



Half year results presentation

Ric Traynor – Executive Chairman

December 2017

Nick Taylor – Group Finance Director

Our services



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.

- ▶ Administrations
- ▶ Liquidations
- ▶ Receiverships
- ▶ Creditors' voluntary arrangements

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

- ▶ Bankruptcy and individual voluntary arrangements (England and Wales)
- ▶ Trust deeds and sequestrations (Scotland)



BTG Advisory is a boutique advisory practice, providing commercial, strategic and partner-led advice to companies, investors, lenders and other stakeholders.



Financial Advisory

Services include:

- ▶ Debt advisory
- ▶ Financial due diligence
- ▶ 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

Financial highlights

Revenue

£26.0m

(2016: £24.5m)

Adjusted PBT

£2.9m

(2016: £2.5m)

Adjusted EPS

2.0p

(2016: 1.8p)

Interim dividend

0.7p

(2016: 0.6p)

Business recovery profit

£4.1m

(2016: £3.2m)

Property services profit

£1.3m

(2016: £2.0m)

Operating cash flow

£4.9m

(2016: £2.2m)

Net debt

£6.9m

(2016: £12.2m)

Overview

- A good first half performance, results in line with expectations
- **Business recovery and financial advisory services:**
 - increase in insolvency market activity levels over the last twelve months
 - improved performance with revenue growth and improved margins
- **Property services:**
 - performed in line with expectations
 - continued to invest in service offering and geographical coverage
- Strong cash generation, significant reduction in net debt, supports the board's decision to declare an increased dividend
- Well placed to deliver current expectations for the full year

Financial review

Income statement

| £m | Six months ended 31 Oct 17 | Six months ended 31 Oct 16 | Year ended 30 April 17 |
|---|-------------------------------|-------------------------------|---------------------------|
| Revenue | 26.0 | 24.5 | 49.7 |
| Operating profit (before amortisation and transaction costs) | 3.1 | 3.0 | 5.6 |
| Interest costs | (0.2) | (0.5) | (0.7) |
| Adjusted profit before tax | 2.9 | 2.5 | 4.9 |
| Refinancing costs | - | - | (0.2) |
| Transaction costs * | (1.0) | (0.3) | (1.6) |
| Amortisation | (0.9) | (1.3) | (2.5) |
| Profit before tax | 1.0 | 0.9 | 0.6 |
| Tax | (0.6) | (0.4) | (0.4) |
| Profit from continuing operations | 0.4 | 0.5 | 0.2 |

- A good first half performance
- Revenue and operating profit growth of 6%
- Interest costs reduced due to full year effect of the November 2016 refinancing
- Transaction costs comprise: acquisition costs £nil (2016: £0.1m); deemed remuneration charges of £0.7m (2016: £0.6m); and charge relating to the put and call option over Begbies Traynor (London) LLP £0.3m (2016: £nil)

Segmental performance

| £m | Six months ended 31 Oct 17 | Six months ended 31 Oct 16 | Year ended 30 Apr 17 |
|---|----------------------------|----------------------------|----------------------|
| Business recovery and financial advisory | | | |
| Revenue | 19.2 | 17.4 | 36.2 |
| Costs | (15.1) | (14.2) | (28.8) |
| Profit | 4.1 | 3.2 | 7.4 |
| Margin | 21% | 18% | 20% |
| Headcount | 342 | 328 | 337 |

| | | | |
|--------------------------|------------|------------|------------|
| Property services | | | |
| Revenue | 6.8 | 7.1 | 13.5 |
| Costs | (5.5) | (5.1) | (10.6) |
| Profit | 1.3 | 2.0 | 2.9 |
| Margin | 19% | 28% | 21% |
| Headcount | 177 | 164 | 170 |

| | | | |
|--------------------------|------------|------------|------------|
| Contribution | 5.4 | 5.2 | 10.3 |
| Shared and central costs | (2.3) | (2.2) | (4.6) |
| Operating profit | 3.1 | 3.0 | 5.6 |

Business recovery and advisory

- Revenue increase due to:
 - increased activity levels in calendar 2017
 - success fee on contingent case of £0.8m
- Cost increase due to investment in new people, bonus accruals and staff pay review
- Anticipate second half activity levels to be broadly in line with same period last year

Property services

- One-off consultancy income of £0.4m benefitted the prior period
- Operating costs increased due to:
 - full year effect of prior period acquisitions
 - investment in new people; and
 - increased share based payment charges
- Anticipate second half activity levels to be at least those seen in first half

Balance sheet

| £m | 31 Oct 17 | 30-Apr-17 | 31-Oct-16 |
|--------------------|-------------|-------------|-------------|
| Non current assets | 58.9 | 60.0 | 61.3 |
| Current assets | 28.8 | 29.8 | 33.6 |
| Liabilities | (17.1) | (13.9) | (15.8) |
| Provisions | (0.8) | (1.2) | (1.3) |
| Net borrowings | (6.9) | (10.3) | (12.2) |
| Current tax | (1.2) | (0.8) | (1.0) |
| Deferred tax | (5.2) | (5.4) | (6.1) |
| Net assets | 56.5 | 58.1 | 58.6 |

- **Non current assets:** reduction due to amortisation
- **Current assets reduced to £28.8m (Apr 17: £29.8m)**
 - Receivables and unbilled income £25.1m (Apr 17: £26.2m)
 - Other debtors and prepayments £3.0m (Apr 17: £2.9m)
 - Deemed remuneration £0.7m (Apr 17: £0.7m)
- **Liabilities increase to £17.1m (Apr 17: £13.9m)**
 - Trade payables £0.9m (Apr 17: £1.3m)
 - Accruals £6.5m (Apr 17: £3.9m), includes final dividend of £1.7m paid in Nov 17
 - Other taxes and social security £2.4m (Apr 17: £2.4m)
 - Deferred income £1.9m (Apr 17: £2.0m)
 - Other creditors £3.9m (Apr 17: £3.6m)
 - Deemed remuneration £1.5m (Apr 17: £0.7m)
- **Acquisition liabilities**
 - On balance sheet: £1.5m (£0.6m payable <1 year)
 - Off balance sheet likely payments: £3.3m (£0.4m payable < 1 year)

Cash flow

| £000 | Six months ended 31 Oct 17 | Six months ended 31 Oct 16 | Year ended 30 April 17 |
|-----------------------------------|-------------------------------|-------------------------------|---------------------------|
| Cash from operations | 4.9 | 2.2 | 8.0 |
| Tax | (0.4) | (0.7) | (1.5) |
| Interest | (0.2) | (0.4) | (0.9) |
| Operating | 4.3 | 1.1 | 5.6 |
| Investing | (0.3) | (2.2) | (3.2) |
| Financing (excl RCF movements) | (0.6) | (0.6) | (2.3) |
| Movement in net borrowings | 3.4 | (1.8) | 0.1 |
| Net borrowings | (6.9) | (12.2) | (10.3) |

- **Operating:**

- Strong operating cash generation in the period
- Tax payments of £0.4m (2016: £0.7m)
- Interest payments of £0.2m (2016: £0.4m)

- **Investing**

- Cap-ex of £0.2m (2016: £0.1m)
- Deferred consideration £0.1m (2016: £0.5m)
- Acquisition payments £nil (2016: £1.6m, net of cash acquired)

- **Financing**

- Dividend payments £0.6m (2016: £0.6m)

- *Reduction in drawn level of RCF £2.0m (2016: £1.0m) excluded from table*

Strong financial position

- Bank facility provided by HSBC on unsecured basis
 - £25m committed revolving credit facilities; and
 - £5m uncommitted acquisition facility
 - August 2021 maturity
- Significant headroom in committed banking facilities
- Strong position with gearing reduced to 12% (Oct 16: 21%) and interest cover improved to 12x (Oct 16: 6x)

Full year guidance

- H2 trading:
 - Business recovery and advisory:
 - second half expected to perform broadly in line with comparative period
 - Property:
 - expected to continue at least at current trading levels
 - Costs broadly in line with H1
- Well placed to deliver upon current market expectations
- Transaction/amortisation costs:
 - Deemed remuneration £2.0m
 - Amortisation £1.8m
- Adjusted tax rate 26% (FY17: 27%)
- Anticipate second half increase in net debt due to:
 - Tax payments of £0.8m and interest payments of £0.3m
 - Cap-ex of c£0.5m
 - Deferred consideration payments of £1.0m
 - Final dividend of £1.7m paid November 2017

Business review

Business recovery and financial advisory

- **Insolvency market:**
 - Increase in activity levels in calendar year 2017
 - Twelve months ended Sep 17: 15,572 (Sep 16: 14,482), an increase of 8%
 - Appointments in calendar years 2015 and 2016 were c14,700 pa
 - Maintained market share and remain leading appointment taker by volume
- **Increased focus on cases involving fraud investigation and legal action:**
 - Success fee of £0.8m on one case in the period
- **Continued to invest in digital marketing capability**
- **Investment in work generating resource - headcount increased to 342 (Apr 17: 337, Oct 16: 328):**
 - Chargeable team retain capacity to deliver growth
- **Continued to develop advisory services in the period:**
 - Recently launched BTG Advisory which brings together our restructuring, financial advisory, corporate finance, forensic and investigation teams to operate as one national team

Property services

- Invested in the team, having recruited a new team into Liverpool:
 - Providing valuation and agency services
 - Operating from group's existing office
- Investment in education sector expertise with increased growth opportunities in future years
- Good cross-referral of work from Begbies Traynor insolvency cases
- Headcount increased to 177 (Apr 17: 170, Oct 16: 164)
- Continue to seek opportunities to invest in the division, through senior recruitment and acquisitions

Multiple growth opportunities

- **Business recovery**

- Strong and mature market position
- High margins and good operating cash flows
- Well placed in event of cyclical market growth
- Operational gearing would deliver enhanced margins
- Growth opportunities from senior recruitment and selective acquisitions

- **Financial advisory**

- Access to an additional and complementary market
- Higher average value transactions
- Build on recent success through recruitment and selective acquisitions

- **Property services**

- Senior recruitment to continue geographical development of valuation business
- Development of machinery and business asset disposal offering
- Enhancement of building and project consultancy services
- Anticipate supplementing organic growth through selective bolt-on acquisitions

Outlook

Outlook

- Good first half performance
- Well placed to deliver current market expectations for the full year
- Group in its strongest position for many years
- Continue to invest in growth of the business
- Q3 trading update in March 2018

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
- Opportunity for further increase in dividends as we continue recent earnings growth
- Counter cyclical exposure to business cycle – but capable of solid shareholder returns in challenging markets

Appendix

Strategy

To be recognised as a leading professional services consultancy, delivering business recovery, financial advisory and property advisory services.

We deliver this through our expertise in:

- Business restructuring and insolvency;
- Transactional support;
- Valuations and advisory services; and
- Commercial property consultancy and management

to our client base of UK businesses; financial institutions and the investment community; commercial property owners and occupiers; individuals and professional advisors.

We operate on a national basis throughout the UK, with a partner-led service in the local business community. We also have the added capability of providing expertise in key global jurisdictions through our international alliance under the BTG Global Advisory network of associated firms.

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

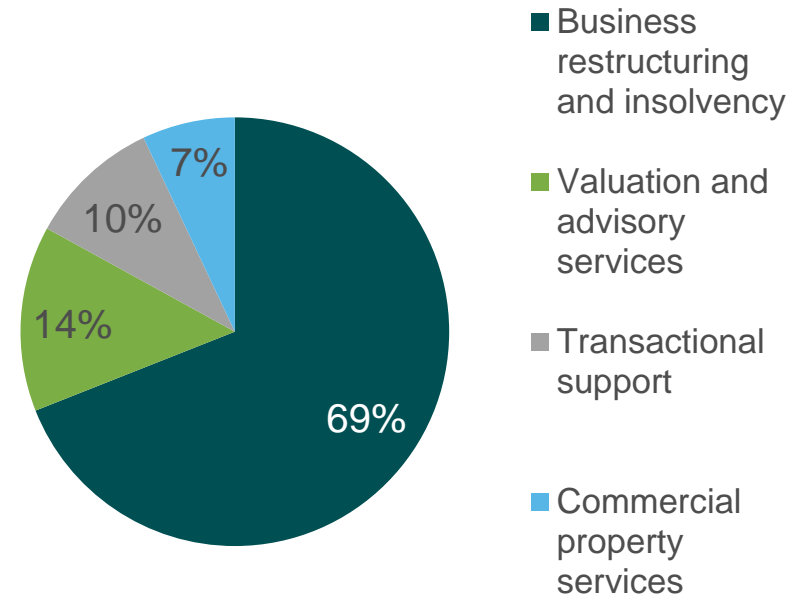
Transactional support

- 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 | HY18 |
|----------------------------------|--------------|
| Begbies Traynor | 453 |
| Leonard Curtis | 198 |
| FRP | 197 |
| RSM | 134 |
| | |
| TOTAL | 6,955 |
| 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

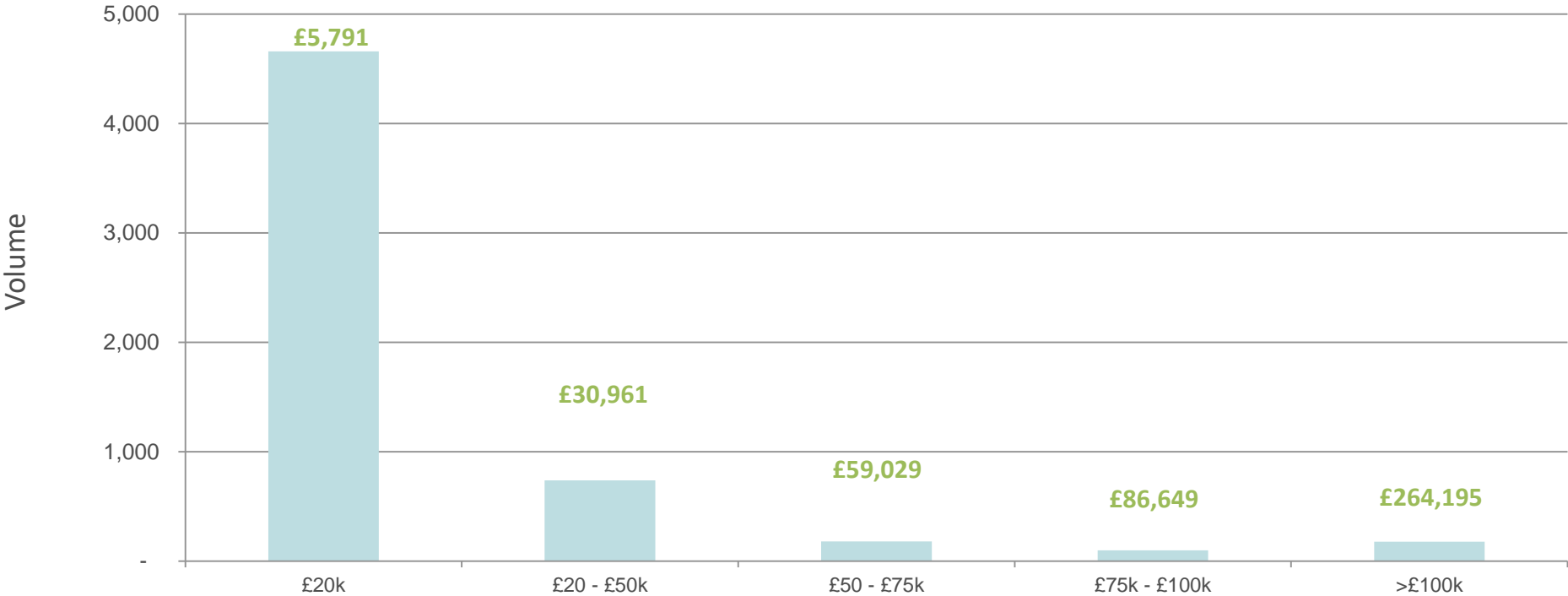
- Market place
 - Eddisons is a top 25 firm by revenue
 - Top 10 firms (including CBRE, JLL, Savills) have revenue of £100m to £990m with a significant national agency presence
 - Significant number of small, local firms serving regional markets
- Eddisons focussed on specialist expertise
 - Market-leading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

Ownership structure

The group has 107.3m shares in issue. The ownership profile is:

| Name | % holding |
|----------------------------|-----------|
| Ric Traynor | 25.3% |
| Other management | 2.3% |
| Major institutions: | |
| • Hof Hoorneman Bankiers | 11.1% |
| • Fidelity | 9.9% |
| • Theodoor Gilissen | 6.5% |
| • Close Brothers | 5.1% |
| • Allianz Global Investors | 4.8% |

Profile of our insolvency caseload

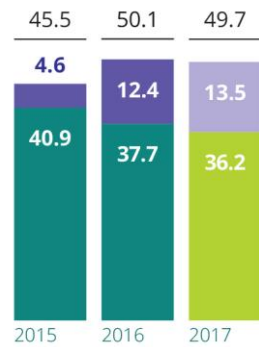


* As at 31 October 2017

Solid track record

Revenue

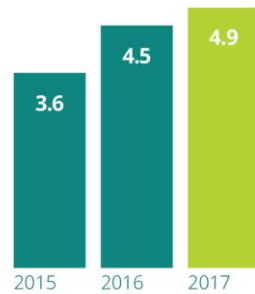
£49.7m



Property
Business recovery

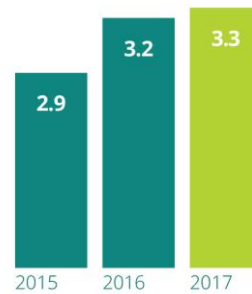
Adjusted profit before tax

£4.9m



Adjusted EPS

3.3p



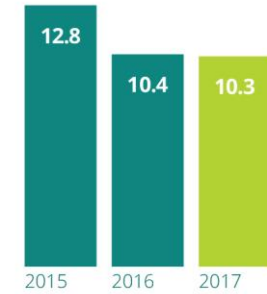
Dividend

2.2p



Net debt

£10.3m





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

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