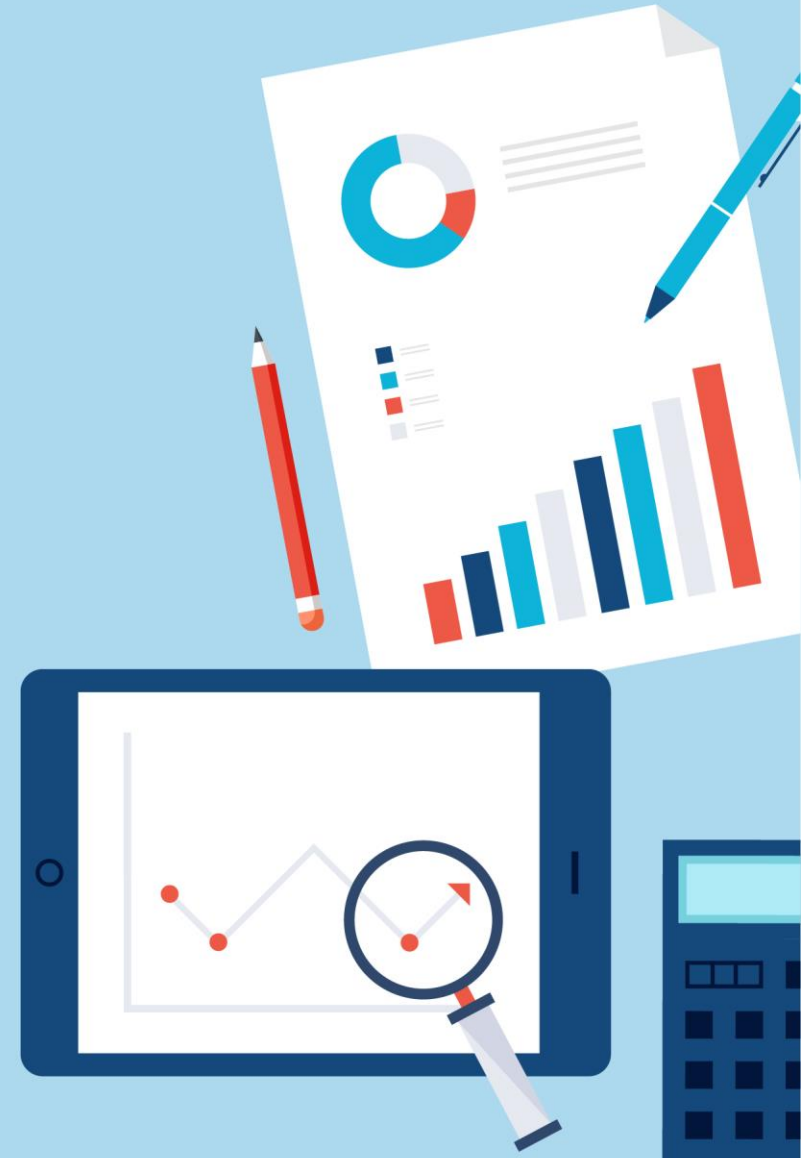


Summary Report
Estate Agents Industry





Estate Agents Industry

Overview of the Market

The UK Estate Agent industry is estimated to be worth approximately £11.1bn with a growth rate of 1.0% per annum between 2014 and 2019. During this period, although the industry has grown slightly, revenue has been relatively volatile. The EU referendum caused a reasonable amount of uncertainty in the last couple of years and has resulted in a fall in demand, especially in the commercial sector as businesses and people hold out on purchasing property. Part of this fall has also been due to the overall increase in house prices. This trend is expected to continue with an expected decline in revenue of 0.2% during 2018-19.

The growth of online property services has placed downward pressure on industry margins. These companies charge estate agents a fee in order to advertise properties on their site. This has resulted in margins being squeezed and has resulted in large industry players into creating their own site as a rival.

The number of residential property transactions in the United Kingdom is a key driver of estate agents' performance. Residential property transactions are estimated to account for 43.2% industry revenue. A rise in the number of transactions increases demand for the industry's services from this segment. In 2018-19, the number of residential property transactions is expected to decline.

Market Share

The two major players in the market are as follows (Estimated):

- Countrywide Plc: 5.1%
- Connells Ltd: 3.6%
- Savills Plc: 3.1%

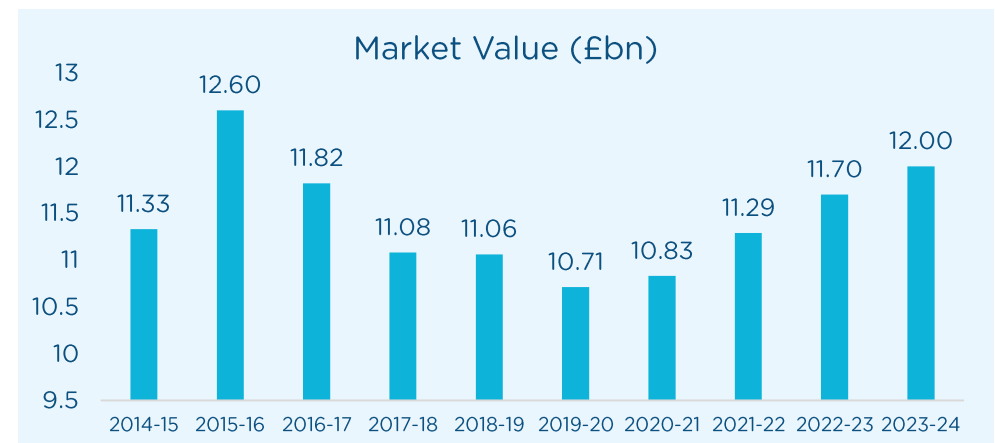
Source
IBISWorld (August 2018)
Plimsoll (October 2018)

Estate Agents Companies

A profitability analysis on the sector from a pool of 1,500 leading UK-based Estate Agent companies revealed the following points:

- The most profitable 656 companies benefitted from an average profit margin of 8.6%
- The least profitable 844 companies made an average profit margin of 0.0%; the industry average is 1.7%
- 454 of companies increased in value over the year with 243 companies increasing by more than 25%
- 601 companies decreased in value, 341 fell by more than 25%
- 180 companies have made a loss for two consecutive years

Based on analysis, companies were rated on their 'takeover attractiveness'. A total of 642 companies were given a 'Strong' rating whereas 405 companies were given the lowest rating, 'Danger'. 526 companies in the industry were highlighted to be highly attractive takeover prospects. London was the most attractive region for takeover prospects.





Estate Agents Industry

M&A Activity in the Sector

Market IQ data indicates a total of 1,722 significant deals in the industry from January 2011 to September 2018, with UK targets. Deals are only reported over a certain value threshold (c.£500k), therefore, it is likely that not all deals have been captured.

Upon breaking down the deal type, M&A, activity within the sector is mainly categorised by acquisitions, with 1,642 since January 2011. There were also 34 investments and 46 mergers. A geographical breakdown of the deals shows that London dominates M&A activity, benefitting from 492 deals in the time frame. The North West was the closest behind with 210 deals being completed. The rest of the deals are spread throughout other regions whilst slowly declining to Wales, with only 32.

Deal flow has been significant in each year with a gradual upwards trend through 2013-2015, until growth slowed in 2016. Deal levels continued to fall into 2017. This dip is characteristic of the uncertainty effect of the UK's exit from the EU. Without the clarity that a deal will bring, UK businesses are highly likely to be risk adverse. This is justified further by the YTD 2018 figures, with 149 deals through September 2018, forecasting the same rate to the end of the year gives 198 deals. This would be the lowest yearly rate in the data set.

Industry Benchmarking Information - September 2018

Hallidays' client base consists of small to lower mid-market enterprises. Our benchmarking analysis reflects businesses with turnover below £10m, in line with the majority of our clients in this sector.

| Estate Agents Benchmarking Data | Mean | Median | Lower Quartile | Upper Quartile |
|-------------------------------------|-------|--------|----------------|----------------|
| Turnover Growth/Decline (%) | 0.45 | 0.00 | -11.45 | 10.48 |
| EBIT Margin (%) | 12.84 | 12.72 | 1.07 | 34.09 |
| EBIT Growth/Decline (%) | 3.22 | -1.94 | -50.64 | 72.06 |
| EBITDA Margin (%) | 14.91 | 14.34 | 2.85 | 38.11 |
| EBITDA Growth/Decline (%) | 3.27 | -1.29 | -47.53 | 61.82 |
| Total Net Assets Growth/Decline (%) | 4.97 | 3.57 | -15.17 | 25.81 |
| Current Ratio | 3.65 | 1.46 | 0.85 | 3.26 |
| Acid Test | 3.57 | 1.44 | 0.80 | 3.11 |

Estate Agents Benchmarking

Using full company accounts filed in the last two years under the SIC-Code "6831 - Real estate agencies", Excluding companies with nil turnover in either period, we have summarised key benchmarking information for businesses under £10m turnover in the table above. September 2018.

M&A Activity Source

Experian Market IQ (September 2018)

Search Criteria: SIC-Code "6831 - Real estate agencies"



Funding

Do you know all of the funding solutions available to help you grow your business?

There is a wide range of funding solutions available to you, many of which you may not have heard of, or even considered which we can help you with. It might be worth asking yourself...

Are you keen to find funding to support your innovative plans?
Do you have funding, but you're not sure if it's the right type?

As a registered credit broker, we can answer all of these questions and make accessing funding simple and straightforward. So, if you need a better facility for working capital, or if you're looking for a larger chunk of cash for investing in machinery, marketing or a new product line, then let us know.

Our collaborations with high street banks, Funding Circle, Funding Options and numerous other funders can help you find the funding you need.

If you wish to enquire further about funding, please contact:

Michael Berger - Corporate Finance Manager - michaelb@hallidays.co.uk - 0161 476 8276

Cashflow or Asset Finance

As a Funding Circle Introducer and with our network of funders, we can provide cashflow loans, where this is the right type of finance for your business.

Growth Funds, Venture Capital & Private Equity

If you have a high growth or innovative business, we can help you to secure the right equity and debt investment to reach the next stage in your business' evolution.

Stockport Business Angels

We are the Stockport Business Angels (affiliate of NWBA) and link businesses with the right collaboration and funding from business angels investors.

Invoice Finance (discounting/factoring) / Construction / Trade Finance

Invoice finance is becoming a more attractive option to a bank overdraft, this can ease cash flow, whilst providing a flexible facility.

Funding Success Stories

Hallidays has had a number of successes when it comes to obtaining growth funding for our clients:

- **ABN Amro Bank** £100k invoice finance facility (IFF) - To improve working capital for a seasonal company.
- **Aldermore Bank** £150k IIF - For a creative design studio requiring cash to expand.
- **RBS Invoice Finance** £100k IFF - For an engineering company to purchase bespoke machinery enabling them to fulfil a contract.
- **Lombard** £130k asset finance - For fittings and electronic equipment in a hospitality business.
- **FW Capital** - Growth funding of between £100k-£750k for multiple clients.



HALLIDAYS
CORPORATE FINANCE