

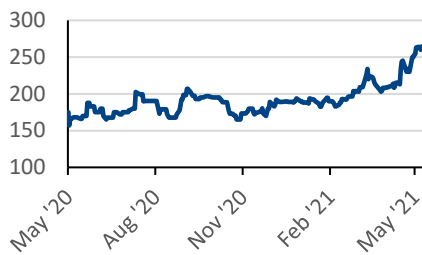
# PROPERTY FRANCHISE GROUP (TPFG.L)

## REAL ESTATE FRANCHISING

May 2021

262p - Market Cap: £82.2m

### SHARE PRICE (p)



12m high/low 265p/165p

Source: LSE Data

### KEY DATA

Net (Debt)/Cash	£(7.3)m (at 31/03/21)
Enterprise value	£89.5m
Index/market	AIM
Next news	AGM, July 2021
Shares in Issue (m)	31.4
Chairman	Richard Martin
Chief Executive	Gareth Samples
Finance Director	David Raggett

### TOP TEN SHAREHOLDERS

Martin (Richard Wilson)	26.0%
BAVARIA Industries Gp. AG	10.3%
Close Brothers AM	9.4%
Gresham House AM	7.4%
Premier Asset Management	7.4%
Axxion SA	4.8%
Canaccord Genuity WM	4.6%
Wilson (Ian)	4.6%
Wray (Nigel)	3.0%
HC Capital Advisors GmbH	3.4%

[www.thepropertyfranchisegroup.co.uk](http://www.thepropertyfranchisegroup.co.uk)

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ADDITIONAL RESEARCH**

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## Hunters acquisition well timed

### Company description

The Property Franchise Group (TPFG) acquired sales-focused franchisor Hunters in March 2021 for £26.1m. This has positioned the combined Group as the leading franchised operator in the UK, managing the second largest estate agency branch network and portfolio of managed properties.

FY20 results showed record PBT and EBITDA. The dividend was also increased, having been reinstated last September. TPFG has, in our view, demonstrated good cost control and benefitted from the resilience of lettings, which historically was the dominant income generator for the Group. We believe that TPFG enters 2021 with a better revenue mix now tilted to residential sales which experienced strong momentum in H2 2020, boosted by the Stamp Duty holiday.

Underlying pent up buyer demand underpins earnings forecasts and we expect the combined business to increase market share in lettings. The 73,000 managed properties underpins recurring revenue. TPFG's existing hybrid business, Ewe Move, is forecast to double its territories by 2022. The financial services strategy is delivering results through cross selling.

### Investment case summary

Dividend underpinned by capital light and cash generative franchising model.

- The strong sales pipeline is expected to convert in FY21. We see the combined Group benefitting from the underlying residential sales market but also its lean business models, economies of scale, increased geographical reach, Hunters Brand, enlarged managed property portfolio and lettings growth.
- We expect the Hunters acquisition to be earnings accretive and identified synergies provide a stronger platform for organic growth. The overall high margin business model should continue to drive free cash flow and support the progressive dividend policy. Despite strong consensus forecast EPS growth and free cash flow, the Group continues to trade at a discount to its peers.



**Ask management about:** Benefits of the combined group. Prospects for Ewe Move. Its dividend policy.

FYE DEC (£M)	2019	2020	2021E	2022E
Revenue	12.8	11.5	21.9	25.2
EV/Revenue	5.7	6.4	3.4	2.9
EBITDA	4.8	5.7	9.6	10.7
EV/EBITDA	15.3	12.9	7.7	6.9
EPS	14.6	16.5	22.4	22.9
PER	17.9	15.9	11.7	11.4
Dividend	2.6	8.7	10.0	11.6

Source: Consensus estimates

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## Disclaimers and Disclosures

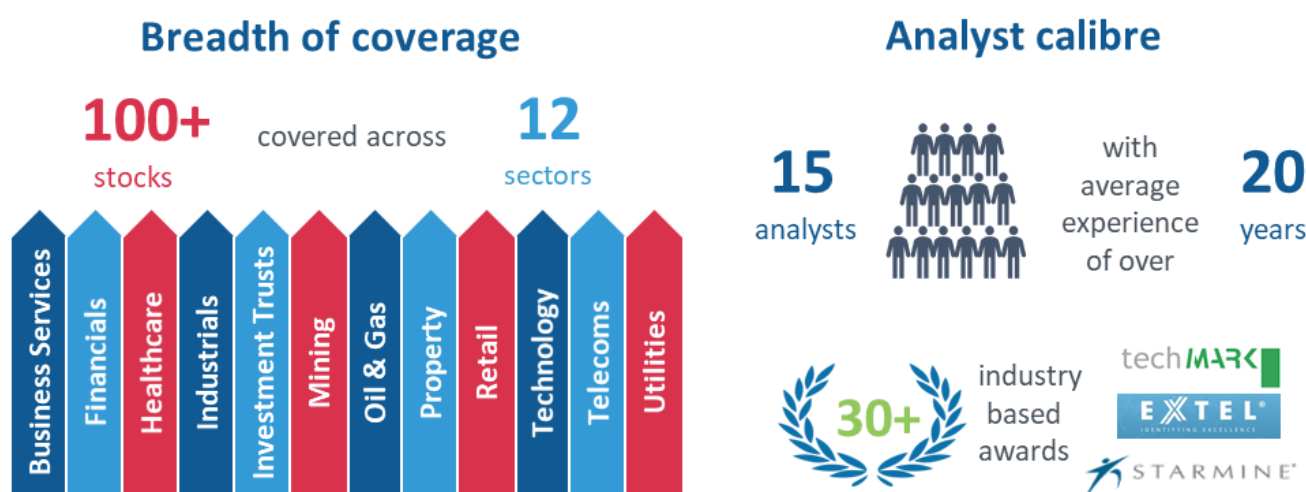
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