21 May 2020
Countrywide plc (LSE: CWD)

Countrywide plc
Annual results for the year ended 31 December 2019 and COVID-19 update

2019 performance - Group returned to profitable growth

The Group's continuing business[1] made significant financial and operational progress in 2019, benefitting from its 'Back to basics' turnaround plan. This saw the Group return to profitable growth, with adjusted EBITDA pre-IFRS 16[2] up 16% year-on-year and, most importantly, our Sales and Lettings business returned to profit.

2019 results highlights

As outlined in the full 2019 Annual Report on Countrywide's investor relations website (https://www.countrywide.co.uk/corporate/investor-relations):

Year ended 31 December **Continuing operations**[1]	**2019** **£'000**	2018[3] £'000	Increase/ (decrease)
Total income	**498.1**	515.1	(3)%
Adjusted EBITDA[4]	**54.5**	n/a	n/a
Adjusted EBITDA pre-IFRS16[2]	**24.4**	21.1	16%
Operating profit before exceptional items	**35.8**	3.6	£32.2m
Exceptional items	**(57.7)**	(237.2)	£179.5m
Loss for the year from continuing operations	**(37.5)**	(224.4)	£186.9m
(Loss)/profit for the year from discontinued operations	**(4.2)**	6.3	£(10.5)m
Net debt pre-IFRS 16[6]	**82.9**	70.7	£(12.2)m

Continuing operations[1]

- Group income for the full year was £498.1 million, down 3% after absorbing £12.2 million impact of the tenant fee ban
- Adjusted EBITDA pre-IFRS 16[2] of £24.4 million was up 16% year-on-year and ahead of the Board's expectations
- Adjusted EBITDA[4] of £54.5 million
- Operating profit of £35.8 million[5] (2018: £3.6 million) before £57.7 million of exceptional costs (principally non-cash exceptional charges for goodwill and other non-current asset impairments (2018: £237.2 million)) with a net loss for the period of £37.5 million (2018: £224.4 million)
- Net debt pre-IFRS 16[6] £82.9 million (2018: £70.7 million) with net debt/adjusted EBITDA pre-IFRS 16[2] 3.4x (2018: 2.2x).

Sales and Lettings

- Returned to growth in profitability with adjusted EBITDA pre-IFRS 16[2] of £3.8 million (2018: loss £2.4 million)
- Sales transaction volumes were up 3% on a like-for-like basis after adjusting for the impact of branch closures
- Total Sales volumes for the year were 3% lower resulting in an income reduction of 5%
- Lettings income was down 5% (£8 million) after mitigating the gross loss of tenant fee revenues of £12.2 million from 1 June 2019

Financial Services

- A resilient performance with adjusted EBITDA pre-IFRS 16[2] in line with the prior year at £16.5 million
- Income was down 2% to £82 million, lower as a result of transactional volumes from estate agency sales and fewer mortgage consultants, in line with a reduced branch network
- Gross mortgage distribution for the Group increased by 3% to £20.9 billion

B2B

- A good performance in each of our surveying, conveyancing and asset management businesses with income up 2% year-on-year
- Adjusted EBITDA pre-IFRS 16[2] of £17.7 million was down 11% (2018 included one-off benefits in relation to professional indemnity; on like-for-like basis adjusted EBITDA pre-IFRS 16[2] would be 7% higher in 2019)

Discontinued operations[1] - LSH

- In December 2019, the Group agreed the sale of our non-core commercial business, Lambert Smith Hampton (LSH). Following exchange of contracts and shareholder approval, the buyer, Mr John Bengt Moeller, failed to complete the transaction. The Group has terminated the sale with Mr Moeller and is pursuing him for damages and costs. Meanwhile, the Group is continuing discussions with another interested purchaser that actively expressed an interest in LSH during the delayed completion period.
- LSH income was down 9% to £101.9 million and adjusted EBITDA pre-IFRS 16 down by 64% year-on-year to £4.2 million

COVID-19 update

As noted in the update provided on 30 April 2020, the Group saw a positive start through the end of February in agreed sales which continued during March, with the pipeline of agreed sales 9% ahead year-on-year through the first 12 weeks of the year. The pipeline remained resilient and stood at approximately £50 million, ahead year-on-year. Equally, we continued to see the benefits of the recurring income from approximately 86,000 properties we manage across the UK on behalf of private and investor landlords and our book of general insurance policies.

Following the Government's announcement on 12 May 2020 of the re-opening of the housing market in England, the Group has undertaken a comprehensive risk assessment of our business operations to ensure the health and safety of colleagues and customers, and begun phased re-opening for business across all of our operating channels, including physical branches and valuation visits in addition to the continuation of web-chat and telephony contact.

We have accelerated the expansion of our virtual viewing offerings, adapting to social distancing measures, and we are offering our customers online mortgage advice. This way of working is resonating well with our colleagues and customers who are appreciative of this multi-channel choice of engagement, providing support and advice whilst allowing everyone to stay safe.

For the four months to 30 April 2020, the Group benefited from positive trading in the first quarter, and the strong pipeline build before lockdown. Adjusted EBITDA[4] to 30 April 2020 was significantly ahead of prior year for continuing operations[1], and the Group's cash position remains strong, with liquidity at 20 May 2020 of £60 million. In order to provide additional liquidity, the Group continues to explore the availability of funding available to large businesses under the Coronavirus Large Business Interruption Loan Scheme.

Outlook

We continue to actively monitor the effect of the COVID-19 situation. The Board's priority remains the safety of our colleagues and customers; to provide essential services to our customers; to preserve and protect the future of the business for our people; and to conserve cash and to manage the Group through the coronavirus pandemic.

Whilst the housing market in England was re-opened on 13 May, it is too early to assess the impact on housing transactions, and the Group is therefore unable to provide guidance on future profitability.

Annual General Meeting

A hard copy version of the 2019 Annual Report and the Notice of Annual General Meeting 2020 ('AGM Notice') will be sent to those shareholders who have elected to receive paper communications on or about 29 May 2020. The AGM Notice will be made available to shareholders who have not elected to receive paper communications on the same date.

(1) The Group's continuing business comprises the continuing operations under IFRS 5 of the residential sales and lettings business, financial services and B2B businesses including surveying, conveyancing and asset management. Lambert Smith Hampton is reported as a discontinued business in our 2019 Annual Report

(2) Earnings determined using pre-IFRS 16 lease accounting principles (see note 2(c) of our 2019 Annual Report for further details of the impact of IFRS 16) before interest, tax, depreciation, amortisation, exceptional items, employment-linked contingent consideration, share-based payments and share of profits from joint venture, referred to hereafter as adjusted EBITDA pre-IFRS 16

(3) Restated from prior year following the reallocation of Countrywide Residential Development Solutions (CRDS) and Auctions business units from B2B into Sales and Lettings (see note 4 of our 2019 Annual Report).

As reported in our 2019 interim results, we transferred our Countrywide Residential Development Solutions (New Homes) and Auctions businesses from B2B to Sales and Lettings. A summary of the restatement for the 2018 results, along with the exclusion of the LSH discontinued operations for the comparative period, can be found below:

Restatement of the 2018 Income, Adjusted EBITDA and KPIs	As stated in 2018 financial statements: Income, Adjusted EBITDA and KPIs		Revised following restatement and classification of discontinued operations	
£m	Income	Adjusted EBITDA	Income	Adjusted EBITDA
Sales and Lettings	329.2	1.2	343.0	(2.4)
B2B	213.3	27.9	87.5	20.0
Financial Services	83.9	16.6	83.9	16.6
Central costs	0.7	(13.1)	0.7	(13.1)
Total continuing operations	**627.1**	**32.7**	**515.1**	**21.1**
Discontinued operations			112.0	11.6
Total Group			**627.1**	**32.7**
KPIs	Sales and Lettings	B2B	Sales and Lettings	B2B
House exchanges	43,769	3,059	46,828	-
Properties under management	86,415	38,599	87,033	-
FTE (average across the period)	5,467	2,540	5,670	1,034

(4) Earnings before interest, tax, depreciation, amortisation, exceptional items, employment-linked contingent consideration, share-based payments and share of profits from joint venture, referred to hereafter as adjusted EBITDA (see note 4 of our 2019 Annual Report)

(5) Operating profit before exceptional items, amortisation of acquired intangibles, employment-linked contingent consideration, share-based payments and share of profits from joint venture

(6) Net debt calculated before the effect of IFRS 16 and leverage calculated on the basis of net debt to adjusted EBITDA pre-IFRS 16 on a rolling 12 month basis

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