Transcriber’s name: Terry T.

Transcriber’s Notes:

(Any difficulties experienced, accents and general comments)

* Peter spoke softly and mumbled a bit.
* A lot of audio disruptions, paper rustling, people talking over each other.

Please find attached your transcript for the above referenced conference call.

Whilst every effort is made to ensure that the attached transcript is an accurate record of your taped conference call, sometimes difficulties are encountered in understanding technical words, people speaking with a foreign accent and in some cases when somebody is speaking from a crowded room with a lot of background noise and from mobile phones.

Where we have had difficulty understanding words we have indicated this as *[indiscernible],* or simply attempted to spell the word phonetically but follow it with [ph].

Additionally, please note, whilst we try to be as accurate as possible when inserting the names of speakers we would suggest that they are checked.

START OF RECORDING

Attendance List: Peter Russell

 Michael Uzielli

Title of Meeting: Kantar Full Year 2022 Lender Call

Hosted By: Peter Russell

Coordinator Good day, and welcome everyone to the Kantar Full Year 2022 Lender call. My name is Matt and I will be your operator today. During the presentation, your lines will remain on listen-only. If require assistance at any time, please press star zero on your telephone and a coordinator will be happy to assist you. I’d like to advise all parties that this conference is being recorded. And with that, let me hand it over to Michael Uzielli, Group CFO. Michael, please go ahead.

Michael Thanks very much, Matt. Good afternoon, everybody. And welcome to the call for the full year 2022. I'm going to start straightaway with key messages on page 6 for those of you with slight, and as usual I’ll give a few comments on the business performance and I'll hand over to Peter, our group treasurer to talk about the cash flow and the leverage, etc. And then I'll come back to the end with some comments on our outlook and then we'll have Q&A.

 This is obviously our full year results. We have attached some detail on the primary statements in the appendix, usual format for the presentation, but the annual report will be issued in April. So we're operating the same timings as we did last year. We did give an update in January, of course, at the same time as we raised a little bit of extra funding. And so you will have seen that. So there should be therefore no surprises.

 So straight into the key messages. As I said, I'm on page 6. And before I get into all the financial stuff, I want to make a couple of points from the team. We made some important changes to the leadership team through the year, as mentioned further down the slide actually in Americas and APAC, two new members of the exec team and also two new board advisors, but I also want to talk more broadly about our sort of broader Kantar team. So we’ve run our Engagement Index, which had an astonishing 88% completion across our 25,000 plus colleagues, and we have an Engagement Index score of 79%, which is up two on last year as a kind of a continued trend of increases, which is very encouraging. And we've also just very recently, in fact last week, were voted Company of the Year in the Burberry British Diversity Awards. So this is also very important to us and a big priority in our people agenda. We are, at the end of the day, a heavily people centric business. And in fact, one of our new strategic drivers of which we have four is highlighting our expertise amplified by technology. I can talk about our new purpose later on.

 So moving on to financial performance. So overall, we made solid progress in 2022, financially, operationally, and strategically. Gross revenue from what we call our continuing businesses rose by 6%. That excludes the public division, which we sold effective September and Russia Ukraine which has also been sold or ceased operating. And within that 6%, we're seeing an improved quality of revenue, so improved business mix. By that I mean higher growth from syndicated revenue such as Worldpanel numerator, that's up 20% year on year; and also higher revenues through our tech enabled platforms and specifically talked about Kantar Marketplace, which is a very successful platform in our Insights division, revenues up 40% on the prior year, and again a continued trend of growth.

 We now have over 800 clients on Marketplace operating in 50 countries. I think we completed over 9000 research studies last year. The margins, the profitability on products through Kantar Marketplace is around 15 percentage points higher than the equivalent margin through a more traditional channel. We've also just recently launched two AI products through Marketplace, which give results back to clients within 15 minutes, Link AI for TDM, for digital. This is a channel which predominantly favours the solutions of creators’ innovation. And just most recently, brand and clients such as Coca Cola, Amazon, Diageo, some of the biggest clients through this platform. So there's a big and important development for us today and also going forward.

 At the same time, we've made some targeted M&A through the year. Again, reshaping the group that sells the public division, also the division of numerator. Remember, we sold Reputation Intelligence and also an associate called Mark Test earlier in the year. And then on the acquisition side, we acquired Qmee, which is a highly tech enabled business in the panel sector and has really continued to enhance our potentials for quality in panels. For those of you that know about this sector, you'll know that fraud has become a real issue in today's panel markets and we do feel that we're on the winning side of that with our Cube software that we acquired with Qmee, which makes us really, I think, a leader in quality in sort of panels.

 And then Blackwood Seven, which is in the analytic space, sort of supplementing our business Hamilton AI is that product, the product that we're already selling to our existing clients across the world.

 Many new product updates in Kantar Marketplace, which I talked about that, and we have a product pipeline which is looking pretty good. A key product for us, a new product where we don't operate in this space is syndicated brand tracking. So we operate obviously a lot of brand trackers, but not syndicated trackers. And we've spent the last 12 months or so developing this and is on track to launch in the second quarter of this year.

 Same time financially, we've seen improved profitability through our cost and margin work. EBITDA margin ended the year at 19.7%. That's up nearly three percentage points on last year. Focused on our business mix and pricing discipline. Our renewal pricing has been pretty successful. It's obviously a feature of the outlook. I’ll talk about that later.

 On the efficiency programs, they continue to be on track. I set some of this out in the January update. We've got a suite of initiatives across property operations, planned services, IT, back office, procurement and senior management, downsizing as well. All of those are continuing to be implemented. Some of them, obviously, they're now being implemented. And you'll see that in the reduction of the adjustments or our covenant EBITDA later on in the deck. But these programs are continuing on track.

 Our liquidity is 548 million. That's before the impact of the TLB upsize of 185 million euros in January. And we are continuing to invest in capex and the new platforms and products across our core businesses. And also, we are continuing our restructuring to drive technology transformation. So this was a big year for technology transformation in the sense that we prepared ourselves to come off the transition service agreement with WPP, which was a very big step that actually took effect from the first of February 2023. So now we have standalone contract with the external party. We have our own tech hub in Porto and processes, heavily rationalizing servers and improving our digital capabilities and rolling our enterprise systems, etc. So our kind of technology independence has arrived and we're in the process of kind of building on that now.

 I mentioned the team and I say on the outlook side more to come in a few minutes. But the revenue growth has indeed started slower, as expected. And as we, I think, trailed towards the end of last year affecting predominantly macro headwinds.

 So that’s quite a comprehensive summary of the key messages. So with that in mind, I’m going to turn to page 7. Just the key numbers, some of which I've mentioned. So as I said, revenue up 5%, although up 6% if you exclude Russia, Ukraine and public. The gross margin for the year of 70.5, so 1.1 point improvement. EBITDA 725 million, up 23%. Just say this is slightly flattered by the bonus this year, or at least the bonus last year, last year's bonus was very outsized. This year's bonus is more normalized so that probably double boost the year on year EBITDA performance, but still a strong performance in any event, and a particularly strong Q4 is what we expected.

 And then capital expenditure just under 200 million, an increase on last year. It is hard to weight it, or at least it was last year, and this is the investment that we're making in the platforms in Worldpanel, platform called My Worldpanel, in profiles where we have something called Secure Delivery Engine, the Catalyst program, which is our name for the investment projects that we have in our Insights division, including Kantar Marketplace, as well as definitely in media and [indiscernible 91:28]. So across the board, really, through our divisions.

 Moving on to slide 8, again, a continuation of themes from previous quarters, all in line with expectations. Revenue growth for the year has being driven by client wins. We had some good wins across the year like to Electrolux, ING, Burger King, just to name a few clients are certainly valuing the quality data and trusting in Kantar. I think that's clear, I think we do have a strong reputation for quality. I think, actually, that is, as I've said a couple of times already, becoming really very important in the market and a clear differentiator, maybe more than we would have expected a year or two ago, but it's certainly somewhere where we are leading.

 Just to take the Profiles business again, talked about the Qubed anti-fraud software. We've also rolled out Jade, which is a proprietary panel management platform in China. We’re the only provider now with a compliant platform in China, for China. So there's another important differentiating factor for us.

 On the pricing side, also driving revenue growth, we have been increasing our pricing on our products, making sure we're capturing inflation as it's passed through to us. Obviously, we're trying to mitigate inflation as well on the [indiscernible 92:47] but we can't avoid all of it. We've been regularly increasing our internal cost rates in either quarterly at least whereas previously we would have done it annually.

 Moving on to slide 9, just the usual sort of quarterly view of the progression around revenue and LTM EBITDA. So we now sit at 700 million LTM EBITDA, so slightly different from the earlier numbers, because this is at actual FX rates rather than constant currency FX rates. And you see the margins there is 19.9, and the 5% revenue growth. And I think we're through the period that was a bit troubling in terms of year on year comparisons through COVID through to 2021, even into ‘22, where we were looking back at Q2 2020, for example, of that 18% growth and revenue reflecting a capex COVID bounce back. All that kind of noise now has come out of the numbers and it's sort of a more, easier to kind of read back and read forward than it was.

 Moving on to slide 10, this is a view of the divisional volume growth. We’re going from 3.5 billion to 3.7 billion, which is the 6% growth for the year. In fact, I'll come on to in a second. Profile is a strong year, up 8%. I think I’ve talked a lot about Profiles, but the qualities that they bring to the market enabled them to acquire over 100 new enterprise clients during the year and a very strong preference scores.

 Worldpanel, another good year, up 7%. Very strong business. Particularly strong growth in Latin America, APAC, and South Europe and Middle East and Africa. Saw double digit growth in those markets. A bit flatter in the UK and France for various reasons, predominantly kind of market linked.

 My Worldpanel, the new platform, is not yet fully rolled out. So we’re rolling it out in southern France, we’ve got it in the UK this year. This will deliver an enhanced experience for our customers. It's a big investment that’s been going on for some years now. A big initiative, but it will drive price and volume growth for us and efficiencies, but we’re not yet seeing the benefits of that in our numbers.

 Numerator, growing very strong, 20% growth. Again, a Worldpanel type business but focused very much on the US market. They actually just two weeks ago launched a major upgrade to their panel called Data Wave, taking their static panels from 100,000 to 150,000 households, they have four years of comparable data, greater amount of data too. I think an average of 30 trips a month. So it's a bigger and better and more kind of Omni channel count. Received very well by existing clients, I do think it has really kind of taken a lead in that market.

 And then Kantar Media, very solid business. As you know, slightly different from some of the other businesses -- customer focused, more focused on the broadcasters and agencies, inflation protection contracts, long term contracts, a lot of growth in cross media where we're launching and have projects in the UK and Brazil and Turkey and Netherlands and other parts of the world. So that's an overview by division.

 On the next page, we have the overview of insights by Solucionario [ph]. And what you'll see is, again, continuation of the trends we’ve seen all year, particularly strong growth in brand. And this is good for us because we do think the brand is back in fashion, if you like. I think clients are recognizing the importance of brand. In this world that’s a highly digital and transactional world, I think clients are seeing the importance of it. And we are very well placed for that. I mean, brand is an absolute bedrock of our kind of history and our business. We certainly position ourselves to be the indispensable brand partner to our clients. It's a great product from which to cross and upsell, obviously scenarios. So we feel, again, this is a unique point for us, our strength in the brand solution area, our ability also to cover what consumers think under the attitudinal data that we have in Insights, and also what they do in terms of behavioural data in Worldpanel and bring those two together.

 So that has all supported a 12% growth in the brand solutions area across the world. We had a particularly good contract win last year with Coca Cola. That's part of it, but there's growth across all other, over across the world as well.

 Strong growth in media. We’re the leader in a product called Brand Lift insights, which has been very popular with publishers. That is an area that has slowed a little bit of late and I'll talk about that later, in terms of the technology companies reducing their spend slightly, but it's still nonetheless grown by 11% year on year.

 And then Creative and Innovation, they're not traditionally kind of strength areas for us, but these are areas that have been really supported by Kantar Marketplace, which is going well. I think it's the future for us for those solution areas.

 And then Consulting has improved. And if you look back at the first half results, you see we were 20% behind the prior year. We ended the year 10% behind, so we had an improvement in the second half of the year. It actually started well this year, particularly in the UK which driving a little of the downside anyway.

 And final point on sort of business mix and revenue mixes alongside Kantar Marketplace, Analytics is an important revenue driver for us. And our Analytics revenues grew by 18% in the year.

 Moving on to slide 12, which is my last slide before I hand over to Peter, just as regional view. Americas has grown well, particularly in Latin America, but also North America has put in a very solid performance. Asia Pacific is growing very well. We're in 13 markets and we've grown 11 out of those 13, and in all the bigger ones. Particularly strong growth in India, Singapore, Korea, just to pick out a couple.

 In Europe, sort of a mixed picture. So we've had actually good grades in Northern European territories, such as Netherlands and actually down at the other end in the Middle East and Africa. But obviously, for reasons you'd expected in Northeastern Europe and Ukraine, Russia we’ve seen a drop. And in UK it’s a bit slow as well for a number of reasons. But overall, relatively flat in a mere last year.

 And then Greater China has had a sort of COVID effect all year, which is just now starting to fall away. We had, again, a slower period at the beginning of this year as the country emerged from COVID restrictions, and there was a widespread infection. But now we're seeing in our orders on a forward basis improving and picking up in Greater China.

 That's the regional view. And it's Peter now to talk about the balance sheet and leverage.

Peter Thank you, Michael. So I’m now on slide [audio disruption 99:54]. Turning to our trade working capital, the gains we have reported on in previous quarters continue to be maintained. We were roughly flat year on year due to a continued focus on time management of collections and particular overdue debts, along with the continued benefits of the factoring program.

 In the first quarter of this year, we've rolled out factoring programs to three new countries, which are the Netherlands, Australia and Singapore, which continues our approach of tight working capital management and utilizing our balance sheet as efficiently as possible.

 And on the same slide, moving on to capex, you can see our expenditure has increased by $63 million year on year. The increase is driven by our continuing investments in our product platforms and back office operations, as we've highlighted today, and on previous calls.

 Now turning to our leverage on slide 16, in line with the approach we took in January this year, when we raised 185 million euros of additional Term Loan B, we’re now using a single definition of EBITDA when discussing our leverage. This is our covenants definition. A key point to note that our run rate adjustments of $101 million has reduced significantly as we indicated on previous calls. This, when added to our strong full year performance, gives the covenants EBITDA of $820 million. So on this basis, our senior secured net leverage, our covenant leverage is four times at Q4 2022 in line with the previous two quarters and meeting our expectations.

 Now, moving on to slide 16, our liquidity [indiscernible 101:36]. So this shows as in previous quarters key drivers of cash and liquidity in the senior lender group now for the full year 2022. So starting on the left hand of the slide, the group has generated $700 million with EBITDA at actual FX rates. Trade working capital for the full year is almost flat and improved since Q3 as I indicated on a previous call. Other working capital includes items such as insurance and sales taxes, and is almost flat against the full year.

 The net trading inflow after working capital of just under $700 million, along with our strong cash position at the beginning of the year, has enabled us to fund the usual items in our cash flow. So just calling out some of the key flows, starting with the changes in financing of $50 million inflow this represents the net revolver door in the middle of the year of $150 million less the capital elements of the repayments of lease liabilities, and less dividends paid to non-controlling interests and subsidiaries.

 The M&A cash outflow of $150 million includes the purchase prices and disposal proceeds of our acquisitions and disposals during the year along with the related costs. Included in these numbers are the purchase prices for Qmee and Blackwood Seven, and the disposal proceeds from the sale of our public division.

 Our restructuring costs of $197 million mostly relates to the ongoing transformation of our commercial offerings, and rationalization and improvements to our back office operations.

 And we've now shown separately the impact of FX on the opening cash position, which is negative $42 million driven by the strong US dollar during 2022.

 So our December senior lender cash position of $234 million plus our undrawn facilities provide nearly $550 million dollars of accessible liquidity, which is a strong position to finish the year. And as Michael has already mentioned, in January of this year, we further bolstered liquidity with the 185 million euro Term Loan B add on taking advantage of market conditions and allowing us to repay the revolving credit facility.

 With that, I’ll now hand back to Michael.

Michael Great. Thanks, Peter. So just to finish on slide 18, which is the summary and outlook slides. As I said, performance 2022, a few months ago now, but that was robust, and in all ways I feel – operationally financially, strategically. As we anticipated, 2023 has indeed opened with slower year on year revenue growth than we were seeing towards the end of 2022. We do you feel this reflects primarily macro headwinds.

 What I would say is that contract renewals remain strong. So we've actually seen a renewal rate on our largest clients. So we have a lot of big clients with large annual tracking contracts, renewal rates are 98%. And similarly, some of those contracts are syndicated into the Worldpanel Numerator and those revenues on the contract side remaining strong, remaining robust.

 Where we are seeing some shortfall is in the ad hoc income, if I can put it that way. So more on sort of projects, shorter term solution areas, Creative and Media is a bit lower as we thought it would be on client cautions or hearings that clients are just taking a bit longer to commit to projects and just sort of biding their time.

 When I look at secured revenue, it's actually in line with where I would expect it normally to be versus the plan and versus the prior year, and actually orders too are not a mile off. But I think the sort of detail here is in the shorter term nature of the project, which you don't necessarily get certainty on until closer to the time. And so obviously, what remains to be seen is just timing, whether the projects are completed as planned or whether some of that is not timing, or at least if it is timing, its timing into next year, which gets pulled out of a financial year.

 So that's what we're seeing. It's not overly dramatic, but we are seeing slow revenue growth first quarter.

 If you were to pick out areas of some of that slowness and where it's coming from, the technology sector was the big driver of revenue growth last year, I think around about 12% up. This year, it's more of a flat performance so far and that's primarily in the media volume domain, which again, comes back to the point I was talking about earlier, the BLI product a little bit lower spending there.

 North America, which is all sort of linked because the technology plants are in North America in media domain. And then China was very specific around COVID. Although as I said, the order outlook is looking a little better for the coming months.

 So what can we do about this? We're focusing, as we always do, on our costs, our headcount control to ensure that we have resources that match our demand and that we protect our cash flows. Our headcount has actually been steadily falling since August last year. So as we focus on efficiency, productivity, and making sure we have the right resources, and actually there's a probably an acceleration in that headcount reduction in the last two or three months, which, again, is very much as we planned.

 Our cost efficiency projects are on track, as I said. We took some incremental action in the fourth quarter, particular around from senior management grades. It’s actually slightly increased the one off charge last year as we booked redundancy costs of that, but that's reduced our costs into this year.

 We are taking disciplined action on pricing to protect our margin. As I mentioned earlier, one caveat here is that, again, our clients sometimes responding by scope reductions. I think that's what you would expect. So we're managing to pass through the pricing, but sometimes clients will have a budget they're working to, so they will re-scope the project slightly to hit that budget. We still get the margin percentage terms, but slightly less on absolute terms. We'd rather that than not pass through the fee increase. But that is happening a little bit, a bit of trend there.

 We're continuing to invest in our technology transformation, so in our capex, and continue similar levels to what we saw in 2022. However, the one-off spend, the transformation spend will be lower, and so probably around half the level of 2022. Therefore, there will be a net cash outflow this year. I don't think that should be too surprising. It will be seasonally weighted, as it always is, in our cash flows for the first half of the year. But as Peter said, we have strong liquidity, recent TLB raises consolidated that. And obviously, we continue to prioritize our working capital management. There are no signs that our working capital is not [indiscernible 108:38] continues to be strong since our performance around collections and payables. And obviously, that continues to be a big focus.

 So I will leave it there. Matt, hand it back to you to open up for questions.

Coordinator Thank you so much, Michael. [Operator instructions]. And our first question is coming from Christian Malone. Please go ahead. Your line is open now.

Christian Good afternoon. Thanks for taking the question. Can you just talk a little bit about the cash outflow for ‘23? Can you give me a sense on if there's any change in working capital embedded in that and also if there's any M&A spend in there, please?

Michael Thanks, Christian. So yes, good point on the M&A spend, we have deferred consideration commitments of around 110 million around that sort of level. So combination of—

Christian That's a lot higher than before. I think you were saying 40 for 2023. What's the delta there? I think that you said that at one point in one of the conference calls earlier this year, for next year.

Michael Well, I'm telling you, it’s 110. I’ll tell you what it is, [indiscernible 111:06] test, which is we bought a couple years ago, which is a second tranche of that. The second tranche was related to the original WPP sale and it's sort of deferred consideration linked to that. I mean, that's not a certainty that number, but it's our best estimate.

Christian Okay. But you don’t have a current liabilities section –

Michael Yeah. Yeah. I think [talking over each other].

Christian Okay. That's where the confusion was from. So it's 110 of deferred consideration and change in working capital, is there anything in there that we should be thinking about?

Michael So what was your turn in that?

Christian No, sorry, working capital for 2023, is there anything embedded in terms of the change in working capital cash flow?

Michael I would anticipate around 40 million to 50 million outflow for working capital.

Christian That's great. Thank you. And then just one last clarification, you said the transformation spend in ‘23 will be roughly half to ‘22. The base number for that is on page 16. Should I be looking at half of the 197 restructuring and other?

Michael Yes, right.

Christian So we've got 100. Okay. Yes. That's great. Thank you. Thank you for those questions.

Michael You're welcome. Thank you.

Coordinator Our next question is coming from George Barrett. Please go ahead.

George Hi, there. Two quick questions. What's the 95 million cash outflow on page 16 related to employee incentives? The second question is just looking at the kind of forward-looking EBITDA add back, forward looking cost saves, that’s been kind of consistently above 100 million for a few plus years. Just thinking, when does reported EBITDA converge on that number when the add backs start to roll off? And then finally, just on interest rate exposure and level of hedging and what exposure you have to variable rates? And if you have hedges, when do they roll off? Thank you.

Michael Great. So the first question is, that's the bonus. I mean, we just split out the bonus in our cash flow because it’s a big number this year, the 95 million. So that's been the case in all the – you’ve seen that in the liquidity waterfall since quarter one. We just did the decision to split it out. Otherwise, it was sitting in working capital.

George Is that like a one-off bonus or ‘22?

Michael Well, it was about twice the normal size. So it would normally be about half that size if we hit the plan.

George Okay, how can you don’t deduct it from EBITDA then?

Michael Why isn't in EBITDA?

George Yes.

Michael It is in EBTIDA, but it's not a cash flow in EBITDA, because it's accrued the prior year. Right? [talking in background]. It was accrued in 2021. Sorry, I'm getting little off site. Yes, there's an accrual in the 700 for the 2022 bonus that we paid in 2023. But this is the payment of the 2021 bonus that was accrued in the year end of 2021 that was paid in 2022.

George Okay, so the bonus for last year is bigger than the bonus from this year, effectively.

Michael It certainly is, yes.

 And then the other question, that number is coming down. So it's come down to 101 now. And I think it was a very valid point you made earlier about the initiatives staying at a similar level. I think in reality, what happened is it’s what been crystallized and being replaced by new ones. That's still happening, but we've brought down the adjustments from 132 to 101, or 127 down to 101 now, so it's on its way down. I think you should think about it as a kind of an 18-month to two-year timeframe for that to fully flow through.

 And the third point around hedging, I will ask Peter to address that.

Peter Sure. So at the moment, we are, if you include our fixed rate bonds dollar interest rate swap, which comes capped for two years in June 1, plus euro capped, we're 90% fixed and hedged. Some of those hedges were put in place back in ’20 as euro caps and dollar swap that matures in a couple of months’ time, followed by some dollar caps in the money by [indiscernible 114:57] million. And we just recently topped up the hedging with some dollar caps and euro caps between now and mid-2025. So they are slightly significant higher rates than the hedging done in 2020, but they're there to protect us for any further large [indiscernible 115:19].

George Sorry, you said you were 90% hedged up until this year, and then what percentage has come off this year?

Peter No, we’re 90% hedged until middle of 2025.

George Okay.

Peter We’re fixed and hedge to get to 90%. So fixed at let's say 60%, and the hedges take us the additional 30%.

George Okay, and then what comes off in 2025?

Peter All of the caps come off, mature. But that’s sort of in line with maybe if you think about when the debt matures and when we'd have to refinance by, we’ll think about that, everything else being equal.

George And did you say some caps came off recently?

Peter Yes, it's slightly complex. So we had $1 interest rate swap, which we've transacted in 2020 that matures in June of this year, but then there’s a follow-on for two years of dollar caps at 1%, which we transacted back in 2020. We then top that up with some dollar caps with a higher strike rate. And then the Euro caps, they just carried, it’s all senior euro caps in terms of top up hedging. All of the caps in euros and dollars [indiscernible] 2025.

George Okay, well, thank you.

Michael Thanks very much.

Coordinator The next question is coming from Munia Chouri? Go ahead.

Munia Hi, thank you for taking my question. First, could you please clarify the maturity date on the receivables factoring facility?

Michael That I will double check but I think it's got at least another 18 months to run.

Munia And do you expect to renew it once it runs off? I think it's quite a significant portion of your receivables.

Michael Absolutely. Yes, we are already discussing the renewal of that facility. We’ve got plenty of time, but yes, absolutely, we're intending to carry on with it.

Munia Are you able to disclose the counterpart of that facility?

Michael Yes, we work with Credit Agricole leasing and factoring.

Munia All right. I'm also seeing 150 million of short term debt on the balance sheets. Can you explain what that is?

Peter I think that would have been the revolving credit facility, which was outstanding at the end of the year.

Munia Okay, and why is it shown as short term? The maturity is ‘26, right?

Peter Yes, I think it's probably a mix of the revolvers plus other, the short term portion of other debt that’s to be payable. I think the revolver, although the maturity of the facility is 2026 it’s classified for accounting purposes [indiscernible 118:31].

Munia Okay, maybe another way of asking the question is, you’re showing 276 million committed liquidity on slide 17. Is that fair to assume it is committed until the maturity of the [audio disruption] 2026?

Peter It’s a mixture of RCS plus other bilateral facilities. But the RCS is the biggest portion.

Michael By far.

Peter Yeah.

Munia Okay. So it's overall a correct assumption to think of liquidity is committed until ’26?

Peter Correct. Yes.

Munia Okay. I was also wondering, I think there's about 50 million of sort of exceptional. I think the commentary in the presentation is something like judged by management as non-maturing as an adjustment to EBITDA for 2022. Are you able to give some details on what those are?

Michael Sorry. What page are you talking about here?

Munia Apologies, I'm on the wrong page. Just pulling the presentation for quarter. So it's other items, page 26. The reconciliation of [audio disruption 119:50] adjusted EBITDA is about 54 million of other items. I think you described them in the notice –

Michael Oh, yes. Okay. This one. These are non-cash charges relating to incentive plans, primarily Numerator, but a bit of the main Kantar business as well. They’re all non-cash entirely

Munia It’s equivalent to service compensation?

Michael Yes, the Deltec Management Centre plans stuff. It’s structured as 75% of that is raises and the Numerator acquisition.

Munia Understood, thank you. Last one for me, capex this year was higher than then guided. Not significantly, but any colour as to why it crept higher than what you were targeting for?

Michael Yes, it was a little bit higher. I mean, one thing I should mention is we disclosed in Q3 is that we made a small change to our capitalization policy – well, it wasn’t a change in policy technically, but we essentially capitalized more of Worldpanel and Numerator panel, creation of data assets, when you create panels and incentive payments, you makes the panellist that qualifies as an asset. And most of our similar companies do indeed capitalize those. So we capitalize those which increased capex a bit. But that's the probably the main thing. There was no sort of underlying increase in cash spend.

Munia Okay, and this kind of process that you're describing, you're capitalizing expenses on panel creation, is this panel created for specific clients, or are they kind of panels can be used to different kind of customer needs? Trying to understand if they are more like contract assets or more long term assets.

Michael No, they’re long term assets, because it's the syndicated businesses of Worldpanel and Numerator, so we trading these panels that would have then we sell the data to lots of different people.

Munia Okay. Understood. So they're not linked to the contract—

Michael No links at all to contracts. And it has to be in when you're creating, when you're receiving data of some kind and creating the assay in that way.

Munia Understood. Thank you. That's awesome.

Michael Thanks very much.

Coordinator Our next question is coming from Dom Sarajevo. Please go ahead.

Dom Hi, I think the holding facilities of your RCS, are you able to break out what your exposure is to CS and BD?

Peter Yes, so we don't have any exposure to Deutsche. Credit Suisse are 40 million of commitments in our facility.

Dom I’m sorry, while on the same subject, [indiscernible 122:46] and commerce as well?

Michael No exposure.

Dom Thank you. And I think you mentioned in your call earlier, we're expecting a net cash outflow for FY ‘23. And I think reading through employee incentives will be half of 95 million for next year. And the one-off transformation costs were expecting 100 next year, working capital outflow of 40 million to 50 million. And including the financing costs, maybe I'm not putting two and two together, but are you expecting a free cash outflow after all items? Or are you expecting free cash outflow from just one or more of these items?

Michael Well, I don't want to get into lots of detail on this. But after everything, we're expecting a free cash outflow. So after all those things you said, and everything else, deferred consideration, we're expecting free cash outflow. Obviously, the business continues to generate a strong operating cash flow. But some of those items more of an investment nature that we will be spending money on will result in a negative free cash flow for the year.

Dom Okay. You also outlined that 90% of your contracts have renewed or have expressed an interest to renew. How are you thinking of wage inflation for this year and how much have you agreed with your staff? And how much of that is passed through with your customers? Are we to expect margin dilution, in other words, for the rest of this year?

Michael Well, I don't know. I mean, I certainly hope not. That's not the plan, but I can't predict the future. So in terms of your question, we are obviously seeking to control wage inflation whilst providing sort of fair compensation to our employees. We haven't issued our sort of wage settlement to a hard start yet, so I don't want to be specific on it. But we are certainly looking at substantially lower than inflation raises and we’re looking to pass through our input costs through to our pricing, which is what we’re doing. Whether or not we have margin dilution over it or not will depend primarily on our revenue growth.

Dom Thank you.

Coordinator Our next question is coming from Aman Maha. Please go ahead.

Aman I think most of the questions I had were covered, actually. Maybe just one on new rates. I think effectively that would in theory sit within a combination of sort of the panel's and insights that you've kind of chosen not to do that for now. Can just remind me of when you do expect to increase [audio disruption 125:47] potential synergies of that? And also, just clarify if that’s included in the number that you post for your covenant reasons, the synergy number?

Michael Yes. So the answer to that last is a yes, it is included. I think we haven't, to go in reverse order, I think the likely time of putting those businesses together in any sort of operational sense, although it would be in 2025 onwards, because for one thing, there's an earn out arrangement which is much better performed with Numerator focusing on its own business and that's kind of the primary reason for that. That said, it's not like we're not doing anything with new. I mean, we have already combined the advertising intelligence, the ad Intel division of new major with the ad intel division of Kantar in North America just got a combined $100 million business is currently contained within Media and Numerator, which is why you don't see it separately. But in the future it will be sort of split out. So we combined those two units and creating synergies from that.

 We are doing a lot of , one aspect of Worldpanel [talking in background 127:07] cooperation, client meetings, data, developing joint products and things like that. So it's not like they're operating completely at arm's length. But to answer your question around synergy, we're generating some already, quite significant synergies we’re planning from the combinations of that Intel. And then the rest would come from combining two businesses, but that’s a couple years away.

Aman Okay. And I guess it was kind of asked earlier, maybe just a couple of minutes around, I guess you talked about the price increases. I mean, can you give me a sense of kind of, I guess we focused on the insights business probably the one exposed to sort of price elasticity. But can you just talk a little about maybe like the blended price increase you're kind of putting through or have put through sort of at the end of last year, the beginning of this year, end of last year? I don’t know if you can give any sense of sort of volume impact against that? Just to get a sense of kind of how meaning plays on volumes by putting through pricing.

Michael Well I’ll do what I can. The pricing, it does vary quite a bit because some contracts are coming up for renewal after two years, and some have got fixed agreements in them, some got RPI linkages. There is loads and loads of variations. But I mean, typically, we might be getting sort of price rises of sort of 6% to 8% range of some of the more. And then some of that in some cases gets reduced through a reduced scope. I don't really want to go into too much other than to say that we are ultimately expressing itself in revenue. So revenue growth is a bit slower than we've seen last year. So you can probably kind of work out where some of the sort of these revenue would come from. Albeit, the smaller scope projects, we will be able to scope it down in terms of costs as well so we'll maintain our margin.

Aman Very helpful. Thank you very much.

Michael You're welcome. Thank you.

Coordinator Our next question is coming from Catherine Fidanza. Please go ahead.

Catherine Thank you. I wanted a little bit more detail on the next two years of cost cutting or restructuring or initiatives. You said you're going to spend 101 this year. What does that entail? What are you doing? And then what should we expect or how big should we expect the next years’ restructuring numbers to be given that we expect [indiscernible 129:46] of the following or hopefully tail off the following year?

Michael Sure. So the one-off, as you said, is probably around 100 million, I would say. So that's a combination of severance payments and, effectively, sort of resource being brought in to deliver projects primarily in the technology area. So if I talk about it in terms of what the cost savings are, also what the one-off spend is, because the one-off spend is a combination of technology remediation, which is a further continuation of bringing the Kantar infrastructure up to scratch; and then the second half of it is the implementation of cost projects, most of which is payments and severance payments of staff members. A lot of it is around written, some of it is around offshoring resource from in market to offshore markets, sometimes in-house in sort of what we call our GEC’s, and also we have finance and HR offshoring called [indiscernible], and also in India a relationship with Gem Pack [ph]. So it's all that kind of activity.

 It's not a certain number, because you don't know exactly what you need to be, but that's a good guide. I expect that number to drop. It’s come down by half, I expect it to keep going down by that amount, if not more, but I don't know for sure, but certainly on the way down.

Catherine Thank you. And with regard to the IT or Kantar to be standalone, it only be in 2023 or is it expected to continue into 2024?

Michael Well, I think the sort of transformation activity, if you like, over sort of three or four years I think is coming to an end. And the continued improvement in will have to be funded through the BAU performance. Obviously mindful that we’re bringing down these one-off costs, and that's what it should be. So I think that should get down to a very small number. I mean, you're never done with IT and structure, in my experience, and there's a lot of spend on the estate and the numbers and cybersecurity and all that kind of stuff. But I think there was definitely some one-off step change required, first of all to migrate away from the WPP TSA, which we had to do. And secondly, just to bring everything up to standard. But that, again, is dropping. It’s the same story really on the cost savings.

Catherine Thank you. And then it's free cash flow or the cash flow after payment of everything, what’s the quantum in terms of the negative number this year, please?

Michael I'd rather not give you a number. I've given you a little comparison part. Obviously, the number will depend on— let me say this, it depends on how we get on with revenues and it's just too early in the year to really opine on that.

Catherine Thank you.

Michael Thanks very much.

Coordinator Our next question is coming from Danny [indiscernible 133:25]. Go ahead.

Danny Thanks very much for the presentation. Just one for me. You mentioned there is a growth slowdown in 2023. Could you maybe provide a little bit of colour as to kind of the magnitude of the slowdown? Are we talking more like 1% growth or are we talk more like 4% to 5%? And any colour on where do you see the slowdown. Is it within the insights, brand tracking, or obviously creative and consulting that probably will slow down, but any additional colour will be very helpful.

Michael I think that's sort of covered it. I mean, it's largely to reduce by 5% or 6%. It's not as low as 1%. It’s early days, only two months in, it’s closer to your second number than your first number. But it really is early days and I think to draw a conclusion in the first few months is quite—we're expecting Q1 to be lower anyway.

 In terms of where it's occurring, as I said, brand continues to be very strong. It's very much supported by long term contracts and it's just big and doing very well. The growth we’ve seen has been in the more creative media stuff, the shorter term stuff, the ad hoc projects. So Worldpanel, for example, 75% contracts, about 20% to 25% are projects. Some of those clients are waiting and seeing. What we don't know is whether they're waiting and seeing and then they're going to do or whether they're going to hold off. It really depends on the broader outlook. And we saw this last year as well. So that's just what we have to sort of look for.

 And as I said, technology sectors is weaker than it was, but then it was very strong last year. And it's not that they're not growing, it's just it's not growing as much as it was. And China has been a bit of a special situation. So the growth is just expected a bit lower than we saw at the end of last year.

Danny Okay, thanks very much. Thank you.

Coordinator And our next question is coming from [indiscernible 135:12]. Please go ahead.

M Hi. Could I just ask on a headcount evolution in 2022? And given the acceleration in headcount costs, what is it currently? And the numbers would be useful as well? I think it was 26,000 at the beginning of 2022.

Michael Okay, it ended the year at about 26,000. So it kind of went up and then down a bit. I mean, there have been reasons why headcount has gone up. That was certainly the insourcing of the technology contract was one. We have been investing in technology headcount, it includes capex heads as well as operating, it's not just EBITDA. And some of that we did in-house, which is heads. When we're doing some of our offshoring, we bring the heads in, as in the heads leaving. So then again, that sort of temporarily raises the headcount. But by the end of the year, it was a few 100 lower than the beginning of the year. And that kind of trend is carried on for a few months.

 We have a very strict control over headcount, at the moment, very strict around well, not just headcount, around hiring at the moment, making sure that we only hire what we absolutely essentially need to and move results around as you'd expect.

M Great, thank you very much.

Coordinator There are no further questions in the queue.

Michael Okay. No further questions. Thank you, Matt. Well, it's timely because it's just coming up to three o'clock, which is the scheduled hour. So thank you everyone for dialling in. And we'll be back in the not too distant future to talk about quarter 1, 2023. Thanks very much and have a good day.

Coordinator That marks the end of your call for today. You may now disconnect. Thanks for joining and enjoy the rest of your day.

 *[END OF CALL]*