

Thursday, 22 January 2015

## Countrywide plc Trading Update

### **Countrywide poised to deliver record results in 2014 in line with expectations despite recent market slow-down**

Countrywide plc (LSE:CWD), the UK's largest integrated property services group announces the following update ahead of its Final Results for the year to 31 December 2014, which will be released on 26 February 2015.

#### **Highlights**

- The delivery of record financial results in line with expectations despite recent property market conditions demonstrates the value of our broadly based business.
- 2014 also saw a record result from our lettings business on revenue, profits and margins.
- The development of our commercial operations progressed well in 2014 with Lambert Smith Hampton delivering ahead of our expectations.

	<b>Q4 2014</b>	<b>v. 2013</b>	<b>Full Year 2014</b>	<b>v. 2013</b>
- Total income (£m)	179.3	+5%	702.2	+20%
- House exchanges (Estate Agency)	16,534	-2%	66,022	+11%
- House exchanges (London & Premier)	1,569	-14%	6,383	+1%
- Residential lettings properties under management	67,077	+20%	65,334	+25%
- Number of mortgages arranged (Financial Services)	19,041	+6%	70,526	+16%

The slowdown in volumes in the UK sales market in the fourth quarter is clearly evident in the level of house exchanges in both Estate Agency and London & Premier. Estate Agency recorded a drop in volumes of 2% following a Q3 result which was up 11% on 2013. London & Premier had seen volumes drop 9% in Q3 which accelerated in Q4. Buyers remain cautious generally and particularly in London. The Stamp Duty reform should be beneficial to the market in the long term but initially introduced more uncertainty in the Greater London area.

## **Market Overview**

The significant deceleration of market growth during the course of 2014 is seen in the table below:

	Bank of England Mortgage Volumes		Land Registry Volumes	
	2014	V. 2013	2014	V. 2013
Q1	213k	+33%	218k	+38%
Q2	191k	+11%	255k	+25%
Q3	191k	FLAT	270k	+9%
Oct	59k	-13%	-	-
Nov	59k	-17%	-	-

BoE mortgage volumes year-to-date at the end of November are 8% ahead of last year with Land Registry at the end of Q3 (latest available data) up 25% on 2013.

## **Allocation of Capital**

The Group looks to balance the allocation of resources between investment to help drive future growth and maintaining a significant level of total shareholder returns.

The Group continues to invest in high quality, value adding acquisition opportunities. In 2014, we have invested £48.8 million and completed the following acquisitions:

- Tucker Gardner, a leading lettings and sales business in Cambridge and surrounding areas
- Preston Bennett, a dominant agent in land and new homes in North London
- BTW Shiells, the largest property consultancy in Northern Ireland
- In addition to Tucker Gardner, we have also completed 27 lettings acquisitions for a total consideration of circa £31 million
- Humphreys Skitt & Co, a two branch sales and lettings business in Greenwich and Blackheath
- We have also opened 20 new start branches across our lettings and estate agency network

As previously outlined, 2014 was a significant year for shareholder returns with total returns in excess of £57 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
- Returned £13.2 million via share buybacks purchasing 2.9 million shares  
(Total including 2015 transactions, £15m / 3.3 million shares)

### **Further Progress**

- We continue to derive benefits from our strong relationships with our corporate partners and we have retained, as well as won, a number of contracts with key clients. We are proud to have been selected by Santander, the UK's second largest mortgage lender, as one of their formal valuation partners, effective from 1 January 2015. This comes following our appointment earlier in 2014 as a key business partner on valuations for Barclays.
- Lambert Smith Hampton has just completed an encouraging first full financial year as part of the Group with a financial contribution ahead of our original plan. The integration of BTW Shiells has gone well and we see further opportunities to develop our commercial activities.
- In October we announced our strategic partnership with Hermes Investment Managers to create the pre-eminent residential property investment fund operating in the UK Residential Private Rented Sector. The Fund was established with an initial £95 million of seed equity and we anticipate another round of third party fund raising in 2015. The fund will use prudent levels of leverage to increase its total investment capacity. The objective of the Fund is to use Countrywide's unique platform and presence to deliver strong and stable returns to Institutional Investors in the UK Residential Private Rental Sector. Countrywide contributed its 3 seed investments in Birmingham, Manchester and Nottingham, and the Fund has since exchanged on another acquisition.
- Recognition for the quality of our service continues with recent accolades from the Estate Agency of the Year Awards, in association with The Times and The Sunday Times, for Best National Estate Agency and the Gold award for Best Large Estate Agency going to Hamptons International for the third consecutive year.

In addition, Countrywide Residential Lettings won four accolades at The Negotiator Awards 2014, including National Large Lettings Agency of the Year, and Countrywide Surveying Services won Best Anti-Fraud service at the Mortgage Finance Gazette awards for the third year in succession

### **2014 Exceptional Items**

In addition to the recurring charges for share based payments, it is anticipated that there will be further exceptional items as follows:

- **Gain on sale of Zoopla Shares**

The Group held around 6% of the issued shares in Zoopla Property Group plc which listed on the London Stock Exchange in 2014. Approximately one third of our holding was sold at IPO crystallising a gain on disposal of £14.6m.

- **Professional Indemnity (PI) Provision**

The Group established an exceptional provision in 2012 to cover the estimated cost of claims arising in our Surveying & Valuation Division relating to the period 2004 to 2008. In 2012 we estimated the likely impact of future claims to be received as well as the cost of claims already in the system.

The second half of 2014 was always seen as a key period in assessing this issue as the six year primary statutory limitation period came to an end. High levels of claims continue to be an issue across the industry.

We have performed a detailed review of the latest data and trends on PI and as a result we believe it is prudent to increase our provision which is expected to result in an exceptional charge in the 2014 financial results in the order of £15m subject to finalisation. The key elements behind this charge are an unexpected level of claims brought about under common law outside of the primary statutory limitation period rather than under contract law together with a slight deterioration of claims previously notified and an increase in the average loss per claim.

### **Outlook**

The market data above clearly highlights the changing dynamics in the residential property market, with transaction levels across the country now running lower than the previous year. Notwithstanding the slow-down in growth in the fourth quarter, the Group expects to deliver profits in line with market expectations.

The recent negative trend in mortgage approvals will impact transaction levels in the first half of 2015 which, together with the potential uncertainty over the outcome of the General Election in May, is likely to create some sluggishness in the market trends in the first half of 2015.

### **Alison Platt, Chief Executive at Countrywide, commented**

“These results once again underline the resilience we derive from our broadly based business and our ability to deliver strong growth in a challenging market. We are well placed to both take advantage of the sustainable growth in our Lettings and Commercial business whilst being positioned to lead as the housing sales market recovers.”

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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 on 26 February 2015.