30 April 2020

Countrywide plc (LSE: CWD)

Countrywide plc

Countrywide provides the following update including its response to COVID-19

Countrywide plc ("Countrywide", the "Company" or the "Group"), today provides an update on its response to the COVID-19 pandemic.

Trading update

As noted in the update provided on 11 March 2020, the Group saw a positive start through the end of February in agreed sales and that continued through March, with the pipeline of agreed sales 9% ahead year-on-year through the first 12 weeks of the year. The pipeline through the lockdown period has remained resilient at approximately £50 million and remains ahead year-on-year.

Supporting our customers and protecting our people

Countrywide provides residential lettings and sales, financial services, surveying and conveyancing. We operate through a network of 731 high street branches and, following UK Government advice, we moved swiftly to close all of these branches and support our customers whilst working from home. We have been working actively to ensure that customers who were in the middle of renting, buying or selling their home or arranging mortgages, general or life insurance policies were able to safely complete. It is gratifying that at this difficult time, we have been able to continue to support our customers; exchanged income during the lockdown period is running at an average of 33% per week compared with the average for the first 12 weeks of the year. Equally, our mortgage and protection consultants continue to be able to work remotely, with exchanged mortgages during lockdown running at 68% of the average for the first 12 weeks of the year, with a mix towards remortgages rather than new purchases.

The Group manages approximately 86,000 properties in the UK on behalf of private and investor landlords and has a responsibility to keep our tenant community safe and compliant with legal standards through regulatory processes including: gas safety; essential maintenance; urgent repairs; and emergency rehousing. These are managed from our property management centres which remain operational, for this essential business only, supporting 100,000+ tenants who are reliant on us to manage their housing emergencies. The Group continues to facilitate lettings renewals through these centres and new lettings through remote working. Total renewals and new lettings together are running at 48% per week compared with the average for the first 12 weeks of the year.

To preserve and protect our business for the future

We have taken swift and decisive measures to reduce operating costs and capital expenditure. The actions taken include:

- **Costs of the Board and leadership team:** The Chairman and non-executive directors volunteered to take a 33% reduction in salary, with effect from 1 March 2020, and the Group’s executive team and leadership team agreed to take a 20% reduction in salary from 1 April 2020. These reductions will be for the duration of the period during which the Group is participating in the Coronavirus Job Retention Scheme;
- **Costs of our people:** the Group has 78% of its people on furlough under the Government's Coronavirus Job Retention Scheme. All non-furloughed staff earning above £45,000 also took a 20% reduction in salary;
- **Discretionary spend:** materially reducing our discretionary spend, including our marketing spend, to reflect the current environment;
- **Capital expenditure:** curtailing all capital expenditure, including suspension of transformation of our IT estate;

- **Tax deferral:** using the Time to Pay provisions that allow the deferral of VAT, PAYE and NI, the Group agreed the deferral of taxes due for March 2020 to June 2020 to the end of the tax year;
- **Business rates:** benefitting from the business rates 100% retail discount scheme, extended for estate and lettings agents for 2020;
- **Working capital:** in line with many others in the property services industry, we are moving mostly to monthly rent payments, and carefully balancing our payment obligations between smaller and larger suppliers to manage the working capital cycle. The majority of our landlords have been supportive of the change to monthly payments.

Financial position and liquidity

The Group meets its working capital and funding requirements through a Revolving Credit Facility of £125 million which matures in September 2022. The Group benefits from a supportive lender group of six lenders ("Lenders") most of whom have provided borrowing facilities since March 2013. In April 2020, the Lenders agreed to provide an additional £20 million facility for an 18 month period, with £10 million available from 1 May 2020 and £10 million available from April 2021. In view of the uncertainty arising as a result of COVID-19, the Lenders also agreed to waive the Group's debt covenants for the March 2020 covenant tests and to amend the covenants going forward in the short-term to be based on liquidity.

As at 29 April 2020, the Group has available cash resources of approximately £30 million and from 1 May 2020, the available liquidity will be £40 million.

The Group has run a series of stress tests and, whilst it is impossible to assess the impact of COVID-19 on the UK housing market, the method we have used to stress test the liquidity of the Group is to factor in known revenue and cash streams that continue to flow during COVID-19, aligned with the mitigating actions on cost and cash flow referred to above.

On the income side, we modelled a 73% reduction in income in Q2, before overlaying: the benefit of the existing pipeline in March 2020 of agreed estate agency sales; written mortgages; the active conveyancing pipeline; conservative assumptions on the collections of March receivables in Lambert Smith Hampton; the benefits of recurring income and cash flow from the lettings business of managed properties and the continuing benefits we are seeing from the delivery of desktop based valuations in our surveying business.

On the cost side, we have factored in a reduced run rate of costs and cash flows actions for the duration of the lockdown period. For the remainder of the financial year to 31 December 2020, we have looked at a number of scenarios to assess how quickly the market might return and how quickly the closing March pipeline completes and converts to cash flow, as well as scenarios for the phasing of our return and therefore the associated costs to match the customer demand.

In the event of a prolonged lockdown beyond three months, or a slower recovery, the reasonable worst case scenario also assumes the ability to further defer tax liabilities due for the period July to September 2020 into the calendar year 2021.

After meeting existing creditor payments of approximately £10 million, the results of our stress testing show that the Group still has a sustainable liquidity of around £20-£30 million to support the business through our reasonable worst case scenario.

In order to provide additional liquidity, the Group has begun to explore the availability of funding available to large businesses under the Coronavirus Large Business Interruption Loan Scheme.

We anticipate that with the continued lockdown there will be a material slowdown in housing transactions. Given this situation, until further certainty is gained, we are unable to provide further guidance on future profitability at this stage.

The Board believes these measures are appropriate and proportionate given the current challenges the business is facing, and will enable the Group to shoulder this downturn in the near term and to return the Group back to profitable growth. The Board would like to take this opportunity to thank all our colleagues in Countrywide for their ongoing dedication and commitment to ensuring the continuation of the essential services the Group provides to its customers.

The Group expects to report its final results for the year ended 31 December 2019 by 29 May with the AGM to be held thereafter.

This announcement contains inside information for the purposes of Regulation 596/2014/EU. The person responsible for arranging the release of this announcement on behalf of the Company is Gareth Williams, General Counsel and Company Secretary.

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Notes to Editors:

About Countrywide plc

Countrywide is the UK's largest integrated property services group, including the largest estate agency and lettings network. Countrywide's network of expertise combining national scale and local reach helps more people move than any other business in the UK and is structured around three key business units: Sales and Lettings; B2B and Financial Services.

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.