

# FINNCAP

## DIVERSIFIED FINANCIAL SERVICES

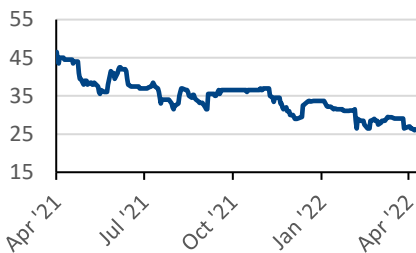
28 April 2022

### FCAP.L

26.3p

Market Cap: £47.2m

#### SHARE PRICE (p)



12m high/low 45p/26p

Source: LSE Data (priced as at prior close)

#### KEY DATA

Net (Debt)/Cash	£21.2m (at 30/09/21)
Enterprise value	£26m
Index/market	AIM
Next news	FY22 results - July 2022
Shares in Issue (m)	179.8
Chairman	Robert Lister
Chief Executive	Samantha Smith
CFO	Richard Snow

#### COMPANY DESCRIPTION

finnCap is a financial services group focused on providing a full-service offering to ambitious growth companies.

[www.finncap.com](http://www.finncap.com)

FINNCAP IS A RESEARCH CLIENT OF PROGRESSIVE

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## Investment in a high-growth advisory market

Following a positive trading update, finnCap has made an interesting move into a fast-growing advisory market, taking a 50% interest in Energise, a Net Zero and sustainability consultancy. The £2.1m consideration comprises £1.9m cash and 902,090 new finnCap shares. The shares will be admitted on or before 29 April, after which finnCap will have 180,818,177 shares in issue. Of the shares issued, 50% are subject to a 12-month lock-up and 50% to a 24-month lock-up. The impact of the investment will be incorporated in new FY23 forecasts when FY22 results are announced in July.

- Energise – a rapidly growing consultancy.** Established in 2008 to develop energy-saving options for corporate and public sector clients, Energise has become a high-growth, full-service Net Zero and energy efficiency consultancy serving some 180 clients ranging from FTSE 250 companies to SMEs and public sector organisations. Energise focuses on regulatory compliance, best practice, measurement and emission reduction programmes in support of climate-focused business model change.
- Diversification consistent with finnCap's strategy.** The investment is part of finnCap's strategy, set out at the time of the IPO, to diversify its services and products to mid-market companies. finnCap's clients will have access to expertise and advice on matters related to sustainability. Sam Smith and Richard Snow (finnCap's CEO and CFO) will join Energise's board.
- Energise financial performance – investing in growth.** For the 12 months to 30 September 2021, Energise's (unaudited) revenue was c.£1.1m with EBITDA of c.£0.1m. Energise continues to invest in growth. For the six months to 31 March 2022, consulting revenues increased by 90% with a pre-tax result at around breakeven.
- Transaction details.** The c.£2.1m consideration comprises c.£1.9m cash and 902,090 new finnCap ordinary shares. Some £1.5m of the cash will be subscribed for new ordinary shares in Energise to provide capital for growth in its existing practice and to establish a culture and diversity practice. The remainder (£0.66m comprising £0.25m shares and £0.41m cash) will be mainly paid to Energise's co-CEOs. finnCap will also lend up to a further £0.3m to support growth over the next three years. finnCap has an option to acquire the remaining shares in Energise for 12 months after approval of the accounts for the year to 30 September 2025 based on normalised EBITDA and an EBITDA multiple of 6-8x linked to the achievement of the business plan and the proportion of revenue from digital products.

FYE MAR (£M)	2019	2020	2021	2022E
Revenue	24.5	26.0	46.6	52.4
Adjusted PBT	4.5	1.6	9.6	9.8
Basic EPS (p)	1.85	0.49	4.41	3.92
Adjusted undiluted EPS (p)	2.86	0.80	4.80	4.78
Adjusted diluted EPS (p)	2.56	0.76	4.61	4.32
Dividend yield	5.3%	1.6%	5.7%	6.7%
PER - adj. undiluted EPS (x)	9.2	32.6	5.5	5.5

Source: Company Information and Progressive Equity Research estimates.

This publication should not be seen as an inducement under MiFID II regulations.

Please refer to important disclosures at the end of the document.

**Financial Summary: finnCap**

Year end: March (£m unless shown)

	2019	2020	2021	2022E
<b>PROFIT &amp; LOSS</b>				
Revenue	24.5	26.0	46.6	52.4
Expenses	20.3	24.5	37.6	43.7
Op. profit before non-recurring items	4.3	1.4	9.9	8.7
Reported PBT	3.2	1.2	8.4	8.2
Adjusted PBT	4.5	1.6	9.6	9.8
Basic EPS (p)	1.85	0.49	4.41	3.92
Adjusted undiluted EPS (p)	2.86	0.80	4.80	4.78
Adjusted diluted EPS (p)	2.56	0.76	4.61	4.32
Dividend per share (p)	1.38	0.42	1.50	1.75
<b>CASH FLOW &amp; BALANCE SHEET</b>				
Operating cash flow	2.8	1.6	17.7	10.4
Free Cash flow	0.1	0.0	15.7	5.2
FCF per share (p)	0.1	0.0	9.9	3.2
Acquisitions	(3.6)	0.0	0.0	0.0
Disposals	0.1	0.5	0.0	0.0
Shares issued	3.7	0.0	0.0	0.0
Net cash flow	0.1	0.0	15.7	5.2
Overdrafts / borrowings	0.0	0.0	(1.6)	(1.6)
Cash & equivalents	4.7	4.7	20.4	25.7
Net (Debt)/Cash	4.7	4.7	18.9	24.1
<b>NAV AND RETURNS</b>				
Net asset value	20.9	20.3	28.3	33.5
NAV/share (p)	12.4	12.0	16.3	18.6
Net Tangible Asset Value	7.3	6.8	14.9	20.2
NTAV/share (p)	4.3	4.0	8.6	11.2
Average equity	14.1	20.6	24.3	30.9
Post-tax ROE (%)	16%	4%	29%	21%
<b>METRICS</b>				
Revenue growth	11%	6%	79%	12%
Expense growth	6%	21%	53%	16%
PBT growth	5%	(63)%	608%	(3)%
Adj PBT growth	41%	(65)%	514%	3%
Basic EPS growth	(12)%	(73)%	797%	(11)%
Adjusted undiluted EPS growth	29%	(72)%	496%	0%
Dividend growth	52%	(70)%	257%	17%
<b>VALUATION</b>				
Price: NAV/share	2.1	2.2	1.6	1.4
Price: TNAV/share	3.6	3.9	1.8	1.3
PER - adj. undiluted EPS (x)	9.2	32.6	5.5	5.5
PER - adjusted diluted EPS (x)	10.3	34.6	5.7	6.1
Dividend yield	5.3%	1.6%	5.7%	6.7%
FCF yield	0.4%	0.1%	37.6%	12.1%

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

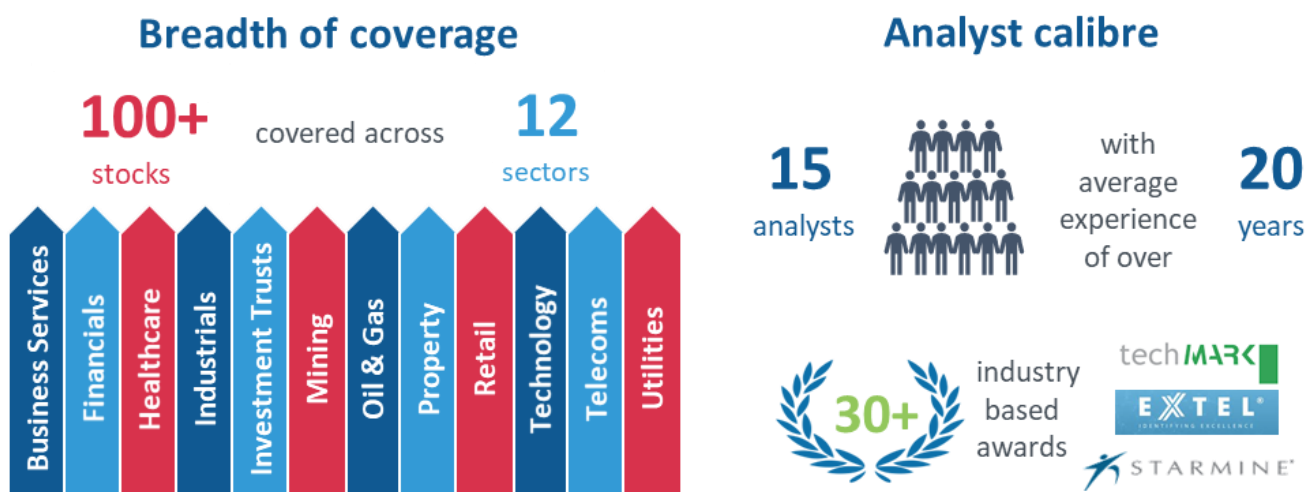
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