



LSL Property Services plc

Interim Results

Half year ended 30 June 2016

Agenda

1. Executive Summary

2. Financial Performance

3. Market

4. Strategy

5. Outlook

6. Q&A

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Strong first half Group financial performance in a changing market

Market

- Strong Q1 market volumes ahead of Stamp Duty changes on 1 April
- Q2 market volumes weaker in lead up to EU referendum
- Post-referendum consumer uncertainty

Estate agency

- Estate Agency revenue up 9%, operating profit up 10%
- Double digit growth in lettings & financial services
- Nine Lettings book acquisitions in the period in line with LSL strategy. Total investment £4.1m (2015: £3.9m)
- Group First Limited acquired in February 2016. Performing in line with expectations
- Marsh & Parsons revenue up 11%, operating profit up 47%

Surveying

- Surveying revenue up 5%, operating profit up 7%
- Revenue per job increased by 8%
- Capacity management and surveyor headcount optimised, delivering improved operating margins
- PI provisions unwinding as expected

Balance Sheet

- Strong cash generated from operations
- Robust balance sheet – net bank debt of £61.7m (2015: £53.0m) translates to leverage of 1.26x 12 month EBITDA (June 2015:1.25x)
- Value of Zoopla shareholding at 30 June 2016 £30.1m
- Banking facilities extended until May 2020 (£100m)

Dividends

- Interim Dividend maintained at 4.0p (2015: 4.0p)

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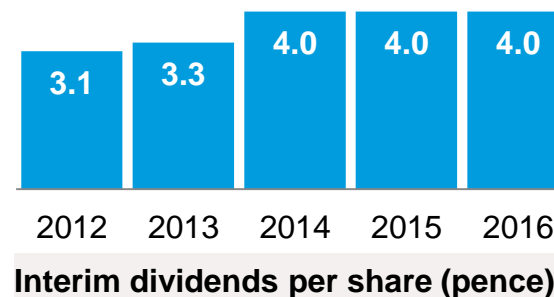
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Group Financials

Strong H1 growth in operating profit and improved cash from operations

£m	Actual		
	2016	2015	% growth
P&L			
Revenue	151.4	140.2	8%
Group Operating Profit ¹	11.3	10.3	10%
<i>Margin</i>	7.5%	7.4%	
Exceptionals	-	(0.1)	
Profit before tax	8.4	6.2	35%
Adjusted EPS	8.6p	7.2p	19%
Ordinary Dividend Per Share	4.0p	4.0p	0%
Cashflow			
Cash from Operations	7.2	(0.3)	
Balance Sheet			
Net Bank Debt	61.7	53.0	

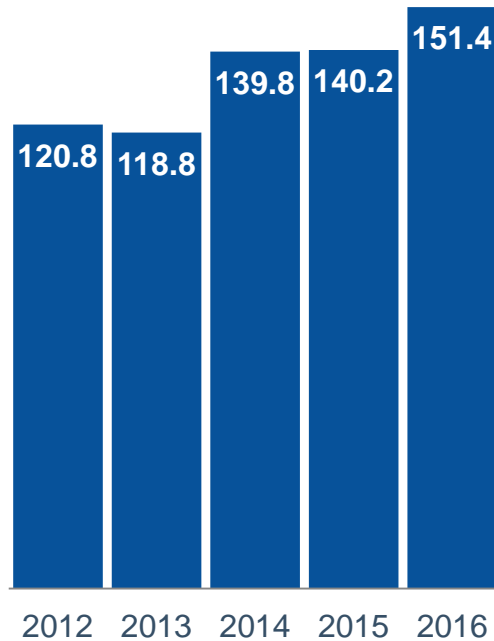


¹ Group Operating Profit is before exceptional gains and costs, contingent consideration, amortisation of intangible assets and share-based payments

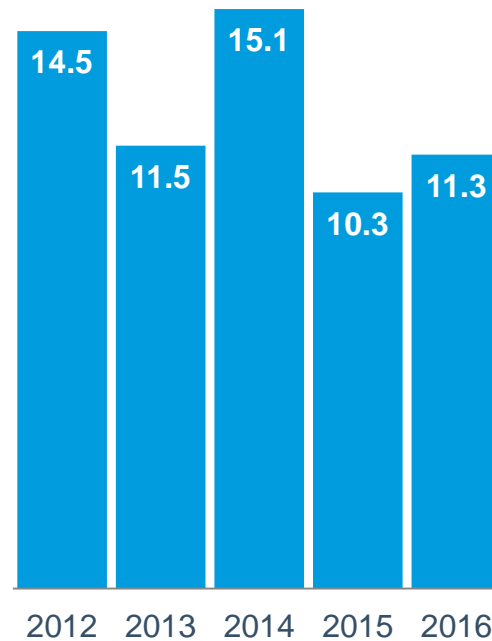
Group Financials

6 months to 30 June

Group revenue (£m)



Group Operating Profit (£m)



Financials – Cash flow and Debt

Strong cash from operations

	H1 2016	H1 2015
Operating Cashflows		
Operating Profit	11.3	10.3
Depreciation, working capital and JVs	(0.3)	(2.9)
PI Payments	(3.8)	(7.6)
Exceptional costs paid	-	(0.1)
Cash (used by) from Operations	7.2	(0.3)
Interest paid (net of interest received)	(1.0)	(0.8)
Tax paid	(3.4)	(0.4)
Acquisitions (including cash acquired on purchase)	(7.0)	(7.3)
Payment of deferred and contingent consideration	(4.3)	(0.2)
Capital expenditure (net of proceeds from fixed assets)	(3.5)	(2.9)
Dividend income	0.6	0.3
Dividends paid	(8.8)	(8.5)
Other	(1.6)	1.8
Net Cashflow	(21.8)	(18.3)
Closing Net Bank Debt	(61.7)	(53.0)

- £100m banking facility extended to May 2020 for same amount with existing banking syndicate
- Net banking Debt £61.7m
 - Gearing level of 1.26x 12 month EBITDA (2015: 1.25x)
- £7.2m cash from operations generated from £11.3m operating profit
 - PI payments in line with expectations
- Investments:
 - Acquisitions – Group First Limited and lettings books.
 - Capex – Includes two new M&P branches and selective branch refurbishment
- Tax paid: timing of tax paid in 2015 weighted to H2
- Value of Zoopla shareholding at 30 June 2016 £30.1m. One million shares of Zoopla holding sold during July 2016 for gross proceeds of £3.0m

Financial Performance – Estate Agency

	H1 2016	H1 2015	% change
P&L (£m)			
Exchange Income	42.5	42.0	1%
Lettings Income	34.0	30.6	11%
FS Income ²	29.5	22.8	29%
Asset Management Income	3.5	4.3	(19%)
Other Income	9.4	9.4	0%
Total Revenue	118.9	109.1	9%
Expenditure	(112.0)	(102.8)	(9%)
Operating Profit	6.9	6.3	10%
Operating Margin	5.8%	5.8%	
KPIs			
Residential fees per unit (£)	3,161	3,128	1%
Residential exchange volume (units)	13,452	13,441	0%

- Residential £ fees per unit up 1.1%
- Flat residential exchange units
- Continued strong Lettings & Financial Services performance in the period
- Margins maintained
- Asset management outperformed the market decline in re-possession¹

¹ Q1 CML market statistics

² Includes Estate Agency branches, Intermediary networks and Group First Limited

Financial Performance – Marsh & Parsons¹

	H1 2016	H1 2015	% change
P&L (£m)			
Total Revenue	17.1	15.4	11%
Expenditure	(14.9)	(13.9)	(7%)
Operating Profit	2.2	1.5	47%
Operating Margin	12.9%	9.4%	

- Good performance with enhanced operating margin
- Residential sales income up 10% with a strong Q1 ahead of the Stamp Duty changes and slowdown thereafter
- Lettings income up 13% year on year
- Two branch openings in 2016: Tooting and Tufnell Park

Note 1- included in EA Financial Performance on Slide 7

Financial Performance – Surveying

	H1 2016	H1 2015	% change
P&L (£m)			
Total Revenue	32.5	31.1	5%
Expenditure	(24.4)	(23.5)	(4%)
Operating Profit	8.1	7.6	7%
Operating Margin	24.9%	24.4%	
KPIs			
Number of jobs (000's)	160	165	(3%)
Revenue per job	£203	£188	8%
Surveyor Headcount (excluding graduates)	335	367	
PI payments	(£3.8m)	(£7.6m)	

- Revenue per job up 8% reflecting a favourable mix across lenders and the types of jobs performed
- Surveyor headcount optimised to meet business requirements
- Enhancement of profit margin to 24.9%
- Technology refresh in H2 will deliver further enhancements
- PI provisions unwinding as expected

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Residential market context

Pre-EU referendum market

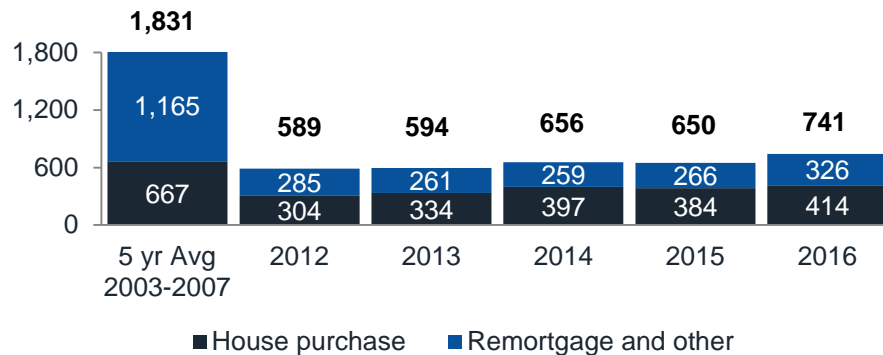
- Strong Q1 volumes driven by Stamp Duty changes on 1 April 2016
- Q2 volumes slowed in the run-up to the EU referendum

Consumer behaviour post EU referendum

- EU referendum outcome has led to further consumer uncertainty following Q2 slow-down
- Consumers are delaying purchase moving decisions
- Increased fall-through rates on agreed sales particularly in London and the south-east of England immediately after the EU referendum

Market overview – historic trends

H1 Mortgage and House Purchase Approvals¹



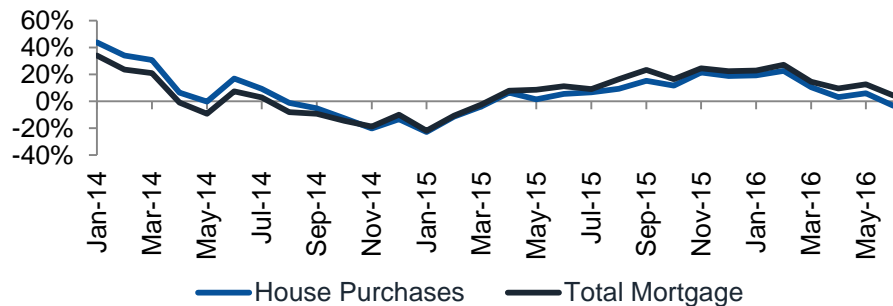
House Purchase Approvals

- 414,159 ⁽¹⁾ H1 2016 up 7.9% on H1 2015
 - Q1 2016 up 16.5% on prior year.
 - Q2 2016 up 1.5% on prior year.

Total Mortgage Approvals

- 740,504 ⁽¹⁾ H1 2016, up 13.9% on H1 2015
 - Q1 up 20.8% on prior year.
 - Q2 up 8.5% on prior year

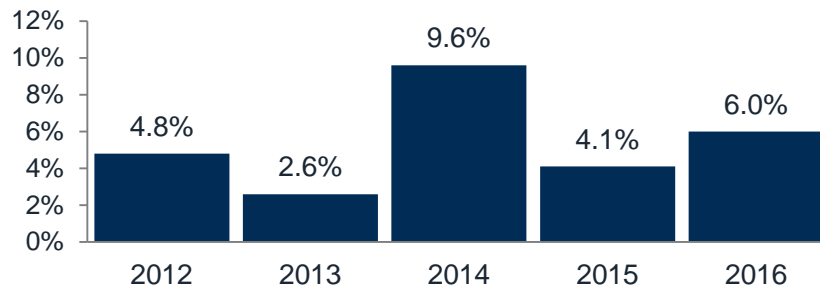
Monthly volume growth¹



¹Bank of England

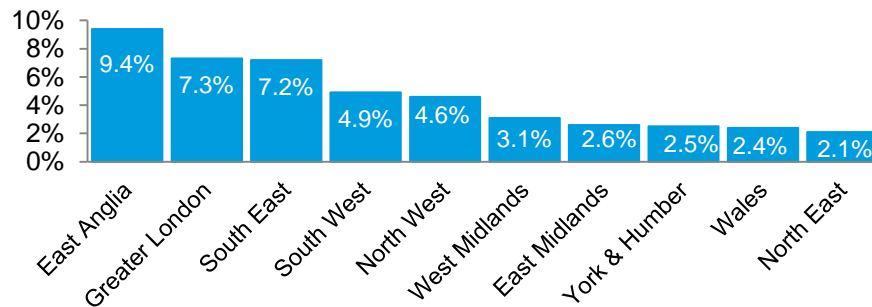
Market overview – historic house price trends

England and Wales annual house changes¹



- In year ended June 2016 average house prices in England and Wales increased by 6.0% to £293k
- Significant regional variations

House price movements by region¹



¹LSL Property Services / Acadata ; June House Price Index

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Group Strategy

LSL Strategy

- LSL remains focused on the strategy communicated in March 2015

Agency Strategy

- Drive operating profit per branch to between £80k to £100k in the medium term
- Selective acquisitions
- Grow recurring and counter cyclical income streams
- Continued investment in Marsh & Parsons new branch roll-out

Surveying Strategy

- Optimise contract performance and revenue generation from B2B customers
- Achieve further improvement in efficiency and capacity utilisation
- Use technology to drive further customer enhancements and quality improvements

LSL approach post EU referendum

- Taking selective cost measures
- Increasing focus on protecting the balance sheet
- Impact of cost measures expected to result in Exceptional costs of £2m-£3m in H2 2016

Operating profit per branch

Break-down of operating profit per branch (2015 full year)

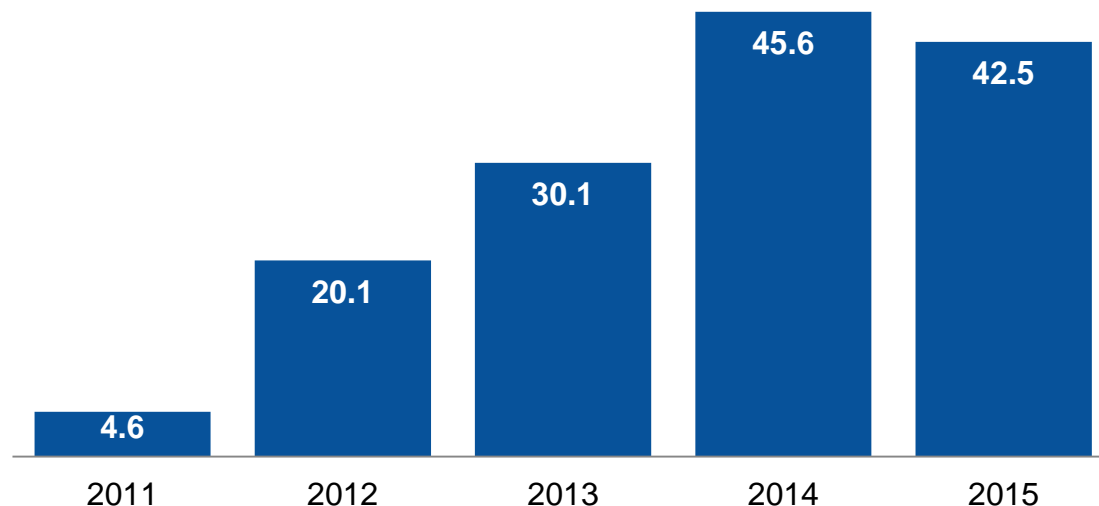
	Operating Profit £m	Operating Profit per Branch
Agency Branches (YM, RR, LSLi)		
Operating profit	16.97	
Branch numbers		399
Operating profit per branch (£ 000's)		42.5
M&P		
Operating profit	6.86	
Branch numbers		23
Operating profit per branch (£ 000's)		298.3
Other Estate Agency		
Financial Services ¹	2.74	
Other (including asset management)	4.72	
Total Estate Agency Segment	31.3	

¹ Includes Intermediary networks. Financial Services revenue and profit generated in the Estate Agency branches is included in Agency Branches operating profit

Estate Agency Strategy – Your Move, Reeds Rains, LSLi

Strategy is to drive operating profit per branch in the medium term

Operating profit per branch (£k) – (Full Year)



Initiatives to drive branch profitability include:

- Growth in Lettings revenue
- Growth in Financial Service revenue

Profit per branch update

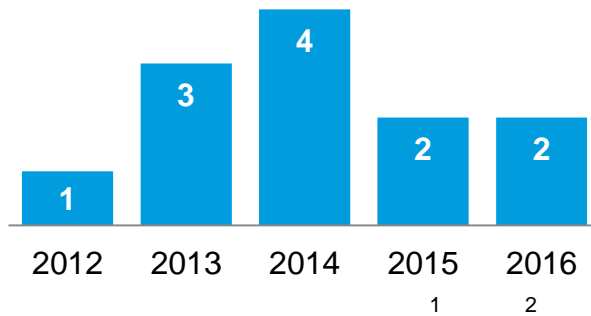
- Pre-EU referendum; LSL on track to make strong progress in profit per branch in 2016
- However we expect the post EU referendum market conditions to impact 2016 profit per branch

The ambition remains to achieve between £80k to £100k profit per branch in the medium term

Estate Agency Strategy – Marsh & Parsons

- Marsh & Parsons branch profitability is strong
- Ambition is to expand by 2-4 branches per annum in Outer Prime

Marsh & Parsons new branch openings



Number of offices	31 December 2011	30 June 2016
Prime Central London	5	8
Outer Prime	9	17
Total	14	25

¹Full year

²Year to date

Awards

- Estate Agency of the Year Awards 2015, sponsored by The Times & Sunday Times
 - Best Medium Lettings Agency, UK – Gold Award
 - Best Medium Lettings Agency, London – Gold Award
 - Best Marketing – Gold Award
- The Negotiator Awards 2015
- London Agency of the Year – Gold Award

Award winning marketing



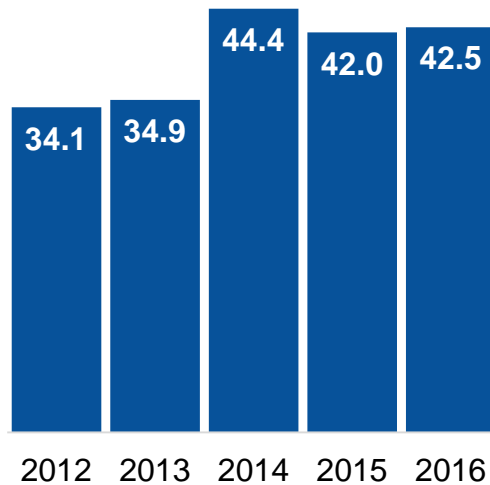
We've been matching people and property for 160 years. This one's out of our hands, though.

MARSH & PARSONS

Estate Agency Strategy

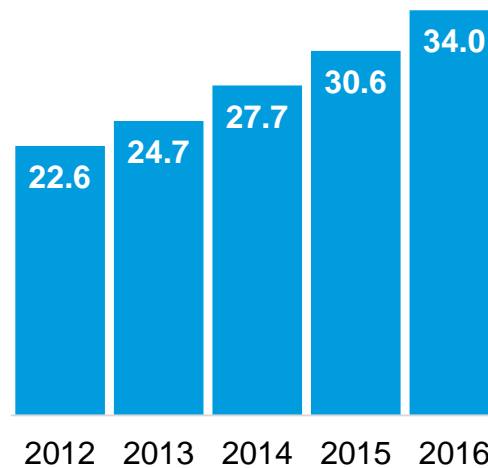
Strategy is to drive incremental revenue and gross margin across all business streams

H1 Exchange fees (£m)



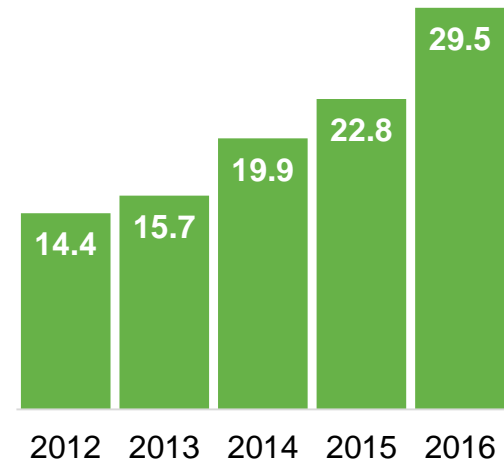
CAGR 6%

H1 Lettings fees (£m)



CAGR 11%

H1 Financial Services Income (£m)



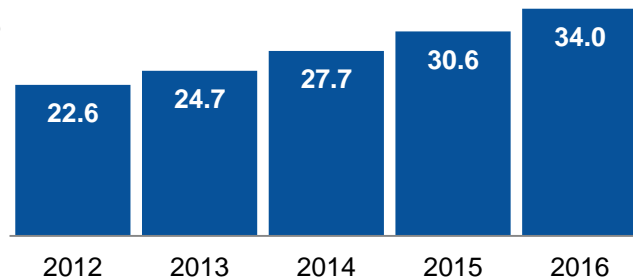
CAGR 20%

Estate Agency Strategy

Strategy is to grow recurring and, where market conditions permit, the counter-cyclical revenue streams

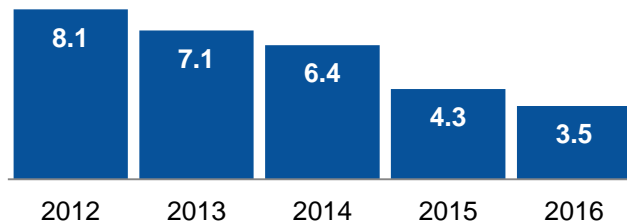
H1 Recurring revenue (Lettings) £m

CAGR 11%

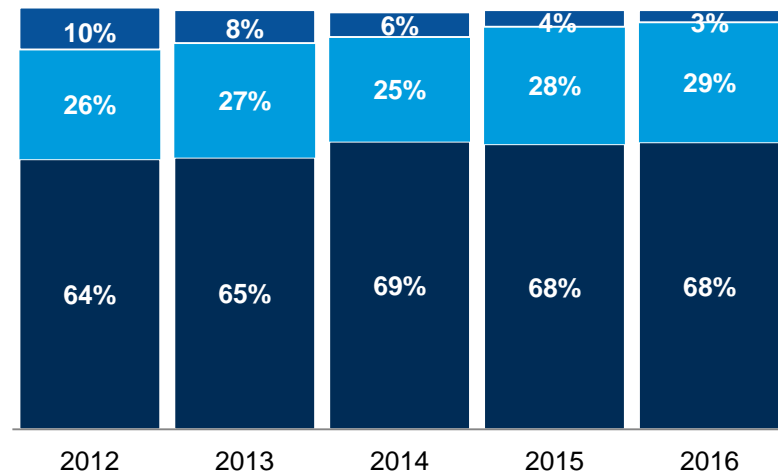


H1 counter cyclical revenue (Asset Management) £m

CAGR -19%



H1 Total Agency Revenue



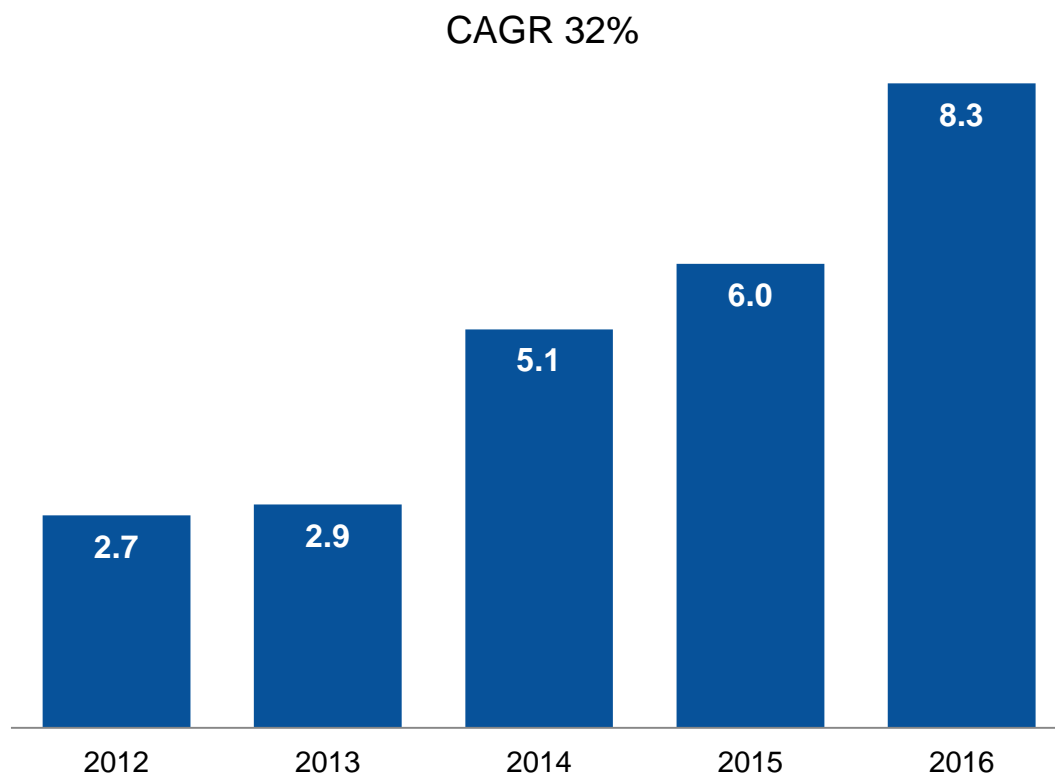
- Counter - cyclical: AM
- Recurring and counter - cyclical: lettings
- Exchange fees, financial service income, other income

- The business continues to grow Lettings through organic and acquisitive growth
- Asset Management revenue has outperformed market conditions¹

¹ Q1 CML market statistics. Market CAGR 2012-2016 -32%

Estate Agency Strategy – Financial Services

Value of H1 LSL Financial Services mortgage completions (£bn)



Strategy

- Consistent delivery of appropriate outcomes for consumers
- Capitalise on mortgage market shift towards intermediary distribution
- Investment in additional mortgage advisors in estate agency
- Growth in intermediary networks and expansion of mortgage club
- Enhancement of technology solutions to improve the customer experience, raise productivity and deliver process efficiencies
- Maintain focus on ‘best practice’ standards of regulatory compliance
- Group First acquisition performing in line with expectations and capitalising on robust New Homes market outside Central London

Estate Agency Strategy – Acquisitions – Lettings Books

The economics of lettings books acquisitions are very accretive. We will continue to evaluate lettings book acquisitions in H2 2016.

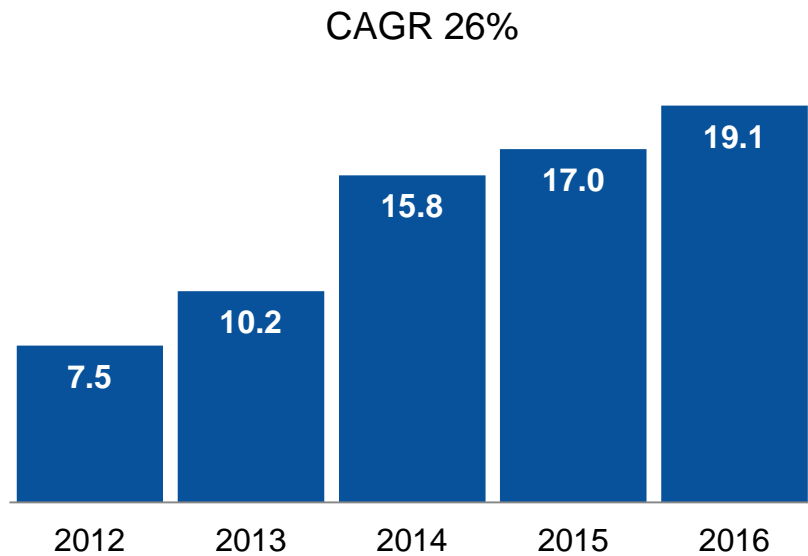
Investment	2013	2014	2015	2016
H1	£0.5m	£0.6m	£3.9m	£4.1m
H2	£1.1m	£1.2m	£5.7m	n/a
Full Year	£1.6m	£1.8m	£9.6m	n/a

Note: Investment is the total consideration including maximum contingent consideration.

Estate Agency Strategy – Acquisitions – LSLi

LSLi has been a significant growth vehicle for LSL

H1 Revenue (£m)



Estate Agency Strategy – joint ventures, other investments and portals

Joint Ventures and other investments

Current investments	Status
Zoopla	Value of Zoopla shareholding at 30 June 2016 £30.1m. One million shares of Zoopla holding sold during July 2016 for gross proceeds of £3.0m
TM, LMS	Positive performance

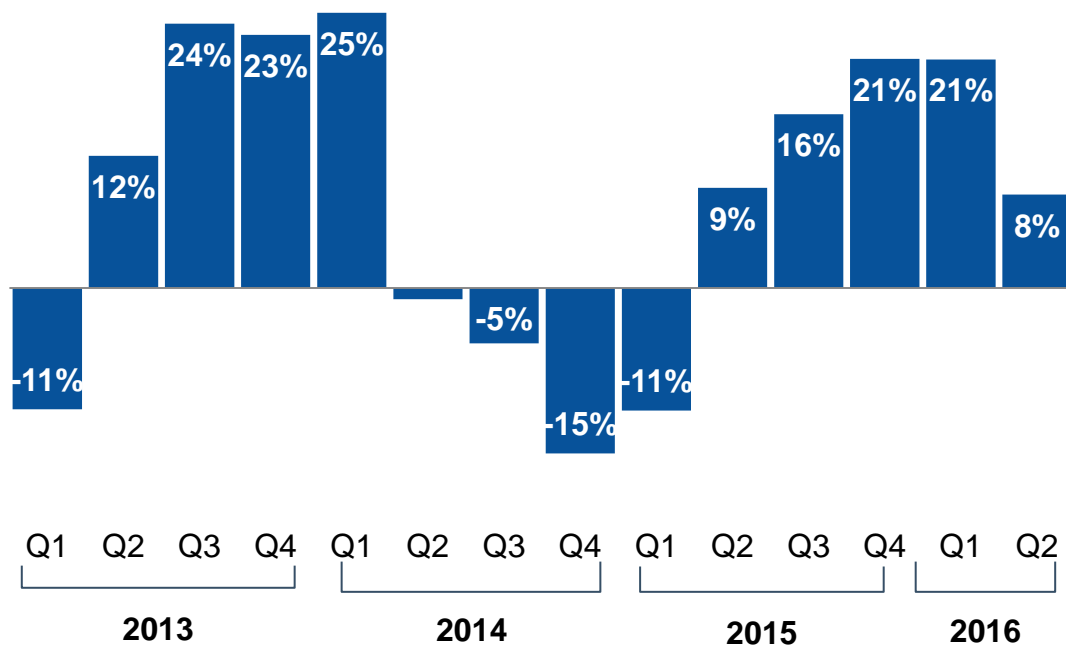
Portals

- LSL's estate agency businesses use Rightmove and Zoopla. LSL does not currently use Agents Mutual

Notes: TM provides property searches and LMS provides conveyancing services

Surveying Strategy

Total Approvals¹ - % growth



- Optimise contract performance from B2B customers
- Achieve further improvement in efficiency and capacity utilisation and to
- Use technology to drive further customer enhancements and quality improvements

¹Bank of England

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Outlook

The Group has a balanced business portfolio including Asset Management and the Letting and Financial Services businesses which are both proving more resilient to residential property market fluctuations and we will continue to benefit from the increasing proportion of our business represented by these revenue streams.

Mortgage costs and availability remain positive with continued share of lending taken by the intermediary market.

In Surveying we will continue to use technology to drive further customer enhancements, quality improvements and improvement in efficiency and capacity utilisation. We will continue to optimise contract performance and revenue generation from B2B customers.

Whilst it is difficult to accurately predict market transactions and consumer confidence for the remainder of calendar 2016, as reported in the Group's recent pre-interim results trading update, LSL does not expect market conditions to improve sufficiently to meet previous financial expectations for the full year.

The Group has strong fundamentals, with a robust balance sheet. The business is well positioned to adapt to a changing market as it has in the past and to successfully navigate successfully through a more difficult market environment. The Board remains confident that LSL will continue to deliver long-term value to shareholders.

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LSL Property Services plc – Overview

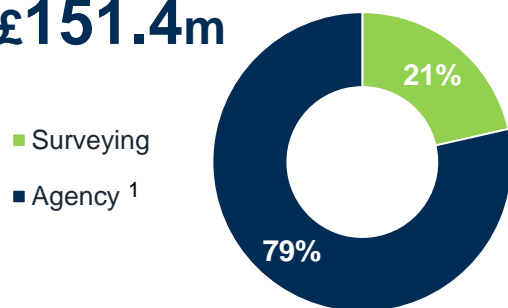
Business	Primary Channel	Geography	Consumer brands
Estate Agency	B2C	UK	12
Surveying	B2B	UK	-

Agency Revenue Split

Marsh & Parsons	17%	London
LSLi	19%	London / SE
Reeds Rains	22%	Predominantly North
Your Move	42%	National coverage

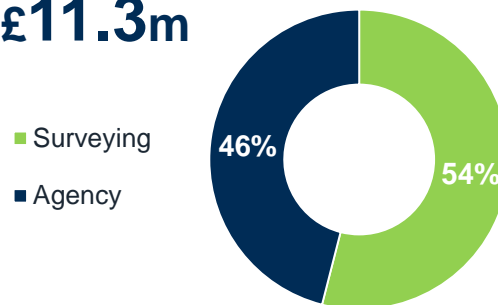
H1 16 Revenue

£151.4m



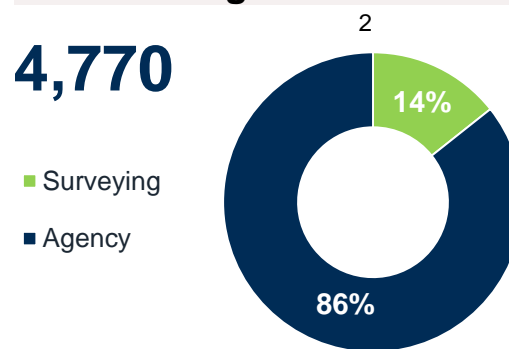
H1 16 Operating Profit

£11.3m



H1 16 Average FTE

4,770



¹ Includes estate agency branches, financial services and asset management

² FTE - full time employees

Disclaimer

This Presentation and the statement and reports referred to therein, may contain forward-looking statements with respect to certain plans and current goals and expectations relating to the future financial condition, business performance and results of LSL. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of LSL including, amongst other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates, inflation, deflation, the impact of competition, changes in customer preferences, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations within relevant industries, the policies and actions of regulatory authorities, the impact of tax or other legislation and other regulations in the UK. As a result LSL's actual future condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements.

Nothing in this Presentation or any statements or reports referred to therein should be construed as a profit forecast.

Information about the management of the Principal Risks and Uncertainties facing LSL is set out within the Strategic Report section of the LSL's Annual Report & Accounts which can be found at www.lslps.co.uk.

