



Foxtons

Interim results presentation

For the period ended June 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.

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Overview

Nic Budden, Chief Executive Officer



GROUP OVERVIEW

FINANCIAL PERFORMANCE

- Group revenue £58.5m (H1 2016: £68.8m) and adjusted EBITDA £7.1m (H1 2016: £13.1m)
- Lettings revenue £32.1m (- 2%). Volumes up 1% offset by decline in rental rates. Remains a resilient, recurring revenue stream. Overall portfolio c.19,800 (2016: c.19,400)
- Sales revenue £22.2m (- 29%). Decline driven by Q1 surge in the prior year and impacted by further political uncertainty
- Focus on tight cost control reduced costs by £3.7m versus prior year
- Robust balance sheet with no debt. £10.6m net cash at period end
- 0.43 pence per share interim dividend in line with policy; £92m returned to shareholders since IPO⁽¹⁾

OPERATIONAL PROGRESS

- Continue to deliver market leading outcomes for customers with 96% asking price achieved in sales and lettings, and premium customer service for buyers, renters, sellers and landlords with scores of 9.5/10 and 4.6/5 on TrustPilot and Google reviews⁽²⁾
- Excellent progress with new initiatives including; growing lettings portfolio, technology investment and delivering on our new digital marketing strategy
- Significant potential upside from immature branches, now representing over half of Foxtons 67 branch network, with focus on deepening staff expertise
- Number 1 London market position in both sales and lettings listings⁽³⁾

Note: Throughout this presentation EBITDA refers to Adjusted EBITDA

1) Includes share buy-backs and 2017 interim dividend

2) Source: TrustPilot, Google reviews. July 2017

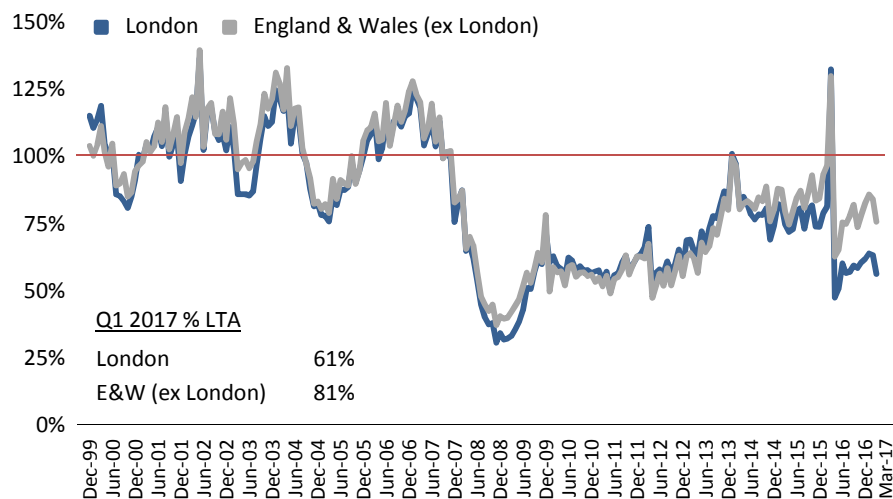
3) Source: Zoopla listings in Foxtons territories

MARKET UPDATE - SALES

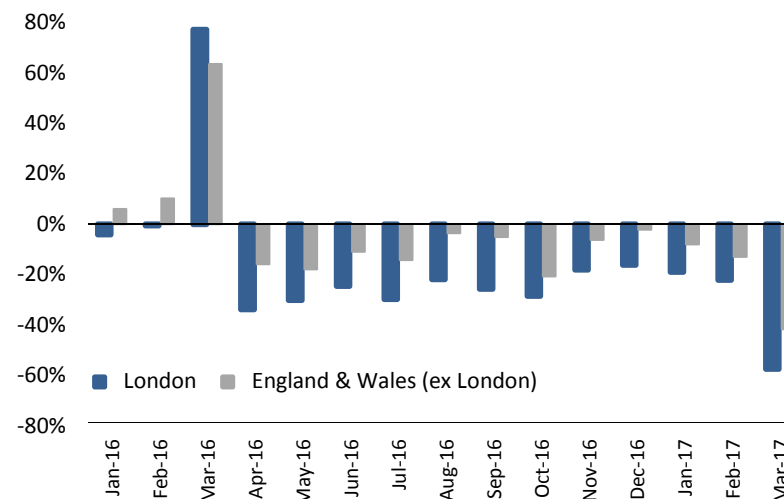


Long-run residential property sales transaction volumes

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



YoY change in monthly sales transaction volumes⁽⁴⁾



- Subdued sales market at the beginning of the period with transaction levels continuing to be negatively weighed upon by continuing political and macro economic uncertainty
- Further cooling of market in Q2 2017, with the unexpected General Election a factor in slowing activity
- Due to its unique global nature London continues to be more negatively impacted by these external shocks than the rest of UK⁽³⁾
- Forward indicators suggest transaction levels will result in 2017 volumes below those seen in 2016⁽⁴⁾

Note: London defined as the Greater London administrative area.

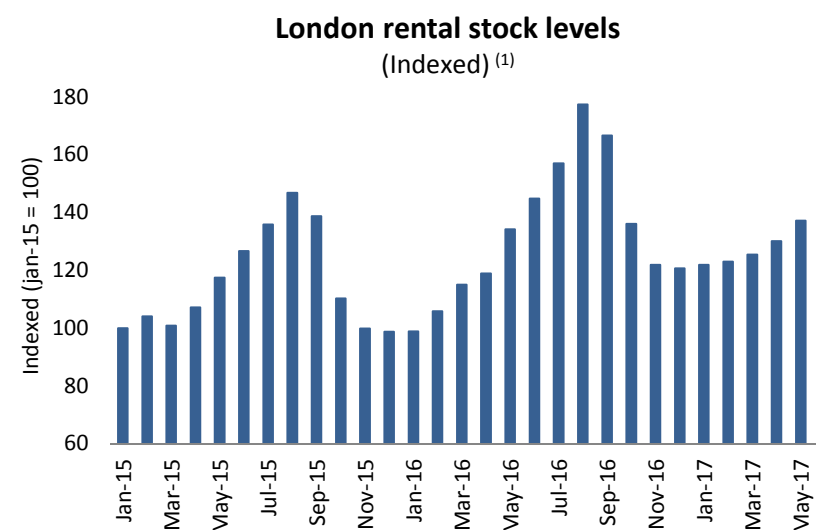
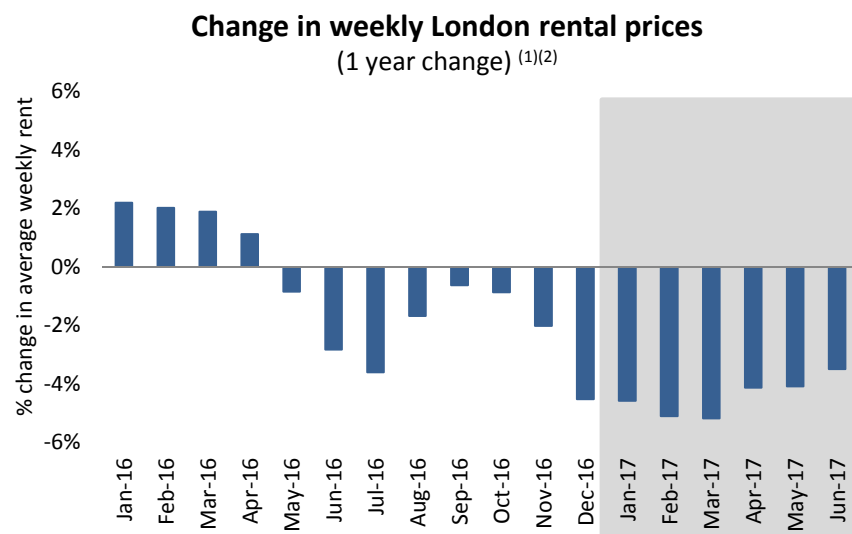
1) Source: Land Registry, Foxtons research

2) Long term average defined as average monthly residential sales transaction during period 1996-2006

3) Source: Land Registry, RICS

4) Source: RICS, Bank of England, Foxtons research

MARKET UPDATE - LETTINGS



- 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
- H1 17 average rent 5% lower than prior year (H1 17: £440 per week, H1 16: £461 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: Foxtons research
 2) 3m moving average
 3) Source: Department for Communities and Local Government
 4) Source: Foxtons research. Weighted average



A BALANCED BUSINESS

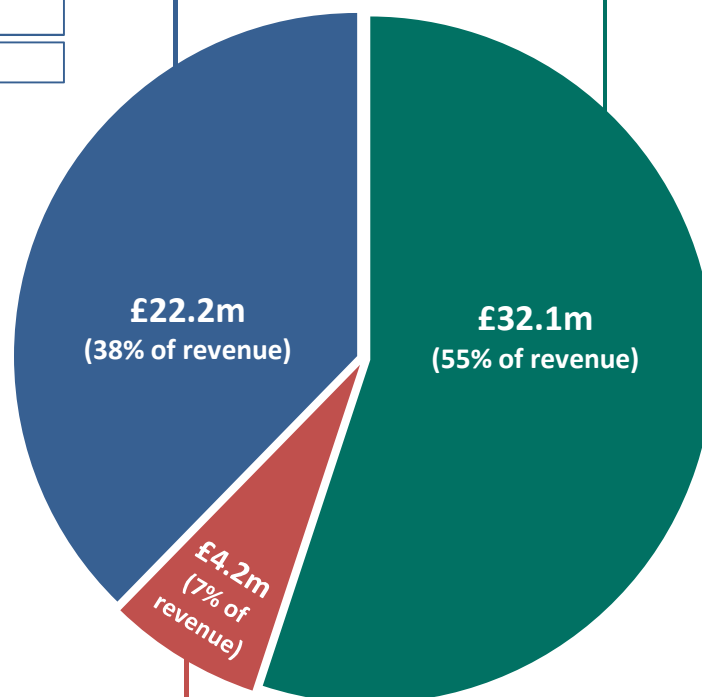
Sales

29%	Revenue decrease
33%	Volume decrease
6%	Revenue per deal increase

- Revenue: £22.2m (2016: £31.4m)
- H1 17 sales volumes: 1,544, 33% lower than H1 16
- Record Q1 16 volumes and revenue due to sales pull forward prior to buy-to-let stamp duty change
- Revenue per unit £14.4k (2016: £13.6k)
- Average Foxtons sales price: £589k (2016: £573k)

Mortgage broking

- Good performance in challenging sales market with tough prior year comparatives delivering £4.2m revenue (2016: £4.7m)
- Revenue per unit £2.1k (2016: £2.2k)



Lettings

2%	Revenue decrease
1%	Volume increase
3%	Revenue per deal decrease

- Revenues resilient at £32.1m (2016: £32.7m)
- Deal volumes increased 1% to c.9,400; Average tenancy portfolio in H1 c.19,800 (2016: c.19,400)
- Contribution margin maintained in line with prior year, pre-allocation of shared overheads
- 32% of portfolio with Foxtons Property Management (2016: 31%) which generally attracts higher renewal rates
- Downward pressure on rents continued, partially offset by volume growth, driven by new initiatives and increased operational focus

INCOME STATEMENT

Income statement

£m	H1 17	H1 16	Change
Revenue	58.5	68.8	(15%)
Costs	(51.4)	(55.7)	8%
EBITDA	7.1	13.1	(46%)
Depreciation, amortisation & LTIP	(3.3)	(2.6)	
Profit before tax	3.8	10.5	(64%)
Tax	(0.4)	(2.1)	
Profit after tax	3.3	8.4	(60%)
Basic EPS	1.2p	3.0p	(60%)

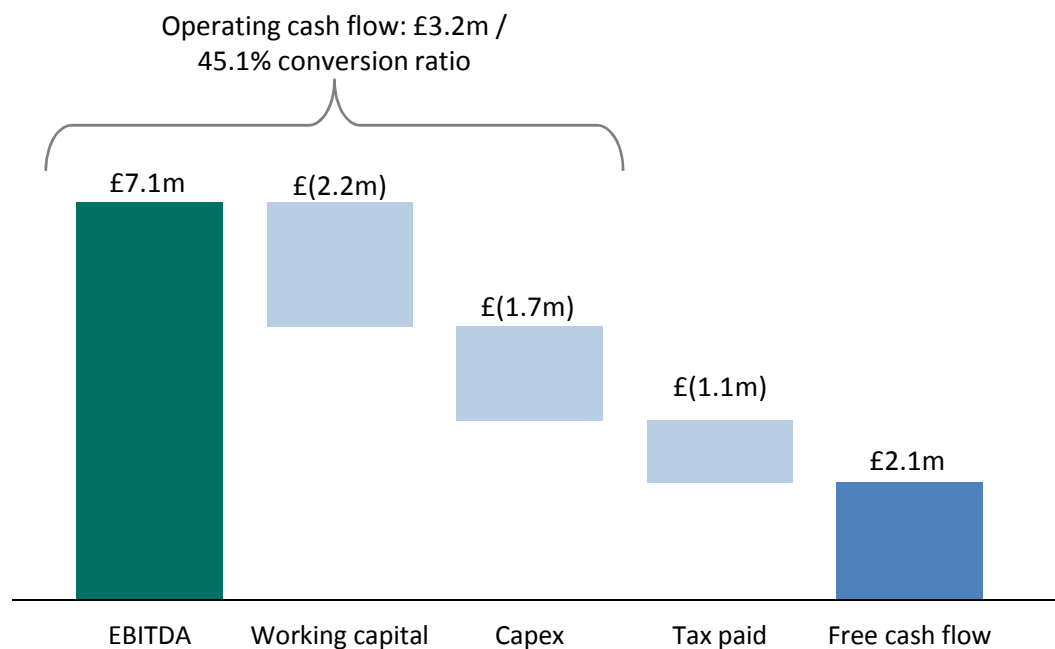
- £9.7m of revenue decrease resulted from subdued sales and mortgage market following external market shocks and record Q1 16.
- Lettings revenue impacted by 5% reduction in rental prices, effectively mitigated through increased volumes resulting from customer incentives and operational focus

- Delivered operating cost reduction
- YoY cost savings of £4.3m, despite increased business rates, one-off costs and inflationary pressures⁽¹⁾
- Cost control achieved whilst continuing selective revenue investments in Lettings, technology and digital marketing to drive company growth and profitability
- Continue to proactively review cost base

1) Excludes depreciation, amortization and LTIP

CASH GENERATIVE WITH NO DEBT

EBITDA to free cash flow conversion



Uses of cash flow

Opening cash	£9.5m
Free cash flow	£2.1m
Dividends paid	£(0.9m)
Other	£(0.1m)
Increase in cash	£1.1m
Cash at end of period	£10.6m

- Working capital outflow in the half due to higher revenue in Q2 17 vs. seasonal low in Q4 16

FY17 capex guidance c.£3m, depreciation and amortization c.£5.5m

INTERIM DIVIDEND AND 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
- 0.43pps interim dividend
- Cash cost of 2017 interim dividend £1.2m

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

**Interim dividend will be paid on 26 September 2017
to shareholders on the register at 01 September 2017**

FINANCIAL SUMMARY



RESILIENT LETTINGS BUSINESS

- Grew lettings portfolio size in period
- Mitigated downward pressure on rents

FOCUS ON EFFICIENCY

- Strong cost control achieved in H1 2017. Ongoing review of cost base to continue to align with market conditions
- Selective investments in tech and training to maximise productivity of our people

CASH GENERATIVE WITH NO DEBT

- £2.1m free cashflow in the period
- Period end net cash position of £10.6m
- 0.43pps interim dividend in line with policy; £92m returned to shareholders since IPO⁽¹⁾

1) Includes share buy-backs and 2017 interim dividend



Operational update and outlook

Nic Budden, Chief Executive Officer

OPERATIONAL INITIATIVES PROGRESS



Objectives:

Detail

Results

GROW OUR LESS CYCLICAL LETTINGS BUSINESS

- Deepening relationships with existing landlords to increase retention
- Continue to grow institutional PRS offering

- ✓ Grew portfolio size to c.19,800 properties (2016: c.19,400) and actively managed properties to 32% (2016: 31%)
- ✓ New retention and loyalty initiatives for existing landlords launched and well received

CONTINUALLY DEVELOP OUR BEST IN CLASS TECHNOLOGY

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

- ✓ Buyers and tenants portal launched on time
- ✓ Conversion of seller instructions has significantly increased with MyFoxtons

USING OUR RICH DATA AND DIGITAL MARKETING TO IMPROVE CUSTOMER SERVICE

- Experienced data analytics and digital marketing teams hired in 2016
- Refocus of marketing spend to digital channels

- ✓ Customer analytics and profiling leading to reduced cost of acquisition and improved engagement
- ✓ New digital marketing channels and deepened relationships with Aggregators

FOCUSING ON MATURITY PROFILE OF NEWER BRANCHES

- Branch rollout slowed to reflect market conditions
- Focus on accelerating maturity of newer branches

- ✓ 2 branches opened in Q1 2017 with
- ✓ c.80% coverage of London achieved

SUMMARY AND OUTLOOK

LONDON'S LEADING AGENT

- Strong single brand and powerful culture of sales and service
- Highly motivated, experienced estate agents renowned for delivering exceptional results for clients
- Market-leading tech and digital offering continues to deliver a premium high-touch service to our customers

RESILIENT PERFORMANCE IN A DIFFICULT MARKET

- Lettings business responded well to new customer initiatives and operational focus, growing in the period and limiting the effects of downward pressure on rents
- Sales and mortgage broking continue to be profitable whilst aligning to weaker market conditions
- Delivered planned £3.7million cost savings as we continue to align our cost base with market conditions

OUTLOOK

- Exchanges and pipeline weakened through June and the early part of July
- Economic and political uncertainty expected to continue
- Little forward visibility on H2 sales market



Appendices



STRONG BALANCE SHEET – NET CASH AND NO DEBT

<u>£m</u>	H1 17	H1 16	
Goodwill & intangibles	119.8	118.9	
Property, plant & equipment	26.5	27.8	
Net working capital	3.3	4.5	← Low working capital requirements
Deferred tax	(15.9)	(17.5)	
Provisions and deferred revenue	(4.7)	(4.9)	
Cash	10.6	4.1	← Positive cash position with £10m Revolving Credit Facility available
Net assets	139.6	132.9	



SEGMENTAL EBITDA AND KPIs

	H1 17	H1 16
Sales revenue (£m)	22.2	31.4
Sales EBITDA (£m)	1.4	5.2
Sales units	1,544	2,314
Lettings revenue (£m)	32.1	32.7
Lettings EBITDA (£m)	4.9	7.1
Lettings units	9,435	9,322
Lettings tenancies (average)	19,777	19,449
Mortgage broking revenue (£m)	4.2	4.7
Mortgage broking EBITDA (£m)	0.8	0.8
Mortgage broking units	1,992	2,152

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

LEADING CUSTOMER SERVICE AND AWARD WINNING BUSINESS

PREMIUM CUSTOMER SERVICE

92% customer satisfaction



Average score 4.6/5



Foxtons reviews
Excellent 9.2



AWARD WINNING BUSINESS

130 awards in the last 5 years



THE SUNDAY TIMES



THE SUNDAY TIMES



THE SUNDAY TIMES



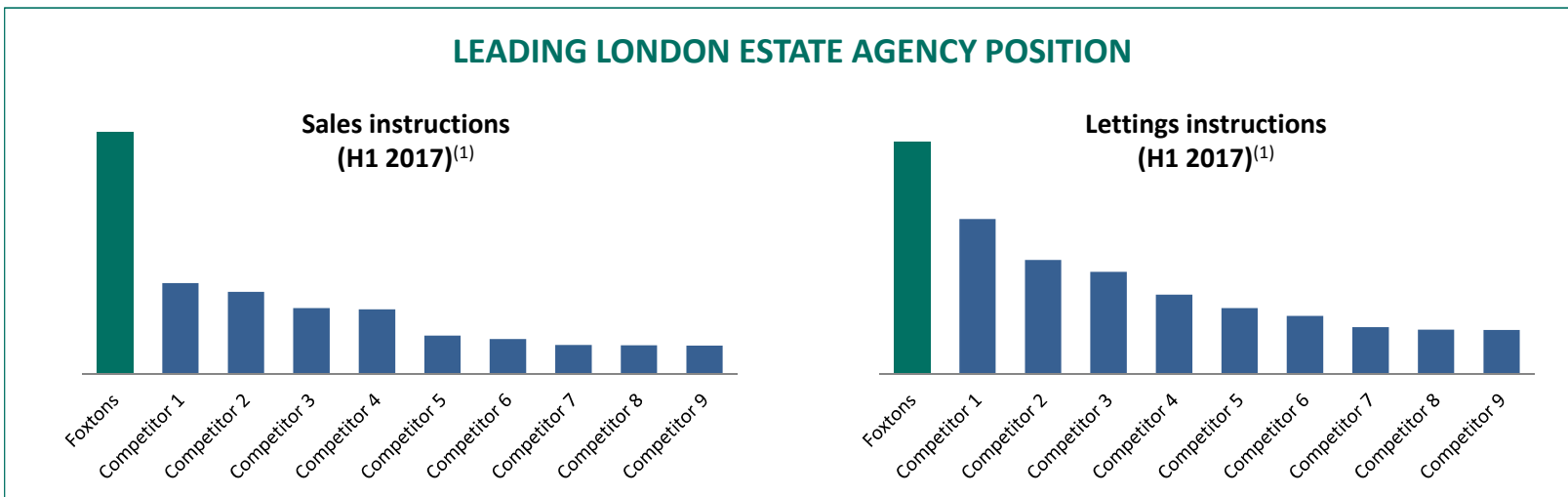
2016-2017



2016-2017



2016-2017

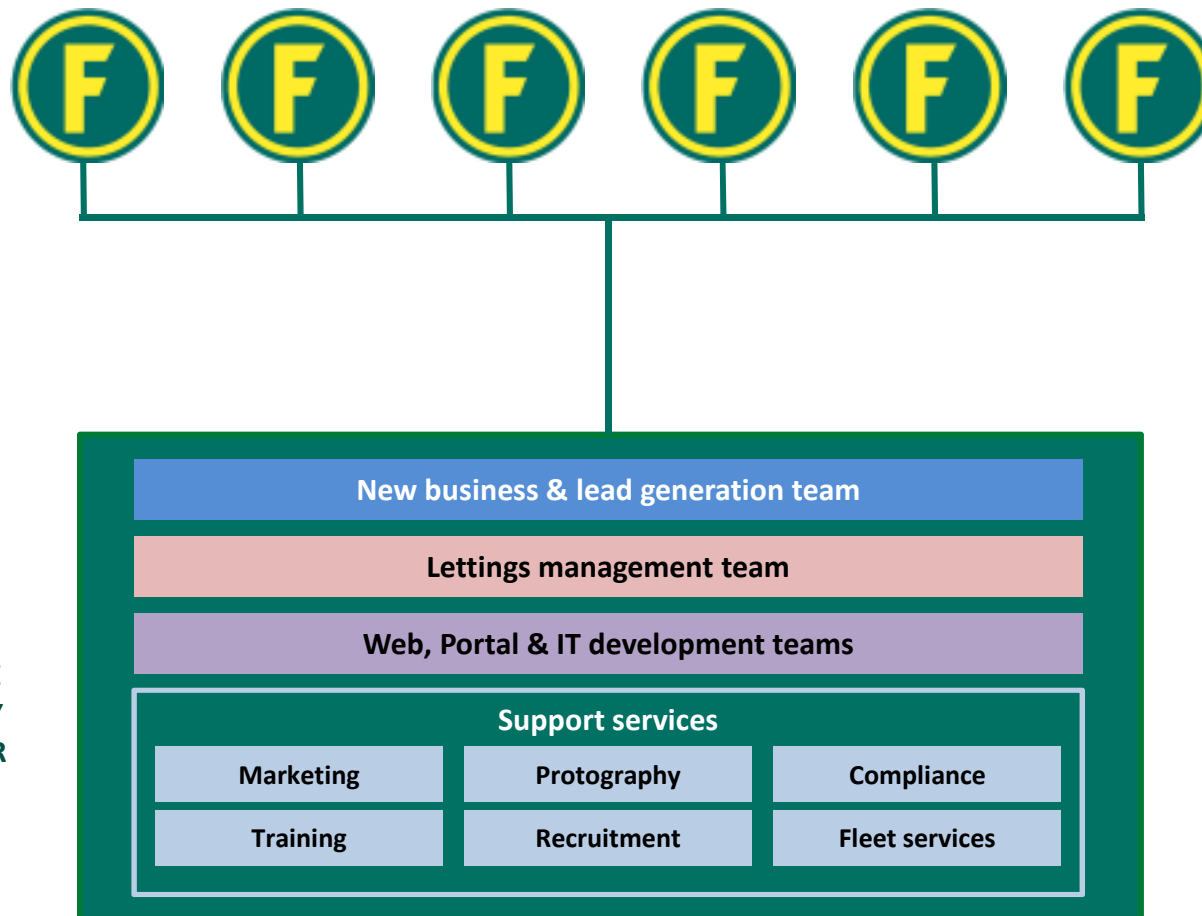


1) Source: Zoopla listings



WE OPERATE A UNIQUE CENTRALISED ESTATE AGENCY MODEL

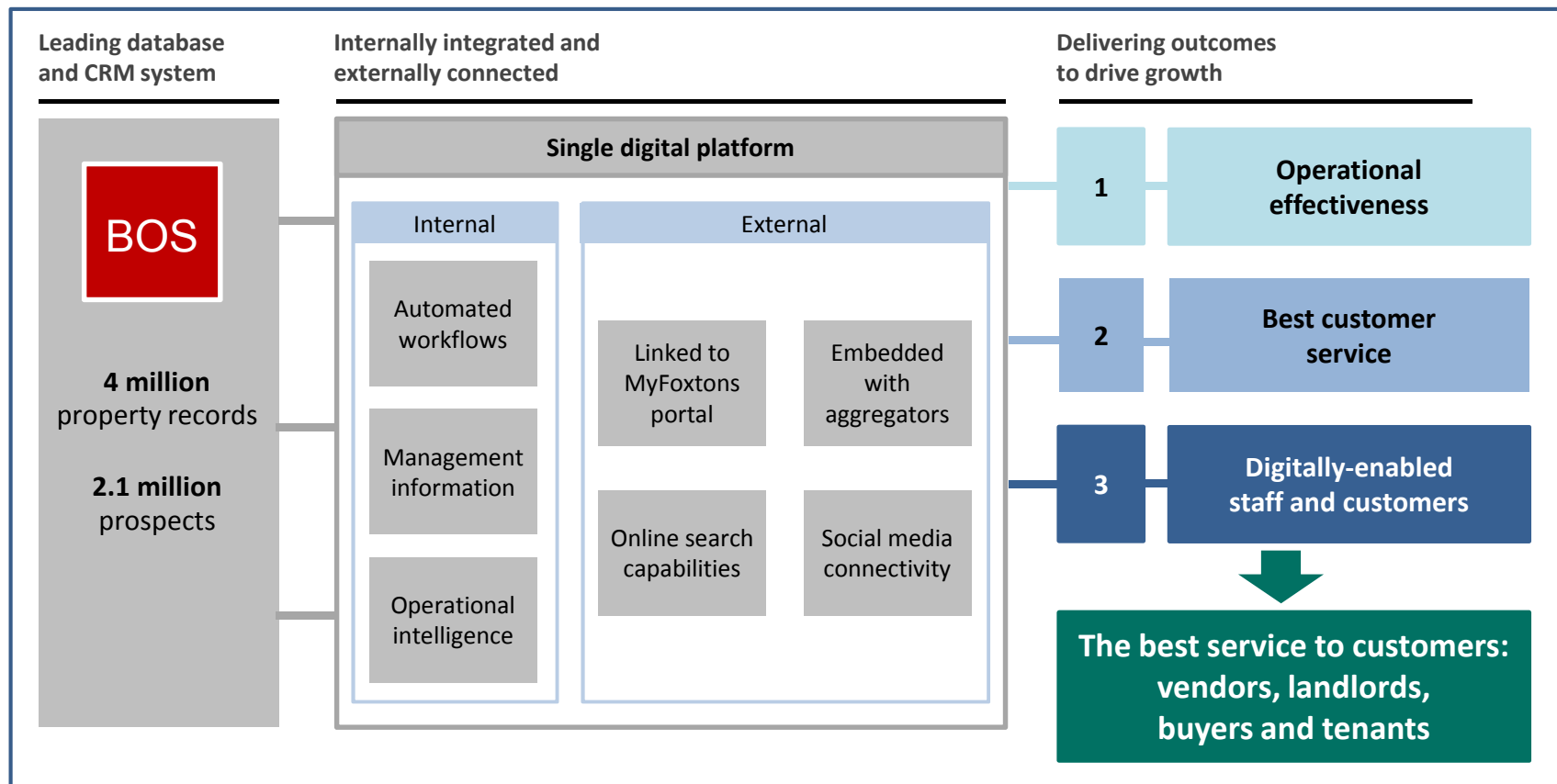
SINGLE BRAND BRANCH NETWORK FOCUSED SOLELY ON SALES & CUSTOMER SERVICE



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





DELIVERING FOR OUR CUSTOMERS

DEEP SECTOR AND MARKET EXPERTISE

- Experienced senior staff (average 10 years experience)
- Continuous mandatory training, specific training and development plans and Foxtons Academy
- Local knowledge combined with regional understanding gained from integrated network
- Proprietary database containing over 4 million property records and integrated with Land Registry and data mapping tools

HIGHER SERVICE LEVELS

- MyFoxtons providing 24/7 intelligence and transparency
- Dedicated agent:
 - “End to end’ sales process support from valuation, marketing, exchange and completion
 - High quality support in lettings to advise on landlord regulatory and compliance requirements
 - Dedicated teams to proactively attract and advise buyers and renters
- High customer feedback scores – 9.5/10 TrustPilot and 4.6/5 Google reviews⁽¹⁾

BETTER DELIVERY

- Success fee aligns customer and agent interests
- Network effect of 67 branches allows buyers and renters to search across London – c.33% transact outside initial area searched in
- 22.9 viewings per sales property, 13.1 viewings per rental property⁽²⁾
- 95% asking price achieved in sales in a challenging market
- 96% asking price achieved in lettings, 73% renewal rate and collect 99% of rent (UK: 91%)⁽³⁾

1) Source: TrustPilot, Google reviews at July 2017

2) Per transacted property

3) Source: Acadata rental index. Q1 2017

FOXTONS MID MARKET SALES POSITION MIRRORS LONDON



London and Foxtons sales distribution by price (2016)

