

# WYG

## Steady end to FY18, slower growth expected

A more settled trading period saw WYG end FY18 in line with market estimates. Management continues to work on improving organisational efficiency and structure including exiting unprofitable business. We have lowered the rate of expected progress beyond the current year – in line with guidance – pending more detailed order book and revenue run rate information with FY18 results, which are scheduled for 5 June.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/16	133.5	7.0	10.6	1.5	3.6	4.3
03/17	151.8	8.2	11.9	1.8	2.9	5.1
03/18e	154.0	2.8	3.8	1.8	9.3	5.1
03/19e	159.0	3.5	4.2	1.9	8.3	5.3

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

## FY18 ends with stable trading patterns

In Consultancy Services, UK activity is split broadly evenly between private and public sector clients and conditions are understood to be fairly stable in both, including a normal seasonal uptick in public sector work. Elsewhere, Polish office trading has stabilised following action taken earlier in the year with better workflow mix. International Development has seen no noteworthy variations in its major project funding programmes compared to H1 trends. The end February group order book of £162m is slightly below the end H117 level (£170m) but above the £145m reported at the end of FY17. We understand that the y-o-y closing positions are up in both divisions. Year-end net debt is stated as being in line with market estimates; our model projects this to be £7m including a good H2 working capital performance.

## Lower rate of growth flagged beyond FY18

Regarding non-trading items, there is an implied c £5m of exceptional costs to be booked in H2, the majority of which relates to the closure of an office in the North-West of the UK (business acquired in 2015). We believe that around half of these costs are cash related, some of which will flow out against onerous lease payments over time. Looking into FY19, management has flagged similar revenue and slightly better profit compared to FY18. In our view, this is likely to be related to greater focus on profitable business lines in conjunction with a more efficient office network, possibly leading to a dampening of overall group revenue growth. This is now reflected in our revised estimates in which we have reduced FY19 and FY20 EBIT and PBT by £1m. More details on underlying trends will emerge with FY18 results.

## Valuation: Share price at lower end of trading range

WYG's share price has been weighed down by newsflow on trading performance in the last six months and now sits at the lower end of its 12-month trading range. The closing year EV/EBITDA is now 5.9x, declining to 4.8x on our reduced FY20 estimates. Over the same time, the P/Es are 9.3x and 7.2x respectively (noting an underlying tax charge of 0% rising to 12.5%) in our model. Earnings cover our modestly rising DPS estimates over two times in all three estimate years with a trailing dividend yield of 5.1%.

FY18 year-end update

Industrial support services

6 April 2018

**Price** **35.0p**

**Market cap** **£31m**

€1.15/£

Net debt (£m) at end September 2017 10.1

Shares in issue 69.9m

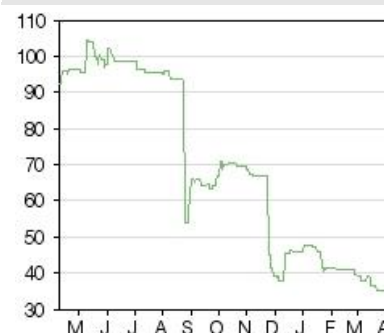
Free float 86%

Code WYG

Primary exchange AIM

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs (10.3) (26.3) (62.2)

Rel (local) (11.0) (21.0) (61.8)

52-week high/low 104.5p 35.0p

### Business description

WYG is a multidiscipline, international project management and management service consultancy, which reports divisionally as Consultancy Services (76% of FY17 revenue: development, creation and management of assets) and International Development (24%: supporting less developed regions and fragile/conflict-affected states).

### Next events

FY18 results 5 June

### Analyst

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**Exhibit 1: Financial summary**

	£'ms	2013	2014	2015	2016	2017	2018e	2019e	2020e
March		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>		<b>IAS19R</b>	<b>IAS19R</b>	<b>IAS19R</b>	<b>IAS19R</b>	<b>IAS19R</b>	<b>IAS19R</b>	<b>IAS19R</b>	<b>IAS19R</b>
Revenue		125.7	126.9	130.5	133.5	151.8	154.0	159.0	163.0
EBITDA		3.3	6.4	7.2	9.0	10.6	5.2	6.0	6.7
Operating Profit (before GW and except.)		1.5	4.8	5.4	7.2	8.6	3.6	4.2	4.7
Net Interest		(0.8)	(0.6)	(0.1)	(0.2)	(0.6)	(0.8)	(0.7)	(0.6)
JV / Associates		0.0	0.0	0.4	(0.0)	0.2	0.0	0.0	0.0
Intangible Amortisation		(1.0)	(1.2)	(1.3)	(1.5)	(1.9)	(1.5)	(1.5)	(1.5)
Other		(2.5)	(3.7)	(2.9)	(1.5)	(0.7)	0.4	(0.8)	(0.8)
Exceptionals		(0.6)	2.4	0.0	(1.8)	(4.0)	(7.4)	0.0	0.0
Profit Before Tax (norm)		0.7	4.3	5.7	7.0	8.2	2.8	3.5	4.1
Profit Before Tax (FRS 3)		(3.3)	1.8	1.4	2.2	1.6	(5.7)	1.3	1.9
Tax		(0.1)	0.3	0.5	0.6	0.8	0.0	(0.4)	(0.5)
Minorities		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit After Tax (norm)		0.7	4.5	6.2	7.6	9.0	2.8	3.2	3.6
Profit After Tax (FRS 3)		(3.4)	2.1	1.9	2.8	2.4	(5.7)	0.9	1.3
Average Number of Shares Outstanding (m)		64.5	64.6	65.8	70.6	71.1	73.3	72.7	72.7
EPS - normalised fully diluted (p)		0.8	6.4	8.6	10.6	11.9	3.8	4.2	4.8
EPS - FRS 3 (p)		(5.2)	3.2	2.9	4.0	3.3	(7.7)	1.2	1.8
Dividend per share (p)		0.0	0.5	1.0	1.5	1.8	1.8	1.9	1.9
EBITDA Margin (%)		2.6	5.1	5.5	6.8	7.0	3.4	3.8	4.1
Operating Margin (before GW and except.) (%)		1.2	3.8	4.1	5.4	5.6	2.3	2.6	2.9
<b>BALANCE SHEET</b>									
Fixed Assets		18.6	19.8	22.0	32.3	30.5	27.8	28.2	27.3
Intangible Assets		16.3	17.6	18.7	27.5	25.5	21.8	20.3	18.8
Tangible Assets		2.4	2.2	2.3	3.2	3.2	4.2	6.0	6.7
Investments		0.0	0.0	0.9	1.6	1.8	1.8	1.8	1.8
Current Assets		66.8	60.0	54.6	62.5	67.2	66.2	67.3	67.6
Stocks		20.2	21.6	21.1	30.4	30.0	30.5	30.8	30.5
Debtors		23.0	18.5	18.5	19.7	26.5	25.5	26.3	27.0
Cash		19.597	15.9	12.3	8.2	6.5	5.9	5.9	5.9
Current Liabilities		(45.7)	(42.9)	(40.8)	(50.7)	(53.8)	(57.2)	(60.0)	(59.6)
Creditors		(44.8)	(42.3)	(40.8)	(47.6)	(49.8)	(49.2)	(49.3)	(50.3)
Short term borrowings		(0.953)	(0.7)	0.0	(3.1)	(4.0)	(8.0)	(10.7)	(9.2)
Long Term Liabilities		(23.3)	(16.9)	(13.2)	(15.8)	(12.3)	(12.5)	(11.5)	(11.5)
Long term borrowings		0.0	0.0	0.0	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
Other long term liabilities		(23.3)	(16.9)	(13.2)	(10.8)	(7.3)	(7.5)	(6.5)	(6.5)
Net Assets		16.4	20.1	22.5	28.3	31.6	24.3	23.9	23.9
<b>CASH FLOW</b>									
Operating Cash Flow		(2.6)	(0.1)	2.4	(1.0)	3.4	1.1	3.2	6.7
Net Interest		(0.8)	(0.5)	(0.1)	(0.2)	(0.6)	(0.8)	(0.7)	(0.6)
Tax		(0.2)	(0.0)	(0.3)	(0.3)	(0.9)	(0.5)	(0.4)	(0.5)
Capex		(1.3)	(1.4)	(1.7)	(2.5)	(1.9)	(2.7)	(3.7)	(2.7)
Acquisitions/disposals		(0.8)	(1.4)	(1.6)	(7.9)	(2.3)	(0.5)	0.0	0.0
Financing		(0.0)	0.0	(0.2)	0.0	0.0	(0.0)	0.0	0.0
Dividends		0.0	0.0	(0.5)	(0.8)	(0.7)	(1.3)	(1.3)	(1.4)
Net Cash Flow		(5.6)	(3.3)	(2.0)	(12.6)	(3.0)	(4.7)	(2.7)	1.5
Opening net debt/(cash)		(23.0)	(18.6)	(15.2)	(12.3)	(0.2)	2.5	7.0	9.8
HP finance leases initiated		(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		1.3	(0.2)	(0.9)	0.5	0.3	0.1	(0.0)	(0.0)
Closing net debt/(cash)		(18.6)	(15.2)	(12.3)	(0.2)	2.5	7.0	9.8	8.3

Source: Company, Edison Investment Research

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