

Sustained momentum

YouGov's H122 results show impressive underlying revenue growth of 25%, led by strong progress in Data Products and Custom Research, with the United States and Europe the best-performing regions. Sales momentum has continued in H222 and FY22 results are expected to be slightly ahead of earlier guidance. We increase our revenue forecasts by £5m for FY22 and FY23, keeping our operating margin assumptions unchanged (raise in gross margin offset by higher costs). As with other high-growth stocks, the share price has retrenched over the year to date but the shares retain their premium rating, reflecting management's ambitious growth aspirations.

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	30.2	72.7
07/21	169.0	30.5	17.6	6.0	26.8	64.6
07/22e	215.0	41.4	24.6	7.5	21.5	46.4
07/23e	255.0	53.4	32.7	10.0	17.6	34.9

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

Data Products and Custom Research leading

Underlying group revenues were up 25% with Data Products (34% group H122 revenues) up by 32% and Custom Research (42%) up by 28%, boosted to a gain of 39% including acquisitions. Data Services posted (still good) underlying growth of 9%, as government and non-profit spend settled as COVID-19 pandemic concerns eased. Operating margins progressed for both Data Services (17% to 18%) and Custom Research (16% up to 19%), off slightly for Data Products from 33% in H121 to 32%. Some underlying cost pressure, partly from scaling up, partly from inflation, shows more clearly in the geographic operating margin breakdown where the UK figure dipped from 30% to 26%, while the benefits of scale boosted the US margin from 29% up to 35% as revenues grew 36% underlying, now representing 46% of group.

Elements to lift margins coming into place

The increasing utilisation of the global Centres of Excellence and standardisation of both the offering and the delivery should help continue to boost operating margin, which is one of the three targets set by management under FYP2, its long-term growth plan which runs through to end FY23. This comprises ambitious targets of doubling revenue and group operating margin over the period FY19–23e. Meeting this in full would equate to revenues of £273m and an adjusted operating margin of 27.0%. An EPS CAGR target of 30% over the same period (the metric for vesting on management's LTIPs) would take EPS to 39.4p on our basis of adjustment.

Valuation: Reflects growth and prospects

In common with other high-growth stocks, the share price has retrenched sharply over recent weeks, falling 29% 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 we believe reflects its good growth record and prospects and financial strengths.

Media

22 March 2022

Price 1140p

Market cap £1,269m

Net cash (£m) at 31 January 2022 20.1

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	(14.5)	(15.6)	16.9
Rel (local)	(14.0)	(15.6)	7.8

52-week high/low 1600p 970p

Business description

YouGov is an international online 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

Y/E trading update 29 July 22

Analyst

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

media@edisongroup.com
[Edison profile page](#)

YouGovYouGov is a research client of Edison Investment Research Limited

Progress on revenue, margin and cash conversion

The revenue growth appears to be broadly based, with new business wins and growth in the volume of business transacted with existing clients.

Exhibit 1: H122 performance by segment				
£m	Rev H122	Underlying rev gth	Adj Op margin H122	Adj Op margin H121
Data Products	34.8	+32%	32%	33%
Data Services	23.7	+9%	18%	17%
Custom Research	42.0	+28%	19%	16%
Central costs	0.7	u/c	-	-
Group	101.2	+25%	14%	13%

Source: Company

The figures include some contribution from acquisitions, particularly LINK, which is included in the Custom Research segment. Working backwards from the difference between revenue growth and underlying revenue growth for Custom Research and from mainland Europe (LINK is based in Switzerland) suggests a contribution of £2.8–3.5m from acquisitions.

Geographic highlights are the strong US performance particularly notable in both Data Products and Custom Research, boosted by strong spend from clients in the technology sector. Mainland Europe, where the group has previously struggled to get the business into shape, now looks to be building a robust and coherent business offering.

The management of operating margin is centred on expanding the YouGov Platform, now in its second phase, which we believe should facilitate standardisation across geographies and the bolstering of the various Centres of Expertise, termed CenX, to drive efficiency in delivery of client projects.

Overall group adjusted operating profit of £14.0m is up 33% (36% underlying) from H121. Adjusted EPS were up 11%. These results were achieved despite a currency headwind, with a(n unrealised) foreign exchange loss on intercompany loans of £1.4m.

Exhibit 2: H122 performance by geography				
£m	Rev H122	Underlying rev gth	Adj Op margin H122	Adj Op margin H121
UK	26.7	+10%	26%	30%
Americas	46.1	+36%	35%	29%
Mainland Europe	20.0	+23%	13%	13%
Middle East	2.8	+25%	18%	(5%)
Asia Pacific	9.3	+26%	6%	1%
Central items	(3.7)	+30%	-	-
Group	101.2	+25%	14%	13%

Source: Company

Cash resource in place to fund growth plans

At the end of 2021, YouGov took on a new three-year revolving credit facility, with an option to extend for two years and an initial draw down of £20m. The period end net cash figure of £20.1m is after the payments for LINK of £21.7m in cash, which represented 1.1x FY20 revenue and 13.2x adjusted PBT and for Rezonance of £4.1m, which are helping scale up automated data collection. The reorganisation of the group sales and account management function is now broadly completed.

Cash conversion was very strong in the first half at 120%, so the group still has plenty of resource to continue investing in its panel, technology and platform, which we believe will drive both the top-line growth and the intended margin expansion. We now expect a year-end cash figure of £24.5m (was £23.7m).

Exhibit 3: 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	215,000	255,000
Cost of Sales		(24,206)	(23,375)	(26,200)	(34,400)	(44,304)
Gross Profit		112,281	129,067	142,800	180,600	210,696
EBITDA		31,698	39,215	45,900	58,100	71,100
Operating Profit (before amort. and excepts.)		18,492	21,830	25,500	36,500	48,500
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)	(3,600)	(2,500)
Other		200	0	0	0	0
Operating Profit		20,221	15,200	19,000	32,900	46,000
Net Interest		(665)	7	(100)	(150)	(125)
Profit Before Tax (norm)		20,428	24,737	30,500	41,350	53,375
Profit Before Tax (IFRS16)		19,356	15,207	18,900	32,750	45,875
Tax		(5,086)	(5,812)	(7,400)	(9,644)	(12,845)
Profit After Tax (norm)		15,342	18,925	23,100	31,706	40,530
Profit After Tax (IFRS16)		14,270	9,395	11,500	23,106	33,030
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	24.6	32.7
EPS - IFRS 16 (p)		14.1	9.0	10.5	20.8	29.7
Dividend per share (p)		4.0	5.0	6.0	7.5	10.0
Gross Margin (%)		82.3	84.7	84.5	84.0	82.6
EBITDA Margin (%)		23.2	25.7	27.2	27.0	27.9
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	81,081	116,562
Stocks		0	0	0	0	0
Debtors		33,726	34,239	40,700	50,381	59,862
Cash		37,925	35,309	35,509	24,500	50,500
Current Liabilities		(51,395)	(52,813)	(67,200)	(79,049)	(90,556)
Creditors		(51,395)	(52,813)	(67,200)	(79,049)	(90,556)
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	125,732	143,014
CASH FLOW						
Operating Cash Flow		38,115	38,411	56,600	62,468	73,127
Net Interest		183	(7)	(300)	150	125
Tax		(4,520)	(3,184)	(7,100)	(9,644)	(12,845)
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	(10,705)	26,258
Opening net debt/(cash)		(30,621)	(37,925)	(35,309)	(35,509)	(24,500)
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)	(24,500)	(50,500)

Source: Company accounts, Edison Investment Research

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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