

Acquisition extends property division footprint

4 May 2023

BEG's latest acquisition, Banks Long & Co, adds to its property division's profile, enhancing its existing presence in Eastern England and South Yorkshire. Banks Long & Co is a Lincoln based chartered surveyor with 38 employees, which operates across Lincolnshire and Humberside. It provides commercial property agency, property management, building consultancy and valuation services to a regional public and private sector client base.

Immediately earnings enhancing

BEG has agreed to pay maximum consideration of £3m on a cash/debt free basis: £1.5m upfront (£1.125m cash, 0.292m shares) and the balance subject to aggregate £5.0m PTP generated during the five-year period post completion. The cash will be met from existing financial resources. Significant headroom remains available to finance further investments.

The acquisition is expected by BEG to be immediately earnings enhancing. Bank Long & Co reported £2.6m revenues (unaudited) in its last financial year to end August 2022 and £0.4m normalised PTP (reported on the same basis as BEG). On current projections it will at least match that this financial year. End FY22 net assets were £2.1m (incl. £1.4m cash).

BEG's strategy seeks to build the scale and quality of its business organically and via value-accretive acquisitions. Successful integration of a series of bolt-on acquisitions since it acquired Eddisons in 2014, combined with organic growth, has extended its service offering and geographical coverage and grown divisional revenues from c £13m pa to above £30m pa (run rate). This acquisition follows the addition of Mark Jenkinson in March 2023 and Budworth Hardcastle in June 2022, which extended its presence in Sheffield and Eastern England respectively.

Forecasts held ahead of trading update

Although the terms of this transaction are earnings accretive, we will hold our forecasts until BEG's full year trading update, expected later this month.

We maintain our **175p / share fair value** and will also review that subject to reported progress, notably on momentum in UK insolvency work.

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 | 2.1% | 2.2% | 2.6% | 2.7% |

Source: Group report & accounts and ED estimates

Company Data

| | |
|-----------------------|-------------|
| EPIC | BEG |
| Price (last close) | 135p |
| 52 weeks Hi/Lo | 151p / 112p |
| Market cap | £207m |
| 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

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