Transcriber’s name: Jennifer B.

Transcriber’s Notes:

(Any difficulties experienced, accents, and general comments)

* Names of callers were difficult to understand and could not be verified.

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: Ian Griffiths

 Peter Russell

Title of Meeting: Kantar Full Year 2021 Lender Call

Hosted By: Peter Russell

Coordinator Welcome, everyone, to the Kantar Full Year 2021 Lender Call. My name is Tommy, and I’m your event manager. During the presentation, your lines will remain on listen-only. [Operator instructions]. I would like to advise all parties this conference is being recorded for replay purposes.

 Now, I’d like to hand it over to your host, Ian Griffiths, Deputy CEO and group Chief Financial Officer. Please go ahead.

I. Griffiths Thanks, Tommy. Hello, everyone, and as Tommy said, welcome to Kantar’s 2021 Full Year Lender Presentation. On the call today is myself, Ian Griffiths, as Tommy said I’m the Deputy CEO and CFO, and Peter Russell, who’s our group Treasurer. I’m going to give you an overview of the business, trading, cash, and hopefully as usual, we’ll have plenty of time for questions.

 If we move onto the next slide, I don’t normally dwell on displaying the slide, but you’ll see on here if you can get your eyes into that focus, there’s a brief section just on the base of preparation, and there’s two things I’d just like everyone to be clear on.

 Firstly, what we’re presenting is a set of unaudited numbers. The numbers we always present are unaudited, but this time, we do actually expect our audited numbers to be ready in about a week’s or so time. This year, we’re doing our first ever PLC-style annual report. So, we have interviews with leadership and our shareholders. We have a good overview of the business, our key risks, and a very good section on what we’re doing around ESG, and in particular our own sustainability practice which is building up a really strong client base, helping our clients, and progressing their ESG strategies and needs.

 Clearly, by presenting these numbers now, we’re not expecting any material changes between these numbers and the audited numbers.

 Secondly, the numbers that we present are on a pro forma or a like-for-like basis. So, they are constant currency for the same business activities, the main adjustments being to remove our health business which we sold, and adding comparisons to Numerator for the period which we’ve owned the business.

 This basis of preparation means what we present is a reflection of the underlying performance of the business that we own today. Clearly, the cash and balance sheet numbers are the actual numbers.

 In the appendix of this deck, we reconcile fully the statutory numbers to these pro forma numbers so that you can see very clearly the adjustments we’re making.

 So, moving on to the agenda which we’ll rifle through very quickly, this is planned for the next 20 minutes or so. A quick overview of 2021 performance, updated balance and cash flows, a trading update, and then time for Q&A. So, let’s get into the 2021 performance.

 On the next slide, you’ll see we used this three-pillar framework all year to describe our key priorities, and it tells it internally and externally to give us a consistent way of describing how we’re transforming the business.

 Now, to make Kantar a better business, we have to win with our clients, we have to focus on speed and simplicity both in what we deliver to our clients and our ways of working, and if we get all of that right, we continue investing for the future. Against all of these criteria, we believe we’ve made real progress.

 In terms of winning with our clients, we’ll grow thorough the revenue in detail in a minute but 9% revenue growth was delivered in the year, and all of our business is growing reflecting a good recovery after the challenge of 2020.

 Particularly pleasing is how we’re delivering growth with our more technology-enabled products, what we call our growth platforms, businesses which we continue to invest in. These have delivered around 50% growth and are now generating nearly half a billion in revenue.

 Not only are better, stickier solutions for our clients, but they’re higher-margin offers as well, and the key reason why, even though our revenues are still below 2019 levels, our absolute dollar gross margin is slightly ahead of 2019.

 As we look ahead in 2022, our secured revenues are in good shape. Roughly 50% of our plan is secured which is where we would like to be, and all the business is underpinned by continued strong CSATs, or customer satisfaction scores. Our overall scores are up 3.5 percentage points and are now running 20% higher than the industry average.

 In terms of speed and simplicity, we’re starting to see the benefits of all the work we’ve done to make Kantar an easier business to deal with and to work in. We have record margins at 16.3%, we delivered our cost savings at over $200 million this year, and we’ve managed the working capital slightly, so we have a healthy liquidity position.

 Both the cost savings and working capital improvements are ahead of the original business case, but there are still further opportunities to make the business more effective and efficient: delivering more automated, recurring solutions to our clients and to drive additional cost savings.

 We’ve started to reshape the portfolio with the sales of our health business and our Rep Intel business and the addition of Numerator, plus we’ve strengthened the leadership team with great talent which should set us up for another year of both strategic progress and real growth.

 Moving on, these are the financial highlights. We had 9% revenue growth to $3.7 billion, 10% growth in gross margin to $2.5 billion, 35% growth in EBITDA to $600 million on a pro forma basis, and that comes with a record margin of 16.3%.

 We delivered further working capital improvements and invested in capex which Peter will go through, but as we’ll show where we’ll now investing is more in initiatives to draw out efficiencies and new products rather than just fixing the underinvested infrastructure which we took over from WPP.

 On the next slide, we have the P&L which you can see the very strong flow-through of our 9% revenue growth which is just under $300 million which then leads to $157 million more EBITDA. This is even after a $150 million reversal of the one-off actions we took in 2020 when responding to COVID.

 Our headcount across 2021, excluding Numerator, continued to fall with around 500 heads less than we started the year, and we did deliver over $200 million of savings. Year-on-year, these are offset by the incentives to our team for delivering such strong growth, much stronger than we expected than when we started the year, and some inflationary pay raises we have to make a year.

 Some of this is BAU, and some of these decisions we took to close historic pay gaps, particularly in areas where we had high churn within some of our teams. The actions taken on our cost base not only give us the flexibility to make these decisions, but we’ve created a much more efficient business.

 This is really evident on the next slide, if we move on, which is the P&L comparison to 2019. As I’ve said, our revenues are still not at 2019 levels; they’re down 5% which is $195 million, but we’re making $77 million more in EBITDA at a margin that’s nearly 3% higher.

 Our gross margin percentage is 4% higher than 2019. This reflects changes in how we collect data, more automated, and less face-to-face collection, more technology-enabled products such as our brand guidance offer, our marketplace platform, and the work we’ve done to improve our profiles in Worldpanel businesses , and it reflects a return to investments we’ve made in our procurement team.

 Our headcount compared to 2019 is 3,700 less than it was when we started, and the savings in staff cost, excluding expenses, was securely performance-based and variable, the savings from procurement, and the savings from G&A which is essentially from new ways of working, for example less property, are what’s defined of $235 million of total cost savings delivered to date.

 If we move on, you can see that all of this works to create a more efficient platform for growth and a more resilient business. It’s coming through in the numbers.

 In 2020, we acted quickly to preserve profits in cash through what was an impressive end to trading period, and all of that good work is now paying off in 2021 and into 2022, as we’ll talk, because as the business recovers and returns to revenue growth, it’s doing so in a more sustainable high-margin way.

 We end the first two years of Kantar being an independent business with higher asset EBITDA over $600 million, and a higher margin at 16.3%. So, we think that’s good progress so far.

 If we move on, this is just a chart that we put together, and it’s in our annual report, but we also end the first two years of Kantar being independent with a clearer view of what Kantar as a business is helped by the way that we’ve reshaped the portfolio.

 There’s more to do on this, but we’re becoming a much more coherent business really centred around our clients and their brands, helping them with data insights and analytics to make better decisions on their business.

 We discuss this idea in more detail in the annual report, but I think it’s important that you all recognise what an amazing client base we have with 93 of the top-100 global advertisers. It’s a diverse business across the categories of clients that we serve. It’s diverse in terms of size as our top-50 clients are only a third of our total revenues. We have amazing loyalty from our clients with both Worldpanel and Insights having churn of less than 1%.

 As a result, we have five reoccurring revenues, and if our clients are willing to spend on their brand and on understanding behaviour, we are incredibly well placed to benefit from that.

 Let’s now get into the numbers with a detailed analysis on the revenues. This is a summary slide which shows which of the divisions contributed and contributed how much to the near $300 million of revenue growth in 2021.

 Insights contributed nearly half of the growth, but as the slide shows, there’s clearly growth across the board. Our shopper panel businesses of Worldpanel and Numerator were both up strongly continuing the momentum that they delivered in 2020. Public grew strongly helped by work in the UK collecting data to help the government understand COVID, and Profiles, our panel supply business also grew strongly in particular growing its revenue from external clients outside of Kantar.

 We’ll go into the divisions in more detail, but this was a much stronger recovery than we expected when we put our plans together in 2021.

 If we move on, we have three slides on Insights breaking down performance firstly by region, then by quarter, and finally by solution so you can see what clients are buying compared to previous years.

 On a regional basis, all our regions grew, and with the exception of EMEA which is basically UK, they grew double-digit. EMEA has done the most work reshaping its portfolio, in particular, repricing or walking away from low-margin work, but it’s also the region with the largest exposure to customer experience work, which as you’ll see in the following slides, has been the one solution area we struggled with across this period.

 On the next slide, you can see the shape of 2021, and it’s a mirror image of 2020. In 2020, Q1 was pretty flat. We had significant declines across Q2 and Q3, and in Q4 we started to see a return to recovery. The, 2021 flips us around, as was expected given the comparison. The 2% growth in Q4 was a little softer than we may have liked, but Q1 2022 has started much stronger with growth of 5% for Insights at the end of February and an order book for Insights that’s in really good shape, so it’s showing even stronger growth going forward.

 On the next slide, which is the final slide for Insights by solution or client offer, we see really strong growth in our brand business, not least as we’ve invested in a more automated brand offer. The demand for long-term brand studies remains robust, and we’re often locked into our price. Our renewals for 2022 reflect this and have been very strong.

 Our creative, media, and innovation offers have been helped by the continued evolution and development of our Kantar Marketplace platform which is our platform that clients upload the app, get instant feedback, access analytics in real time. It’s quick, it’s responsive, and it’s a real do-it-together solution that is growing rapidly since the launch a couple of years ago.

 Our analytics business has delivered strong growth and now has revenues over $100 million. Offsetting this, as I mentioned earlier, we have customer experience where the loss of a couple of large automotive contracts in Europe have led to this decline.

 In the brand, this has been a good recovery for Insights. As I mentioned, we have good momentum as we start 2022.

 If we move on to Media, you can see how the business recovered from a poor Q1. The Q1 dip was solely due to our AdIntel business in North America getting off to a really slow start which it recovered from across the rest of the year, and 2021 has been a really positive year for the business. There were significant renewals in the UK, Turkey, and Chile plus in the Netherlands, we won a tender to create the world’s first integrated cross-media solution, a TV, digital, published media, and radio.

 This wins, all in our audience measurement business, are worth over $200 million of secured revenue over the long-term life of these contracts which is generally the next five to eight years. So, this business is in really good shape, and the growth seen in 2020 and 2021 is expected to continue.

 Moving on, Worldpanel, as we discussed before, is our shopper panel. As we discussed, it’s a fantastic business. The demand for the data and insights that we produce remains incredibly strong in all the markets in which we have panels. As a result, one of the key areas we’ve been investing in has been in a new technology platform for the business, and in 2022 we’ll also start the rollout of a new front-end for clients, My Worldpanel.

 These investments give us confidence we’ll continue to see really strong and sustained growth for this business which will also be strengthened by the ownership of the Numerator business which we acquired in the year which is on the next slide.

 Numerator is performing very much as we expected. If anything, it’s performing slightly better than the plan especially the panel business. As a reminder, the business is essentially two businesses. It’s the high-growth shopper panel business, the business which is the North American version of Worldpanel, and it’s the AdIntel business in North America. Both these businesses are largely sold on a subscription basis, so their revenues are highly recurring.

 The panel business is an exciting strategic addition to the Kantar story, and in 2021, the revenues of the panel business were up 37%, recurring revenues were up 55%, and our ARR at the end of the year, i.e. the audit book, was up 50% all of which is really encouraging as we look into 2022 and beyond.

 The final divisional slide we have our Public division which had a really strong year. It was great across the business of the UK. COVID study work began in Q4 2020, and it’s really helped drive this amazing top-line growth, and we have our Profiles business. Now, this business supplies panellist surveys for Insights and for external clients, and it had a really good year, in particular, with the growth in external clients. We think this business could be another hidden gem in the portfolio.

 There are procurement opportunities to buy better. There’s technology improvements we can make to drive efficiencies, and as I said, there’s real focus on external clients. The revenues there grew 14%. This growth in profiles should be capable of being sustained, and that’s certainly been the case as we started 2022.

 Finally, just showing the overall Kantar revenue by region, you can see the consistent theme that not only did we deliver growth in all businesses, but also, we delivered growth in all our regions.

 I’m not going to hand over to Peter to talk about cash working capital and the balance sheet. Peter.

P. Russell Thank you, Ian. I’m now on slide 21. I’m pleased to report again that we continue to maintain the significant gains we’ve made in working capital management since December 2019. December 2021, we were over $20 million ahead of December 2020, and $380 million ahead of the position at December 2019.

 The improvement compared to 2019 is driven by $210 million of process improvements in both receivables and payables functions, $155 million of factored receivables, and approximately $20 million coming from Numerator.

 The $23 million improvement compared to December 2020 is mostly driven by the upside from Numerator, but I’m also pleased to report that despite increased revenue volumes in the rest of Kantar, we’ve maintained our underlying improvements year-on-year.

 Moving on to capex, our expenditures increased by $28 million and $22 million respectively compared to 2020 and 2019. The increase compared to both years is driven by investments in our growth platforms including holistic guidance, marketplace in our Insights division, and our big data service, Worldpanel Plus, within our Worldpanel division, offset by a small decrease in the purchase of property plants and equipment as we scaled back spend in these areas due to continued remote working.

 Now moving on to slide 22 and our leverage. Our pro forma adjusted EBITDA of $821 million at December 2021 includes $135 million of incremental run rate savings and a full 12 months of Numerator EBITDA. We’ve excluded the health division that was mostly sold in Q1 last year, and furthermore, we’ve normalised for the higher-than-usual incentive payments relating to 2021.

 Moving on to our leverage, our pro forma senior secured net debt as a multiple of pro forma adjusted EBITDA was 3.6 times at December in line with the leverage levels from a year ago noting that this is post the Numerator acquisition which highlights the underlying growth in our business.

 Finally on this slide, turning to our cash, the balance at December of $501 million reflects the cash within the senior lenders perimeter. The revolver, again remains undrawn, and total liquidity at the end of December was approximately $960 million including our undrawn facilities, more of which on the next slide.

 So, now on slide 23, our cash flow and liquidity waterfall. This shows the key drivers of cash and our liquidity in the senior lender group for the full year 2021.

 Starting at the left of the slide, we have benefited from $611 million of EBITDA, this is an actual FX rate, plus a net working capital inflow of $66 million. This reflects the $23 million of trade working capital inflow I’ve already discussed plus other non-traded related items and adjustments for actual FX rates. These inflows enabled us to fund our debt servicing, tax, FX, and restructuring costs.

 The changes in financing of $887 million reflect the debt and equity raised to acquire Numerator net of the revolver repayments in the early part of 2021.

 The M&A costs are largely the Numerator acquisition cost net of the disposal proceeds from the sale of the health business. Our restructuring costs relate to the activity that Ian has already mentioned as we reshaped our business operations.

 Our December cash position of $501 million plus our undrawn facilities provide over $960 million of accessible liquidity.

 I’ll now hand back to Ian who will provide a trading update.

I. Griffiths Thanks, Peter. So, hopefully you have the sense that we had a very strong 2021. It’s important that we maintain momentum into the New Year, but at the same time, we have to recognise the world around us is now a slightly more uncertain place today than it was when we got our plans together driven by, as I’m sure everyone is watching closely, the horrible events going on in the Ukraine.

 However, it should be reassuring to those on the call that our start to the year has been actually very [indiscernible - 23:34] planned. We have 6% growth in our revenues at the end of February. Our outlook for March suggests we’ll be on track for delivering our Q1 numbers, as we expected, and our secured revenue, as I’ve already mentioned, for the rest of the year of 50% booked is where we would expect it to be.

 It’s also encouraging that Insights was seeing momentum in our orders. The sales for the last three months are up 8% year-on-year. We have ambitious plans for Insights for marketplace and analytics. Worldpanel and Numerator we expect to deliver strong growth as opportunities in Profiles, our media audience measurement business, will grow really nicely.

 Against the current uncertainty, even though as of today we’re not seeing this impact in our audit book on a global basis, we do have to stay focused on cost. We want to keep investing where we see growth. We believe we can simplify how we do things and continue to offer clients better and more automated solutions.

 The investment in capex and one-offs to do this have come from us growing EBITDA and converting that profit into cash, and we expect that to continue going forward.

 We have identified further cost savings in addition to the $235 million already delivered. This means the total run rate savings will increase from $350 million to $370 million not the $320 million previously presented. This will come from additional back-office savings especially in finance and HR, from further automation of our Insights processes, better procurement, and less proxy.

 We will continue to invest our client offers in our internal platforms and processes to drive efficiencies and look to develop new products.

 In 2022, we’ll also have additional capex to build the new panels for our media business on the back of the wins and renewals in audience measurement that took place in 2021.

 So, our capex could be in the region of $130 million to $150 million for 2022. However, our one-offs should reduce. There will still be severance and investment in transformation, not least in restructuring technology, finance, HR operations, as I mentioned, but we would expect this investment to be around $150 million in 2022 which is down from the 2021 number.

 We can only do all this because we have a healthy liquidity position, we’re confident in our current trading, and a business that is now delivering to levels not previously achieved.

 On the next slide, just to reassure everyone, there’s a lot of work going on in 2022 progressing and thinking around the strategies of the Kantar business. We are clear that are priorities will be inspiring our people, client impact, and future focus all of which, if we continue to execute well, should see us accelerate in growth. I don’t mean literally accelerate in growth that every year it goes up, but on a sustained basis the business delivering good levels of growth going forward.

 This is an evolution of the pillars that we worked against this year, but again, it’s a framework against which we can explain our performance and the decisions being taken.

 Thank you for me. That’s the end of the formal presentation. Peter and I are now happy to take any questions that you may have.

Coordinator [Operator instructions]. We have a couple incoming questions, and the first one is coming from the line of Frokat Volkavitz [ph]. Please go ahead.

F. Volkavitz Hello, and thank you for taking my questions. First of all, can you remind me of your seasonality? If I calculate your Q4 numbers, they do not look as nice as the full year numbers. So, what happened in Q4, please?

I. Griffiths Sorry, I missed the bit in the middle. So, was this simply what happened in Q4?

F. Volkavitz Yes, because I think your EBITDA and your margin in Q4 fell year-over-year. No?

I. Griffiths Yes, they did. If we look at Q4, the reason margins fell is Q4 was the quarter in which we booked the bulk of our, as we mentioned in our run-through there, we had some nice performance-based incentives around bonuses for the teams and sales incentives, and a large part of those costs to book in Q4. So, there’s nothing funny on the cost base other than that.

 In terms of revenue, as I mentioned in my run-through, Q4 was a little soft in our Insights business. We saw continued god growth in media, as you can see in the slides. Profiles had a good quarter, as did Worldpanel, but it was just a little bit softer in Insights.

 I think we’d probably be having a slightly different tone to this call if the start to 2022 had continued as Q4 had been for Insights business, but the fact that we’ve now come back to an Insights business that not only has delivered decent growth in January and February but has a very healthy order book, as I said at the end there, the order book for Insights of 8%, I just think as we got to the end of the year there was a little more caution with some of our clients, and maybe they pushed some money out into Q1, I don’t know, but we’ve rebounded quite nicely.

 As we look ahead, the business feels in good shape, recognising of course, there is that macro overhang that’s coming out of the Ukraine/Russia situation.

F. Volkavitz Okay, and if you say it is performance-based incentives, can you give a rough estimate of a dollar amount?

I. Griffiths I can’t give you the dollar amount that was booked in Q4, but the year-on-year increased which is all driven by growth and sales was $90 million. So, the impact in our P&L for the year is very significant. You’ll notice in Peter’s walk-through of our LTM EBITDA, we keep that at just $90 million because we would like to keep the bonuses and incentives the same, but it was an exceptional year. The pay-outs, we believe, were higher than will normally be the case.

 So, we haven’t adjusted out all of our bonus, but we adjusted out a piece of $38 million to what we think will be the normal number. It is all driven by performance, so it is all driven by growth, growth in sales and growth in EBITDA.

F. Volkavitz Understood. Concerning your portfolio, do you see any further room for optimisation of your portfolio? Do you have any disposals in mind, or is there anything in the M&A pipeline?

I. Griffiths In terms of reshaping the portfolio, as I said, I think we are getting clear what the core Kantar story should be around, and it should be around more technology, more automation, more product, stickier revenues to our clients essentially aimed at helping them make better decisions around their brands.

 There are still bits in the business that you look at and go, how does that fit going forward? So, I still think there is some cleaning up in the portfolio we can make, but also we operate in a very fragmented marketplace, and whilst there’s nothing of scale at the moment that we are considering, there’s a healthy pipeline and small bolt-on initiatives which are very complementary to what we offer our clients and will bring different scales and different capabilities into the organisation.

 As I say, nothing of scale at the moment, but it’s a good space to be working in in that environment because there are plenty of opportunities to tidy up, clarify the story, but also enhance our story like we did with Numerator.

F. Volkavitz Okay, so last question from my side. Do you think you will need any external financing in 2022?

I. Griffiths Not based on our current plans, no.

F. Volkavitz Okay, thank you.

Coordinator Our next question is coming from Laura Holmsey [ph]. Please go ahead.

L. Holmsey Hi. Thanks for taking my question. Just a clarification because I think you answered it with the previous person, but the EBITDA for full year is $611 million versus the LTM of $618 million showing that slight decline. I guess that is mainly due to the incentives that you paid, so if you could just confirm that.

 Then, maybe when we can expect to hit the $821 million that you show as the pro forma adjusted EBITDA. Then, I have another follow-up. Thank you.

I. Griffiths You’re right. That’s why there was a drop in the LTM because of the incentives largely being booked in Q4. The way the LTM works and, Peter, you’re the specialist on this, but the way the run rate cost savings are included in that calculation are savings we expect to deliver in the next 18 months. So, that’s [indiscernible - 34:11] EBITDA in those numbers, but we will have unlocked and delivered those savings and expect to deliver them in the next 18 months.

 Peter, is that right?

P. Russell That’s right. Yes, it’s the annualised impact of cost savings measures in the next 18 months.

L. Holmsey So, that’s also the timeframe then for when you expect to implement the full run rate savings of like $350 million to $370 million in the next 18 months roughly.

I. Griffiths Yes, we expect to have executed the actions that underpin the annualised benefit of those savings in the next 18 months.

L. Holmsey Understood. Then, just one more question. The restructuring costs, you mentioned $150 million for 2022, if you could confirm that. Then, when do you expect free cash flow generation to be positive from post these restructuring costs and post lease payments?

I. Griffiths I’ll confirm the $150 million because that’s roughly what we think our one-off costs will be in 2022, and just so we’re clear where that’s going, it’s mainly going into areas around technology, simplifying our space, finalising the move away from WPP which we’ve been working through, and rationalising the spaces and service applications.

 There’s a big finance and HR transformation which will drive significant savings and simplification across the business for the changes in operations, and as we talked before, we have Numerator synergies to deliver as well. So, all of that is what’s behind the $150 million.

 In terms of being free cash positive, I’ll let Peter give his view on it, but it does depend what you assume our EBITDA is, and I think one of the thing I’d like to think we’ve sort of ingrained in the organisation is much more cash awareness and a real focus on working capital management. I’m very proud across 2021 we managed to improve our working capital even with 9% revenue growth which the team did a fantastic job there.

 So, I think that cash [indiscernible - 36:38]. I’m not giving you a date because there are various scenarios we could run through for 2022 which would have us as cash positive, but I’ll say it all depends on the EBITDA.

 Peter, do you want to add anything to that?

P. Russell Yes. I mean, the way I look at it from my cautious treasurer hat on these type of cautious views, so the modelling that we do around the cash flow, EBITDA, etc., our working capital takes a cautious outlook on that, but having taken that cautious view and maybe to answer the previous question, we don’t anticipate any extra financing. We think with the cash flow generation in the underlying business that can go towards paying for the additional one-off costs as we restructure the business, [indiscernible - 37:33], etc.

 There’s lots of activity going on around our lease portfolio. For example, we are expecting that to come down over time, so there’s lots of moving parts, but net-net I’m comfortable we’re in a good position in terms of our liquidity.

 There’s also a lot of work going on, as Ian was alluding to, around how we manage our cash, how we bring it back to the centre, take it out of the regions in order to fund all the debt servicing and all the one-offs that we’re still spending.

L. Holmsey Great. Very clear. Thanks for the detailed response. Just maybe one follow-up if I may. Could you confirm what the lease payment amounted to in 2021?

P. Russell In 2021, it was around $76 million.

L. Holmsey Great. Thank you so much. That was all. Thank you.

Coordinator Our next question is coming from Tom Seriov [p]. Please go ahead. You’re live in the call now.

T. Seriov Hi. Good afternoon. Thank you for taking my questions. A few from my end, if I may. For your outlook for FY ’22, are we to assume your growth would be in line with similar competitors such as Ipsos who have outlined sort of a 5%, 5.5% growth, and with cost inflation are we expecting to see any kind of a margin decline? I see that you have 16.2% on an FX reported basis, but are we expecting to see any margin decline? I would naturally be inclined to think so, but this is without the cost savings, just on an organic basis.

 My second was around the capex. You’ve outlined $130 million to $150 million and restructuring costs of $150 million. I guess, am I to assume that you will achieve another $150 million of cost saves over the course of 2022?

 My third was, I guess, a little bit of housekeeping. It’s very hard to track your Q4 EBITDA. Different people have different numbers. I have $155 million versus $168 million last year. Am I right in thinking, I won’t hold you to the last decimal, that there was close to $36 million of incentives paid out as bonuses which is why we see that sharp decline in EBITDA? Give or take ballpark figures is what I’m after.

 My last question is around the working capital. Was there sort of a massive swing inflow of working capital towards Q4, and is that the nature of the business? Is that just cash collections, etc. all beginning to come in November, December? Why did you see some softness in UK and Europe versus other regions? Is that Omicron-related?

 I’m happy to repeat these, but sorry, these are my questions. Thank you.

I. Griffiths I think I got most of that. Was the last question about slowdown in UK and Europe around trading rather than working capital?

T. Seriov Correct, around trading. That’s exactly right.

I. Griffiths Alright. Your first question about assuming we’re in line with similar competitors like Ipsos who’ve put guidance out there around 5% growth, I think that’s a great call to make in an environment where there is a pretty brutal war going on, and I still think a lot of corporates are working out what that means for them.

 As I said in my run-through, we’re not seeing any signs of our order book slowing down. If that continues, I would expect us to have formal competition. We believe we did last year. We believe we took share in most of our key markets. Ipsos is a very different business in a lot of what it does to Kantar. It has a much bigger public business than we have which our public business is growing nicely, but it is largely a face-to-face, relatively lower-margin business. It’s a good business, and you’ve seen the growth that we’ve delivered this year, but it’s a different type of business.

 So, I actually think if the world was stable, we would be delivering growth ahead of that guidance, and that would be a very strong couple of years from Kantar. The way we’ve been talking about it internally is we benefited from the recovery quite nicely in 2021, so 2022 is us building on our recovery and us going to market with things.

 For example, one of the things we didn’t touch on in the presentation, we’ve done a lot of work across 2021 building up commercial excellence expertise in our organisation identifying where we can upsell to clients, white space we don’t currently work in and nobody works in, and areas where we can go and potentially steal from competitors.

 I think that type of investment that we use, type of skillset, a new more commercial way of thinking puts us in a really good position. So, if the world was stable, I would be probably giving more guidance than I’m giving today, but I do think, again staying focused on cost is really important.

 To your second point in that question, inflation being a key factor, I think this is a new thing for a lot of businesses especially in Europe and the US to live with higher levels of inflation. We’ve been incredibly disciplined at making sure that our labour rates and the prices we charge our clients reflects the environment we’re in, and I think it’s important that we pass through as much of that inflation to our clients.

 Now, that leads to interesting conversations about scope of work, but if changes in scope happen, then we may need different levels of utilisation in hours from our teams, but there’s no sign on our side that that’s going to lead to any margin impact. If anything, we still expect our margins in 2022 not least because more of our revenue is coming from more automated solutions which we can charge a higher price for, and they’re stickier with our clients, and we’re seeing fantastic growth in Numerator, Worldpanel, we have our media business with locked-in contracts for multi years. We’ve built in inflation clauses.

 All of that I think gives us a very good position to built on as we look into 2022. I don’t, sitting here today, see anything to suggest that our margins are going to go backwards next year.

 The restructuring costs of $150 million are very closely linked to the run rate savings that we have to deliver. So, in the LTM EBITDA chart that Peter walked through, I think there’s $160 million of savings to come through. That’s very closely linked to the $150 million of one-off costs which are driving that transformation and restructuring, so those two things do go together.

 Your other question on the EBITDA in Q4, you’re right. The big change was the impact of booking all of the remaining outstanding balance on incentives. It comes back to the previous question that has been asked, and we answered. So, I think you’re right to say that that’s mainly incentives.

 I’ll let Peter answer the question on the working capital swing in Q4. The Numerator business was a key part of that, but I’ll let Peter give some more colour.

 The UK and Europe softening, the two things that happened across the UK and Europe, one was one of our customer experience contracts came to an end which impacted our European business.

 The UK business did slow down a little bit. We saw a little bit of a slowdown across our Insights business, but the main change was actually in Public because we started doing the work on the COVID study in our Public business in Q4 2020, and the scope of that work had reduced by the time we got to Q4 2021. So, our revenue level that had an impact didn’t have much of an impact on the profit level. So, that’s the reason why the UK was slower.

 Peter, do you want to talk a bit about the swing in Q4 on the working capital?

P. Russell Sure. So, on the Q4, yes there is seasonality across the year, but you also have to remember we have a factoring programme, so what we find especially in December as we have the year-end invoices go out, and there’s a flurry activity of the invoices getting them out the door, we also factor them. So, there’s always a ramp up in our factoring, and we get the benefits of that predominantly in December but some in November as well. So, that would be a key driver of the positive Q4 working capital.

 Then, the waterfall on page 23, there’s a few other one-off items in there, but predominantly, it’s the factoring and the benefit we get from that.

T. Seriov Brilliant. Thank you.

Coordinator Our next question is coming from Alex Apostalios [ph]. Please go ahead.

A. Apostalios Hi. Good afternoon. Just following up from the previous question, so taking a look at that $155 million versus $168 million, so it’s down about 8%. Can you just confirm that those two figures are like-for-like and pro forma, so for the Numerator and the health disposal firstly?

I. Griffiths Sorry, the $155 million—

A. Apostalios Correct, which is looking at the EBITDA and actual rates for Q4 ’21 versus Q4 ’20.

I. Griffiths Yes, they’re compared on a pro forma basis, but health is out, and Numerator is in. There’s comparisons in there for Numerator as well.

A. Apostalios Thank you. The second question has to do with staff inflation. So, what sort of staff inflation are you seeing right now, I guess, the average rate of which you’re passing that through as well? Something else I’d like to get a bit of colour on.

I. Griffiths So, we have an annual pay cycle which is actually from the 1st of April. We set our budget for the year to create essentially across the globe an inflationary pot of around $50 million increase in our staff costs which is about 3.5% on base pay. There are still some markets which are running lower than that. We think there are some other markets in APAC, but clearly there are exceptional markets, Turkey being one, some of the markets down in LATAM being another, India we’re seeing double-digit salary increases in some areas.

 So, we have a decision to make during the course of the year, and as I look back to 2021, we did take some action in Q3 and Q4 in some of our markets where [indiscernible - 50:13] was running high to either pay one-off bonuses or correct some salary gap issues that we’d inherited to try and reduce the churn.

 It’s very pleasing that when I look at the churn numbers we have today, I mean, we’re largely a people-led business. You put Numerator in there, we have 27,000 people. If I look at what happened on a voluntary basis, over 3,000 normally leave the organisation. In 2021, it was not far short of 4,000, but that follows 2020 where actually only 2,000 people left.

 So, during the COVID time, and actually the time we were doing a lot of right sizing of our cost base, we didn’t have a lot of churn to manage We did have in 2021. We had to be very careful we didn’t overreact to that because there were lots of things going on socially as a result of COVID and new ways of working and people changing their lifestyles. Pay was not always the answer to a lot of these issues.

 Sitting here today, there’s no doubt that one of the challenges we face is making sure that we manage our teams, incentivise our teams in the right way. So, we will have an annual pay review across the board, and that will happen from the first of April. That’s in the system, good to go, and people will hopefully find that works well.

 We have, as we talked on several of the questions, paid phenomenal bonuses, I think record level of bonuses across the business, and not just to the senior teams, but it’s been cascaded down, and sales teams got really good commission pay-outs last year in 2021.

 So, I think one of the things we tried to encourage the conversation around, so it’s not just around base pay and salary inflation, it’s around the overall package, and I think over the last couple of years, we’re building up trust and a belief in the teams that actually the change in ownership is introducing a fairer reflection and reward for people’s efforts and delivery.

 Going back to the inflation point because I sort of wandered off there, yes, one of the things that I think we have to be very focused on is the other angle on this which is pricing because I don’t think—if we’re going to be looking at how we reward our 27,000 people, we also have to make sure we’re very diligent on pricing which is why we changed some of our labour rates in November last year. They were factored into 2022 contracts on pricing.

 We are having every month in our business reviews we’re talking about pricing with our teams. It’s no longer going to be an annual conversation. It’s going to be a more regular conversation and maybe will move to a more regular routine of putting pricing, in particular where we’re offering clients much more of a solution rather than an ad hoc piece of work, and that’s increasingly part of the portfolio.

 So, inflation is something that’s here and now. We have to manage it. It’s in our plans for the year. I’ll come back to the answer for the previous question. Even with the inflationary pressures we have because of the work we’ve done on the cost base, what we’ve done on price we don’t see our margins going backwards.

A. Apostalios Great. Just a couple of follow-ups on that. What sort of price increases are you actually passing through to customers right now? Maybe taking the Insights business, the larger part of your business, what does it sort of look like? Is it kind of sitting down and negotiating on a month-on-month basis with your customers, or are those more automatically passed through?

 Then the last two questions have to do with the $38 million of one-off cost bonuses that you paid. Can we really view those as one-offs given that part of those were attributed to the increased staff churn that you saw last year? It just doesn’t seem very reasonable to add that back given it was there to address maybe a structural issue that you’re seeing in markets.

 Then, the last question has to do with working capital. It was a $66 million inflow in fiscal year ’21. What was it like if we take out the factoring, and maybe on a more normalised basis excluding the factoring, how would you expect that to shape out in fiscal year ’22 high level?

 That was all I had question-wise.

I. Griffiths I’ll give Peter some time to think about answering the last one. I might do these in reverse order, but the $38 million of one-off bonuses, apologies if I’ve confused you. The $38 million is taking down the annual—so we paid $90 million this year, roughly $90 million in annual bonuses and sales commission. We think that is an exceptional level of pay-outs and bonuses in any one year driven by the fantastic growth that we delivered in the year.

 We think a more normal run rate is around $50 million, so in our LTM EBITDA, we brought the run rate of bonuses down to $50 million. We haven’t taken out those one-off things that we did in the year in getting to our LTM EBITDA. We’ve left them in the EBITDA number.

 So, the $38 million is just an adjustment to the annual bonuses and sales commissions to reflect what we think will be a more normal level of year-on-year growth that has been delivered in 2021 by the business. Hopefully, that’s there.

 The price increases, there’s not an easy answer to the prices being passed through to clients because it’s done market-by-market because a lot of our conversations take place locally in particular in the Insights market because it would be a brand manager in font of us having a conversation with our team around the price they’re going to pay for a specific piece of work in that market.

 So, we can say our aspiration is to put 4% through on price, but you can do that in the US and the UK, but you can’t do it in Japan. So, you have to reflect the different rates in the markets and the fact that a lot of the conversations are local.

 We do it two ways. We do it by pushing our rate cards up as in how much we charge for labour, and in some markets that’s gone up double digits. In other markets it’s only gone up low single digits. Then we also put the price we charge the client in terms of value we expect from the client. So, we try and cover it off both ways which is really important.

 The flip of that is the client may say, “Well, that means the cost you want me to pay for what I got last year goes up by more than my budget has gone up, therefore I have to have a different type of service, or I have to take some questions out of my survey, or I don’t have to have the bells and whistles in the end that I had last year.”

 That’s all okay as long as that’s managed, and we don’t spend as much time as in hours delivering our service to clients. So, we’re measuring ruthlessly utilisation and chargeability in every market where we’re doing work that’s billed by the hour.

 Where we have products like our audience measurement business, or we have things like Worldpanel where we have a new offer going out to clients, we’re pushing price really quite hard, and in Media as I mentioned, the audience measurement contracts have an inflation clause as do some of our shopper panel businesses which run for multi years. They have inflation clauses in which we pass on inflation in that market. So, it is something we are very, very focused on.

 Peter, do you want to cover working capital now?

P. Russell Sure. I’ll just go back to the variances. So, around $150 million benefit 2021 versus 2019 is because December 2019 we hadn’t rolled out the factoring programme, so that was rolled out in the first half of 2020 across six countries. Think of it as step change factoring to those six countries, and there’s the benefit of $150 million.

 That programme is now embedded in those six countries, and so in 2021 versus 2020, there was a small negative in terms of the factoring. It wasn’t large, but that was partly due to timing around the year end and also partly because of the sale of the health business. Cleary, those receivables are now gone with that business being sold, and the benefit of the factoring from those went.

 We’re modelling for 2022 a relatively flat benefit from factoring because as receivables increase, or if they increase, then of course factoring benefit increases, and vice versa, but to wrap up on that we’re in sort of steady state with the factoring programme, and I’d expect a small net flat to positive benefit as our receivables increase and the business grows throughout the year.

A. Apostalios Great. Just to be clear then, if we take out factoring, what was the working capital change in fiscal year ’21?

P. Russell Without factoring, it was probably about another $20 million benefit from the underlying working capital management. As stated, the slight negative on the factoring was partly from the loss of health, and also you just get timing around the year end just with some of those invoices sold. So, that’s again, good news that the underlying working capital management is going in the right direction.

A. Apostalios Okay, so that was a $20 million inflow you said excluding factoring from working capital for ’21.

P. Russell It’s more like $40 million on the underlying working capital.

A. Apostalios Got it. Thank you very much.

Coordinator The next question is coming from Marina Lowland [ph]. Please go ahead.

M. Lowland Hi. Thanks for taking my question. It’s more of a little nosy one because I just wanted to sort of get an insight into what you’re hearing and seeing speaking to such a range, a broad client base how they’re thinking about the inflationary environment.

 I mean, I know you have a third of your contracts that are recurring long-term contracts, and I don’t know if they’ve already been sort of negotiated and cemented for the year, but are you seeing any nervousness? Are they riding it out a lot of them just to see for the year just given the unprecedented circumstance? What sense are you getting from the urgency of your clients to sort of take action now on marketing and sort of your products, or are you seeing them being calm?

I. Griffiths I think it varies. In some markets for some services, say for example I won’t say which market because that’s not fair, but one of our audience measurement contracts we have, even though the contract says we’re going to increase price on an annual basis, we’ve actually gone back to them at least twice that I know of, it may be three times, and pushed price. They understand that we’re employing our teams in those markets with high inflation, and we need to make sure we keep making a return, and that’s a sensible conversation to have.

 I think the inflationary environment plus the macro environment has the potential to make price a little bit more cautious. I think the reassuring thing sitting here today is we are not seeing any of that coming through in clients’ willingness to spend around their brands, and we saw through COVID certain types of products, analytics that helps us understand the return on investments, shopper panel businesses that are helping our clients understand how behaviour of consumers is changing. They’re incredibly highly demanded in times of slightly more uncertainty, and they’re all areas we’ve been investing behind, and they’re an increasing part of our portfolio.

 So, at the moment we have a slight disconnect between that sort of—we have a positive order book against a slightly unsettled macro environment which is why I think it’s really important we stay very focused on our cost base, and I’m slightly put off by the fact—I don’t know why have a light suddenly appearing on the screen, but that’s a distraction there.

 I think the inflationary environment is something we might have to—I’m going to look at some forecasts today. It’s probably with us, if you believe some of the forecasts that the banks are putting out, for the next 18 months or so. We have to be more efficient, be more commercial, have better products, and I think that supports everything we’ve done, and that coupled with there are [indiscernible - 65:08] talking about our plants and our factor scores being incredibly strong.

 I think we’re in a good place. We’re having very open dialogues with our clients. We talk to our clients both globally and locally, and at the moment, momentum in the business is good, but it’s still a funny environment we’re working in for lots of reasons.

M. Lowland That’s so helpful. Thank you. I’d just like a tiny, little follow-up. If someone comes to say this inflationary environment is just too much just across the board for them, it’s too much to handle, would you then be a bit careful in pushing the inflation, or are you just in the position yourself saying we have this inflationary environment, so there is nothing that you can do?

 I guess, it depends on the client and the relationship, but is there a point where you’re thinking if we’re in this situation next year, it’s almost like a 1970s and 1980s scenario where you actually start getting worried to push prices—

I. Griffiths I think we need to be—and this is something new to Kantar, I think we need to be competent enough in the quality of what we do, the value we bring to our clients to push price. At the same time, we need to be commercial, and if I think back to what we did through 2020 when COVID started to hit, and again, I’m using Media as an example.

 Down in LATAM, some of our key clients down there were [indiscernible - 66:43] broadcasters whose revenue almost dried up overnight because they had no advertising income coming in. So, we worked with them to make sure they kept getting the data in terms of audience, and we reached a different commercial deal with them, so we said to them, “Look, don’t pay us for the next six months, but extend your contract for two years.”

 You just have to think creatively how to deal with the solutions. If the client says to us it’s a price increase they can’t take, we’ll have a conversation around, “Okay, you can’t take it today, but you’re going to take it in the next two years by committing to be with us for a longer period of time.” I think that’s a normal commercial conversation to have.

M. Lowland Okay, that’s great to know. I appreciate that insight. Great answer. Thank you so much.

Coordinator Our next question is coming from Luna Chelwie [ph]. Please go ahead.

L. Chelwie Hi. Thank you for taking my question. I have a couple. The first one on Media. The segment in itself is one of the most recurring ones. Could you give some colour as where you see the medium-term revenue growth profile to be?

 The second one is if you could provide some details on what the $150 million one-off cost you’re expecting in ’22. Just trying to understand if those could eventually become permanent if there were to be investments in technology, for example.

 Then, my last one has to do with your exposure to Eastern Europe. Could you provide any detail on your activities in Russia, Ukraine, but as well Poland and other countries, just to have a sense of your exposure there?

 One data point, there is I think $700 million of debt that you saved outside of the perimeter of the senior secured lenders. Could you please provide details as to what the debt is? Thank you.

I. Griffiths I’m really sorry. I missed the first question.

L. Chelwie The first question had to do with the Media segment. I’m trying to understand the profile of organic growth in the segment. Medium-term, where do you see that to be?

I. Griffiths Okay. So, I’ll star with Media. The two main businesses in Media are audience measurement which is the last half of the business. It’s the most resilient, it’s the business with contracts that generally run five to eight years, and it’s the business that’s had the fantastic wins in the year around renewing the UK, Chile, Turkey, and winning the Netherlands. So, that set the business really well for the next two years.

 It’s a business that’s growing 4% or 5%, inflation plus a little bit, and we’ll get the benefits of those new wins coming through each year. They won’t be in 2022, though we do have to invest in building the panels in 2022 which is part of the reason why our capex is increasing in 2022.

 So, that’s the sort of core of the Media business. We have an Advertising Intelligence business which is mainly in North America and France, and we have a similar business, but it’s very small in other markets. That business has been pretty flat. It’s also sold on a subscription basis.

 I think there’s an opportunity. Numerator had a similar basis. We’re working through how we put those two businesses together to drive the synergies that were part of the original acquisition. That’s all in train. We’re making good progress there, and we have a dedicated leader.

 We think we can get that business growing low single digit, but what happened in 2021 which is why there was a dip in Q1 is we didn’t go through a rigorous renewal process in our North American business for our Ad Intelligence business which created a bit of a blip, and they then managed to catch up later in the year which led to more sort of even growth across Q2, Q3, Q4 around 4% or 5%.

 We have another business, a media business, call CGI which is a longitudinal survey around advertising mainly by the agencies. That’s a very nice little business, and it grows quite strongly. It’s done market-by-market. It’s not a global business.

 That’s essentially our Media business, and at its heart it’s the audience measurement business that is the strong business.

 The $150 million of one-off costs, I think behind your question is whether any of it will become permanent. They won’t be because these are the costs of executing restructuring and transformations across our business. The main areas that we have are around technology which will be partly the separation from WPP, partly rationalising our stake in a number of servers and applications, but this is a one-off, right sizing, and service improvement across technology.

 The transformation across finance and HR is around simplification, offshoring, new processes which will really unlock savings and headcount. That’s a one-off cost to change. Similarly in operations, driving automation into certain of our processes, not just in Insights which is the main area, but we’re doing something similar in Profiles just to make the business work better. The cost of running the teams after the transformation clearly is BAU and is baked into all of our numbers.

 Then I guess the final area of significant one-offs would be Numerator because, as we’ve touched on, it’s unlocking the synergies that are in the business case. So, they’re all very discrete. They’re managed very tightly, a separate business around all of those processes.

 Anything that goes through one-off is approved by me and the CEO, and we recognise it’s a sensitive number, but there’s a real prize at the end of this which you can see in us increasing our cost saving target.

 On Eastern Europe, just to give everyone some scale on this, firstly, Ukraine. We have a business in the Ukraine which has less than $10 million of revenue, less than $1 million of EBITDA. It’s an Insights business, and to be frank, our main priority is protecting and supporting our colleagues. We have over 100 people in Ukraine, and looking after them, supporting them, continuing to pay them has been the main priority.

 Anyone who gets out from Ukraine, and several of the team have because the workforce was 80/20, female/male, we are looking after with financial support, training, and offering them a job in the market which they come into. So that’s what we’re doing in Ukraine.

 In Russia, we have a couple of businesses in Russia. In total, the revenue is around $40 million. It’s around $10 million of EBITDA in Russia. The main businesses are Insights businesses. We are suspending work in an orderly fashion because our clients don’t want us to continue to do the work, so we are suspending work there and reviewing our ongoing ownership options going forward. It’s pretty complex, but we’re looking at what we can do there without causing any problems to our Russian colleagues who we also have to look after.

 We have an investment in a media business there, Mediascope, where we have a 20% investment. We are selling that investment. It’s a media measurement business for the Russian market and markets around Russia. We are selling our stake but also cutting off the supply of our technologies and services to that business going forward.

 In some of the other Russia states like Belarus we don’t really have a presence, so they’re the main ones, the sort of headlines for the region. It’s horrible, but we’re working our way through it. As I say, we’re doing what we can to protect our colleagues who have done nothing wrong in this situation.

 Peter, there was something on the—

P. Russell Yes, I just wanted to clarify, was the question relating to the unsecured notes and the other debt on slide 22?

L. Chelwie So, my question refers to slide 37. There’s a table where you point out that $726 million of that is outside of the senior secured perimeter. So, you’re saying that’s outside that.

P. Russell Yes, yes. There’d be some—

L. Chelwie Okay.

P. Russell Yes.

L. Chelwie That’s very clear. I just wanted to confirm. Thank you so much for all the details. Very helpful on the exposure to Eastern Europe and on the Media activities as well.

 Maybe one follow-up on that. Would you be able to give a sense of how much audience measurement represents versus the rest of the activities in the Media segment? That would be quite helpful.

I. Griffiths I don’t have the numbers at hand. We can get you them.

L. Chelwie That would be appreciated. Thank you so much for the answers.

Coordinator We have no other incoming questions.

I. Griffiths Okay. We’ll draw a line under it. Thank you, everyone. Thanks for your questions. Much appreciated. Have a good rest of the day. Thanks, Tommy.

Coordinator Thank you so much, everyone. That concludes your conference call for today. You may now disconnect. Thank you so much for joining, and enjoy the rest of your day.

 *[END OF CALL]*