

WYG

A good year, but not as good as anticipated

A slower end to FY17 for UK operations has lowered market guidance to c £9m EBIT for the year, c 12% below our previous estimate (but still c 23% above FY16) and we have adjusted our model accordingly. By the FY17 results announcement (on 6 June), we will have more visibility on run rates and order intake, and will naturally review estimates for FY18 and beyond at that time. Forward P/Es are now on single-digit multiples.

| Year end | Revenue (£m) | PBT* (£m) | EPS* (p) | DPS (p) | P/E (x) | Yield (%) |
|----------|--------------|-----------|----------|---------|---------|-----------|
| 03/15 | 130.5 | 5.7 | 8.6 | 1.0 | 11.3 | 1.0 |
| 03/16 | 133.5 | 7.0 | 10.6 | 1.5 | 9.2 | 1.5 |
| 03/17e | 152.0 | 8.5 | 11.5 | 1.8 | 8.5 | 1.8 |
| 03/18e | 166.0 | 11.0 | 13.6 | 2.0 | 7.2 | 2.1 |

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

Year-end update points to slower UK order intake

UK trading has seen a quieter than anticipated end to FY17; H217 financials will be in line with or slightly ahead of the prior year, but this represents a shortfall against earlier expectations. The UK typically has a shorter order book with a significant Q4 trading period. Management cites some programme and contract award deferrals but no stand-out sectors, contracts or customer types behind this. We should note that FY17 group PBT will still show a good y-o-y uplift driven largely by progress in most overseas operations. We had expected a return to a funds-neutral position at the year-end (versus £4.9m net debt at the H1 stage). The indicated net debt of c £6m is therefore likely to reflect a combination of lower expected profit, a less favourable working capital position (probably appearing in WiP and debtors) and some cash exceptionals (see below). We have also factored in £3m cash consideration for already announced acquisitions, of which c £2.3m relates to H2.

Reduced estimates, group changes

Following the year-end update, we have reduced our expected group revenue and EBIT (and PBT) by a net £3m and £1m (or c 2% and c 10%) respectively for FY17. In the mix, the UK adjustments are slightly higher than this, partly offset by better overseas trading. WYG is in the process of updating its business strategy and changing the group structure. Costs of c £1.7m are anticipated for this; together with some associated accelerated contract adjustments in Poland gives a total c £2.5m exceptional charge for FY17. Most of the related cash outflow will fall into FY17. At this stage, we have made no changes to our out year estimates; some of the deferred project work may come in during Q117 and the impact on run rates and order intake will be better judged with FY17 results in June.

Valuation: Rating compression follows update

A c 24% share price markdown following the year end update – well in excess of the FY17 estimate revision – resulted in rating compression. A reiteration of management confidence in the FY18 outlook backed by order backlog in June would help towards restoring dented investor sentiment.

FY17 year-end update

Industrial support services

24 March 2017

Price 97.50p

Market cap £68m

£/€1.15

Net debt (£m) at end September 2016 4.9

Shares in issue 69.9m

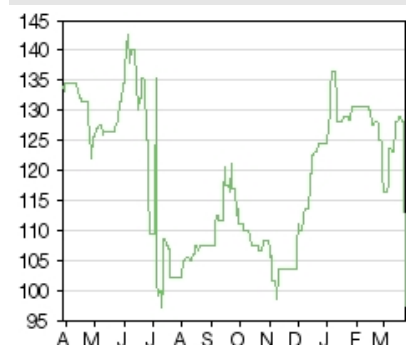
Free float 86%

Code WYG

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (23.5) (22.9) (27.8)

Rel (local) (24.4) (26.1) (38.5)

52-week high/low 142.5p 97.0p

Business description

WYG is a multidiscipline, international project management and management service consultancy with over half of revenues generated in the UK and the remainder in a spread of international markets, reported as Europe, Africa and Asia (EAA) and Middle East, North Africa (MENA).

Next events

FY17 results 6 June 2017

Capital markets event H217 (tbc)

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Exhibit 1: Financial summary

| | £'ms | 2013 | 2014 | 2015 | 2016 | 2017e | 2018e | 2019e |
|--|------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| March | | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS |
| PROFIT & LOSS | | IAS19R | IAS19R | IAS19R | IAS19R | IAS19R | IAS19R | IAS19R |
| Revenue | | 125.7 | 126.9 | 130.5 | 133.5 | 152.0 | 166.0 | 178.5 |
| EBITDA | | 3.3 | 6.4 | 7.2 | 9.0 | 11.2 | 13.7 | 14.5 |
| Operating Profit (before GW and except.) | | 1.5 | 4.8 | 5.4 | 7.2 | 8.9 | 11.3 | 12.0 |
| Net Interest | | (0.8) | (0.6) | (0.1) | (0.2) | (0.5) | (0.4) | (0.3) |
| JV / Associates | | 0.0 | 0.0 | 0.4 | 0.0 | 0.1 | 0.0 | 0.0 |
| Intangible Amortisation | | (1.0) | (1.2) | (1.3) | (1.5) | (2.0) | (2.0) | (2.0) |
| Other | | (2.5) | (3.7) | (2.9) | (1.5) | (1.0) | (1.0) | (1.0) |
| Exceptionals | | (0.6) | 2.4 | 0.0 | (1.8) | (2.5) | 0.0 | 0.0 |
| Profit Before Tax (norm) | | 0.7 | 4.3 | 5.7 | 7.0 | 8.5 | 11.0 | 11.7 |
| Profit Before Tax (FRS 3) | | (3.3) | 1.8 | 1.4 | 2.2 | 3.0 | 8.0 | 8.7 |
| Tax | | (0.1) | 0.3 | 0.5 | 0.6 | 0.0 | (0.9) | (1.0) |
| Minorities | | 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 | 8.5 | 10.1 | 10.7 |
| Profit After Tax (FRS 3) | | (3.4) | 2.1 | 1.9 | 2.8 | 3.0 | 7.1 | 7.7 |
| Average Number of Shares Outstanding (m) | | 64.5 | 64.6 | 65.8 | 70.6 | 68.4 | 68.4 | 68.4 |
| EPS - normalised fully diluted (p) | | 0.8 | 6.4 | 8.6 | 10.6 | 11.5 | 13.6 | 14.4 |
| EPS - FRS 3 (p) | | (5.2) | 3.2 | 2.9 | 4.0 | 4.4 | 10.4 | 11.2 |
| Dividend per share (p) | | 0.0 | 0.5 | 1.0 | 1.5 | 1.8 | 2.0 | 2.2 |
| EBITDA Margin (%) | | 2.6 | 5.1 | 5.5 | 6.8 | 7.3 | 8.3 | 8.1 |
| Operating Margin (before GW and except.) (%) | | 1.2 | 3.8 | 4.1 | 5.4 | 5.9 | 6.8 | 6.7 |
| BALANCE SHEET | | | | | | | | |
| Fixed Assets | | 18.6 | 19.8 | 22.0 | 32.3 | 34.4 | 33.4 | 31.2 |
| Intangible Assets | | 16.3 | 17.6 | 18.7 | 27.5 | 28.7 | 27.1 | 25.0 |
| Tangible Assets | | 2.4 | 2.2 | 2.3 | 3.2 | 3.9 | 4.5 | 4.4 |
| Investments | | 0.0 | 0.0 | 0.9 | 1.6 | 1.8 | 1.8 | 1.8 |
| Current Assets | | 66.8 | 60.0 | 54.6 | 62.5 | 65.8 | 64.4 | 74.7 |
| Stocks | | 20.2 | 21.6 | 21.1 | 30.4 | 32.7 | 31.4 | 32.9 |
| Debtors | | 23.0 | 18.5 | 18.5 | 19.7 | 22.9 | 26.0 | 28.0 |
| Cash | | 19.597 | 15.9 | 12.3 | 8.2 | 6.7 | 3.5 | 10.3 |
| Current Liabilities | | (45.7) | (42.9) | (40.8) | (50.7) | (56.7) | (50.7) | (52.6) |
| Creditors | | (44.8) | (42.3) | (40.8) | (47.6) | (49.2) | (50.7) | (52.6) |
| Short term borrowings | | (0.953) | (0.7) | 0.0 | (3.1) | (7.5) | 0.0 | 0.0 |
| Long Term Liabilities | | (23.3) | (16.9) | (13.2) | (15.8) | (11.9) | (9.7) | (9.5) |
| Long term borrowings | | 0.0 | 0.0 | 0.0 | (5.0) | (5.0) | (5.0) | (5.0) |
| Other long term liabilities | | (23.3) | (16.9) | (13.2) | (10.8) | (6.9) | (4.7) | (4.5) |
| Net Assets | | 16.4 | 20.1 | 22.5 | 28.3 | 31.6 | 37.4 | 43.7 |
| CASH FLOW | | | | | | | | |
| Operating Cash Flow | | (2.6) | (0.1) | 2.4 | (1.0) | 2.1 | 10.2 | 11.8 |
| Net Interest | | (0.8) | (0.5) | (0.1) | (0.2) | (0.5) | (0.4) | (0.3) |
| Tax | | (0.2) | (0.0) | (0.3) | (0.3) | (0.9) | (0.9) | (0.9) |
| Capex | | (1.3) | (1.4) | (1.7) | (2.5) | (2.9) | (2.9) | (2.4) |
| Acquisitions/disposals | | (0.8) | (1.4) | (1.6) | (7.9) | (3.0) | (0.5) | 0.0 |
| Financing | | (0.0) | 0.0 | (0.2) | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends | | 0.0 | 0.0 | (0.5) | (0.8) | (1.1) | (1.3) | (1.4) |
| Net Cash Flow | | (5.6) | (3.3) | (2.0) | (12.6) | (6.3) | 4.3 | 6.8 |
| Opening net debt/(cash) | | (23.0) | (18.6) | (15.2) | (12.3) | (0.2) | 5.8 | 1.5 |
| HP finance leases initiated | | (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 | 0.0 | 0.0 |
| Closing net debt/(cash) | | (18.6) | (15.2) | (12.3) | (0.2) | 5.8 | 1.5 | (5.3) |

Source: Company accounts, Edison Investment Research

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