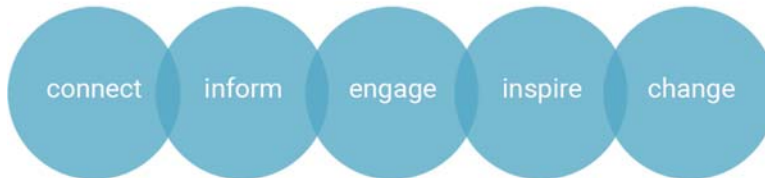


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**Informa**  
Full Year Results Presentation  
6th March 2017

## INFORMA

**Stephen A. Carter, Group Chief Executive**

**Gareth Wright, Group Finance Director**

## QUESTIONS FROM

**Will Packer, Exane BNP Paribas**

**Matthew, Credit Suisse**

**Iain Whittaker, Liberum**

**Nick Dempsey, Barclays Capital**

**Ruchi Malaiya, Bank of America Merrill Lynch**

**Katherine Tait, Goldman Sachs**

**Patrick Wellington, Morgan Stanley**



## ***Balance and Breadth***

### **Stephen A. Carter, Group Chief Executive**

Good morning everybody and welcome to the 2016 Informa Annual Results and thank you very much for coming in person for those of you who are here. We are broadcasting this live as a webcast, so for the reason I will stay firmly behind the podium, but that's for reasons of filming clarity rather than defence.

I'm joined on the stage by Gareth Wright, our Finance Director and I'm delighted to see our Chairman, Derek Mapp in the audience and some other colleagues.

The theme of today's presentation, as well as taking you through the numbers, is Balance and Breadth, which we will talk about in a variety of different ways. And was part of what lay behind the development of the business last year when we announced the attention of the Penton Information Services business to the Informa Group.

But to get straight into the numbers, we published our results this morning at seven o'clock and some of you will have had a chance to see them. And this gives you a summary and our take on how we would guide you to interpret them.

At a headline level the growth was good year on year, both at a reported level and at an organic level. That growth was significantly aided by a mixture of a steady performance from the acquisitions that we added and also a material gain from the increasing weighting of the business towards North America and the strength of the American dollar.

At the organic level we were just over 1.5%, 1.6%, slightly shy of where we would have wanted to be, largely driven by a lumpy and bumpy performance in our Conference within K&N which we'll come back and talk about.

At a return level our dividend policy remains very much in line with the GAP promise, which is a 4% year on year increase, just over 4% in 2016, which follows on from our previously stated commitment within GAP. And our return on capital numbers constant '16 on '15.

Cash, which Gareth will talk about in quite some detail, we feel increasingly robust on, both on the free cash flow in the business and also on how we're managing the working capital.

2016 was a big year of investment for us in GAP, probably the peak year of investment in our investment programme. The tough new is that we felt that in the numbers, the good news is that gives us a material level of product innovation which will begin to flow through, particularly in Business Intelligence, but also in Global Exhibitions and Academic in '17 and into '18.

We continue our path to expansion and increasingly our expansion is focused around developing strength in verticals. We made a number of additions to the Group over the years and within Penton. I pick out here the additions in health and nutrition and agricultural, in construction and real estate, TMT and also last week the addition of the YPI business which we've been tracking for a whole, which puts us in a very strong market leading position in the international yachting business.

And then finally, we confirmed a final review of our five remaining national domestic conference businesses in Germany, Switzerland, Singapore, Brazil and Australia. For those of you who've been tracking the business for some time, we have been progressively refining that portfolio, we've already made a number of disposals over the previous two or three years and this will result in that business being focused entirely around three end markets, TMT, Global Financial and Life Sciences. And I'll talk more about that as we go through. But in summary it gives a picture of a steady year which sets us up well for 2017.



To go backwards to go forwards, this is the path that we've been on from '14, through '16 and into '17. And progressively we're building strength and consistent predictability in the performance of the business. The currency picture has changed over the period, but more materially the weight and shape of the Group has changed quite significantly over the period. Our reliance on Conferences has gone down, our position in Exhibitions has gone up materially, our performance in BI has improved significantly, the steadiness of the Academic business has been a recurring theme and the fundamental fitness and operating performance within the business, both financially and operationally has steadily improved. And our dividend commitment over the period has progressively risen year on year and will continue to do so through 2017.

One of the advantages of doing the 2016 results at the beginning of March is that the year has well and truly started and for Informa the front half of the year is a particularly important part for us. If you look at the first quarter it's about 30% of the profit in the year trades in the first quarter, so it indexed slightly higher than the natural calendar flow. And in some of our businesses it's particularly important, specifically in Global Exhibitions.

So just a snap shot on where we are on current outlook, just working left to right. Our Global Exhibitions business has started well, strong start to the year. We've seen seven of our top 20 shows trade already, one of them trading as we sit here in Anaheim, our Health and Nutrition brand.

I'm going to deep dive into where we are Health and Nutrition because it was a bit ingredient, if you excuse the pun, in the Penton acquisition which I'm keen to showcase. And we also have very good forward visibility on forward bookings in Exhibitions. So we feel steady about how that business is performing.

To try and second guess the question that may come in the Q&A, this is now quite a big business, so we may well see you know - mid single digit growth rather than high single digit growth, but nevertheless a very strong performer in the Group.

Academic Publishing, in January and February has started solidly I would say. So what do I mean by that? To give it a bit more colour what we haven't seen is a January/February dip following a December peak, which always gives us some reassurance. The Journals business is actually performing well, both on subscription and cash collection. And the alignment between those two is where we'd want it to be. And Books trading has been pretty steady in those first two months. I'm sure we'll get further into Academic, but it feels to us very steady business looking into 2017.

BI, probably the business we were most pleased with in a sense in the performance in 2016, because we delivered what we wanted to deliver a year ahead of our original plan. We've had a very good renewal season in November and December and then into January and February and later on I'll take you through where we are on both the business pipeline and on tracking, ACVs and pre-contract renewal percentages. Generally speaking it feels very steady.

Knowing and Networking a stable start to the year but actually January and February are quiet months for that business. But the top 20 events actually which is where this business is increasingly going to focus around, post the decision we've made on domestic conferences, is trading well. And Penton is on track, both on integration and on synergies.

Our forward guidance for 2017 therefore is another year of growth in revenue, earnings, dividends and cash.

Just to step out of our business a little bit to look in on where we trade. This is our view of the markets that we trade in. So working from my left and across; so the Business Intelligence market, the market for providing intelligence and insight to businesses looking to make smarter decisions and more informed decisions. Very much a US weighted market, nearly 70 to 75% of the global profit pool in information services is US based, a market in growth, but open for innovation, very demanding of digitisation, of content, increasingly demanding of free access and important that you make the



necessary level of investment in your products, which has been a large part of what we've been doing in GAP in order to drive future growth.

At a market level that is a market in growth and it's still the case that our business, whilst we feel good about where it is, is growing below the market.

In Global Exhibitions the market for what we describe as platforms for trade and commerce, the convening power of markets. And there are particular features in the Exhibitions market which we've chosen to focus on and I'll unpack that a bit later. There what we've seen despite the rise and rise of digitisation is actually an increasing demand for face to face interaction. And that market similarly is in growth, we're actually performing slightly ahead of that market and have been consistently for the last few years.

And what we're seeing is an increasing drive to industrialisation of key verticals and that's where we've chosen to park ourselves in the market. And we've identified a series of verticals where we think there is more growth for us to take.

Academic Publishing, here this is a - like all markets, but particularly this one, there are many neighbourhoods that you can live in in this market, we live in what we call the upper level reference neighbourhood, that's where we specialise. It's a business that is Reference and Research and then Reference and Monograph in books.

In Research, the Research market we believe is steadily in growth and we've seen that consistently in the last few years. The Books market, even at the upper level is facing some challenges, some structural challenges, but in the round in our portfolio we feel we are reasonably well insulated.

Knowledge and Networking which is the place where we've seen most change. This was, as you will recall, and certainly when I first joined the Board of Informa this was a very, very central part of the Group. The Conference business had been the driving heart of our Events business; it was nearly 65% of our revenue in Events back then. And here we've seen significant change, paid for delegate thematic conferences over the last seven to eight years have been significantly challenged by a combination of disintermediation from technology, freely available information, many people entering into the so called conference market as a marketing activity, but not one where they're seeking to monetise. And what we have therefore finally concluded and what you see today in our announcement is that where we believe there's a defensible long term position is if you're in an end market rather than a language based thematic spot conference business. And we'll unpack that a bit more.

We don't believe that's a super growth market, but we think we have some assets and brands in those three end markets which are very defensible in the long term.

The other point on this chart is the balance and breadth in the business. If you take those three businesses, Business Intelligence, Global Exhibitions and Academic Publishing, they're all now broadly equal apiece, they're about a third of the business in revenue and that gives us a more balanced footprint for the Group on a going forward basis.

Just to pick out what has underpinned the GAP programme for the last few years, simplification of the operating model from multi-distributed independent businesses to divisions increasingly operating at scale and driven commonality and standardisation where you can. A significant increase in predictable and recurring revenues, from low 40s to mid 50s, a material shift towards North America, now over 50% of the business and growing. A very focused investment programme, trying to drive growth where we see growth, a shift in the incentive structure within the business to move it away from being any year earnings in year profit driven business to being a more balanced business where equity performance and equity growth is the material part of equity compensation; a shift in the revenue mix towards exhibitions and subscriptions away from delegates and retail revenues; and a consistent underpinning in operational performance.



This gives you a sense of what that has then produced as a shape shift in the change in the business and the two things I'd highlight, the revenue by geography is showing quite starkly there, the shrinkage of our exposure in Continental Europe and the growth in North America. The change in our revenue mix in subscriptions and Exhibitions and the balance by division in the three divisions that I talked about earlier.

Going into 2017 before I hand over to Gareth, this is the way we look at the market on a going forward basis. The Knowledge and Information economy as we describe it feels to us to be a business and a series of markets that are broadly favourable. There are growth features and there's significant market share for us to take and gain in each of those markets.

The Growth Acceleration Plan is delivering real benefits for the Group, both in performance and capability. Our international expansion, our shift to the US has served and is serving us well and our increasing shift towards verticalisation is going to be more and more the focus of the Group's operating model.

The portfolio improvement has allowed us at appropriate points in time to change out the portfolio to give it more robustness and avoided us sacrificing significant revenue at a point where the business wasn't ready for it. And today's announcement on the Conference businesses another example of that and we've seen pretty consistent improvement in financial performance and operational progress.

And on that note I'll pass it over to Gareth.

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### **Financial Strength**

#### **Gareth Wright, Group Finance Director**

Thank you Stephen. Good morning everyone and as Stephen said welcome to the Informa 2016 results presentation. I'll start by talking you through the headline financial results.

We're reporting organic revenue growth of 1.6% for the year. Reported revenue increases by 11%, reflecting the dollar currency benefit arising from our purposeful expansion into US markets. The increase in reported revenue results in a 13.8% increase in adjusted operating profit.

The increasing scale of our highest margin divisions, Global Exhibitions drives a 70 basis points mix improvement, taking our Group margins up to 30.9%.

These profits deliver earnings of 42.1p, a year on year increase of around 6.5% ahead of 2015 earnings, restated to reflect the rights issue.

The full year dividend has increased by 4.3% to 19.3 pence per share. The minimum commitment that we made for the remaining period of the Growth Acceleration Plan was 4% growth, so this payout is slightly ahead of that benchmark. Despite the increase we retain comfortable dividend cover of 2.1 times earnings.

The ability to turn profits into cash continues to a key strength for the Group and this has been demonstrated again in 2016 with the Group delivering over £300m of free cash flow. The Group's balance sheet is robust and healthy, with year end leverage at 2.6 times, in line with that we said it would be at the time of the Penton announcement in September.

Going forward we're positioned to return within the 2 to 2.5 leverage range that we've communicated to you previously as our target. In summary the 2016 results continue to deliver on our promise to reposition the Group through the Growth Acceleration Plan, whilst delivering a progressive trading performance.



One of the big bits of news for us in 2016 was the addition of Penton to the portfolio. As you'd expect from us we're taking a measured approach to the integration, being led by Patrick Martell who is now based in the US, to ensure we maintain operating and trading momentum through the transition.

On that note I can report that we have achieved the integration target set for 2016 and that 2017 trading in the key Q1 period is on track. At the announcement in September we said we were targeting £14m of synergies by 2018. We made a good start in this target and to date have achieved synergies of over £4m on annualised basis. And we expect to realise at least half of the £14m target in 2017.

Like Informa, Penton is a people business and over 1,000 colleagues joined us at the start of November. We've been struck by the positive buy in and enthusiasm, both from the Penton staff and Informa staff for the combination of the two businesses.

Focusing on the Penton financials as a standalone business, you can see the progress and performance that business has delivered over the last couple of years, as we outlined in September Penton's revenue performance in recent years has been flat to slightly down. But delivering increasingly profitability as the mix of the business has changed.

The year on year performance in 2016, delivered 2% reported growth in US dollars and about a 1% decline if you strip out the TU acquisition completed at the end of 2015. Within this Events and Digital grew at about 10% and Print continued to decline as expected.

Looking to 2017 our expectations for the business are a similar revenue performance overall, flattish, maybe a touch down as we integrate the business and drive to future growth in 2018 as the mix of the business shifts further.

During the first half of 2017 we'll integrate Penton into the existing Informa divisional structure and as guided at the time of the announcement the split is broadly, 45/45/10 into our three divisions by revenue.

Moving on from Penton, last week we announced the latest addition to the Informa portfolio, Yacht Promotions Inc, a business that we've tracked for a number of years. This is the leading US boat show operator with a portfolio of five leading exhibitions, including the Fort Lauderdale Exhibition, the largest of its kind in the world.

This business is a great portfolio fit for us, complementing our existing Monaco Yacht Show brand and giving us the leading position in the international yachting vertical globally. Another example of how we like to build vertical strength in our business. It also adds further scale in US Exhibitions. The headline price is around 11.5 times EBITDA.

Additional we've acquired accumulated historic net operating losses with the business. Now the eagle eyed may have noticed that the values on the slide for the NOL and the NPV is slightly different to announcement on Thursday. Following updated technical advice on the tax structure of the acquisition we can now confirm that it will bring higher NOLs than originally stated, not estimated to be about \$40m to \$50m, but available over a longer time period than was initially advised, which brings the NPV down to between \$15m to \$18m.

The key point for us however is that the post tax multiple paid for the business remains less than ten times a level we're comfortable with.

Turning to the Growth Acceleration Plan, we're now beginning to go live with projects launched under the investment arm of GAP. The projects on this page are good examples of what we're delivering. They are customer facing initiatives, which will drive improved levels of revenue performance going



forward. They use technology effectively, more extensively than Informa has previously which is consistent with customer expectations.

We're rationalising our IT systems to focus on the most efficient solutions and to remove duplicate costs in our infrastructure. The headline is all the growth acceleration plan projects remain on course to go live by the end of 2017.

So moving back to the financial results I'll now talk you through the revenue and adjusted operating profit by division. Starting with Global Exhibitions which has delivered another excellent result in 2016. The 8.7% organic revenue growth was underpinned by strong performance from the top 20 events. We believe this demonstrates that our strategy of targeting above exhibition industry average revenue growth, by operating leading events in growth verticals is delivering.

The full year revenue result is slightly lower than the Q3 growth, but we flagged this at the time of the Q3 announcement that we were expecting this because the fourth quarter is our quietest trading quarter in Global Exhibitions.

The operating margins improved by 1.5 percentage points year on year, benefiting from the drop through of the strong revenue growth and benefitting from our increasing exposure to the structurally higher margin US exhibition industry. The result is a 13.5% organic increase in operating profits.

Business Intelligence has had a good 2016. This year the division delivered our growth acceleration plan objective for it to return to organic revenue growth. The achievement of the objective, one year ahead of the target we set in 2014 is the result of three years of significant change in the business and a huge amount of work from the teams involved to become more customer and market oriented.

The full year organic growth was 1.1%, representing a further improvement on the revenue performance since the Q3 update. There was a 3% year on year organic profit decline in Business Intelligence, as expected, reflecting further investment in business capability.

In summary, this result gives us a great foundation on which to complete the delivery of the product rollouts under the Growth Acceleration Plan and this underpins our confidence in driving increased sustainable and profitable growth from Business Intelligence in 2017.

Moving to Academic Publishing, the full year organic growth was 0.3%, this is a touch behind where we were at the Q3 update, with a robust and predictable performance in the Journals business, offset by a slightly softer end market for Books. Stephen will talk about Books in more detail in a minute.

The 2% organic decline in operating profits reflects a number of management cost initiatives to improve performance, partially funded by the restructuring of the Books operation into a single global business.

Finally the reported revenue growth, almost 10% and the reported OP growth, almost 14% both reflect a stronger US dollar.

Knowledge and Networking is reporting a full year organic revenue decline of 4%. At the heart of the division the top 20 events grew 8% year on year. These top 20 events represent around 30% of the division's revenue and their growth reinforces our view that our strategy to focus on the larger branded annual events is the right one.

A key part of our strategy to deliver growth in Knowledge and Networking will be a review of the five remaining domestic Conferencing businesses which Stephen has mentioned and will talk about further in a minute. These five businesses delivered close to £15m of revenue in 2016, but with an organic revenue decline of around 15%. Stripping them out of the K&N results would leave the organic revenue result flattish in 2016.





The full year organic profit decline was around 19%, principally reflecting the drop through of the organic revenue decline. Despite this result our overall target remains unchanged. To return the Knowledge and Networking division run rate to at least a flat organic performance by the end of the Growth Acceleration Plan.

Finally the addition of Penton adds two months of trading to the Group results for 2016, but is excluded from our organic growth. The trading for the two months was in line with our expectations. The results are lower than you might expect from the business on annual run rate basis, but that's because none of the main exhibitions trade in this two month period.

So moving to the income statement as a whole, we can see the Group has generated £416m of adjusted OP, or pre-exceptional EBITA.

Net interest payable increases year on year for four main reasons. We've increased the proportion of private placement financing during the year. This debt gives us greater long term stability on financing, but does come at a higher cost than bank borrowings. Our borrowings are circa 80% denominated in US dollars and the strengthening US dollar has increased our reported interest charge. 2015 included interest accrued on loan receivables, which has not been repeated in 2016 and obviously the addition of Penton increased borrowings at the end of the year.

Moving down the income statement, there were £200m of adjusting items, I would highlight that almost £117m of this is intangible amortisation. I'm going to talk about the effective tax rate in more detail on the following slide. And the result is earnings increasing 6.6% year on year ahead of 2015 earnings restated for the rights issue. On that note on our 2017 diluted earnings calculations people should be thinking around using about 826 million shares for that calculation.

Increasing free cash flow remains a key area of focus for us. Now you might remember that at the half year we reported a free cash flow result almost £50m lower year on year. But we also reported that we were confident about a stronger free cash flow performance in the second half of the year. We've delivered that with almost £306m of free cash flow in 2016 slightly up year on year.

Drilling in to the four specific dynamics noted on the slide, working capital was weaker than 2015 when we received two payments in Academic Publishing relating S... We have funded the extra capex investment relating to the Growth Acceleration Plan, an increase of almost £20m year on year, without reducing free cash flow.

2015 included lower cash tax payable in the US after a one off benefit following the addition of the Hanley Wood Exhibition business. And cash and interest payments increased because the higher US private placement debt cost and because of the strength of the US dollar.

In conclusion our focus on free cash flow will continue in 2017 and with a full year of Penton included we're targeting free cash flow in excess of £400m.

Focusing on our adjusted tax rate, the left hand graph reconciles the UK tax rate of 20% to an Informa ATR of around 18%. It shows the base on jurisdictions the profits are generated in, the starting point for the tax rate would be in the high 20s. The ATR is actually 18% because of the benefit of US goodwill amortisation and because of intergroup financing, principally between the US and the UK. These factors represent a low risk approach to tax management.

Looking forward to 2017 we're expecting the ATR to tick up to around 21.5%, firstly as I've mentioned at results announcements previously certain UK tax laws have changed with effect from the start of 2017 and the unwind of a finance structure as a result increases our tax rate going forward.

Secondly the extra profits generated in the US increase the Group's tax rate. This doesn't fully impact our cash tax payable, as the increases will be partly mitigated by acquired losses. But it does impact the income statement as the losses are on the balance sheet in the form of deferred tax.



It's worth noting that 2017 ATR is before any changes in the US tax landscape initiated by the new political leadership.

As I said at the start the Group's balance sheet is robust and healthy, with year end leverage of 2.6 times. In October we announced a further US private placement raise for \$500m and I can confirm that this was funded as planned in January. This issuance refinances the majority of the \$675m acquisition facility we put in place for Penton. After the January issuance our combined PP borrowings are at an interest rate of just over 4% of an average maturity of six years. The long term nature of PP financing gives us good visibility over future refinancing requirements and the maturity profile illustrated on the slide shows a good spread over the next ten years.

Within the context of debt financing I want to take a moment to focus on the currency denomination of the borrowings. Over 80% of Informa's debt is US dollar denominated. That's why the strengthening US dollar in 2016 has results in a £146m increase in reported net debt. And that's why the strengthening US dollar has contributed to increased interest payable in 2016.

However, the reason for this US dollar weighting is that it hedges the cash Informa generates as a business, which is almost entirely US dollar denominated on a net basis.

Finally the pension position remains relatively small compared to the size of the balance sheet. The year on year increase in the liability - it rises around half from the addition of the pension schemes and around half from changes in actuarial assumptions relating to the legacy Informa schemes. And to confirm all Group defined benefit pension schemes are closed to new accrual.

One of our Growth Acceleration Plan objectives was to improve the operating performance of the business and this remains the focus. In 2016 we delivered a consistent performance, maintaining ROCE at the 9.2% level we achieved in 2015. Despite 2016 being the peak year of GAP investments with returns starting to flow in 2017 and despite the additional Penton in the year, which is initially dilutive to Group ROCE in 2016.

Looking at the Growth Acceleration Plan investment arm as a whole this slide confirms that we remain on track to deliver the targeted financial results. What we're seeing come out of the projects that have gone live, or the prospects of the projects in testing is supportive of this position. Our focus going into 2017 is to get all the project deployed and then drive the business to achieve the targeted returns in 2017 and 2018.

So to wrap up let's consider what the post Growth Acceleration Plan financial characteristics of Informa will be. We'll have a trading mix that gives us good visibility over future revenue. We'll have strong free cash flow generation in excess of £400m per annum. We'll have a relatively low capital intensity business. The Growth Acceleration Plan has taught us that capex of around 3% to 5% of revenue is what is required to sustain growth going forward. We'll have attractive margins. We'll have a robust balance sheet position for growth and we'll be focused on delivering consistent returns for shareholders.

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

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### ***Balance & Breadth***

#### **Stephen A. Carter, Group Chief Executive**

Okay, for the next few minutes I'd just like to dig down a little bit into each of the individual businesses just to pick out a couple of performance areas and perhaps question areas and then we'll throw it open to general questions.



This is the chart from earlier which gives you a sense of the mix of the business. And what I'm going to do is just briefly step through each of the divisions and highlight exactly what the priorities are for 2017, our view of the market and then a couple of examples, which illustrate that.

So let's start with what is now our smallest business, K&N, what was, as I said earlier, once upon a time the central part of our Events business. I suppose the headline here is the change in the commercial attractiveness of what used to be known as the volume spot Conference business, which in its heyday was a business doing - actually in its absolute heyday it was doing nearly 15,000 events in a year. But if you go back to 2009 it was doing about 12,000 events.

One of the things we've been progressively doing as we've built a position in an alternative Events market, what we call Global Exhibitions, business to business trade shows, is managing this portfolio down. And the decision that we've made - or the announcement that we've made today to review our five remaining national Conference businesses in those five locations, will, in financial terms take about £50m of revenue out of the P&L. And that business - if you looked at all those businesses in aggregate they're about a 10% margin those businesses, so dilutive both to the division and certainly to the Group. And they have been declining materially over the last few years.

They vary depending upon which of the individual businesses you go into. In Brazil there have been particular challenges which are unique to the market. Some of that is to do with currency, some of that is to do with local market situations. In Australia some of it is to do with the fact that that domestic business is very exposed to mining and commodities. But nevertheless the central conclusion that we've come to is that our future is going to lie on focusing in the verticals where we believe we have a sustainable long term position, in Finance, Life Sciences and TMT.

In each of those areas we have 50 or 60 events which we believe have the market position, in many instances have brands, have a higher level of forward visibility, they are higher margin and they're not constrained by one geography. So they may be operated out of the United Kingdom or the US it depends upon which vertical you're talking about. But actually they're not constrained by language or by subject matter that's only attractive in one geography. So they have a more international feel to them.

We made a couple of changes in 2016 in TMT in particular, which is the largest of those three by some margin and probably our strongest vertical and that was what drove us to put the Light Reading business and merge it with an asset we already had which was Telecoms.com. And also led us to make an investment in the UK, usually for us, a UK festival event called London Tech Week which will run this year in June.

We think the net consequence of all of this will make this business considerably more focused on where we think there's a long term sustainable position. And that simplification will then allow us to get it to where we want it to be going into 2018, which is at a minimum flat and ideally ticking to growth.

I'll give you one case study, that highlights one of the strengths and that's in the Life Sciences vertical, we own a brand called EBD, which if you operate in that market you may know of, which actually operates in a very specific area which is in what we would call biotech pharma partnering. We have a proprietary partnering technology there which works very, very well. There are seven branded events that we run under the EBD headline brand, we've expanded it and geo-cloned it internationally. As a market it's worth about \$20m in revenue and it's growing significantly. It has very, very high retention and recurrence rates and has had consistent levels of growth. And we have a series of subversions of these in each of the three verticals, which this strategy will allow us to focus more on than has historically been the case.

Stepping out of Conferences and into Academic Publishing and here I'm going to wonder around this market a bit because I suspect it's an area of some interest for people. Before we get into Taylor & Francis's business some observations on the market.



The view of the market, our view of the market in which we operate is that the core market is stable. And that comes through a mixture of different features. The market for Research and International Research in particular and International Research in HSS, which is where the majority of our business is, is actually predictably and consistently in growth.

The market for Reference and Monograph Textbooks and for upper level Reference Books is declining, but declining in what we would describe as a measured way. And I'm going to break that down a bit into categories.

One of the truths of the market as a whole is that discovery is digital, no doubt about that and digital discovery is where this market is going. But interesting digital discovery, particularly as it relates to Books, actually often times drives physical usage. And usage is the key imperative in maintaining and driven revenues. Because one of the features of the market is that all you can eat pricing in this market has driven up unit pricing to a different place.

And so you have to replace unit pricing with high levels of high value usage and where that leads you is it leads you to a point whereby you need to have deep data and digital understanding of your end customer's usage patterns. And that's where we've been investing in GAP, is driving our knowledge of what our end users, as well as the institutions, are doing with the content that we produce. Because our unique point of difference is high quality content. So when you're looking at the aggregate in the market you come to one set of conclusions, when you're looking at the specifics in the market you often come to a number of others.

You then take that down into our business, what we have seen in our business? We've seen a very consistent performance, despite ongoing softness in both Textbooks and in part of the US Books market, which we predict will continue in '17.

We have very high renewal rates in Journals, in the 97, 98% renewal rates and steady growth in journals, both in the volume of Journals that we are publishing and producing, subscription Journals, contract Journals and open access Journals and also the quality ranking of those Journals.

In Books, in our Books business we've seen softness in the area of our Books, which I'll breakout in a second, which is in Textbooks, we've seen pressure on budgets, particularly on library budgets, mainly in the Western markets, although there are significant markets which are investing significantly in new institutions, new libraries and access to existing licensed knowledge. We actually have seen quite a bit of evidence of cross border buying and ironically our UK Books business had a good year last year, but we think that was a bit of jurisdictional shopping driven by currency rather than an underlying trend change.

There are definitely some pressures in the supply chain and rental is becoming a bigger feature of the market. That's the picture in Books and the question is how does it all net off when you look at it in the round.

We have a change in our business, a material change happening in 2017, which is Roger Horton, who a number of you know well and who has led this business fantastically successfully, I know that because he tells me on a regular basis, will be retiring in 2017. We are quite significantly through the succession management process and I'm comfortable that we'll be in a position to confirm that before we hit Roger's departure in the midpoint of the year.

As I said in GAP where we have stepped up the level of investment in our Academic Publishing, all focused around digital discoverability, our content management systems and making this business as robust on digital and data as it has been historically on content and productivity.

Just to break out the business to one further level of detail, if you look at what I described earlier as the neighbourhood in which we operate, we describe it at the specialist upper level market. There



your typically end user is a specialist, an individual or an institution that has chosen to specialise in a subject matter whether they are a final year undergraduate, a postgraduate or a professional. We've seen consistent growth in our Journals business over that period and we've seen stability broadly in upper level Books, although where we have felt pressure is if you drop down to the bottom left of that chart is where do have businesses that are in the lower level undergraduate or textbook market, mainly in Medical or under our Garland science publishing imprint. That business has had a tougher time. That business has been declining at about 15%. As a proportion of our Books business it is a very small proportion of our Books business. And I think one of the questions for us in 2017 is how do we manage the overall Books portfolio to ensure that we are not overly exposed to that market.

Two points I'd like to highlight is the average price in our market, the reference price in the market, is not relatively that high. And stating of the obvious it's not a volume business. We're not in the volume business. So if you flick to the top right of the slide our Books business operates in 62 submarkets, 62 categories. Our single biggest category is about £15m of revenue. So there isn't, as you look at our Books business, a single point of failure or a single point of weakness. It's one of the great strengths of our business, it's very spread. And I've picked out these five because these five categories in Books were all in growth in 2016. So when one looks at the market and says Books are in decline of course that at the aggregate level is true and we would agree with that. But at the specific level it is not always true and some of that is to do with subject matter, some of that is to do with institutional subject preferencing, some of that's to do with where the research money goes, and a lot of it has got to do with the quality of the content and where you are connecting your knowledge of your authors with your knowledge of your end users, and that takes you back to digital discoverability.

Final point on Books, not all markets are declining either. All five of these markets were in quite significant growth last year off very low bases. But nevertheless these were all markets that were investing significantly in bringing in more English language upper level content. So just a little bit more depth on what we think is happening inside Academic Publishing and I hope that gives you some context for where we are operating.

I picked out this GAP project just to highlight what we're doing around digital discoverability. I think colleagues inside Taylor & Francis would be the first to tell me that the history of our business was very strong on content, very strong on productivity, actually very innovative and robust on pricing. I think all our peers would say that. But historically materially underinvested in digital knowledge, data, data management and customer profiling. All of the GAP investment in Academic Publishing is in that area driving a higher level of digitally uploaded, tagged, tracked and analysed content. The depth of the strength in our business is in our content library. Our ability in the future to monetise it will be driven entirely by the knowledge of the digital footprint that our customers are leaving behind as they use it and that is the focus of investment in that business.

Flipping into our other publishing, information and subscription business, Business Intelligence which has been an area of quite some focus back since 2013 where we made a decision that in the mid to long term this was a rich territory for us. As I said at the beginning it's an end market that's growing and there was no reason why we couldn't take the assets, brands and information we had and convert that back into growth.

The track there from '14 to '16 going into '17 gives us confidence that we have a business that's now back in growth. That has largely been driven short term by a focus on improving in sales excellence, sales training, contract value and contract renewal. And that we've seen across all of our verticals bar one, I'll come and show you in a second which is finance, has driven a progressive increase in all the key factors we've tracked - all the key metrics we've tracked I apologise, apart from in the finance vertical. The good news going into '17 is the GAP investment here has largely been around improving the product offering. And we have about 20 new products features, capabilities, coming to market in 2017 and that accounts for about 50% of what we believe will be the revenue uptick year on year '16 to '17.



Penton brings further brands and their subscription businesses are performing nicely going into 2017, but what it also brings which we've long or certainly I have long harboured the desire to have in the Group is a marketing service capability. Because one of the great things about Informa is we have driven predictable revenues, but actually our revenues come from rather predictable places. We take subscription revenues, we take exhibitor revenues, we take attendee revenues, we take very little in revenue in consulting, in marketing services and in database revenue exploitation. And our ambition is to use some of the capability that came in with the Penton acquisition to build marketing services capability we can then move out across the portfolio that we have within the business.

We see 2017 driving more growth and capability, and here is a bit of a breakdown. If you look at the circle on the top right this business, this is the old BI business pre Penton, is a mixture of essentially two products, Insight and Intelligence, with the Intelligence being much more databased, Insight being more generalist but nevertheless valuable to the user in a contextual sense. It's majority Intelligence, 65% of the revenue in the subscription is in that area.

We've seen steady growth pretty much across the portfolio with the exception of Finance. And again even that's an aggregate. The place where we've felt most pain in our Finance business is in the FX products in our IGM business which has had a particularly tough time. The credit business wasn't exactly in growth either; it was probably flat year on year. Actually we had some good spots in our Finance portfolio, our fund flow business EPFR, had a very strong year and so did our investment services business, IIS. So it's a mixed picture but in the round Finance was a bit of a drag. TMT, Pharma, Maritime and Agri all in growth. The thing that gives us most forward confidence is where we are on booked and deferred revenue where actually progressively and successively across all verticals we see a progressive and steady increase in booked and deferred revenue in the business.

What's driving that we believe is that our products are just progressively becoming more relevant to our end users. This is the most extreme example which is why it makes a great PowerPoint but nevertheless it highlights it well which is one of our Agri products, IEG Vantage. We had fantastic content, great data, but it was Neolithic in its presentation. It was essentially large volumes of PDF analysis which if you were a trader or a user you had to take and then key input into all your own work. And what we've been investing - someone is nodding their head they've obviously used it, what we've done with that product and we are progressively doing across the piece is moving it to being a digital based dataset which allows people to manipulate it, to work with it, to use it in real time, to take data cuts, to do one off transactions. It makes it far more part of the everyday work of an end user or a customer.

What we've seen as a result in this particular one is a material increase in usage, in valuation, in customer satisfaction, and importantly in the amount of time that customers then spend not just using it themselves but also coming to our site and then using our site to then roam around into further data analysis across the portfolio which is of course a cross selling opportunity for us to drive other products and other services and other features.

Global Exhibitions which gets a lot of focus and rightly so because it's turned out to be a good business for us. We were a small player in the Global Exhibitions business, we made a decision to become a reasonable sized player, we now are a reasonable sized player, I think post YPI we're the third player in the market. We still very much see ourselves as the challenger in this business and we'd like to continue to see that. We've identified some key markets both geographies and verticals that we wanted to move into. We've always historically had very nice businesses in the Middle East which we still cherish and nourish and they're doing well and growing well, but we wanted diversification to de-risk the portfolio.

We moved deliberately into the US because the US is basically one in two dollars in Exhibitions in the world is spent in the US. Margins are structurally higher in the US. The US is not a single market, it's multiple markets, and it has world beating infrastructure with very little wall bound or capacity issues so it's very attractive for lots of reasons. We started early with a step into the market with the Virgo



acquisition in Health & Nutrition that complemented our Vitafoods business. And then we have slowly upped the pace of building out our business.

One of the things that gives me most confidence in that business is the quality of the management that we've brought in to run our Exhibitions business. We have Charlie McCurdy who is a long time - he hates me describing him this way but given he's not here he's a long time veteran in that business with years of experience running successful growth businesses. In our two key verticals Rick McConnell who came to Informa through the Hanley Wood exhibition deal and Fred Linder who came to us through the Penton deal are running our two largest verticals globally, Real Estate & Construction and Health [gap in audio].

As Gareth said we've just added another business to the portfolio, the five strong Yacht Show portfolio in the US which is a very nice compliment to the very international Monaco business.

Just a little deep dive into Health & Nutrition. This was the one we spotted first. We saw it through the lens of Vitafoods which is our European business which was growing very nicely on its own in a particular subset of the Health & Nutrition market, but all the features of this market are growing very well. It's international, it's fragmented, it's growing, it's got features which suit an international Exhibitions market. Compound growth in that market, the end market has been about 6% or 7% a year for the last few years. In our business it's growing at just over 10%. That's a \$110m business now for us as a standalone business. If you looked at that as a standalone business that's a highly valuable business in its own right. And that is what we're marching towards across this portfolio is getting scale at the shared platform and real depth in value adding verticals where we can drive more and more growth.

You see that a little bit as you look at the verticals that we've clearly got some market position in already. Construction Real Estate and Health & Nutrition our two biggest verticals, Life Sciences coming up fast, Agriculture same size as Life Sciences and International Yachting by size smaller but now we are by far and away the market leader in those markets. And on the top of this slide what I've identified there are the features of Exhibitions markets that we find most attractive. And they are B2B, not B2B2C because it's much more predictable. Fragmented because then there's a role for the convener to bring together the buyers and the sellers in a place where they have unique value. High value, i.e. where the sellers are selling a product which has high value and high margin and therefore the cost of participation is relatively a small percentage of their marketing or sales expenditure. Truly international because then you can drive internationalisation and you can move it into multiple markets. And self-evidently growing. If you get those features correct you can drive real growth into your business.

We now have built a very attractive portfolio of exhibition brands; I've broken these out by dollar bands. We have at the top end over \$5m of revenue. We have about 50 brands at over \$5m of revenue. So there's a very nice spread, we're not exposed to any single point or any single market or any single geography. And that has been a very purposeful building of a portfolio over the last three or four years and one that we intend to continue to develop.

Just looking more broadly at North America. We made a decision the Chairman will recall at the first strategy meeting we had as a Board, we looked at our geographic footprint, we looked at where growth was, we looked at where the markets were, we looked at our distributed portfolio and we realised that actually there was a real opportunity for us to scale in North America.

I remember being in this room with slightly fewer people and someone asking the question there's a long list of British companies that have gone into North America and then ended up in a sort of graveyard just off the East Coast, how are you going to try and approach that and avoid that outcome. And we've tried to do it in a very steady, measured way. We now find ourselves in a situation where North America is our largest market by revenue. It is north of \$300m of revenue for all three of our mainstay businesses. It's our single largest market for colleagues. And we are organised as you can see there through a mixture of shared service backup, doing different things in different locations,



vertical strength and then country HQs in New York and Toronto for our Canadian business. Steady growth with more to come with a lot of runway ahead of us.

Looking at how we're developing what we call the operational fitness of the Group, what are we trying to build into the business? What we're trying to build into the business is systems strength. And depending on where you go in the business you would say we have a long journey still to go or we've made some good progress, and other colleagues can make their own judgement on where we are on that. But generally speaking I think everyone would accept the business is more robust today than it was yesterday across pretty much every operating function in the business.

We are now this year going to deploy a standard ERP programme across the business. We have a distributed set of financial reporting systems, for a business of this size and scale we don't need that so we're partnering with SAP and PwC to deploy an ERP programme across the business to give us standardisation, not just in reporting but also in customer provisioning and that will make us much more fluid and fast to customer response as well as give us more accurate real time data to manage the business more tightly.

Our operational performance, our productivity per head has gone up materially over the last three or four years from about £170,000 three or four years ago to about £200,000 a head. The yield in the business is becoming higher. We're a people based business, we say that a lot, that means operational leverage is important. We've invested in our people, we've invested in leadership and training, we've invested in a graduate programme, an apprenticeship programme to try and drive the quality and understanding of the business. We've invested in rewards, mainly around equity. We didn't really have equity participation in the business; we now have a one for one matching scheme. If you are any colleague in the company you can buy a share and get one for free up to a certain level, it's capped. And you have to hold it for a period of time, just to put the caveats out there.

Laughter

The senior management packages are much more weighted towards equity than was historically the case so we balanced out the reward schemes. And also we've driven quite a lot of time and effort into a whole series of shared activities around the Group to drive commonality of purpose in the business.

So that snapshot hopefully gives you a little bit more granularity of what's going on underneath the bonnet. Here is our outlook for 2017. We are aiming to deliver a further year of growth on revenue, profit earnings and dividend as well as cash. As that breaks down by the portfolio that's a strong year of growth in GE focused around those verticals. Improving growth in BI, at the same time it's combining the Penton assets and further investment in the verticals in that business. Penton will by the time we report the half year be fully integrated into the business and into the divisions in the proportions that Gareth alluded to earlier, and we'll take the strength they had in their key verticals and use that to drive the way in which we manage our end markets.

Knowledge & Networking, we're going to simplify that business to pivot around the three end vertical markets of TMT, Life Sciences and Global Finance. And Academic Publishing we see remaining strong in Journals. We need to manage our Books business tightly to aim off for the decline trend in textbooks. We have fresh leadership coming in at the midpoint of the year and we believe we have a defensible position through our strength in specialisms.

This is the pictures that we'd like it to produce for a post GAP business which Gareth has touched on. And now it's time to tell you that this is not my new boat.

Laughter

We were going to do an investor day and the Chairman very kindly offered to share his boat but Gareth exercised the cost rigour for which he is renowned and we will be holding an investor day





which we postponed last year because of the Penton addition. I think we're scheduling to do that in June so if that date is free in your diary please put it in, the 15th of June. And we'll do a deep dive there on where we've got to on the Penton integration. We'll probably have a pretty clear update of where we are on the K&N portfolio. And we'll be able to showcase our plans for the business fully on a post GAP basis. So if you could mark your diaries you'll be very welcome to join us at that event. And now we'll take questions.

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### Questions and Answers

#### Will Packer, Exane BNP Paribas

Three questions please. Firstly could you just clarify the guidance around the Knowledge & Networking division? You've announced the strategic review of these underperforming assets. Is the return to growth inclusive or exclusive of that business?

Secondly could we have a breakdown of the growth within your Books business between monographs, reference materials and textbooks which you mentioned but we didn't get the detail?

And then finally on a kind of wider question on M&A. If we think of post financial crisis M&A in the professional information space a lot of it's been buying growth. You've recently acquired Penton which has a slower growth rate than your own whole business, the Yachting portfolio my understanding is growing slower than your own Exhibitions portfolio. Could we go into the detail there? Is the industrialisation of Events and Exhibitions I understand that and verticals, should we think of this as deferred growth which will come though later or is this more of a cost story? Could you just expand there? Thanks.

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#### Stephen A. Carter, Group Chief Executive

Sorry just so I'm clear Will, the cost story, your question is in relation to YPI or more generally?

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#### Will Packer, Exane BNP Paribas

More generally with M&A recently.

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#### Stephen A. Carter, Group Chief Executive

Okay. Why don't I try and take the third and the first and Gareth if you want to come in on the breakdown on the Books portfolio.

On the first, easy one, it's exclusive. So I would encourage you to look at our K&N business ex the domestic conference businesses.

On your third question you're correct the YPI business is growing, just to take that last point, is growing slower than our GE business but higher than the aggregate group. Penton I think we were clear from the beginning we're not anticipating revenue growth in '17 from Penton. We do believe going into '18 and beyond, once that business is fully integrated and the mix of that business rests where we think it will rest with a larger events business, a larger subscriptions business and a larger digital business and print, I don't actually think print will unwind in total but print you know winds out to a resting point, then I think that business will come back into growth.

Did we buy it for cost reasons, either of them? No. But actually it does give us some capabilities which are useful on cost, particularly in procurement, particularly in some back office provisioning. Actually what we bought it for was to give us strength in verticals and we believe ultimately that is



what drives our market maker strategy as we become an essential part of end markets. And when you come an essential part of an end market and you're integrated into that sales, marketing, product innovation, product launch ecosystem, that's a very strong place to be as long as you're giving enough back to the market, and that gets to the heart of how do you innovate through content and the way in which you keep your events relevant. Which I think is a change for the Exhibitions industry generally and one that I think we are trying to lead through the markets that we know most about, and that's where we have most strength in those verticals.

I'd say our leading example of that today is Health & Nutrition by some margin. That is a deep, rich content business which also has powerful exhibition brands. I think we're beginning to get there in Agriculture, I think we're beginning to get there in Real Estate & Construction, I think we've got work to do in our other markets but work to do is a good thing because that gives you some further runway for investment in growth.

Do you want to come in on the Books breakdown Gareth?

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**Gareth Wright, Group Finance Director**

I'd say Will your appetite for data on Academic Publishing never ceases to amaze me and on this particular one I think you've beaten me. So to be honest we don't really look at the business that way, we think about it in terms of subject areas as Stephen said circa 60 subject areas in the business, we think of it that way and we think of it in terms of geographies. We don't really do it the analysis in that sort of format though.

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**Will Packer, Exane BNP Paribas**

Maybe to think of it in a different way, if we think of the growth in spending between spending by students on your Books business and by libraries on your Books business are they both in decline or is a library is that more resilient?

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**Gareth Wright, Group Finance Director**

I genuinely don't have the data to answer that. If you want my gut answer, my gut answer would be that individual unit purchasing is probably declining faster than institutional purchasing but we don't track that data. That would be my gut answer to that.

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**Matthew, Credit Suisse**

Two questions please. I know your ultimate ambition is to sort of get the business up to 3% roughly organic growth or more. Maybe you could give a sort of timescale for when you think you might achieve that?

The second question is, is there a scope for a - given the integration is there a scope for a sale of the textbooks business?

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**Stephen A. Carter, Group Chief Executive**

Gosh, two challenging opening questions. Yes to your first question, and as to a date I mean we deliberately don't give forward guidance, specific guidance, but I think that's our post GAP ambition so I'd hope to see the Group go into 2018 with all of our businesses in growth. It will be a mix depending. I think GE will be mid single digits, I think BI will be better than it was this year, I'm hopeful that Academic will hold, K&N has been the swing vote for some time and I think we can tidy



that up. I don't know what that produces in maths, probably somewhere between 2 and 3. When we get through 3 we'll see.

On the portfolio the discipline we've taken is that we are now becoming much more rigorous I think on an annual basis. Where we've got bits of the portfolio where we can't see long term value we'll take action but what we've commented on today is our K&N business and I think that makes sense. We'll see how 2017 trades in Books.

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### Iain Whittaker, Liberum

Three questions please. First of all you mentioned in the statement about post the GAP plan there'll be continued investment of around 3% to 5% of revenues. Could you just give us an idea how we should think about that in terms of breakdown between the P&L and capex? And then also as well sort of just a few ideas of what that is on.

Second of all just actually coming back to what you just said in terms of Academic that you hope sort of Academic will hold its rate. So should we sort of expect from what you're saying that the sort of basically flat organic revenue growth, maybe slightly positive in terms of a couple of basis points, in terms of organic should be the way that we're looking at things given perhaps the pressure on Books within the business?

And third of all just going back to the '16 numbers and the guidance. For the nine months you talked about Academic being perhaps a touch below 2015's 1.6% organic. Obviously it came in a bit below that. If you take Knowledge & Networking you were talking about flat for the full year, it obviously came in at minus 4% but that was at the nine month statement and obviously you would have thought that you would have had good visibility on those businesses particularly given their pattern. So just wondered if you could perhaps tell us what exactly happened there in terms of your guidance and whether that should actually have any consequence in terms of how we should think about visibility moving forwards?

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### Stephen A. Carter, Group Chief Executive

Let me come in on those and Gareth add if you like. Those two businesses that you're probing on Iain are our two retail businesses, K&N and Academic Books. They're also the two businesses that are most back end weighted. I think we've been - we were very transparent, I remember being lightly toasted by Patrick in Barcelona and asked those questions and I think I said - and I think I'm maybe quoting - the outcome could be good, it could be average or it could be bad. And the difficulty is it's very difficult to predict because it's a very back end weighted business.

In K&N in November alone K&N did something like 40% of its annual profit. So it's a very, very retail business. So let's take it down a notch. What did we see in K&N to your what happened? We saw delegate numbers at the backend of the year come off materially and we felt that in the numbers. If you take the minus 4% at yearend picture and you take out the domestic conference businesses, the business as a whole would have been about minus 1%. So to I can't remember whose question, I think Will's opening question, if you take that out of the '16 numbers for the purposes of looking at '17 to your forward visibility that gives you some sense of where the underlying business was. So there's still work to do in that underlying portfolio but it's much more predictable.

In Books I think if I were you I would be doing what you're suggesting which is I'd be modelling year on year steady. So marginally positive in the breadth of the portfolio Books and Journals. And we would hope to beat that but I think that would be sensible caution looking at the forward year in Academic. I hope that answers you.

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**Iain Whittaker, Liberum**

It does. And just a quick follow up question. I mean I don't want to put you in the same camp as Pearson but sort of one of the things that has impacted - no and I honestly don't - one of the things that has impacted Pearson is it's tried to sort of guide the market on the top line where it does have the backend issue that you mentioned and particularly with the Academic Books. Do you think perhaps maybe it would be better of moving forwards not to try and guide the market on something which is so unpredictable? Because some of the trends that you're outlining with Books are some of the things that we've seen with Pearson in terms of the whole things for example with book rental. And there's always been this argument that you're more protected because you're the higher end of the market. But I think you said yourself that your books may be relatively not that expensive but if they're still let's say \$200 or whatever, but just relatively may not be the same as in absolute terms. So perhaps it might be better just to scale back on maybe some of the predictions?

**Stephen A. Carter, Group Chief Executive**

Hey look I mean I often say to Richard to lay it off on him that I'd be much happier if people were more focused on cash than on revenue in our business because ultimately I think that's one of the key indicators of the health of the business. If you look at the Group as a whole Iain going into 2017 what's the pro forma revenue roughly? £1.7bn in the year? Books is £200m and a bit. Of that £200m the textbooks portion, the bit where we've seen most variability is probably 15%, 20% of that. So actually as a proportion of the overall revenue it's relatively little which is why people like you not unreasonably push us for revenue guidance and cash guidance and I understand that. It's not my place to comment on other companies and what neighbourhood they're in but the variability in our business, I take your point about where we were but let's put hard numbers around this. The difference between us doing 0.3% and 1% growth is about £4m of revenue. So the variabilities you're talking about here are very small.

Now that's partly the nature of our business and if I'm proven wrong I'm sure you'll be - well you may not be the first to tell me there might be a long queue, but my prediction would be that we are all as an industry going to see progressive change in and around reference and monograph books and that's what I was trying to lay out in the presentation. I think the question is what's the pace and rate of that and how do you manage for that? We believe and we think we can evidence it that the pace and rate of what's happening in our part of the market is manageable if we react to it, and that requires us to become much more of a digital business, much more of a data business and be much more rigorous in our portfolio as to where we drive content expansion rather than just doing it across the board. And that I think is what gives us confidence that we can hold the business steady.

**Iain Whittaker, Liberum**

Sorry the investment question as well please.

**Gareth Wright, Group Finance Director**

The 3% to 5% that we've commented on in the release. Yeah that's a capex number, that's not an opex number, and that is our kind of view coming out of the Growth Acceleration Plan. Our kind of feeling going into the Growth Acceleration Plan was that we'd underinvested in the business over a period of time and that we needed a bit of catch up. And what we've learned from the Growth Acceleration Plan is that is correct and that running it at previous - turning to previous levels of capex I think would impair the ability of the business to grow going forward.



So we're saying 3% to 5% as a guidance as a percentage of revenue. It depends on the mix of the business because obviously areas like Academic Publishing and Business Intelligence are more capex intensive. Something like GE is relatively capex light so it depends on the mix of the business.

And I think you asked about the assets. Generally a lot of it is IT infrastructure really, I mean that's kind of the key area of spend both in terms of infrastructure, platforms and the ability to take the product to market in AP and BI in a way that's efficient and in a way that's discoverable for our customers, in a way that helps us monetise it are the key three areas of focus for us.

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### **Nick Dempsey, Barclays Capital**

Three questions left please. So first of all on K&N and the £50m that you're doing a strategic review on, is one outcome of that that you could just close those shows in which case that would impact your organic growth in a pruning way like UBM which I reckon would be 3.5 points if you pruned out all of them on a former four year organic growth.

Second question, new management coming in at AP, if they come in and say to you the way that we get this business to grow a bit more is by taking two to three points off the margin how do you respond to that?

And third question on your P&L charges integration restructuring I think the combined number is about £40m in the P&L but in the cash flow it looks like quite a lot less so is there a timing issue there? Do we have to stick in a chunk of cash restructuring in '17?

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### **Stephen A. Carter, Group Chief Executive**

Okay I will let Gareth take the third question. On the second, let me start with that. We had a similar discussion I think and I don't want to put words in your mouth Nick but I think we had a similar discussion about BI actually when we were laying out, because in fact we laid out our strategy for BI before Patrick joined the business. And whenever you bring in executive leadership you want it to do exactly that, you want it to be executive and you want it to lead the business.

What I would say is in the course of the search and selection process that we have been engaged in we have been having very detailed conversations with prospective candidates about what the challenges are in the markets and we've touched on some of those today, what the fundamental strength is of the business and its contribution to the Informa Group, and how you make the necessary level of change in order to future proof that business but not in such a way as you have to go radically backwards in order to go attractively forwards. And I think that path of measured change has been really how we've approached the Group as a whole, it was how we approached BI and I think we will similarly approach AP.

Will there be some trade-offs at the margin to be made on the margin? We don't know enough yet to know but what I'm very clear on is that we want to see that business sustainably in growth in the mid to long term as well as contributing short term. And I think we can navigate our way between those two things. So that's how we're approaching it, I hope that gives you some colour.

On K&N you'll forgive me if I don't get drawn on that. Actually if you were inside I was going to say all of those businesses, certainly most of those individual businesses and I'm conscious that there will be colleagues watching this webcast who are inside those businesses, actually there's value in those businesses in the domestic market and we believe not that they are bad businesses but that actually they're not - it's probably the case that someone else in whole or in part will be a better owner of those businesses because they would focus in their end market often in their own language and often in the subject matter that's very relevant to that end market and that geography. And in that I think there's value to be had and we'll see how that plays out through the year.



On the P&L charges Gareth do you have some detail on that?

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**Gareth Wright, Group Finance Director**

Yeah sure. Just on the organic point when we shut down product we don't strip that out of our organic results, I mean that's part of the overall mix of the business so we're not stripping that out at the numbers. I'm not sure, as Stephen said who knows what will happen to those business in 2017 but it's not - product rationalisation is not something we normally strip out.

In terms of the exceptionals and the cash yeah I think you're right there, I think there is basically primarily on the acquisition cost side principally around the Penton costs we've taken the charges for those in 2016 but not all the cash has flowed in 2016. So there's probably about a £10m cash outflow, £10m to £15m cash outflow that needs to be incorporated in your '17 debt flow as you start the year to show the settlement of those liabilities.

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**Ruchi Malaiya, Bank of America Merrill Lynch**

On the Exhibitions side the Yacht acquisition that you made, you talked about it being a compliment to the Monaco boat show, could you just give us some idea is that part of the same ecosystem, it brings something additional, are they direct competitors in which case are you gaining something on the pricing ability in that vertical by owning both?

On the Academic side, could you talk a bit whether - I mean you have mentioned that you've seen some elements of pressure from rentals and the other market factors that others have talked about. I know that's specific to the more undergraduate level market but on that textbook rental side do you have in place revenue shares with your partners if the market does shift more in that direction or is there something to do on that side? Thanks.

.....

**Stephen A. Carter, Group Chief Executive**

Okay let me take the first one and then Gareth you might want to come in on the second as well.

I'm always very nervous when people talk about pricing power. It's not that we're naïve about the value that we bring to a market but rarely when you expand in a market is it a good idea to start with pricing power. If you look at the ecosystem of that market what really drives it is the interrelationship between the brokers, the shipyards, the designers, the owners and then all of the ancillary services around those markets. Today if you looked at that market the US is a powerful driver of purchasing in the international yachting market. Now some of that's to do with what's happening in other parts of the world. So an awful lot of innovation and participation in that market is coming out of the US.

Monaco is geographically in Europe but the show is a truly international show. And so the ability to be able to have a non-geographic conversation with those communities is very helpful. We also believe that there is growth opportunity in the North American market. We also believe there is international growth opportunity as international yachting expands in other geographies. And to own and operate all of the major shows in that market is a very good place to be.

The reverse of what you say I think is also true, is it allows us to become really the major player in that end market and I think that gives us some price protection which might be another way of saying what you're saying. So I think it secures our position but also gives us some future growth.

On your second question on revenue share do you want to come in on that Gareth?

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**Gareth Wright, Group Finance Director**

I'm not sure about that one, that's something I'll have to come back to you on I think.

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**Ruchi Malaiya, Bank of America Merrill Lynch**

Thank you.

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**Katherine Tait, Goldman Sachs**

Morning. You talked a lot about the sort of margin improvement in the Group being driven by business mix but if I look at GE and Academic Publishing you know you saw 150 and 140 basis points improvement in those two divisions separately. I wonder if you could break down what the key drivers were of the improvements there?

And then secondly just coming back on M&A you very clearly illustrated the rationale for expanding in the US within Global Exhibitions. I wonder if you could talk about your ambitions going forward? Are you happy now with your geographic exposure and your sort of verticalisation I think you coined, or how should we think about further acquisitions going forward?

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**Stephen A. Carter, Group Chief Executive**

Shall I take the second one and then come in on the margin mix?

I think on M&A I mean for obvious reasons and good reasons we're pretty focused on the Penton integration as a Group. As Gareth said in his presentation it's going well but it's three and a half months in so we've got a job of work to do. We are intending to fully integrate that business, we're not going to be running it as a sort of separate island, and in a sense that makes the integration task not harder but there's more work to do as you can understand, and we're integrating it in the main into two operating businesses, GE and BI. So there's quite a lot of moving parts in that. We feel comfortable about those moving parts but that's quite a lot of leadership change, it's quite a lot of system change.

Generally, and Gareth is right, we have been very pleased by the human reaction within the business. I think if you were to do a straw poll, certainly if I measure the inflow of traffic on my own blog inside the company I'm having more conversations with 1,000 colleagues from Penton on a proportional basis than anyone else so there's a high level of enthusiasm within the company to join, within the Penton company to join the Group and that's good. But we're very focused on getting that done.

Are we alive to other opportunities? When they come along we are. Generally speaking we have found, and this is not an exclusive approach, but we have found where additions have worked best for us is when we've been having long term bilateral conversations. It was true with Virgo, it was true with Hanley Wood, it was true with Penton, it was true with YPI. Generally that allows us to get to know the business, we understand where it sits and fits, we know how it integrates and it means that our prior planning is more rigorous. Because acquisitions are important but what's much more important is integration and then operating the acquisition and it's always getting that balance right. Short term focus on Penton, we're alive to opportunities particularly in key verticals, and we constantly scan the market but not a short term priority.

On your first question on the margin mix.

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**Gareth Wright, Group Finance Director**


On the margin point yeah there's two main divisions driving the margin improvement year on year, Global Exhibitions and Academic Publishing. In Global Exhibitions it's a combination of the fact that the revenue growth drops through at a very high rate into the IP result and that gives you a good operational gearing in terms of your margin and the numbers. And also the US Exhibition industry is generally a higher margin business because the venue costs are lower in the US. So those two points both help Exhibitions.

In terms of Academic Publishing you've got a mix effect here because the revenue is quite heavily weighted towards the US and therefore US dollar revenue streams, but actually the productions costs in the division are weighted towards the UK and therefore sterling. So the uptick in the margin in Academic is primarily a currency effect rather than a trading effect.

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**Patrick Wellington, Morgan Stanley**

A couple of questions. Firstly you mentioned the deferred revenue growth at Business Intelligence. Can you give us an idea of what the rate of that deferred growth is?

Secondly on GAP and the GAP expenditure, you've got a bit of a range, £70m to £90m but we're in the final year so it should be possible to sort of zero down on that a bit more. And have we just had the announcement of son of GAP because 3% to 5% is £50m to £80m a year which is pretty punchy, it's also quite a big range so is this your incremental son of GAP that's just been announced?

Laughter

Or daughter of GAP.

And thirdly Growth and Acceleration Plan, I'm not sure because last year you did 0.1% EBITA growth 15, this year you did 0 organic growth in EBITA, and as we've just heard it got a benefit from currency in Academic Publishing so actually going backwards. And if I did a different checklist to yours on what's gone well and what's gone badly over the last three years I reckon it's two all which is that you've done a good job in Global Exhibitions and a reasonable job in BI although coming from a very low base, whereas K&N hasn't worked at all and Academic has gone backwards. So how are we fixed going forward for a Growth and Acceleration Plan?

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**Stephen A. Carter, Group Chief Executive**

Thank you Patrick.

Laughter

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**Gareth Wright, Group Finance Director**

I've written down six questions.

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**Stephen A. Carter, Group Chief Executive**

Well Patrick didn't say I've got three unlike everybody else. Let me see if I can work my way around those.

Deferred revenue growth, can you come back on that specific growth rate?

GAP, you're right we've always said I think it's between 70 and 90. I think based on what we know here today it will be nearer 90 than 70 would be what I would say but based on the forward plan of





projects but again I think we have been consistent. GAP has never been a big, chunky project, it's a series of very targeted activities, many of the work streams are very, very specific, granular in nature and we approve them in a pretty rigorous, cost controlled way. So in a sense I would take some reassurance that we don't know specifically what the end number is but the range hasn't changed.

Is it son of GAP? Colourfully put but broadly accurate. I think what we've learned about operating this business as Gareth said is that particularly as the intelligence and data sided of the business grows you need to have a sustainable level of expenditure. Whether it's 50 or whether it's 80 because the 3 to 5 is a big range, I think will vary partly depending upon the size of the portfolio where GE is as a proportion of the business because that's a lower capital demand business than BI, and where we think the investment can drive a return. But I think as a model I think we've been pretty consistent that when we pop out the other side that I think is a standard level.

Is it two all or three one? I'm never going to trade football statistics with you. But I think our view would be that the fundamental operating strength of the portfolio is in a better place. Conferences was always going to be a market we were going to have to find a way of exiting, and national conferences and moving to a market which we could defend in Events, Exhibitions and in end markets.

AP, it's definitely gone backwards from its headline growth. I think the highest growth number, your memory will be better than mine Patrick, I think was about 5%, certainly in my recent memory, and certainly that's some way off half a percent. But the fundamental strength of that business and its contribution to the Group remains there. The attractions of that business in margin, in cash generation and in market position we would strongly defend and we think we're very good owners of that business and it will, in the balance of a broader Group, be a significant contributor to the health of the company.

Do you want to come in on the deferred revenue?

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**Gareth Wright, Group Finance Director**

Two points. On the deferred income in BI what we really look at is annualised contract value there, and that then takes out some of the vagaries of timing of closing subscriptions etc. And we would say the annualised contract value is kind of growing at about 1.5% to 2% per annum for BI as a whole.

And the other point I'd just come in on was on the organic operating profit being flat in some of the businesses, and you mentioned currency benefit, currency is stripped out of that number so that is not a contributor to the performance, the operating profit growth performance in the business.

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**Patrick Wellington, Morgan Stanley**

Just quickly to follow up, so the Group margin then, when you look at that GAP investment, I mean how should we think about a Group margin of 31% over the next couple of years? There's mix in there as well but are we looking for that to rise or what's the general direction going to be?

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**Stephen A. Carter, Group Chief Executive**

If it's a modelling question - I am looking at Richard here for guidance, I don't want to say something that he would disagree with, but I would feel comfortable with you holding the margin there. We try to keep, notwithstanding your point that we want to invest in the business or your observation that we're investing in the business, we try to see if we can drive improvement in the margin where we can. But I think margins at that level are attractive and if we can maintain the business with those operating margins I think we would feel very comfortable.



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**Gareth Wright, Group Finance Director**

Yeah so it depends on the mix, as you know GE is growing as a proportion of the business, you know that helps the margin mix overall.

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**Stephen A. Carter, Group Chief Executive**

Are there any final questions?

Okay thank you very much for coming in person. Thank you for your questions. I hope you found that useful and hopefully we'll see many of you at the Investor Day.

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