FY22 Results

for the year ended 30 April 2022

2 August 2022

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.

01

INTRODUCTION

Helena Marston,
Chief Executive Officer

PURPLE BRICKS

Agenda for today

01 **INTRODUCTION**
Helena Marston, CEO

02 **FINANCIAL REVIEW**
Steve Long, CFO

03 **EXECUTING OUR STRATEGIC PRIORITIES**
Helena Marston, CEO

04 **SUMMARY**
Helena Marston, CEO

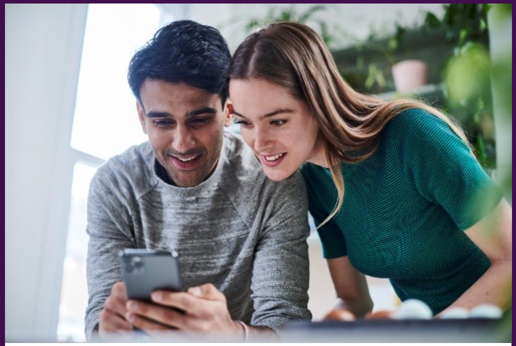
05 **Q&A**

Strong attributes to make Purplebricks successful

Strong brand

Excellent brand awareness at 93%

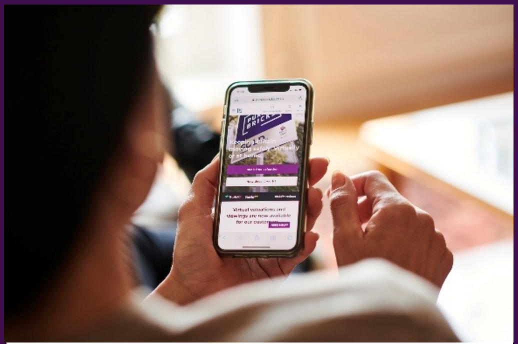
Largest estate agency brand selling 85% of homes vs High Street 75% (# 2 Connells, #3 x brand)



Value for money

Fixed fee model saves customers £000s in commission – average saving of £2,300 per instruction

Increasingly positive against rising costs of high street



Technology-led, data-driven

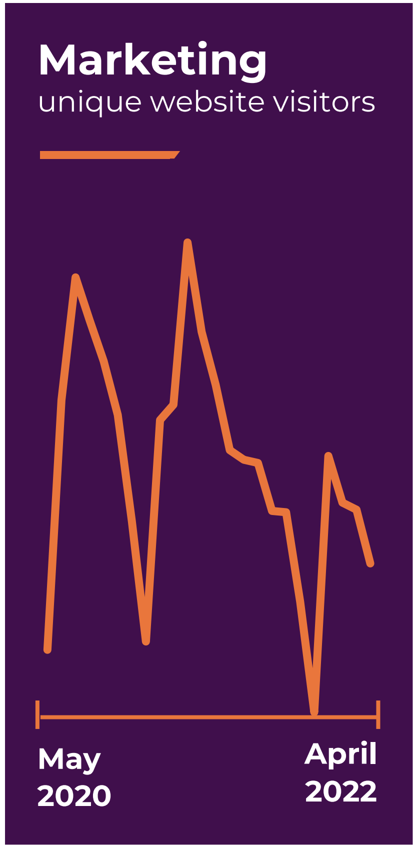
Gives customers control, transparency and confidence - >31k offers accepted through the app in FY22

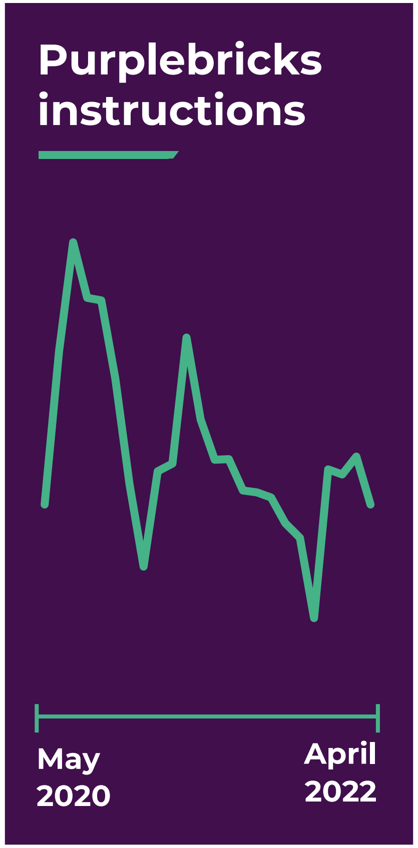
Control over performance

Employed model gives us the control to improve performance, supported by our tech and agent toolkit

What went wrong in FY22?

- Fewer leads despite significant investment in marketing
- Disruption to sales performance following transition to employed model
- Market constrained by a prolonged lack of supply





Clear plan to return to growth

1
Cut costs and stabilise cash

2
Grow revenues

3
Grow instructions

4
Raise standards

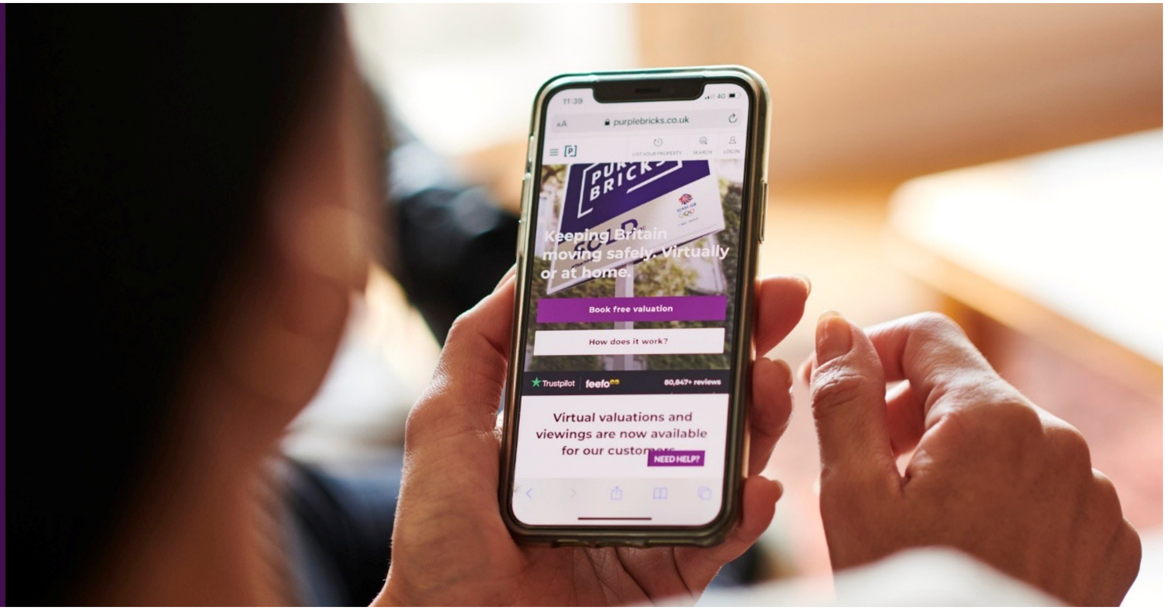
Quick actions taken

Cost out	**£13m** cost removed across field, marketing, support and 3 offices closed
Increased prices	**+ 20%** increase on **pricing.** Removal of Money Back Guarantee
Conveyancing	Additional customer segments targeted
Mortgage offering	Operating model design in process, Appointed Representative go-live by end of financial year
Lettings stabilised	Two audits of the Lettings business undertaken and remedial actions taken
Executive appointments	New Executive team – CCO, Director of Lettings, Director of Risk and Compliance
Sales improving	Sales effectiveness – agents retrained, +11% in living room conversion
Revenue innovation	Trials in progress to test future revenue streams, faster pace iterations

02

FINANCIAL REVIEW

Steve Long,
Chief Financial Officer



Summary results

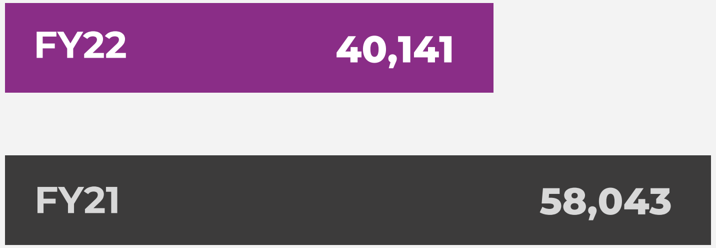
Instructions[1]	ARPI[1]	Revenue
40,141	£1,568	£70.0m
(31)%	+4%	(23)%
FY21: 58,043	FY21: £1,501[2]	FY21: £90.9m

Gross margin	Adjusted EBITDA[1]	Cash
60.1%	£(8.8)m	£43.2m
(3.4)ppts	-%	(42)%
FY21: 63.5%	FY21: £12.0m	FY21: £74.0m

1. See appendix for definition

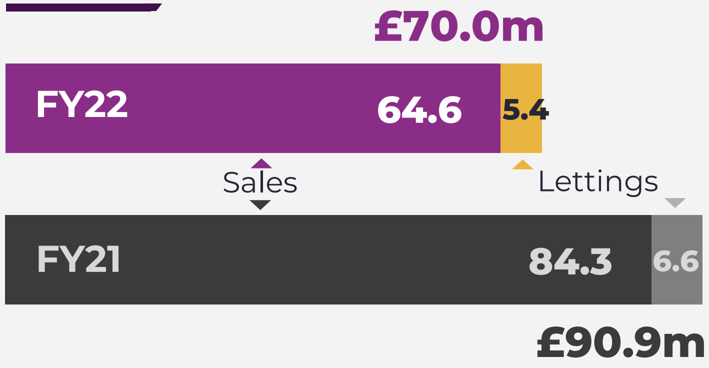
Trading

Instructions



- A challenging market environment and disruption from implementation of new employment model resulted in a 31% year-on-year reduction in instructions
- FY21 instructions benefitted from Stamp Duty holiday and post-Covid demand
- Acted quickly to focus sales and marketing on right customer segments to increase instructions

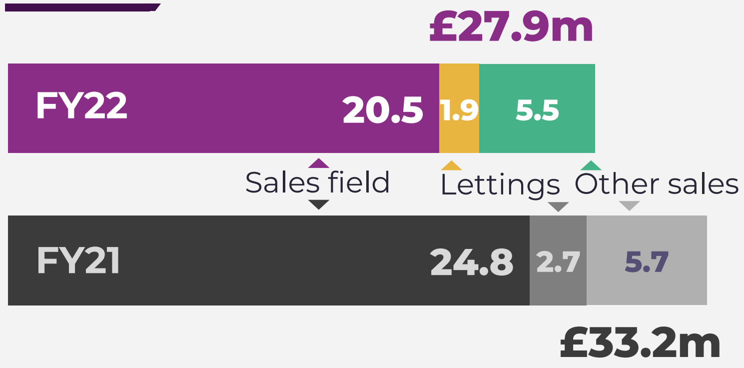
Revenue



- Revenue reduced by 23% YoY predominately due to lower instruction volumes
- Partially offset by improved in ARPI
- Includes £3.1m benefit from release of deferred income and tail of the FY21 conveyancing completions

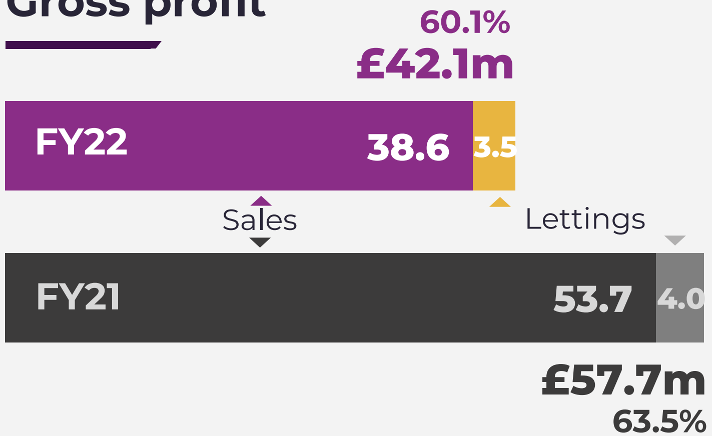
Gross margin

Cost of sales



- Cost of Sales reduced by 16% reflecting lower volumes
- Change in employment model in Sept 2021 resulting in higher proportion of fixed costs
- Includes benefit of £3.1m from accounting prepayment
- Have reduced fixed cost base through performance management in FY23
- Other sales includes investment in pro-photography and 3D tours

Gross profit

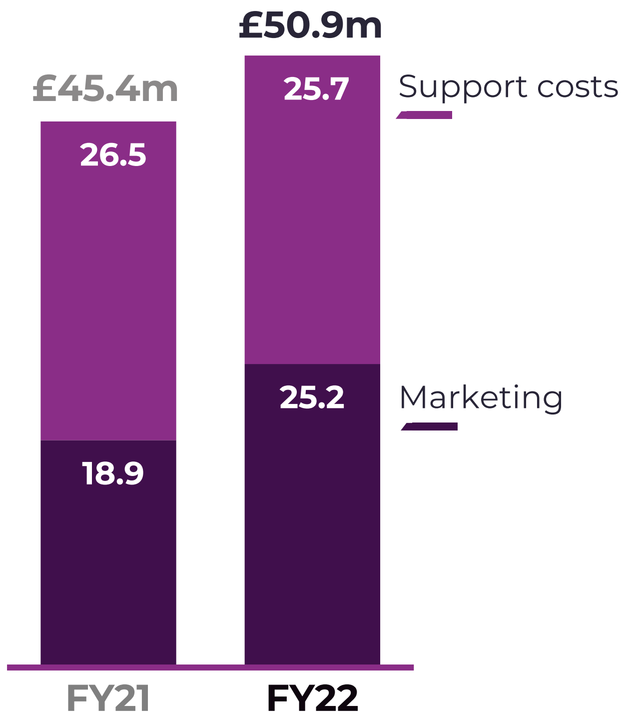


- Gross margin reduction of 27% year-on-year predominantly as a result of lower instruction volumes
- Higher fixed costs from implementation of employment model leading to margin dilution in H2
- Gross profit reduced significantly as a result of above; adjusting for one-off benefit of £3.5m, gross margin is 55%

Adjusted operating expenses

- Marketing spend up by 33% year-on-year due to investment in new creative vehicle and ATL activity
- Marketing effectiveness improvement will result in spend to be reduced by £6m in FY23
- Suppressed spend in FY21 due to Covid response
- FY22 overheads include investment in technology and employed model

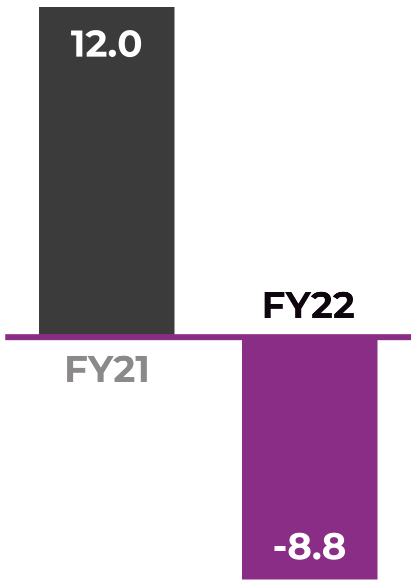
Adjusted Operating Expenses including marketing



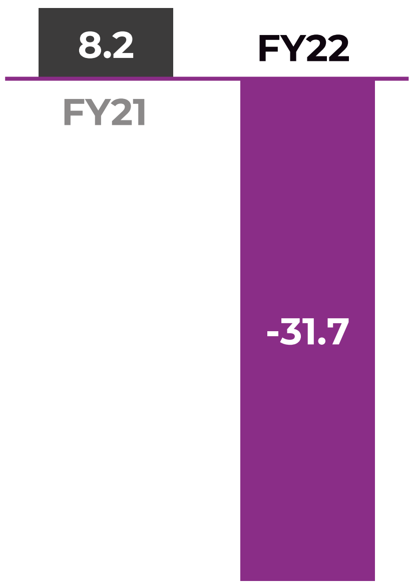
Profitability

- Adjusted EBITDA £20.8m lower than FY21 due to lower instructions and additional marketing investment
- Operating loss includes £17.2m increase in exceptional costs year-on-year:
  - £3.5m costs related to change in employment model as guided previously
  - £3.6m related to provision required for previously disclosed Lettings issue
  - £9.2m Homeday impairment
- Lettings business restructured under new leadership, is stable and operating effectively
- Other charges to operating loss include depreciation & amortisation and share of Homeday losses

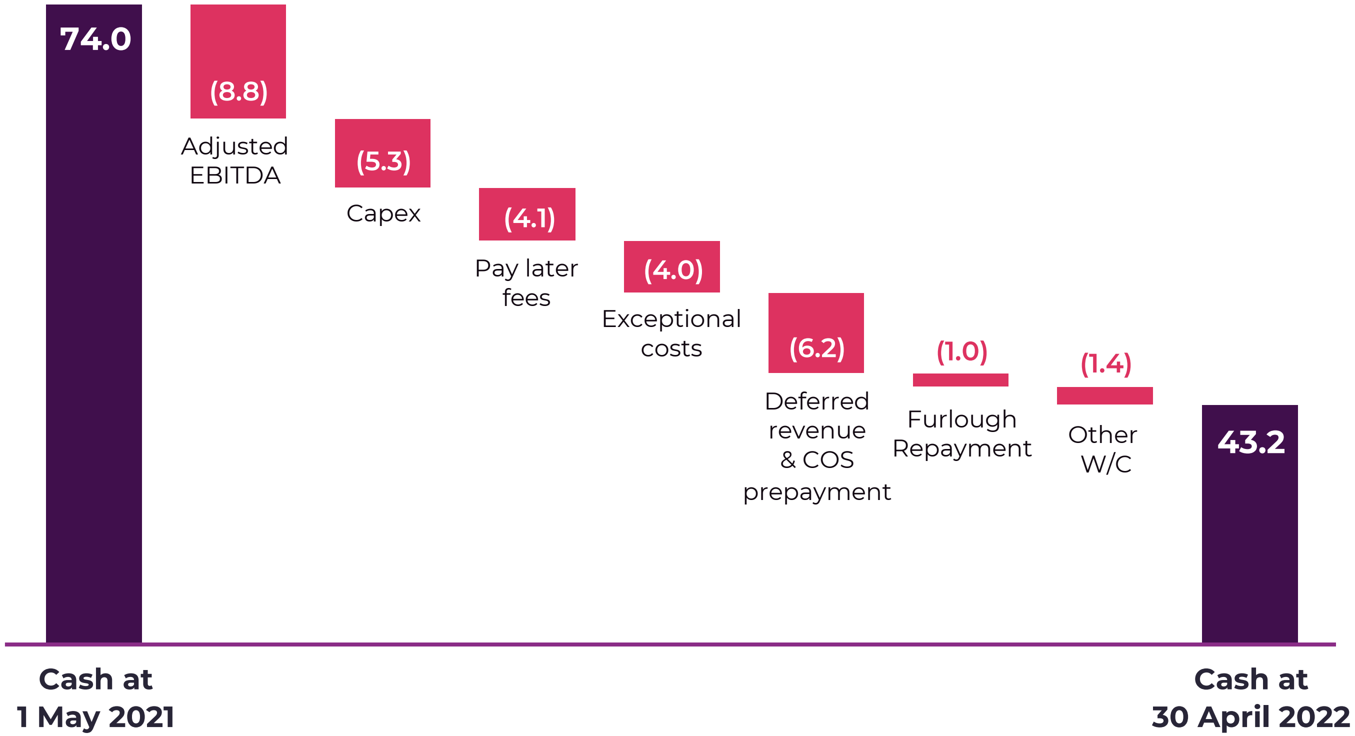
Adjusted EBITDA
£m



Operating loss
£m



Cash position reflects weaker trading performance and one-off investment choices



- Year end position reflected lower instructions and exceptional costs as guided
- Investment in Digital team to implement Salesforce and e-commerce flow as well as tablets for employed sales field
- Deferred revenue and COS prepayment accounting results in timing difference between earnings and cash
- Other W/C £1.4m one-off due to timing of payments to agents

Summary and guidance

Expect to be cash generative by early FY24

- Current trading in line with management expectations
- Q1 23 volumes and revenue showing improved trajectory compared with H2 22
  - c. 11k net instructions
  - c. £16m revenue
- FY23 revenue expected to be in the range of £67.5 – £72.5m, weighted towards H2, driven by:
  - Instruction growth
  - ARPI growth
- Expect to be cash generative by early FY24
  - Retain significant headroom in cash resources

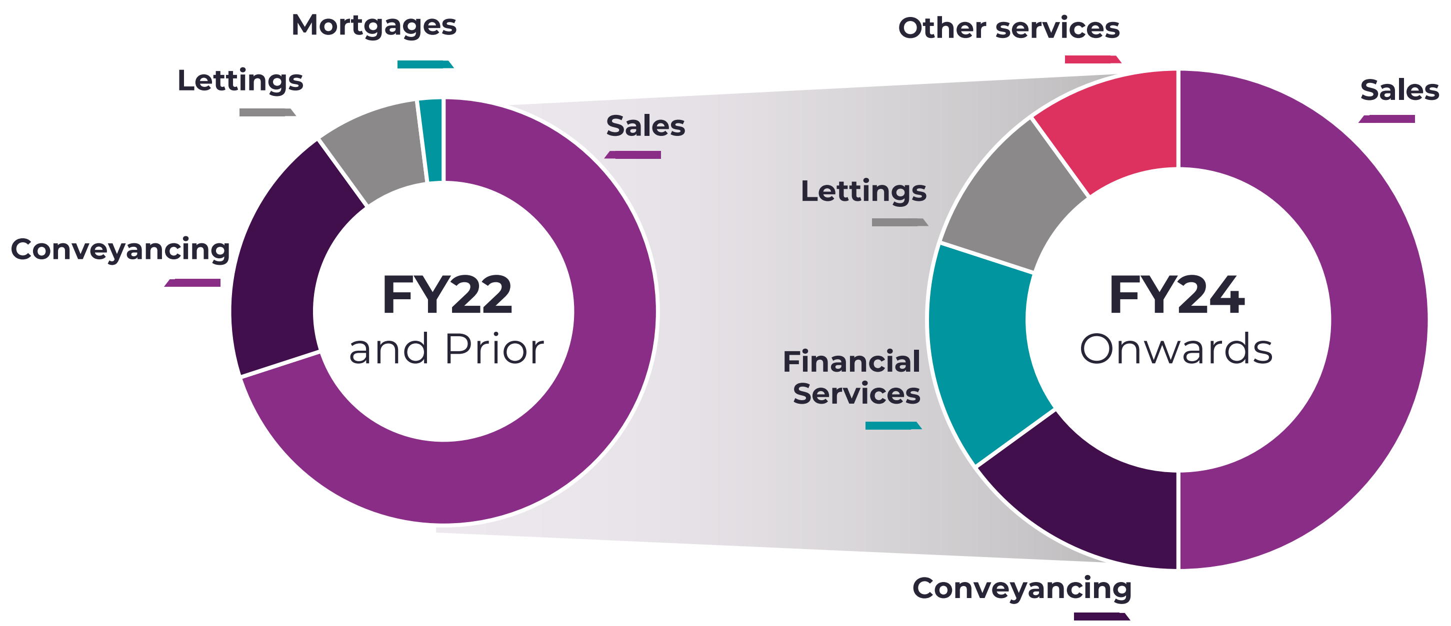
03

EXECUTING OUR STRATEGIC PRIORITIES

Helena Marston,
Chief Executive Officer

Growing and diversifying revenue streams

Facilitated by full control over our model



Full control over our field agents

allows us to incentivise and grow new revenue streams:

- Broadening our revenue ambitions beyond the instruction
- Focus on buyer and seller opportunities
- Moving from mortgage referrer to Appointed Mortgage Representative
- Pricing increases and flexibility
- Revenue innovation trials in progress

Sales priorities

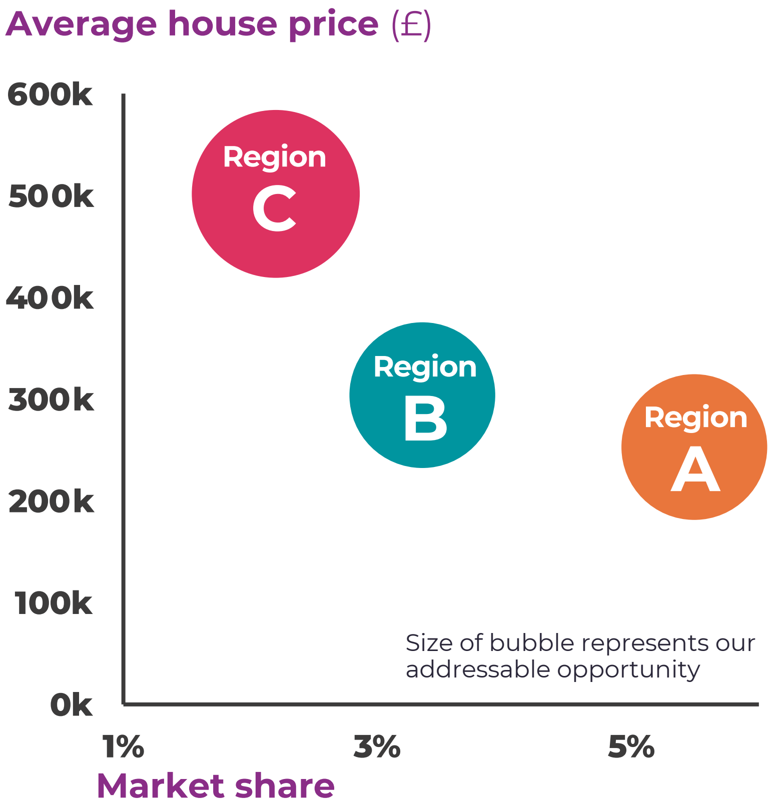
Since implementing our
new employment model
in September, we have focused on:

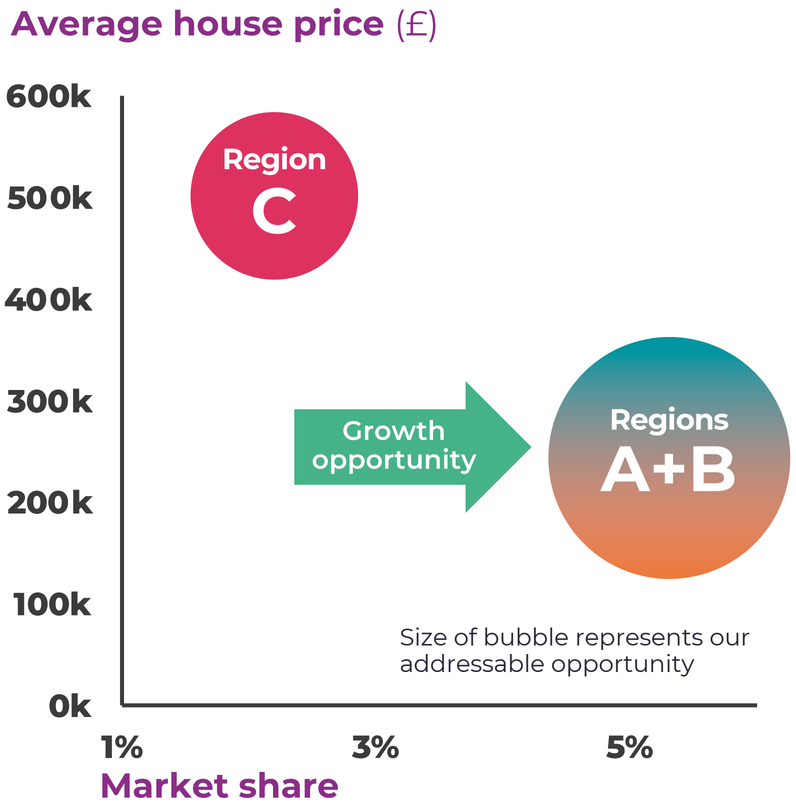
- Creating and embedding a highly engaged sales force
- Retraining 100% of our Field to provide a consistent tech-led customer experience
- Implementing new performance management processes
- Creating the right renumeration model to reward the right behaviours
- Standardising best practice across our areas
- Ensuring tech is at the heart of our sales processes
- Right sizing to ensure we have the right resource in the right locations

Our top 3 priorities:

- Focusing sales resources in areas where our core customer segment is
- Better living room performance
- ARPI

Focusing our marketing and resources on growth areas





Region A
Higher market share due to proposition cut-through and higher performing local presence

Region B
Lower market share but headroom to improve because it has the same customer and property characteristics as A

Region C
Lower market share due to challenges with propositional cut-through (generally high affluence customers with different needs)

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Our focus on sales effectiveness is making an impact

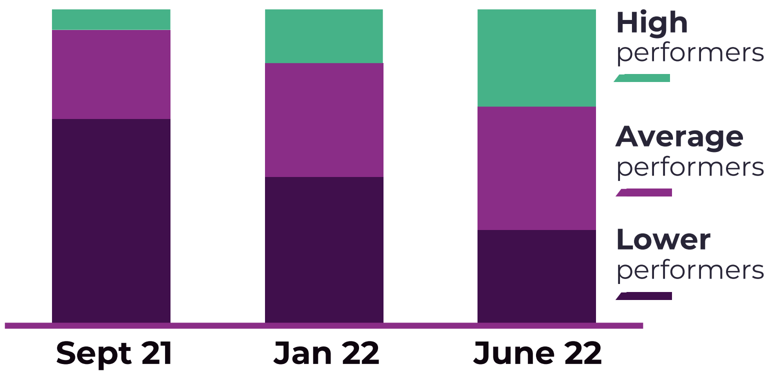
Our **new employment model** means:

- Our sales force is highly engaged
- We have new performance management processes to incentivise stronger performance
- Standardising best practice across our areas
- We have the right resource in the right locations

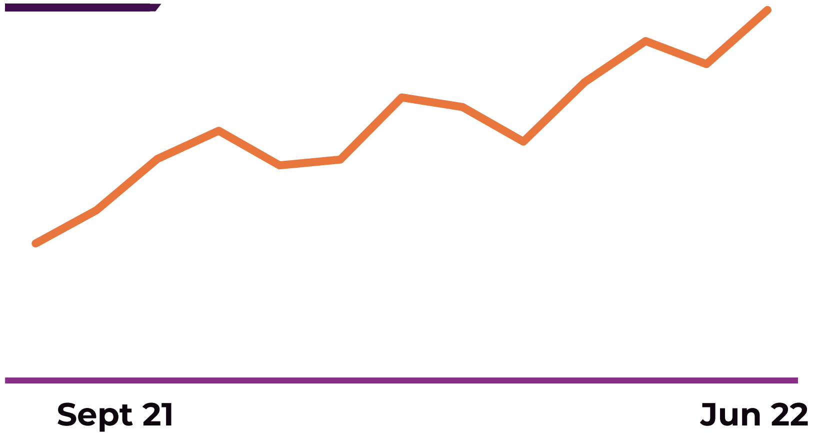
As a result we have:

- A **higher mix of better performers** and decreasing lower performers
- **Increasing attachment rates** of our Pro package
- Ability to **add additional revenue streams** to a better performing Field

Agent performance distribution



Pro package attachment rate



Our approach to marketing is changing

FROM

- National and UK-wide local campaigns that require heavy media investment
- Undifferentiated marketing message that failed to cut through
- Segmentation based on lowest common denominator (successful sale)
- Focus on overcoming concerns around sales accountability within fixed fee model
- Investment in fame-driving campaigns and high investment (as a % of revenue)

TO

- Crossover campaigns that reduce reliance on national media and upweight performance marketing
- Targeted campaigns that attract growth audiences
- Return to value messaging to drive distinctiveness and alternative to high street
- Application of new segmentation to focus on maintaining core performance whilst targeting stretch growth
- Significant improvement in marketing efficiency

Future revenue opportunities

Mortgages

Expanding our role to Appointed Mortgage Representative

Lettings

Understand the opportunity to grow our Lettings business

Other services

Trial and test of additional home moving products

Partnerships

A focus on commercial partnerships

Summary

Quick and decisive action already taken to cut costs and improve ARPI

- A strong brand with significant potential
- A clear plan to improve performance and return to growth
- Decisive action taken to re-set cost base and improve sales effectiveness revenue streams
- Renewed focus on diversifying revenue streams
- Confident in delivering

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05

Q&A

Helena Marston,
Steve Long

06

APPENDIX

Summary income statement

£m	FY 22	FY21	Change
Revenue	70.0	90.9	(23)%
Gross profit margin	**60.1%**	**63.5%**	**(340)bps**
Adjusted operating costs	(25.7)	(26.5)	(3)%
Marketing costs	(25.2)	(18.9)	33%
Other net income	-	(0.3)	-
Adjusted EBITDA	**(8.8)**	**12.0**	**-**
Adjusted EBITDA margin %	-	13.2%	-
Operating (loss) / profit	**(31.7)**	**8.2**	-

- Revenue down 23% in the year reflecting reduced instruction volumes, partly offset by a net decrease in deferred revenue since prior year of £3.1m*, in line with instruction volumes, and reflecting revenue constrained for Money Back Guarantee of £1.4m, of which £0.4m is within refund liabilities and £1.0m is within loan from factor
- FY22 gross margin impacted by the transition to a fully employed as the associated cost base now comprises both salary and commission paid to agents. FY22 benefits from a prepayment of cost of sales of £3.1m due to lower margin
- Marketing costs up 33% due to investment in new creative vehicle and ATL activity and lower investment in FY21 reflecting reduced activity in H121 as a result of the Covid-19 pandemic
- Adjusted EBITDA loss of £(8.8)m
- Operating loss includes £19.3m of exceptional costs

* Reported movement since FY 21 of £5.8m includes £2.7m reduction to due to change in accounting presentation to loan from factor as required by applicable rules for the MBG product.

H1 vs H2 performance

	H1 22	H2 22	FY22
Instructions	21,131	19,010	40,141
ARPI (£)	1,642	1,486	1,568
Revenue	41.3	28.7	70.0
Cost of sales (£m)	(15.1)	(12.8)	(27.9)
Gross profit (£m)	26.2	15.9	42.1
Gross margin %	63%	56%	60%
Marketing costs (£m)	(14.5)	(10.7)	(25.2)
Adjusted operating costs (£m)	(12.5)	(13.2)	(25.7)
Adjusted EBITDA (£m)	(0.8)	(8.0)	(8.8)

Accounting terms and KPI definitions

- **Total fee income:** Fees receivable in respect of instructions and mortgage referrals, and conveyancing fees due in respect of completed transactions
- **Instructions:** Instructions won in the year, net of instructions refunded in the year
- **Average Revenue Per Instruction (ARPI):** Total fee income divided by the number of Instructions in the year
- **Adjusted EBITDA:** Refer to FY 22 Results Statement, note 4, Alternative Performance Measures
- **Adjusted operating costs:** Refer to FY 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