Begbies Traynor Group

Full year results presentation

Ric Traynor – Executive Chairman

Nick Taylor – Group Finance Director

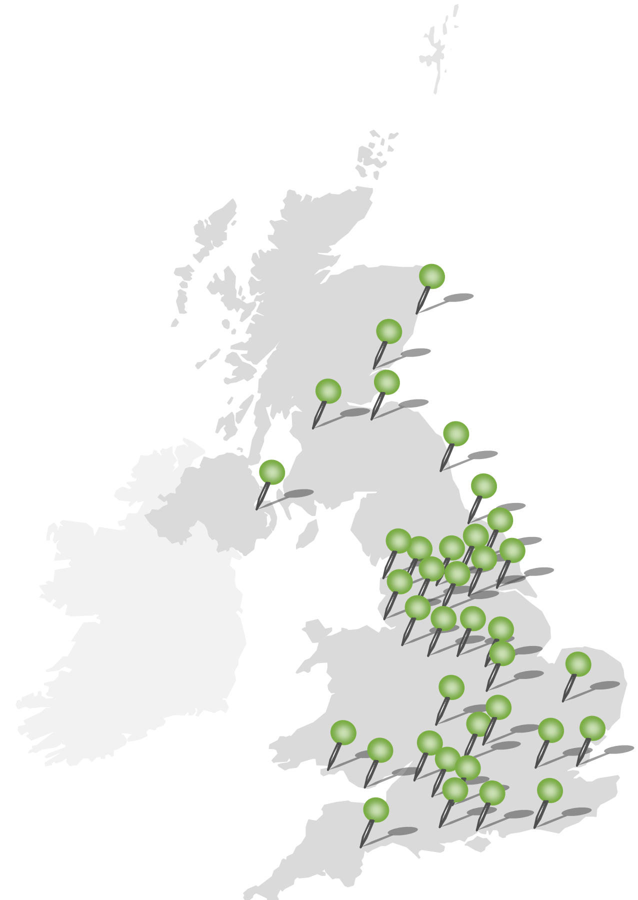
July 2018

Introduction

Begbies Traynor Group plc is a leading business recovery, financial advisory and property services consultancy, providing services nationally from a comprehensive network of UK locations through two complementary operating divisions.

- We work with businesses, professional advisors, investors, financial institutions and owners and occupiers of commercial properties
- Over 570 partners and staff throughout the UK
- Provide a highly experienced, partner-led service in the local business community
- Global engagements through our BTG Global Advisory alliance of associated firms

Office Locations



Our operating businesses

Begbies Traynor

Begbies Traynor is the UK's leading independent business recovery practice handling the largest number of corporate appointments, principally serving the mid-market and smaller companies.

BTG Advisory including **Springboard Corporate Finance**

BTG Advisory provides transactional support, valuations and advisory services.

Eddisons including **Pugh** Part of Eddisons

Eddisons is a national firm of chartered surveyors, delivering advisory and transactional services to owners and occupiers of commercial property, investors and financial institutions.

The business includes Pugh & Co, the largest regional firm of commercial property auctioneers (by number of lots).

We provide these services to businesses, professional advisors, other stakeholders, investors and financial institutions.

Insolvency – Corporate and Personal

Corporate – procedures aim to either rescue the business (where feasible) or realise the value of assets and distribute available funds to creditors.

- Administrations
- Liquidations
- Receiverships
- Creditors' voluntary arrangements

Personal – provide advice to debtors and creditors on all aspects of personal insolvency.

- Bankruptcy and individual voluntary arrangements (England and Wales)
- Trust deeds and sequestrations (Scotland)

Financial Advisory

Services include:

- Restructuring and turnaround
- Financial consulting, including debt advisory, due diligence and valuations
- Corporate finance
- Forensic accounting and investigations
- Litigation support

Advisory services

- Commercial property valuations
- Property receiverships
- Property management and accounting
- Building and project consultancy
- Property insurance and risk management

Transactional services

- Property auctioneers
- Machinery and business asset auctioneers
- Commercial property agency

Financial highlights

Revenue
£52.4m
5% increase
(2017: £49.7m)

Adjusted PBT
£5.6m
14% increase
(2017: £4.9m)

Adjusted EPS
4.0p
21% increase
(2017: 3.3p)

Total dividend
2.4p
9% increase
(2017: 2.2p)

Business recovery profit
£7.6m
3% increase
(2017: £7.4m)

Property services profit
£3.1m
7% increase
(2017: £2.9m)

Operating cash flow
£9.1m
14% increase
(2017: £8.0m)

Net debt
£7.5m
27% reduction
(2017: £10.3m)

Overview - a further year of progress

- A further year of progress in developing the group with continued earnings growth
- Business recovery and financial advisory services:
  - Increase in revenue and profit whilst investing in our team for future growth
  - Developed advisory services through the acquisition of Springboard Corporate Finance and the launch of BTG Advisory
- Property services:
  - Solid performance in the year with growth in both revenue and profit
  - Continuing to invest in the business through recruitment and acquisition of CJM Asset Management
- Strong cash generation reduced net debt
- Proposed 9% increase in dividend for the year

Solid track record

Revenue

£52.4m

(2017: £49.7m)

Adjusted profit before tax

£5.6m

(2017: £4.9m)

Adjusted basic EPS

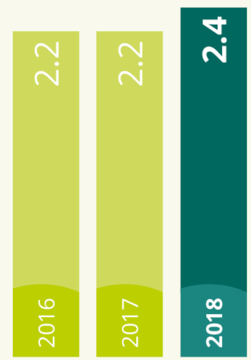
4.0p

(2017: 3.3p)

Proposed total dividend

2.4p

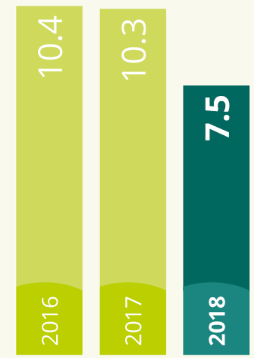
(2017: 2.2p)



Net debt

£7.5m

(2017: £10.3m)



- Net debt at its lowest level since 2007
- First increase in annual dividend since 2011

Financial review

Income statement

£'000	Year ended 30 April 18	Year ended 30 April 17
Revenue	52,441	49,685
Operating profit (before amortisation and transaction costs)	**6,059**	**5,627**
Interest costs	(482)	(776)
Adjusted profit before tax	**5,577**	**4,851**
Refinancing costs	-	(225)
Transaction costs *	(1,364)	(1,545)
Amortisation	(1,917)	(2,439)
Profit before tax	**2,296**	**642**
Tax	(872)	(429)
Profit from continuing operations	**1,424**	**213**
Adjusted basic EPS	**4.0p**	**3.3p**

* Transaction costs comprise: acquisition costs £0.1m (2017: £0.1m); deemed remuneration charges of £1.7m (2017: £1.4m); charge relating to the put and call option over Begbies Traynor (London) LLP of £0.8m (2017: £0.3m); offset by gain on acquisition of £1.2m (2017: £0.3m)

Tax rate

- Adjusted tax rate reduced to 22% (FY17: 27%)
- Resulting from a combination of:
  - Increase in accounting profits combined with a reduction in non tax-deductible costs
  - 1% reduction in UK corporation tax rate
  - Adjustment in relation to prior year provisions
- Expect to maintain at 22% for FY19

£m	Year ended 30 April 18			Year ended 30 April 17		
	Adjusted results	Transaction costs	Statutory results	Adjusted results	Transaction costs	Statutory results
Profit before tax	**5.6**	**(3.3)**	**2.3**	**4.9**	**(4.2)**	**0.6**
Tax	(1.2)	0.4	(0.9)	(1.3)	0.9	(0.4)
Profit after tax	**4.3**	**(2.9)**	**1.4**	**3.5**	**(3.3)**	**0.2**
Tax rate	22%	11%	38%	27%	21%	67%

Segmental performance

£m	Year ended 30 April 18	Year ended 30 April 17
Business recovery and financial advisory		
Revenue	38.3	36.2
Costs	(30.7)	(28.8)
Profit	**7.6**	**7.4**
Margin	19.8%	20.3%
Headcount	351	337
Property services		
Revenue	14.2	13.5
Costs	(11.1)	(10.6)
Profit	**3.1**	**2.9**
Margin	22.1%	21.5%
Headcount	182	170
Contribution	**10.7**	**10.3**
Shared and central costs	(4.6)	(4.6)
Operating profit	**6.1**	**5.6**

Business recovery and advisory

- Revenue increase due to:
  - investment in our team which has increased market share;
  - success fees on contingent cases; and
  - developing our advisory capabilities through the acquisition of Springboard
- Cost increase due to investment, increased people costs and acquisition
- Small decrease in operating margins due to investment, anticipate will recover in future years from return on investments

Property services

- Revenue increase due to:
  - growth in property valuation and building consultancy;
  - acquisition of CJM; offset by
  - lower commercial property auction levels (due to quieter market) and property insolvency income (completion of long-running cases)
- Cost increase from investment, increased people costs and acquisition

Balance sheet

£m	April 18	April 17
Non current assets	62.3	60.0
Current assets	30.8	29.8
Liabilities	(18.4)	(13.9)
Provisions	(1.2)	(1.2)
Net borrowings	(7.5)	(10.3)
Current tax	(1.5)	(0.8)
Deferred tax	(5.4)	(5.4)
Net assets	**59.1**	**58.1**

- **Non current assets increased to £62.3m (2017: £60.0m):**
  - Tangible fixed assets £1.5m (2017: £1.5m)
  - Intangible fixed assets £59.0m (2017: £58.5m)
  - Deemed remuneration after one year £1.8m (2017: £nil)
- **Current assets increased to £30.8m (2017: £29.8m):**
  - Receivables and unbilled income £27.4m (2017: £26.2m)
  - Other debtors and prepayments £2.1m (2017: £2.9m)
  - Deemed remuneration within one year £1.3m (2017: £0.7m)
- **Liabilities increased to £18.4m (2017: £13.9m):**
  - Trade payables £1.4m (2017: £1.2m)
  - Accruals £6.9m (2017: £4.5m)
  - Other taxes and social security £2.3m (2017: £2.4m)
  - Deferred income £1.8m (2017: £2.0m)
  - Other creditors £4.3m (2017: £3.1m)
  - Deemed remuneration £1.7m (2017: £0.7m)
- **Acquisition liabilities**
  - On balance sheet: £1.7m (£0.6m payable <1 year)
  - Off balance sheet likely payments: £3.0m (£1.0m payable <1 year)
- **Strong financial position**
  - Significant headroom in HSBC facilities (on unsecured basis)
    - £25m committed revolving credit facilities; and
    - £5m uncommitted acquisition facility
    - August 2021 maturity
  - Strong position with gearing reduced to 13% (Apr 17: 18%) and interest cover improved to 13x (Apr 17: 7x)

Cash flow

£m	Year ended 30 April 18	Year ended 30 April 17
Cash from operations	9.1	8.0
Tax	(1.0)	(1.5)
Interest	(0.6)	(0.9)
Operating	7.5	5.6
Investing	(2.4)	(3.2)
Financing (excl RCF movements)	(2.3)	(2.3)
Reduction in net borrowings	**2.8**	**0.1**
Net borrowings	**(7.5)**	**(10.3)**

- **Operating:**
  - Strong operating cash generation maintained in the year
  - Tax payments reduced due to phasing of prior year payments
- **Investing**
  - Cap-ex of £0.5m (2017: £0.3m)
  - Deferred consideration £1.1m (2017: £1.1m)
  - Acquisition payments £1.6m (2017: £2.1m) offset by net cash at acquisition of £0.8m (2017: £0.3m) of which £0.5m has satisfied operating liabilities pre year end with balance in the new year
- **Financing**
  - Dividend payments £2.3m (2017: £2.3m)
  - Reduction in drawn level of RCF £6.0m (2017: £1.0m) excluded from table

Acquisitions

Springboard Corporate Finance – 6 March 2018

- Mid-market corporate finance practice with strong private equity links working on buy and sell side transactions
- Team of 13 joined the group (including 3 partners)
- Initial consideration of £2.75m (in cash and shares) with contingent consideration of £0.5m
- Year ended June 17 reported revenue of £2.3m and pre-tax profit of £0.75m
- Performing in line with expectations and integration progressing well

CJM – 6 February 2018

- Specialist plant and machinery auctioneer
- Team of 11 joined the group (including 2 management)
- Initial consideration of £0.25m (in cash and shares) with contingent consideration of £0.3m
- Year ended November 17 reported revenue of £1.2m and pre-tax profit of £0.1m
- Performing in line with expectations and integrated with our existing team

Other

- Portfolio of insolvency cases from liquidators of Invocas

2018/19 financial guidance

- Adjusted tax rate 22% (FY18: 22%)

- Transaction/amortisation costs:
  - Transaction costs £2.6m (FY18: £1.4m)
  - Amortisation £2.2m (FY18: £1.9m)

- Cash outflows:
  - Working capital unwind of £1.0m
  - Provisions outflows of £0.8m
  - Tax payments: FY18 provision £1.5m and two payments on account for FY19
  - Cap-ex of c£0.7m
  - Deferred consideration payments of £1.5m
  - Dividends (interim £0.8m paid May 2018, final £1.8m payable November 2018)
  - Anticipate net debt to increase by c£2m as a result

2018/19 outlook

- Market for counter cyclical activities remains stable
- We continue to focus on investing to deliver future growth:
  - in-year cost of investment of £1m
- 1% inflationary rise in operating costs
- Currently anticipate revenue growth from investment and business development to match cost increases
- Benefit from first full year of Springboard and CJM acquisitions contributing additional revenue of c£3m and additional pre-tax profits of £0.8m
- Overall, expectations for the new financial year remain unchanged
- Any further earnings growth could be from:
  - faster return on investments made; or
  - overall improvement in counter-cyclical market conditions
- Overall, remain in a strong position to invest in further opportunities

Operating review

Business recovery and financial advisory

- Insolvency market:
  - Appointments in calendar year 2017 broadly unchanged at 14,608 (2016: 14,716)
  - Appointments in Q1 of 2018 increased to 3,987 - 13.0% increase on Q4 2017 and 0.6% increase on Q1 2017
    - Highest quarterly level of corporate insolvencies since Q1 2014
    - Sustained increase likely to require a marked change in interest rates or economic environment
- Investment during the year with an increase in market share by volume to 8% (FY17: 7%)
  - Recruitment of experienced, market-facing partners and staff
  - Continued to invest in digital marketing capability
- Increased focus on contingent cases involving fraud investigation and legal action
- Continued to develop advisory services in the year:
  - Launched BTG Advisory in late 2017 to bring non-insolvency activities under one brand
  - Acquired Springboard Corporate Finance: new management team responsible for developing group’s corporate finance services
  - Strong platform for future growth
- Headcount increased to 351 (Apr 17: 337) including Springboard

Property services

- Invested in our property valuation team through recruitment of experienced surveyors
- Enhanced building consultancy offering to education sector
    - Increased level of instructions over last 12 months
- Machinery and business asset disposal business performed well
    - Good cross-referral of work from Begbies Traynor insolvency cases
    - Scale increased through acquisition of CJM
- Recruited a new team into Liverpool:
    - Providing valuation and agency services
    - Operating from group's existing office
- Reduction in commercial property auction levels as a result of quieter market place and lower property insolvency following completion of long-running appointments
- Headcount increased to 182 (Apr 17: 170) including CJM

Strategic overview

Our strategy

Our aim

- **To be recognised as a leading professional services consultancy delivering:**
  - business recovery,
  - financial advisory, and
  - property advisory services.

With expertise in

- **Business restructuring and insolvency**
- **Transactional support**
- **Valuations and advisory services**
- **Commercial property consultancy and management**

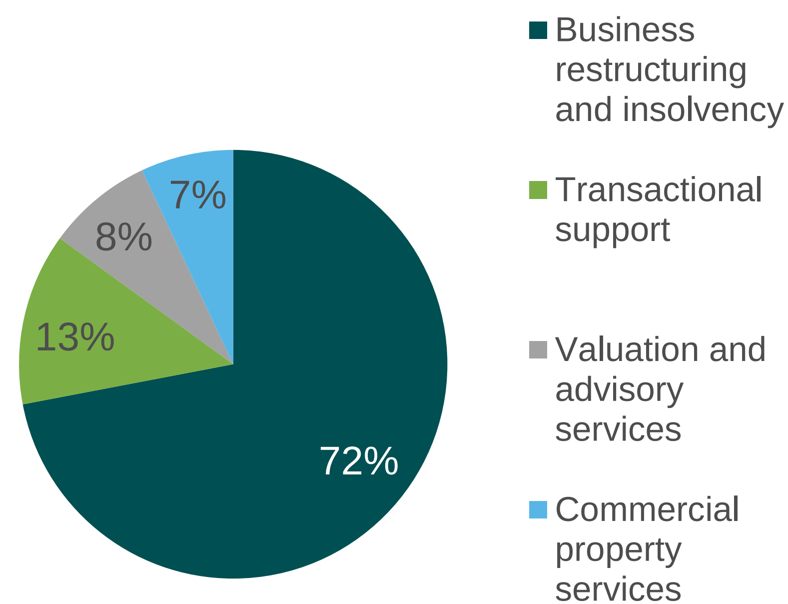
Client base of

- **UK businesses**
- **Financial institutions and the investment community**
- **Professional advisors**
- **Commercial property owners and occupiers**
- **Individuals**

Our expertise

	Business recovery	Property services
Business restructuring and insolvency		
• Corporate recovery	✔	
• Personal insolvency	✔	
• Restructuring	✔	
• Property receiverships		✔
• Machinery and business asset disposal		✔
• Specialist insurance broking		✔
Transactional support		
• Corporate finance	✔	
• Property auctions		✔
• Machinery and business asset disposal		✔
• Commercial property agency		✔
Valuation and advisory services		
• Due diligence	✔	
• Debt advisory	✔	
• Forensic and investigations	✔	
• Commercial property valuations		✔
Commercial property services		
• Property management and accounting		✔
• Building and project consultancy, rating and other advisory services		✔

% of pro-forma revenue (including recent acquisitions)



Business development areas

- **Business recovery**
  - Senior recruitment and selective acquisitions to increase market share
  - Continuing investment in internet marketing and direct work generation
  - Investment in technology to enhance working practices

- **Financial advisory**
  - Grow corporate finance services (including debt advisory) following Springboard acquisition
  - Development of other advisory services from Manchester (through recruitment) to complement London team

- **Property services**
  - Continuing organic development of valuation and building consultancy teams will continue to rebalance the business from insolvency-led appointments
  - Development of machinery and business asset disposal offering
  - Selective bolt-on acquisitions to enhance expertise or geographical coverage

Summary

Summary & outlook

- Further year of progress:
  - continued earnings growth; and
  - first increase in dividend since 2011
- Anticipate continuing our recent track record of earnings growth:
  - benefit of two recent acquisitions
  - ongoing organic investment in both divisions
- Overall in strong position to continue to invest in line with our strategy to grow organically and through selective acquisitions
- Trading update at the AGM in September 2018

Investment case

- Listed on AIM since 2004
- A leading business recovery, financial advisory and property services consultancy with over 570 staff and partners operating across the UK
- As the UK's leading independent business recovery practice, we handle the largest number of corporate appointments, principally serving the mid-market and smaller companies
- Over 65% of the group's activities are derived from counter-cyclical activities
- Our complementary financial advisory and property services activities provide diversified income streams
- We have growth potential across all the group's service lines
- Our board has a progressive dividend policy
- We have developed a strong financial track record

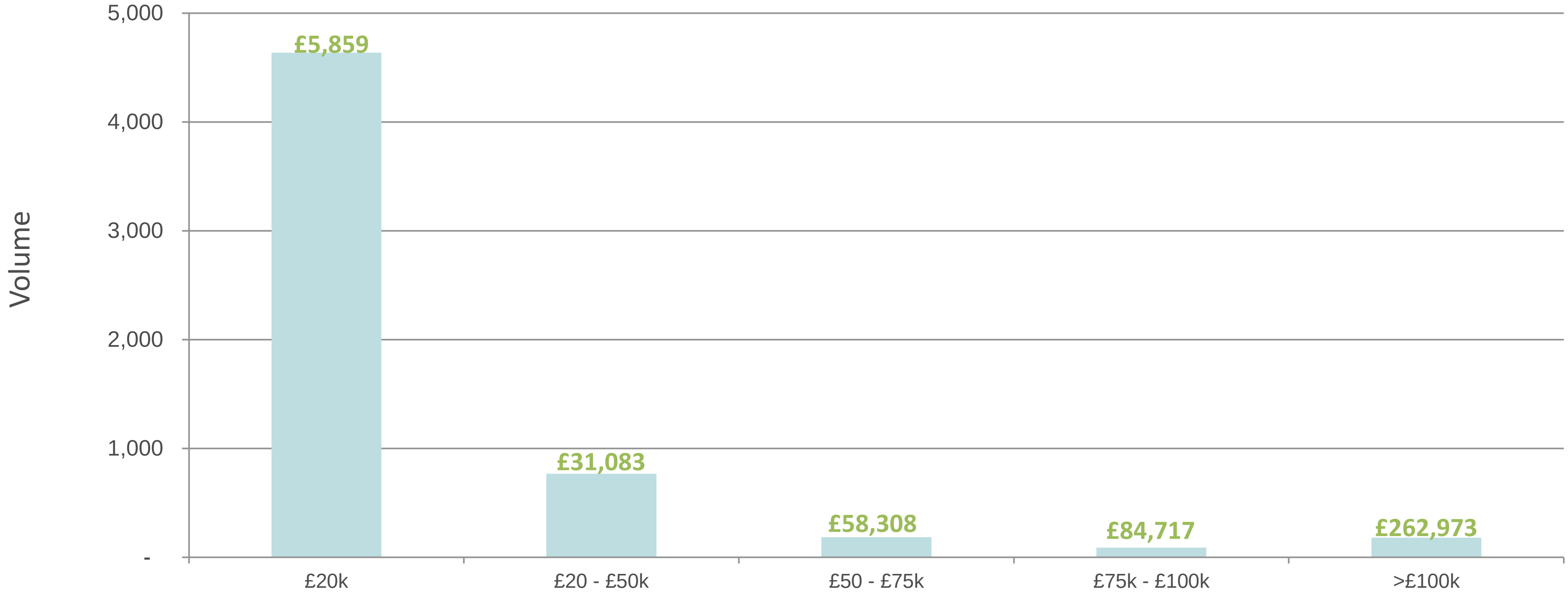
Appendix

Ownership structure

The group has 110.3m shares in issue. The ownership profile is:

Name	% holding
Ric Traynor	24.6%
Other management	4.7%
Major institutions:	
• Hof Hoorneman Bankiers	11.1%
• Fidelity	9.6%
• Insinger Gilissen	6.6%
• Close Brothers	4.8%
• Allianz Global Investors	3.9%

Profile of our insolvency caseload



* *As at 30 April 2018*