

## New deal builds on successful 2021 acquisition

25 July 2022

**BEG has rapidly followed up announcement of its strong FY22 results with the acquisition of London-based property finance brokerage Mantra Capital. The terms of this latest transaction, which like previous deals is expected to immediately enhance earnings, include a £4.5m upfront payment (£4m cash / £0.5m shares) and a potential £13.5m earn out (cash & shares mix) subject to material profit growth in the next four years under ownership.**

Mantra is a London based and FCA-regulated finance and insurance brokerage. Its team's experience includes both commercial and residential real estate lending, property investment and development finance, finance for trading businesses and residential mortgages. It also provides insurance brokerage services to commercial clients. It will join MAF Finance Group (acquired May 2021) to **form BTG Funding Solutions**, a national finance brokerage with complementary sector expertise. Its FY21 revenues were £4.2m, normalised pre-tax profits £1.2m (reported on the same basis as the group).

### Creation of finance brokerage with national coverage

The newly formed BTG Funding Solutions will be a finance brokerage with national coverage and broad sector expertise including real estate, construction, engineering and manufacturing, haulage, healthcare, agriculture, renewables, and vehicles. With an enlarged team of 70 employees (Mantra adds 23 people including two directors) it generated c £8m of fee income and arranged over £800m of finance for its clients over the last twelve months.

BEG plans to build the new subsidiary's expertise and capacity. It will recruit experienced staff able to market its services directly to the corporate community, its existing referral network of professionals, and support on client assignments. Mantra brings its own relationships with a panel of banks and specialist funders.

### Valuation: projections enhanced by strategic acquisitions

As we reiterated in our recent note ([19 July](#)) acquisitions are a core component of BEG's growth strategy. It has a consistent track record in this regard and this transaction builds on the May 2021 acquisition of MAF which established the intrinsic value of a well-positioned finance broking operation to the group. MAF recorded a positive first year under group ownership in FY22 and, as anticipated, it benefits and complements BEG's other advisory and transactional services, particularly debt advisory and restructuring, valuations, and asset sales. The addition of Mantra should move the dial on growth again.

We have adjusted our forecasts for the contribution from Mantra this year, use of cash and new shares issued. This transaction underpins our view of **fair value at 175p / share** now equivalent to 17.5x FY23e PER, still based on a relatively conservative view of entirely organic growth. At that price the shares would yield a prospective 2.1% (2.7x covered by adjusted earnings).

#### Company Data

EPIC	BEG
Price (last close)	142p
52 weeks Hi/Lo	152p/97p
Market cap	£218m
ED Fair Value / share	175p

#### Share Price, p



Source: ADVFN

#### Description

Begbies Traynor (BEG) is a leading UK business recovery, financial advisory and property services consultancy. It handles the largest number of corporate appointments in the UK, and principally serves the mid-market and smaller companies.

Its other services include corporate finance, valuation and sale of properties, businesses and other assets, and property consultancy, planning and management.

#### Summary forecasts

Year end 30 April	2020A	2021A	2022A	2023E
Revenue (£m)	70.5	83.7	110.0	117.7
Adjusted PBT £m)	9.2	11.5	17.8	19.7
Adjusted EPS (p)	5.7	6.9	9.1	10.0
Dividend per share (p)	2.8	3.0	3.5	3.7
Yield on distribution	2.0%	2.1%	2.5%	2.6%

Source: Group report & accounts and ED estimates

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