

YouGov

Cautiously optimistic for FY23

YouGov's year-end trading update (to end-July) indicates results in line with management expectations, with underlying growth across all segments and a 'modest' step up in operating margin. Our FY22 forecasts are therefore unchanged, as are those for FY23. We now also publish our first thoughts on FY24, showing continuing progress on revenue and margin as the increased productisation drives efficiencies. YouGov's share price performance year-to-date has been affected by the rotation away from and derating of higher-growth and tech stocks. Its valuation remains at the higher end of peers, reflecting its continued positive prospects.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	EV/EBITDA (x)	P/E (x)
07/21	169.0	30.5	17.6	6.0	23.8	60.1
07/22e	215.0	41.4	24.6	7.5	18.8	43.1
07/23e	255.0	53.4	32.7	10.0	15.4	32.4
07/24e	290.0	62.0	38.5	11.0	13.5	27.5

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

Progress across the client offerings

The update highlights the continuing success of panel-based Custom Research, where the connected data offering has outstripped expectations. In H122 divisional revenues grew 28%, boosted to 39% with acquisitions, so it seems that momentum has continued in H222, with client expansion in technology, retail and gaming. Data Products continues to benefit from last year's sales reorganisation, while growth has improved in Data Services in H222. The US market is highlighted as the key growth driver, with the progress in delivering trackers and more scalable custom research supporting the margin expansion. The recent acquisitions, Rezonance and LINK, are reported to be performing well and in line with expectations.

Positive momentum versus macro uncertainty

Management is not seeing any significant change in client behaviour regarding macroeconomic prospects at this stage but remains alert to the possibility. The combination of the current positive momentum and this element of uncertainty lead us to leave our forecasts unchanged ahead of the results in October. We also now publish our initial thoughts on FY24e, with top-line growth of 14% and a further nudge up in operating margin as the degree of productisation increases across group activities. We envisage net cash continuing to build, to c£50m by end FY23 and £80m at end FY24, giving scope for additional M&A as opportunities arise.

Valuation: Reflects growth and prospects

YouGov's share price is 34% below the level at which it began the year, while global peers have fallen by 21% on average. Nevertheless, it still trades towards the higher end of the (wide) range of ratings accorded to other global data-led research and analytics groups on both EV/EBITDA and P/E. We believe this reflects its good growth record, premium margins, balance sheet strength and continued positive prospects.

Year-end trading update

Media

8 August 2022

Price 1,060p
Market cap £1,181m

Net cash (£m) at 31 January 2022	20.1
Shares in issue	111.4m
Free float	89.4%
Code	YOU
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	17.2	(15.2)	(14.5)
Rel (local)	17.2	(14.5)	(15.0)
52-week high/low		1,600p	850p

Business description

YouGov is an international online research data and analytics group. Its data-led offering supports and improves a wide spectrum of marketing activities of a customer base including media owners, brands and media agencies. It works with some of the world's most recognised brands.

Next events

Full year results	11 October 2022
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Exhibit 1: Financial summary

	£'000s	2020	2021	2022e	2023e	2024e
Year end 31 July		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		152,441	169,000	215,000	255,000	290,000
Cost of Sales		(23,375)	(26,200)	(34,400)	(44,304)	(50,318)
Gross Profit		129,067	142,800	180,600	210,696	239,683
EBITDA		39,215	45,900	58,100	71,100	80,833
Operating Profit (before amort. and excepts.)		21,830	25,500	36,500	48,500	57,100
Intangible Amortisation		(12,885)	(15,300)	(16,500)	(17,500)	(18,633)
Share based payments		(2,900)	(5,100)	(5,000)	(5,000)	(5,000)
Exceptionals		(6,630)	(6,500)	(3,600)	(2,500)	(2,500)
Other		0	0	0	0	0
Operating Profit		15,200	19,000	32,900	46,000	54,600
Net Interest		7	(100)	(150)	(125)	(125)
Profit Before Tax (norm)		24,737	30,500	41,350	53,375	61,975
Profit Before Tax (IFRS 16)		15,207	18,900	32,750	45,875	54,475
Tax		(5,812)	(7,400)	(9,644)	(12,845)	(15,253)
Profit After Tax (norm)		18,925	23,100	31,706	40,530	46,722
Profit After Tax (IFRS 16)		9,395	11,500	23,106	33,030	39,222
Average Number of Shares Outstanding (m)		106.7	109.7	111.3	111.3	111.3
EPS - normalised (p)		15.7	17.6	24.6	32.7	38.5
EPS - IFRS 16 (p)		9.0	10.5	20.8	29.7	35.2
Dividend per share (p)		5.0	6.0	7.5	10.0	11.0
Gross Margin (%)		84.7	84.5	84.0	82.6	82.6
EBITDA Margin (%)		25.7	27.2	27.0	27.9	27.9
Operating Margin (before GW and except) (%)		14.3	15.1	17.0	19.0	19.7
BALANCE SHEET						
Fixed Assets		108,122	113,491	140,400	133,709	138,142
Intangible Assets		84,611	89,611	116,111	119,911	123,278
Tangible Assets		23,511	23,813	24,222	13,731	14,798
Investments		0	67	67	67	67
Current Assets		70,255	82,409	81,081	116,562	155,454
Stocks		0	0	0	0	0
Debtors		34,239	40,700	50,381	59,862	68,872
Cash		35,309	35,509	24,500	50,500	80,381
Current Liabilities		(52,813)	(67,200)	(79,049)	(90,556)	(101,625)
Creditors		(52,813)	(67,200)	(79,049)	(90,556)	(101,625)
Short term borrowings		0	0	0	0	0
Long Term Liabilities		(16,226)	(16,700)	(16,700)	(16,700)	(16,700)
Long term borrowings		0	0	0	0	0
Other long term liabilities		(16,226)	(16,700)	(16,700)	(16,700)	(16,700)
Net Assets		109,338	112,000	125,732	143,014	175,272
CASH FLOW						
Operating Cash Flow		38,411	56,600	62,468	73,127	82,891
Net Interest		(7)	(300)	150	125	125
Tax		(3,184)	(7,100)	(9,644)	(12,845)	(15,253)
Capex		(18,559)	(23,800)	(23,800)	(23,800)	(24,500)
Acquisitions/disposals		(7,451)	(12,600)	(31,200)	0	0
Financing		(4,739)	(2,200)	(2,000)	(2,000)	(2,000)
Dividends		(4,298)	(5,500)	(6,679)	(8,349)	(11,132)
Net Cash Flow		173	5,100	(10,705)	26,258	30,131
Opening net debt/(cash)		(37,925)	(35,309)	(35,509)	(24,500)	(50,500)
HP finance leases initiated		0	0	0	0	0
Other		(2,789)	(4,900)	(304)	(258)	(250)
Closing net debt/(cash)		(35,309)	(35,509)	(24,500)	(50,500)	(80,381)

Source: Company accounts, Edison Investment Research

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