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Q1 2021 Comscore Inc Earnings Call

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CONFERENCE CALL PARTICIPANTS

Dan Medina

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the comScore First Quarter 2021 Financial Results. (Operator Instructions). I would now like to hand the conference over to your speaker today, Jackie, Marcus. Please go ahead.

Jacqueline Marcus ***Alpha IR Group LLC - Assistant VP***

Thank you, Elaine. 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 6, 2021, 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've provided a reconciliation in today's press release and on our website. Our actual results in future periods may differ materially from those currently expected because of a number of risks and uncertainties, including those related to the COVID-19 pandemic and its economic impact 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 ir.comScore.com or at www.SEDa. GOV.

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, Jackie, and thank you everyone for joining us today. The completion of the recapitalization transaction in the first quarter, whilst the process to a close. substantially eliminated in our outstanding debt and providing us with the financial flexibility to invest in next generation products. And we are doing just that comScore's capitalizing on the opportunity to help the media business, both the traditional and the new direct-to-consumer platforms to more effectively use comScore surplus to run their business. Acquire new customers and to sell their advertising. We believe that we have the best information needed to jump to a forefront of video measurement in the industry in digital and television and moving measurement. Because our core services, are census based not on a small sample that lacks stability.

Our results are stable, predictable and reliable. In comScore's approach to cross platform measurement, we leverage intelligence from various data collection techniques, including our digital census, our set-top box devices, our smart TV data and our panels. Each of these sources provide different information about content consumption and advertising exposure.

Our measurement philosophy is always to bring the best available information to bear on each process within our overall measurement solutions. Our expertise in processing these inputs coupled with our IT, we arrive at a de-duplicated audience measurement across the sources.

This is foundational to our product strategy and in my opinion, it's the best approach to measurement. Additionally, we are taking action to enter new markets that I'll be sharing with you on future calls. We are also recapturing customers, given our substantially more advanced privacy-focused solutions.

And we are posed to take market share in areas that we provide a stronger service versus others. We also look at our valuation of some of our competitors. We believe that our potential to deliver improvements in both our revenue and our bottom line has not been fully appreciated, and in fact expect.

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We expect that to change during the course of 2021 and beyond. Given that backdrop, we are focused and excited about our ability to grow revenues and further accelerate the adoption of comScore as we come out of the pandemic.

The renewal and expansion of our ViacomCBS agreement with comScore, as a currency best demonstrates the marketplace appetite for currency diversification and advertising sales. We have a lot to be excited for in 2021. In many areas, our business is beginning to see improvements while movies, continue to be impacted by the pandemic in the first quarter. We are optimistic that we'll begin to see recovery as soon as the coming quarter. Our local and national television business continues to perform well. We continue to gain momentum with advertising agencies, who are increasingly embracing our advanced audience metrics and rallying around our TV currency because of our innovation stability and precision as well as the inclusion of comcast, de-identified set-top box data. Our expanded data rights with Charter and our expanded rights with connected TVs. We continue to focus on improving our digital offerings. Much of the decrease in our digital business is from non-U. S. customers, but we expect our U.S.-based customers, primarily our large enterprise and mid-market clients to offset the decline as the year progresses.

Additionally, as I mentioned earlier, we are making enhancements to this suite of products, both from a speed and data perspective that should result in new customers as well as the return of previous customers later this year. We also received video view ability accreditation from the Media Rating Council, also known as the MRC. For integrated third party measurement on Facebook and Instagram, which should benefit our digital product suite.

Turning to our first quarter financial results, we continue to be encouraged by many products that experienced solid growth year-over-year, while at the same time reducing many operating expenses. In the long-term, we believe our investments in data inputs and the new commercial relationships that we have signed will generate increased adjusted EBITDA from a higher revenue and expanded margins, Greg will cover the first quarter results in detail later in the call.

On the national television front, we are excited about new opportunities presented by the addition of Comcast de-identified set-top box data. wended the number of highly targeted networks in our national service and these additions that prove valuable as we signed two new networks deals this quarter. This product advancement along with others is given the confidence the ViacomCBS do use comScore's as a currency because of our stability and detail on the viewer. I believe this move will help influence more media companies to do the same as we help them grow their business, Our efforts to expand our connected television measurement footprint are starting to bear fruit. We are squarely positioned to take advantage of the opportunity that the connected TV marketplace presents.

We expect to expand in additional markets in the second quarter that should increase revenue on the back half of 2021. CTV information or connected TV is very important, but it is the combination of CTV information integrated it with our full senses media footprint that includes linear TV, digital, over-the-top, video on demand addressable and other media that contains the real power of unduplicated reach and frequency for planning and for buying. This is where comScore's in a unique position, because of our close, close relationship with the MVPDs. We saw a double-digit year-over-year increase in the first quarter in our activation products and we're excited about our connected TV contextual advertising solutions for both on-demand and live-streaming.

We also are getting continue to gain in our predictive audience suites globally. Our industry-leading cookie less audience-targeting solution is available for desktop, mobile and CTV. This global expansion includes new partnerships in Europe and Latin America with Adsware, for their European location-based targets as well is retarget leg for their Latin American audience. With all of these new and exciting products and our partnerships activation revenue should continue its fast growing trend and even pick up momentum as the year moves along.

We are also focused on the expansion in new areas of measurement to increase our revenue and bottom line in 2021. In the first quarter we partnered with the Outdoor Advertising Association of America and the Digital Place-based Advertising Association, also known as the DPAA to measure out of home media, which is a natural extension of our impression based currencies. We are the trusted source for superior audience insight across linear TV OTT desktop mobile and now bringing the same measurement precision to bear on outdoor and digital out-of-home at a time that America is starting to get out of their homes again.

We signed our first client Lightbox and we expect to sign more in the near future, which we believe will continue to contribute to revenue

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in the second half of 2021, as we ramp up the services. We have announced and recently signed an important partnership with Dish media Sling and has signed another cornerstone agreement that we're announcing on this call an aggregator of credit and debit card transactions that we believe will begin to generate revenue during 2021 and will help our customers prove that their advertising is working.

On Dish and Sling the agreement includes the continued cross-platform measurement of advanced advertising and content via comps for TV products we expanded data rates, including first party matching rights to improve accuracy of campaign results and national addressability measurement for programming networks. Lastly in movies, while the first quarter show of with lower revenue, we expect to see a rebound shortly now that U.S. theaters are beginning to reopen at scale and with countries such as the U.K., Ireland and France expected to be reopened in the next couple of weeks. We also continue to see encouraging signs in areas that are open. In early April for example, Godzilla vs. Kong posted the highest box office sales since the pandemic started, while the film was also released direct-to-consumer at the same time. We expect to benefit as both increased theater openings and new content bring people back to theaters. As I see it his theatrical industry is now firmly positioning itself in a recovery mode as is our revenue. In addition to the ongoing recovery, we continue to make good progress this quarter and bringing next-generation measurement products to the movie industry. We are now demonstrating our new delivery system to our customers and we expect to realize the benefits in later 2021 from our ability to combine information and analytics in one place where ever consumers see some movie whether it's at home or in a physical out of home theater.

Finally I'd like to note some recent success we've had with our customer renewals and our wins across our product suite. In the first quarter in digital syndication product we signed new agreements with a number of customers. In national TV we have new agreements with the Filipino Channel like wise Lightquest's Victory Channel at secured long-term renewals with NBCUniversal and Viacom CBS.

In local new agreements we signed with Sun Broadcasting, Fork Monitors Broadcasting and others and renewed agreements with the Television Advertising Bureau, CoxReps, Katz Television, KDOC in Los Angeles, Quincy media, Sagamore Hill Broadcasting and Independence television. In summary, we made strong progress in all areas of our business in the first quarter.

We now have the financial flexibility to invest in future growth products and are moving quickly to bring to market products that should increase our revenue in 2021.

Now I'd like to turn the call over to our Chief Financial Officer, Greg Fink. Greg please.

Greg Fink

Thank you, Bill. Today, we reported first quarter revenue of $90.3 million, up from $89.5 million in the first quarter of last year. The first quarter of 2021, marks the first quarterly year-over-year increase since the fourth quarter of 2018. Revenue from ratings and planning in the first quarter was $65.8 million, up from $63.5 million reported in the first quarter of last year. The increase compared to the same period in the prior year was the result of higher TV revenue and services related to our international cross platform offering, partially offset by syndicated digital. TV continue to experience higher revenue compared to the prior year from new partnerships and from delivering TV data as part of an expanded relationship with an enterprise customer.

We also recorded $2.4 million in revenue for certain cross platform services delivered in Europe related to the renewal of a multi-year agreement. Syndicated digital revenue was lower compared to the prior year quarter, primarily from lower international business. For the first quarter, TV revenue comprised 46% of our ratings and planning revenue compared to 42% last year, while syndicated digital revenue comprised 45% of our ratings and planning, compared to 50% in the first quarter of 2020. Revenue from analytics and optimization in the first quarter was $17.7 million up from $15.5 million in the first quarter of last year. The increase was due to higher custom solutions revenue compared to the first quarter of last year, an increased activation revenue. The first quarter of 2021 benefited from delivery of projects where customers delayed projects last year to 2021, due to the pandemic.

Movies Reporting an Analytics revenue in the first quarter was $6.8 million compared to $10.5 million in the prior year quarter. Revenue continues to be impacted by theater closures and delayed releases, as a result of the pandemic. As customers continue to hold off restarting services globally until further certainty of content and theater openings is clear.

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As theater reopenings began in earnest in major U.S. cities in March and are expected in Europe shortly, we believe revenue from our movie business has bottomed and we will see revenue increase from this level, starting in the second quarter. Turning to operating costs, our core operating expenses, which includes cost of revenues, sales and marketing, R&D and G&A increased $4.7 million year-over-year in the first quarter.

Cost of revenues increased by $6.9 million in the first quarter compared to the year ago quarter, due primarily to an increase of $3 million in data costs, and $2,4 million related to the multi-year cross platform services contract I described earlier. We do expect cost of revenues to continue to increase in 2021 from higher data costs as well as our additional data required to support our international expansion.

However, we expect margins to improve over the course of the year, as revenue increases. Selling and marketing expense declined $1.4 million as compared to the year ago quarter from lower travel and marketing costs while R&D expense was flat. G&A expense for the first quarter decreased $1.1 million compared to the prior year quarter, from lower operating costs in many areas of our administrative functions. We do expect our operating expenses to rise slightly from these levels as we invest in new product offerings that should lead to higher revenue later this year.

In the first quarter, we reported a net loss of $36.4 million compared to a net loss of $13.2 million in the same period last year. The first quarter of 2021 includes a non-cash charge of $15.3 million we took upon closing of the transaction, related to the extinguishment of debt in associated derivatives issuance of conversion shares and an adjustment to the Series A warrant exercise price. The first quarter of 2020 included a $4.7 million non-cash impairment charge related to certain properties. For the first quarter of 2021 adjusted EBITDA was $5.6 million compared to $6.4 million for the same period last year. Adjusted EBITDA for the first quarter was impacted by higher data costs but benefited from are generally lower operating costs as compared to the prior year.

We ended the first quarter with total cash of $33.9 million compared to $50.7 million at December 31, 2020. The decrease in cash reflects the repayment of debt in the quarter as well as transaction costs associated with the completion of the recapitalization. Yesterday we entered into a $25 million revolving credit facility that will provide us additional liquidity and financial flexibility. Looking forward, we continue to expect 2021 revenue will increase between 3% and 5% over 2020 and that the increase will take hold beginning in the second half of 2021. In addition, we expect adjusted EBITDA margin to be between 6% and 8% for the year.

Now let me turn it back to the operator to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question comes from Dan Medina from Needham.

Dan Medina

Good morning, Greg. thanks for taking the question. Just given where the first quarter came out I was wondering if you can discuss how we might think of revenue growth cadence over the next 3 quarters and what will be the key growth drivers in each quarter. Thank you.

Greg Fink

Thanks, Dan. I appreciate the question. Look, we're really pleased where first quarter came out and we're very optimistic about the back half of 2021let me start there. And while we haven't provided specifics regarding the 2021 quarters we are very focused on revenue growth and continue to believe it's going to be in the back half of 2021 as we have outlined in our guidance to achieve the 3% to 5%. Bill outlined, many different products and things that have occurred over the last four months to start out 2021. And as those now are signed and in process we expect those to generate revenue in the back half. Well, I haven't given specifics around quarters we do continue to believe that we will see improving quarters throughout all of 2021.

Dan Medina

Great, thank you.

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Operator

And now I would now like to turn the call back over to Bill Livek for closing remarks.

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

Thank you, operator. We remain excited about the future and we'll continue to see the progress as it evolves through 2021. We look forward to sharing with you the progress on our next quarterly call and with press releases in the interim. And thank you for joining us today and trusting us with some of your investment dollars. Thank you and have a great evening.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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