

Corporate

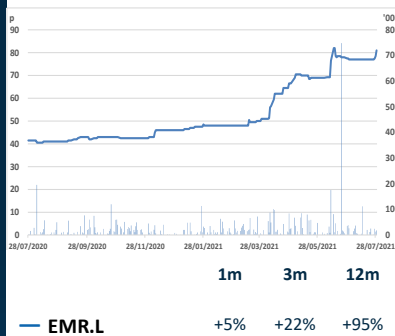
 Current price **81.0p**

 Sector **Support Services**

 Code **EMR.L**

 AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **40.0**

 Shares in issue (m) **49.3**

52 weeks High Low

82.0p **41.5p**

 Financial year end **December**

Source: Company Data, Allenby Capital

Key Shareholders

Anthony Martin (Chair) 28.20%

HM van Heijst 13.97%

Close Brothers AM 12.08%

Hof Hoorneman FM 9.03%

Beleggingsclub 't Stockpaert 6.09%

The Ramsey Partnership Fund 4.94%

Allianz Global Investors 3.22%

Source: Company Data, Allenby Capital

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Empresaria Group plc (EMR.L)

Strong recovery with 30% NFI growth in Q2

Empresaria's trading update confirms an encouraging improvement in net fee income (NFI) in the first half of 2021. Against a strong comparative, Q1 NFI was down 19% year-on-year (yoy) but recovered strongly in Q2 showing yoy growth of 30%. Overall, NFI in H1 was up 1% or 4% in constant currency. With the improved performance the Board expects H1 profits to be significantly ahead of the prior year. Although COVID-related challenges remain in certain areas, we believe the Group is well placed to benefit from the improving global macro outlook.

- H1 NFI £28.4m** – H1 NFI was £28.4m (H1 2020: £28.2m), an increase of 1% over H1 2020 and 4% in constant currency terms. Given the diversified nature of the Group's activities and geographies, segmental performance was mixed and while some industry verticals reported a modest reduction in NFI, for the most part this was currency related.
- Working capital increasing to fund growth** – Adjusted net debt increased by £2.9m in the period to £16.5m as working capital increased to fund the higher activity levels. Consequently, the Group's financial headroom reduced from £17.6m (December 2020) to £12.4m.
- NFI by segment** – Strongest growth came from the **Healthcare** segment which posted a rise of 83% to £2.2m boosted by some non-recurring COVID work. The **Professional** segment (excluding aviation) reported a rise in NFI of 8% to £7.7m with a 59% increase in Q2, while the aviation component understandably remained depressed with a 72% fall in NFI to £0.5m. **IT** declined by 3% yoy but in constant currency was up 2%. **Property, Construction & Engineering** NFI was flat yoy at £0.4m while the Group's **Commercial** sector reported NFI growth of 5% to £8.4m with a Q2 uplift of 17%. Finally, **Offshore Recruitment Services** reported a decline in NFI of 6% to £3.2m but excluding currency fluctuations and an exit from its loss-making Dubai business, NFI was ahead yoy.
- Forecasts unchanged** – Following Empresaria's mid-May trading update, we increased our adjusted profit before tax forecasts for 2021 by c.10% from £5.2m to £5.7m. At this stage we are leaving forecasts unchanged ahead of the Group's interim results due to be announced on 12 August.
- Well placed to exploit any recovery in demand** – Empresaria has demonstrated its ability to adjust well to changing economic conditions across its diversified portfolio of businesses. Of course, challenges still remain in certain sectors and geographies but we believe the Group is well placed to exploit the improving recruitment outlook and new key appointments concluded in recent months will help support the Group's progress and growth strategy over the short/medium term.

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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