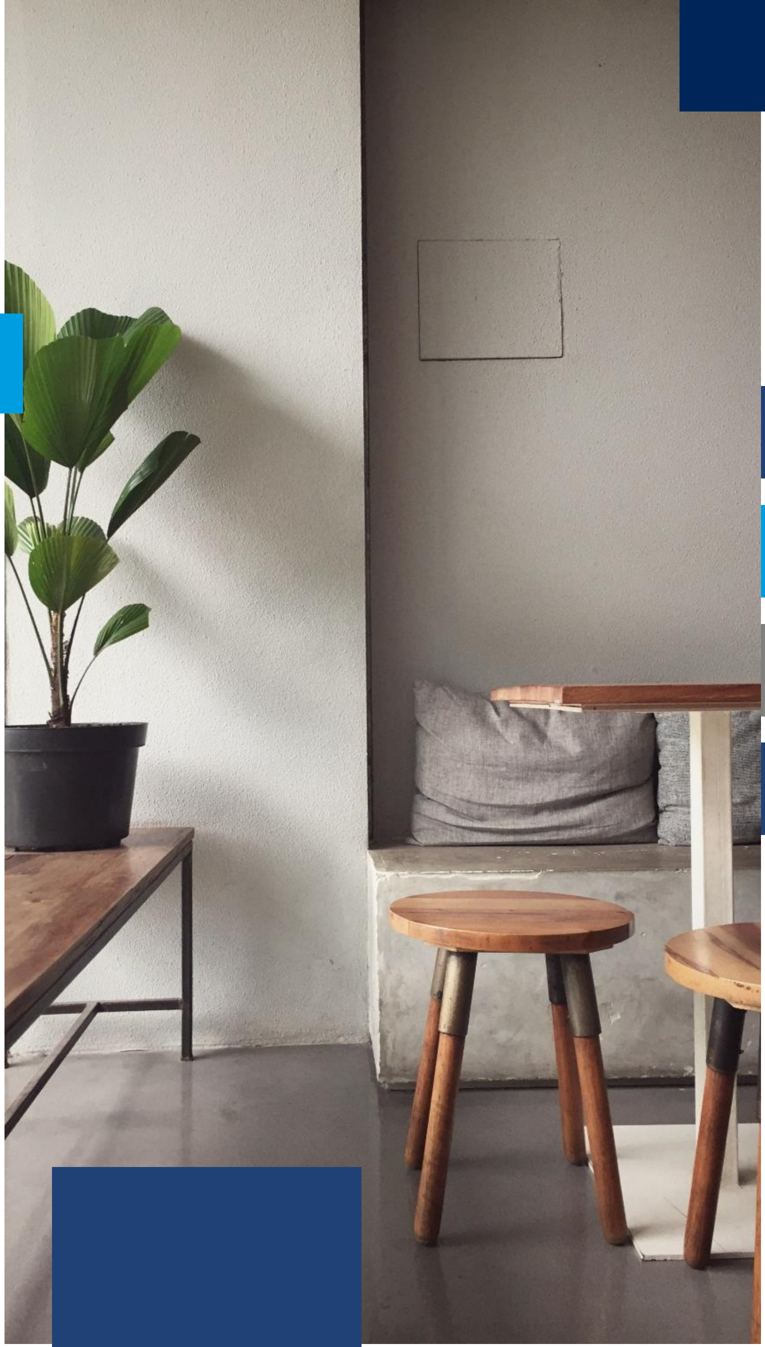
Growth.
Focus.
Execution.
Technology.
People.

# Interim Results

**for six months ended 30 June 2022**

## 03 August 2022

LSL



# Agenda



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# Highlights

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# Headlines

Resilient financial performance with profits materially up on pre COVID and substantial revenue held in pipelines

Profits of over £6m in Estate Agency delayed by market-wide slow residential conversion, expected to continue in H2 with impact on FY

Benefits of strategy to reduce exposure to housing market cycles demonstrated by strong Surveying and Financial Services Network performance

H2 expected to be significantly ahead of prior year and 2019 providing strong platform for growth in 2023

# Financial Highlights

**Revenue**

**£160.9m**
**(2021: £166.5m)**

**Group Underlying Profit**

**£14.2m**
**(2021: £27.3m)**

**Net Cash**

**£30.7m**
**(2021: £17.0m)**

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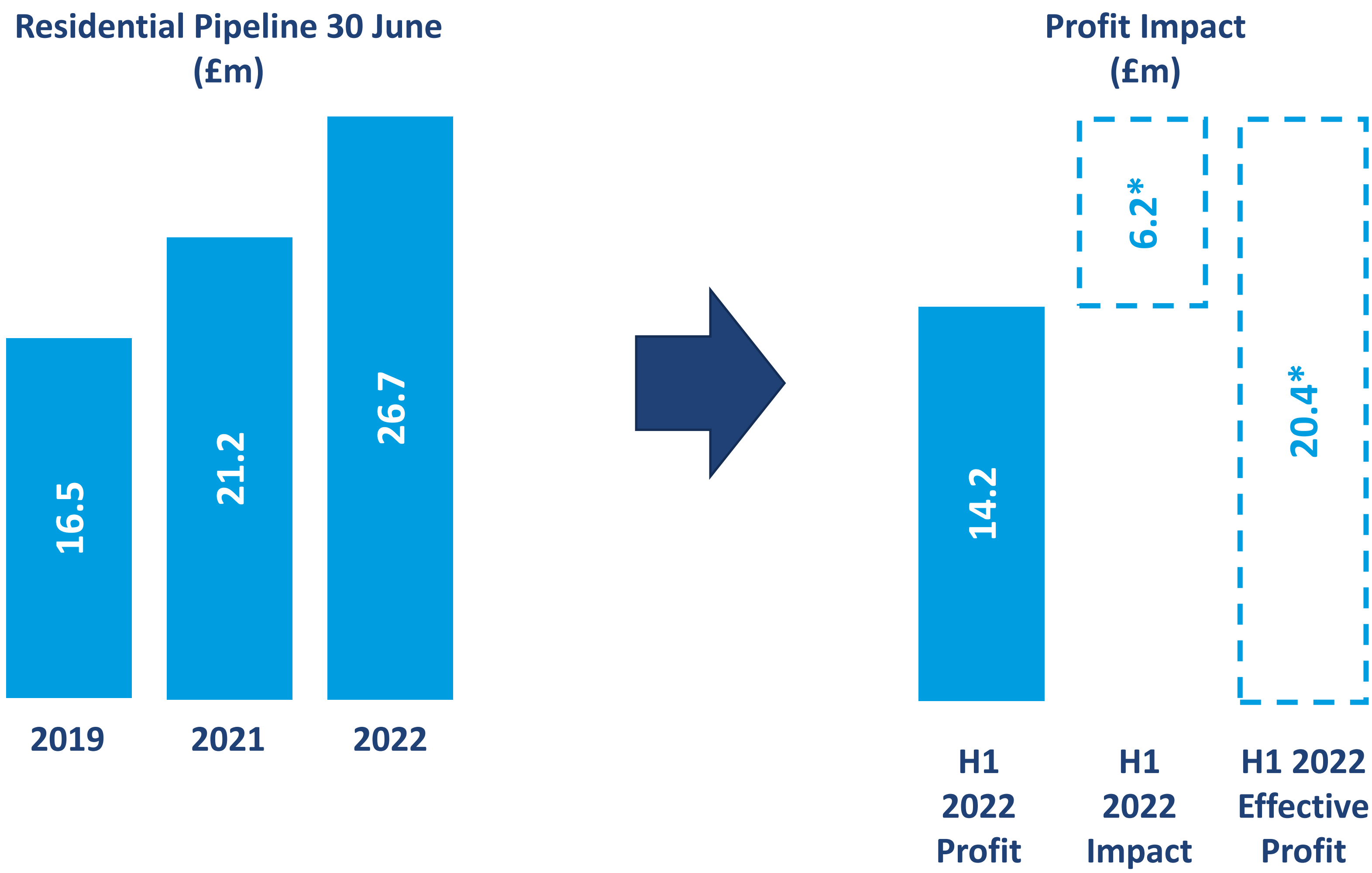
# H1 Underlying Operating Profit in EA would have been £6m+ higher if pipeline conversion had been as expected

Group




* Excludes Financial Services Network and D2C pipeline impact

# Progress in delivering our strategy

## Group

**LSL GROUP**

Launch of Living Responsibly report and strategy

| FINANCIAL SERVICES NETWORK BUSINESS | SURVEYING & VALUATION | ESTATE AGENCY |
| --- | --- | --- |
| Further growth in advisors to 2,930 supporting highest ever market share of 10.1% | Further improvements in capacity management with Jobs per Surveyor up 12% | Retained market share gains made in 2021 of instructions in locations in which we trade |
| Investment in new advisor technology with rollout to ARs to commence during H2 | Growth of 73% in Direct-to-Consumer and further development of Data services | Growth in national market share of housing transactions |
| Named 'Best Network, 300+ ARs' at the 2022 Mortgage Strategy Awards | Named 'Best Surveying Firm' at the 2022 Mortgage Finance Gazette Awards | Development of our franchise business |

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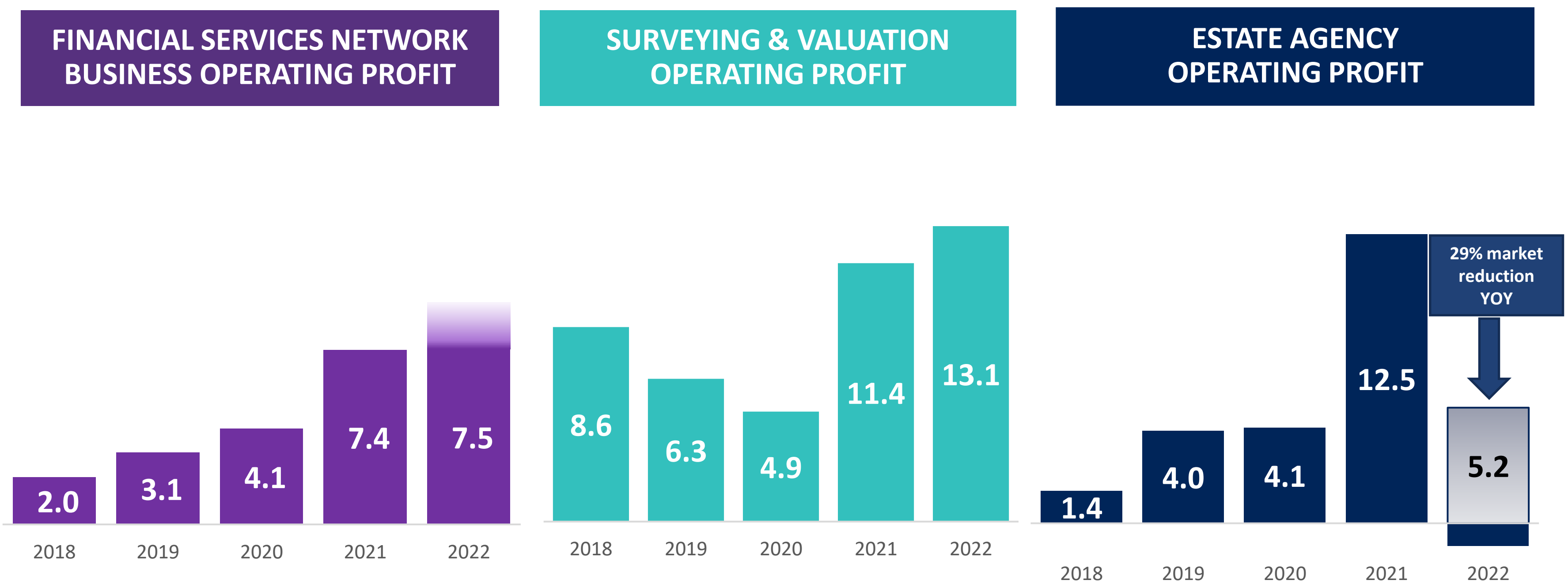
# Continued growth in Financial Services Network and Surveying & Valuation demonstrates benefits of strategy and reduced exposure to housing market cycles

Group

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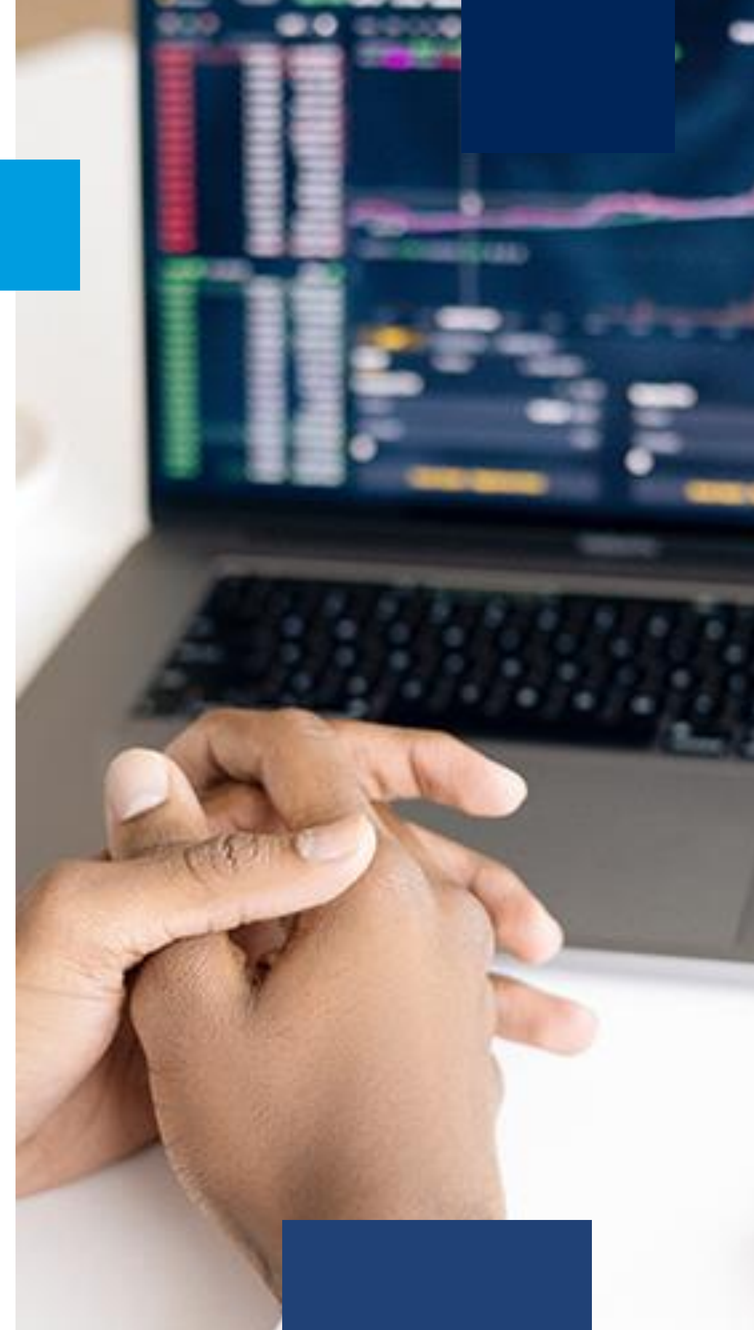
# Financial and Operating Performance



# Resilient results as benefits of diversification strategy demonstrated in reduced housing market

## Group

- Group Revenue just below H1 2021 record
- H1 2021: exceptional volumes in run up to end of Stamp Duty holiday
- Market property transactions down 29% YoY
- Profit reverts to more typical H1/H2 profile
- £6m+ of unrecognised profit in record pipelines
- Exceptional Costs: non-cash Goodwill impairment
- Record H1 Net Cash
- Interim Dividend reflecting policy & continuation of Share Buy Back Programme
- Operating expenses up 5%, including pay awards, NI increase (4/22), FS headcount to support growth, and reversion to pre COVID levels in certain areas e.g. recommenced broker events
- Inflationary pressures being substantially mitigated by careful cost management

| **H1 Highlights (£m)** | **2022** | 2021 | Variance |
|---|---|---|---|
| Group Revenue | **160.9** | 166.5 | -3% |
| Group Underlying Operating Profit | **14.2** | 27.3 | -48% |
| *Group Underlying Operating Margin* | ***9%*** | *16%* | *-760bps* |
| Net Exceptional (Costs) / Gains | **(2.0)** | 2.7 | nm |
| Profit Before Tax | **7.4** | 25.5 | -71% |
| Adjusted Basic Earnings per Share (pence) | **10.7** | 20.9 | -49% |
| Net Cash / (Net Bank Debt) | **30.7** | 17.0 | +80% |
| Interim Dividend (Pence) | **4.0** | 4.0 | - |

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# Resilient performance with market share gains in each of the core businesses

## Group

### LSL GROUP

| FINANCIAL SERVICES NETWORK BUSINESS | | | SURVEYING & VALUATION | | | ESTATE AGENCY | | |
|---|---|---|---|---|---|---|---|---|
| Record Mortgage Market Share | 10.1% | +110bps | Most ever jobs Performed | 288,052 | +8% | National Market Share of Exchanges | 1.38% | +15bps |
| Net Revenue | £20.5m | +10% | Revenue | £50.5m | +9% | Revenue | £70.6m | -13% |
| Operating Profit Matched 2021 High | £7.5m | +0% | Largest Operating Profit in Ten Years | £13.1m | +14% | Operating Profit | £(1.0)m | -108% |
| Adviser Numbers | 2,930 | +7% | Jobs per Average Surveyor | 586 | +12% | Record Residential Pipeline | £26.7m | +26% |
| Increased Lending | £20.5bn | +6% | Private Survey and Data Income | £1.9m | +73% | Lettings Income | £30.1m | +0% |

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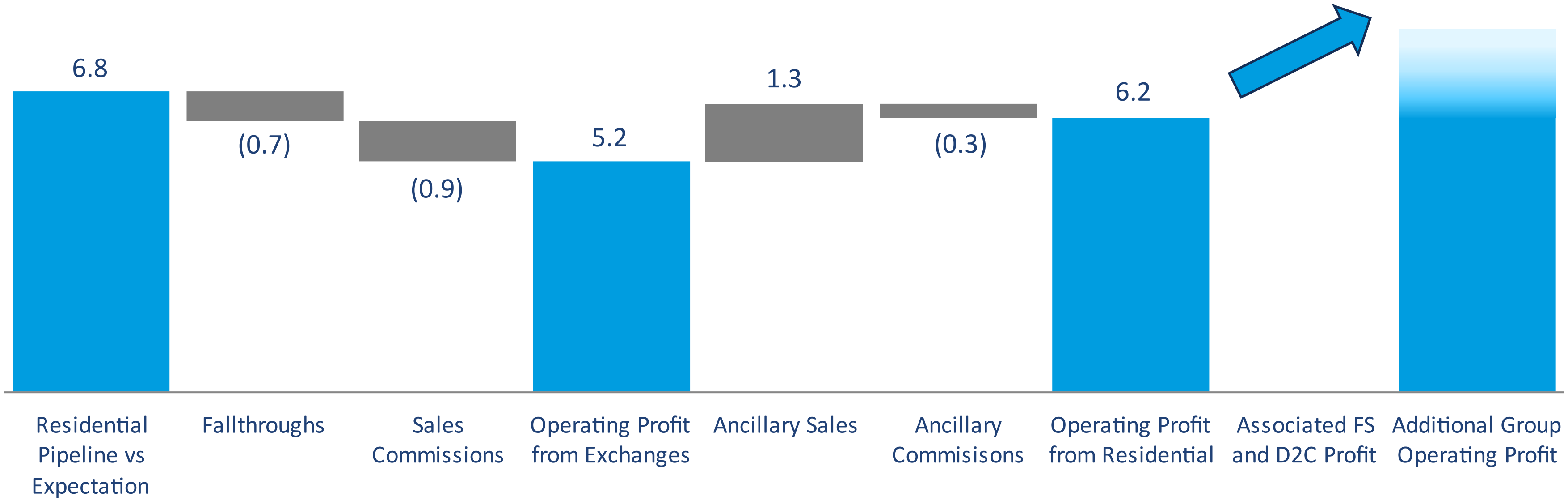
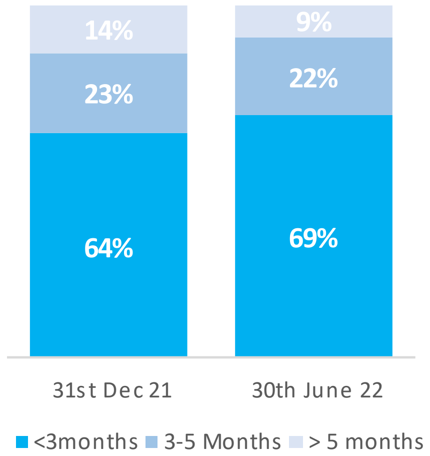
# Pipeline and Associated Operating Profit

## Group




- Record EA residential pipeline includes c.1,700 homes not exchanged versus expectation due to slow exchange conversion rate
- Whilst Pipeline is exchanging slower it is not ageing
- Fall-throughs rates for H2 assumed at current levels
- Sales commissions payable to branch staff
- Ancillary sales include attachment of mortgage and protection and conveyancing referral fees with deductions for sales commissions
- Additional profits would have been generated across the Group through associated mortgage and protection fees within FS Network and D2C businesses

Pipeline Ageing



# Resilient Network performance, further investment with positive outlook for H2

## Financial Services

- Record mortgage lending outperformed the market
- Record mortgage market share
- Protection outperformed in a smaller market
- Network profit in line with very strong H1 2021 with some profit delayed in pipelines
- Impact on D2C businesses including smaller purchase market with slower residential pipeline conversion (including June 2022 purchase market 53% lower than SDLT deadline driven June 2021)
- Further growth in advisers in H1 with strong pipeline
- Adviser numbers increased to 2,943 at 31 July
- Advisers joining the Financial Services Network take some time to reach maximum productivity, impacting Revenue per Adviser in the short term
- Average revenue of Network advisers active for more than 12 months is c.£50k for H1, slightly higher than H1 2021
- Continued investment to support growth

| H1 Financial Services P&L (£m) | 2022 | 2021 | Var. |
|---|---|---|---|
| FS Network Gross Revenue | **146.2** | 144.1 | 1% |
| FS Network Net Revenue | **20.5** | 18.7 | 10% |
| FS Other | **19.3** | 20.4 | -5% |
| **Total Revenue** | **39.8** | **39.1** | **2%** |
| FS Network Business | **7.5** | 7.4 | 0% |
| FS Other | **(1.3)** | 0.4 | -437% |
| ***Underlying Operating Profit*** | ***6.1*** | ***7.8*** | ***-22%*** |
| *FS Network Underlying Operating Margin* | ***36%*** | *40%* | *-340bps* |
| *Underlying Operating Margin* | ***15%*** | *20%* | *-470ps* |
| **KPIs** | | | |
| Total Advisers | **2,930** | 2,744 | 7% |
| Gross Revenue per Average Adviser (FS Network) (£'000s) | **43.6** | 46.6 | -6% |
| Mortgage Lending (£bn) | **20.5** | 19.3 | 6% |
| Market Share | **10.1%** | 9.0% | +110bps |
| Annualised Premium Equivalent (£m) | **31.8** | 32.5 | -2% |

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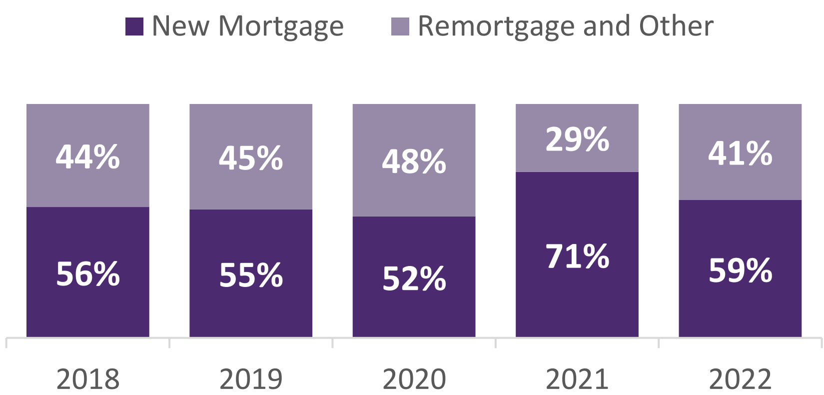
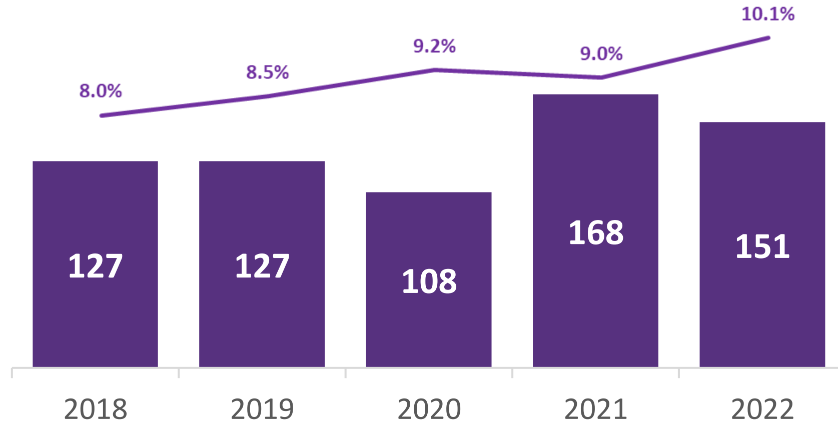
# Mortgage market returning to more normalised mix with continued market share growth

## Financial Services

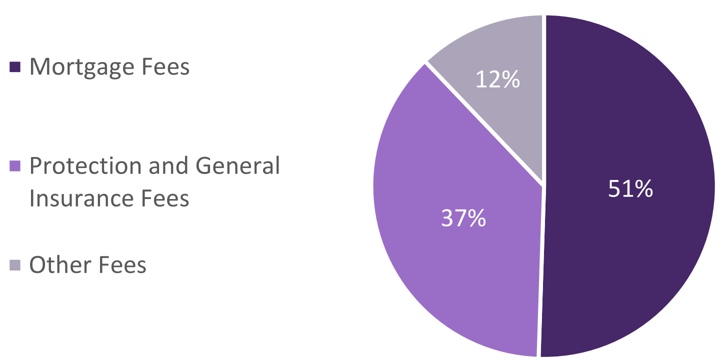
### Mortgage Market (excluding Product Transfers)




### Total Gross Mortgage Lending (£bn) and LSL Market Share



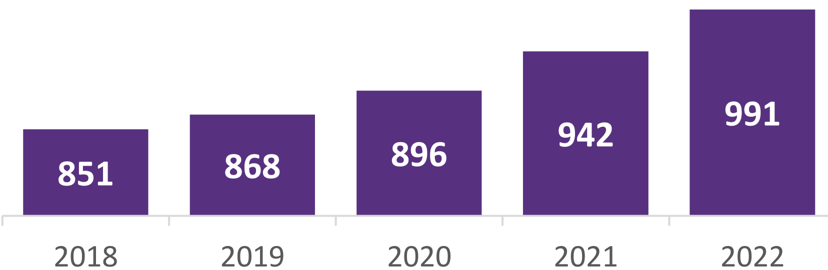

### Total Financial Services Gross Revenue Mix by Type



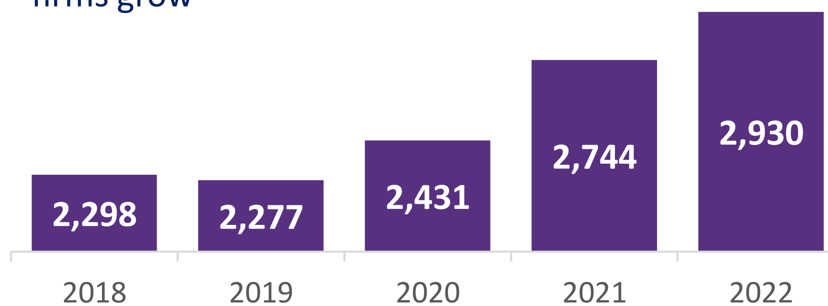
# Strengthening our position as the UK's largest AR mortgage and insurance network

## Financial Services

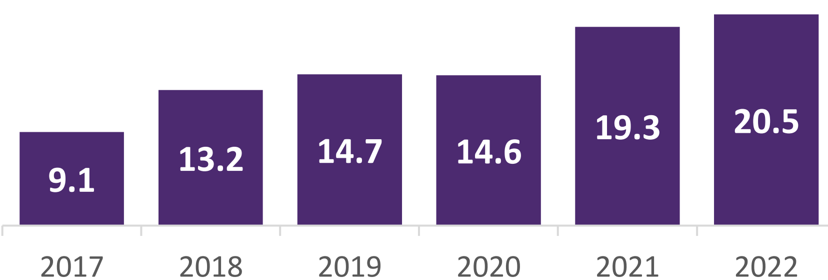
Nearly 1,000 individual firms now use LSL's PRIMIS network, up 54% since end of 2017



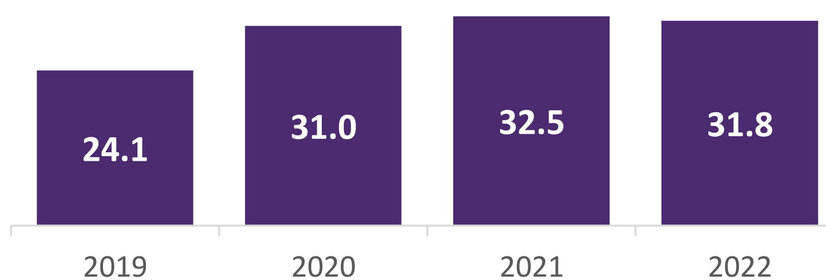

Growth in advisers of 68% since 2017 as existing firms grow




Lending exceeded £20bn for the first time representing over one in ten purchase and re-mortgages (£bn)




Resilient performance in Annual Premium Equivalent in a smaller market (£m)

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Note: LSL's position as the UK's largest mortgage and insurance network is based on LSL estimates

# Extremely strong Surveying & Valuation performance

## Surveying & Valuation

- Record H1 revenue
- Highest H1 profit in over 10 years
- Strong growth from developing D2C and data revenue streams
- Benefit of H2 2021 increased allocations, major lender contract renewals and contract wins and a further contract renewal during H1 2022
- Further margin improvement
- Improved surveyor utilisation with jobs per surveyor up 12%
- Leading position in growing and less cyclical higher margin Equity Release segment

| H1 S&V P&L (£m) | 2022 | 2021 | Var. |
|---|---|---|---|
| B2B – Valuations | 48.6 | 45.1 | 8% |
| Private Survey and Data Income | 1.9 | 1.1 | 73% |
| **Total Revenue** | **50.5** | **46.2** | **9%** |
| ***Underlying Operating Profit*** | ***13.1*** | ***11.4*** | ***14%*** |
| *Underlying Operating Margin* | ***26%*** | *25%* | *+120bps* |
| **KPIs** | | | |
| Jobs Performed ('000s) | **288** | 267 | 8% |
| Jobs per Average Surveyor | **586** | 523 | 12% |
| Income per Job | **175** | 173 | 1% |
| Operational Surveyors at 30 June (FTE) | **497** | 497 | 0% |

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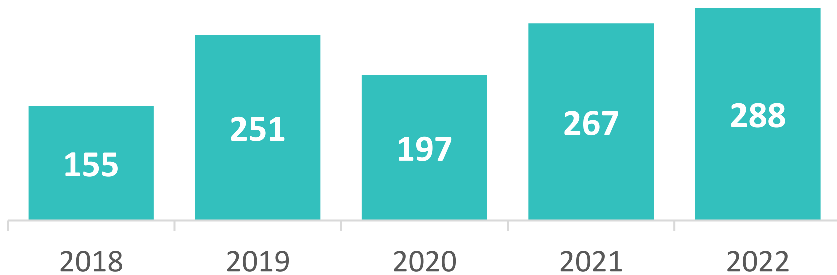
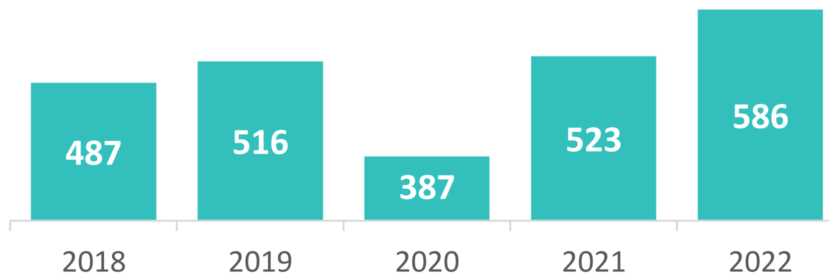
# Financial performance enhanced by operational capability delivering market share growth

## Surveying & Valuation

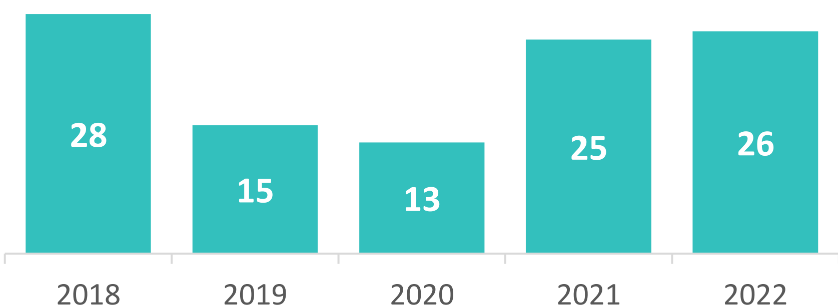
Record number of jobs performed ('000), up by 86% since 2018



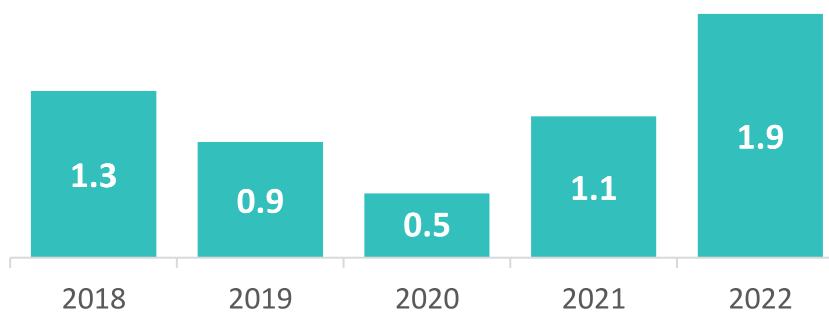

Significant improvement in utilisation with a 20% increase in jobs per surveyor compared to 2018




Increased focus on higher-value work, and improved capacity utilisation driving higher margins (%)




Income from Private Surveys and Data Income up by 48% since 2018 (£m)



# Estate Agency traded well in a smaller market building record pipeline to carry forward

## Estate Agency

- 2021 boosted by exceptional volumes generated by Stamp Duty holiday. 2022 market volumes down 29%
- LSL outperformed the market with exchange units down 21%
- Loss posted for the period but over £6m profit delayed in the pipeline
- Record residential exchange pipeline to carry into H2
- No indication of a material increase in fall-throughs
- Average fee increased in H1 2021 by disproportionate sales of high value properties in lead up to end of Stamp Duty Holiday
- Average fee in current pipeline is up 18% year on year including larger Marsh & Parsons pipeline
- Lettings income and stock of managed properties maintained in a competitive market with shortage of new instructions
- Inflationary cost increases absorbed during the period

| H1 Estate Agency P&L (£m) | 2022 | 2021 | Variance |
|---|---|---|---|
| Residential Exchange Income | 30.8 | 40.4 | -24% |
| Lettings Income | 30.1 | 30.1 | 0% |
| Other Income | 9.7 | 10.7 | -10% |
| **Total Revenue** | **70.6** | **81.2** | **-13%** |
| ***Underlying Operating Profit*** | ***(1.0)*** | ***12.5*** | ***-108%*** |
| *Underlying Operating Margin* | ***-1%*** | *15%* | *nm* |
| **KPIs** | | | |
| HMRC Transactions (‘000s) | **582** | 824 | -29% |
| Exchange Units | **8,030** | 10,158 | -21% |
| Managed Properties | **33,044** | 33,454 | -1% |
| Average Residential Sales Exchange Fee per Unit (£) | **3,829** | 3,980 | -4% |
| Number of Branches: Owned | **225** | 228 | -1% |
| Number of Branches: Franchised | **127** | 127 | - |
| Residential Pipeline | **26.7** | 21.2 | 26% |

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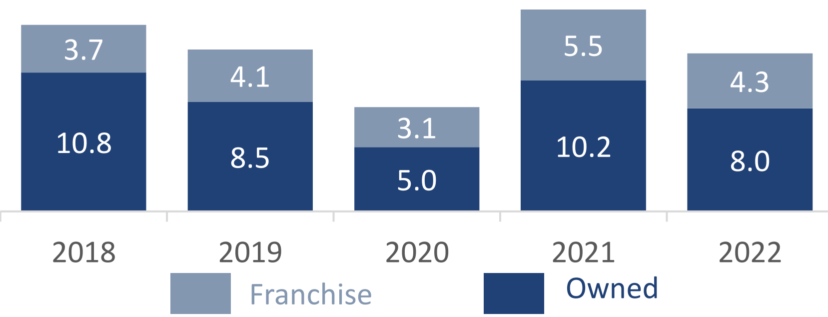
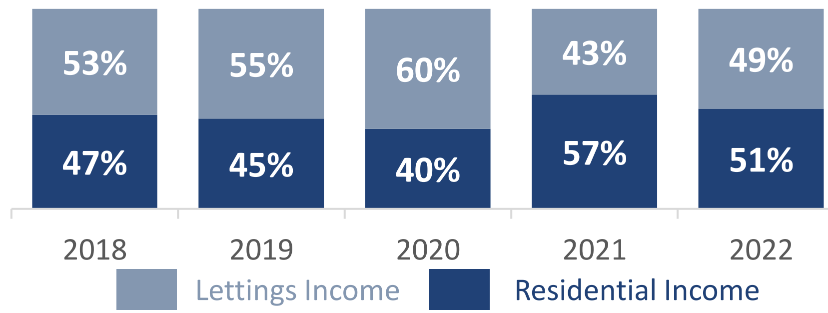
# Estate Agency increased national market share of housing transactions, building a record pipeline to carry into H2

## Estate Agency

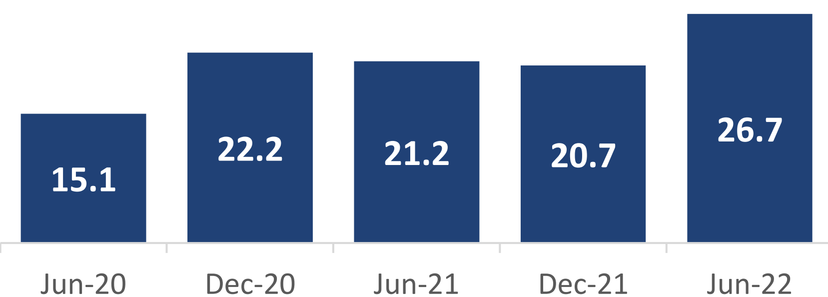
Number of exchange units -21% (total UK market:-29%)



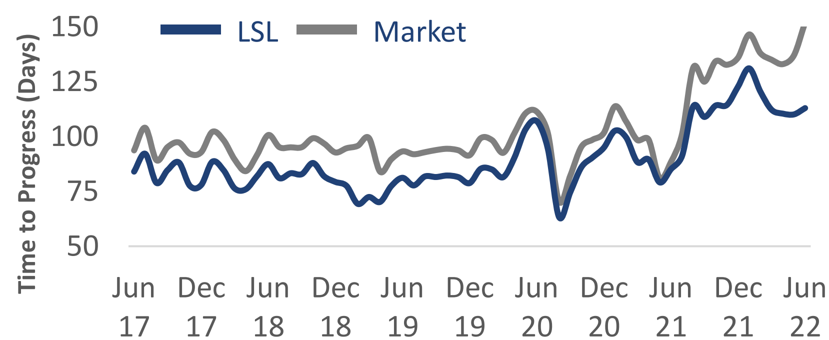

Recurring lettings income remains a high proportion of EA revenue




Record residential exchange pipeline, mainly due to market-wide conveyancing capacity constraints




LSL exchange speed continues to outperform a slowing market, reducing H1 2022 profit by over £6m




Source: View My Chain

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# Strong Balance Sheet providing flexibility to make further investments to support growth

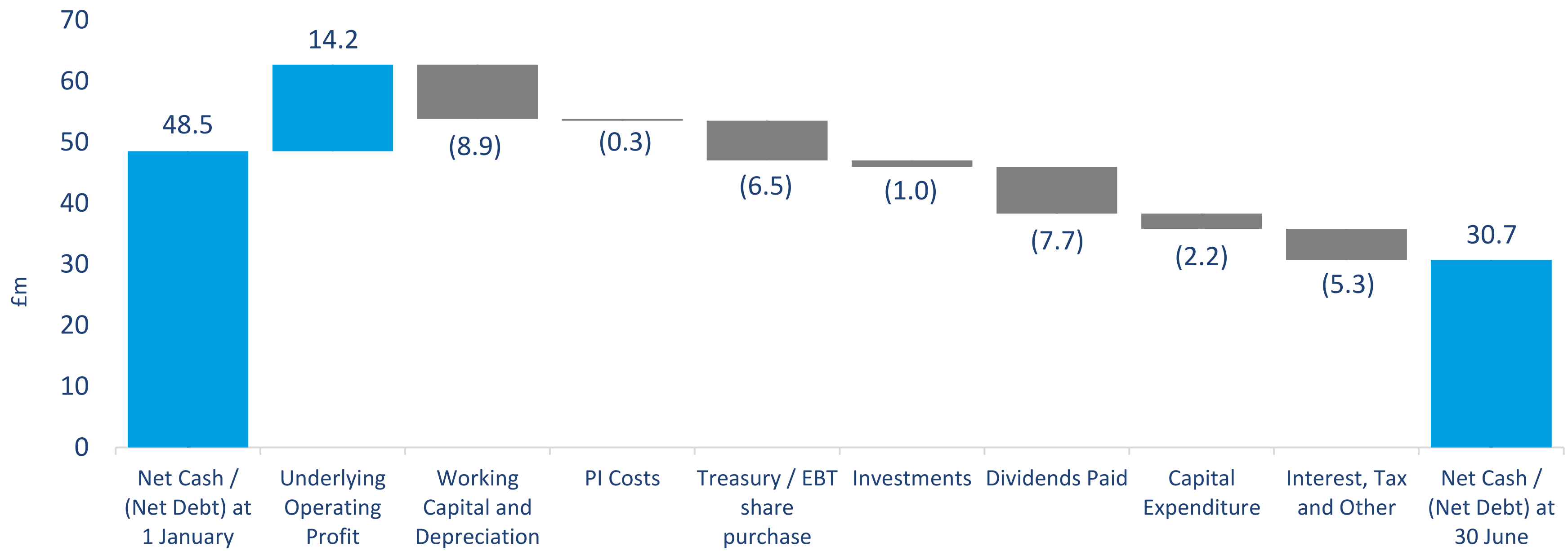
## Group

- Record H1 Net Cash
- Historic PI liabilities continue to reduce
- Modest amount outstanding re previous acquisitions
- £2m non-cash Goodwill impairment for Marsh & Parsons
- Equity accounting for Pivotal Growth
- £0.4m write down of Yopa investment, as hybrid share of EA market declined

| **Balance Sheet extracts(£m)** | **2022** | 2021 |
|---|---|---|
| Net Cash | **30.7** | 17.0 |
| PI Costs Provision | **3.9** | 5.5 |
| Deferred & Contingent Consideration | **2.9** | 5.9 |
| Goodwill | **158.9** | 160.9 |
| Financial Assets & JVs | **8.4** | 8.0 |
| *Pivotal Growth JV* | ***2.3*** | *0.3* |
| *Yopa* | ***4.1*** | *6.5* |
| *Other / Loan Notes* | ***2.0*** | *1.2* |

# Record half year net cash

## Group




**Highlights:**

- Working capital following normal seasonal outflows and includes c.£1m of deferred COVID tax payments
- Share buyback programme launched: £1.8m in H1 (£2.6m YTD) and c.£5m of share purchases for EBT in H1
- £0.9m investment in Pivotal Growth in the period (total of £4.8m invested since establishment of Pivotal)

# Our Capital Allocation Policy is designed to support growth for the benefit of shareholders

Group

| | | | |
|---|---|---|---|
| 1 Organic Growth | FINANCIAL SERVICES | SURVEYING & VALUATION | ESTATE AGENCY |
| 2 Potential Acquisitions | Acquisitions to develop and grow FS Network (through LSL)<br>Acquisition of D2C brokerages (likely through Pivotal) | Acquisitions to enhance D2C and data capability | No acquisitions planned |
| 3 Shareholder Distribution | LSL GROUP<br>Current dividend policy of 30% of Underlying Operating Profit<br>Share buy back programme started<br>Board continues to review capital allocation regularly | | |

# Summary and Outlook

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# Summary and Outlook

## Group

| | |
|---|---|
| **RESILIENT FINANCIAL PERFORMANCE** | ▪ Record Revenue in Surveying and Financial Services Network<br>▪ Record pipeline in Estate Agency with £6m+ profit delayed due to slow conversion<br>▪ Financial Services Network and Surveying significantly ahead of 2019 (pre-COVID)<br>▪ Group Underlying Operating Profit +17% higher than 2019 (c.70% up including delayed EA profit in pipeline) |
| **CURRENT TRADING** | ▪ Estate Agency front end sales remain stable with a good level of buyer demand<br>▪ July mortgage completions in the FS Network were the highest ever driven by buoyant re-mortgage market<br>▪ Very strong performance continues in Surveying & Valuations<br>▪ Conversion of residential sales pipeline remains very slow |
| **MARKET & OUTLOOK** | ▪ Interest rate volatility and cost of living challenges expected to support re-mortgage and equity release sectors<br>▪ Housing transactions expected to be at similar levels to 2019<br>▪ Expected slow pipeline conversion to continue in H2, delaying profit on some H2 activity. FY expected to be below previous expectations<br>▪ H2 expected to be substantially stronger than H2 2021 and H2 2019<br>▪ FY 2022 profit expected to be significantly greater than in pre-COVID 2019 |
| **CONFIDENCE IN STRATEGY** | ▪ Significant future opportunities for growth in Financial Services and Surveying & Valuation<br>▪ Pivotal pipeline strong with multiple opportunities being pursued<br>▪ Mortgage Gym roll out to network firms to commence in H2<br>▪ Launching D2C Surveying website in August<br>▪ Developing new data services for Lenders<br>▪ Positioned for further growth in 2023 and beyond |

# Questions?

# Appendix

# Financial Highlights 2019 - 2022

## Group

| H1 Highlights (£m) | **2022** | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Group Revenue | **160.9** | 166.5 | 114.9 | 154.1 |
| Group Underlying Operating Profit | **14.2** | 27.3 | 9.7 | 12.2 |
| *Group Underlying Operating Margin* | ***9%*** | *16%* | *8%* | *8%* |
| Net Exceptional Gains / (Costs) | **(2.0)** | 2.7 | (4.4) | (12.8) |
| Profit Before Tax | **7.4** | 25.5 | 2.0 | (4.6) |
| Adjusted Basic Earnings per Share (pence) | **10.7** | 20.9 | 9.4 | 9.0 |
| Net Cash / (Net Bank Debt) | **30.7** | 17.0 | (12.7) | (52.0) |
| Interim Dividend (Pence) | **4.0** | 4.0 | - | 4.0 |

Note: 2020 Underlying Operating Profit is Post COVID-19 Costs

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# Financial Highlights 2019 - 2022

## Group

| H1 Highlights (£m) | **2022** | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| **Revenues** | | | | |
| *Financial Services Network* | ***20.5*** | *18.7* | *14.4* | *16.4* |
| *Financial Services Other* | ***19.3*** | *20.4* | *13.7* | *18.0* |
| Financial Services | **39.8** | 39.1 | 28.1 | 34.3 |
| Surveying & Valuation | **50.5** | 46.2 | 31.1 | 42.7 |
| Estate Agency | **70.6** | 81.2 | 55.7 | 77.1 |
| **Group Revenue** | **160.9** | **166.5** | **114.9** | **154.1** |
| *Financial Services Network* | ***7.5*** | *7.4* | *4.0* | *3.1* |
| *Financial Services Other* | ***(1.3)*** | *0.4* | *0.7* | *1.3* |
| Financial Services | **6.1** | 7.8 | 4.6 | 4.3 |
| Surveying & Valuation | **13.1** | 11.4 | 4.1 | 6.3 |
| Estate Agency | **(0.1)** | 12.5 | 2.4 | 4.0 |
| Unallocated | **(4.0)** | (4.5) | (1.4) | (2.5) |
| **Group Underlying Operating Profit** | **14.2** | **27.3** | **9.7** | **12.2** |

Note: 2020 Underlying Operating Profit is Post COVID-19 Costs

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# FORWARD LOOKING STATEMENTS

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.

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