Begbies Traynor Group

# Full year results presentation

Ric Traynor – Executive Chairman

Nick Taylor – Group Finance Director

July 2021

# Highlights - strong performance ahead of original expectations

**REVENUE**

**£83.8m (+19%)** (2020: £70.5m)

**ADJUSTED PROFIT BEFORE TAX**

**£11.5m (+25%)** (2020: £9.2m)

**ADJUSTED EPS**

**6.9p (+21%)** (2020: 5.7p)

**PROPOSED TOTAL DIVIDEND**

**3.0p (+7%)** (2020: 2.8p)

**FREE CASH FLOW**

**£12.3m** (2020: £7.7m)

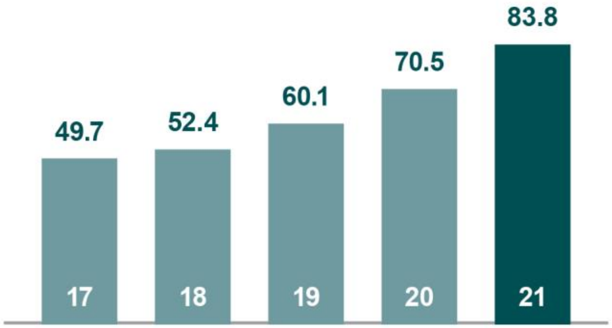
**NET CASH (DEBT)**

**£3.0m** (2020: (£2.8m))

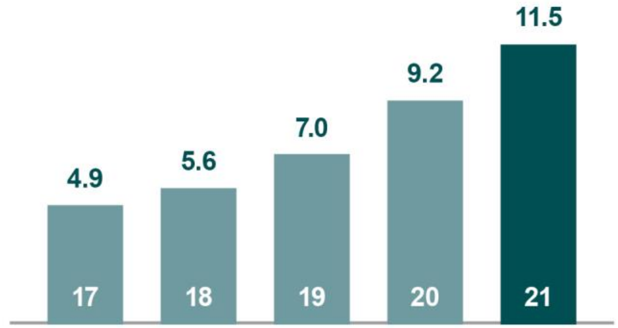
- A year of real progress for the group
  - Results ahead of original expectations
  - Strong financial performance
    - Another year of growth in revenue and adjusted profits
    - Net cash at year end for the first time
  - Material earnings-enhancing acquisitions increased scale of group and capabilities
- Group in strong position as we start new financial year

# Strong financial track record

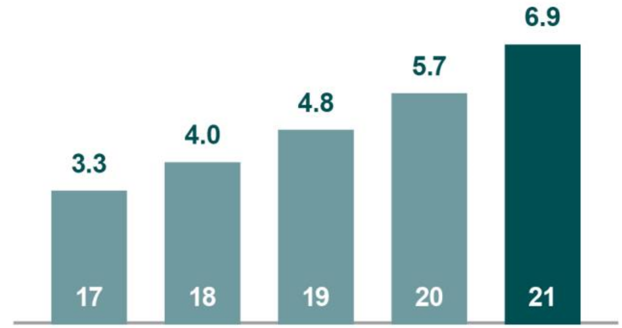
**Revenue (£m)**



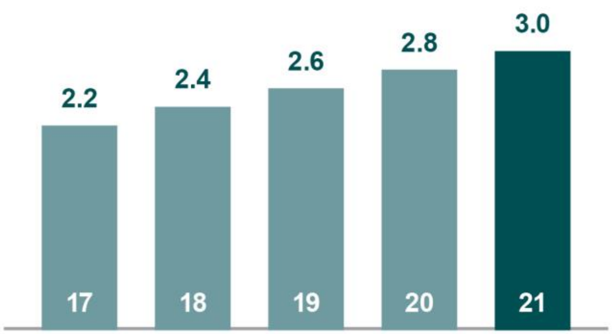

**Adjusted profit before tax (£m)**



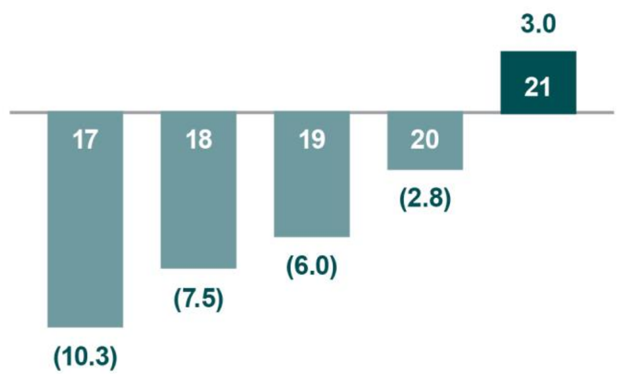

**Adjusted basic EPS (p)**




**Dividend (p)**




**Net cash (debt) (£m)**




- Adjusted PBT and EPS more than doubled
- Annualised growth* rates of:
  - 14% revenue (7% organic)
  - 20% adjusted EPS (10% organic)
  - 8% dividend
- 13 value enhancing acquisitions completed

** CAGR from FY17-FY21*

# Operating and finance review

# Financial highlights

| £m | 2021 | 2020 |
|---|---|---|
| Revenue | **83.8** | 70.5 |
| Operating profit (before amortisation and transaction costs) | **12.4** | 10.1 |
| *Margin* | ***14.8%*** | *14.3%* |
| Adjusted profit before tax | **11.5** | 9.2 |
| Adjusted basic EPS | **6.9p** | 5.7p |
| Dividend per share | **3.0p** | 2.8p |
| Net cash (debt) | **3.0** | (2.8) |

- Revenue growth of 19% (13% acquired, 6% organic)
- Improved operating margins to 14.8%, reflecting benefits of scale
- Adjusted profit before tax increase of 25%
  - Absorbed lockdown profit impact of £1.3m (2020: £0.6m)
  - No claims made under Government Covid support schemes
- Adjusted tax rate of 20% (2020: 21%)
- Adjusted basic EPS growth of 21%
- Proposed increase in dividend of 7%

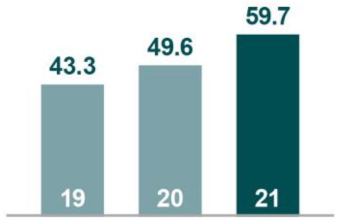
# Business recovery and financial advisory

- Revenue growth of 20% (14% acquired, 6% organic)
  - Contribution from current and prior year acquisitions
  - Strong performance from advisory team
  - Robust performance from business recovery, despite the suppressed market
- Margins increased to 24.6% (2020: 23.4%)
- Significant investments through acquisition
  - CVR (January 2021) and DRP (March 2021)
  - Integration completed on target and initial trading in line with expectations
  - Two portfolios of personal insolvency cases in Scotland and team of five fee earners
- Robust performance against challenging market backdrop
  - Suppressed insolvency market: 34% decrease in corporate insolvencies in year ended 31 March 2021 to 11,081 (2020: 16,840), the lowest level since 1989
  - Order book of committed insolvency revenue increased by 49% to £28.3m (2020: £19.0m) due to acquisitions
    - Organic order book maintained over the year
- Year end headcount increased by 41% to 555 (2020: 394)
  - 159 joining through acquisitions

**REVENUE (£m)**

£59.7m

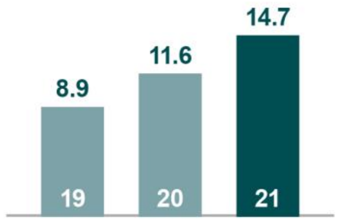
(2020: £49.6m)




**SEGMENTAL PROFITS (£m)**

£14.7m

(2020: £11.6m)



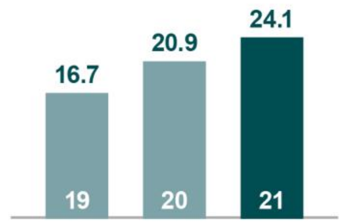
# Property advisory and transactional services

- Revenue growth of 15% (9% acquired, 6% organic)
  - Current and prior year acquisitions;
  - Organic development; offset by
  - Impact of lockdown in Q1 of financial year
- Margins of 16.2% (2020: 18.7%) impacted by lockdown
  - Revenue reduced by c£1.7m and profits by c£1.3m from normal levels
  - Commercial property agency, valuation and auctions; business sales agency
  - Activity improved over the year - returned to pre-lockdown norms in Q4
- Robust organic performance
  - Plant and machinery and insurance teams increased activity levels from prior year
  - Consultancy and property management teams maintained prior year levels
- Building consultancy showed strong growth
  - Significant increase in funding for education sector projects; 50% increase on prior year
  - Project management fees increased to £2.2m (2020: £1.0m)
- Acquired London-based HNG
  - Property management, agency and lease advisory
  - Performed in line with expectations and integration planned for new financial year
- Year end headcount increased to 306 (2020: 281)
  - 13 joining through acquisition

**REVENUE (£m)**

£24.1m

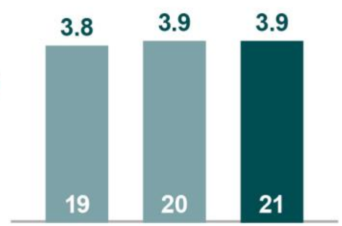
(2020: £20.9m)




**SEGMENTAL PROFITS (£m)**

£3.9m

(2020: £3.9m)



# Acquisitions

**CVR Global – January 2021**

- Insolvency and advisory – London, South of England and offshore
- Revenue £9.5m and adjusted PBT £1.2m
    - Synergies at least £0.75m when fully realised
- Max consideration £20.8m:
    - £12.0m initial (cash free, debt free)
    - £4.0m contingent: profit enhancing conditions in years 1-3
    - £4.8m earn out: successful realisation on three long-running contentious insolvencies

**DRP – March 2021**

- Insolvency – significant increase in key London market
    - Built on CVR acquisition
- Revenue £10.3m and adjusted PBT £3.3m
- Max consideration £25.0m:
    - £12.0m initial (cash free, debt free)
    - £8.0m contingent: maintaining performance in years 1-4
    - £5.0m earn out: growth in years 1-5

**HNG – February 2021**

- London property services
    - Develops existing service lines and increases capabilities
- Revenue £1.5m and adjusted PBT £0.2m
- Max consideration £1.0m:
    - £0.4m initial (cash free, debt free)
    - £0.6m contingent: stretching targets in years 1-2

**MAF – May 2021**

- Finance broking
    - Complements services and deepens relationships with lenders
- Revenue £3.1m and adjusted PBT £0.3m
- Max consideration £11.75m:
    - £3.0m initial (cash free, debt free)
        - £2.0m cash
        - £1.0m in plc shares
    - £8.75m earn out (at last 2/3 cash, balance in shares)
        - £2.0m for average PBT growth to £1.0m in years 1-2
        - £6.75m for average PBT growth to £2.0m in years 3-4

***Integration projects on target and financial performance in line with expectations***

# Strong financial position with significant liquidity

| £m | 2021 | 2020 |
|---|---|---|
| Free cash flow | **12.3** | 7.7 |
| Net proceeds from share issues | **20.9** | 7.8 |
| Acquisition and deferred consideration payments | **(23.9)** | (9.1) |
| Dividends | **(3.6)** | (3.2) |
| Increase in net cash | **5.7** | 3.2 |

- Increased free cash flow from operating profit and favourable working capital movement
- Fundraising of £22.0m (£20.9m net of expenses) completed in March 2021
  - Vendor placing of £10m to fund DRP acquisition
  - Cash placing of £12m (£10m institutional investors, £2m retail offer)
- Acquisition payments of £23.9m: current year acquisitions of £20.9m and prior year acquisitions of £3.0m
  - Deferred consideration payments in FY22 of £5.1m – details in appendix
  - Well-covered by anticipated free cash flow
- Significant liquidity in committed facilities and net cash at 30 April 2021 of £3.0m
  - £25m unsecured, committed RCF - £5m utilised at April 2021
  - £5m unsecured acquisition/growth facility
  - Facilities mature in August 2023

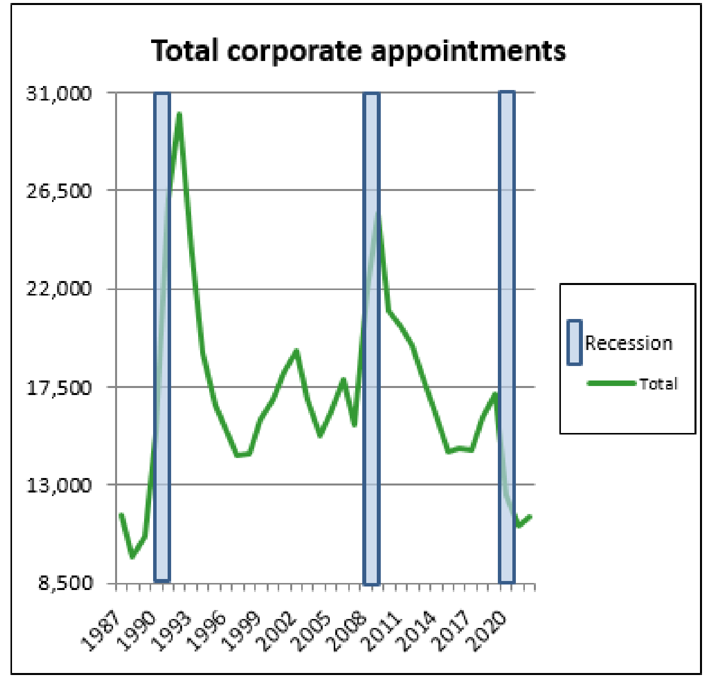
# Outlook - start new financial year in strong position

- Well-positioned to deliver anticipated material growth in earnings
  - Full year impact of FY21 acquisitions
  - MAF acquisition completed in new financial year
  - Organic growth from insolvency market recovery anticipated from H2
  - Normal trading activity in property services maintained – well-placed to deliver growth
- Overall, anticipate results will have greater second half weighting
- Further update on activity levels at AGM in September

# Operating and strategic review

# Insolvency market

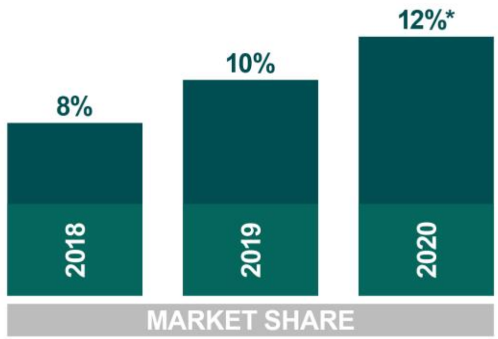
- **Key factors in current market**
  - Continuing significant Government support for corporates
  - Lack of creditor pressure – HMRC, banks, landlords
  - Court backlogs due to lockdown
  - Reduction in national appointments to 11,081* (2020: 16,840)
- **Legislation changes**
  - Temporary prohibition on certain winding up petitions/stat demands extended to September 2021
  - Prevention of forfeiture of leases for non-payment of rent extended to March 2022
  - New moratorium procedure: relaxed entry requirements extended until 30 September 2021
- **Potential catalysts for growth**
  - Return to more normal environment
  - End of Government support
  - Creditor pressures increasing
  - Significant increase in corporate debt
  - Working capital funding pressures

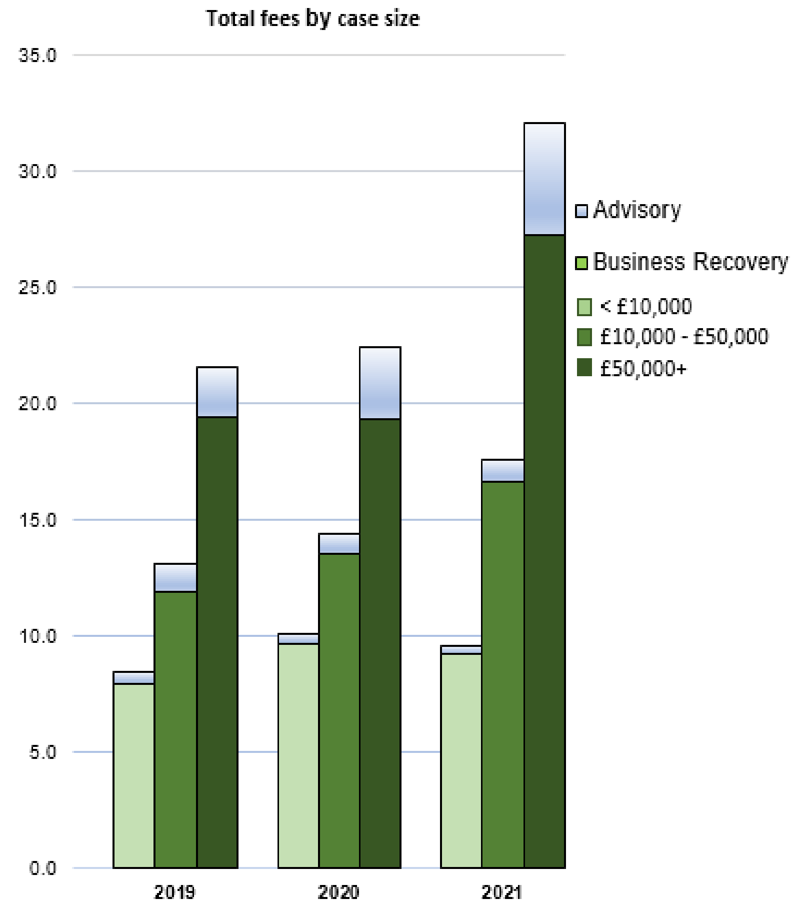



** Insolvency Service quarterly statistics seasonally adjusted basis for 12 months to 31 March 2021 (excluding compulsory liquidations)*

# Recovery and advisory: robust performance in a challenging environment

- Increase in organic fee income from larger cases offsetting volume reductions in insolvency
- High profile appointments include:
  - Wigan Athletic Football Club;
  - Football Index, the on-line football gaming site; and
  - Retailers, Brooks Brothers UK and Ralph & Russo.
- Financial advisory had successful year:
  - Increased corporate finance income following deal completions
- Progressive increases in insolvency market share in recent years from organic development and acquisitions




* *Collective CVL, administration and CVA appointments for Begbies Traynor, CVR and DRP in 12 months to December 2020*

# Recovery and advisory: significant increase in scale and capabilities

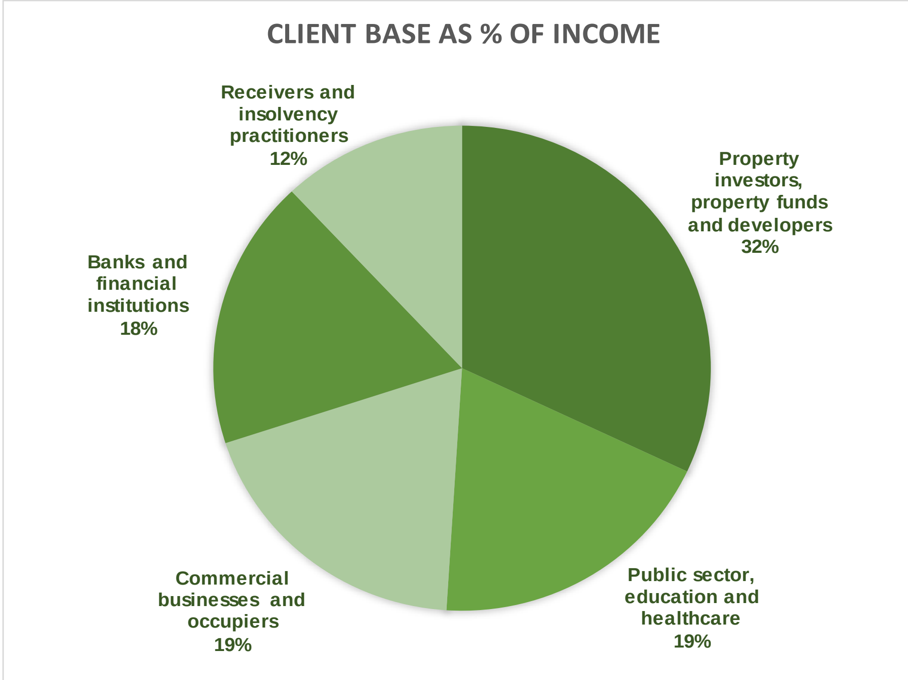
- Transformative acquisitions completed
  - Divisional revenue increased by c.40% on a pro-forma* basis
- Material increase in scale in key London market
  - Annual fee income from London offices increased to c.£28m from £13m**
  - Enlarged London team of 26 partners is a very significant market participant
- Enhanced advisory capabilities including forensic accounting and pensions advisory
- First offshore locations, enhancing BTG Advisory
- MAF Finance Group acquired post year-end
  - Finance broking complements existing advisory and transactional services
  - Deepens existing relationships with banks and other lenders
- Capacity to deliver significant growth in revenue and profit

** Annual pre-acquisition revenue from CVR, DRP, MAF compared to FY21 divisional revenue excluding part year contribution from CVR and DRP*

*** Pro-forma basis of FY21 run-rate of Begbies Traynor London offices add CVR London office income in year ended 31 March 2020 add DRP fee income in year ended 30 April 2020 - £13m run rate of run-rate of Begbies Traynor London offices pre CVR and DRP*

# Property – broad portfolio provides growth opportunities

- Significant insolvency capability will benefit from market recovery
  - Plant and machinery valuation and disposal
  - Property – receivership, auctions and agency
  - Specialist insurance broker – property and other assets
  - Vacant property risk management
- Public sector growth opportunities
  - NHS – lease advisory contract win
    - Three year contract with total value c£3m
    - Awarded following tender process
  - Continued focus on education sector
  - Further opportunities for targeted organic growth
- Banks and financial institutions
  - Strong relationships embedded through panel positions
- Acquisition opportunities to enhance expertise and coverage



# Strategy – balance of organic and acquisition

*To enhance shareholder value through the delivery of strong, sustainable financial performance*

**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
- Insolvency to increase market share
- Property services to enhance expertise or geographical coverage
- Complementary professional services businesses to continue the development of the group and its service offering

**Our strategic objectives**

1. Increase the scale and quality of our businesses both organically and by acquisition
2. Deliver sustainable profitable growth, enabling increased shareholder value
3. Maintain our strong financial position enabling the investment in and development of the group and our people
4. Continue to ensure high standards of corporate governance and responsibility

# Summary - strong position and confident in our outlook

- Significant increase in scale of group and capabilities
- Recovery and advisory business well-placed to continue recent track record of growth
  - Uncertainty around timing of removal of government support measures
  - Expect increase in UK insolvency appointments from H2 of new financial year
  - Well-placed to service increase with increased scale and capabilities
- Property well-placed to deliver growth
- Strong financial position to finance future organic and acquisitive growth
- Further update on activity levels at AGM in September

***Benefit of acquisitions and organic growth leaves group well-positioned to deliver anticipated material growth in earnings in the new financial year***

# Questions

# Appendix

# A leading professional services consultancy

### Corporate and personal insolvency

We handle the largest number of corporate appointments in the UK, principally serving the mid-market and smaller companies.

### Corporate finance

Buy and sell side support on corporate transactions.

### Financial advisory

Debt advisory, due diligence and transactional support, accelerated corporate finance, pensions advisory, business and financial restructuring, forensic accounting and investigations, finance broking.

### Valuations

Valuation of property, businesses, machinery and business assets.

### Transactional services

Sale of property, machinery and other business assets through physical and online auctions; business sales agency; commercial property agency.

### Property consultancy, planning and management

Building consultancy, lease advisory, commercial property management, specialist insurance and vacant property risk management, transport planning and design.

**Comprehensive Network**
of locations across the UK

**985**
**partners and staff**
following all recent acquisitions

CAGR in adjusted EPS
**of 20%**
in last four years

**Professional Staff**
Licensed Insolvency Practitioners / Accountants / Chartered Surveyors / Lawyers

# Well placed with counter-cyclical focus

## Our activities

**70% Counter-cyclical activities**

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

**20% Cyclical activities**

- Corporate finance
- Finance broking
- Valuation of commercial properties
- Commercial property agency
- Asset sales
- Business sales
- Transport planning and design

**10% Uncorrelated activities**

- Due diligence and transaction support
- Forensic accounting and investigations
- Pensions advisory
- Property auctions
- Building consultancy
- Commercial property management
- Lease advisory

*Profile reflects current group activities*

## Our businesses

Begbies Traynor

BTG Advisory

Springboard Corporate Finance

maf finance group

Eddisons

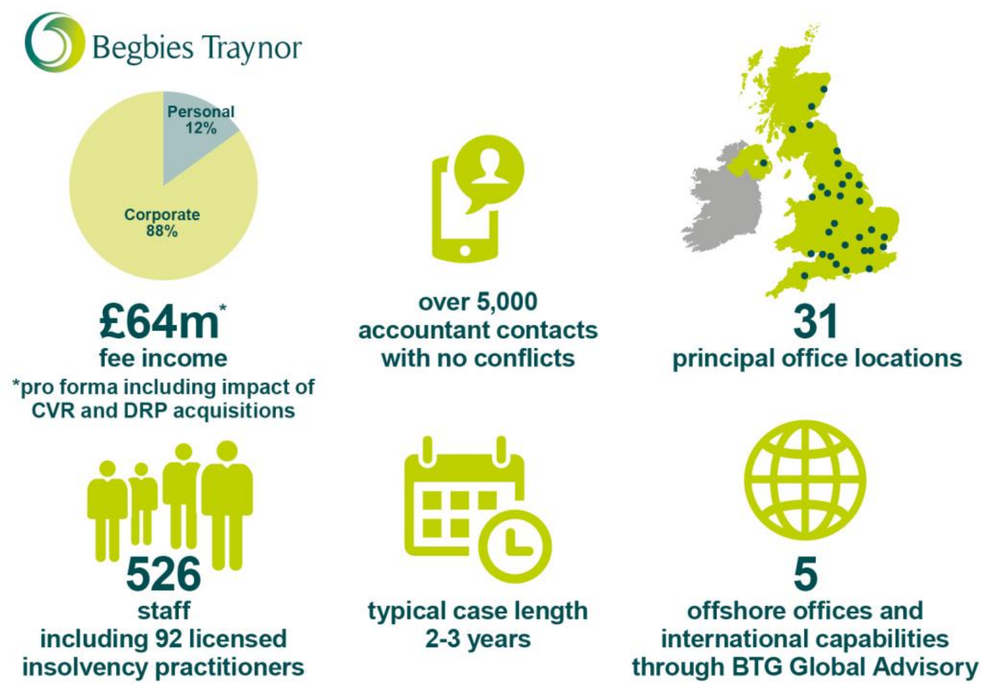
Pugh Part of Eddisons

EST 1956 Ernest Wilson THE PREMIER BUSINESS AGENT

# Business recovery

- **UK's leading independent business recovery practice**
  - Handle the largest number of corporate appointments in the UK
  - c. 2,000 new appointments per year
  - Focus on 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



# Marketplace

| Firms |
|---|
| EY, PWC, Teneo (ex-Deloitte), Interpath (ex-KPMG)<br>American boutiques<br>*Alvarez & Marsal, FTI, Alix Partners, Kroll (Duff & Phelps)* |
| National accountancy firms<br>*Grant Thornton, BDO, RSM*<br>National specialists<br>*Begbies Traynor, FRP, Quantuma, Leonard Curtis* |
| Local boutiques |

| Largest appointment takers | 2020 |
|---|---|
| Begbies Traynor* | 1,521 |
| FRP | 578 |
| Quantuma | 459 |
| Leonard Curtis | 376 |
| | |
| TOTAL | 12,361 |
| Market share | 12%* |

*Source: Administrations, CVLs and CVAs as disclosed in the London, Edinburgh and Belfast Gazettes, Accountant in Bankruptcy, Companies House and excluding compulsory liquidations in calendar 2020*
** Pro-forma including 12 months of CVR and DRP appointments*

# Financial advisory

- **Services:**
  - Advisory - Debt advisory, due diligence and transaction support, accelerated corporate finance, pensions advisory, business and financial restructuring
  - Corporate finance - Buy and sell side private company transactions
  - Finance broking
  - Forensic accounting and investigations - fraud and financial crime investigations, expert witness for dispute resolution
  - Complementary to business recovery
  - Use of similar resource or contact basis
- **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
  - Finance broking: commission on finance raised
- **Opportunity to broaden and develop service lines**

BTG Advisory


**£12m*** fee income
*pro forma including impact of CVR and MAF acquisitions

**82** dedicated staff together with 24 staff working across insolvency and advisory

Springboard Corporate Finance

buy and sell side support on corporate transactions

maf. finance group

raised finance in excess of £150m for its clients in last financial year

**6** principal office locations

# Property services

- **Services**
- **Valuations**
  - valuation of property, small to medium sized businesses, machinery and business assets
- **Asset sales**
  - sales of property, machinery and other business assets through physical and on-line auctions;
  - business sales agency
  - commercial property agency
- **Consulting, planning and management**
  - 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
  - Lease advisory
  - Specialist 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


£24m*
fee income
*pro forma including impact of HNG acquisition

Pugh
Part of Eddisons
largest regional property auctioneer

largest insolvency focussed plant & machinery team in the UK

20
office locations

306
dedicated staff

# ESG Overview

### Environment

- **Formed a Sustainability Group -** to develop and manage action plan to set realistic and achievable targets to reduce emissions in the coming years.
- **Emissions and energy consumption** decreased in the year due to:
  - change in working patterns during the periods of lockdown with reduced amounts of travel.
  - CO2e conversion factor for electricity usage reduced by 17% between the 2021 and 2019.
- **Engaged third party consultants to complete an ESOS report** and provide recommendations of potential actions to reduce GHG emissions.

### Social

- **Employee engagement** – national survey completed by 64% of eligible employees (comparator average 70%) with an overall positive engagement score of 75% (comparator average 71%).
- **Employee development** – supported 99 of our team to gain their professional qualifications.
- **Retention rate**[1] over the last financial year **improved to 92% (2020: 89%).**
- **Sharing our success** - 48%[2] of our colleagues participate in either SAYE or share option schemes.
- **Diversity across the Group** - at 30 April 2021 our total workforce of 940 colleagues comprised 545 males and 395 females.
- **Community involvement** – support communities and charities through a range of activities, financial support and sponsorship. Moving forwards teams able to use four days of work time pa to volunteer and support charities. Also, provide opportunities for people to gain work experience, together with apprenticeships and professional training.

### Corporate Governance

- Compliant with the **QCA Corporate Governance Code** for small and mid-sized companies.
- **Independent board members.**
- **Independent Audit and Remuneration Committees.**
- Strategy and business model which promotes **long-term value for shareholders**.
- Promote a corporate culture that is based on **sound ethical values and behaviours**.
- Many of the service lines are **regulated by externally governed codes of practice** and ethical behaviour reinforced by group policies in the following areas:
  - **Zero-tolerance approach to bribery, other forms of corruption and modern slavery**
  - **Annual data protection compliance training** and **information security** polices are in place which are **Cyber Essentials Plus accredited**.
- The board recognises the **importance of diversity** and will ensure that this forms part of our considerations in the development and succession of the board.

1. *Annual leavers with more than one year service divided by average headcount over the year*
2. *Participation rate following SAYE scheme 2 release in October 2020*

# Ownership structure

The group has 150.9m shares in issue.  The ownership profile is:

| Name | % holding |
|---|---|
| Ric Traynor | 18.0 |
| Other management | 5.7 |
| Major institutions: | |
| • Amati Global Investors | 7.3 |
| • Close Brothers | 6.8 |
| • Stichting Value Partners | 5.1 |
| • OVMK Vermogensbeheer | 4.4 |
| • Gresham House Asset Management | 3.5 |
| • River and Mercantile Asset Management | 2.8 |
| • Nordea Asset Management | 2.5 |
| • BMO Global Asset Management | 2.5 |
| • Hanover Investors Management | 2.0 |
| • Slater Investments | 1.5 |
| • Premier Miton | 1.4 |

# FY22 analysts metrics

- Adjusted tax rate 21% (FY21: 20%)
  - Deferred tax charge of £1.8m re change in rate from 19% to 25%
- Weighted average shares for FY22 EPS calculation: basic c155m; diluted c161m
- Transaction/amortisation costs:
  - Deemed remuneration £7.5m (FY21: £6.3m)
  - Amortisation £4.9m (FY21: £3.1m)
- Cash outflows
  - Working capital £2m
  - Cap-ex of c£1.2m
  - Capital element of lease payments £3.0m
  - Dividends (interim £1.5m paid May 2021, final £3.0m payable November 2021)
  - Deferred consideration payments of £5.1m
    - Future year anticipated payments of £11.6m between FY23 and FY25
    - £4.8m FY23, £3.6m FY24, £3.2m FY25