Allenby Capital

Company Note

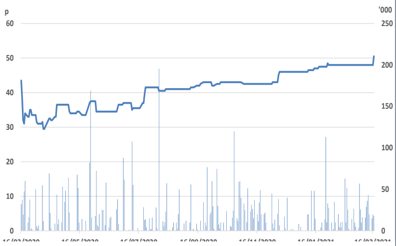
Prelims

18 March 2021

Corporate

Current price	50.5p
Sector	Support Services
Code	EMR.L
AIM	AIM

Share Performance



	1m	3m	12m
EMR.L	+5%	+10%	+58%

Source: Thomson Reuters, Allenby Capital

Share Data		
Market Cap (£m)		24.8
Shares in issue (m)		49.0
52 weeks	High	Low
	50.5p	29.5p
Financial year end		December

Source: Company Data, Allenby Capital

Key Shareholders	
Anthony Martin (Chair)	28.41%
HM van Heijst	13.16%
Close Brothers AM	12.39%
Hof Hoorneman FM	9.10%
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)

Well-positioned for recovery post COVID 19

2020 reflected the full impact of COVID-19, from a strong first quarter which saw a year-on-year (yoy) increase in operating profit in each month before the pandemic began to affect demand in March and subsequent months. The experience of the Board and the operational team ensured that swift cost actions were taken without impacting the ability to respond as markets begin to see some initial recovery. Markets, geographies and sectors all entered into the COVID-19 period at different times and all will exit at different times as well. Consequently, the diversity built into the business model will greatly benefit the business and ensure that the Group is well-positioned to take advantage of a recovery in its markets during H2 2021 and onward.

- **Profitability achieved 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, following the full impact of COVID-19, NFI fell by 22% in H1 and by 32% in H2. Nevertheless, the Group remained comfortably profitable in both halves and over the year reduced net debt from £19.1m to £13.6m.

- **Adjusted pre-tax profit down by 44%** - Adjusted operating profit fell by 39% in constant currency from £10.4m to £6.2m and adjusted pre-tax profit by 44% from £9.3m to £5.2m. The delivery of an encouraging level of profitability despite the COVID-19 challenges was due partly to a successful cost reduction exercise which saw costs, before depreciation and amortisation, 28% lower yoy and from the progress made in its *"Stronger Together"* initiative. Key investment plans were unaffected and, in some instances, accelerated.

- **NFI lower in all of the Group's six sectors** – As might be expected, the impact of COVID-19 resulted in a NFI reduction in each of the Group's six sectors, with the most impactful decline being in the Professional sector which evidenced a 44% decline from £27.3m to £15.4m. The aviation business was significantly affected and this activity has been right-sized as a recovery in the short-term is deemed unlikely. All other sectors managed to limit yoy NFI decline to between 11% and 13%.

- **Reinstated dividend** – Although the COVID-19 pandemic, on a global basis is far from over, there has been some stabilisation and with the Group's strong financial position the Board is proposing to reinstate the final dividend at a level of 1p after passing in 2019.

- **Well placed to exploit any recovery in demand** - In our opinion these results confirm that Empresaria remains very well placed to exploit any recovery in demand. While the outlook is still far from certain we remain cautious and this is reflected in our 2021 forecast.

Year End: December				
(£m)	2018A	2019A	2020A	2021E
NET FEE INCOME	72.3	74.5	54.0	55.0
ADJ. PBT	11.4	9.3	5.2	5.2
ADJ. FD EPS (p)	12.1	8.5	4.1	4.1
DIVIDEND (p)	2.0	0.0	1.0	1.0
NET DEBT (pre pilot bonds)	17.1	19.1	13.6	17.5
PER (x)	4.2	5.9	12.3	12.3
Yield	4.0%	-	2.0%	2.0%

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

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

Equity Research

Full year results summary

EXHIBIT 1: SUMMARY OF FULL YEAR FINANCIALS (£m)

	2020	2019	% change	% change (CC)
INCOME STATEMENT				
Revenue	256.5	358.0	-28.4%	-27.0%
NFI	**54.0**	**74.5**	-27.5%	-27.0%
NFI margin	*21.1%*	*20.8%*	1.2%	
Admin costs	-47.8	-64.1	-25.4%	
as a % of NFI	*-88.5%*	*-86.0%*	2.9%	
Underlying operating profit	**6.2**	**10.4**	-40.4%	-39.0%
Interest	-1.0	-1.1	-9.1%	
Underlying profit before tax	**5.2**	**9.3**	-44.1%	
Exceptional items	-0.2	-2.1	-90.5%	
Impairment	-5.0	-2.5	100.0%	
Fair value charge	-0.3	0.0		
Amortisation of intangibles	-1.7	-1.8	-5.6%	
Statutory (loss)/profit before tax	**-2.0**	**2.9**		
Tax	-1.2	-2.4	-50.0%	
(Loss)/profit for period	-3.2	0.5		
Minority interests	0.1	-1.3		
Net (loss)/profit after minority	**-3.1**	**-0.8**	287.5%	
BALANCE SHEET				
Non-current assets	56.4	64.3	-12.3%	
Current assets (excluding cash)	44.9	55.2	-18.7%	
Cash	20.8	17.6	18.2%	
Total current assets	65.7	72.8	-9.8%	
Total assets	**122.1**	**137.1**	-10.9%	
Current liabilities (excluding borrowings)	-39.6	-45.1	-12.2%	
Borrowings	-32.2	-25.2	27.8%	
Total current liabilities	-71.8	-70.3	2.1%	
Non-current liabilities (excluding borrowings)	-6.7	-8.8	-23.9%	
Borrowings	-1.2	-10.0	-88.0%	
Total non-current liabilities	-7.9	-18.8	-58.0%	
Total liabilities	**-79.7**	**-89.1**	-10.5%	
Net assets	**42.4**	**48.0**	-11.7%	
CASH FLOW				
Cash generated from operations (before WC)	13.2	16.1	-18.0%	
Working capital movements	5.1	-1.7	-400.0%	
Interest	-1.1	-1.3	-15.4%	
Tax	-3	-5.6	-46.4%	
Net cash flow from operating activities	**14.2**	**7.5**	89.3%	
Net cash outflow from investing activities	**-0.6**	**-1.5**	-60.0%	
Net cash outflow from financing activities	**-10.5**	**-13.1**	-19.8%	
Net increase/(decrease) in cash	**3.1**	**-7.1**	-143.7%	
Cash at end of year	**20.8**	**17.6**	18.2%	
Net debt at end of year	**13.6**	**19.1**	-28.8%	

Source: Empresaria

Empresaria started the year well and in each month of Q1 it achieved yoy growth in operating profit, in part due to the operational initiatives established during 2019.

However, net fee income (NFI) in the quarter 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. Consequently first half revenue declined by 23% and NFI by 22% with adjusted profit before tax falling by 35%.

In H2, reflecting a full six months of COVID-19, revenues declined further by 33%, NFI by 33% and adjusted profit before tax by 50%. The decline in NFI by quarter was however lower than that experienced in Q2 with the fall in Q3 being 38% and Q4 being restricted to a fall of 27%. Despite the reduction in NFI in H2, adjusted operating profit and pre-tax profit were both sequentially higher than in H1. Thus, for the year as a whole revenue declined by 28% to £256.5m, NFI by 28% to £54m and adjusted profit before tax by 44% to £5.2m. Significantly, the Group reported an adjusted operating profit in each quarter of the year.

This was an excellent result given the massive global disruption that COVID-19 caused and reflects well on the Group's diversified business model which, while serving the Company well in the downturn, will be equally beneficial as normality gradually returns.

At the end of the year, net debt had fallen from £19.1m to £13.6m (excluding pilot bonds) and in addition to the expected cyclicality of working capital flows during a temporary downturn, the Group took advantage of various government initiatives to delay payment of taxes such as VAT in the UK and furlough schemes. As well as improving cash flow and the general financial health of the business it also helped to protect jobs and minimise redundancies. Deferred UK VAT and other payments totalling £3.5m in H1 were largely repaid in H2 with the balance being settled in Q1 2021.

Regarding one-off costs, the Group took a goodwill impairment charge of £1.6m during the year reflecting the COVID-19-related decline in demand for pilots in its aviation business which is part of the Group's Professional sector. In addition to the goodwill impairment the Group recognised a £3.4m intangible asset impairment charge, £2.8m relating to an impairment to customer relationships and £0.6m in respect of impairments to trade names and marks. In addition, within the income statement was a charge of £0.6m relating to impairment losses on trade receivables although this has not been added back to arrive at adjusted numbers.

It is also worth making the point that some additional costs have been incurred as a result of cost-cutting exercises undertaken in response to COVID-19. However, the Group has not disclosed these as exceptional costs as they do not meet its definition of exceptional items so they are included as a cost within adjusted profit measures.

Adjusted diluted EPS was reported at 4.1p (2019: 8.5p) reflecting a lower adjusted profit before tax in addition to an increase in the level of profits associated with non-controlling interests, in particular the Offshore Recruitment Services sector which performed relatively strongly.

Trade receivables fell from £45.6m to £37.0m due to the decline in trading levels and average debtor days increased from 44 to 47 which were impacted by the reduction in activity in the aviation business. As noted above, the income statement includes £0.6m in respect of impairment losses on trade receivables.

Empresaria has always enjoyed strong cash generation and 2020 was no exception as can be seen from the table below:

EXHIBIT 2: ILLUSTRATION OF CASH GENERATION

	2020	2019
Net cash inflow from operating activities	14.2	7.5
Cash flows relating to pilot bonds	0.5	3.8
Payments under lease agreements	-6.2	-6.5
Free cash flow	**8.5**	**4.8**
Tax	3.0	5.6
Pre-tax free cash flow	**11.5**	**10.4**

Source: Empresaria

The level of adjusted net debt fell during the period by £5.5m from £19.1m to £13.6m with the month-end average adjusted net debt position being £12.8m with a high of £17.7m at the end of March and a low of £8.9m at end June.

The Group's debt/debtors ratio (adjusted net debt as a percentage of trade receivables) has reduced to 37% (2019: 42%) with the reduction in adjusted net debt more than offsetting the fall in trade receivables. The Board continues to focus on reducing debt levels with the aim of lowering the debt/debtor ratio to 25%.

Total borrowings were little changed during the year at £33.4m, just 5% lower than the £35.2m in 2019 and included bank overdrafts of £22.1m (2019: £17.9m), invoice financing of £4.9m (2019: £6.9m) and bank loans of £6.4m (2019: £10.4m). The Group's borrowings are principally held to fund working capital requirements and are predominantly due within one year, consequently only £1.2m of borrowings were shown as being non-current.

Segmental analysis

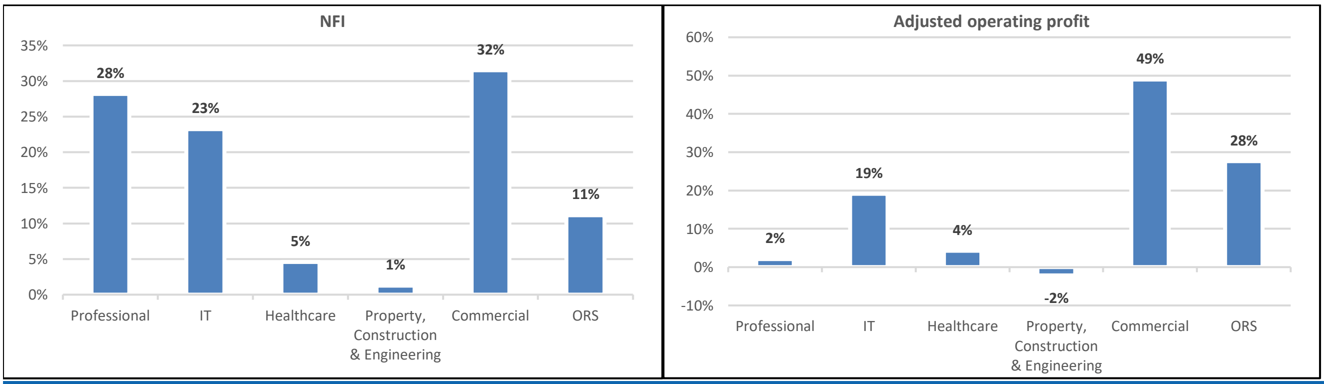
As might be expected, the impact of Covid-19 resulted in a decline in NFI and adjusted operating profit in all the Group's six sectors:

EXHIBIT 3: SEGMENTATION ANALYSIS

	2020 £m	2019 £m	*change*
Revenue			
Professional	55.3	125.0	*-55.8%*
IT	41.8	45.2	*-7.5%*
Healthcare	13.2	11.3	*16.8%*
Property, Construction & Engineering	3.6	22.4	*-83.9%*
Commercial	132.3	142.4	*-7.1%*
ORS	10.9	12.2	*-10.7%*
NFI			
Professional	15.4	27.3	*-43.6%*
IT	12.7	14.4	*-11.8%*
Healthcare	2.5	2.8	*-10.7%*
Property, Construction & Engineering	0.7	3.8	*-81.6%*
Commercial	17.2	19.7	*-12.7%*
ORS	6.1	7.0	*-12.9%*
Adjusted operating profit			
Professional	0.2	3.5	*-94.3%*
IT	1.8	3.2	*-43.8%*
Healthcare	0.4	0.5	*-20.0%*
Property, Construction & Engineering	-0.2	-1.2	*-83.3%*
Commercial	4.6	5.4	*-14.8%*
ORS	2.6	3.2	*-18.8%*
Conversion ratio			
Professional	1.3%	12.8%	*-89.9%*
IT	14.2%	22.2%	*-36.2%*
Healthcare	16.0%	17.9%	*-10.4%*
Property, Construction & Engineering	-28.6%	-31.6%	*-9.5%*
Commercial	26.7%	27.4%	*-2.4%*
ORS	42.6%	45.7%	*-6.8%*

Source: Empresaria

EXHIBIT 4: PERCENTAGE CONTRIBUTION OF NFI AND ADJUSTED OPERATING PROFIT BY SEGMENT



Source: Empresaria

Professional

The second largest segment in the Group accounting for 28% of Group NFI reported a reduction in revenues of 56% to £55.3m and a reduction in NFI of 44% to £15.4m. However, after all costs, adjusted operating profit fell by 94% from £3.5m to just £0.2m with a reduction in the conversion of NFI into adjusted operating profit falling from 12.8% to 1.3%.

Firstly, with a circa 60% exposure to permanent placements, the Professional segment was particularly impacted by the COVID-19 pandemic. In addition, the aviation business was very hard hit with a significant reduction in demand and elements of the business have now been right-sized as a recovery in the short-term is deemed unlikely. However, management is keen to note that the business offers good growth potential in the medium and long term and is well placed to respond as demand returns.

We deem this unlikely to occur in 2021, however, as the business will not benefit from a strong first quarter as it did in 2020 and a recovery in international travel is bound to be restricted as COVID-19 continues to impact on a global basis. Consequently the Group took an impairment charge against goodwill and other intangible assets totalling £5m in the year.

In the UK the Group's activities in the financial services sector were impacted by Brexit uncertainty and COVID-19, with the latter also affecting demand for domestic services as clients were naturally unwilling to allow new staff into their homes. In Asia, which is predominantly a perm-focused market, COVID-19 had a particular impact with double digit declines in NFI in all countries aside from Vietnam and China where NFI was flat yoy. While some improvement was seen in H2, markets have remained subdued.

Smaller loss-making offices in Chile and New Zealand were consolidated and the operation in Mexico was closed.

IT

The IT segment represented 23% of Group NFI in the period and proved to be one of the most resilient of the six sectors with NFI falling by 12% to £12.7m on revenues down by 8% at £41.8m. Adjusted operating profit fell by 44% to £1.8m

The US, which had such a strong start to the year, had a weaker second six months resulting full-year NFI falling by a mid single-digit percentage due in large part to the impact of COVID-19 on a predominantly perm-focused business model. It is the Group's ambition to increase the level of temp and contract business to reduce volatility, increase revenue visibility and deliver strong growth in future years.

Japan was one of the Group's more resilient markets. It was impacted earlier than most other territories by COVID-19 and so recovered earlier with just a low single-digit decline in NFI and profits broadly in line with those achieved in 2019.

The UK operations were particularly hard hit by COVID-19 as around 80% of NFI is derived from placements outside the UK. NFI fell by 20% and adjusted operating profits declined by over 50%. As a result, the business is being restructured to improve the operating model to better position the business to prosper as demand returns.

During the year, the Group invested further in the segment by acquiring the remaining shares in ConSol Partners, taking ownership to 100%. This investment was done on substantially reduced terms compared to the original acquisition in 2016, reflecting both the founders' desire to sell their remaining shares now that they were no longer directly involved in the business, and appreciation of the impact of COVID-19 on the Group.

This business has performed well since joining the Group and while it has had a challenging 2020, management considers it to have great potential for growth given the strong demand for IT reflecting the Group's commitment to investing in high potential sectors.

Healthcare

Again, one of the more resilient sectors, Healthcare delivered revenue growth of 17% (the only segment to show a yoy increase) although NFI fell by 11% to £2.5m and adjusted operating profit from £0.5m to £0.4m.

Activities in the US saw revenues higher but NFI fell with the higher volumes offset by lower margins. COVID-19 once again had an adverse impact with patients unable or unwilling to engage with healthcare services, particularly in the first lockdown, resulting in lower demand for temporary staff.

The outcome in Finland was better with both revenue and NFI increasing yoy and ending the year strongly with the final months showing significant increases over 2019.

Property, Construction & Engineering

2020 results were not comparable with 2019 as a large part of the UK engineering business was closed in the latter part of 2019. The remaining operations in this segment are now focused on supplying sales staff to the new home sector and on building management systems which will be complemented by expansion into the white-collar end of the construction sector. Management continues to target investment in higher skilled roles where it sees greater opportunity and less risk.

Lockdown restrictions in the UK continue to have a significant impact on the supply of sales staff to the new home sector, with sites forced to close and sales activity transferred online. Demand is yet to show any significant signs of recovery but this business has a record of bouncing back when demand recovers so we remain positive for the longer term.

Commercial

Another one of the Group's more resilient sectors, Commercial, accounting for 32% of group NFI, saw revenues decline by 7% (5% in constant currency) to £132.3m, NFI by 13% (12% in constant currency) to £17.2m and adjusted operating profit by 15% to £4.6m.

In Germany, the business benefitted from increased demand from its supermarket clients but was impacted by weaker demand in other sectors such as automotive, particularly in the first half. There was some recovery in H2 and this business is being restructured to improve focus and efficiency so as to be well placed to take advantage of any market recovery.

In Latin America, COVID-19 impacted the business later than in other parts of the world but the Group had some protection within its operations in Chile as supermarkets formed a significant part of the client base. In Japan staff placements in the retail sector fell significantly and although there has been some signs of an improvement, conditions remain challenging.

Offshore Recruitment Services (ORS)

ORS is one of the Group's success stories and although revenues, NFI and adjusted operating profit were all lower due to early impacts of COVID-19 on demand, the business recovered quickly. Accounting for 11% of Group NFI in 2020, revenues declined by 11% (6% in constant currency) to £10.9m, NFI was lower by 13% (8% in constant currency) at £6.1m and adjusted operating profit by 19% at £2.6m.

Investment in this business has continued with the launch of a managed direct sourcing and Recruitment Process Outsourcing solutions which are expected to accelerate growth and the diversification of the business.

Forecasts and outlook

It is the nature of staffing companies that they are in effect proxies for and leading indicators of the economy and tend to experience the changes in economic activity faster than other industries and by implication experience upturns at the earlier stages of an economic recovery.

The fact that Empresaria is a truly global business means that the speed of decline and recovery will vary from geography to geography and sector to sector, as well as the combination of differing demands for temporary and permanent staff as economies recover.

This variability of demand, on a global basis, would be expected to create volatility in companies with a narrow or niche focus on one sector or one territory. Empresaria, by contrast, operates across six diversified sectors and 20 countries across the world, including the four of the five largest staffing markets being the US, Japan, UK and Germany. Consequently, its reliance on any one sector or geography is minimal and as the world moves out of the COVID-19 pandemic we can expect its business to recover in line with the economic recoveries in each of its individual territories.

Having said that, recruitment companies, even in normal times, have only a limited amount of revenue visibility and the advent of COVID-19 on its customer base makes forecasting even more problematic. Therefore, we will continue our stance of only offering forecasts for the current year, looking further ahead when the outlook becomes clearer.

In this respect we note that management remains understandably cautious in the near term stating that COVID-19 will continue to be a significant influence in the year ahead. With the benefit of the operational investments and initiatives that management has continued to drive forward in the year, the Board believes the Company to be well placed to exit the pandemic stronger than it entered it.

The increased level of national lockdowns and restrictions in several of its markets at the start of 2021 means that the Board remains cautious on the immediate outlook but believes the Group to be well placed to take advantage as and when markets recover.

Therefore our forecasts for 2021 at this early stage of the year are cautious and we currently project a full year outturn similar to that of 2020 with the differences being a) that 2021 will not benefit from a strong Q1 as was seen in 2020, b) that as a consequence it is likely that H1 results yoy will be lower than H1 2020 but c), the second six months should be stronger yoy than 2020, assuming no further lockdowns in its major territories.

Financially, the Group is sound and cash generative, although as activity levels rise during 2021 we would anticipate an increase in working capital to fund the growth and hence the level of net debt is expected to rise to around £17.5m by the year end. However, in the medium term we believe that Empresaria is very well placed to grow its revenue and profitability having already proven that its business model of diversification offers a robust strategy, even in the most difficult of times.

Thus, in our opinion, Empresaria remains very well placed to exploit any recovery in demand.

Income statement and forecast

EXHIBIT 5: INCOME STATEMENT

Y/E December	FY 2018A	FY 2019A	FY 2020A	FY 2021E
	£m	£m	£m	£m
UNDERLYING				
Total revenue	366.8	358.0	256.5	265.0
Cost of sales	(294.5)	(283.5)	(202.5)	(210.0)
Net Fee Income	72.3	74.5	54.0	55.0
NFI margin	*19.7%*	*20.8%*	*21.1%*	*20.8%*
Admin expenses	(59.0)	(56.3)	(40.6)	(41.0)
as a % of revenue	*16.1%*	*15.7%*	*15.8%*	*15.5%*
Underlying EBITDA	**13.3**	**18.2**	**13.4**	**14.0**
margin	3.6%	5.1%	5.2%	5.3%
Share based charges	-	(0.2)	0.2	-
Depreciation & software amortisation	(1.0)	(7.6)	(7.4)	(7.6)
Underlying operating profit	**12.3**	**10.4**	**6.2**	**6.4**
margin	*3.4%*	*2.9%*	*2.4%*	*2.4%*
CONVERSION RATIO	**17.0%**	**14.0%**	**11.5%**	**11.6%**
Finance income	0.2	0.2	0.2	0.2
Finance expense	(1.1)	(1.3)	(1.2)	(1.4)
Underlying profit before tax	**11.4**	**9.3**	**5.2**	**5.2**
Tax	(3.9)	(3.4)	(2.4)	(2.3)
Effective rate	34.2%	36.6%	46.2%	44.2%
Underlying post tax profit	7.5	5.9	2.8	2.9
Minorities	(1.3)	(1.4)	(0.7)	(0.7)
Underlying net post tax profit	**6.2**	**4.4**	**2.1**	**2.2**
STATUTORY				
Underlying operating profit	**12.3**	**10.4**	**6.2**	**6.4**
Exceptional items	(0.3)	(2.1)	(0.2)	-
Fair value charge on acquisition of non-controlling shares	-	-	(0.3)	-
Impairment of goodwill	-	(2.5)	(1.6)	-
Impairment of other intangible assets	-	-	(3.4)	-
Loss on business disposal	-	-	-	-
Amortisation of acquired intangible assets	(1.7)	(1.8)	(1.7)	(1.5)
Statutory operating profit	**10.3**	**4.0**	**(1.0)**	**4.9**
Finance income	0.2	0.2	0.2	0.2
Finance expense	(1.1)	(1.3)	(1.2)	(1.4)
Statutory profit before tax	**9.4**	**2.9**	**(2.0)**	**3.7**
Tax	(3.6)	(2.4)	(1.2)	(1.2)
Statutory post tax profit	5.8	0.5	(3.2)	2.5
Minorities	(1.2)	(1.2)	0.1	0.1
Statutory net post tax profit	**4.6**	**(0.8)**	**(3.1)**	**2.6**
WAS	50.6	50.4	50.3	50.3
WAS FD	51.0	51.4	51.6	52.0
Year-end shares	49.0	49.0	49.0	49.0
EPS				
Statutory	9.1	(1.6)	(6.2)	4.8
Underlying	12.2	8.6	4.2	4.4
Diluted EPS				
Statutory	9.0	(1.6)	(6.0)	4.7
Underlying	**12.1**	**8.5**	**4.1**	**4.1**
Interim dividend	0.0	0.0	0.0	0.0
Final dividend	2.0	0.0	1.0	1.0
Total dividend	**2.0**	**0.0**	**1.0**	**1.0**

Source: Empresaria; Allenby Capital

Balance Sheet and forecasts

EXHIBIT 6: BALANCE SHEET				
Y/E December	FY 2018A	FY 2019A	FY 2020A	FY 2021E
	£m	£m	£m	£m
Assets				
Non-current assets				
Property, plant & equipment	2.1	2.3	1.6	1.8
Right of use assets	-	10.6	9.0	9.0
Goodwill	37.1	33.5	32.5	32.5
Other intangible assets	17.7	15.5	10.5	10.5
Deferred tax assets	1.5	2.4	2.8	2.8
Non-current assets	**58.4**	**64.3**	**56.4**	**56.6**
Current assets				
Trade receivables	48.1	45.6	37.0	42.6
Other receivables	9.2	9.6	7.9	8.0
Cash and Cash equivalents	20.1	16.1	19.8	17.5
Cash and Cash equivalents (pilot bonds)	5.3	1.5	1.0	1.0
Current assets	**82.7**	**72.8**	**65.7**	**69.1**
Total Assets	**141.1**	**137.1**	**122.1**	**125.7**
Liabilities				
Current liabilities				
Borrowings	(32.0)	(25.2)	(32.2)	(34.0)
Trade payables	(2.2)	(2.1)	(1.6)	(2.6)
Accruals	(19.4)	(20.5)	(16.2)	(15.0)
Pilot bonds	(5.3)	(1.5)	(1.0)	(1.0)
Other payables	(15.0)	(13.6)	(14.6)	(14.6)
Lease liabilities	-	(6.0)	(5.1)	(5.1)
Tax liability	(3.2)	(1.4)	(1.1)	(1.2)
Current liabilities	**(77.1)**	**(70.3)**	**(71.8)**	**(73.5)**
Non-current liabilities				
Borrowings	(5.2)	(10.0)	(1.2)	(1.0)
Lease liabilities	-	(5.2)	(4.3)	(4.3)
Other creditors	-	-	-	-
Deferred tax liability	(4.2)	(3.6)	(2.4)	(2.4)
Non-current liabilities	**(9.4)**	**(18.8)**	**(7.9)**	**(7.7)**
Total liabilities	**(86.5)**	**(89.1)**	**(79.7)**	**(81.2)**
Net Assets	**54.6**	**48.0**	**42.4**	**44.5**

BALANCE SHEET RATIOS	FY 2018A	FY 2019A	FY 2020A	FY 2021E
	£m	£m	£m	£m
Long-term financial debts	(5.2)	(10.0)	(1.2)	(1.0)
Short term financial debts	(32.0)	(25.2)	(32.2)	(34.0)
Gross debt	(37.2)	(35.2)	(33.4)	(35.0)
Cash and cash equivalents (excluding pilot bonds)	20.1	16.1	19.8	17.5
Net (debt) / cash	(17.1)	(19.1)	(13.6)	(17.5)
Acid test (Current Assets less inventory / Current Liabilities)	1.1	1.0	0.9	0.9
Equity	54.6	48.0	42.4	44.5
Gearing (Net Debt:Equity)	31.3%	39.8%	32.1%	39.4%
Net debt/trade debtors	-35.6%	-41.9%	-36.8%	-41.1%
Net debt/adj. EBITDA (x)	1.3	1.0	1.0	1.3

Source: Empresaria; Allenby Capital

Cash flow and forecasts

EXHIBIT 7: CASH FLOW

Y/E December	FY 2018A	FY 2019A	FY 2020A	FY 2021E
	£m	£m	£m	£m
Operating cash flow				
Profit for year	5.8	0.5	-3.2	2.5
Depreciation	1.0	7.6	7.4	7.6
Intangible amortisation	1.7	1.8	1.7	0.0
Taxation expense recognised in income statement	3.6	2.4	1.2	2.3
Exceptional charges	0.3	0.0	0.0	0.0
Fair value charge on acquisition of non-controlling interests	-	-	0.3	-
Impairment of other intangible assets	-	-	3.4	-
Loss/(Gain) on disposal of subsidiary	0.0	0.0	0.0	0.0
Cash paid for exceptional items	0.0	0.0	0.0	0.0
Share based payments	0.0	0.2	-0.2	0.0
Net finance costs	0.9	1.1	1.0	1.2
Sub total	**13.3**	**16.1**	**13.2**	**13.6**
(Increase)/Decrease in trade receivables	*-2.2*	*0.2*	*10.9*	*-5.1*
(Decrease)/Increase in trade payables	*-2.7*	*-2.0*	*-5.8*	*1.0*
Net movement in WC	***-4.9***	***-1.8***	***5.1***	***-4.1***
Cash generated from operations	8.4	14.3	18.3	9.5
Interest paid	-1.0	-1.3	-1.1	-1.4
Income taxes paid	-2.9	-5.6	-3.0	-3.5
Net cash from operating activities	**4.5**	**7.5**	**14.2**	**4.6**
Cash flows from investing activities				
Acquisition of new subsidiaries	-1.7	-0.2	-0.1	0.0
Deferred considerations	0.0	0.0	0.0	0.0
Disposal of subsidiary	0.1	0.0	0.0	0.0
Cash acquired with subsidiary acquired	0.0	0.0	0.0	0.0
Purchase of PP&E	-1.5	-1.5	-0.7	-1.3
Finance income	0.2	0.2	0.2	0.2
Net cash used in investing activities	**-2.9**	**-1.5**	**-0.6**	**-1.1**
Cash flows from financing activities				
Proceeds from issue of share capital	0.0	0.0	0.0	0.0
Further shares acquired in existing subsidiaries	0.0	-3.5	-1.5	0.0
Proceeds from bank borrowings/loan	4.0	5.0	1.8	0.0
Increase/(decrease) in borrowings	1.5	-3.6	3.8	0.0
Repayment of loan	-6.4	-0.2	-5.7	-1.5
Increase/(Decrease) in invoice discount facilities	0.1	-2.7	-2.0	2.0
Dividends paid	-0.6	-1.0	0.0	-0.5
Dividends paid to minority shareholders in subsidiaries	-0.4	-0.6	-0.5	-0.5
Net cash from/(used in) financing activities	**-2.2**	**-13.1**	**-10.5**	**-6.9**
Net increase in cash and cash equivalents	**-0.6**	**-7.1**	**3.1**	**-3.4**
FX	0.1	-0.7	0.1	1.1
Cash and cash equivalents at beginning of period	25.9	25.4	17.6	20.8
Cash and cash equivalents at end of period	**25.4**	**17.6**	**20.8**	**18.5**

Source: Empresaria; Allenby Capital

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