RNS Number : 7730G
Savills PLC
14 March 2024

14 March 2024

Savills plc

("Savills" or "the Group")

PRELIMINARY RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2023

Resilient performance in challenging markets driven by the Group's less transactional service lines

Summary results:

	31-Dec-23	31-Dec-22	Change
Group revenue	£2.24bn	£2.30bn	(3)%
Underlying profit before tax*	£94.8m	£164.6m	(42)%
Reported profit before tax	£55.4m	£153.9m	(64)%
Underlying basic EPS*	55.1p	94.9p	(42)%
Reported basic EPS	30.0p	87.0p	(66)%
Proposed final ordinary dividend	20.8p	20.0p	4%
Total dividend per share	22.8p	35.6p	(36)%
Net cash**	£157.3m	£307.4m	(49)%

* Underlying profit before tax ('underlying profit') and underlying basic EPS are alternative performance measures used to assess the performance of the Group. Underlying profit is calculated on a consistently reported basis in accordance with Note 3 to this Preliminary Statement. Underlying EPS is calculated using underlying profit, with the weighted average number of shares remaining the same as the GAAP measure.

** Net cash reflects cash and cash equivalents net of borrowings and overdrafts in the notional pooling arrangement (see Note 8).

Key highlights:

- Robust performance of the less transactional businesses, representing 65% of Group revenue, which grew 7%, underpinning overall Group performance
- Property Management and Consultancy businesses performed well with revenues increasing 11% to £899.5m and 4% to £459.8m, respectively
- Savills Investment Management revenue decreased 6%. Assets under management ('AUM') was stable at £22.1bn (2022: £22.1bn). $1bn commitment from Samsung Life largely awaiting deployment
- Global Transactional Advisory revenues, in aggregate 35% of Group revenue, decreased 17%, reflecting significantly reduced capital and leasing market volumes globally
- Global Residential revenues declined 19% as markets normalised, following high levels of post pandemic activity, and adapted to higher interest rates
- Depth and breadth of team retained throughout the Group to maintain high levels of client service
- Strong net cash position provides resilience and enables continued business development activity

Commenting on the results, Mark Ridley, Group Chief Executive of Savills plc, said:

"*Savills resilient performance in 2023 highlights the diversity and strength of our global business. In the context of extremely challenging real estate markets, which saw the lowest levels of transaction volumes for a decade, our less transactional businesses have provided a solid platform for the Group with a resilient and growing earnings stream.*

"Current economic and geopolitical conditions remain uncertain and although we expect this to continue for some time, most markets appear to be past the moment of peak uncertainty. There are some early signs of underlying market improvements, which should set the course for a broader recovery during the second half of the year and into 2025.

"Our policy of retaining our core bench strength, enabled by our strong balance sheet, positions the Group well for the future."

The analyst presentation will be held at 9.30am today by webinar. For joining instructions please contact

nrichards@savills.com. A recording of the presentation will be available from noon at www.ir.savills.com.

Chair's statement

Results overview

Savills strength across its less transactional service lines continued to provide a resilient earnings stream, underpinning Savills overall performance in a global real estate market challenged by significantly reduced transactional activity. The Group's revenue decreased by 3% to £2.2bn (2022: £2.3bn), 2% down on a constant currency basis. Although not immune to market volatility (particularly in respect of some Consultancy service lines), the strength of our less transactional businesses underpinned Savills performance overall, growing revenue by 7% to £1.5bn. Prime drivers of performance were Consultancy and Property Management, which performed well, growing revenue by 4% and 11% respectively.

The Group's Transactional business experienced a 17% drop in revenue during the year as global market conditions remained extremely subdued for longer than anticipated at the start of 2023. This was the primary cause of the 42% reduction in the Group's underlying profit of £94.8m (2022: £164.6m), representing an underlying profit margin of 4.2% (2022: 7.2%).

Our Investment Management business traded in line with our expectations, although deployment of capital was inevitably reduced given lack of price transparency in most of its target markets. At the year end, Savills Investment Management had significant investment 'dry powder' for both real estate equity and debt opportunities, including Samsung Life having committed its first $1bn to support a number of products.

As a result of the challenging market conditions during 2023, the real estate services industry as a whole undertook a number of rounds of cost reduction and reorganisation actions. In line with our strategy during the global financial crisis of 2008, as well as more recently through the pandemic, and supported by our strong financial position; Savills continued to maintain its core bench-strength around the world, ensuring we provided the highest level of service to our clients throughout the year and remain well positioned for market recovery.

We did, however, review the global business for locations or service lines where the anticipated time frames for market recovery remain protracted. This resulted in selective restructuring of certain transactional and related support teams and resulted in one-off costs of £13.9m being incurred.

The costs of this restructuring led Group's reported profit before tax to decrease by 64% to £55.4m (2022: £153.9m), representing a pre-tax profit margin of 2.5% (2022: 6.7%).

The Group continued to maintain a positive liquidity position with net cash (cash and cash equivalents net of borrowings and overdrafts in the notional pooling arrangements) of £157.3m at year end (2022: £307.4m).

Currency movements in the year decreased revenue by £14.4m, underlying profit by £0.7m and reported profit before taxation by £1.1m.

Market conditions

Throughout the year, real estate markets across the globe were challenged by significantly increased interest rates, geopolitical events and, on a more asset-specific level, uncertainties over the future role of offices and the valuation of existing stock in the era of sustainability. These factors, together with certain location-specific issues, significantly reduced capital transaction volumes in global markets to their lowest levels for a decade. In addition, economic uncertainty led to delays in corporate occupiers committing to new leasing activity in many markets.

The value recalibration process took time to catalyse market liquidity, with the majority of lending banks continuing to extend existing loan terms. The consequence of this was that global market conditions remained extremely subdued for longer than originally anticipated at the start of 2023.

However in Q4 2023, we began to see lenders start to exercise their security rights. This began to have a positive effect on market activity towards the year end and should be a catalyst for improved volumes in 2024.

The rate at which individual investment markets are recalibrating varies around the globe; however, it appears that the UK prime Commercial market has re-priced to a point where it represents value, particularly for assets with strong sustainability credentials, for which there is significant occupier demand. In addition, our Prime residential business has performed well, particularly in central London. As anticipated a year ago, residential markets outside London were more subdued as volumes reverted to more normal levels of activity after the abnormally large volumes transacted post-pandemic.

In Europe, investment transaction volumes reached their lowest levels since the eurozone debt crisis. The slowing of investment activity quarter-by-quarter was a widespread trend across all European countries and major asset classes, with the office sector continuing to face the most significant reduction in volume.

In the Asia Pacific region, property investment volumes overall fell by 33% in 2023. China experienced increasing debt-related difficulties amongst the major domestic developers in addition to the macro trends affecting manufactured supply to international markets. Other markets in the region were affected by the sharply higher cost of borrowing, with significant volume declines in the mature markets of Australia and South Korea. Hong Kong was one of two markets which recorded only a single digit decline, however this was off an already very low base with volumes still 70% below their previous peak in 2018.

In North America, the office market remained sluggish as economic uncertainty, questions over the return to offices, particularly in the major metropolitan markets of the East and West Coast, and slowing employment growth caused corporates to delay major leasing decisions, pending greater clarity.

Business development

Savills has continued to focus on the strategic development of the business and improving our service offering to clients; this has been enabled by the Group's strong balance sheet. In the first half of the year, we progressed our strategy of expanding our Global Prime Residential services with the acquisition of agencies in Italy (BeLiving Srl) and Portugal (Predibisa, Sociedade de Mediação Imobiliária, Lda). The Group also acquired Automotive Property Consultancy Holdings Limited, a specialist property consultancy dedicated to the franchised motor retail sector in the UK.

In the second half of the year, the Group acquired Site 8 Pty Limited, expanding our retail property management business in Australia. The UK business recently completed the acquisition of Nash Bond Limited, a leading UK prime retail agency and lease consultancy business, enhancing our position in this recovering market. Finally, DRC Savills Investment Management established the Group's first position in the US real estate debt market through a joint venture with QCP LLC, a real estate debt manager based in Atlanta.

Supported by our strong balance sheet we continue to review opportunities to enhance our client offering across geographies and service lines.

Focus on technology

Technology continues to be an important focus for the Group, and we are well on the way through implementation of significant platform upgrades across the globe including both operating and finance systems and service-specific digital transformation programmes.

We continue to investigate and experiment with new and emerging technologies through our innovation and data teams globally. Recently there has been an increased focus on the opportunities presented by the latest developments in the broad area of artificial intelligence ('AI'), or 'Machine Learning', which we use as a driver of efficiency in many of our bespoke data and service line platforms across the Group. One example of this is BrickByte in Germany, which was acquired by the Group in 2022. It is a technology-enabled method of workspace planning, driven by Machine Learning, to save time and optimise the use of space and which has significantly increased its revenues year-on-year.

Our other digital businesses continue to perform well. Cureoscity, our wholly-owned platform that connects occupiers, landlords and their managing agents, continued to grow Annual Recurring Revenue ('ARR') significantly year-on-year and has begun to expand into markets outside the UK. Our market-leading UK on-line auction business continues to take market share, and despite increasingly challenging markets, sold over £570m of property during the period, an increase of 25% year-on-year.

Through our wholly owned technology businesses and investments, we are experimenting with the latest advances in generative design particularly to test project feasibility at an earlier stage in the design process. For example, VU.CITY (in which the Group has an investment) uses its SiteSolve technology combined with complete digital city models at 'planning grade' levels of accuracy, to generate instant development options, taking into account environmental and other extant planning constraints.

We maintain our policy of continuing to support technology initiatives across the Group, striking the balance between locally led innovation and broader centralised initiatives.

Board

On 1 January 2024, I became Chair on the retirement of Nicholas Ferguson. Since he was appointed in May 2016, Savills has both delivered commendable growth and successfully navigated the challenges of both COVID and the market corrections of the last two years. I would like to thank him for his enormous contribution to the business.

On 13 December 2023, John Waters was appointed as an additional Independent Non-Executive Director and replaced me as Chair of the Savills Audit Committee with effect from 1 January 2024. We are delighted that John has joined the Board and look forward to benefitting from his extensive experience to support our future growth.

Dividends

An interim dividend of 6.9p per share (2022: 6.6p), amounting to £9.4m was paid on 2 October 2023, and a final ordinary dividend of 13.9p per share (2022: 13.4p) is recommended, making the ordinary dividend 20.8p per share for the year (2022: 20.0p). A supplemental interim dividend of 2.0p per share (2022: 15.6p) is declared, taking into account the significantly reduced underlying performance of our Global Transaction Advisory business. Taken together, the ordinary and supplemental interim dividends comprise an aggregate distribution for the year of 22.8p per share, representing a decrease of 36% on the 2022 aggregate ordinary and supplemental dividend of 35.6p.

Subject to Shareholder approval of the proposed final dividend at the AGM on 15 May 2024, the aggregate final and supplementary interim dividends of 15.9p will be paid on 23 May 2024 to Shareholders on the register at 12 April 2024.

People

On behalf of the Board, I wish to express my thanks to all our people worldwide for their hard work, commitment, collaborative approach and continued focus on client service, which enabled the Group to deliver results in line with our expectations in such challenging times.

Summary and Outlook

Savills resilient performance in 2023 highlights the diversity and strength of our global business. In the context of extremely challenging real estate markets, which saw the lowest levels of transaction volumes for a decade, our less transactional businesses have provided a solid platform for the Group with a resilient and growing earnings stream.

With increased expectation of a reduction in the cost of capital being likely during 2024, we expect re-financing driven activity and the sustainability agenda to be positive for transaction volumes, and therefore improving price transparency, in a number of markets. There also remain, for the near term at least, questions over office utilisation in certain locations, perhaps most keenly felt in the North American metropolitan markets of the eastern and western seaboards.

Current economic and geopolitical conditions remain uncertain and although we expect this to continue for some time, most markets appear to be past the moment of peak uncertainty. There are some early signs of underlying market improvements, which should set the course for a broader recovery during the second half of the year and into 2025.

Our policy of retaining our core bench-strength, enabled by our strong balance sheet, positions the Group well for the future.

Stacey Cartwright
Chair

Review of operations

Savills geographic and business diversity were key to achieving the year's results. Our performance analysed by region was as follows:

	Revenue £m			Underlying profit/(loss) £m		
	2023	2022	% change	**2023**	2022	% change
UK	**941.5**	956.3	(2)	**98.3**	118.1	(17)
Asia Pacific	**659.0**	669.7	(2)	**23.4**	41.4	(43)
CEME	**342.4**	335.0	2	**(9.8)**	17.3	n/a

	Revenue £m			Underlying profit/(loss) £m		
	2023	2022	% change	**2023**	2022	% change
North America	**295.1**	[illegible]	(13)	**(8.4)**	[illegible]	n/a
Unallocated	**-**	-	n/a	**(8.7)**	(16.3)	n/a
Total	**2,238.0**	2,298.3	(3)	**94.8**	164.6	(42)

On a constant currency basis Group revenue decreased by 2% to £2,252.4m, underlying profit decreased 42% to £95.5m and reported profit before tax decreased by 63% to £56.5m. Our Asia Pacific business represented 30% of Group revenue (2022: 29%) and our overseas businesses as a whole represented 58% of Group revenue (2022: 58%). Our performance by service line is set out below:

	Revenue £m			Underlying profit/(loss) £m		
	2023	2022	% change	**2023**	2022	% change
Transaction Advisory	**772.9**	930.1	(17)	**4.3**	71.9	(94)
Property and Facilities Management	**899.5**	813.9	11	**48.8**	46.5	5
Consultancy	**459.8**	441.5	4	**35.6**	41.3	(14)
Investment Management	**105.8**	112.8	(6)	**14.8**	21.2	(30)
Unallocated	**-**	-	n/a	**(8.7)**	(16.3)	n/a
Total	**2,238.0**	2,298.3	(3)	**94.8**	164.6	(42)

Overall, our Commercial and Residential Transaction Advisory business revenue represented 35% of Group revenue (2022: 40%) and was the service line most directly affected by the challenging market conditions during the year. Of this, Residential Transaction Advisory represented 9% of Group revenue (2022: 10%). Our Property and Facilities Management businesses continued to perform well, growing year-on-year and representing 40% of Group revenue (2022: 35%). Our Consultancy businesses increased revenue by 4% and represented 20% of revenue (2022: 19%), albeit that the performance of some of the service lines, such as security valuations, were affected by reduced market volumes. Finally, Investment Management again represented 5% of Group revenue (2022: 5%).

Unallocated costs reduced year-on-year as a result of central interest income and the reduction in profit-related remuneration payable to the Group's senior management.

Transaction Advisory

Overall, our Transaction Advisory revenue decreased by 17% (16% on constant currency basis) to £772.9m (2022: £930.1m). Globally our commercial capital transaction business revenue decreased by 30% and our leasing and occupier-focused transactional revenues by 9%. Our Global Residential business revenue reduced by 19% against a strong comparative in 2022.

Underlying profits fell to £4.3m (2022: £71.9m), reflecting the impact of sharply reduced volumes transacted worldwide and the Group's policy of retaining core bench-strength during market corrections to maintain client service and enable the Group to benefit from future market recovery.

Asia Pacific Commercial

Revenue from the Asia Pacific Commercial Transactional business decreased by 30% to £102.1m (2022: £145.3m), a decrease of 27% in constant currency.

There were significant revenue reductions across the region as markets began to recalibrate in the face of interest rate rises and other challenges. In China, we did not see the broad return of transaction volumes, which was anticipated after the end of COVID-related lockdowns in Q1 2023. Instead, transactional revenues declined by approximately 15% in China and 6% in Hong Kong in comparison with a low base in 2022. However, the recently recruited logistics teams performed well and enabled the mainland Chinese transaction business largely to mitigate the effect of the revenue fall on profits. The other principal countries showing revenue and profit reduction year-on-year were Australia; which was one of the last markets to begin recalibration, Singapore, South Korea and Japan, albeit the latter came off a record performance in 2022 and continued to trade profitably during 2023.

Overall the Asia Pacific Commercial Transactional business recorded underlying losses of £2.9m (2022: £13.4m underlying profit).

UK Commercial

UK Commercial Transactional revenue fell by 15% to £100.6m (2022: £118.9m), reflecting fewer transactions in investment markets and more subdued leasing activity.

investment markets and more subdued leasing activity.

Just over £39bn of commercial property investments were traded in the UK in 2023, which is 41% lower than the previous year and 38% down on the five-year average. All commercial property sectors experienced lower investment volumes in 2023 than 2022, with the largest fall being in offices (-47%) and the smallest being in retail (-12%).

While the second half of 2023 saw the Bank of England base rate stabilise, this did not quickly feed through into a notable pick-up in commercial property investment activity in the UK. Rather, Savills increased its share of available market activity, for instance in prime Grade A sustainable office transactions. Indeed, Savills advised on 11 of the 16 largest transactions to occur in the year.

Economic uncertainty continued to delay corporate decision-making which resulted in a reduction in take-up across all the main commercial property sectors in most markets. One exception to this trend was the drive for sustainability which saw take-up in the City of London office market (Grade A with high sustainability rating) increase by 12% year-on-year. However, at a national level, office leasing activity outside London was 12% down on 2022 and large logistics take-up was down 40% year-on-year.

As a result, despite market share gains, underlying profits fell by 31% to £14.0m (2022: £20.4m) with a reduced margin of 13.9% (2022: 17.2%).

North America

Revenue from the North America Transactional business decreased to £266.7m (2022: £303.5m), a 12% decrease at both prevailing and constant currency rates.

The overwhelming majority of North American revenue relates to occupier leasing transactions across the office sector, which were considerably affected by the understandable tendency for corporate occupiers to delay transactions in the face of uncertain market conditions. We saw growth in Southern California, Washington DC, Chicago and in the US segment of the recently launched Global Occupier Services business, which more than doubled revenue, albeit off a low base. These partially mitigated reductions in activity elsewhere. In the major metropolitan markets such as New York and San Francisco, where the continuation of homeworking in the face of return-to-work strategies, in the financial services and technology sectors particularly, restricted demand for offices for much of the year. There were signs of improved activity emerging in Q4 2023, which should support improved performance in 2024. Capital markets revenues reduced by 48% to £12.4m (2022: £23.7m) as investors came to terms with both reduced occupier demand for metropolitan office space and the rising cost of debt.

Profits were significantly impacted by the effect of market conditions on revenue. During the year a focused restructuring exercise was carried out to improve profitability in the future, as well as continuing investment in growth of the newly established Occupier Services platform.

The business recognised an overall underlying loss of £7.4m (2022: £2.3m underlying profit).

Continental Europe and the Middle East ('CEME')

In CEME, transaction fee income decreased by 12% to £114.6m (2022: £129.8m); 10% in constant currency.

The primary market-related themes were similar to those experienced elsewhere, however the extent of their impact alongside other more local issues, particularly in Germany, continental Europe's largest real estate market, was significant to the extent that our transactional business there made a material loss. Germany is one of the slowest global markets to recalibrate and market conditions in France were not dissimilar.

In contrast, our businesses in the Middle East, Italy, Czech Republic and Portugal saw transactional revenue growth as a consequence of both organic investment and recent acquisition activity. Spain and Ireland showed considerable resilience in their transactional performances too, maintaining strong market share. We continued to grow market share in many countries but could not mitigate the effect of volume reductions in most markets.

Profitability was impacted primarily by the significant downturn in activity causing losses in both the major markets of France and Germany and also in the Netherlands and Belgium. This together with increased interest costs on CEME net borrowings resulted in an underlying loss for the year of £20.3m (2022: £2.7m underlying loss).

UK Residential

UK Residential Transactional revenue decreased by 18% to £171.0m (2022: £208.3m), reflecting the decrease in market volumes with successive interest rate rises and the consequent fall in mortgage approvals dampening demand.

Second-hand sales revenue declined by 23% with a reduction in the number of exchanges of 23% to 4,735 (2022: 6,124). This was exacerbated by a decrease in the average sales value by 4% to £1.61m (2022: £1.68m). In London the average lot size transacted by Savills was down 3% to £2.23m and by 8% to £1.27m in the regions. Volumes in both the regional UK market and central London declined significantly, but consistent with our expectations.

Revenue from the sale of new homes reduced 24% year-on-year, reflecting a decrease of 27% in the number of exchanges, much of which occurred in the regional markets with London more resilient, which was also manifested by an 8% increase in average value transacted.

Underlying profit reduced by 45% to £19.4m (2022: £35.1m), reflecting the effect of the revenue reduction year-on-year. This performance represented an underlying profit margin of 11.4% (2022: 16.9%).

Asia Pacific Residential

Revenue from the Asia Pacific Residential Transaction business decreased by 26% to £17.9m (2022: £24.3m), a fall of 24% in constant currency.

86% of the regional revenue was generated in Greater China, where debt costs drove falls in revenue of between 22% and 25% in mainland China and Hong Kong, although profits from those regions only fell by £0.7m in aggregate. Elsewhere revenues reduced by between 20% and 50%, the latter in Singapore where market conditions, including the impact of stamp duty for non-residents, were also reflected in a temporarily reduced share of profit from our associate, Huttons. The effect of these reductions were partially mitigated by small increases in profitability in our businesses in Thailand and Vietnam, however overall underlying profits fell to £1.5m (2022: £3.4m).

Property and Facilities Management

Our Property and Facilities Management businesses continued to perform well, with revenues growing by 11% to £899.5m (2022: £813.9m); 11% in constant currency. Savills total area under management increased by 7% to 2.63bn sq ft (2022: 2.47bn sq ft). Underlying profit increased by 5% to £48.8m (2022: £46.5m), 6% in constant currency.

Asia Pacific

In Asia Pacific, Property Management revenue was £447.1m, an increase of 10% year-on-year (2022: £404.9m); 12% increase in constant currency.

Revenue grew across the region with improved performances in Singapore, South Korea and Vietnam. Hong Kong experienced revenue growth of 1% overall, however much of this was in lower margin Facilities Management, which did not mitigate the effect of a reduced contribution from a long-standing joint venture in Macau, as the leisure industry there saw much reduced throughput-related demand. In mainland China, revenue growth of 2% was offset by growth in staff costs, including temporary staff filling vacancies caused in part by migration. Meanwhile in Singapore, revenue and profitability were significantly enhanced through a much improved performance by Absolute Maintenance Services Pte Limited and Solute Pte Limited ('AMS'), both acquired the previous year.

The Asia Pacific region's underlying profits increased by 6% year-on-year to £22.2m (2022: £21.0m) reflecting a slightly reduced margin of 5.0% (2022: 5.2%).

UK

The UK Property Management business grew revenues by 9% to £355.7m (2022: £327.4m) with square footage under management increasing by 4% (31 December 2023: 600.1m sq ft, 31 December 2022: 577.0m sq ft). During the year we continued to diversify our Facilities Management business into new service lines, such as car park consultancy, as well as securing significant new mandates.

Our Residential Lettings business had another successful year with revenues and profit increasing by 6%. This was primarily driven by the London market which was characterised by strong tenant demand, albeit with reduced supply.

Finally, our rural management business also performed well with revenue growth of 5% and significant profit improvement.

Overall, the UK Property Management business increased underlying profit by 17% to £30.4m (2022: £25.9m).

Continental Europe and the Middle East

CEME Property Management revenues increased by 19% to £96.7m (2022: £81.6m); the same on a constant currency basis. Over half of this increase was in respect of pass-through costs for outsourced services in Germany currency basis. Over half of this increase was in respect of pass-through costs for outsourced services in Germany, which had no effect on profits.

Revenues grew in all regions, reflecting significant contract wins in the Middle East, Spain, Ireland and Poland.

Area under management at 31 December 2023 was 294.8m sq ft, up 11% on last year (31 December 2022: 265.4m sq ft).

Profitability and margins in the CEME businesses were significantly affected by initial scale-up costs on new contract wins, inflationary cost pressures, reduced levels of profitable ad hoc consultancy work in the prevailing economic environment and a higher interest cost on debt balances associated with recent acquisitions. As a result, the CEME business recognised an underlying loss of £3.8m (2022: £0.4m loss).

Consultancy

Global Consultancy revenue increased by 4% to £459.8m (2022: £441.5m), 5% at constant currency rates. Much of the revenue growth derived from lower margin service lines, whilst some of the higher margin services were materially affected by either reduced market volumes (e.g. security valuations) or the impact of market sentiment on client willingness to commit to longer-term projects (e.g. Development Consultancy/Planning). In addition, the cost base was affected by salary inflation in respect of professional consultants. These factors were most marked during the first half of the year. Thereafter, we experienced improved activity particularly in Q4, improving on our H1 2023 underlying profit decline of 55% to end the year with underlying profit decreasing by only 14% to £35.6m (2022: £41.3m); 13% on a constant currency basis.

UK

The UK Consultancy businesses, comprising a broad range of advisory activities, increased revenue by 9% to £271.0m (2022: £248.4m).

Revenue growth came from most main service lines with the exception of Development Consultancy, as developers delayed projects in the prevailing economic climate. Project Management Consultancy continued to grow well with increasing numbers of Green "retro-fit" assignments. Housing Consultancy also performed well and, whilst Planning Consultancy revenue grew somewhat, it was largely derived from smaller project work, rather than master planning and major schemes, with a consequent reduction in profitability.

The above factors in addition to professional staff cost increases, resulted in underlying profit increasing by 6% to £29.7m (2022: £28.0m).

Asia Pacific

In the Asia Pacific Consultancy segment, revenues decreased by 4% to £84.1m (2022: £87.4m); 1% on a constant currency basis. The overwhelming majority of revenues are earned in Australia, mainland China and Hong Kong. All of these were affected by reductions in valuation, development and research consultancy which linked to the impact of reduced transaction volumes on sentiment and in particular in China, the effect of economic conditions and debt on development activity.

Project management and green fit-out assignments in particular, improved performance in Singapore and selective markets in South East Asia.

The above factors resulted in underlying profit decreasing by 34% to £1.9m (2022: £2.9m), 31% in constant currency.

Continental Europe and the Middle East

Revenue increased by 6% (as reported and in constant currency) to £76.3m (2022: £71.9m).

Revenue growth was driven primarily by the Middle East, Portugal and Italy. Reduced revenue in Germany and Netherlands reflected substantially reduced valuation business as a result of reduced transactional activity in those markets. The cost base was further impacted by investment in new residential and workplace strategy recruitment in Germany and France respectively and increased interest costs on prior acquisitions.

Underlying profit fell by 42% to £5.0m (2022: £8.6m); 41% in constant currency.

North America

This segment primarily comprises complex project management through Macro Consultants LLC ('Macro'), a national project management consultancy business and T3 Advisors, a workplace solutions advisory firm specialising in the life sciences and technology sectors.

Revenue decreased by 16% to £28.4m (2022: £33.8m), as reported and in constant currency. This was primarily as a result of two factors. First, in Project Management, a major media business client put on indefinite hold a number of significant projects for the year, for which staff had already been allocated. Secondly, the T3 business was affected by retrenchment in the technology sector. Both businesses significantly refocused to replace their work in progress pipelines but suffered losses during the year, which could only be partially mitigated by improvements in other consultancy services such as workplace and incentives consultancy.

The impact of these factors resulted in an underlying loss of £1.0m (2022: £1.8m underlying profit).

Investment Management

Despite the prolonged challenging macro environment, Savills Investment Management delivered a resilient result with revenue down 6% to £105.8m (2022: £112.8m), 7% down on a constant currency basis.

The decrease was primarily due to a 35% reduction in transaction fees in line with the reduced activity in the overall market. Base management fees declined marginally to £84.0m (2022: £85.7m) and represented 79% of gross revenues (2022: 76%). The decline was consistent with expectations as several existing products came to their natural end-of-life whilst new strategies were initiated during the year and will take time to build scale.

AUM, including undrawn commitments, remained stable at £22.1bn (2022: £22.1bn). Successful new product launches and new mandates, as well as improved capital raising of £2.0bn (2022: £1.6bn) despite the difficult market conditions were offset by disposal activity and valuation reductions during the period. The relationship with Samsung Life continued well, with Samsung having committed its contracted $1bn to various products, much of which is yet to be deployed and is included in the approximately £1.7bn of investable funds carried over to 2024. At the most recent measurement date prior to this report, 79% of funds (by AUM) continued to exceed their respective fund target or benchmark returns on a five-year rolling basis.

Successes during the year include significant new mandates won in Spain and Italy and growth of the Living platform in the UK and continental Europe. DRC Savills Investment Management expanded into new territories, launching the DRC SIM Australia Real Estate Debt Fund and establishing its first position in the US real estate debt market through a joint venture with QCP LLC, an Atlanta based real estate debt manager

Underlying profits for Investment Management decreased by 30% to £14.8m (2022: £21.2m), 31% on a constant currency basis. In addition to the fall in revenue noted above, the year was also impacted by salary inflation in the sector and the cost of further platform growth for new product strategies, in advance of material revenues as capital is deployed.

Financial review

Profit margin

Underlying profit margin decreased to 4.2% (2022: 7.2%), see Note 3 for further explanation of underlying profit measures. From a trading perspective, this reflected the mix of business in the face of significant market-related revenue decreases substantially reducing profits in higher margin Transactional and Investment Management businesses, with revenue falling 17% and 6% respectively. It also reflected Group policy to retain core bench-strength through market downturns in order to maintain client service and benefit from market recovery in due course.

Reported pre-tax profit margin decreased to 2.5% (2022: 6.7%).

Taxation

The tax charge for the year decreased to £15.9m (2022: £34.1m), representing an effective tax rate on reported profit before tax of 28.7% (2022: 22.2%). The Group's effective reported tax rate is higher than the UK effective rate of tax of 23.5% as a result of disallowable expenses largely arising from transaction-related costs.

The underlying effective tax rate increased to 22.3% (2022: 20.5%).

Transaction-related costs

During the year the Group recognised a total of £14.6m in transaction-related costs (2022: £15.5m). These costs primarily represent liabilities for future consideration payments which are contingent on the continuity of recipients' employment at the time of payment (2023: £12.7m, 2022: £14.8m). The largest individual component of this charge related to the acquisition during 2021 of the 75% partnership interests in DRC Capital LLP, which the Group did not already then own.

These charges have been excluded from the calculation of underlying profit on a consistent basis in line with the Group's policy.

Restructuring costs

In response to the challenging market conditions, during the year, management conducted a focussed review of the Group's businesses, where market recovery was not anticipated to be significant in the short or medium term. As described in the CEO's review, this resulted in non-recurring restructuring costs of £13.9m in aggregate.

Accordingly, these charges have been excluded from the calculation of underlying profit on a consistent basis in line with the Group's policy.

Earnings per share

Basic earnings per share decreased 66% to 30.0p (2022: 87.0p), reflecting a 67% decrease in reported profit after tax. Adjusted on a consistent basis for significant restructuring, transaction-related costs, profits and losses on disposals, certain share-based payment adjustments, amortisation of intangible assets arising from business combinations, impairments of goodwill and significant transaction-related fair value gains, underlying basic earnings per share decreased 42% to 55.1p (2022: 94.9p).

Fully diluted earnings per share decreased by 65% to 28.8p (2022: 82.2p). The underlying fully diluted earnings per share decreased 41% to 52.9p (2022: 89.8p).

Cash resources, borrowings and liquidity

Cash and cash equivalents, net of overdrafts in notional pooling arrangements, at year end decreased 33% to £314.5m (2022: £467.1m). This decrease reflected the Group's reduced profitability in the year and the related increase in net working capital.

Gross borrowings at year end decreased to £157.2m (2022: £159.7m). These principally comprise £150.0m (2022: £150.0m) of 7,10 and 12 year fixed rate notes, which were issued in June 2018. The Group's £360.0m UK revolving credit facility ('RCF') was undrawn at the end of the year (2022: undrawn), part of a total of £422.0m (2022: £426.2m) of undrawn borrowing facilities available to the Group. At the year end, cash and cash equivalents net of borrowings was £157.3m (2022: £307.4m).

Cash is typically retained in a number of the Group's subsidiaries in order to meet the requirements of commercial contracts or capital adequacy. In addition, cash in certain territories is retained to meet future growth requirements.

The Group's net inflow of cash is typically greater in the second half of the year. This is as a result of seasonality in trading and the major cash outflows associated with dividends, profit-related remuneration payments and related payroll taxes in the first half. The Group cash inflow for the year from operating activities was £18.8m (2022: £164.0m). As previously mentioned, this reduction was due to reduced profits year-on-year and the related short-term increase in net working capital.

With a significant proportion of the Group's revenue typically being transactional in nature, the Board's strategy is to maintain low levels of gearing, but retain sufficient credit facilities to enable it to meet cash requirements during the year and finance the majority of business development opportunities as they arise.

Capital and Shareholders' interests

During the year 4,322 (2022: 68,739) new ordinary shares were issued on the exercise of options by participants of the Group's SAYE schemes and 32,549 (2022: 81,098) of new ordinary shares were issued to participants of the Group's PSP schemes. The total number of ordinary shares in issue (before the impact of shares held by the Savills plc 1992 Employee Benefit Trust and the Savills Rabbi Trust) at 31 December 2023 was 144,389,919 (2022: 144,353,048).

Savills Pension Scheme

The funding level of the defined benefit Savills Pension Scheme in the UK, which is closed to future service-based accrual, worsened during the year, with lower asset returns reducing the value of the Scheme's assets and a rise in the yield on AA-rated corporate bonds increasing the Scheme's liabilities. The plan was in a deficit position of £0.7m at the year-end (2022: £22.3m surplus).

Net assets

Net assets as at 31 December 2023 were £752.8m (2022: £805.3m). This movement reflects primarily the Group's profit for the year offset by currency translation losses, reflecting the strengthening of sterling during the year, purchases of treasury shares, dividend payments and actuarial losses recognised on the Group's defined benefit pension schemes.

Foreign currency

The Group operates internationally and is exposed to foreign exchange risks. As both revenue and costs in each location are generally denominated in the same currency, transaction-related risks are relatively low and generally associated with intra Group activities. Consequently, the overriding foreign currency risk relates to the translation of overseas profits and losses into sterling on consolidation. The Group does not actively seek to hedge risks arising from foreign currency translations due to their non-cash nature.

The net impact of foreign exchange rate movements during the year represented a £14.4m decrease in revenue and a £0.7m decrease in underlying profit.

Principal risks and uncertainties

The Directors have carried out a robust assessment of the principal risks facing the Group - including those that would threaten its business model, future performance, solvency, liquidity and/or pose a material reputational risk. Further detail on these principal risks will be provided in the Group's Annual Report and Accounts, which will be available on publication at www.ir.savills.com on 8 April 2024. The identified principal risks are summarised below:

- Market conditions, macro-economic and geopolitical issues
- Achieving the right market positioning to meet the needs of our clients
- Recruitment and retention of high-calibre staff
- Reputational and brand risk
- Legal risk
- Failure or significant interruption to IT systems causing disruption to client service
- Operational resilience/Business continuity
- Business conduct
- Changes in the regulatory environment/regulatory breaches
- Acquisition/integration risk
- Environment and sustainability

Savills plc
Consolidated income statement
for the year ended 31 December 2023

	Note	2023 £m	2022 £m
Revenue	2	**2,238.0**	2,298.3
Less:			
Employee benefits expense		**(1,496.3)**	(1,509.8)
Depreciation		**(69.6)**	(65.8)
Amortisation of intangible assets		**(15.8)**	(16.9)
Impairment of goodwill	3	**(3.9)**	-
Other operating expenses		**(619.5)**	(562.1)
(Increase)/decrease in provision for expected credit loss		**(1.8)**	2.1
Other net gains		**2.0**	0.3
Share of post-tax profit from joint ventures and associates		**10.2**	12.1
Operating profit		**43.3**	158.2
Finance income	11	**50.6**	13.7
Finance costs	11	**(38.5)**	(18.0)
Net finance income/(costs)	11	**12.1**	(4.3)
Profit before income tax		**55.4**	153.9
Income tax expense	4	**(15.9)**	(34.1)
Profit for the year		**39.5**	119.8
Attributable to:			
Owners of the parent		**40.8**	119.4
Non-controlling interests		**(1.3)**	0.4
		39.5	119.8

		39.5	119.8

Earnings per share			
Basic earnings per share	6(a)	**30.0p**	87.0p
Diluted earnings per share	6(a)	**28.8p**	82.2p

Supplementary income statement information

Reconciliation to underlying profit before income tax			
Profit before income tax		**55.4**	153.9
- restructuring and transaction-related costs		**28.5**	15.6
- other underlying adjustments		**10.9**	(4.9)
Underlying profit before income tax	2 and 3	**94.8**	164.6

Savills plc

Consolidated statement of comprehensive income

for the year ended 31 December 2023

	2023 £m	2022 £m
Profit for the year	**39.5**	119.8
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit pension scheme and employee benefit obligations	**(24.7)**	6.6
Changes in fair value of financial assets at FVOCI	**0.6**	(10.9)
Tax on other items that will not be reclassified	**8.4**	(3.9)
Total items that will not be reclassified to profit or loss	**(15.7)**	(8.2)
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(27.3)**	48.1
Total items that may be reclassified subsequently to profit or loss	**(27.3)**	48.1
Other comprehensive (loss)/income for the year	**(43.0)**	39.9
Total comprehensive (loss)/income for the year	**(3.5)**	159.7
Total comprehensive (loss)/income attributable to:		
Owners of the parent	**(1.4)**	158.4
Non-controlling interests	**(2.1)**	1.3
	(3.5)	159.7

Savills plc

Consolidated statement of financial position

at 31 December 2023

	Note	2023 £m	2022 restated* £m
Assets: Non-current assets			
Property, plant and equipment		**68.1**	77.0
Right-of-use assets		**198.3**	223.8
Goodwill*		**443.6**	449.6
Intangible assets		**55.8**	66.3
Investments in joint ventures and associates		**38.9**	37.0
Deferred income tax assets		**57.2**	38.6
Financial assets at fair value through other comprehensive income ('FVOCI')		**5.0**	5.7
Financial assets at fair value through profit and loss ('FVPL')		**38.5**	36.8
Defined benefit pension surplus		**3.2**	25.5
Contract related assets		**1.8**	2.4
Trade and other receivables		**69.3**	37.5
		979.7	1,000.2
Assets: Current assets			
Contract assets		**12.6**	7.4
Trade and other receivables		**656.4**	643.1
Income tax receivable		**4.7**	2.4

Income tax receivable		[illegible]	[illegible]
Derivative financial instruments		**1.0**	0.3
Cash and cash equivalents**		**506.8**	669.1
		1,181.5	1,322.3
Liabilities: Current liabilities			
Borrowings	10	**7.9**	10.6
Overdrafts in notional pooling arrangement**		**192.3**	202.0
Lease liabilities		**52.9**	53.2
Derivative financial instruments		**2.5**	1.0
Contract liabilities		**11.9**	14.0
Trade and other payables*		**682.1**	744.5
Income tax liabilities		**6.9**	15.5
Employee benefit obligations		**18.5**	17.7
Provisions		**17.2**	9.2
		992.2	1,067.7
Net current assets		**189.3**	254.6
Total assets less current liabilities		**1,169.0**	1,254.8
Liabilities: Non-current liabilities			
Borrowings	10	**149.3**	149.1
Lease liabilities		**201.3**	224.4
Derivative financial instruments		**3.2**	6.7
Other payables		**10.4**	21.9
Employee benefit obligations		**26.2**	25.2
Provisions		**23.9**	20.6
Deferred income tax liabilities		**1.9**	1.6
		416.2	449.5
Net assets		**752.8**	805.3
Equity:			
Share capital		**3.6**	3.6
Share premium		**104.9**	104.9
Other reserves		**94.5**	112.8
Retained earnings		**514.9**	546.8
Equity attributable to owners of the parent		**717.9**	768.1
Non-controlling interests		**34.9**	37.2
Total equity		**752.8**	805.3

* See Note 9 for details on the prior year restatement.

** Included within cash and cash equivalents are cash balances of £193.3m (31 December 2022: £205.0m) that are operated within a notional cash pooling arrangement together with overdraft balances of £192.3m (31 December 2022: £202.0m) presented above in current liabilities. See Note 8 for further details.

Savills plc

Consolidated statement of changes in equity

for the year ended 31 December 2023

	Attributable to owners of the parent						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2023	**3.6**	**104.9**	**112.8**	**546.8**	**768.1**	**37.2**	**805.3**
Profit for the year	**-**	**-**	**-**	**40.8**	**40.8**	**(1.3)**	**39.5**
Other comprehensive income/(loss):							
Remeasurement of defined benefit pension scheme and employee benefit obligations	**-**	**-**	**-**	**(24.6)**	**(24.6)**	**(0.1)**	**(24.7)**
Changes in fair value of financial assets at FVOCI	**-**	**-**	**0.6**	**-**	**0.6**	**-**	**0.6**
Tax on items taken to other comprehensive income/(loss)	**-**	**-**	**-**	**8.4**	**8.4**	**-**	**8.4**
Currency translation differences	**-**	**-**	**(26.6)**	**-**	**(26.6)**	**(0.7)**	**(27.3)**
Total comprehensive (loss)/income for the year	**-**	**-**	**(26.0)**	**24.6**	**(1.4)**	**(2.1)**	**(3.5)**
Employee share option scheme:							
- Value of services provided	**-**	**-**	**-**	**28.8**	**28.8**	**-**	**28.8**
- Tax on employee share option schemes	**-**	**-**	**-**	**0.5**	**0.5**	**-**	**0.5**
Tax on other items taken to reserves	**-**	**-**	**-**	**(0.4)**	**(0.4)**	**-**	**(0.4)**
Purchase of treasury shares	**-**	**-**	**-**	**(26.3)**	**(26.3)**	**-**	**(26.3)**
Dividends	**-**	**-**	**-**	**(48.8)**	**(48.8)**	**(2.2)**	**(51.0)**
Transfer between reserves	**-**	**-**	**7.7**	**(9.7)**	**(2.0)**	**2.0**	**-**
Fair value of derivative financial instrument	**-**	**-**	**-**	**(0.6)**	**(0.6)**	**-**	**(0.6)**
Balance at 31 December 2023	**3.6**	**104.9**	**94.5**	**514.9**	**717.9**	**34.9**	**752.8**

	Attributable to owners of the parent						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2022	3.6	104.4	76.2	540.0	724.2	29.2	753.4
Profit for the year	-	-	-	119.4	119.4	0.4	119.8
Other comprehensive income/(loss):							
Remeasurement of defined benefit pension scheme and employee benefit obligations	-	-	-	6.1	6.1	0.5	6.6
Changes in fair value of financial assets at FVOCI	-	-	(10.9)	-	(10.9)	-	(10.9)
Tax on items taken to other comprehensive income/(loss)	-	-	-	(3.7)	(3.7)	(0.2)	(3.9)
Currency translation differences	-	-	47.5	-	47.5	0.6	48.1
Total comprehensive income for the year	-	-	36.6	121.8	158.4	1.3	159.7
Employee share option scheme:							
- Value of services provided	-	-	-	29.6	29.6	0.8	30.4
- Tax on employee share option schemes	-	-	-	(2.6)	(2.6)	-	(2.6)
Issue of share capital	-	0.5	-	-	0.5	-	0.5
Tax on other items taken to reserves	-	-	-	0.3	0.3	-	0.3
Purchase of treasury shares	-	-	-	(49.0)	(49.0)	-	(49.0)
Dividends	-	-	-	(85.5)	(85.5)	(0.4)	(85.9)
Transfer between reserves	-	-	0.4	(4.0)	(3.6)	3.6	-
Fair value of derivative financial instrument	-	-	-	(4.5)	(4.5)	-	(4.5)
Transaction with non-controlling interest	-	-	(0.4)	0.7	0.3	-	0.3
Additions through business combinations	-	-	-	-	-	2.7	2.7
Balance at 31 December 2022	3.6	104.9	112.8	546.8	768.1	37.2	805.3

Savills plc

Consolidated statement of cash flows

for the year ended 31 December 2023

	Note	**2023 £m**	2022 £m
Cash flows from operating activities			
Cash generated from operations	7	**49.2**	210.9
Interest received		**40.6**	13.3
Interest paid		**(33.3)**	(16.9)
Income tax paid		**(37.7)**	(43.3)
Net cash generated from operating activities		**18.8**	164.0
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**5.3**	0.2
Proceeds from sale of financial assets held at FVOCI and FVPL		**4.8**	1.6
Proceeds from sale of interests in joint ventures		**0.3**	0.1
Dividends received from joint ventures		**8.6**	7.1
Dividends received from associates		**1.4**	4.2
Dividends received from other parties		**0.2**	0.2
Repayment of loans by joint ventures		**0.1**	0.1
Repayment of loans by associates		**0.2**	0.4
Repayment of loans by other parties		**-**	0.7
Loans to joint ventures		**-**	(0.1)
Loans to associates		**-**	(0.4)
Loans to other parties		**(2.5)**	(1.7)
Acquisition of subsidiaries, net of cash and overdrafts acquired		**(8.7)**	(14.9)
Deferred consideration paid in relation prior year acquisitions		**(1.9)**	(3.3)
Sublease income		**0.7**	**-**
Purchase of property, plant and equipment		**(17.4)**	(19.8)
Purchase of intangible assets		**(5.5)**	(7.0)
Purchase of financial assets held at FVOCI and FVPL		**(6.7)**	(8.8)
Purchase of investment in joint ventures		**(0.5)**	(0.4)

Purchase of investment in joint ventures	(0.5)	(0.4)
Net cash used in investing activities	**(21.6)**	(41.8)
Cash flows from financing activities		
Proceeds from issue of share capital	**-**	0.5
Proceeds from transaction with non-controlling interest	**-**	7.9
Transaction costs incurred on transactions with non-controlling interest	**-**	(0.2)
Proceeds from borrowings	**105.7**	9.6
Repayments of borrowings	**(109.9)**	(5.6)
Financing fees paid	**-**	(0.4)
Principal elements of lease payments	**(54.7)**	(51.4)
Purchase of treasury shares	**(26.3)**	(49.0)
Dividends paid	**(51.0)**	(85.9)
Net cash used in financing activities	**(136.2)**	(174.5)
Net decrease in cash, cash equivalents and bank overdrafts	**(139.0)**	(52.3)
Cash, cash equivalents and bank overdrafts at beginning of year	**464.3**	490.0
Effect of exchange rate fluctuations on cash and cash equivalents held	**(15.0)**	26.6
Cash, cash equivalents and bank overdrafts at end of year	**310.3**	464.3

NOTES

1(a). Basis of preparation

The results for the year ended 31 December 2023 have been extracted from the audited financial statements. The financial statements have been prepared in accordance with UK adopted international accounting standards.

The financial statements are prepared on a going concern basis and under the historical cost convention as modified by the revaluation of loans receivable, equity investments and derivative financial instruments held at fair value.

The financial information in this statement does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2023, on which the auditors have given an unqualified audit report, have not yet been filed with the Registrar of Companies.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Going concern

The Group has prepared its going concern assessment for the period to the end of June 2025. As in prior years, the Board undertook a strategic business review in the current year, taking account of the Group's current position and prospects, the Group's strategic plan, and the Group's principal risks and the management of those risks and the Board's risk appetite. Sensitivity analysis was also undertaken, including financing projections, to flex the financial forecasts under several severe downside scenarios, which involved applying different assumptions to the underlying forecasted revenues, costs and underlying profits both individually and in aggregate. These scenarios assess the potential impact from several macro-economic risks, including a severe global economic downturn analogous to that experienced during the Global Financial Crisis in 2008/09. The results of this sensitivity analysis showed that the Group would retain liquidity and maintain significant available facility and covenant headroom to be able to withstand the impact of such scenarios over the period of the financial forecast, as a result of the resilience and diversity of the Group, underpinned by a strong balance sheet.

Based on the Group's positive net cash position of £157.3m (cash and cash equivalents less overdrafts in notional pooling arrangements and borrowings) and undrawn £360.0m revolving credit facility at the year end, combined with the assessment explained above, the Directors have formed the judgement at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue as a going concern for a period of at least 12 months from the date of the approval of the financial statements until at least June 2025. For this reason, they continue to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements.

2. Segment analysis

Property and

2023	Transaction Advisory £m	Consultancy £m	Facilities Management £m	Investment Management £m	Unallocated £m	Total £m
Revenue						
United Kingdom - commercial	**100.6**	**227.8**	**304.5**	**43.2**	**-**	**676.1**
United Kingdom - residential	**171.0**	**43.2**	**51.2**	**-**	**-**	**265.4**
Total United Kingdom	**271.6**	**271.0**	**355.7**	**43.2**	**-**	**941.5**
CEME	**114.6**	**76.3**	**96.7**	**54.8**	**-**	**342.4**
Asia Pacific - commercial	**102.1**	**84.1**	**447.1**	**7.8**	**-**	**641.1**
Asia Pacific - residential	**17.9**	**-**	**-**	**-**	**-**	**17.9**
Total Asia Pacific	**120.0**	**84.1**	**447.1**	**7.8**	**-**	**659.0**
North America	**266.7**	**28.4**	**-**	**-**	**-**	**295.1**
Revenue	**772.9**	**459.8**	**899.5**	**105.8**	**-**	**2,238.0**
Underlying profit/(loss) before tax						
United Kingdom - commercial	**14.0**	**25.4**	**24.5**	**4.8**	**(8.7)**	**60.0**
United Kingdom - residential	**19.4**	**4.3**	**5.9**	**-**	**-**	**29.6**
Total United Kingdom	**33.4**	**29.7**	**30.4**	**4.8**	**(8.7)**	**89.6**
CEME	**(20.3)**	**5.0**	**(3.8)**	**9.3**	**-**	**(9.8)**
Asia Pacific - commercial	**(2.9)**	**1.9**	**22.2**	**0.7**	**-**	**21.9**
Asia Pacific - residential	**1.5**	**-**	**-**	**-**	**-**	**1.5**
Total Asia Pacific	**(1.4)**	**1.9**	**22.2**	**0.7**	**-**	**23.4**
North America	**(7.4)**	**(1.0)**	**-**	**-**	**-**	**(8.4)**
Underlying profit/(loss) before tax	**4.3**	**35.6**	**48.8**	**14.8**	**(8.7)**	**94.8**

2022	Transaction Advisory £m	Consultancy £m	Property and Facilities Management £m	Investment Management £m	Unallocated £m	Total £m
Revenue						
United Kingdom - commercial	118.9	202.0	278.7	53.3	-	652.9
United Kingdom - residential	208.3	46.4	48.7	-	-	303.4
Total United Kingdom	327.2	248.4	327.4	53.3	-	956.3
CEME*	129.8	71.9	81.6	51.7	-	335.0
Asia Pacific - commercial	145.3	87.4	404.9	7.8	-	645.4
Asia Pacific - residential	24.3	-	-	-	-	24.3
Total Asia Pacific	169.6	87.4	404.9	7.8	-	669.7
North America	303.5	33.8	-	-	-	337.3
Revenue	930.1	441.5	813.9	112.8	-	2,298.3
Underlying profit/(loss) before tax						
United Kingdom - commercial	20.4	21.8	21.2	8.7	(16.3)	55.8
United Kingdom - residential	35.1	6.2	4.7	-	-	46.0
Total United Kingdom	55.5	28.0	25.9	8.7	(16.3)	101.8
CEME*	(2.7)	8.6	(0.4)	11.8	-	17.3
Asia Pacific - commercial	13.4	2.9	21.0	0.7	-	38.0
Asia Pacific - residential	3.4	-	-	-	-	3.4
Total Asia Pacific	16.8	2.9	21.0	0.7	-	41.4
North America	2.3	1.8	-	-	-	4.1
Underlying profit/(loss) before tax	71.9	41.3	46.5	21.2	(16.3)	164.6

* Revenue (£27.6m) and underlying profit (£3.7m) attributable to the project management consultancy business in CEME has been reclassified from Property and Facilities Management to Consultancy to ensure a consistent presentation of this business stream with the rest of the Group.

Operating segments reflect internal management reporting to the Group's chief operating decision maker, defined as the Group Executive Board ('GEB'). The GEB primarily manages the business based on the geographic locations in which the Group operates, with the Investment Management business being managed separately.

The operating segments are identified as the following regions: the UK, Continental Europe and the Middle East ('CEME'), Asia Pacific and North America. The Savills Investment Management business is also considered a separate operating segment. The reportable operating segments derive their revenue primarily from property-related services. Within the UK and Asia Pacific, both commercial and residential services are provided. Other segments are largely commercial-based.

The GEB also reviews the business with reference to the nature of the services in each region. Therefore, the Group has presented its segment analysis in a matrix with the primary operating segments based on regions in which the Group operates.

The GEB assesses the performance of operating segments based on a measure of underlying profit before tax which adjusts reported pre-tax profit by profit/(loss) on disposals, share-based payment adjustment, significant restructuring costs, significant transaction-related costs, amortisation and impairment of intangible assets arising from business combinations, impairment of goodwill and other items that are considered non-operational and material (fair value gain on a transaction-related call option in the current and prior year).

A reconciliation of underlying profit before tax to reported profit before tax is provided in Note 3.

3. Underlying profit before tax

The Group believes that the consistent presentation of underlying profit before tax, underlying effective tax rate, underlying basic earnings per share and underlying diluted earnings per share provides additional useful information to Shareholders on the underlying trends and comparable performance of the Group over time by excluding significant non-operational costs/income from the GAAP measures. The 'underlying' measures are also used by the Group for internal performance analysis and incentive compensation arrangements for employees.

These terms are not defined terms under IFRS and may therefore not be comparable with similarly-titled profit measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures. The non-GAAP measures may be materially higher or lower than GAAP measures and should not be regarded as a complete picture of the Group's financial performance.

	2023 £m	**2022 £m**
Reported profit before tax	**55.4**	153.9
Adjustments:		
Amortisation of intangible assets arising from business combinations	**9.9**	9.9
Impairment of goodwill	**3.9**	-
Share-based payment adjustment (see Note 2.3 for explanation)	**(1.1)**	(14.7)
Profit on disposal of joint ventures	**(0.4)**	-
Restructuring costs	**13.9**	0.1
Transaction-related costs	**14.6**	15.5
Fair value gain on transaction-related call option	**(1.4)**	(0.1)
Underlying profit before tax	**94.8**	164.6

The adjustment for share-based payments relates to the impact of the accounting standard for share-based compensation. The annual bonus is paid in a mixture of cash and deferred shares and the proportions can vary from one year to another. Under IFRS, the deferred share element is amortised to the income statement over the vesting period whilst the cash element is expensed in the year. The adjustment above addresses this by adding to or deducting from profit the difference between the IFRS 2 charge in relation to outstanding bonus-related share awards and the estimated value of the current year bonus pool to be awarded in deferred shares. This adjustment is made to align the underlying staff cost in the year with the revenue recognised in the same period, providing additional information on the Group's performance over time with respect to profitability.

Impairment of goodwill in the year relates to the Indonesia cash generating unit.

Profit on disposal recognised is primarily in relation to disposal of holdings in joint ventures in China.

Restructuring costs in the current year includes the pay-out of settlement costs and the cost of a restructuring programme, which was focused principally on a small number of areas of the global business where management anticipates that market recovery will take longer to emerge. In the prior year, restructuring costs related to the ongoing IFRS 2 'Share-based Payment' charge for deferred shares, with a five-year vesting period, issued in relation to the restructuring upon acquisition of Aguirre Newman SA ('Aguirre Newman') in 2017.

Transaction-related costs includes a £12.7m charge for future consideration payments which are contingent on the continuity of recipients' employment in the future (2022: £14.8m). In the current and prior year, a significant portion of the charge related to the acquisition of DRC Capital LLP ('DRC') in 2021. Transaction-related costs also consist of £1.5m of professional advisory transaction fees (2022: £1.4m) and £0.3m of interest on deferred consideration and non-current future payments in relation to business acquisitions that are linked to employment (2022: £0.3m). In addition, transaction-related costs included a £0.1m (2022: £0.6m) charge relating to prepaid amounts issued as part of business acquisitions that are linked to continued active engagement in the business. Of these items, prepaid amounts that are linked to active engagement in the business are recorded as employee benefits expenses in the income statement, unwinding of interest is recorded as a finance cost in the income statement and all other charges/(credits) are recorded within other operating expenses. In the prior year, transaction-related costs also consist of a £1.6m credit (2023: £nil) for fair value changes to contingent deferred consideration not related to continuity of employment.

In the current year, a fair value gain of £1.4m was recognised on the fair value measurement of the Samsung Life call option, which gives Samsung Life the right to purchase up to an additional 10% shareholding in the Savills Investment Management group subject to the quantum of capital it has invested in SIM products during the initial five-year term (2022: fair value gain of £0.1m).

4. Income tax expense

The income tax expense has been calculated on the basis of the underlying rate in each jurisdiction adjusted for any disallowable charges.

	2023 £m	2022 £m
United Kingdom		
- Current tax	**13.9**	18.7
- Deferred tax	**(2.5)**	(1.5)
Foreign tax		
- Current tax	**13.8**	23.1
- Deferred tax	**(9.3)**	(6.2)
Income tax expense	**15.9**	34.1

5. Dividends

	2023 £m	**2022 £m**
Amounts recognised as distribution to equity holders in the year:		
In respect of the previous year		
Ordinary final dividend of 13.4p per share (2021: 12.75p)	**18.2**	17.6
Supplemental interim dividend of 15.6p per share (2021: 15.6p)	**21.2**	21.6
Special dividend of £nil per share (2021: 27.05p)	**-**	37.4
In respect of the current year		
Interim dividend of 6.9p per share (2022: 6.6p)	**9.4**	8.9
	48.8	85.5

The Group paid £2.2m (2022: £0.4m) of dividends to non-controlling interests.

The Board recommends a final dividend of 13.9p per ordinary share (amounting to £19.0m), alongside the supplemental interim dividend of 2.0p per ordinary share (amounting to £2.7m), to be paid on 23 May 2024 to shareholders on the register at 12 April 2024. These financial statements do not reflect this dividend payable.

The total paid and recommended ordinary and supplemental dividend for the 2023 financial year comprises an aggregate distribution of 22.8p per ordinary share (2022: 35.6p per ordinary share).

6(a). Basic and diluted earnings per share

	2023 Earnings £m	**2023 Shares million**	**2023 EPS pence**	**2022 Earnings £m**	**2022 Shares million**	**2022 EPS Pence**
Basic earnings per share	**40.8**	**135.9**	**30.0**	119.4	137.3	87.0
Effect of additional shares issuable under option	**-**	**5.8**	**(1.2)**	-	7.9	(4.8)
Diluted earnings per share	**40.8**	**141.7**	**28.8**	119.4	145.2	82.2

6(b). Underlying basic and diluted earnings per share

	2023 Earnings £m	**2023 Shares million**	**2023 EPS Pence**	**2022 Earnings £m**	**2022 Shares million**	**2022 EPS Pence**
Basic earnings per share	**40.8**	**135.9**	**30.0**	119.4	137.3	87.0
Amortisation of intangible assets arising from business combinations after tax	**7.6**	**-**	**5.6**	7.6	-	5.5
Impairment of goodwill after tax	**4.0**	**-**	**2.9**	-	-	-
Share-based payment adjustment after tax	**(0.6)**	**-**	**(0.4)**	(11.9)	-	(8.7)
Profit on disposal of joint ventures after tax	**(0.4)**	**-**	**(0.3)**	-	-	-
Restructuring costs after tax	**10.6**	**-**	**7.8**	0.1	-	0.1
Transaction-related costs after tax	**14.3**	**-**	**10.5**	15.3	-	11.1
Fair value gain on transaction-related call option	**(1.4)**	**-**	**(1.0)**	(0.1)	-	(0.1)

Underlying basic earnings per share	**74.9**	**135.9**	**55.1**	130.4	137.3	94.9
Effect of additional shares issuable under option	**-**	**5.8**	**(2.2)**	-	7.9	(5.1)
Underlying diluted earnings per share	**74.9**	**141.7**	**52.9**	130.4	145.2	89.8

7. Cash generated from operations

	2023 £m	2022 £m
Profit for the year	**39.5**	119.8
Adjustments for:		
Income tax	**15.9**	34.1
Depreciation	**69.6**	65.8
Amortisation of intangible assets	**15.8**	16.9
Fair value gain on derivative financial instrument and FVPL investments	**(2.1)**	(0.1)
(Gain)/loss on disposal of property, plant and equipment, intangible assets and leases	**(4.0)**	1.1
Impairment of property, plant and equipment and goodwill	**3.9**	0.8
Net finance (income)/cost (Note 11)	**(12.1)**	4.3
Share of post-tax profit from joint ventures and associates	**(10.2)**	(12.1)
Dividends from other parties	**(0.2)**	(0.2)
Increase in employee and retirement obligations	**2.5**	2.6
Exchange movement and fair value movements on financial instruments in operating activities	**0.5**	0.6
Increase/(decrease) in provisions	**11.2**	(4.7)
Increase in insurance reimbursement asset	**(3.4)**	-
Charge for share-based compensation	**28.8**	30.4
Operating cash flows before movements in working capital	**155.7**	259.3
Increase in trade and other receivables and contract assets	**(45.5)**	(7.3)
Decrease in trade and other payables and contract liabilities	**(61.0)**	(41.1)
Cash generated from operations	**49.2**	210.9

Foreign exchange movements resulted in a £20.1m decrease in current and non-current trade and other receivables (2022: £37.3m increase) and a £21.3m decrease in current and non-current trade and other payables (2022: £43.8m increase).

8. Notional pooling arrangement

For internal cash management purposes, the Group maintains a notional cash pooling arrangement with Barclays Bank PLC, whereby credit and debit cash balances for the participating bank accounts are notionally offset. There is no overdraft cost or charge associated with any pooled overdraft that is fully offset by pooled credit cash balances. As at 31 December 2023, the notional cash pooling arrangement included cash balances of £193.3m presented in cash and cash equivalents (December 2022: £205.0m) and overdrafts of £192.3m (31 December 2022: £202.0m) presented in current liabilities. This represents as at 31 December 2023 surplus pooled credit cash balances of £1.0m (31 December 2022: surplus pooled credit cash £3.0m).

For the purpose of the Statement of Cash Flows, cash and cash equivalents net of overdrafts comprise the following:

	31 December 2023 £m	31 December 2022 £m
Cash and cash equivalents	**506.8**	669.1
Overdrafts in notional pooling arrangement	**(192.3)**	(202.0)
Bank overdrafts (see Note 10)	**(4.2)**	(2.8)
	310.3	464.3

9. Acquisition of subsidiaries

The fair values of the assets acquired and liabilities assumed as part of the Group's acquisitions in the year are provisional and will be finalised within 12 months of the acquisition date. These are summarised below:

		Provisional fair value to the Group		
		Nash Bond £m	Others £m	**Total £m**
Non-current assets:	Property, plant and equipment	0.1	0.2	**0.3**
	Right-of-use asset	-	0.5	**0.5**
	Intangible assets	-	0.5	**0.5**
	Trade and other receivables	-	0.1	**0.1**
Current assets:	Contract assets	-	0.3	**0.3**

Current assets:	Contract assets	-	0.3	**0.3**
	Trade and other receivables	0.5	0.7	**1.2**
	Income tax receivable	0.1	-	**0.1**
	Cash and cash equivalents	2.3	2.5	**4.8**
Current liabilities:	Lease liabilities	-	(0.1)	**(0.1)**
	Trade and other payables	(1.0)	(1.5)	**(2.5)**
	Income tax liabilities	-	(0.1)	**(0.1)**
	Employee benefit obligations	-	(0.1)	**(0.1)**
Non-current liabilities:	Lease liabilities	-	(0.3)	**(0.3)**
	Deferred tax liabilities	-	(0.2)	**(0.2)**
Net assets acquired		2.0	2.5	**4.5**
Goodwill (provisional)		5.0	5.4	**10.4**
Purchase consideration		**7.0**	**7.9**	**14.9**
Consideration satisfied by:				
Cash paid		7.0	6.5	**13.5**
Deferred consideration < 1 year		-	0.5	**0.5**
Deferred consideration > 1 year		-	0.9	**0.9**
		7.0	**7.9**	**14.9**

Nash Bond Limited ('Nash Bond')

On 27 November 2023, the Group acquired 100% of the equity interest in Nash Bond, a retail agency and lease consultancy business based in the UK. The acquisition enhances the strength of the Group's Central London retail business to take advantage of the anticipated recovery in the retail market.

Total acquisition consideration has provisionally been determined at £7.0m, all of which was settled on completion.

Acquisition-related costs of £0.5m have been expensed as incurred to the income statement and classified within other operating expenses.

Provisional goodwill of £5.0m has been determined. Goodwill is attributable to the experience and expertise of key staff members and is not expected to be deductible for tax purposes.

The acquired business contributed revenue of £0.1m and profit of £0.1m to the Group for the period from the date of acquisition to 31 December 2023. Had the acquisition been made at the beginning of the financial year, revenue would have been £4.7m and a profit of £0.5m would have been recognised.

The fair value of trade and other receivables is £0.5m, £0.4m of which relates to trade receivables. The gross contractual amount for trade receivables is £0.4m, all of which is expected to be collectible.

Other acquisitions

On 6 January 2023, the Group acquired 100% of the equity interest in Automotive Property Consultancy Holdings Limited, a specialist property consultancy company dedicated to the franchised motor retail sector in the United Kingdom. On 31 March 2023, the Group acquired 51% of the equity interest in BeLiving SRL, a real estate company specialising in residential sales and rentals in Italy. On 31 May 2023,the Group also acquired 100% of the equity of Predibisa, Sociedade de Mediação Imobiliária, Lda., a residential and commercial real estate company based in Porto, Portugal. In addition, on 1 August 2023, the Group acquired a 55% equity interest in Site 8 Pty Limited, a retail property agency in Australia.

Cash consideration for these transactions amounted to £6.5m. The remainder of the acquisition consideration relates to deferred consideration of £1.4m payable, of which £0.5m is payable within one year of the reporting date.

Goodwill of £5.4m has been provisionally determined. Goodwill is attributable to the experience and expertise of key staff and strong industry reputation and is not expected to be deductible for tax purposes.

Acquisition-related costs of £0.6m have been expensed as incurred to the income statement and classified within other operating expenses.

The acquired businesses contributed revenue of £5.7m and a profit of £0.4m to the Group for the period from acquisition to 31 December 2023. Had the acquisitions been made at the beginning of the financial year, revenue would have been £7.7m and the profit would have been £0.5m. The impact on the Group's overall revenue and profits is not material.

The fair value of trade and other receivables acquired is £0.7m, £0.6m of which relates to trade receivables. The gross contractual amount for trade receivables is £0.6m, all of which is expected to be collectible.

2022 acquisitions and prior year restatement

In the year ended 31 December 2022, the Group acquired a 60% equity interest in Absolute Maintenance Services Pte Limited and Solute Pte Limited ('AMS'), 100% equity interest in Pitmore 1 Limited, a 60% equity interest in Simply Affordable Homes LLP, 100% of the equity interest in BrickByte GmbH, 100% of SRS Lease Administration LLC, a 60% equity interest in PT CB Advisory, 70% of the equity interest in PT Cakrawala Baswara Cemerlang and a 60% equity interest in PT Cakrawala Baswara Indonesia. The Group also acquired the trade and assets of Cureoscity Limited, James A Baker and the trade and assets of a property management company based in Poland.

During the current year, provisional fair values relating to the acquisition of AMS were finalised, resulting in an increase to goodwill of £0.2m and a corresponding increase in deferred consideration payable. This adjustment is considered a measurement period adjustment in accordance with IFRS 3 and as a result the prior period comparatives have been restated.

10. Borrowings

	2023 £m	2022 £m
Current		
Bank overdrafts	**4.2**	2.8
Unsecured bank loans due within one year or on demand	**3.0**	4.0
Loan notes due within one year or on demand	**0.7**	3.8
	7.9	10.6
Non-current		
Unsecured bank loans	**0.1**	0.5
Loan notes	**150.0**	150.0
Transaction costs (issuance of loan notes and RCF arrangement fees)	**(0.8)**	(1.4)
	149.3	149.1
	157.2	159.7

The Group holds a £360.0m multi-currency revolving credit facility ('RCF'), which includes an additional £90.0m accordion facility, expiring in June 2026. As at 31 December 2023, none (2022: none) of the RCF was drawn.

Non-current loan notes reflect the £150.0m of long-term debt held by the Group through the issuance of 7, 10 and 12 year fixed rate private note placements in the US institutional market, which were issued in June 2018.

Movements in borrowings are analysed as follows:

	Group	
	2023 £m	2022 £m
Opening amount as at 1 January	**159.7**	150.5
Additional borrowings, net of transaction costs paid (including overdraft movement)*	**107.2**	10.8
Repayments of borrowings	**(109.9)**	(5.6)
Addition through business combination	**-**	3.2
Amortisation of transaction costs	**0.6**	0.6
Foreign exchange	**(0.4)**	0.2
Closing amount as at 31 December	**157.2**	159.7

* 2023 includes a £1.5m increase in overdraft balances within additional borrowings. 2022 includes £1.5m increase in overdraft balances and £0.3m of transaction costs paid within additional borrowings.

The Group has the following undrawn borrowing facilities:

	Group					
	2023			2022		
	Fixed £m	Floating £m	Total £m	Fixed £m	Floating £m	Total £m
Expiring within 1 year or on demand	**3.0**	**58.8**	**61.8**	1.1	64.9	66.0
Expiring between 1 and 5 years	**0.2**	**360.0**	**360.2**	0.2	360.0	360.2
	3.2	**418.8**	**422.0**	1.3	424.9	426.2

11. Finance income and costs

	2023 £m	2022 £m
Bank interest receivable	**49.5**	13.3
Net interest on defined benefit pension assets	**1.1**	0.4
Finance income	**50.6**	13.7
Bank interest payable	**(28.9)**	(8.5)
Unwinding of discounts on liabilities	**(0.4)**	(0.5)
Finance charges on lease liabilities	**(9.2)**	(9.0)
Finance costs	**(38.5)**	(18.0)
Net finance income/(cost)	**12.1**	(4.3)

12. Related party transactions

As at 31 December 2023, there were £0.1m of loans receivable from joint ventures, £1.9m of loans receivable from associates and £0.2m of loans payable to associates (2022: £0.2m of loans receivable from joint ventures and £1.7m of loans receivable from associates).

There were no other material related party transactions during the period. All related party transactions take place on an arm's-length basis under the same terms as those available to other customers in the ordinary course of business.

13. Events after the balance sheet date

In February 2024, Samsung Life served notice on the call option to purchase a further 4% in the Savills IM Holdings Limited group, which will increase their total shareholding to 29%. This transaction is expected to complete towards the end of March 2024, with the Group due to receive £11.3m of proceeds.

There have been no other material events that require adjustment to the Financial Statements or are considered to have a material impact on the understanding of the Group's current financial position.

14. Annual report and accounts

Copies of the Annual Report and Accounts for the year ended 31 December 2023 will be circulated to shareholders on 8 April 2024 and will also be available from the investor relations section of the Company website at www.ir.savills.com or from:

Savills plc, 33 Margaret Street, London, W1G 0JD
Telephone: 020 7499 8644

Directors' responsibilities in respect of the financial statements

We confirm that to the best of our knowledge:

- that the consolidated financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole; and

- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The contents of this announcement, including the responsibility statement above, have been extracted from the annual report and accounts for the year ended 31 December 2023, which will be available on publication at www.ir.savills.com. Accordingly, this responsibility statement makes reference to the financial statements of the Company and the Group and the relevant narrative appearing in that annual report and accounts rather than the contents of this announcement.

On behalf of the Board

Mark Ridley
Group Chief Executive

Chris Lee
Group Legal Director and Company Secretary

14 March 2024

Forward-looking statements

The financial information contained in this announcement has not been audited. Certain statements made in this announcement are forward-looking statements and are therefore subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events. These forward-looking statements include, but are not limited to, statements relating to the Company's expectations.

END