

Full year results were in line with the July trading update, a little ahead of our published estimates, with revenues up 12% and adjusted operating profit up 18%. Data Products (one-third of group revenue) performed particularly well, with underlying revenues up 21% and operating margin up 70bp to 35.0%. A strong balance sheet (net cash of £35.3m) supports stepped-up investment in both technology and in panel, underpinning the ambitious targets set out for the three remaining years of management's five-year plan. The valuation remains at the high end of the range of peers.

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	29.2	68.8	0.4
07/20	152.4	24.7	15.7	5.0	24.7	60.5	0.5
07/21e	163.0	28.5	17.4	5.5	23.9	54.6	0.6
07/22e	175.0	34.2	21.2	6.5	20.6	44.8	0.7

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

Seizing market opportunities

YouGov has seen no material impact from COVID-19, with any weakness from clients in the most affected verticals (such as retail) offset by additional work from governments, technology and healthcare clients. YouGov's constantly refreshed online data has enabled it to service its clients without interruption and it has not needed to adapt its business model beyond a transition to home working. The US presidential election provides a clear opportunity to raise the group's profile further and boost the commercial marketing of the YouGov brand. There is more to be done in growing the penetration of the group's products and services within multinational customers and the introduction of key account management, and a sharpened, integrated sales and marketing effort should help progress here.

Investing to support growth

FY20 capital expenditure stepped up to £18.6m, from £12.2m in FY19, with £8.0m spent on technology (principally on survey systems and on upgrading the Crunch data analytics tool) and £8.9m on growing the panels across eight countries and establishing them in four more. This total spend was ahead of the £15.0m we previously modelled. We have also upped our FY21e capex to £18.0m from £16.5m as the group puts in the investment to support future growth. With £35.3m of cash on the balance sheet and no debt (bar lease liabilities), there is plenty of scope for this level of spend, plus an increase in the dividend to 5p (FY19: 4p). We have initiated FY22e forecasts, with a comparatively cautious 7% revenue increase.

Valuation: Premium price for strong positioning

The share price recovered the initial losses as the COVID-19 situation developed, and the stock remains one of only two of the global peers to have shown a positive performance over the year. YouGov's valuation multiples are at the top end of this peer set, reflecting the group's strong market positioning, attractive cash generation (104% conversion of adjusted EBITDA in FY20) and cash-positive balance sheet.

Media

8 October 2020

Price **950p**

Market cap **£1,030m**

\$1.30:£1

Net cash (£m) at end July 2020 35.3

Shares in issue 108.4m

Free float 91.3%

Code YOU

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 4.6 23.2 79.7

Rel (local) 2.0 28.4 111.7

52-week high/low 998p 400p

Business description

YouGov is an international research data and analytics group, with over 11 million online panellists across 42 countries. It offers a complementary data-led suite of products and services including YouGov BrandIndex, YouGov Profiles, YouGov Omnibus, YouGov Direct and custom research.

Next events

AGM 10 December 2020

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Forecasts edged ahead

Results were as flagged in the [pre-close update](#), covered in our July [update note](#). There were two divergences to note from our previous assumptions: higher share-based payments, which came in at £2.9m from the £1.3m we had modelled, and higher capex, referred to above. The former stems from a change in accounting treatment and indicates a more stable level across the life of FYP2, the current long-term strategic growth plan on which management incentives are based, as described in our [Outlook report](#), also published in July. The previous scheme had a lighter charge earlier on, ramping up as it drew towards the end and the likelihood of hitting the targets increased.

As seen below, profits and earnings were pretty much in line with our modelling.

Exhibit 1: Summary financials

	EPS (p)			PBT (£m)			Adjusted operating profit (£m)		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
2020	15.4	15.7	+2	23.1	24.7	+7	21.7	21.8	=
2021e	17.2	17.4	+1	26.9	28.5	+6	25.5	25.7	+1
2022e	-	21.2	N/A	-	34.2	N/A	-	31.4	N/A

Source: Company accounts, Edison Investment Research. Note: Adjusted to include amortisation and exclude separately reported items. Our normalised EPS are expressed after share-based payments.

Consequently, there is little change to our anticipated outturn for FY21e, although we caution that the continuing impact of the pandemic at the macro and the micro level may throw our underlying assumptions. Broadly, as explained above, the effect to date has been broadly neutral, as some sectors of the economy have flourished while others have struggled.

Prolonged suppression of the global consumer economy would obviously have a deleterious effect, partially offset by the growing importance of a data feedback loop to gauge consumer attitudes and behaviours, both for making commercial and civic judgements.

Our new FY22 forecasts therefore come with a greater degree of uncertainty than would be normal, reflected in an anticipated top-line growth of just over 7%, which would leave a lot of ground to be made up in the later periods of FYP2. We also anticipate steady improvements in adjusted operating margin, from the 14.3% achieved in FY20 to 15.8% in FY21e and on to 18.0% in FY22e. This reflects the improving operating leverage from the investment in the technology, with a growing degree of automation and in self-service through YouGov Direct (see [Outlook note](#)).

Management has recommended a 5p dividend, up from 4p for FY19, which we take to be a measure of its confidence in the group's positioning and the well-funded balance sheet.

Segmental performance review

Data Products leads the way

Exhibit 2: Divisional contributions

FY20	Data Products	% change/FY19 margin	Data Services	% change/FY19 margin	Custom Research	% chg/FY19 margin	Central costs	% change	Total	% chg/FY19 margin
Revenue (£m)	51.3	+24	37.8	+2	64.6	+8	(1.3)		152.4	+12
Adjusted operating profit (£m)	18.0	+26	7.0	-6	12.6	-4	(15.7)	-3	21.8	+18
Adjusted operating margin (%)	35.0	34.3	18.4	20.0	19.5	21.9			14.3	13.5

Source: Company accounts

Data Products now accounts for around a third of group, with revenues up by 24% over the prior year, a slight slowing from the 29% progress at the half-year stage (implies +19% for H2). On an

underlying basis, revenues grew 21%, with the additional boost from YouGov SportsIndex, which has quickly established a useful role in the segment. The boost to segmental operating margin reflects the scalability of its largely digital model for data collection and the delivery of syndicated products. The US market continues to be the largest geographical region, yet its growth at 26% outstripped those of other territories.

Data Services (25% group FY20 revenues) faced tough comparatives, with non-recurring election work in Asia Pacific during the previous year, limiting it to 2% growth (4% underlying). Segmental revenues are weighted to the UK market, which grew 7%, despite YouGov Omnibus already being the market leader. The operating margin, declining from 20.0% to 18.4%, was affected by two factors; the transfer in of relatively lower-margin work from the Custom Research segment in the Nordic region (highlighted in previous trading updates) and a larger proportion of overhead, previously allocated centrally.

Management's intention is to drive a more concentrated sales effort. Although there clearly remains potential for further progress in the UK, the main opportunity is for stimulating demand in the US, leveraging the group's existing relationships through the key account management. With greater use of the group's Centers of Excellence in Romania and India, together with a faster growing top line, margins should be able to return to expansion.

Custom Research (42% group FY20 revenues) had results affected by the planned closure of a large contract in Kurdistan, originally planned to run through to FY21, which reduced revenues in the Middle East by £2.1m (30%). Underlying revenue progress, though, was impressive, at 12%, with a growing element of longitudinal tracking projects, indicated to be around 40% of the divisional revenues. The Kurdistan closure affected reported operating margin, accounting from the bulk of the reduction from 21.9% down to 19.5% margin, with the balance reflecting greater central overhead reallocation. As the business continues to shift more towards committed revenues and multi-territory projects, utilising data held within the YouGov Cube, the quality of divisional earnings is improving, and we expect the margins to recover.

Valuation

YouGov's share price started the year at 643p, falling sharply to 400p at the onset of lockdowns and peak market uncertainty in March. Since that point, and as overall trading has proved to be little affected by COVID-19 (albeit that the mix has adjusted), confidence has rebuilt, and the share price has resumed its positive trajectory. The group trades at the high end of the range of the international peer set, as shown below.

Exhibit 3: Peer set valuations

	Ytd perf (%)	Price	Market cap (m)	EV/Sales 1FY (x)	EV/EBITDA last (x)	EV/EBITDA 1FY (x)	EV/EBITDA 2FY (x)	P/E last (x)	P/E 1FY (x)	P/E 2FY (x)	Div yield last (%)	EBITDA margin last (%)
Next Fifteen (GBP)	(6)	506	459	2.0	9.0	9.1	8.0	14.5	14.2	12.5	0.5	22.9
ComScore (US\$)	(59)	2.04	145	0.9	49.9	10.6	8.4				0.0	1.6
IPSOS (€)	(25)	21.80	969	0.9	6.3	7.4	6.4	7.6	10.7	8.2	4.0	12.6
Forrester (US\$)	(19)	33.62	635	1.6	11.0	13.2	11.6	20.4	25.8	19.1	0.0	13.4
Gartner (US\$)	(19)	125.34	111,184	3.3	18.7	20.0	18.4	32.1	39.5	35.8	0.0	16.1
Nielsen (US\$)	(30)	14.29	5,098	2.2	7.2	7.4	7.1	7.9	9.3	8.4	7.8	28.5
GlobalData (GBP)	20	1,550	1,825	10.7	43.0	36.0	32.6	53.7	54.7	48.2	1.0	25.0
WPP (GBP)	(41)	626	7,666	1.3	6.2	8.8	7.5	6.8	11.2	8.7	9.6	16.1
Average	(22)			2.8	18.9	14.1	12.5	20.4	23.6	20.1	2.9	17.0
YouGov (GBP)	40	905	981	5.8	23.5	22.8	19.5	57.7	52.2	42.6	0.6	25.7

Source: Refinitiv. Note: Prices as at 5 October 2020.

Exhibit 4: Financial summary

	£'000s	2018	2019	2020	2021e	2022e
Year end 31 July		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		116,559	136,487	152,441	163,000	175,000
Cost of Sales		(21,495)	(24,206)	(23,375)	(24,604)	(26,103)
Gross Profit		95,064	112,281	129,067	138,396	148,897
EBITDA		20,907	31,698	39,215	41,322	47,697
Operating Profit (before amort. and except.)		12,650	18,492	21,830	25,740	31,415
Intangible Amortisation		(7,026)	(8,809)	(12,885)	(10,782)	(10,782)
Share based payments		(3,571)	(2,401)	(2,900)	(2,900)	(2,900)
Exceptionals		(892)	1,529	(6,630)	0	0
Other		66	200	0	0	0
Operating Profit		11,824	20,221	15,200	25,740	31,415
Net Interest		(51)	(665)	7	(175)	(150)
Profit Before Tax (norm)		16,302	20,428	24,737	28,465	34,165
Profit Before Tax (IFRS16)		11,773	19,356	15,207	25,565	31,265
Tax		(3,615)	(5,086)	(5,812)	(9,771)	(11,949)
Profit After Tax (norm)		12,687	15,342	18,925	18,694	22,216
Profit After Tax (IFRS16)		8,158	14,270	9,395	15,794	19,316
Average Number of Shares Outstanding (m)		105.4	105.4	106.7	108.4	108.4
EPS - normalised (p)		10.8	13.8	15.7	17.4	21.2
EPS - IFRS 16 (p)		7.7	14.1	9.0	14.6	17.8
Dividend per share (p)		3.0	4.0	5.0	5.5	6.5
Gross Margin (%)		81.6	82.3	84.7	84.9	85.1
EBITDA Margin (%)		17.9	23.2	25.7	25.4	27.3
Operating Margin (before GW and except) (%)		10.9	13.5	14.3	15.8	18.0
BALANCE SHEET						
Fixed Assets		78,019	108,534	108,122	106,068	105,286
Intangible Assets		65,357	82,374	84,611	83,829	83,047
Tangible Assets		12,471	26,160	23,511	22,239	22,239
Investments		191	0	0	0	0
Current Assets		66,735	72,581	70,255	77,891	89,536
Stocks		0	0	0	0	0
Debtors		34,672	33,726	34,239	36,611	39,306
Cash		30,621	37,925	35,309	40,574	49,524
Current Liabilities		(41,445)	(51,395)	(52,813)	(55,070)	(55,080)
Creditors		(41,445)	(51,395)	(52,813)	(55,070)	(55,080)
Short term borrowings		0	0	0	0	0
Long Term Liabilities		(11,238)	(22,277)	(16,226)	(13,206)	(13,206)
Long term borrowings		0	0	0	0	0
Other long-term liabilities		(11,238)	(22,277)	(16,226)	(13,206)	(13,206)
Net Assets		92,071	107,443	109,338	115,683	126,537
CASH FLOW						
Operating Cash Flow		23,617	38,115	38,411	41,615	48,031
Net Interest		22	183	(7)	175	150
Tax		(5,501)	(4,520)	(3,184)	(7,328)	(11,949)
Capex		(8,181)	(12,166)	(18,559)	(18,000)	(16,000)
Acquisitions/disposals		(885)	(6,583)	(7,451)	(3,428)	(3,020)
Financing		259	(3,652)	(4,739)	(2,000)	(2,000)
Dividends		(2,106)	(3,327)	(4,298)	(5,420)	(5,962)
Net Cash Flow		7,225	8,050	173	5,615	9,250
Opening net debt/(cash)		(23,219)	(30,621)	(37,925)	(35,309)	(40,574)
HP finance leases initiated		0	0	0	0	0
Other		177	(747)	(2,789)	(350)	(300)
Closing net debt/(cash)		(30,621)	(37,925)	(35,309)	(40,574)	(49,524)

Source: Company accounts, Edison Investment Research. Note: FY19 amounts have been restated.

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