

Company Name: Informa
Company Ticker: INF LN
Date: 2016-09-15
Event Description: Business Update Call

Market Cap: 4,620.46
Current PX: 712.00
YTD Change(\$): +99.00
YTD Change(%): +16.150

Bloomberg Estimates - EPS
Current Quarter: N.A.
Current Year: 0.463
Bloomberg Estimates - Sales
Current Quarter: N.A.
Current Year: 1313.750

Business Update Call

Company Participants

- Unverified Participant
- Gareth Richard Wright
- Stephen A. Carter
- Charlie McCurdy
- Patrick Martell
- Gareth Wright

Other Participants

- Steve Liechti
- Nick Dempsey
- Simon Baker
- Katherine Tait
- Christopher Collett

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Okay. Good morning, everybody, and thank you very much for coming and joining us at the briefing and live webcast about the Informa Group's proposed £1.2 billion acquisition of the Penton Information Services Group. Given the nature of today's announcement, we are required, quite rightly, to start with the following slide, the disclaimer slide, which in interest of time I won't read out in full, but you have all seen it, so we can move on.

The business combination that we are announcing today represents the latest step in our growth acceleration plan as we seek to build further balance and breadth in our group portfolio and also to strengthen our presence in every market and every business in which we operate. Together with my colleagues Gareth Wright, the Group Finance Director; and Patrick Martell, Chief Executive of our Business Intelligence Division, who will be leading the integration program to combine the two businesses, we will this morning explain the background, the financial details and the logic of the combination. We will then be happy to take questions within the confines of the restrictions imposed on all of us by the rules governing such office.

Earlier today, we announced to the London Stock Exchange that the Informa Group is continuing its 2014 to 2017 growth acceleration plan, or GAP as I refer to it from now on, with the agreed acquisition of Penton Information Services. This combination is, we believe, both commercially and financially compelling. And I would like to start by highlighting the key elements of the combination which we will then address in more detail.

Firstly, the financial terms, the proposed £1.2 billion acquisition involves a total cash consideration of £1.1 billion to be funded through a combination of debts and equity including a fully underwritten rights issue of £750 million. The consideration represents a trailing acquisition multiple of about 11 times, adjusted EBITDA, and less than 10 times after factoring in the £40 million of risk adjusted net operating synergies that have been identified.

Pension information services also brings some valuable tax assets which are not reflected in those previously stated multiples and Gareth will give further details on those shortly.

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Today is agreed combination follows a thorough review by Informa of the industry landscape which led to exclusive discussions with both owners and the management of pension information services over an extensive period. Like the Informa group, pension information services has been through a period of simplification and measured change in recent years and we believe represents an excellent operational and importantly cultural fit for Informa. With attractive growth opportunities particularly in the U.S., a market that we have consistently stated is a key focus for us to grow in as a group.

The combination as I said at the beginning, builds further breadths and balance in our overall group portfolio, complementing our existing positions and strengths. In particular, it will significantly strengthen our newest and most rapidly expanding business, Global Exhibitions, and our recovering and improving Business Intelligence division. Additionally, Penton Information Services' position in specialist media and date marketing provides some complementary opportunities that we believe will help drive growth for the newly enlarged group.

Like Informa but perhaps more so, Penton Information Services is focused around key industry verticals. Some are areas where we already operate and know the markets well, such as health and nutrition, agriculture and food, and technology, media and telecoms. All market shares familiar to Informa. It also contributes positions in a number of attractive adjacent verticals where we do not currently operate at scale, such as transportation and infrastructure. We have also made no secret of our intention to expand in the U.S. In recent years, the U.S. has become our single largest market through both organic expansion and a number of targeted acquisitions including Hanley Wood, Virgo Publishing, the Fan Expo portfolio, FIME and most recently, Light Reading.

In marketing services and specialist B2B media operations, Penton Information Services has what we would describe as some triple-play attractions for Informa. Firstly, it contributes deep market knowledge and data capabilities. Secondly, it produces content that is relevant to all of the channels in which they operate, digital, print and exhibitions. And, thirdly, it has a trusted relationship with an audience of around 20 million business professionals that rely on Penton Information Services.

We will additionally gain a portfolio of quality B2B specialist media brands, many of which started life as print titles. These brands are progressively and successfully making a transition from a print-only format to a multi-platform digital and more subscription-orientated set of media brands.

Gareth will explain the financial details of the proposed combination. But, in summary, we believe that it is compelling based on the attractive multiples. It will deliver immediate earnings accretion in the first full year of ownership, that is before both the operating synergies and the tax benefits.

Additionally, it represents an attractive proposition for shareholders with a positive return on investment in the first year of ownership on a cash basis. For all of those reasons, the combination of the Informa Group and Penton Information Services will, we believe deliver additional breadth and balance as we continue to seek to strengthen this group.

If I may, talking of GAAP, could I briefly remind you of the GAAP framework. We will continue to implement the plan under which we have reorganized and have been operating our business for some time now. We have added to our management capabilities. We have reinforced our presence and growth in markets and locations, and we have pruned the portfolio. We have invested.

For the record, we will continue to maintain all of the previously stated targets and commitments that we set out in the GAAP program.

Over the past few years, Informa has been through a period of measured change. We have sort to unlock the growth potential of our asset portfolio through a simplified operating model. In the delivery phase of GAAP, we are targeting organic growth in all four divisions. We have this huge operational fitness and sort to improve our revenue mix and predictability. We are investing for growth. We are enhancing our customer propositions. We are improving our return on investment and this is reflected in solid and encouraging earnings momentum.

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With the addition of Penton Information Services, Informa will take the next step in becoming an increasingly broad-based, more geographically diverse, more digital and more customer-focused business. It builds on our existing strengths, in areas such as exhibitions and business intelligence and adds depth and additional capabilities in event services and in-house capability and in data marketing and specialist B2B media brands, which are trading external businesses.

I said in my introductory remarks that we believe that this is a compelling combination, both commercially and financially. Specifically, Penton Information Services will contribute scale exhibitions and professional information expertise in five key markets: natural food products, agriculture, infrastructure, transportation and design and manufacturing.

In terms of specifics, we will add around 30 growing exhibitions including some of the largest and most attractive event brands in the United States. It enhances our Business Intelligence Division with more than 20 digital subscription products and over 100 specialist B2B and data products. And perhaps, most importantly of all, on a human level we will gain more than 1,000 new colleagues in the United States, making America the single-largest base for the enlarged Informa Group.

Penton Information Services has been through a period of transition over the last few years and many of you will know this business. That transition has sought to move it from a legacy business around trade magazine publishing into a exhibitions and professional information services group. The company now reaches 20 million professionals through an integrated platform serving each of its chosen market segment. Exhibitions and digital operations now account for about 70% of Penton Information Services' revenue compared with under half five years ago, and approximately 95% of the operating profit, the adjusted operating profit, of the group.

For us, this mix reflects the positive contribution of around 10 acquisitions by Penton in recent years. It has expanded its presence in exhibitions, in digital and in data and marketing services. These acquisitions have included, amongst others in agriculture, the purchase of the agriculture business of Fairfax Media. In TMT, the purchase of TU-Automotive, an event and digital information company serving the TMT sector. Other purchases have been included the MRO network in transport and aviation and in TMT the [ph] I-Net (12:02) interactive event and digital information company.

And finally and perhaps most notably for us, we will have a clear position in natural products and food ingredients, by adding Penton Information Services Natural Products East and West and Engredea to our existing portfolio that includes a Vitafoods and the SupplySide West and East brands that came with the Virgo Publishing acquisition where interestingly Penton were the under bidder.

In the five verticals in which it operates, Penton Information Services serves important exhibition and information franchises in terms of attendance, data usage and subscription revenue. To go back to Natural Foods as an example, Penton Information Services attracts around 100,000 attendees to its show brands and agriculture, more than 2 million farm and farm-based decision-makers attend event such as the Farm Progress Show and use information businesses such as farm price.

In infrastructure, Penton Information Services content and services reached hundreds of thousands of professionals in areas from IT to auto management. And in transportation, Penton Information Services specialist brands are used by 1 million aviation and almost 1.5 million automotive professionals.

The next slide shows Penton Information Services growth in shape and performance over the past three years and how the business mix is progressively changing. As the transformation of the company has moved, revenues and adjusted operating profit have increased steadily, reflecting an improved waiting of the business towards exhibitions and conferences and digital assets, and reducing their dependence on print revenues. I will come back to this in a minute.

Penton has shown double-digit compound annual growth in areas where Informa is also expanding and this, for us, reinforces the complementary nature particularly of the events and digital businesses. As an aside but a notable one, like our own business, it is a powerful generator of cash with annual free cash flow before interest of more than \$100 million.

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All this will serve to strengthen our position in our newest operating division, Global Exhibitions. Our combined business in this area will be more than five times larger than Informa's exhibitions business was in 2009. Post completion and based on the 2015 numbers, not the 2016 numbers, it will have revenue of more than \$0.5 billion, which almost half will be derived from the United States of America.

The strengthened Exhibitions business will now operate about 50 exhibition brands in the United States including 16 of the top 250 trade shows in that market. And as the data clearly shows, the bottom of this slide is from the latest AMR Global Index Rating of the size of the exhibitions market. The U.S. is a particularly attractive and scale market, representing over half of what is a close to \$30 billion global market.

In addition to the brands in GE, Penton also brings some enhanced capability for us is a recently expanded business in Global Exhibitions.

Both our businesses are focused on trying to bring innovation, greater data expertise, increasing customer service and some rigorous analysis on the cost and the procurement side of running this business.

Part of the attraction of Penton Information Services includes its well-developed central platform for events services which is an in-house cost management capability which coordinates vendor selection, contract negotiations, pricing and investments in technology and data management. These are all capabilities we can apply across a wider and larger exhibitions and events portfolio.

Moving from Global Exhibitions to Business Intelligence, which is within Informa pre this morning's announcement progressively returning to growth. We will gain further scale in this business with the addition of more than 20 attractive digital Intelligence brands and more than 100 specialist Insight brands.

On the Intelligence side, these include brands like EquipmentWatch in infrastructure, the Aviation Week Intelligence Network in transportation and source ESP in design and manufacturing. These are subscription products with attractive renewal characteristics much like the Intelligence products BI already operates. They provide data and intelligence to help B2B customers make better decisions, ultimately helping to drive return on their investment.

In terms of Insight products as we call them, Penton has a rich portfolio of well-known niche B2B brands, over 100 in total. They are specialist information products similar to the Insight products we already have BI like our standard, I choose my words carefully, our standard Lloyd's List product in maritime, or our Foodnews product in agriculture. They provide news and data on crops, harvest, markets, prices, and food production to the communities they serve. And they're an invaluable source of information and knowledge for companies buying and selling services into these communities. While they often do not contain the predictive and analytical value of a higher-value Intelligence subscription products, they remain an important part of the customer management chain in B2B information services.

The key difference between some of Penton's Insight products and our is they have been better at monetizing the [audio gap] (18:34) base more broadly through a variety of ways and based, in part, on their advertising heritage. Our Insight products tends to rely on subscription income where we can get it with some nascent success at generating, advertising, and marketing income around us. At Penton Information Services, it is somewhat different with its Insight portfolio generating a significant amount of income form advertising and specialist B2B marketing service activities.

As you can see from the chart, there is some crossover with BI in the attractive verticals in which Penton operates. Some of these are in adjacent sub-verticals, as you know increasingly we are dealing with sub-verticals or niche markets or nano verticals, as we sometimes call it, as industry divide and subdivide in into specialist areas. In the case of design and engineering, this is really a new vertical all together for us and they have some quite interesting properties here.

As I just alluded to, one of the real attractions of Penton for the BI division is it's expertise in managing and monetizing B2B brands. This expertise really comes out of its history as a B2B media group and its print background. And it's worth taking a moment to talk through this and to try and be clear about the print aspect of its business.

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At the end of 2015, approximately £85 million of revenue was in print. But understanding that in more depth, it falls into three broad categories: print subscription and access fees, print marketing services and print advertising revenues. The latter, the print advertising revenues, is the largest of those three elements and is a mixture of stand-alone advertising and advertising sold in pricing and marketing bundles alongside events and exhibitions. And roughly, that's a 50/50 division.

Penton has proved to be very effective at managing the stand-alone print advertising revenue decline, shifting the audience online and moving the advertising customers to more bespoke marketing service activities. To put all this in context of the enlarged group, excluding – just to be clear, excluding our academic books business, which is, of course, a mixture of print and digital, based on 2015 figures, the enlarged group will have a print revenue of around 6% and a profit contribution of around 3%.

Moreover, its specialist B2B brands provide a channel for customer engagement through which it is proved to be adept and more adept than we have been in selling a range of other marketing service activities.

As I've alluded to before, the result of the Penton Information Services-Informa combination is that the enlarged Informa will have materially increased in the U.S., a stated objective of our GAAP program. And as you can see it correspondingly reduces our presence in both the United Kingdom and in Continental Europe. The enlarged Informa will derive around 65% of revenues in U.S. dollars or currencies pegged to the dollar, and around 50% of revenues exclusively from the United States.

At this point, I think I will hand over to Gareth to take you through on some of the financial characteristics of the proposal. Gareth?

Gareth Richard Wright

Thank you, Stephen. As Stephen said, I will now talk you through the financial components of the combination. Each represent a compelling, attractive multiple and accretive earnings profile, valuable operating synergies, attractive returns, and revenue growth opportunities, all achieved with a balanced approach to funding.

This combination has been agreed on an attractive base trailing multiple of about 11 times Penton's adjusted EBITDA from its management accounts for the 12 months ending June 30, 2016. Our analysis to-date has identified £14 million of operating synergies that have been verified by independent auditors. These annualized risk adjusted savings are expected to be realized from 2018. If we include these in our calculation, the implied multiple in the deal falls it's just below 10 times EBITDA.

Furthermore, Penton brings some valuable tax credits for the group. Following similar rigorous analysis from verification, this have been valued at £95 million, with the majority of this figure expected to be utilized by 2018. If we include these credits within our calculation, the implied multiple in the deal falls closer to 9 times EBITDA and in our view, a compelling level from a financial perspective.

And surprisingly, therefore, we expect the transaction to deliver accretive earnings in the first year of ownership. And critically, the post-tax return on investment it delivers is expected to exceed Informa's weighted average cost of capital in the first full year of ownership on a cash basis and on a non-cash basis the following year. We believe this represents an attractive returns profile for shareholders.

We also believe there are a variety of incremental revenue synergies that will arise from the combination. These come from variety of sources including the deployment of digital products and services, from new customer across marketing opportunities and from the geo-cloning of exhibitions both inside and outside of the U.S. However, I want to make it clear that none of these potential benefits are included in the metrics that I've just outlined.

Lastly, we believe we've taken a balanced approach to funding of acquisition through mix of debt and equity, which I'll now go through in more detail.

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In terms of financing, as we consistently talked about, we are focused on maintaining a balanced approach to leverage. Immediately following the acquisition and completion, the structure of the deal financing will leave leverage close to 3 times net debt-to-EBITDA, calculated on a basis consistent with our bank covenants. As you go through our seasonally strong fourth quarter for cash generation, we expect this to drop to around 2.6 times leverage by the end of the year. We believe this is an appropriate level of leverage for the transaction and we didn't expect leverage to reduce back within our long-term target range of 2.5 times during 2017.

Now turning to the detail of the financing of the combination. The total consideration for the acquisition will be £1.2 billion, comprising [ph] £1.11 (25:16) billion in cash and the remainder an equity issue to the vendor. As we've announced earlier today, we intend to fund the cash element and the consideration from new acquisition facility of £430 million and from a £715 million rights issue.

Additionally, the current shareholders of Penton Information Services including the senior management team have committed to receive a portion of the aggregate consideration in Informa shares.

The rights issue has been fully underwritten, an issue price of £4.41 per right issue share, representing a discount of approximately 31% on the theoretical ex-right price. This is based on the closing price at £6.935 per existing Informa share from the last night. The rights issue will consist of one rights issue share of every four existing Informa shares.

Now, we appreciate such rights issue mechanisms are complicated, so we provided a detailed illustrated calculation in the appendix of this presentation on slide 31 to help you with your sums going forward. So, as you can see from that, the theoretical ex-rights price is £6.43 with a rights issue price at £4.41, a 31% discount to TERP.

The new acquisition facility of £430 million is struck at 95 basis points over LIBOR, giving us good flexibility and visibility to manage our debt effectively. On pensions, Penton Information Services closed its defined benefit scheme to new entrants and new accrual a number of years ago, which ensures there's a modest deficit similar to that of Informa. And this means the overall pension deficit of the enlarged group will be around £30 million.

In terms of current trading, there's been no material change since the outlook issued with our interim results on the 28th of July. But just to be crystal clear on this, that means all our previous guidance in relation to divisional growth and performance remains intact.

Our dividends, Informa intends to maintain its current dividend policy across the enlarged base of issued shareholder capital. Under the growth acceleration plan, we've made a commitment to minimum annual growth of 4% dividend per share in 2016 and 2017 which is the remaining two years of GAAP. This underlines our ongoing commitment to shareholder returns.

Penton Information Services' mix of businesses have similar attractive characteristics in today's Informa. This includes a strong portion of visible and recurring revenue streams with more than 50% derived from events and subscriptions. In profit terms, more than 90% comes from the attractive and growing events from digital businesses. In aggregate, this leads to valuable margins around 30%, a similar level to Informa, and strong free cash flow characteristics, including cash conversion of over 95%.

The relatively low capital requirements is over the mix of the business translate into strong pre-interest free cash flow about \$100 million before interest costs, implying that the enlarged group, based on 2015 financials, will generate annual free cash flow approaching £400 million.

This combination will create three equally powerful business divisions in Informa namely Global Exhibitions, Business Intelligence and Academic Publishing. We will balance our traditional weighting to subscription revenues particularly Academic Publishing with a strong presence in Exhibitions and Business Intelligence, and they're important parts of the Penton Information Services portfolio that will enhance the growth prospects in Knowledge & Networking.

We've integrated that the integration will be a measured and phased one. And after completing discovery phase integration and once the two businesses have been combined, we expect about 45% of Penton's revenue and about 55% of the EBITDA to be managed by Charlie McCurdy in Global Exhibitions. Patrick's Business Intelligence Division will take responsibility of around 45% of the revenues and around 35% of EBITDA with the remainder to be managed by

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our Knowledge & Networking business.

It's worth restating that the attractive nature of this combination in terms of the key pro forma revenue and revenue metrics of the enlarged group. As this slide shows, we improve our exposure to the U.S. market to around 50% of revenues by geography, and in terms of revenue by type, in areas that we regard as more predictable, so subscriptions, exhibitor and attendee revenues, those will account for around two-thirds of the enlarged group. This will ensure greater visibility and resilience in our revenue mix.

In terms of the timetable's closing, I would just like to briefly summarize the key dates for our shareholders. As the deal constitutes a Class 1 transaction, we intend to hold a general meeting of shareholders on October 10 to approve the terms outlined today. And we expect the dealing in the rights issue shares to begin on October 26 and we've had to complete the transaction on November 1 or pending the clearances being received.

Given this timetable and restrictions on what we can say during the off period, for obvious reasons, we'll be rescheduling our previously planned Investor Day and more details on that will follow in due course.

In summary, we believe the addition of Penton Information Services, its compelling financial attractions, has been secured in a good price with attractive earnings accretion and positive returns and well within our target leverage range. The financial approach I've outlined is, I believe both attractive and balanced in terms of the structure and the terms involved.

And with that, I'd like to hand it back to Stephen for some closing remarks before we take your questions.

Stephen A. Carter

Thanks, Gareth. We're on the homestretch. So, I hope by now we've given you – yeah, that's me, just in case I've forgotten my name. I hope by now, we've given you a reasonably clear sense of why we think it's compelling financially and commercially. We believe it's a natural complementary addition to the group and a next step of our stated GAAP strategy. As Gareth has just explained, it strengthens our U.S. presence. It builds on the GAAP program and it adds balance, breadths and resilience to the changing shape of our business. We'll emerge with a broader portfolio and a stronger one. And we derisk some of the areas that are a bit more cyclical and we do so whilst keeping our margins at over 30%.

The financial terms that Gareth has just outlined including the multiple, the earnings accretion and shareholder returns are, we believe, in shareholders' interests. But after closing and the necessary approvals comes actually the really hard bit. We need to ensure that we do more than just acquire a business whether we execute it, we integrate it and we operate it successfully, and that is the area, in truth, where we have spent most time prior today's announcement.

One of the many benefits of having had an exclusive relationship with the owners of Penton Information Services over a reasonable period of time. And also having taken our time to make this move in the U.S. is that we believe we have a good plan and that we're on a good position to achieve an effective onward integration.

To that end, we've asked Patrick Martell on a stage here today, Chief Executive of the Business Intelligence Division, to become the Chief Executive of Penton after a short transition period with the existing Chief Executive, David Kieselstein. Given the complementary nature of our BI division with large parts of Penton and Patrick's own track record, this is a very natural extension and expansion of Patrick's responsibilities. Patrick will move to New York and take responsibility for that effective the end of the year.

Charlie McCurdy who is the Chief Executive of our Global Exhibitions division is sitting in the back of the hall, will work closely with his colleague and will be responsible for running the Penton Exhibition brands as part of the enlarged exhibition businesses as we progressively combine and integrate these businesses through 2017.

Interestingly, earlier in his outstanding career, Charlie co-founded a business called Primedia, which many of you will know, which was later required by what is now Penton Information Services in part. And therefore, Charlie previously managed and, in some instances, created many of the brands in the Penton Information Services portfolio meaning, as I

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constantly remind him, he has nowhere to hide.

I'd also like to take this opportunity to put on record the strong collegiate and collaborative culture that's been built up by David Kieselstein and his colleagues during his period as Chief Executive and the relationship that he and I have established over the last few years, which has led to today's announcement.

At Informa, I hope you know, we attached great importance to the skills, experience and continued contribution of all colleagues in the company including the soon-to-be colleagues of Penton Information Services. We intend to use this integration period to discover more about the business and the individuals joining the enlarged Informa Group and identify more opportunities to unlock growth and opportunity from the businesses we're acquiring and combining.

To be clear, we are also determined to deliver on our existing 2016 targets for Informa as it is and meet the budget ambitions of the enlarged business in 2017. Together, we are embarking on the next stage of the Informa GAP program. Already on the GAP, the group has gained some momentum through improved operational fitness and performance, financial discipline, and an improving growth and earnings trend. And we are now seeking to build on that progress with a balanced broad-based and financially compelling combination and what is now our single and most important market in all our businesses, the United States.

The Informa of 2017 and beyond will be more international in its profile. We will have greater digital and data capabilities. We will, however, continue to generate cash and we will focus more than ever on predictable and recurring revenues. Taken together, this is we believe a compelling proposition. As a management team, we are confident and committed to delivering growth and continuing to unlock attractive returns for our shareholders, for our colleagues, and most importantly, for our customers. And we thank all of them for their support.

And with that, Gareth, Patrick, Charlie and I will be very happy to take any questions. Thank you for bearing with us.

QUESTION-AND-ANSWER SECTION

<A>: Should we just – well, you choose, [ph] Jay (36:15). [indiscernible] (36:17) I don't get told off.

<Q - Steve Liechti>: Thank you. Good morning. Steve Liechti from Investec. Two questions please. First of all, if you put the business into Informa speak in terms of events, BI and K&N, can you give us a feel for like-for-like sales growth trends in the last few years? I think we can work out the margin on your basis from the information you've given us but perhaps the margin trends as well.

And my second question is on print specifically. In the presentation pack you've given us, profits fall quite considerably in the last reported year, from having been stable for the previous two years. Can you just outline why that is, that that depth of fall and whether that's a sort of trend we should think about going forward into – will the print business go into loss? How can we feel about that going forward?

<A>: Okay. I might repeat that a bit just, Steve, just for the webcast, if I may. What I heard, tell me if I'm dodging your questions, were a series of questions around if we look to their business through our lens, what's the revenue and growth split? And then, specifically, what have been the margin trends, as well as the absolute margin? And what, if anything, are the worry beads on the print decline, roughly, right? Okay.

Let me start, and then, Gareth, do you want to come in as I miss points? If you look at the growth features, their events business has broadly been growing comparably to ours, which I may be slightly circumspect in the words I use because of what's in the prospectus and the circular because what you'll find in there is the 2015 orders and numbers and then IFRS-adjusted but not audited for 2016.

But if you look at the trend lines, the Exhibitions business is growing sort of like ours, which is top-end growth. And one of the advantages for us of having sort of gently gone into the U.S. markets over the last three years and built up a bit of a portfolio in the U.S. is, and maybe Charlie can come in, we recognize their growth trends. We recognize their margins. We recognize their pricing strategies. There's nothing in there we think is exceptional or has been masked, or I'm not suggesting you're suggesting that Steve has been manipulated. It feels to us pretty consistent with the performance of our own business in Exhibitions. I think that would be fair, Charlie.

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<A - Charlie McCurdy>: Yeah. Yeah.

<A>: They've had some acquisition additions which takes their growth up to higher double digits. But at an organic level, it's comparable to our own.

In BI, similarly, their subscription businesses have been renewing and growing probably at slightly better rates than ours, I think, Patrick, without being critical of our own business. In K&N, to be honest, it's a relatively small portion of their portfolio that's going to go into K&N. It's only going to be the TMT assets. They have four businesses in the TMT sector which we're going to slide into K&N. And three of those are doing very nicely, one of them is a little bit flat, but in the round, it's pretty comparable.

The margin is very similar to our own. I think the events margins, because theirs is 100% U.S. business, is very like our own U.S. portfolio. We have an international exhibitions business. Theirs is exclusively U.S., so their margins are slightly higher than ours. But if you compared it to our U.S. portfolio, the margins are comparable. And I think the margin tracks have been pretty similar, I think. There's no material difference in the margin trends to your trend question. And the same is true in BI. And in fact, when we pro forma it for the group, it keeps our margins pretty much constant in both those businesses. I think there's a slight improvement in BI on the margin, actually.

On the print element, if you look at the numbers in the circular, when you see it, I think it will be published this afternoon. What you'll see in the 2015 numbers is that the revenue in print in 2015 was in dollars about £111 million, £112.85 million. If you go back a year to 2014, that number was about \$150 million. And without making too many forward-looking statements, if you look forward into 2016, I don't think the trend lines are materially different.

And of that print revenue, it comes in – because I think I've said this in my comments, it says it comes in three kind of categories. Some of that is print subscription, some of that is print marketing services, and the majority of it is print advertising. But of the advertising portion, it's roughly 50/50. Half of it is stand-alone advertising, half of it is advertising revenues associated with an event bundle. On the decline trends?

<A>: There are some specific points that Steve asked around on slide 11, which was the 2015 number specifically. But in overall, they've done a really good job of managing this down over time as the revenues have come down and they've cut the cost base really flexible and brought that down in line with the revenue. They got just slightly – [indiscernible] (41:44) 2015 movement. It didn't quite work out exactly like they intended, but they call it, well, as I went through the year. And in 2016, they've got the margins back to where they would have been sort of in 2014. So, 2015 was a little bit of uplift, but it's to say, on a longer-term basis, they've done a good job of managing it down steadily over time.

<A>: I don't know if we covered them all, but we had to go.

<Q - Nick Dempsey>: Hi. It's Nick Dempsey from Barclays. Three questions, please. When we're thinking about the digital and print, can we think about them separately? In other words, print going down and digital going up, or is some of that digital growth coming out of the print as you transition advertising from one over to the other? And do you have confidence you can get the net of those two things to grow in the next couple of years?

Second question, just to get from the 2015 calendar operating profit to the 11 times EBITDA multiple for the year-to-end June 2016, you need a bit of a jump up there. I'm guessing you've got some M&A and FX in there to think about, but can you sort of talk about how we make that bridge?

And third question, yeah, I mean, how much do you need to invest in CapEx into Penton's subscription businesses to keep developing that subscription business along the same lines you've been investing in BI? Is that something we have to factor in?

<A>: Okay. Well, I will try and have a go at three a bit of one. I'll leave the EBITDA M&A ethics bridge to Gareth. If you don't mind, Gareth. The privilege of being in the chair and you might want to come in a little bit on the digital print transition as well. So, the last question, which is investment in CapEx, there, CapEx investment is pretty comparable to our own as is now, as opposed to as well historically. They spend about 3% or 4% of sales. For the mix of that business

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that feels to us about right.

As you know, Nick, we've had lots of questions about what's our natural CapEx investment level post-GAPs, so post-end 2017, and we've said probably in that territory. So, we're pretty comfortable with that, particularly given the scale of the Exhibitions portfolio. They have actually made quite a significant investment in the last two, three years in their digital platform. And I think actually that might explain a little bit of a glitch last year because there was a little bit of delay in the rollout of their integrated digital platform. But that investment we've taken a pretty good look at and we feel comfortable with it and we feel comfortable with it as a technology fit as well.

Just maybe it's – an adjacent point to your question, but I think it's relevant. In the synergies, we've identified, which is £40 million. That's a net synergy number. So, it's net of an investment number that we've identified into the business. So, CapEx percentage, fine. We don't feel it's been under invested in on the digital technology. We think that's quite comparable and the synergy number is net of an additional investment in the business.

On your first question, digital to print transition. I mean, look, we're not running the business. We've done a lot of due diligence. We've been in discussion with these people for – in some form of conversation courtship and commercial negotiation. Certainly, I'm speaking personally for over two years and we've been in exclusive discussions for quite a few months but ultimately, that's still commercial due diligence. You never entirely know until you're in the driving seat. But based upon what we do know, and that has some depth to it, as Gareth said, we think the digital to print transition has been well handled. They really are quite different products. I think that would be fair to say. It isn't just simply a digital dime for an analog dollar or a banner ad for a display, 20-by-2 or 25-by-4. And their digital products really have got quite some differentiation and bite. And so, we have confidence, I think to answer your very direct question, that I over time we can net that to growth.

Now, we have refrained, I hope in our usual style, from being over bullish in the public statements partly because we've been well advised to avoid being over bullish in our public statements and partly because it's not our style. So, we have not said, this is a business at an inflection point, the analog to digital switchover is complete, we're into digital growth which will meet it out. We haven't said that. We don't know enough to know whether the inflection point has finally arrived, but we have as I say been tracking this business for two to three years, and we feel comfortable that the trend lines are in the right direction. I think that addresses your question, Nick. In the level of depth that it would be appropriate to.

On your EBITDA bridge point.

<Q - Nick Dempsey>: On the bridge, yes. So, I think when you get the circular like today, we see that the 2015 OP was about \$109 million. You can just about kind of make that out from the right hand graph on slide 11. To take that into an EBITDA figure, you need to add back depreciation and amortization which is about, say, \$15 million, again, you'll be able to see a consistent 2015 number later on today. There's been a growth in the business, and also the full year benefit of acquisition is coming through. Again, as Stephen mentioned to you, automotive, earlier, is an example. And that – between them, that's about £10 million. And then, we've added back one or two nonrecurring items such as things as share-based payments under their old private equity structure which equate to about £6 million, and that gets us up to the sort of EBITDA figure that you need to have – to get that multiple to work.

<A>: You're happy, Nick? Happy might be an overclaim. Next question.

<Q - Simon Baker>: Thank you. Simon Baker, Soc Gén. So, three questions, please. Firstly, just back to the revenue growth. And if I look at slide 11, I see a CAGR of about 3% to 2015 in those two years, and yet you mentioned the acquisitions are playing through into next year on the 10 acquisitions made in the last few years. So, could you give us, from a top level guide, what sort of organic revenue growth is currently being delivered and, maybe if you can, into 2016 as well?

Secondly, it looks like perhaps we should expect the majority of the £14 million of synergies to come through in 2017, which sort of then comes back to the idea that it might be quite a conservative number. And you mentioned the verified operating synergies which is always quite interesting to, perhaps, explore. What wasn't included in that then? What could we expect or rather in other way, what isn't in that?

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Thirdly, management bandwidth on GAAP. I mean, you mentioned that this is, perhaps, the next era to GAAP. What does that say about how you feel about GAAP? Thank you.

<A>: Great questions. Let me come in and then I might bring Patrick in. I was just checking my watch, so it's three hours after we announced it and we're already being asked for most synergies. It's good to see everyone's unpredictable.

Maybe start with your last question, Simon. I mean, we have said consistently, I hope people tend to concentrate on the first not the second, that our GAAP program has two elements. The first element is we want to return all of our businesses into growth and steady, predictable performance. The second is we want to build a platform for future growth and scale. And I think I've said those two things, I know you have to sit in the audience and listen to me. I think we've said those two things often and repeatedly.

Part of building for future growth and scale has been management bandwidth and capability. We've deliberately built for that, same on platform, same on people, on finance support systems, on HR reporting systems, product development platforms. We never saw the limit of our ambition to take the assets we inherited and just make them work better.

So, we've been purposeful about that and we will continue to be so. So I think we feel good about our ability the integrate this business, and I think that's the key thing. We don't just feel good about our ability to acquire it, we feel good about our ability to acquire it and then integrate it.

And maybe Patrick can come in talk a little bit about how he's thinking of both approaching that and also the reverse effect it will have on our business a little bit as well.

On your synergies point, I don't think we're going to get drawn on that, and that won't surprise you. But we'll deliver the synergies. I think we say in the release, correct me Richard, that by – in 2018, you heard us delivering more than 2017, so you're already accelerating both. So, I think it says by 2018. We're very confident on the synergies and we spend a lot of work with our good friends at Deloitte validating them, so we feel confident about those synergies.

But what we're not going to do just to be very transparent, we're not going to accelerate the synergies to over deliver on the synergy number to damage the business. So, we have a view. We have a plan. But we intend to integrate this business successfully and part of that will be learning about the things that they do that we don't do that we want to apply to the business that we've got in marketing services, in data and in events services. There's learnings for us there. But we feel confident about the synergies.

I don't know if you want to comment at that point, Patrick.

<A - Patrick Martell>: To repeat on the points Stephen made earlier, I mean we've obviously had a good access to the business and we understand it well. The priority as far as the integration is concerned is to absolutely ensure that we deliver the 2016 numbers and we prepare for 2017. And you also use that opportunity to understand and to validate our assumptions going into this.

And it is absolutely business as usual first as the number one priority and synergy second. And that doesn't mean that we won't deliver the synergies but it means as Stephen said, we won't put the synergies ahead of disrupting the business. We've got enough time to deliver those synergies. We're very confident in those synergies. But we're not going to disrupt the business to deliver them earlier.

<A>: Your first question on the CAGR organic growth, I think – are you probing around how much of that is real organic growth and how of much that is acquired growth. So, I don't want to put words in your mouth. That sounds like a question for you Gareth.

<A - Gareth Wright>: Yeah. I think we've talked about the fact that there actually are some acquisitions in there [indiscernible] (52:47) merger for example that have completed at the end of 2015, benefit 2016. But in terms of the slide that's outlined there on page 11, the net sort of £10 million a year of growth they've achieved overall includes those acquisitions and the growth in events is I'd say broadly similar to our growth, the event in the sort of business intelligence assets excluding the print angle, again, has seen a good growth, and we're pleased with that.

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On the print side, that is in decline. So, overall you end up with a 15 basis for the group as a whole for 2015, which is kind of flattish. We wouldn't kind of try and push you away from those numbers. So, you're doing the math, so you're coming out with that as an overall position including the print. And I think you're probably getting the maths of that right.

<A>: I mean, you'll see in the circular when it's published, I think the largest acquisition that they've done by acquisition size in the last three years was TU-Automotive, would that be correct? Which is about \$30 million, \$40 million. I mean just – so that you're not going to – there's not a sort of transformatory acquisition in those numbers that – just to size it a little bit.

Next question?

<Q - Katherine Tait>: Good morning. Katherine Tait from Goldman Sachs. Three questions from me as well, I'm afraid. Firstly, just – you've talked a lot about this sort of cash tax benefits. Can you talk a little bit about P&L tax and about the impact that might have? Presumably, increasing your exposure to the U.S. is likely to have some implications there.

Secondly, you touched on this briefly and I think the first question around BI and about it growing if not better sort of rates to your existing business. Can you talk a little bit about the renewal rates or some sort of metrics so that we can understand exactly a bit more about that business?

And then thirdly, you mentioned within the event exhibition space, the opportunity for geo-cloning in the release, I wonder if you – is that something that you expect to drive in acceleration and organic growth for those businesses or is that just part of a continuation of the existing trend? Interested to hear any more color and information on that. Thank you.

<A>: Okay. Thanks, Katherine. I'll take the last one on geo-cloning. Patrick, if you want to come in on the BI renewal metrics and, Gareth, if you could take the cash tax, P&L tax cash question. To be actually say geo-cloning in the release we did. Just to be clear, there are no revenue synergies in the numbers. So, none of what we do, may or may not do with the development of that portfolio, and Exhibitions are in the proposed numbers that you'll see.

Geo-cloning is definitely an opportunity. It is, for all intents and purposes, a 100% American business. We do have a couple of shows that are physically conducted outside of America, but the portfolio is materially a U.S.-domestic portfolio. And definitely lifting and dropping brands out of the U.S market and into international markets or indeed where they are already doing putative shows in markets where we operate, we could develop them further and do a bit of that in Dubai and in China or in Europe. So, there's a bit of that.

I'm looking at Charlie because I know that if he was on the stage, he would say that the richer opportunities, the deeper opportunities in that territory, we believe, are in what we would call the internationalization of the U.S. shows. So, driving international attendees and exhibitors into one of our large-scale U.S. shows, using our international sales and marketing capability and the databases we've got in sectors, in markets where we already operate in other markets like in food, like in agriculture, like in infrastructure. So, I think there are two ways to cut into that, what you might broadly call, more broadly call internationalization, which I think is a richer way of thinking about geo-cloning.

Patrick, do you want to come in on the renewal metrics?

<A - Patrick Martell>: Yes. I mean, BI hasn't been growing yet. And so, the division has been in decline. The plan and expectation is that it will move back into growth this year. The principal reason why we weren't growing was because of the below industry renewal rates. We've had a lot of effort and seen significant improvement in that, and we're now seeing ACV growth and those renewal rates significantly improving. As far as Penton Information Services renewal rates for their subscription products, without being specific about that, they are better than our aggregate, and they're above what you would consider to be the industry norm.

<A>: Yes. On the cash tax.

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<A>: Yes, on the cash tax one, yes. It's probably one that's worth clarifying exactly what we mean by that. And so, there are about £95 million worth of accumulated tax losses on the balance sheet of Penton. But when you acquire those losses, you also acquire for it to be a deferred tax asset that relates to those losses. So, as you operate the business, that deferred tax asset will unwind and, therefore, you'll not see any benefit of those losses in terms of our effective tax rate in the P&L.

Where you will see the benefit of those losses is in the cash tax that we pay out each year in the U.S., a bit in 2016 but primarily in 2017 and 2018. So, overall, the group's deferred tax rate roughly 20% is what we've guided to previously for 2017. That'll inch up a touch with the extra U.S. operations coming in, and you'll not see that come down because of those tax benefits, but you will see in the cash tax.

<A>: Okay. Are there any further questions? Chris?

<Q - Christopher Collett>: Thanks. Chris Collett from Deutsche. I just had a question about – this was really a question for Patrick about managing the business intelligence division as it will become. I think, we'll see depending on how you measure it before we had it about 50 different sort of products and brands within BI. I'm now talking about adding 20 intelligence products and a 100 Insight products on top of that.

What's the danger that you end up with such a huge portfolio of niche products that it does then require additional investment to release out and to move in towards adding more Insight, more predictive power, more digital capabilities and how can you really keep running and keep an eye on all of the sub-verticals within such a diverse portfolio?

And then, I just have one second question was about the synergies that it looks like it's about sort of 7% or 8% of the cost space. Is that correct and can you juts talk a little bit about where those synergies are actually coming from. I didn't quite catch that?

<A>: Okay. Well, Gareth, do you want to comment on the synergies one first?

<A - Gareth Richard Wright>: Yeah. In terms of the sources synergies. I think if we kind of dig in two main buckets, this is what our work is identified so far. And Steven you may clear as you come through this and these are the synergies that we're able to report today in terms of circular. So these are the roughly, straightforward synergies to identify and to target.

Where we see that coming from, just over half of that £14 million figure, we see from the elimination of kind of jaw runnings. So basically it's where we do something at the moment in Informa. They do a very similar identified activity in Penton and we only need to do it once. So, I think for eliminating that jaw running, we get just over half of the £40 million synergies.

The other area which therefore just on the half of the £40 million come from effectively economies of scale and efficiencies from operating a larger business. So, for example, in an area like procurement, we've identified specific areas where we can align our purchasing deals and purchasing power between the two businesses and generate value from enlarged business base going forward.

So, it's the two main areas in particular in terms of the synergies that we're targeting at announcement. And as I say, well, let's target other areas going forward. But that's what we're signing up to at the moment.

<A>: The actual total number, we think, is a bit higher and, therefore, is a higher percentage of the cost base, but that's the net number. So, we've already assumed an X-million pound investment in the business. So, the actual synergy target is a little bit higher in percentage terms. Management bandwidth, I think a question around how.

<A>: To your earlier point about the significant range and diversity of specialist products that we already have and increasing that with the acquisition. The way in which we now organize our business as opposed to how it was organized two years ago is through the market verticals that we created, and Penton Information Services already has been running their business in that way with those collection of assets facing those markets.

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In terms of management bandwidth for the last couple of years in addition to focusing on fixing the renewals, we've also been investing in management team. So, we've seen a significant increase in the executive management and layers of management throughout Business Intelligence, whilst at the same time, investing in technologies and platforms that enable us to manage those assets more efficiently.

<A>: Yeah. I mean, sparing Patrick's blushes, one of the things that we, I think, have really spent time on is building capability in your team, on editorial, on technology, on content, sales, marketing. We talked a bit about this, and I think that goes to the heart of it, the point about building capability for future scale.

And this is a combination and slightly goes back to your synergies point. We're not – you wouldn't do a deal of this size for £40 million worth of net synergies. They're attractive and we can see them and touch them and measure them, but you wouldn't do a deal of this size for the synergy gain. And we believe, based on what we know and our exposure, that they bring some exceptional talent to the group. And I think that will be very additive to our business everywhere, but particularly in Patrick's area.

Are there any final questions or other questions? Don't want to hurry people.

Unverified Participant

Okay. Well, I will declare the meeting over. Thank you very much for your time and attention. I know this was short notice, and there will be more information published later this afternoon. If you have any follow-up questions, obviously, please follow up directly with Richard or indeed with myself and Gareth. And we thank you very much for your attention.

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