

YouGov

Products and Profiles

YouGov's half-year pre-close statement confirms the group is trading well and in line with expectations. Our forecast is for revenue growth in the current financial year to July of 10% (the same for FY17), well ahead of forecast average growth from the quoted sector of 4-5%. Good progress is continuing across data products and services and the custom research business. Continued increases in higher-margin product, with the cash resource to fund the progress, underpins the forecast premium growth and, by extension, the rating.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
07/14	67.4	7.6	5.8	0.8	24.6	0.6
07/15	76.1	9.1	6.7	1.0	21.3	0.7
07/16e	83.5	10.7	7.6	1.2	18.8	0.8
07/17e	91.8	12.1	8.4	1.4	17.0	1.0

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

Growth ahead of market

As is usual for YouGov at this juncture, there is no financial data in the brief update and we have made no adjustments to our forecasts for either FY16 or FY17. The strong top-line growth of both BrandIndex and Omnibus mean that together they should account for around one-third of FY16 group revenues, with the newer Profiles product also building as it establishes in key geographies. Custom Research revenue growth continues to outperform its market, albeit at a much lower growth rate than data products. The increasing proportion of revenue and contribution from Products and Services supports our modelled improvement in group operating margin in FY16 and FY17, which in turn drives the earnings growth towards the LTIP's demanding targets. The LTIP triggers in full on achievement of 25% CAGR in earnings over five years to July 2019, with no grant at all for growth <10%, or if the operating margin fails to average more than 12% over the period (11.3% in FY15, 11.9% FY16e).

Cash to invest

YouGov has an inherently cash-generative business model, with the resultant funds invested in upgrading the products and services it provides to its clients, launching new initiatives and rolling out to new territories. It has also been investing in internal infrastructure to improve efficiency; moving some support functions to lower-cost locations, increasing process automation and adding cloud-based analytics.

Valuation: Price reflects premium growth

The share price picked up last summer, with a further fillip on the full year results in October, since when it has continued to outperform a falling market. YouGov's shares are on an annualised CY16e EV/EBITDA of 12.4x, comfortably ahead of the sector on 10.0x. With continued good trading momentum leading to revenue and earnings growth clearly well above sector forecasts, and a progressive dividend, this premium over the sector is clearly justified.

Half-year pre-close update

Media

8 February 2016

Price 142.5p
Market cap £149m

Net cash (£m) at end July 2015	10.0
Shares in issue	104.3m
Free float	83%
Code	YOU
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	2.7	(3.4)	22.6
Rel (local)	2.5	4.8	40.6
52-week high/low	154.0p	102.8p	

Business description

YouGov is an international, full-service online market research and data analytics group. Its offer includes custom research, omnibus, field and tab services, qualitative research, syndicated products and market intelligence reports.

Next events

Interim results	21 March 2016
Prelims	10 October 2016

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Exhibit 1: Financial summary

	£'000s	2014	2015	2016e	2017e
Year end 31 July		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		67,375	76,110	83,500	91,800
Cost of Sales		(15,812)	(17,472)	(18,788)	(20,196)
Gross Profit		51,564	58,638	64,713	71,604
EBITDA		8,020	9,273	10,646	11,826
Operating Profit (before GW, except and share-based payments)		7,936	9,239	10,843	12,223
Intangible Amortisation		(3,965)	(4,633)	(4,633)	(4,633)
Share based payments		(547)	(669)	(900)	(1,100)
Exceptionals		(2,385)	(1,072)	0	0
Other		(14)	41	0	0
Operating Profit		1,025	2,906	5,310	6,490
Net Interest		(292)	(220)	(143)	(123)
Profit Before Tax (norm)		7,630	9,060	10,700	12,100
Profit Before Tax (FRS 3)		733	2,686	5,167	6,367
Tax		(316)	580	(2,461)	(2,965)
Profit After Tax (norm)		7,314	9,640	8,239	9,136
Profit After Tax (FRS 3)		417	3,266	2,504	3,403
Average Number of Shares Outstanding (m)		98.0	101.0	103.9	104.3
EPS - normalised fully diluted (p)		5.8	6.7	7.6	8.4
EPS - FRS 3 (p)		0.4	3.2	2.4	3.2
Dividend per share (p)		0.8	1.0	1.2	1.4
Gross Margin (%)		76.5	77.0	77.5	78.0
EBITDA Margin (%)		11.9	12.2	12.8	12.9
Operating Margin (before GW and except & share-based payments) (%)		11.0	11.3	11.9	12.1
BALANCE SHEET					
Fixed Assets		52,259	53,726	52,427	52,427
Intangible Assets		46,650	46,145	46,000	46,000
Tangible Assets		5,609	7,377	6,223	6,223
Investments		0	204	204	204
Current Assets		29,873	33,329	37,594	42,524
Stocks		0	0	0	0
Debtors		21,687	22,507	24,692	27,418
Cash		7,429	10,017	12,145	14,552
Current Liabilities		(21,480)	(22,983)	(25,215)	(27,447)
Creditors		(21,296)	(22,983)	(25,215)	(27,447)
Short term borrowings		(184)	0	0	0
Long Term Liabilities		(2,700)	(2,449)	(3,500)	(3,250)
Long term borrowings		0	0	0	0
Other long term liabilities		(2,700)	(2,449)	(3,500)	(3,250)
Net Assets		57,952	61,623	61,307	64,254
CASH FLOW					
Operating Cash Flow		8,600	10,091	11,000	12,000
Net Interest		(295)	(233)	(143)	(123)
Tax		(287)	(730)	(2,106)	(2,587)
Capex		(5,759)	(5,754)	(5,500)	(5,500)
Acquisitions/disposals		(1,003)	(470)	0	(36)
Financing		(101)	454	0	0
Dividends		(566)	(773)	(1,123)	(1,347)
Net Cash Flow		589	2,585	2,128	2,407
Opening net debt/(cash)		(6,656)	(7,245)	(10,017)	(12,145)
HP finance leases initiated		0	0	0	0
Other		0	187	0	0
Closing net debt/(cash)		(7,245)	(10,017)	(12,145)	(14,552)

Source: Company accounts, Edison Investment Research

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