

YouGov

Custom tracking driving growth

YouGov's trading update for H122 describes continuing good growth, notably in custom tracking and data products, indicating full-year results 'slightly' ahead of management expectations. Our revenue forecasts were at the low end of the range and, also adjusting for December's acquisition of LINK, we lift our FY22e number by 14% while moderating our margin assumption from 17.9% to 17.0% to reflect additional investment to drive future growth. We expect a good uplift in revenue to £250m for FY23, with operating margin improving to 19.0%. The reorientation of the sales effort to focus on larger, strategic clients underpins management's ambitious growth aspirations, reflected in the premium rating.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	EV/EBITDA (x)	P/E (x)
07/20	152.4	24.7	15.7	5.0	32.3	78.5
07/21	169.0	30.5	17.6	6.0	28.6	69.7
07/22e	210.0	40.6	24.0	7.5	23.3	51.2
07/23e	250.0	52.5	32.1	10.0	19.0	38.3

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

New LINK in the chain

In December, YouGov acquired LINK Marketing Services, a Zurich-based market and social research agency, for £21.7m from cash funds (1.1x FY20 revenue and 13.2x adjusted PBT). This purchase steps up the group's European offering, particularly in larger-scale, regional tracking, and brings in an additional Swiss panel of 113k people. Obviously, there is little contribution from LINK in H122 to end January, but our modelling assumes a revenue contribution of around £11m for FY22 and a full year in FY23. The trading update does not specify a cash figure (technically the period end is still a few days off), but the figure will obviously reflect the LINK payment. YouGov has taken on a new three-year revolving credit facility, with an option to extend for two years and an initial draw down of £20m, so still has plenty of resource to continue investing in its panel, technology and platform, which will drive both the top-line growth and the intended margin expansion.

Strong underlying H122 performance

The trading update indicates good underlying trading in H122, with the success of the custom tracking particularly highlighted by management. Year-on-year comparisons will be flattered by a duller performance in H121. Sales momentum is reportedly continuing to be strong into H222, benefiting from the shift in emphasis towards the larger, more strategic contracts both in the US and in mainland Europe.

Valuation: Premium maintained despite retrenchment

The share price has retrenched sharply over recent weeks, in common with other high-growth stocks, falling 23% year to date. Nevertheless, YouGov continues to trade at the high end of the (wide) range of ratings accorded to other global data-led research and analytics groups on both EV/EBITDA and P/E, which reflects its good growth record and prospects and financial strengths.

Half-year trading update

Media

28 January 2022

Price 1,230p
Market cap £1,369m

Cash (£m) at end July 2021 (lease liabilities only, £13.2m) 35.5

Shares in issue 111.3m

Free float 89.8%

Code YOU

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (12.5) (5.4) 13.6

Rel (local) (13.2) (7.5) (0.2)

52-week high/low 1,600p 950p

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

Interim results 22 March 2022

Analyst

Fiona Orford-Williams +44 (0)20 3077 5739

media@edisongroup.com

[Edison profile page](#)

**YouGov is a research client of
Edison Investment Research
Limited**

Changes to FY22 forecasts, new FY23 forecasts

We have revised our FY22 estimates based on the FY21 results published in October, the positive H122 trading update and the contribution from the acquisition of LINK.

We now expect revenues of £210m (up 14% versus our previous estimates), which is a 24% uplift on the prior year, delivering an adjusted operating margin of 17.0% and translating to adjusted EPS of 24.0p (+13%), compared to 17.6p for FY21.

We also introduce our expectations for FY23. Here we anticipate continuing strong momentum from the custom tracking activities, boosted by a full year of the LINK contribution. Forecast revenue of £250.0m represents an increase of 19% on FY22. We have modelled a further increase in adjusted operating margin, to 19.0%. The expansions would be significantly greater but for the additional spend on sales and account management, plus the 'standard' investment in tech, platform and panel recruitment, which are all needed to drive sustainable growth in the medium term.

The management incentive plan includes incentives based around ambitious targets of doubling revenue and group operating margin over the period FY19–23e. This would equate to revenues of £273m and an adjusted operating margin of 27.0%. An EPS CAGR target of 30% over the same period would take EPS to 39.4p on our basis of adjustment.

Exhibit 1: Financial summary

	£'000s	2019	2020	2021	2022e	2023e
Year end 31 July		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		136,487	152,441	169,000	210,000	250,000
Cost of Sales		(24,206)	(23,375)	(26,200)	(39,528)	(52,865)
Gross Profit		112,281	129,067	142,800	170,472	197,135
EBITDA		31,698	39,215	45,900	57,300	70,175
Operating Profit (before amort. and except.)		18,492	21,830	25,500	35,700	47,575
Intangible Amortisation		(8,809)	(12,885)	(15,300)	(16,500)	(17,500)
Share based payments		(2,401)	(2,900)	(5,100)	(5,000)	(5,000)
Exceptionals		1,529	(6,630)	(6,500)	(2,500)	(2,500)
Other		200	0	0	0	0
Operating Profit		20,221	15,200	19,000	33,200	45,075
Net Interest		(665)	7	(100)	(150)	(125)
Profit Before Tax (norm)		20,428	24,737	30,500	40,550	52,450
Profit Before Tax (IFRS16)		19,356	15,207	18,900	33,050	44,950
Tax		(5,086)	(5,812)	(7,400)	(9,732)	(12,586)
Profit After Tax (norm)		15,342	18,925	23,100	30,817	39,864
Profit After Tax (IFRS16)		14,270	9,395	11,500	23,317	32,364
Average Number of Shares Outstanding (m)		105.4	106.7	109.7	111.3	111.3
EPS - normalised (p)		13.8	15.7	17.6	24.0	32.1
EPS - IFRS 16 (p)		14.1	9.0	10.5	20.9	29.1
Dividend per share (p)		4.0	5.0	6.0	7.5	10.0
Gross Margin (%)		82.3	84.7	84.5	81.2	78.9
EBITDA Margin (%)		23.2	25.7	27.2	27.3	28.1
Operating Margin (before GW and except) (%)		13.5	14.3	15.1	17.0	19.0
BALANCE SHEET						
Fixed Assets		108,534	108,122	113,491	140,400	133,709
Intangible Assets		82,374	84,611	89,611	116,111	119,911
Tangible Assets		26,160	23,511	23,813	24,222	13,731
Investments		0	0	67	67	67
Current Assets		72,581	70,255	82,409	78,754	113,569
Stocks		0	0	0	0	0
Debtors		33,726	34,239	40,700	48,904	58,219
Cash		37,925	35,309	35,509	23,650	49,150
Current Liabilities		(51,395)	(52,813)	(67,200)	(77,611)	(89,118)
Creditors		(51,395)	(52,813)	(67,200)	(77,611)	(89,118)
Short term borrowings		0	0	0	0	0
Long Term Liabilities		(22,277)	(16,226)	(16,700)	(16,700)	(16,700)
Long term borrowings		0	0	0	0	0
Other long term liabilities		(22,277)	(16,226)	(16,700)	(16,700)	(16,700)
Net Assets		107,443	109,338	112,000	124,843	141,460
CASH FLOW						
Operating Cash Flow		38,115	38,411	56,600	61,707	72,367
Net Interest		183	(7)	(300)	150	125
Tax		(4,520)	(3,184)	(7,100)	(9,732)	(12,586)
Capex		(12,166)	(18,559)	(23,800)	(23,800)	(23,800)
Acquisitions/disposals		(6,583)	(7,451)	(12,600)	(31,200)	0
Financing		(3,652)	(4,739)	(2,200)	(2,000)	(2,000)
Dividends		(3,327)	(4,298)	(5,500)	(6,679)	(8,349)
Net Cash Flow		8,050	173	5,100	(11,555)	25,757
Opening net debt/(cash)		(30,621)	(37,925)	(35,309)	(35,509)	(23,650)
HP finance leases initiated		0	0	0	0	0
Other		(747)	(2,789)	(4,900)	(304)	(258)
Closing net debt/(cash)		(37,925)	(35,309)	(35,509)	(23,650)	(49,150)

Source: Company accounts, Edison Investment Research

General disclaimer and copyright

This report has been commissioned by YouGov and prepared and issued by Edison, in consideration of a fee payable by YouGov. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2022 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia