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**Q3 2024 COMSCORE INC EARNINGS CALL**

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An LSEG Business



## CORPORATE PARTICIPANTS

- **John Tinker** *Comscore Inc - Head of Investor Relations*
- **Jonathan Carpenter** *Comscore Inc - Chief Executive Officer*
- **Mary Curry** *Comscore Inc - Chief Financial Officer, Principal Accounting Officer, Treasurer*

## CONFERENCE CALL PARTICIPANTS

- **Operator**

## PRESENTATION

### Operator

Good day, and thank you for standing by. Welcome to the Comscore third-quarter 2024 financial results call. (Operator Instructions) Please be advised that today's conference is being recorded. Thank you.

I would now like to turn the call over to John Tinker, Head of Investor Relations. Please go ahead.

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### John Tinker *Comscore Inc - Head of Investor Relations*

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, November 12, 2024. 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](http://www.sec.gov). We disclaim any duty or obligation to update our forward-looking statements to reflect new information after today's call.

We'll 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](http://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?

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### Jonathan Carpenter *Comscore Inc - Chief Executive Officer*

Thank you and thanks, everyone, for joining us this evening. During the third quarter, we made steady progress in our efforts to transform Comscore into a global leader in measuring consumer behaviors across platforms. We're focused on scoring and analyzing audiences to help our advertiser and publisher clients reach and measure consumers and their viewing habits wherever they are.

Our teams have worked hard to simplify and streamline our offerings, ensuring that our investment is tied directly to the things that will move the needle for our clients, and I'm pleased with the progress that we've made. With 34% growth in cross-platform revenue versus the third quarter a year ago and key wins with agency holding companies, we see mounting evidence that the changes we're making are delivering value to our clients.

During the quarter, we renewed key agreements that expanded partnerships with some of our most important partners. This includes a new three-year commitment from a major agency Holdco. These renewals coupled both our syndicated audience offerings with our cross-platform capabilities to deliver incremental value for our client set.

We know we've got work left to do. We have and we will continue to take meaningful steps to address our cost structure and to better align our focus towards the areas of the business, where there's clear line of sight to long-term growth.

Taking a closer look at our cross-platform performance in the third quarter, we saw progress in some key areas. Our Proxemic business and especially our Predictive Audiences offering, which is our ID-free, AI-enabled audience activation product, had another strong quarter. With the disruption of Oracle's sudden announcement in the second quarter largely behind us, we've seen clients leaning into Comscore's offerings.

Predictive Audiences revenue more than doubled versus the third quarter of 2023, and the business has recovered meaningfully from the second quarter to the third quarter of this year. Our privacy-forward, ID-free solutions have attracted advertisers struggling with an increasingly complex privacy landscape. And as a result, we've seen adoption accelerate.

For Comscore Campaign Ratings, where we measure advertising across linear, connected television and digital, we've seen recovery from disruptions earlier in the year. As a result, at the end of October, we're measuring more than 5 times the number of ad campaigns that we were at the beginning of the year.

This progress is, in large part, due to some key platform integrations that have begun to scale. These integrations place Comscore cross-platform measurement directly into the programmatic transaction flow, making it easy for advertisers to choose CCR to measure their campaigns. While still small in terms of its revenue impact in the quarter, the leading indicators are encouraging, and we expect the resulting revenue will continue to scale as we move into 2025.

On the topic of critical integrations, today, we're announcing the completion of an integration with Meta platforms into CCR measurement. This enhancement to our coverage provides advertisers with the ability to measure their social ads running across Facebook and Instagram in one de-duplicated view while getting Comscore verified reach and demographics for their Meta campaigns. With this partnership, Comscore is able to de-duplicate Meta ad buys with linear TV and other digital inventory, allowing advertisers to quantify the impact social has overall and on incremental reach.

Our teams continue to work on integrations with the most important platforms, platforms that command the lion's share of audience time and attention as well as advertising dollars. I'm looking forward to sharing more of our progress in the coming quarters.

As we look ahead, the environment that we're operating in is changing rapidly. In just the past four years, Connected TV has gone from roughly 30% of viewing to more than 60% of viewing on a monthly basis. The fragmentation created by such a sizable shift is creating a number of challenges for the market, and these challenges make it harder for advertisers to reach their target audiences while also creating tens of billions of dollars in wasted ad spend. Addressing this requires cross-platform solutions that are built on big data, innovative data science and AI, and that's exactly what we're doing.

One of the key things to understand about this fragmentation is that the shift in viewing isn't a one-for-one change when it comes to advertising. The ad load on connected TV is a fraction of what it is on linear. So as viewing shifts to include more connected TV viewing, advertisers can't just replace ads that ran on linear with ads that run on CTV. There just isn't enough inventory for that. It's this dynamic specifically that's forcing advertisers to think about campaigns that are planned from the ground up to be cross-platform in nature, because they simply can't reach their target audiences via any one of these channels on its own.

So what does that mean as we think about our product road maps and how we deliver long-term growth? As we look to the future, we see plenty of room for these cross-platform offerings to continue to grow. For starters, we're addressing a massive market. With programmatic ad spend in the US alone growing at 12% CAGR and projected to be nearly \$200 billion by 2026, the TAM here is several times the size of the traditional linear TV ad market alone.

As we see it, there are three keys to our continued growth in cross platform. First, given the continued evolution of privacy regulations, our Predictive Audiences product is ideally aligned with what the market needs most. Scaling Predictive Audiences and delivering the added reach and increased return on ad spend that advertisers are looking for in a privacy-forward way is a key part of our continued cross-platform growth story.

Second, having Proxemic and CCR embedded in the programmatic platforms where the majority of ad dollars are spent is critical. We'll continue to focus on key platform integrations, ensuring that we're making it easy for advertisers to choose Comscore for every campaign.

Finally, our cross-platform growth is directly aligned with the changes within the market. So as more spend transacts programmatically, we expect to see our cross-platform offerings naturally accelerate. Between the massive market opportunity and the differentiated offerings that address some of the most costly challenges that advertisers face, we anticipate revenue from our cross-platform products growing at least 30% well into the future.

With that, why don't I turn it over to Mary Margaret to walk you through the results of the third quarter as well as our guidance?

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### **Mary Curry Comscore Inc - Chief Financial Officer, Principal Accounting Officer, Treasurer**

Thank you Jon. Total revenue for the third quarter was \$88.5 million, down 2.8% from \$91 million the same quarter a year ago. Content and ad measurement revenue of \$75.3 million was flat compared to the prior-year quarter, with lower revenue from our syndicated audience offerings offset by an increase in cross-platform revenue. In the third quarter, we continued to feel the impacts of the pricing pressures that our legacy media clients have been facing, most notably in our National TV and syndicated digital products.

Our movies business remained strong, generating \$9.3 million of revenue in the third quarter, up 7% from the prior year. Cross-platform revenue of \$10.2 million was up nearly 34% compared to the prior year. As Jon mentioned, our Proxemic business was impacted in the second quarter by the Oracle announcement that it was shutting down its ad business. And at the time, we anticipated it could be a revenue catalyst for us in the longer term.

We saw some of that happen very quickly in Q3, which is contributing to the revenue growth for the quarter, and we expect the trend to continue as we close out the year. We're also seeing quarter-over-quarter increases in CCR usage with the number of active campaigns being measured growing exponentially. Research and insight solutions revenue of \$13.2 million was down 14% from 2023, primarily due to lower deliveries of custom digital solutions and Lift products as a result of the pullback of discretionary ad spend we're continuing to see from certain clients.

Adjusted EBITDA for the third quarter was \$10.1 million, down 24% from the prior-year quarter, resulting in an adjusted EBITDA margin of 11.5%. When you exclude the foreign exchange impact from adjusted EBITDA, this quarter's result of \$12.4 million is up 1% over the prior year. In addition to the restructuring efforts we've made over the past couple of years, we remain disciplined in our spending and continue to take additional cost savings actions to operate more efficiently. This has allowed us to maintain a double-digit adjusted EBITDA margin for the quarter even with lower revenue.

Our core operating expenses in the third quarter were down 3.9% over the prior-year quarter and down almost 5% year to date. As we continue to focus on operational efficiencies, we're also 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.

Last quarter, we also discussed the progress we've made to strengthen our balance sheet. Earlier this month, we paid off the outstanding balance of our credit facility and extended the maturity date of the facility to January 31, 2025, to cover the outstanding letters of credit currently held by Bank of America. We continue to evaluate alternative financing options, including a replacement for this facility and have been working with outside advisers to assist in our efforts. We'll provide an update on that front when the process concludes.

As we work to close out the year as strongly as possible, we are tightening the revenue range we provided last quarter. Based on our current expectations, we believe full-year revenue for 2024 will be between \$351 million and \$355 million. We made progress in the third quarter with our year-over-year revenue declines improving over previous quarters. We expect to see a similar trend in Q4 with revenue from our cross-platform solutions continuing to grow and offset the declines in other parts of our business.

We're also seeing momentum from wins in local TV, strengthened relationships with agency Holdco's and the roll-out of major platform integrations. As we head into 2025, we expect this momentum to continue to build and put us back on a path to revenue growth.

I'll now turn the call back over to Jon for closing remarks.

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### **Jonathan Carpenter Comscore Inc - Chief Executive Officer**

Thanks, Mary Margaret. I'm confident that we'll continue to make progress in our transformation, positioning us to become the industry's leading source for cross-platform audience planning and measurement.

Transformations are hard and take patience and discipline to execute successfully. I'd like to thank our employees who have worked tirelessly every day to help position us to achieve our goals and to our clients and stakeholders for their continued trust and partnership.

With that, why don't we open it up, operator, for any questions that we may have? Thank you.

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## QUESTIONS AND ANSWERS

### Operator

As there are no further questions, I would like to turn the call over back to Jon Carpenter for closing remarks.

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### Jonathan Carpenter *Comscore Inc - Chief Executive Officer*

Okay, operator. Thank you very much. Thanks everybody for joining us this evening.

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### Operator

That concludes today's conference. Thank you for your participation. You may now disconnect.

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