

Acquisition engine spinning smoothly

27 April 2023

Mattioli Woods (MW) has acquired 50.1% of White Mortgages Limited (White) with an option to purchase the remaining 49.9% within 24 months. White is based in Lincoln and specialises in providing independent mortgage advice as well as protection insurance advice. In the year to 31 Mar 23 it generated revenues of £0.68m and PBT of £0.35m.

White looks like a good fit. MW's existing advice proposition is extended by adding a new in-house mortgages capability. And the White business is well-positioned to benefit from being fed more business from MW's large adviser-base.

We remind readers that acquisitive growth is a core part of MW's strategy. It has a long track record of success with 34 acquisitions (excluding White) since its admission to AIM in 2005. The White deal follows the [acquisition of Doherty Pension and Investment Consultancy Limited](#) earlier this month, which was a larger business (2021 revenue: £2.9m; PBT: £1.45m). MW's acquisition engine is clearly spinning smoothly.

It looks like a low-risk deal for MW which has paid £0.425m on a cash-free debt-free basis for its first-tranche 50.1% stake of White (a pre-tax PER of just 2.4X). The second tranche of the deal for the remaining 49.9%, if exercised, will be for a consideration of up to £2.625m, dependent on the attainment of specified targets being met.

We would expect the deal to be earnings enhancing and therefore, if the second tranche is exercised with a performance-linked payment in place, we would foresee the full deal PER as being less than 8.7x, an attractive proposition for MW shareholders.

Small upwards adjustment to forecasts

With the deal concluding so late in FY23, the primary financial impact on FY23 is balance sheet and cash flow statement related, with little impact on the income statement. However, our FY24 forecasts have been adjusted upwards. We have not yet adjusted **our fundamental valuation of 950p/share**, but we shall revisit this with the end-FY23 trading update scheduled for 5 July 2023.

Company Data

EPIC	MTW
Price (last close)	590p
52 weeks Hi/Lo	765p/530p
Market cap	£300m
ED Fair Value / share	950p
Net cash (end-H1-23)	£38m
Avg. daily vol. (12m)	76k

Share Price, p



Source: ADVFN

Company Description

Mattioli Woods was founded in 1991 and listed on AIM in 2005.

It provides financial advice, administration, and investment management services to mass affluent and high-net-worth private clients, and employee benefits services to corporate clients.

It has five business segments:

- Investment and asset management
- Pensions consultancy and administration
- Private equity management
- Property management
- Employee benefits

Client assets 30 Nov 22: £14.6bn

Next Event: Trading update, 5 Jul 23

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Key Financials

Year-end 31 May	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
Total client assets, £bn	9.4	9.3	12.1	14.9	15.9	17.0
Rev, £m	57.5	58.4	62.6	108.2	112.8	125.5
Adj EBITDA*	14.1	18.9	17.3	32.6	32.6	37.7
Adj EBITDA margin	24.5%	32.4%	27.7%	30.1%	28.9%	30.0%
Adj PAT**	9.8	12.9	11.5	23.9	24.7	26.9
Statutory PAT	7.7	9.5	1.4	4.1	12.8	16.4
EPS basic, p	28.9	34.9	5.1	8.3	24.9	31.7
EPS adjusted, p	36.7	47.6	41.1	48.3	47.9	51.9
PER (on adj. PAT)	16.1	12.4	14.4	12.2	12.3	11.4
Div, p	20.0	20.0	21.0	26.1	26.2	30.2
Yield	3.4%	3.4%	3.6%	4.4%	4.4%	5.1%
Net assets, £m	76.4	81.5	86.1	230.1	233.6	237.5
Net cash, £m	23.2	26.0	21.9	53.9	52.4	61.0

Source: Company Historic Data, ED estimates. PER and Yield based on share price of:

590p

* excluding items that are non-cash or affect comparability between periods, calculated as statutory operating profit before financing income or costs, tax, depreciation, amortisation, impairment and acquisition related costs, share of profit from associates (net of tax), gain on bargain purchase and contingent consideration recognised as remuneration.

** statutory PBT excl: amortisation of acquired intangibles & acquisition related costs, gain on bargain purchase, contingent consideration recognised as remuneration & acquisition related notional interest charges, less tax at the standard rate of 19% (25% from Apr '23)

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