Final Transcript

InterCall®

Contents

Date 21/10/2103	Time 09:30 UK	Name of Conference: INFORMA Q3 2013 ANALYST CALL 75055065 Duration: 30 minutes and 6 seconds

Corporate Participants

Richard Menzies-Gow

Informa plc –Head Investor Relations

Adam Walker

Informa plc – Finance Director

Date 21/10/2103	Time 09:30 UK	Name of Conference: INFORMA Q3 2013 ANALYST CALL 75055065 Duration: 30 minutes and 6 seconds

Presentation

Operator

Thank you for standing by and welcome to the Informa Q3 2013 Analyst Call. At this time all participants are in a listen-only mode. There will be a presentation followed by a question and answer session, at which time if you wish to ask a question you will need to press star and one on your telephone. I must advise you the call today is being recorded, Monday 21st October 2013. I would now like to hand the conference over to your first speaker today, Richard Menzies-Gow. Please go ahead sir.

Richard Menzies-Gow – *Informa plc*

Thanks very much; good morning everyone, it's Richard Menzies-Gow, I'm Head of Investor Relations here at Informa; hopefully you've all had a chance to see our nine month interim management statement published this morning. I'm here with Adam Walker; he's going to say a few words as an introduction and then we'll jump pretty quickly to Q&A. Thanks very much

---

Adam Walker – *Informa plc*

Thanks Richard, morning everybody, thanks for joining the call. You'll have all seen the statement so I'll keep these comments pretty brief. We continue to trade well, and although there's quite a bit to do in Q4, we're confirming we've not changed our full year expectations once they've been adjusted for the sale of corporate training, which I think has now been well (unclear) in the market. On that particular topic, the disposal completed in the end of September, so we'll have nine months trading in our 2013 numbers, but we will treat those profits as discontinued earnings in our full year statement in line with the disclosure of the half year. It's fair to say the business has continued to have challenging trading conditions up until the date of the disposal.

Let's turn to the continuing divisions; academic remains strong; there is a bit of phasing in these numbers as we've highlighted in the statement; made quite a bit of progress on the book side, particularly on E books, which is a continuation of trend over half year. Our journals business remains pretty steady; we're making progress on open access, and we're launching under a new brand (unclear) our open access division next year. And at this stage, although it's quite early, there's no indication that the journal renewal season will be any different from previous years.

On the PCI side we are showing some improvement but it still remains the toughest division. We now won't reach our underlying organic growth target for 2013, really because the pharma and the financial services sectors are still the hardest markets overall. However, there are some indications that things, particularly on the pharma side, may ease a little bit in 2014, and certainly there's lots of good conversations going on at the moment with some of our large customers looking at increased spend, but budgets only being available in 2014.

Now, we made good progress with the cost cutting initiatives that we announced at the half year, which will give some protection to the bottom line and protection to the margin.

And finally, on events, it's always a quieter quarter with the summer and with Ramadan affecting our Middle East business; it's been exacerbated this year by not running for [Mobilay], which is a large bi-annual that takes place in Brazil and came with the BTS acquisition, runs in even years. Our large events overall continue to show good growth and good re-bookings into 2014, and certainly for those shows that are still to run the rest of this year, which aren't too many now in the larger end, looking at good growth. And the one that has run in October in Q4 is Cityscape Global, which is the original Cityscape run in Dubai, and showed very good growth over 2012. Our smaller events though do remain harder, and overall we are running less volume across our smaller conference and training portfolio than we have done in previous years.

Finally, cash remains good and the cash position at the end of September leaves us well placed for the full year. Our deferred income position still remains positive, which is a good indicator of where we might grow in 2014. And finally, just to mention currency, which is having an impact on our reported profits, especially the US Dollar, and I think the market is slowly adjusting the impact on that on our 2013 Q4 numbers, and also taken that into account for 2014.

So, we are in good shape at the end of nine months trading, and certainly from what we've seen so far in October; the final quarter always is the biggest quarter; we've got some of the volatility we used to have taken out of the business by not having the corporate training division, but the key thing is we're confirming our full year expectations today.

So, with that, I'm happy to take any questions.

Questions and Answers

Operator

Thank you. Ladies and gentlemen, at this time if you wish to ask a question please press star and one on your telephone and wait for your name to be announced. If you choose to remove your request, press the hash or the pound key. Again, that's star and one. Your first question today comes from the line of Nick Dempsey at Barclays.

Nick Dempsey – *Barclays*

Good morning guys; just one question please; just wondering about the M&A pipeline; I know your head room should improve a little bit next year; I know that among professional publishers, so across the market, there have been hardly any acquisitions of subscription information type companies; are you finding the vendors expectations are too high there, and also in exhibitions, do you have a pipeline there?

Adam Walker – *Informa plc*

Morning Nick; yes, quite a big pipeline on the events side; there's quite a lot of events or exhibitions flying around at the moment. There may be one that we complete in the final quarter of this year, which will have a 2014 impact in terms of profit, so the show doesn't run the ship but it's taking time, it's in an emerging market, so these things are never easy, but that may well complete before the end of the year. And then across the rest of our exhibition business there are quite a few smaller ones that we're looking at at the moment; a few little portfolios; so certainly there are plenty of opportunities to look at. And vendor expectations there are pretty reasonable, prices haven't moved too much. We've seen a fair bit on the publishing side of the business, probably more the much smaller on the academic side than within PCI, but we have seen a couple within PCI, some of which we've looked at, some of which we haven't. Certainly nothing of any material sizes has come out that we've looked at anyway. So, I think that we'll certainly end the year with a strong balance sheet and plenty of scope for M&A to be part of the ongoing story next year.

Nick Dempsey – *Barclays*

Thanks.

Operator

Thank you. Your next question comes from the line of Matthew Walker of Nomura.

Matthew Walker – *Nomura*

Thanks, good morning; just a few questions please; the first is on cash conversion; could you give us a bit of help for where you think it's going to come out in the fully year? And the second question is on…you're looking at academic margins; you've given a feeling for where they might be this year; what do you think actually happens to academic margins going forward, so from 2014 onwards; do you see them flat-lining, or going up, going down? Thanks.

Adam Walker – *Informa plc*

Morning Matthew; I think the margins will always be impacted by the mix, and so it will depend really on how quickly the books business grows ahead of the journals, if it does do that. And this year we've had good growth on the books and we've also brought in the medical books from the PCI division. So, that's one reason why the margins are lower this year than they have been in…or (unclear) in 2012. I think if we were to acquire a small group of journals then that would have an impact the other way, so it will depend a little bit on the mix. I think overall pricing remains keen within the market; I don't think we'll be…well, we're certainly not looking for significant price increases on journals in 2014. And we've got a high cost base, where it's hard to keep costs much…or around about where inflation is, depending on which country we're operating in. So, I think that we…the 37 that we achieved in 2012, I said at the time I thought was probably a watershed mark for this business, and that somewhere around about the 35, 36 would be an ongoing margin for academic, and we will change our view on that subject to the mix. And the other thing on journals is it would depend on society journals, which we think are a really important part of the business; we've got about somewhere between 25 and 30% of our journals are society journals, which is contract publishing, where you pay a royalty to the society, and therefore they're done at a lower margin. So, if you were to win a few of those, then again, it would have a short term impact. But I think, look on a medium term basis; the academic margin should stay somewhere 35, 36%.

In terms of cash conversion, we always shoot to convert our profits into cash; we do have a small contribution to make on pension schemes, which will always have a negative impact on our working capital, and this year in terms of pre cash flow, then there's quite a bit of cash tax going out in relation to some of the tidying up of previous years and agreements that were done with HMRC, all of which was disclosed in the report on accounts of the back end of last year for the 2012 report on accounts. We would, based on the run rate at the moment, cash conversion is slightly ahead of where it was in 2012; so we would expect there to be a small outflow in terms of working capital for the full year, but lower than it was in 2012.

Matthew Walker – *Nomura*

Okay, many thanks.

Operator

Thank you; your next question comes from the line of Steve Liechti at Investec.

Steve Liechti – *Investec*

Morning; just a couple on PCI, please. First of all, you don't mention new products and the launches there in this statement at all as far as I can see; can you give me an update there, because we were expecting a benefit there in the second half? And then secondly, just so I get my head around the product pruning phasing; I think it's about £6 million of revenue in the full year; is it exactly rough…well, is it exactly sort of, two million, well, one and a half, two million, per quarter, or is it sort of, volatile, please?

Adam Walker – *Informa plc*

I think the product pruning…sorry, the product launches, are, well, we haven't really mentioned them just because it's ongoing business, really; we haven't done anything particular in this quarter, so the new product launches were around new knowledge centres in the pharma sector and across the consumer sector within IBI Informa Business Information. They continue to do well; I think that particularly on the pharma side, that having refreshed the knowledge centres, that's why we're getting better engagement with our customers, and that's why we're feeling more confident about some of the renewals in 2014. And there do seem to be a lot of conversations at the moment where people are…appreciate the product has changed, appreciate that this is a product that they want to take, but they don't have any budget in 2013 to be able to do that, so that's slightly frustrating because it'll be nice to secure some of that revenue this year, but at least it shows an indication that people like the products and that budgets may be easing a little bit in 2014. I think in terms of the pruning, it won't fall totally equally split quarter by quarter; there will be more of an impact in Q1 and less of an impact in Q4 this year, so more of it in terms of the like for likes will have already taken place, and we'll have less like for like as we go into the final quarter of the year.

Steve Liechti – *Investec*

Great, thank you.

Operator

Thank you; your next question comes from the line of Simon Davies at Canaccord.

Simon Davies – *Canaccord.*

Good morning; two from me, please. Firstly, on events; obviously a very strong performance from Cityscape in Q4; can you just remind me what percentage of events' revenues now come from the Middle East, and how significant within that is Cityscape? And I know it used to be the number one event but has shrunk somewhat, but where is it trading relative to its peak? And secondly, can you just talk through how the management transition is working out; how involved is Steven currently in terms of operational management, and when do you think we'll get an announcement on a replacement for yourself?

Adam Walker – *Informa plc*

I've got no idea on the last one, Simon; you'll have to speak to Steven and the chairman on that; I think…I don't even know whether or not they've pulled together a brief yet, so I guess that…I really don't know on that one; I have to see with them. What Steven is doing is, since 1st September he's spent a lot of time going around the world, and met with the vast majority of our management. He and Peter are still running the business, is actually out in Singapore at the moment in our Singapore business, and continues to take the chief executive position and make the executive decisions that the board needs. So, Steven is very clear that he's hands off and hasn't got executive responsibility at the moment, so he's very much in learning mode, trying to speak to as many people as possible, both internal and external, to get a view of…their view of the business as well as informing his view of the business that he's gleaned over the last three years. So, he is…Peter and I run the business, but Steven is very much involved and engaged and looking to be able to hit the ground running on 1st January.

Middle East is about sort of, 10 to 15% of events' revenues, and Cityscape isn't the biggest; Arab Health has always been the biggest; Cityscape did have a spike in 2009. Overall, what we've done with Cityscape as a brand is (unclear) it so that, you know, at the peak we were running it in Dubai and Abu Dhabi, but now we run it in Saudi a couple of times a year. We've run it in Egypt this year, and so we've moved it around the Middle East, and depending on how the overall difficulties are in the Middle East, thinking particularly of Egypt, whether we'll be able to run that again in 2014 – I don't know; things will need to change. But overall, the revenue that the Cityscape Group generates is not far off the peak that we had in 2009, and certainly Cityscape Global, which is the Dubai one, although not back to its peak level, ran very well in October; I haven't got the final numbers yet, but it was a great success and more exhibitors than we've had for a number of years.

Simon Davies – *Canaccord.*

Great, thanks.

Operator

Thank you; your next question comes from the line of Ruchi Malaiya of Citi.

Ruchi Malaiya – *Citi*

Hi, good morning Adam, just one more question on PCI; you mentioned the cost cutting that has taken place which is going to give you some support into the Q4 on the margin side; I just wanted to know, are there any programmes still in place, as in is there any further cost cutting going on, or is that done now? Thanks.

Adam Walker – *Informa plc*

Morning Ruchi; pretty much done, hopefully; you never say never, because it'll only be, you know, what happens in terms of trading and if things were difficult next year then I guess management would look at things again, but certainly, based on how we are trading at the moment, then we restructured some of the middle management within that business, and that's the cost cutting that was done June, and that's having the impact in the second half of the year. So, there are no other initiatives going on within PCI at the moment.

Ruchi Malaiya – *Citi*

Okay, thank you.

Operator

Thank you. Your next request comes from the line of William Packer of Exane BNP Paribas.

William Packer – *Exane BNP Paribas*

Hi Adam, hi Richard; a couple of questions from me please; firstly, on PCI, could we have a bit more detail by vertical, for example, how pharma and IFI did in particular, and whether any of the other verticals are particularly strong? And could expand ex pharma, why you see things improving in Q4 and 2014? Secondly, on events, your IMS commentary suggests that smaller events remain challenging; could you comment on the visibility you have on revenue trends in this field; is it over three months; and we see a rebound in corporate confidence in marketing spend elsewhere – when in your view should we see this flow through to the smaller events? Thanks.

Adam Walker – *Informa plc*

The visibility on small conferences and training is obviously a lot shorter than it is on an exhibition. I mean, you tend to market about 12 weeks out, so I guess three months. So, most of the programme, we would know what we're going to run in the final quarter of the year, but equally, there's no doubt the booking trends (unclear) people book later and later, so if you're running a conference in December you really won't get an accurate feel yet to exactly how many delegates are going to come through. I'm not sure necessarily that conferences are linked to an increase in marketing spend; I think we've always felt that our conference businesses, the smaller conference businesses are linked to GDP within countries, and even that's pretty crude in terms of a read-across. So, countries like Australia, this year have had a tough time; now post the election and post the new government talking more positively, we would anticipate 2014 being a better year for them, but we're not going to be able to see that, and they certainly won't anticipate seeing any improvement in the final quarter of the year. So, I think there is a bit of a lag effect, once a new administration has come in, as they try and stimulate the economy. And similar would be, you know, in places like Holland, where there's been a long period of time leading up to elections and lots of uncertainty, and until you get that certainty, it doesn't drive some of the conference programmes. But I think now this is becoming an increasingly smaller and smaller part of the events division, and two thirds of the revenue now coming from the larger events, and that proportion, I think, will only go up as we move forward with the strategy in 2014.

What gives us confidence on Q4 and 2014; well, I guess just that the overall trend continues to improve; it's still hard, still quite lumpy; you know, we do sell seven figure packages, and if they land then it makes a big difference on month or one quarter versus the previous year. And they're hard to predict when they're going to come, and certainly the overall conversations with customers take longer; longer to secure some of these big renewals, and whether they arrive in 13 or 14. But I think the general tone and flavour of conversations is more positive; I think that our customers feel that we've done the right things, refreshing the knowledge centres, launching new products in new areas; which gives them an opportunity, it gives our sales people an opportunity to go and have a conversation with them again, and for them to look back and say, well, this is different to what we were having in the past, and we like what we see. So, I think, you know, the general tone is more favourable, but I would still be cautious; it is tough out there in those two sectors, and there's certainly, across the whole portfolio, there'll be pockets of good growth and there'll be areas which are much harder for us at the moment, and how that plays out through 2014, I'm sure there'll be ups and downs, but we would hope that the trend now is starting to stabilise and show some continuing improvement. What was the first question Will, sorry?

William Packer – *Exane BNP Paribas*

Just in terms of more detail by vertical on the performance of PCI; you have to share any numbers there?

Adam Walker – *Informa plc*

I don't think in terms of the quarter there was anything particularly different vertical by vertical across from the overall PCI numbers; the three areas, well, the big area of pharma and healthcare and then financial services, they contribute about two thirds of it. But, you know, you'll still find a little bit of (unclear) weakness in telecoms; we've seen some revenue decline on the maritime side, hence the decisions on Lloyd's list, but we've seen good growth within our tracking units, within the overall maritime vertical. So, I don't think there's anything that's particularly stand out when you look at it overall compared to the overall (unclear) numbers we've announced today.

William Packer – *Exane BNP Paribas*

Thanks very much.

Operator

Thank you; your next request comes from the line of Andrea Beneventi of Kepler.

Andrea Beneventi – *Kepler.*

Good morning Adam, good morning Richard, thank you for taking my questions; I have three of them, if I may. The first one, just to make sure that I understand correctly, the current consensus for full year EPS is 40.6 (unclear) is still in line with your expectation for the year, please? And secondly, could you please update us on deferred income at the end of the quarter; how does it compare to the 7% that you mentioned at the end of the first half? And finally, are you experiencing positive growth in conference delegates, please; in Q3 and for the nine months; to come back to William's question?

Adam Walker – *Informa plc*

Good morning; yes, so we are confirming, I mean, our view of where consensus is at the moment is around about 40.6, 40.5, and we are confirming that; I mean, I guess overall where the year will end up will depend what happens with currency, but if you take the sort of, where the market was before corporate training, and take 4% dilution off that for the deal, then you ended at somewhere between 40 and 41, and currencies means we're at the sort of, lower end of that range at the moment, and consensus is sort of, bang in the middle of it.

Deferred income is slightly higher than we were in the half year; pretty stable on publishing, and slightly higher on events than it was at the half year. I would always caution as I do, that although that's obviously good news, it is always one month at a time and it can be impacted by when events fall, and how events are booked and so on. But I think overall the trend shows that we've got deferred income which should point towards positive growth in 2014. And I think, you know, conference numbers will vary so much business to business. We run conferences in lots of different countries; I talked a little bit about Australia; if you take the Middle East where we still have a conference and training business, then delegate numbers are a lot higher than they were last year, so that part of the business is performing very well. Overall delegate numbers in Europe would be lower; Australia, I've talked about, but then also we run a lot of delegates, sort of, smaller conferences and trainings around the financial sector in the UK or the telecom sector, and also in the US in finance and marketing and those overall delegate numbers would be up. So, it's a bit of a mixed bag across the portfolio.

Andrea Beneventi – *Kepler.*

Very clear, thanks a lot.

Operator

Thank you; your next question comes from the line of Alex Degroote in Panmure.

Alex Degroote – *Panmure*

Morning guys, and congratulations, Adam, on your new role; a loss to the sector but very good news for you. Just in terms of the earlier question from Simon about management transition; could you just, and this is…I guess usually this would be the period when you were cutting budgets for FY14; but I'd imagine it may be a little bit different this time around, so I mean, who is actually preparing the budgets into next year?

Adam Walker – *Informa plc*

Good morning Alex; thank you very much, it's very kind of you; I'm looking forward to it very much, although I shall miss the sector too. I am, is the answer; Peter and I are doing the budget meetings; Steven is attending quite a lot of the budget meetings, and really, the only ones he's not attending is where he's already spent three or four days with the management of that business and therefore has spent time and gone through a sort of, an overview and he's not using that time to sit through the budget meetings. So, I guess it's a little bit of a three handed effort, but I will pull together all the budgets as I have done in the past and present them for the board at the end of the year, and then they will form our view of, you know, and Richard will help with the marking next year of where consensus will sit. So, it's a similar process as we've gone through before, tried and tested within Informa, and Peter and I are heavily involved.

Alex Degroote – *Panmure*

Great, okay, thank you very much.

Operator

Thank you; as a reminder, ladies and gentlemen, that's star and one on your telephone if you wish to ask a question. Your next request comes from the line of Ian Whittaker at Liberum.

Ian Whittaker – *Liberum*

Thank so much; just a few questions; first of all, just one the sale of the training businesses; I think at the time of the sale you mentioned that there were various clauses in there depending how revenue did in corporate trainings 2013; I'm guess you, given your current [?] you probably won't get above the $165 million that mentioned, but is there any risk that the vendor loan may be reduced because the revenues at corporate training fall short of expectations? And then the other two questions really have to do with PCI; the first one is just in general with 2014; how confident would you be of getting organic revenue growth kicking back in to PCI? And the second thing is really building on Steve's questions from before; if you look at these new products, I mean, they had been told before that that would help to drive revenue growth; should we look at the sort of, new products within PCI more as sort of, revenue growth enhancers, or more in the sense that they actually improve the renewal rates from your existing clients?

Adam Walker – *Informa plc*

Morning Ian; I think probably…turning in reverse order; probably unfortunately at the moment more of the latter than the former; I think you have to enhance your products and refresh your products to maintain your renewal rates, rather than be able to use them to necessarily find new customers. It's got to be a bit of both, but I think you know, without having that renewal…without having that refreshing of the product and putting more investment into the product, then it's harder to renew, and that's what we've seen in the past. So, I think there's a bit of both, but it's really about securing your renewals, and then once you've got those, trying to find your new customers, or up-selling to your existing customers. I guess that this is always an important quarter for PCI, because so much of our…it's not quite like the academic, but a lot of the renewals take place in this quarter, and probably 12 months ago on this call I'd have said that, you know, me and the management of that business would be quietly confident, [X] that the books transfer of growth in 2013, and that didn't happen. And what we found was that the renewals that took place in November and December were a lot worse than we thought, and so we started January 2013 with a lower subscription revenue than we anticipated when we put the budgets together, and which has always meant that we've been slightly behind the eight ball as we've gone through the year. So, again, I think the next two months are going to be critical, but the overall trends and the way the business is performing, it feels more stable; you know, month by month, we're hitting forecasts, our internal forecasts; we're getting better traction with our customers. I think that where we have refreshed the products, people are engaging with us, so I feel more confident because of what we've done over the last nine months to achieve growth in 2014, and I think without it it would be a real struggle, but I would just say that the world remains pretty tough in these two sectors, although we are seeing a little bit of improvement in terms of the conversations on the pharma side. And you're quite right on corporate training; there is a claw back on the vendor loan note, depending on how the revenue out turn is; it always has been a quarter for [waiting] business and there'll be no change this year. We will…obviously we're not now running the business for the final three months of the year, but there are, we are aware, heavily incentives for the management to hit revenue targets, and we have the right to go in and ensure that the business is being run in an orderly manner. So, I think, you know, Providence will do the best they can to get the business; they want it to succeed as well as do we, and we won't really know the answer to your question until they've completed the full year and we've been through the books, so I guess, you know, probably around the time we announce our results for 2013 in February 2014.

Ian Whittaker – *Liberum*

That's great, thank you very much, Adam.

Operator

Thank you; again, ladies and gentlemen, that's star and one on your telephone if you wish to ask a question. There are no further questions waiting at this time gentlemen.

Adam Walker – *Informa plc*

Okay, well I guess unless we go and buy something absolutely massive between now and December, or sell something massive between now and December, which we're not going to do, I guess this is probably my last formal session with everybody, so can I just thank everybody for all their support over the last five and a half years. Thanks for joining us this morning; I'm sure Informa will go from strength to strength with Steven and whoever the new CFO is, and I shall watch the sector and miss it fondly, and will watch the sector with interest. So, thanks very much everybody, thanks for everything today; if you need anything else then Richard and I are around all day today. Thank you.

Operator

That does conclude your conference for today. Thank you for participating; you may all disconnect.