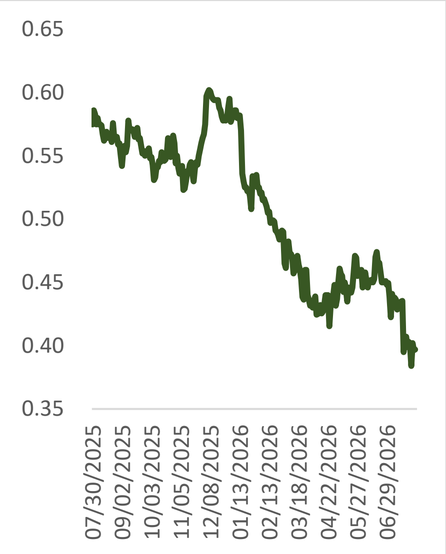
Foxtons Group PLC

FOXT | FTSE | Real Estate | 40p | £117m

H126 results – in line with the 16 July update

1 Year Chart



On 16 July, the Group had issued a trading update setting out how "since the Group's Q1 trading update on 23 April 2026, trading has been adversely impacted by the prolonged downturn in the sales market, as well as short-term volatility in the lettings market following the introduction of the Renters' Rights Act ("RRA") in May." Today, Foxtons has issued its H126 (June period end) results and for us the main new point of interest is that the outlook mentions that "the impact of elevated tenant terminations has moderated since May, with levels expected to stabilise over H2". We think May was probably the low point for Foxtons, with regards to the RRA, as some tenants who terminated may have decided to stay once they have tested the market, especially given the growing imbalance between rental supply and demand.

The outlook adds that "as guided in the trading update on 16 July, the Group expects full year 2026 adjusted operating profit to be in the range of £17m-£19m". We did not change our estimates on 16 July, as we had wanted to see the detail of today's results, so we have now reduced our adjusted operating profit by 27% for FY26, by 16% for FY27 and by 20% for FY28.

30th July 2026

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Foxtons Group PLC is a research client of H2 Radnor Ltd.

MiFID II – this research is deemed to be a minor, non-monetary benefit.

- **Lettings** (65% of revenue/77% of contribution) revenue was flat with a 6% rise in volumes balanced by a 6% decline average revenue per letting, albeit organically average revenue per letting was flat (excluding the acquisitions in Birmingham, Milton Keynes and Watford, which have a lower revenue per letting than Foxtons's core market).
- Flat revenue also reflected a decline of 2% organically and 1% due to a lower level of interest on client monies balanced by a 3% contribution from acquisitions. The organic decline was a result of a 5% impact from "a £3.0m reversal of previously recognised revenue following elevated early tenancy terminations after the introduction of the RRA", partly offset by "growth in Build to Rent and high-margin ancillary products and services".

Y/E April, £m	Revenue	Adj PBT	Adj EPS (p)	DPS (p)	Net debt	PE	Yield
FY 2024A	163.9	19.8	5.1	1.17	12.7	7.9	2.9
FY 2025A	172.5	19.8	4.9	1.17	16.9	8.1	2.9
FY 2026E	*168.3*	*13.9*	*3.4*	*1.17*	*24.3*	*11.7*	*2.9*
FY 2027E	*177.2*	*19.3*	*4.8*	*1.18*	*15.9*	*8.3*	*2.9*
FY 2028E	*185.0*	*21.2*	*5.3*	*1.30*	*Net cash*	*7.5*	*3.2*

Source: h2Radnor

Other points from the results

- **Lettings** (continued) on the impact of the RRA in May/June, we thought interesting the point that "while termination volumes increased, this represented an average of only 150 additional terminations per week relative to a portfolio of 32,000 tenancies, with the vast majority of tenants remaining in situ. Importantly, this was a tenant-led trend and does not reflect landlords exiting the sector". We believe that the Group's landlord clients will have been well informed over the last two years about the coming introduction on the RRA so will not have been amongst those who tried to exit in recent months.

- The adjusted operating margin reduced from 28.6% in H125 to 26.2% in H126 due to the impact of the £3m RRA linked reversal of revenue, which largely dropped through to the bottom line, partly offset by "growth in higher margin revenues, such as property management services and cross-sell of related ancillary services".

- We thought encouraging the comment that "we continue to believe the RRA creates significant medium-term opportunities for the Group. Already we are seeing that demand for professional advice, compliance expertise and high-quality property management is increasing. This is reflected in our first-half performance, with property management cross-sell growing 10%, and Build to Rent delivering double-digit growth as private landlords and institutional investors increasingly look to Foxtons for guidance and support in navigating the new regulatory environment". We believe that, in the medium-term, the Group will benefit from the RRA as it prompts more of the independent landlords in London and the South East (who comprise more than half the market) to switch to using an agent due to concerns about breaching the RRA regulations which can lead to heavy fines. Plus, a major opportunity for the Group is to increase the proportion of tenancies involving a Property Management Service (PMS) and we believe that the RRA could prompt more landlords to use PMS to avoid the risk of breaching the new regulations (of which there are many). Dealing with the RRA will also place an increased burden on smaller agents which should help Foxtons to continue to gain market share especially by prompting acquisition opportunities.

- **Sales** (28% of revenue/19% of contribution) revenue declined by 13% with a reduction of 11% rise in volumes and 1% in average revenue per Sales transaction, albeit organically average revenue per Sales transaction rose by 4%.

- Revenue decline of 13% reflected a 15% organic decline, partly offset by a 2% contribution from acquisitions. We note that the first half had a tough comparator due to H125 benefitting from the end of the stamp duty holiday, with, organically, H125 reporting 14% growth but H225 a c.18% decline. The statement pointed to "used homes revenue down 11%, broadly in line with market volumes. New homes revenue decreased 46%, reflecting lower unit completions and softer buyer demand, consistent with trends reported across the housebuilding sector".

- The statement said that "market conditions were more challenging in the first half against a comparator period that benefited from stamp duty deadline tailwinds. Domestic political uncertainty and conflict in the Middle East weighed on consumer confidence through a weaker macroeconomic backdrop and a higher-for-longer interest rate environment, contributing to lower transaction volumes".

- We thought interesting the comment that "with 2026 likely to prove one of the lowest years for London transaction volumes on record, we urge the new cabinet to prioritise Stamp Duty reform, which remains the single biggest barrier to home moving - for first-time buyers trying to get on the ladder, for growing families and for those looking to downsize.". Encouragingly, we note that there has been increased media commentary that Andy Burnham is considering replacing Stamp Duty with a Land Value Tax, albeit we believe that this is more likely after a General Election.

- The adjusted operating loss increased from £2.0m in H125 to £4.7m in H126 "due to a decrease in Sales fee earner productivity compared to the prior year arising from lower market transaction volumes, partly mitigated by headcount adjustments made in Q2 2026. The H1 2025 comparator was also boosted by elevated sales activity ahead of the March 2025 stamp duty deadline". We note that Sales has under "our new Managing Director, James Stevenson, led a comprehensive operating review of the Sales business. The review identified a number of opportunities to drive productivity, streamline operations and improve profitability, while maintaining the differentiated full-service offering that underpins the Foxtons brand". That said, we believe it unlikely that Sales can return to profit in the current, subdued, market.

- **Financial Services** (6% of revenue/4% of contribution) revenue declined by 20% with a 25% rise in volumes, "driven by strong growth in refinancing activity" partly offset by a 4% reduction in average revenue per Financial Services transaction. We think that this division will have benefitted from reductions in interest rates over the last two years, which will have boosted the refinance business, albeit we believe that refinance has a lower average revenue per transaction than purchase. The adjusted operating margin rose from 7.3% in H125 to 8.7% in H126, we think in part benefitting from "operational improvements drove higher levels of client retention and cross-sell revenues".

- **Cost savings,** as set out during FY25 and in Q126, the Group has seen "£4.5m of annualised cost savings implemented. Includes £3.0m of savings from a proactive cost-reduction programme in response to sales market headwinds, and builds on £1.5m of savings delivered from the January 2026 HQ relocation which largely mitigates National Insurance cost increases and other inflationary pressures. The financial benefit of the cost savings is H2 weighted". We think that the benefit of the cost savings can be seen in a reduction in corporate costs/revenue from 1.7% in H125 to 1.4% in H126.

- **Net debt** rose from £18.2m in H125 to £28.4m in H126, mainly due to £8.8m of acquisition spend. The Birmingham and Milton Keyone acquisitions are performing "in line with expectations". We think that the Group has a large opportunity to further consolidate the fragmented lettings market and that it has scope to finance more acquisitions given good free cash levels and our estimate of only 1.3x net debt/EBITDA in FY26.

- **The interim dividend** was maintained at 0.24p.

- **Our initiation note** on Foxtons is available on request or can be accessed from this link.

Estimate revision

We have reduced our adjusted operating profit by 27% for FY26, by 16% for FY27 and by 20% for FY28.

Figure 2: h2Radnor estimate revisions

May year end		Previous		New		Revision	
£m	FY'25A	FY'26E	FY'27E	FY'26E	FY'27E	FY'26E	FY'27E
Revenue	172.5	178.6	183.6	168.3	177.2	(6%)	(3%)
Adjusted EBITA	22.2	23.2	26.5	17.1	22.3	(27%)	(16%)
Margin (%)	*12.9%*	*13.0%*	*14.4%*	*10.1%*	*12.6%*	(22%)	(13%)
Adj. PBT	19.8	20.0	23.5	13.9	19.3	(31%)	(18%)
Adj. EPS diluted (p)	4.9	5.0	5.9	3.4	4.8	(31%)	(18%)
DPS diluted (p)	1.17	1.21	1.44	1.17	1.18	(4%)	(18%)
Net debt	(16.9)	(17.5)	(7.9)	(24.3)	(15.9)	39%	102%

Source: h2Radnor

DCF Valuation

Reflecting the reduction in estimates, we have lowered our illustrative fair value for the Group by 17%, from 90p to 75p (Figures 3 and 4).

Figure 3: DCF Model

December year end	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	TV
Revenue	168	177	185	196	208	220	234	245	258	270	272
Growth	(2.5%)	5.3%	4.4%	6.0%	6.0%	6.0%	6.0%	5.0%	5.0%	5.0%	0.5%
EBITDA	19	24	26	29	32	36	40	44	47	51	51
Margin	11.3%	13.7%	14.1%	14.8%	15.6%	16.3%	17.2%	17.8%	18.4%	18.9%	18.9%
Margin change	(22.8%)	21.3%	2.8%	5.0%	5.0%	5.0%	5.0%	3.5%	3.5%	3.0%	0.0%
Working capital	(4)	(4)	5	(0)	(0)	(0)	(0)	(0)	(1)	(1)	(0)
Working capital/revenue	(2.2%)	(2.2%)	2.5%	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.1%)
Maintenance capex	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(2)
Maintenance capex/revenue	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(0.7%)
Subtotal	**13**	**18**	**29**	**26**	**29**	**33**	**37**	**40**	**44**	**47**	**49**
Tax	(3)	(5)	(5)	(7)	(7)	(8)	(9)	(10)	(11)	(12)	(12)
Tax rate (free cash)	(25.8%)	(26.2%)	(18.6%)	(25.0%)	(25.0%)	(25.0%)	(25.0%)	(25.0%)	(25.0%)	(25.0%)	(25.0%)
Free cash	**10**	**14**	**23**	**20**	**22**	**25**	**28**	**30**	**33**	**36**	**37**
Present value	9	11	17	13	13	13	14	13	13	13	12

Source: h2Radnor

Figure 4: DCF Valuation

Metric	Value
Total present value of forecast period (£m)	130
Terminal value (£m)	120
Total (£m)	**250**
Net debt/(cash) (£m)	24
Equity (£m)	**226**
Number of shares (diluted) (m)	300
Share price (p)	**75**

Source: h2Radnor

Detailed h2Radnor Estimates

Figure 5: Key h2Radnor P&L estimates

December year end	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**140.3**	**147.1**	**163.9**	**172.5**	**168.3**	**177.2**	**185.0**
Growth	10.9%	4.8%	11.4%	5.2%	(2.5%)	5.3%	4.4%
Contribution	91.3	93.2	104.9	110.4	104.9	115.6	122.5
Growth	16.3%	2.1%	12.5%	5.3%	(5.0%)	10.2%	5.9%
Contribution margin	65.1%	63.4%	64.0%	64.0%	62.4%	65.2%	66.2%
Growth	4.8%	(2.6%)	0.9%	0.0%	(2.6%)	4.6%	1.4%
Adjusted EBITDA	17.5	17.5	24.1	25.3	19.1	24.4	26.1
Growth	43.1%	(0.1%)	37.4%	5.2%	(24.7%)	27.8%	7.3%
Adjusted EBITDA margin	12.5%	11.9%	14.7%	14.7%	11.3%	13.7%	14.1%
Growth	29.0%	(4.7%)	23.3%	(0.1%)	(22.8%)	21.3%	2.8%
Adjusted operating profit	**15.0**	**15.7**	**22.1**	**22.2**	**17.1**	**22.3**	**23.9**
Growth	52.3%	4.7%	41.3%	0.5%	(23.2%)	30.4%	7.6%
Adjusted operating profit margin	10.7%	10.6%	13.5%	12.9%	10.1%	12.6%	12.9%
Growth	37.2%	(0.1%)	26.8%	(4.5%)	(21.3%)	23.8%	3.0%
Interest	(1.9)	(1.9)	(2.3)	(2.4)	(3.2)	(3.0)	(2.7)
Adjusted PBT	**13.1**	**13.8**	**19.8**	**19.8**	**13.9**	**19.3**	**21.2**
Growth	67.5%	5.1%	43.9%	(0.1%)	(29.9%)	38.9%	10.3%
Adjusted tax	(2.6)	(3.6)	(4.1)	(4.6)	(3.5)	(4.8)	(5.3)
Adjusted tax rate	20.0%	26.4%	20.9%	23.3%	25.0%	25.0%	25.0%
Adjusted earnings	10.5	10.1	15.7	15.2	10.4	14.4	15.9
Growth	50.5%	(3.3%)	54.6%	(3.0%)	(31.5%)	38.9%	10.3%
Shares (m)	302.0	302.0	302.9	300.8	297.5	294.1	294.1
Number of shares for dilution (m)	12.9	12.9	6.9	6.0	5.9	5.8	5.8
Shares (diluted) (m)	314.9	314.9	309.8	306.8	303.4	300.0	300.0
Adjusted EPS - basic (p)	3.5	3.4	5.2	5.0	3.5	4.9	5.4
Growth	61.5%	(3.3%)	54.2%	(2.4%)	(30.7%)	40.5%	10.3%
Adjusted EPS - diluted (p)	**3.3**	**3.2**	**5.1**	**4.9**	**3.4**	**4.8**	**5.3**
Growth	57.1%	(3.3%)	57.2%	(2.1%)	(30.7%)	40.5%	10.3%
Dilution	4.3%	4.3%	2.3%	2.0%	2.0%	2.0%	2.0%
Dividend per share - ordinary (p)	**0.90**	**0.90**	**1.17**	**1.17**	**1.17**	**1.18**	**1.30**
Growth	100.0%	0.0%	30.0%	0.0%	0.0%	0.7%	10.3%
Payout/adjusted EPS	26.0%	26.9%	22.6%	23.2%	33.5%	24.0%	24.0%

Source: h2Radnor, Company

Figure 6: Key h2Radnor Cash Flow estimates

December year end	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Adjusted operating profit	**15.0**	**15.7**	**22.1**	**22.2**	**17.1**	**22.3**	**23.9**
Branch asset impairment	0.3	(3.4)			(0.5)		
Net property related reversals	0.4	(0.7)	0.6	1.3	(0.1)		
Transaction related costs	(0.2)	(0.4)	(0.3)	(0.3)	(0.1)		
Reorganisation costs	(0.6)			(0.2)	(0.6)		
Discontinued	(0.4)						
LTIP buyout award IFRS 2 charges			(0.6)	(1.0)	(0.6)		
Amortisation of acquired intangibles	(1.0)	(1.4)	(2.1)	(2.6)	(1.3)		
Sub-total	**13.4**	**9.8**	**19.8**	**19.4**	**13.9**	**22.3**	**23.9**
Depreciation	12.2	12.9	13.2	13.9	13.6	14.3	14.9
Amortisation of intangible assets	1.6	1.8	2.3	3.3	3.2	3.4	3.6
Gain on disposal of discontinued operations	(0.2)						
Net impairment of PPE	(0.3)	3.4			0.5		
Gain/loss on disposal of PPE	0.1	0.0	(0.0)	0.0	0.0		
Gain/loss on disposal of intangible assets				0.1			
Leases - gains on surrenders and modifications		(0.9)	(0.6)	(2.4)	0.0		
Sub-lease asset impairment reversal	(0.2)	0.2		(0.1)	(0.0)		
Change in provisions	1.1	0.4	(0.7)	(0.3)	(0.6)		
Share incentive plans settlements	(0.0)		(0.3)	(0.2)	(0.8)		
Share-based payment charges	0.2	1.0	1.5	2.8	1.9		
Sub-total	**27.8**	**28.7**	**35.3**	**36.4**	**31.7**	**40.0**	**42.4**
Receivables	(2.1)	(12.1)	(2.9)	(3.6)	(4.7)	(4.8)	3.7
Payables	0.9	1.3	(2.0)	(0.9)	1.1	0.9	0.9
Sub-total	**26.6**	**17.9**	**30.3**	**31.9**	**28.1**	**36.1**	**47.0**
Tax	(2.7)	(2.2)	(5.6)	(4.3)	(3.5)	(4.8)	(5.3)
Sub-total	**23.9**	**15.7**	**24.7**	**27.7**	**24.6**	**31.2**	**41.7**
Net interest	0.1	0.1	(0.2)	(0.8)	(3.2)	(3.0)	(2.7)
Proceeds on disposal of assets	0.1		0.6		0.0		
Capex on PPE	(3.0)	(2.1)	(1.1)	(2.9)	(2.5)	(2.3)	(2.4)
Capex on intangibles	(0.8)	(1.5)	(1.6)	(1.0)	(0.8)	(0.9)	(0.9)
Investments	(0.4)	(0.0)	0.1				
Disposal	(3.7)						
Acquisitions	(8.5)	(13.9)	(12.7)	(5.3)	(8.8)		
Sub-total	**7.8**	**(1.8)**	**9.8**	**17.6**	**9.2**	**25.1**	**35.7**
Net borrowings		10.9	6.2	4.5	7.7		
Dividends	(1.5)	(2.7)	(2.8)	(3.6)	(3.5)	(3.5)	(3.5)
Interest on leases	(2.0)	(2.0)	(2.1)	(2.1)	(2.0)	(2.1)	(2.2)
Repayment of leases	(10.7)	(10.6)	(11.1)	(10.9)	(10.7)	(11.2)	(11.7)
Sub-lease receipts	0.3	0.2	0.3	0.1	0.1	0.1	0.1
Purchase of shares	(4.9)	(1.1)		(5.5)	(0.5)		
Total	**(11.1)**	**(7.0)**	**0.3**	**0.2**	**0.4**	**8.4**	**18.5**
Cash and cash equivalents at start	23.1	12.0	5.0	5.3	5.5	5.9	14.3
Cash and cash equivalents at end	12.0	5.0	5.3	5.5	5.9	14.3	32.7

Source: h2Radnor, Company

Figure 7: Key h2Radnor Balance Sheet estimates

December year end	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Assets							
Current assets							
Trade and other receivables	16.0	17.4	16.7	17.6	22.3	27.1	23.4
Contract assets	5.7	14.3	18.6	20.4	19.9	21.0	21.9
Current tax assets	0.7		2.2	0.8	0.4	0.4	0.4
Cash and cash equivalents	12.0	5.0	5.3	5.5	5.9	14.3	32.7
Assets classified as held for sale		0.5					
Sub-total	**34.5**	**37.1**	**42.8**	**44.3**	**48.4**	**62.7**	**78.3**
Non-current assets							
Goodwill	26.1	40.7	52.3	54.5	62.5	58.9	58.9
Other intangible assets	109.3	114.9	118.0	116.7	118.3	119.2	120.1
Property, plant and equipment	10.7	9.5	8.1	8.7	8.2	10.3	12.5
Right-of-use assets	42.6	42.5	38.6	38.5	37.5	39.5	41.3
Contract assets	1.7	4.7	5.6	6.6	6.0	6.0	6.0
Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	1.4	1.9	2.7	3.0	2.4	2.4	2.4
Sub-total	**191.7**	**214.2**	**225.4**	**228.1**	**234.9**	**236.3**	**241.2**
Total	**226.2**	**251.3**	**268.2**	**272.4**	**283.3**	**299.0**	**319.5**
Liabilities/net assets							
Current liabilities							
Trade and other payables	16.7	21.3	23.9	22.0	23.0	23.9	24.8
Current tax liabilities		0.1					
Borrowings		0.0					
Lease liabilities	10.7	10.7	11.4	7.8	7.4	7.4	7.4
Contract liabilities	9.7	11.8	10.5	9.4	8.8	8.8	8.8
Provisions	1.5	1.6	2.2	2.7	1.9	1.9	1.9
Sub-total	**38.7**	**45.5**	**47.9**	**41.9**	**41.1**	**42.0**	**42.9**
Non-current liabilities							
Lease liabilities	35.8	36.9	31.4	32.2	30.4	30.4	30.4
Borrowings		11.7	18.0	22.4	30.2	30.2	30.2
Contract liabilities	0.3	0.4		0.4	0.6		
Provisions	1.8	3.0	2.3	1.6	1.9	1.9	1.9
Deferred tax liabilities	27.0	28.2	29.5	29.0	29.3	29.3	29.3
Sub-total	**64.9**	**80.3**	**81.2**	**85.6**	**92.4**	**91.8**	**91.8**
Net assets							
Share capital	3.3	3.3	3.3	3.2	3.2	3.2	3.2
Merger reserve	20.6	20.6	20.6	20.6	20.6	20.6	20.6
Other reserves	2.7	2.7	2.7	2.8	2.8	2.8	2.8
Own share reserve	(11.0)	(12.1)	(11.0)	(10.7)	(9.8)	(9.8)	(9.8)
Retained earnings	107.1	111.2	123.5	129.2	133.2	148.5	168.1
Sub-total	**122.7**	**125.6**	**139.0**	**145.0**	**149.8**	**165.2**	**184.8**
Total	**226.2**	**251.3**	**268.2**	**272.4**	**283.3**	**299.0**	**319.5**

Source: h2Radnor, Company

REGULATORY DISCLOSURES

H2 Radnor Ltd is authorised and regulated by the Financial Conduct Authority.

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