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Informa TechTarget

Informa TechTarget Reports 2024 Full Year Financial Results

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CORPORATE SPEAKERS:

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Charles Rennick

Informa TechTarget; General Counsel, Corporate Secretary

Gary Nugent

Informa TechTarget; Chief Executive Officer

Dan Noreck

Informa TechTarget; Chief Financial Officer

PARTICIPANTS:

Joshua Reilly

Needham & Company; Senior Analyst

Jason Kreyer

Craig-Hallum Capital Group LLC; Senior Analyst

Eric Martinuzzi

Lake Street Capital Markets LLC; Senior Research Analyst

PRESENTATION:

Operator^ Hello everyone and thank you for joining the Informa TechTarget Reports 2024 Full Year Financial Results. My name is Sammy and I'll be coordinating your call today. (Operator Instructions)

I'll now hand over to your host Charlie Rennick, General Counsel at Informa TechTarget to begin. Please go ahead, Charles.

Charlie Rennick^ Thank you, Sammy, and good morning everyone. The speakers joining us here today are Gary Nugent, our Chief Executive Officer; and Daniel Noreck, our Chief Financial Officer.

Before turning the call over to Gary, we would like to remind everyone on the call of our earnings release process. As previously announced, in order to provide you with an update on our business in advance of the call, we have posted a press release to the Investor Relations section of our website and furnished it on an 8-K.

You can also find these materials with the SEC, free of charge, at the SEC's website, www.sec.gov.

The corresponding webcast as well as a replay of this conference call will be made available on the Investor Relations section of our website.

Following Gary's remarks, the management team will be available to answer questions.

Any statements made today by Informa TechTarget that are not factual, including during the Q&A may be considered forward-looking statements. These forward-looking statements which are subject to risks

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and uncertainties are based on assumptions and are not guarantees of our future performance. Actual results may differ materially from our forecast and from these forward-looking statements.

Forward-looking statements involve a number of risks and uncertainties, including those discussed in the risk factors section of our most recent periodic report filed on Form 10-K. These statements speak only as of the date of this call and Informa TechTarget undertakes no obligation to revise or update any forward-looking statements in order to reflect events that may arise after this conference call except as required by law.

Finally, we may also refer to certain financial measures not prepared in accordance with GAAP, a reconciliation of certain of these non-GAAP financial measures to the most comparable GAAP measures to the extent available without unreasonable effort, accompanies our press release.

And with that, I'll turn the call over to Gary.

Gary Nugent^ Thank you, Charlie. Good morning from Boston, Massachusetts, and thank you for investing the time to join us today and for your patience whilst we worked through the Informa TechTarget 2024 audit and preparations for the 10-K filing.

We filed our full set of 2024 financial statements and the Annual Report on Form 10-K last week on May 28th, which is available at www.informatechtarget.com.

Reported results for 2024 reflect the structure of the combination comprising 12 months contribution from the Informa Tech digital businesses, and around one month contribution from the legacy TechTarget business. Being the period from completion of the transaction on December 2nd, 2024 through to the year end.

On this basis, reported revenues were \$285 million with a GAAP net loss of \$117 million. The latter reflecting the contribution period of TechTarget, acquisition and integration costs, and non-cash impairments at the point of combination. Adjusted EBITDA was \$31 million.

On a combined company basis, assuming the combination was in effect from January 1st, 2024, we delivered full year revenues of \$490 million in line with the previous guidance. This equates to broadly flat underlying performance for the year, reflecting the subdued market backdrop with activity levels impacted by geopolitical tensions and macroeconomic uncertainties.

The combined company net loss was \$166 million, and combined company adjusted EBITDA was \$82 million. The latter included certain non-recurring operating costs relating to the combination including an allocation of the Informa Group's central costs to the Informa Tech Digital Businesses in 2024. A portion of which are included in the transitional service agreements entered into on the closing date.

Our financial position at the yearend was strong with cash, cash equivalents, and short term investments of around \$354 million and around \$416 million of outstanding convertible senior notes.

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Given the subdued market backdrop, I would describe our performance in 2024 as robust holding revenues while improving margins. And if you let me turn to the future, our combined business sits at the intersection of two attractive and dynamic markets-technology and B2B marketing, representing a \$20 billion addressable market. Through this combination, we are creating the scale, talent, and operating platform to nurture and build specialist audiences and deliver increasing value for clients.

And I am excited and optimistic about the opportunity that we have ahead of us and how that can translate into value for our other stakeholders too, including our shareholders and our 2,000 or so colleagues at Informa TechTarget.

In 2025, the foundation year for Informa TechTarget, our focus is on combining our strengths across brands, product, go-to market, and talent to position the business for long-term growth. The combination program to successfully integrate the legacy companies is well underway with all executive and senior leadership appointments completed, and reporting lines and responsibilities confirmed.

The restructuring of our sales organization has been accelerated, including a unified go to market strategy that gives increased focus to our largest customer accounts through dedicated service teams.

Product strategy work is advancing well including a repositioning of the NetLine product to address the volume end of the demand market. And reshaping the Intelligence and Advisory portfolio to better meet the needs of our evolving customer requirements.

We are tracking well ahead of year one, operating cost and energy target of \$5 million with a high degree of confidence in our ability to meet or beat the \$45 million overall run rate synergies targeted by year three.

The business environment remains subdued, but our guidance remains in line with previous commentary with a target for broadly flat, like for like revenues, and an increase in adjusted EBITDA for the year, supported by the over delivery of combination synergies and non-recurrence of one-off combination costs that were included within the 2024 results.

Beyond the near term market dynamics and the foundation year, we remain confident in the medium term growth opportunities for Informa TechTarget, underpinned by innovation and growth and technology and the increasing demand for more efficient data-driven B2B digital services.

A final note, we will update our investor presentation following today's call, which again you will find on www.informatechtarget.com.

Thank you. I will now pass the call back to our moderator, Sammy, and open the call for any question.

Operator^ Thank you very much. (Operator Instructions) Our first question comes from Joshua Reilly from Needham. Your line is open. Please go ahead.

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Joshua Reilly^ All right, great. Thanks for taking my questions.

Maybe to start off with now, you know we haven't had a call in a while, so I think it would be helpful to get an update on how AI is impacting your business, including the risks and opportunities and maybe touch on the trends you're seeing with the average number of white papers and webinars that customers are reading and watching before making a B2B tech purchase today versus a year or ago or more when there was less proliferation of GenAI tools.

Gary Nugent^ Hi Josh. Thank you for the question.

Let me maybe think about this or break this down into sort of three component parts. The first thing, of course is that AI as a technology is a market in and of itself for our company, for our business. So, in other words, we are in the position to inform and educate and connect the market, the buy side of the market about AI technologies and how they can be applied to business.

And of course, we're in the business then of also the AI companies who are providing products and services and technologies to then actually reach those audiences, reach those buyers and decision makers. So, that is in and of itself a market for us and one that we're addressing with enthusiasm.

You've then got the second thing, I think, which is, how do we apply AI to our business? And first and foremost, to improve upon our effectiveness and our efficiency. And again, we have a number of initiatives across the business to do so. We can see this in many areas of our business, in our research and Intelligence and Advisory capabilities, in our editorial and audience development capabilities, and indeed in our marketing and sales capabilities in our go-to-market. And we're applying that to our business to improve our efficiency and to improve our effectiveness and indeed to improve quality.

We then have the matter of applying AI to actually improve the products and bring new products and services to market. And of course, you will have -- in the latter half of last year, you will have heard TechTarget and Mike talk about the application of AI to the Priority Engine product to actually help the sales use cases engage with their customers as a good example of that.

And then maybe finally to your point about how AI is impacting the way in which the marketplace discovers content and consumes content and is informed and educated. I would say that there -- obviously, there will be, I think -- I mean, the application of generative AI in particular is changing that landscape. But certainly, what we are seeing is that when customers are -- or when buyers, to be precise. When buyers are in the market and are looking to make large capital decisions, significant investments in their business, they are needing deep research into the subject and are looking for content which comes from authoritative and unbiased and known sources. And so, we're not really seeing any changes in the pattern of that, what I would call serious buyer research.

Joshua Reilly^ Got it. That's very helpful. Appreciate that.

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So, you mentioned in the release that the cost synergies are on plan or ahead of expectations in terms of timing. As you've now had some time to review the combined company, can you just comment on how you feel about the total \$45 million in cost and revenue synergies in both terms of timing? And then is that still a total number that you're comfortable with going forward?

Gary Nugent^ I can confirm that I am comfortable with the total number. And it is certainly our intention to meet or exceed that over the period. And I think we will try -- certainly on the cost -- if you recall, the synergies of \$45 million are broken down into both cost synergies and revenue synergies. In particular, we feel confident in our ability to accelerate the cost synergies side of that equation. And on the revenue synergies side of that equation, we're confident that we will be on track.

Joshua Reilly^ Got it. And then maybe I'll just throw one more out there. You talked about some short-term disruptions to the business in January and February. Maybe you could just discuss what happened there and how you remedied that pretty quickly within a quarter to be executing moving forward. Thanks, guys.

Gary Nugent^ Thank you, Josh. Largely, that's about us approaching, implementing a combination plan, Josh. Obviously, when we bring two companies together, there's lots of work to be done on processes, on systems, on the operating model, and organization design.

I talked earlier on about us accelerating our go-to-market strategy and the adjustments in the sales organization, et cetera, et cetera. There's obviously an element of disruption associated with that, but we felt that it was important that we get ahead of the curve and that we execute with pace and get ourselves into position to anticipate the market opportunity.

Joshua Reilly^ Thank you.

Operator^ Our next question comes from Jason Kreyer from Craig-Hallum. Your line is open. Please go ahead.

Jason Kreyer^ Wonderful. Thank you. Thank you for taking my questions.

So, Gary, you talked about a subdued market that you're seeing right now. So, I'm wondering if you could just give more details on what that means, maybe more external. You talked about the internal disruption, but more details on the macro would be great.

And then just as a follow-up, your guidance called for more of a decline in the near term with more momentum as we get into the back half of the year. Can you talk about what gives you the confidence in that and what you're hearing from customers that gets you to that conclusion? Thank you.

Gary Nugent^ Yes, of course, Jason. Thank you for the question.

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I think I would use the -- we use term subdued market. And I think that is reflective of what we experienced in 2024 as well. So, I suppose what I'm -- what we're really seeing is that we're seeing a continuation of the pattern in 2024, and that's why we reflected on that. So, neither would get a significant improvement, or for that matter, a deterioration would be my description of that.

In terms of what gives me confidence in improving in the back half of the year, it's largely around the investments that we're making. So, the us pressing ahead with our combination, including getting ourselves in a position to anticipate the market more effectively in the second half of the year through our new go-to-market model, through the product strategy and the product roadmap that we've created and generally leveraging, if you like, the thesis that was the combination in the first place, which is that in bringing these two companies together, we create a company that has breadth and scale.

And in doing so, that breadth and scale will play out in the marketplace and win out in the marketplace, particularly with the larger customers in the market who have scale requirements, and then we have the ability to meet those scale requirements.

Jason Kreyer^ Gary, can you call out any opportunities in the near term where you think in the early stages of this integration, you can see more success with the cross-sell or areas where you're already seeing success with cross-sell?

Gary Nugent^ I can tell it to you that at present, I would say we've described that in two ways. We've certainly seen what I would describe as tactically success with the cross-sell as we've taken the customer relationships that we had from both sides of the combination and leveraging them to drive incremental revenues and incremental sales and incremental revenues. And we've already seen some success of that throughout the first quarter.

I think separate and distinct from that, though, is what I would describe as maybe more the strategic cross-sell, which is actually our ability to put much larger proposals in front of our customers. And therefore, we are seeing, and we've had one or two really interesting examples of us putting larger size proposals in front of our customers and our customers buying into that. And of course, our ability to increase our average deal size with our customer base over time is an important part of our strategy.

Jason Kreyer^ All right, thank you. Appreciate it.

Operator^ (Operator Instructions). Our next question comes from Eric Martinuzzi from Lake Street. Your line is open. Please go ahead.

Eric Martinuzzi^ About a third of your business is subscription, or at least that's the number I have from might've been 2023. I'm not sure if that still applies for the 2024 numbers. But just wondering if you could comment on how renewals went over the past quarter or so in comparison to a year ago, and whether it's a net revenue retention or gross renewals. Just curious to know how the subscription business is going.

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Gary Nugent^ Thank you. And the largest element of our subscription business is in the intelligence and the advisory space. And I would say if I recall really year on year, the value-based renewal rates are holding flat, as I would say, year on year, was my observation.

Similarly, then, I think we have other subscriptions in the brand to demand portfolio. I would say a little bit flat year on year, to a little bit down from a value perspective in some areas. But generally speaking, I'm comfortable in the quality of the product and our ability to drive growth in those products over the long term of the year.

Eric Martinuzzi^ Okay. And that also, I assume, is the better -- you're expecting better in the second half of '25 than in the first half?

Gary Nugent^ I think I would expect so, yes, but I would say that in terms of growing the subscription businesses, holding the renewal rates is obviously a strong part of that strategy, and improving them modestly. But really, I think the acquisition of new customers and growing the base within our existing customers, what I would describe as new upsell to the subscription or new subscription customers is a core part of the strategy.

Eric Martinuzzi^ Okay. And then you talked about in the -- on the product side, repositioning net line to the volume end of the market. How has that process been going?

Gary Nugent^ Certainly, we're very encouraged with the Q1 experience of taking that product to that end of the marketplace and the market acceptance.

Eric Martinuzzi^ All right. And then what exactly do you mean by the reshaping of the Intelligence and Advisory portfolio to better meet evolving customer demand? Could you give an example?

Gary Nugent^ This was largely about us taking the portfolio of services, in particular the Intelligence services within the Intelligence and Advisory portfolio, and what I would -- maybe what you might describe as packaging them into a fewer number of larger packages and then also aligning those packages with the segments in the marketplace that we see the segments being enterprise IT, consumer, industrial, and telecommunications and service provider. So, it was really about product packaging and taking packages, which I think were more suited to the needs and the requirements of the marketplace.

In addition to that then in bringing the enterprise strategy group business and joining that with the Omdia and the Wards and the Canalys business and Intelligence and Advisory, we've now created two consulting capabilities, one which is the strategy consulting capability and the other which is the go-to-market strategy consulting capability. And I think that creates a much cleaner offering in the marketplace to those corporate strategists, analyst relations, product business unit leaders, product managers, and product marketers.

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Gary Nugent^ Market strategy consulting capability. And I think that creates a much cleaner offering in the marketplace to those corporate strategists, analyst relations, product business unit leaders, product managers, and product marketers.

Eric Martinuzzi^ Got it. And then lastly, Dan, what can you tell us about the latest for the cash and debt balances? Either a March 31 update or the -- or maybe even the end of May update on cash and debt?

Dan Noreck^ Sure, Eric. I mean, from a net debt position, we are fundamentally in the same place, right? Because we use the cash that was on hand, plus we drew down \$135 million on the revolving line of credit to fund the repayment of the convertible notes, but fundamentally, the net debt position is the same.

Eric Martinuzzi^ Got it, thank you.

Dan Noreck^ Yes.

Operator^ We currently have no further questions. And with that, we would like to thank you all for joining us today.

This concludes today's call. You may now disconnect your lines.