



Half year results presentation

Ric Traynor – Executive Chairman

December 2020

Nick Taylor – Group Finance Director

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

Business and financial restructuring, debt advisory, forensic accounting and investigations, due diligence and transactional support.



Valuations

Valuation of property, businesses, machinery and business assets.



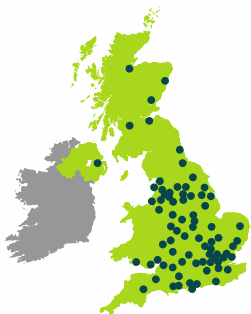
Transactional services

Sale of property, machinery and other business assets through physical and online auctions; business sales agency; and commercial property agency focussed on northern and eastern England.



Property consultancy, planning and management

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



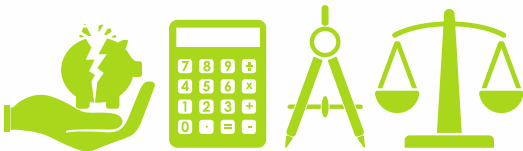
Comprehensive Network
of locations across the UK



720
staff and partners



CAGR in adjusted EPS
of 16%
in last five years



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

Strong first half performance and confidence in full year outlook

REVENUE

£37.5m (+11%) (2019: £33.8m)

ADJUSTED PROFIT BEFORE TAX

£5.0m (+25%) (2019: £4.0m)

ADJUSTED EPS

3.1p (+19%) (2019: 2.6p)

INTERIM DIVIDEND

1.0p (+11%) (2019: 0.9p)

NET CASH (DEBT)

£0.7m (2019: £(2.3)m)

- Strong financial performance
- All areas of the group performed well
 - First time contribution from prior year acquisitions
 - Organic growth across both divisions
 - Good recovery from lockdown impacted property service lines
- 11% increase in interim dividend
 - Builds on increases over last three years
- Maintained strong financial position
- Expect full year results at least in line with consensus

Financial review

Financial highlights

£m	H1 31 Oct 19	H2 30 Apr 20	H1 31 Oct 20
Revenue	33.8	36.7	37.5
Operating profit (before amortisation and transaction costs)	4.5	5.6	5.5
<i>Margin</i>	13.2%	15.2%	14.6%
Adjusted profit before tax	4.0	5.2	5.0
Adjusted basic EPS	2.6p	3.1p	3.1p
Net cash (debt)	(2.3)	(2.8)	0.7

- Solid sequential performance in line with H2 FY20
- Revenue increase of 11% in the period (9% acquired)
- Operating profit increase of 23% with improved margins
- Adjusted profit before tax increase of 25% due to increased operating profits (interest costs in line with prior period)
- Adjusted tax rate of 21% based on expected rate for the full year
- Adjusted basic EPS growth of 19%
- Increase in interim dividend by 11% to 1.0p (2019: 0.9p)

Business recovery and financial advisory

£m	H1 31 Oct 19	H2 30 Apr 20	H1 31 Oct 20
Revenue	23.0	26.6	26.1
Operating profit	4.9	6.7	6.6
Margin	21.1%	25.3%	25.1%

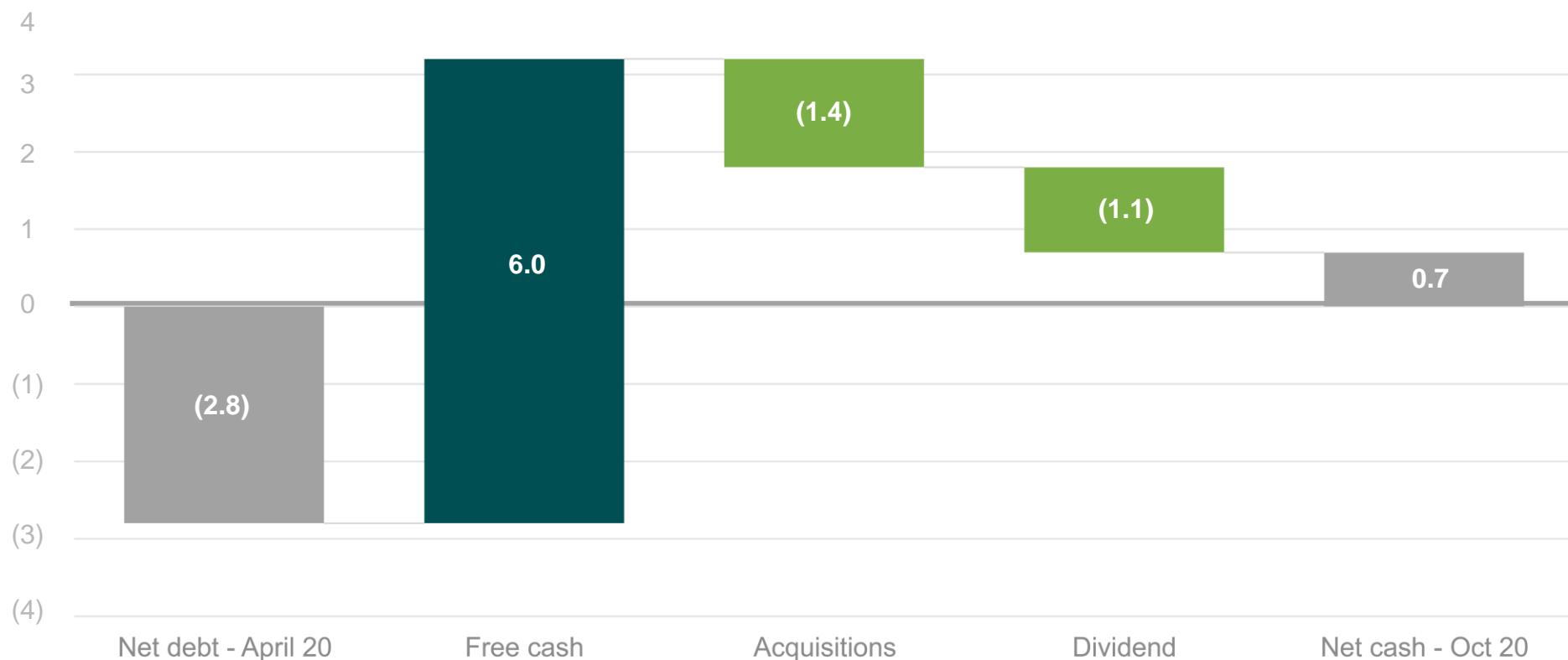
- Revenue growth of 13% (9% acquired)
 - First time contribution from prior year acquisitions (£2.1m)
 - Solid organic performance has mitigated weakness in the wider market (£1.0m)
- Cost increase of 8% principally due to costs associated with the acquired businesses
- Operating profit growth of 35%
- Order book of committed insolvency revenue increased to £20.9m (Apr 20: £19.0m, Apr 19: £15.4m)
 - Gives confidence on future revenue levels
- Advisory good start to financial year
 - Corporate finance revenue broadly in line with the comparative period

Property advisory and transactional services

£000's	H1 31 Oct 19	H2 30 Apr 20	H1 31 Oct 20
Revenue	10.7	10.2	11.3
Operating profit	2.1	1.8	1.6
Margin	19.9%	17.0%	13.7%

- Revenue growth of 6%
 - Acquired growth of 10% - first time contribution from prior year acquisition (£1.1m)
 - Organic reduction of 4% - impact of lockdown (£1.2m) partially mitigated by growth (£0.7m)
- Cost increase of 13% principally due to costs associated with the acquired business
- Operating profit reduction of 24%
- COVID profit impact in the period of £1.1m
 - Reduced activity (£1.5m) net of income deferred from FY20 (£0.4m)
 - Good recovery in activity levels over the six month period

Maintained our strong financial position



- **Strong free cash flow (FCF) of £6.0m (2019: £3.1m)**
 - FCF before working capital of £4.1m (2019: £2.8m)
 - Working capital inflow of £1.9m (2019: £0.3m) – deferred VAT payments of £2.7m offset by net working capital absorption of £0.8m
- **Significant headroom in bank facilities**
 - £25m unsecured committed RCF and £5m uncommitted acquisition facility
 - Facilities in place until 2023

Full year outlook

- Expect full year results at least in line with current market consensus*
 - Would represent further year of growth
- Short term Government support measures continue to subdue level of insolvencies
 - Anticipate removal of support will increase distress
 - Expect to lead to increased insolvencies over time
- Business recovery and financial advisory well positioned despite market weakness
 - Increased order book
 - Expectation of increased market activity levels once support measures are removed
- Property advisory and transactional services
 - Good recovery following uncertainties and challenges of the spring lockdown
- Q3 trading update in March 2021

** Market consensus for adjusted PBT of £9.8m (as compiled by the group)*

Group developments

Insolvency market

- **Key factors in current market**

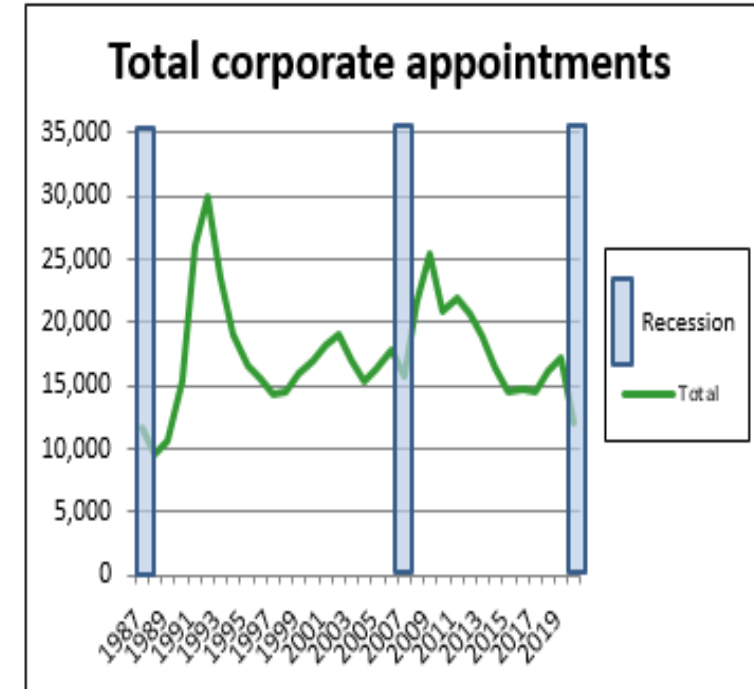
- Significant Government support for corporates
- Lack of creditor pressure – HMRC, banks, landlords
- Court backlogs due to lockdown
- Reduction in national appointments to 5,119* (2019: 7,305)

- **Legislation changes**

- Extension from 30 Sep 20 to 31 Dec 20
 - Prevention of forfeiture of leases for non-payment of rent
 - Temporary prohibition on certain winding up petitions
- Suspension of wrongful trading provisions extended to 30 Apr 21
- New moratorium procedure: relaxed entry requirements extended until 30 Mar 21

- **Potential catalysts for growth**

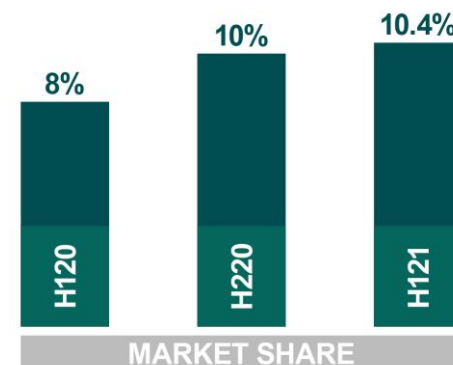
- End of Government support
- Creditor pressures increasing
- Significant increase in corporate debt
- Working capital funding pressures



* Insolvency Service quarterly statistics on a seasonally adjusted basis for 6 months to 30 Sep 20 (excluding compulsory liquidations)

Business recovery and financial advisory

- Strong organic performance in challenging insolvency market
- Total value of new appointments in period maintained
 - Increase in market share* and average case size mitigated weak market
 - Benefit of organic growth and recent acquisitions
- Ongoing recruitment of senior fee earners now making positive contribution
- Acquired case portfolio and five fee earners from Grant Thornton in May 20
- Good first time contribution from prior year acquisitions:
 - ALJ – London insolvency (Oct 19)
 - Regeneratus – Exeter advisory (Sep 19)
- Order book increased providing good revenue visibility
- Acquisition pipeline to increase expertise and market share



* Market share by volume of UK corporate insolvency appointments

Property services – good recovery from lockdown

- Property valuations – strong recovery in instructions
 - Instruction levels recovered from 30% of normal levels to 85% over period
- Good levels of commercial property agency transactions and instructions
- Property auctions remained on-line in the period
 - Reduction to 40% of normal levels at start of lockdown – in line with market
 - Encouraging recovery in lot numbers to 80% of pre-lockdown levels
- Solid performance from business sales agency acquired in Oct 19
 - Income in line with pre-acquisition levels
 - Disruption from lockdown at start of year recovered over Q2

Property services – development areas

- Building consultancy
 - Significant increase in school property funding for clients
 - Managed projects totalling £28m in the period – 50% increase on prior year
 - Project fees increased to £2.1m (2019: £1.0m)
- Increase in realisations from machinery and business asset disposals
- Robust performance enabling selective recruitment of senior fee earners to benefit future periods in all service lines
- Selective acquisition opportunities to expand service lines and geography

Summary

Summary

- Strong financial performance in the period
- Expect full year results at least in line with current market consensus
- Expect significant increase in market insolvency levels in 2021
- Strong financial position to invest in
 - Continued development and enhancement of the group
 - Organic and acquisition growth opportunities
- Confidence in outlook for current and future years
 - Building on five year track record of growth

Appendix

Investment case

- Strong track record of cash generative, profitable growth with a well-established progressive dividend policy
- AIM listed since 2004
 - highly experienced board and senior management team
 - long-established corporate structure with separation of equity, management and fee earners
- Strongly positioned in counter-cyclical activities, representing 70% of total revenue
- Market leading business recovery practice taking the largest number of corporate insolvency appointments in the UK, with a focus on mid-market and smaller companies
- Strong referral network across the group leading to high levels of repeat business
- Diverse income streams provide multiple sources of growth across the economic cycle in fragmented markets
- Organic growth strategy complemented by value-accretive acquisitions across our service lines, enabled by a strong balance sheet

Business recovery

- **UK's leading independent business recovery practice**

- Handle the largest number of corporate appointments in the UK
- 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



£44m
fee income



over 5,000
accountant contacts
with no conflicts



30
principal office locations



354
staff
including 65 licensed
insolvency practitioners



typical case length
2-3 years



international capabilities

Marketplace

Firms
Big 4 accountancy firms American boutiques <i>Alvarez & Marsal, FTI, Alix Partners, Duff & Phelps</i>
National accountancy firms <i>Grant Thornton, BDO, RSM</i> National specialists <i>Begbies Traynor, FRP, Quantuma, Leonard Curtis</i>
Local boutiques

Largest appointment takers	6m to Sep 20
Begbies Traynor	560
FRP	266
Quantuma	209
Leonard Curtis	161
TOTAL	5,387
Market share	10.4%
Source: Administrations, CVLs and CVAs as disclosed in the London, Edinburgh and Belfast Gazettes, Accountant in Bankruptcy, Companies House and excluding compulsory liquidations	

Financial advisory

- **Services:**

- Corporate finance - Buy and sell side private company transactions
- Forensic accounting and investigations - fraud and financial crime investigations, expert witness for dispute resolution
- Advisory - Debt advisory, due diligence and transaction support, accelerated corporate finance, business and financial restructuring

- **Complementary to business recovery**

- **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



£8m
fee income



35
dedicated staff
together with 24 staff working
across insolvency and advisory



**buy and sell side support on
corporate transactions**



5
principal office locations

Property services

- **Services**

- **Valuations**

- valuation of property, small to medium sized businesses, machinery and business assets

- **Transactional services**

- sales of property, machinery and other business assets through physical and on-line auctions;
- business sales agency
- commercial property agency in northern and eastern England

- **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
- 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



£22m
fee income

Pugh

Part of Eddisons

**largest regional
property auctioneer**



**largest insolvency
focussed plant &
machinery team in the UK**



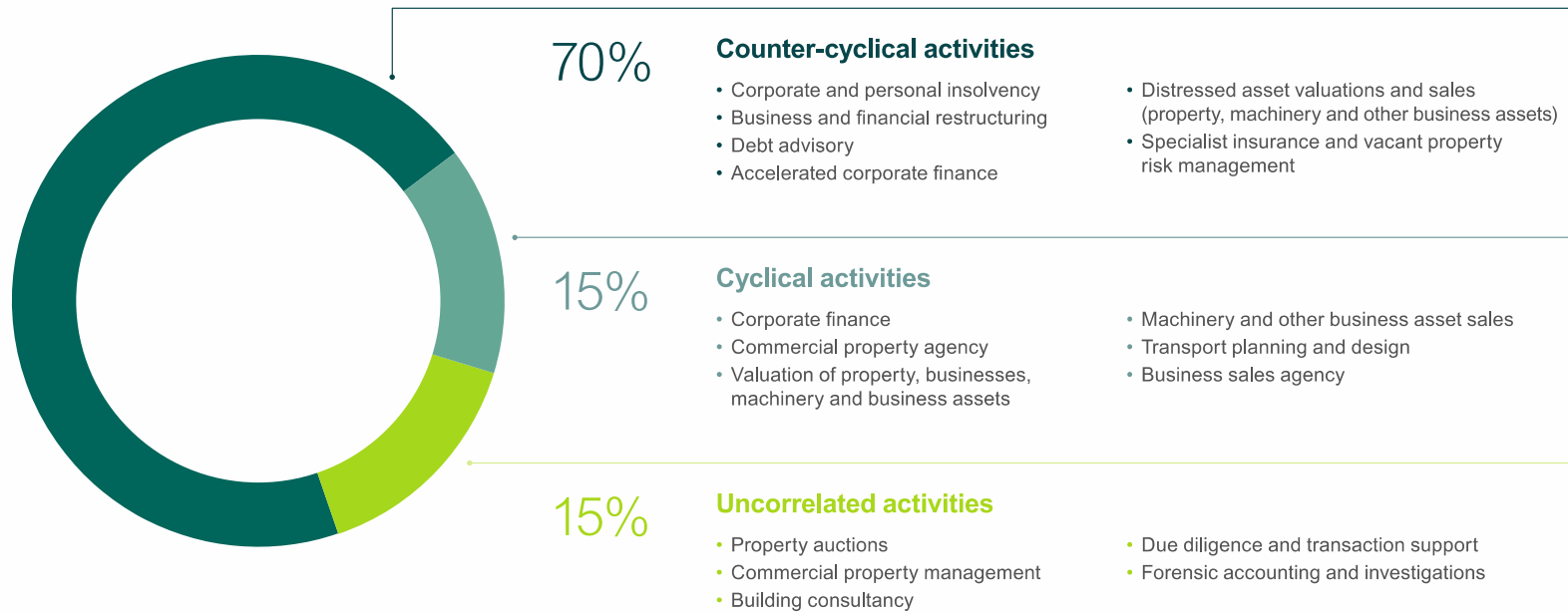
20
office locations



263
dedicated staff

Well placed with counter-cyclical focus

Our activities



Profile reflects current group activities

Our businesses



Acquisition history

<p>2019</p> <p>ALJ (Insolvency)</p> <p>Revenue: £3.1m Profit: £0.9m</p>	<p>2019</p> <p>Ernest Wilson (Business sales agency)</p> <p>Revenue: £2.2m Profit: £0.7m</p>	<p>2019</p> <p>Regeneratus (Advisory)</p> <p>Revenue: £0.6m Profit: £0.2m</p>	<p>2019</p> <p>BSM (Chartered surveyors)</p> <p>Revenue: £3.1m Profit: £0.6m</p>
<p>2019</p> <p>KRE and Dunion (Insolvency)</p> <p>Revenue: £0.7m Profit: £0.2m</p>	<p>2019</p> <p>Croft (Transport planning)</p> <p>Revenue: £1.8m Profit: £0.7m</p>	<p>2018</p> <p>Springboard (Corporate finance)</p> <p>Revenue: £2.3m Profit: £0.8m</p>	<p>2018</p> <p>CJM (Industrial plant and machinery disposal)</p> <p>Revenue: £1.2m Profit: £0.1m</p>
<p>2016</p> <p>Pugh (Property auctions)</p> <p>Revenue: £2.0m Profit: £0.8m</p>	<p>2015</p> <p>Taylors (Property and business valuations)</p> <p>Revenue: £1.5m Profit: £0.2m</p>	<p>2015</p> <p>P&A and Broadbents (Insolvency)</p> <p>Revenue: £3.0m Profit: £0.7m</p>	<p>2014</p> <p>Eddisons (Chartered surveyors)</p> <p>Revenue: £13.4m Profit: £1.3m</p>

Ownership structure

The group has 127.9m shares in issue. The ownership profile is:

Name	% holding
Ric Traynor	21.3
Other management	5.8
Major institutions:	
• OVMK Vermogensbeheer	6.9
• Close Brothers	6.8
• Amati Global Investors	5.4
• Hendrik Marius Van Heijst	3.0
• Nordea Asset Management	3.0
• Stichting Value Partners	2.1
• Hof Hoorneman Bankiers	2.0
• Castlefield	1.8

H2 financial guidance

- Expect results at least in line with current market expectations for the full year
- Adjusted tax rate 21% (FY20: 21%)
- Average shares in issue FY21 c129.4m; fully diluted c134.0m
- Transaction/amortisation costs:
 - Deemed remuneration £2.8m (Full year: £5.9m)
 - Amortisation £1.1m (Full year: £2.6m)
- Cash outflows
 - Working capital - net outflow (VAT deferred payment of £2.7m offset by reduced lock up)
 - Cap-ex £0.5m
 - Tax £1.2m
 - Final dividend of £2.4m paid in November 2020
 - Deferred consideration payments of £1.9m
 - Future year anticipated payments of £4.2m
(FY22: £1.2m, FY23: £1.6m, FY24: £1.1m, FY25: £0.4m)

Segmental analysis

£000's	H1 31 Oct 19	H2 30 Apr 20	H1 31 Oct 20
Revenue			
Business recovery and financial advisory	23,043	26,587	26,146
Property advisory and transactional services	10,736	10,137	11,347
Total	33,779	36,724	37,493
Operating profit			
Business recovery and financial advisory	4,864	6,724	6,571
<i>Margin</i>	21.1%	25.3%	25.1%
Property advisory and transactional services	2,137	1,723	1,554
<i>Margin</i>	19.9%	17.0%	13.7%
Segmental result	7,001	8,447	8,125
<i>Margin</i>	20.7%	23.0%	21.7%
Shared and central costs	(2,541)	(2,788)	(2,657)
Operating profit (before amortisation and transaction costs)	4,460	5,659	5,468
<i>Margin</i>	13.2%	15.5%	14.6%

Balance sheet

£m	31 Oct 20	31 Oct 19	30 Apr 20
Intangible assets	58.3	61.4	59.4
Fixed assets	8.3	8.9	8.8
Acquisition items : deemed remuneration	7.5	9.5	9.1
: deemed remuneration liabilities	(0.8)	(2.4)	(0.3)
Working capital:			
- Assets	34.3	32.2	32.0
- Liabilities	(26.0)	(20.9)	(21.8)
Net working capital	8.3	11.3	10.2
Net cash (debt)	0.7	(2.3)	(2.8)
Dividend accrual	(2.4)	(2.3)	-
Provisions	(2.7)	(2.5)	(2.8)
Corporation tax	(1.6)	(2.4)	(1.9)
Deferred tax	(5.7)	(5.2)	(5.7)
Lease liabilities	(7.9)	(8.2)	(8.4)
Net assets	62.0	65.8	65.6



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

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