

## ‘Comfortably ahead of market expectations’

20 May 2021

We have upgraded our FY21e forecasts in line with the year-end trading update, which confirmed an outcome expected to be comfortably ahead of market expectations. The key driver was a strong Q4 performance by both operating divisions: FY21 revenues are now expected to come in at c £83.7m (FY20: £70.5m) and adjusted PBT at c £11.5m (2020: £9.2m), which reflects continued overall margin enhancement.

We have maintained our FY22e forecasts. The strong end to FY21 primarily reflects a faster than anticipated return to 100% by Eddison’s core activities, auctions, property agency and business sales and we assumed a normalised FY22 for that division. Additionally, organic underlying growth in the insolvency operation is broadly flat against a tough market backdrop, so we would look for evidence of the anticipated market upturn before upgrading FY22e.

**This update further underpins our view of fair value for Begbies at 165p / share, equivalent to an 18.3x FY22e PER and a 1.9% prospective yield (2.8x covered by adjusted earnings).**

Positive operating cash flow will see BEG end FY21 with £3.0m of net cash (end FY20: £2.8m net debt), also well ahead of expectations. That figure is before the acquisition of MAF Property Limited earlier this month, which included a £2m upfront cash payment.

The group completed three acquisitions in FY21 and another post the year end. That has significantly increased its scale and capabilities, and both are reflected in our FY22 estimates. All are performing in line with expectations and integration projects proceeding well.

### Key features of FY21 year-end trading announcement

**Business recovery and financial advisory:** c 20% revenue growth and margin improvement. The underlying (organic) revenue run rate from insolvency activities was maintained despite suppressed market activity levels, and corporate finance completions underpinned a strong H2 performance by advisory. Recent acquisitions CVR Global (January 2021) and David Rubin & Partners (March 2021) are performing well, with integration on target to complete in FY22. Several high-profile appointments were secured in the period (Football Index, Brooks Brothers and Ralph & Russo), despite an insolvency market which continued to be suppressed by government financial support measures and temporary legislation changes: corporate insolvencies fell by 34% in the year to end March 2021 (source: *The Insolvency Service*)

**Property advisory and transactional services:** c 15% revenue growth, profit broadly maintained despite significant Q1 impact of first lockdown. Activity and transaction levels recovered to pre-lockdown norms in Q4, with no adverse impact from second or third lockdowns. London-based HNG business (January 2021) is trading well and in line with expectations.

### Company Data

EPIC	BEG
Price	128p
52 weeks Hi/Lo	130p / 80p
Market cap £m	£193m
ED Fair Value / share	165p
Avg. daily volume	

### 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	Previous forecast FY21e	Revised forecast 2021E	2022E
Revenue (£m)	60.1	70.5	78.0	83.7	103.5
Adjusted PBT £m)	7	9.2	10.6	11.5	17.0
Adjusted EPS (p)	4.8	5.7	6.7	7.1	9.0
Dividend per share (p)	2.6	2.8	3.0	3.0	3.2
Yield on distribution	2.0%	2.2%	2.3%	2.3%	2.5%

Source: Group report & accounts and ED estimates

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