Belvoir Lettings plc
Interim results
for the six months ended 30 June 2017
Introduction

July Board changes made to reflect ongoing roles and responsibilities

- Mike Goddard continuing in his role as Chairman leading the strategic direction for the Group
- Dorian Gonsalves appointed CEO reflecting his deep understanding of franchising and the property sector
Our brands

**Belvoir**
Historically a lettings franchise, Belvoir now offers both sales and lettings services and has nationwide coverage.

**Established in 1995**

**Outlets**
171

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**Newton Fallowell**
Acquired July 2015. Predominantly an estate agency, Newton Fallowell is the top selling agent within its East Midlands area.

**Established in 1999**

**Outlets**
32

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**Goodchilds**
Acquired October 2015. Two offices have been rebranded as Belvoir and two as Newton Fallowell. Further migration to Newton Fallowell in progress.

**Established in 2004**

**Outlets**
10

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**Northwood**
Acquired June 2016. Northwood, also historically a nationwide lettings franchise, has been offering both sales and lettings for several years.

**Established in 1995**

**Outlets**
87
H1 2017 overview
Strong strategic progress driving profitable growth

- Strategic focus on supporting franchisee growth
- Management Service Fee (MSF) up 47% to £3.8m (£2.6m)
- Reduced Northwood annualised overheads by £250,000
- Net profit before tax up 62% to £1.7m (2016: £1.1m)
- Adjusted EPS up 43% to 5.0p (2016: 3.5p)
- Lettings/sales ratio of 81:19 (2016: 73:27) reflects full period of Northwood’s bias towards lettings
- Properties under management up 7% to 57,637 (2016: 54,000)
- Franchise-led acquisitions adding £1.7m of network revenue
- Acquisition of Brook Financial Services in July 2017
- Interim dividend of 3.4p (2016: 3.4p) with cover at 1.2 (2016: 0.7)

Belvoir Lettings plc Interim results for the six months ended 30 June 2017
Financial review
## Group statement of comprehensive income

**Interim results for the six months ending 30 June 2017**

<p>|                                | H1 2017 | H1 2016 | FY 2016 |</p>
<table>
<thead>
<tr>
<th></th>
<th>£’000</th>
<th>£’000</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>+15%</td>
<td>4,921</td>
<td>4,293</td>
</tr>
<tr>
<td>Administrative expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non exceptional</td>
<td>0%</td>
<td>(3,154)</td>
<td>(3,148)</td>
</tr>
<tr>
<td>Exceptional</td>
<td>(22)</td>
<td>(193)</td>
<td>(482)</td>
</tr>
<tr>
<td></td>
<td>(3,176)</td>
<td>(3,341)</td>
<td>(7,430)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>+83%</td>
<td>1,745</td>
<td>952</td>
</tr>
<tr>
<td>Loss on disposal of corporate outlets</td>
<td>-</td>
<td>-</td>
<td>(160)</td>
</tr>
<tr>
<td>Exceptional deemed interest on contingent consideration</td>
<td>(68)</td>
<td>-</td>
<td>(93)</td>
</tr>
<tr>
<td><strong>Financial expenses</strong></td>
<td>(104)</td>
<td>(32)</td>
<td>(139)</td>
</tr>
<tr>
<td><strong>Financial income</strong></td>
<td>158</td>
<td>151</td>
<td>291</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>+62%</td>
<td>1,731</td>
<td>1,071</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>(332)</td>
<td>(253)</td>
<td>(576)</td>
</tr>
<tr>
<td><strong>Profit for the financial year</strong></td>
<td>+71%</td>
<td>1,399</td>
<td>818</td>
</tr>
<tr>
<td>Add back: net effect of exceptional items and amortisation of acquired intangibles</td>
<td>312</td>
<td>283</td>
<td>946</td>
</tr>
<tr>
<td><strong>Adjusted profit for the financial year</strong></td>
<td>+55%</td>
<td>1,711</td>
<td>1,101</td>
</tr>
<tr>
<td>Weighted average number of shares (basic)</td>
<td>34,413</td>
<td>31,062</td>
<td>32,376</td>
</tr>
<tr>
<td><strong>Adjusted earnings per share (basic)</strong></td>
<td>+43%</td>
<td>5.0p</td>
<td>3.5p</td>
</tr>
</tbody>
</table>

**Belvoir Lettings plc** Interim results for the six months ended 30 June 2017
Revenue up by £0.6m to £4.9m

- Northwood, acquired 7 June 16, added £1.1m revenue
- Corporate office income reduced £0.5m following strategic decision to franchise six owned offices

Ongoing admin expenses unchanged at £3.2m

- Northwood added £0.6m costs for full six month period, with restructuring in Q1 reducing costs by £0.25m p.a.
- Corporate office costs down £0.6m to £0.5m
MSF continued growth

Significant MSF growth of 47% reflecting:

- 40% of growth arising from full period ownership of Northwood compared to one month in 2016
- Organic lettings growth of 4.0% (2016: 3.2%) outperforming sector rental index of 2.75%-3%
- 1.6% growth from estate agency (2016: 2.5%) in challenging market conditions
- 1.4% from franchisees acquisitions under the Assisted Acquisitions programme (2016: 1.3%)
## Group statement of financial position

**As at 30 June 2017**

<table>
<thead>
<tr>
<th></th>
<th>H1 2017 £'000</th>
<th>H1 2016 £'000</th>
<th>FY 2016 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>24,523</td>
<td>27,904</td>
<td>24,772</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>641</td>
<td>793</td>
<td>657</td>
</tr>
<tr>
<td>Franchisee loans</td>
<td>4,800</td>
<td>4,403</td>
<td>4,921</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>1,704</td>
<td>1,911</td>
<td>1,843</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>2,128</td>
<td>1,251</td>
<td>1,591</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>33,796</strong></td>
<td><strong>36,262</strong></td>
<td><strong>33,784</strong></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>1,713</td>
<td>1,635</td>
<td>1,239</td>
</tr>
<tr>
<td>Contingent consideration</td>
<td>4,281</td>
<td>7,375</td>
<td>5,349</td>
</tr>
<tr>
<td>Bank loan</td>
<td>6,797</td>
<td>7,014</td>
<td>6,962</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>2,024</td>
<td>2,472</td>
<td>2,054</td>
</tr>
<tr>
<td>Tax payable</td>
<td>473</td>
<td>322</td>
<td>849</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>15,288</strong></td>
<td><strong>18,818</strong></td>
<td><strong>16,453</strong></td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>18,508</strong></td>
<td><strong>17,444</strong></td>
<td><strong>17,331</strong></td>
</tr>
<tr>
<td>Share capital</td>
<td>344</td>
<td>336</td>
<td>336</td>
</tr>
<tr>
<td>Reserves</td>
<td>18,164</td>
<td>17,108</td>
<td>16,995</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>18,508</strong></td>
<td><strong>17,444</strong></td>
<td><strong>17,331</strong></td>
</tr>
</tbody>
</table>

### Northwood consideration of £13.2m
- £8.9m consideration to date
- £4.3m estimated earn out (Aug 2018)

### Bank loan of £7.0m in June 2016
- 2.5% over LIBOR
- Repayable £175,000 per quarter
- Final repayment of £4.0m March 2021

### Bank covenants (actual at June 2017)
- 2X EBITDA (1.6)
- 5X interest cover (19.8)
- 1.1X debt service cover (3.8)
## Group statement of cash flow
Interim results for the six months ending 30 June 2017

<table>
<thead>
<tr>
<th></th>
<th>H1 2017 £’000</th>
<th>H1 2016 £’000</th>
<th>2016 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash generated from operating activities</td>
<td>1,908</td>
<td>1,192</td>
<td>2,946</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(250)</td>
<td>(305)</td>
<td>(597)</td>
</tr>
<tr>
<td><strong>Cash generated from operations</strong></td>
<td>1,658</td>
<td>887</td>
<td>2,349</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>-</td>
<td>(7,799)</td>
<td>(7,762)</td>
</tr>
<tr>
<td>Deferred consideration</td>
<td>(988)</td>
<td>(1,901)</td>
<td>(2,202)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(30)</td>
<td>(66)</td>
<td>(80)</td>
</tr>
<tr>
<td>Disposal of corporate offices / assets</td>
<td>71</td>
<td>7</td>
<td>797</td>
</tr>
<tr>
<td>Franchise loans – net movement</td>
<td>268</td>
<td>99</td>
<td>(414)</td>
</tr>
<tr>
<td>Finance income</td>
<td>153</td>
<td>151</td>
<td>291</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>(526)</td>
<td>(9,509)</td>
<td>(9,370)</td>
</tr>
<tr>
<td>Bank loans – net movement</td>
<td>(175)</td>
<td>6,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Net proceeds on issue of shares</td>
<td>936</td>
<td>2,301</td>
<td>2,301</td>
</tr>
<tr>
<td>Equity dividends paid</td>
<td>(1,171)</td>
<td>(1,039)</td>
<td>(2,183)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(185)</td>
<td>(68)</td>
<td>(185)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td>(595)</td>
<td>7,194</td>
<td>5,933</td>
</tr>
<tr>
<td><strong>Net cash movement</strong></td>
<td>537</td>
<td>(1,428)</td>
<td>(1,088)</td>
</tr>
</tbody>
</table>

### Franchise loans
- £75,000 advanced to support franchisee acquisitions
- £343,000 repaid by franchisees

### Equity transactions
- £1.2m of dividend payments
- 803,284 ordinary shares issued to Northwood vendors at 116.67p per share on 23 January 2017 and are locked in for 12 months

### Bank
- Loan repayment holiday agreed for June and September 2017 to part-fund acquisition of Brook Financial Services in July 2017
- Catch up through additional repayments in December 2017 and March 2018

Belvoir Lettings plc  Interim results for the six months ended 30 June 2017
Operational review
Operational highlights

Strong strategic progress

Network growth

- Group has 300 offices managing 57,637 properties
- 4 new territories – all enhanced starts or acquisitions
- 6 closures - inc 4 consolidated into adjacent territory

Franchisee Assisted Acquisitions

- 12 franchisee-led acquisitions
- Funding support of £322,000 from Belvoir
- Return of £188,000 p.a. MSF and £29,000 interest
Sector update

Property sales market and our place within it

- Recent Barclays report\(^1\) noted that the no. of UK transactions are in 'structural decline' due to restricted supply
- Home ownership in England has declined from 71% in 2004 to 64% in 2015
- Despite this challenging market, MSF from property sales for Belvoir shows a clear upwards trend
- Online agents forecast to increase from 5% to 10% of market share within 5 years
- Our online self service estate agency platform, enabling us to address this target market, is well advanced

\(^1\) Barclays analyst Jon Bell, Business Insider UK 15/08/17

As a Group, we see our self-service online estate agency platform as complementary to our existing, traditional estate agency model, which has seen growth each year.
Sector update
Changes in the lettings market

• Restricted supply of houses to buy has kept prices high leading to a decline in home ownership and increased demand in the rental sector

• Trend towards longer tenancies with 50% renting 13-18 months, and 36% staying for up to 2 years

• Belvoir’s Q2 Rental Index indicates that average rents have increased by 2.75% year-on-year from £730 (Q2 2016) to £751 (Q2 2017)

• The last 6 months MSF figures show 4% rise in organic growth for lettings across the group

• Increased regulation will improve standards in the rented sector

Belvoir’s statistics, which show a rise of 2.75% in average rents, are very much in line with other reputable rental indexes, including the Office of National Statistics
Outlook
Strategy for growth

- **Assisted acquisitions programme**
  - Good response to H1 franchisee acquisition roadshows
  - On target to achieving FY17 target of £3.0m deals adding £2.4m network revenue and £0.3m p.a. MSF

- **Brook Financial Services**
  - Acquired Brook Financial Services in July 2017
  - Aim to maximise potential revenue from offering mortgages and insurance products

- **New initiatives**
  - **Recruitment**: rolling out low cost entry model early 2018 with migration to a physical office over 3 years
  - **Online sales model**: self service estate agency platform to be offered by franchisees as alternative to their existing, traditional estate agency service

- **Outlook**
  - Current year trading in line with management expectations with a promising start to H2
  - The Board continues to evaluate opportunities for further significant consolidation within the sector
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