

YouGov

Moving up margins

YouGov's FY17 year-end trading update confirms that positive trading momentum continued in the second half for Data Products and Services. Results should be ahead of our previous forecasts and well ahead of market growth. The results reflect the growth in high-margin products as well as margin improvements in custom research in addition to some currency benefit. We have moved our PBT numbers up by 5% for FY17e and 9% for FY18e. The shares continue to trade at a premium to the global sector, although that is being eroded by YouGov's faster growth.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
07/15	76.1	9.1	6.7	1.0	40.3	0.4
07/16	88.2	13.3	8.5	1.4	31.8	0.5
07/17e	106.5	15.6	10.9	1.6	24.8	0.6
07/18e	115.0	18.3	12.4	1.8	21.8	0.7

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

Strategy continues to produce the returns

Management's emphasis on building a scalable business through productising its offering is fuelling premium organic growth as it gains traction in its markets, notably in the US. BrandIndex and Profiles are building across more geographic markets as well as increasing client numbers and we anticipate this continuing through FY18e. Data Services (principally Omnibus) is also increasing its global reach, with UK growth more muted but still ahead of the market. Custom Research is being concentrated on its more profitable aspects, particularly using the group's own panel, so that the top line is static (in constant currency terms) but the operating margin is moving ahead. The success of the MRP modelling of the seat-by-seat results of the UK general election is significant for its validation of the methodology rather than for any immediate financial impact. This has many potential applications, not only in marketing but also in broader planning contexts.

Margin progression

Our FY17e revenue number is edged up 3%; FY18e is broadly unchanged due to assumptions on Custom Research. The increased margin indicated here, though, helps lift our projections for PBT by 5% in FY17e and 9% in FY18e, with growth in EPS marginally lower due to the impact of the geographic mix on tax. The group operating margin (before exceptional/share-based payments) was 11.0% in FY14. By FY18e, we are anticipating that it will have expanded to 14.7%. We now expect FY17e year-end net cash of slightly over £22m from £15m at the half-year.

Valuation: Premium growth reflected in rating

YouGov's rating remains towards the top of the ranking of global peers. Much of the traditional market research sector still struggles with legacy infrastructures. YouGov continues to refine and productise its offerings, driving a higher earnings CAGR than the sector and funding a progressive dividend stream. The group's clear and consistent strategy is translating into profits and, at least as importantly, into cash.

Year-end trading update

Media

7 August 2017

Price **270.00p**

Market cap **£284m**

£1:\$1.30

Net cash (£m) at end January 2017 15

Shares in issue 105.1m

Free float 91.4%

Code YOU

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (6.4) (5.3) 42.1

Rel (local) (8.6) (8.3) 26.4

52-week high/low 293.5p 188.0p

Business description

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

Next events

Final results 6 November 2017

Analysts

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

Bridie Barrett +44 (0)20 3077 5700

media@edisongroup.com

[Edison profile page](#)

**YouGov is a research client of
Edison Investment Research
Limited**

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	106,500	115,000
Cost of Sales		(15,812)	(17,472)	(19,476)	(23,430)	(25,300)
Gross Profit		51,564	58,638	68,726	83,070	89,700
EBITDA		8,020	9,273	11,620	15,003	17,603
Operating Profit (before GW, except and share-based payments)		7,936	9,239	12,055	15,500	18,100
Intangible Amortisation		(3,965)	(4,633)	(5,478)	(5,000)	(5,000)
Share based payments		(547)	(669)	(1,138)	(1,200)	(1,200)
Exceptionals		(2,385)	(1,072)	(1,108)	0	0
Other		(14)	41	(4)	0	0
Operating Profit		1,025	2,906	4,327	9,300	11,900
Net Interest		(292)	(220)	1,199	106	170
Profit Before Tax (norm)		7,630	9,060	13,250	15,606	18,271
Profit Before Tax (FRS 3)		733	2,686	5,526	9,406	12,071
Tax		(316)	580	(2,111)	(3,824)	(4,842)
Profit After Tax (norm)		7,314	9,640	11,139	11,783	13,429
Profit After Tax (FRS 3)		417	3,266	3,415	5,583	7,027
Average Number of Shares Outstanding (m)		98.0	101.0	103.9	104.6	104.7
EPS - normalised (p)		5.8	6.7	8.5	10.9	12.4
EPS - FRS 3 (p)		0.4	3.2	3.3	5.3	6.7
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	14.1	15.3
Operating Margin (before GW and except & share-based payments) (%)		11.0	11.3	12.4	13.4	14.7
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	55,142	65,363
Stocks		0	0	0	0	0
Debtors		21,687	22,507	28,643	31,818	34,220
Cash		7,429	10,017	15,553	22,181	30,000
Current Liabilities		(21,480)	(22,983)	(27,823)	(33,926)	(36,779)
Creditors		(21,296)	(22,983)	(27,823)	(33,926)	(36,779)
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	80,582	87,950
CASH FLOW						
Operating Cash Flow		8,600	10,091	14,139	17,850	19,216
Net Interest		(295)	(233)	11	106	170
Tax		(287)	(730)	(2,365)	(4,030)	(4,078)
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	6,584	7,794
Opening net debt/(cash)		(6,656)	(7,245)	(10,017)	(15,553)	(22,181)
HP finance leases initiated		0	0	0	0	0
Other		0	187	1,010	44	25
Closing net debt/(cash)		(7,245)	(10,017)	(15,553)	(22,181)	(30,000)

Source: Company accounts, Edison Investment Research

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2017 Edison Investment Research Limited. All rights reserved. This report has been commissioned by YouGov and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2017. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE data is permitted without FTSE's express written consent.