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Informa Company Update

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12:00 UTC

Operator: Good day, and welcome to the Informa Company Update Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Stephen Carter. Please go ahead, sir.

Stephen Carter: Thanks, Donna, and good morning, good afternoon, everybody. Thanks very much for coming on the line. Sorry we're starting slightly late, but there were just a few people having a few problems getting in. So, I hope you can hear me clearly. If for some reason you can't, then please do let either Donna or email Richard and we'll know. I'm joined by Gareth Wright and by Richard Menzies-Gow. So, I'm just going to do a little bit of a scene set.

I'm going to try and keep it short and to the point, because I suspect people would really rather ask questions. I'm getting the nod from Richard that that's correct. So, that's what we're going to do. As hopefully most people on the call will have seen, we made a market announcement this morning. Apologies if that took anyone sort of slightly by surprise because of the technical and indeed formal matter.

We will be publishing our full half year results on, I think, the 28th of this month. But as we were involved in both an acquisition which we announced today of Industry Dive, and a further disposal in our divestment program in this case of EPFR, and for reasons to do with timing and signing, and disclosure obligations, we just thought it would have been odd for us to have laid those two pieces of news in front of the market without also giving a fuller update.

And as we were past the half year, we were able to do that. So, that's the reason why. I hope it's proven to be useful. So, in summary, where are we? Well, first of all, we are on our results. We're pleased with where the company is tracking to. Our businesses are, in headline terms, in growth. In Taylor & Francis, we continue to see a steady march of growth improvement in revenue as the business expands and extends its capabilities whilst protecting its core.

In our B2B markets businesses, we're seeing the progressive and at times very well paced return of live and on demand events. There's a geographic exception in China, in mainland China, but even that is beginning to unwind on a city by city, province by province basis. And whilst that, we've made, I think, a sensible decision to take a cautious view of likely year end outcomes in mainland China. We're more than making that up in other parts of the world.

So, that leads us to the conclusion that we remain committed to our outperformance in the year at the upper end of our guidance. Alongside that, in our B2B business, we are expanding. We're expanding in our service offering, and you see that most visibly today in the addition of Industry Dive, which some on the phone or on the call may know of. Essentially, it's a specialist content business.

It's taken a kind of traditional B2B publishing information model, repurposed it with a very effective, scalable technology and service delivery stack, and then a pricing model and an approach to both first party data and market presence, which has really demonstrated its capability to scale, expand, scale, expand, scale, expand in our mutual judgment. You see that in the nature of the deal structure, is that we can both see the value in combining that business with our own specialist market presence in a whole variety of B2B submarket.

So, a natural addition for us, and importantly for us, because as those of you who follow the company well, you'll know this is a key criteria for us. We put a lot of store behind cultural fit, and we see a very, very strong cultural and performance fit. It's a great business. It's a high energy business, and in its individual specialisms, it's a high impact business, and that will sit well within our own operating model.

Not irrelevant as we build out our market position in these digital services, it also sits alongside NetLine, which we bought at the back end of last year, although interestingly they themselves have looked at it as a possible addition, and both of those businesses sit alongside our first party data, our capability, which we've built organically and our expanding organically [inaudible]. And hopefully by now it's becoming clearer what it is we're trying to shapeshift to in our offering, our broader offering to the B2B end market.

We're still expanding in the core business by market sector. We've got an example we've laid out today in the beauty market, beauty and personal care market, where frankly, we've come from virtually nothing four or five years ago to a business that's probably in total, if you look across all the brands, they - $80 million to $100 million revenue and market for us. And we're also expanding geographically with further expansion, what's an important market for us in the Middle East through our evolving relationships in Saudi Arabia.

Our divestment program continues, following on from the disposal of the pharma business. We confirm today the signed agreement on EPFR which many on this call may be aware of, which is the fund flow business, gem of the business. And we're delighted with the agreement we have signed, and we see that as a further addition to our portfolio focus. We've got a little bit more work to do, but we remain confident that we'll get that program completed on a backstop date by the end of the year.

We're already above and beyond what were, I think, the market expectations, and possibly even some of our own expectations on value and after two disposals with some further opportunities for further cash returns. The net of that, so the combination of our business returning, our businesses in growth, the cash discipline that Gareth and the team put in the business during COVID, the success of our divestment program, both in time, timing, and multiples paid means that our cash position is strong and therefore our balance sheet is very strong.

And that sees us 12 months on from when we were having this discussion in the summer of 2021, effectively in a net cash position in the year versus a net debt position of nearly $2 billion a year ago. And that combination is allowing us to strengthen our balance sheet, make some highly disciplined, targeted acquisitions, increased shareholder returns, a higher buyback, and importantly for some of our investors, return to ordinary dividends.

Ordinary dividends we suspended, as people may recall, during the sharp end of the COVID crisis. A sensible decision to make, and one that I have to say that was very broadly supported by our shareholders, for which we were very appreciative. But ordinary dividends have always been part of the mix. We want to get the balance right between being a growth business and a yield business, and we're more focused on the former, but we're alive to the value of dividends as part of the investment return, and I'm really pleased to see us return to a dividend resumption at 40% of earnings.

So, that's where the company is. We're making steady progress. We're pleased to see market reopening. We've been very reassured by the structural demand for the live and on demand product. We would say that our live and on demand product is a better product, perversely, than it was before COVID for a whole variety of reasons. Part of the reason why we're investing further in digital product enhancement in, if you like, the operating fundamentals of delivering that product.

We remain committed to delivering a GDP plus growth business in Taylor & Francis in the program of the GAP II time period. Our divestment program is, I think, paying for us and for shareholders, both in making us a more focused business, and in strengthening our balance sheet and enhancing our ability to return value to shareholders both in buybacks and dividends. We're pleased with Industry Dive.

I think it'll be a very nice addition, it sits very neatly alongside our champion the specialist strategy. And as I say, we are very confident in the leadership of that business, and their commitment to its long term growth. So, that's where we are in the half year of 2022, and I'll now throw it open to questions.

Operator: Ladies and gentlemen, if you would like to ask a question, please signal by pressing star, one on your telephone keypad. A voice prompt on the phone line will indicate when your line is open. Please state your name before closing your question. Again, press star, one to ask a question. And we will now take our first question.

Adam Berlin: Hi. Good afternoon, everyone. It's Adam Berlin from UBS. Just a few questions for me. Firstly, can you just say a little bit more about the revenue synergies in the new acquisition, the Industry Dive acquisition you made today? Is that just from cross-selling to the industry type customers, your own products existing today? And how long do you think it would take those synergies to come through? So, that's the first question.

And the second question is just to clarify on the guidance. So, originally, we were guiding for EBIT for 2022 of 470 to 490. There's been about a £30 million or so, correct me if I'm wrong, tailwind from currency this year as the pound has dropped against the dollar. But you're still guiding for kind of top of the range.

So, generally, would you say underlying, things have worked out a bit worse this year than you expected because of China, and how much China rebate was in your original guide that you gave in the full year results, and how much China rebate are you expecting now? Thanks very much.

Stephen Carter: Thanks, Adam. In the division of labor, I will take the first question, and I will singularly hand the second to Gareth, who is going to answer it with enthusiasm and clarity, I hope, Adam. But on the first one, well, look, let's unpack it a bit. I mean, I think the first thing we'd say about

Industry Dive is that it's just - it's a very scalable business. The kind of single point technology capability they built in that business will, we believe, allow for a natural extension of their Dive product into other markets.

And so, yes, to your question. I think today they have 26 Dives in market, 27 industry dives in market, and we've done some work with them, as you would imagine. As to what the the expansion of that portfolio could look like on a one year, two year, three year, and beyond basis, we see no limit in the capability of the platform to be able to hold that, or indeed the market's appetite for that.

So, we - in the plan that we've built with them, we've got a sort of significant expansion of product, and we think that's a relatively straightforward source of revenue synergy. And the model really, the revenue model is a function of a multiplication of the number of Dives and the number of subscribers. And that gets to the second area of complementarity, which is around market access and speed of market access.

And that's where they're first party data because all of their data is felt - is first party, as indeed is our own. And that, I think, we believe mutually will allow us to bring more accurate, more relevant product to market more quickly, and in a more targeted fashion. And then kind of longer term, we think there is a real opportunity for product innovation, which they already had in the pipeline, where they are - where we could develop further additional products for the specific specialist end markets.

And the combination of expansion, data sharing, and then product innovation gives us, I think, a reasonably high degree of confidence in the revenue up side. We're not buying this business for cost synergies, quite the opposite. We're buying it for revenue growth. And you can see that a bit also, Adam, in the way in which the deal is constructed. So, we paid just south of $400 million at the upfront point, but we've constructed between the two of us, a value which could be north of $500 million if we hit the growth targets that we can see.

And if you play that out, then actually the multiple drops, and the deal is constructed, I think, that way because both of us can see the opportunity for growth. So, that's the way we're thinking about it. On the guidance and the FX and other moving parts, Gareth, can you -.

Gareth Wright: Yeah, sure. So, as you've confirmed in the release today, we've reconfirmed the full year guidance at the upper end of the range that we provided previously. And just to confirm and clarify, that does not include the benefit of Industry Dive. So, the confirmation is on an apples to apples basis with what we've said previously.

In terms of the moving parts, there is a foreign exchange benefit from the strengthening of the US dollar, which we have accounted for both in the AGM trading statement in mid-June, and a further smaller strengthening through into the numbers today, which kind of takes the average for the year from about $1.34 average, when we initially gave the guidance, is what we were expecting when we gave the guidance for what we now expect to be about a $1.26 average.

So, there is definitely an improvement in the US dollar position which benefits the numbers. And then in terms of trading, we have a - we have upside. Outside into North America, EMEA, etcetera, across the business that we've brought into the numbers has been a benefit to the guidance. But as you've called out, there is also a bit of a drag on the guidance from China. And how we've handled that is, at the time of the AGM statement, we said that the business was going to trade at roughly about 60% of the budgeted revenue.

I think we guided you to the fact that budgeted revenue is about £200 million for mainland China. So, that took out about 80% of the original budget. And what we're telling you - what we've done today to further de-risk the numbers is we are taking China down to about two thirds of the number that we said previously. So, it's a further £40 million worth of revenue coming out. So, you can do the math.

So, what that means is there is about £80 million worth of revenue still in the forecast for China as we stand. The de-risking today really is from a variety of factors. It's deferring some events in the calendar, it's moving some events around geographically. So, there's no kind of one factor that's in there, but it's just a general de-risk that we feel is appropriate, looking at the position in China, and based on the strength of the trading in the rest of the business.

So, we're confident we will run events in China, but we think, as I say, it's prudent and appropriate to take a little bit more out of the numbers today whilst reconfirming the guidance. Is that helpful, Adam?

Adam Berlin: Yeah, that's great. Can I just one quick follow up, please? Can you share with us what the target growth rates are for the new acquisition, Industry Dive to get the - to do the additional consideration?

Gareth Wright: Well, the target growth rate for what we're looking to achieve from the business is, I think we describe it as double digit. We think that's achievable. You'll be able to see from the release that some of the historic numbers are actually well in excess of that. But in terms of kind of reaching conclusions on what we're targeting with and how we're going to integrate it, those are the sort of growth rates we are looking for in the base case.

From the earn up that is in place, there's a potential for management to take greater consideration out of the deal for hitting higher targets. But I think we'll sort of guide to those as we operate the business and look at it over time. So, our real - our case for today, and in terms of the acquisition, is double digit growth is really what we're looking for.

Adam Berlin: Thanks very much.

Operator: And we will now take the next question.

Speaker: Good afternoon, everyone. I just had a couple of questions. Maybe starting with Industry Dive again. Could you just clarify what the growth rate was in 2022 versus 2021 in terms of revenue, and clarify what the mix of revenue streams was within the business? I think you were kind of alluding to the fact that it was kind of 100% subscription revenue, but if you could just clarify that. And then on the future of Industry Dive, we talked about expanding the verticals.

Could you maybe be a bit more specific about how many more you intend to add? So, if you've got 27 today, are we talking about adding five or ten, or are we talking about doubling it or more, some sort of scale there? And then if you could also give us a sense of how much you think you might need to invest in the business in order to be able to grow at the double digit rate over the next few years.

Tom: I think there's about half a dozen questions on Industry Dive. And then just finally, if I may, on China, could you just clarify, you said, I think £80 million of revenue this year you're putting into - or we left in the guidance. Which events in Q3, Q4 are kind of important, and when do you think to deliver that revenue? And when do you think you'll know definitively whether there will be actually run or not? Thanks a lot.

Stephen Carter: Thanks there. Let me have a bash and then Gareth will bring clarity where I bring confusion. On Industry Dive, I mean, as you can see from what we've disclosed today, the business has been showing strong double digit growth this year and last year, and indeed the previous year on the previous year. And so, it comes from a strong base, and a lot of that growth is a function of expansion of the Dive portfolio, you know, how many Dives are there, but also their ability to price to demand an audience.

And I think the kind of central point that we would make and where we see a commercial - a significant commercial overlap between their business model and our business model is we are both in niche markets, married with first party data. And that's the kind of central part of the overlap, the strength we've always seen.

I think Gareth, Richard, and I have said for many years, our strength is in our niches and our ability to be able to mine revenue highly efficiently with attractive margins as a result of providing a product or a service that's really very valuable to an end customer in a very, very specialized market in our case. In the main, a highly qualified, well curated, very market relevant trade show, but around that, putting other products and services, professional accreditation services, training services, media and marketing services and expanding that.

And the Industry Dive model is very similar. First party data serving up to niche markets. So, to your question, how many dives could you could you see? Well, I'm not going to put a number on that, because A, everyone will run the maths and B, it's a competitive world out there, and they're not the only people - and now we're not the only people in that game. But we don't really see any particular limit to that, and based on the capability of their service offering, and will work with them.

Suffice to say that we spent time with them building an operating plan for 2023 and 2024, where you can see significant product expansion. But it's really important. This isn't a low cost, eyeball programmatic ad exchange model. It is about providing highly specialized, well curated content, which people subscribe to. They don't pay to subscribe, but they subscribe to.

And when they subscribe, they serve up their time, they serve up their audience, they serve up their data, and then that gets monetized through sponsorship and demand and audience engagement. That's the model, and we think that's very relevant to where we are. I don't know if Gareth wants to add anything to that, but on the China question, over to you guys.

Gareth Wright: Yeah, on the China question, really, the revenues in China for the live events revenues in mainland China start from September onwards. So, September, October, November, December. There's a weighting towards Shanghai, but we have moved one or two events outside of Shanghai just to diversify the geographic risks and exposures there. And in terms of visibility, you're starting to see events operate already, though not necessarily our events, but other events operate already in China.

So, there is kind of precedent for operating events, and I think we will start to get more clarity as we move through August, that the events starting in September can operate. So, that's kind of the timing and how we're thinking about the distribution. The weighting is probably towards the back end of the four months, so less in September than in November, December, which again is a factor of us pushing events back later in the year to give us more room to maneuver in terms of permissions to operate.

Stephen Carter: So, does that help you?

Speaker: That's very helpful. Can I just have one quick follow up, if I may, just on other stuff that you might be looking at to buy? Because I suppose taking a step back, you've done some very successful divestments, made a few acquisitions and this is an interesting one. I just wonder whether there's anything else in the pipeline that you have in mind that you might be going to add to what you've done with Industry Dive?

Gareth Wright: Well, look, I hope we were clear when we laid out our GAP II program at the back end of - was it the back end of last year? It feels somewhat longer. The back end of last year, that essentially our strategy was to exit from what was our smallest portfolio, our intelligence portfolio at the time in round numbers, take $100 million profit, and double down in the two markets, academic markets and B2B markets where we had position.

We had brand. We had some market authority, and we had a license to operate and expand organically and inorganically in a relevant way our service offering, and improve our digital service capability. That's our strategy. But it comes with a a kind of a disciplined health warning, which is our judgment, which so far I think has proven to be more correct than incorrect, was that we could exit that market at multiples that exceeded the carrying value as far as anyone else was concerned.

That would allow us to strengthen our balance sheet, pay down a bit of our debt, return money to shareholders, get back to ordinary dividends, as well as a nontrivial buyback program, and still have some cash for measured investment. But we're also alive to what's going on in the external world. So, we want to stay disciplined on what is our cash position, what is our balance sheet strength. If for no other reason, that in a sense makes us a better counterparty as a buyer, where we do choose to buy.

Do we have a long list of things that we would talk about publicly? No. In the specific area that we've bought in today, what you might broadly describe as audience first, party data digital demand in B2B, we have spent the last 18 months to two years getting very knowledgeable about that market. It's predominantly a US market, and we spend a lot of time around the players, the parties, the owners, and we'll stay connected to that market.

But I think our approach is one step at a time. We built IIRIS first, we then went into lead generation and content syndication. We've now expanded into audience with a strong footprint in first party data to enhance where we are with our organic developments in IIRIS. And I think we can build out our service offering. Similarly in academic markets, we did the same thing first with Dove, then with F1000. We're making some significant investments in our own service and digital capability organically, and we'll keep our eyes open.

Speaker: That's super helpful. Thanks very much.

Operator: And we will now take the next question.

Tom: Hi there. It's Tom here from Citi. Thanks for taking the questions. Two, if that's okay. One on academic, one on events. On academic, growth is obviously very encouraging, especially if we consider last year would have had a favorable sort of tailwind in terms of print. Does that mean an acceleration into year end is the simple question? And then on the event side, the - on level, the sort of Industry Dive acquisition feels a little bit like Back to the Future, sort of plugging trade publications back into events.

I'm just wondering whether with some of the intelligence assets, whether there's still the remaining intelligence assets, I should say, whether there's still a commitment to 100% clear those out or whether some of those could be repurposed into something similar? Whether that's - they're completely separate and still - we're still committed to get rid of them. Thank you.

Stephen Carter: Thanks, Tom. At another time, I want to show you my photograph of me at a Fan Expo event meeting the cast of Back to the Future. But that's for another time. I sort of know what you mean, and I think I alluded to that in the quote today. I mean, there is no doubt that in a way, the Industry Dive model is a repurposing of something that you and I and others on the call would recognize.

And that's okay, I think. The question is, is it fit for the world we now live in, and is it delivering value? And the conclusion that we have come to self-evidently but others to judge is that it really has done that.

Steve Liechti: And that requires a kind of disciplined mixture of some of the things that are a bit back to the future, which is quality content that's highly relevant. Some of the things that are a bit new, which is you've got to have a rinse and repeat, highly scalable technology capability that allows you to add additional product at effectively zero marginal cost.

And then on top of that, you've got to work out a monetization model which fits in the world that we're in today, which is largely, don't get caught in your own netting by trying to compete on CPM pricing and sell to your audience directly to your customers, because this is a B2B market. And I think somewhere between 80% to 85% of the revenue is sold directly, because you need to have a relationship with the customer.

And that is what then allows you to be close enough to your market for them to be able to provide you with fully permission, first party data. And it's that combination that puts you in the sweet spot, and that makes you more future than back to the future. And that's why we feel good about it. Interesting point, actually, that you make on our intelligence portfolio. You're obviously been bugging our offices, Tom.

There's no doubt that we - when we went through that decision making process, we did look at some of our assets inside the intelligence portfolio that were a more of a blend of data, data analytics, and other services, and then made the judgment that on balance. The question really, to go back to the prior question, was that on capital allocation, we really saw the growth opportunities for us being maximized in the academic markets and the B2B markets.

We've got really in effect two remaining assets in what was our informal intelligence portfolio, the maritime business, the Lloyd's business, which is a mixture of data, B2B content. And then we have a wealth management and fixed income and credit businesses which similarly are a mixture of data and content and insight. And we are aiming to complete our view on disposal or retention and investment by the year end.

But by the end of the year, we will be in two markets. We will be in academic markets, and B2B markets. So, either they divest and go, or they stay but they are aligned to serving an end market that we are focused on, if that's clear.

Tom: Yeah. And on academic?

Stephen Carter: On academic, I'm certainly - no. We're not going to give you a guide to what the yearend number is going to be. I mean, we're pleased with where we are. I think your points on the half year comp are very valid, and that's why I think - where it gives us real confidence. And I think more than that is also when you sort of look under the bonnet of where that revenues come from, we also feel confident about the kind of constituent parts of the revenue. I don't think we would change our guidance for the year end.

Gareth Wright: We've steered towards target of 3% growth for the year, which is an improvement over the 2.4% that we delivered for 2021. As you say, Stephen, it's growth across a variety of the products, but particularly driven by the pay to publish services that are a focus area of the GAP II investments in that division and those growth rates.

And so, for the full year, kind of consistent what we reported at the AGM trading statement stage, and will be consistent with what we're going to report in the half year. So, I think we're on track there, making good progress, and continuing to evolve the the pay to publish side of the business, which I think gives good opportunities for expansion over the next couple of years.

Tom: Perfect. Thanks. Now, looking forward to a lie in on the 28th. Thank you.

Stephen Carter: Quite right.

Operator: And we will now take the next question.

Steve Liechti: Hi there. Steve Liechti here from Numis. Just to ask, on the more precise breakdown on Industry Dive, you've talked about the subscriptions and advertising on a targeted basis. So, if you look at the history of this business, it's shifted much more into a content marketing model. Can you break down the revenues between the sort of subscription and then the content marketing bit, or does it not work like that?

So, that's really the first question. And then the second question is, I note the management changes in the events side with Charlie stepping back and Patrick coming on. I'm just wondering, given their history and where they're coming from, is that perhaps saying anything in terms of the way you're going to manage the business and events business from here going forward, or is it more of the same? Thanks.

Stephen Carter: Thanks, Steve. Maybe I take those in reverse order, if I may, and then I might ask Richard to come in on the clarity on the revenue mix if I get it wrong again, which I clearly am. On the management change, I mean, look, thank you for asking the question, because it allows me to just put on record because there'll be, I suspect, quite a few colleagues on this call. Charlie has been and will remain a significant contributor to the company.

I mean, I had an exchange with him in the small hours of the morning reflecting on how far we've come as a business in this area, from when he and I first had a cup of coffee in New York probably eight or nine years ago. When I think at the time we had an exhibitions business of about £100 million, £250 million of revenue, and we decided that we had an ambition to be a player in this market, and I was trying to work out how to do that.

I was connected with Charlie. His contribution to the company has been really significant, and he's been a great colleague. He's been a great leader of that business. But metaphorically or literally, doing a million miles a year or whatever it is, takes its toll. And it's his time, and that's very much been his judgment.

He and I have worked on that over a period of time, and that has allowed us actually to do a very thorough process of ascertaining what's the skill set, what's the profile, what's the match, what's the style of the person that we're looking for to be the leader of that business on a going forward basis. And we did that in a very methodical manner. And in Patrick, I think we have somebody who has all of those profile skills that we're looking for.

In a sense, we're in a different place as a company because one of the things that I think Charlie has helped us build, and Charlie and I have definitely worked on, is we have a real bench inside that business of deep experience in that market. And so, if I were to go back to go forward, Steve, eight or nine years ago, we really need somebody - I really wanted somebody who really knew their way around that market, knew where the business is, where the brands were, who owned which assets and why.

What were the good brands? What were the bad brands? We have real strength in leadership. In Asia, Margaret Connolly, in North America Nan Walsh, Ken McAvoy, in Europe Peter Hall, in specialist submarkets in beauty, in food, ingredients, I could go on. 20, 30, 40 senior colleagues who really know their way around that market. So, I think what Patrick will bring is a different set of what I believe will be - what we believe will be highly complementary skills that will allow us to continue to be the best of what we can be in that business whilst adding and expanding our service offering. And that's probably the key.

And as we seek to take a position in adjacent markets offering additional services to our B2B customers, I think Patrick's experience will prove to be highly relevant, and that's really the thinking behind the management change. So, slightly long winded answer, but I think relevant for people on the call to understand how we thought about that. And it helps a bit that most colleagues inside Informa Markets know Patrick quite well.

He's been a prime mover in creating the value and the capabilities we built inside intelligence. And people will have forgotten, he was the person who ran the first major integration, the Penton Information Services integration. And so, he really knows his way around the ins and outs of the US business, and that's really where the main market is for us. So, on all those - for those reasons, that's why we've done it.

Charlie's not going anywhere. He's going to stay in the company. That's not just the kind of let's park him there for now. Not at all. He just doesn't want to be the person who has to get up at 8 o'clock every day. And therefore, I think we'll end up with the best of all worlds, a smooth leadership change, someone who people know but who brings a different set of skills and experiences, and we get to retain Charlie's industry expertise, knowledge, and also just his counsel and advice.

Your first question, which was around the revenue model, just to be clear, and I hope I'm not misleading people, we're not misleading people, it's not subscription, it's not paid for revenue subscription. It's people subscribe, and in that subscription, they then A, receive the product, the relevant Dive or Dives if they're a multi Dive subscriber, which some are, and then the audience then gets monetized.

And so really, the vast majority of the revenue, not all of the revenue, is the selling of sponsorship and time, which is priced by a mixture of demand and audience engagement. And it's done on a direct basis to the customer. That's the revenue model. In addition to that, there's probably 20% or 30% of the revenue that comes from pure content marketing partnerships, where the business works with its end customers to produce products.

And we do this ourselves already, although they do it, I think, more industrially than we do. And I might go as far as to say, better than we do in allowing B2B customers who are bringing new products to market, to be able to showcase their product either in video format, or in textual format, or in linked format, so that buyers and users can get a better understanding of a new product. That's the revenue model, and I hope that's clear. Richard, anything you want to add?

Richard Menzies-Gow: No, thank you.

Stephen Carter: Steve, I hope that helps.

Steve Liechti: Yeah, that does. I have one follow up. Just in terms of obviously the different Dives there, in the past, I think Industry Dive was very skewed - well relatively skewed towards retail as a Dive. So, my question really is, is there any disproportionately large dives in there that maybe can sort of flatten out across different verticals, or is it well spread by Industry Dive?

Stephen Carter: It's very well spread. I mean, of the 27 Dives, I don't think that - I mean, that's news to me. If there is a bias towards retail, I've never seen that in any of the numbers we've cut. It might have been at some point in their history, so defer to other people. But if there is a bias, and I don't know what the percentage is, but it's probably north of 50%, there's a bias towards revenue that's sourced from providers of technology, systems, SaaS, software, and other services.

But in a sense, that's not unusual in B2B markets. We see it ourselves in that - I was one of those people once. That is a market that A, leans heavily into specialist B2B paid for marketing product. All those companies are bigger buyers of those products and services, and frankly, that's part of the reason why we are housing this business inside Informa Tech, because we can see a very natural collaborative home which will fit well. But no, there's no - there's not one Dive that's 30% of the revenue, or 50% of the revenue. It's very evenly spread.

Steve Liechti: Great. Thank you.

Operator: And we will now take the next question.

Matthew: Hi, can you hear me?

Stephen Carter: Yeah, very clearly.

Matthew: Okay. Thanks for taking my question. I've got two. The first is on the event side, when talking with investors looking at next year. I guess if you look at what people are forecasting is probably from revenue as a percentage of 2019 to go from, say, 75% to 90%, obviously we've seen a strong recovery, a structural recovery this year of face to face as the restrictions fall away from COVID. What gives you confidence that we will see that jump in 2023? What are the key drivers behind that?

I mean, aside from just China getting better, and given all of the markets are now open, what is going to provide that additional jump, and what's your level of confidence behind that? And then the second question is on science. You're doing the GAP II investment. You used to generate a margin in T&F of about 38, 38.5%. Going forward, is it a case of margin coming down because revenue growth goes up because of GAP II, and then it kind of flat lines at say, 37% or 36%? Or does it gradually go back up as the extra revenue benefit from GAP II start to tell? I just can't tell at the moment what your expectation for long term margins in T&F is.

Stephen Carter: Thanks, Matthew. Let's take the first one. I mean, my own view, and I mean, this is a kind of freeform discussion, so Richard and Gareth may choose to put a gloss on this. My own view is, I think we'll have a more detailed conversation about that at the IMS in November, because I think we'll have better forward visibility into 2023 and 2024 at that point. And to your very specific geographic point, the situation in China will have played out, I think, both as it relates to location by location relaxation in 2022, and also about what is a new zero case policy look like for 2023 and beyond.

And China, as you know, is non-trivial for us. But - so I just put that - I think that would be a most sensible point to take a more detailed view of 2023 and 2024. What gives us underlying confidence about the progressive return? I think in no particular order, the way I would build it up, I was thinking about it. I think the first point would be, we have seen no evidence in any geography that we've opened, and we've now opened many, that there has been any structural damage to the demand side of the product in any sector.

And we're in a lot of sectors, and we're in a lot of geographies. And secondly, we are investing hundreds of millions of pounds, but material product investment in improving our product, smoother registration, better information flows, more efficient applications and app services, more information on exhibitors, more information for visitors, better product information, but just making it a better product, Matthew. And at a minimum, that will be defensive, at a maximum, I think that will enhance the product.

Thirdly, in 2023, excluding China, we will in the main, not everywhere, but in the main will be in a full year sales cycle, which we were not in 2022. Most of our product outside of China will be slotted in a schedule point which will have allowed for a pretty close to 12 month sales cycle, which was not the case going into 2022. Fourthly, our pricing in 2022 is largely 2019 pricing. A very conscious strategic decision that we made in order to try and deal with the structural demand point.

We didn't want to put any obstacles between our products and our customers. But I think going into 2023 is very legitimate for us to look at pricing both in absolute terms, and as we bring more products and services to the offering and we make it better, there's no reason why we shouldn't therefore be able to put some price around that value. So, I think that's how we're thinking about how we're building the business up into 2023.

Structural demand remains very strong. We'll have more visibility on China. We are improving the actual product with an ambition, and we're very clear about this inside the company. We want to be able - we want to be the provider of the best product in that market. And you can differentiate your product, and in that differentiation, at a minimum there's defense, at a maximum there's value. And then expand our product offering and be able to price accordingly to the value that that delivers and then you have the fundamentals on price.

I think those are the building blocks, but I hope we'll be able to give you more guidance on that as we work our way through the year and get closer to 2023. On T&F and on margins both this year on a mid-term, Gareth.

Gareth Wright: Yeah. I think what we'd say in terms of the T&F margin is that in 2022, there's kind of two dynamics that you've got to take into account. One is that we are in the - probably the - one of the main years of GAP investment for that business. And so therefore, you're seeing your increased costs in terms of people, systems, technology, product development platforms, processes, etcetera in 2022, and you're not really seeing the revenue benefit coming through in full yet.

Obviously, a bit of a tick up, as mentioned on a previous answer, a bit of a tick up. We're not seeing that in full. So, that investment will be a bit of a drag on the margin in 2022. And the other dynamic you're seeing is that we have increased some of the costs in terms of the central functions against support gap to principally around technology. And those allocate out to a division - to the divisions on the basis of revenue.

And as for B2B markets, businesses are still increasing their revenue following the COVID disruption. [Inaudible] is getting slightly overweight impact from those allocations in 2022. So, the impact of those two factors will be a bit of a drag on the margin in 2022, but it doesn't change our view on the sort of medium to long term margins in that business, which we think will - at the moment, I think as a sort of longer term guidance, we say might settle at around 2% below where they were previously, but that's the trade-off that we're making for having a business that we think can grow at 2% more than it did previously.

So, if you think before GAP II, this is probably a 2% business, and on the Capital Markets Day, we outlined the fact that we think we can get it to be a 4% growth business, and therefore win the tradeoff of a slightly lower margin initially versus a higher growth produces a more valuable business going forward, and therefore is worth making. Now in the longer term, as the higher revenue growth kicks in, you should see a drop through of that into the margin, and that may well then increase the margins further.

But I don't think we're committing to that at this stage. What we're committing to doing is making a faster growth and sustainable faster growth business out of T&F through the period of GAP II.

Matthew: Thanks, guys -

Stephen Carter: [Inaudible] you're happy with that?

Matthew: Yeah. I'm guessing from your answer, that means if you were generating, say, 38.5%, now medium term, it's more like 36.5% we've cut to.

Gareth Wright: I think in the medium term, in terms I define that, but yeah, in the medium term, that would be, I think, a number of the model two. In 2022, it'll be lower than that for the reasons I outlined.

Matthew: Yeah. Okay. Thank you.

Operator: And we still have four questions left. We will take the next one.

Sarah Simon: Yes. Hi, it's Sarah Simon here from Berenberg. Sorry, it's not very interesting question, actually. It was just on FX. So, when you gave the guidance, it was based on 1.35, and, Stephen, you gave us the kind of new running average. It wasn't clear from Gareth's answer whether you've basically assumed that whether that currency benefit has now, let's say, shored up the absolute EBITDA guidance and offset some of China as has the better trading elsewhere, or whether we are supposed to be thinking that actually the FX is coming on top. Thanks.

Stephen Carter: Sarah, it's a great question. Nice to hear your voice. Gareth?

Gareth Wright: Yeah. I think - I mean, how we kind of build it up is I think the the trading upsides, you know, broadly offset. I think that the China downgrades, de-risking that we've taken in the numbers are certainly at OP level, I think are pretty much offset by the trading upsides that we've seen across the geographies, North America and EMEA and across all of Informa Markets, Connect and Tech, three divisions of contributor to that upside, which has been the - in the message we've played previously is that we're back.

We're back strong. China has its own localized challenges, which I think we've de-risked and we've kind of clearly communicated to the markets both the quantification of it at the start of the year, and where we think we are now in terms of what's remaining in the numbers. But overall, the China de-risking is offset by the trading upside across North America and EMEA.

In terms of the additional FX movement, there's a bit of a benefit in that, but that's one of the reasons why we be at the top end of the guidance. But I wouldn't say the FX is kind of masking or covering the China issues. The trading upsides elsewhere are pretty strong as well. Is that -

Sarah Simon: That's great -

Stephen Carter: - helpful, Sarah?

Sarah Simon: Yeah. That's great. Thanks a lot.

Operator: And we will now take our next question.

Lisa Young: Hi. Good afternoon. It's Lisa Young from Goldman. Most of my questions been answered, but a couple of more, please. So, firstly, you paid 11 times multiple to Industry Dive for a pretty strongly growing business. Is that the sort of multiples we should be looking for - what you're looking for when assessing future potential acquisitions for the low teens, or what would be the conditions for you to have significantly more that level of multiple?

That's the first question. The second one is on China. I appreciate most of your most important events will be occurring late in the year, but can you share how much revenue you have been having secured already in China? And is there sort of downside scenario here and - in a potential downside scenario, do you think you can still meet your full year guidance range, especially on operating profit? And the last question is going back to one of the questions that was asked earlier.

I appreciate you're going to give guidance on 2023 later on, but given everything you've said about the outlook for events still structurally sound, and obviously full pricing increase next year, outside of China, do you think - is there any reason why we shouldn't be going back to 2019 level already in 2023 outside of China? That's my question. Thank you. And also, what will happen to the margins in that case? Thanks very much.

Stephen Carter: That's a list, Lisa. Well, I'll try and take them in order and balance between myself and Gareth. On price paid, well I suppose it depends if you've got Goldman on the sell side mandate, what the price ends up being. But I think - we judge each acquisition on the merits and on the structure. And you're correct to say that here, on the - if you like the cash paid multiple, it's in the 11.5 times.

But there is - as we touched on earlier, we've also - we've bought this business for revenue growth, and both the business itself and the revenue growth potential from the combination. And we see real upside there for the reasons that hopefully the earlier conversation has both clarified and crystallized. And if that's the case, then the actual purchase price might end up being higher, but by definition the multiple would then be lower.

So, really I think it depends very much on the nature of the business, and I'm not sure it's possible to put down a marker that says it's in this range. At a more, if you like, strategic acquisition to disposal level, again, part of what attracted us to the strategy that we outlined back in December of last year was that we believed then, and thankfully, we've begun to bear that out, that we could exit from one market in what looks like a kind of blended 20 to 25 times multiple, and we could then redeploy capital at a lower multiple.

And if we can do that in a way that also enhances our market position and drives our growth rate, then hopefully that'll be an equation that works well for the business and for shareholders. So, does that give you a sense around that question, Lisa?

Lisa Young: Yeah. That's very helpful. Thank you.

Stephen Carter: On B2B events, it's a fair point. I think - I'm not trying to trade, you know, here's what we feel good about, and here's what we stay alive to, but we have also rationalized our portfolio a bit during COVID. We decided that there were just some smaller brands and market positions we would just not return to in a life form. Some of them we have co-located with others, some of them were doing purely as an on demand product.

Some of them we've warehoused for maybe a market return when the world is a bit different. But the portfolio in 2023 will not be identical to the portfolio in 2019. Whilst most of the business will be back to a full sale cycle, not absolutely all of it will be. And then there are still some geographies outside of China which we don't talk about so much on these calls, not because they're not important, but because they're just - they're smaller geographies.

But they will be coming back at different pace rates. ASEAN was an important market for us pre-COVID. Now, actually, we're pretty bullish on ASEAN, but I think this year it might end up being about a third of what it was in 2019. You could say the same about Brazil, Mexico. You can say the same about Turkey. You could say - and when - you say the same about Japan. And when you add these up individually, they don't necessarily move the needle.

But collectively, when you've got a distributed portfolio, that's all part of what was the, if you like, the fullest expression of the company in 2019, and then you get to China, which is - was another big market. And that's really why I think we might be better waiting till November. I think we'll have better forward visibility. But let's be clear, I think we've been consistent in our view, even in the depths of COVID, that the fundamentals of our product offering are very robust.

We have a very high quality portfolio, which is either a material brand or the material brand in the markets we serve, and the end markets we serve and the geographies that we operate in we think are very well lined up. And the evidence we're getting from in-market performance is confirming that, and that is what I think gives us confidence. On China, do you want to speak to that, Gareth?

Gareth Wright: On China, we have - I just want to start again at the top of the house. We've reconfirmed full year guidance today at the upper end of the range. And within that reconfirmation of the guidance, as I outlined to an earlier question, we've taken a further de-risking of the China revenues down by about a third of what we said previously, so about £80 million worth of revenue in the numbers, roughly to about £200 million in the budget that we originally set.

And at those sort of levels, we're confident about reconfirming guidance at the upper end of the range. If you were to then run a further downside scenario on those numbers, you could - you take more of that revenue out. But if that was to happen, what I think we'd be seeing, what our modelling shows at the moment is it was still finished within the range of the guidance that we've given.

Whether it be the upper end of the range, middle of the range, that really depends on what scenario you're running for China, and it also depends on whether there's further upside in EMEA and in North America, as we operate events in those regions over the autumn period, which is a possibility. So, I think we would say in a further downside scenario, confident about finishing in the range, but where in the range we finish depends on what we trade in the second half of the year, both in China and elsewhere globally.

So, I think that's kind of the confirmation we give on China. There's also a point around - I think around OP margin and the events businesses that you asked around. I think on that - I think again, as you kind of clarified with Taylor & Francis, I think with it being the GAP II investment year in 2022, that's a little bit of a drag on the margin in those businesses. But you've also got the ongoing recovery from the impact of COVID, which is leaving revenues below where they were pre-COVID, but at a cost base that is less.

But we haven't really taken a knife to because we've got - we're focused very much on the recovery from COVID and how we come back stronger as a business. So, there will be a lower level of margin in those businesses in 2022. They might be expecting all things being equal, but as GAP II plays out, and as the revenue returns, I think the margin levels can return to pretty strong levels, say, by 2024 or 2025 as you've recovered from COVID.

So, I think there's a structural change that we're aware of in terms of margin expectations in that area, but there will be a little bit of a lag across 2022 and 2023 as the margins continue to recover.

Operator: Thanks very much you two.

Stephen Carter: Okay. Thanks, Lisa. Any further questions, Donna?

Operator: Yes. We still have two questions. We will take the next one.

Speaker: Thank you very much, everyone. Can you hear me?

Stephen Carter: Yes, very clearly.

Speaker: It's Deutsche Bank. I just had a question related to a prior one about the GAP II medium term objectives for events. I understand it is too early to update on your 2024 new normal scenarios perhaps in a potential macro downturn, but maybe you can just remind us of the business performance during the financial crisis, like how long it took to return to 2008 levels.

And what do you think are key differences today that could result in a more resilient performance this time? For example, to what extent the fact that you're still recovering to pre-COVID performance can sustain growth despite a recession and a higher inflationary environment? Thank you.

Stephen Carter: Thanks. I'll take that one, and Gareth or Richard may want to come in. I mean, I confess I was not in this business in the global financial crisis, although I joined the board not long after it as a non-executive. I mean, I would say it is just a fundamentally different business. I mean, the - back in 2007, the events business was really predominantly a conference business, which was much more exposed to market volatility because it's basically an audience delegate sponsorship revenue model, and it was also a volume model rather than the value model.

It was 10,000, 11,000, 12,000 products a year produced on a kind of knife and fork basis. Our B2B events business today is predominantly a high value branded intellectual property business with its own data. I mean, it's just an incomparably different product. Similarly, in academic markets, the business was much more weighted towards what you would call reference learning than it was to research product.

There was no open access product at all. There was no open research product, and it was geographically also very different. We had virtually no market position in North America to speak of. We were much more exposed to Europe. So, I mean, it literally is just a different company. On the going forward basis., what would be the - where you would point to resilience?

I mean, we're trying to build more resilience into the business, a deeper commitment to the underlying value of our data, a much more customer orientated business, and a consistent commitment to improving product and service delivery through the deployment of technology and system and process design, and we think that will serve us well. But the underlying fundamentals of being a business that champions specialists in either the academic market or the B2B market, that lodestar, we think, will serve us very well.

Richard Menzies-Gow: I would agree with that. I think the other thing about the business going into the global financial crisis is there's quite a big performance improvement training business in there, which again, very delegate led and also was quite affected by discretionary budgets being cut. So, that was a drag on the numbers. Where we operated, the sort of scale global trade shows that we make of a major product portfolio now in places like, say, Arab Health, actually they performed resiliently through the global financial crisis.

Some of those trade shows grew all the way through it. But back in that time, that was a very small part of the business because that really predated all of our expansion through GAP I in that space. And so, as Stephen said, a very different business at that stage.

Gareth Wright: Is that helpful?

Speaker: Yes, very much. Thanks, everyone.

Stephen Carter: Thanks.

Operator: And we will now take our last question.

Speaker: Hi there. This is Bank of America. Can you hear me?

Stephen Carter: I can hear you very clearly].

Speaker: Perfect. Thanks for taking my question. Just a quick one and more of a credit one, if I may. So, it is clear that the balance sheet has significantly strengthened reaching net cash by the first half of this year, unless not one times net EBITDA by year end. My question is more of the - around the long term financial policy, for example, in terms of leverage or even credit rating. Is there a set target?

Stephen Carter: Great question to end on. Gareth?

Gareth Wright: Yeah, thanks for the question. I think at the moment how we're really thinking about it is that we would like to see how the GAP II reinvestment program evolves over time, and what sort of businesses we're adding to the mix there. As you'll remember, going into COVID, we had a leverage policy of two to 2.5 times going up to three for the right acquisition. I mean, could you see a scenario in which that is slightly lower coming out of COVID?

And the answer that would be you could see it. But I think it really depends on what's the nature of the business in 2023, 2024, as the business has recovered from COVID, as we've added more B2B digital services revenues through our organic GAP II expansion, and as we've added potentially more businesses through our inorganic expansion. I think really, I'd like to see what the revenue profile of that business looks like in, say, 2024 before you really opine on what the longer term leverage ratio is that you want to make a target for the business.

And we've certainly not been back to the board with a proposal yet because I think it's sort of thing where we would say, you don't make a decision on that in 2020 or 2021 when you're in the middle of COVID, you wait till you've seen your way out of it a bit and then start discussing where you want to take that, and how you want to take that forward.

So, that's not me dodging the question, it's me saying that basically, we'd like to have a clearer side of the business that we're going to become, but we're alive to the fact that maybe it could be a bit lower than it was going into COVID. But I think, as I've said to both the equity and the credit markets in the past, I don't think if our target range have been half a turn lower going into COVID, the financial realities from formal would have been materially different.

I just think that at that stage, when about a third of your business goes to zero, your EBITDA is going to come down considerably, and your leverage is going to go up considerably. So, I think the outcome of COVID wouldn't have mattered if the leverage range had been half a turn or even a turn lower as a target basis going into it. And therefore, it means that in terms of running the balance sheet and optionality going forward, I'm not inclined to advocate that it should be a full turn or turn off lower than where it was previously.

It just feels like the wrong response to it. But as I say, I think we need to see where the business is in 2024, and how we begin to evolve out of that. When we talk to the credit rating agencies regularly, we're rated by all three of the main agencies, and we take their input and their views about how we should think about this.

And I think they are reasonably consistent understanding of the approach we're taking, and they would like to see us and how see where we are in 2024 and how we've executed on the investment strategy before they opine on where we want to be. So, I think they're in a consistent place with our thinking. Is that helpful?

Speaker: Yeah. Yes. Super helpful. Thanks very much.

Stephen Carter: Pleasure. Do I take it, Donna, we've got no further questions?

Operator: Yes, that is correct.

Stephen Carter: Okay. Well, thank you very much, everyone, for the time and the interest. I hope that was useful. I appreciate people coming on the call. And if there are any follow up questions, then do follow up with Richard or myself or Gareth. And for the record, we will be filing our results on July 28th, and there may well be some follow up at that point if people need it or want it. Take care.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.