

**BUY**

Current price	136.5p
Sector	Support Services
Code	(EMR.L)
Listing	AIM

**SHARE PERFORMANCE**



Source: Thomson Reuters, Allenby Capital

**SHARE DATA**

Market cap (£)	66.9m
Shares in issue (m)	49.0
52 weeks	High      Low
	167.5p    95.25p
Financial year end	31 December

Source: Company Data, Allenby Capital

**KEY SHAREHOLDERS**

Anthony Martin (Chairman)	28.41%
Liontrust Inv. Partners	12.29%
Close Bros	7.03%
Hof Hoorneman Fund Management	6.34%
Beleggingsclub 't Stockpaert	6.13%
Hendrick M. van Heijst	4.90%
MWR Hunt	3.60%

Source: Empresaria Group plc

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## EMPRESARIA GROUP PLC (EMR.L)

### *Organic growth to be main driver for H2*

Once again Empresaria has demonstrated the resilience provided by its diversified business through a broad range of specialist disciplines, a truly global portfolio of recruitment businesses and an equitable split between temp and perm. In the first half of the current year the investments of Rishworth Aviation and ConSol Partners played an important element of reported growth. Management state that the Group has now reported 16 consecutive quarters of NFI growth. However, without the addition of the two investments noted above and currency tailwinds, organic NFI growth would have been negative due to the underperformance of a small number of brands. Overall, reported earnings growth was satisfactory and we are making no changes to our forecasts. Although operating in a cyclical sector, we consider Empresaria to offer an attractive balance between risk and investor reward. We are therefore happy to retain our fair value of 165p.

- **Investment-led growth** – Results for H1 2017 were driven by the investments made in Rishworth and ConSol which were in for a full six months compared to zero in H1 2016. Revenue increased by 63% year-on-year to £173m, NFI rose by 26% to £34.4m and adjusted operating profit by 23% to £4.9m. Fully diluted adjusted EPS rose by 33% to 5.7p. In constant currency, NFI growth was 17% and adjusted operating profit 9%. Growth in operating profit was restricted by investments costing £0.5m, including expanding the contract activities of ConSol in the US and in diversifying the customer base at PS.
- **The impact of investments on growth will be much reduced in H2** – Major investments will only play a minor role in H2 growth as ConSol (the most recent investment) was included for the final quarter of H2 2016 and therefore growth overall is likely to be more modest than that reported for H1. That said, the degree of diversity within the business positions the Group well to maximise the growth available in its key markets and minimise the impact in areas where opportunities are currently less attractive.
- **Net debt increased** – Investments made last year and deferred consideration paid in H1 2017 have increased the net debt to £15.9m (10.5m at 2016 year-end) but with no further payments to be made we expect net debt to fall in H2 as cash is generated. Management remain confident in its ability to meet current market expectations and although, in common with other staffing companies, Empresaria faces some challenges on the trading front, overall, we remain positive with regard to medium-term prospects.

**EXHIBIT 1: FINANCIAL SUMMARY**

Year End: December (£m)	2015A	2016A	2017E	2018E
NFI	49.2	59.0	72.0	76.0
PRE-TAX PROFIT (ADJUSTED)	7.7	9.4	12.5	13.3
EPS FD NORMALISED (p)	10.4	11.9	13.9	14.8
PER (x)	13.6	11.8	10.1	9.5
DIVIDEND	1.0	1.15	1.30	1.35
NET DEBT/EQUITY	21.7%	22.5%	19.5%	6.8%

Source: Empresaria Group plc, Allenby Capital Ltd.

Note: Adjusted PBT and EPS figures exclude amortisation, share based charges and fair value of acquisition of non-controlling shares.

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## FINANCIAL SUMMARY

### EXHIBIT 2: SUMMARY FINANCIALS

	£m	£m	£m	£m
Y/E December	FY 2015A	FY 2016A	FY 2017E	FY 2018E
<b>PROFIT &amp; LOSS SUMMARY</b>				
Revenue	187.30	270.40	345.00	362.00
<b>Net Fee Income</b>	<b>49.2</b>	<b>59.0</b>	<b>72.0</b>	<b>76.0</b>
<i>margin</i>	<i>26.3%</i>	<i>21.8%</i>	<i>20.9%</i>	<i>21.0%</i>
Total operating costs	-41.20	-49.20	-58.70	-62.20
<i>as a % of revenue</i>	<i>22.0%</i>	<i>18.2%</i>	<i>17.0%</i>	<i>17.2%</i>
Operating profit (before exceptional and share based charges)	8.00	9.80	13.30	13.80
<b>EBITDA</b>	<b>8.70</b>	<b>10.70</b>	<b>14.10</b>	<b>14.60</b>
<i>margin</i>	<i>4.6%</i>	<i>4.0%</i>	<i>4.1%</i>	<i>4.0%</i>
<b>Profit/(Loss) before tax (adjusted and before share based charges)</b>	<b>7.70</b>	<b>9.40</b>	<b>12.50</b>	<b>13.30</b>
Net Profit/(Loss)	4.40	4.80	5.40	5.88
Weighted Average Shares (fully diluted)	46.90	51.90	52.40	52.40
<b>EPS adjusted (fully diluted) (pence)</b>	<b>10.4</b>	<b>11.9</b>	<b>13.9</b>	<b>14.8</b>
Dividend	1.00	1.15	1.30	1.35
<b>Conversion ratio</b>	<b>16.3%</b>	<b>16.6%</b>	<b>18.5%</b>	<b>18.2%</b>
<b>CASH FLOW</b>				
Net cash inflow from operating activities	5.300	6.400	9.300	8.100
Net cash outflow from investing activities	-6.600	-7.000	-6.800	-1.000
Net cash inflow/(outflow) from financing activities	1.400	9.310	-2.877	-3.203
<b>Cash and cash equivalents at end of the year</b>	<b>7.700</b>	<b>18.010</b>	<b>17.633</b>	<b>21.530</b>
<b>BALANCE SHEET</b>				
<b>Assets</b>				
Non-current assets	34.900	59.400	65.400	65.700
Current assets (excluding cash)	35.900	50.200	47.100	49.600
Cash	7.700	18.010	17.633	21.530
<b>Total Assets</b>	<b>78.500</b>	<b>127.610</b>	<b>130.133</b>	<b>136.830</b>
<b>Liabilities</b>				
Current liabilities	-37.600	-61.400	-66.300	-68.300
Non-current liabilities	-7.200	-19.500	-15.700	-13.950
<b>Total Liabilities</b>	<b>-44.800</b>	<b>-80.900</b>	<b>-82.000</b>	<b>-82.250</b>
<b>Net Assets</b>	<b>33.700</b>	<b>46.710</b>	<b>48.133</b>	<b>54.580</b>
<b>Net (debt)/cash</b>	<b>-7.300</b>	<b>-10.490</b>	<b>-9.367</b>	<b>-3.720</b>

Source: Empresaria plc; Allenby Capital Ltd

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