Full year results presentation

Presented by

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July 2024

Begbies Traynor Group

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Highlights – a decade of profitable growth

REVENUE

£136.7m (+12%) (2023: £121.8m)

ADJUSTED PROFIT BEFORE TAX

£22.0m (+6%) (2023: £20.7m)

ADJUSTED DILUTED EPS

9.9p (-2%) (2023: 10.1p)

PROPOSED TOTAL DIVIDEND

4.0p (+5%) (2023: 3.8p)

FREE CASH FLOW

£12.4m (2023: £14.1m)

NET (DEBT) CASH

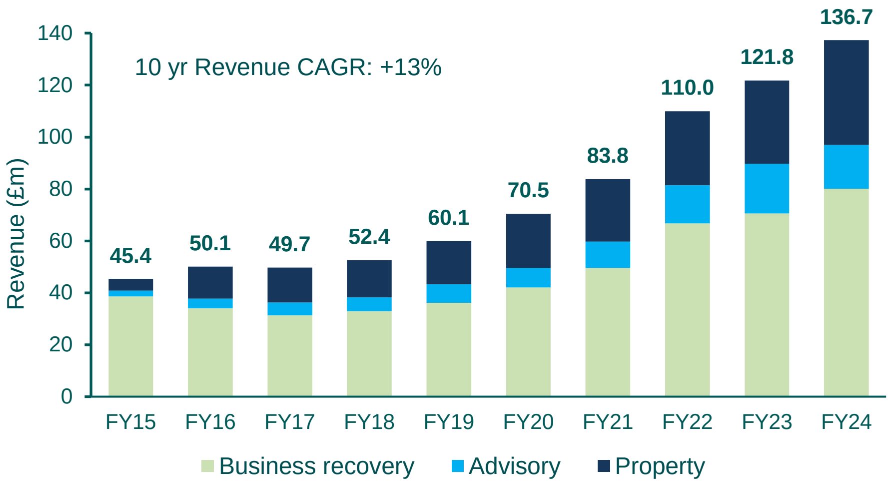
£(1.4m) (2023: £3.0m)

- Overall revenue growth of 12% (6% organic)
  - Business recovery and advisory 7% revenue growth
    - Led by business recovery up 13%
  - Record year for property division with 26% revenue growth
- Four value accretive acquisitions in the year
  - Contributed £5m to reported revenue
- Net debt lower than originally anticipated
  - Absorbed acquisition payments and funding EBT share purchases
- Seventh consecutive year of dividend growth, 5% increase in dividend

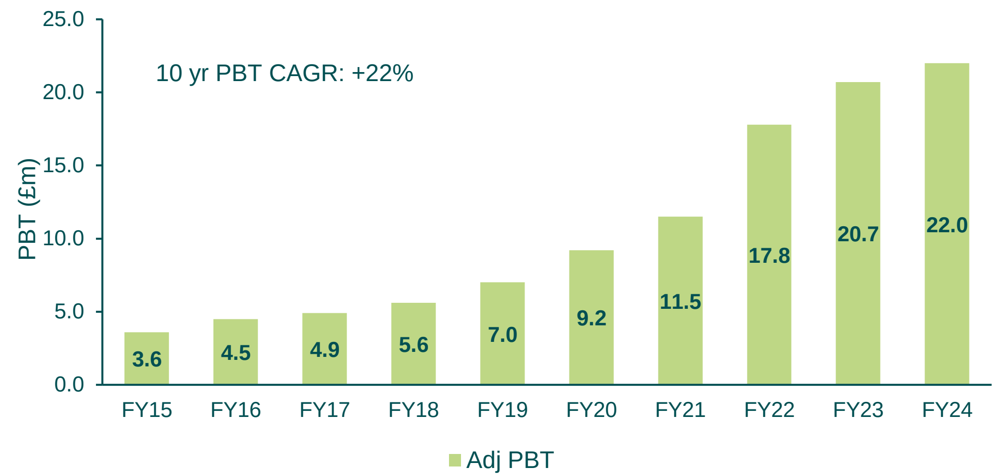
Another successful year of strong financial performance, confident of further year of growth

Consistent profitable growth across the cycle….

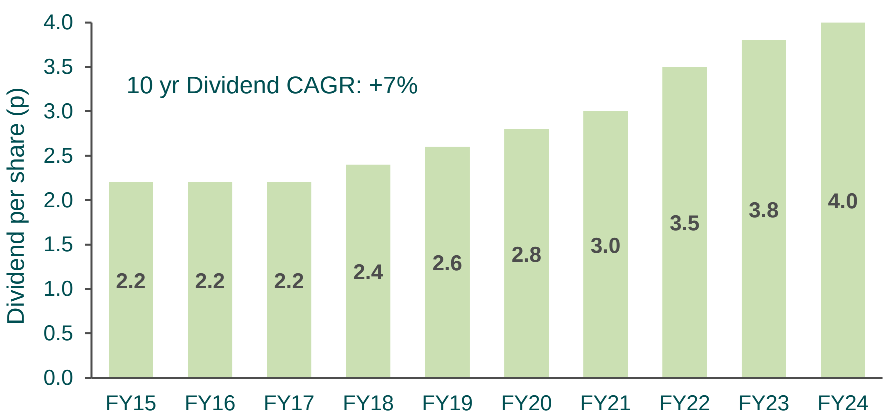
Revenue Growth and Diversification



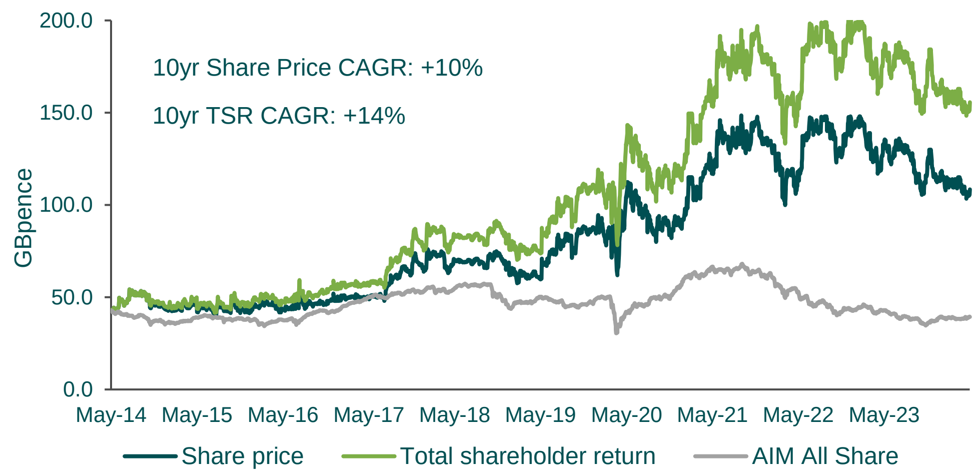
Profit Growth



Dividend Growth



Share Price Performance



….resulting in a leading UK advisory firm

Business recovery and advisory		Property advisory		
Business recovery	**Advisory and corporate finance**	**Valuations**	**Asset sales**	**Property consultancy**
Corporate and personal insolvency	Debt advisory and finance broking	Property	Property auctions	Building consultancy
Business restructuring and turnaround	Corporate finance	Assets	Plant and machinery auctions	Transport planning
Contentious insolvency	Special situations M&A	Businesses	Commercial property agency	Commercial property management
Creditor services	Financial advisory	Loan security	Business sales agency	Insurance and protection

Proportion of FY24 revenue

Financial review

Financial highlights – growth across both divisions

£m	2024	2023
Revenue	**136.7**	121.8
Adjusted EBITDA	**28.5**	26.6
Operating profit	**23.9**	21.8
Adjusted profit before tax	**22.0**	20.7
Adjusted diluted EPS	**9.9p**	10.1p
Dividend per share	**4.0p**	3.8p
Net (debt) cash	**(1.4)**	3.0

- Revenue growth of 12% (6% organic)
- Operating margins of 17.5% (2023: 17.9%)
  - Increases across business recovery and property offset by subdued M&A advisory
  - Central costs as percentage of revenue 6.7% (2023: 6.6%) due to investing in IT and HR capability
- Adjusted profit before tax growth of 6%, reflecting increased finance costs
- Adjusted tax rate of 26% (2023: 21%), reflecting the increase in UK corporation tax (CT) rates
- EPS reduced due to CT rate increase
  - On a constant tax rate EPS would have been 10.6p (an increase of 5%)
- Proposed increase in dividend of 5% - cover of 2.5x (2023: 2.7x)

Reconciliation of adjusted to statutory profit

£m	2024	2023
Adjusted profit before tax	**22.0**	20.7
Acquisition consideration	**(11.1)**	(12.3)
Negative goodwill (gain on acquisition)	**0.8**	4.3
Transaction costs	**(0.3)**	(0.4)
Amortisation of acquired intangibles	**(5.6)**	(6.3)
Non-underlying items	**(16.2)**	(14.7)
Statutory profit before tax	**5.8**	6.0

- **Acquisition consideration**
  - Charged to profit rather than capitalised if contingent on selling shareholders remaining with the group
  - Designed to preserve value of goodwill and customer relationships acquired
  - Payments agreed in sale and purchase agreements
- **Negative goodwill (non-cash)**
  - Consideration not being capitalised results in exceptional gain
- **Transaction costs**
  - Legal and professional fees
- **Amortisation of acquired intangibles (non-cash)**
  - Intangible assets recognised through acquisition accounting (typically brands, customer relationships, order books and websites)

Balanced mix of services driving double digit growth

Insolvency – increased insolvency activity across all case sizes drove increased revenue, profit and margin in the period

Property – strong profit growth and enhanced margins

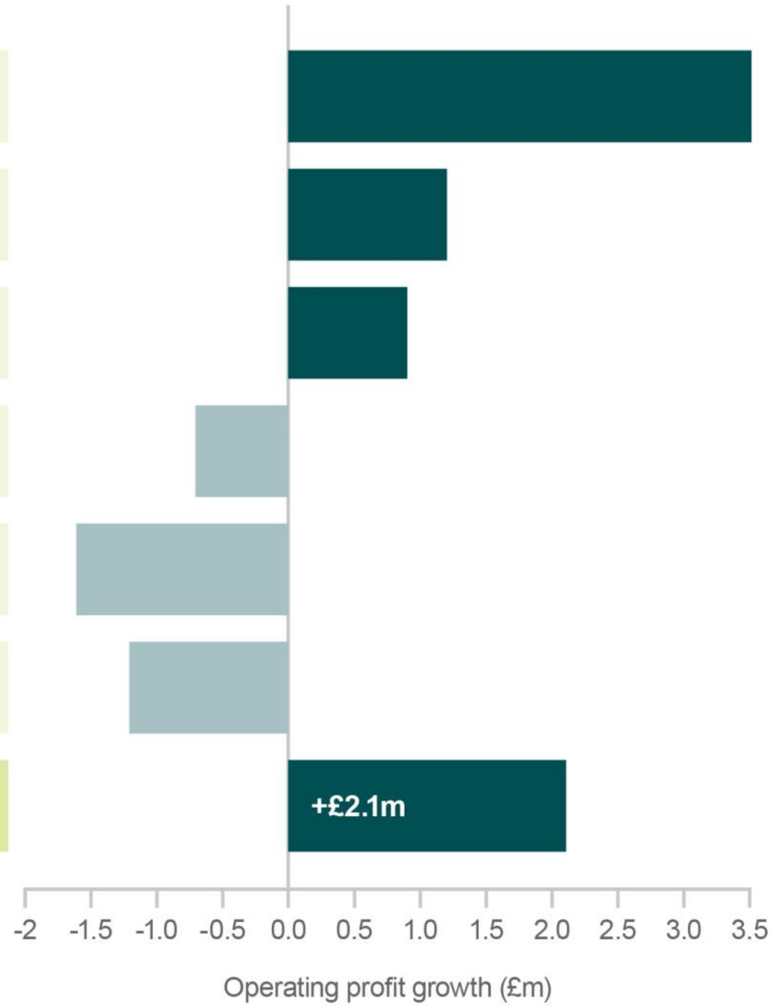
Acquisitions – current and prior year transactions

Strong comparative period in financial advisory – benefitted from number of contingent fees

Reduction in M&A transactions – supported by financing and restructuring engagements

Shared and central costs – investment in IT and HR capability

OVERALL OPERATING PROFIT GROWTH



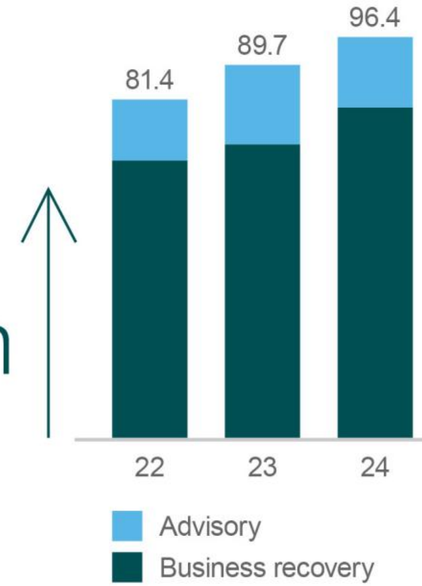
Business recovery and advisory – a further successful year

- Revenue growth of 7% (6% organic)
- Profit increase of 5% with margins of 26.5% (2023: 27.1%)
- Higher levels of insolvency activity driving
  - Revenue increase of 13% to £79.5m (2023: £70.6m)
  - Order book increase of 8% to £71.9m (2023: £66.7m)
  - Improved margins
- Advisory revenue reduced by £2.2m to £16.9m (2023: £19.1m)
  - Quieter M&A market and transactions supported by refinancing and restructuring
  - Giving a resilient and profitable performance
  - Margins reduced due to:
    - Strong comparative period (benefitted from number of contingent fees)
    - Reduction in M&A transactions
- Year end headcount increased to 732 (2023: 694)

Revenue (£m)

£96.4m

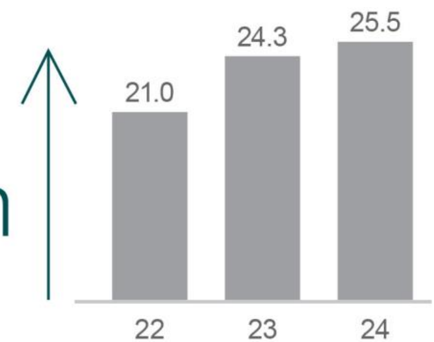
(2023: £89.7m)



Segmental Profits (£m)

£25.5m

(2023: £24.3m)



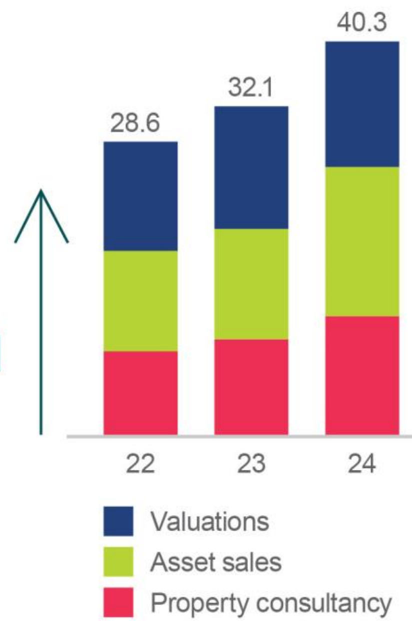
Property advisory – a record year

- Revenue growth of 26% (7% organic)
- Profit increase of 38% with margins improved to 18.9% (2023: 17.1%)
  - Additional consultancy fees of £0.5m benefitting the year with underlying margin of 18%
- Consultancy (40%*)
  - Significant revenue growth of over 20%
  - Continued development of service offering, notably to key clients in education sector
- Asset sales (35%*)
  - Significant revenue growth of over 30% principally driven by on-going investment in auction business
  - Resilient agency performance reflecting strength of local teams and sector focus
- Valuations (25%*)
  - Revenue growth of 10%, principally from Andrew Forbes acquisition
  - Robust organic performance reflecting resilient business and strong panel positions
- Year end headcount increased to 442 (2023: 338)

Revenue (£m)

£40.3m

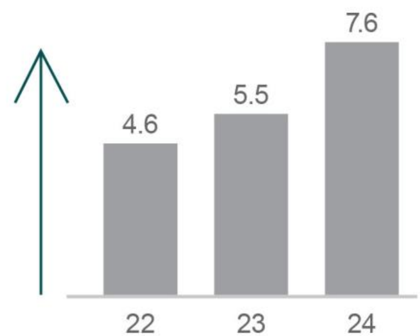
(2023: £32.1m)



Segmental Profits (£m)

£7.6m

(2023: £5.5m)



** % of FY24 revenue*

Investing in our people, processes, sustainability and marketing

People

- Continue to invest in developing our teams
  - Developing talent and learning opportunities
  - Enhanced benefits package in the year to give more flexibility and broader range of benefits

Processes

- Investing in technology to improve processes and efficiency
  - Scale and improve operational processes through increased levels of automation
  - Utilising in-house skills to deliver successful implementation
  - Ongoing projects to migrate to cloud based solutions

Sustainability

- Good progress during the year across both people well-being and environmental impact

Digital marketing

- Successfully increased income from internet-led direct marketing activities
  - Bolstering our leadership of the liquidation market
  - Driving growth in property advisory

Enabling efficiencies and sustainable growth

Strong financial position with new, enhanced bank facilities

£m	2024	2023
Adjusted EBITDA	**28.5**	26.6
Working capital	**(3.5)**	(2.8)
Cash from operating activities	**25.0**	23.8
Tax	**(6.7)**	(5.3)
Other payments (interest, capex, lease payments)	**(5.9)**	(4.4)
Free cash flow	**12.4**	14.1
Dividends	**(5.9)**	(5.4)
Acquisition payments (net of cash acquired)	**(8.5)**	(10.6)
Purchase of own shares (net of proceeds)	**(2.4)**	0.2
Decrease in net cash	**(4.4)**	(1.7)

- Net debt of £1.4m at 30 April 2024 (2023: net cash £3.0m)
- New and enhanced facilities agreed in February 2024
  - £25m unsecured, committed RCF (£7m utilised at April 2024) and a £10m accordion
  - Costs broadly in line with previous facility
  - Three-year term to February 2027 with two one-year extension options giving potential maturity in February 2029

Guidance - confident of further year of growth

- Confident of outlook, in line with current market expectations*
- Business recovery well-placed to continue track record of growth
  - Insolvency activity at elevated levels
    - sustained higher interest rates impacting on corporate stress
    - anticipated to be maintained going into 2025 as the economy recovers
  - Well-placed to provide advice and support to the business community
- Advisory and corporate finance teams expected to improve performance
  - Encouraging pipeline of M&A instructions and an anticipated recovery in M&A activity later in the year
  - Continuing positive activity levels in debt advisory and funding
- Property advisory well-placed to build on recent strong track record
  - Good prospects for further acquisitive and organic development across all core disciplines
- Cash generation and recently renewed and enlarged debt facility gives flexibility to execute growth strategy
- Update at AGM in September 2024

** current range of analysts' forecasts (as compiled by the company) for year ended 30 April 2025 - revenue of £142.1m-£146.3m and adjusted PBT of £23.1m-£24.3m*

Divisional review

Business recovery and advisory: a further successful year

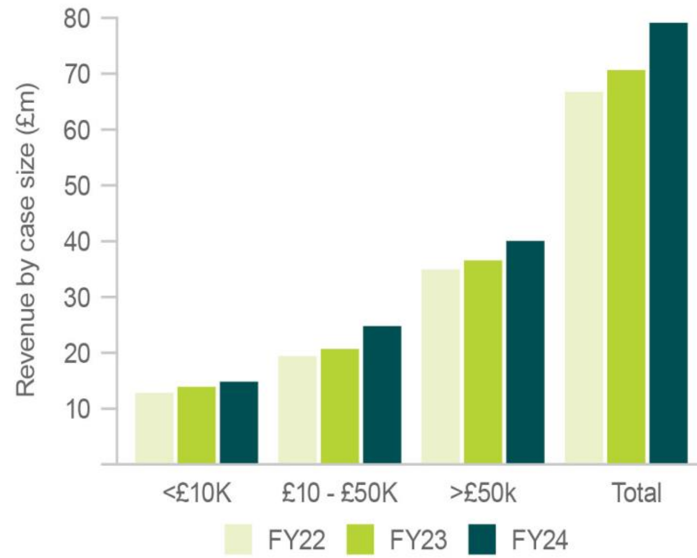
Business recovery

- Continuing revenue growth across all case sizes
  - Larger more complex appointments represent 50% of revenue
  - Regional network and digital marketing provide more routine cases
- Market-leading positions maintained by volume, ranked:
  - First nationally for overall appointments
  - Second nationally for administrations
- Notable cases include:
  - Administrations of Worcester Rugby Club and receivership of Britishvolt EV battery site continued
  - New administrations of Readie Construction, Breathe EV, Fortress Capital and Thought Fashion
  - Ongoing momentum with new administrations since the year end

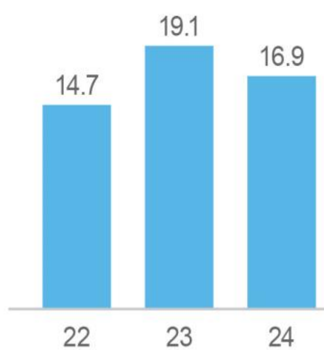
Advisory

- Well-placed to deliver further growth
  - Senior recruitment ongoing and potential acquisitions
  - Encouraging pipeline of M&A advisory transactions and anticipated recovery in M&A instructions

Business recovery revenue by case size



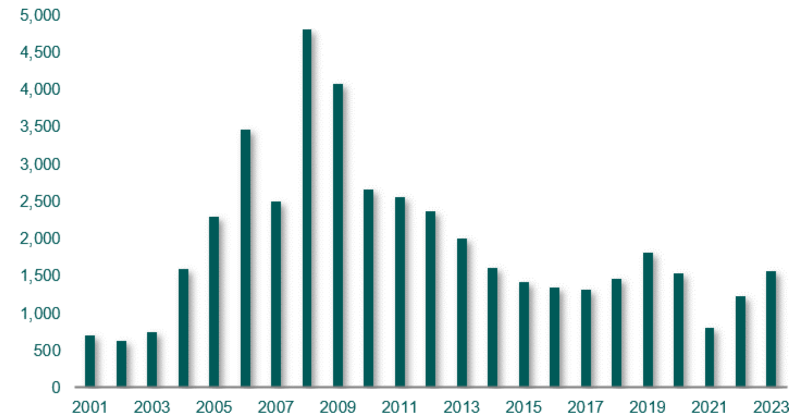
Advisory revenue (£m)



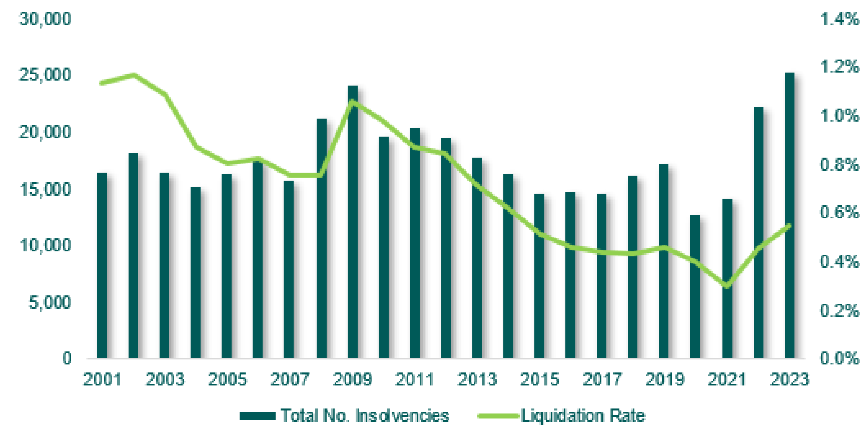
Elevated level of insolvencies expected to be maintained

- Administrations (typically larger insolvencies) remain significantly below previous peak (2008)
- Liquidation rate at c.0.5% is less than half previous recessionary peak of >1.0%
- Normalised interest rates anticipated to sustain higher activity
  - Contrasts with benign environment during and following 2008-2010 recession
  - Red Flag research showing increase in distress levels
  - Allianz Trade forecasting further 10% increase in 2024 and remaining at elevated levels in 2025
- Increased insolvency practitioner capacity to 98 from 93 last year
  - Total professional team of 625 (2023: 597)

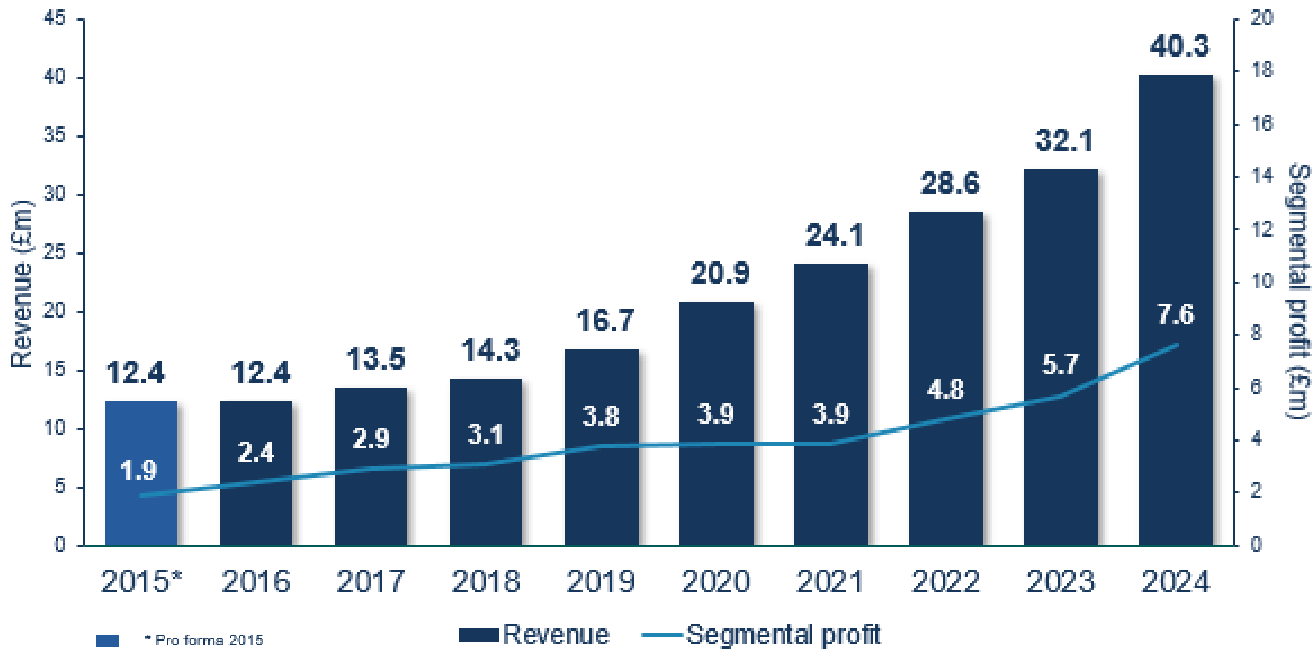
Administration appointments



Corporate insolvencies



Ten years of accelerating growth in property advisory



- Division created through acquisition of Eddisons in Dec 2014
- Significantly increased scale from £12m at inception to current run rate of £45m
- Grown from a Yorkshire-based multi-disciplinary property consultancy to a well-regarded mid-tier national firm, retaining and operating under the Eddisons brand
- Demonstrated resilience through the cycle, reporting strong growth and improving profitability
- Completed 15 acquisitions in ten years with an investment cost of £34m
- Team increased from 135 to 442 – reflecting the expanded range of services and coverage

A record year for our property team with continuing expansion

- **Asset sales** - further investments to boost team
  - Auctions now national practice with pro-forma revenue c.£10m
    - Property, plant and machinery sales
    - Acquisition of SDL in Dec 2023, follows Mark Jenkinson (prior year)
    - Now marketing over 250 lots per month
  - Acquisition of Banks Long in May 2023 – general practice
    - Strong commercial property agency team
    - Strengthened presence across Eastern England and South Yorkshire
  - Capital value of over £300m of assets sold – increase of 50% from FY23
    - Ranked a top 5 agent in 2024 by volume (Source: Estates Gazette)

- **Property consultancy** - growth continues with plans for further development
  - Continuing growth to key clients in education sector - recruited head of sustainability and decarbonisation
  - Synergy and cross-selling benefits from growth in wider business
- **Valuations** - geographic expansion
  - Andrew Forbes acquisition in November 2023 - extended into South West region
    - Expect to benefit from enhanced panel exposure to deliver revenue synergies
  - Ongoing recruitment plans to increase the team

Significant opportunities to consolidate in our fragmented market

Strategy for growth

Proven growth strategy executed successfully since 2014

Organic growth

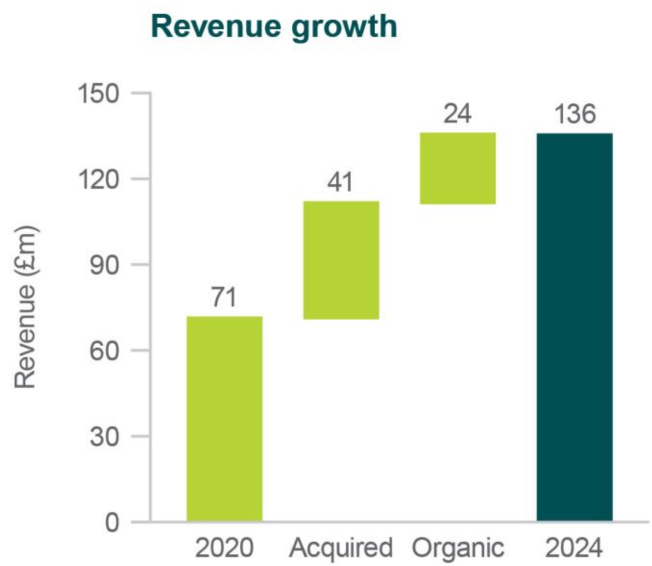
- Retention and development of our existing partners and employees
- Recruitment of new talent
- Enhanced cross-selling of our service lines and expertise to our wider client base
- Investment in technology and processes to enhance working practices and improve the service to our clients

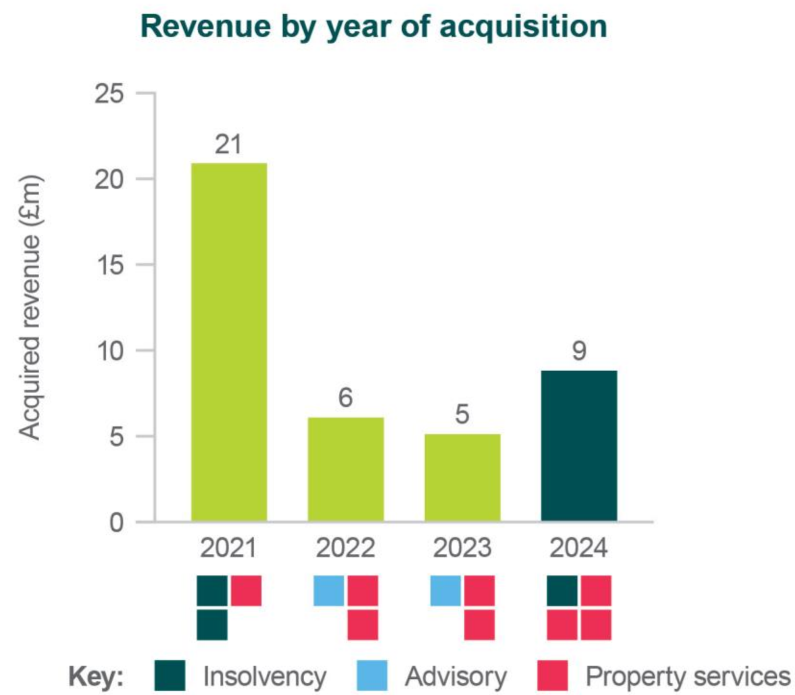
Acquisition strategy

- Value-accretive acquisitions in any of the following market segments
  - Existing service lines to enhance market share, expertise and geographical coverage
  - Complementary professional services businesses to continue the development of the group and its service offering

Ambition to maintain growth track record with medium term revenue target of £200m

Acquisitions accelerating growth, diversification and resilience





- Significant increase in scale of group resulting from growth strategy
  - Well-established process for identification, valuation, acquisition and integration of target businesses
  - 13 value enhancing acquisitions delivering revenue and operating synergies
- Cash generation, strong balance sheet and facility headroom underpin capacity for further acquisitions

Summary - confident in our strong platform for future growth

- Successfully executed growth and diversification strategy since 2014
  - Driven material growth over the period
    - CAGR of 13% revenue and 22% adjusted PBT

- Results for the year built on strong track record with growth across both divisions
  - Delivering seventh successive year of dividend growth

- Started FY25 with encouraging activity levels in all service lines and positive momentum
  - Market conditions for the group's services remain positive
  - Strong cash generation and enlarged debt facility gives flexibility to execute growth strategy

Ambition to maintain growth track record with medium term revenue target of £200m

Investment case

- Strong track record of cash generative, profitable growth
  - Well-established progressive dividend policy
- Strongly positioned for further growth
  - Market leading business recovery practice
  - Strong growth in non-insolvency activities
- High levels of repeat business
  - Extensive, long-established client base and referral network
- Highly experienced board and leadership team
- Proven growth strategy
  - Continued organic investment complemented by earnings-accretive acquisitions

Ambition to maintain growth track record with medium term revenue target of £200m

Questions

Appendix

FY25 analyst metrics

- Business recovery and advisory
  - Organic revenue growth for the division broadly in line with FY24
  - Expected recovery of M&A activity c£1.5m revenue impact at c40% margin
- Property advisory
  - Full year impact of FY24 acquisitions: revenue £3.0m and profit £0.2m (net of non-recurring consultancy fees)
  - Organic revenue growth for the division broadly in line with FY24
  - Investment cost of senior recruitment c£0.5m
- Central costs as % of revenue maintained at c7%
- Operating margins expect to be maintained at FY24 levels
- Finance costs to increase by £0.2m
- Adjusted tax rate 26% (FY24: 26%)
- Weighted average shares for FY25 EPS calculation: basic c160.0m; diluted c168.5m
- Non-cash items: depreciation maintained at c£4m and share based payment expense £1.2m
- Cash outflows
  - Working capital consumption on revenue growth - £3-5m
  - Provision utilisation c£1m
  - Cap-ex of c£1.5m
  - Tax payments (FY25 liabilities)
  - Dividends (interim £1.9m paid May 2024, final £4.1m payable November 2024)
  - Capital element of lease payments increase to £2.6m
  - Contingent consideration payments of £8.0m

Acquisition accounting and payments

£m	FY25	FY26	FY27	FY28	TOTAL
P&L items					
Amortisation	3.3	2.7	1.3	0.8	8.1
Acquisition consideration	8.9	7.6	3.9	1.3	21.7
Contingent consideration outflows					
Cash payments	8.0	5.7	4.9	0.6	19.2
Share issues	1.3	1.4	0.7	-	3.4
Total consideration	9.3	7.1	5.6	0.6	22.6
Net balance sheet accrual					(0.9)

Ownership structure

The group has 159.3m shares in issue. The ownership profile is:

Name	% holding
Ric Traynor	17.1
Other directors	2.6
Major institutions:	
• Close Brothers	7.3
• Amati Global Investors	5.6
• OVMK Vermogensbeheer	4.6
• Gresham House Asset Management	3.9
• River Global Investors	3.8
• Slater Investments	3.7
• Columbia Threadneedle Investments	2.1
• Castlefield Investments	1.5