

The beat gets stronger

27 October 2026

Diales Group has delivered an outstanding trading update for the year to September. Our FY26 adj. PBT estimate rises by 20% to £1.8m, from £1.5m previously. EBIT guidance has risen to not less than £1.8m, representing c. 43% growth yoy. The resulting upgrade represents the largest since the Group was reorganised in late 2023 and highlights that the ongoing strategy continues to bear fruit. We also increase FY27 estimates and have subsequently raised our fair value to 43p / share, from 35p previously.

- The trading update issued by Diales included further confirmation that its strategy is working, notwithstanding challenging markets. The move to a hub and spoke model ensures that utilisation levels remain high, particularly within Europe where the bulk of the experts are located. The UK delivered a strong outcome, aided by continued progress within technical and at DPS, which continues its recovery. A noteworthy contribution was delivered by the new 'Building Safety and Fire Engineering' team, launched at the beginning of the year. The Board continues to invest selectively in expert headcount as it seeks to deliver on growth expectations.
- The smaller regions, measured by offices and employees, remained profitable. Unrest in the Middle East deferred decision making, while operations in APAC improved, with a scaling back in Australia after the losses over the last two years.
- Net cash was modestly below our £3.4m estimate at £3.3m. However, £1m of cash was received following the year end. After payment of the interim dividend, payroll and suppliers, net cash currently amounts to c. £3.6m. Our estimates suggest this should rise to £4.5m by the FY27 year end, equating to 8.5p / share or c. 29% of the market capitalisation.
- Management remains confident in the outlook for the Group, notwithstanding challenging market conditions and reflecting a combination of the resilient demand for its services and the strong start by the Fire Engineering team. Similarly, the Board is hopeful that the new Property Valuation team will also prove to be successful over time.

Increase in fair value

The upgrade to estimates has caused us to revisit our fair value assumptions. The net cash plays its part, reducing the FY27 EV/EBITDA to a lowly 4.0x and on an ex-cash basis the PER falls to 8.3x from a headline 11.0x. We have utilised a combination of peer group comparison and DCF models to review our fair value / share and, aided by upgraded estimates, **it increases to 43p** (previously 35p).

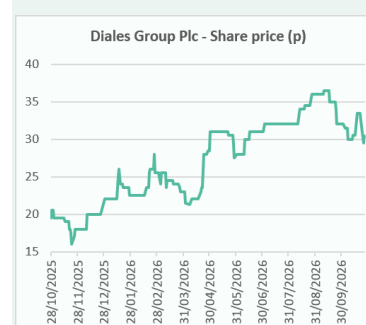
Key financials & valuation metrics					
Yr. to September, £m	FY23A	FY24A	FY25A	FY26F	FY27F
Revenue	42.6	43.0	43.0	44.0	46.4
Adj. PBT	1.0	1.2	1.4	1.8	2.0
Adj. EPS (p)	1.4	1.4	1.7	2.4	2.7
DPS (p)	1.5	1.5	1.5	1.5	1.5
PER (x)	21.1	21.1	17.4	12.1	11.0
EV/EBITDA (x)	5.4	5.7	5.7	4.6	4.0
Yield (%)	5.1%	5.1%	5.1%	5.1%	5.1%
Net cash	5.8	4.2	3.0	3.7	4.3

Source: ED estimates, Company historic data

Company data

EPIC	DIAL
Price (last close)	30p
52 weeks Hi/Lo	38p/15p
Market cap	£15.6m
ED Fair Value / share	43p
Net cash / (debt) 2026A	£3.3m

Share price, p



Source: Investing.com

Description

Diales Group Plc is involved in the provision of specialist dispute avoidance and dispute resolution services to the global construction and engineering industries.

The Group has 21 offices in 13 countries, including six in the UK, five in Europe, two in North America, three in APAC, 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. It operates a hub-and-spoke model, with work sourced in the smaller regions, serviced both locally and, in the UK and Europe.

David O'Brien (Analyst)

0207 065 2690
david@equitydevelopment.co.uk

Hannah Crowe

0207 065 2691
hannah@equitydevelopment.co.uk

Changes to estimates

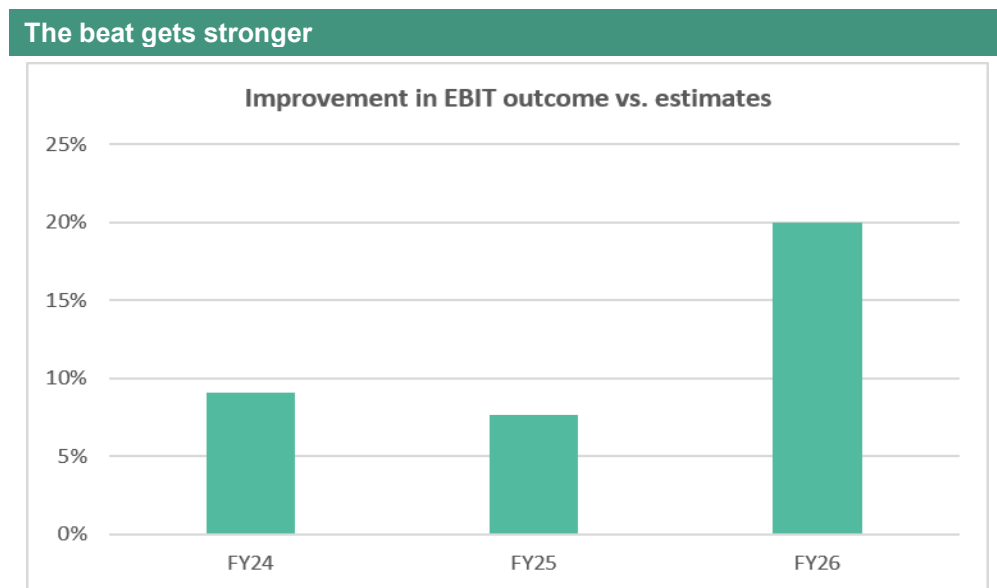
Despite the modest reduction in revenue expectations, due to discontinuing operations, our adj. PBT and adj. EPS estimates have increased, as shown in the following table. Our FY26 EBIT margin estimate increased to 4.1%, close to the five-year high of 4.3% recorded in FY21.

We have assumed that the dividend is held at 1.5p into FY27, representing an above average yield of 5.0%. Based on our new adj. EPS estimates, dividend cover is 1.6x in FY26, rising to 1.8x in FY27.

Changes to estimates						
Yr. to Sept, £m	Old FY26	New FY26	Change (%)	Old FY27	New FY27	Change (%)
Revenue	44.4	44.0	-0.9%	45.5	46.4	1.9%
Adj. PBT	1.5	1.8	20.0%	1.7	2.0	17.8%
Adj. EPS (p)	1.9	2.4	30.5%	2.1	2.7	27.2%
DPS (p)	1.5	1.5	0.0%	1.5	1.5	0.0%

Source: ED estimates

We note the impressive margin by which the Company exceeded our EBIT estimates, demonstrating improvement over the period following the reorganisation of the Group in December 2023. This confirms the success of the turnaround by the current senior leadership team. We highlight this in the following chart:



Source: Company data, ED estimates

Thoughts on valuation

Room to review our fair value estimate

We tend to maintain our fair value of a Company unless there is evidence of:

- Earnings momentum
- Marked valuation changes of its peer group
- Improving cash generation, and
- Changes to the Board / strategy.

With improvements to earnings momentum and valuations, we review our fair value calculation below:

Net cash plays a factor

Net cash of £3.3m was modestly below our previous estimate of £3.4m. However, £1m of cash was received following the year end. After the payment of the interim dividend, payroll and suppliers, net cash currently amounts to c. £3.6m. We anticipate net cash will rise to £4.5m by the end of FY27 and ahead of our previous expectation of £3.9m.

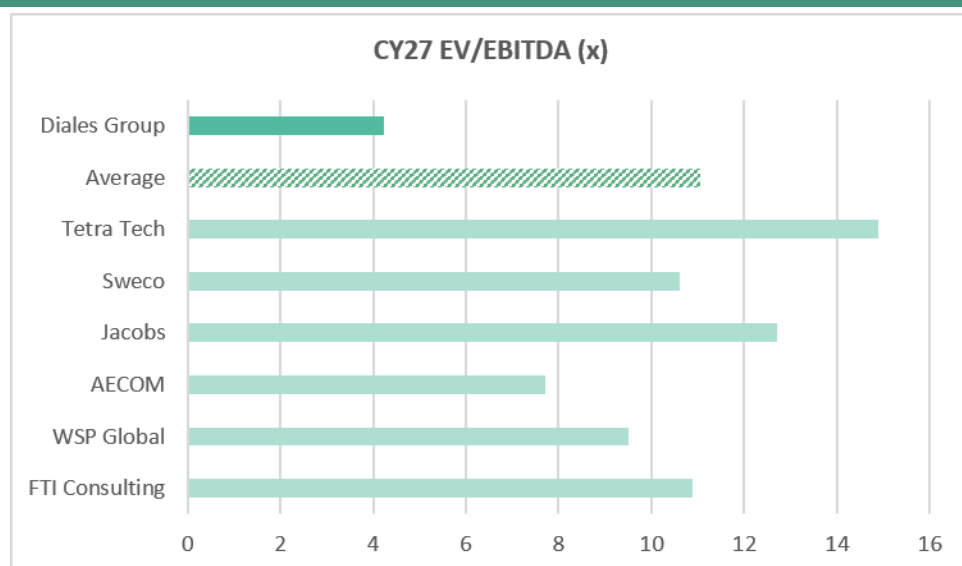
The £4.5m of net cash at the end of FY27 equates to 8.5p / share or 29% of the Group's market capitalisation. The presence of the cash contributes to a lowly FY27 EV/EBITDA multiple of 4.0x. The PER falls from a headline 11.0x, to just 8.3x on an underlying ex-cash basis.

The scale by which the Group has comfortably exceeded consensus estimates during the last three years suggests that the eventual EBIT outcome may well prove to be above our FY27 expectations.

Peer group comparison valuation

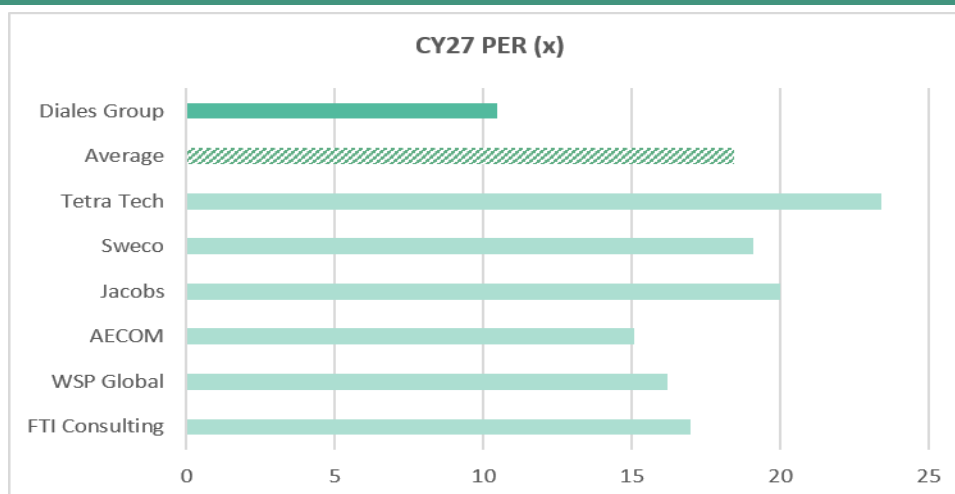
Our peer group valuation model demonstrates the sizeable discount afforded to Diales relative to its peers. We think this goes way beyond any size related issues and fails to factor in the strong trading momentum and cash generation of Diales. This is highlighted in the EV/EBITDA and PER charts below:

Peer group comparison: CY27 EV/EBITDA (x)



Source: Koyfin

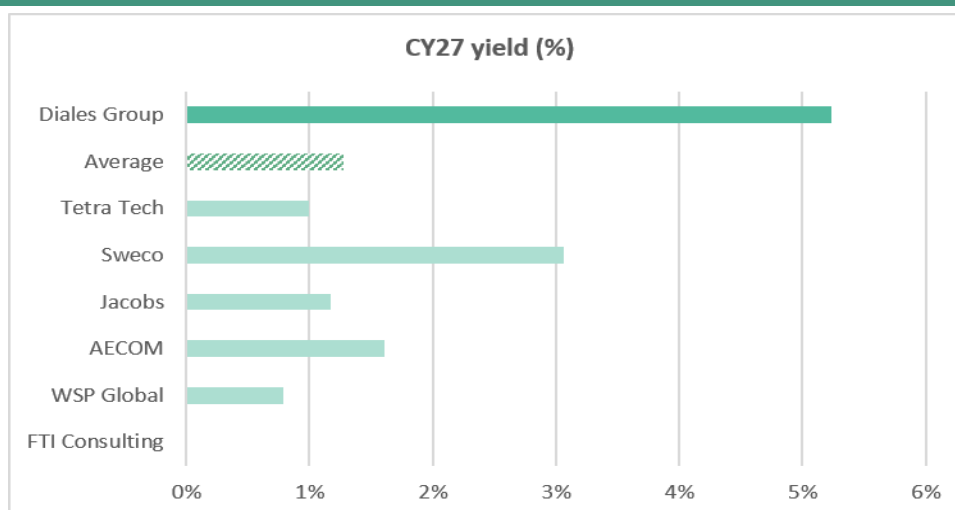
Peer group comparison: CY27 PER (x)



Source: Koyfin

Diales yields significantly more than its peers, as demonstrated in the chart below.

Peer group comparison: CY27 yield (%)



Source: Koyfin

Conclusion

We have applied a 25% size-related discount to the average valuation of the peers of Diales in determining the fair value / share calculation. We have also included a DCF within the calculation. **Taking a simple average of the three suggests a fair value of 43p / share which represents a significant premium to the existing share price.**

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

@ 25% discount to peers	Value, p
EV/EBITDA	64.9
PER	30.8
DCF	34.4
Average	43.4

Source: Koyfin, ED calculations



Contacts

Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

andy@equitydevelopment.co.uk

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

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Contact: info@equitydevelopment.co.uk | 020 7065 2690