YouGov What the world thinks

**9 October 2018**

**YouGov plc**

**Preliminary Results for the year ended 31 July 2018**

**Tracking well towards five-year growth plans**

| Summary of Results | | | |
|---|---|---|---|
| | Year to 31 July 2018 £m | Year to 31 July 2017 £m | % Change |
| Revenue | 116.6 | 107.0 | 9% |
| Adjusted Operating Profit[1] | 19.7 | 14.5 | 35% |
| Adjusted Operating Profit Margin | 17% | 14% | - |
| Adjusted Profit before Tax[1] | 23.3 | 16.4 | 42% |
| Adjusted Earnings per Share[1] | 16.6p | 10.9p | 52% |
| Dividend per Share | 3.0p | 2.0p | 50% |
| Statutory Operating Profit | 11.8 | 7.6 | 56% |
| Statutory Profit before Tax | 11.8 | 7.9 | 49% |
| Statutory Earnings per Share | 7.7p | 4.4p | 75% |

**Financial Highlights**

- Group revenue increased by 9% to £116.6m (12% on a constant currency basis)
- Adjusted operating profit up by 35% to £19.7m, adjusted profit before tax up 42% to £23.3m and adjusted earnings per share up by 52% to 16.6p
- Cash generated from operations (before paying interest and tax) increased by 25% to £23.6m (2017: £19.0m)
- Strong cash conversion[1] of 119% of adjusted operating profit (2017: 130%)
- Net cash balance of £30.6m (2017: £23.2m)
- Recommended dividend increased by 50% to 3.0p per share

**Operational Highlights**

- Data Products and Services revenue up by 25% to £59.4m (28% on a constant currency basis); now represents 50% of Group total (2017: 44%)
    - Data Products revenue increased by 26% (30% at constant currency) to £30.4m
    - Data Services revenue increased by 24% (26% at constant currency) to £29.0m
- Data Products and Services adjusted operating profit increased by 54%
- Custom Research revenue down by 3% (static at constant currency) to £58.7m as expected due to strategic focus on higher margin work; resulting in adjusted operating profit of £14.1m, an increase of 59%
- US remains largest profit generator with adjusted operating profit increasing by 78% to £16.6m

1. *Defined in the explanation of alternative performance measures on page 17.*

Commenting on the results, Stephan Shakespeare, Chief Executive, said:

*"We have delivered revenue and profit growth significantly ahead of our industry and continue to track to meet the financial objectives set out in our five-year plan. The success of that plan has been grounded in a clear vision as we break new ground in our industry. Increasingly, our clients are demanding the rapid analysis of data in real-time and through targeted investments in technology we have built a data engine which serves the modern marketer. However, as the technology of decision making evolves, so must our products and applications. As we continue to invest in our future we are opening new routes to growth, whether that be through scaling our offering in new markets or launching new applications like YouGov Direct which champions privacy in the GDPR age. Trading in the current financial year has started well, underpinning the Board's confidence in meeting their expectations for the year."*

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## Chair's Statement

It has been another year of strong organic growth in revenue well above the average across our industry[1], with an improvement in margins and a resulting increase in profitability.

YouGov has one of the world's top international market research and data analytics networks. We now operate from 35 offices in 22 countries. This enables us to serve clients in more than 50 national markets. We operate a global panel of over 6 million engaged panellists who share their data with us in ways that are fully compliant with data protection and data privacy laws, including the new European Union General Data Protection Regulation ("GDPR") which came into force during in the year bringing with it a higher standard for compliance.

**Results and Dividend**

Group revenues of £116.6m were 9% up on the previous financial year in reported terms and 12% up in constant currency. Adjusted operating profit[2] was up by 35% to £19.7m. This reflects improved margins which resulted both from operating efficiencies and a planned change of business mix in line with our strategy to focus on subscription data products.

We ended the financial year in July with a net cash balance of £30.6m. The Board is pleased with operating performance, which is at the top end of the current five-year plan with a year to go, and remains confident of future growth potential. Accordingly, we are pleased to recommend a dividend increase of 50% to 3.0 pence per share payable on 17 December 2018.

**Strategy and the Next Five-Year Plan**

The YouGov Board adopts a long-term planning process to allow us to address changing market needs and to invest to have the right skills, technology and resources to support our ambitions for the business.

Our first five-year plan, which started on 1 August 2014 and will end on 31 July 2019, gave priority to shifting the balance of the business from one-off custom research to syndicated data products provided on a subscription basis. This required us to move further away from the traditional market research model - a consulting model - to a real-time data analytics model. We believe this syndicated-data subscription approach provides us with a higher quality of earnings and is a better fit for the needs of clients who increasingly demand rapid analysis of real-time data on an international basis.

The Board is currently finalising our second five-year plan, which will run for the period from 1 August 2018 to 31 July 2023. The two plans will overlap for one year to avoid a 'cliff-edge' of incentives and thus avoid short-termist behaviour. We intend to share the details of the new five year plan with the Company's major shareholders, and to seek their feedback on a new long-term incentive plan tied to it, in the spring of 2019.

1. *According to the ESOMAR Global Market Research Report published in September 2018, the global research market grew by 3.3% in 2017 (or by 1.0% after inflationary effects are factored in).*
2. *Defined in the explanation of alternative performance measures on page 17.*

**Board Composition and Governance Framework**

The past year has seen changes as we have strengthened our Board.

In December 2017, we appointed two new Executive Directors. Alex McIntosh, previously the Group's Chief Strategy Officer, was promoted to the role of Chief Financial Officer and took over from Alan Newman who retired in December 2017. Sundip Chahal, the Group's Chief Operating Officer since 2014, joined the Board reflecting the increased scope of his role. Doug Rivers, Chief Scientist, stepped down from the Board but continues in his full-time senior executive role with an expanded remit for managing the Group's global technology development teams.

Additionally in December 2017, Andrea Newman joined us as a Non-Executive Director. As the Global Head of Marketing – Wealth and Brand Communications at HSBC Holdings plc she brings great experience and insight into the needs of international marketing clients.

After the start of the new financial year, in September 2018, Ashley Martin joined us as a Non-Executive Director. With effect from 1 November 2018, Ashley will Chair the YouGov Board's Audit & Risk Committee, taking over from Nick Jones who will be remaining on the Committee and continuing in his role as Senior Independent Director.

To support our newly composed Board, during the year we added additional resource to the Corporate Secretariat and reviewed and updated our Board Evaluation and Succession Planning procedures. We have been following the Quoted Companies Alliance Corporate Governance Code since 2014. We were pleased to adopt the revised code during the year (the "QCA Code 2018") and are confident in our application of its ten principles in our governance framework. In line with the revised code, it is intended that from the 2019 AGM onwards all Directors will retire and be subject to re-election by the Shareholders at each AGM.

With six independent Non-Executive Directors of varied professional backgrounds, and three experienced Executive Directors, we feel the YouGov Board exhibits a good balance of skills and knowledge combined with the necessary challenge and external perspective to support the increased scale and ambition of our business.

**Roger Parry**
**Chair**
9 October 2018

## Chief Executive Officer's Review

### Strategy Overview

This is the fourth consecutive year in which YouGov has delivered growth significantly above the market both in revenue and profit. Since we launched our first five-year plan in August 2014, we have shifted our focus from a traditional market research model to a real-time data analytics model. As we move towards announcing our next five-year plan, we are confident we have a clearly superior product that is becoming ever more relevant to the market as we continue to scale and innovate.

Marketers are in a constant arms race with each other for greater efficiency in reaching their target groups and greater effectiveness in converting them to buying. The key elements of this arms race are the *richness*, *relevance* and *accuracy* of marketing data, and the tools to activate data. Fall behind in this race and you are taking a big risk as markets often change quickly, decisively, and unexpectedly.

YouGov has continued to build a market leading position in each of these elements. We have the best data and the best tools in the market.

- The richness of our data - held in the Cube, our unique data library - provides our clients with exceptionally granular insights on their target audiences. The Cube holds more than 200,000 variables of data that are continuously being updated.

- The relevance of our data - collected from a proprietary panel of over six million engaged members worldwide - means that it can effectively be put to use in live marketing campaigns. The panel provides single-source data collected across multiple devices, media and environments to give the best insights.

- The accuracy of our data means that it is reliable, even at the most granular level. This can often only be achieved using advanced data analytics such as MRP (Multilevel Regression with Post-stratification), an advanced statistical methodology which YouGov pioneered and demonstrated to great success in the 2017 UK General Election. We are now applying MRP to other kinds of data, giving us a further competitive edge.

In addition to focussing on the quality of our data, we have continued to make targeted investments in research and development to develop innovative tools. For example, Crunch allows users to process large data sets and conduct complex analysis with drag-and-drop ease at browse-able speeds. It is becoming increasingly embedded in the workflows of our leading clients. Another example is Collaborate, our new self-service tool, which allows users to produce survey questionnaires quickly and efficiently and enhances the commissioning of research.

From A/B Testing to Artificial Intelligence, the technology of decision-making is becoming ever more important to marketing professionals. In response to this trend, YouGov is creating data products that are less like conventional market research studies and more like direct data applications - sophisticated tools allowing rich, relevant and accurate data to be usable in real-time.

We are shortly launching YouGov Ratings, our new popularity and awareness metric for thousands of entities including celebrities, politicians, sports teams, music acts and brands - available for free on our website. Ratings has been designed as a showcase for the quality and breadth of our data, to put YouGov at the heart of everyday conversations.

YouGov has increasingly been supporting brands and media agency clients with improved ad targeting. We have done this through a new proposition, YouGov Audience Data, which fuses YouGov Profiles with trusted partners that on-board our data into the digital ecosystem. YouGov is further evolving the model through the development of our new blockchain-based platform, YouGov Direct. A prototype of the YouGov Direct platform will be operational with a test panel and small group of pioneer clients within this calendar year.

To create high-quality, in-depth, connected data - especially since the introduction of the GDPR - one needs panellists who are highly engaged and have granted (and frequently updated) permissions for the use of their personal data by third parties. In response to this, YouGov is innovating with blockchain technology to deliver a way to permit and verify the data exchange between our panellists and advertisers. Through the design of a platform intended to make data users (companies) accountable to individual data suppliers (panellists), we are creating new opportunities for research, activation and direct marketing.

In addition to these innovations, we have continued to focus on improving the connectedness and interoperability of our products and services aligning them in a single connected system to support all stages of the marketing workflow. As our system develops, so does the opportunity within our markets. We envisage further growth opportunities for YouGov as we begin to play an upstream role in the marketing ecosystem, details of which will be provided when we announce our new five-year strategic plan in Spring 2019.

**Operational Review**

Throughout the year we have continued to focus on scaling the business. This has included investing in our technology infrastructure (which includes Cube, Crunch and Collaborate), growing our operations capabilities and expanding into new geographic territories.

During the year we have established a new shared services centre in India to complement the existing service centre in Romania and provide 24/7 data processing and analytics coverage. We have also added a commercial arm to this operation, to allow us to offer our data products to the Indian market.

We have established new organic operations in Italy and Spain, initially focussed on selling our flagship products BrandIndex and Omnibus, with Profiles shortly to be made available.

We have also completed two small acquisitions during the year. We acquired a bolt-on acquisition to our existing operation in Australia (Galaxy DP Pty Ltd) where we saw an opportunity to accelerate our growth in that market. We acquired a sports research agency (SMG Insight Limited) where we saw an opportunity to extend our syndicated data products for the sports sector. Post period-end, we have also completed the acquisition of an audience conversation platform (InConversation Media Ltd), where we saw an opportunity to acquire technology for engaging with hard-to-reach audiences.

**Divisional Review**

YouGov's lines of business fall into three divisions: Data Products, Data Services and Custom Research.

***Data Products***

Our Data Products division consists of Profiles, YouGov's audience segmentation and targeting tool, and BrandIndex, YouGov's flagship daily brand tracking service. Increasingly, these complimentary products are positioned as a single capability, communicated as 'Plan & Track' to our prospects and clients. During the year, 25% of new Data Products sales globally constituted Plan & Track sales, demonstrating that the strategy is quickly gaining traction in the marketplace.

The Plan & Track solution is instrumental in establishing transparency and a common version of the truth among the key players in the advertising and marketing ecosystem. Advertisers need to find the most attractive avenues through which to grow their brands. Media owners need to demonstrate the desirability and the efficacy of their platforms to brands and their agencies. Agencies are under increasing pressure to justify strategic and tactical investment decisions on behalf of their brand clients. YouGov's Plan & Track solution addresses all of these needs.

The full Plan & Track solution is now available in 13 markets with France, Australia, Hong Kong, Singapore and Thailand launched during the year. With the support of a global media agency as a charter subscriber, we have begun Profiles development in a further eight countries. India, Taiwan, Vietnam and the Philippines will launch by the end of calendar year 2018, along with Italy and Spain, giving us a presence in Europe's 'Big 5' economies, as well as Norway and Finland to complete the Nordic footprint. BrandIndex alone is available in 37 markets, including all 21 current and planned Plan & Track markets, as well as Canada, Mexico, Brazil, Ireland, the Netherlands, Egypt, Saudi Arabia, the United Arab Emirates, Russia, Japan and South Korea.

YouGov also offers our Data products subscribers with additional 'beyond-the-login' capabilities, under the banner of YouGov Data Applications. These capabilities include:

- With YouGov Dynamic Segmentation, clients are able to run their consumer segmentation against the YouGov panel and then bring the segments into the Plan & Track product, gaining a better understanding of those segments via the thousands of variables in the Cube.

- With YouGov Audience Data, clients identify and reach target audiences. Seed audiences are created in Profiles and then scaled using look-alike methodology to enable programmatic advertising buys through industry Data Management Platforms (DMPs) and Data Houses.

- With YouGov Digital Tracking, clients can conduct analyses to validate that a marketing campaign has reached the correct target audience. Clients can identify and create an audience consisting of consumers who have consumed the relevant media during a particular campaign, then monitor brand KPIs such as brand awareness, advertising awareness and purchase consideration among that exposed audience - and compare that to the general population.

These capabilities provide even more value for our subscriber-base, and are helping to increase subscriber renewal rates and drive additional revenue.

New Plan & Track client wins in the year included BBDO, ING, McDonalds, Santander Consumer Bank and Uber.

***Data Services***

YouGov Omnibus, our popular and fast-turnaround data service, comprises the majority of Data Services revenue. The balance comes from our related Field & Tab service for targeting pre-specified samples of respondents, and from the provision of Sample-Only services in the Nordic and Middle East regions.

Our technology investments in the period have included developments which are enhancing the commissioning and delivery of Omnibus surveys. In most geographies, results are now being delivered to clients through Crunch, our data analytics and visualisation tool. Our new self-service survey design tool, Collaborate, automates the way that clients submit and approve Omnibus and Custom Research survey questions. The Collaborate tool makes the turnaround from the client's initial question generation to YouGov's survey results delivery even faster and smoother for both clients and staff. Collaborate is currently available in the US and Germany, with roll-out to the UK, Spain and Italy planned for this year.

Increasing numbers of clients are taking advantage of our Re-Contact service through which Data Products subscribers can undertake fast-turnaround Omnibus surveys to obtain additional data tailored to their needs from segments of the panel with specific profile characteristics.

New Omnibus client wins in the year included DeBeers, eBay, Hiscox, WE Communications and Vodafone.

***Custom Research***

YouGov's Custom Research business conducts a wide range of quantitative and qualitative research, tailored to meet clients' specific requirements. The scope, scale and complexity of projects varies significantly and ranges from one-off surveys, through to large-scale national and multinational tracking studies often contracted on an annual basis and often requiring advanced analytics.

We have a number of in-house assets - including the Cube, Crunch, Collaborate and MRP methodology - which are a facilitator and differentiator for our Custom Research business. The YouGov model allows us to minimise the proactive data collection required for each new custom project while at the same time deliver our clients with more connected and tailored data than ever before.

Recurring, single or multi-country custom tracking studies whose data is delivered through Crunch, are a form of custom research that is particularly profitable for YouGov. We have made good progress against our strategy to focus less on one-off projects and more on tracking studies, to improve the profitability of this division. In the year this included exiting parts of the Germany and Middle East businesses with low margins.

New Custom Research client wins in the year included Ikea, Piper-Heidsieck, Pyrex, Revlon and 23andMe.

**Current trading and outlook**

The current year has started well and our order book of multi-year subscription contracts across future years is strong, both of which gives us confidence in our prospects for the year ahead and over the medium term. We continue to see opportunities for growing our suite of data products and services and expanding our geographic footprint.

Our focus for the coming year includes investing in our technology infrastructure to support this growth, expanding into new geographic markets, and increasing our data products subscription client-base to further strengthen the quality of our revenues.

While 'Brexit' continues to create uncertainty in the economic and political environment, especially for UK and European businesses, the international spread of our revenues (with a significant US weighting) positions our business well to cope with, or even gain from, potential volatility.

In recent years, we have been focused on implementing the ambitious strategy the Board laid out in our first five-year plan announced in August 2014. As a result we have delivered consistent recurring revenue and profit growth. In the coming months, the Board will be developing our next five-year plan, one which we will be designed to ensure YouGov's position as significant a global player in the field of research data and analytics – and we look forward to sharing the details of that plan with shareholders in the spring of 2019.

Trading for the current financial year is in line with the Board's expectations.

**Stephan Shakespeare**
**Chief Executive Officer**
9 October 2018

## Chief Financial Officer's Review

The 12 months to 31 July 2018 results demonstrate continued progress on the strategic aims of concentrating on higher margin and scalable sales. Total Group Revenue for the period was £116.6m compared to £107.0m in the previous 12 month period. Revenue growth was 9% on a reported basis (12% on constant currency basis). Acquisitions in the period contributed 2% to the overall growth rate.

The focus on restructuring lower margin generating business units coupled with the continued growth in our high margin product sales resulted in an increase in gross margins from 80% in 2017 to 82% in 2018. Adjusted operating margins increased from 14% to 17%.

Group operating costs (excluding amortisation of intangibles and exceptional items) of £75.4m (2017: £71.2m) increased by 6% in reported terms, and 8% in constant currency terms. The average number of staff (full-time equivalents) employed during the year increased by 37 to 816. Average revenue per head increased to £143,000 from £137,000 and staff costs, net of costs capitalised, as a percentage of revenue decreased by 1% point to 49%.

Group Adjusted Operating Profit (before amortisation and separately reported items) increased to £19.7m (35% growth in the period) with strong continued growth in Data Products, coupled with margin improvement in the Custom business. The statutory operating profit (which is after charging amortisation of £7.0m and other separately reported items of £0.9m) increased to £11.8m (2017: £7.6m).

Amortisation charges for intangible assets in the period totalled £7.0m (2017: £6.5m) of which £0.7m (2017: £1.0m) related to assets acquired through business combinations, £2.8m (2017: £2.8m) to separately acquired assets and £3.5m (2017: £2.7m) to internally generated assets. The Group recognised net finance expense of £0.1m during the period (2017: income of £0.3m).

Central costs increased by 98% in the year. This was primarily due to an increase in the Long Term Incentive Plan (LTIP) charge of £1.8m reflecting the increased likelihood that the 'LTIP 2014' plan will pay out in full in November 2019; and a reallocation of £2.5m of costs from Custom Research to Central Costs to reflect that these costs related to wider innovation initiatives.

Adjusted profit before tax[1] of £23.3m was an increase of £6.9m (42%) on the comparable result of £16.4m for the 12 months to 31 July 2017. The adjusted tax rate decreased from 30% to 25% mainly as a result of a reduction in US tax rates. The adjusted tax rate is higher than the standard rate of corporation tax in the UK as a result of profits arising in countries with a higher tax rate, notably the US. Adjusted earnings per share[1] rose by 52% to 16.6p, compared to 10.9p in the twelve months to 31 July 2017. A statutory profit before tax of £11.8m was reported after charging separately reported items, amortisation and share based payment costs of £11.5m (2017: £8.5m).

In December 2017, the Group acquired Galaxy DP Pty Ltd ("Galaxy"), an Australian-based opinion polling company. The terms of the transaction included an upfront payment of AUS$1.25m with an earn-out based on future performance over the following two years. In May 2018, a second acquisition was completed for the remaining 80% of the issued share capital of SMG Insight Limited ("SMG"), a sports focused research agency. The transaction was structured with a payment of £1.0m at completion and an earn-out based on performance over a three year period.

1. *Defined in the explanation of alternative performance measures on page 17.*

Investment in technology and panel recruitment for the period amounted to £4.4m and £2.8m respectively. In the period we increased the global panel from 5.6m to 6.6m with new panels established in Italy, Spain, Mexico and Taiwan. Our technology investments continue in websites and mobile applications, survey systems, and our data analytics tool, Crunch. £1.0m (2017: £0.8m) was spent on the purchase of property, plant and equipment, resulting in a total investment in fixed assets of £8.2m (2017: £7.8m). Other cash outflows included taxation payments of £5.5m (2017: £2.5m) and the annual dividend payment of £2.1m (2017: £1.5m) in December 2017.

There was a net cash inflow of £7.2m in the period, compared to £7.5m in the twelve months to 31 July 2017. This was increased by a £0.2m gain in the value of non-Sterling cash balances due to foreign exchange movements so that net cash balances of £30.6m were £7.4m higher than at 31 July 2017 and £9.3m higher than the balances of £21.3m as at 31 January 2018.

The Group’s results were affected by the net appreciation of GBP as its average exchange rate was 6% higher against the USD and 3% lower against the Euro in the period compared to the 12 months to 31 July 2017. The net impact of foreign exchange on the Group’s adjusted operating profit was a decrease of £0.8m compared to calculation in constant currency terms. The underlying increase in adjusted operating profit, compared to the 12 months ended 31 July 2017, was 41%.

**Performance by Product and Service**

***Data Products***

Revenue from Data Products increased by 26% (30% in constant currency terms) in the period. The adjusted operating profit from Data Products increased by 66% to £11.7m and the operating margin increased by 9% points to 38%. The improving margin partly reflects the growing contribution from Profiles as well as a reduction in the use of third party data collection.

Our flagship product, BrandIndex, grew revenue by 19% (23% in constant currency terms) to £23.5m (2017: £19.8m). BrandIndex accounts for 20% of total Group revenue in the period and increased its subscriber numbers to 37 markets across the world. Profiles made good progress, with sales in this period together with the subscription growth achieved last year led to global revenue increasing by 81% (87% constant currency) to £6.6m.

Geographically, the US remains the largest Data Products market and grew by 17% in GBP terms, (23% in local currency). In the UK, revenue grew by 29%, a faster rate than the previous year, due to faster new business sales in the second half of the previous financial year. There was also strong revenue growth in other markets including 25% in Germany (28% in local currency) and 13% in the Nordics (10% in local currency). The newer markets of France and Asia Pacific each grew their revenue in reported terms by over 50%.

Increasingly BrandIndex and Profiles are sold as a combined proposition as “Plan and Track”. BrandIndex is now available in 37 markets and Profiles is available in 19 markets. Going forward, we will report on the combined Plan & Track performance rather than YouGov BrandIndex and YouGov Profiles separately.

In December 2017 the YouGov Reports product was discontinued resulting in a restructuring charge of £0.2m. Revenues in the year up to the date of closure were £25,000.

***Data Services***

Revenue from Data Services, 94% of which is Omnibus, our online fast turnaround service increased by 24% (26% in constant currency terms) to £29.0m, mainly due to strong growth in international markets. This growth contributed to an increase of 40% in the Data Services operating profit to £8.0m and the operating margin rose from 24% to 28% reflecting investment in the newer markets, notably Asia Pacific delivering growth.

This included a 46% increase in reported revenue in USA (53% growth in local currency), and a 59% increase in Asia Pacific (63% in local currency). France and Middle East also grew strongly, by 19% (16% local currency) and 21% (27% local currency) respectively. In the UK, where YouGov Omnibus is the market leader, revenue grew by 12%.

***Custom Research***

Performance in the period was impacted by the reduction of low profit or loss making activities in Germany and the Middle East in the latter half of last financial year. In the second half of the year, further headcount reductions to the Custom Research division in Germany, Nordics and Middle East resulted in a separately reported charge of £0.7m. Reflecting the reduction of activities in some areas, revenue for the period declined by 3% in reported terms to £58.7m.

However, continued focus on a Custom Research offering which utilises our proprietary panel, survey system and Cube data has resulted in a significant increase in profitability in this division. The adjusted operating profit increased by 59% to £14.1m and the operating margin improved by 9% points to 24%. This was also due to operating costs reducing by 18% mainly as a result of the restructuring of underperforming areas.

The continued rationalisation of Custom Research led to mixed performances across the geographies. In the UK, where our core panel-based model is most established, revenue grew by 5% (benefitting from several large tracker contracts) although the operating margin decreased from 33% to 31%, due to an increase in operating costs.

In the US revenue grew by 23%, with growth coming both from new business and our existing client portfolio. Operating margin grew to 28% from 16% as a result of continued operational efficiency gains.

Middle East and Germany revenue fell by 32% and 37% in local currency terms due to restructuring of operations. Reported revenue also decreased by 15% in the Nordics in local currency terms.

| **Revenue** | **Year to 31 July 2018 £m** | **Year to 31 July 2017 £m** | **% Change** | **% Change at Constant Currency** |
|---|---|---|---|---|
| Data Products | 30.4 | 24.1 | 26% | 30% |
| Data Services | 29.0 | 23.3 | 24% | 26% |
| **Total Data Products & Services** | **59.4** | **47.4** | **25%** | **28%** |
| **Custom Research** | **58.7** | **60.2** | **(3%)** | **0%** |
| Intra-group Revenues | (1.5) | (0.6) | - | - |
| **Group** | **116.6** | **107.0** | **9%** | **12%** |

| Adjusted Operating Profit | Year to 31 July 2018 £m | Year to 31 July 2017 £m | % Change | Operating Margin % | |
|---|---|---|---|---|---|
| | | | | 2018 | 2017 |
| Data Products | 11.7 | 7.0 | 66% | 38% | 29% |
| Data Services | 8.0 | 5.7 | 40% | 28% | 24% |
| **Total Data Products & Services** | **19.7** | **12.7** | **54%** | **33%** | **27%** |
| **Custom Research** | **14.1** | **8.9** | **59%** | **24%** | **15%** |
| Support Costs | (14.1) | (7.1) | (98%) | - | - |
| **Group** | **19.7** | **14.5** | **35%** | **17%** | **14%** |

**Performance by Geography**

Restructuring costs of £1.4m in the period were the result of further restructuring undertaken in the UK, Middle East and Germany to align activities with the Group's strategic objectives. Revenue in the Middle East declined by 26% due to the closure of non-online research activities. The UK and Germany achieved revenue growth of 15% and 18% whilst stopping low margin revenue of £0.7m and £1.9m respectively.

Our geographic expansion continued with new offices in Spain, Italy and India bringing the total number of countries the Group operates in to 22. All geographies other than Mainland Europe generated increased adjusted operating profits in the period with the US and UK continuing to be significant contributors with growth rates of 78% and 40% respectively. We are pleased to see the investment in Asia Pacific generating profits in the period whilst we continue investing in research capability in more countries in the region.

| Revenue | Year to 31 July 2018 £m | Year to 31 July 2017 £m | Revenue Growth % | Revenue Growth at Constant Currency % |
|---|---|---|---|---|
| UK | **31.3** | **27.1** | **15%** | **15%** |
| USA | **48.2** | **40.7** | **18%** | **24%** |
| Mainland Europe | **21.6** | **21.2** | **2%** | **2%** |
| Middle East | **12.1** | **16.3** | **(26%)** | **(22%)** |
| Asia Pacific | **8.7** | **5.5** | **59%** | **62%** |
| Intra-group Revenues | **(5.3)** | **(3.8)** | **-** | **-** |
| **Group** | **116.6** | **107.0** | **9%** | **12%** |

| Adjusted Operating Profit | Year to 31 July 2018 £m | Year to 31 July 2017 £m | Operating Profit Growth % | Operating Margin % | |
|---|---|---|---|---|---|
| | | | | 2018 | 2017 |
| UK | **12.0** | **8.6** | **40%** | **38%** | **31%** |
| USA | **16.6** | **9.3** | **78%** | **34%** | **23%** |
| Mainland Europe | **2.3** | **2.3** | **(2%)** | **11%** | **10%** |
| Middle East | **3.6** | **2.4** | **45%** | **29%** | **15%** |
| Asia Pacific | **0.8** | **(0.9)** | **-** | **10%** | **(16%)** |
| Corporate/Unallocated | **(15.6)** | **(7.2)** | **117%** | **-** | **-** |
| **Group** | **19.7** | **14.5** | **35%** | **17%** | **14%** |

**Panel Development by Geography**

We continue to expand the reach of our global panel, with recruitment launched in Italy, Spain, Mexico and Taiwan during the year. This, along with growth to support increased demand in existing markets, not least the UK, USA and Germany, led to a total increase of 17% in the size of the panel in the period. As at 31 July 2018, the Group's online panel comprised a total of 6.6 million panellists. The below table shows the breakdown by region.

| **Region** | **Panel Size at 31 July 2018** | Panel Size at 31 July 2017 |
|---|---|---|
| UK | 1,355,800 | 1,182,100 |
| USA & Mexico | 2,415,000 | 2,152,400 |
| Mainland Europe | 952,000 | 770,100 |
| Middle East | 934,700 | 858,400 |
| Asia Pacific | 946,200 | 673,700 |
| **Total** | **6,603,700** | **5,636,700** |

**Group Financial Performance**

***Amortisation of Intangible Assets***

In the 12 months to 31 July 2018 amortisation charges for intangible assets of £7.0m were £0.5m higher than the previous year. Amortisation of the consumer panel increased by £0.4m to £2.6m reflecting the additional investment made to grow the panel in the past three years. Amortisation of software increased by £0.5m to £4.0m, £3.5m (2017: £2.7m) of the total charge related to assets created through the Group's own internal development activities, £0.3m (2017: £0.6m) related to separately acquired assets and £0.2m (2017: £0.2m) to was for amortisation on assets acquired through business combinations.

***Other Separately Reported Items***

Discontinued activities in the UK, Mainland Europe and Middle East and the establishment of centralised support functions resulted in restructuring costs of £1.4m in the year to 31 July 2018 (£2017: £0.6m). In addition, costs of £1.1m were incurred in relation to the acquisitions of Galaxy and SMG during the year, including £0.8m of acquisition consideration treated as employment costs, as well as £0.1m in respect of acquisitions completed after the year-end. These costs were partly offset by a £1.7m fair value gain on the 20% shareholding in SMG held prior to the acquisition of the remaining 80%.

***Analysis of Operating Profit and Earnings per Share***

| | **31 July 2018 £'000** | 31 July 2017 £'000 |
|---|---|---|
| Operating profit | **11,758** | 7,557 |
| Amortisation of intangibles | **7,024** | 6,483 |
| Other separately reported items | **892** | 488 |
| Adjusted operating profit [1] | **19,674** | 14,528 |
| Share-based payments | **3,571** | 1,488 |
| Imputed interest | **75** | 20 |
| Net finance (expense)/income | **(52)** | 254 |
| Share of post-tax profit in associates | **66** | 103 |
| Adjusted profit before tax [1] | **23,334** | 16,393 |
| Adjusted taxation[1,] | **(5,786)** | (4,912) |
| Adjusted profit after tax [1] | **17,548** | 11,481 |
| Adjusted earnings per share (pence) [1] | **16.6** | 10.9 |

1. *Defined in the explanation of alternative performance measures on page 17.*

***Cash Flow***

The Group generated £23.6m (2017: £18.9m) in cash from operations (before paying interest and tax) including a £0.6m (2017: £2.3m) net working capital inflow; as a result the cash conversion rate (percentage of adjusted operating profit converted to cash) reduced from 130% to 119% of adjusted operating profit.

***Capital Expenditure***

Expenditure on investing activities increased to £8.8m (2017: £7.7m) including £8.2m (2016: £7.8m) on capital expenditure as detailed below and £0.7m in consideration, net of cash acquired, for the acquisitions of Galaxy and SMG.

| | **31 July 2018 £'000** | 31 July 2017 £'000 |
|---|---|---|
| Internally generated software | **3,928** | 3,385 |
| Panel recruitment | **2,834** | 3,471 |
| Other intangible assets | **455** | 112 |
| Total expenditure on intangible assets | **7,217** | 6,968 |
| Purchase of property, plant and equipment | **969** | 843 |
| Total capital expenditure | **8,186** | 7,811 |

Net expenditure on financing activities increased by £0.8m to £2.1m, including the dividend payment of £2.1m (2017: £1.5m).

Net cash balances at the year-end increased by £7.4m to £30.6m. Net cash inflow in the year was £7.2m (2017: £7.5m) and currency fluctuations in the year resulted in an exchange gain of £0.2m (2017: £0.2m).

***Currency***

The Group operates across multiple currencies, primarily USD$ and Euros. The appreciation in the US$/GBP£ rate resulted in approximately 5% lower reported revenue growth in the US, Middle East and Asia. Group operating expenses were 2% lower than if calculated in constant currency.

***Taxation***

The blended tax rate payable by the Group decreased from 30% to 25% in the period due a decrease in corporation taxes in the US. The tax charge for the year was £3.6m on a statutory basis (£3.3m in 2017). On an adjusted basis the tax charge for the year was £5.8m (2017: £4.9m) which is a tax rate of 25% on the adjusted profit before tax.

***Balance Sheet***

As at 31 July 2018, total shareholder's funds and net assets increased from £80.5m to £92.1m. Net current assets increased from £20.7m to £25.3m. Current assets increased by £11.8m to £66.7m with debtor days decreasing from 58 to 56. Current liabilities increased by £7.2m to £41.4m with creditor days decreasing to 21 days from 24 days at 31 July 2017. The focus on increasing revenues from subscriptions has resulted in an increase of £1.8m of deferred revenue which is included in Current liabilities. Non-current liabilities increased by £6.3m to £11.2m partly due to £5.1m of contingent consideration payable in respect of the acquisitions in the year.

***Proposed Dividend***

The Board is recommending the payment of a final dividend of 3.0 pence per share for the year ended 31 July 2018. If shareholders approve this dividend at the AGM (scheduled for Wednesday 12 December 2018), it will be paid on Monday 17 December 2018 to all shareholders who were on the Register of Members at close of business on Friday 7 December 2018.

**Alex McIntosh**
**Chief Financial Officer**
9 October 2018

**Explanation of Non-IFRS measures**

| Financial Measure | How we define it | Why we use it |
|---|---|---|
| Separately reported items | Items that in the Directors' judgement are one-off or need to be disclosed separately by virtue of their size or incidence | Provides a more comparable basis to assess the year-to-year operational business performance |
| Adjusted operating profit | Operating profit excluding amortisation of intangible assets charged to operating expenses and separately reported items | |
| Adjusted operating profit margin | Adjusted operating profit expressed as a percentage of revenue | |
| Adjusted profit before tax | Profit before tax before amortisation of intangible assets charged to operating profit, share based payment charges, imputed interest and separately reported items. | |
| Adjusted taxation | Taxation due on the adjusted profit before tax, thus excluding the tax effect of amortisation and exceptional items | Provides a more comparable basis to assess the underlying tax rate |
| Adjusted tax rate | Adjusted taxation expressed as a percentage of adjusted profit before tax | |
| Adjusted profit after tax | Adjusted profit before tax less adjusted taxation | Facilitates performance evaluation, individually and relative to other companies |
| Adjusted profit after tax attributable to owners of the parent | Adjusted profit after tax less profit attributable to non-controlling interests | |
| Adjusted earnings per share | Adjusted profit after tax attributable to owners of the parent divided by the weighted average number of shares. Adjusted diluted earnings per share includes the impact of share options | |
| Constant currency revenue change | Current year revenue change compared to prior year revenue in local currency translated at the current year average exchange rates | Shows the underlying revenue change by eliminating the impact of foreign exchange rate movements |
| Cash conversion | The ratio of cash generated from operations to adjusted operating profit | Indicates the extent to which the business generates cash from adjusted operating profits |

**Publication of Non-Statutory Accounts**

The financial information relating to the year ended 31 July 2018 set out below does not constitute the Group's statutory accounts for that year but has been extracted from the statutory accounts, which received an unqualified auditors' report and which have not yet been filed with the Registrar.

**YOUGOV PLC**
**CONSOLIDATED INCOME STATEMENT**
For the year ended 31 July 2018

| | Note | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| **Revenue** | 1 | **116,559** | 107,048 |
| Cost of sales | | **(21,495)** | (21,339) |
| **Gross profit** | | **95,064** | 85,709 |
| Operating expenses | | **(83,306)** | (78,152) |
| **Operating profit** | 1 | **11,758** | 7,557 |
| Amortisation of intangibles | | **7,024** | 6,483 |
| Other separately reported items | 2 | **892** | 488 |
| **Adjusted operating profit** | 1 | **19,674** | 14,528 |
| Finance income | | **151** | 480 |
| Finance costs | | **(202)** | (226) |
| Share of post-tax profit/(loss) of associates | | **66** | 103 |
| **Profit before taxation** | 1 | **11,773** | 7,914 |
| Taxation | 3 | **(3,615)** | (3,273) |
| **Profit after taxation** | 1 | **8,158** | 4,641 |
| Attributable to: | | | |
| – Owners of the parent | | **8,158** | 4,671 |
| – Non-controlling interests | | **-** | (30) |
| | | **8,158** | 4,641 |
| **Earnings per share** | | | |
| Basic earnings per share attributable to owners of the parent | 5 | **7.7p** | 4.4p |
| Diluted earnings per share attributable to owners of the parent | 5 | **7.3p** | 4.2p |

All operations are continuing.

**YOUGOV PLC**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
For the year ended 31 July 2018

| | 2018<br>£'000 | 2017<br>£'000 |
|---|---|---|
| Profit for the year | **8,158** | 4,641 |
| **Other comprehensive income** | | |
| Items that may be subsequently reclassified to profit or loss | | |
| Currency translation differences | **142** | 1,159 |
| Other comprehensive income for the year | **142** | 1,159 |
| **Total comprehensive income for the year** | **8,300** | 5,800 |
| Attributable to: | | |
| – Owners of the parent | **8,300** | 5,830 |
| – Non-controlling interests | **-** | (30) |
| **Total comprehensive income for the year** | **8,300** | 5,800 |

Items in the statement above are disclosed net of tax.

**YOUGOV PLC**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
For the year ended 31 July 2018

| Assets | Note | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 6 | **52,060** | 43,746 |
| Other intangible assets | 7 | **13,297** | 11,214 |
| Property, plant and equipment | 8 | **3,037** | 3,278 |
| Investments in associates | | **191** | 345 |
| Deferred tax assets | | **9,434** | 6,054 |
| **Total non-current assets** | | **78,019** | 64,637 |
| **Current assets** | | | |
| Trade and other receivables | 9 | **34,672** | 30,699 |
| Current tax assets | | **1,442** | 738 |
| Cash and cash equivalents (excluding bank overdrafts) | | **30,621** | 23,481 |
| **Total current assets** | | **66,735** | 54,918 |
| **Total assets** | | **144,754** | 119,555 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 10 | **34,998** | 29,389 |
| Borrowings | | **-** | 262 |
| Current tax liabilities | | **1,247** | 777 |
| Contingent consideration | | **1,409** | - |
| Provisions | | **3,791** | 3,749 |
| **Total current liabilities** | | **41,445** | 34,177 |
| **Net current assets** | | **25,290** | 20,741 |
| **Non-current liabilities** | | | |
| Contingent consideration | | **5,110** | - |
| Provisions | | **4,000** | 3,222 |
| Deferred tax liabilities | | **2,128** | 1,683 |
| **Total non-current liabilities** | | **11,238** | 4,905 |
| **Total liabilities** | | **52,683** | 39,082 |
| **Net assets** | | **92,071** | 80,473 |
| **Equity** | | | |
| Issued share capital | | **211** | 211 |
| Share premium | | **31,300** | 31,261 |
| Merger reserve | | **9,239** | 9,239 |
| Foreign exchange reserve | | **15,031** | 14,889 |
| Retained earnings | | **36,290** | 24,873 |
| **Total equity attributable to owners of the parent** | | **92,071** | 80,473 |
| **Total equity** | | **92,071** | 80,473 |

**YOUGOV PLC**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
For the year ended 31 July 2018

| | | Attributable to equity holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Issued share capital £'000 | Share premium £'000 | Merger reserve £'000 | Foreign exchange reserve £'000 | Retained earnings £'000 | Equity attributable to owners of the parent £'000 | Non-controlling interests in equity £'000 | Total equity £'000 |
| Balance at 1 August 2016 | | 209 | 31,086 | 9,239 | 13,730 | 19,795 | 74,059 | 30 | 74,089 |
| Exchange differences on translation | | – | – | – | 1,159 | – | 1,159 | – | 1,159 |
| Net gain recognised directly in equity | | – | – | – | 1,159 | – | 1,159 | – | 1,159 |
| Profit/(Loss) for the year | 1 | – | – | – | – | 4,671 | 4,671 | (30) | 4,641 |
| Total comprehensive income/(expense) for the year | | – | – | – | 1,159 | 4,671 | 5,830 | (30) | 5,800 |
| Issue of shares | | 2 | 175 | – | – | (2) | 175 | – | 175 |
| Dividends paid | 4 | – | – | – | – | (1,470) | (1,470) | – | (1,470) |
| Share-based payments | | – | – | – | – | 1,488 | 1,488 | – | 1,488 |
| Tax in relation to share-based payments | | – | – | – | – | 391 | 391 | – | 391 |
| Total transactions with owners recognised directly in equity | | 2 | 175 | – | – | 407 | 584 | – | 584 |
| **Balance at 31 July 2017** | | **211** | **31,261** | **9,239** | **14,889** | **24,873** | **80,473** | **–** | **80,473** |
| Exchange differences on translation | | **–** | **–** | **–** | **142** | **–** | **142** | **–** | **142** |
| Net gain recognised directly in equity | | **–** | **–** | **–** | **142** | **–** | **142** | **–** | **142** |
| Profit for the year | 1 | **–** | **–** | **–** | **–** | **8,158** | **8,158** | **–** | **8,158** |
| **Total comprehensive incomefor the year** | | **–** | **–** | **–** | **142** | **8,158** | **8,300** | **–** | **8,300** |
| Issue of shares | | **–** | **39** | **–** | **–** | **–** | **39** | **–** | **39** |
| Dividends paid | 4 | **–** | **–** | **–** | **–** | **(2,106)** | **(2,106)** | **–** | **(2,106)** |
| Share-based payments | | **–** | **–** | **–** | **–** | **3,571** | **3,571** | **–** | **3,571** |
| Tax in relation to share-based payments | | **–** | **–** | **–** | **–** | **1,794** | **1,794** | **–** | **1,794** |
| Total transactions with owners recognised directly in equity | | **–** | **39** | **–** | **-** | **3,259** | **3,298** | **–** | **3,298** |
| **Balance at 31 July 2018** | | **211** | **31,300** | **9,239** | **15,031** | **36,290** | **92,071** | **–** | **92,071** |

**YOUGOV PLC**
**CONSOLIDATED STATEMENT OF CASHFLOWS**
For the year ended 31 July 2018

| | Note | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **11,773** | 7,914 |
| Adjustments for: | | | |
| Finance income | | **(151)** | (480) |
| Finance costs | | **202** | 226 |
| Share of post-tax profit of associates | | **(66)** | (103) |
| Amortisation of intangibles | | **7,026** | 6,508 |
| Depreciation | | **1,231** | 1,174 |
| Loss on disposal of property, plant and equipment and other intangible assets | | **7** | 7 |
| Profit on the disposal of subsidiary undertakings | | **–** | (94) |
| Share-based payments | | **3,571** | 1,488 |
| Other non-cash items * | | **(566)** | – |
| Increase in trade and other receivables | | **(2,278)** | (1,531) |
| Increase in trade and other payables | | **2,097** | 2,779 |
| Increase in provisions | | **771** | 1,026 |
| **Cash generated from operations** | | **23,617** | 18,914 |
| Interest paid | | **(6)** | (2) |
| Income taxes paid | | **(5,501)** | (2,487) |
| **Net cash generated from operating activities** | | **18,110** | 16,425 |
| **Cash flow from investing activities** | | | |
| Acquisition of subsidiaries (net of cash acquired) | | **(695)** | – |
| Settlement of deferred consideration | | **(190)** | – |
| Proceeds from the sale of subsidiary undertakings (net of cash disposed of) | | **–** | 150 |
| Purchase of property, plant and equipment | 8 | **(969)** | (843) |
| Purchase of intangible assets | | **(7,217)** | (6,968) |
| Proceeds from sale of plant, property and equipment | | **5** | – |
| Dividends received from associates | | **220** | - |
| Interest received | | **28** | 8 |
| **Net cash used in investing activities** | | **(8,818)** | (7,653) |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of share capital | | **39** | 175 |
| Dividends paid to Shareholders | 4 | **(2,106)** | (1,470) |
| **Net cash used in financing activities** | | **(2,067)** | (1,295) |
| **Net increase in cash and cash equivalents** | | **7,225** | 7,477 |
| Cash and cash equivalents at beginning of year | | **23,219** | 15,553 |
| Exchange gain on cash and cash equivalents | | **177** | 189 |
| **Cash and cash equivalents at end of year** | | **30,621** | 23,219 |

* Includes (£1,682,000) in respect of the fair value gain on the acquisition of SMG Insight Limited which is offset by £785,000 of contingent consideration in respect of the Galaxy DP Pty Ltd acquisition treated as staff costs.

## Nature of operations

YouGov plc and subsidiaries' ("the Group") principal activity is the provision of market research.

YouGov plc is the Group's ultimate parent company. It is incorporated and domiciled in Great Britain. The address of YouGov plc's registered office is 50 Featherstone Street, London EC1Y 8RT United Kingdom. YouGov plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

YouGov plc's annual consolidated financial statements are presented in UK Sterling, which is also the functional currency of the parent company.

## Basis of preparation

The following financial information does not amount to full financial statements within the meaning of Section 434 of Companies Act 2006. The financial information has been extracted from the Group's Annual Report and Financial Statements for the year ended 31 July 2018 on which an unqualified report has been made by the Company's auditors.

The consolidated financial statements of YouGov plc are have been prepared under the historical cost convention modified for fair values under International Financial Reporting Standards as adopted by the European Union (IFRS). These consolidated financial statements have been prepared in accordance with IFRS, IFRS Interpretations Committee (IFRS IC) and the Companies Act 2006 applicable to companies reporting under IFRS.

Financial statements for the year ended 31 July 2017 have been delivered to the Registrar of Companies; the report of the auditors on those accounts was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The 2018 statutory accounts will be delivered in due course.

Copies of the Annual Report and Financial Statements will be posted to shareholders shortly and will be available from the Company's registered office at 50 Featherstone Street, London, EC1Y 8RT.

## 1 Segmental analysis

The Board of Directors (which is the "chief operating decision-maker") primarily reviews information based on product lines: Custom Research, Data Products and Data Services; with supplemental geographical information.

| 2018 | Custom Research £'000 | Data Products £'000 | Data Services £'000 | Eliminations & Unallocated Costs £'000 | Group £'000 |
|---|---|---|---|---|---|
| **Revenue** | **58,657** | **30,445** | **28,956** | **(1,499)** | **116,559** |
| Cost of sales | **(14,205)** | **(3,700)** | **(5,089)** | **1,499** | **(21,495)** |
| Gross profit | **44,452** | **26,745** | **23,867** | **-** | **95,064** |
| Operating expenses | **(30,331)** | **(15,086)** | **(15,865)** | **(14,108)** | **(75,390)** |
| **Adjusted operating profit** | **14,121** | **11,659** | **8,002** | **(14,108)** | **19,674** |
| Amortisation of intangible assets | | | | | **(7,024)** |
| Other separately reported items | | | | | **(892)** |
| **Operating profit** | | | | | **11,758** |
| Finance income | | | | | **151** |
| Finance costs | | | | | **(202)** |
| Share of post-tax loss in joint ventures and associates | | | | | **66** |
| **Profit before taxation** | | | | | **11,773** |
| Taxation | | | | | **(3,615)** |
| **Profit after taxation** | | | | | **8,158** |
| **Other segment information** | | | | | |
| Depreciation | **596** | **214** | **192** | **229** | **1,231** |
| 2017 | | | | | |
| **Revenue** | 60,220 | 24,070 | 23,296 | (538) | 107,048 |
| Cost of sales | (14,389) | (3,284) | (4,204) | 538 | (21,339) |
| Gross profit | 45,831 | 20,786 | 19,092 | – | 85,709 |
| Operating expenses * | (36,928) | (13,756) | (13,359) | (7,138) | (71,181) |
| **Adjusted operating profit** | 8,903 | 7,030 | 5,733 | (7,138) | 14,528 |
| Amortisation of intangible assets | | | | | (6,483) |
| Other separately reported items | | | | | (488) |
| **Operating profit** | | | | | 7,557 |
| Finance income | | | | | 480 |
| Finance costs | | | | | (226) |
| Share of post-tax loss in joint ventures and associates | | | | | 103 |
| **Profit before taxation** | | | | | 7,914 |
| Taxation | | | | | (3,273) |
| **Profit after taxation** | | | | | 4,641 |
| **Other segment information** | | | | | |
| Depreciation | 731 | 138 | 173 | 132 | 1,174 |

* Custom Research operating expenses in the prior year includes £1,709,000 of costs related to wider innovation initiatives that have been included within Unallocated Costs in the current year.

## 1 Segmental analysis continued

**Supplementary analysis by geography**

Revenue and adjusted operating profit by geography based on the origin of the sale.

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Revenue £'000** | **Adjusted operating profit/(loss) £'000** | Revenue £'000 | Adjusted operating profit/(loss) £'000 |
| UK | **31,332** | **12,032** | 27,139 | 8,575 |
| USA | **48,159** | **16,556** | 40,710 | 9,276 |
| Mainland Europe | **21,571** | **2,272** | 21,227 | 2,314 |
| Middle East | **12,057** | **3,552** | 16,322 | 2,449 |
| Asia Pacific | **8,748** | **847** | 5,512 | (908) |
| Intra-Group revenues/unallocated costs | **(5,308)** | **(15,585)** | (3,862) | (7,178) |
| Group | **116,559** | **19,674** | 107,048 | 14,528 |

Revenue by geography based on the destination of the customer.

| **2018** | **UK £'000** | **USA £'000** | **Mainland Europe £'000** | **Middle East £'000** | **Asia Pacific £'000** | **Intra-Group revenues £'000** | **Group £'000** |
|---|---|---|---|---|---|---|---|
| External sales | **30,926** | **48,422** | **21,435** | **9,318** | **6,458** | **–** | **116,559** |
| Inter-segment sales | **2,363** | **3,388** | **1,879** | **391** | **619** | **(8,640)** | **–** |
| Total revenue | **33,289** | **51,810** | **23,314** | **9,709** | **7,077** | **(8,640)** | **116,559** |
| 2017 | | | | | | | |
| External sales | 26,766 | 42,595 | 20,126 | 13,523 | 4,038 | – | 107,048 |
| Inter-segment sales | 1,752 | 2,764 | 1,487 | 281 | 390 | (6,674) | – |
| Total revenue | 28,518 | 45,359 | 21,613 | 13,804 | 4,428 | (6,674) | 107,048 |

Inter-segment sales are priced on an arm's-length basis that would be available to unrelated third parties.

## 2 Other separately reported items

| | **2018 £'000** | 2017 £'000 |
|---|---|---|
| Restructuring costs | **1,381** | 582 |
| Acquisition-related costs | **1,193** | – |
| Fair value gain | **(1,682)** | – |
| Profit on disposal of subsidiary of subsidiary undertaking | **-** | (94) |
| | **892** | 488 |

Restructuring costs in the year included £1,036,000 in relation to the reduction of non-core custom operations in Mainland Europe and the Middle East £181,000 in relation to the Reports product line being discontinued. £164,000 of costs also arose from the establishment of centralised global operations and finance support functions. In 2017 £265,000 of costs were incurred in relation to the Middle East restructuring process and £317,000 was incurred in relation to the global operations reorganization.

Acquisition-related costs in the year comprise £864,000 the acquisition of Galaxy DP Pty Ltd, £228,000 for the acquisition of SMG Insight Limited and £101,000 of preliminary work towards acquisitions completed after the reporting date. Further detail on the completed acquisitions is provided in Note 9 and the acquisitions completed after the reporting date in Note 27.

Following the acquisition of the remaining share capital of SMG Insight Ltd the Group's existing 20% shareholding underwent a fair value assessment in accordance with IFRS 3. A gain of £1,682,000 was recognised as a result of this review.

The gain on the disposal of subsidiary undertakings in the prior year of £94,000 arose on the disposal of Service Rating GmbH.

## 3 Taxation

The taxation charge represents:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Current tax on profits for the year | **5,042** | 2,987 |
| Adjustments in respect of prior years | **69** | 305 |
| **Total current tax charge** | **5,111** | 3,292 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | **(1,746)** | 428 |
| Adjustments in respect of prior years | **(189)** | (409) |
| Impact of changes in tax rates | **439** | (38) |
| **Total deferred tax credit** | **(1,496)** | (19) |
| **Total income statement tax charge** | **3,615** | 3,273 |

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK.

The differences are explained below:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Profit before taxation | **11,773** | 7,914 |
| Tax charge calculated at Group's standard rate of 19% (2017: 19.67%) | **943** | 1,557 |
| Variance in overseas tax rates | **439** | 1,305 |
| Impact of changes in tax rates | **(347)** | (38) |
| Gains not subject to tax | **(418)** | (25) |
| Expenses not deductible for tax purposes | **182** | 45 |
| Tax losses for which no deferred income tax asset was recognised | **294** | 553 |
| Adjustments in respect of prior years | **(120)** | (104) |
| Associates results reported net of tax | **(13)** | (20) |
| **Total income statement tax charge for the year** | **3,615** | 3,273 |

On 8 July 2015, the UK corporation tax rate was reduced from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020.

On 15 September 2016 further changes to the UK corporation tax rates were made reducing the main rate to 17% from 1 April 2020. On 22 December 2017, the US federal corporate income tax rate reduced from 35% to 21%. These changes have been substantively enacted at the balance sheet date and, therefore, are included in these financial statements. Deferred taxes at the balance sheet date have been measured using the enacted tax rates reflected in these financial statements.

## 4 Dividend

On 5 December 2017, a final dividend in respect of the year ended 31 July 2017 of £2,106,000 (2.0p per share) (2016: £1,470,000 (1.4p per share)) was paid to Shareholders. A dividend in respect of the year ended 31 July 2018 of 3.0p per share, amounting to a total dividend of £3,165,000 is to be proposed at the Annual General Meeting on 12 December 2018. These financial statements do not reflect this proposed dividend payable.

## 5 Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to Ordinary Shareholders divided by the weighted average number of shares in issue during the year. Shares held in employee share trusts are treated as cancelled for the purposes of this calculation.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post–tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential Ordinary Shares.

The adjusted earnings per share has been calculated to reflect the underlying profitability of the business by excluding the amortisation of intangible assets, share-based payments, imputed interest, impairment charges, other separately reported items and any related tax effects as well as the derecognition of tax losses.

| | **2018 £'000** | 2017 £'000 |
|---|---|---|
| **Profit after taxation attributable to equity holders of the parent company** | **8,158** | 4,671 |
| Add: amortisation of intangible assets included in operating expenses | **7,024** | 6,483 |
| Add: share-based payments | **3,571** | 1,488 |
| Add: imputed interest (Note 5) | **75** | 20 |
| Add: other separately reported items. | **892** | 488 |
| Tax effect of the above adjustments and adjusting tax items* | **(2,172)** | (1,639) |
| **Adjusted profit after taxation attributable to equity holders of the parent company** | **17,548** | 11,511 |

* Adjusting tax items in the year includes a one off charge of £374,000 as a result of the reduction in US Federal Tax rates. 2017 included a charge of £341,000 relating to the de-recognition of tax losses in Asia Pacific. Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

| | **2018** | 2017 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of shares during the year: ('000 shares) | | |
| – Basic | **105,410** | 105,453 |
| – Dilutive effect of share options | **7,084** | 4,670 |
| – Diluted | **112,494** | 110,123 |
| The adjustments have the following effect: | | |
| **Basic earnings per share** | **7.7p** | 4.4p |
| Amortisation of intangible assets | **6.7p** | 6.2p |
| Share-based payments | **3.4p** | 1.4p |
| Imputed interest | **0.1p** | 0.0p |
| Other separately reported items | **0.8p** | 0.5p |
| Tax effect of the above adjustments and adjusting tax items | **(2.1p)** | (1.6p) |
| **Adjusted earnings per share** | **16.6p** | 10.9p |
| **Diluted earnings per share** | **7.3p** | 4.2p |
| Amortisation of intangible assets | **6.2p** | 5.9p |
| Share-based payments | **3.2p** | 1.4p |
| Imputed interest | **0.1p** | 0.0p |
| Other separately reported items | **0.8p** | 0.5p |
| Tax effect of the above adjustments and adjusting tax items | **(2.0p)** | (1.5p) |
| **Adjusted diluted earnings per share** | **15.6p** | 10.5p |

## 6 Goodwill

| | Middle East £'000 | USA £'000 | Nordic £'000 | Germany £'000 | CoEditor £'000 | Asia Pacific £'000 | Galaxy £'000 | SMG £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Carrying amount at 1 August 2016** | 1,667 | 19,941 | 8,429 | 10,980 | 569 | 815 | - | - | 42,401 |
| Exchange differences | 15 | 186 | 502 | 640 | – | 2 | - | - | 1,345 |
| **Carrying amount at 31 July 2017** | **1,682** | **20,127** | **8,931** | **11,620** | **569** | **817** | **-** | **-** | **43,746** |
| Additions through business combinations | **–** | **–** | **–** | **–** | **–** | **–** | **469** | **8,026** | **8,495** |
| Exchange differences | **(7)** | **(71)** | **(52)** | **(49)** | **–** | **(7)** | **5** | **-** | **(181)** |
| **Carrying amount at 31 July 2018** | **1,675** | **20,056** | **8,879** | **11,571** | **569** | **810** | **474** | **8,026** | **52,060** |
| **At 31 July 2018** | | | | | | | | | |
| Cost | **1,675** | **20,056** | **8,879** | **12,294** | **569** | **810** | **474** | **8,026** | **52,783** |
| Accumulated impairment | **–** | **–** | **–** | **(723)** | **–** | **–** | **-** | **-** | **(723)** |
| **Net book amount** | **1,675** | **20,056** | **8,879** | **11,571** | **569** | **810** | **474** | **8,026** | **52,060** |

In accordance with the Group's accounting policy, the carrying values of goodwill and other intangible assets are reviewed annually for impairment. The cash-generating units ("CGUs") are consistent with those segments shown in Note 1. The 2018 impairment review was undertaken as at 31 July 2018. The recoverable amounts of all CGUs have been determined based on value in use calculations. This review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows derived from assets using a projection period of five years for each CGU based on approved budget numbers.

The sources of the assumptions used in making the assessment are as follows:

- Growth rates are internal forecasts based on both internal and external market information.
- Margins reflect past experience, adjusted for expected changes.
- Terminal growth rates based on management's estimate of future long-term average growth rates.
- Discount rates based on Group WACC, adjusted where appropriate.

Annual EBITDA growth rates of 2.25% have been assumed in perpetuity beyond year five. The pre-tax weighted average costs of capital used to discount the future cash flows to their present values are Middle East 10%% (2017: 10%), USA 17% (2017: 17%), Nordic 13% (2017: 13%), Germany 15% (2017: 15%) and Asia Pacific 12% (2017: 12%).

Management has considered reasonable possible changes in the above key assumptions and performed sensitivity analyses under these scenarios. This analysis shows that sufficient headroom exists and would not give rise to any further impairment.

## 7 Other intangible assets

| | Consumer panel £'000 | Software and software development £'000 | Customer contracts and lists £'000 | Patents and trademarks £'000 | Product development costs £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **At 1 August 2016** | | | | | | |
| Cost | 16,081 | 19,901 | 5,418 | 3,439 | 962 | 45,801 |
| Accumulated amortisation | (13,167) | (14,265) | (3,751) | (3,048) | (831) | (35,062) |
| **Net book amount** | 2,914 | 5,636 | 1,667 | 391 | 131 | 10,739 |
| **Year ended 31 July 2017** | | | | | | |
| Opening net book amount | 2,914 | 5,636 | 1,667 | 391 | 131 | 10,739 |
| Additions: | | | | | | |
| Separately acquired | 3,471 | 50 | – | 26 | – | 3,547 |
| Internally developed | – | 3,385 | – | – | 36 | 3,421 |
| Amortisation charge: | | | | | | |
| Separately acquired | (2,219) | (534) | – | (8) | (60) | (2,821) |
| Internally developed | – | (2,726) | – | – | – | (2,726) |
| Business combinations | – | (226) | (562) | (173) | – | (961) |
| Disposals | – | – | – | – | (71) | (71) |
| Exchange differences | 34 | 15 | 31 | 4 | 2 | 86 |
| **Closing net book amount** | 4,200 | 5,600 | 1,136 | 240 | 38 | 11,214 |
| **At 31 July 2017 and 1 August 2017** | | | | | | |
| Cost | 19,768 | 23,374 | 5,548 | 3,581 | 900 | 53,171 |
| Accumulated amortisation | (15,568) | (17,774) | (4,412) | (3,341) | (862) | (41,957) |
| **Net book amount** | 4,200 | 5,600 | 1,136 | 240 | 38 | 11,214 |
| **Year ended 31 July 2018** | | | | | | |
| Opening net book amount | **4,200** | **5,600** | **1,136** | **240** | **38** | **11,214** |
| Additions: | | | | | | |
| Separately acquired | **2,834** | **404** | **–** | **39** | **–** | **3,277** |
| Internally developed | **–** | **3,928** | **–** | **–** | **12** | **3,940** |
| Business combinations | **–** | **97** | **1,810** | **–** | **–** | **1,907** |
| Amortisation charge: | | | | | | |
| Separately acquired | **(2,555)** | **(257)** | **–** | **(7)** | **(2)** | **(2,821)** |
| Internally developed | **–** | **(3,519)** | **–** | **–** | **–** | **(3,519)** |
| Business combinations | **–** | **(220)** | **(466)** | **–** | **–** | **(686)** |
| Exchange differences | **(5)** | **(1)** | **(9)** | **–** | **–** | **(15)** |
| **Closing net book amount** | **4,474** | **6,032** | **2,471** | **272** | **48** | **13,297** |
| **At 31 July 2018** | | | | | | |
| Cost | **22,566** | **27,355** | **7,339** | **3,603** | **911** | **61,774** |
| Accumulated amortisation | **(18,902)** | **(21,323)** | **(4,868)** | **(3,331)** | **(863)** | **(48,477)** |
| **Net book amount** | **4,474** | **6,032** | **2,471** | **272** | **48** | **13,297** |

## 8 Property, plant and equipment

| | Freehold property £'000 | Leasehold property improvements £'000 | Computer equipment £'000 | Fixtures and fittings £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **At 1 August 2016** | | | | | | |
| Cost | 1,667 | 1,248 | 3,082 | 1,692 | 121 | 7,810 |
| Accumulated depreciation | (471) | (502) | (2,152) | (1,039) | (78) | (4,242) |
| **Net book amount** | 1,196 | 746 | 930 | 653 | 43 | 3,568 |
| **Year ended 31 July 2017** | | | | | | |
| Opening net book amount | 1,196 | 746 | 930 | 653 | 43 | 3,568 |
| Additions: | | | | | | |
| Separately acquired | – | 61 | 659 | 86 | 37 | 843 |
| Disposals | – | (1) | – | (6) | – | (7) |
| Depreciation | (87) | (205) | (609) | (243) | (30) | (1,174) |
| Exchange differences | 14 | 8 | 16 | 10 | – | 48 |
| **Closing net book amount** | 1,123 | 609 | 996 | 500 | 50 | 3,278 |
| **At 31 July 2017 and 1 August 2017** | | | | | | |
| Cost | 1,682 | 1,312 | 3,787 | 1,788 | 158 | 8,727 |
| Accumulated depreciation | (559) | (703) | (2,791) | (1,288) | (108) | (5,449) |
| **Net book amount** | 1,123 | 609 | 996 | 500 | 50 | 3,278 |
| **Year ended 31 July 2018** | | | | | | |
| Opening net book amount | **1,123** | **609** | **996** | **500** | **50** | **3,278** |
| Additions: | | | | | | |
| Separately acquired | **–** | **16** | **791** | **144** | **18** | **969** |
| Business combinations | **–** | **4** | **1** | **44** | **–** | **49** |
| Disposals | **–** | **(2)** | **(6)** | **(4)** | **–** | **(12)** |
| Depreciation | **(82)** | **(231)** | **(679)** | **(216)** | **(23)** | **(1,231)** |
| Exchange differences | **(6)** | **(4)** | **(2)** | **(4)** | **-** | **(16)** |
| **Closing net book amount** | **1,035** | **392** | **1,101** | **464** | **45** | **3,037** |
| **At 31 July 2018** | | | | | | |
| Cost | **1,675** | **1,336** | **4,322** | **1,909** | **167** | **9,409** |
| Accumulated depreciation | **(640)** | **(944)** | **(3,221)** | **(1,445)** | **(122)** | **(6,372)** |
| **Net book amount** | **1,035** | **392** | **1,101** | **464** | **45** | **3,037** |

All property, plant and equipment disclosed above in both the year ended 31 July 2018 and 31 July 2017, with the exception of those items held under lease purchase agreements, are free from restrictions on title.

## 9 Trade and other receivables

| | **31 July 2018 £'000** | 31 July 2017 £'000 |
|---|---|---|
| Trade receivables | **21,099** | 18,441 |
| Other receivables | **3,775** | 2,367 |
| Prepayments | **2,448** | 1,886 |
| Accrued income | **8,576** | 8,549 |
| | **35,898** | 31,243 |
| Provision for trade receivables | **(1,226)** | (544) |
| | **34,672** | 30,699 |

The Directors consider that the carrying amount of trade and other receivables approximate to their fair value.

As at 31 July 2018, trade receivables of £11,229,000 (2017: £10,660,000) were overdue but not impaired. These relate to a number of customers for which there is no recent history of default or any other indication that the receivable should not be fully collectable. The ageing analysis of past due trade receivables which are not impaired is as follows:

| | **31 July 2018 £'000** | 31 July 2017 £'000 |
|---|---|---|
| Up to three months overdue | **5,833** | 6,391 |
| Three to six months overdue | **3,833** | 3,011 |
| Six months to one year overdue | **823** | 479 |
| More than one year overdue | **740** | 779 |
| | **11,229** | 10,660 |

Movement on the Group provision for impairment of trade receivables is as follows:

| | **2018 £'000** | 2017 £'000 |
|---|---|---|
| Provision for receivables impairment at 1 August | **544** | 474 |
| Provision created in the year | **768** | 206 |
| Provision utilised in the year | **(97)** | (140) |
| Exchange differences | **11** | 4 |
| **Provision for receivables impairment at 31 July** | **1,226** | 544 |

The creation and release of the provision for impaired receivables has been included in the Consolidated Income Statement. The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The average length of time taken by customers to settle receivables is 56 days (2017: 58 days). Concentrations of credit risk do exist with certain clients with which we have trading relationships but none has a history of default and all command a certain stature within the marketplace, which minimises any potential risk of default. Material balances (defined as greater than £250,000 (2017: greater than £250,000)) represent 40% of trade receivables (2017: 43%).

At 31 July 2018, £Nil (2017: £261,000) of the trade and other receivables of YouGov Nordic and Baltic A/S were used as security against a loan and revolving overdraft facility held by YouGov Nordic and Baltic A/S. The Group does not hold any other collateral as security.

## 10 Trade and other payables

| | **31 July 2018 £'000** | 31 July 2017 £'000 |
|---|---|---|
| Trade payables | **2,787** | 1,745 |
| Accruals | **13,808** | 12,887 |
| Deferred income | **12,521** | 10,697 |
| Other payables | **5,882** | 4,060 |
| | **34,998** | 29,389 |

Included within other payables are £80,000 (2017: £71,000) of contributions due in respect of defined contribution pension schemes.