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# UBM

## Full Year Results Transcription

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## UBM

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**Marina Wyatt, Chief Financial Officer**

## QUESTIONS FROM

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*Highlights*

**Tim Cobbold, Chief Executive Officer**
So good morning everybody, welcome to the presentation of UBM's full year results for the year ended the 31st of December 2015. My name is Tim Cobbold, the Chief Executive Officer and with me today is Dame Helen Alexander the Chairman here at the front and Marina Wyatt, CFO. As you may know Marina joined us on the 2nd of September last year from TomTom and we're certainly delighted to have her. And I have to say over the last six months she's really got stuck into the thick of it.

Turning now to the running order for today, I'm going to take you through the highlights of the results that we announced this morning, before handing over to Marina who'll take you through the detail of the financial performance. I'll then return and give you an update on the progress that we've made in implementing the Events First strategy at an operational level during 2015. I'll then summarise and include there a word on the outlook for 2016.

So 2015 was really quite a year for UBM and for some of us in more ways than one. But it was a year that saw UBM take some very significant steps in the transformation of the business and deliver some very strong financial results. With the announcement of the disposal of PR Newswire and the consolidation and integration of Advanstar for the first time, and the first year of implementing our Events First strategy, we changed UBM to become truly and Events First company; more than 80% of the revenues coming from the events marketplace.

In Events, our whole portfolio grew by 3.9%, the major events - those events with a turnover in excess of £1m grew by 5% and the top 20 events grew by 8%. I think the strong financial performance is characterised by earnings, margin and cash flow, all moving nicely ahead. But we should of cause remember it was a biennial up year.

Turning now to the reported results, i.e. including PR Newswire and translated at actual exchange rates. So revenues were ahead by 30.5% from £746.3m to £974.6m; driven higher by the consolidation of Advanstar for the first time, a biennial up year, and some favourable tailwinds on FX.

The impact of Advanstar and the biennial up year fed through into the operating profit, up 36.5% to £245.5m.

Operating margin was up 1.1 percentage points, this after charging £7.6m of strategic opex and without the benefit of £11m worth of one off gains in the prior period.

At the earnings line, earnings per share were 6% higher, of course reflecting the additional shares in issue from the rights issue associated with Advanstar. Importantly Advanstar was accretive to earnings in 2015.

Entirely in line with the Board's policy, the Board has recommended a full year dividend of 21.6p that's a final dividend of 16.3p.

So those are the highlights of the results and what I'm going to do now is hand over to Marina.

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*Financial Performance*

**Marina Wyatt, Chief Financial Officer**
Thank you Tim. Good morning everybody. So let me set the scene for reviewing our financial performance for the year, by using this chart. So our 2015 reported results are broken down between PRN, which you see in the second left hand column here which is our discontinued business and the continuing part of the business which is shown in light blue.

Tim's just given the headlines on the left hand column, which is the total results for the year and I'm going to talk as we go through - this in terms of how to structure this presentation I'm going to talk briefly about PRN and then spend the majority of the time on the continuing business.

Clearly with the inclusion of Advanstar on the right hand side in the light blue continuing business part we can see that the continuing business grew faster than the group as a whole. Revenues were up 39.9% and adjusted operating profit is up 46% and continuing EPS at 30.3 pence was 19.3% up and again reflects the higher share count following the rights issue.

So I'm going to talk about PRN now and then move back to the continuing business. So firstly to deal with the transaction and where we are - so the headline here is that everything's on track. We're going through the HSR anti-trust process at the moment in line with how we expected it to run and we're expecting to complete the transaction at the end of the first quarter.

The ratio for the share consolidation was set at 8 for 9 so 8 new shares for 9 held previously and once that had been put in place, following the special dividend payout, we're going to have a share count of around 394 million shares. And if we assume that the transaction completes at the end of March then our weighted average number of shares for the year for 2016 will be around 408 million shares. And please remember that following the disposal of PRN our annualised tax rate, so the tax rate on the continuing business, will go up to around 16%.

So if we now look at the financial results for 2015 for PR Newswire in summary it's a robust performance and a robust performance delivered at the same time as going through a disposal process. So I think the team have performed really well to deliver this.

So reported revenue is up 4.5% and at constant currency it's broadly flat and within the mix of the business the distribution business is up, but that up on distribution is broadly offset by the challenges that were highlighted at the interims on vintage. The profit is up 8% and the operating margin is up 0.8%. So good financial performance delivered at the same time as going through a sale process.

At the bottom of this slide you see we have recorded two exceptional items relating to the discontinued business so they're shown in the discontinued business part of our results. There are deal costs incurred to date on the disposal transaction of £7.2m, so the bulk of the deal fees will come in 2016, all the parts that are contingent.

And then the other charge is the fair value adjustment at year end on the deal contingent forward that was put in place to fix the dollar proceeds on the transaction.

Right now we move back to the continuing business where we'll spend most of the time. So first of all looking at revenue - so this is a revenue waterfall which takes us from the reported revenue for the continuing business of £550.5m last year to £769.9m for 2015. So all the blocks on this chart are at constant currency except for the far right hand column where you see the FX impact. So if we work from left to right so the first column is called acquisitions and disposals but read Advanstar for that it's basically Advanstar and that's the largest contributor to the growth in revenue at £179.9m.

Then we move into the black dotted box and within that we see what's going on in the underlying business. So we call out here an underlying growth rate of minus 2% for the continuing business so that's Events and OMS together. And then the purple box is showing the impact of the rationalisation. so the strategic rationalisation where we're taking out events which contributed revenue in the previous year. So there was £28.2m of revenue in 2014 that didn't recur in 2015 because of the strategic rationalisation.

If we then now adjust for that we get an adjusted underlying revenue growth rate of plus 2.2% and that's for the continuing business. And then if we split that between Events, Events grew at 3.9% and OMS declined by 4.8%.

Moving outside the dotted box we see the year on year incremental impact of the biennials contributing £27.4m of incremental revenue, a strong performance. And then we see the impact of FX in the green bar on the right hand side leading through to full year revenue 2015.

So if we move to the same chat for adjusted operating profit so here again we're bridging from £135m in 2014 through to £179.1m for 2015, so it's a growth of 46%. Again of the biggest contributor is acquisitions and disposals and it's basically Advanstar. Then we move into the two boxes here shown firstly £7.4m so that's the constant currency strategic opex, so that's where we're investing in Events First but we take that in - you know it's included in arriving at our operating profit. And then there's also a reported headwind on corporate costs of £5.9m but I'll explain that in a minute because it's because of the prior year comparative it looks like that.

And then annual events £3.2m of incremental operating profit, in that there are a number of moving parts which we need to understand. So we have in there Advanstar synergies, we have the positive impact of the strategic rationalisation flowing through into there on margin. And then going the other way we have some significant charges for the investment in new buildings and systems, so the depreciation effect on that and then we also have a charge for Ecobuild, which I'll explain in a minute. So what it's saying is we're growing our margin, we're growing our operating profit on annual events whilst at the same time investing in Events First.

So on OMS we had a small downside on OMS on the operating profit which was, you know, you can see that the margin has gone up and therefore that's limited the downside versus the revenue decline. Biennial events contribute strongly at the operating profit level with £13.1m of incremental operating profit and then we see FX on the right hand side again £7m.

So corporate costs and strategic opex, top line here shows corporate costs moving downwards from £26.9m to £20.4m. 2014 included £4m of costs relating the core ERP implementation, which doesn't recur, but if you strip that out you can also see that we have reduced those costs. And then looking at the 2014 column you see two items there which were the exceptional gains last year which totalled £11m and that is why there's this reported increase in cost. And going forwards looking at the 2015 level that should hold good for 2016.

At the bottom of the slide you see the strategic opex, so this is a reported number again £7.6m and most of that's been invested in Events so £5.3m of that is events, £1.8m is OMS and then there's half a million which is corporate which you see further up on this chart.

So if we look at the usual adjustments for the income statement we can see that the amortisation on intangible assets has roughly doubled year on year and that is because of the inclusion of the Advanstar balance sheet in our consolidated results.

On the exceptional items I only want to mention a couple of them so the Advanstar integration costs of £8.7m, there's a higher level of costs committed but they haven't come through yet and we're still expecting to spend $33m in total on the integration.

And the if you move down to the impairment charge, in the second half of the year we have booked a £1.9m impairment of our US print business, so that's what brings it up to 6.1, we had a media item in the first half of the year. So total exceptional costs of £13m for the year.

So now to look at revenue and margin on Events in a little bit more detail so as we said the reported annual events revenue rose 35.6% to £582m, the underlying growth - so adjusted for acquisitions, disposals and FX was 1%. And then if we back out - if we adjust for the strategic rationalisation that I spoke of before, £15.6m of that related to events, we have a growth rate of 3.9%.

And if we focus on the final column we look at the growth rates geographically so North America was up by a healthy 4.9% and big contributors in there to call out are Black Hat, GDC and of course

Advanstar. Emerging markets was 4.4% and clearly what we saw in there was strong performances from many of our larger shows, but as you're well aware we were pulled back by the specific circumstances at sign and also at Furniture China and some softness in some of the smaller shows, which was what we said to the market in our November trading update.

If we look at the UK that was affected by interiors which ran for the last time in 2015 so that's now discontinued. Ecobuild was slightly up but in 2016 because the government has removed the subsidies for solar we're going to see Ecobuild lower in 2016, IFSEC performed well.

Continental Europe was up 4.8% and CPHI was the star performer in that portfolio. I also just wanted to touch on the biennials which performed very strongly, if we compare biennials in the biennial up year with how they performed two years ago, so if we compare with 2013 the growth rate was 33%. And that was driven by really strong performances from Marintec and Food Ingredients Europe, plus the launch of Food Ingredients in Asia, and also because of Sea Asia from the Seatrade acquisition contributing for the first time.

If we now look at the margins we see the adjusted operating profit margin for events was up 0.9 percentage points, on the right hand side in the small box can see that 0.2 percentage points of that came from annual events so you see the strong contribution also from biennials. That of course includes the strategic opex and so if you back that out the increase in margin is 1.7 percentage points and for annual events 1.1 percentage points.

Do the same for OMS now so with the inclusion of Advanstar and also with help from FX, OMS grew by 39.3% on a reported basis to £139.3m. The underlying decline was 12.9%, but we carried out significant rationalisation OMS as expected and if you back that out then the decline was 4.8%. One to note that in 2016 we're planning a lower level of discontinuation in OMS. If we look at the mix of revenues in OMS pretty much as you would expect we see half a percent growth coming through from online and a decline of 11% in print.

There's an improvement in margins so 1.7 percentage point improvement in the adjusted operating margin to 12.7% and again if you back out strategic opex that improvement is 3 percentage points.

So tax, if we look at the tax rate our natural tax rate based on our geographical mix of our operations would be 30% roughly. And as you're all aware our tax rate is significantly lower than that and it's come in for the year at 12.7%, which is what was indicated at the half year. So looking at that there are two big things, items that affect the tax rate so we've got 7% advantage coming through from the US goodwill amortisation and then nearly 8% from the effects of intra group financing.

As we mentioned at the half year we also had a slight increase coming through from the half year worth of the change in the UK CFC charge and there's £3.1m of other adjustments which is coming through because we are able to use more of our deferred tax assets as a result of having Advanstar in the group in the US. The same policy, we haven't changed that it's just there is more profits with which to recognise the losses.

So post PRN our tax rate is going to go up 16% and that will be because of the change in the geographical mix of our profits and also because of the full year impact of the change in the UK CFC rules.

So if I turn to the cash flow now, we represent here that our cash flow is strong and it was so UBM generated £272m of cash from operations, which you see in the big green block second from the left here. And that's really coming through because of incremental cash clearly from Advanstar and also because of our working capital so we had a much better performance on working capital and the biennial performance also contributes.

Just to touch on the bar next to the cash and operations that mainly represents the repayment of the AXIO vender loan. Capex was £28.3m, so two red bars over, down from £50m in the previous year and remember in that that around £10m of that relates to PRN.  So as we go forwards that's going to change our run rate so if we look forward on run rate on capex I expect we're going to be between £10m and £15m.

If we go to the box at the top now the free cash flow in the group was £196.8m and the cash conversion was 107% so strong cash conversion performance up from 70% in the previous year and the increase is due to the reasons that we've set out above.  And going forwards with the cash conversion I mean it's an area that I'm personally focusing on and we're targeting to keep that at around 100% and it's tougher in the biennial down year but we will go for that.

A quick look at our debt so as a result of the strong cash generation in the year and particularly in the second half you can see that we have delivered nicely over the year, got within our target corridor with a net debt EBITDA ratio of 1.8 times.

On the right hand side you see the profile of our debt maturities, so we've got the UK £250m bond coming up in November 2016, we've got that covered, so we're flexible about repaying that and we're expecting of course to get the PRN proceeds in and the part we are keeping will help us with that.

And then you can see that there in 2020 the remainder, the bulk actually of our debt matures, we've got the potential to extend the RCF which is what the kind of loopy lines are meant to portray there by two lots of one year and so that's really how our debt profile is looking.

On the bottom right on this chart you see the coupon rates on our bonds and also the cost of our RCF.  And also note that part of each of the bonds is swapped to floating rate and so as of the end of the year the overall cost of our debt is 4.2%.  So with this strong balance sheet and strong capacity we're in a good state to set ourselves up for increasing our rate of bolt on acquisitions, as we've said we've wanted to do.

And on that note my final slide is around acquisitions, again this is an area also that I've been looking at.  As you're aware we have financial criteria which require us to target returns, a post-tax return in the first full year of ownership of an acquired asset which is excess of our cost of capital.

We looked at the way that we were measuring return on investment of acquisitions and what we've done with that is had a look at it and said actually in terms of how we were reporting it externally there were a couple of items in there that do not really reflect how our return on investment has performed, how our acquisitions have performed.

So they're now stated at constant currency, so the returns here are stated as constant currency and we are not allocating in fixed overheads that already existed in the business in measuring the return because that does not reflect how the acquisition has performed.

And this table shows the return on investment having made those changes so what this is showing is first of all four lines down in the table on the right hand side we see the 10.3% return on investment in the first year for Advanstar, which is strongly ahead of our cost of capital.  And we also see that over the three year period, 2013 to 2015, our return on investment overall on our acquisitions has been 10.5% ahead of our cost of capital.

That concludes what I'm going to talk about and now I'd like to hand back to Tim.

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***Events First***

**Tim Cobbold, Chief Executive Officer**
Okay thank you Marina, I'll let you sit down.

Right at the end of 2014 we launched the Events First strategy with the focus being on shareholder value. And in my opinion when you look at 2015, and let's remember it's only the first year of implementing that strategy, I think from the actions we've taken and the results that we've delivered in 2015 you can see that the strategy is paying off in line with the commitments that we made when it was launched.

Now with the announcement of the sale of PR Newswire and the very good progress that's been made integrating Advanstar into UBM the priority for 2016 is on implementation, execution and delivery.

Now in order to organise our thinking and indeed our activities we identified in the strategy five strategic priorities, internally we tend to call them pillars, agile growth, customer insight and innovation, operational excellence, standardised technology and data, and a high performance culture. And what I'm going to do now is take you briefly through the progress we've made through 2015 on each of those strategic priorities.

So the first one to start with is agile growth, now it's worth remembering that in an Events business the performance of the Events business really reflects that aggregate performance of the individual events that make up the Events portfolio. So the whole game plan in agile growth is to drive the performance of that portfolio. And we do it as you can see in three ways. The first is to make sure we ruthlessly drive performance at the individual event level. And we've reorganised our systems, our processes and our information to put us in a much better place to do that. I can tell you for all the major events I am personally interested in the performance of each and every one of those events.

The second way we do it is to manage that portfolio for growth and for margin. As you know we've been rationalising the lower margin and lower growth, or worse, events and OMS activities that are poorly aligned to events during the course of 2015. That will continue into '16 and into '17 at broadly similar rates, maybe just a little bit less.

Through '15 we have made sure when we rationalised that the business margin improved as a result of it and indeed the absolute profit improved. If we didn't do that we wouldn't be adding value through that process.

And of course the third way we can improve the portfolio is enhancing it through acquisitions. In 2015 we made three acquisitions, the largest of which by some margin was Hospitalar in Brazil.

Now of course, in common with all the other organisers, doing business in Brazil has been, and continues to be, quite challenging, though it does vary according to the vertical you are serving. Happily in the case of Hospitalar it serves the medical vertical and we confidently expect that business to grow nicely when it runs for the first time in our ownership in May of this year.

Now of course when we're thinking about acquisitions we're very mindful that we intend to retain a significant proportion of the proceeds from the sale of PR Newswire. I think we have a very strong and exciting pipeline, but we also have, as Marina has said, some strict financial criteria by which we assess the opportunities in that pipeline. You should certainly be under no doubt that Marina and I understand the importance of putting those retained proceeds to work in value accreting ways as quickly as we can. And I think that pipeline offers some really good opportunities for us to make a really good start in doing that.

Now when we think about acquisitions enhancing the portfolio now is probably the time to talk specifically about Advanstar. On the left hand side of this chart is an aide-mémoire for you as to why we bought Advanstar. But I think when you look at the numbers, all the main performance indicators for Advanstar objectively you can conclude, as I do, that Advanstar has performed well in its first year under UBM's ownership. The performance has been ahead of our acquisition case and as Marina said, a return on investment of 10.3%, well ahead of our cost of capital, in the first year is pretty good

- English understatement there - accretive to earnings as well - accretive to earnings as well in the first year.

Now one of the drivers of that has been synergies, we booked $6.1m of synergies in the first year and our run rate coming into 2016 is $10m a year, which is what we said it would be at the half year, and you can expect further cost synergies through 2016.

Now I've always been rather coy about revenue synergies and in a sense nothing has changed. But the first modest revenue synergies will occur during the course of 2016, specifically when we run a licensing show co-located with CBME in Shanghai in July. But it won't be a big dial - it won't be a big dial mover.

In terms of growth for Advanstar, the business as a whole, including its OMS activities grew by 3.1%, events by more than 4% and within that fashion stronger.

Really good progress has been made on the integration as you can tell, but there is still more to do, there is some lifting to do with regards to business systems and finance systems and we'll be doing that over the course of the next 12 to 18 months.

I think really importantly at the management level we've been able to make an internal appointment to Head of Fashion in Advanstar and that individual is now a key member of the integrated UBM Americas Management team.

And the final thing I'd like to say about Advanstar is they are a great group of people and certainly they've really contributed to the UBM whole in their first year and we're certainly looking forward to working with them for many years to come.

So good progress on Advanstar. Now one of the things Advanstar did is it improved the overall breadth and quality of our portfolio. So if I direct you on this slide towards the top left, what that shows is for the total annual portfolio it grew by 3.9 percentage points at constant currencies, when you adjust for the deliberate acts of rationalisation and disposal. Just short of £500m of that portfolio is delivered by the major events; remember those are the events with a turnover in excess of £1m. They deliver the very vast majority of the profit of the Events business. Therefore in setting out to drive growth in revenue and profit in the Events business the engine of that growth is our major events portfolio.

So if I now ask you to look across the top of the slide you can see that the major portfolio grew by 5 percentage points, quicker than the portfolio as a whole. And that the major portfolio has really good balance, both regionally and sectorally. If you look regional post Advanstar we're now 40% in the US and 40% in emerging markets, three quarters of which is China, including Hong Kong, and therefore 20% in EMEA. When you look sectorally I think you can see there is a good spread of sectors, all of those sectors, with the exception of furniture for obvious reasons grew nicely in 2015 and we would expect them to do so in 2016 as well.

When we made our trading statement we said we saw a little bit of softness in some of the smaller shows, particularly in Asia. And we continue to see that in some of the jewellery shows, the smaller jewellery shows in Asia. The larger shows look absolutely fine.

So what I'd like to ask you to do is look down towards the bottom of the slide to the left hand side and the chart on the left hand side speaks to the breadth of our portfolio. What it shows you is the distribution of our major event revenues on accumulative basis by size of event. And essentially the greater the area under the curve, which we've shaded for you, the greater the breadth of the portfolio and the lower the dependency on any individual events.

Now perhaps the best way to do is to take to extreme, if we delivered the £500m worth of revenue from the major portfolio in a single event, then that curve would run along the X axis until it got to the right hand side and then would rise vertically upwards, there would be no area under the graph and consequently you'd be very dependent on that individual event. I think it's quite a useful way of looking at a portfolio of events for their breadth and resilience.

In a not dissimilar way if you look to the second chart this shows the distribution of the major event absolute growth on a cumulative basis by size of event. It's a bit of a wiggly line working its way upwards. And what that shows you is that we have events that clearly have grown within our major portfolio and some that have declined. So despite the fact that the portfolio grew by 5% there are very clear opportunities for us to improve the performance. The kind of tooth missing - it looks like his sort of daughter's tooth missing lump is Furniture China.

So finally on the right hand side, which speaks to the overall portfolio it says in 2015 our H1/H2 split was broadly 45/55. You should expect something very similar in 2016. You should also expect in 2016 the growth rate in the second half to be a bit quicker than it is in the first half, just as in 2015 and purely because of the mix of events that take place in the second half as compared to the first half.

So finally on agile growth, I'd like to share with you the performance of the top 20 events which I think we do every time. So this chart, which you've seen before, is arranged sort of horizontally by region and on the left hand side you can see two columns that show the growth per region and the growth of the top 20 events in that region. So the first thing to emphasise is that the top 20 events grew by 8% as you can see.

So when I look regionally and start with North America, you can see good strong growth from North America, post the introduction of Advanstar, the top 20 events in North America, or the North American top 20 events grew by 8.7%, reflecting Advanstar and as I think Marina said, strong performances from Black Hat and Game Developer.

When we think about 2016 for North America I can tell you that our latest booking rates absolutely support our budget in aggregate and that’s what underpins our current view of the outlook.

Turning now to emerging markets. Well I think the first thing to say it’s probably the first time in a while that we’ve reported good growth in emerging markets but lower than in North America and that maybe a little bit is a sign of the times. Nevertheless the top events in emerging markets grew by 6.6% and still included in there is Furniture China which actually went backwards for reasons that you know, should give you confidence about the performance of those events in ‘15 and therefore into ‘16.

When we think about emerging markets into 2016 clearly Brazil is going to be very difficult but we continue to expect nice growth out of Southeast Asia, strong growth out of India and good growth still from China.

When we look at the UK and Europe broadly EMEA, the two key events there have grown nicely as you can see and our outlook for EMEA remains good, we’re confident about that, the booking rates support our budgets and therefore the outlook that we have.

So hopefully that gives you a sort of useful sense of the strength and breadth of our portfolio.

So now turning to the second pillar, customer insight and innovation. On the left hand side our two really key sort of pieces of work here have been all about firstly getting really strong, robust measures for customer loyalty and customer satisfaction and being able to aggregate those right through the portfolio and for the business as a whole. And secondly investing in our marketing teams.

You may also have seen that at the end of last year we announced a collaboration with Alibaba. The purpose of this collaboration is to seek to exploit the complementarity between face to face and online in a B2B world, probably merits a little bit of explanation. If you think about what we do is we bring people together to connect them but we allow them to transact without any involvement from us. Simply put online tends to be much more interested in the transaction itself. And of course both in face to face and in online one of the common denominators is data. So that's the complementarity that we're seeking to find a way to exploit. It's been a question I think in our industry for some time.

So what we're going to set out to do is see if we can develop some products and services that fundamentally customers value. To test that out we're going to run five pilots during the course of 2016, four in China and one in Malaysia. The first one will be in March of this year and the final one will be Sign LED in September of the year.

Now let me just emphasise here, we've ascribed no value to this. It's a relatively low cost activity and I think the message to draw from it is that this is UBM in its core business looking to find innovation in the way that we do business. So that's the second.

The third pillar or strategic priority is operational excellence where we have lots of activities taking place aimed at improving revenue growth and improving cost. I'm going to call out two here. The first is the procurement programme that we announced at the half year. We set ourselves a target for three years to deliver savings of £5m per annum. We've made a really good start in 2015 with £1.5m booked, and we'll be confident about hitting that target over that time period.

We've also been as you would expect pretty careful with our head office costs, conscious of the reshaping of the Group that is now taking place, and Marina referred to that earlier.

So the fourth pillar is standardised technology and data and this is all about building the business platform. In terms of pure business systems we focused our efforts on sales, driving sales growth. We've defined a new global sales model and with that an agreed standard sales process. The enabling technology, gets called CRM, has been configured and is in testing right now. The first rollout of that will take place in EMEA for the first portfolio of events in the second quarter of this year and then will be rolled out through EMEA in the following 12 to 15 months. We'll start on Asia and on Americas during the course of 2016.

You've heard a lot about CORE. In 2015 we completed the rollout of CORE. What CORE provides is an ERP finance and HR backbone to the business. So we're now enjoying the delights of a standard chart of accounts, standard reporting and frankly vastly improved management information, sounds dull but it's really important if you're running an international business. We'll get Advanstar onto that system during the course of 2016 so really good progress in this area.

The final pillar is high performance culture, probably should be the first one. And here two particular things I'd like to emphasise. We've done a lot of work on incentives and in particular seeking to align our incentives both in the shorter term and in the longer term more closely to revenue growth. And then of course investing in the right sales commission plans that support the global sales model and the standard sales process. We've done some work looking at where we spend the money that we spend on training. We've identified three targets, sales, marketing and leadership. In 2015 65% of the spend was on those areas. It will be higher in 2016.

So I hope what I've been able to give you in that rather swift run through is a good understanding of the work we've been doing to implement Events First at the operational level in 2015.

So what I'd like to do now is just summarise for you and start by just going back to where I started at the beginning of the presentation. 2015 we made some very significant steps to transform the business and delivered strong financial results. So when we think about our outlook for 2016 we expect continued good growth, but we need to remember it's a biennial down year and that we will continue with the rationalisation that I described earlier.

We still see margin upside potential but we need to remember it's a biennial down year. And of course conscious of the retained proceeds from PRN acquisitions and stepping up the pace of those are very important for 2016.

But the thought I'd really like to leave you with is about the new UBM. The new UBM truly is an Events First business. More than 80% of our revenues going forward will be derived from the higher growth, higher margin events marketplace. If I include the biennials that ran in '15 our portfolio revenue is £630m. That offers breadth, scale and quality. Quality in that the breadth offers resilience, quality because we have good regional balance, quality because we have good sectoral balance. And I think you can see in the '15 results that actually the growth sits in that portfolio. We combine that portfolio with excellent implementation, execution and delivery. You will see higher growth, you will see a better margin and you will see the best platform and those are the things that I think drive value for shareholders.

So with that very happy to take any questions that you may have.

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***Questions and Answers***

**Will Packer, Exane BNP Paribas**
Thanks for taking my questions. Firstly could you quantify the size of rationalised headwinds in 2016? They're perhaps a little bit ahead of where we initially thought early last year in 2015 and pretty material in size. Could we have some kind of update on just how much of an impact it will have on organic revenue growth specifically at the Events division?

Secondly there was quite a slowdown in the emerging markets section of your Events business between 2015 and 2014. Could you comment perhaps in a bit more detail around that and how you see things developing next year? Should we expect a further slowdown?

And then finally the competitive situation in Shanghai has been evolving. Obviously it impacted your Furniture China business quite significantly in 2015, how should we think about that impact in 2016? Thanks.

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**Tim Cobbold, Chief Executive Officer**
So if I do the last two and then you think about the first one Marina if that works. So your sort of general question about shall we say China and emerging markets right. I mean I think there was clearly in the reported number is lower than perhaps we have reported in the past and that really reflects the impact of the big impact there is Sign LED and Furniture China in that sense which brought it down. The big shows performed very strongly. So we remain very confident about the big shows, perhaps a little bit of continuing weakness in some of the softer shows, which you know I hope that gives you some colour at least Will.

You asked specifically about the situation in Shanghai. I can tell you our sort of relationship with CFTC has vastly improved from this time last year. Perhaps your best evidence of that is CBME. CBME will move from SNIEC which was the original Shanghai venue into the new Hangzhou facility. I've been there; I've been in Shanghai twice, once in just recently December and January. I can tell you they're working every way to work very well with us in doing that.

Furniture China I think Will still don't think about lots of growth out of Furniture China next year. I don't really like the terminology but we had round one, shall we put it that way, in this match. We performed brilliantly, it was the biggest show ever, it worked really well and the feedback from customers has been excellent. We will continue to shall we say keep our foot on the floor, the gas to the pedal on that during the course of 2016.

Sign LED on the other hand will return to really quite good growth now that we've got that established in the marketplace. So I don't want to be sort of head in the clouds about emerging market - well about China right, but actually we're quietly confident that you'll continue to see good performance out of China. Brazil is another matter of course.

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**Will Packer, Exane BNP Paribas**
And just on the rationalisation?

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**Marina Wyatt, Chief Financial Officer**
Shall I take that one? So in the 2015 results we saw 15.6 million of the 28.2 relating to Events. And the impact on 2016 we think will be at a similar level on Events. And then what we've also said is it will be lower on OMS.

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**Will Packer, Exane BNP Paribas**
Thank you. And just to quickly come back on your comment about the smaller shows in emerging markets. How should we think about that? Is that a leading indicator for the performance of the larger shows because they're perhaps more discretionary, so as the macro cycle hits in China that it eventually feeds through or is it just that these shows are less must have and so structurally their growth is diminishing?

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**Tim Cobbold, Chief Executive Officer**
Much more the latter than the former. And remember that of course when we see softness we're always comparing it to our budgets right and …

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**Will Packer, Exane BNP Paribas**
Thanks.

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**Nick Dempsey, Barclays Capital**
So just first of all a question on the interest. We've got the £250m bonds coming to you in November. Clearly you're going to have cash to take that out if you want to. So should we be thinking about taking out 4.7% times 250 out of our '17 interest with some accompanying costs below the line or is it much more complicated than that? That's question one, you can answer that if you …

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**Marina Wyatt, Chief Financial Officer**
Yeah I'm going to try - I'll answer that. I think as a working assumption now yes you should do that. You know we'll go through the year and we'll plan exactly what we will do and there may be other moving parts, but if you're looking specifically at the bond yes that's the plan.

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**Nick Dempsey, Barclays Capital**
Okay and second question was excluding Advanstar but including rationalisation, so in other words the old Events portfolio, did that decline in 2015?

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**Tim Cobbold, Chief Executive Officer**
No, it grew.

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**Nick Dempsey, Barclays Capital**
Okay. And third question was just on the non-major shows doing a little calculation, looked like they declined in 2015 if the major ones grew 5 and the total grew 3.9 ex rationalisation.

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**Tim Cobbold, Chief Executive Officer**
So you've perfectly defined our strategy haven't you which is it's the major shows that count.

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**Nick Dempsey, Barclays Capital**
So my question was is that all because of interiors?

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**Tim Cobbold, Chief Executive Officer**
All because of interiors, interiors was a big negative, so it will have a massive effect on it. I mean broadly if you - I mean if you take out the bad stuff it's really good but for example if you took out interiors, Furniture China and sign you'd add two percentage points to our growth rate.

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**Steve Liechti, Investec**
Morning. Just on the opex restructuring charge I think it was 7.6 in fiscal '15 which I don't know what other people were thinking but that looks a bit lower than I thought. Can you give us a steer in terms of the next two years whether some of that shifts into '16 or just any sort of picture there?

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**Marina Wyatt, Chief Financial Officer**
Yes I think the way to think about it is we will expect a similar level in 2016 compared with 2015. So we spent a bit less but overall we'll spend the same. It's phasing.

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**Steve Liechti, Investec**
Great, thank you. And just - I think you answered the question but just on PRN proceeds when it happens, could you just confirm did you say you'd hedged out the dollar proceeds of that so there's no change from what's happening at the moment in terms of currencies for the sterling proceeds?

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**Marina Wyatt, Chief Financial Officer**
That's correct, yes. And that's why we've ended up with the fair value adjustment in the exceptionals on discontinued activities.

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**Steve Liechti, Investec**
Yeah okay thank you. And then I think at the first half you gave a like for like figure for China organic growth of around 10%. Can you give us one for the full year?

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**Tim Cobbold, Chief Executive Officer**
A like for like in China.

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**Steve Liechti, Investec**
For Events.

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**Tim Cobbold, Chief Executive Officer**
Yeah I think we prefer to talk emerging markets. Did I really do that? I don't think so.

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**Steve Liechti, Investec**
I might be making it up but I think so.

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**Tim Cobbold, Chief Executive Officer**
I think the way to think is in - China grows nicely right, so you know I'm not trying to be evasive, China grows well, we'll go and have a look, let me get the number for you.

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**Marina Wyatt, Chief Financial Officer**
I mean you can see that if you look at the top 20 events as well and see the emerging market's ones are China basically.

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**Steve Liechti, Investec**
Okay great, and can I just chance my arm on one last one. MAGIC, I think you just had the February event; can you give us any update on how that performed?

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**Tim Cobbold, Chief Executive Officer**
It grew nicely.

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**Steve Liechti, Investec**
Re-bookings or anything like that?

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**Tim Cobbold, Chief Executive Officer**
Well careful, we've just run the event right so - sorry you mean re-bookings, in fact the MAGIC works in a slightly different way in that bookings start two or three months after the event because it runs twice a year. So there isn't anything to say on re-bookings for August, but I can tell you March, hot off the press, ran well.

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**Sarah Simon, Berenberg**
I've got a few as well. First one was on biennials; obviously you had a very strong performance in the biennials in 2015. Would you expect a similar kind of rate of growth for the biennials that are popping through in '16 if we think about it versus two years ago?

Then on the rationalisation, on the slide you made a point that this was margin enhancing but when you announced the Events First strategy one of the things you did say was that you were going to take the cost that was associated with a lot of those smaller shows and kind of reinvest it so it would actually be slightly dilutive at the beginning. So is that a change in the emphasis?

And then just on the ROI on acquisitions chart, when you calculate ROI do you take into account the exceptionals associated with it like integration and acquisition costs or is that the adjusted contribution that you're looking at?

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**Tim Cobbold, Chief Executive Officer**
Do you want to do the last one?

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**Marina Wyatt, Chief Financial Officer**
Oh I'll take all of them actually.

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**Tim Cobbold, Chief Executive Officer**
Please do.

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**Marina Wyatt, Chief Financial Officer**
So I think the biennials in the down year - so our kind of star biennials run in the up year so the biennials in the down year are slower growing than we've seen this year and actually lower margin as well so that's the way to think about them in the down year.

In terms of the margin enhancing strategic rationalisation, it was margin enhancing and that is reflected in the annual - the moving parts in the annual events margin. And you know I think the message to get across is we are doing the investing, you see that in the strategic opex line, it's happening, it's probably phased as I said a bit more to 2016 than we'd initially planned for but we are doing the investment we need to do at the same time and still delivering an improvement in the margin.

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**Tim Cobbold, Chief Executive Officer**

I think if I can just add, what we said when we did the strategy we would aim to - when we said the strategy we'd aim to hold the margin pre strategic opex while we went through that change. In other words you don't get time off - please give me three years to reduce the margin then it will all be better. Actually I think what you're seeing is, and we're on the right side, is you're actually seeing we're doing a bit better than that and that's obviously a sensible place for us to be.

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**Marina Wyatt, Chief Financial Officer**

Okay and in terms of how we're measuring the ROI, what we're basically looking at is how has that acquisition performed compared with the acquisition costs, so the consideration that we've paid, so that's how we do it. So in terms of the actual costs of integration if they're relatively small we'll eat them, if they're big we'll call them out separately as exceptional items.

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**Ian Whittaker, Liberum Capital**

Just one question actually, you mention just in terms of the jewellery shows smaller ones obviously being impacted, larger ones sort of being resilient and actually continue to grow well. I mean that's actually a very good performance just I guess given what's happened in China and indeed in Hong Kong generally. How long, if those situations continue how long would you expect the resilience of those larger jewellery shows to hold up?

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**Tim Cobbold, Chief Executive Officer**

I mean you know I'm not a soothsayer. I mean I think what I would say is it speaks to the point about the resilience in the larger shows right. And that's the clear message. Because I don't know what's going to happen ultimately in jewellery and then how that will then translate through, but certainly as we look now the larger shows okay, smaller ones a little bit more challenged. Can't give you more than that I'm afraid.

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**Tom Singlehurst, Citigroup**

I had a couple of questions. Firstly just a definitional point. Marina when you were talking about organic growth of 3.9% you mentioned Advanstar within that. Just to confirm is the 3.9% including organic contribution from - ?

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**Marina Wyatt, Chief Financial Officer**
In 2015 yes.

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**Tom Singlehurst, Citigroup**
And I suppose on one level it's academic because Advanstar grew at 4% and the 3.9% is obviously close to 4%, but is there going to be a big distortion in terms of that sort of underlying ex rationalisation trend growth rate into 2016? Is there anything that we should particularly look out for?

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**Marina Wyatt, Chief Financial Officer**
So what we've said is that the rationalisation will be at a similar level, so I would expect you're going to have a similar gap between the underlying and the adjusted underlying.

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**Tom Singlehurst, Citigroup**
Exactly but would the - but you're not expecting that underlying level to massively change in 2016?

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**Marina Wyatt, Chief Financial Officer**
No. I mean it should be a bit better.

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**Tom Singlehurst, Citigroup**
Got it.

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**Tim Cobbold, Chief Executive Officer**
All right, have we exhausted questions? All right then, well thank you all very much for coming, we do appreciate you having the time. Thank you very much.

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**Marina Wyatt, Chief Financial Officer**
Thank you.

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