

YouGov

Half-year update

Good H117 progress

YouGov's positive H117 update shows trading ahead of market expectations, resulting from good progress from data products and services and growth in the custom research margin. There has also been some currency benefit. For now, we have maintained our implied H217 numbers, meaning that our FY17e revenue forecast increases 2% and changes to the mix move our PBT estimate up 4%. FY18e numbers are edged up slightly. At 15.7x current year EV/EBITDA, the valuation is towards the top of the range of global peers (7.5x to 17.5x), which is a reflection of the strong earnings growth and cash generation.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
07/15	76.1	9.1	6.7	1.0	34.2	0.4
07/16	88.2	13.3	8.5	1.4	27.0	0.6
07/17e	103.0	14.6	10.2	1.6	22.5	0.7
07/18e	113.5	16.5	11.3	1.8	20.3	0.8

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

Strong H117 performance

There has been good underlying performance across data products and services in the period, with additional benefit from currency (BrandIndex generates around 60% of its revenues in the US). Both BrandIndex and the newer YouGov Profiles product continue to attract new clients globally. Omnibus, which makes up the bulk of data services' revenues, has grown in line with expectations, while custom research continues to improve its margin as planned. It has a growing element of tracking studies – 12% of FY16 segmental revenues. For the time being, we maintain our implied second-half numbers for the data products and services. The group is second-half weighted, so this is a comparatively cautious stance. Visibility for both H217 and FY18 will be better by the publication of the interim results to end January on 27 March and there may be further scope for raising forecasts then.

Cash flowing

Net cash at end January was reported at £13m and our forecast for end July now stands just short of £19m. Cash conversion for the group typically runs at between 80% and 120%, and in FY16 it was even stronger at 130%. The main focus is on the organic growth, but the group obviously has the firepower to take advantage of acquisition opportunities. Any deals struck would need to be relevant to the strategy, for example through adding better or new data sources, which limits the number of potential opportunities.

Valuation: Reflecting superior growth

The share price has risen 55% from a year ago (after a high of 258p in mid-December) as the market has recognised that the group's clear and consistent strategy is translating into profits and, at least as importantly, into cash. With much of the traditional MR sector still struggling with legacy infrastructures, it is unsurprising that YouGov's rating is towards the top of the ranking of global peers, reflecting its much higher CAGR in earnings and progressive dividend stream.

Media

31 January 2017

Price **229.50p**

Market cap **£239m**

US\$1.25/£

Net cash (£m) at end January 2017 13

Shares in issue 104.3m

Free float 91%

Code YOU

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (8.2) 0.7 57.7

Rel (local) (8.0) (1.3) 36.2

52-week high/low 255.0p 132.5p

Business description

YouGov is an international market research and data and analytics group offering a data-led suite of suite of products and services including YouGov BrandIndex, YouGov Profiles and YouGov Omnibus and custom research.

Next events

Interim results 27 March 2017

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Exhibit 1: Financial summary

	£000s	2014	2015	2016	2017e	2018e
Year end 31 July		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		67,375	76,110	88,202	103,000	113,500
Cost of Sales		(15,812)	(17,472)	(19,476)	(22,660)	(24,970)
Gross Profit		51,564	58,638	68,726	80,340	88,530
EBITDA		8,020	9,273	11,620	14,103	15,954
Operating Profit (before GW, except and share-based payments)		7,936	9,239	12,055	14,500	16,351
Intangible Amortisation		(3,965)	(4,633)	(5,478)	(5,000)	(5,000)
Share based payments		(547)	(669)	(1,138)	(1,100)	(1,100)
Exceptionals		(2,385)	(1,072)	(1,108)	0	0
Other		(14)	41	(4)	0	0
Operating Profit		1,025	2,906	4,327	8,400	10,251
Net Interest		(292)	(220)	1,199	100	149
Profit Before Tax (norm)		7,630	9,060	13,250	14,600	16,500
Profit Before Tax (FRS 3)		733	2,686	5,526	8,500	10,400
Tax		(316)	580	(2,111)	(3,577)	(4,373)
Profit After Tax (norm)		7,314	9,640	11,139	11,023	12,128
Profit After Tax (FRS 3)		417	3,266	3,415	4,923	5,826
Average Number of Shares Outstanding (m)		98.0	101.0	103.9	104.6	104.6
EPS - normalised fully diluted (p)		5.8	6.7	8.5	10.2	11.3
EPS - FRS 3 (p)		0.4	3.2	3.3	4.7	5.5
Dividend per share (p)		0.8	1.0	1.4	1.6	1.8
Gross Margin (%)		76.5	77.0	77.9	78.0	78.0
EBITDA Margin (%)		11.9	12.2	13.2	13.7	14.1
Operating Margin (before GW and except & share-based payments) (%)		11.0	11.3	12.4	13.0	13.4
BALANCE SHEET						
Fixed Assets		52,259	53,726	62,366	62,366	62,366
Intangible Assets		46,650	46,145	53,140	53,140	53,140
Tangible Assets		5,609	7,377	8,984	8,984	8,984
Investments		0	204	242	242	242
Current Assets		29,873	33,329	45,339	53,768	62,770
Stocks		0	0	0	0	0
Debtors		21,687	22,507	28,643	33,783	37,227
Cash		7,429	10,017	15,553	18,842	24,400
Current Liabilities		(21,480)	(22,983)	(27,823)	(32,171)	(35,450)
Creditors		(21,296)	(22,983)	(27,823)	(32,171)	(35,450)
Short term borrowings		(184)	0	0	0	0
Long Term Liabilities		(2,700)	(2,449)	(5,793)	(3,000)	(3,000)
Long term borrowings		0	0	0	0	0
Other long term liabilities		(2,700)	(2,449)	(5,793)	(3,000)	(3,000)
Net Assets		57,952	61,623	74,089	80,963	86,686
CASH FLOW						
Operating Cash Flow		8,600	10,091	14,139	14,500	16,700
Net Interest		(295)	(233)	11	100	149
Tax		(287)	(730)	(2,365)	(3,969)	(3,776)
Capex		(5,759)	(5,754)	(6,076)	(5,750)	(5,750)
Acquisitions/disposals		(1,003)	(470)	(171)	(36)	0
Financing		(101)	454	16	0	0
Dividends		(566)	(773)	(1,028)	(1,556)	(1,765)
Net Cash Flow		589	2,585	4,526	3,289	5,558
Opening net debt/(cash)		(6,656)	(7,245)	(10,017)	(15,553)	(18,842)
HP finance leases initiated		0	0	0	0	0
Other		0	187	1,010	(0)	0
Closing net debt/(cash)		(7,245)	(10,017)	(15,553)	(18,842)	(24,400)

Source: YouGov accounts, Edison Investment Research

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