Foxtons Group PLC

1 Year Chart



FOXT | FTSE | Real Estate | 36p | £106m

Q326 update – trading "in line"

Foxtons' Q3 update (July to September) reads reassuringly saying that it "delivered a resilient performance against a challenging market and macroeconomic backdrop, underpinned by the Group's recurring Lettings revenues. The Group is trading in line with management's expectations and expects full-year adjusted operating profit to be within the £17m to £19m range guided in July".

We have maintained our adjusted operating profit forecasts of £17.1m in FY26, £22.3m in FY27 and £23.9m in FY28.

- **Lettings** (65% of revenue/77% of contribution) saw a revenue decline of 7% in Q3 and 3% in the first nine months. As flagged in July there was an initial negative impact from the introduction of the Renters' Rights Act on 1st May 2026 "from elevated tenant-led early terminations", but then "early termination eased throughout Q3 and October". We think May was probably the low point for terminations as some tenants may have decided to stay once they have tested the market, especially given the growing imbalance between rental supply and demand. The statement adds that "lettings cash generation remains resilient, with the impact of early terminations largely non-cash".
- The statement says that "year-to-date revenue declined by £2.2m, or 3%, to £85.8m after a £5.7m impact from elevated tenant-led early terminations, with the highest level of terminations occurring in May and June. Excluding this, revenue increased by £3.5m year-on-year, driven by £2.6m of incremental acquisition revenue alongside strong growth in Build to Rent revenues and the cross-sell of value-add property management services, partially offset by lower interest on client monies reflecting lower Bank of England interest rates". We think Build to Rent (BTR) is a large opportunity for the Group, and it represents an additional market to the traditional lettings one and we note that Foxtons is London's leading BTR agent.

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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.

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	7.1	3.3
FY 2025A	172.5	19.8	4.9	1.17	16.9	7.3	3.3
FY 2026E	*168.3*	*13.9*	*3.4*	*1.17*	*24.3*	*10.5*	*3.3*
FY 2027E	*177.2*	*19.3*	*4.8*	*1.18*	*15.9*	*7.5*	*3.3*
FY 2028E	*185.0*	*21.2*	*5.3*	*1.30*	*Net cash*	*6.8*	*3.6*

Source: h2Radnor

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Other points from the update

- **Lettings** (continued) the statement says that "we continue to see longer-term benefits from the RRA, notwithstanding some short-term volatility". 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).

- In September, the Group announced four regional acquisitions (two in Birmingham, one in Watford and one in Reading) and today it says that "the Group has a pipeline of further Lettings acquisition opportunities". Foxtons is increasingly focussed on non-London acquisitions, in commuter markets and Birmingham, and we think these are attractive regions as it is the leading company in London with 6% market share yet just 1% in other markets. We believe that 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) saw a revenue decline of 5% in Q3 "in a challenging sales market" and 10% in the first nine months and we note that the first half had a tough comparator due to H125 benefitting from the end of the stamp duty holiday. The statement says that "Foxtons' like-for-like transaction volumes remained broadly stable, but average revenue per transaction declined 8%, reflecting a mix weighted towards lower-value properties, as higher mortgage rates impacted buyer affordability at higher price points" and we note that Foxtons' average sale price in FY25 was £574k.

- Positively we focus on the comment that "market share has been maintained following the downsizing of the Sales business in H1 to protect profitability, with these actions forming a key part of the Group's wider cost reduction programme, which delivered £4.5m of annualised savings. Operational enhancements have also improved productivity and efficiency, supporting performance from a leaner cost base", 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) saw a revenue decline of 7% in Q3 but growth of 9% in the first nine months "as lower average mortgage sizes reduced revenue per transaction in the higher mortgage interest rate environment".

- The statement adds that 9% growth in the first nine months was "driven by improved conversion of refinancing opportunities and strong double-digit growth in the cross-sell of ancillary products, reflecting continued progress in adviser productivity and customer retention". We think that the cross-sell opportunity is particularly interesting for the division, for example historically only around a third of buyers with Foxtons were advised on their mortgage by Financial Services.

- **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**	**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

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