

CORPORATE

Current price 67p

Sector Support Services

Code (EMR.L)

Listing AIM

Share Performance


Source: Thomson Reuters, Allenby Capital

Share Data

Market cap (£) 32.8m

Shares in issue (m) 49.0

52 weeks	High	Low
	113.5p	66.5p

Financial year end 31 December

Source: Company Data, Allenby Capital

Key Shareholders

Anthony V Martin 28.41%

Close Brothers Asset Management 12.94%

Hof Hoorneman Fund Management 7.92%

H M van Heijst 7.04%

Beleggingsclub 't Stockpaert 6.13%

The Ramsey Partnership Fund 4.68%

Source: Empresaria Group plc

Ian Jermin

+44 (0)20 3328 5664

i.jermin@allenbycapital.com

www.allenbycapital.com

EMPRESARIA GROUP PLC (EMR.L)

Confirmation of record results in a challenging year

In a full year trading update Empresaria, the diversified recruitment company, has announced that NFI and adjusted PBT are expected to be ahead by 4% year-on-year and in line with our expectations although due to higher minority charges EPS is expected to be slightly lower than that reported in FY2017. FY2018 trading was significantly impeded by legislative changes to labour laws in Germany and Japan, however, with those changes now behind them we expect a progressive rebuilding of temporary worker levels in FY2019. The shares have underperformed as a consequence of the trading headwinds but should revert to higher levels during the course of 2019 as the Group delivers on its strategy.

- Another record profit** – A 4% increase in NFI and adjusted PBT would suggest NFI of around £72.1m against our forecast of £73.9m and PBT of circa £11.4m, in line with our expectations. These metrics represent another record result for Empresaria and achieved in spite of a difficult trading environment in Germany and Japan, two of the Group's major markets. Consequently, we consider these results as confirmation of the strength of the Group's deliberate diversification.
- 75% of regions delivered yoy growth** – The Group highlights the fact that three of its four regions delivered growth over the prior year, the UK, Asia Pacific and the Americas with particularly strong performances from Offshore Recruitment Services in India, its businesses in Chile, ConSol Partners in the UK and Rishworth Aviation which is based in New Zealand. As noted earlier, Headway in Germany and Skillhouse in Japan were both impacted by regulatory changes in their respective markets leading to a reduction in volumes. FY2019 offers the prospect of rebuilding the contract book but the benefits are likely to be second half weighted.
- Changes to 2018 and 2019 forecasts** – The Board states that a higher minority charge will result in adjusted EPS being slightly lower than the FY2017 outcome of 12.5p. With no guidance as to the quantum of minority charges we are prudently reducing EPS from 12.6p to 12.0p. Additional costs, including a new COO, in FY2019 have prompted us to modestly scale back our expectations for adjusted PBT and EPS from £11.9m to £11.6m and 13.1p to 12.2p. Macro-economic shocks aside, we look forward to a steadily improving trading performance during 2019 while being mindful that visibility is limited.

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	13.1
ADJUSTED PBT	9.4	10.8	11.4	11.6
ADJUSTED EPS (p)	11.9	12.5	12.0	12.2
PE(x)	5.6	5.4	5.6	5.5
DIVIDEND (p)	1.15	1.32	1.35	1.40
NET DEBT	15.7	19.5	17.4	13.6

Source: Empresaria Group plc; Allenby Capital. *Adjusted PBT and EPS exclude amortisation on acquired intangibles, gain/loss on disposal, fair value of acquisition of non-controlling shares and for EPS any related tax adjustments.

Allenby Capital has been commissioned by Empresaria to write research reports on the Company.

Please refer to the last page of this communication for all required disclosures and risk warnings.

FINANCIAL SUMMARY

EXHIBIT 14: FINANCIAL SUMMARY				
Y/E December	£m FY 2016A	£m FY 2017A	£m FY 2018E	£m FY 2019E
PROFIT & LOSS SUMMARY				
Revenue	270.4	357.1	366.0	382.0
Net Fee Income	59.0	69.4	72.1	75.1
<i>margin</i>	21.8%	19.4%	19.7%	19.7%
Total operating costs	-49.2	-57.8	-59.9	-63.1
<i>as a % of revenue</i>	18.2%	16.2%	16.4%	16.5%
Adjusted operating profit	9.8	11.6	12.2	12.0
EBITDA	10.9	12.4	13.0	13.1
<i>margin</i>	4.0%	3.5%	3.6%	3.4%
Adjusted profit before tax	9.2	11.0	11.4	11.6
Net Profit	4.8	4.1	4.3	4.4
Weighted Average Shares (fully diluted)	51.9	51.4	51.8	51.8
EPS adjusted (fully diluted) (pence)	11.9	12.5	12.0	12.2
Dividend	1.15	1.32	1.35	1.40
<i>Conversion ratio</i>	16.9%	16.4%	16.5%	16.3%
CASH FLOW				
Net cash inflow from operating activities	5.6	6.4	6.5	6.4
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	28.3	32.3
BALANCE SHEET				
Assets				
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	28.3	32.3
Total Assets	129.9	135.5	136.8	142.2
Liabilities				
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	50.9	54.0
Net (debt)/cash	-15.7	-19.5	-17.4	-13.6

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.

Tel: 0203 328 5664

Email i.jermin@allenbycapital.com

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.

Empresaria Group plc is a research client of Allenby Capital.

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Allenby Capital
5 St Helen's Place London EC3A 6AB
+44 (0)20 3328 5656

www.allenbycapital.com