



H1 23 Results

for the six months ended
31 October 2022

8 December 2022

**PURPLE
BRICKS**

Disclaimer

Forward-looking statements

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01

INTRODUCTION

Helena Marston,
Chief Executive Officer



Agenda for today

- 01 INTRODUCTION**
Helena Marston, CEO
- 02 FINANCIAL REVIEW**
Dominique Highfield, CFO
- 03 UPDATE ON OUR STRATEGIC PRIORITIES**
Helena Marston, CEO
- 04 SUMMARY**
Helena Marston, CEO
- 05 Q&A**



Summary & highlights

H1 performance in line with plan

- Instructions broadly stable at 21,205 with ARPI¹ slightly lower at £1,624
- Revenue down 16% to £34.5m but Total Fee Income¹ broadly stable at £34.4m reflecting the consistent level of instructions and ARPI
- Living room conversion increased by 170bps
- Adjusted EBITDA¹ loss of £8.4m driven by investments and balance sheet movements
- Cash at £31.3m with continued focus on cash preservation

A clear turnaround plan being implemented at pace

- Cost reduction extended from £13m to £17m annualised
- Financial services – mortgages built, launched & trading
- Good progress made on diversifying other revenue streams
- New 'Go-to-Market' strategy to return us to profitability
- Implementing commercial excellence to drive higher conversion & field efficiency
- Released new 'Commisery' campaign to drive instruction growth
- Board strengthened with experienced hires

H2 on track to meet guidance & consensus² expectation

1. For Alternative Performance Measures (APMs) see appendix

2. FY23 Consensus EBITDA £(8.8)m (range £(11.3)m - (4.0)m)

Quick actions taken

Q1 actions

Cost out

£13m cost actions taken and 3 offices closed

Mortgage offering

Operating model design in process

Conveyancing

Additional customer segment targeted

Sales improvement

Agents retrained, +11% in living room conversion

'Go-to-Market' strategy

Right sized the field

Marketing

Review of marketing strategy and creatives

Revenue innovation

Trials in progress to test future revenue streams

Senior appointments

CCO, Directors of Lettings, Risk and Compliance

Q2 actions

Additional £4m identified, totalling £17m

Mortgages launched 5 months ahead of plan

Launched buyer's side, to be digitised in H2

New initiatives driving higher conversion

Work completed to define growth opportunity

Launched 'Commisery' marketing campaign

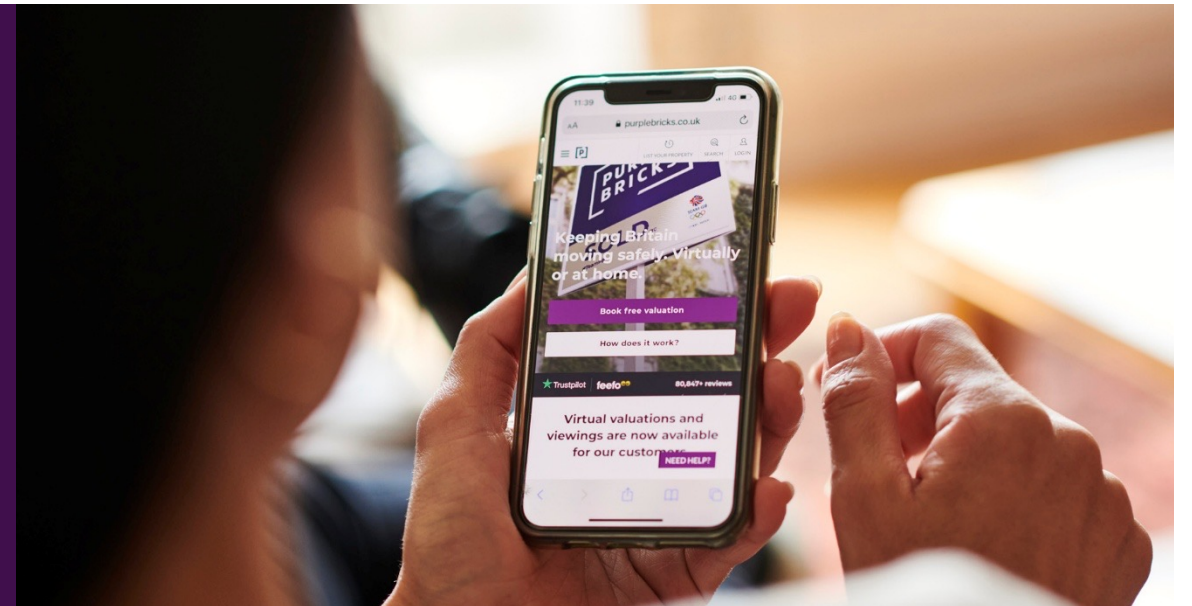
Trials ongoing to inform future strategy

New CFO and two experienced NEDs appointed

02

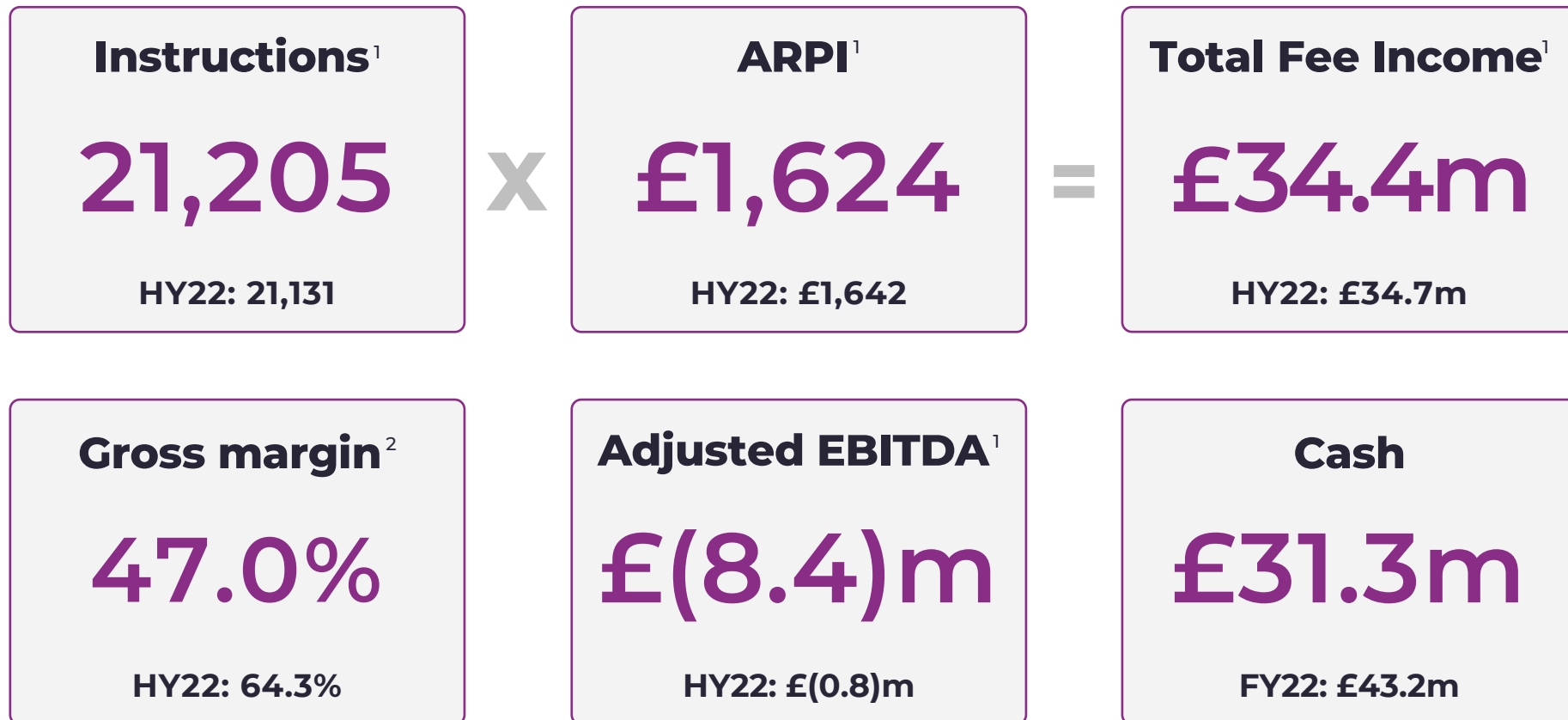
FINANCIAL REVIEW

Dominique Highfield,
Chief Financial Officer



H1 summary results

Results reflect stable fees & instructions, cost out to benefit H2



1. See appendix for definitions

2. Reflects move to employed model

Trading

Instructions

H1 23 21,205

H1 22 21,131

- We delivered slightly higher net instructions in H1 23 compared to last year
- Supported by strong progress on conversion rate in the living room
- Consistent performance whilst driving operational transformation and reducing the cost of our Field

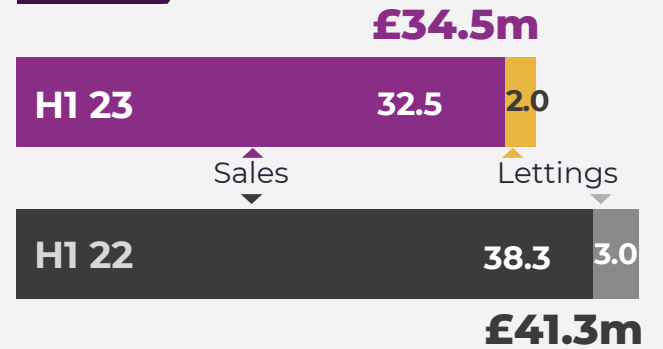
Total Fee Income

H1 23 34.4

H1 22 34.7

- Total Fee Income (TFI) represents business won in the living room
- Slight drop in TFI due to phasing of our conveyancing income, partially offset by the benefit our price increase and higher pro package upsell
- Average revenue per unit from our core instruction fee (excluding ancillary products) is up 10% YoY

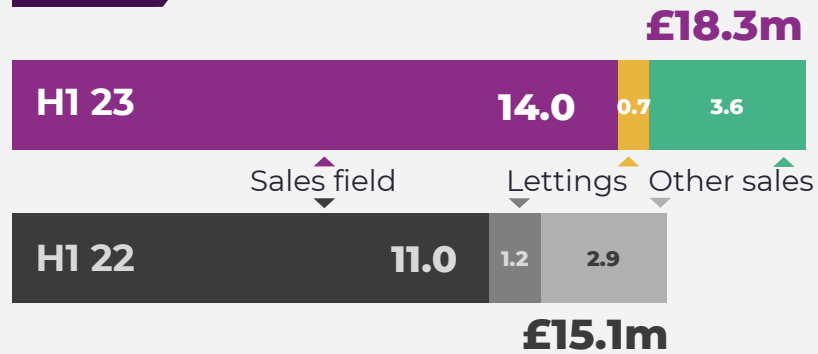
Revenue



- Despite flat TFI, revenue was 16% lower than H1 22
- The reduction was driven by movements in deferred and accrued income for both instructions and conveyancing
- Lettings revenue was down by £1m vs. H1 22 as we rationalised our workforce in the move to an employed model

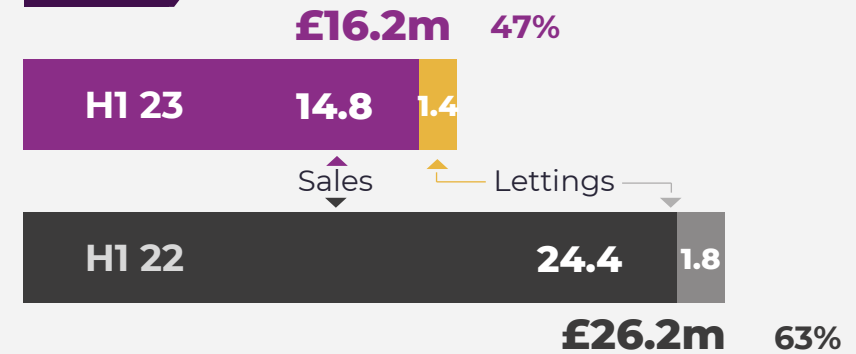
Gross margin

Cost of sales



- Cost of sales increased by 21% YoY driven by higher fixed cost base in the Sales Field
- Change in employment model in Sept 2021 resulting in higher proportion of fixed costs but this is in line with expectations
- We have taken actions to reduce the cost of our Field but the benefit of this won't be seen until H2
- Other sales includes investment in pro-photography and 3D tours letting

Gross profit

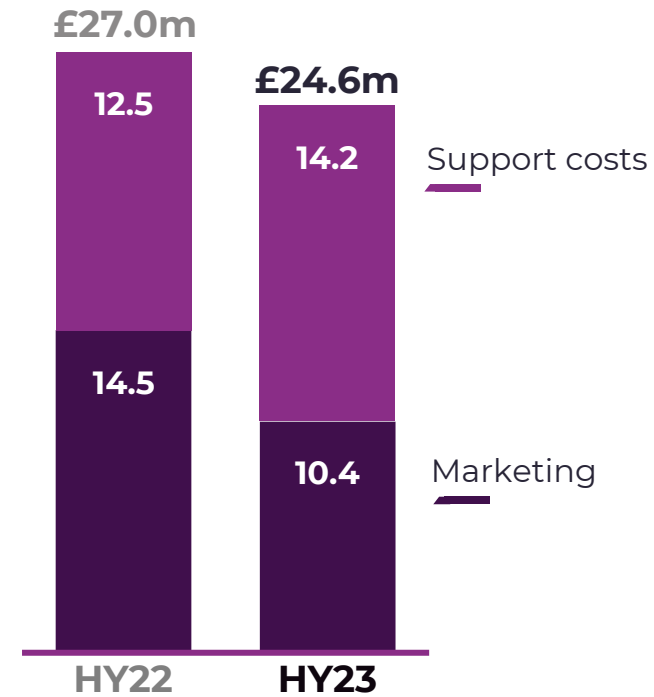


- Gross margin reduction year-on-year predominantly as a result of deferred income impact to revenue and higher COGS
- Gross margin % was 16ppts lower than H1 22 but this was in line with expectations as communicated at FY22 results
- H1 22 benefited from lower fixed cost base as most of the period was on the previous employment model

Adjusted operating expenses

- Overall operating costs reducing by £2.4m compared to H1 22
- Marketing spend of £10.4m was 28% lower YoY in line with previous guidance to remove £6m from marketing on FY basis
- Adjusted operating costs increased by 14% to £14.2m (H1 22: £12.5m), due to additional investment in operational capability and costs related to the change to employed model

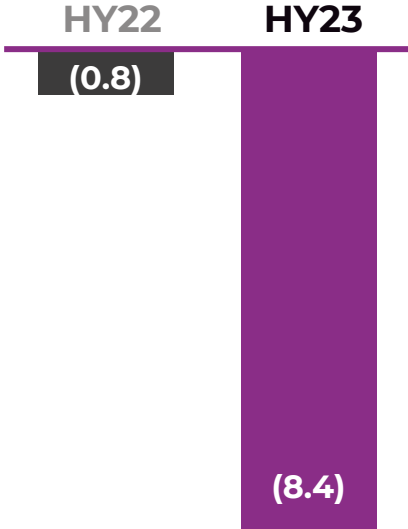
Adjusted operating expenses including marketing



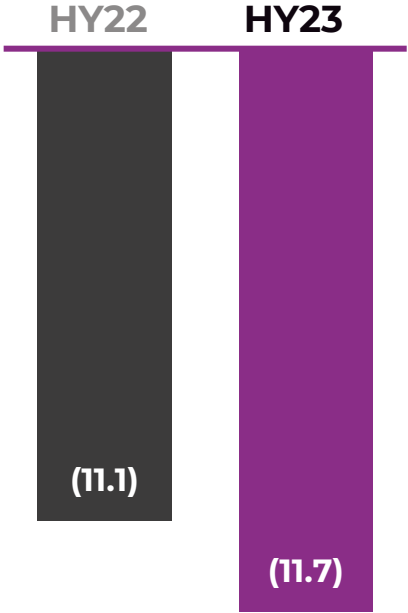
Profitability

- Adjusted EBITDA loss of £8.4m was £7.6m adverse to H1 22 due to movements in deferred revenue and higher Field and support costs
- Operating loss includes £1.3m of exceptional costs (vs. £8.3m in H1 22) related to restructuring activities
- Following the impairment of Homeday in FY22 there is no share of losses in H1 23

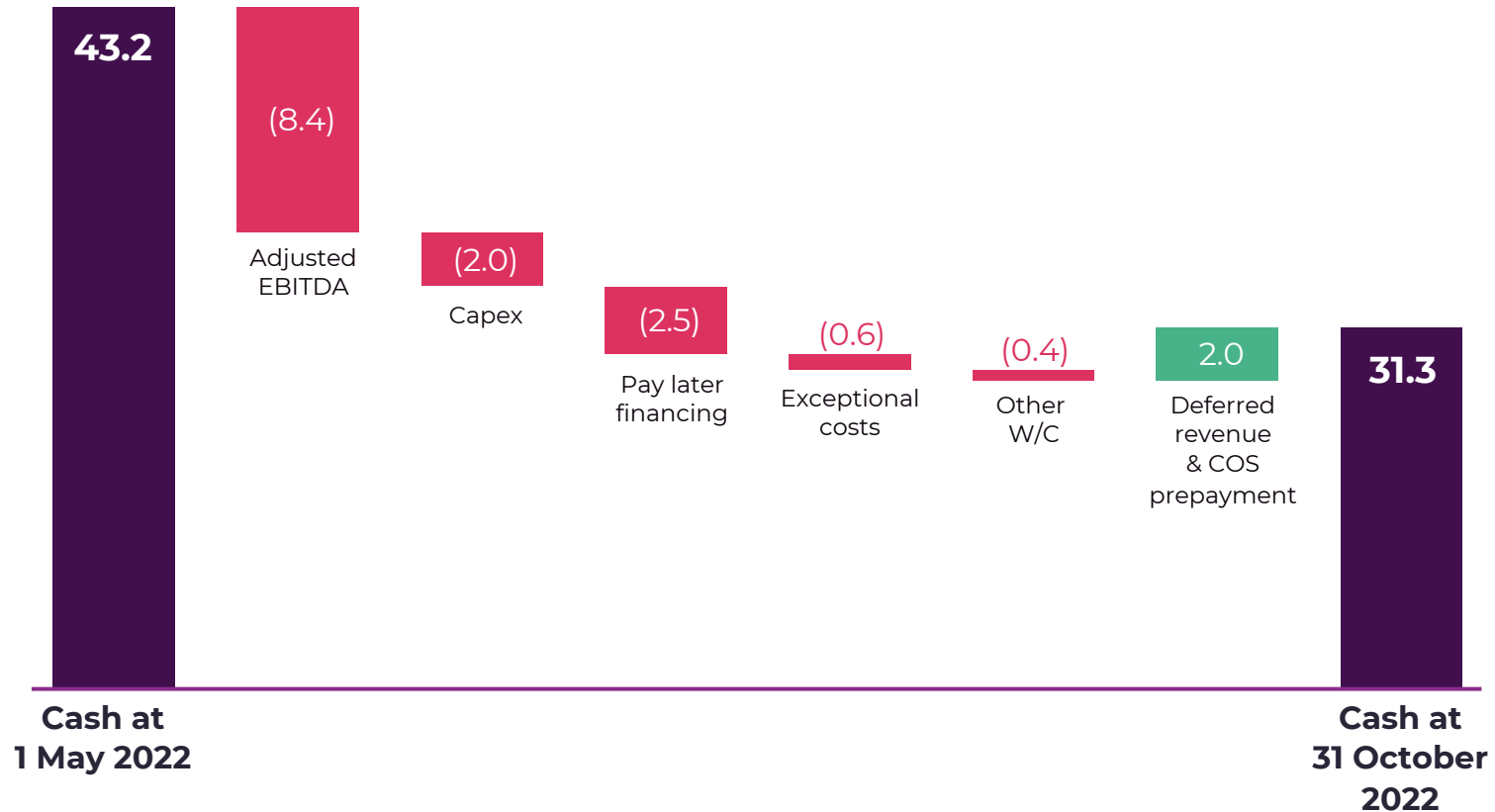
Adjusted EBITDA £m



Operating loss £m

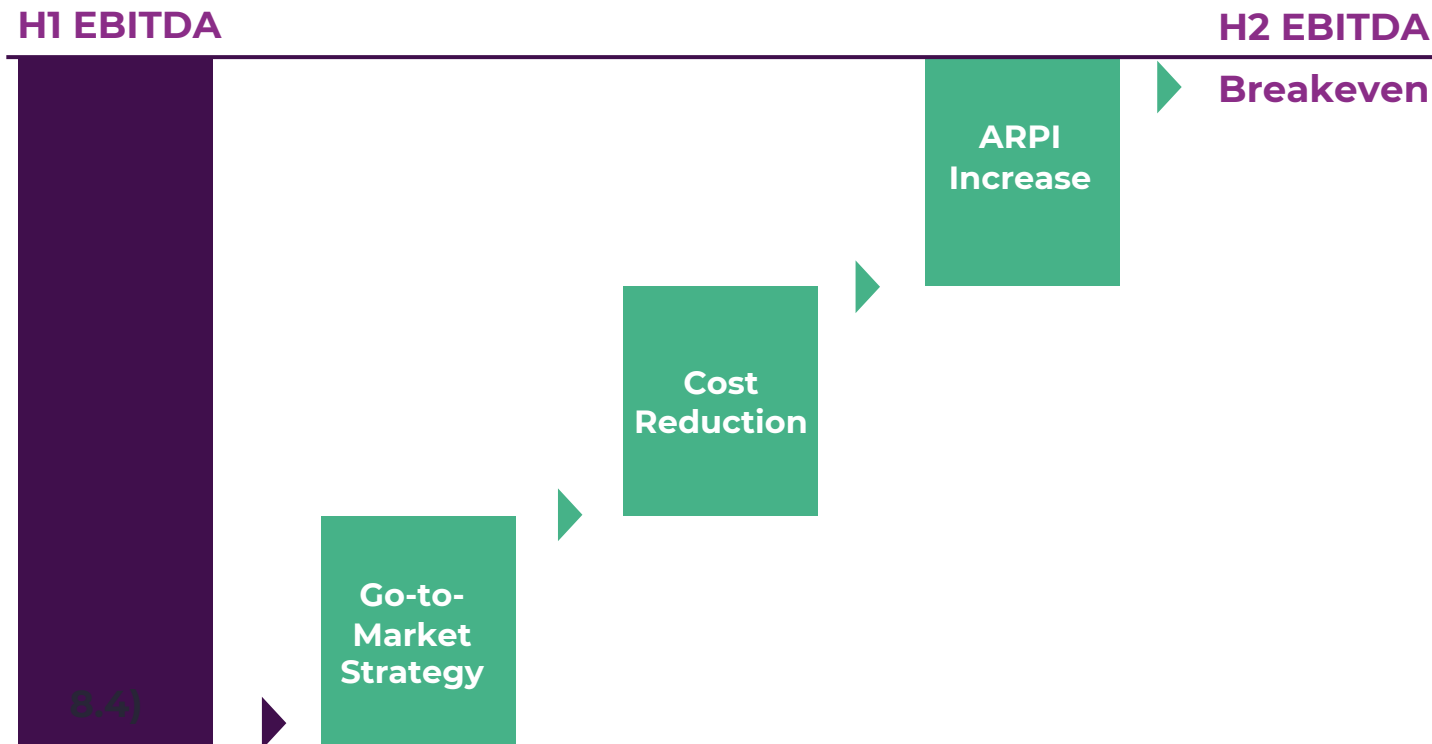


Cash position reflects trading performance but we have reduced burn-rate in H1 vs H2 22



- H1 cash movement of £(11.9)m primarily driven by trading performance
- Deferred revenue and COS prepayment accounting results in timing difference between earnings and cash

H2 represents a significant turnaround in profitability to achieve consensus¹



- **'Go-to-Market' strategy:** Implementation of 'Go-to-Market' approach to drive up instructions via higher demand and improved Field performance
- **Cost Reduction:** In line with previous guidance the cost savings across Field, Marketing and Head Office are weighted towards H2
- **ARPI Increase:** H2 includes full impact of price increase implemented in July

Note: Graph not to scale – for illustrative purposes only

1. FY23 consensus EBITDA £(8.8)m (range £(11.3)m - (4.0)m)

Summary and guidance

**Expect to be
cash generative
by early FY24**



- H1 reflected consistent performance whilst delivering operational transformation
- We maintain our previous guidance:
 - FY23 revenue expected to be in the range of £67.5 – £72.5m, weighted towards H2
 - Expect to be cash generative by early FY24
 - Retain significant headroom in cash resources
- H2 23 expected to be breakeven EBITDA
- Expect FY23 EBITDA to be in line with market consensus¹

1. FY23 consensus EBITDA £(8.8)m (range £(11.3)m - (4.0)m)

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UPDATE ON OUR STRATEGIC PRIORITIES

Helena Marston,
Chief Executive Officer



Reasons to believe

We consistently achieve across customer and brand metrics

#1 – Achieving successful completion for our customers¹



80% Sales exchanged

68% Whole **65%** Largest peer

We are #2 in speed to agree sale, +21% vs whole market¹



33 DAYS

42 DAYS Whole **45 DAYS** Largest peer

‘Commisery’ campaign cutting through with target audience



+6ppts rise in consideration²

90% Awareness³ **+6ppts** Good value² **+7ppts** Experts

1. Source: TwentyCi (May-Jun '22)
 2. Source: System 1 (Oct '22)
 3. Source Kokoro Brand Tracking

Clear plan to return to profitability

1
**Cut costs
and
stabilise cash**



2
**Grow and
diversify
revenues**



3
**Grow
instructions**



4
**Raise
standards**



Good progress on new revenue opportunities

Mortgages

Appointed Mortgage Representative
Launched 1 November

Conveyancing

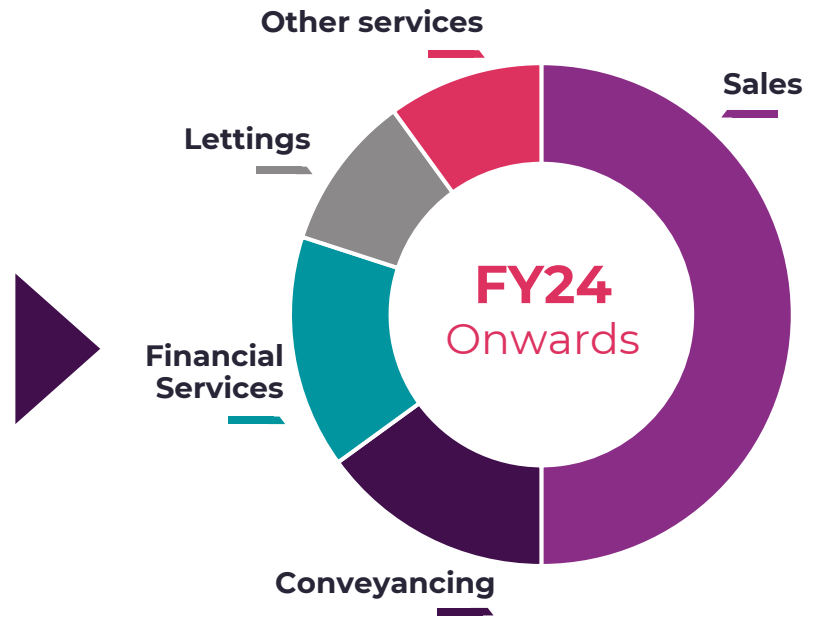
Now selling to buyers,
digitised to scale in H2

Lettings

Strategy review to
grow lettings
business

Other services

Trialing other products
in property ecosystem



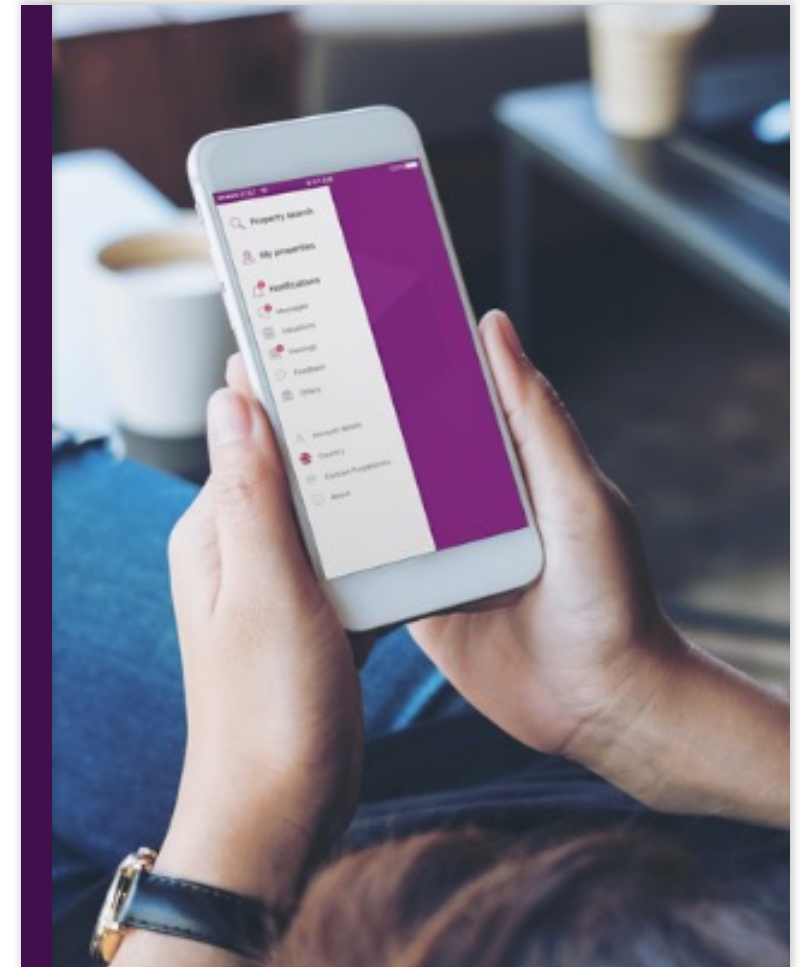
Mortgage proposition launched

- Purplebricks Financial Services (PFS) launched on 1 November, 5 months ahead of plan
 - We now sell mortgages to all customers – buyers & sellers
 - 3x more revenue per mortgage (avg £1,100) with benefit from H1 24
 - Opportunity to sell additional financial products in near future
 - Retain customer data and ownership of end-to-end experience driving re-mortgage opportunities & repeat business
- Taking a compliance first, disciplined approach to scaling the business
- Ambition to have 100% customer coverage by H2 24



Growing conveyancing revenue

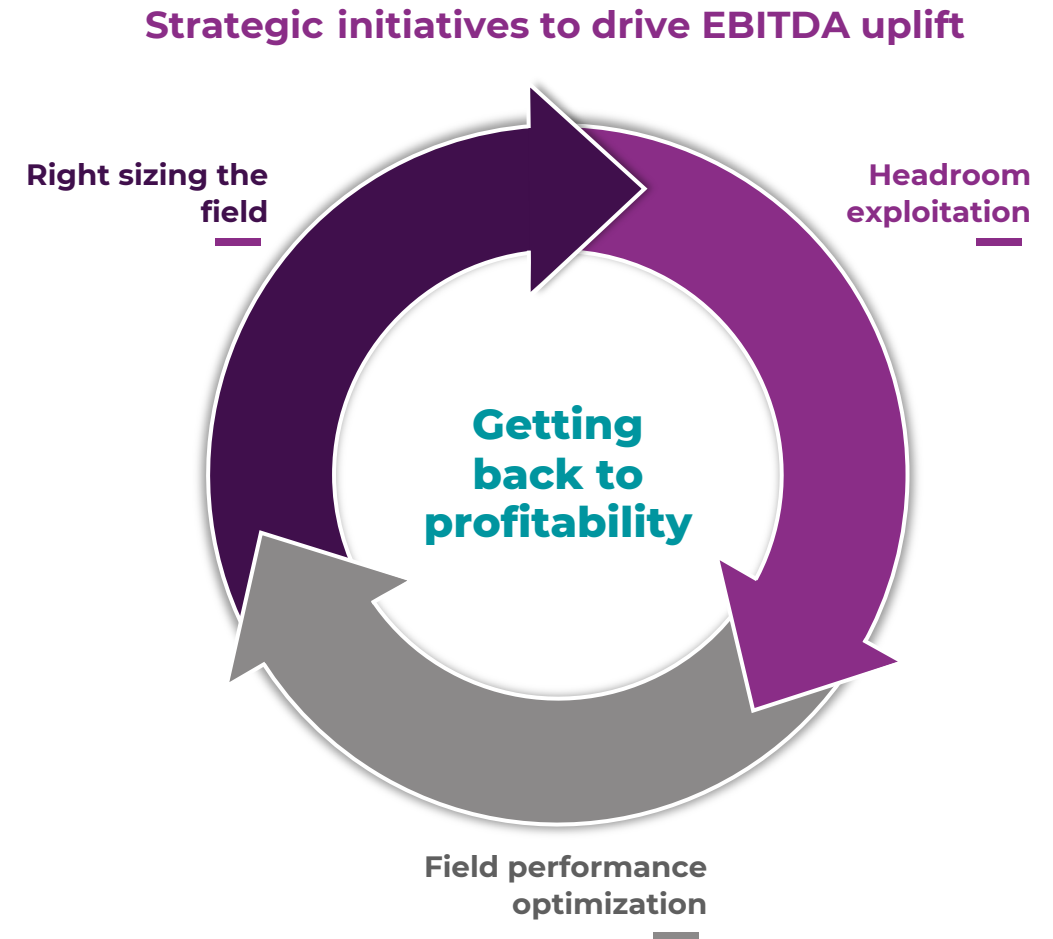
- Historically only focussed on customers selling – c.70% take up, 17% revenue
- Successful launch to buyers completed in H1
 - In-house resources deployed
 - Resulted in **25%** of viewers contacted accepting quotes
- Digitised rollout in Q3 23 through:
 - Implementing new digital process to support higher volumes and greater efficiency
 - Limited additional resources required
- 100% of sellers targeted by Q3 23 with new digitised process



'Go-to-Market' strategy

H2 execution to decrease costs and grow profitability

- Our 'Go-to-Market' strategy has identified areas to grow market share & profitability at pace
- We have a much clearer understanding of demand drivers, area-level market headroom, resource requirement and profitability per area
- We have segmented our footprint across 3 buckets to optimise the deployment of our resources, delivering maximum shareholder return :
 1. **Performing & profitable areas** – maintain market share
 2. **Growth areas** – grow instructions where sizeable headroom exists
 3. **Unprofitable areas** – optimizing the cost to operate
- The implementation of this strategy will decrease annual cost of sales significantly, driving greater profit



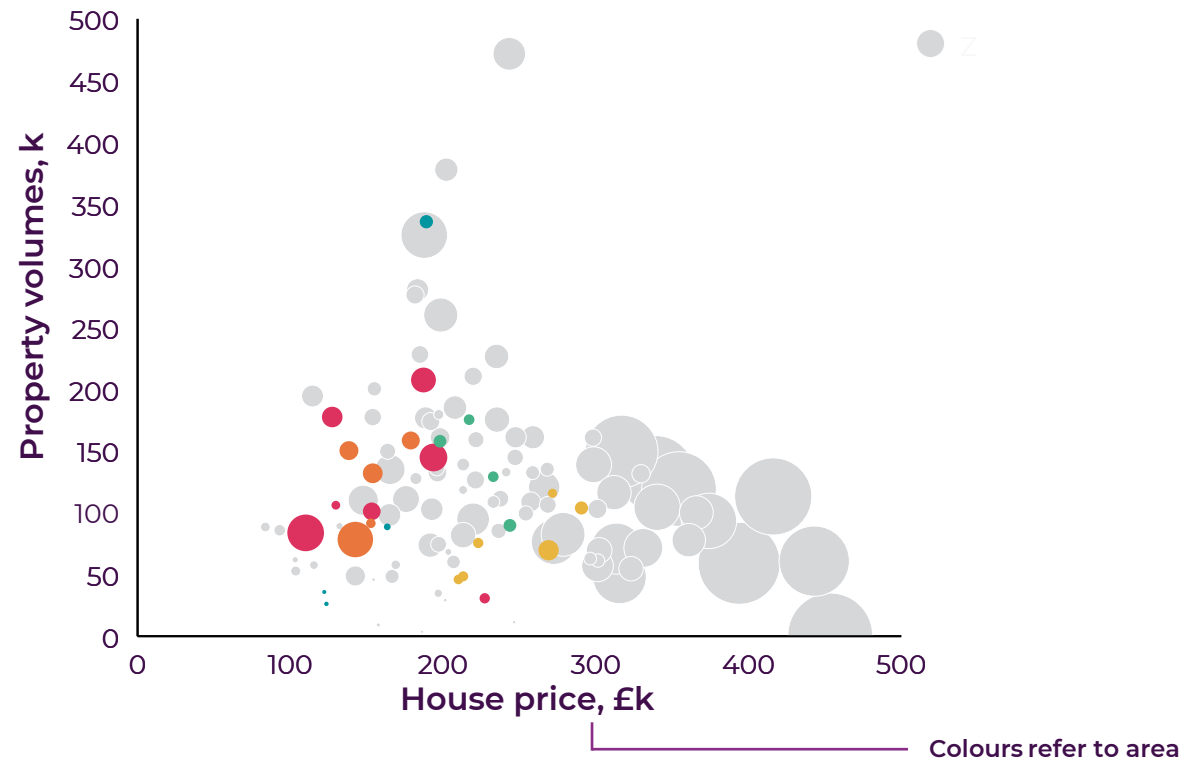
'Go-to-Market' strategy

Significant market headroom identified to uplift valuations

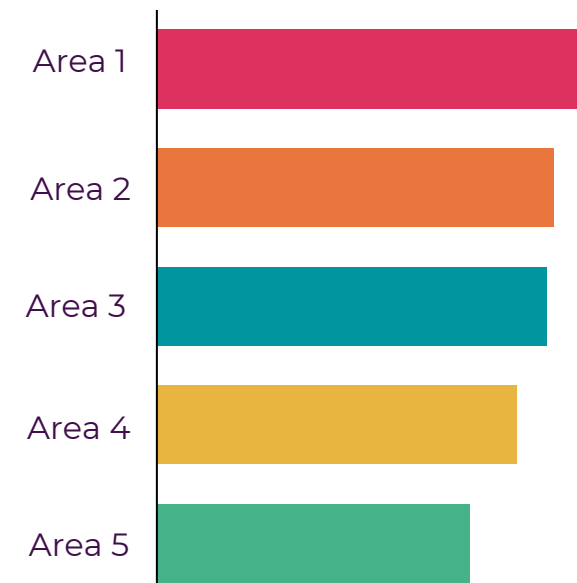
Regions with the highest number of potential valuations are typically those with moderate population density and a lower quartile house price

Postcode district characteristics (top 5 opportunities highlighted)

Bubble size denotes population density (larger = more dense)



Predicted uplift in booked valuations: top 5 regions



Multiple levers are improving conversion

- Conversion showing steady improvement since launch of recovery plan, driven by:
 - Pre-qualification of all valuation requests
 - Changes to customer journey online and in living room
 - Commercial excellence across field operations
- Using data and analysis improving our ability to focus resources on higher quality opportunities

Conversion improvement



Summary & outlook

Ensuring performance in any market condition



- First half performance in line with expectations
- Significant momentum and pace of actions being maintained – laser focussed on delivery against plan
- Cost actions and performance initiatives underpin full year expectations and a return to positive cash generation in early FY24
- Reiterating FY23 guidance and EBITDA expected to be in line with market consensus¹

1. FY23 consensus EBITDA £(8.8)m (range £(11.3)m - (4.0)m)

05

Q&A

Helena Marston,
Dominique Highfield



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APPENDIX



Accounting terms and KPI definitions

- **Total fee income:** Fees receivable in respect of instructions and mortgage referrals, and conveyancing fees due in respect of completed transactions
- **Instructions:** Instructions won in the year; net of instructions refunded in the year
- **Average Revenue Per Instruction (ARPI):** Total fee income divided by the number of Instructions in the year
- **Adjusted EBITDA:** Refer to H1 23 Results Statement, note 4, Alternative Performance Measures
- **Adjusted operating costs:** Refer to H1 23 Results Statement, note 4, Alternative Performance Measures
- **Conversion:** the percentage of customers who choose to instruct Purplebricks following a valuation appointment attended
- **Pro package attachment rate:** the percentage of customers who select the higher priced instruction offering which includes assisted viewings and 3D Tours