



Preliminary Results Presentation



Year ended 31 December 2011



Executive Summary

- ▶ 2011 a year of investment and strong progress for the group, despite on going low level of transactions
 - Underlying group operating profit £31.1m after investment costs
 - Dividend increased for full year by 3.6% to 8.7 pence per share
 - Continued cash generation and strong balance sheet - net debt £38.4m after acquisition of Marsh and Parsons

- ▶ Investment of £6.1m in Estate Agency initiatives, resulting in market share increasing from 4.5% to 4.7%
- ▶ Acquisition of Marsh and Parsons for enterprise value of £50m
 - Excellent strategic fit for LSL, providing exposure to the prime central London market, with significant growth opportunity

- ▶ Robust trading in surveying with ongoing investment in industry leading service levels for lender clients
- ▶ Excellent start in provision of surveying services for private clients with revenue of £2.8m
- ▶ Renewal of Barclays contract for surveying services

Progress Highlights



	Surveying	Agency – Branches	Agency – Asset Management	Agency – Financial Services
LSL position	Market leader	#2 in market	Market leader	#4 in market
2011 Market	2011 market up 2%	2011 market Approvals up 3% Completions down 5%	2011 market down 1%	2011 market up 3%
LSL 2011	<ul style="list-style-type: none"> ➤ Revenue down 5% ➤ Strong lender 2010 comparatives ➤ B2C Revenue £2.8m ➤ Barclays contract renewed 	<ul style="list-style-type: none"> ➤ Revenue up 13% ➤ Investment in The Bridge and people ➤ Market share increased from 4.5% to 4.7% ➤ Growth in lettings and Financial Services ➤ Acquisition of Marsh and Parsons 	<ul style="list-style-type: none"> ➤ Revenue flat ➤ Reduction of 8% in average fee ➤ Market share increased from 33% to 35% 	<ul style="list-style-type: none"> ➤ LFL revenue up 10% ➤ Total LSL lending up from £2.8bn to £6.8bn

Financial Performance

Summary Group Financials

Actual

£m	2011	2010	
P&L			
Revenue	218.4	206.6	5.7%
Underlying Group Operating Profit ⁽¹⁾	31.1	31.9	(2.5%)
Margin	14.3%	15.4%	
Exceptionals	(2.4)	10.2	
Net Finance Costs	(1.8)	(2.2)	
PBT	17.6	36.0	
PBT before amortisation and exceptionals ⁽²⁾	28.5	33.9	
Adjusted EPS	21.0p	21.0p	0%
Cashflow			
Operating Cashflow ⁽³⁾	22.4	30.7	
Balance Sheet			
Net Debt	38.4	4.9	

EBITA



Dividend

- Total 8.7 pence per share, up 4%
- Dividend Policy : 30-40% of Underlying Profit after tax
- Dividend yield 3.6% (share price 240 pence)

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

Note 2. Adjusted PBT is PBT less amortisation and exceptional costs. 2010 includes £3.9m profit from the sale of an investment

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

Financial Performance – Surveying

AWARD
mortgagestrategyS
 - Winner Best Surveyor/Valuer

Surveying Segment

	2011	2010	
Mortgage approvals '000	1,226	1,203	2%
Jobs '000	500	531	(6%)
Turnover £m	76.6	80.9	(5%)
Expenditure £m	(52.9)	(53.6)	(1%)
Underlying Operating Profit £m	23.7	27.3	(13%)
Margin	31.0%	33.7%	

- ▶ Robust performance against strong 2010 lender comparatives
- ▶ Remortgage mix impact
- ▶ Investment in service
- ▶ PI costs in line with expectations

Operating Profit and Margin



- ▶ Track record of profitability through the cycle
- ▶ Market is over 60% lower than 2007
- ▶ Investment in service and value add services over the period

Financial Performance – Estate Agency

Market	2011	2010	Inc/ (dec)
House Purchase Mortgage Approvals (Jan – Dec)	593,000	575,000	3%

KPIs	2011	2010	Inc / (dec)
Exchange Units	27,297	25,766	6%
Exchange Fees £m	56.8	52.4	8%
FS Income £m	27.6	18.6	49%
Lettings Income £m	29.6	24.6	20%
Asset Management Income	13.9	13.9	0%

P&L	2011	2010	Inc / (dec)
Revenue £m	141.8	125.7	13%
Expenditure £m	(131.5)	(118.5)	11%
Underlying Operating Profit	10.3	7.2	42%

AWARD
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- *Winner Best Broker for protection (Linear)*
- *Winner Best Mortgage Network (First Complete)*
- *Runner up Best Mortgage Network (Pink)*

- ▶ Market share growth and strong advance in revenue and profit
- ▶ Investment of £6.1m in market share initiatives
- ▶ Lettings and financial services on track for 3 year profit improvement plan
- ▶ 49% increase in FS includes 29% increase in branch revenues
- ▶ HEAL breakeven result on target for 3 year profit improvement plan

Financials – Cashflow and Debt

£m	2011	2010
Operating Cashflows		
Operating Profit	31.1	31.9
Depreciation	2.6	1.8
PI payments	(4.0)	(2.7)
Share of JV results	(0.7)	-
Working Capital	(1.8)	4.7
	<u>(3.9)</u>	<u>3.8</u>
	27.2	35.7
Exceptionals		
HEAL Received	(0.5)	26.0
Exceptionals Paid	(2.1)	(18.6)
	<u>(2.6)</u>	<u>7.4</u>
	24.6	43.1
Capex	(3.2)	(4.9)
Acquisitions	(47.5)	(3.9)
Other – disposals, dividends and interest recd, share purchases	7.1	2.6
Tax paid (incl VAT)	(4.2)	(3.5)
Interest paid	(1.4)	(2.0)
Dividends paid	(8.9)	(8.1)
Net Cashflow	<u>(33.5)</u>	<u>23.3</u>
Closing net debt	(38.4)	(4.9)

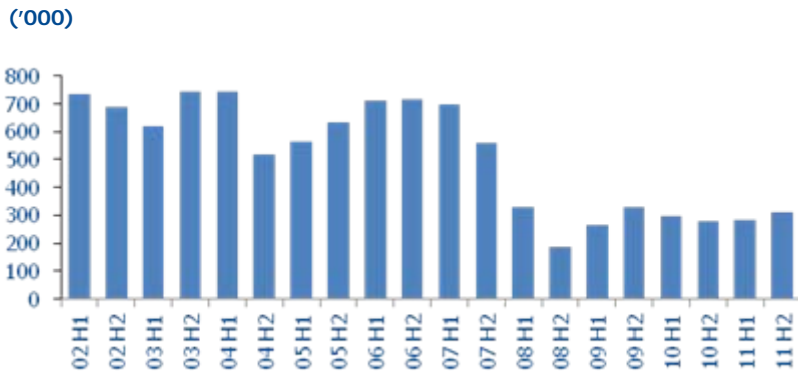
Continued Strong Cash Generation

- ▶ PI – acceleration in rate of payout against existing provisions during Q4
- ▶ Working capital increase due to, investment in deferred marketing fees, HIPs impact, investment in asset management
- ▶ Exceptionals – refund to LBG, M&P costs and costs booked in 2010
- ▶ Reduction in capex following 2010 branch refurbishment programme
- ▶ Reduction in finance costs in line with reduction in net debt during the year, but constrained by £25m hedge

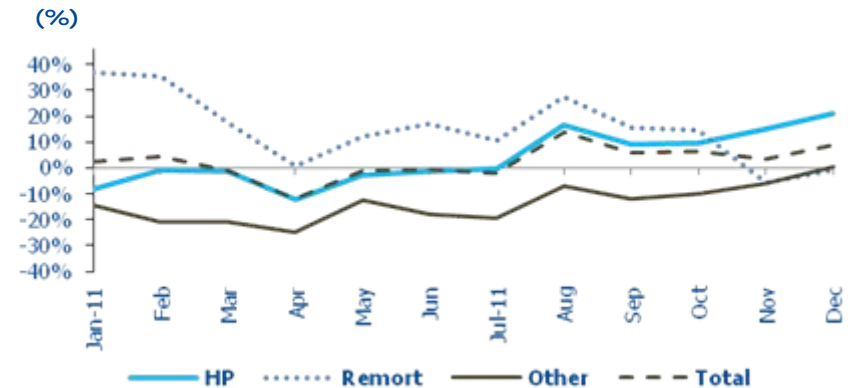
Market and Strategy

Mortgage Market Overview

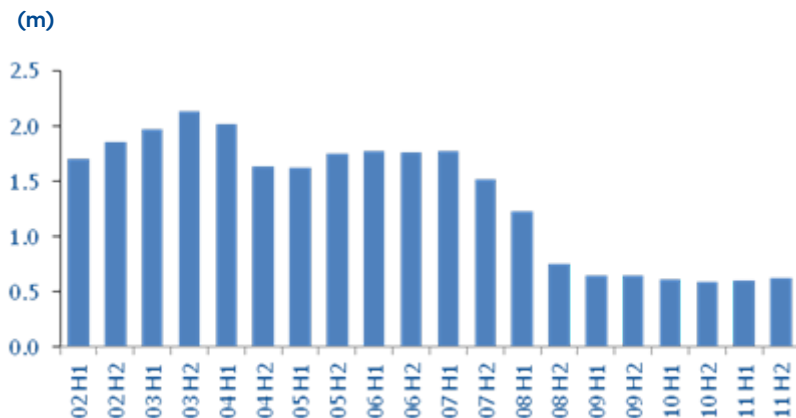
House Purchase Approvals



Annual Growth in Mortgage Approvals



Total Mortgage Approvals



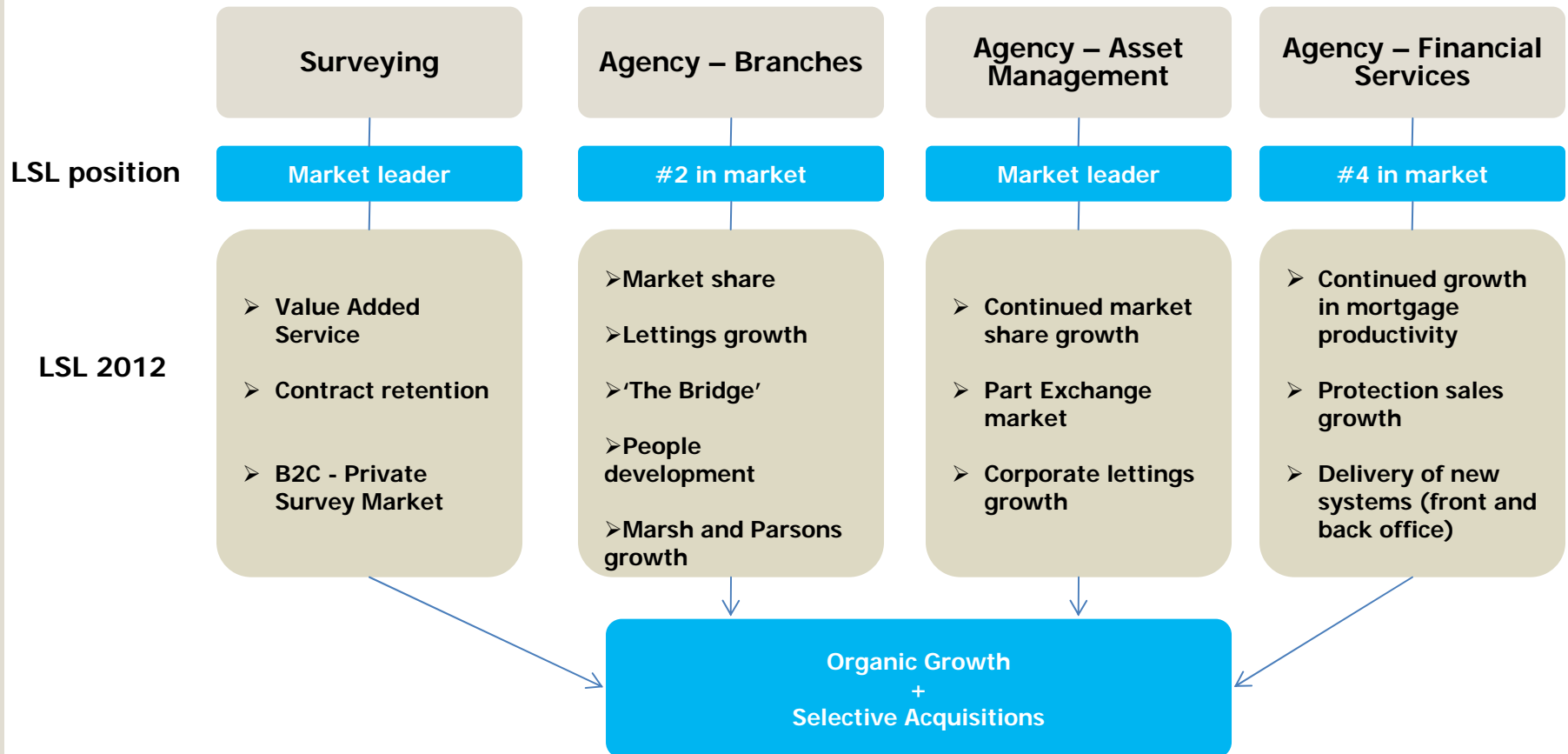
House Purchase Approvals

- ▶ 593,000 2011 up 3%
- ▶ Annual growth rate -4% H1 but +10% H2 2011

Total Mortgage Approvals

- ▶ 1.2m 2011 up 2%
- ▶ Strong remortgage activity Q1 – Q3
- ▶ Lenders still focused on repayment of c£300bn by 2014 under the Special Liquidity Scheme and the Credit Guarantee Scheme
- ▶ Eurozone pressures and uncertainties
- ▶ Impact of increased regulation
 - of lender balance sheets
 - of products, e.g. interest only, pre MMR

Strategy



Surveying: Operations and Development

Market Share

Surveying Market Share

'000	2008	2009	2010	2011
Jobs Performed	461	439	531	500
Mortgage Approvals	1,980	1,301	1,203	1,226

Private Survey Income

Income per day and Mix

Income per day	Dec 10	Q1 2011	Q4 2011
Total income per day £k	4.4	7.2	12.8
Mix			
RICS Condition Report	15%	13%	9%
RICS Homebuyer Report	53%	60%	75%
Building Survey	32%	27%	16%

Operational Update

- ▶ High service levels maintained and regular positive feedback from all key clients
- ▶ Additional investment in service
- ▶ Strong lender comparatives
- ▶ Additional remortgage volumes do not all result in valuations
- ▶ Retention of Barclays contract
- ▶ C&G contract ends July 2012

- ▶ £2.8m total income 2011
- ▶ Consistently ahead of budget during the year
- ▶ Income and margin benefitting from mix

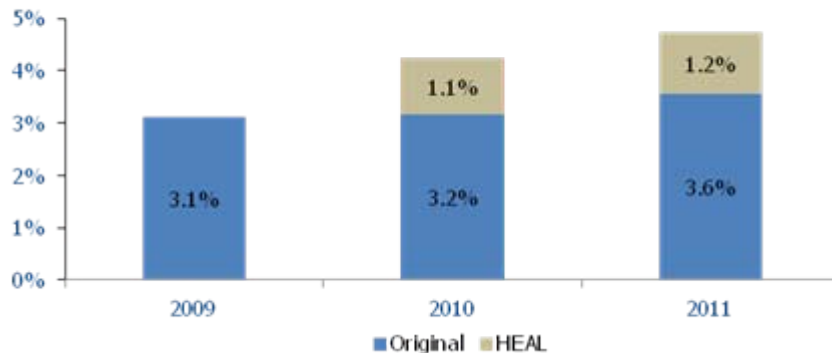
- ▶ Platform for future growth via new channels

Estate Agency – Market share growth

Market share

- ▶ Measures LSL exchanges v Bank of England mortgage approvals
- ▶ Share increased from 4.5% in 2010 to 4.7% in 2011
- ▶ Allowing for the typical 3 month lag between approval and exchange, LSL share increased from 4.3% to 4.8%

LSL exchanges: BOE mortgage approvals – with 3 month lag



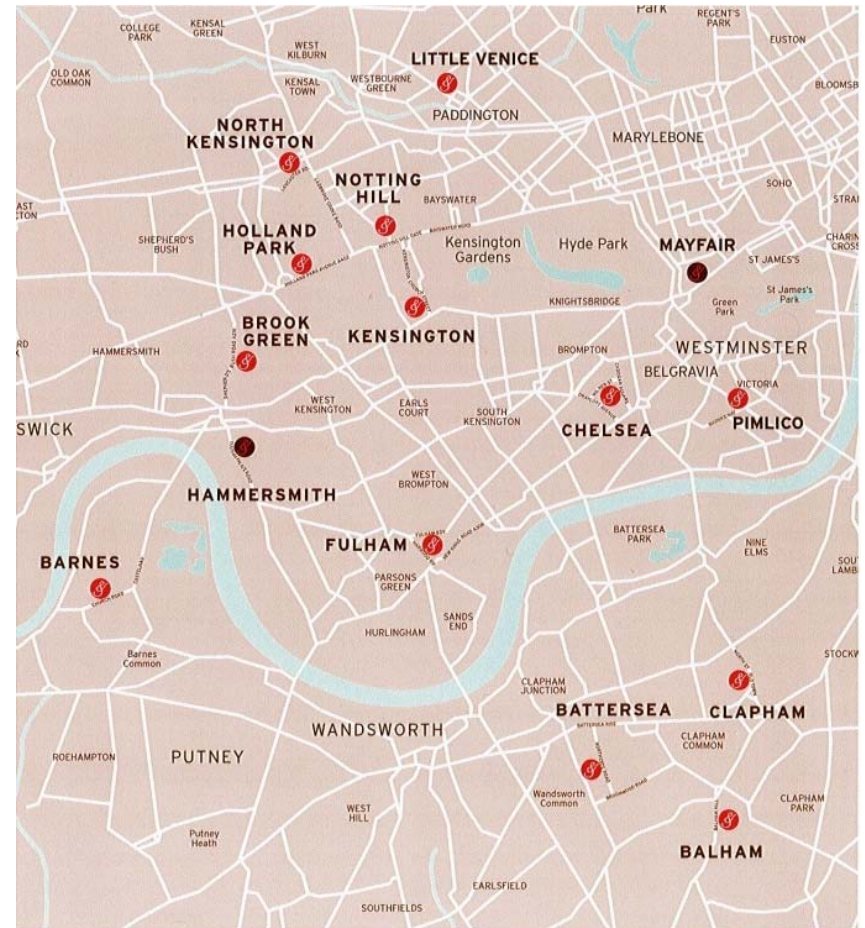
Key initiatives

- ▶ Additional £6.1m revenue investment in agency including
 - ▶ 'The Bridge' call centre service (£1.9m)
 - ▶ Ongoing investment in people (£2.1m)
 - ▶ Land and New Homes (£0.7m)
 - ▶ Online activity (£0.4m)
 - ▶ Further investment in IT (£0.9m incl £0.4m capex)
- ▶ Profit per branch increased by £6k during 2011 to £5k
- ▶ Pipelines up 7% yoy in December 2011 and 9% yoy in January 2012
- ▶ HEAL on target for 3 year profit improvement plan
 - ▶ Breakeven for 2011, a £3.2m improvement

Marsh and Parsons

- ▶ Leading Central London Estate Agency established in 1856
- ▶ 14 offices in West and South West London – 5 in the Royal Borough of Kensington and Chelsea
- ▶ Balanced business model – Residential Sales and Lettings
- ▶ Highly experienced and successful management team – Peter Rollings and Liza-Jane Kelly
- ▶ 2011 Revenue up 13% to £26.4m, operating profit up 13% to £7.1m

MARSH & PARSONS



Marsh and Parsons



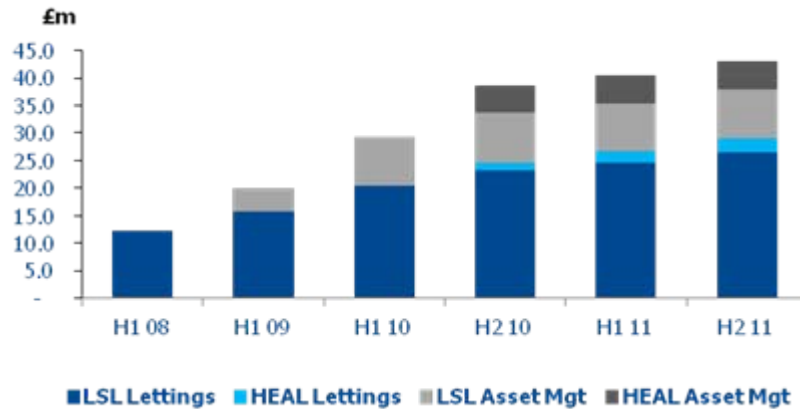
► Benefits to LSL

- Exposure to economically attractive prime central London market
- Trusted premium brand
- High quality management team with exciting growth plans for the business
- Opportunities for synergies
- Further growth through new openings and bolt on acquisitions
- Two branch openings planned for 2012

Estate Agency – Counter Cyclical Income

Total Asset Management & Lettings income up 11% to £43m

Balanced Growth: Asset Management and Lettings



- ▶ Lettings up 18%
- ▶ Asset Management income flat against declining market
- ▶ Significant asset management fee pressure – 8% reduction
- ▶ LSL market leader in asset management with share increased to 35% (33% 2010)

Rolling 12 month revenue

Lettings growth			
£m	2010	2011	% inc
LSL Original	23.3	26.5	13%
HEAL	1.3	2.6	102%
Total	24.6	29.1	18%

Asset Management			
	2010	2011	% inc
Repossession '000	36.3	35.8	(1%)
Asset Management income £m	13.9	13.9	0%

Financial Services

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

LSL position transformed during 2011

- Acquisitions of two loss making businesses in 2010
- Successful integration of First Complete and Pink during 2010 and 2011
- 10% LFL increase in revenue 2011
- Both First Complete and Pink made a profit in 2011
- LSL now a top 4 UK mortgage distributor in the UK
- Total LSL mortgage lending increased from £2.8bn in 2010 to £6.8bn in 2011

2012 Plan

- Continued growth in mortgage productivity
- Further growth in protection sales
- Delivery of new front and back end systems

Summary

Key areas of focus and growth opportunities

- ▶ Surveying
 - Contract retention in B2B
 - Expansion of private survey services

- ▶ Estate Agency
 - Increasing branch profitability through growth of market share, average fee, lettings and financial services
 - Growing Marsh & Parsons in the London market – new branches and acquisitions

- ▶ Utilising the strong cash generation and balance sheet for selective acquisitions

- ▶ Confident of delivering growth in shareholder value at current levels of housing transactions

Appendices

LSL's Genesis

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

Key Events

July 2001

New management team put in place to begin turnaround on behalf of Aviva (formerly Norwich Union)

October

Acquisition of Reeds Rains



July

Acquisition of Chancellors Associates and Linear Financial Services



February onwards

Estate agency acquisition of InterCounty, Frost, JNP and other Brands



January

First Complete Asset Management & Corporate Lettings launched



January

Completion on Halifax Estate Agency, 206 quality High Street locations

November

Completion of acquisition of Marsh & Parsons



'86–2001

1986–2000

Under insurance ownership; incurred losses of £200m

2004

July

MBO of your-move and e.surv



2005

October

Acquisition of Linear Mortgage Network



2006

November

IPO on main market, valuing the business at £208m



2007

June

Cheltenham & Gloucester panel management contract acquired



2008

July

Barclays panel management contract win



2009

November

Santander contract expansion



2010

2010

Acquisition of Templeton LPA receiver, Home of Choice, Goodfellows, Pink Home Loans

2011

Who are We Now?

LSL Property Services plc

