



Foxtons

Preliminary results presentation

For the year ended December 2016



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.

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Overview

Nic Budden, Chief Executive Officer



GROUP OVERVIEW

GROUP PERFORMANCE

- Group revenue in the year £132.7m delivering £24.6m EBITDA
- Lettings and mortgage broking remained resilient whilst sales reflected challenging London market
- Number 1 market position in both sales and lettings listings⁽¹⁾
- 67 branches covering 80% of London

HIGHLY CASH GENERATIVE

- 94% operating cash conversion
- Year end cash £9.5m with no debt
- 0.33 pence per share proposed final dividend bringing full year dividend to 2.0 pence per share, in line with stated policy; £91m returned to shareholders since IPO⁽²⁾

STRATEGY AND INITIATIVES

- Continue to focus on delivering against Group strategy – despite short term headwinds long term fundamentals of London property market remain strong
- Excellent progress with new initiatives including technology investment, new digital marketing strategy and expansion into institutional PRS
- Significant potential upside from 38 relatively immature branches

Note: Throughout this presentation EBITDA refers to Adjusted EBITDA

1) Source: Zoopla listings in Foxtons territories

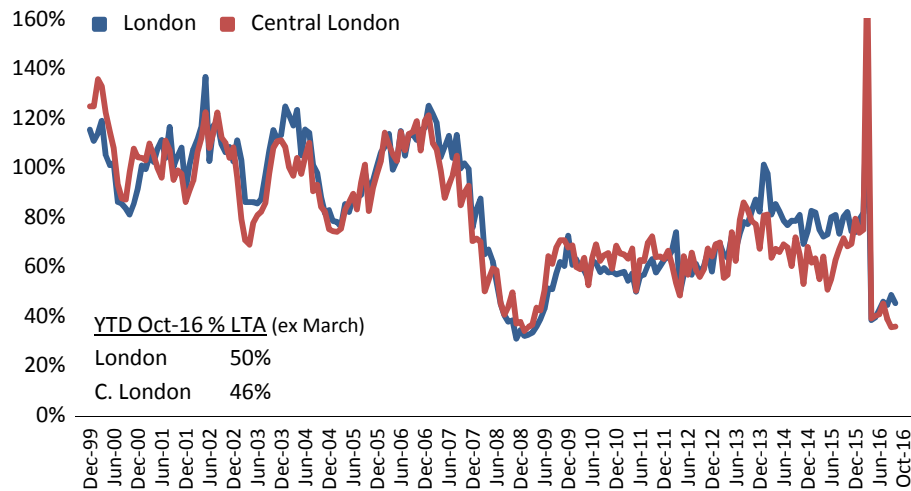
2) Includes share buy-backs and proposed 2016 final dividend

SALES MARKET UPDATE



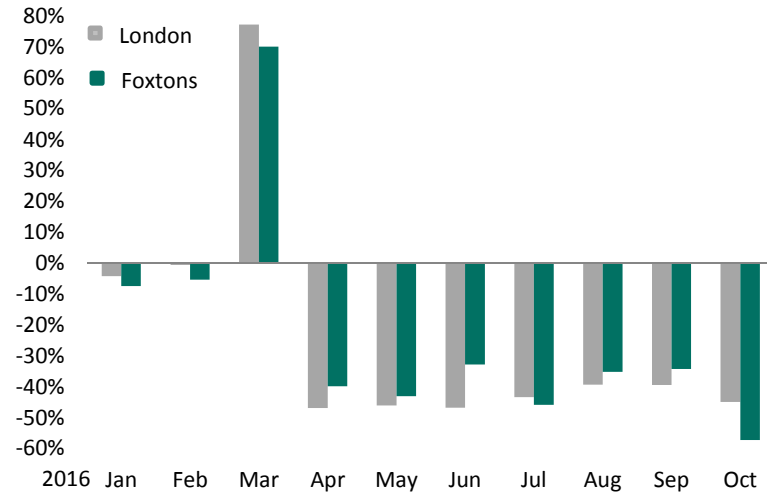
Residential property sales transaction volumes

(monthly sales volumes as % of long term average)⁽¹⁾⁽²⁾



Foxtons volumes tracked London market

(1 year sales transaction volume change)⁽¹⁾



- Highly volatile sales market impacted by changes to stamp duty for investors and EU referendum result
- One-off increase in sales in March as investors sought to purchase before the introduction of additional stamp duty on buy-to-let properties, with sales pulled forward from the rest of the year
- Sharp contraction in sales volumes in Q2 further compounded by UK's vote to leave the EU on June 24
- 2016 Greater London sales transactions an estimated 28% lower than 2015, with Q2-Q4 run rate 44% lower
- Foxtons sales volumes tracked wider London market despite intense competition as market listings levels decreased

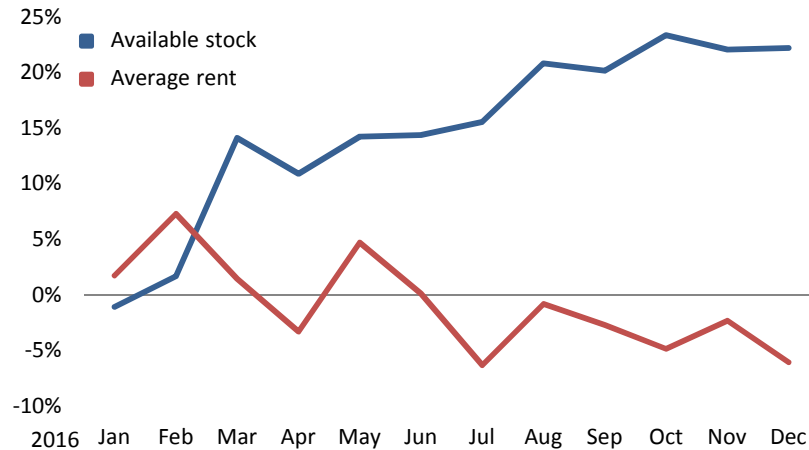
Note: London defined as the Greater London administrative area. Central London defined as TFL Zone 1

1) Source: Land Registry, Foxtons research

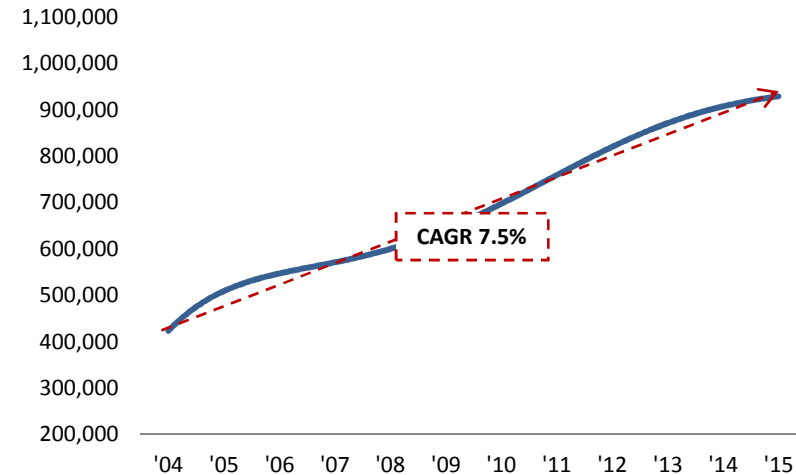
2) Long term average defined as average residential sales transaction during period 1996-2006 for Greater London, 2000-2006 for Central London.

LETTINGS MARKET UPDATE

Change in rental property supply and prices
(1 year change)⁽¹⁾



Number of privately rented homes in London
(Number of households)⁽²⁾



- Private Rental Sector (PRS) market fundamentals remain strong:
 - 30% of households in London rent (1m), nearly double the rate in rest of UK
 - Increased institutional investment in sector, with further support in government Housing White Paper (Feb 2017)
- Increasingly complex market:
 - Await outcome of government consultation on tenant fees ban to determine its impact
- Surge in buy-to-let purchases in March resulted in increased supply of rental properties in 2016. Tenant demand remained flat during this period, leading to a decrease in rents in H2
- Brexit vote in June impacted rental market in London:
 - Due to uncertainty tenants less likely to move; more renewals and for shorter periods of time
 - Significant reduction in corporate relocation and short lets demand in H2 2016

1) Source: Foxtons research

2) Source: Department for Communities and Local Government



Financial review

Mark Berry, Chief Financial Officer

A BALANCED BUSINESS BUILT TO WITHSTAND THE CYCLE

Revenue split

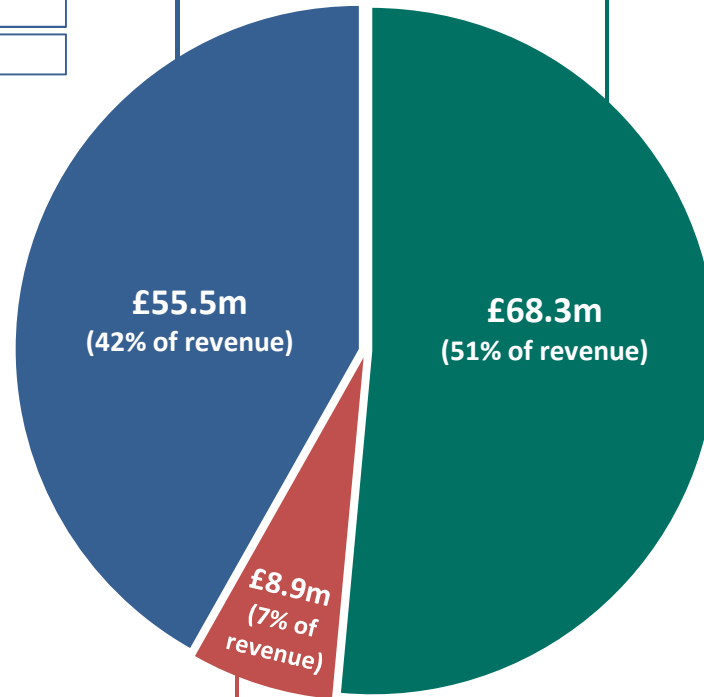
FY14	47% Lettings
FY15	46% Lettings
FY16	51% Lettings



Sales

23%	Revenue decrease
28%	Volume decrease
5%	Revenue per deal increase

- Revenue: £55.5m (2015: £72.5m)
- Record Q1 due to c.£7m sales pull forward prior to buy-to-let stamp duty change
- Volumes fell in Q2 and remained at levels comparable to 2009 (H1 units: 2,314; H2: 1,712)
- Revenue per unit £13.8k (2015: £13.0k)
- Average Foxtons sales price: £568k (2015: £550k)



Mortgage broking

- Good performance with revenue up 7% at £8.9m (2015: £8.3m)
- Revenue per unit £2.1k (2015: £2.2k)

Lettings

1%	Revenue decrease
-	Portfolio size broadly flat
1%	Revenue per tenancy decrease

- Revenues resilient at £68.3m (2015: £69.0m)
- Valuable recurring revenue stream with 19,360 average tenancies through the year (2015: 19,367)
- Lower tenant uptake due to decrease in corporate relocation after Brexit offset slightly by higher level of renewals
- Downward pressure on rents in H2 due to high level of stock availability
- 32% of portfolio with Foxtons Property Management (2015: 31%) which generally attracts higher renewal rates

2016 – A CHALLENGING YEAR AFTER A RECORD Q1



Income statement

£m	H1 16	H2 16	FY 16	FY 15	Change
Revenue	68.8	63.9	132.7	149.8	(11.4%)
Costs	(55.7)	(52.4)	(108.1)	(103.8)	(4.1%)
EBITDA	13.1	11.5	24.6	46.0	(46.5%)
Profit before tax			18.8	41.0	(54.3%)
Tax			(3.1)	(6.4)	
Profit after tax			15.7	34.6	(54.5%)
Basic EPS			5.7p	12.3p	(53.7%)

- Record Q1 revenue, up 16% vs. 2015, with c.£7m pull-forward ahead of stamp duty changes
- £14.6m of £17.0m y-o-y revenue decrease occurred in sales in H2. H2 sales revenue £24m
- H2 lower than H1 despite Q3 seasonal lettings high

- Operating costs up 4% driven by office expansion and selective revenue investments in technology and digital marketing
- H2 costs £52.4m, £3.3m lower than H1 as we controlled costs as market conditions worsened
- H2 annualised exit rate c.£105m

PBT is after charging depreciation and amortization £5.1m (2015: £4.5m) and share-based payments £0.9m (2015: £0.7m)

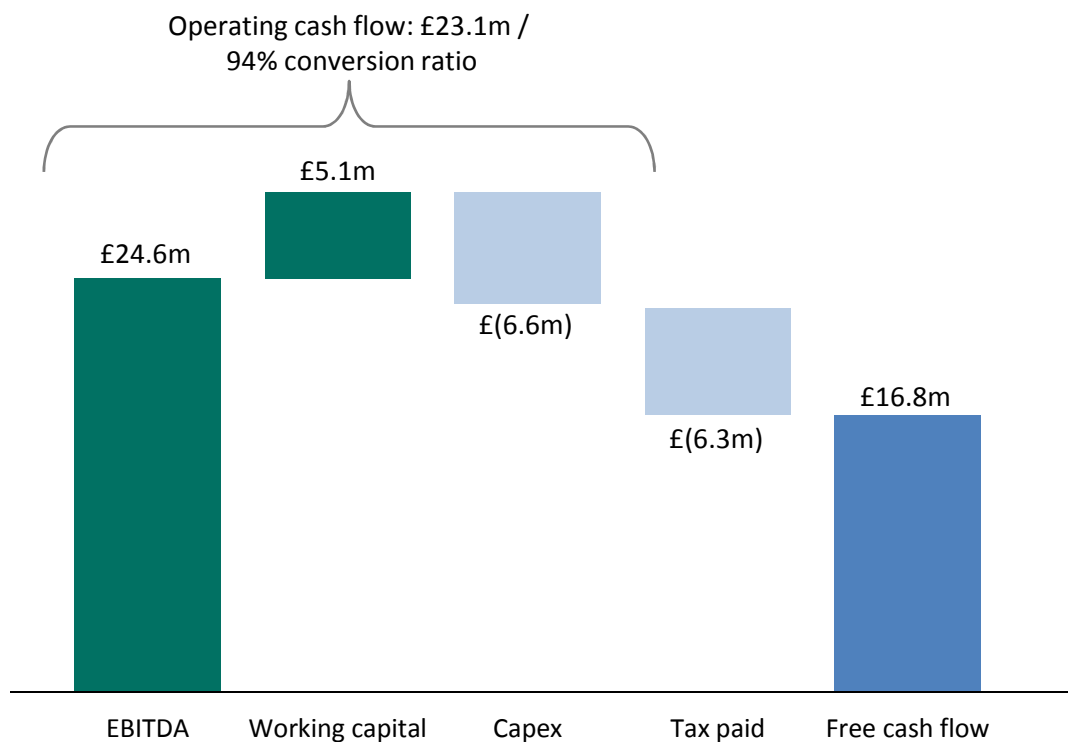
Effective tax rate 16.2% (2015: 15.7%). Tax charge includes a £1.0m benefit (2015: £2.0m) arising from a deferred tax credit due to a reduction in future UK corporation tax rates

STRONG OPERATING CASH CONVERSION

Cash conversion	
FY14	84%
FY15	87%
FY16	94%



EBITDA to free cash flow conversion



Uses of cash flow

Opening cash	£25.6m
Free cash flow	£16.8m
Dividends paid	£(21.7m)
Share buy-back	£(11.2m)
Decrease in cash	£(16.1m)
Cash at end of year	£9.5m

Capex guidance for FY17 is c.£3m and depreciation guidance is c.£5m

£91M CASH RETURNED SINCE SEPTEMBER 2013 IPO

Cumulative cash returned since IPO⁽¹⁾

2014	£28m
2015	£57m
2016	£91m



Dividend policy

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
- 0.33pps proposed final dividend bringing full year dividend to 2.0pps
- Cash cost of paid and proposed FY16 dividend £5.5m

EXCESS CASH RETURNS POLICY

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

The final dividend will be paid, subject to shareholder approval, on 25 May 2017 to shareholders on the register on 28 April 2017

1) Includes share buy-backs and proposed 2016 final dividend

FINANCIAL SUMMARY



BALANCED BUSINESS BUILT TO WITHSTAND THE CYCLE

- Resilient lettings performance
- Subdued sales volumes in London

FOCUS ON EFFICIENCY

- Strong cost control post-Brexit vote. Ongoing review of cost base to align with market conditions
- Selective investments in tools to maximise productivity of our people

STRONG OPERATING CASH CONVERSION

- 94% conversion of EBITDA to operating cashflow
- Year end net cash position of £9.5m and no debt
- 0.33pps proposed final dividend bringing full year dividend to 2.0pps, in line with policy; £91m returned to shareholders since IPO⁽¹⁾

1) Includes share buy-backs and proposed 2016 final dividend



Strategic and operating review

Nic Budden, Chief Executive Officer



KEY STRATEGIC PRIORITIES

Exceptional service, premium offering

- Delivering premium customer service and results
- No 1 market position in listings in sales and lettings while maintaining commission rates⁽¹⁾⁽²⁾
- 92% customer rating. 130 awards won in the last 5 years⁽³⁾

Focus on markets with attractive fundamentals

- Operates in high value London markets
- London and South East long term fundamentals remain attractive

Centralised and balanced business model

- Strong single brand supported by centralised business model
- Mix of transactional sales and recurring lettings income

Low risk, high return expansion programme

- Successful track record of organic expansion with 67 branches covering 80% of London
- Emphasis on Outer London where volume growth remains highest

1) Source: Zoopla listings in Foxtons territories
2) Commission rate excludes New Homes division
3) Source: Google reviews, Trustpilot reviews

OPERATIONAL PROGRESS



OUR LESS CYCLICAL LETTINGS BUSINESS

Deepening relationships with existing landlords to increase retention
Good early stage progress in new institutional PRS offering
Selective acquisitions of high quality portfolios at reasonable prices
We have the tech and processes in place in an increasingly complex market

CONTINUALLY DEVELOPING OUR BEST IN CLASS TECHNOLOGY

MyFoxtons online portal launched for landlords and vendors with strong customer uptake
Portal for buyers and tenants to be launched in Q2

USING OUR RICH DATA AND DIGITAL MARKETING TO IMPROVE CUSTOMER SERVICE

Experienced data analytics and digital marketing teams hired in the year
Deepening customer engagement whilst reducing acquisition cost

LOW RISK ORGANIC EXPANSION

Focus on maturity profile of newer branches having doubled the network in 5 years
2 branches opened in 2017

MYFOXTONS PORTAL



High touch service and technology 24/7

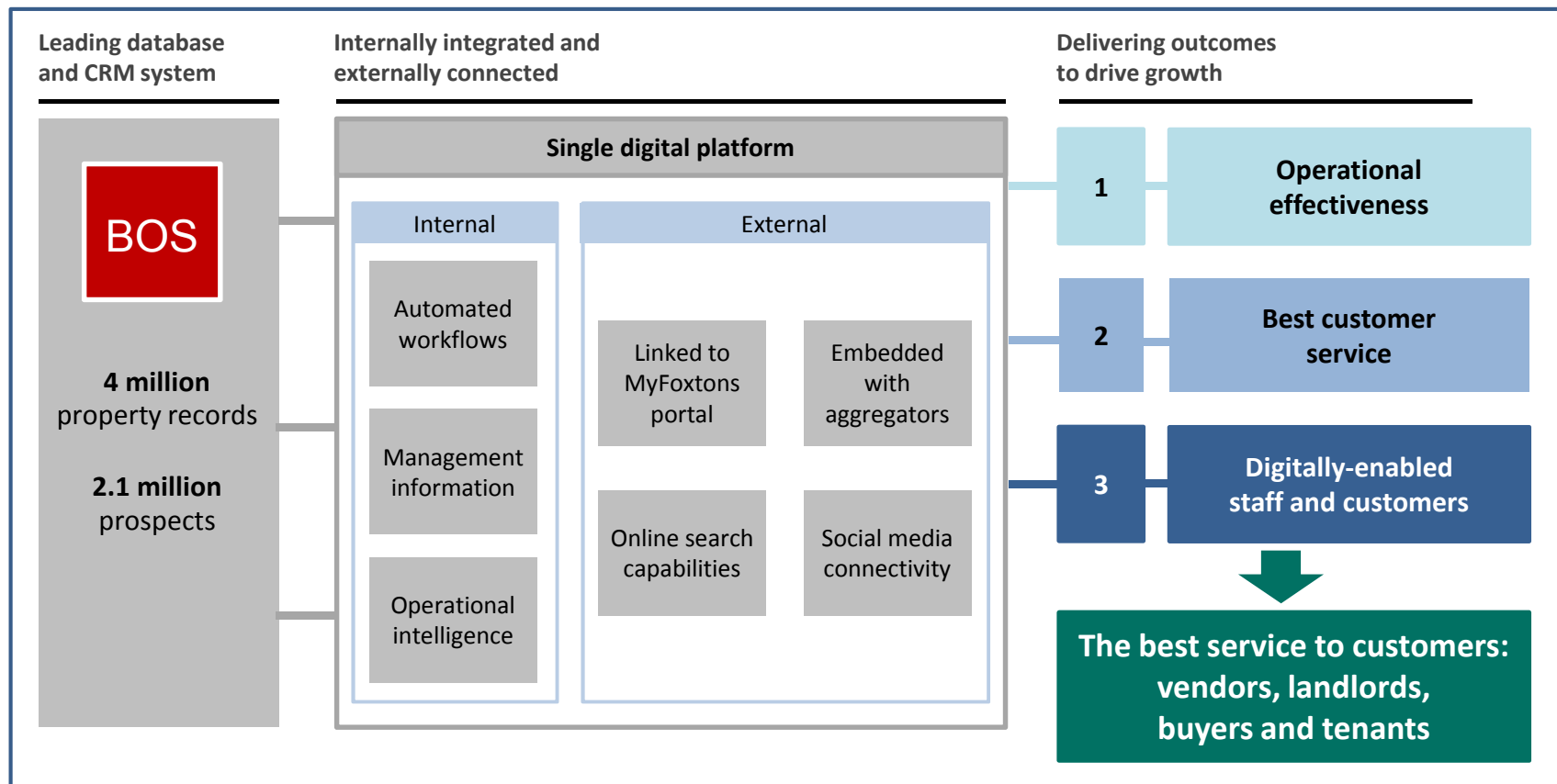
- ✓ Book a valuation and instruct online
- ✓ Check property status, web traffic and activity
- ✓ Instant viewing feedback
- ✓ Instant message your Foxtons agent
- ✓ Accept, reject offers
- ✓ Upload, e-sign and store documents and compliance checks



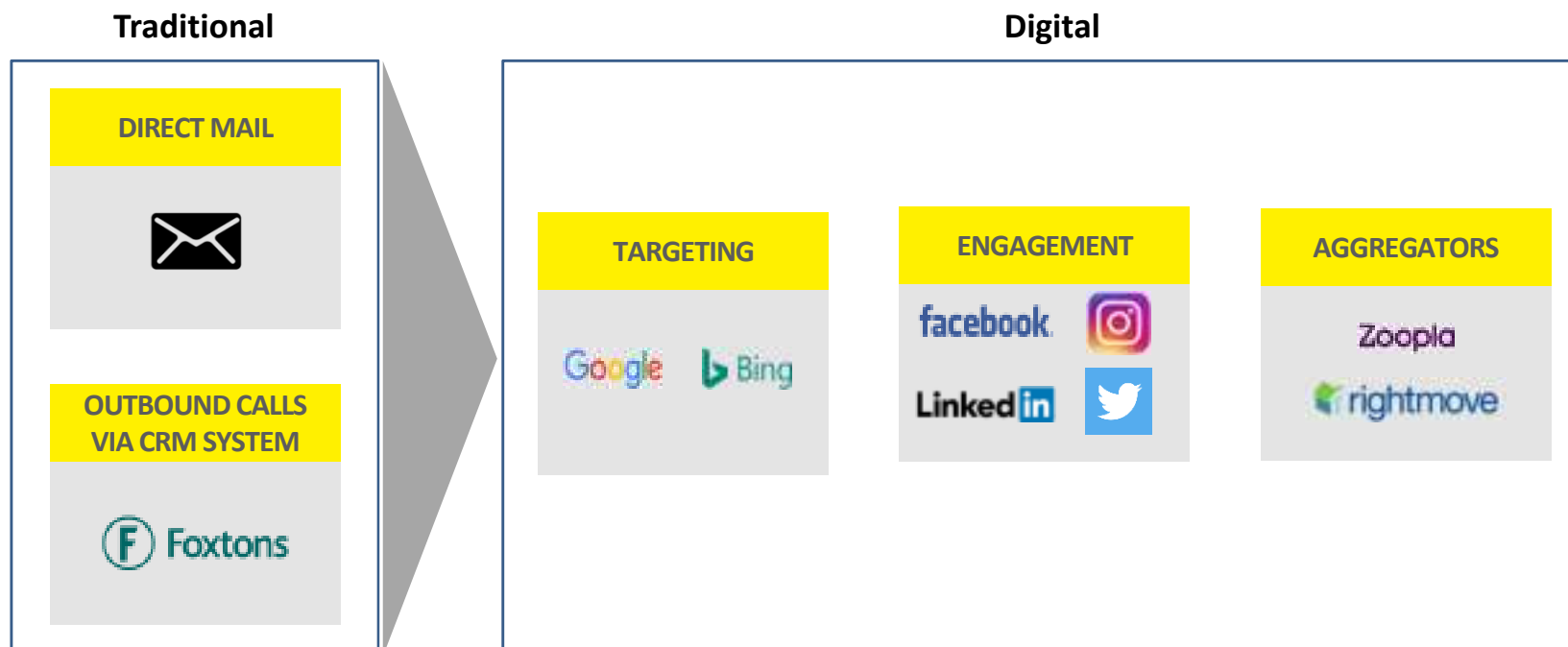
- 1) Improves customer experience with increased transparency, usability and communication
- 2) Strong landlord and vendor uptake
- 3) Coming soon: buyer and enhanced tenant portal - Q2 2017

BEST IN THE SECTOR TECHNOLOGY PLATFORM

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



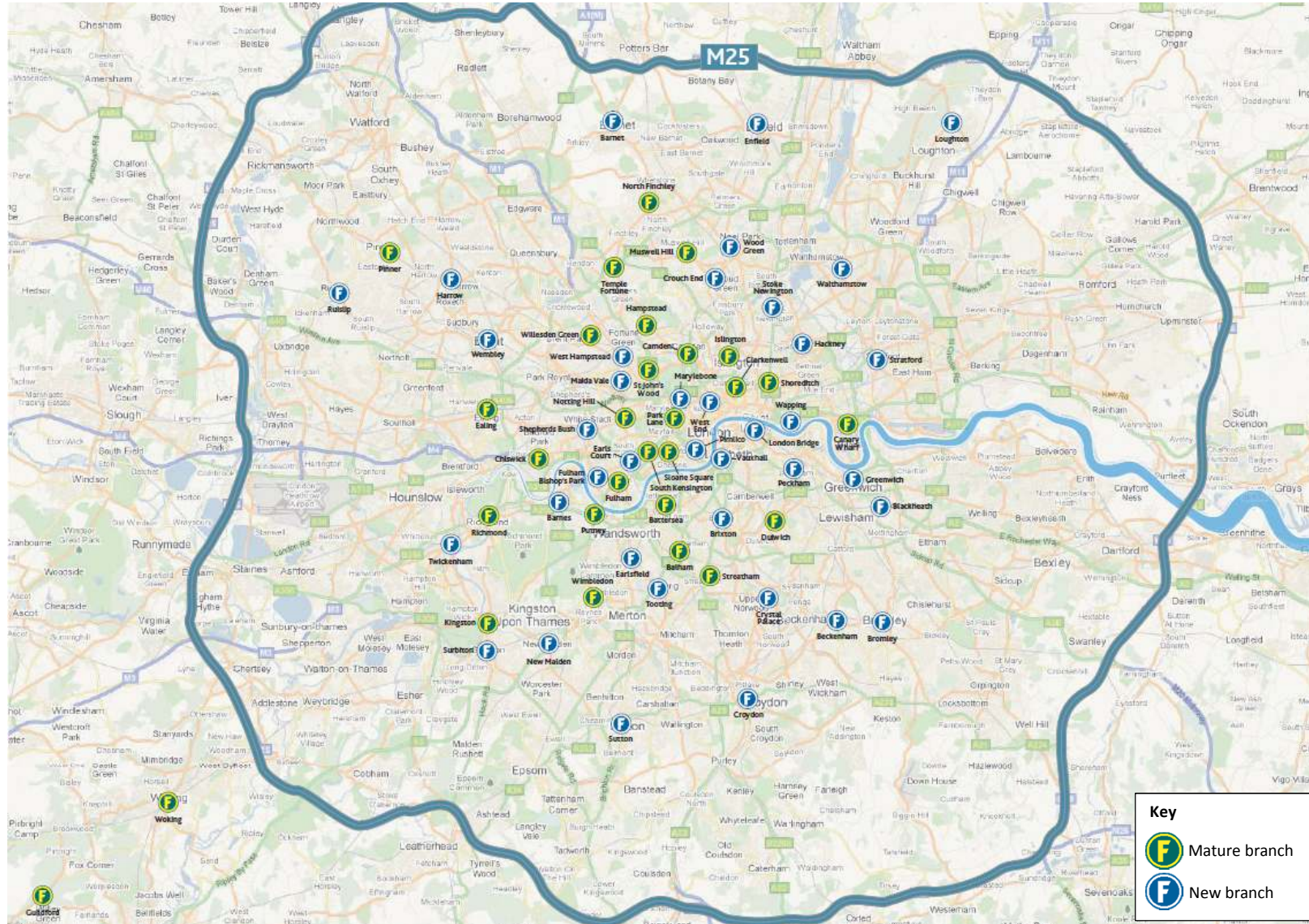
USING DATA & DIGITAL MARKETING CHANNELS



Using data and new digital channels to enhance customers' experience:

- Teams established in data analytics, digital marketing and social media
- Increased granularity of communication to better connect customers with more personal and relevant offers
- Allows customers to communicate on their preferred platform; including book viewings or request information via social media
- Unique integrated relationship with aggregators to improve speed and quality of responses

LOW RISK ORGANIC EXPANSION PROGRAMME



Note: Mature branches defined as those opened before 2011



CURRENT TRADING AND SUMMARY

CURRENT TRADING

- Early Q1 trading reflects a continuation of the trends we saw in Q4
- Sales market remains subdued, especially in Central London
- It is too early to assess the impact of the government's proposed ban on tenants' fees. More detailed proposals are expected from the consultation process later in the year

SUMMARY

- A resilient performance in a challenging market; lettings business provides stable revenue stream
- Well positioned in current environment – highly cash generative, debt free and strong balance sheet
- Excellent progress with new initiatives including technology investment, digital marketing and expansion into institutional PRS



Appendices



STRONG BALANCE SHEET – NET CASH AND NO DEBT

	2016	2015	
Goodwill & intangibles	119.3	118.7	
Property, plant & equipment	28.0	27.0	
Net working capital	1.0	3.6	← Low working capital requirements
Deferred tax liabilities	(16.4)	(17.5)	
Provisions and deferred revenue	(4.8)	(4.8)	
Net cash	9.5	25.6	← Net cash position with £10m Revolving Credit Facility available
Net assets	136.6	152.6	

SEGMENTAL EBITDA AND KPIs



	H1 16	H2 16	FY 16		H1 15	H2 15	FY 15
Sales revenue (£m)	31.5	24.0	55.5		33.8	38.7	72.5
Sales EBITDA (£m)	5.3	1.7	7.0		10.2	13.6	23.8
Sales units	2,314	1,712	4,026		2,578	2,980	5,558
Lettings revenue (£m)	32.7	35.6	68.3		33.6	35.4	69.0
Lettings EBITDA (£m)	7.1	9.1	16.2		9.8	11.1	20.9
Lettings tenancies (average)	19,449	19,296	19,360		19,419	19,330	19,367
Mortgage broking revenue (£m)	4.7	4.2	8.9		3.6	4.7	8.3
Mortgage broking EBITDA (£m)	0.8	0.6	1.4		0.5	0.8	1.3
Mortgage broking units	2,152	2,069	4,221		1,699	2,102	3,801

EARNINGS PER SHARE AND EFFECTIVE TAX RATE

	2016	2015	v%
Basic earnings	£15.7m	£34.6m	(54.5%)
Weighted average number of shares*	275.2m	281.7m	
Basic earnings per share	5.7	12.3	(53.7%)

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

Taxation

Effective tax rate	16.2%	15.7%
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- Effective tax rate below corporation tax rate due to change in future tax rates on deferred tax liability
- Effective tax rate excluding impact of future tax rate movements was 21.5% (2015: 20.5%)



THE SCALE AND SCOPE OF OUR BUSINESS

2016 STATISTICS

40,000

VIEWINGS EACH MONTH

96%

ASKING PRICE ACHIEVED

6 million

WEBSITE VIEWS

260,000

APPLICANTS REGISTERED

£2.3 billion

PROPERTY SOLD

£0.5 billion

RENT COLLECTED

1 PROPERTY LET EVERY 23 MINUTES, 1 PROPERTY SOLD EVERY HOUR