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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 2019 and Q1 2020 Lender Call
Hosted By:	Ed Gemmell

Coordinator

Good day, everybody, and welcome to the Kantar 2019 and Q1 2020 Lender Call. My name is David, and I am 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.

Now, I'd like to hand over to Ian Griffiths. Please go ahead.

Ian

Thank you, Doug. Good morning or afternoon, everyone, wherever you are. As David said, welcome to Kantar's first lender presentation and set of results as a standalone company.

Before we go through the agenda, a couple of things, if we could just move the slide on, just flash up the disclaimer, which you'll be pleased to hear we're not going to go through line-by-line. If we move on to the next slide, just a brief intro of who you're going to hear from today.

Firstly, myself, I'm Ian Griffiths. I joined Kantar in January of this year. Before that, I spent ten years at ITV PLC, and before that, I was CFO at a company called Emap PLC, so I've spent most of my career working in or around the media sector.

Joining me is my colleague, Peter. Peter, do you want a few words?

Peter

Yes. Good afternoon, everybody. I joined Kantar in March of this year. I was previously the Treasurer at Travelport, and prior to that, Travelex. I have many years of corporate treasury experience in a mixture of PE-backed and public companies.

Ian

Moving on, so today's agenda, we'll spend a bit of time on the key messages. Then, we'll do a quick run-through of 2019, Q1 trading, and then probably the most interesting bit; just how we've responded to COVID, the uncertainty and change in behavior that that's brought about, and yes, how it impacted our business before, hopefully, doing a few minutes on Q&A. In the appendix to these slides, there's more detail around net debt and LTM EBITDA just for your information.

Let's start with the key messages, so if you move on a couple of slides, so 2019—which we will go through, but we'll go through quite rapidly—I would describe as encouraging. It was very much in line with expectations. It marked a return to growth in terms of our revenues. Just in terms of how we ended the year, some good momentum from the end of Q4 into Q1 2020, which meant that we started 2020 well. By the end of February, we were trading ahead of our plan.

We had growth in most parts of the business, especially in Insights, Media, and Worldpanel, our biggest businesses. We saw really strong performance in North America, which is returning to growth, which is encouraging, and LATAM, which has continued to grow strongly. It was clear, even in February, that the COVID virus was coming, and as a global business, we had to respond quickly.

We focused our resources into three key areas. One was really improving our revenue visibility. Two was tactically looking at cost savings, things that we could do immediately that would benefit both cost and cash. Then, thirdly, a real focus on liquidity and working capital. As a result of what we've done, we now have [indiscernible - 45:01] revenue tracking; we saved 190 million of costs year-on-year, of which $60 million is sustainable into 2021; and we've made what I think are significant working capital improvements, with 181 million of working capital benefit delivered by the end of March, and nearly 300 million by the end of May, all of which puts us in a healthy liquidity position as we stand here today.

As part of this exercise, we also created a revised baseline for 2020. Against this baseline, we can now track our actions. We believe this to be a conservative plan to help us manage through this unprecedented period.

In putting this plan together, we expected our custom businesses to have a difficult time. Discretionary spend by our clients was likely to be very carefully managed by them. It's also worth remembering that around one-third of our revenues are syndicated or contracted, in particular, in Worldpanel and in Media's audience measurement business. We expect these to be more resilient and a good balance against the rest of the portfolio.

Without going into any detail—because I'll talk about this later—across April and May, we traded well ahead of our baseline plan and profits and cash are benefitting from the actions we've taken. All our businesses are ahead of this baseline plan, and in some areas—which we'll see—we're still seeing year-on-year growth.

There's lots of focus on costs and cash, but we're also looking further ahead. We continue to invest in the teams and capex where we believe there's future growth. We continue to look at how we do things, and in addition to the $60 million of cost savings mentioned through what we call our lockdown savings, we've also identified $37 million more of benefit we can deliver. We're confident that as we do more work on the cost base, we'll be able to increase our overall cost savings target.

Finally, just to avoid questions later, the CEO search is continuing. In the meantime, hopefully, you'll see that we're not hanging around. We're getting on with things. The senior management team are driving things forward with great support from the board, shareholders, and our colleagues at Bain Cap.

Peter, do you want to talk about where we are with the transaction, just moving on?

Peter	Yes. Firstly, in terms of the transaction, the third close completed in April, with 98% of the business now acquired. The final close of the remaining 2% is expected sometime during Q3 of this year. As a reminder, given the imminent final close, the numbers presented today are on a pro forma basis, assuming that 100% of the acquisition had completed.

Now, moving over to the carve-out, I'm pleased to report that this is complete, with all of the PSAs in place, and functioning as expected. Note that we have an operating PSA in place for 12 months, with two six-month extensions, and the IT PSA is in place for 4 years. In terms of standalone costs, things are not expected to really deviate from the underlying key plan.

Finally, in terms of treasury, we are operating as a standalone function with full control of our cash pools, and have used dividends, mechanisms, and upstream loans to centralize liquidity, more of which I will talk to later in the presentation.

Ian	Thanks, Peter. Just a quick review of 2019, and just to echo what Peter said, we're presenting this on 100% basis pro forma. Also, everything is constant currency.

As I said upfront, the results are very much in line with expectations. We sit at 1% revenue growth, our gross margin held nicely roughly at 65% margin. Our EBITDA was flat, primarily due to the investments in growth areas of the business, such as APG and our analytics team.

Looking to revenues—and we'll go through the divisions in a bit more detail on the following slides—we saw good growth from our top 25 clients. We saw gains in food and beverage tech and CPG, and we'll see that as we go through the detail. It's clear as we go through the results that we are already starting to make decisions to make the business a stronger and more efficient business, and $32 million of savings were delivered in a year, with a full-year run rate of $38 million.

That enabled to allocate more resources to those growth areas. We've started to step up our capex in the areas of technology and new product. We were beginning to manage our working capital and liquidity more professionally, and even by the end of December 2019, we delivered $106 million of improvement in working capital. We can move on.

This just shows the revenue evolution by division. I think it's worth pointing out that five of the seven divisions across 2019 delivered growth. Even within the two that were down, it was not all bad news. In media, audience measurement actually grew, and in consulting, the trade automation business, which is a fast-growing part of that area, also grew nicely.

Most encouraging business is the Insights business, which delivered 2% growth. It's held by double-digit growth in analytics and media effectiveness, areas of our business that help clients understand what will work and what returns they'll get. It was also pleasing to see our brand business grow, helped by the launch of HBG. I think CPG budgets are returning to a healthier position, all of which has also helped our profiles business.

Worldpanel again delivered good growth, consistently growing across all the markets in which we operate. Public did well, benefitting from a year of elections. Health, even though the numbers here are not stellar, started to build some real momentum, which is helping us in 2020, as our pharma clients really needs the must-have information that we have to help them with their regulatory requirements. Consulting and our non-audience domains or businesses in media had a much more difficult year. Can we move on to the next slide?

By geography, you can see the breakdown here. Just in terms of our top five markets, they were all relatively flat, at between +2% or -2%, though I would add in the case of North America, which you can see on the chart, is slightly down. It ended the year really strongly, and that did feed through, as you'll hear in a minute to some really good performances in the first quarter of 2020. Our businesses in the growth countries grew nicely, at 8% growth year-on-year. You can see that in the LATAM numbers on the slide and the APAC numbers also, where, in those regions in total, we grew over 5%.

In summary—if you move on, Peter—just a couple of things on our costs, because we've been through the revenue side of things. Our direct costs, which are the costs of us delivering our products are roughly 40% of total costs. These are totally variable with our revenue, and that's why the gross margin will stay roughly around that 65% mark.

Staff costs, which are just under half our costs, as the chart shows, increased in the year. Savings were made, as I mentioned; the $32 million you can see in the tracker on the right-hand side of the chart here. Savings were made, but these were offset by additional resource we brought in, focused in the growth areas of the business, or to work on new products. The net impact of the investment in the growth areas offset the revenue upside, so the profits in the round remained broadly flat, at $548 million of EBITDA level, and a margin just under 14%.

Peter, do you want to move on to the next side, to do the working capital?

Peter — Yes. Thank you, Ian. As Ian said earlier, there's been a focus on working capital right from the start. This is reflected in our full-year performance.

For FY 19, the trade working capital was $106 million better year-on-year. Breaking this down, the $29 million improvement in net debt was driven by a reduction in overdue debtors from above 30% to 28%. The improvement in trade creditors of $64 million was achieved as we implemented policies to ensure we do not pay our suppliers earlier than agreed terms.

Moving on to capital expenditures, we saw an increase of $16 million for the year as we invested in our data business via meter purchases and platform investment for Worldpanel plus. Now, I'll move on to 21.

Ian — Thanks, Peter. Yes. Moving on to 2020 and Q1, I'll do these financials quite quickly, as [indiscernible - 54:34] upfront, and I think, in particular, we want to get to our COVID response. We started the year well. At the end of Feb, as I said, we were ahead of our plan, and with good growth in Insights, Media, and Worldpanel, and that momentum in North America and LATAM, which I mentioned.

March was more challenging, especially for the custom businesses, and that knocked us back a bit. We ended the quarter with revenues down 2%. Our gross margin, as I mentioned, held at around that 65% level, which meant that there was some mitigation because our direct cost came down, but our gross margin profit, as you saw [ph], down year-on-year. We did hold our profits flat at $80 million.

Staff costs in the quarter were up slightly, mainly because of decisions that were taken in 2019 flowing through into the current quarter, whether that was pay rises or the increase in headcount. That was offset by the quick actions we took on discretionary spend, in particular around the areas of travel and hiring, all of which helped us hold the profits flat. As Peter has said, and I've said already, there's a real focus on working capital. We've built on the momentum we had in 2019 to keep improving, and $181 million of benefit was delivered in the first quarter of the year. As you can see from the slide, we are continuing to invest carefully in our capex, both in technology and in new products for the core business.

So moving on. Just looking at the revenue in a bit more detail, so despite a more challenging March as COVID started to hit, we still delivered growth in four of our divisions. Media saw continued growth in audience measurement; Worldpanel has seen demand for consumer data and remains strong; Profiles against [indiscernible - 56:35] but also some good growth provided [ph] by clients also started to deliver growth; and Health built on the momentum from the orders taken in Q4 last year to deliver a strong start of the year.

Public had a more challenging time, mainly because a lot of the public work is face-to-face, and in March, a lot of that work was turned off—quite rightly—very quickly. Consulting, which is primarily discretionary advisory spend, had a tougher quarter. Insights, while down 4% as clients quite quickly started to look at the project spend, still showed some real growth in various parts of the business, in particular in the media effectiveness and analytics part of the business. Can we move on?

On the geographies, it's quite mixed, because, as I think everyone on the call knows, this was right when things were starting to change. The virus had started in China and was beginning to spread across the globe. We were really starting to see impact in APAC; it was beginning to hit Europe and AME but had not fully landed yet in North America and LATAM. We'll discuss in the final section how in April and May, things have moved on a little bit from where they are today. You can see it was starting to impact business in Q1.

If we move on to the next slide, Q1 in the round saw a 2% decline in revenues, which is roughly $21 million less revenue. Direct costs, as we want, moved directly with the revenue, so the impact to gross margin is $7 million. Despite those increased costs, we held our profits flat.

That's the first quarter in P&L terms, and Peter can just do the working capital and capex.

Peter — Okay, thank you, Ian. As Ian's already mentioned, Q1 saw further improvements in year-on-year working capital of $181 million. As part of our COVID-19 response, we've implemented tighter controls on payments, which in part, will be reflected in these Q1 results.

Breaking down the improvements, net debtors has improved by $96 million year-on-year, due to a 6% reduction in overdues, and trade creditors improved by $60 million as we continued our payments optimization and introduced even stricter payment controls as a result of COVID-19.

Turning to capex, our expenditures increased by $3 million, largely due to timing on property spend, as well as continued investment in our Worldpanel growth platforms. We expect our full-year capex to be less or on-plan, but we will still continue to invest in our growth platforms.

Now, moving on to our net debt and EBITDA, our leverage position for this slide shows our last 12 months' pro forma adjusted EBITDA and our pro forma net debt. In terms of leverage at the end of the quarter, our senior secured net debt was a multiple of our pro forma adjusted EBITDA at 3.1 times, and although the calculations as per the facilities agreement are different, they're still in line with our covenant leverage.

Turning to our cash, the balance of $849 million reflects our revolver draw of $210 million in mid-March, as we reacted to the COVID crisis. Pro forma for deferred completions, our cash balance at the end of the quarter was $623 million. Total liquidity on a pro forma basis was around $760 million.

Now, moving on to waterfall showing how our liquidity improved from the end of the year to the end of the quarter. If we start on the left-hand side, we saw a net benefit of $24 million from debt realignment and $309 million from our prudent draw on the revolver in mid-March. Robust EBITDA performance of $80 million and net working capital and other inflows of $61 million meant that after capex and tax, we ended the quarter with $849 million of cash.

Pro forma for the deferred acquisitions, this is equivalent to $673 million of cash, and around $750 million of liquidity. Part of that liquidity, we had undrawn committed facilities of over $60 million and another uncommitted facility of $12 million. At the end of May, our pro forma deferred completions cash position was around $740 million, with total liquidity of over $800 million. Note that the majority of the cash is in cash pools easily accessible by the centre, and we're not in a pool where cash is not tracked and can be accessed throughout the loans or dividends, which the Treasury team have been focusing on for the last few months.

Now, I'll hand you back to Ian.

Ian

Thanks, Peter. Just a bit now from me, and update about how we've responded to COVID-19, and how it's impacted our recent trading. Next slide.

I think it's pretty clear to everyone that a global pandemic was not in most people's plans when they thought about how 2020 could play out. I would just start by saying being relatively new to Kantor, having only joined in January, I'm actually incredibly impressed how we've taken an organization of 30,000 colleagues, who were essentially working in offices to almost overnight working from home, and keeping the business going, rarely missing a beat, and finding amazing ways to keep the continuous supply of our data to our clients, and moving face-to-face work to alternative survey approaches, whether that's online, telephone, or video.

The business has responded incredibly well. It's clear to us that in times of uncertainty, our clients need our continued support/engagement. They need a consistent supply of quality data, whether that's consumer, behavior, or audience. Actually, they need data and insights to help them understand what's going on and how it impacts their business. In that context, a lot of what we do puts us in a really good position.

We'll talk a bit more about costs and cash, but we should not forget our clients. We published over 150 thought leadership articles in this period. We've had over 100,000 clients attending webinars. We've developed new products, such as the COVID-19 Barometer, which is tracking consumer attitude and behavior in over 40 markets. We've sold that to over 130 clients.

We've brought in new work from technology clients, food and beverage clients, our public clients, essentially looking at the impact on society or changes in behavior, helping clients understand how that impacts on their business. We're seeing more and more requests from our Worldpanel clients looking to increase the frequency of their data slide [ph] from quarterly to monthly, or even some cases, weekly, again, as they look to understand changes in behavior in these uncertain times.

We're going to discuss a lot of what we've done in terms of managing costs and cash, but it's important to do that in the context that everything we're doing here is trying to create a stronger, better-run, more efficient business, with even more and better relationships with our clients.

Back to the here and now, and I mentioned right up front that we did create our baseline plan in response to the situation we're in. I'm just sharing a bit of thinking around that. Our biggest categories are likely to be pretty resilient, so consumer goods, food and beverage, tech, tobacco. We have some, but not a significant part of our business exposure to sectors like travel and liquor [ph]. It's not a big part of what we do.

Having said that, we did expect, because of the nature of the work we do, a significant drop in demand from our custom work. This comes from what our clients have called their discretionary budgets, and you can imagine a lot of clients have managed their budgets quite carefully through this period. Therefore, for us, taking actions on costs to deliver $190 million of saving and working capital to deliver, as we talked about, nearly $300 million of benefit by the end of May has meant we've maintained in this very uncertain time a healthy cash and liquidity position, as Peter has just mentioned.

If we move on, it's also important that we have maintained the ability to continue to supply to our clients. This is a chart that we use internally just to track how well we can continue to operate in this current environment. The reason for sharing this is there are still some reds on here where we have some challenge doing some work, but it's mainly in areas where we need to do face-to-face or clients are insisting on us doing face-to-face. Over 95% of our revenue can be delivered to the quality demanded by our clients. I think that puts us in really good shape and just shows how well the business has responded in this environment.

If we move on, we've mentioned several times the savings that we've delivered through this period. On the left-hand side of the chart, you can see how we got there, actions which we took quickly to protect immediately cash and profit. The $190 million is roughly made up of one-third from hiring freeze and no pay increases, one-third from salary sacrifice and capacity adjustments, and one-third from what I call discretionary spend. They're very rough buckets, but that gives you an idea of how we got to the $190 million.

Within all of that, as I mentioned, we've identified $60 million of run-rate efficiency savings. We have clear plans for a further $37 million of savings to come from procurement initiatives, further automation, and other efficiencies which we've identified and have plans to deliver. There are clearly further savings we can deliver from the business, but these need to be detailed plans to ensure we execute them well, and we keep the costs down permanently. I'm confident that when we've done that work—which is ongoing—we'll have savings ahead of the original underwriting case and create an even stronger base and platform for 2021 and beyond.

If we move on, and finally, just in terms of actual trading to date, it's worth remembering, as I said upfront, that our custom businesses are clearly being impacted, but one-third of the group is syndicated, with either annual or in Media's case, a multi-year contract. This creates a nice balance in the portfolio and is evidenced in the results at the end of May. Our Media business is proving resilient and has over 80% of its revenue target for this year secured, which is in line with last year. We're seeing year-on-year growth in Health and Worldpanel, and the order book for these businesses is currently ahead of this time last year, especially on Worldpanel, which again, has over 80% of its revenue target secured.

However, in our baseline scenario, which we created as part of the planning, we expected our custom businesses to have a really sharp drop in Q2 revenues and some recovery in Q3 and Q4, so both of these quarters would still be down year-on-year. It's encouraging sitting here today that all of our businesses are tracking ahead of this baseline plan, especially our Insights business, which is our biggest business. It also looks like this will remain the case across June as well.

Whilst we're ahead of the baseline plan, there's no doubt it's been a tough couple of months. Year-to-date, revenues at the end of May are now down 10%, our closing order book is down 8%. Having said that, the percentage of revenue we have secured, secured as a percentage of our baseline plan is running ahead of where we were this time last year, so that, I think, is reassuring for the rest of the year.

In summary, our revenues have so far performed better than our baseline plan. We are firmly on track to deliver our COVID and run-rate cost savings, and our cost and cash working capital focus will remain very much a key priority.

That's all I want to say, and now, I'm happy to pass back to David for questions.

Coordinator — [Operator instructions]. Your first question comes from the line of Mark Way [ph]. Please go ahead.

Mark — Good afternoon. You made a lot of references to this revised baseline, but I'm not necessarily sure I know exactly how I should be thinking about that revised baseline. You've talked about the custom side for Q2 and how you're thinking about the other businesses, but what is your revised baseline for this year? How should we be thinking about that in terms of cash deployment leverage going forward? This is your first engagement with a call with the market, so I think it would be very useful to set things up nicely for the second half of the year, and what to expect.

Ian — Yes, I appreciate it would be great if we published all of our modeling and our assumptions. I think what I would say, Mark, we are in very uncertain times. There are lots of things moving around. We do a lot of work on the various options and scenarios. Hopefully, what I've given you is a sense that we've taken appropriate action very quickly in the face of that uncertainty.

We have said we expect a very sharp drop in Q2, a recovery in Q3 and Q4. Against that plan, we've delivered significant immediate savings. We've identified [indiscernible - 72:54] savings, we've said we'd be ahead of our plan in terms of cost savings when we finished the work on those, which clearly, we need to come back and give more detail on.

I think you've heard from both Peter and I that we are not complacent, but the cash and liquidity position where we sit today is healthy. I'm not going to give any more absolute numbers on that. I think what we've given is a good sense of direction. I think our trading against that plan, I see very much as being reassuring.

Mark Just so we know in relation to where leverage stands, first at 4.25 times, with still having to go through second quarter, third quarter, fourth quarter, are there any leverage points where you're going to have to rethink cash deployment going forward? Secondly, obviously, your pro forma adjusted EBITDA figure factors in a significant level of run-rate savings, but how sensitive are those run-rate savings to the topline?

Ian In our modeling scenarios we've run—which as I say, we're trading better than—we are continuing to invest in all the growth opportunities, whether that's through the P&L or in capex, whether it's the IT remediation we need to do or the new product development we have. There's nothing in terms of the growth areas of business that we are cutting back on, which I think is the right thing to do. In the scenarios we've run, we don't have any covenant challenges, and our liquidity remains healthy.

As I say, I'm not complacent about that. I think staying really focused on cost and cash through this time will put the business in really good shape. We are, as you've heard, pushing on with the review of our costs to unlock as much of the cost benefit we can, not because of COVID actually, but because it's the right thing to do for the business There's nothing in any of our modeling that's constraining our thinking or ability to do that.

Mark Okay, thank you.

Coordinator Your next question comes from Marianna Lowland from Chinovari [ph]. Please go ahead. Thank you.

Marianna Hi. I was also about to ask about the revised base case just in terms of modeling going forward. Would you say maybe that May—could you

	split [ph] out May? Could that maybe be a point of reference for what is the worst-case trough, so we can pinpoint that as the lower limit, or are we expecting a further deterioration into Q2 in terms of what you saw already and observed now? What can we expect for Q2? Just trying to gauge.
Ian	Yes. I don't really want to start giving out monthly numbers, because that's a recipe for a bad precedent, not least of which because monthly numbers can move around all over the place. I think by giving you our year-to-date revenue to May being down 10%, I think you could probably work the maths that from a 2% decline at the end of the first quarter to a 10% decline at the end of May, you can see that there has been quite a hit in the last couple of months. As I've said consistently, that was actually better trade [ph] than we put together when we did our revised baseline plan.
Marianna	Yes. Fair enough.
Ian	Because of the actions we'd taken on costs, and the focus on working capital, that really is helping our liquidity position.
Marianna	Okay, fine, thank you. Then, I wanted to just ask about the working capital, because I actually, I think I remember from the roadshow that you actually had a lower estimate, I think than what you presented today as the range. Just help me, remind me if that is true or not; if you're actually seeing upside in the working capital savings, or is that unchanged? Sorry, I don't have the numbers in front of me; I'm actually in my garden, so if you could just remind me if that is in line or if it's higher.
Peter	The range of [indiscernible - 78:20] $160 million to $260 million in the underwriting plan. You can see at the end of Q1, we were certainly well on our way to achieving that. We believe we will certainly get there.
Marianna	Okay. You don't think there is room for more, or in this climate do find it may be harder to push for this given the circumstances, or do you feel comfortable with that range, and where you are now, obviously being on track?
Peter	I think (interrupted by Ian)
Ian	Let me answer that because actually, I think part of our—so, to date, we've delivered $300 million, so we're ahead of the range. Some of that will undoubtedly either unwind or come under a bit of pressure. Some of our media clients, for example, are having a tough time, and it'll be a commercial conversation we have with some of our clients to help them work through this crisis, as well as others. Hopefully, we

come out a stronger relationship to the other side, but that's a very commercial decision.

So I don't see as delivering $300 million in the short-term. But over the medium-term, I think the scope to improve working capital within the business is higher than that range that we set as part of the original presentations. The scope to improve overdue debt, the scope to manage payments better, give people the right tools to do the job, I think is a real opportunity to drive working capital ahead of that range.

In the same way, I think the cost opportunity is probably, if not at the top end of the range that was set, I think, as I said, I'm pretty confident we'll be ahead of that

Marianna [Indiscernible - 80:21] the trajectory. Just one more question, you said in Health, there has been, obviously, a good performance there and is actually unrelated to COVID-19. Are you seeing a stronger performance there given the race for a vaccine and resource, etc., as per now, or has it been unchanged?

Ian No, a lot of the work that we're doing is for existing drugs, where our clients need the research to support what's coming through the pipeline. It's not actually anything to at all to do with COVID or vaccines. That's very separate.

Marianna Do you think that will be upside there? Are you taking that as an opportunity to—?

Ian I think in future, that will be an upside, yes. As more product comes through, they'll need research in effectiveness, they'll need research on impact on patients, and we are very well-placed to do that.

Marianna Okay. I think that was all for me. Thank you.

Coordinator Thank you. Your next question comes from the line of Matthew from Tikehu Capital. Please go ahead. Thank you.

Matthew Hi, I just had a quick question regarding M&A. You did an acquisition first quarter from Mavens, I think. It was fairly small, but could you just share approximately what was [indiscernible - 81:53] you paid for that? Going forward, even with [indiscernible] now, and obviously, you [indiscernible] quarter, are you going to put on all the sort of bolt-on M&A strategy, or are you going to continue to—or do you have anything else in the pipeline for the year?

Ian I don't have the Mavens number to hand, but as you say, it was small. There was a performance-related element to that. Putting the bolt-on strategy on hold is not something that we're doing deliberately.

	If there are opportunities to strengthen the business, we will continue to look at them. It's a strange time for people to bring product or companies to market, but actually, understanding the opportunities and staying close to opportunities is an ongoing piece of work done through the M&A team, also by the business teams. That's very much continuing to take place, and it's something that in due course, I'd like to see us resume doing.
Matthew	Do you have some sort of internal target in terms of run-rate that you want to achieve [indiscernible - 83:18], or it's really opportunistic and you would—
Ian	It'll be driven by opportunities. M&A targets are always quite dangerous now.
Matthew	All right, cool. Thank you.
Ian	We can get you the number on the Mavens. I'm sure someone has that.
Matthew	Okay. I'll wait for that then. Okay, thank you.
Coordinator	Thank you. Your next question comes from Ryan McElvaney [ph] from CSAM. Please go ahead. Thank you.
Ryan	Hi, good morning. Just a quick question; could you comment on the total number of employees you have currently, how many have been let go or are currently furloughed, and maybe tie in a little more commentary on the transformation plan and any engagement you've had with government support programs or schemes? Thank you.
Ian	Our headcount has dropped from the start of the year by around 600. We have—if you bear with me, I do have the exact number—just over 27,172 at the end of May, which is about 600 lower than we started the year. We have taken advantage of government schemes where we qualify, but that's globally, and as you probably know, the schemes vary.
	Some of them are employee-by-employee like the UK. Others are more how the business is performing in terms of is the impact on your business material enough to allow you to qualify for government funding? We've done that on a case-by-case basis. We've done it carefully because quite often, there are conditions on these schemes around future hiring and firing, and other things you can do with your workforce. We need to make sure we retain flexibility.
	I think that ties into my comment around as we plan ahead, and look for future efficiencies, we want to make sure we can execute them. Of course, how we allocate resources will be a key part of creating a much

	stronger business. Thinking back to the original documents which wee put together as part of the financing, there was the growth areas, and then the efficiency areas, and we are continuing to invest behind the growth areas, whether that's in EPG, or Worldpanel Plus, or Marketplace. We are continuing, as you've heard, to push efficiencies and cash. I think we're very much delivering against the things that were outlined.
	Part of our savings, and which is why, when we talk about the savings, the 190 million of savings is savings in 2020. A lot of that will reverse because if you are asking your teams—and the support from our teams has been phenomenal to go toward a [indiscernible - 86:44] take a 20% pay cut, or go onto furlough, that is a sustainable savings. That's why I was very clear, hopefully, in mentioning that of that $190 million, $160 million is sustained moving forward (corrected below).
Ryan	Just one quick question jumping in there, so is it a significant percentage of your employees that are currently furloughed?
Ian	Well, furloughed is just a UK thing. There aren't, that's just one aspect of our savings. In the UK, we have taken advantage of that, but not on a wide scale across the group.
Ryan	Okay. Thank you.
Coordinator	Thank you. Your next question comes from Naveed Mukhtar from PGIM. Please go ahead. Thank you.
Naveed	Hi, thanks for the presentation, just a few clarifications for me. Just in terms of cost savings, am I understanding correctly that 2020 compared to 2019, all things being equal, you expect $190 million lower costs and then that will partly reverse out of the—you hope that the net cost saving between 2021 and 2019 is $60 million? I just want to make sure I understand that correctly.
Ian	I think so. The $190 million benefits this year against last year, but not all of it is sustainable into 2021; only $60 million is.
Naveed	Is there any—how much one-off costs are you expecting to incur from the increase or the cost-saving that you're achieving this year, and expect to hold onto next year for one-off costs?
Ian	Yes, the one-offs that were in the plan, I think were $80 million year to deliver $100 million of savings in year one, which, as you can see, we have $60 million-plus $37 million, now we're at $97 million, so we're in good shape there. I think across the three years; it was $80 million for three years to deliver $210 million.

At the moment, we're tracking quite nicely in terms of the one-off costs in terms of what we'll do. It may well be that when we pull our plans together, we accelerate some of the areas where the cost to achieve some of the savings is higher than that normal run-rate because there are areas of our business which have significant benefits to unlock which historically have not been dealt with because the cost to achieve was not in line with a 12-month payback, or whatever criteria was being used. At the moment, we've not committed to anything that is materially different to the assumptions in our plan. Clearly, that's something we'll keep people up to date on as our plans evolve for the rest of the year.

Naveed: Thank you. Just on working capital, can you maybe just talk through the disparate income line and the payables line? As this crisis has progressed and as you mentioned, some of your media customers are going to come under more pressure, do you see more of a stress on those two lines? I don't know if you've started seeing that already, especially under deferred income [indiscernible - 90:32] that. Will there be any issue delivering that service?

Ian: Well, deferred income more reflects the volume of revenue, though one of the opportunities for us is to turn that deferred income into billing as quickly as possible. That's a process of improvement. We are pushing quite hard. That's an opportunity for us.

On the payment side, I think that's more—well, that's very much in our own control. We have, as Peter said, put very strict rules in place around—and these are the global rules that go right through the business—in terms of managing our payments much more effectively. They, as you can see, are really making a difference.

I think on the receivables side, I think we have two things. One, our percentage overdues is a real opportunity for us to improve because the normal run-rate is a potential prize for us. Offsetting that is some of our clients will be asking for extended payment terms.

I think we have a lot of moving parts there, but I think the reassuring thing is we're very much tracking it. We have really improved visibility on these areas, and actually, the central team, treasury, the working capital team know how to pull those levers through the year, and exceptions are coming up to me to sign off on. I think we have a good discipline process, and we have good visibility. We can make commercial decisions as and when we need to.

I think there is, if we weren't in this situation, the opportunity to push our working capital even harder, I think, I'd be really confident about. I'm very confident we can make a sustained improvement when things settle down. We might have some ups and downs across the rest of this

	year, but I do think we will still unlock, even through that period, really significant benefit.
Naveed	Sure, thanks for that. Just a quick follow-up on that, your trade working capital as of March was $60 million. In a normalized situation, when you look past the COVID-19 world, what would you see as a more sustainable trade working capital number for this business?
Ian	I would love to give you that number, but because I don't think the business is really focused on it—well, it's not that I don't think. The business has not historically focused on cash, which is why I think we have a really big opportunity here to make a difference. I wouldn't want to give you a normal run rate until we have ourselves comfortable we know exactly how far we can push it. As I said, the scope for significant improvement here, I think, is a real opportunity.
Naveed	Thank you.
Ian	[Indiscernible - 93:46] whilst we're waiting for the next question, just a Mavens question. I've just been told that the cash outflow for Mavens was $10.1 million.
Coordinator	Thank you. Your next question comes from Chris Malone. Chris, could you just briefly state your company name, please?
Chris	Hi, there. It's Chris Malone from Palmerston Capital. Thanks for taking the question. Thanks for the color on the performance versus the baseline. I appreciate you don't want to get caught into what the new baseline is specifically quarter-by-quarter, but can you give us a sense of the duration of the impact that's embedded in the new baseline? Is this a three-quarter-, six-quarter-type event, please? I'm trying to get at what's the worst, what the trough LTM is going to be? Is it going to Q1 '21, 21 '21, something like that?
Ian	Aren't we all?
Chris	Same question, different way.
Ian	Joking aside, I think, to some extent, that is the big call as we model, is what type of recovery are we going to see? I think if you look at our revenues, and we've done quite a lot of work on this, there is a strong correlation across most of our business to QDP [ph] start advertising. The rates a little bit relationship breaks a little bit when something structural happens.
Chris	Yes.

Ian	When CPG businesses started to zero-base their budgets, that curated [ph] our brand business slightly under pressure. Generally, if you look through that, the correlations are quite strong. If you look at those forecasts across the globe, most of the expectation is still for some type of V-shaped recovery.
Chris	Yes, okay, depending on sector, yes.
Ian	I think that's quite encouraging for us.
Chris	So, from a modeling point of view, if I was to look at projected ad spend per sector, that would be a good proxy for how the custom business might shape out, would you say?
Ian	That would be a good proxy, yes.
Chris	Okay. Given we don't have a lot of familiarity with how the—it's a very heterogeneous business, the custom side of things by definition, can you give us a sense on how customized it is? Do you have an order book? Are these off-the-shelf-type products? How much visibility do you have? When you're talking to your big clients, are they giving you insights into next year's budgets, or what you might do with them next year? Do they just give you a phone call, and they want something as of next week?
Ian	Both, to be honest because what tends to happen is there are relationships at a senior level talking about the direction and level of spend. Then, quite often, that level of spend, especially for our global clients if you're talking CBG, for example, or food and beverage, those budgets then get allocated locally.
Chris	Right. [Overlapping voices - 96:58]—
Ian	Variety local in-market decisions to drive along that end [ph].
Chris	Okay, interesting. Okay. Thank you for that.
Coordinator	Thank you. Your next question comes from Raúl DeQuerra [ph], from Chinovari. Please go ahead.
Raúl	Hi, thanks for taking the question and organizing the call. Thank you very much. Just, I think two or three areas I want to try to understand, in particular on the non-customized syndicated business with retro'ing [ph] revenues and contracts. I think we're talking here about Worldpanel and audience measurement, in particular, amongst other things. Can you give us a sense of the roll out in terms of your contracts, because I understand that the average age of contracts was

	between one to seven years. I think that's what you presented in the [audio skips - 98:09]—
Ian	Sorry, I've lost you.
Raúl	Oh. Is this better now?
Ian	Hello?
Raúl	Hello? [Audio skips - 98:28]? Hello, can you hear me [ph]?
Ian	I don't know if anybody else can hear, but I can't.
Raúl	[Audio skips - 98:43]—
Ian	No, sorry. I can't hear anything.
Raúl	[Audio skips - 99:05]—
Ian	David, I'm really sorry, but I can't hear anything.
Coordinator	Okay. I'll clear that question then if Raúl wants to come back. The next question comes from Louis Cabral from Northlight [ph]. Please go ahead. Thank you. Next question from Louis Cabral, please go ahead. Okay, so next question from Frank Wokovicz, from OGO BHF [ph]. Please go ahead. Thank you.
Frank	Okay. Hello, thank you for taking my question. Can you hear me?
Ian	I can hear you.
Frank	Ah, perfect. Good. First of all, you mentioned something with a cash outflow of $10.1 million. What was it, please?
Ian	That was the Mavens acquisition we did in the first quarter. If you want the details, they are in the actual accounts that we put out last week.
Frank	Okay, okay. I have a question concerning your cash level. You said, so March pro forma, you had a liquidity of roughly $750 million, and end of May, it was $800 million as far as I understood. Is that pro forma as well, or is there anything else to count for the transaction, or is it really your final pro forma cash liquidity level?
Peter	Yes, that is the final pro forma for the transactions to come liquidity level, correct.

Frank So, $740 million on balance sheet, and $800 in liquidity and some [ph]?

Peter Correct, yes.

Frank You did US$50 million of free cash flow during the end of March and May?

Peter Probably a bit more than that. There are, obviously, some plusses and minuses, but that's directionally correct, yes.

Frank Okay, thank you.

Coordinator Thank you. Your next question comes from Ashraf Munin from Man GLG [ph]. Please go ahead.

Ashraf Hi, there. I have a question, just trying to understand, do you think we've reached—you guys have hit the trough already, and now you're seeing a recovering, or is it at the moment, current trading is still weak like is has been probably in April and May? Then, second question on the customer side, are you seeing your customers delay their contracts to maybe later in the year, or cancellations, any contracts you've signed beforehand, or any work do you guys continue to do the work, and maybe winning maybe less contracts in the future, or the backlog is less than it was before?

Ian Just on the trough, I think it will be—if you want to call it, it'd be a brave person to call that. Hopefully, we're going through what I said before; our plan was Q2 very sharp down, Q3 starting to recover. To date, we've traded nicely ahead of that plan. As I said, that, to me, is reassuring. The general outlook is uncertain, so I think it's in that backdrop you focus really strongly on costs and [indiscernible - 103:09] what we're doing.

In terms of how customers behave, we did see in really in April, actually, cancellations, we had a few; postponements, we started to see quite a few people moving work out. Yes, for example, in some of our face-to-face work, whether it's an insight or public, the work isn't being canceled; it's just being delayed until we can re-engage, and actually have people out in the field doing the work. We still have the contract; it's just a question of being able to execute it.

There is an element of postponement happening. What we're doing in our planning as we look at each month is to say well normally, the run rate of cancellations and postponements was 2%-ish. It's now probably 6% to 8% with that sort of scale.

Often, that work comes back, and we've seen that already with some of our clients who, in March canceled work, and then come back in

	May, saying actually, we do need that piece of brand work because at this point in time, we need to understand what's going on. It's an interesting time. As I said, behaviorally and from a brand sense, I do think a lot of what we do is very important for our clients, now.
Ashraf	Okay, did you mention your backlog, how it's looking?
Ian	[Overlapping voices - 104:50]. Yes, our order book at the end of May was down 8%.
Ashraf	Okay. Is that in custom, I guess, mainly right? That's where your order book is?
Ian	That's across the group.
Ashraf	Okay, cool. Thank you.
Ian	A couple more questions? If not, I'm happy to stop.
Coordinator	Next question from Tom Deham [ph], ICG. Please go ahead.
Tom	Hi. Thanks for taking the question and for the presentation. Just two quick questions from me, could you talk a little bit, please about your positioning versus competition? I was particularly thinking in the Media division. I think you've been rolling out some new devices for audience monitoring. Is your capability on a par or better than your competition, and how do you see that developing through the year, please? Then, I have one more question.
Ian	Well, specifically on our meters, we have a new meter that's been developed. I does increase our ability to offer a full platform cross-media offer. We have ongoing dialogs with our broadcast customers or joint industry committees/panels about rolling that out. We're very pleased with that. I think there's a little bit catch-up there versus what Nielsen had in place. We think we've probably gone past what they offer, and it'd be nice to get into market and prove it; that's good. We have also been developing the whole concept of cross-media audience measurement. Again, we think that's, from a technology point of view, something that will be a differentiator going forward.
Tom	Would that breakdown allow you to look into what people are viewing on streaming platforms like Netflix at this stage, or is that—
Ian	That is right. That's exactly what we're trying to develop. Well, we have developed; we need to pushing it out into the market.

Tom	That's really helpful. Then, the second question I had was just you talked a little bit about this, but I'd like to understand the timing, if you like, between an order coming in, and the time lag to when you deliver them. You've guided May revenues down 10% in the order book, so they're down 8%. I guess, if that order book is increasingly time-lagged, then I supposed you would expect to see those revenues continue to run deeper and deeper below prior year. Could you guide a little bit around what you're seeing in terms of orders, and how long does it take you to convert into revenues, please?
Ian	That's a really good question. We're doing a lot of work trying to unpick this because our orders come in as an order for contract. Then, unpicking that, is it a multi-year contract, is it a big piece of work in public? For the bulk of our work, it's generally a three-, four-month time lag—sorry, not time lag. The order comes in; we start the work; we recognize the work over the next three months.
Tom	That's very helpful guidance, thank you.
Ian	As a sort of rule. Yes.
Tom	Thanks very much. Thanks for the questions.
Coordinator	Your next question comes from Brian Farrell from Amondy [ph]. Please go ahead. Thank you.
Brian	Again, thanks very much, gentlemen, for the presentation, and all the questions. Sorry to be a bit of a bore, but I just want to come back on the trend in the business since the end of the quarter because I'm still just not clear as what the message is. I saw your 2% revenue drop for the first quarter, and then, I think it's 10% for the year-to-date to the end of May. So, back of the envelope, it's maybe 20%-plus drop across April and May. I know you talk about [indiscernible - 109:08] better than the baseline plan; I guess my question is has the business improved over the course of May going into June, or is it down and running along a plateau, or is it sitting [ph] there getting worse, but that worse could still be better than the base plan [indiscernible - 109:28]?
Ian	All I'm going to do is reiterate what I've said. I've said that we're trading ahead of our plan for April and May. We fully expect to do that again in June. The revenue we have in our secured revenue gives us, I think, reassurance that our baseline plan is a good place to be. I think giving any more insights than that based on a couple of weeks' trading, I think would be, in this environment, quite reckless, and I'm not prepared to do that, sorry.
Brian	Yes. No, I'm just trying to look at the historical status. The business has performed well. It's obviously generating cash since the quarter-

	end, which is all good stuff. I'm just trying to get a sense—and I appreciate if you don't want to answer it—but whether the business is actually historically you've seen an improvement say, from the second or third week in April into May or not. I guess that's the sense that I'm trying to get for the business; that directionally is it—has it turned? Who know what it'll do for the next couple of months, but just over the last two months, have you seen a turn in the business, or is it—
Ian	The business hadn't really had a weekly cadence of looking at revenues and orders in the way that we are trying to instill at the moment. I wouldn't know the answer that. I'm sorry.
Brian	Okay. Okay, thanks very much.
Ian	Have you one more, David?
Coordinator	Thank you. A question from the line of Matthew from Tyco Capital. Please go ahead.
Matthew	Thanks, just following up quickly on something. Are you talking with rating agencies? Are you sharing some of your baseline, or your plan, or at least some insights on the new plan, just to understand if there is a risk on downgrade on the name?
Ian	Peter?
Peter	Yes, so we have spoken to both agencies. As you'll know, that the agencies obviously listen to what we have to say, but also, they have their own models and their own views of the world. You've seen the Moodys recent credit opinion, which moved from stable to a negative outlook, and that was obviously based on conversations we had with them. S&P are still to follow-up. But—yes, as you know, they have their own views and their own economists which they overlay.
Matthew	Yes. No, I get that. I'm just wondering whether you share a bit more with them than you share with us. That's what I wanted to get at [ph]. Just to know if this is already some sort of priced-in, so to speak, or if we may have some surprises down the line.
Peter	As I said, we do have, obviously, confidential conversations with them. We've had conversations with them some time ago, and this whole situation is obviously, it moves and changes. I probably have not much more to say, but it's the usual conversations, as you'd expect. We've been keeping them up-to-date.
Matthew	All right, cool. Thank you very much.

Ian — Okay, David, shall we draw a line under it there? I think we've had a good go on the questions.

I'd just like to thank everyone for their participation, and look forward to talking to you again when we do the Q2. Bye. Thanks very much.

Coordinator — Thank you to all the presenters. Everyone, that concludes your conference call for today. You may now disconnect. Thank you for joining, and have a very good day.

[END OF CALL]