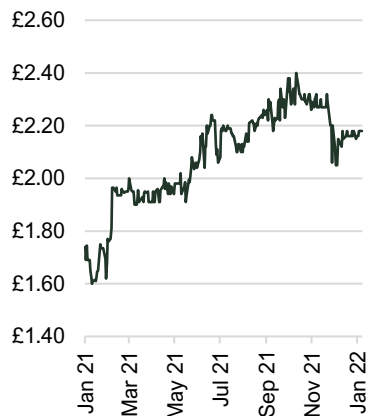


1 Year Chart



It was clear at the final results that Wilmington was seeing positive organic tailwinds behind both Information & Data and Education & Training. However, caution around further Covid roadblocks held us back from upgrading estimates. Today's trading update confirmed these roadblocks have not transpired. The combination of healthy H1 organic growth (approaching 10% on a pre-FX basis) and underlying margin gains are likely to drive a very strong H1 YoY performance.

Taken together with the AMT disposal, this leaves Wilmington well positioned for the full year. The 9% PBT upgrade we are making today still does not assume a full contribution from the March RISE event which, if this takes place unhindered, is likely to lead to further upgrades.

The disposal of the non-core AMT business for £23.4m has left Wilmington in a healthy overall net cash position, which further increases the strategic flexibility in front of management. Coupled with an improving organic revenue growth and margin mix, this will place the current PE of 13.5x and EV/EBITDA of 7.1x under greater scrutiny.

Although the share price has outperformed the broader market over the last year, the valuation discount to the peer group has remained wide. The de-gearing of the balance sheet is a pivotal moment yet has been largely ignored.

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

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

27 January 2022

Iain Daly

id@radnorcp.com

+44 (0) 203 897 1832

- **Trading update:** This update comes off the back of the positive tone set at the final results. Underlying organic growth across both Information & Data and Education & Training is approaching double digits for H1 and sets the scene for a strong H2. Although Education & Training is delivering the majority of the short-term benefit, the continuing organic progress at Information & Data is perhaps the most encouraging.
- **Disposal of AMT for £23.4m:** The disposal of AMT for £23.4m in December represented a significant moment for Wilmington. The valuation achieved for what was a non-core business was healthy and a premium to Wilmington's own prevailing PE and has delivered material value, not least through the de-gearing of the balance sheet. We now look for a FY22 net cash position of £13.7m.
- **Estimate upgrades:** As previously flagged, the risks to estimates lay on the upside. Our upgrades today are driven by a combination of a better revenue / margin mix post the AMT disposal alongside underlying margin gains across both divisions. Our FY22 / FY23 PBT estimate moves up by 9% and 8% respectively.

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)	20.6	-
FY 2021A	113.0	15.0	13.6	6.0	(17.2)	16.1	2.8
FY 2022E	118.7	18.1	16.1	6.9	13.7	13.5	3.2
FY 2023E	124.0	20.0	17.9	7.7	22.1	12.2	3.5
FY 2024E	129.7	21.4	19.1	8.1	30.6	11.4	3.7

Source: Radnor Capital Partners

Estimate Upgrades

Figure 1: Changes to estimates

	FY21A	Previous		New		Change	
		2022E	2023E	2022E	2023E	2022E	2023E
Information & Data	56.8	58.0	59.7	58.5	60.3	+ 1%	+ 1%
Education & Training	56.2	61.3	65.6	60.1	63.7	- 2%	- 3%
Revenue	113.0	119.2	125.2	118.7	124.0	- 0%	- 1%
Information & Data	9.3	11.0	11.6	11.4	12.1	+ 4%	+ 4%
Education & Training	12.2	12.2	13.4	12.9	13.9	+ 6%	+ 4%
Central Overhead	-4.9	-5.1	-5.2	-5.1	-5.4	+ 0%	+ 4%
EBITA	16.6	18.1	19.8	19.3	20.5	+ 6%	+ 4%
- margin %	14.7%	15.2%	15.8%	16.2%	16.5%		
Adj. PBT	15.0	16.6	18.6	18.1	20.0	+ 9%	+ 8%
Adj. EPS (p)	13.6	14.8	16.6	16.1	17.9	+ 9%	+ 8%
Dividend (p)	6.0	6.6	6.9	6.9	7.7	+ 5%	+ 12%
Net Cash (Debt)	-17.2	-10.4	-2.6	13.7	22.1		

Source: Radnor

Comparative Valuation

Figure 2: FY2 PE vs EPS growth

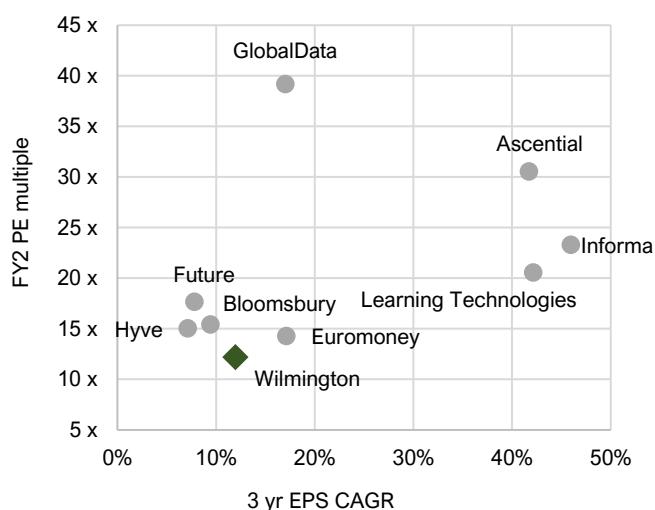
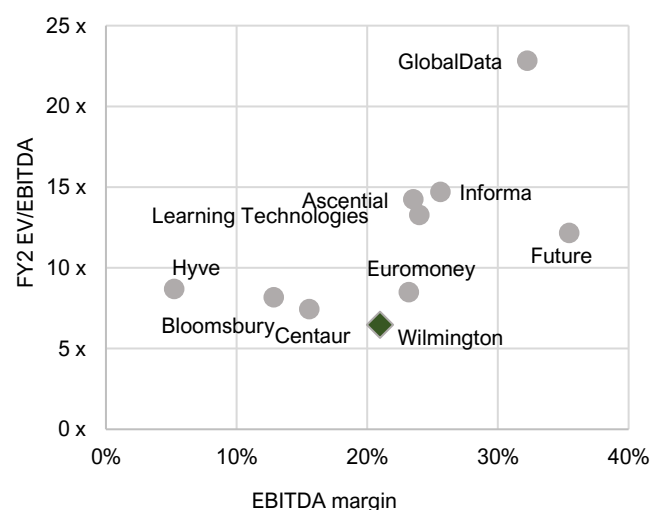


Figure 3: FY2 EV/EBITDA vs Margin



Source: FactSet, Radnor

Wilmington PLC

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

Price (p): 218 p
Market Cap: 191 m
EV: 177 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	60.1	63.7	67.6
Group revenue	113.1	113.0	118.7	124.0	129.7
- growth %	-8%	0%	5%	5%	5%
Op. Exp.	(99.0)	(96.4)	(99.4)	(103.5)	(107.8)
Information & Data	11.1	9.3	11.4	12.1	12.7
Education & Training	7.9	12.2	12.9	13.9	14.9
Central costs	(5.0)	(4.9)	(5.1)	(5.4)	(5.7)
EBITA - Adjusted	14.0	16.6	19.3	20.5	21.9
EBITA margin %	12.4%	14.7%	16.2%	16.5%	16.9%
Associates & JV's	-	-	-	-	-
Net Bank Interest	(2.2)	(1.6)	(1.2)	(0.5)	(0.5)
PBT - Adjusted	11.9	15.0	18.1	20.0	21.4
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)	13.7	16.0	17.4
Tax - Adjusted	(2.5)	(3.1)	(3.8)	(4.2)	(4.5)
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	16.1	17.9	19.1
- growth %	-39%	28%	19%	11%	7%
Total DPS (p)	-	6.0	6.9	7.7	8.1

CASH FLOW

Year to 30 June, £m	2020	2021	2022E	2023E	2024E
EBITDA	20.0	23.0	24.9	26.1	27.5
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	24.4	25.1	26.0
Cash Tax	(4.4)	(2.7)	(3.8)	(4.2)	(4.5)
Cash Interest	(1.6)	(1.2)	(1.2)	(0.5)	(0.5)
Minority Divs	-	-	-	-	-
Net Op Cashflow	20.5	13.1	19.4	20.4	21.0
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	13.8	14.7	15.3
Dividends	(4.3)	(1.8)	(5.5)	(6.3)	(6.9)
M&A + Deferred	(2.0)	4.1	23.0	-	-
Other Non Operating	(1.8)	3.4	(0.3)	-	-
Net Cashflow	6.2	13.2	30.9	8.4	8.4
Net Cash (Debt)	(27.7)	(17.2)	13.7	22.1	30.6

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)	13.7	22.1	30.6
Net Assets	43.4	37.0	41.4	46.9	52.9

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%
Total	70.7%

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%	34%	34%
RoCE	28%	20%	31%	69%	83%
Asset Turnover (x)	0.9x	1.0x	0.8x	0.8x	0.7x
NWC % Revenue	-1%	-32%	-27%	-40%	-45%
Op Cash % EBITA	93%	146%	78%	101%	100%
Net Debt / EBITDA	1.4x	1.4x	0.7x	-0.5x	-0.8x

VALUATION

Fiscal	2020	2021	2022E	2023E	2024E
P/E	20.6x	16.1x	13.5x	12.2x	11.4x
EV/EBITDA	8.8x	7.7x	7.1x	6.8x	6.4x
Div Yield	0.0%	2.8%	3.2%	3.5%	3.7%
FCF Yield	8.0%	4.2%	7.8%	8.3%	8.6%

Revenue growth	-8%	0%	5%	5%
PBT growth	-39%	27%	20%	11%
EPS growth	-39%	28%	19%	11%
DPS growth	-100%	-	15%	12%

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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

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