

Bolt-on adds scale and profile to property services

10 January 2022

BEG's latest acquisition, chartered surveying firm Daniells Harrison, extends its geographical coverage across the South Coast. This addition is part of the group's ongoing strategy to develop the service portfolio and geographical reach of its Property Advisory and Transactional Services division.

Since its inception at the end of 2014, BEG has progressively grown this division beyond its original northern base into London, Eastern England and now the South Coast. It demonstrates an intention to continue building a strong and visible revenue base derived from complementary professional services businesses. It created this division via the acquisition of Eddisons in December 2014. Acquisitions and organic growth since have increased divisional revenues from c £13m pa to a £26m current run rate.

Up to £3.25m consideration

Daniells Harrison has offices in Fareham, the Isle of Wight, Bournemouth and Hailsham. It provides valuation and property consultancy services to a client base across the south coast of England. Revenue in its last financial year (to end March 2021) was £2.1m (unaudited) and normalised pre-tax profit £0.4m (reported on the same basis as BEG). It has traded in line with that performance so far this year. Net assets were £0.5m (including £0.3m cash) as end March 2021.

BEG has agreed to pay £2.0m on a cash and debt free basis, based on achievement of current levels of financial performance. The initial consideration is £1m; £0.75m in cash, the balance in new ordinary shares. The cash will be met from existing financial resources; significant headroom remains available for further acquisitions and investment.

Another £1m cash is payable subject to a maintained financial performance in the four-year period post completion, and the terms include a maximum cash earn out of £1.25m subject to hitting defined growth targets over the five-year period post completion. Maximum total consideration is therefore £3.25m (on a cash free debt free basis).

Valuation and forecasts on hold

The latest transaction shows clear intention to continue to build the division. We've held our forecasts, despite the anticipated contribution from Daniells Harrison and will revisit these as the detail of UK insolvency market volumes becomes available during the remainder of the current financial year. We expect the performance to be second half weighted, and that BEG will capitalise on the increased breadth of a complementary professional services portfolio over the next few years.

We maintain a 165p/share fair value estimate, equivalent to a 17.9x FY22e PER and a 1.9% prospective yield (2.9x covered by adjusted earnings).

Company Data

EPIC	BEG
Price (last close)	133p
52 weeks Hi/Lo	150p/94p
Market cap	£201.5m
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.

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	9.2	9.9
Dividend per share (p)	2.6	2.8	3.0	3.2	3.4
Yield on distribution	1.9%	2.1%	2.2%	2.4%	2.5%

Source: Group report & accounts and ED estimates

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