

Upgrades on back of positive year-end update

19 May 2022

We've upgraded our forecasts for the current year to 30 April 2022, post a year-end trading update which anticipates results 'comfortably ahead of market expectations'.

Our upgrades (set out below) comprise a 3.3% increase in revenue, 4.7% in Adjusted PBT, and reflect a full 12 months' ownership of the larger acquisitions secured during FY21 and just as important, their successful integration and strong performance during the period. Both divisions produced very positive performances.

Revenue from **Business Recovery and Financial Advisory** was c 35% ahead at improved margins, on the back of a higher number of corporate finance deal completions, and the first contribution from MAF Finance Group (acquired in May 2021). **Property Advisory** segment revenue was c 19% higher, reporting strong organic performance vs a lockdown affected prior year, and benefit of acquisitions.

The group ended FY22 with £4.7m of net cash (FY21: £3.0m), after payment of £7.5m of acquisition and earnouts during the period.

Strong outlook for a diversified group

The core message, worth reiterating, is that **BEG's growth is not predicated on recovery in the UK insolvency market**. Its financial advisory and property services consultancy operations are substantial and complementary to its business recovery arm. The latter clearly still represents a potentially material growth source and its underlying markets have shown definite signs of revival recently (see [our 26 April update](#)). The key follow through for the group is a pick-up high-value insolvency appointments. These are awaited but expected to impact FY23e.

On that basis and with results due on 19 July, we have held our FY23e forecasts. With the current financial year likely to come in very close to our previous forecasts for next year, we certainly anticipate that these will need upgrading. By the time the results are released in mid-July however, we'll have more visibility on sources of the growth in FY22, further UK insolvency market updates and some guide regarding how well BEG has traded in Q1.


Valuation: trading update and upgrades suggest a higher rating

This update and FY22e upgrades reinforce our view on underlying value and a deserved higher rating for the shares. For the moment we still retain our long-held **165p / share fair value estimate**, supported by further potential for organic growth from a diversified financial advisory and property services group, underpinned by the prospect of insolvency work building in the remainder of this year and 2023.

Company Data

EPIC	BEG
Price (last close)	125p
52 weeks Hi/Lo	150p/97p
Market cap	£192m
ED Fair Value / share	165p
Avg. daily volume	157k

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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Summary forecasts						
Year end 30 April	2020A	2021A	Previous forecast FY22e	Revised 2022E	Previous FY23e (under review)	
Revenue (£m)	70.5	83.7	103.5	109.0	110.0	
Adjusted PBT £m)	9.2	11.5	17.0	17.8	18.5	
Adjusted EPS (p)	5.7	6.9	8.7	9.6	9.5	
Dividend per share (p)	2.8	3.0	3.0	3.0	3.2	

Source: Group report & accounts and ED estimates



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