



Foxtons Group plc

Virtual Capital Markets Day Presentation

03 June 2021



Important information

This presentation includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believe”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations.

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Throughout this presentation “operating profit” refers to adjusted operating profit and is defined as profit/(loss) before tax for the period before finance income, finance cost, other gains/(losses) and adjusted items.

Please note certain totals and change movements may be impacted by the effect of rounding.



Agenda

1.	Introduction	Ian Barlow
2.	Positioned for Growth	Nic Budden
3.	Customer and Market Opportunity	
4.	Foxtons Strategy	
	Sales	Nic Budden
	Lettings	Ed Phillips and Sarah Tonkinson
	Technology and Data Science	Patrick Franco and Steve Rodgers
	Culture of Sales and Service Intensity	Sarah Mason
5.	Delivering Strong Financial Results	Richard Harris
6.	Q&A	All



Presentation team



Ian Barlow
Chairman



Nic Budden
Chief Executive Officer



Richard Harris
Chief Financial Officer



Patrick Franco
Chief Operating Officer



Ed Phillips
Chief Sales Officer -
Lettings



Sarah Mason
Chief People Officer



Sarah Tonkinson
Managing Director -
Institutional PRS and BTR



Steve Rodgers
Marketing Director



Introduction

Ian Barlow





Introduction to Foxtons





Positioned for growth

Nic Budden





40 years of Foxtons

Iconic
brand

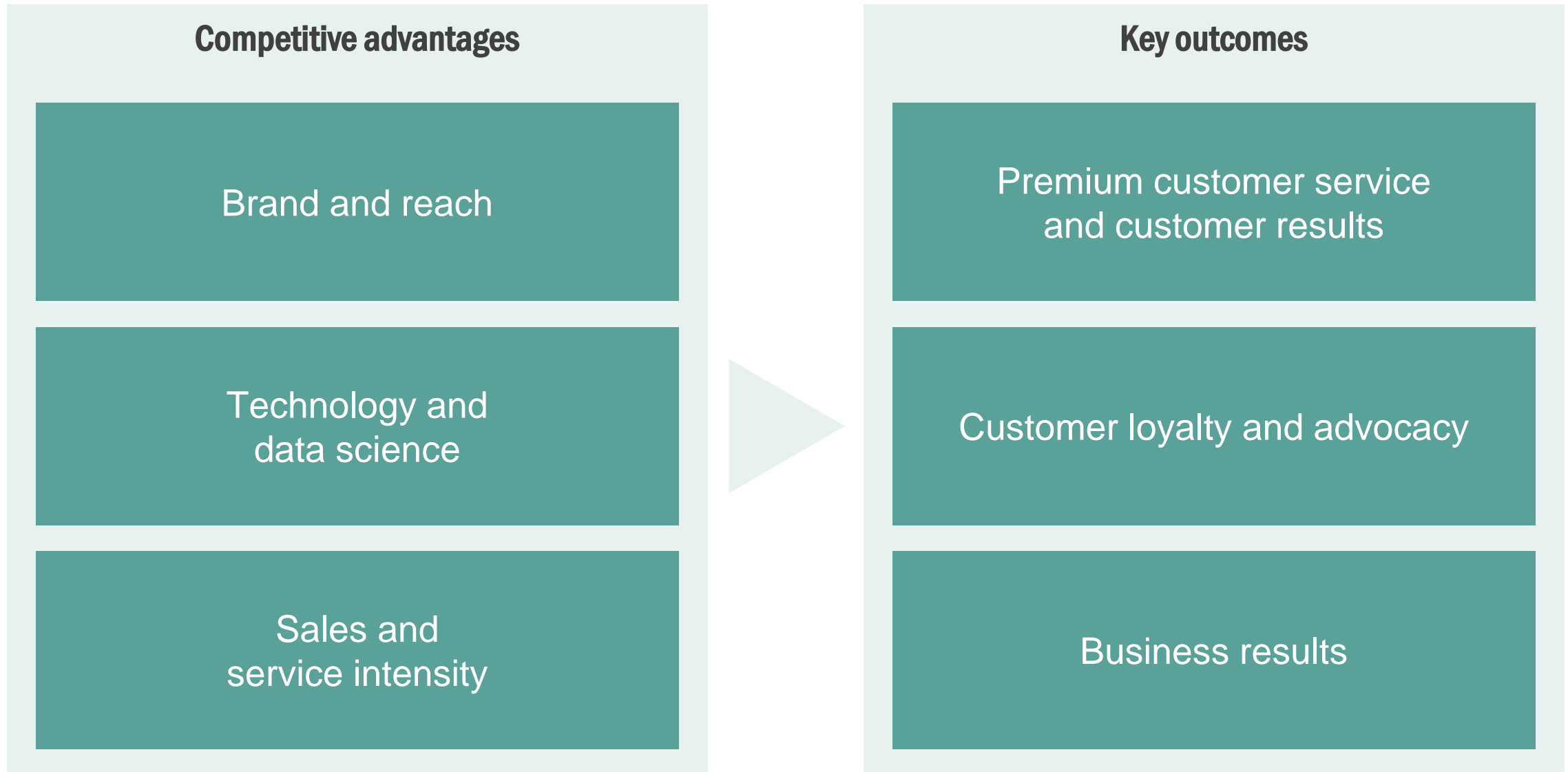
Expansion

Optimisation

**Positioned
for growth**



Foxtons is different



Giving us a strong foundation to build from

Leading brand⁽¹⁾

#1

Brand awareness in London property

Strong value proposition⁽²⁾

8%

Rental yield premium

4%

Sales price premium

Sector leading service⁽³⁾

Foxtons

Reviews 9,155 • Excellent



Customer loyalty

86%

Landlords

77%

All customers

Technology platform

Single

Platform underpins business

Data science

1.6bn

Data points inform our data science

Sales productivity⁽⁴⁾

48%

Higher than peers

Operating leverage

75%+

Incremental sales
profitability

70%+

Incremental lettings
profitability

Strong balance sheet

No external borrowings

1) Source: YouGov

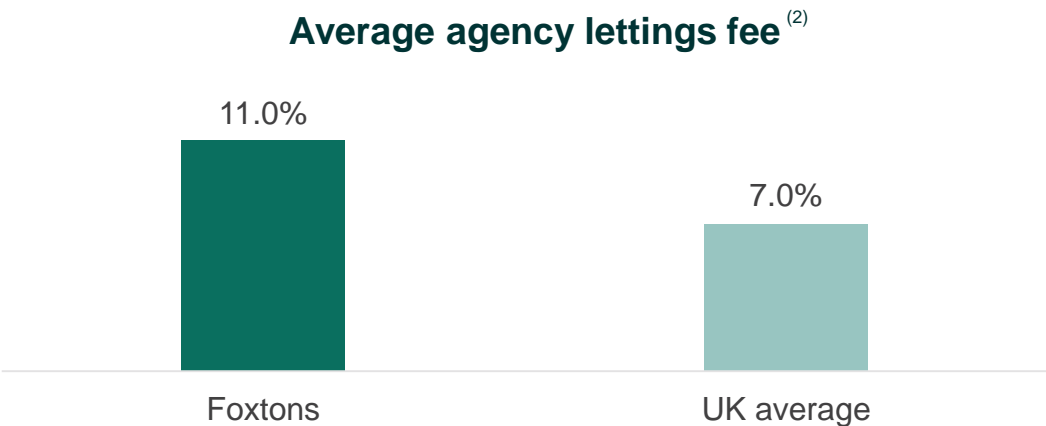
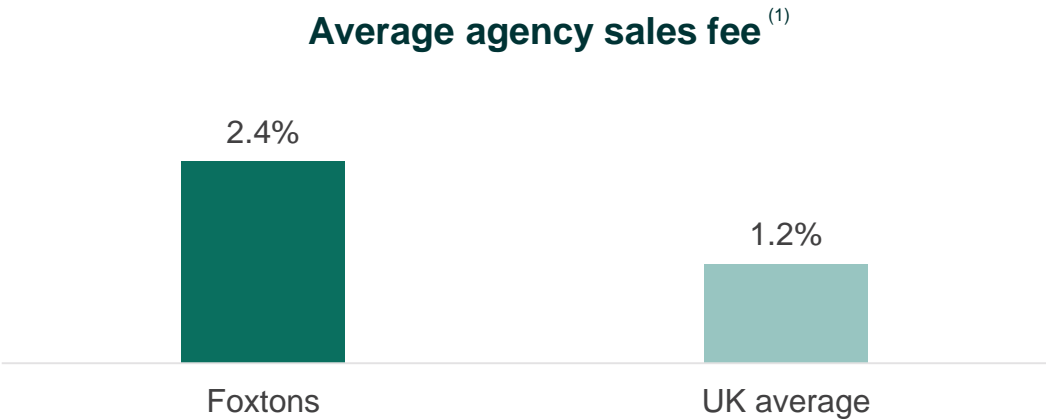
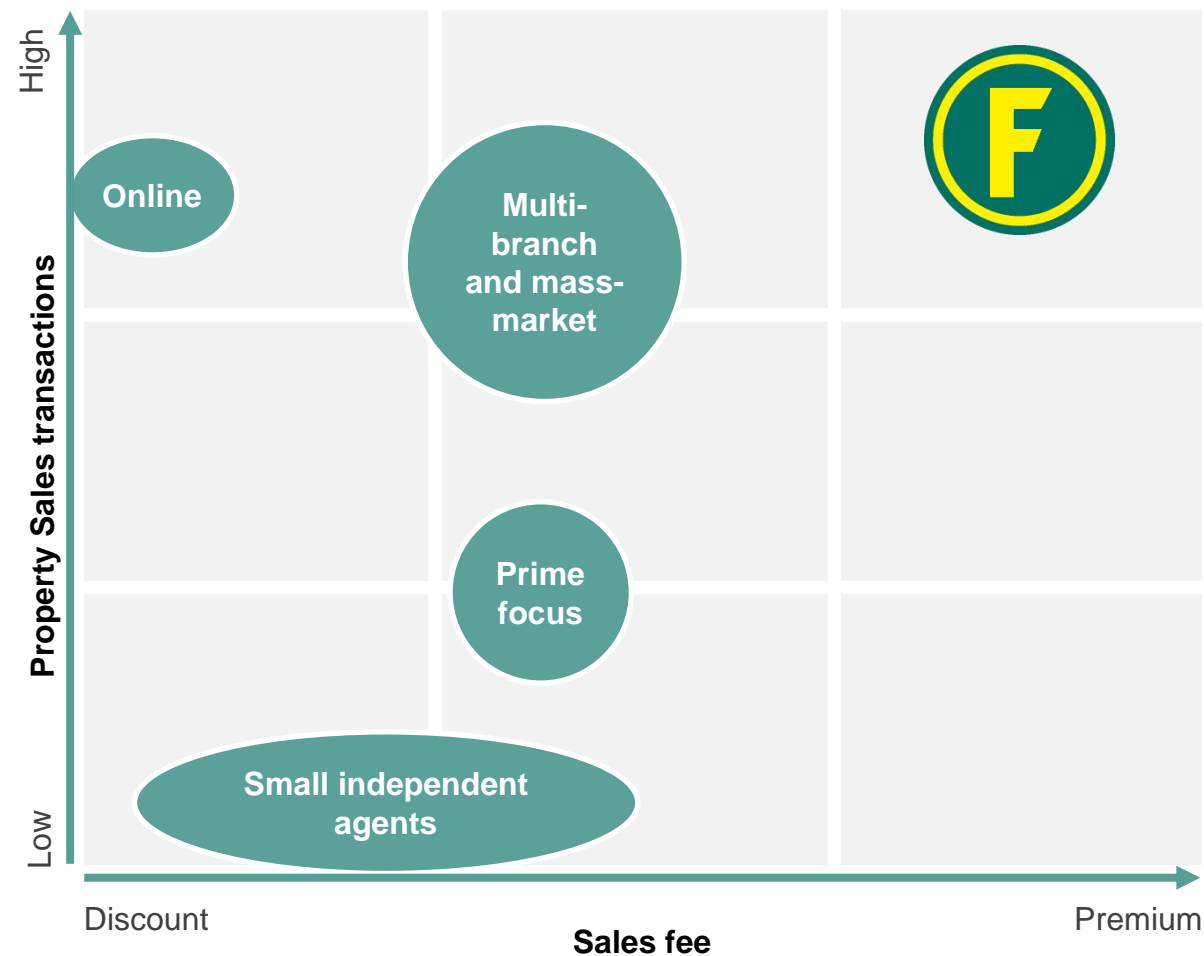
2) Source: TwentyCi, Foxtons research

3) Source: TrustPilot

4) Average revenue per branch vs. next 4 largest London agents. Source: 2019 Company accounts



And a unique market positioning



Market poitioning source: Rightmove, Foxtons research
1) Excluding VAT. Source: Which
2) Tenant find and rent collection fee, excluding VAT. Source: Money Supermarket



Customer and market opportunity

Nic Budden



Customer and sector dynamics present a compelling opportunity

Customer needs

- High quality service
- Responsiveness
- Expert market knowledge
- Great UX online
- Trusted advisor
- < 7% use online/hybrid⁽¹⁾
- > 80% value a branch⁽²⁾
- Wealth creation



Sector

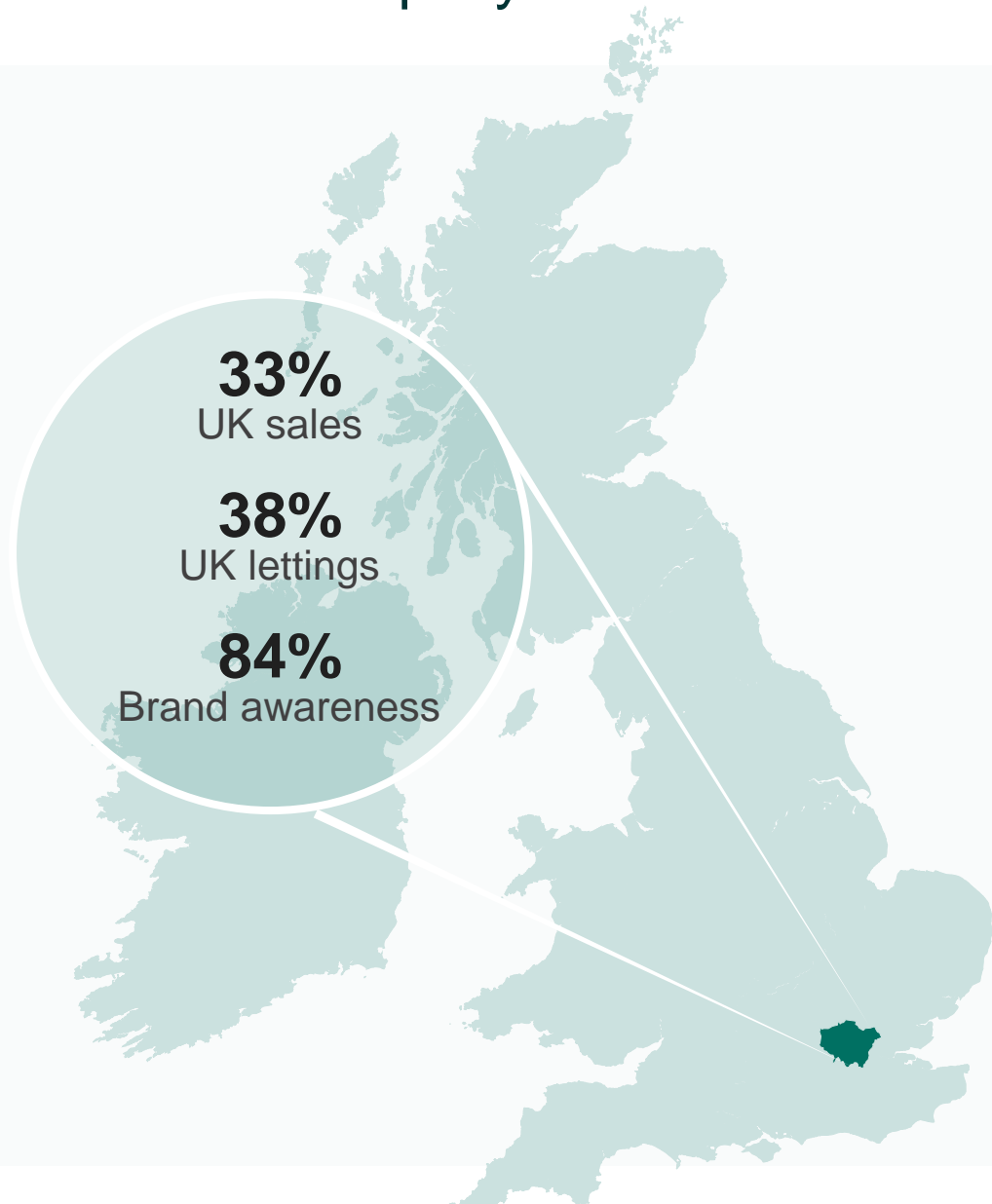
- Highly fragmented sector, few brands with little differentiation
- 2,600 agents in London, 10,600 UK-wide⁽³⁾
- Low transaction frequency
- Sales focused, lettings secondary
- Little adoption of tech/data analytics
- Weak culture, little training, high churn, low productivity
- Compete on price
- Increasing regulation
- Consolidation

1) Source: TwentyCi

2) Source: Dataloft

3) Source: TwentyCi

London is a uniquely attractive residential property market



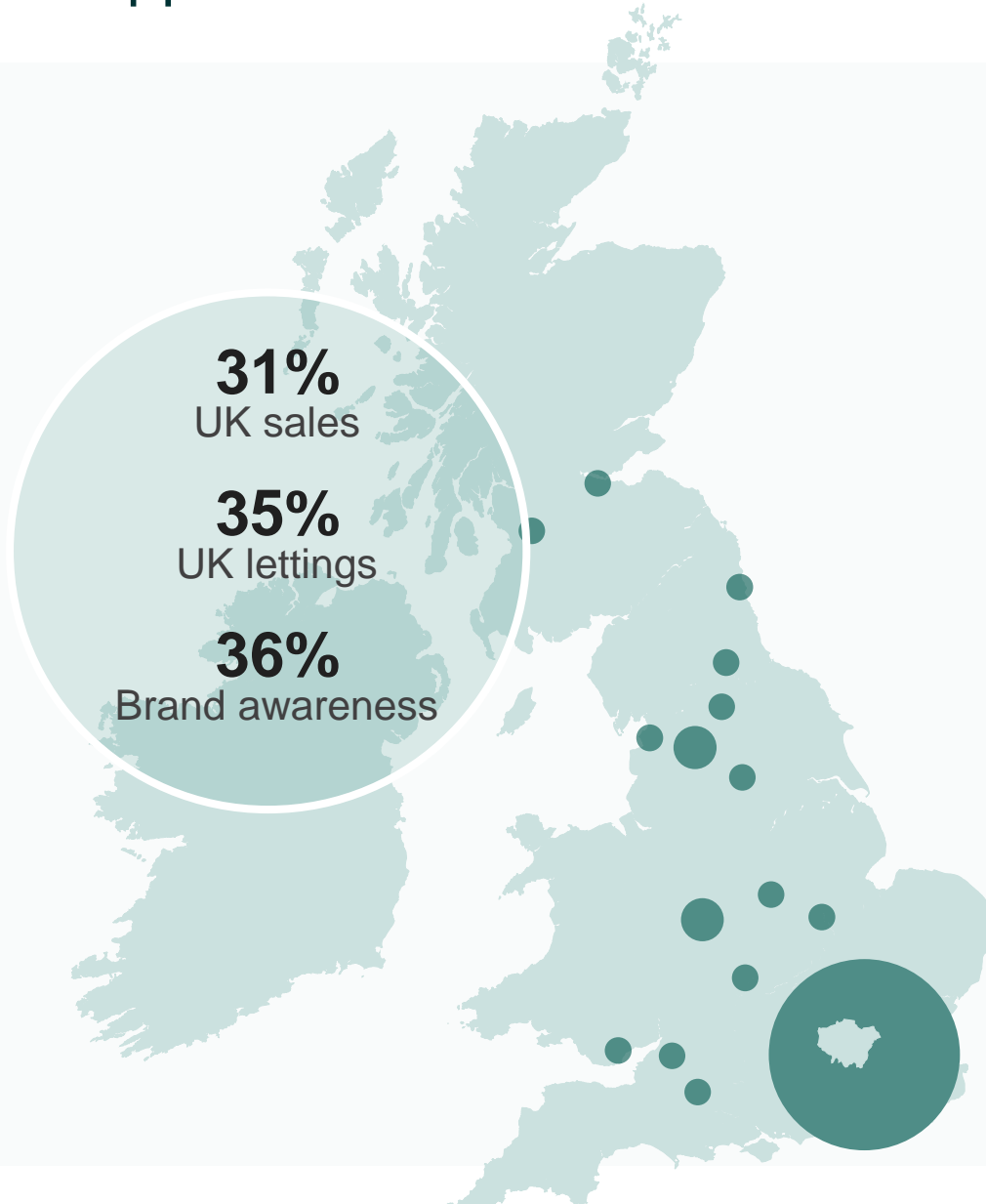
The UK's only true global city with a huge concentration of property value

- 13% of UK population
- 33% of UK sales by value
- 38% of UK lettings by value

Strong fundamentals for growth

	<u>5 year forecast</u>
Population	+300,000
Sales prices	+20%
Rental prices	+17%
Rental tenure	+11%

With opportunities in urban markets outside London



SE England and next largest 15 urban areas of the UK represent a similar market size opportunity to London

- 41% of UK population
- 31% of UK sales by value
- 35% of UK lettings by value

Strong growth forecasts

	<u>5 year forecast</u>
Population	+573,000
Sales prices	+15%
Rental prices	+16%
Rental tenure	+8%

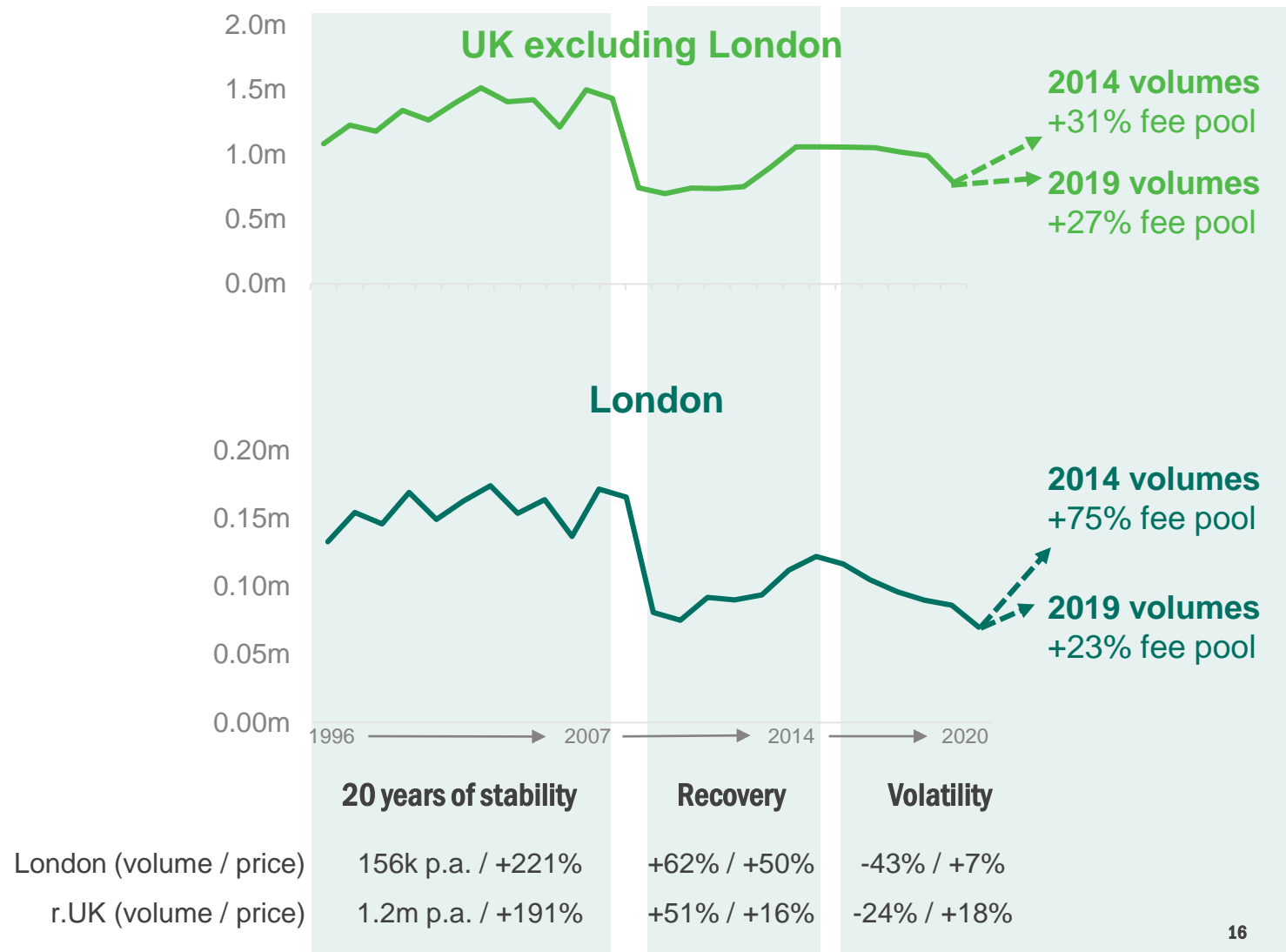
Potential for sales market upturn

The last five years have been the most turbulent in the UK's modern history, with 3 general elections, Brexit and Covid-19

- Impacted London severely:
 - 43% reduction in Greater London sales volumes
 - 60% reduction in Central London sales volumes
 - Limited price growth over this period
 - Created high levels of pent-up demand
- The rest of the UK has been less severely impacted:
 - Volume decline half of London levels
 - Continued growth in sales prices

Annual sales transaction

Growth scenarios



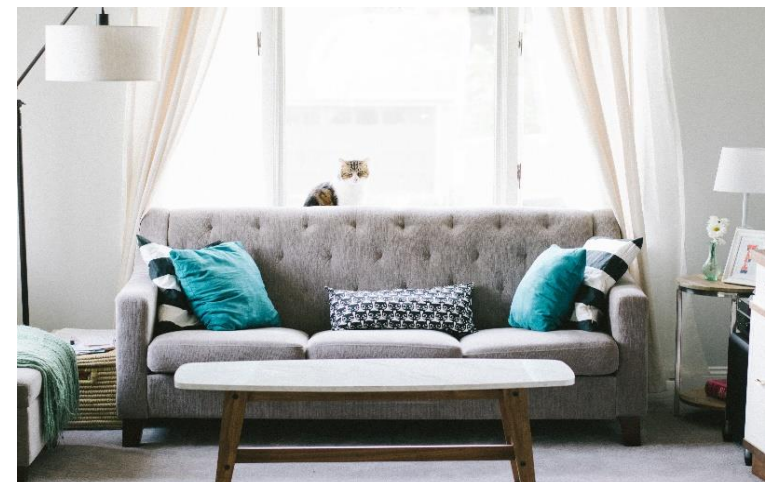
Lettings market is at an inflection point

Sector is rapidly professionalising, driven by:

- New regulatory and compliance requirements for landlords
- New regulatory and compliance requirements for agents
- Entry of institutional landlords providing a more professional tenant experience
- Landlords and tenants increasingly require an end-to-end digital experience, coupled with in-person expertise

Landlords increasingly want a partner, not just an agent

New dynamic will drive consolidation in the sector





Strategy

Nic Budden



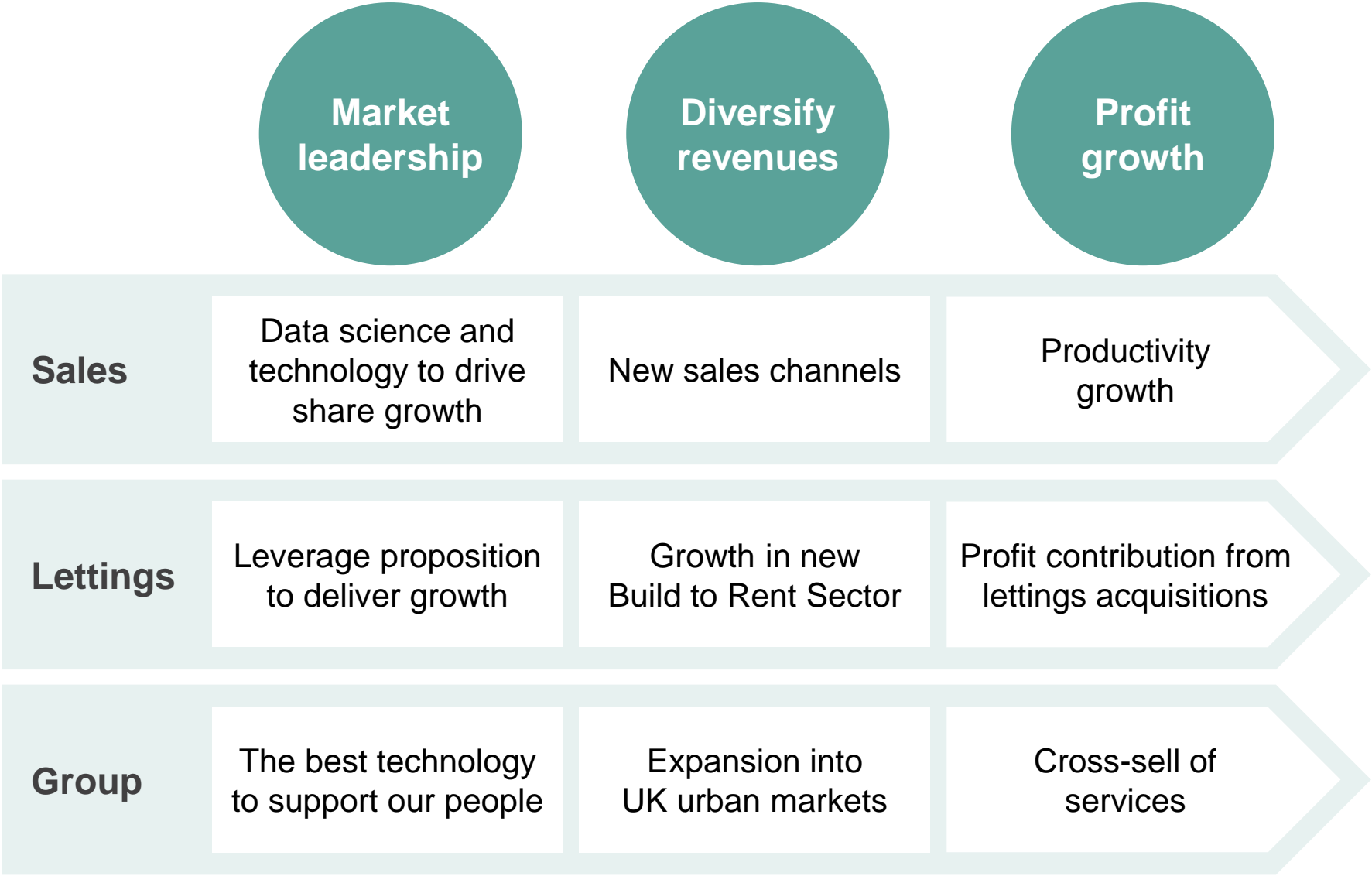


Strategic objectives





Strategic levers





Sales

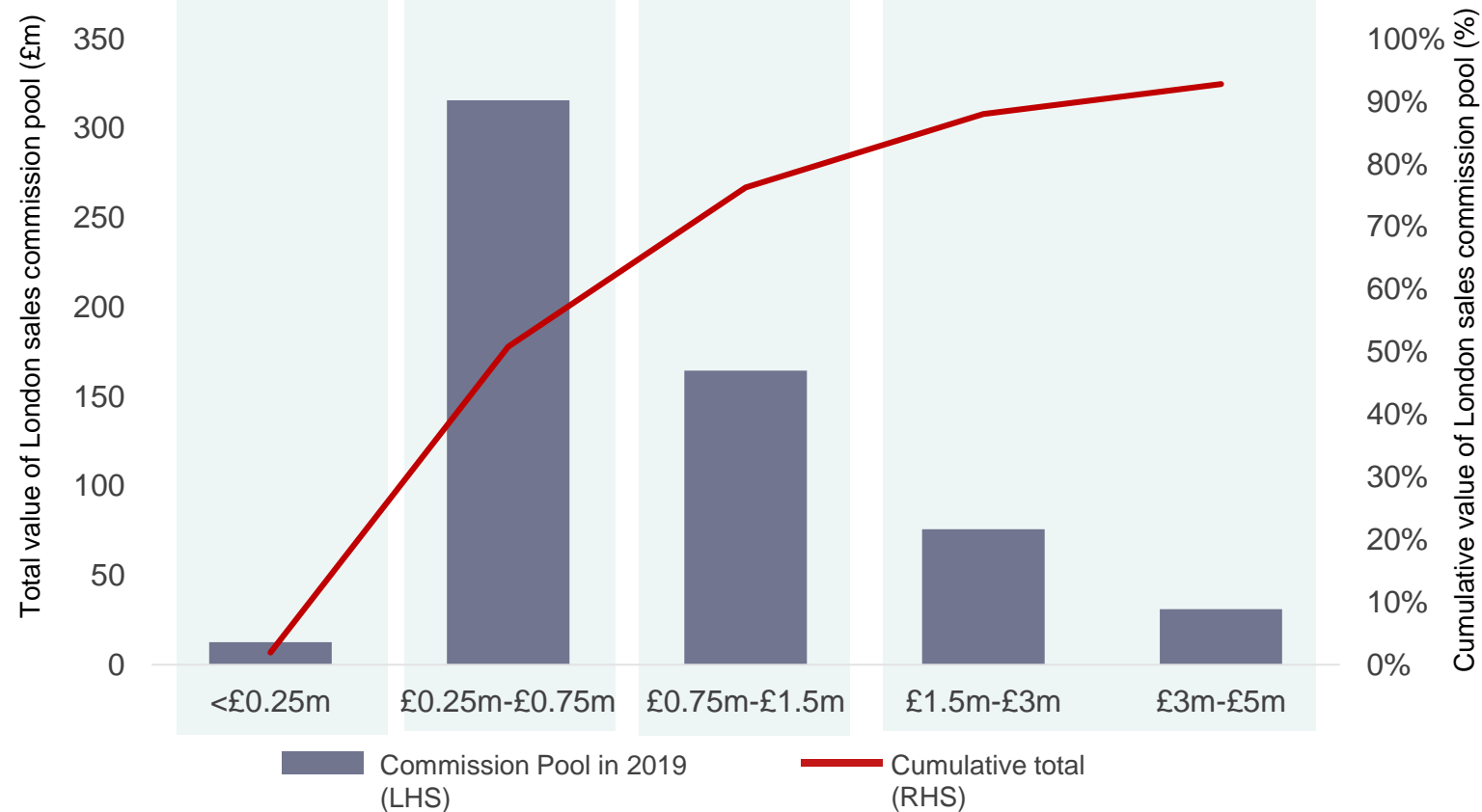
Nic Budden





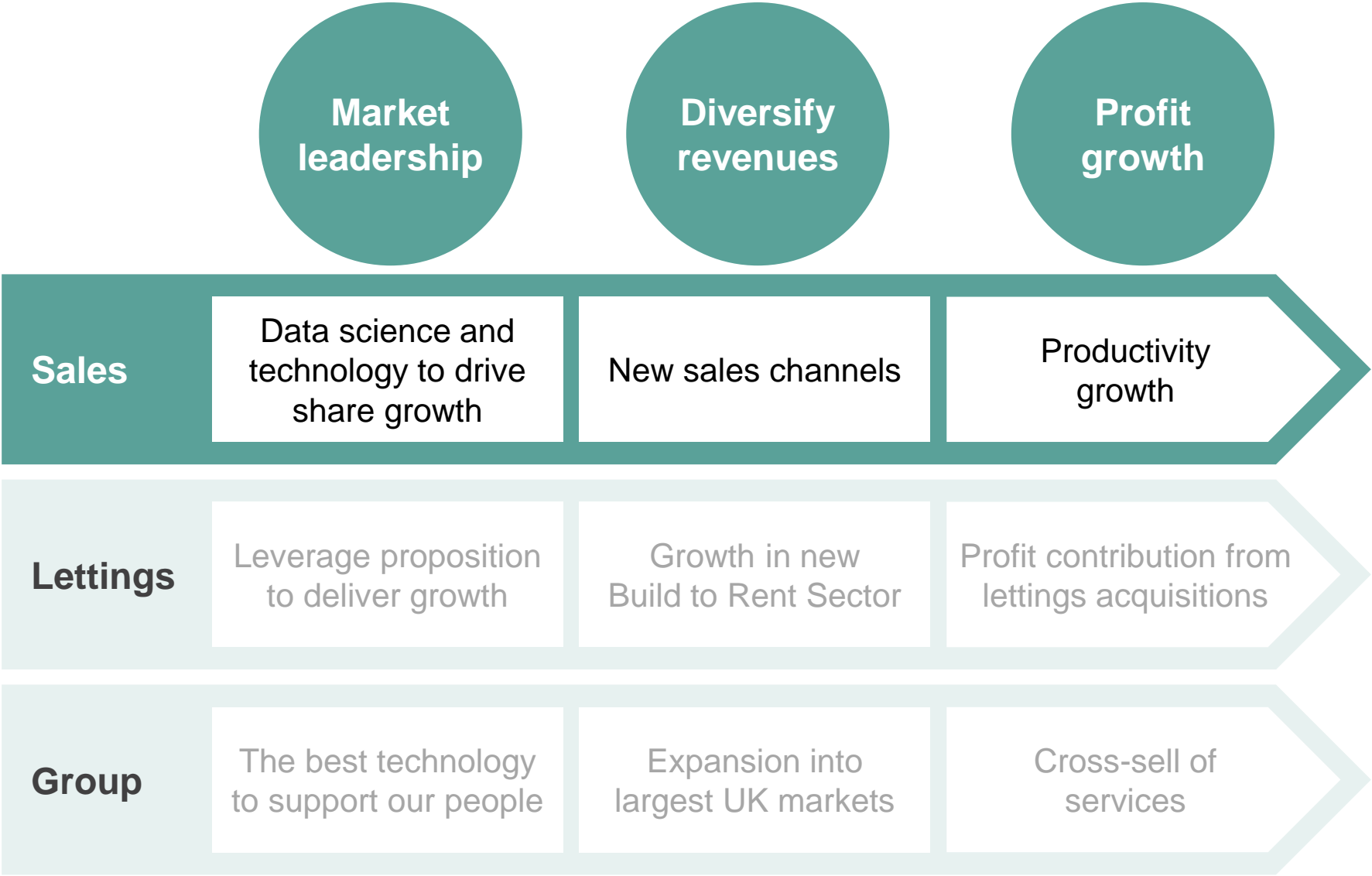
Positioned for growth

Segment:	Value	Core	Rare	Prime	
Foxtons fee:	2.5%	2.5%	2.5%	1.5%-2.5%	Bespoke
Share of comms. pool:	6.3%	7.2%	5.6%	4.4%	4.5%





Strategic levers

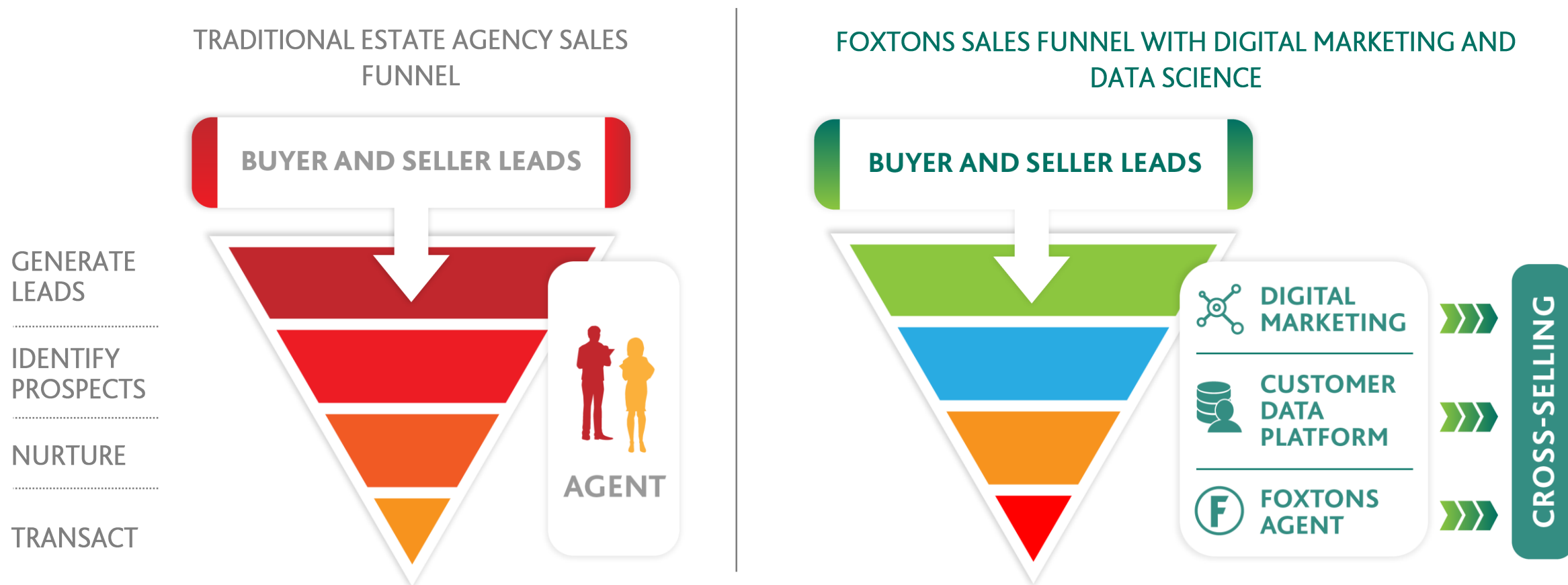


Growth through data science and technology

Market
leadership

Diversify
revenues

Profit
growth



- Estate agents handle large numbers of buyer and seller leads, with the majority having little likelihood to transact
- Agents manually identify prospects likely to transact and nurture these for long periods of time
- Implementation of data science and CDP automates these tasks - lead scoring, property identification, digital nurturing and cross-sell
- Impact: 1) increases likelihood of customers looking to transact to do so with Foxtons and 2) increases agent productivity

Diversifying revenues

Market
leadership

Diversify
revenues

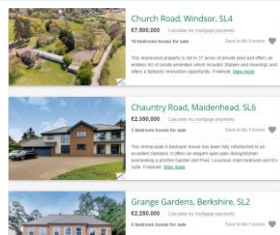
Profit
growth

National sales channels

36%

Brand awareness

Target SE England and top 15 urban areas in UK via asset-light model, utilising high levels of brand awareness⁽¹⁾



Home Counties expansion through virtual sales offices. Launched first office in Berkshire in Q3 2020



Network of higher yielding New Homes developments across the UK, targeting London property investors

International sales channels



China and Hong Kong sales desk partnered with largest China agents



Relationships with overseas partners to source buyers
Supported by network of Foxtons agents speaking over 56 languages



Foxtons "We Chat" marketing programme in Hong Kong and Mainland China

1) UK weighted average brand awareness. Source: YouGov



Lettings

Ed Phillips and Sarah Tonkinson



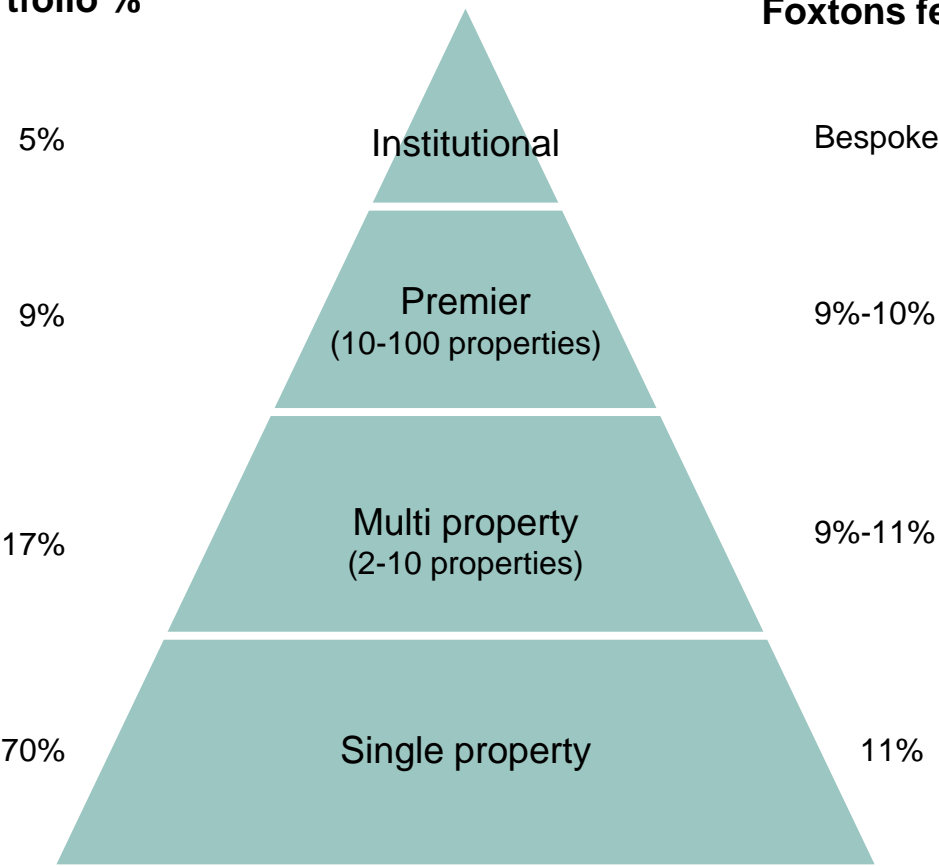


Positioned for growth

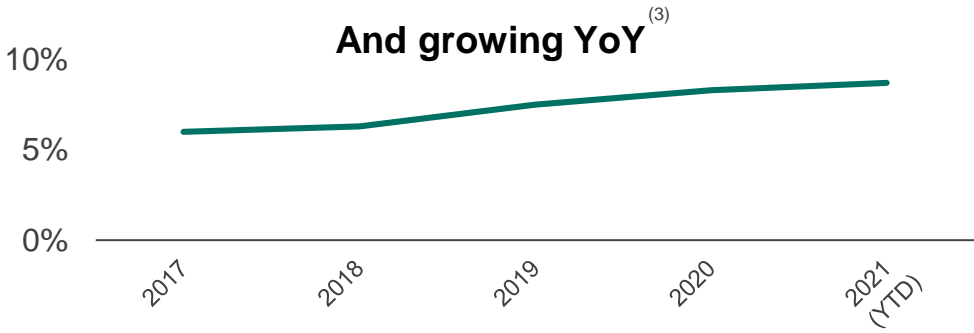
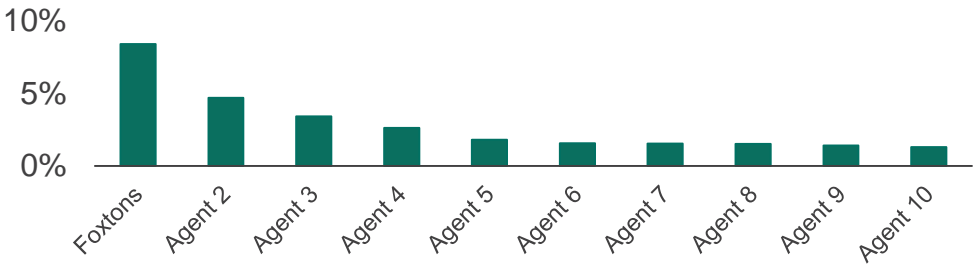
Customer segments

Portfolio %

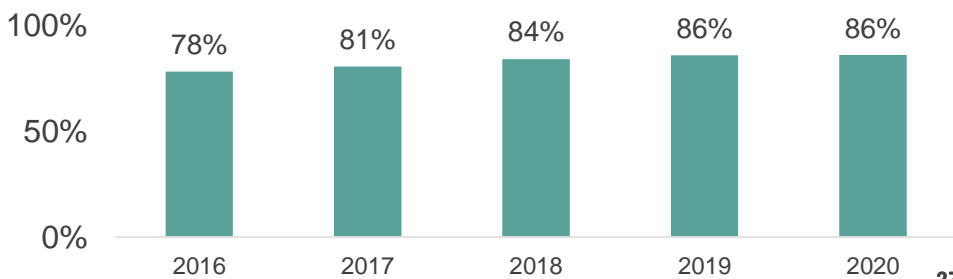
Foxtons fee⁽¹⁾



Highest market share of new lettings deals in London⁽²⁾



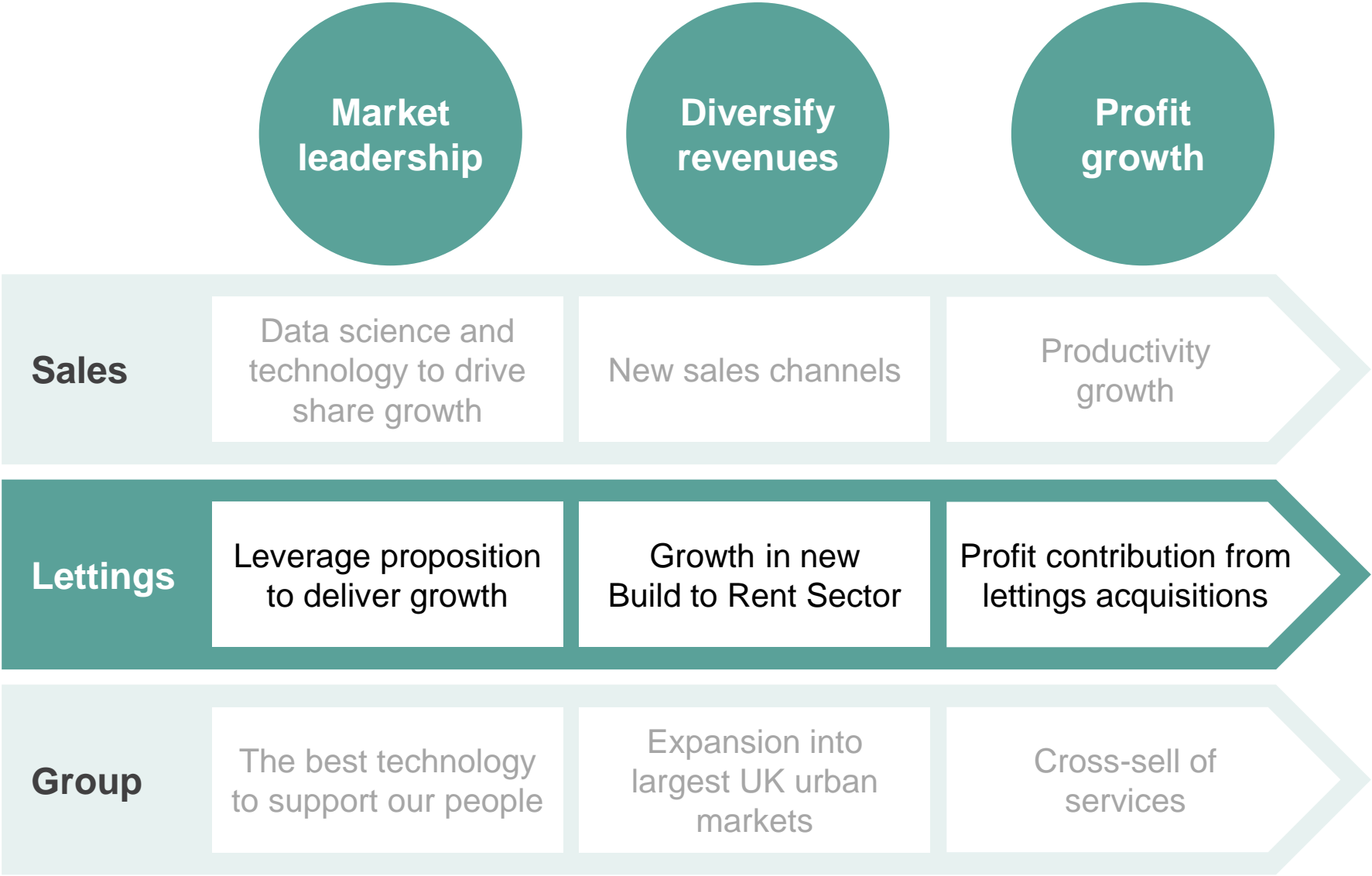
Growing landlord repeat business⁽⁴⁾



1) Tenant find and rent collection fee, excluding VAT
2) Incorporates acquisition of Douglas & Gordon. Source: Rightmove
3) Source: Rightmove
4) Source: Foxtons



Strategic levers





Unique proposition for landlords and tenants

Market
leadership

Diversify
revenues

Profit
growth

Customer service

- 360 service from bespoke teams
- London-wide marketing and proactive selling
- Database of vetted tenants and properties
- 24/7 My Foxtons portal
- Asset Management approach
- Proprietary rental data to maximise returns

Regulatory compliance

- Automated compliance systems
- Expert teams who understand regulatory and compliance obligations



Results for customers

Matching more people with more property:

- 8% rental yield premium
- 30% rental rate outside of initial search area
- 86% landlord repeat business
- 83% tenant renewal rates
- 99% rent collection rates

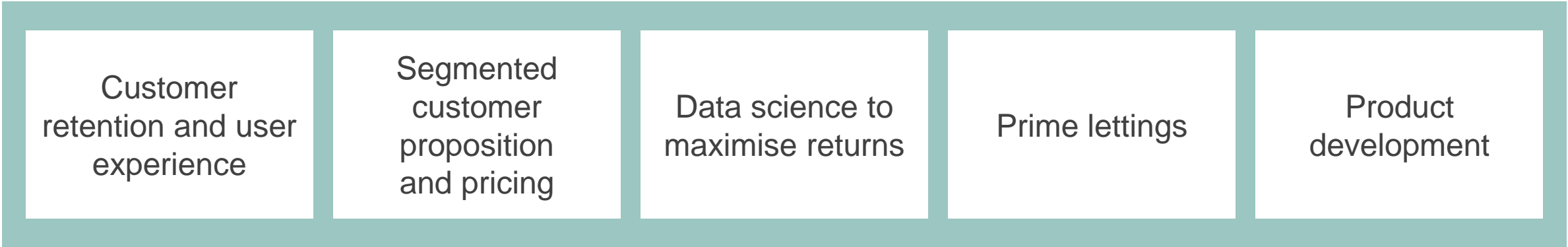


Leverage unique proposition to deliver organic growth

Market
leadership

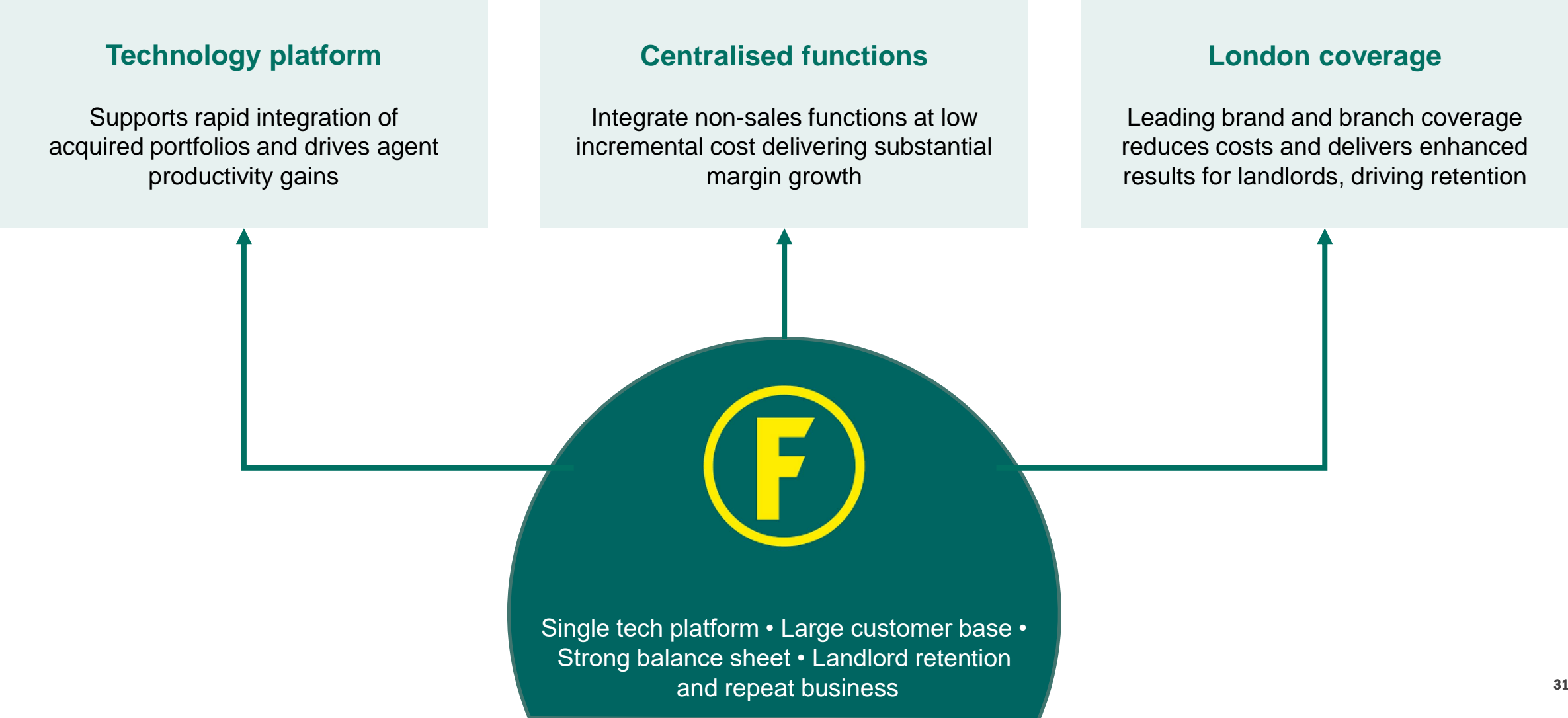
Diversify
revenues

Profit
growth





Drive M&A profitability through Foxtons infrastructure



Acquisition criteria

Business Suitability

Foxtons “winning” territory
Size of business
Fee integrity
Current rent vs. market
Type of lettings contracts

Financial Impact

Revenue profile
Cash generation
Cost of investment
Return on investment
Payback period

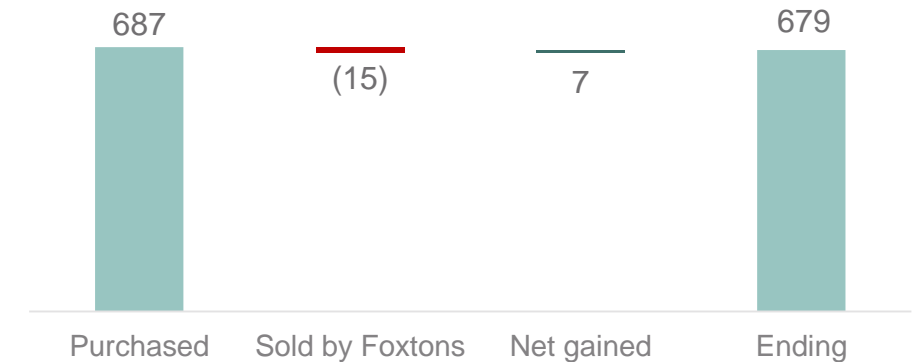
Underpinned by compliance standards

3 acquisitions in 2020:

- 1,600 tenancies
- £2.6m annualised revenue
- £4.6m acquisition price
- Fully integrated into Foxtons operating platform

Acquired Douglas & Gordon in March 2021

Example: tenancy churn during yr. 1 ownership of London Stone Properties



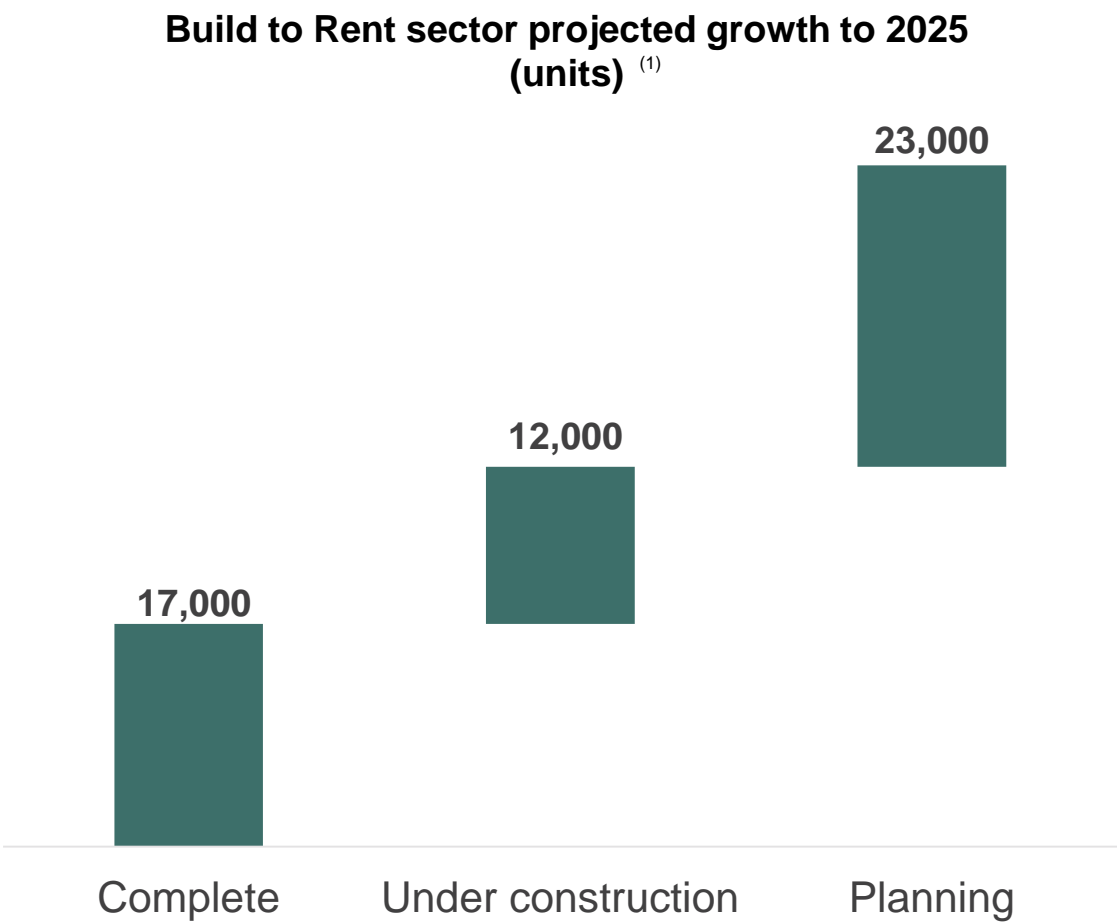


Build to Rent sector is a growing market

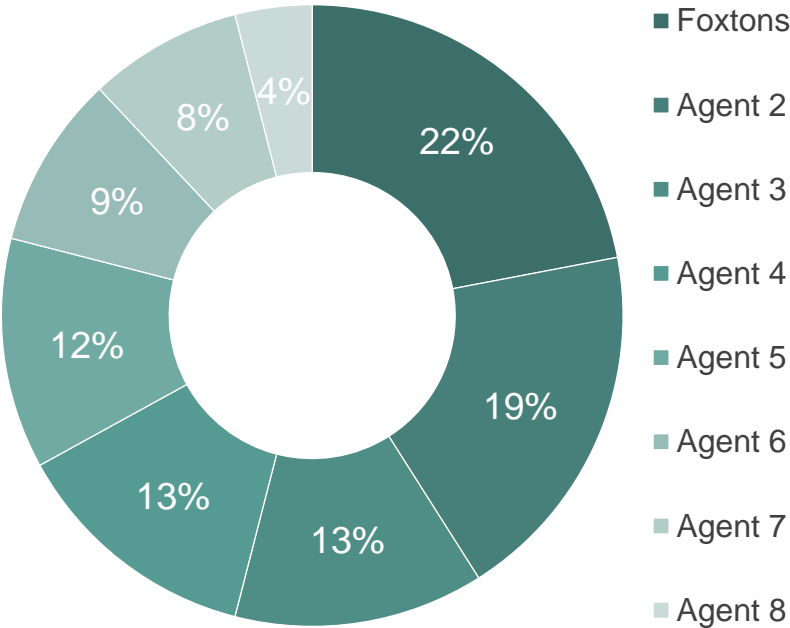
Market leadership

Diversify revenues

Profit growth



Foxtons is ranked no. 1 by market share in BTR ⁽²⁾



1) Source: Knight Frank
2) Source: SAY Property Consulting



Unique proposition in the Build to Rent sector

Market
leadership

Diversify
revenues

Profit
growth

Customer service

- Advised by expert BTR team
- Supported by London-wide sales network
- Bespoke services per client requirements
- Manage all regulatory and compliance risks

Data

- Most comprehensive rental data in London
- Support operators from planning through to lettings
- Real time data and performance reporting



Results for customers

No. 1 agent in London BTR:

- Support premium tenant experience and rents
- Track record of letting up large developments at speed
- London-wide reach allows us to locate tenants across London, rather than relying on local markets
- Data supports real-time pricing to maximise returns
- Safeguard against financial and reputational risks

We work with the largest BTR developers & operators

Market
leadership

Diversify
revenues

Profit
growth

grainger plc

 Essential
Living

GREYSTAR®

 NATIVE
LAND

 RESIDENTIAL LAND

 Notting Hill
Genesis

Akeliu^s

ECOWORLD
INTERNATIONAL
CREATING TOMORROW & BEYOND

 Harrow COUNCIL
LONDON

apo_

 British
Land

UNCLE

MASON
& FIFTH

THE STAY CLUB
LONDON STUDENT ACCOMMODATION

dandi[®]
LONDON

MANHATTAN
LOFT
CORPORATION
ESTD 1992



Technology and data science

Patrick Franco and Steve Rodgers



Most technologically advanced estate agent in UK

Market leadership

- Single tech stack, database and automated workflows for agents, combined with gamification and real-time MI to drive staff productivity
- End-to-end consumer property platform (MyFoxtons)
- Data science programme to predict customer behaviour

Diversify

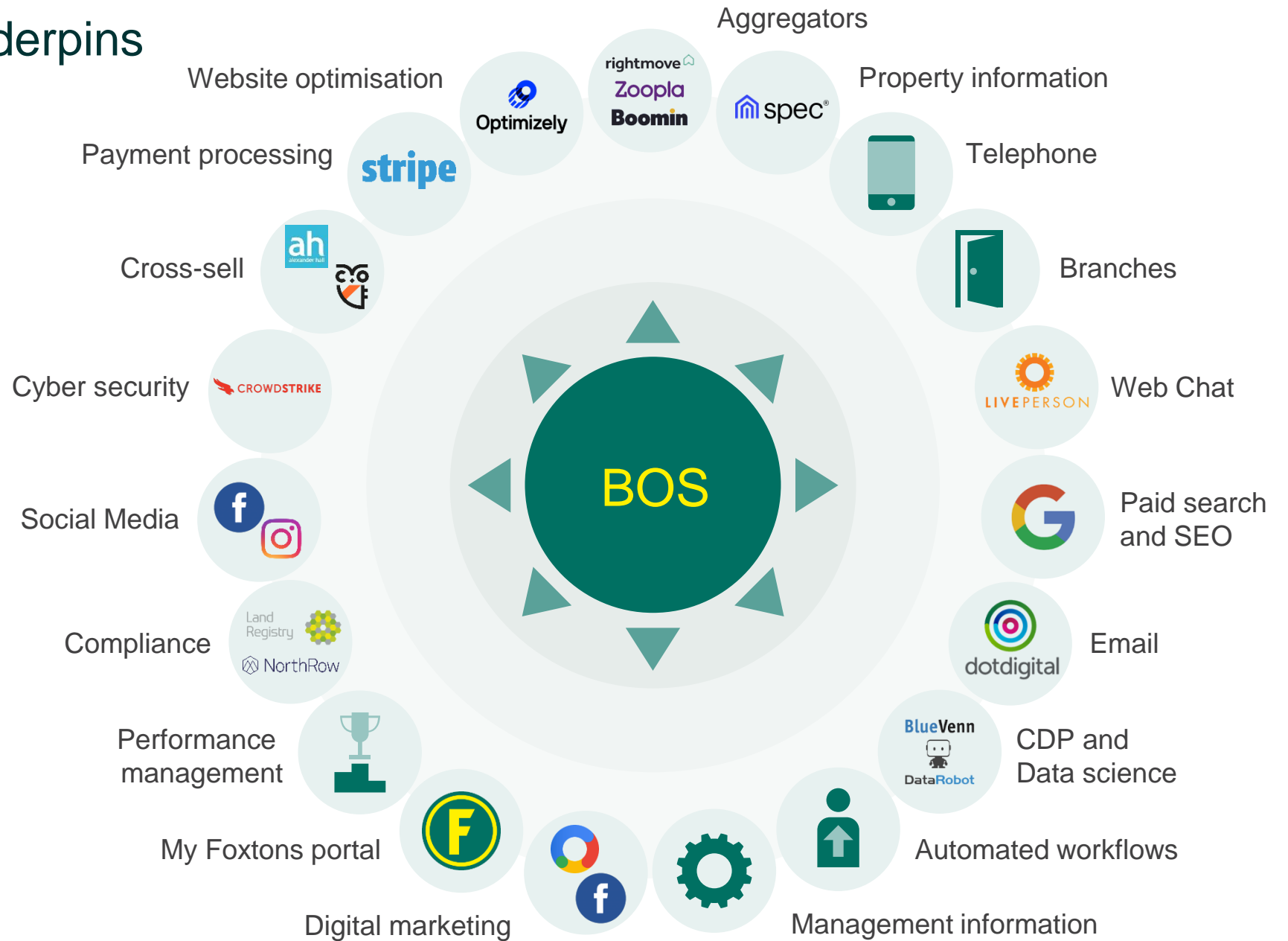
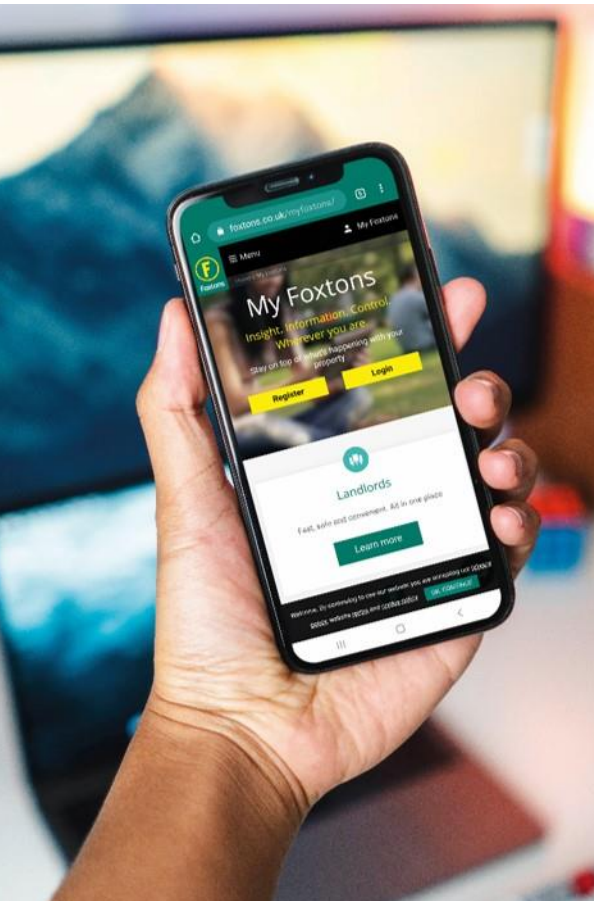
- Big data allows value-add consulting services for BTR and New Homes customers
- Platform functionality and in-built scale supports UK expansion
- Opportunistic proptech investments

Growth

- Tech stack, data science and digital marketing programme has improved customer conversion, resulting in 23% reduction in Cost Per Acquisition (CPA) in 2020 ⁽¹⁾
- Supports lettings ecosystem and underpins lettings M&A
- Leveraging MyFoxtons to cross-sell additional products and services

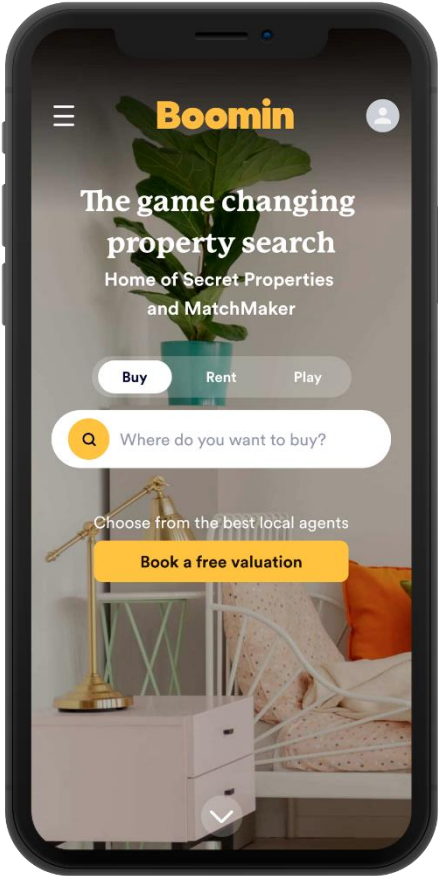
1) Vs. 2016-2019 average

Single tech stack underpins Foxtons operations

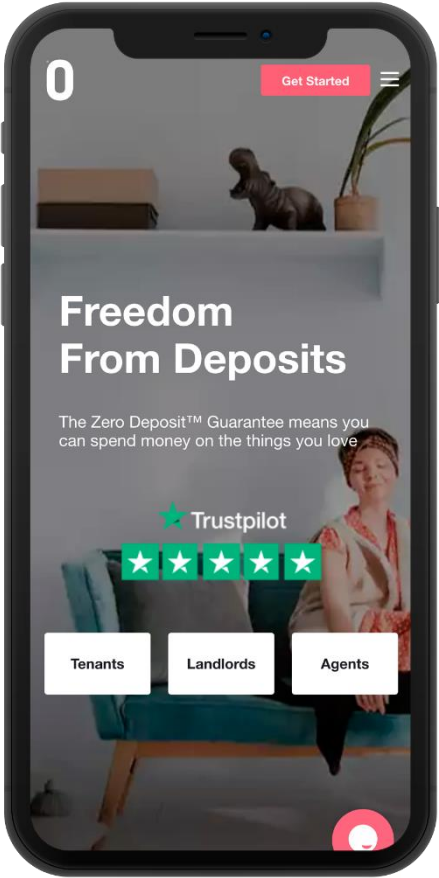




Technology investments



Boomin



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F Technology demonstration

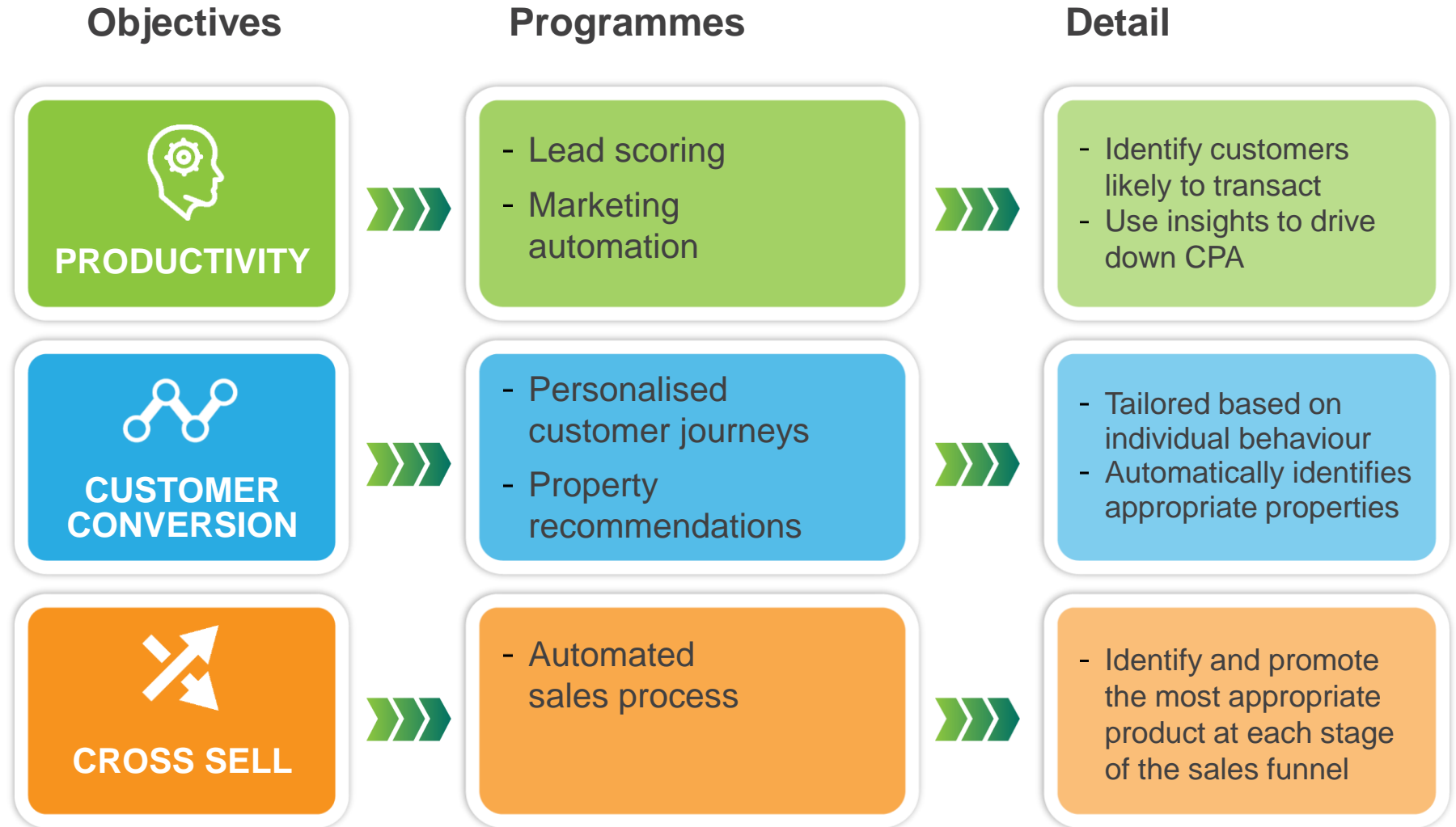




Data science

Completed phase 1 of our data science programme by implementing the Customer Data Platform.

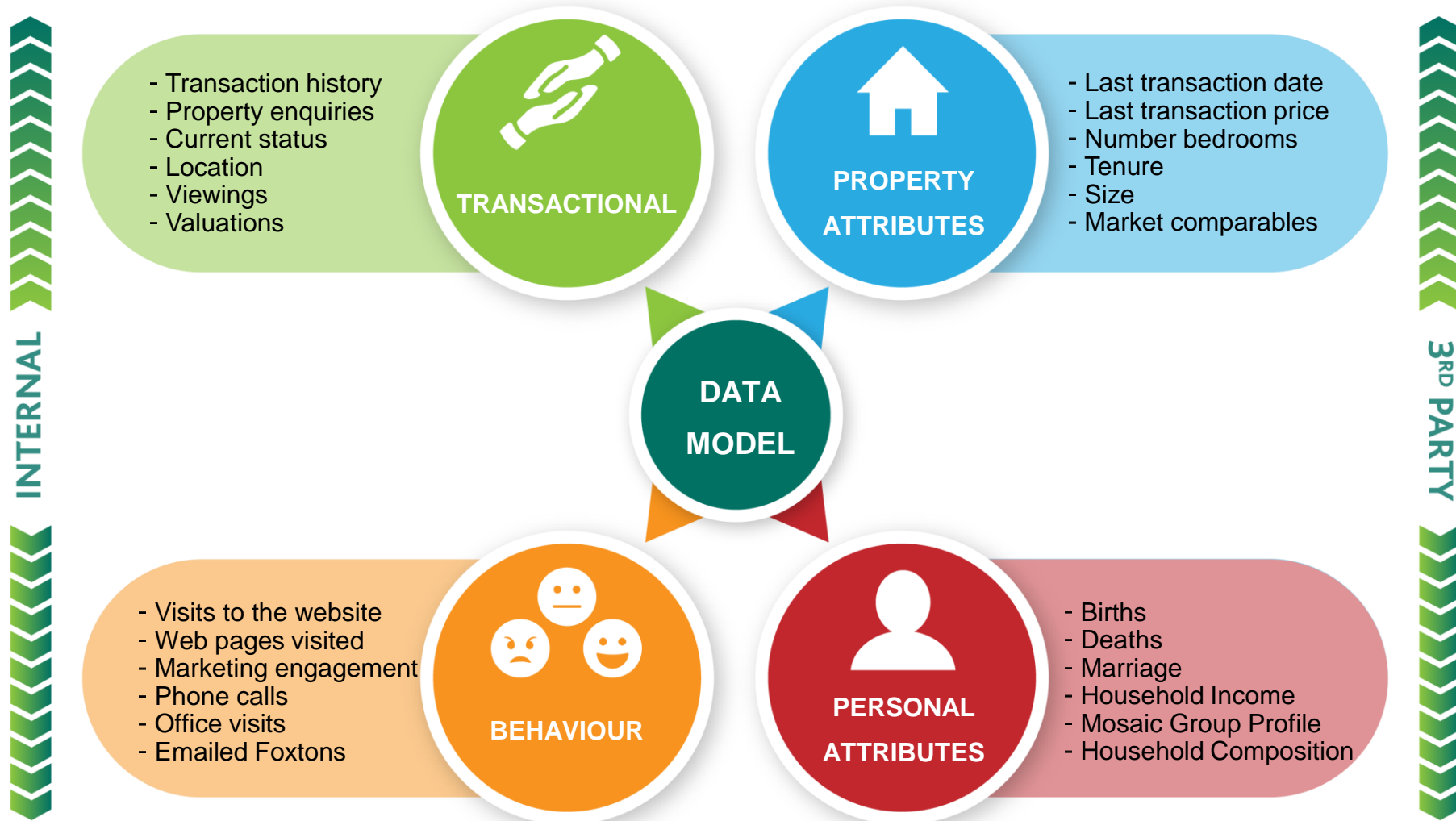
Creates a single customer view and allows us to apply data science and machine learning



Data science

Proprietary data model uses transactional, behavioural and 3rd party data to inform the predictive customer approach.

Over 250 data points in the model with a profile of every household in London. Automatically updates driven by “always-on” machine learning.



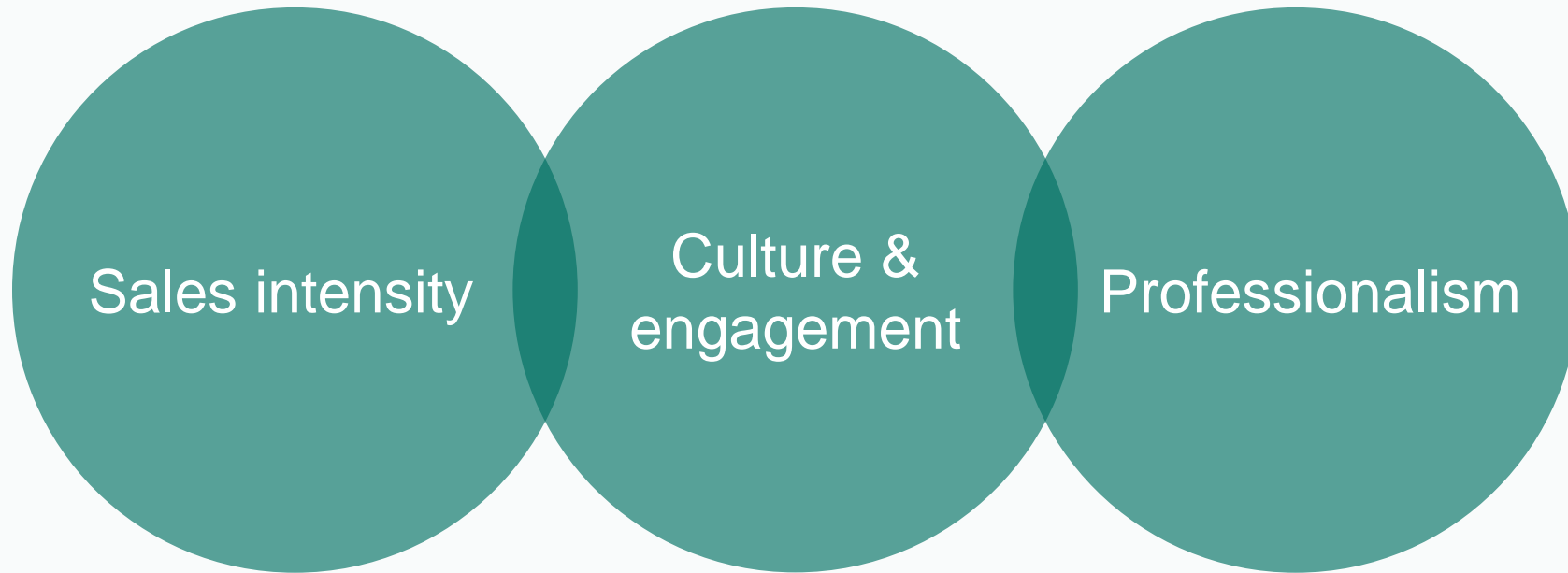
A photograph of three business professionals in a modern office setting. On the left, a Black man in a dark suit and black face mask is seated in a magenta armchair, looking towards the center. In the center, a white man in a grey suit and light blue face mask is seated in a magenta armchair, looking towards the right. On the right, a woman with long dark hair, wearing a black coat and black boots, is seated in a lime green armchair, facing away from the camera. They are gathered around a small, round, black glass coffee table with a chrome base. The background features large windows with a colorful, abstract mural of a cityscape. The floor is a light-colored, polished tile.

Culture of sales and service intensity

Sarah Mason



Market leadership through our people



Market leadership through our people



Performance, earnings and incentives transparency

1
1,600

Ellinor Smestad
City & East London
CHLWT

20

2
1,060

Alusine Savage
City & East London
STFDT

8

3
900

Timi Adeleye
South East London
BCRGT

14

4
840

Henry Bonsu
North West London
BHNPT

7

5
750

Stanislava Binic
Central North London
NHWGT

8

6
730

Babita Sidhu
North West London
BHNPT

Our last trip

TEAM RANK

Rob Marks
South Kensington
9.30%

24

25

26

27

28

29

30

Move Consultant Leader Board

Negotiator Car and Bonus Targets						
Level	Monthly Average	Car	Bonus Percentage			Basic
			Negotiator	Senior Negotiator	Associate Director	
			0%	0%	0%	£24,500
1	(After 4 months)	"	4%	5%	10%	£22,500
2	£8,000	"	5%	6%	10%	£22,500
3	£14,000	"	6%	7%	10%	£22,500
	£17,000 OR Sales – 16 deals p.a. Lettings – 45 deals p.a.		6%	7%	10%	£22,500
4	£18,000	"	7%	8%	10%	£22,500
5	£22,000	"	8%	9%	10%	£22,500
6	£26,000	"	9%	10%	11%	£22,500
	£27,000 OR Sales – 26 deals p.a. Lettings – 75 deals p.a.		9%	10%	11%	£22,500
7	£30,000	"	10%	11%	12%	£22,500
8	£34,000	"	11%	12%	13%	£22,500
	£35,000 OR Sales – 35 deals p.a. Lettings – 95 deals p.a.		11%	12%	13%	£22,500
9	£38,000	"	12%	13%	14%	£22,500
10	£42,000	"	13%	14%	15%	£22,500
	£50,000 OR Sales – 50 deals p.a. Lettings – 135 deals p.a.		13%	15%	15%	£22,500

Negotiator car and bonus targets

Real-time MI

10:47
Canary Wharf Sales Figures

£524,657....
PIPELINE

£25,925
EXCH

2
EXCH

8
OFFERS

Valuer	Pipeline	Exchanges
Thomas Holmes	18 (£215,000)	1 (£17,000)
Giles Sparkes	35 (£389,202.50)	2 (£25,925)
Negotiator	Pipeline	Exchanges
Billy Brooks	9 (£89,590)	1 (£9,675)
Imtiyaz Uz-Zaman	14 (£152,682.50)	0 (0)
Joslin Kasongo	7 (£52,475)	0 (0)
Peter Chojnacki	9 (£118,050)	0 (0)
Sana Ikram	8 (£70,485)	0 (0)
Sihame Bikbi	0 (0)	0 (0)

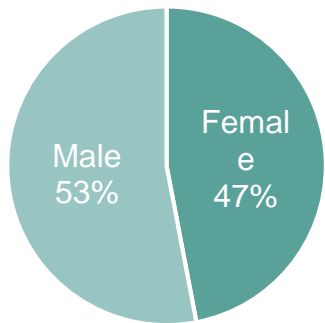
Mobile BOS performance tracking (MTD average)

Market leadership through our people

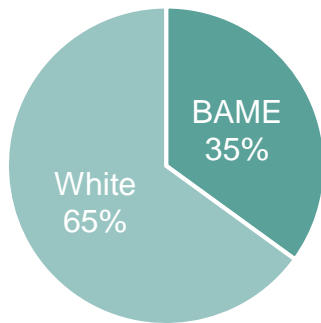


Workforce diversity mirrors London's demographics

Gender diversity



Ethnic diversity



Culture of fun, recognition and rewards



Foxtons at Pride London (2019)

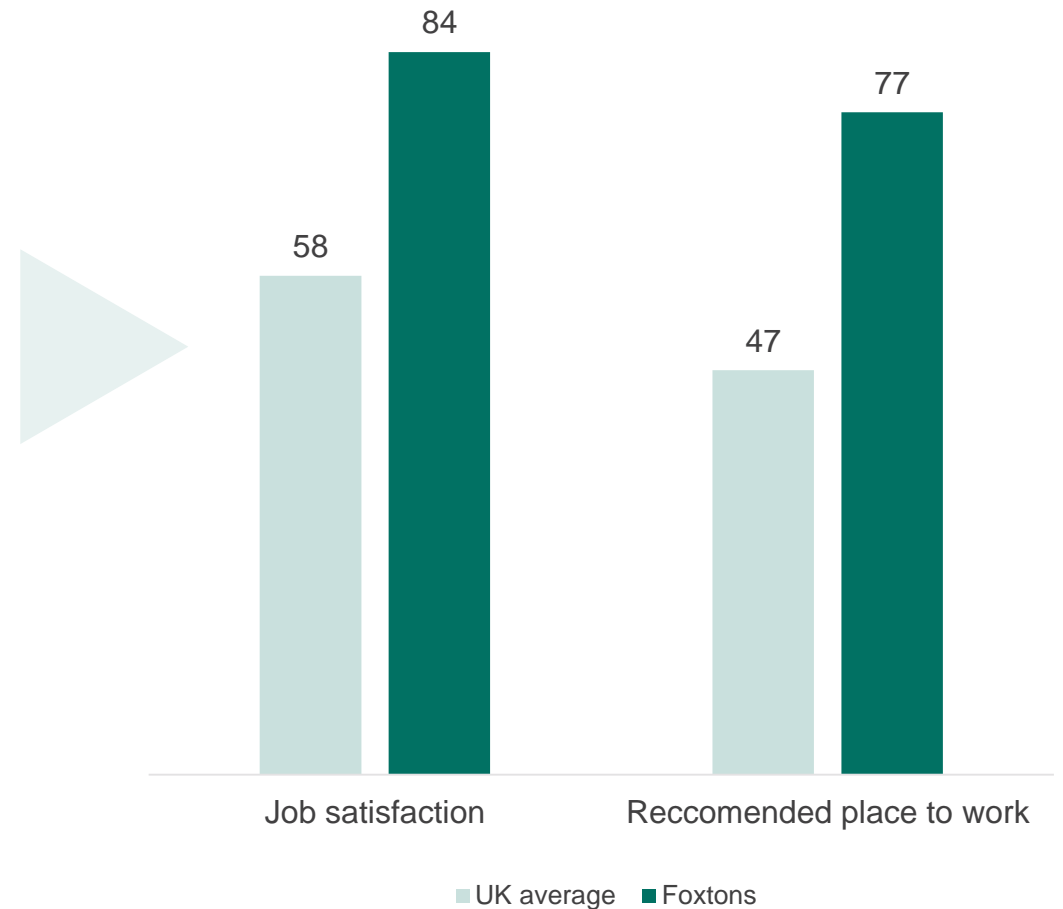


Foxtons Ski Trip (2019)



Foxtons Awards (January 2020)

Highest level of employee engagement





Market leadership through our people



High levels of experience and expertise



90% Group headcount in sales and sales support roles
<100 HQ professionals – Finance, HR, IT.

Blended approach to continuous learning

Formal	Informal	On the job
“Discover” training system	OpenBlend reviews	Continuous feedback
ARLA qualification	Mentoring	Peer coaching
CMAP qualification	Skill-sharing sessions	Shadowing
CIPD	Networks and communities	Structured reflection
In-house programmes	Manager-led sessions	Use of data and KPIs



Delivering strong financial returns

Richard Harris





Delivering strong financial results

- Lead, diversify and grow strategy presents significant opportunity for revenue growth over the medium term
- Substantial cost savings made in the last 5 years have mitigated downturn in the residential sales market
- A more efficient and more resilient business
- High operational leverage
- Lettings book acquisitions provide attractive growth opportunity
- Asset light approach that is strongly cash generative

Lead, diversify & grow strategy presents significant opportunity

From the 2019 base, there is significant potential for revenue growth over the medium term:

Lettings – impact on revenue

50 bps market share growth ⁽¹⁾	£4m
5% increase in market volumes ⁽²⁾	£3m
£19m acquisition spend since 2019	£13m
£10m future acquisition spend	£5m-£6m
Build to rent growth	£0.75m p.a.
Rent inflation @ 2%	£1m p.a.

Sales – impact on revenue

100 bps market share growth ⁽¹⁾	£5m
20% increase in market volumes ⁽²⁾	£6m
House price inflation @ 3%	£1m p.a.

Further opportunity from asset-light UK wide expansion and additional cross-sell initiatives

1) Assumes static market volumes

2) Assumes static market share



Tight cost management

Savings delivered

- Cost of customer acquisition reduced by 23%
- Technology enabled efficiency projects have reduced headcount requirement in back office roles
- Reduced senior management headcount
- Optimised branch network

Cost savings have more than offset inflationary pressures, additional compliance requirements and selective investments

Cash costs down £10m since 2016⁽¹⁾

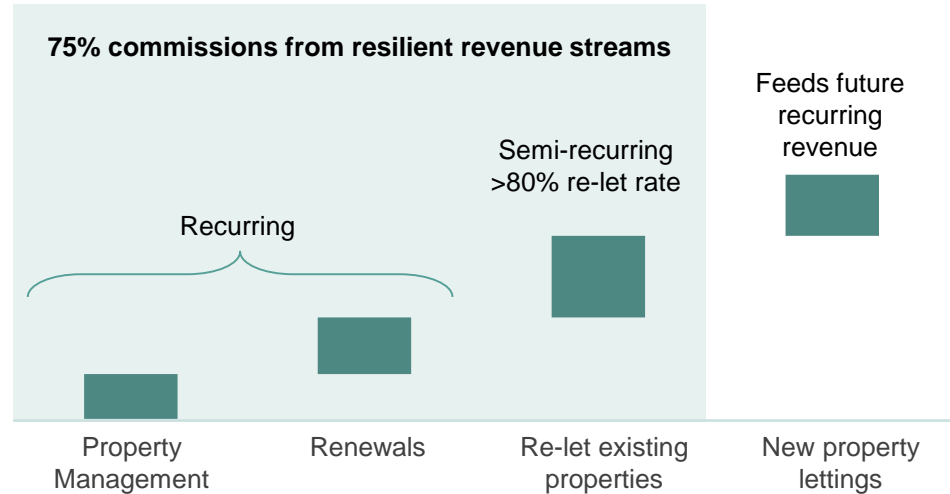
Investments

- Development of My Foxtons customer platform
- New applications to enable data science programmes
- Continued investment in marketing – delivering leading brand awareness in London by some margin
- Investments in our People:
 - Creation of specialised teams to capitalise on market opportunities (e.g. Build to Rent)
 - Comprehensive ongoing training programmes
 - Professional qualifications to develop expertise

Continue to protect investment in areas that provide market leadership positions and enable sustainable profit growth

Resilient revenue streams

Recurring revenue characteristics underpins lettings



- 34% of tenancies include property management with revenue collected monthly through the tenancy
- 75%+ renewal rate provides recurring revenue
- 80% re-let rate of properties when a tenant vacates
- 75% of lettings commissions from resilient revenue streams

And provides stability in mortgage broking



- 40%-45% of mortgage broking revenues in 2019 and 2020 were generated through remortgages and product transfers
- Played an important role in protecting profitability during the pandemic

Significant contribution from incremental revenues

Organic revenue growth

- Centralised operating model
- Single technology platform
- Reach of branch network
- Skilled and incentivised workforce

Sales

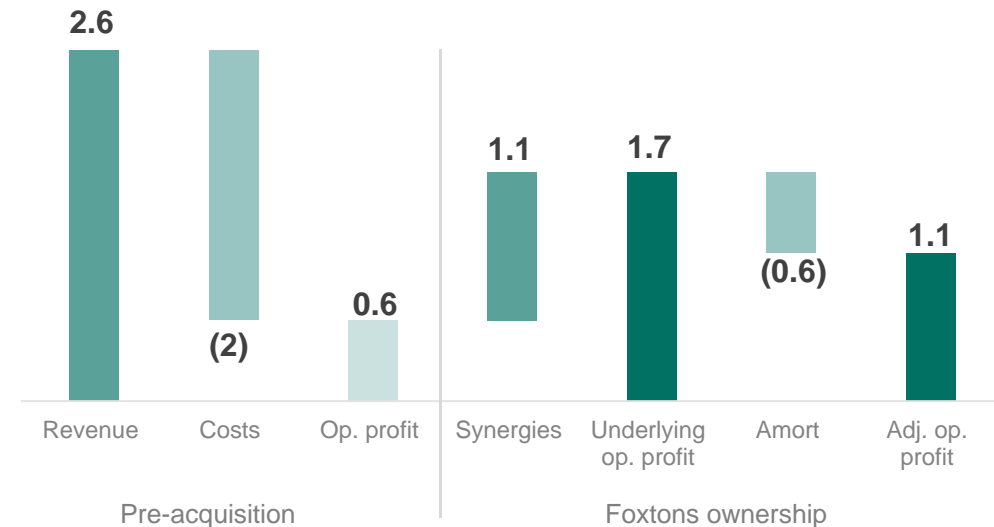
75%-85%
incremental profit

Lettings

70%+
incremental profit

Lettings acquisitions

Bolt on acquisitions – improved profitability under Foxtons ownership



- Cash profit expected to be around 65% of revenue
- Return on investment expected to be in excess of 25%



Strong cash fundamentals

No external borrowings

Asset light model

- Only maintenance capex required in London branch network
- Continue to invest in areas of competitive advantage through operating expenses

Best cash collection cycle in the industry with very low levels of bad debts



Strong conversion
of operating profit into
free cash flow

90%

Capital allocation framework

Free cash flow priorities

1. Ensure sufficient liquidity available to manage business operational requirements
2. Fund investment in the future development of the business:
 - Continued investment in people and technology
 - Acquisition of high quality lettings businesses
3. Maintain a strong balance sheet
4. Return excess cash to shareholders

Cash returns policy

1. Return 35% - 40% of profit after tax as an ordinary dividend
2. Excess cash after operational requirements and investments distributed to shareholders

- £3m share buyback completed in April 2021



Delivering strong financial results

- Significant opportunity for revenue growth
- Tight management of costs
- Continue to invest in areas of competitive advantage
- Resilient lettings and mortgage broking segments account for 70% of Group revenues⁽¹⁾
- Significant profit contribution from incremental revenues
- Strong cash fundamentals –free cash flow conversion in excess of 90%



Summary

Nic Budden





Foxtons has huge potential

Business resilience proven in most challenging of conditions

Foxtons is now **leaner, more capable** and highly scalable

Sector and customer dynamics favour our business and have informed our investment decisions and strategy

Our **proposition is unique**, well invested and ideally positioned to drive growth and share gains

We have a **clear plan for growth** and framework for capital allocation

Trading momentum is very strong and we look forward with real optimism both for this year and beyond





Thank you