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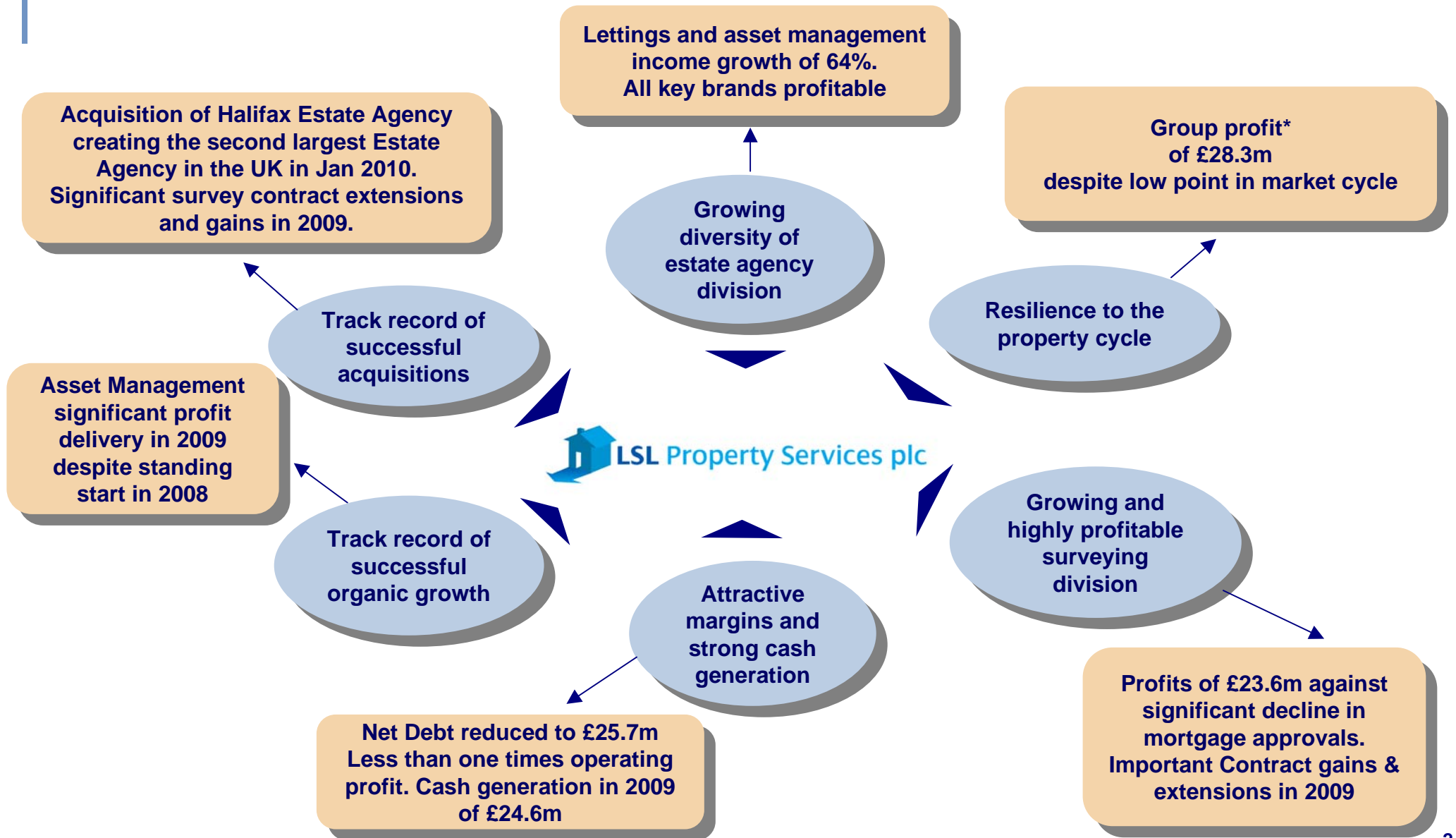
# Preliminary Results Presentation

Year Ended 31 December 2009

Simon Embley, Group Chief Executive Officer  
Dean Fielding, Group Finance Director

March 2010

# Key messages & delivery 2009



\*Underlying Group operating profit/loss is before exceptional costs, amortisation of intangible assets and share based payments

# Highlights

## Group

- Underlying Group Operating Profit up 55% to £28.3m (2008: £18.2m)
- Adjusted Basic earnings per share up 93% to 18.1p (2008: 9.4p per share\*).
- Return to dividend list: Interim dividend declared of 5.4p per share (2008: nil)
- Significant cash generation during the year

## Surveying Performance

- Significantly outperformed the market: turnover down 12% against 34%<sup>♦</sup> decline in total mortgage approvals
- Underlying Operating profit of £23.5m (2008: £28.6m)

## Estate Agency Performance

Delivered a significant turnaround in Profitability. Operating Profit of £6.7m (2008: Loss of £8.4m\*)

- All our high street Estate Agency brands were profitable in 2009
- Excellent growth in asset management business - market share of 17% in Q4,2009\*\*

## Acquisition of Halifax Estate Agencies Limited

- Establishes LSL as second largest Estate Agency business in UK
- Integration completed on schedule and targeted run-rate cost savings achieved

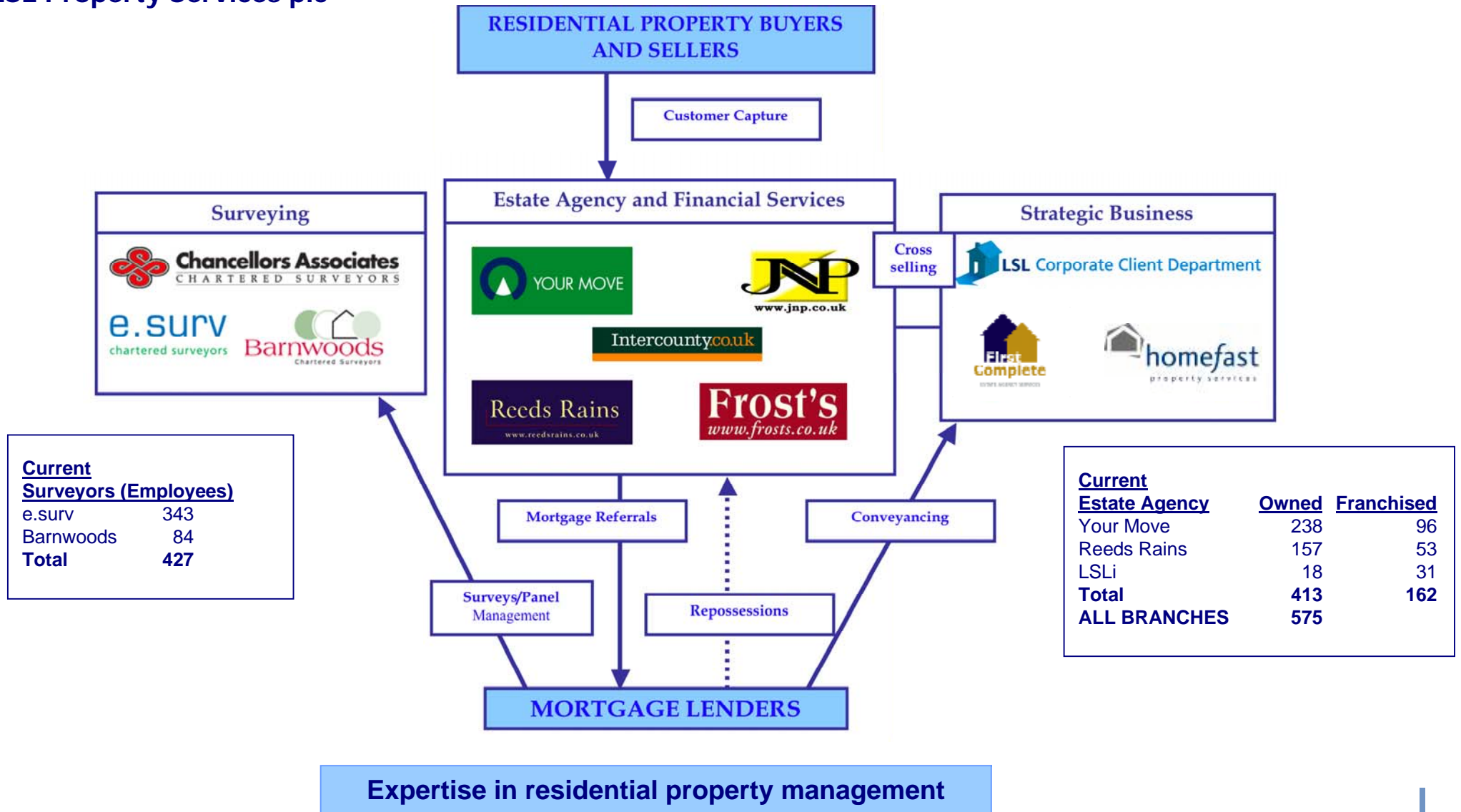
\* Please note that the Income Statement for 2008 was restated due to the adoption of the amendment to IFRS 2 Share-based payments, details of the restatement are given at note 2 of the financial statement. All relevant figures in this report reflect the restatement

<sup>♦</sup> Bank of England Total Mortgage Approval for 2009

\*\* Council of Mortgage Lenders data on repossession 2009.

# Who are we now?

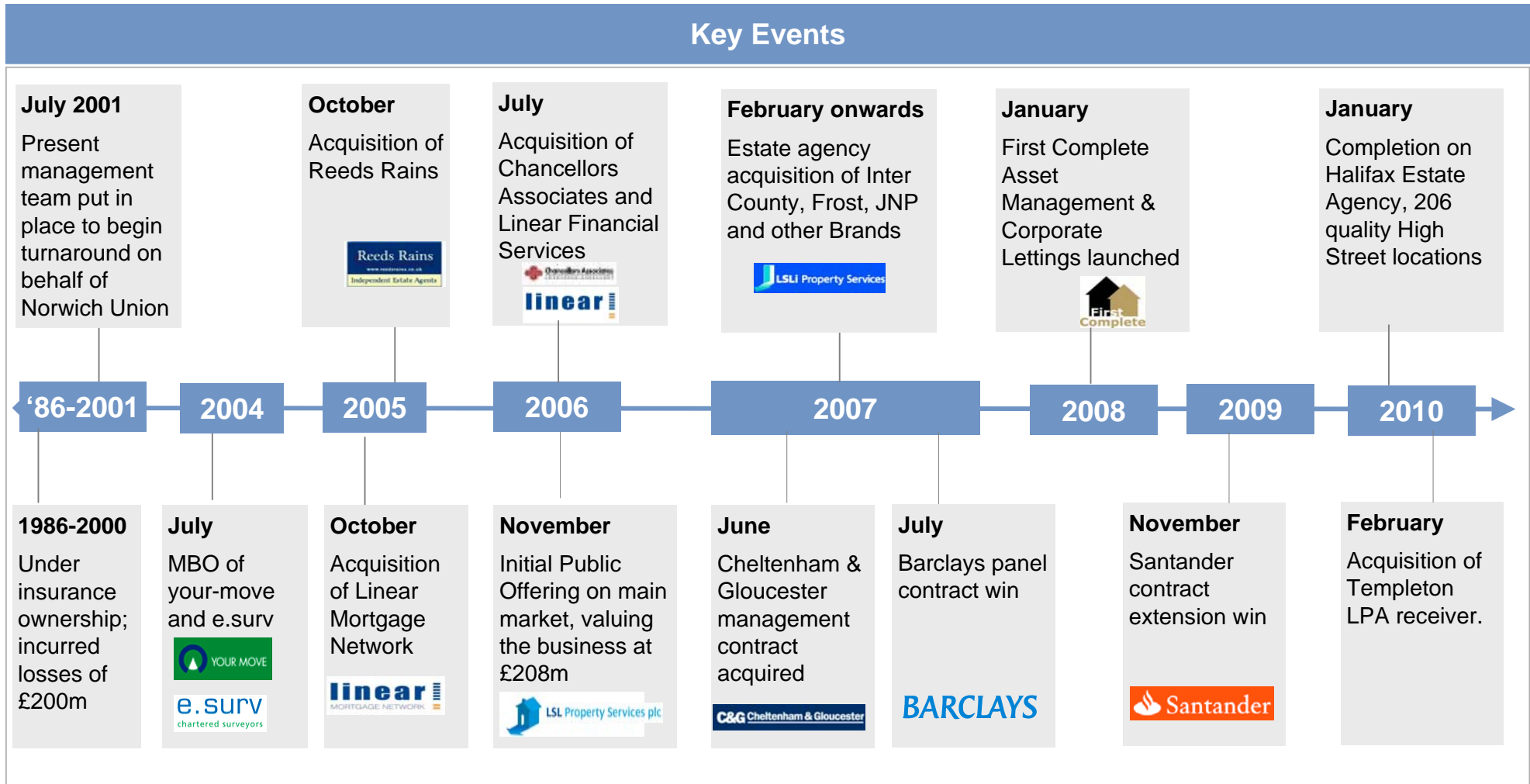
LSL Property Services plc



Expertise in residential property management

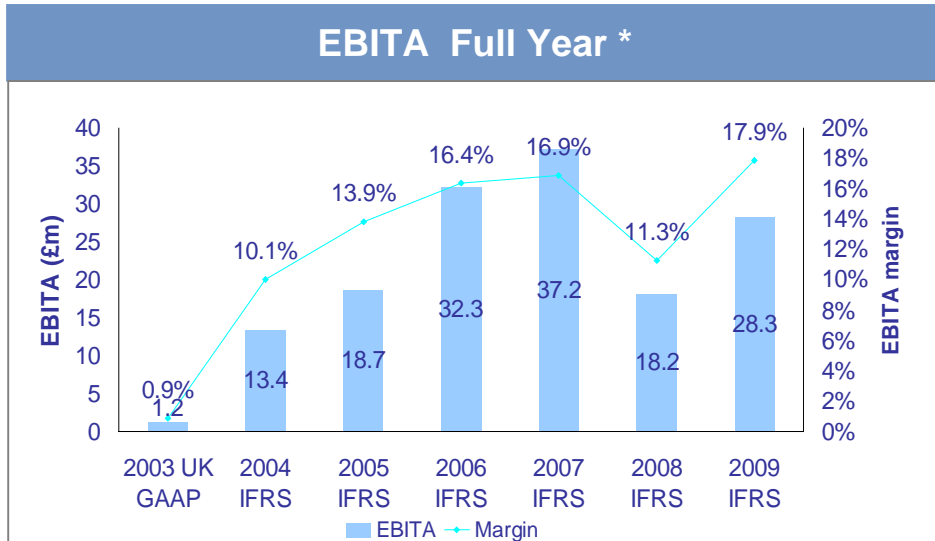
# LSL's genesis

## LSLs business transformation from a loss making insurance distribution arm:-

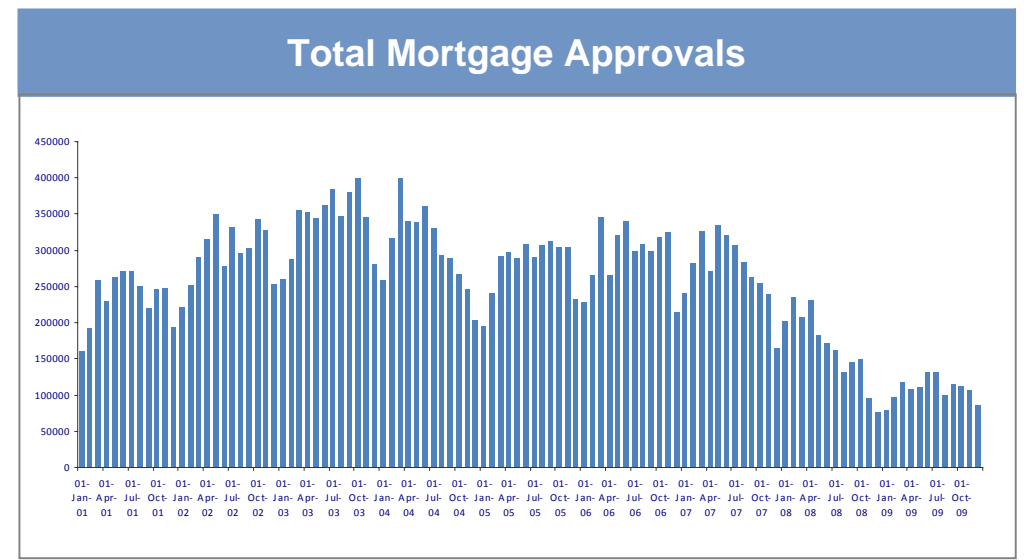
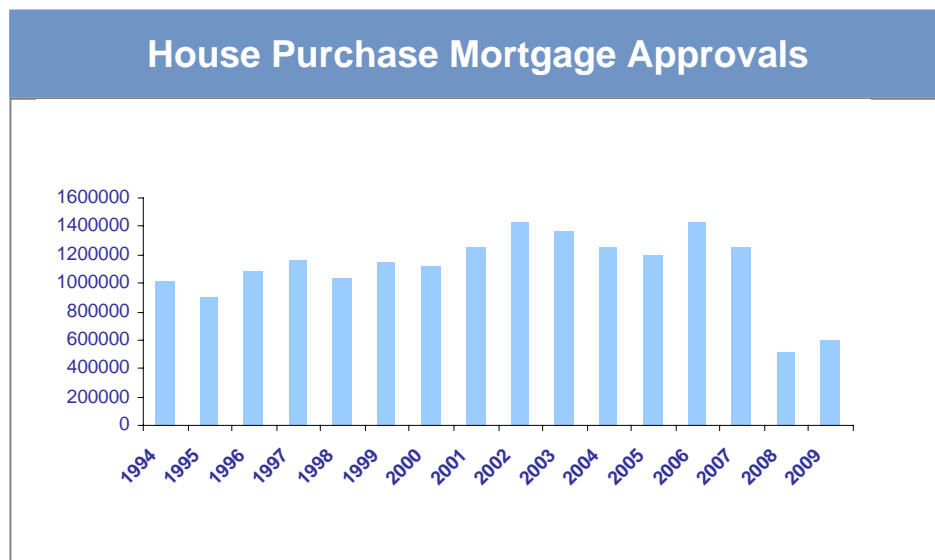


# Financials at a glance

## A strong result in a difficult market



- Mortgage approvals for house purchase remain at low point in the cycle
  - ▶ average 1994 to 2007 was 1.2m
  - ▶ 2009 at 0.6m, half of the historic norm
- Mortgage approvals are still significantly impacted by very low re-mortgage activity
  - ▶ overall 34% down on 2008
- Underlying Operating profit increased by 55% from £18.2m to £28.3m
- Margins increased from 11.3% to 17.9% underpinned by
  - ▶ strength of surveying - margin of 34%
  - ▶ reduced cost base - down 10%
  - ▶ strong growth in counter-cyclical income - up 64%



Source: BOE Total Mortgage Approvals 2009

# Group Income Statement

## Group Financial Overview \* (£m)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>% Change</u>
<b>Revenue</b>					
Estate Agency	124.0	129.6	81.7	87.7	7%
Surveying	74.0	89.9	80.1	70.0	-13%
<b>Total</b>	<b>198.0</b>	<b>219.5</b>	<b>161.8</b>	<b>157.7</b>	<b>-3%</b>
<b>Underlying Group operating profit/loss</b>					
Estate Agency	12.6	12.9	-8.4	6.7	
Surveying	21.0	26.4	28.6	23.6	-17%
Central Costs	-1.3	-2.1	-2.0	-2.0	0%
<b>Total</b>	<b>32.3</b>	<b>37.2</b>	<b>18.2</b>	<b>28.3</b>	<b>55%</b>

## Group Income Statement

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Turnover	219.5	161.8	157.7
Net Expenditure	-182.3	-143.6	-129.4
<b>Underlying Group Operating Profit</b>	<b>37.2</b>	<b>18.2</b>	<b>28.3</b>
Share based payments	-0.7	-0.1	-0.5
Amortisation	-9.1	-10.1	-8.6
Exceptionals	-1.4	-7.8	-0.4
<b>Adjusted Group Operating Profit</b>	<b>26.0</b>	<b>0.2</b>	<b>18.8</b>
Dividend income	0.4	0.3	0
Net finance costs	-3.1	-3.8	-2.1
Exceptional finance costs	0.0	-0.4	0
<b>Adjusted PBT</b>	<b>23.3</b>	<b>-3.7</b>	<b>16.6</b>
Deferred tax adjustment to goodwill	-1.0	-1.0	0.0
Taxation	-5.9	1.4	-4.9
<b>PAT</b>	<b>16.4</b>	<b>-3.3</b>	<b>11.7</b>

## Segment highlights

- Estate Agency turnaround £8.4m loss to £6.7m profit
- Surveying profit of £23.6m despite significant decline in mortgage approvals

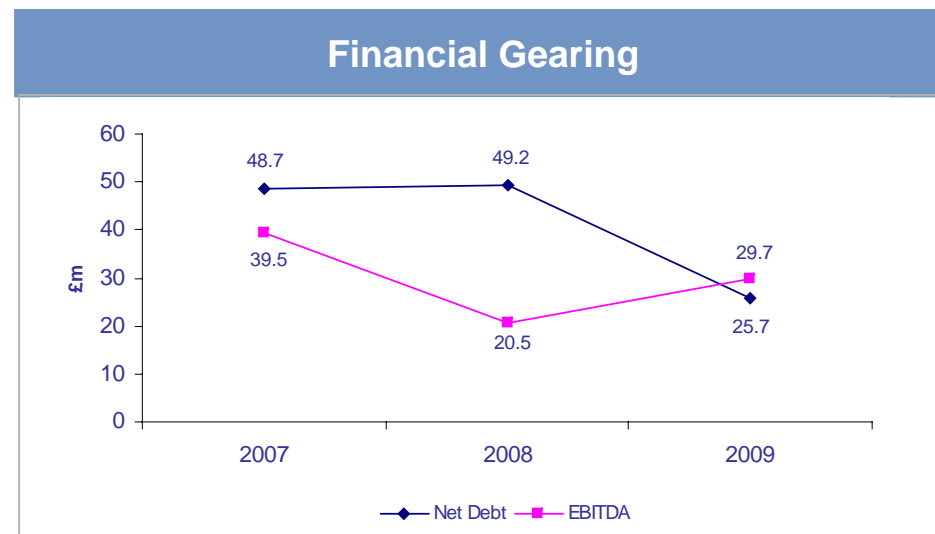
## Group Income Statement

- Group revenue down 2.5%
- Underlying operating profit up 55%
- Underlying operating margin increase from 11.3% to 17.9%
- Adjusted Basic EPS up 93% to 18.1p

# Strong Cash Flow

## Strong cash generation and significant reduction in gearing

£m	2008	2009
Underlying Group operating profit	18.2	28.3
Depreciation & other	2.3	1.4
Proceeds from sale of equipment	0.1	0.0
Loss on sale of equipment	0.4	0.0
Exceptional costs (excluding impairment)	-6.7	-0.4
Exceptional net finance costs	-0.4	0.0
Dividend income	0.3	0.0
Net interest payable	-3.9	-2.3
Movement in working capital	-1.5	1.1
Tax paid	-5.1	-3.6
Capital expenditure	-1.0	-0.7
<b>Net cash from operating activity after tax &amp; capex</b>	<b>2.7</b>	<b>23.8</b>



### ■ Business significantly different to 2008:

- ▶ Net debt to EBITDA reduced from 2.4 times to 0.86 times
- ▶ Significant growth in counter-cyclical income streams (lettings £12.7m in 2007 to £19.6m in 2009) and Asset Management (from a standing start in 2008 to £9.3m). Overall growth in counter-cyclical income of 64%
- ▶ Surveying strengthened market share through contract wins and extensions
- ▶ Lower cost base down 10%

### ■ Return to dividend list

- ▶ Dividend policy pay-out of 30% to 40% of adjusted profit after tax
- ▶ Adjusted EPS 18.1p per share (2008: 9.4p)
- ▶ Dividend payable March with respect to 2009 of 5.4p per share (2008: £NIL)



# Operational Performance: Surveying

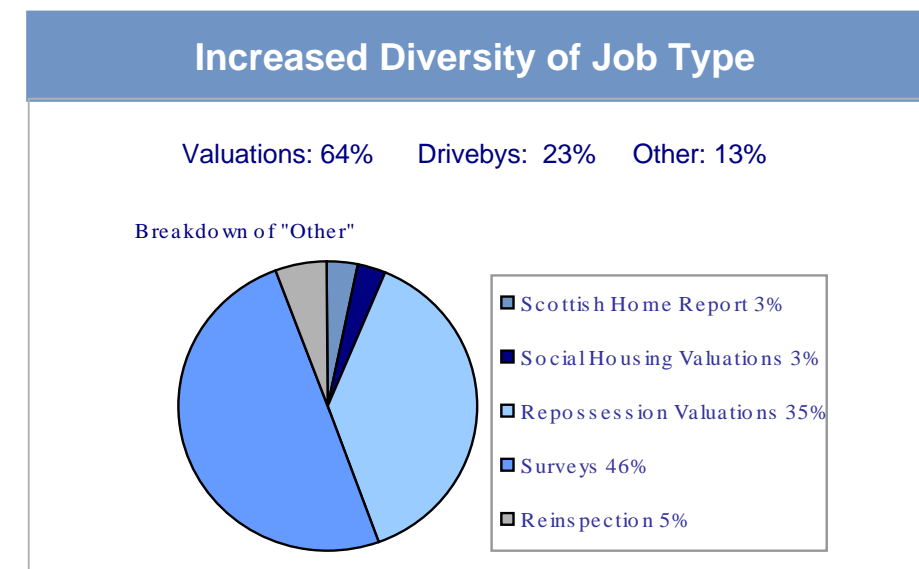
## Continued growth in market share

Surveying Segment					
	2006	2007	2008	2009	% Change
Turnover (£m)	74.0	89.9	80.1	70.0	-12%
Expenditure (£m)	-53.0	-63.5	-51.5	-46.5	-10%
Profit (£m)	21.0	26.4	28.6	23.5	-18%
Margin	28.4%	29.4%	35.7%	33.6%	-2%

Market Share Growth					
	2005	2006	2007	2008	2009
Jobs performed ('000s)	378	434	533	461	439
Mortgage approvals*	3381	3534	3292	1980	1300

\* Source: Bank of England data

- Strong profits despite market conditions
- Strong market share growth from e.surv
  - ▶ mortgage approvals down 34%
  - ▶ turnover down 12%
- Demonstrating resilience of operating model margins in excess of 30% maintained
- Barnwoods, turnover declined in line with market, but still a key contract with turnover £15.5m (2008: £21.7m)
- Significant cost reduction - yoy down 10%



# Surveying's embedded relationships

Providing a range of services across the UK's lending market

Service provider



Panel manager



Joint panel manager



Source: Company data

The UK's market leading valuation distributor

# Surveying: Development

## Market backdrop

Market conditions remain difficult:

- Total mortgage approvals down by 34% yoy
- Claims environment with continuing repossessions has resulted in an increase in claims. Provision increase from £5.6m to £7.5m
- Surveying firms going bust due to market and claims environment
- LSL well placed as lenders look to firms with strong balance sheet and claims record

## Clients update

- Extensions gained to 4 important contracts, including Barclays
- An exclusive 5 year major supply contract with Santander which will have a significant positive impact on turnover and profit in 2010

## New products & opportunities

- Scottish single survey launched and embedded, providing additional income
- Early adopters of RICS Home Buyer Survey
- RICS launch partner for new Assoc. RICS qualification
- Well placed for market improvement

## Strong client base

- Excellent service delivery record enabled us to stand out from the crowd. Winners of best Surveyor category at the Mortgage Strategy Awards 2010
- Robust customer relationships with the leading lender institutions
- Diverse client base providing some insulation to changes in client behaviour

# Operational Performance: Estate Agency

## Estate Agency Segment

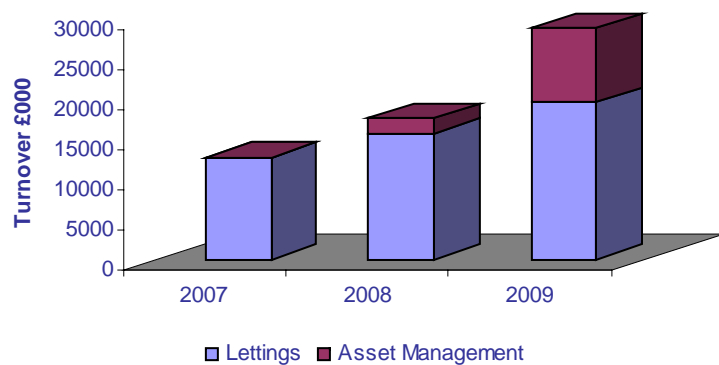
	2007	2008	2009
Revenue (£m)	129.7	81.7	87.7
Expenditure (£m)	-116.7	-90.1	-81.0
Operating Profit (£m)	13.0	-8.4	6.7

## Estate Agency KPIs

	2008	2009	% Change
Exchange Units	13683	14815	8%
Exchange fees (£m)*	28.6	28.1	-2%
Financial Services income (£m)*	14.7	11.0	-25%
Lettings income (£m)*	15.8	19.6	24%
Asset Management income (£m)	1.8	9.3	417%
Other income (£m)	20.8	19.7	-5%

\* these figure reflect Your Move and Reeds Rains only

## Counter Cyclical Income



Return to profitability as a result of:-

- Reduced cost base down 10%
- Increased counter-cyclical income up 64%
- All High Street brands traded profitably

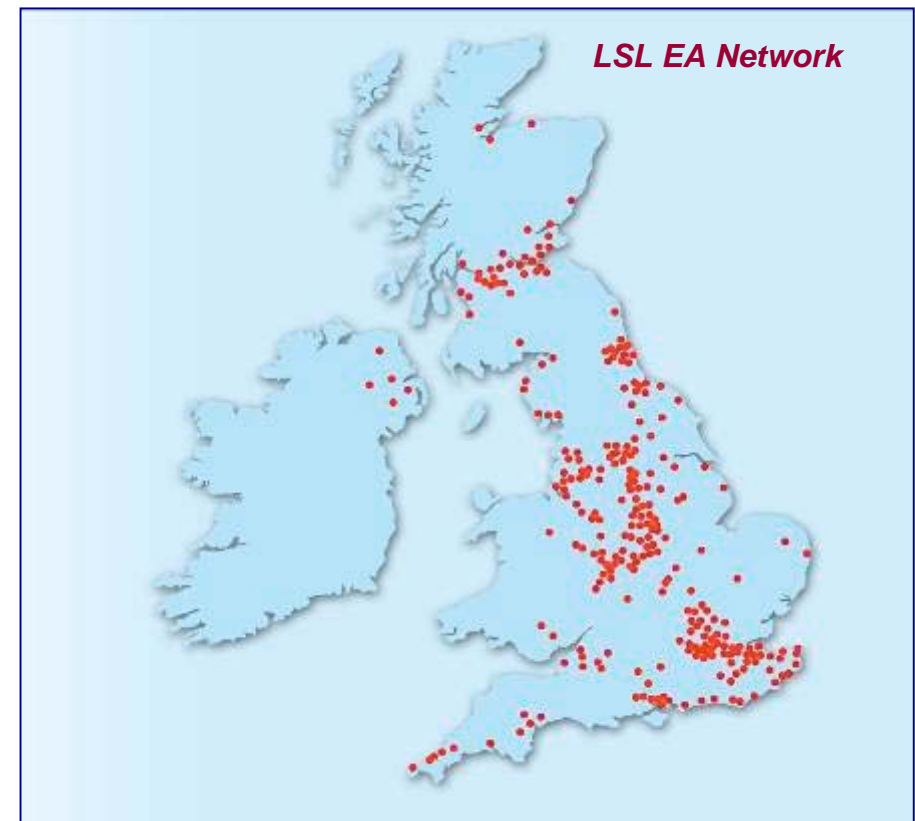


# Estate Agency: HEAL

## Acquisition of Halifax Estate Agencies Ltd

- Transformational deal
- 206 High Street branches (92 franchised)
- All milestones completed
  - ▶ offices re-branded
  - ▶ implemented LSL Estate Agency systems
  - ▶ re-structured Head Office and Management
  - ▶ back office services integrated
- Strong locations, quality and professional staff

- A high quality branch network, register of clients and pipeline of sales on favourable terms
- Includes an established asset management business with a new three year contract with Bank of Scotland
- 130 Mortgage advisors



### Branch Numbers

Countrywide	1108
Connells	470
LSL Property Services	378
Halifax Estate Agency	244
Spicerhaart	173
Savills	113
Arun	78

# Estate Agency: HEAL Financials

## Targeted run-rate cost savings delivered

### HEAL Operating Results

	2007	2008
Revenue (£m)	96.2	54.1
Expenditure (£m)	-120.8	-105.2
<b>Underlying operating loss</b>	<b>-24.6</b>	<b>-51.1</b>

- Above includes
  - ▶ LBG central re-charges: £39.7m
  - ▶ Head Office & Management cost: £19.4m
  - ▶ Bank counter income & costs
- Current run rate on expenditure £3m per month
  - ▶ post Head Office closure
  - ▶ Management integration
  - ▶ elimination of LBG re-charge
- HEAL cash received on acquisition of £25.6m to cover re-brand & re-structure and initial losses

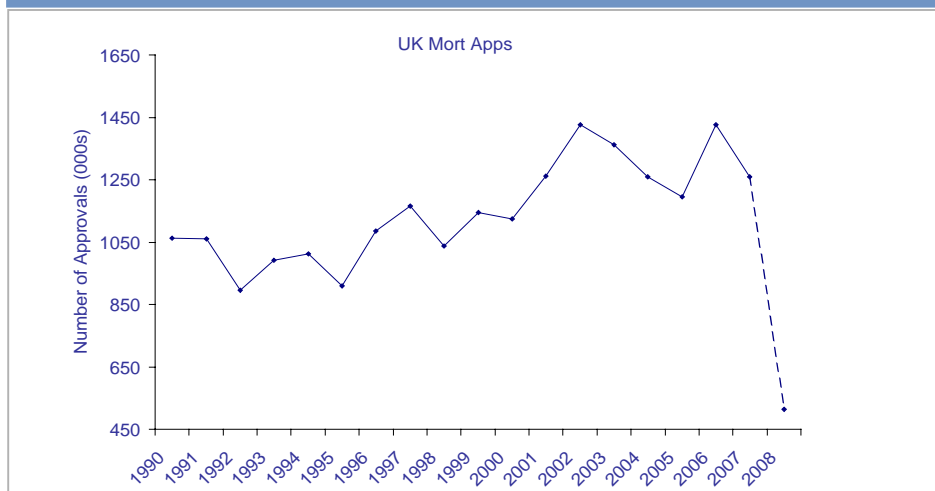
### HEAL Turnover analysis 2009

	YM / RR		HEAL estimated	
	Total	Per Branch	Total	Per Branch
Exchange Unit	14815		6516	
	<i>£m</i>	<i>£000</i>	<i>£m</i>	<i>£000</i>
Exchange Fees	28.1	99	13.1	115
Other income	40.9	143	12.9	113
<b>Total Income</b>	<b>69.0</b>	<b>242</b>	<b>26.0</b>	<b>228</b>
	LSLCCD		HEAL AM	
Asset Management	9.3		2.9	
Other Income	9.4			
<b>Total Segment</b>	<b>87.7</b>		<b>28.9</b>	

- Excludes new Asset Management contract
  - ▶ estimates at 4000 cases p.a.
  - ▶ 75% of volumes in excess of 6000
- Focus in 2010 will be growing other income
- A Cash surplus estimated in 2010. In addition circa £8m of freehold property

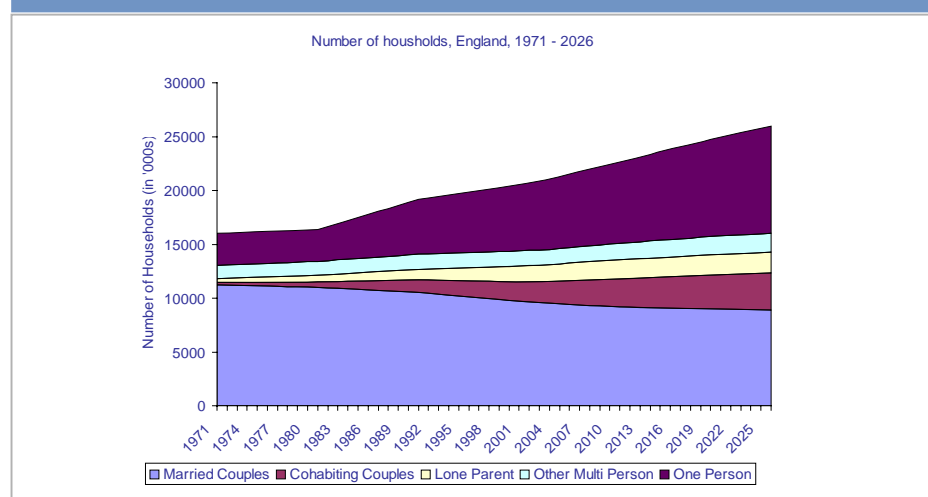
# Market Outlook

## Short term uncertainty



- Dramatic fall in house purchase approvals
  - ▶ some indications of a recovery with H2 volumes at 700,000 run rate
  - ▶ activity to end of Feb is in line with our expectations & reflects continuation of H2 2009 run rates
- Election, fiscal policy and lending uncertainty
- Any interest rate hikes will lead to potential forced sellers and a change in market dynamics
- Market uncertain in short term but LSL well placed
  - ▶ low financial gearing and reduced cost base
  - ▶ increased Estate Agency counter cyclical income and robust surveying operation

## Long term fundamentals strong



- Significant shortage of new build
- Increase in demand as a result of changing socio-economic factors
- Volumes half of historic norms
- Market long term fundamentals strong and LSL well placed
  - ▶ to benefit from an improving market
  - ▶ and to grow earnings

# Board will be strengthened during 2010

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- Executive Director Surveying - Paul Latham retiring, remaining as a NED
  - ▶ Alison Traversoni appointed – 31<sup>st</sup> May 2010
  - ▶ currently MD of e.surv
  - ▶ 20 years experience with the Group
  - ▶ Shareholding in LSL acquired as part of the MBO
- Executive Director Estate Agency - New Board position
  - ▶ David Newnes appointed – 31<sup>st</sup> May 2010
  - ▶ Your Move MD since MBO in 2004
  - ▶ Shareholding in LSL acquired as part of the MBO
  - ▶ Focus - Estate Agency market share growth / strategic marketing - HEAL performance
- New independent NED to be appointed during 2010
- New Share plan for Executive Directors / Senior Management
  - ▶ JSOP structure - shareholder consultation / AGM approval
  - ▶ Maximum award - 200% of salary p.a - CEO
  - ▶ 3 year vesting
  - ▶ EPS performance criteria



# Summary

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- Experienced management team
- Highly profitable surveying division
- Second largest estate agency in the UK by number of branches
- Fast growing asset management business
- Dividend reinstated
- Strong cash generation, low financial gearing (less than 1 x EBITDA)
- Significant upside as market recovers
- Well placed for further acquisitions