

10 June 2026

## Transformation is now complete

Diales' strong H1 26 results confirm that the transformation of the Group is complete. Organic revenue growth has returned, and the operationally geared nature of the Group's operating model has resulted in an impressive uplift to margins. Positive cash generation resulted in net cash levels rising to £3.9m, representing 7p/share or 26% of the market capitalisation. The H1 momentum has continued into H2, notwithstanding uncertainty in the Middle East, with a strong pipeline and further hires planned. The shares trade on an ex-cash EBIT multiple of 7.3x and currently stand 20% below our fair value estimate of 35p/ share.

The transformation of the business under the current strategy is paying off handsomely as profitability increased materially, driven by a strong performance in the UK and Europe. In line with the strategy the scalable model focused on targeted hiring in complementary areas and building teams to transact business around a 'halo expert' is paying off. Recovery within Technical and DPS also contributed, albeit the higher fee levels from a greater proportion of experts was key, particularly as the small reduction in overall utilisation partially offset the rise in employees.

**Improved momentum resulted in the second-highest gross margin in a decade and the highest EBIT margin in nearly five years.** The driver of the strong performance was the EuAm region, where EBIT increased 68% YoY on revenue growth of 18%. H2 has started in a similar vein to H1, despite the ongoing uncertainty in the ME region following the onset of the Iran conflict.

The Board is building a scalable model focused on a strong internal culture, supported by improved incentives (including LTIPs), learning & development, employee engagement and wellbeing. As a result, attrition declined to a lowly 3% (FY25: 12%), and significantly, the Group has a pipeline of experts it is in discussion with to join.

The uplift in profitability fed through to cashflow, resulting in net cash increasing to £3.9m, ahead of our FY26 expectations and with cash generation typically stronger in H2. Net cash equates to 7.3p/ share, representing 26% of the current market capitalisation.

## Rating does not yet reflect operational progress

Stripping out the cash, the Group is trading on a FY26 EBIT of 7.3x, 20% below our current fair value estimate of 35p/ share. In view of the strong results and the traditional H1/H2 bias, we believe the current momentum bodes well for possible future increases to financial expectations. Yet for now, with four months of the period remaining, we leave our estimates unchanged.

### Company data

EPIC	DIAL.L
Price (last close)	28p
52 weeks Hi/Lo	32p/15p
Market cap	£14.8m
ED Fair Value / share	35p
Net cash / (debt) H1 26A	£3.9m

### 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.

The Group currently has 21 offices in 13 countries, including six in the UK, five in Europe, two in North America, 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

Trading update – 29 October 2026

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### Key financials & valuation metrics

Yr. to September, £m	FY23A	FY24A	FY25A	FY26F	FY27F
Revenue	42.6	43.0	43.0	44.4	45.5
Adj. PBT	1.0	1.2	1.4	1.5	1.7
Adj. EPS (p)	1.4	1.4	1.7	1.9	2.1
DPS (p)	1.5	1.5	1.5	1.5	1.5
PER (x)	20.0	20.0	16.5	15.0	13.3
EV/EBITDA (x)	4.9	5.3	5.4	5.0	4.4
Yield (%)	5.4%	5.4%	5.4%	5.4%	5.4%
Net cash	5.8	4.2	3.0	3.4	3.9

Source: ED estimates, Company historic data

## A strong performance in EU drives margins

Interim results to 31 March			
£m	H1 25	H1 26	Change
<b>EuAm</b>	17.3	20.4	18.0%
<b>ME</b>	2.8	2.4	-17.2%
<b>AP</b>	1.5	0.9	-40.2%
<b>Group revenues</b>	21.6	23.7	9.4%
<b>Cost of Sales</b>	-15.9	-16.9	6.1%
<b>Gross profit</b>	5.7	6.8	18.8%
<b>GP %</b>	26.4%	28.6%	
<b>OpEx</b>	-5.0	-5.7	14.6%
<b>EuAm</b>	2.3	3.9	67.9%
<b>ME</b>	0.5	0.1	-68.7%
<b>AP</b>	-0.1	0.0	-142.6%
<b>Central costs</b>	-2.0	-3.0	50.4%
<b>Group EBIT</b>	0.7	1.0	43.2%
<b>EuAm %</b>	13.3%	19.0%	
<b>ME %</b>	16.5%	6.2%	
<b>AP %</b>	-3.7%	2.6%	
<b>Group EBIT%</b>	3.2%	4.4%	
<b>Interest</b>	0.0	0.0	
<b>Adj. PBT</b>	0.7	1.0	37.1%
<b>Non-recurring costs</b>	-0.1	0.0	
<b>Reported PBT</b>	0.6	1.0	46.0%
<b>Taxation</b>	-0.2	-0.3	106.6%
<b>Tax %</b>	23.5%	34.0%	
<b>Adj. Earnings</b>	0.5	0.6	24.5%
<b>Loss from discontinued ops.</b>	-0.1	0.0	-106.4%
<b>Adj. dil. EPS (p)</b>	0.90	1.25	38.9%
<b>DPS (p)</b>	0.75	0.75	0.0%
<b>Net cash / (debt)</b>	2.4	3.9	62.5%
<b>Net assets</b>	13.5	13.8	2.0%
<b>NAV/share (p)</b>	25.0	25.5	2.0%

Source: Company

### UK & Europe drives top-and-bottom line progress

Overall revenue rose 9.4%, driven by 18% growth in the EuAm region. Stronger activity in the **UK and Europe** more than offset the impact of the year-on-year decline in the number of offices in the Americas.

Despite slightly lower utilisation, a 3% increase in headcount and higher fee rates underpinned top-line growth.

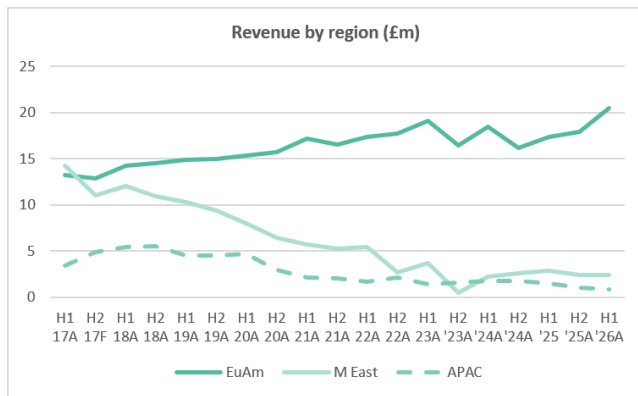
The higher fee levels reflect a combination of:

- The rising proportion of experts
- The recovery at both DPS and Technical Services, and
- The addition of the Building Safety & Fire Engineering team.

The Fire Engineering team made a strong start to life in Diales, adding key skills to enhance the multi-disciplinary offering of the wider expert teams. The return of more normalised trading patterns at DPS delivered a £0.3m uplift in revenues to £5.1m.

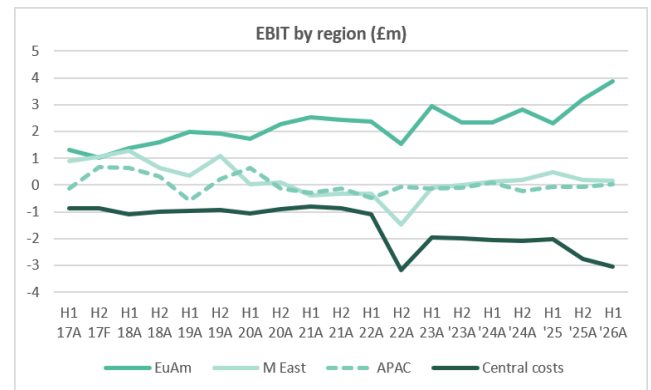
Performance elsewhere was mixed, with the smaller **ME and APAC** regions both delivering modest profits on reduced revenues. The conflict in the Middle East impacted one month during H1, and amid increased uncertainty, utilisation declined as several larger projects were completed in the region in late FY25. That said, the performance from the ME region was broadly similar to H2 25. With little improvement in Australia and Singapore, and with the Korean office quieter, the APAC region delivered lower revenues both YoY and sequentially.

### Revenue by region, £m



Source: Company data

### Profitability by region, £m



Source: Company data

### Gross and EBIT margins jump

Notwithstanding the increase in cost of sales to £16.9m (H1 25: £15.9m), gross profit rose 18.8% to £6.8m, **resulting in a gross margin of 28.6% (H1 25: 26.4%) and a level only improved upon once in the last decade.** Costs increased reflecting a combination of:

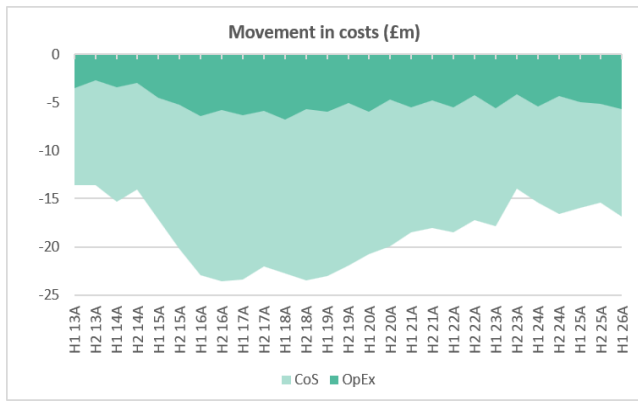
- Investment in systems to support top-line growth
- Higher payroll taxes
- Upward pressure on salaries
- Investment in IT, particularly in cybersecurity and in AI, and
- Headcount increases

Operating Expenses increased by £0.7m to £5.7m YoY, due to several specific items including the new CRM system and some timing differences between H1 and H2, equating to a similar percentage of revenues as H2 25. Underlying EBIT soared, rising 49% to £1.0m (H1 25: £0.7m) emphasising the operationally geared business model. As such, the operating margin rose to 4.4% (H1 25: 3.2%), albeit this remains some way off the Board's target of a double-digit return and at levels last witnessed a decade ago. Should this target be achieved, it would provide scope for optimism.

As with revenues, the driver of the jump in EBIT and margins was the EuAm region where profit before central costs increased 68% YoY, delivering margins of 19.0%, compared to 13.3% a year ago. Despite the challenging environment in APAC, the cost cutting programme undertaken last year has restored the region to profitability. Meanwhile, profits in the ME region declined with lower margins of 6.2% (H1 25: 16.5%).

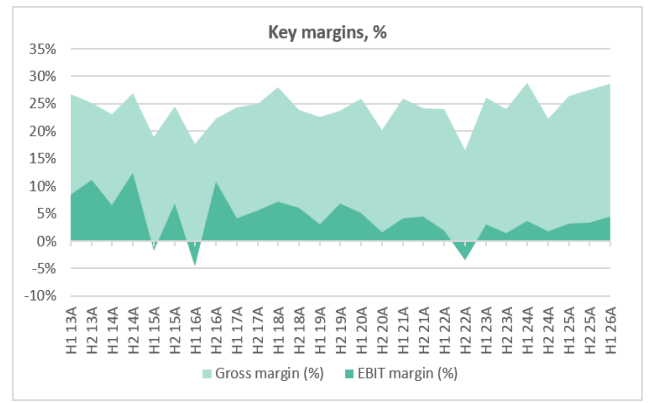
We highlight the operationally geared nature of the business model, with 15.4% of gross profit feeding through to EBIT during H1 26 (H1 25: 12.3%). Previously, this peaked at 48.7% a decade ago, suggesting there is more to go for as profitability recovers post the implementation of the transformation strategy in FY24.

**Cost progression, £m**



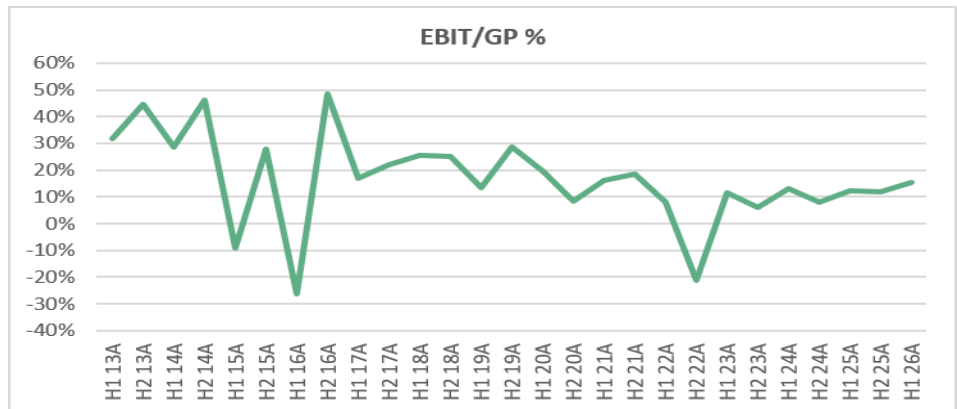
Source: Company data

**Margin progression, %**



Source: Company data

**An operationally geared business model**



Source: Company data

**A scalable model with a positive culture**

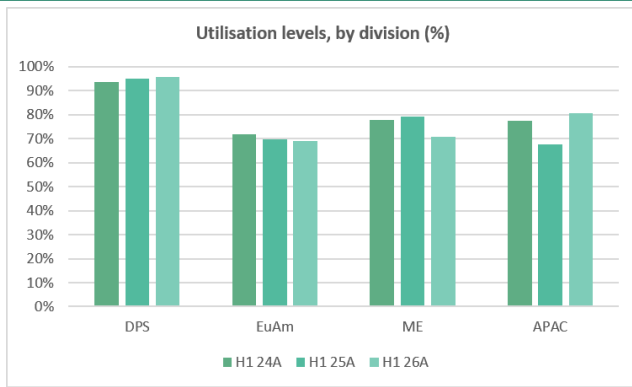
It is no coincidence that the two areas which delivered top-line growth were the segments of the business that added headcount. Two new experts were added during the period and overall, fee-earner headcount increased by 3% to 280.

The focus has been on the acquisition of talent over the last 18 months, recruiting 'halo experts' in complementary areas and building teams around them. A recent example is the appointment of the Head of Building Safety and Fire Engineering, which provides the blueprint for the broadening of the Group's activities into related disciplines.

The focus on a positive working culture, underpinned by learning & development, employee engagement and wellbeing is paying dividends, with voluntary attrition declining to just 3% in the period (FY25: 12%). New LTIPs have strengthened retention of key senior employees, while a clear pathway to expert status helps to both retain and attract new employees.

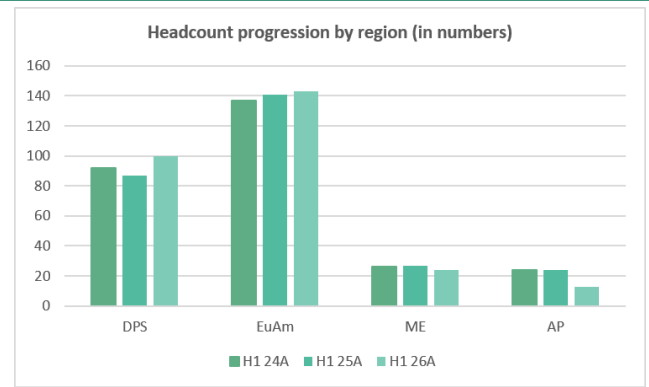
Utilisation declined modestly to 70.2% (H1 25: 71.4%), with the primary driver of the shortfall the timing of major project completions in the Middle East.

### Utilisation levels



Source: Company data

### Headcount progression



Source: Company data

With modest interest and a higher tax charge of 35% (H1 25: 26%) or £0.3m (H1 25: £0.2m), and no discontinued losses, underlying earnings improved markedly. As such, adj. EPS amounted to 1.25p, representing a 39% uplift on the 0.9p reported in H1 25 and resulting in improved dividend cover in H1 26 of 1.67x (H1 25: 1.2x). The dividend was unchanged at 0.75p.

Following the positive introduction of CRM systems and a real-time management information system, the Group is investing in improved cyber security and new AI-enabled tools. The latter is expected to deliver:

- Efficiency gains, reflecting rising automation and productivity
- Improved service levels
- Innovation
- Accelerated staff training, and
- Identify and manage issues on projects at an earlier stage

Notwithstanding the investment in IT and two office moves during the period, net cash levels improved to £3.9m, reflecting a combination of:

- Operating cash flow improving by £0.5m to £1.4m, led by higher EBIT YoY, and
- £0.5m released from working capital reflecting the timing of cash flows.

The net cash of £3.9m equates to 7.3p/ share.

## Valuation thoughts

We highlight our unchanged estimates within the financial section. Generally, such an outcome results in our leaving fair value estimate/ share unchanged. That said, the current trajectory in revenue and profitability suggests the Group is building a head of steam, recovering to levels not witnessed for several years when the shape of the business was markedly different, highlighting the success of the transformation strategy.

In addition, net cash of £3.9m represents:

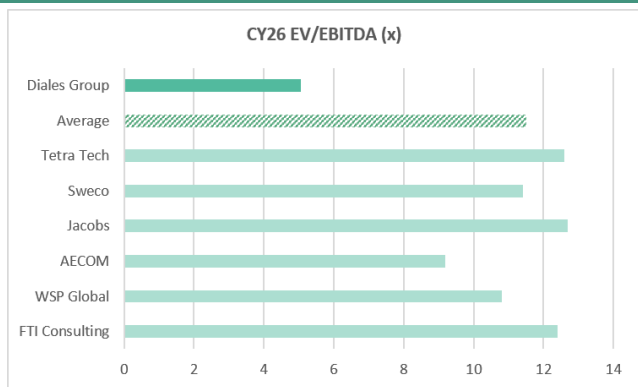
- 26% of the Group's market capitalisation, and
- 27.9% of the NAV.

On this basis, the operating business is valued at £11m, suggesting a FY26 EBIT of 7.3x or a cash and interest free PER of 11.2x.

Following a very strong H1 performance, with EBIT up 49% and positive momentum supported by a strong pipeline into H2, we think the outlook remains upbeat. **We retain our fair value/ share at 35p but would expect to increase this in the event of upwards earnings momentum.**

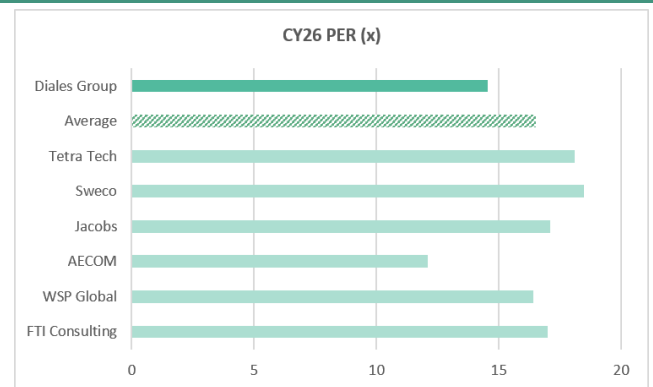
One should also mention the generous dividend. Based on a 50:50 split between interim and final dividend, the payout amounts to 1.5p, covered by FY26 adj. EPS just 1.25x. At the current share price this produces a sector leading yield of 5.4%, providing support for the shares. However, given our view that strong H1 momentum has continued into H2, we would expect investors' focus to shift towards capital growth rather than yield.

### Peer group comparison: FY26 EV/EBITDA (x)

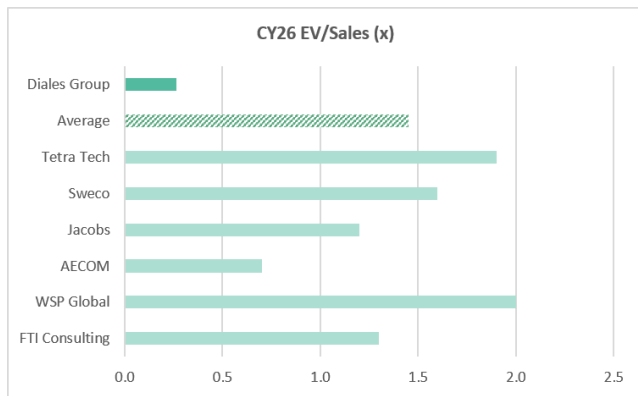


Source: Koyfin

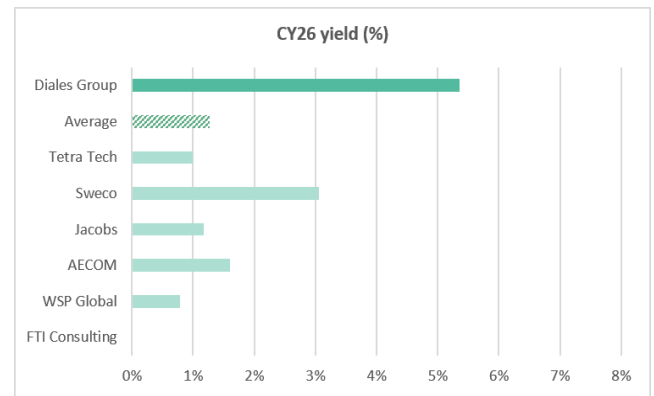
### Peer group comparison: FY26 PER (x)



Source: Koyfin

**Peer group comparison: FY26 EV/Sales**


Source: Koyfin

**Peer group comparison: FY26 Yield**


Source: Koyfin

## Financials

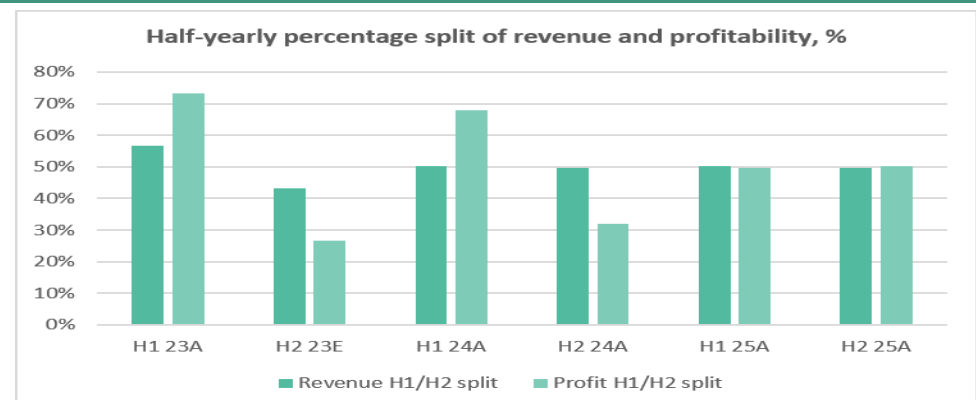
We note the continued improvement in revenues and the disproportionate increase in profitability, with margins rising to the highest level since H2 21. The suggestion that trading in early Q3 has continued at similar levels, combined with a strong pipeline, is encouraging. The investment in additional experts further underpins our confidence that the Group should at least achieve consensus market estimates for FY26.

The half-yearly split in revenue has been broadly consistent in recent years, averaging 52.5:47.5 in favour of H1. The split in profitability has tended to be weighted towards H1, averaging 63.7% of profitability, although in FY25 the split was 50:50. Applying this to current estimates to determine whether the Group remains on track to achieve FY26 estimates, we divide the H1 outcome by the average H1 split, with the findings suggesting:

- Our revenue estimate is too low by c. £0.7m or by 1.6% and,
- Similarly, our EBIT estimate is £0.1m or 9% too low.

However, at this stage of the year we consider this to be within the normal standard deviation and require a wider discrepancy to upgrade our FY26 expectations.

Also, we note the gap in the H1 margin of 4.4% and our H2 expectation (2.2%) and believe that should revenues continue in the same vein as in H1, the operationally geared nature of the model should result in H2 margins improving beyond our current 2.2% estimate.

**Half-yearly splits in revenue and profitability, %**


Source: Company

Income statement					
Yr. to 30 Sep (£m)	2023A	2024A	2025A	2026F	2027F
<b>Europe &amp; Americas</b>	35.6	34.6	35.2	36.2	37.0
<b>Middle East</b>	4.2	4.8	5.2	6.0	6.3
<b>APAC</b>	2.9	3.5	2.5	2.2	2.3
<b>Revenue</b>	42.6	43.0	43.0	44.4	45.5
<b>CoGS</b>	-31.9	-32.0	-31.4	-32.4	-33.1
<b>Gross profit</b>	10.8	11.0	11.6	12.0	12.4
<b>Gross margin (%)</b>	25.3%	25.5%	27.0%	26.9%	27.3%
<b>Op costs</b>	-9.9	-9.8	-10.2	-10.5	-10.7
<b>Other Op. income</b>	0.0	0.0	0.0	0.0	0.0
<b>Operating profit</b>	1.0	1.2	1.4	1.5	1.7
<b>Op margin (%)</b>	2.2%	2.8%	3.3%	3.4%	3.7%
<b>Net Interest</b>	0.1	0.0	0.0	0.0	0.0
<b>Associates</b>	0.0	0.0	0.0	0.0	0.0
<b>PBT (Adjusted)</b>	1.0	1.2	1.4	1.5	1.7
<b>Non-recurring costs</b>	-0.6	-0.3	-0.1	-0.1	-0.1
<b>PBT (Reported)</b>	0.4	0.9	1.3	1.4	1.6
<b>Tax</b>	-0.3	-0.5	-0.4	-0.5	-0.6
<b>PAT</b>	0.1	0.4	0.9	0.9	1.0
<b>Profit from discontinued operations</b>	-0.5	-1.0	-0.2	0.0	0.0
<b>Earnings</b>	-0.4	-0.6	0.7	0.9	1.0
<b>Ordinary Dividends</b>	-0.8	-0.8	-0.8	-0.8	-0.8
<b>Retained Profit</b>	-1.2	-1.4	-0.1	0.1	0.2
<b>EPS (Adjusted) (p)</b>	1.4	1.4	1.7	1.9	2.1
<b>DPS (p)</b>	1.5	1.5	1.5	1.5	1.5
<b>Ave no of shares (FD) (m)</b>	54.0	54.0	54.0	54.0	54.0

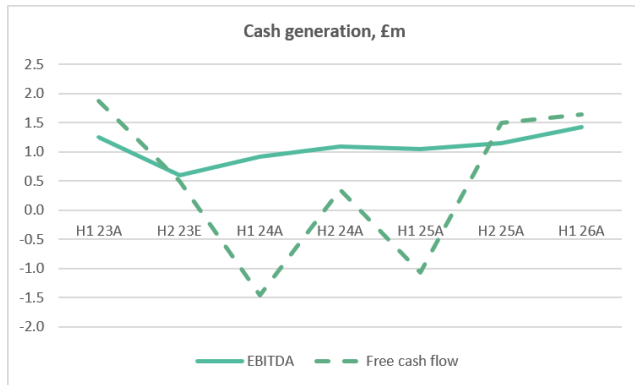
Source: Company historics, Equity Development estimates

We highlight in the two following charts the strong level of cash generated during H1, close to levels last delivered three years ago, in turn resulting in net cash levels rising back to £3.9m.

We note the increased hiring in the EuAm region during H1, including a broadening of the expert specialisms. We expect the Group to take advantage of opportunities available to it to hire individuals or teams that can add value to the Group's offering.

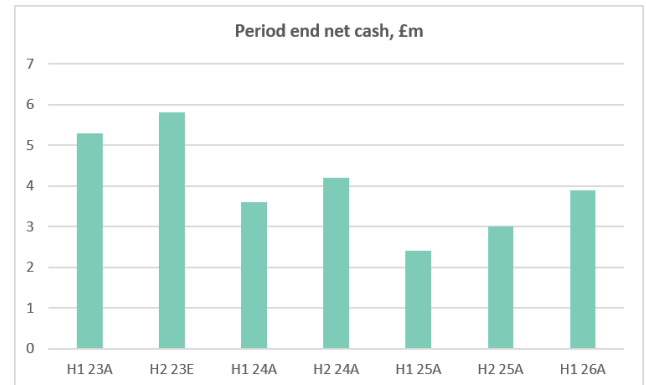
Based on our current FY26 estimates the dividend will be covered 1.25x, with £0.8m distributed to shareholders during FY26.

### Cash flow by half-year



Source: Company data

### Net cash by half-year



Source: Company data

Should cash flows follow the trends seen in recent years, whereby net cash levels improve in H2, then our FY expectation of net cash of £3.4m appears markedly low from the £3.9m level at the end of H1 26.

### Cash flow statement

Yr. to 30 Sep (£m)	2023A	2024A	2025A	2026F	2027F
<b>Operating profit</b>	1.0	1.2	1.4	1.5	1.7
<b>Depn. &amp; Amortn.</b>	0.9	0.8	0.8	0.8	0.8
<b>Working capital movement</b>	1.5	-0.2	-0.7	-0.5	-0.4
<b>Other</b>	-0.8	-1.1	-0.1	-0.1	-0.1
<b>Operating cash flow</b>	2.5	0.7	1.3	1.7	1.9
<b>Net Interest</b>	0.1	0.0	0.0	0.0	0.0
<b>Taxation</b>	-0.2	-0.4	-0.5	-0.4	-0.6
<b>Net capex</b>	-0.1	-0.1	-0.2	-0.1	-0.1
<b>Operating FCF</b>	2.2	0.3	0.7	1.1	1.3
<b>Net (Acquisitions)/Disposals</b>	0.0	0.0	0.0	0.0	0.0
<b>Dividends</b>	-0.8	-0.8	-0.8	-0.8	-0.8
<b>Share Issues</b>	0.0	-0.1	-0.2	0.0	0.0
<b>Minority payment</b>	0.0	0.0	0.0	0.0	0.0
<b>Other financial</b>	-0.6	-0.9	-0.8	0.0	0.0
<b>Increase Cash/(Debt)</b>	0.9	-1.6	-1.2	0.3	0.5
<b>Opening Net Cash/(Debt)</b>	4.9	5.8	4.2	3.0	3.4
<b>Closing Net Cash/(Debt)</b>	5.8	4.2	3.0	3.4	3.9

Source: Company historics, Equity Development estimates

The key movements in the balance sheet include:

- New leases on two properties, of which London represents the most significant jump in right of use assets
- Lower working capital requirement due to cash flow timings, and
- Improved cash levels, with net cash rising to 28% of NAV.

<b>Balance sheet</b>					
<b>Yr. to 30 Sep (£m)</b>	<b>2023A</b>	<b>2024A</b>	<b>2025A</b>	<b>2026F</b>	<b>2027F</b>
<b>Intangible Assets</b>	3.7	3.6	3.5	3.5	3.4
<b>Tangible Assets</b>	0.4	0.3	0.4	0.4	0.4
<b>Investments/other</b>	1.4	0.9	0.0	0.0	0.0
<b>Net Working Capital</b>	5.5	5.7	6.4	6.9	7.3
<b>Capital Employed</b>	10.9	10.5	10.3	10.7	11.1
<b>Other</b>	-0.8	-0.4	-0.3	-0.9	-1.9
<b>Net Cash/(Debt)</b>	5.8	4.2	3.0	3.4	3.9
<b>Provisions Liabilities/Charges</b>	0.0	0.0	0.0	0.0	0.0
<b>Net Assets</b>	15.9	14.3	13.1	13.2	13.1

Source: Company historics, Equity Development estimates

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