Foxtons Group plc Interim Management Statement
23 October 2014
Housing transactions slow in Q3

Introduction

Foxtons plc (LSE:FOXT), London's leading estate agency, issues its Interim Management Statement for the period from 1 July 2014 to date, incorporating trading results for the quarter to 30 September 2014.

Overview

Performance in Q3 2014 was negatively impacted by a sharp and recent slowing of volumes in London property sales markets following an exceptionally strong nine month period to 30 June 2014 in which volumes reached their highest levels since 2007.

- Q3 Group turnover was £39.9m (2013: £41.1m). Group turnover for the nine months to 30 September 2014 was £112.7m (2013: £103.7m).
- Q3 property sales commissions were £16.4m (2013: £17.8m), down 7.8%, as a reduction in sales volumes more than offset price increases. Property sales commissions for the nine months to 30 September 2014 were £54.1m (2013: £46.3m), up 16.9%.
- Q3 lettings revenue of £21.9m was flat (2013: £21.9m). Lettings revenue for the nine months to 30 September 2014 was £53.7m (2013: £53.7m).
- Q3 mortgage revenue of £1.6m grew by 13.8% (2013: £1.4m). Mortgage revenue for the nine months to 30 September 2014 was £4.6m (2013: £3.4m)
- Q3 Adjusted EBITDA[1] was £14.2m (2013: £18.0m). Adjusted EBITDA for the nine months to 30 September 2014 was up 4.9% to £39.2m (2013: £37.3m).
- Q3 Adjusted EBITDA margin[2] was 35.6% compared to 43.7% during the same period last year which had also been the highest quarterly margin ever achieved by the company. Adjusted EBITDA margin was 34.8% for the nine months to 30 September 2014 (2013: 36.0%).
- The Group remains debt free and generated £13.9m of adjusted operating cash[3] during Q3 representing an operating cash conversion rate[4] of 98%.

Outlook

Although the longer term outlook for London property markets remains positive, the market is expected to continue to be constrained for some time due to political and economic uncertainty within the UK and Europe, tighter mortgage lending markets and mismatches between the price expectations of buyers and sellers. These external headwinds have exacerbated the rate of slowdown in sales transactions we noted at the time of our H1 results. Market volumes in Q3 have been more in line with the first half of 2013 and we now believe that market volumes in H2 2014 overall will be significantly below levels during the same period last year. Consequently, we expect full year 2014 adjusted EBITDA to be below the prior year figure of £49.6m.

Nic Budden, CEO commented:

"Despite the impact that market uncertainty is having on transaction volumes, we are continuing with our clear strategy, centralised business model and steady roll out programme which is delivering higher market share. Our seven new branches opened this year bring our network to fifty one, with all our sites secured for 2015. Foxtons remains highly profitable, cash generative and debt free, and therefore well positioned to deliver further cash returns to shareholders, building on the £28.1m of ordinary and special dividends paid since our IPO."

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Forward Looking Statements

This interim management statement may include statements that are forward looking in nature. Forward looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Except as required by the Listing Rules and applicable law, the Group undertakes no obligation to update, revise or change any forward looking statements to reflect events or developments occurring after the date such statements are published.

Notes

1. Adjusted EBITDA: defined as profit for the period before finance costs, finance income, tax, exceptional items, depreciation, profit on disposal of property, plant and equipment, costs of the debt repayment incentive scheme and share based payments
2. Adjusted EBITDA margin is computed by the Group as Adjusted EBITDA / revenue
3. Adjusted operating cash is defined as Adjusted EBITDA less the movement in working capital and net capital spend
4. Operating cash conversion is defined as the ratio of Adjusted operating cash to Adjusted EBITDA