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Company YouGov PLC
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YouGov PLC

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YOUGOV PLC

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 JULY 2005

STRONG PERFORMANCE REFLECTS GOOD ORGANIC GROWTH AND TRENDS IN ONLINE RESEARCH MARKET

YouGov plc ("YouGov" or "the Company") announces its preliminary results for the year ended 31 July 2005.

£'000	Year ended 31 July 2005	Year ended 31 July 2004	Growth
Turnover	2,942	1,992	48%
Operating profit	961	670	43%
Profit before tax	996	678	47%
Basic earnings per share	5.8p	4.2p	38%

Highlights

- Performance exceeds expectations at time of float
- Strong growth in sales and operating profits
- Successful flotation provides capital for growth and product development
- Strong balance sheet with net cash of £3.8m
- Benefits of online research attracting wider and increased client base
- Growth in online panel from 65,000 to 98,000 respondents
- First overseas expansion - launch of YouGov Middle East and online panels in US

- Outlook for online market research is strong

Commenting, Nadhim Zahawi, Joint Chief Executive Officer of YouGov said;

"The Company performed well throughout the year, exceeding our expectations. YouGov made good progress both financially and operationally, achieving significant growth in both turnover and profits.

"Our flotation secured new capital to support the company's growth and we have clear expansion criteria. We intend to grow the business organically and by acquisition expand our client base, our research services and our geographic footprint. The online research market has good growth potential and we are well positioned to capitalise on it."

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Preliminary Results

Introduction

In the financial year ended 31 July 2005, YouGov made good progress both operationally and financially, achieving significant growth in both turnover and profits. YouGov's business performance throughout the year has been ahead of our expectation. Sales have grown almost 50% compared with the prior year.

The biggest single financial event for the company was its flotation on the London Stock Exchange's Alternative Investment Market (AIM) on 25 April 2005. The flotation secured £3m of new money, which will support YouGov's expansion both organically and through acquisition.

Financial Performance

Turnover increased by 48% to £2.94m (£1.99m in 2003-04). Profits before tax rose 47% to £996,000 and basic earnings per share improved by 38% to 5.8 pence. The business remains highly cash generative and during the year operations generated £1.1m in cashflow.

On 31 July 2005, YouGov's fixed assets totalled £63,000 (2004: £51,000) and its current assets £4.6m (2004: £1.5m), including £3.8m in cash or on deposit. Current liabilities stood at £870,000 (2004: £603,000). Overall net assets stood at £3.7m (2004: £930,000).

The directors are not recommending the payment of a dividend, which is consistent with statements made at the time of flotation and reflects the age of the company and the opportunities for further development. All dividends charged in the profit and loss account were paid prior to the float.

Operational highlights

Key projects during the year

For the May 2005 general election, the prestigious academic British Election Study (BES) had two components, face-to-face and online research. YouGov won the contract for the online research and provided daily tracking surveys throughout the campaign, as well as major studies of political attitudes before the campaign started and after election day. YouGov conducted more surveys for the media than any other company. Its final election-day survey reported each party's share accurately to within one percentage point and, importantly, YouGov's figures for both Labour and the Conservatives were also consistently accurate to within one point in each of the nine surveys conducted during the final 20 days of the campaign.

Although YouGov's political surveys achieved a high profile, these contributed only a small share of the company's turnover. Overall, two-thirds of YouGov's work in the financial year was commercial market research, while just one quarter was opinion research (including political surveys). One-tenth of YouGov's turnover was stakeholder research.

Working for more than 130 clients during the year, up from 100 last year, YouGov's client base was wide and varied, reflected by four particular projects:

- The ABI Pensions and Savings Index, which was launched in October 2003, is a quarterly barometer of the public's confidence and attitudes towards saving. During the year, YouGov produced quarterly quantitative research for the ABI.
- The work for the Commission for Racial Equality (CRE) reflected YouGov's ability to understand sensitive issues and interpret complex and subtle data.
- YouGov was asked by the London Borough of Lewisham to set up an online and branded website and proprietary panel to engage Lewisham residents in an ongoing consultation with the Council on issues covering satisfaction with service, attitudes and opinion about a range of topical issues and new Council proposals.
- YouGov was engaged by ASDA to perform research designed to investigate consumer purchasing behaviour and attitudes towards in-store promotions and the effectiveness of pricing and promotions strategy.

Both the omnibus and bespoke research projects were core areas of performance improvement for YouGov, with revenues increased revenues per survey.

Panel expansion

At the heart of YouGov's work is its panel of respondents - recruited to enable YouGov to draw representative research samples. During the course of the year, the number of panel members for whom YouGov had extensive demographic information grew from around 65,000 to more than 98,000. The company has devoted, and will continue to devote, substantial resources to maintaining and expanding the panel, and to keeping the level of "churn" - the proportion of panel members lost through non-participation in a 12 month period - as low as possible. In the last year, the degree of "churn" was just 15%. In addition, YouGov also established online panels in the United States and the Middle East.

Future development

Products

YouGov expects to launch at least one new product per year. Before the end of 2005, YouGov will be launching a new research product, BrandIndex, which will provide daily tracking of around 1,100 consumer brands in 32 sectors across seven different measures of brand perception. This will be the first time that short and long-term effects on brand profile are measured and reported on a daily basis - a response to the greater focus both on the importance of brand equity and up-to-the-moment data. The product, which reports using an easy-to-use online tool, is aimed at CEOs, brand managers, the research community, fund managers and financial investors.

YouGov has been actively developing BrandIndex over the past 14 months. The Board believes that the product has the potential to significantly change the way companies, marketers and investors measure brand equity. Most tracking studies currently available are conducted on a quarterly basis, sometimes monthly and rarely on a weekly basis with none tracking perception of brands on a daily basis.

Overseas expansion

We continue to explore opportunities in new markets, both to establish new panels and consider new business opportunities. The Middle East is one of the world's most exciting growth markets and YouGov believes there are good opportunities for its online market research techniques in the region. In 2004, at the request of HSBC Middle East, YouGov built a specialist panel of business men and women across the GCC countries (Gulf Co-operation Council) and established the first Middle East Business Confidence Index (MEBCI) for the bank. On the back of the success of MEBCI YouGov established a joint venture with a majority stake and has subsequently launched YouGov ME Fz LLC, based in Dubai Media City, which will have the first online consumer panel in the region.

Acquisitions

Following its flotation, the company is actively looking at acquisitions of companies with expertise in those areas which would complement and enhance YouGov's offering. Four criteria will inform our decisions:

- the acquisition will be earnings enhancing

- the companies we acquire will have an expertise and track record in certain sectors of market research including fast-moving consumer goods (fmcg), healthcare and the financial sector
- the acquisition will allow exploitation of YouGov's methodology for the company's existing customers and their work will be enhanced by their association with YouGov and
- the acquisition will help YouGov build a full service offering and consultancy agency based on its core strength of online panel-based research.

Prospects and outlook

Total Internet research spending worldwide is expected to reach over \$1.6bn (\$1.1bn in the US) in 2005, of which \$170 million is expected to arise in the UK. Worldwide expenditure is scheduled to reach \$4bn by 2008. Total online research expenditure is forecast to account for around 7.5% of total market research expenditure of £1.2 billion in 2005 in the UK. The UK is expected to remain the largest market for online research in Europe, with anticipated growth over the next three years of some 25% year on year.

The UK market estimates are supported by the following:

- buyers of research envisage spending over 1/3 of their research budget on online research by 2006 (MRS and ESOMAR)
- two thirds of marketing companies now conduct research online and of those who do not, two thirds plan to do so over the next three years (Research and Cambiar reports)
- increased adoption of online research techniques by the SME sector
- the range of both research types and sectors for which the Internet is used to collect data will increase

Statistics also suggest changes in the way that online research is commissioned, as an increasing number of end-clients are investing in their own panels and self-sufficiency in collecting, processing, analysing and reporting on data collected online. As a full service panel company with an online business model, there is an opportunity for YouGov to utilise its expertise in panel management and online data collection methods to advise and work with blue chip clients who wish to invest in their online research self-sufficiency.

The company is trading in line with the Board's expectations and has made a sound start to its current financial year. There is a growing demand for accurate online research and YouGov is well positioned to capitalise on this trend. Our intention is to expand both organically and by acquisition. We will look to grow our client base, especially bespoke customers; expand our services and research products; extend our geographical reach; and continue to manage our

panel. The company is well placed to achieve all of these objectives.

SUMMARISED PROFIT AND LOSS ACCOUNT

For the year ended 31 July 2005

		2005 (Audited) £'000	2004 (Audited) £'000
Turnover	Note	2,942	1,992
Cost of sales		(476)	(221)
Gross profit		2,466	1,771
Other operating income and charges		(1,505)	(1,101)
Operating profit		961	670
Interest receivable		51	8
Interest payable		(16)	-
Profit on ordinary activities before taxation		996	678
Tax on profit on ordinary activities		(305)	(204)
Profit on ordinary activities after taxation		691	474
Equity dividends	3	(436)	(129)
Profit retained and transferred to reserves		255	345
Basic earnings per share (p)	2	5.8	4.2
Diluted earnings per share (p),	2	5.5	4.0

SUMMARISED BALANCE SHEET

As at 31 July 2005

	2005 (Audited) £'000	2004 (Audited) £'000
Fixed assets		
Tangible assets	63	52
Other investments	-	1
	63	53
Current assets		
Debtors	769	506
Cash at bank and in hand	3,796	977
	4,565	1,483
Creditors: amounts falling due within one year	(870)	(603)
	3,695	880
Total assets less current liabilities	3,758	933

Provisions for liabilities and charges	(11)	(3)
	3,747	930
Capital and reserves		
Called up share capital	133	113
Share premium account	2,913	371
Profit and loss account	701	446
	3,747	930

SUMMARISED CASH FLOW STATEMENT

For the year ended 31 July 2005

	Note	2005 (Audited) £'000	2004 (Audited) £'000
Net cash inflow from operating activities	4	1,149	852
Returns on investments and servicing of finance			
Interest received		51	7
Interest paid		(16)	-
Net cash inflow from returns on investments and servicing of finance		35	7
Taxation		(202)	(44)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(28)	(62)
Cash received for disposal of assets		-	2
Net cash inflow from capital expenditure and financial investment		(28)	(60)
Equity dividends paid		(436)	(194)
Financing			
Issue of shares		3,038	35
Cost of Issue		306)	-
Payments to repurchase own share capital		(167)	-
Repayment of loans		(264)	-
Net cash inflow from financing		2,301	35
Increase in cash	5	2,819	596

Notes to the preliminary results for the year ended 31 July 2005

1. Basis of Preparation and additional information

The preliminary results have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

2. Earnings per share

Per	2005		Per	2004	
	Weighted	average		Weighted	average
	Earnings	number	Share	number	Share
	£'000	of shares	amount	of shares	amount
			pence		pence
				Earnings	
				£'000	
Profit attributable to ordinary shareholders	691			474	
Basic Earnings per share					
Earnings attributable to ordinary shareholders		11,998,561	5.8		4.2
Dilutive effect of securities					
Options		661,578		434,814	
Diluted Earnings per share					
Adjusted earnings		12,660,139	5.5		4.0

3. Dividends

	2005	2004
	(Audited)	(Audited)
	£'000	£'000
Equity dividends:		
'A' Ordinary shares of 1 pence	200	-
'B' Ordinary shares of 1 pence	92	52
'C' Ordinary shares of 1 pence	95	53
'D' Ordinary shares of 1 pence	49	24
	436	129

All dividends charged in the profit and loss account were paid prior to the Company's admission to AIM.

4. Net cash inflow from operating activities

	2005 (Audited) £'000	2004 (Audited) £'000
Operating profit	961	670
Depreciation	17	11
Impairment of intangible fixed assets		87
Profit on sale of tangible fixed assets	-	(1)
Increase/ (decrease) in debtors	(263)	135
(Increase)/ decrease in creditors	434	(50)
Net cash inflow from operating activities	1,149	852

5. Reconciliation of net cash flow to movement in net cash

	2005 (Audited) £'000	2004 (Audited) £'000
Increase in cash in the year	2,819	596
Repayment of loans	264	-
Movement in net cash in the year	3,083	596
Net cash at 1 August 2004	713	117
Net cash at 31 July 2005	3,796	713

6. Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The summarised balance sheet at 31 July 2005 and the summarised profit and loss account, summarised cashflow statement and associated notes for the year then ended have been extracted from the company's 2005 statutory financial statements upon which the auditors opinion is unqualified and does not include any statement under section 237 of the Companies Act 1985.

These statements have not yet been delivered to the registrar of companies.

The statutory accounts for the period will be posted to shareholders on or before 17 November 2005 and copies will be available, free of charge, for a period of one month following posting to shareholders from the registered office of the Company.

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