

Transforming for Growth

Half Year Results

For the six months
ended 31 October 2021



**PURPLE
BRICKS**

Disclaimer

Forward-looking statements

This presentation includes statements that are, or may be considered to be, "forward-looking statements". By their nature, such statements involve risk and uncertainty since they relate to future events and circumstances. Results may, and often do, differ materially from forward-looking statements previously made. Any forward-looking statements in this presentation reflect management's view with respect to future events as at the date of this announcement. Except as required by law or by the AIM Rules of the London Stock Exchange, the Company undertakes no obligation to publicly revise any forward-looking statements in this presentation following any change in its expectations to reflect subsequent events or circumstances.

Agenda

1. Introduction & Financial Review

2. Transformation Update

3. Summary

4. Q&A

Introduction & Financial Review

Vic Darvey, Chief Executive Officer

Executed significant changes to operating model to drive growth



**SALES AGENTS
MOVED TO FULLY
EMPLOYED**



**LAUNCHED MBG
& SIMPLIFIED
PROPOSITIONS**

- Changes necessary to drive the business forwards with greater control over field performance and results
- Launched Money Back Guarantee and two new simplified propositions – Classic & Pro
- Redesigned operating model and moved to an employed field sales model
- Caused short-term disruption to the business during the period
- Coincided with a significant downturn in market supply
- Signs of recovery emerging since launch

Early signs of recovery emerging from transformation

✓
SALES AGENTS
MOVED TO FULLY
EMPLOYED

Conversion Rate ¹
+4.0ppts
Since Sep

✓
LAUNCHED MBG
& SIMPLIFIED
PROPOSITIONS

Pro Attachment ²
+8.4ppts
Since May

^{1,2} See appendix for definition

Market share improvement alongside sustained ARPI increase

✓
**SALES AGENTS
MOVED TO FULLY
EMPLOYED**

✓
**LAUNCHED MBG
& SIMPLIFIED
PROPOSITIONS**

Conversion Rate
+4.0ppts
Since Sep

Pro Attachment
+8.4ppts
Since May

Market Share³
+0.6ppts
Since Sep

ARPI⁴
+15%
Since H1 21

³ Market share of instructions - Source Rightmove

⁴ See appendix for definition

Results impacted by market & business disruption

Instructions¹

21,131

(38)%

HY21: 34,150

ARPI²

£1,642

+ 15%

HY21: £1,428

Total Fee Income³

£34.7m

(29)%

HY21: £48.8m

Revenue

£41.3m

(7)%

HY21: £44.2m

Adjusted EBITDA⁴

£(0.8)m

(110)%

HY21: £8.4m

Cash

£58.3m

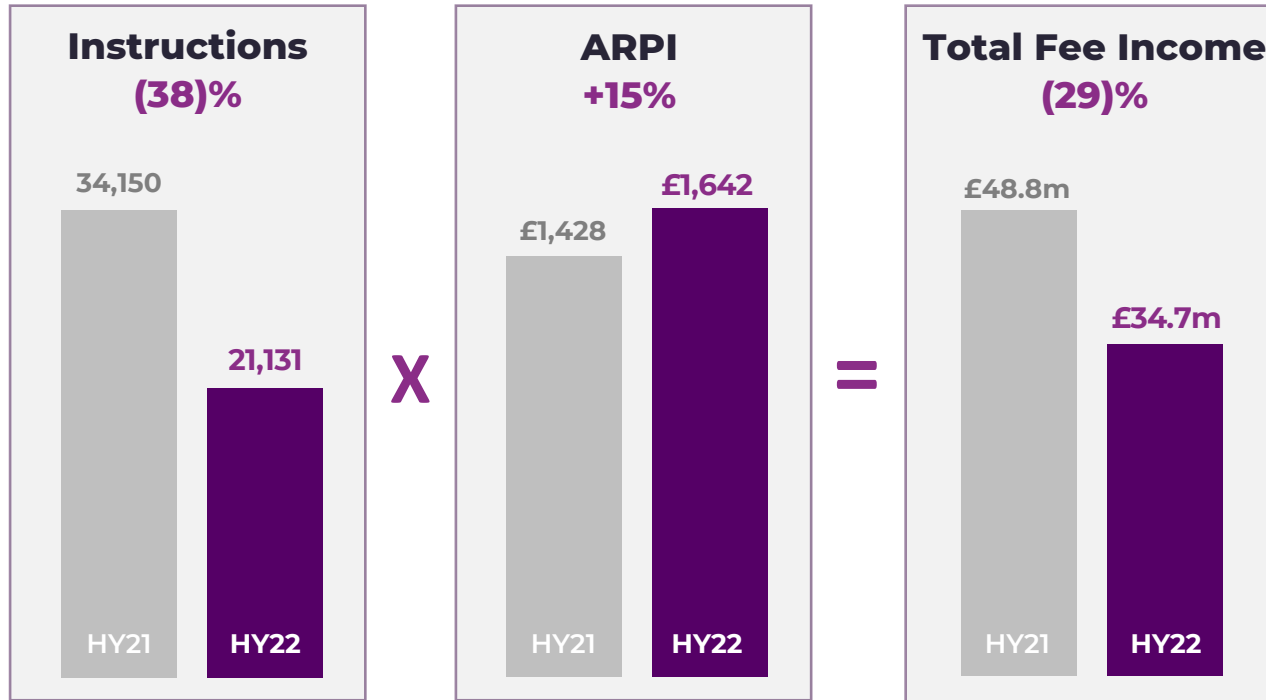
(23)%

HY21: £75.8m

1,2,3. New definition and comparative restated – see appendix

4. See appendix for definition

Performance KPIs



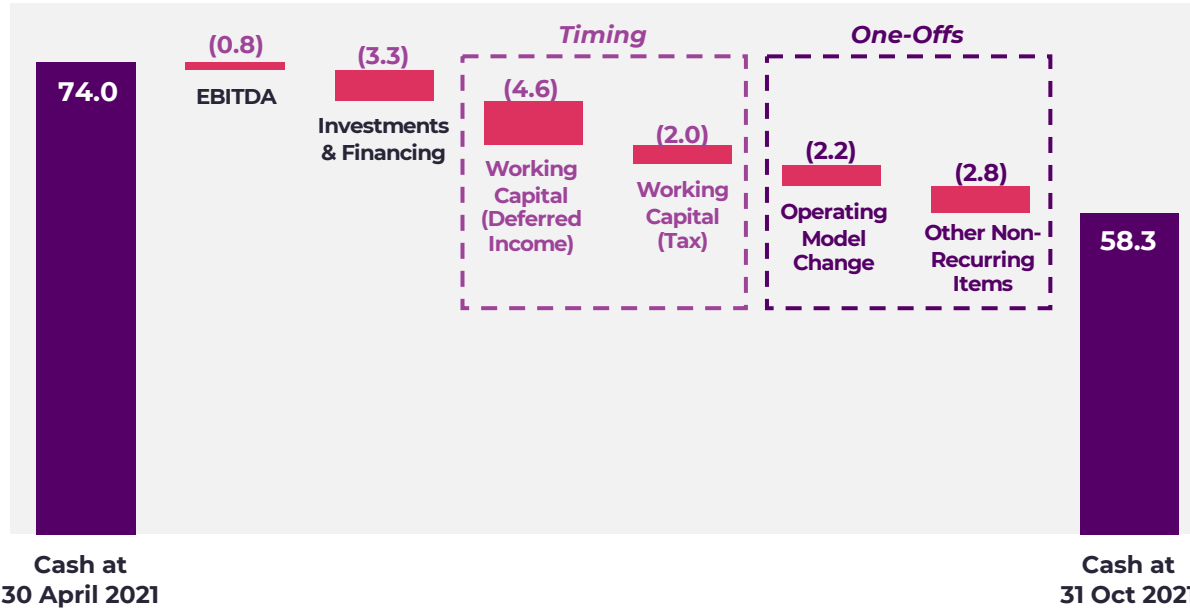
- Instructions down 38% H1 vs. H1 due to change in market conditions and disruption due to change in operating model
- ARPI increase due to price optimisation, increased upsell rates and phasing of higher conveyancing income
- ARPI in H2 will reflect seasonality and slower instructions in H1 resulting in lower conveyancing income
- Total fee income down 29% H1 vs. H1 due to lower instructions but partially offset by the higher ARPI

Summary income statement

	HY22 £m	HY21 £m	Change %
Revenue	41.3	44.2	(7)%
Gross profit margin %	63.4%	67.0%	(360)bps
Adjusted operating costs	(12.5)	(12.9)	(3)%
Marketing costs	(14.5)	(9.0)	61%
Other net income	—	0.7	—
Adjusted EBITDA	(0.8)	8.4	(110)%
Adjusted EBITDA margin %	(1.9)%	19.0%	(20.9)ppts
Operating (loss)/profit	(11.1)	6.9	(261)%

- Revenue down 7% due to lower instructions but partially offset by benefit of favourable IFRS15 adjustment (£12m benefit H1 vs. H1)
- H1 22 gross margin consistent with pre-employed model however H2 will see full impact from employed model change, impacting FY margin as we transition to fixed cost base
- Additional £1m support costs will impact H2, as per previous guidance
- Marketing costs up 61% as a result of new SOLD marketing campaign investment and increased media cost, in line with guidance
- EBITDA loss of £0.8m
- Operating loss reflects £3.6m lettings provision and goodwill impairment

Strong cash position remains despite weaker trading and one-off transformational costs



- Balance sheet remains strong
- £11.6m of timing and one-off impacts seen in H1
- Exceptional costs associated with employment model change in line with previous guidance
- Looking ahead to H2 we expect cashflow to reflect the underlying trading performance of the business and any cash outflow related to our lettings provision

Update on Lettings

- In December 2021, we discovered a process issue in relation to our communications with tenants regarding their deposit registrations
- Sought independent third-party assurance in relation to the end-to-end process and controls in the letting business and a series of process and control enhancement are being executed
- Vic Darvey, CEO, is leading these actions, overseen by the Audit Committee
- Published an estimated provision range of £2m-£9m in December; a provision of £3.6m for potential future claims has now been made, and the Board is satisfied this is appropriate
- Lettings function is now under new leadership
- We are confident in the changes we are making in our lettings business, which we believe has great potential for the Group

Financial guidance

- Market outlook for H2 remains uncertain as lower instructions supply continues to prevail
- FY gross margin to be diluted by transition to employed model, plus £1m extra support costs as previously guided
- H2 ARPI will be lower than H1 reflecting seasonality, with lower instructions in H1 resulting in lower conveyancing income flowing through to H2. ARPI for the full year will be up year-on-year as we continue to grow our attachment rates.
- FY marketing spend in line with previous guidance, investment weighted towards H1 due to campaign launch
- We expect H2 cash outflow to reduce and reflect underlying performance of the business and any lettings claims
- The full impact of the recent operational transformation will drive improved financial performance from FY23

Transformation Update

Vic Darvey, Chief Executive Officer

Helena Marston, Chief Operating Officer

We are executing our strategic pillars to drive growth

1

**WIN MORE
CUSTOMERS**

HOW:
by evolving our pricing
and proposition

2

**EMPOWER OUR
PEOPLE**

HOW:
by enabling them to be
their best every day

3

**CREATE THE BEST
HOMEMOVING
EXPERIENCE**

HOW:
by re-defining the end-
to-end customer journey

Launched Money Back Guarantee & simplified 2-tier proposition

- New MBG price model emphasises accountability to secure sale to increase market share
- Classic & Pro Packages introduced with fixed fees for clearer differentiation vs High Street and to grow ARPI via ancillaries such as 3D Tours
- Both launched nationally at end of July, roll out supported by marketing & digital campaign
- We have seen MBG performance start to improve since September with conversion improving by 4.0ppts
- Consistent and sustained increase in Pro Package take up, increased attachment by 8.4ppts since May



New operating model

To drive performance and enable a better customer experience

Operating Model ambitions:

- 1 Create a **consistent service** for buyers and sellers which is optimised through technology
- 2 Create the most compelling employee value proposition in the industry to **attract the best talent** and **reduce attrition**
- 3 Ability to **recruit the right talent and train** the field in the PB way
- 4 Ability to **performance manage** our field

Which enables:

- Better Customer experience for both sellers and buyers
- Our approach to buyers is now an opportunity driven relationship enabling us to generate more leads and sell additional products
- We know what good looks like and we recruit to this standard
- We have the ability to influence diversity in our field and develop our people
- Meet demand to increase market share
- Pro-active management of field performance with the right rewards and incentives

Evidenced since model change :

Market share:

+0.6ppts

Conversion:

+4.0ppts

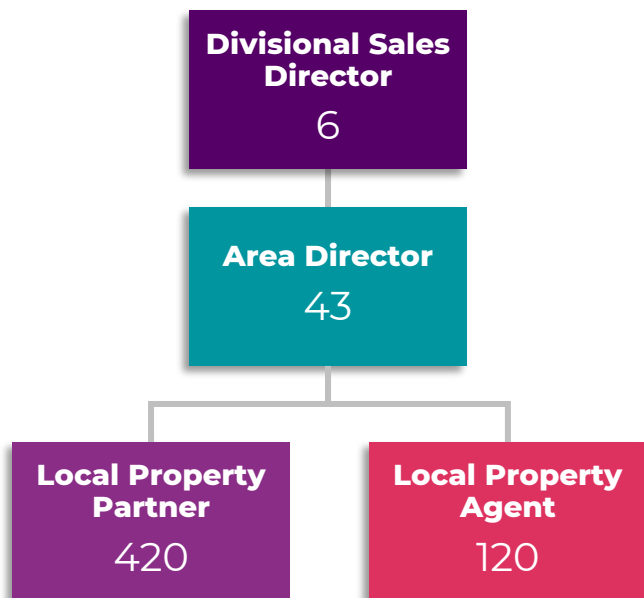
Mortgage attachment:

+22%

1 Market share of instructions - Source Rightmove

New roles & responsibilities

Driving performance & growth



Area Director

- Oversees the work of Senior Property Partners, Local Property Partners and Local Property Agents



Local Property Partner

- Conducts and delivers valuations
- Manages instructions, marketing reviews and negotiations to achieve property sales targets
- Sells ancillary products to customers
- Collates property listing/advert content



Local Property Agent

- Conducts accompanied viewings for Pro Package properties
- Manages customer relationships and customer contact post-instruction
- Provides marketing advice to customers and sells ancillary products



Photography & 3D Tours

- Professional photography and floor plans as standard for all our customers
- 3D tours now included in Pro Package

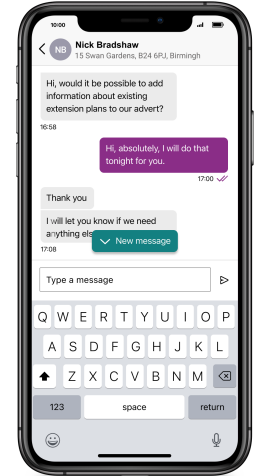
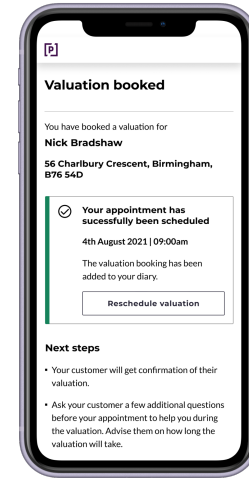
Our employee value proposition is attracting top talent

- 95% of sales workforce in place. 540 employed agents in role
- 4,500+ job applications received since 1 September 2021
- We re-designed our field and support functions grouping together the right capabilities in the right places, to enable our field to focus on listing homes and creating a great customer experience
- Compelling proposition vs High Street
 - Competitive package, uncapped commission
 - Access to industry and local market data to support conversion and upsell
 - National marketing investment to drive leads & awareness
 - Remote & flexible working
 - Autonomy to bring their own personality & creativity to the role
 - Development opportunities to enable progression



Improving the digital agent experience

- Creating a modern, higher performing field workforce through technology & data
- New best in class tech in the field to enable modern remote working and to bring to life the customer experience in the living room using iPhones and Microsoft Tablets
- New PB agent iPhone app built and launched in H1 to digitally connect agent and customer instantly
- Salesforce CRM deployment well underway to unlock digital agility and capability:
 - Personalised digital customer marketing delivered (multi channel)
 - New set of agent self-generation tools launched
 - Local market data insights including pricing models layered into valuation process creating improved conversion metrics
 - Enhanced customer journey and richer data insights through to completion
 - Full field access expected by mid-2022



Summary

Vic Darvey, Chief Executive Officer

Summary

Growing confidence in our operational performance

- Market outlook remains uncertain due to supply shortages and macro-economic conditions but encouraging signs of improving market supply during January
- Operational model transformation is largely complete. Confident that we now have the right levers in place to drive a stronger financial performance when the market improves:
 - Moved to employed model with greater control over field performance and results, and compelling agent proposition
 - Money Back Guarantee and simplified propositions rolled out in July
 - Our new operating model bedding in well across the organisation with higher engagement across the business
- Key trading metrics showing early signs of recovery - conversion rates, ancillary product sales and market share of instructions showing improvement in recent months
- We have growing confidence that we can sustain this trading performance through 2022

Q&A

Vic Darvey, Chief Executive Officer

Helena Marston, Chief Operating Officer

APPENDIX

Accounting terms and KPIs – new definitions

KPIs introduced for FY 21 and going forward

KPI	Definition	H1 22	H1 21	Mvmt
Instructions	Number of instructions won in the year, net of the number of instructions refunded in the year	21,131	34,150	-38%
Total Fee Income	Fees receivable in respect of instructions (as defined above) and mortgage referrals, and conveyancing fees due in respect of completed transactions	£34.7m	£48.8m	-29%
ARPI	Total fee income divided by the number of Instructions in the year	£1,642	£1,428	15%

KPIs in use at FY 20 and previously reported

KPI	Definition	HY 22	HY 21	Mvmt
Instructions	Number of instructions won in the year	21,984	35,387	-38%
Total Fee Income	Fees receivable for published instructions, lettings and mortgage referrals; and conveyancing fees due in relation to completed transactions	£40.0m	£49.1m	-19%
ARPI	Total fee income excluding lettings, divided by the number of published instructions in the period	£1,750	£1,392	26%

- **Adjusted EBITDA:** Refer to H1 22 Results Statement, note 4, Alternative Performance Measures
- **Adjusted operating costs:** Refer to H1 22 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