Begbies Traynor Group

Full year results presentation

Ric Traynor – Executive Chairman

Nick Taylor – Group Finance Director

July 2019

About Begbies Traynor Group plc

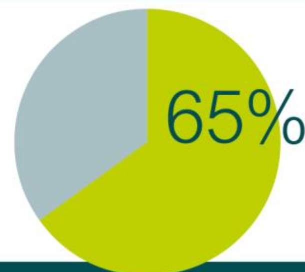
UK professional services consultancy

- business recovery
- financial advisory
- property services

CAGR of 14% in adjusted EPS in last four years

Comprehensive network of locations across the UK

650 staff and partners



65% of the group's activities are derived from counter-cyclical activities

Professional staff include:
- licensed insolvency practitioners
- accountants • surveyors

Highlights - strong financial performance in line with upgraded expectations

REVENUE

£60.1m (+15%) (2018: £52.4m)

ADJUSTED PROFIT BEFORE TAX

£7.1m (+27%) (2018: £5.6m)

ADJUSTED EPS

4.9p (+23%) (2018: 4.0p)

PROPOSED TOTAL DIVIDEND

2.6p (+8%) (2018: 2.4p)

NET DEBT

£6.0m (-20%) (2018: £7.5m)

- Revenue growth of 15% (9% organic)
- Improved operating margin to 12.6% (2018: 11.6%)
- Completed four acquisitions
- Strong cash generation:
  - reduction in net debt and leverage
- Second consecutive year of dividend growth
  - 9% compound growth

Recent achievements - strong five year financial performance

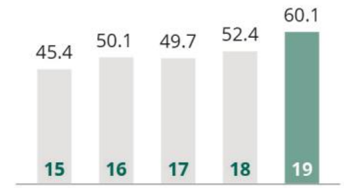
- Strategy to increase scale and quality of our businesses:
  - Delivered consecutive years of profit and EPS growth over last four years
  - Compound growth of 14% in EPS since 2015, accelerated to 22% since 2017
- Strong operating cash flow
  - Funding investment
  - Reducing net debt and leverage
  - Funding increases in dividends in the last two years

- 2018 saw the first increase in insolvencies nationally since 2011
- Buy and build of property services into significant part of group
  - Commenced with Eddisons acquisition in December 2014:
  - Consecutive years of segmental profit growth from £1.9m (in 2014) to £3.8m
  - Focussed on valuations; auctions and asset sales; property consultancy; planning and management

REVENUE

£60.1m

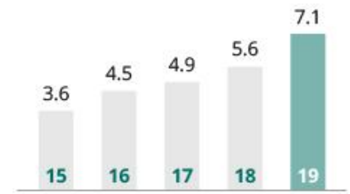
(2018: £52.4m)



ADJUSTED PROFIT BEFORE TAX

£7.1m

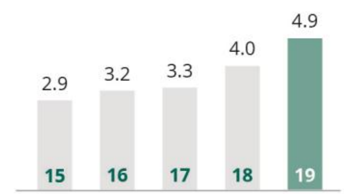
(2018: £5.6m)



ADJUSTED BASIC EPS

4.9p

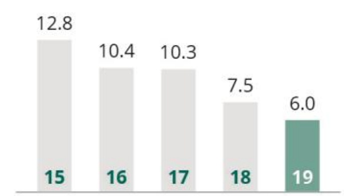
(2018: 4.0p)



NET DEBT

£6.0m

(2018: £7.5m)



The group today - better positioned than ever

- **Range of service lines:**
  - Multiple sources of growth potential
  - Ability to grow across the economic cycle
  - Strong financial platform
- **Counter-cyclical focus retained**
- **Service lines well positioned:**
  - Strong operating margins
  - Highly cash generative funding ongoing investment and dividends

65% **Counter-cyclical activities**

- Corporate and personal insolvency
- Business and financial restructuring
- Debt advisory
- Accelerated corporate finance
- Distressed asset valuations and sales (property, machinery and other business assets)
- Specialist insurance and vacant property risk management

20% **Cyclical activities**

- Corporate finance
- Commercial property agency
- Valuation of property, businesses, machinery and business assets
- Transport planning and design

15% **Uncorrelated activities**

- Property auctions
- Machinery and other business asset sales
- Commercial property management
- Building consultancy
- Due diligence and transaction support
- Forensic accounting and investigations

Begbies Traynor | BTG Advisory | Springboard Corporate Finance | Eddisons | Pugh Part of Eddisons | BARKER STOREY MATTHEWS bsm.uk.com | CROFT

Financial review

Financial highlights

£m	2019	2018
Revenue	**60.1**	52.4
Operating profit (before amortisation and transaction costs)	**7.6**	6.1
Margin	***12.6%***	*11.6%*
Adjusted profit before tax	**7.1**	5.6
Adjusted basic EPS	**4.9p**	4.0p
Dividend per share	**2.6p**	2.4p
Net debt	**6.0**	7.5

- Revenue increase of 15% in the year (9% organic and 6% acquired)
- Operating profit increase of 25%
- Adjusted profit before tax increase of 27% due to increased operating profits (interest costs in line with prior year)
- Adjusted tax rate of 22% (2018: 22%)
- Adjusted basic EPS growth of 23%
- Proposed increase in dividend of 8%

Segmental analysis

£m	2019	2018
Revenue		
Business recovery and financial advisory	**43.3**	38.3
Property services	**16.7**	14.2
Total	***60.1***	*52.4*
Operating profit		
Business recovery and financial advisory	**8.7**	7.6
Margin	***20.0%***	*19.8%*
Property services	**3.8**	3.1
Margin	***22.5%***	*22.1%*
Segmental result	**12.4**	10.7
Margin	***20.7%***	*20.4%*
Shared and central costs	**(4.9)**	(4.6)
Operating profit (before amortisation and transaction costs)	**7.6**	6.1
Margin	***12.6%***	*11.6%*

- Central costs reduced as % of revenue to 8.1% (2018: 8.8%)

Business recovery and financial advisory

- **Revenue growth of 13%:**
  - Organic growth initiatives
  - Increased market activity levels
  - Prior year acquisition of Springboard
- **Cost increase from organic investments, increased people costs and prior year acquisition**
- **Margins increased to 20.0% (2018: 19.8%)**
- **Increase in national insolvency numbers**
  - 10% increase in calendar 2018 to 16,106 (2017: 14,630)
  - Maintained market share taking largest number of corporate appointments in the UK
- **Strengthened insolvency team through:**
  - Acquisition of two boutique practices in Newcastle and Stoke - seven partners and staff integrated with existing teams
  - Recruitment of work-winning senior people and continued to develop existing teams
- **Successful first full year performance from Springboard Corporate Finance**
- **Headcount increased to 364 (2018: 351, 2017: 337)**

Property services

- **Revenue growth of 18%:**
  - Organic growth initiatives and distressed property sale completions
  - Current and prior year acquisitions
- **Cost increase from organic investments and acquired businesses**
- **Margins increased to 22.5% (2018: 22.1%)**
- **Completed several long-running distressed property disposals which enhanced in-year margin**
- **Invested in valuations team through recruitment of experienced surveyors with improved geographical coverage**
- **Asset disposal teams performed well**
  - Property auction levels broadly in line with the prior year; on-line sales platform introduced in the year
  - Machinery and business asset activity levels increased following CJM acquisition in the prior year
- **Building consultancy had a very successful year with increase in instructions from education sector**
- **Two acquisitions (Croft and BSM) completed in the year extending expertise and geographical coverage**
- **Headcount increased to 245 (2018: 182, 2017: 170)**

REVENUE (£M)

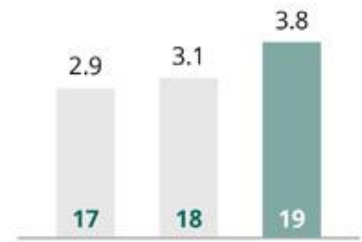
£16.7m

(2018: £14.2m)

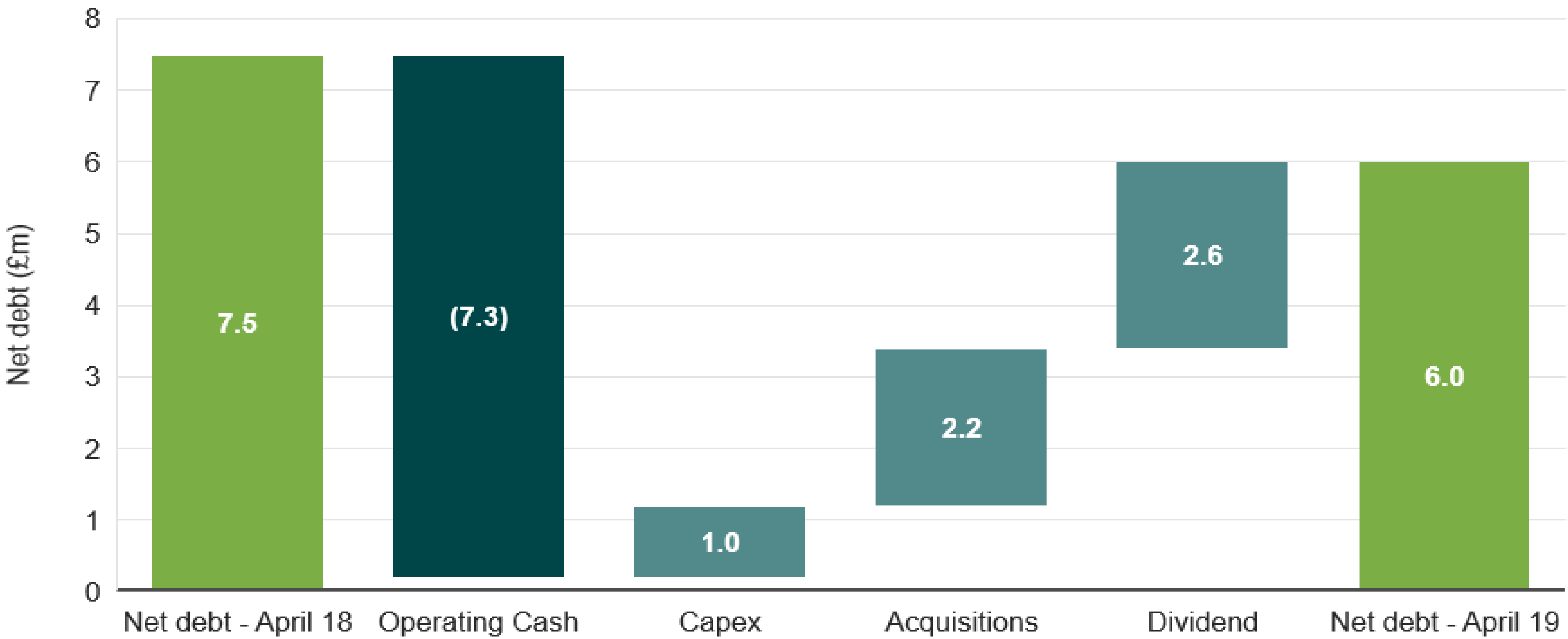
SEGMENTAL PROFITS (£M)

£3.8m

(2018: £3.1m)



Strong cash flow: funding investment and deleveraging



- Facilities:
  - £25m unsecured committed RCF and £5m uncommitted acquisition facility
  - Agreed extension to facilities in the year – now committed to 2023
- Strong financial position with leverage improved to 0.7x (2018: 1.1x)

Net assets

£m		
30 April 2018		59.1
Post-tax adjusted earnings	5.5	
Dividends	(2.6)	
		2.9
Issue of new shares – principally re acquisitions		2.2
Adoption of IFRS 9 and IFRS 15		(1.4)
Post-tax impact of acquisition-related transaction and amortisation costs		(3.1)
30 April 2019		59.7

- IFRS 9 ‘Financial instruments’ and IFRS 15 ‘Revenue from Contracts with Customers’ introduced from 1 May 2018
- Adopted using retrospective application method: adjustment to retained earnings on 1 May 2018 rather than restatement of prior periods
- Reduction in net current assets of £1.8m and increase in deferred tax asset of £0.4m
- Minimal impact on reported revenue, profit and EPS

Acquisitions

- **Property services**
  - ***Croft – 31 January 2019***
    - Initial consideration of £1.5m (£1.125m cash and £0.375m shares) with estimated contingent consideration of £1.2m, maximum £2.5m
    - Pre acquisition trading: revenue £1.8m and pre-tax profit £0.7m
  - ***Barker Storey Matthews – 5 April 2019***
    - Initial consideration of £1.6m (£1.067m cash and £0.533m shares) with estimated contingent consideration of £0.9m, maximum £1.4m
    - Pre acquisition trading: £3.1m and pre-tax profit £0.6m
- **Business recovery and financial advisory**
  - ***KRE (North East) – 13 February 2019***
    - Initial consideration of £0.45m (cash) with contingent consideration of up to £0.15m
    - Pre acquisition trading: £0.4m and pre-tax profit £0.1m
  - ***Dunion & Co – 1 March 2019***
    - Initial consideration of £0.1m (cash) with contingent consideration of up to £0.1m
    - Pre acquisition trading: £0.3m and pre-tax profit £0.1m
- **Cash outflow in year £1.2m: £2.7m consideration payments net of £1.5m cash acquired**
- **Deferred consideration payments in the year of £1.0m**
- **All performing in line with expectations and integration progressing well**

FY20 guidance

- Good start to new financial year
- Business recovery and advisory
  - Return on FY19 investments with enhanced margins as a result
  - Potential further upside from continuing market growth
- Property
  - Benefit from FY19 acquisitions
  - Anticipate organic revenue growth will mitigate the completion of long-running property disposals that benefitted FY19
- Overall, confident of delivering current market expectations

Strategic overview

Our vision

To be leaders in our chosen professional services
giving outstanding advice to our
clients on establishing, protecting, enhancing
and realising the value of their assets and
businesses throughout the economic cycle

Strategy

- Be a trusted advisor to our clients, delivering innovative and entrepreneurial advice and solutions
- Increase the scale and quality of our businesses through both organic growth and acquisitions
- Deliver sustainable profit growth, enabling increased shareholder value
- Maintain strong financial position supporting investment in and the development of the group and its people

Organic growth initiatives

Business recovery and advisory

- Recruitment of 10 partners and directors over last two years - joining from national firms and local boutiques
- Promoted seven existing fee earners to partner/director grade
- Increased focus on internet and direct marketing
- Market share increased to 8% (7% two years ago)
- Additional new recruits and promotions planned for FY20

Building consultancy - education sector initiative started in December 2016

- Increased number of engagements from 12 (awarded Dec 16) to 55 (awarded Dec 18)
- Increase in professional team from 7 to 17
- Revenue increased from £0.6m (FY17) to £1.7m (FY19)
- Further growth anticipated in FY20

Property valuations - recruitment of experienced surveyors from leading firms

- Increase in professional team from 21 to 38
- New recruits leveraging off existing bank panel positions
- Revenue growth from £2.7m (FY17) to £3.7m (FY19)
- Further growth anticipated in FY20

Recent acquisitions

Property

- **BSM – acquired Apr 19 – revenue £3.1m, profit £0.6m, staff 38**
  - Develops geographical coverage - offices in Cambridge, Huntingdon, Peterborough and Bury St Edmunds
  - Service lines consistent with Eddisons:
    - commercial agency, property management, building consultancy, professional services (including valuations) and planning
- **Croft Transport Planning – acquired Jan 19 – revenue £1.8m, profit £0.7m, staff 10**
  - Develops professional services offering and widens Eddisons corporate client base
  - Highways, transport and traffic advice on commercial, residential and mixed use schemes
  - Corporate client base of developers, house builders and land owners
- **Pipeline of further opportunities to enhance expertise or geographical coverage**

Insolvency

- **KRE (Newcastle) acquired Feb 19 and Dunion & Co (Stoke) acquired Mar 19**
- **Total revenue £0.7m, profit £0.2m, staff 7**
- **Strong pipeline of potential acquisitions to increase market share**

Strong track record of integrating acquisitions

2019

BSM
(Chartered surveyors)

Revenue: £3.1m
Profit: £0.6m

2019

KRE and Dunion
(Insolvency)

Revenue: £0.7m
Profit: £0.2m

2019

Croft
(Transport planning)

Revenue: £1.8m
Profit: £0.7m

2018

Springboard
(Corporate finance)

Revenue: £2.3m
Profit: £0.8m

2018

CJM
(Industrial plant and machinery disposal)

Revenue: £1.2m
Profit: £0.1m

2016

Pugh
(Property auctions)

Revenue: £2.0m
Profit: £0.8m

2015

Taylors
(Property and business valuations)

Revenue: £1.5m
Profit: £0.2m

2015

Broadbents
(Insolvency)

Revenue: £0.6m
Profit: £0.1m

2014

Eddisons
(Chartered surveyors)

Revenue: £13.4m
Profit: £1.3m

* Results represent financial trading at acquisition

Outlook

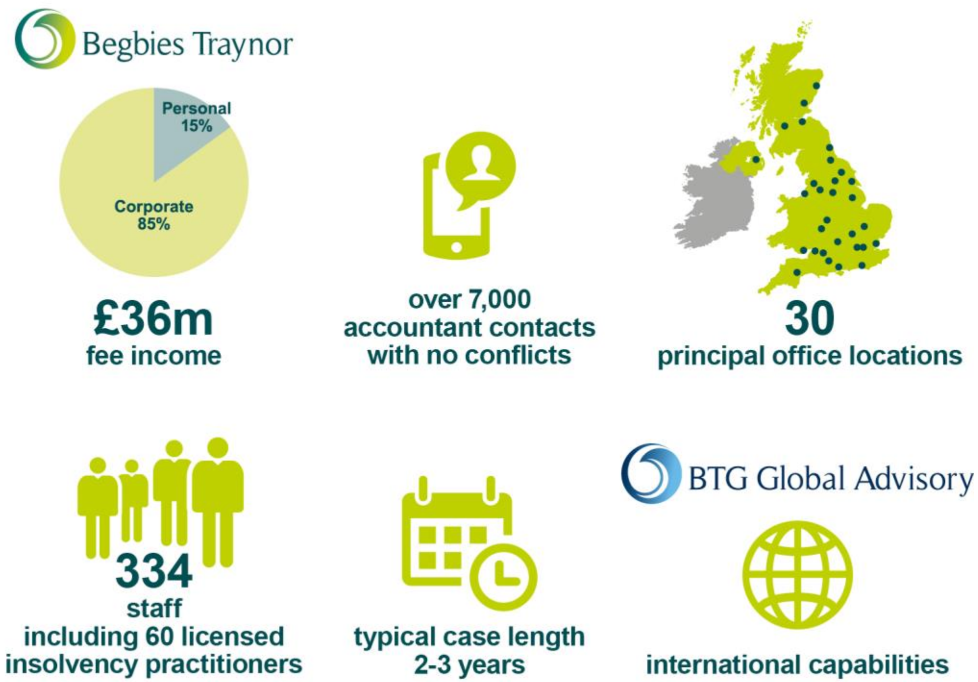
Outlook

- Group is better positioned than ever
  - Multiple sources of potential growth
  - Good pipeline of organic and acquisition opportunities
  - Strong financial platform
- Well placed to continue track record of growth with balance of:
  - Counter-cyclical activities
  - Breadth of services
- Entered new financial year with positive momentum
  - Confident of delivering current market expectations
- Trading update at AGM in September 2019

Appendix

Business recovery

- **UK's leading independent business recovery practice**
  - Handle the largest number of corporate appointments in the UK
  - Typically serving the mid-market and smaller companies
- **Corporate insolvency:**
  - Aim to rescue the business (where feasible) or realise the value of assets and distribute available funds to creditors
  - Administrations, liquidations, receiverships, CVAs
- **Personal insolvency:**
  - Provide advice to debtors and creditors on all aspects of personal insolvency
  - Bankruptcy and IVAs (England and Wales); Trust deeds and sequestrations (Scotland)
- **All formal insolvency appointments require a licensed insolvency practitioner**
- **Sources of work:**
  - Professional community
  - Financial institutions
  - Internet queries and direct communications
  - Existing contacts of the firm
- **Basis of remuneration**
  - Typically on the basis of hours worked with fees paid from asset realisations
  - In limited occasions based on a percentage of asset realisations
  - Fee basis and levels are approved by creditors



Insolvency market

Competitors

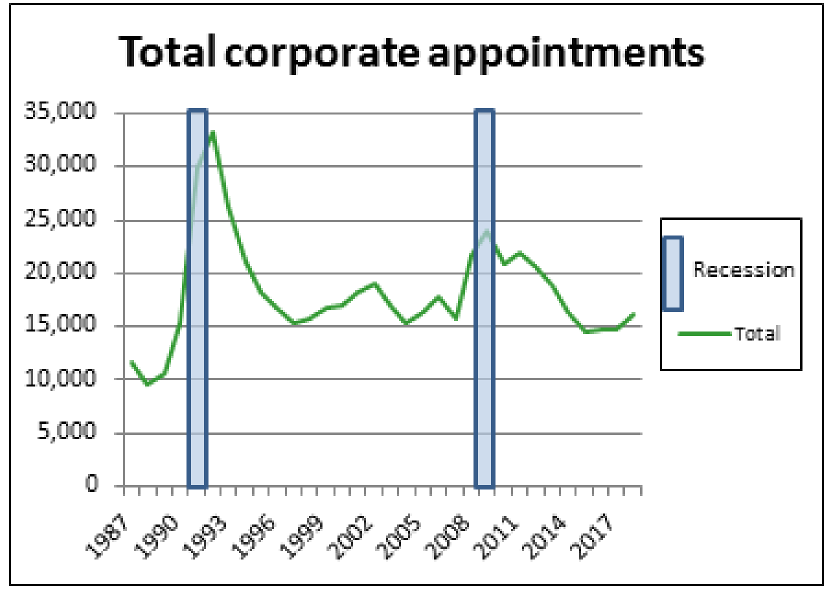
Number of corporate appointments	2018
Begbies Traynor	1,259
FRP	506
Leonard Curtis	472
Quantuma	344
TOTAL	16,090
Market share	8%

Source: London, Edinburgh and Belfast Gazettes, Accountant in Bankruptcy, Companies House

Other competitors

- Big 4 accountancy firms – focussed on larger engagements and advisory
- National full service accountancy firms
- Local boutique specialists

Market



- Insolvencies last peaked at 24,000 in 2009
- Low interest rate environment since financial crisis contributed to low insolvency rate
- Benign attitude from both lenders and HMRC (creditor in majority of insolvencies)
- Increase in sources of capital (including new secondary lenders) provided additional sources of finance to financially stressed companies

Financial advisory

- **Services:**
  - Corporate finance - Buy and sell side private company transactions
  - Forensic accounting and investigations - fraud and financial crime investigations, expert witness for dispute resolution
  - Advisory - Debt advisory; accelerated corporate finance; business and financial restructuring and due diligence and transaction support
- **Complementary to business recovery**

- **Clients:**
  - Businesses
  - Legal and professional community
  - Banks and financial institutions
  - Investment community
- **Remuneration basis:**
  - Typically: hours worked
  - Corporate finance: fixed retainer fees with contingent success fee on completion of transaction

BTG Advisory

£7m
fee income

30
dedicated staff
together with 20 staff working across insolvency and advisory

Springboard Corporate Finance

15 transactions completed in last year for gross value of £117m

4
principal office locations

Property services

- **Services**
- **Valuations**
  - valuation of property, small to medium sized businesses, machinery and business assets;
  - fixed charge property receiverships
- **Auctions and asset sales**
  - sales of property, machinery and other business assets through physical and on-line auctions;
  - commercial property agency in northern and eastern England
- **Consulting and advisory**
  - Building and project consultancy: project management, surveys, dilapidations, space planning and fit out
  - Commercial property management: rent, service charge and insurance collection; financial control; service charge management
  - Commercial insurance services: insolvency, commercial and property investor insurance; vacant property risk management
  - Transport planning and design: transport and highways advice

- **Clients**
  - banks and financial institutions, insolvency practitioners, commercial property owners and occupiers, property agents, public sector bodies, property developers and land owners
- **Remuneration basis**
  - Quoted fee for valuations, building and project consultancy, transport planning
  - Percentage of asset realisations for auctions and asset sales; fixed charge property receiverships
  - Commission on insurance policies written

Eddisons

£17m
fee income

Pugh
Part of Eddisons

largest regional property auctioneer

largest insolvency focussed plant & machinery team in the UK

20
office locations

245
dedicated staff

Ownership structure

The group has 114.4m shares in issue. The ownership profile is:

Name	% holding
Ric Traynor	23.8%
Other management	6.6%
Major institutions:	
• Hof Hoorneman Bankiers	10.3%
• Fidelity International	7.9%
• OVMK Vermogensbeheer	6.1%
• Close Brothers	5.2%
• Allianz Global Investors	3.6%
• Nordea Asset Management	3.1%

FY20 financial guidance

- Confident of delivering current market expectations for the full year
- Business recovery and advisory
  - Revenue growth target of c5% from investments made in FY19 with margin enhancement to c22%
  - Potential further upside from continuing market growth
- Property – full year revenue benefit of FY19 acquisitions of c£4m with organic growth anticipated to offset lower insolvency revenue. Margins to revert to c20%
- Central costs to increase by c7%
- Adjusted tax rate 22% (FY19: 22%)
- Average shares in issue FY20 c118.1m; fully diluted c120.0m
- Transaction/amortisation costs:
  - Deemed remuneration £4.2m (FY19: £3.9m)
  - Amortisation £2.6m (FY19: £2.4m)
- Cash outflows - Anticipate net debt to increase by £2.0m-£2.5m
  - £0.5m deferred income reduction, £0.5m provisions outflow
  - Cap-ex of c£0.75m
  - Dividends (interim £0.9m paid May 2019, final £2.1m payable November 2019)
  - Deferred consideration payments of £2.5m and completion accounts payments of £1.0m
    - Future year anticipated payments of £3.3m