

Upgrades after DRP acquisition

24 March 2021

We have upgraded both our forecasts and valuation post the group's latest acquisition. To recap, in its largest acquisition to date. BEG agreed to pay up to £25m (on a cash/debt free basis with normalised working capital) for insolvency practice David Rubin & Partners (DRP), a long-established operation with offices in London and Guernsey.

Initial consideration is £12m, funded by a £10m vendor placing and £2m from an ordinary share issue, with a £13m deferred consideration/earn out dependent upon financial performance during the five years post acquisition. In total, BEG raised £22m before costs via a share issue at 105.5p/share, which also provides additional cash for future growth.

Our revised forecasts incorporate the contribution from DRP, new shares issued/cash raised. We anticipate EPS enhancement, although a relatively modest impact in FY21e due to the transaction's timing towards the end of the current financial year.

The acquisition, in combination with the addition of CVR in January, further builds the market share of the group's insolvency business (from 10.5% to 12% by volume of insolvency appointments) and is expected to enhance its profile amongst important sources of referrals and opportunities for synergies between different components of the group.

Revised fair value reflects enhanced prospects

We have increased our fair value calculation to 165p/share, which reflects the transformational nature of the latest acquisition. It is worth reiterating that our forecasts are not predicated on any dramatic increase in market insolvency volumes, but rather the enhanced potential for organic growth as the group leverages synergies and the increased profile derived from recent growth.

The potential increase in scale, geographical representation, and market share from two recent substantial, earnings accretive acquisitions, further underpins the visibility and quality of underlying revenues.

We believe that supports a **165p share price**, equivalent to a 18.7x FY22e PER and a 1.9% prospective yield (covered a healthy 2.7x by adjusted earnings). The multiple is broadly in line with the general market rating for UK listed professional services companies.

Summary forecasts						
Year end 30 April	2019A	2020A	Previous forecast FY21e	Revised forecast 2021E	Previous forecast FY22e	Revised forecast 2022E
Revenue (£m)	60.1	70.5	76.5	78.0	88.9	99.2
Adjusted PBT (£m)	7	9.2	10.2	10.6	13.6	16.5
Adjusted EPS (p)	4.8	5.7	6.6	6.7	8.6	8.8
Dividend per share (p)	2.6	2.8	3.0	3.0	3.2	3.2
Yield on distribution	2.3%	2.4%		2.6%		2.8%

Source: Group report & accounts and ED estimates

Company Data

EPIC	BEG
Price	116p
52 weeks Hi/Lo	116p / 62p
Market cap	£175m
ED fair value/share	165p
Avg. daily volume	91,000

Share Price, p



Source: ADVFN

Description

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To watch a video of the Executive Chairman and Group FD discussing the merits of the DRP acquisition and fundraising: [click here](#)

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