



Opening the door to property, mortgage and franchise expertise

Belvoir Group PLC
Interim Results Presentation
September 2023

Motivated, experienced executive team

With a long-standing record of delivering growth



Experience

25 years in the property sector

Length of service

18 years at Belvoir

Key skills

Franchising / people management / strategic business planning

Shareholding

646,322 shares (1.7%)

Share options

462,772



Experience

21 years as board member on AIM-listed companies

Length of service

9 years at Belvoir

Key skills

Financial management / mergers and acquisitions / investor relations

Shareholding

418,923 shares (1.1%)

Share options

404,227

Incorporated: 1995

Ticker: BLV

Floated: 2012

Market cap: £82m

26 years unbroken profit growth

Well-established dividend track record with 2023 interim dividend increasing by 25% to 5.0p

Performance comfortably in line with management's expectations

Building a multi-brand business

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



Opening the door to **property expertise**

Opening the door to **mortgage expertise**

BELVOIR!

Established in 1995

158
offices

 **NEWTON
FALLOWELL**

Acquired in 2015

39
offices

 **northwood**
Over & Above

Acquired 2016

91
offices

 **lovelle**

Acquired in 2020

16
offices

 **Nicholas
Humphreys**

Acquired in 2021

19
offices

 **Clarke.**
MR. and MRS.

Acquired in 2022

12
territories

Brook Financial Services
trading as



Financial Services division
Established 2017

152
businesses

321
advisers

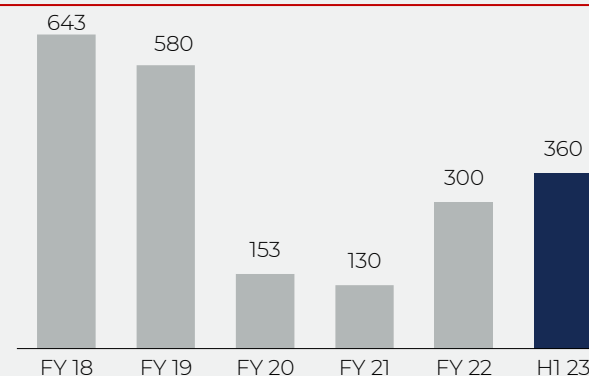
Group locations
487

Growth strategy in action

Building opportunities

MSF p.a. from assisted acquisitions

£360k +42% (H1 2022: £260k)



BMA Bristol

Acquired 6 June 2023

- Network of 21 self-employed mortgage advisers
- Located in and around Bristol
- Operates under Mortgage Advice Bureau
- Revenue of £1.8m and profit before tax of £0.3m for year to December 2022
- Total consideration of £1.0m net of cash acquired
- Adjusted net profit before tax estimated at £0.3m

MAB (South West)

Acquired 24 August 2023

- Network of 20 self-employed mortgage advisers
- Located in Devon and Cornwall
- Operates under Mortgage Advice Bureau
- Revenue of £1.5m and profit before tax of £0.1m for year to September 2022
- Total consideration of £1.0m net of cash acquired
- Adjusted net profit before tax estimated at £0.3m

Assisted acquisitions programme

Started in 2014

- Building back up post Covid
- Number of acquisitions completed by franchisees at 13 (H1 2022: 9)
- Added £3.5m (H1 2022: £2.2m) to franchise revenue
- Added 2,010 (H1 2022: 1,817) managed properties
- Estimated additional MSF p.a. of £0.36m (H1 2022: £0.26m)
- The Group advanced £0.9m which equated to 23% of total consideration of £3.8m
- Since 2014, franchisees have completed on 139 assisted acquisitions
- Pipeline of deals exceed £1.0m with further £4.9m of opportunities under review

H1 2023 overview

Key highlights – good H1 performance despite challenging market conditions

Financial highlights

Revenue

£15.9m

+3% (H1 2022: £15.4m)

Profit before tax

£4.4m

+10% (H1 2022: £4.0m)

Net cash

£0.4m

(H1 2022: £2.5m net debt)

Dividend

5.0p

+25% (H1 2022: 4.0p)

Operational highlights



Locations

487

+3% (H1 2022: 473)



Financial services advisers

301 (now 321)

0% (H1 2022: 301)



House sales

4,177

-15% (H1 2022: 4,889)



Managed properties

75,000

+2% (H1 2022: 73,300)

H1 2023 financial review

Group statement of comprehensive income

For the six months ended 30 June 2023

	Inc/(dec) %	H1 2023 £'000	H1 2022 £'000	FY 2022 £'000
Continuing operations				
Revenue	+3	15,921	15,403	33,718
Cost of sales		(6,626)	(5,999)	(13,449)
Gross profit	-1	9,295	9,404	20,269
<i>Gross profit margin - FS</i>		23%	22%	26%
<i>Gross profit margin - overall</i>		58%	61%	60%
Administrative expenses	-7	(5,011)	(5,368)	(11,231)
Operating profit	+6	4,284	4,036	9,038
Profit on disposal of corporate offices		—	—	149
Finance costs		(33)	(123)	(283)
Finance income		145	82	214
Profit before taxation	+10	4,396	3,995	9,118
Taxation		(1,039)	(769)	(1,711)
Profit and total comprehensive income for the financial year	+4	3,357	3,226	7,407
Earnings per share				
Basic	+3	9.0	8.7	19.9p
Diluted	+4	8.8	8.5	19.6p
Dividend	+25	5.0p	4.0p	9.0p

Key points

- Property revenue of £7.3m (H1 2022: £7.7m) having franchised out two corporate offices which converted £0.6m of fees into £0.1m of MSF
- MSF
 - 8% lettings growth with LFL up 6%
 - Sales down 9% with LFL down 15%
- Financial services (FS) up 11% to £8.6m (H1 2022: £7.7m)
 - Acquisitions added 19%
 - LFL FS business down 8% cf. 26% fall in UK gross mortgage lending
- Gross profit of £9.3m (H1 2022: £9.4m) with the property division down £0.3m and FS up £0.2m
- Overall gross profit margin of 58% (H1 2022: 61%) reflects increasing proportion of revenue from FS
- FS gross profit margin of 23% (H1 2022: 22%). Overrides in H2 supports forecast FS margin of 25% for full year
- Net profit before tax up 10%
- Profit after tax up 4% despite increased tax rate of 25% from April 2023
- Interim dividend up 25% reflecting strong cash generation and increasing profitability

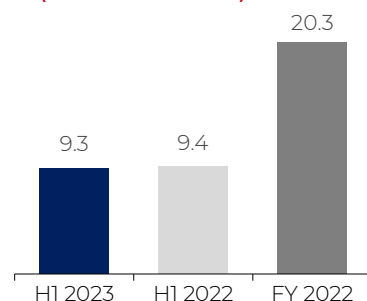
Financial highlights H1 2023

Growth strategy and diversification underpinning H1 results

Gross profit (£m)

£9.3m

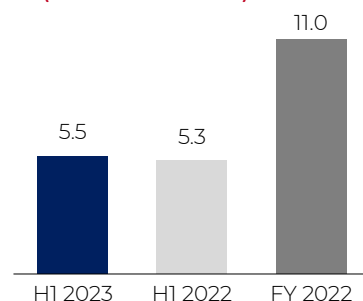
-1% (H1 2022: £9.4m)



MSF (£m)

£5.5m

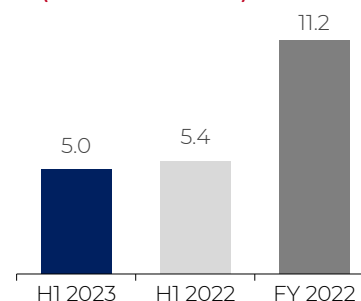
+4% (H1 2022: £5.3m)



Admin costs (£m)

£5.0m

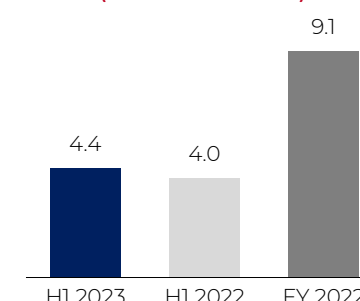
-7% (H1 2022: £5.4m)



Profit before tax (£m)

£4.4m

+10% (H1 2022: £4.0m)



Gross profit

- Gross profit 1% lower at £9.3m (H1 2022: £9.4m)
- Franchising of two NH corporate offices reduced corporate office income by £0.6m and add £0.1m in MSF, net impact of £0.5m to gross profit
- Management Service Fees (MSF) up 4% to £5.5m (H1 2022: £5.3m)
 - £0.3m lettings MSF increase offsetting £0.1m decrease in sales
 - LFL growth in lettings of 6% cf. UK rental index of 5.5%
 - LFL decrease in sales of 15% cf. 18% fall in UK property transactions
- Financial Services up 13% to £2.0m (H1 2022: £1.7m)
 - Acquired FS businesses added £0.3m and underlying business broadly level
- Gross margin ratio of 58% lettings: 15% sales: 21% financial services: 6% other (H1 2022: 60%:17%:19%:4%)

Administrative costs

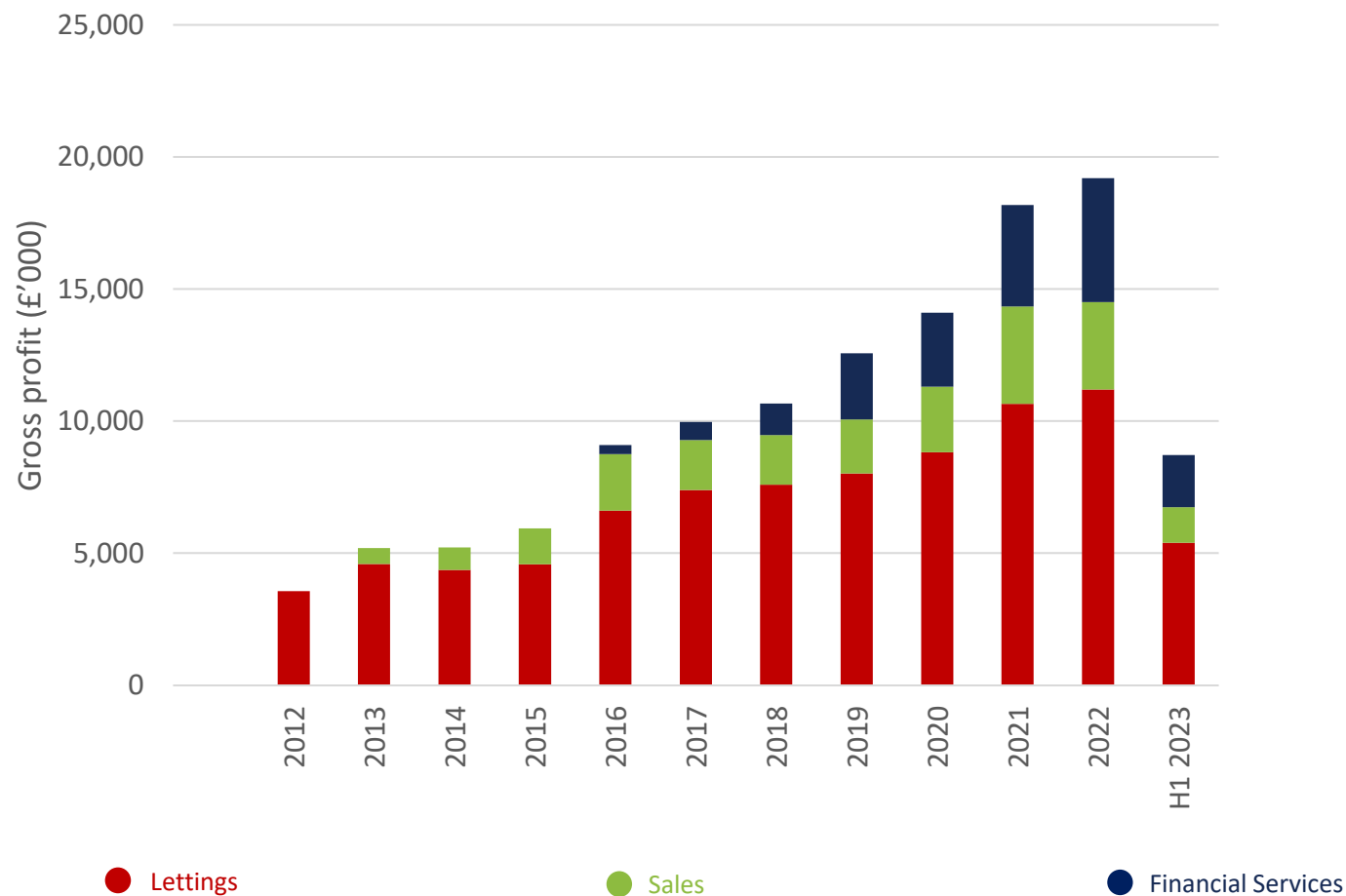
- Administrative expenses down £0.4m to £5.0m (H1 2022: £5.4m)
 - Franchising two corporate offices reduced costs by £0.5m
 - Professional fees incurred on acquisitions down £0.2m on H1 2022
 - Share-based payment (SBP) charge was up £0.1m
 - Increase of £0.2m arising from businesses acquired
 - Underlying overheads remained broadly the same

Profit

- Profit before tax up 10% to £4.4m (H1 2022: £4.0m)
- EPS up 3% to 9.0p (H1 2022: 8.7p)

Gross profit from diversified revenue streams

Successful growth and diversification strategy



Milestone events

- 2012 Belvoir floated as lettings specialist
 - 2013 launched sales
 - **Gross profit in 2014 of £6.5m**
 - 2015 acquired Newton Fallowell and Goodchilds
 - 2016 acquired Northwood
 - 2017 acquired Brook Financial Services
 - 2018 acquired MAB Glos
 - 2020 acquired Lovelle
 - 2021 acquired Nicholas Humphreys and Nottingham Mortgage Services
 - 2022 acquired Mr and Mrs Clarke and The TIME Group
 - 2023 acquired BMA Bristol and MAB (South West)
-
- **Gross profit up £13.8m (+212%) to £20.3m over 8 years to 2022**
 - **Gross profit, as acquired, of £9.7m added 149%**
 - **Gross profit from organic growth of £4.1m added remaining 63%**
-
- Between 2017 and H1 2023 net commission from financial services contributed £17.7m in gross profit
 - Total investment in FS to date of £12.2m
 - Further upside from both 2023 FS acquisitions to come

Statement of financial position

As at 30 June 2023

	H1 2023 £'000	H1 2022 £'000	FY 2022 £'000
Assets			
Intangible assets	37,440	37,800	37,308
Tangible assets	691	531	540
Right-of-use assets	485	596	539
Franchisee loans	3,860	2,902	2,745
Trade and other receivables	2,693	2,917	3,012
UIC balances	2,946	2,660	2,743
Cash and cash equivalents	387	5,748	3,217
Total assets	48,502	53,154	50,104
Trade and other payables	2,771	3,452	3,680
UIC liability	2,178	1,854	2,075
Lease liabilities	501	611	555
Bank loan	—	8,297	2,039
Deferred tax	2,427	2,757	2,545
Corporation tax liability	664	776	1,073
Total liabilities	8,541	17,747	11,967
Total net assets	39,961	35,407	38,137
Share capital	373	373	373
Reserves	39,588	35,034	37,764
Total equity	39,961	35,407	38,137

Intangibles

- Acquisition of BMA Bristol for £1.1m
- Sale of Nicholas Humphreys Derby for total of 0.5m

UIC balances

- UIC balance of £2.9m (H1 2022: £2.7m) is made up of:
 - £2.2m retained by MAB
 - £0.7m recoverable from advisers
- UIC liability of £2.2m (H1 2022: £1.9m) is the estimate of potential clawback of commission

Net cash/(debt)

- Net cash of £0.4m (H1 2022: net debt of £2.5m)
- £2.0m overdraft facility now in place
- The bank balance as at 1 September was £0.5m

Statement of cash flows

For the six months ending 30 June 2023

	H1 2023 £'000	HY 2022 £'000	FY 2022 £'000
Operating activities			
Cash generated from operating activities	4,351	4,379	10,828
Tax paid	(1,451)	(391)	(1,226)
Net cash flows generated from operating activities	2,900	3,988	9,602
Acquisitions net of cash acquired	(1,023)	(3,005)	(4,044)
Disposal of corporate-owned offices	468	—	691
Capital expenditure on property, plant, equipment and trademarks	(188)	(75)	(154)
Franchisee loans granted	(1,666)	(666)	(909)
Franchisee loans repaid	551	362	771
Finance income received	145	78	214
Net cash flows used in investing activities	(1,713)	(3,306)	(3,431)
Financing activities			
Proceeds from share issue	25	—	—
Loan repayments	(2,000)	(445)	(6,758)
Equity dividends paid	(1,865)	(1,678)	(3,170)
Lease payments	(138)	(111)	(218)
Finance costs	(39)	(113)	(221)
Net cash flows used in financing activities	(4,017)	(2,347)	(10,367)
Net change in cash and cash equivalents	(2,830)	(1,665)	(4,196)
Cash and cash equivalents at the beginning of the financial year	3,217	7,413	7,413
Cash and cash equivalents at the end of the financial year	387	5,748	3,217

Highly cash generative

- 91% (H1 2022: 97%) of EBITDA converting to cash

Tax

- Higher tax payment of £1.5m (H1 2022: £0.4m) due to tax relief in H1 2022 from a share scheme deduction re options exercised in 2021

Investing activities

- £1.0m invested in BMA Bristol net of cash acquired
- Branch manager lent £0.5m to acquire franchise for Nicholas Humphreys Derby
- Continued financial support to franchisees under the assisted acquisitions programme

Financing activities

- Final £2.0m repaid against bank loan in March 2023
- Dividend of 5.0p (H1 2022: 4.5p) per share paid in May 2023 at total cost of £1.9m (H1 2022: £1.7m)

Belvoir Group ESG strategy



Progress against our five-pillar ESG strategy

- Formulated a decarbonisation strategy
- Created a bespoke Emission Modelling Tool which estimates changes in our carbon footprint up to 2030
- Changing our carpool fleet to be electric and installing electric charging stations in Central Office car park
- Whilst working towards our decarbonisation goals, we will offset our current usage using carefully selected, credible projects in the UK and abroad
- Conducted 98 training courses to nurture talent
- Carried out 172 audits of our franchisee's businesses to ensure the highest professional standards



Having launched our ESG strategy last year, we aim to become carbon neutral in 2024 and are looking to achieve net zero thereafter.”

Jon Di-Stefano
Non-Executive Chairman

H1 2023 operational review and market update

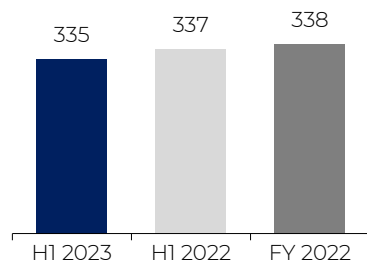
Operational highlights H1 2023

Opening the door to property and financial services

Number of property locations (#)

335

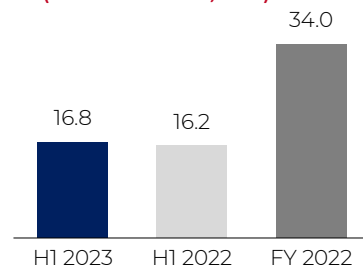
-1% (H1 2022: 337)



Average MSF per franchisee (£)

£16,800

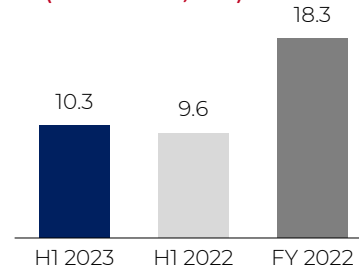
+4% (H1 2022: £16,200)



Number of mortgages arranged (#)

10,252

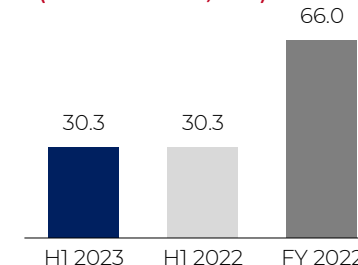
+6% (H1 2022: 9,639)



Average Group income per adviser (£)

£30,275

0% (H1 2022: £30,341)



Property division

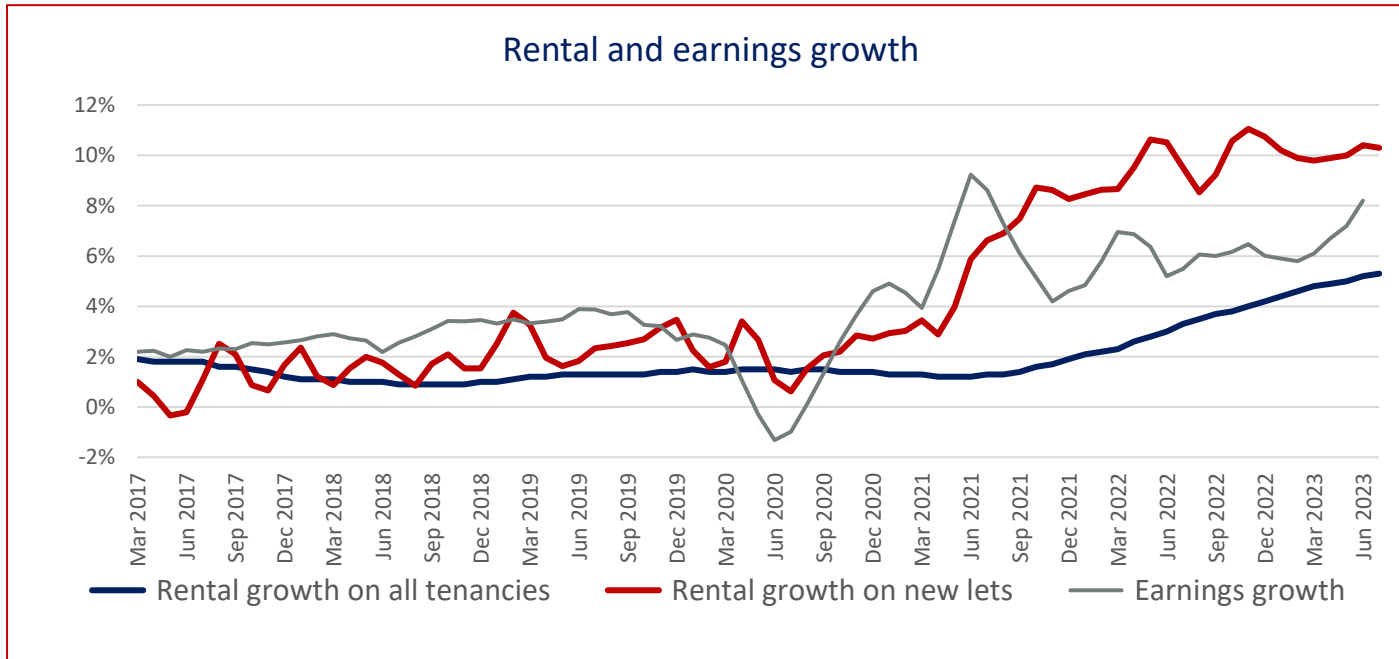
- Opened in two (H1 2022: six) new territories, both by existing franchisees extending their reach
- Resold ten (H1 2022: nine) property franchises of which five were sold to new franchisees
- Portfolio of managed properties up 2% to 75,000 (H1 2022: 73,300)
- Number of house sales down 15% to 4,177 (H1 2022: 4,899) compared to 18% reduction in UK house transactions
- Lettings to sales ratio of 80:20 (H1 2022: 78:22)
- 20 (H1 2022: 15) franchisees exceeded revenue of £0.5m in H1 2023
- 64 (H1 2022: 58) franchise owners have two or more offices; 23 with three or more

Financial services division

- Number of financial services advisers at 301 (H1 2022: 301); now at 321
- Average Group FS income per adviser comparable at £30,275 (H1 2022: £ 30,341)
- Number of written mortgages up 6% to 10,252 (H1 2022: 9,639)
- 10% (H1 2022: 16%) of mortgages written were for BTL lending
- Ratio of purchase to remortgages shifted to 47:53 (H1 2022: 61:39) as clients seek specialist advice on remortgaging and product transfers
- Average case size of £1,249 (H1 2022: £1,318) reflects higher proportion of remortgages
- Lending from Group mortgages at £2.0bn (H1 2022: £1.5bn)

Market update - lettings

Shortage in available properties continues to drive up rents



Lettings market

- June 2023 ONS rental index, reflecting all tenancies, up 5.2%¹ (H1 2022: 3.0%)
- Rent increases on new tenancies at 10.4%² (H1 2022: 10.5%)
- Highest increases in Greater London and the West Midlands and lowest in the South West and North East
- Renters are spending 31.9%² (H1 2022: 30.2%) of their income on rent
- ONS deem affordability at 30% or less of household income
- Earnings growth³ is currently exceeding ONS rental growth but is falling behind rent increases on new lets



Franchise lettings growth ahead of UK rental index

¹ [Index of Private Housing Rental Prices, UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

² [homelet-rental-index-july-2023.pdf](#)

³ [EARN01: Average weekly earnings - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

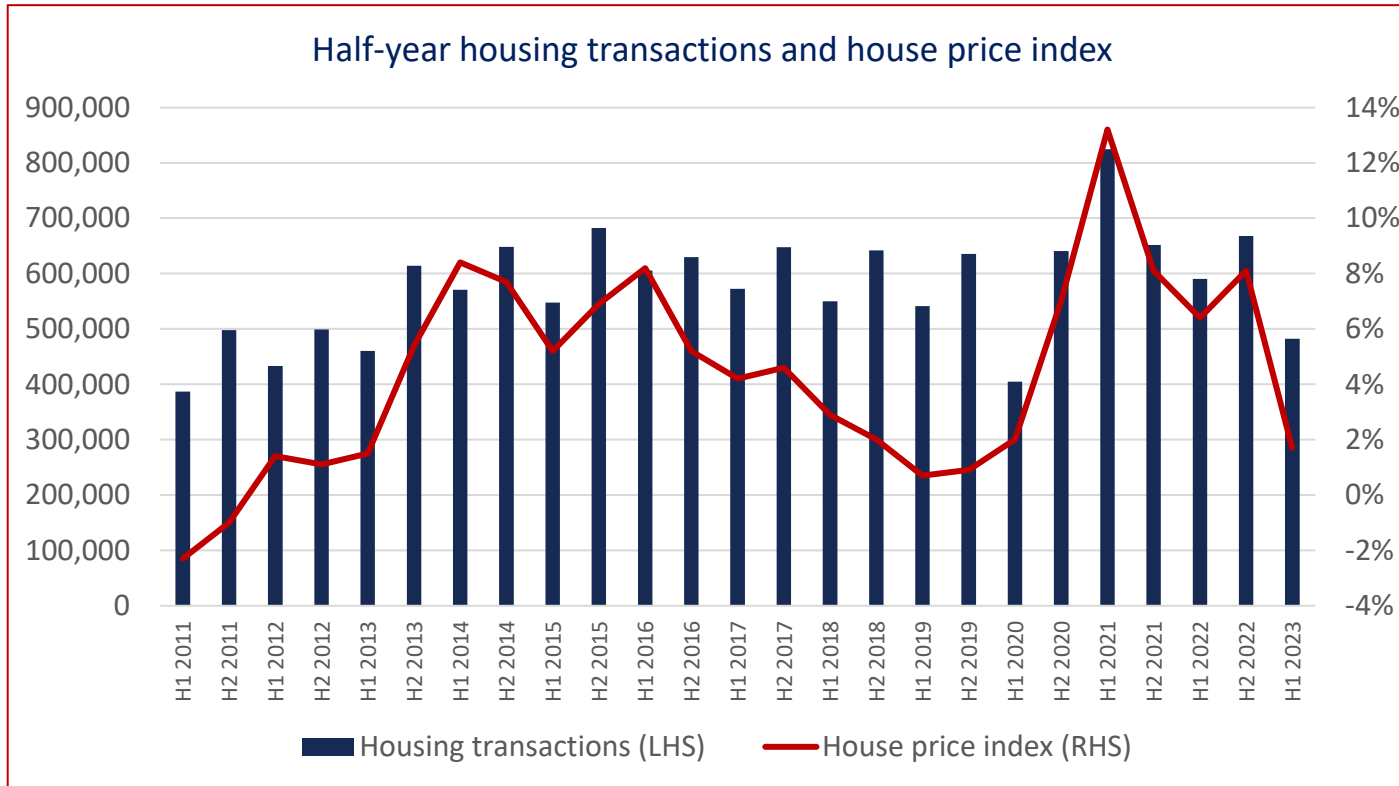
H1 2023 MSF from

+8%

Lettings

Market update - sales

Residential sales transactions impacted as prices fall modestly



Residential property market

- H1 2023 UK residential sales transactions at 482,000⁵ were 18% lower than H1 2022 and 15% lower than the 6-year pre-Covid first half averages
- House prices are up 1.7%⁶ in June 2023 yr-on-yr but down 2.3%⁶ since the start of 2023 and are forecast to fall further by around a modest 2%
- FTB mortgage payments as a share of income up to 39%⁷ (H1 2022: 32%) following several rate increases



Group house sales transaction continue to outperform the market

⁵ <https://www.gov.uk/government/statistics/monthly-property-transactions-completed-in-the-uk-with-value-40000-or-above>

⁶ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/june2023>

⁷ <https://www.nationwidehousepriceindex.co.uk/resources/f/uk-and-regional-affordability-indicators>

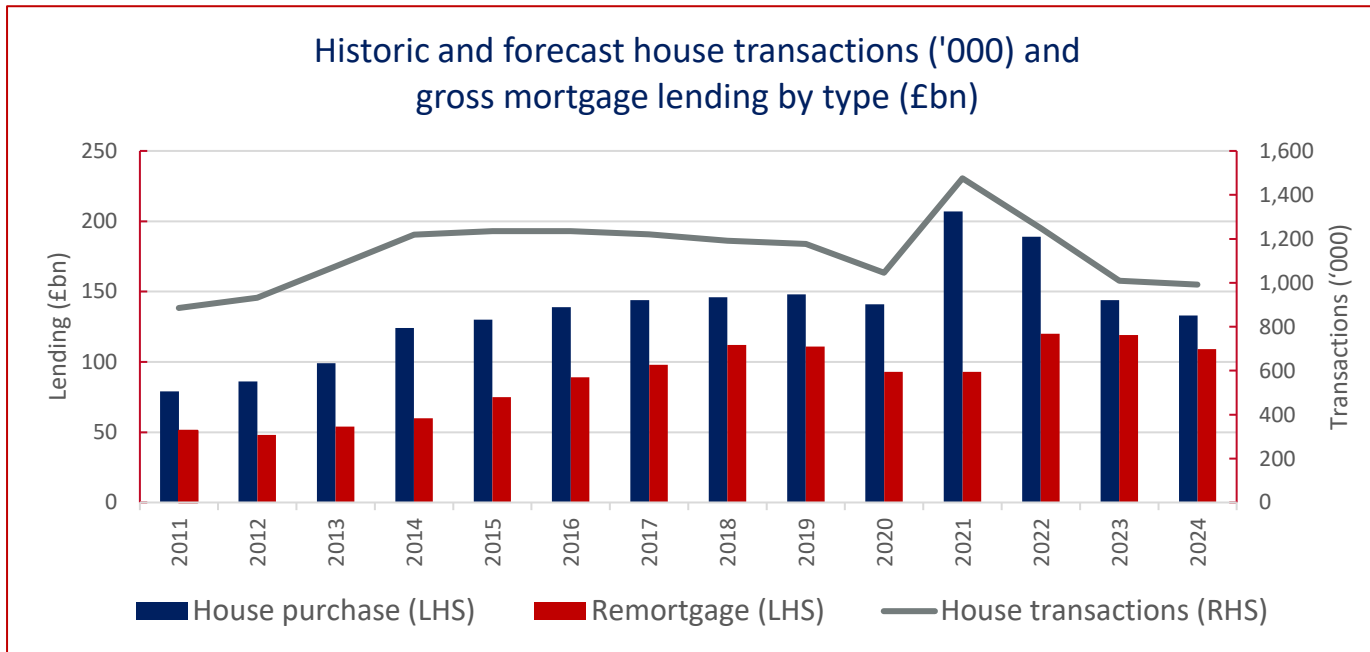
H1 2023 MSF from

-9%

Sales

Market update – financial services

Mortgage market adjusting to higher interest rates



Group Financial Services revenue benefitting from strong client bank as UK mortgage lending affected by higher interest rates.

⁸ <https://www.ukfinance.org.uk/data-and-research/data/mortgage-market-forecasts>

⁹ <http://www.imla.org.uk/resources/publications/imla-the-new-%60normal-prospects-for-2023-and-2024.pdf>

Mortgage market

- Gross UK mortgage lending in H1 2023 was down 26%
- Fourteen base rate rises from 0.1% in December 2021 to 5.25% in August 2023 is driving borrowers to mortgage intermediaries
- Established intermediaries such as Belvoir benefit from:
 - strong client database
 - good reputation and referrals
 - demand for bespoke advice
 - diverse income streams
- Intermediary share of mortgage market forecast to rise from 84% to 90% of mortgage market by 2024⁹

H1 2023 Group revenue from

+11%

Financial services

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



26 years

Unbroken profit growth with profit after tax up threefold in five years

Long-serving, experienced leadership team



13 years average length of service

Stable management team with 27 years average industry experience

High degree of recurring revenue



58% gross profit from recurring lettings

Highly cash generative underpinned by recurring lettings supporting 25% increase in interim dividend

Diversification



21% of gross profit from financial services

Gross profit contribution from financial services up from £0.3m in 2016 to £4.7m in 2022

Successful acquisition strategy



12 acquisitions since 2015

Fully assimilated six franchise brands and six financial services businesses

Summary and outlook

Proven multi-brand business model and growth strategy

Continuing to invest for growth

- Expanded geographic reach of FS through acquisitions of BMA Bristol in June and MAB South West in August
- The Group is highly cash-generative with a debt-free balance sheet so is well-resourced to support further strategic growth
- The Board continues to look for high-quality, accretive and complementary acquisition opportunities to supplement organic growth

Performance on track

- The delayed effect of the mini-budget resulted in lower levels of house sales and mortgage completions in H1 as anticipated
- Mitigated by strong lettings market and Group acquisitions strategy
- Performance year to date is comfortably in line with management's expectations

Our locations

158

Belvoir

39

Newton
Fallowell

91

Northwood

19

Nicholas
Humphreys

16

Lovelle

12

Mr and Mrs
Clarke

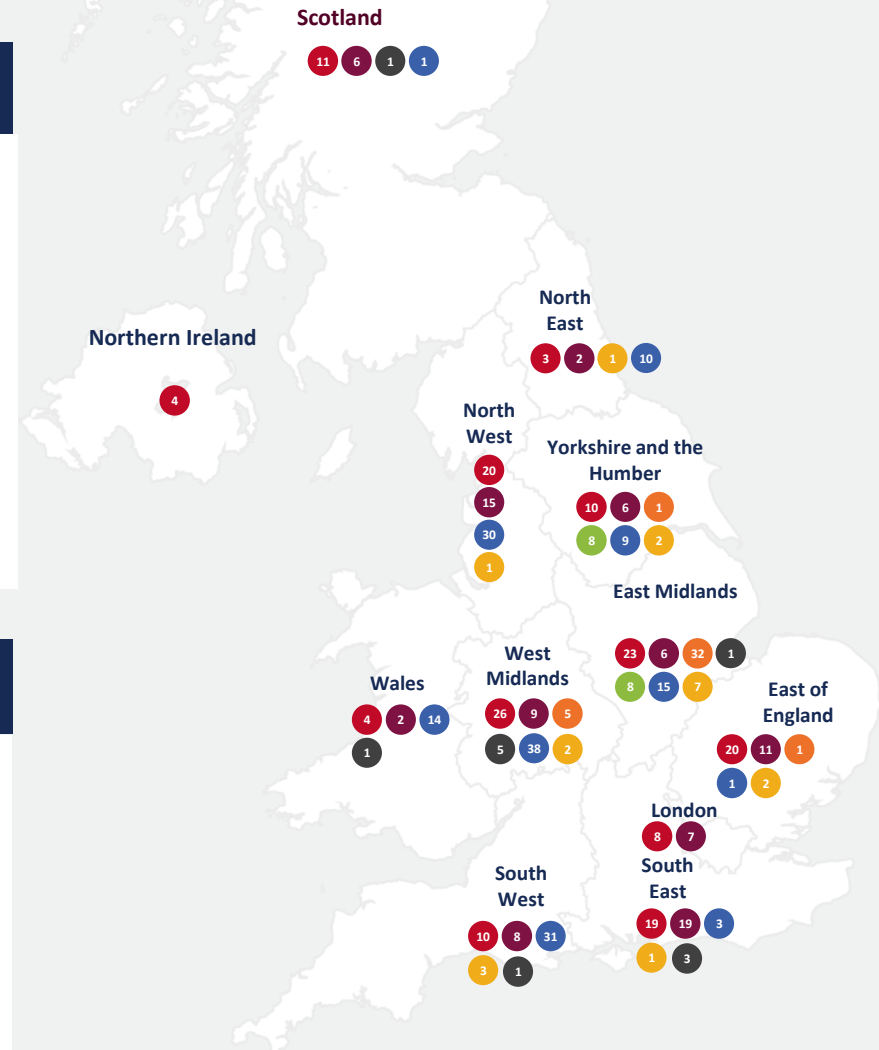
152

Financial
services

Locations

487

Nationwide



Belvoir Group PLC investor presentation

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