

14 September 2021

This announcement contains inside information.

THE PROPERTY FRANCHISE GROUP PLC
(the "Company" or the "Group")

Interim Results for the six months ended 30 June 2021

Full Year profit anticipated to be ahead of market expectations

The Property Franchise Group, the UK's largest property franchisor, is pleased to announce its interim results for the period ended 30 June 2021, and an update on current trading.

Financial Highlights

- Group revenue increased 117% to £11.1m (H1 2020: £5.1m)
 - 37% like for like increase to £7.0m*
 - 29% like for like increase on 2019*
- Management Service Fees ("royalties") increased 73% to £7.3m (H1 2020: £4.2m)
 - 35% like for like increase to £5.7m*
 - 23% like for like increase on 2019*
- Adjusted operating margin** 47% (H1 2020: 45%)
- Adjusted EBITDA*** increased 108% to £5.2m (H1 2020: £2.5m)
 - 49% like for like increase to £3.7m
 - 117% increase on H1 2019
- Profit before tax increased 57% to £3.1m (H1 2020: £2.0m)
 - Of which £0.9m arose from the underlying business and £0.2m arose from the acquisition of Hunters Property Plc
 - 54% increase on H1 2019
- Adjusted basic earnings per share increased 99% to 14.9p (H1 2020: 7.5p)
- Highly cash generative as demonstrated by net debt of £5.4m at 30 June 2021 after borrowing £12.5m to fund the acquisition of Hunters (30 June 2020: £nil).
- Cash generated from operations increased 88% to £4.7m after acquisition costs of £0.9m (H1 2020 £2.5m)
- Increased interim dividend by 81% to 3.8p (H1 2020: 2.1p)

** like for like comparison excluding the impact of the acquisition of Hunters.*

*** before share-based payments charge, exceptional items and amortisation arising on consolidation*

**** before share-based payments charge and exceptional items*

Operational Highlights

- Network income increased 118% to £89.4m (H1 2020: £41.0m)
 - 38% like for like increase to £56.3m*
- Sales agreed pipeline increased 247% to £29.5m (H1 2020: £8.5m)
 - 64% like for like increase to £14.0m*
- Managing 73,000 rental properties (H1 2020: 58,000)
- EweMove sold 37 new territories (H1 2020: 6)

Gareth Samples, Chief Executive Officer of The Property Franchise Group, said:

"I am delighted to be reporting record results for our Group and significant progress with our strategic objectives. We have capitalised on the increased activity in both the residential lettings market and more notably residential sales market in H1 2021. This, together with signs that the sales market continues to perform strongly into the second half, means that we now anticipate reported profits to be ahead of current market expectations for the full year.

"We are early on in the execution of our strategic growth initiatives and are delighted to already be on track to meeting ambitious targets. EweMove sold 37 territories in H1 2021 and currently trades in 152 territories. Hunters has delivered just over three months of profitability to our Group and has much more to give. Our strategic partnership with LSL is gathering pace and has been enhanced by our post-period acquisition of The Mortgage Genie. At the same time, we have invested and continue to invest in our senior management team so that we can support our talented franchise owners to take advantage of the opportunities on offer. This momentum underpins our confidence for the future.

"We firmly believe that we have put in place the building blocks for earnings enhancing growth and, looking shorter term, that the high activity levels at the start of H2 will deliver record profitability for our Group in 2021."

Investor presentation

The Company is hosting a live private investor presentation on Wednesday 15 September 2021 at 12:30pm. All existing and potential private investors interested in attending are asked to register using the following link: https://bit.ly/TPFG_H121_pres

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About The Property Franchise Group PLC:

The Property Franchise Group PLC (AIM: TPFPG) is the largest property franchisor in the UK and manages the second largest estate agency network and portfolio of lettings properties in the UK.

The Company was founded in 1986 and has since grown to a diverse portfolio of nine brands operating throughout the UK, comprising longstanding high-street focused brands and a hybrid, no sale no fee agency.

The Property Franchise Group's brands are Martin & Co, EweMove, Hunters, CJ Hole, Ellis & Co, Parkers, Whitegates, Mullucks & Country Properties.

Headquartered in Bournemouth, UK, the Company was listed on AIM on the London Stock Exchange in 2013. More information is available at www.propertyfranchise.co.uk

Chief Executive Officer's Statement

I am very pleased to be reporting on what has been another period of considerable progress for the Group, one in which our franchisees successfully capitalised on the uplift in the property market to deliver record first half figures. Additionally, results have been significantly bolstered by the acquisition of Hunters in March 2021. I would like to take this opportunity to thank the entire team and our franchisees, who have been at the core of all our success in the first half.

The six months to 30 June 2021 represent a period of clear execution against all of our stated strategic initiatives, having driven EweMove's continued rapid growth, made tangible progress in our financial services ambitions and, importantly, completed the acquisition of Hunters.

The ability with which we have been able to take advantage of the favourable market conditions and execute on strategy is reflected in our record financial results. Group revenue of £11.1m was delivered for the half, representing a 117% increase on the same period in the prior year. Furthermore, we have achieved an adjusted operating margin of 47%, profit before tax up 57% to £3.1m, and cash generated from operations has increased 88%.

I am delighted to confirm the Group has never been in a stronger position. Whilst there is of course uncertainty surrounding the broader market moving forwards, there are clear indications that demand is set to remain at a high level throughout the second half and we remain ambitious to sustain levels of progression through the execution of our strategic growth plan.

Operational review

Managed Service Fees ("MSF") increased 73% across the brands to £7.3m. The sales agreed pipeline at the end of the period totalled £29.5m, which compared to the same period in 2020, represents 247% growth. At the same time the average sales fee charged has increased by over 10% in the last year, in-line with increasing house prices. These two factors have driven the increase in network income and the Group's revenue.

The Group's revenue split for the period was 50% lettings and 50% sales, reflecting the extremely buoyant sales market this year, coupled with the acquisition of Hunters.

The Group's eight high street-led brands have performed exceptionally well in the first six months, building on the strong performance of last year. During the period five new offices were opened on the high street, with 11 'spokes' from 'hub' offices also created. Our franchisees' confidence to continue opening new offices is a testament to the confidence they have in the franchisor and reinforces that our investment into our senior leadership team is paying off. TPFG now has over 438 physical office locations, conducted the sale of over 13,000 properties in H1 FY21 and manages in excess of 73,000 tenanted properties.

Hunters has delivered a very strong performance since it was incorporated into the Group in April 2021. The integration is going well, with very low staff turnover which has supported the smooth transition. Initiatives to extract synergies and enhance revenue through the integration are underway and we expect the strategic benefits of the business to come through largely in FY22.

EweMove, the Group's hybrid estate agency, achieved profit before tax of £900,000 in the first six months, generating as much profit in the first half of 2021 as it did in the whole of 2020. The brand has also continued to build on its positioning with significant recruitment progress. The enhanced scale of the business and improved brand awareness has undoubtedly supported EweMove's growth and we look forward to building on the hybrid opportunity even further.

Finally, our partnership with LSL Property Services ("LSL") is progressing well with circa 260 of our 350 franchisees having signed up to LSL's mortgage and protection advice service. Initial uptake from our franchisees is very encouraging and we expect more will sign up as the rollout progresses.

Dynamic market opportunities

The UK residential housing market has been extremely buoyant in the first six months and continues to be active post-period end. Favourable market dynamics, such as the stamp duty holiday and residents' desire to relocate for more space or a change of scenery following periods of lockdown, has supported strong sales.

Despite the end of the full stamp duty holiday in June 2021 the demand for homes remains high as a result of a shortage in supply. Whilst July and August were moderately busy, as a result of more residents taking holidays, we have noticed activity ramping up in early September.

Likewise, the lettings market remains active and we have experienced incredible resilience in this sector.

Strategic progress

Over the period there has been clear progress made against our six core areas of strategic focus, as outlined below.

Lettings growth

There has been like for like growth in lettings' revenues amongst our high-street led brands of 9% during the period. This is a good performance considering the current nature of the market, which is focused on sales.

Develop sales activity in the high street-led brands

We have been encouraged by the increased sales activity seen in our high-street led brands over the period and by franchisees investing to meet the improved activity expected in future years.

Financial Services growth

We are committed to further growth of our Financial Services division, as demonstrated by the strategic partnership with LSL announced in April, which has significantly helped our franchisees pursue their own financial services growth ambitions. Our recent acquisition of Mortgage Genie also supports the supply of these specialist services. The Group is currently on track to reach its target of 100 financial consultants by the end of the year.

EweMove recruitment

EweMove recruited 37 new territories in the period setting a new record for the total number of territories operating of 142 at 30 June 2021 and this record continues to be surpassed as new joiners begin to trade. Its currently operating from 152 territories. The Group remains on track to double the size of EweMove territories to 230 by the end of 2022.

Acquisitions (franchisee and franchisor level)

We continue to support franchisee acquisitions of local competitors' lettings books, in turn increasing the stability and profitability of their businesses. In the period there have been seven acquisitions made by franchisees, representing an increase on the same period in the prior year. Whilst the opportunity for acquisitions has been somewhat subdued during the period given the buoyant market, we anticipate the pipeline to return to a more normal level by FY22.

Hunters continues to perform strongly, giving the Group a huge opportunity for further growth and development. Integration has progressed well so far and over the next 12 months the brand will become more closely aligned with our established high-street brands. Pleasingly, Hunters staff turnover has also been at a very low level, highlighting the positive reaction of Hunters staff to the change in ownership.

Digital marketing

We operate best-in-class digital marketing, providing local solutions for franchisees and a Group-wide customer journey management. New campaigns which launched three weeks ago are driving pleasing levels of results.

Board Changes

Richard Martin has confirmed to the Board that, following the next AGM in May 2022, he will step down from his role as Chairman of the Group. As a result, the Board has elected Paul Latham, its current Deputy Chairman and member of the Board since flotation in 2013, to become Chairman of the Group at that time. Richard will remain an active member of the Board and move to Deputy Chairman following the appointment of Paul.

Current Trading and Outlook

Trading has remained encouraging into the second half, with all brands performing well, notwithstanding the expected slight softening in the holiday months of July and August. This good performance, together with the record results of the first half and healthy demand levels, mean the Board now anticipates its full year profit performance will be ahead of market expectations.

In the longer term, whilst we anticipate a gradual move towards more normal market conditions over the coming periods, and there remains some uncertainty as to how external market conditions will develop, we expect the Group to continue to grow materially driven by our strategic growth initiatives.

Pushing ahead with the strategic priorities will remain our primary objective over the second half, with a particular focus on the full integration of Hunters, continued recruitment into EweMove and the development of our Financial Services division following the post-period end acquisition of The Mortgage Genie. Maximising our margins is a key focus, with the ambition for this to flow through into even further improved cash generation in due course.

We continue to have a substantial growth opportunity ahead of us and have thus far demonstrated our ability to deliver on the strategic initiatives that allow us to capitalise on that opportunity. Our ultimate purpose remains to support our franchisees and to help them become more successful, an ethos that drives forward all our central team and that we are excited to deliver on further going forwards.

Financial Review for FY21 Interim Results

Revenue

Revenue for the six months ended 30 June 2021 increased 117% to £11.1m (H1 2020: £5.1m) after adjustments for IFRS15 and the impending disposal of Auxilium Partnership Limited. The increase is due to the increased sales activity, commencing in H2 FY20, translating into increased sales MSF from February 2021 onwards. We have had two outstanding months in March 2021 and June 2021 driven by the stamp duty holiday and, of course, the acquisition of Hunters Property Plc (“Hunters”) on 19 March 2022, a more sales focused franchisor.

The increase of £6.0m resulted from a like for like increase of £1.9m (37%) over H1 FY20 and a contribution from Hunters of £4.1m.

Management Service Fees (“MSF”)

MSF from our franchised network increased by 73% to £7.3m (H1 2020: £4.2m). The increase of £3.1m resulted from a like for like increase of £1.6m (35%) over H1 FY20 and a contribution from Hunters of £1.5m.

H1 FY21	Total Growth	Like for Like Growth	Total Result	Like for Like Result	Total Mix	Like for like
Lettings MSF	18%	9%	£3.6m	£3.4m	50%	59%
Sales MSF	226%	106%	£3.7m	£2.4m	50%	41%

Lettings MSF performed strongly on a like for like basis over H1 FY20 as activity levels returned. The pattern of transactions mirroring H1 FY20 rather than H1 FY19.

Sales MSF had a tremendous half-year following the trend in sales’ exchanges, up 259% in the Group to 13,020 (H1 2020: 3,631). The increase of 9,389 sales’ exchanges in the Group resulted from a like for like increase of 4,148 (114%) over H1 FY20 and a contribution from Hunters of 5,241 sales’ exchanges.

Our hybrid brand EweMove, which charges a monthly licence fee per territory occupied and a fee per completed transaction, generated a 51% increase in MSF to £1.4m (H1 2020: £0.9m). EweMove contributed sales’ exchanges of 2,469 (H1 2020: 1,003).

Owned Offices

Hunters operates 10 owned offices. All 10 offering letting agency services and 8 offering sales agency services. These offices contributed £2.0m to revenue in H1 FY21 from the date of acquisition.

Franchise Sales

Franchise sales income was £0.3m (H1 2020: £0.05m) generated equally from resales of high-street led franchises and new territory sales by EweMove. (Note: revenue generated from rationalising the network in H1 FY20 of £0.2m has been moved from franchise sales to other).

There were 8 resales of high-street led franchises in the period (H1 2020: 2) and EweMove sold 37 new territories in the period (H1 2020: 4) of which existing franchisees bought 10. There were also 5 new franchise sales in the high-street led brands something that’s not been seen for several years.

These investments by existing franchisees together with the 11 new representatives working as spokes from established offices represents a significant increase in the interest, participation in and commitment to the Group’s strategic objectives.

Other

Other income increased by 81% to £1.6m (H1 2020: £0.9m). The increase of £0.7m resulted from a like for like increase of £0.2m (24%) and a contribution of £0.5m from Hunters. In part this is due to discounts on services provided by the Group to its franchisees to support them through the pandemic which did not continue into H1 FY21 but also higher levels of activity placing increased demand for the services provided via the Group.

The revenue generated by Auxilium Partnership Limited has been removed from both periods and included within the profit/(loss) from discontinued operation, net of tax. This was due to its imminent sale which completed on 22 July 2021 (see note 6 to the interim statements). Following the acquisition of Hunters, our Board took the decision to agree a strategic partnership with LSL Property Services Plc to provide the significantly enlarged Group with the expertise and capacity needed to engage in financial services rather than to invest in and scale up its own service offering.

Administrative expenses

Administrative expenses increased by 123% to £5.9m (H1 2020: £2.6m). The increase of £3.3m resulted from a like for like increase of £0.4m due to the repayment of £0.1m of furlough monies, full time working in H1 FY21 over H1 FY20 and the investment in managing directors and their teams to support the growth initiatives. The remaining increase of £2.9m relates to Hunters of which the amortisation arising on consolidation was £0.2m.

EBITDA

The Group's EBITDA increased 55% to £3.8m (H1 2020: £2.4m). The increase resulted from a like for like increase of £0.8m and a contribution from Hunters of £0.6m.

There were exceptional costs of £1.2m in the period of which the costs of acquiring Hunters were £0.9m and £0.3m related to costs incurred in the newly created employee benefit trust acquiring ordinary shares from employees who exercised their share options in the period. Adding back these exceptional costs to EBITDA along with the share-based payments charge of £0.3m derives an adjusted EBITDA which increased 108% to £5.2m (H1 2020: £2.5m). The increase resulted from a like for like increase of £1.2m and a contribution from Hunters of £1.5m.

Operating profit

Operating profit was £3.2m (H1 2020: £2.0m) and operating margin was 29% (H1 2020: 38%). The reduction in operating margin was caused by the exceptional costs of £1.2m, the increase in the share-based payments charge of £0.2m and the increase in the amortisation arising on consolidation of £0.2m following the acquisition of Hunters. Adding back these costs to operating profit and also the amortisation arising on consolidation of previous acquisitions derives an adjusted operating margin of 47% (H1 2020: 45%) which indicates the margin being derived from the underlying activities.

Profit before income tax

Profit before taxation increased 57% to £3.1m (H1 2020: £2.0m). The increase of £1.1m resulted from a like for like increase of £0.9m and a contribution from Hunters of £0.2m after exceptional costs and financing costs.

Adding back, exceptional items, the share-based payments charge and amortisation arising on consolidation derives adjusted profit before tax which increased 121% to £5.1m (H1 2020: £2.3m).

The increase of £2.8m resulted from a like for like increase of £1.4m and a contribution from Hunters of £1.4m.

Taxation

The effective rate of corporation tax for the period was 24.8% (H1 2020: 17.8%). The Budget announced in March 2021 signalled an increase in the corporation tax rate from April 2023 onwards. This was substantially enacted in May 2021. As a result, deferred tax balances expected to reverse after April 2023 have been remeasured at 25%. An additional charge of £0.2m has been recognised for this in H1 2021.

Profit after taxation

Profit after taxation for the period increased by 43% to £2.3m (H1 2020: £1.6m)

Earnings per share

Basic earnings per share increased 14% to 7.3p (H1 2020: 6.4p) based on a weighted average number of shares in issue in the period of 29,178,704 (H1 2020: 25,822,750).

Adjusted basic earnings per share increased 97% to 15.0p (H1 2020: 7.6p) based on a weighted average number of shares in issue in the period of 29,178,704 (H1 2020: 25,822,750).

See note 7 to the interim statements for the detailed EPS calculations.

Dividends

The Board has pursued a progressive dividend policy since the IPO, its only deviation being the final dividend for 2019 where the Board decided to retain the funds earmarked due to the onset of the lockdown and the significant uncertainty that existed about future performance.

The Group has made significant progress with its strategic objectives and continues to deliver strong cash generation from its significantly enlarged operations. As a result, the Board is pleased to announce an interim dividend of 3.8p (H1 2020: 2.1p). It will be paid on 8 October 2021 to all shareholders on the register on 24 September 2021. Our shares will be marked ex-dividend on 23 September 2021. The total amount payable is £1,218k.

Summary of Key Financials

	H1 2021	H1 2020	Growth
Revenue	£11.1m	£5.1m	117%
MSF	£7.3m	£4.2m	73%
Admin expenses	£5.9m	£2.6m	123%
EBITDA	£3.8m	£2.4m	55%
Adjusted EBITDA	£5.2m	£2.5m	108%
Operating profit	£3.2m	£2.0m	63%
Adjusted operating profit	£5.2m	£2.3m	127%
Profit before tax	£3.1m	£2.0m	57%
Adjusted profit before tax	£5.1m	£2.3m	121%
Earnings per share (basic)	7.3p	6.4p	14%
Adjusted earnings per share (basic)	15.0p	7.6p	97%
Adjusted earnings per share (diluted)	14.9p	7.5p	99%
Dividend	3.8p	2.1p	81%
Net cash generated from operations	£4.1m	£2.2m	88%

EweMove

We often get asked about the financial performance of EweMove, our hybrid brand, which has steadily improved its financial performance over the last few years and, post the first lockdown, has been making great strides towards representation in 230 territories by 31 December 2022.

	H1 2021	H1 2020	Growth
Revenue	£2.1m	£1.3m	68%
Costs	£1.2m	£0.9m	39%
Profit before tax	£0.9m	£0.4m	133%
Profit margin	42%	31%	

Cash flow

At an operational level, the Group remains highly cash generative with net cash generated from operations increasing by 88% to £4.1m (H1 2020: £2.2m). That represents 126% conversion of operating profit into net cash generated from operations (H1 2020: 109%).

On 19 March 2022 the Group completed on the acquisition of Hunters for £13.0m net of cash acquired.

With the imminent disposal of Auxilium Partnership Limited, cash held by that company of £0.3m has been identified separately and effectively removed from the cashflow of the Group.

On 23 February 2021, the Group paid a second interim dividend of 6.6p in lieu of a final dividend for FY20 which amounted to £1.7m.

The Group agreed a bank facility with Barclays Bank Plc on 27 January 2021 consisting of a revolving credit line of £5.0m and a term loan of £7.5m. It then drew the £12.5m to fund the acquisition of Hunters in March 2021. The interest rates are similar for each element at 2.2% and 2.4% respectively plus, in each case, the Bank of England's Bank Rate.

Hunters had existing facilities with HSBC Bank Plc on acquisition of £3.0m which have been repaid in full in the period.

Overall, the cash balances of the Group increased by £1.0m to £7.1m (H1 2020: £6.1m). This balance excludes the cash held by Auxilium Partnership Limited of £0.3m.

Liquidity

The Group had a net debt balance of £5.4m at the end of the period (H1 2020: net cash £6.1m). This balance excludes the cash held by Auxilium Partnership Limited of £0.3m.

Financial position

Our Group has a consistent history of strong and improving cash generating capabilities. It is already comfortably ahead of its expectations for the reduction in net debt this year following the acquisition of Hunters. The strength of the enlarged business in the period was also evident in its bank covenants. Debt service cover was 5.7 times and leverage was 1.1:1.

The greater than expected reduction in net debt and the enhanced cash generating capabilities of the Group again bring to the fore the Group's capital allocation policy. The Board intends to pursue its progressive dividend policy to generate an attractive yield for investors. At the same time, the Group's improved balance sheet strength, with equity attributable to the owners increasing 73% to £32.8m in the period, enables our Board to continue to pursue corporate acquisitions as and when they arise and to fulfil the other elements of its strategic plan.

David Raggett, Chief Financial Officer

THE PROPERTY FRANCHISE GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Unaudited 6 Months Ended 30.06.21 £'000	Unaudited 6 Months Ended 30.06.20 £'000	Audited 12 Months Ended 31.12.20 £'000
CONTINUING OPERATIONS				
Revenue	3	11,122	5,131	11,017
Cost of sales		(542)	(441)	(933)
GROSS PROFIT		10,580	4,690	10,084
Administrative expenses		(5,893)	(2,646)	(5,256)
Share-based payments charge		(301)	(68)	(68)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		4,386	1,976	4,759
Exceptional costs	4	(1,168)	-	-
OPERATING PROFIT		3,218	1,976	4,759
Finance income		2	5	11
Finance costs		(118)	-	(3)
PROFIT BEFORE INCOME TAX EXPENSE		3,102	1,981	4,767
Income tax expense	5	(769)	(352)	(1,008)
PROFIT FROM CONTINUING OPERATIONS		2,333	1,629	3,759
(Loss) / profit on discontinued operation, net of tax	6	(185)	26	33
PROFIT		2,148	1,655	3,792
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:				
Owners of the parent		2,117	1,648	3,783
Non-controlling minority interest		31	7	9
		2,148	1,655	3,792
Statutory:				
Earnings per share attributable to owners of the parent	7	7.3p	6.4p	14.6p
Diluted earnings per share attributable to owners of the parent				
	7	7.2p	6.2p	14.4p
Adjusted:				
Earnings per share attributable to owners of the parent	7	15.0p	7.6p	16.8p
Diluted earnings per share attributable to owners				
	7	14.9p	7.5p	16.5p

THE PROPERTY FRANCHISE GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		Unaudited	Unaudited	Audited
		As at 30.06.21	As at 30.06.20	As at 31.12.20
	Notes	£'000	£'000	£'000
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	9	46,678	14,663	14,380
Property, plant and equipment		254	76	67
Investment property		427	-	-
Investments		86	-	-
Right of use assets		2,068	44	86
Prepaid assisted acquisitions support		517	682	600
		<u>50,030</u>	<u>15,465</u>	<u>15,133</u>
CURRENT ASSETS				
Trade and other receivables		3,512	1,120	1,292
Cash and cash equivalents		7,107	6,125	8,771
		<u>10,619</u>	<u>7,245</u>	<u>10,063</u>
Assets in a disposal group classified as held for sale		212	-	-
		<u>10,831</u>	<u>7,245</u>	<u>-</u>
TOTAL ASSETS		<u><u>60,861</u></u>	<u><u>22,710</u></u>	<u><u>25,196</u></u>
ISSUED CAPITAL AND RESERVES				
ATTRIBUTABLE TO OWNERS OF PARENT				
Share capital		320	258	258
Share premium		4,129	4,040	4,040
Merger reserve		14,345	2,797	2,797
Other reserves		196	778	778
Retained earnings		13,834	11,097	12,690
		<u>32,824</u>	<u>18,970</u>	<u>20,563</u>
NON-CONTROLLING INTEREST		<u>40</u>	<u>7</u>	<u>9</u>
TOTAL EQUITY		<u><u>32,864</u></u>	<u><u>18,977</u></u>	<u><u>20,572</u></u>
LIABILITIES				
NON-CURRENT LIABILITIES				
Borrowings		10,156	-	-
Lease liabilities		2,335	18	45
Provisions		197	-	-
Deferred tax		5,491	1,083	1,115
		<u>18,179</u>	<u>1,101</u>	<u>1,160</u>
CURRENT LIABILITIES				
Borrowings		2,344	-	-
Trade and other payables		5,934	1,945	2,751
Lease liabilities		473	27	41
Tax payable		875	660	672
		<u>9,626</u>	<u>2,632</u>	<u>3,464</u>

Liabilities directly associated with
assets in a disposal group classified
as held for sale

	192	-	-
	<u>9,818</u>	<u>2,632</u>	<u>3,463</u>
TOTAL LIABILITIES	<u>27,997</u>	<u>3,733</u>	<u>4,624</u>
TOTAL EQUITY AND LIABILITIES	<u><u>60,861</u></u>	<u><u>22,710</u></u>	<u><u>25,196</u></u>

THE PROPERTY FRANCHISE GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Called up share capital	Retained earnings	Share premium	Merger reserve	Other reserves	Total	Non- controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2020 (audited)	258	9,450	4,040	2,796	711	17,255	-	17,255
Profit and total comprehensive income	-	1,648	-	-	-	1,648	7	1,655
Share-based payments charge	-	-	-	-	68	68	-	68
Total transactions with owners	-	-	-	-	68	68	-	68
Balance at 30 June 2020 (unaudited)	258	11,097	4,040	2,796	779	18,970	7	18,977
Profit and total comprehensive income	-	2,135	-	-	-	2,135	2	2,137
Dividends	-	(542)	-	-	-	(542)	-	(542)
Total transactions with owners	-	(542)	-	-	-	(542)	-	(542)
Balance at 31 December 2020 (audited)	258	12,690	4,040	2,796	779	20,563	9	20,572
Profit and total comprehensive income	-	2,117	-	-	-	2,117	31	2,148
Share-based payments charge	-	-	-	-	301	301	-	301
Net settlement of PAYE on options by EBT	-	-	-	-	(72)	(72)	-	(72)
Shares issued – acquisition consideration	55	-	-	11,549	-	11,604	-	11,604
Share issued – share option exercises	7	731	89	-	(731)	96	-	96
Release of deferred tax on share options	-	-	-	-	(81)	(81)	-	(81)
Dividends	-	(1,704)	-	-	-	(1,704)	-	(1,704)
Total transactions with owners	62	(973)	89	11,549	(583)	10,144	-	10,144
Balance at 30 June 2021 (unaudited)	320	13,834	4,129	14,345	196	32,824	40	32,864

THE PROPERTY FRANCHISE GROUP PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited <i>6 Months Ended</i> 30.06.21 £'000	Unaudited <i>6 Months Ended</i> 30.06.20 £'000	Audited 12 Months Ended 31.12.20 £'000
Cash flows from operating activities			
Profit before income tax	3,102	2,013	4,805
Depreciation and amortisation charges	555	454	888
Revaluation of investments in shares	32	-	-
Share-based payments charge	301	68	68
Loss on discontinued operations, net of tax	140	-	-
Finance costs	119	-	3
Finance income	(2)	(5)	(11)
	<hr/>	<hr/>	<hr/>
Operating cash flow before changes in working capital	4,247	2,530	5,753
(Increase) / Decrease in trade and other receivables	(445)	170	(18)
Increase / (Decrease) in trade and other payables	917	(215)	643
	<hr/>	<hr/>	<hr/>
Cash generated from operations	4,719	2,485	6,378
Interest paid	(42)	-	-
Tax paid	(625)	(325)	(972)
	<hr/>	<hr/>	<hr/>
Net cash generated from operations	4,052	2,160	5,406
	<hr/>	<hr/>	<hr/>
Cash flows from investing activities			
Purchase of subsidiary net of cash acquired	(13,070)	(83)	(81)
Cash in disposal group held for sale	(327)	-	-
Purchase of intangible assets	(13)	-	-
Purchase of tangible assets	-	(14)	(17)
Payment of assisted acquisitions support	(31)	(122)	(155)
Loans repaid	-	200	200
Interest received	2	6	11
	<hr/>	<hr/>	<hr/>
Net cash used in investing activities	(13,439)	(13)	(43)
	<hr/>	<hr/>	<hr/>

Cash flows from financing activities			
Issue of ordinary shares	96	-	-
Equity dividends paid (note 8)	(1,704)	-	(542)
Bank loan drawn	12,500	-	-
Bank loan repaid	(3,013)	-	-
Principal paid on lease liabilities	(187)	(32)	(58)
Interest paid on lease liabilities	31	-	(3)
Net cash used in financing activities	7,723	(32)	(604)
(Decrease) / Increase in cash and cash equivalents	(1,664)	2,114	4,759
Cash and cash equivalents at the beginning of the period	8,771	4,011	4,011
Cash and cash equivalents at end of the period	7,107	6,125	8,771

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION

The principal activity of The Property Franchise Group plc and its subsidiaries continues to be that of a UK residential property franchise business. In March 2021 the Group acquired the entire issued share capital of Hunters Property PLC, also a residential property franchise business with over 200 offices across the UK. The Group operates in the UK. The company is a public limited company incorporated and domiciled in the UK. The address of its head office and registered office is 2 St Stephen's Court, St Stephen's Road, Bournemouth, Dorset, UK.

2. BASIS OF PREPARATION

The consolidated interim financial information for the six months ended 30 June 2021 was approved by the Board and authorised for issue on 14 September 2021. The results for 30 June 2021 and 30 June 2020 are unaudited. The disclosed figures are not statutory accounts in terms of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020 on which the auditors gave an audit report which was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006, have been filed with the Registrar of Companies. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

This interim report has been prepared on a basis consistent with the accounting policies expected to be applied for the year ending 31 December 2021, and uses the same accounting policies and methods of computation applied for the year ended 31 December 2020.

Going concern

When assessing the foreseeable future the directors have looked at a period of 12 months from the date of approval of the interim financial information. The directors have a reasonable expectation that the Group has adequate resources to continue to trade for the foreseeable future and, therefore, consider it appropriate to prepare the Group's interim financial information on a going concern basis.

Significant accounting policies

The Group's interim financial information includes those of the parent company and its subsidiaries, drawn up to 30 June 2021. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

THE PROPERTY FRANCHISE GROUP PLC

NOTES TO THE INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

3. REVENUE

	Unaudited	Unaudited	Audited
	<i>6 Months Ended</i>	<i>6 Months Ended</i>	12 Months Ended
	30.06.21	30.06.20	31.12.20
	£	£	£
Management service fee	7,330	4,225	9,365
Owned offices revenue	1,950	-	-
Franchise sales	291	49	145
Other	1,551	857	1,507
	<u>11,122</u>	<u>5,131</u>	<u>11,017</u>

All revenue is earned in the UK and no customer represents greater than 10 per cent of total revenue in the periods reported.

4. EXCEPTIONAL COSTS

Exceptional costs were £0.9m Hunters acquisition costs and £0.3m following the purchase of TPFG ordinary shares from employees by the TPFG employee benefit trust.

5. TAXATION

The underlying tax charge is based on the expected effective tax rate for the full year to December 2021. The majority of the tax arises from applying this effective tax rate to the profit on ordinary activities.

6. HELD FOR SALE

On 22 July 2021 the sale of Aux Group Limited and Auxilium Partnership Limited to Mark Graves completed. The terms of the sale were agreed prior to the period end and at 30 June 2021 there was a strong expectation that the completion was imminent. As such the assets and liabilities are disclosed as 'held for sale' at 30 June 2021 in these financial statements and an impairment loss has been recognised through the profit and loss account being the difference between the proceeds received on sale and the assets to be disposed of which were estimated at £0.3m. The impairment loss has been included in exceptional costs. The profit for the year of Auxilium is shown as discontinued operations in the profit and loss account, £0.08m is attributable to the owners of the parent, therefore the net loss in the profit and loss account in relation to the period for Auxilium is £0.2m.

7. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the financial period by the weighted average number of shares during the period.

	Unaudited	Unaudited	Audited
	<i>6 Months Ended</i>	<i>6 Months Ended</i>	<i>12 Months Ended</i>
	30.06.21	30.06.20	31.12.20
	£'000	£'000	£'000
Profit for the period attributable to owners of parent	2,117	1,648	3,783
Amortisation on acquired intangibles	478	249	498
Share-based payments charge	301	68	68
Exceptional costs	1,168	-	-
Impairment of Auxilium	298		
Adjusted profit for the period	<u>4,362</u>	<u>1,965</u>	<u>4,349</u>

7. EARNINGS PER SHARE (CONTINUED)

Weighted average number of shares	29,178,704	25,822,750	25,822,750
Dilutive effect of share options on ordinary shares	99,590	546,515	519,817
	<u>29,278,294</u>	<u>26,369,265</u>	<u>26,342,567</u>
Basic earnings per share	7.3p	6.4p	14.6p
Diluted earnings per share	7.2p	6.2p	14.4p
Adjusted basic earnings per share	15.0p	7.6p	16.8p
Adjusted diluted earnings per share	14.9p	7.5p	16.5p

7. DIVIDENDS

	Unaudited	Unaudited	Audited
	<i>As at</i>	<i>As at</i>	<i>As at</i>
	30.06.21	30.06.20	31.12.20
	£'000	£'000	£'000
Dividends (ordinary share of £0.01 each)	1,704	-	542

Dividend per share paid

6.6p

-

2.1p

An interim dividend for 2021 of 3.8p per share has been declared and will be paid on 8 October 2021 to all shareholders on the register on 24 September 2021. Our shares will be marked ex-dividend on 23 September 2021. The total amount payable is £1,218k.

8. ACQUISITIONS

Acquisition of Hunters Property PLC

Effective 19 March 2021 the Group acquired the entire issued share capital of Hunters Property PLC, a competitor property franchisor with a network of 211 offices across the UK. Consideration of £26.1m was paid which comprised of each Hunters shareholder receiving 0.1655 New shares in The Property Franchise Group PLC and 43.2 pence in cash.

An exercise is currently being undertaken to allocate the purchase price between the fair value of intangible assets acquired with the remainder being recognised as goodwill. The assets acquired are likely to be master franchise agreements, lettings books, brands and technology. Amortisation of £229k has been included in these financial statements for the period from 19 March – 30 June 2021 based on the current estimate of intangibles acquired. Further details will be included in the year end financial statements when the values will have been finalised.