IFG Group

FY16 results

Investing for growth

Financial services

2016 saw growth in revenues, as well as a further increase in client numbers and assets under advice and administration (AUA), both positive indicators for future performance. However, accelerated investment aimed at further enhancing IFG's ability to serve clients and deliver further sustainable growth was a drag on earnings in addition to the well-flagged negative impact of reduced interest rates. A platform repricing initiative to be phased in will ameliorate the ongoing impact from low rates in the current year. Investment in improving the customer proposition should better position IFG to benefit from an ageing population and pension freedom, while balance sheet strength supports organic and inorganic growth opportunities.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/15	71.3	11.5	8.26	4.44	17.3	3.1
12/16	78.5	10.1	7.64	4.95	18.7	3.5
12/17e	81.3	10.6	8.02	5.45	17.8	3.8
12/18e	89.2	13.8	10.44	5.99	13.7	4.2

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

Full year results

Revenue growth of 10% would have been more than 12% but for an anticipated £1.6m negative impact from lower rates. Low interest rates and accelerated investment spending at James Hay Partnership (JHP), which further stepped up in Q3, reduced adjusted operating profit by 14% with adjusted EPS more resilient (-7%). The dividend increased 11%. SIPP numbers at JHP stayed relatively flat (+1%) with slightly increased attrition offsetting organic growth. AUA grew 13%. Saunderson House (SH) grew clients (+8%) and revenues (+13%) and slightly increased operating margin (22.8%).

Outlook: Repricing benefit in H217

Management expects the negative impact on JHP revenues to increase to c £3.5m in H117, but for the phased repricing initiative to positively affect H2. Investment spending should have a positive impact on future costs and we expect JHP costs to fall in FY17, but not enough to compensate for revenue pressure, with the full benefits of investment and repricing emerging from FY18. SH is seeing increased client acquisition following the post-referendum slowdown when clients sought increased advice and were reluctant to switch advisers. Its discretionary asset management service has started well and investment performance remains solid.

Valuation: Fair value decline discounted

Our updated DCF valuation falls to 165p from 181p, reflecting our reduced estimates. Factoring this into a sum-of-the-parts valuation, now based on 2017 earnings estimates, the JHP multiple implied by our 165p value declines to 19.7x. Delivery of the expected performance for this year and resumption of faster growth in client numbers are potential catalysts for a re-rating towards our central value.

4 April 2017

Price	**143p**
Market cap	**£151m**
	€1.16/£
Net cash (£m) as at 31 December 2016	28.2
Shares in issue	105.4m
Free float	95%
Code	IFP
Primary exchange	ISEQ
Secondary exchange	LSE

Share price performance

%	1m	3m	12m
Abs	(9.0)	(4.8)	(13.9)
Rel (local)	(8.2)	(6.7)	(26.8)
52-week high/low	186p	131p	

Business description

IFG Group provides financial services, comprising a platform for retirement wealth planning and personal advisory business primarily operating in the UK. Through James Hay Partnership it is one of the largest UK platform providers.

Next events

AGM and Q1 update	9 May 2017

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Edison profile page

IFG Group is a research client of Edison Investment Research Limited

Company description

IFG is a financial services group with a primary listing on the Irish Stock Exchange (ISEQ) and a secondary listing on the LSE, which accounts for an increasing proportion of shares traded. Recent years have seen a refocusing, now complete, on two main, UK-based, businesses: James Hay and Saunderson House. Proceeds from the disposal of non-core businesses have left the group debt free with an end FY16 cash balance of £28.2m to support investment in further growth, both organic and potential consolidation opportunities among SIPP providers.

IFG is already a leading provider of SIPPs through James Hay Partnership (JHP). It continues to invest in IT and broadened its capabilities so that it can describe itself as the sixth largest platform in the UK specialising in retirement wealth planning, with assets under administration of £22.1bn at the end of FY16. It has secured partnership agreements with companies such as Capita and Towry (2014 and 2015, respectively) and is in the process of focusing its efforts on the higher end of the adviser market to achieve more profitable growth. Key indicators for JHP include the number of clients, client usage of different services and, to a limited but growing extent, the level of trading.

Saunderson House (SH) is a financial advisor based in the City of London that has traditionally provided financial and investment planning, charging fees on an hourly rate. The SH clients are typically drawn from the professions including partners in legal and accounting firms. This is reflected in a high level of average assets under advice (AUA) per client, increasing to more than £2.3m at the end of FY16 with total AUA increasing to £4.6bn. In 2015 SH launched its discretionary asset management service, which it believes will provide access to a broader range of clients at an early stage; clients with a currently lower level of assets but strong future earnings prospects and the potential to become full advisory clients over time. SH's key indicators comprise chargeable time, capacity utilisation, number of clients, investment performance, staff retention and assets under advice.

FY16 results

2016 saw growth in revenues, client numbers, and assets under administration and advice, all positive indicators for future performance. However, accelerated investment at JHP, designed to further enhance IFG's ability to serve clients and deliver ongoing sustainable growth was a drag on earnings in addition to the previously flagged negative impact from lower interest rates following the August cut in the UK base rate. A repricing initiative within JHP, to be introduced in stages in H217, will increase fee revenues per average SIPP client and ameliorate the loss of interest earnings.

During 2016 IFG's assets under advice and administration increased by 14% to £26.7bn. At JHP a 13% increase in client assets was driven by higher average assets per client, with the number of SIPPs increasing only marginally. SH grew clients by 8% and client assets by 15%.

Revenues grew by 10% for the year, a slowdown from 16% at H116, which significantly reflects the £1.6m negative impact of lower interest rates towards year end as well as the positive H116 impact from SH clients seeking additional advice around the time of the EU referendum.

Underlying costs increased by 15%, including increased investment spend, particularly within JHP. Although evident throughout the year, investment spending was accelerated after John Cotter became CEO in September 2016. Exceptional costs of £1.7m included several items: £2.7m related to the closure of the old Dublin HQ following relocation to London and the closure of a regional office at Swavesey; external advice costs of £0.5m related to corporate governance changes; an exceptional gain of £1.0m triggered by completion of the 2014 sale of IFG UKFS; and an exceptional gain on a payment received from the associate Rayband that was impaired in 2013. Excluding exceptional items as well as amortisation of acquired intangible assets, adjusted operating income declined 14%. Supported by a lower tax rate and a £242k non-recurring contribution from previously sold associates, the decline in adjusted EPS was lower at 7%. The dividend was increased by 11%.

Exhibit 1: Interim results – group summary

£000s except where stated	FY15	FY16	% change
Assets under administration and advice	23.5	26.7	14
Revenue	**71,316**	**78,465**	**10**
Adjusted operating profit			
Platform (JHP)	9,846	7,085	-28
Independent wealth management (SH)	5,929	7,058	19
Group/other	(4,126)	(4,176)	1
Total adjusted operating profit	**11,649**	**9,967**	**-14**
Amortisation of acquired intangibles	(1,809)	(2,014)	11
Exceptional items	(1,350)	(1,727)	28
Operating income	8,490	6,226	-27
Net finance income	87	(23)	-126
Associate	0	242	
Pre-tax profit	**8,577**	**6,445**	**-25**
Net profit	6,677	5,250	-21
Basic EPS (p)	6.01	4.98	-17
IFG adjusted EPS (p)	**8.14**	**7.57**	**-7**
Dividend per share (p)	4.44	4.95	11

Source: IFG Group

James Hay Partnership

Revenues increased by 8% over the year (12% before the impact of the interest rate cut), substantially driven by growth in the book of SIPPs during FY15. Management notes that the uncertainty created by the EU referendum decision and aftermath has had a negative impact on the industry and JHP. Reflecting this, but also the focus of JHP marketing efforts on to a smaller number of higher-value/volume adviser partners, the number of SIPPs at the end of FY16 was little changed (+1%) compared with the prior year, but with assets under administration increasing by 13% to £22.1bn. Strategic distribution relationships have been established with several well-established partners, and the average case size for the flagship Modular iPlan product increased by 35% during the year.

Organic additions of SIPP accounts increased slightly from 4,042 in FY15 to 4,396, but there was no repetition of the 8,042 accounts acquired in FY15. The number of outgoing accounts ticked up slightly, reflecting in part a deliberate rationalisation of legacy products and consolidation of client holdings into one account where possible. The company intends to continue to migrate legacy products to the Modular iPlan product (MiPlan) where this is in the interest of clients.

Improvements to technology and service quality have remained a focus for JHP as it moves towards a digital platform that will improve client service, enhance scalability and facilitate new service developments. In developing this platform, IFG highlights the advantages of control and flexibility conferred by its proprietary in house technology. Investment Centre (fund platform) assets increased by 41% to £4.8bn in the year, providing a growing asset base from which to generate revenues.

Cost growth (+19%) substantially outstripped revenue growth as a result of the planned investment in change and IT development. The new group CEO has accelerated the pace of planned investment since his appointment in Q316. Having substantially invested in previous periods in upgrading the customer-facing platform technology, attention has shifted to back office service quality and efficiency with a focus on retraining and hiring. Management expects that the accelerated measures taken in Q416 will begin to generate efficiencies in H217.

Exhibit 2: Divisional summary – James Hay Partnership							
£000s except where stated	**H115**	**H215**	**H116**	**H216**	**FY15**	**FY16**	**FY16/FY15**
Revenue	20,860	22,957	24,032	23,446	43,817	47,478	8.4%
Adjusted operating profit	3,826	6,020	4,242	2,843	9,846	7,085	-28.0%
Adjusted operating margin %	18.3	26.2	17.7	12.1	22.5	14.9	
Total SIPPs end period	45,613	52,101	51,875	52,391	52,101	52,391	0.6%
Additions % of opening	17.4%	36.4%	7.9%	9.0%	27.9%	8.4%	
Attrition/acc. consolidation as % of opening	-6.8%	-7.4%	-8.8%	-7.0%	-7.1%	-7.9%	
Revenue per average no accounts (£)	938	940	925	899	939	912	-2.9%
AUA per client	384	374	391	422	374	422	12.7%

Source: IFG, Edison Investment Research. Note: Attrition/account consolidation is calculated on a simple average of opening and closing SIPP numbers. Excluding account consolidation, IFG reports 6.8% in H116 and 6.3% in FY16 versus 6.4% in H115 and 6.0% in FY15.

Partly in response to the pressures on revenue as a result of the cut in interest rates, a new pricing structure has recently been announced and is being rolled out in stages. Annual SIPP administration charges will reduce from £195 to £175, while investment centre platform charges increase and will be applied to all assets including cash. The platform charge increases are structured to strategically favour larger investors, increasing from 0.18% to 0.25% on the first £300,000 and increasing in stages; assets between £300,000 and £600,000 will be charged at 0.20%, between £600,000 and £1,000,000 at 0.15%, between £1,000,000 and £1,500,000 at 0.05%, and 0.01% on assets above £1,500,000. Based on James Hay's average Modular iPlan portfolio size, the cumulative change will result in an average annual increase of around 0.036%.

Saunderson House

SH added 147 net new clients in FY16, an increase of 8% on the opening number. Although this marked a slowdown from FY15 (net 201 increase), there was a good (13%) growth in revenues as activity was diverted by the EU referendum away from acquisition activity to meet a marked increase in client demand for advice, with decisions on hiring a financial adviser being deferred. Management indicates a good start to FY17, with client numbers now above 2,000. Also contributing towards FY16 revenue performance was a 6% increase in the fee rate at the beginning of the year, the first for some years. Within the net client addition total there was an unusual increase in attrition (68 versus an average of 45 in the previous three years). Management indicates that less than a third of the client losses (c 1% attrition) were the result of clients switching adviser, with death or other reasons accounting for the majority. As a proportion of the average number of clients during the period, the annual rate of attrition (for all reasons) remains low at c 4%, albeit an area to which management pays close attention.

Operating margin improved slightly during the year and SH remains focused on refining its operational processes to deliver productivity gains.

Exhibit 3: Divisional summary – Saunderson House							
£000s except where stated	**H115**	**H215**	**H116**	**H216**	**FY15**	**FY16**	**FY16/FY15**
Revenue	13,653	13,846	15,869	15,118	27,499	30,987	12.7%
Adjusted operating profit	2,733	3,196	3,632	3,426	5,929	7,058	19.0%
Adjusted operating margin %	20.0	23.1	22.9	22.7	21.6	22.8	
New client wins	166	77	126	89	243	215	-11.5%
Attrition	(20)	(22)	(40)	(28)	(42)	(68)	61.9%
Outstanding clients	1,754	1,809	1,895	1,956	1,809	1,956	8.1%
Revenue per average client (£)	16,244	15,544	17,137	15,703	15,884	16,406	3.3%
Revenue/average AUA (bp)	71.9	70.1	78.4	69.5	71.0	73.8	
AUA per client (£m)	2.22	2.21	2.16	2.35	2.21	2.35	6.4%

Source: IFG Group, Edison Investment Research

Updated investment performance data for the SH balanced model portfolio continues to show performance ahead of its private client benchmark, the FTSE All-Share Index, and inflation over most periods, as illustrated in Exhibit 4. We note that strongly positive returns over 12 months are below the FTSE All-Share Index but are ahead of the private client benchmark. Over all periods shown, the SH portfolio was ahead of its comparator benchmark with volatility that was somewhat higher. It also outperformed the FTSE All-Share Index for one, three and 10 years with significantly lower volatility.

Exhibit 4: Saunderson House balanced model performance to 28 February 2017 (%)

	1 year	3 years		5 years		10 years	
	Return	Return pa	Volatility	Return pa	Volatility	Return pa	Volatility
SH balanced model portfolio	15.4	6.6	5.3	7.8	5.4	5.7	7.6
ARC balanced portfolio private client index	12.5	5.3	4.7	5.8	4.9	4.4	6.3
FTSE All-Share Index	22.8	6.3	9.2	9.2	10.0	5.9	14.1
Inflation (CPI)	1.8	0.8	1.1	1.4	1.1	2.3	1.3

Source: IFG. Note: The ARC index is the Asset Risk Consultants balanced portfolio private client index.

Outlook

The domestic market and economic background will for some time yet retain an overlay of uncertainty associated with the Brexit negotiations. It is also relatively early for the market to assess the extent and implications of changes in economic and trade policy that will emerge form the new US administration. The near-term reaction to both has so far been relatively positive, more so than some expectations.

While renewed periods of market volatility seem quite likely, these should pass, and for both JHP and SH the longer-term background of an ageing population and increase in pension flexibility seems likely to support demand for their investment platform and advice services.

For JHP the August 2016 25bp reduction in the Bank of England's base rate that followed the EU referendum will continue to represent a drag on revenues. The impact on H216 was a negative £1.6m and management has guided to a negative £3.5m in H117 (a full six-month effect). The recently announced repricing initiative is designed to counter this impact while at the same time improving JHP's relative appeal to clients with a larger pool of assets to invest. The new charges will be introduced in phases and will ameliorate the interest rate impact in H217 before making a full contribution in FY18. Investors will pay close attention to H117 SIPP numbers for any impact on the current customer base.

Although JHP has accelerated its investment in the business in FY16, continued investment will be necessary to maintain competitive positioning. We expect JHP costs to fall in FY17 but not by as much as previously forecast and not enough to offset the reduction in our forecast revenues. For FY18 we look for JHP to benefit from investments made and a full year of repricing, and for operating margin to significantly increase (18.5% for the year and 19.2% in H2) with the potential for continued revenue growth and operational gearing to again lift margin above 20% in FY19.

Strategically, JHP will continue to monitor developments in its industry where it continues to expect to see further consolidation, particularly as recently introduced higher capital requirements pressure smaller players. It will continue to focus on the higher end of the adviser market as a source of business. Partnerships such as those with Towry and Capita are attractive as they provide a good flow of new accounts and impose a lower proportionate administrative burden than would be the case for smaller, less active advisers.

SH expects to return to a more normal balance of client advice and client acquisition in the current year, a process that is likely to benefit from continued confidence in markets. We therefore look for a reacceleration of the growth in clients for 2017 and 2018, but with only modest growth in the average revenue per client. The latter reflects the potential for the number of younger clients with smaller portfolios and less complex requirements for advice to increase, attracted by the discretionary asset management offering. As well as being lower revenue, these clients should also be less complicated to service and lower cost, with earnings potential that suggests potential to migrate over time to SH's full advice offering.

Financials

FY16 revenues were in line with our forecasts, but costs within JHP significantly exceeded our expectations as a result of the accelerated investment spending highlighted above. Our group estimates for the current year and next are reduced as a result of the revised near-term outlook for JHP profitability. For FY17 we have reduced our forecast for JHP revenues and increased our cost estimates, expecting the underlying operating margin to be broadly stable at c 15%. For FY18 we look for further growth in client numbers and AUA JHP as well as full-year impact of the repricing initiative with a recovery in operating margin, towards 20% by year end (18.5% for the year).

The reduction in JHP divisional forecasts is partly offset by an increase in our SH expectations, resulting from a slightly higher base than we has expected in FY16, combined with a slightly higher revenue per client assumption than previously.

Exhibit 5: Performance versus forecast and estimate revisions

	Revenue (£m)			EBITDA (£m)			PBT (£m)			EPS (p)			DPS (p)		
	Actual	**Est.**	**% chg.**	**Actual**	**Est.**	**% chg.**	**Actual**	**Est.**	**% chg.**	**Actual**	**Est.**	**% chg.**	**Actual**	**Est.**	**% chg.**
2016	78.5	77.5	1.2%	9.5	14.8	-35.8%	10.1	10.6	-4.5%	7.64	8.26	-7.5%	4.95	4.90	1.0%
	New	Old	% chg.	New	Old	% chg.	New	Old	% chg.	New	Old	% chg.	New	Old	% chg.
2017e	81.3	80.2	1.3%	13.9	16.3	-14.6%	10.6	12.3	-13.7%	8.02	9.23	-13.1%	5.45	5.39	1.0%
2018e	89.2	89.3	-0.1%	17.3	19.7	-12.0%	13.9	15.6	-11.2%	10.45	12.13	-13.8%	5.99	5.93	1.0%

Source: IFG data, Edison Investment Research. Note: *Excludes exceptional items, share-based payments, discontinued businesses, amortisation of acquired intangibles, and unwind of contingent consideration.

During FY16 IFG repaid all remaining bank debt (£7.0m), which resulted in a decline in the period end cash balance to £28.2m from £34.1m. Deferred consideration of c £4.0m, expected before year end, was received in Q117. Before debt repayment cash flow remained positive (£1.0m) despite lower operating cash flow, higher dividends and increased capex.

The capital position of the group remains strong. Management indicates that the Pillar 1 capital requirement is covered c 7x (similar to FY15 when the Pillar 3 disclosure showed capital resources of £40.5m compared with a requirement of £5.7m) despite new capital requirements for SIPP operators that came into force in September 2016 that increased the capital requirements in respect of non-standard investments held in SIPPs.

Valuation

Our updated DCF valuation is 165p, compared with 181p previously, as a result of the estimate changes described above. The main assumptions remain unchanged, including a 10% discount rate, 10x terminal multiple and a 4% longer-term growth rate beyond 2020. We have allowed for two years of 10% growth in 2019-20 when JHP may expect to benefit from the investment programme underway. Any change to this assumption would have a significant impact on the indicated DCF value in addition to the sensitivities shown in the table below. Adjusting both the intermediate and long-term growth rate to match the current share price would require both to be set at little more than 1%, which suggests that market is continuing to take a relatively risk-averse approach, perhaps to the market outlook or more specifically to JHP's ability to generate growth and efficiency gains, when assessing the valuation.

Exhibit 6: Discounted cash flow valuation sensitivity

Discount rate (right) and long-term growth	8%	9%	10%	11%	12%
2%	173	163	153	145	137
3%	180	169	159	150	141
4%	188	176	**165**	155	147
5%	196	183	172	161	152

Source: Edison Investment Research

Our updated our sum-of-the-parts valuation is set in line with our DCF valuation. We have shifted the focus onto the prospective FY17 year, keeping the SH multiple and that applied to central costs unchanged. On this basis, the multiple for JHP has fallen again, to 19.7x (previously 20.5x), slightly lower than the implied multiple for the group as a whole (20.5x).

Exhibit 7: Sum-of-the-parts valuation

	2017 post-tax	Multiple	Value
James Hay	5.4	19.7	106.8
Saunderson House	6.1	16.0	97.1
Operating units	11.5	17.7	203.9
Central cost	(3.0)	10.0	(30.0)
Excess cash inc deferred consideration			0.0
Total	8.5	20.5	173.9
IFG group value per share (p)			**165**
IFG group value per share (euro)			**1.95**

Source: Edison Investment Research

By way of a "sense check" on our JHP valuation we show a simple comparison with various other platforms (Hargreaves Lansdown, Alliance Trust Savings, Share plc) and the SIPP administrator Curtis Banks in Exhibit 8. Even among the platforms, differences in scale, particularly for Hargreaves Lansdown, and business mix mean that this comparison should be treated with some caution. We show the respective revenues and AUA, together with corresponding multiples. For JHP we have taken the valuation assumed in our sum-of-the-parts and for Alliance Trust Savings (ATS) we have taken the fair value disclosed by Alliance Trust. Although IFG Group would appear to carry excess capital, we have allocated none of this to JHP as we are unable to identify the correct amount and in any case we expect the group to make use of its capital position for future investment.

Exhibit 8: Platform comparison

£m	James Hay*	Curtis Banks**	Hargreaves Lansdown	Alliance Trust Savings***	Share
Market capital	106.8	145.9	6,119.0	61.5	38.1
Surplus capital (over 2x reg capital requirement)	0.0	0.0	55.2		5.4
Adjusted value	106.8	145.9	6,063.8	61.5	32.7
Revenue	47.5	32.3	369.8	21.6	14.4
Assets under administration (AUA)	22,100	18,800	70,000	13,600	3,400
Market capital/revenue (x)	2.2	4.5	16.5	2.8	2.6
Market capital/AUA (%)	0.5	0.8	8.7	0.5	1.1
Adjusted value/revenue (x)	2.2	4.5	16.4	2.8	2.3
Adjusted value/AUA (%)	0.5	0.8	8.7	0.5	1.0

Source: Edison Investment Research, Bloomberg, company disclosures. Note: *James Hay valuation is from our sum-of-the parts table valuation. **Cutis Banks' revenues include Suffolk Life on pro forma 12-month basis for FY16 as disclosed in the annual results presentation. ***Alliance Trust Savings valuation is from FY16 results.

There is a wide variation in valuation multiples shown in Exhibit 8. Perhaps unsurprisingly, Hargreaves Lansdown, as market leader by a large margin with an established record of strong growth and profitability, is the most highly valued across each of the measures. JHP shares similar multiples to ATS despite its larger scale. Curtis Banks focuses on SIPP administration and is not a platform or provider of investment advice. Its profitability (before tax, amortisation, and non-recurring costs) reduced to 24% in FY16 from 35% in FY15 as it invested in its infrastructure after significant organic and acquisition-led growth, but is above JHP, which would support its higher multiples of AUA and revenues.

Exhibit 9: Financial summary

Year end 31 December	£'000s	2015	2016	2017e	2018e
PROFIT & LOSS					
Revenue		71,316	78,465	81,260	89,174
Staffing costs		(43,585)	(51,647)	(50,000)	(50,000)
Other operating expenses		(13,897)	(17,323)	(17,174)	(21,370)
EBITDA		13,834	9,495	14,086	17,804
Depreciation & amortisation		(3,994)	(4,764)	(5,441)	(5,868)
Other gains/(losses)		(1,350)	1,495	0	0
Operating profit		8,490	6,226	8,644	11,935
Adjust for exceptional items		1,350	1,727	0	0
Operating profit excluding exceptional items		9,840	7,953	8,644	11,935
Adjust for amortisation of acquirted intangibles		1,809	2,014	1,886	1,738
Total underlying operating profit as reported in divisions		11,649	9,967	10,531	13,673
Operating profit		8,490	6,226	8,644	11,935
Finance Income		569	414	77	85
Finance expense		(482)	(437)	0	0
Share of profit of associate		0	242	0	0
Profit Before Tax (FRS 3)		8,577	6,445	8,722	12,021
Profit Before Tax (norm)		11,539	10,128	10,608	13,832
Tax		(1,900)	(1,195)	(1,919)	(2,645)
Discontinued businesses		246	0	0	0
Non controlling interests		(598)	0	0	0
Profit After Tax (FRS 3)		6,325	5,250	6,803	9,376
Profit After Tax (co norm)		8,568	7,980	8,307	10,821
Profit After Tax (Edison norm)		8,731	8,087	8,491	11,004
Average number of shares outstanding (m)		105.2	105.4	105.4	105.4
EPS - Company adjusted (p)		8.14	7.57	7.88	10.27
EPS - normalised (p)		8.26	7.64	8.02	10.44
EPS - FRS3 (p)		6.01	4.98	6.45	8.90
Dividend per share (p)		4.44	4.95	5.45	5.99
Underlying EBITDA margin (%)		19.4%	12.1%	17.3%	20.0%
Reported operating margin (%)		11.9%	7.9%	10.6%	13.4%
BALANCE SHEET					
Non-current assets		57,946	59,405	60,664	61,495
Property plant and equipment		2,597	4,322	4,233	4,168
Intangible assets		55,314	55,074	56,422	57,318
Other non-current assets		35	9	9	9
Current assets		56,359	51,054	52,713	57,707
Trade receivables		22,255	22,828	19,888	22,200
Cash & equivalents		34,089	28,226	32,824	35,507
Other current assets		15	0	0	0
Held for sale assets		0	0	0	0
Total Assets		114,305	110,459	113,376	119,202
Current liabilities		30,347	26,898	28,168	30,312
Borrowings		6,831	0	0	0
Trade payables		22,813	22,551	23,821	25,965
Provisions		703	2,445	2,445	2,445
Other current liabilities		0	1,902	1,902	1,902
Non-current liabilities		4,760	3,355	3,355	3,355
Borrowings		0	0	0	0
Provisions		1,857	1,032	1,032	1,032
Deferred tax		2,903	2,323	2,323	2,323
Held for sale liabilities		0	0	0	0
Total liabilities		35,107	30,253	31,523	33,667
Minority interests		0	0	0	0
Shareholders' equity		79,198	80,206	81,853	85,535
CASH FLOW					
Operating Cash Flow		13,803	11,769	18,526	17,866
Net Interest		(162)	21	77	85
Tax		(2,226)	208	(1,919)	(2,645)
Capex		(5,221)	(6,236)	(6,700)	(6,700)
Acquisitions/disposals		1,800	(66)	0	0
Issue of equity		403	162	0	0
Dividends		(4,188)	(5,106)	(5,386)	(5,924)
Other		529	69	0	0
Change in net cash		4,738	821	4,598	2,682
FX changes		(167)	147	0	0
Opening net (debt)/cash		22,687	27,258	28,226	32,825
Closing net (debt)/cash		27,258	28,226	32,825	35,507

Source: IFG, Edison Investment Research

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