

1 Year Chart



Wilmington PLC is a research client of Radnor Capital Partners Ltd.

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

21st September 2020

**Alex de Groot**  
Iain Daly

adg@radnorcp.com  
id@radnorcp.co,

+44 (0) 203 897 1832

*These were impressive FY 20 results that came in at the top end of guidance given back in March. The Data & Information core has proven resilient whilst the swift digital transition with Training and Networking has mitigated the worst revenue impacts from lockdown. Underlying cash generation was healthy, and management have been able to materially de-risk the balance sheet without needing to raise dilutive, new equity capital.*

*In this note, we are re-initiating coverage with full estimates published for FY 21 and beyond. We also discuss the revenue scenarios outlined by the company at the FY 20 results announcement and what these imply in terms of earnings outcomes. Both of these scenarios hinge on the key swing factor for FY 21; namely whether face to face events can resume in time for Wilmington's H2. Our estimates effectively represent a middle ground between these two outcomes.*

*In our eyes, the current valuation is difficult to justify on fundamentals, nor on a comparative basis. Although we do not know the full current year outcome for the rest of the peer group, we would be surprised if many do better than Wilmington and yet the valuation gap has widened. Looking at the components within the group, the argument can be made that Risk & Compliance alone could be worth more than the current group market capitalisation. This suggests that investors are being given a free option on the c.£70m of revenue and £6m of EBIT (£80m / £13m pre-Covid) that sit outside Risk & Compliance.*

- **Final results:** Revenue/PBT of £113.1m/£11.9m was at the top end of previous guidance and confirms that Wilmington has come through the Covid storm in good shape. Critically, the balance sheet has been de-risked without recourse to shareholders.
- **Speed of response:** Wilmington's ability to react quickly to Covid challenges and transition the face to face businesses to digital alternatives has been impressive and we doubt that many others will report as positive an outcome.
- **What this says about Wilmington going forward:** A great deal in our eyes. The new management team have re-affirmed their commitment to an organic led growth strategy from a business that is being substantially refreshed internally in terms of sales culture; product innovation and digital investment.
- **Valuation context:** The share price suggests Wilmington is lagging behind its peers, which in our view, is not a fair reflection of the reality. We believe, Wilmington offers both recovery upside and attractive, medium term growth at an undemanding valuation.

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	7.0	7.6
FY 2020A	113.1	11.9	10.6	-	-27.7	11.4	-
FY 2021E	112.2	12.4	11.2	5.3	-27.9	10.7	4.4
FY 2022E	117.6	15.0	13.5	6.7	-20.3	8.9	5.6
FY 2023E	121.5	17.1	15.4	7.6	-12.9	7.8	6.4

Source: Radnor Capital Partners

## Wilmington: Key equity story

**Whilst Covid-19 remains highly unpredictable, our clear sense is that most businesses have moved beyond immediate crisis management and are looking more clearly towards the future. This results season will be the first real opportunity for investors to assess who have been the winners and losers.** Perhaps the key message we have taken out of the final results was that the strategy heading into Covid has helped the business weather the storm in a far more robust and agile fashion than even the most hardened of Wilmington watchers over the years would have expected. Hence our take on the Wilmington equity story is based on 1) Today and 2) What we knew prior to Covid-19.

### Wilmington: Today

*Given the backdrop, FY20 has been a remarkable performance ...*

Wilmington has delivered FY20 results at the top end of revised market expectations; a highly creditable achievement given the headline business mix (c.39% face to face events). Not only has revenue and profit performance been better than expected; leverage ratios are well under control, and free cashflow generation is handsome.

*Events multiple for a data heavy business ...*

We believe a central plank of the Wilmington equity story lies in the fact that the company is currently trading on an “events” multiple, when more than 50% of group revenues come from Data & Information, where visibility levels are much higher and which provide an underpin to core profitability that purer events businesses cannot match.

However, the events component cannot be ignored and here visibility is more limited. Investors will rightly be cautious about the potential outcomes for H2 FY21, when the larger Wilmington events are usually held. This caution is recognised by the company, who have provided welcome clarity around the range of potential outcomes.

*Wilmington’s event mix has proven more agile and resilient ...*

Despite the headline nervousness around potential event outcomes, this nervousness also **masks a reality which we also believe is not factored into the current valuation.** Wilmington’s event exposure is not geared towards multiple larger events. Yes, there are large events in the portfolio and yes, there is a large potential profit swing to factor. But, most Wilmington events are smaller scale and often training oriented. Wilmington has been successful in transitioning these events into digital formats. Successful to the extent that many are likely to remain digital; potentially opening the door to structurally higher margins than had previously been envisaged.

*Valuation multiples do not factor any real recovery ...*

Based on historic EPS, Wilmington is valued at 7.0x PE, which gives some sense of the recovery potential embedded in the current valuation. With the shares currently down c.50% compared to pre Covid levels, the current FY1 PE is 10.7x. Our expectations, post FY 21, are deliberately on the cautious side (Wilmington, rightly, are not providing explicit guidance beyond FY 21). We also factor a return to a normalised dividend policy in FY 21 with a cover target of c.2x.

*Free cashflow yield alone is >10% ...*

Wilmington has also generated £14m free cashflow in a year when balance sheet stress has been foremost in most investors’ minds. The current free cash flow yield to equity stands at 12%, falling to 10% on an EV basis. Historically, free cash flow yields in excess of 10% in the Media sector have often been a precursor to corporate activity.

*Are investors getting a free option at the current share price ...*

We believe that the nature of the portfolio spread within Wilmington lends itself to a sum of the parts valuation approach. On an indicative basis (we do not publish formal price targets), we can see such an approach posing a very interesting question; **“At the current share price; what are investors getting for free?”**

*Risk & Compliance alone could be worth more than the group ...*

Take the Risk & Compliance business. It can be argued that Risk & Compliance alone could be worth **£150m** (22% more than the Wilmington current market cap), based on a blended EBITDA multiple of **11.7x**. Risk & Compliance is a near equal revenue split between Data and Information and Training. Arguably, the training business here commands a lower multiple (we would suggest high single digit) than the core, subscription data business (mid teens multiple).

Listed Information Services stocks (RELX / Wolters Kluwer in Europe) now trade on low 20s EBITDA multiples, so our own indicative valuation multiple on Risk & Compliance is not demanding. Why have these Information Services stocks re-rated so much over the last decade?

- “Need to have” professional information – high renewal rates, embedded data
- Data subscription/recurring revenue streams – steady growth over time
- “Build it once, sell it many times” business model drives operating leverage
- Strong positioning in targeted end markets – high barriers to entry
- Consistent and rising free cash flow generation – light capex requirements
- Ownership of proprietary data often enables pricing power and cross-selling.

The immediate UK listed peer group (Informa, Euromoney, GlobalData and Ascential) currently trades on a blended EV/EBITDA multiple of c.15x.

*What price £71m of revenue and £6m of EBIT ?...*

At the current share price, Wilmington’s EV is £145m (including £28m net debt). It could be argued that investors are currently getting a “free option” on the Professional and Healthcare divisions. In FY 20, post Covid, these businesses generated £71m of revenue and £6.2m of EBIT, but in pre Covid FY 2019, generated £80m revenue and EBIT of £13m.

As things currently stand, we do not believe that Professional and Healthcare would command a similar multiple to Risk & Compliance. Margins are currently lower but will be more sensitive to successful execution of the organic growth strategy. Whichever way we look at it, we would have to work hard to justify a zero value for these businesses.

## Wilmington: Prior to Covid

Prior to Covid, Wilmington had been articulating the new strategic direction being taken by new CEO, Mark Milner and CFO, Richard Amos. There were four key strands to this new strategic direction:

*A more commercial sales culture ...*

- 1. Sales and marketing** - accelerate organic growth through a combination of internal, cultural evolution and the adoption of new processes and platforms. CEO Mark Milner’s own commercial background implies this is a priority.

Historically, many Wilmington businesses had concentrated on maintaining existing customer relationships, and not focussed enough on seeking out new opportunities and clients. A new CRM system is being rolled out, replacing many disjointed, legacy systems. Salesforce is now rolled out across 70% of the business; important to drive KPI measurement and targeting, as well as better connecting sales and marketing efforts.

*Digital, digital, digital ...*

- 2. Internal digital investment** – Capital expenditure over the last three years has been running at higher than historic levels as the group has upgraded its “plumbing” to provide the platform for the key strategic objective of delivering organic growth. Although the heavy lifting has been done in bringing Wilmington closer together and more efficient as an organisation; focus will now shift towards more growth-oriented measures. The comments made at the interim results (pre Covid) now seem highly prescient:

*" ... it is becoming clear that in order to drive the growth aspirations for the medium term, the business needs to invest further in its technology and digital content to ensure that its product portfolio is positioned in growth areas. Those investments will include the integration of existing technologies to improve user experience, development of more structured data platforms to enhance the monetisation of existing data assets and acceleration of the on-going transition from face to face to online and blended learning."*

The ability of the group to respond so quickly and effectively to the Covid lockdown challenges in the final quarter of last fiscal year is testament to the digital investments that have already been made. The most notable line from the FY 20 results presentation was:

*"Three years of digital transformation in three months."*

CEO Mark Milner also cited a number of areas where further digital investment and development could be expected:

- Centralised digital classrooms for customer training programmes
- Analytics technology to measure eLearning effectiveness and event engagement
- Continued investment in Central Data function
- Continued development of product management skills

*Alongside sales, the key driver behind organic growth ...*

**3. New product development** – There is a dual approach to new product development. The first prong is to ensure that relevant products are identified quickly through existing customer interactions. The company is now clear that data is driving product development, and that revenue models and pricing are becoming more value based.

The second prong is to focus on speed to market and then an iterative approach to product refinement and evolution. The key here is a greater emphasis on speed to market and greater responsiveness to customer demand. An example of new products successfully launched would be online student dashboards in the investment banking training business, which allow both students and tutors to track training progress in real time.

In total, five new products were signed off by the group Investment Committee in H1 vs only two in the same period in the previous year.

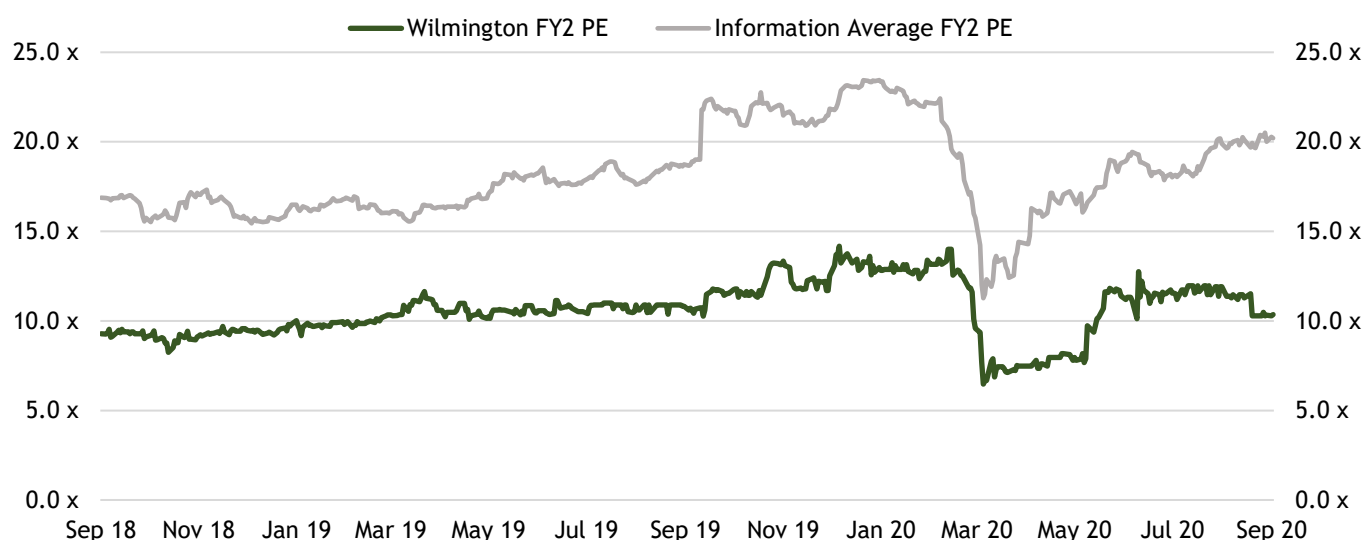
*Portfolio quality thresholds have been raised ...*

**4. Portfolio Management** - Following a thorough review of the business portfolio, Wilmington had identified two businesses, CLT (in Professional) and Inese (in Risk & Compliance), where the ability to add value appears limited. In combination, these businesses currently deliver annually around £7m of revenue and £0.5m of profit. Although Covid has disrupted the resolution process around these assets; a clear signal has been sent that the group portfolio will be managed on an active basis. More broadly, management have been explicit in making organic, not acquired, growth the key objective. Weaker businesses in the portfolio can no longer be masked by new acquisitions.

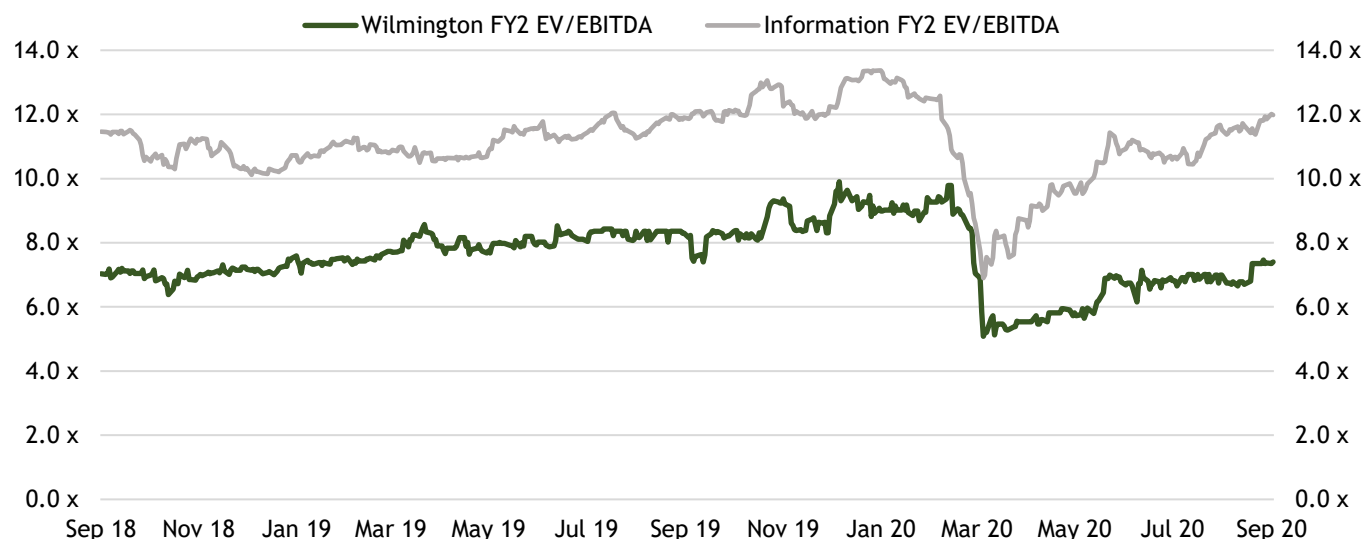
## The peer group valuation context

Figure 1 and 2 below shows the evolution of the FY2 PE and EV/EBITDA multiple over the last two years for both Wilmington and the broader Information peer group (Ascential, Bloomsbury, Centaur, Euromoney, DMGT, Future, GlobalData, Hyve and Informa). This data is based on consensus estimates as sourced from FactSet.

**Figure 1:** Information peer group, FY2 PE multiple over the last 2 years



**Figure 2:** Information peer group, FY2 EV/EBITDA multiple over the last 2 years

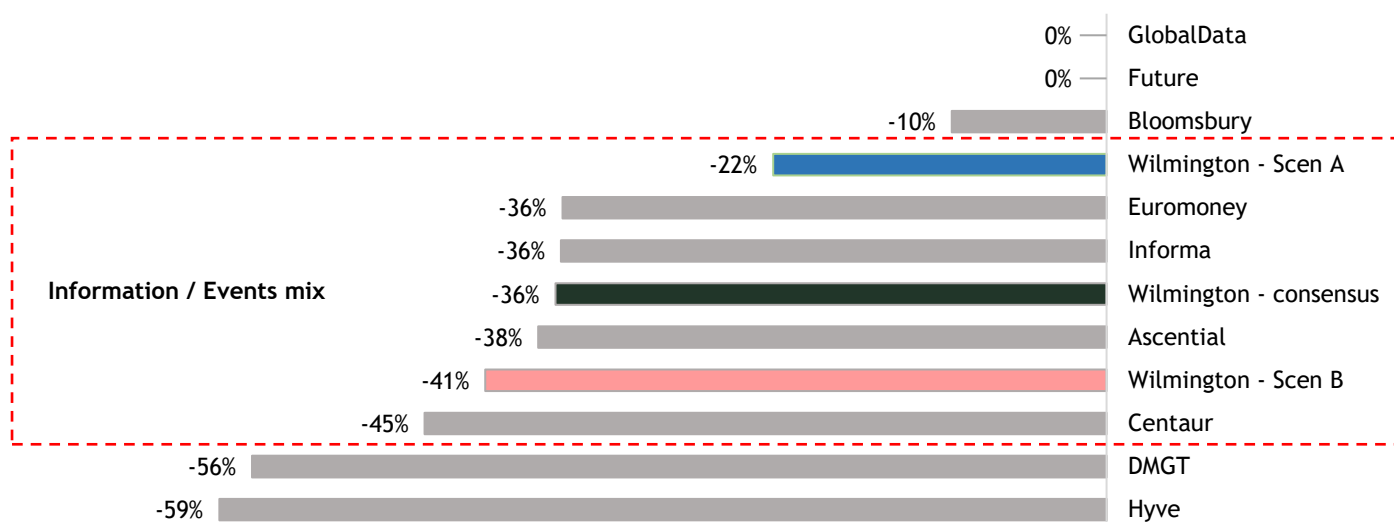


Source: FactSet, Radnor

Both Wilmington and the broader Information peer group have seen a recovery in multiples since the initial Covid trough in March 2020, however this has been materially lower for Wilmington rather than the peers. What is driving this underperformance?

We do not believe this underperformance can be justified by either company specific newsflow, nor by a major disconnect in forward earning revisions.

Figure 3: Two year forward PBT estimates – now vs peak



Source: FactSet, Radnor

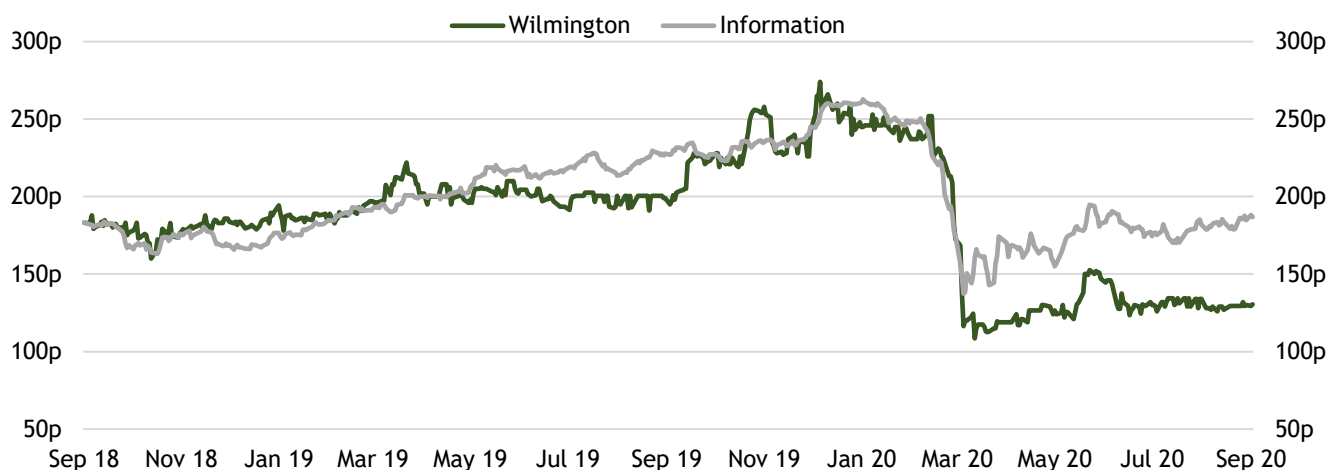
We can see from the above that, based on current market consensus, Wilmington has seen its consensus 2-year forward PBT downgraded broadly in line with its closest peers in terms of mix between information and face to face (Euromoney, Informa and Ascential).

*Wilmington's recovery potential in FY 22 is not in the current price ...*

However, Wilmington has gone further than many of its peers and has provided a degree of forward revenue guidance through two potential scenarios for FY 21. We discuss these scenarios in more detail further below, but Scenario A envisages a return to face to face events in the second half of the current financial year, while Scenario B sees this resumption pushed back into FY 22. Current Wilmington consensus estimates for the current financial year (FY 21) would be consistent with Scenario A in FY 21.

We can see that even under the more negative scenario (Scenario B), Wilmington will slip from just ahead of Ascential, to just behind. As a reminder, Ascential is currently trading on an FY2 PE of 20.5x compared to Wilmington's more modest 10.4x. The upside case, Scenario A, would place Wilmington comfortably at the head of the pack.

Figure 4: Wilmington vs Information peer group – relative share price performance



Source: FactSet, Radnor

---

Figure 4 shows the relative price performance between Wilmington and the Information peer group. For us, this is the key to the valuation disconnect. Other than Centaur, Wilmington is the smallest in market cap terms; does not offer the same liquidity as its larger peers and as such, has not seen its positive operational performance recognised.

*No fundamental reason  
why the shares should be  
lagging the peer group ...*

Also, we note that prior to Covid, Wilmington's share price had moved more closely in step with its peer group. During the latter half of 2019, the market had responded well to the new Wilmington organic growth strategy. Although the shares traded at a persistent valuation discount, the pre Covid multiple expansion was broadly in line with the peer group. Given the extent to which Wilmington has exceeded expectations through Covid and has re-validated and re-affirmed its pre Covid growth strategy; we do find it surprising to see the share price performance gap widen post Covid. We certainly cannot justify it on fundamentals.

## FY20 Final Results Overview

*Results at top of the revised guidance range ...*

Wilmington has published FY20 results (for the twelve months to 30<sup>th</sup> June), which are at the **top end of the revised range in terms of both revenue and profit**. Key points from the results are as follows:

- Revenue down 7.7% to £113.1m (2019: £122.5m);
- Adjusted EBITA down by 34.6% to £14.0m (2019: £21.5m);
- Adjusted EBITA margin, 12.4%, down 520bps (2019 17.6%);
- Adjusted profit before tax down 38.6% to £11.9m (2019: £19.3m);
- Reported Profit before tax at £6.4m (2019: £14.7m)
- Adjusted earnings per share down to 10.7p (2019: 17.4p)
- No final dividend, in-line with previous guidance
- Free cashflow, £14.3m (2019: £17.0m)
- Group net debt £27.7m at 30 June 2020 (2019: £33.9m), equivalent to 1.4x adjusted EBITDA (2019: 1.4x)

Wilmington is a June year end, and ordinarily is H2 weighted in terms of full year outcome. However, the final trading quarter of FY 2019/20 coincided with the onset of the Covid-19 pandemic and had a material impact on the full year outcome. In particular, the Group was unable to hold any face to face training or networking events.

*Solid organic growth heading into Covid ...*

Masked by the impact of the Q4 hit, was the important fact that the **three preceding quarters had all delivered organic year on year growth (c.2-3%)**, which was in line with the group's stated strategy. Wilmington delivered profit in all four quarters of the year including Q4. And the Group starts the new financial year with a strong balance sheet, having generated £6.2m cash in the year, and reduced leverage in absolute terms (c£28m).

In March 2020, during the early stages of Covid, Wilmington published revised guidance (one of the very few to do so!) for FY20 revenue of £108m-£113m, and adjusted PBT of £8.5m-£12m. Hence the reported outcomes above are very much at the top end of this estimated range.

*Balance sheet is strong and has been well managed ...*

The impact of Covid-19 is clearly ongoing, and investors remain rightly preoccupied with company balance sheet strength and liquidity. In this context we highlight that Wilmington has already renegotiated (and relaxed) banking covenants and put in place an additional £15m facility through the Government's Coronavirus Large Business Interruption Scheme ('CLBILS') although this should be seen very much as a backstop, rather than a critical piece of day to day financing requirements.

*Resumption of the dividend has been flagged as a priority ...*

Historically, Wilmington has been a healthy dividend payer and the company has highlighted in its prelims a desire to resume dividends as soon as the trading environment normalises. No dividend was paid in FY 20, with the interim cancelled and no final dividend proposed. This was well signalled in advance by the company, and is in line with much of UK Plc.



In H1 20 (July-Dec), Wilmington produced £59.5m and £7.9m of Group revenue and EBITA respectively. Group organic growth was 2% YoY, and there was organic revenue growth in each of the three operating divisions. However, the impact of Covid 19 has been different for each business in H2, which we discuss in more detail below.

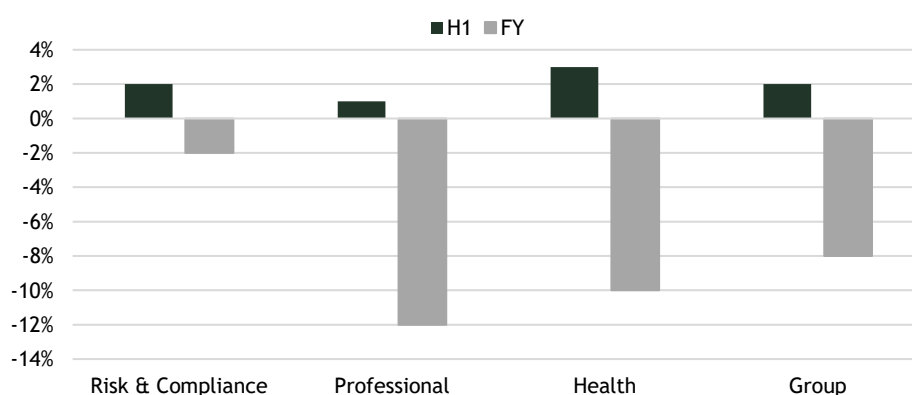
## FY20 Final Results: Revenue analysis

At the headline level, FY 20 revenue decreased by 8% or £9.4m on both an absolute and organic basis to £113.1m (FY 19: £122.5m) with growth in first nine months of the financial year offset by the impacts of Covid-19 in Q4 (Apr-Jun). Wilmington reports revenue (and margin trends) in more detail by division and by business type:

- Risk and Compliance (37% of Group revenue in FY 20 (2019: 35%).** Revenue, £41.7m, only 2% down on both an absolute and organic basis. Within this total the Compliance businesses' revenue declined by 3%. In the main Compliance business ICA, revenue fell by 4% on an organic basis. Risk comprises two businesses, which operate in the Insurance market. The Risk businesses overall reported a 1% increase in revenue.
- Healthcare (36% of Group revenue in FY20 (2019: 38%)** declined 11% to £41.0m (2019: £46.3m) or 12% on a constant currency basis. Our understanding is that half of the revenue decline was due to being unable to hold the RISE National event in the US in March 2020. European Healthcare, comfortably the largest divisional business, saw a 4% decline, which was primarily event related.
- Professional (27% of Group revenue in FY20 (2019: 28%)** was down 10% at £30.3m (2019: £33.8m) on both an absolute and organic basis. Professional has the highest proportion of its revenue generated by training of any of the three main divisions. The key contrast to Risk & Compliance is that the Professional training courses are much shorter duration (1-2 days) whilst Compliance courses can extend over several months.

In context, even before Covid-19, we had identified Risk & Compliance as the main performance driver in the group. This however has been reflected in the subsequent performance, and our forecasts going forward.

**Figure 5: FY20 organic growth; first half vs full year**



Source: Company, Radnor

*The proverbial tale of two halves...*

*Organic growth had been on track and on plan...*

It is worth re-iterating the point here that the 2-3% organic YoY growth that Wilmington experienced in the first three quarter of FY 20 had been in line with stated pre Covid

guidance and confirmed that Wilmington remained on track towards its low to mid single digit organic growth aspiration over the medium term.

Wilmington also reports revenue by type, which is a critical distinction as the differing revenue models for each type vary considerably by both visibility and margin profile.

- **Data and Information** - 51% of revenue in FY20 (2019: 47%), was up 2% YoY. This is mainly subscription-driven revenue. Renewal trends, an important forward indicator, are currently holding steady as we head into Wilmington’s Q1.
- **Training** - 39% of revenue (2019: 39%) declined by 6% YoY. Client demand for certain types of training, particularly single and half day events, decreased due to lockdown. This decrease was mitigated by the Group’s ability to successfully transition almost all face to face training to virtual equivalents. In FY20, 43% (2019: 30%) of training revenues were derived from digital learning.
- **Networking** (10% of Group revenue (2019: 14%), fell year-on-year by 36%. Covid-19 lockdowns coincided with the peak season for Networking events, ie Wilmington’s Q4. This includes RISE, traditionally the Group’s largest event, which was due to be held in US at the end of March 2020. ‘Virtual events’ have been held, where possible, to mitigate some of the lost revenue, including RISE.

Figure 6: FY20 Divisonal revenue split

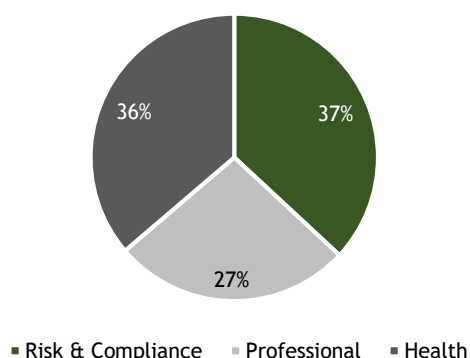
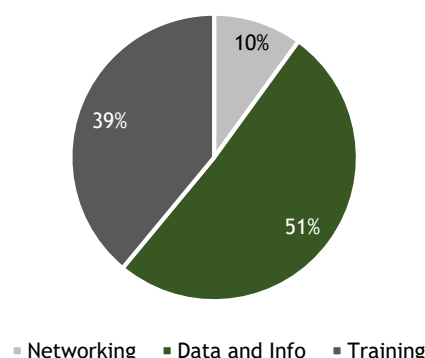


Figure 7: FY20 revenue type split



Source: Company, Radnor

*In more normal times, large events sit at the top of the pile...*

By now, investors familiar with the media sector will be well aware of the sector’s high exposure to ‘face to face’ revenue. Companies such as RELX, Euromoney, Informa, Ascential, Hyve and Centaur all have significant exposure to this revenue type, which is predominantly business-to-business and often skewed towards larger scale events, such as trade fairs, specialist exhibitions and awards events.

*Covid-19 has changed everything ...*

Covid-19 has resulted in a significant reduction in the volume of events taking place globally (and face to face marketing in general). Specifically, there is a reduction in international delegate travel. And, at the time of writing, governments across the globe continue to impose quarantine restrictions, make overseas business travel almost impossible. Hence, market forecasts have been heavily downgraded on all the main-listed events organisers. Forward visibility remains extremely limited across the board. Social distancing likewise may inhibit in-house training courses and seminars from taking place. Hence, the sharp increase in demand for digital alternatives as underlying demand remains largely unaffected; especially so in regulated or CPD intensive industries.

*Despite RISE, Wilmington is not really a “large” event organiser ...*

In context, Wilmington’s own large format event exposure is in fact relatively small. Networking is now 10% of group revenue and is skewed to regional US healthcare.

*Smaller scale events offer a more defensive margin profile ...*

Combined, training and networking combined comprise 49% of Group revenue. However, just under half of all Training revenue is in a digital, online delivery format. It is this ability to run and replicate face to face events in a virtual format which will be a clear theme for sector investors in the months to come.

There is no doubt in our mind that those with a bias towards training and smaller scale events, of which Wilmington is one of the best examples, will find a more favourable path to navigate, especially when it comes to margin protection as these smaller events have a much higher proportion of variable to fixed costs, compared to higher margin, lower fixed and variable cost large events.

### FY20 Final Results: Margin by division

*Margins are not uniform across the group ...*

Adjusted Group EBITA was down £7.4m (34.6%) to £14.0m (2019: £21.5m). Adjusted Group operating margin also decreased to 12.4% (2019: 17.6%). The sharp reduction mainly reflects the sudden loss of revenue in Q4, with modest scope for immediate cost base adjustment. There are however clear variations in FY divisional profit performance, primarily driven by the differing mix of delivery medium:

*Risk & Compliance enjoys 30% plus margins and grew these in FY 20 ...*

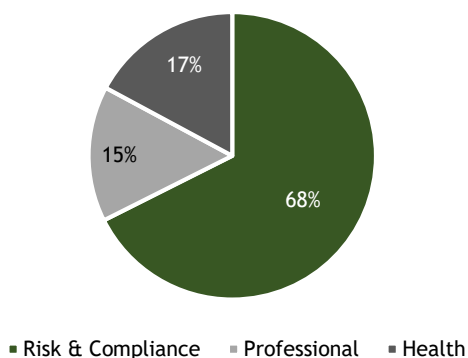
- **Risk and Compliance** divisional operating profit was up 1% to £12.8m (2019: £12.7m). Operating margin was slightly higher at 31% (2019: 30%). The reduction of revenue was offset by cost savings driven by the switch to online training and events and sharply reduced travel expenses in the Risk businesses.

The FY 20 pattern of margin performance was similar in both Healthcare and Professional, where cost savings were not enough to compensate for the drop off in gross profit.

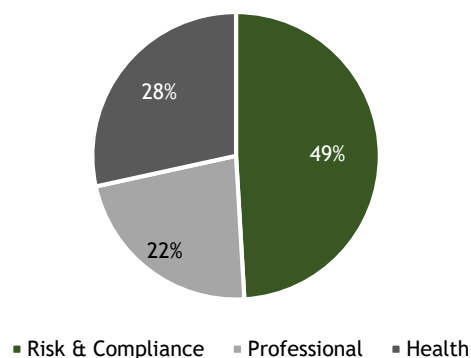
*Healthcare showed the highest margin sensitivity due to RISE ...*

- **Healthcare** operating profit decreased 56% in absolute and organic terms to £3.3m (2019: £7.3m). The operating margin declined to 8% (2019: 16%). This decline reflected the lost revenue which was associated with only minor venue related cost savings as most other costs in this division are essentially fixed.
- **Professional** operating profit decreased 50% on an absolute and organic basis to £2.9m (2019: £5.8m) driven by the fall in revenue. Direct cost savings as a result of the decrease in revenue were mainly offset by a one off £0.8m cost in Accountancy to upgrade business and CRM systems. The operating margin fell to 10% (2019: 17%).
- Unallocated central overheads were essentially flat at £4.3m (2019: £4.1m).

**Figure 8:** FY20 Divisonal EBIT split (pre central costs)



**Figure 9:** FY19 Divisonal EBIT split (pre central costs)



Source: FactSet, Radnor

## FY20 Final Results: Earnings

Wilmington FY20 adjusted earnings per share came in at 10.7p (2019: 17.4p). This matched the 39% decrease YoY in adjusted profit before tax and a flat underlying tax rate on an essentially unchanged number of issued ordinary shares.

In context, and reflecting the magnitude of Covid-19 disruption, this earnings performance is the lowest in a decade. In FY 19, Wilmington produced 17.2p adjusted earnings per share. This perhaps indicates the recovery potential in Wilmington profits, if broader market conditions stabilise and return to anything approaching historic levels of activity.

Over the last 5 years, the Wilmington share price high was 280p, and the low is unsurprisingly near current levels, 109p. EPS CAGR, 2014-19, has been 3%, organic top-line growth has averaged 1% over the same period. Pre the new management team, it would be fair to have characterised Wilmington's historic growth track record as stable, but largely unexciting. However, the new emphasis on organic revenue growth, coupled with margin expansion, should shift this earning growth profile materially upwards.

## FY20 Final Results: Balance sheet & Cash-flow

Wilmington has a strong balance sheet, with FY 20 period end net assets of £43.4m (2019: £42.9m). In addition, we highlight a number of other key features.

Net debt was £27.7m (2019: £33.9m). Cash generation of £6.2m compared to £5.7m in the prior year reflecting lower operating profit offset by a favourable working capital movement and the interim dividend not being paid.

*Operating cash conversion was high ...*

The release of cash from working capital was flattered by VAT and payroll tax benefits, but underlying operating cash conversion was still 133%, ahead of the 123% reported for FY 19. As well as the impact of the abnormal working capital position, year-on-year comparison of the percentages was also impacted by the adoption of IFRS 16. Wilmington has made a modest £0.6m provision for bad debts, but overall does not see a marked deterioration in the outlook for collections.

*Balance sheet has been materially de-risked ...*

In terms of free cashflow, Wilmington produced £14.3m of discretionary free cashflow in FY 20 (2019: £17.0m). This is a very creditable outcome in our view. Ordinarily – outside of Covid-19-this would fund a dividend. Like many, Wilmington had placed balance sheet flexibility and security very high up the list of Covid-19 priorities. However, the effectiveness of cash management in Q4 and the welcome relaxation of banking covenants has substantially de-risked the balance sheet. As a result, Wilmington has highlighted its intent to resume dividend payments “as soon as the trading environment normalises”.

From 2019 the Group has adopted the new lease accounting standard IFRS 16 which has resulted in leases being recognised on the balance sheet. Wilmington has opted to apply the modified retrospective approach to adoption meaning the prior year comparators have not been adjusted. On transition right of use assets of £11.0m were recognised, along with a corresponding £12.6m lease liability.

FY 20 period end, net debt to EBITDA was 1.4x. This is well within our own expectations, and also well below the level of original covenants. We would also note that there are no legacy pension issues to contend with. Interest cover is a healthy c7x.

As a result of Covid19, Wilmington had already arranged a temporary relaxation of covenant limits to take account of the more pessimistic scenarios for FY 21. The revised covenant limits have been set as follows:

**Figure 10:** Covenant relaxation

Testing date	Original Limit (x)	New Limit
30 Sep 2020	3.0 x	5.0 x
31 Dec 2020	3.0 x	6.5 x
31 Mar 2021	3.0 x	5.5 x
30 Jun 2021	3.0 x	4.5 x
30 Sep 2021	3.0 x	3.0 x

Source: Company, Radnor

*The devil is in the calculation detail ...*

There are a number of important points here. The covenant tests are calculated on a **trailing 12 month** EBITDA basis, which means that as Wilmington moves through FY 21, higher pre Covid profit months will be replaced by lower post Covid profit months. This monthly profit variance is likely to be larger than the actual monthly change in actual debt levels. Also, the natural seasonality of Wilmington's working capital profile peaks during Q3 / Q4, which co-incides with the likely impacts of the trailing EBITDA calculation.

*Wilmington sits comfortably below the original covenant level ...*

The relaxation of the covenant limits removes the potential for technical breach even if current trading shows signs of good, sequential improvement. The company has made it clear that the motivation behind the covenant relaxation is enabling sufficient headroom, rather than an actual expectation of the actual outcome. The company confirmed at the FY 20 results that current levels still sit comfortably below the original covenant limits.

*M&A is no longer the key growth driver ...*

Wilmington also made no material acquisitions in FY 20. Historically, Wilmington delivered most of its growth from acquisitions. This is no longer the case and the new management team has placed organic growth as the cornerstone of value creation.

Before Covid-19, the new Wilmington management team had undertaken a portfolio review and identified two assets which no longer offered the right level of returns; positioning and organic growth potential:

- **Central Law Learning (CLT)** – This business has been under pressure for some time, as CPD requirements were changed in 2017, reducing the mandatory requirement for ongoing training within the legal profession. The decision has been made to close the CLT England business (at a cost of £0.6m), although CLT Scotland still has a viable future and disposal options are being actively explored.
- **Inese** – Spanish insurance market intelligence and training provider based in Madrid. Performing well, but relatively small and has no synergy with other group operations. This business has been earmarked for disposal and this process remains ongoing, although disrupted by Covid-19.

We have not factored any disposal proceeds into our balance sheet forecasts.

Trade and other creditors increased by £1.3m from £57.2m to £58.5m. Within this, subscriptions and deferred revenue increased by £0.7m or 2.2% to £31.5m (2019: £30.8m), with trade and other payables increasing £0.7m to £27.0m (2019: £26.4m).

This increase in deferred revenue was driven by the delay to planned events from Q4, as Wilmington holds more prepayments from event sponsors or delegates than normal.

Some of the trade creditors will normalise through FY 21, in particular HMRC (where certain payments have been deferred). Hence it seems likely that the working capital inflow seen in FY 20 is likely to largely reverse in FY 21 as these effects unwind.

*The cash economics of the business are attractive ...*

Both the large subscription element to the Data & Information revenues and the events revenue have very positive cash economics. Both are paid up front, sitting on the liabilities side of the balance sheet until the revenue is recognised. In Wilmington's case, these credits should then be used progressively over the next year, all other things being equal. Adjusting for this, underlying deferred revenue decreased by 6% due to slower billings for new events expected to be held over the summer or into the autumn.

Wilmington should, in our view, be viewed as an organic top-line growth story, albeit disrupted at the present time by Covid-19. Hence we also highlight £3.3m of capitalised computer software spend in FY20, reflecting significant investments in an upgrade to the Axco data platform and the new wealth management ecommerce website. This should improve user functionality and offer positive payback in terms of improved organic growth.

## Portfolio developments:

*FY20 has been a busy period of progress ...*

There are a number of 'good news' stories to highlight in terms of Wilmington's key performance trends and portfolio developments.

- We note all parts of Wilmington are working remotely, with full operational capabilities currently being maintained. The group has been investing heavily over the last few years in upgrading and installing new digital capacity and technology and the benefits of this investment are now being felt.
- Of the three business model pillars within Wilmington; **Data and Information** is proving the most resilient and offers the highest level of forward visibility.
- The resilient nature of the **Risk & Compliance** divisional business models is reflected in stable FY 20 revenue and profit performance. Although the majority of training and education in Risk & Compliance has a face-to-face element, the businesses were able to transition quickly to virtual alternatives
- **International Compliance Association (ICA)** was a start-up in 2002, focusing on compliance professional development; it is now the leading player in the area of compliance industry bodies in Europe, Middle East and some parts of Asia. **ICA** is now one of Wilmington's biggest businesses (> 50% of Compliance revenues).
- **ICA** is performing well, with recurring revenue from continuing training and accreditation (over 15,000 members). Revenues are training based (face to face but increasingly online also) and include professional development courses, exams and accreditation (43 qualifications). Course material/IP is developed in-house with accreditations awarded in association with Alliance Business School (University of Manchester). Members pay subscriptions for ongoing accreditation.
- **Axco** is a data business focusing on the insurance industry and provides deep insight data to global insurance companies and brokers. Axco's existing revenue was not immediately impacted by Covid-19. In some cases, research trips have

converted to online or telephone enquiries, generating travel cost savings. A new data platform in Axco, with an enhanced regulatory alert system, was launched in January 2020. In Axco there is a solid pricing dynamic, which offsets the impacts of consolidation within the insurance sector.

- **APM**, the French healthcare data business, delivered 6% growth in FY 20, which was driven by both its core products and the recently launched APMi product, which provides a deep level of data into the French hospital sector.
- **AMT**, the investment banking training business in Professional, is trading relatively well. This relies on traditional face-to-face training for its revenue, albeit now augmented by online learning. A significant proportion of its revenue is derived from the summer graduate and intern induction programmes delivered in Q1 each financial year. These had been successfully converted to virtual formats for Summer 2020.
- The **UK Healthcare** business is predominantly data led. It also includes the *Health Service Journal*, the pre-eminent journal for UK healthcare leaders and suppliers, and also runs a series of *HSJ* branded events and seminars. Pre Covid-19, the **UK Healthcare** business was back on track to deliver low single digit organic revenue growth for the year. The growth was predominantly driven from the sales of Specialist Share Data (SSD) and by strong mailing fulfilment, postage sales and increased digital sales. The launch of the Quantis Covid tracker product enables clients to understand the impact of Covid-19 on patient waiting times, admissions and treatment pathways.
- **Mercia** is a leading provider of training and support services to the UK and Irish accountancy professions and is the core of Wilmington's accountancy business. Pre Covid, Mercia had been performing well following a period of integration and restructuring. Covid has accelerated a number of innovations including the launch of Mercia Live, a virtual classroom, and a further £0.8m is being invested to upgrade the digital platform and CRM systems.
- Wilmington has well diversified 'end market' exposure, serving verticals such as Compliance; Law; Accountancy; Investment Banking; Healthcare and Insurance, to a predominantly professional audience. These verticals have adapted relatively well to lockdown and home working (WFH), as Covid-19 has impacted the wider economy. It has no exposure to business-to-consumer (B2C), and no exposure to particularly troubled industry verticals such as Retail; Hospitality & Leisure.
- The group's Sales Academy, aimed at improving sales skills across the Group, is relaunching after an initial pause due to Covid-19. Improved selling is a key hallmark of the strategy of the new management team.
- A number of new products have already been brought to market as part of this process including a wealth management business's new website and ecommerce solution launched in May. There are currently 5 more new products under development through this process including the Digital Learning Platform.

## Future outlook and Radnor estimates

The extract below from the FY 20 final results statement captures the essence of the FY 21 outlook for Wilmington (underlining is our emphasis):

*“During the rest of calendar year 2020 we do not anticipate running many, if any, face-to-face networking events. We have been staying close to our customers through the pandemic and are planning for alternative virtual events whilst retaining the flexibility to convert back if regulations permit and customers demand it. Our proven ability to deliver professional development from our events means we expect demand for them, even in a virtual format, to remain. Similarly, we are organised to run 100% of training courses virtually for the rest of the calendar year but can rapidly convert back to face to face if required.”*

### Macro outlook

*The most material risks are out of Wilmington’s control ...*

At the time of writing, the Covid-19 pandemic is ongoing and remains very unpredictable. The UK Government for example has now announced a tightening of lockdown, with new rules on no social gatherings of more than six people, indoors and outdoors.

This comes on the back of MoM (month on month) UK GDP recovery in July of +6.6%, following June +8.7% and May +2.4%, after a record-breaking 20% contraction in April during the original lockdown. Over the broader three-month period to the end of July, GDP fell by 7.6%, with declines across all main sectors of the economy. This pattern of recent economic recovery, following a calamitous Q2, is common worldwide.

Consensus estimates for UK GDP growth in FY 2020 are now around -10% YoY, with 7% growth anticipated in 2021. Recovery, however, is a function of multiple factors, including spending in sectors involving social interaction; a significant increase in unemployment following the end of the Coronavirus Job Retention Scheme (CJRS) in October, weighing on consumption more broadly; subdued business investment in the context of weak demand and ongoing Brexit uncertainty. Many of these factors are also common to Wilmington’s other regional markets (US and Europe).

### Sector outlook

Wilmington has many brands across its portfolio, disclosed in three divisions:

- **Risk & Compliance** (ICA; Compliance Week; CLTi; Pendragon; Axco; Inese)
- **Professional** (AMT; Bond Solon; Mercia )
- **Healthcare** (APM; HSJ; FRA; Smee & Ford; RISE; Wilmington Healthcare)

**Risk & Compliance** is equally weighted towards information and training. Financial services compliance and regulation is growing at >+5% pa, likewise Insurance markets are growing in both traditional areas and new segments. Through the cycle, we see no reason why this division cannot deliver mid to high single digit organic growth.

**Professional** is mainly a training business focusing on accountancy, legal and investment banking. There are a number of mix effects here, but overall we see this division as low single digit top-line growth, through the cycle.



**Healthcare** is overweight information-based revenue, with a material events/networking business and negligible training. Like Professional, there are a number of mix effects, but overall we see this division as mid single digits growth, through the cycle.

By division, it is important to differentiate between the Covid-19 impact on the underlying sector itself, and the product delivery format. In the case of Healthcare, we are confident the pandemic impact is likely to be muted, but the product delivery format is more challenging, at least in the short term. Of the three divisions, Professional is the most macro-economically sensitive in our view.

## Wilmington guidance

In terms of their own FY 21 trading outlook, Wilmington has stated (underlining is our emphasis):

*“ ... in the first two months of the new financial year we remain profitable in what is traditionally a quiet period for trading during the UK and European holiday season ... this is expected to yield results for the first half of the year that will be similar overall to those achieved in the second half of the year just reported.”*

*Wilmington has attempted to provide a degree of forward guidance ...*

Wilmington's revenue / EBITA in H2 FY 20 (Jan–Jun) was c£53m / c£6m respectively. Hence market expectations for H1 FY 21 (Jul–Dec) are set at a similar level. In terms of H2 FY 21 (Jan–Jun), there is clearly much lower forward visibility on revenue outcomes. The key parameters according to the company are as follows:

- **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 implies 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 implies c£105m revenue in FY21 (again after adjusting for CLT).
- We can see the potential range between these two revenue outcomes is c.£9m.
- Critically, in either scenario, Wilmington expects to remain profitable throughout the FY 21. Relaxed banking covenants are in place for the next twelve months, as well as additional facility headroom for emergency cover should the economic situation deteriorate markedly. Under either scenario, the current expectation is that this cover will not be need.
- What will determine Wilmington's ability host Networking events live in H2 FY 21? This relates to the public health situation in core markets, government social distancing measures and vaccine availability. Any sustained resumption of “normalised” B2B activity should see stocks like Wilmington rally sharply.

*Wilmington has already demonstrated its ability to trade profitably through the worst ...*

FY 20 adjusted operating expenses were £99.0m (2019: £101.1m) down 2.0% or £2.0m. Wilmington has since undertaken a further Covid-19 related cost base review, with a planned reduction in Group wide overheads of £3.0m for the next financial year.;

- Headcount: Restructuring activities at a number of businesses across the Group, resulting in c.40 staff members being made redundant which is expected to deliver a net £1.3m saving in the new financial year.
- Physical event costs (ie, venue hire and stand construction)
- Event trainer costs
- Travel, which is much reduced
- Reduced need for physical training materials and related publications

## Profit and EPS outcomes

*We extend the revenue outcomes further down the P&L ...*

The key variable is whether face to face events take place in H2 FY 21. Based on the company's own revenue guidance, we can extend the analysis further down the P&L to derive a range of outcomes for FY 21 PBT/EPS.

**Figure 11: 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%
<b>PBT - Adj</b>	<b>14.5</b>	<b>4.6</b>	<b>9.9</b>
Variance on Radnor FY 21 PBT estimate	+17%		-20%
<b>EPS (p)</b>	<b>13.1</b>		<b>9.0</b>
<b>PE multiple @ 120p</b>	<b>9.2x</b>		<b>13.3x</b>

*Source: Company, Radnor*

## Radnor estimates – Central case

Figure 12: Radnor key estimates

Year ending June £m	2018	2019	2020	2021E	2022E	2023E
Risk & Compliance	42.9	42.5	41.7	42.6	43.9	45.2
Professional	34.6	33.8	30.3	29.4	30.3	31.2
Healthcare	44.7	46.3	41.0	40.2	43.4	45.1
<b>Revenue</b>	<b>122.1</b>	<b>122.5</b>	<b>113.1</b>	<b>112.2</b>	<b>117.6</b>	<b>121.5</b>
Risk & Compliance	12.9	12.7	12.8	12.8	13.2	14.0
Professional	6.2	5.8	2.9	2.9	3.2	3.4
Healthcare	9.9	7.3	3.3	3.1	5.2	6.3
Central overhead	(4.5)	(4.4)	(5.0)	(4.6)	(4.8)	(4.9)
<b>EBITA</b>	<b>24.6</b>	<b>21.5</b>	<b>14.0</b>	<b>14.2</b>	<b>16.8</b>	<b>18.9</b>
EBITA Margin %	20.1%	17.5%	12.4%	12.6%	14.3%	15.5%
Net Interest	(2.0)	(2.1)	(2.2)	(1.8)	(1.8)	(1.8)
<b>PBT – Adjusted</b>	<b>22.6</b>	<b>19.3</b>	<b>11.9</b>	<b>12.4</b>	<b>15.0</b>	<b>17.1</b>
Goodwill	(6.4)	(5.0)	(4.8)	(4.8)	(4.8)	(4.8)
Exceptionals	(13.1)	0.4	(0.6)	0.0	0.0	0.0
PBT – Reported	3.0	14.7	6.4	7.6	10.2	12.3
Tax – Adjusted	(5.3)	(4.0)	(2.5)	(2.5)	(3.0)	(3.4)
ETR %	-23.4%	-20.9%	-20.9%	-20.9%	-20.0%	-20.0%
No Shares (diluted)	88,025	88,233	88,846	88,491	88,491	88,491
<b>EPS – Adjusted, diluted (p)</b>	<b>19.6</b>	<b>17.2</b>	<b>10.6</b>	<b>11.2</b>	<b>13.5</b>	<b>15.4</b>
Dividend per share (p)	8.8	9.1	0.0	5.3	6.7	7.6
EBITDA	27.4	24.5	20.0	20.2	22.6	24.3
Operating cash-flow	26.4	26.4	26.5	11.4	22.7	24.3
Free cash-flow	14.5	15.5	12.3	1.9	12.6	13.6
<b>Net Cash</b>	<b>(39.6)</b>	<b>(33.9)</b>	<b>(27.7)</b>	<b>(27.9)</b>	<b>(20.3)</b>	<b>(12.9)</b>
Intangible Asset	104.4	100.7	97.6	92.2	87.0	82.2
Fixed Assets	7.6	8.8	20.2	20.2	20.1	20.1
Net Working Capital	(30.2)	(32.8)	(47.7)	(35.0)	(35.1)	(35.1)
Net Cash	(39.6)	(33.9)	(27.7)	(27.9)	(20.3)	(12.9)
Net Assets	42.5	42.9	43.4	46.3	48.5	51.2

Source: Radnor

Our estimates beyond FY 21 have not been guided by management ...

- For FY 21 revenue, we are marginally ahead of consensus (+1%) and in-line for PBT.
- For FY 22 it is worth noting that company is, understandably, not providing specific guidance. We have taken a cautious approach to our estimates here. As the company has already indicated, a key swing factor will be the state of play in the face to face businesses. Although the more immediate lockdowns are more binary

in the short term; the longer-term impacts and how they express themselves in terms of the economics for Wilmington are not yet fully understood.

*Data & Information and Training are less likely to be impacted ...*

- Our caution is focused less on the core Data and Information components for Wilmington, which have thus far proven resilient and are likely to continue to do so. Likewise the training exposure in the portfolio where a prolonged digital transition is less of a threat to both revenue and, critically, margins.
- For us, the biggest question mark will sit with larger scale networking events. Here we have to consider not only the “on / off” risk in FY 21 but also the extent to which the scale of these events may be affected over the medium term.
- How has this thinking informed our divisional expectations:
  - We expect **Risk & Compliance**, dominated by data and training, to continue to show organic growth throughout our forecast period
  - **Professional** is less weighted to subscription data and is more exposed to a range of training formats (long duration, subscription based courses through to 1-2 day sessions). Here there are both opportunities and threats and we currently look for a recovery to pre Covid revenue levels by FY 22.
  - The **Healthcare** business is a mix of both resilient data revenues, but also is where the higher risk, higher margin large event exposure resides. It is here where we are most cautious as we believe it is too early to be confident the larger events will be able to fully recover to pre Covid levels. On this basis, we are pencilling in a return to revenue growth in FY 22 and FY 23 but not fully to FY 19 levels.
  - We should re-iterate that this is very much our current view and has not been guided specifically by management.
  - It is also worth pointing out that if the larger events were to recover in FY 22 to at least FY 19 levels then this would suggest c.£3m upside risk to our FY 22 revenue estimate and c.£1m - £1.5m upside to our FY 22 PBT estimate.

*If our caution is unfounded then the FY 22 upside is material ...*

## Business Information and Events sector in context

Covid-19 and related social distancing measures are seriously affecting “face to face” marketing. Ultimately, the key question is:

- If Face to face marketing does not resume, what are the comparative economics for digital-only events?

By now, UK Media sector investors will be well aware of the sector’s high exposure to “face to face” revenue. Companies such as RELX, Euromoney, Informa, Ascential, Hyve, DMGT and Centaur all have significant exposure.

*The peer group offers a broad range of revenue exposures ...*

Wilmington is often benchmarked against this cohort. Note however, many of these companies are much larger than Wilmington, which is currently capitalised at £105m (although as recently as January 2020, Wilmington’s market cap was £220m). There are also significant differences in the relative mixes between larger and smaller scale events; and sales / networking events (ie trade shows) and informational events (ie training).

*The sector has also seen more than its fair share of corporate activity ...*

Until 2020, the Events sub-sector had been a favourite of stockmarket investors, on the back of strong secular growth over the prior decade. There has also been much sector consolidation, both in public and private markets. In 2018 for example, Informa acquired United Business Media in 2018 for £4.2 bn. In 2019, Charterhouse acquired Tarsus Plc for £668m, on a multiple of 17x EV/EBITDA. In 2019, Hyve (formerly known as ITE Group) acquired Shoptalk Commerce LLC and Groceryshop LLC for £111m, two US-based market-leading events focused on e-commerce broadly as well as the food and grocery segments.

Year-to-date in 2020, the likes of Informa and Hyve have undertaken emergency capital raises to improve balance sheet strength, in the light of events cancellations. RELX, the largest company in the UK Media sector and the largest Events company in the world, lost £117m in H1 20 (£231m EBITA: 2019). Trading is clearly difficult across the entire peer group, with low forward visibility affecting every participant.

Traditionally, the main revenue lines in Events (and face to face in general) are delegate fees and sponsorship. However, all operators are now experimenting with virtual business models, taking advantage of Zoom and Teams and enforced working from home. There is no expectation that fully virtual events will substitute for physical events, in terms of revenue or economics. However, it is important for B2B operators to remain engaged with their end-clients through lockdown.

*Peer trading commentary has been mixed ...*

We have picked up on the following recent company commentary, from across the UK-quoted Events companies:

- **RELX** – “Events that do take place are likely to experience revenue attrition”
- **Centaur** – “The new online format for our second-half events makes forecasting difficult”
- **Euromoney** – “Virtual events being run instead are making under 30% of the revenue of their face-to-face counterparts”
- **Informa** – “Our Subscriptions businesses continue to perform resiliently against a tough market backdrop, whilst our Events businesses - in the absence of physical exhibitions, events and conferences - are working closely with customers to provide alternative digital services, with a focus on long-term relationships ahead of short-term revenue”

*Wilmington's business mix is not the same as others ...*

However, our key message here is that Wilmington should not be seen in the same light as many of these companies. Data and Information, underpinned by subscription, is the largest group revenue stream. Wilmington is not a pure play Events operator. And its own businesses in this space are focussed on Networking and Training. This needs explanation. Wilmington itself refers to its events as Professional development forums.

*Training is a material component of Wilmington's revenue ...*

Training for example is c40% of group revenue (of which, we estimate face-to-face is c57%). Most face-to-face training can work well in webinar formats, but for some it is less suitable. Some courses also have low numbers or are bespoke in terms of content. Wilmington's Bond Solon subsidiary, for example, is a legal training company, which designs and delivers niche training courses and qualifications targeted specifically at non-lawyers who are involved in the legal system in the UK and worldwide.

The initial impact of Covid-19 has been some delays and deferrals in bookings for in-house courses as clients decide how they run such programmes in terms of social distancing. Booking volumes are said to be recovering, but clearly could be vulnerable to tightening lockdown restrictions.

*Wilmington's digital experience in Training has been positive ...*

Conversion to digital-only training was already underway, for both the industry at large and Wilmington. Covid-19 will accelerate this. For example, ICA's first fully digital postgraduate diploma was launched in June and has seen a solid uptake. The ICA's face-to-face conference which was due to be held in Q4 has been converted into the 'Big Compliance festival', a rolling programme of virtual events to take place over the next 12 months.

Wilmington's US Healthcare business is almost 100% events/networking based (with only a small proportion of revenue earned from data). They serve the US healthcare/health insurance markets through the prime RISE series of events that address the Medicare and Medicaid markets and is attended by health plans, physician groups and solution partners. The flagship event is RISE National which traditionally takes place in Nashville in March.

In digital or virtual format, Wilmington's networking experience so far is that there is in fact richer data available on participants, leading to improved customer engagement.

*Material margin benefits to digital training transition ...*

How do the economics play out for the digital equivalents? On the cost side of the equation, there should be material margin benefits in the virtual world, as discussed below by Wilmington in the FY 20 results statement and as evidenced by the resilience of Risk & Compliance margins.

*"On an organic basis the operating profit was flat as the reduction of revenue was offset by cost savings driven by the switch to online training and events and reduced travel in the Risk businesses"*

The company itself cites how accounting training clients have been served centrally since Covid-19 started, in a virtual delivery format. Eliminating the need for regional training, across multiple city venues. This has a clear cost efficiency benefit not least in terms of travel and physical venue expenses and physical training materials.

*Underlying demand drivers remain in place ...*

Overall, corporates training budgets probably remain under short-term pressure. But ultimately skills-based training has a tangible professional and accredited benefit which pre play Events do not have. Hence, we feel optimistic about training. Investors will continue to 'stress test' the virtual economics of the shift in business model. However, at this early stage, the net result of more virtual events and training seems to be a profitable, but smaller industry.

## Wilmington PLC

Alex deGroot / Iain Daly  
+44 203 897 1832  
id@radnorcp.com

Price (p): 120 p  
Market Cap: 105 m  
EV: 133 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	29.4	30.3	31.2
Healthcare	46.3	41.0	40.2	43.4	45.1
<b>Group revenue</b>	<b>122.5</b>	<b>113.1</b>	<b>112.2</b>	<b>117.6</b>	<b>121.5</b>
- growth %	0%	-8%	-1%	5%	3%
Op. Exp.	(93.7)	(88.1)	(87.4)	(90.2)	(92.3)
Central costs	(4.4)	(5.0)	(4.6)	(4.8)	(4.9)
<b>EBITDA</b>	<b>24.5</b>	<b>20.0</b>	<b>20.2</b>	<b>22.6</b>	<b>24.3</b>
- margin %	20.0%	17.7%	18.0%	19.3%	20.0%

<b>EBITA - Adjusted</b>	<b>21.5</b>	<b>14.0</b>	<b>14.2</b>	<b>16.8</b>	<b>18.9</b>
Associates & JV's	-	-	-	-	-
Net Bank Interest	(2.1)	(2.2)	(1.8)	(1.8)	(1.8)
<b>PBT - Adjusted</b>	<b>19.3</b>	<b>11.9</b>	<b>12.4</b>	<b>15.0</b>	<b>17.1</b>
Goodwill	(5.0)	(4.8)	(4.8)	(4.8)	(4.8)
Exceptionals	0.4	(0.6)	-	-	-
Other Financial Items	-	-	-	-	-
<b>PBT - IFRS</b>	<b>14.7</b>	<b>6.4</b>	<b>7.6</b>	<b>10.2</b>	<b>12.3</b>
Tax - Adjusted	(4.0)	(2.5)	(2.5)	(3.0)	(3.4)
Tax rate - Adjusted	20.9%	20.9%	20.0%	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>11.2</b>	<b>13.5</b>	<b>15.4</b>
Total DPS (p)	9.1	-	5.3	6.7	7.6

## CASH FLOW

Year to 30 June, £m	2019	2020	2021E	2022E	2023E
EBITDA	24.5	20.0	20.2	22.6	24.3
Working Capital	1.9	6.5	(8.8)	0.0	0.0
Provisions / Exceptionals	0.0	(0.0)	-	-	-
<b>Gross Op Cashflow</b>	<b>26.4</b>	<b>26.5</b>	<b>11.4</b>	<b>22.7</b>	<b>24.3</b>
Cash Tax	(3.9)	(4.4)	(2.2)	(2.8)	(3.4)
Cash Interest	(1.9)	(1.6)	(1.8)	(1.8)	(1.8)
Minority Divs	(0.5)	-	-	-	-
<b>Net Op Cashflow</b>	<b>20.1</b>	<b>20.5</b>	<b>7.3</b>	<b>18.0</b>	<b>19.1</b>
Capex	(3.7)	(3.9)	(3.0)	(3.0)	(3.1)
Lease Liabilities	-	(2.4)	(2.4)	(2.4)	(2.4)
<b>Free Cashflow</b>	<b>16.4</b>	<b>14.3</b>	<b>1.9</b>	<b>12.6</b>	<b>13.6</b>
Dividends	(7.8)	(4.3)	(2.2)	(5.0)	(6.1)
M&A + Deferred	(1.6)	(2.0)	-	-	-
Other Non Operating	(1.2)	(1.8)	-	-	-
<b>Net Cashflow</b>	<b>5.8</b>	<b>6.2</b>	<b>(0.3)</b>	<b>7.6</b>	<b>7.5</b>
<b>Net Cash (Debt)</b>	<b>(33.9)</b>	<b>(27.7)</b>	<b>(27.9)</b>	<b>(20.3)</b>	<b>(12.9)</b>

## BALANCE SHEET

Year to 30 June, £m	2019	2020	2021E	2022E	2023E
Intangibles	100.7	97.6	92.2	87.0	82.2
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>112.4</b>	<b>107.1</b>	<b>102.3</b>
Net Working Capital	(32.8)	(47.7)	(35.0)	(35.1)	(35.1)
ST assets / liabilities	(4.7)	(14.7)	(2.9)	(2.9)	(2.9)
<b>Net Current Assets</b>	<b>(37.5)</b>	<b>(62.4)</b>	<b>(37.9)</b>	<b>(37.9)</b>	<b>(38.0)</b>
LT assets / liabilities	(4.7)	(15.7)	0.3	0.4	0.3
Net Cash (Debt)	(33.9)	(27.7)	(27.9)	(20.3)	(12.9)
<b>Net Assets</b>	<b>42.9</b>	<b>43.4</b>	<b>46.3</b>	<b>48.5</b>	<b>51.2</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>Total</b>	<b>64.2%</b>

## Announcements

Date	Event
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	36%	22%	21%	25%	27%
RoCE	28%	20%	19%	24%	29%
Asset Turnover (x)	0.9x	1.0x	1.0x	0.9x	0.8x
NWC % Revenue	-3%	-31%	-9%	-15%	-21%
Op Cash % EBITA	108%	132%	56%	100%	100%
Net Debt / EBITDA	1.4x	1.4x	1.4x	0.9x	0.5x

## VALUATION

Fiscal	2019	2020	2021E	2022E	2023E
P/E	7.0x	11.4x	10.7x	8.9x	7.8x
EV/EBITDA	5.4x	6.6x	6.6x	5.9x	5.5x
Div Yield	7.6%	0.0%	4.4%	5.6%	6.4%
FCF Yield	12.3%	10.7%	1.4%	9.5%	10.2%

Revenue growth	0%	-8%	-1%	5%
EPS growth	-12%	-39%	6%	21%
DPS growth	3%	-100%	-	27%

---

## REGULATORY DISCLOSURES

*Radnor Capital Partners Ltd is authorised and regulated by the Financial Conduct Authority.*

Radnor Capital Partners Ltd  
1 King Street  
London  
EC2V 8AU

[www.radnorcp.com](http://www.radnorcp.com)

### DISCLAIMER

*Copyright 2020, Radnor Capital Partners Ltd. All rights reserved. This report has been commissioned by **Wilmington PLC** and prepared and issued by **Radnor Capital Partners Ltd**. All information used in this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the analyst at the time of publication. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.*

*This report is not intended as a solicitation or inducement to buy, sell, subscribe or underwrite any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. However, Radnor Capital Partners Ltd does have strict rules relating to personal dealings by individuals employed or instructed to help prepare investment research. A copy of these rules is available upon request. Radnor Capital Partners Ltd does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contracted persons or entities may have a position in any or related securities mentioned in this report. Radnor Capital Partners Ltd, or its affiliates, may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and can be subject to volatility. In addition, it may be difficult to or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. To the maximum extent permitted by law, Radnor Capital Partners Ltd, or its affiliates and their respective directors, officers and employees will not be held liable for any loss or damage as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication.*