

## Q3 trading update underpins forecasts

23 February 2022

The group's Q3 update (to end January 2022) confirmed that underlying trading was broadly in line with the first half. That supports our forecasts, which incorporate relatively conservative market recovery rates.

Although overall insolvency numbers are already back at pre-pandemic levels, volumes so far have been buoyed by higher liquidations, rather than administrations. Any pick-up in administrations will be more valuable to BEG, as they are typically larger, more complex instructions.

- As the current financial year closes on 30 April, higher administrations is more of a story for FY23e. Although the timing is unpredictable, that uptick is an inevitable part of any normal economic cycle. The current delay appears pandemic related, in a market distorted by government policies focused on reducing pressure on UK business. These measures are all due to be removed by March, but their impact will take time to become visible.
- Despite this, the contribution from the **Business Recovery** arm is still in line with expectations, driven by additional scale and successful integration of acquisitions over the last few years. There is a similar story for **Property Advisory & Transactional Services**, which has completed two acquisitions this year.
- With respect to the group's growth strategy, it still has headroom within committed bank facilities to fund further investment if it sees suitable opportunities.

### Estimates and Fair Value retained

The Q3 update underpins our forecasts, H2 weighted and supported by growing contributions from prior year acquisitions. The latter has built potential to capitalise on a broadly based, complementary professional services businesses.

Our unchanged 165p/share fair value estimate equates to 18.8x FY22e PER and 1.9% prospective yield (well covered 2.9x by adjusted earnings). We believe that remains justified based upon the gathering economic headwinds for UK businesses, as they seek to recover from the pandemic with underlying finances in weaker shape, and adjust for higher inflation, supply chain pressures and other compounding factors.

Summary forecasts					
Year end 30 April	2019A	2020A	2021A	2022E	2023E
Revenue (£m)	60.1	70.5	83.7	103.5	110.0
Adjusted PBT (£m)	7.0	9.2	11.5	17.0	18.5
Adjusted EPS (p)	4.8	5.7	6.9	8.7	9.5
Dividend per share (p)	2.6	2.8	3.0	3.2	3.4
Yield on distribution	2.2%	2.3%	2.5%	2.7%	2.8%

Source: Group report & accounts and ED estimates

### Company Data

EPIC	BEG
Price (last close)	120p
52 weeks Hi/Lo	150p/104p
Market cap	£182m
ED Fair Value / share	165p

### Share Price, p



Source: ADVFN

### Description

Begbies Traynor 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.

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