

Trading update – remains on budget

The pre-close trading update from Driver Group delivered encouraging progress overall, with the smaller regions remaining profitable and a positive performance in the UK and Europe. The cost rationalisation was completed during the period following the move to a smaller London office. Cash continues to remain high, representing 32% of the market capitalisation. The strategy put in place in H2 of FY23 is expected to deliver higher revenues and profitability ahead of 2027, not least reflecting the focus on added-value expert services.

Middle East and Asia Pacific return to profitability

- The UK and European offices continued to perform well, with further inroads made in line with strategy by the new UK senior management team. The hard work in turning around the smaller ME and APAC regions paid off as they returned to profitability in H1 '24, benefitting from the delivery of client services both locally and within the EuAm region. The US was more problematic, tempering the overall performance, although the issues were 'nipped in the bud', highlighting the benefits of the ERP software as a management tool.
- The cost rationalisation programme was completed during H1, following the London office move. The slimmed-down cost base facilitates future margin gains via the operationally geared operating model. The strategy is on track, comprising a re-branding in favour of the higher margin expert services; the targeted hiring of experts/revenue generators; a move into related sectors and the motivation of regional/country heads outside of EuAm.
- Given the level of net cash, it is fitting that capital allocation questions are raised. The Board has several options available, with outcomes dependent upon opportunities. The possibilities include organic growth, M&A, increased dividends, and further share buy-backs. Net cash amounted to £4.4m, or 8.2p/share, at the end of the period. The shortfall from the year end reflects payments in tax, dividends, and the settlement following the cessation of the joint venture encompassing Canada and the Middle East.
- Overall revenues declined 7% yoy to £22.5m, although adj. PBT was broadly unchanged at £0.6m (H1 '23: £0.7m). The enquiry rate remains positive, suggesting the Group is in a good position to achieve relatively demanding H2 targets.

Valuation

We see little reason to adjust our 40p fair value/share, with no change to estimates. The share price remains below the NAV currently and is underpinned by cash (representing 32% of the current market capitalisation).

Forecasts				
Y/e 30 Sep, £m	2021A	2022A	2023A	2024F
Revenue	48.8	45.1	42.6	43.0
Adj. PBT	2.0	-0.5	1.1	1.2
Adj. EPS (p)	2.4	-1.8	1.4	1.6
DPS (p)	0.0	1.5	1.5	1.5
P/E (x)	10.6	-14.2	18.3	16.1
EV/EBITDA (x)	2.4	10.0	4.3	4.0
Yield (%)	0.0%	5.9%	5.9%	5.9%

Source: ED estimates, Company historic data

Company Data

EPIC	DRV
Price (last close)	27p
52 weeks Hi/Lo	34p/21p
Market cap £m	£13.5m
ED Fair Value	40p
Net cash (as at 31/03/24)	£4.4m

Share Price, p

Source:

Description

Driver is involved in the provision of specialist dispute avoidance and dispute resolution services to the global construction and engineering industries.

Driver currently has 27 offices in 16 countries, including seven in the UK, six in Europe, three in the Americas, five in APAC, and six in the Middle East and Africa. The Group currently employs 264 staff.

The business is split into the following reporting regions: Europe and Americas (EuAm), the Middle East (ME) and APAC.

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