

YouGov

Moving up margins

YouGov's FY17 year-end trading update confirms that positive trading momentum continued in the second half for Data Products and Services. Results should be ahead of our previous forecasts and well ahead of market growth. The results reflect the growth in high-margin products as well as margin improvements in custom research in addition to some currency benefit. We have moved our PBT numbers up by 5% for FY17e and 9% for FY18e. The shares continue to trade at a premium to the global sector, although that is being eroded by YouGov's faster growth.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
07/15	76.1	9.1	6.7	1.0	40.3	0.4
07/16	88.2	13.3	8.5	1.4	31.8	0.5
07/17e	106.5	15.6	10.9	1.6	24.8	0.6
07/18e	115.0	18.3	12.4	1.8	21.8	0.7

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Strategy continues to produce the returns

Management's emphasis on building a scalable business through productising its offering is fuelling premium organic growth as it gains traction in its markets, notably in the US. BrandIndex and Profiles are building across more geographic markets as well as increasing client numbers and we anticipate this continuing through FY18e. Data Services (principally Omnibus) is also increasing its global reach, with UK growth more muted but still ahead of the market. Custom Research is being concentrated on its more profitable aspects, particularly using the group's own panel, so that the top line is static (in constant currency terms) but the operating margin is moving ahead. The success of the MRP modelling of the seat-by-seat results of the UK general election is significant for its validation of the methodology rather than for any immediate financial impact. This has many potential applications, not only in marketing but also in broader planning contexts.

Margin progression

Our FY17e revenue number is edged up 3%; FY18e is broadly unchanged due to assumptions on Custom Research. The increased margin indicated here, though, helps lift our projections for PBT by 5% in FY17e and 9% in FY18e, with growth in EPS marginally lower due to the impact of the geographic mix on tax. The group operating margin (before exceptional/share-based payments) was 11.0% in FY14. By FY18e, we are anticipating that it will have expanded to 14.7%. We now expect FY17e year-end net cash of slightly over £22m from £15m at the half-year.

Valuation: Premium growth reflected in rating

YouGov's rating remains towards the top of the ranking of global peers. Much of the traditional market research sector still struggles with legacy infrastructures. YouGov continues to refine and productise its offerings, driving a higher earnings CAGR than the sector and funding a progressive dividend stream. The group's clear and consistent strategy is translating into profits and, at least as importantly, into cash.

Year-end trading update

Media

7 August 2017

Price **270.00p**

Market cap **£284m**

£1:\$1.30

Net cash (£m) at end January 2017 15

Shares in issue 105.1m

Free float 91.4%

Code YOU

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (6.4) (5.3) 42.1

Rel (local) (8.6) (8.3) 26.4

52-week high/low 293.5p 188.0p

Business description

YouGov is an international market research and data and analytics group offering a data-led suite of products and services including YouGov BrandIndex, YouGov Profiles, YouGov Omnibus and custom research.

Next events

Final results 6 November 2017

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YouGovYouGov is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

	£'000s	2014	2015	2016	2017e	2018e
Year end 31 July		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		67,375	76,110	88,202	106,500	115,000
Cost of Sales		(15,812)	(17,472)	(19,476)	(23,430)	(25,300)
Gross Profit		51,564	58,638	68,726	83,070	89,700
EBITDA		8,020	9,273	11,620	15,003	17,603
Operating Profit (before GW, except and share-based payments)		7,936	9,239	12,055	15,500	18,100
Intangible Amortisation		(3,965)	(4,633)	(5,478)	(5,000)	(5,000)
Share based payments		(547)	(669)	(1,138)	(1,200)	(1,200)
Exceptionals		(2,385)	(1,072)	(1,108)	0	0
Other		(14)	41	(4)	0	0
Operating Profit		1,025	2,906	4,327	9,300	11,900
Net Interest		(292)	(220)	1,199	106	170
Profit Before Tax (norm)		7,630	9,060	13,250	15,606	18,271
Profit Before Tax (FRS 3)		733	2,686	5,526	9,406	12,071
Tax		(316)	580	(2,111)	(3,824)	(4,842)
Profit After Tax (norm)		7,314	9,640	11,139	11,783	13,429
Profit After Tax (FRS 3)		417	3,266	3,415	5,583	7,027
Average Number of Shares Outstanding (m)		98.0	101.0	103.9	104.6	104.7
EPS - normalised (p)		5.8	6.7	8.5	10.9	12.4
EPS - FRS 3 (p)		0.4	3.2	3.3	5.3	6.7
Dividend per share (p)		0.8	1.0	1.4	1.6	1.8
Gross Margin (%)		76.5	77.0	77.9	78.0	78.0
EBITDA Margin (%)		11.9	12.2	13.2	14.1	15.3
Operating Margin (before GW and except & share-based payments) (%)		11.0	11.3	12.4	13.4	14.7
BALANCE SHEET						
Fixed Assets		52,259	53,726	62,366	62,366	62,366
Intangible Assets		46,650	46,145	53,140	53,140	53,140
Tangible Assets		5,609	7,377	8,984	8,984	8,984
Investments		0	204	242	242	242
Current Assets		29,873	33,329	45,339	55,142	65,363
Stocks		0	0	0	0	0
Debtors		21,687	22,507	28,643	31,818	34,220
Cash		7,429	10,017	15,553	22,181	30,000
Current Liabilities		(21,480)	(22,983)	(27,823)	(33,926)	(36,779)
Creditors		(21,296)	(22,983)	(27,823)	(33,926)	(36,779)
Short term borrowings		(184)	0	0	0	0
Long Term Liabilities		(2,700)	(2,449)	(5,793)	(3,000)	(3,000)
Long term borrowings		0	0	0	0	0
Other long term liabilities		(2,700)	(2,449)	(5,793)	(3,000)	(3,000)
Net Assets		57,952	61,623	74,089	80,582	87,950
CASH FLOW						
Operating Cash Flow		8,600	10,091	14,139	17,850	19,216
Net Interest		(295)	(233)	11	106	170
Tax		(287)	(730)	(2,365)	(4,030)	(4,078)
Capex		(5,759)	(5,754)	(6,076)	(5,750)	(5,750)
Acquisitions/disposals		(1,003)	(470)	(171)	(36)	0
Financing		(101)	454	16	0	0
Dividends		(566)	(773)	(1,028)	(1,556)	(1,765)
Net Cash Flow		589	2,585	4,526	6,584	7,794
Opening net debt/(cash)		(6,656)	(7,245)	(10,017)	(15,553)	(22,181)
HP finance leases initiated		0	0	0	0	0
Other		0	187	1,010	44	25
Closing net debt/(cash)		(7,245)	(10,017)	(15,553)	(22,181)	(30,000)

Source: Company accounts, Edison Investment Research

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