



Half Year Results Presentation

Six months ended 30 June 2011

August 2011



Executive Summary

- ▶ Continued strong cash generation and balance sheet
 - Net debt reduced by £8.1m to £6.2m after £2.8m spent on acquisitions and key initiatives
 - Dividend increased by 12% to 2.8p
- ▶ Underlying Group Operating profit of £11.8m after investment of £2.6m in key initiatives

Surveying

- ▶ Robust performance against strong lender comparatives
- ▶ Successful launch of private surveys – revenue growing month by month

Estate Agency

- ▶ Outperforming the market due to investment in market share – increased to 4.7% (H2 2010 4.5%)
- ▶ Estate agency pipelines increased 5% year on year
- ▶ Confident of delivering significant benefits in H2 2011 and beyond

Progress Highlights



	Surveying	Agency – Branches	Agency – Asset Management	Agency – Financial Services
LSL position	Market leader	#2 in market	Market leader	#4 in market
2011 Market	2011 purchase market down 4% *	2011 market down 4%*	2011 market down 10% (estimate)	2011 market down 4%*
LSL 2011 H1	<ul style="list-style-type: none"> ➤ Revenue down 9% ➤ Strong lender 2010 comparatives and weak house purchase market ➤ B2C revenue £1.3m 	<ul style="list-style-type: none"> ➤ Revenue up 11% ➤ Increased market share ➤ Investment in further market share gains ➤ Growth in lettings and financial services 	<ul style="list-style-type: none"> ➤ LFL revenue down 4% ➤ LFL market share increased to 32% (estimated) 	<ul style="list-style-type: none"> ➤ Total LSL lending up from £1.0bn to £3.2bn ➤ Revenue on budget

* Source: Bank of England for "House Purchase Approvals"

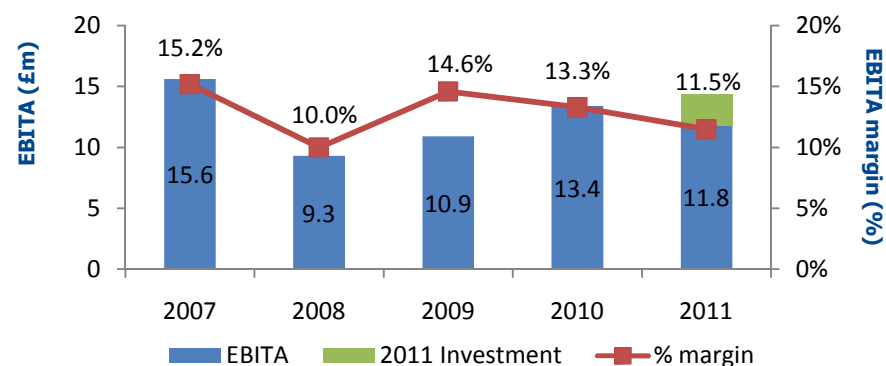
Financial Performance

Summary Group Financials

Actual

£m	H1 2011	H1 2010	
P&L			
Revenue	103.4	101.1	2%
Underlying Group Operating Profit ⁽¹⁾	11.8	13.4	(12%)
Margin	11.3%	13.3%	
Exceptionals	0.2	11.1	
Adjusted Group Operating Profit ⁽²⁾	7.3	20.3	
Net Finance Costs	(0.8)	(1.1)	
PBT	6.5	19.7	
Adjusted EPS	7.7p	8.8p	(12%)
Balance Sheet			
Net Debt	6.2	14.3	
Dividend per share			
	2.8 p	2.5 p	12%

EBITA



Note 1. Underlying Group Operating Profit is before exceptional costs, amortisation of intangible assets and share-based payments

Note 2. Adjusted Group Operating Profit is Group Operating Profit less exceptional finance costs

Note 3. Operating cash flow is cash generated from operations pre exceptional items and after capital expenditure

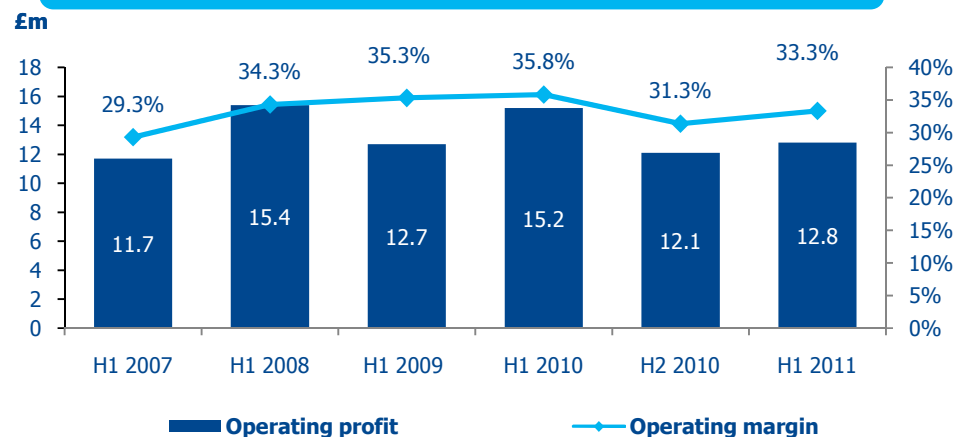
Financial Performance – Surveying

Surveying Segment

	H1 2011	H1 2010	
Mortgage approvals '000	601	610	(2%)
Jobs '000	248	272	(9%)
Turnover £m	38.3	42.3	(9%)
Expenditure £m	(25.5)	(27.1)	(6%)
Underlying Operating Profit £m	12.8	15.2	(16%)
Margin	33.3%	36.0%	

- ▶ Robust performance in deteriorating market
- ▶ Strong 2010 key lender comparatives
- ▶ H2 2010 – jobs 259,000
- ▶ Remortgage mix impact
- ▶ Investment in service and value add services

Operating Profit and Margin



- ▶ Track record of profitability through the cycle
- ▶ Profitability and margin increased v H2 2010
- ▶ Since 2007 market has contracted by 66%
- ▶ LSL profits and margins maintained over same period

Financial Performance – Estate Agency

Market	H1 2011	H1 2010	Inc/ (dec)
House Purchase Mortgage Approvals	284,000	296,000	(4%)

Actual

KPIs	H1 2011	H1 2010	Inc / (dec)
Exchange Units	12,787	11,921	7%
Exchange Fees £m	25.1	23.9	5%
FS Income £m*	8.7	6.2	42%
Lettings Income £m	13.6	11.4	19%
Asset Management Income	7.4	7.7	(4%)
P&L			
Revenue £m	65.0	58.8	11%
Expenditure £m	(64.4)	(59.4)	8%
Underlying Operating Profit	0.6	(0.6)	

- ▶ Market share growth driving advance in revenue and profit
- ▶ Expenditure up 8% - investment in market share and increased costs from 2010 acquisitions offset by HEAL cost reductions
- ▶ Strong lettings and financial services income growth
- ▶ Ex Halifax Estate Agency branches on track for 3 year improvement plan

* Relates only to FS income in Estate Agency branches.

Financials – Cashflow and Debt

Continued Strong Cash Generation

£m	H1 2011	H1 2010
Operating Cashflows		
Operating Profit	11.8	13.4
Depreciation	1.1	0.7
Working Capital	(4.0)	0.4
	<u>(2.9)</u>	<u>1.1</u>
	8.9	14.5
Exceptionals		
HEAL (Paid)/Received	(0.5)	26.0
Exceptionals Paid	<u>(0.2)</u>	<u>(13.7)</u>
	<u>(0.7)</u>	<u>12.3</u>
	8.2	26.8
Capex	(1.7)	(1.9)
Other investments / disposals etc	1.0	(0.5)
Treasury shares purchased (net)	(0.9)	0.4
Tax paid (incl VAT)	(1.0)	(3.6)
Interest paid	(0.8)	(1.1)
Dividends paid	<u>(6.1)</u>	<u>(5.6)</u>
Net Cashflow	<u>(1.3)</u>	<u>14.1</u>
Closing Net Debt	(6.2)	(14.3)

- ▶ Working capital – investment in deferred marketing fees plus HIPS impact
- ▶ Exceptionals – refund to LBG and cash impact of costs booked in 2010
- ▶ Interest costs reflect £25m hedge
- ▶ H2 cashflows stronger due to agency seasonality and dividend payment cycle

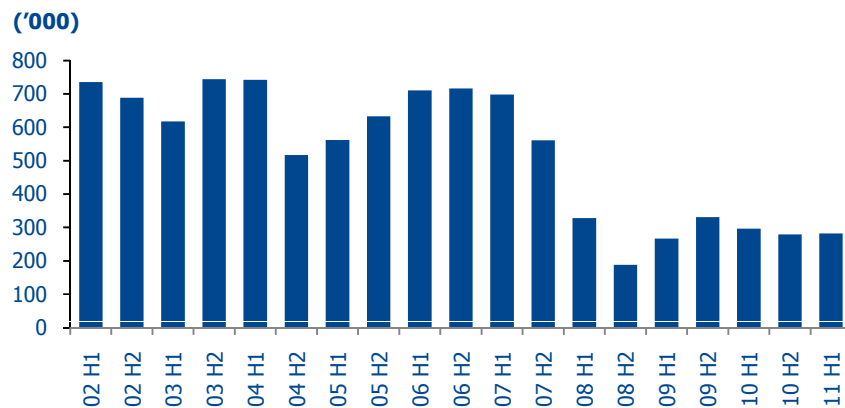
Dividend

- ▶ Total 2.8 pence per share, up 12%
- ▶ Dividend Policy : 30-40% of Underlying Profit after tax

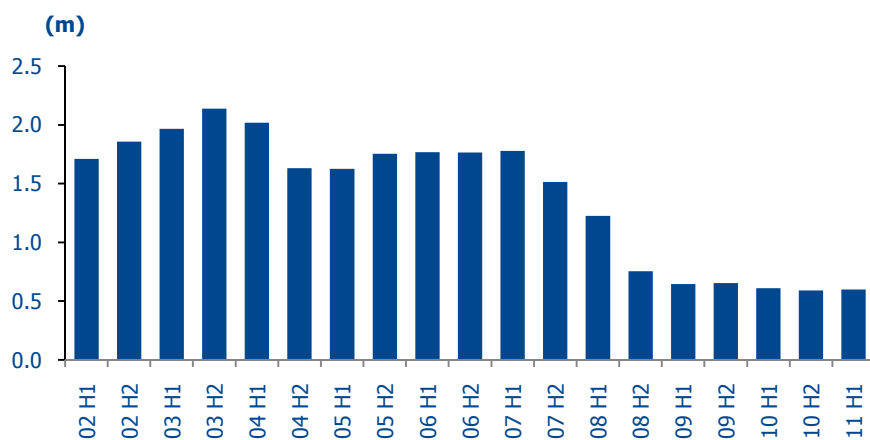
Market and Strategy

Mortgage Market Overview

House Purchase Approvals

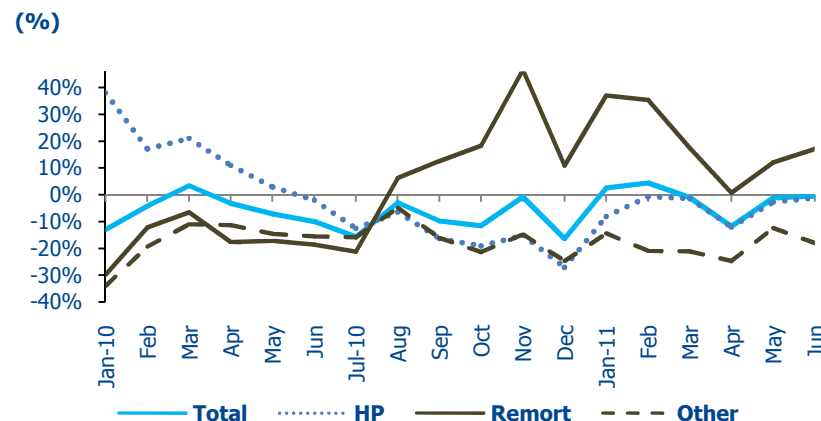


Total Mortgage Approvals



Source : Bank of England

Annual Growth in Mortgage Approvals



House Purchase Approvals

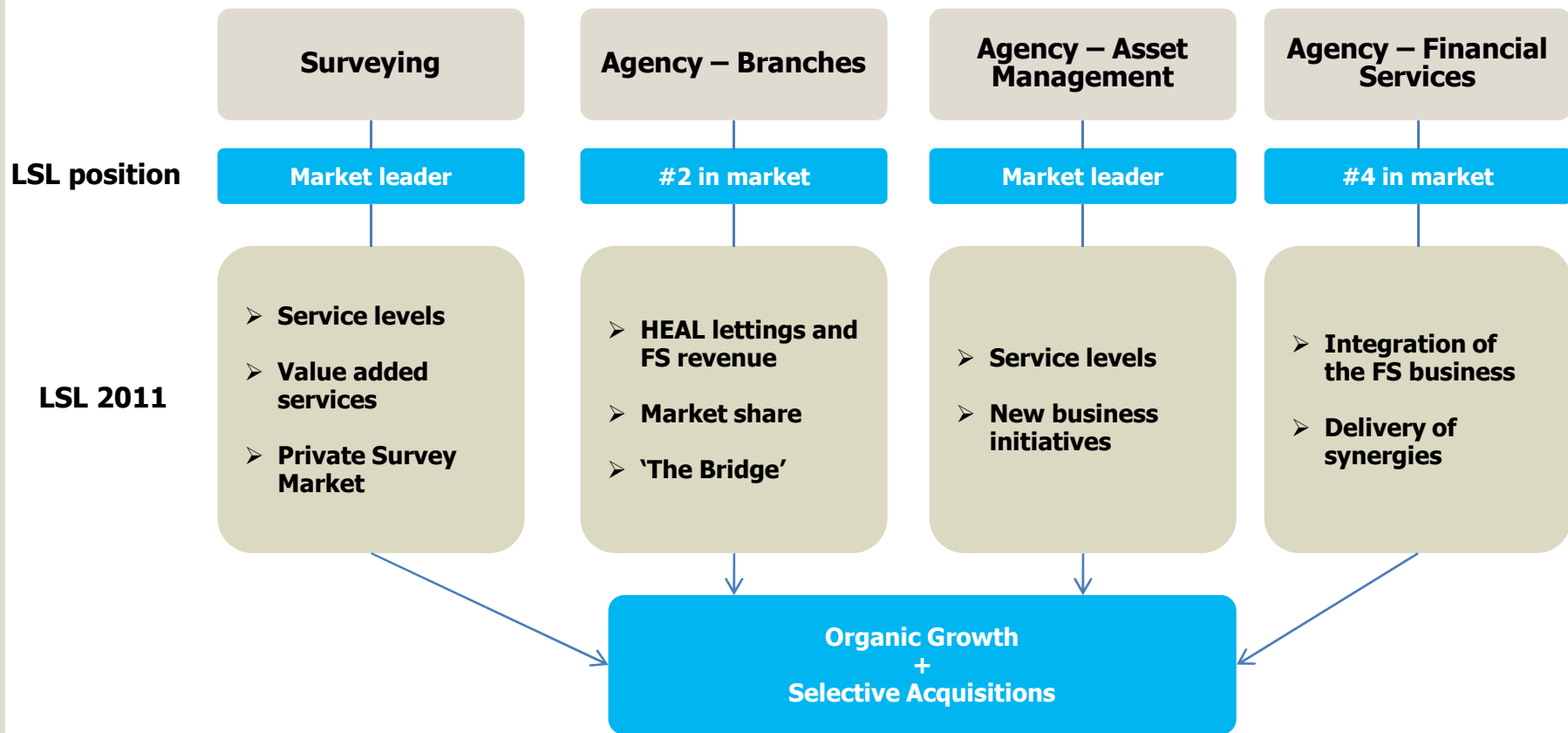
- ▶ 284,000 H1 2011 down 4% on H1 2010
- ▶ Annual growth rate negative since Q2 10

Total Mortgage Approvals

- ▶ 601,000 H1 2011 down 2%
- ▶ Remortgages improved during Q1
- ▶ Repayment of c£300bn by 2014 under the Special Liquidity Scheme and the Credit Guarantee Scheme still priority for lenders
- ▶ No short term improvement expected

Consumer confidence remains fragile

Strategy



Surveying: Operations and Development

Market Share

Surveying Market Share

'000	2008	2009	H1 2010	H2 2010	H1 2011
Jobs Performed	461	439	272	259	248
Mortgage Approvals	1,980	1,301	610	593	601

- ▶ Consolidating market leadership

Private Survey Income

Income per day and Mix

Income per day	Dec 10	Mar 11	Jun 11
Total income per day £k	4.4	9.8	12.5
Mix			
RICS Condition Report	15%	11%	8%
RICS Homebuyer Report	53%	61%	64%
Building Survey	32%	28%	28%

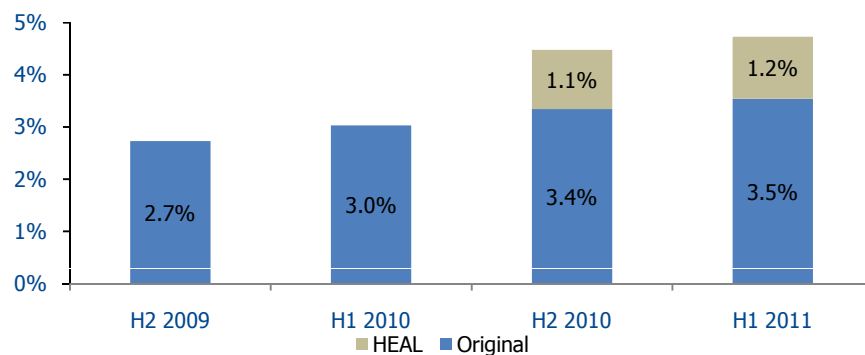
Operational Update

- ▶ High service levels maintained and regular positive feedback from all key clients
- ▶ Additional investment in service during H1
- ▶ Strong lender comparatives H1 2010
- ▶ Additional remortgage volumes do not all result in valuations

- ▶ Total income H1 2011 £1.3m
- ▶ Daily income run rate 84% up since prelims update
- ▶ Income and margin benefiting from mix
- ▶ Ahead of original targets
- ▶ Solid platform for future growth

Estate Agency – Market share growth

Market share*



* Rolling 12 month market share (LSL exchanges : BOE mortgage approvals)
The market share for six months in H1 2011 was 4.5% (H1 2010 : 4.0%)

Profitability

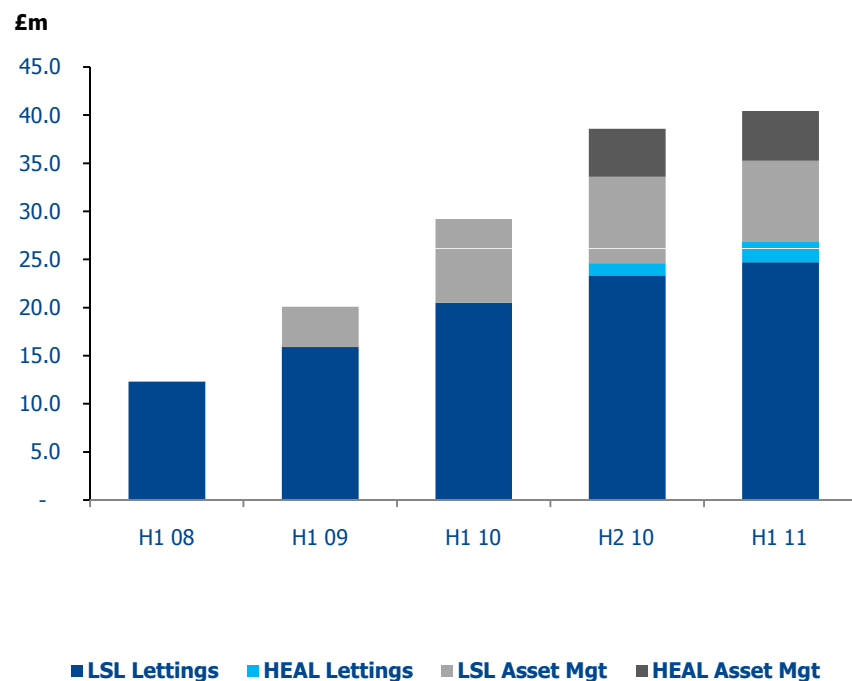
- ▶ Target benchmark profit per branch £30k - £50k
- ▶ H1 2011 rolling 12 month profit per branch increased by £5k (after additional investment)

Key initiatives

- ▶ All branches now provided with 'The Bridge' call centre service (£1.0m)
- ▶ Ongoing investment in upgrading branch management (£1.3m) (training, development, change)
- ▶ Investment in online activity (£0.2m)
- ▶ Further investment in IT (£0.5m incl £0.4m capex)
- ▶ June 2011 pipelines up 5% on 30 June 2010
- ▶ HEAL on target for positive contribution for full year

Estate Agency – Counter Cyclical Income

Balanced Growth: Asset Management and Lettings



Rolling 12 month revenue

- ▶ Total H1 asset management and lettings income up 10% to £21m
 - Lettings up 19%
 - Asset Management down 4%
- ▶ Rolling 12 month asset management and lettings up 5% to £40.4m
- ▶ Repossessions market down 10% to 17,500 (est) v 19,500 (2010)
- ▶ LSL market leader in asset management with 32% (est) share

Estate Agency – other businesses

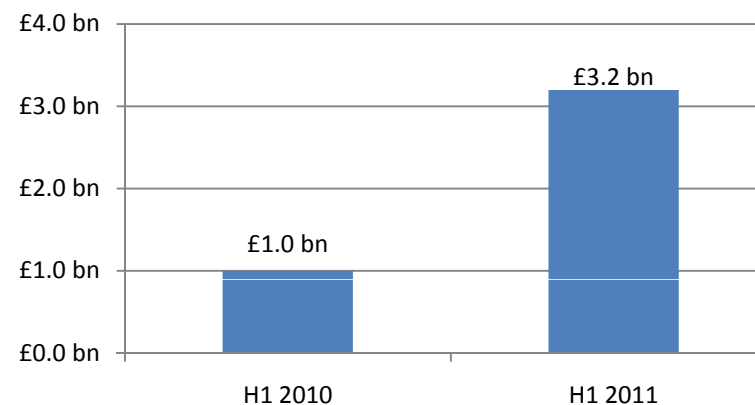
Financial Services

- ▶ Acquisitions of First Complete and Pink boosted LSL's scale and importance in the mortgage market
- ▶ Total LSL lending up from £1.0bn to £3.2bn
- ▶ Acquisition of TMA will further boost LSL lending
- ▶ Revenue and profit improvement in both FC and Pink under LSL ownership

Conveyancing

- ▶ Investment (via HEAL) with Connell and Countrywide in a 1/3 share joint venture of the TM Group (a property search company)
- ▶ Strong performance with H1 2011 profit share of £0.3m
- ▶ New investment (£0.6m) in LMS (a conveyancing panel manager) on expectation of longer term consolidation in lender conveyancing panels driven by fraud risks

LSL – mortgage applications*



* Excluding TMA which was acquired in July 2011

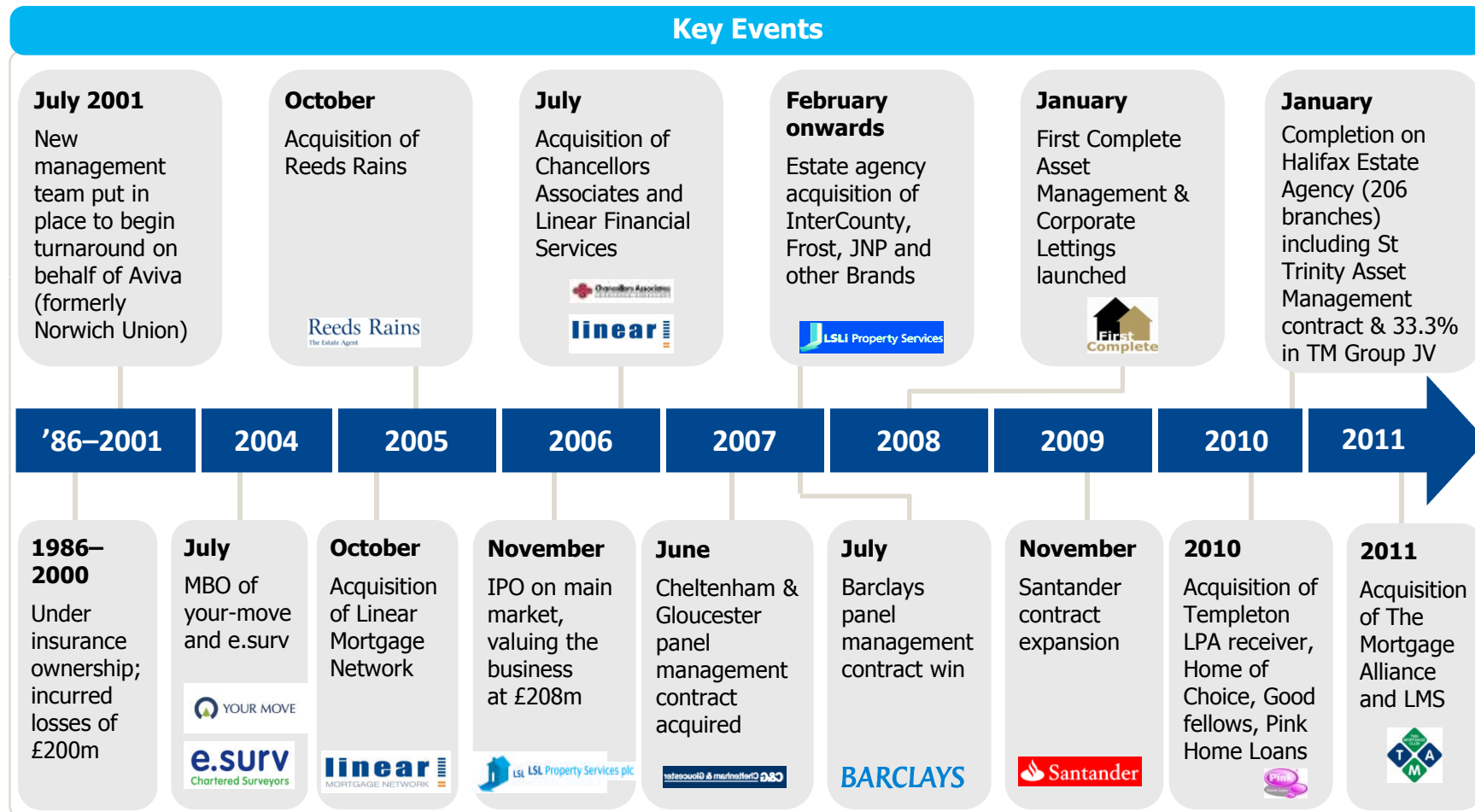
Summary

- ▶ Good results despite transaction volumes circa 50% of historic normalised levels and investment in new initiatives
 - impressive Agency performance with strong growth in market share, revenue, profit and pipelines
 - robust trading in surveying with excellent B2C performance but held back by strong lender comparatives
- ▶ Strong balance sheet
- ▶ Market outlook for 2011 still cautious
- ▶ Significant upside when market recovers
- ▶ LSL well placed for growth even in subdued market
 - encouraging results from organic growth initiatives
 - H2 will benefit from seasonality, increasing returns on market share and B2C investment and further maturing of the ex HEAL branches
 - further value accretive acquisitions
 - confidence reflected in dividend increase

Appendices

LSL's Genesis

LSL's business transformation from a loss making insurance distribution arm



Who are We Now?

LSL Property Services plc

