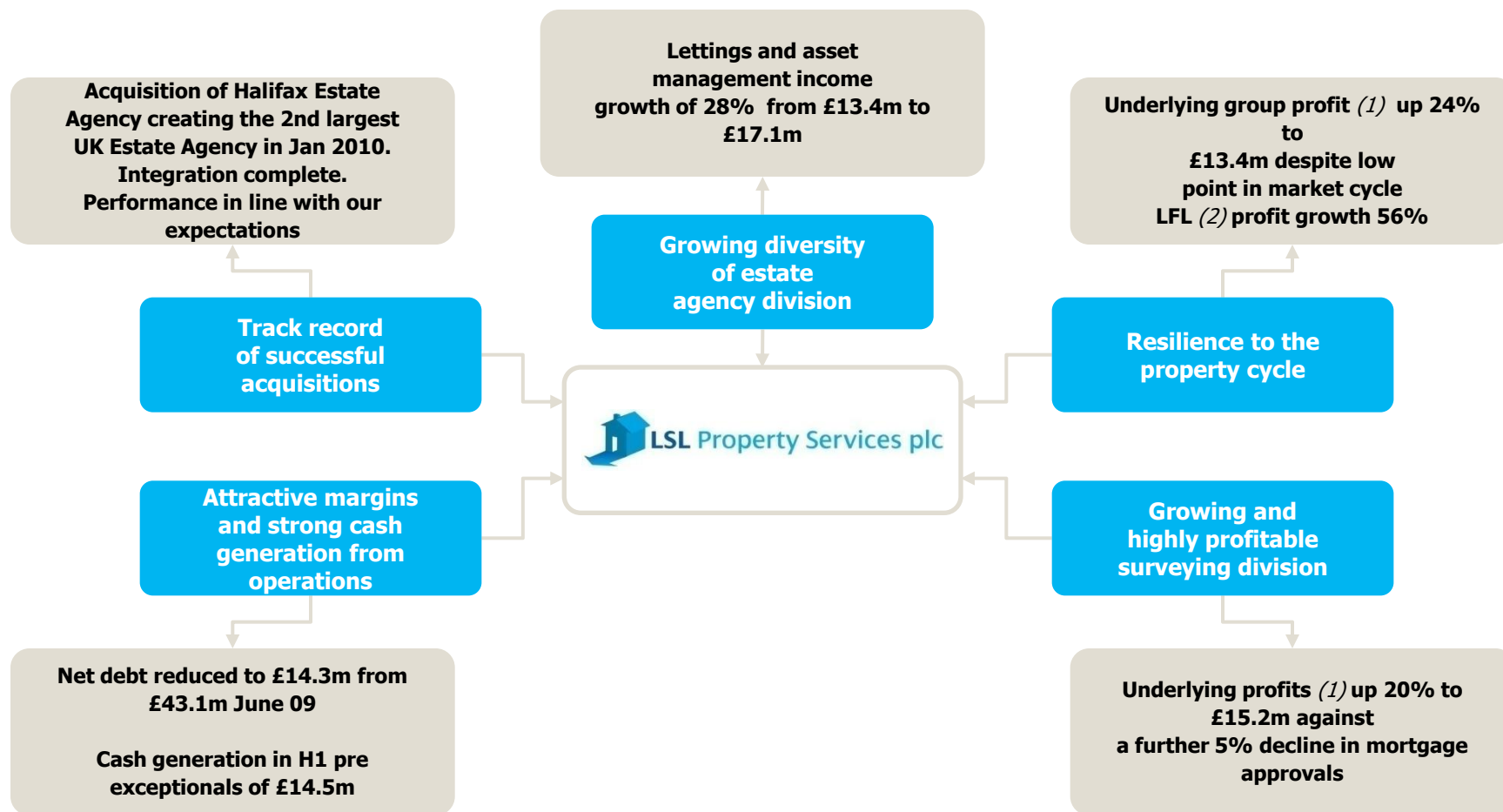


# Half Year Results Presentation

Six Months Ended 30 June 2010

# Key Messages and Delivery H1 2010



(1) Underlying Group operating profit/loss is before exceptional costs, amortisation of intangible assets and share based payments

(2) Like for like (LFL) excludes the Halifax Estate Agencies Ltd ('HEAL') branches acquired in January 2010

# Group Highlights

## Group

- ▶ Underlying like for like Group Operating Profit up 56% to £17.0m (H1 2009 £10.9m)
- ▶ Like for like turnover up 22% to £90.2m
- ▶ Interim dividend proposed of 2.5 pence per share (2009:nil) up 39% on pro-rated full year dividend
- ▶ Significant cash generation of £26.8m in H1 - £14.5m from operations and £12.3m principally from HEAL
- ▶ Net debt reduced by £28.8m over the last 12 months to £14.3m (2009:£43.1m)

## Operational

### Surveying

- ▶ Strong overall result – revenue up 17% to £42.3m (2009:£36.0m) and underlying operating profit up 20% to £15.2m (2009:£12.7m)
- ▶ Continued market share gain and excellent contribution from the Santander contract signed in 2009

### Estate Agency

- ▶ Investment in market share growth: Like for like growth in turnover of 26% to £47.9m
- ▶ Estate agency like for like profit £2.9m
- ▶ Further revenue growth in asset management to £7.1m from £4.0m H1 2009
- ▶ HEAL integration completed – H1 loss of £3.6m within guidance at time of acquisition

# Financial Performance

# Summary Group Financials

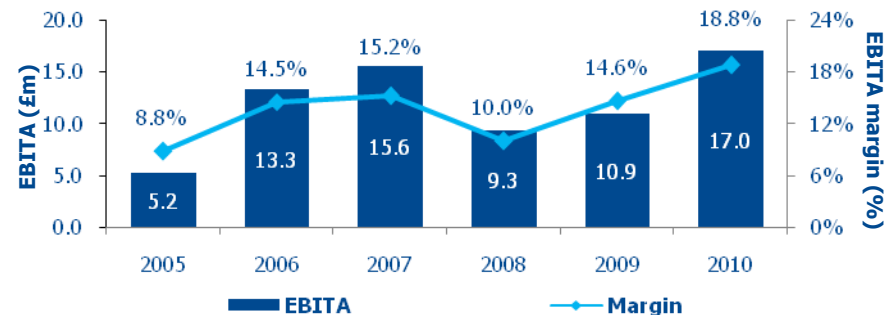
## Actual

£m	H1 2010	H1 2009	
<b>P&amp;L</b>			
Revenue	101.1	74.1	36%
Underlying Group Operating Profit	13.4	10.9	24%
Margin	13.3%	14.6%	
Exceptionals	11.1	(0.2)	
Adjusted Group Operating Profit	20.3	5.3	
Net Finance Costs	(1.1)	(1.1)	
PBT	19.7	4.3	
Adjusted EPS	8.8p	6.7p	31%
<b>Cashflow</b>			
Operating Cashflow	14.5	8.6	
Exceptionals	12.3	-	
Capex	(1.9)	(0.2)	
Tax, Financing and Dividends	(10.2)	(2.4)	
Net Cashflow	14.1	6.0	
<b>Balance Sheet</b>			
Net Debt	14.3	43.1	

## LFL

H1 2010	H1 2009	
90.2	74.1	22%
17.0	10.9	56%
18.8%	14.6%	

## EBITA Half Year - LFL



# Financial Performance – Surveying

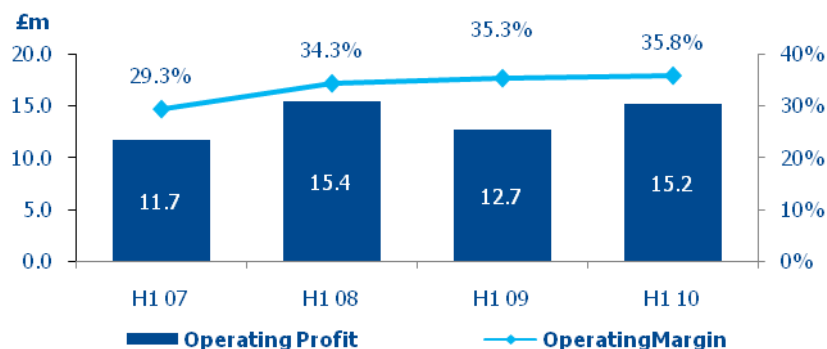
**mortgagestrategy AWARDS**  
- Winner Best Surveyor/Valuer

## Surveying Segment

	H1 2010	H1 2009	
Mortgage approvals	610	642	(5%)
Jobs	272	215	27%
Turnover	42.3	36.0	17%
Expenditure	(27.2)	(23.3)	16%
Profit	15.2	12.7	20%
Margin	36.0%	35.3%	

- ▶ Strong performance in declining market
- ▶ Further increase in market share
- ▶ Margins maintained

## Operating Profit and Margin



- ▶ Track record of strong profit growth through the cycle
- ▶ Since H1 07 market has contracted by 66%
- ▶ LSL profits and margins have continued to advance over same period

# Financial Performance – Estate Agency

Market	H1 2010	H1 2009	Inc/ (dec)
House Purchase Mortgage Approvals	295,000	266,000	10.9%

Actual – including HEAL				Like for Like – excluding HEAL		
KPIs	H1 2010	H1 2009	Inc / (dec)	H1 2010	H1 2009	Inc/ (dec)
Exchange Units	10,917	5,535	97%	8,010	5,535	45%
Exchange Fees £m*	20.9	10.1	107%	15.5	10.1	53%
FS Income £m*	5.9	5.4	11%	5.2	5.4	(3%)
Lettings Income £m*	10.1	9.4	8%	9.8	9.4	4%
Asset Management Income	7.1	4.0	75%	4.7	4.0	18%
<b>P&amp;L</b>						
Revenue £m	58.8	38.1	54%	47.9	38.1	26%
Expenditure £m	(59.4)	(38.9)	52%	(45.0)	(38.9)	16%
<b>Operating Profit</b>	<b>(0.6)</b>	<b>(0.8)</b>		<b>2.9</b>	<b>(0.8)</b>	

- ▶ Market share growth driving strong advance in revenue and profit
- ▶ Investment in market share. LFL expenditure up 16%
- ▶ HIPs – impact will be net £1m but confident no impact on forecast full year outturn

# Financials – Exceptional Profit

	£m	£m
<b>HEAL</b>		
Negative Goodwill	29.1	
Redundancy costs	(7.2)	
Acquisition and re-branding costs	<u>(6.1)</u>	15.8
<b>Finance costs</b>		
Bank fees	(0.9)	
Interest rate swap	<u>(1.3)</u>	(2.2)
<b>Professional Indemnity provision</b>		(2.0)
Other		<u>(0.5)</u>
<b>Total Exceptional Profit</b>		<u>11.1</u>

## HEAL

- ▶ Significant exceptional profit as expected

## Interest rate hedge

- ▶ £25m fixed at blended 2.95% above LIBOR
- ▶ Fair value hedge of £1.3m taken to P&L as net debt reduced to £14.3m

## Professional indemnity Claims

- ▶ Industry issue - Valuation claim payouts have, as expected, increased
- ▶ Key risk period was mid 2004 – mid 2008. Claims live for 6 years
- ▶ Total payouts for work completed between 2004 – 2008, £3.74m
- ▶ Total provision for all claims increased from £7m to £9m as at 30/6/10
- ▶ Provision levels are necessarily highly judgemental
- ▶ LSL well placed to cover future claims given net debt position, robust future cashflows and the natural hedge (against any unexpected future increases in claims) through the asset management business



# Financials – Cashflow and Debt

## Continued Strong Cash Generation

£m	H1 10	H1 09
<b>Operating Cashflows</b>		
Operating Profit	13.4	10.6
Depreciation	0.7	0.9
Working Capital	0.4	(2.9)
	<u>1.1</u>	<u>(2.0)</u>
	14.5	8.6
<b>Exceptionals</b>		
HEAL Received	26.0	-
Exceptionals Paid	(13.7)	-
	<u>12.3</u>	<u>-</u>
	26.8	8.6
Capex	(1.9)	(0.2)
Other investments / disposals etc	(0.5)	(0.1)
Tax paid	(3.6)	(1.1)
Interest paid	(1.1)	(1.2)
Dividends paid (full year 09)	(5.6)	-
<b>Net Cashflow</b>	<b><u>14.1</u></b>	<b><u>6.0</u></b>
<b>Closing Net Debt</b>	<b>(14.3)</b>	<b>(43.1)</b>

- ▶ Interest costs reflect £25m hedge
- ▶ Refurbishment of all Estate Agency Branches
- ▶ HEAL receipts and expenditure as planned

## Extended Bank Facility

- ▶ £75m facility extended to 2014 on competitive terms
- ▶ Initial Margin 2%
- ▶ EBITDA and Interest cover covenants
- ▶ Arrangement fees of £0.9m

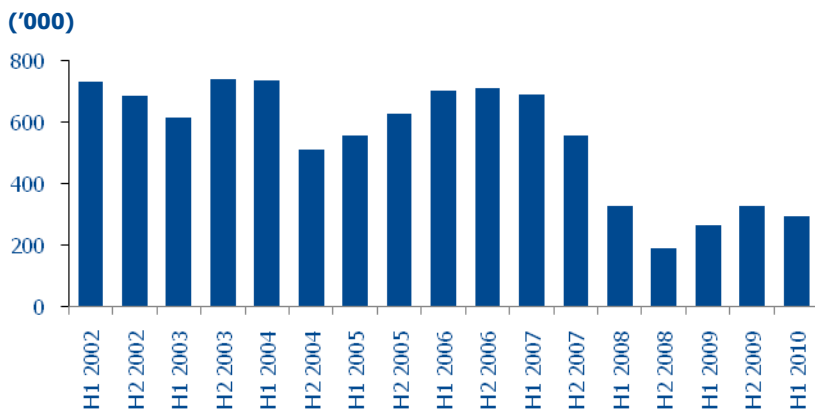
## Dividend

- ▶ 2.5 pence per share
- ▶ Dividend Policy : 30-40% of Profit after tax, one third paid at interims

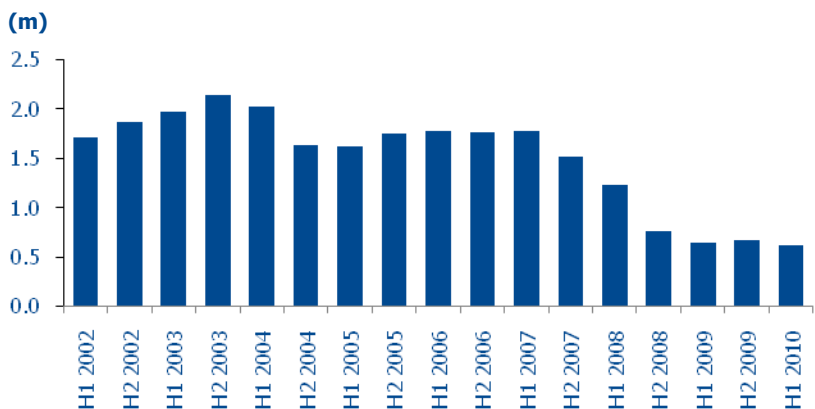
# Market and Strategy

# Mortgage Market Overview

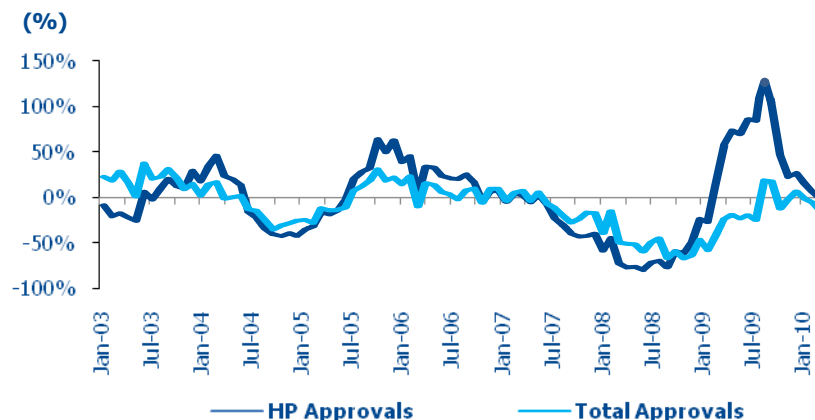
## House Purchase Approvals



## Total Mortgage Approvals



## Annual Growth in Mortgage Approvals



### House Purchase Approvals

- ▶ Some recovery in H2 2009 but transaction levels much lower than long term average
- ▶ Unsold stock levels across the industry up by c100% - likely impact on house prices
- ▶ No improvement expected short term with mortgage credit constraints of lenders and the impact of the recession hitting consumers

### Total Mortgage Approvals

- ▶ The picture is worse for total mortgage approvals with particular slowdown in further advances approvals
- ▶ Lenders committed to repayment of c£300bn by 2014 under the Special Liquidity Scheme and the Credit Guarantee Scheme
- ▶ No short term improvement expected

# Surveying: Operations and Development

## Market Share Growth

### Surveying Market Share Growth

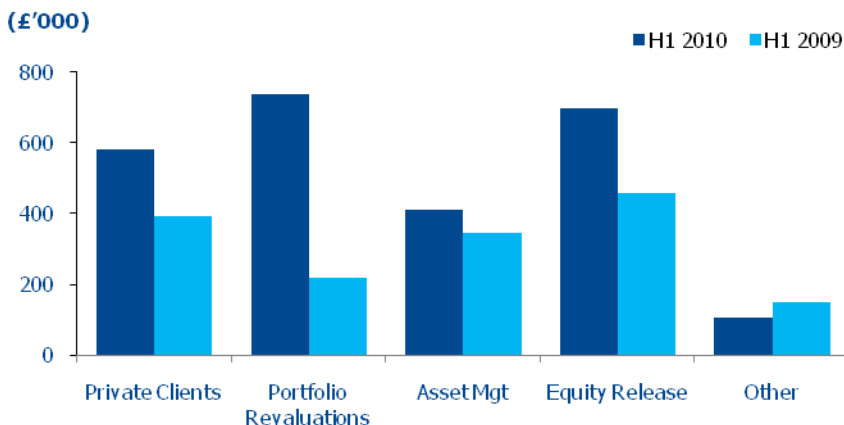
'000	2007	2008	H1 2009	H2 2009	H1 2010
Jobs Performed	533	461	215	224	272
Mortgage Approvals	3,292	1,980	642	658	610

- ▶ Market leadership with share increasing

## Contract / Clients Update

- ▶ Santander long term contract
- ▶ Other key clients – income secured for medium term

## Other Surveying Income

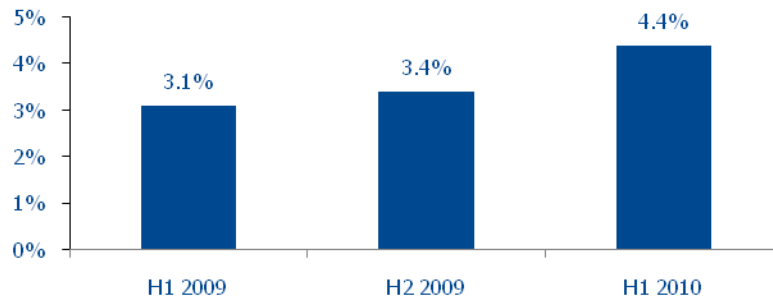


## New Products and Opportunities

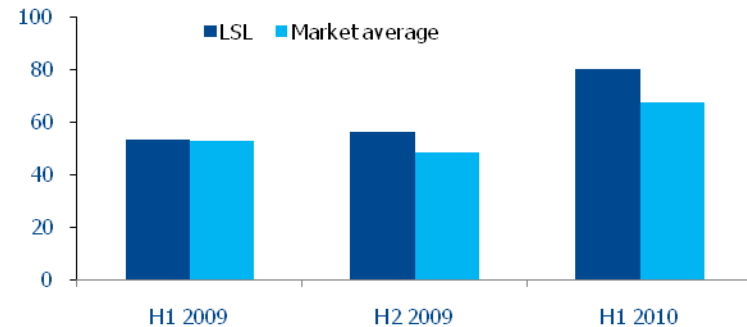
- ▶ Good progress on RICS condition report and rewrite of valuation inspection which will encourage surveys
- ▶ Scottish single survey embedded providing additional income

# Estate Agency – Growth / Market share

## Market Share (incl HEAL)



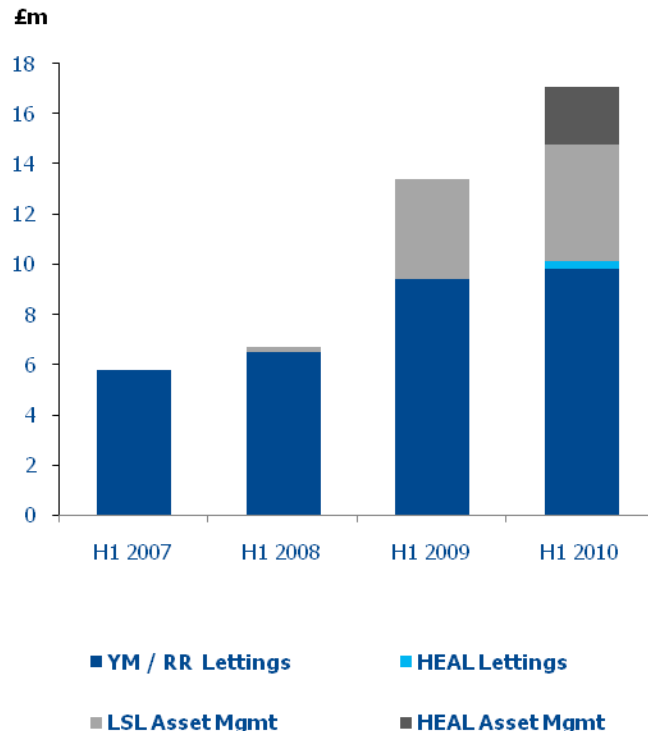
## Average Listings per branch (excl HEAL)



- ▶ Refurbishment of all branches at cost of £1.9m. Last completed in 2004
- ▶ Increases in advertising presence and headcount
- ▶ Strategic partnership with Zoopla in conjunction with Countrywide and Connells
- ▶ Small incremental acquisitions
  - Goodfellows – South East Estate Agency
  - Templeton – LPA receiver
  - Home of Choice – mortgage network. LSL now 4<sup>th</sup> largest UK network
- ▶ Investment in new call centre planned for H2

# Estate Agency – Counter Cyclical Income

## Balanced Growth: Asset Management and Lettings



- ▶ Total asset management and lettings income up 28% to £17.1m
- ▶ LFL asset management and lettings up 8% to £14.5m
- ▶ At half year repossessions market down to 18,000 (forecast) v 26,000 H1 09
- ▶ Strong contribution from St Trinity (ex HEAL) asset management business - £2.3m revenue H1 2010
- ▶ LSL market leader in asset management with c30% share
- ▶ Lettings now rolled out to all ex HEAL branches – no significant income expected until 2011

# Estate Agency – HEAL

## Fully integrated and in line with management expectations

### Results

- ▶ H1 loss of £3.6m in line with plan
- ▶ Cost base right sized to run rate of £28m
- ▶ Pipelines up 29% in the period

HEAL	H1
<b>KPIs</b>	
Exchange Units	3,034
Exchange Fees £m	5.7
Other Income	5.2
<b>P&amp;L</b>	
Revenue £m	10.8
Expenditure £m	(14.5)
<b>Operating Profit</b>	<b>(3.6)</b>

### Progress

- ▶ Excellent growth in St Trinity Asset Management
- ▶ In addition to LBG, 2 new clients
- ▶ Lettings completely rolled out
- ▶ Financial services slower than planned but well placed for material improvement
- ▶ **Integration plan delivered successfully**
- ▶ **Confidence in delivering profit in H2 as planned**

# Summary

- ▶ H1 Results – strong growth despite the lacklustre market
- ▶ Experienced management team
- ▶ Highly profitable surveying division
- ▶ Second largest estate agency in the UK by number of branches
- ▶ Fast growing asset management business
- ▶ Progressive dividend
- ▶ Strong cash generation, low financial gearing
- ▶ Significant upside when market recovers
- ▶ Well placed for further acquisitions

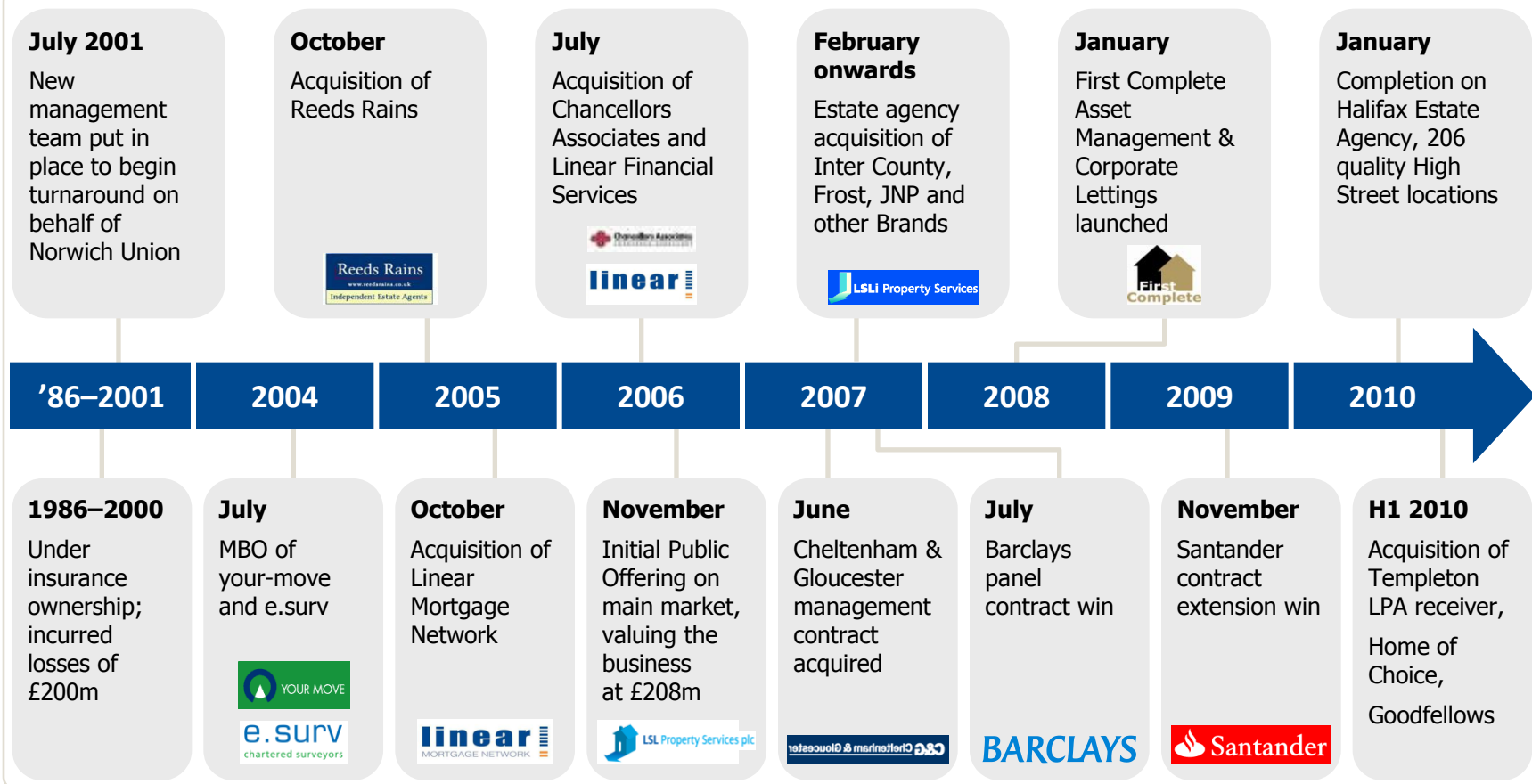


# Appendices

# LSL's Genesis

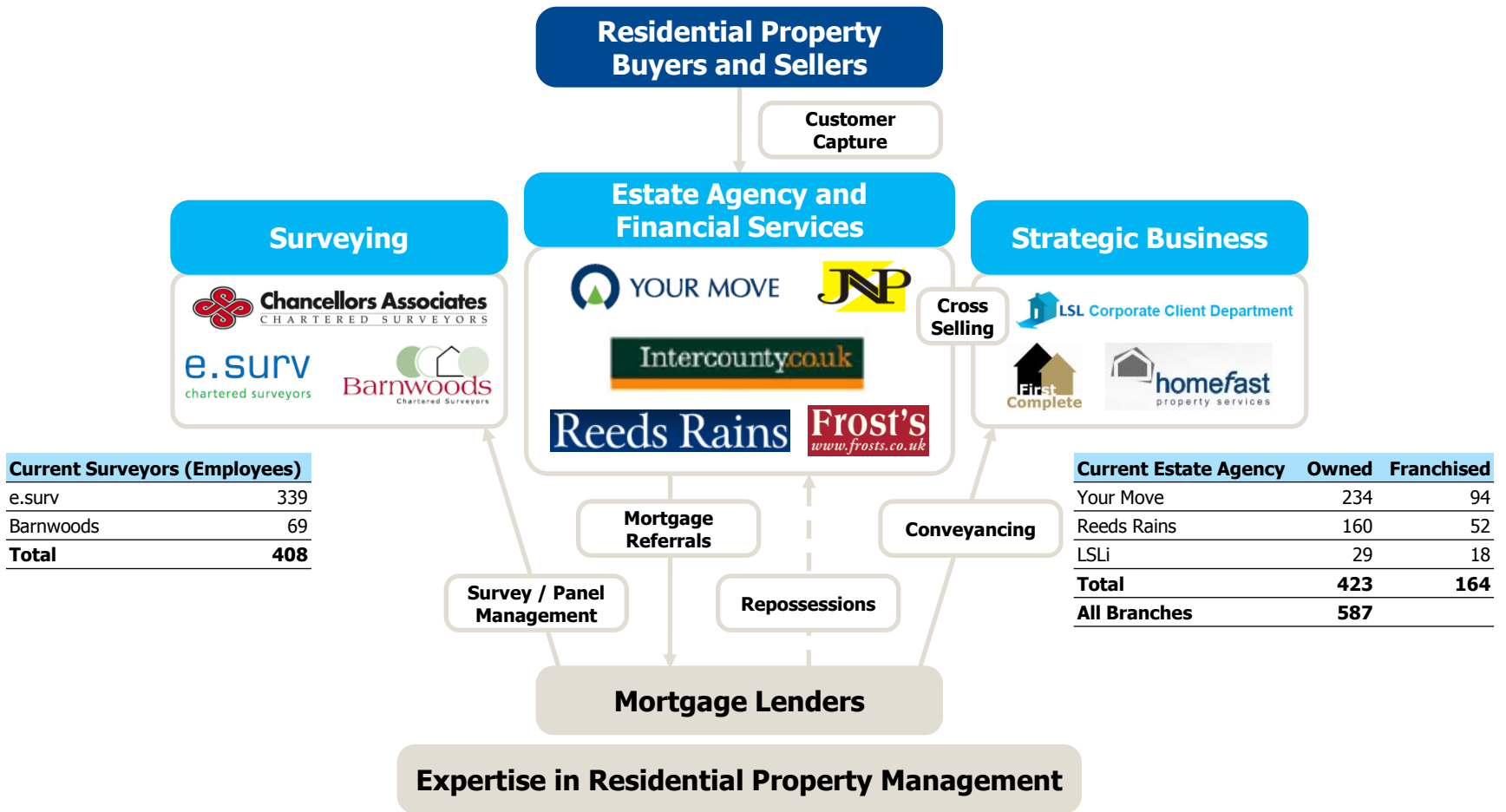
## LSLs business transformation from a loss making insurance distribution arm

### Key Events



# Who are We Now?

## LSL Property Services plc



Current Surveyors (Employees)	
e.surv	339
Barnwoods	69
<b>Total</b>	<b>408</b>

Current Estate Agency	Owned	Franchised
Your Move	234	94
Reeds Rains	160	52
LSLi	29	18
<b>Total</b>	<b>423</b>	<b>164</b>
<b>All Branches</b>	<b>587</b>	