

Foxtons Group plc
(“Foxtons” or the “Group”)
UNAUDITED 2023 YEAR END TRADING UPDATE

2023 earnings ahead of expectations following a year of market outperformance as operational turnaround continues to drive growth

25 January 2024 – Foxtons Group plc (LSE:FOXT), London’s leading estate agency, has continued to deliver against its operational turnaround plan and outperform the market¹. For the year ended December 2023, both revenue and adjusted operating profit² are expected to be ahead of consensus market expectations³.

2023 highlights:

- 2023 revenue of c.£147m (2022: £140.3m) and adjusted operating profit of c.£14m (2022: £13.9m), both ahead of consensus market expectations.
- Improvements across data, core processes, culture, and brand successfully unlocked the value of the scalable Foxtons Operating Platform. These improvements, alongside investment in fee earners, delivered significant market share growth across Lettings, Sales and Financial Services in the year.
- Lettings, which represents c.70% of Group revenue, grew c.16% delivering over £100m revenue for the first time in Foxtons’ history, reflecting the Group’s focus on non-cyclical and recurring revenues.
- Completed two Lettings acquisitions for £15.2m⁴, adding over 2,800 tenancies to the Group’s portfolio.
- Sales outperformed the market, delivering significant levels of market share growth versus 2022⁵. Entered 2024 with an under-offer pipeline significantly ahead of the prior year.
- In 2023, Foxtons was the UK’s fastest growing large lettings and sales agency brand growing its share of new lettings and sales instructions by 36% and 26% respectively⁶.

2023 trading review (unaudited)

Total revenue for the full year was ahead of consensus market expectations at c.£147m, up c.5% versus the prior year (2022: £140.3m). Adjusted operating profit of c.£14m was also ahead of consensus market expectations (c.£11.8m) and broadly flat against the prior year (2022: £13.9m) as the Group delivers on its growth strategy by decoupling earnings from sales market cycles.

Total revenue growth was driven by Lettings, which grew c.16% and passed the £100m revenue milestone, more than offsetting expected reductions in Sales and Financial Services revenue caused by a significantly weaker sales market. Lettings growth was underpinned by both organic growth and portfolio acquisitions.

The Group continued its successful acquisition strategy in 2023, adding over 2,800 tenancies to its Lettings portfolio following the acquisitions of Atkinson McLeod and Ludlow Thompson in the year. Operational synergies are being delivered in line with expectations, with Atkinson McLeod fully integrated onto the Foxtons Operating Platform and the integration of Ludlow Thompson due to complete in Q1 2024.

Significant market share gains were delivered in Sales, outperforming a challenging market which was down c.22% on volume⁷ and down c.2.4% on average sales price⁸. Against this backdrop, Sales revenue was down c.14% versus 2022. The challenging market conditions were primarily driven by higher interest rates and the weaker macroeconomic backdrop.

Net debt at 31 December 2023 was c.£7m, and reflects £13.9m of acquisition related spend, c.£11m of working capital investment in Lettings growth initiatives (expected to normalise across 2024), £2.7m of dividends paid and £1.1m of share buybacks.

Annualised cost savings of c.£3m will be realised in 2024 as the Group delivers synergies related to the November 2023 acquisition of Ludlow Thompson and consolidates certain branches within the Foxtons network by leveraging lease exit events. These savings have resulted in a one-off restructuring charge of c.£4.3m in 2023, of

which c.£3.3m is cash related and c.£1.0m is non-cash. The cash charge relates to branch closure and vacancy costs, the majority of which will be incurred over a 3 year period.

Outlook

Lettings is expected to remain resilient in 2024 with the business continuing to display strong recurring and non-cyclical characteristics. As lettings supply and demand dynamics have largely normalised, rents are expected to stabilise and remain at historically elevated levels, whilst improvement in the supply of available rental properties provides a good opportunity to deliver further market share growth.

In Sales, the Group entered 2024 with an under-offer pipeline significantly ahead of the prior year despite weaker market conditions, which should support a good level of year-on-year revenue growth in Q1. Furthermore, continuing to deliver the Sales market share levels achieved in H2 2023 is expected to drive further Sales revenue growth through 2024.

In addition, buyer demand has grown as mortgage rates have begun to normalise, with good levels of growth seen in recent weeks as the first mortgage products are released with rates below 4% since the September 2022 mini-budget. Any sustained reduction in interest rates is expected to spur significant further growth in buyer demand.

Through 2024, the Group will continue its focus on delivering operational enhancements to drive further growth and continue to decouple earnings from sales market cycles. By doing so, the Group is well positioned for its medium-term growth ambition to deliver £25m to £30m of adjusted operating profit.

Guy Gittins, Chief Executive Officer, said:

"2023 has been a transformational year for Foxtons, following the implementation of a refreshed strategy and operational turnaround plan.

"We have delivered a year of market share growth and have ended the year with revenue and adjusted operating profit ahead of market expectations; our operational upgrades and investment in fee earners, training, data and brand, coupled with a return to driving innovation in the industry, are now consistently delivering material benefits to our competitiveness and market positioning, helping us to end 2023 as the UK's fastest growing large lettings and sales agency brand.

"Our strategy to prioritise non-cyclical and recurring revenues has driven revenue and profit growth, despite a weaker sales market, and in contrast to prior years. This, combined with the operational progress and significant market share gains made to date, gives me confidence that our strategy is working, and we enter 2024 focused on delivering our strategic priorities and medium-term profit ambitions."

Foxtons Group plc intends to report 2023 full year results on 5 March 2024.

¹ Outperformance on a market share basis calculated as Foxtons' share of Lettings instruction volumes in 2022 vs 2023, Sales exchange volumes in 2022 vs 2023, and Financial Services share of total mortgage underwriting for January to August 2022 vs January to August 2023. Source: TwentyCi, UK Finance.

² Adjusted operating profit is defined as profit before tax for the period before finance income, finance cost, other gains/(losses) and adjusted items. 2023 adjusted operating profit includes c.£1.4m of amortisation of acquired intangibles and excludes c.£4.4m of adjusted items.

³ 2023 consensus market expectations being the average of forecasts provided by analysts covering the Group for the year ending 31 December 2023 (revenue: c.£144.5m; adjusted operating profit: c.£11.8m).

⁴ Consideration measured on a cash and debt free basis.

⁵ Share of exchange volumes in Foxtons' core addressable markets. Source: TwentyCi.

⁶ Market share growth of new lettings and sales instructions amongst the UK's 10 largest estate agency brands (with reference to instruction market share) in 2023 versus 2022. Source: TwentyCi.

⁷ Annual change in London sales exchange volumes (2023 vs 2022). Source: TwentyCi.

⁸ Annual change in average London house prices (2023 vs 2022). Source: Nationwide House Price Index.

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About

Founded in 1981, Foxtons is London's leading estate agency and largest lettings agency brand, with a portfolio of over 28,000 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 has rebuilt 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 to deliver significant profit growth and value for shareholders.

- **Lettings organic growth:** Focus on winning new property instructions, with 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:** Leveraging Foxtons' competitive advantages to grow market share through all market conditions.
- **Financial Services revenue growth:** Increasing adviser headcount and improving productivity and cross sell to drive revenue growth.

To find out more, please visit www.foxtonsgroup.co.uk