Purplebricks Group plc

Interim Results for the 6 months ended 31 October 2017

Strong trading, strategic investment, UK guidance upgraded

Purplebricks Group plc (AIM: PURP) ("Purplebricks"), the hybrid estate agent providing a new way to buy, sell or let property, announces its Interim Results for the six months ended 31 October 2017.

Financial highlights

	H1 2018				H1 2017			
	UK	Aus	USA	Group	UK	Aus	USA	Group
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	39.9	6.8	0.1	46.8	18.3	0.4	-	18.7
Gross Profit	22.5	3.6	0.1	26.2	10.2	0.2	-	10.4
Gross Profit Margin	56.5%	53.3%	69.6%	56.0%	55.6%	49.7%	-	55.5%
Administrative expenses	(9.3)	(3.0)	(3.8)	(16.2)	(3.8)	(1.7)	-	(5.5)
Marketing	(10.1)	(5.7)	(2.5)	(18.3)	(6.6)	(1.0)	-	(7.6)
Operating profit/(loss)	3.2	(5.1)	(6.3)	(8.2)	(0.3)	(2.5)	-	(2.8)
Adjusted EBITDA *	4.7	(5.1)	(6.3)	(6.6)	0.3	(2.5)	-	(2.2)
Net Cash				64.4				29.1

* Defined by the Group as profit / (loss) before net finance costs, tax, depreciation, amortisation and share based payment charges

Financial highlights

- Group revenue up 150% to £46.8m
- UK revenue up 118% to £39.9m
- UK business adjusted EBITDA increased to £4.7m
- Average UK income per instruction up 14% to £1,138
- Australian revenue increased to £6.8m
- Average income per instruction in Australia $5,282 AUD

Operational highlights

- Number of UK Local Property Experts rose 107% to 650 as at 12 December
- Number of Australian Local Property Experts rose 600% to 105 as at 12 December
- UK Online market share increased to 74%
- Percentage market share in Australia higher than UK after first anniversary
- Commenced US expansion ahead of plan, with Los Angeles in September
- Solid progress in terms of local real estate experts (LREEs), currently totalling 40. Valuations booked, instructions secured and completions via our Escrow (conveyancing) business
- Launches in San Diego, Sacramento and Fresno in January 2018 along with engaging a further 18 LREEs
- Service rated Excellent with five stars in the UK, Australia and the US by independent review site Trustpilot

Outlook

- UK revenue guidance for the full year upgraded 5% from £80m to £84m reflecting a strong first half, recent investment in LPEs and infrastructure, to capitalise on momentum and further increase market share
- On-course to achieve full year revenue guidance of £12m in Australia

Commenting on the results, Michael Bruce, Group CEO, said:

"We have had a great first half, with strong trading, significant strategic progress and substantial operational upgrades. The UK business continues its rapid top line growth, which is driving a strong increase in profits and margin expansion. We continue to win UK market share from traditional operators in what is a challenging market and consolidate our leading position with competing digital and hybrid offerings.

As a result of our continued success we have seen the highly customer engaged Post Sales Support team more than double, the Conveyancing Sales team grow by more than 80% and our Purplebricks Concierge team expanded, with a view to them covering the whole of the UK. We have also made considerable strategic investments in people to support both UK and global growth. Our team in the UK, excluding LPEs, is now 375 strong.

Our overseas expansion is progressing well with Australia on track, and the launch into the US in September ahead of schedule. While it is very early days we are greatly encouraged by the initial response from customers and the quality of applicants looking to be Local Real Estate Experts. We are pleased with our progress to date, confident in our future, and as a result upgrade our UK full year revenue guidance by 5% from £80m to £84m."

The Company will be holding an analyst meeting today at 9:30am in London. Please contact Gemma Mountford on (+44 020 7457 2020 – gemma.mountford@instinctif.com) for details. There will also be a live webcast of the analyst meeting – see link below:

http://webcasting.brrmedia.co.uk/broadcast/5a2a9c7e758e796a8ac08e5e

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Summary

We are pleased to report further strong progress across the business. In just three and half years Purplebricks has led fundamental and permanent change in the estate agency market. Whilst it has been an extremely challenging period for the industry as a whole with increased competition, the impact of technology, stamp duty changes and wider macro-economic pressures, Purplebricks has been able to outperform its peers, delivering rapid growth and market share gains.

Sales momentum continues to be strong, with Group sales growth of 150% in the half year. Not only is the UK business retaining its growth trajectory, with sales increasing 118% year-on-year, Australia, which has just passed its one year launch anniversary, has also generated £6.8m ($11.3m AUD) of instruction fees in the period, compared with just £0.4m in the prior year. Growing awareness and understanding of the Purplebricks' offering, an increasingly local service provided by our growing network of LPEs, coupled with our expanding and maturing infrastructure is driving valuation enquiries, which are converting to new instructions and, as a result, higher revenues.

In the UK we sold and completed on £4.6bn of property, with a further £3.8bn in the pipeline. The UK business continues to scale up, reporting an adjusted EBITDA profit of £4.7m (FY17: £0.3m) and an operating profit of £3.2m. The increase in profitability has been achieved through a combination of strong top-line growth and continued operational leverage and follows a £3.5m planned step-up in marketing investment in the period. In this period we have invested further in infrastructure for growth and operational technology.

Our Australian business is progressing well, having recently completed its first full year since launching in September 2016. Since launch we have sold and completed on $1.1bn AUD of property. We are expanding our Australian management team and building further infrastructure for growth. We currently have 105 Local Property Experts across five states. We are fast building a brand, with unprompted brand awareness reaching 10%, a level which it took the UK two years to reach. Our aim is to replicate the success that Purplebricks is having in the UK.

Whilst it was a bold decision to enter the $70bn US market, we continue to believe that there is a substantial opportunity in a market where the average commission is between 5% and 6%. We are looking to modernise the US market, as we have done successfully in the UK and are doing in Australia.

The launch went to plan, ahead of time and within expected budget. Although it is early days, initial indications from the first few weeks of trading are encouraging. Since launching our successful "real misery" advertising campaign we have seen increasing web visits, valuations, listings and sales. We have already seen the model work end-to-end from advertising to listing and right through to legal completion of sales via our US escrow business.

We currently have 40 Local Real Estate Experts operating in our launch regions of the Los Angeles designated market area (DMA). We expect to have around 55 LREEs going into the New Year when we launch into Fresno, Sacramento and San Diego.

It is testament to the strength and cash generative nature of the model that net cash at 31 October 2017 is £64.4m despite our continued cash investment in both Australia and the US. This compares to net cash of circa £71.3m at April 2017 year end.

The fast growth in the business and the launch into the US market has been achieved whilst maintaining a high quality service for customers. This is not only evidenced by well over 32,000 UK reviews and 1,500 reviews in Australia on independent review site Trustpilot, but also a net promoter score ("NPS") of +78 which compares to brands like Disney and Amazon. We will also be extending the review choice for our customers to include the highly respected review site Feefo, with our agreed partnership due to go live early in 2018.

Increasing our footprint of LPEs across the UK

We currently have 650 UK Local Property Experts which is an increase of 107% on the same period last year. We will recruit further in the new year as required to meet the growing demand in the spring market. In addition, we have 58 UK Local Lettings Experts which is an increase of 287% on the same period last year. We are seeing no let-up in our ability to attract and retain talented and highly experienced agents, with many increasingly converting to the growing strength of the hybrid offering against a backdrop of structural and cyclical industry change.

As we grow our LPE network across the country, not only are we further raising awareness of the Purplebricks' brand and our hybrid offering, but we are able to continue to provide our customers with an increasingly 'ultra-local' service. This can only be to the benefit of customers and the business.

Building on our market leading technology

Bringing together first class LPEs and industry leading technology is the foundation upon which the Purplebricks' business has been created. We are very proud of our technology and indeed the work we are doing to introduce new and innovative features that set us apart from everyone else in the industry.

Technology can play a key part in our strategy of creating longer lifetime relationships with our customers. It can help to keep them engaged with the brand through wider products and services and with simple yet innovative ways of making their lives easier, more convenient and informed.

We are focusing on user experience and how we can reduce friction in every interaction with our service offering. Whilst marginal gains can make a material impact on performance it can also result in a vastly improved experience for our customers. We benefit from an enormous amount of customer intelligence and are constantly testing, challenging and evolving. The advanced features introduced for our US launch are being migrated into the UK and Australia.

The Purplebricks App for sellers and buyers has had a number of upgrades and new features and will play an increasingly important role in delivering a seamless, superior service for our customers. It is making the whole process even more integrated, convenient, effective and transparent. It has taken the experience for a buyer to a new level. Users can now book valuations, arrange viewings, give feedback, make offers, negotiate offers, agree sales, communicate with the seller and get access to information on the process. We have already revolutionised the way sellers and buyers communicate throughout the process and are building on the work we have started.

We continue to develop new ways to leverage our technology platform and data to grow ancillary revenues. There are smarter, more effective ways of selling some products and services with the use of our technology platform such as Rightmove Premium Listings.

We now have over 80 full time developers across the UK, Australia and the US and continue to increase our technology team. As a result Purplebricks is starting to become a hub of technical interest for developers across the UK.

Creating engaging marketing and advertising

Investment in marketing and advertising has always been a central element of the Purplebricks' strategy. We continue to work hard to grow our brand and in less than three years the progress has been outstanding. Ed Hughes (UK Marketing Director), continues to drive our brand messaging, engagement and performance in the UK, supported by James Kydd (Director of Marketing).

Our new CMO in Australia, Matt Simmons, is starting to make headway whilst Joby Russell returns to the UK to lead our strategy of creating longer lifetime relationships with customers. Jonathan Adler leads our marketing charge in the US and is building a highly experienced team for design, user experience, digital and social and PR. We are privileged and proud to have such an array of highly experienced marketing professionals working collaboratively on consumer engagement and growing our brand worldwide.

We are due to release new TV and radio commercials on Boxing Day and are in the process of working on website upgrades and changes to our flows and processes. We will be concentrating on taking our brand awareness and over 2.9m monthly web visits and turning them into increased opportunities for the growth of the business.

According to the latest research by The Nursery, one of the leading independent research and planning agencies, Purplebricks has industry leading spontaneous brand awareness, which has grown to 37%, 17% above that of Rightmove, from people looking to sell their property. Within its competitive set, which includes the property portals and traditional leading high street agents, Purplebricks has the highest prompted brand awareness. In tandem with the increase in awareness is an increase in the understanding of the Purplebricks' proposition by consumers.

Our above-the-line marketing is complemented by brand and generic pay-per-click activity which is predominantly provided by Google, Facebook and Bing. We are also looking at better ways of using social media in a targeted way to drive more activity amongst sellers.

We continue to drive efficiencies in our valuation conversion funnel and to analyse trends amongst our database of hundreds of thousands of sellers and buyers in order to ensure that our key messages are resonating with consumers. We have dedicated, first class conversion specialists who are making big strides in simplifying processes and introducing more engaging and persuasive information to help people book a valuation. We are working on many new features that are due to be released shortly with the aim of taking more of our site visitors and turning them into customers.

Email marketing will start to play a growing role in our wider strategy, concentrating on how we engage with customers through email, reports and processes and indeed how we might engage, inform and convert people into customers and subsequently customers into taking greater advantage of our wider services. This will further advance our marketing and communications strategy.

Post-Sales Support

We are proud of the full service estate agency experience we give to our customers. We have grown our team of people who support our customers through the journey from sale agreed to completion by over 207% in the last year to 45. They offer a specialist and dedicated service to customers where any issues arise that could impact the sale that has been agreed and supplement, rather than replace, the ongoing support provided by the LPEs. They are pro-active when presented with any issues or problems and have had a substantial amount of positive feedback from customers. We will continue to grow our post-sales support teams as the number of agreed sales increase.

Growing our customer service and Data Sales Unit

Our customer service and data sales teams have grown to 12 people in the UK and 3 in Australia. They are engaging with buyers, sellers and viewers. As part of our strategy to increase valuations and drive down the cost per acquisition, we will continue to develop our Data Sales Unit. We generate thousands of data points daily as people register with Purplebricks, arrange a viewing, make offers and agree sales. We continue to increase our revenue generating opportunities from data and, as our people develop and move into dedicated product and service streams, we expect to see the unit continue to make a significant contribution.

Sellers Concierge

We currently have a dedicated team in the UK who communicate with our customers regularly to review their marketing to ensure we continue to provide a first class service and to help and support moving properties from "for sale" to "sale agreed". This team has estate agency experience and has had positive reviews from customers who have interacted with them. The team has made a significant difference to our performance and we will continue to grow this team to cover all areas of the UK. They are currently supporting 50% of our regions and it is our objective to cover all regions of the UK by the year end. Due to the success of our sellers' concierge service we have recently introduced it into Australia and we intend to do the same in the US as we scale.

Investing in supporting infrastructure to support UK and global growth

We have invested in back office and other important supporting functions to facilitate growth both in the UK and globally. This includes improving and globalising the finance systems, finance personnel, IT infrastructure and security along with the legal and compliance function.

Growing our Lettings business

The lettings business comprised 8% of the revenue in H1 18, up from 5% during the last financial year. Tenant fees remain a minor part of this revenue stream. The integration of BFL Property Management Limited is now complete and we are seeing the benefits of scale on the overall lettings portfolio. Both the underlying lettings business and the acquired portfolio are performing in line with expectations set at the start of the year.

Introducing new products and services

Our model of combining people and technology places us in the best possible position to be in the right place at the right time. As a result we want to be able to offer customers relevant additional products and services that complement their journey of selling, buying or letting.

We continue to look at new and smarter ways of supporting our customers with much more convenient, easily accessible, stress-free and cost-effective products and services. We will add new products and services once we are satisfied that they add value for our customers and will be delivered with the Purplebricks' culture and ethos. We want to create lifetime value for our customers and everything we do as part of our strategy is working towards this. We have recently given the full time responsibility of driving this objective to Joby Russell who has been with Purplebricks for a number of years. He was the CMO in the UK before going to Australia and has recently returned to the UK, having built up an experienced team and installed his replacement.

Growing the Purplebricks' brand across Australia

Our progress in Australia has been exciting and encouraging. Our market share in Australia is greater than our market share was in the UK at the same time in its evolution. We are across the five key states, New South Wales, Victoria, Queensland, South Australia and Western Australia.

Purplebricks charges a flat sales fee of £2,708 ($4,500AUD) everywhere other than New South Wales where we charge £3,309 ($5,500 AUD) which includes professional photography, marketing and advertising on platforms Domain.com.au and RealEstate.com.au, as well as the Purplebricks Australia website. While Australian pricing is above that of the UK the overall percentage saving for customers is broadly similar.

Given the role of auctions in the Australian property market, Purplebricks offers an additional auction facility with a small top-up fee, which includes an auctioneer and all viewings held by a Local Property Expert or their experienced Viewing Assistant.

The brand is growing in Australia:

- Market share greater than that of the UK after first year
- Over 105 Local Property Experts
- 3rd most well-known estate agency brand after first year
- Spontaneous awareness: 10% after one year

- Prompted awareness: 74%
- Brand familiarity: 40%
- Over 1,500 customer reviews on Trustpilot. Rated excellent with a score of 9.5
- Over 50% of consumers actively choosing to take upgraded marketing

We are confident that we can continue to build on our success in Australia.

Our culture is our business

Our people create our culture, and our technology and our people deliver it. As a starting point the founders wanted to create a Purplebricks that cared about its people, that had a progressive and fun working environment and, as a consequence, our people would care about our customers, our brand and our business and that they could grow personally and professionally. We have achieved these founding principles to date and continue to ensure that the same principles are applied as we continue to scale upwards.

Following our stock market listing, over 350 of our LPEs and a large number of employees have been awarded share options in Purplebricks Group plc that will vest in part each year and in full over the coming years. We intend to extend the awarding of share options to more LPEs' businesses and employees with the objective of everyone having some form of equity based reward for their efforts in growing our business into the future in accordance with our Admission Document.

We have created strong brand advocacy within our growing business and among our customers. We work in a progressive and fun environment where, despite a strong desire to grow their business, our people have a tremendous degree of camaraderie, togetherness and a collective brand advocacy that is extremely hard to replicate. The foundations begin for everyone with the recruitment programme and training methodology and continue throughout the heart of the business.

Financial review

This is the first financial period where we have reported results for three countries. The UK has generated £4.7m of adjusted EBITDA, the Australian business reached its first anniversary during the period and we launched in the US. Total Group revenue in the six months grew by 150% year-on-year to £46.8m (H1 FY17: £18.7m). In the UK revenue increased 118% to £39.9m and in Australia revenue has increased sixteen-fold to £6.8m, reflecting the further growth and market share gains in both countries. Both of these countries are benefitting from national scale, a wider network of LPEs, an increasingly established operational network and tried and tested efficient marketing machines. During the period the average fee per instruction was £1,138 (exc. VAT) in the UK and £3,145 (exc. VAT) in Australia, up 14% and 21% respectively when compared to the same period last year.

Group gross profit in the period was £26.2m (H1 FY17: £10.4m), a year-on-year increase of 152%. Gross margin in the period was marginally higher at 56%. This is despite the stage of maturity of the Australian business which is currently a drag on gross profit margin. UK gross profit increased by 121% to £22.5m representing a margin of 56.5%, 80bps higher than the prior period. This increase is due to a successful shift in the proportion of higher margin ancillary revenue, along with an increase in the proportion of London instructions at the higher price point.

Group administrative expenses have increased by £10.7m, which represents launch costs in the US, a full six months of being operational in Australia, along with a stepped increase of £5.5m in the UK. The investment in the UK includes improving and globalising the finance systems, finance personnel, IT infrastructure and security along with the legal and compliance function to ensure the business has sufficient foundations for the future.

Marketing has also increased by 138% relative to a revenue increase of 150%. This is skewed by the US launch and the establishment of the Australian business. In the UK, marketing increased by 53% relative to a revenue increase of 118%. The efficiency of the UK marketing programme continues with cost per instruction continuing to fall.

Group earnings remain negative due to the early stage of growth in Australia and also the recent investment in the US launch. However, the UK business was launched three and a half years ago and has delivered £4.7m of adjusted EBITDA in the period, an increase of £4.4m. The UK business also reported an operating profit of £3.2m for the period, compared with an operating loss of £0.3m last year.

As at the 31 October 2017 the Group had a net cash balance of £64.4m.

Current trading & outlook

The second half of the year has started well, notwithstanding the ongoing industry headwinds in the UK. We have planned for the important UK spring market with a coordinated step–up in team, infrastructure and marketing. Our LPE recruitment has been first half weighted, reaching 650 LPEs in December, representing a year-on-year increase of 107%. Team and infrastructure has also benefitted from a first half weighted £5.5m step-up investment, in order to strengthen and capitalise on our leading position by building up our operational and support infrastructure to provide solid foundations for further market share growth.

Aligned with our investment in team and infrastructure is the launch of new UK marketing initiatives from Boxing Day, targeting the spring market. As in the prior year and the first half of this year, we plan to invest more in marketing in the coming months to capitalise on current market conditions with the objective of building upon our leading position in the UK as quickly and effectively as possible. This strategy is tried and tested and has generated attractive returns on investment, including a reduction in customer acquisition costs.

Australia continues to progress well and in just over one year since launch we operate across all five states. During this period Australia has tracked favourably against the UK at the same time in its evolution. Looking ahead, while there are not the same seasonal patterns as the UK, current trading momentum has continued.

The KPIs we have used to assess the success of the UK and Australia are showing early encouraging signs for the US business. As a result, we are announcing our plans to launch into the second batch of regions, including San Diego, Fresno and Sacramento in January along with the recruitment of a further 18 LREEs. Our total LREE footprint in the US is fast approaching 60 less than three months after the launch.

We enter the second half of our financial year in a strong position with significantly increased LPE capacity, substantial growth in brand awareness along with record instructions and revenue growth. With the continued trading momentum, additional marketing spend in the second half of up to £3m over the first half investment and based on the historic first/second half revenue splits, we upgrade our full year UK revenue guidance by 5% from £80m to £84m in the UK. We reaffirm full year revenue guidance of £12m for Australia. Depending on the speed of payback, the benefits of this additional marketing spend may not be fully recovered by the end of our financial year in April but will position us well through 2018. We remain confident in our future.

Consolidated Statement of comprehensive income
For the six months ended 31 October 2017

	Six months ended 31 October 2017 Unaudited	Six months ended 31 October 2016 Unaudited	Year ended 30 April 2017 Audited
	£000	£000	£000
Revenue	**46,787**	18,714	46,706
Cost of Sales	**(20,567)**	(8,333)	(20,858)
Gross profit	**26,220**	10,381	25,848
Administrative and establishment expenses	**(16,155)**	(5,529)	(13,640)
Sales and marketing costs	**(18,254)**	(7,652)	(18,219)
Loss from operating activities	**(8,189)**	(2,800)	(6,011)
Loss from operating activities before adjustments in respect of the following:	**(6,830)**	(2,264)	(4,694)
Amortisation of intangibles	**(491)**	(135)	(399)
Share based payment charge	**(868)**	(401)	(917)
Loss from Operating activities	**(8,189)**	(2,800)	(6,011)
Finance income	**100**	37	55
Fair value movement In respect of derivatives	**(103)**	-	(104)
Loss on ordinary activities before taxation	**(8,192)**	(2,764)	(6,060)
Taxation on loss on ordinary activities	**0**	-	3,054
Loss for the year	**(8,192)**	(2,764)	(3,005)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	**-**	(14)	116
Total other comprehensive income	**-**	(14)	116
Total comprehensive loss	**(8,192)**	(2,778)	(2,889)
Basic and diluted loss per share	**(3p)**	(1p)	(1p)

Statement of comprehensive income
For the six months ended 31 October 2017

	Six months ended 31 October 2017 Unaudited				Six months ended 31 October 2016 Unaudited				Year ended 30 April 2017 Audited
	£000	£000	£000	£000	£000	£000	£000	£000	£000
	UK	**AUS**	**USA**	**Total**	**UK**	**AUS**	**USA**	**Total**	
Revenue	**39,931**	**6,754**	**102**	**46,787**	18,296	418	0	18,714	46,706
Cost of Sales	(17,382)	(3,154)	(31)	**(20,567)**	(8,123)	(210)	0	(8,333)	(20,858)
Gross profit/(loss)	**22,549**	**3,600**	**71**	**26,220**	10,174	208	0	10,381	25,848
Administrative and establishment expenses	(9,282)	(3,025)	(3,848)	**(16,155)**	(3,828)	(1,701)	0	(5,529)	(13,640)
Sales and marketing costs	(10,050)	(5,655)	(2,549)	**(18,254)**	(6,649)	(1,003)	0	(7,652)	(18,219)
Profit/(Loss) from operating activities	**3,217**	**(5,080)**	**(6,326)**	**(8,189)**	(304)	(2,497)	0	(2,800)	(6,011)
Profit/(loss) from operating activities before adjustments in respect of the following:	**4,576**	**(5,080)**	**(6,326)**	**(6,830)**	232	(2,496)	0	(2,264)	(4,694)
Amortisation of intangibles	(491)	-	-	**(491)**	(134)	(1)	0	(135)	(399)
Share based payment charge	(868)	-	-	**(868)**	(401)	0	0	(401)	(917)
Profit/(loss) from Operating activities	**3,217**	**(5,080)**	**(6,326)**	**(8,189)**	(304)	(2,497)	0	(2,800)	(6,011)
Finance income	100	-	-	**100**	36	0	-	37	55
Fair value movement In respect of derivatives	(103)	-	-	**(103)**	-	-		-	(104)
Loss on ordinary activities before taxation	3,214	(5,080)	(6,326)	**(8,192)**	(267)	(2,497)	-	(2,764)	(6,060)
Taxation on loss on ordinary activities		-	-	0	-	-	-	-	3,054
Loss for the year	3,214	(5,080)	(6,326)	**(8,192)**	(267)	(2,497)	-	(2,764)	(3,005)
Items that may be reclassified subsequently to profit or loss									
Exchange differences on translation of foreign operations				**0**	(14)	0	0	(14)	116
Total other comprehensive income	0	0	0	**0**	14	-	-	14	116
Total comprehensive loss	3,214	(5,080)	(6,326)	**(8,192)**	(281)	(2,497)	0	(2,778)	(2,889)

Consolidated statement of financial position
For the six months ended 31 October 2017

	31 October 2017 Unaudited	**31 October 2016 Unaudited**	**30 April 2017 Audited**
	£000	£000	£000
Non-current assets			
Property, plant and equipment	**1,004**	397	718
Intangible assets	**3,843**	918	2,757
Goodwill	**2,606**	0	2,606
Deferred tax asset	**3,301**	0	3,087
	10,754	1,314	9,168
Current assets			
Trade and other receivables	**5,979**	2,405	4,865
Cash and other cash equivalents	**64,431**	29,064	71,330
	70,410	31,470	76,195
Current liabilities			
Trade and other payables	**(9,485)**	(5,472)	(7,302)
Deferred income	**(2,477)**	(1,129)	(2,307)
Derivative financial instruments	**(207)**	0	(104)
	(12,169)	(6,600)	(9,713)
Net current assets	**58,241**	24,869	66,482
Total assets less current liabilities	**68,995**	26,184	75,651
Non-current liabilities			
Deferred tax liabilities	**(458)**		(244)
Net assets	**68,537**	26,184	75,407
Equity			
Share Capital	**2,718**	2,468	2,705
Share premium	**75,341**	26,319	74,901
Share based payments reserve	**1,562**	732	694
Retained earnings	**(11,201)**	(3,321)	(3,009)
Foreign exchange reserve	**117**	(14)	116
Total Equity	**68,537**	26,184	75,407

Consolidated statement of changes in equity
For the six months ended 31 October 2017

Unaudited	**Share capital**	**Share premium account**	**Retained earnings**	**Share based payment reserve**	**Foreign exchange reserve**	**Total equity**
	£000	£000	£000	£000	£000	£000
At 1 May 2017	2,705	74,901	(3,009)	694	116	75,407
Exercise of options	13	440	-	-	-	453
Share based payment charge	-	-	-	868	-	868
Foreign exchange translation	-	-	-	-	1	1
Transactions with owners	13	440	-	868	1	1,322
Loss for the period	-	-	(8,192)	-	-	(8,192)
Total comprehensive loss	-	-	(8,192)	-	-	(8,192)
At 31 October 2017	2,718	75,341	(11,201)	1,562	117	68,537

For the period ended 31 October 2016

Unaudited	**Share capital**	**Share premium account**	**Retained earnings**	**Share based payment reserve**	**Foreign exchange reserve**	**Total equity**
	£000	£000	£000	£000	£000	£000
At 1 May 2016	2,403	25,887	(558)	331	-	28,063
Exercise of options	61	403	-	-	-	464
Exercise of warrants	5	29	-	-	-	34
Share based payment charge	-	-	-	401	-	401
	-	-	-	-		-
Transactions with owners	65	432	-	401	-	899
Loss for the period	-	-	(2,764)	-	-	(2,764)
Foreign exchange translation					(14)	(14)
Total comprehensive loss	-	-	(2,764)	-	(14)	(2,778)
At 31 October 2016	2,468	26,319	(3,321)	732	(14)	26,184

For the year ended 30 April 2017

Audited	Share capital	Share premium account	Retained earnings	Share based payment reserve	Foreign exchange reserve	Total equity
	£000	£000	£000	£000	£000	£000
At 1 May 2016	2,403	25,887	(558)	331	-	28,063
Issue of shares	227	49,773	-	-	-	50,000
Cost of share premium	-	(1,210)	-	-	-	(1,210)
Exercise of options	75	450	555	(555)	-	525
Share based payment charge	-	-	-	917	-	917
Transactions with owners	302	49,013	555	363	-	50,233
Loss for the year	-	-	(3,005)	-	-	(3,005)
Exchange differences on						
translation of foreign operations	-	-	-	-	116	116
Total comprehensive loss	-	-	(3,005)	-	116	(2,889)
At 30 April 2017	2,705	74,901	(3,009)	694	116	75,407

Consolidated Statement of cash flows
For the six months ended 31 October 2017

	Six months ended 31 October 2017 Unaudited	**Six months ended 31 October 2016 Unaudited**	**Year ended 30 April 2017 Audited**
	£000	£000	£000
Cash flows from Operating activities			
Loss for the period after taxation	(8,192)	(2,764)	(3,005)
Adjustments for:			
Amortisation of intangible assets	491	135	399
Depreciation	184	58	166
Loss on disposal of fixed assets			2
Share based payment charge	868	401	917
Non-designated foreign exchange forward contracts	103	-	104
Deferred taxation	0	-	(3,054)
Operating cash flow before changes in working capital	(6,546)	(2,169)	(4,471)
Movement in trade and other receivables	(1,113)	565	(1,707)
Movement in trade and other payables	2,183	246	1,574
Movement in deferred income	170	368	1,546
Net cash outflow from operating operations	(5,306)	(990)	(3,057)

Cash flow from investing activities			
Purchase of property, plant and equipment	(470)	(238)	(586)
Proceeds from sale of property, plant and equipment			1
Development expenditure capitalised	(1,577)	(682)	(1,422)
Purchase of intangible assets	0		(195)
Acquisition of subsidiary net of cash acquired			(3,295)
Net cash outflow from investing activities	(2,047)	(919)	(5,496)
Cash flow from financing activities			
Issue of shares	453	497	50,525
Cost of issue of shares	-	-	(1,210)
Net cash flow from financing activities	453	497	49,316
Net increase in cash and cash equivalents	(6,900)	(1,412)	40,763
Effect of foreign exchange rates changes	1	0	91
Cash and cash equivalents at beginning of year	71,330	30,476	30,476
Cash and cash equivalents at the end of the year	64,431	29,064	71,330

Notes to the financial statements

1. Basis of preparation

Purplebricks Group plc is incorporated and domiciled in the United Kingdom.

The interim unaudited financial statements for the six month period ended 31 October 2017 (including the unaudited comparatives for the six month period ended 31 October 2016 and the audited comparatives for the year ended 30 April 2017) were approved by the board of directors on 12 December 2017. Under the Security Regulations Act of the EU, amendments to the financial statements are not permitted after they have been approved.

It should be noted that accounting estimates and assumptions are used in the preparation of the interim financial information. Although these estimates are based on management's best knowledge and judgement of current events, actual results may ultimately differ from those estimates. The interim financial statements have been prepared using the accounting policies as described in the year-end financial statements.

The interim financial information contained within this report does not constitute statutory accounts as defined in the Companies Act 2006, section 434. The full accounts for the year ended 30 April 2017 received an unqualified report from the auditors and did not contain a statement under Section 498 of the Companies Act 2006.

2. Segmental reporting

The Company is managed as a single division, providing services relating to the sale of properties. The financial information reviewed by the board is materially the same as that reported under IFR

During the period, no one customer contributed greater than 10% of the Company's revenues. (six month period ended 31 October 2016: none, year ended 30 April 2017: none)

	H1 2018				**H1 2017**			
	UK	**Aus**	**USA**	**Consolidated**	**UK**	**Aus**	**USA**	**Consolidated**
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	**39.9**	**6.8**	**0.1**	**46.8**	18.3	0.4	0.0	18.7
Cost of sales	(17.4)	(3.2)	(0.0)	**(20.6)**	(8.1)	(0.2)	0.0	(8.3)
Gross Profit	**22.5**	**3.6**	**0.1**	**26.2**	10.2	0.2	0.0	10.4
Gross Profit Margin	**56.5%**	**53.3%**	**69.6%**	**56.0%**	55.6%	49.7%	0.0%	55.5%
Administrative expenses	(9.3)	(3.0)	(3.8)	(16.2)	(3.8)	(1.7)	0.0	(5.5)
Sales and marketing costs	(10.1)	(5.7)	(2.5)	(18.3)	(6.6)	(1.0)	0.0	(7.7)
Operating profit/(loss)	**3.2**	**(5.1)**	**(6.3)**	**(8.2)**	(0.3)	(2.5)	0.0	(2.8)
Finance income/(expenses)	(0.0)	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0
Profit/(loss) before tax	**3.2**	**(5.1)**	**(6.3)**	**(8.2)**	**(0.3)**	**(2.5)**	**0.0**	**(2.8)**
Depreciation and Amortisation	0.6	0.0	0.0	0.7	0.2	0.0	0.0	0.2
EBITDA	**3.9**	**(5.1)**	**(6.3)**	**(7.5)**	(0.1)	(2.5)	0.0	(2.6)
Share based payments charge	0.9	0.0	0.0	0.9	0.4	0.0	0.0	(0.4)
Adjusted EBITDA *	**4.7**	**(5.1)**	**(6.3)**	**(6.6)**	0.3	(2.5)	0.0	(2.2)

* Defined by the Group as profit / (loss) before net finance costs, tax, depreciation, amortisation and share based payment charges

3. Share-based payments

The Company operates an HMRC approved executive management incentive plan (EMI), an employee share ownership plan (ESOP) and a licensee share option plan (LSOP). Under these plans, a total of 11 schemes have been granted, of which a total of 10 schemes are currently operating.

The vesting conditions for schemes 1, 2 and 4 are based on length of service, with 25% of the options vesting on or after the 12 month anniversary of the employee's start date, and a further 6.25% vesting every three months thereafter so that options vest in full on the 48 month anniversary of the employee or licensee's start date.

The vesting conditions for schemes 5 to 11 are based on future service from the date of grant, with 25% of the options vesting on or after either the 12 or 24 month anniversary of the grant, and a further 6.25% vesting every three months thereafter so that options vest in full on either the 48 or 60 month anniversary of the date of grant to the employee or the licensee.

Details of the total number of shares under option at the period end and conditions on qualification and exercise are set out below:

Grant Date	Scheme No	Employees and/or Licensees entitled	Number of options	Performance conditions	Type	Exercise price (P)	Earliest exercise date
09/01/2015	1	14	205,954	Length of service	EMI	£0.01	09/01/2015
10/07/2015	2	10	1,057,140	Length of service	EMI	£0.13	10/07/2015
10/08/2015	4	11	314,008	Length of service	EMI	£0.13	10/08/2015
06/11/2015	5	8	4,103,698	Length of service	EMI	£0.01	06/11/2016
29/06/2016	6	65	4,684,697	Length of service	ESOP/LSOP	£1.29	29/06/2017
05/12/2016	7	184	3,496,250	Length of service	ESOP/LSOP	£1.25	05/12/2017
04/01/2017	8	3	1,600,000	Length of service	ESOP	£1.40	04/01/2018
05/03/2017	9	164	2,402,000	Length of service	ESOP/LSOP	£3.10	05/03/2018
29/06/2017	10	2	1,400,000	Length of service	ESOP	£3.05	29/06/2018
06/09/2017	11	59	943,000	Length of service	ESOP/LSOP	£4.69	06/09/2018

The number of employees and/or licensees have been updated for schemes 7 and 9 due to a previous inconsistency between the disclosure in the annual report and the internal company records and communications made to option holders at the time of grant.

1,255,798 share options were exercised during the period (31/10/16 : 6,053,540). The number and weighted average exercise price of share options are as follows:

	31/10/2017 **Weighted Average exercise price**	**31/10/2017** **Number of options (no.)**	31/10/2016 Weighted Average exercise price	31/10/2016 Number of options (no.)	30/04/2017 Weighted Average exercise price	30/04/2017 Number of options (no.)
Outstanding at start of period	£0.04	19,715,516	£0.04	14,256,427	£0.04	14,256,430
Granted during the period	£3.71	2,343,000	£1.29	5,079,500	£1.62	12,580,500
Exercised during the period	£0.36	(1,255,798)	£0.07	(6,053,540)	£0.07	(7,121,414)
Net lapses during the period	£1.54	(595,970)	£1.29	(62,500)		

Outstanding at end of period	£1.44	20,206,748	£0.56	13,219,887	£1.04	19,715,516
Exercisable at end of period	£0.32	3,129,011	£0.23	432,165	£0.05	2,364,068

The weighted average remaining contractual life of the options is 8.8 years.

Options outstanding at 31 October 2017 for schemes 1 and 5 have an exercise price of £0.01 (31 October 2016: £0.01). The weighted average remaining contractual life of the options is 8.0 years (31 October 2016: 8.9 years).

Options outstanding at 31 October 2017 for schemes 2 and 4 have an exercise price of £0.13 (31 October 2016: £0.13). The weighted average remaining contractual life of the options is 7.5 years (31 October 2016: 8.9 years).

Options outstanding at 31 October 2017 for scheme 6 have an exercise price of £1.29 (31 October 2016: £1.29). The weighted average remaining contractual life of the options is 8.7 years (31 October 2016: 8.9 years).

Options outstanding at 31 October 2017 for scheme 7 have an exercise price of £1.25 (31 October 2016: not applicable). The weighted average remaining contractual life of the options is 9.1 years (31 October 2016: not applicable).

Options outstanding at 31 October 2017 for scheme 8 have an exercise price of £1.40 (31 October 2016: not applicable). The weighted average remaining contractual life of the options is 9.2 years (31 October 2016: not applicable).

Options outstanding at 31 October 2017 for scheme 9 have an exercise price of £3.10 (31 October 2016: not applicable). The weighted average remaining contractual life of the options is 9.3 years (31 October 2016: not applicable).

Options outstanding at 31 October 2017 for scheme 10 have an exercise price of £3.05 (31 October 2016: not applicable). The weighted average remaining contractual life of the options is 9.7 years (31 October 2016: not applicable).

Options outstanding at 31 October 2017 for scheme 7 have an exercise price of £4.69 (31 October 2016: not applicable). The weighted average remaining contractual life of the options is 9.9 years (31 October 2016: not applicable).

Fair value assumptions of share-based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black-Scholes model. Details of the fair value of share options granted in the period and the prior period, together with the assumptions used in determining the fair value are summarised below.

	31/10/2017	31/10/2016	30/04/2017
	Unaudited	Unaudited	Audited
Weighted average share price at the date of grant	**£4.40**	£1.29	£1.62
Weighted average exercise price	**£3.71**	£1.29	£1.62
Weighted average contractual life (years)	**10**	10	10
Weighted average expected volatility	**27%**	27%	27%
Weighted average risk free interest rate	**1.50%**	1.50%	1.50%
Total weighted average fair value of options granted (£'000)	**£3,268**	£2,908	£20,334

The volatility assumption, measured at the standard deviation of expected share price movements, is based on a review of volatility used by listed companies in the same sector.

Charge to income statement

The charge to the income statement, included within administrative expenses, comprises:

	31/10/2017	31/10/2016	30/04/2017
	£000	£000	£000
	Unaudited	Unaudited	Audited
Share-based payment charge	**868**	401	917

4. Loss per share

	Basic and diluted	Basic and diluted (rebased)	Basic and diluted
	6 months ended 31 October 2017	6 months ended 31 October 2016	Year ended April 2017
	Unaudited	Unaudited	Audited
Loss (£000)	**(8,192)**	(2,764)	(3,005)
Weighted average number of shares	**271,291,616**	244,365,112	249,811,478
Loss per share (£)	**(0.03)**	(0.01)	(0.01)