EDISON

YouGov

US and UK powering on

Year-end trading update

Media

YouGov's pre-close trading update indicates that it will have outperformed market estimates for the year ended July, with particularly strong growth from the UK and US. We have raised our numbers to reflect this and May's acquisition of SMG Insight. The focus on driving higher-margin products and services is showing through in the numbers and the improving quality of earnings. The custom business is being reoriented towards more scalable and repeatable work, also with a beneficial impact on margin. The premium rating reflects the growth record and positive outlook.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
07/16	88.2	14.4	8.5	1.4	57.9	0.3
07/17	107.0	17.9	10.5	2.0	46.9	0.4
07/18e	116.5	23.0	14.3	2.5	34.4	0.5
07/19e	128.6	26.2	15.8	2.8	31.1	0.6

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

Data products and Services momentum

Our pre-tax and EPS forecasts are raised by 9% (on top of a 6% increase in March), in part reflecting the acquisition of SMG in May but more from the strong trading outlined in the statement, despite a currency headwind from the US dollar. This gives FY18 forecast year-on-year growth in adjusted EPS of 36% (on 10% revenue growth), with current numbers showing 10% further EPS growth in FY19e. The momentum in BrandIndex, Profiles and Omnibus continues, driving operating margins in the products and services segments. A degree of caution had been built into our custom research numbers regarding the strategic reorientation away from one-off, bespoke projects (often sizeable) towards higher-margin projects. At the interim stage, custom research operating margins had reached 24%.

Investment in building scale

YouGov is a highly cash-generative business (FY17 cash conversion of 130%; FY16: 130%). Net cash at the half year was £21.3m and our year-end estimate is for £26.4m, giving plenty of scope for further investment. This has been focused on technology but also on broadening the geographic base of the group. There are new offices in Spain and Italy, increasing the group's ability to offer pan-European coverage, along with the opening of a Mumbai office, announced in February this year. The acquisition of the outstanding 80% in SMG Insight in May has given the group a strong position in sport. It can now develop further products in this vertical, measuring and evaluating media and sponsorship deals.

Valuation: Premium rating for premium growth

YouGov's rating remains at the top of the ranking of global peers, with much of the traditional market research sector still struggling with legacy infrastructure. 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.

30 July 2018

Price	**492p**
Market cap	**£519m**
	£1/US$1.37
Net cash (£m) as at 31 January 2018	21.3
Shares in issue	105.5m
Free float	73.7%
Code	YOU
Primary exchange	AIM
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	7.0	25.4	91.1
Rel (local)	6.1	22.1	84.2
52-week high/low		500.0p	259.5p

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 event

Preliminary results	9 October 2018

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YouGov is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

£'000s	2016	2017	2018e	2019e
Year end 31 July	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS				
Revenue	88,202	107,048	116,500	128,574
Cost of Sales	(19,476)	(21,339)	(22,156)	(22,829)
Gross Profit	68,726	85,709	94,344	105,745
EBITDA	12,874	17,210	22,312	25,487
Operating Profit (before amort., except & SBP).	12,059	16,036	21,112	24,262
Intangible Amortisation	(5,478)	(6,483)	(7,150)	(7,150)
Share based payments	(1,138)	(1,508)	(1,802)	(1,802)
Exceptionals	(1,108)	(488)	0	0
Other	(4)	103	0	0
Operating Profit	4,331	7,660	12,160	15,310
Net Interest	1,199	254	120	136
Profit Before Tax (norm)	14,392	17,901	23,034	26,201
Profit Before Tax (FRS 3)	5,530	7,914	12,280	15,447
Tax	(2,111)	(4,933)	(5,414)	(6,954)
Profit After Tax (norm)	11,139	13,116	15,818	17,445
Profit After Tax (FRS 3)	3,415	4,637	6,664	8,493
Average Number of Shares Outstanding (m)	103.9	105.5	105.5	105.5
EPS - normalised (p)	8.5	10.5	14.3	15.8
EPS - FRS 3 (p)	3.3	4.4	6.3	8.1
Dividend per share (p)	1.4	2.0	2.5	2.8
Gross Margin (%)	77.9	80.1	81.0	82.2
EBITDA Margin (%)	14.6	16.1	19.2	19.8
Operating Margin (before GW and except & share-based payments) (%)	12.4	13.6	16.6	17.5
BALANCE SHEET				
Fixed Assets	62,366	64,637	67,037	67,037
Intangible Assets	53,140	54,960	57,360	57,360
Tangible Assets	8,984	9,332	9,332	9,332
Investments	242	345	345	345
Current Assets	45,339	54,918	60,696	70,529
Stocks	0	0	0	0
Debtors	28,643	30,699	32,741	36,135
Cash	15,553	23,481	26,434	32,873
Current Liabilities	(27,823)	(34,177)	(35,106)	(38,745)
Creditors	(27,823)	(33,915)	(35,106)	(38,745)
Short term borrowings	0	(262)	0	0
Long Term Liabilities	(5,793)	(4,905)	(5,905)	(5,905)
Long term borrowings	0	0	0	0
Other long term liabilities	(5,793)	(4,905)	(5,905)	(5,905)
Net Assets	74,089	80,473	86,722	92,916
CASH FLOW				
Operating Cash Flow	14,139	18,914	19,600	24,100
Net Interest	11	4	120	136
Tax	(2,365)	(2,487)	(5,053)	(5,799)
Capex	(6,076)	(7,661)	(8,250)	(8,250)
Acquisitions/disposals	(171)	0	(1,000)	(1,000)
Financing	16	175	0	0
Dividends	(1,028)	(1,470)	(2,205)	(2,732)
Net Cash Flow	4,526	7,475	3,212	6,455
Opening net debt/(cash)	(10,017)	(15,553)	(23,219)	(26,434)
HP finance leases initiated	0	0	0	0
Other	1,010	191	(0)	0
Closing net debt/(cash)	(15,553)	(23,219)	(26,431)	(32,889)

Source: Company accounts, Edison Investment Research

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