**OnTheMarket plc** - OTMP Interim Results for Six Months Ended 31 July 2019
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**ONTHEMARKET PLC**
("OnTheMarket", "OTM", the "Group" or the "Company")

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JULY 2019**

OnTheMarket plc (AIM: OTMP), the agent-backed company which operates the OnTheMarket.com property portal, today announces its unaudited interim results for the six months ended 31 July 2019 ("H1 19/20").

**Financial highlights and KPIs**

- Group revenue of £8.0m, up 14% (H1 18/19: £7.0m).
- Administrative expenses of £14.8m, up 23% (H1 18/19: £12.0m), primarily as a result of the Group's investment in its sales and IT teams.
- Adjusted operating loss[1] of £6.7m (H1 18/19: £5.0m).
- Operating loss of £7.2m (H1 18/19: £5.7m).
- Loss after tax attributable to shareholders of £7.0m (H1 18/19: £5.7m).
- Loss per share of 11.16p (H1 18/19: 9.57p).
- Cash of £8.8m as at 31 July 2019 (£15.7m at 31 January 2019).
- ARPA[2] £108 (FY 18/19: £130), reflecting the larger number of agents listing under free, short-term introductory trial contracts in the period.
- Average branch numbers listed at OnTheMarket.com of 12,434 (H1 18/19: 7,788) with period end listings of 12,543 (H1 18/19: 9,777).
- Web and mobile visits[3] increased by 75% to 120.7m (H1 18/19: 69.0m).

**Operational review**

- **Conversions:**
  - Following earlier preliminary trials, conversion activity commenced in earnest during this period and, at 31 July 2019, 1,308 branches had been signed under new paying contracts. This had increased to 2,346 branches as at 30 September 2019.
  - Average leads per advertiser were more than double that achieved in H1 18/19 and averaged 93 per advertiser per month for the period.

- **Product development:**
    - The first new efficiency tool for agents was the Market Appraisal Guide, OnTheMarket's version of Rightmove's 'Best Price Guide'.
    - New agent advertising products were launched and the first sales of Spotlight properties and advertising banners were made.
- **Further progress in the litigation between Agents' Mutual and Gascoigne Halman:**
    - Following the judgment in the Group's favour issued by the Competition Appeal Tribunal at the Court of Appeal in January 2019, the Group received payment in July 2019 of a further £1.1m in respect of cost recovery. This more than offset professional fees incurred in the period in relation to litigation and led to net income of £0.2m.

**Post period end developments and outlook**

- **The Group is trading in line with its recent guidance:**
    - The Group had a cash balance at 30 September 2019 of £8.6m.
    - The Group's revenues cover fixed operational costs before marketing expenditure and are growing.
    - The Directors have prepared and reviewed projections under different scenarios and, based upon these analyses, have a reasonable expectation that the Group has adequate financial resources to continue its operations for the foreseeable future.
- **Conversion of free-of-charge trial agents to paying contracts and recruitment of new agents:**
    - As at 30 September 2019, 2,346 branches had been signed under new paying contracts since conversion commenced, at an average ARPA of £288 per month.
    - 42% are under long-term contracts of 3 or 5 years with associated share issuance to align interests. ARPA on these contracts averages £331 per month.
    - Following the introduction of shorter-term, lower-cost contracts, the rate of sign-ups has accelerated. ARPA on these contracts averages £203 per month.
- **Strong agent listings and property stock:**
    - Agent offices listing at 30 September 2019 were 12,622, reflecting the recruitment of new agents offset by the removal of agent branches following the expiry of free trial periods.
    - UK residential property listings on 30 September 2019 were 641,672, approximately 85% of Zoopla's and 64% of Rightmove's[4]. In the period from 3 July 2018 to 30 September 2019, OnTheMarket's UK residential property listings grew by around 90,000 and Zoopla's fell by around 66,000[4].
- **Increasing portal traffic, brand awareness and consumer engagement:**
    - In September 2019, the portal attracted a record 27.2m visits.
    - Prompted awareness of the OnTheMarket brand among active property-seekers is up from 27% in June 2018 to 50% at the end of September 2019.
    - At 30 September 2019, almost 1.2m people were using OnTheMarket's property alert service. Average monthly instant alerts sent exceed 100m.
- **Delivering greater value and growing leads to agent shareholders and customers:**
    - OnTheMarket's monthly average leads per UK residential property advertiser rose to 112 in September 2019. Rightmove's fell to 168 in H1 2019, while Zoopla's last reported equivalent figure was 90 (H1 2018)[5].
    - Based upon an ARPA of £331 per month, in September 2019 the Group provided its UK residential advertisers an average of 34 leads per £100. In its H1 2019, Rightmove provided its UK residential advertisers on average 16 leads per £100.

**Ian Springett, Chief Executive Officer of OnTheMarket plc, commented:**

*"Our results for the six months to 31 July 2019 were in line with our expectations.*

*"Our recent guidance indicated that agents had not committed to full-tariff, long-term paying contracts at the pace expected, however they have responded positively to the changes to our offering.*

*"We continue to convert agents to full-tariff, long-term contracts with share issuance. 42% of branches signed to new paying contracts since conversion began have been under these contracts. Following the share issuance arising from these contracts, over 3,000 agent firms operating over 6,000 UK agency branches will be OnTheMarket shareholders, increasing the strong core membership around which we are building OnTheMarket. Their backing for their portal in a variety of practical ways is key to creating an edge over our rivals in the portals market.*

*"We have recently supplemented our offering to agents with the introduction of lower-priced, short-term offers, with the aim of maximising the number of paying agents and migrating all to full-tariff contracts progressively. Take-up of these short-term offers has led to an encouraging acceleration in the rate at which agents are converting onto paying contracts.*

*"The continued strong growth in the operational performance of the OnTheMarket.com portal provides encouragement for the future. We have delivered another set of record-breaking traffic and leads results for our estate and letting agent shareholders and customers.*

*"I thank all my colleagues for all their hard work in driving OnTheMarket forward in pursuit of its objectives."*

1) *Adjusted operating loss or profit is defined as operating loss or profit before finance costs, taxation, share based payments and exceptional or non-recurring items. This is an alternative performance measure and should not be considered an alternative to IFRS measures, such as revenue or operating loss or profit. Please see the Financial Review and Key Performance Indicators section below for a reconciliation of operating loss / profit to adjusted operating loss / profit.*
2) *Average revenue per property advertiser, being revenues due from property advertisers for a period divided by the number of property advertisers for that period. ARPA presented herein is the average of the monthly ARPAs for the period unless otherwise stated. A property advertiser is a listed agency branch or a new home development advertising on OnTheMarket.com.*
3) *Visits comprise individual sessions on OnTheMarket's web based portal or mobile applications by users for the period indicated as measured by Google Analytics.*
4) *Zoopla listings of UK residential properties were 756,428 as at 30 September 2019 and 822,250 as at 3 July 2018. Rightmove, in its August 2019 House Price Index, stated that it "at any time displayed a stock of over one million properties to buy or rent".*
5) *H1 2019 is the most recently published information available for Rightmove and H1 2018 the most recently published information available for Zoopla.*
6) *Unless otherwise stated, all figures refer to the six months ended 31 July 2019 and comparative figures are for the six months ended 31 July 2018 ("H1 18/19").*


**For further information, please contact:**

| | |
|---|---|
| **OnTheMarket** | **0207 930 0777** |
| Ian Springett, CEO | |
| Clive Beattie, CFO | |
| | |
| **TB Cardew (Financial PR Adviser)** | **0207 930 0777** / onthemarket@tbcardew.com |
| Ed Orlebar | 07738 724 630 |
| Alycia MacAskill | 07876 222 703 |
| | |
| **Zeus Capital (Nominated Adviser/Joint Broker)** | **0203 829 5000** |
| Martin Green, Pippa Hamnett, Jamie Peel (Corporate Finance) | |
| Benjamin Robertson, John Goold (Broking) | |
| | |
| **Shore Capital (Joint Broker)** | |
| Daniel Bush | **0207 408 4090** |
| Fiona Conroy | |

**Background on OnTheMarket:**

OnTheMarket plc, the agent-backed company which operates the OnTheMarket.com property portal, is the third biggest UK residential property portal provider in terms of traffic. It aims to deliver a market-leading, agent-backed alternative to Rightmove and Zoopla, offering a first-class service to agents at sustainably fair prices and becoming the go-to portal for serious property-seekers.

OnTheMarket plc was admitted to AIM in February 2018, raising £30 million in new capital in order to support a new growth strategy for the business.

At its IPO in February 2018, OnTheMarket was 70% owned by over two thousand agent firms. With backing from its agent owners, OnTheMarket has developed unique sources of competitive advantage such as the thousands of "New & exclusive" property listings it receives every month from its agents to display 24 hours or more before they are on Rightmove or Zoopla.

*This announcement contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could, is confident, or other words of similar meaning. Undue reliance should not be placed on any such statements because they speak only as at the date of this document and, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. There are a number of factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The Group undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.*

## Chief Executive Officer's Report

### Summary

The six month period to 31 July 2019 was one where we saw continued enhancements to the products and services we offer to listing agents, as well as further increases in consumer engagement and in leads delivered to agents. It was also the period in which the conversion of agents from free trials to paying contracts, which is critical to our future prospects, commenced.

Our progress for the half year was in line with our expectations. Further details on this are set out below in the Financial Review and Key Performance Indicators.

As a challenger business and brand, OnTheMarket is providing an alternative to Rightmove and Zoopla. It aims to offer the property-seeking public an excellent agent-backed portal whilst providing its agent customers the highest quality listing and support services, along with a commitment to sustainably fair pricing.

OnTheMarket is already indisputably established as one of the UK's leading property portals and as a go-to destination for serious property-seekers in the market.

Since the end of the first half period, the difficult market conditions facing estate and lettings agents have impacted on our performance, as we previously announced to the market. A detailed assessment of our progress during the period to 31 July 2019, current trading since the period end and outlook is included below.

### Operational Review of the period to 31 July 2019

***Conversion of agents to paying contracts***

Following earlier preliminary trials, H1 19/20 saw the start in earnest of our conversion activity, where the first of the short-term free introductory trial offers with listing agents reached the end of their term. By the period end, 1,308 branches had been contracted onto new paying contracts, predominantly representing branches converting from free contracts. This had increased to 2,346 branches as at 30 September 2019.

During the period the Company issued 1.8m Ordinary Shares to agents signing long-term contracts. The weighted fair value per share of Ordinary Shares issued to agents was £1.09. The Group has authority remaining to issue up to a further 32.9 million Ordinary Shares to recruit new property advertisers and the issuance of these shares is expected to result in both direct and indirect revenue growth.

It remains OnTheMarket's policy to offer shares only to agents committing to full-tariff, long-term contracts and the Group is very pleased that 42% of the new paying agent branches added have been under these contracts.

***Marketing and increasing value to agents***

OnTheMarket continued to deploy significant funds to multi-channel marketing. The Group has taken a disciplined approach to the building of its advertising investment to ensure optimal value. In addition to highly efficient paid search and other digital marketing, OnTheMarket has run effective national TV and radio advertising as well as poster campaigns and has continued to develop its partnerships with Country Life and Facebook Marketplace.

The "New & exclusive" proposition is a key theme in our advertising: many of our agents choose to launch new instructions at OnTheMarket.com in advance of advertising them on Rightmove or Zoopla. The Directors believe this gives OnTheMarket a competitive advantage as this has been shown to hold a significant appeal to active property-seeking consumers, who are the key target group as they in turn provide listing agents with the highest quality leads.

The benefits of this investment in marketing can be seen in our visits, which increased to 120.7m in the period, up from 69.0m in the corresponding period last year.

Ultimately the value our property advertisers derive from the portal is in large part down to the quality and quantity of the leads they receive from it. It is encouraging to report that average leads per advertiser were more than double that achieved in H1 18/19, averaging 93 per advertiser per month for the period.

***Creating new products and services for our property advertisers***

The Group has stated its aim first to match and then to better the core set of agent products and services of its competitors, ranging from consumer-facing advertising products to a full set of "back office" intelligence-based services to enable them to track their performance locally and nationally across a range of valuable measures.

The introduction of the range of products and services is intended to help OnTheMarket agents reduce their reliance on Rightmove and other portals and strong progress was made in H1 19/20.

The first new efficiency tool for agents was the Market Appraisal Guide (OnTheMarket's version of Rightmove's 'Best Price Guide'), released in March 2019. By using the co-branded reports with vendors and landlords, agents can reinforce OnTheMarket's brand and encourage them to use the portal.

The Market Appraisal Guide was quickly followed by the successful implementation of the Group's first paid-for additional products for agents: Spotlight properties, banner advertisements on the website and local property alert banners, all designed to boost the visibility of agents' brands and listings. These products are bought separately from the contractual listing fee and all undercut Rightmove's equivalent standard tariffs in a manner consistent with the Group's commitment to fair and sustainable pricing.

***Litigation***

Following the judgment in our favour and against Gascoigne Halman issued by the Competition Appeal Tribunal at the Court of Appeal in January 2019, we received payment in July 2019 of a further £1.1m of costs recovered from Gascoigne Halman. This more than offset professional fees incurred in the period in relation to litigation and led to net income of £0.2m.

The residual non-competition issues relating to our claim remain to be resolved and are now focused on the recovery of financial damages by the Group due to Gascoigne Halman's breaches of contract.

**Post period-end developments**

***Conversion of agents to paying contracts***

The ongoing growth in the number of branches under paying contracts is key to the Group's transition into profitability.

As at 30 September 2019, 2,346 branches had been contracted onto new paying contracts, predominantly representing branches converting from free contracts.

We are continuing to convert agents to full-tariff, long-term contracts with share issuance. 985 branches have been contracted under these agreements, representing 42% of all branches signed to new paying contracts. ARPA on these contracts averages £331 per month.

Following the share issuance arising from these contracts, over 3,000 agent firms operating over 6,000 UK agency branches will be OnTheMarket shareholders, increasing the strong core membership around which we are building OnTheMarket.

We have recently supplemented our offering to agents with the introduction of lower-priced, short-term offers, with the aim of maximising the number of paying agents and migrating all to full-tariff contracts progressively. Take-up of these short-term offers has led to an encouraging acceleration in the rate at which agents are converting onto paying contracts. ARPA on these contracts averages £203 per month.

***Strong agent listings and property stock***

Agent offices listing at 30 September 2019 were 12,622, reflecting the recruitment of new agents offset by the removal of agents following the expiry of their free trial periods.

In September 2019, OnTheMarket began listing housebuilders for the first time, increasing further the range of properties available to property-seeking consumers to see on the portal. At 30 September 2019, OnTheMarket had 355 developments listed.

OnTheMarket's UK residential property listings were 641,672 on 30 September 2019, approximately 85% of Zoopla's and 64% of Rightmove's, up, respectively, from 67% and 55% in July 2018. In the period from 3 July 2018 to 30 September 2019, OnTheMarket's UK residential property listings grew by around 90,000 and Zoopla's fell by around 66,000.

***Broadening our advertiser base***

The new homes market has been our initial focus in broadening our property advertiser base and I am delighted that the first housebuilder to join us was Barratt Developments PLC, the leader in its field, in September 2019.

A dedicated sales team has been established which has already recruited some smaller housebuilders.

We can also offer non-property advertisers the opportunity to promote themselves and their products and services to our very large and growing audience of active and engaged property-seekers and are delighted that Experian has become our first such customer.

***Marketing and increasing value to agents***

In September 2019, a record 27.2m visits were made to the portal. Leads to agent customers also reached record monthly levels, with an average of 112 leads per advertiser in September 2019. Based on its last published half-year report as ZPG plc (H1 2018), Zoopla delivered an average of 90 leads per advertiser per month for that period, down from 136 in FY 2015 (the year that OnTheMarket.com was launched). In H1 2019, Rightmove delivered an average of 168 leads per advertiser per month, down from 210 in FY 2015.

In H1 2019, Rightmove provided on average 16 leads per month per £100 of advertiser spend, down from 29 leads in H1 2015. Based upon an average monthly fee per advertiser of £331, in September 2019, OnTheMarket provided an average of 34 leads per £100 of advertiser spend. The Board is particularly pleased with this as it highlights the significant value the Group is providing to its customers.

Following disciplined investment in marketing, including the TV and radio campaigns, in September 2019 our prompted brand awareness rose significantly to 39% for all adults and to 50% for active property-seekers, from 19% and 27% respectively in June 2018 (source: YouGov survey). The Group will continue to invest to develop further its brand awareness.

The Group has invested in continuously improving the quality of the user experience on the portal, and consumer engagement has continued to grow. At 30 September 2019, almost 1.2m people were using OnTheMarket's property alert service and average monthly instant alerts sent exceed 100m. This compares with 781 million instant alert emails which Rightmove announced it had sent across the whole of 2018, an average of 65 million per month.

***Creating new products and services for our property advertisers***

In September 2019, the Group introduced a beta version of its new Market Intel product which is OnTheMarket's version of Rightmove's 'Intel' product. Provided within the listing fee, the new product supports agents in calculating competitor rankings and by making it easier for agents to see how they and their properties are performing. In addition, the product enables them to check the number of phone and email leads they receive and they can also track local sales activity in the market.

OnTheMarket's Intel not only matches Rightmove's offering but also offers "Sales Monitor", a tool developed to help agents determine whether a withdrawn property was sold while still subject to a contract with them under which fees might be due. It will automatically check withdrawn properties against Land Registry sales to highlight a potential match and agents can create an alert to receive updates when new potential matches have been found.

Following the release in H1 19/20 of the Group's first paid-for additional advertising products for agents, further revenue-generating products will be released later this year.

**Current trading and outlook**

As we announced on 26 September 2019, agents are facing well-documented headwinds which have given rise to a much more challenging backdrop against which the Group has sought to convert agents onto full-tariff paying contracts.

The Group has, therefore, introduced shorter term, lower cost contracts, with the aim of converting all agents to full-tariff contracts progressively. The availability of this alternative has raised the current rate at which agent offices are signing paying contracts.

The Group's strategy to achieve profitability is based upon increasing the number of paying agents, primarily through converting to paying contracts those agents who joined on an introductory free trial. We will look to support this by offering the range of products and services agents require, further increasing the value for money we provide them and aligning many of them with the long-term interests of the Group as shareholders. We are delivering high numbers of good quality leads to our agents and excellent value in terms of cost per lead.

A number of our original agent members remain on their initial paying contracts which expire in January 2020. We are actively engaged in discussions with these agents, many of whom have signed voluntary 5 year lock-in agreements over their shares with effect from 9 February 2018, to migrate them to new paying contracts.

The Group's revenues are now covering fixed operational costs before marketing expenditure and are growing. The Group is trading in line with its recent guidance and it had a cash balance at 30 September 2019 of £8.6m. The Directors have prepared and reviewed projections under different scenarios and, based upon these analyses, have a reasonable expectation that the Group has adequate financial resources to continue its operations for the foreseeable future.

The challenging backdrop of relatively weak and highly uncertain market conditions for agents has undoubtedly slowed our progress. However, the ever-improving performance of the portal and the current level of take-up of both our long-term full-tariff contracts and our revised short-term offers provide grounds for optimism. I thank all my colleagues for all their hard work in driving OnTheMarket forward in pursuit of its objectives.

Ian Springett
Chief Executive Officer

**Financial Review and Key Performance Indicators**

**Financial review**

Revenue for the period was up 14% at £8.0 million (6 months to 31 July 2018: £7.0 million). The reported operating loss of the Group was £7.2 million (6 months to 31 July 2018: £5.7 million) and is further analysed as follows:

| | H1 19/20 £'000 | H1 18/19 £'000 |
|---|---|---|
| **Reconciliation of operating loss to adjusted operating profit:** | | |
| Operating loss | (7,167) | (5,700) |
| *Adjustments for:* | | |
| Share-based employee incentives (note 5) | 268 | 226 |
| Professional fees net of compensation (note 5) | (160) | 447 |
| Share-based agent recruitment charges (note 5) | 319 | 52 |
| Adjusted operating loss | (6,740) | (4,975) |

The loss per share in the period was 11.16p (H1 18/19: 9.57p).

The Group ended the period with cash of £8.8 million (31 January 2019: £15.7 million).

**Operational KPIs**

Group operational KPIs were as follows:

- ARPA £108, reflecting the larger number of agents listing under short-term introductory free contracts in the period (FY 18/19: £130)

- Average branch numbers 12,434 (H1 18/19: 7,788) with period end listings of 12,543 (H1 18/19: 9,777)

- Visits 120.7 million (H1 18/19: 69.0 million)

The Group's financial performance is presented in the Condensed Consolidated Income Statement below. The loss for the period attributable to the owners of the Group was £7.0m (H1 18/19: £5.7m).

Administrative expenses have increased to £14.8m in the period to 31 July 2019 (6 months to 31 July 2018: £12.0m). This movement is principally due to higher staff costs in line with the increase in employee numbers, mainly in sales and IT.

Professional fees of £0.9m were incurred in the period (H1 18/19: £0.4m), principally in relation to the litigation with Gascoigne Halman Limited and (in the prior period) admission to AIM. Costs of £1.1m were awarded to the Group in relation to this litigation (H1 18/19: £nil). Further details are set out in note 5.

An agent recruitment charge of £0.3m (H1 18/19: £0.1m) was incurred in relation to share-based charges arising on the issue of shares to agents in return for committing to long-term listing agreements, in line with the Group's strategy to grow the agent shareholder base. A charge of £0.3m was incurred in respect of share-based employee incentives (H1 18/19: £0.2m). Further details on these charges and on share options awarded, exercised and forfeited are set out in note 8.

Intangible assets increased to £4.2m (31 January 2019: £4.1m), due to the capitalisation of expenditure on development activities in relation to the OnTheMarket.com portal.

Receivables increased to £4.6m as at 31 July 2019 (31 January 2019: £3.3m), mainly as a result of prepayments recognised for agent shares issued in the period. £2.3m of these were treated as non-current assets.

Trade and other payables fell to £4.1m as at 31 July 2019 (31 January 2019: £4.7m), mainly as a result of a reduction in marketing costs owing at the period end.

The Group adopted IFRS 16 for the first time in this period. This has led to an increase in property, plant and equipment of £0.5m at 31 July 2019 and the recognition of lease liabilities. Depreciation and deemed interest are charged to the consolidated income statement. Further details are given in note 4.1 below.

The Group currently incurs losses and its strategy to achieve profitability is based upon increasing the number of paying customers, primarily through converting those agents who joined on an introductory free trial to paying customers.

At 31 July 2019, the Statement of Financial Position showed total assets of £18.2m, down from £23.0m as at 31 January 2019, primarily due to a reduction in cash which was invested into the business. Total equity was £12.7m at 31 July 2019, down from £17.3m as at 31 January 2019, which reflects the losses currently being incurred.

**Condensed Consolidated Income Statement**

**For the period ended 31 July 2019**

| | Notes | Unaudited 6 months to 31 July 2019 £'000 | Unaudited 6 months to 31 July 2018 £'000 |
|---|---|---|---|
| **Revenue** | | 8,047 | 7,013 |
| Administrative expenses | | (14,787) | (11,988) |
| Operating loss before specific professional fees, share-based payments and non-recurring items | | (6,740) | (4,975) |
| Specific professional fees, share-based payments and non-recurring items: | | | |
| Share-based employee incentives | **5** | (268) | (226) |
| Professional fees net of compensation received | **5** | 160 | (447) |
| Share-based agent recruitment charges | **5** | (319) | (52) |
| **Operating loss** | | (7,167) | (5,700) |
| Finance income | | 27 | 28 |
| Finance expense | | (8) | (32) |
| **Loss before income tax** | | (7,148) | (5,704) |
| Income tax | | 189 | (6) |
| **Loss and total comprehensive loss for the period attributable to owners of the parent** | | (6,959) | (5,710) |

| Loss per share from continuing operations | | Pence | Pence |
|---|---|---|---|
| Basic and diluted | **6** | (11.16) | (9.57) |

The operating loss arises from the Group's continuing operations.

There is no recognised income or expense for the period other than the loss shown above and therefore no separate statement of other comprehensive income has been presented.

**Condensed Consolidated Statement of Financial Position**

**At 31 July 2019**

| | Notes | Unaudited at 31 July 2019 £'000 | Audited at 31 January 2019 £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 581 | 130 |
| Intangible assets | **7** | 4,221 | 3,948 |
| Other receivables | **2** | 2,250 | - |
| | | 7,052 | 4,078 |
| **Current assets** | | | |
| Trade and other receivables | **2** | 2,320 | 3,286 |
| Cash and cash equivalents | | 8,807 | 15,673 |
| | | 11,127 | 18,959 |
| **TOTAL ASSETS** | | 18,179 | 23,037 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | (4,130) | (4,730) |
| Provisions | | (727) | (776) |
| Current tax | | (18) | (6) |
| Lease liabilities | | (288) | - |
| | | (5,163) | (5,512) |
| **Non-current liabilities** | | | |
| Lease liabilities | | (90) | - |
| Provisions | | (242) | (233) |
| | | (332) | (233) |
| **TOTAL LIABILITIES** | | (5,495) | (5,745) |
| **NET ASSETS** | | 12,684 | 17,292 |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** | | | |
| Share capital | **2** | 127 | 123 |
| Share premium | **2** | 42,497 | 40,698 |
| Merger reserve | | (71) | (71) |
| Other reserve | | 414 | 111 |
| Retained earnings | | (30,283) | (23,569) |
| **TOTAL EQUITY ATTRIBUTABLE TO OWNERS** | | | |

| | | |
|---|---|---|
| **OF THE PARENT** | 12,684 | 17,292 |

**Condensed Consolidated Statement of Changes in Equity**

**For the period ended 31 July 2019**

| | **Share capital £'000** | **Share premium £'000** | **Share based payment £'000** | **Other reserve £'000** | **Merger reserve £'000** | **Retained earnings £'000** | **Total equity £'000** |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 February 2018** | 71 | - | - | (252) | (71) | (9,413) | (9,665) |
| Loss for the financial period | - | - | - | - | - | (5,710) | (5,710) |
| Total comprehensive expense for the period | - | - | - | - | - | (5,710) | (5,710) |
| **Transactions with owners:** | | | | | | | |
| Shares issued for placing | 36 | 29,964 | - | - | - | - | 30,000 |
| Shares issued as agent recruitment shares | 2 | 1,414 | - | - | - | - | 1,416 |
| Shares issued to extinguish loan notes | 14 | 11,241 | - | - | - | - | 11,255 |
| Legal and professional fees on share issue | - | (1,814) | - | - | - | - | (1,814) |
| Transfer to share premium | - | (252) | - | 252 | - | - | - |
| Share-based payment charge on employee options | - | - | 199 | - | - | - | 199 |
| Transfer to retained earnings | - | - | (199) | - | - | 199 | - |
| **Balance as at 31 July 2018** | 123 | 40,553 | - | - | (71) | (14,924) | 25,681 |
| **Balance as at 1 February 2019** | 123 | 40,698 | - | 111 | (71) | (23,569) | 17,292 |
| Loss for the financial period | - | - | - | - | - | (6,959) | (6,959) |
| Total comprehensive expense for the period | - | - | - | - | - | (6,959) | (6,959) |
| **Transactions with owners:** | | | | | | | |
| Shares issued as agent recruitment shares | 4 | 1,799 | - | 303 | - | - | 2,106 |
| Share-based payment charge on employee options | - | - | 245 | - | - | - | 245 |
| Transfer to retained earnings | - | - | (245) | - | - | 245 | - |
| **Balance as at 31 July 2019** | 127 | 42,497 | - | 414 | (71) | (30,283) | 12,684 |

The Condensed Consolidated Statement of Changes in Equity for the comparative period to 31 July 2018 has been amended to align to the Group's year end 31 January 2019 accounting policies.

**Condensed Consolidated Statement of Cash Flows**

**For the period ended 31 July 2019**

| | **Unaudited 6 months to 31 July 2019 £'000** | **Unaudited 6 months to 31 July 2018 £'000** |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the year after income tax | (6,959) | (5,710) |
| *Adjustments for:* | | |
| Income tax | (189) | 6 |
| Finance income | (27) | (28) |
| Finance expense | 8 | 32 |
| Agent recruitment expense | 319 | 52 |
| Share-based payment | 268 | 199 |
| Amortisation | 973 | 868 |
| Depreciation | 131 | 15 |
| *Operating cash flows before movements in working capital* | (5,476) | (4,566) |
| Decrease/(increase) in trade and other receivables | 359 | (1,801) |
| (Decrease)/increase in trade and other payables | (599) | 872 |
| (Decrease)/increase in provisions | (40) | 25 |
| Tax credit received for qualifying research and development expenditure | 201 | - |
| *Net cash used in operating activities* | (5,555) | (5,470) |
| **Cash flows from investing activities** | | |
| Acquisition of intangible assets | (1,245) | (883) |
| Acquisition of property, plant and equipment | (10) | (72) |
| *Net cash used in investing activities* | (1,255) | (955) |
| **Cash flows from financing activities** | | |
| Finance income received | 27 | 28 |
| Finance expense paid | (4) | (1,249) |
| Proceeds from issue of shares | 4 | 30,000 |
| Expenses incurred for share listing | - | (1,220) |
| Lease interest paid | (4) | - |
| Repayment of lease liabilities | (79) | - |
| *Net cash (used in)/generated from financing activities* | (56) | 27,559 |
| **Net movement in cash and cash equivalents** | (6,866) | 21,134 |
| **Cash and cash equivalents at the beginning of the period** | 15,673 | 3,174 |
| **Cash and cash equivalents at the end of the period** | 8,807 | 24,308 |

*Cash and cash equivalents*
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand. This is consistent with the presentation in the Statement of Financial Position.

**Notes to the Condensed Consolidated Financial Statements**

**For the period ended 31 July 2019**

## 1. General information

The principal activity of the Company is that of a holding company. The principal activity for the Group continued to be that of providing online property portal services to businesses in the estate and lettings agency industry under the trading name of OnTheMarket.com.

The Company is a public company limited by shares and it is incorporated and domiciled in the UK. The address of its registered office is PO Box 450, 155-157 High Street, Aldershot, GU11 9FZ. Its shares are listed on AIM.

## 2. Significant changes in the current reporting period

The Company issued 220,319 ordinary shares on 28 March 2019, 528,122 ordinary shares on 29 April 2019 and a further 1,031,544 ordinary shares on 31 July 2019 to specific agents who had entered long-term contracts to advertise all of their UK residential sales and letting properties on OnTheMarket.com. The shares are accounted for at fair value, being the value of the shares at the contract commencement, as a prepayment and released over the life of the contract.

The issue of these shares is reflected in the increase in trade and other receivables for the period to 31 July 2019. Agent share prepayments of £2,250k (31 January 2019: £942k) have been included within non-current assets and £850k (31 January 2019: £225k) in current assets.

Fixed assets and lease liabilities have arisen under IFRS 16 as set out in note 4 below.

## 3. Basis of preparation of half-year report

The interim results for the six months ended 31 July 2019 have been prepared on the basis of the accounting policies expected to be used in the year ended 31 January 2020 OnTheMarket plc Annual Report and Consolidated Financial Statements and in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union ("EU") ("IFRS"). The interim results do not include all the information and disclosures required in financial statements prepared in accordance with IFRS and should be read in conjunction with the accounts for the year ended 31 January 2019.

The same accounting policies, presentation and methods of computation are followed in these interim condensed set of financial statements as have been applied in the Group's latest annual audited financial statements, with the exception of the changes in accounting policies detailed in note 4 in respect of IFRS 16.

The interim results, which were approved by the Directors on 9 October 2019, are unaudited. The interim results do not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

Comparative figures for the year ended 31 January 2019 have been extracted from the statutory accounts for the Group for that period, which carried an unqualified audit report, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter, did not contain a statement under section 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report and consolidated financial statements for the period ended 31 January 2019 and any public announcements made by OnTheMarket plc during the interim reporting period.

## 4. Accounting policies

### 4.1. Changes in accounting policies

**IFRS 16 Leases**

The standard is mandatory for interim periods within annual reporting periods beginning on or after 1 January 2019.

The Group has initially adopted IFRS 16, "Leases" from 1 February 2019, replacing the prior lease guidance including IAS 17.

At inception, the Group assesses whether a contract contains a lease. This assessment involves the exercise of judgement about whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

Previously all of the Group's leases were accounted for as operating leases (see note 24 of the annual report and consolidated financial statements for the period ended 31 January 2019).

Under IFRS 16 leases are accounted for on the right of use model. On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17, "Leases". These liabilities were measured at the present value of the remaining lease payments and discounted using an incremental borrowing rate of 2.5%.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group has adopted the standard using the modified retrospective approach, with the right of use asset being equal to the lease liability at the point of original recognition. Therefore, the cumulative impact of the adoption is recognised in retained earnings as of 1 February 2019 and the comparatives are not restated.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous; and
- the accounting for operating leases with a remaining lease term of less than 12 months as short-term leases.

IFRS 16 permits lessees to elect not to apply the recognition requirements to short-term leases and leases for which the underlying asset is of low value. The Group has elected not to recognise short term leases of less than one year at inception and low value leases which will continue to be reflected in the income statement. This will be the ongoing policy adopted by the Group. There are no right of use assets or lease liabilities recognised for these leases and the expense is recognised in the income statement on a straight line basis.

The following reconciliation to the opening balance for IFRS 16 lease liabilities as at 1 February 2019 is based upon the operating lease obligations at 31 January 2019:

| Lease liabilities | |
|---|---|
| | **£'000** |
| Operating lease obligations at 31 January 2019 | 1,010 |
| Relief option for short term leases | (532) |
| Operating lease obligations as at 31 January 2019 | 478 |
| Discounted using the incremental borrowing rate at 1 February 2019 | (10) |
| Lease liabilities recognised at 1 February 2019 | 468 |

The cumulative financial impact of adopting the modified retrospective approach on the opening balances as at 1 February 2019 is as follows:

| | **At 1 February 2019 (under IAS 17)** | **IFRS 16 adjustment** | **At 1 February 2019 (adjusted)** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| Non-current assets | | | |
| - property, plant and equipment | 130 | 468 | 598 |
| Current liabilities | | | |
| - lease liabilities | - | (187) | (187) |

| | | | |
|---|---|---|---|
| Non-current liabilities | | | |
| - lease liabilities | - | (281) | (281) |

A depreciation charge under IFRS 16 of £0.1m was recognised in the income statement for the period to 31 July 2019, along with deemed interest of £4k.

Short term leases of less than twelve months at inception and low value leases are charged to the income statement evenly over the life of the lease. In the six month period ending 31 July 2019, charges of £0.4m relating to short period and low value leases were included in operating expenses.

### 4.2. Going concern

The Group made a loss after tax for the period ended 31 July 2019 of £7.0m (6 months to 31 July 2018: £5.7m). The Group had a period end net cash balance of £8.8m (31 January 2019: £15.7m). At 30 September 2019 the Group had a net cash balance of £8.6m.

The Group currently incurs losses, albeit that revenues cover fixed operational costs before marketing expenditure and are growing. The Group's strategy to achieve profitability is based upon increasing the number of paying customer agents, primarily through converting those agents who joined on an introductory free trial to paying customers.

The Directors have prepared and reviewed the Group's cash forecast and projections for the next 12 months in light of the experience of conversions to date, among other factors. They have also conducted sensitivity analyses and considered scenarios where future conversions fall below the rate and number expected, together with the mitigating actions they may take in such circumstances, such as a reduction in budgeted discretionary expenditure, a significant proportion of which relates to advertising and marketing costs that can be reduced materially at short notice.

Based upon these projections and analyses the Directors have a reasonable expectation that the Group has adequate financial resources to continue its operations for the foreseeable future and to be able to meet its debts as and when they fall due.

In light of this, the Directors consider the going concern basis to be appropriate to the preparation of these interim financial statements.

## 5. Profit and loss information

Profit for the half-year includes the following costs in relation to specific professional fees, share-based payments and one off events that are not expected to be recurring:

| | Unaudited 6 months to 31 July 2019 £'000 | Unaudited 6 months to 31 July 2018 £'000 |
|---|---|---|
| Share-based employee incentives | 268 | 226 |
| Professional fees | 896 | 447 |
| Compensation | (1,056) | - |
| Agent recruitment charges | 319 | 52 |
| | 427 | 725 |

Professional fees incurred during the current period were predominantly in relation to ongoing litigation. Compensation relates to the recovery of litigation costs.

Agent recruitment charges relate to share-based charges arising on the issue of shares to agents committing to long-term service agreements, in line with the Group's strategy to grow the agent shareholder base.

## 6. Earnings per share

| | Unaudited 6 months to 31 July 2019 £'000 | Unaudited 6 months to 31 July 2018 £'000 |
|---|---|---|
| **Numerators: Earnings attributable to equity** | | |
| Loss for the period from continuing operations attributable to owners of the parent company | (6,959) | (5,710) |
| Total basic earnings and diluted earnings | (6,959) | (5,710) |
| | **No.** | **No.** |
| **Denominators: Weighted average number of equity shares** | | |
| Basic and diluted | 62,340,286 | 59,678,679 |

## 7. Intangible assets

| **Group** | **Development Costs £'000** |
|---|---|
| **Cost:** | |
| At 1 February 2019 | 8,751 |
| Additions - internally developed | 1,245 |
| At 31 July 2019 | 9,996 |
| **Amortisation:** | |
| At 1 February 2019 | 4,802 |
| Charge for the period | 973 |
| At 31 July 2019 | 5,775 |
| **Net book value:** | |
| **At 31 July 2019** | 4,221 |

Amortisation is included within administrative expenses in the income statement.

The development costs relate to those costs incurred in relation to the development of the Group's online property portal, OnTheMarket.com. The development costs capitalised above are amortised over a period of 4 years which represents the period over which the Directors expect the Group to consume the asset's future economic benefits. The development costs are amortised from the point at which the asset is ready for use within the business.

## 8. Share-based payments

### Agent Recruitment Shares

The Group issued 1,779,985 agent recruitment shares during the period. Fair value was determined in accordance with the accounting policy set out in note 2.16 in the Annual Report and Consolidated Financial Statements for the year ended 31 January 2019. The weighted fair value of shares granted was £1.09.

### Share-based Employee Incentives

The Company has granted no new share options under its Management Incentive Plan, its employee share scheme or its Company Share Option Plan in the period.

The unexercised options under these plans are stated below:

| Grant date of option | Expiry | Option exercise per share £ | Fair value £ | 31 Jul 2019 Number | 31 Jan 2019 Number |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Granted 15 September 2017 | 2027 | nil | 1.48 | 7,467,525 | 7,940,842 |
| Granted 19 September 2017 | 2027 | nil | 1.48 | 501,439 | 512,953 |
| Granted 10 October 2017 | 2027 | nil | 1.48 | 39,998 | 39,998 |
| Granted 20 November 2018 | 2028 | 1.65 | 0.69 | 677,582 | 742,913 |
| Granted 4 December 2018 | 2028 | nil | 1.13 | 42,424 | 42,424 |
| Outstanding at 31 January | | | | 8,728,968 | 9,279,130 |

The value of employee services provided under all the employee incentive plans of £268k (6 months to 31 July 2018: £226k) has been charged to the income statement.

**Management Incentive Plan**
Further details of the management incentive share option plan are as follows:

| | **31 July 2019 Number** | **Weighted average exercise price £** |
|---|---|---|
| Opening at 1 February 2019 | 7,789,327 | - |
| Granted | - | - |
| Exercised | (473,317) | - |
| Outstanding at 31 July 2019 | 7,316,010 | - |
| Exercisable at 31 July 2019 | 5,756,143 | - |

These share options expire 10 years after the date of grant. Share options granted under this scheme have a nil exercise price. 173,317 options are exercisable after the second anniversary from admission of the Company to AIM and 1,386,550 after the fifth anniversary. The remaining 5,756,143 options are exercisable immediately, however any shares arising from exercise are subject to a restriction on sale such that shares deriving from up to 10% of the options are available to be sold after the first anniversary of admission, a further 10% after the second anniversary and the remainder after the fifth anniversary. The fair value of all these options was charged to the profit and loss account in full in the year to 31 January 2018.

**Employee share scheme**
Further details of the employee share option plan are as follows:

| | **31 July 2019 Number** | **Weighted average exercise price £** |
|---|---|---|
| Opening at 1 February 2019 | 746,890 | - |
| Granted in the period | - | - |
| Forfeited in the period | (11,514) | - |
| Outstanding at 31 January 2019 | 735,376 | - |
| Exercisable at 31 January 2019 | - | - |

These share options expire 10 years after the date of grant. Share options granted under this scheme have a nil exercise price and vest 3 years after the date of grant. The fair value of these share options is charged to the profit and loss account over the vesting period. The share options are forfeited should the employee leave.

**Company Share Option Plan**

Further details of the company share option plan are as follows:

| | **31 July 2019** | **Weighted average exercise price** |
|---|---|---|

| | Number | £ |
|---|---|---|
| Opening at 1 February 2019 | 742,913 | 1.65 |
| Granted in the period | - | - |
| Forfeited in the period | (65,331) | 1.65 |
| Outstanding at 31 January | 677,582 | 1.65 |
| Exercisable at 31 January | - | - |

These share options expire 10 years after the date of grant. Share options granted under this scheme have an exercise price of £1.65 and vest 3 years after the date of grant. The fair value of these share options is charged to the profit and loss account over the vesting period. The share options are forfeit should the employee leave.

**National Insurance Contributions**
National insurance contributions are payable by the Group in respect of all share-based payment schemes except the Company Share Option Plan. A provision has been recognised at 13.8% for a total expense of £23k (6 months to 31 July 2018: £28k).

The following have been expensed to the consolidated income statement:

| | 6 months to 31 July 2019 £'000 | 6 months to 31 July 2018 £'000 |
|---|---|---|
| Share-based employee incentive payment charge | 245 | 198 |
| Employer's social security on share options | 23 | 28 |
| | 268 | 226 |

## 9. Related party relationships and transactions

In the ordinary course of business, the Group has entered into transactions with Whiteleys Chartered Certified Accountants, a company controlled by a close family member of Helen Whiteley, an Executive Director of the Group. Whiteleys Chartered Certified Accountants provides an outsourced finance function to the Group. During the period, the Group purchased services amounting to £354k (6 months to 31 July 2018: £268k) and at the period end the Group owed £64k (31 July 2018: £42k).

## 10. Post balance sheet events

There were no significant post balance sheet events.