



Foxtons – Interim Results Presentation
For the six months ended 30 June 2014



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Introduction

Garry Watts, Chairman

Highlights

Nic Budden, Chief Executive Officer

Highlights



- **A robust set of results**

- Revenues up 16.2% to £72.8m and Adj. EBITDA up 28.7% to £24.9m.
- EBITDA Margins up 330 bps to 34.3% (2013: 31.0%).
- Profit before tax up 57.1% to £23.1m (2013: £14.7m).
- Interim and special dividends of £12.8m in total, payable in September 2014.
- Strong market momentum in H1, likely to be more moderate in H2.

- **Strong growth in sales and mortgages**

- Sales revenue +32.4%.
- Mortgage revenue +46.8%.

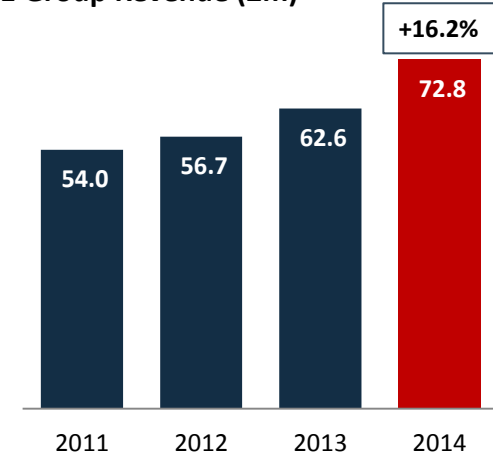
- **Lettings continue to deliver a secure revenue stream**

- 43.7% of Group revenue generated through lettings reflecting broadly flat lettings revenues resulting from sharp upturn in sales in Q1 in particular.

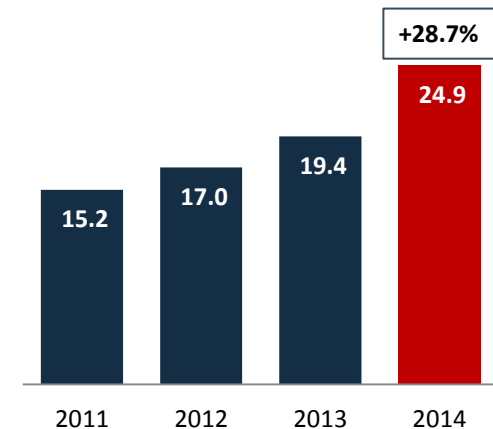
- **Organic expansion programme on track**

- 5 new branches opened during H1 2014 with 2 further openings planned for Autumn.
- 51 branches by year end 27 of which will have been opened since 2010.
- New branches performing in line with expectations.

H1 Group Revenue (£m)



H1 Group Adj. EBITDA (£m)





Financial Results

Gerard Nieslony, Chief Financial Officer

Profit and loss

Strong growth



Profit & loss (£000)	2014 H1	2013 H1	Variance	%
Revenue				
Sales	37,762	28,530	9,232	32.4%
Lettings	31,829	31,804	25	0.1%
Mortgage broking	2,988	2,035	953	46.8%
Other income	178	232	(55)	
Total revenue	72,757	62,601	10,156	16.2%
Administrative expenses	(47,810)	(43,211)	(4,599)	
Adjusted EBITDA	24,947	19,390	5,557	28.7%
<i>Adjusted EBITDA margin</i>	<i>34.3%</i>	<i>31.0%</i>		330 bps
Depreciation	(1,973)	(1,652)	(321)	
Debt repayment incentive scheme	-	(283)	283	
Operating profit	22,974	17,455	5,519	31.6%
Net finance costs	78	(2,782)	2,860	
Profit before tax	23,052	14,673	8,379	57.1%
Tax	(4,885)	(3,536)	(1,349)	
Profit after tax	18,167	11,137	7,030	63.2%

Strong sales market – volume and price driven

Flat lettings due to strength of sales market

Strong mortgage market

Revenue to profit conversion of 63% exclusive of ongoing listing costs and management incentives.

Margin increase of 330 bps

No finance costs as debt free

Effective tax rate approaching statutory rate

EPS	2014 H1	2013 H1	%
Basic EPS	6.4	4.3	48.8%
Adjusted EPS	6.4	4.3	48.8%

Significant increase in EPS due to increased underlying profitability plus debt free

Key performance indicators

Strong growth in sales and mortgages



KPIs	2014 H1	2013 H1	%
Revenue (£000)	72,757	62,601	16.2%
Average number of branches	46.5	39.5	17.7%
Average total headcount	1,215	1,163	4.4%
Income per branch (£000)	1,565	1,585	(1.3)%
Income per head (£000)	59.9	53.8	11.3%
Sales revenue (£000)	37,762	28,530	32.4%
Units	2,919	2,441	19.6%
Revenue per deal	£12,937	£11,688	10.7%
Lettings revenue (£000)	31,829	31,804	0.1%
Units	9,923	10,027	(1.0)%
Revenue per deal	£3,208	£3,172	1.1%
Mortgage revenue (£000)	2,988	2,035	46.8%
Units	1,469	1,047	40.3%
Revenue per deal	£2,034	£1,944	4.6%

Income per branch held flat despite significant increase in number of new branches

Income per head continues to grow, increasing by 11.3%

Increase in sales revenue of 32.4% driven primarily by volume but also by price

Flat lettings revenue due to strength of sales market

Substantial increase in mortgage broking revenue, primarily volume driven

Cash flow statement

Highly cash generative



£000	2014 H1	2013 H1
Adjusted EBITDA	24,947	19,388
Decrease in provisions	(37)	2
Decrease/(increase) in receivables	(2,433)	(2,343)
(Decrease)/increase in payables	1,370	2,367
Cash generated by operations	23,847	19,416
Income taxes paid	(5,164)	(2,772)
Debt repayment scheme paid	-	(283)
Net cash from operating activities	18,683	16,361
Investing activities		
Interest received	78	43
Proceeds on disposal of PP&E	120	270
Capital spend	(4,556)	(4,833)
Net cash used in investing activities	(4,358)	(4,520)
Financing activities		
Dividends paid	(15,350)	-
Interest paid	-	(1,810)
Repayment of borrowings	-	(5,000)
Repayments of obligations under HP	-	(266)
Treasury share purchase	(1,540)	-
Net cash used in financing activities	(16,891)	(7,076)
Net increase in cash and cash equivalents	(2,566)	4,764
Cash and cash equivalents at beginning of period	23,352	9,774
Cash and cash equivalents at end of period	20,786	14,538

Metrics		
Adjusted operating cash flow	19,448	14,850
Adjusted cash conversion	78.0%	76.6%
Net free cash flow	14,325	11,840
Net free cash flow as a % of Adj. EBITDA	57.4%	61.1%

Minimal working capital requirements

Increase in tax payments due to increased PBT

Lower capital spend despite the same number of branch openings as 2013 included spend on Alexander Hall head office

Payment of 2013 final dividend (pro rata since IPO) and special dividend

Debt free

21% increase in net free cash flow reflects increased EBITDA

High cash conversion rate. Slightly reduced versus prior year due to higher corporation tax payments

Balance sheet

Asset light business



£000's	June 2014	June 2013
Non-current assets		
Goodwill	19,168	19,168
Other intangible assets	99,000	99,000
Property, plant and equipment	23,801	21,043
Deferred tax assets	747	724
	142,716	139,935
Current assets		
Receivables and prepayments	21,932	19,691
Cash and bank balances	20,786	14,538
	42,718	34,229
Current liabilities	(21,915)	(20,294)
Net current assets	20,803	13,935
Non-current liabilities		
Borrowings	-	(63,180)
Deferred tax liabilities	(19,800)	(22,770)
	(19,800)	(85,950)
Net assets	143,719	67,920

Low property, plant and equipment balance as properties are leased

High cash balance allows Foxtons to pay both interim and special dividend

Dividend

Interim and special dividend



- **2014 interim dividend**

- Interim and special dividends declared totalling 4.54p:
 - Interim dividend 1.77p
 - Special interim dividend 2.77p.
 - Total payable £12.8m

- Payable 26 September 2014 (ex-dividend date 3 September 2014).

Expansion programme

Nic Budden, Chief Executive Officer

Expansion programme

Significant ongoing opportunity



Branch expansion history



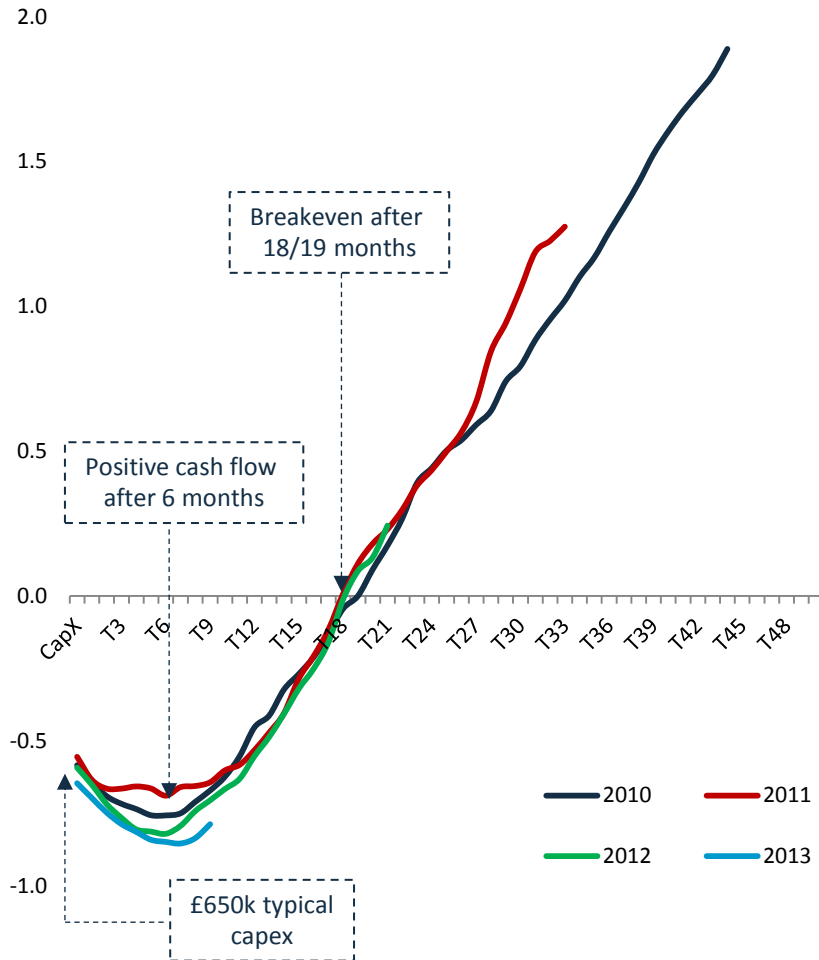
- Successful track record with significant ongoing opportunity to expand further within London at a rate of 5-10 branches per year.
- 50 further new branch locations with similar economic potential identified.
- Focus within M25 where values and volumes are highest.
- Exclusively organic expansion to maximise ROCE and maintain quality.
- Leverage systems and database to create ever expanding network of sales opportunities through interconnected offices.
- Expand outwards into “villages” adjacent to existing markets where Foxtons’ brand recognition is already high.
 - Use infill branches to maximise market share.
 - Expand into virgin territories to broaden brand awareness.
- Drive rapid market share growth through effective execution of the “zero” marketing campaign.
- 2015 new branch sites already secured.

Expansion programme

New branch economics



Cumulative cash (£m)



- Predictable branch costs lead to consistent financial returns across the portfolio:
- Each cohort of new branches between 2010 and 2012 achieved positive cash flow within 6 months and broke even within 19 months.
- ROCE of over 150% by second year.
- 2013 new branches are following a similar cash flow profile.
- Further growth potential as more recently opened branches mature.



Market update and summary

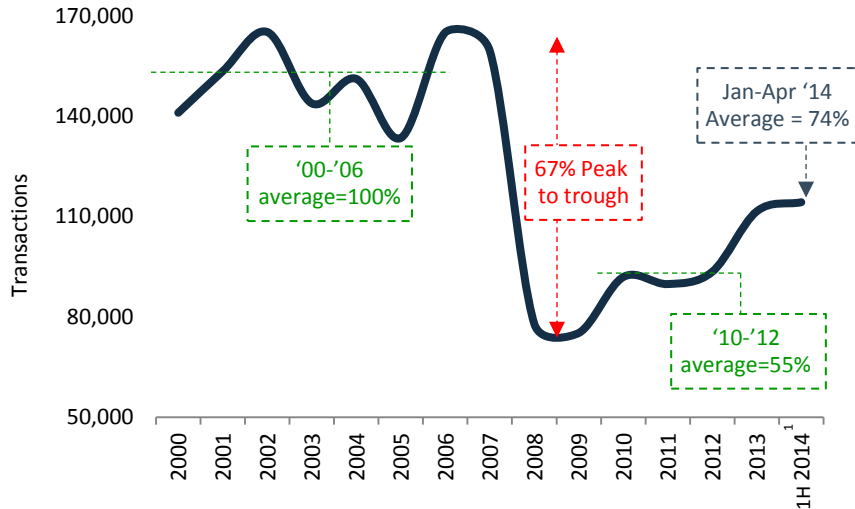
Nic Budden, Chief Executive Officer

Market update

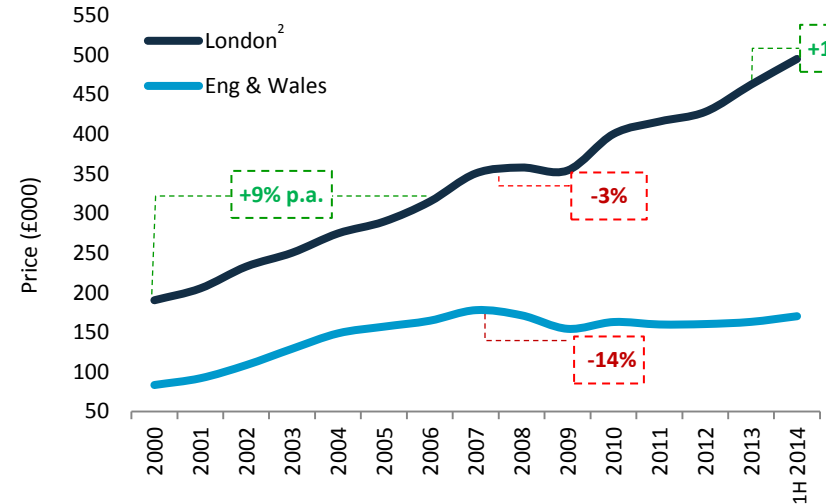
Volumes and prices



Annual London property sales transactions



Average property sales price (£000)



- Significant activity in property markets over the last 12 months
- Very strong sentiment in H2 2013 and H1 2014
- Signs of moderation in H2 2014
- Confident of long term market growth but not always smooth and predictable
- Strong sales volume growth and faster sell-through rates have slowed growth in the lettings market.

- London prices have remained resilient throughout the period, dropping only 3% during the downturn, in comparison to 14% across the UK.
- Very strong price growth in London due to lack of stock
- June 2014 London prices have risen 16.4% from June 2013, compared to an average annual increase of 8.6% from 2000-2006.
- Some moderation in price growth is expected in future
- Current average sales price in London is £495k, versus a Foxtons average price of £545k.

¹ Annualised and seasonally adjusted

² Foxtons defines the London market as within the M25

Summary

Continue to deliver on our strategy



Focus on markets with attractive fundamentals

- London property market continues to offer disproportionate value
- Resilient sales prices
- Valuable lettings market

Centralised business model

- Centralised business model underpinned by innovative technology
- Improving margins with expansion
- High levels of productivity

Low risk, high return organic expansion programme

- Successful track record of organic expansion
- 20 new branches opened since 2010, performing in line with expectations
- 51 branches at year end with a further 50 targets identified in London

Exceptional service

- Intense culture of sales and service
- Sustainable premium pricing position
- Loyal client base

Strong financial Performance (H1 2014)

- 16.2% revenue growth
- 28.7% Adj. EBITDA growth
- 48.8% EPS growth