



Preliminary Results Presentation



Year ended 31 December 2010



March 2011

Executive Summary

- ▶ Strong cash generation and balance sheet
 - Net debt reduced by £20.8m to £4.9m
 - Total dividend increased by 56% to 8.4p

- ▶ Excellent earnings growth despite transaction volumes circa 50% of historic normalised levels
- ▶ Underlying Group Operating profit up 13% to £31.9m
- ▶ Market share gains in all areas of operation
- ▶ HEAL performed as expected – profitable in H2

- ▶ Investing in key initiatives to drive organic growth in both Surveying and Estate Agency

- ▶ Transformed market position in Estate Agency with acquisitions of HEAL, Home of Choice and Pink Home Loans
- ▶ Well placed strategically for further selective acquisitions

Progress Highlights



	Surveying	Agency – Branches	Agency – Asset Management	Agency – Financial Services
LSL position	Market leader	#2 in market	Market leader	#4 in market
2010 Market	2010 market down 7%	2010 market down 4%	2010 market down 8%	2010 market down 7%
LSL 2010	<ul style="list-style-type: none"> ➤ Revenue up 16% ➤ Increased market share ➤ First full year of expanded Santander contract 	<ul style="list-style-type: none"> ➤ LFL revenue up 15% ➤ Increased LFL market share ➤ HEAL successfully integrated 	<ul style="list-style-type: none"> ➤ LFL revenue down 4% ➤ Increased LFL market share ➤ St Trinity acquired 	<ul style="list-style-type: none"> ➤ LFL revenue up 6% ➤ Home of Choice acquired ➤ Pink Home Loans acquired

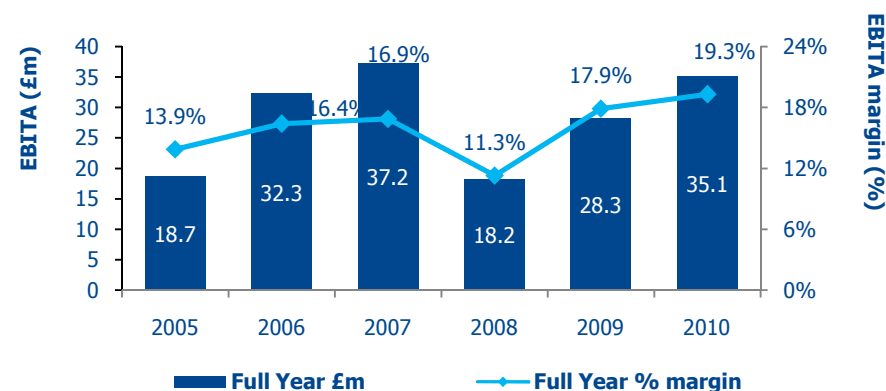
Financial Performance

Summary Group Financials

	Actual		
£m	2010	2009	
P&L			
Revenue	206.6	157.7	31%
Underlying Group Operating Profit ⁽¹⁾	31.9	28.3	13%
Margin	15.5%	17.9%	
Exceptionals	10.2	(0.4)	
Adjusted Group Operating Profit ⁽²⁾	37.7	18.8	
Net Finance Costs	(2.2)	(2.2)	
PBT	36.0	16.6	
Adjusted EPS	21.0p	18.1p	16%
Cashflow			
Operating Cashflow ⁽³⁾	30.7	30.2	
Balance Sheet			
Net Debt	4.9	25.7	

	LFL		
£m	2010	2009	
Revenue	182.4	157.7	16%
Underlying Group Operating Profit ⁽¹⁾	35.1	28.3	24%
Margin	19.3%	17.9%	

EBITA - LFL



Note 1. Underlying Group Operating Profit is before exceptional costs, amortisation of intangible assets and share-based payments

Note 2. Adjusted Group Operating Profit is Group Operating Profit less exceptional finance costs

Note 3. Operating cash flow is cash generated from operations pre exceptional costs and after capital expenditure

Financial Performance – Surveying

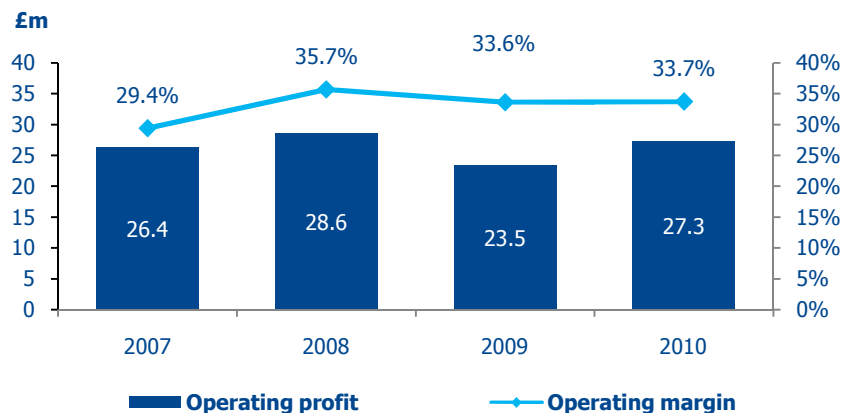
mortgagestrategy AWARDS
- Winner Best Surveyor/Valuer

Surveying Segment

	2010	2009	
Mortgage approvals '000	1,203	1,301	(7%)
Jobs '000	531	439	21%
Turnover £m	80.9	70.0	16%
Expenditure £m	(53.6)	(46.5)	15%
Underlying Operating Profit £m	27.3	23.5	16%
Margin	33.7%	33.6%	

- ▶ Strong performance in deteriorating market
- ▶ Market share increased
- ▶ Margins maintained

Operating Profit and Margin



- ▶ Track record of profitability through the cycle
- ▶ Since 2007 market has contracted by 63%
- ▶ LSL profits and margins maintained over same period

Financial Performance – Estate Agency

Market	2010	2009	Inc/ (dec)			
House Purchase Mortgage Approvals	575,000	597,000	(3.7%)			
Actual – including HEAL				Like for Like – excluding HEAL		
KPIs	2010	2009	Inc / (dec)	2010	2009	Inc/ (dec)
Exchange Units	25,766	16,327	58%	19,232	16,327	18%
Exchange Fees £m*	52.4	33.0	59%	40.3	33.0	22%
FS Income £m	18.6	12.5	49%	16.1	12.5	29%
Lettings Income £m*	24.6	21.6	14%	23.3	21.6	8%
Asset Management Income	13.9	9.3	49%	9.0	9.3	(4%)
P&L						
Revenue £m	125.7	87.7	43%	101.6	87.7	16%
Expenditure £m	(118.5)	(81.0)	46%	(91.2)	(81.0)	13%
Underlying Operating Profit	7.2	6.7	7%	10.4	6.7	55%

- ▶ Market share growth driving strong advance in revenue and profit
- ▶ Investment in market share. LFL expenditure up 13%
- ▶ Significant opportunities in lettings and financial services income

Financials – Exceptional Profit

	£m	£m
HEAL		
Negative Goodwill	29.8	
Redundancy costs	(7.7)	
Acquisition and re-branding costs	<u>(6.1)</u>	16.0
Finance costs		
Bank fees	(0.9)	
Interest rate swap	<u>(1.1)</u>	(2.0)
Professional Indemnity provision		(2.8)
Other including redundancies		<u>(1.0)</u>
Total Exceptional Profit		<u>10.2</u>

HEAL

- ▶ Negative goodwill at half year was provisional
- ▶ Additional £0.5m redundancy costs in H2

Finance costs

- ▶ Arrangement fees for new facility
- ▶ £25m fixed at blended 2.93% above LIBOR
- ▶ Fair value of the swap of £1.1m taken to P&L

Professional Indemnity Claims

- ▶ Costs relate to key risk period of 2004 – 2007
- ▶ Total provision for all claims increased from £7.5m to £10.9m
- ▶ Cash payments made in 2010 of £2.7m

Financials – Cashflow and Debt

Continued Strong Cash Generation

£m	2010	2009
Operating Cashflows		
Operating Profit	31.9	28.3
Depreciation	1.8	1.4
Working Capital	2.0	1.1
	<u>3.8</u>	<u>2.5</u>
	35.7	30.8
Exceptionals		
HEAL Received	26.0	-
Exceptionals Paid	<u>(18.6)</u>	<u>(0.2)</u>
	7.4	(0.2)
	<u>43.1</u>	<u>30.6</u>
Capex	(5.0)	(0.6)
Other investments / disposals etc	(0.7)	(0.1)
Treasury shares purchased (net)	(0.6)	-
Tax paid	(3.5)	(3.6)
Interest paid	(1.9)	(2.4)
Dividends paid	<u>(8.1)</u>	<u>-</u>
Net Cashflow	<u>23.3</u>	<u>23.9</u>
Closing Net Debt	(4.9)	(25.7)

- ▶ HEAL receipts and expenditure as planned. Net cash from HEAL acquisition £12.1m
- ▶ All branches refurbished
- ▶ Shares acquired for SAYE scheme maturing in May 2011
- ▶ Acquisition of Templeton, Goodfellows, Home of Choice and Pink Home Loans for £3.7m (£0.5m deferred)
- ▶ Disposal of investment in Hometrack
- ▶ Interest costs reflect £25m hedge

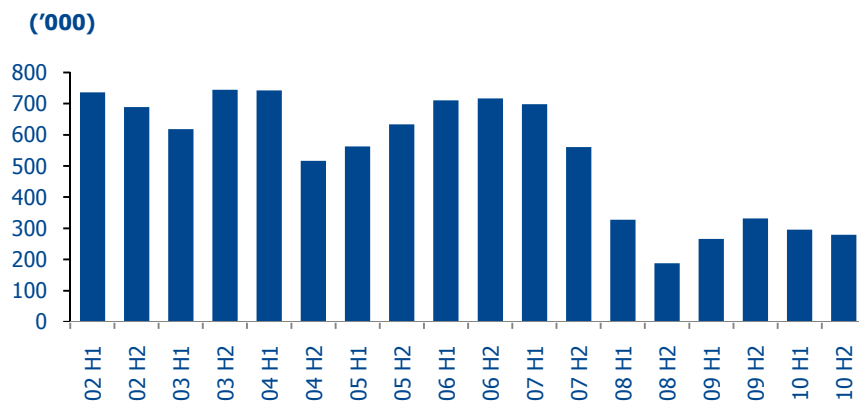
Dividend

- ▶ Total 8.4 pence per share, up 56%
- ▶ Dividend Policy : 30-40% of Underlying Profit after tax
- ▶ 2010 payout at 40% of Underlying Profit after tax
- ▶ Dividend yield 3.5% (share price 240 pence)

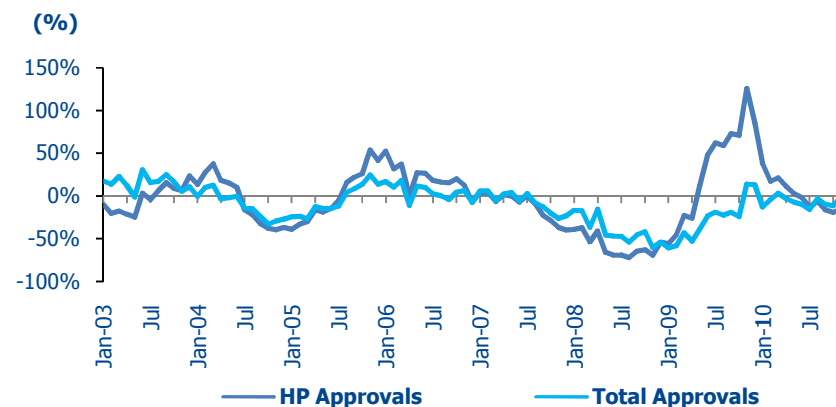
Market and Strategy

Mortgage Market Overview

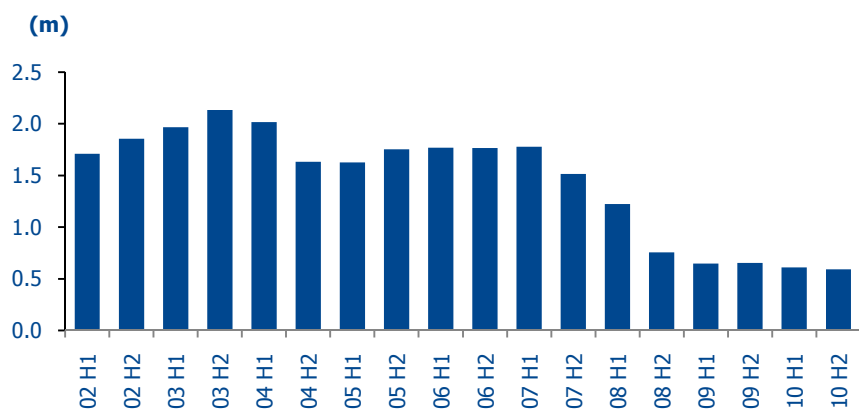
House Purchase Approvals



Annual Growth in Mortgage Approvals



Total Mortgage Approvals



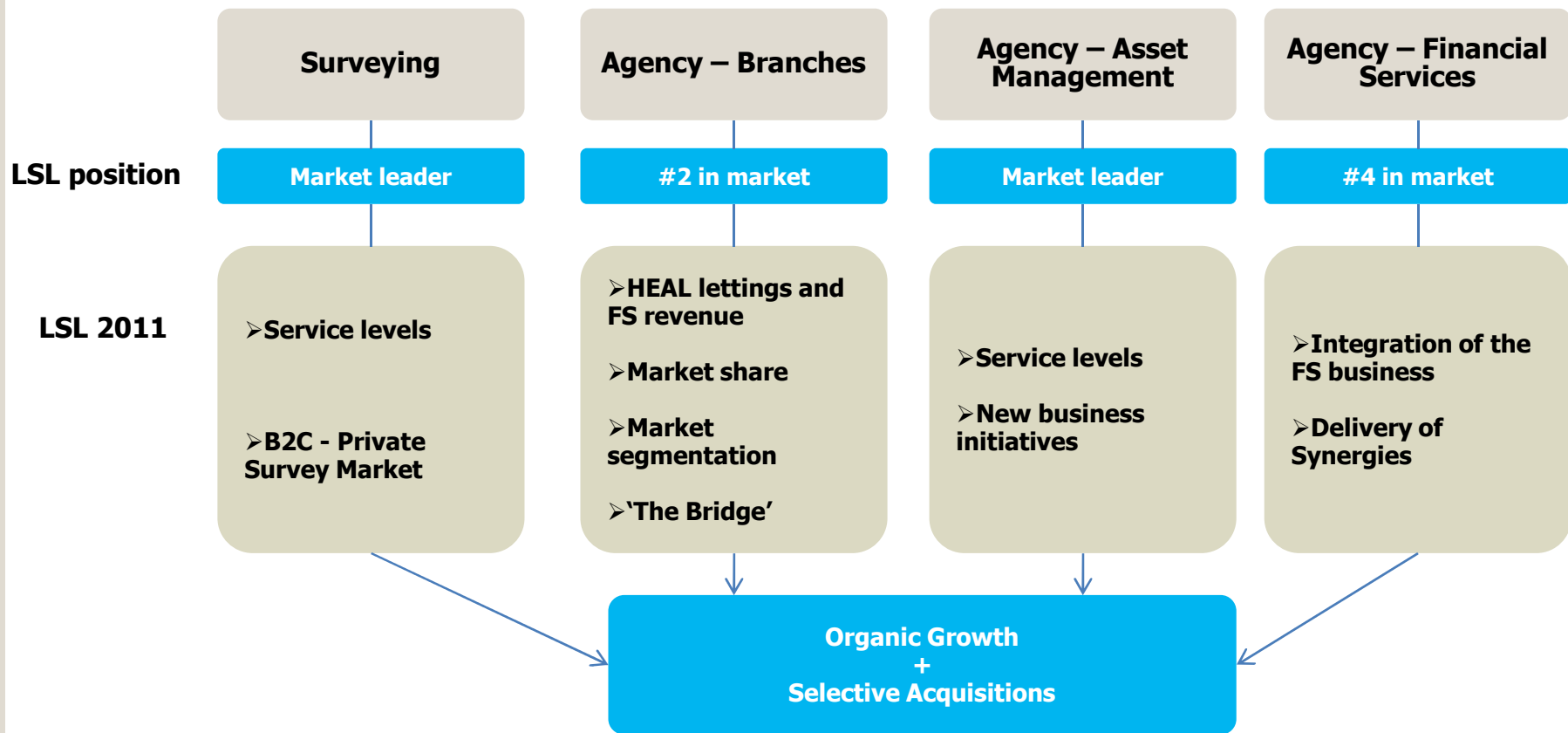
House Purchase Approvals

- ▶ 575,000 (2010) down 4%
- ▶ H2 2010 279,000 v 296,000 H1 2010 and 331,000 H2 2009
- ▶ Annual growth rate negative since Q2 10

Total Mortgage Approvals

- ▶ 1.2m (2010) down 7%
- ▶ Lenders committed to repayment of c£300bn by 2014 under the Special Liquidity Scheme and the Credit Guarantee Scheme
 - Good progress especially by LBG (£61bn repaid 2010)
- ▶ No short term improvement expected
- ▶ But interest rate increase could lead to increase in gross lending through remortgages

Strategy



Surveying: Operations and Development

Market Share Growth

Surveying Market Share Growth

'000	2007	2008	2009	2010
Jobs Performed	533	461	439	531
Mortgage Approvals	3,292	1,980	1,301	1,203

- ▶ Market leadership with increased share

Private Survey Income

Income per day and Mix

Income per day	Dec 10	Jan 11	Feb 11
Total income per day £k	4.4	4.9	6.8
Mix			
RICS Condition Report	15%	17%	13%
RICS Homebuyer Report	53%	58%	59%
Building Survey	32%	25%	28%

Operational Update

- ▶ Santander long term contract
- ▶ High service levels maintained and regular positive feedback from all key clients
- ▶ Specific risk management support to clients

- ▶ Total income for Dec / Jan / Feb significantly ahead of target
- ▶ Daily income run rate 55% up since launch
- ▶ Income and margin benefitting from mix

Estate Agency – HEAL

Dramatic improvement in profitability – delivered H2 profit despite market conditions

Results

HEAL	H1 10	H2 10	Total
KPIs			
Exchange Units	3,034	3,500	6,534
Exchange Fees £m	5.7	6.3	12.0
Other Income	5.0	7.2	12.2
P&L			
Revenue £m	10.7	13.5	24.2
Expenditure £m	(14.3)	(13.1)	(27.4)
Operating Profit	(3.6)	0.4	(3.2)

Progress

- ▶ Transformed from losses of >£50m in 2008 to H2 profit of £0.4m. Full year 2010 loss £3.2m
- ▶ Acquisition resulted in net cash of £12.1m and will make 2011 contribution
- ▶ Market conditions worse than anticipated in H2
- ▶ Integration completed successfully
- ▶ Cost base right sized
- ▶ Further improvement in lettings and financial services income to come

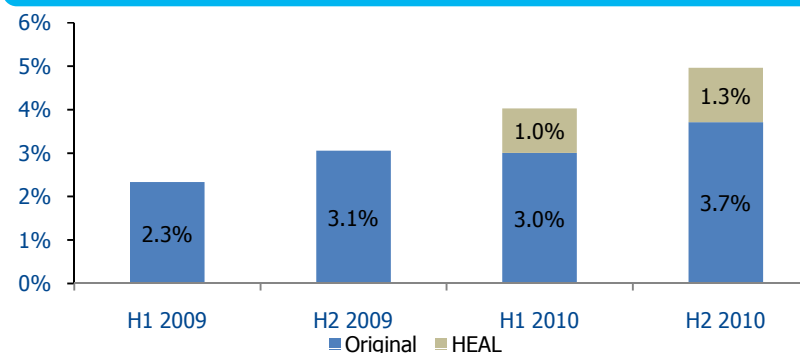
Estate Agency – Market share growth

Strategy

- ▶ Investment in branch refurbishment and staff numbers
- ▶ Upgrade management
- ▶ Segmentation
- ▶ 'The Bridge' – call centre
- ▶ Further investment in online activity



Market Share



Profitability

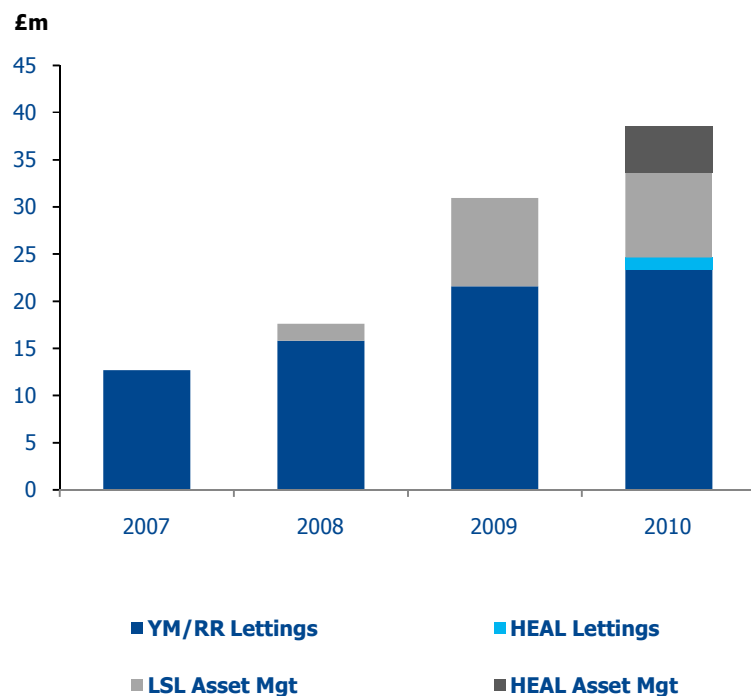
- ▶ Target benchmark profit per branch £30k - £50k
- ▶ 2010 Profit per original branch (excl HEAL) increased to £18k (2009: £3k)

The Bridge

- ▶ After 7 weeks 300 out of 426 branches live
- ▶ Average annualised instructions per branch 10 during first 7 weeks
- ▶ Average fee on instruction 10% higher

Estate Agency – Counter Cyclical Income

Balanced Growth: Asset Management and Lettings



- ▶ Total asset management and lettings income up 25% to £38.5m
 - Asset Management up 49%
 - Lettings up 14%
- ▶ LFL asset management and lettings up 4% to £32.3m
- ▶ Repossessions market down to 36,300 v 39,300 (2009)
- ▶ LSL market leader in asset management with circa 30% share
- ▶ Strong lettings growth expected from ex HEAL branches during 2011

Financial Services

Investment in the FS channel has helped to strengthen LSL's relationship with key lender clients

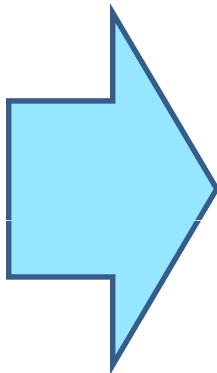
LSL position transformed during 2010

Before

Your Move, Reeds Rains, Linear

179 mortgage and insurance advisers

0.7% market share of intermediary mortgage lending



Now

YM, RR, Linear	353
Home of Choice	410
Pink Home Loans	<u>418</u>
Total LSL advisers	1,181

6.6% market share of intermediary mortgage lending

2011 Plan

2010 Financials

- Original LSL – small profit
- Home of Choice – loss making on acquisition
- Pink Home Loans – loss making on acquisition



Integration

Synergies

Simplify operating model



- **Profit turnaround to modest profit 2011**
- **Broader strategic benefits through lender relationships**

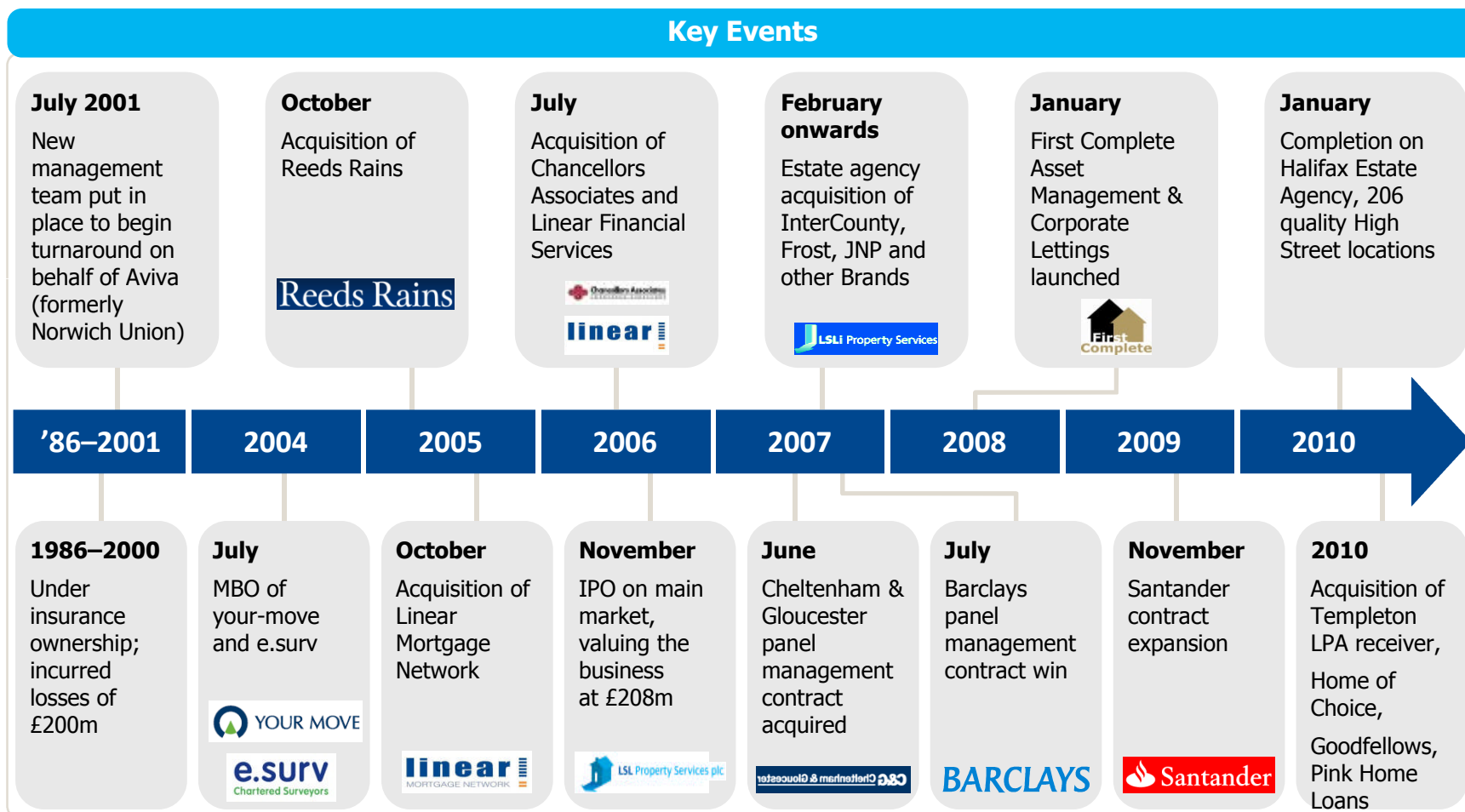
Summary

- ▶ Excellent results despite transaction volumes circa 50% of historic normalised levels
- ▶ LSL's market positions transformed during 2010
- ▶ Strong balance sheet – well placed for selective acquisitions
- ▶ Market outlook for 2011 still cautious
- ▶ LSL well placed for growth even in subdued market
 - HEAL profit improvement
 - Market share Estate Agency growth initiatives
 - Launch of Private Buyer Surveys
 - Interest rate rises positive for remortgages and asset management
- ▶ Significant upside when market recovers

Appendices

LSL's Genesis

LSL's business transformation from a loss making insurance distribution arm



Who are We Now?

LSL Property Services plc

