

Foxtons Group plc
Q3 2023 TRADING UPDATE

Third consecutive quarter of market outperformance as operational upgrades take effect

26 October 2023 – 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 nine months ended 30 September 2023, revenue was up 5% to £114.8m (Q3 YTD 2022: £108.9m) despite sales market volumes being down 23%². For the three months ended 30 September 2023, revenue was broadly flat at £43.9m against a robust prior year comparative (Q3 2022: £43.8m).

Commenting on Q3, Guy Gittins, Chief Executive Officer, said:

"We have delivered a third consecutive quarter of market outperformance as operational upgrades take effect. Our investment in fee earners, training, data and brand is yielding results sooner than I expected, and is now delivering material benefits to our competitiveness and market positioning.

"Market share gains across Lettings, Sales and Financial Services have enabled us to grow revenue year-to-date despite reduced sales market transaction volumes, a result of the higher interest rate environment. Earlier this month we launched our new "Foxtons - London's No. 1" marketing campaign, having regained the title as London's largest estate agency brand off the back of significant market share gains in the first half of the year.

"The operational progress made to date, and our continued focus on growing non-cyclical and recurring revenues to decouple earnings from sales market volatility, gives me confidence that we will continue to deliver against our strategic priorities and medium-term profit ambitions."

Group revenue: 30 September (Q3 and 9 months YTD)

3 months	Q3 2023	Q3 2022	£m change	% change
Lettings	£31.6m	£29.2m	£2.4m	8%
Sales	£9.9m	£11.9m	(£2.0m)	(17%)
Financial Services	£2.4m	£2.8m	(£0.4m)	(13%)
Total	£43.9m	£43.8m	£0.1m	-

9 months	Q3 2023 YTD	Q3 2022 YTD	£m change	% change
Lettings	£81.3m	£68.6m	£12.7m	18%
Sales	£26.9m	£32.7m	(£5.9m)	(18%)
Financial Services	£6.6m	£7.6m	(£0.9m)	(12%)
Total	£114.8m	£108.9m	£5.9m	5%

Lettings

Q3 Lettings revenue was up 8% to £31.6m (Q3 2022: £29.2m) and up 18% on a year-to-date basis to £81.3m (Q3 2022 YTD: £68.6m). Q3 revenue growth of £2.4m, included £0.5m (+2%) of organic growth, £0.6m of incremental revenue from the March 2023 acquisition and £1.3m growth in interest on rental deposits. As guided in the interim results, the rate of rental price growth moderated compared to the previous two quarters, reflecting more normalised supply and demand dynamics.

Sales

Sales volumes have continued to outperform the market with significant market share gains³ delivered in the quarter. Q3 Sales revenue was down 17% to £9.9m (Q3 2022: £11.9m), compared to a 23% reduction in market exchange volumes⁴. On a year-to-date basis, Sales revenue was down 18% to £26.9m (Q3 2022 YTD: £32.7m).

Market share gains and other operational improvements enabled a 6% increase in Q3 viewings, compared to the prior year, and drove good Q3 under offer rates, which were only 4% lower than the prior year against a significantly weaker market backdrop. Furthermore, despite a 5% decline in property values across the market⁵, the Foxtons average exchange price remains flat as a result of gaining market share in higher value properties.

Financial Services

Financial Services revenue was down 13% in Q3 to £2.4m (Q3 2022: £2.8m) and down 12% to £6.6m (Q3 2022 YTD: £7.6m) on a year-to-date basis. This reflected lower new purchase mortgage volumes, in line with the sales market, and an increased proportion of lower value product transfer mortgages in the refinance portfolio. Despite these headwinds, Financial Services has outperformed the wider market in the year, as the investment in additional fee earner capacity has supported growth in the market share of mortgage underwriting⁶.

FY23 full year outlook

In Lettings, Q4 performance is expected to be robust, although year-on-year rental increases are expected to moderate against the comparative quarter, during which rental prices were already at elevated levels. The supply of available rental properties is expected to continue to improve, providing an additional opportunity to increase market share.

In Sales, although Q4 2023 revenue is expected to be lower than the prior year comparative, market share gains mean the adverse variance versus Q4 2022 should reduce compared to previous quarters. Furthermore, with mortgage rates beginning to stabilise, Q4 2023 buyer demand will outpace Q4 2022 levels, which was heavily impacted by the September 2022 mini-budget. As a result, we expect the 31 December 2023 under-offer pipeline to be significantly higher than the prior year, which will drive year-on-year revenue growth in the first quarter of 2024.

At 31 December 2023 we are forecasting a small net cash position assuming no further acquisitions ahead of the year end. As noted within the interim results, the cash position reflects the acquisition completed in March 2023, dividends paid, share buybacks and the introduction of shorter billing periods for landlords opting to agree to longer tenancy terms, in order to drive organic Lettings revenue growth and portfolio retention.

Overall, full year earnings are expected to be in-line with consensus⁷. The Group's strategy of acquiring lettings businesses, coupled with Lettings organic growth, has protected profitability in a lower volume sales market to a far greater extent than in previous years.

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¹ Outperformance on a market share basis. Calculated as Foxtons share of Lettings instruction volumes, Sales exchange volumes and Financial Services mortgage underwriting volumes.

² Exchange volumes in Foxtons core addressable markets for the 9 months ended September 2022 and 2023. Source: TwentyCi.

³ Share of exchange volumes in Foxtons core addressable markets. Source: TwentyCi.

⁴ Exchange volumes in Foxtons core addressable markets for the 3 months ended September 2022 and 2023. Source: TwentyCi.

⁵ Source: Halifax House Price Index.

⁶ Share of UK mortgage underwriting volumes. Source: UK Finance.

⁷ Consensus expectations for Foxtons Group plc, being the average of forecasts for the year ending 31 December 2023 provided by analysts covering the Group, is revenue of £141.5m and adjusted operating profit of £11.8m (adjusted operating profit includes the amortisation of acquired intangibles).

About

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.

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