Interim report

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We pursue progress for individuals, organisations and the world.

The Economist Group

economistgroup.com

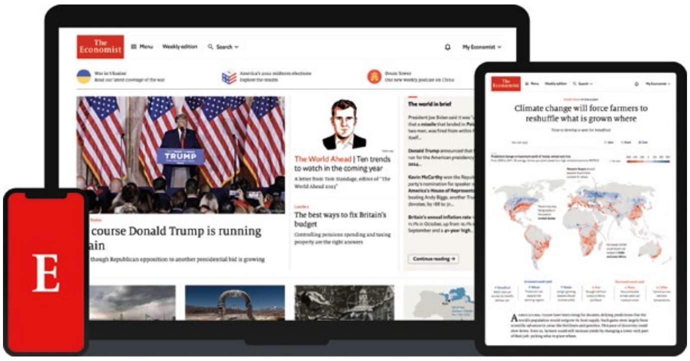
Interim report

Six months ended September 30th 2022

Contents

FY 2023: highlights of our first half

1,156,000
closing subscriptions (in line with last year)



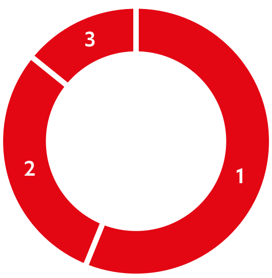
EuroFinance's flagship event: "The International"
178 **speakers**
24 **sponsors**
67 **exhibitors**
2,084 **registrations with**
2,016 **on site**

£179.3m
▲ **+13% revenue** (H1 2022: £159.3m)

£20.1m
▼ **-22% operating profit** (H1 2022: £25.7m)

76.8p
▼ **-20% earnings per share** (H1 2022: 96.6p)

£30.00
▬ **indicative share value** (31 March 2022: £30.00)



Revenue by business	H1 FY23 £m	H1 FY22 £m	Change £m	Change %
1 The Economist	**100.8**	97.5	3.3	3%
2 Economist Impact	**53.2**	40.0	13.2	33%
3 Economist Intelligence	**25.2**	21.8	3.4	15%

Trusted insight during turbulent times.

We are living through extraordinary times. The news cycle provides constant examples of political and economic turbulence affecting countries, businesses, households and individuals everywhere. It is our role to help our readers and customers navigate this turbulence – by providing trusted, fair-minded insight and analysis that helps them understand their world and the opportunities and risks it presents to them. As our performance in the last six months shows, demand for our insights continues to be strong – and this has meant we have delivered good results despite an increasingly challenging economic environment.

Paul Deighton Chair

"The Group's half-year revenues grew by 13% compared with the prior year at actual exchange rates, and by 5% at constant currency."

Strengthening revenues while investing in sustainable growth

Our Group strategy remains unchanged: we aim to deliver Group-wide sustainable top-line growth so that we can keep championing progress for our readers and clients through excellent content and insight. We're determined to make sure that each of our four businesses – *The Economist*, Economist Impact, Economist Intelligence and Economist Education – shares the same standards of excellence, and that we apply the same rigour to the Group as a whole.

This half-year, each business has performed well, with Economist Impact and Economist Intelligence in particular delivering strong results. The Group's half-year revenues grew by 13% compared with the prior year at actual exchange rates, and by 5% at constant currency. Solid half-year profits of £20.1m were, as we expected, lower than last year, reflecting our planned investment in technology, editorial and digital capabilities as we build a strong platform for future growth.

Our balance sheet and operating cashflow continue to be strong. Net debt before lease liabilities amounted to £7.2m, compared with last year's £16.2m. Our UK defined-benefit pension scheme was able to navigate the volatile environment this autumn and remains well funded.

The strong dollar has given a lift to our revenue in recent months – but even in constant-currency terms we are seeing the benefits of the delivery of our strategy. There are challenges to come in the second half of the year: belt-tightening across the economy means there is pressure on consumer subscriptions and marketing budgets, while some costs are likely to continue rising, including our investment in comprehensive coverage of the Ukraine war, items like travel, paper and distribution, and the cost of recruitment in what remains a tight labour market. We will keep an eye on our costs and make reductions where appropriate. Nonetheless, we are confident that we're well positioned for long-term growth, and we'll keep up the investment in our core digital capabilities – a subject I'll return to later.

Leading the way with innovative editorial

The weekly newspaper now sits at the heart of a network of journalism that few people could have imagined just a few years ago, embracing data analysis, podcasts and films. In the last few months alone, *The Economist* has continued to produce outstanding coverage of the war in Ukraine, tensions in Taiwan, and turbulence in the UK and global economy. It has also broken new ground: The Prince, a new eight-part podcast exploring the real story of China's leader, Xi Jinping, reinforces *The Economist*'s position as a leader in China coverage, while the newspaper's first-ever summer double issue highlighted to readers just how extensive its digital coverage has become.

The Economist is not immune to economic headwinds, and subscriber volumes have remained flat this half-year. Retention remains strong, however, with churn down substantially and now at historically low levels. Newsstand sales have improved as travel and commuting have picked up following the pandemic, in a period when we implemented our first price rise in three years. And more and more customers are choosing digital – 52% of subscriptions were digital-only in the half-year, compared with 45% last year.

A successful first year for Economist Impact

We're now seeing the full benefits of the first year of our Economist Impact business. Launched last September, it brings together policy research, our creative and advertising teams and our events activities – all of which partner with corporates, governments and NGOs to help shape the debate around the core themes of sustainability, new globalisation and healthcare. The business has two main elements, Partnerships and Events – and they both performed very strongly this half-year.

Partnerships revenue grew, with branded content performing particularly well. The Events business, which made a huge shift to digital during the pandemic but has now evolved to include targeted large-scale in-person events, saw revenue in this period double from the same period last year. While this was a good performance, sales in Partnerships slowed as the global economy faltered, and we expect to see this reflected in the second half of the year.

Meeting the demand for analysis

Proving that people need analysis more than ever during times of uncertainty, Economist Intelligence has performed very well, growing revenues to £25.2m, a 15% increase on last year. It incorporates the EIU (and its Viewpoint platform) and Clearstate, our healthcare offer, and its core subscription business has been particularly successful in retaining subscribers and adding new customers – which we believe reflects our significant recent investment in its digital services.

Meanwhile Economist Education, though still small, continues to grow. We launched a new Economist Education website in September 2022, and more than 2,600 students have now enrolled in one of our four courses, with our surveys reporting a 93% satisfaction rate. We expect to launch more courses in the coming months.

> "The weekly newspaper now sits at the heart of a network of journalism that few people could have imagined just a few years ago."

A future that's more digital – and more collaborative

The growth in demand for our digital products and services continues, and investing in digital capabilities remains a core part of our strategy.

This summer saw the arrival of our new chief product officer, Liz Goulding, and our new chief technology officer, Michael Fleshman. They will help us push through our next significant digital capability technology upgrade, the two-year replacement of the digital content management system which underpins content delivery for *The Economist* across all digital platforms.

At the same time as transforming what we offer, we continue to transform how we work. In September the global Group headquarters moved from Cabot Square in Canary Wharf to the Adelphi in central London, bringing our editorial and business teams in London together in the same building for the first time in decades. Everyone I've spoken to has been delighted with the move, which allows editorial and commercial colleagues to co-ordinate with greater depth and breadth.

This focus on collaboration across the Group will remain an important part of a strategy which, this half-year, has continued to deliver momentum. As a result, I am pleased to inform you that the Board has decided to declare an interim dividend of 40p per share. This is one-third of last year's annual dividend, following the approach taken for the interim dividend this time last year. We expect a more challenging second half, which may be reflected when the final dividend is recommended in June.

Finally, as announced on our most recent shareholder call, Philip Mallinckrodt stepped down from the Board in October. We are grateful to him for his five years of service. A search for a successor is under way.

Paul Deighton Chair

Pursuing progress. Remaining transparent and accountable.

In this section

Condensed consolidated income statement

	Note	**Six months to Sept 30th 2022 £000**	Six months to Sept 30th 2021 £000	**Twelve months to March 31st 2022 £000**
Revenue	2	**179,286**	159,325	**346,343**
Operating expenses		(159,231)	(133,632)	(299,954)
Operating profit		**20,055**	25,693	**46,389**
Finance income		651	4	7
Finance costs		(1,362)	(1,413)	(2,782)
Profit before tax		**19,344**	24,284	**43,614**
Income tax		(4,087)	(5,134)	(7,744)
Profit for the period		**15,257**	19,150	**35,870**
Attributable to:				
Equity holders of the company		15,257	19,150	35,870
Earnings per share (in pence per share)	3			
Basic		**76.8**	96.6	**180.9**
Diluted		76.3	95.9	179.8
Dividends paid per share on a cash basis (pence)	4	87.0	100.0	133.0

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

Consolidated statement of comprehensive income

	Six months to Sept 30th 2022 £000	Six months to Sept 30th 2021 £000	Twelve months to March 31st 2022 £000
Profit for the period	**15,257**	19,150	**35,870**
Items that may be reclassified subsequently to the income statement:			
Change in fair value of cashflow hedges	(4,907)	(1,786)	(2,885)
Attributable tax	1,227	349	613
Change in value of interest rate hedges	388	109	589
Attributable tax including current tax charge	(69)	(6)	(149)
Net exchange differences on translation of net investments in overseas subsidiary undertakings	(4,027)	(220)	(551)
Items that will not be reclassified to the income statement:			
Remeasurement of retirement benefit obligations	490	31	(3,852)
Attributable tax including effect of rate change	(201)	(8)	175
Current tax benefit on retirement benefit obligations	242	–	1,183
Other comprehensive expense for the period	(6,857)	(1,531)	(4,877)
Total comprehensive income for the period	**8,400**	17,619	**30,993**
Attributable to:			
Equity holders of the company	8,400	17,619	30,993

Consolidated balance sheet

	As at Sept 30th 2022 £000	As at Sept 30th 2021 £000	As at March 31st 2022 £000
Property, plant and equipment	5,423	6,580	5,405
Right-of-use assets	29,254	23,376	22,409
Intangible assets	46,964	42,982	46,769
Deferred tax assets	11,644	7,781	10,036
Derivative financial instruments	538	50	622
Non-current assets	**93,823**	80,769	**85,241**
Inventories	641	510	448
Trade and other receivables	67,376	49,773	64,638
Current tax assets	4,960	4,283	2,886
Cash and cash equivalents	30,566	18,266	31,222
Current assets	**103,543**	72,832	**99,194**
Total assets	**197,366**	153,601	**184,435**
Trade and other liabilities	(9,423)	(9,275)	(11,480)
Borrowings	(37,738)	(34,513)	(19,626)
Lease liabilities	(31,007)	(22,368)	(20,353)
Deferred tax liabilities	(1,939)	(3,306)	(2,039)
Retirement benefit obligations	(12,472)	(15,129)	(14,236)
Other liabilities	(10)	(208)	(208)
Non-current liabilities	**(92,589)**	(84,799)	**(67,942)**
Trade and other liabilities	(179,747)	(150,577)	(189,911)
Lease liabilities	(8,320)	(5,649)	(7,345)
Derivative financial instruments	(6,121)	(157)	(1,214)
Current tax liabilities	(3,359)	(4,402)	(2,646)
Current liabilities	**(197,547)**	(160,785)	**(201,116)**
Total liabilities	**(290,136)**	(245,584)	**(269,058)**
Net liabilities	**(92,770)**	(91,983)	**(84,623)**
Equity			
Share capital	1,260	1,260	1,260
ESOP shares	(4,521)	(5,789)	(5,248)
Treasury shares	(188,823)	(188,823)	(188,823)
Translation reserve	(27,451)	(17,087)	(18,517)
Retained earnings	126,765	118,456	126,705
Total equity	**(92,770)**	(91,983)	**(84,623)**

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

Consolidated statement of changes in equity

For the six-month period ended September 30th 2022	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 2022	**1,260**	**(5,248)**	**(188,823)**	**(18,517)**	**126,705**	**(84,623)**
Profit for the period	–	–	–	–	15,257	15,257
Other comprehensive (expense)/income	–	–	–	(8,934)	2,077	(6,857)
Total comprehensive (expense)/income	–	–	–	(8,934)	17,334	8,400
Net sale of own shares	–	727	–	–	–	727
Dividends	–	–	–	–	(17,274)	(17,274)
At September 30th 2022	**1,260**	**(4,521)**	**(188,823)**	**(27,451)**	**126,765**	**(92,770)**

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 purchase 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 year ended March 31st 2022	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 year	–	–	–	–	35,870	35,870
Other comprehensive (expense)	–	–	–	(3,436)	(1,441)	(4,877)
Total comprehensive (expense)/income	–	–	–	(3,436)	34,429	30,993
Net purchase of own shares	–	1,224	–	–	–	1,224
Dividends	–	–	–	–	(26,362)	(26,362)
At March 31st 2022	**1,260**	**(5,248)**	**(188,823)**	**(18,517)**	**126,705**	**(84,623)**

The translation reserve includes exchange differences arising from the translation of the net investment in foreign operations, of other currency and interest rate instruments designated as hedges.

Consolidated statement of cashflows

	Six months to Sept 30th 2022 £000	Six months to Sept 30th 2021 £000	Twelve months to March 31st 2022 £000
Cashflows from operating activities			
Operating profit	20,055	25,693	46,389
Depreciation, amortisation and impairment charges	7,329	6,098	15,539
(Increase)/decrease in inventories	(191)	(44)	16
(Increase)/decrease in trade and other receivables	(2,810)	6,009	(7,516)
(Decrease)/increase in trade and other liabilities	(18,776)	(16,986)	20,310
Decrease in retirement benefit obligations	(1,457)	(1,606)	(6,475)
Cash generated from operations	**4,150**	19,164	**68,263**
Taxes paid	(4,938)	(585)	(5,141)
Net cash (used in)/generated from operating activities	**(788)**	18,579	**63,122**
Investing activities			
Interest received	48	4	7
Purchase of software and other intangible assets	(3,146)	(7,813)	(14,115)
Purchase of property, plant and equipment	(1,081)	(519)	(1,197)
Net cash (used in) investing activities	**(4,179)**	(8,328)	**(15,305)**
Financing activities			
Dividends paid	(17,274)	(19,807)	(26,362)
Interest paid	(1,100)	(1,023)	(2,095)
Payment of lease liabilities	(3,322)	(3,664)	(6,976)
Lease incentive receipts	4,000	–	–
Sale of interest rate derivative	1,076	–	–
Sale of own shares	197	205	524
Proceeds from borrowings	18,000	25,000	25,000
Repayment of borrowings	–	(25,000)	(40,000)
Net cash generated from/(used in) financing activities	**1,577**	(24,289)	**(49,909)**
Effects of exchange rate changes on cash and cash equivalents	2,734	(31)	979
Net decrease in cash and cash equivalents	(656)	(14,069)	(1,113)
Cash and cash equivalents at the beginning of the period	31,222	32,335	32,335
Cash and cash equivalents at the end of the period	**30,566**	18,266	**31,222**

Consolidated statement of cashflows

	Six months to Sept 30th 2022 £000	Six months to Sept 30th 2021 £000	Twelve months to March 31st 2022 £000
Net debt			
Net debt at beginning of the period	(16,102)	(29,820)	(29,820)
Net decrease in cash and cash equivalents	(656)	(14,069)	(1,113)
Proceeds from borrowings	(18,000)	(25,000)	(25,000)
Payment of lease liabilities	3,322	3,664	6,976
Lease incentive receipts	(4,000)	–	–
Inception of new lease liabilities, net of disposals	(10,802)	(3,910)	(6,828)
Repayment of borrowings	–	25,000	40,000
Other non-cash changes	(113)	(113)	(225)
Effects of exchange rate changes on lease liabilities	(148)	(16)	(92)
Net debt at the end of the period	**(46,499)**	(44,264)	**(16,102)**
Net debt comprises:			
Cash and cash equivalents	30,566	18,266	31,222
Lease liabilities	(39,327)	(28,017)	(27,698)
Borrowings	(37,738)	(34,513)	(19,626)
Total net debt	**(46,499)**	(44,264)	**(16,102)**

Notes to the consolidated interim financial report

Note 1 Accounting policies

The interim financial information for the six-month period ended September 30th 2022 has been prepared on the basis of the accounting policies set out in the 2022 annual report.

This condensed consolidated half-yearly financial statement does 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 2022 were published in the Annual Report 2022, 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 interim financial information was approved by the Board of directors on November 22nd 2022 and is unaudited. The financial information for the year ended March 31st 2022 has been extracted from the full accounts for that period which have been filed with the Registrar of Companies and on which the auditors gave an unqualified report.

The directors have prepared these interim financial statements on the going-concern basis since the Group's current cashflow forecasts and projections, which have been stress-tested (including taking account of current global economic uncertainties), indicate that the Group has sufficient liquidity and financing facilities to enable it to operate for the foreseeable future. On October 3rd 2022 the Group put in place a new four year £80m revolving credit facility (RCF) which provides security to October 2026.

Note 2 Analysis of results 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 2022 £000	Six months to Sept 30th 2021 £000	Twelve months to March 31st 2022 £000
The Economist	**100,814**	97,475	**194,303**
Economist Impact	**53,237**	39,990	**106,511**
Economist Intelligence	**25,235**	21,860	**45,529**
	179,286	159,325	**346,343**

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 2022 £000	Six months to Sept 30th 2021 Restated £000	Twelve months to March 31st 2022 £000
Profit for the period	**15,257**	19,150	**35,870**

	000s	000s	000s
Weighted average number of shares	**19,864**	19,826	**19,832**
Effect of dilutive share options (restricted share scheme units)	**136**	147	**123**
Weighted average number of shares for diluted earnings	**20,000**	19,973	**19,955**

Earnings per share	Six months to Sept 30th 2022 Pence	Six months to Sept 30th 2021 Pence	Twelve months to March 31st 2022 Pence
Basic	**76.8**	96.6	**180.9**
Diluted	**76.3**	95.9	**179.8**

Notes to the consolidated interim financial report

Note 4 Dividends

Cash dividends paid	**Six months to Sept 30th 2022 £000**	Six months to Sept 30th 2021 £000	**Twelve months to March 31st 2022 £000**
Final dividend for previous year of 87.0p per share (Sept 30th 2021 and March 31st 2022: 100.0p per share)	**17,274**	19,807	**19,807**
Interim dividend for year to March 31st 2022 of 33.0p per share (March 31st 2021: no dividend paid)	**–**	–	**6,543**
	17,274	19,807	**26,350**
Dividends proposed in respect of the period			
Interim dividend proposed of 40p per share (Sept 30th 2021 and March 31st 2022: 33p per share)	**7,952**	6,543	**6,543**
Final dividend proposed for year to March 31st 2022 of 87.0p per share	**–**	–	**17,274**
	7,952	6,543	**23,817**

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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