29 November 2019

Countrywide plc

(“Countrywide”, “Group”)

Proposed sale of Lambert Smith Hampton and 50 for 1 share consolidation

Highlights

- Countrywide announces the sale of its Lambert Smith Hampton commercial business for £38 million cash consideration

- Strengthens the Group’s financial position

- Enables the Group to focus on its core residential services business

- Group remains on course to deliver the full year result in line with the Board’s expectations

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Countrywide today announces a number of actions to further strengthen the Group. These include the sale of its non-core UK commercial real estate consultancy and transactional business, Lambert Smith Hampton Limited (**“Lambert Smith Hampton”** or **“LSH**”), to John Bengt Moeller (the “**Purchaser**”) for a cash consideration of £38 million. In addition, the Group is proposing to simplify the Group’s share capital. Both are recommended by the Board and are subject to shareholder approval at a General Meeting to be held in due course.

Disposal of non-core commercial property business

The Board believes the sale of the Lambert Smith Hampton commercial business strengthens the Group:

- Agreement signed to sell Lambert Smith Hampton for £38 million, payable in cash on completion

- The consideration represents a fair valuation for Lambert Smith Hampton, representing a multiple of 6x Lambert Smith Hampton’s Adjusted EBITDA[1]

- It will significantly improve Countrywide’s capital structure following receipt of gross cash proceeds of £38 million and allow the Countrywide Group to materially reduce its net debt

- Sale is subject to shareholder approval and is expected to complete on 31 December 2019

Proposed 50 for 1 Share Consolidation

Following the firm placing, placing and open offer on 30 August 2018, Countrywide currently has 1,641,303,439 Ordinary Shares in issue each with a nominal value of £0.01. The Board believes that the share consolidation will improve market liquidity by reducing the volatility and spread, making our shares more attractive. The Group is therefore proposing a consolidation of ordinary shares on the

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[1] Earnings determined using pre-IFRS 16 lease accounting principles before interest, tax, depreciation, amortisation, exceptional items, employment-linked contingent consideration, share-based payments and share of profits from joint venture

basis of 1 ordinary share of £0.50 for every 50 existing ordinary shares of £0.01 each, which will subsequently be consolidated, subdivided and re-designated into one new ordinary share of £0.01 and 49 deferred shares of £0.01 thereby reducing the number of ordinary shares in issue.

Amended Credit Facility

In addition to the sale agreement of Lambert Smith Hampton and the proposed share consolidation, on 28 November 2019 the Group agreed an amended credit facility with its lenders. The new facility provides the Group with the financial flexibility to execute the turnaround plan while operating in what continues to be a challenging and uncertain market environment.

Outlook for the year

The Group continues to make operational progress in its turnaround and confirms that it remains on course to deliver a full year result in line with the Board's expectations

Commenting on the sale of Lambert Smith Hampton Peter Long, Executive Chairman of Countrywide, said:

"The sale of the Lambert Smith Hampton commercial business strengthens the Group. Once completed, we believe that the Group will be in a more advantageous position in our core residential market. The Group remains on course to deliver a full year result in line with the Board's expectations"

Enquiries:

Media

Natalie Gunson press.office@countrywide.co.uk	Tel: +44 (0)7721 439043
Michael Sandler/Dan de Belder, Hudson Sandler	Tel: +44 (0)207 796 4133

Analysts and investors

Himanshu Raja, Chief Financial Officer	investor@countrywide.co.uk

Jefferies International Limited (Corporate Broker and Sponsor)	+44 (0) 20 7029 8000
Paul Nicholls	
Paul Bundred	
William Brown	

Barclays Bank PLC (Corporate Broker)	+44 (0) 20 7623 2323
Robert Mayhew	
Richard Bassingthwaighte	
Osman Akkaya	

Conference call and Notes to Editors:

Countrywide will be hosting an analyst call at 9:00am (GMT) this morning to discuss the announcement and to take any questions arising from analysts.

This will be available to listen live on:

UK & International Number:	+44 (0) 20 3003 2666
UK toll free:	0808 109 0700
PIN:	Advise operator - Countrywide Analyst Call

A recording of the webcast will be available for seven days by dialling:

UK & International Number:	+44 (0) 20 8196 1480
UK toll free:	0800 633 8453
PIN:	6337970#

For further information on Countrywide plc, please visit our corporate website at www.countrywide.co.uk.

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This announcement is not intended to, and does not constitute, or form part of, any offer to sell or an invitation to purchase or subscribe for any securities or a solicitation of any vote or approval in any jurisdiction. Countrywide shareholders are advised to read carefully the formal documentation to follow. Any response to the matters described herein should be made only on the basis of the information in such formal documentation.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

Introduction

Countrywide is pleased to announce that it has entered into an agreement to sell the entire share capital of LSH to the Purchaser for a consideration of £38 million, payable in cash on completion (the **"Sale"**).

The Board is also proposing a consolidation of ordinary shares on the basis of 1 ordinary share of £0.50 for every 50 existing ordinary shares of £0.01 each, which will subsequently be subdivided and re-designated into one new ordinary share of £0.01 and 49 deferred shares of £0.01, thereby reducing the number of shares in issue (the **"Share Consolidation"**).

Both the Sale and Share Consolidation are conditional on shareholder approval.

Words and expressions defined in a circular of Countrywide dated on or around the date of this announcement (the **"Circular"**) shall, unless otherwise defined herein, have the same meaning in this announcement.

Background to and Reasons for the Sale

As Countrywide continues to focus on the delivery of its turnaround plan, the Sale of LSH represents a clear and timely opportunity to streamline the Countrywide Group's offering. Underpinned by a fair valuation, the Sale will deleverage the Countrywide Group and represents good financial discipline, given the recent performance of this business against the remainder of the Countrywide Group.

2018 was one of the most challenging years for Countrywide in recent times. Since 2015 the core Sales and Lettings business unit has experienced both a loss of market share and a decline in profitability. Moreover, under previous leadership, the retail-centric strategy, coupled with an acquisition spree that significantly increased the Countrywide Group's indebtedness led to an untenable situation.

Extensive management changes were made to address this position. The Countrywide Group's strategy was reset and a capital refinancing plan was implemented. These measures allowed Countrywide to put in place the strategic levers for a three-year turnaround plan. The key pillars of this strategy are a renewed focus on its core residential businesses as part of the "back-to-basics" principle and strong financial discipline.

The proposed sale of LSH is wholly consistent with the strategic principles that underpin the three year turnaround plan. As part of the return to focusing on Countrywide's core strengths, the Board no longer considers commercial real estate to be a strategic priority, given that:

- valuable management time is being expended on a non-core area where the UK commercial transactional market is currently challenging;

- Countrywide does not intend to build market share or make other acquisitions in commercial real estate; and

- there is very little crossover between the business of LSH and other Countrywide businesses.

The disposal of LSH will facilitate management in focusing on its core residential real estate market, alongside the value-added complementary services in the Financial Services and B2B operating divisions.

Further, the Sale supports the Countrywide Group's drive to reduce leverage. The Sale will capture a fair value for LSH, reflecting its position as one of the UK and Ireland's leading commercial property consultancies. The Cash Consideration represents a multiple of 6x LSH's Adjusted EBITDA for the 12 months ending 31 December 2019.

As part of the turnaround plan, the Countrywide Group has already reduced its net debt, following the firm placing, placing and open offer which raised net proceeds of £125 million in the summer of 2018. The disposal of LSH and use of a significant portion of the net proceeds to discharge existing liabilities would further reduce net debt by £34.4 million with a view to decreasing the leverage ratio to 1.0x in the medium term, in line with our declared strategy.

LSH was acquired in 2013 with a view to growing Countrywide's limited commercial property offering, reflecting the growth at the time in Countrywide's Land and New Homes business in a more buoyant market. The intention had been for Countrywide to benefit from LSH's transactional business into downstream sales, however the Board believes that Countrywide can instead take advantage of its existing relationship with LSH following the Sale by entering into a referral agreement for downstream house sales. This would allow Countrywide to release capital through the disposal of LSH, while still preserving the ability to achieve part of the original strategic goal at the time of acquisition.

The macro environment in which LSH is operating has resulted in a deterioration of the financial performance of LSH under Countrywide's ownership and which the Board anticipates is unlikely to change in the short to medium term. As announced in the 2019 Interim Results, the Adjusted EBITDA pre-IFRS16 of Countrywide's B2B Business Unit was 39 *per cent.* below H1 2018, with the year on year decline wholly attributable to LSH's performance. This conservative outlook on performance is further compounded by both the competitive market in which LSH operates as well as the significant slowdown that is currently being seen in the market.

LSH operates as a standalone business within the Countrywide Group, with its own operational functions (including IT department and infrastructure, Human Resources and systems, Finance and Marketing) and separate offices. As a result, the LSH Group is not integrated into the Countrywide Group and can be sold with minimal disruption to the business and operations of the Countrywide Group.

Accordingly, taking into account prevailing trends and challenging market conditions, the Board believes that the Sale is in the best interests of Shareholders because it will:

- help to focus and streamline the business offering of the Countrywide Group by carving out LSH, with minimal disruption to the remainder of the Group (the "**Retained Group**"). This will in turn strengthen the "back-to-basics" approach of Countrywide's three-year recovery strategy by increasing Countrywide's focus on Sales and Lettings, which has traditionally been the core of Countrywide's business and has already made significant strides to recovery as part of the turnaround plan;

- result in capturing a fair value for LSH, reflecting its position as one of the UK and Ireland's leading property consultancies. The Cash Consideration represents a multiple of 6x LSH's Adjusted EBITDA for the 12 months ending 31 December 2019; and

- significantly improve Countrywide's capital structure following receipt of expected gross cash proceeds of £38 million (less transaction costs) and allow the Countrywide Group to reduce its net indebtedness and make meaningful progress towards reducing its leverage ratio to the Countrywide Group's target of 1.0x in the medium term.

Following the Sale, Countrywide expects to be well positioned to continue to capitalise on trends shaping the real estate landscape in the UK. The UK housing market follows cyclical trends and is impacted by continuing uncertainty around the implications of Brexit and the delay in securing a deal with the European Union. Nevertheless, against this challenging backdrop, the long-term UK housing market fundamentals remain strong, and the Retained Group will be well placed to maximise opportunities in Sales and Lettings and complementary services. The Board believes that the Retained Group will be in a more advantageous position to focus on its core business units, restore market share and return to a profitable growth strategy.

Amended Credit Facility

In addition to the Share Purchase Documents for the Sale and the proposed Share Consolidation, on 28 November 2019, the Countrywide Group agreed an amendment to its Amended Credit Facility Agreement with its lenders. The new facility provides the Countrywide Group with the financial flexibility to execute the turnaround plan while operating in what continues to be a challenging and uncertain market environment. Against this backdrop the key changes to the Amended Credit Facility have been to expand the Group's leverage and interest covenants and to ensure that the Group has the liquidity it needs to navigate any deterioration in trading that might arise as a result of a market downturn. The Amended Credit Facility includes provisions for a minimum credit facility of approximately £95m to September 2022 and for the cancellation of part of the total facility of £125m from the proceeds of sale and an automatic cancellation of part of the facilities above approximately £95m each quarter should they not be required based on the Group's liquidity position rolling 18 month outlook; and an automatic cancellation of £25 million of the commitments in July 2021.

Outlook for the year

The Countrywide Group continues to make operational progress in its turnaround plan and confirms that it remains on course to deliver a full year result that will be in line with the Countrywide Board's expectations.

Recommendation

The Countrywide Board considers the Sale and the Share Consolidation, and each of the Resolutions necessary to implement them, to be in the best interests of Countrywide and its Shareholders as a whole and unanimously recommends that Shareholders vote in favour of each of the Resolutions, as the Countrywide Directors intend to do in respect of their own individual beneficial holdings.

If the Sale Resolution is passed at the General Meeting to be held in due course, Completion is expected to take place on 31 December 2019.

Information on LSH

LSH is a leading commercial real estate practice in the UK and Ireland offering transactional, consultancy and operational services and solutions nationally through its 39 offices and around 1,300 staff. LSH works with investors, developers and occupiers comprising household names across the public and private sectors. Its regional network and national scale allows LSH to service a variety of local, regional and national clients. LSH has been owned by Countrywide since 2013.

LSH sits within Countrywide's B2B business unit. Countrywide believes that the distinct operations and geographically-contained locations of LSH, as well as the fact that no key Countrywide Group individuals are departing with the sale of LSH, mean that the Sale can be effected with minimal disruption and cost for the Countrywide Group, as compared to a sale of other Countrywide Group assets.

In the year to 31 December 2018, LSH generated sales of £111.8 million and underlying operating profit of £9.3 million and as at 31 December 2018, LSH had gross assets of £46.3 million.

The following individuals are deemed by LSH to be key to the operation of LSH:

Name of Key Individual	*Position*
Ezra Nahome	CEO
Massimo Marciveccio	Chief Operating Officer
Jason Honisett	Finance Director

Principal Terms of the Sale

The principal terms of the Sale are that:

- Countrywide will, on Completion, receive £38 million from the Purchaser.
- Countrywide Group plc, a wholly-owned subsidiary of Countrywide, and the Purchaser will enter into agreements to govern transitional services and home sales referrals between the parties post-Completion.
- The Sale is conditional upon approval of the Sale by a simple majority of the shareholders of Countrywide following the issue of a circular containing the recommendation of the Countrywide Board.

Use of Proceeds, financial effects of the disposal and strategy of the Continuing Group

The cash proceeds to Countrywide arising from the disposal of LSH are expected to be £38 million less fees and expenses which will be used to significantly improve Countrywide's capital structure. Following receipt of expected cash proceeds, Countrywide Group's net indebtedness is expected to reduce significantly making meaningful progress towards reducing its leverage ratio to the Countrywide Group's target of 1.0x in the medium term.

Background to the Share consolidation

In addition to the proposed Sale, the Countrywide Group is proposing a restructuring of Countrywide's share capital. Following the firm placing, placing and open offer of 1,400,000,000 Ordinary Shares on 30 August 2018, Countrywide currently has 1,641,303,439 Ordinary Shares in issue, each of which has a nominal value of £0.01. The Closing Price on the Latest Practicable Date was 4.80 pence.

Given the large number of Ordinary Shares in issue, the Board believes that:

- share trades can result in disproportionately large percentage movements in the market share price (causing considerable share price volatility);
- the bid-offer spread on the price of Ordinary Shares at current levels is disproportionate to the market share price; and
- Countrywide's low share price affects investor perception of Countrywide.

In each case to the detriment of Shareholders. Further, Countrywide is not permitted by law to issue shares at an issue price which is below their nominal value.

Summary of the Share Consolidation and fractional entitlements

The Share Consolidation will involve the following steps:

- each 50 Qualifying Ordinary Shares held by a Qualifying Shareholder will be consolidated into one Consolidated Ordinary Share of £0.50; and
- each such Consolidated Ordinary Share of £0.50 will then immediately be subdivided and re-designated into one New Ordinary Share of £0.01 and 49 Deferred Shares of £0.01.

Through the re-designation into Deferred Shares, Countrywide will be able to maintain a lower nominal value for the New Ordinary Shares than would otherwise be the case. The creation of a class of Deferred Shares will ensure that the reduction in the nominal value of the Ordinary Shares effected by the Share Consolidation will not result in an unlawful reduction in Countrywide's Share Capital.

It is proposed that Countrywide's entire ordinary share capital will be consolidated as part of the Share Consolidation, meaning that while the number of Ordinary Shares in issue will change, the proportion of Countrywide's issued ordinary share capital held by each Shareholder immediately before and after the Share Consolidation will remain unchanged (subject to the treatment of fractional entitlements). As a result of the Share Consolidation:

- the nominal value of Ordinary Shares will not change;
- the number of Ordinary Shares held by each Shareholder will reduce by a factor of approximately 50;
- the market value of an Ordinary Share should increase by a factor of approximately 50 (although the price of Ordinary Shares will continue to fluctuate in line with the market); and
- the overall value of each Shareholder's existing holding of Ordinary Shares should remain approximately the same (although the value of an investment in New Ordinary Shares will continue to fluctuate in line with the market).

Assuming that (i) the Share Consolidation Resolution is passed, (ii) the Share Consolidation occurs, and (iii) no further Ordinary Shares are issued between the Latest Practicable Date and the Share Consolidation becoming effective, Countrywide will have a maximum of 32,826,068 New Ordinary Shares in issue immediately following the Share Consolidation, of which 63,049 will continue to be held in treasury immediately following the Share Consolidation.

For purely illustrative purposes, examples of the effects of the Share Consolidation (should it be approved by Shareholders) are set out below:

Qualifying Ordinary Shares held at the Record Time	*New Ordinary Shares held following the Share Consolidation*	*Deferred Shares held following the Share Consolidation*
25	0	0
50	1	49
80	1	49
415	8	392

To effect the Share Consolidation, it may be necessary for Countrywide to cancel such minimum number of additional Ordinary Shares currently held in treasury so that the total number of Ordinary Shares is exactly divisible by 50.

As a result of the Share Consolidation, any shareholding of Qualifying Ordinary Shares that is not exactly divisible by 50 will be rounded down to the nearest whole number of New Ordinary Shares, and the Shareholder in question will be left with an entitlement to a fraction of a New Ordinary Share (a "**Fractional Entitlement**"). If a Shareholder's holding comprises fewer than 50 Qualifying Ordinary Shares at the Record Time, the shareholding will still be consolidated and result in a Shareholder no longer being a member of Countrywide in relation to that holding.

The Share Consolidation is subject to the approval of the Group's shareholders and accordingly Countrywide expects, subject to FCA approval, to post a Notice of General Meeting and explanatory circular to shareholders later today regarding the Sale, the Share Consolidation and related resolutions which will be put to shareholders at the General Meeting, to be held in due course.

Expected Timetable

The Circular containing further details of the disposal of LSH and a notice convening a general meeting will be sent to Countrywide shareholders in due course.

Date of the Circular:	29 November 2019
General Meeting:	To be held in due course
Record Date for the share consolidation:	27 December 2019
Consolidation and Admission of New Ordinary Shares:	30 December 2019
Expected Completion of the Sale:	31 December 2019

A copy of this announcement will be available on Countrywide's website at www.countrywide.co.uk/corporate/investor-relations.