The Economist Group

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Interim report

We exist to champion progress

economistgroup.com

Interim report

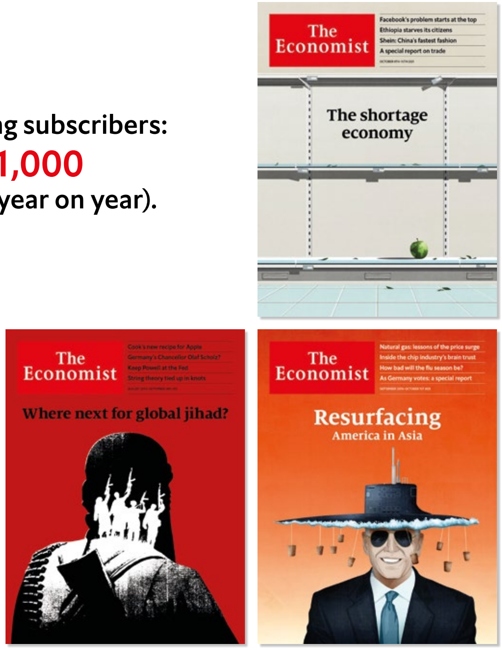
Six months ended
September 30th 2021

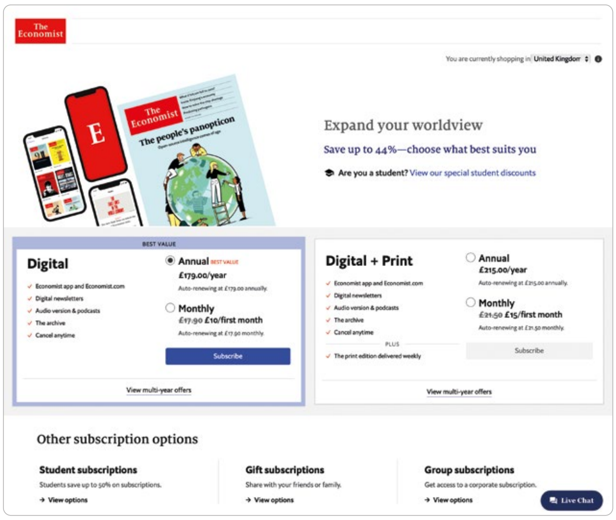
Contents

Highlights of our first half

Our Future Customer Experience (FCX) platform is now live in the UK and North America, a milestone on our planned roll-out globally by 2022.

Closing subscribers:
1,151,000
(+4% year on year).





SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

ECONOMIST IMPACT

We formally launched our new Economist Impact brand.

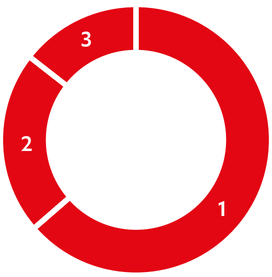
Our "25 by 25" carbon emissions-reduction plan was validated by the Science Based Targets initiative.

£25.7m
▲ +44% operating profit (H1 2021: £17.8m)

96.6p
▲ +69% adjusted earnings per share (H1 2021: 57.3p)

£159.3m
▲ +12% revenue (H1 2021: £141.8m)

£28.00
▲ +12% indicative share value (31 March 2021: £25.00)



Reported revenue by business	H1 FY22 £m	H1 FY21 £m	Change £m	Change %
1 The Economist	97.5	94.2	3.3	3%
2 Economist Impact	40.0	26.3	13.7	52%
3 Economist Intelligence	21.8	21.3	0.5	2%

Standing for progress
Delivering growth

Paul Deighton Chair

Our strategy is designed to deliver sustainable top-line growth for the Group so that we can keep championing progress for our readers and clients and create value for all our stakeholders. It is based on a clear opportunity: to build on the excellence of our content and the strength of our brands, ensuring that the same standards of excellence apply to everything we produce, and to how we deliver it.

In the last six months, thanks to the efforts of our colleagues, we've seen that strategy continue to give our business great momentum.

"The Group's half-year operating profit of £25.7m exceeded all expectations."

"The editorial teams continue to produce outstanding journalism: time and again we see that when big geopolitical events are happening – the fall of Kabul was a clear example – people come to us for facts and analysis."

Increased revenues from all our businesses driving profitable growth

The Group's half-year operating profit of £25.7m exceeded all expectations and was a significant improvement on both last year (£17.8m) and the first half of 2019/20 (£11.1m), which we use as a pre-covid comparator.

This increase in profits is largely the result of revenue growth in all our major businesses, most notably in Economist Impact. Half-year revenues for the Group were £159.3m, an increase of £17.5m or 12% on the prior year. While some parts of our business were undoubtedly bouncing back from the impact of covid last year, our overall revenue growth was still up 4% on the first half of 2019/20.

Our balance sheet and operating cashflow remain strong. Our net debt before lease liabilities of £16.2m remains low, £61.3m less than last year. Our continuing investment in major projects resulted in capital expenditure of £8.3m in the first half of the year (first half 2020/21: £5.0m).

Continuing to win – and keep – subscribers through insightful content

Last year's extraordinary news cycle meant that more new subscribers than ever sought out the excellence of our editorial and insight. At the end of this first half, subscription volumes were 4% ahead of the same period last year. A quieter news cycle has made subscriber growth more challenging for us and many of our peers. But there are plenty of positives. Our ability to retain subscribers is still improving, for example, and our new subscribers are increasingly digital. Newsstand sales are also starting to recover.

Unlike many news organisations, we have not gone to market with mass, heavily discounted acquisition offers. Our focus is on targeted offers and on growing corporate subscriptions, where we are performing above our expectations, albeit from a low base. And the editorial teams continue to produce outstanding journalism: time and again we see that when big geopolitical events are happening – the fall of Kabul was a clear example – people come to us for facts and analysis.

Editorial is driving innovation, too. The newspaper is the centre point of a constellation of journalism – data analysis, podcasts, films – that mean we can cover events such as the German federal election in September with unrivalled depth, creating our own election forecast model. At the same time, *The Economist* is opening itself to outside voices: the American power series invited global thinkers to submit commentaries on the forces shaping America's global standing, from Henry Kissinger and Noam Chomsky to Nirupama Rao and Arundhati Roy.

Building on the strengths of our brands

We described our business transformation programme in our annual report – and we've seen good progress this half-year.

In September we formally launched Economist Impact, which brings together policy research, our creative and advertising teams and our events activities to partner with corporates, governments and NGOs, helping them shape the debate around the three core themes of sustainability, new globalisation and healthcare.

We are encouraged by the performance of this newly formed business unit, which drove much of our top- and bottom-line growth in the first half of the year. Economist Impact has bounced back, with revenues of £40.0m in these six months, an increase of 52% on the prior year. Much of this was driven by advertising income, with an increasing number of our clients choosing to amplify their brands through Economist Impact as part of an integrated solution together with research and events. The Events business, which made a huge pivot to digital during the pandemic, saw revenues grow significantly too in the first half of the year.

Economist Intelligence, a new brand which incorporates the EIU and Clearstate (our medtech information business), saw revenues rise 2% (9% at constant currency) to £21.8m.

Finally, our small but exciting Economist Education startup business now has two courses in the market and two more in development. We've been agreeably surprised by the early success of these courses – our course on business writing had nearly 300 enrolled participants by September 30th, for example, significantly more than we expected at that stage.

“We are on track to reach the vast majority of customers through FCX by the end of the calendar year.”

Making progress towards our digital future

To accelerate our growth, we’ve continued our investments in our products and our underlying digital technology infrastructure. Over the past few months, we have launched a number of enhancements to our customer-facing digital Economist products; and our largest investment, the Future Customer Experience (FCX) platform, has now been rolled out to all UK and North America customers. We are on track to reach the vast majority of customers through FCX by the end of the calendar year.

FCX gives us the ability to do the digital things we know we need to do: develop and deliver customer experiences based on a real-time view of who readers are, what segments they belong to, how, when and why they engage – and what we could do better. The platform is already allowing us to offer subscribers more choice, such as the monthly billing option we launched as a test in the UK in September.

Building a more sustainable Group – for us and our stakeholders

Our strategy targets profitable growth that is sustainable in more ways than one. Around the business, we’ve increasingly adopted a hybrid way of working in the wake of the pandemic – a more flexible balance between home-working and office-working that, we hope, will also mean a more sustainable home-life balance. We’ve put diversity initiatives in place, and we’re strengthening our employee proposition; we look forward to reporting further on these in our annual report. And we’ve passed a milestone for our carbon-reduction plan, which targets a 25% cut in emissions by 2025 as part of a path to net zero by 2030: our plan has now been validated by the Science Based Targets initiative, a rare achievement among media organisations.

Making returns to our shareholders for their support and investment is of course also part of being a sustainable business. Given the performance of the business I am pleased, therefore, to inform you that the Board has decided to declare an interim dividend of 33p per share, which is one-third of last year’s annual dividend.

Paul Deighton Chair

Financial statements

Contents

Condensed consolidated income statement

	Note	Six months to Sept 30th 2021 £000	Six months to Sept 30th 2020 £000	Twelve months to March 31st 2021 £000
Revenue	2	**159,325**	141,810	**310,301**
Operating profit		**25,693**	17,806	**41,775**
Finance income		**4**	4,710	**6,271**
Loss on sale of FiscalNote loan notes		**–**	–	**(23,611)**
Finance costs		**(1,413)**	(2,639)	**(4,672)**
Profit before tax		**24,284**	19,877	**19,763**
Income tax		**(5,134)**	(4,674)	**(2,338)**
Profit for the period from continuing operations		**19,150**	15,203	**17,425**
Loss for the period from discontinued operations		**–**	(2,100)	**(812)**
Profit for the period		**19,150**	13,103	**16,613**
Attributable to:				
Equity holders of the company		**19,150**	13,103	**16,613**
Earnings per share (in pence per share)	3			
Basic		**96.6**	66.1	**83.8**
Diluted		**95.9**	65.5	**83.2**
Dividends paid per share on a cash basis (pence)	4	**100.0**	–	**–**

Discontinued operations relate to EIU Canback and The Television Consultancy (TVC), which were both closed in the first half of 2020.

The accompanying notes to the condensed consolidated financial statements form an integral part of the financial information.

Consolidated statement of comprehensive income

	Six months to Sept 30th 2021 £000	Six months to Sept 30th 2020 £000	Twelve months to March 31st 2021 £000
Profit for the period	**19,150**	13,103	**16,613**
Items that may be reclassified subsequently to the income statement:			
Change in fair value of cashflow hedges	**(1,786)**	851	**2,761**
Attributable tax including prior year deferred tax	**349**	(173)	**(525)**
Change in value of interest rate hedges	**109**	(11)	**372**
Attributable tax including prior year deferred tax	**(6)**	2	**(1)**
Net exchange differences on translation of net investments in overseas subsidiary undertakings	**(220)**	(1,561)	**(6,309)**
Translation reserves recycled to income statement	**–**	–	**(868)**
Fair value of equity investments	**–**	1,833	**–**
Attributable tax	**–**	(398)	**–**
Items that will not be reclassified to the income statement:			
Remeasurement of retirement benefit obligations	**31**	(719)	**(108)**
Attributable tax	**(8)**	137	**26**
Loss on sale of FiscalNote equity	**–**	–	**(13,540)**
Attributable tax	**–**	–	**3,468**
Fair value of equity investments	**–**	–	**1,807**
Recycle of cumulative revaluations on equity investments	**–**	–	**6,549**
Attributable tax	**–**	–	**(1,736)**
Other comprehensive expense for the period	**(1,531)**	(39)	**(8,104)**
Total comprehensive income for the period	**17,619**	13,064	**8,509**
Attributable to:			
Equity holders of the company	**17,619**	13,064	**8,509**

Consolidated balance sheet

	As at Sept 30th 2021 £000	As at Sept 30th 2020 £000	As at March 31st 2021 £000
Property, plant and equipment	**6,580**	7,574	**7,016**
Right-of-use assets	**23,376**	21,940	**22,844**
Intangible assets	**42,982**	35,626	**38,600**
Fixed asset investments	**–**	25,514	**–**
Financial assets – loan notes	**–**	59,869	**–**
Deferred tax assets	**7,781**	8,290	**5,996**
Derivative financial instruments	**50**	18	**33**
Non-current assets	**80,769**	158,831	**74,489**
Inventories	**510**	745	**463**
Trade and other receivables	**49,773**	43,220	**55,675**
Current tax assets	**4,283**	3,911	**8,181**
Derivative financial instruments	**–**	–	**1,671**
Cash and cash equivalents	**18,266**	32,715	**32,335**
Current assets	**72,832**	80,591	**98,325**
Total assets	**153,601**	239,422	**172,814**
Trade and other liabilities	**(9,275)**	(10,703)	**(8,522)**
Borrowings	**(34,513)**	(110,288)	**(34,401)**
Lease liabilities	**(22,368)**	(21,557)	**(21,583)**
Deferred tax liabilities	**(3,306)**	(7,442)	**(2,275)**
Retirement benefit obligations	**(15,129)**	(19,640)	**(16,613)**
Other liabilities	**(208)**	(267)	**(208)**
Non-current liabilities	**(84,799)**	(169,897)	**(83,602)**
Trade and other liabilities	**(150,577)**	(140,698)	**(170,106)**
Lease liabilities	**(5,649)**	(5,860)	**(6,171)**
Derivative financial instruments	**(157)**	(281)	**(42)**
Current tax liabilities	**(4,402)**	(8,173)	**(3,371)**
Provisions	**–**	(80)	**–**
Current liabilities	**(160,785)**	(155,092)	**(179,690)**
Total liabilities	**(245,584)**	(324,989)	**(263,292)**
Net liabilities	**(91,983)**	(85,567)	**(90,478)**
Equity			
Share capital	**1,260**	1,260	**1,260**
ESOP shares	**(5,789)**	(6,116)	**(6,472)**
Treasury shares	**(188,823)**	(188,823)	**(188,823)**
Translation reserve	**(17,087)**	(11,375)	**(15,081)**
Retained earnings	**118,456**	119,487	**118,638**
Total equity	**(91,983)**	(85,567)	**(90,478)**

A reconciliation of net debt is set out in the consolidated statement of cashflows on page 11.

Consolidated statement of changes in equity

For the six-month period ended September 30th 2021	**Equity attributable to equity holders of the company**					
	Share capital £000	**ESOP shares £000**	**Treasury shares £000**	**Translation reserve £000**	**Retained earnings £000**	**Total equity £000**
At April 1st 2021	**1,260**	**(6,472)**	**(188,823)**	**(15,081)**	**118,638**	**(90,478)**
Profit for the period	**–**	**–**	**–**	**–**	**19,150**	**19,150**
Other comprehensive (expense)/income	**–**	**–**	**–**	**(2,006)**	**475**	**(1,531)**
Total comprehensive (expense)/income	**–**	**–**	**–**	**(2,006)**	**19,625**	**17,619**
Net sale of own shares	**–**	**683**	**–**	**–**	**–**	**683**
Dividends	**–**	**–**	**–**	**–**	**(19,807)**	**(19,807)**
At September 30th 2021	**1,260**	**(5,789)**	**(188,823)**	**(17,087)**	**118,456**	**(91,983)**

For the six-month period ended September 30th 2020	Equity attributable to equity holders of the company					
	Share capital £000	ESOP shares £000	Treasury shares £000	Translation reserve £000	Retained earnings £000	Total equity £000
At April 1st 2020	1,260	(5,072)	(188,823)	(10,665)	105,713	(97,587)
Profit for the period	–	–	–	–	13,103	13,103
Other comprehensive (expense)/income	–	–	–	(710)	671	(39)
Total comprehensive (expense)/income	–	–	–	(710)	13,774	13,064
Net purchase of own shares	–	(1,044)	–	–	–	(1,044)
At September 30th 2020	1,260	(6,116)	(188,823)	(11,375)	119,487	(85,567)

For the year ended March 31st 2021	**Equity attributable to equity holders of the company**					
	Share capital £000	**ESOP shares £000**	**Treasury shares £000**	**Translation reserve £000**	**Retained earnings £000**	**Total equity £000**
At April 1st 2020	**1,260**	**(5,072)**	**(188,823)**	**(10,665)**	**105,713**	**(97,587)**
Profit for the year	**–**	**–**	**–**	**–**	**16,613**	**16,613**
Other comprehensive (expense)	**–**	**–**	**–**	**(4,416)**	**(3,688)**	**(8,104)**
Total comprehensive (expense)/income	**–**	**–**	**–**	**(4,416)**	**12,925**	**8,509**
Net purchase of own shares	**–**	**(1,400)**	**–**	**–**	**–**	**(1,400)**
At March 31st 2021	**1,260**	**(6,472)**	**(188,823)**	**(15,081)**	**118,638**	**(90,478)**

The translation reserve includes exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of these investments.

Consolidated statement of cashflows

	Six months to Sept 30th 2021 £000	Six months to Sept 30th 2020 £000	Twelve months to March 31st 2021 £000
Cashflows from operating activities			
Operating profit – continuing businesses	**25,693**	17,806	**41,775**
Operating loss – discontinued businesses	**–**	(2,725)	**(2,042)**
Depreciation, amortisation and impairment charges	**6,098**	6,548	**15,045**
Loss on disposal of fixed assets	**–**	–	**221**
(Increase)/decrease in inventories	**(44)**	(139)	**136**
Decrease in trade and other receivables	**6,009**	13,424	**178**
(Decrease)/increase in trade and other liabilities	**(16,986)**	(11,062)	**18,016**
Decrease in retirement benefit obligations	**(1,606)**	(1,699)	**(4,736)**
Decrease in provisions	**–**	–	**(80)**
Cash generated from operations	**19,164**	22,153	**68,513**
Taxes paid	**(585)**	(422)	**(7,920)**
Net cash generated from operating activities	**18,579**	21,731	**60,593**
Investing activities			
Interest received	**4**	17	**19**
Purchase of software and other intangible assets	**(7,813)**	(4,428)	**(10,834)**
Purchase of property, plant and equipment	**(519)**	(524)	**(1,034)**
Proceeds from sale of investments	**–**	–	**50,751**
Payment of acquisition deferred consideration	**–**	(118)	**(143)**
Net cash (used in)/generated from investing activities	**(8,328)**	(5,053)	**38,759**
Financing activities			
Dividends paid	**(19,807)**	–	**–**
Interest paid	**(1,023)**	(2,348)	**(3,952)**
Payment of lease liabilities	**(3,664)**	(3,933)	**(7,575)**
Sale/(purchase) of own shares	**205**	(1,213)	**(1,615)**
Proceeds from borrowings	**25,000**	20,000	**20,000**
Repayment of borrowings	**(25,000)**	(20,000)	**(96,000)**
Net cash used in financing activities	**(24,289)**	(7,494)	**(89,142)**
Effects of exchange rate changes on cash and cash equivalents	**(31)**	(489)	**(1,895)**
Net (decrease)/increase in cash and cash equivalents	**(14,069)**	8,695	**8,315**
Cash and cash equivalents at the beginning of the period	**32,335**	24,020	**24,020**
Cash and cash equivalents at the end of the period	**18,266**	32,715	**32,335**

Consolidated statement of cashflows

	Six months to Sept 30th 2021 £000	Six months to Sept 30th 2020 £000	Twelve months to March 31st 2021 £000
Net debt			
Net debt at beginning of the period	**(29,820)**	(118,888)	**(118,888)**
Net (decrease)/increase in cash and cash equivalents	**(14,069)**	8,695	**8,315**
Proceeds from borrowings	**(25,000)**	(20,000)	**(20,000)**
Payment of lease liabilities	**3,664**	3,933	**7,575**
Lease liability surrender without payment	**–**	1,026	**–**
Inception of new lease liabilities, net of disposals	**(3,910)**	–	**(2,747)**
Repayment of borrowings	**25,000**	20,000	**96,000**
Other non-cash changes	**(113)**	(113)	**(225)**
Effects of exchange rate changes on lease liabilities	**(16)**	357	**150**
Net debt at the end of the period	**(44,264)**	(104,990)	**(29,820)**
Net debt comprises:			
Cash and cash equivalents	**18,266**	32,715	**32,335**
Lease liabilities	**(28,017)**	(27,417)	**(27,754)**
Borrowings	**(34,513)**	(110,288)	**(34,401)**
Total net debt	**(44,264)**	(104,990)	**(29,820)**

Notes to the consolidated interim financial report

NOTE 1 Accounting policies

The interim financial information for the six-month period ended September 30th 2021 has been prepared on the basis of the accounting policies set out in the 2021 annual report.

These condensed consolidated half-yearly financial statements do not constitute statutory accounts of the Group within the meaning of sections 434(3) and 435(3) of the Companies Act 2006. The full Group accounts for 2021 were published in the Annual Report 2021, which has been delivered to the Registrar of Companies and on which the report of the independent auditor was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The directors have prepared these interim financial statements on the going-concern basis, since the Group's current cashflow forecasts and projections, which take into account the ongoing impact of covid-19 on the Group's trading, indicate that the Group will be able to operate within the level of its bank facilities for the foreseeable future. The Group's £150m RCF expires in November 2023.

NOTE 2 Analysis of revenue by business

A breakdown of the Group's revenue by business division is shown in the table below.

Revenue by business	Six months to Sept 30th 2021 £000	Six months to Sept 30th 2020 restated £000	Twelve months to March 31st 2021 £000
The Economist	**97,475**	94,192	**189,872**
Economist Impact	**39,990**	26,270	**76,481**
Economist Intelligence	**21,860**	21,348	**43,948**
	159,325	141,810	**310,301**

NOTE 3 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to take account of all dilutive potential ordinary shares and adjusting profit attributable, if applicable, to account for any tax consequences that might arise from conversion of those shares.

	Six months to Sept 30th 2021 £000	Six months to Sept 30th 2020 restated £000	Twelve months to March 31st 2021 £000
Profit for the period	**19,150**	13,103	**16,613**
Adjustment for non-recurring items:			
– Loss for the period from discontinued operations	**–**	2,725	**1,174**
– Attributable taxation	**–**	(625)	**(362)**
– Loss on sale of FiscalNote, Inc. PIK notes	**–**	–	**23,611**
– Attributable taxation	**–**	–	**(5,136)**
– PIK note interest	**–**	(4,693)	**(6,252)**
– Attributable taxation	**–**	853	**1,137**
Adjusted earnings	**19,150**	11,363	**30,785**

	000s	000s	000s
Weighted average number of shares	**19,826**	19,834	**19,826**
Effect of dilutive share options (restricted share scheme units)	**147**	159	**147**
Weighted average number of shares for diluted earnings	**19,973**	19,993	**19,973**

Earnings per share	Six months to Sept 30th 2021 Pence	Six months to Sept 30th 2020 restated Pence	Twelve months to March 31st 2021 Pence
Basic	**96.6**	66.1	**83.8**
Diluted	**95.9**	65.5	**83.2**
Adjusted earnings per share			
Basic	**96.6**	57.3	**155.3**
Diluted	**95.9**	56.8	**154.1**

Notes to the consolidated interim financial report

NOTE 4 Dividends

Cash dividends paid	Six months to Sept 30th 2021 £000	Six months to Sept 30th 2020 £000	Twelve months to March 31st 2021 £000
Final dividend for previous year of 100.0p per share (Sept 30th 2020 and March 31st 2021: no dividend paid)	**19,807**	–	**–**
No interim dividend paid for year ended March 31st 2021	**–**	–	**–**
	19,807	–	**–**
Dividends proposed in respect of the period			
Interim dividend proposed of 33p per share (Sept 30th 2020 and March 31st 2021: no dividend proposed)	**6,543**	–	**–**
Final dividend proposed for year ended March 31st 2021 of 100.0p per share	**–**	–	**19,807**
	6,543	–	**19,807**

Dividends paid in respect of the company's shares held by the ESOP have been deducted in arriving at the total dividends paid and proposed.

Notes

Notes

The Economist Newspaper Limited and its subsidiary companies

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