



## Financial Results for the six months ended June 30 2014

# Executive Summary (Grenville Turner)

## Market

- Constant newsflow on property market
  - London house price trends
  - BoE regulation of mortgage market
  - impact of MMR (Mortgage Market Review)
  - uncertainty over interest rates
- Putting London into context
  - 14% of transactions in London
  - less than 1% of market transactions in Prime Central London
- Putting house prices into context
  - 5% growth in last 12 months excluding London
- As expected, MMR has temporarily impacted on pace of growth:

	<u>Q1 2014</u>	<u>Q2 2014</u>	<u>YTD 2014</u>
BoE mortgage approvals	+33%	+11%	+22% (to June)

	<u>Q1 2014</u>	<u>April</u>	<u>YTD 2014</u>
Land Registry transactions	+35%	+30%	+34% (to April)

- Market broadly in line with our expectations
- Help to Buy achieving its objectives
- Continued measured approach to market expectations

# Executive Summary

## 2014 H1 Results

- Strongest H1 financial result in last 7 years
- Progress across entire Group
- Resilient market share in an expanding market
- Appointed as key partner for Barclays Bank on valuations
- Excellent progress from acquisitions including Tucker Gardner, Preston Bennett and Lambert Smith Hampton
- Lettings growth and investment continues
- Strategic investment continues
- New policy on capital returns:
  - increased normal dividend pay-out
  - clear target on additional payments
  - first special dividend £20m (Sept 2014)

## Outlook

- Despite recent trends, market in line with our full year expectations (growth of 10 – 15%)
- Continued diversified investment underpins resilience of business
- Overall strategy remains robust
- Board composition now finalised
- Group in line to deliver our 2014 profit expectations
- Significant cash returns to shareholders now underway

## Financial Summary (Jim Clarke)

	2014 H1	2013 H1	Change
Income	£334.5m	£258.8m	+29%
EBITDA **	£45.0m	£26.4m	+70%
Profit before Tax*	£37.1m	£12.3m	+202%
Earnings per Share **	12.6p	5.3p	+138%
Interim Dividend	5.0p	2.0p	+150%
Special Dividend	9.0p	-	
Total Dividend	14.0p	2.0p	

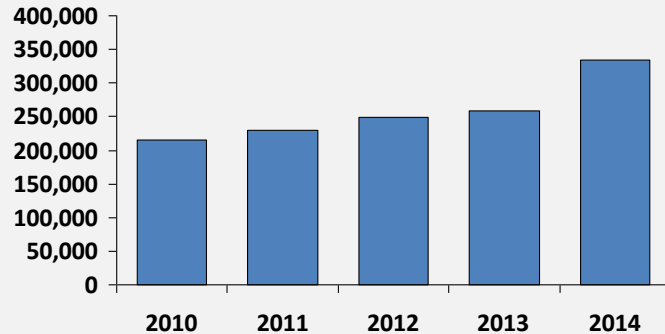
\* Before exceptional items, amortisation of intangibles and share-based payments

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

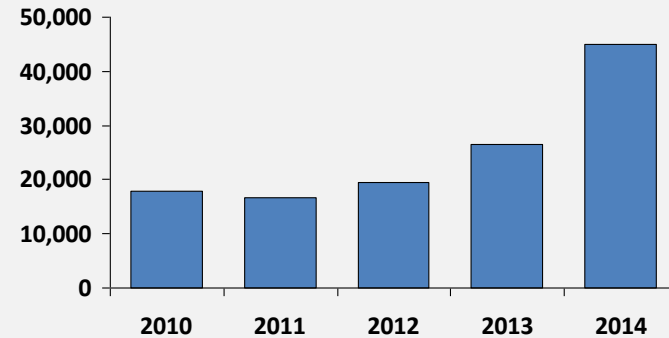
- **Clear consistent strategy delivers strong financial performance**
- **Double digit underlying growth across all divisions**
- **EBITDA margin improvements across entire Group (13.5% v. LY 10.2%)**
- **PI trends in line with expectations**

## 5 Year H1 Trends

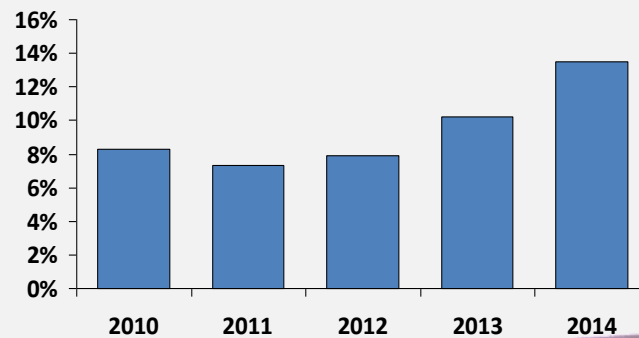
INCOME (£000)



EBITDA (£000)



EBITDA MARGIN



## Estate Agency (EA)

	2014 H1		2013 H1
	<u>£m</u>		<u>£m</u>
• Income	<u>101.3</u>	+17%	<u>86.9</u>
• EBITDA	<u>7.1</u>	+264%	<u>1.9</u>
• EBITDA Margin	<u>7.0%</u>		<u>2.2%</u>

- +23% YoY increase on sales agreed with +20% increase on house exchanges
- Pipe-line conversion taking longer
- June 2014 pipeline +£15m v. 2013
- Average cash fee broadly flat
- Q1 market share in line with full year 2013
- Continued investment in operations that improve service levels and reduce cost base

## London & Premier (L&P)

	2014 H1		2013 H1
	<u>£m</u>		<u>£m</u>
• Income	<u>57.8</u>	+15%	<u>50.3</u>
• EBITDA	<u>10.4</u>	+37%	<u>7.6</u>
• EBITDA Margin	<u>18.1%</u>		<u>15.1%</u>

- London becoming a more balanced market:
  - Jan 2014 - stock down / applicant numbers up v. last year
  - June 2014 - stock up / applicant numbers down v. last year
- Positive ripple effect into home counties
- Continued progress in residential development
- Hamptons London lettings
  - income +10% in H1 2014
- Continued expansion
  - Stanmore / Greenwich / Blackheath/ Canary Wharf
  - new locations planned in Salisbury and Taunton

# Lettings

	2014 H1		2013 H1
	<u>£m</u>		<u>£m</u>
• Income	<u>64.3</u>	+20%	<u>53.5</u>
• EBITDA	<u>17.6</u>	+44%	<u>12.2</u>
• EBITDA Margin	<u>27.4%</u>		<u>22.9%</u>

- Acquisitions Programme continues with 16 deals costing £25m (including Tucker Gardner) completed this year
- Organic expansion continues:
  - new Starts continue to mature, underlying profit up to £1.6m from a break-even position in H1 2013
  - selective New Openings – 6 in H1 2014
- Setting the benchmark for lettings
  - launch of industry leading Online Landlord Portal
  - won 22 Lettings Industry Awards YTD - including 2, National Large Lettings Chain, Gold Awards



# Financial Services

	2014 H1		2013 H1
	<u>£m</u>		<u>£m</u>
• Income	<b>33.2</b>	+13%	29.5
• EBITDA	<b>5.4</b>	+29%	4.2
• Underlying EBITDA*	<b>5.9</b>	+42%	4.9
• Underlying EBITDA Margin	<b>17.9%</b>		14.2%

\* Before investment in mortgage consultants

- Exchanged mortgages:
  - Q1 +34%
  - Q2 +17%
- Impact of MMR as expected:
  - longer first appointments
  - longer service delivery times
  - will distort Q2 /Q3 trends
- Investment in core sales force consultants
  - H1 2014 669 (H1 2013: 575)
  - now at optimum level
- H1 market share in line with full year 2013
- 2014 mortgage market
  - gross expected to be £200bn / +15% v. 2013
  - increased level of fixed rate mortgages means consumers now much better protected from any higher interest rate environment

# Surveying and Valuation

	2014 H1		2013 H1
	<u>£m</u>		<u>£m</u>
• Income	<u>28.1</u>	+11%	<u>25.4</u>
• EBITDA	<u>4.8</u>	(-4%)	<u>4.9</u>
• Underlying EBITDA*	<u>6.2</u>	+25%	<u>4.9</u>
• Underlying EBITDA Margin	<u>22.0%</u>		<u>19.5%</u>

- Average fee rising year on year by 12%
- Significant tender success which sees the addition of Barclays Bank as a key business partner and launch of the contract from 1st July
- 90% pass rate on trainee development programme
- Mortgage Strategy Award for Best Panel Manager continues the award winning performance with a sharp focus on risk and audit

\* Before investment in surveyor graduate programme

# Conveyancing

	2014 H1		2013 H1
	<u>£m</u>		<u>£m</u>
• Income	<u>13.5</u>	+11%	<u>12.1</u>
• EBITDA	<u>3.8</u>	+11%	<u>3.4</u>
• Underlying EBITDA*	<u>4.0</u>	+16%	<u>3.4</u>
• Underlying EBITDA Margin	<u>29.4%</u>		<u>28.3%</u>

\* Before investment in conveyancing trainee programme

- In house pipelines up 34% at H1
- Acquired Bridgend office performing in line with expectations and now carrying almost 13% of in house Conveyancing pipelines
- Training school on plan with 23 trainee lawyers taken on since the beginning of the year
- Capacity build through Bridgend office and trainee schools totalling 21% in H1 2014

# Lambert Smith Hampton

	2014 H1		Pro-Forma 2013 H1	
	<u>£m</u>		<u>£m</u>	
• Income	<u>33.7</u>	+9%	<u>30.9</u>	<ul style="list-style-type: none"> <li>Investment in fee generating headcount</li> <li>Significant contract wins across a number of sectors and key clients, eg: Metropolitan Police, National Express, Homes &amp; Community Agency</li> <li>Appointed as advisor to Cerberus on £5bn non-performing loan portfolio</li> <li>Acquisition of BTW Shiells (largest property consultancy in N. Ireland)</li> <li>Continuing interaction with rest of Countrywide group to drive business opportunities</li> </ul>
• EBITDA	<u>3.2</u>	+14%	<u>2.8</u>	
• EBITDA Margin	<u>9.4%</u>		<u>9.0%</u>	

## Conversion of Revenue to Profit

	Revenue (£m)		EBITDA (£m)
• YOY increase	75.7		18.6
➤ Less : Lambert Smith Hampton	(33.7)		(3.2)
➤ Less: 2014 Acquisitions	(5.1)		(1.7)
➤ Less : Residential Investment Vehicle	(0.2)		0.2
➤ Add : Non-recurring costs (Restructuring)	-		0.5
➤ Add : Investment in graduate programme / customer care centres	-		3.1
	36.7		17.5
	<b>L</b> ➔		<b><u>48%</u></b>

# Residential Property Vehicle

- In advanced discussions with major institutional investors with a view to launching a Residential Property Investment Vehicle in H2 2014
- Seed capital investments continue, with a third property due for completion soon to bring total seed investments to circa £13m. Return on these investments is ahead of expectations to date

## Medlock Place, Manchester



- A self-contained block of 30 apartments located in East Manchester in an area recently connected to the city's tram system and earmarked for regeneration investment
- Acquired for ~£2m at an unlevered gross yield of 8.5%

## Mica Point, Birmingham



- 62 apartments in a series of low rise buildings located near central Birmingham, 5 minute walk from the city centre
- Acquired for ~£8m at an unlevered gross yield of 7.4%

## Heathcoat House, Nottingham



- A self-contained block of 46 apartments located in Nottingham city centre close to rail and tram station, Broadmarsh Centre and Lace Market
- Acquired in July 2014 for ~£3.5m at an unlevered gross yield of 8.6%

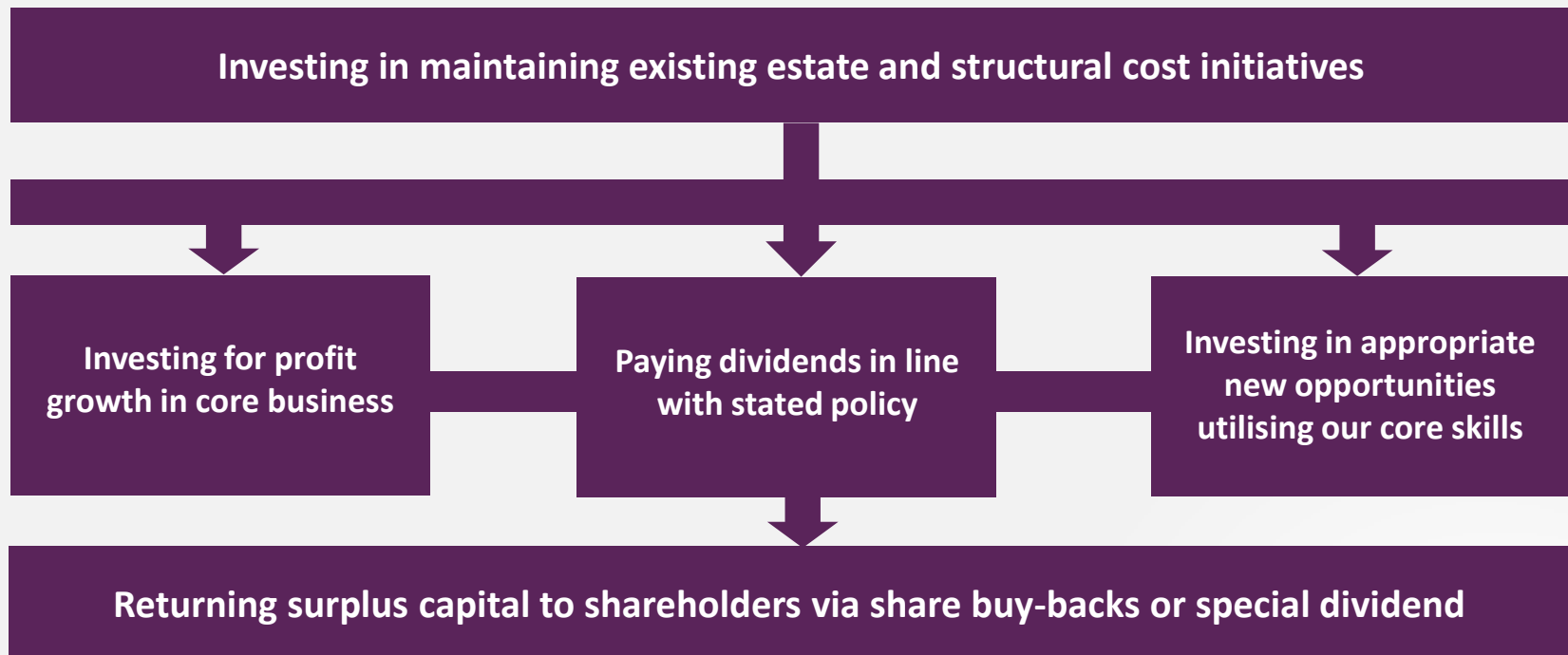
## Capital Structure and Leverage

			H1 2014 £m
• June 2014	- Term loan	100.0	
	- RCF	10.0	
	- Cash	(43.5)	
	- Other	7.6	
	- Net debt	<u>£74.1m</u>	
• Leverage (times)		0.7	
• Undrawn facility		£40m	
• Total facility <b>£150m</b> / matures 2017			
• Targeting modest leverage going forward			
• Cash from operations			43.8 *
• Movement in working capital and provisions			(16.4)
• Interest and tax			(8.3)
• Acquisitions			(29.5)
• Capex			(10.0)
• Purchase of assets / investments			(11.4)
• Zoopla proceeds			19.3
• Dividends paid			(13.2)
• Increase in net debt			<u>£25.7m</u>

\* 97% of EBITDA

## Capital Allocation

- Strong cash flow generation / minimal cost of servicing debt
- No change to capital allocation priorities





## Dividend Policy – Capital Returns

### Underlying Dividends

- Target return increased from 25-35% of earnings to 35 – 45% from 2014

### Supplemental Returns

- Assuming continuation of market recovery and in the absence of any major acquisition
- Target an additional 25% of earnings from 2015

### Plus One-offs

- £20m Zoopla proceeds distributed 2014
- Monitor on-going options

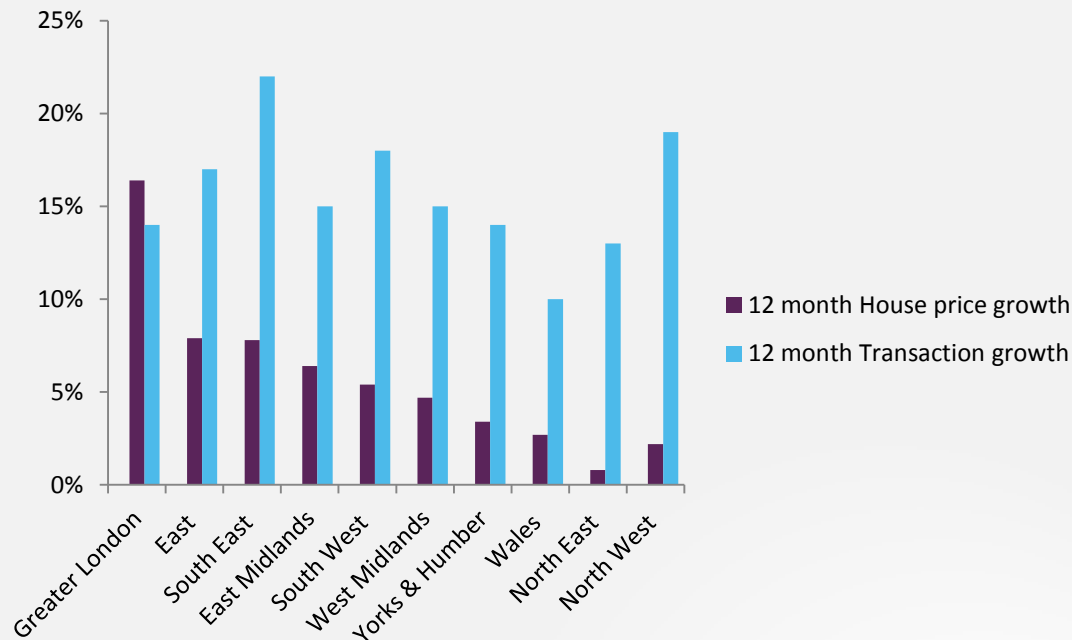
## Financial Summary

- Strong growth in income, profits and margins
- Continuing investment in value creating acquisitions
- Healthy cash generation / modest debt levels
- Increased underlying dividend target
- Further opportunity for shareholder returns

## The Last 12 Months – Transactions and Prices

- House price growth in London running at 16.4%, compared to 6.4% nationally (or 5.3% stripping out London)
- 35% rise in transactions over last 12 months. Strongest growth in areas outside London

### 12 month house price and transaction growth

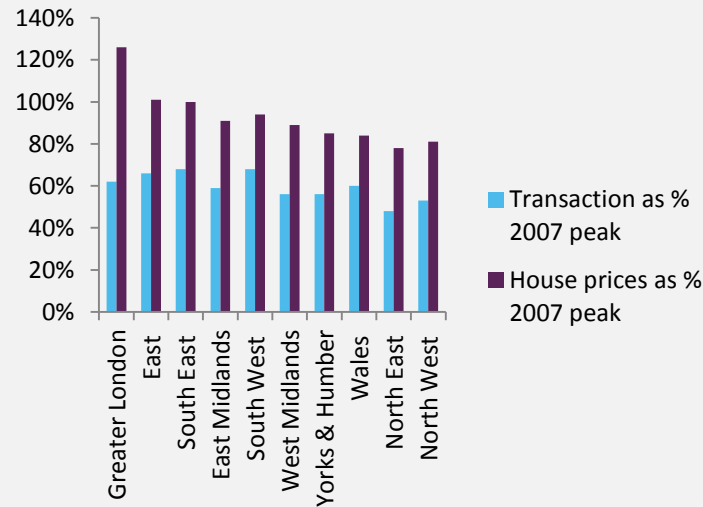


Source: Land Registry 2014

## Against 2007 Peak

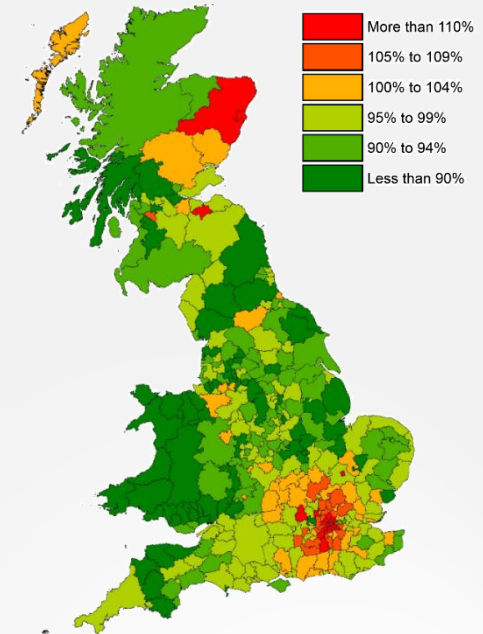
- Average home in England and Wales worth 97% of its 2007 value, or 94% excluding London
- HPI in London means a home is now worth 126% of 2007 price, more than 150% Kensington and Chelsea
- Transactions remain well below 2007 (and long term average)

**House prices and transactions vs 2007 levels**

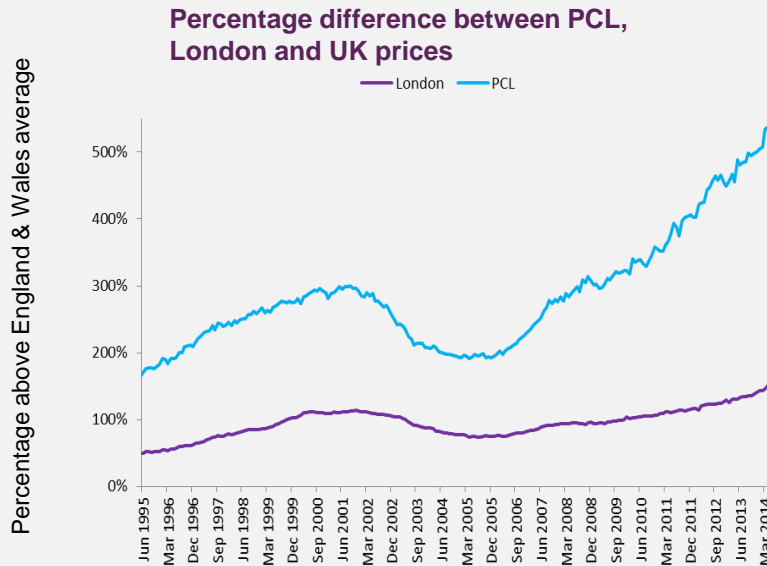


Source: Land Registry 2014

**Prices  
May 2014 v. 2007 Peak**

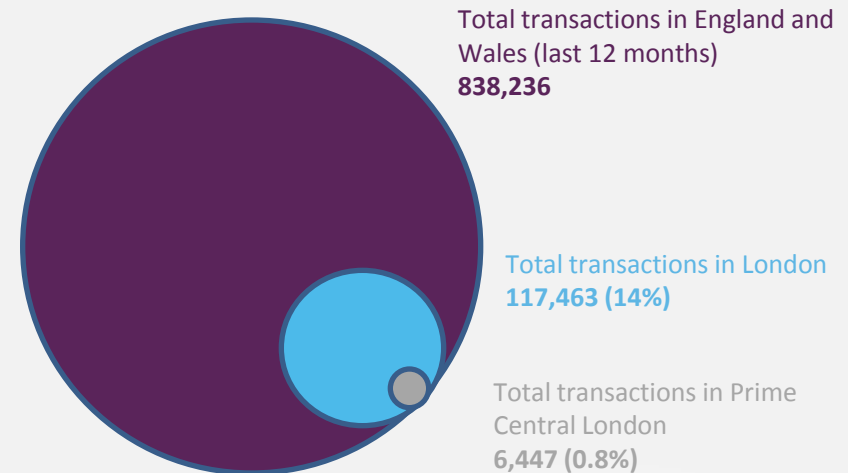


## The London Premium



- The average PCL London home is now worth 547% more than the average house in the UK. London as a whole stands 156%, or £268,000 above the UK average
- Largest gap (in both percentage of cash terms) after a period of rebalancing between 2002 and 2006

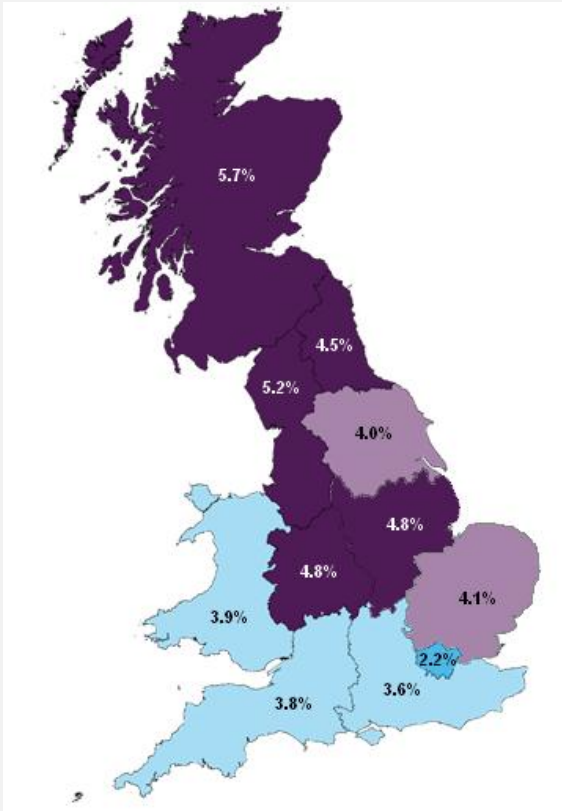
## Putting London into Context



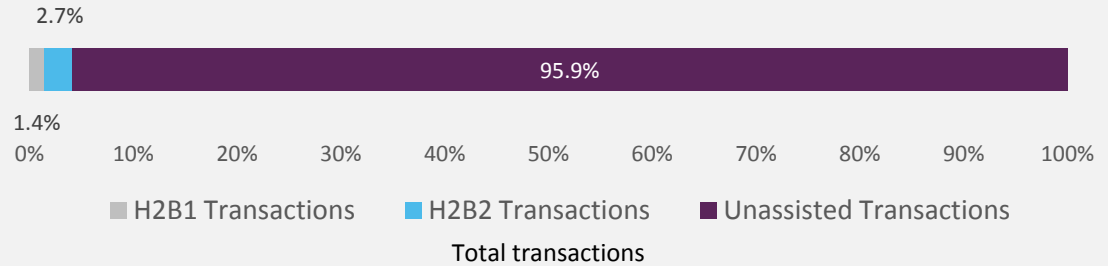
Source: Land Registry 2014

# Projected size of Help to Buy market (2014)

It is important not to over estimate the impact of Help to Buy. In 2014 nearly 96% of the market (99% in London) will not involve Help to Buy



Source: Countrywide plc 2014



	H2B1 % of total mortgages	H2B2 % of total mortgages	Total H2B as a % of total mortgages
London	0.6%	1.6%	2.2%
South East	1.3%	2.3%	3.6%
South West	1.4%	2.4%	3.8%
Wales	1.4%	2.5%	3.9%
Yorkshire & Humber	1.5%	2.5%	4.0%
East of England	1.5%	2.6%	4.1%
North East	1.8%	2.7%	4.5%
East Midlands	2.2%	2.6%	4.8%
West Midlands	1.7%	3.1%	4.8%
North West	1.8%	3.4%	5.2%
Scotland	0.7%	5.0%	5.7%

## Further Expansion - Acquisitions

- Preston Bennett – an EA and Land and New Homes business based in Stanmore, North London
- Humphreys Skitt & Co – a two branch EA business in Blackheath and Greenwich
- The country lettings portfolio of Humberts Ltd – seven portfolios in areas including Taunton, Chichester, Marlborough and Salisbury
- Runnett & Co – a conveyancing firm based in Bridgend, Wales
- BTW Shiells – a commercial property consultancy based in Northern Ireland

## Further Expansion - Lettings Deals – 16 Completed



Jan 14 – Cambridge

Jan 14 - Winchester

Feb 14 – Manchester

Mar 14 – Penzance



Apr 14 – Romsey

Apr 14 – Paignton

Apr 14 – Sunninghill

Apr 14 – Nottingham



Apr 14 – Cheltenham

May 14 – Rochester

May 14 – Worcester

Jun 14 – Clapham



Jun 14 – Banbury

Jun 14 – Ramsgate

Jun 14 – Basildon

Jun 14 - Nottingham



# Leading the industry – Marketing Balancing New With Trusted Channels

Interim Results 30 June 2014

Interim Results 30 June 2014

## 2014 National Marketing Campaigns

### Radio



Option Two –  
Evenings/Overnights/Weekends  
Heart Sussex

#### Radio Schedule

Station	Reach	Reach %	Spots	OTB	Spots/Sec	Costs
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Heart Sussex	368,000	26.3	280	8.9	2,077,000	£8,477
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#### Laydown - Weeks 1 - 5

Day	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Start	End
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OVE	3	3	3	3	3	3	3	0000-0600	
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BRK						2	2	0600-1000	
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MOR						2	3	1000-1300	
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DAY								1300-1800	
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DRV						3	2	1800-1900	
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EVE	3	3	3	3	3	3	3	1900-0000	
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Target Audience: All Adults 16+

Commercial Length: 30 seconds

Dates: 5 weeks

Audience Data: Heart Sussex broadcasts to a survey area of 1,400,000 adults (aged 16+).

It is listened to by 332,000 people 24 hours each week. Each listener tunes in for 7.7

days per week, a total of 2,573,000 hours in 5 weeks, that is 5.7 million minutes.

The new Heart Sussex is the largest commercial radio brand in the UK, reaching 15 million adults

every week. Heart Sussex audience are 35-44

adults. The playlist is driven by passion, playing

various musical genres, from pop to the

70s, 80s and 90s - alongside the best songs

from today. Heart is programmed to be heard

through the day and evenings, keeping you going

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They work.....

- OPEN House Weekend 17<sup>th</sup> - 18<sup>th</sup> May

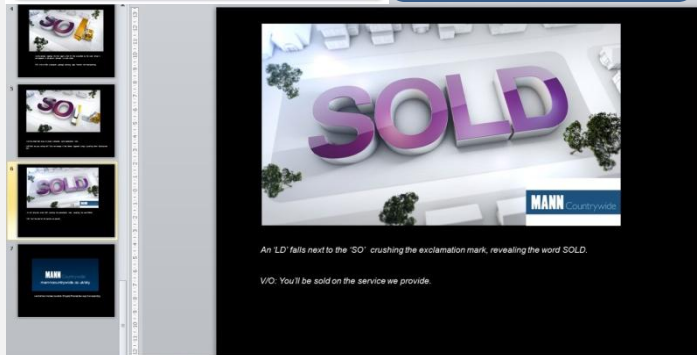
campaign overview.....

- 3 versions of creative to tie in with Ten Ticks - offline & online options.
- Nearly 10,000 properties featured
- Over 40,000 viewings of these properties during the campaign
- Over 1,900 properties featured sold (STC) during the campaign

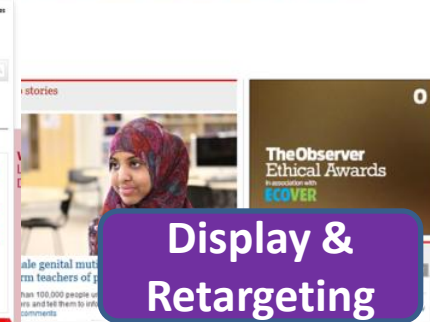
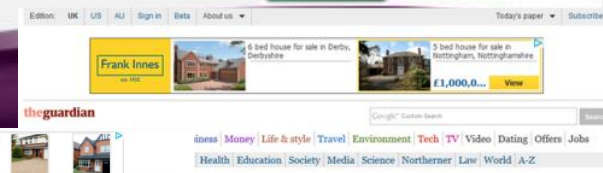


Sky AdSmart

Targeted TV



heart  
more music variety



Display &  
Retargeting

# Leading the Industry – Online

## Online traffic & leads

- Own site visits over 17 million during H1 2014
  - Use of PPC, Display & Retargeting as well as investment in SEO have driven >20% YoY growth
- 4 million leads driven into the business during H1 2014 > 30% growth
  - Own leads including Google+ = 42% of leads generated
  - 57% from Rightmove & Zoopla Property Group
  - 1% of leads from other sources



- Balancing own capabilities with trusted suppliers to drive interest for our customers

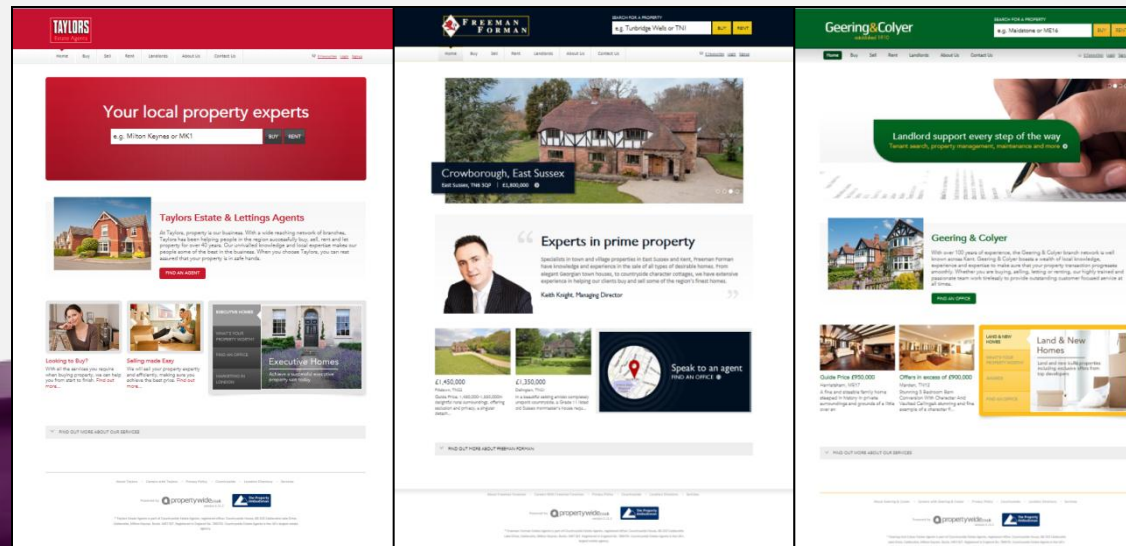
## Mobile development

- Traffic levels continue to rise
- Half of our customers interacting with us online are using a mobile platform



## Other online developments

- Launch of Content Managed websites with “new” look & feel
- Hamptons site developments including International search and digital marketing focus



## Investing in our People

- The organisation has continued to grow both organically and by acquisition and there are now around 12,000 employees in the Group
- 700 new roles were created between January and June 2014
- Continued investment has been made in training, development and talent management programmes
- A key focus on recruitment:
  - over 100 graduates, apprentices and trainees taken on in Lettings, Estate Agents, Conveyancing and Surveying roles across the Group
  - a new Group recruitment software system being prepared for phased launch commencing Q3
- Our 2<sup>nd</sup> year Share Incentive Plan in Q2, with 30% take up (an increase on 2013 levels)
- Our second Group Employee Survey – nearly 8,000 colleagues responded





# Award Winning Teams

>180 high-profile industry awards since 2008

A quality team to trust & rely on ....  
your trusted property partner

Other prestigious awards won during 2014;

- **ESTAS 2014**
  - Best Large Chain - Estate Agent (Gold)
  - Best Large Chain – Letting Agent (Gold)
  - Best Estate and Letting Agency Group (Winner)
- **RESI Awards 2014**
  - Letting Agency of the Year Award (Winner)
- **Sunday Times Lettings Agency of the Year 2014**
  - Best Property Management Agency 1001+ (Silver)
  - Best Large Lettings Agency (Bronze)
- **Mortgage Strategy Awards 2014**
  - Best Surveyor/Valuer – Panel Managers (Winner)
- **The British Mortgage Awards 2014**
  - Business Leaders – Broker, Conveyancer

## AWARD WINNING SERVICES



*Celebrating excellence  
in residential property*

Letting Agency  
of the Year  
Winner 2014



## Summary and Outlook

### Market

- continued measured approach to market expectations
- market is recovering as we expected
- sensible recovery in transactions and prices
- providing a solid platform for future growth

### Strategy

- validation of our strategy based on broad based business across product lines and geographic spread
- four key areas of strategy remain consistent:

#### ① Distribution Channels

Building on our physical and online distribution capability in order to optimise market share

#### ② Product and Services

Providing customers with full suite of market-leading products and services designed to meet their expectations

#### ③ People

Recruiting, developing and retaining the most dynamic, talented and professional people in the industry

#### ④ Infrastructure

Ensuring our people have access to a reliable, economic and scalable infrastructure

## Summary and Outlook

<b>Investment</b>	<ul style="list-style-type: none"> <li>• lettings expansion continues</li> <li>• in-fill deals in other divisions as appropriate</li> <li>• no appetite for significant leverage</li> </ul>
<b>Outlook</b>	<ul style="list-style-type: none"> <li>• H1 provides a solid foundation for delivery of 2014 plan</li> <li>• strong momentum across our entire Group</li> </ul>
	<ul style="list-style-type: none"> <li>• 2014 expected to show:               <ul style="list-style-type: none"> <li>➤ best ever Group performance</li> <li>➤ very strong cash generation</li> <li>➤ EBITDA margin expected to be an all time high</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• increasing level of shareholder returns               <ul style="list-style-type: none"> <li>➤ increase in underlying level of dividend pay out</li> <li>➤ clear policy on other returns</li> <li>➤ special dividend confirmed to repatriate Zoopla proceeds</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• new CEO on board from September with experienced pool of non-executive talent now in place</li> </ul>
	<ul style="list-style-type: none"> <li>• Group now delivering anticipated benefits from strategic changes and value creating investments</li> </ul>