

Trading update on progress across all divisions

18 November 2021

BEG's trading update confirmed a strong first half as all areas of the business benefit from recent acquisitions. The group is well on track to meet our full year forecasts. Reported first half revenue was c £52m (H120: £37.5m), and adjusted PBT c £8m (H120: £5.0m). The full interim results to end October 2021 are due for release on 14 December.

The divisional overview confirmed that **business recovery and financial advisory** benefited from the performance and successful integration of prior year acquisitions. Deal completions drove **corporate finance** forward and its H2 outlook is underpinned by a strong transaction pipeline. Including contributions from acquisitions, **property advisory and transactional services** grew revenue and profit y-o-y, trading at normalised levels vs a lockdown impacted comparable period.

We would reiterate that our forecasts do not incorporate the material increase in market insolvency volumes that is typically part of any normal economic cycle. The timing and scale of any pickup has clearly been delayed by the support measures introduced by the UK Government during the pandemic. Although most of these have now been rolled back, there are signs that, at least in the short term, key creditors are willing to give businesses an opportunity to spread and reschedule outstanding debts.

The Insolvency Service has nonetheless reported signs of **higher activity nationally**, with month on month increases in insolvency appointments nationally since May. That's primarily volumes of smaller company liquidations, which are back at pre-pandemic levels and BEG has increased its share of this market segment (by volume) this year. Administrations are also up, but the larger more complex instructions that are most material to the group's performance remain significantly below pre-pandemic levels.

Consequently, the key to recent growth and indeed our forecasts, is successful integration of recent acquisitions. Over the last few years BEG has progressively built market share in its core activities and extended its competencies, and as a result added significant opportunities for synergies and cross sales. The statement confirmed that results are expected to be weighted towards the second half and we see potential for revenues to better our projections, but Q3 should provide more clarity with respect to the pace of anticipated growth in insolvency activity.

Growth outlook remains positive and supports a 165p/share fair value

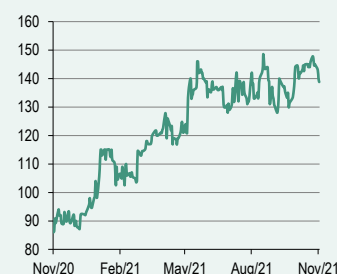
BEG is in a strong position to finance further growth. It had £1.2m of net cash at end October, (end April 2021: £3.0m) and significant headroom within its committed bank facilities, post c £3m of acquisition and deferred consideration payments in H1.

Pending the results, our forecasts are left unchanged as is our 165p/share fair value estimate, equivalent to a 18x FY22e PER and a 1.9% prospective yield (2.7x covered by adjusted earnings).

Company Data

EPIC	BEG
Price (last close)	139p
52 weeks Hi/Lo	150p/86p
Market cap	£213m
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	9.2	11.5	17.0	18.5
Adjusted EPS (p)	4.8	5.7	6.9	9.1	9.9
Dividend per share (p)	2.6	2.8	3.0	3.2	3.4
Yield on distribution	1.9%	2.0%	2.2%	2.3%	2.4%

Source: Group report & accounts and ED estimates

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