



15 September 2017

## Purplebricks Group plc

### Purplebricks launches in the US

Purplebricks Group plc (AIM: PURP) ("Purplebricks" or the "Company"), the hybrid estate agent, announces that it is formally launching its business in the US later today. In line with the region by region rollout successfully adopted for entry in the UK and Australian markets, the US launch will commence in Los Angeles, before extending across the state of California and other targeted key states thereafter.

As the 6<sup>th</sup> largest economy in the world by GDP and the leading US state in terms of both number of annual real estate transactions (442,320, source: California Association of Realtors<sup>®</sup>) and an estimated commission income of \$12bn p.a, California is the natural launching point for US expansion. Although California, at 12.6m households has less than half the UK equivalent, the level of commission income in California is more than double that of the UK. The diversity and density of the Los Angeles population and broad spread of low to high price properties, will enable us to demonstrate the high quality of service across all demographics and the potential savings that customers can achieve.

The Purplebricks technology platform and customer offering has undergone a transformation to meet the intricacies of the US market, while staying true to the core customer proposition of value for money and high quality customer service. This is delivered through a combination of Local Real Estate Experts (LREEs) and technology. Purplebricks has successfully adapted its technology and customer offering previously with its launch into Australia in 2016.

#### US real estate market dynamics and Purplebricks' pricing model

In the US, the sale of residential property is typically conducted through a Listing Agent (sell side) and a Buying Agent (buy side). The Listing Agent will agree with the vendor a seller's commission (typically between 5 and 6 per cent of the sale price) and list the property on a Multiple Listing Service (MLS). The primary purpose of an MLS is to provide a facility for Listing Agents to publish all of their listings, enabling Buying Agents to introduce potential buyers, and therefore earning a share of the seller's commission (typically 3 per cent). The Listing Agent may also act as the Buying Agent by introducing buyers to its own listings, thereby securing the full commission or by introducing a buyer to other agents' listings and earning the buyers commission of typically 3 per cent.

Purplebricks will charge sellers a flat fee of US\$3,200 to list their property. Sellers will also be responsible for paying a buyer fee on closing. By way of example, using the average LA house price of \$560,000, Purplebricks could save sellers as much as \$16,400, based on a seller's commission of 6 per cent and assuming a Purplebricks' buyers commission of 2.5 per cent. There will also be an option for sellers to defer payment of the listing fee.

A key attraction of the US market for Purplebricks and a substantial opportunity is the potential to earn buyers commission immediately. From today buyers will be able to go onto the [www.purplebricks.com](http://www.purplebricks.com) website and view all of the properties for sale in the LA market with all agents on the MLS. Buyers will be able to access these properties through our leading technology platform and best in class search functionality, which operates 24/7. Similar to the UK and Australia, buyers will be able to arrange showings, submit offers in real time and negotiate sales on our properties with the click of a button,

communicate directly between buyers, Buyers Agents and sellers and, in essence, make deals happen faster.

For the first time with Purplebricks, buyers will be able to tour properties from the comfort of their living room using 3D virtual reality, through leading provider Matterport. Should this initiative prove successful, Purplebricks will look at extending this and other technology advances to the UK and Australia. As an additional benefit, buyers who select Purplebricks to act for them as their Buying Agent (resulting in Purplebricks earning the buy side commission of typically 3 per cent) will be eligible to receive a \$1,000 cash payment on closing.

### **Highly effective marketing and LREE recruitment**

Through our US research and customer insights it is clear that for many the high costs of moving are either not fully understood or are perceived as excessive, acting as a significant drag on transaction volumes. In addition to US consumers being unhappy with paying high fees, it is clear that they want the kind of convenient, instant and transparent 24/7 service offered by Purplebricks.

Marketing remains a key element of Purplebricks' success, having built the UK's most well-known national estate agency brand in just three years (source: The Nursery Research and Planning). The extent and nature of the Purplebricks TV adverts remains ground breaking. Plans for the US marketing are equally so, with the TV adverts launching across Los Angeles today. The focus for sellers will be on "Real misery" – "the misery you feel when you pay too much in commission" and for buyers - "Real misery – the misery you feel when you miss out on your dream home."

Alongside technology and marketing, it is the talent, dedication and passion of our Local Real Estate Experts that is the key driver of Purplebricks' success. The US will be no different. Recruitment of the most talented agents in California is ongoing and continues to make considerable progress. At launch today there are initially 30 LREEs who have completed the three stage recruitment process and undergone the ten day full time induction course.

Recruitment is continuing at pace, with the aim to have around 50 LREEs in the market within weeks. We have been impressed by the quality and extensive industry backgrounds of applicants, with many citing territorial exclusivity and the ability to focus on delivering for customers, rather than having to spend considerable time prospecting for the next opportunity, as the key attractions for joining the Company. Those that join the Purplebricks team will benefit from the extensive TV and radio led marketing that will secure leads and generate activity for all LREEs.

Driving the growth and supporting the LREEs is a highly experienced team, with decades of US real estate experience, led by Eric Eckardt, US CEO, Phil Felice, Head of Sales, and Jonathan Adler, Marketing Director and supported by the founders, Michael and Kenny Bruce. Purplebricks has an office in Irvine, California and in Manhattan, New York. US management continues to build out the local teams and infrastructure necessary to succeed, whilst tapping into the expertise and experience of the UK and Australian management.

### **Commenting on the announcement, Michael Bruce, Group CEO, said:**

*"Launching Purplebricks today in the US is the single biggest moment in the Company's three-year history and a proud moment for me personally. It is testament to the quality and dedication of the team that we have achieved this ahead of schedule and expectations. We are excited about the opportunity, in this \$70bn market, while mindful of the challenges. We have planned accordingly, adapting both our technology platform and customer proposition, while building out an infrastructure and local team, with decades of experience. As we rollout across California and beyond we will closely monitor progress and have the capability to further quickly and efficiently refine our model, if and where necessary.*

*For the LREEs we recruit, Purplebricks presents an exciting new platform to build scalable, profitable businesses in their own dedicated regions, supported by our strong technology infrastructure and the*

*benefits of our extensive TV and radio led marketing. I am very excited about the quality of the applicants keen to be part of our ambitious US growth plans. For sellers, we offer a more efficient and effective 24/7 service and the ability to save thousands of dollars. Buyers will benefit from access to our leading technology, best in class search functionality and a faster, more efficient service.*

*Purplebricks is now in three continents in just over three years. We are confident that we are leading irreversible change in the industry and that we are best placed to realise the future global opportunity.”*

The Company will be releasing a trading update ahead of its AGM on 29 September 2017.

For further information, please contact:

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| <b>Purplebricks</b><br>Michael Bruce, James Davies                      | +44 (0) 20 7457 2020 |
| <b>Zeus Capital (NOMAD)</b><br>Nicholas How, Benjamin Robertson         | +44 (0) 20 3829 5000 |
| <b>Peel Hunt (Broker)</b><br>Dan Webster, George Sellar                 | +44 (0) 20 7418 8900 |
| <b>Investec Bank (Broker)</b><br>Keith Anderson, Carlton Nelson         | +44 (0) 20 7597 5970 |
| <b>Instinctif Partners</b><br>David Simonson, Mark Reed, George Yeomans | +44 (0) 20 7457 2020 |

## **Notes to Editors**

Purplebricks is the leading next generation estate agency in the UK and Australia, combining 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. Building on its UK success, Purplebricks launched into Australia in August 2016 and in February 2017 announced plans to enter the US market.

Unlike traditional agents, where customers only pay upon the sale of the property, which effectively means that those that do sell pay more in order to cover the costs of those that do not sell, Purplebricks believes it is more equitable that everyone should pay, charging a flat fee at instruction. This helps to avoid the industry issue of timewasters and those that are merely 'testing the water' and underpins the low, flat fee model.

Customers in the UK and Australia can choose to pay at instruction or defer, at no extra cost, to the earlier of ten months from the date of instruction or the date of sale. If a customer wishes to defer payment, they are required to use Purplebricks' conveyancing services for the sale.

Purplebricks charges £849 (inc. VAT) for a sale anywhere in the UK other than in London and surrounding areas where there is a charge of £1,199 (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, amongst other services that are available.

The business model is low cost, flexible and cash generative, without the need for an expensive leased estate. LPEs are self-employed and receive a flat fee per instruction and can earn additional fees from the sale of ancillary services including, but not limited to, conveyancing, mortgage referrals and insurance.

Purplebricks listed on the Alternative Investment Market (AIM) in December 2015, raising £25m of growth capital before listing costs at 100p per share. In February 2017 Purplebricks raised an additional £50m (gross) through a share placing to fund US expansion.