BELVOIR!

Property is personal

Belvoir Group plc
Presentation on the Preliminary Results 2019
Introduction

Highly motivated and experienced senior team

Dorian Gonsalves
Chief Executive Officer

Experience: 21 years in the property sector
Length of service: 15 years at Belvoir
Key skills: franchising / people management / business development
Other roles: Director of The Property Ombudsman until July 2017
Share holding: 463,595 shares
Share options: 740,000

Louise George FCA, ACIS
Chief Financial Officer

Experience: 16 years as board member on AIM-listed company
Length of service: 6 years at Belvoir
Key skills: financial management / mergers and acquisitions
Share holding: 56,607 shares
Share options: 607,000
Our business

UK’s largest property franchise group - 396 individual businesses across five brands

Network of 313 lettings and estate agency franchisees

<table>
<thead>
<tr>
<th>Business</th>
<th>Acquired Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belvoir</td>
<td>1995</td>
</tr>
<tr>
<td>Newton Fallowell</td>
<td>2015</td>
</tr>
<tr>
<td>Northwood</td>
<td>2016</td>
</tr>
<tr>
<td>Lovelle</td>
<td>2020</td>
</tr>
<tr>
<td>Brook Glos</td>
<td>2017</td>
</tr>
</tbody>
</table>

172 offices 36 offices 88 offices 17 offices 313 offices

Network of 166 advisers operating through 83 financial services businesses

<table>
<thead>
<tr>
<th>Business</th>
<th>Acquired Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brook Glos</td>
<td>2018</td>
</tr>
<tr>
<td>MAB Glos</td>
<td>2018</td>
</tr>
</tbody>
</table>

1 office 82 offices 83 offices 48 advisers 118 advisers 166 advisers

Brook and MAB Glos are leveraging their expertise to introduce mortgage products and financial services across all Group networks, alongside other independent agencies.
Covid-19

Adequate resources to weather the storm

Impact on income

• Significant proportion of lettings income is recurring, so should be unaffected by the freeze on house moves
• Pressure on tenants ability to pay rent, especially where tenants have lost their job
• With housing market all but closed, there will be very few house completions for the next few months
• Partial recovery expected from late Summer/early Autumn onwards but at fairly low levels until confidence is restored
• Financial services similar to house sales but to a lesser extent, with reliance on income from remortgages and sales of income protection during that period
• Financial services to recover late Summer/early Autumn in line with house sales

Cost restructuring

• Permanent reduction in headcount through redundancy
• Temporary reduction in headcount through furloughing
• The Board, brand MDs and senior management team have volunteered for a temporary salary reduction
• Review of other costs to remove uncontracted costs not critical to the operation of the business

Cash flow

• Current bank balance of £2.9m having paid March salaries
• Intend to take advantage of the Governments VAT deferral scheme and rates holiday for our corporate-owned shops
• Allowing franchisees to take a capital repayment holiday of up to 6 months on their loans under the assisted acquisition programme
• Assume likelihood of delays in receipts from franchisees
• Adequate resources to operate within our bank covenants for the foreseeable future

"We have both the agility and capability to emerge from the crisis in a good position to capitalise on future opportunities within the sector."
2019 overview

Key highlights – record results

Financial highlights

- **£19.3m**
  - Group revenue up 43%
  - (2018: £13.7m)

- **£8.8m**
  - Management service fees (MSF) up 4%
  - (2018: £8.5m)

- **£8.5m**
  - Financial services revenue up 159%
  - (2018: £3.3m)

- **13.3p**
  - Earnings per share up 3%
  - (2018: 12.9p including £0.6m exceptional credit)

Operational highlights

- **Lovelле**
  - 17 office network acquisition completed in January 2020

- **24**
  - Assisted acquisitions added £6.6m to network revenue
  - (2018: 26 acquisitions added £6.9m)

- **68,550**
  - Properties under management up 9%
  - (2018: 62,780)

- **166**
  - 35% increase in no. of financial advisers
  - (2018: 123)
2019 financial review
## Group statement of comprehensive income

**For the financial year ended 31 December 2019**

<table>
<thead>
<tr>
<th></th>
<th>% inc/(dec)</th>
<th>2019 £’000</th>
<th>2018 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>43%</td>
<td>19,252</td>
<td>13,433</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td></td>
<td>(6,036)</td>
<td>(2,103)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>17%</td>
<td>13,216</td>
<td>11,330</td>
</tr>
<tr>
<td><strong>Administrative expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-exceptional</td>
<td>11%</td>
<td>(7,556)</td>
<td>(6,616)</td>
</tr>
<tr>
<td>Exceptional</td>
<td></td>
<td>-</td>
<td>(169)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>25%</td>
<td>5,660</td>
<td>4,545</td>
</tr>
<tr>
<td>Changes in fair value to contingent consideration</td>
<td></td>
<td>-</td>
<td>809</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td></td>
<td>(342)</td>
<td>(226)</td>
</tr>
<tr>
<td><strong>Finance income</strong></td>
<td></td>
<td>230</td>
<td>265</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td>32</td>
<td>87</td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>2%</td>
<td>5,580</td>
<td>5,480</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td></td>
<td>(928)</td>
<td>(980)</td>
</tr>
<tr>
<td><strong>Profit for the financial year</strong></td>
<td>3%</td>
<td>4,652</td>
<td>4,500</td>
</tr>
<tr>
<td><strong>Basic earnings per share</strong></td>
<td></td>
<td>13.3p</td>
<td>12.9p</td>
</tr>
<tr>
<td><strong>Diluted earnings per share</strong></td>
<td></td>
<td>12.9p</td>
<td>12.6p</td>
</tr>
</tbody>
</table>
Financial highlights 2019
Outperforming the markets in which we operate

Revenue (£m)
£19.3m
+43%

MSF (£m)
£8.8m
+4%

Profit before tax (£m)
£5.6m
+2%

Basic EPS (p)
13.3p
+3%

Revenue up by £5.8m to £19.3m (2018: £13.7m), a 43% increase
• Full year of MAB Glos added £4.1m equating to 30% of FY19 income growth
• Organic growth in the underlying business was 13%
• Increase in adviser network added further £1.1m
• MSF increased by £0.3m despite the tenant fee ban
• Corporate office income up by £0.3m having bolted on two small lettings portfolios
• Overall, property division up 6% and financial services division up 159%

Gross profit up £1.9m to £13.2m (2018: £11.3m)

Non-exceptional administrative expenses up £0.9m to £7.6m
• Incremental £0.4m cost of operating MAB Glos
• Incremental costs of £0.1m relating to staff transferring with two additional lettings portfolios
• Increased overheads of £0.1m associated with growth of Brook Financial Services
• 2018 included £0.2m refund of employment related taxes

Profit up £0.7m having adjusted for FY18 net exceptional credit
### Group statement of financial position

**As at 31 December 2019**

<table>
<thead>
<tr>
<th></th>
<th>2019 £'000</th>
<th>2018 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>29,069</td>
<td>29,156</td>
</tr>
<tr>
<td>Financial assets</td>
<td>159</td>
<td>159</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>593</td>
<td>646</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>616</td>
<td>-</td>
</tr>
<tr>
<td>Franchisee loans</td>
<td>3,154</td>
<td>3,437</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>1,927</td>
<td>1,999</td>
</tr>
<tr>
<td>UIC balances</td>
<td>1,547</td>
<td>1,330</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>3,586</td>
<td>1,798</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>40,651</td>
<td>38,525</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>1,994</td>
<td>1,651</td>
</tr>
<tr>
<td>UIC liability</td>
<td>1,110</td>
<td>874</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>620</td>
<td>-</td>
</tr>
<tr>
<td>Deferred and contingent consideration</td>
<td>37</td>
<td>243</td>
</tr>
<tr>
<td>Bank loan</td>
<td>10,452</td>
<td>11,377</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>1,440</td>
<td>1,647</td>
</tr>
<tr>
<td>Tax payable</td>
<td>711</td>
<td>769</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>16,364</td>
<td>16,561</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>24,287</td>
<td>21,593</td>
</tr>
<tr>
<td>Share capital</td>
<td>349</td>
<td>349</td>
</tr>
<tr>
<td>Reserves</td>
<td>23,938</td>
<td>21,244</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>24,287</td>
<td>21,593</td>
</tr>
</tbody>
</table>

### Assets
- Financial assets represent MAB share options vesting May 2020
- Right-of-use assets of £0.6m matched by associated lease liability of £0.6m
- Franchisee loan book represents loans under the assisted acquisitions programme

### Unearned indemnity commission (UIC)
- UIC balances includes:
  - £1.17m (2018: £1.06m) commission withheld by MAB re UIC
  - £0.38m (2018: £0.27m) due from financial advisers for their share of the UIC liability
- UIC liability equates to the gross liability of which an element is recoverable from the advisers (see above)

### Net debt
- Bank debt of £10.5m (2018: 11.4m)
  - Repayable £0.9m pa in half-yearly payments of £0.45m
  - Final repayment of £7.9m in March 2023
  - Interest rate between 1.95% and 2.2% over LIBOR variable depending on net leverage
- Cash of £3.6m (2018: 1.8m)
- Net debt of £6.9m
- Net leverage of x1.0
Group statement of cash flow

For the year ended 31 December 2019

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>EBITDA</td>
<td>6,851</td>
<td>5,742</td>
</tr>
<tr>
<td>Movement in working capital</td>
<td>434</td>
<td>(130)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(1,237)</td>
<td>(1,018)</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>6,048</td>
<td>4,594</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(338)</td>
<td>(3,595)</td>
</tr>
<tr>
<td>Deferred and contingent consideration</td>
<td>(243)</td>
<td>(4,236)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(99)</td>
<td>(140)</td>
</tr>
<tr>
<td>Disposal of corporate offices/assets</td>
<td>54</td>
<td>45</td>
</tr>
<tr>
<td>Franchise loans – net movement</td>
<td>138</td>
<td>1,077</td>
</tr>
<tr>
<td>Finance income</td>
<td>230</td>
<td>265</td>
</tr>
<tr>
<td>Return of funds from escrow</td>
<td>-</td>
<td>145</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>(258)</td>
<td>(6,439)</td>
</tr>
<tr>
<td>Bank loans – net movement</td>
<td>(938)</td>
<td>5,000</td>
</tr>
<tr>
<td>Equity dividends paid</td>
<td>(2,516)</td>
<td>(2,411)</td>
</tr>
<tr>
<td>Lease payments</td>
<td>(212)</td>
<td>-</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(336)</td>
<td>(296)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>(4,002)</td>
<td>2,293</td>
</tr>
<tr>
<td>Net cash movement</td>
<td>1,788</td>
<td>448</td>
</tr>
<tr>
<td>Cash at the end of the financial year</td>
<td>3,586</td>
<td>1,798</td>
</tr>
</tbody>
</table>

Cash generated from operations
- Increased cash flow from operations of £1.5m reflects enlarged Group

Acquisitions
- Acquired small lettings portfolio for £0.2m to bolt onto Newton Fallowell Grantham
- Acquired financial services arm of Dacre, Son and Hartley for £0.1m

Deferred consideration
- Settled deferred consideration on MAB (Glos) of £0.2m

Franchise loan book
- Loans granted to franchisees of £1.2m
- Repayments of franchisees loans of £1.4m

Bank debt
- Revolving credit facility of £12.0m with HSBC
  - Settled previous NatWest loan of £6.5m
  - Part-funded £4.2m Northwood earn-out in cash
  - Funded £3.3m MAB Glos cash consideration
- Repaid £0.9m in 2019 in half-yearly payments of £0.45m

Current cash position
- Current bank balance (post March salaries) of £2.9m
2019 operational review and market update
Operational highlights 2019

Targeted growth of existing network

Stable property franchise network

- 8 resales of existing offices:
  - 5 to a new franchise owner
  - 3 to an adjacent franchise owner
- 6 new offices opened by existing franchise owners through an assisted acquisition
- 8 offices merged into adjacent territories
- 17 offices acquired as part of the Lovelle network

Rapidly growing financial services network

- 18 additional financial services offices

Office growth

- 24 (2018: 26) assisted acquisitions completed, adding:
  - £6.6m (2018: £6.9m) to network revenue
  - £580,000 (2018: £643,000) pa in MSF
  - managed properties up 5,770, including those acquired with Lovelle
  - £29,480 average MSF per office; up 35% in 4 years
Our markets

Residential property sector with strong bias towards lettings

Lettings – a reliable recurring revenue stream

- 4.5m households in the PRS
- 50% landlords use a lettings agent
- 68,550 properties under Belvoir management
- 3% share of target market
- 80:20 lettings to sales

Sales – a growth opportunity for our lettings-biased franchisees

- 7,433 Belvoir FY19 house sales up 9%
- 0.6% of UK property transactions
- 9% increase in sales fees
- 93% of our offices are outside London
- 7.9% online agents market share
Financial Services strategy

Diversification into property-related complementary services

Brook Financial Services

- Largest appointed representative of the Mortgage Advice Bureau
- Head Office in Barnsley with a dedicated call centre
- Network of advisers mainly based in South Wales, South West and the Midlands
- No. of advisers up 35% to 166 (2018: 123)
- Supported by 6 Business Development Managers

Strategy

- Extend the adviser network across the UK
- Link Belvoir’s property franchisees with our financial advisers to provide our customers with face-to-face mortgage advice
- Gross profit ratio for 2019: property franchise 81%: financial services 19%

Gross profit ratio

- Property franchise division
- Financial services division

Belvoir Group PLC Preliminary results for the year ending 31 December 2019
Outlook

A challenging year ahead

Resilience of Belvoir’s business model

• Lean structure and low overheads makes us more agile in reacting to changes in the market than the larger corporate networks
• Self-motivated franchisees and advisers determined to succeed, and in 2020 to survive
• Extensive network
• Coupled with our central support
• 61% of gross profit derived from recurring lettings income
• Swift and decisive action taken by management to protect the business

Good start to 2020

• Performance in early 2020 in line with managements expectations
• Strong balance sheet with adequate resources to weather the storm of Covid-19

We remain confident that Belvoir will overcome the challenge of Covid-19 and thrive once markets return to normal.
Belvoir Group PLC
Preliminary results for the year ending 31 December 2019

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