**Foxtons Group plc**
**INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2023**
**27 July 2023**

***Operational turnaround on track; significant market share gains delivered, together with revenue and profit growth in a challenging market.***

**Commenting on today's announcement, Guy Gittins, Group Chief Executive said:**

*"Our continued focus on growing non-cyclical and recurring revenues is working and has enabled us to deliver strong revenue and profit growth despite a challenging sales market and investing in recruiting more fee earners.*

*"In the first half of the year we cemented our position as London's largest Lettings and Sales estate agency brand. We not only had the largest market share of instruction volumes in London, but we also grew instruction market share quicker than any of our competitors as recently implemented operational upgrades yielded significant gains.*

*"Our Lettings business continued its growth trajectory, with double digit organic growth delivered in a competitive market. In Sales, although revenues were down due to the September 2022 mini-budget, which impacted the under-offer pipeline at the start of the year, we significantly grew market share, rebuilt the pipeline at the fastest rate in the last 5 years and agreed a similar level of new sales as last year, despite challenging market conditions.*

*"Looking ahead, despite the uncertainty in the sales market, our resilient and growing Lettings business combined with continuing Sales market share gains and a strengthened sales culture, means we are well positioned for the rest of the year."*

| | **H1 2023** | H1 2022 | Change |
|---|---|---|---|
| **Continuing operations[1]:** | | | |
| Revenue | **£70.9m** | £65.1m | +9% |
| Adjusted operating profit[2] | **£6.8m** | £6.2m | +10% |
| Profit before tax | **£6.1m** | £4.3m | +42% |
| Adjusted earnings per share (basic)[3] | **1.4p** | 1.1p | +27% |
| Earnings per share (basic) | **1.4p** | 0.9p | +56% |
| **Total Group[4]:** | | | |
| Net free cash flow[5] | **(£4.3m)** | £2.8m | n/a |
| Interim dividend per share | **0.20p** | 0.20p | - |

**Operational highlights:**

- Largest Lettings and Sales estate agency brand in London[6].
- Delivered significant instruction market share growth vs H1 2022[7].
- 14% growth in organic Lettings revenue vs H1 2022, supported by an increase in the cross-sell of property management services (+21%) and securing longer tenancies.
- 33% increase in new Sales agreed market share; 15% increase in Sales exchange market share vs H1 2022[8].
- 29% growth in Financial Services refinance volumes vs H1 2022.

**Financial highlights:**

- Revenue up 9% to £70.9m; adjusted operating profit up 10% to £6.8m. 73% of revenue from non-cyclical, recurring activities. Strong Lettings growth more than offset the expected reduction in H1 Sales volumes.
- Lettings revenue up 26% to £49.8m, including £5.6m (+14%) of organic growth and £2.7m of incremental contribution from acquisitions. Operational upgrades delivered market share gains and higher average revenue per transaction.
- Atkinson McLeod (acquired March 2023) fully integrated and synergies being realised. Prior acquisitions trading well and delivering returns in line with expectations.

- Sales revenue down 19% to £16.9m due to expected lower exchange volumes, reflecting a lower under-offer pipeline at the start of the year, partly mitigated by market share growth.
- Financial Services revenue down 12% to £4.2m as higher refinance volumes were offset by lower new purchase transaction volumes and smaller loan sizes.
- Adjusted operating profit up 10% to £6.8m with Lettings operating profit growth more than offsetting a Sales operating loss, including the cost of increasing fee earner headcount.
- Net free cash outflow of £4.3m (2022: £2.8m inflow). Net debt of £2.1m at 30 June 2023 (31 December 2022: net cash £12.0m). This reflects £6.3m of acquisition spend, £9.0m working capital outflow due to the introduction of shorter landlord billing periods to improve competitiveness and portfolio retention, and £3.2m of shareholder returns. Working capital flows are expected to normalise across 2024.
- RCF refinanced with existing lender. Committed facility increased to £20m (from £5m) and extended to June 2026. Provides increased strategic flexibility including working capital support for organic Lettings growth and the Lettings portfolio acquisition strategy.
- Unchanged interim dividend of 0.20p per share in line with dividend policy.
- Making good progress towards medium-term ambition to deliver £25m-£30m of operating profit.

**Implementing operational upgrades and progressing against strategic priorities:**

- **Data accessibility and usage:** KPI reporting suite upgraded to improve data visibility and new algorithms implemented across the Group to better identify new lead opportunities. New data platform implementation well progressed and expected to be operational in H2.
- **Estate agency processes and culture:** Overhauling our internal culture has significantly improved cross-sell of Lettings property management services and Financial Services ancillary products. Process improvements delivered a 40% reduction in the time to complete a lettings transaction and a 20% shorter time to complete a sales transaction than the industry average. New end-to-end digital lettings platform developed in the half and delivery in H2 is expected to drive further Lettings growth.
- **Headcount capacity and experience:** 13% increase in fee earning headcount drove record levels of sales viewings. 16% improvement in retention rates boosts salesforce tenure, experience and productivity.
- **Brand visibility and customer proposition:** Appointed an experienced marketing director to upgrade our marketing, increase brand visibility and articulate the value of the Foxtons proposition to customers.

**Current trading and outlook:**

Trading since the end of the first half is in line with our expectations:

- Lettings revenue in July 2023 performing in line with H1 2023 trends and delivering growth.
- Sales volumes in July were ahead of the H1 2023 run-rate as deals in our under-offer pipeline exchanged. However, new buyer enquiries softened in July in reaction to mortgage rate rises.

Looking ahead to the remainder of the year:

- In Lettings, operational improvements will continue to drive revenue and market share growth. Little change expected to the ongoing supply and demand imbalance, which will continue to underpin rents. Rent increases are expected to moderate through H2.
- In Sales, we are exchanging deals in our under-offer pipeline, and consequently expect our Q3 exchanges to outpace the levels seen in H1 2023. The wider sales market continues to remain challenging, primarily driven by higher inflation levels and associated interest rates, which will continue to impact market exchange volumes through H2 2023. However, should inflation moderate, buyer demand may rebound strongly, underpinned by ongoing demand for London residential property.
- In Financial Services, refinancing is expected to remain resilient while purchase mortgage volumes will track the sales market.
- Our large portfolio of non-cyclical and recurring revenues, combined with revenue and market share growth driven by the operational improvements we continue to deliver at pace, will limit the impact of a weaker sales market and protect Group profitability to a far larger extent than in previous years.

**For further information, please contact:**


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The Company will present a live webcast at 9:00am (GMT) for analysts and investors. To access you will be required to pre-register using the following link: https://secure.emincote.com/client/foxtons/foxtons005.
The presentation will also be broadcast via conference call. To access you will be required to pre-register using the following link: https://secure.emincote.com/client/foxtons/foxtons005/vip_connect

[1] Both 2022 and 2023 results are presented on a continuing operations basis and exclude the results of the D&G Sales business (disposed of on 11 February 2022).

[2] Adjusted operating profit is defined as profit before tax for the period before finance income, finance cost, other gains/(losses) and adjusted items. Refer to Note 2 for a reconciliation of the measure to statutory measures.

[3] Adjusted earnings per share is defined as earnings per share excluding the impact of adjusted items and any significant remeasurements of deferred tax balances as a result of UK corporate tax rate changes. Refer to Note 7 for a reconciliation between earnings/(loss) per share and adjusted earnings per share.

[4] Total Group includes results from both continuing operations and discontinued operations. Refer to Note 5 for details of the results from discontinued operations.

[5] Net free cash flow is defined as net cash from operating activities less repayment of IFRS 16 lease liabilities and net cash generated/used in investing activities, excluding the acquisition of subsidiaries (net of any cash acquired), divestments and purchases of investments.

[6] By instruction volumes. Source: TwentyCi

[7] New property instruction market share growth in Foxtons core addressable markets. Source: TwentyCi

[8] Share of exchanges (H1 2023: 3.8%; H1 2022: 3.3%) and new sales agreed in Foxtons core addressable markets. Source: TwentyCi

**About Foxtons**

Founded in 1981, Foxtons is London's leading estate agency and largest lettings agent, with a portfolio of over 27,000 tenancies. The Group operates from a network of over 60 interconnected branches, offering a range of residential property services across three business segments: Lettings, Sales and Financial Services.

The Group's strategy to accelerate growth is focused on non-cyclical and recurring revenues from Lettings and Financial Services refinance activities, supplemented by market share growth in Sales. In order to drive organic growth, the Group is rebuilding its competitive advantages, with a strong focus on leveraging data and technology; investing in people and culture; and reinvigorating the Foxtons brand.

By rebuilding Foxtons' estate agency DNA and returning the business to its position as London's go-to estate agent, the Group aims deliver significant profit growth and deliver value for shareholders.

- **Lettings organic growth**: Focus on winning new property instructions, speed to market and high quality landlord service to drive revenue growth.
- **Lettings acquisitive growth**: Acquire, integrate and service high quality lettings portfolios.
- **Sales market share growth:** Reinvigorating the Foxtons brand and increasing sales headcount to grow addressable market share.
- **Financial Services revenue growth**: Increasing adviser headcount, improving productivity and cross-sell to drive revenue growth.

## PERFORMANCE AT A GLANCE

| Half year ended 30 June | 2023 | 2022 | Change |
|---|---|---|---|
| **Income statement (from continuing operations[1])** | | | |
| Revenue | **£70.9m** | £65.1m | +9% |
| Operating profit | **£6.8m** | £5.3m | +28% |
| Adjusted operating profit[2] | **£6.8m** | £6.2m | +10% |
| Adjusted operating profit margin[2] | **9.6%** | 9.5% | +11 bps |
| Profit before tax | **£6.1m** | £4.3m | +42% |
| **Earnings per share (from continuing operations[1])** | | | |
| Basic earnings per share | **1.4p** | 0.9p | +56% |
| Adjusted basic earnings per share[2] | **1.4p** | 1.1p | +27% |
| **Dividends** | | | |
| Interim dividend per share | **0.20p** | 0.20p | - |
| **Net cash and net free cash flow** | | | |
| Net (debt)/cash[2] | **(£2.1m)** | £11.6m | n/a |
| Net cash from operating activities[3] | **£3.2m** | £9.6m | (67%) |
| Net free cash flow[2,3] | **(£4.3m)** | £2.8m | n/a |
| **Segmental metrics (from continuing operations[1])** | | | |
| Lettings revenue | **£49.8m** | £39.4m | +26% |
| Lettings volumes | **9,361** | 9,110 | +3% |
| Average revenue per Lettings transaction | **£5,316** | £4,330 | +23% |
| Sales revenue | **£16.9m** | £20.8m | (19%) |
| Sales volumes | **1,293** | 1,528 | (15%) |
| Average revenue per Sales transaction | **£13,084** | £13,627 | (4%) |
| Financial Services revenue | **£4.2m** | £4.8m | (12%) |
| Financial Services volumes | **2,411** | 2,334 | +3% |
| Average revenue per Financial Services transaction | **£1,755** | £2,056 | (15%) |

[1] Both 2022 and 2023 results are presented on a continuing operations basis and exclude the results of the D&G Sales business (disposed of on 11 February 2022).
[2] These measures are APMs used by the Group and are defined, and purpose explained within Note 15.
[3] Net cash from operating activities and net free cash flow includes continuing and discontinued operations.

## CHAIRMAN'S STATEMENT

We have experienced a positive start to the year, following the significant changes Foxtons underwent in 2022. Our Chief Executive, Guy Gittins, started in September last year and launched a review of the business which resulted in him identifying a number of operational improvements that needed to be made to rebuild Foxtons' competitive advantage. These operational improvements are a major focus for the business and are being delivered at speed. While there remains significant work to do to fulfil the business' potential, I am extremely encouraged by the progress the new management team has made in such a short period.

At the same time as implementing the operational improvements we have refocused our strategic priorities, with an emphasis on non-cyclical and recurring revenue streams. In March, Guy set out a number of ambitions for the business to achieve in the medium-term. At a Group level, we aim to deliver £25m-£30m of operating profit, underpinned by: 3%-5% average organic growth in the Lettings business as well as attractive returns from acquisitions; by increasing market share to 4.5% in Sales; and achieving revenue growth of 7%-10% in Financial Services.

Our Lettings business delivered another six months of strong performance, which highlights the strength of non-cyclical revenue streams and the resilience they provide the business. While both the Sales and Financial Services businesses recorded lower revenues, this was due to external factors and masks the fact that we have outperformed the market. Despite the challenging sales market and the additional costs incurred through investing in fee earner headcount, we grew both our revenues and profits in the half.

### Financials

Revenue increased by 9% to £70.9m, driven largely by Lettings which contributed £49.8m, an increase of 26%. Adjusted operating profit increased by 10% to £6.8m and profit before tax increased by 42% to £6.1m.

Within Lettings, we introduced shorter landlord billing periods to improve the competitiveness of our Lettings proposition and support the retention and organic growth of the portfolio over the medium-term. As Lettings revenue outpaced cash collections, a working capital outflow resulted in a net debt position of £2.1m at the period end. Working capital flows are expected to normalise across 2024.

In June we refinanced our revolving credit facility, which now provides £20m of committed borrowing capacity, up from £5m. The facility will provide increased strategic flexibility, including further working capital support to drive organic Lettings growth and delivery against the Lettings portfolio acquisition strategy.

The Board has declared an interim dividend of 0.2p per share, under our policy of returning 35% to 40% of profit after tax in ordinary dividends. The Board will continue to keep share buybacks under review in the context of other potential uses of capital.

### Outlook

The business has made good progress in a short period of time. The operational turnaround is already starting to show results and Group earnings are underpinned by high levels of recurring revenues. Whilst the near term outlook for the sales market remains challenging, we are making good progress towards our medium-term growth ambitions.

**Nigel Rich CBE**
Chairman
26 July 2023

## CHIEF EXECUTIVE'S REVIEW

The business performed well in challenging markets, primarily due to our resilient Lettings business delivering good growth, and we took significant steps to implement the critical operational improvements required for Foxtons to be London's go-to estate agent.

In the half we cemented our position as London's largest Lettings and Sales agency brand. We not only have the largest market share of instruction volumes in London, but we also grew instruction market share quicker than any of our competitors as operational upgrades yielded significant gains. Property instructions are the lifeblood of estate agency and growth here supported the delivery of higher organic revenues in Lettings. In Sales, higher instruction levels drove record buyer demand and supported a significant increase in our market share of sales exchanges and new sales agreed. However, due to a lower under-offer pipeline at the start of the year, and significant increases in mortgage rates, these improvements will take time to be reflected in revenue.

We still have work to do to turn Foxtons into the force it can be, but we are making good progress towards our ambition to deliver £25m-£30m of operating profit in the medium-term.

### Financial highlights

Revenue for the half was up 9% to £70.9m, adjusted operating profit was up 10% at £6.8m and profit before tax was up 42% at £6.1m.

In Lettings, revenue was up 26% to £49.8m, with 14% organic growth underpinned by operational improvements supporting the delivery of both market share gains and higher average revenue per transaction as the business focused on improving deal conversion rates, securing longer tenancy terms, and improving property management cross-sell, alongside higher rents. The Atkinson McLeod acquisition, announced on 6 March 2023, is fully integrated and we are seeing the benefits of operational and financial synergies.

As we have previously noted, the mini-budget in September last year severely disrupted the sales market, and when combined with rising mortgage rates in the half, revenues were down 19% to £16.9m. The decrease in revenue was partly mitigated as the business outperformed the wider market and delivered growth in the share of exchanged deals in H1. Significant growth in our share of new sales agreed in H1 meant we were able to rebuild our under-offer pipeline at the fastest rate in the last 5 years as we agreed a similar level of sales in the period versus the prior year.

Financial Services revenue was down marginally at £4.2m, as the decline in the sales market and rising interest rates affected the number of purchase volumes, partly mitigated by growth in refinancing volumes supported by additional adviser headcount.

Net debt at the period end was £2.1m, with the net debt position reflecting a working capital outflow as we introduce shorter landlord billing periods to improve the competitiveness of our Lettings proposition and support the retention and organic growth of the portfolio over the medium-term.

### Lettings market update

Demand in Lettings remains strong and rents continued to rise in the first half, as supply remains constrained, although the rate of rent increases moderated as the half progressed.

The continued growth in the imbalance between supply and demand is at the highest levels we have ever seen. This continues to drive rents and is making it more difficult for renters to find affordable accommodation in London. We have written to the Secretary of State for the Department of Levelling Up, Housing & Communities highlighting the challenges private landlords face and how this will negatively impact renters, alongside suggesting ways of addressing the supply side issue. This is an increasingly serious issue and we will continue to seek ways to engage with the Government to help ensure London has a sustainable rental market.

**Sales market update**

We have highlighted the impact of the mini-budget on a number of occasions, and so the H1 slow-down in Sales exchange volumes was not a surprise. The combination of higher mortgage costs, the inflation driven cost of living issue, and the withdrawal of Help to Buy on new homes all combined to cause a drag on the sales market. Looking at new sales agreed in the first six months, the market remained challenging with new sales agreed volumes down c.19% versus the prior year. More positively, demand for London property remains robust and there is still a tail of Covid pent-up demand from changing lifestyles affecting property requirements.

The operational upgrades we have implemented meant Foxtons was able to capitalise on these conditions and outperform the market.

**Operational turnaround on track**

In March 2022, we identified key operational upgrades needed to rebuild our competitive advantages in four core areas: data accessibility and usage; estate agency processes and culture; headcount capacity and experience; and brand visibility and customer proposition.

Data accessibility and usage

We have the largest data set on London properties, in both sales and lettings, but we have not been making it work to our advantage. We have made significant progress in overhauling our data architecture so that we can become a data-led company. As part of the overhaul, we have introduced a new KPI reporting suite to significantly improve data visibility and embed a high-performance culture through managing our employees against new KPI measures. In addition, we have introduced new algorithms to better identify and convert new leads from our unrivalled database.

Estate agency processes and culture

We are also rebuilding the estate agency culture and investing in our talented workforce. We have made good progress here, through re-empowering our agents and reinstating and significantly enhancing our industry leading training programme. In the half our Learning and Development team delivered over 1,100 hours of in-person training to our workforce, a tenfold increase in the training time invested in H1 2022. This training enables our new recruits to be productive more quickly and supports the enhanced culture we are embedding across the Group.

And these changes to culture are already driving behavioural changes. The salesforce significantly enhanced its self-generation of property instruction opportunities, supporting an 8% Lettings and 43% Sales instruction market share growth in H1 versus the prior year. Moreover, better employee management and incentivisation delivered a 21% increase in cross-selling of our higher value Lettings property management service and good growth in the cross-sell of ancillary products in Financial Services.

Finally, we have made significant progress on overhauling our estate agency processes, aided by our in-house operating system and development teams. In the half we delivered a 40% reduction in the time to complete a lettings transaction and a 20% shorter time to complete a sales transaction than the industry average.

Innovation is a key element in Foxtons' DNA, and we have spent much time identifying and developing new functionalities to modernise the lettings process for landlords and tenants. We are well progressed with the delivery of a new digital end-to-end rental solution, which is an industry first, and I look forward to providing an update later in the year. While we remain one of the most technologically advanced agents in the market, we are yet to fully exploit our rich data sets and technology capability; we believe this represents untapped value and will allow us to be a leader in embracing new technologies, such as AI.

Headcount capacity and experience

Following my operational review, it was clear that the Company was under-resourced in fee earning headcount, and so was unable to take advantage of all available market opportunities. Addressing this was a key priority. We have increased headcount by 16% across Lettings and Sales fee earners and increased Financial Services adviser headcount by 21%. Typically, there is a 12-month lag between hiring a new fee earner or financial adviser and seeing the benefits come through. Encouragingly, the additional resource is already delivering growth with a record number of Sales viewings completed in H1 2023 and growth in refinancing volumes within Financial Services.

Another area of focus was reducing the unacceptably high levels of staff attrition. Overall staff retention rates increased by 16% in H1, which boosts staff tenure, experience and productivity, with consequential benefit to profit.

Brand visibility and customer proposition

Finally, we are reinvigorating our brand – at the end of last year we reintroduced the iconic Foxtons-branded Minis, and we have now appointed a new marketing director, to focus on growing our market share by overhauling our approach to marketing.

I have been very encouraged by the reaction of my colleagues to these changes we are implementing. They have embraced them and that is beginning to feed through into our operational and financial results. We have good quality people across the organisation with deep experience of our industry which is critical for our future growth.

**Delivering our strategic priorities**

We have a focused set of strategic priorities to deliver revenue and profit growth and meet our medium-term operating profit ambition. Emphasis is on growing non-cyclical and recurring revenue streams in Lettings and Financial Services to enhance the Group's earnings resilience, alongside returning Sales to profitability in the longer term.

In March, we set medium-term targets that will demonstrate our success in delivering these strategic priorities. Although we are only six months into a multi-year programme, we are making good progress:

- **Organic Lettings growth**: achieved 14% organic revenue growth in the half, against our ambition of 3%-5%.
- **Lettings acquisitions growth**: completed the acquisition of Atkinson McLeod in March 2023, rapidly integrating it into the Foxtons infrastructure to deliver synergies. Prior acquisitions are trading well and delivering in line with our expectations of 20%+ returns on capital.
- **Sales market share growth**: delivered 15% growth in H1 to grow market share to 3.8% (H1 2022: 3.3%) as we progress delivery against our medium-term ambition of 4.5% market share in our core markets. In addition, delivered 33% growth in market share of new sales agreed over the period to support the significant rebuild in the under-offer pipeline in the half.
- **Financial Services growth**: increased headcount and operational upgrades delivered a 29% increase in refinance volumes and higher levels of ancillary product cross-sell to mostly mitigate the challenging market. We are building well to deliver on our ambition of 7%-10% revenue growth.

**Current trading and outlook**

Trading since the end of the first half is in line with our expectations. July 2023 Lettings revenue is performing in line with the trends seen H1 2023, and we continue to deliver strong organic growth. Sales volumes in July were ahead of the H1 2023 run-rate as we exchanged deals in our under-offer pipeline. However, new buyer enquiries softened in July reflecting challenges in the mortgage market.

Looking ahead to the remainder of the year, in Lettings, the operational improvements implemented will continue to drive revenue and market share growth. We see little change to the supply and demand imbalance which will continue to underpin rents, but we do expect rent increases to moderate through H2.

In Sales, we are exchanging deals in our under-offer pipeline, and consequently expect our Q3 exchanges to outpace the levels seen in H1 2023. The wider sales market continues to remain challenging, primarily driven by higher inflation levels and associated interest rates, which will continue to impact market exchange volumes through H2 2023. Continuing to win market share should mitigate some of these market headwinds. However, should inflation moderate, buyer demand may rebound strongly, underpinned by ongoing demand for London residential property.

And finally in Financial Services, we expect mortgage refinancing to remain resilient while new mortgage volumes will track the sales market.

In summary, our large portfolio of non-cyclical and recurring revenues, combined with revenue and market share growth driven by the operational improvements we continue to implement at pace, will limit the impact of a weaker sales market and protect Group profitability to a far larger extent than in previous years.

**Guy Gittins**
Chief Executive Officer
26 July 2023

## FINANCIAL REVIEW

### FINANCIAL OVERVIEW – HIGHLIGHTS

| | **H1 2023 £m** | H1 2022 £m | Change |
|---|---|---|---|
| Revenue | **70.9** | 65.1 | +9% |
| Contribution[1] | **44.5** | 41.9 | +6% |
| *Contribution margin*[1] | ***62.7%*** | *64.3%* | *(160 bps)* |
| Operating profit | **6.8** | 5.3 | +28% |
| Adjusted operating profit[1] | **6.8** | 6.2 | +10% |
| *Adjusted operating profit margin*[1] | **9.6%** | *9.5%* | *+11 bps* |
| Profit before tax | **6.1** | 4.3 | +42% |
| Profit after tax | **4.1** | 2.9 | +41% |
| Adjusted earnings per share (basic) | **1.4p** | 1.1p | +27% |
| Earnings per share (basic) | **1.4p** | 0.9p | +56% |
| **Net free cash flow and net cash** | | | |
| Net free cash flow[1,2] | **(4.3)** | 2.8 | n/a |
| (Net debt)/Net cash as at 30 June[1] | **(2.1)** | 11.6 | n/a |
| **Dividends** | | | |
| Interim dividend per share | **0.20p** | 0.20p | - |

1 APMs are defined, purpose explained and reconciled to statutory measures within Note 2 of the financial statements.

2 Net free cash flow is from continuing and discontinued operations.

Notes:

- All results and measures within the financial review are presented on a continuing operations basis unless otherwise stated.
- Values in tables may have been rounded and totals may therefore not be the sum of presented values in all instances.

Revenue increased by 9% to £70.9m (2022: £65.1m), with Lettings revenue up 26%, Sales revenue down 19% and Financial Services revenue down 12%. Adjusted operating profit increased by £0.6m to £6.8m (2022: £6.2m), underpinned by good growth in Lettings profitability. Profit before tax was £6.1m (2022: £4.3m) and profit after tax was £4.1m (2022: £2.9m).

Net free cash outflow of £4.3m (2022: £2.8m inflow). At 30 June 2023, the net debt position of £2.1m (31 December 2022: £12.0m net cash) reflected £6.3m of acquisition spend, a £9.0m working capital outflow and £3.2m of shareholder returns.

The working capital outflow was driven by the introduction of shorter billing periods for landlords opting to agree to longer tenancy terms. This initiative has been successful in driving an increase in average tenancy lengths, which under the Lettings revenue recognition policy, also resulted in a greater proportion of revenue being recognised at the start of the affected tenancies. With Lettings revenue recognition outpacing cash collections, the H1 working capital outflow increased to £9.0m (2022: £2.1m outflow). This billing initiative improves the competitiveness of our Lettings proposition for landlords and supports the retention and organic growth of the Lettings portfolio over the medium-term.

In June, the Group's revolving credit facility (RCF) was refinanced, increasing the size of the committed facility from £5m to £20m and extending the facility to June 2026. At 30 June 2023, £5m of the RCF was drawn. The new facility provides increased strategic flexibility, including working capital support to drive organic Lettings growth and delivery against the Lettings portfolio acquisition strategy.

**REVENUE**

| | **H1 2023 £m** | H1 2022 £m | Change |
|---|---|---|---|
| Lettings | **49.8** | 39.4 | +26% |
| Sales | **16.9** | 20.8 | (19%) |
| Financial Services | **4.2** | 4.8 | (13%) |
| **Total** | **70.9** | 65.1 | +9% |

The Group consists of three operating segments: Lettings, Sales and Financial Services. In the period, Lettings represented 70% of total revenue (2022: 61%), Sales 24% of total revenue (2022: 32%) and Financial Services 6% of total revenue (2022: 7%).

***Lettings revenue***

Lettings revenue increased by 26% to £49.8m (2022: £39.4m), reflecting a 23% increase in average revenue per transaction and a 3% increase in transactional volumes. Revenue growth included organic growth of £5.6m (year-on-year growth of 14%), £2.7m incremental revenue contribution from acquisitions and £2.0m growth in interest earned on client monies.

Organic revenue growth of 14% was driven by a number of key drivers, including:

- An operational focus to secure longer tenancy terms, which under the Lettings revenue recognition policy, resulted in a greater proportion of revenue being recognised at the start of the affected tenancies.
- Continued focus on increasing the cross-sell of our higher value property management service, increasing the penetration of new deals under management by 21% year-on-year.
- 12% year-on-year increase in average rents, reflecting a rental market where demand continues to outstrip supply driving competition for rental properties.

The £2.7m of incremental inorganic revenue growth reflects the incremental revenue from the two acquisitions completed in May 2022 and the March 2023 acquisition of Atkinson McLeod. In June 2023, the Atkinson McLeod lettings portfolio was fully integrated into the Foxtons operating platform and branch network. £0.1m of closure costs relating to the acquired branches have been recognised as an adjusted item in the period (as noted further below).

***Sales revenue***

Sales revenue decreased by 19% to £16.9m (2022: £20.8m), with the decrease mainly driven by a 15% decrease in Sales exchange volumes compared to H1 2022.  Average revenue per transaction was 4% lower reflecting a 2% decrease in the average price of properties sold as sellers adjusted prices to match prevailing market conditions, whilst commission rates remained robust at 2.2%.

The reduction in exchange volumes reflects a lower under-offer pipeline at the start of the year, a consequence of reduced buyer activity following the September 2022 mini-budget. Over the period, despite challenging market conditions, significant progress has been made in rebuilding the under-offer pipeline, with sales exchanges expected to accelerate in Q3.

***Financial Services revenue***

Financial Services revenue decreased by 12% to £4.2m (2022: £4.8m), reflecting a 3% increase in volumes and a 15% decrease in average revenue per transaction. Lower average revenue per transactions was driven by lower average loan sizes, reduced new purchase volumes and an increase in lower value product transfers within the refinance business.

**CONTRIBUTION AND CONTRIBUTION MARGIN**

| | **H1 2023** | | H1 2022 | |
|---|---|---|---|---|
| | **£m** | **margin** | £m | margin |
| Lettings | **37.4** | **75.1%** | 28.9 | 73.4% |
| Sales | **5.5** | **32.7%** | 10.9 | 52.2% |
| Financial Services | **1.6** | **37.2%** | 2.1 | 42.8% |
| **Total** | **44.5** | **62.7%** | 41.9 | 64.3% |

Group contribution, defined as revenue less direct salary costs of front office staff and bad debt charges, increased to £44.5m (2022: £41.9m). Contribution margin for the period was 62.7% (2022: 64.3%). Lettings contribution increased by 29%, reflecting 26% of revenue growth and the inherent operating leverage in the business model. Contribution across both Sales and Financial Services reduced due to a reduction in new purchase volumes and additional costs through the investment in fee earner headcount. Fee earner productivity was robust, with the respective pipelines of business being rebuilt effectively over H1.

**ADJUSTED OPERATING PROFIT/(LOSS) AND ADJUSTED OPERATING PROFIT/(LOSS) MARGIN**

| | **H1 2023** | | H1 2022 | |
|---|---|---|---|---|
| | **£m** | **margin** | £m | Margin |
| Lettings | **14.1** | **28.4%** | 7.3 | 18.4% |
| Sales | **(6.4)** | **(37.6%)** | (0.7) | (3.2%) |
| Financial Services | **0.2** | **4.7%** | 0.8 | 17.1% |
| Corporate costs | **(1.2)** | **n/a** | (1.2) | n/a |
| **Total** | **6.8** | **9.6%** | 6.2 | 9.5% |

Adjusted operating profit for the period was £6.8m (2022: £6.2m) and adjusted operating margin was 9.6% (2022: 9.5%).

Consistent with prior periods, for the purposes of segmental reporting, shared costs relating to the estate agency businesses are allocated between Lettings and Sales with reference to relevant cost drivers, such as front office headcount in the respective businesses. Corporate costs are not allocated to the operating segments and are presented separately.

Lettings adjusted operating profit increased by £6.8m to £14.1m and underpinned Group profitability. In contrast, Sales adjusted operating loss increased by £5.7m to a loss of £6.4m, with the reduction due to the fall in exchange volumes and investment in headcount as previously mentioned.

Adjusted operating profit of £6.8m (2022: £6.2m) is after charging £64.1m (2022: £58.9m) of costs, including the following:

- Direct operating costs of £26.5m (2022: £23.2m) relating to direct salary costs of front office staff and bad debt charges.
- Other operating costs, excluding £nil (2022: £0.9m) of adjusted items, of £37.6m (2022: £35.7m), which includes the following charges:
  - Depreciation of £6.4m (2022: £6.0m).
  - Amortisation of £0.8m (2022: £0.7m), including £0.6m (2022: £0.4m) relating to acquired intangibles.
  - Share-based payment charges of £0.5m (2022: £0.6m).
- Adjusted items of net £nil (2022: £0.9m) comprise of: £0.1m property related credits (2022: £0.1m), £0.1m transaction related costs (2022: £0.2m) and £nil reorganisation costs (2022: £0.7m).

**PROFIT BEFORE TAX**

| | H1 2023 £m | H1 2022 £m |
|---|---|---|
| **Adjusted operating profit** | **6.8** | 6.2 |
| Less: adjusted items | **-** | (0.9) |
| **Operating profit** | **6.8** | 5.3 |
| Less: Net finance costs and other losses | **(0.8)** | (1.0) |
| **Profit before tax** | **6.1** | 4.3 |

Profit before tax has increased by 42% to £6.1m (2022: £4.3m) after charging £0.8m (2022: £1.0m) net of finance costs, primarily relating to IFRS 16 lease interest, and other losses.

**PROFIT AFTER TAX**

| | H1 2023 £m | H1 2022 £m |
|---|---|---|
| **Profit before tax** | **6.1** | 4.3 |
| Less: current tax charge | **(1.9)** | (0.7) |
| Less: deferred tax charge (other movements) | - | (0.7) |
| **Profit after tax** | **4.1** | **2.9** |

The profit after tax of £4.1m (2022: £2.9m) is after a total tax charge of £1.9m (2022: £1.4m), of which £nil (2022: £0.7m) relates to non-cash deferred tax accounting charges and £1.9m (2022: £0.7m) relates to current tax.

The effective tax rate for the period was 32.0% (2022: 32.4%), which compares to the statutory corporation tax rate of 25% (2022: 19.0%). The 2023 effective tax rate is higher than the statutory corporation tax rate due to non-deductible expenses.

The Group's net deferred tax liability at 30 June 2023 totalled £26.1m (2022: £26.1m), which includes £27.6m (2022: £27.2m) of deferred tax liabilities relating to the Group's intangible assets, offset by deferred tax assets of £1.6m (2022: £1.0m). The deferred tax assets relate to tax losses brought forward which are expected to be recovered through future taxable profits.

The Group has a low-risk approach to its tax affairs and all business activities are within the UK and are UK tax registered and fully compliant. The Group does not have any complex tax structures in place and does not engage in any aggressive tax planning or tax avoidance schemes. The Group always sets out to be transparent, open and honest in its dealings with tax authorities. The Group received £0.3m of tax refunds during the year (2022: £nil).

**EARNINGS PER SHARE**

| | **H1 2023 £m** | H1 2022 £m |
|---|---|---|
| **Profit after tax** | **4.1** | 2.9 |
| Add back: adjusted items (net of tax) | **0.1** | 0.7 |
| **Adjusted earnings for the purposes of adjusted earnings per share** | **4.2** | 3.6 |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 302,815,955 | 317,888,904 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 11,723,508 | 2,633,344 |
| Earnings per share (basic) | **1.4p** | 0.9p |
| Earnings per share (diluted) | **1.3p** | 0.9p |
| Adjusted earnings per share (basic) | **1.4p** | 1.1p |
| Adjusted earnings per share (diluted) | **1.3p** | 1.1p |

Earnings per share (basic) was 1.4p (2022: 0.9p) and earnings per share (diluted) was 1.3p (2022: 0.9p). On an adjusted basis, earnings per share (basic) was 1.4p (2022: 1.1p) and earnings per share (diluted) was 1.3p (2022: 1.1p).

**NET FREE CASH FLOW AND NET CASH**

| ***From continuing and discontinued operations*** | **H1 2023 £m** | H1 2022 £m |
|---|---|---|
| Operating cash flow before movements in working capital | **13.3** | 11.8 |
| Working capital outflow | **(9.0)** | (2.1) |
| Income taxes paid | **(1.1)** | (0.1) |
| **Net cash from operating activities** | **3.2** | 9.6 |
| Repayment of IFRS 16 lease liabilities | **(6.3)** | (5.9) |
| Net cash used in investing activities[1] | **(1.3)** | (0.9) |
| **Net free cash flow** | **(4.3)** | 2.8 |

[1] Excludes £6.3m (2022: £8.5m) of cash outflows relating to the acquisition of subsidiaries (net of any cash acquired), £nil (2022: £3.7m) relating to the disposal of discontinued operations (net of cash disposed) and £nil related to the purchase of investments (2022: £0.4 m).

The £9.0m working capital outflow (2022: £2.1m) is reflective of Lettings revenue recognition outpacing cash collections as a result of the previously mentioned introduction of shorter billing periods for landlords opting to agree to longer tenancy terms. Working capital flows are expected to normalise across 2024 as the portfolio continues to transition to shorter billing periods.

Net free cash flow, from continuing and discontinued operations, was a £4.3m outflow (2022: £2.8m inflow), with the reduction due to the Lettings working capital outflow previously noted.

Net debt at 30 June 2023 was £2.1m (30 June 2022: £11.6m net cash) with £5.1m of external borrowings (30 June 2022: £0.1m).

**ACQUISITIONS**

**Atkinson McLeod – acquired 3 March 2023**

On 3 March 2023, the Group acquired the entire issued capital of Atkinson McLeod. The acquisition has a strong lettings business that generates 90% of revenue across c.1,100 tenancies. Gross purchase consideration was £8.2m, with £7.5m paid to date and £0.7m deferred for a period of 12 months post completion.

Acquired net assets were provisionally fair valued at the date of acquisition and include £2.6m of customer contracts and relationships and £5.6m of acquired goodwill. The acquisition contributed £0.9m of revenue and

£0.3m of adjusted operating profit in the first four months of ownership, and prior to integration synergies being realised. Refer to Note 11 for further details.

**Gordon & Co and Stones Residential – acquired 25 May 2022**
On 25 May 2022, the Group acquired the entire issued share capital of two estate agents, Gordon & Co, and Stones Residential. Gross purchase consideration for both businesses, after adjustments for deferred consideration, is estimated to be £9.7m. £8.4m of the gross purchase consideration was paid at 30 June 2023, with an estimated £1.3m deferred consideration payable in H2 2023.

**DISCONTINUED OPERATIONS**

| | **H1 2023 £m** | H1 2022 £m |
|---|---|---|
| **Revenue** | **-** | 0.6 |
| **Adjusted operating loss** | **-** | (0.6) |
| Less: adjusted items | **-** | 0.2 |
| **Operating loss** | **-** | (0.4) |
| **Loss after tax** | **-** | (0.3) |

In H1 2022, discontinued operations related to D&G Sales, which was acquired alongside D&G Lettings and disposed of on 11 February 2022. In 2022, on a total Group basis, which includes both continuing and discontinued operations, revenue was £65.6m and adjusted operating profit was £5.6m.

In H1 2023, there were no discontinued operations.

**OTHER BALANCE SHEET POSITIONS**

At 30 June 2023 the significant balance sheet positions were:

- Goodwill of £31.7m (2022: £26.0m) and other intangible assets of £111.8m (2022: £109.5m), with the increase in goodwill and other intangible assets due to the acquisition of Atkinson McLeod which contributed £5.6m of goodwill and £2.6m of customer contracts and relationships.
- Trade and other receivables of £18.6m (2022: £18.9m) and trade and other payables of £18.3m (2022: £18.2m).
- Total contract assets of £13.3m (2022: £5.5m) and total contract liabilities of £10m (2022: £8.4 m), with the increase in contract assets being driven by a focus on securing longer tenancy terms, and the introduction of shorter billing periods for landlords opting to agree to longer tenancy terms. Increase in contract liabilities was mainly driven by the acquired Atkinson McLeod's contract liabilities of £0.9m.
- Lease liabilities of £45.8m (2022: £46.9m) and right-of-use assets of £42.7m (2022: £42.2m).
- Intangible assets under construction of £1.4m (2022: £0.2m).

**CAPITAL ALLOCATION AND DIVIDENDS**
The Board has declared an interim dividend of 0.2p per share (2022: interim dividend of 0.2p per share). Payment will be made on 12 September 2023 to shareholders on the register at close of business on 4 August 2023. The shares will be quoted ex-dividend on 3 August 2023. The Company operates a Dividend Reinvestment Plan ("DRIP"), which is managed by its registrar, Link Group. For shareholders who wish to receive their dividend in the form of shares, the deadline to elect for the DRIP is 18 August 2023.

**CAPITAL RETURNS**
The £3m share buyback programme announced in November 2022 was completed in May 2023. In the period, £1.1m (2022: £0.9m) of shares, or 2,847,821 shares (2022: 14,829,261 shares), were bought back to return excess capital to shareholders. The Board will keep the continuation of the share buyback under review bearing in mind our other capital needs and potential returns available on lettings acquisitions. Since 2020, a total of £12.0m of shares (28,513,694 shares) have been bought back.

**POST BALANCE SHEET EVENTS**
There are no post balance sheet events to report.

**RELATED PARTY TRANSACTIONS**
Related party transactions are disclosed in Note 13 of the condensed financial statements. There have been no material changes to the related party transactions described in the 2022 Annual Report and Accounts.

**TREASURY POLICIES, OBJECTIVES & REVOLVING CREDIT FACILITY**
The Group's treasury policy is designed to reduce financial risk. Financial risk for the Group is low as the Group is in a net cash position, is entirely UK based with no foreign currency risks and surplus cash balances are held with major UK based banks. As a consequence, the Group has not had to enter into any financial instruments to protect against risk.

In the period, the RCF was successfully refinanced, with an increase in the committed facility size from £5m to £20m, and the term extended to June 2026. The terms of the facility have remained materially the same as the previous facility and remains unsecured. Drawdowns on the facility accrue interest at SONIA +1.65%.

**PENSIONS**
The Group does not have any defined benefit schemes in place but is subject to the provisions of auto-enrolment which require the Group to make certain defined contribution payments for our employees.

**RISK MANAGEMENT**
The Group has identified its principal risks and uncertainties and they are regularly reviewed by the Board and Senior Management. Refer to pages 17 and 18 for details of the Group's risk management framework and principal risks and uncertainties.

**GOING CONCERN**
The financial statements of the Group have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial statements, the Group will have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the financial statements. Refer to Note 1 of the financial statements for details of the Group's going concern assessment and the going concern statement.

**Chris Hough**
Chief Financial Officer
26 July 2023

## PRINCIPAL RISKS

### Risk management

The Board is responsible for establishing and maintaining the Group's system of risk management and internal control, with the aim of protecting its employees and customers and safeguarding the interests of the Group and its shareholders in the constantly changing environment in which it operates. The Board, through the Audit Committee, regularly reviews the principal risks facing the Group, together with the relevant mitigating controls, and undertakes a robust risk assessment. In reviewing the principal risks, the Board considers emerging risks, including climate-related risks, and changes to existing risks. In addition, the Board has set guidelines for risk appetite as part of the risk management process against which risks are monitored.

The identification of risks is undertaken by specific executive risk committees that analyse the risk universe by risk type across four key risk types: strategic risks, financial risks, operational risks and compliance risks. A common risk register is used across the Group to monitor gross and residual risk, with the results assessed by the Audit Committee and Board. The Audit Committee monitors the effectiveness of the risk management system through management updates, output from the various executive risk committees and reports from internal audit.

The principal risks do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management, or deemed to be less material at the date of this report, may also have an adverse effect on the Group. Risk descriptions have been updated to reflect prevailing and expected conditions where necessary.

| Risk | Impact on the Group |
|---|---|
| Market risk | The key factors driving market risk are:<br>• Affordability, including the current cost of living increases, which in turn may reduce transaction levels;<br>• The market being reliant on the availability of affordable mortgage finance, a deterioration in availability or an increase in borrowing rates may adversely impact the performance of the Sales business. Borrowing rates in the UK have continued to climb in 2023 reflecting increases in the Bank of England base rate as steps are taken to control inflation;<br>• The market being impacted by changes in government policy such as future changes in stamp duty taxes or increased regulation in the lettings market, including the impact of future rental market reforms;<br>• Arguably a reduction in London's standing as a major financial city caused by the macro-economic and political environment; and<br>• Ongoing geopolitical risk which may increase market uncertainty and customer confidence. |
| Competitor challenge | The Group operates in a highly competitive marketplace. New or existing competitors could develop new technology, service models or methods of working which could give them a competitive advantage. |
| Compliance with the legal and regulatory environment | Breaches of laws or regulations could lead to financial penalties and reputational damage.<br>Our estate agency business operates under a range of legal and regulatory requirements, such as complying with certain money laundering regulations and protecting tenant deposits in line with the relevant regulations. Our Financial Services business is authorised and regulated by the Financial Conduct Authority (FCA) and could be subject to sanctions for non-compliance. |

| Risk | Impact on the Group |
|---|---|
| IT systems and cyber risk | Our proprietary operating system continues to provide us with a competitive advantage by connecting our entire network of agents and enables efficient processes and the ability to deliver higher levels of customer service.<br>Our business operations are dependent on sophisticated and bespoke IT systems which could fail or be deliberately targeted by cyber attacks leading to interruption of service, corruption of data or theft of personal data.<br>Such a failure or loss could also result in reputational damage, fines or other adverse consequences. |
| People | There is a risk the Group may not be able to recruit or retain quality staff to achieve its operational objectives or mitigate succession risk. As experienced in the current labour market, increased competition for talent leads to a reduction in the available talent pool and an increased cost of labour. Additional risk could arise in the event there are changes in our industry or markets that result in less attractive career opportunities. |
| Reputation and brand | Foxtons is an iconic estate agency brand with high levels of brand recognition. Maintaining a positive reputation and the prominence of the brand is critical to protecting the future prospects of the business.<br>There is a risk our reputation and brand could be damaged through negative press coverage and social media due to customer service falling below expectations or because our actions are considered to be inappropriate.<br>We recognise the need to maintain our reputation and protect our brand by delivering consistently high levels of service and maintaining a culture which encourages our employees to act with the highest ethical standards. |

**FORWARD LOOKING STATEMENTS**

This interim results announcement contains certain forward-looking statements with respect to the financial condition and results of operations of Foxtons Group plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements are based on the Directors' current views and information known to them at 26 July 2023. The Directors do not make any undertakings to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this statement should be construed as a profit forecast.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

We confirm that to the best of our knowledge:

(a) The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
(b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
(c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

| | |
|---|---|
| **Guy Gittins** | **Chris Hough** |
| Chief Executive Officer | Chief Financial Officer |
| 26 July 2023 | 26 July 2023 |

**CONDENSED CONSOLIDATED INCOME STATEMENT**

**Six months ended 30 June 2023**

| Continuing operations | Notes | H1 2023 (unaudited) £'000 | H1 2022 (unaudited) £'000 |
|---|---|---|---|
| **Revenue** | 2 | **70,933** | 65,066 |
| Direct operating costs | | **(26,456)** | (23,210) |
| Other operating costs | | **(37,629)** | (36,605) |
| **Operating profit** | | **6,848** | 5,251 |
| Finance income | | **221** | 46 |
| Finance costs | | **(1,008)** | (998) |
| **Profit before tax from continuing operations** | | **6,061** | 4,299 |
| Tax charge | 4 | **(1,939)** | (1,394) |
| **Profit for the period from continuing operations** | | **4,122** | 2,905 |
| **Discontinued operations** | | | |
| Loss after tax for the period from discontinued operations | 5 | **-** | (318) |
| **Profit for the period attributable to shareholders of the Company** | | **4,122** | 2,587 |

**Earnings per share**

| | | | |
|---|---|---|---|
| **From continuing operations** | | | |
| Basic earnings per share | 7 | **1.4p** | 0.9p |
| Diluted earnings per share | 7 | **1.3p** | 0.9p |

| | | | |
|---|---|---|---|
| **From continuing and discontinued operations** | | | |
| Basis earnings per share | 7 | **1.4p** | 0.8p |
| Diluted earnings per share | 7 | **1.3p** | 0.8p |

**Adjusted results**

| | | | |
|---|---|---|---|
| **From continuing operations** | | | |
| Adjusted operating profit[1,4] | 2 | **6,824** | 6,159 |
| Adjusted earnings for the purposes of the adjusted earnings per share[2,4] | 7 | **4,182** | 3,618 |
| Adjusted basic earnings per share[3,4] | | **1.4p** | 1.1p |
| Adjusted diluted earnings per share[3,4] | 7 | **1.3p** | 1.1p |

[1]Adjusted operating profit is an APM and is reconciled to statutory profit before tax in Note 2. Adjusted operating profit from continuing operations is presented before charging £nil of adjusted items (2022: £0.9m) as set out in Note 3.
[2] Adjusted earnings for the purposes of adjusted earnings per share from continuing operations is presented before charging £0.1m of adjusted items (2022: £0.7m) including the associated tax charge totalling £0.1 m (2022: £0.2m credit), as set out in Note 7.
[3]Adjusted basic and diluted earnings per share is an APM and is reconciled to statutory earnings per share in Note 7.
[4] Further details of the APMs are provided in Note 15.

The notes on pages 25 to 37 form part of this condensed consolidated financial information.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**Six months ended 30 June 2023**

| | H1 2023 (unaudited) £'000 | H2 2022 (unaudited) £'000 |
|---|---|---|
| **Profit for the period attributable to shareholders of the Company** | **4,122** | 2,587 |
| | | |
| **Other comprehensive loss** | | |
| *Items that will not be reclassified to profit or loss (net of tax):* | | |
| Changes in fair value of equity instruments at FVOCI | - | (46) |
| **Other comprehensive loss for the period** | - | (46) |
| | | |
| **Total comprehensive income for the period** | **4,122** | 2,541 |
| | | |
| **Total comprehensive income attributable to shareholders of the Company arising from:** | | |
| Continuing operations | **4,122** | 2,905 |
| Discontinued operations | - | (364) |
| | **4,122** | 2,541 |

The notes on pages 25 to 37 form part of this condensed consolidated financial information.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As at 30 June 2023**

| | Notes | **30 June 2023 (unaudited) £'000** | 30 June 2022 (unaudited) £'000 | 31 December 2022 (audited) £'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | 8 | **31,663** | 26,031 | 26,050 |
| Other intangible assets | 8 | **111,820** | 109,496 | 109,309 |
| Property, plant and equipment | | **10,885** | 9,722 | 10,692 |
| Right-of-use assets | 9 | **42,728** | 42,178 | 42,570 |
| Contract assets | | **3,004** | 897 | 1,688 |
| Investments | | **31** | 3,717 | 6 |
| Deferred tax assets | | **1,563** | 1,048 | 1,386 |
| | | **201,694** | 193,089 | 191,701 |
| **Current assets** | | | | |
| Trade and other receivables | | **18,639** | 18,860 | 16,016 |
| Contract assets | | **10,291** | 4,622 | 5,688 |
| Current tax assets | | - | - | 745 |
| Cash and cash equivalents | | **3,006** | 11,667 | 12,027 |
| | | **31,936** | 35,149 | 34,476 |
| **Total assets** | | **233,630** | 228,238 | 226,177 |
| **Current liabilities** | | | | |
| Trade and other payables | | **(18,261)** | (18,224) | (16,694) |
| Borrowings | | **(4,846)** | (50) | - |
| Current tax liabilities | | **(225)** | (374) | - |
| Lease liabilities | 9 | **(10,147)** | (11,577) | (10,708) |
| Contract liabilities | | **(9,611)** | (7,376) | (9,745) |
| Provisions | | **(541)** | (1,396) | (1,506) |
| | | **(43,631)** | (38,997) | (38,653) |
| **Net current liabilities** | | **(11,695)** | (3,848) | (4,177) |
| **Non-current liabilities** | | | | |
| Borrowings | | **(115)** | - | - |
| Lease liabilities | 9 | **(35,657)** | (35,323) | (35,753) |
| Contract liabilities | | **(410)** | (997) | (289) |
| Provisions | | **(2,012)** | (1,619) | (1,765) |
| Deferred tax liabilities | | **(27,627)** | (27,196) | (27,049) |
| | | **(65,821)** | (65,135) | (64,856) |
| **Total liabilities** | | **(109,452)** | (104,132) | (103,509) |
| **Net assets** | | **124,178** | 124,106 | 122,668 |
| **Equity** | | | | |
| Share capital | | **3,301** | 3,301 | 3,301 |
| Merger reserve | | **20,568** | 20,568 | 20,568 |
| Other reserves | | **2,653** | 2,653 | 2,653 |
| Own shares reserve | 12 | **(12,092)** | (7,014) | (10,993) |
| Retained earnings | | **109,748** | 104,598 | 107,139 |
| **Total equity** | | **124,178** | 124,106 | 122,668 |

The notes on pages 25 to 37 form part of this condensed consolidated financial information.

These unaudited condensed consolidated interim financial statements for the 6 months ended 30 June 2023 were approved by the Board on 26 July 2023.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**Six months ended 30 June 2023**

| | **Notes** | **Share capital £'000** | **Merger reserve £'000** | **Other reserves £'000** | **Own shares reserve £'000** | **Retained earnings £'000** | **Total equity £'000** |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2023** | | **3,301** | **20,568** | **2,653** | **(10,993)** | **107,139** | **122,668** |
| Profit for the period attributable to shareholders of the Company | | - | - | - | - | **4,122** | **4,122** |
| Changes in fair value of equity instruments at FVOCI | | - | - | - | - | - | - |
| Total comprehensive income for the period | | - | - | - | - | **4,122** | **4,122** |
| Dividends | 6 | - | - | - | - | **(2,122)** | **(2,122)** |
| Own shares acquired in the period | 12 | - | - | - | **(1,112)** | - | **(1,112)** |
| Credit to equity for share-based payments | | - | - | - | - | **622** | **622** |
| Settlement of share incentive plan | | - | - | - | **13** | **(13)** | - |
| **Balance at 30 June 2023 (unaudited)** | | **3,301** | **20,568** | **2,653** | **(12,092)** | **109,748** | **124,178** |

| | Notes | Share capital £'000 | Merger reserve £'000 | Other reserves £'000 | Own shares reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2022** | | 3,301 | 20,568 | 2,653 | (6,059) | 103,039 | 123,502 |
| Profit for the period attributable to shareholders of the Company | | - | - | - | - | 2,587 | 2,587 |
| Changes in fair value of equity instruments at FVOCI | | - | - | - | - | (46) | (46) |
| Total comprehensive income for the period | | - | - | - | - | 2,541 | 2,541 |
| Dividends | 6 | - | - | - | - | (856) | (856) |
| Own shares acquired in the period | 12 | - | - | - | (963) | - | (963) |
| Debit to equity for share-based payments | | - | - | - | - | (20) | (20) |
| Settlement of share incentive plan | | - | - | - | 8 | (106) | (98) |
| **Balance at 30 June 2022 (unaudited)** | | 3,301 | 20,568 | 2,653 | (7,014) | 104,598 | 124,106 |

| | Notes | Share capital £'000 | Merger reserve £'000 | Other reserves £'000 | Own shares reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2022 | | 3,301 | 20,568 | 2,653 | (6,059) | 103,039 | 123,502 |
| Profit for the period attributable to shareholders of the Company | | - | - | - | - | 9,127 | 9,127 |
| Changes in fair value of equity instruments at FVOCI | | - | - | - | - | (3,711) | (3,711) |
| Total comprehensive income for the year | | - | - | - | - | 5,416 | 5,416 |
| Dividends | | - | - | - | - | (1,487) | (1,487) |
| Own shares acquired in the period | 12 | - | - | - | (4,941) | - | (4,941) |
| Credit to equity for share-based payments | | - | - | - | - | 178 | 178 |
| Settlement of share incentive plan | | - | - | - | 7 | (7) | - |
| Balance at 31 December 2022 | | 3,301 | 20,568 | 2,653 | (10,993) | 107,139 | 122,668 |

The notes on pages 25 to 37 form part of this condensed consolidated financial information.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

**Six months ended 30 June 2023**

| | Notes | H1 2023 (unaudited) £'000 | H1 2022 (unaudited) £'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit from continuing operations | 2 | **6,848** | 5,251 |
| Operating loss from discontinued operations | | **-** | (414) |
| **Operating profit from continuing and discontinued operations** | | **6,848** | 4,837 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment and right-of-use assets | | **6,385** | 6,044 |
| Amortisation of intangible assets | | **834** | 695 |
| Gain on disposal of discontinued operations | | **-** | (180) |
| Gain on disposal of lease liability | | **(617)** | - |
| Sub-lease asset impairment | | **190** | 152 |
| Loss/(gain) on disposal of property, plant and equipment and right-of-use assets | | **26** | (424) |
| (Decrease)/increase in provisions | | **(896)** | 806 |
| Cash settlement of share incentive plan | | **-** | (98) |
| Share-based payment charges/(credit) | | **522** | (49) |
| Operating cash flows before movements in working capital | | **13,292** | 11,783 |
| Increase in receivables and contract assets | | **(8,723)** | (2,905) |
| (Decrease)/increase in payables and contract liabilities | | **(234)** | 829 |
| **Cash generated by operations** | | **4,335** | 9,707 |
| Income taxes paid | | **(1,102)** | (60) |
| **Net cash from operating activities** | | **3,233** | 9,647 |
| **Investing activities** | | | |
| Interest received | | **221** | 37 |
| Proceeds on disposal of property, plant and equipment | | **-** | 46 |
| Proceeds on disposal of associate and investments | | **-** | 40 |
| Purchases of property, plant and equipment | | **(792)** | (989) |
| Purchases of intangibles | | **(698)** | - |
| Purchases of investments | 10 | **(25)** | (400) |
| Acquisition of subsidiaries (net of cash acquired) | 11 | **(6,328)** | (8,490) |
| Disposal of discontinued operations | 5 | **-** | (3,715) |
| **Net cash used in investing activities** | | **(7,622)** | (13,471) |
| **Financing activities** | | | |
| Net proceeds from borrowings | | **4,800** | - |
| Dividends paid | 6 | **(2,122)** | (856) |
| Interest paid | | **(38)** | (15) |
| Repayment of lease liabilities | 9 | **(6,288)** | (5,926) |
| Sub-lease receipts | | **128** | 56 |
| Purchase of own shares | 12 | **(1,112)** | (857) |
| **Net cash used in financing activities** | | **(4,632)** | (7,598) |
| **Net decrease in cash and cash equivalents** | | **(9,021)** | (11,422) |
| **Cash and cash equivalents at beginning of period[1], comprised:** | | **12,027** | 23,089 |
| Cash and cash equivalents (continuing operations) | | **12,027** | 19,374 |
| Cash included in assets held for sale (discontinued operations) | | **-** | 3,715 |
| **Cash and cash equivalents at end of period** | | **3,006** | 11,667 |

[1] Total Group balances, which include continuing and discontinued operations.

The notes on pages 25 to 37 form part of this condensed consolidated financial information.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT**

## 1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

### 1.1 General Information

Foxtons Group plc ("the Company") is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the Company's registered office is Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. The principal activity of the Company and its subsidiaries (collectively, "the Group") is the provision of services to the residential property market in the UK.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

### 1.2 Basis of preparation

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 were approved by the Directors on 6 March 2023 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The financial statements have been reviewed, not audited.

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2023 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

### 1.3 Going concern

***Going concern assessment***

The financial statements of the Group have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial statements, the Group will have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the financial statements. Furthermore, the Group expects to be in compliance with the RCF's covenants throughout the going concern review period.

The going concern assessment has taken into consideration the Group's financial position, liquidity requirements, recent trading performance and the outcome of reverse stress testing which determines the point at which the Group could be considered to fail without taking further mitigating actions or raising additional funds.

At 30 June 2023 the Group was in a net debt position of £2.1m (31 December 2022: £12.0m net cash) and a net current liability position of £11.7m (31 December 2022: £4.2m). The net debt position reflects a cash and cash equivalent balance of £3.0m (31 December 2022: £12.0m) and £5.1m of external borrowing, which includes £5m drawn down on the Company's £20m RCF. The RCF was refinanced in June 2023, increasing the facility size from £5m to £20m, as well as extending the facility to June 2026. The terms of the facility have remained materially the same as the previous facility and remains unsecured. Drawdowns on the facility accrue interest at SONIA +1.65%.

***Reverse stress scenario***

In assessing the Group's ability to continue as a going concern, the Directors have reviewed the Group's cash flow forecasts which have been stress tested using a reverse stress scenario which incorporates a severe and unlikely deterioration in market conditions.

The reverse stress scenario incorporates a reduction in trading from October 2023 to December 2024 against plan, reflecting a 65% reduction in sales market transactions and a 10-20% reduction in Lettings units compared to base case. For context, a 65% reduction in sales market transactions would see transactions levels in the market at 6% above 2009 levels (after the Global Financial Crisis) in 2023 and 17% below 2009 levels in 2024.

In the unlikely event of the reverse stress scenario, the Group's ability to draw down sufficient borrowings on the RCF would be constrained by the facility's covenants which would be breached in July 2024. Under such a scenario, additional mitigating action could be taken to protect liquidity.

### 1.4 Accounting policies, interpretations and amendments adopted by the Group

The accounting policies applied in these interim statements are the same as those applied in the Group's 2022 Annual Report and Accounts, with the exception of certain new interpretations and amendments adopted in the current period which had no significant effect on the Group's results.

### 1.5 Discontinued operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement. Additional disclosures are provided in Note 5. All other notes to the interim financial statements include amounts for continuing operations only, unless indicated otherwise.

### 1.6 Alternative performance measures

In reporting financial information the Group presents APMs which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional helpful information on the performance of the business, but does not consider them to be a substitute for or superior to IFRS measures. APMs are also used to enhance the comparability of information between reporting periods, by adjusting for uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance. The Group's APMs are defined and purpose explained within Note 15.

Adjusted items include costs or revenues which due to their size and incidence require separate disclosure in the financial statements to reflect management's view of the underlying performance of the Group and allow comparability of performance from one period to another. Items include restructuring and impairment charges, significant acquisition costs and any other significant exceptional items.

### 1.7 Critical accounting judgements and key sources of estimation uncertainty

The Group's critical accounting judgements and key sources of estimation uncertainty are consistent with those described in the Group's 2022 Annual Report and Accounts.

## 2. BUSINESS AND GEOGRAPHICAL SEGMENTS

**Products and services from which reportable segments derive their revenues**

Management has determined the operating segments based on the monthly management pack reviewed by the Directors, which is used to assess both the performance of the business and to allocate resources within the Group. Management has identified that the Board is the Chief Operating Decision Maker ('CODM') in accordance with the requirements of IFRS 8 'Operating Segments'.

The operating and reportable segments of the Group are (i) Lettings, (ii) Sales and (iii) Financial services.

- (i) Lettings generates commission from the letting and management of residential properties and income from interest earned on client monies.
- (ii) Sales generates commission on sales of residential property.
- (iii) Financial services generates commission from the arrangement of mortgages and related products under contracts with financial service providers and receives administration fees from clients.

All revenue for the Group is generated from within the UK and there is no intra-group revenue.

Segment assets and liabilities, including depreciation, amortisation and additions to non-current assets, are not reported to the Board on a segmental basis and are therefore not disclosed. Goodwill and intangible assets have been allocated to reportable segments as described in Note 8.

The segmental disclosures include two APMs as defined below. Further details of the APMs is provided in Note 15.

**Contribution and contribution margin**

Contribution is defined as revenue less direct operating costs (being salary costs of front office staff and costs of bad debt). Contribution margin is defined as contribution divided by revenue. These measures indicate the profitability and efficiency of the segments before the allocation of shared costs.

**Adjusted operating profit and adjusted operating profit margin**

Adjusted operating profit represents the profit before tax for the period before adjusted items (defined below), finance income and finance cost. Adjusted operating profit margin is defined as adjusted operating profit divided by revenue. As explained in Note 15, these measures are used by the Board to measure delivery against the Group's strategic priorities, to allocate resource and to assess segmental performance.

**Adjusted items**

Adjusted operating profit, adjusted operating profit margin and adjusted earnings per share, exclude adjusted items. Adjusted items include costs or revenues which due to their size and incidence require separate disclosure in the financial statements to reflect management's view of the underlying performance of the Group and allow comparability of performance from one period to another. Items include restructuring and impairment charges, significant acquisition costs and any other significant exceptional items. Refer to Note 3 for further information of the adjusted items recognised in the period.

**Segment revenues and results**

The following is an analysis of the Group's continuing operations results by reportable segment for the half year ended 30 June 2023:

| | Notes | Lettings £'000 | Sales £'000 | Financial services £'000 | Corporate costs £'000 | Consolidated £'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | **49,768** | **16,933** | **4,232** | **n/a** | **70,933** |
| Contribution | 15 | **37,362** | **5,540** | **1,575** | **n/a** | **44,477** |
| Contribution margin | 15 | **75.1%** | **32.7%** | **37.2%** | **n/a** | **62.7%** |
| **Adjusted operating profit/(loss)** | 15 | **14,145** | **(6,364)** | **199** | **(1,156)** | **6,824** |
| Adjusted operating profit margin | 15 | **28.4%** | **(37.6%)** | **4.7%** | **n/a** | **9.6%** |
| Adjusted items | 3 | | | | | **24** |
| **Operating profit** | | | | | | **6,848** |
| Finance income | | | | | | **221** |
| Finance costs | | | | | | **(1,008)** |
| **Profit before tax** | | | | | | **6,061** |

| | Lettings £'000 | Sales £'000 | Financial services £'000 | Corporate costs £'000 | Consolidated £'000 |
|---|---|---|---|---|---|
| Depreciation and amortisation (excluding acquired intangibles) | **4,031** | **2,529** | **51** | **–** | **6,611** |
| Amortisation from acquired intangibles | **608** | **–** | **–** | **–** | **608** |
| **Total** | **4,639** | **2,529** | **51** | **–** | **7,219** |

The following is an analysis of the Group's continuing operations results by reportable segment for the half year ended 30 June 2022:

| | Notes | Lettings £'000 | Sales £'000 | Financial services £'000 | Corporate costs £'000 | Consolidated £'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | 39,443 | 20,823 | 4,800 | n/a | 65,066 |
| Contribution | 15 | 28,942 | 10,860 | 2,054 | n/a | 41,856 |
| Contribution margin | 15 | 73.4% | 52.2% | 42.8% | n/a | 64.3% |
| **Adjusted operating profit/(loss)** | 15 | 7,260 | (671) | 819 | (1,249) | 6,159 |
| Adjusted operating profit margin | 15 | 18.4% | (3.2%) | 17.1% | n/a | 9.5% |
| Adjusted items | 3 | | | | | (908) |
| **Operating profit** | | | | | | 5,251 |
| Other losses | | | | | | - |
| Finance income | | | | | | 46 |
| Finance costs | | | | | | (998) |
| **Profit before tax** | | | | | | 4,299 |

D&G Sales (disposed 11 February 2022) is presented as a discontinued operation. Refer to Note 5 for further details.

| | Lettings £'000 | Sales £'000 | Financial services £'000 | Corporate costs £'000 | Consolidated £'000 |
|---|---|---|---|---|---|
| Depreciation and amortisation (excluding acquired intangibles) | 3,827 | 2,433 | 51 | – | 6,311 |
| Amortisation from acquired intangibles | 407 | 21 | – | – | 428 |
| **Total** | 4,234 | 2,454 | 51 | – | 6,739 |

## 3. ADJUSTED ITEMS

Adjusted operating profit, adjusted operating profit margin and adjusted earnings per share, exclude adjusted items. These APMs are defined, purpose explained and reconciled to statutory measures in Note 2 and Note 15. The following items have been classified as adjusted items attributable to continuing operations in the period.

| | **H1 2023 £'000** | H1 2022 £'000 |
|---|---|---|
| Property related credit[1] | **(148)** | (59) |
| Transaction related costs[2] | **124** | 246 |
| Reorganisation costs[3] | **-** | 721 |
| | **(24)** | 908 |

[1]Property related credit relates to the net of a charge for re-estimation of the provision for adjusted items, a net gain on the disposal of IFRS 16 balances and other charges relating to vacant property (including, in H1 2023, £0.2m of costs relating to the closure of three Atkinson McLeod branches with business now being served out of the existing Foxtons branch network).
[2]Transaction related costs relate to the acquisition of Atkinson McLeod Limited (2022: for the acquisition of IMM Properties Limited).
[3]Net costs of Executive reorganisation.

## 4. TAXATION

The components of the income tax charge recognised in the Group income statement are:

| | **H1 2023 £'000** | H1 2022 £'000 |
|---|---|---|
| Current tax charge | **1,915** | 694 |
| Deferred tax charge | **24** | 583 |
| **Tax charge on profit on ordinary activities from continuing and discontinued operations** | **1,939** | 1,277 |
| Less: discontinued operations tax credit | **-** | 117 |
| **Tax charge on profit on ordinary activities from continuing operations** | **1,939** | 1,394 |

The tax charged within the 6 months ended 30 June 2023 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the year ending 31 December 2023 using rates substantively enacted as at 30 June 2023 as required by IAS 34 'Interim Financial Reporting'.

Deferred tax assets/liabilities have been recognised at 25% reflecting the prevailing UK corporate tax rate.

## 5. DISCONTINUED OPERATIONS

On 11 February 2022, the D&G Sales business, including branch and head office leases, was disposed of through the sale of the entire share capital of Douglas & Gordon Limited and Douglas & Gordon (2) Limited, to Lochlan for nominal consideration of £2. In 2022, the results of D&G Sales for the period 1 January to 11 February 2022, which showed a loss of £0.3m are presented as a discontinued operation. In 2023 there are no discontinued operations.

**Discontinued operations: Cash flows**

The net cash flows incurred by discontinued operations are as follows:

| | **2023 £'000** | **2022 £'000** |
|---|---|---|
| Net cash outflow from operating activities | - | (458) |
| Net cash outflow from investing activities | - | (3,715) |
| Net cash outflow from financing activities | - | (18) |
| **Net cash outflow** | **-** | **(4,191)** |

## 6. DIVIDENDS

| | **H1 2023 £'000** | H1 2022 £'000 |
|---|---|---|
| **Amounts recognised as distributions to equity holders in the period:** | | |
| Final dividend for the year ended 31 December 2022: 0.7p (31 December 2021: 0.27p) per ordinary share | **2,122** | 856 |
| | **2,122** | 856 |

For 2023, the Board has declared an interim dividend of 0.2p (2022: 0.2p) per ordinary share to be paid in September 2023. The financial statements do not reflect the dividend payable.

## 7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period, excluding own shares held.

Diluted earnings per share is calculated by dividing the earnings attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period, excluding own shares held, plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The Company's potentially dilutive ordinary shares are in respect of share options granted to employees.

| | **Continuing operations** | | **Total Group (continuing and discontinued operations)** | |
|---|---|---|---|---|
| | **H1 2023 £'000** | H1 2022 £'000 | **H1 2023 £'000** | H1 2022 £'000 |
| **Profit for the purposes of basic and diluted earnings/(loss) per share** | **4,122** | 2,905 | **4,122** | 2,587 |
| Adjusted items (including associated taxation)[1] | **60** | 713 | **60** | 533 |
| **Adjusted earnings for the purposes of adjusted earnings per share** | **4,182** | 3,618 | **4,182** | 3,120 |

[1]Net adjusted items credit relating to continuing operations of £24k (2022: £908k), plus associated tax charge of £84k (2022: £194k credit), resulting in an after tax adjusted items charge of £60k (2022: £713k). Refer to Note 3 for details on adjusted items.

| **Number of shares** | **2023** | 2022 | **2023** | 2022 |
|---|---|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **302,815,955** | 317,888,904 | **302,815,955** | 317,888,904 |
| Effect of potentially dilutive ordinary shares[1] | **11,723,508** | 2,633,344 | **11,723,508** | 2,633,344 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **314,539,463** | 320,522,248 | **314,539,463** | 320,522,248 |
| **Earnings per share (basic)** | **1.4p** | 0.9p | **1.4p** | 0.8p |
| **Earnings per share (diluted)** | **1.3p** | 0.9p | **1.3p** | 0.8p |
| **Adjusted earnings per share (basic)** | **1.4p** | 1.1p | **1.4p** | 1.0p |
| **Adjusted earnings per share (diluted)** | **1.3p** | 1.1p | **1.3p** | 1.0p |

[1] The main drivers of an increase in the effect of potentially dilutive ordinary shares from H1 2022 are the LTIP buyout awarded to the CEO upon joining the business in September 2022 and new share awards issued in April 2023.

In the prior period, the basic and diluted loss per share for discontinued operations was 0.1p.

## 8. GOODWILL AND OTHER INTANGIBLE ASSETS

At 30 June 2023, goodwill and other intangible assets total £143.5m (30 June 2022: £135.5m) as detailed below, with £5.6m of goodwill and £2.6m of intangible assets additions in the period attributable to the acquisition of Atkinson McLeod (refer to Note 11 for further details).

| | **30 June 2023 £'000** | 30 June 2022 £'000 | 31 December 2022 £'000 |
|---|---|---|---|
| **Goodwill** | **31,663** | 26,031 | 26,050 |
| | | | |
| Brand | **99,000** | 99,000 | 99,000 |
| Software | **228** | 555 | 446 |
| Customer contracts and relationships | **11,147** | 9,726 | 9,108 |
| Assets under construction | **1,445** | 215 | 755 |
| **Other intangible assets** | **111,820** | 109,496 | 109,309 |
| | | | |
| **Goodwill and other intangible assets** | **143,483** | 135,527 | 135,359 |

### a) Review for indicators of impairment at 30 June 2023

Under IAS 36 'Impairment of Assets', the Group is required to:

- review its intangible assets in the event of a significant change in circumstances that would indicate potential impairment; and
- review and test its goodwill and indefinite-life intangible assets annually or in the event of a significant change in circumstances.

At 30 June 2023, the Group has assessed for indicators of impairment of the Group's goodwill and brand asset. Following consideration of both internal and external impairment indicators, including 2023 year-to-date trading performance, no indicators of impairment have been identified.

### b) Sensitivity analysis

Sensitivity analysis was performed as part of the impairment review for the year ended 31 December 2022 to assess whether the carrying value of the Foxtons brand asset is sensitive to reasonable possible changes in key assumptions and whether any changes in key assumptions would materially change the carrying value. Lettings goodwill showed significant headroom against all sensitivity scenarios, whilst the brand asset was sensitive to reasonable possible changes in key assumptions.

The key assumption used in the 2022 brand asset impairment assessment was the forecast revenues for the sales and lettings businesses. The carrying value of the brand asset was not highly sensitive to changes in discount rates or long-term growth rates.

As disclosed in Note 10 of the 2022 Annual Report and Accounts, the impairment model indicated brand asset headroom of £71.1m or 38% of the carrying value under test. Cash flows are from the Group's Board approved plan while also complying with the requirements of the relevant accounting standard. Sales revenue was assumed to decline in 2023 before fully recovering by 2026, resulting in a compound average growth rate (CAGR) of 3.2% over the forecast period. Lettings revenue was assumed to grow at a CAGR of 4.3% over the forecast period, excluding future Lettings portfolio acquisitions that must be excluded from forecast cash flows under the relevant accounting standard.

It was disclosed that assuming no changes in other elements of the plan, the brand asset headroom would reduce to zero if the combined revenue CAGR over the forecast period reduces from 3.9% to 2.1%. Under a reasonable possible downside scenario, in which Sales revenue only fully recovers by 2027, Lettings revenue growth is limited to 2.2% and the Group takes appropriate mitigating actions, such as reducing discretionary spend and direct costs, the brand asset would be impaired by £1.2 million. At 30 June 2023, consideration of the latest economic and geo-political conditions have been made, and there have been no significant changes to this reasonable possible downside scenario.

The Group will complete a full annual impairment review, as required under IAS 36, for the goodwill and brand assets in the second half of the year.

## 9. LEASES

### Right-of-use assets

The carrying amounts of the right-of-use assets recognised and the movements during the period are outlined below:

| | **30 June 2023 £'000** | 30 June 2022 £'000 | 31 December 2022 £'000 |
|---|---|---|---|
| Opening balance | **42,570** | 43,832 | 43,832 |
| Additions | **6,633** | 2,957 | 8,564 |
| Acquired through business combinations | **-** | 599 | 599 |
| Lease modifications | **67** | - | 138 |
| Disposals | **(1,330)** | (149) | (558) |
| Depreciation | **(5,212)** | (5,027) | (10,134) |
| Impairment charge | **-** | (34) | 129 |
| **Closing balance** | **42,728** | 42,178 | 42,570 |

### Lease liabilities

The carrying amounts of lease liabilities recognised and the movements during the period are outlined below:

| | **30 June 2023 £'000** | 30 June 2022 £'000 | 31 December 2022 £'000 |
|---|---|---|---|
| Opening balance | **46,461** | 48,083 | 48,083 |
| Additions | **6,590** | 2,933 | 8,497 |
| Acquired through business combinations | **-** | 880 | 880 |
| Lease modifications | **67** | - | 138 |
| Disposals | **(1,996)** | (75) | (416) |
| Interest charge | **970** | 984 | 1,965 |
| Payments[1] | **(6,288)** | (5,905) | (12,686) |
| **Closing balance** | **45,804** | 46,900 | 46,461 |
| Current | **10,147** | 11,577 | 10,708 |
| Non-current | **35,657** | 35,323 | 35,753 |

[1]IFRS 16 lease payments relating to discontinued operations totalling £21k were made in the period ended 30 June 2022.

At the balance sheet date, continuing operations had outstanding commitments for future minimum lease payments which fall due as follows:

| | **30 June 2023 £'000** | 30 June 2022 £'000 | 31 December 2022 £'000 |
|---|---|---|---|
| **Maturity analysis - contractual undiscounted cash flows from continuing operations** | | | |
| Within one year | **11,874** | 11,620 | 11,671 |
| In the second to fifth years inclusive | **30,917** | 30,990 | 30,147 |
| After five years | **9,145** | 10,477 | 10,598 |
| | **51,936** | 53,087 | 52,416 |

## 10. FINANCIAL INSTRUMENTS

### Categories of financial instruments

The categories of financial instruments, including contact assets and liabilities, held by the Group are as follows:

| | **30 June 2023** **£'000** | 30 June 2022 £'000 | 31 December 2022 £'000 |
|---|---|---|---|
| **Financial assets** | | | |
| FVOCI financial assets | **31** | 3,717 | 6 |
| Cash and cash equivalents | **3,006** | 11,667 | 12,027 |
| Financial assets recorded at amortised cost | **28,935** | 21,254 | 18,650 |
| **Financial liabilities** | | | |
| Financial liabilities recorded at amortised cost | **(21,461)** | (20,371) | (21,967) |
| Borrowings | **(4,961)** | (50) | - |
| Lease liabilities | **(45,804)** | (46,900) | (46,461) |

Management considers that the book value of financial assets and liabilities recorded at amortised cost and their fair value are approximately equal.

### Fair value hierarchy

The Group uses the following hierarchy for determining the fair value of the financial instruments held:

- Level 1 – Quoted market prices
- Level 2 – Valuation techniques (market observable)
- Level 3 – Valuation techniques (non-market observable)

At 30 June 2023, the Group does not hold any financial instruments categorised as Level 1 or 2 by IFRS 13 (31 December 2022: £nil, 30 June 2022: £nil). The Level 3 financial instruments held by the Group relate solely to unlisted equity shares.

The following table shows the changes in Level 3 financial assets for the six months ended 30 June:

| | **2023** **£'000** | **2022** **£'000** |
|---|---|---|
| **Opening balance 1 January** | **6** | 3,317 |
| Additions | **25** | 400 |
| **Closing balance 30 June** | **31** | 3,717 |

There were no transfers between Level 1 and Level 3 during the period.

### Financial risk factors

The Group's activities expose it to a variety of financial risks including, interest rate risk, credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures as required in the annual financial statements; they should be read in conjunction with the information included in Note 23 of the 2022 Annual Report and Accounts. There have been no changes in any risk management policies since the year end.

## 11. BUSINESS COMBINATIONS

During the period, the Group acquired 100% of the share capital of Atkinson McLeod Limited ('Atkinson McLeod'), a London estate agent focused on providing lettings and property management services. The acquisition is in line with the Group's strategy of acquiring high quality businesses with strong lettings portfolios.

A provisional purchase price allocation exercise, which will be finalised in the second half of the year, has been completed which provisionally identified £2.6m of acquired intangible assets relating to customer contracts and relationships, which are identifiable and separable, and will be amortised over 10 years. The discount rate applied to the cash flows is based on the Atkinson McLeod's weighted average cost of capital (WACC) and is calculated using a capital asset pricing model. The WACC has been adjusted to reflect risks specific to Atkinson McLeod not already reflected in the future cash flows.

£5.6m of goodwill has arisen on the acquisitions and is primarily attributable to synergies, new customers, the acquired workforce and business expertise. The acquired goodwill has been allocated for impairment testing purposes to the Group's lettings cash-generating units which are expected to benefit from the synergies of the combination. None of the goodwill is expected to be deductible for tax purposes.

From the date of acquisition, the business combinations contributed £0.7m of revenue and £0.1m profit before tax to the Group's performance from 3 March 2023 to 30 June 2023. If the combination had taken place at the beginning of the year, revenue for the period would have been £1.3m higher and profit before tax would have increased by £0.3m.

**Assets acquired and liabilities assumed**

The provisional fair values of the identifiable assets and liabilities of Atkinson McLeod as at the date of acquisition are disclosed below. The fair value of the identifiable assets and liabilities are estimated by taking into consideration all available information at the reporting date and are on a provisional basis due to the timing of the acquisitions.

| | **Atkinson McLeod £'000** |
|---|---|
| **Assets** | |
| Acquired intangible assets recognised on acquisition | 2,647 |
| Property, plant and equipment | 600 |
| Cash and cash equivalents | 1,301 |
| Trade and other receivables | 68 |
| Contract assets | 156 |
| | **4,772** |
| **Liabilities** | |
| Trade and other payables | 304 |
| Contract liabilities | 918 |
| Current tax liability | 154 |
| Deferred tax liability | 473 |
| Borrowings | 161 |
| Provisions | 178 |
| | **2,188** |
| **Total identifiable net assets at fair value** | **2,584** |
| Goodwill arising on acquisition | 5,613 |
| **Fair value of consideration transferred** | **8,197** |

The fair value of the combined trade receivables amounts to less than £0.1m. The gross amount of trade receivables is less than £0.1m and it is expected that the full contractual amounts can be collected.

The deferred tax liability mainly comprises the tax effect of the accelerated amortisation for tax purposes of the acquired intangible assets recognised on acquisition offset by the tax effect of the accelerated revenue recognition.

**Purchase consideration**

| | Atkinson McLeod £'000 |
|---|---|
| Amount settled in cash | **7,457** |
| Deferred cash consideration | **740** |
| **Fair value of consideration transferred** | **8,197** |

Gross purchase consideration was £8.2m, with £7.5m paid in March 2023. Consideration paid in the period, net of cash acquired, was £6.2m and is included in cash flows used in investing activities. £0.7m of deferred cash consideration is payable 12 months from the transaction completion date, with the liability included within trade and other payables.

**2022 acquisitions**

As disclosed in Note 13 of the 2022 Annual Report and Accounts, the Group completed the acquisition of IMM Properties Limited and its subsidiary IMM Properties Investment Limited, trading under the name Gordon & Co, (collectively 'Gordon & Co') and Stones Residential Holdings Limited and its subsidiary Stones Residential (Stanmore) Limited (collectively 'Stones Residential'). Deferred consideration of £0.2m was paid during the period representing the partial settlement of deferred consideration, with an estimated £1.3m of deferred consideration payable in the second half of the year.

**Analysis of cash flows on acquisition**

| | Total £'000 |
|---|---|
| Cash consideration | **(7,457)** |
| Deferred and contingent consideration paid in relation to 2022 acquisitions | **(172)** |
| Cash acquired in subsidiaries | **1,301** |
| **Acquisitions of subsidiaries, net of cash acquired (included in cash flows used in investing activities)** | **(6,328)** |
| Transaction costs of the acquisition (included in cash flows from operating activities) | **(124)** |
| **Net cash flow on acquisitions** | **(6,452)** |

Transaction costs amounting to £0.1m are not included as part of consideration transferred and have been recognised as an adjusted item expense in the Group's consolidated income statement (refer to Note 3).

**12. OWN SHARES RESERVE**

| | **30 June 2023 £'000** | 30 June 2022 £'000 | 31 December 2022 £'000 |
|---|---|---|---|
| Opening balance | **10,993** | 6,059 | 6,059 |
| Acquired during the period | **1,112** | 963 | 4,941 |
| Utilised during the period | **(13)** | (8) | (7) |
| **Closing balance** | **12,092** | 7,014 | 10,993 |

The own shares reserve represents the cost of shares in the Company purchased in the market and held by either the Company or the Foxtons Group Employee Benefit Trust to satisfy awards under the Group's long-term incentive schemes. The number of ordinary shares held by the Company and the Employee Benefit Trust at 30 June 2023 was 28,860,245 (2022: 13,887,108).

During the first six months of the year 2,847,821 (2022: 2,772,985) shares with a total value of £1,112,042 (2022: £962,859) have been repurchased by the Company through a share buyback programme and are held in treasury at 30 June 2023. From the total value spent in the period ended 30 June 2022, £0.1m of the balance is included within trade and other payables.

## 13. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

As set out in Note 5, in the prior year, the D&G Sales business was disposed of on 11 February 2022 through the sale of the entire share capital of Douglas & Gordon Limited and Douglas & Gordon (2) Limited, to Lochlan, a company owned by the CEO of Douglas & Gordon Limited, for nominal consideration of £2. This transaction was a related party transaction due to both the CEO, a previous director of Douglas & Gordon Limited, and Lochlan constituting related parties.

## 14. CLIENT MONIES

At 30 June 2023, client monies held within the Group in approved bank accounts amounted to £125m (31 December 2022: £112.4m, 30 June 2022: £113.4m). Neither this amount nor the matching liabilities to the clients concerned, are included in the consolidated balance sheet. The Group's terms and conditions provide that interest income on these deposits accrues to the Company.

Client funds are protected by the FSCS under which the government guarantees amounts up to £85,000 each. This guarantee applies to each individual client deposit, not the sum total on deposit.

## 15. ALTERNATIVE PERFORMANCE MEASURES

In reporting financial information the Group presents APMs which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional helpful information on the performance of the business, but does not consider them to be a substitute for or superior to IFRS measures.

The Group's APMs are aligned to our strategy and together are used to measure the performance of the business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because if included, these items could distort the understanding of our performance for the period and the comparability between periods.

The definition, purpose and how the measures are reconciled to statutory measures are set out below.

### a) Adjusted operating profit and adjusted operating profit margin

Adjusted operating profit represents the profit before tax for the period before finance income, finance costs, other gains and adjusted items (defined within Note 2). This is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance. The closest equivalent IFRS measure to adjusted operating profit is profit before tax.

Adjusted operating profit margin is defined as adjusted operating profit divided by revenue. This APM is a key performance indicator of the Group and is used to measure the delivery of the Group's strategic priorities.

Refer to Note 2 for a reconciliation between profit before tax and adjusted operating profit and for the inputs used to derive adjusted operating profit margin.

### b) Contribution and contribution margin

Contribution is defined as revenue less direct salary costs of front office staff and costs of bad debt. Contribution margin is defined as contribution divided by revenue. Contribution and contribution margin are key metrics for management since both are measures of the profitability and efficiency before the allocation of shared costs. A reconciliation between continuing operations revenue and contribution is presented below.

| **H1 2023** | **Lettings £'000** | **Sales £'000** | **Financial services £'000** | **Consolidated £'000** |
|---|---|---|---|---|
| **Revenue** | **49,768** | **16,933** | **4,232** | **70,933** |
| Less: Direct operating costs | **(12,406)** | **(11,393)** | **(2,657)** | **(26,456)** |
| **Contribution** | **37,362** | **5,540** | **1,575** | **44,477** |
| **Contribution margin** | **75.1%** | **32.7%** | **37.2%** | **62.7%** |

| H1 2022 | Lettings £'000 | Sales £'000 | Financial services £'000 | Consolidated £'000 |
|---|---|---|---|---|
| Revenue | 39,443 | 20,823 | 4,800 | 65,066 |
| Less: Direct operating costs | (10,501) | (9,963) | (2,746) | (23,210) |
| Contribution | 28,942 | 10,860 | 2,054 | 41,856 |
| Contribution margin | 73.4% | 52.2% | 42.8% | 64.3% |

**c) Adjusted earnings per share**

Adjusted earnings per share is defined as earnings per share excluding the impact of adjusted items.

The measure is derived by dividing profit after tax, adjusted for adjusted items after tax, by the weighted average number of ordinary shares in issue during the financial period, excluding own shares held.

This APM is a measure of management's view of the Group's underlying earnings per share. The closest equivalent IFRS measure is basic earnings per share. Refer to Note 7 for a reconciliation between statutory earnings per share and adjusted earnings per share.

**d) Net free cash flow**

Net free cash flow is defined as net cash from operating activities less repayment of IFRS 16 lease liabilities and net cash generated/used in investing activities, excluding the acquisition of subsidiaries (net of any cash acquired), divestments and purchases of investments. This measure is used to monitor cash generation. A reconciliation between net cash from operating activities and net free cash flow is presented below.

| | **H1 2023 £'000** | H1 2022 £'000 |
|---|---|---|
| **Net cash from operating activities** | **3,233** | 9,647 |
| Less: Repayment of IFRS 16 lease liabilities | **(6,288)** | (5,926) |
| **Net cash (outflow)/inflow from operating activities, after repayment of IFRS 16 lease liabilities** | **(3,055)** | 3,721 |
| **Investing activities** | | |
| Interest received | **221** | 37 |
| Proceeds on disposal of property, plant and equipment | **-** | 46 |
| Purchases of property, plant and equipment | **(792)** | (989) |
| Purchase of intangibles | **(698)** | **-** |
| **Net cash used in investing activities** | **(1,269)** | (906) |
| **Net free cash (outflow)/inflow** | **(4,324)** | **2,815** |

**e) Net (debt)/cash**

Net cash/(debt) is defined as cash and cash equivalents less external borrowings and excludes IFRS 16 lease liabilities. The definition of the measure is consistent with the definition of the leverage ratio covenant attached to the Group's RCF and therefore monitored internally for the purposes of covenant compliance. A reconciliation of the measure is presented below.

| | **30 June 2023 £'000** | 30 June 2022 £'000 | 31 December 2022 £'000 |
|---|---|---|---|
| Cash and cash equivalents | **3,006** | **11,667** | 12,027 |
| Less: External borrowings [1] | **(5,114)** | **(50)** | - |
| **Net (debt)/cash** | **(2,108)** | **11,617** | 12,027 |

[1] Excludes £0.2m of RCF arrangement and legal fees (30 June 2022: £nil, 31 December 2022: nil) that are offset against borrowings within the balance sheet caption.

**INDEPENDENT REVIEW REPORT TO FOXTONS GROUP PLC**

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and the related explanatory notes that have been reviewed.

**Basis for conclusion**

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1.2, the annual financial statements of the Group are prepared in accordance with UK adopted International Accounting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

**Conclusions relating to going concern**

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the Group to cease to continue as a going concern.

**Responsibilities of Directors**

The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the review of the financial information**

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

**Use of our report**

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

**Tim Neathercoat**
**BDO LLP**
Chartered Accountants
London, UK
26 July 2023

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