Results for the year ended 31 December 2013

Mike Goddard - Executive Chairman
Carl Chadwick - CEO
Agenda

- Financial Results to December 2013
- Operational and Business Review 2013
- Market Review and Trading Update
2013 Highlights

Financial

- Revenue grew 44% to £5.8m (2012: £4.1m)
- Profit from Operating margin of 26.5% (2012:47.4%)
- Profit before taxation and exceptional items increased 16% to £1.6m (2012: £1.4m)
- Management Service Fee (MSF) grew 8.9%
- Number of owned outlets increased to 9 (2012: 4)
- Strong cash balance of £5.0m (2012: £1.8m)
- Oversubscribed equity fundraising of £5.35m
- Interim Dividend of 3.4p (H1: 2012: 2.9p)
- Proposed Final Dividend of 3.4p (2012: 2.9p)
Financial Results

- Group revenue increased 44% to £5.8m (2012: £4.1m)

- Profit before taxation and exceptional items increased by 16% to £1.6m (2012: £1.4m)
MSF Continues to Grow

- Monthly MSF income increased from £20k to £284k over the last 11 years
- 60 franchises achieved growth of more than 10% in 2013 (2012:42)
- 49 franchises had turnover of more than £200k in 2013 (2012:43)
### Consolidated P&L

**Year ended 31 December**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td><strong>Turnover</strong></td>
<td>5,840</td>
<td>4,048</td>
<td>44%</td>
</tr>
<tr>
<td><strong>Overheads</strong></td>
<td>(4,293)</td>
<td>(2,129)</td>
<td>102%</td>
</tr>
<tr>
<td><strong>Operating profit before exceptional items</strong></td>
<td>1,547</td>
<td>1,919</td>
<td>-19%</td>
</tr>
<tr>
<td><strong>Exceptional items</strong></td>
<td>-</td>
<td>(502)</td>
<td></td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td>(87)</td>
<td>(75)</td>
<td></td>
</tr>
<tr>
<td><strong>Finance income</strong></td>
<td>156</td>
<td>52</td>
<td>300%</td>
</tr>
<tr>
<td><strong>PBT</strong></td>
<td>1,616</td>
<td>1,394</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>(377)</td>
<td>(215)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td>1,239</td>
<td>1,179</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>(1,302)</td>
<td>(600)</td>
<td></td>
</tr>
<tr>
<td><strong>Movement on Reserves</strong></td>
<td>(63)</td>
<td>579</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31 Dec 2013</td>
<td>31 Dec 2012</td>
<td>Percentage Change</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------------</td>
</tr>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill &amp; Intangibles</td>
<td>2,884</td>
<td>857</td>
<td>336%</td>
</tr>
<tr>
<td>Property, Plant &amp; Equipment</td>
<td>674</td>
<td>482</td>
<td>40%</td>
</tr>
<tr>
<td>Working Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade &amp; Other Receivables</td>
<td>1,115</td>
<td>686</td>
<td>63%</td>
</tr>
<tr>
<td>Trade &amp; Other Payables</td>
<td>(1,899)</td>
<td>(625)</td>
<td>304%</td>
</tr>
<tr>
<td>Other Balances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans To Franchisees and Staff</td>
<td>2,337</td>
<td>754</td>
<td>310%</td>
</tr>
<tr>
<td>National Promotional Fund</td>
<td>(146)</td>
<td>(144)</td>
<td>1%</td>
</tr>
<tr>
<td>Corporation and Deferred Tax</td>
<td>(535)</td>
<td>(291)</td>
<td>84%</td>
</tr>
<tr>
<td>Bank Loans</td>
<td>(2,227)</td>
<td>(1,252)</td>
<td>78%</td>
</tr>
<tr>
<td>Cash</td>
<td>5,047</td>
<td>1,843</td>
<td>274%</td>
</tr>
<tr>
<td>Shareholders’ Funds</td>
<td>7,250</td>
<td>2,310</td>
<td></td>
</tr>
</tbody>
</table>
## Consolidated Cash Flow

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>EBITDA before Exceptional items</td>
<td>1,647</td>
<td>1,975</td>
</tr>
<tr>
<td>Movement in working capital</td>
<td>(663)</td>
<td>(588)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(294)</td>
<td>(553)</td>
</tr>
<tr>
<td><strong>Generated from Operations</strong></td>
<td><strong>690</strong></td>
<td><strong>834</strong></td>
</tr>
<tr>
<td>Proceeds of share issue</td>
<td>5,004</td>
<td>6,870</td>
</tr>
<tr>
<td>Paid for shares</td>
<td>-</td>
<td>(4,289)</td>
</tr>
<tr>
<td>Flotation costs</td>
<td>-</td>
<td>(394)</td>
</tr>
<tr>
<td><strong>Generated by Equity fundraisings</strong></td>
<td><strong>5,004</strong></td>
<td><strong>2,187</strong></td>
</tr>
<tr>
<td>Loans to Employees and Franchisees</td>
<td>(304)</td>
<td>(576)</td>
</tr>
<tr>
<td>Capital expenditure and acquisitions</td>
<td>(1,998)</td>
<td>(403)</td>
</tr>
<tr>
<td>Bank Loans and Mortgage</td>
<td>1,045</td>
<td>(448)</td>
</tr>
<tr>
<td>Dividends and share buyback</td>
<td>(1,302)</td>
<td>(600)</td>
</tr>
<tr>
<td>Net Finance Cost</td>
<td>69</td>
<td>(23)</td>
</tr>
<tr>
<td><strong>Cash used by investing activities</strong></td>
<td><strong>(2,490)</strong></td>
<td><strong>(2,050)</strong></td>
</tr>
<tr>
<td><strong>Net cash movement</strong></td>
<td>3,204</td>
<td>971</td>
</tr>
</tbody>
</table>
Operational Review
Year to December 2013
2013 Highlights

Operational

- Number of offices grew from 149 to 160 at year end
- 4 new Company outlets: 3 in Basingstoke and 1 in Cumbria
- Presence bolstered in London by another acquisition
- House sales outlet in Basingstoke: Andover, Basingstoke and Tadley enabling Belvoir to enter estate agency market
- Launch of estate agency pilot in September 2013 for our franchisees
- Gold award at the Lettings Franchise of the Year Awards
Market Review and Trading Update
**Market Drivers Remain Strong**

**Future Potential of the Rental Market** *

- Government estimates expect further 33% rise in residential rental market over the next 8 years – taking private rented property to 20% of all UK homes by 2021.

- Buy to let lending will reach £25bn by end of 2014 - a 25% increase on 2013, according to forecasts by specialist broker, Mortgages for Business.

- Home ownership following a downward trend; therefore rapid growth in residential lettings, with over 15% of all UK homes (3.2m) now in private rented sector.

- Private rented sector remained on firm footing in 2013 and despite Government initiatives e.g. ‘Help To Buy’ scheme, there has been minimal impact on demand for rental property.

- “The markets outside of London that show the highest potential returns are all located in the South East, where capital growth prospects are strongest”

- We predict Buy to Let will become increasingly attractive and accessible for smaller investors wanting to add another asset class alongside their existing savings and pension portfolios.

*Department for Communities and Local Government, Mortgages for Business*
Progress in Year

- Network of 151 active franchise offices
- Successful acquisitions have been made by Belvoir Franchisees in Basingstoke, St Helens and Warrington
- Company owned outlets acquired in year: Cumbria, Andover, Basingstoke, Tadley and Belgravia taking our total to 9
- Specifically looking to target London and the South East markets, areas which hold huge potential for Belvoir
- New senior management structure

In view of the market drivers and the successful fund raising, the Board remains confident in achieving its growth plans
National Marketing

Marketing Refresh

Be ready for new tenants!
Be a happy landlord!
Be a winner!
Be seen!
Be ready!
Be let!

Be with Belvoir!

Social media

Newly branded Cars

To Let boards
The opportunity

- 359 free territories by postcode, many located in densely populated areas
- 151 territories already granted
- Significant opportunities for expansion in London & South England
- 16.5% of all households, or nearly 3.8 million homes in England (2012: 3.0m)
- Approx. 1.4m Private Landlords - market trends indicating rental market to increase
- Belvoir’s network manages over 30,000 properties (2012: 25,000)
Summary
Summary

- Proceeds from additional share issue in the year positioned the business for further growth
- Strong financial performance in 2013
- Dividend payments increased to 3.4p / share
- Market drivers indicate good lettings environment
- Belvoir continues to grow in all parts of the UK
Questions
Appendix
Equity Fundraising Highlights

- £5.35m raised (gross)
- 24,010,417 shares at 31 December 2013
- Share price at 31 December 2013: 181p (at IPO 75p) an increase of 141%

Funds raised to:
- Strengthen the Belvoir! Brand
- Grow the business’ share of the market via: New franchisees, Franchisee and Corporate acquisitions
Franchising

- Full member of the British Franchise Association
- Economic contribution of franchising to the UK economy is estimated to be £13.4 billion
- Since 2005, there has been an 18% increase in the number of property service franchises
- Low risk business model with good future revenue visibility
- Strong growth proposition without significant capital investment required

Source: NatWest bfa Franchise Survey 2012
Belvoir Franchise Model

- Belvoir retains power to monitor standards and control brand through franchise agreement
- National brand benefits franchisee & attracts new franchisees
- Local brand promotion by franchisee benefits national network
- National brand provides economies of scale, access to network of other franchise owners, centralised support and training, brand development and consistency & access to a large marketing website
- Belvoir brand well known in the residential lettings market
- Belvoir brand protected by trademarks and copyright
- Cost effective, low capital intensive way of growing the business
Belvoir Franchise Business Model

- Five year franchisee licences granted – further 5 year renewable period
- Licence granted to exclusively trade a territory with the benefit of:
  - compulsory 3 week initial training course;
  - use of the Belvoir brand;
  - Belvoir business know how - centralised support and training;
- Modest initial set up fee - £22,500
- Ongoing management fee of 12 % of franchisee monthly turnover
- Grow existing franchisees’ business
- Add franchisees in free territories each year
- Strong national brand, extensive head office support and successful track record of existing franchisees attracts new franchisees
About Belvoir Lettings plc
Strong Board Team

Executive Members

Carl Chadwick ACA:  
CEO  
Chartered Accountant for 30 years, training with KPMG and PWC. Corporate Finance specialist for 20 years with PKF, Grant Thornton & Sunaxis. Retail experience at Boots and part of the team building Boots Opticians. Joined Belvoir as FD in 2011 and appointed CEO March 2014

Mike Goddard:  
Chairman  
Founder and Managing Director until July 2010  
Director of BFA, The Property Ombudsman and European Franchise Federation. Wing Commander in the RAF as culmination of 17 year career

Dorian Gonsalves:  
Director of Commercial & Franchising  
8 years estate agency experience with Countrywide. Joined Belvoir 8 years ago as Business Development Director rising to Head of Sales and Director of Operations. Managing Director from July 2010
Belvoir!

- High levels of franchise retention & renewal
- Strong, recognisable and award winning national brand in the **residential lettings** marketplace
- **Local** franchisees have experience, local knowledge and incentivisation to succeed
- Dedicated and comprehensive franchisee **head office support**
- Scope for significant **further growth**: current market share of Belvoir franchise < 1.5% of addressable market
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