26 June 2020
Countrywide plc (LSE: CWD)

Countrywide plc
Trading update

Ahead of its AGM today, Countrywide plc, a leading provider of residential property services, financial services and surveying and valuations, presents a trading update for the five months to May 2020 and also current key performance indicators following the easing of the lockdown of the housing market in England. The restrictions on the housing market in Wales were eased from 22 June and will be eased in Scotland from 29 June 2020, and the Group is preparing to re-open its branches in those regions.

Summary

The Group has delivered a resilient financial performance for the five months to May 2020, benefitting from the strong pipeline from the first 12 weeks of the year in sales, lettings, financial services and conveyancing. During lockdown, the Group took swift and decisive action to manage its cost base and liquidity, with 78% of colleagues furloughed under the Government's Coronavirus Job Retention Scheme. We continue to monitor activity levels daily to ensure we are able to meet customer demand and optimise the Group's financial position and, following the re-opening of the branches in England from 18 May, have seen clear evidence of increased transactions in the market, and have seen more than 3,000 colleagues return to work.

Group: continuing operations(1)

- Group income was £142.5 million (2019: £200.0 million) with the year-on-year decline reflecting the closure of all branches on 23 March 2020, in accordance with the Government's lockdown guidance. Whilst the announcement in respect of easing of the lockdown was made on 12 May, branches in England began to re-open from 18 May onwards following comprehensive risk assessments
- Group adjusted EBITDA(2) £7.4 million (2019: £10.0 million) after absorbing £8.1 million gross impact of the tenant fee ban
- Adjusted EBITDA margins held at 5% for the five months to May (2019: 5%)

Business unit performance:

Sales & Lettings:
May year to date:
- Total income was £94.8 million (2019: £131.0 million)
- Adjusted EBITDA was £5.7 million (2019: £3.8 million), up 49% after absorbing £8.1 million gross impact of the tenant fee ban

Since the easing of lockdown:
- The Group has converted the majority of its existing instructions on Rightmove and Zoopla to showcase properties through virtual online viewings and video tours, while all new instructions offer these viewing media
- We have accelerated the move to centralised lead handling, enabling a faster response to customers through telephony, web-chat and video for buyers or sellers
- As at 26 June 70% of branches have been risk assessed, certified COVID-secure, opened and with all meetings pre-arranged by appointment only
- Leading KPIs show clear evidence of increased transaction levels week-on-week with the first four full weeks of trading in England:
  - May year-to-date instructions are back to 60% of 2019 levels with last week running at 94% of 2019 levels and 86% of the average in the first 12 weeks of the year and pre-lockdown
  - Exchanges are back to 71% of 2019 levels with the last week at 64% of 2019 and 85% of the average in the 12 weeks of the year and pre-lockdown
  - The pipeline has remained resilient with a return to growth in agreed sales in the last four weeks as the market returns and a closing pipeline of £47 million, down 12% year-on-year
  - Demand for let properties continues, with the number of applicants per week 3% higher than the pre-lockdown average and 88% of 2019 levels
  - The lettings register is at 93% of 2019 levels and 20% higher than the average pre-lockdown

Financial Services
May year to date:
- Total income was £24.9 million (2019: £33.0 million)

- Adjusted EBITDA for the five months to May 2020 was £5.2 million, in line with last year and underpinned by continued remortgage activity and the general insurance back book
- Adjusted EBITDA margins improved in both our branch channel and alternative channel operations in the period prior to lockdown
- Gross mortgage distribution at £7.5 billion, down 8% year-on-year

Since the easing of lockdown:

- The Group has adapted swiftly to the new climate offering a full telephony service whilst also maintaining strong product conversion levels to ensure our customers have appropriate life and general insurance with mortgage and protection consultants (MPCs) working flexibly from home
- Written mortgages via our MPCs were at 39% of 2019 levels and 43% of in the first 12 weeks of the year and pre-lockdown
- For the first four full weeks of trading in England exchanged mortgage volumes were at 60% of 2019 and 69% of the first 12 weeks of the year and pre-lockdown

B2B

May year to date:

- Total income was £22.6 million (2019: £35.9 million)
- Adjusted EBITDA for the five months to May 2020 was £1.0 million (2019: £6.6 million) a decline of 85% attributable to the lockdown which prohibited physical valuations in surveying for all lenders and providers
- The surveying business responded with product innovation and retained 20% of surveyors to deliver desktop-based valuations for lower loan to value mortgage offerings, and secured 100% allocations from two of the largest UK lenders. The remaining surveyors were placed on furlough
- At the beginning of lockdown 85% of the Conveyancing teams were furloughed due to the limited ability to progress cases

Since the easing of lockdown:

- Surveying instructions and valuations have been building back throughout June with the latest weekly volumes being 63% higher than the average week in May, and reaching 83% of 2019 levels
- Conveyancing entered the year with a strong pipeline and at the end of March it was 27% higher year-on-year. The pipeline is currently £8.8 million, 85% of the value in 2019. In response to the re-opening of the housing market, 57% of our conveyancing employees are now back in the business and others will rejoin as the flow of instructions builds
- As colleagues return to the branches, the complementary services from sales and financial services are beginning to build back and this remains a strong focus for us

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 13% for the five months to May 2020, with adjusted EBITDA of £0.7 million (2019: £1.2 million)

Liquidity

As at the end of May our net bank debt was £55 million and our liquidity headroom was £64 million, benefitting from the deferral of VAT, PAYE and NI. The Group has a revolving credit facility of £125 million committed until September 2022, with an additional facility of £10 million from May 2020 and a further £10 million from April 2021; both committed until October 2021. The Group continues to explore the availability of funding to large businesses under the Coronavirus Large Business Interruption Loan Scheme.

Outlook

We continue to actively monitor the effect of the COVID-19 pandemic. 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; and to conserve cash and to manage the Group through the coronavirus pandemic and beyond.

The decisive action taken to reduce costs and to preserve cash and manage liquidity has enabled the Group to respond with agility through the COVID-19 pandemic to date. The housing market in England re-opened on 13 May and is now re opening in Wales and Scotland. Early trading indicators in England are encouraging and we expect a similar bounce back in Wales and Scotland. However, it is still too early to assess the long-term impact on housing transactions and, as a result the Group is unable to provide guidance for the full year ending 31 December 2020. The Group remains focused on its core strategy to continue to build a sustainable and profitable business as it navigates COVID-19.

Annual General Meeting

The Company will hold its AGM at 4.00 pm on 26 June 2020 at Greenwood House, 1st Floor, 91-99 New London Road, Chelmsford, Essex, United Kingdom, CM2 0PP. As previously announced, in order to protect the Company's shareholders, employees, board members and other relevant parties this year's AGM will be run as a closed meeting and shareholders will not be able to attend in person. The Company's advisors and other guests have also been asked not to attend. Results of the voting and responses to shareholders' questions which have been received in advance will publish on the Company's website www.countrywide.co.uk as soon as practicable after the AGM.

The person responsible for arranging the release of this announcement on behalf of the Company is Gareth Williams, General Counsel and Company Secretary.

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Notes to Editors:

About Countrywide plc

Countrywide is the UK's largest integrated property services group, including the largest estate agency and lettings network. Countrywide's network of expertise combining national scale and local reach helps more people move than any other business in the UK and is structured around three key business units: Sales and Lettings; B2B and Financial Services.

Forward Looking Statements

This announcement has been prepared solely to provide additional information to the shareholders of Countrywide plc in order to meet the requirements of the FCA's Disclosure and Transparency Rules. It should not be relied on by any other party, or for other purposes. Forward-looking statements have been made by the directors in good faith, using information available up until the date on which they approved this statement. Forward-looking statements should be regarded with caution, because of the inherent uncertainties in economic trends and business risks.

Notes

(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 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