

Belvoir Group PLC

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Belvoir Lettings aims to take advantage of property market disruption

Belvoir Lettings PLC (LON:BLV) has navigated its way through the current malaise affecting the property sector with some dexterity.

The AIM-listed business is the UK's largest franchised property agent and this structure has been a substantial help, believes Dorian Gonsalves, chief executive.

WATCH: Belvoir Lettings in good shape as profits hit another record "It's their life in many cases," he told Proactive when talking about the franchisees, so when problems arise, their attitude is how can we fix it.

Belvoir's recent annual results demonstrated the resilience of its model, which now runs to 300 offices and four networks.

Other estate agents, notably Countrywide and Foxtons, have struggled with weak house sales and inroads into the market by online agents such as Purplebricks.

Belvoir though saw franchise fees rise by 23% to £7.9mIn, and underlying profits climb by 39% to £4.9mIn.

Some 17% of the fees rise related to a full year inclusion of Northwood.

Organic growth and the acquisition of 23 new outlets by its networks helped sales rise by 14% to £11.3mIn in the year to December.

21st year of profit growth

It was the 21st consecutive year of profit growth for the company, with the final dividend also increased.

Some 80% of Belvoir's revenue comes from letting, which insulates it to a large degree from the 'disruptors'.

Adding new outlets also has a big impact on a largely fixed cost base.

This year, 2018, eight franchisees have been added to the networks already, bringing in an extra £2.4mIn of gross revenue.

Even so, Belvoir is not independent of industry trends and Gonsalves said there were signs rents are slowing while some voids are taking longer to fill.

Property shortfall

But he added there remains a shortfall of properties to buy and its franchisees are well-positioned to take advantage from any further shake-out in the market.

Price: 113

Market Cap: £39.48 m

1 Year Share Price Graph



October 2018 April 2019 October 2019

Share Information

Code: BLV

Listing: AIM

52 week	High	Low
	123	85

Sector: Real Estate

Website: www.belvoirgroup.com

Company Synopsis:

We are the UK's largest property franchise group delivering residential lettings and sales, and property-related financial services through 365 individual businesses nationwide. We operate through two divisions: a network of property franchisees and a network of financial advisers, which combine to support our customers throughout their property journey.

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That is very possible. There are 10,000 independent property agents and challenges such as the imminent ban on tenant fees will hit some of these hard.

Around 75 of Belvoir's franchisees currently are actively looking to acquire, through the company's assisted-acquisition programme, says Gonsalves.

Under this scheme, Belvoir helps franchisees that want to expand by plugging any equity gap or shortfall (up to 30%) in their funding for a deal.

It's a win-win for the franchisee and Belvoir, according to Gonsalves.

A typical franchise employs 4-5 people and looks after 250 properties but if a franchisee can acquire a similar business within its own area, it can just tack on the revenue without the cost, sending profits climbing.

Belvoir meanwhile gets a boost from higher management services fees (MSF) from its franchisee and interest on its loan.

Aim-listed dividend payer

Mortgage broking firm Brooks meanwhile was acquired to offer financial services to buyers, sellers, tenants and landlords who want it, while the policy of helping landlords sell properties has also been expanded to boost client retention.

The increased final payment of 3.5p (2016:3.4p) brought the total dividend for the year of 6.9p (2016: 6.8p), which at the current share price of 105p, gives a yield of 6.6%.

"Looking to 2018, the board remains confident that the Belvoir Group will benefit from further consolidation within the sector, further integration of our recent acquisitions to deliver additional efficiencies and diversification of property-related services offered through our franchised networks, to ensure a continued increase in shareholder value," said the annual statement.

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