

## AGM statement and trading update in line

23 September 2021

**Trading during the first quarter (May to July 2021) was in line with expectations. BEG remains on track to achieve our revenue and adjusted profit forecasts, which are unchanged. As anticipated, the components of forecast double-digit percentage growth in revenue and profits this year are internally driven, rather than market related: specifically recent acquisitions and the bounce back from 2020's lockdowns.**

The two business and financial recovery acquisitions completed last year, **CVR Global** (January 2021) and **David Rubin & Partners** (March 2021) and another, **MAF Finance Group** (May 2021) post the year-end are all performing well. BEG reported successful integrations, identification of synergies and cross selling opportunities.

A more normalised performance by the group's property advisory and transactional services division, Eddisons, puts it well ahead of a comparable affected by 2020's lockdown, and profits and margins have rebuilt as anticipated. Divisional performance will also benefit from the acquisition of HNG chartered surveyors in February 2021, integration of which is due to complete during the first half.

Although Insolvency Service data has confirmed a recovery in corporate insolvency volumes since May 2021, this has mainly been confined to the lower end of the company size range. This is in line with BEG's expectations that meaningful recovery in core demand for its services will track the withdrawal of UK Government support measures. That process is expected to extend well into 2022, but the group expects the underlying upward trajectory in market volumes to continue into its second half as support measures are progressively removed, and a 'normal' insolvency cycle emerges.

The group is interested in further acquisitions that help it to maintain a balance of cyclical and counter cyclical revenue streams. BEG raised £22m via a placing at 105.5p/share in March 2021 and by our estimates has capacity (cash and undrawn debt) to comfortably finance another £20m of acquisitions and remain within prudent debt ratios.

Over its last four financial years BEG has delivered annualised (CAGR) growth in adjusted EPS of 20% (50:50 organic/acquisition) and paid down all debt despite completing 13 value enhancing acquisitions. We regard FY23e as a conservative view of the potential as group markets return to post-pandemic normality.

### Unchanged fair value

**We have held our forecasts and 165p/share fair value estimate, equivalent to a 17.9x FY22e PER and a 1.9% prospective yield (2.9x covered by adjusted earnings).**

#### 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)	7.0	9.2	11.5	17.0	18.5
Adjusted EPS (p)	4.8	5.7	6.9	9.2	9.9
Dividend per share (p)	2.6	2.8	3.0	3.2	3.4
Yield on distribution	2.0%	2.1%	2.3%	2.4%	2.6%

Source: Group report & accounts and ED estimates

#### Company Data

EPIC	BEG
Price (last close)	132p
52 weeks Hi/Lo	150p/80p
Market cap	£196m
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.

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## FINANCIALS

Income statement					
Y/E 30 April, £m	2019	2020	2021	2022E	2023E
Revenue	60.1	70.5	83.8	103.5	110.0
Direct costs	(34.3)	(40.3)	(48.3)	(59.2)	(63.3)
Gross profit	25.8	30.2	35.6	44.8	47.2
Other operating income	0.4	0.4	0.2	0.4	0.4
Administrative expenses	(22.2)	(26.7)	(32.9)	(36.2)	(37.0)
	<b>4.0</b>	<b>3.9</b>	<b>2.8</b>	<b>9.0</b>	<b>10.6</b>
Adj. Operating profit (before amortisation and transaction costs)	7.6	10.1	12.4	17.8	19.4
Transaction costs	(1.2)	(3.2)	(6.5)	(3.6)	(3.6)
Amortisation of intangible assets arising on acquisitions	(2.4)	(3.1)	(3.1)	(5.2)	(5.2)
<b>Operating profit</b>	<b>4.0</b>	<b>3.9</b>	<b>2.8</b>	<b>9.0</b>	<b>10.6</b>
Finance costs	(0.5)	(1.0)	(0.9)	(0.9)	(0.9)
Profit before tax	3.5	2.9	1.9	8.1	9.7
<b>Adjusted PBT</b>	<b>7.1</b>	<b>9.2</b>	<b>11.5</b>	<b>17.0</b>	<b>18.5</b>
Tax	(1.1)	(2.0)	(1.8)	(2.5)	(3.0)
<b>Profit after tax</b>	<b>2.4</b>	<b>0.9</b>	<b>0.2</b>	<b>5.6</b>	<b>6.7</b>
<b>Earnings per share</b>					
Adjusted EPS - basic	4.8p	5.7p	6.9p	9.2p	9.9p
Adjusted EPS - diluted	4.7p	5.7p	6.7p	8.9p	9.6p

Source: Group financial statements

<b>Balance sheet</b>					
<b>Y/E 30 April, £m</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>
<b>Non-current assets</b>					
Intangible assets	59.4	59.4	77.6	77.6	77.6
Property, plant and equipment	1.8	1.8	2.1	2.1	2.1
Right of use assets	0.0	7.0	7.5	6.0	5.8
Trade and other receivables	3.2	4.6	4.0	4.0	4.0
	<b>64.4</b>	<b>72.8</b>	<b>91.2</b>	<b>89.7</b>	<b>89.4</b>
<b>Current assets</b>					
Trade and other receivables	32.7	36.5	45.4	38.0	40.0
Cash and cash equivalents	4.0	7.2	8.0	10.7	13.3
	36.7	43.7	53.4	48.7	53.3
<b>Total assets</b>	<b>101.0</b>	<b>116.6</b>	<b>144.6</b>	<b>138.3</b>	<b>142.8</b>
<b>Current liabilities</b>					
Trade and other payables	(22.7)	(22.2)	(33.3)	(31.5)	(33.5)
Current tax liabilities	(2.0)	(1.9)	(2.6)	(2.5)	(2.5)
Lease liabilities	0.0	(2.2)	(3.0)	(3.0)	(3.0)
Provisions	(0.6)	(0.9)	(0.6)	(1.0)	(1.0)
	(25.2)	(27.2)	(39.4)	(38.0)	(40.0)
<b>Net current assets</b>	<b>11.4</b>	<b>16.5</b>	<b>14.0</b>	<b>10.7</b>	<b>13.4</b>
<b>Non-current liabilities</b>					
Trade and other payables	0.0	0.0	0.0	0.0	0.0
Lease liabilities	0.0	(6.1)	(5.8)	(2.5)	(3.0)
Borrowings	(10.0)	(10.0)	(5.0)	(5.0)	(5.0)
Provisions	(0.8)	(1.9)	(2.6)	(2.6)	(2.6)
Deferred tax	(5.3)	(5.7)	(5.5)	(0.5)	(1.0)
	<b>(16.1)</b>	<b>(23.8)</b>	<b>(18.9)</b>	<b>(11.1)</b>	<b>(11.6)</b>
Total liabilities	(41.3)	(51.0)	(58.3)	(49.1)	(51.6)
<b>Net assets</b>	<b>59.7</b>	<b>65.6</b>	<b>86.3</b>	<b>89.3</b>	<b>91.2</b>

Source: Group financial statements

<b>Cash flow statement</b>					
<b>Y/E 30 April, £m</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>
<b>Cash flows from operating activities</b>					
<b>Cash generated by operations</b>	<b>8.0</b>	<b>4.7</b>	<b>16.2</b>	<b>17.1</b>	<b>18.6</b>
Income taxes paid	(1.4)	(2.2)	(2.3)	(2.5)	(2.8)
Interest paid on borrowings	(0.5)	(0.4)	(0.3)	(0.4)	(0.4)
Interest paid on lease liabilities	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Net cash from operating activities	5.7	1.7	13.0	13.7	15.0
<b>Investing activities</b>					
Purchase of intangible fixed assets	(0.2)	(0.7)	(1.0)	0.0	0.0
Purchase of property, plant and equipment	(0.8)	(0.1)	(0.3)	(0.3)	(0.3)
Deferred consideration payments	0.0	(0.7)	(0.2)	(3.0)	(4.0)
Acquisition of businesses (net of cash acquired)	(1.8)	(3.0)	(22.0)	0.0	0.0
Cash from acquired businesses	3.4	3.4	1.5	0.0	0.0
<b>Net cash used in investing activities</b>	<b>0.6</b>	<b>(1.1)</b>	<b>(22.0)</b>	<b>(3.3)</b>	<b>(4.3)</b>
<b>Financing activities</b>					
Dividends paid	(2.6)	(3.2)	(3.6)	(4.7)	(5.0)
Net proceeds on issue of shares	0.0	7.8	20.9	0.0	0.0
Repayment of obligations under leases	0.0	(1.9)	(2.7)	(3.0)	(3.0)
Proceeds on issue of SIP scheme shares	0.0	0.0	0.0	0.0	0.0
Repayment of loans	(1.0)	0.0	(5.0)	0.0	0.0
<b>Net cash used in financing activities</b>	<b>(5.8)</b>	<b>2.7</b>	<b>9.7</b>	<b>(7.7)</b>	<b>(8.0)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>0.5</b>	<b>3.2</b>	<b>0.7</b>	<b>2.7</b>	<b>2.7</b>
Cash at beginning of year	3.5	4.0	7.2	8.0	10.7
<b>Cash at year end</b>	<b>4.0</b>	<b>7.2</b>	<b>8.0</b>	<b>10.7</b>	<b>13.3</b>

Source: Group financial statements



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