Kantar Q1 2023 Lender Call

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WEBVTT

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Kantar WebEx Producer 00:57:41.240 --> 00:57:57.240

Welcome everyone to the Kantar first quarter twenty- twenty- two lander call hosted by Michael UCLI and Peter Russell, my name is Ben and I am the event manager during the presentation. All participants will remain on lesson only might if you require.

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Kantar WebEx Producer 00:57:57.880 --> 00:58:10.000

At any time, please put a message in the chat box. I would like to advise all parties that this conference is being recorded and with that, I would like to hand it over to you Michael to kick us off. Please go ahead.

3

Michael 00:58:11.320 --> 00:58:32.440

Thank you, Ben. Good afternoon everybody. And yes, welcome to the presentation in the first quarter. Twenty- twenty- three. My name's Michael Uzielli. I'm the CFO I shall give an overview of the business performance and I'll hand over to Peter Russell, Director of Treasury to give some more on the financials and then little bit on Outlook, and then we'll.

4

Michael 00:58:32.680 --> 00:58:53.560

Q and a so normal normal format. So last time I updated, so I hope you have the, the materials which was sent out this morning. I'm gonna start presentation straight away on page six on Q one highlights last time we updated, you all was on the twenty- eighth of March, I think which was for our full year and then we issued our annual report.

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Michael 00:58:53.640 --> 00:59:14.680

Course of April. So hopefully you've seen that we gave an Outlook at that time, and as you'd expect, there hasn't been a major change in terms of the Outlook or the business performance, although I would say from balance, we become a little more cautious in our kind of attitude towards the external environment. There's quite a bit of uncertainty in the market whether that's.

6

Michael 00:59:14.800 --> 00:59:35.160

Economy or broader politics, etc. And we are noting our clients are also showing some caution, so we are too, that's not universal and it does vary by sector and geography across our businesses. It's a sort of general theme of, of, you know, continued if not little greater caution than maybe there was kind of a month.

7

Michael 00:59:37.080 --> 00:59:55.640

Another theme for us has been simplifying our business. This is something we've been trying to do since the out of WPP in two thousand nineteen. I think we made a lot of progress in terms of disposals and selective acquisitions investing in our technology in our products, improving.

8

Michael 00:59:56.520 --> 01:00:16.120

Focus, so fundamentally, we're focused on serving brand owners to help them understand and improve the effectives of their marketing spend. There's been quite a transformation over the last few years, and you'll obviously have noted significant costs attached and as I've said, I think in the last few calls we're.

9

Michael 01:00:18.100 --> 01:00:37.940

A cost point of view. I think we're coming towards the end of the, you know, major period of transformation and expect to see those restructuring costs continue to reduce through this year and to very much so next year. So just on to the highlights then as anticipated the air open was slow revenue growth and we saw in the previous.

10

Michael 01:00:38.820 --> 01:00:58.420

Reflecting primarily the macro headwinds, we have made, generally resilient progress growth growth revenue, three percent, all divisions delivering year on year growth. What I would say is the contract performance, which is obviously the major part of our business, the renewal performance has been outstanding. So over ninety nine percent.

11

Michael 01:00:59.060 --> 01:01:18.900

Renewal's achieved and our sort of larger clients, but across the business, across all our divisions, very strong levels of renewals and good pricing pass through as well where we have seen some of the softness is in the SH- what we call the shorter term or the ad hoc work, which is as I said, slow PRI.

12

Michael 01:01:20.220 --> 01:01:39.380

Caution clients deferring spend, you know, thinking more carefully about their budgets. I think right now, so that primarily affects solutions for us like creative media a little bit on strategy, for example, the more discretionary products, if you will versus the core of our business, which is the contracts which have been, you know, renewing as I said.

13

Michael 01:01:39.740 --> 01:01:59.860

To greater degree than, than really ever before we're also improving our business mix is the trend over time a higher focus on the higher growth coming from syndicated revenues, numerated being the prime example of eighteen percent and then throughout our tech enable platform, which is counted our marketplace revenues, continue to grow up twenty- two percent.

14

Michael 01:02:00.180 --> 01:02:20.100

Over forty new products and features were launched and speaking of product launches. We have been investing in the last few years in product innovation, especially in the insights area and we've launched a portfolio where we launched if you like our brand portfolio under named brand tech, but within that recent new products.

15

Michael 01:02:21.060 --> 01:02:40.660

Brand now, which is a AI power that's syndicated brand tracker. So we've not up until now had a syndicated brand tracker. So we've launched out of the UK and US markets just a month ago and then count our brand snapshot, which is actually a full, but it's power bar preparetary brand, z data, which is another.

16

Michael 01:02:42.140 --> 01:03:01.300

The data that we've had for many years and is, is, you know, very well regarding the marketplace numerator launched a big increase in their core panel up forty percent to a hundred and fifty thousand households and that has four years of historical data, and that's a, a major leading product in.

17

Michael 01:03:01.660 --> 01:03:21.780

Market and then in profiles, those are panel business. We're actually the only global player to have a proprietary compliant panel ecosystem in China from a financial point of view. We've continued to deliver consistent profitability through our cost initiative and our margin focus EBIDTA. I'll talk about in detail in.

18

Michael 01:03:21.860 --> 01:03:42.260

Second, it's broadly flat here on year to hundred and forty million. We've had a very tight focus on pricing product level profitability and business mix. As I said on pricing, we've been successful at passing through pricing in terms of the cost inflation, what we do see is in some cases, reduction in scope where.

19

Michael 01:03:42.580 --> 01:04:02.740

Use the scope of the work to fit their budget. That's not obviously not ideal from our point of view, but it's, it's important that we do pass through the pricing to maintain the margin and then when the revenue comes back, we'll keep that margin and there's been a very strong cost focus and it is a strong cost focus. It can tell, we have a number of efficient programs.

20

Michael 01:04:02.900 --> 01:04:22.940

Continue on track both in the operational side and also driving synergies from the deals that we've done and whether it's CUMUL or numerator liquidity remains strong as at the end of Q one, six hundred twenty- six million strengthened, obviously by the TL, the outsize in January, we are continuing to invest in our portfolio and in restructuring.

21

Michael 01:04:23.460 --> 01:04:43.700

But an important thing to notice that given the environment that we're in, we are managing our costs, our headcount and our cash flow to the slow revenue trends. So we're looking to mitigate the risks and top line if the top line, you know, expands more and grows more than, than, you know, current trends and will benefit from that, what we're.

22

Michael 01:04:44.340 --> 01:05:04.180

Sizing and our cost base to, to meet the current revenues, rather than the other way around, So turning to page seven, a lot of the points on the previous slide, but it's essentially a good performance across all metrics with revenue growth, gross margin growth expansion and gross margin. Te.

23

Michael 01:05:04.380 --> 01:05:24.660

Clients where we have seen some softness up four percent year on year, so stronger Grace last year it's still growing and some clients growing all than others, but still have an importance very important sector for us. Our global clients are growing faster than average and also revenue stream analytics, which is.

24

Michael 01:05:25.060 --> 01:05:45.140

Similar to Kanto marketplace in terms of a strategic revenue stream, we're keen to, to keep growing as analytics up. Twelve percent helped in part by the Black last year in terms of Ebitda. So the performance service broadly flat were actually down one percent as you can see and to some extent this reflect.

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Michael 01:05:45.820 --> 01:06:05.620

A slight anomaly that we've had in quarter one in North America, so we should talk about this because it comes up later on the, there has been a soft market in the North American, you know, media market, particularly in our media solution where we've seen with very strong growth in recent years, but our growth is slowed this year, but we also.

26

Michael 01:06:08.260 --> 01:06:26.100

And a restructure of the business in the first couple of months where we've been where we've reshaped the business to focus around our clients and client sector groups and refocusing our delivery teams into solution areas. So previously we were organized more geographically into.

27

Michael 01:06:26.740 --> 01:06:47.860

Cities where every sort of office did everything we're now organizing more interverticals, which I think is absolutely, right? And to have that client focus and I think it will drive that greater focus will also drive efficiency, but it would be wrong to say that it didn't create some disruption and in February, in particular, we saw, we saw some disruption in terms of our orders in terms of our revenues. It thing.

28

Michael 01:06:48.100 --> 01:07:08.340

Settle down in March, we were back in revenue growth in North America in April, but it has affected our first quarter results in a, what I would say is a one off manner just as an example, EBIDTA, just as you say, flat down one percent of the group, if I strip out North America, a bit does up four point eight percent in quarter one.

29

Michael 01:07:08.380 --> 01:07:28.820

On the revenue side, our revenue grow to be five point one percent stripping out North America is just the effect of that, that, that impact in February, Trade work and capital remains strong from our perspective. Good focus on all aspects of working capital management and capital expenditure is higher than last year.

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Michael 01:07:28.980 --> 01:07:49.300

Reflecting the investment technology, partly investing long planned property moves in, in London and Portugal and Paris, which will deliver cost savings, but that's contributes around eight million dollars of that. forty- four million capital expenditure in the, in the first quarter, moving on to a slide eight.

31

Michael 01:07:49.980 --> 01:08:09.780

This is a, another summary that I've just previously talked about. So won't dwell on it. I think the one number I would pick out here would be staff costs up six percent year on year. Four percent of that is wage inflation two percent of that is staff members. So we think we've quite some pleased.

32

Michael 01:08:09.860 --> 01:08:30.259

With how we've managed to contain staff cost inflation around the world, the staff member in increased reflects investments, we're making in business growth. A lot of that's been going into technology, just remember that we came out of the WPP service arrangements. So we needed to staff up on the staff cost side to replace that, but also investing in product.

33

Michael 01:08:30.500 --> 01:08:50.740

Those product launches they talked about and some fast green business such as new and also fast grade markets such as India. I do expect that six percent to moderate as the years ago as the year goes on a lot of the hiring last year was conducted in the sort of first half of the year through the first half of the year, then from a sort of Q- three.

34

Michael 01:08:50.940 --> 01:09:11.220

Onwards, we've seen a gradual reduction in headcount as a, we've implemented many of our efficiency programs and, you know, running the business, you know, a tightly from operating cost perspective, so we are seeing those, those headcount numbers reducing and I would expect there for the staff costs a year.

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Michael 01:09:11.859 --> 01:09:31.700

Percentage to reflect that as we go through the year, moving on to slide nine, I'm talking here about the divisional breakdown of our revenues as I said, at a high level three percent revenue growth macro headwinds, you know, are having an effect on advertising performance, which is leading to client caution.

36

Michael 01:09:31.779 --> 01:09:52.180

We do think we're well placed in this market as an organization or a lot of what Kantar does is to help our clients who spend many billions on advertising and sort of related spend to improve the effectives of that spend understand what their customers are doing and thinking and helping them, you know, improve in general terms, their marketing effectiveness and their efficiency. So, in tough.

37

Michael 01:09:52.580 --> 01:10:12.660

Times and volatile times within our products and services are, you know, remain highly relevant, although, of course we're not immune to the economic cycle. I'll talk about insights in the next couple of slides, but just to focus on Profiles, Profiles is out performing the panel sector driven by its focus on data quality.

38

Michael 01:10:12.660 --> 01:10:33.140

And anti- fraud capabilities, we have a proprietary tool called Cubed, within the profiles businesses part of the QM acquisition, which is again an AI driven protection to remove fraudulent panellists using deep neural networks that we score over half a million surveys a day then come back with an answer with.

39

Michael 01:10:34.660 --> 01:10:55.140

The strong competitive advantage for profiles we buy our estimation stock three times as much fraud as the nearest competitors and fraud within this sector has become, you know, an issue. I think probably since COVID and we, we believe we're absolutely the market leader there, so it's a very strong business and it's.

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Michael 01:10:55.300 --> 01:11:15.620

Doing well, world panel, three percent growth again, Strong performance on contract renewal. We've had some good wins on the customer side and our contact panel, which is around use of electrical equipment panels around that. Apple TV decided, for example, we have seen in this.

41

Michael 01:11:15.620 --> 01:11:36.100

In this division where the contract renewals are strong, the one off business is, is lower start of the year, especially in some markets like UK and France, actually many of the markets of world panel are still growing very strongly, but again, a very resilient business, which is also grown latime in Asia with some panel size.

42

Michael 01:11:36.100 --> 01:11:56.580

Expansions there as well, Numerator, I mentioned Numerators continues its strong growth. The panel Sizer said relaunch forty percent bigger four years of data improved calibration proof levels of granularity in eighteen percent revenue growth is very strong performance media performs up nine percent.

43

Michael 01:11:57.540 --> 01:12:17.060

The contracts here tend to be very long term, so they send to ten years in some cases with RPI protection. We've also been growing as in mentioned for World Panel in new markets, expanding our cross media services in six markets, including the UK, Netherlands, Norway, for example, five more.

44

Michael 01:12:17.300 --> 01:12:37.540

Development in Latin America, Argentina, Chili, Colombia. So growth in Countermedia, but also strong resilient contract protected revenues there. So that's the overall performance for the group. Just a couple of slides on insights before I handover to Peter, first look is at the solution area.

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Michael 01:12:37.540 --> 01:12:58.020

And then the second look is on the geographical basis solution area our brand solution, which are our biggest solution areas are over half our revenues and insights and it's a very much a core strength of KTAR. Our purpose is to shape the brands of tomorrow are focus is on consumer brands.

46

Michael 01:12:58.020 --> 01:13:18.500

And our goal is to be an indispensable brand partner to our clients. We have a lot of IP in this area. I mentioned brand Z, we have the MDS framework, which is called many of our trackers, very strong renewal rates revenues are at four percent and we're noticing that clients are increasingly focused on the importance of brand in these little volatile times.

47

Michael 01:13:19.180 --> 01:13:38.980

The innovation solution area is another area that's growing. well, that's in part driven by marketplace with innovation is one of solutions stronger marketplace along with creative as well as we're seeing clients focus on product investment and product development in creative. Although the.

48

Michael 01:13:39.940 --> 01:13:59.460

Are slightly lower on macro environment. Creative revenues are somewhat linked to advertising tend to be linked to advertising activity people producing new ads that get tested. So there is low revenue overall, but we have successfully shifted a high proportion of this revenue onto counter marketplace, which has significant.

49

Michael 01:13:59.620 --> 01:14:19.940

High margins, it's much more technology, Enabled much less human intervention. So actually the hebitdar, it looks significant profit enhancement from the channel shift and media revenues, which I said has been a solutionary in previous presentations. We've seen been growing strongly is, is flat.

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Michael 01:14:19.940 --> 01:14:40.420

Year on year and this primarily flex off softness in America and the tax sector still a very, you know, significant solution area, but again, I think linked to the general environment, just moderating their spend a bit, but still flat year on year, moving on to the geographical spread.

51

Michael 01:14:40.540 --> 01:15:00.900

On page eleven, you'll see obviously the drop in Americas, which reflects North America and I've talked about, that's America actually continued, it's double digit growth. It's obviously a smaller part of the business and North America, but continues to grow very well in Amir. We saw a little bit of gross just two million up with strong performance in the UK and Netherlands.

52

Michael 01:15:01.540 --> 01:15:21.380

By Germany, which has been a, you know, a bit harder for us, but also there's the rush Ukraine impact because the prior year we still had rush Ukraine revenues. We've had some very good wins in a mirror including just a couple of examples HSPC and customer Experience area BMW in innovation and ING, they're brand track.

53

Michael 01:15:21.660 --> 01:15:41.860

Again, good, significant contracts. in case the brand trackers are three year, three- year trackers. One from a competitor Apac, very good growth again of eight percent, particularly strong in India, good growth in the tech and digital space, and then in China, I think it's fair to say that the recovery, the economic.

54

Michael 01:15:43.180 --> 01:16:02.340

End of the Lockdowns. The end of last year has been a bit slower than we were hoping, we have very successful business there with successful partnership with Tiktok in particular, but we're hoping for a bit more from our great China business and the coming months, but a solid and sort of stable formats nonetheless. Okay, so I'm going to hand over to Peter now.

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Michael 01:16:02.500 --> 01:16:22.820

Just talk about the balance sheet and the liquidity. Thank you, Michael. Somehow turn to slide thirteen. So starting with our net trade working capital, the improvement is continued to be maintained as in previous quarters. We have fifteen million dollars positive year on year due to the focus on collections.

56

Michael 01:16:23.140 --> 01:16:43.300

Particular overdue debts along with the ongoing benefits of the factoring program, as I mentioned on the previous call, we rolled out the factoring program to three new countries in the first quarter of this year, and we're now exploring additional countries to factor receivables in, in order to maximize the use of our balance sheet and this efficient source of financing.

57

Michael 01:16:44.940 --> 01:17:00.940

Capex, our expenditures. Michael has already mentioned is increased by twenty million dollars a year on year in the quarter and the increase is driven by our continued investment in our product platforms property and our back office operations as we've highlighted today and on previous calls.

58

Michael 01:17:02.580 --> 01:17:22.980

Now moving on to slide fourteen, our Ebitda and net debt as a reminder when discussing leverage on this slide, we are now using a single definition of Ebitda, which is in line with our governance definition, our run rate, adjustment of eighty one million dollars as reduced again as we scale back our restructuring program.

59

Michael 01:17:23.660 --> 01:17:43.460

And the benefits of these programs are realized in our reported results. The run rate adjustment were added to the other adjustments. Gives a covenant of seven hundred ninety- nine million dollars on this basis. Our senior secured net leverage is four point three times at March twenty at March twenty- twenty three. Well, within our covenant level.

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Michael 01:17:43.620 --> 01:18:03.940

Of seven point, two times and I'll discuss our cash and liquidity on the next slide. So on slide fifteen, this shows the key drivers of cash and liquidity in the senior lender group for the first quarter of twenty- twenty- three, starting on the left, the group generated a hundred and forty- one million dollars of.

61

Michael 01:18:04.580 --> 01:18:24.420

At actual FX rates, the networking capital outflow of thirty- eight million reflects a positive net trade working capital inflow, including the unwinder factoring from the UND offset by other working capital items such as pre- payments for services in the first quarter of the year and now calling out some of the key flow.

62

Michael 01:18:25.860 --> 01:18:44.900

The change in financing of thirty- six million dollars represents the net impact of the two hundred million dollar equivalent that tap in the, in the quarter, less the revolvable repayment and lease capital repayments, the M and a costs of thirty- eight million represent advisor and similar fees, a proportion of which relate to.

63

Michael 01:18:45.140 --> 01:19:05.380

Done last year and the restructuring and other costs of forty- two million mostly re- reflect the costs of our ongoing transformation programs, a cash and facilities provide us with a comfortable liquidity position of over six hundred twenty million dollars at the end of the quarter. We'll now hand back to Michael who will provide a trade trading updates.

64

Michael 01:19:10.500 --> 01:19:30.980

Thank you, Peter. I think I have broadly covered this for just a sum- up before we turn over to questions. Yes, slow revenue growth, which is, was fully anticipated going into the first quarter. Good performance on renewals businesses remained strong and as I said is, I think.

65

Michael 01:19:31.420 --> 01:19:51.460

Placed to address our client's needs and as I, the other thing is it is a, a mixed picture around the world. There are areas of the business that are still growing very strongly. There are other areas that have slowed and the net result is, you know, the three percent revenue growth, but there are no means is all is all, you know, all parts of the world sort of slowing down.

66

Michael 01:19:51.580 --> 01:20:11.820

Same time we are not notwithing that, you know, being cautious and making sure that we mitigate our risk. So we're planning based on our current momentum, keeping a very tight control of our costs and our headcount and our cash, we're focusing on delivering our efficiency projects.

67

Michael 01:20:12.220 --> 01:20:29.380

Adding to them as we go along and it's sort of ad hoc way of our own just being very careful with our resources. We are, of course continuing to our program investment in technology transformation and product development. We have big.

68

Michael 01:20:30.700 --> 01:20:50.380

Underway in world panel and profiles, and we have our, what we call our catalyst program and insights, which is a new product development, including the brand now product, but the one off spend which has been the combination of technology remediation severance payments from restructuring and, you know, associated.

69

Michael 01:20:52.400 --> 01:21:12.880

Is coming down. It will be lower this year and it will be very much lower in twenty- twenty- four As I said, before we do expect to net cash out flow in twenty- twenty three will be greater in the first part of the year and the second part of the year, which I think is normal can tar in terms of the work and capital flows, but also a lot of the one- off spend as it tape.

70

Michael 01:21:13.000 --> 01:21:33.360

Down is more focused in the front half of the year, so there's sort of accentuates the seasonality. Our liquidity does, however, remains strong. I work in Capital focus remains very intense as Peter was outlining and I target for next year in twenty- twenty- four is to be free cash flow positive by that ending after.

71

Michael 01:21:34.080 --> 01:21:53.840

Full spend bottom line after acquisitions after everything the business is fre cashly positive. That's the target, which largely reflects the reduction in, in some of these, you know, the transformation spend continued strong business performance, obviously.

72

Michael 01:21:53.840 --> 01:22:09.600

Is it not a forecast? Is it just a target sort of business target for us and it shows you the intent and hopefully the direction travel for the business. So for that, I'll stop there and hand it back to you. Ben to see if you have there. Any questions.

73

Kantar WebEx Producer 01:22:11.120 --> 01:22:22.000

Thank you one. Your question and answer session will now begin if you wish to ask a question, please click on the raise hand icon at the bottom of your screen next to the unmute option.

74

Kantar WebEx Producer 01:22:22.840 --> 01:22:31.840

Like to withdraw your question. Please click on the hand icon again, in case you joined using your telephone line, please press star three, thank you.

75

Kantar WebEx Producer 01:22:43.120 --> 01:22:47.680

Our first question today comes from Frauke. Please go ahead.

76

Michael 01:23:01.680 --> 01:23:02.320

Is it.

77

Michael 01:23:03.680 --> 01:23:04.240

Just me.

78

Michael 01:23:06.160 --> 01:23:07.440

Oh, there we go.

79

Kantar WebEx Producer 01:23:13.200 --> 01:23:17.000

So please make sure your device is not on mute.

80

Frauke 01:23:20.240 --> 01:23:21.520

Can you hear me? Hello, can.

81

Michael 01:23:22.400 --> 01:23:23.440

We can hear you.

82

Michael 01:23:24.200 --> 01:23:25.360

Myself twice as well.

83

Frauke 01:23:26.200 --> 01:23:27.280

Sorry, sorry about that.

84

Frauke 01:23:27.440 --> 01:23:47.760

I don't know how to do that. Just quickly my questions. First of all, you said you're restructuring is coming down. I can see it was forty- two this quarter last year in the same quarters was forty- eight so coming on slowly, do you still speak to your privilege previous given guidance that.

85

Frauke 01:23:48.440 --> 01:24:08.240

Restructuring shall have which means roughly to one hundred million this year. Second question is, I, I think you still have to do a one hundred ten million m- and a related deferred payment to WP. Can you update?

86

Frauke 01:24:08.520 --> 01:24:21.040

On the timing of that and all the receivables, which you are selling, is this non- recourse factoring or is it with Recourse? Thank you.

87

Michael 01:24:22.320 --> 01:24:42.800

Okay, thanks RICA. in reverse order, it's non- records. That's the first one in terms of the factoring the. Yes, I am going back to your first question. I am sticking with my carving of one off restructuring. It's higher in the first quarter and probably in the second quarter.

88

Michael 01:24:42.840 --> 01:25:03.280

You might think because it's not evenly spread because this is, this is a tapering off of spend some of it was a crude last year, but this is the cash effect coming into Q one. So it should, it should drop a significantly in the second half. So I'm sticking with a hundred and on the deferred consideration as you mentioned, it's not all WPP, we.

89

Michael 01:25:06.480 --> 01:25:23.600

We have a payment to, for a business called Tech Edge, which was a subsidiary, we, we bought out within the media division, the payment in July of around thirty million for tech Edge and then the sort of seventy.

90

Michael 01:25:24.120 --> 01:25:31.440

Million that you mentioned to get to a hundred and ten is due to WPP the most of that has comes in October and November.

91

Michael 01:25:38.480 --> 01:25:40.600

Got, okay, did you get that?

92

Frauke 01:25:42.960 --> 01:25:49.360

Yes, thank you. I, sorry, I didn't get the question on the, on the non- recourse factoring or is it recourse.

93

Michael 01:25:49.400 --> 01:25:50.000

Sorry, I didn't get.

94

Michael 01:25:50.800 --> 01:25:53.680

It's non-recourse, non-recourse.

95

Frauke 01:25:53.840 --> 01:25:55.760

Okay, thank you.

96

Kantar WebEx Producer 01:25:59.040 --> 01:26:04.800

Good question today comes from Aman Mahal. Please go ahead. Your line is now unmuted.

97

Aman Mahal PGIM 01:26:05.600 --> 01:26:24.800

Guys, just a few for me, first of all, just to clarify you said, excluding the US, sort of restructuring impact, you said, Ebidta would be up five percent in the quarter versus minus one percent and I think you said group, I didn't catch the revenue number. Could you just remind me what you said, what the revenue impact would have been on that.

98

Michael 01:26:26.600 --> 01:26:28.320

Five point one.

99

Aman Mahal PGIM 01:26:28.440 --> 01:26:30.960

So revenues would have been up five percent.

100

Aman Mahal PGIM 01:26:32.880 --> 01:26:52.720

And then when you talk about sort of, I guess budgeting cautiously at the current run rate going forward. Are you referring to that kind of underlying five percent, top line trend where you're talking about? Maybe an April is a negative that might be running a different rate, just maybe just clarify sort of all kind of quantify what you mean by that kind of.

101

Aman Mahal PGIM 01:26:54.280 --> 01:26:56.840

You're referring to, in terms of your budgeting.

102

Michael 01:26:58.480 --> 01:27:18.320

Sort of more in the sort of. Yeah, sort of, I don't need too precise, but sort of three to five percent varies by division a lot. I mean, numerators up eighteen percent, for example, but three to five percent budgeting more towards the bottom end. does not say we're not targeting our teams with the higher revenues by the way, but it's more about how we're setting our, how we're planning our costs and our resourcing.

103

Aman Mahal PGIM 01:27:19.600 --> 01:27:38.680

Okay, it's up and in terms of sort of any sort of phasing or how you're thinking about sort of the build-up in terms of like hiring et cetera, you're into kind of Q four or do you see sort of persistence from that sort of low level.

104

Michael 01:27:38.800 --> 01:27:53.440

Hiring we're not planning to hire really a tool, so we've, since, since October last year, we've had, you know, a reduction group, small gradual reductions in headcount and we're aiming for that to continue, basically.

105

Michael 01:27:54.800 --> 01:28:13.360

A net net, I mean, obviously we're hiring in some markets, but, but, you know, it's a big company, twenty- five thousand people or so, so sort of, you have people joining people leaving, but net net would be coming down. That's the end. We have done this quarter. We are every month so far and that we want that to, to continue. So no plans to have a net increase in headcount this year.

106

Aman Mahal PGIM 01:28:13.400 --> 01:28:33.840

Okay, that's helpful. And then just on restructuring, I guess a couple of questions, one in terms of that US restructuring, I guess he talked previously about numerator sort of remaining kind of standalone effectively for the time being for very sort of earnout reasons. So could you just, maybe explain just.

107

Aman Mahal PGIM 01:28:34.040 --> 01:28:46.000

Very high level. How numerative fits within that restructuring at the moment? Are they separate offices running entirely separately from this kind of restructured sort of residual us business or have you started embarking on some of those changes already.

108

Michael 01:28:46.000 --> 01:29:06.480

Yeah, so sorry when I say us, I mean, insights us division. So within America. So within the Americas block of Insights is a division called North America, where it's called Americas and, and then the, within it, there's North America that is quite separate from Numerator, which is based in Chicago and is, is currently as you say, run.

109

Michael 01:29:06.760 --> 01:29:23.760

We do collaborate with Numerator and we have combined two businesses into this business called Vivix, which appears on one of the charts, which is the ad- Intel business. So we've done some combinations, but the core sort of the core shopper panel of numerator and the world panel business that currently run.

110

Michael 01:29:23.840 --> 01:29:31.040

Separate businesses, so, and short answer your question. no connection whatsoever to the restructure in America.

111

Aman Mahal PGIM 01:29:32.080 --> 01:29:48.720

And I guess so one last one we structuring, I think after you came when you announced an additional kind of restructuring program for taking out, like a layer of management across the business is that I think it's relatively senior. Is that sort of happened and has there been any sort of commercial negative impact as a result of that.

112

Michael 01:29:50.000 --> 01:29:59.600

It happened and happening. It's sort of an ongoing part of an ongoing initiatives. We did have a, one of the, one of the reasons for the forty- odd million in the first quarter is.

113

Michael 01:30:00.240 --> 01:30:20.360

Severance in related redundancies on severance and relation to that, but it's sort of ongoing and I wouldn't say so I think, I think they're all in a big company like this. There are always opportunities for, you know, reviewing kind of spans and layers and, you know, sort of senior management structures. So no, not any, any sort of noticeable commercial impact.

114

Michael 01:30:20.960 --> 01:30:24.480

Other than improved operational performing costs.

115

Aman Mahal PGIM 01:30:25.200 --> 01:30:34.800

And then just on receivable, sorry, if, if you mention this away, and I missed it, but you just confirmed the outstanding balance of that receiving receivables financing that you have.

116

Michael 01:30:34.840 --> 01:30:55.920

Yeah, I'm gonna pass you to Peter to give you the latest number. Ah, yes, I'm just trying to recollect what it was at the end of March. It was around about one hundred sixty- five million dollars at the end of March and that we found that the program's actually now are beginning to, to grow, obviously we've had some disposals in the last couple of years, which impacted.

117

Michael 01:30:57.560 --> 01:31:05.600

But sort of underlying call receivers are growing along with the additional countries regarded. Let's see how the March is around. One hundred sixty- five million dollars.

118

Aman Mahal PGIM 01:31:05.680 --> 01:31:12.640

And that I guess on that point, sort of how big is that facility open or what is your sort of aspiration to kind of grow it to, to what?

119

Michael 01:31:13.280 --> 01:31:23.120

Our current facility size in Euros is one hundred sixty- one, six o million euros and we are considering increasing that.

120

Michael 01:31:24.800 --> 01:31:39.160

Partly to deal with the underlying growth as our receivables book grows and also as we look to new countries, new parts of the, that we would look to, to factor.

121

Aman Mahal PGIM 01:31:40.200 --> 01:31:54.240

Okay, and just to clarify just a sort of clear in my mind, how that works. That is effectively a hundred and sixty- million extended by it, You know, a bank, whatever, and then you're constantly posting new receivables effectively into that as your old ones.

122

Michael 01:31:54.240 --> 01:31:54.880

Correct.

123

Aman Mahal PGIM 01:31:55.800 --> 01:31:56.800

Think of it.

124

Michael 01:31:57.440 --> 01:32:10.880

Yep, so we, we collect the receivables that go into pledged accounts. The bank takes those, they give it, and then we sell more, they give us the cash, etc. It's a cycle that, that yeah keeps going.

125

Aman Mahal PGIM 01:32:10.880 --> 01:32:14.080

Okay, brilliant, thanks very much for that appreciate it.

126

Michael 01:32:14.160 --> 01:32:15.360

Thank you.

127

Kantar WebEx Producer 01:32:18.600 --> 01:32:21.120

Actually, we have no further questions queued up.

128

Kantar WebEx Producer 01:32:21.360 --> 01:32:23.040

Just to kind of reminder everyone.

129

Kantar WebEx Producer 01:32:23.840 --> 01:32:30.280

Question, please press the base hand icon or press start three on the telephone lines. Thank you.

130

Kantar WebEx Producer 01:32:32.160 --> 01:32:40.200

Just received an additional question coming from the phone lines. Please kindly introduce yourself and go ahead. Your line is now unmuted.

131

Call-in User\_8 01:32:42.880 --> 01:32:44.160

Hi, can you hear me?

132

Michael 01:32:44.160 --> 01:32:46.080

We can, we can.

133

Call-in User\_8 01:32:46.280 --> 01:33:00.000

Thank you very much. So just a few questions. So the working capital outflow is thirty- eight million is, does that include the employee incentive? Is that correct? The fifty million of employee incentive?

134

Michael 01:33:00.160 --> 01:33:01.760

Yes, it does.

135

Call-in User\_8 01:33:03.800 --> 01:33:04.000

Thank you.

136

Michael 01:33:04.240 --> 01:33:11.320

It's not fifty million though. It was about twenty. It was more last, it was more last year. Yeah.

137

Call-in User\_8 01:33:11.800 --> 01:33:25.760

Got it, and then if I look at the run rate t- bit, I mean, you realized twenty million of cost savings, but your EBITDA is kind of flat. I mean, is that the effect of the US restructuring.

138

Call-in User\_8 01:33:26.480 --> 01:33:27.600

Mainly.

139

Michael 01:33:28.960 --> 01:33:48.160

Yeah, I guess. So I was always quite hard on the quarter on quarter basis to input everything, but I guess, you know, certainly the US would have, you know, I've, I've quantified the US impact so it would have been a bit ahead. have hadn't been we'd have if we had a flat because we'd had a flat period in the US and obviously we hope to do better than flat, and obviously we would.

140

Michael 01:33:48.400 --> 01:33:57.280

Some growth, but yeah, I mean it's a, it's gonna be a number of different things, but the US didn't help.

141

Call-in User\_8 01:33:57.920 --> 01:34:18.240

Got it and, and final question. I mean, we're two months into Q two. I mean, any colour you can give us to, you know what you're seeing for Q two and, you know, what kind of performance it's, it's the business currently trending at. I mean, some of these cost initiatives, some of.

142

Call-in User\_8 01:34:18.920 --> 01:34:23.360

Effects that you mentioned should be supportive of Ebitda growth in Q two.

143

Call-in User\_8 01:34:25.280 --> 01:34:27.200

Would that be fair assumption? I guess.

144

Michael 01:34:30.400 --> 01:34:47.680

Yeah, I mean away with two months in. Yeah, we haven't got the... we haven't got the full kind of May results, so we are, it's, you know, from the start of the top line, the top line is that we've, you know, it's obviously I wouldn't be guiding to sort of.

145

Michael 01:34:47.720 --> 01:35:08.160

Current sort of similar revenue trends and it wasn't continuing in a relatively similar fashion or albit the US, you know, there's settled down, you know, since we had our issue in Q one, so from that point of view, it's, it's sort of carrying on not getting, I wouldn't say it's getting worse and there's still quite a lot of optimism out there, but.

146

Michael 01:35:08.320 --> 01:35:09.720

Want to be cautious.

147

Michael 01:35:12.000 --> 01:35:31.840

It's, it's a bit early to say what, how the sort of bottom line is gonna look in Q two year on year, if I'm honest. so I'd rather just leave that one for now. I mean, it's a stable situation with a bit soft on the revenue side and the areas that I've talked about. So we.

148

Michael 01:35:32.000 --> 01:35:52.960

It's proven to keep our, our cost, our cost down, look at the order buckets. It's relatively in line with last year and the orders are relatively in line. It's, you know, it's, it's a curious situation at the moment because people are quite cautious, but equally was also lots of good performance out there as well. So.

149

Michael 01:35:53.120 --> 01:35:58.360

Just gonna have to kind of pass on that one for now.

150

Call-in User\_8 01:35:59.360 --> 01:36:00.640

Okay, that's helpful.

151

Kantar WebEx Producer 01:36:05.760 --> 01:36:10.920

All right, next question comes from any area. Please go ahead. You are now unmuted.

152

Adi Arya 01:36:14.720 --> 01:36:33.920

I, I think we've had, you talked a bit about the performance across different segments and different geographies, but if I might just press on the kind of insights division firstly, which is kind of fifty to sixty percent of, of the revenue base. I, I acknowledge, you know, you've got your panel.

153

Adi Arya 01:36:34.080 --> 01:36:54.400

Numerative business that is growing quite well, but insights is probably the more kind of sick or area where I think when you say you do pricing, Chris, they reduce scope. It might be there. So could you talk a bit more about your Outlook vary and I think in the last call you talked about how November to January is kind of the renewal cycle, so you wouldn't necessarily start.

154

Adi Arya 01:36:54.680 --> 01:37:14.880

Year with all of the previous years revenue reagreed with contract. So how, how are you tracking in terms of at least delivering within insights the revenue of last year and when you say kind of low, single digit growth, say three percent is that, is that kind of accurate for the insights division BAS.

155

Adi Arya 01:37:15.840 --> 01:37:18.720

Discussions with customers right now, and then I follow up on media.

156

Michael 01:37:20.640 --> 01:37:21.280

Okay.

157

Michael 01:37:23.840 --> 01:37:26.400

I mean, insights has always been.

158

Michael 01:37:27.160 --> 01:37:27.680

It's about half the.

159

Michael 01:37:28.360 --> 01:37:32.160

And there's a different type of business in terms of its structure and indicated.

160

Michael 01:37:32.680 --> 01:37:34.080

The contract, so I would say that.

161

Michael 01:37:34.960 --> 01:37:46.880

Probably closed to eighty percent of the businesses, you know, recurring or semi- recurring and every sort of practical terms they may not be five year contracts. They may be annual contracts, but as I said, the renewal rates are incredibly strong. So there's a sort of.

162

Michael 01:37:47.640 --> 01:37:52.640

Wrong, so that up to at least sort of eighty percent of the revenues.

163

Michael 01:37:52.640 --> 01:37:59.040

In terms of the first quarter, we're insights revenues around one percent. It is obviously affected quite significantly.

164

Adi Arya 01:38:01.040 --> 01:38:01.600

By the North America.

165

Michael 01:38:01.840 --> 01:38:02.880

Number, I haven't actually Don.

166

Michael 01:38:04.240 --> 01:38:06.720

North America, but I was sort of doing it in my head.

167

Michael 01:38:06.760 --> 01:38:07.360

I'm gonna add.

168

Michael 01:38:11.240 --> 01:38:29.120

Underlying growth of, you know, within sights, so probably the, you know, and things like APAC growing going quite well, if I look at secured revenue for insights after Q One got fifty- three percent of the target, which is very similar to this time last year, promised exactly the same actually.

169

Michael 01:38:29.120 --> 01:38:49.160

So there's, there's no sign that it's, you know, materially falling short of where we wanted to be, but, but yeah, there's a bit more discretionary product in there versus, you know, media, which you're going to ask me about in a minute, but versus something like media or, or numerator or world panel, even where it's tends to be more.

170

Michael 01:38:50.320 --> 01:38:52.800

Contracted and, and sort of longer term.

171

Adi Arya 01:38:53.440 --> 01:39:13.280

Okay, understood I guess, but would it be fair to say that insights is recurring or reoccurring in a BENIGN environment because not that we'll be in the SIM that same situation, but if I look at twenty- twenty, you know, insights and consulting together or sorry, consulting wasn't there then it was just insights that fell about twenty percent on an actual basis.

172

Adi Arya 01:39:14.080 --> 01:39:31.840

So, so is it fair to say that because of kind of, you're only, you've got fifty percent of target and you might perform in line with last year, if, if this year is Benign, but if we have a more recession environment and the Cpg's cut back, then then you will feel that client at least in insights, is that fair?

173

Michael 01:39:31.960 --> 01:39:36.960

Certainly feel some of the kinds of I think the twenty- twenty, we will remember what happened in twenty- twenty.

174

Michael 01:39:37.800 --> 01:39:41.440

I don't think the COVID scenario is particularly.

175

Michael 01:39:42.480 --> 01:40:01.920

Is a hope is not a particular parallel because obviously I wasn't in this business then, but I was in a different business and everybody was just trying to shut down everything they, possibly could to survive, right? So we're not in that situation even in a recession, you know, the customers will still continue to, you know, spend and advertise et cetera, et cetera, but of course some, some.

176

Michael 01:40:01.920 --> 01:40:04.480

Exposure there, I think looking right back to two thousand, eight, nine, ten.

177

Michael 01:40:05.880 --> 01:40:09.600

Because the business is a turkey different shape, but there was nothing like a twenty percent reduction.

178

Michael 01:40:11.040 --> 01:40:12.160

But yeah, there's obviously some.

179

Michael 01:40:13.480 --> 01:40:18.560

Obviously more clickable. I can't argue with that, but just not, not a cyclical as you might think.

180

Adi Arya 01:40:19.840 --> 01:40:39.040

Okay, let's helpful. Thank you, then just on media. My, my final question is just when I look at the trend over time, I think, you know, obviously within your other segments, there has been various sales and acquisitions where I think unless there's been material acquisitions in media, I think I see kind of three percent growth in twenty one, and then again I look.

181

Adi Arya 01:40:39.160 --> 01:40:59.520

I'm looking at actuals, so there might be some FX here and then kind of a double digit decline top line on media, you've seen pricing pressure in the media division generally, and if so why, because I'd have thought this is a very strong division in Safar as you're offering and your currency status and I, I.

182

Adi Arya 01:41:00.700 --> 01:41:10.940

Seeing the numbers on a blank sheet of paper and I thought it grows something like like a numerator just because of the strength of its offering. So would you be able to explain why that's potentially not.

183

Adi Arya 01:41:13.900 --> 01:41:17.940

Given how, how good it is, the value is to customers.

184

Michael 01:41:19.900 --> 01:41:23.100

So, so the old reference, a double digit client is in your.

185

Michael 01:41:23.740 --> 01:41:24.380

As a result.

186

Michael 01:41:25.020 --> 01:41:28.860

Hundred and twelve going to a hundred and four, so we looking at or.

187

Adi Arya 01:41:28.860 --> 01:41:38.460

I actually, I'm looking at actual so I, I look at six forty million of revenue in twenty- one versus five, three, seven in twenty two so that, that obviously.

188

Michael 01:41:38.580 --> 01:41:40.380

Doesn't, oh yeah, we did, so, okay.

189

Adi Arya 01:41:41.220 --> 01:41:41.660

Several.

190

Michael 01:41:42.260 --> 01:41:44.220

So we sold a division called Reputation.

191

Michael 01:41:46.260 --> 01:41:46.780

That was so.

192

Michael 01:41:47.900 --> 01:41:48.060

Time.

193

Michael 01:41:49.340 --> 01:41:51.900

So that was in there. So that's, that's a good chunk of it.

194

Michael 01:41:53.420 --> 01:42:04.700

Just the most recent one, which you'll see on page sixteen of our results. It looks like his declined, but that's because a chunk of it is transferred to Vivics in the line below. So that was the add intel bit of.

195

Michael 01:42:05.140 --> 01:42:12.380

Our media North America. It hasn't declined, basically, it's been, it's been growing quite well. I mean, it has these really long...

196

Adi Arya 01:42:12.380 --> 01:42:13.020

Contracts.

197

Michael 01:42:14.620 --> 01:42:24.540

All around the world and, and, you know, the UK being a key one, but, you know, last America very strong et cetera and they're most recently linked to RPI, so.

198

Michael 01:42:26.060 --> 01:42:27.740

Very high pass through.

199

Adi Arya 01:42:27.820 --> 01:42:29.540

Contracted increase.

200

Michael 01:42:30.300 --> 01:42:34.780

It's the most contracted sort of RPI linked business, so it hasn't been declared and.

201

Michael 01:42:35.460 --> 01:42:43.740

Can probably get you. Well effectively, we strip it out in our numbers, you know, the impact of the acquisitions of the, the, the disposals, rather.

202

Michael 01:42:44.380 --> 01:42:45.660

It hasn't declined.

203

Adi Arya 01:42:46.300 --> 01:42:50.060

Okay, do, do you have the, like for like, growth at hand.

204

Michael 01:42:52.220 --> 01:42:55.260

Will do, because when we do our proforma and all of our announcements, we always stri.

205

Michael 01:42:56.540 --> 01:42:57.180

So, for example.

206

Michael 01:42:59.740 --> 01:43:01.020

I mean, we'll have to go back through.

207

Michael 01:43:01.060 --> 01:43:01.660

The results anno.

208

Adi Arya 01:43:01.980 --> 01:43:03.580

For example, this, this.

209

Michael 01:43:11.460 --> 01:43:12.540

Media revenues.

210

Michael 01:43:15.100 --> 01:43:22.780

That will be, we will have excluded the add intel bit of Vivix cause that's in the Vivix part. Similarly a year ago I'd have to look at what we would.

211

Michael 01:43:22.940 --> 01:43:24.700

The growth and media, but we would have stri.

212

Michael 01:43:26.620 --> 01:43:38.780

We would have swipped out the reputation Intelligence division, so we do it in the front half hour announcements where we sort of adjust for proforma then obviously in the back where we have to put in everything, just as it was, we don't allowed to.

213

Michael 01:43:40.060 --> 01:43:44.540

Okay, we can dig it out and send it to you to make it easy for you.

214

Adi Arya 01:43:44.540 --> 01:43:46.420

Great, thank you.

215

Kantar WebEx Producer 01:43:49.660 --> 01:43:52.660

We have received no additional questions from the audience.

216

Michael 01:43:55.420 --> 01:44:10.940

Okay, well thanks Ben, I think we'll leave it there and just sort of thank everyone for dialling in and we'll be back to do our quarter two results in a couple of months time, so thank you very much. Have a good afternoon.

217

Kantar WebEx Producer 01:44:13.340 --> 01:44:20.300

Everyone that marks the end webinar. Thank you for joining and enjoy the rest of your day goodbye.