19 August 2020

Peter Long
Executive Chairman, Board of Directors
Countrywide plc
Greenwood House, 1st Floor
91-99 New London Road
Chelmsford
Essex, CM2 0PP

Dear Peter,

I am writing to you on behalf of Catalist Partners ("Catalist"), a shareholder in Countrywide plc ("Countrywide" or the "Company") which today controls 3,435,983 million shares, representing 10.48% of the common shares outstanding. We first contacted you on 28 July 2020 to discuss a three-pillar strategy to unlock significant value in Countrywide plc ("Countrywide" or the "Company") and position the Company for a successful future, namely:

1. **Focus on Estate Agency:** Consolidate +50 brands and c.700 branches to core brands on key highstreets and regional super-hubs, as part of a new group strategic focus on Estate Agency
2. **Harness Technology and Content:** Develop an in-house digital ecosystem to support agents, end reliance on third party software, and enable Countrywide to monetise the unrivalled content, data and transaction volumes it controls as the UKs largest agent and residential landlord, as well as new digital revenue streams.
3. **Monetise unrecognised value:** Deleverage and fund investment by releasing capital from non-core businesses representing +£300m of unrecognised value.

We further presented this strategic plan at a virtual meeting on 4 August and then followed up on 6 August with a letter outlining the steps we think must be taken to right-size the Company's balance sheet and put it on a stable path to capture future growth opportunities. We offered our assistance to help you implement this strategy and requested initial feedback from you and the Board by 14 August.

As we have made clear since we first communicated with you, our desire is to work constructively with you and the Board to achieve the outstanding potential that we all see in Countrywide. We believe it paramount that Countrywide's stakeholders - employees, shareholders, lenders and customers - receive immediate clarity on the Company's plans to address the significant fall in the share price; adapt to current trading conditions; address emerging customer needs; respond to evolving competitor models and; critically, explain how this will be achieved, over what timeframe and who will implement such change.

The decline in Countrywide's financial performance over the past four years has been disappointing. The Company's competitors have outperformed on several key metrics and now command far higher valuations, despite generating lower revenues. While we agree with the disposal of non-core assets to release capital, disposals, pursued in our opinion without a transparent process, have failed. Fresh investor capital has evaporated and, with-it, the trust of shareholders. Staff morale may justifiably be at an all-time low. The leadership of the company needs to be urgently addressed, not least to be able to attract the best talent. A capable COO opted to withdraw in the days before starting and a third CEO for Countrywide in as many years is now needed.

This cannot continue.

Given the demonstrable need for strategic clarity, we are surprised and disappointed, per your email of 12 August, that you have chosen not to engage with us or make any firm commitment to doing so. Therefore, to progress this discussion and initiate change, we have no choice but to share our views in a broader forum. For the benefit of our fellow stakeholders, we summarise below our considered views on how to unlock the value in Countrywide. We have followed Countrywide for several years and have undertaken extensive research and analysis on the Company; based on this analysis we propose that Countrywide considers taking the following decisive actions:

1. FOCUS ON ESTATE AGENCY

Consolidate +50 brands and c.700 branches to core brands on key highstreets and regional super-hubs, as part of a new group strategic focus on Estate Agency.

These actions will increase revenue per full-time employee (FTE) and improve aggregate margins from among the lowest in the industry to be in-line with peers.

Countrywide can be a £60m EBITDA business in a stable, cash generative and sustainable industry, within three years.

Countrywide is the UK's largest estate agent, with twice the revenue of its nearest competitor, a number of exceptional brands, over 85,000 properties under management, and a large weighting to the recently more profitable lettings side of the industry. Well run estate agencies are profitable, cash generative businesses with attractive margins and will continue to be so. **At its heart, Countrywide is an estate agency business.**

Personal interactions will, in our opinion, continue to be essential in what, for most customers, are the largest transactions of their lifetimes. This makes Estate Agency resilient, as the critical human element limits the scope of further technological disruption.

The importance of high street brand visibility has changed. For buyers, online property portals have substantially replaced branch windows and sellers are similarly more technologically literate. The need to visit branches has reduced and with it the need for multiple locations across a region.

Countrywide's acquisitive growth resulted in multiple brands, many on the same streets, some targeting the same market segment. This has compressed margins, reducing revenue while duplicating fixed costs.

Countrywide has made reductions, but we believe too slowly and without clarity of intent. In the absence of a communicated strategic objective, uncertainty and a fear of the unknown has inevitably impacted staff morale and with it operational performance.

A clear rationalisation programme, with objective goals and a path to growth, needs to be devised, communicated and executed to prevent further value destruction. This will require capital and leadership. **Local market knowledge will remain a core component of the value provided by agents**, as will a venue for walk-ins. Today, this can be achieved combining tactically located regional hubs and key high street branches.

Supported by updated, in-house technology (a cloud-based proprietary and scalable client management system) agents can be less desk dependant, offer a superior real-time customer service, integrate with local communities, as well as focus on national and international customers (e.g. in Manchester, where international demand matches domestic).

Personality is integral to this industry, and because of this we believe **the right CEO must come from within the industry**. There are excellent candidates available. To support the new CEO, Countrywide should supplement its executive talent by appointing a COO and a CMO. Finally, steps must also be taken to identify, retain and motivate the deep bench of existing talent throughout the organisation.

Key actions needed:

1. **Rapidly consolidate brands and branches with a clear, regionally focussed Sales and Lettings strategy**
2. **Appoint a CEO, from within the industry, to oversee rationalisation and new strategic vision**
3. **Appoint a COO with turnaround experience to support, coordinate and implement the plan**
4. **Appoint a CMO to sell the brand and use it to drive business**
5. **Implement a meritocratic incentivisation plan that reaches deep into the business**

2. HARNESS TECHNOLOGY AND CONTENT

Developing a proprietary CRM platform will allow Countrywide to maximise future revenues from the content it originates by (i) optimally interfacing with current and future distributors, (ii) linking its customer base with third party vendors and (iii) providing customers with real time solutions to remain competitive.

This won't be possible with outdated systems or by relying on third party software providers. Investment is needed.

As the largest single sales and lettings content supplier in the UK, Countrywide must lead the conversation on the current distribution model and future marketplace.

Its unrivalled transaction volumes, landlord base, rental payments and historic data offer an enviable foundation to grow revenue.

Agent productivity will increase, customer experience will improve, and new revenue streams can be captured from the same engagements.

Countrywide today:

- Is the largest supplier of sales and lettings listings to the portals
- Processes >100,000 sales and lettings revenue transactions per year
- Is the largest residential property manager in the UK with >85,000 tenants
- Has visibility on >£1billion of rental payments per year
- Controls the largest proprietary data bank of historic transactions in the UK

The impact of technology on the property industry has predominantly focused on how content is distributed. The largest residential portals are essentially simple advertising hoardings – first generation models. Lockdowns in response to the Covid-19 pandemic have highlighted the cost of this approach to estate agents – fixed distribution costs are not sustainable for commission-driven suppliers – accelerating the need for existing models to evolve.

We believe the next generation of consumer portals will be Software-as-a-Service (SaaS)-orientated; offering customers multiple services via a single interface; direct listings, online bookings, transaction management, dashboards to process rental payments and connectivity with adjacent products (utilities, broadband, streaming services, etc).

Countrywide has the scale to redefine its relationship with the portals but lacks both the IT infrastructure and digital expertise needed to:

(i) maximise the value of its current content, transaction volumes and rental payments; and
(ii) connect its customer base with other product providers and thereby capture additional revenues.

Competitors are preparing for this shift, but Countrywide's scale makes it uniquely positioned to lead and take advantage of existing content and new revenue streams that will emerge from the changes ahead.

Key actions needed:

1. **Appoint a CTO to steer development and implementation**
2. **Migrate redundant IT infrastructure to proprietary, flexible and scalable cloud-based systems (CRM, CMS and PMS)**
3. **Leverage content to optimise partnerships and grow revenues**

With experienced leadership and a clear mandate, the infrastructure needed to be future-ready – a proprietary cloud-based agency ecosystem – can be developed over 18 months, rolled-out progressively and iteratively, avoiding any operational disruptions.

3. MONETISE UNRECOGNISED VALUE IN NON-CORE DIVISIONS

To accelerate a core focus on Estate Agency and to become future fit will require capital. Countrywide's debt burden must also be addressed as a priority.

We believe Countrywide has unrecognised value amounting to more than £300m.

Realising a proportion of the value from these divisions, little if any of which is reflected in the current share price, would protect jobs, provide clarity and accelerate growth, without the need for further shareholder dilution

Countrywide group includes three businesses that are attractive, resilient businesses with scale; that are not core to estate agency; and whose values are not fully reflected in the current share price.

Following extensive research and analysis we estimate there to be at least £300m of realisable value within these businesses, more than sufficient to deleverage the balance sheet and fund investment. Their value has not been well communicated or reported and is not reflected in Countrywide's share price.

a. B2B Valuation Business

Significant market share of a predominantly recurrent, non-cyclical, high-margin business. 2019 Valuation ("Surveying") revenues of £71.8m, with scope to improve margins and growth with technology. As this business cannot act on Countrywide transactions, it is essentially a standalone operation and readily separable.

There are potential buyers for this asset, attracted by the resilient cash generation and upside potential. Consolidated accounts for Countrywide do not break out costs attributed to the business, so determining a true EBITDA is impossible from the outside; however, LSL Property Services' similar business has reported profit margins of between 25% and 30% over the past three years. This implies a potential EBITDA for the Valuations business of £18m-22m. An EBITDA multiple of 8x-10x would be possible, subject to contract duration.

b. Lambert Smith Hampton (LSH)

Demonstrably a non-core business with recurring income and a strong brand. There are credible buyers who have not engaged due to the relatively opaque process that has been undertaken to date. To realise the value of LSH, prospective buyers need comfort that the asset will be auctioned through a due process and with intent.

c. Financial Services – mortgage and insurance brokerage

The largest mortgage broker in the UK, which wrote a total of £20.9bn mortgages in 2019, representing c.108,000 mortgages. The business enjoys significant repeat (re-mortgage) business given the typical 2-5-year discount period offered by most UK mortgage providers, and cross-sells insurance policies including c.50,000 mortgage protection polices in 2019. £82.1m of revenue, £16.5m of EBITDA in a highly resilient sector.

Similar, though smaller businesses sold in the past three years attracted multiples of between 6x – 14x EBITDA. Given the scale of this business and the likely need for a continuing referral arrangement with Countrywide, a multiple of 7x – 10x EBITDA should be achievable; more information, which current reporting does not provide, is needed to narrow this range. We would like to see the following information broken out:

- The % of business originated from outside the Countrywide network
- The % of recurrent core mortgage business (estimated to be between 50% and 80%)
- Clarity as to why Revenue and EBITDA growth has not tracked the impressive growth in non-core mortgage business which has doubled in 5 years
- Clarity on strategy to convert the large back book of mortgages (knowledge of an estimated 265,000 borrowers and mortgage roll off dates, a highly valuable data set)

The value of this business may be better re-invested into core operations, though there are also likely efficiencies and upside which could also be realised in retaining it. In either case, there is value to be extracted.

Key actions needed:

1. **Appoint advisors to consider sale alternatives, in whole or in part, identifying possible buyers, and prepare a process**
2. **Seek support from lenders to pursue significant repayment of outstanding debt and revised facility terms**

This is a triage situation; capital must first be allocated where needed most urgently and thereafter where it can be allocated to achieve the best return for shareholders. With the exception of Financial Services, whose ties are less clear, these are standalone operations, non-core to Estate Agency. Where ties exist, income can be preserved through referral arrangements or otherwise structured within a sale agreement. **We believe that solutions are available to reinvest the value of these businesses.**

CONCLUDING THOUGHTS

Countrywide has the resources needed to deleverage, re-focus and grow. Three bold steps would put the Company on a path to realising its outstanding potential. The priority now must be in attracting a CEO, with relevant industry expertise, who can rally employees and work with the Board to execute the strategic objectives outlined above.

Following productive discussions with a number of the Company's other major shareholders, we are confident that there is support for our strategic vision among the shareholder base and we remain available to discuss these matters with you.

We would also urge you to take the opportunity to address these topics within the H1 results, where we would hope to be presented with a compelling and actionable plan.

As time is of the essence, should we be unable to reach consensus with you, we reserve our rights to pursue all options available to us as a significant shareholder.

Sincerely,

Robin Paterson
Co-Founder and Partner, On behalf of Catalist Partners

CC: Himanshu Raja, Chief Financial Officer, Countrywide plc
David Watson, Deputy Chairman and senior Independent Non-Executive Director, Countrywide plc