



Foxtons

Preliminary results presentation

For the year ended December 2017



Important information

This presentation includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believe”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations.

Any forward-looking statements in this presentation reflect the Company’s current expectations and projections about future events. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this presentation. No representations or warranties are made as to the accuracy of such statements, estimates or projections.



Overview

Nic Budden, Chief Executive Officer

GROUP OVERVIEW



FINANCIAL PERFORMANCE

- Group revenue in the year £117.6m delivering £15.1m EBITDA
- Lettings revenue £66.3m (-3%). Volumes flat offset by decline in rental rates. Remains a resilient, recurring revenue stream
- Sales revenue £42.6m (- 23%). Decline a result of continued market weakness causing lower transaction volumes
- Mortgage broking revenue £8.7m (-1%). Solid performance in a constrained sales market
- Focus on tight cost control reduced costs by £5.6m versus prior year⁽¹⁾
- Strong cash generation supporting balance sheet with no debt. £18.6m net cash at period end
- 0.27 pence per share final dividend in line with policy; £93m returned to shareholders since IPO⁽²⁾

STRATEGY AND OPERATIONAL FOCUS

- Maintain number 1 London market position in listings and brand awareness by providing exceptional service and results for our customers⁽³⁾
- Focus and prioritisation of lettings business whilst positioning sales business to capture upside from any sales market recovery
- Invest in new initiatives including marketing and brand, people, tech and data to continue to grow through the cycle with significant potential upside from immature branches

Note: Throughout this presentation EBITDA refers to Adjusted EBITDA. Operating cash flow refers to adjusted operating cash flow

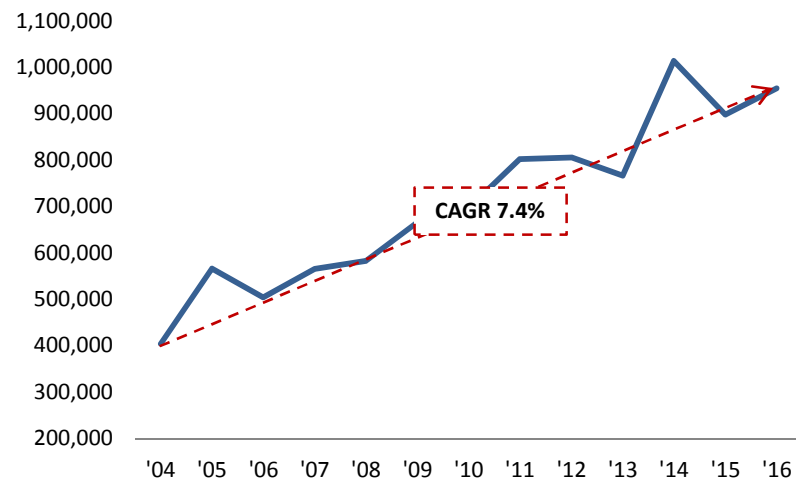
1) Excludes depreciation, amortisation, LTIPS and Adjusted items

2) Includes share buy-backs and proposed 2017 final dividend

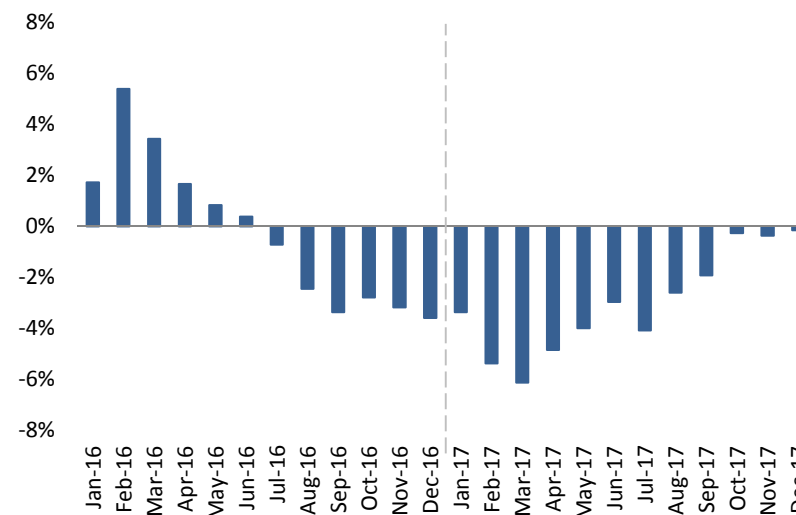
3) Source: Zoopla, YouGov

LETTINGS MARKET UPDATE

Number of privately rented homes in London
(Number of households)⁽¹⁾



Change in rental prices
(1 year change)⁽²⁾



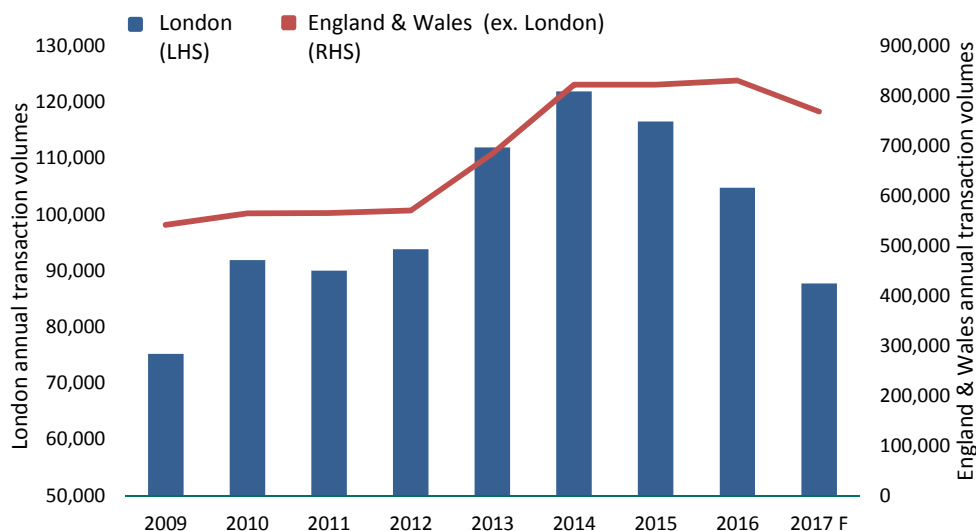
- Market fundamentals remain strong with 30% of households in London in private rentals (1m), nearly double the rate in rest of UK⁽³⁾
- Rental prices followed downward trend seen in Q2-Q4 2016 driven by; (i) increased supply of rental properties following surge in buy-to-let transactions in Q1 2016, (ii) reduction in international demand and (iii) inflationary pressures on wages
- 2017 average rent 3% lower than prior year (2017: £444 per week, 2016: £457 per week)⁽⁴⁾
- Increasing complexity for landlords - with additional regulatory, legislative and tax changes introduced in the last couple of years - driving flight to higher quality agents better able to safeguard landlord interests
- Strong tenant take-up of Institutional PRS as high-quality, professionally managed schemes reach completion. However majority of developments still at build stage

1) Source: Department for Communities and Local Government
 2) Source: Foxtons research. 3m average
 3) Source: Department for Communities and Local Government
 4) Source: Foxtons research

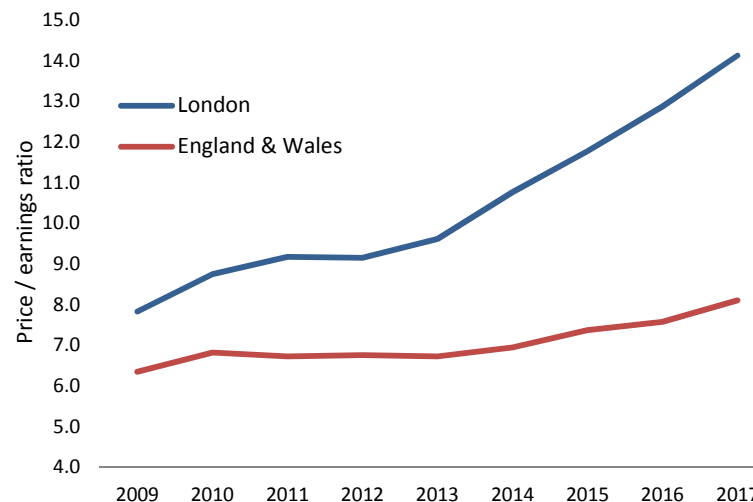
SALES MARKET UPDATE



Residential property sales transaction volumes⁽¹⁾



Affordability key driver of low volumes
(House price / earnings ratio)⁽²⁾



- Sales market continues to be negatively weighed upon by political and macro economic uncertainty including the unexpected general election in Q2 and the uncertain status of European Union exit negotiations
- In addition, rapid house price growth post-2009 has not been matched by corresponding wage growth leading to increased unaffordability further exacerbated by tighter mortgage lending criteria
- London house prices inflation continued in 2017 with average prices increasing 3%⁽³⁾
- These factors combined resulted in extremely constrained transaction volumes in 2017. London volumes were at levels similar to those seen in 2009/10 and 47% below 2007
- Foxtons remains number 1 agent in London despite intense competition as market listings levels decrease⁽⁵⁾

Note: London defined as the Greater London administrative area. Central London defined as TFL Zone 1

1) Source: Land Registry, Foxtons research. Annualised Jan-Oct 2017.
 2) Source: ONS, Land Registry, Foxtons research
 3) Source: Land Registry
 4) Source: Land Registry, Foxtons Registry. Annualised Jan-Oct 2017.
 5) Source: Zoopla



Financial review

Mark Berry, Chief Financial Officer

A BALANCED BUSINESS THROUGH THE CYCLE

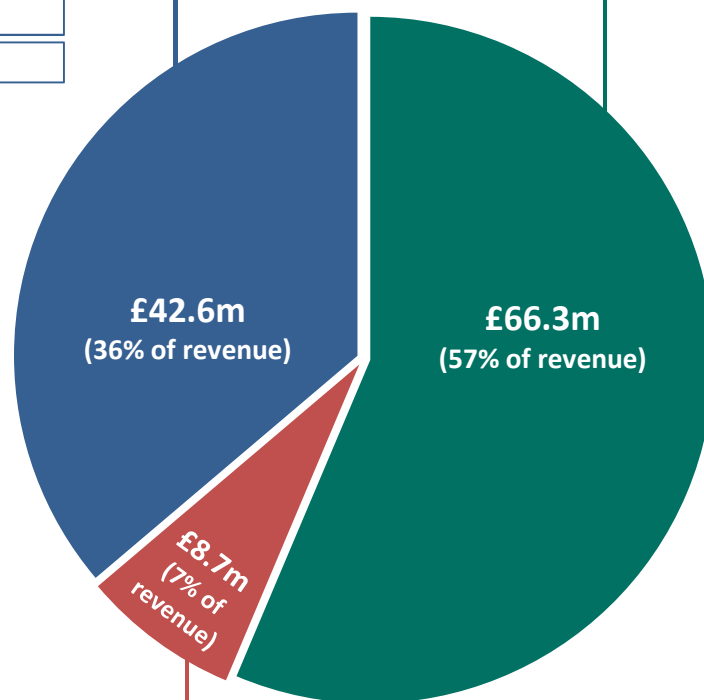
Sales

23%	Revenue decrease
26%	Volume decrease
4%	Revenue per unit increase

- Revenue: £42.6m (2016: £55.5m)
- Contribution margin 59% pre-allocation of shared costs (2016: 61%)
- Sales volumes: 2,962 (2016: 4,026)
- Revenue per unit £14.4k (2016: £ 13.8k)
- Average Foxtons sales price: £580k (2016: £568k)

Mortgage broking

- Revenue £8.7m (2016: £8.9m)
- Good performance driven by remortgages in a challenging sales market
- Revenue per unit £2.1k (2016: £2.1k)



Lettings

3%	Revenue decrease
-	Volumes flat
3%	Revenue per tenancy decrease

- Revenues resilient at £66.3m (2016: £68.3m)
- Deal volumes broadly flat at 19,806 (2016: 19,832)
- Downward pressure on rents continued, with 2017 average rents 3% lower than 2016
- Contribution margin maintained in line with prior year at 73%, pre-allocation of shared costs
- 32% of portfolio with Foxtons Property Management (2016: 31%) which generally attracts higher renewal rates

INCOME STATEMENT



Income statement

£m	2017	2016	Change
Revenue	117.6	132.7	(11%)
Operating costs	(102.5)	(108.1)	5%
EBITDA	15.1	24.6	(39%)
Depreciation, amortisation & LTIP	(6.3)	(5.8)	(9%)
Adjusted items	(2.3)	-	-
Profit before tax	6.5	18.8	(65%)
Tax	(1.2)	(3.1)	
Profit after tax	5.3	15.7	(66%)
Basic EPS	1.9p	5.7p	(67%)
Adjusted EPS ⁽²⁾	2.6p	5.7p	(54%)

- £13m of revenue decrease resulted from sales business
- Lettings revenue £2m lower driven by 3% reduction in rental prices. Volumes in line with prior year

- Delivered operating cost savings of £5.6m, despite increased business rates and inflationary pressures ⁽¹⁾
- Cost control achieved whilst continuing selective revenue investments in lettings, technology and digital marketing to drive company growth and positioning to capture future recovery
- Continue to proactively review cost base

- Mainly costs associated with prospective branches no longer required

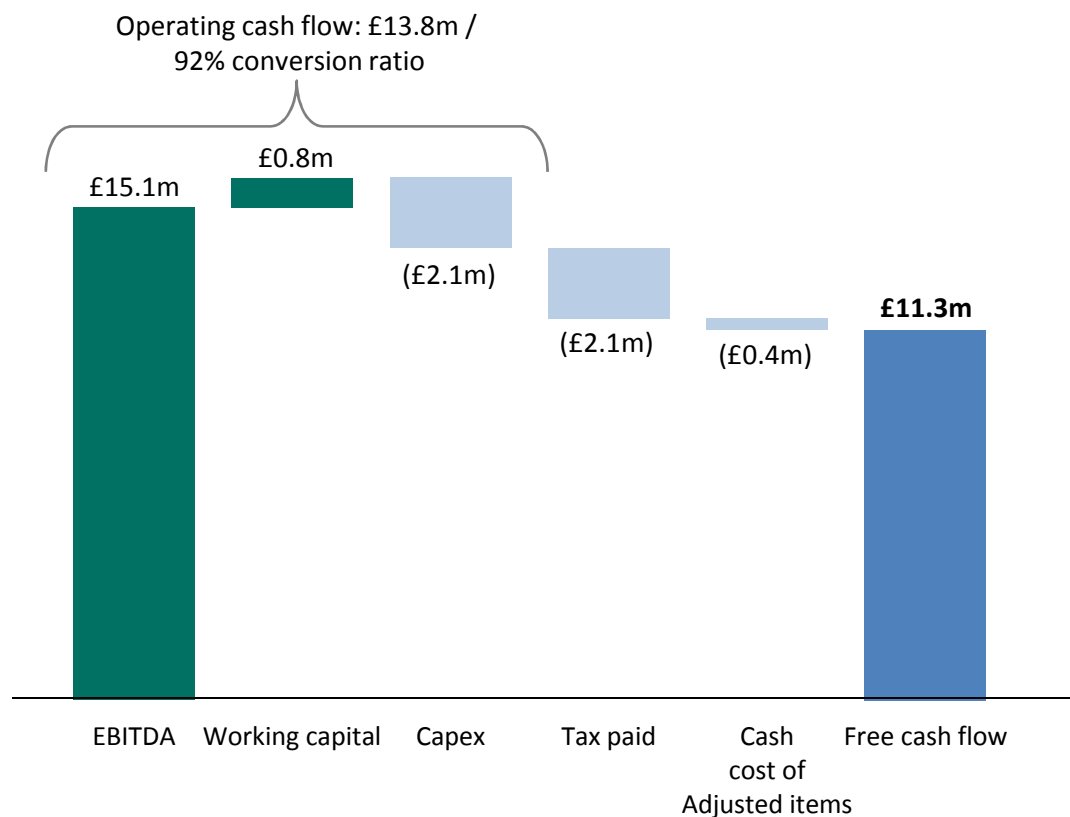
- PBT £8.8m before Adjusted items

1) Excludes depreciation, amortisation, LTIPS and Adjusted items
 2) Excludes Adjusted items

CONSISTENTLY CASH GENERATIVE WITH NO DEBT



EBITDA to free cash flow conversion



Uses of cash flow

Opening cash	£9.5m
Free cash flow	£11.3m
Dividends paid	(£2.1m)
Other	(£0.1m)
Increase in cash	£9.1m
Cash at end of period	£18.6m

FY18 capex guidance c.£2.5m, depreciation, amortisation and LTIPS c.£6.5m

FREE CASH FLOW PRIORITIES

FREE CASH FLOW PRIORITIES

- Fund investment in the future development of the business
- Maintain a strong balance sheet
- Return excess cash to shareholders

CORE DIVIDEND POLICY

- Return 35% - 40% of profit after tax as an ordinary dividend
- 0.27pps proposed final dividend. Full year dividend 0.70pps
- Cash cost of 2017 total declared dividends £2m

EXCESS CASH RETURNS POLICY

- Excess cash after operational needs distributed to shareholders as special dividend
- The Board remains committed to returning excess cash when appropriate

Final dividend will be paid on 25 May 2018 to shareholders on the register on 27 April 2018

FINANCIAL SUMMARY



BALANCED BUSINESS BUILT TO WITHSTAND THE CYCLE

- Resilient lettings performance
- Subdued sales volumes throughout the year

FOCUS ON EFFICIENCY

- Strong cost control achieved in 2017 and continue to review and align cost base with market conditions
- Current infrastructure is integral to maintaining customer service and experience levels
- Selective investments to maximise productivity of our people

CASH GENERATIVE WITH NO DEBT

- 92% conversion of EBITDA to operating cashflow
- Year end net cash position of £18.6m and no debt
- 0.27pps proposed final dividend bringing full year dividend to 0.70pps, in line with policy; £93m returned to shareholders since IPO⁽¹⁾

1) Includes share buy-backs and proposed 2017 final dividend



Strategy and operational update

Nic Budden, Chief Executive Officer



KEY STRATEGIC PRIORITIES

Objectives:

FOCUS ON LESS CYCLICAL LETTINGS BUSINESS

Detail

- Deepening relationships with existing landlords to increase retention
- Continue to grow institutional PRS offering
- Partially mitigate tenant fees ban

Results

- ✓ Maintained deal volumes in a challenging market with an increasing number of agents switching focus to lettings
- ✓ New retention and loyalty initiatives for existing landlords launched and well received

INVEST IN TECH TO SUPPORT SERVICE QUALITY

- MyFoxtons online portal launched giving all customers the ability to transact online

- ✓ Buyers and tenants portal launched in 2017, with further enhancements to follow in 2018
- ✓ Conversion of seller and landlord instructions has significantly increased with MyFoxtons

DATA DRIVEN MARKETING TO REDUCE ACQUISITION COSTS

- Experienced data analytics and digital marketing teams in place
- Refocus of marketing spend to digital channels

- ✓ Customer analytics and profiling leading to reduced cost of acquisition and improved engagement (e.g. +13% increase in conversions on Foxtons website)
- ✓ New digital marketing channels and deepened relationships with Aggregators including beta partner status

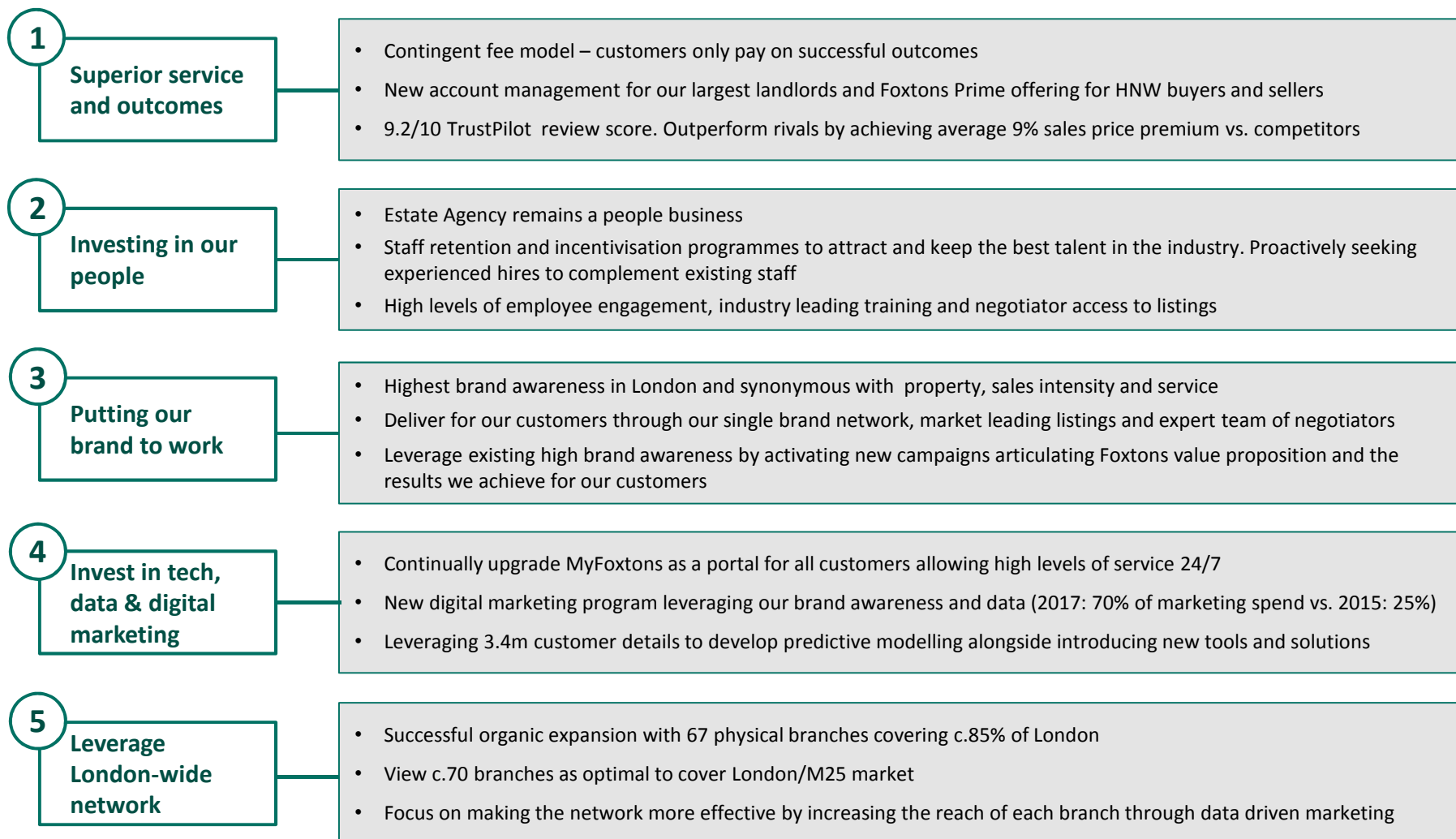
DRIVE UP MATURITY PROFILE OF NEWER BRANCHES

- London branch rollout programme largely complete
- Focus on accelerating maturity of newer branches

- ✓ 2 branches opened in 2017 with c.85% coverage of London achieved⁽¹⁾
- ✓ Staff upskilling and productivity programmes underway

1) By transaction volumes

INVESTING FOR FUTURE GROWTH



REFOCUSING INVESTMENT FROM CAPEX TO OPEX FOLLOWING SUCCESSFUL BRANCH ROLLOUT PROGRAMME

SUMMARY AND OUTLOOK



LONDON'S LEADING AGENT

- Tech-enabled, centralised business with strong single brand and culture of exceptional service and results for all our customers
- Number 1 market position and brand awareness in London estate agency
- Well positioned in current environment – highly cash generative, debt free and strong balance sheet
- Lettings business responded well to new customer initiatives and operational focus to help offset the effects of downward pressure on rents and increased competition
- Sales and mortgage broking continue to be profitable whilst aligning to weaker market conditions
- Delivered planned £5.6m cost savings as we continue to align our cost base with market conditions

OUTLOOK

- Little forward visibility on 2018 sales market
- Exchanges and pipeline subdued throughout H2 2017 and into early 2018
- Cash resources allow us to fully support strategic initiatives - selectively investing in brand, people and technology



Appendices



STRONG BALANCE SHEET – NET CASH AND NO DEBT

	2017	2016	
Goodwill & intangibles	120.1	119.3	
Property, plant & equipment	24.0	28.0	
Net working capital	(0.2)	1.0	← Low working capital requirements
Net deferred tax	(15.8)	(16.4)	
Provisions and deferred revenue	(5.8)	(4.8)	
Net cash	18.6	9.5	← Net cash position with £10m Revolving Credit Facility available
Net assets	140.9	136.6	

SEGMENTAL EBITDA AND KPIs



	H1 17	H2 17	FY 17		H1 16	H2 16	FY 16
Sales revenue (£m)	22.3	20.3	42.6		31.5	24.0	55.5
Sales EBITDA (£m)	1.4	(0.2)	1.2		5.3	1.7	7.0
Sales units	1,544	1,418	2,962		2,314	1,712	4,026
Lettings revenue (£m)	32.1	34.2	66.3		32.7	35.6	68.3
Lettings EBITDA (£m)	4.9	7.2	12.1		7.1	9.1	16.2
Lettings units	9,435	10,371	19,806		9,322	10,510	19,832
Mortgage broking revenue (£m)	4.2	4.5	8.7		4.7	4.2	8.9
Mortgage broking EBITDA (£m)	0.8	0.9	1.7		0.8	0.6	1.4
Mortgage broking units	1,992	2,251	4,243		2,152	2,069	4,221

EARNINGS PER SHARE AND EFFECTIVE TAX RATE

	2017	2016
Basic earnings	£5.3m	£15.7m
Weighted average number of shares*	274.8	275.2m
Basic earnings per share	1.9p	5.7p
Earnings excluding Adjusted items	£7.3m	£15.7m
Adjusted earnings per share	2.6p	5.7p

*Number of shares used for EPS calculation purposes excludes shares held in Treasury

Taxation

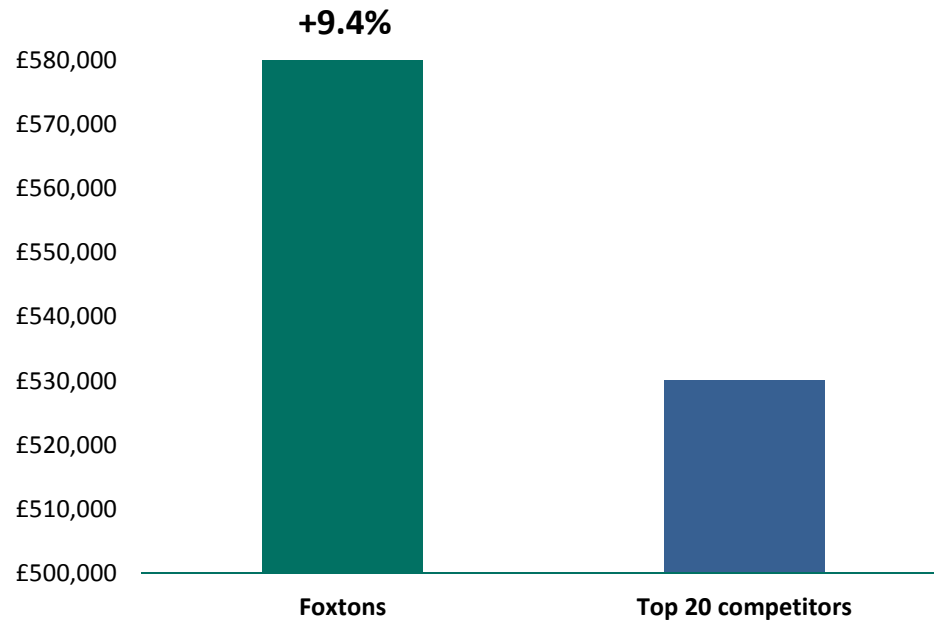
Effective tax rate	18.0%	16.2%
--------------------	-------	-------

- Effective tax rate below corporation tax rate due to recognition of a deferred tax asset in 2017 and the change in future tax rates on deferred tax liability in 2016

FOXTONS MARKET LEADING OUTCOMES DRIVE #1 LISTINGS POSITION

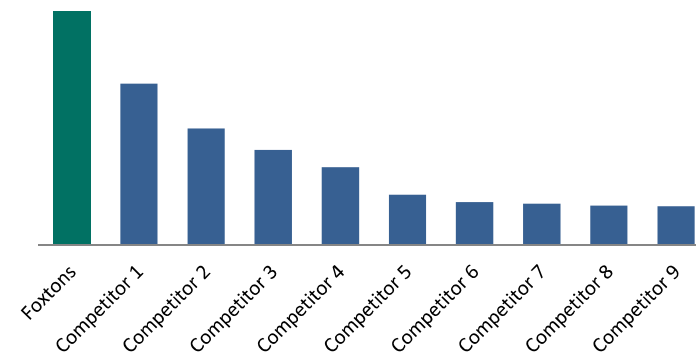


Foxtons and competitor sales price achieved for average Foxtons house sale ⁽¹⁾

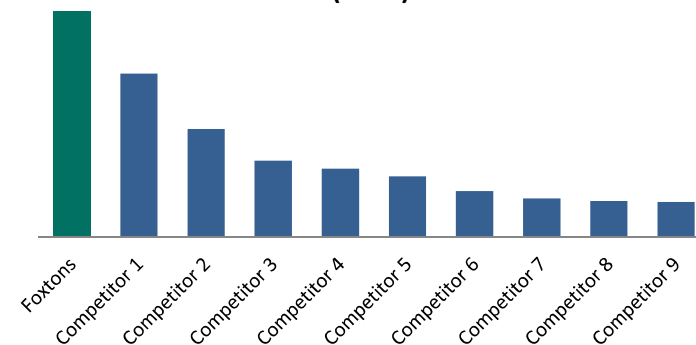


- On average Foxtons achieves 9.4% price premium compared to top 20 competitor agents for the average house sale
- Data calculated using surveyor data and TwentyCi average valuation model

Sales instructions (2017)⁽²⁾



Lettings instructions (2017)⁽²⁾

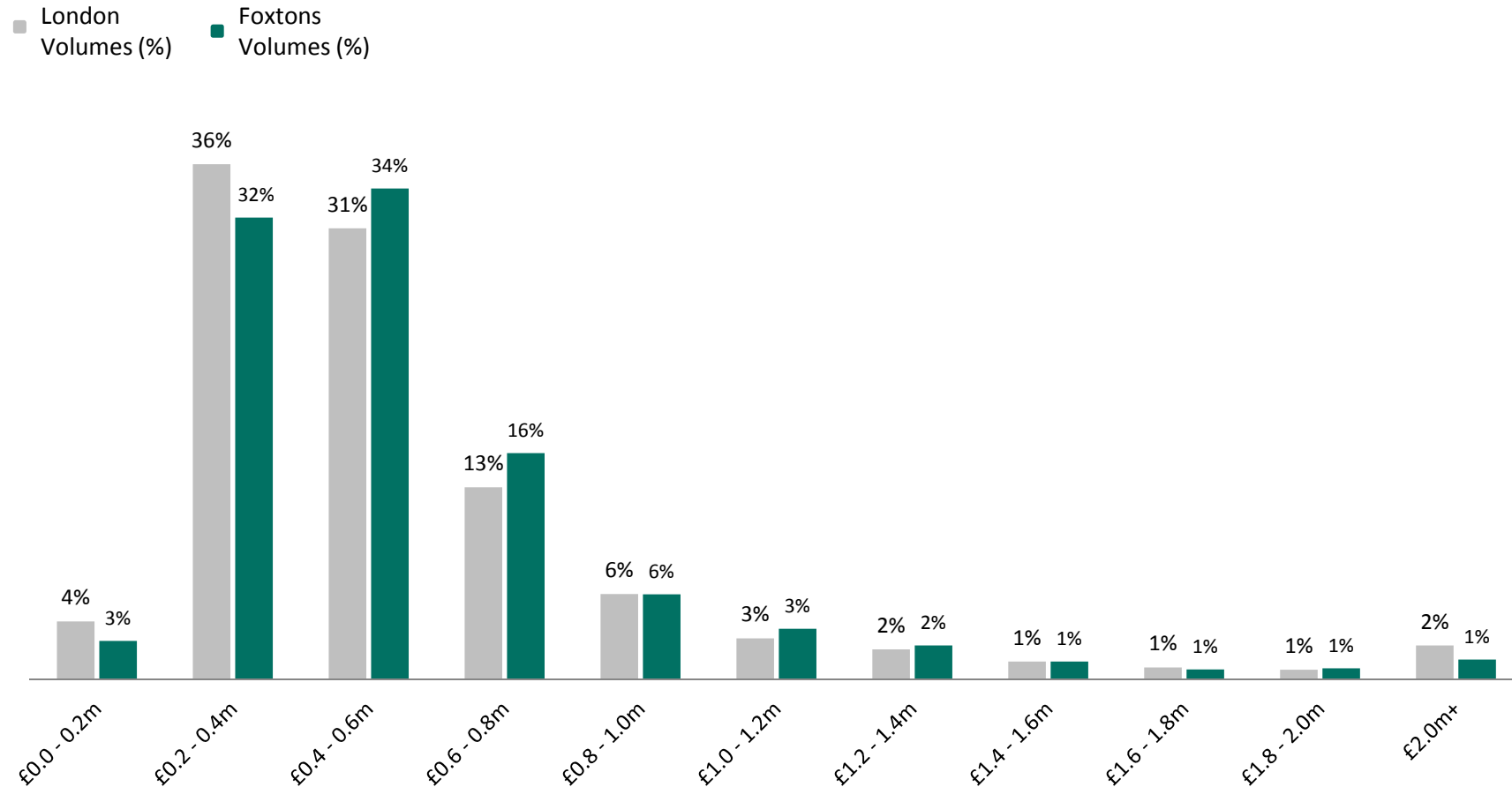


1) Source: TwentyCi research
2) Source: Zoopla

FOXTONS MID MARKET SALES POSITION MIRRORS LONDON



London and Foxtons sales distribution by price (2017)



1) Source: Land Registry, Foxtons research



THE SCALE AND SCOPE OF OUR BUSINESS

2017 STATISTICS

33,600

VIEWINGS EACH MONTH

+9.4%

PRICE ACHIEVED
VS. COMPETITORS

4.8 million

WEBSITE VIEWS

250,000

APPLICANTS REGISTERED

£1.7 billion

PROPERTY SOLD

£0.5 billion

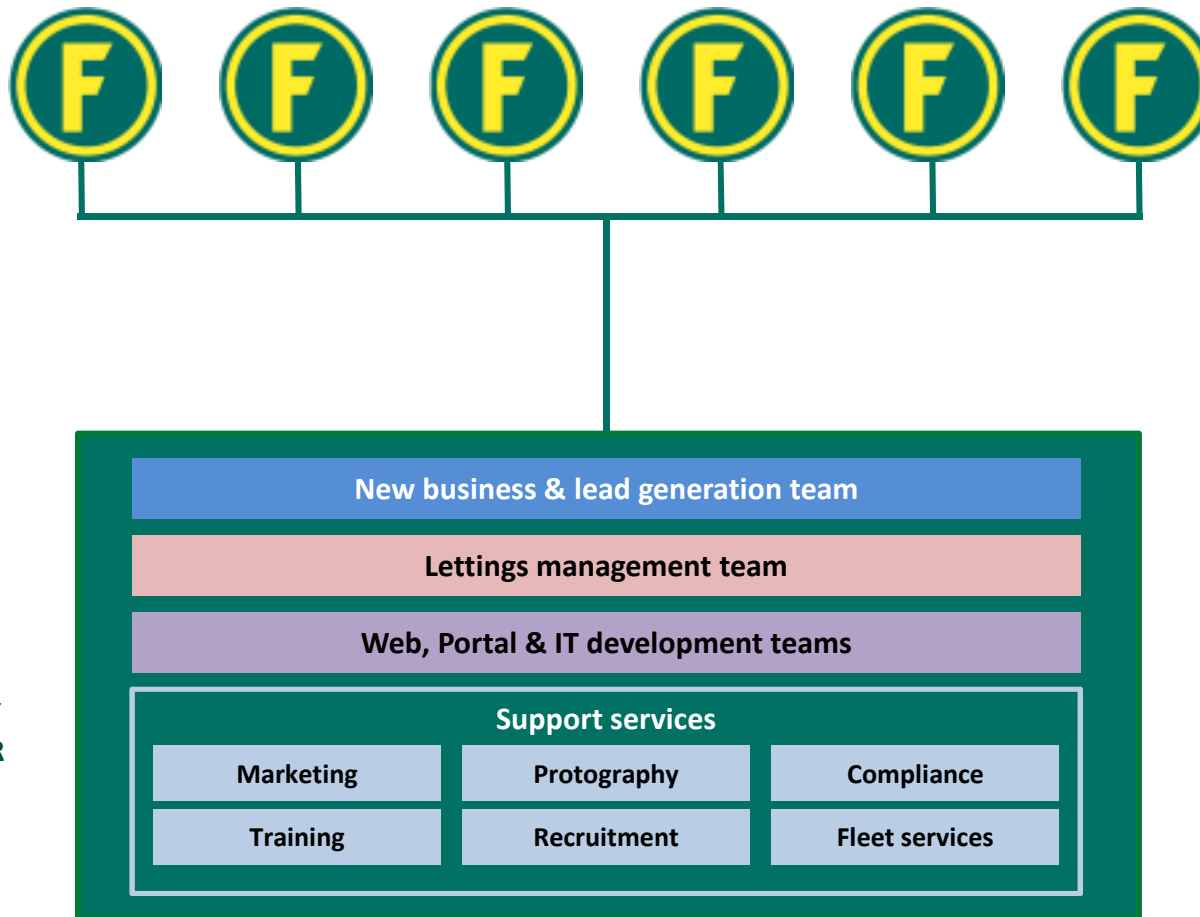
RENT COLLECTED

1 PROPERTY LET EVERY 16 MINUTES, 1 PROPERTY SOLD EVERY HOUR

WE OPERATE A UNIQUE CENTRALISED ESTATE AGENCY MODEL



SINGLE BRAND BRANCH NETWORK FOCUSED SOLELY ON SALES & CUSTOMER SERVICE



OUR SCALEABLE CENTRE IS A KEY DIFFERENTIATOR

BEST IN THE SECTOR TECHNOLOGY PLATFORM

Foxtons unique technology underpins every aspect of the business and provides a significant competitive advantage

