



# Financial Results for the Quarter ended March 31 2010

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## Executive Summary (Grenville Turner)

- Structural cost reductions underpin positive Q1 financial result:
  - Q1 2008 market 174k → £6.0m loss
  - Q1 2009 market 104k → £8.6m loss
  - Q1 2010 market 120k → £3.0m profit
- LTM EBITDA £55.7m in 600k run-rate market
- All 5 divisions profitable
- Net debt at March 31, £84m (cash balance £91m)



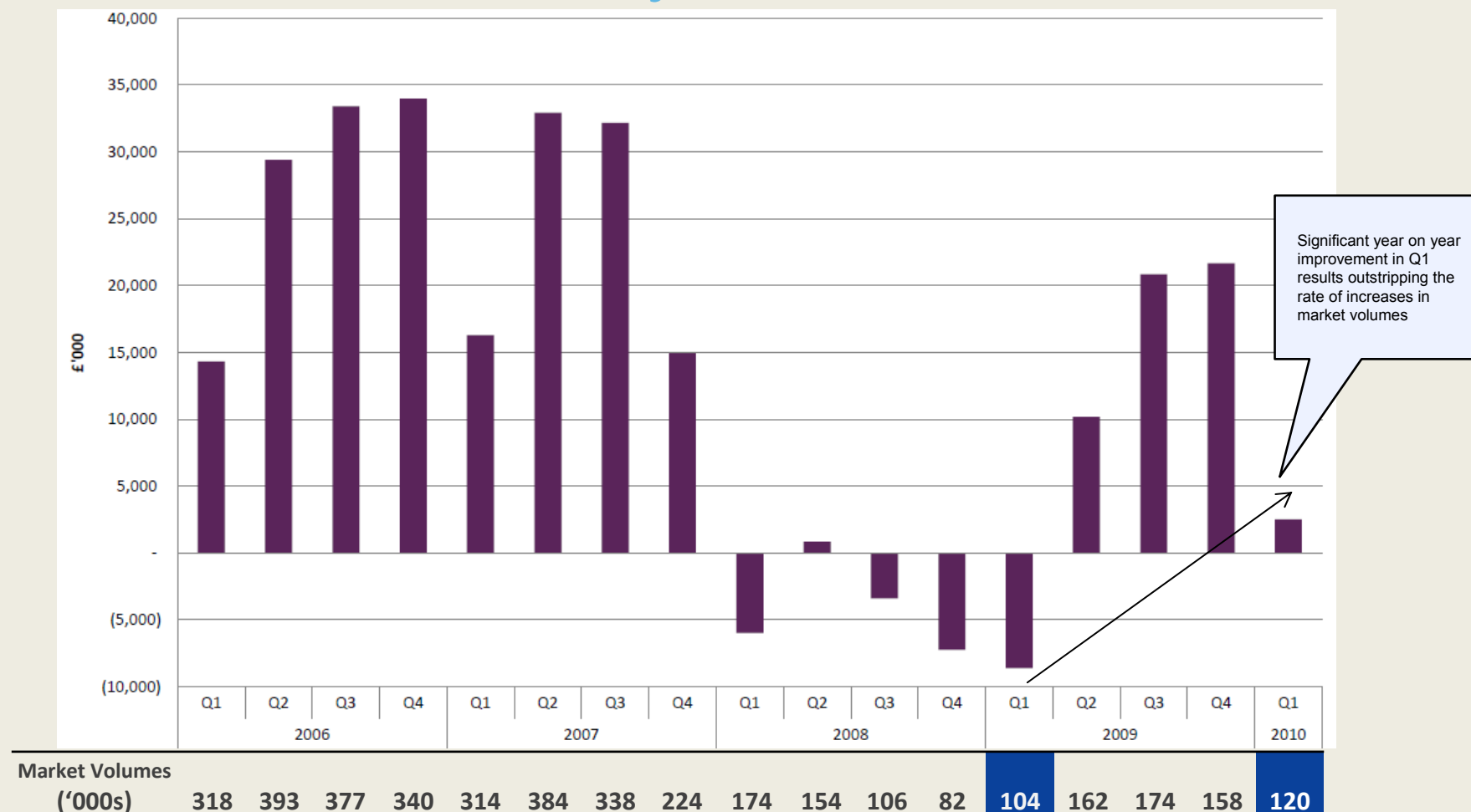
## Key Financials (Jim Clarke)

<u>TOTAL GROUP</u>	<u>Q1 2010</u>	<u>LTM</u>
•Revenue	£98.0m (+18%)	£460.7m (+18%)
•EBITDA	£3.0m v. (loss £8.6m)	£55.7m v. (loss £18.4m)

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- Q1 2010 as expected:
  - historically weak quarter
  - impact of strong finish to 2009
  - adverse January weather delays market return post Xmas
- House prices relatively stable but difficult to predict remainder of 2010
- Positive financial performance despite sluggish market

# EBITDA<sup>(a)</sup> Recovery



(a) – EBITDA before exceptional items

## Estate Agency

	<u>Q1 2010</u>	<u>LTM</u>
•Revenue	£51.5m (+32%)	£253.7m (+36%)
•EBITDA	£0.1m v. (loss £8.9m)	£35.3m v. (loss £32.9m)

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- House exchanges up 24% on LY
- Average house prices up 14% v. Q1 2009 / flat on Q4 2009
- Fee rates under some pressure but holding above historic levels
- Staffing levels per branch relatively steady
- Pipeline building steadily

## Key acquisitions – Sotheby's

- Exclusive rights to grow UK franchise
- Prime London location in Mayfair

*The Sotheby's International Realty network has approximately 500 offices in 38 countries and territories worldwide, which benefit from an association with the world-renowned Sotheby's Auction House, established in 1744.*



# Lettings

	<u>Q1 2010</u>	<u>LTM</u>
•Revenue	£17.4m (+9%)	£68.8m (+14%)
•EBITDA	£3.1m (+9%)	£12.9m (+9%)

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- Continued progress on revenue / EBITDA
- Properties under management
  - Retail            29,925      +6%
  - Corporate      64,103      -5%
- Focus on organic expansion opportunities
  - 40 openings planned for 2010



## Lettings – Accord Acquisition



- Accord has substantially strengthened the Group presence in the Leamington Spa and Warwick area but more importantly in the major Birmingham market where its flagship branch is located.
- The Accord brand is now linked with the Dixon's brand and network and will form the hub of expansion in to the wider Birmingham metropolitan area and will be linked with the Group's new start programme.



# Financial Services

	<u>Q1 2010</u>	<u>LTM</u>
•Revenue	£12.7m (+11%)	£57.0m (+1%)
•EBITDA	£0.3m v. (loss £1.3m)	£3.8m (LY profit £1.4m)

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- Recovery in mortgage volumes compared to weak Q1 2009
- Double digit increases in insurance volumes (life +19% / general +10%)
- Gradual recovery in mortgage products:
  - stamp duty threshold change
  - steady increase in products available
  - higher LTV products now on offer
- No evidence of any recovery in remortgages
  - 80% below historical average

## Countrywide Rewards – an industry first

- National launch – Feb 2010
- Extending customer lifecycle by rewarding loyalty
- National & trade coverage
- Group development opportunities:
- Mortgages and insurance initially
- Enhanced points for vendor mortgage customers
- Tiered rewards from theatre tickets to choice of worldwide holiday destinations



# Surveying & Valuation

	<u>Q1 2010</u>	<u>LTM</u>
•Revenue	£11.8m (-12%)	£58.8m (-18%)
•EBITDA	£0.9m v. (loss £0.2m)	£8.5m (+51%)

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- Volumes remain depressed (-10% v. Q1 2009)
- Structural cost initiatives continue:
  - Q1 costs 20% lower than Q1 2009
  - Total headcount -20% v. Q1 2009
  - YoY contribution up £1.2m despite revenue drop
  - Key focus on new business opportunities and account wins

# Conveyancing

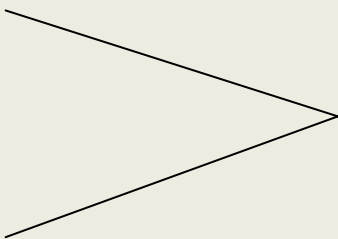
	<u>Q1 2010</u>	<u>LTM</u>
•Revenue	£4.2m (+22%)	£21.0m (+40%)
•EBITDA	£1.2m (+97%)	£8.8m v. (profit £1.2m)

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- Volumes up 12% on in-house completions
  - ↳ revenue +22%
  - ↳ EBITDA doubled to **£1.2m**
- Outsourcing project on target
- Key focus on productivity levels

## Group Cost Base

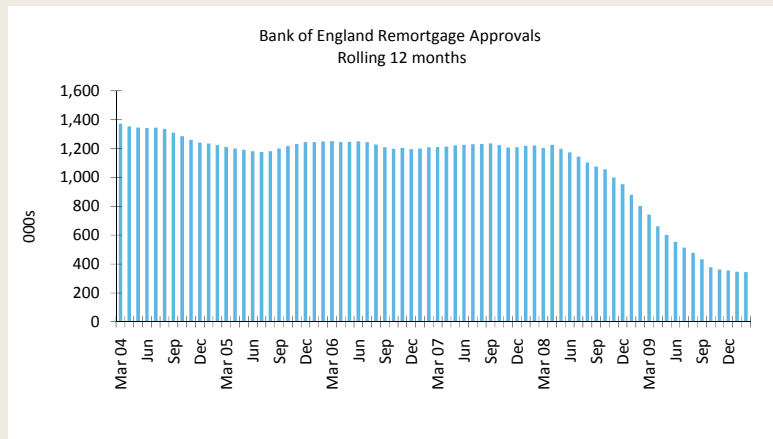
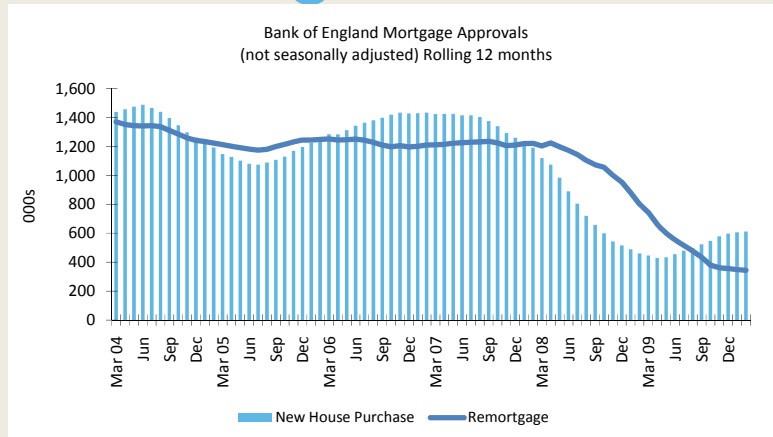
- Continued focus on structural cost reduction
- Sensible investment where required:
  - selected modest pay review – first since 2007
  - re-introduction of pension contributions
  - modest increase in marketing spend
- Q1 Group cost base:

• 2007	£138m		<b><u>£43m</u></b> reduction
• 2008	£121m		
• 2009	£92m		
• 2010	£95m		

## Cash / Funding

- Net debt £84m with cash balance £91m
- Continue to review optimisation of cash resources
- Leverage ratio 1.5 net debt / LTM EBITDA
- Proforma interest cover 3.2 times (LTM EBITDA / bond interest)
- Bond placing

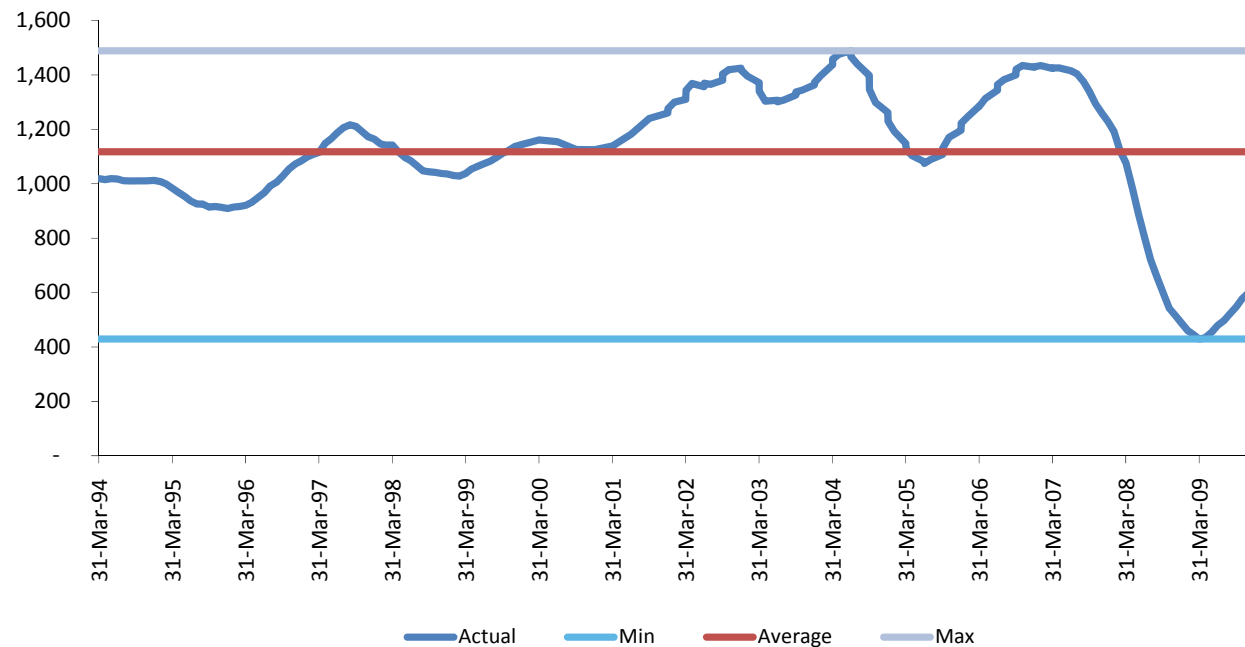
# The UK Housing and Mortgage Markets show signs of life – Grenville Turner



- Q1 is an historically weak period
- Some acceleration of volumes seen in December 2009 (stamp duty / VAT change)
- January volumes were also impacted by adverse weather conditions
- BoE approvals: 2008 500k  
2009 600k  
2010 650 – 700k (forecast)
- 2011 expected to show step change

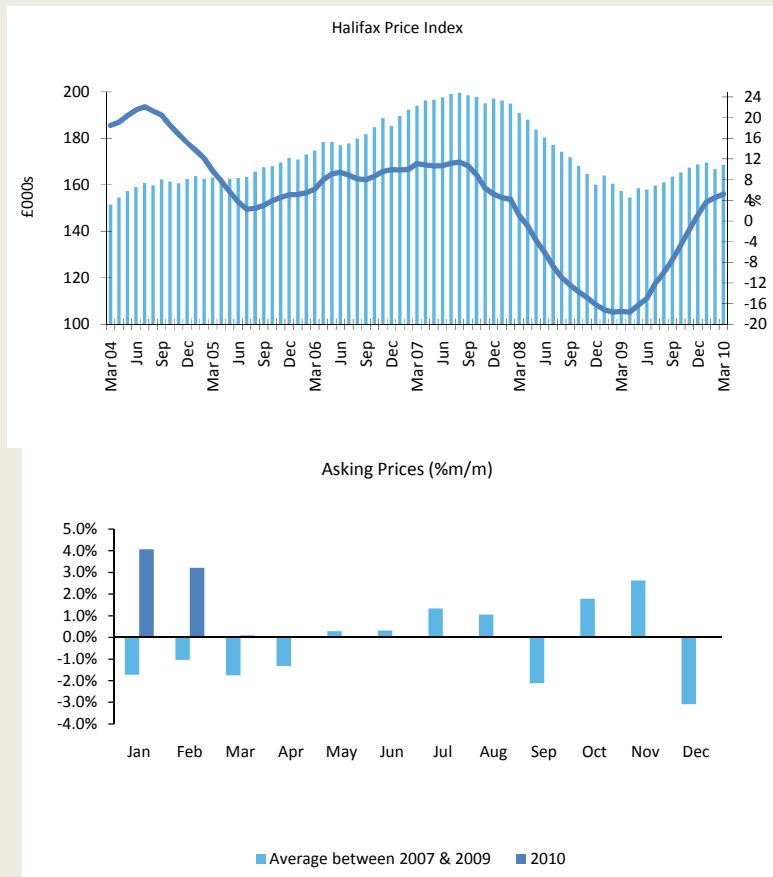


# Housing market transaction volumes remain unusually low?



- Q1 2010; market still only at approximately 53% of long term average
- 2009 first time buyer mortgages at 347,000 are down more than 50% compared to five years ago and at lowest level since 1993

# 2009/10 – House Prices



## Month on Month Percentage Movement

	Dec	Jan	Feb	Mar
Nationwide	0.4%	1.2%	(1.0)%	0.7%
Halifax	1.0%	0.6%	(1.5)%	1.1%

- Peak to trough 23%
- Peak to now 16%
- March saw positive move after Feb reduction
- Some possible volatility around general election
- YoY prices now up 5.2%
- Expectations for 2010 broadly flat

## Countrywide's transformation; 4 areas of focus with a common theme and a clear aim

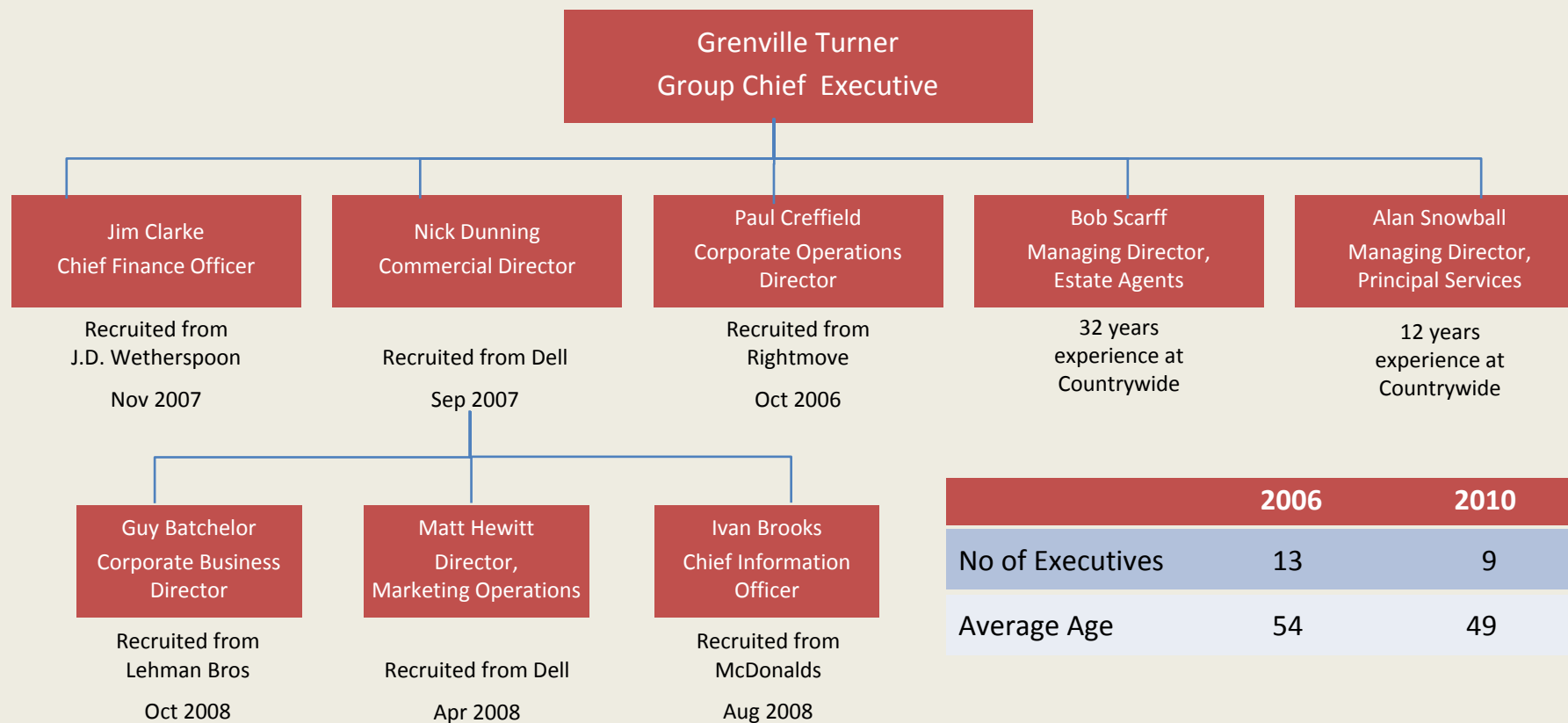
### FEWER : BETTER

- 1 Talent Management
- 2 Revenue Generation
- 3 Structural Cost Reduction
- 4 Market Share Growth

**A more resilient business with more enduring revenue streams and a structurally lower cost base**

1

# Highly experienced management with recent additions bringing expertise to a new level

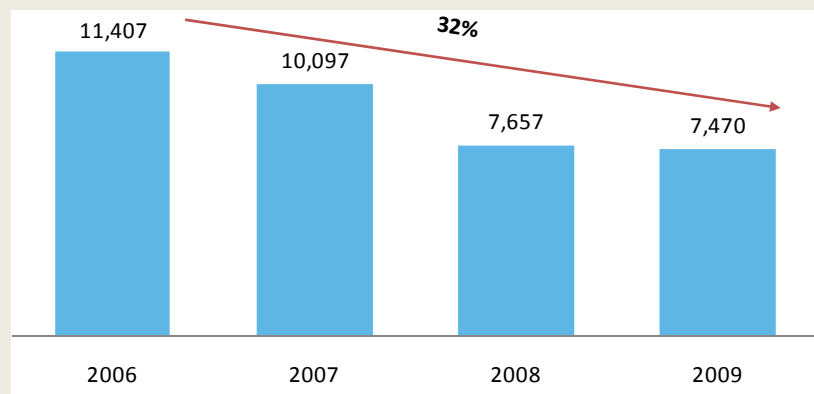


	2006	2010
No of Executives	13	9
Average Age	54	49

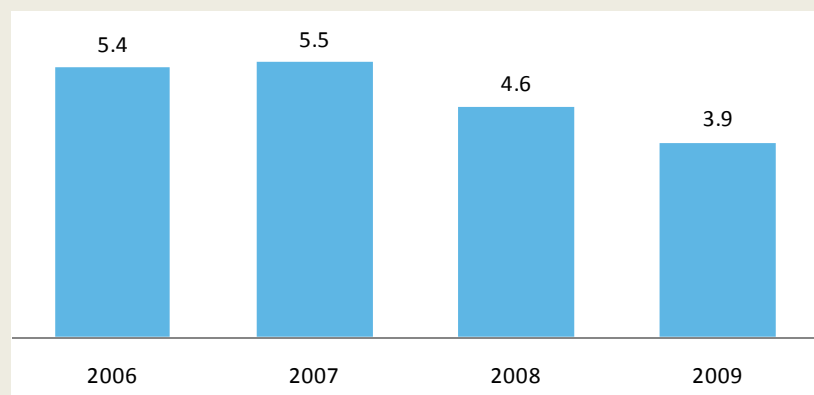


# Head count controlled whilst retaining talent

Total Headcount



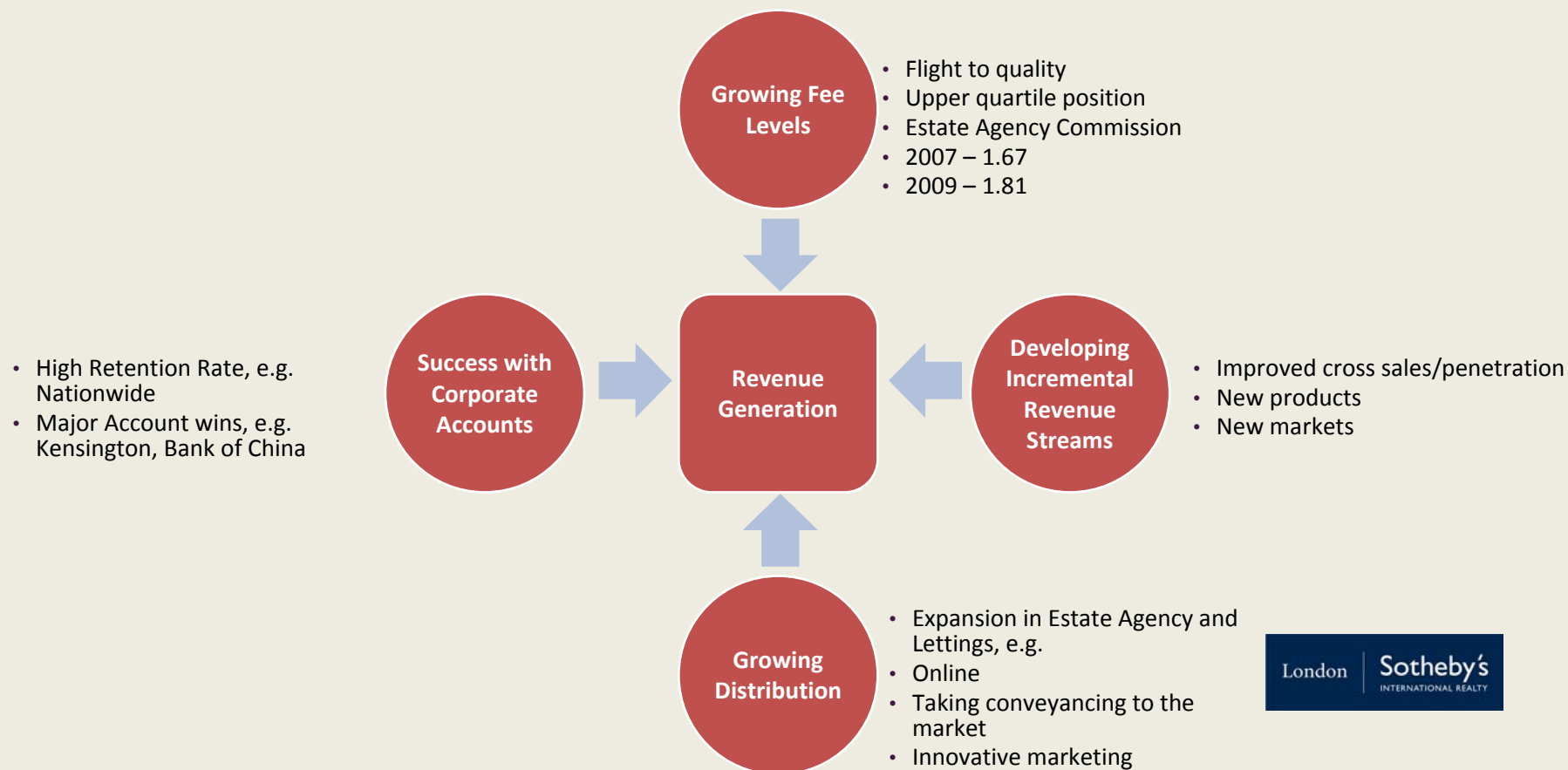
Average Staff/Branch



- Headcount reduced by 32%
- Mostly by natural attrition – no significant exit costs
- Now below any historical levels
- Re-base of previous productivity levels on a sustainably lower average number of staff per branch
- Upside to come as market recovers

## 2

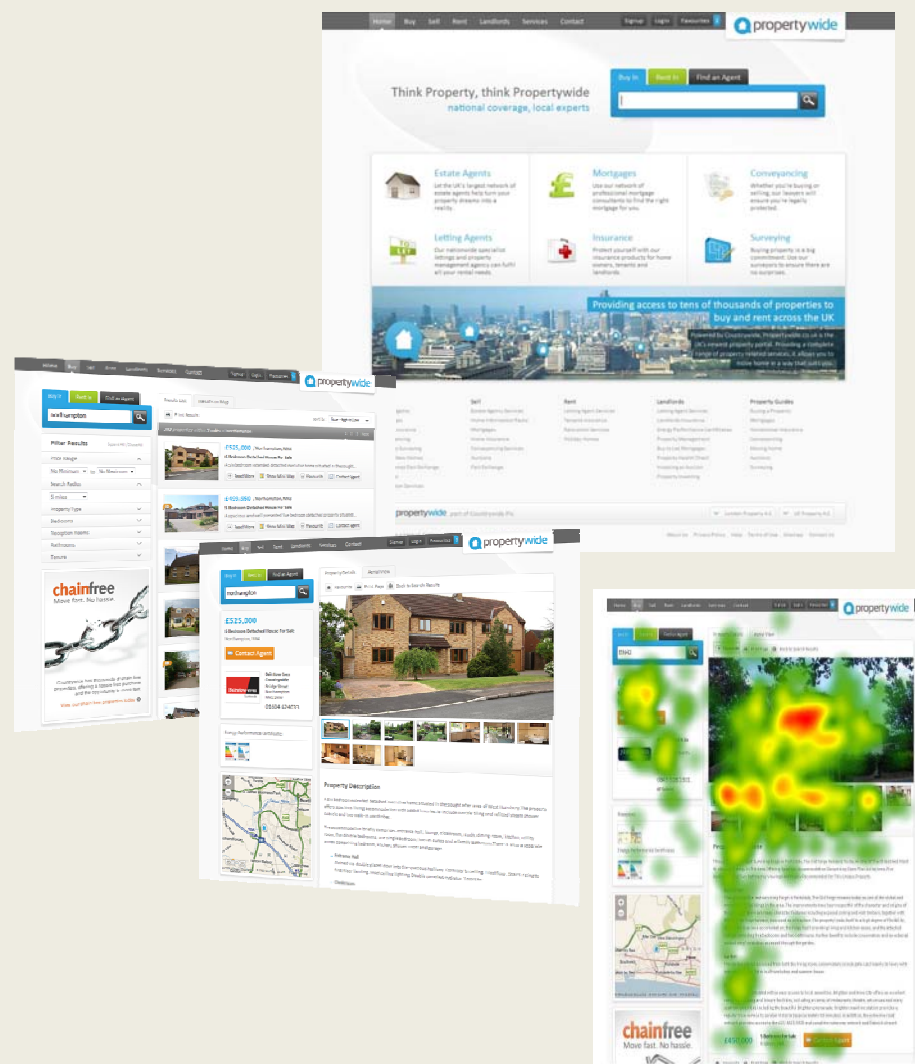
## Improved revenue generation



## 2

## Propertywide Update

- Launched – Sept 29<sup>th</sup> 2009
- Subsequent events
  - Traffic & leads very encouraging
  - Established a successful PPC campaign
  - Key roadmap items implemented
    - Extended search options
      - From 35k to 2.2m including postcodes, train & tube station
    - Did you mean
    - Promos filter
    - Nearby location
    - Premium display
    - Affiliates – Utilities & Storage

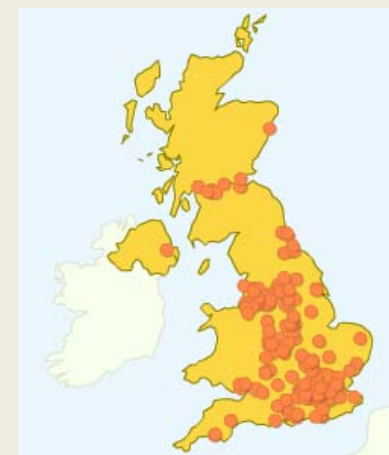
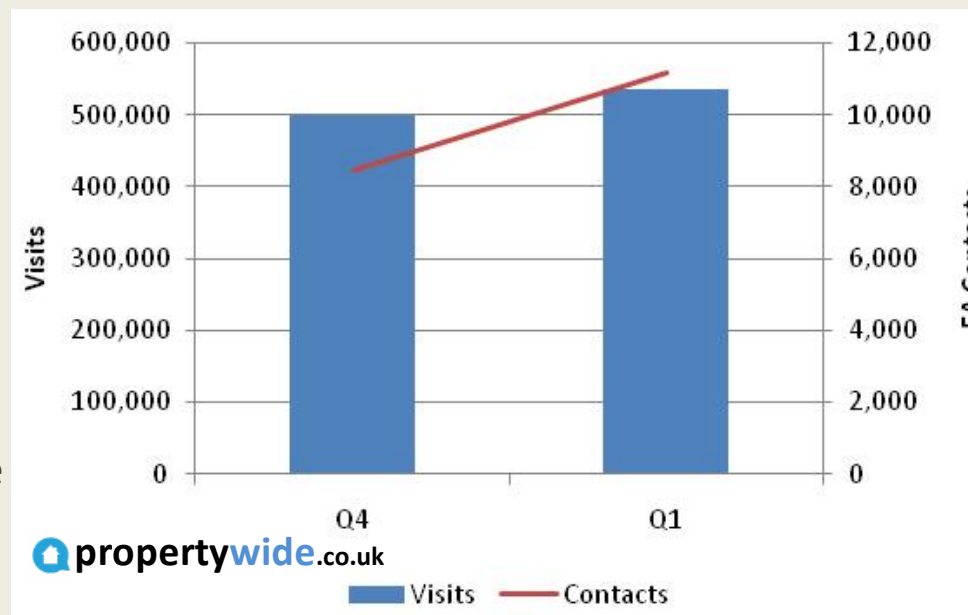




## 2

## Propertywide

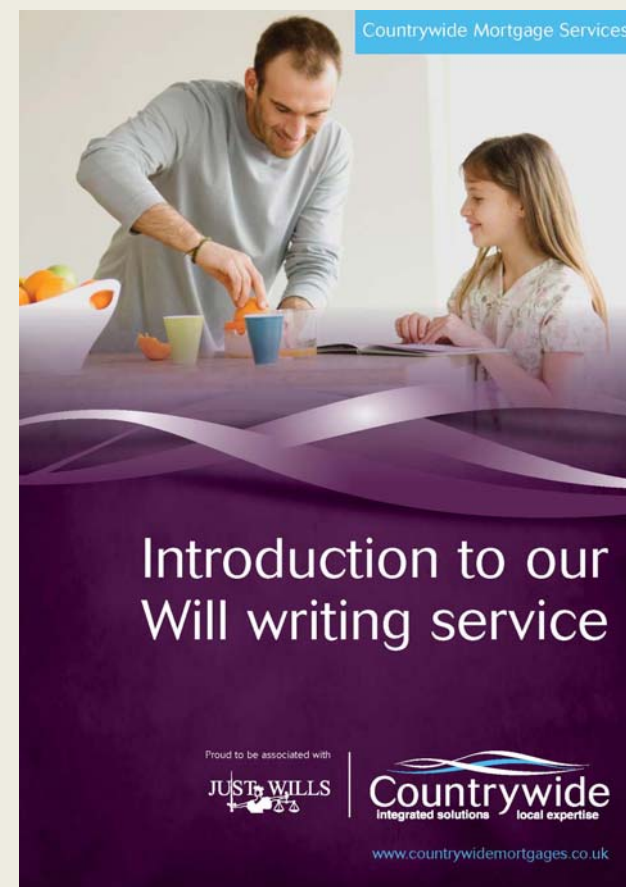
- **Visits**
  - up 8% quarter on quarter
  - on 1/3 of the PPC spend
- **Contacts**
  - up 33% - mainly through direct phone contacts
- **Site conversion**
  - improved by 23%
- **Page views**
  - up 40% quarter on quarter as each visitor is visiting 30% more pages and spending 5% longer on the site.
- **Google Cost per Click**
  - reduced by 60%
  - now in market leading price scale



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## Our Will Writing Service

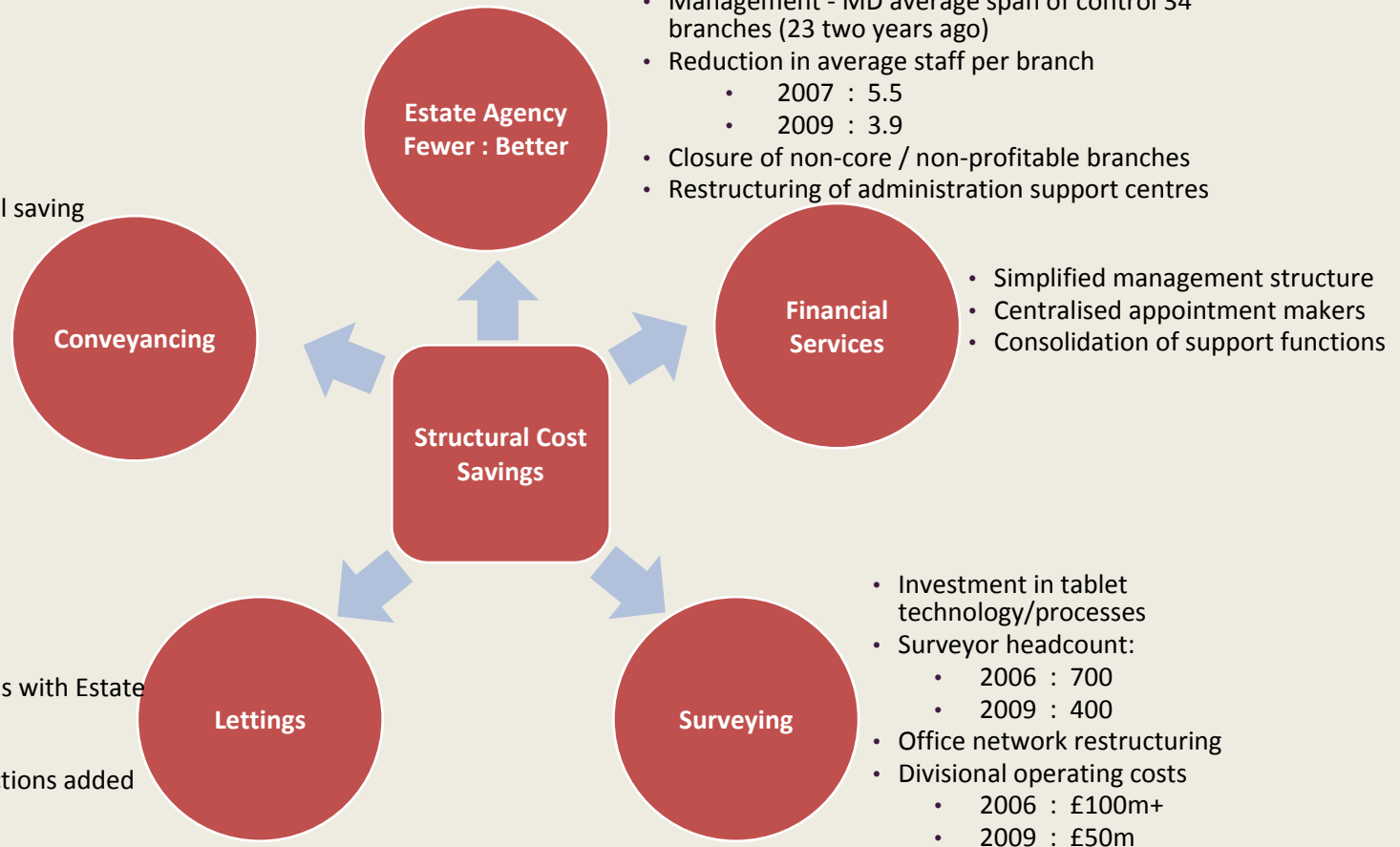
- Partnership with Just Wills
- National launch – March 2010
- Competitively priced products



## 3

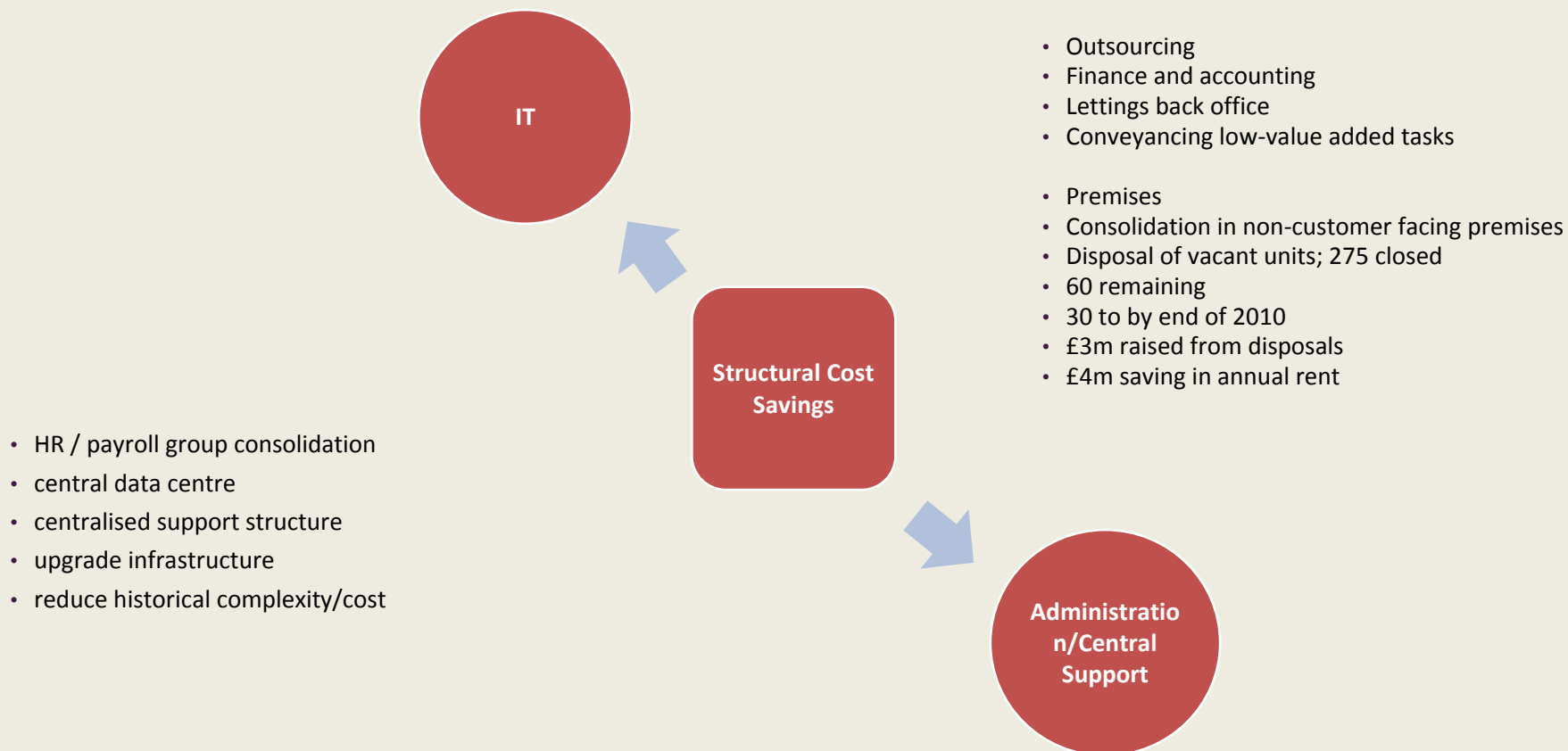
## Structural changes to the cost base

- Focus on cost per case
- Headcount:
  - 2006 : 550
  - 2009 : 300
- 3 centres → 2 / £3m annual saving
- Divisional operating costs
  - 2006 : £28m
  - 2009 : £12m



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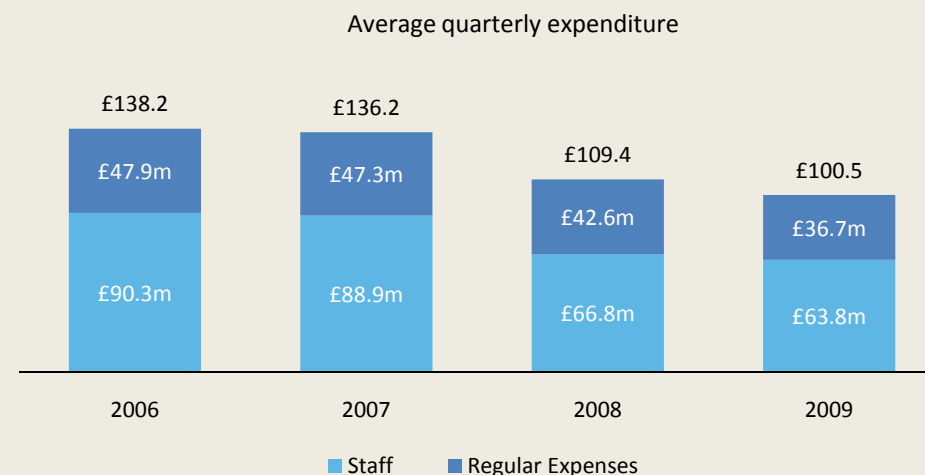
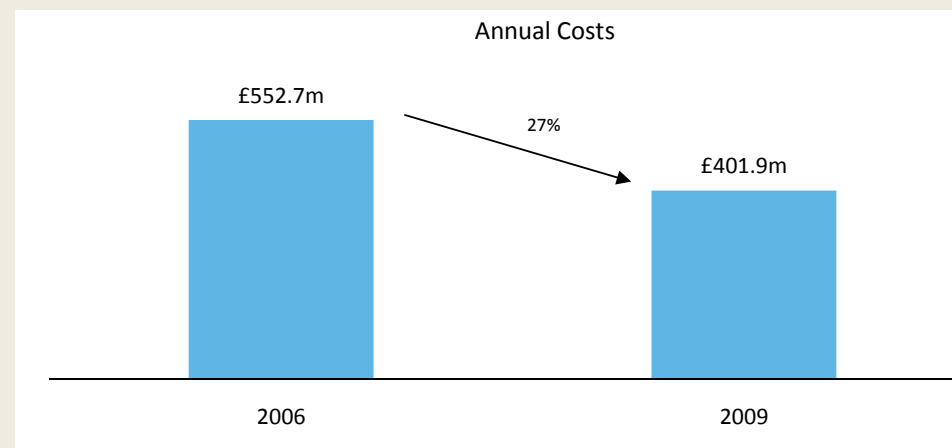
## Structural changes to the cost base (continued)



## 3

## Efficient cost structure prepared for recovery

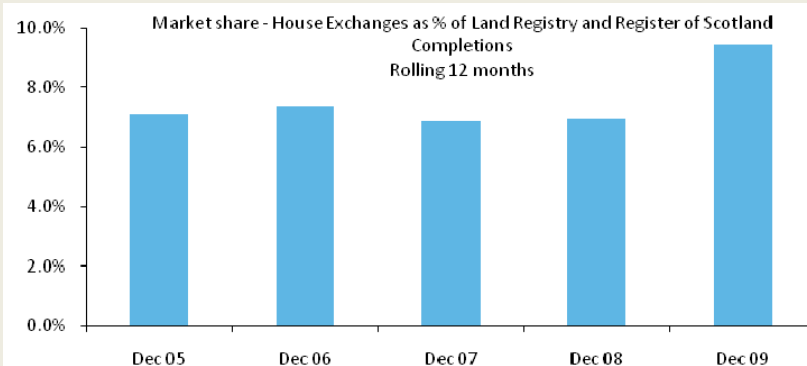
- Focus on structural cost savings by the removal of fixed costs and from re-engineering processing and service capabilities
- Structural changes across the Group
- Despite targeted investment in key areas:
  - Online
  - Corporate business development
  - IT infrastructure
- Approximately 30% of the £150m of savings are considered to be structural changes where costs will not return
- Cost base now set for current market with benefit to come as market volumes improves



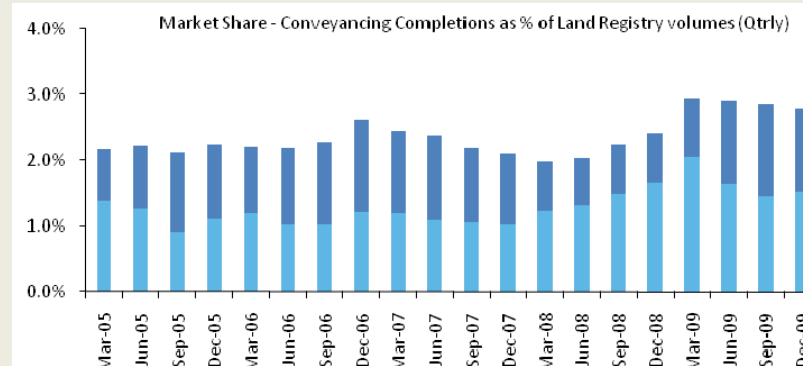
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# Countrywide gained market share in a very challenging environment

## Estate Agency



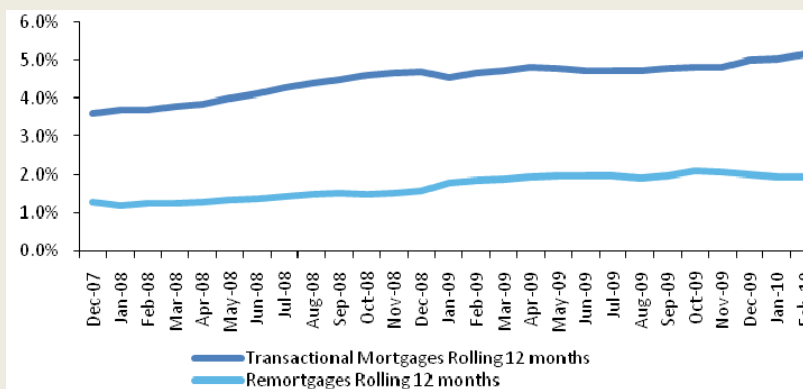
## Conveyancing



## Market Share Growth

- Market share v. fee levels
- Growth across all divisions
- Sustainability in recovering market
- Lettings – largest UK player in a highly fragmented market
- Surveying – increased market share of a much smaller market
- Auctions – 3rd largest player
- Asset management – 2nd largest player
- Land & New Homes – largest player

## Financial Services



## 4

## Recent campaigns – HIP cashback

- Home information Pack incentive
  - For sellers who pay upfront
  - Removes moving 'hurdles'
- Significant uptake, outperforming the market by some margin
- Market offensive: timed to offset any market slowdown resulting from the election.



**HIP**  
**CASHBACK**  
Offer\*

If you are delaying a move because of the cost of a **Home Information Pack** our **Cashback** offer is just what you need.

Why wait to sell?  
Call in today for further details or visit: [propertywide.co.uk](http://propertywide.co.uk)

\*Terms and conditions apply



## 4

## Recent campaigns - stamp duty

- Branch sales support
- Press coverage
- Removes moving 'hurdles'
- Market offensive: timed to capitalise on the government's decision to lift the stamp duty threshold for first time buyers to £250,000.

**NOW** is a great  
time to buy your  
first home

You can now purchase a property up to

**250k**

Saving up to £2,500

**TAX FREE**

Call for further details

propertywide.co.uk

4

## UK's Best Agent – voted for by customers!

The annual Estate Agent and Letting Agent Awards, known as the ESTAS, recognise the best offices in the UK for delivering outstanding customer service...



... The ESTAS are the only awards of their kind based purely on the votes of buyers, sellers and landlords

# Outlook and Summary

## Short Term Outlook

- Further market sensitivity is expected in 2010 with an underlying long term growth trend
- Restrained volume growth in 2010
- House price volatility
- Uncertainty surrounding the election and impact of change
- Mortgage availability and pricing look fragile in the short term

## Medium Term Outlook

- New entrants to the mortgage market
- House price stability and volume increases
- Increased barriers to entry in Estate Agency, Lettings, FS and Surveying

# Summary

Relentless progress on transformation programme

Continued focus on market share, structured cost reduction  
and revenue growth

Expansion and consolidation in key markets

Strong cash generation

Ready for double dip but geared for growth with significant upside as market  
returns