

Corporate

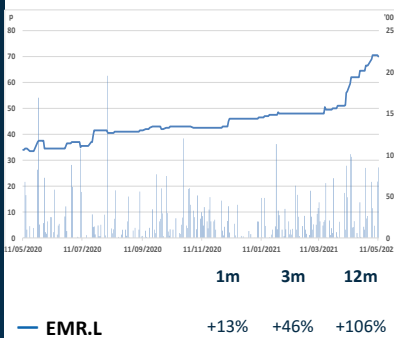
 Current price **70.0p**

 Sector **Support Services**

 Code **EMR.L**

 AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **34.2**

 Shares in issue (m) **49.0**

52 weeks High Low

70.5p **33.5p**

 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)

AGM update – forecasts raised but remain prudent

Empresaria's AGM statement contains a positive, albeit brief, update on trading which covers the first four months of the Group's year to December 2021. The Board states that Empresaria made a strong start to 2021 with positive momentum developing in many parts of the business and although challenges remain the Group now expects adjusted PBT for H1 and the full year to be ahead of the 2020 comparatives. We have therefore increased our adjusted PBT prudently by c.10%.

Full statement – We reproduce the Board's full trading update below:

"Empresaria has made a strong start to 2021 with positive momentum developing in many parts of the Group. While there remain some ongoing challenges and risks from COVID-19, visibility of the remainder of the year is improving. The Group now expects adjusted profit before tax for both the first half and full year 2021 to be ahead of 2020".

We regard the above statement as significant: In Empresaria's preliminary results to end December 2020 (published 18 March 2021), the Board noted that due to the strong start to 2020, adjusted PBT for the H1 2021 was expected to be lower than the first half of 2020. Clearly, trading since then has improved to the extent that the first half is now expected to be ahead of the comparative period.

Forecast upgrade – In light of the above, we are raising our forecasts for the year to 31 December 2021 (we are still not offering forecasts for FY2022 at this stage due to ongoing uncertainty). Adjusted profit before tax is increased by c.10% from £5.2m to £5.7m (FY2020: £5.2m). This improvement is broadly derived from an increase in net fee income of £0.3m and a modest reduction in costs of £0.2m. Our dividend forecast remains unchanged at 1.0p.

Net debt reduction – Our estimate year end net debt (excluding cash held for pilot bonds), has improved from £17.5m to £17.2m, a figure which takes account of estimated share buy-back purchases of £0.2m in the year. For the year to date, the Group has purchased 160,000 shares at a cost of £96,443 with the purchased shares transferred to the Group's Employee Benefit Trust and to be used to satisfy the exercise of options vested under the Company's LTIP.

Well placed to exploit any recovery in demand – Our previous note (18 March 2021), concluded that Empresaria remained very well placed to exploit any recovery in demand and whilst the outlook is still far from certain, we are encouraged by the improvement in trading conditions and the strong start to 2021 which is now being reflected in an improving share price. The timing of the easing/ending of lockdown restrictions will vary globally but should be beneficial for staffing companies as organisations seek to recruit staff to service increased demand generated by the post-COVID economic recovery.

Year End: December

(£m)	2018A	2019A	2020A	2021E
NET FEE INCOME	72.3	74.5	54.0	55.3
ADJ. PBT	11.4	9.3	5.2	5.7
ADJ. FD EPS (p)	12.1	8.5	4.1	4.5
DIVIDEND (p)	2.0	0.0	1.0	1.0
NET DEBT (pre pilot bonds)	17.1	19.1	13.6	17.2
PER (x)	5.8	8.2	17.0	15.6
Yield	2.9%	-	1.4%	1.4%

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

Financial summary and forecasts

EXHIBIT 1: FINANCIAL SUMMARY

PROFIT & LOSS SUMMARY				
	£m	£m	£m	£m
Y/E December	FY 2018A	FY 2019A	FY 2020A	FY 2021E
Revenue	366.8	358.0	256.5	266.0
Net Fee Income	72.3	74.5	54.0	55.3
margin	19.7%	20.8%	21.1%	20.8%
Total operating costs	-59.0	-56.3	-40.6	-40.8
as a % of revenue	16.1%	15.7%	15.8%	15.3%
Adjusted EBITDA	13.3	18.2	13.4	14.5
margin	3.6%	5.1%	5.2%	5.5%
Adjusted operating profit	12.3	10.4	6.2	6.9
Adjusted profit before tax	11.4	9.3	5.2	5.7
Adjusted net Profit	6.2	4.4	2.1	2.3
Weighted Average Shares (fully diluted)	51.0	51.4	51.6	52.0
EPS adjusted (fully diluted) (pence)	12.1	8.5	4.1	4.5
Dividend	2.00	0.00	1.00	1.00
Conversion ratio	17.0%	14.0%	11.5%	12.5%
CASH FLOW				
	£m	£m	£m	£m
Y/E December	FY 2018A	FY 2019A	FY 2020A	FY 2021E
Net cash inflow from operating activities	4.5	7.5	14.2	4.9
Net cash outflow from investing activities	-2.9	-1.5	-0.6	-1.1
Net cash inflow/(outflow) from financing activities	-2.2	-13.1	-10.5	-6.9
Cash and cash equivalents at end of the year (including pilot bonds)	25.4	17.6	20.8	18.8
BALANCE SHEET				
	£m	£m	£m	£m
Y/E December	FY 2018A	FY 2019A	FY 2020A	FY 2021E
Non-current assets	58.4	64.3	56.4	56.6
Current assets (excluding cash)	57.3	55.2	44.9	50.1
Cash	20.1	16.1	19.8	17.8
Cash - pilot bonds	5.3	1.5	1.0	1.0
Total Assets	141.1	137.1	122.1	125.5
Current liabilities	-77.1	-70.3	-71.8	-73.2
Non-current liabilities	-9.4	-18.8	-7.9	-7.7
Total Liabilities	-86.5	-89.1	-79.7	-80.9
Net current assets/(liabilities)	0.3	1.0	-7.1	-5.3
Net Assets	54.6	48.0	42.4	44.6
Net (debt)/cash - excluding pilot bonds	-17.1	-19.1	-13.6	-17.2

Source: Empresaria; Allenby Capital

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