

Latest deal enhances revenues and relationships

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The latest acquisition, Midlands based finance broker MAF Property Limited (trades as MAF Finance Group) should add new dimensions to BEG's business portfolio. It builds potential to grow more cyclical, financial advisory and property services operations, as well as to enhance trusted working relationships and higher profiles with banks and other secured lenders. The latter groups being a potential source of referrals for BEG's insolvency arm.

Finance broking is a new business for BEG, for which it sees MAF providing a suitable entry. It also complements existing services and provides synergies for its debt advisory and property services operation. BEG expects to be able to assist existing clients with finance requirements and provide a service for potential purchasers of plant & equipment, or property sold on clients' behalf by Eddisons.

New business line targets existing and new clients

MAF operates nationally from its Midlands HQ, with 46 employees, including two Directors, all of whom will join the group. It works with a large panel of banks and specialist funders on asset (HP and finance lease), property, invoice finance and unsecured loans. It raised over £150m of finance for its clients in its last financial year, to support investment in new asset purchases (equipment, vehicles, and property), and refinance and restructure existing facilities. Its sector expertise includes construction, engineering and manufacturing, haulage, healthcare, agriculture, renewables, property finance, fleet management and vehicle leasing.

Immediately earnings enhancing, plus long-term potential

The transaction should immediately enhance earnings, even though the payment terms are more back-end loaded than recent BEG acquisitions. Maximum potential consideration is £11.75m: £3m up front (£2m cash and 0.848m new shares), £8.75m deferred, subject to delivery of material profit growth over the next four years. Of that, £2m is payable if MAF achieves average £1.0m PBT for the first two years, £6.75m for £2.0m average PBT in years three and four.

Those terms reflect MAF management's ambitious growth plans, which BEG fully supports. We take a relatively cautious approach to first year profit contribution, to reflect investment to build medium term potential. MAF took £0.3m of net costs through its P&L in FY20, and we assume similar over the next few years. Our figures incorporate a £0.5m contribution to BEG operating profit this year (to end April 2022), with ongoing potential for loan book growth to offset short-term investment related earnings drag as the business builds up.

We still believe that supports a fair value of 165p / share, equivalent to a 18x FY22e PER and a 1.9% prospective yield (2.8x covered by adjusted earnings).

Summary forecasts					
Year end 30 April	2019A	2020A	2021E	Previous forecast FY22e	Revised forecast 2022E
Revenue (£m)	60.1	70.5	78.0	99.2	103.5
Adjusted PBT £m)	7	9.2	10.6	16.5	17.0
Adjusted EPS (p)	4.8	5.7	6.7	8.8	9.0
Dividend per share (p)	2.6	2.8	3.0	3.2	3.2
Yield on distribution	2.2%	2.3%	2.5%		2.7%

Source: Group report & accounts and ED estimates

Company Data

EPIC	BEG
Price (last close)	120p
52 weeks Hi/Lo	129p / 80p
Market cap	£180m
ED fair value/share	165p
Avg. daily volume	91,000

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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