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Q1 2022 Comscore Inc Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the comScore First Quarter 2022 Earnings Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded. (Operator Instructions)

At this time, I would like to turn the conference over to Mr. John Tinker. Sir, please begin.

John Tinker;VP, 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, May 10, 2022. 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 individual slides on this call, which are also available on our website.

I'll now turn the call over to comScore's Chief Executive Officer, Bill Livek. Bill?

William P. Livek *comScore, Inc. - CEO & Executive Vice Chairman*

Thank you, John, and thank you all for joining us today. I'm very proud that we delivered another solid quarter of results in our first quarter. As a reminder, this is our first quarter that we're operating under our new solutions group. Our focus is on measuring Content and Ads with the goal of enabling the planning and activation of media in a privacy-forward way across all screens; television, connected TV or CTV, digital, mobile, and of course, the movies. We are pleased to report that we grew revenue 4% year-over-year to \$94 million and adjusted EBITDA growth of 22% to \$6.8 million versus \$5.6 million a year ago. Some of the highlights in the quarter include NBCU certifying comScore as a local TV currency provider across all of their owned and operated and affiliate group stations.

Additionally, Effectv announced comScore will be using us for local TV measurement currency.

We also inked an enterprise deal with Sinclair for the licensing of our CCI service, comScore Consumer Intelligence for local markets, which provides an unrivaled cross-platform view of consumer retail visitations and online shopping tied to television viewing behavior at the local market level. And our momentum continued in this current quarter with the expansion of Gray Television for 10 of the recently acquired markets. We also continued to make progress in accelerating our privacy forward offerings.

Within predictable audiences, we are partnering with IRI to bring their CPG audience segments into our activation solution. This provides the best-in-class audience targeting within contextually relevant digital experiences in a cookie-free, privacy-forward manner.

We are also happy with our progress to date on comScore Campaign Ratings or what we refer to as CCR. With CCR, advertisers can truly understand their audiences and advertising campaigns across platforms with deduplicated reach and frequency metrics that allow them to align their spend and achieve more specific and accountable campaign-specific KPIs and a higher return on their overall investment. Our CCR partnership with YouTube continues to progress. One highlight this quarter was a program where we measured cross-platform advertising performance around the Super Bowl. This included PC, mobile and Connected TV. The program included 10 major brands

across cars, travel, software, dining and food service. comScore CCR was the primary measurement used to specifically identify incremental advertising reach across YouTube before, during and after the actual Super Bowl TV broadcast.

On the digital side, with the integration of our social media service, Shareablee into our digital offerings, we have named Tania Yuki, as our EVP of Digital to focus on expanding our product solutions and driving revenue growth in this key strategic area for us in 2022. As most of you know, Tania rejoined comScore when we acquired Shareablee in December of 2021. In the quarter, Warner Brothers discovery announced that they would be launching their now joint upfront with comScore as an alternative currency provider with 3 very large national agencies. Also in the quarter, NBCU named comScore as a certified provider for local currency measurement, the only provider they certified for local.

In April, Comcast Cable's ad sales division Effectv announced they'd use comScore for Local TV measurement as a currency, joining the growing ranks of TV players offering measurement alternatives to write deals on. In connection with our charter arrangement, Spectrum Reach has rolled out comScore as their preferred television currency in all 89 markets, including New York and Los Angeles. With this, we believe more ad agencies and brands will switch to comScore to buy TV advertising. Local stations continue to subscribe to comScore for our stable and reliable currency. It's also worth pointing out that Local TV stations should benefit this year from an estimated 3 billion plus bump in political advertising and many of them to continue to be very vocal about actively looking for our new currency to base their advertising inventory transactions on.

Also in the quarter, we expanded our relationship with Vizio TV. This was a multiyear agreement to continue our access to their unique CTV viewing at the glass level. Within digital, our partnership with IRI brings their CPG segments into our activation offering. We believe this is a big win for both of our businesses. It provides IRI with a privacy forward way to activate key segments in a cookie free manner, and it provides comScore with a key segment of CPG audiences that can be transacted on across the programmatic ecosystem at scale. Our ability to deliver a holistic view of both content and ad consumption throughout the home is a critical differentiator of what comScore delivers for our clients every day. The combination of our census-based TV coverage, which includes more than 70 million TV sets, 35 million households and nearly 13 million Smart TVs, along with our census-based digital coverage and the industry's only total home panel is what sets comScore's ability for our customers apart.

Regarding our CTV capability specifically, there are 2 ways in which you can get connected TV information at scale. One is directly from publishers by attacking or server-to-server integrations or through ACR technologies from Smart TVs. We do all of them, unlike others who drop their CTV capability. comScore measures both ad and content consumption. And because we have a combination of set-top box, panel and CTV, we are able to deliver an unduplicated view of consumption. This is in a new offering for comScore. We introduced our over-the-top measurement capabilities in 2015, and we have been collecting and reporting on a holistic view of media behavior for years, continuing with our history of innovation and giving comScore leadership role to deliver on a holistic product suite across content and ads. This is comScore's competitive advantage. Complete coverage and content and ads and a very large installed base of both buyers and sellers of media that use our services every day to run their businesses.

Despite all of the press in the Milford Place tranching new currency offerings, the reality is there's only 2 companies that deliver the full suite of capabilities across the media landscape period, and comScore is one of them. Our census-based TV and digital scale, coupled with our total home panel means that comScore can deliver what no one else can. The ability to get a cross-platform view of digital and their ad delivery and the measurement outcomes because of our ability to deliver deduplicated audience reach. It is clear that we have the most complete cross-platform offering, along with the highest coverage of CTV, video content and video ad inventory available in the market.

Taking this a step further in today's privacy-forward market, the ad tech industry has struggled finding cookie-free tactics that will allow them to maintain campaign performance and KPIs that advertisers have become accustomed to. Building on the contextual targeting foundations of brand safety and IAB category in keyword targeting, comScore is reinventing contextual targeting with the addition of predictive audiences, predictive audiences is contextually delivering targeting, make it a privacy forward and providing the crosswalk between audience behaviors and contextual signals. This is a massive step forward for the industry, enabling advertisers to maintain their KPIs without cookies. comScore is leveraging this technology, not only for our own audience information, but complementary for our data partners, providing them with a cookie free path to service their segments in the marketplace.

Before turning it over to Jon, I want to reiterate that we are laser-focused on executing against our key priorities aimed at delivering profitable growth. comScore measures content and ads. It's what we do best and the success that we're having across the markets we operate in, with new clients wins, new partnerships and renewal with our long-standing media and agency clients gives us confidence that the opportunity is large for us. We are developing world-class products that are privacy forward and cookie free. We will be ready when the market shifts with our product offerings in the space.

Returning to growth in digital is a key priority for us, and it's critical to our growth story going forward. Our product and our commercial focus here aligned on new solutions group is just the beginning. Our currency efforts and momentum we're seeing in the market under Carol Hinnant's leadership have led us to the NBC announcement on local and our double-digit growth to start the year in our cross-platform solutions group. Finally, as I transition from CEO, I am confident in our team's leadership efforts and then continuing to deliver against these priorities as we move throughout the year. And I could not be more excited about the opportunity that's in front of us.

With that, I'd like to turn it over to Jon. Jon?

Jonathan Carpenter *comScore, Inc. - CFO*

Thanks, Bill, and it's good to be with everyone this evening. As Bill mentioned, we turned in a solid print for the quarter. Revenues of \$94 million were up 4% versus the same quarter a year ago. Adjusted EBITDA of \$6.8 million was up 22% versus a year ago.

Diving into the solution groups a bit further. Cross-platform solutions grew by 10% from \$37.3 million in the first quarter last year to \$40.8 million this year. Growth here was driven in large part by double-digit growth in our TV measurement efforts. Within that group, we also accelerated growth in our Movies business, which grew by 20% year-over-year from \$6.8 million in the first quarter last year to \$8.2 million this year as the business continued to see strong recovery following the pandemic.

Digital Ad Solutions revenues of \$53.1 million are essentially flat versus the same quarter a year ago, which included a onetime upfront revenue item. Growth in our activation offering, which was up 20%, our custom digital offerings as well as execution in Shareablee were key highlights in the quarter. All in all, we're pleased with the way we started the year from a revenue and EBITDA perspective as well as from a cash perspective, and we're reaffirming our 2022 guidance for both revenue growth and the adjusted EBITDA margin rate.

With that, I'll turn it back over to Bill.

William P. Livek *comScore, Inc. - CEO & Executive Vice Chairman*

Thank you, Jon. And I thank all of you for your support, and I thank you for trusting us with some of your investment. Operator, with that let's open up the line for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question or comment comes from the line of Jason Kreyer from Craig-Hallum.

Cal Bartyzal *Craig Hallum*

[Calin] here for Jason. I just had a couple of questions. So starting off, you had here in 2 upfronts, what are your thoughts on comScore's ability to be more visible in transactions this year?

William P. Livek *comScore, Inc. - CEO & Executive Vice Chairman*

Well, that's a great question. The upfronts, there's been a lot more press releases, I think, than often activity. I think coming through the upfront, you're going to see comScore coming out of it, playing a far more important role in the transacting of advertising. We're pretty excited what we're hearing from our clients on that. I don't know if there's anything else I can add to answer that question.

Cal Bartyzal Craig Hallum

No, perfect. And then just my second question here. So given the back-end weighting of the year, what's your confidence in that ramp up here in 2022?

William P. Livek comScore, Inc. - CEO & Executive Vice Chairman

Jon?

Jonathan Carpenter comScore, Inc. - CFO

Yes. I think like I said in my comments, we feel good about the way the year has started delivering against what we said we would, which puts us in a good position to continue executing as we go throughout the year. So I'd say we've got some real encouraging momentum here as we head into the last 3 quarters of 2022.

Operator

Our next question or comment comes from the line of Matthew Thornton from Truist Securities.

Anthony Richard Duplisea Truist Securities, Inc., Research Division - Associate

It's Anthony Duplisea on for Matt. How should we think about the impact of the Comcast NBC Universal deal on the full year guide just in terms of nominal impact as well as cadence? And then apologies if I missed this already, but can you give us an update on the MRC accreditation process and kind of where that stands?

William P. Livek comScore, Inc. - CEO & Executive Vice Chairman

Yes, I'll start with the MRC, first. The MRC is progressing well. As you know, while we're in the process for the accreditation for our Local and National TV services. How are the announcements, I think, is the question in local affecting our guidance. Clearly, it's positive. We see a lot of momentum in the local market. We're not just excited about it. I just came back from The National Association of Broadcasters Conference, and it was nice to meet station groups that we haven't seen since the lockdown in person, even though we're on Zooms with them all the time.

And to feel the momentum of the shifting of not just with subscriptions, but to do deals. We see more local agencies signing on with us. We see the usage in national agencies. So we feel really good. When it comes to guidance, I always turn that over to Jon, to answer.

Jonathan Carpenter comScore, Inc. - CFO

Yes. Look, I think the momentum we're seeing there with new business wins across both the local and national landscape have been encouraging. As you saw in the first quarter, we started the year strong with a nice double-digit print there, and I expect the momentum to carry forward as we go throughout the year.

Operator

(Operator Instructions) Our next question or comment comes from the line of Surinder Thind from Jefferies.

Surinder Singh Thind Jefferies LLC, Research Division - Equity Analyst

A question about the re-segmentation of the business into the digital ad solutions and cross platform solutions. Can you talk about the decision to change the presentation format? And then maybe what your expectations are for the outlook for each of the segments for the remainder of the year.

Jonathan Carpenter comScore, Inc. - CFO

Yes. I think we provided kind of a range in the operating materials in terms of what our expectation is on the guide. Surinder, in terms of the rationale, look, this is the way that we're operating our business day-to-day. It aligns more with competitive landscape that's out there on the digital front with our syndicated digital business really competing against a different set than, say, our cross-platform set of solutions. And so the way we think about aligning that is along those lines. Like I said, I think the guide for cross-platform solution is high single-digit to low double-digit range. And then on the Digital Ad Solutions side, it's really about a guide towards what I would call low single digit to mid-single digit, if you will.

Surinder Singh Thind *Jefferies LLC, Research Division - Equity Analyst*

Fair enough. And then in terms of just as we think about changing economic conditions. Can you maybe talk about the sensitivity to add spend and how would revenue being back half weighted, how your outlook -- the sensitivity of your outlook, I guess, if there's a slowdown in that spend? Or how do we should think about that?

William P. Livek *comScore, Inc. - CEO & Executive Vice Chairman*

Great question. The only good thing about being retirement age is I saw this similar thing unfold in the '70s -- late '70s, when we had super high inflation. We had an economy that was strong, but it set us off into an awful recession and it did affect ad spending. I hope we don't go into a recession. But if we do, one thing I did learn the information services business become far more valuable in that environment. And let me explain, why? The sellers of media who pay us a great deal of money. They need us actually more because they're fighting for every dollar, not just the incremental dollar, every dollar to transact on. And we -- I believe where the status of comScore is a must-have in this current environment. Going in that environment, I think we're double down on a must-have for clients who can -- don't currently subscribe.

So an ad recession is awful. Make no mistake about it for our customers, but it's something that I think we're well positioned to thrive in that environment. The buyers of media have a very similar dynamic where they have more pressure on accountability and our suite like our CCR suite of accountability plays right into that theme. So I hope we don't get there, but I think we're going to be in a good position with or without it. We set our guidance with the expectation before the current economic data has been coming out. But I'll tell you, if history is any guide, I feel good about our guidance.

Jonathan Carpenter *comScore, Inc. - CFO*

Yes. The only thing I would add, Bill, I mean, we sort of -- we feel good given the largely syndicated nature of the contracts that we have. Beyond that, just to add what Bill said, look, our offerings in many ways are helping buyers and sellers of advertising get the best ROI and outcomes. And if you think about what our product offerings are they do exactly that. They provide a return on ad spend, clarity and outcomes that our clients are looking for. And so I think in a scenario where there could be or maybe a little bit of pressure on the ad spend. We feel good about our product offering, coupled with the syndicated nature of the contracts.

Surinder Singh Thind *Jefferies LLC, Research Division - Equity Analyst*

Got it. That's helpful. And then maybe one kind of final question here. Just on the cost of revenues. I think we've talked about it a number of times in the past, over the past year plus. Obviously, it starts off high in the year. Can you talk about how that -- the trajectory of how we should think about that line item should go over the course of the year? And how much is kind of embedded in -- it's just seasonally higher this quarter.

Jonathan Carpenter *comScore, Inc. - CFO*

Yes. I think, look, our -- if you're talking about the cost of goods line, that was essentially in line with our expectation. I don't expect a lot of variability here as we move throughout the year, Surinder. So I think we feel good about where we're at, again, in line with what we had expected for the first quarter.

Operator

Thank you. I'm sure no additional questions in the queue at this time. I'd like to turn the conference back over to management for any closing remarks.

William P. Livek *comScore, Inc. - CEO & Executive Vice Chairman*

Thank you very much, operator. We appreciate it, and thank you all for joining us today. We look forward to our next earnings call. And like always, I want to thank you for your investment in comScore, and have a great evening. Take care.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may now disconnect. Everyone, have a wonderful day.

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