



An Introduction to ITE Group plc



June 2014

Introduction

2014



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Introduction

About ITE

Founded in 1991; listed on LSE in March 1998

B2B exhibition organiser; over 90% of revenues from emerging markets

Exhibitions market leader in Russian and CIS

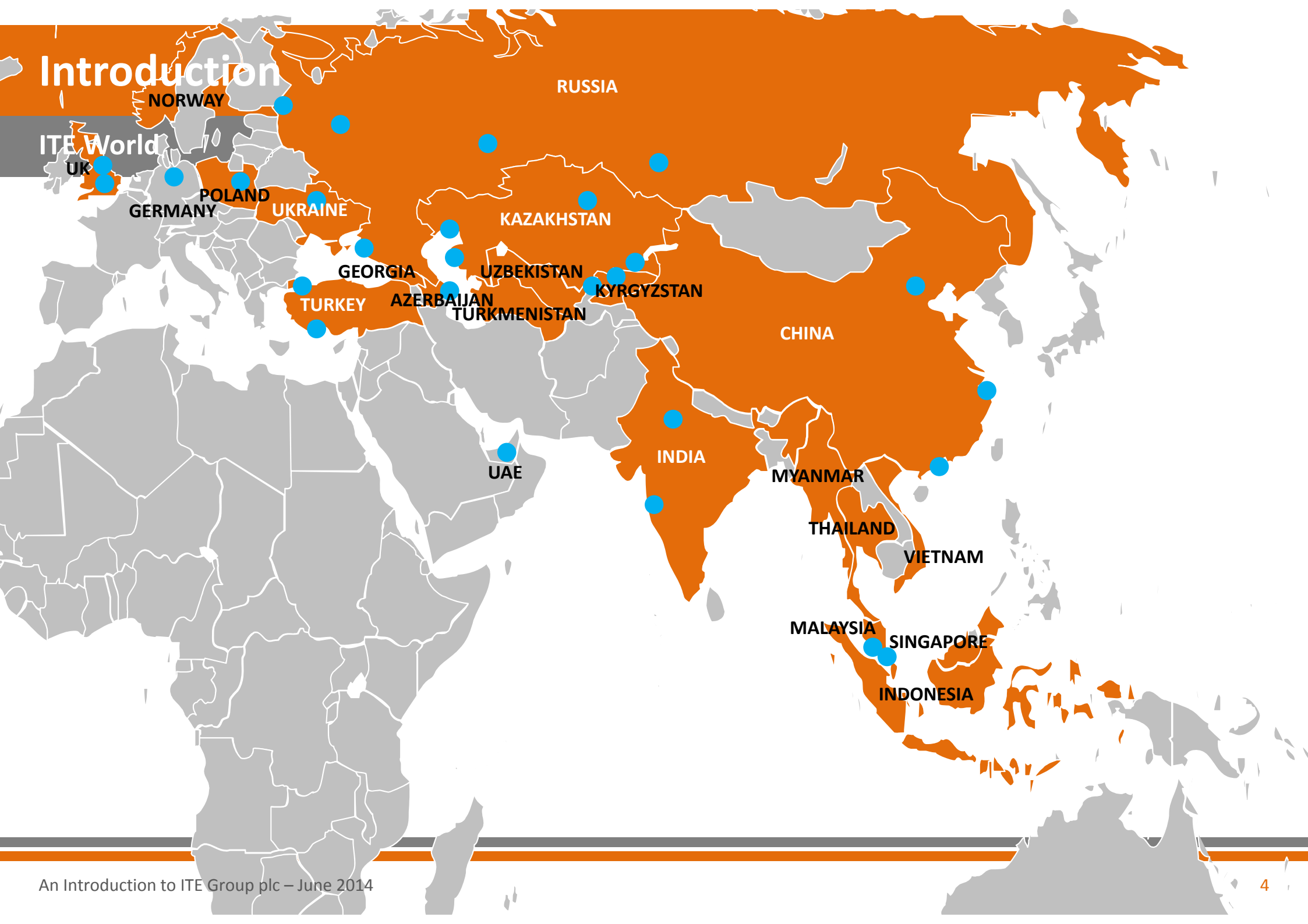
Leading market positions in Turkey and India

Growing presence in China and Southeast Asia

Annual revenues of circa £200m; headline PBT circa £60m; market cap > £600m

Introduction

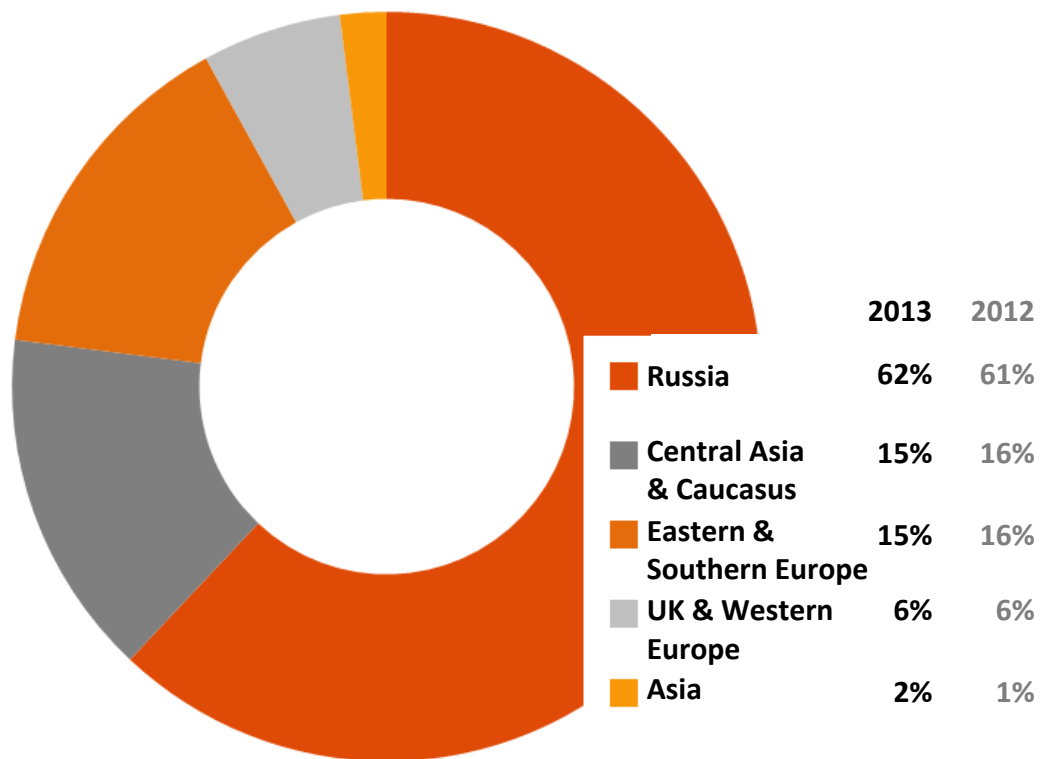
ITE World



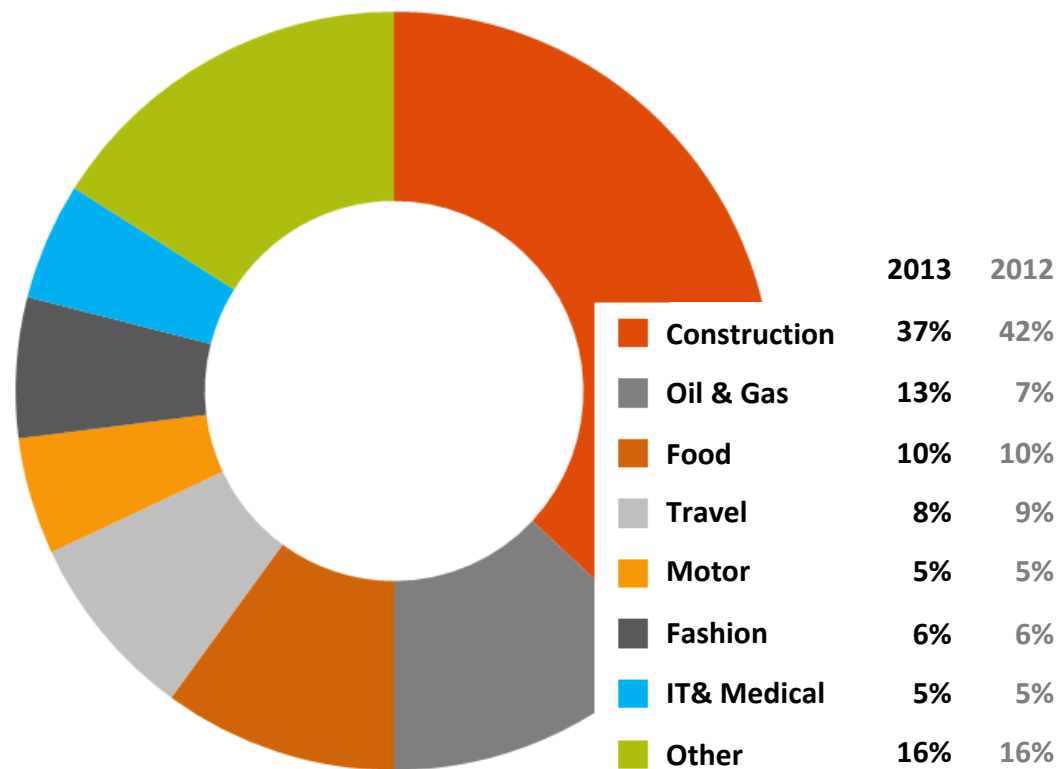
Introduction

Revenue by Sector and Region

ITE Group Revenue by Region



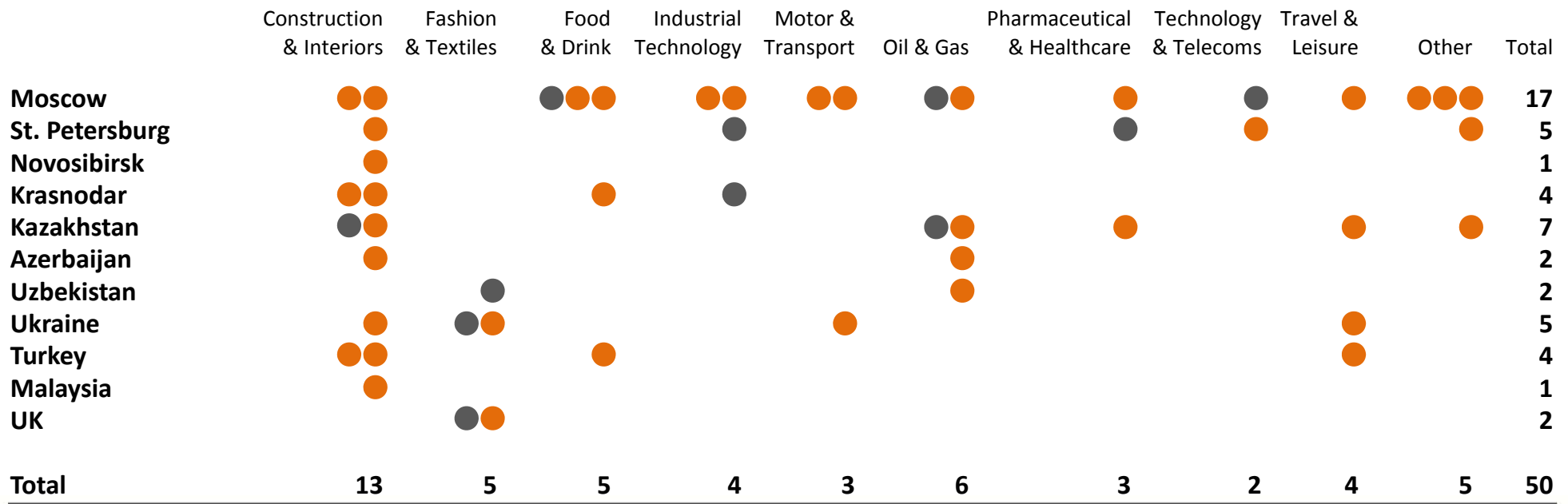
ITE Group Revenue by Sector



Introduction

Sector Strength

ITE's leading events in 2013 (by profit) categorised by region and sector



● > £1 million revenue.
 ● < £1 million revenue.

Introduction

Divisional Analysis – Year to 30 September 2013

	2014		2013	
	Revenue	Contribution	Revenue	Contribution
Russia	£121m	£48.4m	£105m	£41.3m
Central Asia	£29m	£10.4m	£27m	£9.3m
S/E Europe - Turkey	£11m	£4.4m	£10m	£4.1m
- Ukraine	£18m	£4.2m	£18m	£4.9m
UK + W Europe	£10m	£3.0m	£10m	£2.6m
Asia	£3m	£0.5m	£2m	£0.5m

Introduction

Key Attributes

Geographic Location: growing & developing markets

Sector: big international business

Brands: international and local recognition

Venue: long-established venue relationships

Infrastructure: network of local offices and international sales capability

Sales Visibility: forward contracted revenue

Flexibility: of cost structure

Balance Sheet: strong cash flow – minimal gearing

Emerging Markets & Exhibitions

2014



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Emerging Markets & Exhibitions

Exhibition Facts

The World's exhibition business	\$27.1bn
40%+ is in the USA	\$11.7bn
25%+ is in Western Europe	\$6.3bn
12%+ is in BRICs	\$3.5bn
Developed West: 38% of World GDP	66% of exhibitions
BRICs: 20% of World GDP	13% of exhibitions

Source: AMR Globex Report 2013

Emerging Markets & Exhibitions

Exhibition Facts

0.06% of GDP

Size of exhibition industry in developed markets

Emerging Markets & Exhibitions

Key Factors Behind the Growth of the Exhibition Industry

GDP growth in country

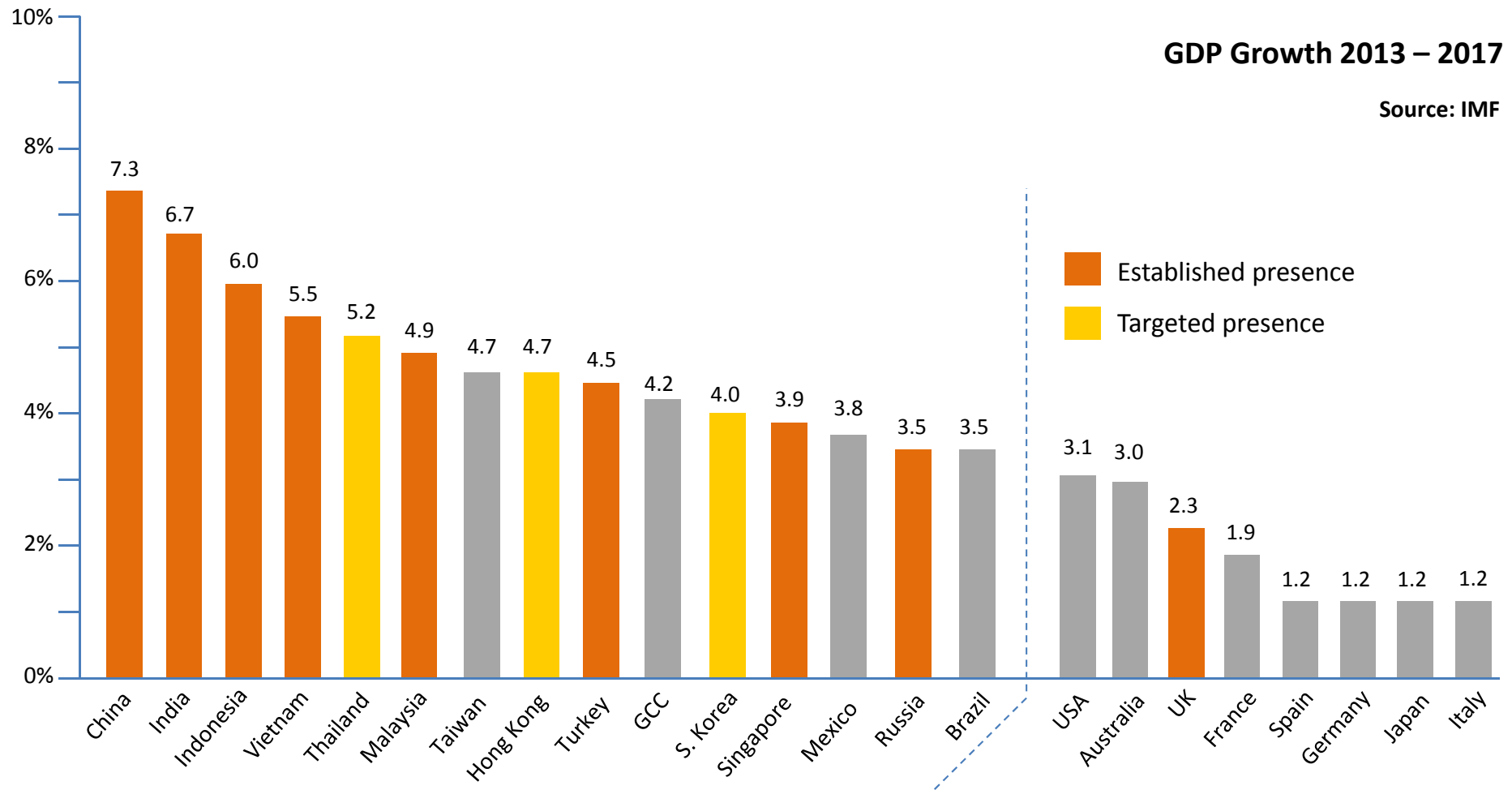
Sufficient venue capacity

Population size

Sub-size industry – structural growth

Emerging Markets & Exhibitions

GDP Projections



Emerging Markets & Exhibitions

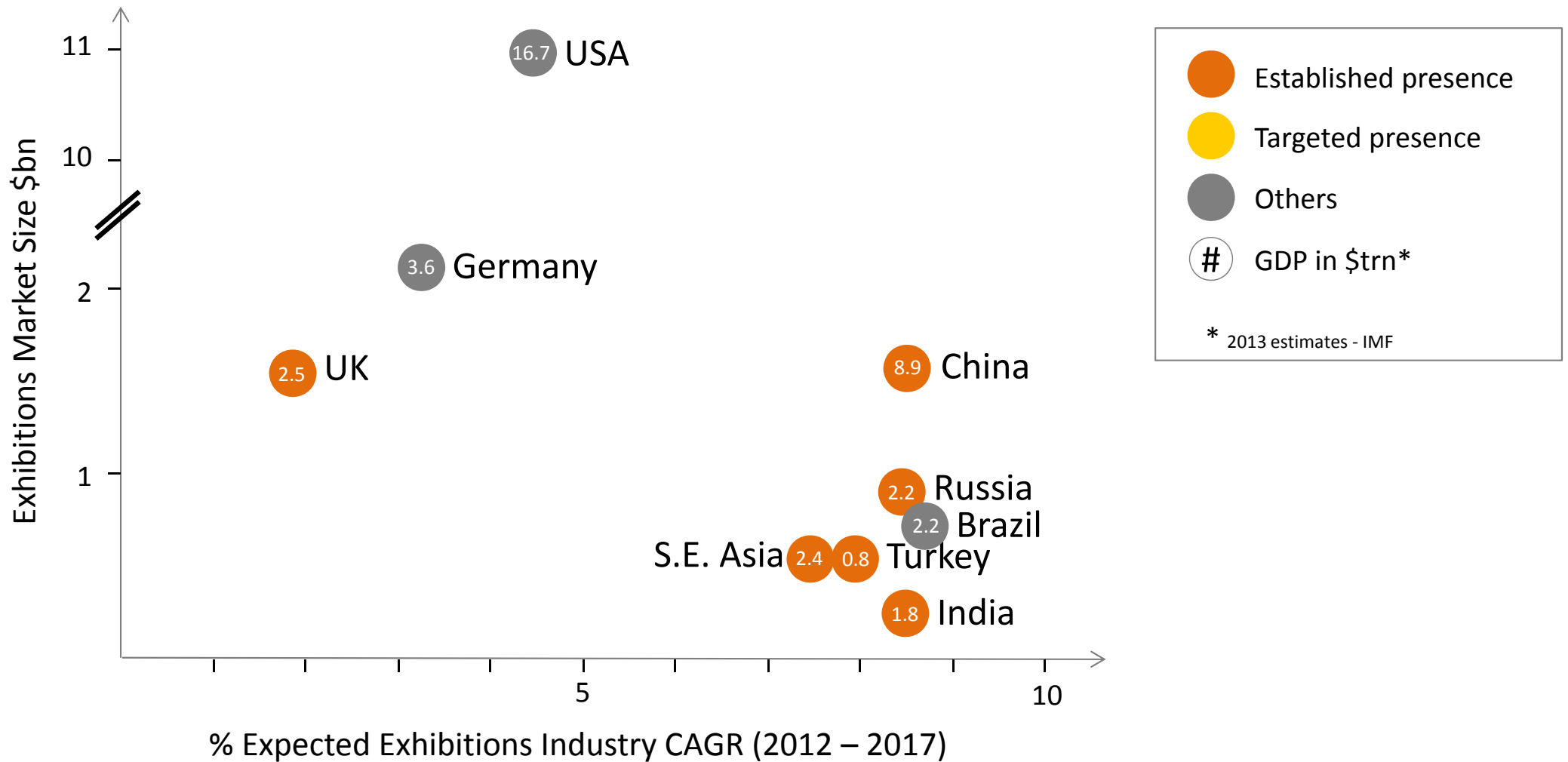
Structural Growth Potential

	GDP \$tn 2014	Per capita \$k	GDP growth 2013-2017	Exhibition v GDP
China	9.7	6.6	7.3%	0.02
India	1.7	1.4	6.7%	0.01
Russia	2.2	15.0	3.5%	0.04
Brazil	2.2	11.0	3.5%	0.03
S Korea	1.3	23.8	4.0%	0.02
Indonesia	0.9	3.5	6.0%	0.01
Mexico	1.4	11.2	3.8%	0.01
Turkey	0.9	10.7	4.5%	0.05
Singapore/Malaysia/Thailand	1.0	7.9	5.4%	0.04
GCC (inc Saudi Arabia)	1.2	29.2	4.2%	0.03
Benchmark		12.0		0.06%

Source: AMR Globex Report 2013

Emerging Markets & Exhibitions

Exhibition Size and Growth Expectations



Strategy

2014



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Strategy

Objective & Strategy

Objective

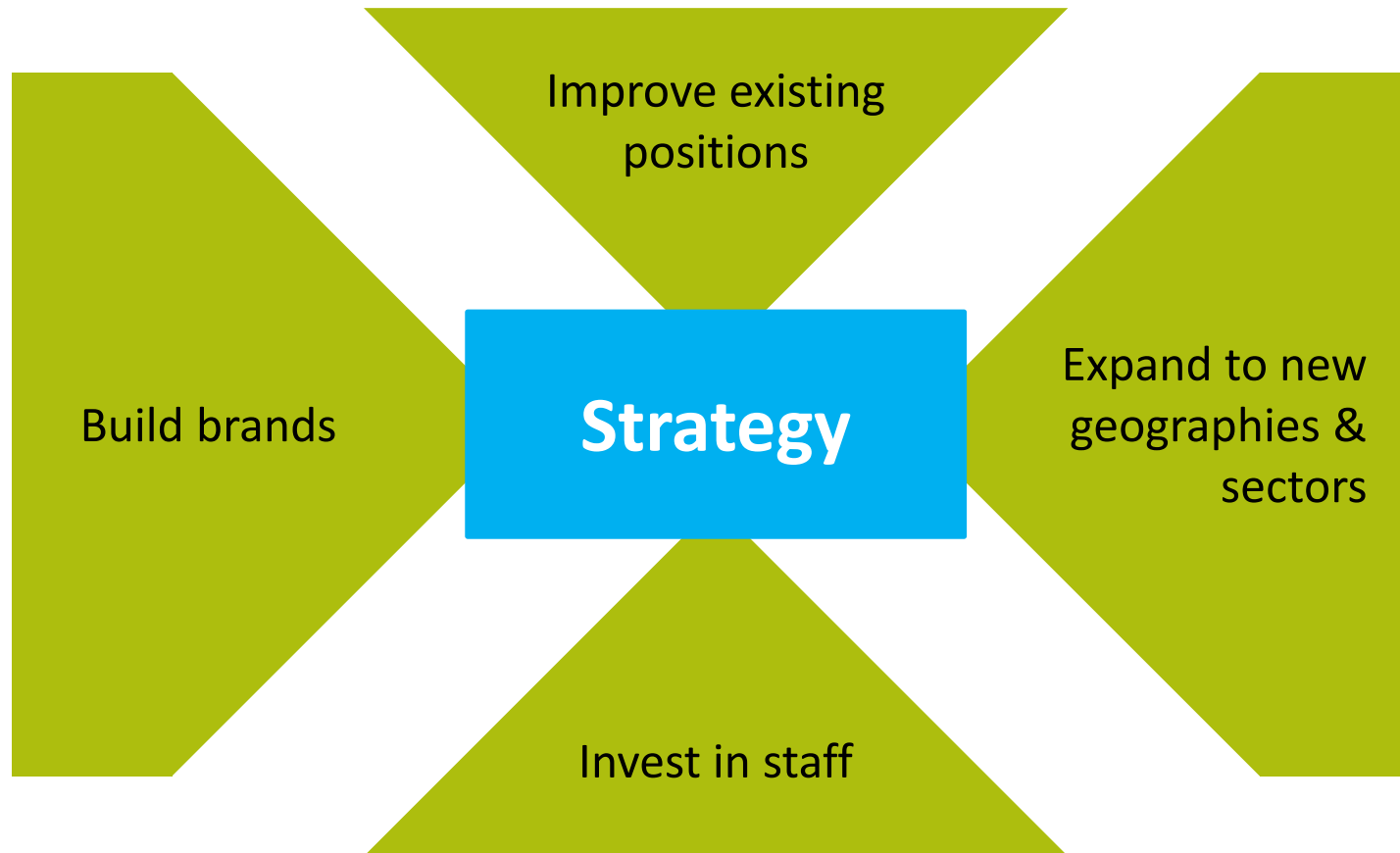
**‘Create
sustainable
growth in
headline earnings
per share’**

Strategy

**By building sustainable
positions
of market leadership
in exhibitions
in emerging markets**

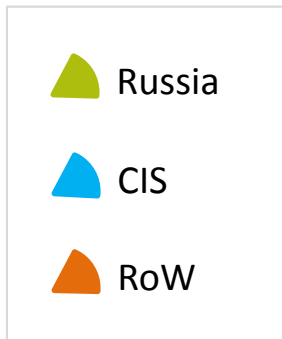
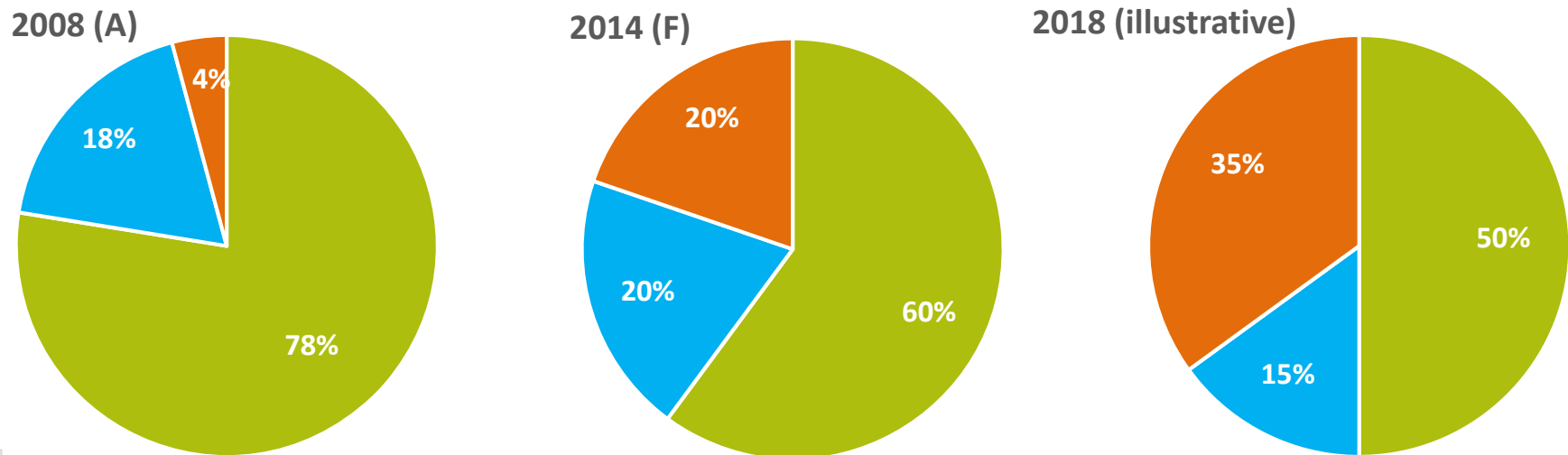
Strategy

Strategic Priorities



Strategy

Regional Business Split by Profits*



Increasing geographical diversification →

* Divisional profits before central overheads

Strategy

Implementation of Strategy

2008 - 2013

Building stronger existing business



Regional Russia



Sector in Russia



Bulking up Turkey



Bulking up Ukraine

2013 - 2018

Diversification to new geographies



India



Southeast Asia



China










































RoW – to come

Strategy

Expanding the Business

- Existing business
- New business
- Launches

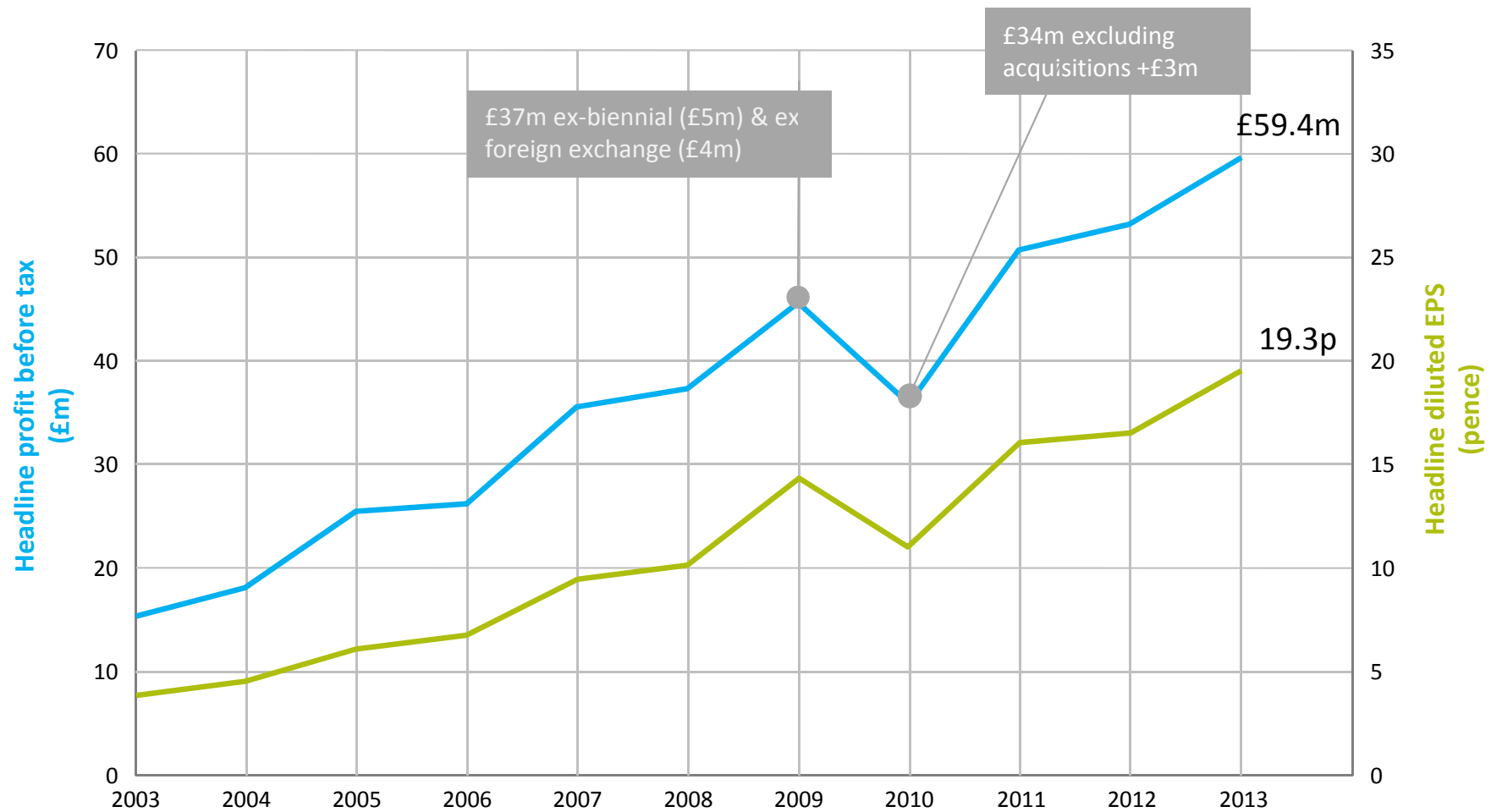
Pre-2012

	Build & Interiors	Oil & Gas	Travel & Tourism	Food & Drink	Fashion & Clothing	Trans & Logistics	Metal-working	Beauty	Paper	Coatings
Russia										
Turkey										
Ukraine										
Kazakhstan										
Azerbaijan										
UK										
India										
SE Asia										
China										
RoW										

Post-2012

Strategy

Sustainable Growth 2003 - 2013



Appendices

2014

Appendix 1: ITE fundamentals

- i. Shareholder Structure @ 27 April 2014
- ii. Management Team
- iii. Balance sheet
- iv. Key exhibitions
- v. Currency and hedging
- vi. Ukraine
- vii. GDP Growth in ITE's Markets
- viii. Revenue growth 2009-2013
- ix. Acquisitions and Return on Investment 2009-2013

Appendix 2: Exhibition fundamentals

- i. Cash generation (i)
- ii. Cash generation (ii)
- iii. Growth
- iv. Venue relationships
- v. Flexibility of costs

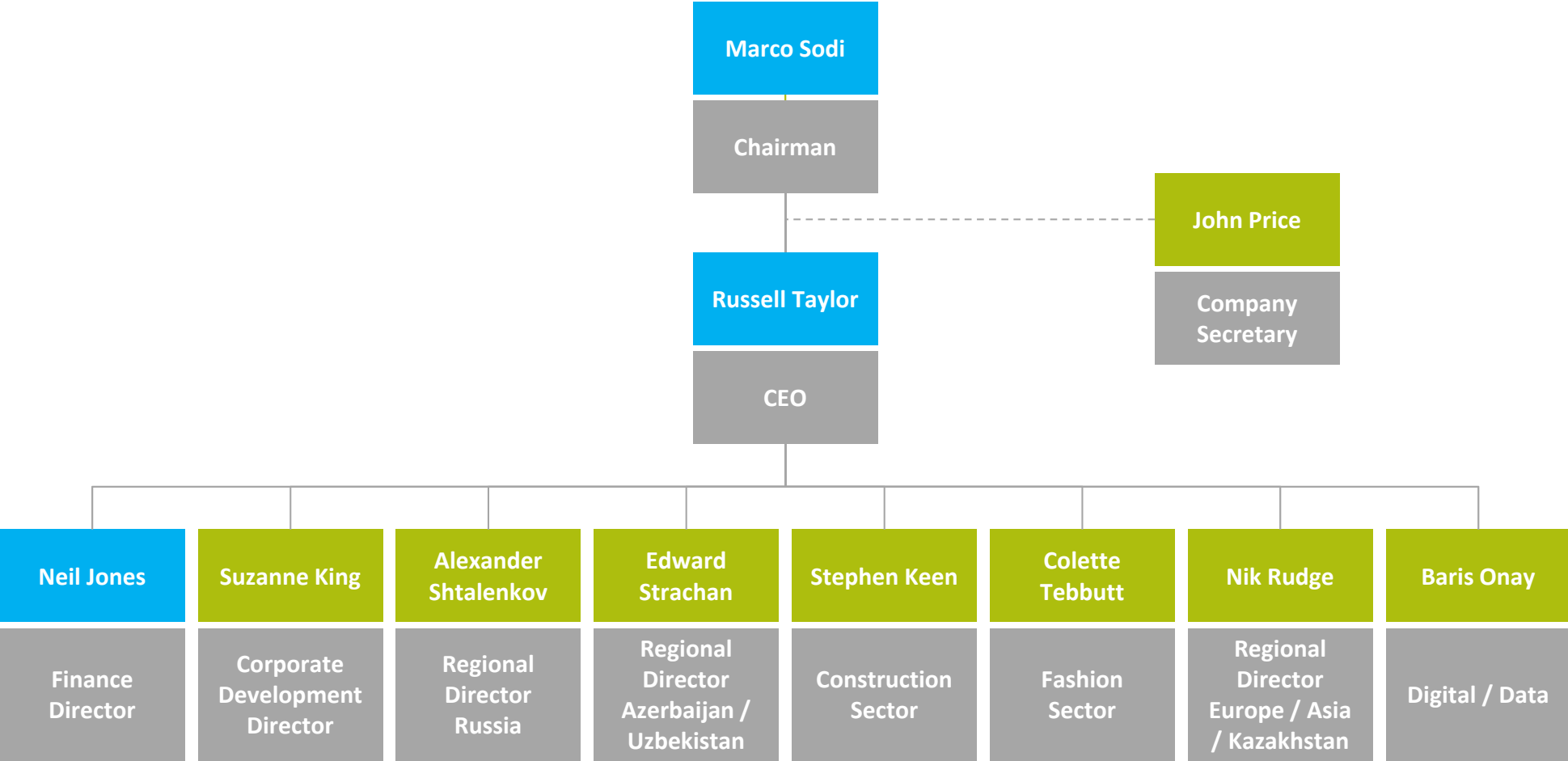
Appendix 1: ITE Fundamentals

Shareholder Structure as at 27 April 2014

	%	No. of Shares (millions)
Schroders	14.1	35.5
Blackrock	13.5	32.5
Threadneedle Investments	5.9	14.8
Standard Life	4.4	11.0
Legal and General	4.2	10.4
Scottish Widows	3.7	9.1
NBIM	3.1	7.8
Denver Investment	3.0	7.5
Directors	0.9	2.3
ESOT	1.5	3.8
Other Institutions and individuals	45.7	115.2
Total Shares in issue	100	249.7
Options in the money:	0.2	0.4
Management including options in the money	1.1	2.7
Free float (Excluding Directors & ESOT)	97.6	
Average daily trading volume (6 months)		0.8

Appendix 1: ITE Fundamentals

Management Team



Appendix 1: ITE Fundamentals

Consolidated Balance Sheet

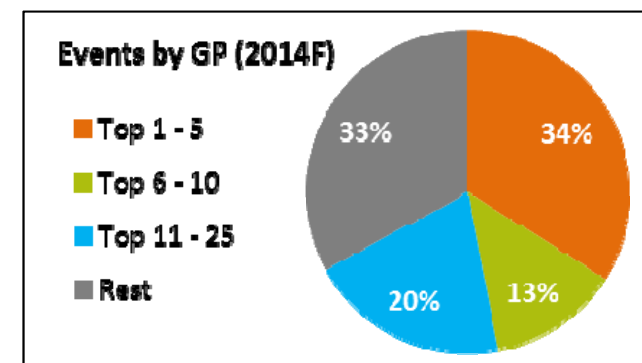
	Mar -14 (un-audited £'m)	Mar -13 (un-audited £'m)
Non Current Assets		
• Goodwill & intangibles	118.4	137.5
• Other non-current assets	58.0	23.9
	176.4	161.4
Current Assets		
• Trade debtors	29.3	33.0
• Prepayments	27.2	28.5
• Net (debt)/cash	(1.8)	21.7
	54.7	83.2
Creditors		
• Deferred revenue	91.4	106.5
• Trade & other payables	22.1	30.3
• Deferred consideration	10.3	0.8
• Deferred tax	10.9	13.0
• Provisions	0.6	1.3
	135.3	151.9
Net Assets	95.8	92.7

Appendix 1: ITE Fundamentals

Key Exhibitions (in 2014 Gross Profit order)

<u>Rank</u>	<u>Event</u>	<u>Location</u>	<u>2014 m² sold</u>	<u>2013 m² sold</u>
1	MosBuild	Moscow	65,300	68,700
2	Moscow International Travel & Tourism (MITT)	Moscow	20,300	19,500
3	World Food Moscow	Moscow	Sept '14	24,900
4	Turkeybuild (YAPI)	Istanbul	36,300	36,200
5	MODA UK	Birmingham	16,500*	35,400

* Spring event only



Appendix 1: ITE Fundamentals

Currency of Invoice

Currency of invoice	2014 (F) %	Average Translation Rate FY '14 (YTD)	% change FY '13	
EUR	40	1.20	-1%	} 75%
RUB	35	58.9	-20%	
TRY	5	3.6	-24%	} 25%
UAH	2	18.3	-45%	
KZT	3	29.5	-27%	
USD	4	1.64	-5%	
GBP	7	1	n/a	
Other	4	n/a	n/a	

Appendix 1: ITE Fundamentals

Currency Hedging – EM Currencies

Local currency pricing to local customers

- ▶ Local revenue = local costs = high level of natural hedge
- ▶ EM currency profits < 10% of group HPBT

International pricing to local customers

- ▶ Hard currency pricing/local currency invoicing > 50% of group HPBT
- ▶ Short-term exposure to currency movements
- ▶ Long-term EM currency movements passed to customers

1 Rouble = £0.5m

International pricing to International customers

- ▶ Hard currency pricing / hard currency invoicing circa 40% of group HPBT
- ▶ Exposure to £/€ movements
- ▶ Forward cover on €/£ €85m @ €1.19 (2014-2017)

1 € Cent = £0.3m

Strategy

Ukraine

All ITE events are in Kyiv

All events running

Financial impact in FY14 = £2.5m

FY15 – assume status quo



Appendix 1: ITE Fundamentals

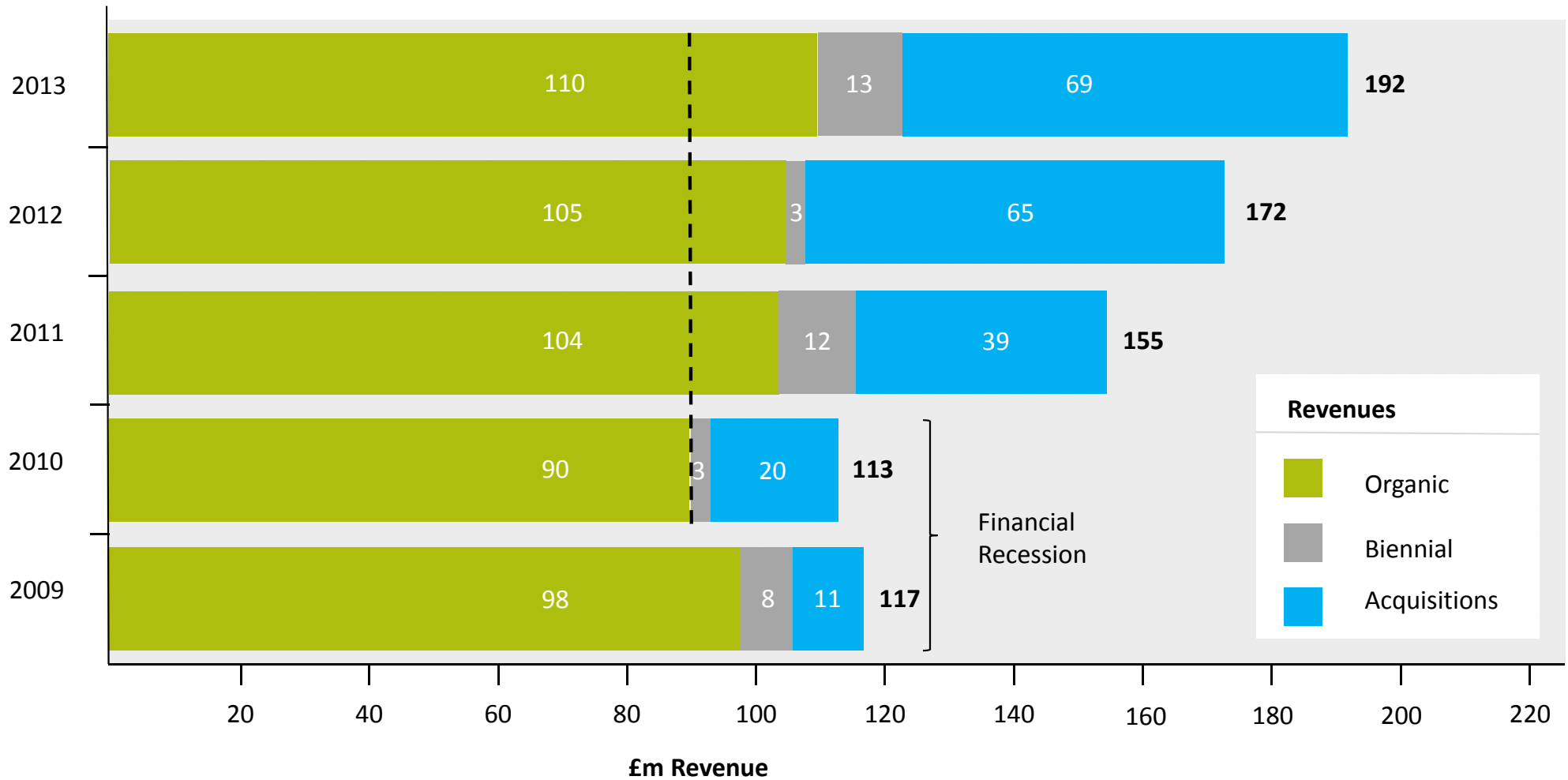
GDP Growth in ITE's Markets

		2014 GDP growth forecast %	2015 GDP growth forecast %
Russia	↓	0.2	1.0
Kazakhstan	↓	5.7	6.1
Azerbaijan	↓	5.0	4.6
Uzbekistan	↓	7.0	6.5
Ukraine		N/A	N/A
Turkey	↑	2.3	3.1
UK	↑	2.9	2.5
India	↑	5.4	6.4
China	↔	7.5	7.3

Source: IMF World Economic Outlook Database, April 2014

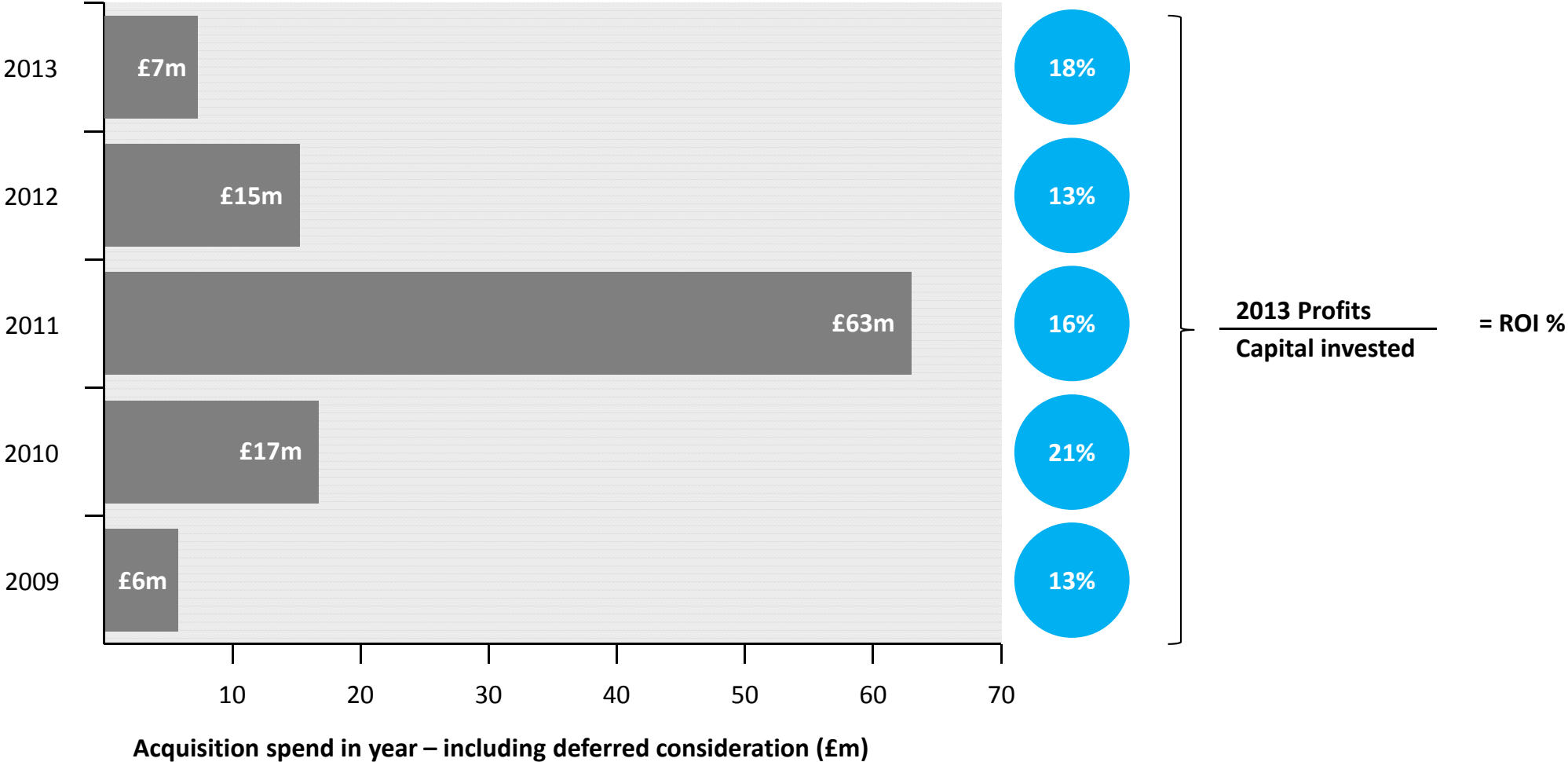
Appendix 1: ITE Fundamentals

Revenue Growth 2009 - 2013



Appendix 1: ITE Fundamentals

Acquisitions and Return on Investment 2000 - 2013



Appendix 2: Exhibition Fundamentals

Cash Generation in Exhibition Business

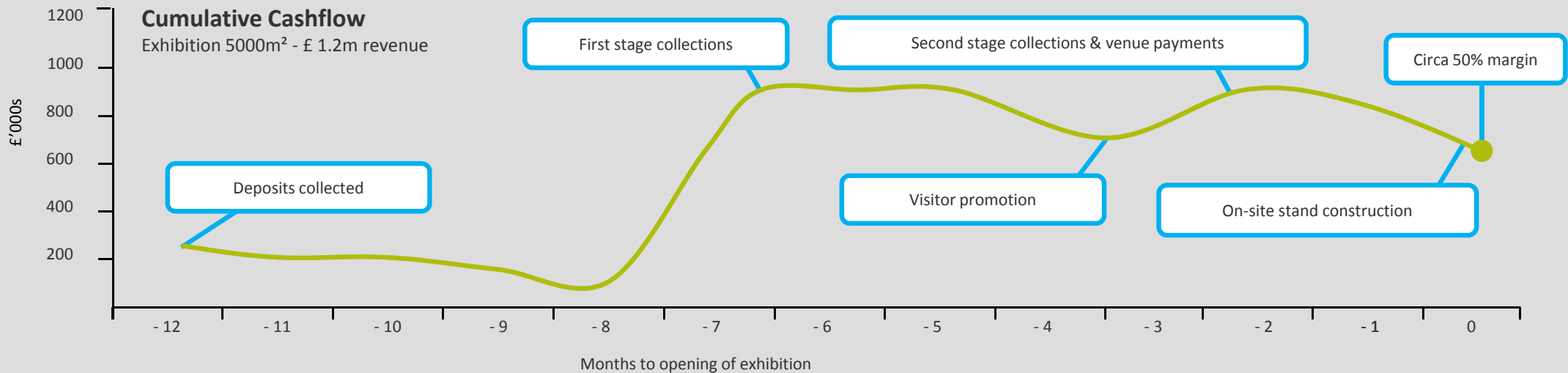
Cash positive model – generates negative working capital

Cash flow from operations \geq headline PBT in a growing business

Forward sales contracting = excellent sales visibility

Appendix 2: Exhibition Fundamentals

Cash Generation in Exhibition Business

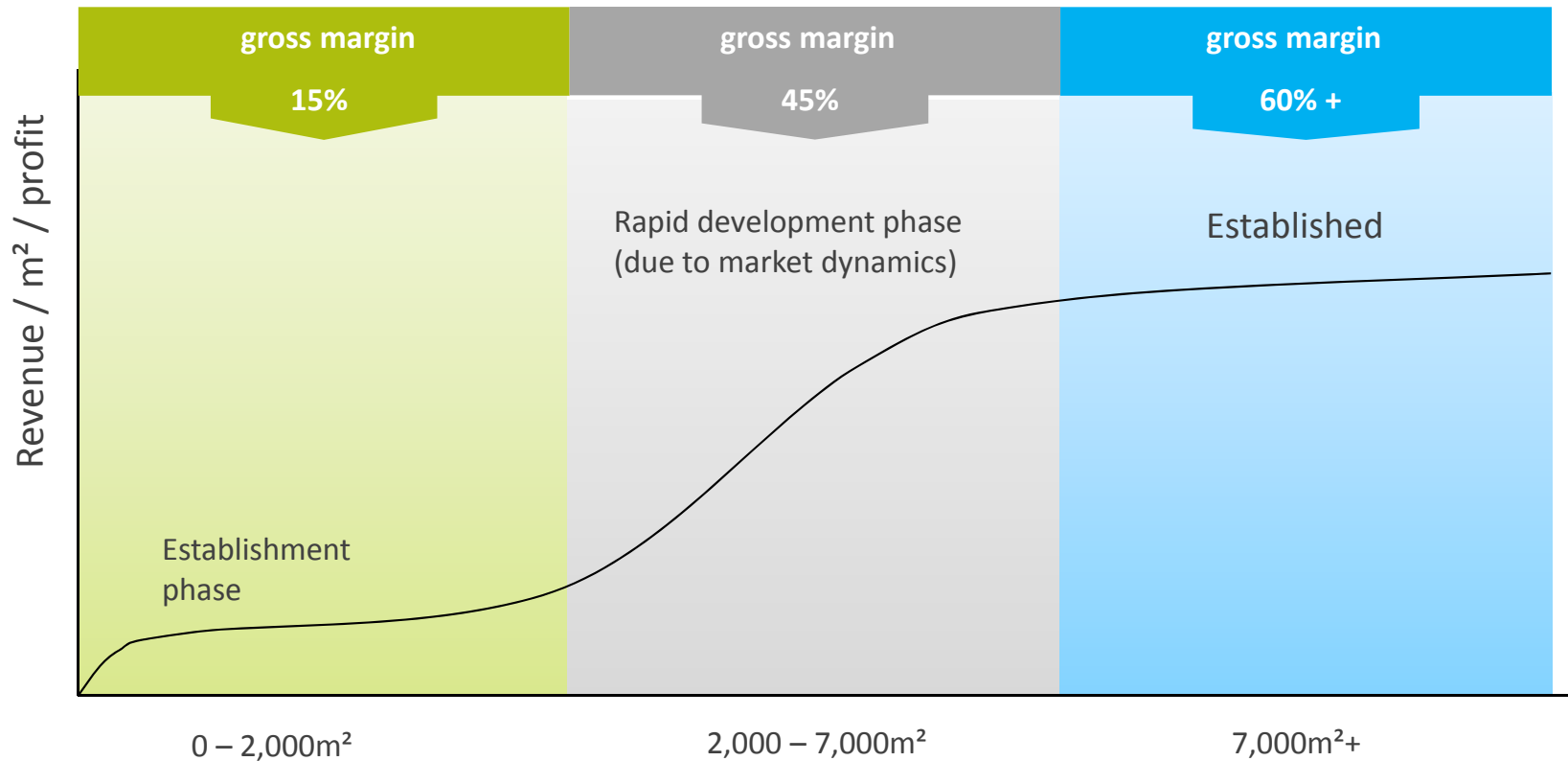


Currency & Sales

	<u>2013 Sales</u>	<u>% of Revenue</u>	<u>International Sales</u>
Euro based	£77m	40%	£45m
Rouble based	£58m	30%	£1m
Other	£58m	30%	£3m

Appendix 2: Exhibition Fundamentals

Growth Pattern of an Exhibition



Appendix 1: ITE Fundamentals

Venue Relationships

Venue	Location	Theme Protection	Rates Agreed	Loans/Prepayments FY15+ 31 March 2014
Expocentre	Moscow	2017	2015	-
Crocus	Moscow	2015	2016	£3.9m
ExpoForum	St Petersburg	2017	2017	-
Expocentre	Novosibirsk	2021	2021	£2.1m
Expo City Yug	Krasnodar	2016	2016	£0.3m
Atakent	Almaty	2017	2017	£0.0m
IEC	Kiev	2017	2017	£0.3m
Tuyap	Istanbul	2016	2016	-
CNR	Istanbul	2016	2016	£2.0m
Uzexpocentre	Tashkent	2019	2019	£0.2m
Expocentre	Baku	2015	2015	£0.2m
TOTAL				£9.6m

Appendix 2: Exhibition Fundamentals

Flexible Cost Structure of an Event

	Budget	Actual	Variance	
Sales	200	140	(60)	(30%)
Venue	(50)	(35)	15	(30%)
Staff	(25)	(20)	5	(20%)
Marketing	(12.5)	(12.5)	0	
On-site consumables	(12.5)	(9.5)	3	(24%)
Gross Profit	100	63	(37)	
Margin	50%	45%	(5%)	