



Half year results presentation

Ric Traynor – Executive Chairman

December 2019

Nick Taylor – Group Finance Director

About Begbies Traynor Group plc

UK professional services consultancy

- business recovery
- financial advisory
- property services



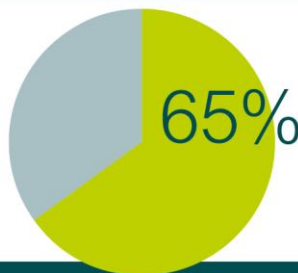
CAGR of 14% in adjusted EPS in last four years



Comprehensive network of locations across the UK



735 staff and partners



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



Professional staff include:

- licensed insolvency practitioners
- accountants • surveyors • lawyers

Strong first half performance and confidence in full year outlook

REVENUE

£33.8m (+21%) (2018: £28.0m)

ADJUSTED PROFIT BEFORE TAX

£4.0m (+33%) (2018: £3.0m)

ADJUSTED EPS

2.6p (+24%) (2018: 2.1p)

INTERIM DIVIDEND

0.9p (+13%) (2018: 0.8p)

NET DEBT

£2.3m (-63%) (2018: £6.3m)

- Revenue growth of 21% (10% organic)
- Improved operating margin to 13.2% (2018: 12.6%)
- Completed three acquisitions
- Raised £7.8m (net) in share placing
- 13% increase in interim dividend
 - Builds on increases over last two years
- Appointed new non-exec director with significant experience of use of IT in professional services

Financial review

Financial highlights

£m	Six months ended 31 Oct 19	Six months ended 31 Oct 18	Year ended 30 Apr 19
Revenue	33.8	28.0	60.1
Operating profit (before amortisation and transaction costs)	4.5	3.5	8.0
<i>Margin</i>	13.2%	12.6%	13.4%
Adjusted profit before tax	4.0	3.0	7.0
Adjusted basic EPS	2.6p	2.1p	5.0p
Dividend per share (interim/final)	0.9p	0.8p	2.6p
Net debt	2.3	6.3	6.0

- Results reflect adoption of IFRS 16 with comparatives restated
- Revenue increase of 21% in the period (10% organic)
- Operating profit increase of 29% with improved margins
- Adjusted profit before tax increase of 33% due to increased operating profits (interest costs in line with prior period)
- Adjusted tax rate of 22% (2018: 22%) based on expected rate for the full year
- Adjusted basic EPS growth of 24%
- Increase in interim dividend of 13%

Segmental analysis

£m	Six months ended 31 Oct 19	Six months ended 31 Oct 18
Revenue		
Business recovery and financial advisory	23.1	20.0
Property advisory and transactional services	10.7	8.0
Total	33.8	28.0
Operating profit		
Business recovery and financial advisory	4.9	3.7
<i>Margin</i>	21.1%	18.5%
Property advisory and transactional services	2.1	2.1
<i>Margin</i>	19.9%	26.3%
Segmental result	7.0	5.8
<i>Margin</i>	20.7%	20.7%
Shared and central costs	(2.5)	(2.3)
Operating profit (before amortisation and transaction costs)	4.5	3.5
<i>Margin</i>	13.2%	12.6%

- Central costs reduced as % of revenue to 7.4% (2018: 8.2%)

Segmental performance

- **Business recovery and advisory**

- Revenue growth of 15%:
 - Organic growth of 13% derived from both:
 - growth initiatives (including recruitment of senior work-winners), strong performance from advisory team
 - increased market activity levels - 7% increase in number of corporate appointments* in the 12 months ended 30 September 2019 to 16,857 (2018: 15,699)
 - Prior year acquisitions
- Cost increase of 12% from organic growth, increased people costs and prior year acquisitions
- Margins increased to 21.1% (2018: 18.5%)
- Headcount increased to 412 (Apr 19 and Oct 18: 364), including 26 from acquisitions in the year

- **Property advisory and transactional services**

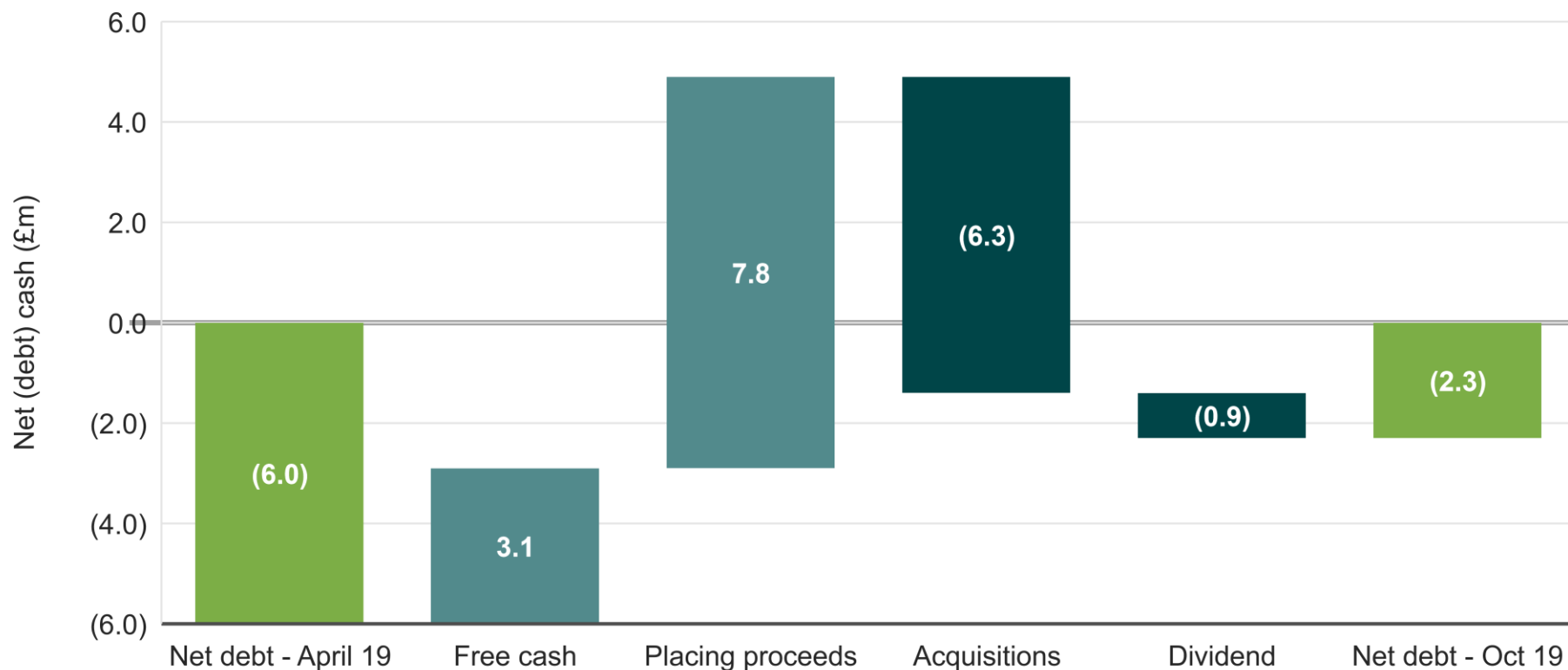
- Revenue growth of 34% due to prior year acquisitions (Croft and BSM)
- Organic growth (valuations and building consultancy) offset anticipated revenue reduction from prior year completion of several property insolvencies and lower activity in heavy plant disposal
- Property transactional teams (agency and auctions) - in line with the prior period
- Cost increase principally from acquired businesses
- Margins of 19.9% as anticipated (2018: 26.3%: prior period margins enhanced by revenue recognised on completion of property insolvencies noted above)
- Headcount increased to 280 (Apr 19: 245, Oct 18: 194), including 24 from acquisitions in the year

**Source: The Insolvency Service quarterly statistics on the number of corporate insolvencies in England and Wales on a seasonally adjusted basis, excluding the one-off effect of 777 (2018: 1,561) bulk insolvencies as identified by The Insolvency Service*

Acquisitions

- **Business recovery and financial advisory**
 - *Alexander Lawson Jacobs (ALJ) – 24 October 2019*
 - Initial consideration of £2.35m (£2.1m cash and £0.25m shares) with contingent consideration of up to £4.0m
 - Pre acquisition trading: revenue £3.1m and pre-tax profit £0.9m
 - *Regeneratus – 23 September 2019*
 - Initial consideration of £0.5m (cash) with contingent consideration of up to £1.1m
 - Pre acquisition trading: revenue £0.6m and pre-tax profit £0.2m
- **Property advisory and transactional services**
 - *Ernest Wilson – 18 October 2019*
 - Initial consideration of £4.0m (£3.0m cash and £1.0m shares) with contingent consideration of £1.6m
 - Pre acquisition trading: revenue £2.2m and pre-tax profit £0.7m
- **Cash outflow in period £4.4m: £5.6m consideration payments net of £1.2m cash acquired**
- **Deferred consideration payments in the period of £1.9m for prior year acquisitions**
- **All performing in line with expectations and integration underway**

Financing



- Strong free cash flow of £3.1m (2018: £2.1m)
- Placing of 11m shares generating net proceeds of £7.8m
- Facilities:
 - £25m unsecured committed RCF and £5m uncommitted acquisition facility
 - Facilities committed to 2023
- Strong financial position with leverage improved to 0.2x (Apr 19: 0.7x)

IFRS 16 'Leases'

- **Adopted on a fully retrospective basis – full restatement of comparatives**
- **Key changes:**
 - At lease inception:
 - Right of use asset recognised - present value of future lease payments + initial direct costs + estimate of dilapidation costs under lease
 - Lease liabilities - present value of future lease payments
 - Dilapidation provision – present value
 - Income statement:
 - Straight line depreciation charge of right of use asset
 - Interest charge on lease liability and dilapidations – higher in early stage of lease
 - Aggregate charge over lease term unchanged
 - Previously costs charged evenly to operating profit over lease term
 - Cash flow
 - No change on overall cash flow
 - Payments previously included within operating cash flow now split between:
 - Interest
 - Repayments of lease obligations (financing)

IFRS 16 'Leases' – impact on reported numbers

- Immaterial impact on profit before tax
- Modest reduction in net assets
- No impact on total cash flow

£m	6 months Oct 19	6 months Oct 18	12 months Apr 20	12 months Apr 19
Income statement				
Operating profit	0.2	0.2	0.4	0.5
Finance costs	(0.3)	(0.3)	(0.5)	(0.5)
Profit before tax	(0.1)	(0.1)	(0.1)	-
Balance sheet				
Net assets	(1.3)	(1.6)	(1.3)	(1.4)
Cash flow				
Cash from operations	1.4	1.2	2.8	2.7
Interest paid	(0.2)	(0.2)	(0.4)	(0.5)
Repayment of lease obligations	(1.2)	(1.0)	(2.4)	(2.2)
Total cash flow	-	-	-	-

Full year outlook

- Strong first half performance
- H2 will benefit from contribution from recent acquisitions
- Anticipate aggregate impact of recent acquisitions and placing shares will be earnings enhancing in the current year and thereafter
- Confident of delivering results at least in line with current market expectations
- Anticipate further year of increased revenue and earnings
- Anticipate increase in net debt of c£3m due to dividends and deferred consideration payments
- Q3 trading update in March 2020

Group developments

Business recovery and advisory

- **Business recovery:**

- Ongoing organic development:
 - Recruitment of fee earners with focus on business development and increasing capacity
 - Four new partners in the year – two external appointments and two internal promotions
- Increased market activity levels - 7% increase in number of corporate appointments* in the 12 months ended 30 September 2019 to 16,857 (2018: 15,699)
- Acquisition of ALJ
 - London insolvency and business recovery practice
 - Team of 24 joined the group including 3 partners
 - Enhanced our existing strong network across London and South East
- Market share by volume increased to 10% (including ALJ)

- **Advisory:**

- Five new partners – two external appointments and three internal promotions
- Increase in corporate finance transaction completions compared to prior period
- Acquisition of Regeneratus
 - Exeter advisory practice – restructuring, turnaround and legal issues
 - Enhanced services and advice across South West region

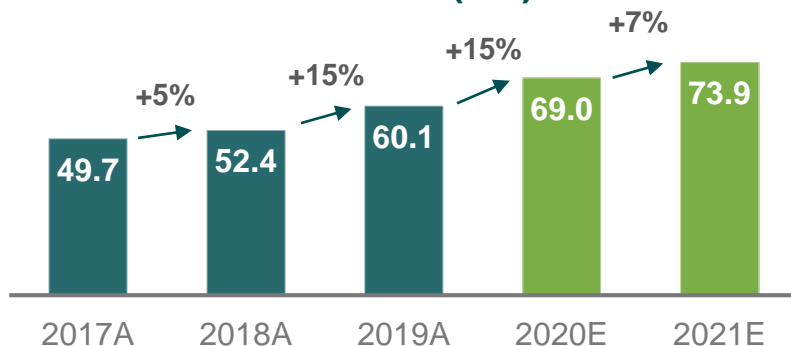
**Source: The Insolvency Service quarterly statistics on the number of corporate insolvencies in England and Wales on a seasonally adjusted basis, excluding the one-off effect of 777 (2018: 1,561) bulk insolvencies as identified by The Insolvency Service*

Property advisory and transactional services

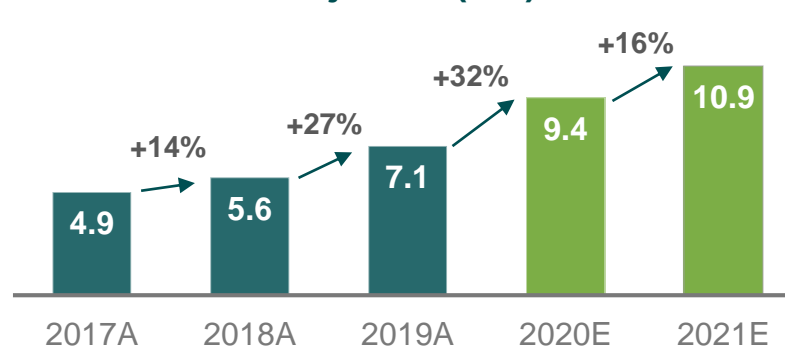
- **Building consultancy continued to develop:**
 - Continuing growth in education and wider public sector
 - Recruited Cambridge based building consultancy team – joined our BSM team to enhance regional presence
 - Investment in public sector business development
- **Growth of valuations team through continuing recruitment of experienced surveyors**
- **Prior year acquisitions performed in line with expectations**
 - Integration progressing well
- **Acquisition of Ernest Wilson**
 - Business sales agency based in Leeds
 - Operates across range of sectors: food outlets and convenience stores to care homes, restaurants and hotels
 - 24 employees joined the group with experienced and highly regarded management team
 - Enhances transactional support services (property agency/auction, machinery and business asset disposals)
 - Complementary to BTG Advisory and corporate finance
- **Property Auctions performed well in a quieter commercial auction market:**
 - Increase in number of lots and percentage sold
- **Agency business boosted by BSM acquisition**

Continuing growth expected: supported by recent acquisitions

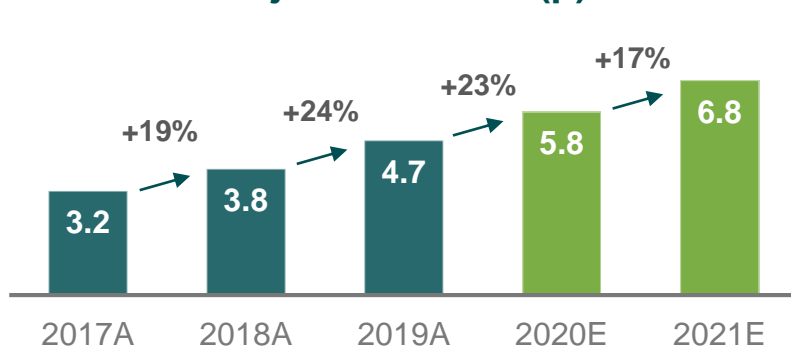
Revenue (£m)



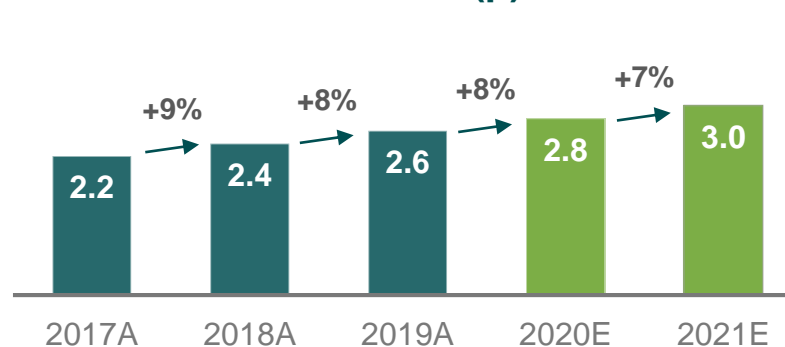
Adj. PBT (£m)



Adj. diluted EPS (p)

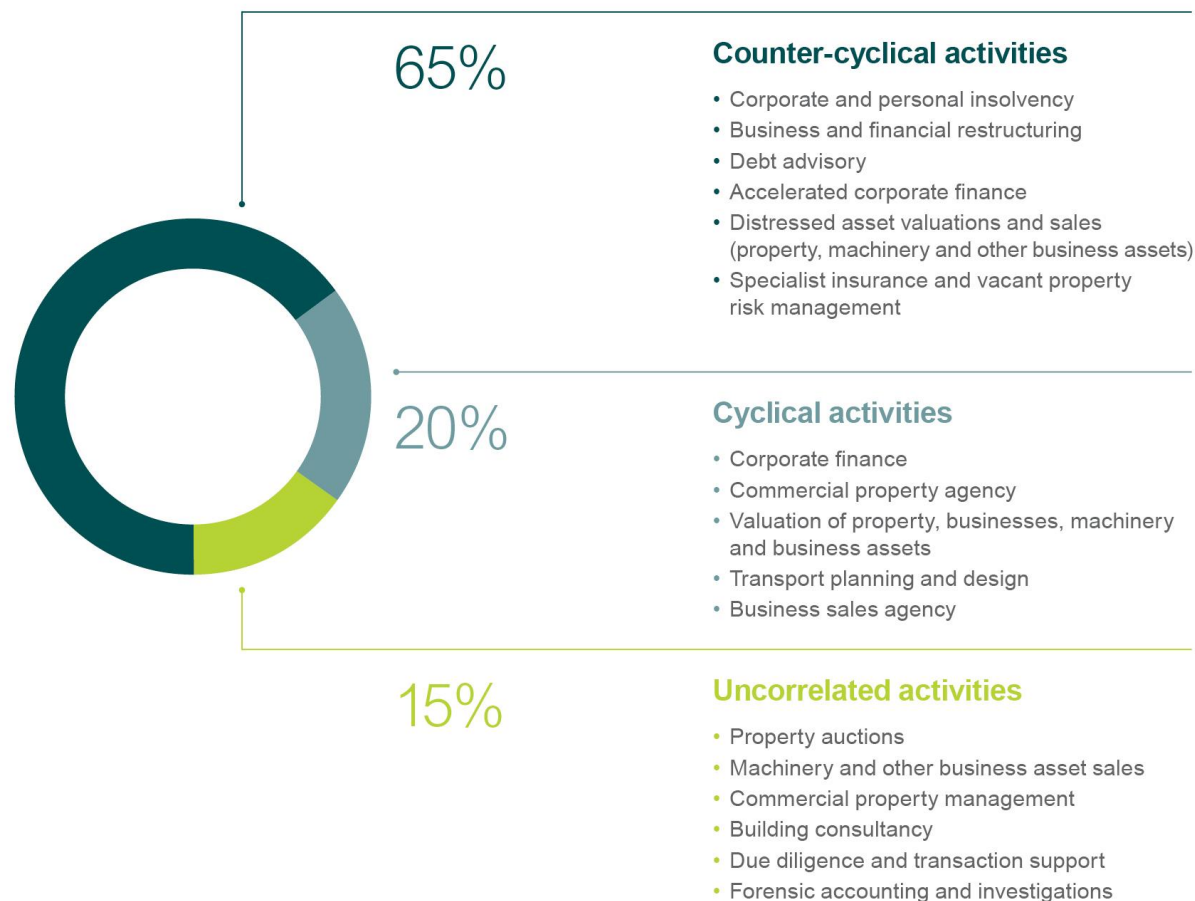


Dividend (p)



Source: 2020E and 2021E are analysts consensus estimates from notes prepared by Canaccord Genuity and Shore Capital in Oct/Nov 19 - the provision of these forecasts does not imply the group's endorsement or concurrence with the analysts information

Our activities – counter-cyclical focus maintained



- Multiple sources of growth potential
- Ability to grow across the economic cycle
- Strong financial platform
- Strong operating margins
- Highly cash generative

Summary

Summary

- Strong financial performance in the period
- Confident of delivering results at least in line with current market expectations
- Well placed to continue our track record of revenue and profit growth with:
 - increased scale of activities;
 - favourable conditions in UK insolvency market; and
 - strong financial position
- Q3 trading update in March 2020

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



£40m*
fee income

*pro forma including full year impact of ALJ acquisition



378
staff

including 65 licensed
insolvency practitioners



over 7,000
accountant contacts
with no conflicts



30
principal office locations



typical case length
2-3 years



international capabilities

Insolvency market

Competitors

Number of corporate appointments	12m to Sep 19
Begbies Traynor*	1,423
FRP	571
Leonard Curtis	526
Quantuma	365
TOTAL	14,420
Market share	10%

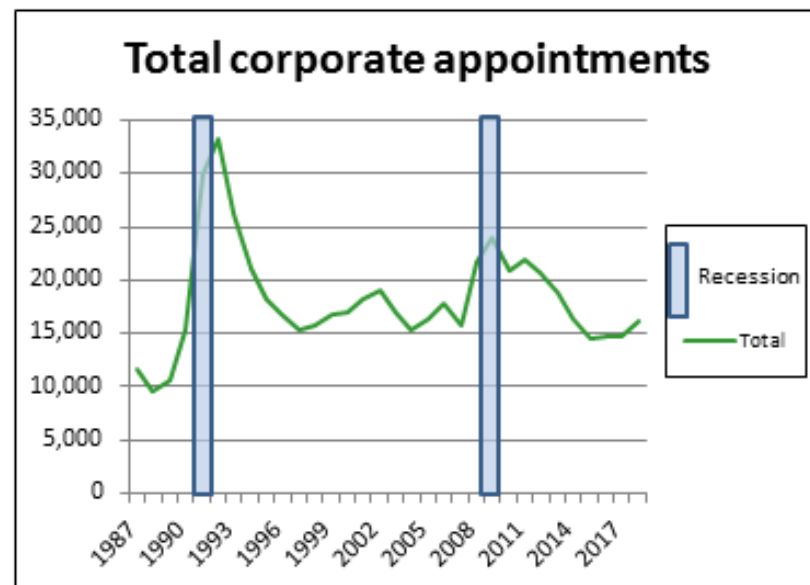
Source: Administrations, CVLs and CVAs as disclosed in the London, Edinburgh and Belfast Gazettes, Accountant in Bankruptcy, Companies House

* Pro-forma including 12 months of ALJ appointments

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, due diligence and transaction support, accelerated corporate finance, business and financial restructuring

- **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



£8m*
fee income

*pro forma including full year impact of Regeneratus acquisition



34
dedicated staff
together with 24 staff working
across insolvency and advisory



**12 transactions completed
in the half year**



5
principal office locations

Property services

- **Services**

- **Valuations**

- valuation of property, small to medium sized businesses, machinery and business;
- 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 focussed on Yorkshire region

- **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; empty 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



Ownership structure

The group has 127.6m shares in issue. The ownership profile is:

Name	% holding
Ric Traynor	21.3%
Other management	6.2%
Major institutions:	
• Hof Hoorneman Bankiers	9.1%
• Fidelity International	6.9%
• OVMK Vermogensbeheer	5.7%
• Close Brothers	5.1%
• Miton Group Asset Management	3.3%

H2 financial guidance

- Confident of delivering results at least in line with current market expectations for the full year
- First time contribution from H1 acquisitions
- Adjusted tax rate 22% (FY19: 22%)
- Average shares in issue FY20 c123.9m; fully diluted c126.2m
- Transaction/amortisation costs:
 - Deemed remuneration £3.2m (Full year: £5.4m)
 - Amortisation £1.7m (Full year: £3.1m)
- Cash outflows - Anticipate net debt to increase by c£3m
 - Working capital outflow of c£1.0m
 - Cap-ex £0.5m
 - Tax £1.4m
 - Final dividend of £2.3m paid in November 2019
 - Deferred consideration payments of £2.5m and completion accounts payments of £1.2m
 - Future year anticipated payments of £6.9m
(FY21: £1.8m, FY22: £1.9m, FY23: £2.2m, FY24: £0.6m, FY25: £0.4m)

Balance sheet

£m	31 Oct 19	31 Oct 18	30 Apr 19
Intangible assets	61.4	57.8	59.4
Fixed assets	8.8	8.8	9.1
Acquisition items : deemed remuneration	9.5	2.4	5.7
: deemed remuneration liabilities	(2.4)	(2.2)	(3.1)
Working capital:			
- Assets	32.2	27.5	29.8
- Liabilities	(20.8)	(15.4)	(18.8)
Net working capital	11.4	12.1	11.0
Net debt	(2.3)	(6.3)	(6.0)
Dividend accrual	(2.3)	(1.9)	-
Provisions	(2.5)	(2.5)	(2.5)
Corporation tax	(2.4)	(1.4)	(2.0)
Deferred tax	(5.2)	(4.7)	(4.9)
Lease liabilities	(7.9)	(8.3)	(8.4)
Net assets	66.1	53.8	58.3



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