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FOXTONS GROUP PLC (the "Company" or "Foxtons")

Q1 Trading statement, update on management actions in response to Covid-19 impact and proposed placing

17 April 2020

Foxtons Group plc (LSE: FOXT) today issues a Q1 trading statement and an update on management actions during this period of unprecedented disruption and uncertainty.

Q1 trading

As noted in the update provided on 20 March 2020, financial performance in the first 11 weeks of the year had been in line with the Board's expectations. Although strong and steady growth in the Company's sales commission pipeline during the first two months of the year had started to flow through to revenues in March, the necessary defensive measures taken by the Government to suppress the Covid-19 pandemic inevitably impacted trading in the final two weeks of the first quarter and our outlook for the remainder of the year.

- Group revenue for the first quarter was down 3% to £23.0m (Q1 2019: £23.8m).
- Lettings revenue fell 5% to £13.9m (Q1 2019: £14.6m). The impact of the tenant fee ban in the period was £0.8m.
- Sales revenue was flat at £7.1m (Q1 2019: £7.1m).
- The value of the sales commission pipeline was up 20% on the prior year as at 19 March 2020.
- Mortgage broking revenue fell 5% to £1.9m (Q1 2019: £2.0m).

Whilst demand and supply side indicators of performance in both sales and lettings have been negatively affected since the lockdown was announced, it is too early to forecast the exact impact the lockdown will have on business performance. Commissions earned in the first three weeks of the 'lockdown' period were down 47% on the prior year.

Management actions in response to Covid-19 impact

The measures announced by the Government to restrict all non-essential movement, have had a material impact on the Group's revenues. In response, management rapidly undertook a number of actions in order to minimise the impact on cash flow. Overall, the actions taken during the three week period following the "lockdown" are expected to reduce the average monthly cash outflow of the business from c. £9m to c. £3m by the end of April. Actions taken to date include the following:

- all branches were closed on 23 March 2020 but the Company's technology systems and web applications have enabled it to continue to support customers online and over the telephone and to conduct virtual viewings and valuations;

- approximately 750 employees were furloughed on 25 March 2020 under the Government's Coronavirus Job Retention Scheme ("**CJRS**"). The vast majority of these employees will receive 80% of their base salary while furloughed. Approximately 350 employees are now working from home, serving customers and maintaining key operational aspects of the business;

- all employees earning a basic salary of over £40,000 whom have not been furloughed were asked to take a 20% pay cut for April and May, and approximately 80% accepted. In line with the wider workforce, all

Executive Directors have volunteered to take a 20% reduction in base pay and all Non-Executive Directors a 20% reduction in fees for at least the two months of April and May. Given recent volatility in the Company's share price the Remuneration Committee intends to consider carefully the appropriateness of the share price used to calculate the quantum of the awards arising from the Restricted Share Plan in 2020, and to closely monitor the impact of Covid-19 on the Company’s remuneration policy (such plan and policy to be proposed to shareholders at the forthcoming AGM) and use its discretion to adjust vesting outcomes if it considers that “windfall” gains have occurred;

- the Company has notified HMRC that it will be deferring the February PAYE and NIC payments (due in March) for at least one month;
- temporary flexibility and payment deferral is being negotiated with some of the Company’s landlords and its vehicle leasing company, the majority of whom have accepted the need for flexibility;
- as far as possible, all other discretionary spend has been reduced to the minimum levels required to maintain reasonable levels of service and operational effectiveness. Where the Company is contractually committed to a certain level of expenditure, discussions with the majority of those suppliers have taken place to identify opportunities for deferral or discounts.

In addition to the above actions taken by management, the Government has confirmed that estate agents are eligible for full rates relief in the financial year 2020/21 and VAT payments due between March and June 2020 can be deferred to March 2021.

Scenario analysis for Covid-19, liquidity and proposed placing

As at 31 March 2020, Foxtons had a cash balance of £21.9m, including the fully drawn revolving credit facility ("**RCF**") of £5.0m. At that date, approximately £7.0m of this cash related to creditor payments that were subject to the above noted negotiations regarding payment terms and discounts.

Uncertainty around the scale, duration and impact of the Covid-19 pandemic on London property markets means it is impossible at this time, with a reasonable degree of precision, to determine the impact on our performance, particularly for the remainder of the financial year to 31 December 2020. Instead, we have analysed a broad range of potential scenarios, primarily based on assumptions of the period of lockdown restrictions in London and the time period that it might subsequently take for the residential sales and lettings markets in London to recover to more normal levels of activity. We have included in the scenarios estimates of the financial impact of the mitigating actions detailed above.

Although the Company’s relatively strong net cash position is sufficient to support its current operations in a number of scenarios, it could potentially face a liquidity gap in the event of a reasonable worst case scenario emerging involving a protracted period of lockdown until the end of August, followed by a slow recovery in London property markets.

Rather than implement further cost reduction measures that could damage the Company’s long term operational capacity or seek further borrowings, we have today announced a proposed placing to secure further equity capital, of up to 19.9% of our issued share capital (the “**Placing**”). The net proceeds from the Placing will be used to repay in full the RCF and to provide sufficient liquidity and flexibility to support the business through our reasonable worst case scenario and to help it exit the anticipated period of disruption in a strong financial position in the event of less pessimistic outcomes.

In addition, the Placing, if completed would:

- avoid necessitating decisions being made for short-term liquidity or cash management reasons that may cause detriment to Foxtons' long term prospects, and give the Company the flexibility to restructure its business in the case of a prolonged downturn;

- along with the management actions described above, enable Foxtons to retain a net cash position whilst weathering a reasonable worst case scenario period of lockdown restrictions in London until the end of August 2020 where the Company has modelled a reduction in revenues for Q2 and Q3 2020 of 78% lower than the same period last year, with a slow recovery in the sales and lettings markets in London by April 2021. For context, commissions earned by the Company during the first three weeks following lockdown were only 47% lower year on year.

- in the circumstances where the London sales and lettings markets recover sooner than the reasonable worst case scenario described above, Foxtons will be well placed to strengthen further its competitive advantage in the London residential sales market and potentially take advantage of opportunities to acquire lettings book portfolios. The Company would also consider returning any excess cash to shareholders.

All Foxtons directors, both Executive and Non-executive, intend to participate in the Placing.

Publication of 2019 Annual Report & Accounts

The Company has today published its Annual Report and Accounts for the year ended 31 December 2019 which is available on the Company's website at www.foxtonsgroup.co.uk. The Annual Report and Accounts and notice of AGM will be posted to shareholders on Monday 20 April 2020.

Commenting on the impact of Covid-19, Nic Budden, Chief Executive, said:

"The London property market has been severely disrupted by the necessary measures the country has taken to contain the Covid-19 pandemic. Prior to the lock-down, Foxtons' trading in 2020 had been in line with the Board's expectations and we started the year in a strong financial position, with a cash balance of over £15m and no external borrowings and a growing sales commission pipeline. We have since prioritised the safety of our people and customers with a range of actions, including closing all our branches. We also worked quickly to minimise cash outflow ahead of a period of significantly reduced revenues for an uncertain duration.

Notwithstanding our current strong financial position, the Board considers it prudent to raise additional capital at this time to enable the company to maintain liquidity in a reasonable worst-case scenario and preserve vital business capability to support customers when the Covid-19 pandemic subsides. This is an extremely challenging period for everyone but our people have been amazing in responding and I am confident we have taken the right measures both for our stakeholders and the business so that we can emerge from this crisis with the capability and financial position to thrive."

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