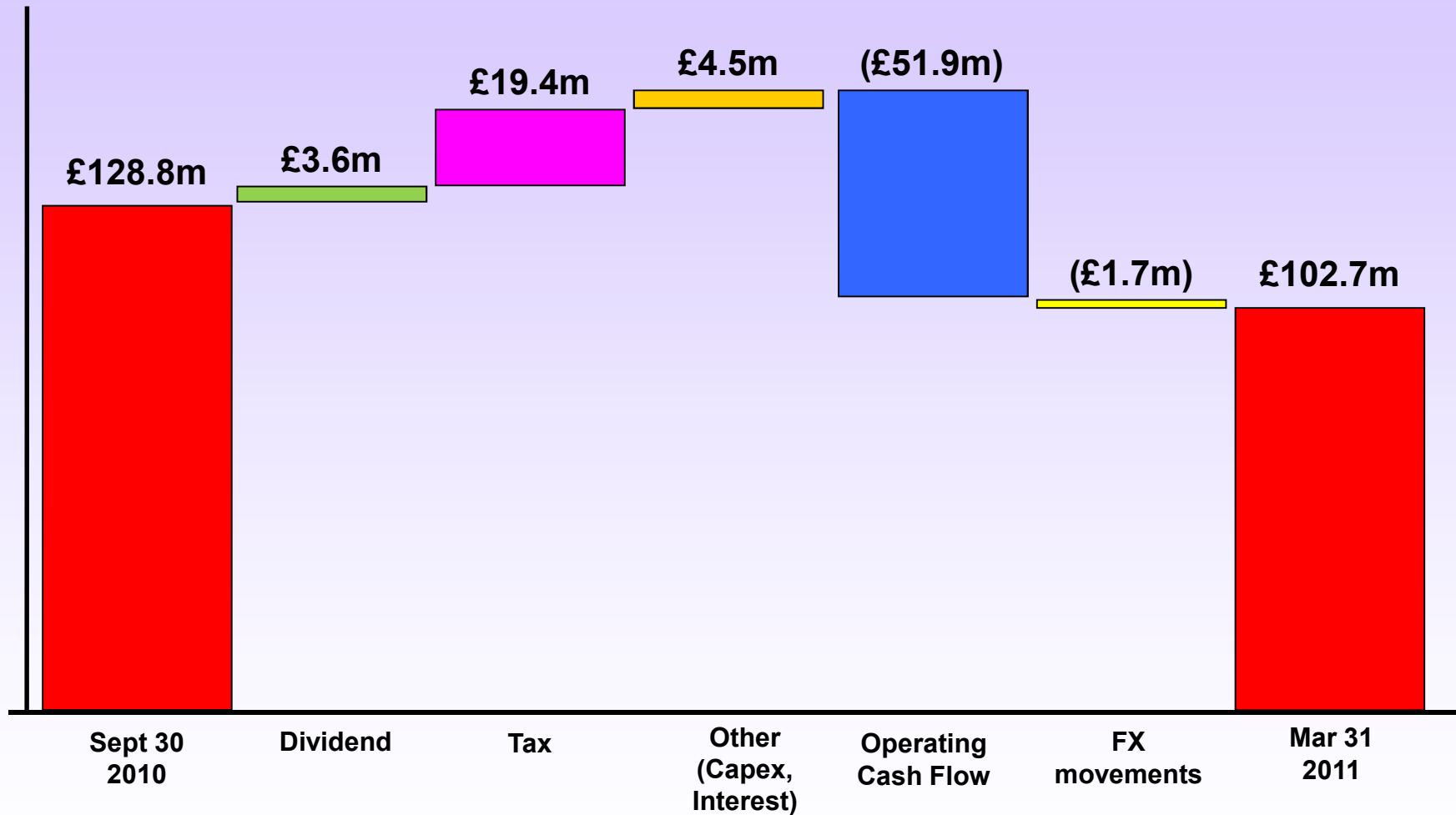
<sup>1</sup>See appendix to chairman's statement

# FINANCIAL HIGHLIGHTS

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- ◆ Net debt reduced to £102.7m, down £26.1m since Sept 30
- ◆ Net debt: EBITDA 1.03x
- ◆ Cash conversion improved to 104% (2010: 88%)
- ◆ Net finance costs down £1.1m to £3.6m
- ◆ Average cost of funds 5.6% (2010: 5.1%) increasing to 6.5% in H2
- ◆ No significant FX impact on revenues / debt in H1
- ◆ EPS benefits from falling tax rate, offset by equity issued for CAP / scrip dividend
- ◆ Interim dividend 6.25p (2010: 6.25p) reflecting transition to 1/3<sup>rd</sup> interim payout with 3x cover
- ◆ Scrip alternative offered again

# CASH FLOW / NET DEBT



# NET FINANCE COSTS

£m	FY 2010	HY 2010	HY 2011
Interest on debt facility	(9.6)	(5.0)	(3.8)
Other	0.2	0.3	0.2
<b>Underlying net finance costs</b>	<b>(9.4)</b>	<b>(4.7)</b>	<b>(3.6)</b>
Movement in deferred consideration	-	-	(1.8)
Acquisition option commitments	(1.3)	(1.3)	0.1
<b>Statutory net finance costs</b>	<b>(10.7)</b>	<b>(6.0)</b>	<b>(5.3)</b>

See note 5



# TAX

£m	FY 2010	HY 2010	HY 2011
Adjusted PBT	86.6	40.0	41.6
<b>Statutory tax charge</b>	(12.8)	(5.7)	(11.3)
Add: release of prior years' provisions	(9.4)	-	-
Less/(add): other tax adjustments	(1.1)	(5.0)	0.4
<b>Underlying tax charge</b>	(23.3)	(10.7)	(10.9)
<b>Underlying tax rate</b>	<b>27%</b>	<b>27%</b>	<b>26%</b>

See note 6

# CAP

- ◆ CAP 2010 launched in March 2010
- ◆ Profit target £100m by 2013 (adj PBT before CAP cost)
- ◆ Funded by equal mix of cash/shares – max potential dilution 3.5m shares
- ◆ Total cost £30m spread over CAP life
- ◆ Early vesting would accelerate CAP expense as follows:

£m	FY10	FY11	FY12	FY13	FY14	FY15
2012 vesting	3.9	9.3	9.2	6.0	1.6	-
2013 vesting	3.9	6.8	6.8	6.8	4.5	1.2

2012 vesting	FY10	FY11	Change
H1	0.7	4.7	4.0
H2	3.2	4.6	1.4

# 2011 HALF YEAR

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

# TRADING SUMMARY

£m	2009	2010	2011	change
Revenue	160.7	147.8	<b>167.6</b>	+13%
Adjusted operating profit <sup>1</sup>	37.1	45.4	<b>49.8</b>	+10%
Adjusted PBT <sup>1</sup>	29.9	40.0	<b>41.6</b>	+4%
Operating margin	23.1%	30.7%	<b>29.7%</b>	-1%

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

# TRADING HIGHLIGHTS

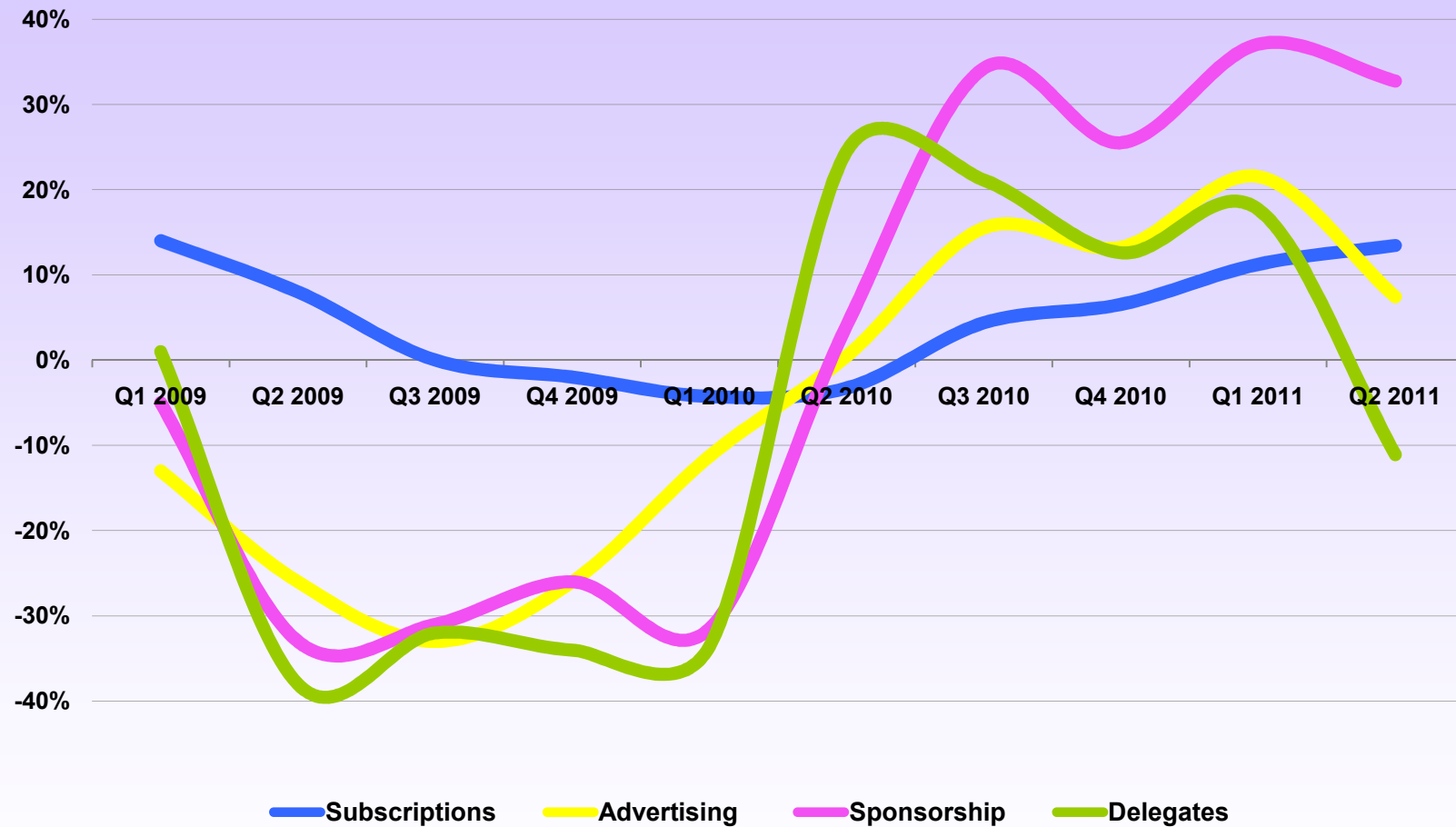
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- ◆ Q1 revenue growth reflects continuing strong recovery momentum from H2 FY10
- ◆ Q2 growth slowed as expected against tougher comps
- ◆ Events businesses continue to recover / grow from both new / existing events and new customers
- ◆ Subscription growth strong, but passed peak growth rate
- ◆ Advertising / delegate growth shows clear signs of slowing down
- ◆ Margin declined from 31% to 30%:
  - ◆ Increased investment in digital publishing
  - ◆ Cost/headcount lag following FY10 revenue recovery
  - ◆ Mitigated by revenue growth and tight cost management esp outsourcing

# REVENUE BY TYPE

£m	2010	<b>2011</b>	change	@ constant fx rates
Subscriptions	72.6	<b>82.0</b>	+13%	+12%
Advertising	23.8	<b>27.3</b>	+15%	+14%
Sponsorship	15.5	<b>21.0</b>	+35%	+35%
Delegates	33.1	<b>33.9</b>	+3%	+2%
Other/closed	5.5	<b>4.8</b>	-12%	-13%
	150.5	<b>169.0</b>	+12%	+12%
FX loss on forward contracts	(2.7)	<b>(1.4)</b>		
<b>Total</b>	<b>147.8</b>	<b>167.6</b>	<b>+13%</b>	<b>+13%</b>

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



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

# REVENUE CHANGE BY QTR

Y-o-Y % change	FY2010				HY2011	
	Q1	Q2	Q3	Q4	Q1	Q2
Subscriptions	-4%	-9%	+5%	+12%	+13%	+13%
Advertising	-11%	-3%	+15%	+16%	+24%	+6%
Sponsorship	-31%	-	+37%	+29%	+39%	+31%
Delegates	-33%	+23%	+22%	+15%	+19%	-12%
Other	-26%	+3%	-6%	-	+15%	-36%
Total	-17%	-1%	+15%	+15%	+19%	+6%
Total <sup>1</sup>	-17%	+2%	+16%	+16%	+20%	+7%

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



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

Y-o-Y % change	FY2010				HY2011	
	Q1	Q2	Q3	Q4	Q1	Q2
Subscriptions	-4%	-3%	+4%	+7%	+11%	+13%
Advertising	-11%	+1%	+15%	+13%	+22%	+7%
Sponsorship	-32%	+4%	+34%	+26%	+37%	+33%
Delegates	-34%	+25%	+21%	+13%	+18%	-11%
Other	-25%	+5%	-6%	-3%	+11%	-36%
Total	-17%	+4%	+14%	+10%	+17%	+7%
Total <sup>1</sup>	-17%	+5%	+15%	+12%	+19%	+7%

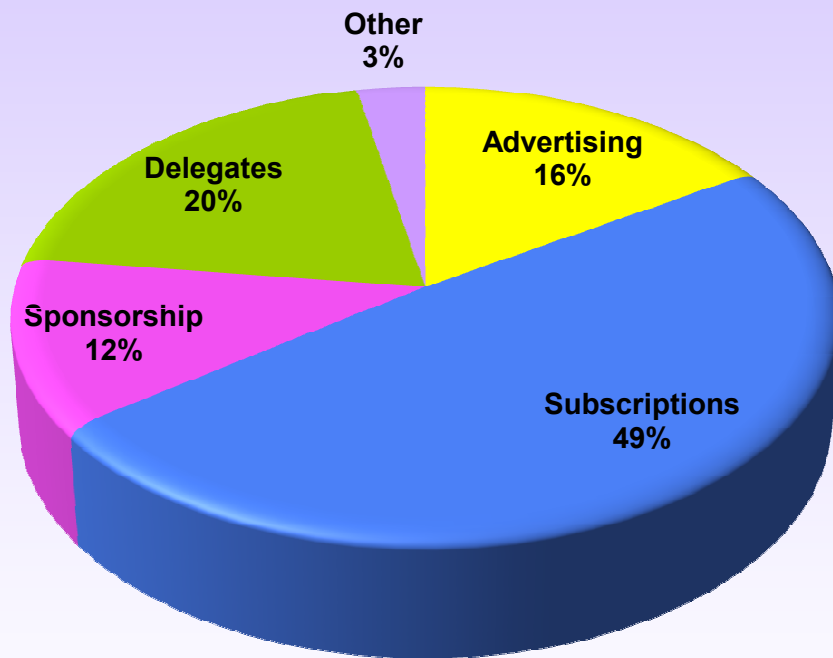
<sup>2</sup> At constant exchange rates

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

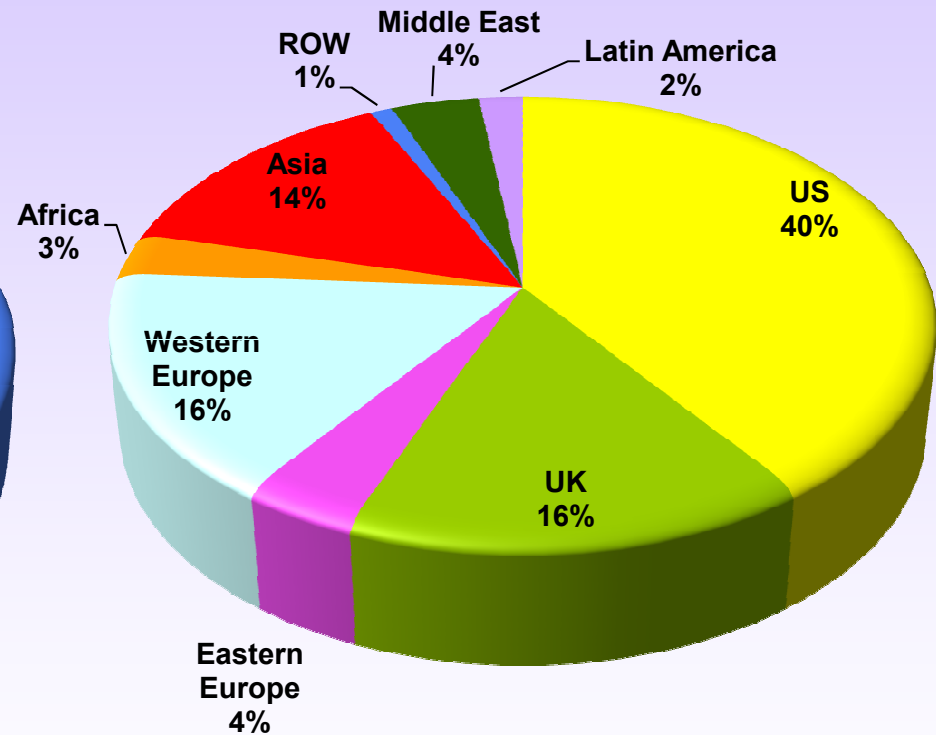
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Investor PLC

# REVENUE MIX

Revenue by type



Revenue by destination



# REVENUE BY DIVISION

£m	2010	2011	Change	@ constant fx rates
Financial Publishing	35.5	<b>39.2</b>	+10%	+10%
Business Publishing	23.8	<b>25.9</b>	+9%	+9%
Training	13.7	<b>15.7</b>	+15%	+14%
Conferences & Seminars	34.3	<b>38.2</b>	+11%	+11%
Databases and Information Services	42.3	<b>49.5</b>	+17%	+17%
Closed Businesses	0.9	<b>0.5</b>	<b>-40%</b>	<b>-46%</b>
	150.5	<b>169.0</b>	+12%	+12%
FX loss on forward contracts	(2.7)	<b>(1.4)</b>		
<b>Total</b>	147.8	<b>167.6</b>	+13%	+13%

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

£m	2010	2011	Change
Financial Publishing	11.5	<b>12.3</b>	+8%
Business Publishing	9.2	<b>9.1</b>	-1%
Training	3.2	<b>3.8</b>	+19%
Conferences & Seminars	10.9	<b>12.2</b>	+11%
Databases and Information Services	18.5	<b>20.7</b>	+11%
Corporate/closed businesses	(7.9)	<b>(8.3)</b>	+5%
<b>Total</b>	<b>45.4</b>	<b>49.8</b>	<b>+10%</b>

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

# OPERATING MARGIN BY DIVISION

	<b>H1 2010</b>	<b>H2 2010</b>	<b>FY 2010</b>	<b>H1 2011</b>
Financial Publishing	<b>32.3%</b>	36.0%	34.3%	<b>31.5%</b>
Business Publishing	<b>38.6%</b>	42.8%	41.0%	<b>35.2%</b>
Training	<b>23.3%</b>	24.5%	24.0%	<b>24.2%</b>
Conferences & Seminars	<b>31.8%</b>	29.7%	30.6%	<b>31.9%</b>
Databases and Information Services	<b>43.9%</b>	40.6%	42.1%	<b>41.8%</b>
<b>Total<sup>1</sup></b>	<b>30.7%</b>	30.0%	30.3%	<b>29.7%</b>

<sup>1</sup>After corporate costs

# 2011 HALF YEAR

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# GROWTH DRIVEN STRATEGY

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

- ◆ (1) Maintain high margins
- ◆ (2) Drive organic growth:
  - ◆ *Invest in building high quality electronic subscription products*
  - ◆ *Accelerate online product migration*
  - ◆ *Improve product quality through editorial investment*
  - ◆ *Focus on key strength – quality and effectiveness of marketing*
  - ◆ *Quickly roll out successes to new geographies esp emerging markets*
- ◆ (3) Selective acquisitions to accelerate growth strategy and build market share
- ◆ (4) Invest in people / infrastructure to support growth

# INVESTMENT IN NEW PRODUCTS

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- ◆ H1 investment £4m+ (2010: £2m) and expect to invest up to £10m over full year comprising:
  - ◆ New technologies, online migration of print, mobile apps etc £4m incl £1.5m in H1 (2010 H1: £1m)
  - ◆ Stand-alone new products £2m incl £1m in H1 (2010 H1: £1m)
  - ◆ Long-term investment projects for:
    - ◆ BCA (new products, editorial bench, interactive data) and
    - ◆ CEIC (premium databases, new data sources, industry reports)
    - ◆ Total spend £4m incl £1.5m in H1 (2010 H1: £0)
- ◆ Investment largely people / technology and expensed from profit
- ◆ Mostly subscription businesses so long lag for launch / revenue / profit – up to 3 years



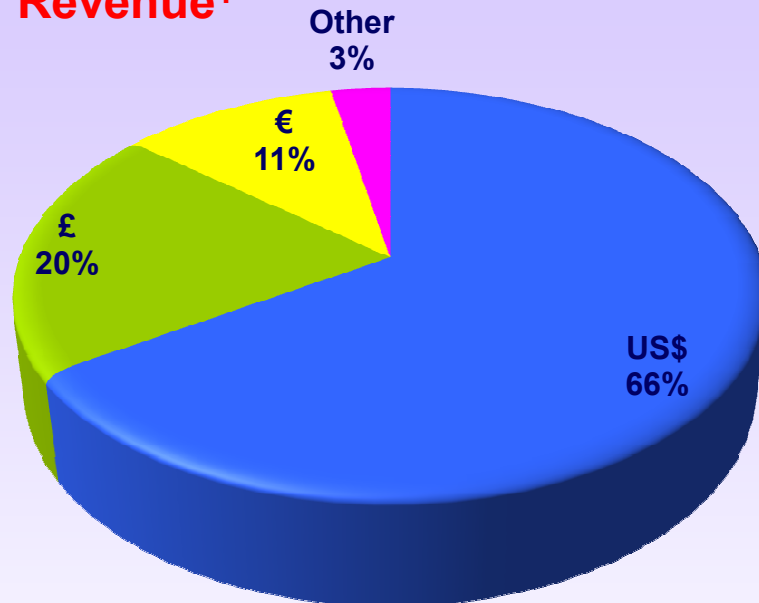
# NEW DIGITAL PRODUCTS

2010 Launches	2011 Launches
Euromoney Market Data	Euromoney Country Risk
iichina.com	Airline Analyst database
HFI live performance data	Asiamoney Plus
Latin Finance cap intro forums	Investor Intelligence Network
Journal of Index Investing	BCA interactive data
UCITS information service	Legal online channels (x5)
	Metal Bulletin Iron Ore Index
	Project Finance deals d/base
	Various mobile products / apps

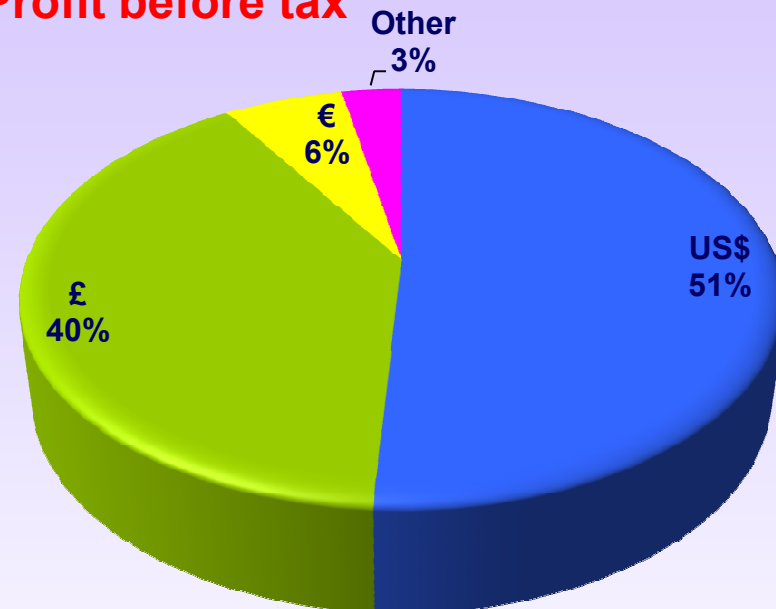
Driving revenue growth in 2012 and beyond

# OUTLOOK - IMPACT OF FX

## Revenue<sup>1</sup>



## Profit before tax

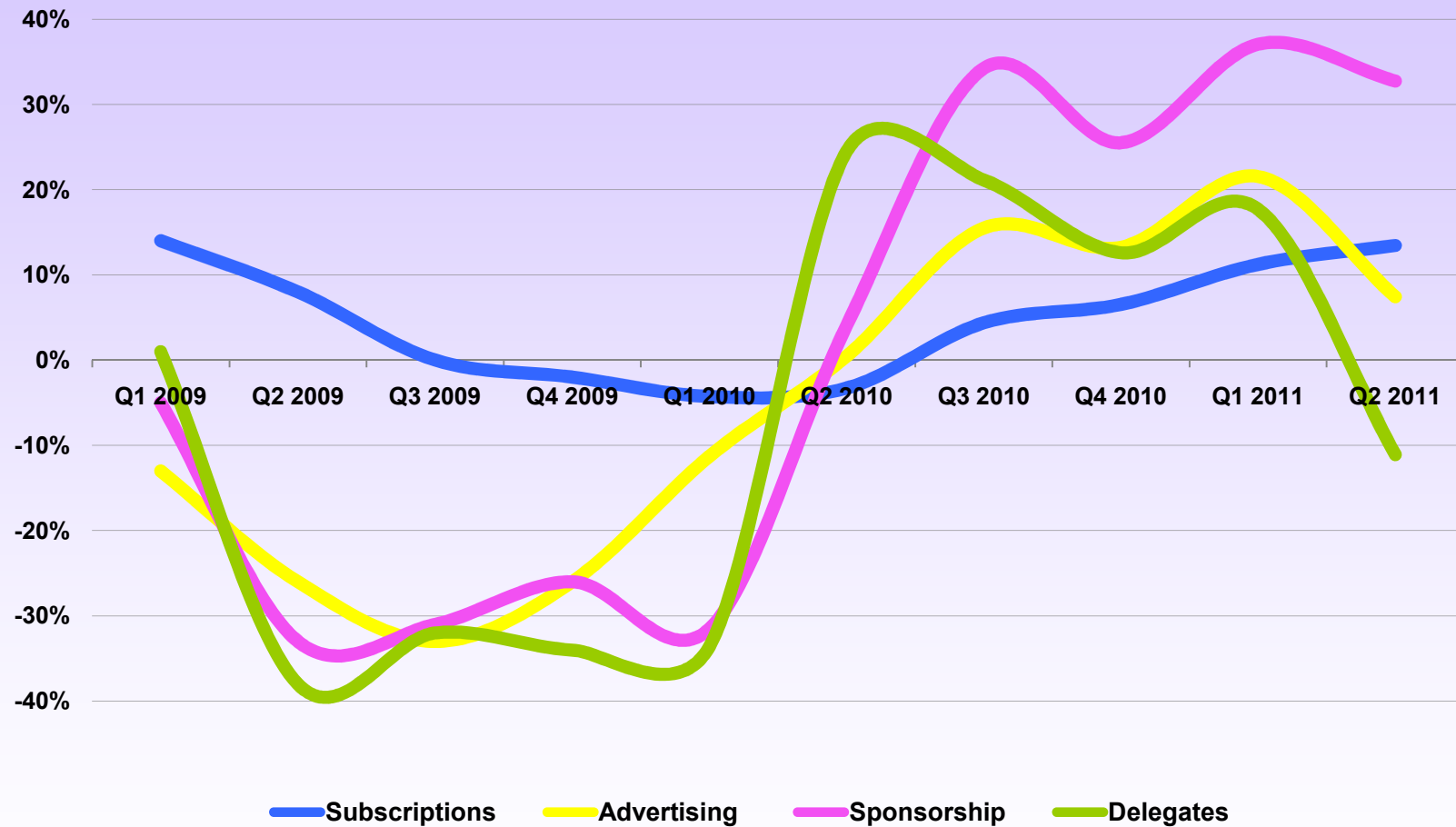


USD	2011	2010
H1 average rates	1.59	1.60
H2 average rates	1.63	1.51
H1 closing rates	1.60	1.52

USD	1¢ movement
Revenue (£m)	+/- 1.3
Profit (£m)	+/- 0.4

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

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



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

# OUTLOOK H2

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- ◆ Recent trading mixed, in line with markets
- ◆ Uncertainty remains over global economic outlook; inflation overhang, Eurozone debt; Middle East unrest etc
- ◆ Visibility for events businesses in Q3 is encouraging
- ◆ Rate of growth in subscriptions expected to fall in H2 against tougher comps
- ◆ Clear signs that growth in ads / training dels slowing
- ◆ Investment in digital publishing and BCA/CEIC will continue as planned
- ◆ Expected to reduce operating margin by up to 2% points
- ◆ FX exposure to US\$ only partially hedged and likely to be unfavourable in H2 at current rates
- ◆ Strong b/s provides significant acquisition capacity

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