



Results for 6 months to June 30, 2015

Agenda

- **Introduction & Building our Future – Alison Platt**
- Financial & Operational Update – Jim Clarke
- Overview – Alison Platt
- Strategy and outlook – Alison Platt

Who we are



What we do



We helped over 120,000 households move home in 2014



in Bristol, Cambridge, Cardiff, Edinburgh, Leicester, Liverpool, Nottingham, Manchester, Southampton, York combined



largest single mortgage broker in the UK



largest mortgage distributor

Robust progress demonstrates the importance of diversification

- Diversity of business streams helped offset impact of anticipated lower level of residential transactions
- Circa 50% of H1 2015 profits now independent of UK housing transaction market with majority of divisions delivering growth in income and EBITDA
 - Continued improvement in contribution and profitability of Lettings
 - Commercial division continues to perform with 43% increase in EBITDA versus H1 2014
- Significant market outperformance from Surveying and Financial Services with 59% and 17% improvements in profitability respectively
- Sales market remains unpredictable post General Election but current trends provide a broadly positive outlook for the rest of 2015
- Acquisition strategy remains on track with 17 businesses acquired

Building Our Future Evolution not Revolution



Our Purpose:

- Bringing people and property together

Our Vision:

- Most recommended company in the property sector
- Recognised as one of the best places to work in the UK
- Transforming the reputation of our industry
- Celebrated for excellent sustainable financial performance

Our Output:

- Double the size of the business by 2020
- Significant level of incremental shareholder returns from 2017 onwards

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Robust half year performance in testing market conditions

	2015 H1	2014 H1	Change
Income	£338.6m	£334.5m	+1%
EBITDA **	£41.0m	£45.0m	-9%
Earnings per Share **	10.3p	12.6p	-18%
Interim Dividend	5.0p	5.0p	-

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

Estate Agency (UK regions excluding London)

Steady performance in a testing market

	2015 H1		2014 H1	
	<u>£m</u>		<u>£m</u>	
▪ Income	86.7	-14%	101.3	▪ Transactions 12% below H1 2014 with average house price up 4%
▪ EBITDA	1.1	v.	7.1	▪ Pre-Election concerns evident among both buyers and sellers
▪ EBITDA margin	1.3%		7.0%	▪ Strong performance from Land & New Homes
				▪ Average cash fee broadly in line with previous year
				▪ June saw some improvement in trends of agreed sales but the number of properties coming on the market remains below last year

London & Premier (L&P)

Credible result in a slower market

	2015 H1		2014 H1
	<u>£m</u>		<u>£m</u>
▪ Income	56.8	-2%	57.8
▪ EBITDA	8.1	-22%	10.4
▪ EBITDA margin	14.3%		18.1%

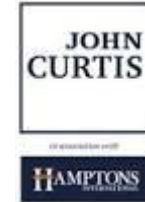
- Transactions down 8% in H1 2014
- Average cash fee marginally lower due to London v. country mix
- Improving result from lettings and new homes
- Continued expansion inside and outside London
- More encouraging evidence of post-election recovery

Performance v. 2014	House instructions	Contracts exchanged
Jan – April	+3%	-8%
June	+12%	+12%

London & Premier - H1 acquisitions

John Curtis Limited (Feb 2015)

- Residential Sales and Lettings, 2 branches (Harpenden and Wheathampstead)



Ikon (Feb 2015)

- Niche consultancy in property regeneration / development



Greene & Co/Urban Spaces (May 2015)

- 7 branch Residential Sales and Lettings (Belsize Park, Clerkenwell, Crouch End, Kentish Town, Kensal Rise, Maida Vale, West Hampstead)



Lettings





Investment and consolidation underpinning future growth and enhancing customer experience

	2015 H1		2014 H1
	<u>£m</u>		<u>£m</u>
▪ Income	68.5	+7%	64.3
▪ EBITDA	18.8	+7%	17.6
▪ EBITDA margin	27.4%		27.4%

- Properties under management up 8% on 2014 to 70,000
- Investment in improved customer offering with online referencing, digital signatures and further enhancements to landlord portal
- Expansion plans remain robust with six new openings in H1 2015, and a healthy level of acquisition activity in the pipeline
- Supply of properties remains a challenge
- Buy-to-Let tax changes in the Government's most recent Budget unhelpful but no material impact expected

Lettings – H1 acquisitions

- 12 deals completed at cost of £7.4 million, including:

Plymouth	Sutton Coldfield	Northampton	Lichfield
			
Additional Office in Central Plymouth	Entry into Sutton Coldfield market	Additional Office in Northampton Market	Market Leading Brand in Lichfield

- Pre-Election period saw fewer deals coming to market
- Good pipeline of deals now coming through – ambition remains to invest circa £30 million in 2015

Financial Services

Outperforming the market with profit and margin growth

	2015 H1		2014 H1	
	<u>£m</u>		<u>£m</u>	
▪ Income	34.7	+4%	33.2	▪ Excellent result in a contracted mortgage market
▪ EBITDA	6.1	+13%	5.4	▪ Growth in market share key to current performance
▪ EBITDA margin	17.6%		16.3%	▪ Over £5bn of mortgages arranged in H1 (+8%)
				▪ Ongoing shift towards brokered market puts Countrywide in a strong position
				▪ Expansion opportunities progressing

Surveying and Valuation

Rising market share underpins strong financial performance

	2015 H1		2014 H1	
	<u>£m</u>		<u>£m</u>	
▪ Income	31.7	+13%	28.1	▪ H1 performance underpinned by contract wins and benefit of surveyor trainee investment
▪ EBITDA	7.6	+59%	4.8	▪ Volumes up 9% YoY, with average fee increasing by 6%
▪ EBITDA margin	23.9%		16.9%	▪ Risk management remains a key focus
				▪ PI trends as forecast at end of 2014 and current provision remains appropriate

Conveyancing

Investment to provide necessary platform for future growth

	2015 H1		2014 H1	
	<u>£m</u>		<u>£m</u>	
▪ Income	12.7	-6%	13.5	▪ Volumes down 11% v. H1 2014 in line with market
▪ EBITDA	3.1	-17%	3.8	▪ Investment in core systems and customer service proposition is critical to future plans
▪ EBITDA margin	24.8%		28.2%	▪ Closer alignment with Estate Agency to drive cross sales opportunities

Lambert Smith Hampton

Commercial on track and delivering strong financial performance

	2015 H1		2014 H1	
	<u>£m</u>		<u>£m</u>	
▪ Income	44.3	+32%	33.7	▪ Strong progress underpinned by increased transactional revenue and positive benefit of recent acquisitions
▪ EBITDA	4.5	+43%	3.2	▪ Two further acquisitions completed in H1 2015
▪ EBITDA margin	10.2%		9.4%	▪ Commercial now an established part of Group's future development
				▪ Significant further consolidation opportunities under review

Lambert Smith Hampton / Commercial

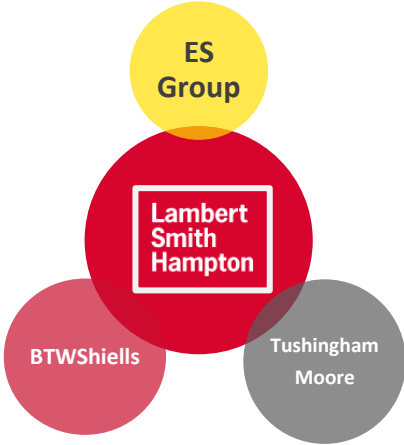
Building scale



Building our client base



Building our footprint



Residential Real Estate Fund

- Residential property investment vehicle Vista launched May 2015 following FCA approval
- Total committed capital of £77 million (at 17/7/15) with further acquisitions in the pipeline
- Dedicated fund manager for Vista joins Hermes Investment Management July 2015
- Further third party funding expected in H2 2015
- Gathering necessary momentum to build a real presence in the residential investment and management space
- Current asset portfolio delivering target returns
- Healthy investment pipeline – exchanged assets (additional to seed portfolio) as follows:



The Point, Manchester
38 units, c£5.6 million cost
Completion est. H2 2015

Exchange
Imminent

Over 300 units,
c£50 million+ cost

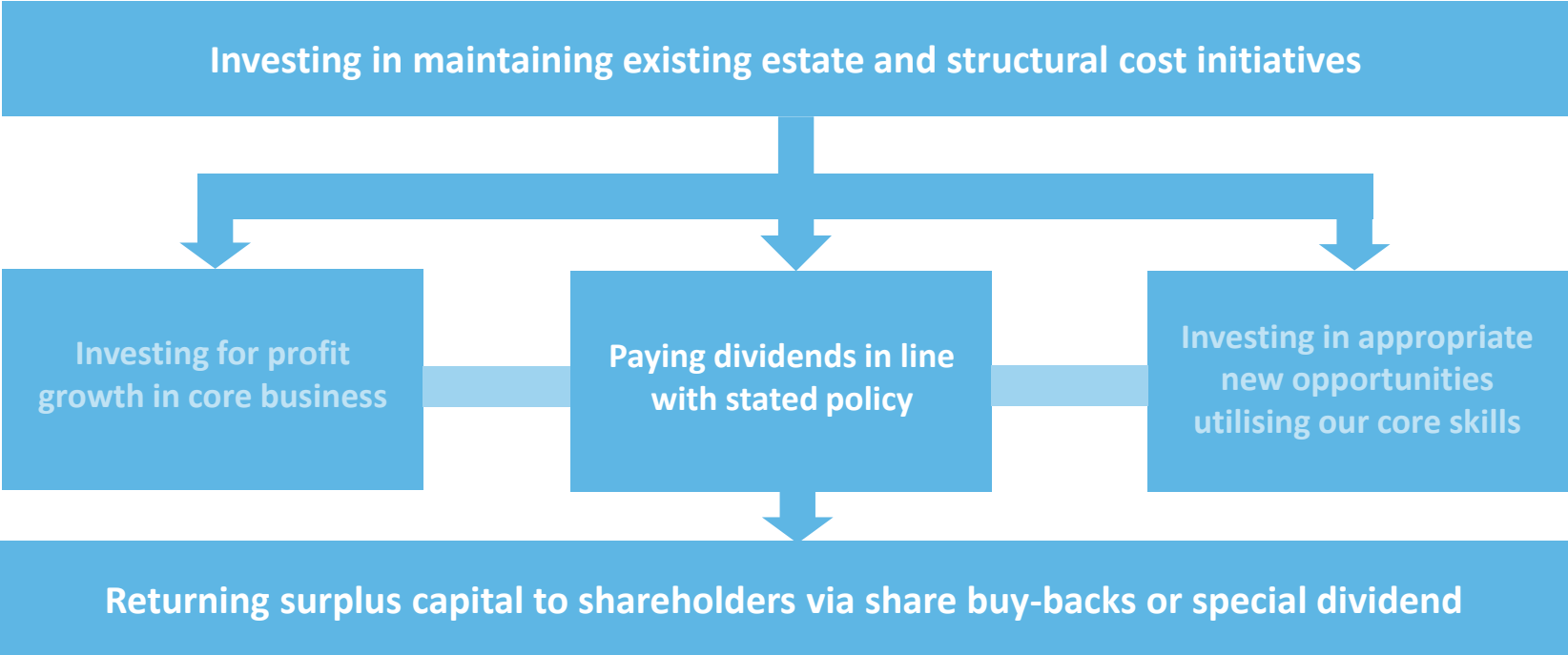
Capital structure and leverage

H1 2015

▪ Net debt	<u>£170m</u>
▪ Leverage (multiple)	<u>1.45</u>

- £250 million total facility
- Modest current levels of leverage
- Full year leverage likely to reduce due to timing of profits and dividend payments
- Further opportunities to fund expansion as part of planned strategy

Capital allocation



Dividend policy – capital returns

Underlying dividends

- At IPO 25 – 35% of earnings
- Now 35 – 45% of earnings

Supplemental returns

- Focus on growth and delivering our strategy to ensure we are celebrated for excellent sustainable financial performance
- Potential for significant returns in future years
- £20 million of Zoopla proceeds distributed in 2014 / Monitor on going options

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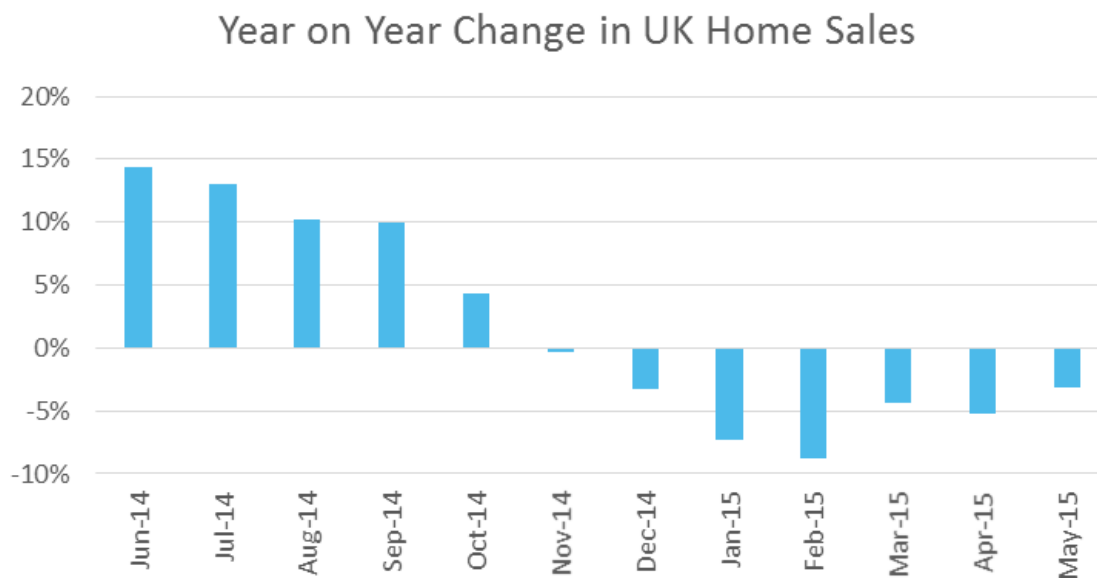
Countrywide – a more resilient business with increasingly diversified revenue streams

- Offers strong counterbalance to UK housing transaction market
 - Lettings success
 - Commercial / LSH
 - Residential Real Estate Fund
 - B2B relationships
 - Land & New Homes
- Customer insight is critical to increasing our share of the property market spend
- As the UK's largest provider of residential property services, we are well placed to benefit from:
 - Consumer insight expertise
 - Emergence of a sophisticated private rental sector
 - Increasing focus on major cities outside of London, while continuing to maximise regional coverage
 - Increasing shift towards the broker in Financial Services

Historical evidence points to upwards momentum but consumer confidence remains sensitive

Slow down in activity in line with previous General Elections

- Research of previous General Elections helps us understand the market's performance in 2015
- Research of the last eight General Elections shows transactions usually slow in the six months running up to an election
- This year same trend has been observed, although other factors are also at work
- The same research showed that delayed transactions often complete post-Election, leading to a boost in transaction numbers
- While leading indicators point towards transaction growth, there is not yet enough evidence of a pick-up in buyer and seller activity to make overall transaction growth this year look likely

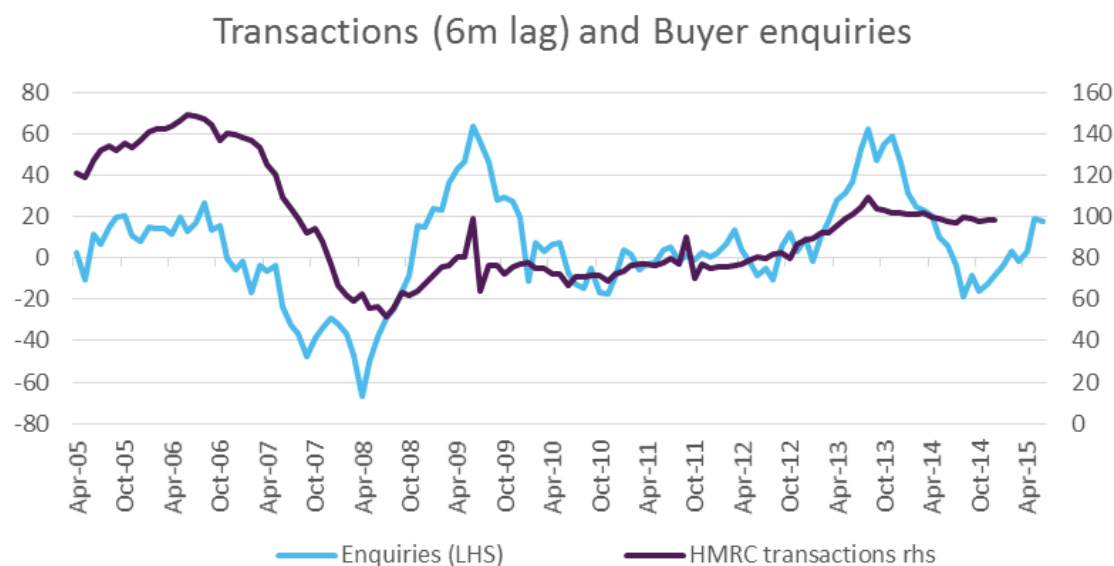


Source: HMRC

But leading indicators point to volume growth as confidence returns

Post General Election: Leading indicators pointing to improving market but later than expected

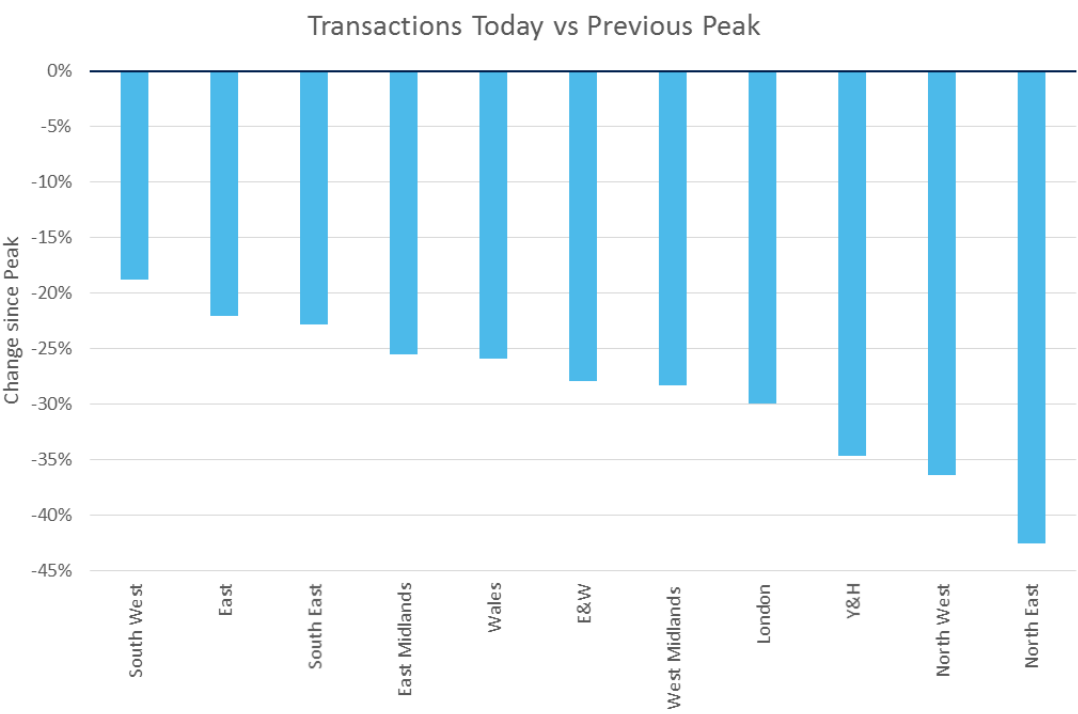
- The change in new buyer enquiries reported by RICS tends to lead transaction numbers by 3 to 6 months
- Since April surveyors have been reporting a growth in new buyer enquiries
- This implies transaction numbers should pick up in Q3



Source: RICS, HMRC

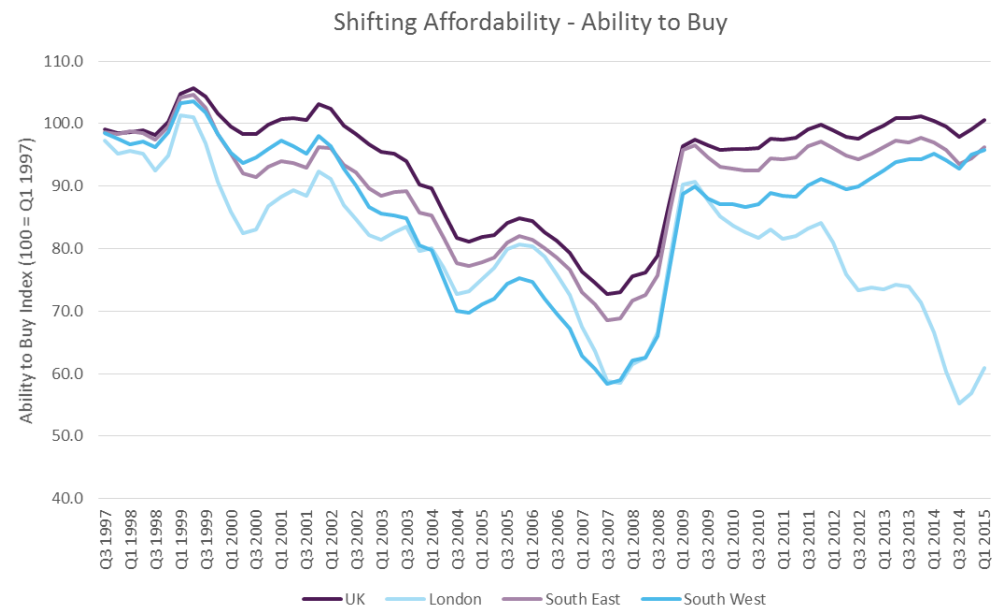
Transactions still low compared to peak levels

- Overall transaction numbers in the last 12 months are still 28% below those seen in 2007
- Recovery of transactions has been greatest in the South of England, outside of London in the last year
- Recovery in the South has been supported by significant outmigration from London



Affordability is also improving

- The Hamptons International Ability to Buy Index measures affordability by accounting for change in incomes, spending and mortgage interest rates
- Low interest rates, the fall in house prices post crash and recent falling inflation on essentials mean that ability to buy is much higher than pre crash, everywhere except London
- Relatively high income growth and slowing house price growth in London has seen ability to buy improve over the last two quarters
- Saving for a deposit still remains a significant barrier for many first time buyers

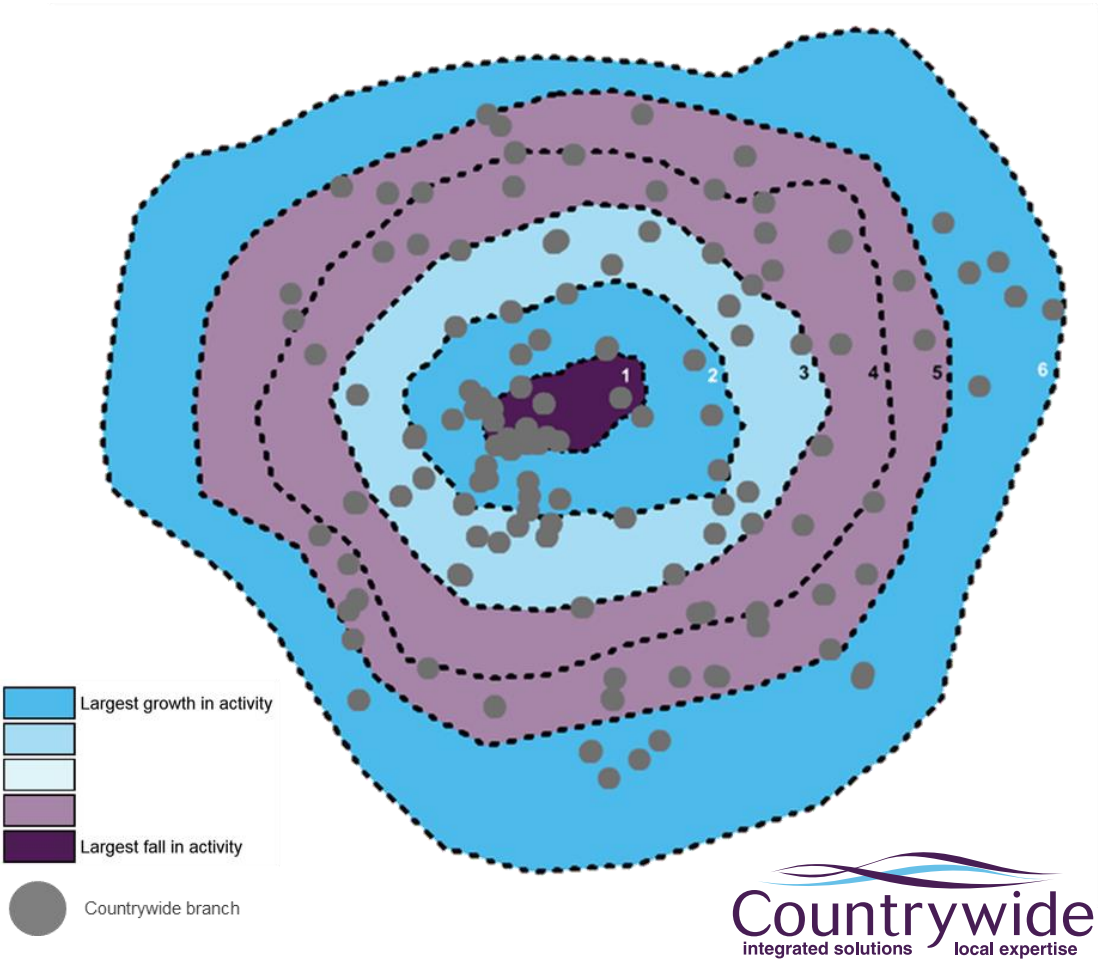


London remains highly segmented

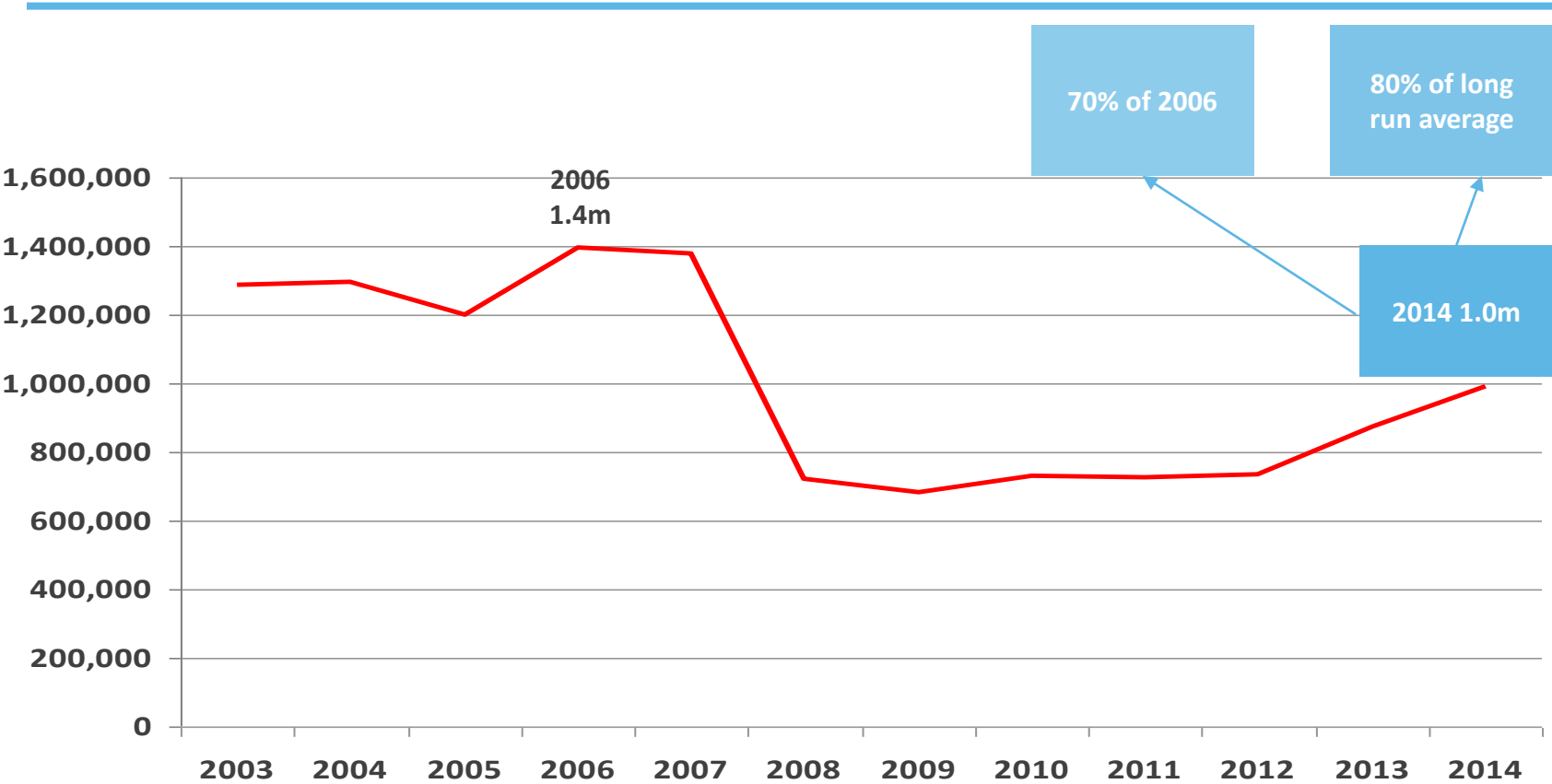
London markets picking up

- Zones 2 and 3 in Central London have seen a post General Election increase in activity, with sales agreed up year on year in June
- Growth is driven by a combination of post election confidence, strong economics and displacement from more expensive prime central London. The market is dependent on domestic demand
- Zone 6 is benefitting from an increasing trend of migration from the centre of London out, which sees Londoners cashing in on high house prices in the capital
- Prime Central London remains subdued, high prices, a high tax burden and a large number of discretionary sellers have all weighed on improvements despite mansion tax disappearing with the Conservative majority

Year on Year Change in Sales Agreed by London Travel Zone



Market trends – annual sales volumes – more room for growth



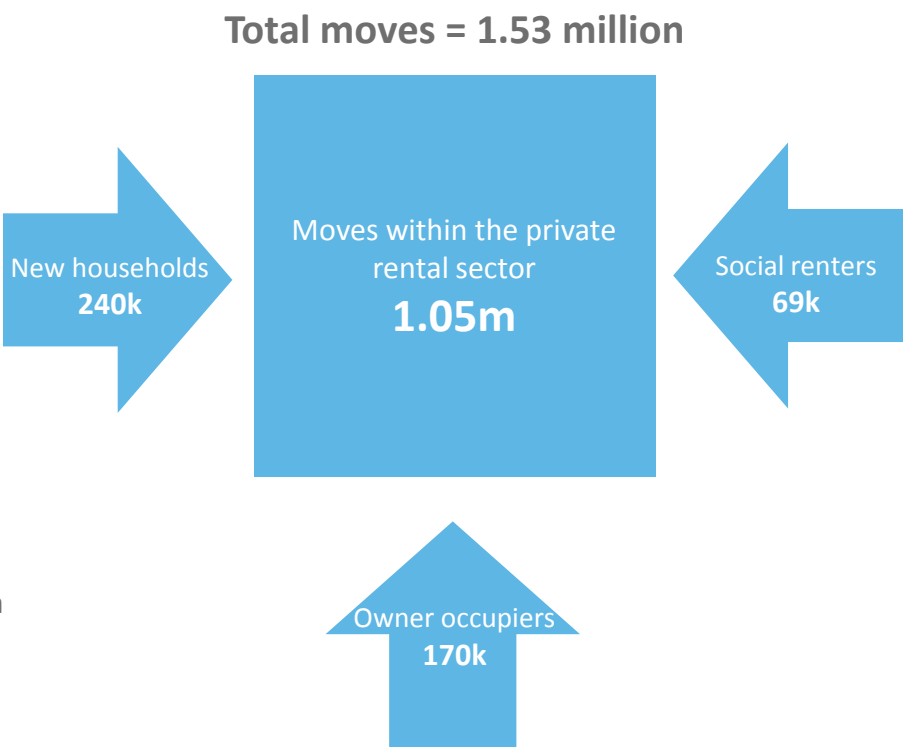
Private rental sector growth

Growth of the PRS robust – and cities matter

- PRS grew by 421,000 households in 2013/14, the fastest growth in a single year since records began
- 60% of growth took place in London, the largest proportion ever.
- For the first time since the 1930s, over a million households in the Capital call the PRS home

Increasingly a choice for life.....

- 2.6 million households moved last year with 60% moving **into** or **within** the PRS
- Ten years ago moves within the PRS accounted for 37% (438k) of all moves compared to 60% (1.05m) today
- 65% of new households formed in the PRS, up from 43% a decade ago
- Despite the number of renters more than doubling, the number of moves from the PRS into homeownership has changed little over last 20 years



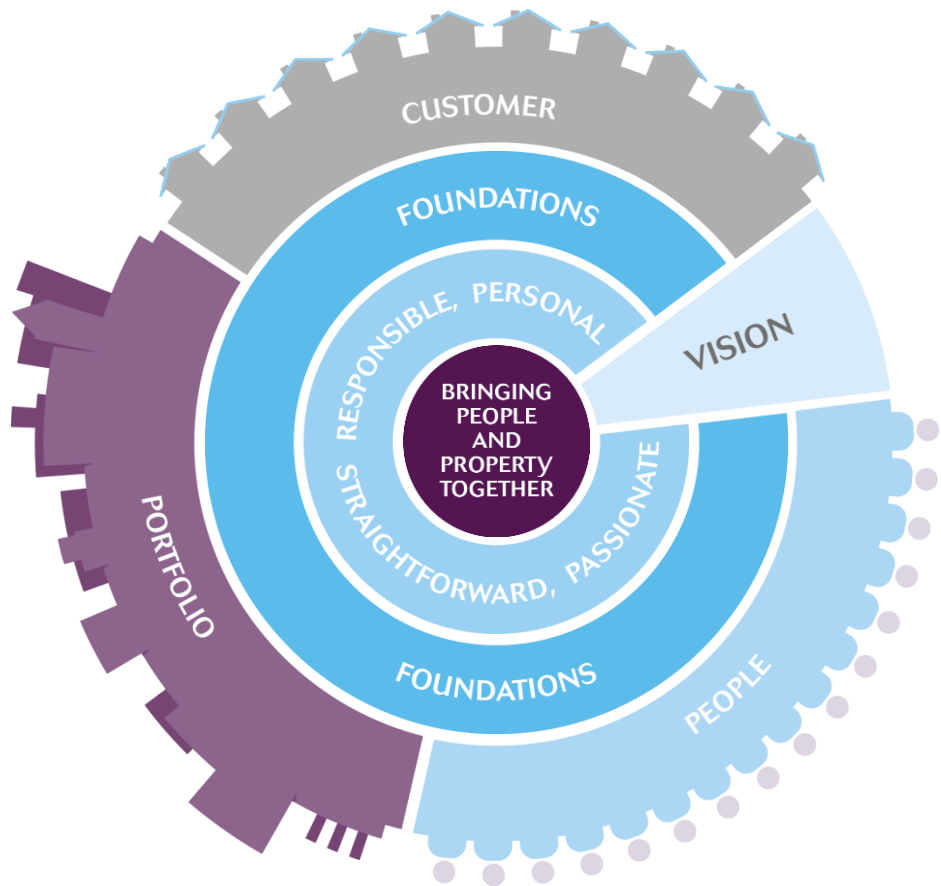
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Building our Future strategy

Evolution not Revolution



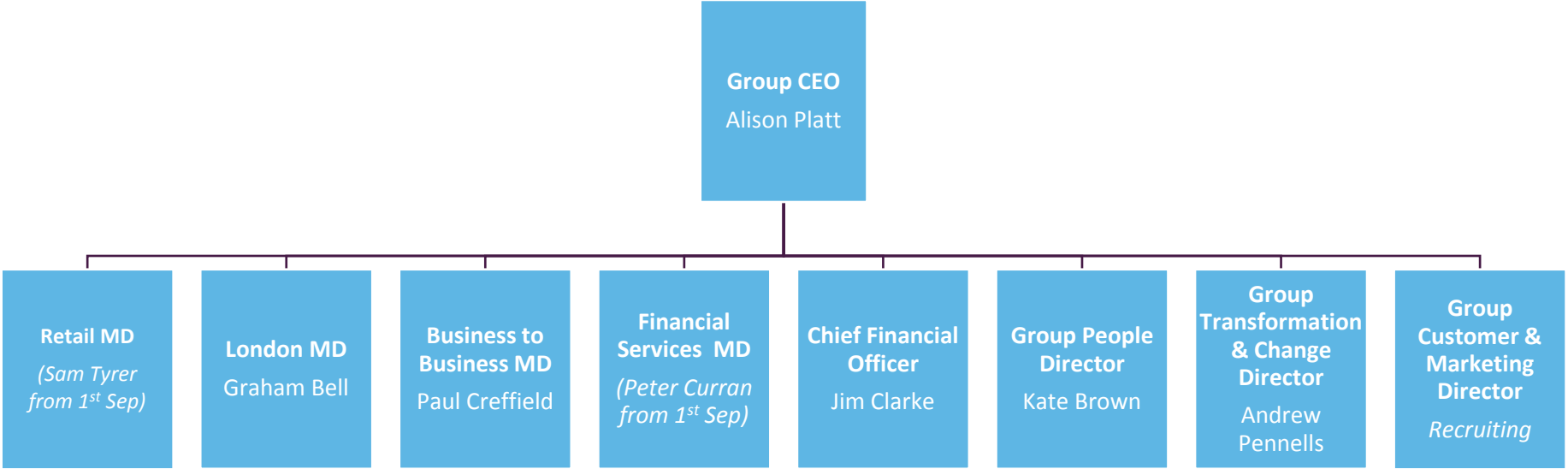
Foundations – organising for future success



- Four business units focussed solely around the customer
 - Retail – bringing our sales and lettings businesses together
 - London – defined in one business unit
 - B2B – integrated B2B which includes a unified Land and New Homes team
 - Financial Services – clear and distinct business
- Investing in transformation and people capability
- Creating industry leading capability in research and analytics
- New executive team delivering balance of both industry and cross sector experience



Countrywide Executive Team



BETTER:

“Delivering a better, more personalised customer experience”



- We have now initiated significant projects to:
 - improve understanding by engaging with 3,000 of our customers across the UK
 - develop our digital proposition to leverage both our national scale and local brand equity
 - transform the way we recruit, retain, develop and reward our people
 - review IT strategy and opportunities
 - align and inspire our 12,000 people starting with our top 150 leaders
 - systematically identify opportunities for growth in each business unit
 - focus the whole of Countrywide on sustainable growth using a total performance scorecard

BIGGER:

“Driving growth organically and through acquisition”



- Strengthened presence in strategic locations across the UK
- Organic expansion continues
- Continued focus on acquisitions, in line with strategy
- Significant new targets identified across Lettings, Financial Services and Commercial, with a focus on major cities

Our vision...



- Most recommended company in the property sector
- Recognised as one of the best places to work in the UK
- Transforming the reputation of our industry
- Celebrated for excellent sustainable financial performance
- Our Output:
 - Double the size of the business by 2020
 - Significant level of incremental shareholder returns from 2017 onwards

Award winning teams

Letting Agency of the Year Awards 2015 – The Times/The Sunday Times

Best National UK Large Lettings Agency – *Countrywide* – Gold

Best London Agency - *John D. Wood & Co.* – Silver

Best Property Management Agency – *Countrywide* – Silver



Financial Reporter Awards 2015

Best Surveyor / Valuer – Countrywide Surveying Services

The ESTAS Estate Agent Awards 2015

Best National Estate Agency – Countrywide – Gold

Regional Awards – Countrywide - wins 17 awards



Mortgage Strategy Awards 2015

Best Network up to 300 ARs - Mortgage Intelligence

Summary and outlook

- Expectations for 2015:
 - challenges in the near term with slower than expected post-election recovery
 - total overall market transactions anticipated to be marginally below 2014 levels
 - despite challenging start, it is our view that 2015 will show year on year growth in EBITDA for the Group
 - positive momentum building in H2 and going into 2016

- Beyond 2015
 - organic benefits from implementation of Building Our Future
 - accelerated growth in our key markets
 - selective EA opportunities
 - continued focus on lettings and commercial
 - expansion of FS footprint
 - continued focus on Land and New Homes
 - market transaction recovery (particularly outside the South East)
 - deliver significant level of shareholder returns