

Opening the door to property, mortgage and franchise expertise



Belvoir Group PLC
Interim Results Presentation
September 2022



Motivated, experienced management team

With a long-standing record for delivering growth



Dorian Gonsalves
Chief Executive Officer

Experience

24 years in the property sector

Length of service

17 years at Belvoir

Key skills

Franchising / people management / strategic business planning

Shareholding

646,322 shares (1.7%)

Share options

348,422



Louise George
Chief Financial Officer

Experience

20 years as board member on AIM-listed companies

Length of service

8 years at Belvoir

Key skills

Financial management / mergers and acquisitions / investor relations

Shareholding

409,144 shares (1.1%)

Share options

299,597

H1 2022 overview

Key highlights

Financial highlights

Revenue

£15.4m

+12% (H1 2021: £13.8m)

Profit before tax

£4.0m

-16% (H1 2021: £4.8m)

EPS

8.7p

-12% (H1 2021: 9.9p)

Net debt

£2.5m

-36% (H1 2021: £4.0m)

Operational highlights



Offices

473

+1% (H1 2021: 467)



Financial advisers

301

+36% (H1 2021: 221)



House sales

4,889

-21% (H1 2021: 6,166)



Managed properties

73,300

+2% (H1 2021: 71,600)

Our business

Belvoir Group is a leading UK property, mortgage and franchise group operating through two divisions



Opening the door to **property expertise**

BELVOIR!

Established in 1995

159
offices



Acquired in 2015

39
offices



Acquired 2016

93
offices



Acquired in 2020

16
offices



Acquired in 2021

20
offices



Acquired in 2022

10
territories



Dual-branded
branches since 2020

36
branches

Opening the door to **mortgage expertise**

Brook Financial Services
trading as



Acquired in 2017

100 **301**
businesses advisers

Group offices

473

Growth strategy in action

Building opportunities



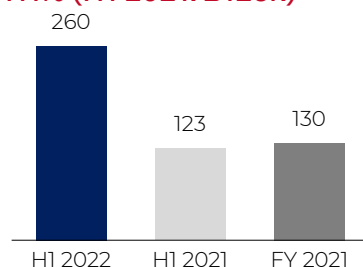
Assisted acquisitions strategy Opportunities return post-Covid

- Nine (H1 2021: five) transactions to date adding:
 - £2.2m franchisee revenue (H1 2021: £1.1m)
 - 1,817 (H1 2021: 790) managed properties under management

MSF p.a. from assisted acquisitions

£260k

+111% (H1 2021: £123k)



MR. and MRS.
Clarke.



Mr and Mrs Clarke Acquired 10 March 2022

- Home-based, high-quality personal agency model
- Network of 10 licensed partners
- Predominantly based in North London, Warwickshire, South Wales and the Midlands
- Currently offering sales only so opportunity to add lettings and financial services
- Highly motivated, entrepreneurial couple driving the network forward
- Initial consideration and settlement of debt totalled only £0.2m
- Subject to additional deferred element



The TIME Group Acquired 23 May 2022

- Network of 63 financial services advisers
- Located across the North West down to the Midlands
- Also operates under Mortgage Advice Bureau
- Revenue of £4.2m and profit before tax of £0.7m for year to July 2021
- Initial consideration of £3.8m net of cash acquired
- Further consideration of max £0.7m contingent on performance to July 2022

H1 2022 financial review



Group statement of comprehensive income

For the six months ended 30 June 2022

	Inc/-dec	H1 2022 £'000	H1 2021 £'000	FY 2021 £'000
Continuing operations				
Revenue - Franchise Property	4%	7,666	7,389	15,210
Revenue - Financial Services	20%	7,737	6,421	14,437
Revenue	12%	15,403	13,810	29,647
Cost of sales	23%	(5,999)	(4,863)	(10,602)
Gross profit	5%	9,404	8,947	19,045
<i>Gross profit margin - FS</i>		22%	24%	27%
<i>Gross profit margin - overall</i>		61%	65%	64%
Administrative expenses	29%	(5,368)	(4,167)	(9,705)
Operating profit	-16%	4,036	4,780	9,340
<i>Operating profit margin</i>		26%	35%	32%
Finance costs		(123)	(103)	(211)
Finance income		82	90	167
Profit before taxation	-16%	3,995	4,767	9,296
Taxation		(769)	(1,281)	(1,912)
Profit and total comprehensive income for the financial year	-7%	3,226	3,486	7,384
Earnings per share attributable to equity holders of the parent company				
Basic	-12%	8.7	9.9	20.4
Diluted	-9%	8.5	9.3	20.3

Key points

- Property revenue up 4%
 - Acquisitions added 8%
 - LFL 4% lower as expected
- Financial services (FS) up 20%
 - Acquisitions added 14%
 - LFL growth of 6%
- Gross profit up 5% to £9.4m
- Gross profit margin of 61% (H1 2021: 65%) reflects:
 - proportion of revenue from FS up to 50% (H1 2021: 46%)
 - increasing number of FS Business Partners who process their own admin and earn higher commission
- Lower profit levels as expected due to normalisation of:
 - sales market in H1 2022
 - operating costs following H1 2021 lockdown
- Impact of 2023 corporation tax rate increase on deferred tax recognised in H1 2021

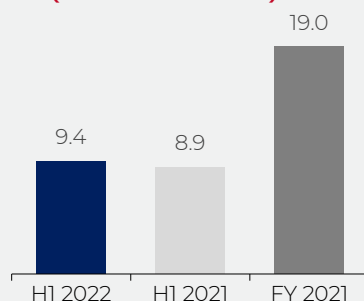
Financial highlights H1 2022

Growth strategy and diversification underpinning H1 results

Gross profit (£m)

£9.4m

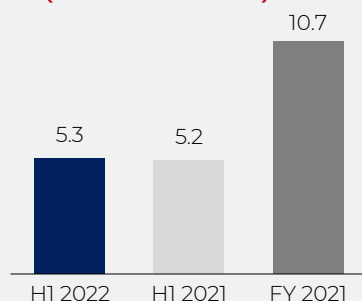
+5% (H1 2021: £8.9m)



MSF (£m)

£5.3m

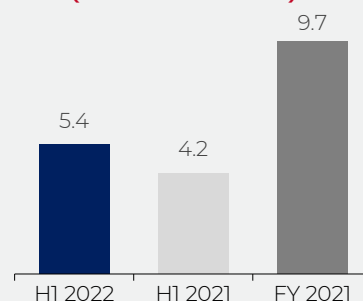
+1% (H1 2021: £5.2m)



Admin costs (£m)

£5.4m

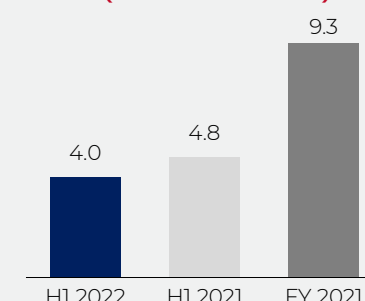
+29% (H1 2021: £4.2m)



Profit before tax (£m)

£4.0m

-16% (H1 2021: £4.8m)



Gross profit

- Gross profit up £0.5m to £9.4m (H1 2021: £8.9m)
 - Acquired property networks added £0.6m
 - Acquired FS networks added £0.2m
 - Underlying business down £0.3m
 - Lettings up £0.2m; Sales down £0.4m and FS down £0.1m as sales market normalises
- Management Service Fees (MSF) level at £5.3m (H1 2021: £5.2m)
 - 5% lettings MSF increase broadly netting off 12% sales decrease
- Corporate office income increased by £0.3m net of acquired £0.4m with like-for-like down £0.1m entirely due to fewer sales transactions

Administrative costs

- Administrative expenses up £1.2m to £5.4m (H1 2021: £4.2m)
 - Acquired businesses added £0.7m
 - Professional fees incurred on acquisitions were up £0.1m to £0.2m
 - Share-based payment (SBP) charge was up £0.1m to £0.2m
 - Underlying overheads up £0.3m
 - Payroll, excluding share-based payment, up 5% reflecting cost-of-living pay rises
 - Other overheads up 14%, as operations return to normal post-lockdowns
- Profit before tax down £0.8m to £4.0m (H1 2021: £4.8m)

Statement of financial position

As at 30 June 2022

	H1 2022 £'000	H1 2021 £'000	FY 2021 £'000
Assets			
Intangible assets	37,800	33,837	34,761
Tangible assets	531	513	501
Right-of-use assets	596	389	699
Franchisee loans	2,902	3,171	2,593
Trade and other receivables	2,917	2,841	2,582
UIC balances	2,660	1,858	2,218
Cash and cash equivalents	5,748	5,183	7,413
Total assets	53,154	47,792	50,767
Trade and other payables	3,452	3,311	2,978
UIC liability	1,854	1,309	1,548
Lease liabilities	611	399	713
Bank loan	8,297	9,158	8,728
Deferred tax	2,757	1,951	2,872
Corporation tax liability	776	1,063	281
Total liabilities	17,747	17,191	17,120
Total net assets	35,407	30,601	33,647
Share capital	373	362	373
Reserves	35,034	30,239	33,274
Total equity	35,407	30,601	33,647

Intangibles

- Goodwill of £3.3m on acquisitions of Mr and Mrs Clarke and TIME

UIC balances

- UIC balance of £2.7m (H1 2021: £1.9m) and UIC liability of £1.9m (H1 2021: £1.3m) increased on acquisition of TIME

Net debt

- Cash of £5.7m (H1 2021: £5.2m)
- Bank debt reduced to £8.3m (H1 2021: £9.2m)
- Net debt of £2.5m (H1 2021: £4.0m) having acquired MMC and TIME for £3.0m net of cash
- Final bank loan instalment of £7.9m due March 2023 repayable from forecast cash reserves
- The Group operates within its covenants with substantial headroom
- HSBC supportive of new facilities if required to fund further strategic growth

Statement of cash flows

For the six months ended 30 June 2022

	H1 2022 £'000	H1 2021 £'000	FY 2021 £'000
Operating activities			
Cash generated from operating activities	4,379	5,671	10,338
Tax paid	(391)	(828)	(1,782)
Net cash flows generated from operating activities	3,988	4,843	8,556
Investing activities			
Acquisitions net of cash acquired	(3,005)	(4,146)	(4,374)
Sale of assets held for resale and corporate offices disposals	—	591	591
Capital expenditure on property, plant and equipment	(75)	(26)	(101)
Franchisee loans granted	(666)	(684)	(796)
Franchisee loans repaid	362	503	1,015
Finance income received	78	90	167
Net cash flows used in investing activities	(3,306)	(3,672)	(3,498)
Financing activities			
Proceeds from share issue	—	508	1,031
Loan repayments	(445)	(445)	(890)
Equity dividends paid	(1,678)	(1,797)	(3,288)
Lease payments	(111)	(85)	(221)
Finance costs	(113)	(103)	(211)
Net cash flows used in financing activities	(2,347)	(1,922)	(3,579)
Net change in cash and cash equivalents	(1,665)	(751)	1,479
Cash and cash equivalents at the beginning of the financial year	7,413	5,934	5,934
Cash and cash equivalents at the end of the financial year	5,748	5,183	7,413

Highly cash generative

- 97% (H1 2021: 109%) of EBITDA converting to cash

Investing activities

- £3.0m invested in MMC and TIME net of cash acquired
- deferred consideration of £0.9m paid in July 2022 against TIME completion accounts

Dividends

- Final 2021 dividend of 4.5p per share paid in May 2022 at a cost of £1.7m
- Interim 2022 dividend of 4.0p (H1 2021: 4.0p) declared

Environmental, social and governance

A focus on our people



Staff survey H1 2022

80% of staff said that they were proud to work for the Group and would recommend it as a good place to work.

Main actions in response to survey

- Flexibility to buy and sell up to 5 days leave
- Cycle to work scheme
- Electric car scheme
- Medicash plan for all staff
- Appointment of five mental health first aiders
- Well-being telephone support
- Extra day's leave for Birthday



Belvoir is a progressive Company with great ambitions and I feel a valued part of that growth.

Financial services team member

H1 2022 operational review and market update



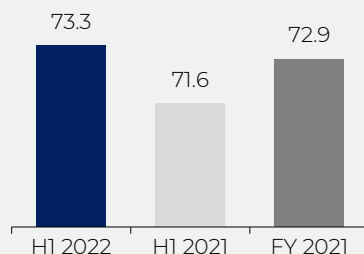
Operational highlights H1 2022

Opening the door to property and financial services

Number of managed properties (#)

73,300

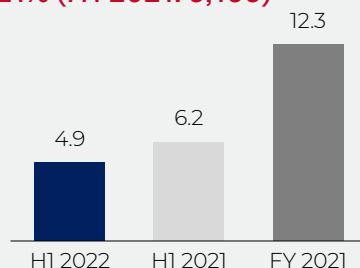
+2% (H1 2021: 71,600)



Number of house sales (#)

4,889

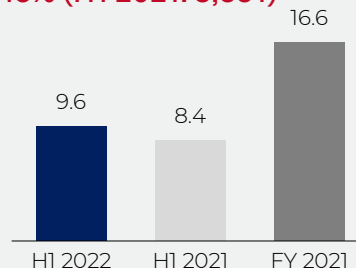
-21% (H1 2021: 6,166)



Number of mortgages arranged (#)

9,639

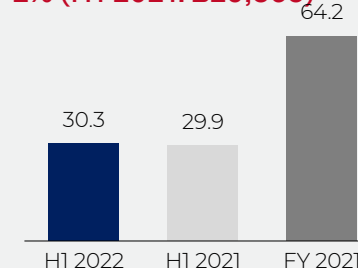
+15% (H1 2021: 8,351)



Average income per adviser (£)

£30,341

+2% (H1 2021: £29,865)



Property division

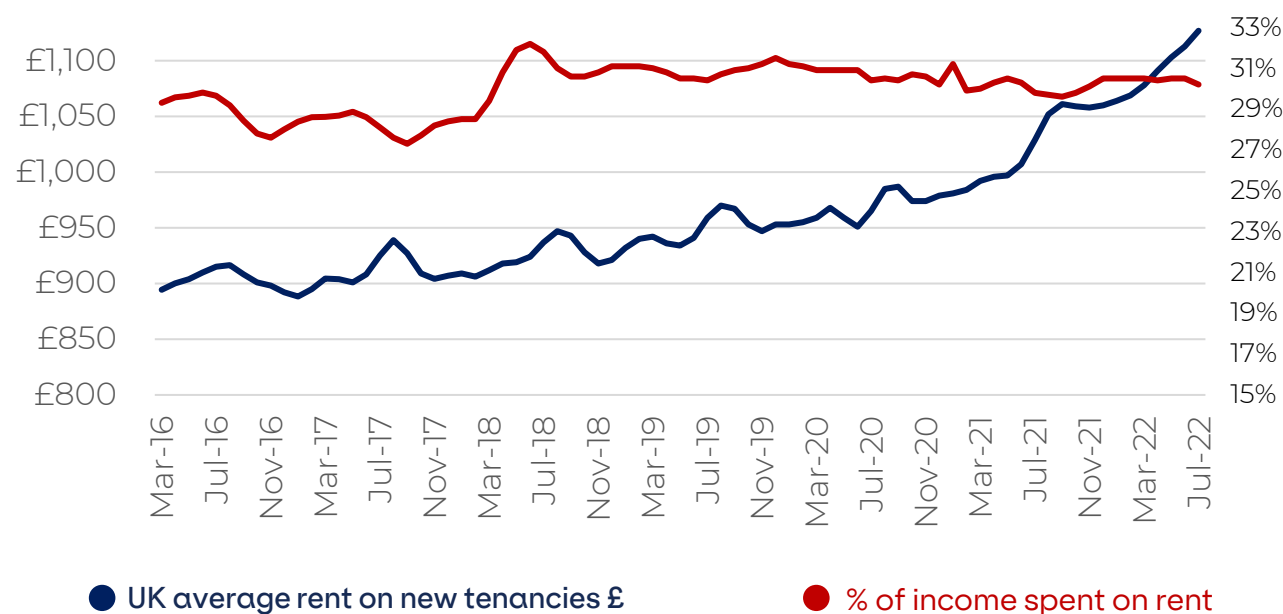
- Opened in six (H1 2021: two) new territories
- Portfolio of managed properties up 2% to 73,300 (H1 2021: 71,600)
- Number of house sales down 21% to 4,899 (H1 2021: 6,166) compared 29% reduction in UK house transactions
- Lettings to sales ratio of 78:22 (H1 2021: 73:27) reverted as expected as sales market returns to pre-pandemic level
- 15 franchisees exceeding £0.5m H1 revenue with largest at £1.0m
- 58 franchise owners have two or more offices; 22 with three or more

Financial services division

- Number of financial services advisers up net 80 to 301 (H1 2021: 221)
 - which represents 16% of Mortgage Advice Bureau's advisers
- Average FS income per adviser up 2% to £30,341 (H1 2021: £29,865)
- Number of written mortgages up 15% to 9,639 (H1 2021: 8,351)
- H1 2022 penetration of life policies to mortgages at 43% (H1 2021: 41%)
- Ratio of purchase to remortgages reverted to 61:39 (H1 2021: 72:28)
 - benefitting from significant client base and client recommendations as volumes of house purchase mortgages normalised
- Average case size was £1,318 (H1 2021: £1,306)

Market update - lettings

Rents increasing but affordability remains the same



“ Our franchisees are reporting that demand continues to significantly outstrip supply of available rental properties

¹ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/june2022>

² <https://homelet.co.uk/homelet-rental-index>

³ <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentalaffordabilityengland/2012to2020>

Lettings market

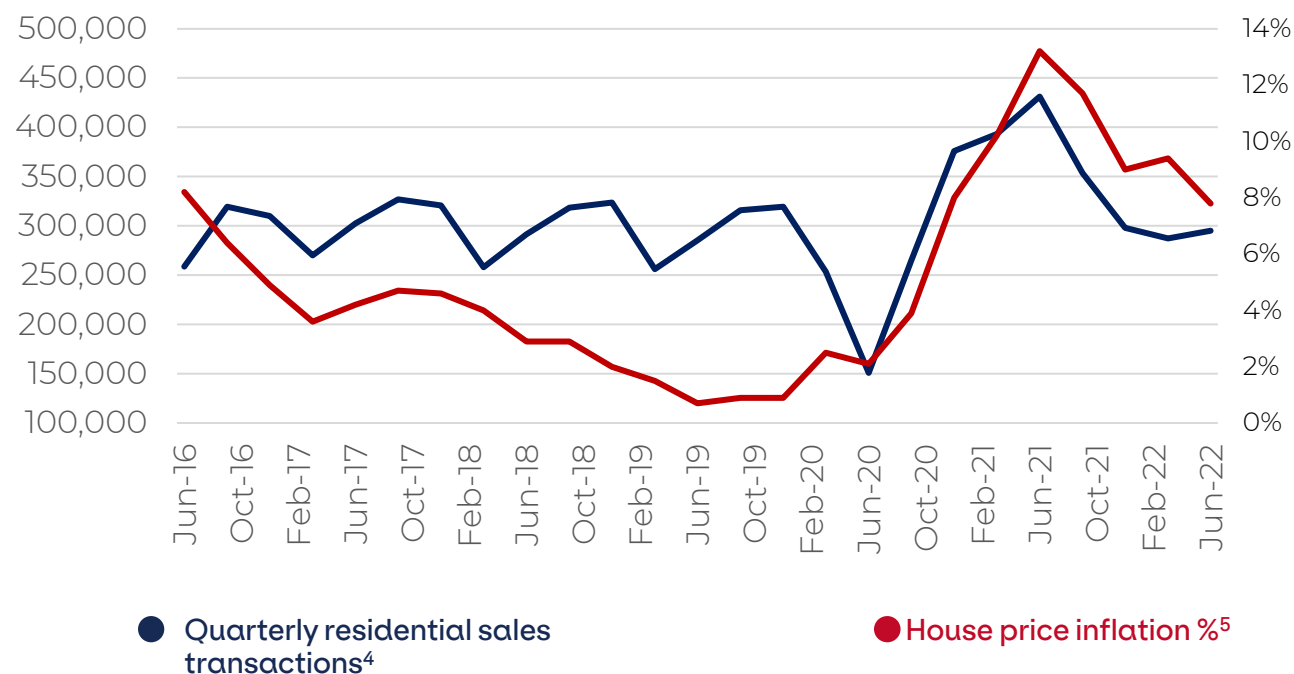
- Stock low with excess demand continuing to drive up rents
- June 2022 ONS rental index, reflecting **all tenancies**, at 3.0%¹ (H1 2021: 1.8%), highest since 2016
- Homelet reports rent increases on **new tenancies** at 10%²
- As a result of increasing rents and a lack of available properties, fewer tenants are moving
- ONS³ deem private rent affordability as 30% or less of household income
- Rent as a %age of household income at 30.2%² (H1 2021: 30.3%) largely unchanged for the last 4 years

Group revenue from Lettings

+12%

Market update - sales

Sales transactions fell back to normalised pre-pandemic levels



“ Our franchisees are reporting that there are now more properties coming to market compared to the start of 2022.

Residential property market

- UK residential sales transactions were down 29%⁴ to 582,450 in H1 2022 (H1 2021: 824,450), but 8%⁴ up on H1 2019 and 3%⁴ up on average H1 transactions for six years pre-pandemic
- Annual house price inflation to June 2022 at 7.8%⁵ (H1 2021: 13.2%)
- Buyer demand remained strong
- H1 2022 house transactions in line with expected FY2022 return to 1.2 million, the six-year pre-pandemic average

Group revenue from Sales

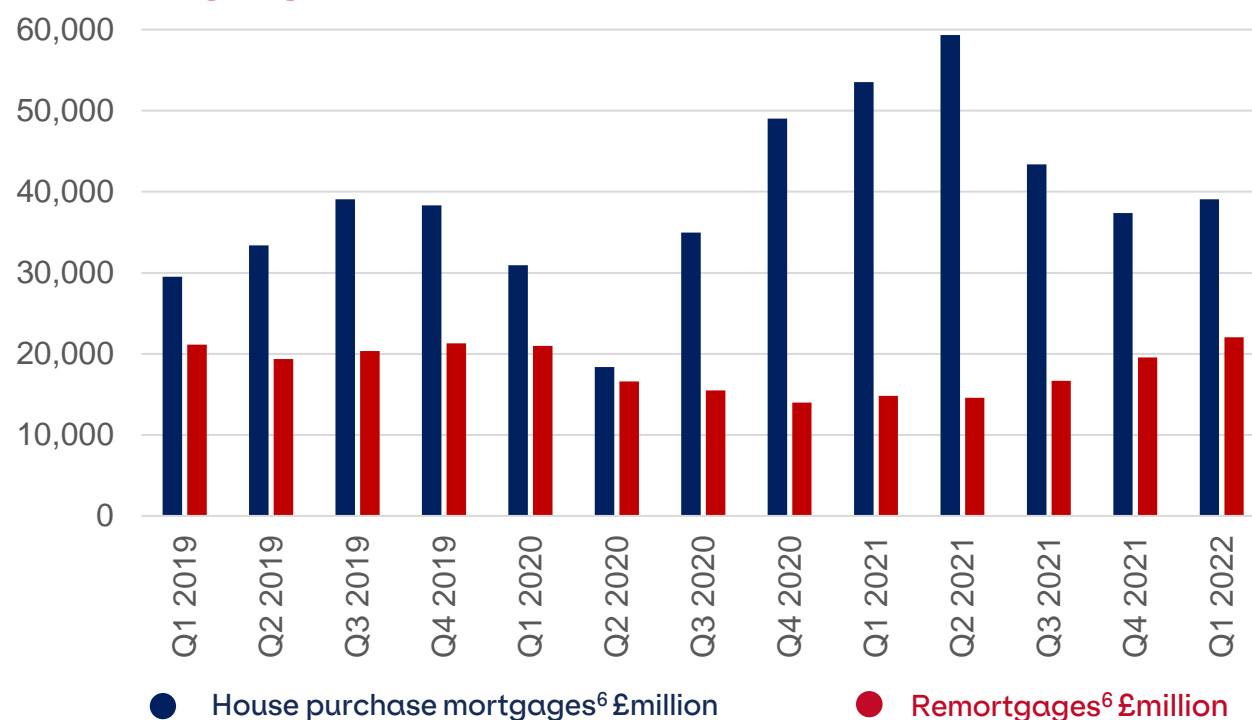
-14%

⁴ <https://www.gov.uk/government/statistics/monthly-property-transactions-completed-in-the-uk-with-value-40000-or-above>

⁵ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/june2022#house-price-index-data>

Market update – financial services

Remortgage market stimulated by interest rates increases



Mortgage market

- House purchase mortgages have fallen back in line with residential property sales market
- Interest rate increases stimulated the remortgage market in 2022
- Lower volumes mitigated by higher average transaction value
- Longer timescales to completion resulting in significant mortgage pipelines
- Bank of England have removed 3% rate increase affordability test which should help first-time buyers



Our financial services division continues to benefit from having a substantial client bank to service, along with continued client recommendations.

Group revenue from
Financial Services

+20%

⁶ <https://www.bankofengland.co.uk/statistics/mortgage-lenders-and-administrators/2022/2022-q1>

Investment case

Why invest in Belvoir?

Proven multi-brand franchise network model



7 brands

Entrepreneurial franchisees and advisers coupled with specialist central support

History of strong financial growth



8.7p H1 2022 earnings per share

Half-year EPS more than doubled in five years to 2022

Long-serving, experienced leadership team



13 years average length of service

Stable management team of 3 executive directors and 14 senior managers

High degree of recurring revenue



60% gross profit from recurring lettings

Highly cash generative underpinned by recurring core lettings business

Diversification



£1.7m financial services gross profit

Up from £0.3m in H1 2017 prior to FS growth strategy

Successful acquisition strategy



10 corporate acquisitions since 2015

Plus over 120 assisted acquisitions since 2014

Summary and outlook

Proven business model and growth strategy

Continuing to invest for growth

- Expanded service offering through acquisition of MMC personal agency network
- Expanded geographic reach of financial services through acquisition of TIME
- Investing in our teams to support growing networks
- Appointment of Jon Di-Stefano as Chairman, brings extensive experience of both the property sector and of AIM

Encouraging results year to date

- 2022 performance to date in line with management's expectations
- Strong balance sheet with adequate resources to support further strategic growth
- The Board continues to look for high quality, accretive and complementary acquisition opportunities to supplement organic growth

Offices

159 Belvoir

93 Northwood

39 Newton Fallowell

16 Lovelle

20 Nicholas Humphreys

10 Mr and Mrs Clarke

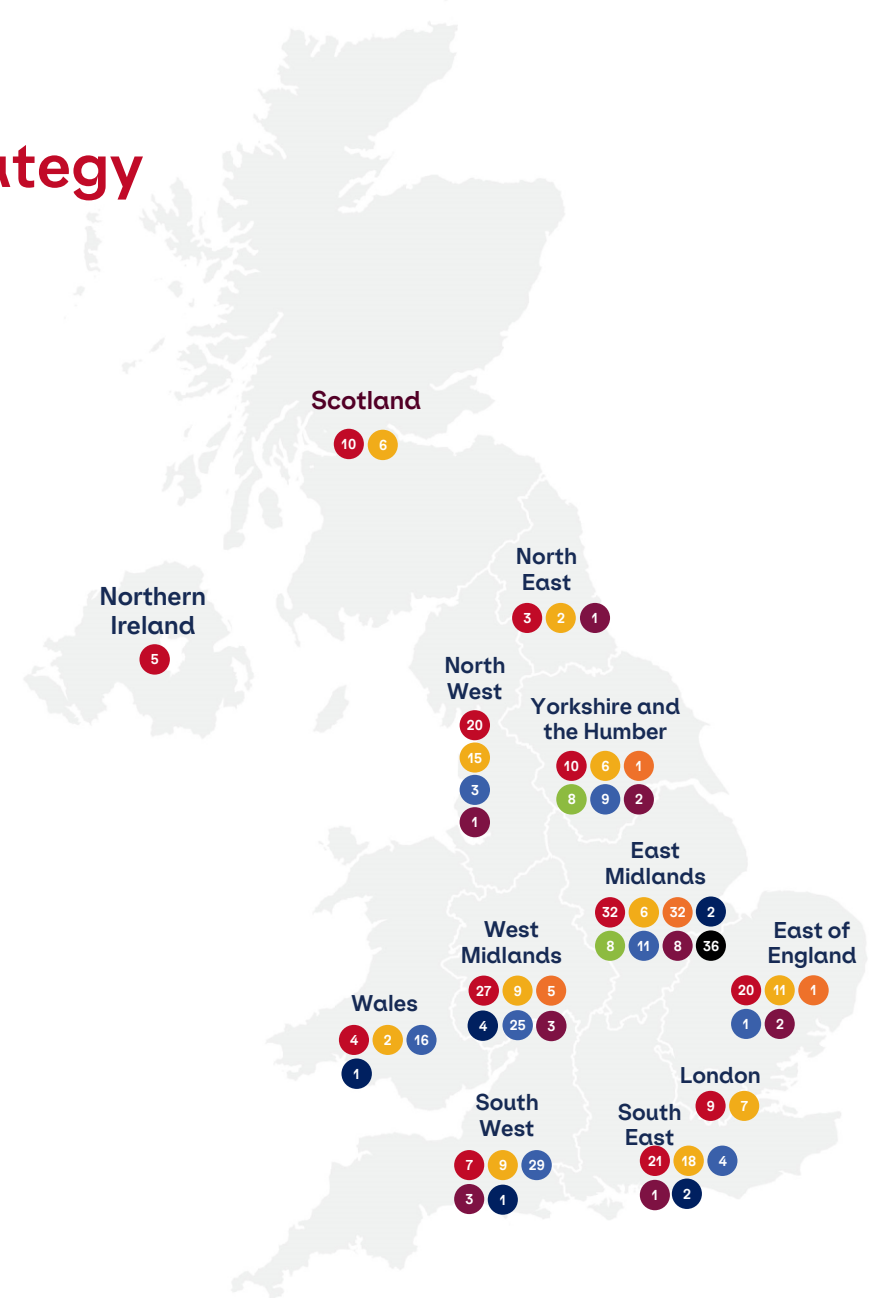
36 NBS dual-branded

100 Financial services

Total

473

Nationwide



Belvoir Group PLC investor presentation

Disclaimer

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