



Full year results presentation

Ric Traynor – Executive Chairman

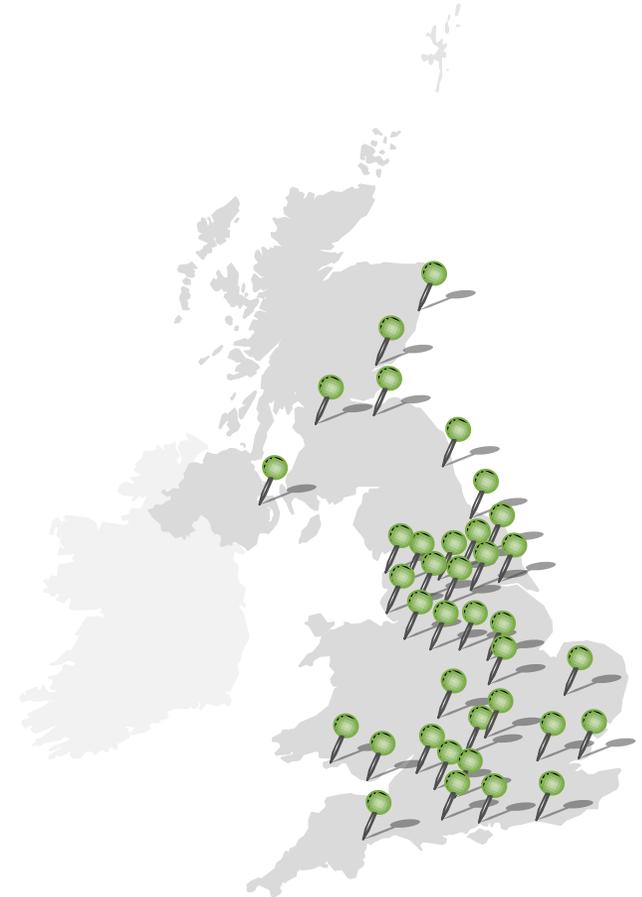
July 2017

Nick Taylor – Group Finance Director

About us

- We are a leading business recovery, financial advisory and property services consultancy
- Business recovery and financial advisory
 - Begbies Traynor - UK's leading independent business recovery practice
 - largest number of corporate appointments
 - serving the mid-market and smaller companies
 - BTG Financial Consulting - transactional support, valuations and advisory services
 - Services provided to: businesses, professional advisors, other stakeholders, investors and financial institutions, working with all the major UK clearing banks
- Property services
 - Eddisons - national firm of chartered surveyors
 - advisory and transactional services to owners and occupiers of commercial property, investors and financial institutions
 - Pugh & Co, the largest regional firm of commercial property auctioneers (by number of lots)
- Global engagements through our BTG Global Advisory alliance of associated firms
- 550 partners and staff throughout the UK, providing a partner-led service in the local business community

Office Locations



Financial highlights

Revenue

£49.7m

(2016: £50.1m)

Adjusted PBT

£4.9m

(2016: £4.5m)

Adjusted EPS

3.3p

(2016: 3.2p)

Total dividend

2.2p

(2016: 2.2p)

Business recovery profit

£7.4m

(2016: £7.5m)

Property services profit

£2.9m

(2016: £2.4m)

Operating cash flow

£8.0m

(2016: £7.9m)

Net debt

£10.3m

(2016: £10.4m)

Overview

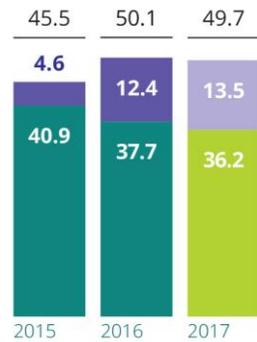
- A year of further progress in developing the group with earnings in line with expectations
- **Business recovery and financial advisory services** - solid performance:
 - Profits broadly maintained in spite of lowest level of corporate insolvencies since 2004
 - Increased operating margins to 20.3% (2016: 19.8%)
 - Remain the leading UK corporate appointment taker by volume
- **Property services** - growth in revenue and profits:
 - Now contributes approximately 30% of group revenue and profit
 - Acquisition of Pugh & Co in June 2016; now the UK's largest regional firm of commercial property auctioneers
 - Continued investment in valuation team enhancing expertise and geographical coverage
- Group remains strongly cash generative, enabling funding of acquisition payments whilst reducing net debt
- Refinanced debt facilities through to 2021 at a lower cost to the previous facilities

Group in strongest position for a number of years to build on its recent track record

Solid track record

Revenue

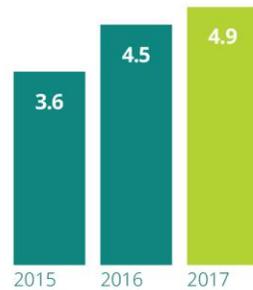
£49.7m



Property
Business recovery

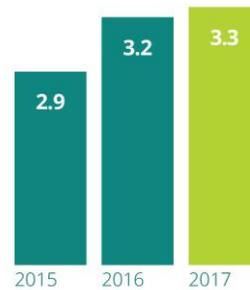
Adjusted profit before tax

£4.9m



Adjusted EPS

3.3p



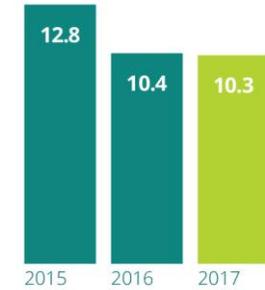
Dividend

2.2p



Net debt

£10.3m



Financial review

Income statement

£000	Year ended Apr 17	Year ended Apr 16
Revenue	49,685	50,135
Operating profit (before amortisation and transaction costs)	5,627	5,488
Interest costs	(776)	(999)
Adjusted profit before tax	4,851	4,489
Refinancing costs	(225)	-
Transaction costs *	(1,545)	(790)
Amortisation	(2,439)	(2,827)
Profit before tax	642	872
Tax	(429)	(424)
Profit from continuing operations	213	448

* Transaction costs comprise: acquisition costs £0.1m (2016: £0.3m); deemed remuneration charges of £1.4m (2016: £1.1m); charge relating to the put and call option over Begbies Traynor (London) LLP £0.3m (2016: nil); offset by gain on acquisition of £0.3m (2016: £0.6m)

Operating profit bridge

£m	FY16	Acquisitions		Business recovery and advisory		Property			FY17
		Pugh	Taylor's	Insolvency reductions	Increase in advisory	Insolvency reductions	Increase in advisory	Contract exits	
Revenue	50.1	2.0	0.9	(2.7)	1.2	(1.2)	0.3	(0.9)	49.7
Costs	(44.6)	(1.3)	(0.8)	1.9	(0.8)	0.7	(0.1)	0.9	(44.1)
Operating profit	5.5	0.7	0.1	(0.8)	0.4	(0.5)	0.2	-	5.6

- Contribution of £0.8m from acquisitions – 11 months of Pugh and 7 months of Taylor's (full year impact)
- Business recovery revenue impacted by:
 - H1 reduced revenue of £2.0m (10%); offset by
 - H2 increased revenue of £0.5m (3%)
- Mitigated impact of insolvency reductions across both divisions through combination of:
 - Cost management;
 - Redeployment of staff; and
 - Increased advisory activity
- Exit from low margin contracts in property services as reported last year
- Improved operating margins to 11.3% (2016: 10.9%)

Balance sheet

£m	Apr 17	Apr 16
Non current assets	60.0	60.4
Current assets	29.8	34.5
Liabilities	(14.0)	(15.8)
Provisions	(1.2)	(1.7)
Net borrowings	(10.3)	(10.4)
Current tax	(0.8)	(1.3)
Deferred tax	(5.4)	(5.5)
Net assets	58.1	60.2

- **Current assets reduced to £29.8m (2016: £34.5m):**
 - Receivables and unbilled income £26.2m (2016: £29.1m)
 - Other debtors and prepayments £2.9m (2016: £4.3m)
 - Deemed remuneration £0.7m (2016: £1.1m)
- **Liabilities reduced to £14.0m (2016: £15.8m):**
 - Trade payables £1.2m (2016: £1.6m)
 - Accruals £4.6m (2016: £5.9m)
 - Other taxes and social security £2.4m (2016: £2.2m)
 - Deferred income £2.0m (2016: £2.7m)
 - Other creditors £3.1m (2016: £2.7m)
 - Deemed remuneration £0.7m (2016: £0.6m)
- **Balance sheet restated to reflect changes in accounting for deemed remuneration elements of acquisition consideration:**
 - Liability only recognised prospectively as earn out obligations completed rather than estimated total payment being recognised as a liability
 - Prepayments represent timing differences between payments and earn out periods
 - Deferred tax adjusted as a result of the above
- **Acquisition liabilities**
 - On balance sheet: £0.7m (£0.3m payable <1 year)
 - Off balance sheet likely payments: £4.5m (£0.9m payable < 1 year)

Cash flow

£m	Year ended Apr 17	Year ended Apr 16
Cash from operations	8.0	7.9
Interest	(0.9)	(1.0)
Tax	(1.5)	(0.1)
Operating	5.6	6.8
Investing	(3.2)	(2.1)
Financing (excluding RCF movements)	(2.3)	(2.3)
Movement in net borrowings	0.1	2.4
Net borrowings	10.3	10.4

- **Operating:**

- Strong operating cash generation maintained in the year
- Interest payments include £0.3m of refinancing payments
- Tax payments increased as a result of tax rebate in prior year

- **Investing**

- Cap-ex of £0.3m (2016: £0.5m)
- Deferred consideration £1.1m (2016: £0.6m)
- Acquisition payments £1.8m (2016: £0.9m)

- **Financing**

- Dividend payments £2.3m (2016: £2.3m)
- Reduction in drawn level of RCF £1.0m (2016: £4.0m) excluded from table

New five year bank facilities agreed

- New facilities agreed in the year with August 2021 maturity date
- Previous £30m facilities replaced by:
 - £25m committed revolving credit facility
 - £5m uncommitted acquisition facility
- Provided by HSBC solely on an unsecured basis, in place of previous three bank facility including HSBC
- Significant reduction in financing costs with effective interest rate of c3% compared to previous facility of c6%
- One-off exit costs of £0.2m charged in the year, of which £0.1m was cash
- Arrangement fees of £0.2m paid in the year and charged to income over the life of the facility

Provides the financial strength and flexibility to execute our strategy

2017/18 outlook

- **Business recovery:**
 - Improved activity levels in calendar 2017, with first quarter showing growth on the 2016 comparative
 - If sustained throughout the year, then we anticipate an increase in earnings in our insolvency-related activities
 - Anticipate a typical summer period of lower activity levels and will have a better view on outlook later in the year
 - Current cost base has capacity to deliver growth
- **Property:**
 - 2017 benefitted from consultancy fee of £0.4m not expected to be repeated
 - Growth on like for like basis dependent on organic initiatives and potential acquisitions
- **Finance costs reduce due to full year impact of new facilities**
- **Overall, anticipate increase in earnings for the year**

Financial guidance

- Adjusted tax rate 26% (FY17: 27%)
- Transaction/amortisation costs:
 - Deemed remuneration (inc London option charges) £2.0m
 - Amortisation £1.8m
- Cash outflows:
 - Deferred income unwind £0.5m
 - Provisions outflows of £0.5m
 - Tax payments: FY17 provision £0.8m and two payments on account for FY18
 - Cap-ex of c£0.5m
 - Deferred consideration payments of £1.2m
 - Dividends (interim £0.6m paid May 2017, final £1.7m payable November 2017)
- Anticipate net debt to remain broadly unchanged

Operating review

Business recovery and financial advisory

- **Insolvency market**

- Calendar year 2016 broadly flat at 14,736 (2015: 14,657)
- Lowest level of appointments since 2004
- First calendar quarter of 2017 appointments of 4,157, 8% increase on 2016 (2016: 3,842)

- **Performance for the year as a whole impacted by low level of activity in the first half**

- **Improved activity levels in second half of year giving improved performance on both first half and comparative second half periods**

- **Good progress in developing financial advisory services through London based team**

- Helped to mitigate the reduction in insolvency activity
- Advised on a number of significant transactions including restructuring, due diligence and valuation advice

- **Profits broadly maintained with improved margins as a result of:**

- Continued cost control
- Increased advisory activities

- **Maintained market leading position**

	FY17	FY16
Revenue (£m)	36.2	37.7
Profit (£m)	7.4	7.5
Margin	20.3%	19.8%
Headcount	337	355

Property services

- **Strong revenue and profit growth from acquisitions partially offset by:**
 - Reduced insolvency activity; and
 - Prior year exit from low margin contracts
- **Eddisons working on a number of Begbies Traynor insolvency appointments leading to value being retained in the group**
- **Pugh & Co fully integrated with the original Eddisons auctions business:**
 - Performing well and in line with expectations
 - The largest regional firm of commercial property auctioneers (by lots)
- **Continued to develop valuation business following Taylors acquisition in November 2015**
 - Enhanced expertise and geographical coverage through recruitment
 - Team provides full range of valuation and recovery advice to all major banks on national basis
 - Anticipate any further reductions in insolvency work will be offset by increased valuation activity
- **Results benefitted from a consultancy fee which we do not expect to repeat in the new financial year**
- **Earnings growth on a like for like basis dependent on organic growth initiatives and potential acquisitions**

	FY17	FY16
Revenue (£m)	13.5	12.4
Profit (£m)	2.9	2.4
Margin	21.6%	19.4%
Headcount	170	150

Strategic overview

Strategy



We will enhance our expertise through ongoing investment in the group, both organically and through selective acquisitions

Our expertise

Business restructuring and insolvency

- Corporate recovery
- Personal insolvency
- Restructuring
- Property receiverships
- Specialist insurance broking

Valuation and advisory services

- Due diligence
- Debt advisory
- Forensic and investigations
- Commercial property valuations

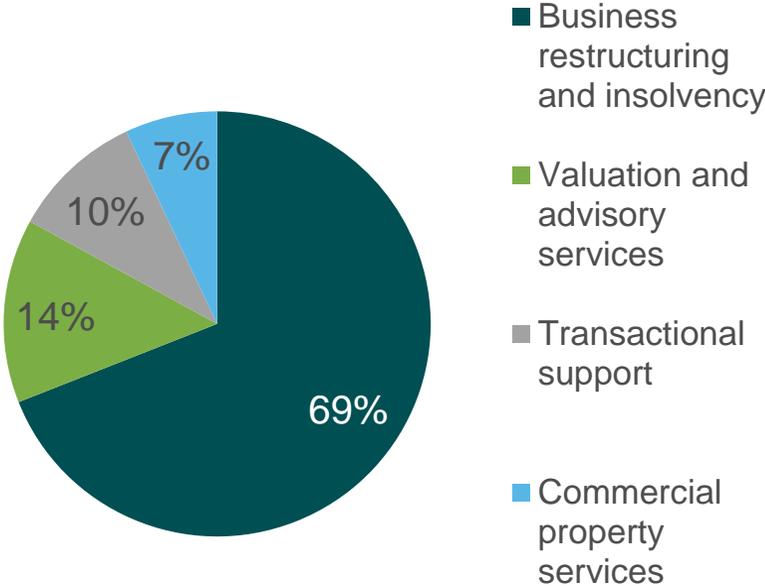
Transactional support

- Corporate finance
- Property auctions
- Machinery and business asset disposal
- Commercial property agency

Commercial property services

- Property management and accounting
- Building and project consultancy, rating and other advisory services

% of revenue



Market position

Business recovery and financial advisory

Number of corporate appointments	FY17
Begbies Traynor	932
Leonard Curtis	406
FRP	400
RSM	291
TOTAL	13,547
Market share	7%

Source: London, Edinburgh and Belfast Gazettes, Accountant in Bankruptcy, Companies House

Other competitors

- Big 4 accountancy firms – focussed on larger engagements and advisory
- National full service accountancy firms
- Local boutique specialists

Property services

- Market place
 - Eddisons is a top 25 firm by revenue
 - Top 10 firms (including CBRE, JLL, Savills) have revenue of £100m to £990m with a significant national agency presence
 - Significant number of small, local firms serving regional markets
- Eddisons focussed on specialist expertise
 - Market-leading auction practice
 - National bank-accredited valuation team
 - Future development focussed on specialist service lines or geographical strength

Multiple growth opportunities

- **Business recovery and financial advisory**

- Strong and mature market position
- High margins and good operating cash flows
- Growth opportunity from senior recruitment to increase advisory expertise and proportion of non-insolvency revenues
- Well placed in event of cyclical market growth
- Operational gearing would deliver enhanced margins

- **Property services**

- Hiring experienced NED with industry expertise
- Senior recruitment to continue geographical development of valuation business
- Development of machinery and business asset disposal business
- Enhancement of building and project consultancy services
- Growth in auctions business through acquisition in new geographical locations

Strategic acquisitions focussed on specialist service lines or geographical strength

Outlook

Outlook

- Anticipate a growth in earnings in the new financial year if recent increase in insolvency activity levels is sustained
- New bank facilities provide the financial strength and flexibility to execute our strategy
- Continue to review acquisition and organic growth opportunities in both divisions
- Trading update at the AGM in September 2017

Group in strongest position for a number of years to build on its recent track record

Investment summary

- A leading UK professional services consultancy with two complementary and profitable divisions:
 - Business recovery and financial advisory - UK's leading independent business recovery practice
 - Property services - national chartered surveyors delivering specialist property services
- Significant market-leading practices in:
 - Insolvency: largest number of corporate appointments (by volume)
 - Auctions: largest regional firm of commercial property auctioneers (by lots)
 - Property valuation: accredited by all major banks
- Three year track record of solid performances in challenging markets:
 - Maintained high margins through rigorous cost control and generated significant cash
 - Maintained capacity to take advantage of any market improvements
- Retain significant financial resources to grow the business through organic investment and acquisitions
- Intend to increase dividends when confident of both market outlook and continuing recent earnings growth
- Counter cyclical exposure to business cycle – but capable of solid shareholder returns in challenging markets

Appendix

Ownership structure

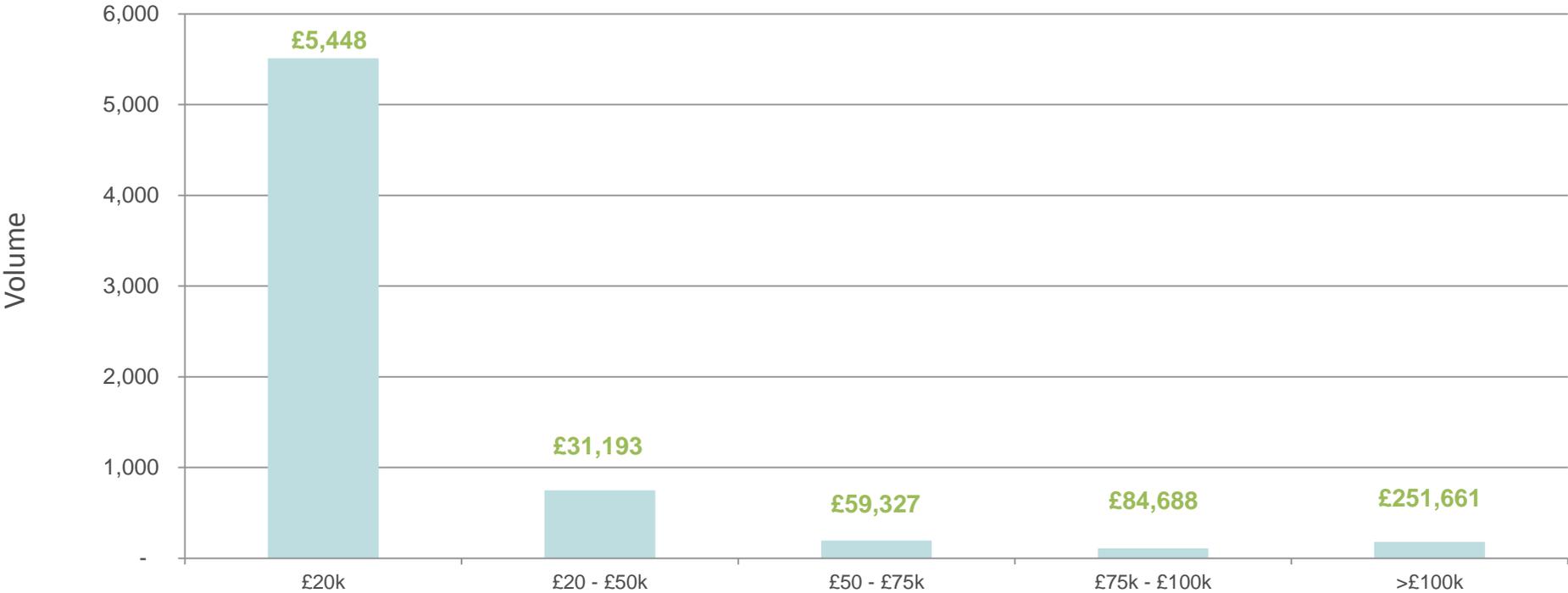
The group has 106.7m shares in issue. The ownership profile is:

Name	% holding
Ric Traynor	25.4%
Other management	4.6%
Major institutions:	
• Hof Hoorneman Bankiers	11.1%
• Fidelity	9.9%
• Theodoor Gilissen	6.3%
• Allianz Global Investors	6.0%
• Close Brothers	3.4%

Pugh & Co acquisition

- Acquisition of Pugh & Co in June 2016
- Property auction business
- Regular auctions held in Leeds and Manchester
- Consideration:
 - Initial cash of £2.0m
 - Contingent of up to £2.6m based on financial performance of the combined business:
 - £0.25m (cash or shares) based on year 1 performance where the target has been met
 - Balance payable in cash based on financial performance over five year period – total payment based on current profitability of c£1.25m
- Business has been fully integrated with the Eddisons auctions business under Pugh management
- Synergy savings through headcount efficiencies, marketing and venue costs of £0.2m

Profile of our insolvency caseload



* As at 30 April 2017

Who we are and what we do



Begbies Traynor is the UK's leading independent business recovery practice handling the largest number of corporate appointments, principally serving the mid-market and smaller companies.



Insolvency – Corporate and Personal

Corporate – procedures aim to either rescue the business (where feasible) or realise the value of assets and distribute available funds to creditors.

Personal – provide advice to debtors and creditors on all aspects of personal insolvency.

- Administration
- Liquidation
- Receiverships
- Creditors' voluntary arrangements
- Bankruptcy and individual voluntary arrangements (England and Wales)
- Trust deeds and sequestrations (Scotland)



BTG Financial Consulting provides transactional support, valuations and advisory services.



Financial Advisory

Services include:

- Financial consultancy including debt advisory, financial due diligence and valuations
- Restructuring and turnaround
- Corporate finance
- Forensic accounting and investigations
- Litigation support



Eddisons is a national firm of chartered surveyors, delivering advisory and transactional services to owners and occupiers of commercial property, investors and financial institutions.

The division includes Pugh & Co, the largest regional firm of commercial property auctioneers (by number of lots).



Advisory services

- Commercial property valuations
- Property receiverships
- Property management and accounting
- Building and project consultancy
- Property insurance and risk management
- Business rates assessment and appeals



Transactional services

- Property auctioneers
- Machinery and business asset auctioneers
- Commercial property agency



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

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