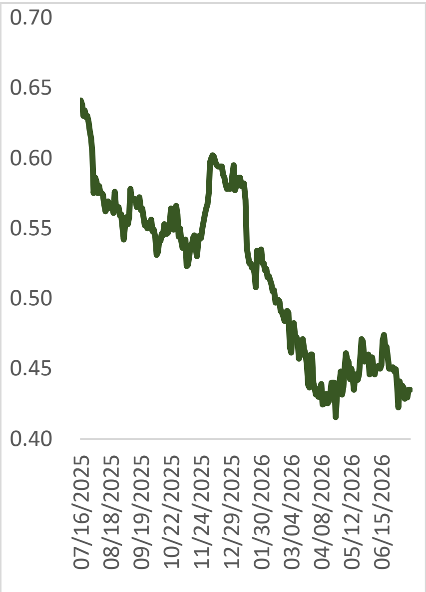
h2Radnor

Foxtons Group PLC

FOXT | FTSE | Real Estate | 44p | £129m

Trading update

1 Year Chart



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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.

Ahead of the H126 (June period end) results, due on 30 July, Foxtons has 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." The outlook says that "notwithstanding 2026 being a year of transition for the sector due to the introduction of the RRA, the lettings market remains resilient, reinforcing the Group's focus on this market. The sales market is expected to remain subdued amid ongoing political uncertainty and a challenging macroeconomic backdrop".

The statement adds that "we expect full year 2026 Group adjusted operating profit to be in the range of £17m-£19m", which would be 18% to 27% below our current forecast of £23m, but we leave our estimates unchanged at this stage and will review them at the results which are just two weeks away.

- **Lettings** (64% of FY25 revenue); the statement says that "Following the introduction of the RRA, which abolished fixed tenancy terms and increased tenant flexibility to terminate tenancies, the Group experienced elevated levels of tenancy terminations during May and June, particularly in student rentals. This resulted in the reversal of approximately £3m of previously recognised revenue that had been contractually due".
- Foxtons Q1 update was issued a week before the RRA came into effect on 1 May, and we think that the greatest flux around the implementation of the Act will have been in the initial months. We believe that some tenants, who pre the RRA were effectively locked into 12-month contracts, will have taken advantage to now give only two months' notice. In particular, students who pre the RRA will have had to have signed a contract for a whole 12 months can now choose to terminate at the end of the student year in June.

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	8.7	2.7
FY 2025A	172.5	19.8	4.9	1.17	16.9	8.9	2.7
FY 2026E	*178.6*	*20.0*	*5.0*	*1.21*	*17.5*	*8.9*	*2.8*
FY 2027E	*183.6*	*23.5*	*5.9*	*1.44*	*7.9*	*7.5*	*3.3*
FY 2028E	*192.4*	*27.3*	*6.8*	*1.67*	*Net cash*	*6.4*	*3.8*

Source: h2Radnor

Other points from the update

- **Lettings** (continued); on the positive side, we think that, with regards to the RRA, this is probably the most negative time for Foxtons as some tenants who have terminated may now decide to stay once they have tested the market and, if not, it is likely that the Group may be able re-let some of these properties in the next few weeks/months. Plus, we wonder if next year, and into the future, landlords will charge students higher rents to compensate for the higher risk of letting to them.

- The statement adds that "despite some short-term volatility whilst the lettings market transitions to the new legislative framework, the Group remains confident that the RRA will create growth opportunities over the medium term through increasing demand for professional lettings and property management services".

- We believe that, in the medium-term, the Group will benefit from the RRA as it prompts more of the 52% of independent landlords in London and the South East 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** (30% of revenue); the statement says that "the sales market has become more challenging, as domestic political uncertainty and conflict in the Middle East have contributed to weaker consumer confidence and a higher-than-expected interest rate environment, resulting in lower market transaction volumes. In anticipation of a prolonged lower transaction volume environment, the Group has taken proactive steps to align the Sales business with market conditions, with further operational and organisational changes under consideration".

- Since Q1, the Iran conflict has continued which has added to the economic instability. Plus, we believe that UK politics has become more uncertain with the replacement of Keir Starmer with Andy Burnham as Prime Minister. There has been considerable press speculation about what housing related policies Mr Burnham may implement e.g. abolishing stamp duty, introducing a land value tax and reducing the starting point of the mansion tax and this, combined with the likelihood of another period of uncertainty ahead of a likely November budget, will have added to inaction in the housing market.

- **Financial Services** (6% of revenue); the statement says that "Financial Services delivered revenue growth driven by stronger refinance volumes, increased ancillary cross-sell, and resilient new purchase mortgage revenues". 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.

- **Cost savings,** as set out during FY25 and in Q126, look on track to us with the comment that "The Group has delivered £4.5m of annualised cost savings in

H1. This includes £3.0m 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 mitigated National Insurance cost increases and other inflationary pressures".

- **In terms of H1 and the H1/H2 mix;** the statement says that "against a strong H1 2025 comparator, that was boosted by elevated sales activity ahead of the March 2025 stamp duty deadline, the Group expects to report H1 2026 adjusted operating profit of approximately £8.5m (H1 2025: £12.3m). Full year adjusted operating profit is anticipated to be H2 weighted, reflecting the seasonality of Lettings revenues and a normalisation in tenancy termination levels"

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

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	178.6	183.6	192.4
Growth	10.9%	4.8%	11.4%	5.2%	3.5%	2.8%	4.8%
Contribution	91.3	93.2	104.9	110.4	114.7	118.5	125.8
Growth	16.3%	2.1%	12.5%	5.3%	3.8%	3.4%	6.2%
Contribution margin	65.1%	63.4%	64.0%	64.0%	64.2%	64.6%	65.4%
Growth	4.8%	(2.6%)	0.9%	0.0%	0.3%	0.6%	1.3%
Adjusted EBITDA	17.5	17.5	24.1	25.3	25.4	28.6	32.3
Growth	43.1%	(0.1%)	37.4%	5.2%	0.2%	12.9%	12.8%
Adjusted EBITDA margin	12.5%	11.9%	14.7%	14.7%	14.2%	15.6%	16.8%
Growth	29.0%	(4.7%)	23.3%	(0.1%)	(3.2%)	9.8%	7.6%
Adjusted operating profit	15.0	15.7	22.1	22.2	23.2	26.5	30.0
Growth	52.3%	4.7%	41.3%	0.5%	4.6%	13.8%	13.4%
Adjusted operating profit margin	10.7%	10.6%	13.5%	12.9%	13.0%	14.4%	15.6%
Growth	37.2%	(0.1%)	26.8%	(4.5%)	1.0%	10.7%	8.3%
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	20.0	23.5	27.3
Growth	67.5%	5.1%	43.9%	(0.1%)	1.4%	17.1%	16.4%
Adjusted tax	(2.6)	(3.6)	(4.1)	(4.6)	(5.0)	(5.9)	(6.8)
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	15.0	17.6	20.5
Growth	50.5%	(3.3%)	54.6%	(3.0%)	(0.9%)	17.1%	16.4%
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	5.1	6.0	7.0
Growth	61.5%	(3.3%)	54.2%	(2.4%)	0.2%	18.4%	16.4%
Adjusted EPS - diluted (p)	3.3	3.2	5.1	4.9	5.0	5.9	6.8
Growth	57.1%	(3.3%)	57.2%	(2.1%)	0.2%	18.4%	16.4%
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	1.21	1.44	1.67
Growth	100.0%	0.0%	30.0%	0.0%	3.7%	18.4%	16.4%
Payout/adjusted EPS	26.0%	26.9%	22.6%	23.2%	24.0%	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**	**23.2**	**26.5**	**30.0**
Branch asset impairment	0.3	(3.4)					
Net property related reversals	0.4	(0.7)	0.6	1.3			
Transaction related costs	(0.2)	(0.4)	(0.3)	(0.3)			
Reorganisation costs	(0.6)			(0.2)			
Discontinued	(0.4)						
Amortisation of acquired intangibles	(1.0)	(1.4)	(2.1)	(2.6)			
Sub-total	**13.4**	**9.8**	**19.8**	**19.4**	**23.2**	**26.5**	**30.0**
Depreciation	12.2	12.9	13.2	13.9	14.4	14.8	15.5
Amortisation of intangible assets	1.6	1.8	2.3	3.3	3.4	3.5	3.7
Gain on disposal of discontinued operations	(0.2)						
Net impairment of PPE	(0.3)	3.4					
Gain/loss on disposal of PPE	0.1	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)			
Sub-lease asset impairment reversal	(0.2)	0.2		(0.1)			
Change in provisions	1.1	0.4	(0.7)	(0.3)			
Share incentive plans settlements	(0.0)		(0.3)	(0.2)			
Share-based payment charges	0.2	1.0	1.5	2.8			
Sub-total	**27.8**	**28.7**	**35.3**	**36.4**	**41.1**	**44.8**	**49.2**
Receivables	(2.1)	(12.1)	(2.9)	(3.6)	(5.0)	(6.7)	(1.0)
Payables	0.9	1.3	(2.0)	(0.9)	1.1	0.9	1.0
Sub-total	**26.6**	**17.9**	**30.3**	**31.9**	**37.2**	**39.0**	**49.2**
Tax	(2.7)	(2.2)	(5.6)	(4.3)	(5.0)	(5.9)	(6.8)
Sub-total	**23.9**	**15.7**	**24.7**	**27.7**	**32.2**	**33.2**	**42.4**
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				
Capex on PPE	(3.0)	(2.1)	(1.1)	(2.9)	(2.7)	(2.4)	(2.5)
Capex on intangibles	(0.8)	(1.5)	(1.6)	(1.0)	(0.9)	(0.9)	(1.0)
Investments	(0.4)	(0.0)	0.1				
Disposal	(3.7)						
Acquisitions	(8.5)	(13.9)	(12.7)	(5.3)	(8.9)		
Sub-total	**7.8**	**(1.8)**	**9.8**	**17.6**	**16.5**	**26.9**	**36.2**
Net borrowings		10.9	6.2	4.5			
Dividends	(1.5)	(2.7)	(2.8)	(3.6)	(3.5)	(3.6)	(4.2)
Interest on leases	(2.0)	(2.0)	(2.1)	(2.1)	(2.1)	(2.2)	(2.3)
Repayment of leases	(10.7)	(10.6)	(11.1)	(10.9)	(11.3)	(11.6)	(12.2)
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)	(0.3)		
Total	**(11.1)**	**(7.0)**	**0.3**	**0.2**	**(0.6)**	**9.6**	**17.7**
Cash and cash equivalents at start	23.1	12.0	5.0	5.3	5.5	4.9	14.5
Cash and cash equivalents at end	12.0	5.0	5.3	5.5	4.9	14.5	32.2

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	22.6	29.3	30.2
Contract assets	5.7	14.3	18.6	20.4	21.1	21.7	22.8
Current tax assets	0.7		2.2	0.8	0.8	0.8	0.8
Cash and cash equivalents	12.0	5.0	5.3	5.5	4.9	14.5	32.2
Assets classified as held for sale		0.5					
Sub-total	**34.5**	**37.1**	**42.8**	**44.3**	**49.4**	**66.3**	**86.0**
Non-current assets							
Goodwill	26.1	40.7	52.3	54.5	53.0	49.3	49.3
Other intangible assets	109.3	114.9	118.0	116.7	120.1	121.0	122.0
Property, plant and equipment	10.7	9.5	8.1	8.7	11.4	13.6	15.9
Right-of-use assets	42.6	42.5	38.6	38.5	39.9	41.0	42.9
Contract assets	1.7	4.7	5.6	6.6	6.6	6.6	6.6
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	3.0	3.0	3.0
Sub-total	**191.7**	**214.2**	**225.4**	**228.1**	**234.1**	**234.6**	**239.8**
Total	**226.2**	**251.3**	**268.2**	**272.4**	**283.5**	**300.9**	**325.7**
Liabilities/net assets							
Current liabilities							
Trade and other payables	16.7	21.3	23.9	22.0	23.1	24.0	25.0
Current tax liabilities		0.1					
Borrowings		0.0					
Lease liabilities	10.7	10.7	11.4	7.8	7.8	7.8	7.8
Contract liabilities	9.7	11.8	10.5	9.4	9.4	9.4	9.4
Provisions	1.5	1.6	2.2	2.7	2.7	2.7	2.7
Sub-total	**38.7**	**45.5**	**47.9**	**41.9**	**43.0**	**43.9**	**44.9**
Non-current liabilities							
Lease liabilities	35.8	36.9	31.4	32.2	32.2	32.2	32.2
Borrowings		11.7	18.0	22.4	22.4	22.4	22.4
Contract liabilities	0.3	0.4		0.4			
Provisions	1.8	3.0	2.3	1.6	1.6	1.6	1.6
Deferred tax liabilities	27.0	28.2	29.5	29.0	29.0	29.0	29.0
Sub-total	**64.9**	**80.3**	**81.2**	**85.6**	**85.2**	**85.2**	**85.2**
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)	(10.7)	(10.7)	(10.7)
Share premium							
Retained earnings	107.1	111.2	123.5	129.2	139.5	155.9	179.9
Sub-total	**122.7**	**125.6**	**139.0**	**145.0**	**155.3**	**171.7**	**195.6**
Total	**226.2**	**251.3**	**268.2**	**272.4**	**283.5**	**300.9**	**325.7**

Source: h2Radnor, Company

REGULATORY DISCLOSURES

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