

# ASCENTIAL

29<sup>th</sup> April 2020

Dear Shareholder,

The world today is very different than it was a few months ago, let alone four years ago when we undertook our IPO. As we continue to execute against our strategy, I wanted to take a moment to reflect on our progress since that time, and assure you of our confidence in our future – with regard to both the steps we take in these times, and the opportunities we see ahead.

In 2016, we set a strategy to transform Ascential from being a capability supplier of media services to various industries, whether it be events, publishing or information services, to an organisation focused on serving one end market with deep expertise and superior data-driven insights. We chose to focus on the consumer value chain, which covers organisations that create products and services sold to both consumers world-wide and to the supporting industries in-between. We did this for five primary reasons:-

1. The consumer value chain was underserved and the pent-up demand for quality, data-driven support capabilities for digital commerce was obvious to us. The market was accelerating into a seismic structural shift of being digitally led, and it was clear most organisations' readiness was behind the curve.
2. We already had world class products providing information to this value chain. They were highly valued by customers as critical platforms. Furthermore, these businesses employ talented people with valuable, specialist knowledge.
3. We recognised a significant opportunity to achieve market leadership to enable customers to optimise their distribution on the fast-growing digital marketplace ecosystems. This was a completely nascent space at the time.
4. When we compared the business models of highly successful companies in our sector (such as Bloomberg, Gartner and IHS Markit), they had all focussed on just one primary end market.
5. We had already developed a pipeline of M&A targets with capabilities well suited to create enterprise solutions and technologies able to meet the industry demand.

From 2016 to the start of 2020, we made significant progress. It was clear that for consumer product and services companies to be winners, we needed to focus on providing our customers with insights across five core capabilities:

1. Understanding consumer trends globally, to know what the right products were to create.
2. Product branding and digital marketing excellence driven through high creativity.
3. Distribution (sales) optimisation across digital marketplaces and other digital formats.
4. Manufacturing excellence with much greater agility.
5. Global supply chain scale and efficiency.

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Our current businesses across the Sales, Product Design and Marketing segments reflect a successful strategic transformation, covering the first three of those five capabilities identified above, that we have really focussed on to date. The potential for strong organic growth from our current set of businesses and capabilities is promising. In the future expanding our solutions to optimise into the Manufacturing and Supply Chain would be attractive for our customers.

## **2020 and our response to the current market environment**

By the week of 2<sup>nd</sup> March, it was starting to become clear that the impact of COVID-19 restrictions had been underestimated in the western world and we needed to shift our thinking quickly to prepare for a different 2020 operating environment. By this time, we had invoked our contingency plans for our major live event platforms.

By 9<sup>th</sup> March, when I arrived back from our US investor roadshow, it was clear we needed to get ahead of what was becoming a very serious issue. We immediately prioritised the safety of our people and customers. We moved into home-based working and closed our offices 7 days before the hard lockdowns.

Concurrently we focussed our attention on the resilience of our balance sheet. Our objective was to ensure we had the balance sheet strength to get through an elongated crisis with an uncertain duration, but also to continue to press ahead with our strategy. We had entered March with a very strong balance sheet with leverage at 1x EBITDA. We had also just completed a refinancing of our debt in January 2020. Our timing on this was fortuitous.

The refinancing ensured we had very comfortable liquidity for the company. Mandy Gradden and I, supported by Steve Bonnelame, our very experienced Treasurer, are highly focused when it comes to cash. We believe in the “rainy day” adage and certainly respect that “cash is king”. You can see parallels in our prudent style for M&A transactions, where payments through earnouts are linked to “jam delivered today not tomorrow”.

Our strategy has not lacked ambition, but our style of execution has always been measured. Although we have been presented with many “transformational deals” in the last four years, our comprehensive diligence and analysis to date has convinced us that the benefits of them were not worth the risks. We believe the fact that we know our one end-market inside out, take time to get to know the organisations and have time to see them perform over a two-year window reduces many of the risks associated with M&A.

Our belief is focussed on constant execution with continuous marginal gains. I suspect this was borne out of five years of operating the company under private equity ownership. You learn a lot about a business when it operates with net debt levels that under private equity ownership exceeded 5x EBITDA.

## **Operating objectives during Covid-19 restriction period and beyond**

At this point, we were able to turn our attention to how we approach a COVID-19 world and beyond.

Our key priorities have been:

1. Supporting our people to ensure they come through this pandemic with both their physical and mental health as strong as it can be.

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2. To position the company to be able to continue to execute against our strategy.
3. To protect the integrity and long-term value of our product brands. Super serving our customers has been key to take this opportunity to reinforce the value of our long-term partnership. It has also been important for our people to feel and know that we are doing all we can to ensure our customers survive and, where possible, thrive.
4. Agreeing a positive path forward with our banking partners whilst always keeping shareholders at the forefront of our minds protecting the value of the investment you have made in our company.
5. Implementing the necessary steps to ensure we can achieve success going forward but that are also realistic about the post COVID-19 economics.
6. Adapting with agility the formats, environments and structure of our live event products.

Our decisions are rooted on the basis of conservative recovery assumptions. We have not been distracted with trying to predict which character in the alphabet the recovery will look like. We simply have created conservative plans that have acceleration options should the world recover more quickly.

We are comfortable that we have the right balance sheet for these scenarios. Our prudent scenarios model that no more live events will take place in 2020, our Groundsure business stops for much of the year, MediaLink's consulting and media revenues are down considerably and we experience higher churn in our digital business subscriptions. We have already prepared for a year without Cannes Lions.

## **Our people implications of the Covid-19 restriction period**

I know in general there has been a lot of references to enabled home working. Of course, technology is critical for a modern-day business. However, we believe the critical ingredient that has allowed our teams to succeed through this period has been high flexibility. We trust our people to do the right thing. It is clear they have been repaying this trust by applying their passion and commitment to help our customers win. Our people are constantly balancing looking after their families but never losing sight that they also need to complete their critical tasks and goals. We always felt we had a great global team and now, in COVID-19, we know it for certain.

Rather than sugar-coating the current situation and our plans with our people, we have been entirely transparent about the steps we need to take to manage the business through the post lock-down period. Mandy and her team have been successful in agreeing with our banking partners a covenant waiver for the end of 2020 and flexibility for June 2021. This was critical to give us the platform to proceed with confidence.

In parallel, we have also been preparing plans to implement between £20 million - £40 million of cost reductions to allow us to absorb any further deterioration in the situation should that arise. We have focussed hard on preserving as many of our people's roles as possible, using all the options that have been made available, so we can accelerate should our plans be too conservative and be ready to rebound when conditions are right.

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## How we will focus our business in a post COVID-19 world

We believe we are able to continue with our business strategy intact. We are benefiting from the fortunate position digital commerce is experiencing in the current market, our significant liquidity and the debt flexibility we now have in place.

We will continue to focus on the consumer value chain. We also plan to utilise all benefits that may be realised by focussing on our digital commerce units. However, before I comment on the revenues linked to this element of the business, our live events are clearly at the forefront of your minds, so I have set out below some of the considerations for these products.

## Our live events platforms

We only have two marquee live event platforms (Cannes Lions and Money20/20), running at high quality venues, in quality end markets. Our thinking is well advanced as to how we need to adapt them, particularly as they both started in advanced positions, to a COVID 19 world. Of course, we will need to continue to be agile as the road ahead is not completely clear, but we do benefit from having world class venue partners.

Cannes Lions has had fully digital offerings for over three years. All of these underlying capabilities are being leveraged across Money20/20 as well. Our platforms are therefore next generation digitally enabled today ready to be implemented as and when desired by the end customers.

We are implementing a three-step plan in our shows to adapt them to a socially distanced world. The steps are relatively simple and will be ready for H2 2020 events.

Even with these advantages, we do require the live, in person experience of these events to maximise their value. At the end of the day, the exhibition product elements can only really operate and generate full customer value in a live environment. The digital experience can only go so far.

## Our digital platforms

COVID-19 restrictions have impacted wide elements of the world's economy. However, we have been fortunate that it has benefited our strategically important digital commerce business. We estimate that we have seen three to five years' worth of consumers' adoption of digital platforms in less than 12 weeks.

Our core hypothesis - that global marketplaces would ultimately be the winners rather than brand-led B2C websites - has been further corroborated in this crisis. Platforms like Amazon, Walmart, JD, Instacart and Alibaba are ecosystems with great scale and sophisticated logistics platforms, not just websites bolted onto legacy business models. Our products provide comprehensive coverage across these advanced ecosystems. I suspect that in the past we have not really been able to explain simply to our shareholders the comprehensive coverage our solutions provide to our clients and why this is so important. However, in the last 12 weeks there is no doubt our customers have fully realised the full value of this.

It has been really reassuring to see how our latest Edge, Flywheel and Yimian platforms have coped with the huge growth and volatility of the last 12 weeks. In peak periods, we have seen 800% increases in sales or put another way, 16 "Black Fridays" in a row.

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We believe our customers will accelerate their plans over the next 24 months. We are already seeing positive actions being taken. For us, our integration and the early launch of our Edge platforms in March 2020, combined with the addition of our Yimian capabilities in China and expansion of Flywheel coverage, could not have come together at a better time.

## Future priorities

This crisis has created an opportunity for us to run harder at our strategic plans:

1. Accelerating investments to drive strong organic growth in our Digital Commerce businesses plus continued bolt on investments. Over the next 12 months and beyond, our growth in China remains important not least because they appear to be moving forward from the COVID-19 pandemic first and the country represents such a vast and digitally enabled market.
2. Continuing to streamline our company, to both release capital to accelerate these investments and to further strengthen our balance sheet.
3. Making the necessary changes to ensure our marquee events - Cannes Lions and Money20/20 - bounce back strongly.
4. Accelerating the new customer segment expansion for our WGSN business unit.

Since our IPO, we have been focusing the business on what our customers need in the future. Data and insights and our acquisitions have taken us into highly technical areas of e-commerce that can be difficult to grasp. There has been no doubt that implementing this scale of change whilst on the public markets has not been easy but by and large, it has created value. As that change has been undertaken, often times our core equity story has been blurred by acquisitions and disposal and we thank you all for your patience. However, we do see a very clear path to success ahead and we very much expect that the recent and massively accelerated move by companies and consumers into the digital world has made our products and services ever more compelling and necessary.

The journey we have chosen is not easy. We are trailblazing in many aspects of what we are doing in digital commerce, looking forward five years and predicting what insights, platforms, technologies and solutions will provide winning strategies for our clients. However, we also know that as we take each incremental step forward and further crack the code of digital commerce for our global clients, we are well positioned to create long-term shareholder value.

I thank you as always for your continued support of the company and I welcome your constructive and valued feedback.

Yours sincerely,

**Duncan Painter**  
Chief Executive