

jwc's 2017 Global Industry Performance Review

Top 40 Exhibition Companies: 2015/2016



jwc is the leading advisory services firm for the global trade fair and large conference sectors

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Some notes on the methodology used

Year on year comparisons

To account for the impact of biennial and triennial shows on revenue trends, revenue and EBIT figures are based on a two-year moving average. When A is the result of a two-year moving revenue average the formula used is: $A = \frac{1}{2}(\text{revenue in year } n + \text{revenue in year } n - 1)$. Exchange rates used are as of 31 December of the year. All indices and CAGR's are calculated in original currency to neutralize f/x effects.

Top line

Revenue includes all operational income (revenue from sales, services, sponsorships, visitor/attendee fees and other operational income). Within the taxonomy used by some companies, the words 'Turnover' or 'Income' are interchangeable with revenue. In the case when exhibition business units operate as part of a wider corporate group, only the exhibition-related revenue segment is in scope of this report. For some companies, revenue has been estimated for the years 2007 and 2008.

The bottom line

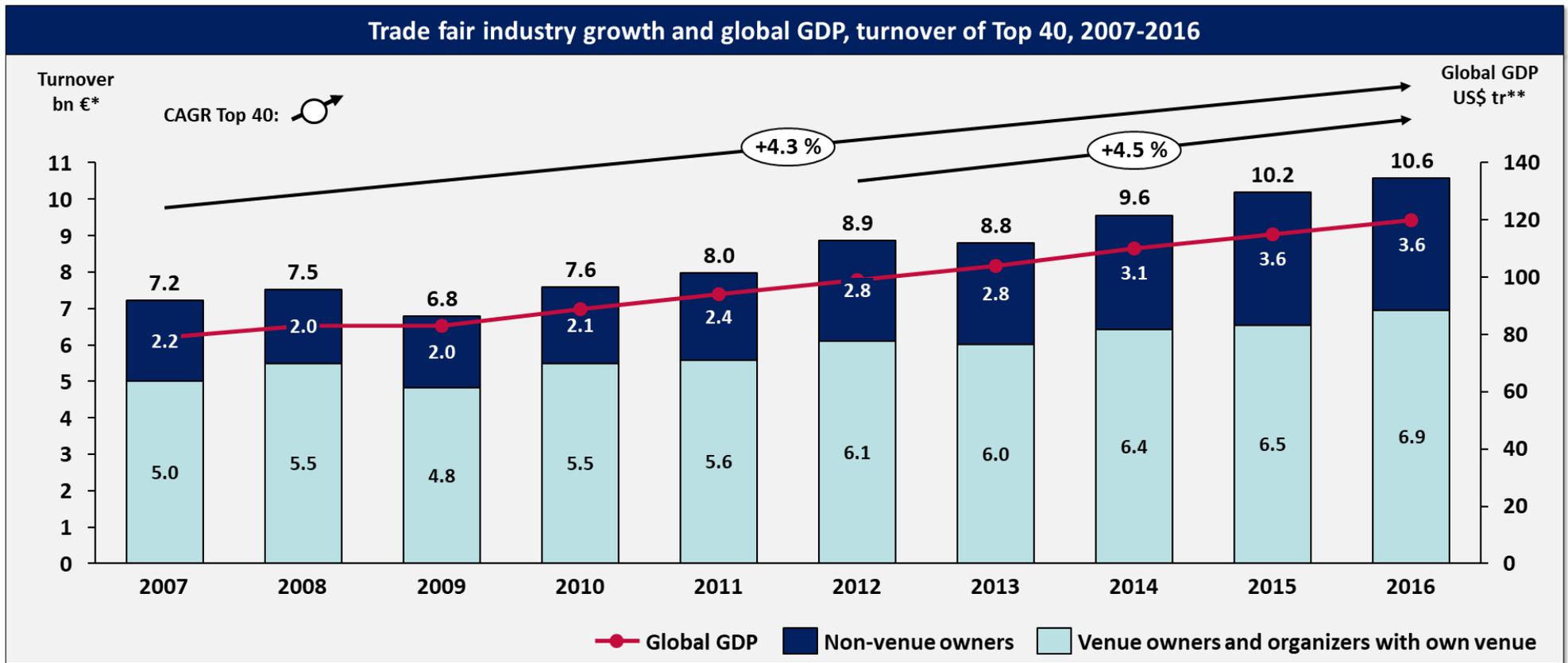
We use Earnings Before Interest and Taxes (EBIT) to measure the profit a company generates from its operations; sometimes it is used synonymously with 'Operational/Operating Profit' or 'Current Operating Income'. When it is exhibition related, income from associated companies is included in the EBIT. Financing items are not included, nor are taxes or the following exceptional items: Expenditure and impairment on acquired goodwill and intangible assets, restructuring and reorganization costs, re-measurement and contingent consideration, acquisition and integration costs, exceptional amortizations and depreciations. EBIT shown does not take into account shareholder subsidies when they were granted directly against financing items. In very few cases, the Adjusted EBIT has been estimated. All estimated Adjusted EBIT figures are excluded in average Adjusted EBIT margin calculations.

A few missing bits

We could not fully take account of a few companies. They are omitted from some specific charts. To the best of our knowledge, as this report was being prepared, these companies were not making full and reliable revenue and/or profit statements publicly available.

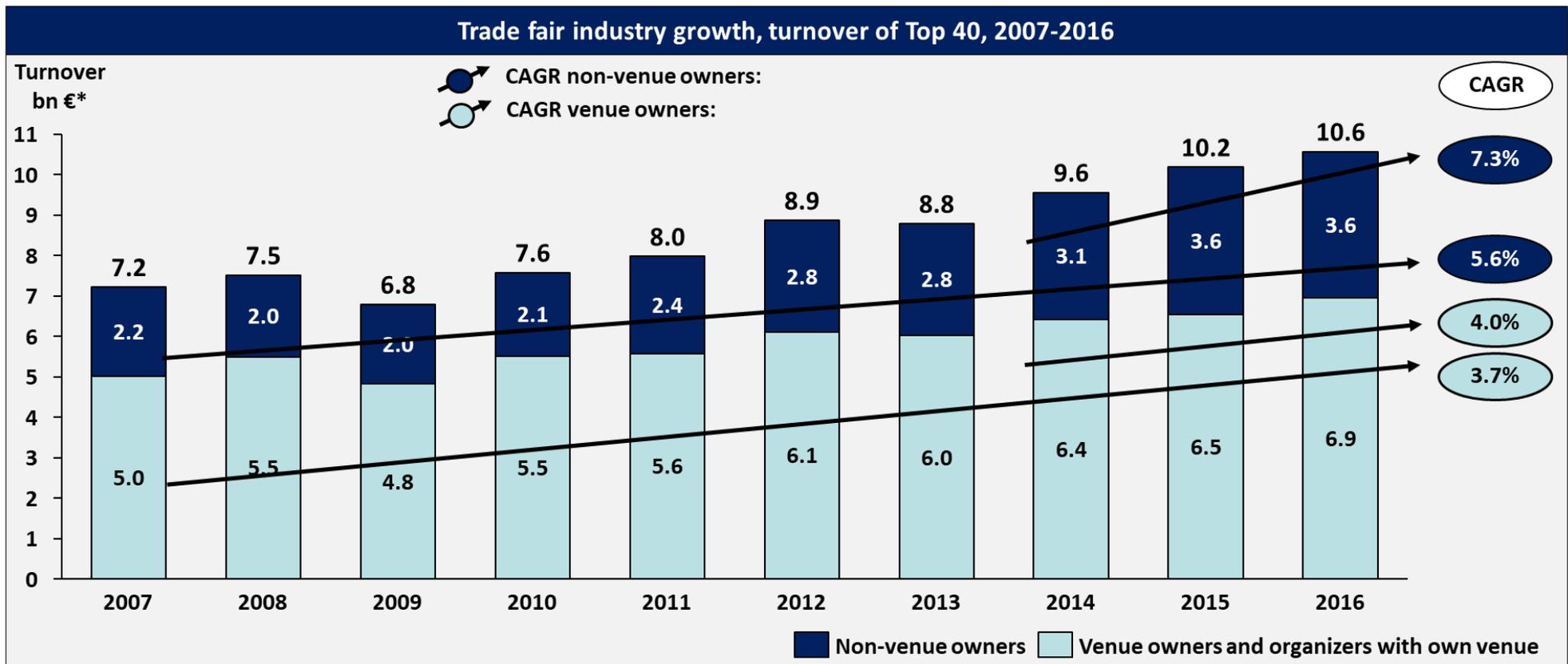
This document is based on income statements made available by the respective companies covered and/or from Annual Reports, press releases and material retrieved from public institutions (e.g. company registrar offices). For a few companies, figures have been estimated based on available information and analysis of company reports and press releases. The information contained in this paper has been obtained from sources believed to be reliable, but there is no guarantee of the accuracy, completeness or suitability for any particular purpose of such information. None of jwc, its partners, directors or employees accepts any responsibility or liability whatsoever or makes any representation or warranty, express or implied, as to the accuracy or completeness of the information, or any opinions based thereon, contained in this paper and it should not be used in place of professional advice. Information in this presentation should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products. Additional information may be provided on request, at our discretion. We have only used information publicly available and have in no case used information gained through project work for our clients.

Revenues in the trade fair industry have grown at stable levels



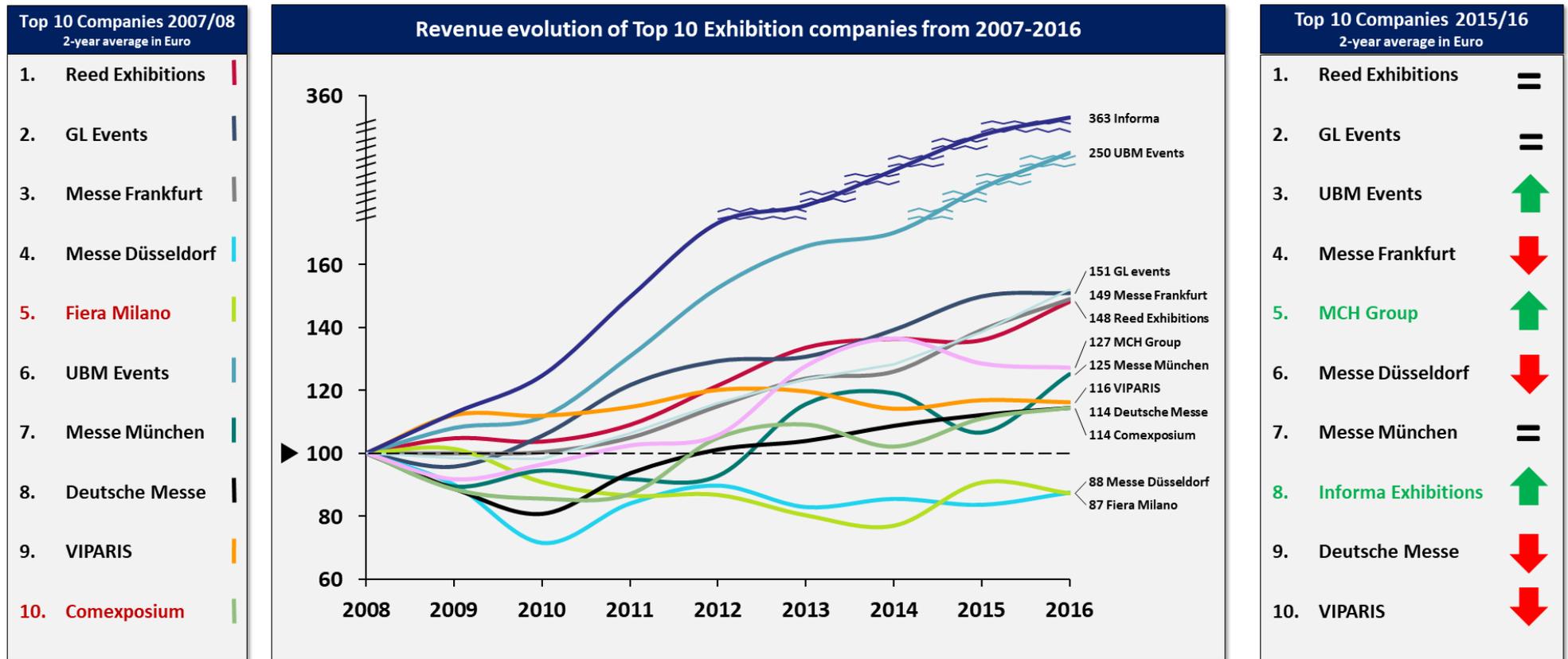
In this comparison of revenue growth of the Top 40 exhibition companies with Global GDP for the years 2007 to 2016, companies are grouped into two categories: Non-venue owners and venue owning exhibition companies. Global GDP at Purchase Power Parity (PPP) is plotted against the right-hand axis. Healthy growth in our industry, which is tracking quite closely to the global economy, is clearly visible. The group of tracked companies (Top 40) averaged a 4.3% annual growth rate; growth has slightly accelerated over the past five years.

In recent years, pure organizers have grown strongly, likely driven by acquisitions



When comparing venue owners with their peers which do not own a venue, it is evident that pure organizers achieved stronger growth rates on average (2% more per annum). Especially in the past three years, growth rates of pure organizers were more than twice that of venue owning companies. Within the Top 40 group of companies, pure organizers have been much more acquisitive in the past decade. This consolidation trend has driven a significant part of their overall revenue growth.

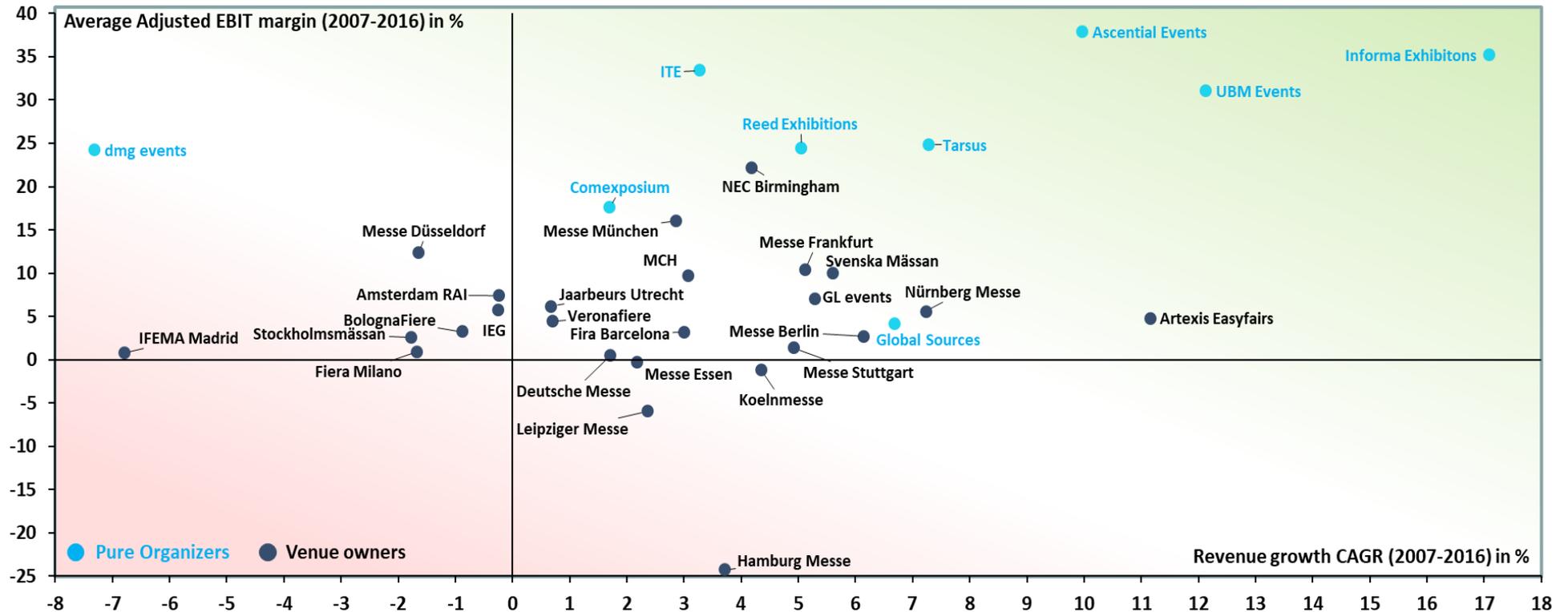
80% of the Top 10 companies from 2007/08 are still in the Top 10 of 2015/16



When it comes to revenue ranking, there has been quite a lot of movement in the Top 10 list in recent years. Taking an indexed view (2007/2008 are base years), two UK-based companies stand out: UBM and Informa Exhibitions. Informa has more than tripled its revenue over the past ten years, while UBM has more than doubled. Both companies have relied heavily on M&A to grow their businesses during this period. On average, the Top 10 companies grew by 5.6% per year. However, Messe Düsseldorf and Fiera Milano saw their revenue decrease during this period.

Most companies amongst the Top 40 have grown profitably over the past ten years

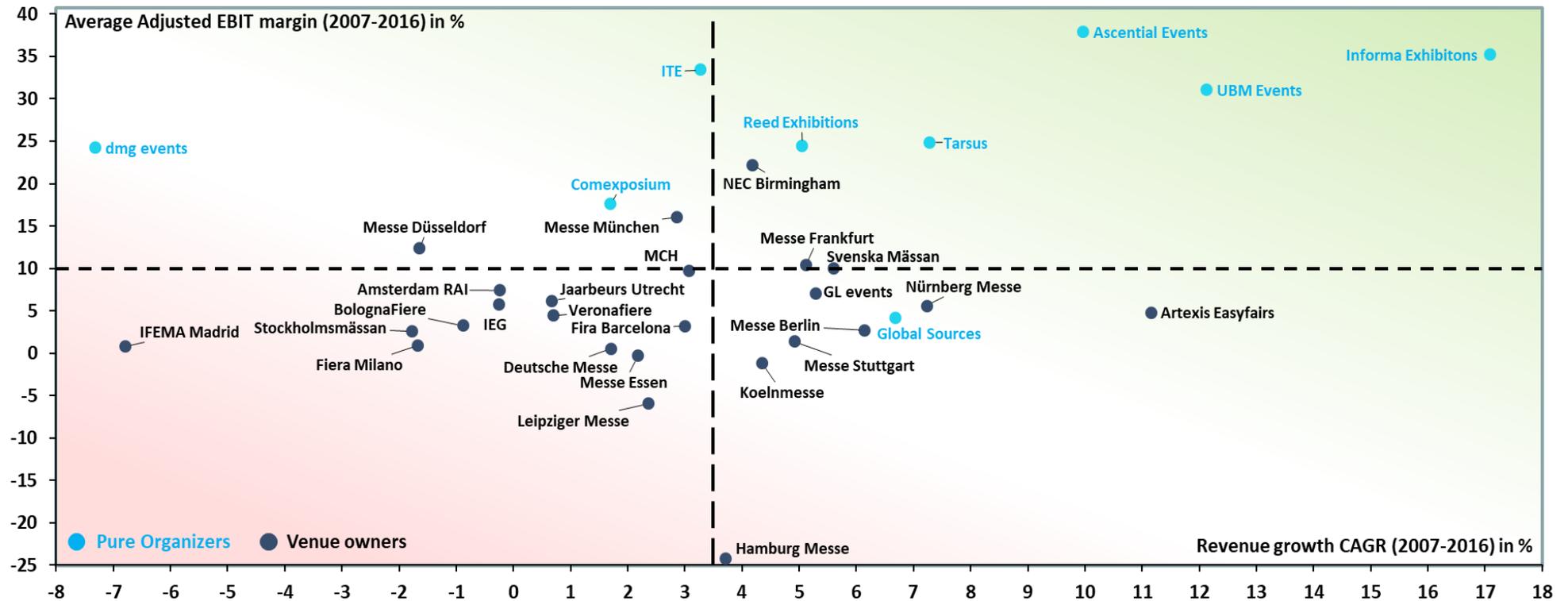
Average Adjusted EBIT Margin and revenue CAGR for the Top 40 exhibition companies, 2007-2016



Individual company performance is shown by plotting key dimensions for the past ten years: (i) revenue CAGR is measured along the horizontal axis and (ii) the ten-year average margin of Adjusted EBIT along the vertical axis. Nearly all pure organizers (non-venue owners), highlighted in blue, are up in the top right quadrant, indicating healthy revenue and profit growth. Three German venue-owners yielded a negative average Adjusted EBIT margin: Hamburg Messe, Leipziger Messe and Koelnmesse, however, their revenue trend is positive. Eight of the Top 40 companies experienced a decrease in revenue over the past ten years. All but one (dmg events) are venue-owners. Taking an overall average view, venue-owners yielded lower margins and weaker growth. Factors that have likely contributed to this pattern venue owners' higher (venue-related) operating costs and that a number of them do not only focus on profitability but also on indirect returns.

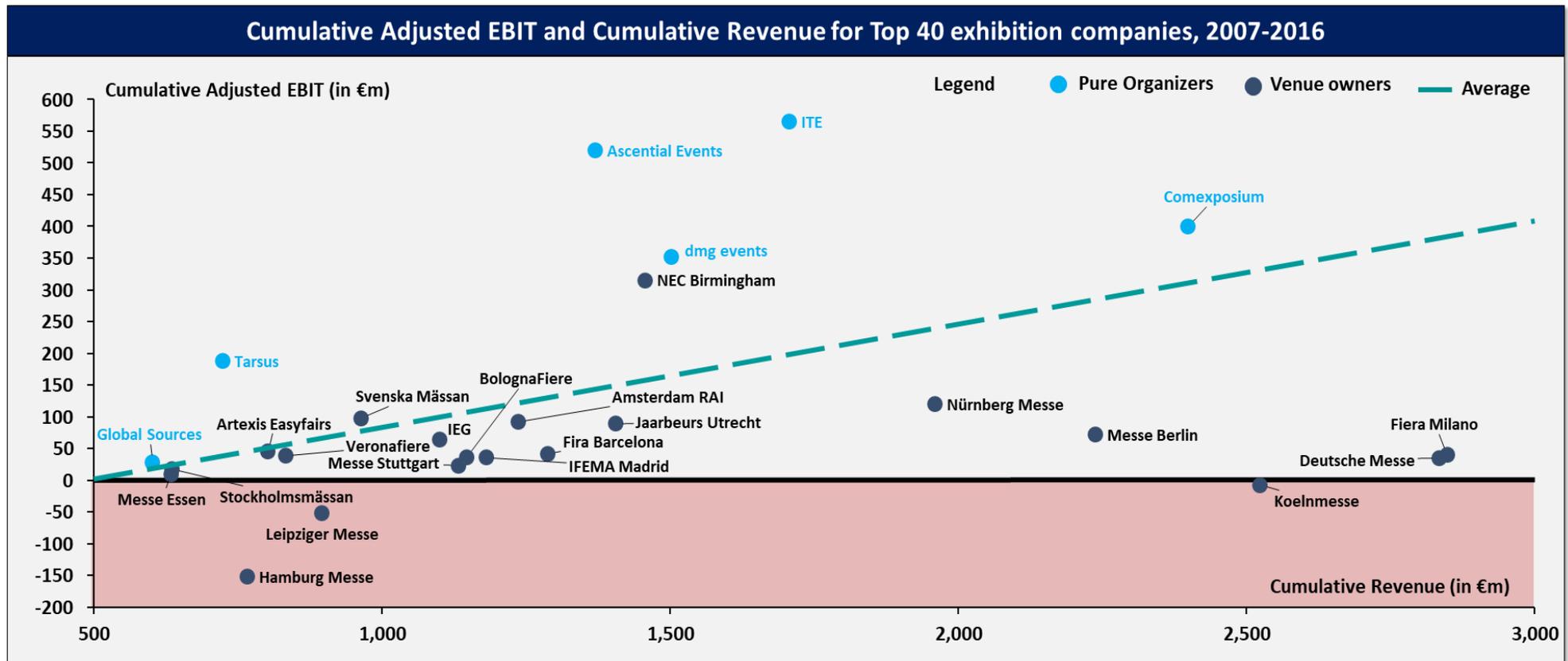
The majority of companies performing above average in both revenue growth as well as average adjusted EBIT margin are pure organizers

Average Adjusted EBIT Margin and revenue CAGR for the Top 40 exhibition companies, 2007-2016



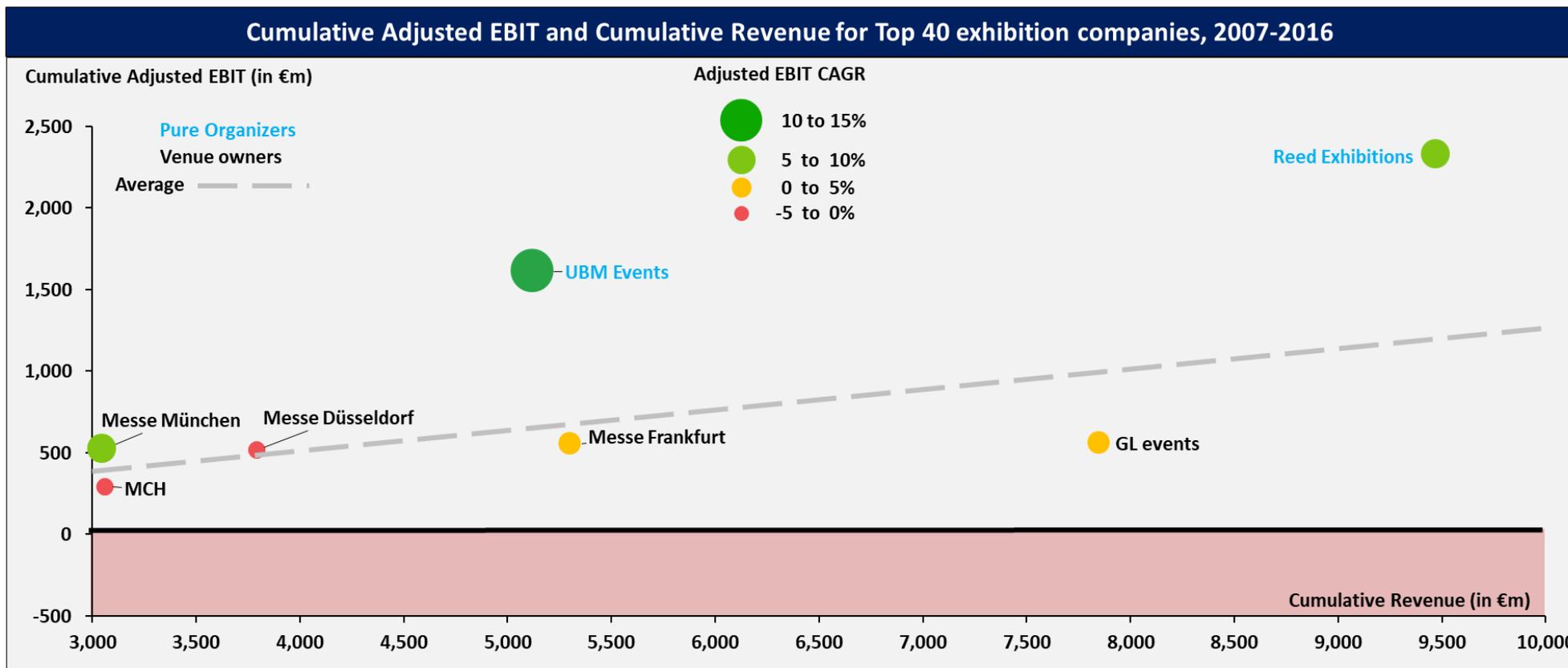
Taking the same data shown in the previous page, the dashed lines have shifted slightly to indicate the average values for the Adjusted EBIT margins and the revenue CAGR at 10% and 3.5% respectively. Seven companies are ahead of the pack when it comes to average EBIT margin and CAGR; unsurprisingly, five of them are pure organizers. All companies below averages on both dimensions are venue owners. In particular South European Companies are below average both in terms of EBIT as well as revenue CAGR, mainly driven by a difficult economic environment in their countries.

Cumulative figures for the past ten years show a healthy industry



When looking at companies with a cumulative turnover of less than €3bn for the period 2007 to 2016, pure organizers stand out with a higher than average cumulative adjusted EBIT. Leipziger Messe, Hamburg Messe and Koelnmesse have accumulated a loss over this period, though Koelnmesse has achieved a high cumulative revenue overall. Fiera Milano and Deutsche Messe have the highest cumulative revenues in this group of companies, but a comparatively low Adjusted EBIT.

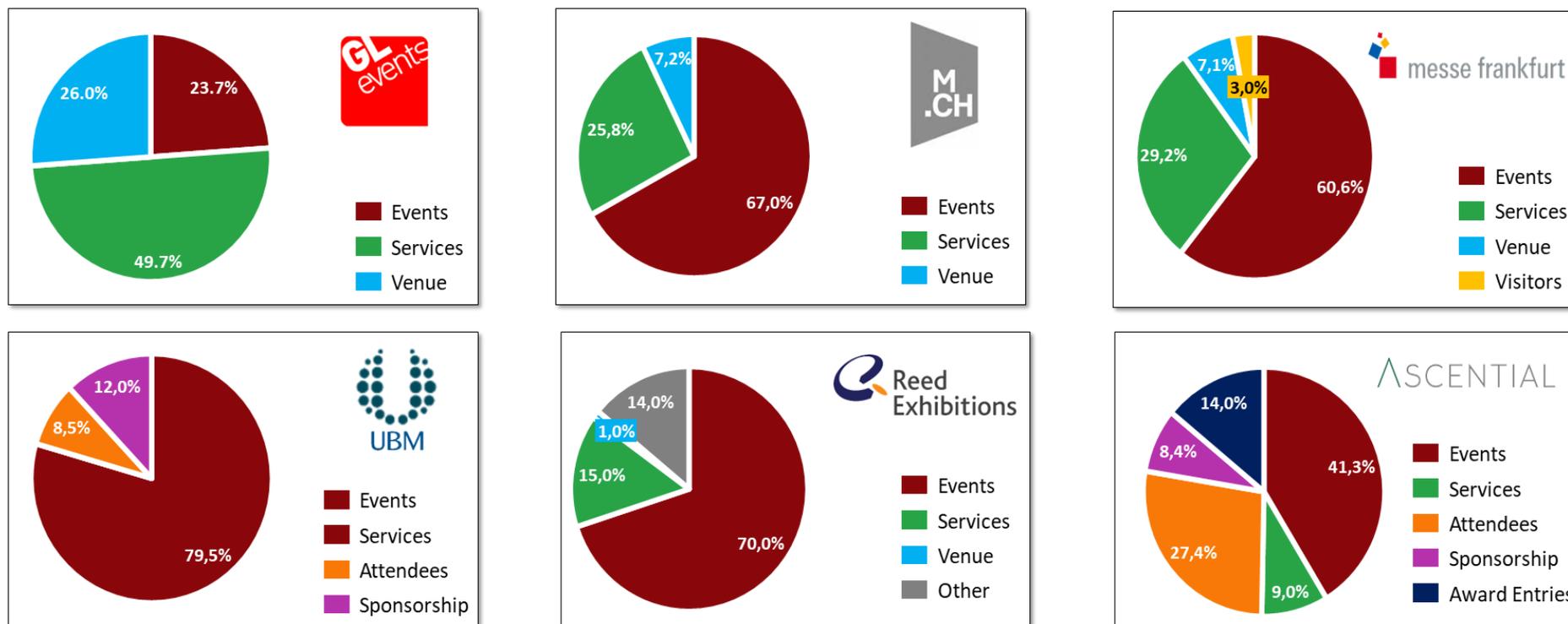
Reed and UBM are the market leaders when looking at cumulative figures over the past ten years



When looking at companies with a cumulative turnover of more than €3bn for the period 2007 to 2016, Reed Exhibitions is clearly leading with the highest cumulative revenue and the highest cumulative adjusted EBIT. UBM is number one in terms of Adjusted EBIT CAGR for the same period. While GL Events achieved a high cumulative revenue, it is below average in terms of cumulative Adjusted EBIT. Messe Frankfurt's EBIT has grown moderately, whilst Messe Düsseldorf's and MCH's Adjusted EBIT (in absolute terms) has been shrinking over this period (negative CAGR).

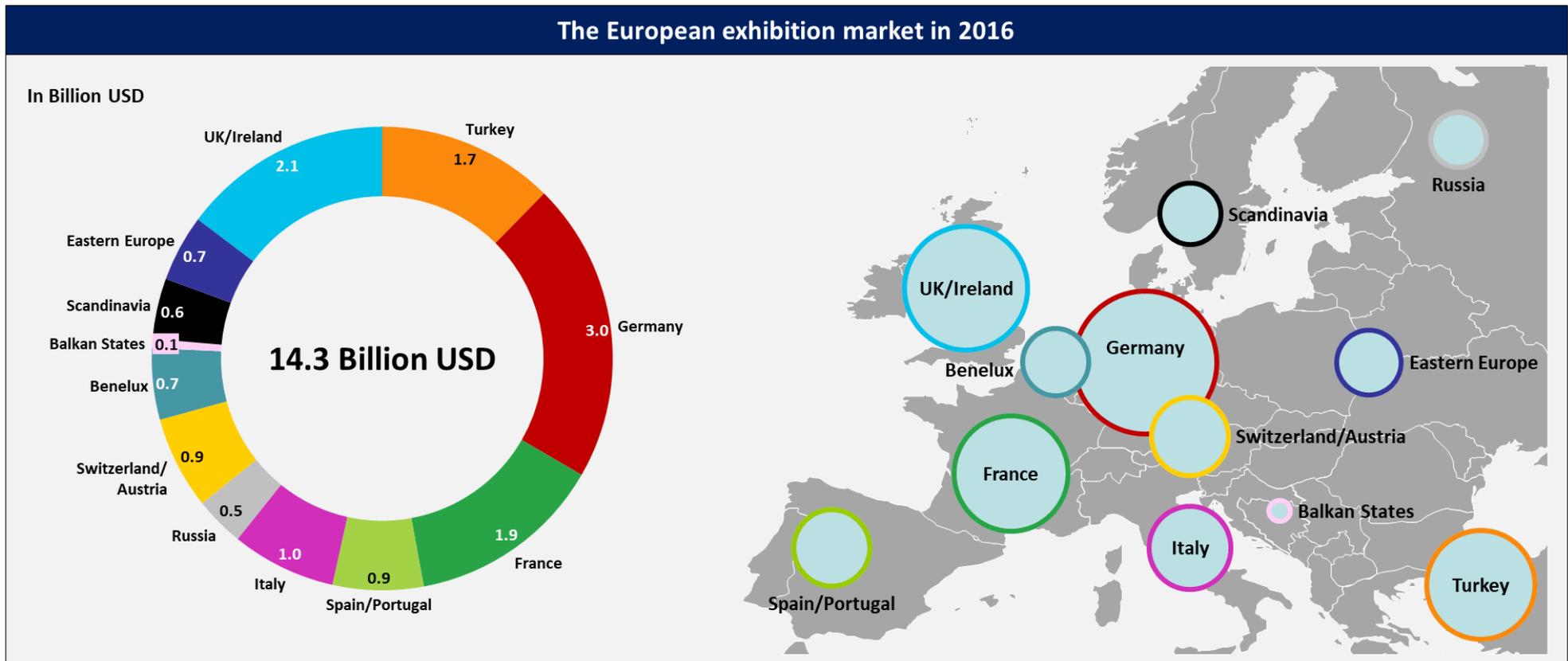
Nearly all exhibition companies generate revenues from identical sources

Segmental revenue split for selected exhibition companies in 2016



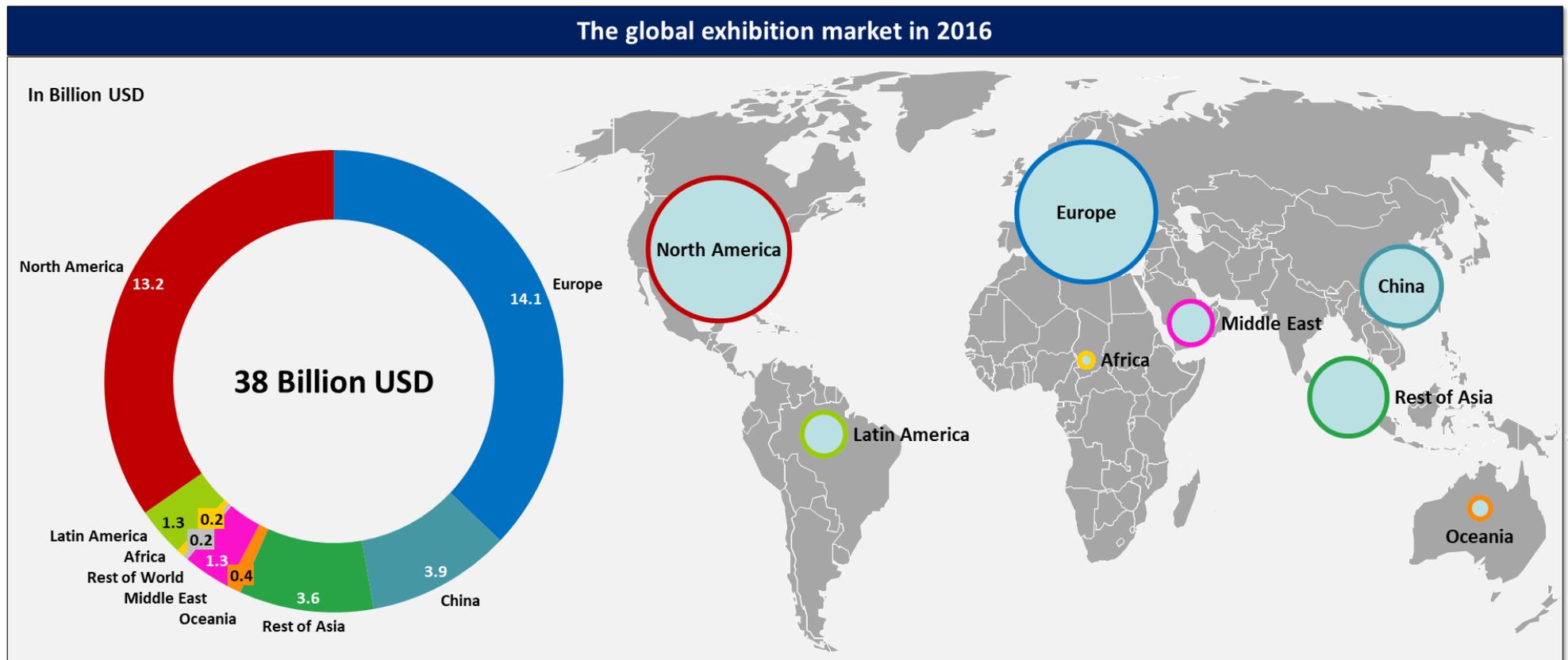
Revenue sources for all exhibition organizing companies are nearly identical in nature, but with varying proportions. All companies have in common that they generate revenues from space sales, services, entrance/attendee fees and sponsorships. The main difference is that some companies additionally generate revenues from venue related services. When comparing their performance, it is essential to include all revenue streams in a benchmark; the extent to which a company creates revenues from different sources (e.g., venue related services; space sales etc.) is a strategic choice made in the context of which part(s) of the value chain the company chooses to exit or continue to focus on.

The European exhibition market is dominated by 4 countries



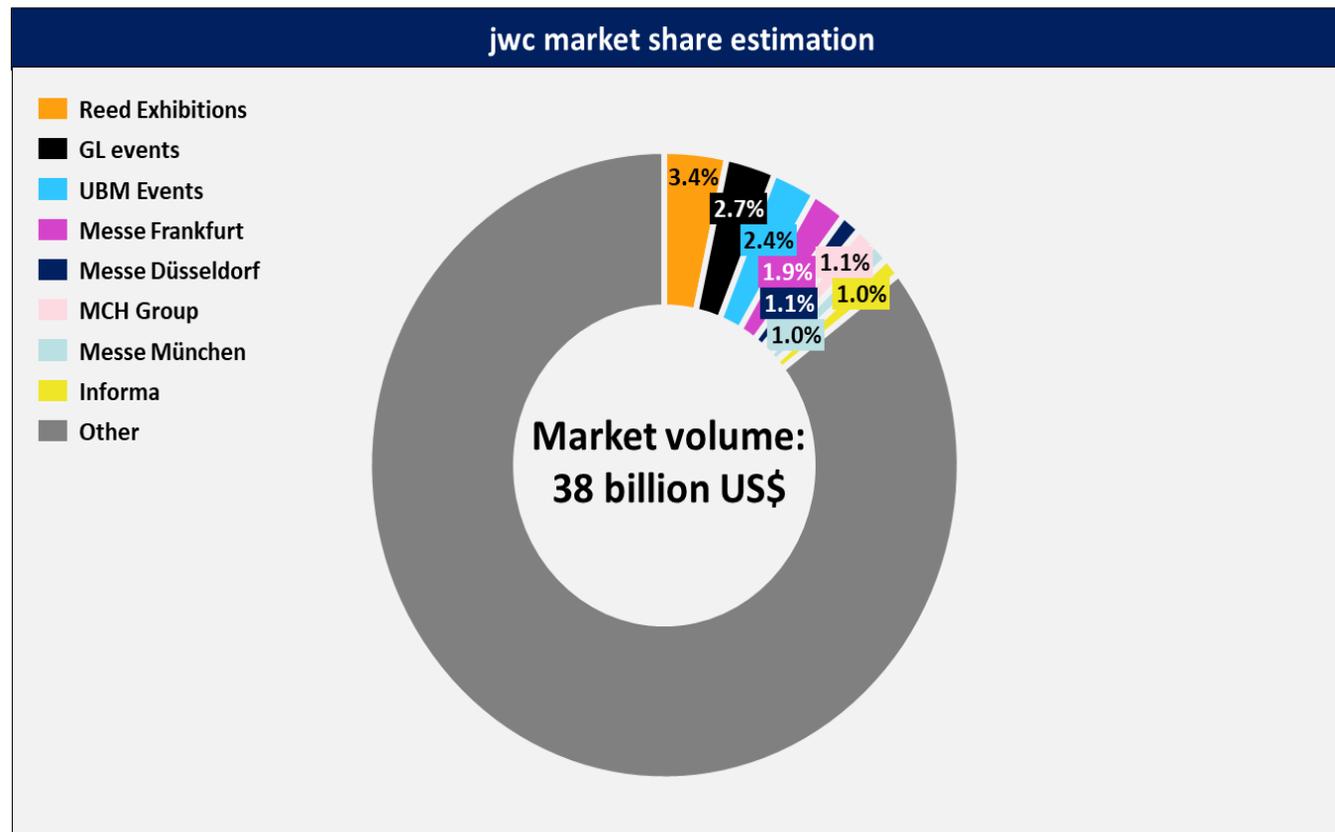
Following from above, jwc’s market assessment is based on all typical revenues generated in our industry (i.e., space sales, services, attendees and visitor fees as well as venue related and sponsorship incomes). Price levels by countries are calculated using jwc’s pricing database. Germany has the largest national market in Europe with a volume of US\$3 billion. Additionally, the French, Turkish and British markets have a volume exceeding US\$1 billion. With a total volume of more than US\$14 billion in 2016, Europe is the world’s leading exhibition market.

Europe and North America make up more than 70% of the global market



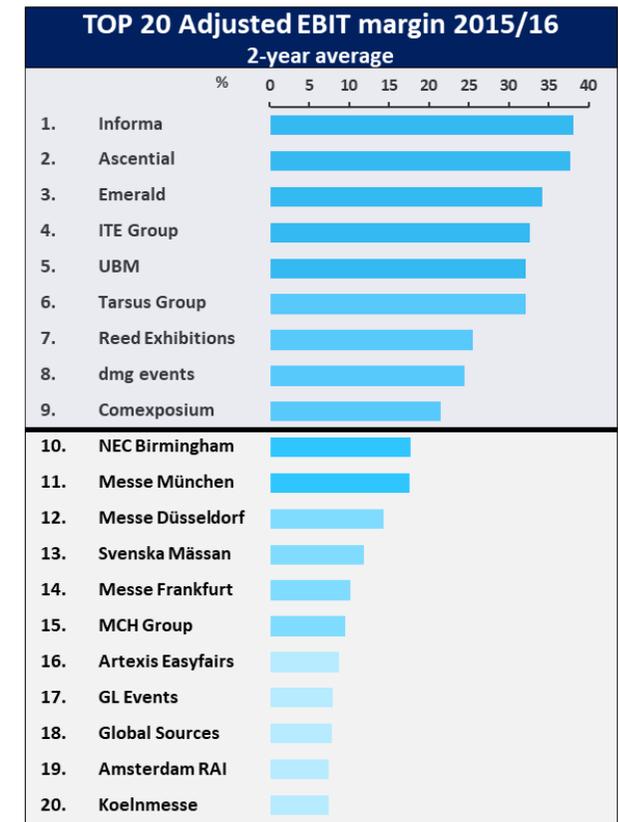
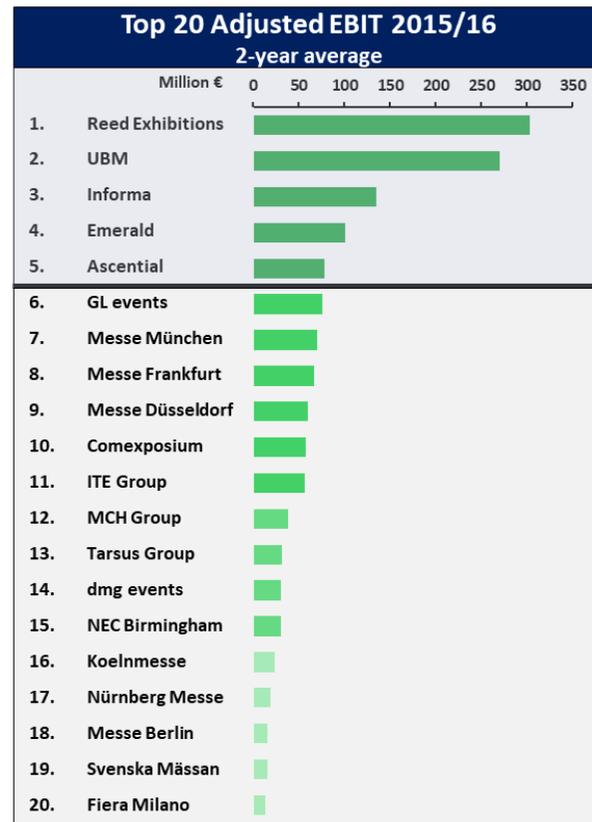
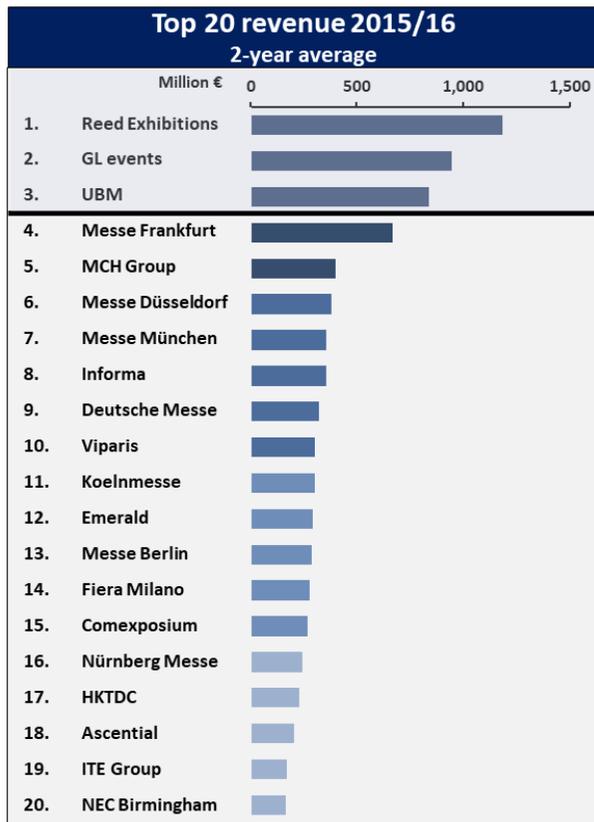
North America's exhibition market was slightly smaller than Europe's, with a volume of just over \$13 billion. The Asian market was the fastest growing, reaching the US\$7.5 billion mark by 2016. The Chinese market alone accounted for nearly US\$4 billion in 2016. Also, the Middle Eastern and Latin American markets exceeded the US\$1 billion revenue mark. Africa's trade fair business was underdeveloped and trailing behind all other continents. In total, jwc evaluates the 2016 global exhibition market at US\$38 billion which includes all exhibition-related revenues in direct adjacency to net rented space as well as venue related service revenues.

Our industry is highly fragmented – market share estimations for 2015/16



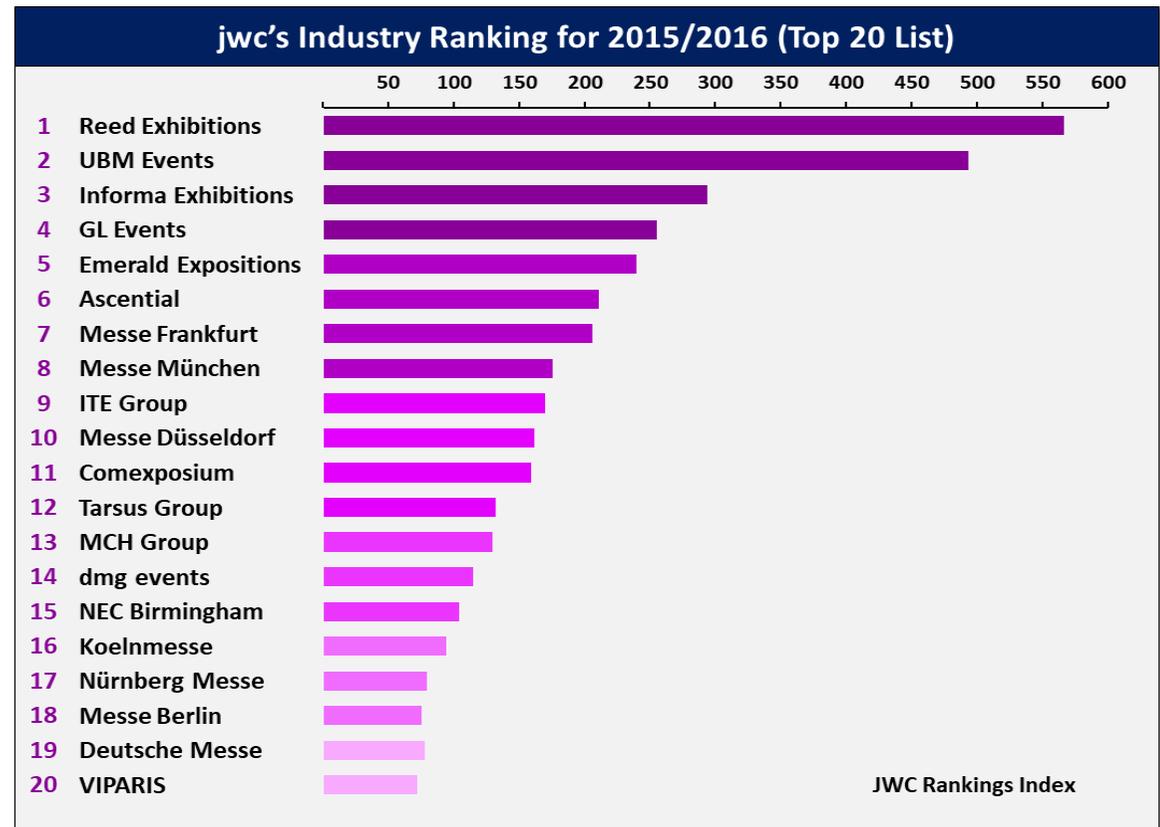
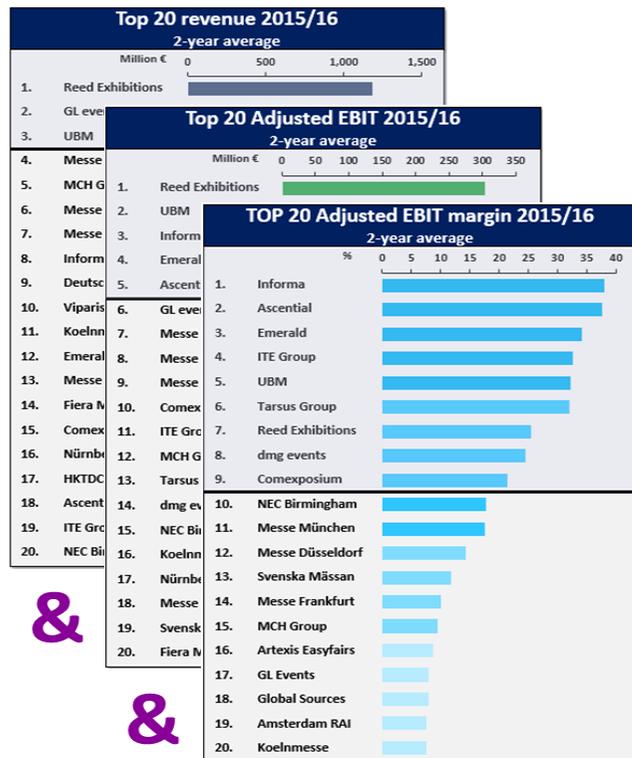
With a market size of US\$38bn, company market shares can be calculated. Taking a closer look at those market players that come in at 1% market share or higher, we are left with eight exhibition companies. In terms of revenue, Reed is the market leader with a share of 3.4% of the global market volume, followed by GL Events and UBM with 2.7% and 2.4%, respectively. Generally, the global exhibition market is highly fragmented with none of the big companies dominating the market. Less than 15% of the global market share is allocated to the Top 8 companies, the Top 40 have a combined share of around 28%.

Pure organizers are leading in Adjusted EBIT and EBIT margin



Revenue is only one indicator when comparing the performance of the different companies. We have already looked at two very revealing profit indicators alongside revenue: Adjusted EBIT and Adjusted EBIT margin. Together, these three indicators provide different aspects to benchmark performance. 13 of the TOP 20 companies in the revenue ranking are venue owners, and there is no clear dominance of pure organizers in the revenue ranking. However, the Adjusted EBIT ranking already has five pure organizers at the top of the list, and by the time we get to the Adjusted EBIT margin ranking, the field is dominated by pure organizers taking the top nine spots.

Three dimensions are taken into account for jwc's Top-20 ranking



jwc's Industry Top 20 performance ranking for 2015/2016 combines the three different dimensions that were displayed on the previous page: Revenue, Adjusted EBIT and Adjusted EBIT margin. Each dimension is weighted by different factors and the result generates a ranking that is led by three pure organizers: Reed Exhibitions, UBM Events and Informa Exhibitions. The Top 10 is comprised of three more pure organizers (Emerald, Ascential and ITE) and four venue-owning companies (GL Events, Messe Frankfurt, Messe München and Messe Düsseldorf). Thus, we come to the ranking of the top 20 largest players in the global exhibitions industry (graph above, right).



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