RADNOR
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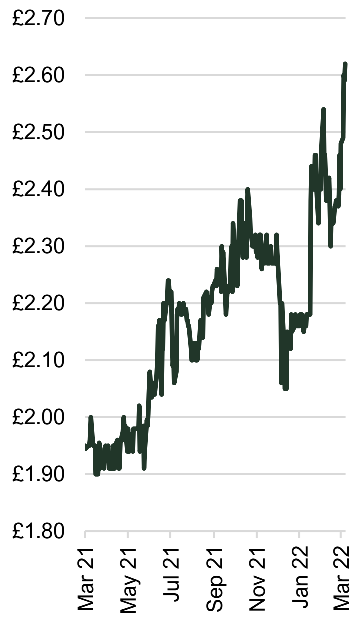
Wilmington PLC

WIL | Small Cap | Media | 262p | £229m

H1 results & Rise National – 11% PBT upgrade

1 Year Chart



Following on from an improving H2 for FY21, Wilmington has delivered a strong set of H1 results. Organic growth has strengthened to +12%. Although this has been partly buoyed by the welcome return of face to face event formats, critically the underlying organic growth pre face to face was a healthy +6%. Perhaps the most impressive detail in the results related to the commentary around the face to face recovery, where the demand for virtual formats has remained strong and where face to face has not been wholly cannibalistic.

The confirmation that the Rise National event was delivered in full (both face to face and virtual components) removes the last remaining question mark over the current financial year and drives the majority of our short-term earnings upgrade.

Although the Rise National news is very welcome, we believe the more profound news was the disposal of AMT for £23.4m. The valuation achieved for what was a good, but non core, business was very healthy and has resulted in Wilmington now enjoying a healthy net cash position (+£15.0m for FY22E) without any meaningful P&L dilution. The group now enjoys significant strategic optionality and has flagged the intent to make accretive acquisitions to further bolster their focus on global Governance, Risk and Compliance markets.

- **H1 results:** The H1 results demonstrated a continuation of the improving organic revenue growth trend with organic growth of +12% in H1 and +6% if face to face events are excluded. The face to face recovery is welcome from a shorter term earnings perspective but the +6% organic growth from the core information businesses is arguably more important

- **AMT disposal & Rise National update:** The £23.4m disposal of AMT was a significant moment. The valuation achieved for what was a non-core business was healthy and a premium to Wilmington's own prevailing PE. The balance sheet is now fully degeared. The confirmation that Rise National has been fully delivered on a face to face basis removed the last major question mark over the shorter term outlook.

- **Estimate upgrades:** We had previously upgraded estimates at the last trading update as it became increasingly clear how Wilmington was performing well across all areas. The Rise National news is an extra boost to what was already an encouraging outlook for the current financial year. We have now fully factored both Rise National and the full effect of the AMT disposal and upgrade FY22E / 23E PBT by 11% / 7% respectively.

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

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

22 March 2022

Iain Daly
id@radnorcp.com

+44 (0) 203 897 1832

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)	24.8	-
FY 2021A	113.0	15.0	13.6	6.0	(17.2)	19.3	2.3
FY 2022E	*120.3*	*20.0*	*17.8*	*7.0*	*15.2*	*14.7*	*2.7*
FY 2023E	*125.7*	*21.5*	*19.2*	*7.5*	*24.8*	*13.7*	*2.9*
FY 2024E	*131.4*	*23.0*	*20.5*	*7.9*	*34.7*	*12.8*	*3.0*

Source: Radnor Capital Partners

H1 Results & Rise National update

Wilmington reported results for the six months ended 31st December 2021 on 21st February. A link to the H1 results presentation can be found here. Key headlines from the results are as follows:

- Headline reported revenue growth **+7%** YoY to £58.9m
  - Organic revenue growth (excluding FX and M&A) was **+12%** with organic growth delivered across both **Information & Data** (+10% YoY) and **Education & Training** (+15% YoY)
  - Revenues ahead of both the pre Covid H1 FY20 and H1 FY19
  - Organic revenue growth **excluding** face to face events was **+6%**
- Divisional EBITA margin up 290 basis points to 21.6%
  - **Information & Data** margin 19.3% (H1 FY20: 15.7%)
  - **Education & Training** margin 23.8% (H1 FY20: 21.7%)
- Group EBITA margin (including central costs and share based payments) of 17.0% (H1 FY20: 14.1%)
- Adjusted PBT of £9.5m, +35% YoY
- Statutory PBT of £24.6m (H1 FY20: £5.5m) after factoring £1.8m of goodwill amortisation and impairments and the £16.1m gain on the AMT disposal
- Adjusted EPS +34% to 8.6p
- Interim dividend +14% to 2.4p
- Overall net cash position of £11.0m (FY21: net debt £17.2m)

Overall, this was a positive period for Wilmington, which combined a healthy organic revenue performance across all the group's business units, even before factoring the return to full face to face contribution for the Education & Training business.

Importantly, the face to face recovery has not been at the full expense of the virtual training formats that Wilmington were so quick to put in place during the early stages of the pandemic. Although face to face revenues drive a higher top line, gross margins are lower than the virtual equivalents.

For us, the best outcome for Wilmington was a continuing blend of both face to face and virtual formats moving forward. The indications are that this is likely to be the case, with the group seeing continuing good demand for virtual training formats.

Outside of the face to face recovery dynamic, underlying revenue growth was +6% with the group seeing healthy subscription revenues (+5% plus) within the Healthcare and Financial segments within the broader Information & Data division.

The group is beginning to see the tangible benefits of prior year investments into common technology platforms connecting more closely the component parts within each division. This digital investment is allowing for not only a greater pace of new product development but also facilitating client access to Wilmington's proprietary data sets. This is critical to the group's ability to embed these data sources into customer workflows, which creates more opportunity for monetisation whilst protecting client retention rates. Pre-pandemic, renewal rates were in the mid 90% range and we expect this to be maintained.

Within Education & Training, organic revenue growth was +15%, buoyed primarily by the return of face to face event formats whilst still seeing healthy demand for virtual formats maintained. Overall, we would not expect this 15% growth rate to be maintained through the course of FY23 as the recovery comparatives come into play. We believe that a healthy mid-single digit growth base case expectation is realistic looking further forward.

The disposal of AMT for £23.4m was an important transaction for the company and represents the latest, and most material step, in the portfolio reshaping that management have been steadily undertaking over the last two years. This disposal should be assessed against the strategic focus on Governance, Risk & Compliance markets that was announced in July 2021. Although a good standalone business, AMT was purely focused on providing investment bank training programmes and as such was not deemed to be wholly aligned with the GRC focus. The valuation achieved (c.20x underlying earnings) was reflective of the businesses own performance and a healthy competition for quality assets in this particular niche.

The financial impact of the disposal is particularly pronounced on the Wilmington balance sheet, where the group has now reported a net cash position of £11.0m, compared to a net debt position at the FY21 June year end of £17.2m. The disposal also created a one off gain of £16.1m which has been taken through the P&L and has boosted reported earnings.

Notwithstanding the beneficial cash impact of the AMT disposal, underlying cash generation in H1 was positive. Group free cashflow pre dividend and M&A was £10.3m compared to £4.1m for H1 FY21.

The balance sheet strength Wilmington now enjoys provides management with a high degree of optionality when it comes to future M&A, with management clearly flagging their intent to identify accretive acquisitions that will bolster the focus on GRC aligned services. We also note that management continue to place a high priority on assessing both the portfolio, and potential targets against a clear checklist of key characteristics (business model and financial) that must be satisfied. We do not expect Wilmington to overpay for acquisitions.

Estimate Upgrades: FY22E / FY23E PBT up 9% / 8% respectively

In Figure 1 below we outline our main estimate revisions.

Figure 1: Changes to estimates

		Previous		New		Change	
	FY21A	2022E	2023E	2022E	2023E	2022E	2023E
Information & Data	56.8	58.5	60.3	58.5	60.3	*+ 0%*	*+ 0%*
Education & Training	56.2	60.1	63.7	61.8	65.4	*+ 3%*	*+ 3%*
Revenue	**113.0**	**118.7**	**124.0**	**120.3**	**125.7**	***+ 1%***	***+ 1%***
Information & Data	9.3	11.4	12.1	11.4	12.1	*+ 0%*	*+ 0%*
Education & Training	12.2	12.9	13.9	14.8	15.4	*+ 15%*	*+ 11%*
Central Overhead	-4.9	-5.1	-5.4	-5.1	-5.4	*+ 0%*	*+ 0%*
EBITA	**16.6**	**19.3**	**20.5**	**21.2**	**22.0**	***+ 10%***	***+ 7%***
- margin %	*14.7%*	*16.2%*	*16.5%*	*17.6%*	*17.5%*		
Adj. PBT	**15.0**	**18.1**	**20.0**	**20.0**	**21.5**	***+ 11%***	***+ 7%***
Adj. EPS (p)	**13.6**	**16.1**	**17.9**	**17.8**	**19.2**	***+ 11%***	***+ 7%***
Dividend (p)	6.0	6.9	7.7	7.5	8.1	*+ 9%*	*+ 5%*
Net Cash (Debt)	**-17.2**	**13.7**	**22.1**	**15.0**	**24.2**		

Source: Radnor

There are two main moving parts behind our upgrades.

1. **Confirmation of Rise National**. Within our existing estimates we had been assuming the hybrid version of this event, in a similar fashion to FY21. We have assumed an additional net £3m of revenue with a c.50% drop through.

2. **AMT disposal**. We have fine tuned our model post the AMT disposal to fully recognise the disposed revenue and underlying profitability, which is now fully annualised into FY24.

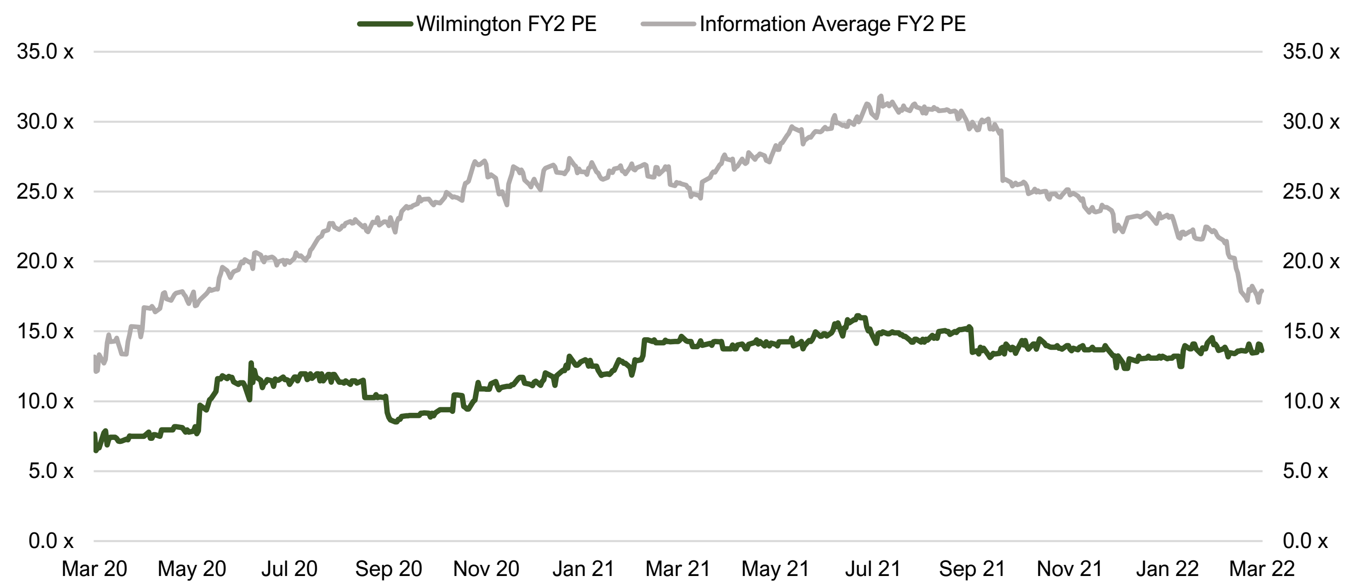
The net result of the higher margin Rise National revenue offsetting the lower margin AMT in FY22 is a £1.6m revenue upgrade and a £1.9m EBIT upgrade. The impact for FY23 is £1.6m / £1.5m respectively.

We have increased our FY22 and FY23 net cash expectation to reflect the improvement in profitability with some minor adjustments for working capital.

Comparative Valuation

In Figure 2 below, we show the progression of the two year forward PE multiple for both Wilmington and the Information peer group in the UK. We can see the extent to which the Wilmington PE multiple has moved within a relatively tight range compared to a very material de-rating for the Information peer group.

Figure 2: Evolution of FY2 PE multiple – Wilmington vs Information peer group



Source: FactSet, Radnor

In Figures 3 and 4 below, we plot PE vs EPS growth and EV/EBITDA vs Margins for both Wilmington and the constituents of the Information peer group.

Figure 2: FY2 PE vs EPS growth

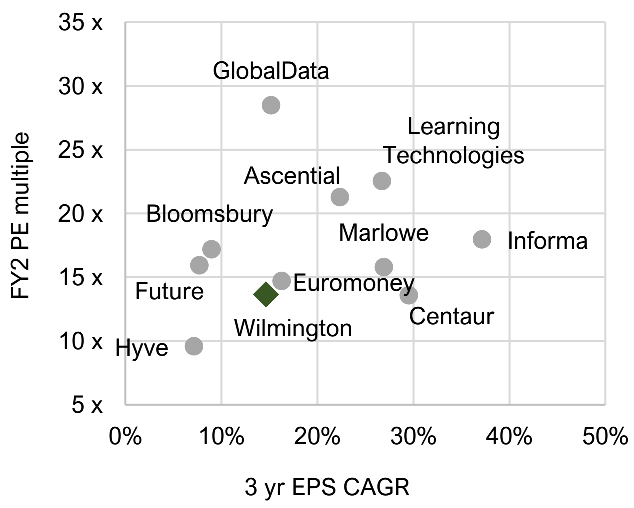
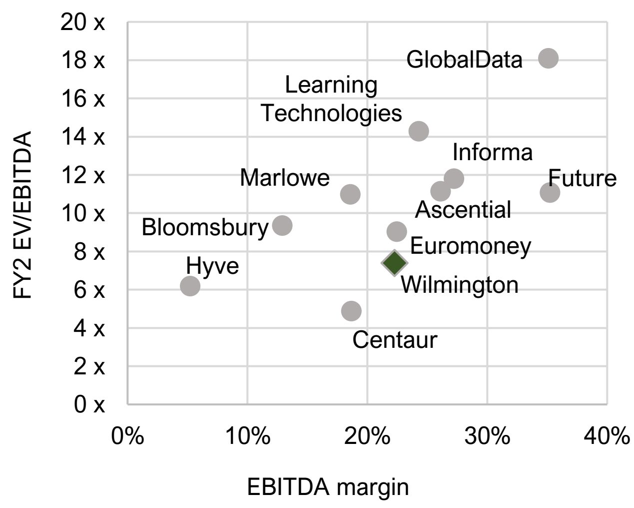


Figure 3: FY2 EV/EBITDA vs Margin



Source: FactSet, Radnor

Wilmington PLC

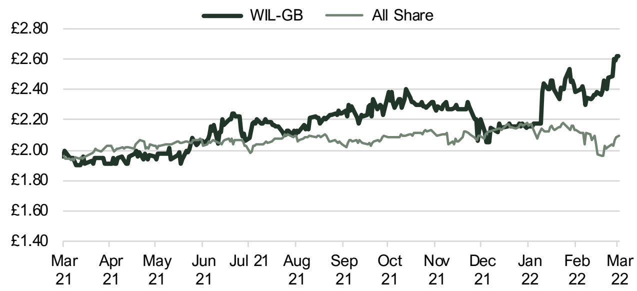
Iain Daly
+44 203 897 1832
id@radnorcp.com

Price (p):	**262 p**
Market Cap:	229 m
EV:	214 m

PROFIT & LOSS

Year to 30 June, £m	2020	2021	2022E	2023E	2024E
Information & Data	*56.6*	*56.8*	*58.5*	*60.3*	*62.1*
Education & Training	*56.5*	*56.2*	*61.8*	*65.4*	*69.3*
Group revenue	**113.1**	**113.0**	**120.3**	**125.7**	**131.4**
- growth %	*-8%*	*0%*	*6%*	*4%*	*5%*
Op. Exp.	(99.0)	(96.4)	(99.2)	(103.7)	(107.9)
Information & Data	*11.1*	*9.3*	*11.4*	*12.1*	*12.7*
Education & Training	*7.9*	*12.2*	*14.8*	*15.4*	*16.5*
Central costs	*(5.0)*	*(4.9)*	*(5.1)*	*(5.4)*	*(5.7)*
EBITA - Adjusted	**14.0**	**16.6**	**21.2**	**22.0**	**23.5**
EBITA margin %	*12.4%*	*14.7%*	*17.6%*	*17.5%*	*17.9%*
Associates & JV's	-	-	-		
Net Bank Interest	(2.2)	(1.6)	(1.2)	(0.5)	(0.5)
PBT - Adjusted	**11.9**	**15.0**	**20.0**	**21.5**	**23.0**
Goodwill	(4.8)	(18.2)	(4.0)	(4.0)	(4.0)
Exceptionals	(0.6)	1.2	(0.4)	-	-
Other Financial Items	-	-	-	-	-
PBT - IFRS	**6.4**	**(2.0)**	**15.6**	**17.5**	**19.0**
Tax - Adjusted	(2.5)	(3.1)	(4.2)	(4.5)	(4.8)
Tax rate - Adjusted	*20.9%*	*20.5%*	*20.0%*	*20.0%*	*20.0%*
Minority interests	-	-	-	-	-
No. shares m, diluted	88.8	88.0	88.5	88.5	88.5
Adj EPS (p), diluted	**10.6**	**13.6**	**17.8**	**19.2**	**20.5**
- growth %	*-39%*	*28%*	*31%*	*8%*	*7%*
Total DPS (p)	-	6.0	7.0	7.5	7.9

PRICE CHART - 1 YEAR ABSOLUTE vs FTSE ALL SHARE



Source: FactSet

SHAREHOLDERS

	% of ord. Share capital
Aberforth Partners	23.8%
Artemis	8.7%
Chelverton Asset Mgmt	8.6%
Gresham House	7.6%
Fidelity	7.4%
NFU Mutual	4.3%
Odyssean Capital	4.0%
Premier Miton	3.3%
Columbia Threadneedle	3.0%
	70.7%

CASH FLOW

Year to 30 June, £m	2020	2021	2022E	2023E	2024E
EBITDA	20.0	23.0	26.8	27.6	29.1
Working Capital	6.5	(5.7)	(0.5)	(1.0)	(1.5)
Provisions / Exceptionals	(0.0)	(0.3)	-	-	-
Gross Op Cashflow	**26.5**	**17.0**	**26.3**	**26.6**	**27.6**
Cash Tax	(4.4)	(2.7)	(4.2)	(4.5)	(4.8)
Cash Intererest	(1.6)	(1.2)	(1.2)	(0.5)	(0.5)
Minority Divs	-	-	-	-	-
Net Op Cashflow	**20.5**	**13.1**	**20.9**	**21.6**	**22.3**
Capex	(3.9)	(3.1)	(3.2)	(3.3)	(3.3)
Lease Liabilities	(2.4)	(2.5)	(2.4)	(2.4)	(2.4)
Free Cashflow	**14.3**	**7.5**	**15.3**	**15.9**	**16.6**
Dividends	(4.3)	(1.8)	(5.5)	(6.3)	(6.7)
M&A + Deferred	(2.0)	4.1	23.0	-	-
Other Non Operating	(1.8)	3.4	(0.3)	-	-
Net Cashflow	**6.2**	**13.2**	**32.4**	**9.6**	**9.9**
Net Cash (Debt)	**(27.7)**	**(17.2)**	**15.2**	**24.8**	**34.7**

Announcements

Date	Event
December 2021	Disposal of AMT for £23.4m
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

RATIOS

	2019	2020	2021	2022E	2023E
RoE	36%	22%	32%	37%	34%
RoCE	28%	20%	31%	76%	89%
Asset Turnover (x)	0.9x	1.0x	0.8x	0.8x	0.7x
NWC % Revenue	-1%	-32%	-27%	-41%	-47%
Op Cash % EBITA	93%	146%	78%	99%	98%
Net Debt / EBITDA	1.4x	1.4x	0.7x	-0.6x	-0.9x

BALANCE SHEET

Year to 30 June, £m	2020	2021	2022E	2023E	2024E
Intangibles	97.6	79.8	80.8	76.8	72.8
P,P+E	16.9	9.3	11.5	11.6	11.6
Tax Asset & Other	3.4	3.0	3.0	3.0	3.0
Total Fixed Assets	**117.8**	**92.1**	**95.3**	**91.3**	**87.3**
Net Working Capital	(47.7)	(38.7)	(32.2)	(32.2)	(32.2)
ST assets / liabilities	(16.2)	(8.6)	(2.1)	(2.1)	(2.1)
Net Current Assets	**(64.0)**	**(47.3)**	**(34.2)**	**(34.2)**	**(34.2)**
LT assets / liabilities	(17.2)	(9.4)	33.3	32.3	30.8
Net Cash (Debt)	(27.7)	(17.2)	15.2	24.8	34.7
Net Assets	**43.4**	**37.0**	**42.9**	**49.6**	**57.0**

VALUATION

Fiscal	2020	2021	2022E	2023E	2024E
P/E	24.8x	19.3x	14.7x	13.7x	12.8x
EV/EBITDA	10.7x	9.3x	8.0x	7.8x	7.4x
Div Yield	0.0%	2.3%	2.7%	2.9%	3.0%
FCF Yield	6.7%	3.5%	7.1%	7.4%	7.8%
Revenue growth		-8%	0%	6%	4%
PBT growth		-39%	27%	33%	8%
EPS growth		-39%	28%	31%	8%
DPS growth		-100%	-	17%	7%

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Radnor Capital Partners Ltd
1 King Street
London
EC2V 8AU

www.radnorcp.com

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