

Update anticipates 13% H1 revenue growth

20 November 2023

BEG's positive H1 trading update confirmed that activity levels across the group complement are encouraging. The interims due 11 Dec 2023 are expected to show c 13% increases in revenue and adjusted operating profit derived from a 'good mix' of organic and acquired growth. Adjusted PBT, net of higher finance costs is at c 10%+. That puts the group firmly on track to achieve our forecasts.

Acquisitions secured in H1 extended service offerings and regional coverage and have performed on track. BEG reiterated its plan to invest for future growth and will lean on a strong balance sheet with £1.1m net cash at end Oct 2023 vs net debt of £2.4m a year earlier. An estimated 80% of group revenues are counter-cyclical and defensive.

We retain our 175p/share fair value estimate pending the results, a level equivalent to 17x FY24 EPS and a 2.3% yield.

Progress by all divisions in H1

Insolvency and financial advisory: Insolvency maintained its market leading position by volume. Activity levels are up y-o-y and capacity is in place to support further growth. Overall, market volumes picked up nationally as higher interest rates and inflation added to the challenging corporate operating environment. Financial advisory anticipates that demand for advice on refinancing and restructuring solutions will have partially offset the expected reduced M&A activity during the period.

Recent data recorded a c 25% increase in the number of businesses in critical financial distress between Q2 and Q3 2023, Almost 480,000 UK businesses are in 'significant' financial distress, 8.7% above Q2, 4.7% up on a year earlier. Sectors of most acute concern are construction (up 46% from Q2 to Q3) and real estate & property (up 38%), then the retail sector. High inflation and interest rates, weaker consumer activity and an uncertain economic environment all add to the pressure.

Property advisory and transactional services: Building consultancy teams saw higher project and development activity. Auction volumes (sales of property, plant and machinery) were up, in part countering weaker transactional markets in agency and business sales.

Acquisitions: BEG has completed three small acquisitions so far this year. An insolvency team (from Jones Giles & Clay) joined the group's existing Cardiff office, and it secured two additions to the property division; Andrew Forbes, a Bristol based property valuation practice and Lincoln based general surveyors Banks Long & Co. All were acquired on an earnings accretive basis. The group confirmed that integration is proceeding and all trade in line with expectations.

Company Data

EPIC	BEG
Price (last close)	130p
52 weeks Hi/Lo	150p/105p
Market cap	£199m
ED Fair Value / share	175p

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.

The group's 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	2022A	2023A	2024E
Revenue (£m)	70.5	83.7	110.0	122.0	129.0
Adjusted PBT (£m)	9.2	11.5	17.8	20.7	22.0
Adjusted EPS (p)	5.7	6.9	9.1	10.5	10.3
Dividend per share (p)	2.8	3	3.5	3.7	4.0
Yield on distribution	2.2%	2.3%	2.7%	2.8%	3.1%

Source: Group report & accounts and ED estimates

Roger Leboff (Analyst)

0207 065 2690
roger@equitydevelopment.co.uk

Andy Edmond

0207 065 2691
andy@equitydevelopment.co.uk



Contacts

Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

andy@equitydevelopment.co.uk

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

Equity Development Limited is regulated by the Financial Conduct Authority

Disclaimer

Equity Development Limited ('ED') is retained to act as financial adviser for its corporate clients, some or all of whom may now or in the future have an interest in the contents of this document. ED produces and distributes research for these corporate clients to persons who are not clients of ED. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but makes no guarantee as to the accuracy or completeness of the information or opinions contained herein.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any reader of this research should not act or rely on this document or any of its contents. This report is being provided by ED to provide background information about the subject of the research to relevant persons, as defined by the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

Research produced and distributed by ED on its client companies is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent as defined by the FCA but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

ED may in the future provide, or may have in the past provided, investment banking services to the subject of this report. ED, its Directors or persons connected may at some time in the future have, or have had in the past, a material investment in the Company. ED, its affiliates, officers, directors and employees, will not be liable for any loss or damage arising from any use of this document, to the maximum extent that the law permits.

More information is available on our website www.equitydevelopment.co.uk

Equity Development Limited, 16-18 Finsbury Circus, London EC2M 7EB

Contact: info@equitydevelopment.co.uk | 020 7065 2690