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**THIS IS AN ANNOUNCEMENT UNDER RULE 2.4 OF THE CITY CODE ON TAKEOVERS AND MERGERS (THE “CODE”) AND IS NOT AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE CODE. THERE CAN BE NO CERTAINTY THAT AN OFFER WILL BE MADE.**

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION.**

**FOR IMMEDIATE RELEASE**

**9 November 2020**

**Connells Limited**

**Statement re Countrywide plc**

The board of Connells Limited (“Connells” or “we”) notes the announcement by Countrywide plc (“Countrywide” or the “Company”) this morning and confirms that Connells has made an indicative approach to Countrywide in relation to a possible all-cash offer for Countrywide at a price of 250 pence per Countrywide share (the “Possible Cash Offer”), a premium of 72% to the closing price of 145 pence per share on the business day prior to this announcement.

Connells, one of the UK's largest high street estate agency and property services providers, approached the board of Countrywide on 26 October 2020 in relation to the Possible Cash Offer and is currently carrying out due diligence on Countrywide in order to determine the feasibility of making a firm offer for Countrywide.

The board of Countrywide has indicated that Countrywide is in urgent need of recapitalisation to reduce its net debt and lessen its exposure to its lenders. The board of Countrywide believes that, in the absence of a recapitalisation, Countrywide is unlikely to be able to execute its business strategy over the short and medium term and there is a risk that it could end up in administration, with Countrywide shareholders losing all or a substantial portion of their investment.

Countrywide's lenders have expressed an unwillingness either to provide Countrywide with additional financial covenant headroom or to extend the term of their debt commitments to Countrywide without an agreement by Countrywide to reduce the commitment of the lenders under the current credit facilities agreement by at least £50 million. Furthermore, they have indicated that they would not be supportive of a disposal strategy as a means by which to de-leverage Countrywide's balance sheet.

Connells believes that Countrywide needs a new management team, with real estate agency expertise, and a new strategy to turnaround the business. The enormous scale of the challenge that the new team will face can be seen by the fact that they will need to reverse the performance of a business that has lost over £500 million<sup>(1)</sup> pre-tax over the last three calendar years.

Connells also believes that significant and sustained investment is required in Countrywide's technology, network and people to put the business back on a solid footing in a challenging market. This required investment will reduce Countrywide's standalone profitability and cash flow in the short and medium term.

The proposed transaction with Alchemy (the “Alchemy Proposal”) would have resulted in Countrywide shareholders suffering material dilution at a discounted price and being exposed to significant ongoing risk. The business would have been operated by an unproven and, at least in part, unidentified management team, with an uncertain strategy, reduced shareholder protections, high cost debt, and ongoing exposure to a challenging market environment.

Connells' Possible Cash Offer, if made, would mean that Countrywide's shareholders could avoid the significant costs and risks associated with either the Alchemy Proposal or remaining an independent company, and would instead receive an immediate cash premium of 72% to the unaffected Countrywide share price.

Connells will assess the making of any firm offer for Countrywide in light of the current difficult market conditions, its due diligence findings, the level of additional investment that will be needed by Countrywide and the extent of the turnaround required in the business.

A further announcement will be made in due course.

### **Code matters**

The Possible Cash Offer does not constitute an offer or impose any obligation on Connells to make an offer, nor does it evidence a firm intention to make an offer within the meaning of the Code. Connells does not, therefore, regard it as forming the basis for an announcement pursuant to Rule 2.2(a) of the Code. Accordingly, there can be no certainty that any offer will ultimately be made, even if the pre-conditions below are satisfied or waived.

The making of any firm offer in accordance with Rule 2.7 of the Code will be subject to, amongst other things, satisfactory completion of due diligence, the recommendation of the board of Countrywide and the lapsing of the Alchemy Proposal. Connells reserves the right to waive any or all of these pre-conditions in whole or in part.

In accordance with Rule 2.6(a) of the Code, Connells must, by no later than 5.00 pm on 7 December 2020, either announce a firm intention to make an offer for Countrywide in accordance with Rule 2.7 of the Code or announce that it does not intend to make an offer for Countrywide, in which case the announcement will be treated as a statement to which Rule 2.8 of the Code applies. This deadline can be extended with the consent of the Panel on Takeovers and Mergers (the "Panel") in accordance with Rule 2.6(c) of the Code.

Pursuant to Rule 2.5 of the Code, Connells reserves the right to vary the form and / or mix of the offer consideration set out in this announcement. Connells also reserves the right to make the offer at a lower value:

- a) with the recommendation or consent of the board of Countrywide;
- b) if Countrywide announces, declares or pays any dividend or any other distribution or return of value to shareholders, in which case Connells reserves the right to make an equivalent reduction to the Possible Cash Offer and / or other offer terms;
- c) following the announcement by Countrywide of a whitewash transaction pursuant to the Code (other than the Alchemy Proposal); or
- d) if a third party announces a firm intention to make an offer for Countrywide pursuant to Rule 2.7 of the Code which, at that date, is valued at a lower price than the Possible Cash Offer referred to above.

Any firm offer in accordance with Rule 2.7 of the Code will be subject to customary terms and conditions for a transaction governed by the Code and the UK listing rules, including any required regulatory approvals.

(1) This amount is derived from the sum of Countrywide's losses before taxation of £37.9 million in 2019, £259.5 million in 2018 and £211.2 million in 2017, as reported in Countrywide's annual reports of 2019 and 2018.

### **Enquiries**

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## **Publication on a website**

In accordance with Rule 26.1 of the Code, a copy of this announcement will, subject to certain restrictions relating to persons resident in restricted jurisdictions, be available at <https://www.connellsgroup.co.uk/microsite> by no later than 12 noon (London time) on 10 November 2020. The content of the website referred to above is not incorporated into and does not form part of this announcement.

## **MAR**

The information contained within this announcement is considered by Connells to constitute inside information as stipulated under the Market Abuse Regulation (EU) No.596/2014. Upon the publication of this announcement via a Regulatory Information Service, this inside information will be considered to be in the public domain.

## **Important notice**

This announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase or otherwise acquire, subscribe for, sell or otherwise dispose of any securities, whether pursuant to this announcement or otherwise.

The release, publication or distribution of this announcement in jurisdictions outside of the United Kingdom may be restricted by law or regulation and, therefore, persons into whose possession this announcement comes should inform themselves about, and observe, such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Evercore Partners International LLP ("Evercore"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as financial adviser exclusively to Connells and no one else in connection with the matters described in this announcement and will not be responsible to anyone other than Connells for providing the protections afforded to clients of Evercore nor for providing advice in connection with the matters referred to herein. Neither Evercore nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Evercore in connection with this announcement, any statement contained herein, any offer or otherwise. Apart from the responsibilities and liabilities, if any, which may be imposed on Evercore by the Financial Services and Markets Act 2000 and successor legislation, or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither Evercore nor any of its affiliates accepts any responsibility or liability whatsoever for the contents of this announcement, and no representation, express or implied, is made by it, or purported to be made on its behalf, in relation to the contents of this announcement, including its accuracy, completeness or verification of any other statement made or purported to be made by it, or on its behalf, in connection with Connells or the matters described in this announcement. To the fullest extent permitted by applicable law, Evercore and its affiliates accordingly disclaim all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this announcement or any statement contained herein.

Clifford Chance LLP is retained as legal adviser to Connells.

## **About Connells**

Founded in 1936 and comprising nearly 600 branches nationwide, Connells group has grown into one of the UK's largest, most profitable high street estate agency and property services providers. In addition to operating under the Connells brand, the group trades under other well-known local names including Allen & Harris, Bagshaws Residential, Barnfields, Barnard Marcus, Brown & Merry, Fox & Sons, Jones & Chapman, Knight Partnership, Manners & Harrison, Roger Platt, Shipways, Swetenhams, William H Brown, Sharman Quinney, Burchell Edwards, Ashley Adams, Peter Alan, Rook Matthews Sayer, Paul Dubberley and Gascoigne Halman. As well as residential property sales and lettings, Connells group has a

comprehensive range of business to consumer and business to business services including new homes, mortgage services, conveyancing, surveying, corporate lettings, asset management, land & planning and auctions. Visit [www.connellsgroup.co.uk](http://www.connellsgroup.co.uk)

### **Disclosure requirements of the Code**

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.