



## Full year results presentation

Ric Traynor – Executive Chairman

July 2023

Nick Taylor – Group Finance Director

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# A leading professional services consultancy with a differentiated service offering

## Insolvency

Corporate and personal insolvency

Market leading position from a national office network and selective offshore locations

Provide advice and assistance to SME and mid-market corporates



c60% of 2023 revenue

## Advisory and transactional services

Financial advisory

Transactional support

Funding

Valuations

Projects and development support

Asset management and insurance



c40% of 2023 revenue

***80% of 2023 revenue from insolvency and defensive activities from a common network of clients and professionals***

# Highlights – results ahead of original expectations

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|                                   |                 |  |  |
|-----------------------------------|-----------------|--|--|
| <b>REVENUE</b>                    |                 |  |  |
| <b>£121.8m (+11%)</b>             | (2022: £110.0m) |  | <ul style="list-style-type: none"><li>• Double digit revenue and profit growth across both divisions</li><li>• Increased insolvency appointments and enhanced mid-market reputation</li></ul>  |
| <b>ADJUSTED PROFIT BEFORE TAX</b> |                 |  |  |
| <b>£20.7m (+16%)</b>              | (2022: £17.8m)  |  | <ul style="list-style-type: none"><li>• Acquisitions in finance broking and property advisory</li><li>• Organic growth in property, reflecting resilient nature of services</li><li>• Further improvement in operating margins</li></ul> |
| <b>ADJUSTED EPS</b>               |                 |  |  |
| <b>10.5p (+15%)</b>               | (2022: 9.1p)    |  | <ul style="list-style-type: none"><li>• Continued to generate substantial free cash flow</li><li>• Funding dividends and acquisition payments</li></ul>  |
| <b>PROPOSED TOTAL DIVIDEND</b>    |                 |  |  |
| <b>3.8p (+9%)</b>                 | (2022: 3.5p)    |  | <ul style="list-style-type: none"><li>• Recommended 9% increase in dividend</li></ul>  |
| <b>FREE CASH FLOW</b>             |                 |  |  |
| <b>£14.1m</b>                     | (2022: £14.0m)  |  | <ul style="list-style-type: none"><li>• Group in strong position and confident of further year of growth</li></ul>   |
| <b>NET CASH</b>                   |                 |  |  |
| <b>£3.0m</b>                      | (2022: £4.7m)   |  |  |

***Further successful year, continuing to build on our strong track record of growth  
Doubled revenue and tripled profits in five-year period since 2019***

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## Financial and operating review

# Financial highlights

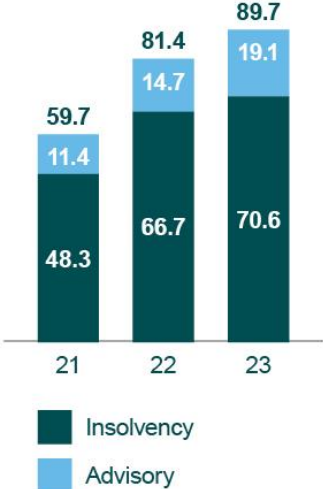
| £m   | 2023  | 2022  |
|--|-------|-------|
| Revenue  | 121.8 | 110.0 |
| Adjusted EBITDA  | 26.6  | 23.9  |
| Operating profit (before amortisation and transaction costs) | 21.8  | 18.6  |
| <i>Margin</i>  | 17.9% | 16.9% |
| Adjusted profit before tax                                   | 20.7  | 17.8  |
| Adjusted basic EPS   | 10.5p | 9.1p  |
| Dividend per share   | 3.8p  | 3.5p  |
| Net cash   | 3.0   | 4.7   |

- Revenue growth of 11% (6% organic, 5% acquired)
- Improved operating margins to 17.9% (2022: 16.9%) – improvement in both divisions
  - Central costs as percentage of revenue maintained at 6.5% (2022: 6.5%) whilst investing in IT and HR capability
- Adjusted profit before tax increase of 16%
- Adjusted tax rate of 21% (2022: 20%), reflecting the increase in UK CT rates from April 2023
- Adjusted basic EPS growth of 15%
- Proposed increase in dividend of 9% - cover increasing to 2.8x (2022: 2.6x)

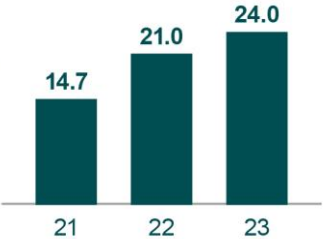
# Insolvency and advisory

- Revenue growth of 10% (6% organic)
  - Increase in activity levels
  - Benefit from Mantra acquisition
- Margins increased to 26.8% (2022: 25.8%) giving profit increase of 14%
- Insolvency revenue increased by £3.9m to £70.6m (2022: £66.7m)
  - Higher levels of insolvency appointments increased both
    - Corporate insolvency revenue by 10% (£5.7m); and
    - Order book by 19% (£5.7m) to £35.2m (2022: £29.5m)
  - Prior year performance enhanced by exceptional personal insolvency activity
    - Generated additional £1.8m revenue in 2022
    - Personal insolvency revenue normalised to £5.5m in 2023
- Advisory revenue increased by £4.4m to £19.1m (2022: £14.7m)
  - Record level of revenues from advisory activities
    - 20% of divisional revenue in the year
  - Acquisition of Mantra in July 2022
    - FCA regulated finance and insurance brokerage
    - Performed well in the year and in line with expectations
- Year end headcount increased to 664 (2022: 590), following Mantra acquisition

REVENUE (£m)  
**£89.7m**  
 (2022: £81.4m)



SEGMENTAL PROFITS (£m)  
**£24.0m**  
 (2022: £21.0m)



# Property advisory and transactional services



- Revenue growth of 12% (3% organic)
  - current year and prior year acquisitions
  - organic growth of resilient service lines
- Margins increased to 17.8% (2022: 16.8%) giving profit increase of 19%

## • Transactions (35%)

- Auction activity increased in the year
  - Growth in insolvency-related plant & machinery more than offset H1 decrease in property
  - Acquisition in H2 complements team and increases coverage
  - Current economic cycle typically sees more properties sold through auction
- Property agency increased from acquisitions and organic growth
  - Adverse impact of mini-budget offset by recovery in H2
  - Client mix, property size and corporate lettings mitigate market volatility
- Business sales transaction levels robust – absorbed market impact of higher interest rates

## • Projects and development (25%)

- Growth in building consultancy from public sector activity

## • Valuations (25%)

- Revenue increased from FYI of prior year acquisition
- Robust organic performance despite short term market disruption following mini budget
- Activity levels normalised in spite of further rate rises

## • Asset management and insurance (15%)

- Insurance and protection increased due to insolvency workflow
- Commercial property management organic income broadly in line with prior year
  - Increased properties under management following acquisitions
- Year end headcount increased to 345 (2022: 326), following acquisitions



## Group remains in a strong financial position

| £m  | 2023  | 2022  |
|---|-------|-------|
| Adjusted EBITDA   | 26.6  | 23.9  |
| Working capital   | (2.2) | (1.6) |
| Cash from operating activities                                  | 24.4  | 22.3  |
| Tax - includes accelerated payment of £1.0m                     | (5.3) | (3.6) |
| Other payments (provisions, interest, capex, lease payments)    | (5.0) | (4.7) |
| Free cash flow  | 14.1  | 14.0  |
| Dividends   | (5.4) | (4.6) |
| Prior year earn outs  | (5.4) | (5.3) |
| Free cash flow net of dividends and prior year earn outs        | 3.3   | 4.1   |
| Acquisition payments (net of cash acquired) & transaction costs | (5.2) | (2.9) |
| Share issues  | 0.2   | 0.5   |
| (Decrease) increase in net cash                                 | (1.7) | 1.7   |

- Free cash flow net of dividends and prior year earn outs of £3.3m (2022: £4.1m) provides funding for in year acquisitions
- Significant liquidity in committed facilities for larger acquisition opportunities
  - £25m unsecured, committed RCF (£5m utilised at April 2023) and £5m unsecured acquisition/growth facility
  - Facilities extended to August 2025

# Outlook - confident of further year of growth

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- Confident of outlook, in line with current market expectations\* - anticipate cost increases (inflation and investment) offset by revenue growth
- Insolvency well-placed to continue track record of growth
  - Benefit from recent insolvency appointments and increased order book
  - Anticipated growth in the insolvency mid-market (including administrations)
- Advisory and transactional teams have multiple organic and acquired growth opportunities
  - Banks Long acquisition in May 2023
- Cash generation, strong balance sheet and facility headroom enables investment in acquisitions and organic growth initiatives
- Update at AGM in September 2023

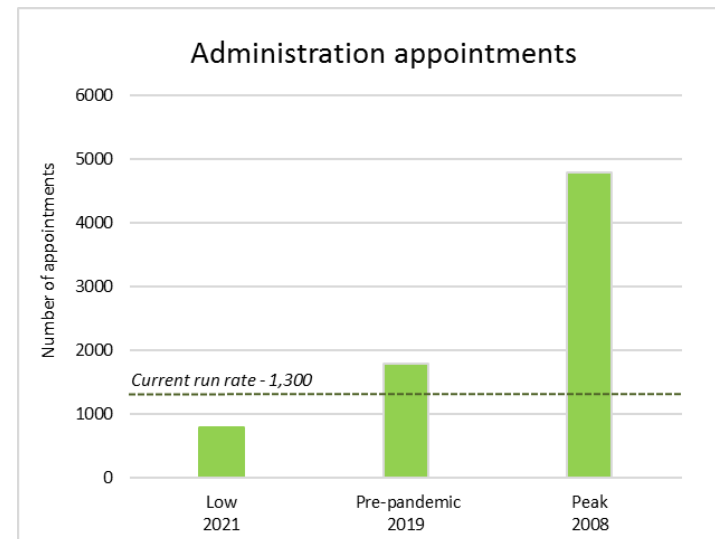
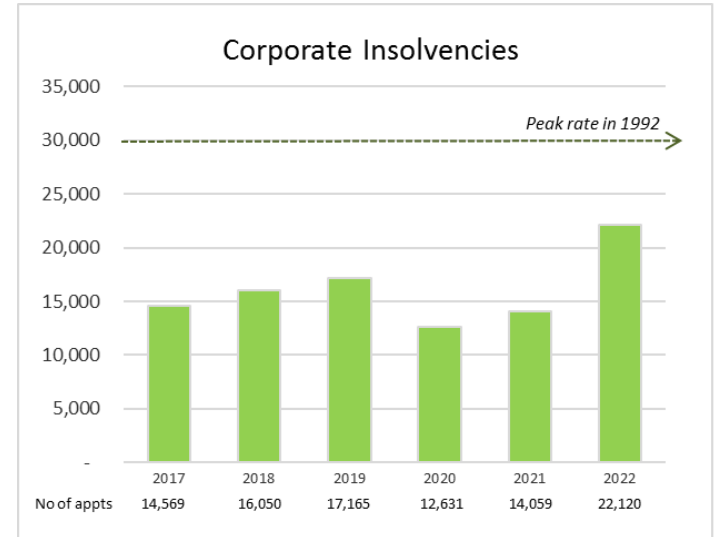
*\* current range of analysts' forecasts (as compiled by the company) for year ended 30 April 2024 - revenue of £127.5m-£131.4m and adjusted PBT of £21.9m-£22.7m*

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## Strategic review

# UK insolvencies continue to increase

- Now higher than comparable pre-pandemic period
- Increase largely from liquidations (typically insolvencies of smaller companies)
- Administrations (typically larger and more complex insolvencies) have begun to increase
  - Higher than post-pandemic lows in 2021
  - However, below pre-pandemic levels and significantly below the 2008 peak
- High interest rates and inflation anticipated to drive higher activity levels
  - Contrasts with benign environment during and following 2008-2010 recession
- We have increased our insolvency practitioner capacity to 93 from 55 in the last recession



# Market-leading position enhanced

**Ranked first for overall appointments – 13% share**  
**Ranked second for administrations – 11% share**  
**(improvement from fourth place over last five years)**

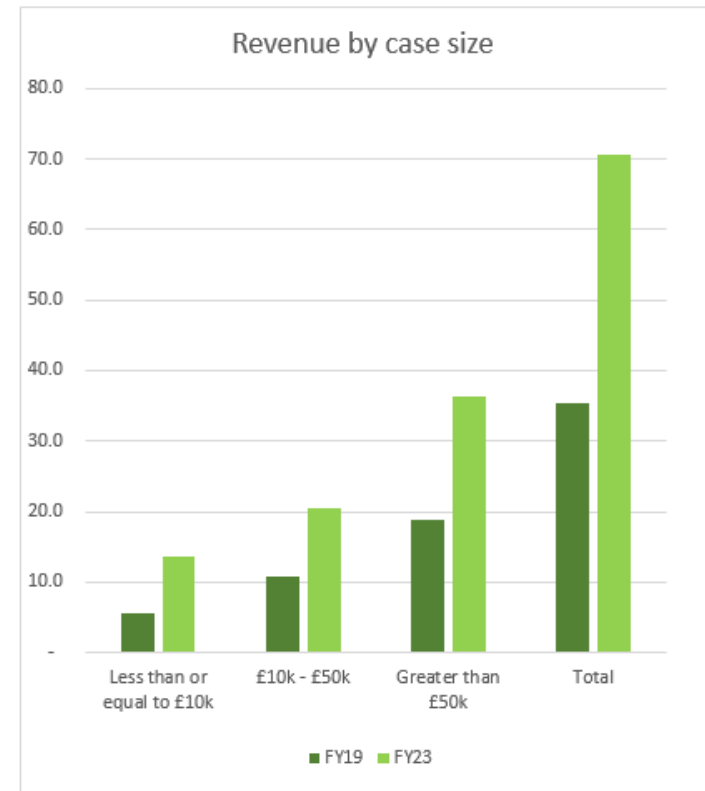
| Firms  |
|--|
| EY, PWC, Teneo (ex-Deloitte), Interpath (ex-KPMG)<br>American boutiques<br><i>Alvarez &amp; Marsal, FTI, Alix Partners, Kroll</i>              |
| National accountancy firms<br><i>Grant Thornton, BDO, RSM</i><br>National specialists<br><i>Begbies Traynor, FRP, Quantuma, Leonard Curtis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

| Largest appointment takers | Number of corporate appointments |
|----------------------------|----------------------------------|
| Begbies Traynor            | 2,871                            |
| Other national specialists | 2,325                            |
| Big 4                      | 236                              |
| National accountancy firms | 211                              |
| American boutiques         | 110                              |
| Local boutiques            | 16,210                           |
| <b>TOTAL</b>               | <b>21,963</b>                    |
| Market share               | 13%*                             |

*Source: Administrations, CVLs and CVAs as disclosed in the London, Edinburgh and Belfast Gazettes, Accountant in Bankruptcy, Companies House and excluding compulsory liquidations in 12 months to April 2023*

# Insolvency: significant growth and well-placed as market leader

- Insolvency revenue has doubled to £71m since 2019
  - Compared to market volumes up 37%
- Extensive network of over 4,000 professionals & institutions
  - c.50% referring work regularly
- Well-established routes to market
  - 70% of work generated from recurring work providers
  - 10% digital marketing
- Income grown across all case sizes
  - Larger more complex appointments represent over 50% of revenue
    - Increased reputation for mid-market insolvency
    - Mid-market activity levels currently below historic levels
  - Regional network and digital marketing provide volume of more routine cases
- Bounce back loan project commenced in year with major bank
- Administration appointments include:



*Papurchase*

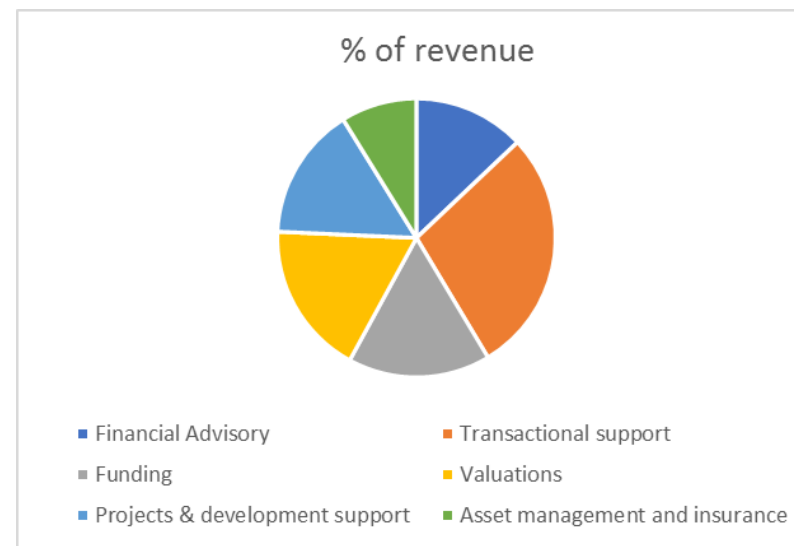
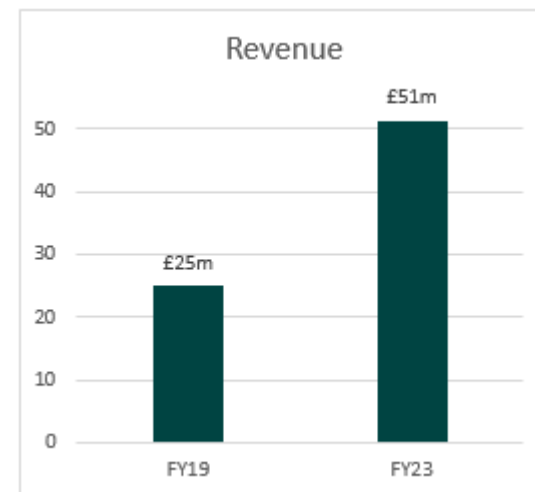
AVONSIDE  
GROUP



Cox & Cox

# Advisory and transactional services now 40% of revenue

- Developed from a standing start in 2014 - revenue doubled to £51m since 2019
  - Balanced mix of services across both operating divisions
  - Counter-cyclical, defensive and pro-cyclical
- **c.75% of income derived from recurring sources**
  - Established clients (corporates and investors)
  - Bank and public sector panels
  - Fellow professionals and institutions
- **Our increased scale enhances opportunities for cross-selling**
  - Successful cross-selling of insurance and other property services
- **Growth opportunities in all services**
  - Organic development
  - Acquisition in fragmented service areas giving ability to add scale and increase margins



# Integrated expertise enhancing outcome for stakeholders

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## *Case study of ongoing significant administration appointment*

- Advisory work completed prior to insolvency
  - Evaluating business recovery options from distressed financial position
- No solvent solution and so appointed as administrators
- Complex trading company requiring group service lines to deliver enhanced outcome
  - Property valuation advice and identifying opportunities to enhance value
  - Property security and insurance to protect site and keep operational
  - Debt collection assisting on book debt collect out
  - Forensic to investigate the events leading to insolvency
- Successful outcome for stakeholders
  - Going concern solution on a restructured business
  - Significant return to secured creditors and HMRC
  - Total group fees >£2m



# Complementary services adding value and enhancing returns

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- Integrated insolvency expertise enhances outcome for stakeholders
  - Advisory skills – forensic and investigations, financial advisory, M&A
  - Asset valuation and disposal
  - Specialist insurance and property protection
- Cross-selling of services across key client sectors
  - Financial services
    - Insolvency and recovery, business and lending reviews, valuations, project consultancy
    - Complemented by funding placed through finance brokerage
  - Property owners
    - Funding; asset management and insurance; building consultancy; acquisition, disposal and lettings
  - Corporates
    - Insolvency and restructuring advice, funding and debt advisory, M&A, property, insurance

*Operating from common platform of IT and offices, group-wide support teams (including regulatory compliance) and a shared network of clients and introducers*

# Proven growth strategy enhancing shareholder value

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

## **Organic growth**

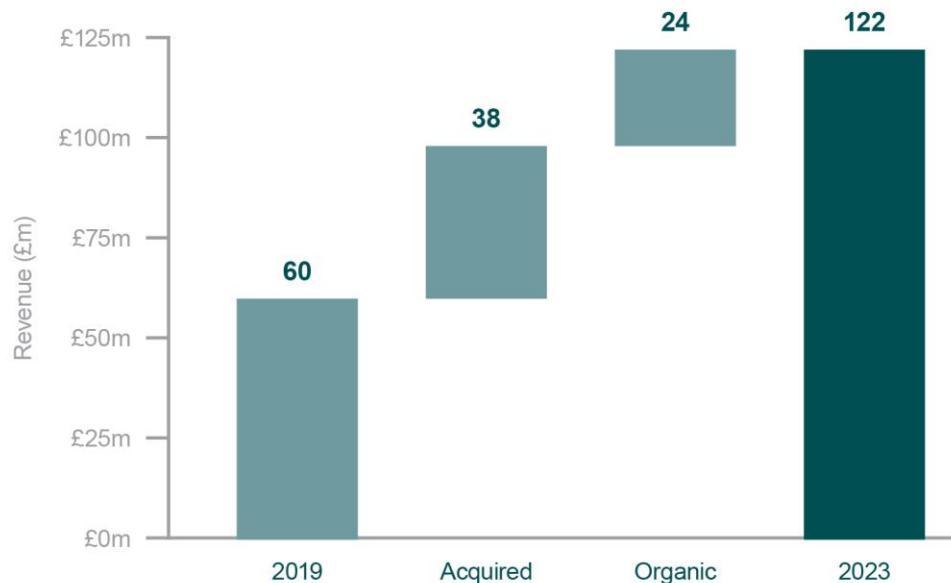
- Retention and development of our existing partners and employees
- Recruitment of new talent
- Enhanced cross-selling of our service lines and expertise to our wider client base
- Investment in technology and processes to enhance working practices and improve the service to our clients

## **Acquisition strategy**

- Value-accretive acquisitions in any of the following market segments
  - Insolvency to increase market share
  - Advisory and transactional services to enhance expertise or geographical coverage
  - Complementary professional services businesses to continue the development of the group and its service offering

# Acquisitions accelerating growth

Revenue growth



Acquired revenue by year of acquisition

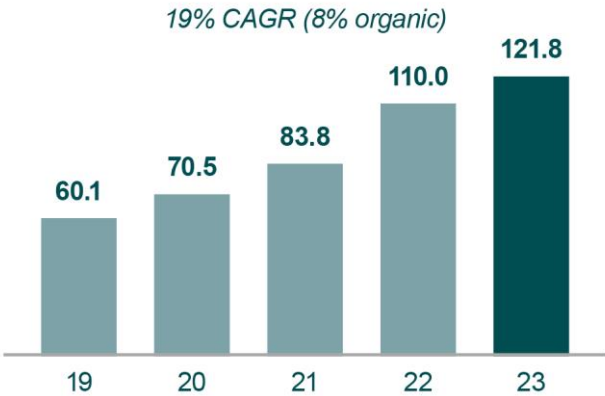


- Significant increase in scale of group resulting from growth strategy
  - Well-established process for identification, valuation, acquisition and integration of target businesses
  - 12 value enhancing acquisitions delivering revenue and operating synergies
- Cash generation, strong balance sheet and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

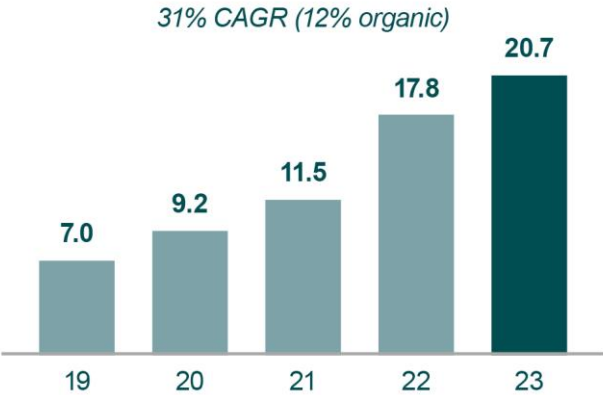
# Strong financial track record delivering shareholder value

26% annual increase in TSR (CAGR)

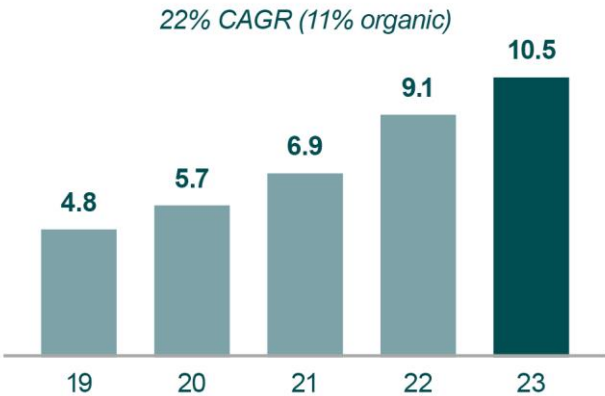
Revenue (£m)



Adjusted profit before tax (£m)



Adjusted basic EPS (p)



Dividend (p)



# Summary - strong position and confident of delivering further growth

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- Strong platform to continue delivering our strategy of organic and acquired growth
  - Increased scale of group with broadened base of expertise
    - Enhanced client base and professional referral network
  - Well-positioned in the current macro-economic environment
    - 80% of income from counter-cyclical and defensive activities
- Significant financial capacity to deliver strategy
  - Organic growth opportunities across the group
  - Good pipeline of acquisition opportunities across fragmented marketplaces
- Confident of delivering current market expectations for further growth

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## Questions

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## Appendix

# Advisory and transactional services (1)

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## Financial advisory

- Complementary to insolvency
- Business and financial restructuring, accelerated corporate finance, debt advisory, forensic accounting, pensions advisory
- Instructions received from insolvency referral basis
- Advice typically in distressed situations
  - Clients typically mid-market companies
  - Potential flow of work into insolvency of larger, more complex appointments

## Funding

- New service line following two recent acquisitions
- High level of repeat clients
- Arrange facilities (including refinancing and restructuring) for property and other assets
- Synergy benefits with valuation team and insolvency/advisory
- Deepens relationships with lenders

## Transactional support

- Auctions
  - Property and plant and machinery auctions
  - Benefit to insolvency for asset realisation
  - 40% of income currently insolvency related
- Commercial property agency
  - Regionally focussed property sales and lettings
  - Client base of SMEs and independent landlords
    - reduces exposure to market volatility
- Corporate finance
  - Buy and sell-side M&A
  - Referral base of PE and professionals
  - Complements financial advisory
- Business sales agency
  - Volume-based small business sales



## Advisory and transactional services (2)

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### Valuations

- Valuing commercial property, businesses and assets
- Over 90% of work from bank panel positions
  - Gives reliable level of instructions
- Good book and distressed valuations
- Synergy benefit through valuing assets in insolvency cases

### Projects and development

- Building and projects team
  - Project management, building surveying, specialist advice
  - Landlords, tenants, investors and developers
  - 50% of work from public sector – notably education
  - 15% cross-referred from existing agency and management clients
- Transport planning and design
  - c.80% income is recurring appointments from developers
  - Long-term advisory projects

### Asset management and insurance

- Commercial property management
  - Client base investors, corporate occupiers, property companies
  - Asset base of shopping centres, industrial portfolios and commercial offices
  - Income derived from retained contracts
- Insurance broking
  - Specialist insurance typically provided to existing clients
  - Open cover insurance policies for insolvency practitioners
- Vacant property risk management
  - Securing vacant properties against risk
  - Client base of insolvency practitioners and property owners

# FY24 analyst metrics

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- Anticipate organic cost increases (inflation and investment) of c.7% to be offset by increased revenue
- Acquisitions: revenue £4m and profit £0.7m - full year impact of FY23 and part year of FY24
- Central costs to remain broadly unchanged as % of revenue
- As a result of above, anticipate margins to be maintained
- Adjusted tax rate 26% (FY23: 21%)
- Weighted average shares for FY24 EPS calculation: basic c158.6m; diluted c160.7m
- Transaction/amortisation costs:
  - Deemed remuneration £11.5m (FY23: £12.3m)
  - Amortisation £5.6m (FY23: £6.2m)
- Cash outflows
  - Working capital consumption on revenue growth - £3-4m
  - Provision utilisation c£1m
  - Cap-ex of c£1m
  - Tax payments (FY24 liabilities)
  - Dividends (interim £1.9m paid May 2023, final £4.0m payable November 2023)
  - Banks Long acquisition £1.1m (May 2023)
  - Deferred consideration payments of £4.1m in FY24
    - Anticipated payments of £16.8m between FY25 and FY28
    - £7.2m FY25, £4.1m FY26, £5.2m FY27, £0.3m FY28

# Ownership structure

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The group has 154.9m shares in issue. The ownership profile is:

| Name                                    | % holding |
|---|-----------|
| Ric Traynor                             | 17.6      |
| Other directors                         | 1.5       |
| Major institutions:                     |           |
| • Close Brothers                        | 6.8       |
| • Amati Global Investors                | 6.7       |
| • OVMK Vermogensbeheer                  | 5.1       |
| • Slater Investments                    | 4.2       |
| • Gresham House Asset Management        | 3.3       |
| • River and Mercantile Asset Management | 3.2       |
| • Columbia Threadneedle                 | 2.2       |
| • Nordea Asset Management               | 1.5       |



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