

Interim Results for the six months ended 30 June 2023

M Winkworth Plc (“Winkworth” or the “Company”) is pleased to announce its unaudited interim results for the six months ended 30 June 2023.

Highlights for the period

- First half impacted by a weaker second quarter for sales with some completions being delayed into the second half of the year. Lettings revenues continued to show strength
- Network revenues down by 5% to £26.4 million (H1 2022: £27.7 million)
 - Network sales revenues down by 18% to £12.3 million (H1 2022: £15.0 million)
 - Network lettings revenues up by 10% to £14.0 million (H1 2022: £12.7 million)
- Network sales revenues accounted for 47% of total network revenues (H1 2022: 54%)
- Winkworth revenues at £4.27 million in line with H1 2022 (H1 2022: £4.28 million)
- Majority-owned offices generated revenues of £1.14 million (H1 2022: £1.19 million)
- Profit before taxation down by 24% to £0.81 million (H1 2022: £1.07 million)
- Cash balance at 30 June 2023 of £4.23 million (30 June 2022: £4.11 million)
- Two new franchised offices opened
- Ordinary dividends of 5.8p declared during the period (H1 2022: 5.4p)

Dominic Agace, Chief Executive Officer of the Company, commented: “The H1 results reflect a slower sales market but ongoing strength in lettings. Our business remains robust and our focus continues to be on providing a platform that can allow an independent business to compete as a top three contender in its local marketplace and, by doing so, ensuring a franchisee can generate a healthy return under differing market conditions.”

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

Shore Capital (NOMAD and Broker)**Tel: 020 7408 4090**

Robert Finlay

David Coaten

Henry Willcocks

Chairman's Statement

We took a conservative view at the time of our first quarter results as the pipeline of properties Sold Subject To Contract (SSTC) was building. Due to various issues beyond our control, exchanges were hesitant, but we are pleased to confirm that we achieved excellent results in the subsequent two months despite the weaker market.

Our ability to achieve a high number of exchanges comes down to the skill of our franchisees and the close working relationship of the group with a variety of mortgage brokers and lenders, including our non-exclusive relationship with Trinity Financial. We encourage the group to use local lawyer connections rather than conveyancing factories or discounters; this has been essential in securing exchanges during this period.

Since 2019, we have been actively pursuing a strategy of adding new lines of business to our core activity as a leading franchisor. Besides using our cash resources to assist our franchisees to grow, and upgrading our offices and franchisee portfolio, we have continued to diversify Winkworth's revenue streams.

To complement our commercial sales business, we have re-entered the new homes business, the cost of investment being carried in the first half of 2023, an area which is showing signs of promise, with benefits expected to be realised in 2024. Finally, being less reliant on Chinese buyers, our China Desk has been re-branded the Asia Pacific Desk to broaden its scope and this is again becoming active.

All these initiatives, together with our investment in the Tooting and Crystal Palace offices, have broadened Winkworth's streams of revenue. Inevitably, this has had an impact on costs but, even with the slower market of 2023, we are building new sources of profitability to add to reinvigorated franchise royalty growth.

The policy of holding cash reserves is not only to underpin our dividend, but also to increase revenues through assisting the purchase of new franchise businesses or buying rental portfolios. For example, a recent assisted purchase in Dorset was a predominantly sales-driven business that integrates well with our dynamic group of franchisees in the Bournemouth/Poole/Ferndown area. The purchase enabled a well-established husband and wife team to join this dynamic regional hub. We remain focused on continuing to enhance our franchise portfolio into 2024 and beyond.

Lastly, we recognise that the current composition of our non-executive board members tends to skew towards more seasoned individuals, including myself. We will in due course be expanding the diversity of our board members, encompassing a range of experiences and perspectives. However, it is essential to recognise that our collective wealth of experience has played a pivotal role in steering our company successfully through challenging and unique economic conditions, ensuring stability and minimising risks.

Simon Agace

Non-Executive Chairman

5 September 2023

CEO's Statement

After recovering from the uncertainty created by the mini budget in H2 2022 and the subsequent spike in lending costs going into 2023, sales transactions in the first half of this year were constrained by a backdrop of rising interest rates, mitigated to a degree by the trend towards fixed term mortgages, which have dominated the market in recent years. Combined with a high level of employment and wage inflation in the UK, alongside a sharp rise in rental prices, the property market showed resilience, performing ahead of many observers' predictions.

We are pleased to be able to report that, in the areas in which we operate, Winkworth achieved the highest volume of SSTC of the top 10 operators in H1 2023 and the largest number of exchanges. In addition, we had the lowest number of properties withdrawn from sale and were the fastest agent in SSTC¹. These rankings reflect the excellent work of our franchisees and their capacity to adapt to changing markets.

Pipelines of agreed sales have begun to rebuild since the start of the year but, as transaction timeframes have been slow, many of these agreed sales will not complete until H2 of this year. As a result, we would anticipate that the number of completions will firm up as the year progresses.

Lettings saw a slight slowdown after a frenetic year in 2022. Although applicants were down by 16% on H1 2022, the business remained very busy, with Winkworth's H1 rental income 10% ahead. With an ongoing reduction of supply in the private rental sector due to landlords exiting the market following increasing costs and proposed new changes in legislation, the competition for properties to rent continued to be extreme.

In H1 2023, gross revenues of the franchised network of £26.4m were 5% lower year-on-year (2022: £27.7m). Growth in the country offices in recent years underpinned the contribution from this part of the business, with gross revenues down by a lesser 2%. Total sales income was down by 18% at £12.3m (2022: £15.0m) while Lettings and Management increased by 10% to £14.0m (2021: £12.7m), producing a 47:53 revenue split between these two activities compared to a 54:46 ratio in 2022.

At £4.27m, Winkworth's revenues were in line with H1 2022 (H1 2022: £4.28m), but profit before taxation fell by 24% to £0.81m (H1 2022: £1.07m). The Group's cash stood at £4.23m at 30 June 2023 (H1 2022: £4.11m) and ordinary dividends of 5.8p were declared for the first half of the year (H1 2022: 5.4p).

Two new offices were opened, in Wokingham and Dorset, building on the localised networks' success. Four offices, which have made a marginal contribution for several years and have suffered from the fall in market volumes, were closed. One of these is set to be reopened by a new operator in H2.

As part of our management of the network, we proactively introduce new buyers to offices that may be looking to exit or for whom the platform is no longer suitable. In certain cases, if the group's conditions of business are not met, we are compelled to negotiate the exit of a franchisee to maintain our high standards. We have this year had to take these steps on several valuable franchise territories that we will look to re-franchise to talented operators in the near future. As a result of this, we anticipate no net change in the number of offices this year, but are confident of going into 2024 with a stronger portfolio.

The change in market conditions has led some of the national networks to slow their pace of acquisition. We see opportunities for our own increasingly established network of country franchisees to strengthen and grow their footprint through expansion supported by our balance sheet.

In London, we have identified further opportunities to both introduce new blood to existing businesses and to significantly improve the sales performance of offices with strong underlying lettings businesses. We believe that in certain situations we may be able to increase the available franchise revenue three or four-fold, the equivalent of opening multiple cold start offices.

The offices in which we have an equity stake continue to show operational improvements. In H1, Tooting maintained its position as the leading agent by the number of sales agreed in its area (2022 Number 1 SSTC) while Crystal Palace's market share continues to grow, moving up to second in sales agreed in its area (2022 Number 4 SSTC). Both performances come after a poor end to last year and a positive start to 2023, with extended transaction times pushing the bulk of their completions from sales agreed in H1 into H2. This, combined with the busiest letting months traditionally falling in August and September, means that their contribution will be more heavily weighted towards H2 than usual. We are in ongoing negotiations for a new opportunity to replicate the successful models of Crystal Palace and Tooting.

Despite being more affected by the cost of finance than residential property due to its transactional nature, our commercial property business continued to grow and is on track to exceed 2022 revenues. Our market share of mixed-use properties for sale in London now stands at 4.5%.

As planned, we launched a new homes business to further our commercial activity, providing more properties to the network to sell and increasing revenue for both our commercial property business and our franchisees. In a difficult market for new homes, we see an opportunity to gain market share through the breadth and strength of our network. These two entities are increasingly integrating with our Asia/Pacific desk, which in turn is experiencing an uptick in clients seeking to invest in London property.

Outlook

The outlook for the rest of the year depends to a large extent on the perceived and actual end of the tightening cycle and the Bank of England's success in managing inflation down towards its target. This will continue to impact directly on the stability of the mortgage market and the number of products available as well, of course, on buyers' confidence. We expect, however, sales market activity to be underpinned by strong employment, sellers coming to the market to manage mortgage cost increases, and buyers motivated by the lack of availability of suitable rental accommodation. Expectations are increasingly that, having entered a new era of structurally higher interest rates, we will not be returning to the ultra low levels previously seen. The growing belief is, therefore, that there is no purpose in further delaying a purchase if suitable funding can be arranged.

With post pandemic factors fading, we expect to see a slowing of applicants for lettings. But with supply also reducing, competition for properties will remain intense. This will support rental prices, but affordability ceilings are beginning to limit further increases and we anticipate that these will revert to tracking wage inflation.

Our focus continues to be on providing a platform that can allow an independent business to compete as a top three contender in its local marketplace and, by doing so, ensuring a franchisee can generate a healthy return under differing market conditions. Our experience shows that, in the areas in which we chose to operate, there should always be sufficient transactions for a top three operator to maintain healthy income throughout the cycle. Our strategy remains to match this positioning with best-in-class operators to continue to make the network greater than the sum of its parts.

Note¹: based on postcodes where Winkworth has listed a property – Source: TwentyEA

Dominic Agace
Chief Executive Officer
5 September 2023

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 2023 to 30 June 2023

		(Unaudited) Period 1.1.23 To 30.6.23 £000's	(Unaudited) Period 1.1.22 To 30.6.22 £000's	(Audited) Year ended 31.12.22 £000's
CONTINUING OPERATIONS				
Revenue	2	4,267	4,281	9,307
Cost of sales		<u>(776)</u>	<u>(769)</u>	<u>(1,594)</u>
GROSS PROFIT		3,491	3,512	7,713
Other operating income		1	1	1
Administrative expenses		(2,696)	(2,433)	(5,246)
Negative goodwill		<u>-</u>	<u>-</u>	<u>-</u>
OPERATING PROFIT		796	1,080	2,468
Finance costs		(19)	(19)	(38)
Finance income		<u>34</u>	<u>11</u>	<u>39</u>
PROFIT BEFORE TAXATION		811	1,072	2,469
Taxation		<u>(249)</u>	<u>(265)</u>	<u>(488)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>562</u>	<u>807</u>	<u>1,981</u>
Profit and total comprehensive income attributable to:				
Owners of the parent		559	797	1,951
Non-controlling interests		<u>3</u>	<u>10</u>	<u>30</u>
TOTAL COMPREHENSIVE INCOME SINCE LAST ANNUAL REPORT		<u>562</u>	<u>807</u>	<u>1,981</u>
Earnings per share expressed in pence per share:				
Basic	3	4.33	6.26	15.32
Diluted		<u>4.25</u>	<u>6.22</u>	<u>15.18</u>

M WINKWORTH PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2023

		(Unaudited) 30.06.2023	(Unaudited) 30.06.2022	(Audited) 31.12.2022
	Notes	£000's	£000's	£000's
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	4	930	963	906
Property, plant and equipment		596	807	666
Prepaid assisted acquisitions support		624	402	503
Investments		33	51	41
Trade and other receivables		321	484	385
		<u>2,504</u>	<u>2,707</u>	<u>2,501</u>
CURRENT ASSETS				
Trade and other receivables		1,454	1,449	1,146
Cash and cash equivalents		4,234	4,108	5,251
		<u>5,688</u>	<u>5,557</u>	<u>6,397</u>
TOTAL ASSETS		<u>8,192</u>	<u>8,264</u>	<u>8,898</u>
EQUITY				
SHAREHOLDERS' EQUITY				
Share capital		65	64	64
Share premium		179	-	-
Share option reserve		-	51	51
Retained earnings		6,059	5,745	6,212
		<u>6,303</u>	<u>5,860</u>	<u>6,327</u>
Non-controlling interests		105	82	102
TOTAL EQUITY		<u>6,408</u>	<u>5,942</u>	<u>6,429</u>
LIABILITIES				
NON-CURRENT LIABILITIES				
Trade and other payables		400	508	433
Deferred tax		86	87	91
		<u>486</u>	<u>595</u>	<u>524</u>
CURRENT LIABILITIES				
Trade and other payables		1,030	1,354	1,575
Tax payable		268	373	370
		<u>1,298</u>	<u>1,727</u>	<u>1,945</u>
TOTAL LIABILITIES		<u>1,784</u>	<u>2,322</u>	<u>2,469</u>
TOTAL EQUITY AND LIABILITIES		<u>8,192</u>	<u>8,264</u>	<u>8,898</u>

M WINKWORTH PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period 1 January 2023 to 30 June 2023

	Share capital £000's	Retained earnings £000's	Share Premium account £000's	Share option reserve £000's	Non controlling interest £000's	Shareholders' equity £000's
Balance at 1 January 2022	64	6,145	-	51	72	6,332
Total comprehensive income	-	797	-	-	10	807
Dividends paid	-	(1,197)	-	-	-	(1,197)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2022	64	5,745	-	51	82	5,942
Total comprehensive income	-	1,154	-	-	20	1,174
Dividends paid	-	(687)	-	-	-	(687)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	64	6,212	-	51	102	6,429
Issue of share capital	1	-	179	-	-	180
Total comprehensive income	-	610	-	(51)	3	562
Dividends paid	-	(763)	-	-	-	(763)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2023	<u>65</u>	<u>6,059</u>	<u>179</u>	<u>-</u>	<u>105</u>	<u>6,408</u>

M WINKWORTH PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period 1 January 2023 to 30 June 2023

		(Unaudited) Period 1.1.23 To 30.6.23 £000's	(Unaudited) Period 1.1.22 To 30.6.22 £000's	(Audited) Year ended 31.12.22 £000's
	Notes			
Cash flows from operating activities				
Cash generated from operations	i	313	995	3,333
Interest paid		(1)	(1)	-
Tax paid		(353)	(300)	(521)
Net cash from operating activities		(41)	694	2,812
Cash flows from investing activities				
Purchase of intangible fixed assets		(127)	(108)	(123)
Sale of tangible		69	-	-
Purchase of tangible fixed assets		(103)	(10)	(18)
Assisted acquisition support		(168)	(165)	(316)
Interest received		39	11	39
Net cash used in investing activities		(290)	(272)	(418)
Cash flows from financing activities				
New lease in year		119	-	-
Payment of lease liabilities		(203)	(117)	(240)
Interest paid on lease liabilities		(19)	(19)	(38)
Equity dividends paid		(763)	(1,197)	(1,884)
Share issue		180	-	-
Net cash used in financing activities		(686)	(1,333)	(2,162)
Increase/(decrease) in cash and cash equivalents		(1,017)	(911)	232
Cash and cash equivalents at beginning of period		5,251	5,019	5,019
Cash and cash equivalents at end of period	ii	4,234	4,108	5,251

M WINKWORTH PLC

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
for the period 1 January 2023 to 30 June 2023

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

	(Unaudited) Period 1.1.23 To 30.6.23 £000's	(Unaudited) Period 1.1.22 To 30.6.22 £000's	(Audited) Year ended 31.12.22 £000's
Profit before taxation	811	1,072	2,469
Depreciation and amortisation	256	259	531
(Reversal of) Impairment of fixed asset investments	7	20	30
Finance costs	19	19	38
Finance income	(34)	(11)	(39)
Loss on disposal of fixed asset	-	-	-
	<u>1,059</u>	<u>1,359</u>	<u>3,029</u>
(Increase) in trade and other receivables	(246)	265	106
Increase/(decrease) in trade and other payables	(500)	(629)	198
	<u>313</u>	<u>995</u>	<u>3,333</u>

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:

	30.6.23 £000's	30.6.22 £000's	31.12.22 £000's
Cash and cash equivalents	<u>4,234</u>	<u>4,108</u>	<u>5,251</u>

**NOTES TO THE CONSOLIDATED INTERIM RESULTS
for the period 1 January 2023 to 30 June 2023**

1. ACCOUNTING POLICIES

Basis of preparation

The interim report for the six months ended 30 June 2023 and the comparative information for the periods ended 30 June 2022 and 31 December 2022 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 2022 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 2023 and 30 June 2022 is unaudited. The financial information for the year ended 31 December 2022 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 2023 to 30 June 2023

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 2023 £000	6 months 2022 £000	12 months 2022 £000
Revenue			
Estate agency and lettings business	1,134	1,185	2,781
Commissions and subscriptions due to the group under franchisee agreements	<u>3,133</u>	<u>3,096</u>	<u>6,526</u>
	<u>4,267</u>	<u>4,281</u>	<u>9,307</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 2023 to 30 June 2023

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 30.06.23			
Basic EPS			
Earnings/number of shares	559	12,909	4.33
Effect of dilutive securities	-	217	(0.08)
	<u>559</u>	<u>12,909</u>	<u>4.33</u>
Diluted EPS			
Adjusted earnings/number of shares	559	13,126	4.25
	<u>559</u>	<u>13,126</u>	<u>4.25</u>
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>
Year ended 31.12.22			
Basic EPS			
Earnings/number of shares	1,951	12,733	15.32
Effect of dilutive securities	-	122	-
	<u>1,951</u>	<u>12,733</u>	<u>15.32</u>
Diluted EPS			
Adjusted earnings/number of shares	1,951	12,855	15.18
	<u>1,951</u>	<u>12,855</u>	<u>15.18</u>

M WINKWORTH PLC

NOTES TO THE CONSOLIDATED INTERIM RESULTS for the period 1 January 2023 to 30 June 2023

4. INTANGIBLE ASSETS

	Customer lists £000's	Website development £000's	Total £000's
Net book value at 1 January 2022	540	385	925
Additions	-	108	108
Amortisation	(23)	(47)	(70)
Net book value at 30 June 2022	<u>517</u>	<u>446</u>	<u>963</u>
Additions	-	15	15
Amortisation	(22)	(50)	(72)
Net book value at 31 December 2022	<u>495</u>	<u>411</u>	<u>906</u>
Additions	-	103	103
Amortisation	(22)	(57)	(79)
Net book value at 30 June 2023	<u><u>473</u></u>	<u><u>457</u></u>	<u><u>930</u></u>

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

The group has the following financial instruments:

	30.06.2023 £000's	30.06.2022 £000's	31.12.2022 £000's
Financial assets that are debt instruments measured at amortised cost			
Trade receivables	872	985	657
Loans to franchisees	599	646	664
Other receivables	48	46	38
Financial liabilities measured at amortised cost			
Trade payables	218	271	393
Lease liability	556	752	633
Other payables	27	10	22
Financial assets measured at fair value			
Listed investments	26	44	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.

M WINKWORTH PLC

NOTES TO THE CONSOLIDATED INTERIM RESULTS for the period 1 January 2023 to 30 June 2023

6. SHARE CAPITAL

The following reconciles the share options outstanding at the beginning and end of year:

	2023		2022	
	Number of options	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)
Balance at beginning of year	562,331	128.00	562,331	128.00
Exercised during the year	<u>(175,554)</u>	<u>(102.38)</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>386,777</u>	139.62	<u>562,331</u>	128.00

At 30 June 2023, all options were exercisable. 175,554 options were exercised in 2023. The share options outstanding at the year-end had a weighted average contractual life of 3.8 years.

7. RELATED PARTY DISCLOSURES

During the 6 months to 30 June 2023, total dividends of £375,121 (30 June 2022: £595,019) were paid to the directors.

During the 6 months to 30 June 2023, the Company received a dividend of £738,528 (30 June 2022: £1,171,458) from its subsidiary undertaking Winkworth Franchising Limited. The balance owed by Winkworth Franchising Limited to the Company at 30 June 2023 was £1,267,587 (30 June 2022: £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 2023 was £Nil (30 June 2022: £15,130).

8. POST BALANCE SHEET EVENTS

On 12 July 2023, M Winkworth Plc declared dividends of 2.9p per share for the second quarter of 2023.

On 1 July 2023, Winkworth Franchising Limited acquired the remaining 10% of Tooting Estates Limited, which operates the Winkworth franchise in the Tooting area, for £136,500.

9. INTERIM RESULTS

Copies of this notice are available to the public from the registered office at 13 Charles II Street, St James's, London, SW1Y 4QU, and on the Company's website at www.winkworthplc.com