

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014 on market abuse

Purplebricks Group plc

("Purplebricks" or "the Company")

**Purplebricks and Axel Springer jointly acquire 25.9% of the leading German online estate agent Homeday**

**Investment marks Purplebricks' first entry into the European real estate market**

**and**

**Current trading update**

Purplebricks (AIM: "PURP"), the leading hybrid estate agency, announces that it has entered into a joint venture ("NewCo") with Axel Springer to enter the German market and jointly take a stake in the leading German online estate agent, Homeday. Separately, Purplebricks confirms that it is trading in line with the Board's expectations for the current full year.

#### **Key terms**

- Purplebricks and Axel Springer have entered into a joint venture, NewCo, initially split 50/50, in order to jointly acquire a stake in Homeday
- NewCo has conditionally agreed to a first round investment which will give it a shareholding of 25.9% in Homeday (including an existing 4% stake brought in by Axel Springer) and NewCo a valuation of €25.4m (£22.3m), equating to an investment of €12.7m (£11.1m) by Purplebricks, which will be funded from existing cash resources, for an effective 12.9% shareholding in Homeday
- The first round investment in Homeday is in part subject to approval by the relevant antitrust authorities
- Purplebricks and Axel Springer, via NewCo, will have an option to acquire up to a further aggregate 28.5% in Homeday in August 2019 and, subject to certain performance criteria being met, the existing Homeday investors and founders will have an option to require NewCo to make such further investment. Should the second round of investment be made by both Purplebricks and Axel Springer in full, NewCo's investment in Homeday would increase to a total of 54.4%, requiring an additional investment of up to €20m (£17.5m) by Purplebricks, which Purplebricks has the option to fund in cash or through the issue of Purplebricks shares to Axel Springer, which would bring Purplebricks' effective shareholding in Homeday to 27.2%
- Between 2021 and 2024 certain put and call options will be exercisable, subject to certain financial criteria being met, to effect the acquisition by NewCo of the remaining shares in Homeday that it does not already own. The purchase consideration will be determined by pre-agreed multiples of revenue and EBIT respectively at the relevant time

- The Homeday management team, led by CEO and founder Steffen Wicker, will continue to run the business under the Homeday brand, with the added support and expertise of both Axel Springer and Purplebricks
- Purplebricks and Axel Springer will each have a seat on the Homeday board, effective from completion of the first round of investment in Homeday
- Axel Springer is a related party of Purplebricks and entry into the joint venture comprises a related party transaction for the purposes of the AIM Rules
- The directors, other than Andreas Wiele, having consulted with Zeus Capital Limited, the Company's nominated adviser, consider that the terms of transaction are fair and reasonable insofar as the shareholders are concerned

### **About Homeday**

Launched in 2015 by founder and CEO Steffen Wicker and based in Berlin, Homeday operates homeday.de, a transaction-based digital real estate agency platform in Germany that helps customers to buy or sell real estate. The Homeday model has some similarities to Purplebricks, combining a technology platform with an expanding number of local agents, referred to as 'realtors', operating across 65 German residential markets including Berlin, Hamburg, Munich and Cologne. The realtors are typically sub-contractors rather than employees. The customer proposition and service level provided by Homeday are well regarded, as evidenced by a Trustpilot average score of 9.3 from over 850 reviews.

For the year ended 31 December 2017 Homeday reported revenues of €3.5m and a loss of €3.2m. As at 30 June 2018, Homeday had net liabilities of €1.4m. Homeday anticipates strong revenue growth in 2018 and has budgeted that it will breakeven in 2021.

### **About the German Market**

Germany represents one of the largest residential real estate markets in Europe, with more than 600,000 annual sales transactions. Reflecting the higher commission rates charged in the country, the annual sales commission income is estimated at €5.1bn. The German housing market is in good health, supported by strong economic growth, rising average household incomes, low interest rates and population growth.

The German residential real estate market is highly fragmented. The largest agents are banks such as Sparkasse, Postbank, VR Bank and traditional agents such as von Poll and Engel & Völkers. The average transaction value is circa €240,000 with average net commission rates of around 5.8%, equating to transaction fees of €13,900. In this high fee environment Homeday offers an attractive and competitively priced proposition.

### **Combined proposition of Homeday, Axel Springer and Purplebricks**

Purplebricks believes that the combination of Homeday's experienced and committed team, together with Axel Springer's presence in and knowledge of the media market in Germany, and Purplebricks' own operational and technology platform expertise, will significantly strengthen Homeday's growth potential.

Although the online market in Germany is still small, it is a fast-growing market and Homeday has developed rapidly to become the market leader in just 4 years, achieving close to 50% market share of the online space (Source: Immobilienscout24). Purplebricks will contribute its increasing knowledge and experience of building online businesses in different

international markets with a particular focus on optimising the customer experience, building Homeday's marketing impact and refining its technology platform to best effect.

### **Current trading**

Ahead of the half year trading update scheduled for 6 November, Purplebricks confirms that it continues to trade in-line with guidance issued in July. Trading in the UK is currently showing double-digit growth year-on-year in monthly instructions, with further market share gains, in what continues to be a challenging market. Purplebricks' share of the UK online market remains above 70%.

The Canadian business Duproprio/Comfree, acquired in July 2018, is performing strongly. Progress in the US remains on track and following the recent expansion into Florida, Purplebricks is now operating across seven states, within one year of launching in the country.

The recent changes made to the Purplebricks Australia customer proposition in order to address the current challenges in the local property market appear initially to be well received.

Michael Bruce Group CEO of Purplebricks said:

*"Our investment in Homeday secures for us a strong foothold in Europe's second largest residential real estate market. This is a good opportunity for Purplebricks, allowing us to partner early with a dynamic and committed management team, while remaining focused on realising the opportunity in our existing markets."*

*"Steffen Wicker and his colleagues at Homeday share many of our own values and have a clear ambition to become Germany's leading online real estate agent by providing a trusted and transparent service to customers. We are confident that with the combined support of Purplebricks and Axel Springer the Homeday management team will help to transform the German market, and in the process deliver exceptional value for customers and shareholders."*

*"I am pleased to report that we continue to perform in line with our expectations and make further gains in market share despite what are challenging market conditions in the UK real estate sector."*

Dr Andreas Wiele, President of Classifieds Media at Axel Springer SE said:

*"We strongly believe that Homeday enhances the consumer experience in buying and selling real estate. At the same time the company offers real estate professionals a great opportunity to extend their service offerings through technology and scale. The joint investment by Purplebricks and Axel Springer is further proof of the excellent development of our partnership."*

Steffen Wicker, CEO and co-founder of Homeday said:

*"The combination of Purplebricks and Axel Springer as partners in our business is compelling. The three-way knowledge share will benefit all parties. We now have the funding and the backing to be a decisive player in the German property market."*

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The person arranging release of this announcement on behalf of the Company is James Davies, Chief Financial Officer.

For the purposes of this announcement:

- the term Axel Springer means Axel Springer SE, through its wholly owned subsidiaries, Axel Springer Digital Ventures GmbH and Fünfundachtzigste "Media" Vermögensverwaltungsgesellschaft mbH; and
- Homeday means Homeday GmbH.

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This announcement contains certain forward-looking statements. No forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of these influences and factors are beyond the Company's control. As a result, actual results may differ materially from the plans, goals, and expectations contained in this announcement.

Any forward-looking statements made in this announcement speak only as of the date they are made. Except as required by the FCA, London Stock Exchange plc or applicable law or regulation, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any changes in the Company's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

The amounts described in this announcement in EUR have been converted into GBP at an exchange rate of 1.14.

References to £ or GBP are to pounds sterling and to € or EUR are to the Euro.

### **About Purplebricks**

Purplebricks is the leading next generation estate agency in the UK with operations in Australia, the US and Canada that combines highly experienced and professional Local Property Experts (Local Real Estate Experts in the US) and an innovative use of technology to help make the process of selling, buying or letting so much more convenient, transparent and cost effective. Purplebricks is transforming the way people perceive estate agents and estate agency.