Begbies Traynor Group

Half year results presentation

Ric Traynor – Executive Chairman

Nick Taylor – Group Finance Director

December 2021

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
Debt advisory, due diligence and transactional support, accelerated corporate finance, pensions advisory, business and financial restructuring, forensic accounting and investigations, finance broking.

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; commercial property agency.

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

Comprehensive Network
of locations across the UK

990
partners and staff
following all recent acquisitions

CAGR in adjusted EPS
of 20%
in last four years

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

Strong first half performance and confidence in full year outlook

REVENUE

£52.3m (+39%) (2020: £37.5m)

OPERATING MARGIN

16.0% (2020: 14.4%)

ADJUSTED PROFIT BEFORE TAX

£8.0m (+60%) (2020: £5.0m)

ADJUSTED EPS

4.1p (+32%) (2020: 3.1p)

INTERIM DIVIDEND

1.1p (+10%) (2020: 1.0p)

NET CASH

£1.2m (2020: £0.7m)

- Significant growth in revenue and profits
  - First time contribution from recent acquisitions
  - Market share gains in insolvency
  - Property services recovery from lockdown impacted comparative period
- 10% increase in interim dividend
  - Builds on increases over last four years
- Maintained strong financial position
- Confident of delivering market expectations for the full year

Financial highlights

£m	2021	2020
Revenue	**52.3**	37.5
Operating profit (before amortisation and transaction costs)	**8.4**	5.4
Margin	***16.0%***	*14.4%*
Adjusted profit before tax	**8.0**	5.0
Adjusted basic EPS	**4.1p**	3.1p
Interim dividend	**1.1p**	1.0p
Net cash	**1.2**	0.7

- Revenue increase of 39% in the period (36% acquired)
- Operating profit increase of 56% with improved margins
- Adjusted profit before tax increase of 60%
- Adjusted basic EPS growth of 32%, following 19% increase in issued shares
- Increase in interim dividend by 10% to 1.1p (2020: 1.0p)

Significant growth from both divisions

	Revenue (£m)			Profit (£m)		
	2021	2020	*growth*	**2021**	2020	growth
Business recovery and financial advisory	**38.7**	26.1	*48%*	**9.7**	6.6	*47%*
Property advisory and transactional services	**13.6**	11.4	*19%*	**2.4**	1.6	*50%*
Shared and central costs	**-**	-	-	**(3.6)**	(2.7)	33%
Total	**52.3**	37.5	*39%*	**8.4**	5.4	*56%*

Recovery and advisory

- Revenue growth from acquisitions £13.2m partially offset by lower organic £0.6m
  - Reflects market dynamics of increased volume of lower value cases
- Operating margins broadly maintained at 25.1%
- Insolvency order book increased to £29.0m (Apr 21: £28.3m, Oct 20: £20.9m)
  - Reflects acquisitions and continued market share gains
  - Gives confidence on future revenue levels
- Corporate finance successful six months of deal completions
  - Strong pipeline of transactions for H2
- Finance broking (acquired May 21) in line with expectations

Property advisory and transactional services

- Revenue growth from recovery of activity levels compared to lockdown comparative and acquisitions
- Operating margins recovered to 17.6% (2020: 14.0%)
- Continued recruitment of fee earners
  - Client offer strengthened in key areas
- Broadened client base, enhanced by public sector frameworks

Central costs reduced as percentage of revenue to 6.9% (2020: 7.2%)

- Cost run rate in line with H2 of FY21

Recent acquisitions performing well

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
- Both businesses performed well and in line with expectations

MAF finance brokerage (May 21)

- Complements advisory and transactional services
  - Deepens relationships with lenders
- Significant growth targets in consideration model
  - Currently on track to meet first performance hurdle at year 2 following good first half
- Synergy and cross selling opportunities identified as business integrated into the group

Property services enhanced network

- HNG (Feb 21) integrated and merged with London team
  - Contribution will be second half weighted
- Fernie Greaves (Oct 21) team merged with existing Sheffield team

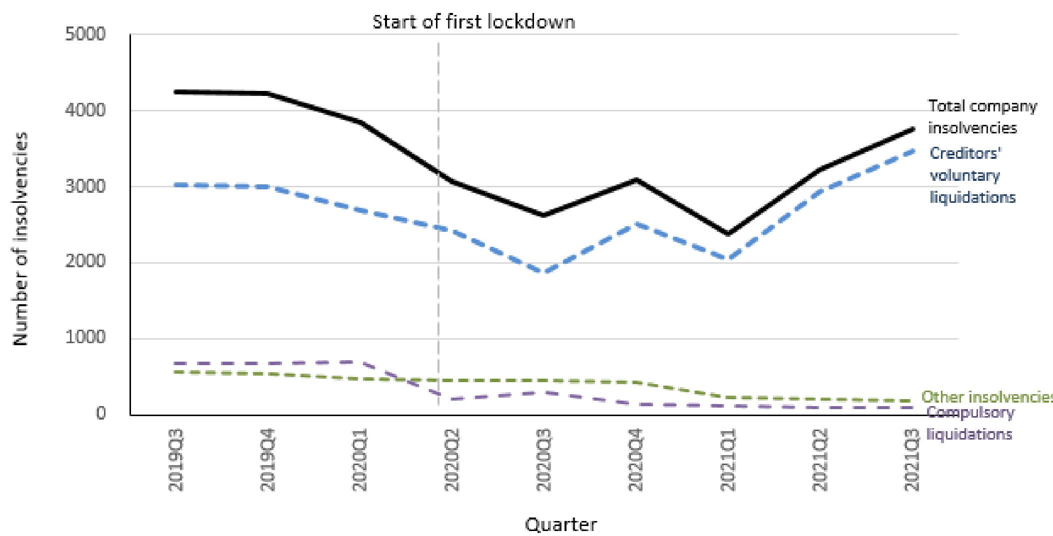
Strong financial position maintained

	£m
Oct 20 free cash flow	**6.0**
Prior period VAT payments deferred to H2	**(2.7)**
Increased pre-tax profits	**3.0**
Tax payments	**(0.6)**
Working capital – largely timing of payments in H1	**(2.5)**
Oct 21 free cash flow	**3.2**
Dividends	**(1.5)**
Acquisition payments	**(2.2)**
Deferred consideration payments	**(1.3)**
Cash outflow	**(1.8)**

- Net cash at Oct 21 of £1.2m (Apr 21: £3.0m, Oct 20: £0.7m), after £3.5m of acquisition and deferred consideration payments
- Significant headroom in bank facilities provides flexibility
  - £25m unsecured committed RCF and £5m uncommitted acquisition facility
  - Facilities in place until 2023

Insolvency market

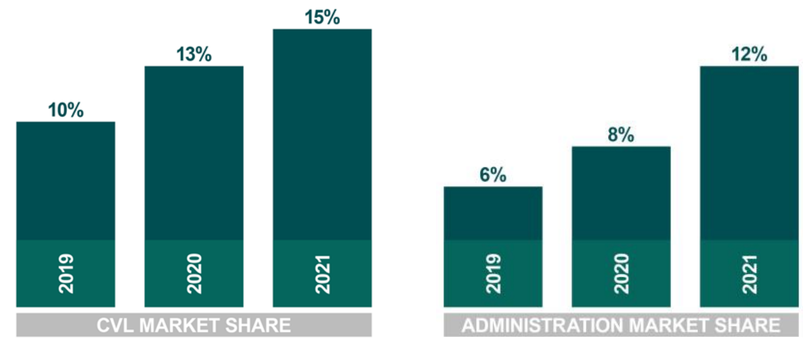
- Market impacted by Government support measures since start of pandemic
- Majority of these measures now removed
  - Final measures to end in March 2022
- Volumes* increased over last 6 months
  - 3,765 in Q3 calendar 2021 from low of 2,374 in Q1 calendar 2021
- Increases to date largely from smaller companies
  - Liquidation volumes returned to pre-pandemic levels
  - Administrations increased in recent months
    - but remain significantly below pre-pandemic levels
- Potential catalysts for growth
  - 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 for 12 months to 31 March 2021 (excluding compulsory liquidations)*

Recovery and advisory developments

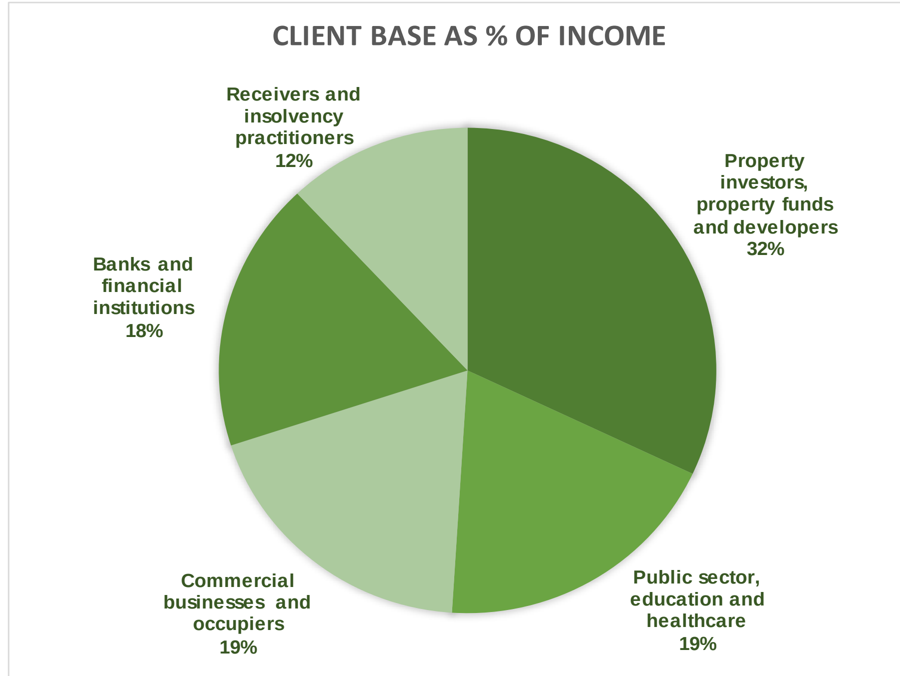
- Insolvency market share increased from 10% to 14%
  - Growth in both liquidations and administrations
  - Benefit of organic growth and acquisitions



- Mix of income in the period shifted towards smaller appointments
  - Lower margin per case but greater volume and less volatility
  - Initiatives in place to improve efficiency and increase automation
- Continued activity on significant jobs appointed in prior year
  - Wigan Athletic Football Club, Football Index, Ralph & Russo
- Finance broking good progress in growing business to deliver growth targets
  - Increased activity levels:
    - gross lending of £170m in 6 months (£150m in 12 months prior to acquisition)
  - Good opportunities for growth
- Corporate Finance had successful six months of deal completions
  - Strong pipeline of opportunities for H2

Property – broad portfolio provides growth opportunities

- Significant insolvency capability will benefit from market recovery
  - 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
  - Public sector frameworks
  - NHS lease advisory contract
  - Continued focus on education sector
- Banks and financial institutions
  - Strong relationships embedded through panel positions



Progressing acquisition opportunities to enhance expertise and coverage

Well established and successful growth strategy

Acquisition strategy

Property – enhance expertise and coverage

Broaden and diversify advisory service offering

Increase insolvency market share

Organic growth

Development of our people

Recruitment of new talent

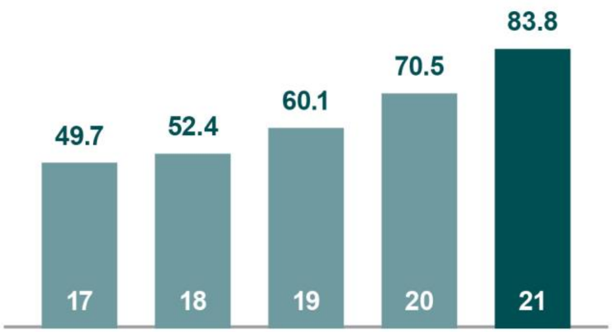
Enhanced cross-selling

Investment in technology and process

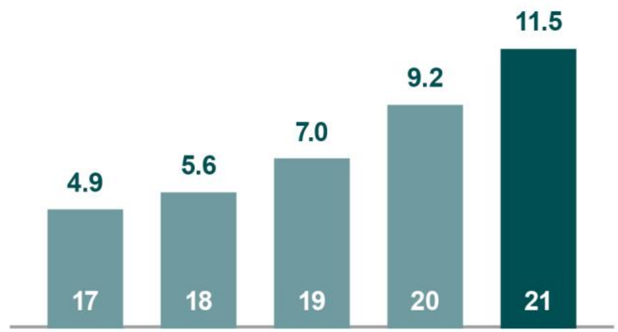
Strategy has delivered CAGR of 20% in EPS over the last five years

Strong financial track record

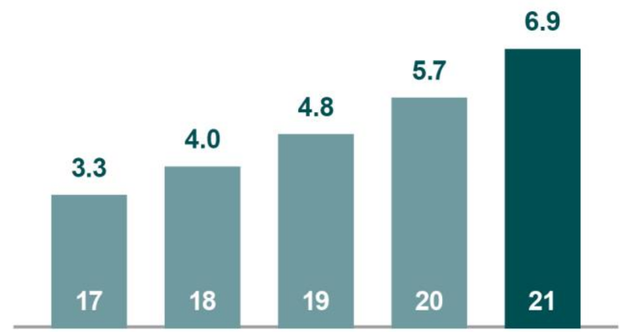
Revenue (£m)



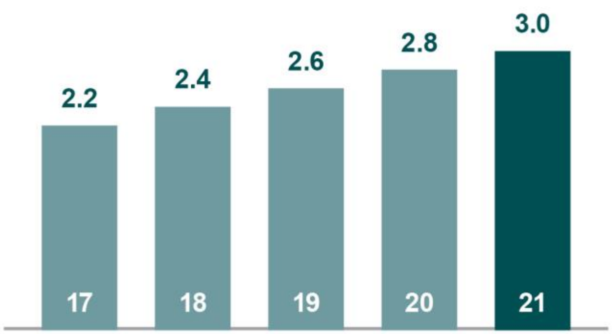
Adjusted profit before tax (£m)



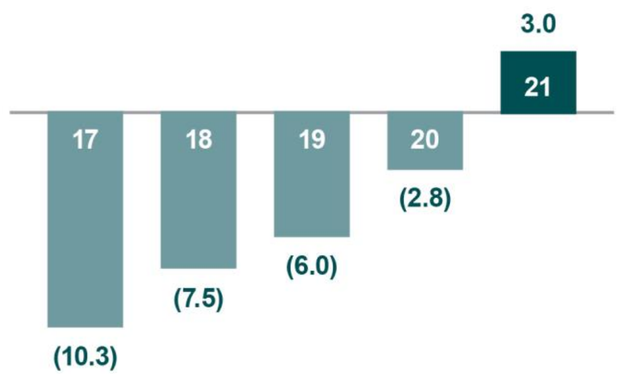
Adjusted basic EPS (p)



Dividend (p)



Net cash (debt) (£m)



- Adjusted PBT and EPS more than doubled
- Annualised growth* rates of:
  - 14% revenue (7% organic)
  - 20% adjusted EPS (10% organic)
  - 8% dividend
- 13 value enhancing acquisitions completed

** CAGR from FY17-FY21*

- Analyst forecast significant growth for FY22
  - range for adj PBT of £17.0m-£18.5m

Confidence in full year outlook

- Strong financial performance in the period
- Confident of delivering market expectations for the full year
  - Will represent a year of significant growth
- Expect results to have a second half weighting
  - Anticipate increase in insolvency activity in H2
- Range of complementary service lines gives a strong platform for growth
  - Continue to progress pipeline of acquisition opportunities and organic growth initiatives
- Building on five year track record of growth
- Update on Q3 in early March 2022

Appendix

H2 financial guidance

- Confident of delivering market expectations for the full year
  - H2 weighting overall from anticipated increase in insolvency volumes
  - Property services H1 weighted reflecting timing of project income from school development work
- Adjusted tax rate 21% (FY21: 20%)
- Average shares in issue FY22 c154.6m; fully diluted c161.3m
- Share based payment cost £0.7m (Full year: £1.4m)
- Transaction/amortisation costs:
  - Deemed remuneration £4.6m (Full year: £9.3m)
  - Amortisation £2.7m (Full year: £5.3m)
- Cash flows
  - Working capital - reversal of c£2m H1 working capital increase
  - Cap-ex £0.5m
  - Tax £1.9m
  - Final dividend of £3.0m paid in November 2021
  - Deferred consideration payments of £3.8m
    - Future year anticipated payments of £14.4m
      (FY23: £5.2m, FY24: £4.4m, FY25: £3.2m, FY26: 1.6m)