

CORPORATE

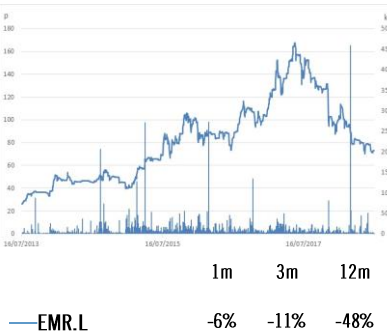
Current price 73p

Sector Support Services

Code (EMR.L)

Listing AIM

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

Market cap (£) 35.8m

Shares in issue (m) 49.0

52 weeks High Low  
154.5p 70.5p

Financial year end 31 December

Source: Company Data, Allenby Capital

Key Shareholders

Anthony V Martin 28.41%

Close Brothers Asset Management 10.48%

Liontrust Investment Partners 8.03%

Hof Hoorneman Fund Management 7.36%

H M van Heijst 7.04%

Beleggingsclub 't Stockpaert 6.13%

Miles Hunt 3.24%

Source: Empresaria Group plc

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EMPRESARIA GROUP PLC (EMR.L)

*Building on opportunities in South America*

Empresaria (the Company, the Group), the diversified recruitment company, has announced the acquisition of a 60% interest in Peru-based Grupo Solimano, an established business providing outsourced and temporary staffing services in Peru. This fits well with Empresaria's existing staffing businesses in Chile and Mexico and is aligned with the Group's strategy to increase its geographic diversification. We expect the acquisition to be neutral in FY2018 but to be earnings enhancing in FY2019. We believe that Empresaria offers a very attractive investment proposition relative to its peer group and in particular when judged against its delivery of long-term growth and record earnings.

- **An important addition to the South American base** – Empresaria was one of the first recruitment businesses to identify South America as being a strategically important territory for long-term investment. To date it has an HR Consultancy, Alternativa, based in Chile and has a small executive search business in Chile and another in Mexico. Thus, we feel that the investment in Solimano is a sensible addition to the portfolio and offers additional opportunities for growth in the fast-growing South American market. Solimano has a number of prestigious clients including Amcor, Toyota, Exxon and Unilever.
- **All cash investment of up to £2.1m** – The consideration is payable in cash with an initial payment of £1.35m, a deferred payment of around £0.55m due to be paid by September 2018 and a contingent amount of £0.2m payable depending on the financial results of the company for the year ending 31 December 2018. We therefore anticipate Group net debt rising to £9.9m at the end of 2018 (gearing of 19.7%) and £5.6m by end 2019 (gearing of 10.4%).
- **Earnings neutral for 2018 but enhancing for FY2019** – The acquisition will add around £0.9m to NFI in the remaining five months of the year but after costs and minority interests is likely to be earnings neutral. In FY2019 we see Solimano adding £1.6m to Group NFI and £0.4m to adjusted PBT with EPS rising from our previous forecast of 12.9p to a projected 13.1p.
- **Good value** - With another year of record profits anticipated in the current year, this small but important addition to its South American portfolio only enhances the investment proposition which on a PER of just 5.6x FY2019 forecasts offers, in our opinion, good value relative to its peer group.

EXHIBIT 1: SUMMARY OF FINANCIALS

Year End: December (£m)	2016A	2017A	2018E	2019E
REVENUE	270.4	357.1	366.0	382.0
ADJUSTED EBITDA	10.9	12.4	13.0	13.4
ADJUSTED PBT	9.4	10.8	11.4	11.9
ADJUSTED EPS (p)	11.9	12.5	12.6	13.1
PE(x)	6.1	5.8	5.8	5.6
DIVIDEND (p)	1.15	1.32	1.35	1.40

Source: Empresaria Group plc; Allenby Capital. Allenby Capital is commissioned by Empresaria to write research.

\*Adjusted PBT and EPS exclude amortisation, share based charges, loss on disposal and fair value of acquisition of non-controlling shares

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## SUMMARY FINANCIALS

EXHIBIT 2: SUMMARY FINANCIALS				
	£m	£m	£m	£m
Y/E December	FY 2016A	FY 2017A	FY 2018E	FY 2018E
<b>PROFIT &amp; LOSS SUMMARY</b>				
Revenue	270.40	357.10	366.00	382.00
Net Fee Income	59.0	69.4	73.9	75.6
<i>margin</i>	<i>21.8%</i>	<i>19.4%</i>	<i>20.2%</i>	<i>19.8%</i>
Total operating costs	-49.20	-57.80	-62.00	-63.30
<i>as a % of revenue</i>	<i>18.2%</i>	<i>16.2%</i>	<i>16.9%</i>	<i>16.6%</i>
Operating profit (before exceptional items and share-based charges)	9.80	11.60	11.90	12.30
EBITDA	10.90	12.40	13.00	13.40
<i>Margin</i>	<i>4.0%</i>	<i>3.5%</i>	<i>3.6%</i>	<i>3.5%</i>
Profit/(Loss) before tax (adjusted and before share-based charges)	9.40	10.80	11.40	11.90
Net Profit/(Loss)	4.80	4.10	4.56	4.90
Weighted Average Shares (fully diluted)	51.90	51.40	52.00	52.00
EPS adjusted (fully diluted) (pence)	11.9	12.5	12.6	13.1
Dividend	1.15	1.32	1.35	1.40
Conversion ratio	16.9%	16.4%	16.5%	16.7%
	£m	£m	£m	£m
Y/E December	FY 2016A	FY 2017A	FY 2018E	FY 2018E
<b>CASH FLOW</b>				
Net cash inflow from operating activities	5.6	6.4	6.2	6.7
Net cash outflow from investing activities	-7.0	-6.3	-2.9	-1.1
Net cash inflow/(outflow) from financing activities	12.4	6.1	-1.2	-1.3
Cash and cash equivalents at end of the year	20.3	25.9	28.0	32.3
	£m	£m	£m	£m
Y/E December	FY 2016A	FY 2017A	FY 2018E	FY 2018E
<b>BALANCE SHEET</b>				
<b>Assets</b>				
Non-current assets	59.4	56.5	58.8	57.7
Current assets (excluding cash)	50.2	53.1	49.7	52.2
Cash	20.3	25.9	28.0	32.3
Total Assets	129.9	135.5	136.5	142.2
<b>Liabilities</b>				
Current liabilities	-63.7	-81.2	-83.5	-85.8
Non-current liabilities	-19.5	-5.4	-2.4	-2.4
Total Liabilities	-83.2	-86.6	-85.9	-88.2
Net Assets	46.7	48.9	50.6	54.0
Net (debt)/cash	-10.5	-12.0	-9.9	-5.6

Source: Empresaria Group plc; Allenby Capital

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Ian Jermin is the author of this research recommendation. Ian is employed by Allenby Capital Limited as an Equity Analyst.

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