

27 June 2022

Another sensible bolt-on deal

Begbies Traynor (BEG) has announced the acquisition of Budworth Hardcastle Ltd, a provider of services in valuation, commercial property agency and building consultancy. The maximum consideration payable is £2.4m, subject to financial performance, and this will be paid out in cash and an issue of 206,937 shares to the vendors. Begbies' robust balance sheet means that there is still 'significant headroom available' for investment and further deals.

The Group has grown substantially in recent years by combining organic expansion with value-accretive acquisitions, and Budworth Hardcastle will fit neatly (geographically and in its range of services) alongside Eddisons' existing footprint in the East of England.

UK economic outlook deteriorating

In our previous note '[Upgrades on back of positive year-end update](#)' published on the 19 May, we reiterated that **Begbies ongoing growth is not solely predicated on recovery in the UK insolvency market**. Its financial advisory and property services consultancy operations are also substantial contributors.

However, it is increasingly clear that BEG should see a much higher workload in business recovery after the Government's support for companies that suffered in the pandemic and lockdowns was withdrawn. Furthermore, data on the health of the UK economy has deteriorated noticeably since that prior note:

- GDP declined by 0.3% in April, adding to the 0.1% drop in March, with services, production and construction all shrinking in April.
- Consumer confidence dropped to a record low on minus 41 on the index, reflecting surging prices, a squeeze on incomes and disruption from strikes.

Results imminent / valuation

BEG has said it will release full year results on 19 July, and we have previously stated that we shall review our FY23 forecasts and valuation thoughts at that time.

For the moment we still retain our long-held **165p / share fair value estimate**, supported by further potential for organic growth from a well-managed and diversified financial advisory and property services group.

Company Data

EPIC	BEG
Price (last close)	147p
52 weeks Hi/Lo	150p/97p
Market cap	£226m
ED Fair Value / share	165p
Avg. daily volume	257k

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.

Summary forecasts

Year end 30 April	2020A	2021A	2022E
Revenue (£m)	70.5	83.7	109.0
Adjusted PBT (£m)	9.2	11.5	17.8
Adjusted EPS (p)	5.7	6.9	9.6
Dividend per share (p)	2.8	3.0	3.0

Source: Company historic data, ED estimates

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