

**Foxtons – Preliminary Results Presentation**  
*For the year ended 31 December 2014*



# Disclaimer



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## **Performance summary**

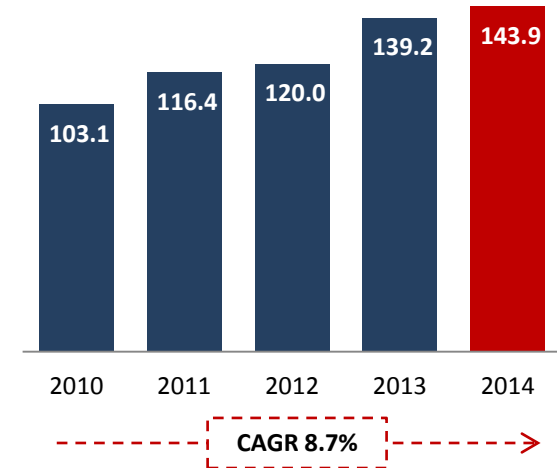
Nic Budden, Chief Executive Officer

# Group performance

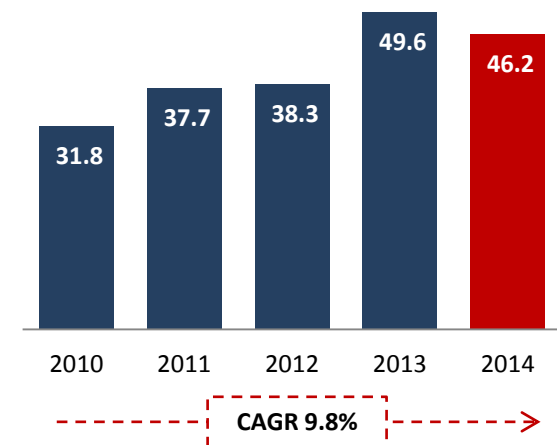


- **Year of contrasting halves**
  - Very strong sales market in H1 2014 – reached highest level since 2008
  - Sharp downturn in property sales market in H2 2014
  - Market affected by political and economic uncertainty and mismatch of price expectations between buyers and sellers
  - These external headwinds expected to persist until at least after election
  - Strong Q4 2014 lettings performance
- **Revenue growth across all business segments**
  - Sales +3.6%
  - Lettings +1.5% (Q4: +7.7%)
  - Mortgages +26.8%
- **High Adjusted EBITDA margins and strong cash generation**
  - Adjusted EBITDA margin: 32.1% on EBITDA of £46.2m
  - Operating cash conversion: 84.8% (2013 : 83.1%)
  - Proposed final and special dividend totalling 5.16p per share
  - Total dividends for 2014: 9.70p per share
  - £42.7m in dividends returned to shareholders since IPO (including proposed dividends for 2014)
- **Organic expansion plans on track**
  - Firmly committed to strategy of opening 5 to 10 new branches each year
  - 7 new branches opening in 2015
  - All new branches performing in line with expectations

Group Revenue (£m)



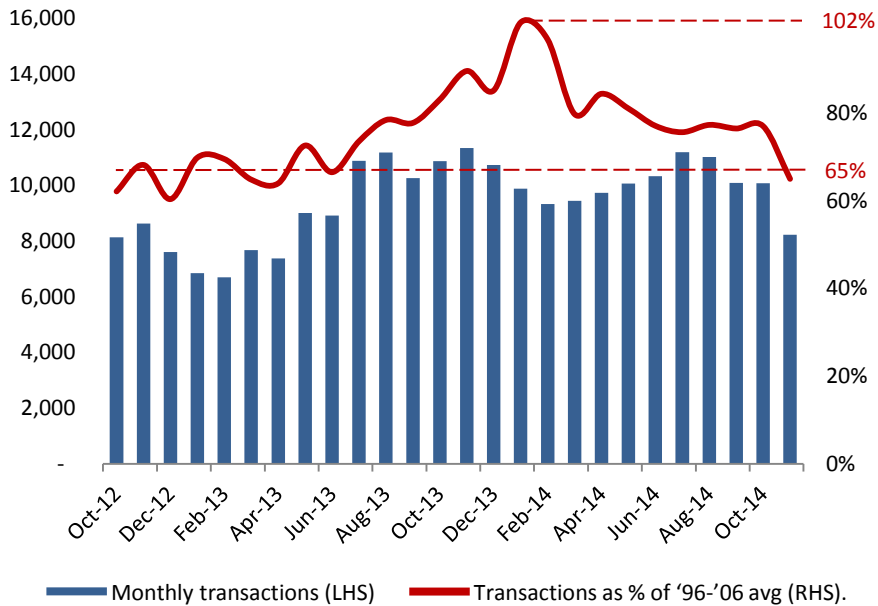
Group Adj. EBITDA (£m)



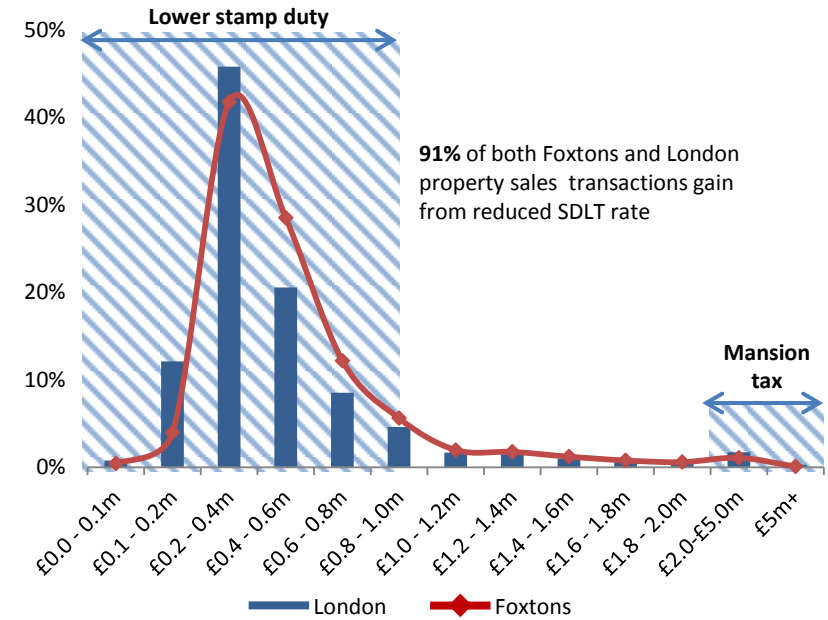
# Sales market performance



Monthly London property sales transactions



2014 : London property sales by value

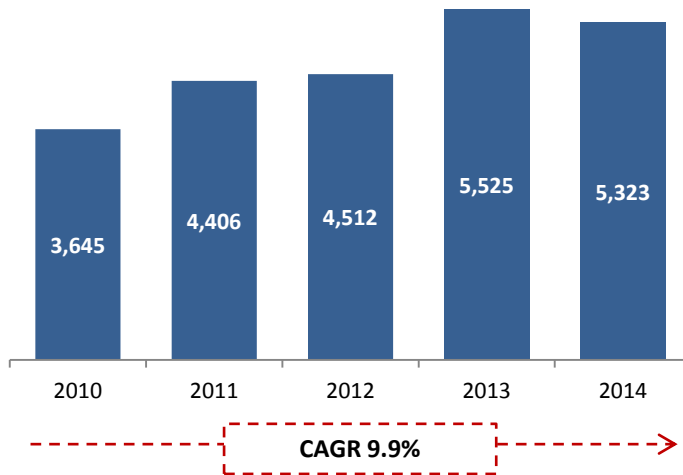


- Monthly property sales transactions peaked at over 100% of long-term average in Q1 2014
- H2 2014 transaction volumes slowed to levels seen in late 2012 and early 2013, due to economic and political uncertainty and mismatch of price expectations between buyers and sellers
- SDLT changes introduced December 2014 helpful for vast majority of London buyers
- 91% of both Foxtons and London property sales volumes below £937k and therefore potentially benefit

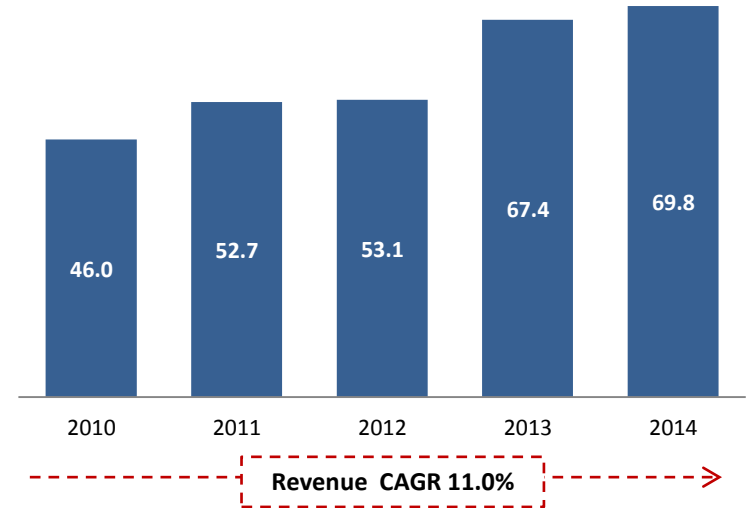
# Sales performance



Foxtons property sales units



Foxtons property sales revenue (£m)

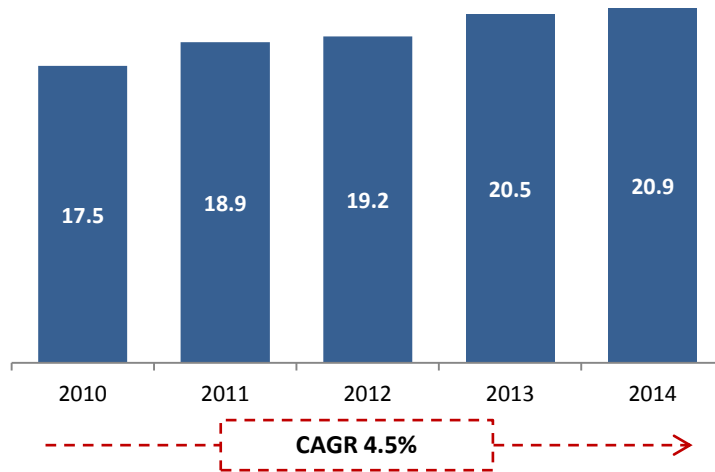


- Foxtons property sales revenue continues to be influenced by a cyclical market
- 11.0% CAGR in property sales revenue and 9.9% CAGR in units since 2010
- Property sales generated 48.5% of Group turnover and 50.3% of Adjusted EBITDA in 2014

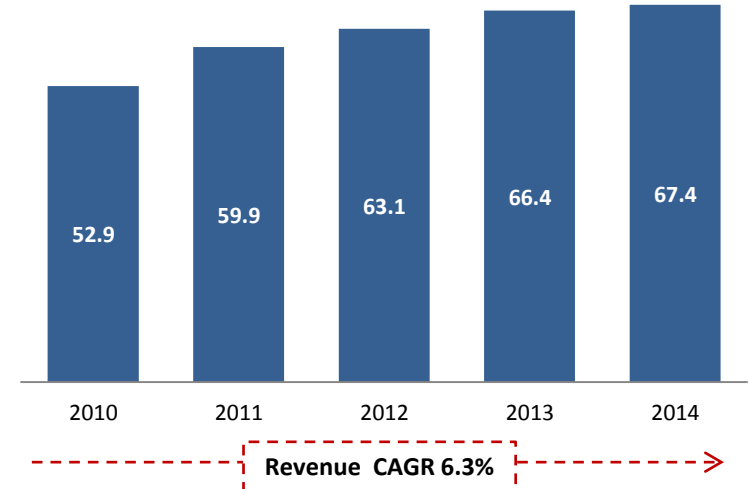
# Lettings performance



Foxtons Lettings units (000's)



Foxtons Lettings revenue (£m)

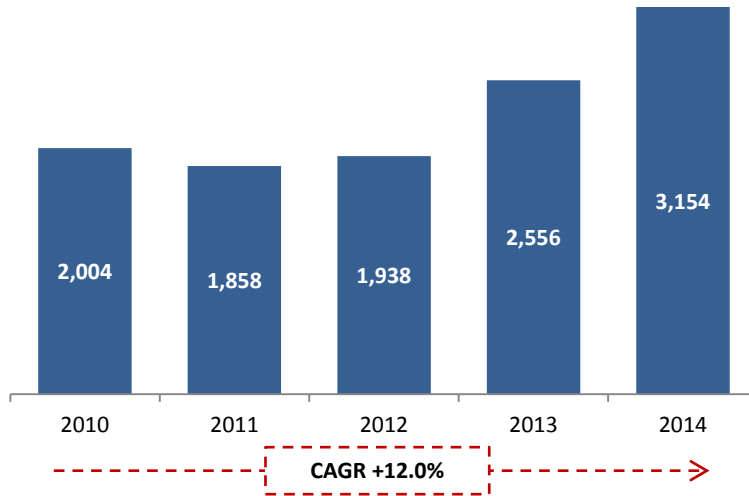


- Exceptionally strong property sales market during H1 2014 led to downward pressure on lettings volumes. Growth returned to lettings in Q4 2014, with revenue increasing by 7.7% versus Q4 2013
- Increasing population and high property purchase prices create a strong long term outlook for lettings in London
- Foxtons Lettings business delivers a stable, profitable income stream which balances the naturally more cyclical property sales division
- 6.3% CAGR in Lettings revenue since 2010
- Lettings generated 46.8% of Group turnover and 47.2% of Adjusted EBITDA in 2014

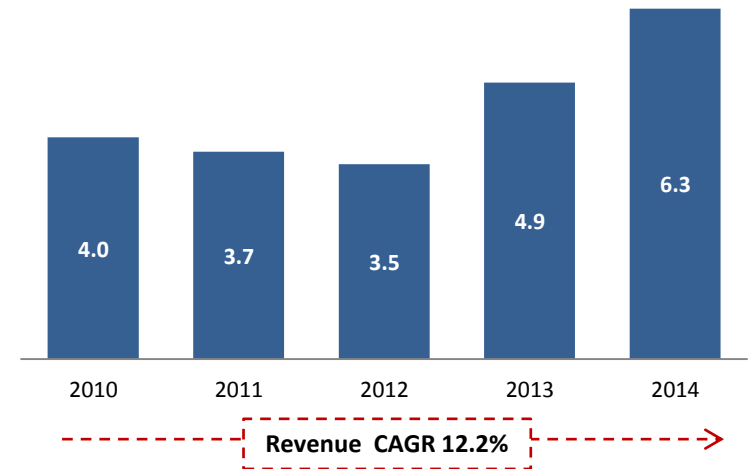
# Mortgage performance



Foxtons Mortgage Broking units



Foxtons Mortgage Broking revenue (£m)



- Mortgage approval levels in London remain well below the 1996-2006 average
- Foxtons Mortgage Broking business, Alexander Hall, showed strong unit and revenue growth in 2014 compared to 2013
  - 23.4% unit growth
  - 26.8% revenue growth
  - 173% Adjusted EBITDA growth (2014 : £736k, 2013 : £270k)



## **Financial Results**

Gerard Nieslony, Chief Financial Officer

# Profit and loss

## Continued high margins



P&L - £000's	2014	2013	%
Sales	69,833	67,416	3.6%
Lettings	67,387	66,360	1.5%
Mortgage broking	6,260	4,938	26.8%
Other	428	467	
<b>Total Revenue</b>	<b>143,908</b>	<b>139,181</b>	<b>3.4%</b>
Administrative expenses	(97,708)	(89,549)	9.1%
<b>Adjusted EBITDA</b>	<b>46,200</b>	<b>49,632</b>	<b>(6.9%)</b>
<i>Adjusted EBITDA margin</i>	<b>32.1%</b>	35.7%	
Depreciation	(4,085)	(3,728)	
Other	(96)	223	
<b>Operating profit before exceptional items</b>	<b>42,019</b>	<b>46,127</b>	<b>(8.9%)</b>
Exceptional items	-	(3,155)	
<b>Operating profit</b>	<b>42,019</b>	<b>42,972</b>	<b>(2.2%)</b>
Net finance costs	129	(4,024)	
<b>Profit before tax</b>	<b>42,148</b>	<b>38,948</b>	<b>8.2%</b>
Tax	(8,706)	(6,800)	
<b>Profit after tax</b>	<b>33,442</b>	<b>32,148</b>	<b>4.0%</b>

EPS	2014	2013	%
Basic EPS	11.9	12.2	(2.5%)
Adjusted EPS	11.9	13.3	(10.5%)

Adjusted segmental EBITDA margins	2014	2013	2012
Sales	33.3%	39.1%	30.2%
Lettings	32.4%	34.6%	34.8%
Mortgage broking	11.7%	5.5%	6.0%
<b>Group</b>	<b>32.1%</b>	<b>35.7%</b>	<b>31.9%</b>

Story of contrasting halves with H1 growth of 32.4% in contrast to H2 which fell by 17.5% reflecting the downturn of the London property sales market

Lettings remained flat reflecting the strength of the sales market in H1. In Q4 revenue grew by 7.7%

Second year of significant growth for Mortgage Broking

Increase in costs was primarily headcount related, both branch and support staff, together with increased cost due to the expansion of the branch network and additional costs to operate as a listed company.

Company continues to generate high margins with 2013 benefiting from a particularly strong sales market

Exceptional costs of listing in 2013

Company remains debt free since IPO in September 2013

Effective tax rate for 2014 approximates the statutory rate of tax

EPS has reduced due to the increase in the weighted average number of shares in issue (primary issue Sept-2013)

No exceptional items in 2014, hence basic and adjusted EPS are the same

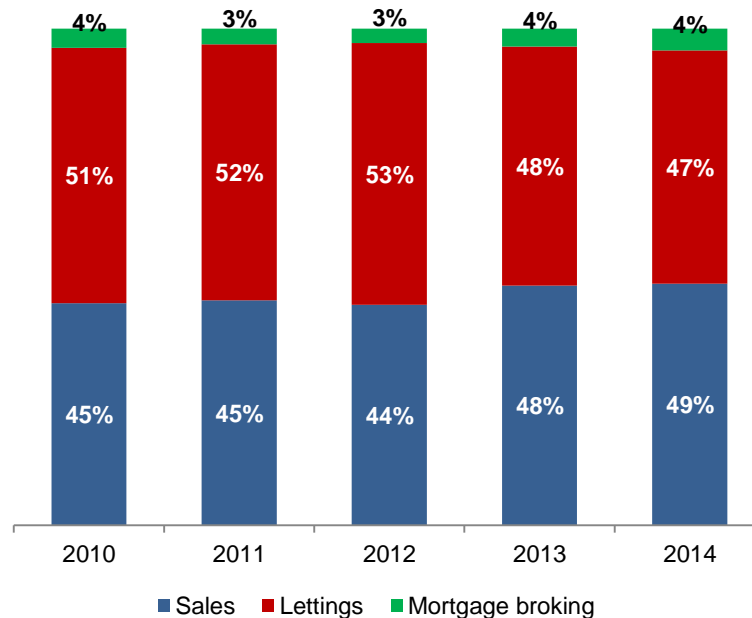
# Key performance indicators

## Revenue analysis by division



	2014	2013	(%)
<b>Sales</b>			
Revenue (£000's)	<b>69,833</b>	67,416	3.6%
Volume (Units)	<b>5,323</b>	5,525	(3.7%)
Average revenue (£)	<b>13,119</b>	12,202	7.5%
<b>Lettings</b>			
Revenue (£000's)	<b>67,387</b>	66,360	1.5%
Volume (Units)	<b>20,895</b>	20,538	1.7%
Average revenue (£)	<b>3,225</b>	3,231	(0.2%)
<b>Mortgage broking</b>			
Revenue (£000's)	<b>6,260</b>	4,938	26.8%
Volume (Units)	<b>3,154</b>	2,556	23.4%
Average revenue (£)	<b>1,985</b>	1,932	2.7%

Revenue by division - % of total



# Cash flow

## Highly cash generative



	2014	2013
<b>Adjusted operating cash</b>		
Adjusted EBITDA	46,200	49,632
Movement in working capital	(302)	(1,444)
Net capital spend	(6,816)	(6,933)
<b>Adjusted operating cash</b>	<b>39,082</b>	<b>41,255</b>
<i>Operating cash conversion ratio</i>	<b>84.6%</b>	83.1%
<b>Other cash movements</b>		
Income taxes paid	(10,324)	(6,161)
Purchase of shares for LTIPS	(1,540)	-
Other	102	356
<b>Net free cash flow</b>	<b>27,320</b>	<b>35,450</b>
<i>Net free cash to Adjusted EBITDA ratio</i>	<b>59.1%</b>	71.4%
<b>Financing activities</b>		
Dividends paid	(28,139)	-
Repayments of borrowings, interest and finance leases	-	(71,684)
Proceeds on issue of shares	-	55,001
<b>Exceptional items</b>	-	(5,189)
<b>Net increase/(decrease) in cash</b>	<b>(819)</b>	<b>13,578</b>
<b>Cash at start of year</b>	<b>23,352</b>	<b>9,774</b>
<b>Cash at end of year</b>	<b>22,533</b>	<b>23,352</b>

Strong EBITDA generation

Minimal working capital requirements

Low capital spend relative to cash generation

Includes cost of opening 7 new branches in each year

High operating cash conversion ratio

Phasing of Corporation Tax instalment payments, debt free since Sept-2013, Group relief obtained in 2013

Net free cash ratio reduced primarily due to higher corporation tax payments

Company debt free with all excess cash being returned to shareholders via dividend payments

Payment of final + special dividend for 2013 and interim dividend + special dividend for 2014

- **2014 proposed final and special dividend**

Final dividend      3.17p

Special dividend    1.99p

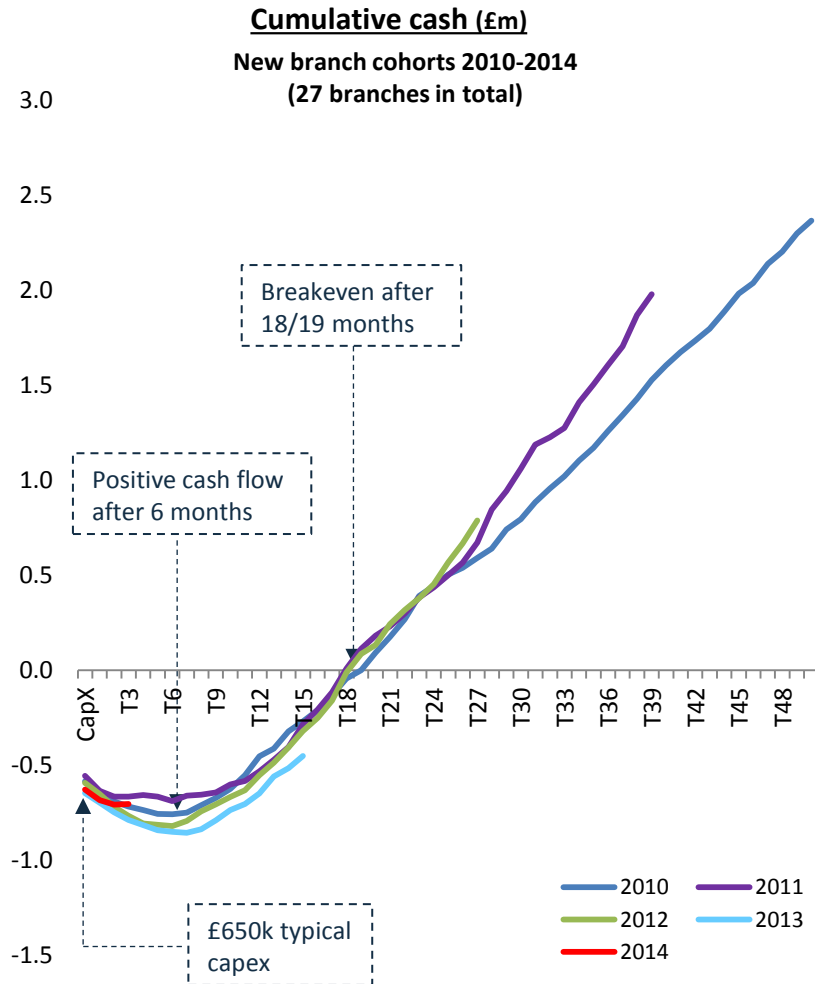
Total dividend    5.16p

Total payable      £14.5m

Payable 29 May 2015 (record date 1 May 2015)

- Dividends in respect of the 2014 financial year total 9.70p per share (£27.3m)
- Since IPO (September 2013) and including the proposed 2014 final and special dividend, the company will have returned £42.7m to shareholders, 15.14p per share

# New branch performance



- Consistent performance of new branches opened since 2010
- Each cohort of new branches between 2010 and 2012 achieved positive cash flow within 6 to 7 months and broke even within 19 months
- Branches opened in 2013 and 2014 following similar profile of earlier branch openings
- Average ROCE achieved of over 150% by second year of operation for the 2010, 2011 and 2012 branch openings
- Opening 7 new branches in 2015, with 5 opening by April

## **Summary and outlook**

Nic Budden, Chief Executive Officer

# Summary and outlook



## Summary

- Long term fundamentals of the London property market remains strong
- Solid financial performance in a year of two contrasting halves
- Business model continues to deliver strong margins
- Balanced business model provides stability
- Branch expansion performing as expected

## Outlook

- Sales market will continue to be constrained for some time due to political and economic uncertainty
- Lettings returned to growth in Q4 2014 which has continued into 2015
- We remain confident of growing revenue and profit even in a flat property sales market

**Questions?**

# Appendix

# Attractive market fundamentals

## Focused on London property markets which are disproportionately valuable

- High levels of mobility and a young population create rapid transaction velocity
- Strong population growth, foreign buyers, planning restrictions and limited supply create systemic excess property demand
  - Population of Greater London grew by 12% between 2001 and 2011 to 8.2m and is forecast to reach 9m by 2018
- The resulting imbalance between property supply and demand creates resilient prices
  - Prices within M25 increased by 7% CAGR between 2000 and 2014
  - In 2014 prices within M25 region grew by c16%
  - Sales prices within M25 in 2014 were 49% higher than in 2007
- The London lettings market is also highly valuable with average London rents over 80% higher than the UK
- Over 30% of London households currently in private rented accommodation



## Significant and sustainable competitive advantage

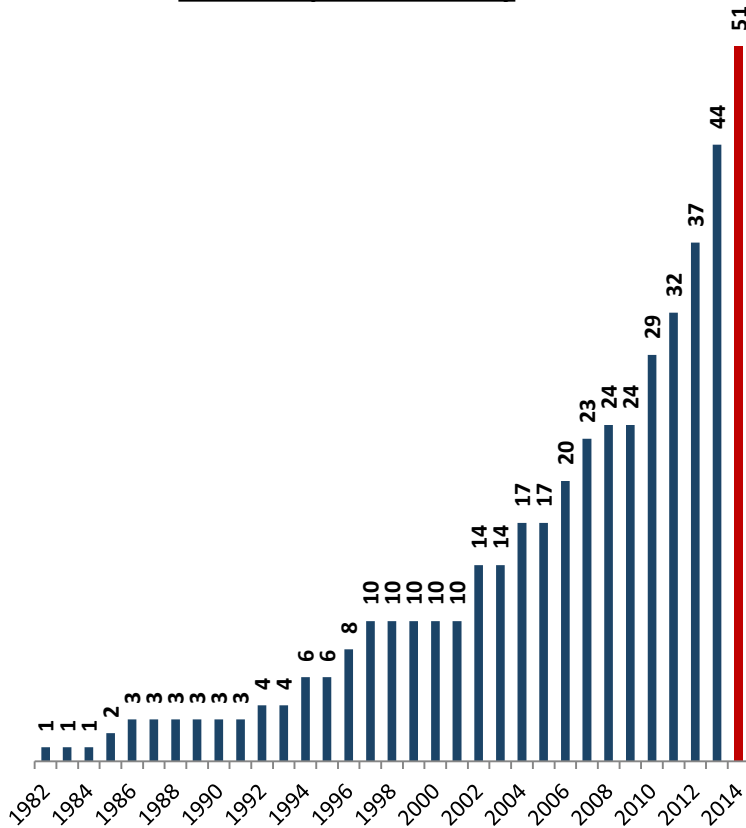
- **Single brand**
  - A powerful brand supported by 30 years of significant marketing expenditure
  - Leading property website receiving around 650,000 unique visitors each month
  - Distinctive branch design and branded Mini fleet reinforce high street presence
- **Business centralisation**
  - Substantial investment in centralised resources has created a highly scalable business that delivers unparalleled levels of productivity and service at low cost
  - Significant operational leverage enabling margin improvement with expansion
- **Innovative technology**
  - Undisputed technology leader with sophisticated systems, web applications and content rich information databases underpinning all aspects of our business
  - A key driver of reducing acquisition costs
- **Culture and People**
  - Highly motivated people incentivised to deliver exceptional results for clients
  - A true meritocracy based on promotion from within
  - Goal is to create the finest estate agents in the industry with a clear focus on professionalism, integrity and work ethic
- **Integrated mortgage broker, Alexander Hall**
  - Integrated mortgage broker with access to large numbers of Foxtons leads

# Expansion programme

## *Significant ongoing opportunity*



### Branch expansion history



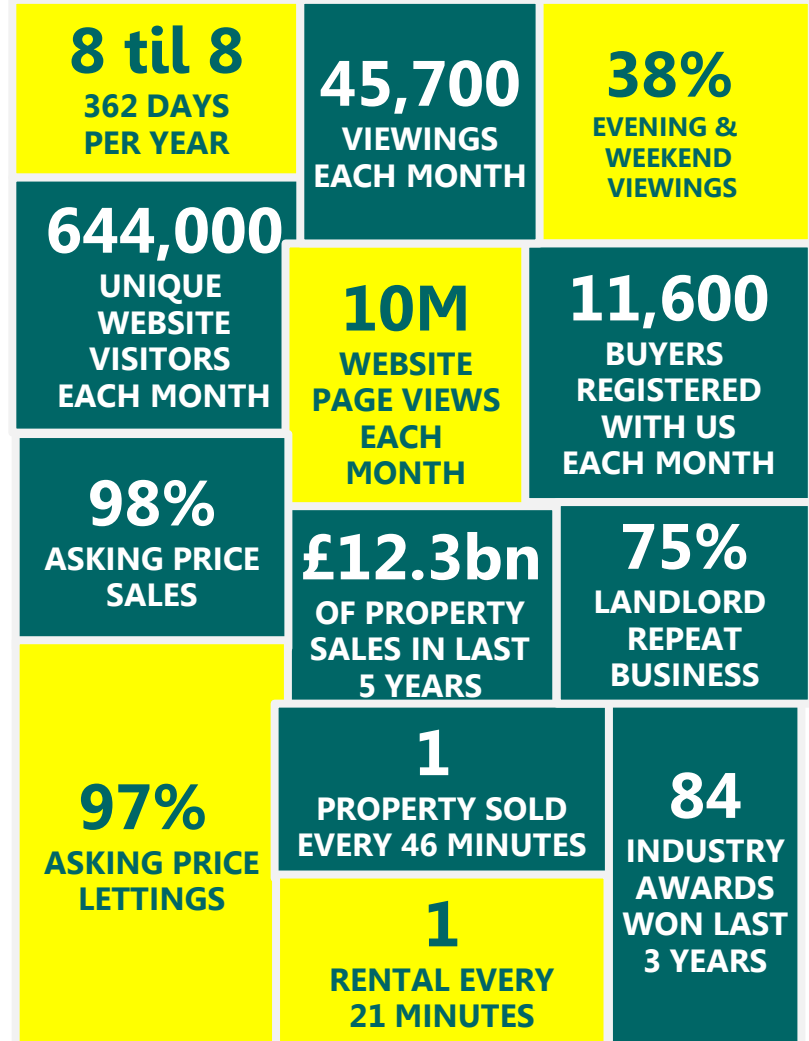
- Successful track record with significant ongoing opportunity to expand further within London at a rate of 5-10 branches per year
- 50 further new branch locations with similar economic potential identified
- Focus within M25 where values and volumes are highest
- Exclusively organic expansion to maximise 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 new territories
- Drive rapid market share growth through effective execution of the “zero” marketing campaign
- Opening 7 new branches in 2015, with 5 opened by April

# Service excellence



## Premium service dedicated to maximising value for Clients and substantiate our premium pricing

- Long track record of service leadership, responsible for selling over £12.3bn of property over last five years
- Branch network and sales centre open 8am-8pm 362 days a year
- Over 45,000 viewings every month with almost 40% taking place outside normal working hours
- London's leading website attracting millions of visitors
- 11,600 buyers registered with Foxtons each month
- Over 97% of asking price achieved on average for both sales and lettings clients
- Premium, non negotiable commissions sustained for over a decade due to service differentiation



# Balance sheet

## *Asset light business*



Balance sheet	2014 £'000	2013 £'000
<b>Non-current assets</b>		
Goodwill	19,168	19,168
Other intangible assets	99,000	99,000
Property, plant and equipment	24,067	21,337
Deferred tax assets	876	666
	<b>143,111</b>	<b>140,171</b>
<b>Current assets</b>		
Receivables and prepayments	17,103	19,499
Cash	22,533	23,352
	<b>39,636</b>	<b>42,851</b>
<b>Total assets</b>	<b>182,747</b>	<b>183,022</b>
<b>Current liabilities</b>	<b>(16,657)</b>	<b>(20,774)</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	(19,800)	(19,800)
<b>Net assets</b>	<b>146,290</b>	<b>142,448</b>