Diales Group plc

Continuing to deliver progress

28 October 2025

The FY25 trading update confirms the ongoing success of the December 2023 strategic review, with the Group achieving increasingly ambitious consensus estimates over the subsequent two years. The pipeline for new business remains positive, indicating a promising start for FY26. Cash reserves have risen to £3.0m, up from £2.4m at the half-year point, facilitating investment in both additional experts and digital systems to support revenue growth and enhance operational efficiency. The company's dividend, supported by its net cash position, currently offers a yield of 8.8%.

Consensus estimates hit

Diales has confirmed that it has achieved continuing adj. PBT estimates of at least £1.3m, representing an uplift of 8% on FY24. Notwithstanding external cost pressures within Driver Project Services, affecting gross margins, Group EBIT margins rose to 3.0% (FY24: 2.8%). Utilisation rates were broadly unchanged H2/H1 as demonstrated by the margins, with the Group's real-time management information system rolled out beyond Europe.

Revenues declined modestly (-0.9% to £42.6m), attributed to a slow Q1 and a challenging environment. However, **momentum recovered in Q2, continuing into Q3 with a notable yoy recovery in the Middle East and a robust performance in EuAm.** The APAC region remains weak, led by challenging planning environment in Australia. Several new experts were hired during the year, with their full-year contribution to benefit FY26.

Net cash improved by 15% in H2, ending the year at £3.0m, with the final payments from creditors of the closed US business received following the period end. **The cash represents a significant proportion of the market capitalisation and offers management flexibility in the areas of capital allocation and investment in future growth.**

The outlook remains optimistic, underpinned by the full-year impact of expert hires, a strong business pipeline and ongoing efficiency improvements via the new digital systems and following the rightsizing of the APAC business in H2 25.

Valuation and yield remain attractive relative to peers

Our FY26 estimates suggest that the Group is trading on 4.2x EBIT multiple, ex-cash. **Additionally, our fair value / share of 35p which is based on peer group comparison models, stands at more than twice the current share price. The dividend of 1.5p / share, that is backed by the £3m of net cash, represents a yield of 8.8%.**

Forecasts

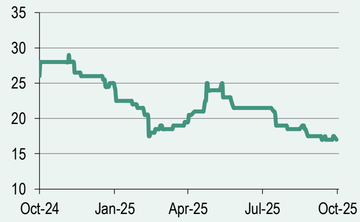
Y/e 30 Sep, £m	2022A	2023A	2024A	2025F	2026F
Revenue	45.1	42.6	43.0	42.6	44.5
Adj. PBT	-0.5	1.0	1.2	1.3	1.5
Adj. EPS (p)	-1.8	1.4	1.4	1.5	1.8
DPS (p)	1.5	1.5	1.5	1.5	1.5
P/E (x)	-9.4	12.1	12.1	11.6	9.6
EV/EBITDA (x)	5.3	1.7	2.4	2.9	2.5
Yield	*8.8%*	*8.8%*	*8.8%*	*8.8%*	*8.8%*

Source: ED estimates, Company historic data

Company data

EPIC	DIAL.L
Price (last close)	17p
52 weeks Hi/Lo	31p/15p
Market cap	£9.8m
ED Fair Value / share	35p
Net cash / (debt) 2025E	£3.0m

Share price, p



Source: Investing.com

Description

Diales Group plc is involved in the provision of specialist dispute avoidance and dispute resolution services to the global construction and engineering industries. Diales currently has 24 offices in 14 countries, including eight in the UK, six in Europe, two in the Americas, three in APAC, and five in the Middle East and Africa.

The business is split into the following reporting regions: Europe and Americas **(EuAm)**, the Middle East **(ME)** and **APAC**, operating as a hub and spoke model, with work sourced in the smaller regions, serviced both locally and, in the UK and Europe.

Next event

Preliminary results, Nov / Dec 2025

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Progress confirmed

FY25 trading update						
£m	**H1 24A**	**H2 24A**	**H1 25A**	**YoY change**	**H2 25E**	**YoY change**
Continuing revenue	21.6	21.4	21.6	*0.1%*	21.0	*-1.8%*
Continuing EBIT	0.8	0.4	0.7	*-12.8%*	0.6	*58.0%*
EBIT margin (%)	3.7%	1.8%	3.2%		2.9%	
Net cash	3.6	4.2	2.4	*-32.8%*	3.0	*-28.8%*

Source: Company

Profitability

The trading update, though limited in financial detail, confirms that **FY consensus estimates for profitability have been met**. Adj. EBIT will be no less than £1.3m (ED estimate: £1.3m), which compares to £1.2m in FY24 (+8% yoy). With net interest expected to be modest, adj. PBT will also equate to at least £1.3m. On this basis, FY EBIT margins are set to improve by at least 23 basis points yoy from 2.8% to 3.0%, weighted in favour of H1. That said, the distribution of profitability between periods is more evenly weighted than in FY24, with margins markedly ahead of the comparative period in H2 at 2.9%.

Adj. PBT is stated before the cost of share-based payments, which amounted to £0.1m in FY24. The loss on discontinued operations will have increased from the £0.1m during H1 but remain in line with estimates for the full year.

Revenues

FY25 continuing revenues amounted to £42.6m, within 2.1% of our estimate of £43.5m and just 0.9% lower than the comparative period. This reflects growth of 0.1% yoy in H1 and a 1.8% yoy shortfall in H2 due to increasingly challenging market conditions. We think this represents a successful outcome in the circumstances. The Board anticipates that rising tariffs, particularly within the area of dispute resolution, should result in medium-term benefits.

Several new hires were made during the year, including the appointment of Nicholas Stagg as Non-Executive Chairman and the recruitment of additional experts. This addition introduces the Group's inaugural Fire Engineering expert - a service offering identified as essential in the strategic review - which will enhance technical capabilities and further strengthen support for clients throughout the built environment. Of note is the addition of a Portuguese speaker into the Paris office to collaborate with a Portuguese expert services company, targeting growth in the Brazilian market. The new Chairman brings substantial relevant executive and non-executive experience from the management consulting, financial services, commercial property, and aviation sectors. The new appointments are expected to generate incremental revenues in FY26, supporting current estimates. Utilisation is estimated to have increased only slightly in H2, from an average rate of 71.4% in H1.

Revenues from discontinued operations are expected to have fallen during H2 25 as offices closed. The level of discontinued revenues in H1 totalled £0.7m.

Net cash

Net cash rose by £0.6m during H2, reaching £3.0m by the year end. While this is lower than the £4.2m reported a year ago, it reflects several factors:

- Share buy-back programme, totalling £0.2m during the year,
- A generous dividend policy, with 1.5p per share or £0.8m paid in the current financial year, and
- Timing differences, with debtor payments received following the year end.

The debtors paid following the year end include those of the closed US operation. As a result, the current net cash position is likely to exceed the reported closing position at the FY25 year-end.

Valuation

We have assumed that the growth in net cash is likely to remain constant, relative to previous estimates, of £0.3m in FY26. On this basis, we currently expect year-end net cash of £3.3m by the end of FY26, which follows the reduction in estimates for FY25. The decline in the share price since the interim results in June has increased the proportion of cash as a percentage of the market capitalisation to 32.7%, albeit as a proportion of NAV it declines modestly to 21.8%.

Excluding cash and net interest, Diales trades on a FY26 EBIT multiple of 4.2x.

Net cash as a % of Mkt cap & NAV

	FY25E	FY26E
Net cash, £m	3.0	3.3
Net cash / share (p)	5.6	6.1
Cash as a % of market cap	32.7%	36.0%
NAV, £m	13.9	14.1
NAV / share (p)	25.7	26.1
Net cash as a % of NAV	21.8%	23.4%

Source: Company / ED estimates

The charts below demonstrate that the Group's shares trade at a significant discount to peers, despite offering a superior yield and maintaining relatively high net cash levels. A 25% discount has been applied to account for the size differential between Diales Group and its larger competitors.

Peer group valuation suggests the value of DIAL

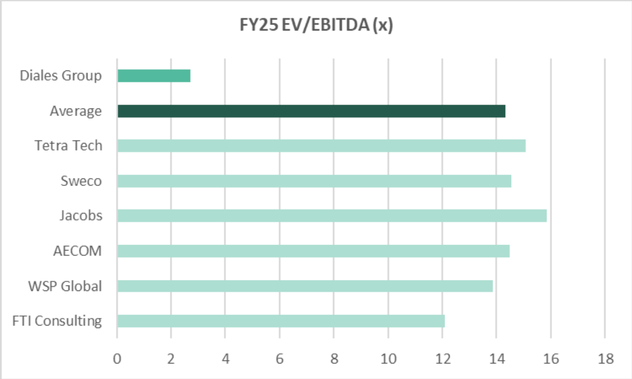
@ 25% discount to peers	**FY2 value**
FY1 EV/EBITDA	47.3
FY1 PER	28.7
Average	38.0
Potential upside	*123.6%*

Source: Koyfin

Fair value unchanged to reflect retained estimates

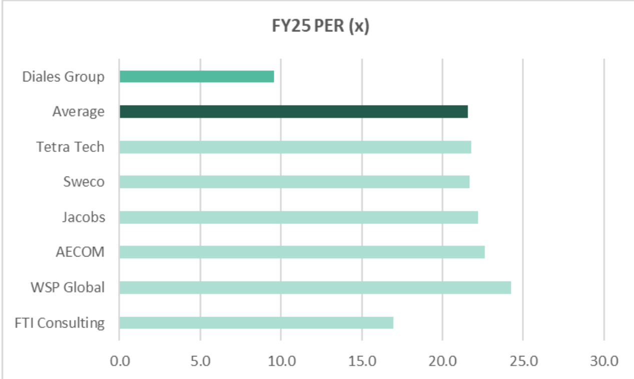
The peer group analysis indicates that an increase in fair value may be justified, reflecting the improvement in its peers' share prices since the interim results. However, with consensus expectations unchanged and no upgrade to FY26 estimates, the fair value is held at **35p / share** - a 106% premium to the current share price.

Peer group comparison: FY25 EV/EBITDA (x)



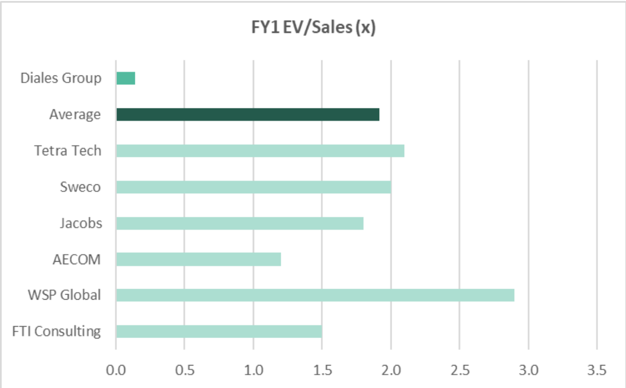
Source: Koyfin

Peer group comparison: FY25 PER (x)



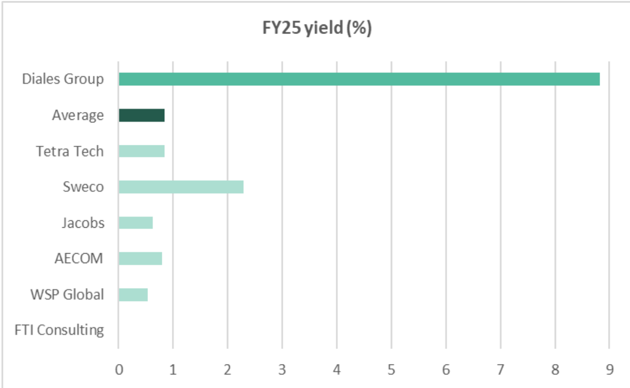
Source: Koyfin

Peer group comparison: FY25 EV/Sales (x)



Source: Koyfin

Peer group comparison: FY25 Yield (%)



Source: Koyfin

Financials

We highlight several detailed points below which underpin our confidence in the new financial year:

- The real-time management information system is now being rolled out across the Group, enhancing efficiency, benefitting consultant and expert utilisation, and client service. This follows the earlier successful testing of the platform in key European locations.
- We expect the strategic hires to generate incremental fee income, due to their full-year impact and higher utilisation levels. Three experts were added during H1 25 and one further added in H2.
- The imposition of tariffs by the US government and by others in retaliation is, in our opinion, likely to generate additional opportunities as clients seek strategic guidance on supply chain challenges and cost escalation claims. Advisory services account for c. 44% of revenues.
- The Group has developed a competitive advantage through its collaboration with Lupa Technology, a leader in construction sector data analytics, from H1. Lupa Technology provides early case assessment and in-depth evidentiary analysis by extracting value from complex datasets, allowing Diales to evaluate projects more efficiently.
- Driver Project Services experienced pressure on gross margins in H1. Management is expected to have implemented measures to counter the margin erosion in H2, such as passing on costs to

customers, albeit with a delay. As such, we anticipate an improvement in gross margins at DPS from FY26 onwards.

- A strong pipeline of opportunities remains in the Middle East and the EuAm regions, across the 12 offices (excluding South Africa). However, the Australian business continues to face challenges, although recent changes in personnel (made during FY25), should result in a reduction of losses in FY26, notwithstanding a continuation of the challenging planning environment. The Singapore office was right-sized in H1 25, with the full-year benefit of lower costs expected to emerge in FY26.
- With the payment by several clients of the closed US office delayed until October, net cash levels currently stand above the £3.0m reported at the FY25 year-end. The Board continues to prefer share buy-backs and dividends as a means of returning cash to shareholders. Further cash may be utilised in the recruitment of teams to expand the number of experts within the Group or as a means of diversifying the disciplines covered, thereby offering a wider variety of services to clients.

Income statement

Yr. to 30 Sep (£m)	2022A	2023A	2024A	2025F	2026F
Europe & Americas	35.1	35.6	34.6	34.7	35.7
Middle East	6.4	4.2	4.8	5.3	6.1
APAC	3.6	2.9	3.5	2.6	2.7
Revenue	45.1	42.6	43.0	42.6	44.5
CoGS	-35.8	-31.9	-32.0	-31.3	-32.5
Gross profit	9.3	10.8	11.0	11.3	12.0
Gross margin (%)	*20.7%*	*25.3%*	*25.5%*	*26.5%*	*26.9%*
Op costs	-9.8	-9.9	-9.8	-10.0	-10.5
Other Op. income	0.1	0.0	0.0	0.0	0.0
Operating profit	-0.4	1.0	1.2	1.3	1.5
Op margin (%)	*-0.9%*	*2.2%*	*2.8%*	*3.0%*	*3.3%*
Net Interest	-0.1	0.1	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0
PBT (Adjusted)	-0.5	1.0	1.2	1.3	1.5
Exceptionals	-1.5	-0.6	-0.3	-0.1	-0.1
PBT (Reported)	-2.0	0.4	0.9	1.2	1.4
Tax	-0.5	-0.3	-0.5	-0.5	-0.6
PAT	-2.4	0.1	0.4	0.7	0.9
Minority interests	0.0	0.0	0.0	0.0	0.0
Earnings	-2.4	0.1	0.4	0.7	0.9
Ordinary Dividends	-0.8	-0.8	-0.8	-0.8	-0.8
Retained Profit	-3.2	-0.7	-0.4	-0.1	0.1
EPS (Adjusted) (p)	-1.8	1.4	1.4	1.5	1.8
DPS (p)	1.5	1.5	1.5	1.5	1.5
Ave no of shares (FD) (m)	54.9	54.0	54.0	54.0	54.0

Source: Company historics, Equity Development estimates

Cash flow statement

Yr. to 30 Sep (£m)	2022A	2023A	2024A	2025F	2026F
Operating profit	-2.9	1.0	1.2	1.3	1.5
Depn. & Amortn.	1.2	0.9	0.8	0.8	0.8
Working capital movement	2.7	1.5	-0.2	-1.7	-0.5
Other	0.0	-0.8	-1.1	-0.1	-0.1
Operating cash flow	1.0	2.5	0.7	0.3	1.7
Net Interest	-0.1	0.1	0.0	0.0	0.0
Taxation	-0.5	-0.2	-0.4	-0.5	-0.5
Net capex	-0.6	-0.1	-0.1	-0.1	-0.1
Operating FCF	-0.2	2.2	0.3	-0.3	1.1
Net (Acquisitions)/Disposals	0.0	0.0	0.0	0.0	0.0
Dividends	-0.8	-0.8	-0.8	-0.8	-0.8
Share Issues	-0.5	0.0	-0.1	-0.1	0.0
Minority payment	0.0	0.0	0.0	0.0	0.0
Other financial	0.0	-0.6	-0.9	0.0	0.0
Increase Cash/(Debt)	-1.5	0.9	-1.6	-1.2	0.3
Opening Net Cash/(Debt)	6.5	4.9	5.8	4.2	3.0
Closing Net Cash/(Debt)	4.9	5.8	4.2	3.0	3.3

Source: Company historics, Equity Development estimates

Balance sheet

Yr. to 30 Sep (£m)	2022A	2023A	2024A	2025F	2026F
Intangible Assets	3.8	3.7	3.6	3.5	3.5
Tangible Assets	0.4	0.4	0.3	0.3	0.3
Investments/other	1.6	1.4	0.9	0.0	0.0
Net Working Capital	6.5	5.5	5.7	7.4	7.9
Capital Employed	12.2	10.9	10.5	11.2	11.7
Other	-0.8	-0.8	-0.4	-0.3	-0.9
Net Cash/(Debt)	4.9	5.8	4.2	3.0	3.3
Provisions Liabilities/Charges	0.0	0.0	0.0	0.0	0.0
Net Assets	16.4	15.9	14.3	13.9	14.1

Source: Company historics, Equity Development estimates

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