

Foxtons Group plc
Acquisitions of Haslams Estate Agents and Imagine Property Group

Two acquisitions completed in London commuter towns to profitably expand the Group's network into new complementary growth markets.

29 October 2024 - Foxtons Group plc (LSE:FOXT) ("the Group" or "Foxtons"), today announces the acquisitions of two estate agents, Haslams Estate Agents (Thames Valley) Limited ("Haslams") and Imagine Property Group Limited ("Imagine") (together "the Acquisitions").

Total initial consideration is £12.6m, with £3.4m of total deferred consideration contingent on the delivery of performance targets. Haslams' initial consideration is £7.6m, with £2.4m deferred, and Imagine's initial consideration is £5.0m, with £1.0m deferred.

Strategic rationale

- The Acquisitions reflect further progress against the Group's strategy to acquire high quality, earnings accretive, lettings focused businesses, with synergistic growth opportunities which increase the Group's exposure to recurring lettings revenues (lettings revenue accounts for c.60% of total revenue for each acquisition).
- The Acquisitions expand Foxtons' network into the new complementary markets of Reading and Watford:
 - Both markets are commuter towns with excellent transport links to London, with Central London accessible in under 30 minutes.
 - Both markets are forecast to deliver leading levels of economic growth versus the rest of the UK, with Reading forecast to become the UK's fastest growing location by 2027¹.
 - The Acquisitions build on Foxtons' success in the London commuter towns of Guildford and Woking.
- Both acquisitions are the largest lettings and sales agents in their core markets² and increase the Group's branch footprint to 64 branches. The Acquisitions will deliver a further c.2,900 tenancies (Haslams: c.1,700, Imagine: c.1,200), increasing the size of Foxtons' portfolio of tenancies by c.10% to over 31,000 tenancies.
- Experienced management teams, with the added support of the Foxtons Operating Platform, are well placed to deliver attractive returns on invested capital by leveraging Foxtons' technology and data capabilities, realising synergies and combining B2B expertise and relationships across the New Homes and Build to Rent sectors.
- The Acquisitions will act as strategic hubs to unlock growth opportunities in the areas surrounding Reading and Watford, both organically and through further synergistic bolt-on acquisitions.
- The Acquisitions build on Foxtons' successful track record of identifying, acquiring and integrating high quality lettings focused businesses.

Haslams

Haslams operates from 3 branches and is primarily focussed on the commuter town of Reading, with additional coverage of the nearby towns of Wokingham and Crowthorne through its Michael Hardy brand.

Haslams' unaudited total revenue and operating profit for the 12 months ended 31 December 2023 was £6.5m and £0.8m respectively. Initial consideration for the acquisition, on a cash and debt free basis, is £7.6m, with £2.4m deferred and contingent on the delivery of performance targets.

Imagine

Imagine operates from 3 branches and is focussed on the commuter town of Watford and its surrounding areas.

Imagine's unaudited total revenue and operating profit for the 12 months ended 31 March 2024 was £3.3m and £0.5m respectively. Initial consideration for the acquisition, on a cash and debt free basis, is £5.0m, with £1.0m deferred and contingent on the delivery of performance targets.

Both businesses are being bought from private individual shareholders.

Financial Impact

Following the delivery of growth initiatives and operating synergies, the businesses are expected to deliver significantly higher levels of profitability from the levels historically reported by the Acquisitions. The Acquisitions will be accretive to the Group's 2025 adjusted earnings per share³, with further accretion in 2026 and beyond as the impact of synergies annualise. The Acquisitions are expected to deliver attractive long term returns on capital, and at a level above the Group's weighted average cost of capital.

The Acquisitions will be funded using the Group's £30m revolving credit facility which has the option to be extended to £40m subject to bank approval. The Group's proforma net debt to adjusted EBITDA⁴ ratio is expected to be marginally below 1x at 31 December 2024.

Guy Gittins, Foxtons CEO, commented:

"Our latest acquisitions add to our strong track record of identifying, acquiring, and integrating high quality lettings businesses to deliver attractive returns and are a key part of our strategy to deliver £25-30m adjusted operating profit in the medium term. "We are delighted to have completed the acquisitions of Haslams and Imagine as we continue to pursue acquisitive lettings growth, to supplement our organic growth strategies. We have been impressed with the quality of both businesses which hold established leadership positions in their local markets and have built long-standing client relationships over many years, making them a great fit with Foxtons.

"Reading and Watford are new markets for Foxtons and reflects our confidence that the Foxtons Operating Platform, and in particular our technology, data and reach can unlock new growth opportunities in these new markets."

Steve Woodford, Haslams Executive Chairman, commented:

"Having led The Haslams Group for over three decades, it was important to me for our buyer to be a custodian of our business, building on our existing successes and nurturing the exceptional expertise across the Group. Foxtons was the perfect fit and I'm looking forward to seeing how both businesses will excel after combining forces. With the ability to leverage the power of Foxtons' platform, I'm extremely confident the business will go from strength-to-strength."

Mike Cole, Imagine Group Managing Director, commented:

"After leading the business for nearly 20 years, the time was right for new energy and investment. The property landscape is changing, and it is essential agents have the best technology, marketing and brand awareness to stay ahead, which is why we chose Foxtons to take the business forward. Foxtons' expansion into Hertfordshire is one of the most exciting developments the

local market has seen for two decades, and I have no doubt our exceptional staff and long-standing clients will be excited about our offering being supercharged by Foxtons."

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¹ Source: EY UK Regional Economic Forecast.

² Volume of lettings instructions and sales exchanges in the core markets of Reading (Haslams) and Watford (Imagine). Source: TwentyCI.

³ Adjusted earnings per share is defined as earnings per share excluding adjusted items and amortisation of acquired intangibles. The measure is derived by dividing profit after tax, adjusted for post-tax adjusted items and amortisation of acquired intangibles, by the weighted average number of ordinary shares in issue during the financial period, excluding own shares held.

⁴ Adjusted EBITDA is used to calculate the leverage and interest cover ratios for the purposes of the Group's RCF covenants. The measure is defined as 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.

About

Founded in 1981, Foxtons is London's leading estate agency and largest lettings agency brand, with a portfolio of over 31,000 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 against its medium-term target of £25m to £30m adjusted operating profit, 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 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

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