

# Braemar

## Diversification paying dividends

FY24 trading update

Industrial support services

20 March 2024

Braemar's FY24 trading update was in line with expectations, with revenues of c £150m and underlying operating profit of c £18m. Underlying operations continue to expand and diversify and the company remains well-positioned to drive its future growth strategy. The trading outlook is promising and Braemar should be able to leverage its strong balance sheet in pursuit of strategic growth. We have maintained our underlying estimates for FY24 and FY25, but edge down the valuation based on the lower FY24 dividend expectations. The revised valuation offers nearly 100% upside.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
02/22	101.3	8.9	23.1	9.0	11.0	3.6
02/23	152.9	18.0	45.5	12.0	5.6	4.7
02/24e	150.2	15.0	45.4	13.0	5.6	5.1
02/25e	150.2	15.8	46.6	14.0	5.4	5.5

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## FY24 revenue and profit in line

Braemar's trading update for the 12 months ending 29 February confirmed a robust trading environment, with revenue expected to be not less than £150m (FY23: £153m) and underlying operating profit, before including £1.5m of the Madrid tanker desk costs, of £18.0m (FY23: £20m). Both figures are in line with our expectations as our forecast of £16.7m operating profit included the Madrid costs.

## Year-end net cash lower, DPS up 1p to 13p

The group ended the year with net cash of £1m (FY23: £7m) after expensing c £2.6m on the previously announced internal investigation, tax payments and share buybacks. Braemar intends to recommend a final dividend of 9p/share (FY23: 8p/share), delivering a total dividend for FY24 of 13p, up from 12p last year and in line with its progressive dividend policy.

## Outlook encouraging with c 100% valuation upside

The outlook is encouraging, evidenced by the underlying global trade situation (the IMF raised global GDP growth estimates by 0.2% to 3.1% in February) and the forward order book, which was up 47% to US\$83m, driven primarily by activity in the Sale and Purchase division. FY24 results are expected to be released by the end of May. We have maintained our estimates for FY24 and FY25 but edged down our FY24 dividend expectations from 13.5p to 13.0p, which implies a modest reduction in our previous valuation of 520p to 500p per share, based on our dividend discount model.

Price **254p**

Market cap **£84m**

US\$1.26/£

Net cash (£m) at 29 February 2024 1.0

Shares in issue, including ESOP shares 32.9m

Free float 85%

Code BMS

Primary exchange LSE

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs (6.5) (6.1) (12.9)

Rel (local) (6.7) (7.2) (17.4)

52-week high/low 313p 224p

### Business description

Braemar is the second largest shipbroker in the world, providing broking services to the dry cargo, deep sea tanker, specialised tanker and sale and purchase markets. It also addresses the fast-growing areas of offshore and renewables, securities and financial markets.

### Next events

Prelims End May 2024

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**Braemar Shipping Services is a research client of Edison Investment Research Limited**

**Exhibit 1: Financial summary**

	£m	2019	2020	2021	2022	2023	2024e	2025e	2026e
28-February		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>									
Revenue		117.9	117.7	83.7	101.3	152.9	150.2	150.2	150.2
EBITDA		10.4	14.4	11.4	13.5	23.4	20.1	20.4	20.8
Normalised operating profit		9.1	11.0	7.7	10.1	20.1	16.7	17.1	17.4
Amortisation of acquired intangibles		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals		(12.5)	(3.8)	(1.5)	(0.3)	(2.5)	(2.6)	(1.3)	0.0
Share-based payments		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment		0.0	0.0	0.0	0.0	(9.1)	0.0	0.0	0.0
Other		0.5	0.7	0.0	0.0	3.0	(2.5)	0.0	0.0
Reported operating profit		(2.9)	7.9	6.2	9.7	11.5	14.1	15.8	17.4
Net Interest		(0.2)	(1.4)	(1.1)	(1.2)	(2.0)	(1.8)	(1.3)	0.2
Joint ventures & associates (post tax)		0.0	(0.3)	0.0	(0.0)	(0.0)	0.0	0.0	0.0
Exceptionals		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		8.9	9.4	6.7	8.9	18.0	15.0	15.8	17.6
Profit Before Tax (reported)		(3.1)	6.3	5.1	8.5	9.5	9.9	14.5	17.6
Reported tax		(1.5)	0.0	(1.6)	(1.8)	(4.9)	(2.5)	(3.6)	(4.4)
Profit After Tax (norm)		7.3	9.4	5.1	7.0	13.2	12.5	12.2	13.2
Profit After Tax (reported)		(4.7)	6.3	3.6	6.7	4.6	7.4	10.9	13.2
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued operations		(22.7)	(2.3)	1.0	7.2	0.0	0.0	0.0	0.0
Net income (normalised)		7.3	9.4	5.1	7.0	13.2	12.5	12.2	13.2
Net income (reported)		(27.4)	4.0	4.5	13.9	4.6	7.4	10.9	13.2
Basic average number of shares outstanding (m)		31	31	31	31	29	28	26	25
EPS - basic normalised (p)		23.78	30.19	16.23	23.06	45.48	45.36	46.57	53.28
EPS - diluted normalised (p)		21.79	27.28	13.43	18.79	37.85	36.39	36.97	41.82
EPS - basic reported (p)		(88.63)	12.88	14.45	45.56	15.85	26.89	41.51	53.28
Dividend (p)		5.00	5.00	5.00	9.00	12.00	13.00	14.00	15.00
Revenue growth (%)		14.4	(0.2)	(28.9)	21.0	50.9	(1.8)	0.0	0.0
EBITDA Margin (%)		8.8	12.3	13.6	13.4	15.3	13.4	13.6	13.8
Normalised Operating Margin		7.7	9.4	9.2	9.9	13.1	11.1	11.4	11.6
<b>BALANCE SHEET</b>									
Fixed Assets		91.7	114.7	106.6	99.8	97.7	94.2	90.7	87.2
Intangible Assets		86.0	86.2	86.1	80.9	75.4	74.2	73.1	72.0
Tangible Assets		2.0	11.9	9.8	7.1	5.3	3.0	0.6	(1.8)
Investments & other		3.7	16.5	10.7	11.9	17.0	17.0	17.0	17.0
Current Assets		71.9	68.3	50.3	49.8	80.3	83.4	94.9	108.0
Stocks		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debtors		37.1	39.5	33.4	35.8	43.3	49.4	49.6	49.6
Cash & cash equivalents		24.1	28.7	16.4	14.0	36.0	33.1	44.4	57.4
Other		10.6	0.0	0.4	0.0	1.0	1.0	1.0	1.0
Current Liabilities		92.0	78.9	54.0	43.4	65.8	63.8	67.0	69.9
Creditors		44.9	47.6	47.8	39.9	58.4	56.7	56.7	56.7
Tax and social security		1.4	1.3	1.3	1.6	4.1	1.8	2.9	3.7
Short term borrowings		35.8	25.1	0.0	0.0	0.0	0.0	0.0	0.0
Other		9.8	4.8	4.9	1.9	3.3	5.4	7.4	9.5
Long Term Liabilities		13.2	44.9	39.9	34.8	35.4	35.4	35.4	35.4
Long term borrowings		4.6	2.6	2.7	2.8	2.9	2.9	2.9	2.9
Other long term liabilities		8.6	42.2	37.3	32.0	32.6	32.6	32.6	32.6
Net Assets		58.4	59.2	62.9	71.5	76.7	78.4	83.1	89.8
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity		58.4	59.2	62.9	71.5	76.7	78.4	83.1	89.8
<b>CASH FLOW</b>									
Op Cash Flow before WC and tax		(1.8)	9.7	8.8	12.0	12.8	13.3	17.9	21.0
Working capital		4.6	(0.4)	4.1	5.2	4.1	(5.7)	1.9	2.1
Exceptional & other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax		(1.1)	1.2	(0.8)	(2.2)	(4.4)	(4.9)	(2.5)	(3.6)
Other		6.1	1.4	1.8	6.2	11.4	2.9	2.4	1.0
Net operating cash flow		7.8	11.8	13.9	21.3	23.9	5.6	19.8	20.4
Capex		(2.4)	(1.7)	(1.1)	(1.2)	(0.8)	(1.6)	(1.6)	(1.6)
Acquisitions/disposals		(1.7)	(6.3)	3.7	(8.1)	5.4	1.4	1.3	1.3
Net interest		(0.9)	(1.5)	(1.2)	(0.8)	(1.8)	(1.8)	(1.3)	0.2
Equity financing		23.0	3.9	(28.9)	(2.5)	1.4	1.4	1.4	1.4
Dividends		(4.6)	(4.6)	0.6	(2.1)	(3.2)	(3.9)	(4.3)	(4.6)
Other		(2.4)	0.0	(0.9)	(7.0)	(6.8)	(4.0)	(4.0)	(4.0)
Net Cash Flow		18.7	1.6	(13.9)	(0.5)	18.1	(2.9)	11.3	13.1
Opening net debt/(cash)		2.4	11.7	20.0	8.8	9.3	(6.9)	(4.0)	(15.3)
FX		(1.1)	(0.8)	(0.7)	0.3	2.6	0.0	0.0	0.0
Other non-cash movements		(26.9)	(9.0)	25.8	(0.3)	(4.5)	0.0	0.0	0.0
Closing net debt/(cash)		11.7	20.0	8.8	9.3	(6.9)	(4.0)	(15.3)	(28.4)

Source: Company accounts, Edison Investment Research. Note: FY24 numbers will be updated following the release of full results.

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