Interim results for the period ending 30 June 2014

Mike Goddard – Chief Executive
Louise George – Finance Director
Overview

• Improved Group performance delivering stable growth
• Revenue from 2013 acquisition of estate agency business now accounts for 13% of total revenue
• Successful estate agency pilot, roll out to rest of network commenced
• Further acquisitions funded by 2013 share issue
• Robust new franchisee pipeline
• Market conditions remain strong
Financial Review

Louise George
Financial Highlights

• Revenue grew 32% to £3.3m (H1 2013: £2.5m)
• Headline management service fee (MSF) up 11%
• Growing revenue stream from estate agency fees of £0.4m (H1 2013: £0.1m)
• Overheads increased by £0.7m including non-recurring ‘exceptional' charges of £0.3m
• Profit before tax up 6% to £0.8m (H1 2013: £0.7m)
• Interim dividend of 3.4p to enlarged shareholding
• Strong cash balance of £2.2m (H1 2013 £1.7m)
## Statement of Comprehensive Income

<table>
<thead>
<tr>
<th>Period to 30 June 2014</th>
<th>H1 2014</th>
<th>H1 2013</th>
<th>FY 2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>%</td>
</tr>
<tr>
<td>Revenue</td>
<td>3,257</td>
<td>2,474</td>
<td>5,840</td>
<td>32%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(2,528)</td>
<td>(1,761)</td>
<td>(4,293)</td>
<td>43.6%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>729</td>
<td>713</td>
<td>1,547</td>
<td>2.2%</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(74)</td>
<td>(32)</td>
<td>(87)</td>
<td></td>
</tr>
<tr>
<td>Finance income</td>
<td>118</td>
<td>51</td>
<td>156</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>773</td>
<td>732</td>
<td>1,616</td>
<td>5.6%</td>
</tr>
<tr>
<td>Taxation</td>
<td>(168)</td>
<td>(175)</td>
<td>(377)</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>605</td>
<td>557</td>
<td>1,239</td>
<td>8.6%</td>
</tr>
</tbody>
</table>
Financial Results

- Group revenue increased 32% to £3.3m (H1 2013: £2.5m)
- Profit before taxation up 6% to £0.8m (H1 2013: £0.7m)
Increased overheads arising from:

• Appointment of experienced senior management team
• Investment in estate agency sales pilot
• Advertising and recruitment to attract new franchisees
• Operating corporate estate agency chain acquired towards end of prior period
• Outsourced finance and accountancy services
• ‘Exceptional’ one-off charges of £0.3m
  • Compensation for loss of office of £120,000 to departing director
  • Write-off of £205,000 following review of recoverability of certain assets

Anticipate lower overheads in H2
## Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>June 2014 £’000</th>
<th>June 2013 £’000</th>
<th>Dec 2013 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill &amp; intangibles</td>
<td>2,887</td>
<td>2,380</td>
<td>2,884</td>
</tr>
<tr>
<td>Property, plant &amp; equip.</td>
<td>730</td>
<td>649</td>
<td>674</td>
</tr>
<tr>
<td><strong>Working Capital</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade &amp; other receivables</td>
<td>1,150</td>
<td>1,121</td>
<td>1,115</td>
</tr>
<tr>
<td>Trade &amp; other payables</td>
<td>(2,040)</td>
<td>(1,002)</td>
<td>(2,045)</td>
</tr>
<tr>
<td><strong>Other Balances</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans to franchisees</td>
<td>4,003</td>
<td>1,270</td>
<td>2,337</td>
</tr>
<tr>
<td>Corporation and deferred tax</td>
<td>(419)</td>
<td>(427)</td>
<td>(535)</td>
</tr>
<tr>
<td>Bank loans</td>
<td>(1,502)</td>
<td>(3,459)</td>
<td>(2,227)</td>
</tr>
<tr>
<td>Cash</td>
<td>2,230</td>
<td>1,736</td>
<td>5,047</td>
</tr>
<tr>
<td><strong>Shareholders’ Funds</strong></td>
<td>7,039</td>
<td>2,268</td>
<td>7,250</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Cash Flows

<table>
<thead>
<tr>
<th>Period to 30 June 2014</th>
<th>June 2014 £’000</th>
<th>June 2013 £’000</th>
<th>December 2013 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>782</td>
<td>755</td>
<td>1,647</td>
</tr>
<tr>
<td>Movement in working capital</td>
<td>(43)</td>
<td>(457)</td>
<td>(663)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(284)</td>
<td>(44)</td>
<td>(294)</td>
</tr>
<tr>
<td><strong>Cash generated from operations</strong></td>
<td>455</td>
<td>254</td>
<td>690</td>
</tr>
<tr>
<td>Capital expenditure and acquisitions</td>
<td>(109)</td>
<td>(1,586)</td>
<td>(1,998)</td>
</tr>
<tr>
<td>Loans to franchisees and staff</td>
<td>(1,666)</td>
<td>(474)</td>
<td>(304)</td>
</tr>
<tr>
<td>Finance income</td>
<td>118</td>
<td>51</td>
<td>156</td>
</tr>
<tr>
<td><strong>Net cash used by investing activities</strong></td>
<td>(1,657)</td>
<td>(2,009)</td>
<td>(2,146)</td>
</tr>
<tr>
<td>Proceeds of share issue</td>
<td>-</td>
<td>-</td>
<td>5,004</td>
</tr>
<tr>
<td>Bank loans and mortgage</td>
<td>(725)</td>
<td>2,279</td>
<td>1,045</td>
</tr>
<tr>
<td>Finance cost</td>
<td>(74)</td>
<td>(32)</td>
<td>(87)</td>
</tr>
<tr>
<td>Dividends</td>
<td>(816)</td>
<td>(599)</td>
<td>(1,302)</td>
</tr>
<tr>
<td><strong>Net cash (used in) / generated from financing activities</strong></td>
<td>(1,615)</td>
<td>1,648</td>
<td>4,660</td>
</tr>
<tr>
<td><strong>Net cash movement</strong></td>
<td>(2,817)</td>
<td>(107)</td>
<td>3,204</td>
</tr>
</tbody>
</table>
Operational Review

Mike Goddard
Operational Highlights

- 1 new territory launched bringing total number of offices to 157
- 6 new franchisees acquired existing territories in H1
- Deposits taken for 4 new and 2 existing territories for H2
- 3 acquisitions in the period (Aldershot, Hereford and Nuneaton) and more in pipeline
- Estate agency pilot completed successfully and first franchisees now under training
- Launch of refreshed branding and new marketing campaign
- Strengthening of senior management team to position Belvoir for accelerating growth
- Gold award at the Lettings Franchise of the Year Awards (in association with The Sunday Times & The Times) for the fourth time
Future Potential of the Rental Market *

- Long term demand for private rental sector (PRS) housing is forecast to rise, fuelled by major socio-economic factors.
- 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.
- Census data shows that 4.2 million households now class the PRS as home, an increase of 1.6 million since 2001.
- Private rented sector remained on firm footing in 2014 and despite Government initiatives e.g. ‘Help To Buy’ scheme, there has been minimal impact on demand for rental property.
- The UK population is expected to grow to 73.2 million by 2035 but housing supply is failing to keep pace.
- 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*
Marketing Refresh

Social media

Twitter
LinkedIn
Facebook
The Opportunity

- 360 free territories by postcode, many located in densely populated areas
- 162 territories already granted or reserved
- Significant opportunities for expansion throughout the UK
- 17% of all households, or nearly 4.2 million homes in England (2012: 3.0m)
- Approx. 1.4m private landlords - market trends indicating rental market to increase
- Belvoir’s network manages over 25,000 properties
Summary and Outlook
Summary

- H1 a successful period with achieving budgeted MSF growth
- Dividend payment of 3.4p per share
- Proceeds from 2013 share issue supporting Group acquisition programme
- Strategic objectives to grow geographically across the UK and complete bolt-on acquisitions met
- Strengthened Board and senior management team
Outlook

• Strong financial performance in 2014 so far
• Acquisitions anticipated to positioned the business for further growth
• Market drivers indicate good lettings environment
• Estate Agency sales launch provides new revenue stream
• Belvoir continues to grow in all parts of the UK
Questions
The Belvoir Model

Belvoir franchise model

• Belvoir retains power to monitor standards and control brand through franchise agreement
• 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
• Cost effective, low capital intensive way of growing the business
• Full member of the British Franchise Association

Belvoir 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 and centralised support and training.
• Modest initial set up fee - £22,500
• Ongoing management fee of 12% of franchisee monthly revenue
• Strong national brand, extensive head office support and successful track record of existing franchisees attracts new quality franchisees
Mike Goddard
Chairman and CEO
Founder Belvoir in 1995. Director of BFA and European Franchise Federation. Wing Commander in the RAF as culmination of 17 year career.

Dorian Gonsalves
Director of Franchising
Lettings and estate agency professional with 16 years experience of the sector, having joined Belvoir in 2005 from Countrywide PLC. Board Member of The Property Ombudsman.

Louise George
Finance Director
Chartered Accountant having qualified with EY and Chartered Secretary with 12 years AIM-listed plc experience. Joined Belvoir as Finance Director and Company Secretary in June 2014.
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