

Comscore (Q4 2024 Results)
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Corporate Speakers

- John Tinker; Comscore; Head of Investor Relations
- Jon Carpenter; Comscore; Chief Executive Officer
- Mary Curry; Comscore; Chief Financial Officer

Participants

- Jason Kreyer; Craig-Hallum Capital Group; Senior Research Analyst

PRESENTATION

Operator^ Hello. And welcome to comScore Fourth Quarter 2024 Financial Results Conference Call. (Operator Instructions) I would now like to hand the conference over to John Tinker, Head of Investor Relations. You may begin.

John Tinker^ Thank you, Operator. Before we begin our prepared remarks, I'd like to remind all of you that the following discussion contains forward-looking statements. These forward-looking statements include comments about our plans, expectations and prospects and are based on our view as of today, March 4, 2025.

Our actual results in future periods may differ materially from those currently expected because of a number of risks and uncertainties. These risks and uncertainties include those outlined in our 10-K, 10-Q and other filings with the SEC, which you can find on our website or at www.sec.gov.

We disclaim any duty or obligation to update our forward-looking statements to reflect new information after today's call. We will be discussing non-GAAP measures during this call for which we have provided reconciliations in today's press release and on our website.

Please note that we will be referring to slides on this call which are also available on our website, www.comscore.com, under investor relations events and presentations. I'll now turn the call over to comScore's Chief Executive Officer, Jon Carpenter. Jon?

Jon Carpenter^ Thank you, John. Thanks everyone for joining us this evening. In 2024, we made meaningful progress towards our goal of establishing comScore as the global leader in measuring audiences and their media consumption across platforms.

Our cross-platform audience solution, Proximic, coupled with our cross-platform ad measurement product, grew 20% for the year and was up 22% in the fourth quarter as advertisers including large CPG and health care clients as well as major walled gardens and others leaned into comScore's cross-platform capabilities to reach their desired audiences with targeted campaigns across both linear and digital channels.

We also made meaningful progress with a couple of major agency holding companies by signing new multi-year contracts for our suite of cross-platform and currency measurement offerings.

That progress, which has been a major area of focus for us, began to pay off in the fourth quarter where we saw more advertising dollars transacting on comScore's measurement currency across local and national TV than at any other point in the company's history.

In addition to the momentum we built with our cross-platform solutions as well as with key clients, we made some big operational changes. We shored up our cash position with a new round of financing that we closed at the end of last year. We also restructured our deal with Charter, an agreement that we estimate will save us more than \$35 million over the remaining six years of this deal.

We also added key talent to our leadership team with the hire of our new Chief Marketing Officer, Jackelyn Keller, as well as bringing on industry veteran and change agent, Frank Friedman, as our Chief Data and Analytics Officer and Head of Measurement.

These key hires help us round out a talented team that is focused on delivering both results and our cross-platform vision. Turning to the scoreboard for '24. I'm proud of how the team rebounded in the second half of the year after a difficult start.

Our revenue of \$356 million represents a second half print that saw meaningful acceleration in key cross-platform growth areas as well as currency advancements in parts of the market that have been previously difficult to make significant progress in.

Our adjusted EBITDA print of \$42.4 million reflects a continued effort to remain disciplined on costs while also investing in key areas of the business fueling our growth moving forward.

As we turn specifically to the fourth quarter, the progress that we're making comes into sharper focus. In the fourth quarter of last year, we delivered revenue of \$94.9 million, nearly flat with the fourth quarter a year ago and an adjusted EBITDA of \$17.2 million, which is up 4.4% versus the same quarter a year ago.

While I'm encouraged by the numbers themselves, what's more interesting to me is how we delivered them. In the fourth quarter, we saw strength in areas of our business that

represent key growth drivers for our future. Our cross-platform offerings, specifically Proximic and Comscore Campaign Ratings, continue to scale within programmatic advertising environments.

And on the TV currency front, we saw strength from clients who renewed big agreements with us and from our clients using comScore TV as the currency for more of their ad campaigns. As I mentioned earlier, we saw more dollars in advertising spend trade on comScore currency in the fourth quarter than in any other quarter in the company's history.

While we still have work to do to deliver the results that we expect from ourselves, it's gratifying to see our clients confirm for us that we're moving in the right direction as they put more of their budgets against comScore's cross-platform and currency measurement offerings.

As we've highlighted before, comScore brings a portfolio of measurement and audience solutions to the table to help media companies, platforms and advertisers understand, reach and drive consumer actions.

We create these measurement and audience solutions by scoring and analyzing audience behaviors wherever they happen. In a privacy-forward way, comScore measures audiences on 216 million Connected TV screens, more than 200 million desktop screens and 240 million mobile devices. We're also measuring over 0.5 trillion social actions and more than 200,000 movie screens around the world.

We have an unmatched view of audiences across platforms, which positions our measurement and audience products for a world where reaching consumers spread across dozens of platforms is mission-critical to our clients.

It's with this unmatched set of audience data that we're building best-in-class cross-platform and currency measurement solutions. As we look towards this year and beyond, we're clearly focused on delivering long-term profitable growth anchored by our cross-platform and currency capabilities.

Specifically in '25, we expect to continue to see high double-digit growth from our cross-platform solutions. Proximic, our programmatic audience targeting solution is expected to continue growing high double digits throughout the year. Comscore Campaign Ratings or CCR, our cross-platform ad measurement product, helps advertisers evaluate and optimize their ad campaigns across platforms.

It specifically helps them understand which platforms are driving incremental reach, enabling them to optimize campaigns while they're in flight. We fully expect this product to continue to scale throughout the year and deliver meaningful double-digit growth.

Finally, as you may have seen earlier this year, we announced Comscore Content Measurement or CCM. Launched in January of this year, Comscore Content Measurement is our cross-platform content measurement and planning solution. As brands and agencies look to understand which platforms and content most effectively attract the audience that they need to reach, CCM puts that data at their fingertips.

While we're still in the early innings, we've already printed deals with key enterprise clients and both interest in this solution and our pipeline are strong. TV currency product, Comscore TV, is another place where we expect to drive growth this year.

While there's no question that the future of advertising is cross-platform, there's also no question that TV remains one of the most efficient vehicles for reach available to advertisers today.

We expect to see the usage of our currency products continue to accelerate throughout the year, building on the momentum that we saw in the second half of '24. We have an exciting year ahead of us, and I look forward to sharing our progress with you throughout the year. But for now I'll turn it over to Mary Margaret to talk you through 2024 in more detail and provide our guidance for 2025.

Mary Curry^ Thank you, Jon. Total revenue for the full year was \$356 million, down 4.1% from \$371.3 million in 2023 and above the guidance we gave earlier in the year. Content & Ad Measurement revenue of \$301.1 million was down 2.8% from 2023, driven by lower revenue from our syndicated audience offerings, partially offset by an increase in cross-platform revenue. Revenue from our national TV and syndicated digital products was most notably impacted during the year by the pricing pressures our legacy media clients have been facing, which has impacted our ability to rebound in these areas.

Our movies business continued to show consistent growth, generating \$37.1 million of revenue in 2024, up 5% from the prior year. Cross-platform revenue of \$40.5 million was up 20% compared to the prior year. As Jon mentioned, our cross-platform solutions had a strong back half of the year as demand for our offerings continued to increase.

We're pleased with the progress we've made to overcome some of the setbacks we had earlier in the year and expect growth in this area to continue as we move into 2025. Research & Insight Solutions revenue of \$54.9 million was down 10.6% from 2023, primarily due to lower deliveries of custom digital solutions and lift products as a result of the pullback of discretionary spend we've seen from certain clients. Adjusted EBITDA for the year was \$42.4 million, down 3.8% from 2023, resulting in an adjusted EBITDA margin of 11.9%, in line with the guidance we gave earlier last year.

Our core operating expenses for 2024 were down nearly 2% year-over-year, driven by a decline in employee compensation and lower cloud computing costs, partially offset by higher data costs.

While we've made good progress transforming our business in 2024, we're continuing these efforts as we move into 2025, investing in new products and capabilities including enhancements to existing products, upgrading our tech stack, providing faster data delivery and increasing interoperability as we continue to roll out key integrations.

Our fourth quarter results tell a very similar story. Total revenue for the fourth quarter was \$94.9 million, down 0.2% from \$95.1 million the same quarter last year. Content & Ad Measurement revenue of \$81 million was up 1% from 2023, primarily driven by an increase in our cross-platform revenue, which grew 22% over the fourth quarter of 2023. This growth was partially offset by lower revenue from our syndicated audience offerings, primarily related to our national TV and syndicated digital products.

Our movies business generated revenue of \$9.4 million in the quarter, resulting in a 3% growth over Q4 of 2023. Research & Insight Solutions revenue of \$13.9 million declined 6.5% from the prior year quarter, again, primarily due to lower deliveries of certain custom digital products. Adjusted EBITDA for the quarter was \$17.2 million, up 4.4% from the prior year quarter, resulting in an adjusted EBITDA margin of 18.1%.

Our core operating expenses were up 7.6% compared to the fourth quarter of 2023, primarily due to higher employee compensation costs and higher data costs, some of which were directly related to delivering on contracts that drove our top line performance.

Over the last couple of quarters, I've provided updates on our progress towards improving our balance sheet including our evaluation of alternative financing options as a replacement for our credit facility with Bank of America. We worked very hard in the back half of the year to make sure we could execute on several of these initiatives by the end of the year.

At the end of December, we secured new financing, which provides a total capacity of \$60 million, consisting of a \$45 million term loan that was fully funded at closing, along with a \$15 million revolving facility that was unfunded at closing. We used the proceeds from the term loan to do a number of things. The first was to terminate the credit facility we had with Bank of America.

We had already repaid the outstanding principal balance in November. Upon obtaining the new financing, we used a portion of the term loan proceeds to cash collateralize our outstanding letters of credit and terminate the BofA facility. The second was to address our aged accounts payable balances. This resulted in a significantly lower ending AP

balance at December 31, reflecting a reduction of approximately \$18 million during the fourth quarter. We expect to see continued improvement in our AP balances in 2025.

Also at year-end, we executed an amendment to our data license agreement with Charter, providing us with an estimated minimum \$35 million of cash savings over the remaining term of the agreement. The new fee structure going forward is based on household counts, which allows for variability in the fee payments as household counts fluctuate. The amendment was conditioned on settling the balances we owed to Charter at year-end, which we did as part of our payables catch-up.

After doing those things, we ended the year with a healthy amount of cash on our balance sheet at \$33.5 million, which provides us with additional flexibility to manage our uses of capital going forward. This will unlock our ability to continue to invest in our business in ways that we believe will fuel growth as we move into 2025. Based on current trends and expectations, we believe our total revenue for 2025 will be between \$360 million and \$370 million.

As Jon mentioned, there are a number of factors driving growth in 2025 in key areas that matter including the accelerated growth of our cross-platform products and the progress we're making with linear currency as evidenced by the momentum that we're seeing from wins in local TV, strengthened relationships with agency holdcos and the rollout of major platform integrations.

We anticipate that legacy media channels will remain challenged and that demand for custom digital products will continue to be unpredictable. Our forecasts have been built conservatively to reflect these expectations.

We currently expect revenue in the first quarter of 2025 to be roughly flat compared to the first quarter of 2024, with a return to growth in subsequent quarters as demand for our cross-platform products continues to rise.

For adjusted EBITDA, we expect improvement of our adjusted EBITDA margin in 2025 and anticipate the full year margin to be between 12% and 15%. The margin expansion is largely driven by a greater share of our revenue coming from our higher-margin cross-platform solutions coupled with our continued efforts around cost containment.

Similar to last year, we expect our margin rate to scale as we move through the year. With that, I'll turn it back over to Jon for some closing remarks.

Jon Carpenter^ Thank you, Mary Margaret. This concludes our prepared remarks. I'd like to thank our employees around the world for the work that they do every day to bring our solutions to life for our clients. Operator, with that, we can open it up for questions. Thank you.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from Jason Kreyer with Craig-Hallum.

Jason Kreyer^ Jon, we've just seen a lot of volatility in results through Q4 and the early stages of Q1. I'm just wondering if you can maybe give us a lay of the land of what you're seeing, if you've seen pockets of volatility or things -- most things have been pretty stable for you.

Jon Carpenter^ Jason, thanks. I would say we've seen really good momentum coming out of throughout the fourth quarter and we believe that momentum carries nicely into 2025.

We know that the first quarter is always in terms of just the sheer size of the ad spend in the marketplace from a digital standpoint, always the lowest quarter and we've got that appropriately factored into the guidance that Mary Margaret kind of indicated for Q1.

We haven't seen a lot of specifics in terms of macroeconomic factors that are pulling on anything here coming out of 2024. We feel really good about the momentum that we've built and fully expect that to carry forward and have that reflected, I think, appropriately in how we tried to guide for the year.

Jason Kreyer^ Appreciate that. If we're going into a world of more uncertainty, do you think that creates more opportunity for a solution like a Proximic that can basically help marketers find efficiencies in the media spend?

Jon Carpenter^ Yes. I mean we certainly think so. And I think part of -- not just the uncertainty, but you've got signal loss that continues to permeate throughout the digital ecosystem. You've got increased consumer privacy and regulation state by state. And as you know our Proximic offering and the ID-free solution that we provide to the marketplace is something that continues to scale. And against that backdrop that you described, we anticipate is only going to continue to benefit.

Jason Kreyer^ Okay. Last one for me. So you had called out more currency utilization in Q4 than you've ever seen before. You had kind of paired that with some new agency contracts that you won. Is that the driver? Or do you think there are others like external drivers that are creating better currency adoption?

Jon Carpenter^ It's probably a combination of both. I mean there's certainly no shortage of press in the marketplace around the goal of clients to see better and improved

innovation around TV currency and we've been a beneficiary of that certainly in the fourth quarter.

But our focus at the agency holdco level, specifically over the course of last year's call, has been an area that we've called out that we're clearly focused on. And that work and that effort paid off with a couple of the big agency hold companies as their contracts came up, really leaning into the offerings that we have and multi-year contracts that are also coupled with focus on currency adoption.

And we saw that pay off in the fourth quarter with greater ad spend against our offerings. And we certainly anticipate seeing that continue throughout the year.

Operator^ (Operator Instructions) I'm showing no further questions in the queue. I would now like to turn the call back to CEO Jon Carpenter for closing remarks.

Jon Carpenter^ Okay. Thanks, everybody. I appreciate everyone joining us this evening. And we'll be talking to folks soon. Thank you.

Operator^ Ladies and gentlemen, that concludes today's conference call. Thank you for your participation. You may now disconnect.