

Corporate

Current price **1.50p**

Sector **Financial Services**

Code **TAVI**

AIM **AIM**

Share Performance



1m -30% 3m -21% 12m -32%

Source: Thomson Reuters, Allenby Capital

Share Data

Market Cap (£m) **9.1**

Shares in issue (m) **607.8**

52 weeks High Low

2.25 1.35

Financial year end **March**

Source: Company Data, Allenby Capital

Key Shareholders

Brian Raven (CEO) 10.9%

Andrew Staley 9.2%

Lighthouse Group Plc 5.0%

Christopher Peel 4.9%

Oliver Cooke (Chairman) 4.6%

Source: Company Data, Allenby Capital

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Tavistock Investments Plc (TAVI)

Interims to Sept. 2020, growth in EBITDA

Covering a six-month period fully impacted by COVID-19, Tavistock's interims to the end of September 2020 showed remarkable resilience. Adjusted EBITDA grew 25% to £1.26m and in a positive announcement the Board has noted the likely return of the dividend. The Company has adapted well to the impact of COVID-19 with a relatively seamless move to working remotely, so much so that a cost cutting initiative will see the number of offices permanently reduced from eleven to six. The Group wide reorganisation is expected to result in savings of c.£750k per annum. Forecasts have not yet been reintroduced, but the outlook is positive and the Board is keen to accelerate growth both organically and through acquisitions.

- EBITDA growth despite slowdown in revenues.** Revenues fell 6.5% year on year to £13.4m. However, growth in adjusted EBITDA was maintained with the 25% growth achieved as margins expanded to 9.4% from 7.0%. Cashflow generation was also strong with operating cashflow of £1.24m pre movements in working capital and £785k post working capital movements. Tavistock ended the period with a cash position of £3.97m, after adjusting for debt of £3.59m (Term loan £1.46m, CBILS £2.13m) the net cash position was £0.38m at the period end.
- Investment Management business, revenues down just 1.5%, FUM steady at £1.1bn.** FUM held steady despite the market turmoil partly due to the continued attraction and positive performance of the Income Protection Portfolios which provide downside protection against a market crash. The Company's newest fund, the ACUMEN ESG Protection Portfolio, was a particular strong performer on a relative basis as its NAV fell just 1% in the year through to the end of October 2020 in a period when the wider market fell 17%. We expect portfolios with downside protection to remain popular in the current uncertain economic environment.
- Tavistock Advisory revenues down 7.7%.** The advisory business provides both private and corporate clients with a wide range of financial advice. Activity was initially impacted by the advisers' ability to meet with new clients but a swift adaption to working from home has meant the business has been relatively resilient.
- Restructuring initiated, £750k anticipated annual savings.** A comprehensive Group-wide reorganisation exercise has been initiated. The actions include a reduction in the number of offices from eleven to six, a reduction in headcount and an exit from less productive areas of business activity. A reorganisation reserve of £1.2 million to meet the one-off costs of the exercise has been taken and full payback is expected in less than two years.
- Directors ambitions for growth.** The Chairman's statement addresses the share price weakness and undervaluation of the Group. Initiatives to address this include the near-term recommencement of the dividend and an ambition to grow by an accelerated, acquisition-led growth strategy. This points to an exciting time ahead for the group.

Year End: March

(£'000)	2017A	2018A	2019A	2020A
REVENUE	19,539	28,812	27,342	28,803
ADJ. EBITDA	384	734	1,475	1,825
GROWTH	273%	91%	101%	24%
FUM (£M)	603	866	945	1,002
NET DEBT/(CASH)	(2,308)	(777)	(782)	(893)
EV/EBITDA	27.0x	14.1x	7.0x	5.7x
DIVIDEND YIELD	NA	NA	0.54%	0.00%

Allenby Capital acts as Nomad & 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	2020A	Comments
Discretionary Funds Under Management (£m)	603	866	945	1,002	
Investment Management (Wealth)	1,660	3,635	4,878	5,518	
as a % of average FUM		0.49%	0.54%	0.57%	Ave. rate of return on FUM
Advisory Support (Advisory)	17,879	25,177	22,464	23,285	
Total Group Revenue	19,539	28,812	27,342	28,803	
Growth	-34.5%	47.5%	-5.1%	5.3%	
Cost of Sales	(13,502)	(18,332)	(16,198)	(17,048)	
Gross Profit/(loss)	6,037	10,480	11,144	11,755	
GP Margin	30.9%	36.4%	40.8%	40.8%	Economies of scale driving margin expansion
Administrative expenses	(7,041)	(9,991)	(10,988)	(17,228)	
as a % of sales	36.04%	34.68%	40.19%	59.81%	
Profit/(loss) from operations	(1,004)	489	156	(5,473)	
Adjusted EBITDA	384	734	1,475	1,825	
Depreciation & amortisation	(774)	(971)	(1,053)	(1,570)	
Intangible asset impairment	-	-	(16)	(5,039)	
Share based payments	(306)	(135)	(248)	(229)	
Acquisition related (costs)/gains	(308)	861	(2)	(460)	
EBIT	(1,004)	489	156	(5,473)	
Wealth	473	1,839	2,895	2,122	
Advisory	1,326	1,171	(188)	(1,936)	
Group	(2,803)	(2,521)	(2,551)	(5,659)	
Finance costs	(203.0)	(268.0)	(274.0)	(241.0)	
Profit share due to fellow member of LLP				(25)	
Profit/(Loss) pre-taxation	(1,207)	221	(118)	(5,739)	
Taxation	552	29	(4)	274	
Tax rate	45.7%	-13.1%	-3.4%	4.8%	
Profit/(loss) from continuing operations	(655)	250	(122)	(5,465)	
Discontinued operations	79	25	-	-	
Total comprehensive income for the period	(576)	275	(122)	(5,465)	
EPS (continuing operations) (p)	(0.14)	0.05	(0.02)	(0.95)	
Dividend per share (p)	-	-	0.010	-	
WTD Ave Number of shares (m)	418.7	537.0	551.0	576.5	

Source: Allenby Capital, Company data

Exhibit 2: BALANCE SHEET

Year End March ('£000)	2017A	2018A	2019A	2020A	Comments
ASSETS					
Tangible fixed assets	381	490	586	915	
Intangible assets	19,954	19,136	19,897	16,907	
Non-current assets	20,335	19,626	20,483	17,822	
Trade receivables	748	2,018	1,391	96	
Prepayments and accrued income	942	1,180	1,339	2,486	
Other receivables	459	136	2,623	2,416	£2.1m being estimated amount recoverable from insurers in connection with provision noted below.
Cash and cash equivalents	4,558	3,111	3,116	2,416	
Current Assets	6,707	6,445	8,469	7,414	
TOTAL ASSETS	27,042	26,071	28,952	25,236	
LIABILITIES					
Deferred consideration	(2,002)	(1,100)	(655)	(696)	
Term loan	(250)	(101)	(517)	(457)	
Lease liability	-	-	-	(469)	
Trade payables	(1,095)	(2,101)	(1,071)	(1,151)	
Other liabilities	(1,972)	(1,401)	(1,699)	(2,221)	
Current Liabilities	(5,319)	(4,703)	(3,942)	(4,994)	
Deferred consideration	(1,100)	-	(310)	(1,234)	
Term loan	(2,000)	(2,233)	(1,817)	(1,066)	Nov-18, 5 yr, £2m facility with NatWest, 5.0% over base
Lease liability	-	-	-	(330)	
Provisions	(46)	(40)	(2,465)	(2,115)	£2.1m provision against actions of former adviser
Other payables	-	-	(13)	-	offset against insurance receivable.
Deferred taxation	(396)	(405)	(409)	(93)	
Non-current Liabilities	(3,542)	(2,678)	(5,014)	(4,838)	
TOTAL LIABILITIES	(8,861)	(7,381)	(8,956)	(9,832)	
TOTAL NET ASSETS	18,181	18,690	19,996	15,404	
Capital and reserves attributable to owners of the parent					
Share Capital	12,685	12,720	13,101	13,426	
Share premium	27,818	4,882	5,681	6,001	
Retained profit/(deficit)	(22,322)	1,088	1,214	(4,023)	
TOTAL EQUITY	18,181	18,690	19,996	15,404	
Balance Sheet Ratios					
	2017A	2018A	2019A	2020A	
Short term financial debts	250	101	517	457	
Long term financial debts	2,000	2,233	1,817	1,066	
Gross debt	2,250	2,334	2,334	1,523	
Cash and cash equivalents	4,558	3,111	3,116	2,416	
Net debt / (cash)	(2,308)	(777)	(782)	(893)	
Deferred consideration	3,102	1,100	965	1,930	
Net debt / (cash) inc. deferred consideration	794	323	183	1,037	

Source: Allenby Capital, Company data

Exhibit 3: CASHFLOW STATEMENT

Year End March (£000)	2017A	2018A	2019A	2020A	Comments
Profit/(loss) before tax	(1,128)	246	(118)	(5,739)	
Adjustments					
Share based payments	306	135	248	229	
Depreciation on property plant and equipment	93	147	198	506	
Amortisation of intangible assets	681	824	855	1,064	
Impairment of intangible assets	-	-	-	5,039	
Gain on bargain purchase	-	(905)	-	-	
Net Finance (income)/costs	204	268	274	241	
Acquisition related costs	-	-	-	460	
Cash flows from op. activities pre changes in working capital	156	715	1,457	1,800	
Decrease/(increase) in trade and other receivables	2,068	(1,245)	417	375	
Decrease/(increase) in trade and other payables	(2,556)	552	(709)	175	
Corporation tax paid	(160)	(46)	-	-	
Cash flows from operating activities	(492)	(24)	1,165	2,350	
Investing activities					
Finance income	1.0	-	-	-	
Development/Purchase of intangible assets	(199)	-	(1,646)	(3,112)	
Purchase of P,P&E	(180)	(291)	(279)	(114)	
Proceeds on disposals	50	965	-	-	
Cash on acquisition	2,009	-	-	-	
Cash on disposal	-	(164)	-	-	
Payments due regarding purchase of client lists	-	-	712	1,622	
Payment of deferred consideration	(4,839)	(2,002)	(847)	(1,095)	
Net cash generated from investing activities	(3,158)	(1,492)	(2,060)	(2,699)	
Financing activities					
Finance costs	(205)	(276)	(274)	(241)	
Leases	-	-	-	(241)	
Issue of new share capital (net of costs)	3,029	100	1,174	650	
Drawdown of debt facilities	2,000	495	2,173	-	
Repayment of debt facilities	-	(250)	(2,173)	(462)	
Dividend payment	-	-	-	(58)	
Net cash from financing activities	4,824	69	900	(352)	
Net (decrease)/increase in cash and cash equivalents	1,174	(1,447)	5	(701)	
Cash and cash equivalents at beginning of the period	3,385	4,559	3,112	3,117	
Cash and cash equivalents at end of the period	4,559	3,112	3,117	2,416	

Source: Company data, Allenby Capital

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