

Corporate

 Current price **1.85p**

 Sector **Financial Services**

 Code **TAVI**

 AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **11.2**

 Shares in issue (m) **607.8**

52 weeks High Low

2.50 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%

Hugh Simon 4.9%

Source: Company Data, Allenby Capital

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Tavistock Investments Plc (TAVI)

FY to March 2020, adj. EBITDA growth in a tough year

Tavistock released results for the year ended 31 March 2020 in line with market expectations, namely underlying EBITDA growth of 24% to £1.83m. In our opinion the result was a notable achievement given the political and economic headwinds facing the industry over the prior 12 months. The Company has adapted well to the impact of COVID-19 with a relatively seamless move to working remotely. Combined with salary waivers and cost cutting (the Group wide reorganisation is expected to result in savings of c.£700k per annum), has led to a strong Q1 with profitability achieved at the pre-tax level.

- Top line growth and increased profitability.** Revenue growth of 5.3% combined with an expansion in the adjusted EBITDA margin from 5.4% to 6.3% led to a 24% growth in adjusted EBITDA. Operating cashflow also remained healthy, increasing to £2.35m from £1.65m in 2019. The working capital position, with a net cash balance at year end of £0.9m, was further strengthened post year end with the securing of a £2.13m 6-year CBILS facility.
- Investment management business Tavistock Wealth revenues up 13.1%.** Discretionary FUM rose by 6% to just over £1bn by end of March and we note that the markets have recovered significantly since. A key driver of FUM growth over the last 12 months has been the flow of funds into the Income Protection Portfolios. The funds provide downside protection against a market crash and we expect these funds to continue to remain popular especially as economies and markets remain fragile.
- Tavistock Advisory revenues up 3.7%.** The advisory business provides both private and corporate clients with a wide range of financial advice. The business managed to grow in 2020 despite a rationalisation of the advisor base during the year as poor performing representative firms were removed from the group.
- Intangible asset impairment.** The Company reported a profit after tax loss of £5.46m. However, this was largely due to a non-cash intangible asset impairment of £5.04m. The carrying value of the intangible asset related to value generated by former owners of the business units. With this value now superseded by the input of the Group's current management team it was deemed prudent and appropriate to accelerate the amortisation to nil. The immediate upside is a reduction of c.£1m pa in the amortisation charge relating to these assets.
- Positive start to the new financial year.** Notwithstanding the impact from COVID-19, the year has started positively for Tavistock. Trading during Q1 was ahead of the Board's expectations and the Company is trading profitably. The economic outlook remains uncertain, but the business is well positioned to weather the storm both through its product offering and balance sheet strength.

Year End: March

(£'000)	2017	2018	2019	2020	2021E
REVENUE	19,539	28,812	27,342	28,803	NA
ADJ. EBITDA	384	734	1,475	1,825	NA
GROWTH	273%	91%	101%	24%	NA
FUM (£M)	603	866	945	1,002	NA
NET DEBT/(CASH)	(2,308)	(777)	(782)	(893)	NA
EV/EBITDA	27.0x	14.1x	7.0x	5.7x	NA
DIVIDEND YIELD	NA	NA	0.54%	0.00%	NA

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	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 offset against insurance receivable.
Other payables	-	-	(13)	-	
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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