Foxtons
Interim results presentation
For the six months ended 30 June 2016

Important information

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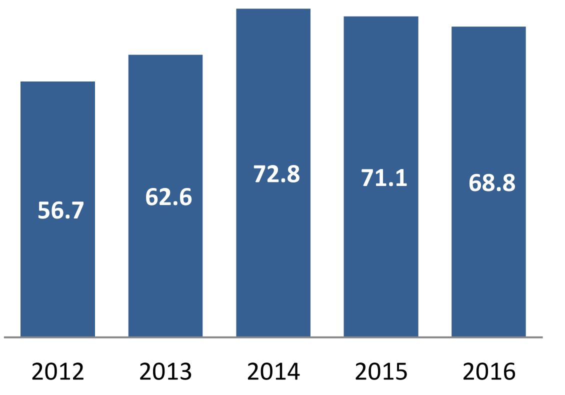
Highlights

Nic Budden, Chief Executive Officer

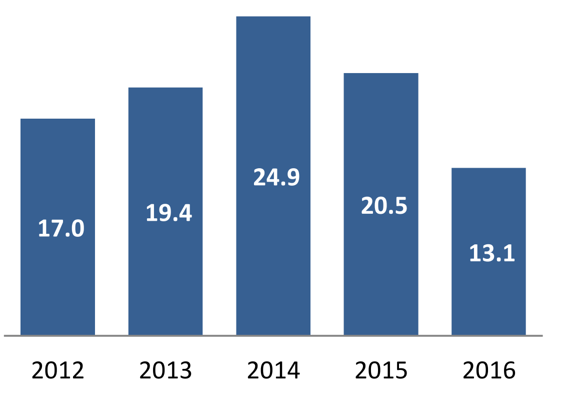
Group performance

- EU referendum caused significant uncertainty in the London property market
  - H1 2016 subdued sales performance overall, masked by brief surge in transactions in March due to stamp duty change followed by sharp contraction in Q2
  - Lettings demand dampened from reduced relocation activity and tenants taking longer tenancies and continuing to renew
- Solid financial performance given unprecedented market uncertainty
  - H1 Revenue of £68.8m and Adj. EBITDA of £13.1m as a result of sharply contracting market volumes in Q2 and investment in 7 new branches
  - Cash generation enabled returns to shareholders totalling £28.3m comprising dividend payments of £17.1m and share buy-back of £11.2m
  - Interim dividend maintained at 1.67pps (H1 2015: 1.67pps), while due to the uncertain economic environment a special dividend will not be paid (2015: 3.10pps)
- Resilient business model able to withstand market downturn
  - Despite uncertainty, longer term fundamentals of London property market remain strong
  - Non cyclical lettings business offers downside protection
  - Re-aligning cost base and organic branch roll out to reflect market conditions, continuing to invest in growing lettings portfolio and online portal

H1 Group Revenue (£m)



H1 Group Adj. EBITDA (£m)



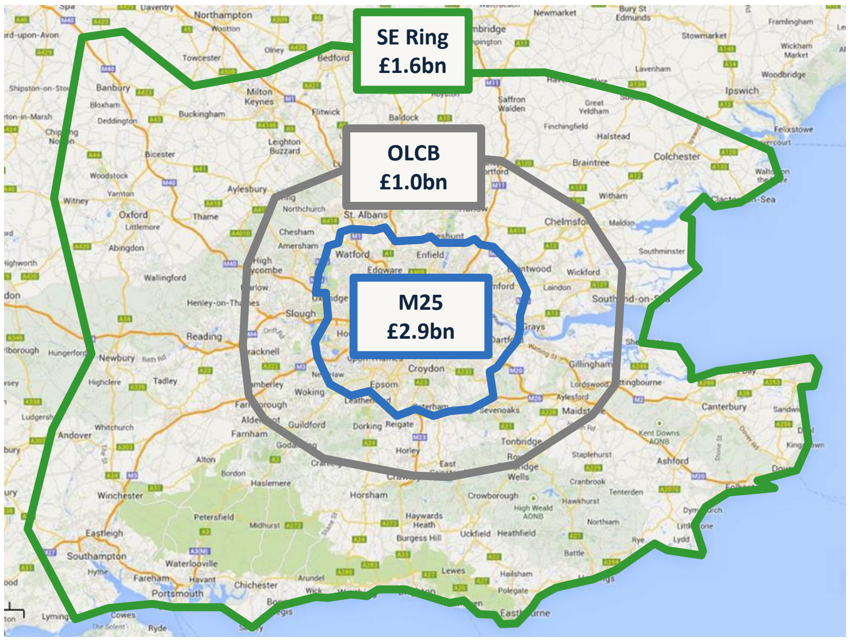
Note: Adjusted EBITDA defined as profit before tax, finance costs, finance income, exceptional items, depreciation, amortisation, profit on disposal of property, plant and equipment and share based payments

Market overview

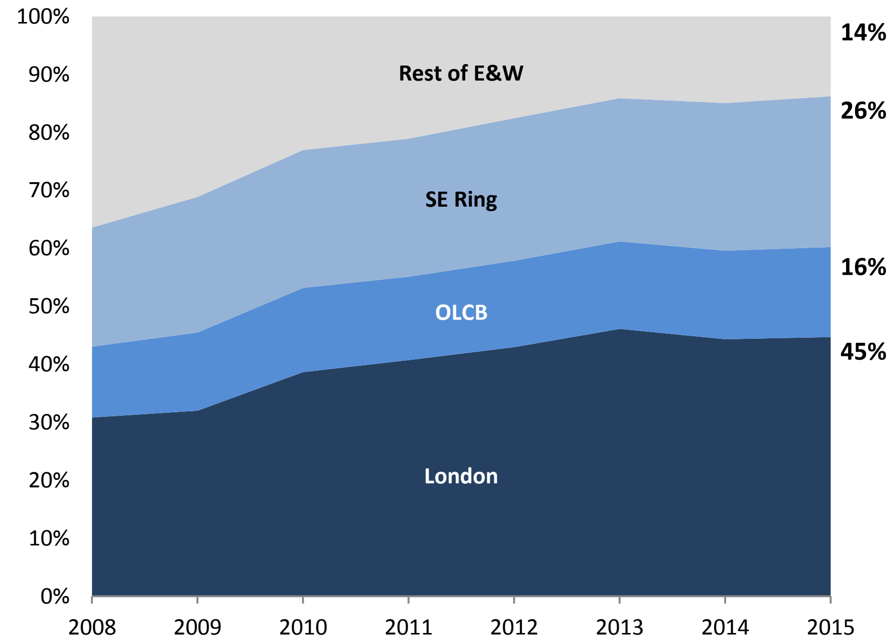
Nic Budden, Chief Executive Officer

London and South East markets offer disproportionate value

2015 Addressable market size of South East England residential property markets (sales and lettings commissions)



Breakdown of England and Wales residential property sales markets (by value)

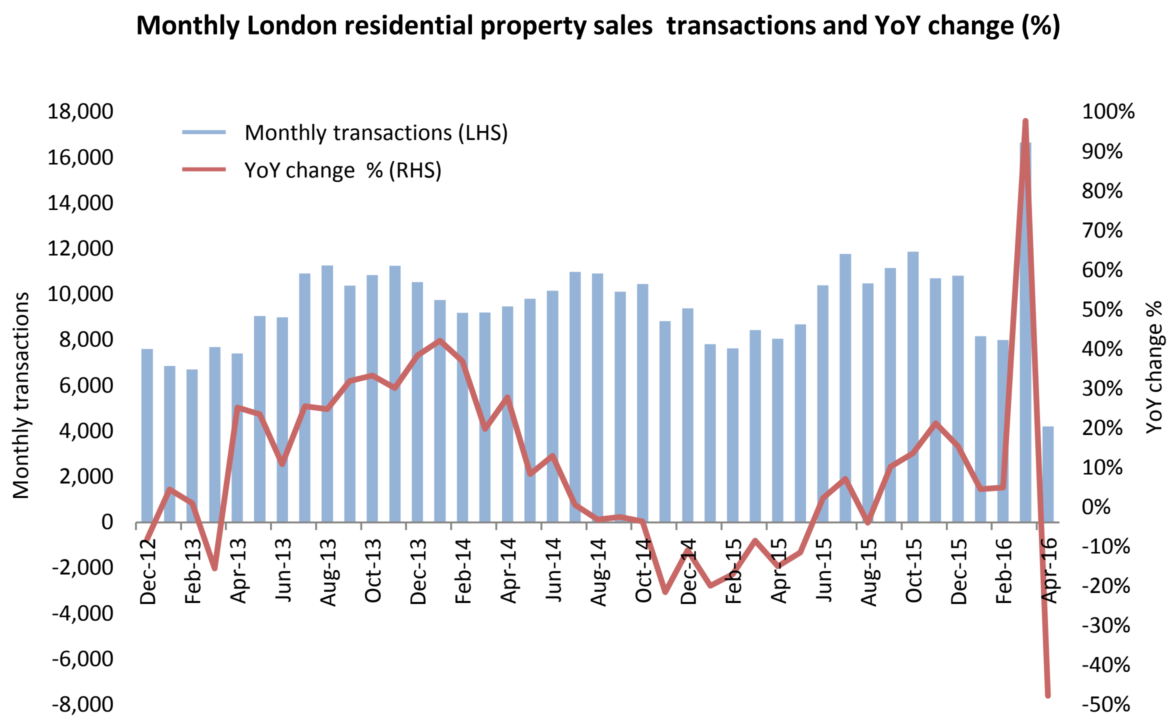


- Even at 2015 volumes and Foxtons pricing levels, the combined London and South East of England sales and lettings markets represent an addressable commissions market size of c.£5.5bn p.a.
    - London and the South East continue to offer disproportionate value, accounting for 87% of all transactions in England and Wales by value, but only 38% of transactions by volume
    - The continuing imbalance between supply and demand underpins prices in the area and contributes to a highly developed and valuable lettings market
- Market volumes support additional 40 Foxtons branches in London/M25 and 100+ branches in the OLCB and South East Ring

Source: Land Registry, Foxtons research

Note: London defined as area within the M25. The Outer London Commuter Belt ("OLCB") and the South East Ring are areas defined by Foxtons

Sales market update

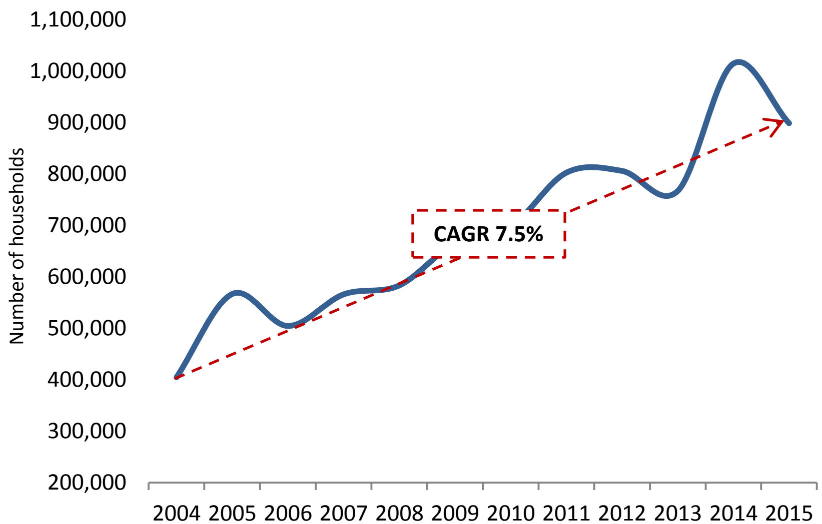


- YTD April 2016 volumes were 16% higher than the same period last year, driven by a one-off increase in sales in March as investors sought to purchase before the introduction of additional Stamp Duty on investment properties. This pulled forward demand from the rest of the year, particularly Q2 and Q3
- This surge in March has masked the extremely subdued market pre Brexit and this is expected to continue for at least the remainder of the year
- April 2016 saw transactions levels fall 48% and are now at levels comparable to 2008/9 with Central London at 18% of 1996-2006 Long Term Average Volumes
- Foxtons initiatives underway: new sales portal to launch in Q3 '16; deepening cross-sell of mortgage broking and conveyancing services

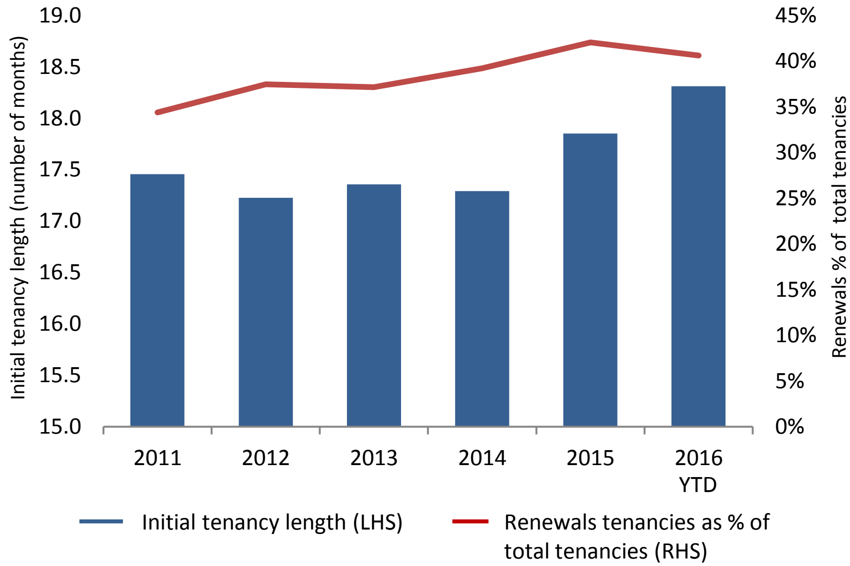
Source: Land Registry, Foxtons research

Lettings market update

Number of privately rented homes in London[1]



Average initial tenancy length and renewal tenancies as % of total tenancies[2][3]



- Close to 1m London households now live in the private rental sector (PRS), a 7.5% CAGR from around 400,000 in 2003 with the tenure shift particularly pronounced in London; where 27% of households now live in PRS compared to 18% in the rest of England
- This tenure shift, coupled with Foxtons strong customer satisfaction, has resulted in increased numbers of tenants and landlords opting for longer initial tenancies and renewing tenancies, rather than opting to move
- Foxtons annual renewal rates have increased c.20% since 2011 with the initial tenancy length c.1 month longer
- Foxtons initiatives underway: new Institutional PRS service for fast growing Build to Rent investors, 0% lettings campaign for new landlords, and focus on deepening engagement with Foxtons Premier Landlords

1) Source: Department for Communities and Local Government
2) Foxtons average annual initial tenancy length
3) 2016 YTD as of H1 2016

Strategy

Nic Budden, Chief Executive Officer

Strategy

Focus on market with attractive fundamentals

- London property market continues to offer disproportionate value and growth
- 45% of all property transactions by value in England and Wales occurred in London in 2015
- Natural imbalance between supply and demand leading to resilient prices
- Highly valuable letting markets

Centralised, balanced business model

- Network of single brand branches attracts thousands of customers and properties
- Entire business underpinned by innovative technology and data with 3.9m property records
- Focus on high productivity and service at low cost
- Balanced business model between sales and lettings provides resilience through the cycle

Exceptional service, premium pricing

- Maintain commission rates for both sales and lettings (1)
- 97% of sale and rental prices achieved, 1 sale every 45 minutes and 1 rental every 21 minutes
- 73% landlord repeat business
- 125 awards won in the last 5 years

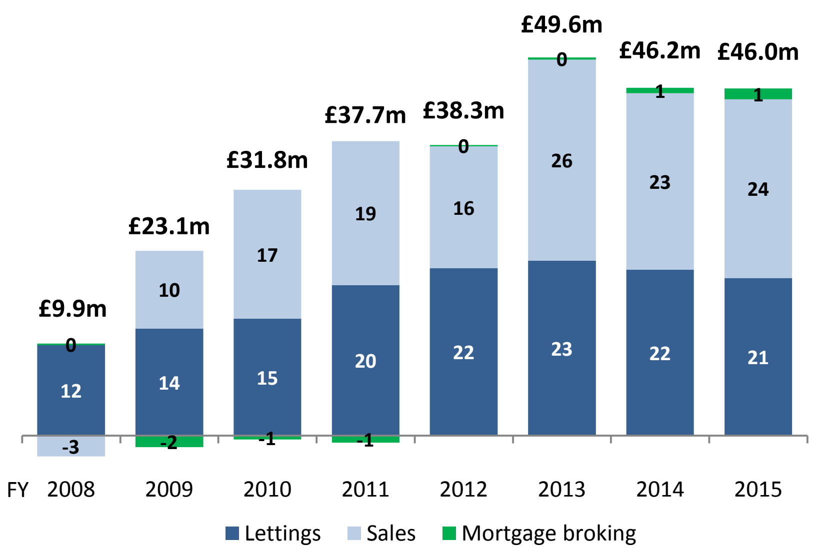
Low risk, high return expansion programme

- Successful track record of organic expansion
- 63 branches with potential for 100+ in London
- Emphasis on outer London areas where transaction volume growth expected to be highest
- Newer branches performing in line with expectations

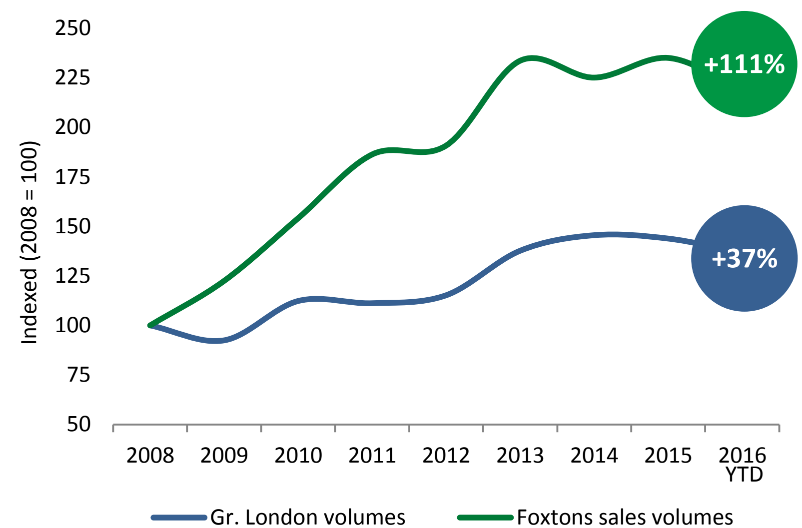
1) Excludes New Homes division

Resilient business model able to withstand market downturn

Group Adj. EBITDA profile displays resilience through the cycle [(1)]



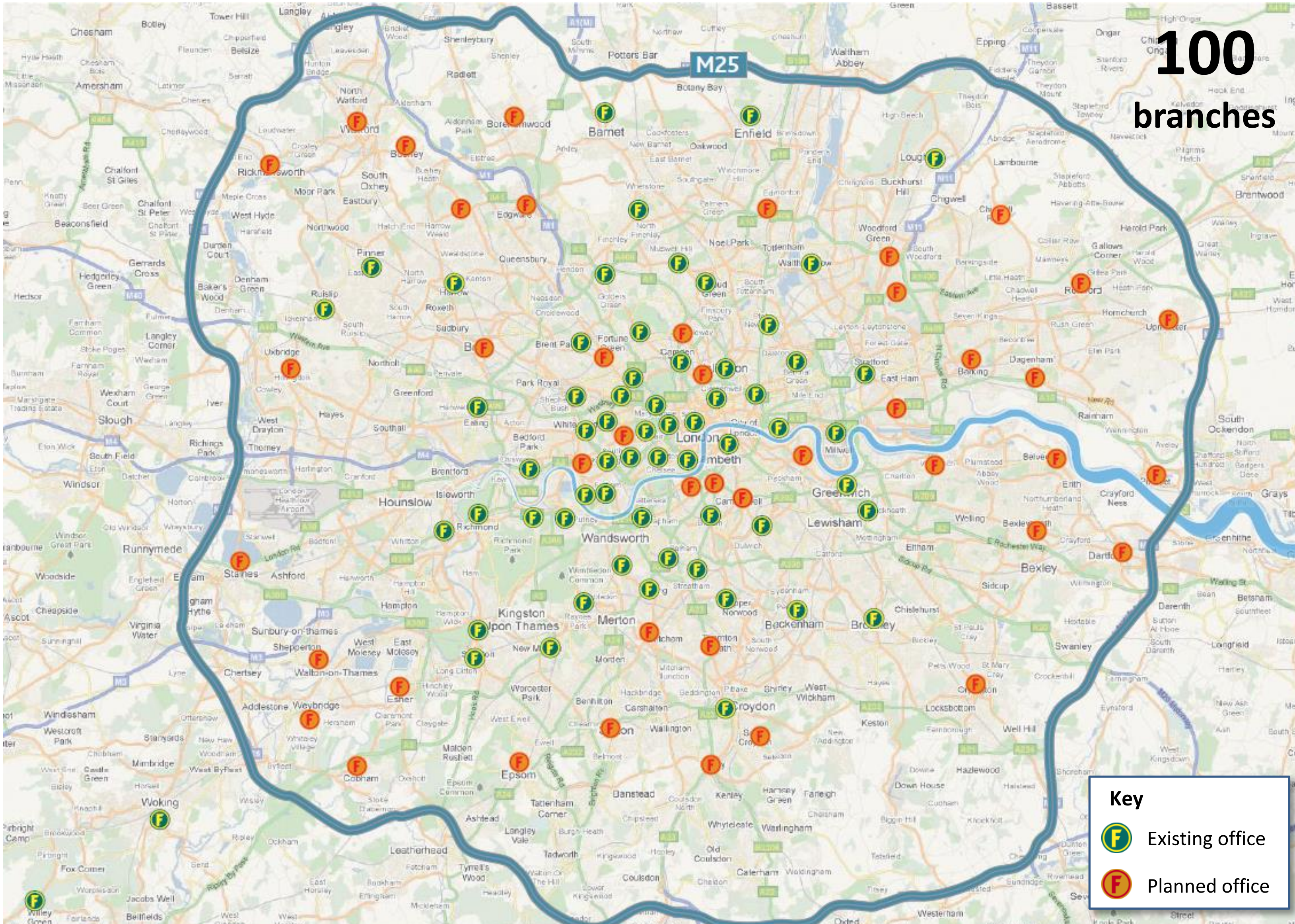
Indexed London and Foxtons residential property sales transaction volumes [(2)]



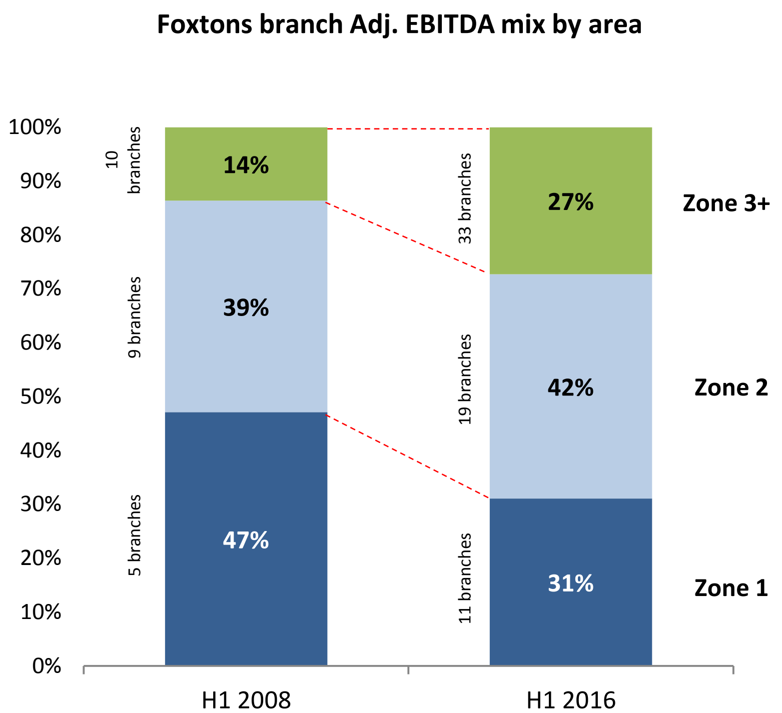
- Non cyclical lettings business offers some downside protection and represents c. 50% of revenue and Adj. EBITDA
- Debt free and asset light business model underpinned by technology delivers industry leading profit margins
- Foxtons sales market share in London has doubled since 2008; achieved through market share growth by more mature branches and the opening of new branches, while always maintaining same sales commission rates [(3)] since inception

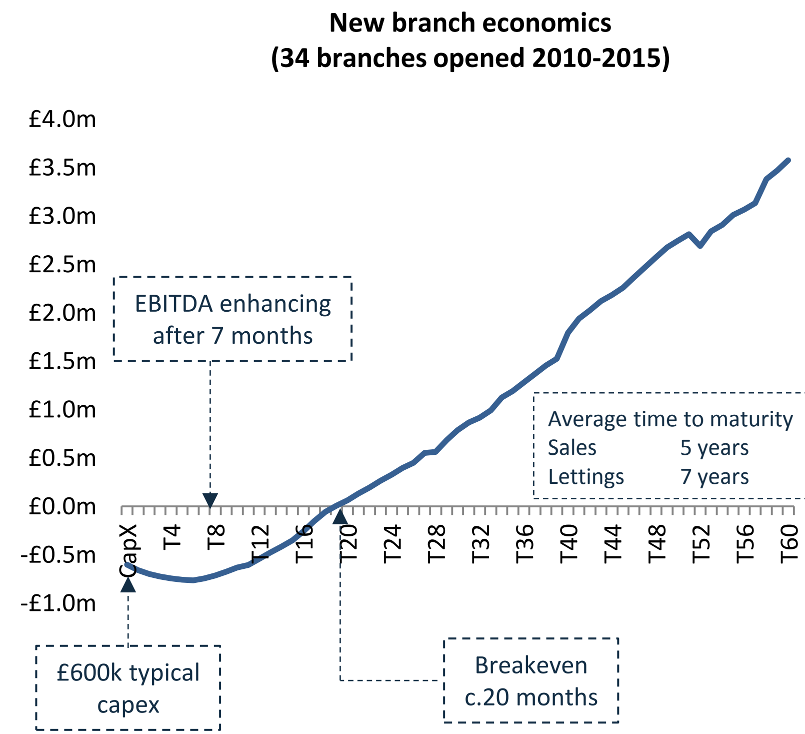
1) Other revenue not included in the chart (as amount under £1m per year) but is included in the total revenue figures annotated on the chart
2) 2016 YTD as of April 2016
3) Excludes New Homes division

Planned branch network growth



Expansion economics





- Foxtons branch expansion programme is providing a wider footprint, with circa 70% of branch Adj. EBITDA now generated outside Zone 1
- As newer branches in outer London areas mature, Group Adj. EBITDA will continue to diversify from central London
- On average new branches achieved positive cash flow in c.7 months and cash paid back in c.20 months
- Average ROCE achieved of c.150% by second year of operation for new branch openings
- 5 new branches already opened in 2016, with Peckham and Vauxhall to open later in the year

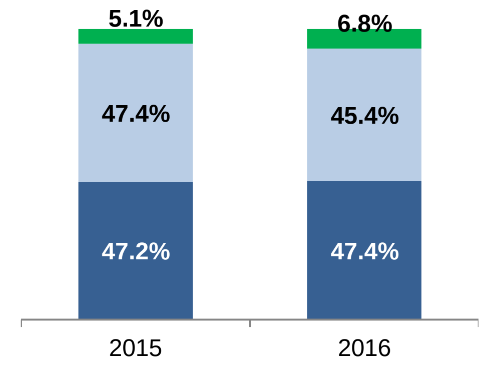
Financial results

Gerard Nieslony, Chief Financial Officer

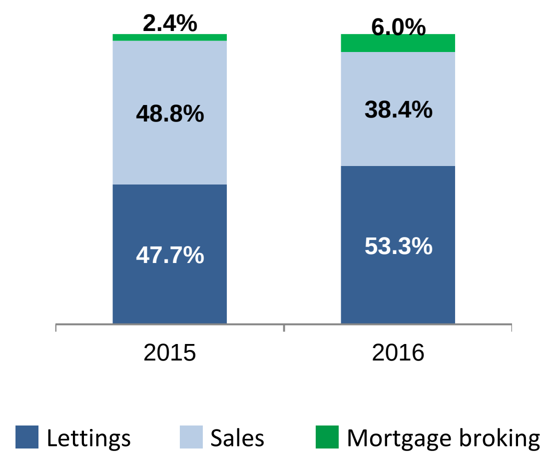
Key performance indicators

KPIs	H1 2016	H1 2015	%
Sales revenue (£m)	**31.3**	**33.7**	*(7.0%)*
Units[3]	2,314	2,578	*(10.2%)*
Revenue per deal (£)	13,522	13,057	*3.6%*
Lettings revenue (£m)	**32.6**	**33.5**	*(2.7%)*
Units	9,127	10,310	*(11.5%)*
Revenue per deal (£)	3,573	3,252	*9.9%*
Mortgage revenue (£m)	**4.7**	**3.6**	*27.9%*
Units	2,152	1,699	*26.7%*
Revenue per deal (£)	2,162	2,141	*1.0%*

Revenue by segment - % of total [2]



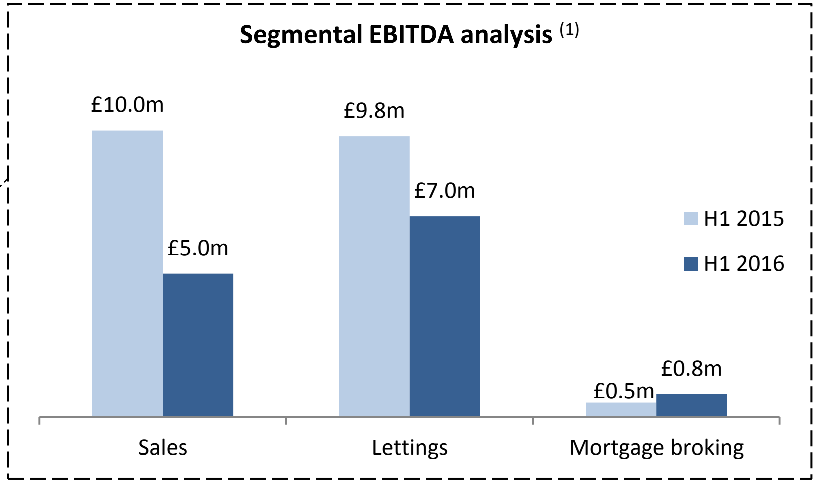
Adj. EBITDA by segment - % of total [2]



1) Excludes 0% sales
2) Other segment revenue and Adj. EBITDA not shown

Profit and loss

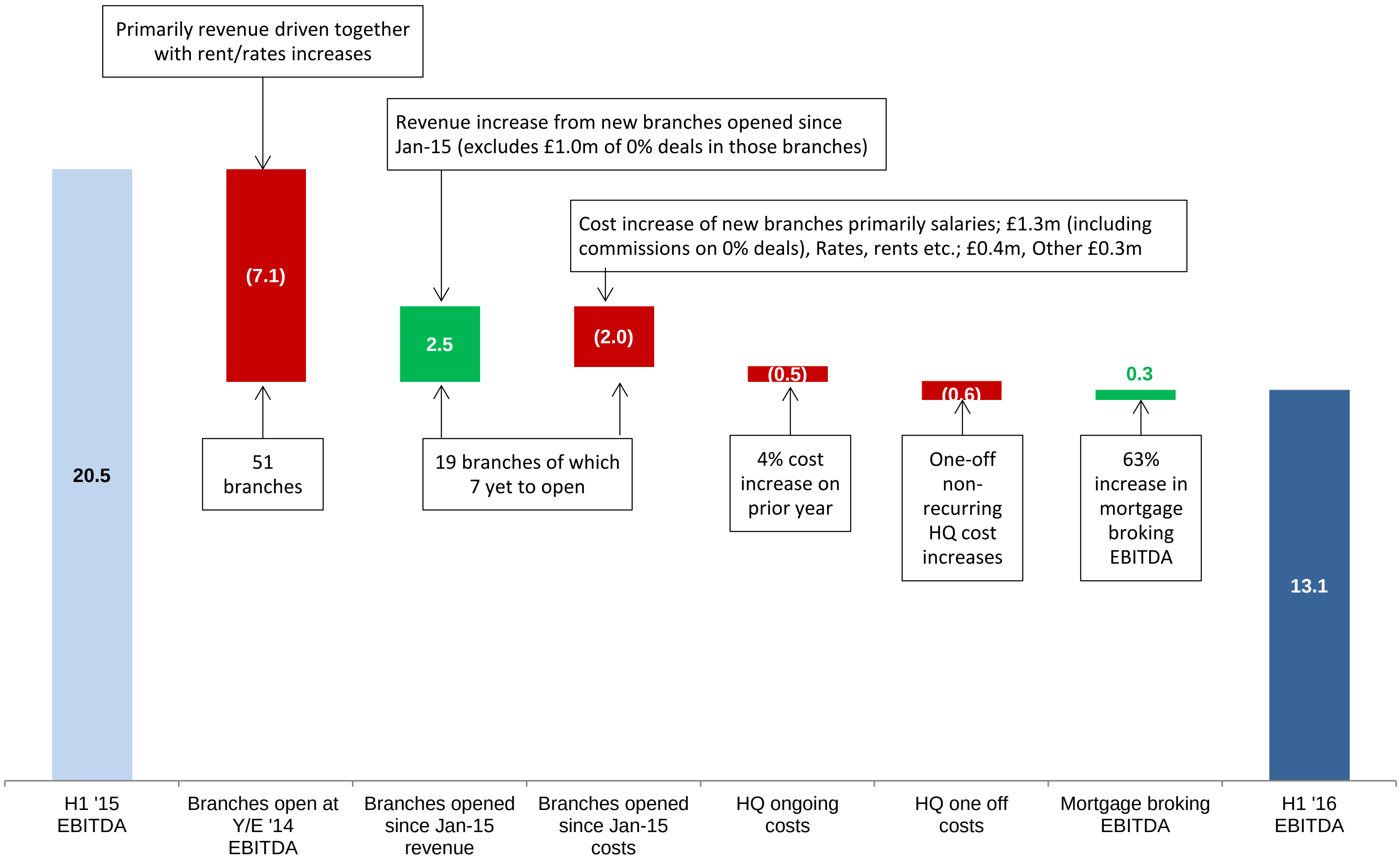
Profit & loss (£m)	H1 2016	H1 2015	%
Revenue			
Sales	31.3	33.7	*(7.0%)*
Lettings	32.6	33.5	*(2.7%)*
Mortgage broking	4.7	3.6	*27.9%*
Other	0.2	0.3	
Total revenue	**68.8**	**71.1**	*(3.1%)*
Administrative expenses	(55.7)	(50.6)	*(10.1%)*
Adj. EBITDA	**13.1**	**20.5**	*(35.9%)*
Adj. EBITDA margin	***19.1%***	***28.9%***	
Depreciation & amortisation	(2.4)	(2.1)	
LTIPs	(0.3)	(0.4)	
Operating profit	**10.4**	**18.0**	*(42.1%)*
Net finance income	0.1	0.1	
Profit before tax	**10.5**	**18.1**	*(42.2%)*
Tax	(2.1)	(3.7)	
Profit after tax	**8.4**	**14.4**	*(41.6%)*
Basic EPS	**3.0**	**5.1**	*(41.2%)*



Effective rate of tax 19.7% (2015: 20.5%)

1) Other segment Adj. EBITDA not shown

Adj. EBITDA analysis
(£m)



Cash flow

Cash flow (£m)	H1 2016	H1 2015
Adjusted operating cash		
Adjusted EBITDA	**13.1**	20.5
Movement in working capital	**1.3**	(0.4)
Net capital spend	**(3.5)**	(3.2)
Adjusted operating cash	**10.9**	**16.9**
Operating cash conversion ratio	***83.1%***	*82.6%*
Other cash movements		
Income taxes paid	**(4.2)**	(4.2)
Purchase of shares for LTIPs	**-**	-
Other	**0.1**	0.2
Net free cash flow	**6.8**	**12.9**
Net free cash to Adj. EBITDA ratio	***51.5%***	*62.7%*
Financing activities		
Dividends paid	**(17.1)**	(14.5)
Share buy-back	**(11.2)**	
Net increase/(decrease) in cash	**(21.5)**	**(1.6)**
Cash at start of period	**25.6**	**22.5**
Cash at end of period	**4.1**	**20.9**

- Minimal working capital requirements
- Capex primarily relates to opening of 5 new branches in each period
- Consistent operating cash conversion
- Instalment tax payments relate to prior year profitability
- Reduction in net free cash conversion ratio reflects level of prior year tax payments
- Group is net debt free allowing substantial returns to shareholders
- Minimal cash held on balance sheet

Dividends and share buy-back

- High cash generation enabled the company to return £28.3m to shareholders in H1 2016; £17.1m total dividends and £11.2m of share buy-back

- The share buy-back scheme commenced in December 2015 and ended February 2016 with the company buying 7.1m shares (2.5% of shares in issue) for a total cost of £12.0m

- 2016 Interim dividend:
    - 2016 interim dividend payable 1.67pps (H1 2015: 1.67pps)
    - Due to the uncertain economic environment a special dividend will not be paid (2015: 3.10pps)
    - Payment will be made on 27 September 2016 to shareholders on the register at 2 September 2016. The shares will be quoted ex-dividend on 1 September 2016

- Since IPO (September 2013), and including the share buy-back programme and planned dividend, the company will have returned £90m to shareholders

Summary and outlook

- Unsurprisingly, the run up to the EU referendum and the introduction of the stamp duty surcharge for buy to let and second homes significantly impacted markets in H1.
- Too early to accurately predict how the London property sales market will respond to the UKs decision to leave the EU but we believe property markets will remain subdued to the end of the year.
- Long term fundamentals of London property markets remain very attractive and represent huge opportunity for growth.
- Resilient business model enables us to continue strategy to build brand throughout the highly valuable London property market although in 2017 we expect to take a slightly more cautious approach to the rate of expansion.
- Lettings initiatives underway to support speed of maturity in new branches.
- Basic interim dividend maintained at 1.67 pence per share.