



Countrywide

integrated solutions local expertise

2014 Annual Results





We helped over 120,000 households move home in 2014



in Bristol, Cambridge, Cardiff, Edinburgh, Leicester, Liverpool, Nottingham, Manchester, Southampton, York combined



largest single mortgage broker in the UK



largest mortgage distributor

Record results and strong progress towards sustainable growth

- Market leading position underpinned by extensive and geographically diverse network of local experts
- Strong growth achieved through organic investment and selective acquisitions
- Lettings business grew profits 37% to £39m
- Commercial Division contributes £8m profit – ahead of expectations
- Strong Financial Services performance with increasing shift towards the broker mortgage market
- Circa 40% of profits independent of UK housing transaction market
- Continue to invest in our people and technology to further grow our business
- Significant growth in shareholder returns
- “Building our Future” – strategic review underway

A record year for income, EBITDA and margin

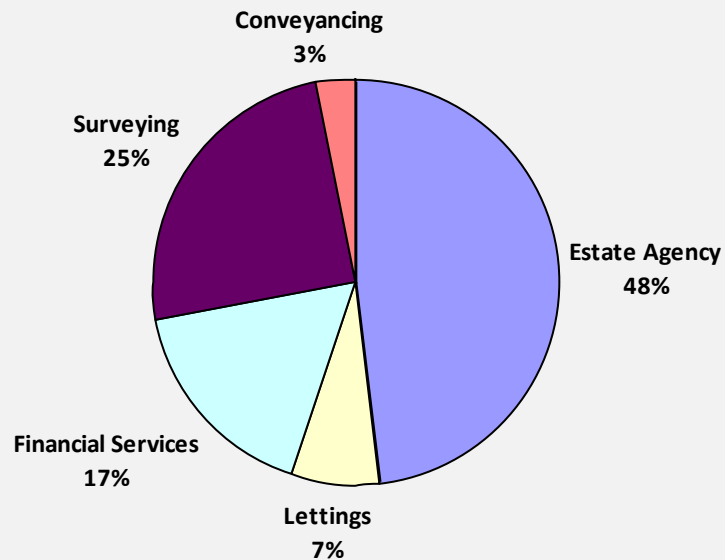
	2014	2013	Change
Income	£702.2m	£584.8m	+20%
EBITDA **	£121.1m	£86.6m	+40%
Profit before Tax*	£102.4m	£62.9m	+63%
Earnings per Share **	36.7p	24.4p	+50%
Interim Dividend	5.0p	2.0p	+150%
Final Dividend	10.0p	6.0p	+67%
Special Dividend	9.0p	-	-
Total Dividend	24.0p	8.0p	+200%

* Before exceptional items, amortisation of intangibles and share-based payments

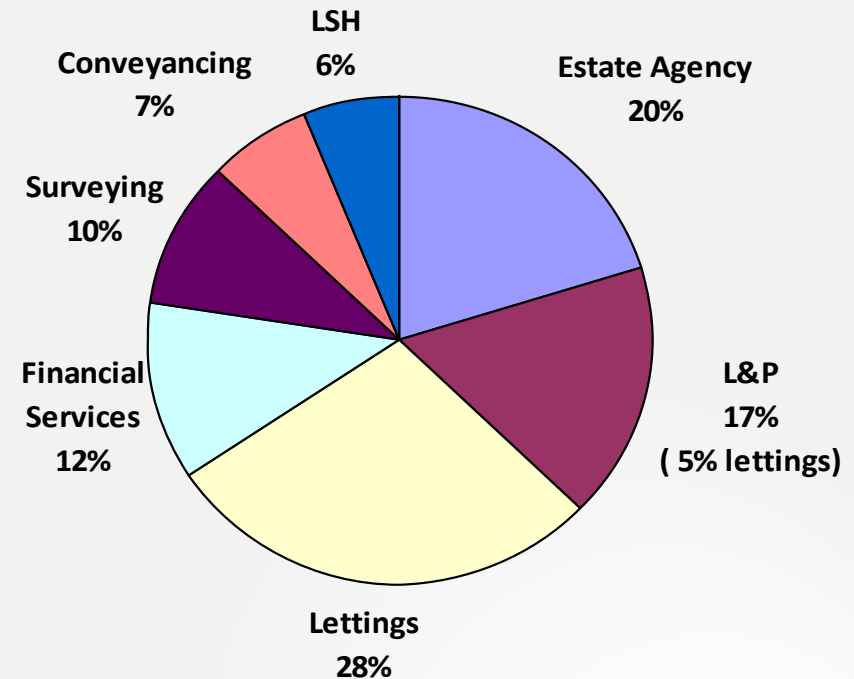
** Before exceptional items, amortisation of intangibles and share-based payments and share of profit from JV

Increased breadth driving more robust profit streams

2006 EBITDA

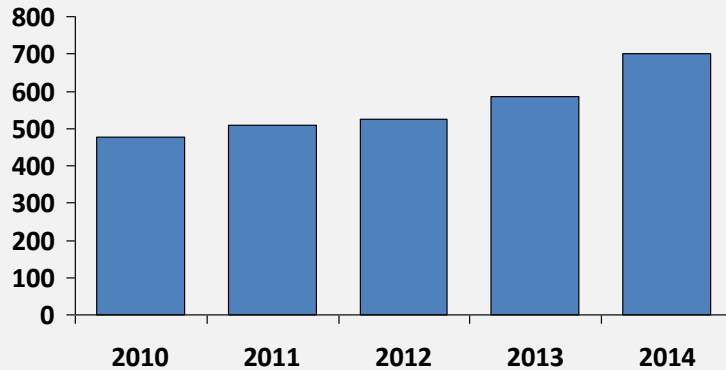


2014 EBITDA

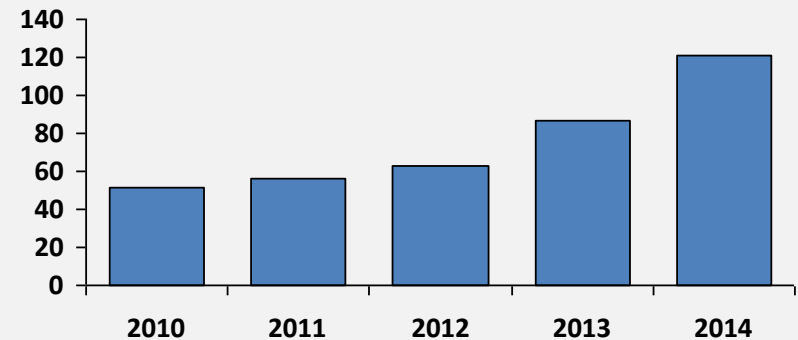


Continued strategic progress reflected in ongoing growth in income and margin improvement

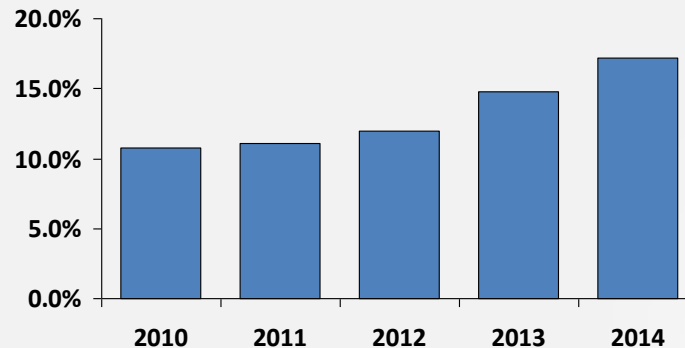
INCOME (£m)



EBITDA (£m)



EBITDA MARGIN



Estate Agency (EA) – outside of London

Operational leverage delivers step change in profits

	2014		2013
	<u>£m</u>		<u>£m</u>
• Income	<u>210.5</u>	+9%	<u>193.0</u>
• EBITDA	<u>28.2</u>	+75%	<u>16.1</u>
• EBITDA Margin	<u>13%</u>		<u>8%</u>

- Robust local market share underpins national leadership position
- Strong centralised admin and support further improves efficiency and profitability
- Exchanges up 11% to 66,022
- Modest increase in average cash fee despite market conditions
- 69% conversion of incremental revenue to EBITDA
- Continued progress on Land & New Homes, with over 4,100 new homes sold
- UK footprint means we are well placed to benefit fully from further market recovery (2014 market volumes circa 75% of 2007)

London & Premier (L&P)

Robust performance in a slower market

	2014		2013
	<u>£m</u>		<u>£m</u>
• Income	<u>118.8</u>	+3%	<u>115.6</u>
• EBITDA	<u>23.3</u>	-4%	<u>24.2</u>
• EBITDA Margin	<u>20%</u>		<u>21%</u>

- EBITDA and margin remain robust despite H2 slowdown in the sales market
- Encouraging lettings performance with revenues up 6% to £26m*
- Footprint expanded to include new branches in Stanmore, Greenwich and Blackheath
- New international strategic partnerships result in 100,000 international listings

*Hamptons International

Lettings

Strong financial performance underpinned by organic growth and value creating acquisitions

	2014		2013
	<u>£m</u>		<u>£m</u>
• Income	<u>134.6</u>	+20%	<u>112.5</u>
• EBITDA	<u>39.3</u>	+37%	<u>28.6</u>
• EBITDA Margin	<u>29%</u>		<u>25%</u>

- Market leading position strengthened - both organic and M&A
- 168 new organic branches opened in last 4 years within existing EA outlets
- Record level of new lets at 49,000
- Increased focus on service offering
- Building a best-in-class team
- Fragmented market offers further scope for significant growth

Financial Services

Excellent result built on best ever market share of mortgages

	2014		2013
	<u>£m</u>		<u>£m</u>
• Income	<u>73.7</u>	+14%	<u>64.9</u>
• EBITDA	<u>16.4</u>	+34%	<u>12.2</u>
• EBITDA Margin	<u>22%</u>		<u>19%</u>

- Over £10bn of mortgage completions makes us the UK's biggest single broker and the 3rd largest UK mortgage distributor
- Record and growing share of the intermediary mortgage market: 9% in 2014
- Mixed year for overall mortgage market
 - Strong Q1 on back of Help to Buy 2
 - Mid year slowdown following Mortgage Market Review
 - Slowdown in volumes during Q4
- New exclusive strategic partnership with HSBC
- Strong insurance performance

Surveying and Valuation

Increasing market share improves efficiency leading to a record level of EBITDA margin

	2014		2013
	<u>£m</u>		<u>£m</u>
• Income	<u>58.0</u>	+8%	<u>53.6</u>
• EBITDA	<u>13.6</u>	+15%	<u>11.8</u>
• EBITDA Margin	<u>23%</u>		<u>22%</u>

- Capacity, market share and average fee all increasing
- Significant contract wins with Barclays and Santander which complements existing relationships
- Well positioned for further growth

Conveyancing

Building capacity for future growth

	2014		2013
	<u>£m</u>		<u>£m</u>
• Income	<u>28.6</u>	+11%	<u>25.7</u>
• EBITDA	<u>9.3</u>	+10%	<u>8.4</u>
• EBITDA Margin	<u>33%</u>		<u>33%</u>

- Most profitable year ever
- Unique industry approach with in-house legal services
- Increased capacity with internal trainee programme
- Resilience increased with third location at Bridgend
- Consistent penetration (50%) on total EA exchanges
- Resource now in place to benefit from market growth and increasing penetration into EA volumes

Lambert Smith Hampton

Foundations in place for further expansion in commercial market

	2014		Pro-Forma 2013
	£m		£m
• Income	72.8	+16%	62.5
• EBITDA	8.4	+53%	5.5
• EBITDA Margin	11%		9%

- Ahead of plan after first full year
- Good progress across all key business lines
- Strong start with first acquisition (BTW Shiells) ahead of expectations
- Good momentum going into 2015 and at 2.5% market share - significant growth opportunity
 - recovering market
 - regional/product expansion
 - acquisition plans

Exceptional / Non trading items

	<u>2014</u>	<u>2013</u>
	(£m)	(£m)
• Amortisation of intangibles	(10.1)	(8.1)
• Share based payments	(14.5)	(9.1)
• Zoopla deferred income	2.5	2.5
• Profit on disposal of Zoopla shares	14.6	-
• PI exceptional provision	(15.2)	-
• IPO costs / acquisitions	-	(5.6)
• Finance costs	-	(4.5)
	<u>(22.7)</u>	<u>(24.8)</u>

Surveying Division – Risk Management

Lower risk client base, improved processes and controls

- Removal of higher risk lenders
- % of instructions >95% LTV 1% vs 7% in 2007
- Average LTV 56% (Q4 2014)
- Centralised booking and client management system
- Tablet technology / standard applications
- Comprehensive comparable data / AVM's
- Centralised audit team

Capital structure and leverage

	<u>2014</u>	<u>2013</u>	
• Net debt ⁽¹⁾	<u>£91m</u>	<u>£38m</u>	• New banking facility (February 2015)
• Leverage (times) ⁽¹⁾	<u>0.75</u>	<u>0.44</u>	➤ £250m unsecured RCF
• Leverage (times) ⁽²⁾	<u>0.85</u>	<u>0.56</u>	➤ Circa 2x historic EBITDA
• Cash from operations (% of EBITDA)	£101m 83%	£80m 92%	➤ Matures 2018
			➤ Key relationship banks
			➤ Reduction in margin
			➤ Maximum flexibility

⁽¹⁾ Excluding finance leases

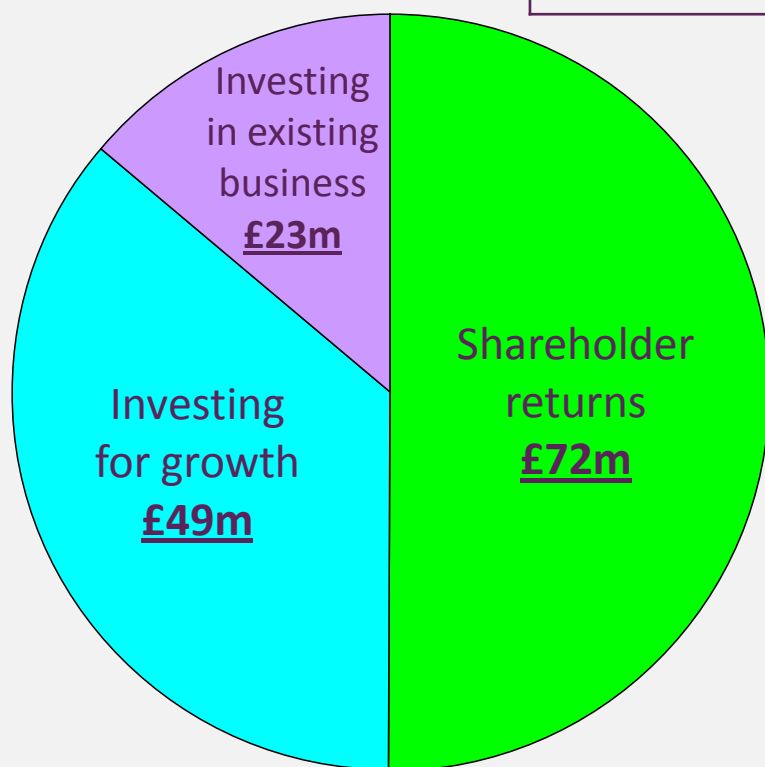
⁽²⁾ Including finance leases

Capital Allocation

2014 Yield (at £5.00 share price)

- Dividend 3.0%
- + Special 4.8%
- + Buyback 6.6%

2014



Overall Approach

- Underlying dividends
 - 35 – 45% of earnings
- Supplementary returns
 - £20m special dividend paid in 2014
 - first £20m buyback completed
 - further £20m buyback announced, subject to market conditions
 - potential for additional shareholder returns in due course
- Future one-offs
 - potential disposal of Zoopla shares

Financial summary

- Record financial performance (Revenue / Profits / Margins)
- Incremental revenue conversion 55%
- Increased banking facilities to maximise future opportunities
- Continued conservative approach to leverage
- Solid platform for future growth

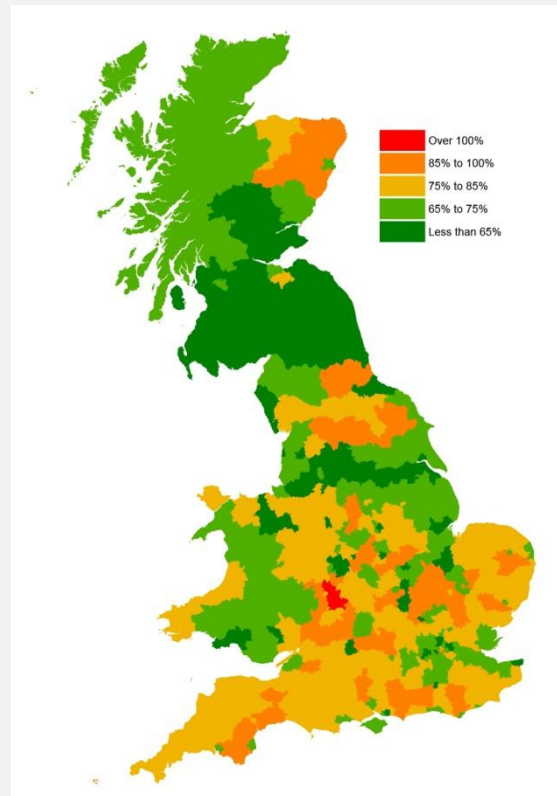
Countrywide – A more resilient business making progress in diversifying revenue streams

- Counterbalance to UK housing transaction market
 - lettings success
 - commercial / LSH
 - Residential property fund
 - B2B relationships
 - Land and New Homes business
- Ready for a changing market
 - consumer insights
 - emergence of private rental sector
 - focus on cities while continuing to maximise regional coverage
 - increasing shift towards the broker mortgage market

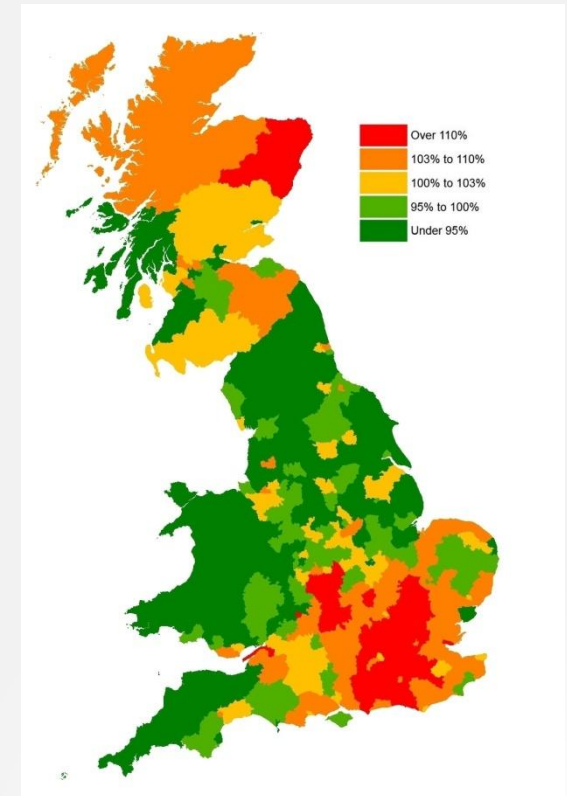
Market Update - transaction recovery lags behind price growth

- Transactions up 15% year-on-year to reach three quarters of 2007 levels. Growth slowed during final two months of 2014
- Prices across London and South East at or above 2007 values. Across the rest of the country values remain on average 10% below 2007 levels

Transactions



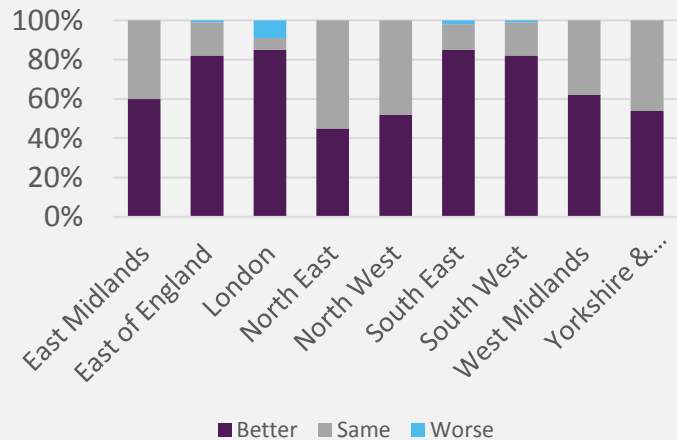
Price



Market Update – affordability

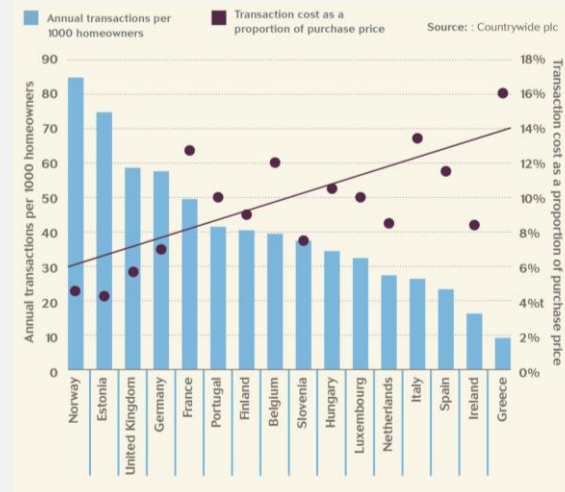
Most buyers are better off post stamp duty reform

- 72% of buyers will pay less Stamp Duty
- Roughly half of buyers in the lowest value regions will see no change due the number of sales under £125,000
- Changes will be positive overall on market in the longer term



The cost of doing a deal

- Clear relationship between the cost of moving and the number of moves which take place across Europe
- In the UK, reform means Stamp Duty falls to under a third of the total transaction cost. Potential resultant uplift in sales in the region of 2-5%



Our focus on growth remains

Optimise our portfolio mix in the UK – to align with demand-side trends, address areas where we are underweight and reduce exposure to UK residential property sales

- Target pre-tax returns of 20-25% after 2 years
- Continued focus on lettings
- Geographic in-fills, eg Tucker Gardner, a leading lettings and sales business in Cambridge and surrounding areas
- Diversification, eg Preston Bennett, a dominant agent in land and new homes in North London
- Organic – we have also opened 20 new start branches across our lettings and estate agency network

Further expansion improves regional footprint

- 28 Lettings deals completed



Lettings Case Studies

1. Large acquisition



Acquired Q4 2011 and lettings transferred Jan 12, combined with 2 other lettings acquisitions

	Pre Acq	Yr 1	Yr2	Yr3	% growth vs pre-acq
Branches	7	9	9	9	
Revenue (£000's)	2,500	2,733	3,095	3,359	34%
EBITDA (£000's)	400	282	870	1,309	227%
Margin %	16%	10%	28%	39%	N/A

2. Purchasing a book



Based in Woking - a book of business transferred into existing EA office
Acquired in June 12 for £350k

	Pre Acq	Yr 1	Yr2	Yr3 Bud	% growth vs pre-acq
Revenue (£000's)	190	278	305	339	78%
EBITDA* (£000's)	70	108	122	139	99%
Margin %	37%	39%	40%	41%	N/A

* excludes accommodation as this is not marginal cost

3. Acquiring a branch / tactical acquisitions



Lighthouse based in Lincoln, an acquisition of established branch
Acquired in November 2011 for £890k

	Pre Acq	Yr 1	Yr2	Yr3	% growth vs pre-acq
Revenue (£000's)	744	906	975	1,023	38%
EBITDA (£000's)	205	282	319	452	120%
Margin %	28%	31%	33%	44%	N/A

Note: (1) Includes Jolly / Spencers (2) Year 1 is first full reporting year after Acq e.g. 2012

Leading the Industry – Digital

- Our websites combined attracted over 30 million visits during 2014
 - Use of PPC, display and retargeting as well as investment in SEO has driven >15% year-on-year growth
- 7.5 million leads driven into the business during H1 2014 > 20% growth
 - Single largest source of our online leads is generated through our Propertywide platform including Google+ = 42% of leads
 - Rightmove & Zoopla Property Group combined = 57% of leads
 - 1% of leads from other online sources
- Mobile traffic levels continue to rise. Over half of our customers interacting with us online are using a mobile platform
- Launch of Content Managed websites
- Hamptons International website developments including an international search function
- Rollout of our Traveltime across agency websites



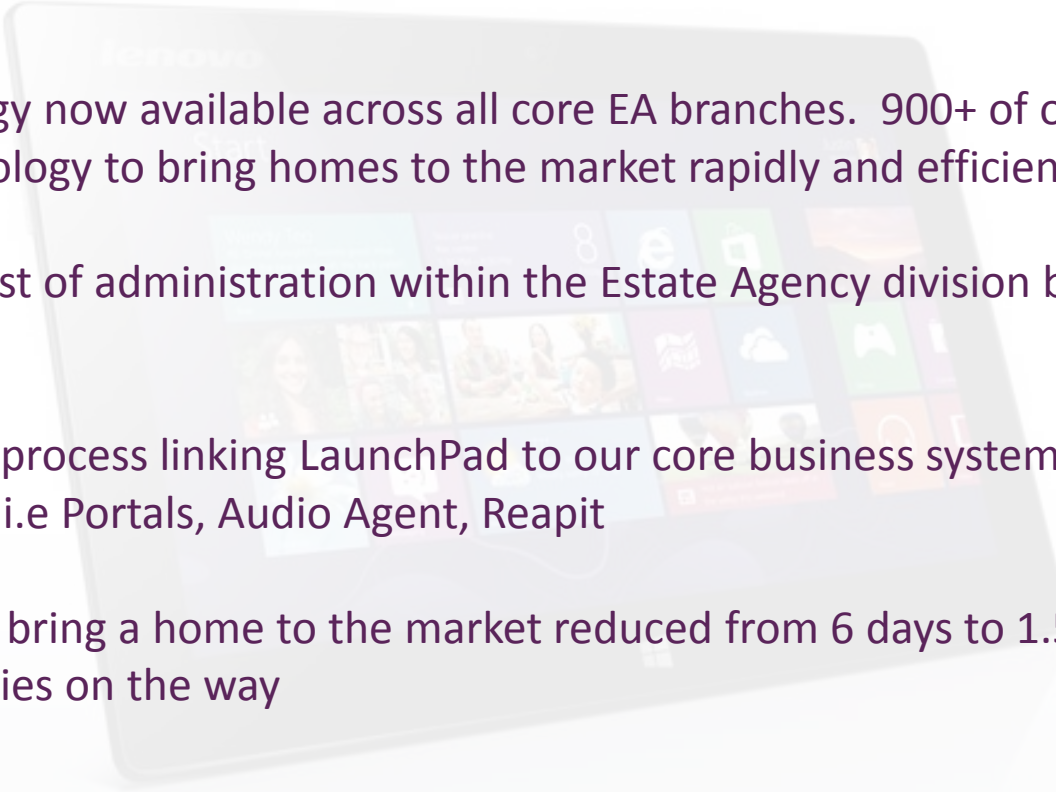
Leading the Industry – Technology

In 2014 we evolved the way we do business through the introduction of tablet technology

Introducing...

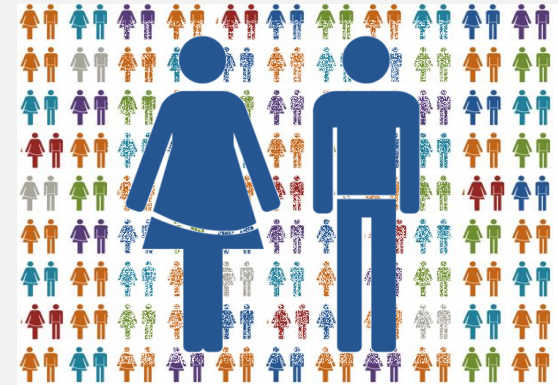
LAUNCH  **PAD**

Delivering benefits for our **customers** and our **people**

- 
- Tablet technology now available across all core EA branches. 900+ of our people using the technology to bring homes to the market rapidly and efficiently
 - Reducing the cost of administration within the Estate Agency division by £1m per annum
 - Fully integrated process linking LaunchPad to our core business systems and third party interfaces i.e Portals, Audio Agent, Reapit
 - Average time to bring a home to the market reduced from 6 days to 1.5 days and further efficiencies on the way

Investing in our People

- **12,000** employees in the Group
- Over **1,400** newly created roles in 2014
- Launch of our new web based Recruitment Tracker System (AMRIS) in Q3 – showcasing career opportunities across the Group
- Continued investment in training, development and talent management
- A key focus on recruitment:
 - over **200** graduates, apprentices and trainees joined Lettings, Estate Agency and Surveying roles across the Group
- 30% take up of our 2nd year Share Incentive Plan in Q2, (an increase on 27.5% in 2013)
 - Phase 3 to launch in Q1 2015
- Our second Group Employee Survey – nearly **8,000** colleagues responded and engagement levels increased by **4%** on prior year



Award Winning Teams

>200 high-profile industry awards since 2008

A quality team to trust and rely on

- your trusted property partner



Celebrating excellence in residential property
Letting Agency of the Year Winner 2014



BUILDING OUR FUTURE

1

A strategy and
development plan

2

A vision

3

A renewed purpose
and new values

Our approach

- Evolution not revolution
- Utilise 50 of our best people from across the business to lead the programme
- Gain wide input from both inside and outside the organisation
- Ambitious and keen to accelerate growth
- Better as a spring board for bigger

Summary and Outlook

- Strong 2014 despite market slow down
- Group well placed to deliver growth in the coming year underpinned by:
 - Lettings
 - Commercial
 - Surveyor contract wins
- Continue to broaden the base of our business
- Balanced allocation of capital to drive sustainable growth and deliver significant level of shareholder returns