Begbies Traynor Group

Full year results presentation

Ric Traynor – Executive Chairman

Nick Taylor – Group Finance Director

July 2022

Highlights - strong performance ahead of original expectations

REVENUE

£110.0m (+31%) (2021: £83.8m)

ADJUSTED PROFIT BEFORE TAX

£17.8m (+55%) (2021: £11.5m)

ADJUSTED EPS

9.1p (+32%) (2021: 6.9p)

PROPOSED TOTAL DIVIDEND

3.5p (+17%) (2021: 3.0p)

FREE CASH FLOW

£14.0m (2021: £12.3m)

NET CASH

£4.7m (2021: £3.0m)

- A further successful and record year for the group
- Financial performance comfortably ahead of original expectations
- Results for the year reflect
  - Material increase in scale and service offerings
  - Organic and acquisitive growth strategy
  - All areas have contributed to the growth
  - Further improvement in operating margins
- Continued to generate substantial free cash flow
- Recommended 17% increase in dividend
- Group in strong position as we start new financial year

Finance review

Financial highlights

£m	2022	2021
Revenue	**110.0**	83.8
Operating profit (before amortisation and transaction costs)	**18.6**	12.4
Margin	***16.9%***	*14.8%*
Adjusted profit before tax	**17.8**	11.5
Adjusted basic EPS	**9.1p**	6.9p
Dividend per share	**3.5p**	3.0p
Net cash	**4.7**	3.0

- Revenue growth of 31% (24% acquired, 7% organic)
- Improved operating margins to 16.9% (2021: 14.8%)
  - Profit growth and margin enhancement in both divisions
  - Central costs reduced as percentage of revenue to 6.5% (2021: 7.4%)
- Adjusted profit before tax increase of 55%
- Adjusted tax rate in line with prior year at 20%
- Adjusted basic EPS growth of 32%, following 16% increase in issued shares
- Proposed increase in dividend of 17% - cover of 2.6x (2021: 2.3x)

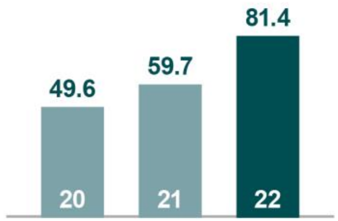
Business recovery and financial advisory

- Revenue growth of 36% (5% organic)
  - Benefit from recent acquisitions
  - Increase in activity levels
- Margins increased to 25.8% (2021: 24.6%)
- Profit increase of 43%
- Business recovery
  - Significant increase in scale of activities
    - Acquisition of CVR Global and David Rubin & Partners late in FY21
    - Teams integrated well and delivered strong results
  - Corporate insolvencies nationally increased by 50% to 16,648 (2021: 11,134)
    - Increase to date from smaller companies
  - Insolvency order book increased to £29.5m (2021: £28.3m)
- Financial advisory
  - Continued investment through acquisition
    - MAF Finance Group acquired at start of the financial year
    - Traded well in its first year and grown in line with earn out targets
  - Successful year for corporate finance in active M&A market
- Year end headcount increased to 590 (2021: 555), following the MAF acquisition

REVENUE (£m)

£81.4m

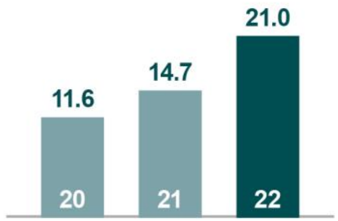
(2021: £59.7m)



SEGMENTAL PROFITS (£m)

£21.0m

(2021: £14.7m)



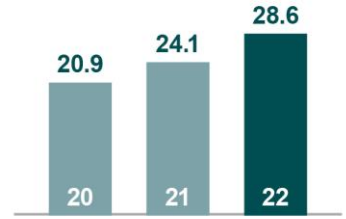
Property advisory and transactional services

- Revenue growth of 19% (10% organic)
  - Organic growth of key service lines
  - Recovery in activity levels compared to lockdown impacted comparative period
  - First time contribution from acquisitions
- Margins of 16.8% (2021: 16.2%)
- Professional services team had a strong year
  - Providing real estate valuations to secured lenders
  - Clearing banks and specialist lenders operating from panel positions
  - Investment in team in recent years and now operating as a national practice
  - Increase in instructions and increased average fee
- Building consultancy continued to grow national offering
  - Education sector and corporate clients
  - National footprint and excellent reputation
  - Strong foundations for continuing growth
- Acquisitions to enhance and broaden service and geographical coverage
  - Daniells Harrison and Fernie Greaves in the financial year
  - Budworth Hardcastle following the year end
- Year end headcount increased to 326 (2021: 306), following acquisitions

REVENUE (£m)

£28.6m

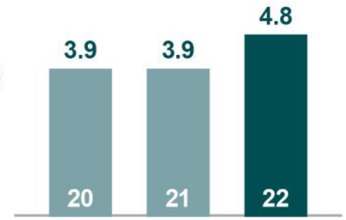
(2021: £24.1m)



SEGMENTAL PROFITS (£m)

£4.8m

(2021: £3.9m)



Strong financial position with significant liquidity

£m	2022	2021
Free cash flow *	**14.0**	12.3
Net proceeds from share issues	**0.5**	20.9
Acquisition and deferred consideration payments	**(8.2)**	(23.9)
Dividends	**(4.6)**	(3.6)
Increase in net cash	**1.7**	5.7
Net cash	**4.7**	3.0

** Free cash flow – net cash from operating activities (excluding deemed remuneration) less capital expenditure and lease payments*

- Group remains strongly cash generative
- Increased free cash flow from operating profit increase
- Acquisition payments of £8.2m: current year acquisitions of £2.9m and prior year acquisitions of £5.3m
- Significant liquidity in committed facilities
  - £25m unsecured, committed RCF - £5m utilised at April 2022
  - £5m unsecured acquisition/growth facility
  - Facilities extended to August 2024

Material increase in scale and service offerings from acquisitions

Business recovery

- CVR (Jan 21) and DRP (Mar 21) acquisitions
- Significantly increased scale of insolvency business
  - Notably in key London marketplace
- Integration completed on target
  - Local teams merged in common locations

Financial advisory

- Finance broking – MAF Finance Group (May 21)
- Complements existing services
- Acquisitive and organic growth opportunities

Property services

- Acquisitions enhancing our national coverage
  - HNG (Feb 21 in London), Fernie Greaves (Oct 21 in Sheffield) and Budworth Hardcastle (Jun 22 in Eastern England)
  - Daniells Harrison (Jan 22 in Southern England)

Acquired c£30m of revenue and c£7.5m of profits since Jan 21

Outlook - start new financial year in strong position

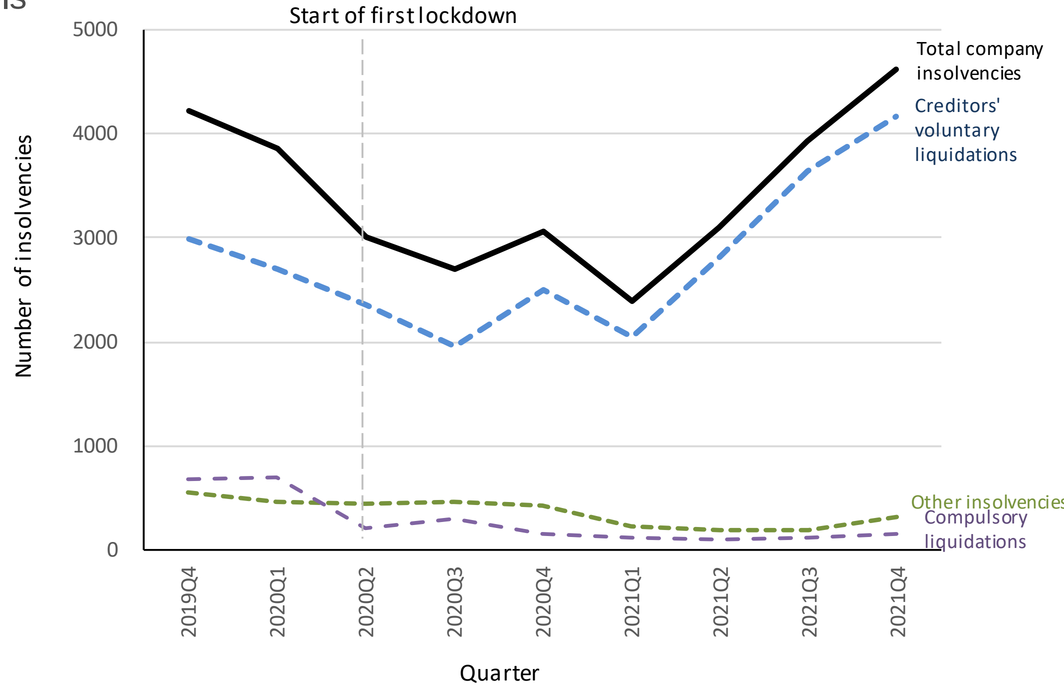
- Confident of delivering plans for further growth towards the top end of current market expectations*
  - Anticipate cost inflation more than offset by revenue growth
- Business recovery well-placed to continue track record of growth
  - Order book increased
  - Increased market activity
- Advisory encouraging pipeline of organic growth and acquisition opportunities
- Further expansion in property services both organically and through recent acquisitions
- Healthy balance sheet and cash generation underpin capacity to
  - Progress pipeline of acquisitions
  - Deliver organic growth initiatives
  - Whilst funding dividends and deferred consideration payments
- Update at AGM in September 2022

** current range of analysts' forecasts for year ended 30 April 2023 - revenue of £110.0m-£118.0m and adjusted PBT of £18.5m-£19.7m (as compiled by the company)*

Operating and strategic review

Insolvency market

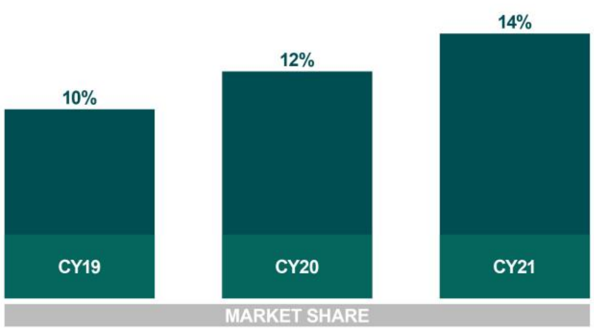
- Final Government support measures removed in March 2022
- Volumes* increased significantly over last year
  - 16,648 to 31 March 2022 (2021: 11,134, 2020: 16,840)
- Increases to date largely from smaller companies
  - Liquidation volumes moving ahead of pre-pandemic levels
  - Administrations increased in recent months
    - but remain significantly below pre-pandemic levels
- Growth in insolvencies anticipated
  - End of support measures
  - Creditor pressures increasing
  - Inflation and supply chain issues
  - Significant increase in corporate debt
  - Working capital funding pressures



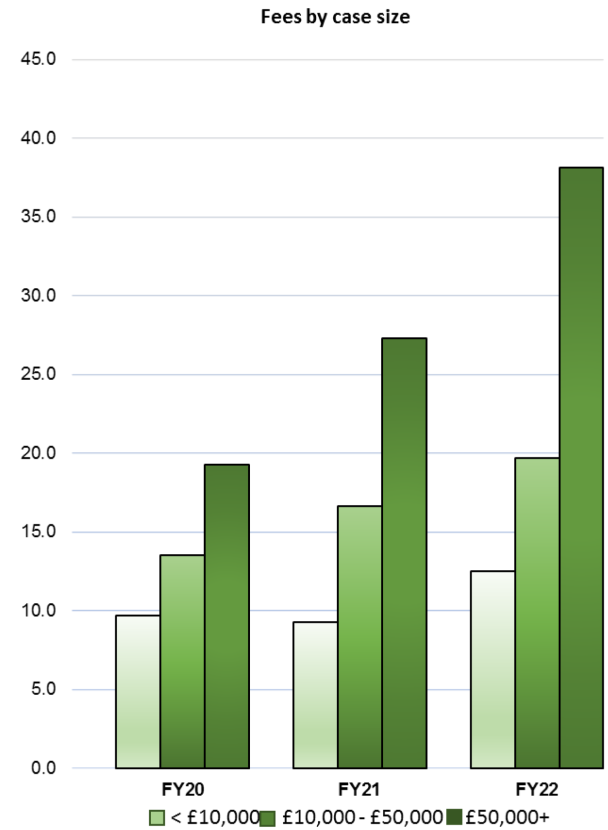
** Insolvency Service quarterly statistics seasonally adjusted basis*

Business recovery: significant increase in scale of division

- Activity balanced across SME and mid-market
- Increased fees across all case sizes
  - Smaller more routine cases from regional network and digital marketing expertise
  - Larger more complex appointments following integration of acquisitions
- Anticipate increase in administrations as market recovers
  - Typically higher margin engagements
- Progressive increases in insolvency market share (by volume) in recent years from organic development and acquisitions



- Insolvency order book increased to £29.5m (2021: £28.3m)



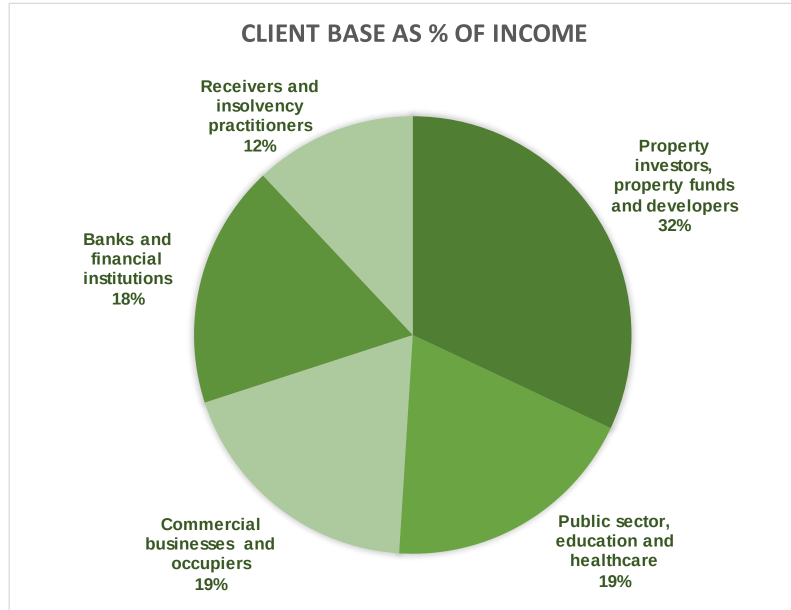
** 2020 market share reflects combined CVL, administration and CVA appointments for Begbies Traynor, CVR and DRP in the 12 months to December 2020*

Financial advisory: services broadened and enhanced

- Addition of finance broking expertise in May 2021 through MAF Finance acquisition
- MAF supports its broad client base through
  - Arranging facilities for investment in new asset purchases
  - Refinancing and restructuring existing facilities
- Complements our other advisory and transactional services
- Deepens relationships with banks and other lenders
- Organic growth opportunities through
  - Recruitment of experienced employees
  - Marketing direct to corporate community and through group's professional network
  - Supporting on group's client assignments
- Pipeline of acquisition opportunities in finance broking
- MAF traded well in its first year and grew in line with earn out targets
  - Lending arranged for clients in the year increased to £330m (£150m in year pre-acquisition)
- Opportunities for further organic and acquisitive growth in advisory services

Property services: multiple opportunities for further growth

- Substantial increase in scale since inception of division in 2014
  - Annualised revenue now in excess of £30m from £13m in December 2014
  - Strong and growing profitability
- Durable income streams from a diversified client base
  - Significant insolvency capability will benefit from market growth
    - 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
    - Continued focus on education sector
    - Further opportunities for targeted organic growth
  - Banks and financial institutions
    - Strong relationships embedded through panel positions
- Recent acquisitions provide a platform for ongoing growth
- Multiple acquisition opportunities in a fragmented market



Strategy

Strategy – delivering value through growth

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

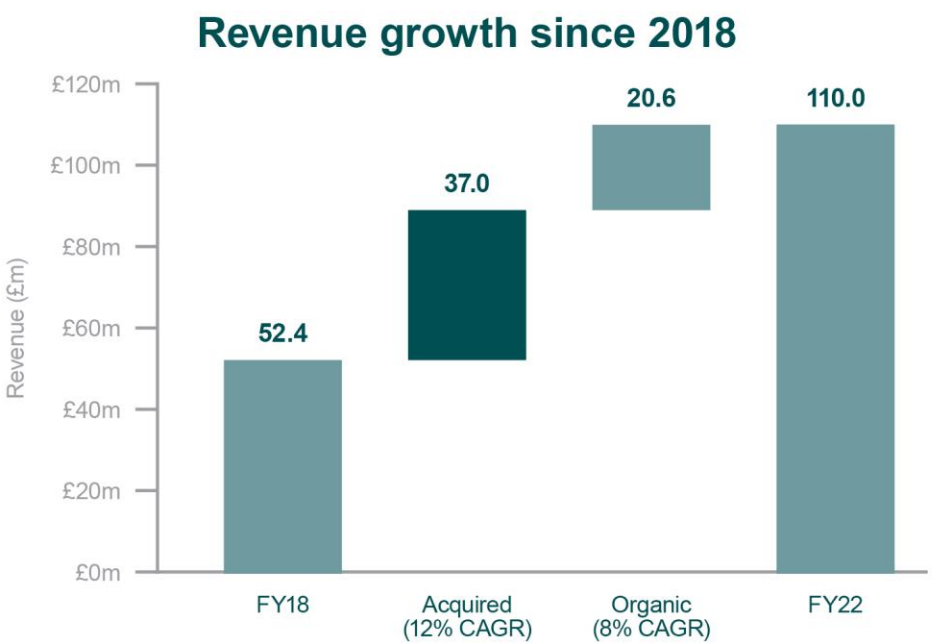
Organic growth

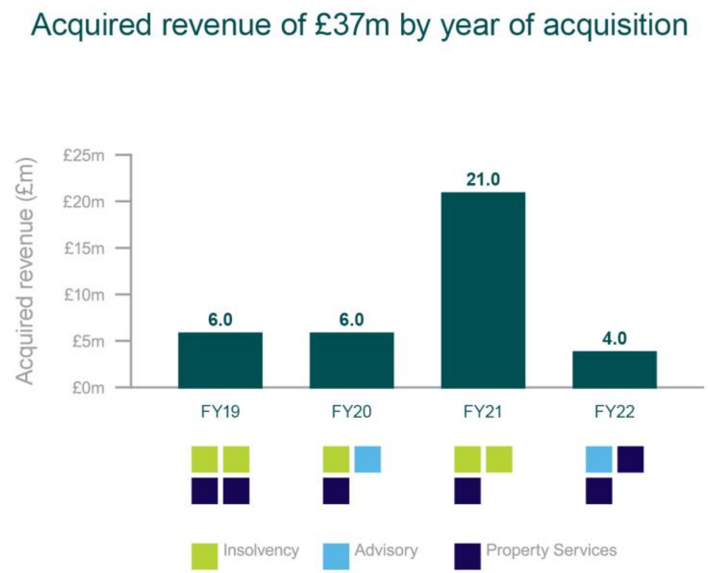
- Retention and development of our existing partners and employees
- Recruitment of new talent
- Enhanced cross-selling of our service lines and expertise to our wider client base
- Investment in technology and processes to enhance working practices and improve the service to our clients

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

Acquiring for growth – 20% revenue CAGR

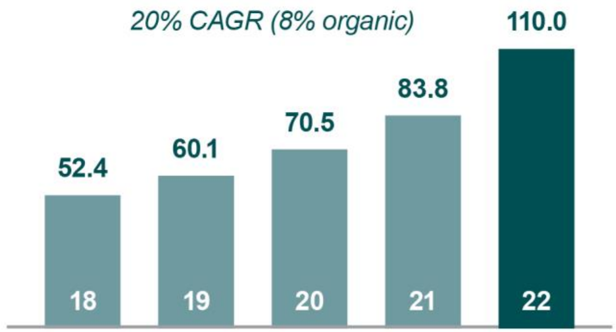




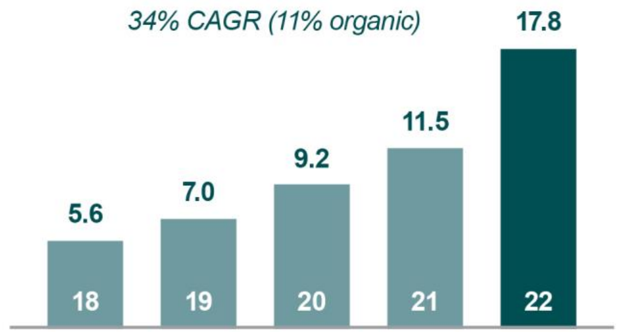
- Significant increase in scale of group resulting from growth strategy
- Acquisitions key driver of growth
    - 13 value enhancing acquisitions
- Well-defined process for identification, valuation, acquisition and integration of target businesses
- Healthy balance sheet and cash generation underpin capacity for acquisitions

Strong financial track record from growth strategy

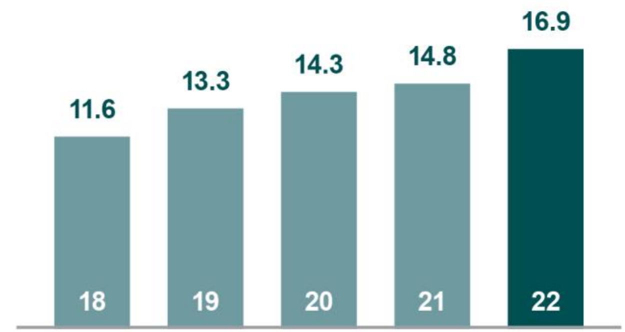
Revenue (£m)



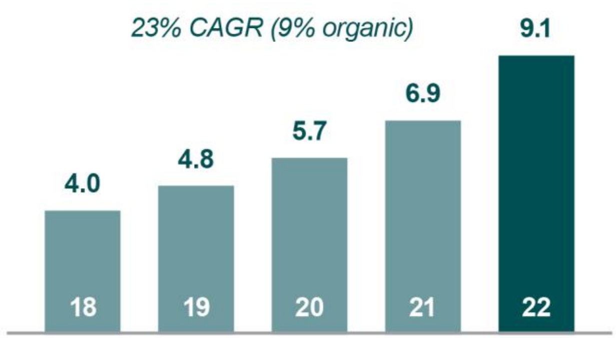
Adjusted profit before tax (£m)



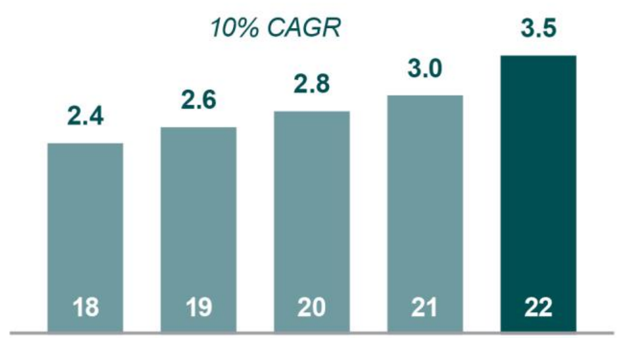
Operating margin (%)



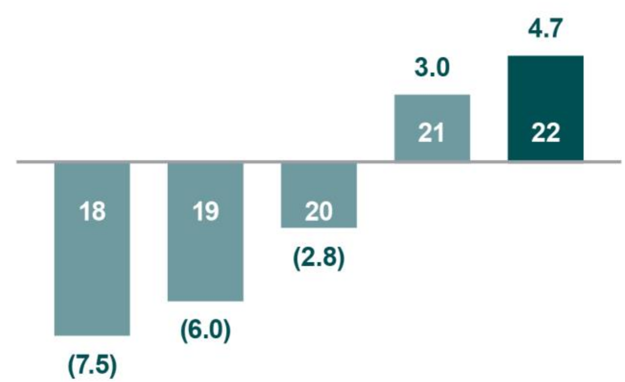
Adjusted basic EPS (p)



Dividend (p)



Net cash (debt) (£m)



Summary - strong position and confident of delivering further growth

- Material increase in scale of group and service offerings
  - Result of organic and acquisitive growth strategy
- Strong financial track record
  - Confident of delivering plans for further growth towards the top end of current market expectations
- Healthy balance sheet and cash generation underpin capacity for further acquisitions and organic growth initiatives
  - Organic growth opportunities across the group
  - Good pipeline of acquisition opportunities
  - Well positioned to respond to challenging economic backdrop

Scale, capabilities and breadth of expertise gives ability to assist clients facing challenges of forthcoming year

Questions

Appendix

FY23 analysts metrics

- Anticipate increased revenue to mitigate organic cost increase of c4%
- Acquisitions: revenue £2.9m and profit £0.5m - full year impact of FY22 and part year of FY23
- Central costs to increase by c7% reflecting investment and remain broadly unchanged as % of revenue
- As a result of above, anticipate further modest margin enhancement
- Adjusted tax rate 21% (FY22: 20%), reflecting one month @25% rate
- Weighted average shares for FY23 EPS calculation: basic c156m; diluted c162m
- Transaction/amortisation costs:
  - Deemed remuneration £8.9m (FY22: £10.0m)
  - Amortisation £5.3m (FY22: £5.5m)
- Cash outflows
  - Working capital consumption on revenue growth - £2-3m
  - Cap-ex of c£1.25m
  - Tax payments of £6.3m – accelerated payments from change in due dates
  - Dividends (interim £1.7m paid May 2022, final £3.7m payable November 2022)
  - Budworth Hardcastle acquisition £0.75m
  - Deferred consideration payments of £7.1m in FY23
    - Anticipated payments of £11.3m between FY24 and FY27
    - £4.7m FY24, £2.9m FY25, £3.3m FY26, £0.4m FY27

Ownership structure

The group has 153.7m shares in issue. The ownership profile is:

Name	% holding
Ric Traynor	17.7
Other directors	2.6
Major institutions:	
• Amati Global Investors	7.4
• Close Brothers	7.2
• OVMK Vermogensbeheer	4.3
• Slater Investments	4.0
• River and Mercantile Asset Management	3.9
• Gresham House Asset Management	3.7
• Stichting Value Partners	2.6
• BMO Global Asset Management	2.5
• Hanover Investors Management	2.0
• Nordea Asset Management	1.5

Begbies Traynor Group

Offices across the UK. **www.begbies-traynorgroup.com**