Diales Group Plc

Positive update on H1 trading and FY outlook

23 April 2026

Following a period of consistent revenue generation post-implementation of the new strategy, strong top line growth was recorded during H1 26. The uplift reflected rising average fee rates and further improvements in productivity. The incremental increase in revenues fed through to margins, which rose to 4.3%, a level not seen since H2 21. With two-thirds of FY26 EBIT expectations secured and the outlook for H2 positive, it is perhaps surprising to leave our estimates unchanged. However, considering the geopolitical tensions in the Middle East, we think it best to err on the side of caution at this juncture.

- We note the positive guidance with regards to the outlook for FY26, **to at least achieve consensus expectations** for revenue of £44.5m and adj. PBT of £1.5m. Delivering EBIT of £1m in H1 suggests that current FY expectations are comfortably manageable. However, given the ongoing uncertainties in the Middle East, it seems prudent to retain current estimates until we have greater visibility. **That said, the second half has started positively, reflecting a strong pipeline of orders.**
- What has driven the strong uplift in revenues? Recent history has witnessed half-yearly revenues within 1% of the £21.6m level and reflects the implementation of the new strategy in Q1 24. The increase of 8.2% or £1.8m yoy during H1 26 reflects a combination of: the addition of the new fire engineering team, the recovery to more normal levels of trading within DPS and technical expertise, and strong growth in the UK and Europe. Higher average fee rates at stable utilisation levels yoy, plus a rising proportion of experts/employees further drove productivity per employee and, with it, margins. EBIT and operating margins are now at the highest level since H2 21.
- For now, we leave our financial estimates unchanged. In view of the good start to H2, we remain confident that should geopolitical issues not deteriorate further we are likely (ceteris paribus) to revisit our FY26 estimates in due course.
- Investors should also note the introduction of a new LTIP scheme with demanding conditions in 2030 - with full vesting above 75p / share. This highlights the Board's expectations and confidence in what it is building.

Valuation unchanged

With estimates unchanged we retain our fair value / share of 35p. This is despite our valuation models suggesting a higher figure on existing estimates. It is worth noting that as net cash stood at £3.9m at the half-year, the operating business is effectively valued on an FY26 EBIT multiple of just 5.7x.

Key financials & valuation metrics

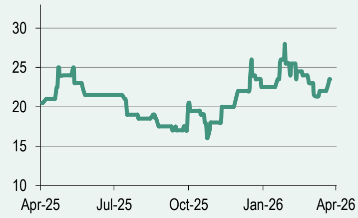
Yr. to September, £m	FY23A	FY24A	FY25A	FY26F	FY27F
Revenue	42.6	43.0	43.0	44.4	45.5
Adj. PBT	1.0	1.2	1.4	1.5	1.7
Adj. EPS (p)	1.4	1.4	1.7	1.9	2.1
DPS (p)	1.5	1.5	1.5	1.5	1.5
PER (x)	16.8	16.8	13.8	12.4	11.2
EV/EBITDA (x)	3.5	4.0	4.2	3.9	3.3
Yield (%)	6.4	6.4	6.4	6.4	6.4

Source: Equity Development estimates, Company historic data

Company data

EPIC	DIAL
Price (last close)	23.5p
52 weeks Hi/Lo	29p/15p
Market cap	£12.4m
ED Fair Value / share	35p
Net cash Mar 2026A	£3.9m

Share price, p



Source: Investing.com

Description

Diales Group Plc ("Diales") is involved in the provision of specialist dispute avoidance and dispute resolution services to the global construction and engineering industries. Diales currently has 22 offices in 14 countries, including seven in the UK, five in Europe, two in the Americas, three in APAC and five in the Middle East and Africa.

The business is split into the following reporting regions: Europe and Americas (EuAm), the Middle East (ME) and APAC, operating as a hub and spoke model, with work sourced in the smaller regions, serviced both locally and, in the UK and Europe.

Next event

Interim results: 10 June 2026

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Upbeat trading report

Estimates reflect the geopolitical backdrop

Notwithstanding the upbeat trading update we leave financial estimates unchanged at this stage. As we highlight in the charts below, the Group hasn't previously reached an EBIT of £1m in a half year since the implementation of the new strategic plan in December 2023. The last time the Group hit revenues above H1 26's £23.4m was in H1 23, delivering £24.2m but utilising a much wider office and employee footprint. EBIT of £1m was last achieved in H2 21.

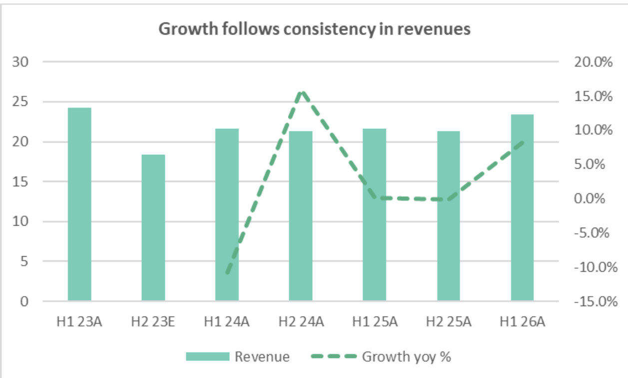
What is compelling is the much greater consistency of revenues following the reorganisation of the business into a hub-and-spoke model from late CY23.

In fact, during FY24 and FY25 reported half-yearly revenues were in a narrow range of £21.3m to £21.6m, a variance of just 1.4%. What is perhaps more surprising about this consistency of revenues is the business model is contract based, with smaller contracts slotting in and around larger contracts, which traditionally has resulted in much lower levels of predictability. Clearly, while utilisation levels have been broadly similar, and within a range of 71% to 74.1% during FY23 to FY25, the rising proportion of experts versus overall headcount and resulting higher chargeable fees, has offset the decline in utilisation levels during the period. On this basis, productivity levels continue to improve.

Fee rates improving

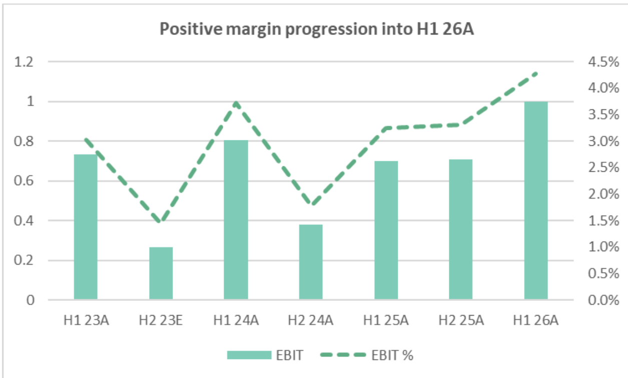
The inclusion of a fire engineering team for the first time was beneficial, with the existing and new order pipeline positive and fee rates trending above the Group average. The Board is looking to add similar teams on an organic basis to broaden the service offering to clients. In addition to the positive contribution to revenues from the fire engineering team, the remainder of the £1.8m yoy uplift in revenues (+8.2%) reflected improved trading in the UK and Europe. Of this, the return to more normalised trading patterns within Driver Project Services (DPS) in the UK, and recovery within technical expertise in the UK and Europe, accounted for the remainder of the increase.

A return to revenue growth in H1 26A (£m)



Source: Company

Margins rise above the recent range



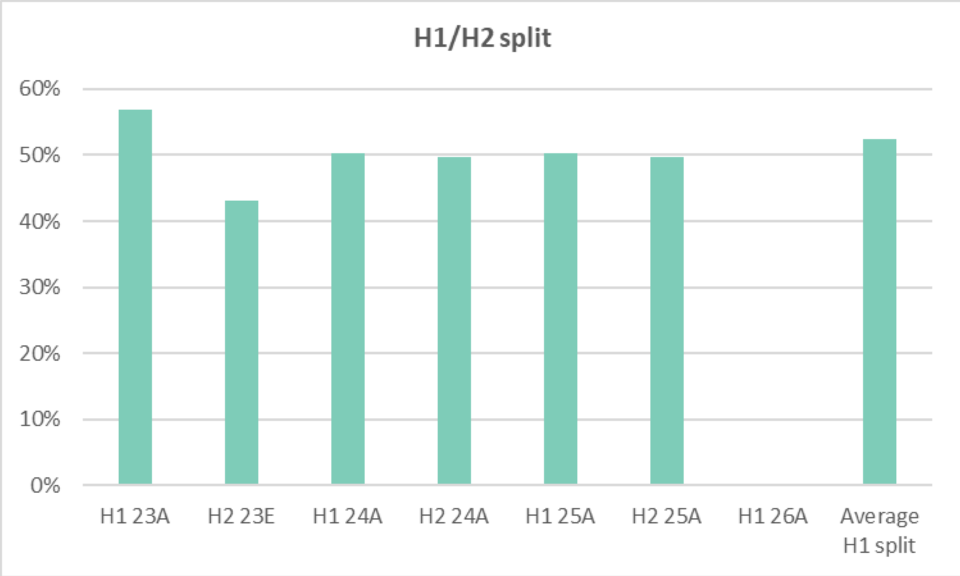
Source: Company

Progress on EBIT margins

The £0.3m or 35%+ uplift in profitability yoy to £1m represents strong progress. Following the implementation of the new strategy (Q1 24), the EBIT margin averaged 2.8% in FY24, rising to 4.3% in H1 26. Not only are the higher average fees and improved productivity underpinning the rising margin, but improved efficiency is helping as the combination of the roll-out of the real-time data across the business and early benefits of the new CRM system emerge. The incremental income from new hires will not only have contributed to higher gross profits but also demonstrate the operationally geared nature of the business model.

Focusing on the H1/H2 split in revenues, H1 has averaged 52.5% of annual revenues. Were this applied to the current year, this suggests FY26 revenues of £44.6m, modestly higher than our £44.4m estimate. With two-thirds of the FY26 EBIT expectation already delivered there would have to be a marked collapse in EBIT margins during H2 to result in the Group missing its current year estimate of £1.5m. In view of the current geopolitical tensions and exposure to the Middle East, it is best to err on the side of caution until we have greater clarity. We note, however, the use of the phrase, *"increased confidence"* when referring to the outlook for H2 26.

H1 revenue split averages at 52.5% of Group annual revenues

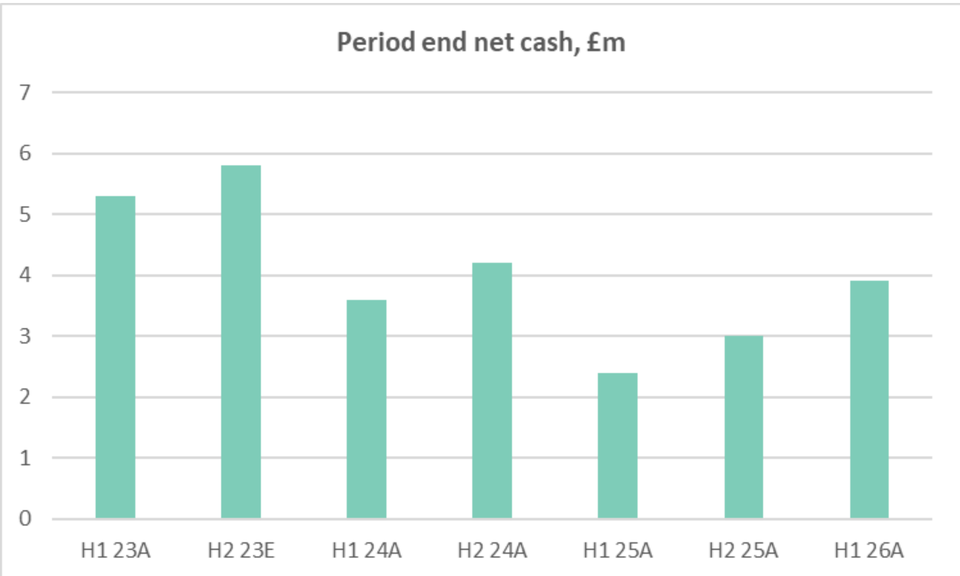


Source: Company

Net cash levels improve

The level of net cash is on the rise once again, notwithstanding the share buyback programmes; consistently rising working capital requirement; £0.8m per annum in dividends (highest yield amongst its peer group), and the hiring of additional experts.

The level of net cash is rising again



Source: Company

Demanding LTIP scheme

We note and welcome the introduction of a new LTIP incentive scheme to tie in key individuals at the executive and operating board levels, and other senior employees, aligning their interests with those of shareholders. Options were granted over 3.6m shares, with no vesting of options below a share price of 35p, and incremental vesting up to 75p / share. Full vesting will be above 75p / share, not only highlighting the demanding nature of the LTIP awards but also suggesting where the Board believes the share price is headed.

Valuation thoughts

Notwithstanding the upbeat trading update, we leave estimates unchanged and retain our fair value / share of 35p.

The following charts and table suggest there is a strong case to argue for a higher fair value / share. Were we to exclude the outlying metric, EV/Sales, the comparative peer group models suggest an average fair value of 38p / share, which values the Group at a 25% discount to the average multiple of its peer group. We will look to revise this metric in line with any future changes to estimates. **For now, our 35p / share fair value represents a premium of approximately 50% to the current share price.**

One should not forget the high level of net cash on the balance sheet, ahead of our expectations at £3.9m, and a positive uplift on the year end figure of £3.0m. Also, it represents a marked increase on a year ago (March 2025: £2.4m).

The level of net cash represents 31% of the Group's current market capitalisation and almost 30% of the net asset value. On this basis, the operating business is valued at just £8.3m, suggesting an FY26 EBIT of just 5.7x

Net cash as a % of Mkt cap & NAV

	H1 26A
Net cash (£m)	3.9
Net cash / share (p)	7.2
Cash as a % of mkt cap	31.3%
NAV (£m)	13.2
NAV /share (p)	24.5
Net cash as % of NAV	29.5%

Source: Company

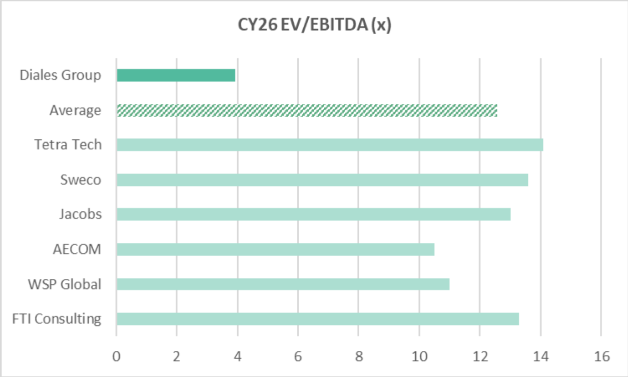
Few immediate demands on cash

With organic growth preferred to M&A (hiring of new team heads) and capex expected to be largely maintenance, cash levels should remain broadly flat for the remainder of the year. The caveats to this include:

- Working capital
- Returns of cash to shareholders

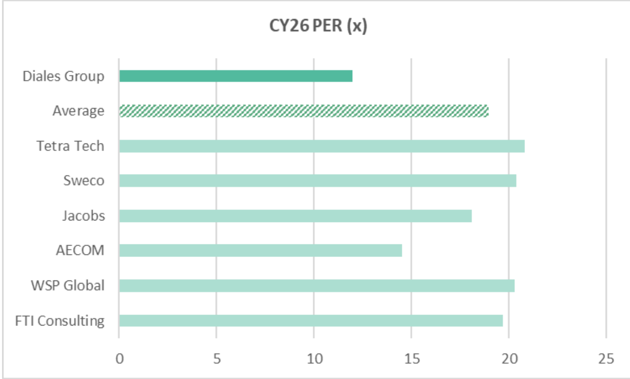
Although the project pipeline remains strong, notwithstanding geopolitical concerns in the Middle East, we continue to expect working capital to be within 10% of levels in FY25. Capital allocation remains important to the Group, balanced by a continued focus on growth. We are currently unaware of plans to commence a further share buyback programme.

Peer group comparison: CY26 EV/EBITDA (x)



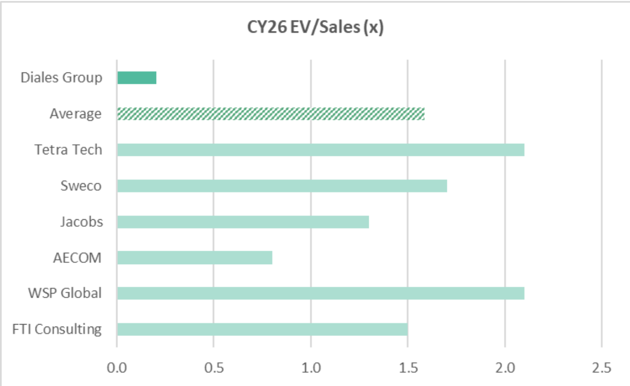
Source: Koyfin

Peer group comparison: CY26 PER (x)



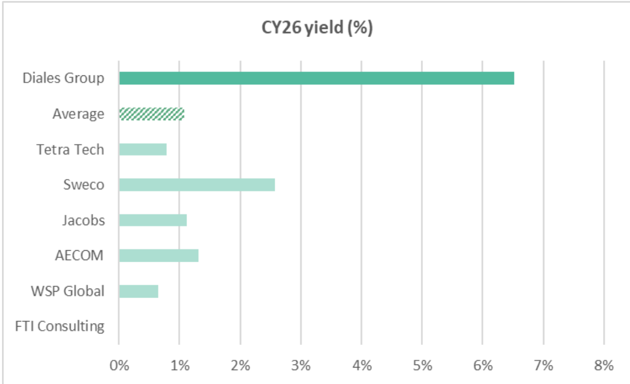
Source: Koyfin

Peer group comparison: CY26 EV/Sales (x)



Source: Koyfin

Peer group comparison: CY26 Yield (%)



Source: Koyfin

Peer group valuations suggests the fair value of DIAL (p / share)

@ 25% discount to peers	CY26 value	CY27 value
EV/EBITDA	44.6	54.9
PER	25.8	25.9
EV/Sales	103.9	
Average	58.1	40.4
Potential rerating upside	*152.8%*	*75.8%*

Source: Koyfin

Financials

Income statement					
Yr. to 30 Sep (£m)	**2023A**	**2024A**	**2025A**	**2026F**	**2027F**
Europe & Americas	35.6	34.6	35.2	36.2	37.0
Middle East	4.2	4.8	5.2	6.0	6.3
APAC	2.9	3.5	2.5	2.2	2.3
Revenue	42.6	43.0	43.0	44.4	45.5
CoGS	-31.9	-32.0	-31.4	-32.4	-33.1
Gross profit	10.8	11.0	11.6	12.0	12.4
Gross margin (%)	*25.3%*	*25.5%*	*27.0%*	*26.9%*	*27.3%*
Op costs	-9.9	-9.8	-10.2	-10.5	-10.7
Other Op. income	0.0	0.0	0.0	0.0	0.0
Operating profit	1.0	1.2	1.4	1.5	1.7
Op margin (%)	*2.2%*	*2.8%*	*3.3%*	*3.4%*	*3.7%*
Net Interest	0.1	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0
PBT (Adjusted)	1.0	1.2	1.4	1.5	1.7
Non-recurring costs	-0.6	-0.3	-0.1	-0.1	-0.1
PBT (Reported)	0.4	0.9	1.3	1.4	1.6
Tax	-0.3	-0.5	-0.4	-0.5	-0.6
PAT	0.1	0.4	0.9	0.9	1.0
Profit from discontinued operations	-0.5	-1.0	-0.2	0.0	0.0
Earnings	-0.4	-0.6	0.7	0.9	1.0
Ordinary Dividends	-0.8	-0.8	-0.8	-0.8	-0.8
Retained Profit	-1.2	-1.4	-0.1	0.1	0.2
EPS (Adjusted) (p)	1.4	1.4	1.7	1.9	2.1
DPS (p)	1.5	1.5	1.5	1.5	1.5
Ave no of shares (FD) (m)	54.0	54.0	54.0	54.0	54.0

Source: Company historics, Equity Development estimates

Cash flow statement

Yr. to 30 Sep (£m)	2023A	2024A	2025A	2026F	2027F
Operating profit	1.0	1.2	1.4	1.5	1.7
Depn. & Amortn.	0.9	0.8	0.8	0.8	0.8
Working capital movement	1.5	-0.2	-0.7	-0.5	-0.4
Other	-0.8	-1.1	-0.1	-0.1	-0.1
Operating cash flow	2.5	0.7	1.3	1.7	1.9
Net Interest	0.1	0.0	0.0	0.0	0.0
Taxation	-0.2	-0.4	-0.5	-0.4	-0.6
Net capex	-0.1	-0.1	-0.2	-0.1	-0.1
Operating FCF	2.2	0.3	0.7	1.1	1.3
Net (Acquisitions)/Disposals	0.0	0.0	0.0	0.0	0.0
Dividends	-0.8	-0.8	-0.8	-0.8	-0.8
Share Issues	0.0	-0.1	-0.2	0.0	0.0
Minority payment	0.0	0.0	0.0	0.0	0.0
Other financial	-0.6	-0.9	-0.8	0.0	0.0
Increase Cash/(Debt)	0.9	-1.6	-1.2	0.3	0.5
Opening Net Cash/(Debt)	4.9	5.8	4.2	3.0	3.4
Closing Net Cash/(Debt)	5.8	4.2	3.0	3.4	3.9

Source: Company historics, Equity Development estimates

Balance sheet

Yr. to 30 Sep (£m)	2023A	2024A	2025A	2026F	2027F
Intangible Assets	3.7	3.6	3.5	3.5	3.4
Tangible Assets	0.4	0.3	0.4	0.4	0.4
Investments/other	1.4	0.9	0.0	0.0	0.0
Net Working Capital	5.5	5.7	6.4	6.9	7.3
Capital Employed	10.9	10.5	10.3	10.7	11.1
Other	-0.8	-0.4	-0.3	-0.9	-1.9
Net Cash/(Debt)	5.8	4.2	3.0	3.4	3.9
Provisions Liabilities/Charges	0.0	0.0	0.0	0.0	0.0
Net Assets	15.9	14.3	13.1	13.2	13.1

Source: Company historics, Equity Development estimates

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