

1 Year Chart



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**MiFID II – this research is deemed to be a minor, non-monetary benefit.**

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Yesterday's trading update re-confirmed many of the themes covered in the September final results announcement. That which is in Wilmington's immediate control (ie costs and digital event transformation) are proving to be better than expected. The resilience of the core data businesses and the speed of digital response to event cancellations have resulted in a good degree of downside mitigation for both revenues and, critically, margins. However, there is much that is out of Wilmington's immediate control (ie the ability to run a small number of larger events) and here the outlook is becoming more cautious. We have tightened our estimates accordingly, although this is not as material as the original downside scenario had suggested.

In our eyes, larger event risk is already fully priced into the Wilmington valuation so the updated guidance should not be a reason to disturb the share price. Beyond shorter term event risk, we continue to see significant value within the Group. In our recent, detailed note ([Putting the best foot forward – 21<sup>st</sup> Sept](#)), we argued that Risk & Compliance alone could be worth more than the market cap of the entire group. This thesis remains unchanged.

- **Trading update:** This covers the three months to Sept, the company's first fiscal quarter. Overall, the performance of the business has been ahead of previous management expectations, with adjusted PBT being ahead year on year despite revenue being c.6% lower on an underlying basis.
- **Speed of response:** Our take is that Wilmington has done a good job of navigating a tricky external environment through a combination of internal cost control and a resilient performance from the subscription core. The face to face businesses have seen a swift adoption of digital formats, where possible, which has offset the worst revenue and margin impacts from the relatively small number of larger events in the portfolio.
- **Full year outlook:** Despite a better than expected start to the year; it is becoming increasingly unlikely that the larger events will run in H2. Wilmington had previously outlined "will they / won't they" scenarios and is now guiding towards the latter. However, it is also clear that although the lower-case scenario is more likely, this will be less pronounced than originally thought as the progress made outside of the larger events is bearing fruit.
- **Estimate:** Following yesterday's trading update, we are tightening up our estimates for the current year and beyond. Although we have made some minor downgrades (-4% to PBT) to our current year numbers; these are not as severe as the original "B" downside scenario outlined at the final results.

June, £m	Sales	PBT adj	EPS (p)	Div (p)	Net Cash	Fiscal PER x	Yield %
FY 2019A	122.5	19.3	17.2	9.1	-33.9	7.6	7.6
FY 2020A	113.1	11.9	10.6	-	-27.7	12.3	-
FY 2021E	108.9	11.9	10.6	5.3	-28.1	12.3	4.1
FY 2022E	114.0	14.6	13.0	6.4	-22.2	10.0	4.9
FY 2023E	118.5	16.0	14.3	6.7	-15.0	9.1	5.2

Source: Radnor Capital Partners

## AGM trading update: Key points

*Q1 performance better than originally expected ...*

Wilmington yesterday released a trading update to co-incide with the AGM. This follows the full year results for the twelve months to 30<sup>th</sup> June 2020), which were released on 17<sup>th</sup> September and which came in at the **top end of the revised range in terms of both revenue and profit.**

Key points from the trading update are as follows:

- Adjusted PBT in Q1 ahead of prior year;
- Underlying revenue down 6% compare to prior year;
- Operating cashflow also better than expected with net debt at the end of September coming in at £28.0m; this is similar to the year-end position and a material improvement to the position at 30<sup>th</sup> September 2019 (£41.2m);
- The option to extend the maturity of the £65.0m revolving credit facility has been exercised and this will now mature in July 2024.

The better than expected profit performance has been delivered through:

*Subscription and data remain solid ...*

- Continued resilience in the core, subscription led data businesses;
- Elsewhere, in Compliance the ICA Singapore business has enjoyed strong new registration momentum, and;

*Swift digital transitions remains a theme ...*

- The Investment Banking graduate training programme has successfully transitioned to a digital format, resulting in revenue in line with the prior year which had previously been seen as potentially at risk

Other than the resilience of the subscription led businesses (c.50% of group revenue) the stand out feature of the recent final results had been the swiftness of the digital transition for the shorter form events and training businesses. This trend has been maintained as evidenced by the Investment Bank training news; which is a clear incremental positive against prior expectations.

## Guidance and estimates

At the September final results, Wilmington outlined two potential scenarios for the full year; both of which hinged on the likelihood of the larger events taken place in H2:

- **Scenario A** - Given the second half weighting towards major “face to face” events’, if Wilmington is able to resume face to face training then H2 FY 21 revenue should approach that achieved in **H2 FY 19**, giving full year revenue growth in the low single digit percentage range. This implied c£114m revenue in FY21 (after adjusting for the closure of CLT).
- **Scenario B** - If restrictions remain through H2 FY 21 and the Group remains 100% virtual, then H2 FY 21 revenue is likely to show “low single digit percentage growth” on **H2 FY 20**, albeit margins will benefit from cost reductions already made. This implied c£105m revenue in FY21 (again after adjusting for CLT).

Critically, in either scenario, Wilmington was clear in its expectation to remain profitable throughout FY 21. In our most recent, detailed note ([Putting the best foot forward – 21<sup>st</sup>](#)

[Sept](#)), we modelled out the potential profit / EPS outcomes for each of these scenarios, which we repeat in the table below.

**Figure 1: Previously announced FY 21 scenario profit outcomes**

£m	Scenario A	Variance	Scenario B
Revenue	114.0	9.0	105.0
EBITA	16.4	4.5	11.9
Margin %	14.4%		11.3%
PBT - Adj	14.5	4.6	9.9
EPS (p)	13.1	4.1p	9.0

Source: Company, Radnor

Yesterday's update has provided further clarity on the shape and detail of these scenarios, with it becoming increasingly clear that face to face events are much less likely to occur in H2.

However, through the combination of cost control and the continuing ability to transition the smaller, face to face events to digital formats, the Group is managing to offset the worst effects of Scenario B both in terms of revenue and profit.

What does this mean for our estimates? Our previous central case estimates effectively struck a middle ground between Scenario A and B with our headline FY 21 expectations for revenue / PBT of £112.2m / £12.4m respectively.

**Figure 2: Changes to Radnor central case estimates**

	FY21 Old	FY21 New	Change	FY22 Old	FY22 New	Change
Revenue	112.2	<b>108.9</b>	-3%	117.6	<b>114.0</b>	-3%
EBIT	14.2	<b>13.9</b>	-2%	16.8	<b>16.5</b>	-2%
PBT	12.4	<b>11.9</b>	-4%	15.0	<b>14.6</b>	-3%
EPS	11.2p	<b>10.7</b>	-4%	13.5p	<b>13.1p</b>	-3%
DPS	5.3p	<b>5.3</b>	-	6.7p	<b>6.4p</b>	-4%

Source: Company, Radnor

We can see from the above that our new, central case estimates still represent a materially better outcome than the original Scenario B, reflecting the progress the company has made.

## Wilmington PLC

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Price (p): 130 p  
Market Cap: 115 m  
EV: 143 m

## PROFIT &amp; LOSS

Year to 30 June, £m	2019	2020	2021E	2022E	2023E
Risk & Compliance	42.5	41.7	42.6	43.9	45.2
Professional	33.8	30.3	28.2	29.3	30.5
Healthcare	46.3	41.0	38.1	40.8	42.8
<b>Group revenue</b>	<b>122.5</b>	<b>113.1</b>	<b>108.9</b>	<b>114.0</b>	<b>118.5</b>
- growth %	0%	-8%	-4%	5%	4%
Op. Exp.	(93.7)	(88.1)	(83.5)	(85.9)	(89.3)
Central costs	(4.4)	(5.0)	(5.0)	(5.2)	(5.3)
<b>EBITDA</b>	<b>24.5</b>	<b>20.0</b>	<b>20.4</b>	<b>22.9</b>	<b>23.9</b>
- margin %	20.0%	17.7%	18.7%	20.1%	20.1%

<b>EBITA - Adjusted</b>	<b>21.5</b>	<b>14.0</b>	<b>13.9</b>	<b>16.5</b>	<b>17.9</b>
Associates & JV's	-	-	-	-	-
Net Bank Interest	(2.1)	(2.2)	(2.1)	(2.0)	(1.9)
<b>PBT - Adjusted</b>	<b>19.3</b>	<b>11.9</b>	<b>11.9</b>	<b>14.6</b>	<b>16.0</b>
Goodwill	(5.0)	(4.8)	(4.8)	(4.8)	(4.8)
Exceptionals	0.4	(0.6)	(0.7)	(0.4)	-
Other Financial Items	-	-	-	-	-
<b>PBT - IFRS</b>	<b>14.7</b>	<b>6.4</b>	<b>6.5</b>	<b>9.4</b>	<b>11.2</b>
Tax - Adjusted	(4.0)	(2.5)	(2.5)	(3.1)	(3.4)
Tax rate - Adjusted	20.9%	20.9%	21.0%	20.0%	20.0%
Minority interests	-	-	-	-	-
No. shares m, diluted	88.2	88.8	88.5	88.5	88.5
<b>Adj EPS (p), diluted</b>	<b>17.2</b>	<b>10.6</b>	<b>10.6</b>	<b>13.0</b>	<b>14.3</b>
Total DPS (p)	9.1	-	5.3	6.4	6.7

## CASH FLOW

Year to 30 June, £m	2019	2020	2021E	2022E	2023E
EBITDA	24.5	20.0	20.4	22.9	23.9
Working Capital	1.9	6.5	(8.0)	(1.0)	(0.1)
Provisions / Exceptionals	0.0	(0.0)	-	-	-
<b>Gross Op Cashflow</b>	<b>26.4</b>	<b>26.5</b>	<b>12.4</b>	<b>21.9</b>	<b>23.8</b>
Cash Tax	(3.9)	(4.4)	(2.5)	(3.1)	(3.4)
Cash Interest	(1.9)	(1.6)	(2.1)	(2.0)	(1.9)
Minority Divs	(0.5)	-	-	-	-
<b>Net Op Cashflow</b>	<b>20.1</b>	<b>20.5</b>	<b>7.8</b>	<b>16.9</b>	<b>18.6</b>
Capex	(3.7)	(3.9)	(3.2)	(3.2)	(3.3)
Lease Liabilities	-	(2.4)	(2.4)	(2.4)	(2.4)
<b>Free Cashflow</b>	<b>16.4</b>	<b>14.3</b>	<b>2.2</b>	<b>11.3</b>	<b>12.9</b>
Dividends	(7.8)	(4.3)	(2.0)	(5.0)	(5.7)
M&A + Deferred	(1.6)	(2.0)	-	-	-
Other Non Operating	(1.2)	(1.8)	(0.6)	(0.4)	-
<b>Net Cashflow</b>	<b>5.8</b>	<b>6.2</b>	<b>(0.4)</b>	<b>5.9</b>	<b>7.2</b>
<b>Net Cash (Debt)</b>	<b>(33.9)</b>	<b>(27.7)</b>	<b>(28.1)</b>	<b>(22.2)</b>	<b>(15.0)</b>

## BALANCE SHEET

Year to 30 June, £m	2019	2020	2021E	2022E	2023E
Intangibles	100.7	97.6	92.4	87.2	82.4
P, P+E	6.0	16.9	16.8	16.7	16.8
Tax Asset & Other	2.8	3.4	3.4	3.4	3.4
<b>Total Fixed Assets</b>	<b>109.5</b>	<b>117.8</b>	<b>112.5</b>	<b>107.3</b>	<b>102.5</b>
Net Working Capital	-	-	-	-	-
ST assets / liabilities	(32.8)	(47.7)	(33.5)	(32.5)	(32.5)
<b>Net Current Assets</b>	<b>(32.8)</b>	<b>(47.7)</b>	<b>(33.5)</b>	<b>(32.5)</b>	<b>(32.5)</b>
LT assets / liabilities	-	(0.9)	5.6	5.9	6.3
Net Cash (Debt)	-	-	-	-	-
<b>Net Assets</b>	<b>76.7</b>	<b>71.1</b>	<b>73.4</b>	<b>68.8</b>	<b>63.8</b>

## PRICE CHART - 1 YEAR ABSOLUTE vs FTSE ALL SHARE



Source: FactSet

## SHAREHOLDERS

	% of ord. Share capital
Aberforth Partners	17.9%
Artemis	10.1%
Premier Miton	8.3%
Gresham House	7.2%
NFU Mutual	4.7%
Burgundy Asset Mgmt	4.5%
Columbia Threadneedle	4.3%
Chelverton Asset Mgmt	4.3%
Aberdeen Standard	3.0%
	<b>64.2%</b>

## Announcements

Date	Event
November 2020	AGM trading update
September 2020	Final results FY20
March 2020	Covid-19 Update
February 2020	H1 results FY20
November 2019	Q1 trading update
September 2019	Final results FY19
June 2019	Full year trading update

## RATIOS

	2019	2020	2021E	2022E	2023E
RoE	20%	13%	13%	17%	20%
RoCE	19%	14%	14%	18%	23%
Asset Turnover (x)	0.9x	1.0x	1.0x	0.9x	0.9x
NWC % Revenue	1%	-18%	-5%	-9%	-15%
Op Cash % EBITA	108%	132%	61%	96%	100%
Net Debt / EBITDA	1.4x	1.4x	1.4x	1.0x	0.6x

## VALUATION

Fiscal	2019	2020	2021E	2022E	2023E
P/E	7.5x	12.3x	12.2x	10.0x	9.1x
EV/EBITDA	5.8x	7.1x	7.0x	6.3x	6.0x
Div Yield	7.0%	0.0%	4.1%	4.9%	5.2%
FCF Yield	11.5%	10.0%	1.6%	7.9%	9.0%

Revenue growth		0%	-8%	-4%	5%
EPS growth		-12%	-39%	1%	22%
DPS growth		3%	-100%	-	21%

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