Euromoney Institutional Investor PLC

2021 Full Year Results Transcript

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Introduction

Andrew Rashbass

CEO, Euromoney Institutional Investor PLC

Welcome

Welcome everybody to Euromoney's Full Year Results. I hope you can either see the presentation on the screen or have a copy in front of you.

I am going to move on to and start with slide 3. I am going to introduce the results, then hand over to Wendy to take you through the results in detail, and then I will come back to take you through some thoughts on strategy, and then, of course, opportunity for you to ask any questions that you have.

Driven by data, powered by people

Let us move to slide 3. As you know, we exist to provide clarity in opaque markets to help our customers compete successfully. We do that because our customers find it incredibly valuable. Because they find it valuable, that is what results in us becoming a fast-growing, high-margin 3.0 information services subscription business.

Delivered through three divisions

I think you know very well, as you see on the next slide, that we deliver our services through three divisions:

- Fastmarkets;
- Financial & Professional Services; and
- Asset Management.

Now, with the simplification of our company that we have been undergoing over the past few years, we are now in the position where our divisions and our segments now correspond one to one. We have simplified things by using from now on just the division names, not the previous segment names that we used. But the segments and the divisions map exactly onto each other, so all your models and analysis will remain the same.

High-quality subscriptions revenue is accelerating

If you look at the next slide, there are many positives I think and takeaways that Wendy will talk about in the results. But if I have to point a one thing, it would be the subscription growth that we are seeing in our business. You see the three divisions here. You have got bars for 2019, 2020, 2021. Then we have what we call the growth in our book of business at the year-end. That gives you a great snapshot of where we are entering the momentum, we have entering 2022.

What you can see is:

- Fastmarkets was at 13% growth year-on-year, and that is an underlying adjusted for M&A, adjusted for exchange;
- FPS growing at 7%; and
- The Asset Management declined now narrowed to just minus 1% as we exited the year.

Delivering a step change in growth for Group subscriptions

On slide 6, what you can see is what happens when you put all of that together as a Group, and what is see, as a Group, we enter 2022 with underlying subscription growth of 7%. Apart from all the benefits of subscription that you know very well, that is incredibly significant for us, because as you can see on the right-hand chart, in 2021, 70% of our revenue came from those subscriptions.

We enter FY 2022 with strong momentum

So, as I say, looking at slide 7, we enter the New Year with great momentum. There is some strong growth in Fastmarkets, in FPS subscriptions. Asset Management turnaround is ahead of schedule. We are seeing a sharp recovery in Events. In fact, you see there that in the second half, our second half compares to a COVID period the year before, and then I guess the emergence from all the impacts of COVID. What you see is that those revenues in the second half grew by more than 100%.

Throughout COVID, we were able to continue to make great strategic complementary acquisitions, and continued with that amazing cash generation that Euromoney is so well known for, which creates the balance sheet that allows us to continue to invest organically in M&A and of course to pay dividends.

With that, let me hand over to Wendy to take you through the results in more detail.

Full Year Results

Wendy Pallot

CFO, Euromoney Institutional Investor PLC

FY 2021 financial highlights

Thank you, Andrew, and good morning, everyone. I am going to start with the financial highlights, which shows the reported revenue increased slightly year-on-year, driven by that accelerating growth in subscriptions and other revenues and the three strategic acquisitions we made during the year, offset by the continued impact of COVID-19 on physical events.

Underlying revenues declined by 2% during the year, but both the reported and the underlying increases are quite a jump up when I last presented to you our half year results when reported revenues were down 17%. In the second half, our reported revenues were up 21% year-on-year.

It is really the first period we reported where the comparative was duly COVID impacted. As we highlighted in our year-end trading update, we have adopted new guidance on IAS 38 regarding the treatment of Software-as-a-Service. These resulted in a net additional charge of £3.8 million in the year. I will explain more about that on the next slide.

Operating profit was up 8% on an underlying basis and up 12% on a reported basis, really reflecting a good cost control during the year, resulting in an operating profit margin of 19%, up 2 percentage points year-on-year. As you can see, our cash conversion and free cash flow during the year was strong and that resulted in a net cash position of £32.5 million. That is £4.4 million higher than last year after spending £24 million on three acquisitions and the payments of dividends.

Finally, the Broad has proposed a final dividend of 12.5p per share, bringing the total dividend to 18.2p.

IAS 38

Now to slide 10. Before I talk you through this new accounting treatment, just to be clear, this has no impact on cash at all. Earlier in the year, IFRIC, the International Financial Reporting Interpretations Committee determined that the configuration and the customisation costs of SaaS solutions should not be capitalised, and must be expensed against profit. That was because they deemed they do not create a separate intangible asset, mainly because the underlying code is controlled by the software vendor rather than the user.

This new treatment is applicable immediately and retrospectively. What it is doing basically is taking cash that was in CapEx and putting it in the P&L, this is why it doesn't change cash. At a Group level, in FY21, this results in a net charge of £3.8 million to the income statement, and therefore, a reduction in adjusted operating profit and PBT of that size.

The net charges are made up of two elements. It is the CapEx spend of £5.6 million in FY21, which previously would have been capitalised, of course, partly offset by a £1.8 million credit for what would have been the amortisation in the year of historic plus CapEx. As a similar adjustment for FY20, you can see the adjustments in both years in the table at the bottom there.

In FY22, we expect this accounting adjustment to lead to an approximate incremental net charge in the P&L of £2 million, reflecting our slightly increased investments in SaaS-related solutions. Just to repeat, obviously this has no impact on free cash flow.

Euromoney is a majority-subscriptions business operating through three divisions

Moving to slide 11. Here, we see a quick snapshot of Euromoney today. As Andrew highlighted earlier, we are a majority subscriptions business. Subscriptions is 70% of Group revenues during the year and split across three sort of roughly in the divisions.

Subscriptions growth has accelerated across the year

On slide 12, let us look at those subscription revenues and their momentum in some more detail. Looking at the chart on the left, total subscription revenue grew by 5% on an underlying basis, driven by double-digit growth in Fastmarkets and further good progress in FPS.

The turnaround of our research businesses and in asset management is progressing well and we remain ahead of our plan with underlying revenues improving from minus 8% last year to minus 3% here in FY21.

The right-hand chart shows the growth in our book of business, or BoB, which measures the annual contracted value of subscriptions on a like-for-like basis, and as you will know, the key leading indicator for our future revenue growth.

The chart shows the progress made over the course of the year. You can see the strengthening trends in all divisions. The overall Group falls in the middle there and takes to 6.6% at the end of September, an improvement of 5.9 percentage points from September last year.

A pick out for you in particular, is the continued acceleration in the Fastmarkets BoB, which is up at 12.7% at the end of September getting back to good double-digit growth. FPS improved to 6.8% growth compared to division in September last year at 2.4%. These numbers both include the impact of our recent acquisitions of WealthEngine and RelSci. If you exclude those acquisitions, the FPS BoB at the end of September was at 7.9% year-on-year growth.

The Asset Management BoB was at minus 0.6% in September. That is an improvement of 4.4 percentage points over the last 12 months.

Finally, the non-vote BoB, BCA and NDR, shown here as the grey dotted line, that is about 95% of the total asset management BoB and that is slightly positive in September. It is a key driver of the improvement trend in asset management and the basis of the target we set in this area.

Events returning to growth in H2 2021

Now, let us look on slide 13 at events and the performance of our businesses with events revenues where the total revenue was down by £20 million year-on-year. That is 75% of what we achieved in FY20 due to the COVID. What you can see from the chart, is very much the tale of two halves.

So, on the first half of 2021 compared to period in FY20, which was largely pre-COVID, the second half is against the COVID impacted period, so is more like-for-like. You can see there the growth we have had in the second half.

The Group event revenues were at 75% of FY20, as I said, but Asset Management achieved 88% on the same basis. That really highlights the strength of our membership model at Institutional Investor. There is a page in the appendix which will give you more information on the split between Institutional Investor, membership events and other events.

In total, we hosted 382 virtual events during the year and 50 blended events from May onwards. Total events revenue in the second half was £35.1 million, that was about £5 million lower than we expected in H1 results, just reflecting the challenges of COVID-related travel restrictions.

However, it was more than double the revenues for the same period in the previous year because of that return of in-person events.

Fastmarkets

Now moving to slide 14 and on to our divisions. Let us start with Fastmarkets, which as Andrew said, aligns to our previous reporting segment pricing.

Fastmarkets delivered excellent growth in subscription revenue, up 13% on an underlying basis, driven by the strong growth in Metals and Mining, Forest Products and Agriculture, really reflecting the continuing high demand for our price reporting.

Adjusted operating profit was up 3% underlying year-on-year with a strong subscriptions growth, partially offset by lower event revenues, although as you can see there and you may cut 3% of Fastmarkets revenues. Our investment in technology and new products to further accelerate the growth in Fastmarkets.

Last year we saw the Fastmarkets' BoB annual growth level reduced, reflecting some turmoil in the underlying commodities as a result of COVID. We had confidence this will bounce back during FY21. As you can see, it has come back very strongly.

The Subscriptions' BoB is 12.7% at the end of September, and that really represents a very significant recovery in the 4.2% growth at the same point last year. As you remember back in January we announced the acquisition of The Jacobsen, which has added some scale to Fastmarkets' Agriculture, where we are also investing organically to add more prices.

FPS

Moving to slide 15, FPS, which aligns to our previous reporting segment, Data & Market Intelligence, also delivered strong growth in subscriptions and underlying revenue is up 5%, driven by strong performance in People Intelligence and NextGen.

The acquisitions we made during the year of WealthEngine and RelSci, which have added further scale to People Intelligence, making it in fact the largest this year in FPS are both performing ahead of expectations. If you exclude those acquisitions, underlying subscription revenue growth was close to 7% in FPS.

On events, our ability to run successful virtual events and blended events in second half meant that we achieved 70% of last year's event revenues. Other revenue also performed strongly, driven by growth in research, surveys and online advertising.

Adjusted operating profit grew by 8% underlying and the margin grew by 3 percentage points. I think the last year really reflects the benefits of our restructuring in the first half of the year and the continued good cost control throughout FY21.

Looking forward, the subscription BoB continued to strengthen in the year and was at 6.8% at the end of September. That is up from 2.4% in the same point last year, and excluding WealthEngine and RelSci, up at almost 8% growth at the end of September.

Asset Management

On to Asset Management. This consists of Institutional Investor and our research businesses, BCA Research and NDR. The turnaround of BCA and NDR continues to be ahead of our plans with underlying subscription revenues down 3% during the year, a marked improvement from the 8% decline in FY20.

As we referenced at the half year, this has been driven primarily by our investment in sales and marketing, which has led to a 4-percentage point uplift in the last year to 90% for the moving average renewal rates.

Secondly, our Investment Solutions business continues to grow strongly and we saw assets under advisement jump from £1.3 billion to £1.9 billion at the end of FY21. Event revenues have continued to recover and they are 88% to prior year for FY21, showing that resilience of that membership model in Institutional Investor, a strong growth in other revenue driven by increasing demand for Institutional Investors research reports and media. On an underlying basis, Asset Management revenues declined by 2% but adjusted operating profits were up by 2%.

Looking forward, the non-vote investment research BoB was slightly positive at the end of September. Whilst this is clearly very, very encouraging, we are maintaining our targets of sustainably posted growth in this metric from the end of September 2022.

FY 2021 segmental summary

Putting that all together on slide 17, you can see a summary of our segmental results and revenues by type, most of which I have touched on, so I will just highlight a few key numbers.

The chart on the left-hand side shows that subscriptions and other revenues, which together accounts for over 80% of Group revenue, both saw good underlying growth. It is only events, of course, which declined year-on-year, although that reduction itself was mitigated by the strong virtual and blended event revenues, particularly in the second half.

Central costs on the right fell year-on-year with a £2.5 million insurance claim credit in the first half, leading to that improved adjusted operating profit margin of 19% up 2 percentage points.

Strong cash generation

Moving on to cash on slide 18, you can see the cash generation here which was very strong during the period. Cash conversation was 123%. We generated just under £85 million of cash from operations with working capital benefiting from the growth in subscriptions and good collections.

IAS 38 has the impact of moving £5.6 million from the cash CapEx, here through the cash from operations, but of course no overall impact on free cash flow.

You can see the cash impact of exceptional items here was £17.6 million. The charge in the year was slightly low at £15.1 million, the majority of it being acquisition-related and that figures shown on slide 56.

Free cash flow after CapEx of almost £47 million. After paying dividends of £18.5 million, spending £24 million on acquisitions, we finished the year with net cash of £32.5 million. That is £4.4 million higher in the same point last year.

Finally, we have a strong liquidity position with significant financial headroom available to our new £190 million bank facility, which runs to at least May 2024.

Strong balance sheet with a clear approach to capital allocation

Moving to slide 19. We have a strong balance sheet and our cash generation is key to this. We have the resources to allocate capital to fund organic investments in the business focusing on subscriptions growth to pursue M&A opportunities to support and accelerate our strategy, whilst also paying a dividend.

Andrew will talk shortly about some of the investments we have made in organic growth in the three acquisitions we have made during the year.

On dividends, we are recommending a final dividend of 12.5p per share, bringing the total for the year to 18.2p. But as a reminder, our annual payout policy of 40% of fully diluted adjusted EPS is unchanged.

Events outlook

Now let us look at outlook now. Slide 20 has the outlook for events. During the year we have rationalised our events portfolio focused on a smaller higher quality portfolio of events. The chart on the right here shows how the revenue impact of our rationalisation is impacted. The left-hand bar shows actual FY19 events revenue, while the middle bar representing what have been the rebased FY19 events affecting that rationalised portfolio, which at a £142 million is £19 million lower.

The third bar shows our actual FY21 events revenue of £61 million, which you can see is 43% of rebased figure from FY19.

Encouragingly, we have seen demand for the in-person events we have been able to run since May. Andrew will talk more about the performance of some of the blended events we have hosted.

Clearly, some uncertainty remains around international travel. As a result, regional events are likely to continue to be the best performers in the short-term. As travel restrictions continue to ease in FY22, we are planning more frequent physical events and on a larger scale. Our events will continue to be blended to maintain a digital element offering flexibility for attendees.

Our events portfolio mapped well against high vaccination geographies like the US, where we expect to host about half our events, and also Europe, which will be the location for about a third of our events in FY22. We also launched our Group Event Operations team earlier this year, which will help deliver efficiencies and best practice in events across the Group.

To conclude, while the outlook for events is still uncertain, overall, we expect further progress in the recovery of events revenues in FY22 as travel restrictions continue to ease.

Strengthening subscriptions outlook

Let us now look at the strengthening outlook for subscriptions on slide 21. The subscriptions BoB are our best leading indicator for expected short-term revenue growth. In the chart on the right-hand side, the grey dot shows the underlying revenue growth we just reported for FY21. The green dot shows that BoB year-on-year growth at the end of September. Generally, what would happen is the grey dot will gravitate towards the green dot.

The Fastmarkets BoB, as you know, returned to double-digit growth in the year as we said and the grey dot here is slightly higher than the green dot, which can happen when you have some non-BoB revenues in the period. As you have already seen, the FPS BoB is in a strong position at the end of September, up significantly year-on-year. Then Asset Management in the bottom right, our turnaround is progressing ahead of plan. The BoB decline is significantly less than the revenue decline with the BoB close to returning to growth. Overall, the revenue outlook for subscriptions is very positive as we look ahead to FY22.

Summary of guidance for FY 2022

If you pull that all together, then the next slide, 22, shows our guidance for FY22. We have already covered the revenue outlook for events and subscriptions. I will focus on cost and investments.

In FY22, we will continue to invest to drive further growth in subscriptions. These include an £8 million investment in people, including renewables in Fastmarkets and expansion of our wealth management business in Asset Management. Andrew will talk about these growth investments shortly.

Naturally, we expect higher people and travel-related expenses as physical events return. On IAS 38, I mentioned earlier that we expect a net £2 million increase due to the slightly higher investment in SaaS related technology.

Lastly on costs, we expect central costs to increase reflecting most of that year-on-year incremental impact of IAS 38, that is in central and the reversal of the one-off £2.5 million insurance claim credit in FY21.

On tax, we expect a slight increase in the effective rate to 21%. Finally, on CapEx, looking to guidance both on a pre and post new IAS 38 interpretation, so £6 million on a new basis or £15 million on the old basis, reflecting that continued investments in technology. The net of all this guidance really is that we expect FY22 to be another year of really good progress.

Okay. I will now hand back to Andrew.

Strategy

Andrew Rashbass

CEO, Euromoney Institutional Investor PLC

3.0 strategy delivers high-quality profitable growth

Thank you, Wendy. I want to talk to you about strategy, and I want to start by looking backward to our strategic progress over the last 12 months. Then as we move out of a COVID phase, I guess to talk about where next and how we continue to deliver our 3.0 strategy.

That 3.0 strategy, I hope you know on slide 24 is about being embedded in our customers workflow, building our business in subscriptions through organic investment and through acquisitions and getting that operating leverage that comes from being a large efficient operating unit and Group-wide efficient platforms.

What that leads to is our subscription growth, strong customer relationships. That then deliver those healthy renewals that Wendy was talking about. Wide competitive moat that comes from the net worth effects and the sticky embedded nature of our products, the long-term operating leverage that comes from the fact that we are a create-one-sell-many business, where we make a significant margin on every subscription we sell, and of course, the strong cash conversion that comes from having a fast-growing subscription business where our customers pay us upfront.

That is why our strategy will deliver off as a fast-growing high-margin 3.0 subscription business.

Our ESG focus areas

Now, what it also enables is, I think, a strong ESG position. You could see that on page 25. The way we approach ESG is not that something you add on but rather as elements of our business that are essential to our success. We have five focus areas in ESG.

The first reflects the fact that we produce our intellectual property every day. That is down to the talent extraordinary people that we have. That talent we need to search in all demographics for that talent and we need to make sure that when we have secured those people to work in our organisation that they are motivated, engaged, developed and included in and feel included in the full Euromoney community. That leads to workforce inclusion diversity and wellbeing being the first ESG area for us.

The second is that our customers, of course, rely on our data and information for their critical activities. Therefore, we need to make sure that our data and information security is of the highest order and that we protect the privacy of the data that we hold.

The third is many of our customers use us in order to ensure their own transparency, governance and risk management and we need to make sure that we apply those same standards to ourselves.

Fourth, because of the position that we have in the markets that we sell, we have great opportunity I think to encourage good ESG practices in those markets. That is about, for instance, the information we provide about raw materials in renewables. It is about the convening power and the platforms that we provide for the industries that we serve. Although, we are not a big emitter of carbon, nonetheless, we have a role to play, as all companies do, in reducing the carbon impact of business.

In FY22, the year we have just begun, you can see on this slide at the bottom our priorities. I just want to pick out a couple of things. First of all, it is for us about making sure that it is embedded throughout the business.

Secondly, it is a great emphasis on surfacing and reporting internally and externally through excellent ESG work that we do. But then there are some specific targets and activities that we will be undertaking. Our carbon emissions fell significantly in 2021, partly because of COVID, partly because of the actions that we have taken and we will be offsetting those emissions using high quality offsets for Scopes 1 and 2.

Our short-term strategic priorities

Now I said look at the progress we made in strategy over the past 12 months. you can see the list of areas that we identified at the start of COVID on slide 26. I just want to look at each of those in turn.

Our organic investment is driving growth

Starting with slide 28, that is the organic investment in our businesses. That is being driving that underlying growth that Wendy has spoken about. that investment is across people, technology and product for each of our divisions. Not planning to go through each of these in turn. I think the key point is that this is the investment that drives the growth.

Highly complementary acquisitions in Fastmarkets and People Intelligence

Turning to the next one, which is around acquisitions. As Wendy said, we made three acquisitions in the period. you can see those on slide 30. That was The Jacobsen in Fastmarkets agriculture and two People Intelligence businesses, WealthEngine and Relationship Science. We remain disciplined on acquisition and these are great examples of strategic complementary bolt-ons. and for instance, in the case of WealthEngine and

Relationship Science, we bought those at about 1 times sales. I am not sure that that is a benchmark we are going to meet every time.

But because we are disciplined and because we have a platform that allows us to get real synergy from the acquisitions we make and generate extraordinary value, we are able to acquire businesses where others cannot necessarily generate the value that we can.

People Intelligence growth is accelerating

you can see that on slide 31, where you can see the increase in People Intelligence book of business year-on-year. What you can see is we finished the year, as Wendy has already talked about, with People Intelligence being at 9.7%. this is on a book of business that is over £40 million now and it is growing by at the year end at 9.7%.

But you can see in the grey line at the bottom that these are the two recent acquisitions. We bought them when they were actually going backwards, but within a few months of acquisition, we bought WealthEngine in December 2020. We bought Relationship Science in May 2021. Within a few months of our ownership, we are able to turn them into growth and we are confident that they are going to pay a full financial and other parts in People Intelligence.

you can see that when People Intelligence is firing on all cylinders and we take out those two acquisitions that we are turning around, you can see that without those, the book of business actually grew 15% at year-end.

Investment Research turnaround ahead of plan

Looking forward then to the next element of our strategic priorities. Number three was in turning investment research to growth. You can see that on slide 33, that is a chart we have been showing you for since we announced our intention to do that, and you can see on the left the sustained progress in that turnaround. That comes from sales and marketing, products and through the very significant sustained growth of Investment Solutions that Wendy talked about.

Now I left on slide 34 the same name as we originally announced, which is strong post-COVID blended events moving towards a 3.0 membership model. I am not sure 'post-COVID' is a appropriate phrase to use any more. Perhaps 'managed COVID' or 'living with COVID', that is kind of where we are today.

Events: the need to convene, network and transact remain a constant

I think our events, we are seeing that recovery. It is a recovery actually of a relatively strong base. You can see that on slide 35. As Wendy was talking about, we have, because of the strength in our portfolio, because of the nature of our business model, we actually have been relatively resilient, but of course we have taken a knock because of COVID. We believe that the future as a blend of physical and digital, that future is already here. We believe that we are demonstrating that we are well placed to take advantage of that. You can see that on the following slide on slide 36.

Successful events in H2 2021

Here, you can see three events that we ran. On the left, you see a purely physical event which ran in July. As you can see it, actually it is quite a significant event. It ran with more revenue than we achieved in 2019. There are reasons for that, as Wendy talked about this.

It is a regional event, a domestic event. It also speaks to quite a traditional audience, who actually, because they work in property, have a particular view of the role of physical presence in business. Therefore, you see this extraordinary strong result.

On the right-hand side, you see a purely virtual event that ran physically in 2019 virtually in 2021, a good event. However, you can see that the convergent factors are the ones that I think when we have become used to for a successful virtual event, which is 24% in this case.

The one in the middle is a blended event, and that was ITW, a bit international telecoms event that took place in Washington DC at the very end of August. What you can see there is that the conversion rate was 31%. Interestingly, we ran a similar big telecoms event in Europe in London in October. The conversion there from 2019 revenues was 60%.

You see two things going on there. One is the steady progress in recovery between August and October, but also the fact that in August people could not get into America, whereas in October they could get to London. We believe that the opening up that we are seeing with America to Europe to the UK to China that that is going to improve significantly the position of international events based in America.

Standardising to create an efficient, inclusive, and diverse Group

Then the fifth element to talk about on slide 38 is standardising to create an efficient inclusive Group. That standardisation is essential for the efficiency, for the speed at which we can move. You saw that in the turnaround of those People Intelligence businesses we brought, and to enable our workforce to do what they need to do to generate the growth that is the future of this company.

Future 3.0 growth

Now that is a sort of look at what we have been doing in the last 12 months. We put those priorities together this 18-month period in order to deliver our 3.0 strategy. The 3.0 strategy remains the 3.0 strategy but we now need to look forward to, I think, even more bold view of how to deliver that strategy as we look forward.

Our 3.0 strategy

You can see that on page 40. It remains about those five elements that I talked about:

- Embedded in workflow;
- Subscriptions;
- Combination of organic investment; and
- Acquisitions delivered through the efficient Group.

That remains fundamental.

3.0 strategy delivers high-quality profitable growth

You can see on page 41 what we are focused on.

- Fast growth;
- High margin;
- 3.0;
- Subscriptions.

We are embedded in workflow

Now, it is worth reminding you how critical this idea of embedded is for us I think. If you look at slide 42, you see a couple of examples of this. On the left, you see a highly simplified illustration of Fastmarkets' markets. These are the supply chains that the Fastmarkets support. Our prices are used in contracts at many of these stages. Not only that, but our data and analysis is used in budgeting, forecasting, procurement, deeply embedded. Then, of course, not just embedded in the contracts but then used in hedging and other ways to manage the volatility in price that our customers would otherwise face.

Very much the same could be said in People Intelligence that you can see on the right here, a data is embedded in our clients' core sales, marketing and other business development processes, in the talent management that they do to find the right people for their organisation in this increasingly competitive environment for talent. Thirdly, in our customers' risk management processes around, for instance, KYC.

We are delivering a step change in subscriptions growth

Because we have this very clear strategy that delivers value for customers, that is what you can see on slide 43 is what delivers the step change in subscription growth that Wendy and I both talked about. To remind you, of course, 70% of our revenue is subscriptions.

Our strategy delivers organic and acquisition growth

Now we deliver that through the benefits of investment. You can see how that works on slide 44. Again, three examples from our three divisions. Fastmarkets. This is a chart going back to 2010. what you can see is the business but really flat.

In 2016, we introduced our 3.0 strategy. What you see here is the impact of the 3.0 strategy that is the chart on the left on Fastmarkets growth. You see the same thing in People Intelligence in the middle bar. Of course, that started with the acquisition of BoardEx in 2019. This covers very shorter period. But you can see the same shape.

Then the very exciting purely organic growth that we have seen from Investment Solutions in Asset Management that Wendy has already referred to, you can see that on the right-hand side.

That investment in the future will continue. As Wendy said, for us, it is not a choice between do we deliver dividend, do we invest in organic, do we invest in acquisitions. For us, we have opportunities to do all of those things.

Fastmarkets: investing to grow renewable energy portfolio

You can see an example of that on slide 45. We are doing a big push into the renewables market. We start from a very strong place. We are a core provider of information about the raw materials for batteries but also for other renewable technologies like wind and solar, as well in fact as, and those are all obviously in our metals vertical within Fastmarkets but also we have a strong division in biodiesel in Fastmarkets Agriculture and in biomass in Fastmarkets Forest products.

We are very excited about the opportunities that we have in supporting the growth of the renewables market through the provision of outstanding critical renewable-related information.

People Intelligence: investing to create a market leader

The same applies in FPS, for example, here on slide 46 in People Intelligence. We are going to continue to invest to create a market leader in People Intelligence, and that is about investing in data, in products to provide the tools that our customers need for business development, talent management and risk management.

We have ambitious growth plans for Asset Management

Asset Management now. We have talked out to you over quite a long period now about turnaround, but actually now we turn our attention to growth. We have an unparalleled set of brand and we will be looking to keep those brands but to integrate them into a suite of services for our clients in areas that are important for them, such as wealth management. You can see at the bottom the suite of services for the wealth management markets that we will be launching.

We expect our investment to deliver high margins in the medium term

On slide 48. Now, what are the implications for margin of this strategy? The answer is that we expect to deliver high margins in the medium term. Those high margins come because of our investments, not despite our investment. That is because the blended future of events will add margins to our business we believe and we believe the robust scalable platforms that we are building will allow us to add incremental revenue that will be based upon the platforms that are already there.

Summary

In summary, financial year 2021, what you see is that we delivered, I think, a strong set of results, particularly around subscription. We were able to end the year with more cash than we had 12 months ago and do acquisitions and invest and pay dividends. as we enter FY 2022 with that strong momentum, well-positioned for the return of physical events, continuing to invest in the future, I have been at Euromoney for six years now I guess, I have never been more confident about our prospects for growth than I am now.

With that, let me turn the call back to Katie, who will open up the lines for questions.

Q&A

Annick Maas (Exane BNP Paribas): My first questions, I guess, are with regards to events. I would like to have a few clarifications. You suggested that basically regional events are going to be the ones that will perform well this year. Can you remind us of the mix of your regional versus, let us call them, bigger events?

Then you have showed us again the revenue mix virtual versus non-virtual events. Could you maybe share also the profit mix here?

Then I guess the last one on events. If you could just talk about the geographical event trends over, I would say, the last couple of months and going also into the next couple of months. What are you seeing there?

Then my second question is with regards to Fastmarkets subscriptions. If you can just give us a bit more clarity in the volume versus prices movements here.

Then my last one is just on the investment in the people of £8 million. If you can tell us what sort of people is this? Is this only sales people? What are your expectations for those in terms of revenues?

Andrew Rashbass: Thanks, Annick. Those are quite Wendy-oriented questions. Wendy, why don't you take those?

Wendy Pallot: Yeah. Okay. I think I have got them in order. Just starting with your question on events. You are absolutely right there. We are thinking that domestic or regional events will probably do better, certainly in the beginning of next year. I can talk generally about output in previous years. I mean, in 2019, the split between regional versus international events in FPS, which is obviously one of our biggest events sort of 60% regional, 40% international.

I would say that that if you go looking forward, we will have also a bigger proportion of regional, because one of the things we can do and we have done is taken what was an international event and put it on a more regional basis. Also if you look at some of the big events, generally a lot of attendees might have been international, whereas you see what is happening now, for example, ITW in 2021, a large proportion were from the US. I think in that case, 80% were from the US.

The international dimension is still important but we have some very strong regional events. As I said, you can do these conversions to hold a couple of regional events where you may held one international events. Moving away from FPS, if you think about Institutional Investor and their events, very often they are much smaller events anyway. They tend to hold smaller events and they will be in the tens, perhaps necessarily rather than the thousands or possibly the hundreds but they are quite small events and so more likely to be successful in this environment. I hope that gives you a feel for where we are placed on events.

You then asked, I think, Annick, about the profit mix. Although we do not give a profit mix, we can give you the gross margin from virtual events and physical events. The gross margins we also quote for physical events is approximately 65%, whereas virtual events, I would say in 2021 probably 15 points higher, so 80%. That will be something you can use for modelling.

Then I think you were talking about geographical trends for events. I think the key point here is that where we are going to see events primarily certainly in the first two months of 2022, it is going to be around the areas which are highly vaccinated. That is going to be the US. That is going to be parts of Europe. Actually, in isolation places like Dubai also is highly vaccinated.

I would say mainly the US. You have seen the presentation that quite a significant proportion of our events that we are going to hold in next year are they are sort of half of our events in 2022 are going to be in the North America. That obviously reduces the risk, and particularly, of course, with travel freeing up in America as well. A third is in Europe. You can see that again reduces the risk for us.

Then I think you moved on to talk about Fastmarkets and subscriptions and what is volume, what is price. I think the answer there is actually I cannot give you exact split, and I would say it is a combination of both. You will be aware with our sort of moats in Fastmarkets that we are able to put price rises through obviously backed up by offering customers better service. However, we were able to do that and increase volumes. It really is a combination of both, but is really driving Fastmarkets subscriptions. I think if you did not have both those levers, you probably would not have the kind of numbers we have got. It is a combination is the answer.

Then finally you were asking about the £8 million investment in people. It is in the division, so split across the division. Really the revenue generating engines of our Group, Andrew has talked a bit about renewables investments in Fastmarkets, so an element of people will be there. We have also talked about strengthening our Wealth Management in Asset Management and investment there, so possibly there. There is also some in FPS, some projects there, particularly around People Intelligence. Really that is spread across those three profit revenue generating divisions.

Andrew Rashbass: Thanks, Wendy. I think the only thing I would add to that, Annick, is that it is not just sales. I would even say particularly sales and renewables for instance. This is absolutely in our content because this is about sustainable growth and you cannot do sustainable growth forever just through sales and marketing. A lot of this is actually investing in products and content to the future as well.

Adam Berlin (UBS): I have two questions. The first question was on Asset Management subscriptions. I think at the Capital Markets Day, you spent quite a lot of time talking about new customer acquisition. Whilst we have seen today the really good improvement in churn, can you make any comments on how the new customer growth is going? How dependent are you on improving that to deliver growth in that subscriptions line going forward? That is the first question.

The second question was, in the appendix, you had a slide 53, where you kindly split the events revenue between II memberships and physical events and virtual events. I was just surprised to see that the II membership revenue stepped down half on half in H2 from £12.8 million to £10.5 million. Had you ever thought that there would be a linear improvement as people return to doing more events? Can you explain why that happened and what is the trend in H1 2022 on II membership revenues?

Andrew Rashbass: Thanks, Adam. Let me take the first one and give the second one to Wendy. On the first one, in a subscription business, you are quite right that obviously that combination of renewal and new business is other constituent part. The renewal rate are down very well, as you say, than as we said also.

I think the area that we have been surprised on the upside on is the opportunities that come from cross-selling between our brands. It is that market opportunity that has led to this idea of the integrating our products. Keeping the brands but integrating the products more under, we have a leader for whole of Asset Management. Fran Cashman joined us from Legg Mason in May. Fran is absolutely focused on delivering that added benefit that comes from owning this range of capabilities that are so relevant to so many of our customers.

I think that there is a little bit of change of emphasis from the CMD that you are talking about, which was, I guess, two years ago now or something like that. However, new business remains incredibly important. I believe that by focusing on those customers, we will grow new business. At the current time, the combination of new business in renewals is what is driving the ahead of schedule performance.

However, I think more weight is being carried by renewals than we were expecting. A lot of that is driving, as I say, behind ahead of schedule. The new business is at our expectation, shall we say. It is not exceeding our expectations in the way in which renewals do.

Wendy, on the II breakdown?

Wendy Pallot: Yeah. Institutional Investor events are slightly different to the events we signed elsewhere in the Group in that they are, on membership basis, which is effectively like a subscription, so we could have funds for them. When events fall away in COVID and when the start coming back, the reaction in II is just a bit slower, because of course you may get new subscriptions when people want to start going back to physical events or hybrid events in Institutional Investor, but it will take some 12 months for that subscription to earn out in the P&L.

Just as you are aware, they had been very robust because of that, but it means that when the recovery comes through, it will take slightly longer to show in the II numbers because they are effectively on that membership basis. It is nothing to be read into the H1, H2 numbers which are a trend. Really it is just reflecting that slow down originally from COVID.

I think the Institutional Investor events became hybrid or physical in September. That is the first piece people had or going back to physical or hybrid events. They were successful. What we will see hopefully going forward is the news spreading around that and we will start to see some more subscriptions coming in as a result. Again, as they earn out over 12 months, it is great visibility and recurring nature and resilience, but it will be slightly slower in coming through in the revenue numbers.

Adam Berlin: Sorry, Wendy. I did not fully understand that. Are you saying it is just to do with revenue recognition that if a new member comes back, you do not recognise all the revenue in one go, so in H1?

Wendy Pallot: That is right. Absolutely. If an event is cancelled in FPS or an event is held let us say, then obviously all the revenue will go into a particular month. If they held events in September as they held many, you will see some growth in events in September for FPS in the Group.

However, if Institutional Investor holds an extra event, their revenue comes during the form of, call it, subscription. Therefore, people will start to subscribe more as more events are put on. As you know for the benefit of paying a subscription, people get invites to attend the events. Really what you are seeing in the events revenues for II memberships, at least those subscriptions earning out rather than people paying to go to an event or sponsorship revenue for a particular event. It is slightly different things in how it is compiled.

Steve Liechti (Numis): I have got three, possibly four if I can get in. First question, just on the pro forma 2019 sales figure you gave us for events at £142 million. Thanks for that. That is quite useful or very useful. I know you do not officially give margin or profit numbers for events. Is there any chance you can give us a sort of rough range that we could use for that events £142 million in terms of almost like a recovered profit? I will give you a help here and I will say 30%. You can agree, nod, or disagree.

Second question is, on IAS 38, I understand what it is in terms of implementation of SaaS systems. What you are saying is there is effectively three years that you have been doing implementation of these systems. Will you get to a point, say, fiscal 2023 where you stop implementing these big-ticket new systems and then suddenly effectively £6 million or whatever comes back into the P&L? Or is it a bit like painting the fourth road but you just carry on putting in new systems?

Third question is just on Asset Management growth, all your comments there. Maybe I am getting ahead of myself. But given the progress in that business and given your comments about investing in growth, I just wondered if you are not going to give us a bit more detail in terms of growth aspirations for that business, what now is sort of almost getting through that tipping point from here. I will give it a rest just with those three.

Andrew Rashbass: Thanks, Steve. Well, let me answer the third question and then hand over to Wendy for the first two. Well, the reason we took. We did a strategic view. We kept the businesses, and the reason why did that was we saw the 3.0 potential for those businesses. We saw how well they fitted with Euromoney strategy.

You have seen the impact of the strategy on our other divisions. Our aspiration is that Asset Management has a full part to play in the 3.0 future of Euromoney. You have seen the profile of 3.0 business. That is our aspiration for Asset Management. Wendy, on the first two questions?

Wendy Pallot: Yeah. On what profit is going to come back from events? Steve, we do not actually give that, as you know. I know you suggested I nodded you. While you can see me nodding now, okay? We have obviously got the gross margin numbers, so you will be able to work some drop through and you know that we are now investing, as we said, to put people back into the business so we can run these particular events and we have talked about those numbers. You have got sort of all the constituent parts of the calculations. I cannot give you the bottom line.

On IAS 38, it is a really interesting standard because it has taken a small subsection of our investment and changed how it works. Over the last, I do now know, ten years, what might have been in CapEx has been gradually moving to P&L because people are paying to license software rather than necessarily building it in-house that they might have done many years ago. There has been a gradual move into P&L for investment anyway. this just changes that slightly and tweaks that further sort of acceleration towards the P&L.

It is difficult to say will we get £6 million back, because the answer is we are continuing to invest in our business. To the extent, I agree to an investment in a year, some of it may just happen to be SaaS, some of it may just be happen to be not SaaS and it will go onto the balance sheet. It is not a question of where you saw SaaS investment in particular. However, the bottom line is that we are continuing to invest in this business.

What you are seeing in SaaS investments and in non-SaaS investments in CapEx are things which are significantly improving the efficiency of the Group and the standardisation around the Group. They will help revenue generations. They will help cost reductions in the future. The intention is to carry on investing in those areas.

I cannot tell you the exact SaaS and non-SaaS split I am afraid into the future. However, we are going to continue to invest both in P&L and in CapEx for the business.

Andrew Rashbass: Thanks, Steve. Thank you very much everyone for coming along and look forward to give you further updates not before too long. Thanks very much.

[END OF TRANSCRIPT]