

# LSL Property Services plc

## Interim Results

**Half year ended 30<sup>th</sup> June 2019**



# 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 Financial Highlights: H1 2019

Group Revenue	£154.1m ▲ 1%	Net Exceptional (costs)/gain	(£12.8m) 2018: Exceptional Gain £1.2m
Group Underlying Operating Profit <sup>1</sup>	£12.2m ▲ 5%	Adjusted Earnings Per Share	9.0p ▲ 5%
Group Adjusted EBITDA <sup>1</sup>	£19.7m ▲ 37%	Interim Dividend per Share	4.0p Unchanged
(Loss)/Profit Before Tax	(£4.6m) 2018: Profit: £6.4m	Net Bank Debt / Gearing ratio <sup>2</sup>	£52.0m / 1.1x

- Positive performance with Group Underlying Operating Profit<sup>1</sup> up 5% to £12.2m (2018: £11.6m) and Group Adjusted EBITDA<sup>1</sup> up 37%. Excluding the impact of IFRS 16, Group Underlying Operating Profit<sup>1</sup> was 2% ahead of prior year and Group Adjusted EBITDA<sup>1</sup> was broadly in line with prior year
- Group revenue up 1% to £154.1m (2018: £152.9m) with a resilient performance in the context of subdued market conditions
- Gross Exceptional costs of £13.4m recognised in the period predominantly from the reshaping of the Your Move and Reeds Rains branch networks
- Continued positive progress in addressing historic Professional Indemnity (PI) claims with a £0.6m exceptional provision release as claims were settled below previous expectations
- Interim Dividend of 4.0p maintained



# Group Operational Highlights: H1 2019

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## Effective execution of major projects and delivery on stated strategy

### Estate Agency

- ✓ Reshaping of the Your Move and Reeds Rains branch networks, announced on 5<sup>th</sup> February 2019 delivering material financial benefits
- ✓ Lettings book acquisition programme continued
- ✓ In Marsh & Parsons, two new branches were opened in outer prime Central London and are performing in line with expectations

### Financial Services

- ✓ Integration of PTFS (acquired in 2018) into the PRIMIS Mortgage Network and cost synergies delivered
- ✓ Roll out of Toolbox operating system (part of rationale for acquiring PTFS) progressed well in H1. Planned for completion in H2

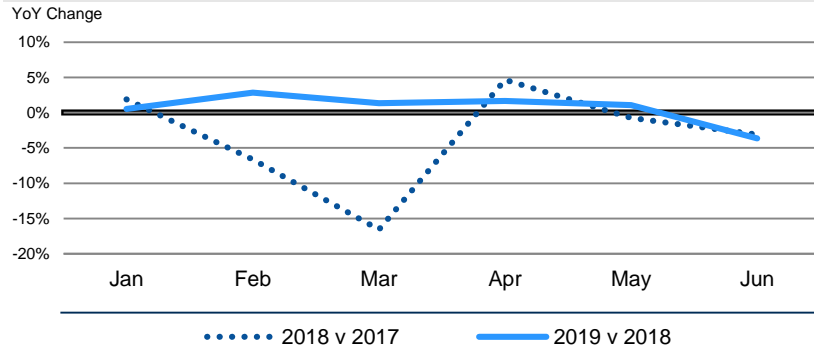
### Surveying

- ✓ Successful integration of Lloyds Bank plc surveying contract strengthening LSL's position as the leading provider of surveying services in the UK
- ✓ In June 2019, the Surveying Division was awarded an extension to its contract to supply UK residential survey and valuation services to a major high street bank
- ✓ Started programme to leverage the scale benefits of the Surveying Division with the aim of improving cost efficiency

**LSL is well positioned to take advantage of new opportunities and deal effectively and decisively with any challenges arising from uncertain market conditions**

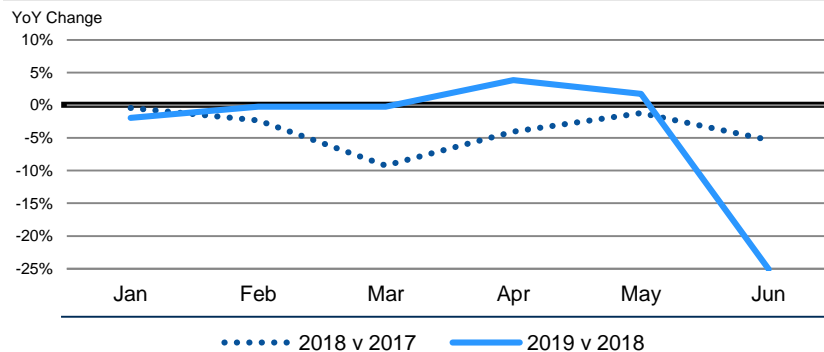
# Market Dynamics – Estate Agency

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



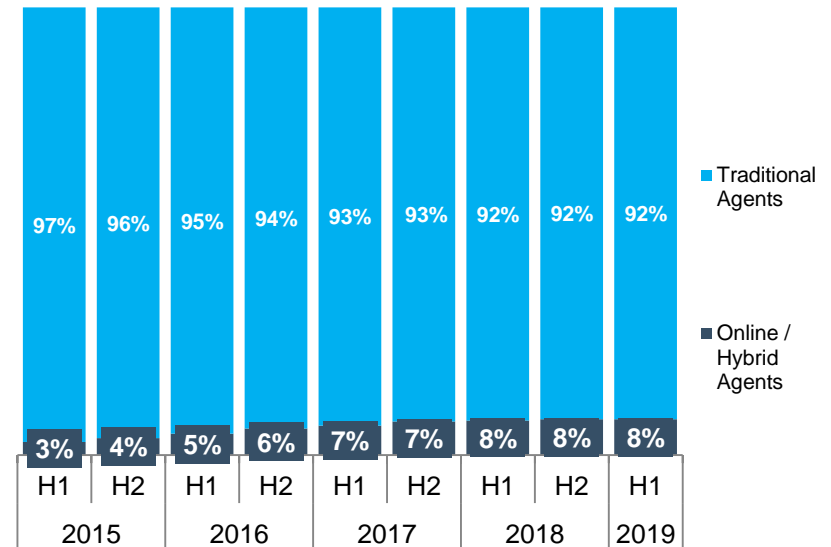
- The UK residential property sales market remained subdued in H1 2019
- YTD Approvals for house purchases<sup>1</sup> in 2019 were up by 0.5%

## Property Transactions<sup>3</sup>



- HMRC UK Housing Transactions were down 4.6% in H1 2019

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



- The proportion of residential housing stock available for sale with online and hybrid estate agents sector remained flat at 8% at the end of H1 2019 compared to both H1 2018 and H2 2018
- LSL continues to believe that traditional estate agents will represent the substantial majority of the Residential Sales and Lettings markets for the foreseeable future and that Estate Agency branches will continue to remain core to providing the service our customers expect



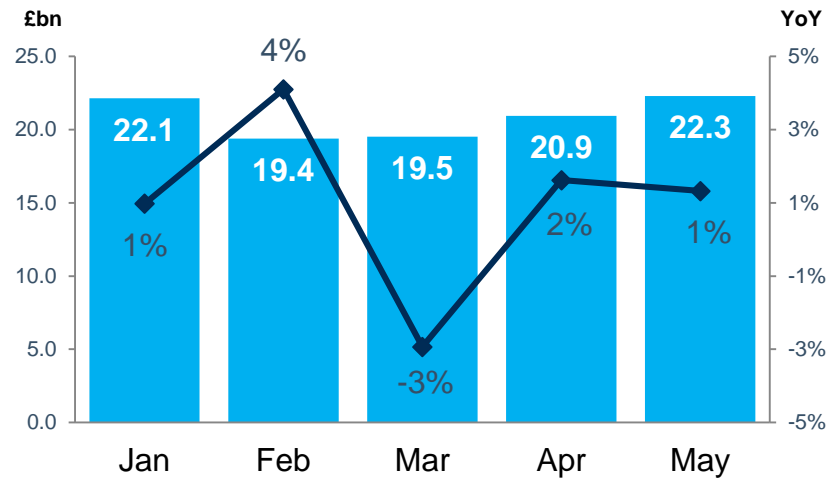
<sup>1</sup> Source: Bank of England House Purchase Approvals data – July 2019

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

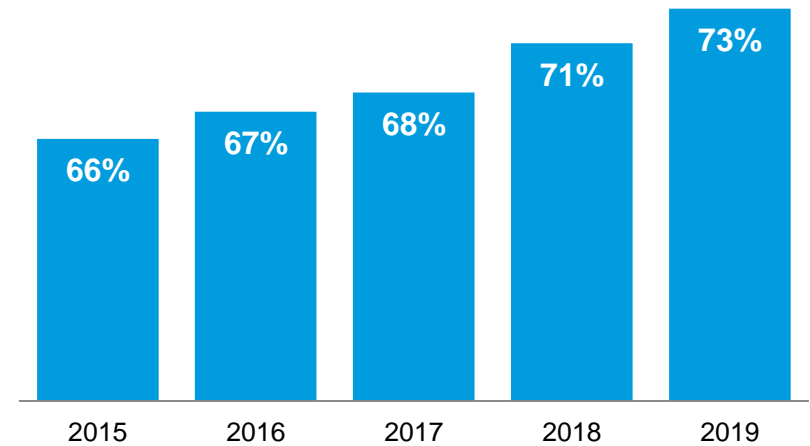
<sup>3</sup> Source: HMRC – UK Property Transactions – July 2019

# Market Dynamics – Financial Services

## Gross new mortgage lending<sup>1</sup>



## Percentage of intermediary market share for residential property excluding BTL and product transfers<sup>2</sup>



- Gross new mortgage lending (excluding product transfers) grew 1% YTD compared to the same period in 2018

- The share of new residential lending sold via intermediaries continued to grow in H1 2019 to 73% of the market
- YTD growth in lending volume sold via intermediaries was 9% compared to the same period last year



<sup>1</sup> Source: UK Finance New mortgage lending by type of lender (excludes product transfers) – July 2019

<sup>2</sup> Source: UK Finance New residential lending sold direct and via intermediaries, UK – July 2019, May YTD shown as 2019

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# Group Financials: Summary

	2019	2018	Change
<b>P&amp;L (£m)</b>			
<b>Revenue</b>	<b>154.1</b>	152.9	1%
<b>Group Underlying Operating Profit</b>	<b>12.2</b>	11.6	5%
<i>Group Underlying Operating Margin</i>	<b>7.9%</b>	7.6%	
<b>Group Adjusted EBITDA</b>	<b>19.7</b>	14.4	37%
Net exceptional (loss) / gain	<b>(12.8)</b>	1.2	-
<b>(Loss)/Profit before Tax</b>	<b>(4.6)</b>	6.4	-
<b>Cash-flow (£m)</b>			
Cash-flow from operations <sup>1</sup>	<b>6.0</b>	2.4	150%
Cash-flow conversion <sup>2</sup>	<b>49%</b>	21%	
<b>Dividends (pence)</b>			
Adjusted Earnings Per Share	<b>9.0</b>	8.6	5%
Interim dividend Per Share	<b>4.0</b>	4.0	-

## Financial Summary

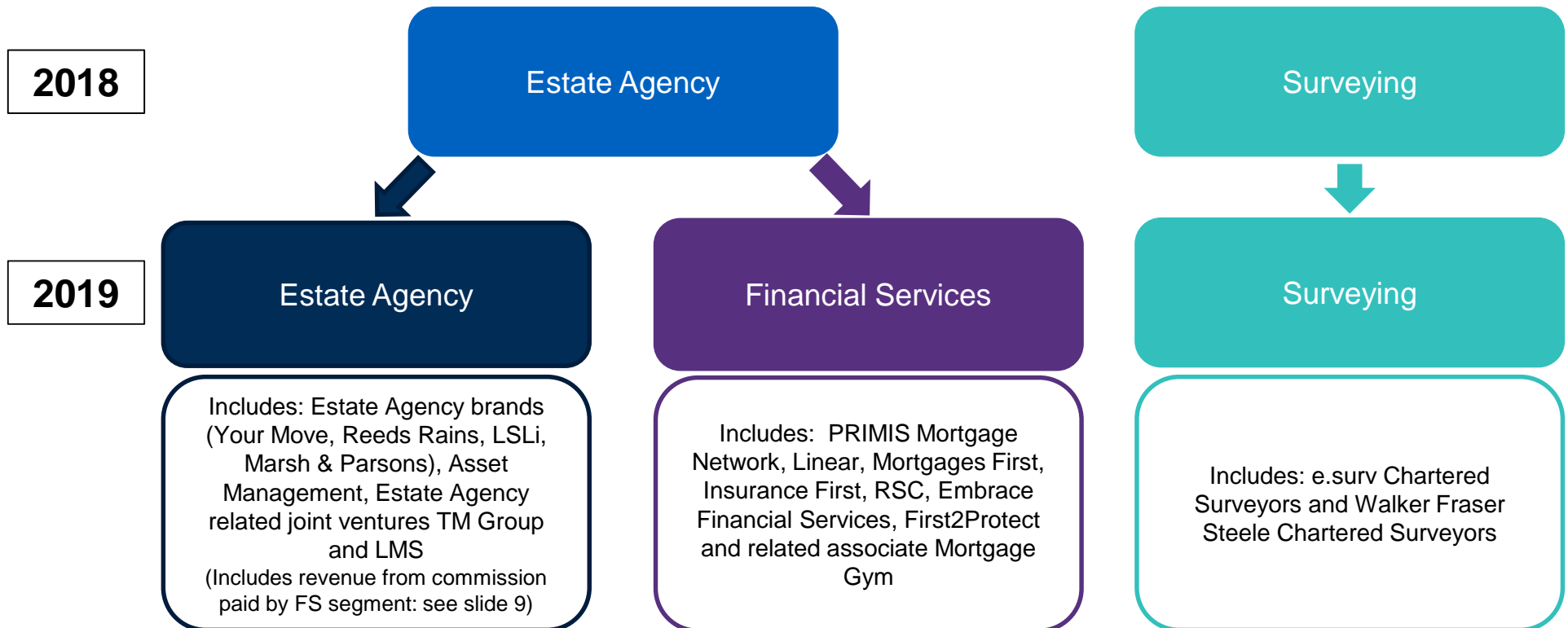
- Total Revenue up 1%, Total Revenue up 7% year on year after adjusting for the reshaping of the Your Move and Reeds Rains branch networks and acquisitions during 2018
- Group Underlying Operating Profit up 5%, Group Adjusted EBITDA up 37%. Excluding the impact of IFRS 16, Group Underlying Operating Profit was 2% ahead of prior year and Group Adjusted EBITDA in 2019 was broadly in line with prior year
- Total net exceptional costs in H1 2019 comprising £0.6m of exceptional gain relating to the historic PI Costs provision and exceptional costs of £13.4m predominantly from the reshaping of the branch network announced on 5<sup>th</sup> February
- Cash flow from operations and cash conversion improved compared to prior period
- Interim dividend maintained at same level (4.0p) in line with the previous 5 years



# LSL Change to Segmental Reporting

## Group reporting changed to reflect the increased importance of LSL's Financial Services businesses over the last 5 years

- To reflect the increased importance of LSL's Financial Services businesses, LSL updated the Group segmental reporting effective from 1<sup>st</sup> January 2019. Since 1<sup>st</sup> January 2019 LSL has been reporting three segments: Estate Agency; Financial Services; and Surveying and Valuation Services



# LSL Change to Segmental Reporting: Prior Year Financial Comparative Restatement

	2019	2018	Restate Adjustment	2018 Restated
<b>H1 Revenue (£m)</b>		Previous segments		<b>Current segments</b>
Estate Agency	77.1	121.8	(33.0)	88.8
Financial Services	34.3	-	33.0	33.0
Surveying	42.7	31.1	-	31.1
Unallocated	-	-	-	-
<b>LSL Group Total</b>	<b>154.1</b>	<b>152.9</b>	<b>0.0</b>	<b>152.9</b>

	2019	2018	Restate Adjustment	2018 Restated
<b>H1 Underlying Operating Profit (£m)</b>		Previous segments		<b>Current segments</b>
Estate Agency	4.0	5.0	(3.6)	1.4
Financial Services	4.3	-	3.6	3.6
Surveying	6.3	8.6	-	8.6
Unallocated	(2.5)	(2.0)	-	(2.0)
<b>LSL Group Total</b>	<b>12.2</b>	<b>11.6</b>	<b>0.0</b>	<b>11.6</b>

	2019	2018	Restate Adjustment	2018 Restated
<b>Total Financial Services H1 Revenue (£m)</b>		Previous segments		<b>Current segments</b>
Estate Agency	6.8	40.8	(33.0)	7.8
Financial Services	34.3	-	33.0	33.0
<b>LSL Group Total</b>	<b>41.1</b>	<b>40.8</b>	<b>0.0</b>	<b>40.8</b>

- The prior year financial results for the Estate Agency and Financial Services Divisions contained within this presentation are restated to reflect the current segment reporting basis comparatives
- Following the change to LSL's segment reporting effective from 1<sup>st</sup> January 2019, the Estate Agency Division receives a commercially agreed commission payment from the Financial Services segment (Embrace Financial Services and First2Protect). This arrangement reflects Financial Services income generated from the Estate Agency segment and was £6.8m in H1 2019
- Historical restated comparative contained in Appendix

# Estate Agency: Financial Performance

## Strong Underlying Operating Profit performance

	2019	2018 Restated	Change
<b>P&amp;L (£m)</b>			
Residential Sales exchange Income	27.6	32.9	-16%
Lettings Income	33.8	37.3	-9%
Financial Services Income	6.8	7.8	-13%
Asset Management Income	2.5	2.9	-15%
Other Income	6.5	7.9	-19%
<b>Total Revenue</b>	<b>77.1</b>	<b>88.8</b>	<b>-13%</b>
Expenditure	(73.1)	(87.4)	16%
<b>Underlying Operating Profit</b>	<b>4.0</b>	<b>1.4</b>	<b>185%</b>
<i>Underlying Operating Margin</i>	<b>5.2%</b>	<b>1.6%</b>	
<b>KPIs</b>			
Exchange units (000's)	8.5	10.8	-22%
Fees per unit (£)	3,247	3,035	7%
<b>Market data</b>			
House purchase approvals <sup>1</sup> (000's)	393	391	-
HMRC transactions <sup>2</sup> (000's)	524	550	-5%
Repossessions <sup>3</sup> (000's)	1.9	1.9	-

- Strong Operating Profit growth and margin improvement benefiting materially from the Your Move and Reeds Rains branch networks
- Residential Sales exchange income reduced by 16% (like for like<sup>4</sup> down 6%), impacted by a number of factors including:
  - Soft market conditions particularly in London and the South East of England
  - The reduction in the size of the Your Move and Reeds Rains branch networks during Q1 2019. Your Move and Reeds Rains total revenue declined by 18% in H1 versus prior year
  - Lower residential pipeline coming into 2019 and slightly lower residential pipeline conversion in June 2019 than anticipated
- Lettings income decreased by 9% (adjusted for branch reshaping, LFL was flat year on year)
- Expenditure reduction of 16% predominantly as a result of Your Move and Reeds Rains reshaping programme
- 2019 YTD HM Land Registry Property Transactions decreased by 7% year on year (July 2019 HM data)
- 2019 YTD Total Market Residential New Instructions decreased by 6% year on year<sup>5</sup>



<sup>1</sup> Source: Bank of England House Purchase Approvals – July 2019

<sup>2</sup> Source: UK Finance "Possessions on mortgaged properties" Q1 2019

<sup>3</sup> Source: HMRC – UK Property Transactions – July 2019

<sup>4</sup> The like for like incomes are after adjusting for the closure of Your Move and Reeds Rains branches in Q1 2019

<sup>5</sup> July 2019 Rightmove Data Services – Total market new Instructions

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

## Resilient performance despite a challenging London market

	2019	2018	Change
<b>P&amp;L (£m)</b>			
<b>Total Revenue</b>	<b>15.0</b>	15.9	-5%
<i>Residential Sales exchange Income</i>	<b>4.9</b>	5.5	-11%
<i>Lettings Income</i>	<b>9.7</b>	10.2	-5%
<i>Other Income</i>	<b>0.4</b>	0.2	100%
Expenditure	<b>(14.6)</b>	(15.2)	4%
<b>Underlying Operating Profit</b>	<b>0.4</b>	0.7	-43%
<i>Underlying Operating Margin</i>	<b>2.7%</b>	4.4%	
<b>Adjusted EBITDA (reported)</b>	<b>2.3</b>	1.2	92%

### London market conditions

- LSL estimates that the overall London market for sales transactions was down by approximately 15% during H1 2019<sup>2</sup>
- The London lettings market was impacted by a shortage of new lettings stock during H1 2019

### Marsh & Parsons performance

- Resilient top line performance given overall challenging prime Central London market, with revenue down by 5%
- Residential Sales exchange income down by 11%, impacted by the London market conditions and a reduced pipeline entering into the year. The pipeline has improved over the H1 period
- Lettings performance reduced by 5% as the lettings stock shortage particularly impacted the prime Central London market
- Expenditure down year-on-year despite the opening of two new branches in H1 2019, and the full year impact of the opening in 2018
- Excluding the impact of IFRS16, Adjusted EBITDA was £0.7m (2018: £1.2m)

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

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



# Financial Services: Financial Performance

## Strong Underlying Operating Profit performance

	2019	2018 Restated	Change
<b>P&amp;L (£m)</b>			
<b>Total Revenue</b>	<b>34.3</b>	33.0	4%
Expenditure	<b>(30.0)</b>	(29.4)	-2%
<b>Underlying Operating Profit</b>	<b>4.3</b>	3.6	20%
<i>Underlying Operating Margin</i>	<b>12.6%</b>	11.0%	
<b>KPIs</b>			
LSL Mortgage Completion Lending (£bn) <sup>1</sup>	<b>14.7</b>	13.2	11%
Total advisers at 30 <sup>th</sup> June	<b>2,277</b>	2,298	-1%
Number of AR firms at 30 <sup>th</sup> June	<b>860</b>	842	2%
<b>Market Data</b>			
Gross New Mortgage Lending (£bn) <sup>2</sup>	<b>104.3</b>	103.4	1%

- Delivered a strong performance with Underlying Operating Profit up 20%
- Financial Services organic revenue growth, excluding Estate Agency, in H1 2019 was 3%
- LSL Mortgage completion lending was £14.7bn, up 11% YoY
- Advisor numbers -1% year on year, due to the reshaping of the Your Move and Reeds Rains branch networks

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

<sup>2</sup> Source: UK Finance New mortgage lending by type of lender (excludes product transfers) – May YTD



# Surveying: Financial Performance

## Underlying Operating Profit impacted by market conditions and business mix

	2019	2018	Change
<b>P&amp;L (£m)</b>			
<b>Total Revenue</b>	<b>42.7</b>	31.1	37%
Expenditure	<b>(36.4)</b>	(22.5)	-62%
<b>Underlying Operating Profit</b>	<b>6.3</b>	8.6	-27%
<i>Underlying Operating Margin</i>	<b>14.8%</b>	27.7%	
<b>KPIs</b>			
Jobs performed (000's)	<b>251</b>	155	62%
Revenue from private surveys (£m)	<b>0.9</b>	1.3	-31%
Income per job (£)	<b>170</b>	201	-15%
Number of operational surveyors at 30 <sup>th</sup> June	<b>490</b>	314	56%
<b>Balance Sheet (£m)</b>			
PI Costs Provision at 30 <sup>th</sup> June	<b>(10.9)</b>	(14.6)	-26%

- The Surveying Division delivered Underlying Operating Profit of £6.3m (2018: £8.6m) impacted by market conditions and business mix
- Total Surveying Division expenditure increased to £36.4m (2018: £22.5m) reflecting the increased headcount from the transfer of Lloyds Bank plc personnel to e.surv
- Surveying income increased by 37% to £42.7m (2018: £31.1m) due to the new contract with Lloyds Bank plc, which was awarded in May 2018
- Continued positive progress in addressing historic PI claims with a £0.6m exceptional provision release in H1 2019 as claims were settled below previous expectations

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

# Financial Performance: Exceptionals

	2019	2018
<b>Exceptionals Items (£m)</b>		
<b>Exceptional gains:</b>		
Historic PI Costs provision release	<b>0.6</b>	1.2
<b>Exceptional costs:</b>		
EA restructuring costs	<b>(13.1)</b>	-
Surveying contract transition and integration costs	<b>(0.3)</b>	-
<b>Net exceptional (cost)/gain</b>	<b>(12.8)</b>	1.2

	2019	2018
<b>PI (£m)</b>		
PI Costs provision	<b>(10.9)</b>	(14.6)
PI cash payments	<b>(1.5)</b>	(0.6)

- Total net exceptional costs in H1 2019 were £12.8m (H1 2018: gain of £1.2m) comprising £0.6m of exceptional gain relating to the historic PI Costs provision and exceptional costs of £13.4m
- Exceptional costs of £13.1m in H1 2019 from the reshaping of the Your Move and Reeds Rains branch networks. A further £0.3m related to the contract transition and integration exceptional costs in Surveying
- Continued positive progress in addressing historic Professional Indemnity (PI) claims with a £0.6m exceptional release
- PI payments of £1.5m in H1 2019 result in the PI costs provision further reduce to £10.9m

# Financial Performance: IFRS16 impact (Leases)

	2019 Pre - IFRS 16	IFRS16 impact	2019 Post - IFRS 16	No impact on cash or business operations
<b>Income Statement (£m)</b>				
Revenue	154.1		<b>154.1</b>	
Operating costs	(139.8)	5.4	<b>(134.4)</b>	Lease rental costs removed, other than short-term and/or low value leases
Depreciation	(2.5)	(5.0)	<b>(7.5)</b>	Depreciation on right-of-use assets recognised
Group Underlying Operating Profit	11.8	0.4	<b>12.2</b>	c.50% of the IFRS 16 impact is in M&P due to higher lease cost and lease length
Group Underlying Operating Margin	7.7%		<b>7.9%</b>	
Net financial costs	-1.0	-0.8	<b>-1.8</b>	Increase due to interest on lease liabilities recognised
Profit before tax	-4.2	-0.4	<b>-4.6</b>	PBT will equalise over the long term on an individual asset basis
EBITDA	14.3	5.4	<b>19.7</b>	
Gearing ratio	1.26		<b>1.11</b>	
<b>Balance Sheet (£m)</b>				
Non-current Financial assets	13.8	36.4	<b>50.2</b>	Recognition of right-of-use assets, being £30.8m Leasehold properties and £5.6m Vehicles
Current Financial liabilities	8.3	12.3	<b>20.6</b>	Recognition of lease liabilities
Non-current Financial liabilities	63.4	27.0	<b>90.4</b>	Recognition of lease liabilities
<b>Cash-flow (£m)</b>				
IFRS16 Depreciation	-	5.0	<b>5.0</b>	
IFRS16 lease exceptional costs	-	0.2	<b>0.2</b>	
IFRS16 lease liability interest	-	0.8	<b>0.8</b>	
IFRS16 lease liability repayments	-	(6.0)	<b>(6.0)</b>	Lease rental cash-flows reclassified from operating to financing activities
Net cash-flow	-	-	<b>-</b>	No cash impact



# Group Financials: Cash-flow

	2019	2018
<b>Operating Cash-flows (£m)</b>		
<b>Group Underlying Operating profit</b>	<b>12.2</b>	<b>11.6</b>
Depreciation (PPE only), working capital etc.	(6.2)	(9.2)
<b>Cash-flow from operations (pre PI and exceptionals)<sup>1</sup></b>	<b>6.0</b>	<b>2.4</b>
PI Costs Payments	(1.5)	(0.6)
Exceptional costs	(6.7)	-
<b>Cash-flow from operations (post PI and exceptionals)</b>	<b>(2.2)</b>	<b>1.8</b>
Acquisitions	(1.3)	(6.5)
Cash acquired on acquisitions	-	6.9
Investments and revaluations in JVs / financial assets and contingent / deferred consideration	(2.1)	(2.1)
Issuance / Payment (deferred consideration) of loan notes	(1.8)	(2.0)
Proceeds from sale of financial assets	1.0	-
Capital expenditure	(2.2)	(2.1)
Dividends paid	(7.1)	(7.5)
Interest, tax and other	(4.2)	(4.5)
<b>Net Cash-flow</b>	<b>(19.9)</b>	<b>(16.0)</b>
<b>Opening Net Bank Debt at 31<sup>st</sup> December</b>	<b>(32.1)</b>	<b>(30.0)</b>
<b>Closing Net Bank Debt at 30<sup>th</sup> June</b>	<b>(52.0)</b>	<b>(46.0)</b>

- Cash from operations converting 49% of Group Underlying Operating Profit to cash-flow from operations (pre PI and exceptionals and excluding IFRS 16) (2018: 21%)
- H1 2019 Net Bank Debt of £52.0m at 1.26x<sup>2</sup> Group Adjusted EBITDA (2018: 1.18x)
- Working capital movement includes depreciation on PPE of £2.5m and seasonal working capital movements
- Acquisitions includes £1.3m on 3 lettings book acquisitions (£1.4m total consideration)
- Investments include £2.0m deferred consideration paid for PTFS

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# Strategy and Outlook

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**1**

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

**2**

**Delivering on LSL's strategy**

**3**

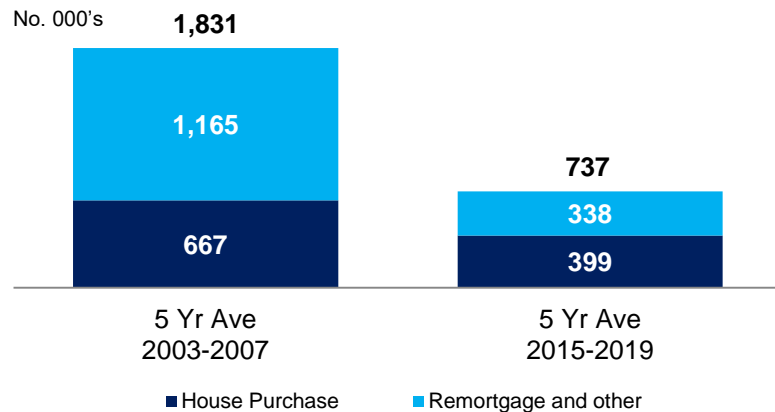
**Outlook**



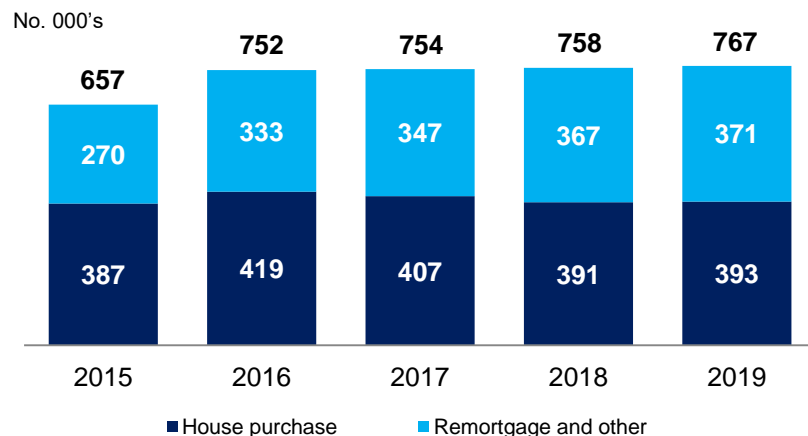
# 1 Market Overview: Volume Trends

## Subdued residential market conditions during H1 2019

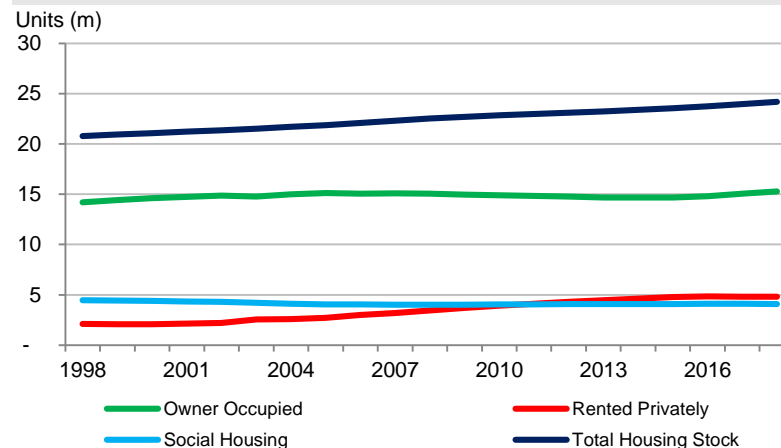
### BoE: 5 Year Average H1 Approvals Volume<sup>1</sup>



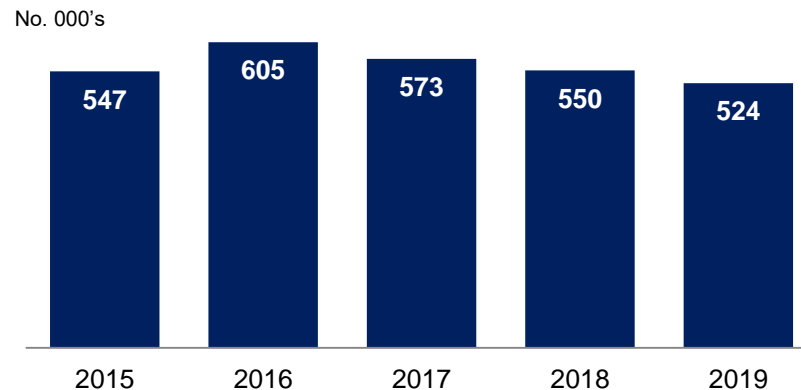
### H1 Mortgage and House Purchase Approvals<sup>1</sup>



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



### H1 Property Transactions<sup>3</sup>



- Average H1 transactions for the period 2006-2007 were 775k<sup>4</sup>



<sup>1</sup> Source: Bank of England House Purchase Approvals data – July 2019

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

<sup>3</sup> Source: HMRC – UK Property Transactions

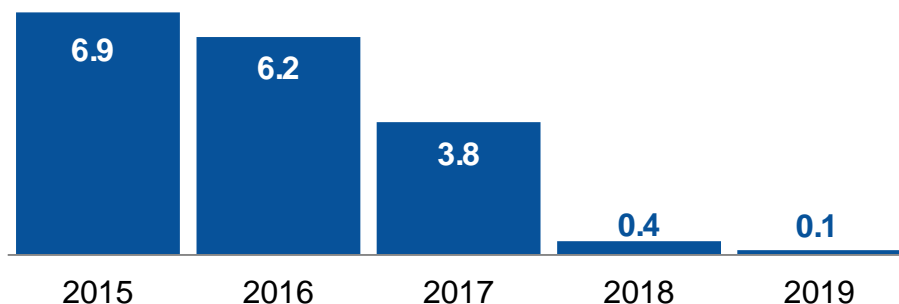
<sup>4</sup> HMRC comparable data not available prior to April 2005

# 1 Market Overview: House Price Trends

## Annual change in house price growth remains modest

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

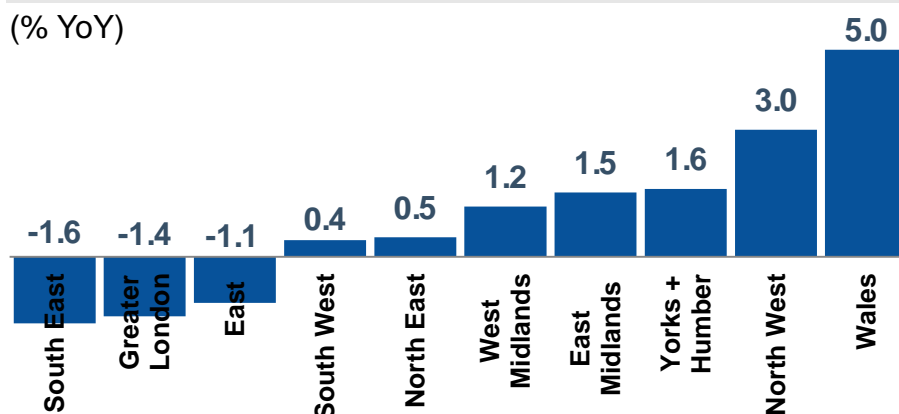
(% YoY)



- Average house prices in England and Wales increased by 0.1% to £300k

### House Price Movements by Region during H1 2019<sup>1</sup>

(% YoY)



- Excluding London and the South East, the rest of England and Wales showed house price growth of 0.8%
- Greater London house prices were down 1.4%, with the South East down 1.6%

## 2 LSL Strategy: LSL plans to continue to execute on its stated strategy, positioning the Group for success across a range of market conditions

### Mid-term focus

Estate Agency	Drive operating profit per branch	Medium term ambition to achieve £80k to £100k profit per branch
	Marsh & Parsons branch rollout	Ambition to expand the number of branches to 36 in the medium term particularly outside prime Central London
	Increase recurring and counter cyclical income	Continuation of lettings book acquisitions
	Selective acquisitions/investments	Evaluate further selective acquisitions
	Your Move and Reeds Rains keystone branch reshaping	Complete execution of reshaping programme
Financial Services	Enhance Financial Services position	Further strengthen LSL's position as a leading distributor of mortgage and non-investment insurance products
	Consistent delivery of appropriate outcomes for consumers	Focus on "best practice" standards of regulatory compliance
	Enhancement of technology solutions	Improve the customer experience and operational efficiency
	Selective acquisitions/investments	Assess further selective acquisitions
Surveying	Optimise contract performance	Continued focus and performance on contracts
	Improve cost efficiency and capacity utilisation	Further improvement in efficiency and capacity utilisation, leveraging from scale benefits
	Enhance proposition and deliver further improvements to risk management through the enhanced IT platform	Implement further functionality of IT system to drive improvements in customer satisfaction and performance
	Add capacity through graduate programme	Continue investment in graduate programme

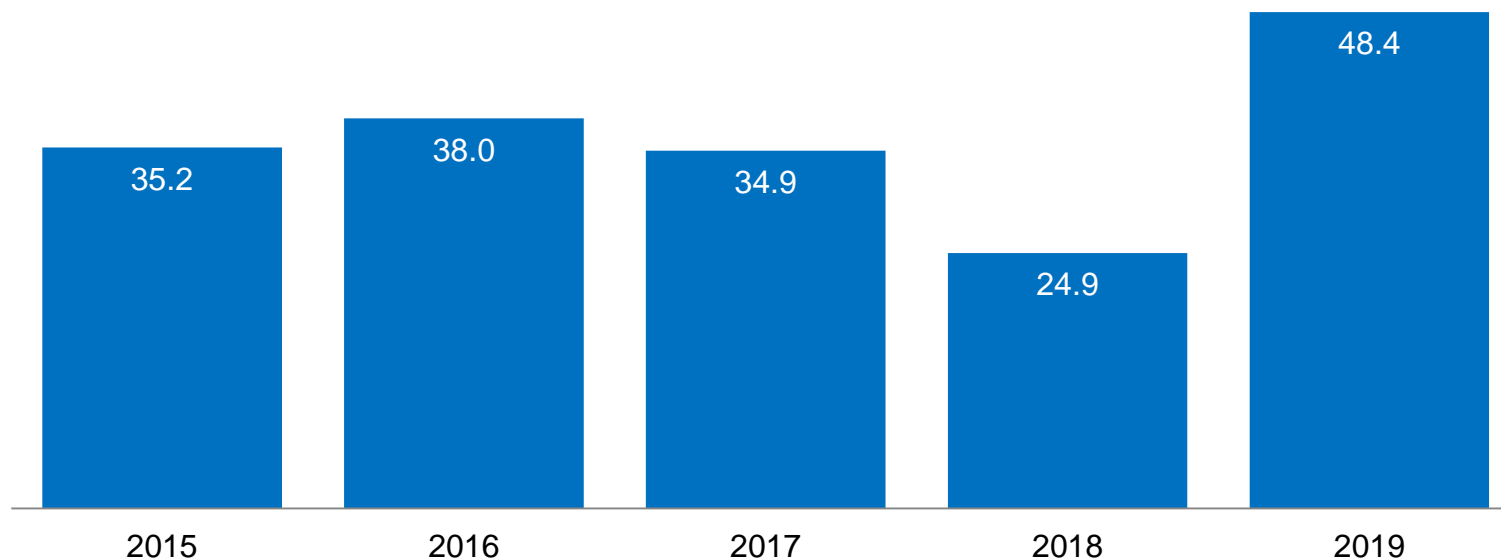


## 2 Estate Agency Strategy: Drive Operating Profit per Branch

**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

<sup>1</sup> The profit per branch methodology has been consistently applied since the profit per branch ambition of £80k-£100k was first announced by LSL in March 2014. Profit per branch is calculated for Your Move, Reeds Rains and the LSLi owned branches and excludes Marsh & Parsons



## 2 Estate Agency Strategy: Ways of Working Programme

### Reshaping the Your Move and Reeds Rains branch networks

- The changes to the structure of the Your Move and Reeds Rains estate agency branch network and operations announced by LSL on 5<sup>th</sup> February 2019 are proceeding in line with expectations
- The Your Move and Reeds Rains branch network has been reduced from 308 to 144 keystone branches following the closure and merging of 81 neighbouring branches into the keystone branch network, the franchising of 39 branches to an existing franchisee and the closure of 44 branches
- Delivering the ways of working programme into Your Move and Reeds Rains has delivered material improvement in Your Move and Reeds Rains operating profit in H1 2019, and is expected to continue to do so, assuming no material change in market conditions

Your Move and Reeds Rains branch summary:

Branch numbers (at 31 <sup>st</sup> December 2018)				Branch numbers (at 30 <sup>th</sup> June 2019)			
Business	Owned	Franchise	Total	Business	Owned	Franchise	Total
Your Move	194	58	252	Your Move	89	84	173
Reeds Rains	114	38	152	Reeds Rains	55	51	106
<b>Sub-total</b>	<b>308</b>	<b>96</b>	<b>404</b>	<b>Sub-total</b>	<b>144</b>	<b>135</b>	<b>279</b>

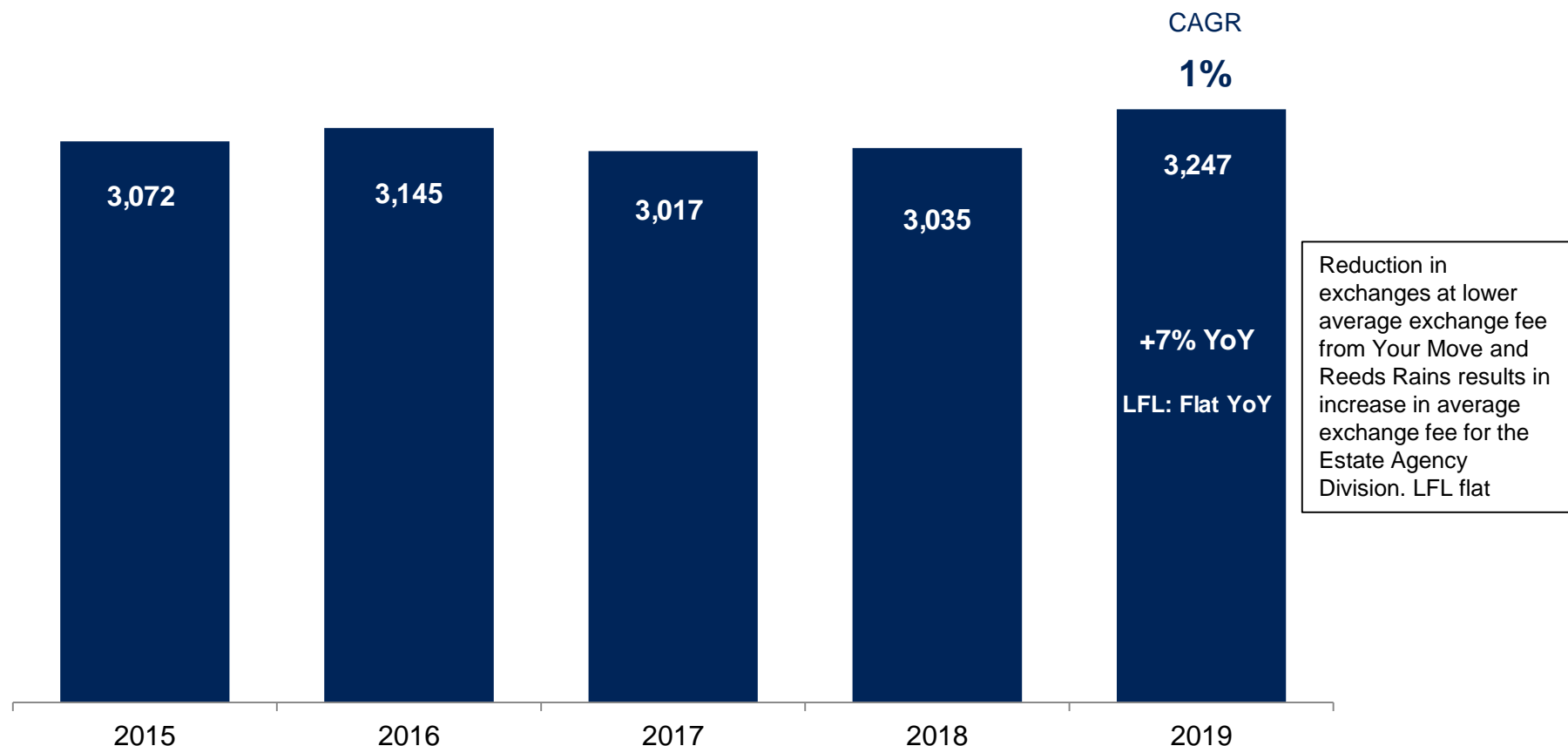




## 2 Estate Agency Strategy: Fees

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

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



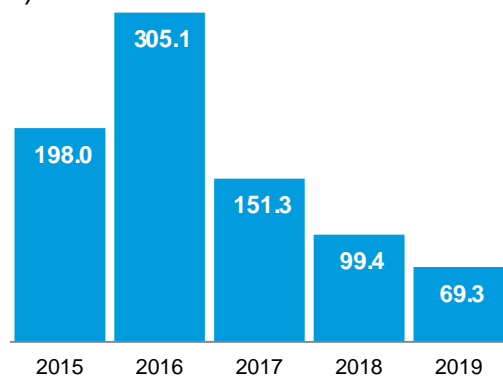
<sup>1</sup> CAGR measured over period 2015-2019 for all brands (Your Move, Reeds Rains, LSLi and Marsh & Parsons)

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

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

### Profit per branch\*

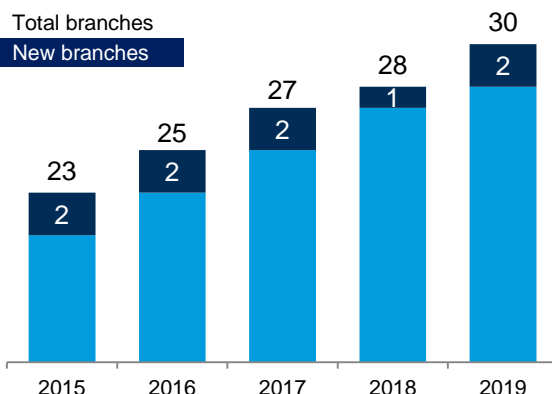
(£k)



### 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
- The ambition is to expand the number of branches to 36 in the medium term (30 branches<sup>1</sup> as at 30<sup>th</sup> June 2019) particularly outside prime central London

### Marsh & Parsons New Branch Openings



- New branches in outer prime Central London locations of Willesden Green and Streatham Hill were opened in March and April 2019 respectively and are both performing in line with expectations
- Further new offices are under evaluation

**MARSH & PARSONS**

**Willesden Green opened in March 2019**



**Streatham Hill opened in April 2019**



<sup>1</sup> high street locations from which M&P operates

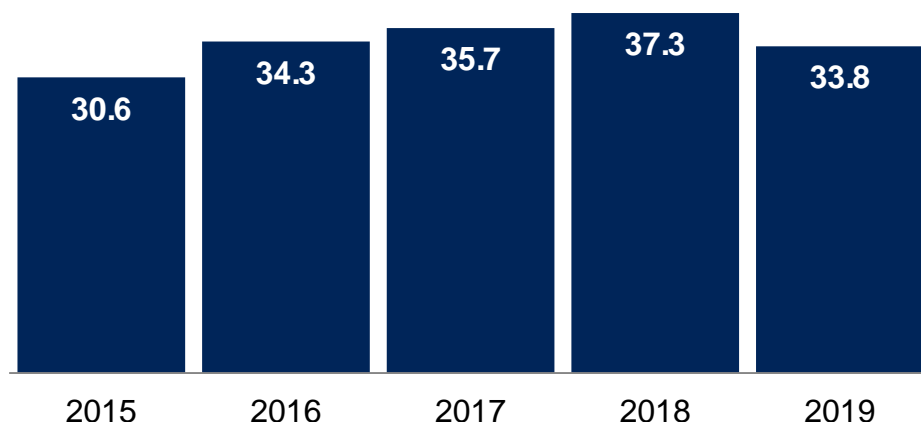


## 2 Estate Agency Strategy: Recurring Income Streams

H1 2019 Reported Lettings income decreased by 9%, whilst Lettings Income adjusted for the Your Move and Reeds Rains branch network reshaping, i.e. on a LFL basis, was flat year on year

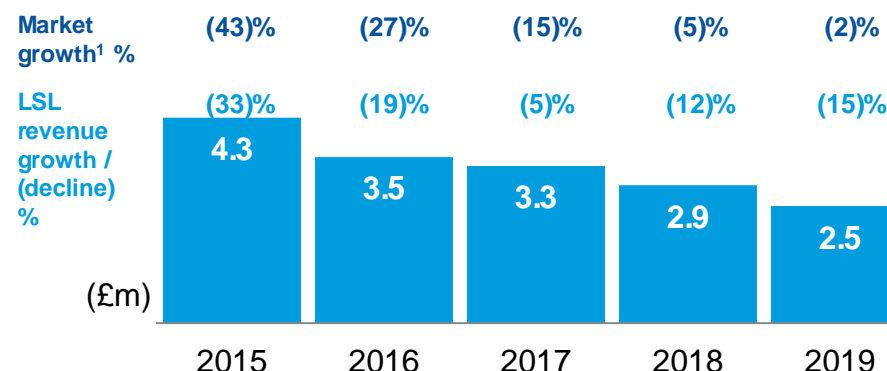
### Recurring Revenue (Lettings)

(£m)



- LSL has acquired 3 lettings books during H1 2019 for total consideration of £1.4m, and continues to evaluate further acquisition opportunities
- Legislation banning tenant fees came into effect on 1<sup>st</sup> June 2019 and LSL implemented the required changes across its Estate Agency brands
- LSL continues to implement self-help measures in lettings with the aim of optimising lettings income
- Lettings book acquisition programme has continued in H1

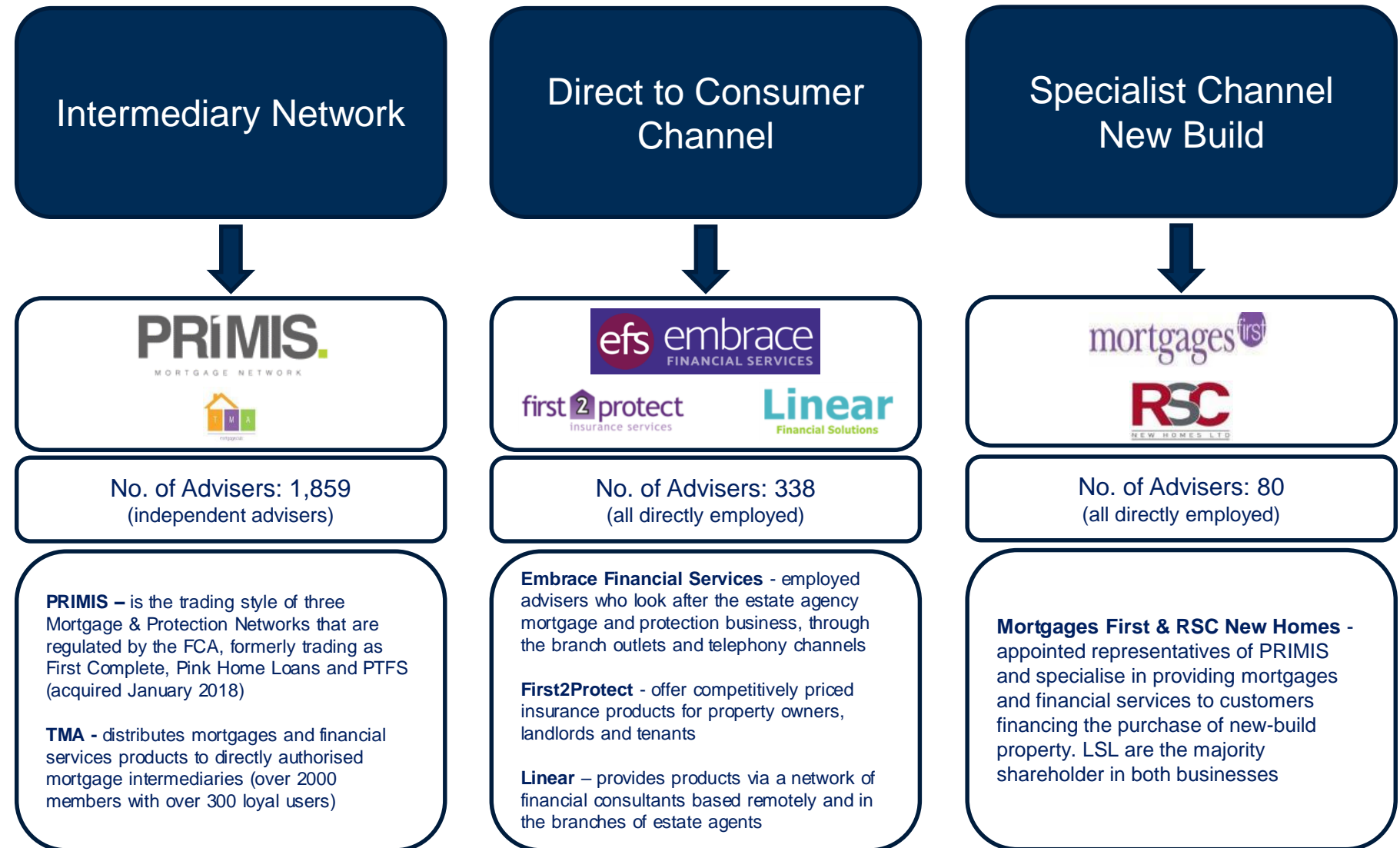
### Counter-cyclical Revenue (Asset Management)



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



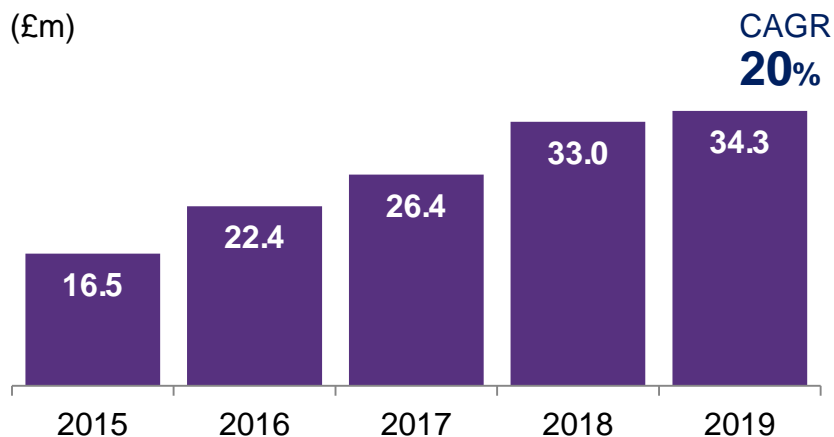
## 2 Financial Services Strategy: Distribution Channels



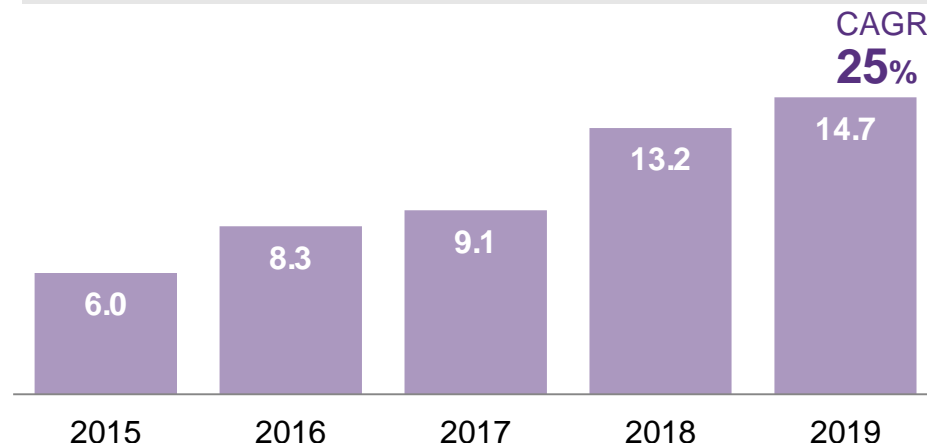
## 2 Financial Services Strategy

### Financial Services Revenue<sup>1</sup>

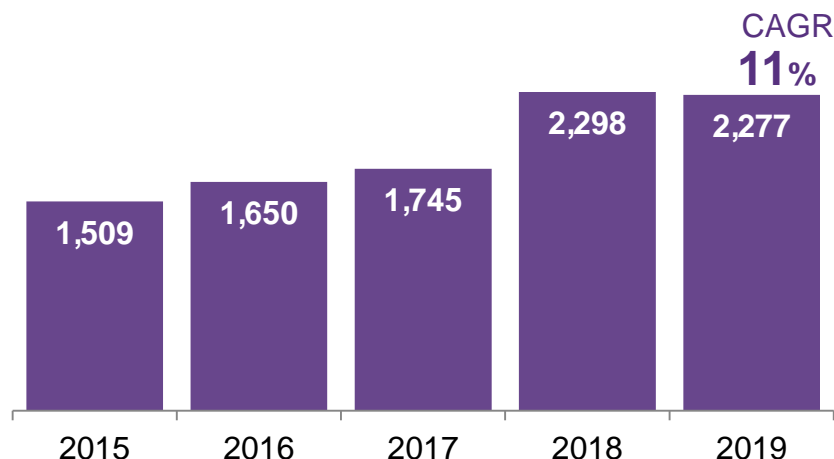
(£m)



### LSL Financial Services mortgage completions (£bn)<sup>2</sup>



### Adviser Numbers



- Organic growth has been achieved through adviser 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
- Strong growth in the value of LSL's mortgage completions with the second largest network measured by combined numbers of appointed representative firms<sup>3</sup>
- LSL gross lending market share<sup>4</sup> increased to c.8.5% (2018: c.8%)



<sup>1</sup> The prior year financial results have been restated to reflect the new segment reporting comparatives

<sup>2</sup> LSL mortgage completions quoted include product transfers

<sup>3</sup> Source: Which-Network – network performance figures Q1 2019

<sup>4</sup> Source: UK Finance New mortgage lending by type of lender (excludes product transfers) – May YTD

## 2 Financial Services Strategy

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### Strategy

- Enhance LSL's position as a leading distributor of mortgage and non-investment insurance products
- Consistent delivery of appropriate outcomes for consumers with a focus on "best practice" standards of regulatory compliance
- Enhancement of technology solutions to improve the customer experience and operational efficiency
- Evaluate further selective Financial Services acquisitions
- Expansion of Embrace Financial Services beyond LSL estate agency brands to independent estate agencies

### Brand

- It was announced on the 31<sup>st</sup> January 2019 that PRIMIS Mortgage Network and PTFS would be joining to trade under the single PRIMIS brand

### Technology

- Deployment of the Toolbox Operating Platform is planned to be complete across LSL during H2 2019
- Investment in MortgageGym provides LSL with access to the digital mortgage marketplace



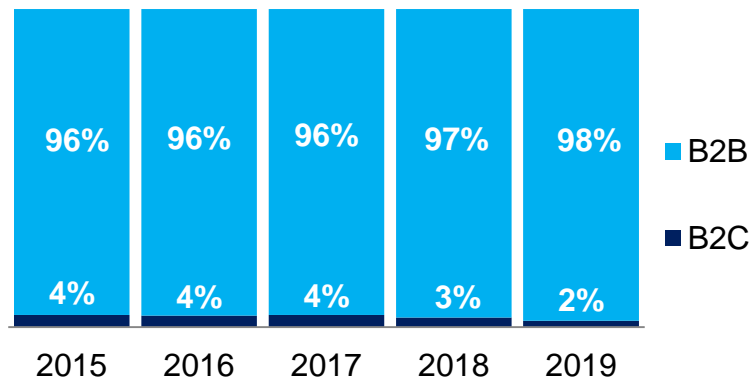
## 2 Surveying Strategy

### Strategy

- Focus on the B2B market where the economics are most favourable
- Optimise contract performance and revenue generation from B2B customers
- During H1 2019, the Surveying Division was awarded an extension to its contract to supply UK residential survey and valuation services to a major high street bank
- Work is ongoing to leverage the scale benefits of the Surveying Division with the aim of improving cost efficiency
- Use technology to target further improvements in customer satisfaction and performance
- 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

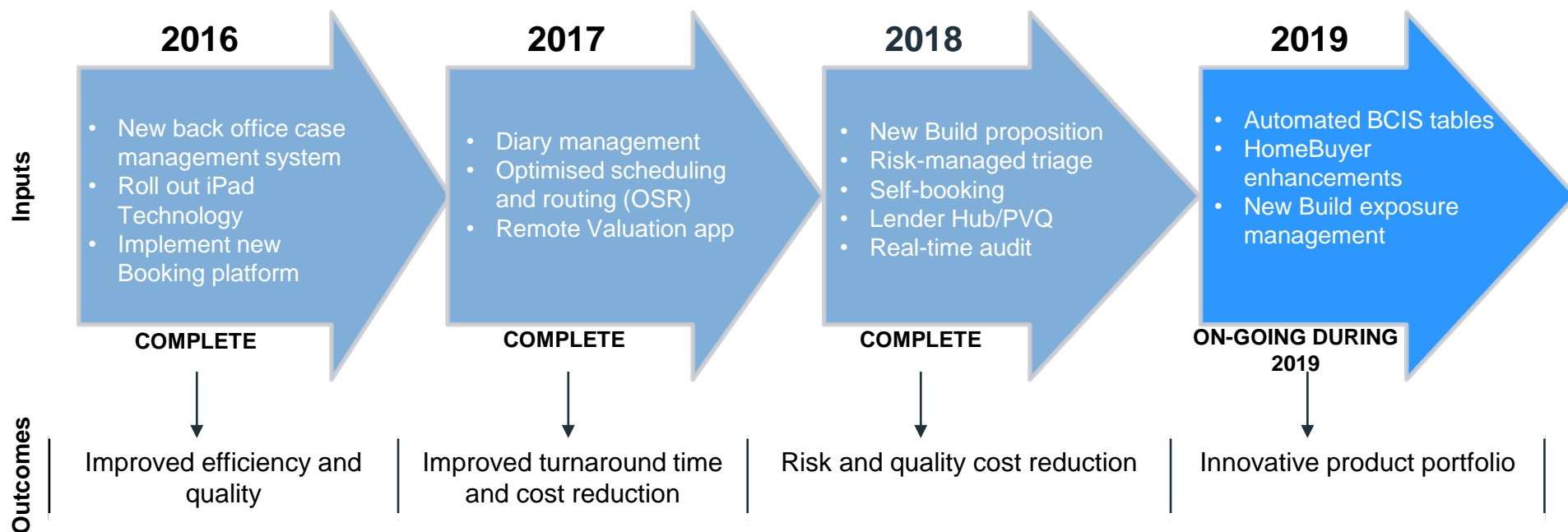
- Following the successful roll out in 2016 of the market leading IT system there has been continued focus on optimising efficiency and operational performance through further enhancements and developments
- The technology roll-out continued during H1 2019 with further functionality releases designed to enhance quality and drive efficiencies e.g. risk and quality cost reduction

## 2 Surveying Strategy

### 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**

These strategic aims are underpinned by the ground-breaking technology successfully rolled out by Surveying in 2016 and 2017 with further innovations delivered in 2018 and beyond. Surveying is also the only provider with an established and operational Lender Hub





## 3 Outlook

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The Board remains confident that the Group will deliver a full year Underlying Operating Profit in line with its prior expectations, as the business is expected to continue to benefit from the range of LSL's ongoing self-help measures.

Whilst we continue to remain cautious on the residential property market outlook for 2019 given the current uncertainty over the UK and global political and economic environment and the potential impact on UK consumer confidence, the Board is confident that the Group, with its market leading brands, broad portfolio of residential property services and the benefits from the proactive self-help measures, remains in a strong position to perform well given a range of potential market conditions, in order to maximise Shareholder value.

The Group has a robust balance sheet with relatively low levels of gearing and is highly cash generative at an operational level. The Board remain confident of the opportunities for further positive progress for the Group.

# Agenda

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



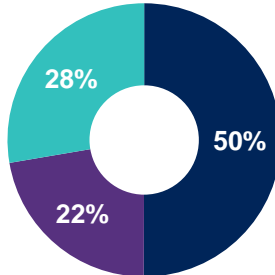
# Appendices

# LSL Property Services plc: Business Overview

## H1 2019 Revenue

£154.1m

■ Agency<sup>1</sup>  
■ FS  
■ Surveying



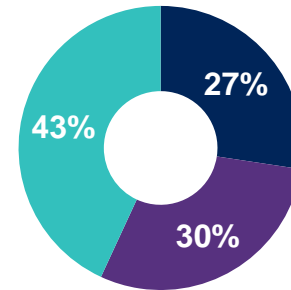
<sup>1</sup> Includes Estate Agency branches and Asset Management

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

## H1 2019 Operating Profit

£12.2m

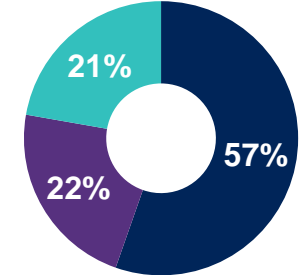
■ Agency<sup>1</sup>  
■ FS  
■ Surveying



## H1 2019 Average FTE <sup>2</sup>

4,308

■ Agency<sup>1</sup>  
■ FS  
■ Surveying



## Segments

Business	Primary Channel	Geography	Brands
Estate Agency	B2C	UK	12 <sup>1</sup>
Financial Services	B2C and B2B	UK	8 <sup>2</sup>
Surveying	B2B	UK	-

## Estate Agency Revenue Split

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

## Branch numbers (at 30<sup>th</sup> June 2019)

Business	Owned	Franchise	Total
Your Move	89	84	173
Reeds Rains	55	51	106
<b>Sub-total</b>	<b>144</b>	<b>135</b>	<b>279</b>
LSLi	57	2	59
<b>Agency Branches</b>	<b>201</b>	<b>137</b>	<b>338</b>
Marsh & Parsons	30	-	30
<b>Total</b>	<b>231</b>	<b>137</b>	<b>368</b>



LSL Property Services plc

2019 INTERIM RESULTS PRESENTATION

<sup>1</sup> Excludes Yopa: LSL owns a 14.7% shareholding

<sup>2</sup> Excludes Mortgage Gym: LSL owns a 34.7% shareholding

# Financial Performance: Operating Profit per Branch

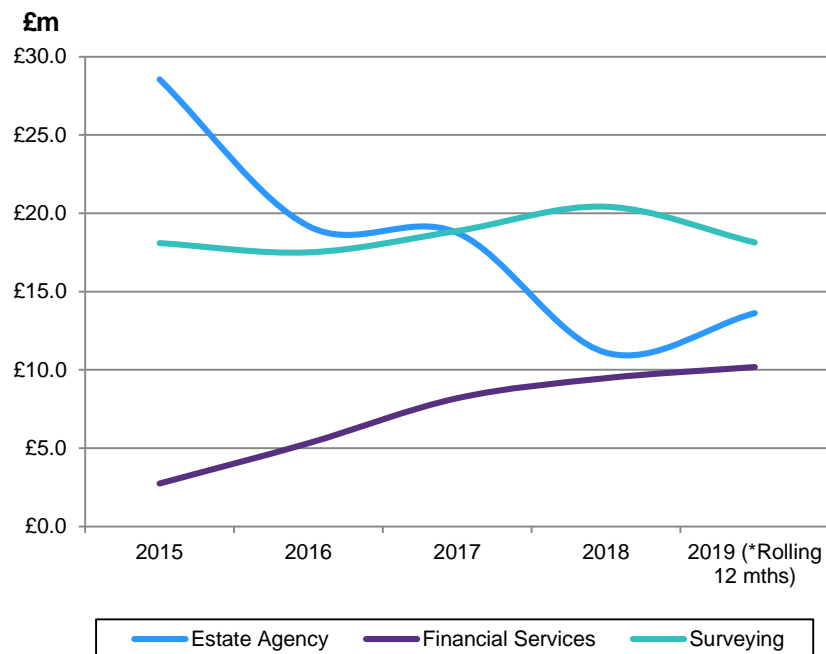
## Break-down of Operating Profit per Branch

	2018-19			2017-18		
	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>	9.73			9.31		
Operating branch numbers (owned)		201			374	
<b>Operating profit per branch</b>			<b>48.4</b>			<b>24.9</b>
<b>Marsh &amp; Parsons</b>						
Operating profit <sup>1</sup>	2.08			2.78		
Operating branch numbers		30			28	
<b>Operating profit per branch</b>			<b>69.3</b>			<b>99.4</b>
<b>Other</b>						
Other Estate Agency operating profit (including Asset Management)	2.50			1.74		
<b>Total Estate Agency Division Underlying Operating Profit</b>	<b>14.3</b>			<b>13.8</b>		

# Segmental Operating Profit Performance

## 5 Year Operating Profit History demonstrates the growth of Financial Services

### 5 Year Segmental Operating Profit History



H1 Revenue (£m)	2015	2016	2017	2018	2019
Estate Agency	92.6	96.5	92.0	88.8	77.1
Financial Services	16.5	22.4	26.4	33.0	34.3
Surveying	31.1	32.5	33.1	31.1	42.7
<b>LSL Group Total</b>	<b>140.2</b>	<b>151.4</b>	<b>151.5</b>	<b>152.9</b>	<b>154.1</b>

H1 Operating Profit (£m)	2015	2016	2017	2018	2019
Estate Agency	5.4	4.3	6.2	1.4	4.0
Financial Services	0.9	2.5	3.2	3.6	4.3
Surveying	7.6	8.1	9.4	8.6	6.3
Unallocated	(3.6)	(3.6)	(3.3)	(2.0)	(2.4)
<b>LSL Group Total</b>	<b>10.3</b>	<b>11.3</b>	<b>15.5</b>	<b>11.6</b>	<b>12.2</b>

Full Year Revenue (£m)	2015	2016	2017	2018
Estate Agency	199.6	194.1	189.5	183.8
Financial Services	36.9	49.0	57.9	71.0
Surveying	64.1	64.7	64.1	69.8
<b>LSL Group Total</b>	<b>300.6</b>	<b>307.8</b>	<b>311.5</b>	<b>324.6</b>

Full Year Operating Profit (£m)	2015	2016	2017	2018
Estate Agency	28.6	19.2	18.7	11.1
Financial Services	2.7	5.3	8.2	9.5
Surveying	18.1	17.5	18.9	20.4
Unallocated	(6.5)	(7.4)	(8.3)	(5.1)
<b>LSL Group Total</b>	<b>42.9</b>	<b>34.6</b>	<b>37.5</b>	<b>35.9</b>



# 2 Estate Agency Strategy: Marsh & Parsons Branch Rollout

## Branch Openings since 2013



2013

**South Kensington**  
January 2013



**Bishop's Park**  
June 2013



**Marylebone**  
June 2013



**Shepherd's Bush**  
March 2014



**East Sheen**  
September 2014



2014

**Richmond**  
September 2014



**Camden**  
October 2014



**Shoreditch**  
February 2015



2015

**Queen's Park**  
April 2015



2016

**Tooting**  
January 2016



**Tufnell Park**  
May 2016



2017

**Brixton**  
January 2017



**Islington**  
September 2017



2018

**Chiswick**  
April 2018



**Willesden Green**  
March 2019



2019 (to date)

**Streatham Hill**  
April 2019



LSL Property Services plc

2019 INTERIM RESULTS PRESENTATION

# 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.





