



26 January 2016

Purplebricks Group plc

Interim results for the 6 months ended 31 October 2015

Good start to the second half, on-course to meet full year expectations

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 2015.

Financial Highlights

	H1 2016	H1 2015	Change
Revenues	£7.2m	£0.8m	+777%
Gross profit	£4.1m	£0.4m	+814%
Gross profit margin	56.4%	54.1%	+230 bps
Sales and Marketing investment	£6.6m	£1.1m	
Adjusted EBITDA ¹	(£6.0m)	(£2.5m)	
Loss before tax	(£6.4m)	(£2.5m)	

Business Highlights

- Strong end to the first half, with October revenues year-on-year up 579%
- Completed the full national roll-out, launching in London in July and Scotland in November
- Recruitment of LPEs increased 90% since November 2014 to 150 by the end of October 2015
- Launched the in-house Data Sales Unit in October to develop and analyse the database to drive sales
- Customer service continues to be rated “excellent”, averaging 9.4 from over 3,500 Trustpilot reviews
- Increase in online market share from 43% in April 2015 to 60% as at 31 October 2015
- Fourth largest estate agent² within 18 months of launch
- Net cash at 31 October 2015 of £9.7m bolstered subsequently by the net £22.8m of growth capital raised in the December listing on the Alternative Investment Market (AIM)

Current trading & outlook

Trading in the second half of the financial year has started well with a 275% year-on-year increase in the number of instructions, with January alone currently at 1,660 and expected to exceed 2,000. This has been supported by our new marketing campaign, which went live on Boxing Day 2015. The strength of trading has resulted in the decision to accelerate the recruitment of LPEs, with a view to doubling their number by April 2017.

Early indications suggest that the launch in October of the Data Sales Unit to collect and analyse data is generating new leads and instructions. With the strength of trading and the continued successful execution of the strategic plan the Board remains confident in meeting its expectations for the financial year.

Commenting on the results, Michael Bruce, Chief Executive, said:

"We have made great progress across the business in the last six months, culminating in our listing on the AIM market in December. The money raised will be used to deepen our national coverage through the recruitment of top quality local property experts and further investment in technology and marketing. This will build on our position as the number one next generation estate agent.

Our compelling proposition of personalised, high quality service and affordable fees provides the best of both worlds, resonating with a growing number of customers and posing a fundamental challenge to traditional estate agents, who currently dominate the £4bn market.

As a newly listed company, our focus is on executing the strategy in order to generate attractive returns for all our shareholders. I am pleased with the progress to date and I am confident that we can build a substantial share in this market.”

Notes

1 Adjusted EBITDA is defined by the Group as loss/profit before tax, depreciation, amortisation, net finance costs, fees incurred in relation to the IPO, and share based payments charges

2 Purplebricks figure is based on annualised number of instructions received in September 2015, which is higher than the actual number of instructions received over the year to September 2015. The other figures have been obtained from publicly available information or estimated by management, may represent different 12 month periods and are based on completed sales numbers

A presentation to analysts and investors followed by a demonstration of the platform will be held at the offices of Instinctif Partners on 26 January 2016. For further details please contact Louis Supple on: +44 (0) 207 457 2020 or email louis.supple@instinctif.com.

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About Purplebricks

Purplebricks is the leading next generation estate agency in the UK that combines highly experienced and professional Local Property Experts 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.

Summary

The first half of FY2016 has experienced good growth. Completing the national rollout and increasing the number of highly experienced LPEs, in conjunction with the planned national marketing programme, was achieved whilst maintaining our impressive high quality service. Purplebricks is rated “excellent” by independent review website Trustpilot (rated 9:4) with currently over 3,500 reviews from customers.

Going into the Spring market for the first time as a national estate agent, Purplebricks intends to accelerate the programme of recruitment of Local Property Experts in all areas of the UK as more and more sellers are choosing Purplebricks to sell their property.

The Admission to AIM on 17 December 2015, which raised a further £22.8m of growth capital, in addition to the net cash position as at 31 October 2015 of £9.7m, provides additional firepower to build on its position as the leading next generation estate agent and to significantly grow its market share.

Strategy

The annual UK estate agency market is estimated to be worth over £4.4bn. Purplebricks' strategy is to build upon its leading hybrid proposition to win market share which, combined with its flexible and low cost business model, should generate attractive returns.

The attainment of the strategy is based on the following key pillars of the Purplebricks offer:

Superior value - Traditional estate agents charge a fee on sales typically within the range of 1% to 3% on the sale price and average at over £4,000 (inc. VAT). By contrast, the average Purplebricks fee is £1,080 (inc. VAT).

Local experts, personal service - Purplebricks is not an online estate agent, it is a hybrid estate agent that has a growing number of LPEs (165 as at 18 November 2015). The LPEs, who have extensive experience and detailed knowledge of their respective areas, visit the properties and provide valuations. Once instructed the LPEs provide support, advice and assistance throughout the sales process and customers can speak to an expert 24 hours a day. LPEs are paid a fixed fee for each instruction and will also receive additional income for the sale of other products and services.

Over 90% of LPEs are self-employed, running and growing their own businesses within their allocated region. They are recruiting additional LPEs to work for them to support the growth of their region, which helps Purplebricks continue to build an 'ultra local' service to its customers. All LPEs, including those which are recruited by other LPEs, have to undergo a rigorous recruitment process and, if successful, a two week demanding training programme, so as to ensure recruitment of only the best people.

To date 43 LPEs have already engaged additional LPEs in their business. Accordingly, as they grow their business, they can build capital value as part of their licence agreement with Purplebricks. The LPE can, subject to the terms of their agreement which includes an approval by Purplebricks, sell their licence to an acceptable third party. The LPE is therefore motivated, engaged and rewarded for building their business within a culture of personal and professional integrity.

24/7 customer service - The technology platform developed by Purplebricks enables the whole process to happen instantly 24 hours a day. The vast majority of Purplebricks' customer traffic happens when traditional agents are closed. Customers can instantly know what is happening with their property: they can book valuations, arrange viewings, see feedback from viewings, offers can be made and sales can be agreed, customers can receive performance reports and can contact Purplebricks 24 hours per day. Transactions take place day and night.

Focus on technology - Purplebricks has spent four and a half years developing and building its technology and has a team of developers who work on new features, maintenance and security. Purplebricks intends to continue to develop its offering, introducing new versions of its platform and assessing new and improved ways of accessing and operating the process of selling, buying and letting property. A mobile app is in beta testing and is anticipated to be launched shortly.

High profile marketing strategy – The differentiated marketing strategy is based upon a consistent presence on the media, including TV, to drive customer traffic to the website, complemented by extensive use of radio, Pay Per Click (**PPC**), social networking, retargeting and portal advertising.

Brand awareness and customer engagement - Purplebricks aims to increase brand awareness among UK homeowners, landlords, buyers and sellers as a trusted and effective alternative to high street agents and online competitors. Customer satisfaction and referral is a fundamental part of the Purplebricks service. Purplebricks is rated excellent by independent review website Trustpilot (rated 9.4) with currently over 3,500 reviews from customers.

The Business Model

Instructions convert quickly to cash - Purplebricks has a competitive and transparent, flat fee pricing structure of £798 (inc. VAT) for a sale anywhere in the UK other than certain defined London postcodes where there is a charge of £1,158 (inc. VAT). There are additional charges if the customer wants Purplebricks to undertake the viewings on their behalf, if they require an energy performance certificate or a Rightmove premium display. The Company's additional sources of revenue currently comprise fees from conveyancing, mortgage referrals and insurance.

The average Purplebricks fee including all other sources of income is circa. £1,080 (inc. VAT).

The customer can choose to pay upfront on instruction or they can delay the payment (at no additional cost) until the earlier of the sale of the property or ten months from instruction. The deferred payment is financed by Close Brothers. Purplebricks is paid by Close Brothers the next working day. If a customer wishes to defer payment, they are required to use Purplebricks' conveyancing services for the sale.

Low and flexible cost base - The cost structure of the business is different to that of a traditional estate agent. First, the hybrid model does not require the overheads of a high street estate agency business, with extensive, leased branches. Secondly, the LPEs are typically self-employed (90%) with fees payable upon instruction. As a result gross margins are substantial, reaching 56.4% for the six months ended 31 October 2015. The marketing budget is in alignment with the strategy of consistent presence in the media such as television, and aims not only to build awareness but also to help maintain and extend the Company's position as the leading next generation estate agent.

Financial Review

Total revenue in the six months grew by 777% year-on-year to £7.2m (H1 FY15: £0.8m), reflecting the on-going rollout of UK regions, the recruitment of LPEs and the step-up in the marketing programme. During the period the average fee per instruction was £829 (inc. VAT) and the average between September and October 2015 was £1,080 (inc of VAT) as a consequence of increasing conveyancing referral fee volumes.

Gross profit in the period was £4.1m (H1 FY15: £0.4m) a year-on-year increase of 814%. As a result the gross margin increased by 230 bps to 56.4%.

Administrative and establishment expenses increased as the business scaled its operations for future growth. This has involved investing further in development resources for our eZie platform, relocating our offices within Solihull and also includes the creation of the Data Sales Unit.

During the period the business moved into profit before sales and marketing costs of £0.3m (H1 FY15: loss of £1.4m), demonstrating that the benefits of scale are now starting to come through.

Sales and marketing costs increased to £6.6m (H1 FY15: £1.1m) reflecting the step-up in the marketing programme onto a national footing.

As a result of the planned increase in sales and marketing expenditure the Group reported an operating loss before amortisation of intangibles and share based charges of £6.0m (H1 FY15: £2.5m). There was no tax charge during the period.

As at the 31 October 2015 the Group had a net cash balance of £9.7m, following a private fundraising round which raised a net £10.0m in June 2015. This has been subsequently bolstered, post the period end, by the £22.8m of growth capital raised in the AIM listing in December.

Statement of comprehensive income

For the six month period to 31 October 2015

	Note	Six months ended 31 October 2015 Unaudited £	Six months ended 31 October 2014 Unaudited £	Year ended 30 April 2015 Audited £
Revenue		7,184,062	819,014	3,394,464
Cost of sales		(3,132,589)	(375,970)	(1,383,337)
Gross profit/(loss)		4,051,473	443,044	2,011,127
Administrative and establishment expenses		(3,783,022)	(1,831,015)	(3,965,412)
Sales and marketing costs		(6,641,302)	(1,124,125)	(3,473,028)
Loss from operating activities		(6,372,851)	(2,512,096)	(5,427,313)
Loss from operating activities before adjustments in respect of the following:		(6,026,381)	(2,494,611)	(5,282,234)
Amortisation of intangibles		(34,112)	(17,485)	(40,063)
Share based payment charge	3	(312,358)	-	(105,016)
Loss from operating activities		(6,372,851)	(2,512,096)	(5,427,313)
Finance expenses		(17,349)	(6,630)	(8,467)
Loss before taxation		(6,390,200)	(2,518,726)	(5,435,780)
Taxation		-	-	-
Loss for the year and total comprehensive loss		(6,390,200)	(2,518,726)	(5,435,780)
Basic and diluted loss per share (pence)	4	(3.44)	(1.79)	(3.57)

Statement of changes in equity

For the six month period to 31 October 2015

					Share based payments reserve	Total equity
	Share capital £	Share premium £	Retained earnings £			
For the six months ended 31 October 2015						
Unaudited						
At 1 May 2015	17,658	12,298,269	(8,026,657)	105,016	4,394,286	
Issue of shares	1,358	9,998,659	-	-	10,000,01	
					7	
Share-based payment charge	-	-	-	312,358	312,358	
Transactions with owners	1,358	9,998,659	-	312,358	10,312,37	
					5	
Loss for the period	-	-	(6,390,200)	-	(6,390,20	
					0)	
Total comprehensive loss	-	-	(6,390,200)	-	(6,390,20	
					0)	
At 31 October 2015	19,016	22,296,928	(14,416,857)	417,374	8,316,461	

					Share based payments reserve	Total equity
	Share capital £	Share premium £	Retained earnings £			
For the six months ended 31 October 2014						
Unaudited						
At 1 May 2014	10,350	4,163,618	(2,590,877)	-	1,583,091	
Issue of shares	7,308	8,134,651	-	-	8,141,959	
Share-based payment charge	-	-	-	-	-	
Transactions with owners	7,308	8,134,651	-	-	8,141,959	
Loss for the period	-	-	(2,518,726)	-	(2,518,726)	
Total comprehensive loss	-	-	(2,518,726)	-	(2,518,726)	
At 31 October 2014	17,658	12,298,269	(5,109,603)	-	7,206,324	

					Share based payments reserve	Total equity
	Share capital £	Share premium £	Retained earnings £			
For the year ended 30 April 2015						
Audited						
At 1 May 2014	10,350	4,163,618	(2,590,877)	-	1,583,091	
Issue of shares	7,308	8,134,651	-	-	8,141,959	
Share-based payment charge	-	-	-	105,016	105,016	
Transactions with owners	7,308	8,134,651	-	105,016	8,246,975	
Loss for the period	-	-	(5,435,780)	-	(5,435,780)	
Total comprehensive loss	-	-	(5,435,780)	-	(5,435,780)	
At 30 April 2015	17,658	12,298,269	(8,026,657)	105,016	4,394,286	

Statement of financial position

As at 31 October 2015

	Notes	31 October 2015 Unaudited	31 October 2014 Unaudited	30 April 2015 Audited
		£		£
Non-current assets				
Property, plant and equipment		168,996	30,904	63,207
Intangible assets		174,663	85,713	137,893
		343,659	116,617	201,100
Current assets				
Current taxation		-	-	-
Trade and other receivables		1,445,590	434,542	746,083
Cash and cash equivalents		9,744,843	7,190,706	4,609,771
		11,190,433	7,625,248	5,355,854
Current liabilities				
Trade and other payables		(2,934,822)	(535,541)	(1,052,739)
Deferred income		(282,809)	-	(109,930)
		(3,217,631)	(535,541)	(1,162,669)
Net current assets		7,972,802	7,089,707	4,193,185
Total assets less current liabilities		8,316,461	7,206,324	4,394,285
Net assets		8,316,461	7,206,324	4,394,285
Equity				
Share capital		19,016	17,658	17,658
Share premium		22,296,928	12,298,269	12,298,268
Share based payments reserve		417,374	-	105,016
Retained earnings		(14,416,857)	(5,109,603)	(8,026,657)
Total equity		8,316,461	7,206,324	4,394,285

Statement of cash flows

For the six month period to 31 October 2015

	Six months ended 31 October 2015 Unaudited	Six months ended 31 October 2014 Unaudited	Year ended 30 April 2015 Audited
	£	£	£
Cash flows from operating activities			
Loss for the period after taxation	(6,390,200)	(2,518,726)	(5,435,780)
<i>Adjustments for:</i>			
Amortisation of intangible assets	34,112	17,485	40,063
Depreciation	23,719	7,163	15,757
Share-based payment charge	312,358	-	105,016
Tax refund	-	-	265,884
Operating cash flow before changes in working capital	(6,020,011)	(2,494,078)	(5,009,060)
Movement in trade and other receivables	(699,505)	192,924	(205,271)
Movement in trade and other payables	1,882,083	29,260	368,640
Movement in deferred income	172,879	-	109,930
Cash flow from continuing operations	(4,664,554)	(2,271,894)	(4,735,761)
Net cash flow from operating activities	(4,664,554)	(2,271,894)	(4,735,761)
Cash flow from investing activities			
Purchase of property, plant and equipment	(129,509)	(1,752)	(42,650)
Development expenditure capitalised	(70,882)	(48,471)	(123,229)
Net cash flow from investing activities	(200,391)	(50,223)	(165,879)
Cash flow from financing activities			
Issue of shares, net of costs	10,000,017	8,143,370	8,141,958
Net cash flow from financing activities	10,000,017	8,143,370	8,141,958
Net increase in cash and cash equivalents	5,135,072	5,821,253	3,240,318
Cash and cash equivalents at beginning of year	4,609,771	1,369,453	1,369,453
Cash and cash equivalents at the end of the year	9,744,843	7,190,706	4,609,771

Notes to the financial statements

1 Basis of preparation

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

The interim financial statements for the six month period ended 31 October 2015 (including the comparatives for the six month period ended 31 October 2014 and the year ended 30 April 2015) were approved by the board of directors on 26 January 2016. 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 2015 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 IFRS. The Company only operates in the United Kingdom.

During the period, no one customer contributed greater than 10% of the Company's revenues (six month period ended 31 October 2014: none, year ended 30 April 2015: none).

3 Share-based payments

The Company operates an HMRC approved executive management incentive plan (EMI).

The vesting conditions 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's start date in respect of schemes 1, 2 and 4.

The options vest from the date of grant for scheme 3 except for 32,000 options which vest on the first anniversary of the date of grant if the company achieves the sales target or as otherwise determined by the directors.

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 Number	Employees entitled	Number of options	Performance conditions	Exercise price (p)	Earliest exercise date	Expiry date
09/01/2015	1	14	44,937	Length of service	£0.01	09/01/2015	09/01/2025
10/07/2015	2	11	45,301	Length of service	£14.00	10/07/2015	10/07/2025
06/08/2015	3	2	69,328	Length of service	£0.01	06/08/2015	06/08/2025
10/08/2015	4	11	6,300	Length of service	£14.00	10/08/2015	10/08/2025

No share options were exercised during the period (H1 FY15: nil). The number and weighted average exercise price of share options are as follows:

	31 October 2015	31 October 2015	31 October 2014	31 October 2014	30 April 2015	30 April 2015
	Weighted average exercise price	Number of options (number)	Weighted average exercise price	Number of options (number)	Weighted average exercise price	Number of options (number)
Outstanding at start of period	£0.01p	42,637	-	-	-	-
Granted during the period	£5.98	120,929	-	-	£0.01p	44,937
Exercised during the period	-	-	-	-	-	-
Lapsed during the period	£14.00	(1,500)	-	-	£0.01p	(2,300)
Outstanding at end of the period	£4.36	162,066	-	-	£0.01p	42,637
Exercisable at end of the period	£1.49	61,935	-	-	£0.01p	13,800

Options outstanding at 31 October 2015 for schemes 1 and 3 have an exercise price of £0.01p (30 April 2015: £0.01p. 31 October 2014: not applicable). The weighted average remaining contractual life of the options is 10 years (30 April 2015: 10 years. 31 October 2014: not applicable).

Options outstanding at 31 October 2015 for schemes 2 and 4 have an exercise price of £14.00 (30 April 2015: £nil. 31 October 2014: not applicable). The weighted average remaining contractual life of the options is 10 years (30 April 2015: 10 years. 31 October 2014: 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. No options were granted in the preceding period.

	31 October 2015	31 October 2014	30 April 2015
Weighted average share price at date of grant	£14.00	-	£14.00
Weighted average exercise price	£5.98	-	£0.01
Weighted average contractual life (years)	10	n/a	10
Weighted average expected volatility	27%	-	27%
Weighted average risk free interest rate	1.5%	-	1.5%
Total weighted average fair value of options granted	£318,372	-	£596,510

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 the income statement

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

	Six month period ended 31 October 2015	Six month period ended 31 October 2014	Year ended 30 April 2015
	£	£	£
Share-based payment charges	312,358	-	105,016

4 Earnings per share

	Basic and diluted		
	Six month period ended 31 October 2015	Six month period ended 31 October 2014	Year ended 30 April 2015
	Unaudited	Unaudited	Audited
	£	£	£
Loss	(6,390,200)	(2,518,726)	(5,435,780)
Weighted average number of shares	1,856,363	1,409,954	1,522,219
Loss per share (pence)	(3.44)*	(1.79)*	(3.57)*

*This is based on the share capital pre IPO re-organisation and re-registration of New Broom Ltd to become Purplebricks Group plc which completed on 10 December 2015.

5 Events after the balance sheet date

On 17 December 2015 the Company completed its admission to the Alternative Investment Market (AIM) raising £25m of gross proceeds into the Company as part of the placing which after costs results in a net £22.8m. At Admission, the Company had 240,259,152 ordinary shares in issue.