

YouGov

Interim results

Larger contract wins underpin growth

Interim results are as indicated at the period end, with 9% underlying growth. As flagged, the closure of the Kurdistan operation and adverse forex weighed on the statutory figures. A strong sales performance gives good momentum into H221 and through to FY22, with a greater number of larger, strategic contracts now on the books. We have lifted our estimated FY21 revenue by 6%, resulting in an uplift to adjusted EPS of 8%. YouGov remains valued towards the top of its peer set, reflecting its strong market positioning, attractive cash generation and cash-positive balance sheet.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	EV/EBITDA (x)	P/E (x)	Yield (%)
07/19	136.5	20.4	13.8	4.0	31.0	72.8	0.4
07/20	152.4	24.7	15.7	5.0	26.2	64.1	0.5
07/21e	170.0	30.6	17.4	5.5	22.3	57.7	0.5
07/22e	185.0	37.0	21.3	6.5	18.9	47.2	0.6

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

Improving prospects into FY22

Statutory reported revenue growth of just 3% reflects the ending of the Kurdistan contract, along with the impact of foreign exchange (42% of H121 revenues were generated in the US, at an average rate of \$1.32:£ vs \$1.27:£ in H120). Stripping out these factors, and the small change due to acquisitions, gives the underlying increase of 9%. At the operating profit level, the statutory number, down 22% at £7.4m, is after deduction of £3.1m in contingent consideration, which is due to a better than anticipated performance from acquisitions. We have edged up our FY21 revenue estimate £5m to £168m, with an unchanged adjusted operating profit due to a higher share-based payments charge than we had previously modelled. In view of management comments on the progress on sales, we have lifted our FY22 revenue and adjusted operating profit numbers by 6% and 8%, respectively.

Stepping up investment in global panel and tech

YouGov spent £6.1m in panel recruitment in H121, expanding its penetration in the US and adding 15 new countries, taking coverage to 59 markets. The group had 15.8m panellists across the globe at end January, up 65% on the prior year. This allows it to target larger, multinational studies, helped by a shift in approach to key client account management. This transition was initially disruptive but is now helping drive up the average contract value, integrating data products and tools. YouGov has also stepped up its investment in its technology platform, spending £5.2m in H121, up 49% on H120, to facilitate the scaling up of the business.

Valuation: Remains at top end of the global peer set

Despite a pause in share price appreciation to date in 2021, YouGov's valuation multiples remain towards the top end of the global peer group, where the more data and analytics-weighted groups trade at a clear premium. YouGov's rating also reflects its strong market positioning, attractive cash generation (92% cash conversion of adjusted EBITDA in H121) and cash-positive balance sheet.

Media

25 March 2021

Price **1,005p**
Market cap **£1,118m**

\$1.37/£

Net cash (£m) at end January 2021 27.5

Shares in issue 111.2m

Free float 91.3%

Code YOU

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 3.6 1.5 136.5

Rel (local) 2.8 (2.0) 83.5

52-week high/low 1,150p 508p

Business description

YouGov is an international research data and analytics group. Its data-led offering supports and improves a wide spectrum of marketing activities of a customer base including media owners, brands and media agencies. It works with some of the world's most recognised brands.

Next events

Y/e trading update 31 July 2021

Final results 12 October 2021

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Margins set to expand again in H221

YouGov's business has weathered the ongoing impact of the COVID-19 pandemic well, with agencies holding up and the tech sector continuing to grow. There was also a strong uplift in this reporting period from tactical Data Services projects, as can be seen below. We would estimate that the reduction in the Custom Research revenues is largely, if not totally, attributable to the ending of the Kurdistan contract, which will also have diluted the achieved segmental operating margin.

The overall group achieved adjusted operating margin in H121 of 13.3% (H120: 14.8%) will also have been diminished by:

- The shift in business mix towards Data Services, which earns lower gross and operating margins than Data Products. In H121, Data Products gross margin was 92.8% to Data Services' 83.5%; adjusted operating margin 33.2% to 17%.
- The net impact of foreign exchange moves, which management estimates to have cost £0.3m at the operating profit level.

Exhibit 1: Half-year summary

£m	H120	H220	FY20	H121	Change vs H120	Underlying change vs H120
Revenue						
Data Products	25.1	26.2	51.3	26.5	6%	8%
Data Services	18.4	19.5	37.8	21.8	19%	18%
Custom Research	33.9	30.7	64.6	30.1	-11%	2%
Eliminations	(0.5)	(0.9)	(1.3)	0.6		
Total	76.9	75.5	152.4	79.0	3%	9%
Adjusted operating profit	11.3	10.5	21.8	10.5	-7%	15%
Group adjusted operating margin	14.8%	13.9%	14.3%	13.3%	-10%	5%

Source: Company data

Our full-year estimates build in a recovery in adjusted operating margin to 15.3% for FY21, as the revenue balance shifts away from Data Services and the new, larger integrated project and tracking work comes through. We expect this to drive further adjusted operating margin expansion in FY22e to 18.4%. The group's FY19–23 published growth plan targets doubling adjusted operating margin across the period.

Changes to share-based payments, depreciation, amortisation

As we have noted in [previous reports](#), YouGov is reporting under a technical change to the accounting treatment of the share-based payments (non-cash). Under the previous scheme, charges were weighted to the end of the five-year period, whereas for this scheme the accounting will be smoothed. We had already built this into our model, but have now increased the full year level of charge from £2.9m previously to £5.0m to reflect the higher level of share price.

The investment in panel (£6.1m, up 45% on prior year) and in technology (£5.2m, up 49%) mean higher depreciation and amortisation charges in the modelling.

Cash position remains strong

Net cash at the half year-end (end January) was £27.5m (H120: £27.2m) and we now model £40.1m at the end of FY21 (was £40.6m), with the change reflecting the higher levels of investment. The group carries no debt, beyond lease liabilities, which stood at £13.8m at the half year. The balance sheet now shows acquisition-related contingent consideration of £9.5m, all short term. The projection of £48.0m of cash at end FY22 assumes that FY21 will have been the peak investment in panel and platform. This level of funding gives plenty of scope for further M&A to add

in attractive niches, such as sports, gaming and e-sports where the group has recently added resource.

Exhibit 2: Financial summary

	£'000s	2019	2020	2021e	2022e
Year end 31 July		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		136,487	152,441	170,000	185,000
Cost of Sales		(24,206)	(23,375)	(26,038)	(27,678)
Gross Profit		112,281	129,067	143,962	157,321
EBITDA		31,698	39,215	47,894	54,319
Operating Profit (before amort. and except.)		18,492	21,830	25,752	32,177
Intangible Amortisation		(8,809)	(12,885)	(14,300)	(14,300)
Share based payments		(2,401)	(2,900)	(5,000)	(5,000)
Exceptionals		1,529	(6,630)	(3,105)	0
Other		200	0	0	0
Operating Profit		20,221	15,200	22,647	32,177
Net Interest		(665)	7	(175)	(150)
Profit Before Tax (norm)		20,428	24,737	30,577	37,027
Profit Before Tax (IFRS16)		19,356	15,207	22,472	32,027
Tax		(5,086)	(5,812)	(8,588)	(12,240)
Profit After Tax (norm)		15,342	18,925	21,988	24,787
Profit After Tax (IFRS16)		14,270	9,395	13,883	19,787
Average Number of Shares Outstanding (m)		105.4	106.7	109.5	110.6
EPS - normalised (p)		13.8	15.7	17.4	21.3
EPS - IFRS 16 (p)		14.1	9.0	12.7	17.9
Dividend per share (p)		4.0	5.0	5.5	6.5
Gross Margin (%)		82.3	84.7	84.7	85.0
EBITDA Margin (%)		23.2	25.7	28.2	29.4
Operating Margin (before GW and except) (%)		13.5	14.3	15.1	17.4
BALANCE SHEET					
Fixed Assets		108,534	108,122	112,280	110,638
Intangible Assets		82,374	84,611	87,511	88,211
Tangible Assets		26,160	23,511	24,769	22,427
Investments		0	0	0	0
Current Assets		72,581	70,255	79,911	90,923
Stocks		0	0	0	0
Debtors		33,726	34,239	38,658	43,082
Cash		37,925	35,309	40,547	47,134
Current Liabilities		(51,395)	(52,813)	(62,452)	(57,116)
Creditors		(51,395)	(52,813)	(62,452)	(57,116)
Short term borrowings		0	0	0	0
Long Term Liabilities		(22,277)	(16,226)	(17,446)	(17,446)
Long term borrowings		0	0	0	0
Other long term liabilities		(22,277)	(16,226)	(17,446)	(17,446)
Net Assets		107,443	109,338	112,293	126,999
CASH FLOW					
Operating Cash Flow		38,115	38,411	46,445	54,059
Net Interest		183	(7)	175	150
Tax		(4,520)	(3,184)	(8,588)	(12,240)
Capex		(12,166)	(18,559)	(21,000)	(17,500)
Acquisitions/disposals		(6,583)	(7,451)	(3,824)	(9,500)
Financing		(3,652)	(4,739)	(2,200)	(2,000)
Dividends		(3,327)	(4,298)	(5,420)	(6,081)
Net Cash Flow		8,050	173	5,588	6,887
Opening net debt/(cash)		(30,621)	(37,925)	(35,309)	(40,547)
HP finance leases initiated		0	0	0	0
Other		(747)	(2,789)	(350)	(300)
Closing net debt/(cash)		(37,925)	(35,309)	(40,547)	(47,134)

Source: Company accounts, Edison Investment Research

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