ITE GROUP PLC

Investing in High Growth Markets

Numis Media Conference

April 2012
ITE GROUP PLC

- B2B exhibition organiser, over 90% of revenues from high growth markets
- Market leader in Russia & CIS
- Significant presence in Turkey and India
- Annual revenues of circa £170m, Headline PBT circa £50m, Market Cap circa £550m

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Revenue by sector and region 2011

Group Revenue by Region
- Russia: 68%
- Central Asia and Caucasus: 14%
- Eastern and Southern Europe: 11%
- UK and Western Europe: 6%
- Rest of World: 1%

Group Revenue by Sector
- Construction: 15%
- Oil and Gas: 39%
- Food: 10%
- Travel: 13%
- Motor: 10%
- Fashion: 9%
- IT: 4%
- Medical: 3%
- Other: 2%
Cash generation in an 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
Exhibition - positive cash position

Cumulative Cashflow
Exhibition 5000m² - £1.2m revenue

- Deposits collected
- First stage collections
- Second stage collections & venue payments
- Visitor promotion
- On-site stand construction
- Positive cash to the Group

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STRATEGY
Strategy

Primary Business objectives:

- Create **sustainable** growth in headline EPS

- Create and maintain **sustainable** positions of market leadership in the exhibition business in high growth markets
Strategic Priorities

- To strengthen and build on existing market leadership
- To grow and improve portfolio of international brands
- To expand the business model ‘in market’ and ‘new markets’
- To invest in management development
Strategic Priorities

To strengthen and build on existing market leadership

- Secure position of leading events
  - Attendance
  - Venue relationships
  - Web/social media
  - Quality of experience

- Secure competitive advantage
  - Industry expertise/relevance
  - Customer experience
  - Quality of attendance
Strategic Priorities

To expand the business model ‘in market’ and ‘new markets’

- Develop ‘Geo-cloning’ skills across the organisation
- Expand to new regions with high economic growth and an under-developed exhibition industry
- Invest in/build exhibitions with international participation/market leadership
Geo-channel Development Examples

RUSSIA
- Shows in core sectors
  - International Sales
  - Consolidate data - diversify channel

UKRAINE
- Shows in core sectors
  - International Sales
  - Regionalisation shows
  - Regionalisation of shows

INDIA
- Shows in core sectors
  - Regionalisation of shows
Cash Bridge - 4 financial years 2008 to 2011

120% of Headline PBT

@ 50% of cashflow from operations

Cashflow - £M

- £27m
- £205m
- £(100m)
- £(32m)
- £(38m)
- £(67m)
- £6m

2008 Opening Cash
Cashflow from Operations
Acquisitions less cash acquired
Venue Prepayments & Other
Tax
Dividends + share buybacks
2011
Acquisition expenditure 2008 to 2011

- **Russia**: £33m (£16m + £10m + £59m)
- **Turkey**: £27m
- **Ukraine**: £12m
- **India**: £2m

**Sector expansion in market**

**New market**

**Existing market & sector**
Expansion to new markets

Rationale for choice of new geographies

GDP growth 2009-13 (CEE countries excluded)

Source: IMF
## Expansion to new markets

### Identification of new markets

<table>
<thead>
<tr>
<th>Country</th>
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<th>Per capita $k</th>
<th>GDP growth</th>
<th>Ex’ ind size - % GDP</th>
</tr>
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<tbody>
<tr>
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<tr>
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<td>13.1</td>
<td>2.9%</td>
<td>0.044</td>
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<tr>
<td>Singapore/Malaysia/Thailand</td>
<td>0.8</td>
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<td>GCC (inc Saudi Arabia)</td>
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Other potential growth economies include: Philippines; Nigeria; Iran
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Expansion to new markets

Market Leadership

Power of customers
- Trade Associations
- Multinationals
- Bellwethers

Power of Suppliers
- Venue Deals
- Contractors

Industry Competitiveness
- No1 or monopoly in market
- Growth markets

‘Sixth’ Force is
- Government intervention

Threat of new entrants
- International network
- Switching costs
- Product Differentiation
- Strong brands
- Operational excellence
- Local office

Threat of substitute products
- Online
- Own meetings
- Sales force

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Conclusion

Continue to....

- Invest in markets with [7%-10%] annual growth in the exhibition sector
- Invest free cash flow at multiples 6-8x [3%+]
- Produce sustainable growth in annual profits of 10%+ p.a. (over cycle)
A Good Record of delivery so far....

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<tr>
<td></td>
<td>2007</td>
<td>2008</td>
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<tr>
<td>Volume sales (‘000 sqm)</td>
<td>455</td>
<td>500</td>
</tr>
<tr>
<td>Revenue £’m</td>
<td>99</td>
<td>108</td>
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<td>PBT (Headline) £’m</td>
<td>35.3</td>
<td>37</td>
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<td>Headline Diluted EPS (pence)</td>
<td>9.4</td>
<td>10.1</td>
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Growth '07 to '11:
- Volume sales: 42%
- Revenue: 58%
- PBT (Headline): 46%
- Headline Diluted EPS: 76%

+ 10% compound growth

+ 15% compound growth