BELVOIR!

Belvoir Lettings plc
Preliminary results
for the year ending 31 December 2016
Introduction

Mike Goddard
Chairman and
Chief Executive Officer

Dorian Gonsalves
Chief Operating Officer

Louise George
Chief Financial Officer
Our brands

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

Established in 1995
Outlets 171

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

Established in 1999
Outlets 30

Goodchilds
Acquired October 2015. Goodchilds is a West Midlands-based lettings and estate agency, with a strong lettings bias.

Established in 2004
Outlets 14

Northwood
Acquired June 2016. Northwood, also historically a lettings franchise, offers both sales and lettings nationwide.

Established in 1995
Outlets 87
2016 overview

- Acquisition of Northwood added £1.5m revenue and £0.5m profit before tax in FY16
- 302 (2015: 212) outlets across 4 brands
- 12 (2015: 11) new franchise owners
- 55,756 (2015: 37,000) properties under management
- Times and Sunday Times ‘Lettings Franchise of the Year’ for the 6th time in 7 years
- Group revenue up 43% to £9.9m (2015: £6.9m)
- MSF up 59% to £6.4m (2015: £4.0m)
- Final dividend recommended 3.4p (2015: 3.4p)
Financial review
## Group statement of comprehensive income

**For the financial year ended 31 December 2016**

<table>
<thead>
<tr>
<th>Description</th>
<th>Variance %</th>
<th>2016 £'000</th>
<th>2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>43%</td>
<td>9,940</td>
<td>6,947</td>
</tr>
<tr>
<td>Administrative expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non exceptional</td>
<td>45%</td>
<td>(6,948)</td>
<td>(4,799)</td>
</tr>
<tr>
<td>Exceptional</td>
<td></td>
<td>(482)</td>
<td>(201)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>(7,430)</strong></td>
<td><strong>(5,000)</strong></td>
</tr>
<tr>
<td>Operating profit</td>
<td>29%</td>
<td>2,510</td>
<td>1,947</td>
</tr>
<tr>
<td>Loss on disposal of corporate outlets</td>
<td></td>
<td>(160)</td>
<td>-</td>
</tr>
<tr>
<td>Exceptional deemed interest on contingent consideration</td>
<td></td>
<td>(93)</td>
<td>-</td>
</tr>
<tr>
<td>Financial expenses</td>
<td></td>
<td>(139)</td>
<td>(61)</td>
</tr>
<tr>
<td>Financial income</td>
<td></td>
<td>291</td>
<td>338</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>8%</td>
<td>2,409</td>
<td>2,224</td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td>(576)</td>
<td>(510)</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td>7%</td>
<td>1,833</td>
<td>1,714</td>
</tr>
<tr>
<td>Add back: net effect of exceptional items</td>
<td></td>
<td>646</td>
<td>201</td>
</tr>
<tr>
<td>Adjusted profit for the financial year</td>
<td>30%</td>
<td>2,479</td>
<td>1,915</td>
</tr>
<tr>
<td>Weighted average number of shares (basic)</td>
<td></td>
<td>32,376</td>
<td>26,197</td>
</tr>
<tr>
<td>Adjusted earnings per share (basic)</td>
<td>5%</td>
<td>7.7p</td>
<td>7.3p</td>
</tr>
</tbody>
</table>
Financial highlights

**Revenue**
- £9.9m
- +43%

**MSF**
- £6.4m
- +59%

**ADJ Profit Before Tax**
- £3.1m
- +28%

**ADJ Earnings Per Share**
- 7.7p
- +5%

Revenue up by £3.0m to £9.9m
- MSF growth of £2.4m to £6.4m
- Franchise fees unchanged at £0.4m
- Corporate outlets income up £0.4m to £2.3m

Ongoing admin expenses up £2.1m to £6.9m
- £1.6m arising from acquired networks
- £0.3m of additional amortisation against acquisitions

Exceptional costs of £0.7m (2015: 0.2m)
**MSF growth**

**Significant MSF growth of 59%**

- 53% arising from the acquired networks
- Belvoir network growth of 6% (2015: 12%)
  - organic growth of 3.2% (2015: 4.2%)
  - 2.5% increase from further roll-out of estate agency (2015: 2.3%)
  - 1.3% from franchisee acquisitions part-funded by Belvoir (2015: 6.0%)
  - (1.1%) reduction in MSF due to change in mix of corporate outlets
Group statement of financial position
As at 31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>2016 £’000</th>
<th>2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangibles assets</td>
<td>24,772</td>
<td>11,854</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>657</td>
<td>649</td>
</tr>
<tr>
<td>Franchisee loans</td>
<td>4,921</td>
<td>4,507</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>1,843</td>
<td>1,239</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,591</td>
<td>2,679</td>
</tr>
<tr>
<td>Total assets</td>
<td>33,784</td>
<td>20,928</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>1,239</td>
<td>1,005</td>
</tr>
<tr>
<td>Contingent consideration</td>
<td>5,349</td>
<td>3,144</td>
</tr>
<tr>
<td>Bank loan</td>
<td>6,962</td>
<td>1,000</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>2,054</td>
<td>1,001</td>
</tr>
<tr>
<td>Tax payable</td>
<td>849</td>
<td>357</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>16,453</td>
<td>6,507</td>
</tr>
<tr>
<td>Total net assets</td>
<td>17,331</td>
<td>14,421</td>
</tr>
<tr>
<td>Share capital</td>
<td>336</td>
<td>305</td>
</tr>
<tr>
<td>Reserves</td>
<td>16,995</td>
<td>14,116</td>
</tr>
<tr>
<td>Total equity</td>
<td>17,331</td>
<td>14,421</td>
</tr>
</tbody>
</table>

Acquisition of Northwood for £13.2m
- £8.0m initial consideration (June 2016)
- £0.9m further consideration (Jan 2017)
- £4.3m estimated earn out (Aug 2018)

New bank loan of £7.0m in June 2016
- £0.9m to repay existing bank loan
- £6.1m to part-fund Northwood
- 5 year term
- 2.5% over LIBOR
- 9 month capital repayment holiday
- Repayable £175,000 per quarter
- Final repayment of £4.0m March 2021

Bank covenants
- 2X EBITDA
- 5X interest cover
- 1.1X debt service cover
Group statement of cash flow
For the year ended 31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>2016 £’000</th>
<th>2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>3,277</td>
<td>2,402</td>
</tr>
<tr>
<td>Movement in working capital</td>
<td>(331)</td>
<td>203</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(597)</td>
<td>(572)</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>2,349</td>
<td>2,033</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(7,762)</td>
<td>6,892</td>
</tr>
<tr>
<td>Deferred consideration</td>
<td>(2,202)</td>
<td>-</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(80)</td>
<td>(102)</td>
</tr>
<tr>
<td>Disposal of corporate outlets / assets</td>
<td>797</td>
<td>14</td>
</tr>
<tr>
<td>Franchise loans – net movement</td>
<td>(414)</td>
<td>689</td>
</tr>
<tr>
<td>Finance income</td>
<td>291</td>
<td>338</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>(9,370)</td>
<td>(5,953)</td>
</tr>
<tr>
<td>Bank loans – net movement</td>
<td>6,000</td>
<td>(521)</td>
</tr>
<tr>
<td>Net proceeds on issue of shares</td>
<td>2,301</td>
<td>7,444</td>
</tr>
<tr>
<td>Equity dividends paid</td>
<td>(2,183)</td>
<td>(1,749)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(185)</td>
<td>(61)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>5,933</td>
<td>5,113</td>
</tr>
<tr>
<td>Net cash movement</td>
<td>(1,088)</td>
<td>1,193</td>
</tr>
</tbody>
</table>

**Acquisitions**
- £8.0m initial Northwood consideration
- £2.2m Newton Fallowell and Goodchilds deferred consideration

**Franchise loans**
- Repayments of £0.9m
- £0.5m advanced to support franchisee acquisitions
- £0.8m advanced to franchise out three corporate outlets

**Equity transactions**
- £0.9m to settle Newton Fallowell earn out
- Net £2.3m to part-fund Northwood
- £2.2m of dividend payments
Operational review
Operational highlights

**OFFICES**
No. 302
+42%

**MANAGED PROPERTIES**
No. 55,756
+50%

**NEW FRANCHISE OWNERS**
No. 12
+8%

**NEW TERRITORIES**
No. 8
+14%

### Network growth
- Acquisition of Northwood in June 2016
- NW added 87 offices and 17,921 managed properties
- Group has 302 offices managing 55,756 properties

### Recruitment
- 12 new franchisees across Group (BLV-7, NW-3, NF-2)
- Operating in 8 new and 6 existing territories
- Largest franchise resold for over £1.5m
Operational highlights

**FRANCHISEE ACQUISITIONS**
Deal value £’000

9
+125%

Deal value £’000

9
+125%

**FRANCHISEE ACQUISITIONS**
Additional MSF pa £’000

£243,000
+285%

**OFFICES OFFERING SALES**
No.

221
+99%

**MSF FROM PROPERTY SALES**
£’000

£1.0m
+173%

Assisted acquisitions programme 2016

- £1.5m additional network revenue
- Funding support of £551,000 from Belvoir
- Additional MSF of £243,000 and interest of £58,000

Increasing revenue from property sales

- 221 (73%) of offices offer property sales
- Lettings to sales ratio of 76:24
- £1.0m MSF and £1.1m corp office income from sales
Sector update: property sales and the online competition

- Online agents forecast to increase from 5% to 10% of market share within 5 years
- Leaves traditional high street agents with 90% market share
- Belvoir Group sold 31% more properties in 2016 when compared with 2015
- With only 0.5% of the market share, Belvoir Group has everything to gain

William Packer, Exane BNP Paribas, forecasts online agents to double their market share from 5% to 10% within the next five years, but could be as little as 7%, or as much as 20% by 2022.
Sector update: changes in the lettings market

- Tax changes: mortgage interest relief and stamp duty
- Tougher BTL mortgage lending criteria
- Rent Smart Wales and agent licensing in Scotland
- 145 rules and regulations for landlords and agents
- Mandatory client money protection
- Ban on tenant fees announced
- Local licensing of landlords
- Right to rent
- Build to rent

“
The move towards the professionalisation of the lettings market will create opportunities for the Belvoir Group

Source: Live tables on dwelling stock (including vacant), Table 101, DCLG. visual.ons.gov.uk/uk-perspectives-2016-housing-and-home-ownership-in-the-uk
Outlook - strategy for growth

- **Assisted acquisitions programme**
  - Taking advantage of the market consolidation
  - Franchise acquisition roadshows underway
  - FY17 target: £3.0m of deals adding £0.3m p.a. MSF

- **Additional services**
  - Financial services: mortgages, insurance
  - Leverage of additional revenue from broad base
  - Considering commercial property and block management for the future

- **Franchise recruitment**
  - Considering a lower cost entry model
  - With migration to a physical outlet over 5 years
  - And greater centralised and online functions

- **Opportunity for further significant consolidation anticipated in the future**
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