

31 January 2020

Price 644p

Market cap £681m

\$1.30/£

Net cash (£m) at 31 July 2019 37.9

Shares in issue 105.7m

Free float 91.1%

Code YOU

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 0.5 17.7 47.2

Rel (local) 3.2 15.7 36.9

52-week high/low 672p 435p

Business description

YouGov is a global research data and analytics group, with over eight million online panellists across 42 countries. It offers a complementary data-led suite of products and services including YouGov BrandIndex, YouGov Profiles, YouGov Omnibus, YouGov Direct and custom research.

Next events

Interim results 24 March 2020

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YouGov's H1 trading update confirms that the group is on track to meet management expectations for the year and our forecasts are unchanged. Data Products remains the driving force behind the overall progress, with the US and the UK markets highlighted, despite these markets being the longer-established in the group. Management's five-year plan to FY23 targets doubling both revenue and adjusted operating profit margin, as well as achieving a 30% CAGR in EPS (25% EPS CAGR in the earlier plan). In this context, the valuation premium to slower-growing peers looks well underpinned.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	EV/EBITDA (x)	P/E (x)	Yield (%)
07/18**	116.6	16.4	10.8	3.0	31.0	59.7	0.5
07/19	136.5	20.5	13.9	4.0	21.5	46.4	0.6
07/20e	152.1	26.5	17.8	5.0	17.9	36.2	0.8
07/21e	163.7	33.6	22.1	6.3	14.6	29.1	1.0

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **FY18 restated for change in treatment of amortisation and share-based payments.

Trading in line

Beyond the continuing success in growing Data Products, the statement also draws attention to the maintenance of strong margins in Custom Research. In FY19, adjusted operating margin in this segment rose from 20% to 22% as greater integration with the group's syndicated data leads to a more heavily engineered solution. The newly established YouGov Sport, built around the SMG Insight business (consolidated from May 2018, when ownership increased from 20% to 100%), is reported to be performing particularly strongly.

Permissioned data shows its importance

Google's intention to withdraw third-party tracking cookies from web browsers within two years, and other recent publicised issues around corporate data harvesting and privacy, have drawn further attention to the extent of data gathering and use. YouGov's highly and explicitly permissioned model allows brand owners and advertisers to avoid any taint from such breaches. YouGov Direct, the blockchain-enabled offering with panellists making their opinion and behavioural data available for research in a marketing context, takes this one stage further. This has now been launched in the US, having successfully been trialled in the UK.

Valuation: Outperformance continued

YouGov's share price has performed strongly, up by 47% over the last 12 months, giving a 10-year CAGR of 32%. Earnings multiples are at the top end of the range of global peers, although it can be argued that none are directly comparable. On a reverse DCF basis, at our unchanged FY21e EBITDA margin of 26% (which should prove conservative given the ambitions in the five-year plan), the current share price implies top-line growth of 11.4% in FY22-27, well below the level needed to meet the new growth target of doubling revenue within five years.

Exhibit 1: Financial summary

	£'000s	2017	2018	2019	2020e	2021e
Year end 31 July		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		107,048	116,559	136,487	152,076	163,678
Cost of Sales		(21,339)	(21,495)	(24,206)	(26,461)	(27,692)
Gross Profit		85,709	95,064	112,281	125,615	135,986
EBITDA		15,702	20,907	28,578	35,405	42,505
Operating Profit (before amort., except.)		14,528	12,650	18,288	25,021	32,121
Intangible Amortisation		(6,483)	(7,026)	(8,809)	(8,809)	(8,809)
Share based payments		(1,508)	(3,571)	(2,401)	(1,250)	(1,250)
Exceptionals		(488)	(826)	1,529	0	0
Other		103	204	200	0	0
Operating Profit		6,152	12,028	20,017	25,021	32,121
Net Interest		254	(51)	(361)	186	238
Profit Before Tax (adj)		16,393	16,374	20,528	26,457	33,609
Profit Before Tax (FRS 3)		6,406	11,773	19,456	25,207	32,359
Tax		(3,273)	(3,615)	(5,085)	(6,530)	(8,358)
Profit After Tax (norm)		13,120	12,759	15,443	19,927	25,251
Profit After Tax (FRS 3)		3,133	8,158	14,371	17,427	22,751
Average Number of Shares Outstanding (m)		104.8	105.4	105.4	105.6	105.6
EPS - normalised fully diluted (p)		7.8	10.8	13.9	17.8	22.1
EPS - FRS 3 (p)		3.0	7.7	14.2	16.5	21.5
Dividend per share (p)		2.0	3.0	4.0	5.0	6.3
Gross Margin (%)		80.1	81.6	82.3	82.6	83.1
EBITDA Margin (%)		14.7	17.9	20.9	23.3	26.0
Operating Margin (before GW and except & share-based payments) (%)		12.2	7.8	11.6	15.6	18.9
BALANCE SHEET						
Fixed Assets		64,637	78,019	98,006	98,197	98,388
Intangible Assets		54,960	65,357	82,374	82,565	82,756
Tangible Assets		9,332	12,471	15,632	15,632	15,632
Investments		345	191	0	0	0
Current Assets		54,918	66,735	72,581	92,810	108,098
Stocks		0	0	0	0	0
Debtors		30,699	34,672	33,726	45,237	48,688
Cash		23,481	30,621	37,925	46,643	58,480
Current Liabilities		(34,177)	(41,445)	(48,503)	(50,285)	(53,689)
Creditors		(33,915)	(41,445)	(48,503)	(50,285)	(53,689)
Short term borrowings		(262)	0	0	0	0
Long Term Liabilities		(4,905)	(11,238)	(11,238)	(11,238)	(11,238)
Long term borrowings		0	0	0	0	0
Other long term liabilities		(4,905)	(11,238)	(11,238)	(11,238)	(11,238)
Net Assets		80,473	92,071	110,846	129,484	141,559
CASH FLOW						
Operating Cash Flow		18,914	23,617	35,230	35,405	42,256
Net Interest		4	22	183	186	238
Tax		(2,487)	(5,501)	(4,520)	(3,873)	(5,871)
Capex		(7,661)	(8,181)	(12,166)	(10,000)	(10,000)
Acquisitions/disposals		0	(885)	(6,583)	(7,000)	(8,600)
Financing		175	259	(3,652)	(1,500)	0
Dividends		(1,470)	(2,106)	(3,327)	(4,499)	(6,204)
Net Cash Flow		7,475	7,225	5,165	8,719	11,820
Opening net debt/(cash)		(15,553)	(23,219)	(30,621)	(37,925)	(46,644)
HP finance leases initiated		0	0	0	0	0
Other		191	177	2,138	0	0
Closing net debt/(cash)		(23,219)	(30,621)	(37,925)	(46,644)	(58,464)

Source: Company accounts, Edison Investment Research

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