

9 December 2025

All coming together nicely

Diales FY25 results were ahead of expectations, reflecting the restructuring of the business, with costs cut (office closures, headcount reduced) over the last two years. The breakeven level of utilisation is now lower, with productivity higher as expert numbers rise as a proportion of fee earners, in turn leading to positive margin progression. The Board can now focus on growing added-value services and expanding the top-and-bottom lines further.

A positive start to FY26

- FY25 results delivered EBIT and adj. PBT of £1.4m (FY24: £1.2m) on unchanged revenues. This represents the **third consecutive year of profit growth** and follows the introduction of the new strategic business plan two years ago. The move to a hub-and-spoke model has resulted in a consistent improvement in margins, reflecting rising productivity levels, which in turn has lowered the break-even utilisation level.
- Problem areas have been dealt with, with offices closed, headcount reduced and the composition of fee earners changing as management has targeted additional experts, in turn driving progress in gross and EBIT margins. The introduction of new IT systems, with the roll-out of real-time management information improving oversight of the business, and a new CRM system, should further improve pipeline conversion.
- The new financial year has started encouragingly, with the pipeline of new business reflecting a continuation of the improved H225 momentum. The head of the new fire engineering team is now in situ, with strong demand already coming through. The Board is on the lookout for similar teams to expand the capabilities offered to clients, replacing previous M&A aspirations.
- Net cash remained at comfortable levels, boosted post year end by an influx of receivables from the closed US business. The reduction during the year to £3.0m (FY24: £4.3m) reflects the payment of the generous dividend (£0.8m cost, 1.1x cover, 8%+ yield), the share buy-backs (£0.2m) and capex (IT systems, £0.2m).

Fair value remains at a significant premium to the current price

Net cash represents 35% of the market capitalisation, valuing the operating business on a lowly 4.2x FY26 EBIT. The shares sit on a 27% discount to the NAV. Our peer group analysis is placing upwards pressure on our fair value / share. However, with financial estimates unchanged we choose to **retain the fair value / share at 35p**, which represents a premium of 94% to the current price.

Company data

EPIC	DIAL
Price (last close)	18p
52 weeks Hi/Lo	29p/15p
Market cap	£9.4m
ED Fair Value / share	35p
Net cash / (debt) 09/2025A	£3.0m

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 23 offices in 14 countries, including seven in the UK, six 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

AGM, Feb 2026

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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)	12.9	12.9	10.6	9.6	8.6
EV/EBITDA (x)	2.0	2.7	3.0	2.7	2.3
Yield (%)	8.3	8.3	8.3	8.3	8.3

Source: ED estimates, Company historic data

FY25 results modestly ahead of expectations

FY25 Prelims							
Year to 30 Sept (£m, unless otherwise stated)	H1 24A	H2 24A	FY24A	H1 25A	H2 25A	FY25A	Change, yoy (%)
EuAm	18.5	16.2	34.6	17.3	17.9	35.2	1.6%
ME	2.2	2.6	4.8	2.8	2.4	5.2	7.7%
AP	1.8	1.7	3.5	1.5	1.0	2.5	-29.3%
Group revenues	22.5	20.5	43.0	21.6	21.3	43.0	-0.2%
Cost of Sales	-15.4	-16.6	-32.0	-15.9	-15.4	-31.4	-2.0%
Gross profit	7.1	3.9	11.0	5.7	5.8	11.6	5.0%
GP %	31.6%	19.0%	25.5%	26.4%	27.4%	26.9%	5.2%
OpEx	-5.4	-4.4	-9.8	-5.0	-5.2	-10.2	4.1%
EuAm	2.3	2.8	5.2	2.3	3.2	5.5	6.3%
ME	0.1	0.2	0.3	0.5	0.2	0.6	97.9%
AP	0.1	-0.2	-0.1	-0.1	-0.1	-0.1	5.9%
Central costs	-2.1	-2.1	-4.2	-2.0	-2.7	-4.8	14.9%
Group EBIT	0.5	0.7	1.2	0.7	0.6	1.4	1.6%
EuAm %	12.7%	17.5%	14.9%	13.3%	17.9%	15.6%	
ME %	6.1%	7.2%	6.7%	16.5%	7.4%	12.3%	
AP %	5.5%	-12.7%	-3.4%	-3.7%	-7.3%	-5.1%	
Group EBIT %	2.4%	3.4%	2.9%	3.2%	2.6%	2.9%	
Interest	0.0	0.0	0.0	0.0	0.0	0.0	-127.8%
Adj. PBT	0.5	0.7	1.2	0.7	0.6	1.3	8.5%
Non-recurring costs	0.0	-0.3	-0.3	-0.1	-0.1	-0.1	-58.1%
Reported PBT	0.5	0.4	0.9	0.6	0.5	1.2	30.6%
Taxation	-0.1	-0.4	-0.5	-0.2	-0.2	-0.4	-26.5%
Tax rate (%)	20.1%	54.7%	40.2%	23.7%	35.2%	27.2%	-32.3%
Adj. Earnings	0.4	0.1	0.4	0.5	0.3	0.8	90.4%
Loss from discontinued ops.	-0.4	-0.7	-1.0	-0.1	-0.1	-0.2	-78.1%
Adj. dil. EPS (p)	1.3		1.40	0.9		1.7	21.4%
DPS (p)	0.75		1.5	0.75		1.5	0.0%
Net cash / (debt)	3.6		4.2	2.4		3.0	-27.9%
Net assets			14.3			13.1	-8.6%
NAV / share (p)			26.3			25.9	-1.5%

Source: Company

The two largest regions delivered an uplift in revenues, while APAC registered a £1m drop in its top line due to issues in Singapore and Australia. Conversely, the EuAm and ME regions combined generated an additional £1m of revenues, with £0.6m in EuAm (+1.6% to £35.2m) and a further £0.4m in ME (+7.7% to £5.2m). As a result, Group revenues were static yoy at £43.0m. Following its yoy decline, APAC now represents just 5.7% of revenues, down from 8.1% in FY24 and to the lowest level since FY16.

We consider the static top-line yoy something of an achievement, particularly as the Group was dealing with:

- Macro uncertainty, following the uncertainty resulting from the imposition of tariffs,
- A loss-making US business, which was subsequently closed,
- In the UK, Driver Project Services (DPS), endured rising direct costs during H1, which were passed onto clients in H2, restoring the gross margin
- Singapore saw headcount fall during H1 25, following a decline in utilisation levels. The benefits of the rightsizing will become apparent during FY26, and
- Lower planning related revenues in Australia, which is expected to be temporary.

Not only has Diales delivered an improvement in profitability from static revenues (EBIT rose to £1.4m, versus £1.2m in FY24 and £1.0m in FY23) but this was generated with fewer fee earners and office numbers. This reflects the success of the Board's plan to move to a hub-and-spoke operating model in late CY23, which formed part of a new four-year strategic plan for the business. **This has resulted in a lower cost base as office and headcount numbers were purposefully reduced, which in turn has resulted in a lower break-even utilisation level.**

During the last three financial years, Group revenues improved modestly, rising 0.8% to £43.0m. Meanwhile, revenues in EuAm are broadly static (falling 1.0% to £35.2m), the ME region delivered growth of 23.8% and APAC delivered a decline of 16.1% between FY23 and FY25.

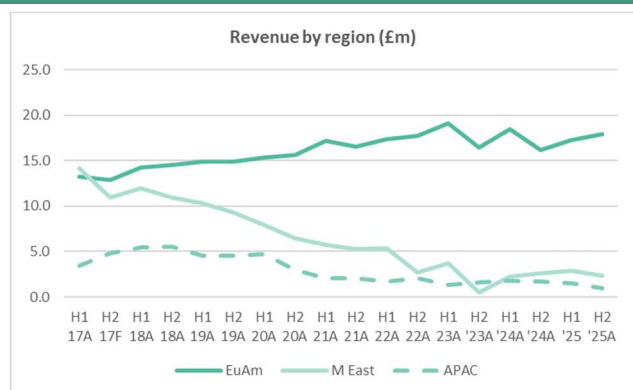
We highlight in the following charts the reasons why profitability has improved as the key management actions have taken hold:

- Average headcount declined from 264 to 241 in the two years to FY25.
- Office numbers reduced to 23 from 29 over the same period.
- Staff costs fell 7.4% to £28.0m in FY25 (FY23: £30.2m)
- Although the number of fee earners was broadly static in FY25 as a proportion of headcount (at 74.7% vs 74.8% in FY24 and 74.6% in FY23), expert numbers increased to 51 in FY25 (from 50 in FY24). This is the key to the rise in gross margin, as the proportion of experts relative to number of fee earners rose to 28.3% versus 26.7% in FY24. **This has had a marked impact on the business, as FY25 witnessed the highest reported Group full-year gross margin since FY12.** The H225 gross margin of 27.6% has only been bettered twice in the last ten years, H1 18 (28.0%) and H1 24 (28.7%). In each case revenues and utilisation levels were higher than in H225.
- The last time utilisation levels were at similar levels to FY25 (71.6%) or lower was in FY16 (71.0%) and FY22 (67.5%). Those two years represented the only times the Group was loss making at the EBIT level in its recent history. **By contrast, in FY25 Diales delivered EBIT of £1.4m, which compares to a loss of £0.4m in both FY16 and FY22.** Revenues were higher in each of FY16 and FY22 than in FY25.
- **Productivity levels, measured as revenue per fee earner, increased by a CAGR of 3.9% between FY21 (£204.9k) and FY25 (£238.7k).** This is despite a CAGR reduction of 6.7% in the number of fee earners to 180 in FY25, from 238 in FY21. **Clearly, the hub-and-spoke model is working, keeping fee earners busier as work passes from the regions to EuAm and the proportion of experts increases.**
- Total costs declined yoy by 0.6% to £41.5m, reflecting a 2.0% decline in cost of sales and a 4.1% rise in operating costs. The uplift in OpEx predominantly reflected the implementation of new IT, not least the real-time systems, providing detailed dashboards and data for use by managers, and investment into Salesforce's cloud-based CRM platform. Moving forward we think the former is likely to improve

efficiencies and utilisation across the group, while the new CRM should improve the ability to convert prospects into clients.

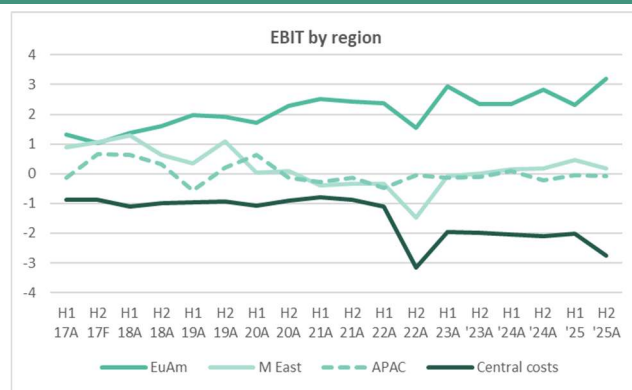
- EBIT margins of 3.3% in FY25 improved 524 bp's yoy and represented the highest operating margin since FY21 (4.3%). We anticipate that gross and EBIT margins should improve from FY25 levels.

Revenue by region (£m)



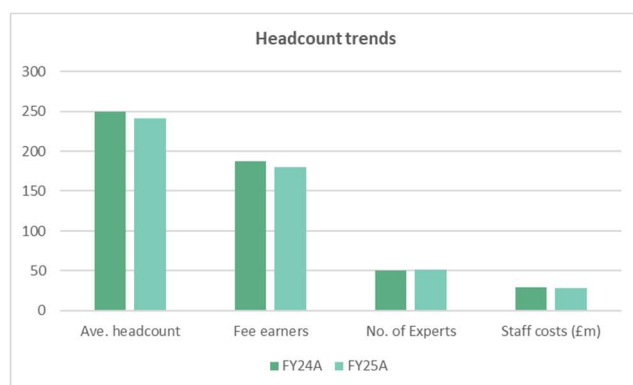
Source: Company data

EBIT by region (£m)



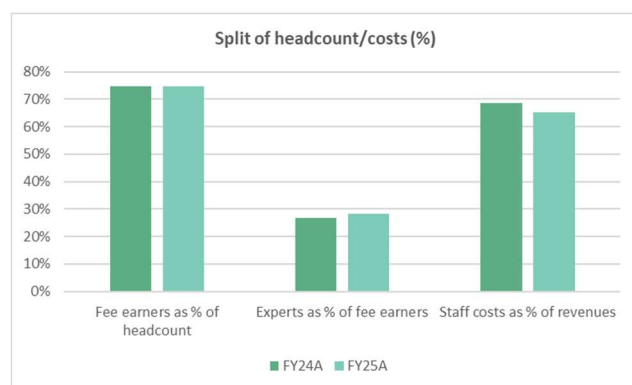
Source: Company data

Headcount trends



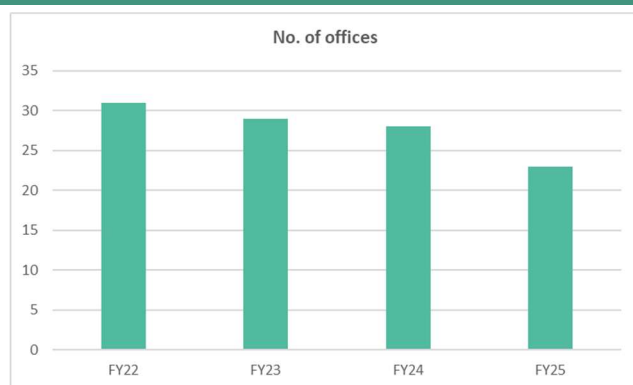
Source: Company data

Split of headcount/costs



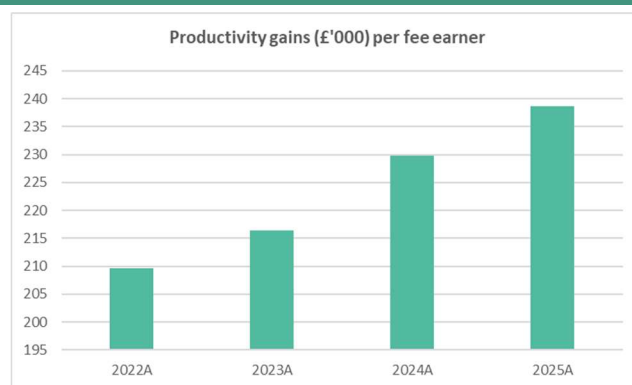
Source: Company data

Offices closed, reducing costs



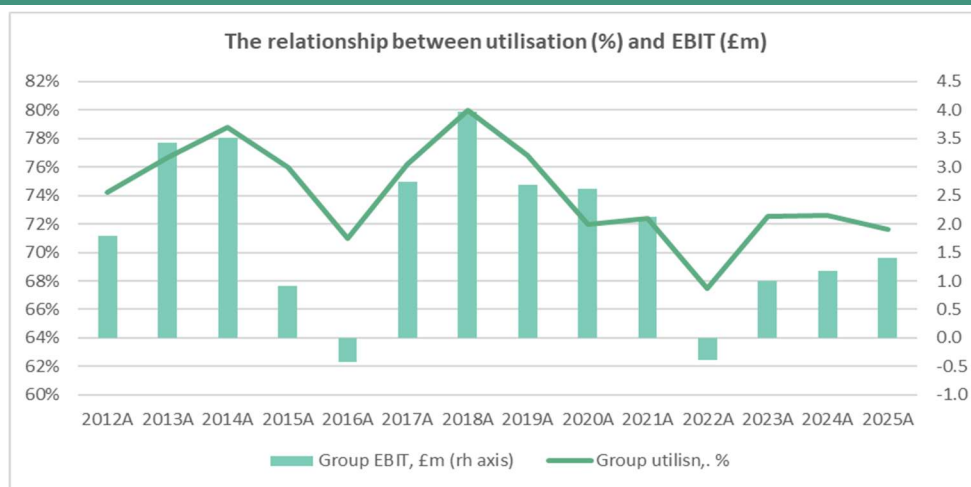
Source: Company data

Productivity gains (£'000) per fee earner



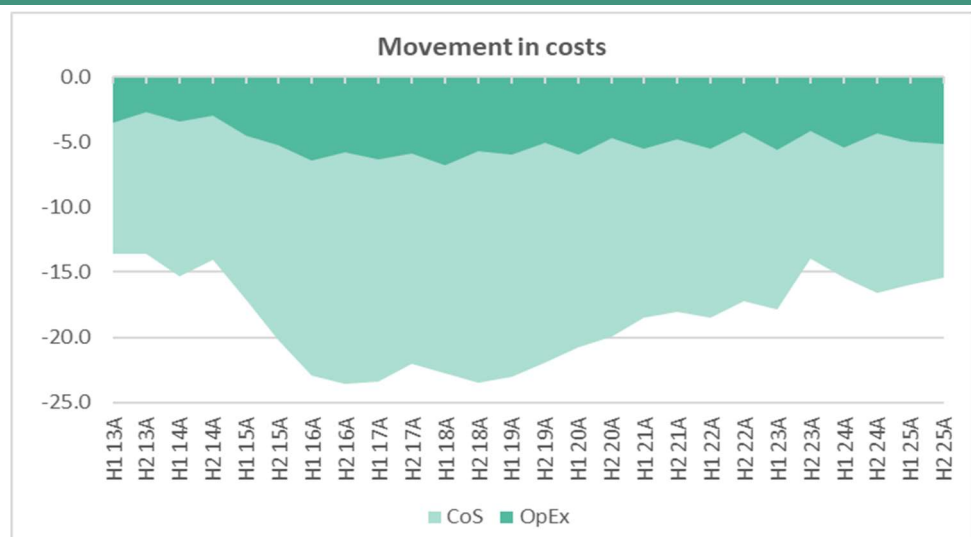
Source: Company data

The relationship between utilisation and profitability has changed



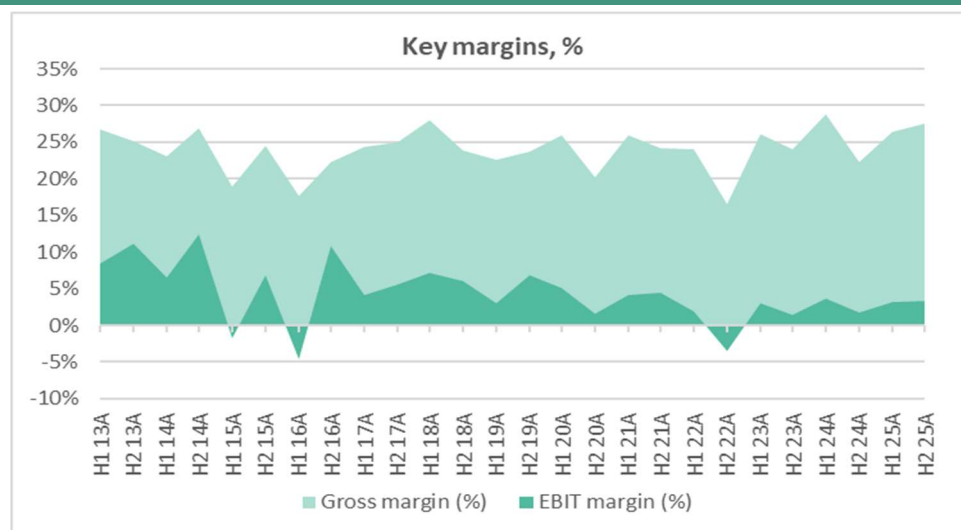
Source: Company data

CoS & OpEx, £m



Source: Company data

Movement in gross and EBIT margins



Source: Company data

Profitability improved, with adj. and continuing diluted EPS up 21% yoy

With EBIT 17% higher yoy to £1.4m and net interest modest at £21k, adj. PBT also increased to £1.4m. **EBIT has increased by a CAGR of 21.4% since the start of the new four-year strategic plan in December 2023.**

With tax of -£0.4m, adj. PAT on a continuing basis stood at £1.0m (FY24: £0.7m), **resulting in adj. EPS of 1.7p, representing an uplift of 21% yoy.** The unchanged FY dividend of 1.5p / share was covered by earnings for the first time since the dividend was reinstated in FY22. Cover amounted to 1.1x.

Net cash lower but reflecting capital allocation goals

Net cash declined yoy to £3.0m (FY24: £4.3m), despite improving on H125 of £2.4m. Cash flow from operating activities amounted to £1.3m (FY24: £0.7m), representing 95.5% of operating profit (FY24: 62.2%). The level of working capital outflow increased to £0.7m (FY24: 0.2m).

In view of the difficulties the business has encountered previously in receiving cash from customers of non-core offices, we are encouraged that this was not the case in the US. **Receivables owed from the outstanding clients of the closed US business boosted cash levels further during Q126.**

Most of the cash consumption yoy, as cash levels declined to a still healthy £3m (FY24: £4.3m), relates to the payment of a generous dividend (FY25: £0.8m, 1.1x cover), purchase of treasury shares (£0.2m) and capex (IT, £0.2m).

The net cash is expected to fund a modestly covered dividend moving forward (FY26: 1.3x) and potentially enable further share buybacks. M&A has been placed on the backburner with management preferring to attract strategic talent.

Valuation

In view of the positive turnaround in profitability following the restructuring of the business, and with the prospect of further improvement (see the Financials section) and an above average yield (8%+), we consider a re-rating of the shares overdue. We highlight the relative value in the tables and charts below.

The level of cash within the business, suggests that the operating business is trading on an even lower rating than reported. We anticipate that net cash levels will rise to c.£3.4m by the end of the current year and to £3.8m by the end of FY27. Cash as a proportion of the market capitalisation rises to 39% by the end

of FY27, from 35% in FY26. Similarly, net cash represents 26% of the expected FY26 NAV, rising to 29% in FY27.

Excluding cash and net interest, Diales trades on a FY26 EBIT multiple of 4.2x, falling to 3.5x in FY27.

Net cash as a % of Mkt cap & NAV		
	FY26E	FY27E
Net cash (£m)	3.4	3.8
Net cash / share (p)	6.2	7.0
Cash as a % of mkt cap	34.7%	38.8%
NAV (£m)	13.2	13.1
NAV /share (p)	24.5	24.2
Net cash as % of NAV	25.5%	28.8%

Source: Company

The charts below demonstrate that the Group's shares trade at a marked discount to those of its peers, despite offering a superior yield and maintaining high cash balances relative to the NAV. We have applied a 25% size-related discount to the rating of its peer group in calculating the potential fair value of Diales Group.

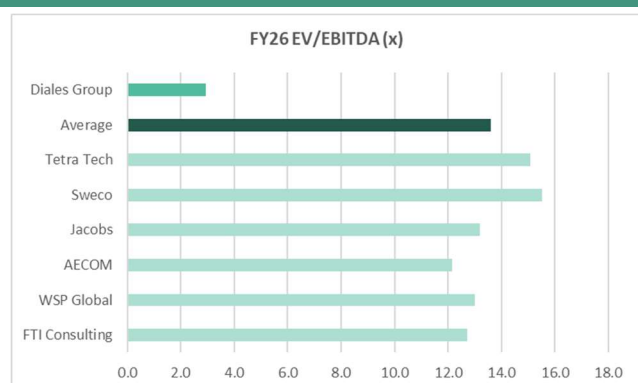
Peer pressure to increase our fair value

We summarise the outcome of our peer group comparative analysis in the table and charts below. What is clear is that the further improvement in peer ratings since the trading update in late October is placing upwards pressure on our fair value / share. However, with financial estimates unchanged, we choose to **retain the fair value / share at 35p**, which represents a premium of 94% to the current share price.

Peer group valuation suggests the value of DIAL (p / share)		
@ 25% discount to peers	FY1 value	FY2 value
FY1 EV/EBITDA	48.9	55.4
FY1 PER	28.6	28.4
FY1 EV/Sales		
Average	38.7	41.9
Potential upside	115.0%	132.7%

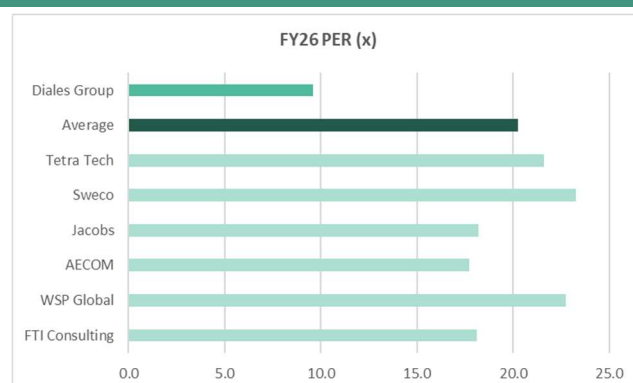
Source: Koyfin

Peer group comparison: FY26 EV/EBITDA (x)



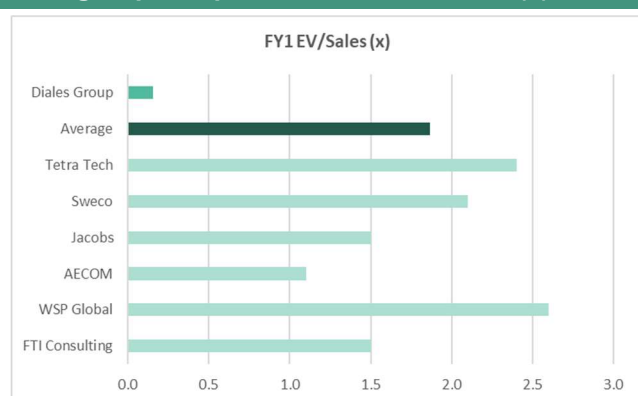
Source: Koyfin

Peer group comparison: FY26 PER (x)



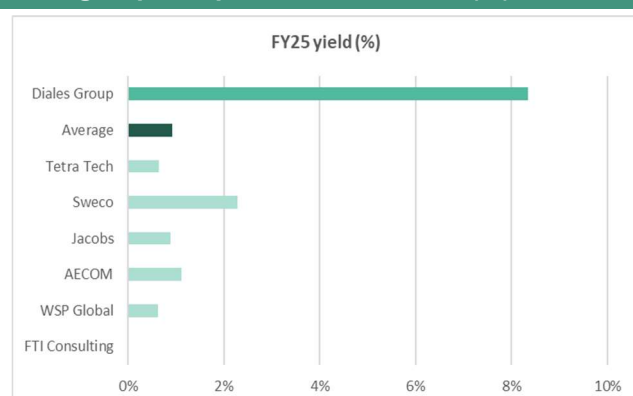
Source: Koyfin

Peer group comparison: FY26 EV/Sales (x)



Source: Koyfin

Peer group comparison: FY26 Yield (%)



Source: Koyfin

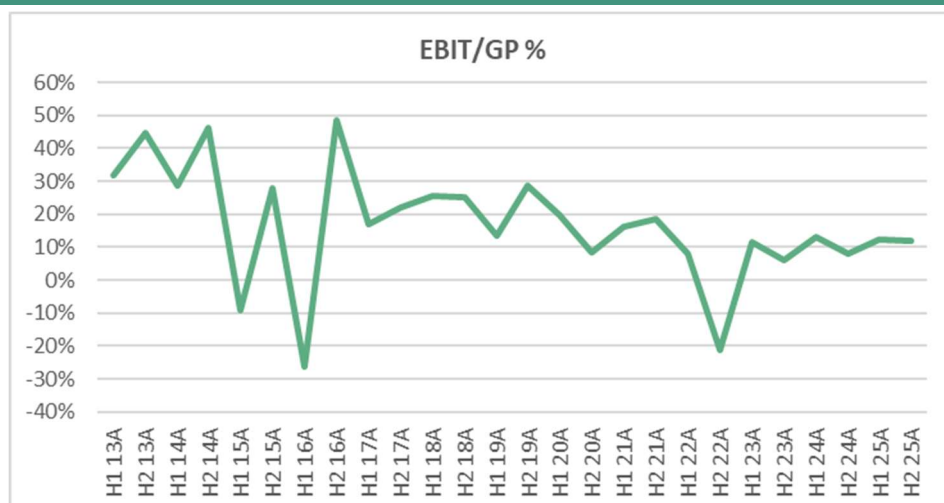
Financials

We note the guidance provided by the Board, highlighting confidence in further improvement during FY26. We have also introduced estimates for the year to FY27. That said, we feel it is too early in the new financial year to upgrade estimates. However, should the positive start to the year persist, then we will re-examine estimates at the interims.

Operationally geared model

The change in the business model in favour of a hub-and-spoke structure has improved operational gearing, and the reduction in the cost base from Q1 FY23 has resulted in the breakeven utilisation level declining. With an expectation that gross margins should improve as we move into H226 and FY27, we accordingly think that EBIT margins should rise too, driving further improvements in profitability.

Changes in revenues likely to drive profitability



Source: Company data

FY26 underpinned by new hires, efficiency gains and an improved pipeline

We are encouraged by the following, underpinning financial expectations for FY26 and FY27:

- Trading at the beginning of the new financial year has been encouraging, reflecting a continuation of the improved H225 momentum, specifically an improvement in lead generation globally and a strong conversion ratio into deliverable projects.
- Guidance suggests further improvements in efficiency as management utilises the real-time data and early benefits the new CRM system emerge.
- Incremental income from new hires should result in an uplift in gross margin. The addition of a new head of the recent fire engineering expert team is proving beneficial to other areas of the business as they upsell this service to clients.
- There are plans to add other similar expert teams during FY26, with hopes of replicating the response from the customer base of the recent hires in fire engineering.
- The Group is set to introduce a new LTIP incentive scheme to tie key individuals at the executive and operating board levels.
- While the impact of the US Liberation Day earlier this year was felt across the global economy, there are early signs that the mood in its markets is slowly improving, in line with confidence levels generally.
- The issues with Driver Project Services have been resolved, with an expectation of a resumption of growth in gross margin by FY27.
- The Australian business continues to face a challenging environment, particularly within planning. However, the infrastructure and headcount in the business was scaled back during FY25, reducing associated losses in FY26. The restructuring delivered in Singapore during H125 has proven beneficial.
- Canada moved to break even during Q425 and for the year (FY24: -£0.2m).
- Following the closure of the US office in FY25 there are no offices currently requiring significant attention.

- With the rationalisation of the business nearly complete, via headcount reduction, office closures, the roll-out of the new IT systems, and a fine tuning of the services offered, in combination with the rise in the proportion of higher margin experts, the Group is set to deliver improved margins over the short and medium term.

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 historic, 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	3.8

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	3.8
Provisions Liabilities/Charges	0.0	0.0	0.0	0.0	0.0
Net Assets	15.9	14.3	13.1	13.2	13.0

Source: Company historics, Equity Development estimates

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