

Corporate

Current price **37.0p**

Sector **Support Services**

Code **EMR.L**

AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

Market Cap (£m) **18.1**

Shares in issue (m) **48.9**

52 weeks High **68.5p** Low **29.5p**

Financial year end **December**

Source: Company Data, Allenby Capital

Key Shareholders

Anthony Martin (Chair) **28.41%**

Close Brothers AM **12.97%**

HM van Heijst **11.24%**

Hof Hoorneman FM **9.08%**

Beleggingsclub 't Stockpaert **6.13%**

The Ramsey Partnership Fund **4.98%**

Allianz Global Investors **3.14%**

Source: Company Data, Allenby Capital

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Empresaria Group plc (EMR.L)

Resilience in adversity

We view the trading update issued today by Empresaria as encouraging. Although the Group has been impacted to varying degrees by the Coronavirus pandemic it has shown remarkable resilience - once again highlighting the benefits of operational diversity. On an adjusted basis, profitability was achieved in both Q1 and Q2, the latter performance being of particular note given that NFI was down 39% in the period. We would also highlight the significant improvement in net debt which has fallen from £19.1m to £11.6m, while financing headroom has increased from £11.5m to £18.1m. The short-term outlook remains unclear but we believe that Empresaria, by virtue of its broad diversity and financial flexibility, remains well placed to exploit any recovery in demand.

- Profitability retained despite COVID-19** – Empresaria started the year well. In each month of Q1, it achieved year on year (yoy) growth in operating profit, in part due to the operational initiatives established during 2019. However, net fee income (NFI) for the period declined by 5% primarily due to the impact of Covid-19 in March. In Q2, reflecting the full impact of the pandemic, NFI fell by 39%, yet the Group remained profitable due partly to a successful cost reduction exercise which saw costs 30% lower yoy in Q2 and from the progress made in its “Stronger Together” initiative. Key investment plans were unaffected.
- NFI lower in five of the Group’s six sectors** – As might be expected, the impact of Covid-19 resulted in a NFI reduction in five of the Group’s six sectors, with the most impactful decline being in the Professional sector which evidenced a 35% decline in constant currency from £13.7m to £8.8m. The aviation business was worst affected and this business has been right-sized as a recovery in the short-term is deemed unlikely. IT was resilient with NFI falling by just 2% to £6.7m helped by a strong performance in the US. The Commercial segment declined by 10% to £8m, benefiting from higher demand in the German logistics’ operations but offset by continued weakness in the German automotive sector. Offshore Recruitment Services experienced a significant decline in demand yet still posted an 8% increase in NFI. The outlook for this business remains positive.
- Financial position strengthened** – In a downturn staffing companies tend to experience an element of negative working capital as temp debtors unwind and Empresaria has been no exception. At the end of the period net debt had fallen from £19.1m (at December 2019) to £11.6m. As well as the working capital inflows, the Group has taken advantage of various government initiatives to delay payment of taxes such as VAT in the UK. The deferrals total £3.5m and will start to be repaid through H2. The Group has also agreed a £2.5m increase in its UK overdraft facility with the result that at June 2020 its financing headroom had increased to £18.1m against £11.5m at December 2019, excluding IDF). Thus, Empresaria remains very well placed to exploit any recovery in demand.

Year End: December

(£'000)	2018A	2019A	2020E	2021E
NET FEE INCOME	72.3	74.5		
ADJ. PBT	11.4	9.3	Forecasts	
ADJ. FD EPS (p)	12.1	8.5	temporarily	
DIVIDEND (p)	2.00	-	withdrawn	
NET DEBT (pre pilot bonds)	17.1	19.1		

Source: Empresaria Group plc.

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