

WYG

Trading update

Slower than expected revenue build

UK workflow in some Consultancy Services lines is not coming through as quickly as anticipated in the August trading update, though international performance has shown more stability. FY18 guidance is now for £3.5m to £4m group EBIT and, pending an update with H118 results (5 December), we have elected to reflect the lower revenue run rate in future periods also. A period of consistent earnings delivery is required to improve sentiment.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/16	133.5	7.0	10.6	1.5	3.9	3.6
03/17	151.8	8.2	11.9	1.8	3.5	4.3
03/18e	154.0	2.8	3.2	1.8	13.0	4.3
03/19e	164.0	4.5	5.2	1.9	8.0	4.6

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

Challenging UK conditions

A combination of slower order placement under framework agreements, staff change and competitive markets have together restricted the rate of pick up in UK revenues compared to expected levels so far in H2. This applies to both existing business on hand and new business development and appears to be more private sector oriented, though not exclusively so. Frustratingly, **planning/transport planning and advisory service** lines continue to experience business challenges in some otherwise buoyant areas while the need to support **asset management** framework clients even during quieter periods is also unhelpful for profitability in that business stream. Activity levels in Africa have been in building line with management expectations and this provides an important underpin to International Development financial performance.

H118 results to add insight on underlying trends

When H118 results are announced, there should be good visibility for the remainder of the year and probably beyond for overseas projects, which typically have longer order book positions. There will be close scrutiny of underlying UK market and service trends; we have lowered our revenue estimates by £3.5m in FY18 and £3m in the following two years. Operational gearing under the UK direct delivery model means that these adjustments effectively all drop through to our EBIT expectations. We have also nudged up our interest cost line consistent with lower cash generation over our estimate horizon.

Valuation: Factoring in recovering earnings

WYG's share price has understandably been under pressure. H118 results will play an important part in restoring confidence in the company's earnings outlook. Based on revised estimates, the FY19 P/E is 8.0x after a partial recovery from an FY18 earnings dip. We feel it appropriate to trim our previous dividend growth expectations, though the trailing and prospective yield is still c 4%.

Industrial support services

28 November 2017

Price **41.5p**

Market cap **£29m**

€1.12/£

Net debt (£m) at end March 2017 2.5

Shares in issue 69.9m

Free float 86%

Code WYG

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (40.3) (23.2) (59.9)

Rel (local) (39.4) (23.2) (63.2)

52-week high/low 136.5p 41.5p

Business description

WYG is a multidiscipline, international project management and management service consultancy, which now 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

H118 results 5 December 2017

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Exhibit 1: Financial summary

	£m	2013	2014	2015	2016	2017	2018e	2019e	2020e
Year end 31 March		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS		IAS19R	IAS19R	IAS19R	IAS19R	IAS19R	IAS19R	IAS19R	IAS19R
Revenue		125.7	126.9	130.5	133.5	151.8	154.0	164.0	172.0
EBITDA		3.3	6.4	7.2	9.0	10.6	5.7	7.5	8.2
Operating Profit (before GW and except.)		1.5	4.8	5.4	7.2	8.6	3.6	5.2	5.7
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)	(1.9)	(1.9)	(1.9)
Other		(2.5)	(3.7)	(2.9)	(1.5)	(0.7)	(0.7)	(0.7)	(0.7)
Exceptionals		(0.6)	2.4	0.0	(1.8)	(4.0)	0.0	0.0	0.0
Profit Before Tax (norm)		0.7	4.3	5.7	7.0	8.2	2.8	4.5	5.1
Profit Before Tax (FRS 3)		(3.3)	1.8	1.4	2.2	1.6	0.2	1.9	2.5
Tax		(0.1)	0.3	0.5	0.6	0.8	(0.4)	(0.7)	(0.8)
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	2.4	3.8	4.4
Profit After Tax (FRS 3)		(3.4)	2.1	1.9	2.8	2.4	(0.2)	1.2	1.7
Average Number of Shares Outstanding (m)		64.5	64.6	65.8	70.6	71.1	71.9	69.9	69.9
EPS - normalised fully diluted (p)		0.8	6.4	8.6	10.6	11.9	3.2	5.2	5.9
EPS - FRS 3 (p)		(5.2)	3.2	2.9	4.0	3.3	(0.3)	1.7	2.5
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	3.7	4.6	4.8
Operating Margin (before GW and except.) (%)		1.2	3.8	4.1	5.4	5.6	2.3	3.1	3.3
BALANCE SHEET									
Fixed Assets		18.6	19.8	22.0	32.3	30.5	29.7	28.1	26.4
Intangible Assets		16.3	17.6	18.7	27.5	25.5	24.0	22.1	20.1
Tangible Assets		2.4	2.2	2.3	3.2	3.2	3.8	4.2	4.5
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	69.1	71.0	73.7
Stocks		20.2	21.6	21.1	30.4	30.0	30.5	30.6	31.9
Debtors		23.0	18.5	18.5	19.7	26.5	27.8	29.6	31.1
Cash		19.597	15.9	12.3	8.2	6.5	6.5	6.5	6.5
Current Liabilities		(45.7)	(42.9)	(40.8)	(50.7)	(53.8)	(58.6)	(59.9)	(60.5)
Creditors		(44.8)	(42.3)	(40.8)	(47.6)	(49.8)	(49.8)	(51.4)	(52.8)
Short term borrowings		(0.953)	(0.7)	0.0	(3.1)	(4.0)	(8.8)	(8.5)	(7.7)
Long Term Liabilities		(23.3)	(16.9)	(13.2)	(15.8)	(12.3)	(10.1)	(9.2)	(9.2)
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)	(5.1)	(4.2)	(4.2)
Net Assets		16.4	20.1	22.5	28.3	31.6	30.1	30.0	30.5
CASH FLOW									
Operating Cash Flow		(2.6)	(0.1)	2.4	(1.0)	3.4	1.3	5.3	6.0
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)	(0.9)	(0.4)	(0.7)
Capex		(1.3)	(1.4)	(1.7)	(2.5)	(1.9)	(2.7)	(2.7)	(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)	(1.3)
Net Cash Flow		(5.6)	(3.3)	(2.0)	(12.6)	(3.0)	(4.8)	0.3	0.8
Opening net debt/(cash)		(23.0)	(18.6)	(15.2)	(12.3)	(0.2)	2.5	7.3	7.0
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	0.0	0.0	0.0
Closing net debt/(cash)		(18.6)	(15.2)	(12.3)	(0.2)	2.5	7.3	7.0	6.2

Source: WYG accounts, Edison Investment Research

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