

YouGov

Premium growth story

Half-year results show more strong progress in data products and services, driving group revenue growth well above market levels. Between them, key brands BrandIndex and Omnibus should account for over one-third of FY16 revenues. The US and UK markets provide the model for operations in other regions for penetrating these key products and for growing profitable custom business. The group has the cash resource to continue to invest in its offer and in delivering it efficiently, underpinning projections for continuing premium growth, readily justifying the valuation.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
07/14	67.4	7.6	5.8	0.8	22.9	0.6
07/15	76.1	9.1	6.7	1.0	19.9	0.8
07/16e	83.5	10.7	7.6	1.2	17.6	0.9
07/17e	91.8	12.1	8.4	1.4	15.8	1.1

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

BrandIndex and Omnibus continue to lead the way

YouGov's concentration on building its value-adding syndicated products and services is meshing well with its clients' requirements for in-depth information on their own customers and markets. BrandIndex and Omnibus are powering ahead, growing revenues 45% and 28% respectively, with the US and UK markets still fertile territory. Profiles is starting to gain meaningful traction with media planners, in line with expectations. The heavier investment phase in Profiles is working through and margin in Data Products picked up from 19% to 24%. Data services' margin was dampened by investment in France. Custom research is also growing above market levels, with the margin notching up as a greater standardisation is built in. In Germany, the balance of business is more heavily skewed to Custom Research for historical reasons, and this has been a more difficult market. Germany is now to be run with the Nordic businesses under a regional CEO.

Reversion to normal cash conversion

Our adjusted profits and earnings forecasts are unchanged. Although implied H2 growth rates are more subdued, there is some phasing effect and the stronger US dollar has boosted revenue. H116 cash conversion reverted to more normal levels than a year ago at 90%, with working capital not suffering from the spike it faced in H115. £2.6m investment in H116 was a little under H115 and the group ended January with £10.1m net cash. Our model shows year-end net cash of £12.3m.

Valuation: Price reflects premium growth

The share price has drifted back from the highs it reached in November 2015. The quoted US-based peers are the most highly rated of the international cohort; YouGov lies at the median on 11.5x calendar 2016 EV/EBITDA, with the European players more lowly rated. The market is looking for revenue growth from the quoted sector of 5.1% in CY16 followed by 4.7% for CY17, but a further tick up in margins. YouGov is set to outstrip both indicators, justifying its comparative rating.

Interim results

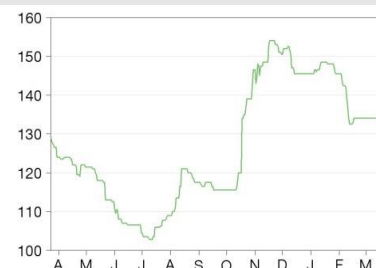
Media

22 March 2016

Price 133p
Market cap £139m

Net cash (£m) at 31 January 2016	10.1
Shares in issue	104.2m
Free float	83%
Code	YOU
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(0.8)	(8.6)	7.7
Rel (local)	(4.6)	(10.1)	20.1
52-week high/low	154.0p	102.8p	

Business description

YouGov is an international, full service online market research agency offering custom research, omnibus, field and tab services, qualitative research, syndicated products and market intelligence reports.

Next events

Pre-close update	August 2016
Prelims	10 October 2016

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Data products and services gain share

Exhibit 1: H1 summary

H116	Revenue (£m)	Revenue growth (%)	Operating profit (£m)	Operating margin (%)
BrandIndex	6.80	45%		
Other Data Products	0.90	40%		
Total Data Products	7.70	44%	1.9	24%
Omnibus	7.40	28%		
Other Data Services	0.70	-13%		
Total Data Services	8.10	22%	2.0	25%
Total Data Products & Services	15.8	32%	3.9	25%
Custom Research	25.7	6%	2.7	11%
Central costs			(2.3)	
Group	41.5	15%	4.3	10%

Source: YouGov

Building the syndicated product suite

BrandIndex makes up the bulk of Data Products revenues; Omnibus makes up the majority of Data Services. The balance of Data Products is Profiles and in YouGov market intelligence Reports business. The latter is being rationalised into a smaller range of reports informed by YouGov Cube data (see [Outlook report](#)). BrandIndex continues to gain marketing communications clients and brand owners and advertisers. Since its launch in November 2014, Profiles has been growing strongly as it establishes its reputation and builds its subscription client base. It logged sales of £2m in the twelve months to 31 January 2016. New clients added in the period include JC Decaux and AutoTrader in the UK and Crossmedia in Germany. Selling Profiles in conjunction with BrandIndex is the obviously a key aim and this approach is meeting success in the US with some strong new client names on the roster, including Viacom and NASCAR.

Omnibus grows its footprint

Omnibus has been benefiting from the depth and breadth of the YouGov panel, which enables clients to obtain data from narrowly defined segments such as shoppers, small and medium-enterprises, car drivers and pet owners. The increased geographic roll-out is also enabling more multi-country projects for multi-national clients.

Key markets performing strongly

On a geographic basis, the largest markets of the UK and US grew their revenues by 17% and 14% respectively, with a big step up in UK operating margins from 14% to 22% as the investment phase moved through. The investment in rolling out Profiles in the US meant a small dip in operating margin in that territory from 23% to 21%. As mentioned above, the German operations had the most difficult experience, with demand for custom research poor, although revenues from BrandIndex climbed 47%. Business in the Middle East region ran positively, with revenues ahead 29% and an increased margin on the back of new client wins in UAE and Saudi, project work in Kurdistan and a developing business in Egypt. Asia Pacific is growing very fast, albeit off a small base.

Exhibit 2: 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)	(5,000)	(5,000)
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	4,943	6,123
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	4,800	6,000
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	2,137	3,036
Average Number of Shares Outstanding (m)		98.0	101.0	103.9	104.2
EPS - normalised fully diluted (p)		5.8	6.7	7.6	8.4
EPS - FRS 3 (p)		0.4	3.2	2.0	2.9
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	54,294	54,294
Intangible Assets		46,650	46,145	46,000	46,000
Tangible Assets		5,609	7,377	8,039	8,039
Investments		0	204	255	255
Current Assets		29,873	33,329	37,774	42,455
Stocks		0	0	0	0
Debtors		21,687	22,507	24,692	27,418
Cash		7,429	10,017	12,325	14,483
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)	(3,000)	(3,000)
Long term borrowings		0	0	0	0
Other long term liabilities		(2,700)	(2,449)	(3,000)	(3,000)
Net Assets		57,952	61,623	63,854	66,302
CASH FLOW					
Operating Cash Flow		8,600	10,091	10,700	12,000
Net Interest		(295)	(233)	(143)	(123)
Tax		(287)	(730)	(2,103)	(2,587)
Capex		(5,759)	(5,754)	(5,750)	(5,750)
Acquisitions/disposals		(1,003)	(470)	0	(36)
Financing		(101)	454	0	0
Dividends		(566)	(773)	(1,021)	(1,347)
Net Cash Flow		589	2,585	1,683	2,157
Opening net debt/(cash)		(6,656)	(7,245)	(10,017)	(12,325)
HP finance leases initiated		0	0	0	0
Other		0	187	625	0
Closing net debt/(cash)		(7,245)	(10,017)	(12,325)	(14,482)
Source: Company accounts, Edison Investment Research					

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