

FINNCAP

DIVERSIFIED FINANCIAL SERVICES

7 April 2021

FCAP.L

31.3p

Market Cap: £54.4m

SHARE PRICE (p)



12m high/low 32p/16p

Source: LSE Data

KEY DATA

Net (Debt)/Cash	£12.1m (at 30/09/20)
Enterprise value	£42.3m
Index/market	AIM
Next news	Finals, July 2021
Shares in Issue (m)	173.7
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

FINNCAP IS A RESEARCH CLIENT OF PROGRESSIVE

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Strong end to FY 2021E brings further upgrade

When finnCap issued a very positive trading update in early March, it noted that it retained a good pipeline with deals still to close in the remaining weeks of its financial year to the end of March 2021. The post-close update confirms that the Group did, indeed, secure further revenue following stronger performances than expected across all its businesses. It states that Total Income will be around £47.3m – well ahead of the previous view of ‘in excess of £43m’ and an 83% increase on the prior year. The M&A team maintained its strong financial Q4 performance while equity and debt activity continued to flourish. Reflecting the higher anticipated outturn, we upgrade our revenue and EBITDA estimates for FY 2021E by 9% and 11% respectively. CEO Sam Smith confirms that the Group’s Q1 2022E pipeline is ‘healthy’ and we see finnCap enter its new financial year with a set of businesses that are performing strongly, backed by a robust balance sheet.

- During March, the update notes the successful completion of further equity fundraisings, private M&A transactions and the Group’s fourth IPO of FY 2021E. finnCap acted on £66m of secondary equity issues during the month, completed the £83.8m IPO of Parsley Box, advised on several private M&A transactions and secured £52m of debt funding for Rockpool Investments’ acquisition of Cambridge Maintenance Services
- Financial highlights of the divisional performance for the full financial year include Transactions revenue up 145% over the year to £21.1m, a 67% increase in M&A Advisory revenues to £12.2m and Institutional stockbroking revenues 86% up to £6.7m.
- Our FY 2021E revenue estimate increases to £46.6m. Together with £0.7m for the sale of 70% of finnCap’s holding in Primary Bid, our estimate for Total Income now stands at the £47.3m mentioned in the trading update. We have again increased our estimates of deal fees and bonuses associated with the additional revenues at the period end and repeat our conservative approach to variable costs in coming to an adjusted EBITDA estimate for the year of £11.7m, up 11% from our previous estimate of £10.5m.
- Following our upgrades to estimates, we now expect further improvement in the year-end net cash balance to around £14.4m from our previous estimate of £13.2m, further bolstering finnCap’s strong balance sheet position as it starts its new financial year.

FYE MAR (£M)	2019	2020	2021E
Revenue	24.5	25.9	46.6
Adj EBITDA	4.7	2.6	11.7
Fully Adj PBT	4.4	1.6	9.4
Fully Adj Dil. EPS (p)	2.6	0.8	4.4
EV/Sales (x)	1.7x	1.6x	0.9x
EV/EBITDA (x)	9.1x	16.5x	3.6x
PER (x)	12.2x	41.3x	7.2x

Source: Company Information and Progressive Equity Research estimates.

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

Financial Summary: finnCap

Year end: March (£m unless shown)

	2019	2020	2021E
PROFIT & LOSS			
Revenue	24.5	25.9	46.6
Adj EBITDA	4.7	2.6	11.7
Adj EBIT	4.4	1.6	10.0
Reported PBT	3.2	1.2	8.4
Fully Adj PBT	4.4	1.6	9.4
NOPAT	4.4	1.3	8.0
Reported Dil. EPS (p)	1.7	0.6	3.9
Fully Adj Dil. EPS (p)	2.6	0.8	4.4
Dividend per share (p)	0.2	0.4	1.0
CASH FLOW & BALANCE SHEET			
Operating cash flow	3.6	2.5	16.7
Free Cash flow	1.0	0.7	12.5
FCF per share (p)	0.8	0.4	7.8
Acquisitions	(3.6)	0.0	0.0
Disposals	0.0	0.0	0.0
Shares issued	3.5	0.1	0.0
Net cash flow	0.9	0.0	11.2
Overdrafts / borrowings	0.0	0.0	(1.5)
Cash & equivalents	4.7	4.7	15.9
Net (Debt)/Cash	4.7	4.7	14.4
NAV AND RETURNS			
Net asset value	20.9	20.3	24.5
NAV/share (p)	12.4	12.0	14.1
Net Tangible Asset Value	7.3	6.8	11.1
NTAV/share (p)	4.3	4.0	6.4
Average equity	14.1	20.6	23.3
Post-tax ROE (%)	16%	5%	29%
METRICS			
Revenue growth	10.8%	5.5%	80.0%
Adj EBITDA growth	39.1%	(45.2)%	356.2%
Adj EBIT growth	41.1%	(63.8)%	522.7%
Adj PBT growth	40.8%	(64.1)%	494.1%
Adj EPS growth	19.0%	(70.4)%	474.8%
Dividend growth	N/A	93.2%	150.0%
Adj EBIT margins	18.0%	6.2%	21.4%
VALUATION			
EV/Sales (x)	1.7	1.6	0.9
EV/EBITDA (x)	9.1	16.5	3.6
EV/NOPAT (x)	9.6	33.1	5.3
PER (x)	12.2	41.3	7.2
Dividend yield	0.7%	1.3%	3.2%
FCF yield	2.5%	1.4%	24.9%

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

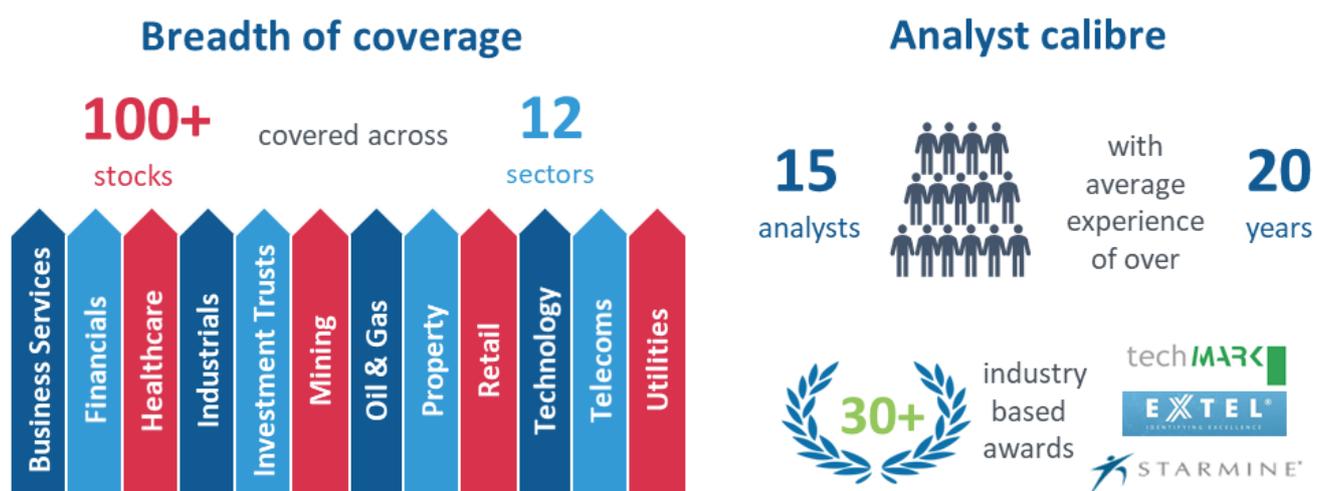
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