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Foxtons Group PLC
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Foxtons Group plc
("Foxtons" or the "Group")
FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023
5 March 2024

Operational turnaround and strengthened operating platform drove market outperformance and adjusted operating profit growth. On track to deliver medium-term growth target.

Foxtons Group plc (LSE:FOXT), London's leading estate agency, delivered a year of significant progress in 2023.
Fee earner headcount investment, upgraded data and technology capabilities, a re-energised culture, and a reinvigorated brand enabled market outperformance in the year[1], and underpins the delivery of our medium-term target of £25m to £30m adjusted operating profit.

	2023	2022	Change
Continuing operations[2]:			
Revenue	**£147.1m**	£140.3m	+5%
Adjusted EBITDA[3]	**£17.5m**	£16.5m	+6%
Adjusted operating profit[4]	**£14.3m**	£13.9m	+2%
Profit before tax[5]	**£7.9m**	£11.9m	(34%)
Adjusted earnings per share (basic)[6]	**3.0p**	3.1p	(3%)
Earnings per share (basic)	**1.8p**	3.0p	(40%)
Total Group[7]:			
Net free cash (outflow)/inflow[8]	**(£0.1m)**	£7.7m	n/a
Total dividend per share	**0.9p**	0.9p	-

2023 financial highlights:

- Revenue up 5% to £147.1m and adjusted operating profit up 2% to £14.3m. Growth delivered despite a significantly weaker sales market and headcount investment required to rebuild core capabilities.
- Lettings revenue, representing c.70% of total revenue, up 16% to £101.2m as organic and acquisitive growth strategies are delivered. Two acquisitions completed in 2023, adding over 2,800 tenancies.
- Sales revenue down 14% to £37.2m as challenging market conditions were partially mitigated by market share driven outperformance of the wider London market, which was down over 24% on value[9].
- Financial Services revenue down 14% to £8.8m as weaker new purchase mortgage volumes were partially offset by non-cyclical and recurring refinance volumes.
- Adjusted operating profit up 2% to £14.3m and adjusted EBITDA up 6% to £17.5m. Lettings adjusted operating profit growth offset an adjusted operating loss in Sales which reflected depressed volumes and fee earner investment to drive future growth.
- Profit before tax down 34% to £7.9m after charging £4.5m of adjusted items primarily relating to the integration of Ludlow Thompson and branch network consolidation, unlocking £3m of annualised synergies from 2024. Adjusted profit before tax up 3% at £12.4m (2022: £12.0m).
- Net free cash outflow of £0.1m reflecting £13.9m of Lettings acquisition spend, £10.8m of working capital investment as shorter landlord billing terms are introduced to improve competitiveness and portfolio retention, £2.7m of dividends paid, and £1.1m of share buybacks.

Operational highlights:

- Operational upgrades identified in March 2023 delivered at pace and ahead of expectations: rebuilding fee earner levels, rebuilding core technology and data capabilities, and reenergising Foxtons' culture.
- Strengthened the Foxtons Operating Platform - the leading platform in estate agency underpinned by unmatched technology and data capabilities. Provides the foundations for long-term growth, both organically and through consolidation of the highly fragmented sector.
- The Foxtons Operating Platform supported significant year-on-year market share growth[1] across all three businesses in 2023. Lettings: +16%, Sales: +21% and Financial Services: +11%.
- Foxtons reclaimed the number 1 estate agency position in London, and is now the largest Lettings estate agency brand in the UK and was the fastest growing large UK estate agency brand in 2023.[10]
- Launched new "Get it done with London's number one" campaign to drive customer consideration.

Platform is powered by five areas of competitive advantage which were significantly strengthened in 2023:

- **Technology platform:** an end-to-end, fully integrated, and internally developed CRM and workflow system powering all aspects of the Foxtons business. In 2023, Foxtons developed the UK's first fully digital end-to-end lettings platform, alongside reviewing and optimising processes to drive productivity.
- **Data platform:** developed and launched in 2023, the platform combines leading infrastructure, databases built up over 20 years, real-time market data, and advanced data science and analytics. The platform powers marketing, stock acquisition, matching buyers and renters to properties and internal performance reporting.
- **Brand:** the leading brand in London estate agency with the highest levels of brand recognition in a highly fragmented market. In 2023, the Group significantly drove increased levels of customer consideration by overhauling its marketing approach and introducing new customer marketing campaigns.
- **Hub and spoke:** Foxtons operates a hub and spoke model with a network of branches supported by specialised sales and operational support teams, to drive productivity and service levels. In 2023, Foxtons streamlined its branch footprint by 5% and began investing in a new out-of-London property management centre of excellence to drive service levels and unlock synergies in Foxtons' operating cost base.

- **People, culture and training:** a focus on training and retaining the best estate agents alongside a unique high performance culture promoting delivery of customer results with the highest levels of service. In 2023, the Group rebuilt its culture including delivering a ten-fold increase in in-person training and improving fee earner attrition rates by 11% and tenure by 9%.

2024 trading and outlook

- Trading in January and February in line with expectations.
- Lettings is expected to remain resilient with the business continuing to display strong recurring and non-cyclical characteristics. Lettings market supply and demand dynamics have normalised, with increased levels of available rental stock and fewer tenants registering for each available rental property compared to 2023. As expected, year-on-year rental growth has moderated with rental prices remaining at elevated levels. Through our leading market position, and by leveraging the Foxtons Operating Platform, the improved supply of available rental properties provides a good opportunity to deliver organic market share growth.
- In Sales, continued market outperformance, alongside some recovery in buyer demand levels as mortgage rates have begun to reduce, has resulted in a 31% year-on-year increase in the value of the under offer pipeline at the end of February. The growth in the value of the under-offer pipeline is expected to deliver good year-on-year revenue growth in the first half of the year, with further growth expected in the second half if mortgage rates continue to stabilise and pent-up demand is released.
- In Financial Services, improved new buyer demand, alongside good levels of non-cyclical refinance activity, has supported 16% growth in the value of the Financial Services pipeline.
- By leveraging the operational capabilities of the Foxtons Operating Platform, alongside increased levels of contribution as fee earners hired in 2023 mature, the Group is on track to deliver another year of growth in 2024 and to deliver against our £25m to £30m adjusted operating profit target over the medium-term.

Guy Gittins, Chief Executive Officer, said:

"2023 was a year in which Foxtons has been fundamentally transformed. We have achieved a lot in a short space of time by making improvements across the business and Foxtons is now in much better shape than the company I inherited 18 months ago.

"We have restored Foxtons' competitive advantages by investing in core capabilities, growing fee earners and reinvigorating our culture and this has been achieved ahead of schedule. As a result, Foxtons was the UK's fastest growing large lettings and sales agency brand in the UK in 2023 and reclaimed its position as London's leading estate agency.

"Most importantly, we have rebuilt and strengthened the Foxtons Operating Platform. The platform is a unique, industry-leading and proprietary asset which will underpin our future growth and, due to its scalability, will provide Foxtons with the capability to expand and consolidate across our industry.

"Our strategy to deliver growth through sales market cycles by delivering Lettings growth is working, delivering resilient earnings for the year despite a weak sales market and the investment we made in fee earners. We are on track against our medium-term target of delivering £25m to £30m of adjusted operating profit, through organic and acquisitive growth and supported by improving market conditions."

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The Company will present a live webcast at 9:00am (GMT) for analysts and investors. To access you will be required to pre-register using the following link: https://secure.emincote.com/client/foxtons/foxtons006

The presentation will also be broadcast via conference call. To access you will be required to pre-register using the following link: https://secure.emincote.com/client/foxtons/foxtons006/vip_connect

[1] Outperformance on a market share basis. Calculated as Foxtons' share of Lettings instruction volumes in 2022 vs 2023, Sales exchange volumes in 2022 vs 2023 and Financial Services share of total mortgage underwriting for the period January - December 2022 vs January - November 2023. Source: TwentyCi, UK Finance

[2] Both 2022 and 2023 results are presented on a continuing operations basis and exclude the results of the D&G Sales business (disposed of on 11 February 2022).

[3] Adjusted EBITDA represents the profit before tax before finance income, non-IFRS 16 finance costs, other gains, depreciation of property, plant and equipment (but after IFRS 16 depreciation), amortisation, share-based payment charges and adjusted items. Adjusted EBITDA excludes share-based payment charges (2023: £1.0 million; 2022: £0.9 million) in order to be consistent with the definition of adjusted EBITDA used to calculate the Group's revolving credit facility covenants.

[4] Adjusted operating profit is defined as profit before tax for the period before finance income, finance cost, other gains/(losses) and adjusted items. Refer to Note 2 of the financial statements for a reconciliation of the measure to statutory measures.

[5] Proft before tax includes £4.5 million of adjusted item charges primarily reflecting one-off charges relating to the integration of the Ludlow Thompson acquisition. On an adjusted basis, adjusted profit before tax is up 3% at £12.4 million (2022: £12.0 million).

[6] Adjusted earnings per share is defined as earnings per share excluding the impact of adjusted items. Refer to Note 6 of the financial statements for a reconciliation between earnings per share and adjusted earnings per share.

[7] Total Group includes results from both continuing operations and discontinued operations.

[8] Net free cash flow is defined as net cash from operating activities less repayment of IFRS 16 lease liabilities and net cash generated/used in investing activities, excluding the acquisition of subsidiaries (net of any cash acquired), divestments and purchases of investments.

[9] Total market value reflects 22% decrease in exchange volumes and 2.4% reduction in average price. Source: TwentyCi, Nationwide House Price Index.

[10] Market share growth of new lettings and sales instructions amongst the UK's 10 largest estate agency brands (with reference to instruction market share) in 2023 vs 2022. Source: TwentyCi

About

Founded in 1981, Foxtons is London's leading estate agency and largest lettings agency brand, with a portfolio of over 28,000 tenancies. The Group operates from a network of interconnected, single-brand branches and offers a range of residential property services across three business segments: Lettings, Sales and Financial Services.

The Group's strategy is to accelerate growth, and deliver £25m to £30m adjusted operating profit in the medium-term, by focusing on non-cyclical and recurring revenues from Lettings and Financial Services refinance activities, supplemented by market share growth in Sales.

Growth is underpinned by the Foxtons Operating Platform, the most comprehensive and advanced platform in UK estate agency. The platform was strengthened through 2023 and leverages the Group's competitive advantages in data and technology; the Foxtons brand, its hub and spoke operating model and, its people, culture and training.

By fully leveraging the platform, the Group will drive significant growth; both organically through market share gains and by strengthening Foxtons' position as an effective sector consolidator, to deliver significant profit growth and value for shareholders. The Group's strategic priorities are:

- **Lettings organic growth**: Focus on winning new property instructions, with 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, with improving productivity and cross sell to drive revenue growth.

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

PERFORMANCE AT A GLANCE

Year ended 31 December	**2023**	**2022**	**Change**
Income statement (from continuing operations[1])			
Revenue	**£147.1m**	£140.3m	+5%
Adjusted EBITDA[2]	**£17.5m**	£16.5m	+6%
Adjusted operating profit[2]	**£14.3m**	£13.9m	+2%
Adjusted operating profit margin[2]	**9.7%**	9.9%	(20 bps)
Profit before tax	**£7.9m**	£11.9m	(34%)
Earnings per share (from continuing operations[1])			
Basic earnings per share	**1.8p**	3.0p	(40%)
Adjusted basic earnings per share[2]	**3.0p**	3.1p	(3%)
Dividends			
Interim dividend per share	**0.2p**	0.2p	-
Final dividend per share	**0.7p**	0.7p	-
Net (debt)/cash and net free cash flow			
Net (debt)/cash[2]	**(£6.8m)**	£12.0m	(£18.8m)
Net cash from operating activities[3]	**£15.7m**	£23.9m	(35%)
Net free cash (outflow)/inflow[2,3]	**(£0.1m)**	£7.7m	n/a
Segmental metrics (from continuing operations[1])			
Lettings revenue	**£101.2m**	£86.9m	+16%
Lettings volumes	**19,334**	20,640	(6%)
Average revenue per lettings transaction	**£5,234**	£4,210	+24%
Sales revenue	**£37.2m**	£43.2m	(14%)
Sales volumes	**2,871**	3,215	(11%)
Average revenue per sales transaction	**£12,942**	£13,431	(4%)
Financial services revenue	**£8.8m**	£10.2m	(14%)
Financial services volumes	**5,033**	5,003	+1%
Average revenue per Financial Services transaction	**£1,745**	£2,043	(15%)

[1] Both 2022 and 2023 results are presented on a continuing operations basis and exclude the results of the D&G Sales business (disposed of on 11 February 2022).

[2] These measures are APMs used by the Group and are defined, and purpose explained within Note 16.

[5] Net cash from operating activities and net free cash flow includes continuing and discontinued operations.

CHAIRMAN'S STATEMENT

Following his appointment in September 2022, 2023 was Guy Gittins' first full year as CEO. Under his leadership it was a transformational year for the business, putting Foxtons firmly on the front foot with fee earner headcount rebuilt across the business, the culture re-energised, the data and technology capabilities upgraded, and the brand reinvigorated.

Significant changes to the culture within the Company have improved employee retention and motivation leading to better customer service and enabling us to reclaim our leading position in our sector of the market.

Helped by a series of acquisitions since 2020, around 70% of the Group's revenues are now derived from the Lettings business, creating a more recurring and resilient earnings stream, and lessening the impact of the volatility of the sales market. In addition, much effort has been made to successfully rebuild the market share of our Sales business, which should lead to better results going forward.

Building new data capabilities onto Foxtons' technology platform has been a major focus in order to deliver a competitive advantage and unlock the latent value in Foxtons' unique database, which has been built up over the last 20 years. The platform drives fee earner productivity, enables organic market share growth, and due to its scalability facilitates the efficient integration of lettings acquisitions.

Market and financials

The sales market was challenging in 2023 as a consequence of high interest rates and their effect on the mortgage market. As a result, sales transaction volumes in London were down 22% compared with 2022. In contrast, the lettings market was strong due a high level of tenant demand and shortage of stock leading to a sustained rise in rental levels in the year.

Revenue was up 5% to £147.1 million, with Lettings delivering £101.2 million, and surpassing the £100 million milestone for the first time. Adjusted operating profit increased marginally from £13.9 million to £14.3 million. The revenue increase was greater than the profit increase largely due to the costs of rebuilding our capabilities across the organisation.

As a result of using debt to fund our latest lettings acquisition, we ended the year with net debt of £6.8 million (2022: £12.0 million net cash). In addition to £13.9 million spent on acquisitions, changes in our billing practices to improve our competitiveness in the lettings market resulted in a negative movement in our working capital of £10.8 million as explained in the Financial Review on page 19.

In June the Group's revolving credit facility was refinanced and the new facility provides £20 million of committed borrowing capacity until June 2026, with an option to extend for two years thereafter. The terms have remained materially the same as the previous facility.

Dividends and share buybacks

With more recurrent and resilient earnings, as a result of the investments in lettings businesses, the Board has decided to adopt a progressive dividend policy with respect to the 2024 financial year. The aim being to offer a reliable and growing income stream to investors whilst still being able to maintain our current capital allocation policy.

For 2023, the Board is proposing a final dividend of 0.7p per share under the existing policy, the same as the final dividend for 2022. Under the new policy we would expect total dividends paid in 2024 and 2025 to at least maintain the level paid in 2022 and 2023.

£1.1 million of share buybacks were completed during the year at an average price of 38p per share. The Board will continue to keep share buybacks under review in the context of other potential uses of capital.

Board

Annette Andrews and Jack Callaway joined the Board in February 2023. Annette chairs the Remuneration Committee and brings considerable knowledge of people management and related remuneration skills to her role. Jack is a very experienced investment banker with M&A expertise. Their respective skills are invaluable to the Board and the Company.

Medium-term outlook

I am confident that there is significant further progress that Foxtons can and will make, due to the management leadership, the scalable technology platform, the customer database, and the prominence of the brand. We will continue to drive organic growth in Lettings, supplemented by further acquisitions. And, as the market share of Sales increases, so will its contribution to the Group's results with Financial Services also a beneficiary from the greater number of sales transactions. We firmly believe that we are on track to deliver £25 million to £30 million of adjusted operating profit over the medium-term.

Nigel Rich CBE
Chairman
4 March 2024

CHIEF EXECUTIVE'S REVIEW

2023 was a year of significant turnaround and growth for Foxtons, as operational upgrades and investment in the Foxtons Operating Platform drove good operational and financial progress despite a significantly weaker sales market backdrop, highlighting the Group's increased resilience.

Upon joining the business 18 months ago, I initiated an operational review which, as reported in March 2023, revealed just how much of the Foxtons' competitive edge had been eroded. Operational upgrades have been delivered at pace and ahead of the planned timeframes, demonstrating the talent and commitment within the business. Consequently, 2023 was a year of investing in core capabilities, building fee earners to an appropriate level and reigniting the culture to attract, develop and retain the best talent.

A lot has been achieved in a short space of time, as the business has embraced change and developed a sense of urgency in execution. We delivered record Lettings revenue of over £100 million and significantly grew market share across all our businesses; Lettings market share of instructions grew 16%, Sales market share of exchanges grew 21% and Financial Services share of mortgage underwriting grew 11%. Foxtons is now the largest lettings estate agency brand in the UK and was the fastest growing large UK lettings and sales estate agency brand in 2023.

Key aspects of the business have now been transformed, and most significantly, we have strengthened the Foxtons Operating Platform, the most comprehensive and advanced platform in UK estate agency underpinned

Foxtons Operating Platform, the most comprehensive and advanced platform in UK estate agency underpinned by leading technology and data capabilities. The platform is a key driver of our future growth and strengthens Foxtons' position as an effective sector consolidator.

At the start of 2023, I set out my vision to once again make Foxtons London's go-to agent and deliver £25 million to £30 million of adjusted operating profit in the medium-term. Our progress is on track, and with improving market conditions, I am confident we will deliver our medium-term profit target through organic and acquisitive growth.

2023 market conditions

The Lettings market in London remains attractive, as high levels of demand underpin rents and create a valuable non-cyclical and recurring market dynamic. Rental prices rose in the first half of 2023, as high levels of tenant demand outstripped supply, driving price growth. This dynamic eased in the second half of 2023, as stock levels increased and tenant demand normalised, with rental price growth moderating, albeit at elevated levels.

In comparison, the sales market remained weak through 2023, as the impact of the September 2022 mini-budget, higher interest rates and a weaker macroeconomic backdrop weighed on buyer demand and affordability levels. The sales market in London was over 24% lower in value versus the prior year and reflected a 22% reduction in transaction volumes and a 2.4% reduction in average prices. In fact, transaction volumes were at some of the lowest levels since 2008 and 2020, years impacted by the Global Financial Crisis and the Covid-19 market shutdown respectively. More positively, with mortgage rates starting to dip below 4% towards the end of the year there was an increase in buyer demand, reflecting high levels of pent-up demand in the market.

Financial results

The business delivered a modest increase in adjusted operating profit, despite a much weaker sales market and investments in rebuilding core capabilities, driven by the enhanced size of our Lettings business which provides more recurring and non-cyclical earnings.

Revenue was up 5% to £147.1 million and adjusted operating profit was up 2% to £14.3 million. Profit before tax was down 34% to £7.9 million, but up 3% to £12.4 million on an adjusted basis which excludes one-off restructuring charges. The cost savings associated with the restructuring charges will provide annualised cost savings of c.£3 million as the Group delivers acquisition synergies and consolidates certain branches within the Foxtons network. Net debt at the end of the period was £6.8 million reflecting our decision to utilise debt to accelerate our acquisition strategy.

Lettings revenue was up 16% to £101.2 million, and at an improved margin of 26%, delivered £25.8 million of adjusted operating profit. Operational improvements, including increased cross-sell of higher value property management services and a focus on securing longer tenancies, alongside higher rental prices, increased organic revenue by 7%. £3.9 million of incremental acquisition revenue, alongside the delivery of cost synergies, and £4.1 million of additional interest on client monies also contributed to revenue and earnings growth.

Significant market share gains were delivered in Sales, outperforming a challenging market which was down over 24% in value. Against this backdrop, Sales revenue was down c.14% versus 2022. Sales made an adjusted operating loss of £10 million due to lower revenues and investment in fee earner headcount to rebuild capacity and bench strength. With the right number of fee earners now in the business, and significantly better fee earner retention, the Sales business has a clear path to profitability under improving market conditions and increasing levels of market share.

Financial Services revenue was 14% lower at £8.8 million as non-cyclical and recurring refinance mortgage volumes and market share gains partially mitigated lower purchase mortgage volumes.

Delivering our strategic priorities

Our strategy is to deliver long-term growth by growing non-cyclical and recurring Lettings revenues, both organically and through acquisition, alongside returning the Sales business to profitability. By doing so, our target is to deliver £25 million to £30 million of adjusted operating profit in the medium-term and create significant shareholder value.

Whilst significant progress has already been made, and the Group is on track with delivery of its medium-term profit target, fundamentally 2023 was a year of rebuilding for the business. I am confident further growth lies ahead, as we fully leverage the capabilities of the unique Foxtons Operating Platform.

At the end of 2023, the Group has delivered good progress against its strategic priorities:

1. Lettings organic growth: 7% organic revenue growth in 2023 (excluding growth in interest on client monies), with total Lettings revenue passing the £100 million revenue milestone for the first time in Foxtons' history.

Medium-term target: 3% - 5% revenue CAGR.

2. Lettings acquisitions: Completed the acquisitions of Atkinson McLeod and Ludlow Thompson in 2023, adding over 2,800 new tenancies to the Group's portfolio. Prior acquisitions continue to perform well, delivering 25% average annual return since acquisition. With over 3,600 agents in London, the lettings industry is highly fragmented and so offers significant consolidation opportunities.

Medium-term target: 20%+ return on capital.

3. Sales: Grew sales exchange market share by 21% to 4.1% (2022: 3.4%). Achieving exchange market share of 4.5%, combined with market volumes recovering to more normalised levels, will support the Sales business' return to profitability.

Medium-term target: 4.5%+ exchange market share in the medium-term.

4. Financial Services: 14% revenue decrease resulting from a significantly weaker mortgage market. Operational upgrades delivered in the year include investing in adviser capacity and increasing the cross-sell of Financial Services products across the Group. Financial Services grew its market share of UK underwriting by 11% in the year.

Medium-term target: 7% - 10% revenue CAGR.

The Foxtons Operating Platform

Through 2023 we have strengthened the Foxtons Operating Platform, a unique and industry-leading platform that underpins our medium-term £25 million to £30 million adjusted operating profit target. This represents a powerful and unique asset to facilitate expansion and industry consolidation in the longer-term.

The platform drives high levels of lead generation, deal excellence and lifetime customer value, whilst also creating high levels of scalability, all key to delivering growth and ensuring we reach our adjusted operating profit target in the shortest space of time.

The Foxtons Operating Platform comprises five key elements:

1. "BOS" (Business Operating System) technology platform

The Foxtons Business Operating System, known as "BOS", is an end-to-end, fully integrated and internally-developed CRM and workflow system powering all aspects of the Foxtons business. BOS is the most advanced technology platform in UK estate agency and is a key driver of innovation, productivity, workforce collaboration and Foxtons' unique competitive culture.

As BOS remains fully internally managed and developed, Foxtons is able is able to deliver process upgrades and new technology products at speed, in contrast to the majority of estate agents which utilise third party systems with limited customisation or new product innovation. This is a significant competitive advantage to the Group and a key route to driving innovation in the sector.

In 2023, the Group continued to strengthen the BOS platform, including developing the UK's first fully digital end-to-end lettings system allowing tenants to complete a Lettings transaction completely digitally, which has been a driver in supporting market share gains in the Lettings business.

2. Foxtons Data Platform

In 2023, we developed and rolled out the Foxtons Data Platform. The platform is industry leading, combining best in class data infrastructure, rich historical databases, real-time market data, and advanced data science capabilities including AI and machine learning plug-ins.

Foxtons databases have been built up over 20 years, with over 1.6 billion data points including customer and property details, transactional data, and in-depth customer behaviour insights. Paired with advanced data science capabilities, the platform is future-fit and provides a long-term competitive advantage. The platform is already driving increased market share of property instructions and deals through data-driven marketing and algorithmic lead-scoring.

In addition, a comprehensive internal reporting suite has been created and implemented across the business, improving visibility of all aspects of estate agency performance and enabling data led decision making. This is driving a cultural shift across the business and is unlocking operational upgrades to drive outperformance and growth.

3. Hub and spoke operating model

Foxtons operates a unique hub and spoke model with a network of inter-connected, single-brand branches supported by specialised sales and operational support teams. This role specialisation drives high levels of branch productivity with fee earners able to focus on results for customers, whilst centralised support functions benefit from economies of scale, optimised processes and best-in-class technology.

Throughout 2023 we forensically reviewed all processes across the business and, supported by our new reporting suites, have initiated an optimisation programme to ensure we are always delivering the best results for customers with the highest levels of service.

As an example, to successfully deliver against our Lettings organic growth strategy, and retain landlords and drive brand loyalty with tenants, we must deliver consistently high levels of property management service excellence. Headcount, training, technology, and core processes have been enhanced in 2023 to support continuous improvement in this important area. New real-time customer experience feedback systems have been implemented alongside new remuneration packages that are better aligned to customer service delivery. Today over 40% of Foxtons' Lettings portfolio is actively managed, against a long-term average rate of 33%.

In November 2023, as part of the Ludlow Thompson acquisition, we acquired an out-of-London lettings property management hub. This hub plays an important role in our Lettings growth strategy, and will be developed into a property management centre of excellence focused on customer service delivery, whilst benefitting from reduced operating costs and a good supply of quality talent.

By expanding the out-of-London hub, and fully utilising existing branch real estate, we will be able to downsize the Group's Chiswick Park headquarters and generate meaningful cost savings. To this end, we are engaging with our landlord to explore early surrender options for the lease which ends in 2027.

4. Brand

The Foxtons brand occupies a unique position in London, with the highest levels of brand recognition in a highly fragmented industry. However, this asset had been neglected over the past few years leading to a lack of brand visibility. This was coupled with an unclear customer proposition as Foxtons increasingly struggled to live up to its brand ethos: delivering best in class results for customers with the highest levels of service.

Through 2023, new data-driven marketing initiatives have been launched that make clear what Foxtons stands for and why landlords and sellers should choose us, driving growth in brand consideration. Our website Foxtons.co.uk is the most visited estate agent website in the UK, and by a factor of 5 compared to the next leading competitor brand.

A focus on providing the highest levels of customer service once again permeates everything we do at Foxtons. And this, combined with operational excellence through leveraging the Foxtons Operating Platform, has allowed us to hold our premium fee position whilst growing at the fastest rate in the UK and taking a leadership position in our markets.

5. People, culture and training

Fundamentally, estate agency remains at heart a people business. And a large part of Foxtons outperformance is driven by focus on training and retaining the best estate agents alongside a unique high-performance culture. This area has been neglected over the past few years with the knock-on impact on performance.

Through 2023 we have invested in fee earner headcount to reflect the market opportunity, alongside rewarding success, focusing on training and career progression to support retention, and aligning incentives with our strategic priorities. In addition, a new employee value proposition has been implemented and, alongside an overhauled recruitment approach, is significantly improving the attractiveness of Foxtons to high-calibre prospective employees. Together, these have turbocharged a high-performance sales culture, improving Lettings and Sales fee earner retention rates by 11% and average tenure by 9% compared to 2022, and creating one of the most productive and engaged workforces in the industry.

2024 trading and outlook

Lettings is expected to remain resilient with the business continuing to display strong recurring and non-cyclical characteristics. Lettings market supply and demand dynamics have normalised, with increased levels of available rental stock and fewer tenants registering for each available rental property compared to 2023. As expected, year-on-year rental growth has moderated with rental prices remaining at elevated levels. Through our leading market position, and by leveraging the Foxtons Operating Platform, the improved supply of available rental properties provides a good opportunity to deliver organic market share growth.

In Sales, continued market outperformance, alongside some recovery in buyer demand levels as mortgage rates have begun to reduce, has resulted in a 31% year-on-year increase in the value of the under offer pipeline at the end of February. The growth in the value of the under-offer pipeline is expected to deliver good year-on-year revenue growth in the first half of the year, with further growth expected in the second half if mortgage rates continue to stabilise and pent-up demand is released.

Financial Services has also benefited from improving mortgage and sales market conditions, with the underwritten pipeline at the end of February 16% higher than the same time last year.

Following a year of reinvigorating the business, and with improving market conditions, the Group is on track to deliver against its target of £25 million to £30 million of adjusted operating profit over the medium-term and live up to our brand ethos: "We get it done".

Guy Gittins
Chief Executive Officer
4 March 2024

FINANCIAL REVIEW

	2023 £m	2022 £m	Change
Revenue and profit measures			
Revenue	**147.1**	140.3	+5%
Contribution[1]	**93.2**	91.3	+2%
Contribution margin[1]	***63.4%***	*65.1%*	*(170 bps)*
Adjusted EBITDA[1]	**17.5**	16.5	+6%
Adjusted EBITDA margin[1]	***11.9%***	*11.8%*	*+11 bps*
Adjusted operating profit[1]	**14.3**	13.9	+2%
Adjusted operating profit margin[1]	***9.7%***	*9.9%*	*(20 bps)*
Profit before tax	**7.9**	11.9	(34%)
Profit after tax	**5.5**	9.6	(43%)
Earnings per share			
Adjusted earnings per share (basic)	**3.0p**	3.1p	(3%)
Earnings per share (basic)	**1.8p**	3.0p	(40%)
Net free cash flow and net (debt)/cash			
Net free cash (outflow)/inflow[1,2]	**(0.1)**	7.7	n/a
Net (debt)/cash as at 31 December[1]	**(6.8)**	12.0	n/a
Dividends			
Interim dividend per share	**0.2p**	0.2p	-
Final dividend per share	**0.7p**	0.7p	-

[1]APMs are defined, purpose explained and reconciled to statutory measures within Note 16 of the financial statements.

[2]Net free cash flow is from continuing and discontinued operations.

FINANCIAL OVERVIEW
As presented in the table above, key financial performance measures include:

- Revenue increased by 5% to £147.1 million (2022: £140.3 million), with Lettings revenue up 16%, Sales revenue down 14% and Financial Services revenue down 14%.
- Adjusted EBITDA increased by 6% to £17.5 million (2022: £16.5 million) and adjusted operating profit increased by 2% to £14.3 million (2022: £13.9 million).
- Profit before tax from continuing operations decreased to £7.9 million (2022: £11.9 million) and profit after tax decreased to £5.5 million (2022: £9.6 million).
- Basic adjusted earnings per share was 3.0p (2022: 3.1p) and basic earnings per share was 1.8p (2022: 3.0p).
- Net free cash flow was a £0.1 million outflow (2022: £7.7 million inflow) and net debt at the year end was £6.8 million (2022: £12.0 million net cash) reflecting the uses of cash explained on page 19.
- An interim dividend of 0.2p per share was paid in September 2023. The Board has proposed a final dividend of 0.7p per share which maintains the total dividend for the year at 0.9p per share (2022: 0.9p per share).

REVENUE

	Revenue			Volumes[1]			Revenue per transaction[1]		
	2023 £m	2022 £m	Change	**2023**	2022	Change	**2023 £**	2022 £	Change
Lettings	**101.2**	86.9	+16%	**19,334**	20,640	(6%)	**5,234**	4,210	+24%
Sales	**37.2**	43.2	(14%)	**2,871**	3,215	(11%)	**12,942**	13,431	(4%)
Financial Services	**8.8**	10.2	(14%)	**5,033**	5,003	+1%	**1,745**	2,043	(15%)
Total	**147.1**	140.3	+5%						

[1]'Volumes' and 'Revenue per transaction' are defined in Note 16 of the financial statements.

The Group consists of three operating segments: Lettings, Sales and Financial Services. Lettings represents 69% (2022: 62%), Sales 25% (2022: 31%) and Financial Services 6% (2022: 7%) of total revenue. Non-cyclical and recurring revenue streams, generated by Lettings and refinance activity within Financial Services, represents 72% (2022: 65%) of Group revenue.

72% (2022: 65%) of Group revenue.

Lettings revenue
Lettings revenue increased by 16% to £101.2 million (2022: £86.9 million), reflecting a 24% increase in average revenue per transaction, partially offset by a 6% reduction in transaction volumes. Transaction volumes were lower year-on-year due to lower renewal volumes as a consequence of longer average tenancy terms reducing the number of renewal opportunities.

Revenue growth included organic growth of £6.3 million or 7%, £3.9 million of acquisitive growth, and £4.1 million of additional interest earned on client monies.

Organic revenue growth of £6.3 million (+7%) was driven by the following factors:

- An operational focus to secure longer tenancy terms to drive customer retention, which results in a greater proportion of revenue being recognised at the start of tenancies.
- Growth in the cross-sell of our higher value property management service, increasing the penetration of new deals under management by 9% year-on-year.
- 11% increase in the market share of organic instructions which boosted available stock supporting organic transaction volumes.
- 8% year-on-year increase in rental prices for new deals completed in the period, with new deals representing 53% of 2023 total Lettings revenue.

The £3.9 million of acquisitive growth reflects 5 incremental months of trading from the May 2022 acquisitions, 10 months of trading from the March 2023 acquisition of Atkinson McLeod and two months of trading from the November 2023 acquisition of Ludlow Thompson.

The £4.1 million of additional interest earned on client monies reflects higher interest rates and growth in client money held. Interest earned on client money supports the operating costs of managing client money, which includes staff costs, bank and card fees, and compliance costs.

Sales revenue
Sales revenue decreased by 14% to £37.2 million (2022: £43.2 million), with the decrease driven by an 11% decrease in Sales exchange volumes compared to 2022. Sales volumes outperformed the market which saw a 22% reduction in volumes (source: TwentyCi).

Average revenue per transaction was 4% lower than 2022 reflecting a 1% decrease in the average price of properties sold (2023: £586,000; 2022: £590,000) as sellers adjusted prices to market conditions, whilst commission rates remained robust at 2.25% (2022: 2.29%). The 1% decrease in the average price of properties sold compared to 2.4% reduction in London property values (source: Nationwide House Price Index) reflecting market share growth in higher value properties.

Financial Services revenue
Financial Services revenue decreased by 14% to £8.8 million (2022: £10.2 million), reflecting a 1% increase in volumes and a 15% decrease in average revenue per transaction. Lower average revenue per transaction was driven by lower average loan sizes, reduced new purchase volumes and an increase in lower value product transfers within the refinance business. In 2023, £4.4 million (51% of revenue) was generated from non-cyclical refinance activity and £4.3 million (49% of revenue) from purchase activity which is more cyclical in nature.

CONTRIBUTION AND CONTRIBUTION MARGIN

	2023		2022	
	£m	**margin**	£m	margin
Lettings	**75.4**	**74.5%**	64.8	74.5%
Sales	**14.5**	**38.9%**	22.0	51.0%
Financial Services	**3.4**	**38.8%**	4.5	43.9%
Total	**93.2**	**63.4%**	91.3	65.1%

Contribution, defined as revenue less direct salary costs of front office staff and bad debt charges, increased to £93.2 million (2022: £91.3 million). Contribution margin for the period was 63.4% (2022: 65.1%) reflecting the following segmental margin changes:

- Lettings contribution margin remained flat at 74.5% reflecting growth in higher margin revenues, such as property management services, cross-sell of ancillary services and higher interest on client monies, offset by 12% growth in Lettings fee earner headcount year-on-year in order to drive organic revenue growth in future periods.
- Sales contribution margin decreased to 38.9% (2022: 51.0%) due to reduced market volumes and a 9% increase in fee earner headcount to build bench strength ahead of improving sales market conditions. Within Sales, dependent on market conditions, it takes at least 12 months for fee earners to become fully productive.
- Financial Services margin decreased to 38.8% (2022: 43.9%) due to reduced market purchase volumes, a lower margin revenue mix and a 9% increase in fee earner headcount. Similar to Sales, dependent on market conditions, it takes at least 12 months for fee earners to become fully productive.

Total average fee earner headcount across Lettings, Sales and Financial Services is up 11% at 829 (2022: 749) as fee earner capacity is rebuilt. Furthermore, a 9% improvement in staff retention across Lettings and Sales reflecting investment in the culture is driving continuous improvement in the average tenure of fee earners which will drive future growth opportunities.

ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING PROFIT MARGIN

	2023		2022	
	£m	**margin**	£m	margin
Lettings	**25.8**	**25.5%**	18.0	20.7%

Lettings	**25.8**	**25.5%**	18.0	20.7%
Sales	**(10.0)**	**(26.8%)**	(3.2)	(7.5%)
Financial Services	**0.7**	**7.4%**	1.8	17.3%
Corporate costs	**(2.3)**	**n/a**	(2.6)	n/a
Total	**14.3**	**9.7%**	**13.9**	**9.9%**

Adjusted operating profit for the period was £14.3 million (2022: £13.9 million) and adjusted operating margin was 9.7% (2022: 9.9%). Refer to Note 2 of the financial statements for a reconciliation of adjusted operating profit to the closest equivalent IFRS measure.

Consistent with prior periods, for the purposes of segmental reporting, shared costs relating to the estate agency businesses are allocated between Lettings and Sales with reference to relevant cost drivers, such as front office headcount in the respective businesses. Corporate costs are not allocated to the operating segments and are presented separately.

Lettings adjusted operating profit increased by £7.9 million to £25.8 million, which includes organic growth of £3.1 million, incremental acquisition growth of £0.7 million and £4.1 million of additional interest on client monies. Sales operating loss increased by £6.8 million to £10.0 million and Financial Services operating profit decreased by £1.1 million to £0.7 million, reflecting the fall in new purchase market volumes and investment in fee earners as previously mentioned.

Within adjusted operating profit the following non-cash charges were incurred:

	2023 **£m**	2022 £m
Depreciation - property, plant and equipment	2.4	2.1
Amortisation - non-acquired intangibles	0.4	0.5
Amortisation - acquired intangibles	1.4	1.0
Share-based payments	1.2	1.0
Total non-cash charges	**5.4**	4.7

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

	2023		2022	
	£m	**margin**	£m	margin
Total	**17.5**	**11.9%**	16.5	11.8%

Adjusted EBITDA, which excludes non-cash depreciation, amortisation and share-based payment charges, is defined on a basis consistent with that of the Group's revolving credit facility covenants. Since the metric includes IFRS 16 lease depreciation and IFRS 16 lease finance cost the measure fully reflects the Group's lease cost base. Refer to Note 16 of the financial statements for a reconciliation of adjusted EBITDA to the closest equivalent IFRS measure.

Adjusted EBITDA increased by 6% to £17.5 million (2022: £16.5 million) and Adjusted EBITDA margin increased to 11.9% (2022: 11.8%). Adjusted EBITDA growth of 6% outpaced adjusted operating profit growth of 2% due to higher property, plant and equipment depreciation (£0.3 million higher than 2022), higher amortisation (£0.2 million higher than 2022) and higher non-adjusted share-based payment charges (£0.1 million higher than 2022).

ADJUSTED ITEMS

A net adjusted items charge of £4.5 million (2022: £0.1 million net charge) was incurred in the year. Adjusted items, due to their size and incidence require separate disclosure in the financial statements to reflect management's view of the underlying performance of the Group and allow comparability of performance from one period to another. The table below provides detail of the adjusted items in the period.

	2023 **£m**	2022 £m
Branch asset impairment charge / (reversal)	3.4	(0.3)
Net property related charge / (reversal)	0.7	(0.4)
Transaction related costs	0.4	0.2
Reorganisation costs	-	0.6
Total net adjusted items charge	**4.5**	0.1

£4.3 million of the total net adjusted items charge relates to the following items, of which £3.3 million is cash related and £1.0 million is non-cash related:

- £3.6 million relates to the decision to integrate Ludlow Thompson into the Foxtons network to deliver cost synergies; and
- £0.7 million relates to the closure of three Foxtons branches as the Group consolidates branches to deliver cost savings.

PROFIT BEFORE TAX AND ADJUSTED PROFIT BEFORE TAX

	2023 **£m**	2022 £m
Adjusted operating profit	**14.3**	13.9
Less: adjusted items	(4.5)	(0.1)
Operating profit	**9.8**	13.8
Less: net finance costs and other losses	(1.9)	(1.9)
Profit before tax	**7.9**	11.9
Add back: adjusted items	4.5	0.1
Adjusted profit before tax	**12.4**	12.0

Profit before tax has decreased by 34% to £7.9 million (2022: £11.9 million) due to £4.5m (2022: £0.1 million) of adjusted item charges as previously noted. Net finance costs and other losses of £1.9 million (2022: £1.9 million), of which £2.0 million relates to IFRS 16 lease finance costs, were incurred in the period. Adjusted profit before tax, which excludes adjusted items, is £12.4 million (2022: £12.0 million).

PROFIT AFTER TAX

	2023	2022
	£m	£m
Profit before tax	**7.9**	11.9
Less: current tax charge	**(2.8)**	(2.2)
Less: deferred tax credit/(charge)	**0.4**	(0.2)
Profit after tax	**5.5**	9.6

The Group has a low-risk approach to its tax affairs and all business activities are within the UK and are UK tax registered and fully tax compliant. The Group does not have any complex tax structures in place and does not engage in any aggressive tax planning or tax avoidance schemes. The Group is transparent, open and honest in its dealings with tax authorities.

Profit after tax of £5.5 million (2022: £9.6 million) is after a total tax charge of £2.4 million (2022: £2.4 million), of which £0.4 million credit (2022: £0.2 million charge) relates to non-cash deferred tax accounting and £2.8 million (2022: £2.2 million) relates to current tax.

The effective tax rate for the period was 30.5% (2022: 19.9%), which compares to the statutory corporation tax rate of 23.5% (2022: 19.0%). The 2023 effective tax rate is higher than the statutory corporation tax rate due to non-deductible expenses and adjustments in respect of previous periods.

Net deferred tax liabilities totalled £26.2 million (2022: £25.7 million), which comprise £28.2 million (2022: £27.0 million) of deferred tax liabilities relating to the Group's intangible assets, offset by deferred tax assets of £1.9 million (2022: £1.4 million). The deferred tax assets relate to tax losses brought forward which are expected to be recovered through future taxable profits.

The Group received £0.3 million in tax refunds during the year (2022: £nil).

ADJUSTED OPERATING COST BASE

The Group defines its adjusted operating cost base as the difference between revenue and adjusted operating profit, excluding depreciation of property, plant and equipment and amortisation of intangible assets. The reconciliation of the adjusted operating cost base measure is presented below:

	2023	2022
	£m	£m
Revenue	147.1	140.3
Less: Adjusted operating profit	(14.3)	(13.9)
Difference between revenue and adjusted operating profit	132.9	126.4
Less: Property, plant and equipment depreciation	(2.4)	(2.1)
Less: Amortisation	(1.8)	(1.6)
Adjusted operating cost base	**128.7**	**122.8**

The table below analyses the adjusted operating cost base into five categories. The adjusted operating cost base increased by £5.9 million to £128.7 million (2022: £122.8 million), with £1.9 million attributable to incremental acquisition related operating costs.

	2023	2022
	£m	£m
Direct costs[1]	53.9	49.0
Branch operating costs[2]	32.5	32.0
Centralised revenue generating operating costs[3]	14.9	13.5
Revenue generating operating costs	**101.4**	94.5
Central overheads[4]	25.1	25.7
Corporate costs[5]	2.3	2.6
Adjusted operating cost base	**128.7**	122.8

[1] Direct salary costs of branch fee earners and bad debt charges.

[2] Branch related operating costs shared between Lettings and Sales.

[3] Centralised fee earners, lead generation staff and Lettings property management staff.

[4] Central overhead costs supporting branch operations.

[5] Corporate costs not attributed directly to the operating activities of the operating segments.

Key movements in the adjusted operating cost base in 2023 versus 2022 are as follows:

- Direct costs increased by £4.9 million due to £2.2 million higher basic salaries, reflecting an 11% investment in fee earner headcount, £3.0 million increase in variable pay reflecting Lettings revenue growth and lower bad debt charges.
- Centralised revenue generating operating costs increased by £1.4 million primarily due to a £0.9 million investment in centralised Lettings functions reflecting growth in the Lettings portfolio and a £0.5 million investment in centralised lead generation headcount.
- £0.9 million of cost savings across central overheads and corporate costs reflecting initiatives to reduce overhead costs.

EARNINGS PER SHARE

	2023	2022
	£m	£m
Profit after tax	**5.5**	9.6

Add back: adjusted items (net of tax)	**3.6**	-
Adjusted earnings for the purposes of adjusted earnings per share	**9.1**	9.6
Earnings per share (basic)	**1.8p**	3.0p
Earnings per share (diluted)	**1.7p**	3.0p
Adjusted earnings per share (basic)	**3.0p**	3.1p
Adjusted earnings per share (diluted)	**2.9p**	3.0p

CASH FLOW FROM OPERATING ACTIVITIES AND NET FREE CASH FLOW

From continuing and discontinued operations	**2023 £m**	2022 £m
Operating cash flow before movements in working capital	**28.7**	27.8
Working capital outflow	**(10.8)**	(1.2)
Income taxes paid	**(2.2)**	(2.7)
Net cash from operating activities	**15.7**	23.9
Repayment of IFRS 16 lease liabilities	**(12.5)**	(12.7)
Net cash used in investing activities[1]	**(3.2)**	(3.5)
Net free cash flow	**(0.1)**	7.7

[1] Excludes £13.9 million (2022: £8.5 million) of cash outflows relating to the acquisition of subsidiaries (net of any cash acquired), £nil (2022: £3.7 million) relating to the disposal of discontinued operations (net of cash disposed) and £nil (2022: £0.4 million) related to the purchase of investments.

Net cash flow before movements in working capital increased by £0.9 million to £28.7 million (2022: £27.8 million) reflecting improvements in operating cashflows.

Net cash from operating activities decreased by £8.2 million to £15.7 million (2022: £23.9 million) due to a working capital outflow driven by the introduction of shorter landlord billing periods in order to improve the competitiveness of our Lettings proposition and support the retention and organic growth of the Lettings portfolio over the medium-term.

This landlord billing initiative has been successful in driving an increase in average tenancy lengths, which under the Lettings revenue recognition policy, also resulted in a greater proportion of revenue being recognised at the start of tenancies. With Lettings revenue recognition outpacing cash collections, there was a working capital outflow of £10.8 million (2022: £1.2 million outflow). Working capital flows will normalise in the second half of 2024 as the portfolio transitions to shorter billing periods.

Net free cash flow, from continuing and discontinued operations, was a £0.1 million outflow (2022: £7.7 million inflow), with the reduction due to the Lettings working capital outflow previously noted.

NET DEBT

Net debt at 31 December 2023 was £6.8 million (2022: £12.0m net cash). The net debt position reflects £13.9 million of acquisition related spend, £10.8 million of working capital investment in Lettings growth initiatives, £3.6 million of capital expenditure, £2.7 million of dividends paid and £1.1 million of share buybacks.

REVOLVING CREDIT FACILITY

In June 2023, the Group refinanced its revolving credit facility (RCF), increasing the size of the committed facility from £5m to £20m and extending the facility to June 2026, with an option to extend for a further two years At 31 December 2023, £11.7 million of the RCF was drawn (31 December 2022: £nil). The facility provides increased strategic flexibility and supports the acceleration of the Group's Lettings portfolio acquisition strategy. The terms of the facility have remained materially the same as the previous facility and it remains unsecured. Drawdowns on the facility accrue interest at SONIA +1.65%.

The RCF is subject to a leverage covenant (net debt to EBITDA not to exceed 1.75) and an interest cover covenant (interest to EBITDA not to be less than 4) as defined in the facility agreement. Both covenants are calculated using pre-IFRS 16 accounting principles. At 31 December 2023 the leverage ratio was 0.4x and the interest cover ratio was 59x.

ACQUISITIONS

Atkinson McLeod
On 3 March 2023, the Group acquired the entire issued capital of Atkinson McLeod. Gross purchase consideration was £8.2 million, with £7.5 million paid to date and £0.7 million deferred for a period of 12 months post completion. Acquired net assets were fair valued and include £2.6 million of customer contracts and relationships and £5.6 million of acquired goodwill. The acquisition contributed £1.8 million of revenue and £0.5 million of adjusted operating profit in 2023, with cost synergies delivered in H2 2023.

Ludlow Thompson
On 6 November 2023, the Group acquired the entire issued capital of Ludlow Thompson. Gross purchase consideration was £8.3 million, with £6.3 million paid to date and £2.0 million deferred for a period of 12 months post completion. Acquired net assets were fair valued and include £3.2 million of customer contracts and relationships and £9.0 million of acquired goodwill. The acquisition contributed £1.0 million of revenue and a £0.1 million adjusted operating loss in 2023, with synergies planned to be delivered in H1 2024.

Refer to Note 9 of the financial statements for further details of the 2023 acquisitions.

DISCONTINUED OPERATIONS

In 2022, discontinued operations related to D&G Sales, which was acquired alongside D&G Lettings and

In 2022, discontinued operations related to D&G Sales, which was acquired alongside D&G Lettings and disposed of on 11 February 2022. In 2023, there were no discontinued operations.

OTHER BALANCE SHEET POSITIONS

Significant balance sheet movements in the period:

- Goodwill of £40.7 million (2022: £26.0 million) and other intangible assets of £114.9 million (2022: £109.3 million), with the increase in goodwill and other intangible assets due to the acquisitions in the year which contributed £14.7 million of goodwill and £5.9 million of customer contracts and relationships.
- Total contract assets of £19.0 million (2022: £7.4 million) and total contract liabilities of £12.2 million (2022: £10.0 million), with the increase in contract assets driven by a focus on securing longer tenancy terms, and the introduction of shorter billing periods for landlords opting to agree to longer tenancy terms. The increase in contract liabilities was mainly driven by acquired contract liabilities of £1.9 million.
- Intangible assets under construction of £1.5 million (2022: £0.8 million) with the increase reflecting increased capital technology development spend in the period.
- Trade and other payables of £21.3 million (2022: £16.7 million), with the increase in the balance due to an increase in trade creditors of £0.9 million, an increase in contingent and deferred consideration of £1.2 million, an increase in accruals and other creditors of £1.4 million and an increase in VAT payable of £1.0 million.
- Borrowings of £11.8 million (2022: nil), with the increase in the balance mainly due to a £11.7 million RCF drawdown to fund acquisitions and working capital requirements.
- Total current liabilities of £57.1 million (2022: £38.7 million) have increased due to a £11.7 million RCF drawdown, an increase in trade and other payables of £4.6 million and an increase in contract liabilities of £2.1 million.

DIVIDEND POLICY AND CAPITAL ALLOCATION

In March 2023, the Group set out its revised strategy, medium-term targets and its approach to capital allocation. Reflecting the Group's evolution over the past few years to a business which is now focussed upon lettings, and whilst maintaining the Group's approach to capital allocation, the Board has decided to revise its dividend policy.

For 2024, the Board intends to adopt a progressive dividend policy whilst maintaining strong dividend cover. The new policy aims to provide a more reliable and growing income stream to investors, as well as enabling the Group to pursue its strategic growth objectives.

The Group's approach to capital allocation, which includes the progressive dividend policy referred to above, aims to support long-term growth and shareholder returns. The Group's capital allocation priorities are set out below:

- Maintain balance sheet strength to enable the Group to meet its operational cash requirements and manage through cyclical sales markets.
- Invest in areas that drive organic growth and rebuild our competitive advantages.
- Pay a progressive ordinary dividend.
- Deploy capital to acquire high quality lettings portfolios to drive inorganic lettings growth.
- Return excess capital, not used for profitable growth, to shareholders.

An interim dividend of 0.2p per share was paid in September 2023.The Board has proposed a final dividend of 0.7p, which maintains the full year dividend at 0.9p per share (2022: 0.9p per share). The proposed dividend will be paid on 28 May 2024 to shareholders on the register at 12 April 2024, subject to shareholder approval at the AGM due to be held on 7 May 2024. The shares will be quoted ex-dividend on 11 April 2024.

SHARE BUY BACK

A total of £1.1 million (2022: £4.9 million) of shares were bought back in the year to return excess capital to shareholders. The Board will continue to keep share buybacks under review, but in the context of other potential uses of capital.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 14 of the financial statements.

TREASURY MANAGEMENT

The Group seeks to ensure it has sufficient funds for day-to-day operations and to enable strategic priorities to be pursued. Financial risk is managed by ensuring the Group has access to sufficient borrowing facilities to support working capital demands and growth strategies, with cash balances held with major UK based banks. The Group has no foreign currency risk and as a consequence has not entered into any financial instruments to protect against currency risk.

PENSIONS

The Group does not have any defined benefit schemes in place but is subject to the provisions of auto-enrolment which require the Group to make certain defined contribution payments for our employees.

RISK MANAGEMENT

The Group has identified its principal risks and uncertainties and they are regularly reviewed by the Board and Senior Management. Refer to pages 23 and 24 for details of the Group's risk management framework and principal risks and uncertainties.

GOING CONCERN, PROSPECTS AND VIABILITY

The financial statements of the Group have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial statements, the Group will have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the financial statements. Furthermore, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a five-year viability period. Refer to Note 1 continue in operation and meet its liabilities as they fall due over a five-year viability period. Refer to Note 1 of the financial statements for details of the Group's going concern assessment and the going concern statement.

Chris Hough
Chief Financial Officer
4 March 2024

PRINCIPAL RISKS

Risk management

The Board is responsible for establishing and maintaining the Group's system of risk management and internal control, with the aim of protecting its employees and customers and safeguarding the interests of the Group and its shareholders in the constantly changing environment in which it operates. The Board, through the Audit Committee, regularly reviews the principal risks facing the Group, together with the relevant mitigating controls, and undertakes a robust risk assessment. In reviewing the principal risks, the Board considers emerging risks, including climate-related risks, and changes to existing risks. In addition, the Board has set guidelines for risk appetite as part of the risk management process against which risks are monitored.

The identification of risks is undertaken by specific executive risk committees that analyse the risk universe by risk type across four key risk types: strategic risks, financial risks, operational risks and compliance risks. A common risk register is used across the Group to monitor gross and residual risk, with the results assessed by the Audit Committee and Board. The Audit Committee monitors the effectiveness of the risk management system through management updates, output from the various executive risk committees and reports from internal audit.

The principal risks do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management, or deemed to be less material at the date of this report, may also have an adverse effect on the Group.

Risk	**Impact on the Group**
Market risk	The key factors driving market risk are: • Affordability, including ongoing cost of living increases, which in turn may reduce market transaction levels. • The market being reliant on the availability of affordable mortgage finance, a deterioration in availability or an increase in borrowing rates may adversely impact the performance of the Sales business. In 2023, borrowing rates increased reflecting increases in the Bank of England base rate. Since the start of 2024, there is improved stability of borrowing rates, with rates beginning to fall which may support additional market activity; • The market being impacted by changes in government policy such as renters reform or changes in stamp duty legislation; • A reduction in London's standing as a major financial city caused by the macro-economic and political environment; and • Heightened geopolitical risk which may increase market uncertainty and customer confidence.
Competitor challenge	The Group operates in a highly competitive marketplace and there is a risk the Group could lose market share. Market share loss could be the result of competitors scaling up (organically or through acquisition), developing new customer service propositions, changing pricing structures or launching alternative business models to drive a competitive advantage.
Compliance with the legal and regulatory environment	Breaches of laws or regulations could lead to financial penalties and reputational damage. Our estate agency business operates under a range of legal and regulatory requirements, such as complying with certain money laundering regulations and protecting client money in line with the relevant regulations. Our Financial Services business is authorised and regulated by the Financial Conduct Authority (FCA) and could be subject to sanctions for non-compliance. During periods of interest rate volatility there is an increased risk of compliance issues arising which require specific management.
Risk	**Impact on the Group**
IT systems and cyber risk	Our business operations are dependent on sophisticated and bespoke IT systems which could fail or be deliberately targeted by cyber attacks leading to interruption of service, corruption of data or theft of personal data. Such a failure or loss could also result in reputational damage, fines or other adverse consequences.
People	There is a risk the Group may not be able to recruit or retain quality staff to achieve its operational objectives or mitigate succession risk. As experienced in the current labour market, increased competition for talent leads to a reduction in the available talent pool and an increased cost of labour. Additional risk could arise in the event there are changes

	in our industry or markets that result in less attractive career opportunities.
Reputation and brand	Foxtons is an iconic estate agency brand with high levels of brand recognition. Maintaining a positive reputation and the prominence of the brand is critical to protecting the future prospects of the business. There is a risk our reputation and brand could be damaged through negative press coverage and social media due to customer service falling below expectations or because our actions are considered to be inappropriate. We recognise the need to maintain our reputation and protect our brand by delivering consistently high levels of service and maintaining a culture which encourages our employees to act with the highest ethical standards.

Forward looking statements

This preliminary announcement contains certain forward-looking statements with respect to the financial condition and results of operations of Foxtons Group plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements are based on the Directors' current views and information known to them at 4 March 2024. The Directors do not make any undertakings to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this statement should be construed as a profit forecast.

RESPONSIBILITY STATEMENT

The following statement will be contained in the 2023 Annual Report and Accounts.

Each of the Directors confirms that to the best of their knowledge:

- the consolidated and Parent Company financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces; and
- the Directors confirm that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

On behalf of the Board

Guy Gittins
Chief Executive Officer
4 March 2024

Chris Hough
Chief Financial Officer
4 March 2024

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

Continuing operations	Notes	**2023 £'000**	**2022 £'000**
Revenue	2	**147,127**	140,322
Direct operating costs		**(53,881)**	(49,011)
Other operating costs		**(83,456)**	(77,471)
Operating profit		**9,790**	13,840
Other losses		**-**	(35)
Finance income		**381**	137
Finance costs		**(2,277)**	(2,003)
Profit before tax from continuing operations		**7,894**	11,939
Tax charge	4	**(2,404)**	(2,377)
Profit for the year from continuing operations		**5,490**	9,562
Discontinued operations			
Loss after tax for the year from discontinued operations		-	(435)
Profit for the year attributable to shareholders of the Company		**5,490**	9,127

Earnings per share

From continuing operations			
Basic earnings per share	6	**1.8p**	3.0p
Diluted earnings per share	6	**1.7p**	3.0p

From continuing and discontinued operations			
Basic earnings per share	6	**1.8p**	2.9p

Diluted earnings per share	6	**1.7p**	2.8p

Adjusted measures

From continuing operations			
Adjusted EBITDA[1,4]	16	**17,511**	16,489
Adjusted operating profit[2,4]	2	**14,256**	13,909
Adjusted profit before tax[1,4]	16	**12,360**	12,008
Adjusted basic earnings per share[3,4]	6	**3.0p**	3.1p

[1] Adjusted EBITDA and Adjusted profit before tax are APMs and are reconciled to the nearest statutory measure in Note 16. Both measures exclude £4.47 million of adjusted items (2022: £0.07 million) which are detailed in Note 3.

[2] Adjusted operating profit is an APM and is reconciled to statutory profit before tax in Note 2. The measure excludes £4.47 million of adjusted items (2022: £0.07 million) which are detailed in Note 3.

[3] Adjusted basic earnings per share from continuing operations is an APM and is reconciled to statutory earnings per share in Note 6.

[4] Further details of the APMs are provided in Note 16.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Profit for the year attributable to shareholders of the Company		**5,490**	9,127
Other comprehensive loss:			
Items that will not be reclassified to profit or loss (net of tax):			
Changes in fair value of equity instruments at FVOCI		**-**	(3,711)
Other comprehensive loss for the period		**-**	(3,711)
Total comprehensive income for the period		**5,490**	5,416
Total comprehensive profit attributable to shareholders of the Company arising from:			
Continuing operations		**5,490**	5,851
Discontinued operations		**-**	(435)
		5,490	5,416

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Goodwill	7	**40,709**	26,050
Other intangible assets	7	**114,897**	109,309
Property, plant and equipment		**9,459**	10,692
Right-of-use assets	8	**42,471**	42,570
Contract assets		**4,748**	1,688
Investments		**31**	6
Deferred tax assets		**1,905**	1,386
		214,220	191,701
Current assets			
Trade and other receivables		**17,432**	16,016
Contract assets		**14,256**	5,688
Current tax assets		**-**	745
Cash and cash equivalents		**4,989**	12,027
Assets classified as held for sale		**450**	-
		37,127	34,476
Total assets		**251,347**	226,177
Current liabilities			
Trade and other payables		**(21,303)**	(16,694)
Current tax liabilities		**(79)**	-
Borrowings		**(11,682)**	-
Lease liabilities	8	**(10,686)**	(10,708)
Contract liabilities		**(11,770)**	(9,745)
Provisions		**(1,609)**	(1,506)
		(57,129)	(38,653)
Net current liabilities		**(20,002)**	(4,177)
Non-current liabilities			
Lease liabilities	8	**(36,915)**	(35,753)
Borrowings	10	**(98)**	-
Contract liabilities		**(439)**	(289)
Provisions		**(3,008)**	(1,765)
Deferred tax liabilities		**(28,153)**	(27,049)

		(68,613)	(64,856)
Total liabilities		**(125,742)**	(103,509)
Net assets		**125,605**	122,668
Equity			
Share capital	11	**3,301**	3,301
Merger reserve	12	**20,568**	20,568
Other reserves	12	**2,653**	2,653
Own shares reserve	13	**(12,092)**	(10,993)
Retained earnings		**111,175**	107,139
Total equity		**125,605**	122,668

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 4 March 2024.
Signed on behalf of the Board of Directors

Chris Hough
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Notes	Share capital £'000	Merger reserve £'000	Other reserves £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2023		**3,301**	**20,568**	**2,653**	**(10,993)**	**107,139**	**122,668**
Profit for the year attributable to shareholders of the Company		**-**	**-**	**-**	**-**	**5,490**	**5,490**
Changes in fair value of equity instruments at FVOCI		**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**5,490**	**5,490**
Dividends	5	**-**	**-**	**-**	**-**	**(2,725)**	**(2,725)**
Own shares acquired in the period	13	**-**	**-**	**-**	**(1,112)**	**-**	**(1,112)**
Credit to equity for share-based payments		**-**	**-**	**-**	**-**	**1,284**	**1,284**
Settlement of share incentive plan		**-**	**-**	**-**	**13**	**(13)**	**-**
Balance at 31 December 2023		**3,301**	**20,568**	**2,653**	**(12,092)**	**111,175**	**125,605**

	Notes	Share capital £'000	Merger reserve £'000	Other reserves £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2022		3,301	20,568	2,653	(6,059)	103,039	123,502
Profit for the year attributable to shareholders of the Company		-	-	-	-	9,127	9,127
Changes in fair value of equity instruments at FVOCI		-	-	-	-	(3,711)	(3,711)
Total comprehensive income for the year		-	-	-	-	5,416	5,416
Dividends	5	-	-	-	-	(1,487)	(1,487)
Own shares acquired in the period	13	-	-	-	(4,941)	-	(4,941)
Credit to equity for share-based payments		-	-	-	-	178	178
Settlement of share incentive plan		-	-	-	7	(7)	-
Balance at 31 December 2022		3,301	20,568	2,653	(10,993)	107,139	122,668

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Operating activities			
Operating profit from continuing operations	2	**9,790**	13,840
Operating loss from discontinued operations		-	(414)
Operating profit from continuing and discontinued operations		**9,790**	13,426
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets		**12,910**	12,197
Amortisation of intangible assets	7	**1,791**	1,551
Gain on disposal of discontinued operations		-	(180)
Net impairment/(reversal of impairment) of property, plant and equipment and right-of-use assets	3	**3,410**	(310)
Loss on disposal of property, plant and equipment and intangibles		**17**	114

Gain on lease surrenders and lease modifications		**(894)**	-
Sub-lease asset impairment/(net gain on recognition of sub-lease asset)		**190**	(187)
Increase in provisions		**422**	1,055
Cash settlement of share incentive plan		-	(7)
Share-based payment charges		**1,036**	178
Operating cash flows before movements in working capital		**28,672**	27,837
Increase in receivables		**(12,136)**	(2,108)
Increase in payables		**1,328**	862
Cash generated by operations		**17,864**	26,591
Income taxes paid		**(2,192)**	(2,659)
Net cash from operating activities		**15,672**	23,932
Investing activities			
Interest received		**381**	137
Proceeds on disposal of property, plant and equipment		-	53
Purchases of property, plant and equipment		**(2,121)**	(2,953)
Purchases of intangibles	7	**(1,495)**	(755)
Purchases of investments		**(25)**	(400)
Acquisition of subsidiaries (net of cash acquired)	9	**(13,935)**	(8,490)
Disposal of discontinued operations		-	(3,715)
Net cash used in investing activities		**(17,195)**	(16,123)
Financing activities			
Proceeds from borrowings		**21,573**	-
Repayment of borrowings		**(10,681)**	-
Dividends paid	5	**(2,725)**	(1,487)
Interest on borrowings		**(236)**	(38)
Interest on lease liabilities		**(1,971)**	(1,965)
Repayment of lease liabilities	8	**(10,554)**	(10,721)
Sub-lease receipts		**191**	281
Purchase of own shares	13	**(1,112)**	(4,941)
Net cash used in financing activities		**(5,515)**	(18,871)
Net decrease in cash and cash equivalents		**(7,038)**	(11,062)
Cash and cash equivalents at beginning of year[1] comprised:		**12,027**	23,089
Cash and cash equivalents relating to continuing operations		**12,027**	19,374
Cash and cash equivalents held for sale (discontinued operations)		-	3,715
Cash and cash equivalents at end of year[1] comprised:		**4,989**	12,027
Cash and cash equivalents relating to continuing operations		**4,989**	12,027

[1] Total Group balances, which include cash related to continuing and discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

1.1 General information

Foxtons Group plc ('the Company') is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the Company's registered office is Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. The principal activity of the Company and its subsidiaries (collectively, 'the Group') is the provision of services to the residential property market in the UK.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

1.2 Basis of preparation

The consolidated preliminary results of the Company for the year ended 31 December 2023 comprise the Company and its subsidiaries.

The consolidated preliminary results of the Group for the year ended 31 December 2023 were approved by the Directors on 4 March 2024. These consolidated preliminary results have been prepared in accordance with the accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. They do not include all the information required for full annual financial statements to comply with UK-adopted International Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2023.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Financial Review. The Financial Review also includes a summary of the Group's financial position and its cash flows.

The financial information for the year ended 31 December 2023 does not constitute statutory accounts as defined in sections 435 (1) and (2) of the Companies Act 2006. The auditor has reported on these accounts; their report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the Company's 2024 Annual General Meeting.

1.3 Going concern

Going concern assessment

The financial statements of the Group have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial statements, the Group will have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the consolidated financial statements. The assessment has taken into consideration the Group's financial position, liquidity requirements, recent trading performance and the outcome of reverse stress testing. At 31 December 2023, the Group was in a net debt position of £6.7 million (2022: £12.0 million net cash) and a net current liability position of £20.0 million (2022: £4.2 million), both of which include the £11.7 million drawdown on the Group's £20.0 million revolving credit facility ('RCF') used to fund the Group's acquisition strategy and working capital requirements. The facility is available for use until June 2026 and has an option to extend for two further years to June 2028. For RCF terms refer to Note 10.

Reverse stress scenario

In assessing the Group's ability to continue as a going concern, the Directors have stress tested the Group's cash flow forecasts using a reverse stress scenario which incorporates a severe deterioration in market conditions. Reverse stress testing seeks to determine the point at which the Group could be considered to fail without taking further mitigating actions or raising additional funds. For the purposes of the reverse stress test, the point of failure has been defined as the point at which the Group breaches its RCF covenants.
The reverse stress scenario has taken into consideration the revenue characteristics of the Group, specifically the transactional nature of Sales revenue, which contrasts to the recurring and non-cyclical nature of Lettings revenue. The scenario assumes a severe macro-economic downturn from April 2024 to December 2025 which heavily impacts Sales and Financial Services revenues since these streams are most sensitive to the macro-economic environment. Additionally, Lettings revenues have been assumed to be impacted despite their resilient nature. The key assumptions are summarised below:

- A 30% reduction in sales market transactions and a 16% reduction in Lettings units compared to 2022, during which sales market conditions were more normalised. For context, a 30% reduction in sales market transactions would see transaction volumes fall c.10% compared to those levels seen in 2009 following the Global Financial Crisis.
- Additionally, the scenario incorporates a 10% reduction in house prices and a 13% reduction in Lettings average revenue per transaction from current levels, further reducing revenues.
- Under the reverse stress scenario, Sales revenue would be 23% lower than 2023 and Lettings revenue would be 9% lower than 2023. Noting that 2023 Sales revenues were already at a depressed level, a further fall of 23% in improving market conditions is considered to be unlikely.
- Under the scenario, it is assumed management would take mitigating action to reduce discretionary spending and right size fee earner headcount to reflect market conditions. The modelled actions include: reducing front office headcount in line with the revenue reductions; reducing backoffice headcount; reducing discretionary spend such as marketing; and pausing capital expenditure.

In the unlikely event of the reverse stress scenario, the Group forecasts it would breach the RCF's leverage covenant (refer to Note 10 for details of the covenants) in March 2025. Under such a scenario, further mitigating actions that could be taken, but not included in the reverse stress scenario, include further reducing discretionary spend, further rationalising headcount, seeking agreement to defer lease payments or raising additional funds.

1.4 Critical accounting judgements and key sources of estimation uncertainty

The critical accounting judgements and key sources of estimation uncertainty within these consolidated preliminary results are the same as those within the 2023 Annual Report and Accounts: 'Useful economic life of the brand intangible asset' and 'impairment of intangibles with an indefinite life'.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Products and services from which reportable segments derive their revenues

Management has determined the operating segments based on the monthly management pack reviewed by the Directors, which is used to assess both the performance of the business and to allocate resources within the entity. Management has identified that the Board is the Chief Operating Decision Maker ('CODM') in accordance with the requirements of IFRS 8 'Operating Segments'.

The operating and reportable segments of the Group are (i) Lettings; (ii) Sales; and (iii) Financial Services.

(i) Lettings generates commission from the letting and management of residential properties and income from interest earned on tenants' deposits.

(ii) Sales generates commission on sales of residential property.

(iii) Financial Services generates commission from the arrangement of mortgages and related products under contracts with financial service providers and receives administration fees from clients.

All revenue for the Group is generated from within the UK and there is no intra-group revenue.

Segment assets and liabilities, including depreciation, amortisation and additions to non-current assets, are not reported to the Directors on a segmental basis and are therefore not disclosed. Goodwill and intangible assets have been allocated to reportable segments as described in Note 7.

The segmental disclosures include two APMs as defined below. Further details of the APMs is provided in Note 16.

Contribution and contribution margin

Contribution is defined as revenue less direct operating costs (being salary costs of front office staff and costs of bad debt). Contribution margin is defined as contribution divided by revenue. These measures indicate the profitability and efficiency of the segments before the allocation of shared costs.

Adjusted operating profit and adjusted operating profit margin

Adjusted operating profit represents the profit before tax for the period before adjusted items (defined below), finance income, finance cost and other gains/losses. Adjusted operating profit margin is defined as adjusted operating profit divided by revenue. As explained in Note 16, these measures are used by the Board to measure delivery against the Group's strategic priorities, to allocate resource and to assess segmental performance.

Adjusted items

Adjusted items

Adjusted operating profit, adjusted operating profit margin and adjusted earnings per share, exclude adjusted items. Adjusted items include costs or revenues which due to their size and incidence require separate disclosure in the financial statements to reflect management's view of the underlying performance of the Group and allow comparability of performance from one period to another. Items include restructuring and impairment charges, significant acquisition costs and any other significant exceptional items. Refer to Note 3 for further information of the adjusted items recognised in the period.

Segment revenues and results

The following is an analysis of the Group's continuing operations results by reportable segment for the year ended 31 December 2023:

	Notes	Lettings £'000	Sales £'000	Financial Services £'000	Corporate costs £'000	Group total £'000
Revenue		**101,188**	**37,158**	**8,781**	**n/a**	**147,127**
Contribution	16	**75,381**	**14,455**	**3,410**	**n/a**	**93,246**
Contribution margin	16	***74.5%***	***38.9%***	***38.8%***	***n/a***	***63.4%***
Adjusted operating profit/(loss)	16	**25,838**	**(9,974)**	**654**	**(2,262)**	**14,256**
Adjusted operating profit/(loss) margin	16	***25.5%***	***(26.8%)***	***7.4%***	***n/a***	***9.7%***
Adjusted items	3					**(4,466)**
Operating profit						**9,790**
Finance income						**381**
Finance cost						**(2,277)**
Profit before tax						**7,894**

Depreciation and amortisation	Lettings £'000	Sales £'000	Financial Services £'000	Corporate costs £'000	Group total £'000
Depreciation[1]	**(8,080)**	**(4,815)**	**(15)**	**-**	**(12,910)**
Amortisation from non-acquired intangibles	**(205)**	**(130)**	**(60)**	**-**	**(395)**
Amortisation from acquired intangibles	**(1,315)**	**(81)**	**-**	**-**	**(1,396)**
Total	**(9,600)**	**(5,026)**	**(75)**	**-**	**(14,701)**

[1] Total depreciation of £12.9 million consists of £2.4m million of property, plant and equipment depreciation and £10.5 million of IFRS 16 lease depreciation (refer to Note 8).

The following is an analysis of the Group's continuing operations results by reportable segment for the year ended 31 December 2022:

	Notes	Lettings £'000	Sales £'000	Financial Services £'000	Corporate costs £'000	Group total £'000
Revenue		86,918	43,182	10,222	n/a	140,322
Contribution	16	64,788	22,040	4,483	n/a	91,311
Contribution margin	*16*	*74.5%*	*51.0%*	*43.9%*	*n/a*	*65.1%*
Adjusted operating profit/(loss)	16	17,989	(3,231)	1,767	(2,616)	13,909
Adjusted operating profit/(loss) margin	*16*	*20.7%*	*(7.5%)*	*17.3%*	*n/a*	*9.9%*
Adjusted items	3					(69)
Operating profit						13,840
Other losses						(35)
Finance income						137
Finance cost						(2,003)
Profit before tax						11,939

D&G Sales (disposed 11 February 2022) is presented as a discontinued operation.

Depreciation and amortisation	Lettings £'000	Sales £'000	Financial Services £'000	Corporate costs £'000	Group total £'000
Depreciation[1]	(7,517)	(4,664)	(16)	-	(12,197)
Amortisation from non-acquired intangibles	(230)	(195)	(85)	-	(510)
Amortisation from acquired intangibles	(913)	(128)	-	-	(1,041)
Total	(8,660)	(4,987)	(101)	-	(13,748)

[1] Total depreciation of £12.2 million consists of £2.1 million of property, plant and equipment depreciation and £10.1 million of IFRS 16 lease depreciation (refer to Note 8).

3. ADJUSTED ITEMS

Adjusted operating profit, adjusted operating profit margin, adjusted EBITDA, adjusted EBITDA margin, adjusted profit before tax, adjusted earnings per share, exclude adjusted items. These APMs are defined, purpose explained and reconciled to statutory measures in Note 2 and Note 16. The following items have been classified as adjusted items attributable to continuing operations in the period.

	2023 £'000	2022 £'000
Branch asset (reversal)/impairment charge [1]	**3,410**	(310)
Net property related charge/(reversal)[2]	**671**	(439)
Transaction related costs [3]	**385**	199
Reorganisation costs[4]	-	619
	4,466	69

[1] The branch impairment charge mainly relates to plant, property and equipment £1,037k (2022: impairment reversal of £181k) and right-of-use assets £2,373k (2022: reversal of £129k) (refer to Note 8).

[2] Net property related charge/(reversal) include dilapidations, rates, service charges and other unavoidable costs under onerous leases, net sub-lease impairment offset by a net gain on the disposal of IFRS 16 balances.

[3] Transaction related costs relate to costs involved with the acquisition of Atkinson McLeod and Ludlow Thompson (2022: for the acquisition of IMM Properties Limited).

[4] Net cost of Executive reorganisation that was completed in 2022.

£4.3 million of the total net adjusted items charge relates to the following items, of which £3.3 million is cash related and £1.0 million is non-cash related:

- £3.6 million relates to the decision to integrate Ludlow Thompson into the Foxtons network to deliver cost synergies; and
- £0.7 million relates to the closure of three Foxtons branches as the Group consolidates branches to deliver cost savings.

Net cash outflow from adjusted items during the year totalled £0.6 million (2022: £1.4 million).

4. TAXATION

Recognised in the Group income statement

The components of the tax charge recognised in the Group income statement are:

	2023 £'000	2022 £'000
Current tax		
Current period UK corporation tax	**2,684**	2,078
Adjustment in respect of prior periods	**160**	82
Total current tax charge	**2,844**	2,160
Deferred tax		
Origination and reversal of temporary differences	**(471)**	376
Impact of change in tax rate	**(24)**	(12)
Adjustment in respect of prior periods	**55**	(147)
Total deferred tax (credit)/charge	**(440)**	217
Tax charge on profit on ordinary activities from continuing operations	**2,404**	2,377

Corporation tax for the year ended 31 December 2023 is calculated at 23.5% (2022: 19%) of the estimated taxable profit for the period.

The March 2021 Spring Budget announced an increase in the UK corporate tax rate from 19% to 25%, from 1 April 2023. The rate was substantively enacted on 24 May 2021. Deferred tax assets/liabilities have been recognised at 25% to the extent they are expected to unwind after 1 April 2023.

Reconciliation of effective tax charge

The tax on the Group's profit before tax from continuing operations differs from the standard UK corporation tax rate of 23.5% (2022: 19%), because of the following factors:

	2023 £'000	2022 £'000
Profit before tax from continuing operations	**7,894**	11,939
Tax at the UK corporation tax rate (see above)	**1,855**	2,268
Tax effect of expenses that are not deductible	**483**	354
Tax effect of non-taxable income	**(12)**	-
Other differences - share options	**(51)**	242
Adjustment in respect of previous periods	**215**	(65)
Impact on deferred tax of change in tax rate	**(24)**	(12)
Recognition of a deferred tax asset	**(62)**	(410)
Tax charge on loss on ordinary activities	**2,404**	2,377
Effective tax rate	**30.5%**	19.9%

Group relief is claimed and surrendered between Group companies for consideration equal to the tax benefit.

Deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly charged to equity is £248k (2022: £8k credit) and relates to deferred tax arising on share-based payment schemes.

5. DIVIDENDS

	2023 £'000	2022 £'000
Final dividend for the year ended 31 December 2022: 0.70p (31 December 2021: 0.27p) per ordinary share	**2,122**	856
Interim dividend for the year ended 31 December 2023: 0.20p (31 December 2022: 0.20p) per ordinary share	**603**	631
	2,725	1,487

For 2023, the Board has proposed a final dividend of 0.70p per ordinary share (£2.1 million) to be paid on 28 May 2024.

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the earnings attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period, excluding own shares held, plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary share awards into ordinary shares. The Company's potentially dilutive ordinary shares are in respect of share awards granted to employees.

	Continuing operations		Total Group (continuing and discontinued operations)	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Profit for the purposes of basic and diluted earnings per share	**5,490**	9,562	**5,490**	9,127
Adjusted for:				
Adjusted items (including associated taxation)[1]	**3,585**	47	**3,585**	(133)
Adjusted earnings for the purposes of adjusted earnings per share	**9,075**	9,609	**9,075**	8,994

Number of shares	**2023**	2022	**2023**	2022
Weighted average number of ordinary shares for the purposes of basic earnings per share	**302,039,983**	314,818,812	**302,039,983**	314,818,812
Effect of potentially dilutive ordinary shares	**12,877,904**	5,824,398	**12,877,904**	5,824,398
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**314,917,887**	320,643,210	**314,917,887**	320,643,210
Earnings per share (basic)	**1.8p**	3.0p	**1.8p**	2.9p
Earnings per share (diluted)	**1.7p**	3.0p	**1.7p**	2.8p
Adjusted earnings per share (basic)	**3.0p**	3.1p	**3.0p**	2.9p
Adjusted earnings per share (diluted)	**2.9p**	3.0p	**2.9p**	2.8p

[1] Adjusted items relating to continuing operations of £4,466k (2022: £69k) per Note 3, and associated tax credit of £881k (2022: £22k charge), resulting in an after tax charge of £3,585k (2022: £47k). Adjusted items relating to discontinued operations of £nil (2022: £180k charge), less £nil associated tax charge (2022: £nil), resulting in an after tax credit of £nil (2022: £180k charge).

7. GOODWILL AND OTHER INTANGIBLES

2023	Goodwill £'000	Brand £'000	Software £'000	Assets under construction £'000	Customer contracts and relationships £'000	Total £'000
Cost						
At 1 January 2023	**35,869**	**99,000**	**2,244**	**755**	**12,041**	**149,909**
Additions	**-**	**-**	**763**	**732**	**-**	**1,495**
Acquired through business combinations (refer to Note 9)	**14,659**	**-**	**-**	**-**	**5,884**	**20,543**
At 31 December 2023	**50,528**	**99,000**	**3,007**	**1,487**	**17,925**	**171,947**
Accumulated amortisation and impairment losses						
At 1 January 2023	**9,819**	**-**	**1,798**	**-**	**2,933**	**14,550**
Amortisation	**-**	**-**	**395**	**-**	**1,396**	**1,791**
At 31 December 2023	**9,819**	**-**	**2,193**	**-**	**4,329**	**16,341**
Net carrying value						
At 31 December 2023	**40,709**	**99,000**	**814**	**1,487**	**13,596**	**155,606**
At 1 January 2023	**26,050**	**99,000**	**446**	**755**	**9,108**	**135,359**

2022	Goodwill £'000	Brand £'000	Software £'000	Assets under construction £'000	Customer contracts and relationships £'000	Total £'000
Cost						
At 1 January 2022	27,535	99,000	2,607	-	9,143	138,285
Additions	-	-	-	755	-	755
Disposals	-	-	(363)	-	-	(363)
Acquired through business combinations	8,334	-	-	-	2,898	11,232
At 31 December 2022	35,869	99,000	2,244	755	12,041	149,909
Accumulated amortisation and impairment losses						
At 1 January 2022	9,819	-	1,589	-	1,892	13,300
Amortisation	-	-	510	-	1,041	1,551
Disposal	-	-	(301)	-	-	(301)
At 31 December 2022	9,819	-	1,798	-	2,933	14,550
Net carrying value						
At 31 December 2022	26,050	99,000	446	755	9,108	135,359

At 1 January 2022	17,716	99,000	1,018	-	7,251	124,985

Annual impairment review

a) Carrying value of goodwill and intangible assets with indefinite lives

The carrying values of goodwill and intangible assets with indefinite lives are summarised below. These assets have been subject to an annual impairment review.

	2023	2022
	£'000	£'000
Lettings goodwill	**40,709**	26,050
Brand asset - Sales and Lettings	**99,000**	99,000
	139,709	125,050

- Lettings goodwill is allocated to the Lettings CGU and tested at this level. This allocation represents the lowest level at which goodwill is monitored for internal management purposes and is not larger than an operating segment.
- The brand asset has been tested for impairment by aggregating the values in use relating to the Lettings and Sales CGUs. No brand value is allocated to the Financial Services CGU since the Foxtons brand only relates to the Sales and Lettings CGUs. This grouping represents the lowest level at which management monitors the brand internally and reflects the way in which the brand asset is viewed, rather than being allocated to each segment on an arbitrary basis.

b) Impairment review approach and outcome

The Group tests goodwill and the indefinite life brand asset annually for impairment, or more frequently if there are indicators of impairment, in accordance with IAS 36 'Impairment of Assets'.

The Group has determined the recoverable amount of each CGU from value in use calculations. The value in use calculations use cash flow projections from formally approved budgets and forecasts covering a five-year period, with a terminal growth rate after five years. The resultant cash flows are discounted using a pre-tax discount rate appropriate to the CGUs.

Following the annual impairment review performed as at 30 September 2023, there has been no impairment of the carrying amount of goodwill or the brand asset.

c) Impairment review assumptions

The assumptions used in the annual impairment review are detailed below:

Cash flow assumptions

The key variables in determining the cash flows are Lettings revenues, Sales revenues and the associated direct costs incurred during the forecast period. These assumptions are based upon a combination of past experience of observable trends and expectations of future changes in the market. Key assumptions are as follows:

- Sales revenue increases by a CAGR (compound average growth rate) of 10.7% as the market recovers 5% in 2024 and 2.5% annually from there and market share growth continues.
- Within the Sales revenue assumption, house prices are assumed to fall 2% in 2024 before increasing 2.5% annually from 2026.
- Lettings revenue is assumed to grow at a CAGR of 3.4% over the forecast period, excluding future Lettings portfolio acquisitions that must be excluded from forecast cash flows under the relevant accounting standard.

Long-term growth rates

To evaluate the recoverable amounts of each CGU, a terminal value has been assumed after the fifth year and includes a long-term growth rate in the cash flows of 2% (2022: 2%) into perpetuity.

The long-term growth rate is derived from management's estimates, which take into account the long-term nature of the market in which each CGU operates and external long-term growth forecasts.

Discount rates

In accordance with IAS 36, the pre-tax discount rate applied to the cash flows of each CGU is based on the Group's weighted average cost of capital (WACC) and is calculated using a capital asset pricing model and incorporates lease debt held under IFRS 16. The WACC has been adjusted to reflect risks specific to each CGU not already reflected in the future cash flows for that CGU.

The pre-tax discount rate used to discount Lettings cash flows used in the assessment of Lettings goodwill is 17.1% (2022: 16.0%). The pre-tax discount rate used to discount aggregated Sales and Lettings cash flows used in the assessment of the brand asset is 17.1% (2022: 16.0%). The year-on-year increase in the discount rate is attributable to market changes in WACC inputs, primarily the risk free rate.

d) Sensitivity analysis

Sensitivity analysis has been performed to assess whether the carrying values of goodwill and the brand asset are sensitive to reasonably possible changes in key assumptions and whether any changes in key assumptions would materially change the carrying values. Lettings goodwill showed significant headroom against all sensitivity scenarios, while the brand asset is sensitive to reasonably possible changes in key assumptions.

The key assumption in the brand impairment assessment is the forecast revenues for the Lettings and Sales businesses. The carrying value of the brand asset is not highly sensitive to changes in discount rates or long-term growth rates.

The impairment model indicates brand asset headroom of £60.4 million (2022: £71.1 million) or 38% (2022: 49%) of the carrying value under test. Cash flows are sourced from the Group's Board approved plan while also complying with the requirements of the relevant accounting standard.

Assuming no changes in other elements of the plan, the brand asset headroom would reduce to zero if the combined revenue CAGR over the forecast period reduces from 5.5% to 3.4%. Under a reasonably possible downside scenario, in which Sales revenue only fully recovers to 2022 levels by 2028, Lettings revenue growth is limited to 2.2% and the Group takes appropriate mitigating actions, such as reducing discretionary spend and direct costs, the brand asset headroom would be reduced to £1.1 million.

8. LEASES

Group as a lessee

The Group has lease contracts for its head office, branches and for motor vehicles used in its operations. With the exception of short-term leases, each lease is recognised on the balance sheet with a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Generally, the right-of-use assets can only be used by the Group, unless there is a contractual right for the Group to sub-lease the asset to another party. The Group is also prohibited from selling or pledging the leased assets as security.

Right-of-use assets

The carrying amounts of the right-of-use assets recognised and the movements during the year are outlined below:

	Property £'000	Motor vehicles £'000	Total £'000
At 1 January 2022	38,409	5,423	43,832
Additions	6,346	2,218	8,564
Acquired through business combinations	569	30	599
Lease modifications	138	-	138
Disposals	(154)	(404)	(558)
Depreciation	(7,018)	(3,116)	(10,134)
Net impairment reversal/(charge)	163	(34)	129
At 31 December 2022	**38,453**	**4,117**	**42,570**
Additions	**5,701**	**7,831**	**13,532**
Acquired through business combinations (refer to Note 9)	**1,891**	**-**	**1,891**
Lease modifications	**(298)**	**-**	**(298)**
Disposals	**(1,845)**	**(495)**	**(2,340)**
Depreciation	**(7,012)**	**(3,499)**	**(10,511)**
Impairment charge	**(2,373)**	**-**	**(2,373)**
At 31 December 2023	**34,517**	**7,954**	**42,471**

Lease liabilities

The carrying amounts of lease liabilities recognised and the movements during the year are outlined below:

	Property £'000	Motor vehicles £'000	Total £'000
At 1 January 2022	42,608	5,475	48,083
Additions	6,279	2,218	8,497
Acquired through business combinations	777	103	880
Lease modifications	138	-	138
Disposals	-	(416)	(416)
Interest charge	1,839	126	1,965
Payments	(9,452)	(3,234)	(12,686)
At 31 December 2022	**42,189**	**4,272**	**46,461**
Additions	**5,609**	**7,831**	**13,440**
Acquired through business combinations (refer to Note 9)	**1,891**	-	**1,891**
Lease modifications	**(574)**	-	**(574)**
Disposals	**(2,577)**	**(486)**	**(3,063)**
Interest charge	**1,771**	**200**	**1,971**
Payments	**(8,832)**	**(3,693)**	**(12,525)**
At 31 December 2023	**39,477**	**8,124**	**47,601**
Current	**7,394**	**3,292**	**10,686**
Non-current	**32,083**	**4,832**	**36,915**

During the year ended 31 December 2023, the difference in lease modifications movements recognised within right-of-use assets and lease liabilities, totalling £0.3 million, is recognised as an adjusted item and included in the net property related charge within Note 3.

Of the movements in the year, cash payments in respect to principal lease instalments totalling £12.5 million were made (2022: £12.7 million) and the remaining net movement of £13.7 million (2022: £11.1 million) was non-cash in nature.

At the balance sheet date, continuing operations had outstanding commitments for future minimum lease payments which fall due as follows:

	2023 £'000	2022 £'000
Maturity analysis - contractual undiscounted cash flows from continuing operations		
Within one year	**12,488**	11,671
In the second to fifth years inclusively	**31,007**	30,147
After five years	**14,739**	10,598
	58,234	52,416

The Group has elected not to recognise a lease liability for short-term leases (expected lease term is 12 months or less), in line with the IFRS 16 short-term lease exemption. Payments made under such leases are expensed on a straight-line basis. At 31 December 2023, the Group had a commitment of less than £0.1 million in relation to short-term leases.

Amounts recognised in the profit or loss

The following are the amounts recognised in profit or loss during the year, in respect of the leases held by the Group as a lessee:

	2023 £'000			2022 £'000		
	Continuing operations	**Discontinued operations**	**Total Group**	Continuing operations	Discontinued operations	Total Group
Depreciation of right-of-use assets	**10,511**	**-**	**10,511**	10,134	-	10,134
Net impairment of right-of-use assets/(reversal of impairment)[1]	**2,373**	**-**	**2,373**	(129)	-	(129)
Interest expense on lease liabilities	**1,971**	**-**	**1,971**	1,965	21	1,986
Expenses relating to short-term leases	**1,438**	**-**	**1,438**	1,503	-	1,503
Total amount recognised in profit or loss	**16,293**	**-**	**16,293**	13,473	-	13,494

[1] Net impairment of right-of-use assets/(reversal of impairment) is classified as an adjusted item due to the one-off nature and is included in the branch asset impairment charge/(reversal) within Note 3.

The Group as an intermediate lessor

Finance lease receivables

The Group is an intermediate lessor for various lease arrangements considered to be finance sub-leases. The amounts recognised in the profit or loss during the year are outlined below:

	2023 £'000	2022 £'000
Finance income under finance leases recognised in the period	**41**	52

As at 31 December 2023 and 2022, third parties had outstanding commitments due to the Group for future undiscounted minimum lease payments, which fall due as follows:

	2023 £'000	2022 £'000
Within one year	**210**	320
In the second to fifth years inclusive	**606**	890
After five years	**351**	470
	1,167	1,680

9. BUSINESS COMBINATIONS

On 3 March and 6 November 2023 the Group acquired 100% of the share capital of the following independent London estate agents which are primarily focused on providing Lettings and Property Management services:

- Atkinson McLeod Limited ('Atkinson McLeod');
- Ludlow Thompson Holdings Limited and its subsidiaries Ludlowthompson SLM Ltd and Ludlowthompson.com Limited (collectively 'Ludlow Thompson').

The acquisitions are in line with the Group's strategy of acquiring high quality businesses with strong lettings portfolios.

A purchase price allocation exercise has been completed for Atkinson McLeod which identified £2.7 million of acquired intangible assets relating to customer contracts and relationships, which are identifiable and separable, and will be amortised over 10 years.

A provisional purchase price allocation exercise, which will be finalised in the first half of 2024, has been completed for Ludlow Thompson which provisionally identified £3.2 million of acquired intangible assets relating to customer contracts and relationships, which are identifiable and separable, and will be amortised over 10 years.

The discount rates applied to the forecast cash flows from the acquired customer contracts and relationships are based on Atkinson McLeod's and Ludlow Thompson's weighted average cost of capital (WACC), calculated using a capital asset pricing model. The WACC has been adjusted to reflect risks specific to Atkinson McLeod and Ludlow Thompson not already reflected in the future cash flows.

£5.6 million and £9.0 million of goodwill has arisen on the acquisitions of Atkinson McLeod and Ludlow Thompson, respectively, and is primarily attributable to synergies, new customers, the acquired workforce and business expertise. The acquired goodwill has been allocated for impairment testing purposes to the Group's Lettings cash-generating unit which is expected to benefit from the synergies of the combination. None of the goodwill is expected to be deductible for tax purposes.

Business combinations - contribution to 2023

From the date of acquisition, 3 March 2023, the Atkinson McLeod business combination contributed £1.8 million of revenue and £0.5 million adjusted operating profit to the Group's performance for the year. If the acquisition had taken place at the beginning of the year, revenue for the period would have been £2.4 million higher and adjusted operating profit would have increased by £0.8 million.

From the date of acquisition, 6 November 2023, the Ludlow Thompson business combination contributed £1.0 million of revenue and £0.1 million adjusted operating loss to the Group's performance for the year. If the acquisition had taken place at the beginning of the year, revenue for the period would have been £6.7 million higher and adjusted operating profit would have increased by £0.2 million.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the combined acquired entities as at the date of acquisition are disclosed below. The fair value of the identifiable assets and liabilities are estimated by taking into consideration all available information at the reporting date.

	Atkinson McLeod £'000	Ludlow Thompson £'000	Total £'000
Assets			
Acquired intangible assets recognised on acquisition	2,651	3,233	5,884
Property, plant and equipment	450	99	549
Right-of-use assets	-	1,891	1,891
Cash and cash equivalents	1,301	5	1,306
Trade and other receivables	68	358	426
Contract assets	185	876	1,061
	4,655	**6,462**	**11,117**
Liabilities			
Trade and other payables	304	2,031	2,335
Contract liabilities	794	1,105	1,899
Lease liabilities	-	1,891	1,891
Current tax liability	154	18	172
Deferred tax liability (net)	510	763	1,273
Borrowings	161	658[1]	819
Provisions	178	746	924
	2,101	**7,212**	**9,313**
Total identifiable net assets/(liabilities) at fair value	**2,554**	**(750)**	**1,804**
Goodwill arising on acquisition	**5,643**	**9,016**	**14,659**
Fair value of consideration	**8,197**	**8,266**	**16,463**

[1] The acquired borrowings of £658k were repaid in 2023.

The acquired lease liabilities were measured using the present value of the remaining lease payments as at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities, less any acquisition related adjustments.

The net deferred tax liabilities mainly comprise the tax effect of the accelerated amortisation for tax purposes of the acquired intangible assets recognised on acquisition offset by the deferred tax asset recognised on the acquired net contract liabilities.

Purchase consideration

	Atkinson McLeod £'000	Ludlow Thompson £'000	Total £'000
Amount settled in cash	7,457	6,312	13,769
Deferred/contingent cash consideration	740	1,954	2,694
Fair value of consideration	**8,197**	**8,266**	**16,463**

Purchase consideration settled in cash was £13.8 million, with £7.5 million paid in March 2023 and £6.3m paid in November 2023 for Atkinson McLeod and Ludlow Thompson respectively. Consideration paid in the period, net of cash acquired, was £12.5 million and is included in cash flows from investing activities.

As part of the purchase agreement with the previous owners of both Atkinson McLeod and Ludlow Thompson, £0.9 million of deferred consideration will be payable 12 months after the acquisition date. An estimated £1.8 million of contingent cash consideration will be payable 12 months after the acquisition date subject to certain performance targets being met. This deferred/contingent consideration of £2.7 million is included within trade and other payables.

Prior period acquisitions

As disclosed in Note 13 of the 2022 Annual Report and Accounts, the Group completed the acquisition of IMM Properties Limited and its subsidiary IMM Properties Investment Limited, trading under the name Gordon & Co, (collectively 'Gordon & Co') and Stones Residential Holdings Limited and its subsidiary Stones Residential (Stanmore) Limited (collectively 'Stones Residential'). Deferred consideration of £1.5 million was paid in the year.

Analysis of cash flows on acquisition

	2023 £'000	2022 £'000
Cash consideration	**(13,769)**	(8,221)
Cash acquired in subsidiaries	**1,306**	231
Current year acquisitions of subsidiaries, net of cash acquired	**(12,463)**	(7,990)
Deferred consideration paid in relation to prior year acquisitions	**(1,472)**	(500)
Acquisitions of subsidiaries, net of cash acquired (included in cash flows from investing activities)	**(13,935)**	(8,490)
Transaction costs of the acquisition (included in cash flows from operating activities) [1]	**(285)**	(301)
Net cash flow on acquisitions	**(14,220)**	(8,791)

1 Included in the £0.4m of transaction costs presented within adjusted items set out in Note 3.

10. BORROWINGS

	2023 £'000	2022 £'000

Current:		
Revolving credit facility	**11,769**	-
Freehold mortgage	**40**	-
Transaction costs	**(127)**	-
Total borrowings due within one year	**11,682**	-
Non-current:		
Freehold mortgage	**98**	-
Total borrowings due in more than one year	**98**	-
Total borrowings	**11,780**	-

During the year, the Company entered into a new revolving credit facility (RCF) for a period of three years from June 2023 to June 2026 with the option of extending for up to two additional years. The RCF of £20 million attracts a margin of 1.65% above SONIA and is unsecured.

The RCF is subject to a leverage covenant (net debt to EBITDA not to exceed 1.75) and an interest cover covenant (interest to EBITDA not to be less than 4) as defined in the facility agreement. Both covenants are calculated using pre-IFRS 16 accounting principles. The Group has been in compliance with covenants throughout the period and at 31 December 2023 the leverage covenant was 0.4x and the interest cover was 59x.

11. SHARE CAPITAL

	2023 £'000	2022 £'000
Authorised, allotted, issued and fully paid:		
Ordinary shares of £0.01 each		
At 1 January and 31 December	**3,301**	3,301

As at 31 December 2023 the Company had 330,097,758 ordinary shares (2022: 330,097,758).

12. MERGER RESERVE AND OTHER RESERVES

	2023 £'000	2022 £'000
Merger reserve	**20,568**	20,568
Capital redemption reserve	**71**	71
Other capital reserve	**2,582**	2,582
	23,221	23,221

During the period, there were no movements in either the merger reserve, capital redemption or other capital reserve.

13. OWN SHARES RESERVE

	2023 £'000	2022 £'000
Balance at 1 January	**10,993**	6,059
Acquired during the year	**1,112**	4,941
Utilised during the year	**(13)**	(7)
Balance at 31 December	**12,092**	10,993

The own shares reserve represents the cost of shares in the Company purchased in the market and held by either the Company or the Foxtons Group Employee Benefit Trust to satisfy awards under the Group's long-term share incentive schemes. The number of ordinary shares held by the Employee Benefit Trust at 31 December 2023 was 57,467 (2022: 88,247).

During the year 2,847,821 (2022: 14,829,261) shares with a total value of £1.1 million (2022: £4.9 million) have been repurchased by the Company through two share buyback programmes and are held in treasury at 31 December. The number of ordinary shares held by the Company at 31 December 2023 was 28,802,778 (2022: 25,940,609).

14. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and, in accordance with IAS 24, are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24: *'Related Party Disclosures'*. The definition of key management personnel extends to the Directors of the Company.

	2023 £'000	2022 £'000
Short-term employee benefits	**2,021**	1,946
Post-employment benefits	**21**	40
Share-based payments	**878**	210
	2,920	2,196

Other transactions

On 11 February 2022, the D&G Sales business was disposed of through the sale of the entire share capital of Douglas & Gordon Limited and Douglas & Gordon (2) Limited, to Lochlan Holdings Limited, a company owned by the CEO of Douglas & Gordon Limited, for nominal consideration of £2. This transaction was a related party transaction due to both the CEO and Lochlan Holdings Limited constituting related parties.

15. CLIENT MONIES

15. CLIENT MONIES

At 31 December 2023, client monies held within the Group in approved bank accounts amounted to £122.4 million (31 December 2022: £112.4 million). Neither this amount, nor the matching liabilities to the clients concerned, are included in the consolidated statement of financial position since these funds belong to clients. Foxtons Limited's terms and conditions provide that any interest income received on these deposits accrues to the Company.

Client funds are protected by the FSCS under which the government guarantees amounts up to £85,000 each. This guarantee applies to each individual client deposit, not the sum total on deposit.

16. ALTERNATIVE PERFORMANCE MEASURES

In reporting financial information the Group presents APMs which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional helpful information on the performance of the business, but does not consider them to be a substitute for or superior to IFRS measures.

The Group's APMs are aligned to the Group's strategy and together are used to measure the performance of the business with certain APMs forming the basis of remuneration performance measures. Adjusted results exclude certain items, because if included, these could distort the understanding of our performance for the period and the comparability between periods. The definition, purpose and how the measures are reconciled to statutory measures are set out below.

Additional APMs have been disclosed in the 2023 financial statements, along with a comparator, in order provide readers with additional information beyond statutory disclosures to provide increased visibility of underlying results excluding one-off items. The additional measures, which are defined in the section below, are as follows:

- Adjusted EBITDA and EBITDA margin (item (b) below)
- Adjusted profit before tax (item (d) below)

a) Contribution and contribution margin

Contribution is defined as revenue less direct salary costs of front office staff and costs of bad debt. Contribution margin is defined as contribution divided by revenue. Contribution and contribution margin are key metrics for management since both are measures of the profitability and efficiency before the allocation of shared costs. A reconciliation between continuing operations revenue and contribution is presented below.

31 December 2023	Lettings £'000	Sales £'000	Financial services £'000	Consolidated £'000
Revenue	**101,188**	**37,158**	**8,781**	**147,127**
Less: Direct operating costs	(25,807)	(22,703)	(5,371)	(53,881)
Contribution	**75,381**	**14,455**	**3,410**	**93,246**
Contribution margin	***74.5%***	***38.9%***	***38.8%***	***63.4%***

31 December 2022	Lettings £'000	Sales £'000	Financial services £'000	Consolidated £'000
Revenue	86,918	43,182	10,222	140,322
Less: Direct operating costs	(22,130)	(21,142)	(5,739)	(49,011)
Contribution	**64,788**	**22,040**	**4,483**	**91,311**
Contribution margin	**74.5%**	**51.0%**	**43.9%**	**65.1%**

b) Adjusted EBITDA and adjusted EBITDA margin

Adjusted EBITDA represents the profit before tax before finance income, non-IFRS 16 finance costs, other gains/(losses), depreciation of property, plant and equipment (but after IFRS 16 depreciation), amortisation, share-based payment charges and adjusted items. Since the measure includes IFRS 16 lease depreciation and IFRS 16 lease finance cost, adjusted EBITDA includes all elements of the Group's leasing costs and therefore fully reflects the Group's lease cost base. Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenue. These measures are frequently used by investors, securities analysts and other interested parties to evaluate financial performance and compare performance of sector peers. Furthermore, adjusted EBITDA is used to calculate the leverage and interest cover ratios for the purposes of the Group's RCF covenants. A reconciliation between continuing operations operating profit and adjusted EBITDA is presented below.

	Notes	2023 £'000	2022 £'000
Operating profit		**9,790**	13,840
Add back: adjusted items	3	**4,466**	69
Adjusted operating profit		**14,256**	13,909
Add back: Amortisation of non-acquired intangibles	7	**395**	510
Add back: Amortisation of acquired intangibles	7	**1,396**	1,041
Add back: Depreciation of property, plant and equipment[1]		**2,399**	2,063
Add back: Share-based payment charges[2]		**1,036**	931
Deduct: Interest on IFRS 16 leases[3]	8	**(1,971)**	(1,965)
Adjusted EBITDA		**17,511**	16,489

Adjusted EBITDA	17,511	16,489
Adjusted EBITDA margin	**11.9%**	11.8%

[1] Depreciation of IFRS 16 right-of-use assets is not added back so that adjusted EBITDA includes the non-financing element of property and vehicle leases.

[2] Only underlying share-based payment charges are included in the reconciliation. In 2022 the Group's total net share-based payment charge consisted of £0.6 million of adjusted item credits and £0.9 million of underlying charges.

[3] Interest on IFRS 16 leases is deducted so that adjusted EBITDA includes the financing cost of property and vehicle leases.

c) Adjusted operating profit and adjusted operating profit margin

Adjusted operating profit represents the profit before tax for the period before finance income, finance cost, other gains/(losses) and adjusted items (defined within Note 2). This measure is reported to the Board for the purpose of resource allocation and assessment of segment performance. The closest equivalent IFRS measure to adjusted operating profit is profit before tax.

Adjusted operating profit margin is defined as adjusted operating profit divided by revenue. This APM is a key performance indicator of the Group and is used to measure the delivery of the Group's strategic priorities.

Refer to Note 2 for a reconciliation between profit before tax and adjusted operating profit and for the inputs used to derive adjusted operating profit margin.

d) Adjusted profit before tax

Adjusted profit before tax represents profit before tax before adjusted items and provides a view of the underlying profit before tax and aids comparability of performance from one period to another. A reconciliation between profit before tax and adjusted profit before tax is presented below.

	Notes	**2023 £'000**	2022 £'000
Profit before tax		**7,894**	11,939
Add back: adjusted items	3	**4,466**	69
Adjusted profit before tax		**12,360**	12,008

e) Adjusted earnings per share

Adjusted earnings per share is defined as earnings per share excluding adjusted items.

The measure is derived by dividing profit after tax, adjusted for post-tax adjusted items, by the weighted average number of ordinary shares in issue during the financial period, excluding own shares held. This APM is a measure of management's view of the Group's underlying earnings per share.

The closest equivalent IFRS measure is earnings per share. Refer to Note 6 for a reconciliation between earnings per share and adjusted earnings per share.

f) Net free cash flow

Net free cash flow is defined as net cash from operating activities less repayment of IFRS 16 lease liabilities and net cash used in investing activities, excluding the acquisition of subsidiaries (net of any cash acquired), divestments and purchase of investments. This measure is used to monitor cash generation. A reconciliation between net cash from operating activities and net free cash flow is presented below.

	2023 £'000	2022 £'000
Net cash from operating activities	**15,672**	23,932
Less: Repayment of IFRS 16 lease liabilities	**(12,525)**	(12,686)
Net cash from operating activities, after repayment of IFRS 16 lease liabilities	**3,147**	11,246
Investing activities		
Interest received	**381**	137
Proceeds on disposal of property, plant and equipment	**-**	53
Purchases of property, plant and equipment	**(2,121)**	(2,953)
Purchases of intangibles	**(1,495)**	(755)
Net cash used in investing activities	**(3,235)**	(3,518)
Net free cash flow	**(88)**	7,728

g) Net (debt)/cash

Net debt/cash is defined as cash and cash equivalents less external borrowings and excludes IFRS 16 lease liabilities. The measure is monitored internally for the purposes of assessing the availability of capital and balance sheet strength. A reconciliation of the measure is presented below.

	2023 £'000	2022 £'000
Cash and cash equivalents	**4,989**	12,027
External borrowings	**(11,780)**	-
Net (debt)/cash	**(6,791)**	12,027

h) Other performance measure definitions

Definitions of other performance measures presented in the Group's Annual Report and Accounts are summarised below.

Volumes

- **Sales volumes**: Total number of property sales transactions which have exchanged during the period.
- **Lettings volumes**: Total of the number of long and short lets entered into by tenants and the number of renewals agreed between tenants and landlords during the period.
- **Financial Services volumes**: Total number of mortgages arranged during the period (purchase and

refinance units).

Revenue per transaction

- **Revenue per Sales transaction:** Sales revenue during the period divided by Sales volumes during the period.
- **Revenue per Lettings transaction:** Lettings revenue during the period divided Lettings volumes during the period.
- **Revenue per Financial Services transaction:** Financial Services revenue during the period divided by Financial Services volumes during the period.

17. EVENTS AFTER THE REPORTING PERIOD

There are no post balance sheet events to report.