

Thursday, 30 October 2014

Countrywide plc Interim Management Statement

**Countrywide reports record Q3 profits and remains on track to deliver full year results
in line with market expectations.**

Countrywide plc (LSE:CWD), the UK's largest integrated property services group, issues this Interim Management Statement (IMS) for the period up to 29 October 2014 incorporating the three month period to 30 September 2014.

Highlights

	Q3 2014	v. 2013	YTD 2014	v. 2013
- Total Income (£m)	188.4	+22%	522.9	+26%
- EBITDA (£m)	40.2	+38%	85.2	+54%
- EBITDA Margin	21.3%	+2.6pp	16.3%	+2.9pp
- House exchanges (Estate Agency)	18,008	+11%	49,488	+16%
- House exchanges (London & Premier)	1,704	-9%	4,814	+7%
- Residential lettings properties under management	66,945	+26%	65,127	+28%
- Number of mortgages arranged (Financial Services)	18,713	+15%	51,485	+21%

Q3 2014 saw our best ever third quarter financial result on top of the strong performance reported for the first half of 2014 and further validates our strategy of building a broad based business across multiple products lines and geographic spread.

It is also very encouraging that our year to date EBITDA margin is approximately three percentage points up on the same period last year driven by the operational leverage in our core business and also the continued growth in our lettings business which recorded a 47% growth in EBITDA in Q3 2014. Lettings continues to be a key focus for the Group with encouraging progress from our organic expansion and also the significant value being created from our targeted acquisition programme. We still see significant further opportunities to grow our presence in this market.

In prime and central London areas we are starting to see a rebalancing of price expectations between buyers and sellers. Although this may impact on short term volume trends, it will be helpful to the market over the medium to long term. Q3 2014 has seen further new property coming to the market and our stock available for sale is almost at record levels. This new stock is priced at a lower level than would have been the case had the property come to market at the beginning of 2014. In addition, we have been managing the existing stock

of available property and obtaining price reductions ensuring that pricing matches buyer sentiment and demand as well as comparable lower priced property now coming to the market.

Notwithstanding the slow down in sales volumes in London, our London & Premier division recorded revenues and EBITDA in Q3 which were broadly flat year on year helped by a strong lettings performance which saw revenues up 13% on the corresponding period.

Further Expansion / Progress

As previously highlighted, the Group continues to invest in high quality, value adding acquisition opportunities. To date in 2014, we have invested £43.2 million and completed the following acquisitions:

- Tucker Gardner, a leading sales and lettings business in Cambridge and surrounding areas
- Preston Bennett, a dominant agent in land and new homes in North London
- Humphreys Skitt & Co, a two branch sales and lettings business in Greenwich and Blackheath
- BTW Shiells, the largest property consultancy in Northern Ireland
- 23 lettings acquisitions for a total consideration of circa £24.9 million
- We have also opened 11 new branches across our estate agency and lettings network

We continue to derive benefits from our strong relationships with our leading financial services partners, most notable is the recent decision by HSBC to sell mortgages in the UK intermediary/broker channel for the first time, a major strategic shift. Countrywide was selected by HSBC as its first partner for mortgage lending, thereby adding significant value to our customers by giving them access to HSBC market leading products as part of our lending proposition.

The new Barclays valuation contract started at the beginning of July, the culmination of months of planning on both sides. Volumes of new instructions have been in line with expectation and positions Barclays amongst our biggest clients. We are particularly delighted that Barclays are making use of the investment that we have made in bringing over 80 new surveyors into the Industry through our trainee scheme, particularly in London and the South East. This was a significant investment in training and we are now seeing those surveyors generate fee income.

Recently we were delighted to announce the launch of a residential property investment fund alongside Hermes Investment Management. The initial seed equity is £95 million, giving investment capacity of well in excess of £100 million including debt, with the Countrywide co-investment being a maximum of £20 million consisting mainly of the existing seed asset portfolio. Subsequent institutional fund raising is expected to take place in 2015 and the long term target remains to grow to £1 billion of assets after five years. Countrywide will be the exclusive advisor, asset manager and property manager to the fund.

Lambert Smith Hampton (LSH) continues to perform ahead of expectations with an encouraging performance from the core business enhanced by the recent acquisition of the largest property consultancy in Northern Ireland. LSH is on target to deliver a 20% pre-tax return in the first full financial year following acquisition.

Shareholder Returns

As previously outlined, the Group has now commenced a programme of significant returns to shareholders. So far in 2014 we have made total returns in excess of £51 million as follows:

- Paid £13.2 million for final dividend for 2013
- Paid £11.0 million for interim 2014 dividend
- Paid £19.8 million for special 2014 dividend
- Invested £7.1 million in share buybacks purchasing 1.5 million shares

Market Overview

The momentum carried into 2014 saw a very strong first half with Bank of England mortgage approvals up 22% on 2013 and Land Registry volume growth of 27%. As forecast, the mortgage market review in Q2 2014 impacted the pace of growth with Q2 mortgage approvals growing by 11% on Q2 2013. So far in Q3 2014 we have seen mortgage approvals grow by 7.9% in July, 1.5% in August and drop by 8.7% in September. The year to date position on mortgage approvals shows growth of 14% compared to 2013. The latest data from Land Registry for July recorded year on year growth of 7.2% with YTD growth of 25%.

Outlook

Year on year growth in market volumes was expected to slow in Q3 2014 partly due to the Mortgage Market Review and tougher year on year comparatives. This has been evident in recent months, particularly in London. We have previously forecast 2014 market volumes to be up by 10-15% on 2013. We still expect the market to be in that range which will put the Group on track to deliver full year results in line with market expectations. This is still expected to be a record year for both profits and operating margins with all divisions recording increases in both revenue and profits.

There are a number of factors which will influence the market in 2015 including the General Election in May, the prospect of interest rate rises, the appetite of lenders to grow their mortgage volumes and the general economic backdrop. These factors, together with the recent slow down in market volumes, are likely to result in some volatility in the phasing of market growth during 2015.

We believe there is still substantial underlying growth potential in the housing market with 2014 volumes expected to be approximately 70% of the level achieved in 2007. The diversified nature of our business and our market coverage outside of London, coupled with our acquisitions programme puts us in a strong position to capitalise on any continued market recovery.

Alison Platt, Chief Executive at Countrywide, commented

“The Group is in line to deliver a record set of financial results for 2014 notwithstanding the reduced level of recent market growth.

“This again, underlines the scale and balance of our broad based business, with improvements in our operating margins, strong growth in lettings, the success of Lambert Smith Hampton and the launch of the residential property investment fund. 2015 will bring further challenges, but I am confident in our opportunity to continue to deliver significant growth across our business as well as investing in value creating acquisitions whilst, at the same time, delivering increasing returns to our shareholders.”

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1. About Countrywide plc

Countrywide plc, the UK's largest integrated property services Group, including the largest estate agency and lettings network, operates more than 1,300 associated branches across the UK.

Countrywide plc's network of expertise helps more people move than any other business in the UK and is a leading provider of estate agency, lettings, mortgage services, land and new homes, auctions, surveying, conveyancing, corporate property management services and commercial property.

Countrywide plc's award-winning service has earned the business over 180 high-profile industry awards in the last six years, with customers voting Countrywide Best Estate and Lettings Agency at the 2014 ESTAS awards. Our Land & New Homes team was named the UK's Best New Homes Agent for two consecutive years at the Estate Agency of the Year Awards 2012 and 2013 and Countrywide Surveying Services won the award for Best Surveyor/Valuer – Panel Manager at the Mortgage Strategy Awards 2014.

2. Forward Looking Statements

This announcement has been prepared solely to provide additional information to the shareholders of Countrywide plc in order to meet the requirements of the FCA's Disclosure and Transparency Rules. It should not be relied on by any other party, or for other purposes. Forward-looking statements have been made by the directors in good faith, using information available up until the date on which they approved this statement. Forward-looking statements should be regarded with caution, because of the inherent uncertainties in economic trends and business risks.

3. Next Results Announcement

The next trading update is expected to be the 2014 full year results, due to be issued in February 2015.