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Informa

Half Year Results Presentation

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Informa

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Introduction

Stephen A. Carter, Group Chief Executive
Good morning everybody and thank you very much for joining us. We are always very conscious that at this time of year you've got lots of choice, in fact, we've, I think, identified there is literally a clash. So for those of you who have decided to come and listen to us we will try and make it worth your while and we'll try and get to questions at a reasonable canter.

This is the standard disclaimer. And onto the results, for those of you who have had a chance to read the release you will see that from our point of view we very much feel that this is a business that is performing to plan.

We laid our plan out at the beginning of the year and again - there are some familiar faces here that we had a chance to spend some time with at the Capital Markets Day, where we really, I think, tried to get underneath the bonnet of how the business was performing and where we felt there was strength.

As you know, we've been talking for some time at Informa, for nearly six years now, that we see ourselves as part of the knowledge economy. We think the knowledge economy is a great market to be in - that the world of specialisation and skill specialisation is where economies around the world are going. And that if you can provide products and services that satisfy the needs of those increasing specialist communities then you are in a good spot.

And that is where we are pursuing our growth and you see that a little bit in the way in which we have managed our portfolio in the Portfolio Management Programme over the last 12 months.

This process of market specialisation has been going on for some time. We started out back in the day around the Growth Acceleration Plan where we were trying to put some capability and strength and scale into our core business, build a position in Global Exhibitions, repair our Intelligence and Data businesses and begin the process of getting our Research Publishing business to a place whereby it could compete in a world that's more about open access and open research than closed subscription deals.

More recently, post the UBM combination, we then had a, if you like a specific task in hand, which was to make and acquisition, which strategically, I think, make coherent sense to us, clearly, and I believe to the market and our customers, actually operate as much evidence - as many case studies of acquisitions that have failed. They look good on PowerPoint, they look good on the numbers, but in reality they don't operate. And we have spent a lot of time over the last 12 months in the wrapper of what we call the Accelerated Integration Plan, working the day to day operational practicalities of making that combination work.

I am delighted to see Charlie McCurdy here, who is hiding the back corner, but I have promised him that all the tricky questions are going his way. And he has very much been leading the charge on much of that combination over the last 12 months.

The Plan came in a series of areas of activity; I am just going to draw out a couple of them. At the same time as creating that combination it forced us to take our thinking around which markets did we want to stay in and grow in. And I'll come back and talk to that after Gareth has taken you through the detail of the numbers.

And that led to some decisions that we made about parts of the portfolio that we would seek to dispose of. And at the beginning of the year we moved out of the Media portfolio and Life Sciences that had been much trailed by UBM. We have announced today that we are moving out of our Wealth Management Software business. And then we did a very nice, effectively swap deal, with our IHS Markit to move us out of the Agricultural Intelligence business and further deepen our market position in Technology. And that is a good metaphor for where we're seeking to take the portfolio.

We will get, I'm sure, into Fashion again, that was, if you like the gift that kept on giving post the UBM acquisition. And that has required some very, very specific investment, some changes to the portfolio, to the brand make up, to the way in which we go to market. And the big test of that really for us comes in August of this year where we see our one MAGIC show come to life in real time, then followed by the COTERIE show and the early signs of that is tracking and trading well.

In terms of execution I think we feel that we've made very good progress on this. We set ourselves a 12 month timetable; we deliberately did that to put a bit of pace into it. Not because we were trying to do anything other than respect the reputation of the brands that we had bought, but we were very clear that we wanted to create one company. We wanted to create one culture, one set of values, one programme, one set of incentives, one management structure, one operating structure. And the quicker you get on with that the better. And so clarity and purpose and coherence have very much been the mantra within the business and I'll talk about that a little later.

We're making good progress on the cost synergies, we're on plan, you see about £20m to £25m of those synergies flow into the first half numbers and we have got very clear visibility of what we need to deliver in the back six months. So we feel very good about where we are on the synergy delivery.

On the leadership side, we've got a very strong bench, I think, across our businesses and perhaps more importantly in our market specialisms. And that is ultimately where we compete for differentiation.

If you look at the Group as an investment proposition, which many of you do, I mean this is - as they say in the trade, good PowerPoint, but I think it does bring to life some of the fundamental building blocks of strength of the Informa Group. And we have been building this quarter on quarter, year on year, for some time now.

We very much wanted to be a growth business, that was not our history, it is very much the mantra within the company and it has been for some time. If you are not going forward then at best you're standing still and at worst you're going backwards. We want to be in growth mode. And that leads us to make investments to give us choice.

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But the key shift has been pivoting us around specialism, driving our specialist expertise in markets which we think have got the fundamental growth features that are attractive.

It's a portfolio business, so there are some ups, that are some downs, we've talked about the Fashion business, we're feeling a bit of heat in the Middle East and there are some ongoing challenges in the Research and Publishing business, which are much documented.

But one of the features of a robust business is the ability to be able to take some of those bumps in the road and still be able to progress with confidence. And some of that comes from our international reach. And that international reach, particularly our shift in weighting towards the US economy, has really given the Informa Group a lot of strength, particularly a lot of strength given what's going on domestically here in the United Kingdom, which, you know, concerns us personally, but professionally is not really a concern for the Informa Group.

Digital is a big part of our business; we have been a Digital First business for some time. We are focusing on improving our digital products and services in all of our businesses and I'm sure we'll get into that.

But notwithstanding that we remain of the view that alongside specialist expertise delivered in a digital format there is a great value in face to face interaction. And all the evidence, all the pacing, all the numbers shows you that in business communities the value of face to face interaction remains powerful as long as you're investing in the product that you deliver at the point of that face to face interaction. And that is at the heart of what Charlie is leading in Informa Markets and in part what we're seeing in our Communities strategy in Informa Connect.

The cash matters, this is a highly cash generative business, Gareth will talk to that. The half year cash numbers are good. We have consistently driven our cash flow discipline over many years and that, we believe, remains a very attractive part of the investment proposition for the Informa Group.

These are the summary numbers; I won't dwell on them because Gareth will give you the details behind them. But as I said at the beginning they are on plan and they are to plan and we feel good about where we are. And you can see how that tumbles down both on the top line, which is in the zone for us, and on the bottom line, which is seeing a high level of conversion and that's very much what we wanted to begin to see the Group doing.

So on that note I'll hand over to Gareth, Gareth.

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Financial Review

Gareth Wright, Group Finance Director
Cheers Stephen, thank you. Good morning everyone and thank you for coming to our 2019 Half Year Results. A set of results that we think demonstrate the Group is performing to plan in the year and also an occasion where we're reconfirming the guidance for 2019 full year.

We'll start with the headline results for the Group. Underlying revenue growth in the first half was 3.4%, which is consistent with the 3.5%, 3.4% growth delivered for the full year of 2018 if you include a full year of UBM trading.

We are comfortable with the half year growth in terms of the full year guidance of 3.5% plus, because as many of you know UBM trading was traditionally weighted towards the second half of the year.

Reported revenue increased by 47% and reported OP by 48%, with the underlying growth supported by favourable US dollar foreign exchange, and of course the benefit of the combination with UBM.

First half earnings increased 17% if you take a pro forma view of the 2018 comparative, including a full six months of UBM trading. And we delivered strong free cash flow of just over £300m and I will analyse out the year on year increase of £175m on a later slide.

And finally the dividend where the confidence from performing to plan, from the growth in pro forma earnings and the growth in the strong free cash flow number, all underpinned our decision to increase the dividend by 7% at the half year.

So taking a closer view of the divisional performance and the numbers on the 2018 column here are pro forma for a full six months of UBM ownership and strip out the Life Sciences businesses that we disposed of at the start of the year.

Within this, Informa Markets delivered underlying revenue growth of 4.4%. The strongest verticals continued to be in the Health and Nutrition space and in the Healthcare and Pharma area.

Within this result Fashion revenue performed as expected, but the Fashion GAP programme is underway and proceeding to plan.

Dubai has been a weaker area for us in terms of the macro generally and we've facing some specific headwinds from the Expo 2020 event competing for our share of property exhibitors' wallet.

Informa Connect produced underlying revenue growth of 2.1% in the first half of the year, ahead of its seasonally stronger second half.

OP declined year on year, but this on simply a function of the phasing and the indirect cost base against a smaller H1 revenue result and we fully expect growth in OP on a full year basis.

Informa Tech delivered underlying revenue growth of 1.1%. And this was a steady performance against a backdrop of three businesses coming together as one division, with all the associated management and organisational changes involved in that.

Like Connect, Tech revenues are weighted towards the second half of the year when the big shows take place, like AfricaCom and Black Hat USA.

Informa Intelligence subscriptions produced a mix of robust renewals and good new business wins, which together add up to driving revenue growth of 3.2%. And within the verticals in Intelligence, Pharma was the strongest performing area.

Taylor & Francis delivered underlying revenue growth of 1.8%, which is all the more encouraging considering the tough comp of 3.5% that it had from 2018. This was driven by a good performance in Journals with robust subscription renewals and good growth in open access and supported by a more mixed performance in Books, but this is the area where the comp was toughest in terms of the prior year.

It's worth commenting on the expansion in the margin where the mix benefit from higher margin Journals growth, plus the strengthening of the US dollar, plus the benefit from synergies in the Group, increased margins by four percentage points overall.

Now focusing on the mix of reported growth, as I've just outlined underlying revenue growth was 3.4% and underlying OP growth was 8.2%. In additional the combination with UBM added another 40 percentage points of growth to revenue and almost 32% points to OP.

Currency added just over 5 percentage points of growth to revenue and 11 percentage points to OP, principally driven by the stronger US dollar, but also the weighting towards dollar profits in the Group.

And finally there is a 1.5 percentage point year on year phasing impact in terms of biennials in H1, because the odd year biennials are smaller in H1 than even year biennials in the comp. But this adjustment will be positive for the full year after we operate the stronger odd year biennials in the second half of the year.

So all of this adds up to reported revenue growth of 47% and reported OP growth of 48% in the first six months of 2019.

So focusing on the income statement you can see the Group has generated £436m of adjusted OP in the first six months of 2019, a significant increase over the £294m of OP generated in the prior year.

Net interest for the six months increases year on year, primarily because of the higher borrowings in 2019 to finance the UBM combination, but also because of the interest charge from the IFRS 16 leases standard that we have adopted this year.

For full year interest, depending on whether you decide on any changes in interest rates, or any further movements in foreign exchange, you should be thinking about an interest charge of around about £100m before IFRS 16 and then £110m to £115m including the IFRS 16 interest charge.

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The effective tax rate increases to 19% in the first half of 2019. The two main factors in this increase are a full six months from UBM, which generates profits and higher tax rate jurisdictions than the legacy Informa business. And also an increase in profits from high tax jurisdictions such as the United States.

The effective tax rate for 2019, for the full year, is consistent with the guidance that we gave you at the time of the UBM combination. And you should expect that to continue into the medium term.

The charge for minority interests was £14m in the first half and we would guide to that being around about £20m for the full year of 2019.

So in conclusion if you reset the earnings comparative to calculate on a pro forma basis, this has been done on the pro forma column on the slides here, the earnings growth in the first half of 17% year on year.

The reported result was a decrease in the earnings year on year, but this merely reflects that fact that we completed the UBM acquisition only 15 days before the year end, but benefited from a disproportionately large amount of OP generated from events that ran in those 15 days in the comparative.

And finally we confirm that we're comfortable with the consensus view on earnings for the full year.

Looking at margins, our reported margins increased 20 basis points to 31%, with the underlying growth in OP, the net synergies we crystallised and the benefit of currency more than offsetting a full six months of trading from the UBM business which traded at a slightly lower margin.

If you take the pro forma results for 2018, which assume a full period of ownership, the margins increased 260 basis points year on year.

So to synergies, the headline message on synergies is that we're on track to achieve the targets that we've set ourselves and the targets that we've outlined to you previously. And that means we're on track in terms of delivering the synergy benefits that we've talked about, but we're also on track in terms of the costs that we think those synergy benefits will take to realise.

The results include - or our expectations include £50m of OP synergies for the full year 2019, principally from two main areas of duplication, that is the Informa Markets business and also the central functions and corporate functions in the business which benefit all the divisions through lower cost allocations.

UBM integration costs were £17m in the first half of 2019 and together with the £40m we incurred in 2018 that means we've invested just over half of the £100m budget to date that we said we were going to spend in terms of realising the synergies. By the end of 2019 we expect that around about 90% of that total budget will have been spent.

As I said earlier free cash flow in the first half increased significantly from £131m to £306m. Most significantly this reflects the extra five and a half months of trading from the UBM business now incorporated in our results. But it also includes a stronger year on year working capital performance in the business.

And this is driven really by the H2 waiting in the UBM business which leads to significant inflows of working capital in the first half of the year and we benefits from those in the first half of 2019. In 2018 those working capital inflows occurred before completion and therefore were not in our results.

And then also you can see on the slide there we're paying a bit more interest and a bit more tax in 2019 and that's what you'd expect following the combination of the UBM results into Informa.

Moving on to financing and in 2019 we're really taking a strong internal focus on deleveraging in the business to get back to our target range of 2 to 2.5 times leverage in the business.

If you remember leverage was 3.1 times at this time last year following the UBM combination. We reduced leverage to 2.9 times at year end and we are announcing further progress today reducing leverage to 2.7 times at the half year 2019.

Now it's worth noting that the 2.7 times leverage number that we talk about is before the circa £300m worth of debt that we're bringing onto the balance sheet in 2019 because of the IFRS 16 accounting standard change.

These liabilities are excluded by our lenders from our debt definition in our financial covenants, which means the 2.7 times leverage figure we report is the right number to be thinking about if you're comparing to the 3.5 times covenant figure that we have in our financing agreements.

We look to maintain a flexible financing structure and in the first half of the year we have renegotiated the Group's revolving credit facility, extending the term out to 2022 and 2024.

And finally the Group's credit rating is unchanged, with a Triple B outlook negative from S&P and a Baa3 stable outlook from Moody's.

So this is our capital allocation slide which you've seen before. And it outlines how that deleveraging focus fits into our wider thinking around capital allocations. Now this slide is not guidance to the £900m and £600m figures, which is something I think we talked about at the year end. Although it is worth focusing on the scale of the free cash flow that we generate in the business and how much that gives us optionality and flexibility to operate.

For 2019, as I say, there is a real focus on the capital structure element of this as we look to reduce our leverage back to the target range of 2 to 2.5 times that I talked about earlier.

We're deploying less capital into inorganic growth through M&A in 2019, partly to deleverage and partly because clearly we have a lot to get on with already in the business.

To power organic growth we're maintaining consistent investment in capital expenditure at around 3 to 4% of revenue per annum. But in 2019 this expenditure is weighted towards the second half of the year rather than the first.

And maintaining shareholder returns is a key part of our story, with the progressive dividend policy growing dividend over time, broadly in line with earnings, and 7% in the first half of 2019.

So as I said in my opening, we think our half year results demonstrate that Informa is performing to plan in 2019 and we are reconfirming our guidance for the full year expectations.

We continue to deliver consistent and predictable underlying growth with steady improvements year on year over time. We maintain attractive profit margins, but also whilst looking to invest in the business to maintain our underlying growth.

We are on course to deliver £50m worth of in year synergies in 2019 from the UBM combination and our strong free cash flow continues, anticipated to grow to over £600m in 2019, providing optionality and flexibility.

We are delivering on our plan to reduce borrowings in 2019, back within our target range. And we are consistently improving shareholder returns, evidenced by the further 7% increase in dividend per share announced today.

So with that I'm going to hand you back to Stephen to go through the rest of the slides.

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Business Update

Stephen A. Carter, Group Chief Executive
Thanks Gareth. Right, now I want to try and give you a bit of colour and then we'll get into the questions.

We talked a bit about this earlier, what lies behind the numbers, because the numbers I think speak well. But the numbers are really the sum total of the effort and activity of thousands of people in the company around the world.

And one of the things that we've put a lot of time into in the last 12 months is bringing the companies together and restating a sense of who we are, what we are and why we are. Partly because that gives us a sense of purpose and partly because it allows us to speak to our products and customers with a single voice.

And the thing we have pivoted around is that our business focuses on championing specialist markets, that's what we do. And we are fortunate in our business to have thousands of people, who in their individuals area, are experts in what they do and in the markets that they service and in many instances are part of, are citizens of.

We have also tried, because this is a company that in part has been brought together through acquired combination as well as organic growth, tried to restate some basic principles that make sense to everyone in the company and that allows us to live by them. And I have put them on this slide, not to give you a sermon, but to give you a sense of how we think about ourselves.

And the first one is central to how we run the business, as well as how we think about ourselves, and that is that our ambition is to have ambition for the markets we serve, to think big about what we can do for our customers, but to do that in a way which operates at the point of detail. We are not a macro business, we're not signing contracts for $50m, or $100m, or long term vendor financing, multiyear thin margin managed service contracts - thank goodness. In our business small transactions, small engagements, small service delivery at the point of customer interaction is the great strength of this business.

From an investor point of view that means we have very few single points of scale weakness. And that provides that portfolio with real strength. And that is the heart of the investment proposition, but it is also that heart of the cultural truth of the company.

Within that we work well when we work in partnership. Around our business we work in partnership with many people, whether they be academic communities, or society journals, or academic institutions, or trade associations, or local venues, or local locations, or state governments, or country governments, or national governments, or industry communities.

Part of the genius of Informa is part of the reason why we are one of those, now increasingly, larger companies that many people have never heard because our strength is in our power brands.

We met here yesterday, we had a Board meeting here yesterday, a Group plc Board meeting and then the Chairman did a town hall with a hundred or so people who were even more daunting than you because they work for him. And we had a discussion about what it is that is at the heartbeat of the company. And at the heartbeat of the company is a recognition that what makes us success if the brands and the markets, not our own profile or our own fame.

And it is in that success through partnership that drives the commercial growth inside the business.

To make that real for people who are running businesses in Informa what you need to do is you need to make sure that people feel they have got a sense of freedom to perform. And that speaks to what people like I and others do in head office for a living, which is our job is not to control but to enable.

We have made choices about markets that we want to work in and this is a sense of those markets and gives you a feel for where we see both the revenue opportunities and the margin attraction in each of these businesses.

Some of them are today bigger markets for us than others. But all of them are categories that for us, we believe, offer us future growth for a variety of other reasons.

And inside Informa Markets, inside Charlie's business, we have teams and leaders and communities focused around building our market position in those areas. And you've seen us in this year for example in Aviation add a capability to that community, in that case largely a data capability, in order to enable us to provide more services and have a greater sense of understanding of what the trends are in each of those categories.

And as the Group grows and scales it will be investing in expanding our footprints in those verticals will be how you see the Group develop.

Outside of Markets we've taken Tech as a category where we really want to reach for standalone scale. We had a series of businesses, great businesses in branded events, confexes and conferences. And we had a nice, but small, Research Analytics business in Ovum and Datamonitor and Tractica and we wanted to give that more coherence, more capability and a better go to market proposition for customers.

And that led us into a conversation this year with IHS who declared and interest in our Agri business, business, which we had decided was a very nice market, we had a nice business it was in growth, but we were subscale and we were not going to deploy capital to take it to scale.

And that led to a swap of our Agri business, business, for their Tech business and that's allowed us to put - well it completes factually on the 1st of August, so we'll have 400 colleagues joining us on the 1st of August. And that will give us a very strong market position in data analytics in TMT and specifically in the growth areas in TMT in cybersecurity, in gaming, in media and applications, in software, in industrial processing. And also it will give you a footprint in Asia Pacific which we didn't have at scale. So it broadens that business quite specifically. So that's a kind of leading case study of what we're trying to do in market specialism.

More broadly if you look across the business we believe that each of our businesses has some real strengths, that as I said earlier provide us with ongoing security and a portfolio balance, which serves us well inside each of the businesses, but more broadly at the Group level.

Areas that we are focusing on in 2019 in particular, in Informa Markets over and above the day to day, which is pretty demanding, the thing that inside that business there is an industrial focus on is what you would call business process improvement.

This is a business that has been put together over the last five or six years and in a whole range of areas, whether it's sales order processing, or customer management, or applications, or reporting, or accounting or pricing, there is a whole raft of projects underway in that business to give it as much simplicity in the way in which it services its customers and as much data capability on a going forward basis as possible.

Interestingly inside Informa Connect - used to be Knowledge & Networking the old Informa Conference business, actually that's been through that cycle. It is a much smaller business, but it has been through a similar cycle that Informa Markets has gone through and now is very clear about where it is focusing, which end markets it's servicing in the main, Life Sciences, Retail Financial and then Maritime, and is now building out service delivery to those communities broader than just the traditional conference and event products.

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Informa Tech I have talked about. And Informa Intelligence, the good news of that business is that having made the decisions about where we want to pay to play, it has allowed us to exit those markets that we were not going to be long term players in. And that is allowing us to really double down in Pharma where we've seen very good growth in the last 12 months. In Retail Financial where we have seen very good performance and in our data analytics businesses inside that portfolio.

So a much more focused business and we see opportunities in those core verticals.

In Taylor & Francis the twin areas of opportunity are in the drive to open access and our Open Access business continues to perform and grow well, as indeed our Subscription Journals business does in the near term.

But in the mid-term the growth in that business is going to come for Open Access and that acquisition that we made two years ago now, in Dove Medical Press is serving us extremely well as a footprint in that market to allow us to trade competitively.

On top of that we're beginning to layer additional digital services for authors and institutions and that is going to be where we see that business grow and develop over the coming years.

We launched the AIP this time last year at the half year results last year, we said it would take 12 months and we would get it done. We are almost there. And in my desire for neatness I'm slightly irritated that we're not, but nevertheless we are almost there.

We have agreed on divestment on Life Sciences, the Media portfolio, the swap on the Agri business and the portfolio change for the Wealth Management business.

We did look at the IGM business, that Credit and FX business and we decided for a whole variety of reasons that we would hold that business.

And we have one final piece of review work to complete, but I am absolutely certain that will be done by the end of Q3. And we are in zone of what we guided you would be the revenue impact for the portfolio.

As Gareth said our focus in 2019 inside the business has been very clear, combination. It is all very well being able to get to a point of doing an acquisition, persuading someone to sell you their company, raising the finance, doing the deal, selling it to the markets, but then you've got to make it real. You've got to bring it to life and you've got to turn it into a single business. And we have been very focused on that combination and remain so through the remainder of '19 and indeed into '20.

A lot of that is systems, a lot of that pricing, a lot of that is product, but the biggest part of it is people. And people in a people business is a lot about culture and values. And that is a continued daily task and enjoyment.

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From a commercial and financial point of view we've been very clear to our investors and to ourselves that this year is about deleveraging. We took the gearing up to just over 3 times, we're at just around 2.7 at the half year and we will take that down through the backend of the year. And that was very much our plan to get it back into the range.

And then at the same time as doing all that to deliver what we promised ourselves and indeed our investors that we would meet our guidance for the year across the portfolio and in aggregate, not just on the revenue growth numbers, but to see a tick up in the improvement in profit conversion, improve the cash flow and hopefully therefore be able to continue running a progressive dividend policy.

So that is our approach, that is our plan and I'll very happily take questions.

I think we have microphones even though it's a small room, there are questions all hovering around the front but why don't we go to the middle first of all.

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Questions and Answers

Adam Berlin, UBS
Good morning, thanks very much, three questions from me. First of all if you think about the profit growth and revenue growth in H1, are you ahead of budget or in line with budget?

The second question is can you give us the Fashion revenue decline in H1?

And the third question is if you think about the pro forma margin expansion, the 260 bps that you mentioned Gareth, can you break that down for us between the UBM synergy, FX and any underlying improvement in margin? Thanks very much.

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Stephen A. Carter, Group Chief Executive
Okay, should I take the first - well I'll have a bash at the first, I'll answer the second and take the third, does that makes sense?

Profit and revenue, we're kind of on plan. I mean the trouble with half year reporting is it's slightly a moment in time, I mean we run the business to a year, we don't run it to July 1st and so there are sort of slight artificial cut off moments. And so some of it is phasing and timing, particularly in an Events business because there are some circumstances where either you don't run an event or you do, or the portfolio changes. And then in some contracts they just don't fall in your half year, but they will fall in your full year.

But in the round we are where we thought we would broadly be. And we're a little bit up in some areas and a little bit down in others, but there is nothing we're flagging, either on the revenue line or on the profit line.

The synergy flow and Gareth will probably touch on this in relation to the margin point. The synergy drop through is a bit more back end weighted then front end weighted. But still there is a good £20m to £25m in the first half and that was pretty much what we thought it would be.

On Fashion, Fashion is tracking to the budget. I mean the changes we made will have more impact in the second half than the first half, because they were bigger structural changes, both on venue and on product. And it has also given us longer to market. And the team changes and the data cleansing process that that business has been through just builds over time.

But broadly the Fashion business is, I mean I'm not sure you would say, you know tracking to a decline is an achievement, but it's tracking to the decline we predicted and we're comfortable with that for now. And that plan is that that changes in the right way. Gareth.

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Gareth Wright, Group Finance Director
Yeah, in terms of the margin increase I'd refer back to the slide that I presented on the margin waterfall. I think what we're say there is if you look at the movements in the first half, the US dollar has obviously strengthened and for every one cent increase in the dollar that give us about £5m to £6m worth of OP. So that is a movement in the margin.

As Stephen just touched on in terms of the £50m worth of in year synergies that we have reconfirmed for 2019 they divide about 50/50 between the first half and the second half. So that gives us a benefit in terms of the margin.

And then if you strip all of that out and look at the underlying margin in the business overall that's broadly consistent year on year. As we've said before we are looking to maintain and grow our underlying revenue growth and actually expanding the margin within that it's not a specific focus of us; really we want persistent and improving levels of underlying revenue growth at a sustainable margin.

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Stephen A. Carter, Group Chief Executive
Questions at the front, there are five hands up so I'll leave you to choose Tony.

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Katherine Tait, Goldman Sachs
Morning. Just on Taylor & Francis, good to obviously see a good result on the back of a tough comp. Can you give us an update on how each of those individual components within Taylor & Francis are trending and you obviously referenced being well positioned within open access, I know you talked about it in depth at your Capital Markets Day, but perhaps just an update on how you're seeing that market progress going forwards and any growth rates you can give us there?

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Stephen A. Carter, Group Chief Executive
Katherine, you get top prize for asking one question rather than three, I think that's the first time ever. So we'll give you a long answer.

I think we, like you, feel that we're in, you know, somewhere between a good or a better place. There is no doubt there's lots of change going on in that market, there is. The Journals business has performed well in traditional subscription renewals, both in volume and value. And as Gareth said that has sort of weighted out what has been a slightly tougher first half for books, but the comp as you say for books versus last year was also particularly tough, so we sort of anticipated that. And to Adam's question we kind of budgeted accordingly. So there's not a big surprise there, but it's kind of played out the way we thought.

I think the thing that has changed is that the market is now and we are now into a cycle of these subscription renewals are now in a good way, you know, intense commercial and content discussions on an individual basis and that's become sort of standard operating practice.

We generally as you know tend to avoid commenting on contract by contract outcomes but by and large I think we're now into the kind of cycle of that.

Equally our Open Access proposition has grown both in number of journals and in the diversity of the journal mix by subject matter.

Some of the noise around the S Plan has come down a little bit and I think, you know, there's been some sensible thinking about what is the objective here. Which actually speaking as a research publisher is an objective we share, which is, you know, how do you ensure you get high quality original research out into the individual research communities in a way that allows people to enhance their knowledge and understanding. Because no one's going to disagree with that, the mechanism is how do you make that happen? And doing that in a, it's all for free let's post it on the internet, isn't really a solution.

So I think that there's been a slight change in the sort of atmosphere. But the trend lines I think are very clear in that business. Open Access is going to grow. Open Research is going to grow. Service delivery to individual communities is going to have to become more and more of our business model and, you know, our task, as anyone who wants to compete in this market, is to do that well. And we feel we understand that.

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Matthew Walker, Credit Suisse
Thanks a lot. A couple of questions please. The first is on the books market. You mentioned obviously a tough comparison. If you ignored the comparison though would you say that the books market was much weaker than you would expect or weaker than last year on an underlying level, excluding the sort of strong order, you know, the order differences?

The other thing is on the cash flows it looks like you had sort of £5m of restructuring in the first half. I think the integration charges are not in the free cash flow calculation. But what would you say for the full year for restructuring charges in the free cash flow calculation?

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Stephen A. Carter, Group Chief Executive
Thanks, Matthew. Gareth, do you want to take the second question and then I'll take the first?

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Gareth Wright, Group Finance Director
Yeah, I think I'll broadly on the second point I'll talk about what I said in the script, which is that the P&L number is kind of just over 50% of the full year - of the expectations to the integration costs overall. So say about, I think it's about £55m that we've spent to date and by year end will be around £90m.

And that's what we've said for the P&L charge and I think for modelling purposes I'd take the cash flow to be the same. I don't think it will be massively different in terms of how we spend the cash. And the balance will be spent in 2020.

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Stephen A. Carter, Group Chief Executive
Happy with that? You sure?

On the books point I'm not sure I would, I'm not just wordsmithing at you, but I'm not sure we would say, much weaker. I mean as you know very well the books business is the most retail of our businesses. And, you know, it depends on which bit of the books business you're looking at. We have an institutional books business. We have an individual books business. We have a professional publishing books business.

If you sort of take the numbers down a notch, have we seen a, you know, is the explanation of why the books business has been a bit tougher in the first half than journals, is it consistent everywhere? No, it's not. But I think there are some geographies - probably most notably the US where the individual book sales have been tougher year on year. But on a full year basis, I mean this business is always weighted to the back half and I think we feel, you know, comfortable with our guidance for the full year, Matthew.

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Nick Dempsey, Barclays Capital
Yeah, I've got the mic so I'm just going to run with it.

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Stephen A. Carter, Group Chief Executive

Possession is nine tenths of the law now.

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Nick Dempsey, Barclays Capital
So two questions. You lost three execs to Emerald Expositions the other day, all of them former UBM people. It looks like Sally Shankland's putting the gang back together at Emerald. Is there a risk that you'll lose some other talent from former UBM Exhibitions people post that?

And the second question, so Gareth, you showed us that about £600m of debt coming to a maturity in 2020. It looks to me like you're paying something like 5% on that. Obviously, people are getting are much better than that in the market at the moment. So one - is the interest number going to be roughly same in '20 as '19, and then will we get a nice step down in '21 or how should we think about that?

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Stephen A. Carter, Group Chief Executive
Note to self, don't leave the mic with Nick. Gareth, do you want to take that?

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Gareth Wright, Group Finance Director
Yeah, you're right so the - as you see in the maturity graph there is about $700m worth of debt maturing in Q4 of 2020. We tend to try and get ahead of these things, so we're starting to think about that actively now. And if we do refinance it or when we do refinance it, yes, there will be a benefit in terms of the numbers. But I think I would take that as a 2021 benefit for now and we'll update you when we've actually done something in terms of crystallising those maturities going forward.

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Stephen A. Carter, Group Chief Executive
On your born again question, we didn't lose them, they chose. And you know, well done to Sally. You know, she's hired some great people, you know, on the basis that they were great people while they were working for us and they're clearly still great people now that they're not, or soon not to be. So I mean I had an exchange with both of them last night and on an individual basis I wish them well.

Does it cause us a significant talent gap or headache? I mean you can ask Charlie for more depth afterwards, but no, which is not to be either disrespectful to them as individuals or their quality. But actually particularly in one case, but I would say in both, one of the things that both of them had done had built strong teams.

So our bench in the licencing business and in the advanced manufacturing business is very strong. And if anything, and I think both Laurie and Jess would forgive me for saying this, we were carrying more management than maybe we needed and, which is not to be disrespectful to either of them.

So all joking aside I wish them both a lot of luck with their choice and Sally. And look, we'd like to see the Emerald business firing on all cylinders. You know, we're a big player in this market, if other people are doing well that's good for us, so we wish them well.

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Adrian, Bank of America
Thanks. So a few questions please. So I think in the release you mentioned that Asia is about 30% of the Informa Markets business. What is it in the second half and can you talk about the forward booking trends in China for the second half and perhaps into the first half of 2020 if you have any visibility?

And then two other questions. Can you lay out your priorities in terms of capital allocation after you are at the bottom of your target leverage by the end of the year?

And then the third question. Earlier this year we saw Tarsus being acquired for a pretty hefty multiple. Some of your peers in Data and Information in the US trade as a big premium to Informa so how do you think you can close that gap? What do you need to do in order to get rerated by the market? Thank you.

. . . .

Stephen A. Carter, Group Chief Executive
Well let me have a go at some and then, Gareth, you come in. I mean clearly, we've got a job of work to do on investor relations and we'll remain focused on that.

On capital allocation I think, you know, for now we are very focused on doing what we need to do this year. Gareth laid I think very clearly our approach and, you know, then we'll take a view in the early part of 2020. And I'm sure when we get to our results in 2020; we'll lay out a view about what happens over the next few years.

Interesting question on Asia. And again, I might look to Charlie to nod or contribute here. I think you're roughly right in your number. I think that is about the right percentage of the Markets business. And the forward pacing for the back half of this year is strong and so we feel good about where that business is in the back half '19. And in fact we're taking the Group Board to - we're having our Annual Strategy Meeting in China this year for a whole variety of reasons.

We see good future growth there. As you know there is more capacity coming onstream in that market. You know, whatever view one takes of you know, 5.5%, 6%, 6.5% growth, it's growth. And in the markets that we're servicing if we go back to my market specialism chart they're all markets which are themselves showing growth both in China and in the other major ASEAN markets.

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So going into 2020 I think we feel that there is in our two main geographies in that business in both the United States and in China and in ASEAN, sorry all three of those geographies, we see good growth opportunity and potentials for the markets business. So we feel well situated there.

Joking aside on your 15 times or, I'm not going to comment on the Tarsus take out, although congratulations to the owners. But I think fundamentally these businesses are well valued and I think they're well valued for a whole variety of reasons that you know better than me. And I think a lot of that's to do with the rise of the knowledge economy, the drive to specialism, the increase in market categorisation, the demand for information and the need to differentiate your products and services. And I think if you can continue to deliver quality products to targeted business communities then I think you're in a good market.

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Will Packer, Exane BNP Paribas
Hi, a few for me. Firstly kind of the Markets business at least the UBM side is more H2 weighted. You've a bigger China exposure, smaller Middle Eastern, etc. Is it right to think that the markets business should accelerate the top line growth in the second half of the year?

Secondly, could we just have confirmation for Taylor & Francis the extent of which the strong margin improvement was underlying or purely forex?

And then lastly perhaps a question for Charlie. Could we have an update on specifically Fashion forward bookings? In August you have the most important show of the year, how's that looking? And how is the whole GAP plan going? My recollection is that UBM tried a couple of times to turn it around with less success. What's different this time?

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Stephen A. Carter, Group Chief Executive
Okay, do you want to take the H2 question, Gareth? And then I'll come back on the others.

. . . .

Gareth Wright, Group Finance Director
Yeah, so you're right that UBM traded slightly better in H2 than in H1. And also, we're in an odd year so we have the biennial dynamic kicking in in H2. And part of that is - that all kind of adds up to why we reported 3.4% growth for the first half. We're happy with 3.5% plus as full year guidance because we do expect H2 in the mix to be slightly better overall.

So I think no change really to your expectations for how the business is going to trade into the markets overall.

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Will Packer, Exane BNP Paribas

And just to clarify on the Markets business specifically where growth was 4.4, you've guided for 4.5% plus. Is it right to think that it could be, you know, minimally better in the second half?

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Gareth Wright, Group Finance Director
Yeah, the same as the Group. Yeah, exactly, 4.4 for the first half. But 4.5% plus we're comfortable with because again, the second half will be slightly better. Informa traditionally were slightly weaker in the second half but UBM as you know with things like Cosmoprof, etc in the second half, and CPhi was better in the second half.

So actually the two balance each other out well. And therefore we're actually expecting a slight improvement in the second half, whereas the legacy in Informa you have a slightly weakening in the second half of the markets.

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Stephen A. Carter, Group Chief Executive
You had a question on Fashion but there was another question, which I've now forgotten.

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Will Packer, Exane BNP Paribas
Taylor & Francis operating …

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Gareth Wright, Group Finance Director
Taylor & Francis underlying, and there is definitely a foreign exchange benefit in that business because it's got a weighting towards dollar OP, so FX has had an effect. Synergies have had an effect. And actually underlying because of the improvement in the Journals business, the growth in the Journals business, which is a higher margin business, that's had a dynamic and actually underlying it a little bit the business has improved its margin.

It's very much a business we don't run for margin, we run it for consistent growth and try and hold the margins. But in the first half of the year they've had a good performance.

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Stephen A. Carter, Group Chief Executive
On your Fashion question, again forgive me, I mean we're not going to add any more colour than we've added. I think we are where we thought we would be. I mean we're running into one MAGIC and the COTERIE. As you know it paces in a different way from the rest of, or not from the rest, from most of these traditional exhibitions. I mean I'm not sure, I mean you're more knowledgeable, genuinely more knowledgeable on this I think on the history than I am.

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I'm not sure I would characterise what we're doing as comparable to the previous, what do we do? Not to be disrespectful but I just think that was quite different. I mean we've done a kind of wholesale scrub down of this business and I think we feel comfortable with where that's going to take us. But you'll forgive us if we wait until we've traded out the year and then we'll give you a view. If you come to CPhi in November we'll give you a better answer, we'll know by then.

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Will Packer, Exane BNP Paribas
Thanks.

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Giasone Salati, Macquarie
Good morning. A couple of questions. The business as you present it merely looks like a starting point rather than an arrival point, as in you have built the process, you have built the scalability and you could run three times more verticals or events probably with more synergies and economies of scale.

What is your endgame in terms of market positioning? Do you think global B2B Events will end up with three players controlling 60/70% of the market?

And on that point there is digital in the presentation but it doesn't seem to be a dominant area of focus for you right now. Do you think digital will play or not in that trend to consolidation, while assuming your answer to the first question is yes?

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Stephen A. Carter, Group Chief Executive
I mean I'm nervous about consolidation conversations because they lead to outcomes that people in the markets don't necessarily welcome. I mean that's part of what's behind our philosophy of, you know, think big and act small. Because, you know, a great event, I mean you know this, Giovani, but a great event, a great brand does well and trades well when the industry that you're managing it for feels like they own it. That's the genius of this business.

And you know, what Charlie and his team live with every day is they want all the benefits of scale but none of the disbenefits. And there are some disbenefits and you need to be alive to that.

But I like your description. I mean I've never felt that, you know, the addition of UBM to our portfolio was anything other than a natural next step for the growth of the company but we needed to draw breath and digest it properly and we needed to learn how to operate as a bigger company. We needed to invest in our business processes and we're doing all that. Because if you wanted to layer further growth on top of that you'd want to have a higher level of operational robustness.

And a lot of that speaks to digital and data capability. And that's a large part of what I meant by inside Informa Markets for example a large part of what Charlie and his team are spending time

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on and where we're investing capex is on business processes. Business process reengineering, standard things like, you know, how do you code entry a customer? You know, how do you approach pricing? How do you do, you know, product definition? How do you do product extension? How do you do, you know, non-event services?

And you want to get that to a point whereby it has got some industrial capability and some standardised process before you take it to an even higher level of scale or reach.

But to your market point, do I believe, I mean the example I always use partly because I'm comfortable with it is, you know, the market that I worked in for 15 or 20 years, you know, the TMT market. I mean there are markets now in TMT that didn't exist 5 years ago, let alone 10 or 15 years ago.

So the way in which markets metastaise (?) and create new sub-communities and new verticals I see nothing other than the continuation of that process. And in that niche specialism are market opportunities and if you can productise then you can grow. That might be acquisition, it might be organic. But do I see this as a start point? Very much so.

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Tom, Citigroup
Hi, I think is asked this at the Capital Markets Day but I've forgotten the answer, so I'm going to ask again. It's on Slide 24 on the chart with margin and growth. I suspect because you've excluded Fashion, you're just not going to tell us, but is it, I guess Fashion is below the X axis. But is it off to the right or off to the left? And the significance of that being you know, from here on in is fixing Fashion going to involve margin degradation or margin enhancement?

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Stephen A. Carter, Group Chief Executive
I think you did ask that question at the Capital Markets Day. I think I asked Charlie to answer it. Yeah.

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Charlie McCurdy, Chief Executive, Informa Markets
Yeah, I think how it will [inaudible - no microphone] below the line because it's on the left hand side, so just - what we've put on to exclude it within those [inaudible - no microphone] it gives you a better picture I think.

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Stephen A. Carter, Group Chief Executive
It looks better on PowerPoint without Fashion, there's your answer. But I think it would be wrong, I think we also had this exchange but I could be making this up. But I think it would be wrong to think of the Fashion business notwithstanding its challenges as a low margin business, it's not.

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Any other questions? I know it's a busy day and there are lots of people to go see. Thank you very much for coming. We're very appreciative of your time and for your support. And we'll hang around for those of you who want to stay and ask questions. Thank you very much.

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