Growth continues
Interim results for the six months ended 30 June 2020
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:** 483,595 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
- **Qualifications:** chartered accountant and chartered secretary
- **Share holding:** 56,607 shares
- **Share options:** 607,000

Main PLC board and operations board

- **Members:** 10 across both Boards
- **Experience:** average 26 years of sector experience
- **Length of service:** average of 9 years service years within Belvoir Group
- **Share holding:** 1,619,771 shares equating to 4.6% of share capital
- **Share options:** 1,795,623
Our business

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

Network of 308 lettings and estate agency franchisees

Belvoir
Established in 1995
167 offices
47 advisers

Newton Fallowell
Acquired 2015
36 offices

Northwood
Acquired 2016
88 offices

Lovelle
Acquired 2020
17 offices

Property network
308 offices

Network of 174 advisers operating through 88 financial services businesses

Brook
Acquired 2017
1 office
47 advisers

MAB Glos
Acquired 2018
87 offices
127 advisers

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

Financial Services network
88 offices
174 advisers
H1 2020 overview

Outperforming 2019 despite lockdown

Financial highlights

• Revenue up 8% to £9,774,000 of which 2% relates to underlying business and 6% to the acquired Lovelle network
  • Property division up 9% to £5,521,000 (H1 2019: £5,078,000)
  • Financial services division up 7% to £4,253,000 (H1 2019: £3,969,000)
• Profit before tax up 17% to £3,164,000 (H1 2019: £2,695,000)
• Basic EPS up 16% to 7.3p (H1 2019: 6.3p)
• Impact of Covid-19 on revenue substantially mitigated by overhead reduction and £250,000 of government Covid support
• Cash generated from operating activities up 29% to £3,056,000 (H1 2019: £2,366,000)
• Performance in line with management expectations
• Bank balance currently stands at £5,289,000

Operational highlights

• Acquisition of the 17 office Lovelle network
• Financial adviser network up 38 to 174 (H1 2019: 136)
• 62% (H1 2019: 63%) of gross profit arising from recurring lettings income
• Strategic alliance with The Nottingham Building Society agreed in July 2020

Reinstatement of progressive dividend policy

• Interim dividend of 3.4p per share (H1 2019: 3.4p)
• Additional dividend of 2.0p per share to partially compensate for suspended final 2019 dividend
• Giving a total of 5.4p per share (cost of £1,890,000) payable 30 October, ex-dividend date 17 September
• Board will review a further catch-up payment at the time of the 2020 final dividend

Having taken the prudent decision to suspend the final 2020 dividend, we want to reward shareholders for their loyalty with a catch-up.
Covid-19 update

Swift and decisive management action to protect business

Impact on income

• All our offices closed from 24 March to 13 May with restrictions on certain property-related activities
• Lettings revenue was only 10% down during the lockdown period compared to 2019
• Our rent arrears survey suggested less than 5% of our tenants are in arrears compared to a norm of 2%
• Property sales income was 50% down on 2019 during the lockdown
• Financial services income was 13% down on 2019 during the lockdown having the benefit of a 28% larger adviser network
• Advisers focused on selling remortgage and protection products to our extensive financial services client base
• Surge in activity post lockdown from pent up demand and the temporary reduction in stamp duty
• Pipelines of property sales and written mortgage business at record levels

Cost reductions

• Reduction in headcount of 28 affecting our Central Office, corporate offices and financial services teams broadly equally
• 36 staff furloughed, mostly within our estate agency offices and financial services division, all now back working
• The Board and senior personnel volunteered for a salary reduction during the sector lockdown
• Other overhead savings from home-based working, essential travel only, negotiated supplier discounts and general tight cost control
• Government covid-19 support and grants received totalling £250,000

Impact on cash flow

• H1 bank balance of £4,305,000 having deferred Q1 VAT of £437,000 and suspended the final 2019 dividend
• Franchisees opting for a repayment holiday reduced cash inflow by £183,000; meanwhile £84,000 received from franchisees making an early loan settlement
• No increase in arrears in monies due from franchisees

"We have proved once again the resilience of our franchise model to overcome adversity with our business emerging from the crisis in a good position to capitalise on future opportunities within the sector."
Financial review
### Group statement of comprehensive income

**For the six months ended 30 June 2020**

<table>
<thead>
<tr>
<th></th>
<th>Change</th>
<th>H1 2020 £’000</th>
<th>H1 2019 £’000</th>
<th>FY 2019 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>8%</td>
<td>9,774</td>
<td>9,047</td>
<td>19,252</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>0%</td>
<td>(3,054)</td>
<td>(2,849)</td>
<td>(6,036)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>8%</td>
<td>6,720</td>
<td>6,198</td>
<td>13,216</td>
</tr>
<tr>
<td>Government Covid-19 grants</td>
<td>0%</td>
<td>250</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>9%</td>
<td>(3,751)</td>
<td>(3,437)</td>
<td>(7,556)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>17%</td>
<td>3,219</td>
<td>2,761</td>
<td>5,660</td>
</tr>
<tr>
<td>Finance costs</td>
<td>0%</td>
<td>(149)</td>
<td>(179)</td>
<td>(342)</td>
</tr>
<tr>
<td>Finance income</td>
<td>0%</td>
<td>94</td>
<td>113</td>
<td>230</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>0%</td>
<td>-</td>
<td>-</td>
<td>32</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>17%</td>
<td>3,164</td>
<td>2,695</td>
<td>5,580</td>
</tr>
<tr>
<td>Taxation</td>
<td>0%</td>
<td>(601)</td>
<td>(514)</td>
<td>(928)</td>
</tr>
<tr>
<td>Profit for the financial period</td>
<td>18%</td>
<td>2,563</td>
<td>2,181</td>
<td>4,652</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>16%</td>
<td>7.3p</td>
<td>6.3p</td>
<td>13.3p</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>17%</td>
<td>6.9p</td>
<td>5.9p</td>
<td>12.9p</td>
</tr>
</tbody>
</table>
Financial highlights

Growth from underlying business and acquired Lovelle network

Revenue (£m)

<table>
<thead>
<tr>
<th></th>
<th>20 H1</th>
<th>19 H1</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>9.8</td>
<td>9.0</td>
<td>19.3</td>
</tr>
</tbody>
</table>

Revenue up by £727,000 to £9,774,000 (H1 19: £9,047,000)

- Lovelle, Jan 20 acquisition, added £572,000 in revenue, representing 6% growth
- Underlying business added £155,000 in revenue, representing 2% growth
- MSF decreased by only 1%, with lettings on par and sales down by 5%
- Six Lovelle offices added £493,000 to corporate office income
- Financial Services added £284,000, up 7%
- Gross profit up 8% to £6,720,000 (H1 19: £6,198,000)

Operating profit (£m)

<table>
<thead>
<tr>
<th></th>
<th>20 H1</th>
<th>19 H1</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>3.2</td>
<td>2.8</td>
<td>5.7</td>
</tr>
</tbody>
</table>

Overheads up £314,000 to £3,751,000 (H1 2019: £3,437,000)

- Lovelle increased overheads in H1 by £537,000, including £36,000 acquisition fees and £32,000 additional amortisation, against which Covid support of £78,000 was received
- £36,000 redundancy costs associated with reduction in headcount of 28 staff
- Underlying business reduced overheads by £259,000 arising from:
  - lower headcount
  - senior team voluntary salary reduction during lockdown
  - negotiated discounts from suppliers
  - home-based working and limited travel

MSF (£m)

<table>
<thead>
<tr>
<th></th>
<th>20 H1</th>
<th>19 H1</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>4.2</td>
<td>4.2</td>
<td>8.8</td>
</tr>
</tbody>
</table>

Basic EPS (p)

<table>
<thead>
<tr>
<th></th>
<th>20 H1</th>
<th>19 H1</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>7.3</td>
<td>6.3</td>
<td>13.3</td>
</tr>
</tbody>
</table>

+8%
Gross profit split
Recurring lettings activity continues to underpin the business

Gross profit split H1 2020

Gross profit split FY 2019
## Group statement of financial position

**As at 30 June 2020**

<table>
<thead>
<tr>
<th></th>
<th>H1 2020 £’000</th>
<th>H1 2019 £’000</th>
<th>FY 2019 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>31,053</td>
<td>29,217</td>
<td>29,069</td>
</tr>
<tr>
<td>Financial assets</td>
<td>159</td>
<td>159</td>
<td>159</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>545</td>
<td>650</td>
<td>593</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>544</td>
<td>705</td>
<td>616</td>
</tr>
<tr>
<td>Franchisee loans</td>
<td>2,974</td>
<td>3,925</td>
<td>3,154</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>3,578</td>
<td>3,206</td>
<td>3,474</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>4,305</td>
<td>1,419</td>
<td>3,586</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>43,158</td>
<td>39,281</td>
<td>40,651</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>3,081</td>
<td>2,283</td>
<td>3,104</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>551</td>
<td>705</td>
<td>620</td>
</tr>
<tr>
<td>Deferred and contingent consideration</td>
<td>-</td>
<td>86</td>
<td>37</td>
</tr>
<tr>
<td>Bank loan</td>
<td>10,022</td>
<td>10,915</td>
<td>10,452</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>1,693</td>
<td>1,618</td>
<td>1,440</td>
</tr>
<tr>
<td>Tax payable</td>
<td>747</td>
<td>764</td>
<td>711</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>16,094</td>
<td>16,371</td>
<td>16,364</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>27,064</td>
<td>22,910</td>
<td>24,287</td>
</tr>
<tr>
<td>Share capital</td>
<td>351</td>
<td>349</td>
<td>349</td>
</tr>
<tr>
<td>Reserves</td>
<td>26,713</td>
<td>22,561</td>
<td>23,938</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>27,064</td>
<td>22,910</td>
<td>24,287</td>
</tr>
</tbody>
</table>

### Strong balance sheet with minimal leverage

#### Assets

- Intangible assets of £31,053,000 reflect acquisition of Lovelle for £1,974,000
- Franchisee loans are financial assistance against assisted acquisitions

#### IFRS 16 Leases

- Right-of-use assets at £544,000 and lease liabilities at £551,000 reflect IFRS 16 accounting treatment of assets under operating leases

#### Cash and bank

- H1 bank balance of £4,305,000 having acquired Lovelle, suspended the final 2019 dividend and deferred Q1 VAT payment of £473,000

#### Bank debt

- HSBC £12m revolving credit facility
- Outstanding balance of £10,022,000
- Terms:
  - half-yearly repayments of £445,000
  - final repayment of £7.9m in March 2023
  - interest rate at 1.95% over LIBOR
- Net debt of £5,717,000 (H1 2019: £9,496,000)
Group statement of cash flow
For the six months ended 30 June 2020

<table>
<thead>
<tr>
<th></th>
<th>H1 2020 £'000</th>
<th>H1 2019 £'000</th>
<th>FY 2019 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Inc)/dec in trade and other receivables</td>
<td>3,825</td>
<td>3,291</td>
<td>6,851</td>
</tr>
<tr>
<td>Inc/(dec) in trade and other payables</td>
<td>(163)</td>
<td>73</td>
<td>(145)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(583)</td>
<td>(573)</td>
<td>(1,237)</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>3,056</td>
<td>2,366</td>
<td>6,048</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(1,982)</td>
<td>(206)</td>
<td>(338)</td>
</tr>
<tr>
<td>Deferred consideration</td>
<td>(37)</td>
<td>(243)</td>
<td>(243)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(23)</td>
<td>(74)</td>
<td>(99)</td>
</tr>
<tr>
<td>Disposal of corporate offices/assets</td>
<td>-</td>
<td>-</td>
<td>54</td>
</tr>
<tr>
<td>Franchise loans granted</td>
<td>(257)</td>
<td>(663)</td>
<td>(1,242)</td>
</tr>
<tr>
<td>Loans repaid by franchisees</td>
<td>435</td>
<td>438</td>
<td>1,380</td>
</tr>
<tr>
<td>Finance income</td>
<td>94</td>
<td>113</td>
<td>230</td>
</tr>
<tr>
<td>Cash flows used in investing activities</td>
<td>(1,770)</td>
<td>(635)</td>
<td>(258)</td>
</tr>
<tr>
<td>Bank loans repayments</td>
<td>(445)</td>
<td>(493)</td>
<td>(938)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(140)</td>
<td>(183)</td>
<td>(336)</td>
</tr>
<tr>
<td>Lease repayments</td>
<td>(105)</td>
<td>(106)</td>
<td>(212)</td>
</tr>
<tr>
<td>Proceeds from share issue</td>
<td>123</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equity dividends paid</td>
<td>-</td>
<td>(1,328)</td>
<td>(2,516)</td>
</tr>
<tr>
<td>Cash flows used in financing activities</td>
<td>(567)</td>
<td>(2,110)</td>
<td>(4,002)</td>
</tr>
<tr>
<td>Net cash movement</td>
<td>719</td>
<td>(379)</td>
<td>1,788</td>
</tr>
</tbody>
</table>

**Highly cash generative**
- Cash conversion (op cash / op profit) 95%

**Acquisitions and deferred consideration**
- £1,974,000 cash consideration paid for Lovelle
- £8,000 additional payment in respect of the Northwood Glossop portfolio
- Settled deferred consideration of £37,000 relating to EBG portfolio acquired in 2019

**Franchise loan book**
- Fewer assisted acquisitions resulted in less funding to franchisees
- Capital repayment holiday to franchisees equated to £183,000
- Accelerated repayment by some franchisees equated to £84,000

**Repayments**
- Bank loan repayment of £445,000 in H1
- Payments of £105,000 in relation to operating leases

**Ratios**
- Annualised net debt / EBITDA leverage of 0.8 (H1 2019: 1.5)
- Interim dividend cover at 2.1x (H1 2019: 2.0)
Operational highlights

Resilient underlying business

Property franchise network of 308 offices

- 5 new franchise owners:
  - 3 taking on an existing franchise
  - 1 having made an assisted acquisition
  - 1 converting from an independent agency
- 5 franchisees merged their two offices into one
- 4 small offices closed with their portfolios managed centrally or by an adjacent franchisee

Growing financial services network up to 88 locations

- 28% net increase in no. of advisers to 174 (H1 2019: 136)
- Operating from 88 (FY2019: 72) locations

Assisted acquisitions

- 8 (H1 2019: 16) assisted acquisitions completed, adding:
  - £1,474,000 (H1 2019: £4,194,000) to network revenue
  - £164,000 (H1 2019: £325,000) p.a. in MSF
  - 1,082 managed properties (H1 2019: 2,432)
- managed properties up 7% to 69,000 (H1 2019: 64,650)
Market update

Lettings market
- Rental index annual increase of 1.5%\(^1\) to June 2020 (June 2019: 1.3%)\(^1\)
- Gradual increase in year to November 2019 but broadly flat since then
- The number of new tenants reached a record high in June 2020 reflecting post lockdown demand\(^1\)
- Regional variations in the rental index has benefitted the Belvoir Group with strong performances in the East and West Midlands and Yorkshire and The Humber

Residential property market
- UK property transactions fell by 25%\(^3\) in H1 2020 and 55% during lockdown\(^3\)
- House price inflation up 2.9%\(^2\) to May 2020 (June 2019: 0.9%)\(^2\)
- Rising at highest rate for 2 years
- Surge of activity post lockdown from pent up demand
- Further fuelled by temporary stamp duty reductions from 8 July 2020 to 31 March 2021
- Stamp duty reduction unlikely to benefit transactions until September

Financial services
- Value of gross mortgage advances up 3.9%\(^4\) in Q1 2020, pre Covid-19
- No. of mortgage approvals fell to 9,300\(^4\) in May, down from 73,700\(^4\) in February
- Mortgage market showed signs of recovery in June with approvals back up to 40,000\(^4\)
- Similar surge post lockdown in written mortgage business related to new house purchases

\(^1\)https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/july2020
\(^2\)http://landregistry.data.gov.uk/app/ukhpis\#targetText=Current%20index,compared%20to%20the%20previous%20year.
\(^4\)https://www.bankofengland.co.uk/statistics/money-and-credit/2020/june-2020#summary
Outlook

Proven business model achieving growth

Resilience of Belvoir’s business model

• Entrepreneurial franchisees and advisers motivated to succeed
• Lean, flexible structure with low central cost base
• Extensive network and client base
• 62% of gross profit derived from recurring lettings income
• Effective action taken by management in March to protect the business

Strong H1 performance

• Impressive in-line H1 performance achieving growth despite Covid-19
• Highly cash generative with operating cash conversion of 95%
• Basic EPS up 16% to 7.3p (H1 2019: 6.3p)

Outlook

• Activity at record levels at start of H2
• Record level pipelines for sales and financial services
• Strategic progress with The Nottingham Building Society alliance
• Bank balance of £5,289,000 as at 4 September 2020
• Reinstatement of progressive dividend policy
• Interim dividend of 3.4p (H1 2019: 3.4p)
• Additional dividend of 2.0p as partial catch-up on suspended final 2019 dividend
• Further catch-up with final 2020 dividend dependent on prevailing conditions
• The Board remains confident that Belvoir will meet full year pre-Covid management expectations
Disclaimer

This document has been prepared by Belvoir Group Plc (the ‘Company’) solely for use at the presentation of the Company’s results announcement in respect of the period ended 30 June 2020. For the purposes of this disclaimer, “Presentation” shall mean this document, the oral presentation of the slides by the Company and related question-and-answer session and any materials distributed at, or in connection with, that presentation.

The Presentation does not constitute or form part of and should not be construed as, an offer to sell or issue, or the solicitation of an offer to buy or acquire, securities of the Company in any jurisdiction or an inducement to enter into investment activity. No part of this Presentation, nor the fact of its distribution, should form the basis of, or be relied on or in connection with, any contract or commitment or investment decision whatsoever.

The Presentation contains forward-looking statements. They are subject to risks and uncertainties that might cause actual results and outcomes to differ materially from the expectations expressed in them. You are cautioned not to place undue reliance on such forward-looking statements which speak only as of the date hereof. The Company undertakes no obligation to revise or update any such forward-looking statements.

The information and opinions contained in this Presentation do not purport to be comprehensive, are provided as at the date of the Presentation and are subject to change without notice. The Company is not under any obligation to update or keep current the information contained herein.