



Preliminary Results Presentation

Year ended 31 December 2012

February 2013



Executive Summary

- ▶ Very good progress during 2012 despite no improvement in market transaction levels
 - Underlying Group Operating profit up 13% to £35.1m
 - Net debt reduced by 25% to £26.6m
 - Full year dividend increased by 9% to 9.5p per share

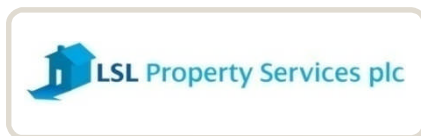
- ▶ Estate Agency delivered excellent profit growth of 138% to £24.4m
 - Like-for-like profit growth of 78% to £17.2m
 - Growth of 23% in lettings and 15% in financial services (exc Marsh & Parsons)
 - Strong first year contribution from Marsh & Parsons

- ▶ Surveying impacted by market decline and major contract renewals
 - Good growth in provision of surveying services to private buyers
 - Professional indemnity costs tracking as expected

- ▶ Strong Position entering into 2013
 - Quality of Group's earnings transformed since market decline in 2007
 - Strong cash generation and balance sheet
 - Significant growth opportunities

Progress Highlights

Good progress towards leadership in all key markets



	Surveying	Agency – Branches	Agency – Asset Management	Agency – Financial Services
LSL position	Market leader	#2 in market	Market leader	#4 in market
2012 Market	2012 market down 6%	2012 market up 3%	2012 market down 5%	2012 market up 3%
LSL 2012	<ul style="list-style-type: none"> ➤ Revenue down 19% ➤ Strong lender 2011 comparatives ➤ Year of major contract renewals ➤ B2C Revenue £4.0m 	<ul style="list-style-type: none"> ➤ Revenue up 36% (11% ex M&P) ➤ Lettings up 23% ➤ Financial services up 15% ➤ Exchange fees up 6% ➤ Strong contribution from Marsh & Parsons ➤ Ongoing investment 	<ul style="list-style-type: none"> ➤ Revenue up 3% ➤ Market leader with share maintained at 32% (est) ➤ Major new contract secured in area of new market opportunity 	<ul style="list-style-type: none"> ➤ Revenue up 15% ➤ Substantial growth in profitability ➤ Acquisitions fully integrated and performing well ➤ Total LSL lending up from £6.8bn to £7.1bn

Financial Performance

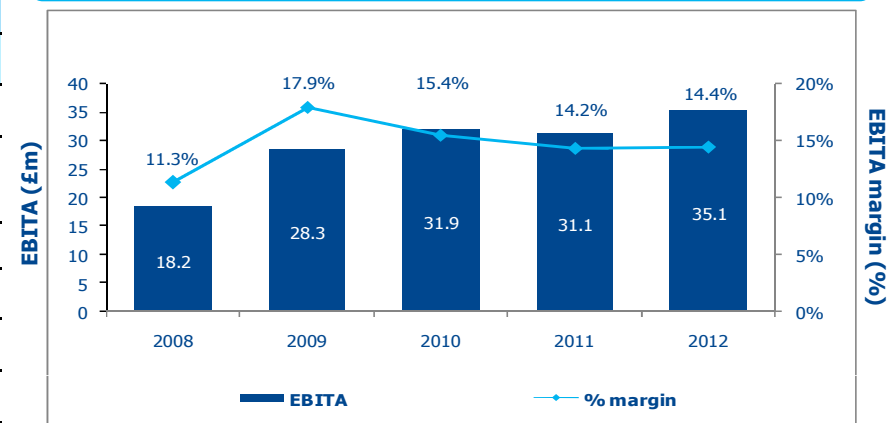
Summary Group Financials

£m	2012	2011	
P&L			
Revenue	243.8	218.4	12%
Underlying Group Operating Profit⁽¹⁾	35.1	31.1	13%
Margin	14.4%	14.2%	
Exceptionals	(21.4)	(2.4)	
Net Finance Costs	(2.5)	(1.8)	
Profit before tax	6.7	17.6	
Underlying Profit before tax⁽²⁾	32.5	29.3	11%
Adjusted EPS	23.8p	21.0p	14%
Cashflow			
Cash from Operations	32.6	24.3	34%
Balance Sheet			
Net Bank Debt	26.6	35.7	(25%)

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

Note 2. Underlying PBT is PBT less amortisation and exceptional costs.

EBITA



Dividend

- ▶ Total dividend 9.5 p per share – up 9%
- ▶ Dividend policy 30-40% of Underlying Profit after tax

Financial Performance – Surveying

Surveying Segment

	2012	2011	
Mortgage approvals '000	1,150	1,227	(6%)
Jobs '000	408	500	(18%)
Turnover £m	62.2	76.6	(19%)
Expenditure £m	(48.3)	(52.9)	9%
Underlying Operating Profit £m	13.9	23.7	(41%)
Margin	22.4%	31.0%	

- ▶ Strong 2011 key lender comparatives
- ▶ Year of contract renewals
- ▶ Loss of C&G contract – revenue £5.5m in 2012 (2011:£12.5m)
- ▶ Good B2C progress contributing £4.0m revenue
- ▶ Market over 65% lower than 2007
- ▶ Ongoing investment in service, technology and value add services

mortgagestrategy AWARDS

- Winner Best Surveyor/Valuer

Professional Indemnity costs

- ▶ £17.3m additional provision booked as an exceptional item at June 2013 relating to high risk 2004-2008 period
- ▶ Specific provision to cover:
 - Existing claims being aggressively pursued
 - Notification and claims previously considered dormant
- IBNR provision to cover:
 - Future claims relating to 2004-2008
- ▶ IBNR provision is highly subjective and based on estimated run rate of new claims and historical cost per claim
- ▶ Run rates of new claims and cost per claim since June 2012 in line with assumptions made at that date

Financial Performance – Estate Agency

Market	2012	2011	Inc/ (dec)			
House Purchase Mortgage Approvals	610,000	593,000	3%			
	Actual – including M&P			Like-for-Like – excluding M&P		
KPIs	2012	2011	Inc / (dec)	2012	2011	Inc/ (dec)
Exchange Units	27,762	27,398	1%	26,966	27,297	(1%)
Exchange Fees £m	72.0	56.7	27%	58.1	54.7	6%
FS Income £m (incl intermediary networks)	31.8	27.6	15%	31.8	27.6	15%
Lettings Income £m	48.0	29.5	63%	35.8	29.1	23%
Asset Management Income £m	14.3	13.9	3%	14.3	13.9	3%
Other Income £m	15.5	14.1	10%	14.4	13.8	4%
P&L						
Revenue £m	181.6	141.8	28%	154.4	139.2	11%
Expenditure £m	(157.2)	(131.5)	19%	(137.1)	(129.5)	6%
Operating Profit	24.4	10.3	138%	17.2	9.7	78%

- ▶ Excellent growth across all key income streams
- ▶ Operating margin up from 7.3% to 13.4%
- ▶ Strong first year contribution from Marsh & Parsons – Revenue up 2% and operating Profit up 6%
- ▶ Investment in lettings resource and ongoing investment in market share growth

Marsh and Parsons

Strong first year contribution

	Actual – incl Earls Court			Like-for-Like – excl Earls Court		
	2012	2011	% inc	H1 12	H1 11	% inc
Revenue £m	27.3	26.6	2%	26.9	26.6	1%
Operating Profit £m	7.2	6.8	6%	7.4	6.8	9%
Margin %	26	25	1pp	27	25	2pp



- ▶ Strong first year contribution
- ▶ Increased market share in both residential sales and lettings
- ▶ Successful new branch opening in Earls Court
- ▶ Operating profit up 6% in total, 9% excluding impact of Earls Court
- ▶ Kensington office opened in January 2013 and at least 3 more offices planned for FY13
- ▶ Opportunity to double branch numbers over 5 years

Financials – Cashflow and Debt

Continued Strong Cash Generation

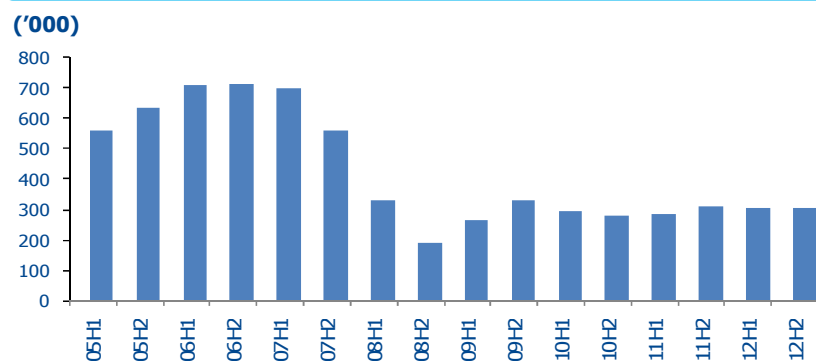
£m	2012	2011
Operating Cashflows		
Operating Profit	35.1	31.1
Depreciation	3.5	2.6
JV	(1.3)	(0.7)
PI Payments	(7.7)	(2.9)
Working Capital	4.0	(4.5)
Exceptional costs paid	(1.0)	(1.3)
	<u>(2.5)</u>	<u>(5.5)</u>
Cash from Operations	32.6	24.3
Acquisitions	(4.6)	(41.8)
Capex	(5.7)	(3.2)
Disposal proceeds	6.3	2.0
Tax paid	(7.3)	(3.3)
Interest paid	(2.1)	(1.4)
Dividends paid	(9.3)	(8.9)
Other	(0.8)	1.2
Net Cashflow	<u>9.1</u>	<u>(33.5)</u>
Closing Net Debt	(26.6)	(35.7)

- ▶ Higher rate of PI cash settlements
- ▶ Improvement in working capital following 2011 investment in new income streams
- ▶ Exceptional – branch closure costs
- ▶ Acquisitions – Davis Tate, Lauristons, Zoopla
- ▶ Capex increase due to new Marsh & Parsons branches
- ▶ Freehold disposal proceeds of £6.3m, generating exceptional profit of £1.4m
- ▶ Expect lower tax payments going forward following new PI provision charges

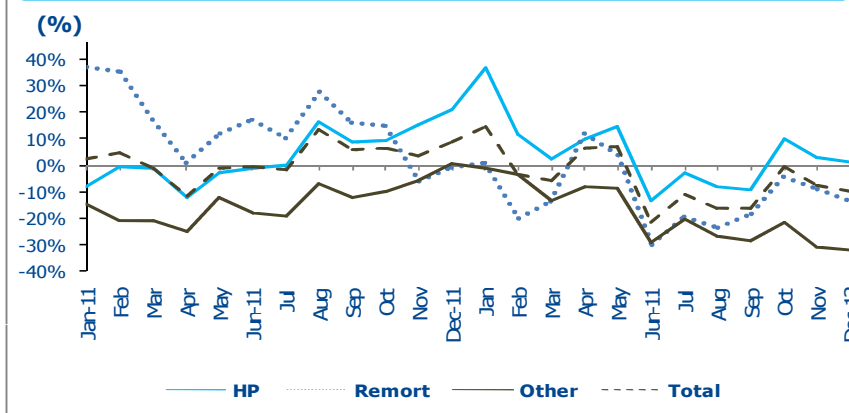
Market and Strategy

Mortgage Market Overview

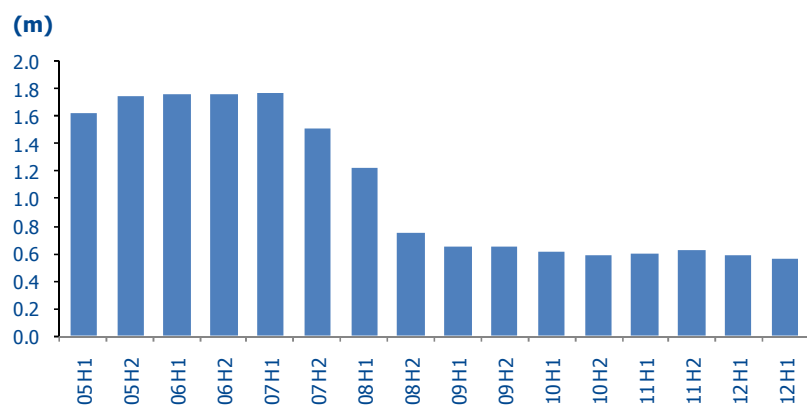
House Purchase Approvals



Annual Growth in Mortgage Approvals



Total Mortgage Approvals



House Purchase Approvals

- ▶ 610,000 2012 up 3% on 2011
- ▶ Annual growth rate of 7% in H1 and -1% in H2

Total Mortgage Approvals

- ▶ 1,150,000 2012, down 6%
- ▶ Remortgages poor against strong comparative
- ▶ Annual growth rate of -10% in H1 and -2% in H2
- ▶ No impact in BoE data of benefits from Funding for Lending (FLS) in 2012
- ▶ Impact of FLS still too early to judge

Source : Bank of England

Surveying: Operations and Development

Market Share

Surveying Market Share

'000	2008	2009	2010	2011	2012
Jobs Performed	461	439	531	500	408
Mortgage Approvals	1,980	1,301	1,203	1,227	1,150

Private Survey Income

B2C Income

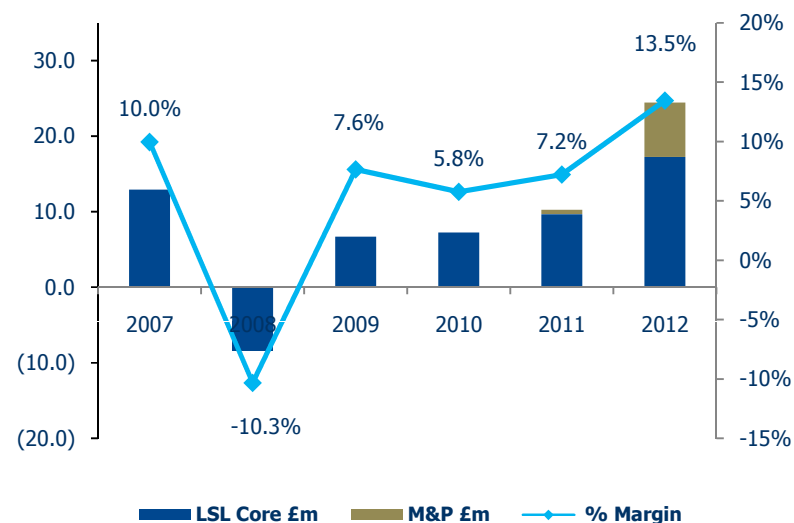
£m	H1 2011	H2 2011	H1 2012	H2 2012
Total income	1.3	1.5	1.8	2.2
Annual run rate in final quarter	2.8	3.1	4.1	5.0

Operational Update

- ▶ Focus on customer service levels and innovation
 - ▶ Ongoing investment in service and technology
 - ▶ Legacy contract renewals have now been worked through
 - ▶ Margins expected to stabilise
-
- ▶ Total income 2012 £4.0m
 - ▶ Annual run rate Q4 2012 £5.0m
 - ▶ Exceptional customer satisfaction delivered
 - ▶ New channels coming on stream to reduce dependency on key lender clients
 - ▶ Established growth platform

Estate Agency

Agency Profit Transformation 2007 – 2012



Profitability and Market Share

- ▶ 2012 Profit per branch increased by £15k to £21k (excluding Marsh & Parsons)
- ▶ Profit per branch including Marsh & Parsons is £38k
- ▶ Market share maintained in 2012
- ▶ Excellent growth in all key income streams

Marsh and Parsons

- ▶ Key platform for growth through both new openings and bolt on acquisitions in prime central London market
- ▶ New Kensington branch opened in January 2013 and at least 3 more expected in 2013

Key initiatives

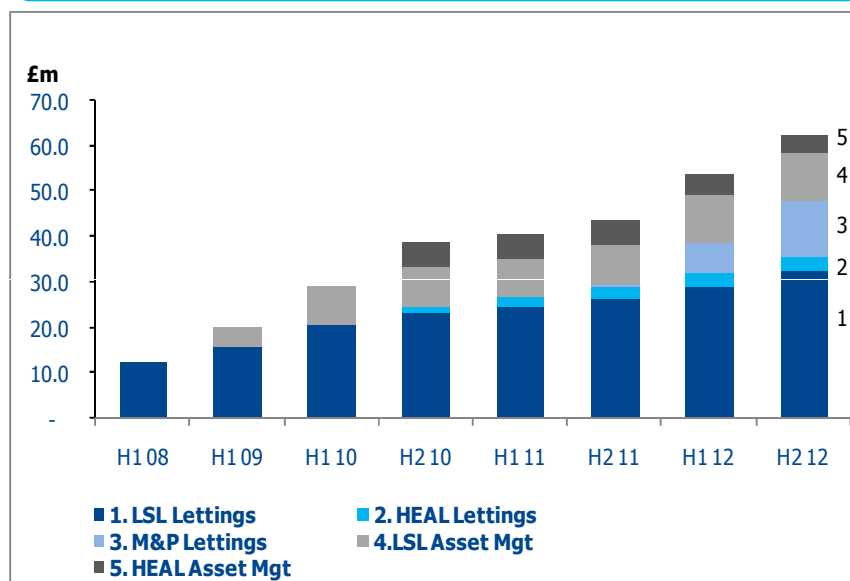
- ▶ 'The Bridge' call centre expanding operations to drive lettings instructions
- ▶ Ongoing investment in lettings resource
- ▶ Significant conveyancing opportunities
- ▶ Further investment in branch resource to drive residential sales market share
- ▶ Investing resource in Land and new homes opportunities
- ▶ Earnings enhancing acquisitions across all key business areas especially via LSLi in the South East

Estate Agency – Counter-Cyclical Income

Total Lettings and Asset Management income up 43% to £62.3m



Balanced Growth: Asset Management and Lettings



Rolling 12 month revenue

Lettings

- ▶ Lettings income (excluding Marsh & Parsons) up 23%
- ▶ Now represents 67% of Residential sales income (62% excluding Marsh & Parsons)
- ▶ Ongoing investment in resource to capitalise on structural changes resulting in growth in lettings market
- ▶ Target is to grow lettings to the same level as residential sales income in a flat residential market

Asset Management

- ▶ Asset Management income up 3%
- ▶ Repossessions market down 5% at 33,900 repossessions (est)
- ▶ LSL market leader with c32% market share (est) of repossessions market
- ▶ Major new contract win in area of new market opportunity

Estate Agency – other businesses



Financial Services

- ▶ Total LSL lending up from £6.8bn to £7.1bn across Pink, First Complete and Linear
- ▶ Pink and Home of Choice acquired in 2010 as loss making businesses and transformed with revenue up 15% and 2012 profit contribution of £1.6m
- ▶ Implementation of new common platform to improve customer service and increase operation efficiency

Joint Ventures

- ▶ TM Group (a property search company) and LMS (a conveyancing panel manager) both performing well
- ▶ Increased contribution to group profit 2012 of 89% to £1.3m

Zoopla

- ▶ Merger with Digital Property Group completed in August 2012 establishing strong number 2 market position
- ▶ Continued very strong performance since the transaction and well placed for future growth
- ▶ Valuable strategic investment for LSL - 4.8% of the new group
- ▶ Investment revalued to £245m – LSL share £11.8m at 31 December 2012

Summary

Key areas of focus and growth opportunities

- ▶ Significant investment in organic growth opportunities:
 - Estate Agency
 - Continuing to increase branch profitability through investment in resource to grow average fee and lettings market share
 - Accelerated branch openings in Marsh & Parsons
 - Further investment in new business opportunities in corporate lettings and asset management
 - Surveying
 - Service delivery excellence to lender clients in B2B driven by investment in technology
 - Expansion of private survey services

- ▶ Utilising the strong balance sheet for selective acquisition
 - Agency in London and the South East
 - Financial Services

- ▶ Confident of delivering further growth in shareholder value even at current transaction levels

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)

2004

MBO of your-move and e.surv acquisition of Reeds Rains

2005

Acquisition of Linear Mortgage Network



2008

First Complete Asset Management & Corporate Lettings launched

Barclays panel management contract win



2011

Q4 Renewal of Barclays surveying contract

Completion of acquisition of Marsh & Parsons



2012

Acquisition of Davis Tate and Lauristons

'86-2001

1986-2000

Under insurance ownership; incurred losses of £200m

2004 - 2007

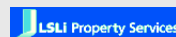
2006

Acquisition of Chancellors Associates and Linear Financial Services.

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

2007

Acquisition of InterCounty, Frost, JNP



2008

2009

2009

Santander contract expansion



2010

2011

2010

Completion on Halifax Estate Agency, 206 quality High Street locations

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

2012

Who are We Now?

LSL Property Services plc

