

Corporate

 Current price **42.5p**

 Sector **Support Services**

 Code **EMR.L**

 AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **20.7**

 Shares in issue (m) **48.7**

52 weeks High Low

62.5p **29.5p**

 Financial year end **December**

Source: Company Data, Allenby Capital

Key Shareholders

Anthony Martin (Chair) 28.41%

Close Brothers AM 12.92%

HM van Heijst 11.24%

Hof Hoorneman FM 9.08%

Beleggingsclub 't Stockpaert 6.13%

The Ramsey Partnership Fund 4.98%

Allianz Global Investors 3.24%

Source: Company Data, Allenby Capital

Ian Jermin

0203 328 5664

i.jermin@allenbycapital.com

www.allenbycapital.com

Empresaria Group plc (EMR.L)

Operational progress with improving profitability

We stated in our last note that Empresaria's interim results were encouraging given the difficult and challenging market conditions. Management has noted the early signs of recovery across many parts of the Group which, together with sensible cost controls, has resulted in Empresaria being able to generate an adjusted profit before tax in every month since the end of the first half. Following a profitable Q1 and Q2, management has now provided full year guidance for net fee income (NFI) of between £52m and £55m and adjusted PBT in the range of £4.4m to £4.9m. Through its diverse geographical presence, its broad spread of disciplines and financial flexibility, the Group is well placed to exploit the early signs of a return to more normal trading and a gradual recovery in demand.

- Profitability achieved in Q1, Q2 and each month since the end of H1** – Empresaria started the year well. In each month of Q1 it achieved year on year (yoy) growth in operating profit and was profitable in Q2, a not inconsiderable result given that this coincided with the worst of COVID. This operational resilience was in part due to the recently adopted “*Stronger Together*” initiative which has helped to unify the business on a Group-wide basis while also providing flexibility at a local level. Since June, the Group has traded profitably, on an adjusted basis, in each month to date and management has noted that evidence of a recovery has been seen across many parts of the Group although such recovery has been slow in some areas and disciplines with some volatility at a local level.
- NFI and PBT guidance given** – The Board now anticipates that the Group's full year NFI will be in the range of £52m to £55m (FY2019: £72.3m) and adjusted profit before tax of between £4.4m to £4.9m (FY2019: £9.3m). Net debt at the end of October was £11.4m, an increase over the level announced at the end of the first half due to the repayment of some tax liabilities which were deferred in Q2 and the usual increase in working capital required as business begins to recover. Management would expect net debt to continue to return towards pre-COVID levels as NFI recovers and notes that its financial headroom remains strong at £17.6m excluding invoice financing facilities (30 June 2020 £18.1m).
- Forecasts for 2020 reintroduced** – We withdrew all forecasts in April as NFI visibility became impossible to predict due to the unprecedented impact on business of the coronavirus pandemic. Now, with most of the year concluded and with the guidance provided by management we are once again offering headline forecasts, albeit just for 2020 at this stage. We are positioning them at the mid-point of management's indicative range and would hope to be able to introduce more meaningful two-year forecasts at some point during 2021 as trading continues to trend towards normality and the impact of COVID-19 finally dissipates.

Year End: December

(£m)	2018	2019	2020E	2021E	2022E
NET FEE INCOME	72.3	74.5	53.5	-	-
ADJ. PBT	11.4	9.3	4.7	-	-
ADJ. FD EPS (p)	12.1	8.5	3.7	-	-
PER (x)	3.5	5.0	11.5	-	-
DIVIDEND (p)	2.00	-	-	-	-
NET DEBT (pre pilot bonds)	17.1	19.1	14.0	-	-

Source: Empresaria, Allenby. Empresaria is a research client of Allenby Capital.

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

Disclaimer

Allenby Capital Limited (“Allenby”) is incorporated in England no. 6706681; is authorised and regulated by the Financial Conduct Authority (“FCA”) (FRN: 489795) and is a member of the London Stock Exchange. This communication is for information only it should not be regarded as an offer or solicitation to buy the securities or other instruments mentioned in it. It is a marketing communication and non-independent research, and has not been prepared in accordance with the legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The cost of Allenby research product on independent companies is paid for by research clients.

This communication is for the use of intended recipients only and only for distribution to investment professionals as that term is defined in article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. Its contents are not directed at, may not be suitable for and should not be relied upon by anyone who is not an investment professional including retail clients. Any such persons should seek professional advice before investing. For the purposes of this communication Allenby is not acting for you, will not treat you as a client, will not be responsible for providing you with the protections afforded to clients, and is not advising you on the relevant transaction or stock. This communication or any part of it do not form the basis of and should not be relied upon in connection with any contract.

Allenby uses reasonable efforts to obtain information from sources which it believes to be reliable. The communication has been prepared without any substantive analysis undertaken into the companies concerned or their securities, and it has not been independently verified. No representation or warranty, express or implied is made, or responsibility of any kind accepted by Allenby its directors or employees as to the accuracy or completeness of any information in this communication. Opinions expressed are our current opinions as of the date appearing on this material only and are subject to change without notice. There is no regular update series for research issued by Allenby.

No recommendation is being made to you; the securities referred to may not be suitable for you and this communication should not be relied upon in substitution for the exercise of independent judgement. Neither past performance or forecasts are a reliable indication of future performance and investors may realise losses on any investment. Allenby shall not be liable for any direct or indirect damages including lost profits arising from the information contained in this communication.

Allenby and any company or persons connected with it, including its officers, directors and employees may have a position or holding in any investment mentioned in this document or a related investment and may from time to time dispose of any such security or instrument. Allenby may have been a manager in the underwriting or placement of securities in this communication within the last 12 months, or have received compensation for investment services from such companies within the last 12 months, or expect to receive or may intend to seek compensation for investment services from such companies within the next 3 months. Accordingly, recipients should not rely on this communication as being impartial and information may be known to Allenby or persons connected with it which is not reflected in this communication. Allenby has a policy in relation to management of conflicts of interest which is available upon request.

This communication is supplied to you solely for your information and may not be reproduced or redistributed to any other person or published in whole or part for any purpose. It is not intended for distribution or use outside the European Economic Area except in circumstances mentioned below in relation to the United States. This communication is not directed to you if Allenby is prohibited or restricted by any legislation or registration in any jurisdiction from making it available to you and persons into whose possession this communication comes should inform themselves and observe any such restrictions.

Allenby may distribute research in reliance on Rule 15a-6(a)(2) of the Securities and Exchange Act 1934 to persons that are major US institutional investors, however, transactions in any securities must be effected through a US registered broker-dealer. Any failure to comply with this restriction may constitute a violation of the relevant country’s laws for which Allenby does not accept liability. By accepting this communication, you agree that you have read the above disclaimer and to be bound by the foregoing limitations and restrictions.

Research Recommendation Disclosure

Ian Jermin is the author of this research recommendation and is employed by Allenby Capital Limited as an Equity Analyst. Unless otherwise stated the share prices used in this publication are taken at the close of business for the day prior to the date of publication. Information on research methodologies, definitions of research recommendations, and disclosure in relation to interests or conflicts of interests can be found at www.allenbycapital.com. Empresaria Group is a research client of Allenby Capital.

Allenby Capital, 5 St Helen’s Place London EC3A 6AB, +44 (0)20 3328 5656, www.allenbycapital.com