

Empresaria

All in the mix

Half-year appraisal

Industrial support services

We are making no changes to forecasts ahead of September's interims. Trading updates for other companies in the sector have varied according to the permanent/temporary net fee income (NFI) split and geographic mix. For Empresaria, we would expect Continental European operations to continue to face challenging conditions but for the UK and RoW to be performing more strongly. The discount on the shares has opened up again far beyond justifiable levels.

Year end	Net Fee Income (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/11	46.9	4.5	4.0	0.35	6.6	1.3
12/12	43.9	4.6	5.0	0.35	5.3	1.3
12/13e	47.8	5.5	6.1	0.35	4.3	1.3
12/14e	51.0	6.1	6.8	0.35	3.9	1.3

Note: *PBT and EPS are normalised, excluding intangible amortisation, exceptional items and share-based payments.

Overall trading on track

The only adjustments to our figures reflect the buying in of further minorities, with a further 9% of MediradiX, which places temporary medical staff into hospitals and health centres in Finland and Estonia, bought earlier this month. Empresaria now holds 95.7% of the equity. The group's AGM statement at the end of May indicated that overall trading remained on track to meet forecasts, with the implication that the mix would reflect the more difficult trading environment in Continental Europe, compensated for by improving trading in the Rest of the World (primarily Asia and South America), with the UK performing broadly in line. Longer term, the prospects for the German market are good due to the low temp penetration. With the group's specific historical problems now broadly resolved, management is focusing on cost control and improving profit conversion to take best advantage even in a less than sparkling trading environment. Empresaria's shares offer a route to exposure to emerging labour markets not accessible through other smaller market players.

Sector Q2 trading updates mixed

Accounts of Q2/H1 trading across the sector have been mixed to date, but with most reflecting a better performance in the home market. Experience in Continental European markets varies widely by sectorial exposure. Hays reported 9-10% NFI growth in Germany and France, while Michael Page indicated a sharp fall off. Asian markets appear to be performing well, but Australasia remains difficult.

Valuation: Discount overdone

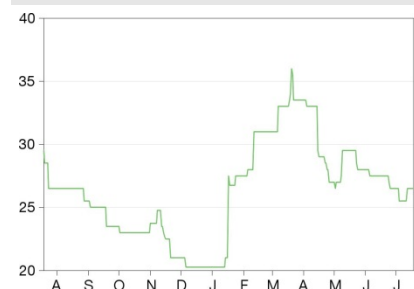
Around the prelims, Empresaria's share price had closed some of the historical discount at which it has traded. Since then, exaggerated by stronger performance from the larger stocks in the sector, the discount has drifted out to a level that we do not feel can be justified by the trading outlook. While some discount is reasonable, reflecting the limited liquidity in the stock and shorter-term lack of enthusiasm for exposure to the German market, pricing at less than a third of the peer group's current year EV/EBITDA is excessive.

19 July 2013

Price 26.5p
Market cap £12m

Net debt (£) at end-Dec 2012	8.1
Shares in issue	44.6m
Free float	52.7%
Code	EMR
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(3.6)	(8.6)	(10.2)
Rel (local)	(7.6)	(14.4)	(24.6)
52-week high/low		36.0p	20.2p

Business description

Empresaria is a leading international specialist staffing group, covering permanent and temporary recruitment, as well as other staffing services including HR consultancy, training and recruitment process outsourcing.

Next events

Interims	5 September 2013
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[Edison profile page](#)

Exhibit 1: Financial summary

Year end 31 December	£'000s	2011	2012	2013e	2014e
Accounting basis		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		208,900	194,300	200,000	210,000
Cost of Sales		(162,000)	(150,400)	(152,250)	(159,000)
Gross Profit		46,900	43,900	47,750	51,000
EBITDA		6,050	6,150	7,050	7,600
Operating Profit (before GW and except)		5,300	5,400	6,300	6,850
Intangible Amortisation		(300)	(300)	(300)	(300)
Exceptionals		(2,200)	(700)	0	0
Other		0	0	0	0
Operating Profit		2,800	4,400	6,000	6,550
Share of loss of associates		0	0	0	0
Net Interest		(850)	(800)	(810)	(800)
Profit Before Tax (norm)		4,450	4,600	5,490	6,050
Profit Before Tax (FRS 3)		1,950	3,600	5,190	5,750
Tax		(1,600)	(1,800)	(1,996)	(2,210)
Profit After Tax (norm)		2,850	2,800	3,494	3,840
Profit After Tax (FRS3)		850	1,900	3,294	3,650
Minority interests		(1,000)	(500)	(700)	(715)
Adjustments for normalised earnings		(45)	(50)	(75)	(75)
Earned for ordinary shares (norm)		1,805	2,250	2,719	3,050
Earned for ordinary shares (FRS3)		281	1,350	2,519	2,860
Average Number of Shares Outstanding (m)		44.6	44.6	44.6	44.6
EPS - normalised (p)		4.0	5.0	6.1	6.8
EPS - normalised fully diluted (p)		4.0	5.0	6.1	6.8
EPS - IFRS (p)		0.6	3.0	5.6	6.4
Dividend per share (p)		0.35	0.35	0.35	0.35
Gross Margin (%)		22.5%	22.6%	23.9%	24.3%
EBITDA Margin (%)		2.9%	3.2%	3.5%	3.6%
Operating Margin (before GW and except) (%)		2.5%	2.8%	3.1%	3.3%
BALANCE SHEET					
Fixed Assets		30,800	29,100	29,050	28,750
Intangible Assets		27,300	26,600	26,550	26,250
Tangible Assets		3,500	2,500	2,500	2,500
Investment in associates		0	0	0	0
Current Assets		36,300	33,600	33,391	35,203
Stocks		0	0	0	0
Debtors		30,300	27,400	28,241	29,653
Cash		6,000	6,200	5,150	5,550
Current Liabilities		(30,100)	(29,900)	(28,177)	(28,903)
Creditors		(27,100)	(23,500)	(24,177)	(25,403)
Short term borrowings		(3,000)	(6,400)	(4,000)	(3,500)
Long Term Liabilities		(9,400)	(8,800)	(8,500)	(7,300)
Long term borrowings		(8,600)	(7,900)	(7,900)	(6,700)
Other long term liabilities		(800)	(900)	(600)	(600)
Net Assets		27,600	24,000	25,763	27,750
CASH FLOW					
Operating Cash Flow		4,300	3,700	6,250	6,550
Net Interest		(800)	(800)	(810)	(800)
Tax		(1,800)	(1,600)	(1,898)	(2,103)
Capex		(700)	(500)	(600)	(600)
Acquisitions/disposals		(300)	(3,000)	(1,250)	(550)
Financing		0	0	0	0
Dividends		(300)	(600)	(350)	(400)
Net Cash Flow		400	(2,800)	1,342	2,097
Opening net debt/(cash)		6,100	5,600	8,100	6,750
HP finance leases initiated		0	0	0	0
Other		100	300	8	6
Closing net debt/(cash)		5,600	8,100	6,750	4,647

Source: Empresaria accounts, Edison Investment Research

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