

YouGov

Online model advantages

YouGov has updated on good H120 figures, with underlying revenue up 15% and adjusted operating margins increasing from 13% to 15% as the mix shifts further to the higher-margin Data Products segment. The group had cash of £27.2m at end January (lease liabilities only). With an online culture since the group's inception 20 years ago, it is better placed than many to satisfy the increased desire to understand what is happening in populations by corporate and state at this time of uncertainty. We have reflected a more cautious outlook for the remainder of the year and will revert with FY21 estimates when the outlook is clearer.

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	18.7	37.1	0.8
07/19	136.5	20.5	13.9	4.0	12.9	28.8	1.0
07/20e	147.0	23.1	15.4	4.0	12.0	26.0	1.0
07/21e	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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.

Data remains in demand

The ability to handle large quantities of online data, with a workforce that is accustomed to working remotely, means that YouGov can continue its business with far less disruption than many others. Much of its business is contracted and new contracts continue to be signed, including a strategic multi-year contract with a German financial services company signed post period end. However, the nature of the project work being done is shifting to reflect the need of healthcare departments and others to understand the dynamics in this fast-moving pandemic. The group has a global panel of over 9.5 million people, giving highly permissioned data, making it a particularly valuable resource for decision makers. It is staying close to its clients through weekly trend reports, which should also act as 'door openers' to additional clients once the crisis has passed.

Cash positive balance sheet

While management reports that it has seen no material impact from COVID-19 to date, there are bound to be areas of the business where demand softens, such as travel and retail. We have adjusted our H220 forecasts to reflect a 10% softening of revenues in the remaining four months of YouGov's financial year, taking revenue from £152m to £147m. At the earnings level, there should be some mitigation from cost savings initiatives, although these are not yet quantified. We will reinstate FY21 forecasts once the picture clarifies. As at the end of January, YouGov had £27.2m of cash on the balance sheet with no debt.

Valuation: Trading on lower multiples

YouGov's share price has retrenched from a peak of 763p in the last week of February, a decline of 48% against the fall in the FTSE AIM All-Share of 37%. Comparison with ratings of other quoted stocks is not useful when forecasts are under review, but the share prices of Ipsos, Forrester, Gartner and Nielsen have fallen by an average of 42% over the same period.

Half year trading update

Media

24 March 2020

Price 400p

Market cap £423m

\$1.16/£

Net cash (£m) at end January 2020 27.2

Shares in issue 105.7m

Free float 61.8%

Code YOU

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (47.2) (37.5) (16.5)

Rel (local) (20.1) (3.1) 20.7

52-week high/low 763p 400p

Business description

YouGov is a global research data and analytics group, with over 9.5 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

Year-end update end July 2020

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H120 figures robust

The divisional results are set out below:

Exhibit 1: Half-year summary results					
£m	H119	H219	FY19	H120	change vs H119
Revenue					
Data Products	19.4	22.1	41.5	25.1	29%
Data Services	17.8	19.4	37.2	18.3	3%
Custom Research	30.4	29.6	60.0	33.9	12%
Eliminations	(1.0)	(1.2)	(2.2)	(0.5)	-56%
Total	66.5	70.0	136.5	76.9	15%
Adjusted operating profit	8.4	9.9	18.3	11.4	35%
Group operating margin	12.6%	14.1%	13.4%	14.8%	
Source: Company data					

Sales of the group's data products were well ahead: 27% on an underlying basis. The results from Data Services, principally Omnibus, were less robust, with revenue up 3% (7% underlying) as the period included a restructuring of the Nordics business, a tougher comparison in Asia-Pacific (there was an election benefit in the prior period) and a more difficult German market.

Continued growth in the proportion of higher-margin project work in Custom Research helped propel adjusted operating profit to £8.0m, representing an operating margin of 23.6% in H120 from 22.0% in the comparative period.

The group continues to expand in the US (20% of H1 operating profit), where interest in the presidential elections should build over H220 and H121.

Adjustments to FY20 forecast

Making authoritative adjustments at this stage is obviously not possible in light of the COVID-19 pandemic. However, YouGov is already eight months through its financial year, so the impact will be less pronounced than it will be for many. As the H120 results were in line with expectations (our half-year forecasts are not published), we have shown an indicative full year forecast, taking 10% off revenues for the remainder of the financial year. We have not made any adjustments to costs beyond those implied by the lower revenue, or made changes to plans for capital expenditure, which is likely to be reined in. On these forecasts, net cash flow remains positive even if capex is maintained at the previously projected level.

Our FY20 forecast revenue moves from £152m to £147m, with a decrease in EBITDA from £35.4m to £32.0m. These are self-evidently subjective forecasts and we will undertake more sophisticated analysis when the situation becomes clearer, at which point we will reinstate our FY21 projections.

Exhibit 2: Financial summary

	£'000s	2017	2018	2019	2020e
Year end 31 July		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		107,048	116,559	136,487	147,000
Cost of Sales		(21,339)	(21,495)	(24,206)	(24,748)
Gross Profit		85,709	95,064	112,281	122,251
EBITDA		15,702	20,907	28,578	32,041
Operating Profit (before amort., except.)		14,528	12,650	18,288	21,657
Intangible Amortisation		(6,483)	(7,026)	(8,809)	(8,809)
Share based payments		(1,508)	(3,571)	(2,401)	(1,250)
Exceptionals		(488)	(826)	1,529	0
Other		103	204	200	0
Operating Profit		6,152	12,028	20,017	21,657
Net Interest		254	(51)	(361)	168
Profit Before Tax (adj)		16,393	16,374	20,528	23,075
Profit Before Tax (FRS 3)		6,406	11,773	19,456	21,825
Tax		(3,273)	(3,615)	(5,085)	(5,653)
Profit After Tax (norm)		13,120	12,759	15,443	17,423
Profit After Tax (FRS 3)		3,133	8,158	14,371	14,923
Average Number of Shares Outstanding (m)		104.8	105.4	105.4	105.6
EPS - normalised fully diluted (p)		7.8	10.8	13.9	15.4
EPS - FRS 3 (p)		3.0	7.7	14.2	14.1
Dividend per share (p)		2.0	3.0	4.0	4.0
Gross Margin (%)		80.1	81.6	82.3	83.2
EBITDA Margin (%)		14.7	17.9	20.9	21.8
Operating Margin (before GW and except & share-based payments) (%)		12.2	7.8	11.6	13.9
BALANCE SHEET					
Fixed Assets		64,637	78,019	98,006	98,197
Intangible Assets		54,960	65,357	82,374	82,565
Tangible Assets		9,332	12,471	15,632	15,632
Investments		345	191	0	0
Current Assets		54,918	66,735	72,581	76,564
Stocks		0	0	0	0
Debtors		30,699	34,672	33,726	36,324
Cash		23,481	30,621	37,925	39,310
Current Liabilities		(34,177)	(41,445)	(48,503)	(48,796)
Creditors		(33,915)	(41,445)	(48,503)	(48,796)
Short term borrowings		(262)	0	0	0
Long Term Liabilities		(4,905)	(11,238)	(11,238)	(11,238)
Long term borrowings		0	0	0	0
Other long term liabilities		(4,905)	(11,238)	(11,238)	(11,238)
Net Assets		80,473	92,071	110,846	114,727
CASH FLOW					
Operating Cash Flow		18,914	23,617	35,230	27,875
Net Interest		4	22	183	168
Tax		(2,487)	(5,501)	(4,520)	(3,654)
Capex		(7,661)	(8,181)	(12,166)	(10,000)
Acquisitions/disposals		0	(885)	(6,583)	(7,000)
Financing		175	259	(3,652)	(1,500)
Dividends		(1,470)	(2,106)	(3,327)	(4,504)
Net Cash Flow		7,475	7,225	5,165	1,385
Opening net debt/(cash)		(15,553)	(23,219)	(30,621)	(37,925)
HP finance leases initiated		0	0	0	0
Other		191	177	2,138	0
Closing net debt/(cash)		(23,219)	(30,621)	(37,925)	(39,310)

Source: Company accounts, Edison Investment Research

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