

**CORPORATE**
**Current price** 68.5p

**Sector** Support Services

**Code** (EMR.L)

**Listing** AIM

**Share Performance**


Source: Thomson Reuters, Allenby Capital

**Share Data**
**Market cap (£)** 33.6m

**Shares in issue (m)** 49.0

**52 weeks** High Low  
 87.5p 66.5p

**Financial year end** 31 December

Source: Company Data, Allenby Capital

**Key Shareholders**

Anthony V Martin 28.41%

Close Brothers Asset Management 13.57%

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

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**EMPRESARIA GROUP PLC (EMR.L)**
*Full year PBT forecasts unchanged but EPS increased*

Empresaria's first half PBT was weaker, as expected, as two of its major brands in Germany and Japan were impacted by legislative changes to employment law in 2018 and therefore started from a lower base in 2019. Brexit uncertainty also impacted the UK Engineering segment as did higher central costs following increased investment in H2 2018. Nevertheless, net fee income (NFI) increased by 6% in constant currency rising from £34m to £36.3m, once again showing the benefits of a diversified portfolio of brands and geographies. Adjusted PBT for the first half is expected to be £3.7m (H1 2018: £4.7m) but for the full year management remains confident of delivering PBT in line with market expectations. As a result of the recent purchase of minority interests in ConSol we expect EPS to be higher than initial expectations for both 2019 and 2020.

- **Strong growth from Offshore Recruitment Services (ORS)** – Empresaria provided a new segmentation aligning the brands into five major staffing sectors. Professional, IT, Commercial and ORS all showed yoy increases in NFI with the latter being particularly strong rising by 55% although still representing just 8% of total pre-intragroup NFI (H1 2018 5%). Engineering posted a 15% reduction in NFI although again representing a relatively minor element of total NFI at just 5% (H1 2018: 8%). The Group is typically second half weighted, particularly in Headway, its German subsidiary and this will be exacerbated in 2019 as the business started from a lower base of temporary workers.
- **Acquisition of non-controlling interest in ConSol** – In early July 2019 the Group acquired a further 17.5% of ConSol, increasing its stake from 65% to 82.5% at a cost of £3.5m which was satisfied from existing bank facilities. Our forecast for net debt stood at £14m prior to this purchase but given strong working capital management we would anticipate net debt rising to just £16.5m implying continued strong underlying cash generation.
- **No change to underlying PBT forecasts but EPS has been raised** – Management indicated that underlying PBT for H1 will be around 21% lower yoy at £3.7m but that expectations for the full year remained in line with market expectations (i.e. £11.6m). However, the impact of the acquisition of further shares in ConSol is expected to be earnings enhancing and we therefore anticipate a rise in forecast EPS from 12.2p to 12.4p and in FY2020 from 12.5p to 12.9p therefore putting the shares on a modest PER of 5.5x for the current year.

**EXHIBIT 1: SUMMARY OF FINANCIALS**

Year End: December (£m)	2017A	2018A	2019E	2020E
REVENUE	357.1	366.8	382.0	402.5
NFI	69.4	72.3	75.6	79.5
UNDERLYING PBT	11.0	11.4	11.6	11.7
UNDERLYING DILUTED EPS (p)	12.5	12.1	12.4	12.9
PE(x)	5.5	5.7	5.5	5.3
DIVIDEND (p)	1.32	2.00	2.20	2.50
YIELD	1.9%	2.9%	3.2%	3.6%
NET DEBT (excluding pilot bonds)	19.5	17.1	16.5	13.5

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.

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

## SUMMARY FINANCIALS

### EXHIBIT 2: FINANCIAL SUMMARY AND FORECASTS

PROFIT & LOSS SUMMARY				
	£m	£m	£m	£m
Y/E December	FY 2017A	FY 2018A	FY 2019E	FY 2020E
Revenue	357.1	366.8	382.0	402.5
Net Fee Income	69.4	72.3	75.6	79.5
<i>margin</i>	19.4%	19.7%	19.8%	19.8%
Total operating costs	-57.8	-60.0	-63.3	-67.0
<i>as a % of revenue</i>	16.2%	16.4%	16.6%	16.6%
Adjusted operating profit	11.6	12.3	12.3	12.5
EBITDA	12.4	13.3	13.1	13.3
<i>margin</i>	3.5%	3.6%	3.4%	3.3%
Adjusted profit before tax	11.0	11.4	11.6	11.7
Net Profit	4.1	4.6	4.7	5.0
Weighted Average Shares (fully diluted)	51.4	51.0	51.8	51.8
EPS adjusted (fully diluted) (pence)	12.5	12.1	12.4	12.9
Dividend	1.32	2.00	2.20	2.50
Conversion ratio	16.7%	17.0%	16.3%	15.7%
CASH FLOW SUMMARY				
	£m	£m	£m	£m
Y/E December	FY 2017A	FY 2018A	FY 2019E	FY 2020E
Net cash inflow from operating activities	6.4	4.5	5.5	4.7
Net cash outflow from investing activities	-6.3	-2.9	-1.8	-1.6
Net cash inflow/(outflow) from financing activities	6.1	-2.2	-5.4	-1.9
Cash and cash equivalents at end of the year	25.9	25.4	23.6	24.8
BALANCE SHEET SUMMARY				
	£m	£m	£m	£m
Y/E December	FY 2017A	FY 2018A	FY 2019E	FY 2020E
<b>Assets</b>				
Non-current assets	56.5	58.4	57.2	56.4
Current assets (excluding cash)	53.1	57.3	53.1	57.1
Cash (excluding pilot bonds)	18.4	20.1	20.7	23.7
Total Assets	135.5	141.1	133.9	138.2
<b>Liabilities</b>				
Current liabilities	-81.2	-77.1	-76.4	-78.5
Non-current liabilities	-5.4	-9.4	-6.3	-6.3
Total Liabilities	-86.6	-86.5	-82.7	-84.8
<b>Net Assets</b>	<b>48.9</b>	<b>54.6</b>	<b>51.2</b>	<b>53.4</b>
<b>Net (debt)/cash</b>	<b>-19.5</b>	<b>-17.1</b>	<b>-16.5</b>	<b>-13.5</b>

Source: Empresaria Group plc; Allenby Capital Limited

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