

# LSL Property Services plc

## Interim Results

**Half year ended 30<sup>th</sup> June 2018**



# Agenda

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1.	Group Highlights
2.	Financial Performance
3.	Market Overview, Strategy and Outlook
4.	Q&A
5.	Appendices
6.	Disclaimer

# Group Highlights: H1 2018

## Revenue growth delivered in challenging market conditions

- Group Revenue up 1%
- Group Underlying Operating Profit<sup>1</sup> down 25%
- Group Adjusted EBITDA<sup>1</sup> down 21%
- 2018 Group Underlying Operating Profit performance is expected to be weighted more to H2 than in 2017 and more in line with LSL's historical average
- **Estate Agency**
  - Total revenue up 3%
  - Ongoing self-help measures delivered 4% Lettings growth (4% organic) and 20% growth in Financial Services (5% organic)
  - Residential sales exchange revenue down 11% with fees per unit up 1%
  - Like for like expenditure<sup>3</sup> broadly flat
  - Operating profit negatively impacted by a number of factors including Residential Sales Exchange income and an H1 2017 one-off gain on sale of a freehold property
- **Surveying**
  - Revenue down by 6% impacted by market conditions and lender mix
  - Expenditure down 5%
  - Strong operating margins of 27.7%

## Strong Balance Sheet

- Net Bank Debt of £46.0m (2017: £31.7m) incorporating the £20m strategic acquisition of a 17.3% shareholding in Yopa in September 2017
- Gearing ratio<sup>2</sup> remains relatively low at 1.18x 12 month Group Adjusted EBITDA (H1 2017: 0.71x)
- £1.2m exceptional PI Costs provision release

## Focus on our stated strategy

- **Estate Agency Division**
  - Increased recurring revenue
  - Strong Financial Services income growth
  - Two Financial Services acquisitions during the period (PTFS and RSC)
  - LSL has recommenced its lettings book acquisition programme
  - One Marsh & Parsons branch opened during H1 2018 in outer prime
  - Continued progress with the ways of working programme
- **Surveying Division**
  - Material contract win for the supply of surveying and valuation services to Lloyds Bank plc
  - Continuation of technology roll-out with further system functionality releases
  - Incremental capacity generated through new graduate intake



<sup>1</sup> Group Underlying Operating Profit and Group Adjusted EBITDA are defined in Note 7 in the Interim Statements

<sup>2</sup> Calculated by closing 30<sup>th</sup> June net bank debt / 12 month rolling Group Adjusted EBITDA

<sup>3</sup> The Estate Agency like for like expenditure comparative is after adjustments for acquisitions, share of profit/loss after tax from joint ventures and the one-off gain on sale of the leasehold property in Marsh & Parsons in H1 2017

# Group Operating Performance

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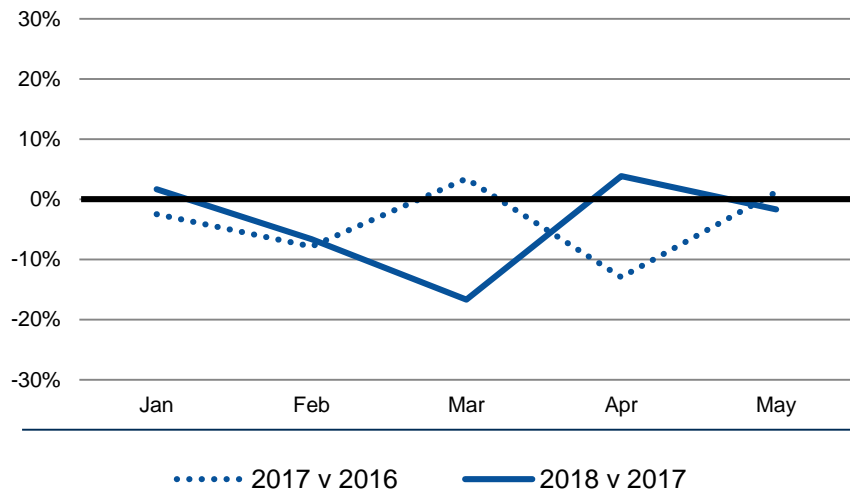
Group Revenue	£152.9m ▲ 1%	Exceptional gain <sup>1</sup>	£1.2m ▲ 9%
Group Underlying Operating Profit	£11.6m ▼ 25%	Adjusted Earnings per Share	8.6p ▼ 25%
Group Adjusted EBITDA	£14.4m ▼ 21%	Interim Dividend per Share	4.0p Unchanged
Profit Before Tax	£6.4m ▼ 51%	Net Bank Debt / Gearing ratio	£46.0m / 1.18x



# 2018 Market Dynamics

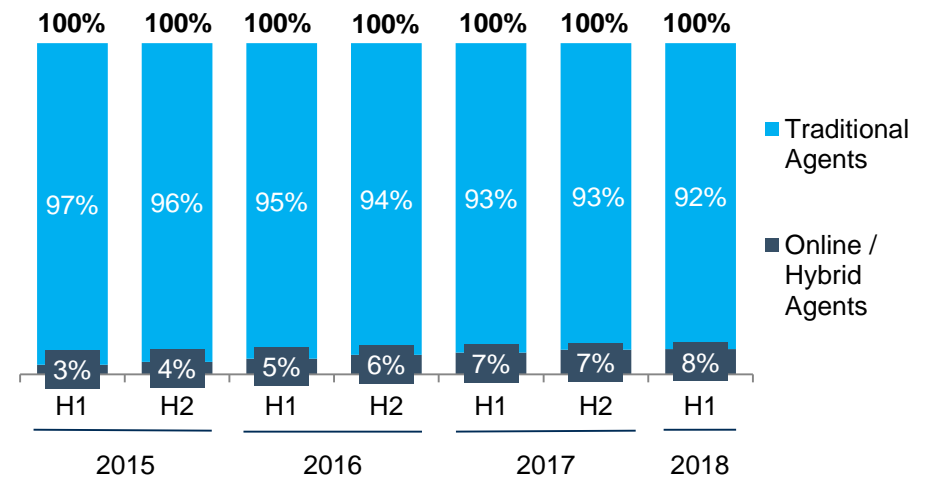
## Market impacted in 2018 by challenging conditions

### Approvals for House Purchases<sup>1</sup>



- House Purchase Approvals in Q1 2018 were down 9% in comparison to the same period in the prior year due to the timing of national bank holidays in Q1 2018 compared to Q1 2017 and the weather conditions in March 2018
- The April market recovered following the soft quarter end with stabilisation in May
- 2018 YTD House Purchase Approvals are -5%

### Share of housing stock available for sale<sup>2</sup>



- Channel dynamics continued to evolve in H1 2018 with online/hybrid agents share growing, now representing c.8% of visible housing stock available for sale
- Traditional estate agents continue to represent the vast majority of the residential sales market. LSL expects this to continue and remains of the view that traditional estate agents will continue to represent the substantial majority of the sales market through 2025
- LSL believes that there remains an important role for the “traditional” branch led model in the future, which will evolve considerably

<sup>1</sup> Source: Bank of England House Purchase Approvals data May 2018

<sup>2</sup> Source: LSL sourced data analysis

## LSL continues to invest for the future, positioning the Group for success across a range of market conditions

		2018 progress	Mid-term strategy
Estate Agency	Drive operating profit per branch	Self-help measures with organic Lettings growth, Lettings book acquisitions & Financial Services organic growth	Medium term ambition to achieve £80k to £100k profit per branch
	Marsh & Parsons branch rollout	One new opening in outer prime Central London (Chiswick)	Ambition to expand the number of branches to 36 in the medium term
	Increase recurring income	Organic Lettings growth of 4% and lettings book acquisitions restarted	Organic Lettings growth and continuation of lettings book acquisitions
	Selective acquisitions/investments	Acquisition of PTFS and RSC providing increased Financial Services scale	Assess further selective acquisitions
	Enhancing core Estate Agency business	Progress the ways of working programme	Continue progress with the ways of working programme with the objective of delivering improvements to the EA operational performance and enhancing market competitiveness
Surveying	Optimise contract performance	Material contract win with Lloyds Bank plc	Continued focus and performance on contracts
	Improve efficiency and capacity utilisation	Optimise mix of volume and income per job, leveraging from scale benefits	
	Enhance proposition and deliver further improvements to risk management through the enhanced IT platform	Further functionality delivered by market leading IT system	Implement further functionality of IT system to drive efficiency
	Add capacity through graduate programme	Intake of graduates in March 2018, with more cohorts planned in the year	Continue investment in graduate programme
	Drive operational efficiencies	Strong cost control	Ongoing focus on costs

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# Group Financials: Summary

	2018	2017	Change	Financial Summary
<b>P&amp;L (£m)</b>				
Revenue	<b>152.9</b>	151.5	1%	• Total revenues up 1% and organic revenue down 2%
Group Underlying Operating Profit	<b>11.6</b>	15.5	-25%	• Estate Agency revenue growth of 3% as continued self-help measures delivered growth in Lettings and Financial Services income that combined to more than offset the impact of lower residential exchange income
<i>Margin</i>	<b>7.6%</b>	10.2%		
Group Adjusted EBITDA	<b>14.4</b>	18.2	-21%	• Revenue down 6% in Surveying impacted by market conditions and Lender mix
Exceptional gain	<b>1.2</b>	1.1	9%	• Group Underlying Operating Profit down 25% with decreases in both Divisions
<b>Profit before Tax</b>	<b>6.4</b>	13.2	-51%	• Group Adjusted EBITDA down 21%
				• Exceptional gains in 2018 and 2017 relate to PI costs provision release
<b>Cashflow (£m)</b>				
Cashflow from operations <sup>1</sup>	<b>1.8</b>	10.5	-83%	• Cashflow from operations down due to lower operating profits and seasonal movement in working capital
				• Interim dividend maintained at same level (4.0p) in line with the last 4 years
<b>Dividends (pence)</b>				
Adjusted Earnings Per Share	<b>8.6</b>	11.5	-25%	
Interim dividend Per Share	<b>4.0</b>	4.0	-	

The full year 2018 Group Underlying Operating Profit performance is expected to be weighted more to H2 than in 2017 and more in line with LSL's historical average. This takes into consideration:

- In Estate Agency, the residential sales pipelines are ahead of the Board's previous expectations
- In Surveying, current trading is positive
- Contribution from Financial Services acquisitions made during the first half of the year
- Volumes coming on-stream from the Lloyds bank plc surveying contract
- Continued self-help initiatives across the business including strong cost control



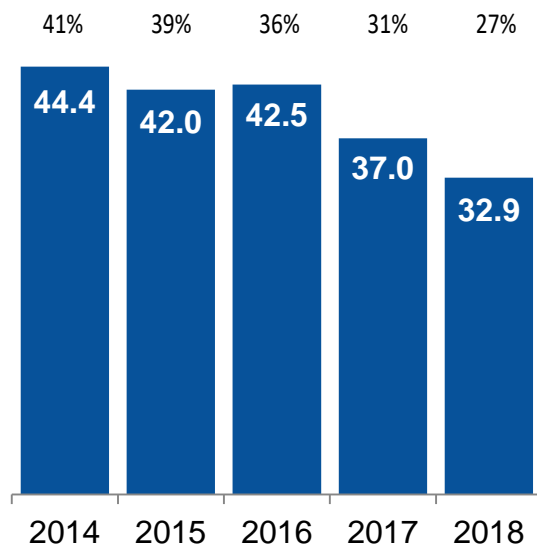
# Estate Agency Revenues

Successfully diversifying revenue streams over the last 5 years<sup>1</sup>

## H1 Exchange Income

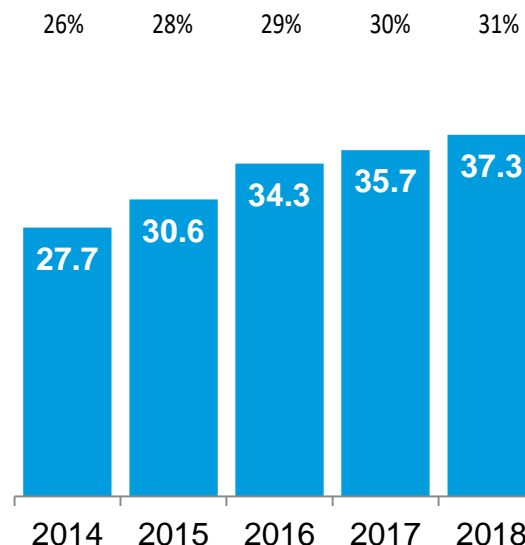
(£m) CAGR  
**-7%**

% of EA  
Revenue



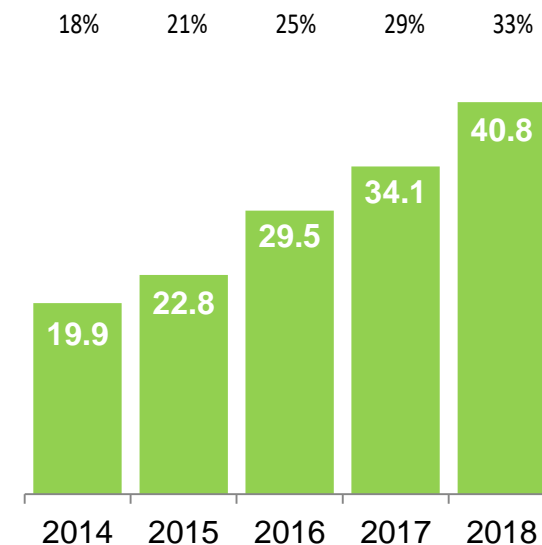
## H1 Lettings Income

(£m) CAGR  
**8%**



## H1 Financial Services Income

(£m) CAGR  
**20%**

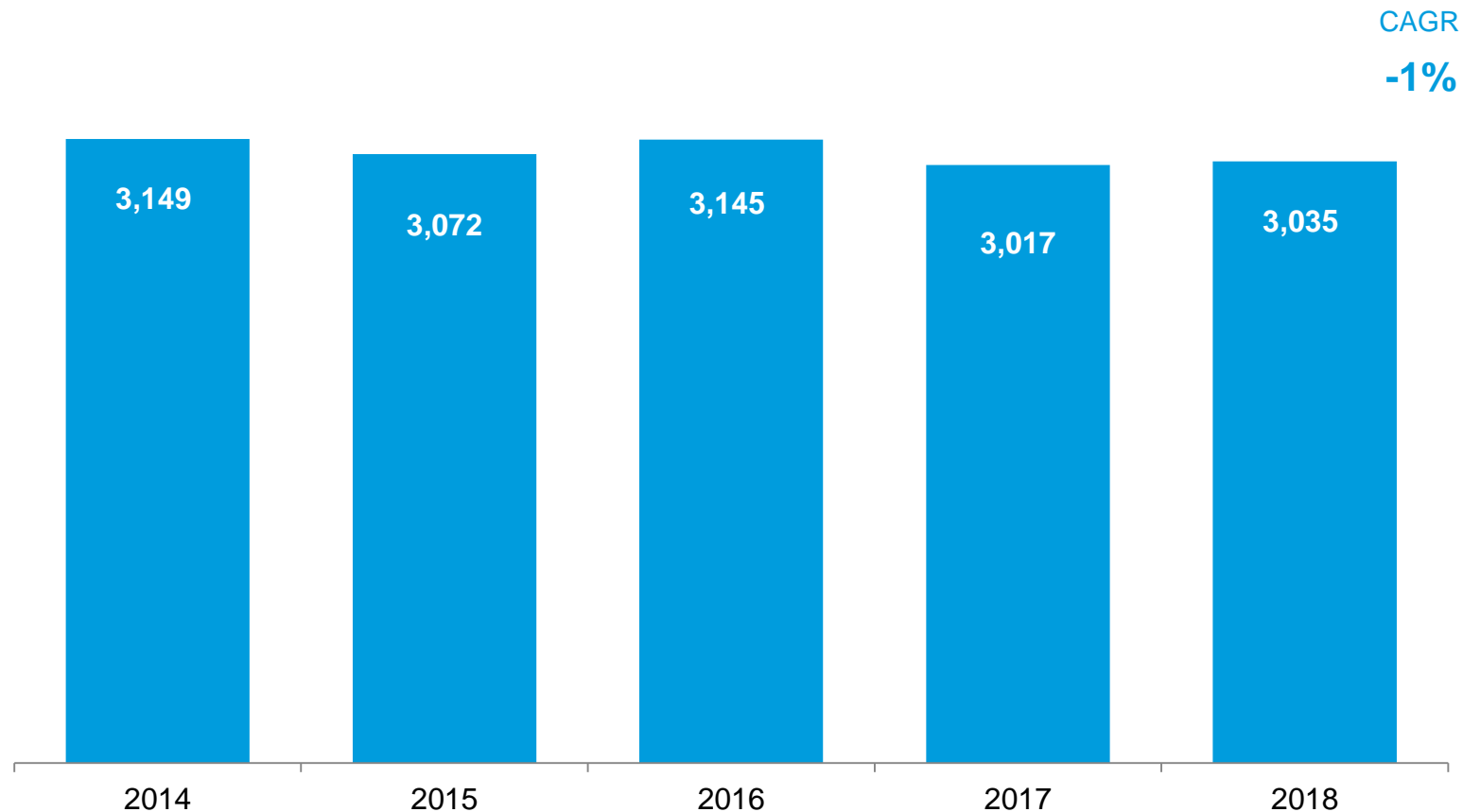


<sup>1</sup> All CAGR's measured over period 2014-2018



# Average LSL Estate Agency Residential Sales H1 exchange fee<sup>1</sup> (£)

**LSL has been disciplined in its Residential Sales exchange fee strategy**



<sup>1</sup> CAGR measured over period 2014-2018

# Financial Performance: Estate Agency

## Positive growth in Lettings and Financial Services

	2018	2017	Change
<b>P&amp;L (£m)</b>			
Residential Sales exchange Income	32.9	37.0	-11%
Lettings Income	37.3	35.7	4%
Financial Services Income	40.8	34.1	20%
Asset Management Income	2.9	3.3	-12%
Other Income	7.9	8.4	-4%
<b>Total Revenue</b>	<b>121.8</b>	118.4	3%
Expenditure	(116.8)	(109.0)	-7%
<b>Underlying Operating Profit</b>	<b>5.0</b>	9.4	-47%
<i>Operating Margin</i>	<b>4.1%</b>	8.0%	
<b>KPIs</b>			
Exchange units (000's)	10.8	12.3	-12%
Fees per unit (£)	3,035	3,017	1%
<b>Market data</b>			
House purchase approvals <sup>1</sup> (000's)	313	328	-5%
Repossessions <sup>2</sup> (000's)	1.9	1.9	-

- Residential Sales exchange income impacted by a number of factors including:
  - subdued market conditions
  - Q4 2017 market conditions impacting opening 2018 pipeline levels
  - selective branch closures in Q4 2017 (2% of wholly owned branch network)
- Residential property market share maintained at broadly stable levels with residential average fees slightly up
- Lettings income: Growth of 4% (organic growth: 4%)
- Financial Services: Organic revenue growth of 5% with gains across the Estate Agency brands and the intermediary networks
- Asset Management market share of new possessions was maintained, with revenue impacted by lower opening stock
- Like for like<sup>3</sup> expenditure has been broadly maintained at the same level as prior year as costs are closely managed whilst continuing to invest in our growth businesses

<sup>1</sup> Source: Bank of England House Purchase Approvals data May YTD 2017/2018

<sup>2</sup> Source: UK Finance "Possessions on mortgaged properties" Q1 2018

<sup>3</sup> The Estate Agency like for like expenditure comparative is after adjustments for acquisitions, share of profit/loss after tax from joint ventures and the one-off gain on sale of the leasehold property in Marsh & Parsons in H1 2017

# Financial Performance: Marsh & Parsons<sup>1</sup>

## Resilient performance despite a challenging London market

	2018	2017	Change
<b>P&amp;L (£m)</b>			
<b>Total Revenue</b>	<b>15.9</b>	16.4	-3%
<i>Residential Sales exchange Income</i>	<b>5.5</b>	6.5	-15%
<i>Lettings Income</i>	<b>10.2</b>	9.6	6%
<i>Other Income</i>	<b>0.2</b>	0.3	-33%
Gain on sale of property	-	0.7	-
Expenditure	<b>(15.2)</b>	(15.4)	1%
<b>Underlying Operating Profit</b>	<b>0.7</b>	1.7	-59%
<i>Operating Margin</i>	<b>4.4%</b>	10.4%	

### London market conditions

- LSL estimates that the overall London market for sales transactions was down c.20% in the first half of 2018<sup>2</sup>

### Marsh & Parsons performance

- Residential Sales exchange income down by 15% against the challenging overall London market
- Lettings performance continued to deliver organic growth of 6% (total growth of 6%). Lettings revenue now represents 64% of total revenues (H1 2017: 59%)
- Despite the opening of two new branches since 30<sup>th</sup> June 2017 (Islington and Chiswick), with strong cost control, total expenditure fell by 1% year on year
- H1 2017 benefited from the one-off gain on the sale of a leasehold property of £0.7m

<sup>1</sup> Included in Estate Agency financial performance on slide 10

<sup>2</sup> Source: Source LSL estimates including Land Registry regional data

<sup>3</sup> Source: LSL Property Services / Acadata HPI – July 2018

# Financial Performance: Surveying

## Strong Operating Margins

	2018	2017	Change
<b>P&amp;L (£m)</b>			
<b>Total Revenue</b>	<b>31.1</b>	33.1	-6%
Expenditure	<b>(22.5)</b>	(23.7)	5%
<b>Underlying Operating Profit</b>	<b>8.6</b>	9.4	-8%
Operating Margin	<b>27.7%</b>	28.4%	
<b>KPIs</b>			
Jobs performed (000's)	<b>155</b>	160	-3%
Revenue from private surveys (£m)	<b>1.3</b>	1.2	8%
Income per job (£)	<b>201</b>	207	-3%
Number of qualified surveyors at 30 <sup>th</sup> June <sup>1</sup>	<b>314</b>	320	-2%
<b>Balance Sheet (£m)</b>			
PI Costs Provision at 30 <sup>th</sup> June	<b>(14.6)</b>	(17.9)	18%

- Revenue was down by 6% impacted by market conditions and lender mix
- Strong cost control with expenditure down 5%
- Continued to deliver strong operating margins of 27.7%
- LSL's on-going graduate programme continues to be successful and assists in alleviating the impact of capacity constraints in the market
- Continued positive progress in addressing historic Professional Indemnity (PI) claims with a £1.2m exceptional release as claims were settled below previous expectations

<sup>1</sup> FTE (Full Time Equivalent)

# Financial Performance: Exceptionals

	2018	2017
<b>Exceptionals Items (£m)</b>		
<b>Exceptional gains:</b>		
Historic PI Costs provision release	1.2	1.1
<b>Net exceptional gains</b>	1.2	1.1

- Continued positive progress in addressing historic Professional Indemnity (PI) claims with a £1.2m exceptional provision release as claims were settled below previous expectations
- Material reduction in PI payments in H1 2018 compared to H1 2017
- Operational valuation controls continue to be enhanced to manage future PI risk

	2018	2017
<b>PI (£m)</b>		
PI Costs provision	(14.6)	(17.9)
PI cash payments	(0.6)	(2.0)

# Group Financials: Cashflow

## Acquisitions and Letting Books acquisitions programme recommenced in line with Group strategy

	2018	2017
<b>Operating Cashflows (£m)</b>		
<b>Operating profit</b>	<b>11.6</b>	<b>15.5</b>
Depreciation, working capital etc.	(9.2)	(3.0)
<b>Cashflow from operations (pre PI and exceptionals)</b>	<b>2.4</b>	<b>12.5</b>
PI Costs Payments	(0.6)	(2.0)
<b>Cashflow from operations (post PI and exceptionals)<sup>1</sup></b>	<b>1.8</b>	<b>10.5</b>
Acquisitions	(6.5)	-
Cash acquired on acquisitions	6.9	-
Investments and revaluations in JVs / financial assets and contingent / deferred consideration	(2.1)	(6.9)
Payment of loan notes (deferred consideration)	(2.0)	-
Proceeds from sale of property	-	1.5
Capital expenditure	(2.1)	(1.8)
Dividends paid	(7.5)	(6.5)
Interest, tax and other	(4.5)	(8.6)
<b>Net Cashflow</b>	<b>(16.0)</b>	<b>(11.4)</b>
<b>Closing Net Bank Debt at 30<sup>th</sup> June</b>	<b>(46.0)</b>	<b>(31.7)</b>

- Cash from operations (pre PI and exceptionals): Impacted by lower operating profits and seasonal movement in working capital
- Substantially reduced PI costs payments
- Acquisitions net of cash acquired includes £3.6m PTFS initial consideration, £2.5m RSC consideration, and 2 lettings book acquisitions
- Total investments and consideration includes £1.4m LSLi earn-out contingent consideration
- Decreased corporation tax paid in the period in comparison to H1 2017 when tax was paid on the gain on the ZPG plc share sale during H2 2016
- Relatively low gearing. H1 2018 Net Bank Debt of £46.0m at 1.18x Adjusted EBITDA (H1 2017: 0.71x)

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# Market Overview, Strategy and Outlook

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**1**

**Market overview - volume & house price trends**

**2**

**Delivering on LSL's strategy**

**3**

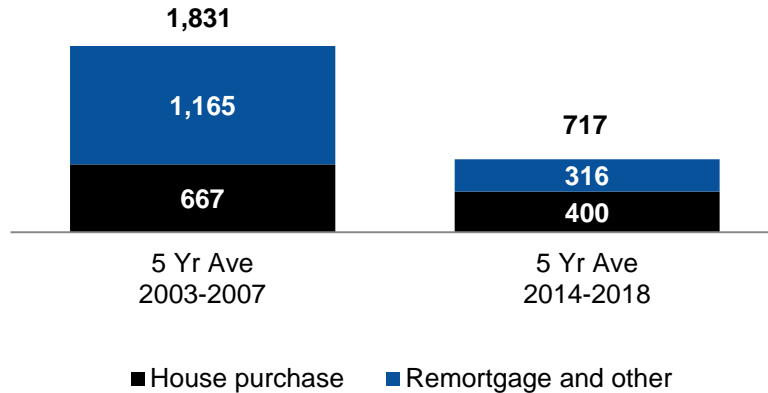
**Outlook**



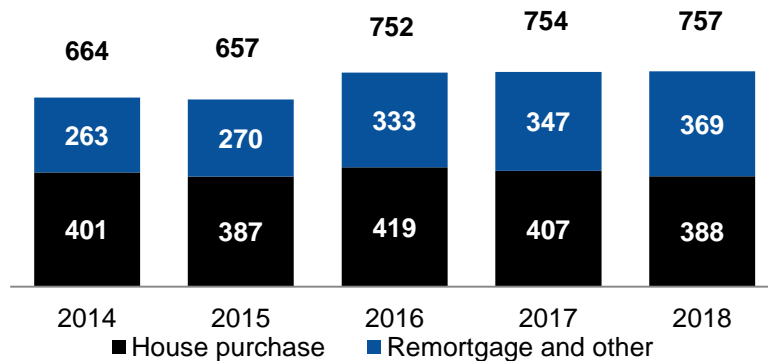
# 1 Market Overview: Volume Trends

## A challenging market in H1 2018

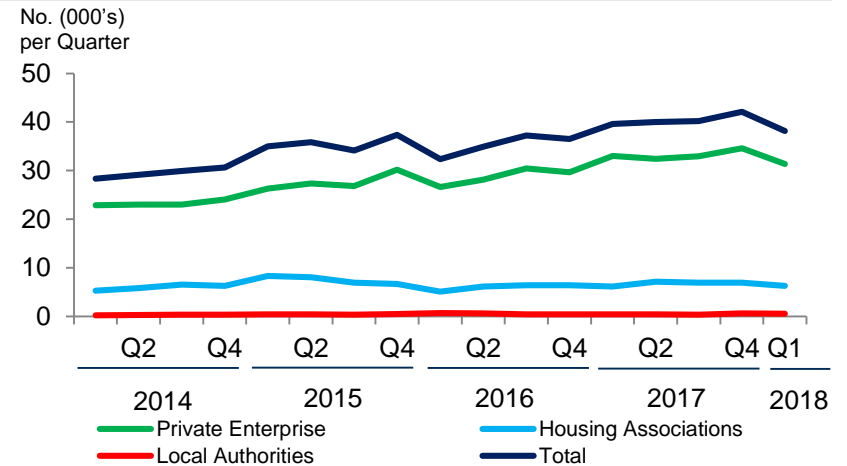
BoE: 5 Year Average H1 Approvals Volume<sup>1</sup>



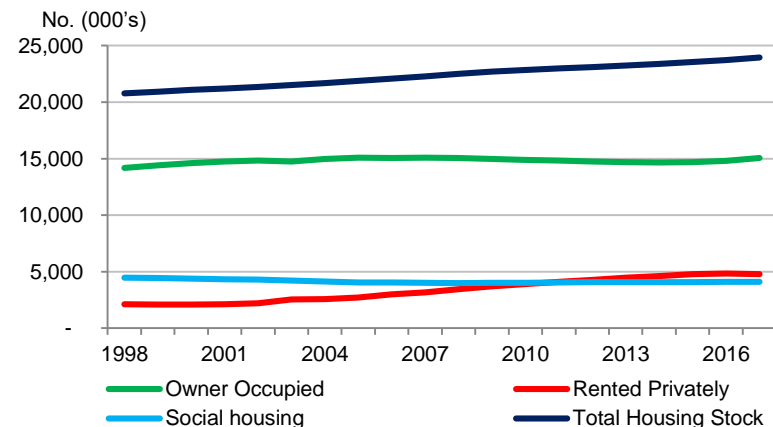
H1 Mortgage and House Purchase Approvals<sup>1</sup>



House building: permanent dwellings completed<sup>2</sup>



Housing Stock: Dwelling stock by tenure<sup>2</sup>



<sup>1</sup> Source: Bank of England for House Purchase Approvals and Total Approvals May 2018, May YTD used as proxy H1 position

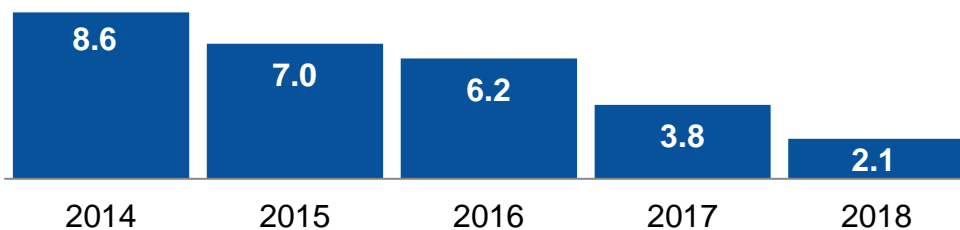
<sup>2</sup> Source: gov.uk housing statistics tables

# 1 Market Overview: House Price Trends

## England & Wales regions saw the rate of house price growth slow significantly in 2018

### England and Wales – House Price Changes <sup>1</sup>

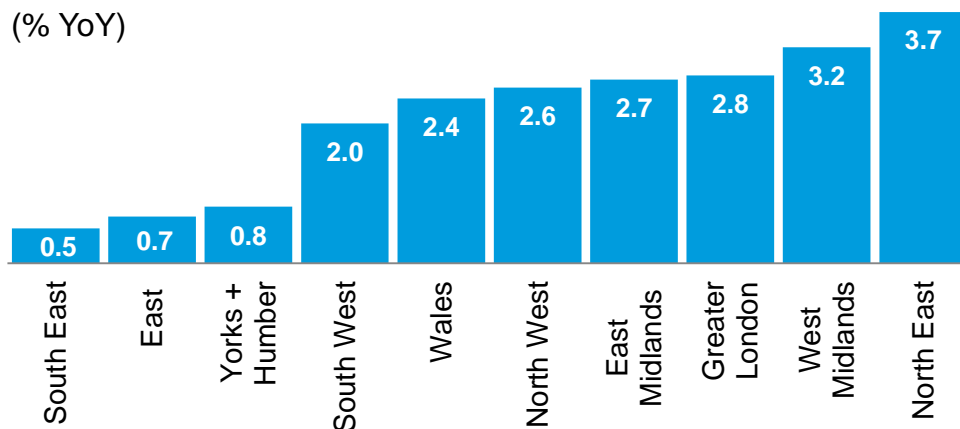
(% YoY)



- Average house prices in England and Wales increased by 2.1% to £304k
- Excluding London and the South East, the rest of UK and Wales showed house price growth of 2.0%

### House Price Movements by Region during 2018 <sup>1</sup>

(% YoY)



<sup>1</sup> Source: LSL Property Services / Acadata HPI – July 2018



## 2 Estate Agency Strategy: Drive Operating Profit per Branch

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**The ambition is to achieve £80k to £100k profit per branch in the medium term for Reeds Rains, Your Move and LSLi branches**

**LSL plans to drive future branch profitability through:**

- Lettings Income growth from both organic growth and Lettings book acquisitions integrated into our Estate Agency networks
- Financial Services Income growth
- Land and New Homes Income growth
- Continue progress with the ways of working programme with the objective of delivering improvements to the EA operational performance and enhancing market competitiveness

**LSL's branch profitability over the last 12 months:**

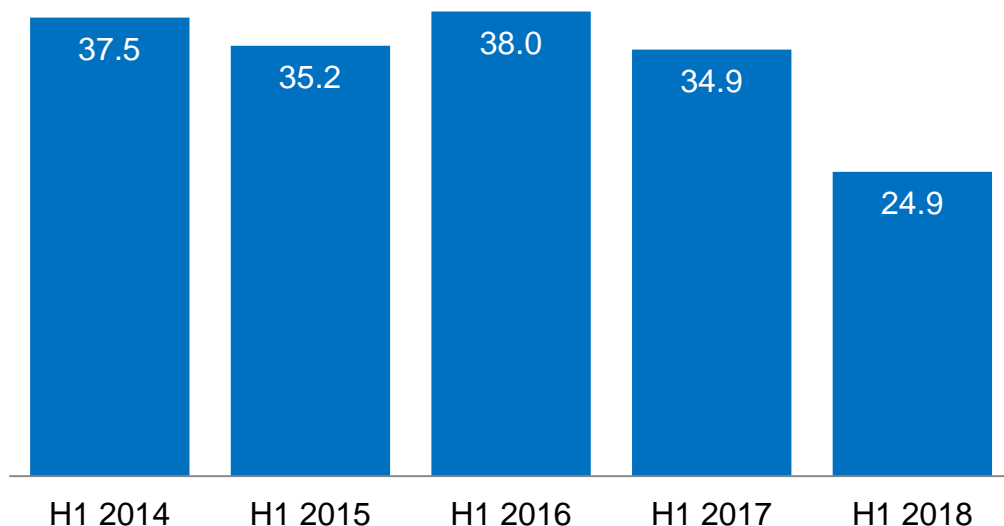
- Reduction in Residential Sales exchange income/margin caused by exchange unit volume reduction in challenging market
- Partially offset by growth in Lettings and Financial Services Income/margin

## 2 Estate Agency Strategy: Drive Operating Profit per Branch

The ambition is to achieve £80k to £100k profit per branch in the medium term for Reeds Rains, Your Move and LSLi branches

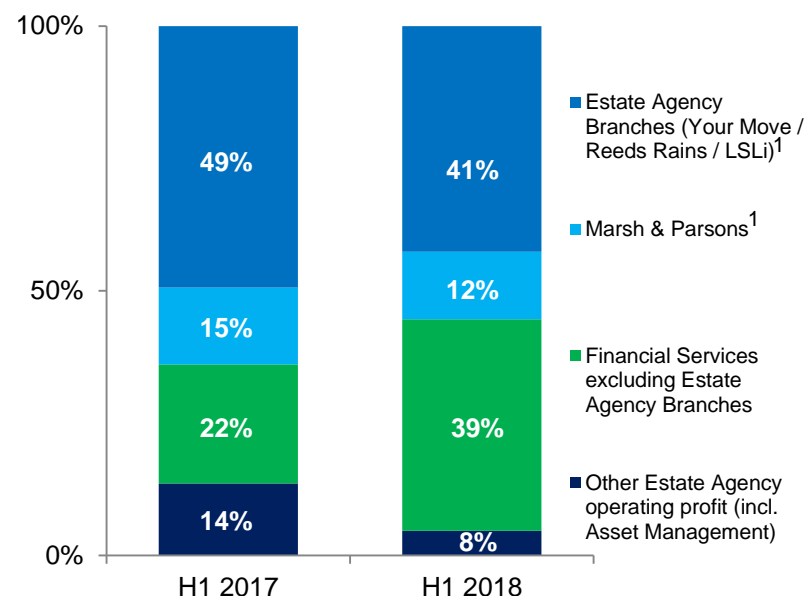
Estate Agency H1 Operating Profit per Branch (rolling 12 months)

(£k)



The ambition to achieve £80k to £100k profit per branch in the medium term is based on the expectation of a normalised level of market transactions in the UK residential property sales market

Breakdown of Total Estate Agency Division Underlying Operating Profit

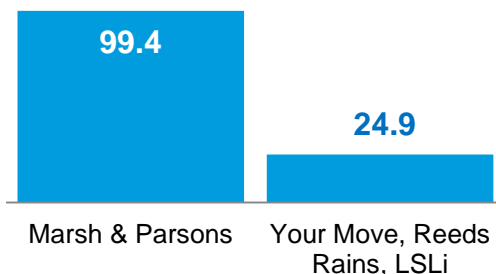


## 2 Estate Agency Strategy: Marsh & Parsons Branch Rollout

**Marsh & Parsons is an award winning estate agency operating in London**

### 2018 Profit per branch\*

(£k)

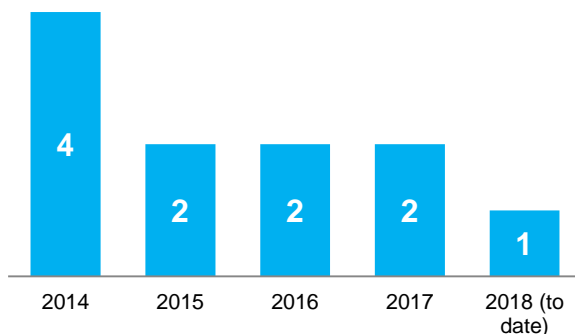


\*Rolling 12 months

### M&P delivers higher branch profitability

- Prime Central London is currently facing tough trading conditions
- Outer prime Central London has not been as negatively impacted as prime Central London and Marsh & Parsons continues to look to expand its new office footprint in outer prime Central London locations
- The ambition is to expand the number of branches to 36 in the medium term (28 branches<sup>1</sup> as at 30<sup>th</sup> June 2018)

### Marsh & Parsons New Branch Openings



- New branches in outer prime Central London locations of Brixton and Islington were opened in January and September 2017 respectively and are both performing in line with expectations
- Chiswick opened in April 2018 and has started positively
- Further new offices are under evaluation

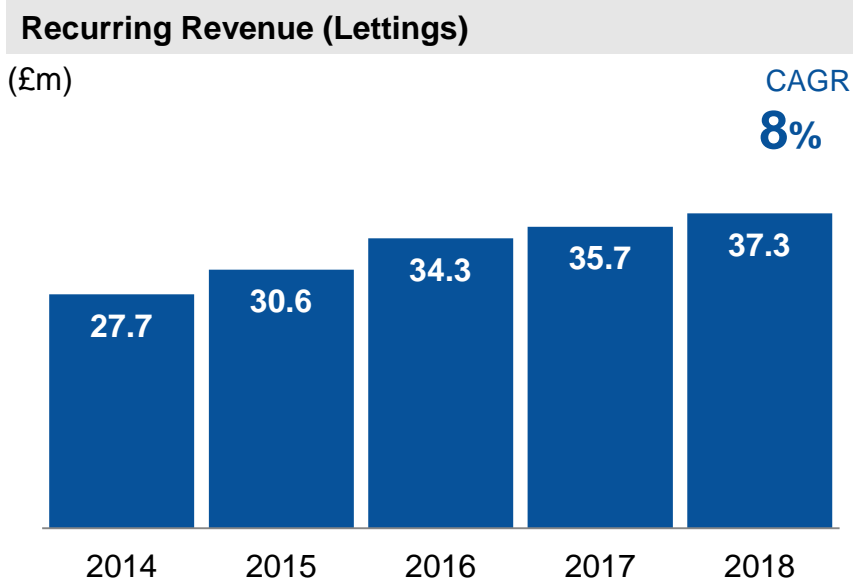
**MARSH & PARSONS**

**Chiswick opened in April 2018**

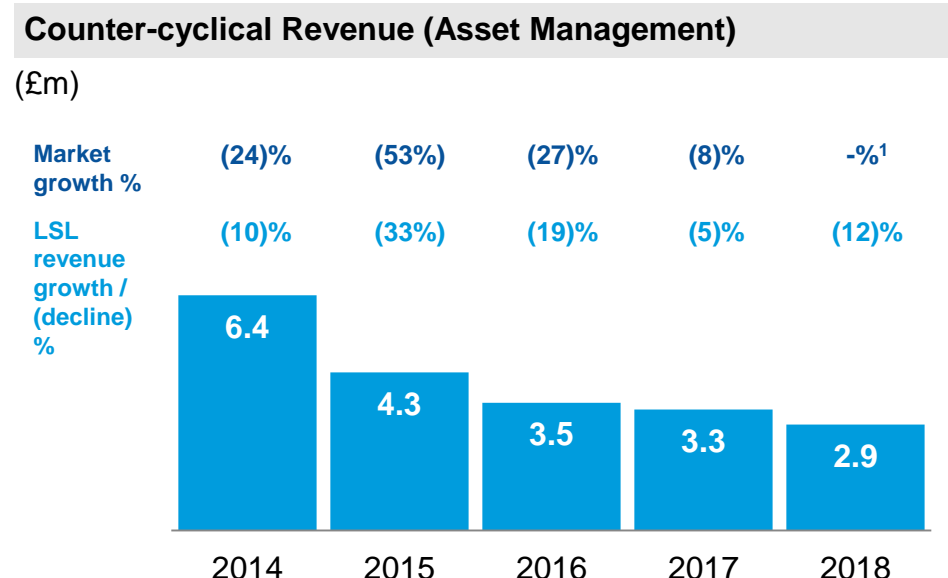


## 2 Estate Agency Strategy: Recurring Income Streams

One of our key objectives is to grow recurring income and where market conditions permit, counter-cyclical revenue streams



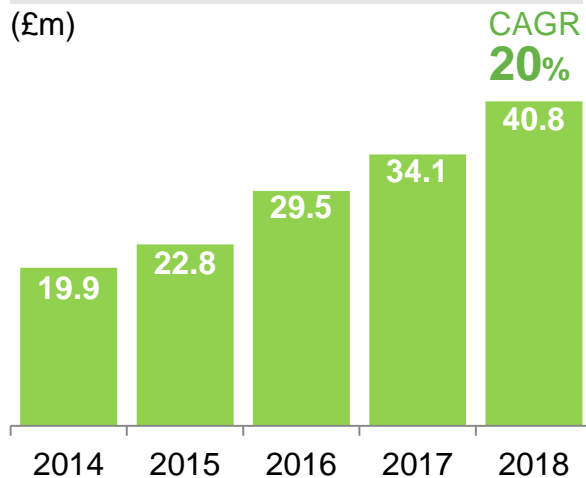
- The business continues to grow Lettings through organic growth in the highly fragmented market
- LSL approach: Lettings specialists, dedicated management and consistent execution
- LSL has recommenced accretive Lettings book acquisitions in H1 2018
- Our current expectation is that the proposed tenant fee ban will be introduced at the end of Q1 2019



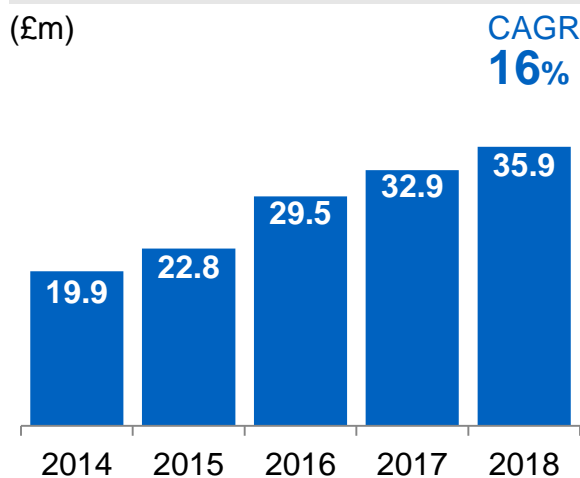
- Asset Management revenue has performed ahead of market conditions over the 5 year period

## 2 Financial Services Strategy (1 of 2)

### H1 Financial Services Income

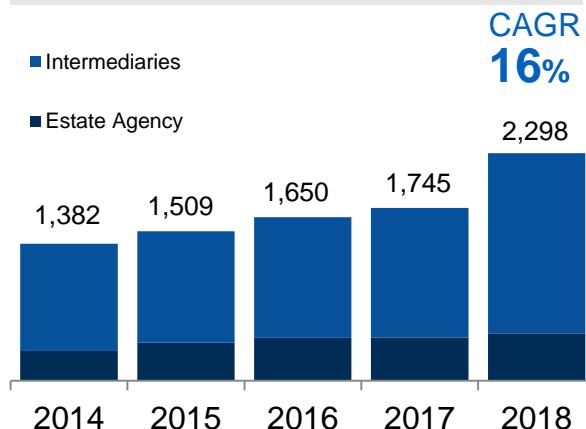


### H1 Organic Financial Services Income



- Organic growth has been achieved through advisor number growth and productivity gains
- Selective acquisition of Financial Services businesses during the last 2 years has enabled LSL to increase scale and market share
- Investment in RSC further strengthens LSL's new homes Financial Services offering
- LSL gross lending market share<sup>1</sup> increased to c.9.0% (2017: c.6.9%)

### Adviser Numbers



- Estate Agency generates financial services income by providing estate agency customers access to mortgage and related protection products as an intermediary broker as part of the housing transaction. Advisers typically operate out of the branch network
- LSL's Financial Services teams specialise in the brokerage of mortgage, pure protection and general insurance via its appointed representative network, which is directly authorised by the Financial Conduct Authority. Advisers work for the respective appointed representative firms across the LSL network and are not directly employed
- LSL also works in close partnership with directly authorised mortgage intermediaries offering a range of services and distribution routes

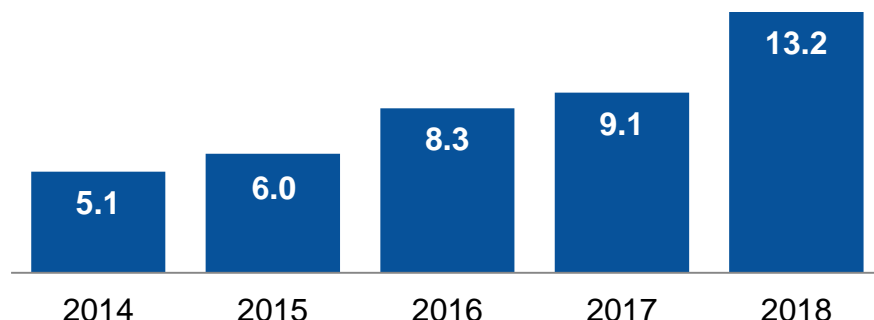


<sup>1</sup> Source: UK Finance new mortgages sold via intermediaries May 2018, excluding product transfers

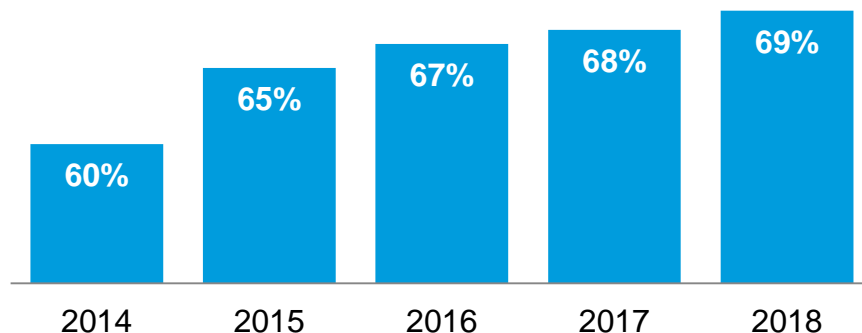


## 2 Financial Services Strategy (2 of 2)

**Value of LSL Financial Services mortgage completions (£bn)<sup>1</sup> in H1**



**Market overview: percentage of intermediary market share for residential property excluding BTL and product transfers**



**PRIMIS.**  
MORTGAGE NETWORK



### **Growth in value of LSL's mortgage completions**

- Strong growth in the value of LSL's mortgage completions with the second largest network measured by combined numbers of appointed representative firms<sup>2</sup>
- Acquisition of PTFS in January 2018, increasing scale and market share

### **Strategy**

- Enhance position as a leading mortgage introducer to deliver economies of scale and enhance profitability
- Consistent delivery of appropriate outcomes for consumers with focus on 'best practice' standards of regulatory compliance
- Capitalise on mortgage market shift towards intermediary distribution
- Investment in additional mortgage advisors with growth in intermediary networks and expansion of our mortgage club
- Enhancement of technology solutions to improve the customer experience, raise productivity and deliver process efficiencies

### **Brand**

- On the 1<sup>st</sup> February 2018, the mortgage intermediary networks First Complete and Pink were rebranded as PRIMIS Mortgage Network

<sup>1</sup> LSL mortgage completions quoted include product transfers

<sup>2</sup> Source: Which-Network – network performance figures Q1 2018

## 2 Acquisitions and Investments

LSL has made the following acquisitions and investments with an increasing focus on Financial Services<sup>1</sup>



**January 2018: Acquired the entire issued share capital of Personal Touch Financial Services Limited (PTFS) and its subsidiary company, Personal Touch Administration Services Limited (PTAS) for an initial consideration of £2.8m<sup>2</sup>**

- PTFS is a financial services business specialising in the provision of mortgage and other financial services products via its network of intermediaries
- In 2017, the PTFS network of advisers arranged £5.1bn of mortgages further increasing LSL's economies of scale and future profitability
- At acquisition the business was broadly break-even. LSL's focus is to drive revenue and optimise costs with the objective of increasing profitability
- Supports LSL's strategy to grow long term profitability in the UK residential property services sector
- Performance has been in line with expectations since acquisition

**March 2018: Acquired a 60% interest in RSC New Homes Ltd (RSC) for initial consideration of £2.5m**

- Provides mortgage and protection brokerage services to purchasers of new homes
- Supports LSL's strategy to grow long term profitability in the UK residential property services sector
- Performance has been in line with expectations since acquisition

### Financial Services Strategy

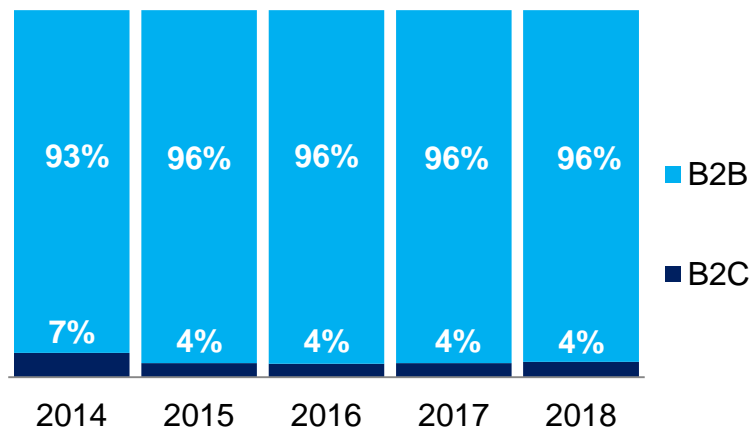
- The LSL strategy is to continue to evaluate opportunities to build further scale in the UK mortgage, protection and insurance markets through organic growth and selective acquisitions

## 2 Surveying Strategy (1 of 2)

### Strategy

- Focus on the B2B market where the economics are most favourable
- Optimise contract performance and revenue generation from B2B customers
- Continue to improve efficiency through optimising capacity management supported by IT technology
- LSL's on-going graduate programme continues to be successful and assists in alleviating the impact of capacity constraints in the market

### B2B and B2C revenue



### New technology

- Following the implementation in 2016 of the market leading IT system there has been continued focus on optimising efficiency and operational performance through further enhancements and developments
- The technology roll-out has continued during 2018 with further functionality releases designed to enhance quality and drive efficiencies e.g. governance and controls

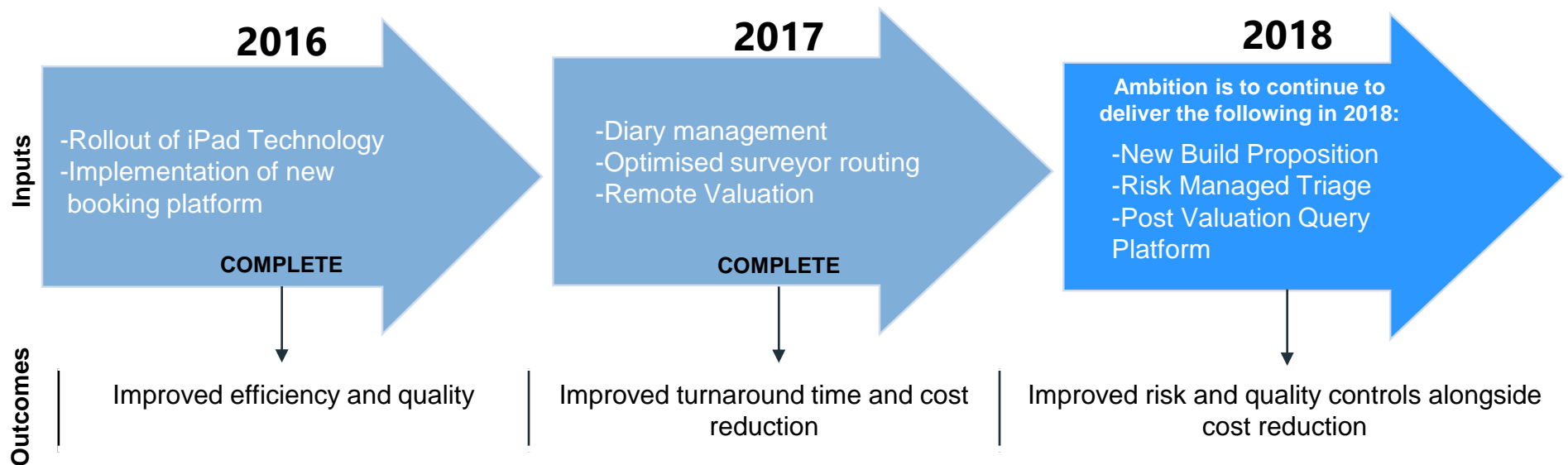


## 2 Surveying Strategy (2 of 2)

### Surveying is focused on delivering against the following principles:

- Creating the best customer service experience
- Providing and consistently delivering a compelling innovation roadmap
- Ensuring excellent property risk management expertise
- Continuing to improve PI controls

These strategic aims are underpinned by the well-proven current systems successfully rolled out by Surveying in 2016 and 2017 with further innovations being delivered in 2018 and beyond:



### 3 Outlook

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- Market conditions in the first half of 2018 were softer than the Board's expectations and the equivalent period in 2017, but despite this LSL's first half financial performance was in line with the Board's expectations
- As reported in the LSL AGM statement on 26<sup>th</sup> April 2018, the Board expects LSL's financial performance to be more weighted to the second half in 2018 compared to the same period in 2017 and therefore more in line with historical averages, supported by a range of initiatives including the recent Financial Services acquisitions
- LSL continues to execute on its stated strategy and is well placed to deliver increased Shareholder value. The Board is positive regarding the outlook for the business with current Residential Sales pipelines above previous expectations, current positive trading in Surveying and continued progress with the range of ongoing self-help initiatives. The Board is confident of delivering a full year Group Underlying Operating Profit in line with expectations
- LSL expects to see a reduction in the volume of house purchase transactions compared to the prior year, with modest House Price Inflation. Mortgage costs continue to be low by historic standards and mortgage availability remains good. The medium to longer term fundamentals of the UK housing market remain solid
- The Group has a robust balance sheet with relatively low levels of gearing and is highly cash generative at an operational level. The business is well placed to capitalise on market conditions to increase Shareholder value

# Agenda

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1.	Group Highlights
2.	Financial Performance
3.	Market Overview, Strategy and Outlook
<b>4.</b>	<b>Q&amp;A</b>
5.	Appendices

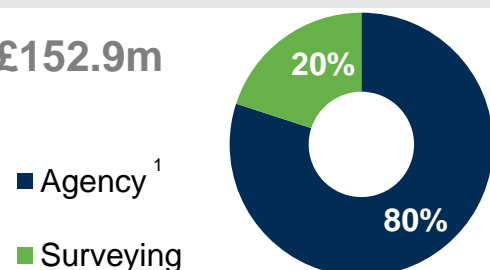


# Appendices

# LSL Property Services plc: Business Overview

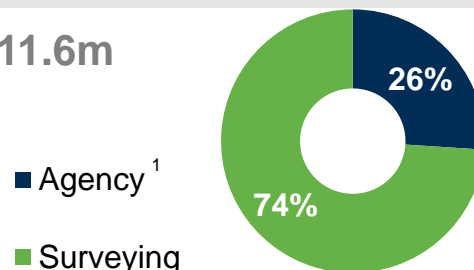
## H1 2018 Revenue

£152.9m



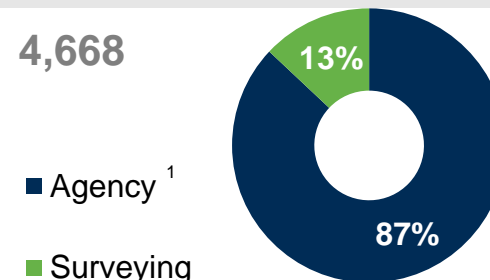
## H1 2018 Operating Profit

£11.6m



## H1 2018 Average FTE<sup>2</sup>

4,668



<sup>1</sup> Includes Estate Agency branches, Financial Services, Asset Management

<sup>2</sup> FTE (Full Time Equivalent)

Segments				Branch numbers (at 30 <sup>th</sup> June 2018)				Estate Agency Revenue Split	
Business	Primary Channel	Geography	Consumer brands	Business	Owned	Franchise	Total		
Estate Agency <sup>3</sup>	B2C	UK	12	Your Move	198	62	260	Marsh & Parsons	17% Central London
				Reeds Rains	114	40	154	LSLi	19% London / SE
				LSLi	62	2	64	Reeds Rains	22% Predominantly North
Surveying	B2B	UK	-	Agency Branches	374	104	478	Your Move	42% National coverage
				Marsh & Parsons	28	-	28		
				Total	402	104	506		

<sup>3</sup> In addition, LSL owns a 17.3% equity investment in Yopa



# Financial Performance: Operating Profit per Branch

## Break-down of Operating Profit per Branch

	2017-18			2016-17		
	Rolling 12 months Operating Profit	Branch Numbers	Operating Profit Per Branch	Rolling 12 months Operating Profit	Branch Numbers	Operating Profit Per Branch
	£m	No.	£k	£m	No.	£k
<b>Estate Agency Branches (excluding Marsh &amp; Parsons)</b>						
Operating profit <sup>1</sup>	9.31			13.35		
Operating branch numbers (owned)		374			382	
<b>Operating profit per branch</b>			<b>24.9</b>			<b>34.9</b>
<b>Marsh &amp; Parsons</b>						
Operating profit <sup>1</sup>	2.78			3.93		
Operating branch numbers		28			26	
<b>Operating profit per branch</b>			<b>99.4</b>			<b>151.3</b>
<b>Other</b>						
Financial Services excluding Estate Agency Branches	8.72			6.08		
Other Estate Agency operating profit (including Asset Management)	1.74			3.68		
<b>Total Estate Agency Division Underlying Operating Profit</b>	<b>22.5</b>			<b>27.0</b>		

## 2 Estate Agency Strategy: Marsh & Parsons Branch Rollout

### Branch Openings since 2013

MARSH & PARSONS

2013

South Kensington  
January 2013



Bishop's Park  
June 2013



Marylebone  
June 2013



Shepherd's Bush  
March 2014



East Sheen  
September 2014



Richmond  
September 2014



Camden  
October 2014



2015

Shoreditch  
February 2015



Queen's Park  
April 2015



Tooting  
January 2016



2016

Tufnell Park  
May 2016



2017

Brixton  
January 2017



Islington  
September 2017



2018  
to date

Chiswick  
April 2018



# Disclaimer

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This document contains certain statements that are forward-looking statements. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and, unless otherwise required by applicable law, LSL undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. LSL and its Directors accept no liability to third parties in respect of this document save as would arise under English law. This presentation contains brands that are trademarks and are registered and/or otherwise protected in accordance with applicable law.

