

Update shows FY23 well ahead of forecasts

22 May 2023

The FY23 trading update notes a strong performance for the 12 months to end April 2023, well ahead of our forecasts. BEG has progressively built scale and prolife in key target competencies and markets and benefited from its enhanced reputation as a provider of mid-market insolvency services. The latter is reflected in appointments and market shares.

Company Data

EPIC	BEG
Price (last close)	130p
52 weeks Hi/Lo	152p/116p
Market cap	£201m
ED Fair Value / share	175p

Summary forecasts

Year end 30 April	2020A	2021A	2022A	Previous forecasts FY23e	New 2023E
Revenue (£m)	70.5	83.7	110.0	117.7	122.0
Adjusted PBT £m)	9.2	11.5	17.8	19.7	20.7
Adjusted EPS (p)	5.7	6.9	9.1	10.0	10.5
Dividend per share (p)	2.8	3	3.5	3.7	3.7
Yield on distribution	2.2%	2.3%	2.7%	2.8%	2.8%

Source: Group report & accounts and ED estimates

The announcement expects double digit growth y-o-y; revenues c 11% ahead at c £122m (FY22: £110m), adjusted PBT 16% up at c £20.7m (FY22: £17.8m). Both are materially above our projections and the market consensus. Predicted end FY23 net cash should be in line with our prediction at £3m (2022: £5m), despite c £11m of acquisition/earn out payments during the period. That outcome also reflects BEG's ability to efficiently integrate acquisitions and extract the envisaged returns.

Share Price, p



Source: ADVFN

Resources available to finance new investment

We shall publish FY24e forecasts shortly after further analysis, but the Group outlook for further growth is certainly confident and underpins our current 175p / share fair value estimate.

Further growth will be built on contributions from recent earnings enhancing acquisitions and a clear intention to add scale and complementary services to its portfolio. Cash and undrawn facilities are available to finance organic and acquisitive investment. Facilities with HSBC have been extended to end August 2024 i.e., a £25m unsecured, committed revolving credit and £5m uncommitted acquisition facility.

Both divisions performing well

The group's two divisions performed well. Revenues from Business Recovery and Financial Advisory were c 10% ahead of the prior year and include c 6% organic growth in business recovery activities and an initial nine-month contribution to finance broking from Mantra Capital acquired in July 2022.

The insolvency business is on track, with momentum building. BEG noted ongoing growth in both insolvency market volumes and its own order book, and a material increase in higher value insolvency cases. An enhanced mid-market profile built up over the last few years leaves it well placed as the UK's number one ranked (nationally, measured by appointment volumes) provider, with a 13% overall market share and second in administrations (11% share). The market is not year firing on all cylinders. Liquidations are above pre-pandemic levels but administrations, typically larger cases remain, despite recent growth, below historic levels. They are, however, ahead of 2021 post-pandemic lows.

Property Advisory and Transactional Services recorded 12% segmental revenue growth (3% organic), buoyed by a full year of prior year acquisitions, and addition of Budworth Hardcastle (June 2022) and Mark Jenkinson & Co (March 2023). Underlying organic growth was c 3% y-o-y.

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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