Countrywide plc Annual General Meeting on 26 June 2020
Questions from Shareholders and responses

Sale of Lambert Smith Hampton

Could you explain to me why you are still trying to dispose of Lambert Smith Hampton? I have always regarded them as a leading Commercial Agency, complementary to our estate agency side, which with committed and effective management would be well worth keeping within the Group.

We agree that Lambert Smith Hampton (LSH) is a good business and it has benefited from its period under Countrywide`s ownership. However as we stated in the 29th November 2019 circular to shareholders regarding the proposed sale, it provides an opportunity to stream line the Group and subject to receiving a fair valuation, a sale would deleverage the Group. It is consistent with the strategic principles that underpin our turnaround plan that encompasses a refocus on the Group`s core strengths in the residential property sector, that means that in the current market environment where we find ourselves, commercial agency no longer comprises a strategic priority, with comparatively little crossover between the businesses and where valuable management time is expended on a non core area, distracting Management from the residential sector.

Have you considered what effect your continued endeavours to dispose of them is saying to their staff?

We work closely with LSH management and are sensitive to the issues that uncertainty of future ownership can bring. However the message provided is one of opportunity arising from the continuing evolution of LSH, and the critical importance of concentrating on the day job and delivering strong sustainable performance. We are satisfied with the performance and direction of LSH, particularly as we navigate the additional challenges presented by the Covid-19 pandemic.

Branding

Have you considered using the Hamptons brand name on all of your Estate Agency Branches or even in up market locations?

The Hamptons business has grown steadily under Countrywide’s ownership and continues to expand in its coverage and brand recognition, alongside the development of our rich stable of brands.

The Countrywide estate agency network consists of over 60 well-known high street brands, many of which have been established for decades. We never lose sight of the fact that local knowledge and recognition is vital. Our network of interlinked offices gives us a broad exposure, allowing us to market our properties and related services to the widest audience possible.

Financials

What confidence can be placed in the carrying value of the group's goodwill as the market outlook has changed.

A full assessment of the carrying value and disclosures of sensitivities are provided in note 14c (pages 145 to 148) of the 2019 annual report which highlight that the £6 million of headroom in the Professional Services cash generating unit is sensitive to erosion from modest changes in assumptions.

The Group will assess whether the triggers for an assessment of the carrying value of the Group's non-current assets (including, but not limited to, goodwill) are met and will assess the position though the 30 June 2020 half year results. In assessing this, we are mindful of the need to review the market post COVID-19 (which was a non-adjusting post balance sheet event for the 2019 annual report).

Despite a good start to the year, is it now prudent to assume both a prolonged period of only modest movement in transaction levels and little movement in average prices?

Since we have opened our branches we have seen our levels of business grow each week throughout June, approaching the same levels as this time last year. However, given that there remains considerable uncertainty for the rest of the year for the country, the economy and the housing market, it is very difficult to predict the level of housing transactions and house prices.

What confidence can be placed on inter-company valuations and recoveries?

A full assessment of intercompany valuations and recoveries is undertaken in line with the relevant standards in preparation of the subsidiary statutory accounts and their audit. These are filed in respect of 2018 and will be filed by 30 September 2020 in respect of 2019.

Following the introduction of IFRS 16, what confidence can investors place in EBITDA multiples and how will the group respond?

We have reported Adjusted EBITDA both pre and post IFRS 16 in our 2019 annual report to ensure full transparency (and comparability back to 2018) and to allow investors to identify the impact of the adoption of IFRS 16.

Is the key to a recovery for Countrywide's valuation a reduction in debt and a clearer articulated vision on the potential for the group's network (or the likely costs for re-configuring it)? Please provide more guidance on this point.

The Group is committed to reducing its leverage over the medium term and that remains the strategic goal. Our present focus is on understanding the impact of Covid-19 on the market for housing transactions, what that means for 2020 and beyond 2020 what levels of housing transactions the market will settle at. Given the levels of uncertainty, we are no able to provide any guidance at this time.

It is reported that the impact of IFRS 16 on profit before tax is £13.3m, and the impact is some £30m on EBITDA. Is it possible to explain these changes and especially the source of their magnitude?

The impact of IFRS 16 is detailed in the Annual Report note 2c (pages 118 to 120) and on account of:

- removing the cost of most of what was previously classified as operating leases, and therefore historically charged to EBITDA, which is a significant number due to the quantum of properties and cars in our branch network and wider Group;
- replacing this cost with depreciation on the Right Of Use assets and interest on the lease liabilities (note 16 on page 150) which would normally increase the costs of leases in their early years due to the front loaded nature of interest;
- However, we have experienced a £13.3 million improvement in the profit before tax (PBT) following adoption of IFRS 16, as we did not incur ongoing depreciation in respect of a number of these leases as the assets were capitalised and immediately impaired on transition. Our charge was therefore front loaded as an £83.0 million impairment charge in reserves (in respect of the UK Sales & Lettings and B2B Commercial cash generating units) as a cost of adopting IFRS 16, rather than spreading the majority of the costs as depreciation forward.

At a high level this is perhaps best illustrated by the Appendix dedicated to this subject in our HY 2019 investor presentation (pages 28 and 29) available on our website at the following link: https://www.countrywide.co.uk/corporate/investor-relations/reports-presentations/2019/countrywide-financial-results-presentation-h1-2019.pdf/

Note that the analysis presented in this Half Year 2019 document, and the EBITDA benefits articulated, are for 6 months only rather than a full year (shown on page 52 of the Annual Report).

Since the business refloated, the number of mortgages approved annually has remained fairly constant. Average house prices have increased by 30%. These are key determinants of profitability for Countrywide. There are still many, many estate agency offices on the high streets. The Internet has not taken over! When might I expect my investment to be restored to something like it's carrying value?"

We cannot comment on when personal investments will restore to historic carrying levels.

The history of the Group and challenges it has faced is well documented down the years and covered in previous ARA's. In 2018 we announced our new strategy of "Back to Basics" and this has been successful in restoring the Group's underlying profitability back to growth as set out in our 2019 Annual Report and Accounts. The Group has responded swiftly and decisively to Covid-19 and is beginning to see transactions levels coming back to 2019 levels and we remain committed to ensuring that we are well positioned to benefit from the return to higher levels of activity; and to manage the liquidity and capital position of the Group.

Covid-19

I found the Covid-19 update on 30 April very helpful. The 2019 results announcement on 21 May had some useful additional information. When will the next Covid-19/trading update be issued please?

The Group is aiming to release a statement on the day of its AGM, 26th June 2020.

Voluntary Living Wage

The voluntary Living Wage, as established by the Living Wage Foundation, is the minimum hourly rate necessary to ensure that employees earn a wage that truly meets the cost of living. It is currently £10.75 in London and £9.30 throughout the rest of the UK. Countrywide, like many businesses across the UK, has faced unprecedented challenges as a result of COVID-19, however it is fundamental that workers are rewarded for their work and receive a wage that meets the cost of Living.

Please provide an overview of the company's pay rates and its position on the Living Wage and accreditation. Additionally, would the board be willing to meet with the ShareAction and Living Wage Foundation to discuss this further?

We welcome investors taking an interest in the wider workforce pay policies so firstly, would like to thank you for this question.

We are aware of the Living Wage Foundation, the impact they have had since 2011 and the work they continue to do, encouraging businesses to recognise the real cost of living and how this differs from the Government set minimum wage rates.

Since 2019, our Remuneration Committee remit has been broadened to also include wider workforce policies. Whilst we are in the early stages of working through a broad range of topics, the pay policy, particularly at the lower levels of the organisation, is an area we continue to monitor closely.

At Countrywide our approach to pay is centred on fairly recognising and rewarding strong performance. In line with the wider industry, commission is an integral part of our reward structure for many of our roles. Through this mechanism, our commission-earning employees have the opportunity to earn regular variable pay in addition to their basic salaries. Whilst we are not currently a Living Wage Accredited employer but can confirm that confirm that:

- 86% of our employees based within London are paid at or above the "real living wage" for London
- 77% of our wider workforce across the UK are paid at or above the "real living wage" for the rest of the UK

This is based on data used in our 2019 Gender Pay Gap report and an area we continue to monitor.

The Group is part way through a turnaround plan and taking into account the challenging market we are continuing to operate in, it is not our intention to become accredited with the Living Wage Foundation at this time. However we would be fully supportive of representatives from our Reward and HR team meeting with ShareAction and the Living Wage Foundation.