

## Ebiquity plc

### **£26m disposal of the Advertising Intelligence division (>90% of Market Intelligence segment)**

### **& Pre-close trading statement**

Ebiquity plc ("Ebiquity" or "the Company") today announces its pre-close trading statement for the year ended 31 December 2017 ("the year") and the proposed disposal of its Advertising Intelligence division ("the AdIntel business"). The Transaction will accelerate Ebiquity's pivot towards becoming the world's leading tech-enabled marketing and media analytics consultancy and assist the Company in achieving its Growth Acceleration Plan ("GAP") communicated to shareholders in September 2016.

#### **Disposal**

Ebiquity is pleased to announce it has entered into an agreement for the disposal of its AdIntel business to Nielsen Media Research Limited, a subsidiary of Nielsen Holdings plc, a global measurement and data analytics company ("the Disposal"). The consideration is £26 million, payable in cash on completion, and subject to adjustments for working capital.

The benefits to Ebiquity are anticipated to be the following:

- Increased focus on the group's faster growing, higher margin, tech-enabled consultancy practices: Media Value Measurement ("MVM") and Marketing Performance Optimization ("MPO")
- Better alignment to structural marketplace growth opportunities in the areas of data and technology, transparency in the marketing ecosystem, and optimising customer experiences
- Progression towards an operationally aligned and streamlined business portfolio focused on tech-enabled consultancy practices, as opposed to historically operating a hybrid business model consisting of two tech-enabled consultancy practices – MVM and MPO – and a separate product segment based on data capture and storage and which operates in a distinct marketplace – Market Intelligence ("MI")
- Material reduction in net debt / EBITDA from 2.1x to 1.0x as at 31 December 2017 on a pro forma basis
- Flexibility to investment in significant growth areas aligned with building tech-enabled propositions in our core consulting offerings

The disposal of the AdIntel business (representing greater than 90% of the MI segment) will result in a more focused and less complex business with the potential to achieve a faster rate of growth and better returns in a market where budgets are shifting towards analytics and technology. The growth of MVM and MPO over the last few years is a consequence of this trend and is anticipated to continue.

Increasingly, this technology-enabled consultancy model requires incremental investment in proprietary technology and data analytics capabilities across our remaining business. The transaction will enable Ebiquity to expand the use of predictive and algorithmic models by our data scientists, further developing our capabilities in machine learning and the processing of large data sets, and expanding our training in advanced analytics skills. Digital advertising also requires that we continuously scale our ability, efficiently and securely, to digest, cleanse and analyse increasingly complex digital performance data.

The assets being disposed comprise the contracts, employees, IP, fixed assets and working capital (excluding cash) used solely in the AdIntel business in the UK, Australia, Germany and the US, which have a total book value of £27.5 million. For the year ended 31 December 2017, the AdIntel business generated unaudited revenues of £21.9 million and operating profit of £4.4 million, before the allocation of central overheads. Net proceeds of the Disposal after tax and transaction costs will be used to reduce net debt. We anticipate making central cost savings within the remaining group of a minimum of £0.7 million.

The Disposal is subject to certain conditions, including approval from the Competition and Markets Authority ("CMA"). Completion is anticipated to take place during the second quarter of 2018, assuming the CMA provides clearance following its high-level Phase 1 examination. In the event the CMA should instead refer the transaction for a more detailed Phase II investigation, then Completion is unlikely to take place before the fourth quarter of 2018.

Quayle Munro Limited acted as Ebiquity's corporate finance advisor in respect to this transaction.

A shareholder presentation with further details will be available on Ebiquity's investor website.

Michael Karg, CEO Ebiquity plc, commented: *"This is a transformational moment for Ebiquity. Our Growth Acceleration Plan, which focusses on seizing market opportunities in our faster growing MVM and MPO segments, will be enhanced through our ability to invest in these services to seize and establish a leadership position. Nielsen is the logical home for our colleagues in MI and we wish them every success for the future."*

### Pre-close trading statement

For the 12 months to 31 December Ebiquity continued to grow revenues by 4.9% to £87.6m, and 1.5% on a constant currency basis. Excluding the Market Intelligence ("MI") segment, revenue grew by 7.0%, and by 3.3% on a constant currency basis. As anticipated revenue grew faster in H2 for the remaining Group, consisting of the Marketing Performance Optimization ("MPO") and Media Value Measurement ("MVM") practices, with constant currency revenue growth in the second half of the year of 7.3%.

As previously flagged, the revenue performance from its US MVM and MPO businesses were below management expectations, and has impacted the Group's revenue growth year on year. New leadership is now in place for these business units in order to facilitate a sustained turnaround with the appointment of a US-based global Chief Operating Officer. In H2 2017 we were engaged by several significant new clients, including McDonald's and Citibank. Excluding US revenues, our MVM and MPO practices grew by 10.5% and 10.9% respectively on a constant currency basis.

Operating margins, excluding the weaker than expected US performance, are anticipated to be in line with those set out in the Growth Acceleration Plan ("GAP"). Consequently, including the impact of the US performance, overall operating margins are anticipated to decline 2 percentage points from 2016.

### Performance Highlights:

- MVM revenue grew mid-single digits on a constant currency basis and in line with our expectations. This reflects an exceptional performance from our contract compliance business (FirmDecisions),



significant wins against key competitors and being selected to run some of this year's largest media agency pitches.

- Revenue from the Marketing Effectiveness business, part of the MPO practice, accelerated in H2, with strong growth from the UK business offsetting weaker revenue performance from continental Europe.
- Performance from the US-based Multi-Channel Analytics ("MCA") practice, part of the MPO segment, was below expectations due to organisational changes at some clients in the first half of the year. Revenue increased in H2 over H1 as we broadened our client base, but were below 2016 for the year as a whole.
- Within the MI segment, as expected, revenue from the project-based Reputation business declined and Ad Intel revenues remained stable over 2017.

Progress against the Growth Acceleration Plan:

- Continued roll-out of the MPO practice internationally, including the purchase of Digital Balance in Australia, whose integration remains on-track and who have successfully achieved year-end growth targets.
- Expanded international MPO footprint resulting in our first multi-market win, adding significant divisional revenue in 2018. Furthermore, leveraging our expertise from the US allowed Ebiquity to win its first two six-figure contracts with European-based clients.
- Increased focus on key clients yielded strong revenue growth from a number of these clients
- Launched a new technology platform, *Connect*, which makes data transactions between agencies and Ebiquity significantly more efficient and more secure. *Connect* has now been rolled-out in all major markets.

The Company will release its preliminary results for the year ended 31 December 2017 on 21 March 2018.

**13 February 2018**

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