

Interim Results for the six months ended 30 June 2022

M Winkworth Plc (“Winkworth” or the “Company”) is pleased to announce its unaudited interim results for the six months ended 30 June 2022.

Highlights for the period¹

- Results in line with expectations and show good progress against 2019 but reflect extraordinary H1 2021 comparative
- Network revenues down by 24% to £27.7 million (H1 2021: £36.4 million; H1 2019: £21.4 million)
 - Network sales revenues down by 39% to £15.0 million (H1 2021: £24.6 million; H1 2019: £10.0 million)
 - Network lettings revenues up by 8% to £12.7 million (H1 2021: £11.8 million; H1 2019: £11.4 million)
- Network sales revenues accounted for 54% of total network revenues (H1 2021: 68%)
- Winkworth revenues down by 18% to £4.28 million (H1 2021: £5.25 million; H1 2019: £2.55 million)
- Majority-owned offices generated revenues of £1.19 million (H1 2021: £1.04 million)
- Profit before taxation down by 46% to £1.07 million (H1 2021: £1.98 million; H1 2019: £0.58 million)
- Cash balance at 30 June 2022 of £4.11 million (30 June 2021: £4.57 million; H1 2019: £2.51 million)
- Two new franchised offices opened
- Ordinary dividends of 5.4p declared during the period (H1 2021: 4.4p)

Note¹: H1 2019 comparatives have been included as a reference point to the last H1 of normalised trading

Dominic Agace, Chief Executive Officer of the Company, commented:

“Our first half results, which are in line with management’s expectations, are not flattered by the comparison with the extraordinarily strong first half of 2021, but show that our business has developed well since the last year of normalised trading in 2019. As such, we are pleased with the good progress that we have made since then. We enter the second half with an overhang of unfulfilled business, the confidence that our franchisees are adept at adjusting rapidly to changing markets, and a business model that is designed to perform throughout the property cycle.”

M Winkworth Plc

Tel : 020 7355 0206

Dominic Agace (Chief Executive Officer)

Andrew Nicol (Chief Financial Officer)

Milbourne (Public Relations)

Tel : 07903 802545

Tim Draper

Robert Finlay

David Coaten

Henry Willcocks

Chairman's Statement

After the exceptionally strong first half in 2021, this year's results are encouraging and Winkworth has continued to trade well. As things stand, sales transactions remain brisk, although there are now signs that buyers in some areas are becoming more cautious of excessive valuations, taking note of rising inflation and interest rates and either making the most of available mortgage offers or re-assessing their timings.

This shift in market sentiment may affect sales volumes going into 2023 and lead to a more careful pricing environment, where the most important consideration becomes choosing a buyer at a price that will ensure completion of the transaction. Winkworth's tailor-made approach to handling transactions becomes of even greater importance in more mature markets such as these.

The lettings and management business has continued to grow. We are, however, following closely developments which may have a bearing on the long-term prospects for growth in the sector, in particular the political debate on the future of the private rental sector.

Over the course of my career, I have experienced the Rent Acts pre-1986 and I am, therefore, personally wary of the outcome of the current debate on the relationship between landlords and tenants. It is interesting to note that the Irish government has recently suggested introducing incentives to encourage landlords to grant longer leases to tenants in return for tax incentives, whereas in the UK, July 2022's White Paper considers scrapping fixed-term tenancy agreements altogether. This uncertainty may cause some landlords in the UK to reduce their portfolios or exit the business.

While the build to rent sector may replace some of the demand at the mid to lower end of the market, it will not replace the higher demand for the individual and varied supply of rental properties generated by the private rental sector. At this point of the cycle, we suspect that Winkworth's sales business will grow faster than rentals.

The core Winkworth franchise business continues to show organic growth through steady and consistent expansion of the network, while the businesses where we have taken an equity stake are producing slightly more dynamic growth, giving us a good mix of earnings. Our strategy remains to maintain a positive cash balance through the cycle, and to make loans selectively to franchisees looking to expand, thus broadening the Company's footprint. Estate agency is a cyclical business, tied to the UK economy and a fluctuating market, and one where the ability to retain cash brings both stability and opportunities.

Simon Agace

Non-Executive Chairman

7 September 2022

CEO's Statement

Activity in the sales market remained strong in the first half of the year. Comparisons for the first half of the last three years are difficult to make, with trading in 2020 having been severely disrupted by lock downs, while as a result of the government's stamp duty holiday in 2021, with a deadline set for the end of June (exemption was tapered from £500,000 to £250,000 until September 2021), sales in the first half of that year were boosted by completions which would ordinarily have taken place in July and August 2021.

While H1 2022 activity was below the level of H1 2021, it was significantly ahead of the last normalised year of trading in 2019. Sales agreed in H1 2022 were 16% down on H1 2021 but 40% ahead of H1 2019.

Demand picked up in London, as buyers returned to city centres post-pandemic and proximity to work regained importance. As a result, we saw prices for houses starting to rise in London, while interest in flats also picked up significantly as Covid trends abated. With some buy-to-let landlords selling down their portfolios, however, the supply of flats increased and held back prices.

We also saw an upturn in activity in prime central London, resulting in these offices accounting for a higher proportion of revenues. This was led by lettings, with gross revenues rising by 14% in H1 versus 8% at Group level. While the lettings side of the business has been leading the way, prime central London offers good value relative to other international cities and we would expect international interest in the sales market to return.

In the country markets we have seen demand easing as rapid recent price increases and a partial reversion to city living have cooled demand. With supply remaining extremely limited, however, prices continued to rise in H1 as pent-up demand fed through.

Overall, in H1 2022 we sold more properties than any other online or traditional agent in the postcodes that we cover².

Lettings and management continued to be extremely busy, with activity picking up where 2021 left off and London leading the way in terms of price rises, making up lost ground on the country markets and now some 15% ahead of pre-pandemic levels. Demand has been boosted by a return to cities from the country and, in prime central London, by international interest including students. The supply of rental properties has been squeezed by landlords selling off properties on the back of increased taxation and regulation, with the prospect of further proposals, which are currently being debated further affecting their profitability. As a result, many landlords have taken the opportunity of a strong sales market to exit, creating a perfect storm for rent increases.

In H1 2022, gross revenues of the franchised network of £27.7m were 24% lower year-on-year (2021: £36.4m) but 29% higher than the £21.4m achieved in the last normalised period of 2019. Sales income was down by 39% at £15.0m (2021: £24.6m; 2019: £10.0m) while Lettings and Management increased by 8% to £12.7m (2021: £11.8m; 2019: £11.4m), producing a 54:46 revenue split between these two activities compared to a 68:32 ratio in 2021.

Winkworth's revenues fell by 18% to £4.28m (H1 2021: £5.25m) and profit before taxation by 46% to £1.07m (H1 2021: £1.98m). The Group's cash stood at £4.11m at 30 June 2022 (H1 2021: £4.57m) and ordinary dividends of 5.4p were declared for the first half of the year (H1 2021: 4.4p).

The investments that we have made in selected offices through taking equity stakes in partnership with proven operators have continued to bear fruit, generating increased franchise fees on the back of the success of these businesses as well as profit contributions to the Company. Winkworth Tooting is now well-established and has retained its leading position by market share for sales agreed in the area. Winkworth Crystal Palace has continued to grow, both its market share and revenues and is expected to make an increasingly significant contribution going into next year.

Elsewhere, our new Developments and Commercial Investments business, which is still at an early stage of development, is expected to be profitable in 2022 and to grow significantly in 2023. These new ventures have made a considerable difference to our business since we first invested in 2018 and, alongside new franchising opportunities and the franchisee-led acquisitions that we back, we expect these to help drive our growth over and above market trends in the years ahead.

After opening six new offices in 2021, we carried a healthy pipeline of opportunities into 2022, supporting our talented franchisees in Bath and Exeter to acquire and convert long-established businesses in Bristol and Crediton respectively, the latter adding to the recently launched office in Tiverton last year. We now have five offices in Devon, building on a localised hub, which will continue to provide Winkworth with a regional point of growth, in the same way as has our highly successful Norfolk local network.

With further opportunities in the pipeline, we expect to open 6-8 new offices this year. In addition, we have resold our Shepherds Bush office to a new operator, as we did with our Ealing and Fulham offices last year, bringing a new generation of talented franchisees into well established and successful offices. We expect their energy and commitment to take these offices to new heights.

Outlook

Despite a backdrop of increasing interest rates leading to higher funding costs, our sales applicants remain high. Sales applicants in July 2022 were 4% ahead of July 2021 and 26% ahead of July 2019. Lettings demand continues to be strong, with applicants up 7% versus July 2021 and 44% ahead of 2019. We do expect the increased cost of borrowing to have an impact on property, softening demand and slowing the price increases seen of late. With strong levels of employment, however, as well as the significant pent-up demand to relocate post-Covid, and as the cost of renting increases, we expect sales demand to remain strong for the remainder of the year, with prices in positive territory.

Beyond that, much will depend on the trajectory of interest rates and macro-economic factors. With a limited fixed cost base, a healthy cash balance and no debt, we remain confident. Our considered growth strategy is to support talented and proven franchisees in acquiring businesses and to expand our equity ownership of businesses in partnership with established operators. In this way, we believe we can outperform market trends and continue to pay a progressive dividend.

Note²: based on postcodes where Winkworth has listed a property – Source: TwentyEA

Dominic Agace

Chief Executive Officer

7 September 2022

About Winkworth

Established in Mayfair in 1835, Winkworth is a leading franchisor of residential real estate agencies with a pre-eminent position in the mid to upper segments of the sales and lettings markets. The franchise model allows entrepreneurial real estate professionals to provide the highest standards of service under the banner of a well-respected brand name and to benefit from the support and promotion that Winkworth offers.

Winkworth is admitted to trading on the AIM Market of the London Stock Exchange.

For further information please visit: www.winkworthplc.com

M WINKWORTH PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period 1 January 2022 to 30 June 2022

		(Unaudited) Period 1.1.22 To 30.6.22 £000's	(Unaudited) Period 1.1.21 To 30.6.21 £000's	(Audited) Year ended 31.12.21 £000's
CONTINUING OPERATIONS				
Revenue	2	4,281	5,247	9,451
Cost of sales		<u>(769)</u>	<u>(696)</u>	<u>(1,294)</u>
GROSS PROFIT		3,512	4,551	8,157
Other operating income		1	-	18
Administrative expenses		(2,433)	(2,560)	(4,941)
Negative goodwill		<u>-</u>	<u>-</u>	<u>-</u>
OPERATING PROFIT		1,080	1,991	3,234
Finance costs		(19)	(19)	(52)
Finance income		<u>11</u>	<u>7</u>	<u>32</u>
PROFIT BEFORE TAXATION		1,072	1,979	3,214
Taxation		<u>(265)</u>	<u>(408)</u>	<u>(606)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>807</u>	<u>1,571</u>	<u>2,608</u>
Profit and total comprehensive income attributable to:				
Owners of the parent		797	1,491	2,519
Non-controlling interests		<u>10</u>	<u>80</u>	<u>89</u>
TOTAL COMPREHENSIVE INCOME SINCE LAST ANNUAL REPORT		<u>807</u>	<u>1,571</u>	<u>2,608</u>
Earnings per share expressed in pence per share:				
	3			
Basic		6.26	11.71	19.78
Diluted		<u>6.22</u>	<u>11.57</u>	<u>19.48</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2022

		(Unaudited) 30.06.2022	(Unaudited) 30.06.2021	(Audited) 31.12.2021
	Notes	£000's	£000's	£000's
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	4	963	799	925
Property, plant and equipment		807	1,076	944
Prepaid assisted acquisitions support		402	313	279
Investments		51	56	71
Trade and other receivables		484	393	334
		<u>2,707</u>	<u>2,637</u>	<u>2,553</u>
CURRENT ASSETS				
Trade and other receivables		1,449	1,952	1,301
Cash and cash equivalents		4,108	4,568	5,019
		<u>5,557</u>	<u>6,520</u>	<u>6,320</u>
TOTAL ASSETS		<u>8,264</u>	<u>9,157</u>	<u>8,873</u>
EQUITY				
SHAREHOLDERS' EQUITY				
Share capital		64	64	64
Share option reserve		51	51	51
Retained earnings		5,745	5,909	6,145
		<u>5,860</u>	<u>6,024</u>	<u>6,260</u>
Non-controlling interests		82	163	72
TOTAL EQUITY		<u>5,942</u>	<u>6,187</u>	<u>6,332</u>
LIABILITIES				
NON-CURRENT LIABILITIES				
Trade and other payables		508	762	632
Deferred tax		87	92	97
		<u>595</u>	<u>854</u>	<u>729</u>
CURRENT LIABILITIES				
Trade and other payables		1,354	1,648	1,412
Tax payable		373	468	400
		<u>1,727</u>	<u>2,116</u>	<u>1,812</u>
TOTAL LIABILITIES		<u>2,322</u>	<u>2,970</u>	<u>2,541</u>
TOTAL EQUITY AND LIABILITIES		<u>8,264</u>	<u>9,157</u>	<u>8,873</u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period 1 January 2022 to 30 June 2022

	Share capital £000's	Retained earnings £000's	Share option reserve £000's	Non controlling interest £000's	Shareholders' equity £000's
Balance at 1 January 2021	64	5,147	51	165	5,427
Total comprehensive income	-	1,491	-	80	1,571
NCI on acquisition of shares	-	(55)	-	(82)	(137)
Dividends paid	-	(674)	-	-	(674)
Balance at 30 June 2021	<u>64</u>	<u>5,909</u>	<u>51</u>	<u>163</u>	<u>6,187</u>
Total comprehensive income	-	1,028	-	9	1,037
NCI on acquisition of shares	-	100	-	(100)	-
Dividends paid	-	(892)	-	-	(892)
Balance at 31 December 2021	<u>64</u>	<u>6,145</u>	<u>51</u>	<u>72</u>	<u>6,332</u>
Total comprehensive income	-	797	-	10	807
Dividends paid	-	(1,197)	-	-	(1,197)
Balance at 30 June 2022	<u>64</u>	<u>5,745</u>	<u>51</u>	<u>82</u>	<u>5,942</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS
for the period 1 January 2022 to 30 June 2022

		(Unaudited) Period 1.1.22 To 30.6.22 £000's	(Unaudited) Period 1.1.21 To 30.6.21 £000's	(Audited) Year ended 31.12.21 £000's
Cash flows from operating activities				
Cash generated from operations	i	995	1,010	2,958
Interest paid		(1)	-	(1)
Tax paid		(300)	(120)	(382)
Net cash from operating activities		<u>694</u>	<u>890</u>	<u>2,575</u>
Cash flows from investing activities				
Purchase of intangible fixed assets		(108)	-	(180)
Purchase of tangible fixed assets		(10)	(28)	(46)
Assisted acquisition support		(165)	(35)	(50)
Interest received		11	7	32
Net cash used in investing activities		<u>(272)</u>	<u>(56)</u>	<u>(244)</u>
Cash flows from financing activities				
Payment of lease liabilities		(117)	(97)	(219)
Interest paid on lease liabilities		(19)	(19)	(51)
Equity dividends paid		(1,197)	(674)	(1,566)
Non controlling interest		-	(137)	(137)
Net cash used in financing activities		<u>(1,333)</u>	<u>(927)</u>	<u>(1,973)</u>
Increase/(decrease) in cash and cash equivalents		(911)	(93)	358
Cash and cash equivalents at beginning of period		<u>5,019</u>	<u>4,661</u>	<u>4,661</u>
Cash and cash equivalents at end of period	ii	<u><u>4,108</u></u>	<u><u>4,568</u></u>	<u><u>5,019</u></u>

M WINKWORTH PLC

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
for the period 1 January 2022 to 30 June 2022

i. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	(Unaudited) Period 1.1.22 To 30.6.22 £000's	(Unaudited) Period 1.1.21 To 30.6.21 £000's	(Audited) Year ended 31.12.21 £000's
Profit before taxation	1,072	1,979	3,214
Depreciation and amortisation	259	255	509
(Reversal of) Impairment of fixed asset investments	20	15	-
Finance costs	19	19	(32)
Finance income	(11)	(7)	52
Loss on disposal of fixed asset	-	1	1
	1,359	2,262	3,744
(Increase) in trade and other receivables	265	(1,125)	(411)
Increase/(decrease) in trade and other payables	(629)	(127)	(375)
	995	1,010	2,958
Cash generated from operations	995	1,010	2,958

ii. CASH AND CASH EQUIVALENTS

The amounts disclosed in the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts:

	30.6.22 £000's	30.6.21 £000's	31.12.21 £000's
Cash and cash equivalents	4,108	4,568	5,019

**NOTES TO THE CONSOLIDATED INTERIM RESULTS
for the period 1 January 2022 to 30 June 2022**

1. ACCOUNTING POLICIES

Basis of preparation

The interim report for the six months ended 30 June 2022 and the comparative information for the periods ended 30 June 2021 and 31 December 2021 do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the most recent statutory accounts for the year ended 31 December 2021 has been delivered to the Registrar of Companies. The auditor's report on these accounts was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

The financial information for the six months ended 30 June 2022 and 30 June 2021 is unaudited. The financial information for the year ended 31 December 2021 is derived from the group's audited annual report and accounts.

The annual financial statements are prepared in accordance with UK adopted International Accounting Standards (UK IFRS). The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

The accounting policies and methods of computation used in this financial information is consistent with those applied in the group's latest annual audited financial statements, except as noted below.

Taxation

Income tax expense has been recognised based on the best estimate of the weighted average annual effective income tax rate expected for the full financial year.

Deferred tax is recognised in respect of all material temporary differences that have originated but not reversed at the balance sheet date.

**NOTES TO THE CONSOLIDATED INTERIM RESULTS
for the period 1 January 2022 to 30 June 2022**

2. SEGMENTAL REPORTING

The board of directors, as the chief operating decision making body, review financial information and make decisions about the group's business and have identified a single operating segment, that of estate agency and related services and the franchising thereof.

The directors believe that there are two material revenue streams relevant to estate agency franchising.

	6 months 2022 £000	6 months 2021 £000	12 months 2021 £000
Revenue			
Estate agency and lettings business	1,185	1,038	2,231
Commissions and subscriptions due to the group under franchisee agreements	<u>3,096</u>	<u>4,209</u>	<u>7,220</u>
	<u>4,281</u>	<u>5,247</u>	<u>9,451</u>

All revenue is earned in the UK and no customer represents more than 10% of total revenue in either of the years reported.

NOTES TO THE CONSOLIDATED INTERIM RESULTS
for the period 1 January 2022 to 30 June 2022

3. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

	Earnings £000's	Weighted average number of shares 000's	Per-share amount pence
Period ended 30.06.22			
Basic EPS			
Earnings/number of shares	797	12,733	6.26
Effect of dilutive securities	-	87	(0.04)
	<u>797</u>	<u>12,733</u>	<u>6.26</u>
Diluted EPS			
Adjusted earnings/number of shares	797	12,820	6.22
	<u>797</u>	<u>12,820</u>	<u>6.22</u>
Period ended 30.06.21			
Basic EPS			
Earnings/number of shares	1,491	12,733	11.71
Effect of dilutive securities	-	149	(0.14)
	<u>1,491</u>	<u>12,733</u>	<u>11.71</u>
Diluted EPS			
Adjusted earnings/number of shares	1,491	12,882	11.57
	<u>1,491</u>	<u>12,882</u>	<u>11.57</u>
Year ended 31.12.21			
Basic EPS			
Earnings/number of shares	2,519	12,733	19.78
Effect of dilutive securities	-	195	(0.3)
	<u>2,519</u>	<u>12,733</u>	<u>19.78</u>
Diluted EPS			
Adjusted earnings/number of shares	2,519	12,928	19.48
	<u>2,519</u>	<u>12,928</u>	<u>19.48</u>

M WINKWORTH PLC

NOTES TO THE CONSOLIDATED INTERIM RESULTS for the period 1 January 2022 to 30 June 2022

4. INTANGIBLE ASSETS

	Customer lists	Website development	Total
	£000's	£000's	£000's
Net book value at 1 January 2021	585	265	850
Additions	-	-	-
Amortisation	<u>(23)</u>	<u>(28)</u>	<u>(51)</u>
Net book value at 30 June 2021	<u>562</u>	<u>237</u>	<u>799</u>
Additions	-	179	179
Amortisation	<u>(22)</u>	<u>(31)</u>	<u>(53)</u>
Net book value at 31 December 2021	<u>540</u>	<u>385</u>	<u>925</u>
Additions	-	108	108
Amortisation	<u>(23)</u>	<u>(47)</u>	<u>(70)</u>
Net book value at 30 June 2022	<u><u>517</u></u>	<u><u>446</u></u>	<u><u>963</u></u>

NOTES TO THE CONSOLIDATED INTERIM RESULTS
for the period 1 January 2022 to 30 June 2022

5. **FINANCIAL INSTRUMENTS**

Categories of financial instruments

The group has the following financial instruments:

	30.06.2022 £000's	30.06.2021 £000's	31.12.2021 £000's
Financial assets that are debt instruments measured at amortised cost			
Trade receivables	985	1,491	667
Loans to franchisees	646	632	530
Other receivables	46	222	37
Financial liabilities measured at amortised cost			
Trade payables	271	86	411
Lease liability	752	992	871
Other payables	10	44	8
Financial assets measured at fair value			
Listed investments	44	49	64

Listed investments are valued by reference to publicly available share prices and are considered at level 1 under the IFRS 13 fair value hierarchy.

6. **RELATED PARTY DISCLOSURES**

During the 6 months to 30 June 2022, total dividends of £595,019 (30 June 2021: £341,097) were paid to the directors.

During the 6 months to 30 June 2022, the Company received a dividend of £1,171,458 (30 June 2021: £674,862) from its subsidiary undertaking Winkworth Franchising Limited. The balance owed by Winkworth Franchising Limited to the Company at 30 June 2021 was £1,267,587 (30 June 2021: £1,267,587).

The balance owed by the Fulham franchise, which is owned by Dominic Agace's wife and her business partner, to Winkworth Franchising Limited at 30 June 2022 was £15,130 (30 June 2021: £Nil).

7. **POST BALANCE SHEET EVENTS**

On 13 July 2022, M Winkworth Plc declared dividends of 2.7p for the second quarter of 2022.

8. **INTERIM RESULTS**

Copies of this notice are available to the public from the registered office at 1 Lumley Street, London, W1K 6TT, and on the Company's website at www.winkworthplc.com