An agile business model with high cash conversion

Penny Ladkin-Brand (CFO)
Strong financial characteristics

**PILLARS**

**SUSTAINABLE ORGANIC GROWTH**

**THE PLATFORM EFFECT**

**VALUE-CREATING M&A**

**FINANCIAL CHARACTERISTICS**

- **Sustainable organic growth**
- **Operating margin growth**
- **Strong FCF conversion**
- **Accelerate with M&A**

**+66% Adjusted* EPS CAGR (HY18-HY22)**

**+11% average organic** revenue growth (FY18-HY22)

**+190bps in adjusted* operating margin to 33% (HY18-HY22)**

**+106% AOP* CAGR (HY18-HY22)**

**101% avg AFCF*** conversion (FY18-HY22)**

**0.89x leverage**** (net debt/EBITDA) (FY18-HY22)**

**16 transactions for £1.4bn (since 2018) of which £0.7bn was equity funded**

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*Adjusted results are adjusted to exclude share-based payments (relating to equity settled share awards with vesting periods longer than 12 months) and associated social security costs, exceptional items, amortisation of intangible assets arising on acquisitions and any related tax effects.

**Organic growth defined as the like for like portfolio at constant FX rates (i) excluding acquisitions and disposals made during the comparable period and the current period and (ii) including the impact of closures and new launches.

Constant FX rates is defined as the average rate for the period.

***Adjusted free cash flow is defined as adjusted operating cash inflow less capital expenditure. Capital expenditure is defined as cash flows relating to the purchase of property, plant and equipment and purchase of computer software and website development. Adjusted operating cash inflow represents cash generated from operations adjusted to exclude cash flows relating to exceptional items and payment of employer’s taxes on share based payments relating to equity settled share awards with vesting periods longer than 12 months, and to include lease repayments following adoption of IFRS 16 Leases. Adjusted free cash flow conversion reflects adjusted free cash flow as a percentage of adjusted operating profit.

****Leverage is defined as Net debt as defined in 9) below (excluding capitalised bank arrangement fees and including any non-cash ancillaries), as a proportion of Adjusted EBITDA adjusted for the impact of IFRS 16 and including the 12 month trailing impact of acquired businesses (in line with the Group’s bank covenants definition). Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation adjusted for the items referenced in 1) above where applicable.
Long term organic growth opportunity

Through time growth in organic users has translated into organic revenue growth.

We continue to see addressable market opportunity to continue this trend.

+17%  
Average organic* online users** growth (HY 2018 - 2022)

+25%  
Average organic* Media revenue growth (HY 2018 - 2022)

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*Organic growth defined as the like for like portfolio at constant FX rates (i) excluding acquisitions and disposals made during the comparable period and the current period and (ii) including the impact of closures and new launches. Constant FX rates is defined as the average rate for the period.

**Online users are taken from Google Analytics. Unless otherwise stated, online users are monthly and the monthly average across the year.
Continuous improvement in profitability as we scale

The **platform effect** is more than operating leverage and growing the bottom line, it is about the **multiplier effect of the organic and inorganic capabilities** that deliver unique value creation, both top and bottom lines.

<table>
<thead>
<tr>
<th>REVENUE MIX</th>
<th>ONGOING INVESTMENT</th>
<th>SCALABLE BUSINESS MODEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue by division as a % of revenue*</td>
<td>Sales, marketing and editorial costs % of revenue*</td>
<td>Overhead costs as a % of revenue*</td>
</tr>
<tr>
<td>Magazines 36%</td>
<td>HY 2021 26%</td>
<td>HY 2021 17%</td>
</tr>
<tr>
<td>Media 64%</td>
<td>HY 2022 26%</td>
<td>HY 2022 13%</td>
</tr>
</tbody>
</table>

*HY2022
Continuous improvement in profitability as we scale

<table>
<thead>
<tr>
<th>£m</th>
<th>Media</th>
<th>Magazines</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>258.6</td>
<td>145.7</td>
<td>404.3</td>
</tr>
<tr>
<td>Cost of sales 2</td>
<td>50.4</td>
<td>51.1</td>
<td>101.5</td>
</tr>
<tr>
<td>GC margin</td>
<td>81%</td>
<td>65%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Sales, marketing and editorial 3

Margin after direct costs

(106.5)

49%

The group benefits from a favourable revenue mix driven by:

- Faster revenue growth in Media (long term double digit growth), which today represents 64% of the Group’s revenue, compared to 36% for magazines (secular decline)

- Coupled with a higher gross contribution margin for Media at ~80% vs ~60% for magazines

Direct costs shared across divisions provide economies of scale by vertical

1 HY 2022
2 Gross contribution is after deducting distribution costs
3 Direct costs include non-attributable cost of sales not included in gross contribution
4 Organic growth defined as the like for like portfolio at constant FX rates (i) excluding acquisitions and disposals made during the comparable period and the current period and (ii) including the impact of closures and new launches. Constant FX rates is defined as the average rate for the period
5 HY 2019- HY 2022
An agile business model drives flexible cost base with an agile and proactive approach.

Costs reported in cost of sales* directly linked to revenue opportunities.

- Magazine production: 31%
- Magazine distribution: 22%
- Marketing: 20%
- Media costs of revenue: 27%

Sales, marketing and editorial costs*:

- Magazine production: 25% of revenue
- Magazine distribution: 26% of revenue
- Marketing: 23% of revenue
- Editorial: 47% of revenue
- Media costs of revenue: 30%

Commercial approach to continued investment “fish where the river runs the fastest”
An agile business model drives flexible cost base - Central overhead costs

Total overhead costs HY 2022
£51.1m

- 13% of revenue
- 20% of total Group costs

Efficient and scalable cost base
Centralised services are located in affordable locations with the UK the centre for many shared services enabling investment in next generation of talent.

We operate as a living wage employer in all markets

Our content follows our audiences. Our teams are based around centres of excellence which allows us to build communities for talent.

**United Kingdom**
Front office: Ecommerce
Sales & Marketing
Editorial
Events
Studios

**Central services:**
Technology
Audience development
Finance
People & Culture

**France**
Central services: Technology

**United States**
Front office: Sales & Marketing
Editorial
Events
Local People & culture
Email Marketing

**Australia**
Front office: Sales & Marketing
Editorial
Local ecommerce

**Relevant Margin Growth**

<table>
<thead>
<tr>
<th>Region</th>
<th>Revenue by geography</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>38%</td>
</tr>
<tr>
<td>UK</td>
<td>62%</td>
</tr>
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</table>

**FY 2022**
Asset light and high free cash flow conversion by design

An asset light business

Low capital intensive with capex % sales broadly stable at ~2%

Generating consistent strong free cash flow

Consistent adjusted FCF conversion of ~95-100%
Capital allocation priorities

1. Organic growth
2. M&A
3. Debt repayment
4. Progressive dividend

Consistent Adj. FCF conversion of 95-100%

Average sustainable AOP target

- SUSTAINABLE ORGANIC GROWTH: +10%
- THE PLATFORM EFFECT: +5%
- CREATING VALUE THROUGH ACQUISITIONS: +10%
Value creation from M&A

Since 2018:
- 16 transactions
- Total consideration: £1.4bn
- Equity funded: £0.7bn or 50%
- EBITDA acquired: £127.6m

Funding strategy
- Depends on the nature of the acquisition and its size
- Depends on financial market conditions
- Leverage at 1.5x with ability to spike to 2.0x upon completion given cash generative nature of the group

Strong balance sheet with debt facilities of £680m and headroom of over £200m
- RCF: £500m
- Term loan: £180m

1 As at the end of August
Value creation from M&A

Core EBITDA
FY 2018 Adjusted EBITDA - as reported

£20.7m

Acquired EBITDA
£127.6m
£148.3m

Additional value created (organic and inorganic)
£145.3m

FY 2022 EBITDA consensus
£293.6m

1 Unaudited pro-forma EBITDA in the period prior to acquisition