

**MARTINCO** PLC

*“The Property Franchise Group”*

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Capital Markets Event

22 October 2015

# This afternoon’s agenda

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- 15:15**      **Welcome**  
Richard Martin, Chairman
- 15:20**      **Introduction to MartinCo PLC**  
Ian Wilson, Chief Executive Officer
- 15:25**      **Financial overview**  
David Raggett, Chief Financial Officer
- 15:40**      **A sustainable franchise model**  
Ian Wilson, Chief Executive Officer
- 16:10**      **Life as a franchisee**  
Peter Grieve, Franchisee
- 16:40**      **Outlook**  
Ian Wilson, Chief Executive Officer
- 16:55**      **Q&A**
- 17:15**      **Refreshments**



# Our top team are here this afternoon

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**Richard Martin**  
Chairman



**Ian Wilson**  
Chief Executive  
Officer



**David Raggett**  
Chief Financial  
Officer



**Michael Stoop**  
Group Managing  
Director



**Penny Sanders**  
Executive Head of  
Franchising



**MARTINCO** PLC

## Introduction to MartinCo PLC

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Ian Wilson

## One of the UK's largest residential lettings and estate agency businesses

- Pure franchise model with three master franchises and five brands
- Over 20 years' experience in franchising with 284 offices and 240 franchise owners in key locations across the UK
- Estate agency operation introduced in 2012 leveraging brand name
  - 90% of the total network now offers estate agency services
- Floated on AIM of the London Stock Exchange in 2013
  - Market cap at time of IPO of £18 million, since grown to £37.5 million
  - £4 million new equity raised at time of listing
- Successful acquisition and assimilation of Legal & General's ('Xperience') property franchise business in December 2014 adding 89 offices and four brands
- Employs 40 staff based at PLC headquarters in Bournemouth

44,000 tenanted  
managed  
properties

55% of all  
private rented  
properties  
within occupied  
territories

389,000  
monthly  
average  
website visits  
(January-September  
2015)

# Corporate structure





**MARTINCO** PLC

## Financial overview

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David Raggett

## Financial highlights

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Continued growth driven by development of estate agency and lettings and successful integration of Xperience

Revenue **up 47%** Sept 15 YTD to £5.3m (Sept 14 YTD £3.6m)

MSF **up 64%** Sept 15 YTD to £4.6m (Sept 14 YTD £2.8m)

Gross profit increased **by 53%** to £3.2m (H1 2014: £2.1m)\*

Operating profit **up 66%** to £1.3m (H1 2014: £0.8m)\*\*

Operating margin **of 38%** (H1 2014: 34%)\*

Strong balance sheet with a net cash position of £3.8m at 30 June 2015 (H1 2014: £5.5m)\*

Earnings per share increased **by 45%** to 4.2p per share (H1 2014: 2.9p)\*

Interim dividend increased **by 38%** to 1.8p per share (H1 2014: 1.3p)\*

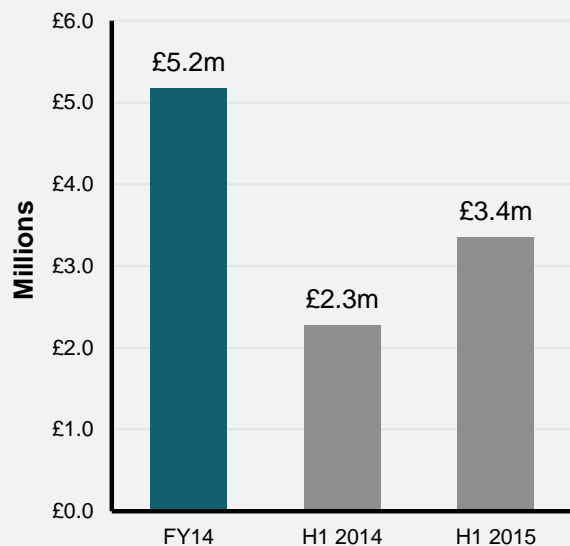
\*Interim results - six months ended 30 June 2015

\*\*before exceptional reorganisation costs of £0.1m following the acquisition of "Xperience"



# Financial highlights

Turnover^

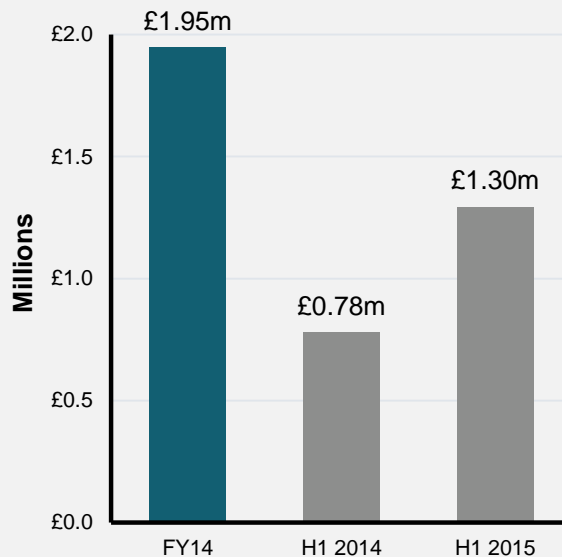


Turnover ↑ 48%

MSF ↑ 61%

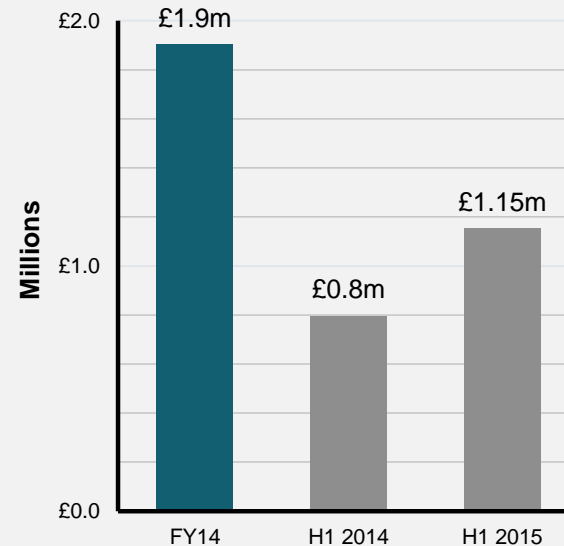
(H1 2014: £1.8m H1 2015: £2.9m)

EBITDA^\*



EBITDA \* ↑ 66%

Profit before tax^\*



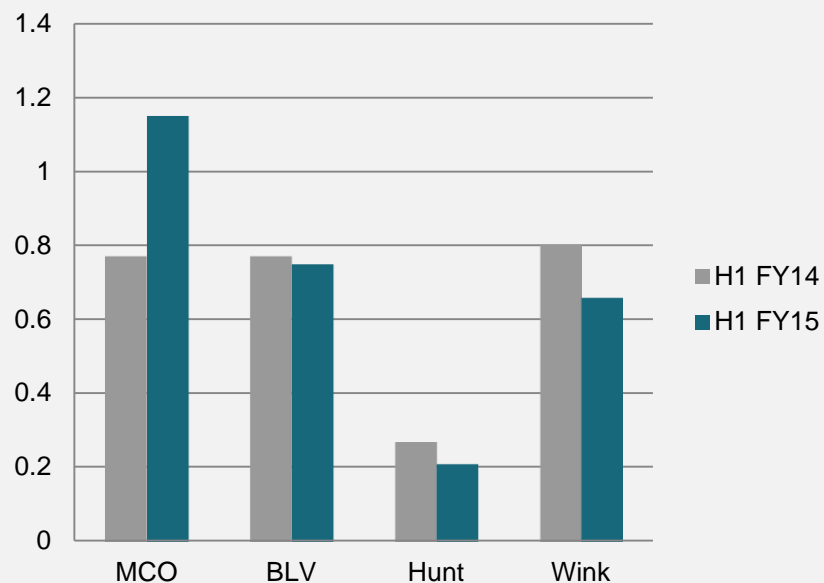
PBT ↑ 45%

^ Continuing activities

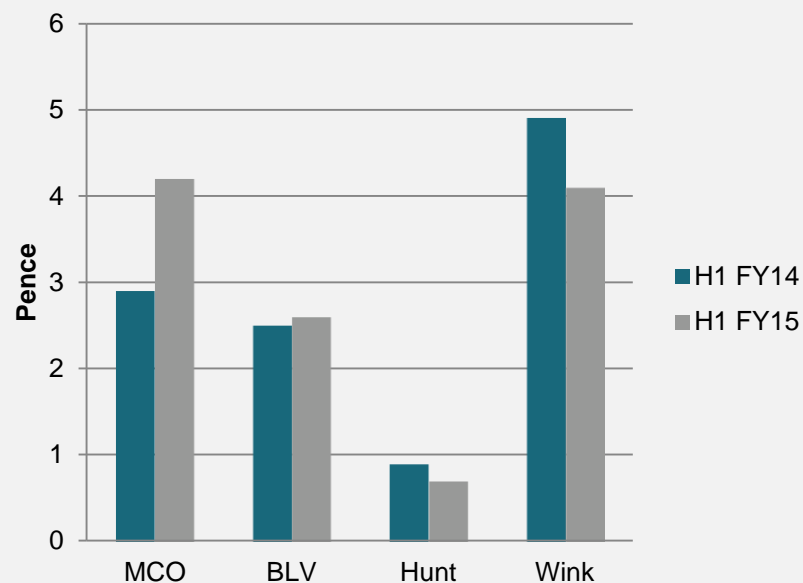
\* After exceptionals

# Peer group comparison

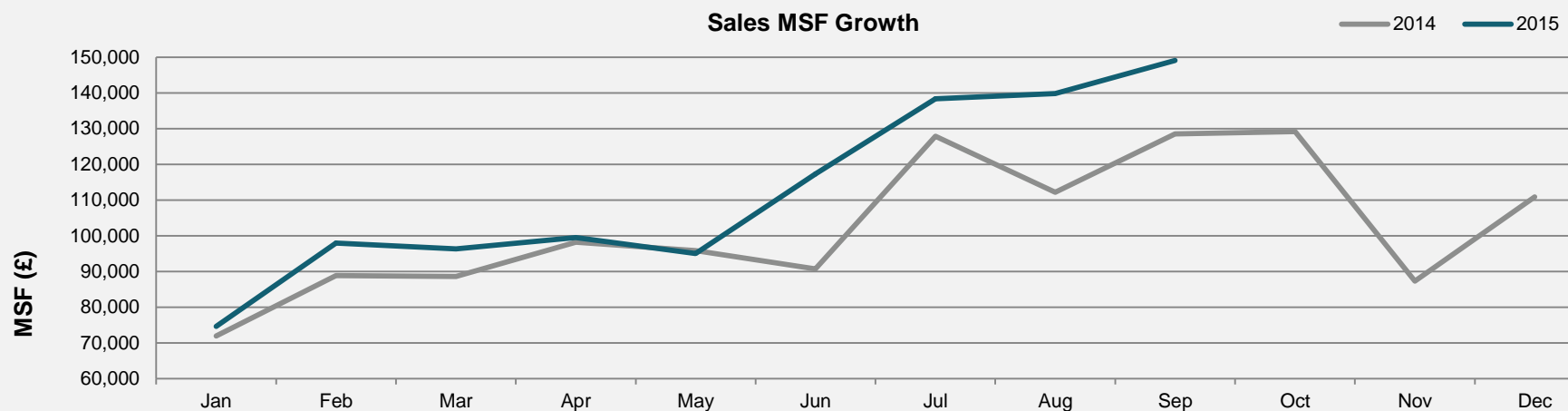
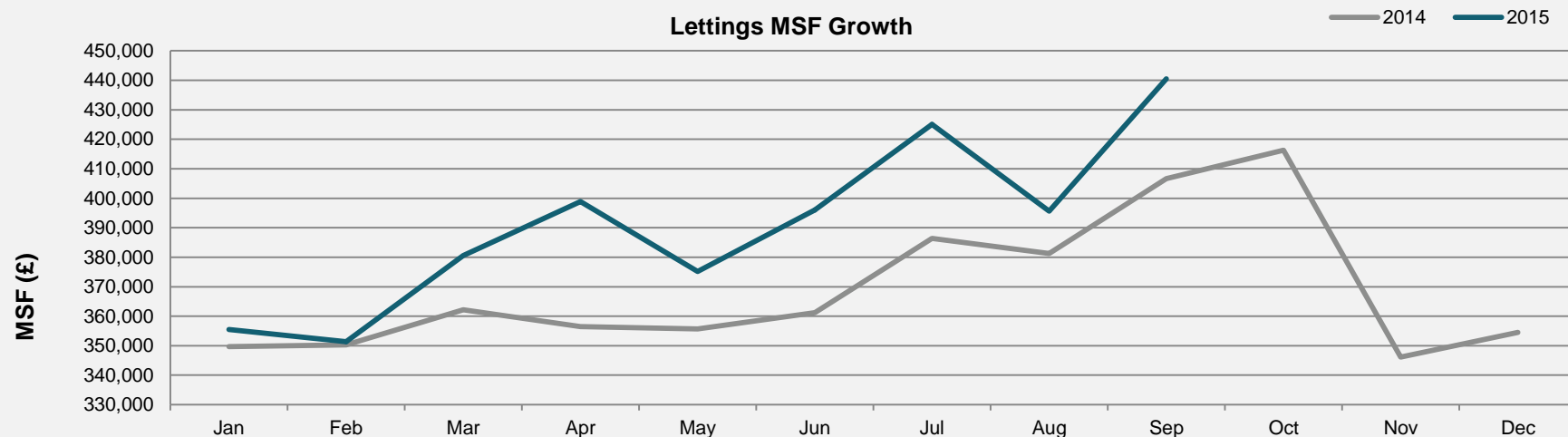
## PBT



## EPS - Non Diluted

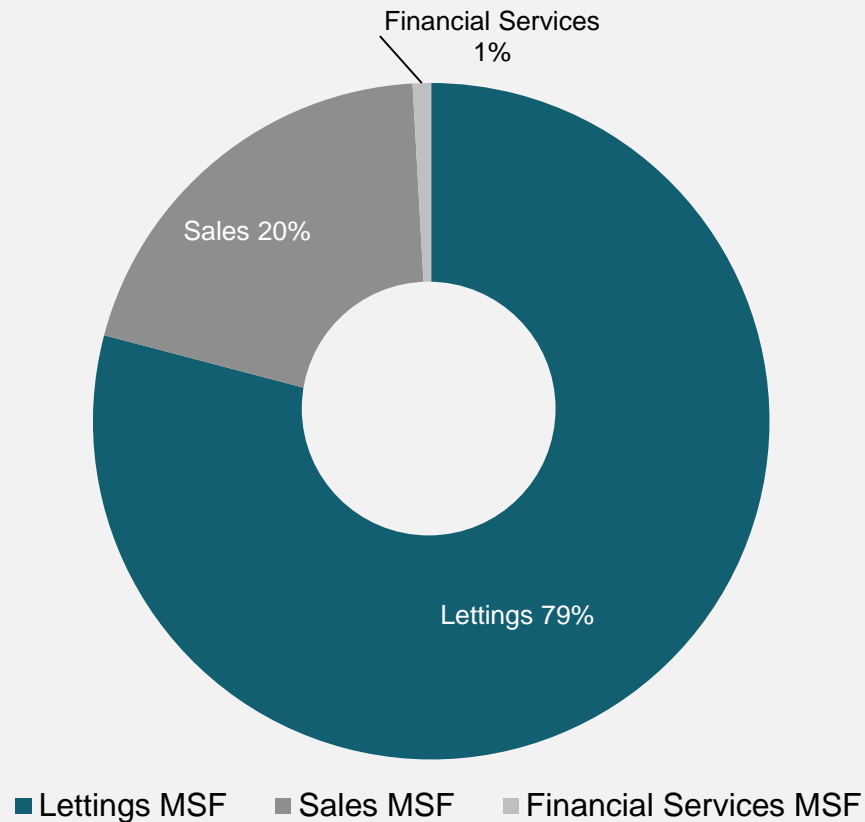


# Group Management Service Fees Growth



# Group Management Services Fees Split

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Management Services Fees received for the 6 months ended 30 June 2015



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A sustainable franchise model

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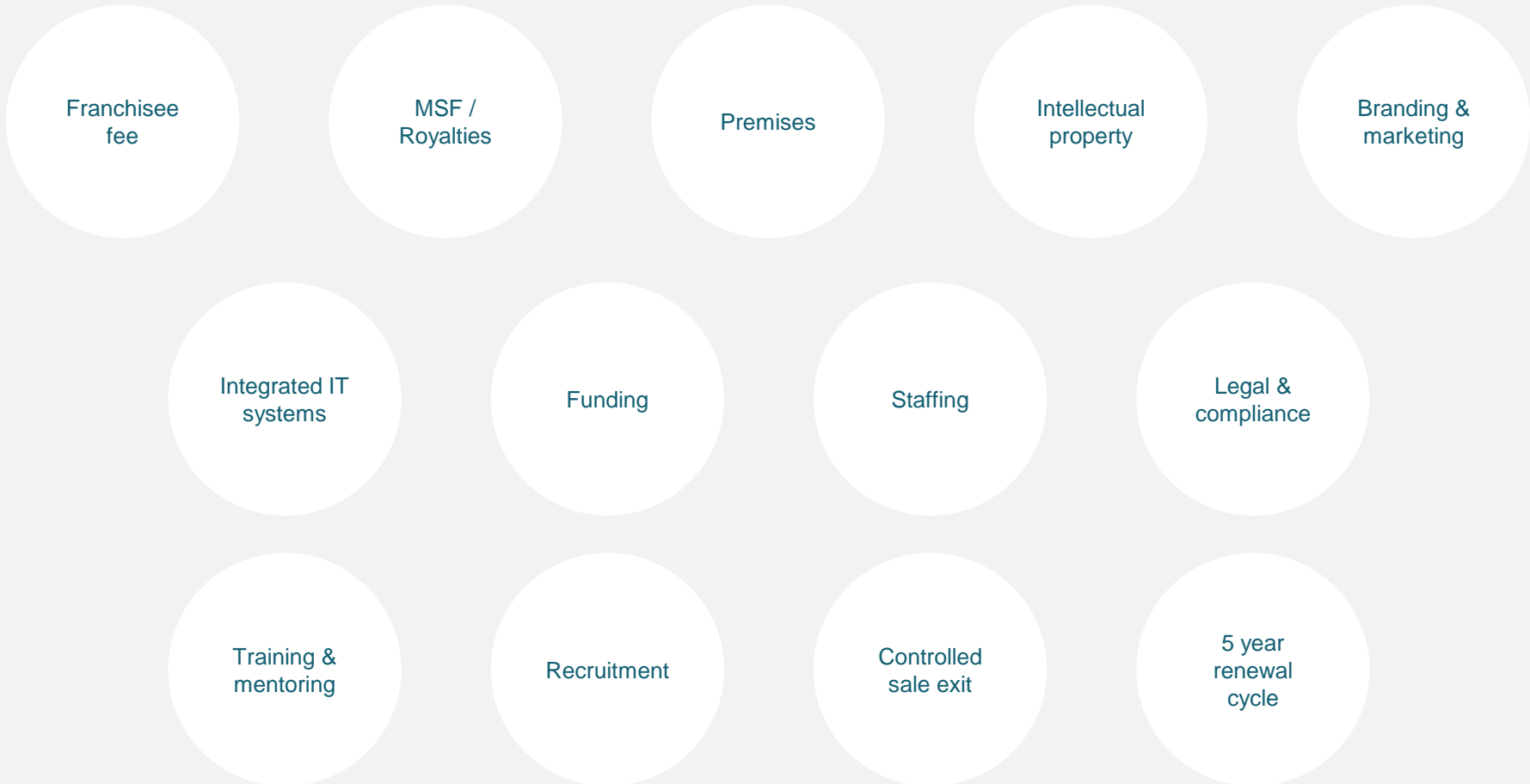
Ian Wilson

# Our franchise model



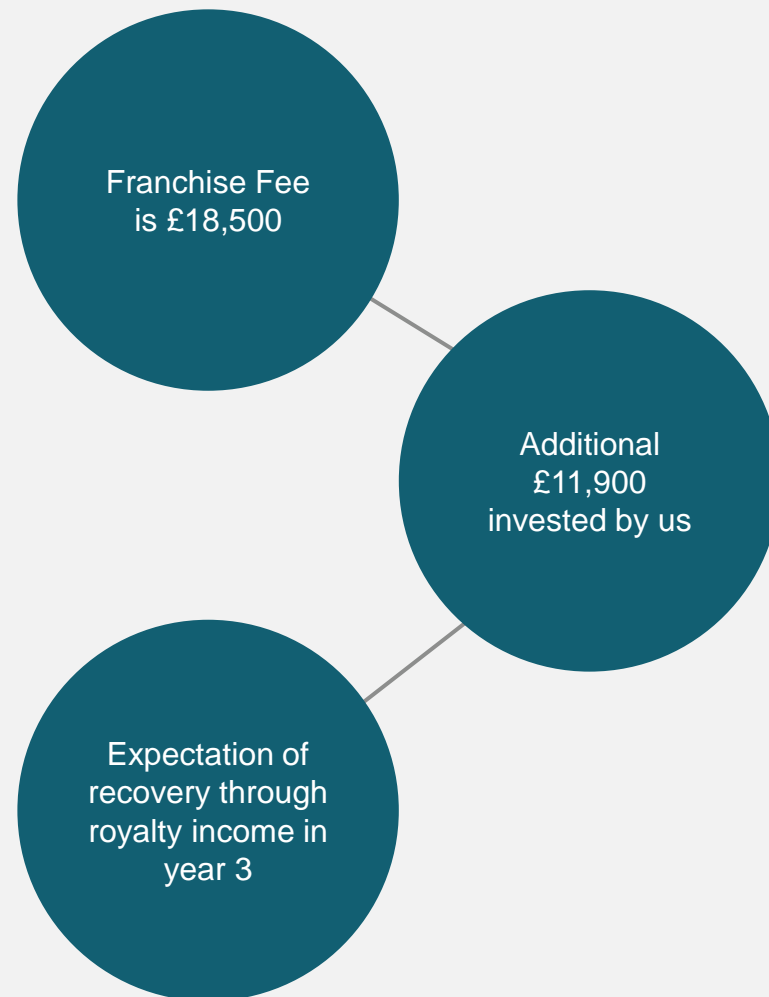
# 360° view

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# The franchise start-up package

BENEFIT	VALUE
Funding Manager to source right funding option	£750
Google Adword campaign to generate leads	£6,000
60,000 leaflet campaign to promote your office opening	£5,000
Estate Agency boards and branded stationery supplies	£1,000
Landlord tracing service – first 100 landlord leads	£1,000
Website homepage creation	£1,500
Software installation, training and 6 months free use	£6,000
Sourcing commercial premises, negotiating lease and planning	£1,500
Project management of your shop fit	£1,000
12 days classroom training and mentoring	£2,450
12 days business generation assistance at your offices	£4,200
<b>TOTAL VALUE</b>	<b>£30,400*</b>





## Developing the franchise

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- **Experienced team dedicated to franchisee recruitment**

- **Refined selection process**
  - Interview and psychometrics
  - Financial appraisal
  - “Ejector button” during training

- **Multi-brand approach allows for more than one brand of franchise to operate in a given location**
  - Improves market penetration
  - Segmentation strategy possible – estate vs. lettings, national vs. regional, high street vs. serviced office
  - Applies competitive pressure to underachievers

- **‘Hand-held’ launch and ongoing head office oversight and intervention**
  - Regional training programme (2,000 delegates days)
  - KPI benchmarking by business age
  - Regional business meeting programme for communication and peer pressure
  - League tables
  - Industry-experienced support managers conduct regular visits
  - Annual conference to celebrate success

# Local brands with national backing



195 offices, national, lettings focus,  
5% estate agency



34 offices, Midlands/North, 50%  
lettings, 50% estate agency



22 offices South West, very strong  
local brand profile



22 offices inside M25, complimentary  
branding to Martin & Co

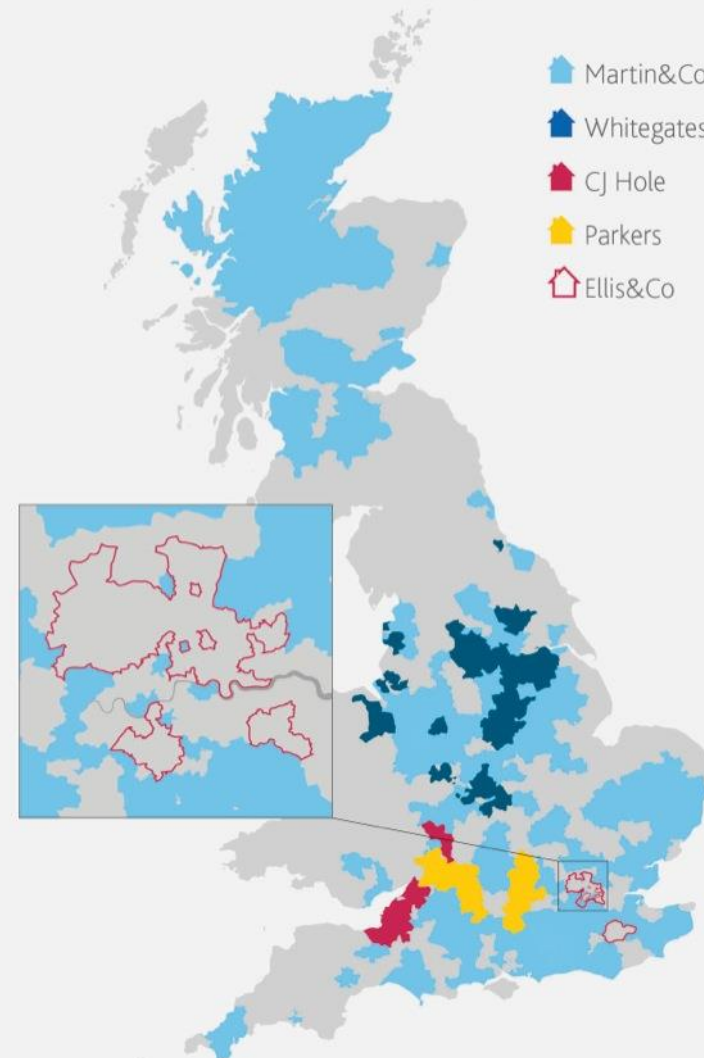
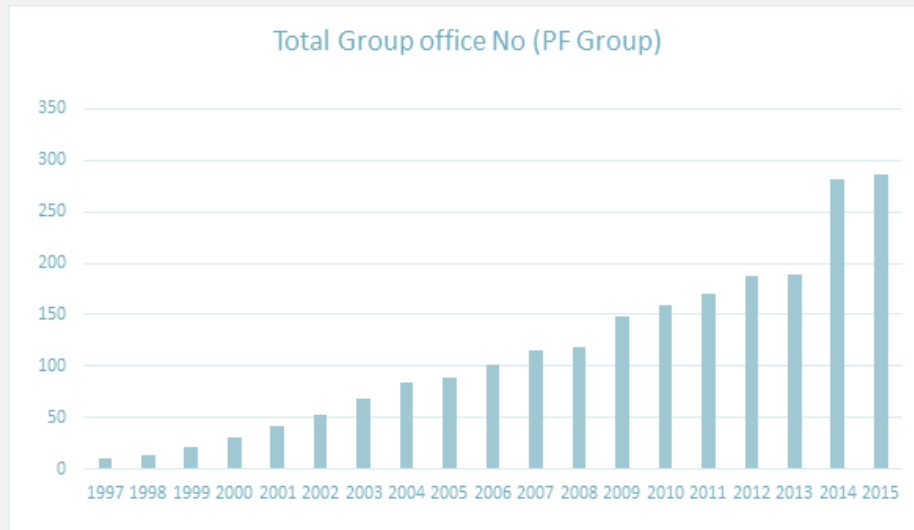


14 offices M4 corridor, strong local  
brand, recent decline



# A growing national footprint

- Xperience increased office numbers from 189 to 282
- Trading in 49 new locations
- 55% of UK private rented properties within occupied territories





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## Life of a franchisee

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Peter Grieve - Worcester (Martin & Co and CJHole) and Gloucester (Martin & Co)

## Life of a franchisee

**2008:** Opened Martin & Co Worcester – scratch start-up

**2010:** Acquired Martin & Co Gloucester – resale

**2013:** Acquired Cox & Co Ltd – portfolio of 212 managed properties

**2014:** Acquired Houston Clarke Ltd – portfolio of 40 managed properties

**2014/15:** Turnover £821,681 (+2.6%) – Gross profit £689,871 (+2.2%)

**2015:** Opened C J Hole in Worcester  
Combined managed portfolio of circa 760 properties

**September 2015:** a record month with turnover of £101,000 (+10.5% YTD)

**Why Martin & Co? Why C J Hole? What's next?**





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## Outlook

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Ian Wilson

# A supportive macro environment

## Pension reforms

- Over-55s will be responsible for 3 million future property deals, with nearly 40% of homeowners planning at least one more property purchase

## Net migration

- Net migration at a record high
- The foreign-born population has lower home ownership rates (43%) and is almost 3 times as likely to be in the private rented sector (39%)

## Property investment & buy to let yields

- Consistent 13.2% per annum net total return over 10-years has been earned from buy-to-let investment

## Employment

- Average earnings circa £25,000 and lenders typically lending up to 3.5 times earnings, new buyers find it almost impossible to get on the property ladder

## Mortgages

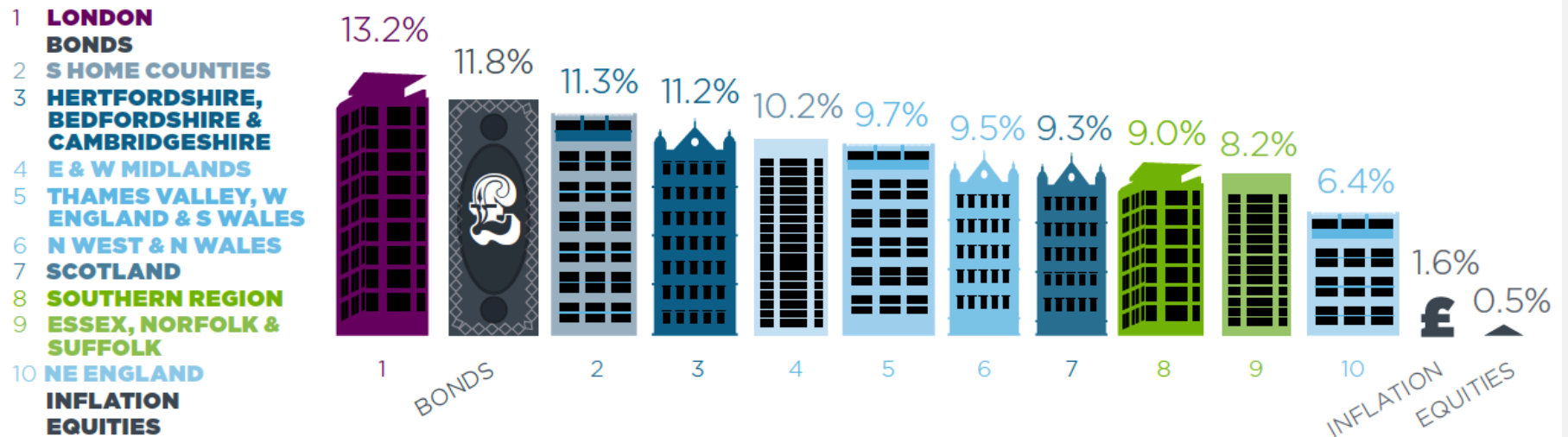
- Average UK house prices now £284,000<sup>†</sup> and average price paid for a starter home is now £215,000<sup>†</sup>
- House prices for first-time buyers hit a record high in August, with the typical first-time buyer paying 3.8%<sup>†</sup> more than in 2014

## Financial Services

- Ongoing demand for additional services to support landlords, homeowners and tenants

# Buy to Let – a real asset class

Attractive annual net returns compared to equities, bonds and inflation



SOURCE: MARTIN & CO, LAND REGISTRY, REGISTERS OF SCOTLAND, ONS, FTSE  
 NB. NET TOTAL RETURN FIGURES ALLOW FOR 20% MANAGEMENT COSTS ON RENTAL INCOME BUT DO NOT INCLUDE ANY ALLOWANCE FOR MORTGAGE PAYMENTS.



# The market opportunity

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- **Lettings resilient and growing (market and asset class) with the rise of "generation rent" because of housing supply/demand imbalance**

- There are currently 5.4 million private rented homes in the UK
- Number of private-rented households in UK expected to reach 7.2 million by 2025

- **Highly fragmented market with consolidation prospects**

- Over 16,000 operators in estate/lettings agency space
- Estimated 30 property franchise "systems"

- **Landlords increasingly look to agents to manage portfolio**

- Advise on government regulation on safety, financial regulation and planning
- Access to advertising on high traffic property websites
- Tenant credit checking and legal cover

## Strategy in outline

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- **Operate as a pure franchise model "delivering local services through local people"**
- **Generate revenue from royalties from IP/brand, not through direct service provision to franchisees or clients**
- **Diversify into estate agency (keep lettings dominant in mix)**
- **Diversify into financial services (work starts in earnest in 2016)**
- **Will not diversify into commercial, survey and auctions**
- **Will operate only within the UK**
- **Focus on brand building, and developing a brand strategy based on segmentation**
- **Organic growth through continued franchisee recruitment**
- **M&A activity in the broadest space extending from assisting franchisees to acquire local portfolios, up to and including acquisition of other PLC property franchisors**

# Our strategy for growth

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Q&A