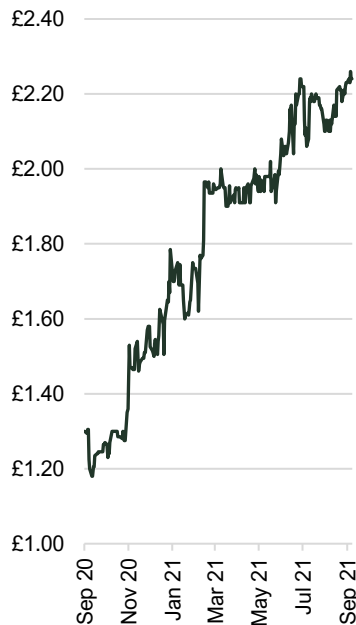


1 Year Chart



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

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

21 September 2021

Iain Daly
id@radnorcp.com

+44 (0) 203 897 1832

The final results had been well flagged at the end July trading update, with H2 showing a strong recovery for the Education & Training business complementing a solid performance from the Information & Data business. We upgraded our estimates following the previous trading update and are leaving our broad estimates largely unchanged post the final results. All eyes will be on the November trading update which will provide greater colour on the potential outcomes for the US Healthcare business. There are risks here to both the upside and downside, although the early indications are promising.

We believe Wilmington is exiting the pandemic in good shape. The organisational restructure provides both greater clarity around the key value drivers in the group as well as confidence in the strategic growth focus on Wilmington’s core Compliance and GRC markets. Combined with better commercial execution and internal product and service innovation, this should increase confidence around the mid-single digit organic future growth profile. The balance sheet is now in a healthy position and significantly increases the group’s optionality around internal investment and external M&A.

Wilmington’s rating has steadily improved as 2021 has progressed, although it continues to lag the Information peer group. Whilst upgrades would be a catalyst to unlock a further re-rating, the current valuation remains relatively undemanding for a company that has demonstrated impressive resilience.

- **Result headlines:** The final results came in marginally ahead of previously upgraded expectations at the PBT line. The Information & Data core continues to deliver steady organic growth whilst Education & Training has staged a sharp recovery in H2.
- **Outlook:** The new financial year has started well with trading “in line with expectations” and in the absence of any major shocks we anticipate a further year of solid revenue growth and continued margin recovery.
- **Balance Sheet:** Net debt of £17.2m is a good outcome and leaves the balance sheet looking both flexible and secure. Net debt / EBITDA is comfortably below 1x and leaves the group with a good degree of optionality.
- **Estimates:** We are not making any substantive changes to our FY22 estimates at this stage. The trading outlook remains “in line with expectations”. The key to short term numbers will be the outlook for US Healthcare with risks on both the upside and downside. We await the November trading update for further clarity.

June, £m	Sales	PBT adj	EPS (p)	Div (p)	Net Cash	Fiscal PER x	Yield %
FY 2020A	113.1	11.9	10.6	-	(27.7)	21.2	-
FY 2021A	113.0	15.0	13.6	6.0	(17.2)	16.5	2.7
FY 2022E	119.2	16.6	14.8	6.6	(10.4)	15.1	2.9
FY 2023E	125.2	18.6	16.6	6.9	(2.6)	13.5	3.1
FY 2024E	131.0	20.5	18.3	7.3	5.9	12.2	3.2

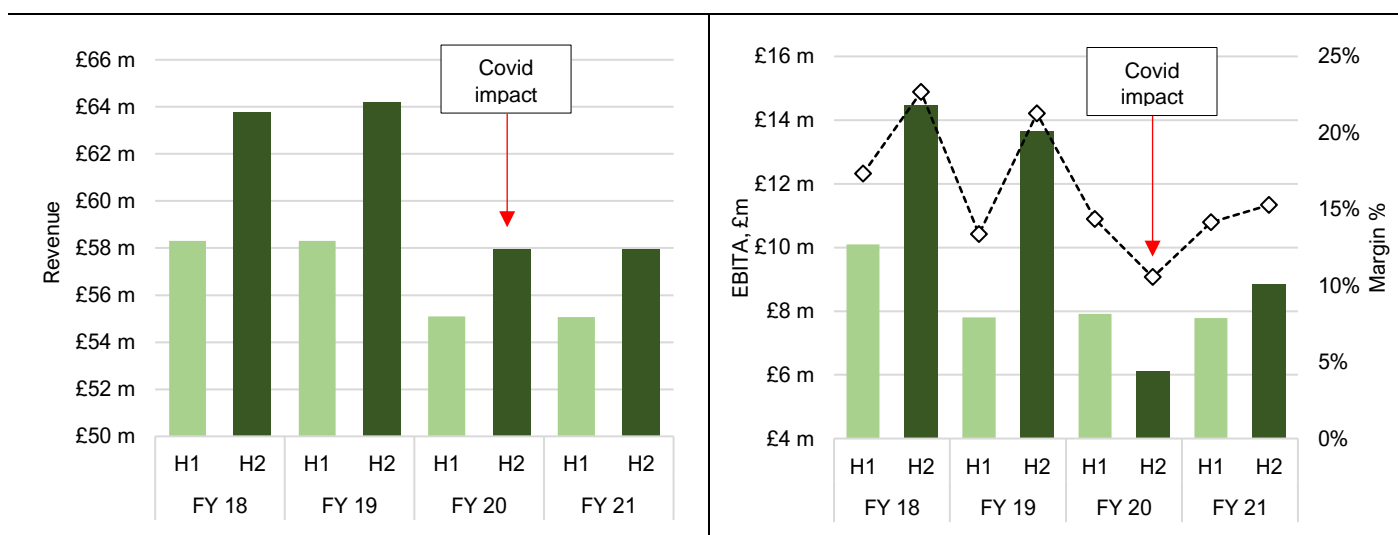
Source: Radnor Capital Partners

Final results for year ended June 2021: Key points

Key points from the final results (year ended 30th June 2021) are as follows:

- Group PBT (adjusted) came in marginally ahead of expectations at £15.0m (Radnor estimate: £14.8m) and grew +27% YoY;
- Organic revenue growth +3% YoY with reported revenue flat (driven by disposals and selective closures) as the group continues to actively manage the portfolio;
- Both the Information & Data and Education & Training divisions continued to show year on year underlying improvements:
 - **Information & Data** delivered +1% revenue growth. Reported margins were down 320 basis points at 16.4%, although this did include £1.1m of restructuring costs that have not been taken as exceptional items but are unlikely to be recurring. Adjusting back for these costs implies underlying I&D EBITA margins were closer to 18.3%.
 - **Education & Training** (with its exposure to its pre-Covid face-to-face training formats) was the most impacted by Covid. Here the story was of gross margin improvements and strength in the global compliance offering more than offsetting revenue weakness in US Healthcare. Overall, Wilmington has been successful in transitioning to online alternatives, which has protected margins. On a headline basis, reported revenue was down -1%, although the prior year contained £2.9m of discontinued revenue. On an organic basis, E&T revenue was +6% YoY. Profitability in this division recovered sharply with full year EBITA of £12.2m, +54% YoY on a reported basis and +65% on an underlying basis.

Figure 1: Wilmington Revenue & EBITA progression by half year – FY'18 to FY'21E



Source: Company, Radnor

- Central costs were held flat YoY at £4.3m and net interest costs fell £0.5m to £1.6m, driving a sharp overall recovery in the group adjusted PBT margin to 13.3%.
- Adjusted profit before tax of £15.0m was £0.2m ahead of our estimate.
- The final dividend has been reinstated at 6.0p, with dividend cover of 2.3x.

- Wilmington had previously flagged a better than expected cashflow performance driven by a combination of good working capital management; timing benefits and non-core disposal proceeds (c.£4m). On a pre IFRS16 basis (our preferred measure), net debt came in a £17.2m, representing a comfortable net debt / EBITDA multiple of 0.7x

Information & Data: Organic revenue +1%, headline EBITA -13%

The Information & Data business within Wilmington is split across three key verticals; **Healthcare** (51%), **Financial Services** (38%) and **Identity & Charities** (11%). As the name suggests, information and data products form the majority of revenues; either delivered as part of a subscription arrangement, or as discreet dataset sales and bespoke data solutions. Product innovation, customer responsiveness and customer workflow solutions are all key themes underpinning sales growth in this segment and much of the recent internal investment programme has been geared towards bolstering the commercial proposition within this segment.

Overall **Healthcare** revenues grew +3%, which masks a strong performance from the pure information and data products (+7% in France and +10% in the UK) more than offsetting weakness is some smaller scale event revenue. **Financial Services** revenues were flat YoY although this would have been positive but for a decline in Spain. The Spanish business had previously been flagged for disposal and this process is expected to resume now that the pandemic is beginning to recede. **Identity & Charities** revenues declined by -6% YoY and this business has been streamlined which will reduce overall size but will enhance overall margins.

Education & Training: Organic revenue +6%, headline EBITA +65%

This business is dominated by Compliance, Accountancy and Legal training, with a focus on smaller-scale teaching formats as opposed to larger-scale events. The one exception is the North American Healthcare business which contains the two largest events in the Wilmington portfolio (RISE).

Unsurprisingly, Education & Training has been through a volatile trading period with the speed of the transition to online variants critical to the success of the year. Overall organic revenues were +6% in the year, although this masks a tale of two halves with H1 -12% YoY. The prime driver of this strong recovery was the global compliance business (ICA) which is a standout organic success story for Wilmington having been developed almost entirely in-house. Here, revenues grew +21% YoY. Elsewhere, the Legal and Accountancy training businesses saw a strong H2 recovery following a soft H1.

North American healthcare revenues were down -15% YoY, following a -50% H1 decline, which suggests that the digital versions of the traditionally larger scale face-to-face events were able to claw back a lot of lost ground. This is a critical point as it augurs well for the eventual full resumption of face-to-face activities.

EBIT margins in this division also recovered sharply, largely as a function of the reduced cost to deliver digital events. The timing of face-to-face recovery is likely to lead to continuing margin volatility as higher margin sponsorship revenues rebuild in line with lower gross margin but larger-scale event revenue.

In Figure 2 below, we show the three-year historic and two-year prospective revenue, EBITA and EBITA margin profiles for each of the **Information & Data** and **Education & Training** divisions.

Figure 2: Information & Data

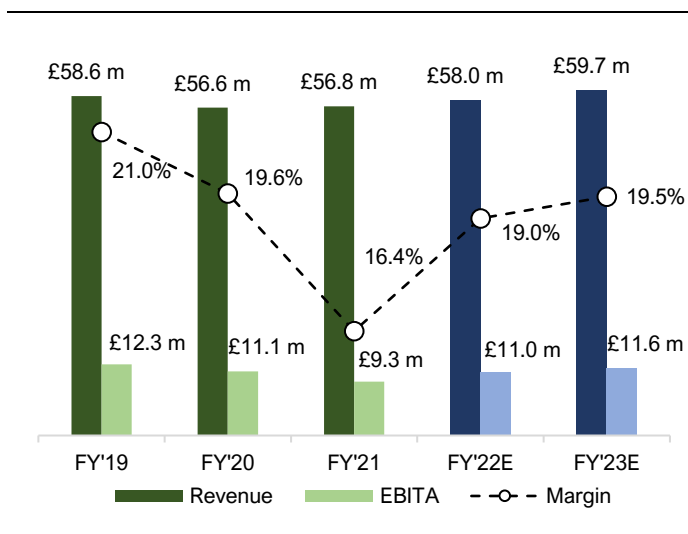
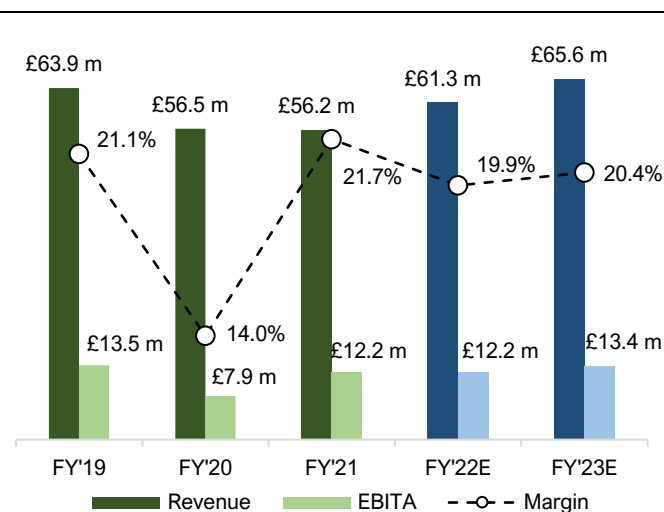


Figure 3: Education & Training



Source: Company, Radnor

Estimate revisions: Unchanged for the moment

We have updated our model for the detail in the final results.

Although FY21 came in marginally ahead of our expectations at the PBT level, we are not making any material changes to our FY22 and FY23 estimates at this point. We would make the following observations:

- We had already upgraded our estimates post the detailed July trading update (please see [link here](#));
- There remains a potentially broad range of outcomes relating to the North American healthcare business. The key event runs in March and although the next edition is expected to be running on a hybrid face to face / digital basis, the backdrop remains volatile. As things currently stand, we ascribe an equal probability to a better than, or worse than, expected PBT outcome. The delta here could be between £1m - £2m either way. The November trading update will provide an opportunity for Wilmington to update the market on visibility here. Our understanding is that bookings are already being made for the March edition of RISE so the initial signs are encouraging;
- The broader outlook commentary from Wilmington in the final results speak to current trading being “in line with expectations”.

Comparative Valuation

Historically, Wilmington has been benchmarked against a strict B2B media and information peer group. Whilst still relevant, Wilmington’s business mix has moved away from event-heavy peers such as Hyve and Ascential and closer to purer information, data and platform solution players such as GlobalData and Learning Technologies. We expand our comparative peer group to include Learning Technologies.

In Figure 4 & 5 below we show the current valuation landscape for the UK peer group.

Figure 4: FY2 PE vs EPS growth

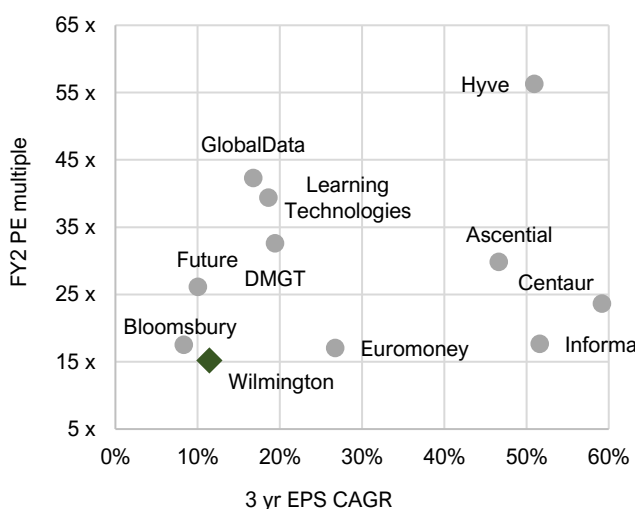
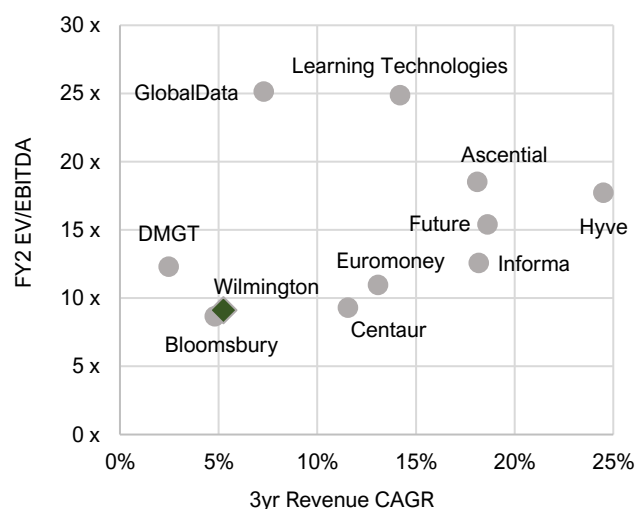


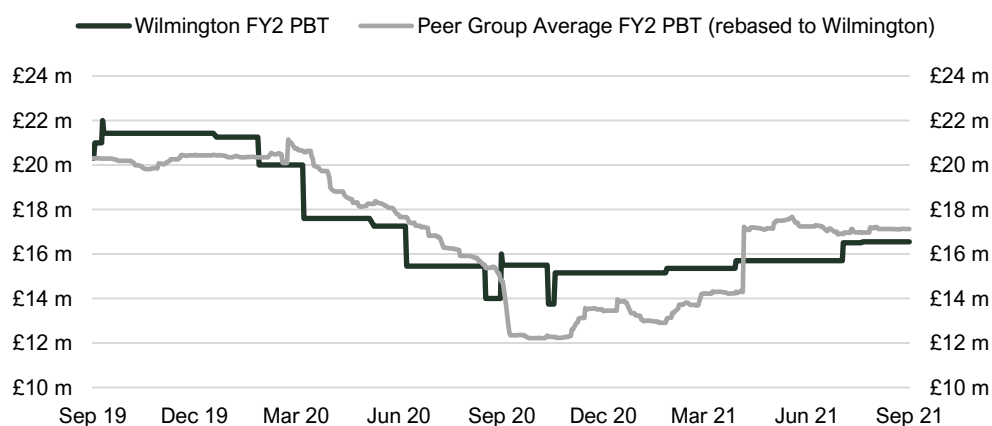
Figure 5: FY2 EV/EBITDA vs revenue growth



Source: FactSet, Radnor

We can see from the above that on both a prospective PE and EV/EBITDA basis, Wilmington is currently rated at the lower end of the peer group range despite offering growth in-line with, or superior to, several more highly rated peers. This rating disparity also ignores the resilience of the Wilmington model. We can see from Figure 6 below, the extent to which Wilmington forward consensus earnings estimates have tracked in line (and have even been less volatile) with the more highly-rated peer group.

Figure 6: Wilmington FY2 PBT vs peer group



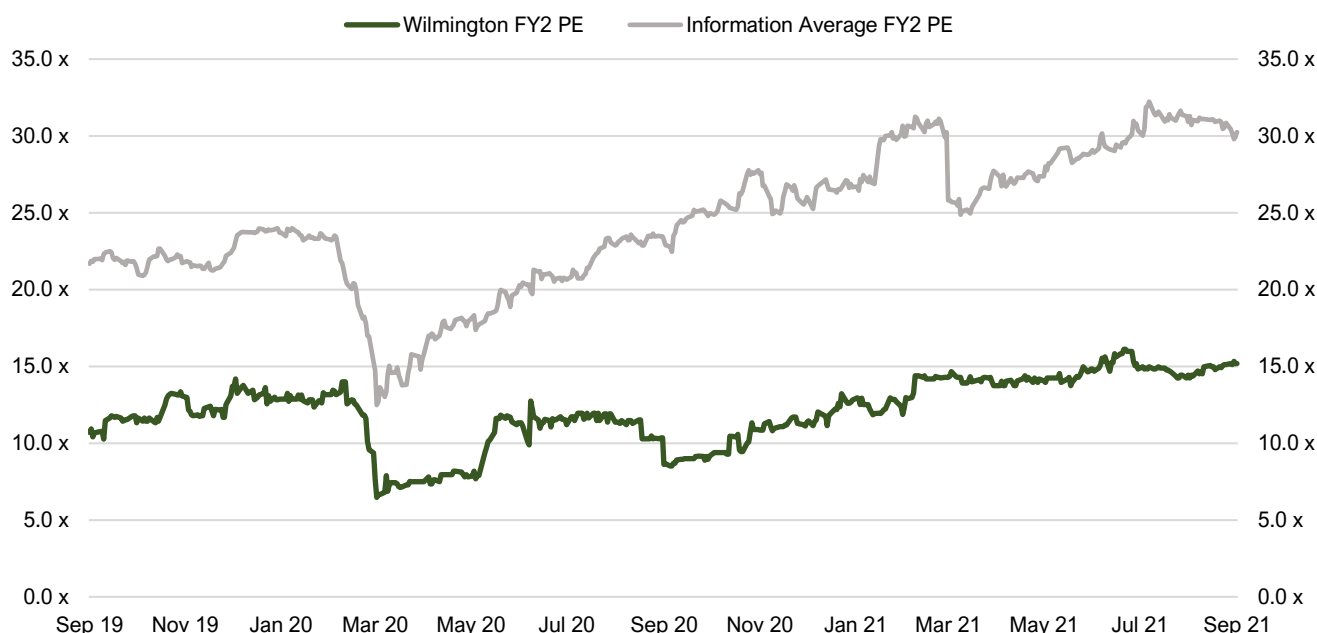
Source: FactSet, Radnor

The key to unlocking the next step of the positive re-rating story for Wilmington is likely to be driven by two catalysts:

- In the near-term it will be the visibility over the US Healthcare outcome for FY22 and the extent to which the face-to-face recovery can be delivered. We believe the next realistic touchpoint here will be the November H1 trading update. Full delivery of RISE National could result in a meaningful upgrade to expectations.
- Further delivery of core organic revenue growth. Although a feature of the last two financial years, the pandemic “noise” and the inevitable focus this has placed on the face-to-face elements of the Wilmington business has distracted investor attention away from the steady organic growth that has been delivered from the Information & Data core.

On both of these points, the early indications on the former are positive whilst the clarity on the latter will be aided as we move out of the immediate Covid comparative period.

Figure 7: Wilmington 2 year forward PE multiple vs Peer group



Source: FactSet, Radnor

Wilmington PLC

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

Price (p): 224 p
Market Cap: 196 m
EV: 213 m

PROFIT & LOSS

Year to 30 June, £m	2019	2020	2021	2022E	2023E	2024E
Information & Data	58.6	56.6	56.8	58.0	59.7	61.5
Education & Training	63.9	56.5	56.2	61.3	65.6	69.5
Group revenue	122.5	113.1	113.0	119.2	125.2	131.0
- growth %	58%	-8%	0%	5%	5%	5%
Op. Exp.	(101.0)	(99.0)	(96.4)	(101.1)	(105.5)	(109.4)
Information & Data	12.3	11.1	9.3	11.0	11.6	12.3
Education & Training	13.5	7.9	12.2	12.2	13.4	14.6
Central costs	(4.4)	(5.0)	(4.9)	(5.1)	(5.2)	(5.4)
EBITA - Adjusted	21.5	14.0	16.6	18.1	19.8	21.5
EBITA margin %	17.5%	12.4%	14.7%	15.2%	15.8%	16.4%
Associates & JV's	-	-	-	-	-	-
Net Bank Interest	(2.1)	(2.2)	(1.6)	(1.5)	(1.2)	(1.0)
PBT - Adjusted	19.3	11.9	15.0	16.6	18.6	20.5
Goodwill	(5.0)	(4.8)	(18.2)	(4.0)	(4.0)	(4.0)
Exceptionals	0.4	(0.6)	1.2	(0.4)	-	-
Other Financial Items	-	-	-	-	-	-
PBT - IFRS	14.7	6.4	(2.0)	12.3	14.6	16.5
Tax - Adjusted	(4.0)	(2.5)	(3.1)	(3.5)	(3.9)	(4.3)
Tax rate - Adjusted	20.9%	20.9%	20.5%	20.0%	20.0%	20.0%
Minority interests	-	-	-	-	-	-
No. shares m, diluted	88.2	88.8	88.0	88.5	88.5	88.5
Adj EPS (p), diluted	17.2	10.6	13.6	14.8	16.6	18.3
- growth %	-	-39%	28%	9%	12%	10%
Total DPS (p)	9.1	-	6.0	6.6	6.9	7.3

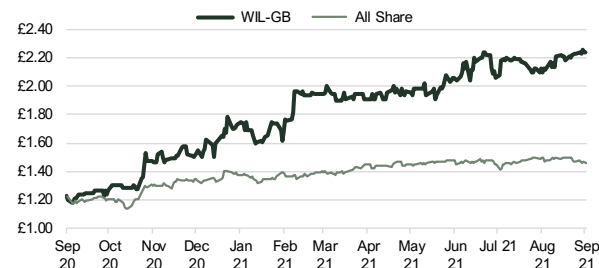
CASH FLOW

Year to 30 June, £m	2019	2020	2021	2022E	2023E	2024E
EBITDA	24.5	20.0	23.0	23.8	25.4	27.2
Working Capital	1.9	6.5	(5.7)	(0.5)	(1.0)	(1.5)
Provisions / Exceptionals	0.0	(0.0)	(0.3)	-	-	-
Gross Op Cashflow	26.4	26.5	17.0	23.3	24.4	25.7
Cash Tax	(3.9)	(4.4)	(2.7)	(3.5)	(3.9)	(4.3)
Cash Interest	(1.9)	(1.6)	(1.2)	(1.5)	(1.2)	(1.0)
Minority Divs	(0.5)	-	-	-	-	-
Net Op Cashflow	20.1	20.5	13.1	18.3	19.3	20.4
Capex	(3.7)	(3.9)	(3.1)	(3.2)	(3.3)	(3.3)
Lease Liabilities	-	(2.4)	(2.5)	(2.4)	(2.4)	(2.4)
Free Cashflow	16.4	14.3	7.5	12.7	13.6	14.7
Dividends	(7.8)	(4.3)	(1.8)	(5.4)	(5.9)	(6.2)
M&A + Deferred	(1.6)	(2.0)	4.1	-	-	-
Other Non Operating	(1.2)	(1.8)	3.4	(0.4)	-	-
Net Cashflow	5.8	6.2	13.2	6.9	7.7	8.5
Net Cash (Debt)	(33.9)	(27.7)	(17.2)	(10.4)	(2.6)	5.9

BALANCE SHEET

Year to 30 June, £m	2019	2020	2021	2022E	2023E	2024E
Intangibles	100.7	97.6	79.8	80.8	76.8	72.8
P,P+E	6.0	16.9	9.3	11.5	11.6	11.6
Tax Asset & Other	2.8	3.4	3.0	3.0	3.0	3.0
Total Fixed Assets	109.5	117.8	92.1	95.3	91.3	87.3
Net Working Capital	(32.8)	(47.7)	(38.7)	(32.2)	(32.2)	(32.2)
ST assets / liabilities	(2.0)	(16.2)	(8.6)	(2.1)	(2.1)	(2.1)
Net Current Assets	(34.8)	(64.0)	(47.3)	(34.2)	(34.2)	(34.2)
LT assets / liabilities	(2.0)	(17.2)	(9.4)	10.3	9.3	7.8
Net Cash (Debt)	(33.9)	(27.7)	(17.2)	(10.4)	(2.6)	5.9
Net Assets	42.9	43.4	37.0	40.4	45.2	51.2

PRICE CHART - 1 YEAR ABSOLUTE vs FTSE ALL SHARE



Source: FactSet

SHAREHOLDERS

	% of ord. Share capital
Aberforth Partners	21.9%
Chelverton Asset Mgmt	8.4%
Artemis	8.3%
Gresham House	7.2%
Burgundy Asset Mgmt	5.2%
NFU Mutual	4.6%
Columbia Threadneedle	4.1%
Odyssean Capital	3.6%
Fidelity	3.1%
Total	66.4%

Announcements

Date	Event
September 2021	Final results FY21
July 2021	Full year trading update
June 2021	New operating model
February 2021	H1 results FY21
November 2020	AGM trading update
September 2020	Final results FY20
March 2020	Covid-19 Update

RATIOS

	2019	2020	2021	2022E	2023E
RoE	36%	22%	32%	33%	33%
RoCE	28%	20%	31%	36%	41%
Asset Turnover (x)	0.9x	1.0x	0.8x	0.8x	0.7x
NWC % Revenue	-1%	-32%	-27%	-20%	-25%
Op Cash % EBITA	93%	146%	78%	101%	98%
Net Debt / EBITDA	1.4x	1.4x	0.7x	0.4x	0.1x

VALUATION

Fiscal	2020	2021	2022E	2023E	2024E
P/E	21.2x	16.5x	15.1x	13.5x	12.2x
EV/EBITDA	10.7x	9.3x	9.0x	8.4x	7.9x
Div Yield	0.0%	2.7%	2.9%	3.1%	3.2%
FCF Yield	6.7%	3.5%	5.9%	6.4%	6.9%

Revenue growth	-8%	0%	5%	5%
PBT growth	-39%	27%	11%	12%
EPS growth	-39%	28%	9%	12%
DPS growth	-100%	-	10%	5%

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Radnor Capital Partners Ltd
1 King Street
London
EC2V 8AU

www.radnorcp.com

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