

Corporate

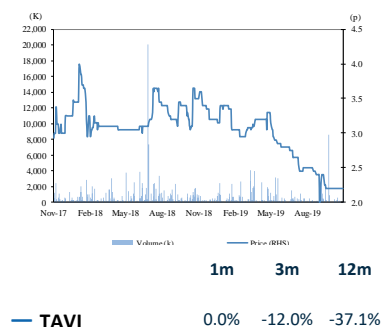
Current price 2.2p

Sector Financial Services

Code TAVI

AIM AIM

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

Market Cap (£m) 12.7

Shares in issue (m) 575.3

52 weeks High Low

3.4 2.0

Financial year end March

Source: Company Data, Allenby Capital

Key Shareholders

Brian Raven (CEO) 11.3%

Andrew Staley 9.7%

Lighthouse Group Plc 5.3%

Christopher Peel 5.2%

Kevin Mee 4.8%

Source: Company Data, Allenby Capital

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Tavistock Investments Plc (TAVI)

Solid interims, cautious outlook

Tavistock's interims for the 6m period ended September 2019 showed continued earnings growth with EBITDA increasing 95% yoy to £1.01m. The key driver behind this growth was the expansion in Funds Under Management ("FUM") to £1.1bn, an increase of 18.3% on the prior year period. Management expressed caution for the rest of the year with particular reference to the uncertain political outlook. Furthermore, the termination of the alliance with Lighthouse Group plc ("Lighthouse") in May of this year has removed an income stream we expected to start to contribute at about this time. As such, despite the strong start to the year we have reduced our full year (12m to March 2020) EBITDA forecast by 9% to £1.81m from £1.99m although we note this still equates to 22.5% growth. We have also reduced our March 2021 EBITDA forecast, by 27% to £2.47m.

- Tavistock Wealth continues to drive growth.** Tavistock consists of Tavistock Wealth (an investment management business) and Tavistock Advisory (several financial advisory businesses). Tavistock Wealth's net income is c. 0.5% of FUM, it generates Gross Margins of over 90% and enjoys high economies of scale. FUM continue to grow and reached a new high of £1.1bn in the period and have now experienced 18 consecutive quarters of growth. Key contributors to FUM growth have been the ACUMEN Capital and ACUMEN Income protection Portfolios which have now attracted over £250m of inflows, up from £100m at the end of March 2019. The group is close to launching a third protection Portfolio (ACUMEN ESG) which we expect to further drive growth.
- Other FUM drivers in place, termination of Lighthouse agreement in period.** Tavistock recently announced the launch of Tavistock Law - a partnership to generate FUM from the legal profession. Additionally, it is close to launching a new DTC, free of charge, smartphone app, branded "i-stock". We expect its recently established Luxembourg regulated fund structure to help drive investments by overseas based investors. However, during the period it terminated its alliance with Lighthouse Group Plc after Lighthouse was acquired by Quilter plc. We had expected that the Lighthouse alliance to be a material contributor to FUM growth in the second half of this year and beyond.
- Forecasts reduced but expectation of growth remains.** We have reduced our forecasts due to the continuing political uncertainty and also after the termination of the Lighthouse alliance. Additionally, our forecasts now reflect the impact of IFRS 16 which the Company is now required to adopt. The impact from IFRS 16 is not material and we note there is no cash impact. Our new estimates assume growth in EBITDA of 22.5% and 37% in the years to March 2020 and March 2021 respectively. On these numbers the Company trades on a 2020 EV/EBITDA multiple of 7.0x dropping to an attractive 5.1x for the year to March 2021. Our dividend forecast remains unchanged with the Company currently yielding 0.64%.

Year End: March

(£'000)	2017	2018	2019	2020E	2021E
REVENUE	19,539	28,812	27,342	28,042	29,865
ADJ. EBITDA	384	734	1,475	1,806	2,472
GROWTH	273%	91%	101%	22%	37%
FUM (£M)	603	866	945	1,200	1,500
NET DEBT/(CASH)	(2,308)	(777)	(782)	(45)	(864)
EV/EBITDA	33.1x	17.3x	8.6x	7.0x	5.1x
DIVIDEND YIELD	NA	NA	0.45%	0.64%	0.89%

Allenby Capital acts as Broker to Tavistock Investments Plc (TAVI).

Please refer to the last page of this communication for all required disclosures and risk warnings.

Exhibit 1: INCOME STATEMENT

Year End March (£000)	2017A	2018A	2019A	2020E	2021E	Comments
Discretionary Funds Under Management (£m)	603	866	945	1,200	1,500	
Investment Management (Wealth) as a % of average FUM	1,660	3,635	4,878	5,513	6,885	Assumed rate of return on FUM
Advisory Support (Advisory)	17,879	25,177	22,464	22,529	22,980	
Total Group Revenue	19,539	28,812	27,342	28,042	29,865	
<i>Growth</i>	-34.5%	47.5%	-5.1%	2.6%	6.5%	
Cost of Sales	(13,502)	(18,332)	(16,198)	(16,433)	(17,096)	
Gross Profit/(loss)	6,037	10,480	11,144	11,608	12,768	
<i>GP Margin</i>	30.9%	36.4%	40.8%	41.4%	42.8%	Economies of scale driving margin expansion
Administrative expenses - continuing operations as a % of sales	(7,041)	(9,991)	(10,988)	(11,702)	(12,146)	
	36.04%	34.68%	40.19%	41.73%	40.67%	
Profit/(loss) from operations	(1,004)	489	156	(94)	622	
Adjusted EBITDA	384	734	1,475	1,806	2,472	
Depreciation & amortisation	(774)	(971)	(1,053)	(1,650)	(1,700)	
Share based payments	(306)	(135)	(248)	(250)	(150)	
Acquisition related (costs)/gains	(308)	861	(2)	-	-	
EBIT	(1,004)	489	156	(94)	622	
Wealth	473	1,839	2,895	2,927	4,071	
Advisory	1,326	1,171	(188)	38	(207)	
Group	(2,803)	(2,521)	(2,551)	(3,058)	(3,242)	
Finance costs	(203.0)	(268.0)	(274.0)	(200.7)	(149.9)	
Profit/(Loss) pre-taxation	(1,207)	221	(118)	(294)	472	
Taxation	552	29	(4)	59	(94)	
<i>Tax rate</i>	45.7%	-13.1%	-3.4%	20.0%	20.0%	
Profit/(loss) from continuing operations	(655)	250	(122)	(236)	378	
Discontinued operations	79	25	-	-	-	
Total comprehensive income for the period	(576)	275	(122)	(236)	378	
EPS (continuing operations) (p)	(0.14)	0.05	(0.02)	(0.04)	0.07	
Dividend per share (p)	-	-	0.010	0.014	0.020	
WTD Ave Number of shares (m)	418.7	537.0	551.0	575.3	575.3	

Source: Allenby Capital, Company data

Exhibit 2: BALANCE SHEET

Year End March ('£000)	2017A	2018A	2019A	2020E	2021E	Comments
ASSETS						
Tangible fixed assets	381	490	586	386	186	
IFRS 16 Right of use asset	-	-	-	779	702	IFRS 16 Impact from 2020
Intangible assets	19,954	19,136	19,897	20,967	20,258	
Non-current assets	20,335	19,626	20,483	22,132	21,147	
Trade receivables	748	2,018	1,391	1,683	1,792	
Prepayments and accrued income	942	1,180	1,339	1,400	1,400	
Other receivables	459	136	2,623	3,023	3,023	2019 increase by £2.45m being estimated amount recoverable
Cash and cash equivalents	4,558	3,111	3,116	1,919	2,278	from insurers in connection with provision noted below.
Current Assets	6,707	6,445	8,469	8,024	8,493	
TOTAL ASSETS	27,042	26,071	28,952	30,156	29,640	
LIABILITIES						
Deferred consideration	(2,002)	(1,100)	(655)	(655)	(655)	
Bank Loan & Financing	(250)	(101)	(517)	(517)	(517)	
Trade payables	(1,095)	(2,101)	(1,071)	(1,150)	(1,197)	
Other liabilities	(1,972)	(1,401)	(1,699)	(1,699)	(1,699)	
Current Liabilities	(5,319)	(4,703)	(3,942)	(4,021)	(4,068)	
Deferred consideration	(1,100)	-	(310)	(1,412)	(962)	
Bank loan & Financing	(2,000)	(2,233)	(1,817)	(1,357)	(897)	Nov-18, 5 year, £2m facility with NatWest Bank, c.4% pa.
IFRS 16 Lease liability	-	-	-	(576)	(476)	IFRS 16 Impact from 2020
Provisions	(46)	(40)	(2,465)	(2,465)	(2,465)	£2.45m taken Dec 2018 against actions of former adviser
Other payables	-	-	(13)	(13)	(13)	offset against insurance receivable.
Deferred taxation	(396)	(405)	(409)	(359)	(359)	
Non-current Liabilities	(3,542)	(2,678)	(5,014)	(6,182)	(5,172)	
TOTAL LIABILITIES	(8,861)	(7,381)	(8,956)	(10,203)	(9,240)	
TOTAL NET ASSETS	18,181	18,690	19,996	19,953	20,400	
Capital & reserves attributable to owners of parent						
Share Capital	12,685	12,720	13,101	13,101	13,101	
Share premium	27,818	4,882	5,681	5,681	5,681	
Retained profit/(deficit)	(22,322)	1,088	1,214	1,171	1,618	
TOTAL EQUITY	18,181	18,690	19,996	19,953	20,400	
Balance Sheet Ratios						
Short term financial debts	250	101	517	517	517	
Long term financial debts	2,000	2,233	1,817	1,357	897	
Gross debt	2,250	2,334	2,334	1,874	1,414	
Cash and cash equivalents	4,558	3,111	3,116	1,919	2,278	
Net debt / (cash)	(2,308)	(777)	(782)	(45)	(864)	
Deferred consideration	3,102	1,100	965	2,067	1,617	
Net debt / (cash) inc. deferred consideration	794	323	183	2,022	753	

Source: Allenby Capital, Company data

Exhibit 3: CASHFLOW STATEMENT

Year End March (£000)	2017A	2018A	2019A	2020E	2021E	Comments
Profit/(loss) before tax	(1,128)	246	(118)	(294)	472	
Adjustments						
Share based payments	306	135	248	250	150	
Depreciation on property plant and equipment	93	147	198	200	200	
IFRS 16 Finance cost	-	-	-	38	38	
Depreciation of IFRS 16 right of use asset	-	-	-	77	77	
Amortisation of intangible assets	681	824	855	1,450	1,500	
Impairment of intangible assets	-	-	-	133	-	
Gain on bargain purchase	-	(905)	-	-	-	
Net Finance (income)/costs	204	268	274	201	150	
Cash flows from op. activities pre changes in working capital	156	715	1,457	2,054	2,587	
Decrease/(increase) in trade and other receivables	2,068	(1,245)	417	(753)	(109)	
Decrease/(increase) in trade and other payables	(2,556)	552	(709)	79	46	
Corporation tax paid	(160)	(46)	-	59	(94)	
Cash flows from operating activities	(492)	(24)	1,165	1,440	2,430	
Investing activities:						
Finance income	1.0	-	-	-	-	
Development/Purchase of intangible assets	(199)	-	(1,646)	(2,661)	(750)	
Purchase of P,P&E	(180)	(291)	(279)	(856)	-	
Proceeds on disposals	50	965	-	-	-	2018 - Tavistock Financial £1m
Cash on acquisition	2,009	-	-	-	-	2017 - Abacus £1.341m, Price Bailey £0.667m
Cash on disposal	-	(164)	-	-	-	
Establishment of deferred consideration	-	-	-	1,622	-	
Payment of deferred considerations	(4,839)	(2,002)	(135)	(520)	(450)	
Net cash generated from investing activities	(3,158)	(1,492)	(2,060)	(2,415)	(1,200)	
Financing activities						
Finance costs	(205)	(276)	(274)	(201)	(150)	
IFRS 16 repayment of lease liability	-	-	-	(100)	(100)	
IFRS 16 lease liability interest	-	-	-	(80)	(80)	
Issue of new share capital (net of costs)	3,029	100	1,174	-	-	
Drawdown of debt facilities	2,000	495	2,173	676	-	
Repayment of debt facilities	-	(250)	(2,173)	(460)	(460)	
Dividend payment	-	-	-	(58)	(81)	Dividend commenced 2019
Net cash from financing activities	4,824	69	900	(222)	(870)	
Net (decrease)/increase in cash and cash equivalents	1,174	(1,447)	5	(1,197)	359	
Cash and cash equivalents at beginning of the period	3,385	4,559	3,112	3,117	1,920	
Cash and cash equivalents at end of the period	4,559	3,112	3,117	1,920	2,279	

Source: Company data, Allenby Capital

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