

## Corporate

 Current price **47.5**

 Sector **Support Services**

 Code **EMR.L**

 AIM **AIM**

### Share Performance



Source: Thomson Reuters, Allenby Capital

### Share Data

 Market Cap (£m) **23.3**

 Shares in issue (m) **49.0**

52 weeks High Low

**56.5p**    **29.5p**

 Financial year end **December**

Source: Company Data, Allenby Capital

### Key Shareholders

 Anthony Martin (Chair) **28.41%**

 Close Brothers AM **12.64%**

 HM van Heijst **11.95%**

 Hof Hoorneman FM **9.23%**

 Beleggingsclub 't Stockpaert **6.13%**

 The Ramsey Partnership Fund **4.98%**

 Allianz Global Investors **3.24%**

Source: Company Data, Allenby Capital

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## Empresaria Group plc (EMR.L)

### *Adjusted PBT expected to be above market guidance.*

In an unprecedented year Empresaria, by virtue of its diverse business model and careful cost control, generated profits in each quarter of the year and is expected to report adjusted profit before tax for FY2020 ahead of the guidance given in December. Management reports good momentum in Q4 2020 but notes a cautious start to 2021 given new lockdown restrictions. Nevertheless, it is our belief that 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.

- **Adjusted PBT expected to be higher than guidance** – In its year-end trading update, Empresaria stated that adjusted profit before tax was expected to be above the high end of its guidance range given in December (£4.4m-£4.9m) while net fee income (NFI) at £54m, was at the higher end of guidance (£52m-£55m). The Group weathered the significant COVID-19 disruption in a highly efficient manner achieving profitability in each quarter while maintaining a strong balance sheet.
- **NFI reduction of 27% in constant currency** – Overall, the group reported a 27% decline in NFI in constant currency terms with all six divisions contributing to that decline. However, as might be expected in such a diverse operational model, some divisions fared better than others.
- **All six divisions impacted by COVID to varying degrees** – Indian-based Offshore Recruitment Services reported NFI of £6.1m down just 8% in constant currency against the comparative period and showed a good recovery in H2 and is now back at levels seen at the start of 2020. At the other end of the scale, the Professional sector posted a 43% fall to £15.4m in part due to a significant and sustained reduction in demand in its aviation recruitment business. Commercial, Healthcare and IT all reported NFI declines of around 12% while Property, Construction and Engineering showed a reduction of 82% although this was not like for like as the comparative period included UK engineering, the majority of which was closed in late 2019.
- **Financial flexibility remains robust** – Adjusted year-end net debt at £13.6m was £5.5m lower than end 2019 but higher than the level seen at the end of H1 as demand for working capital began to increase in line with a recovery in trading. Headroom remains comfortable at £17.6m excluding IDFs.
- **Introduction of forecasts to be reviewed later in the year** – We withdrew forecasts in April 2020 as the level of uncertainty on Empresaria's global business prospects escalated due to the pandemic. Given the continued lack of visibility we will not be introducing forecasts for 2021 and 2022 until such time as there is a greater level of clarity on business activity and demand. Nevertheless, we would highlight pre-COVID levels of EPS achieved (see below) and the very modest valuation that would put on the shares were the Group to attain anything like those earnings in a post-COVID environment.

### Year End: December

(£m)	2018	2019	2020E	2021E	2022E
NET FEE INCOME	72.3	74.5	54.0	-	-
ADJ. PBT	11.4	9.3	5.1	-	-
ADJ. FD EPS (p)	12.1	8.5	4.0	-	-
PER (x)	3.9	5.6	11.9	-	-
DIVIDEND (p)	2.00	-	-	-	-
NET DEBT (pre pilot bonds)	17.1	19.1	13.6	-	-

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

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