

## Corporate

 Current price **4.74p**

 Sector **Financial Services**

 Code **TAVI**

 AIM **AIM**

### Share Performance



1m +82%    3m +143%    12m +251%

Source: Thomson Reuters, Allenby Capital

### Share Data

 Market Cap (£m) **28.8**

 Shares in issue (m) **607.8**

52 weeks High Low

**4.74** **1.35**

 Financial year end **March**

Source: Company Data, Allenby Capital

### Key Shareholders

Brian Raven (CEO) 11.1%

Andrew Staley 9.2%

Lighthouse Group Plc 5.0%

Christopher Peel 4.9%

Hugh Simon 4.9%

Source: Company Data, Allenby Capital

### Matt Butlin

0203 328 5666

m.butlin@allenbycapital.com

www.allenbycapital.com

# Tavistock Investments Plc (TAVI)

## Disposal of Tavistock Wealth and positive trading update

Tavistock Investments Plc (“Tavistock”) consists of Tavistock Wealth (an investment management business) and Tavistock Advisory (several financial advisory businesses). The Company has announced the sale of Tavistock Wealth for up to £40m which compares extremely favourably to the £16m Group market capitalisation prior to the announcement. Tavistock also provided a trading update confirming that H2 2021 (year end March) followed the strong H1 performance. Full year underlying EBITDA of £2.77m (+52% yoy) implies a second half performance of £1.51m after £1.26m in H1. Forecasts have not yet been reintroduced but post the disposal the remaining Advisory businesses is well position to accelerate revenue growth both organically and by way of acquisitions.

- Disposal of Tavistock Wealth (“TW”) for up to £40m or 6.6p per share.** The business is being sold to Titan Wealth Holdings Ltd (“Titan”), a discretionary fund management/wealth and asset management business. Titan will pay £20m on completion with a further £20m paid in equal annual instalments over the following 3 years, linked to the maintenance of TW’s revenues. The two companies will also enter into a ten year strategic partnership where Tavistock will act as Titan’s retail distribution partner with Tavistock being paid additional payments related to increased funds under management driven by Tavistock.
- Retaining an advisory business with c.£24m annual revenues.** Post the disposal Tavistock will retain the Advisory business and have a balance sheet to enable near term material growth. We estimate the current net cash position to be c. £1.0m (£4.4m of cash as of 31 March 2021 offset by a Term Loan and CBILS which we estimate total around £3.4m). This will then be boosted by the £20m first payment on completion of the acquisition. The Company’s near term plan is to seek acquisitions to boost the size of the Advisory business which is already of significant size having achieved c.£24m in revenues in the year to March 2021, c.80% of which is recurring.
- Trading update confirms solid performance.** Tavistock also released headline figures for the year ended March 2021. Revenues were essentially flat at £28.7m (£28.8m) however profitability increased with underlying EBITDA growing 50.2% yoy to £2.77m (£1.85m). Behind this growth is the positive impact of the cost restructuring implemented in the prior year which is targeted to generate £750k of annual savings. A comprehensive Group-wide reorganisation exercise was initiated with the actions including a reduction in the number of offices from eleven to six and a reduction in headcount.
- Sum of parts a conservative 14p per share.** On completion, we assume a net cash position of £19m and add the £20m deferred payment discounted at 5% pa. Placing a value on the advisory business of 2x historic revenues (sector M&A is more often at c.3x revenues) creates a total group value of £85m or 14p per share. Despite yesterday’s impressive +79% increase to 4.7p we clearly believe there is further upside to come.

### Year End: March

(£'000)	2017A	2018A	2019A	2020A	2021E
REVENUE	19,539	28,812	27,342	28,803	28,700
ADJ. EBITDA	384	734	1,475	1,825	2,770
GROWTH	273%	91%	101%	24%	52%
FUM (£M)	603	866	945	1,002	1,100
NET DEBT/(CASH)	(2,308)	(777)	(782)	(1,959)	(2,900)
EV/EBITDA	72.9x	38.1x	19.0x	15.3x	10.4x
DIVIDEND YIELD	NA	NA	0.21%	0.00%	0.00%

Allenby Capital acts as Nomad &amp; 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
<b>Discretionary Funds Under Management (£m)</b>	<b>603</b>	<b>866</b>	<b>945</b>	<b>1,002</b>	
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	
<b>Total Group Revenue</b>	<b>19,539</b>	<b>28,812</b>	<b>27,342</b>	<b>28,803</b>	
Growth	-34.5%	47.5%	-5.1%	5.3%	
Cost of Sales	(13,502)	(18,332)	(16,198)	(17,048)	
<b>Gross Profit/(loss)</b>	<b>6,037</b>	<b>10,480</b>	<b>11,144</b>	<b>11,755</b>	
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%	
<b>Profit/(loss) from operations</b>	<b>(1,004)</b>	<b>489</b>	<b>156</b>	<b>(5,473)</b>	
<b>Adjusted EBITDA</b>	<b>384</b>	<b>734</b>	<b>1,475</b>	<b>1,825</b>	
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)	
<b>EBIT</b>	<b>(1,004)</b>	<b>489</b>	<b>156</b>	<b>(5,473)</b>	
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)	
<b>Profit/(Loss) pre-taxation</b>	<b>(1,207)</b>	<b>221</b>	<b>(118)</b>	<b>(5,739)</b>	
Taxation	552	29	(4)	274	
Tax rate	45.7%	-13.1%	-3.4%	4.8%	
<b>Profit/(loss) from continuing operations</b>	<b>(655)</b>	<b>250</b>	<b>(122)</b>	<b>(5,465)</b>	
Discontinued operations	79	25	-	-	
<b>Total comprehensive income for the period</b>	<b>(576)</b>	<b>275</b>	<b>(122)</b>	<b>(5,465)</b>	
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
<b>ASSETS</b>					
Tangible fixed assets	381	490	586	915	
Intangible assets	19,954	19,136	19,897	16,907	
<b>Non-current assets</b>	<b>20,335</b>	<b>19,626</b>	<b>20,483</b>	<b>17,822</b>	
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	
<b>Current Assets</b>	<b>6,707</b>	<b>6,445</b>	<b>8,469</b>	<b>7,414</b>	
<b>TOTAL ASSETS</b>	<b>27,042</b>	<b>26,071</b>	<b>28,952</b>	<b>25,236</b>	
<b>LIABILITIES</b>					
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)	
<b>Current Liabilities</b>	<b>(5,319)</b>	<b>(4,703)</b>	<b>(3,942)</b>	<b>(4,994)</b>	
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
Other payables	-	-	(13)	-	offset against insurance receivable.
Deferred taxation	(396)	(405)	(409)	(93)	
<b>Non-current Liabilities</b>	<b>(3,542)</b>	<b>(2,678)</b>	<b>(5,014)</b>	<b>(4,838)</b>	
<b>TOTAL LIABILITIES</b>	<b>(8,861)</b>	<b>(7,381)</b>	<b>(8,956)</b>	<b>(9,832)</b>	
<b>TOTAL NET ASSETS</b>	<b>18,181</b>	<b>18,690</b>	<b>19,996</b>	<b>15,404</b>	
<b>Capital and reserves attributable to owners of the parent</b>					
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)	
<b>TOTAL EQUITY</b>	<b>18,181</b>	<b>18,690</b>	<b>19,996</b>	<b>15,404</b>	
<b>Balance Sheet Ratios</b>					
Short term financial debts	250	101	517	457	
Long term financial debts	2,000	2,233	1,817	1,066	
<b>Gross debt</b>	<b>2,250</b>	<b>2,334</b>	<b>2,334</b>	<b>1,523</b>	
<b>Cash and cash equivalents</b>	<b>4,558</b>	<b>3,111</b>	<b>3,116</b>	<b>2,416</b>	
<b>Net debt / (cash)</b>	<b>(2,308)</b>	<b>(777)</b>	<b>(782)</b>	<b>(893)</b>	
Deferred consideration	3,102	1,100	965	1,930	
<b>Net debt / (cash) inc. deferred consideration</b>	<b>794</b>	<b>323</b>	<b>183</b>	<b>1,037</b>	

Source: Allenby Capital, Company data

**Exhibit 3: CASHFLOW STATEMENT**

Year End March (£000)	2017A	2018A	2019A	2020A	Comments
<b>Profit/(loss) before tax</b>	<b>(1,128)</b>	<b>246</b>	<b>(118)</b>	<b>(5,739)</b>	
<b>Adjustments</b>					
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	
<b>Cash flows from op. activities pre changes in working capital</b>	<b>156</b>	<b>715</b>	<b>1,457</b>	<b>1,800</b>	
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)	-	-	
<b>Cash flows from operating activities</b>	<b>(492)</b>	<b>(24)</b>	<b>1,165</b>	<b>2,350</b>	
<b>Investing activities</b>					
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)	
<b>Net cash generated from investing activities</b>	<b>(3,158)</b>	<b>(1,492)</b>	<b>(2,060)</b>	<b>(2,699)</b>	
<b>Financing activities</b>					
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)	
<b>Net cash from financing activities</b>	<b>4,824</b>	<b>69</b>	<b>900</b>	<b>(352)</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>1,174</b>	<b>(1,447)</b>	<b>5</b>	<b>(701)</b>	
Cash and cash equivalents at beginning of the period	3,385	4,559	3,112	3,117	
<b>Cash and cash equivalents at end of the period</b>	<b>4,559</b>	<b>3,112</b>	<b>3,117</b>	<b>2,416</b>	

Source: Company data, Allenby Capital

## 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

Matt Butlin 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](http://www.allenbycapital.com). Allenby Capital acts as Nomad & Broker to Tavistock Investments plc.

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