



Preliminary Results

Year ended 31 December 2014

Agenda

1. Executive Summary

2. Financial Performance

3. Strategy

4. Market and Outlook

5. Q&A

Strong performance in a changing market

Group Revenue	£287.5m	▲11%
Group Underlying Operating Profit ²	£42.0m	▲13%
Profit Before Tax	£31.9m	▲87%
Adjusted Earnings per Share	30.5p	▲21%
Ordinary Dividend per Share	12.3p	▲17%
Special Dividend per Share	16.5p	
Net Banking Debt	£34.7m	

Underlying Operating Profit² (£m)



Ordinary dividends per share¹ (pence)



- 2014 underlying operating profit of £42.0m is a record result for LSL and 13% above the 2007 level of £37.2m despite 2014 transaction volumes being nearly 40% below 2007 levels

¹ Excludes special dividend of 16.5p in 2014

² Underlying Group Operating Profit is before exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments

Strong performance in a changing market

Market

- Strong volume growth across the UK in H1, followed by YOY reduction in H2
- House price inflation across the UK of 8.9%¹
- Central London – very strong H1 volume growth and house price appreciation followed by H2 reversal

Estate agency

- Strong performance
- Revenue up 14%, operating profit up 16%
- Ongoing investment in selective acquisitions

Surveying

- Three major multi-year contracts signed in 2014 / early 2015
- Investment in capacity in H1 to meet customer demand; H2 focus on efficiency and back office rationalisation
- Strong profitability – ROS 21% for 2005-2014 (after all PI costs)
- PI exceptional charge relating to 2004 – 2008 high risk lending period of £24.6m (£19.3m net of tax)

Joint Ventures and Investments

- Excellent value creation from Zoopla – investment of £1.9m grew to £44.1m of value on IPO
- Retain 2.6% holding in Zoopla

Balance Sheet

- Strong balance sheet – net bank debt of £34.7m (2013: £26.3m) translates to leverage of 0.7x 2014 EBITDA (2013: 0.6x EBITDA)
- Banking facilities of £100m

Dividends

- Substantial returns to shareholders
 - Ordinary dividend 12.3p, up 17%
 - Special dividend 16.5p (2013 – nil)
 - Total dividend 28.5p, up 174%

¹ LSL Acadata England & Wales House Price index

Diversified exposure to the UK residential property market

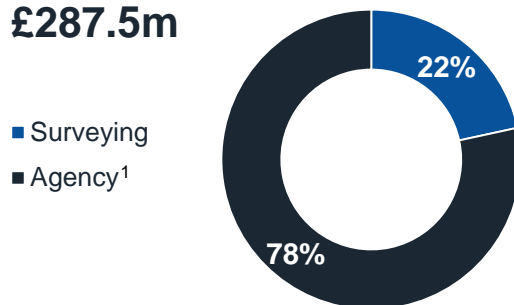
Business	Channel	Geography	Consumer brands
Estate Agency	B2C	UK	12
Surveying	B2B	UK	N/A

Agency Revenue Split

Marsh & Parsons	16%	Central London
LSLi	17%	London / SE
Your Move	44%	National coverage
Reeds Rains	23%	Predominantly North

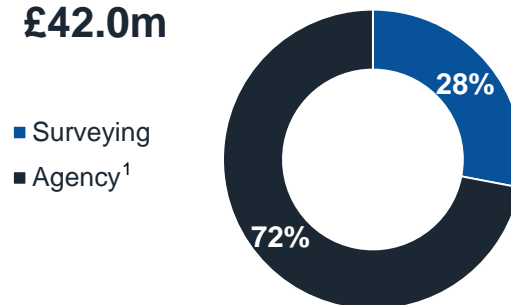
2014 Revenue

£287.5m



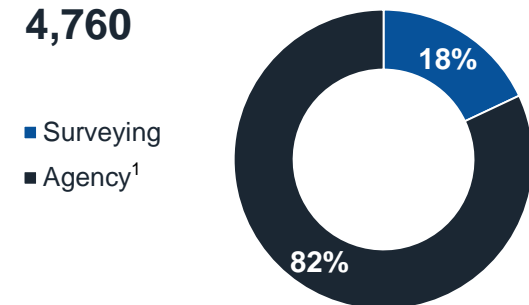
2014 Operating Profit

£42.0m



2014 Average FTE²

4,760



¹ Includes estate agency branches, financial services, asset management

² FTE – Full Time Employees

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Group Financials

Ordinary dividend increase of 17%; total dividend increase of 174%

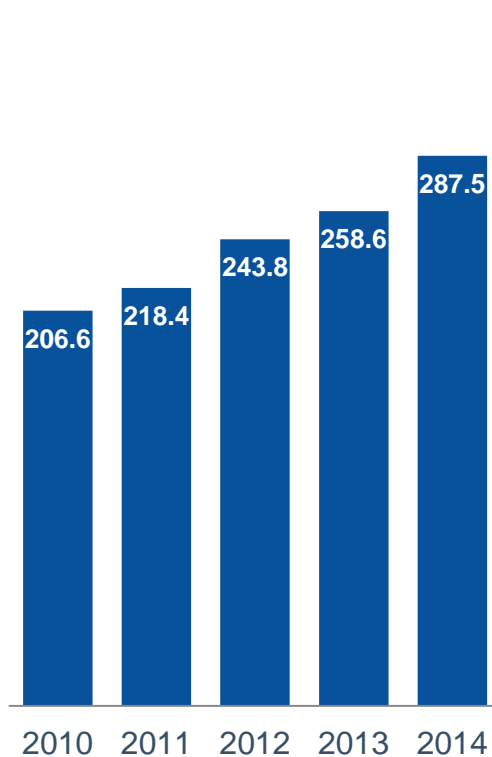
£m	Actual		
	2014	2013	% change
P&L			
Revenue	287.5	258.6	11%
Underlying Group Operating Profit ⁽¹⁾	42.0	37.1	13%
<i>Margin</i>	14.6%	14.3%	
Exceptionals	(6.2)	(13.0)	
Profit before tax	31.9	17.1	87%
Adjusted EPS	30.5p	25.3p	21%
Dividend Per Share	12.3p	10.5p	17%
Special Dividend per share	16.5p	-	
Cashflow			
Cash from Operations before exceptional costs	40.6	42.4	
Balance Sheet			
Net Bank Debt	34.7	26.3	

Exceptionals	£m
PI provision	(24.6)
Zoopla gain	19.8
Other	(1.4)
	(6.2)

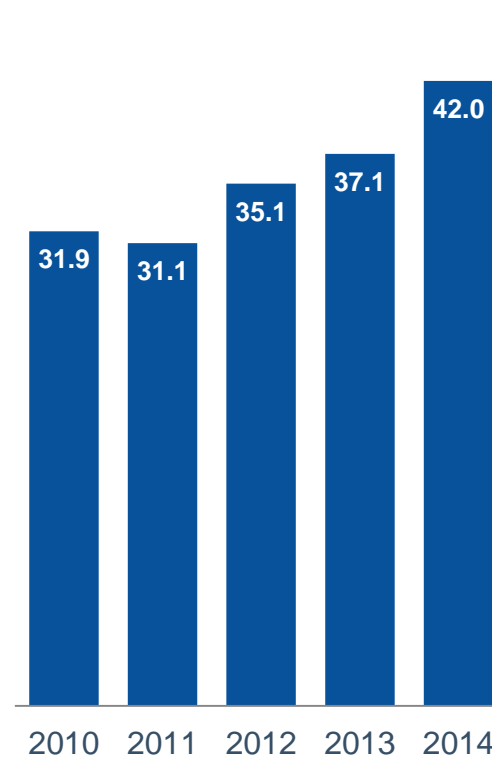
1) Underlying Group Operating Profit is before exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments.

Group Financials

Group revenue (£m)



Group Operating Profit (£m)



Record Group operating profit in 2014 – ahead of 2007 level (£37.2m) despite 2014 transaction volumes being nearly 40% below 2007 levels

Group Financials

Continued strong operational cash generation

£m	2014	2013
Operating Cashflows		
Operating Profit	42.0	37.1
Depreciation	4.9	3.9
JV	(1.4)	(1.7)
Working Capital	(3.5)	3.1
	-	5.3
Cash from Operations (pre PI)	42.0	42.4
PI Payments	(13.3)	(14.4)
Exceptional costs paid	(1.5)	(1.1)
	(14.8)	(15.5)
Cash from Operations	27.2	26.9
Interest paid	(1.8)	(2.7)
Tax paid	(5.4)	(2.5)
Acquisitions	(9.7)	(5.4)
Capex	(9.2)	(7.8)
Disposal proceeds	0.2	1.5
Dividend income	2.9	1.9
Dividends paid	(11.5)	(10.0)
Sale of Zoopla shares	20.8	-
Special dividend paid	(16.8)	-
Other	(5.1)	(1.6)
Net Cashflow	(8.4)	0.3
Closing Net Debt	(34.7)	(26.3)

- Strong operational cash generation
- Increased investment in the business, acquisitions and capital expenditure
- Special dividend paid of £16.8m

Professional Indemnity costs

Market

- PI costs have impacted the whole UK market – claims relate to the 2004 – 2008 high risk lending period

LSL

- As part of the 2014 year end process, LSL has undertaken a detailed review on a case by case basis of all notifications and claims relating to the 2004 to 2008 high risk lending period
- The review has included an assessment of notifications and claims by specialist PI lawyers and identified
 - A greater proportion of notifications are deteriorating into claims
 - The average cost per claim has increased, driven by legal costs and interest
 - A number of new notifications and claims are being received
- As a result, LSL has taken an exceptional charge in 2014 of £24.6m (£19.3m net of tax)
- The additional provision represents LSL's current best estimate of likely claims costs
- The review has been conducted with the overall aim of ensuring a high degree of confidence that the total PI provision will be adequate to cover the remaining risk relating to the 2004 to 2008 high risk lending period
- 2014 PI payments - £13.3m (2013 - £14.4m)
- Total PI provision 31st December 2014 - £38.7m

Financial Performance – Estate Agency

	2014	2013	% change
P&L (£m)			
Exchange Income	92.1	80.0	15%
FS Income (incl intermediary networks)	43.7	35.8	22%
Lettings income	58.5	52.2	12%
Asset Management Income	11.7	14.3	(18)%
Other Income	19.3	15.9	21%
Total Revenue	225.3	198.2	14%
Expenditure	(191.4)	(169.1)	13%
Operating Profit	33.9	29.1	16%
Operating Margin	15.0%	14.7%	

- Good growth across all the main income streams
- Investment in lettings and financial services staff
- Margin improvement to 15.0%
- Asset management is a counter-cyclical business

Financial Performance – Marsh & Parsons¹

	2014	2013	% change
P&L (£m)			
Total Revenue	32.5	29.9	9%
Expenditure	25.9	23.2	12%
Operating Profit	6.6	6.7	-2%
Operating Margin	20.3%	22.4%	

- Residential sales income down 3% reflecting challenging conditions in Central London Market
- Lettings income up 21% year-on-year
- Operating profit impacted by investment in opening 4 new branches and putting in place infrastructure to support ongoing branch opening programme

¹Included in EA financial performance on slide 10

Financial Performance – Surveying

	2014	2013	Inc/(Dec)
P&L (£m)			
Total Revenue	62.2	60.4	3.0%
Expenditure	(48.9)	(47.3)	3.0%
Operating Profit	13.3	13.1	2.0%
Operating Margin	21.4%	21.7%	
KPIs			
Jobs performed (000's)	372	396	(6.1%)
Revenue from private surveys (£m)	4.0	4.9	(18.4%)
Income per job (£)	167	153	9.2%
Number of qualified surveyors at 31 st December	361	386	(6.5%)

- Income per job increasing
- Graduate program ongoing
- Focus on operational efficiency

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Strategy

LSL Strategy

- Focus on optimising profitable organic growth through strategies that are not wholly linked to market volumes
- Utilise strong operational cash flow and balance sheet for selective acquisitions
- Explore new revenue streams

Agency Strategy

- Drive operating profit per branch
- Expand number of Marsh & Parsons branches
- Grow recurring and counter-cyclical income streams
- Selective acquisitions – lettings books and LSLi

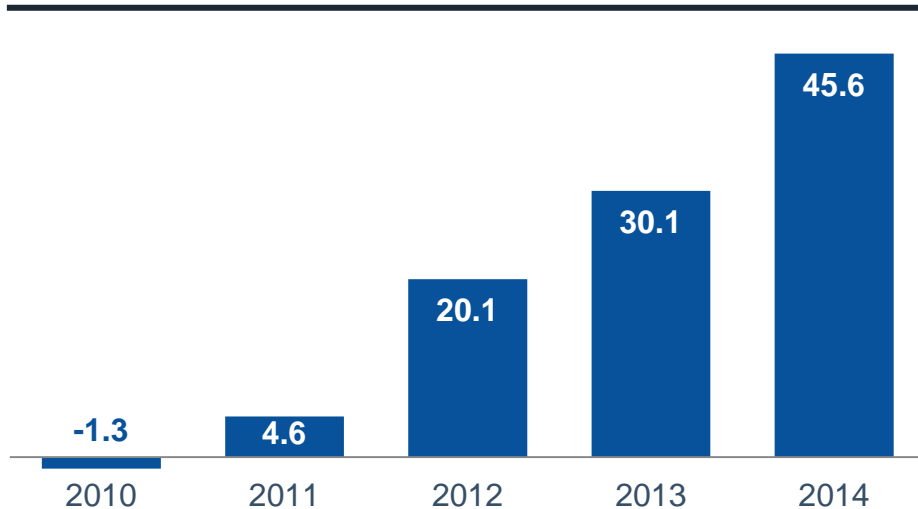
Surveying Strategy

- Optimise revenue generation from B2B customers and achieve further improvement in efficiency / capacity utilisation to maintain the profitability of the business
 - Explore use of technology to secure revenue generation and further productivity gains
-

Estate Agency Strategy – Your Move, Reeds Rains, LSLi

Strategy is to drive operating profit per branch

Operating profit per branch (£k)



Initiatives to drive branch profitability include:

- Focus on exchange volumes and exchange fee growth
- Further investment in land and new homes team
- Selective investment in lettings staff
- Selective investment in financial services staff
- Branch refurbishment

Operating profit per branch grew at CAGR of 115% per annum from 2011 to 2014

The ambition going forwards is to achieve £80k to £100k profit per branch in the medium term

Estate Agency Strategy

Ongoing investment in customer experience and brands

Examples of Your Move, Reeds Rains branch refurbishments



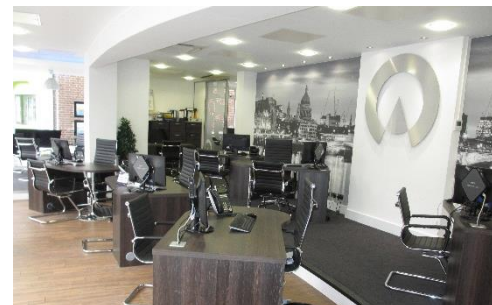
Reeds Rains
St Helens
Merseyside WA10



Reeds Rains
St Helens
Merseyside WA10



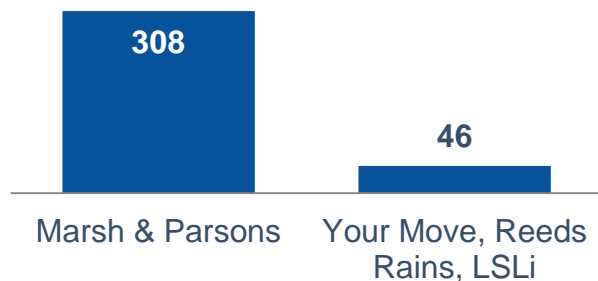
Your Move
Hampton Hill
London TW12



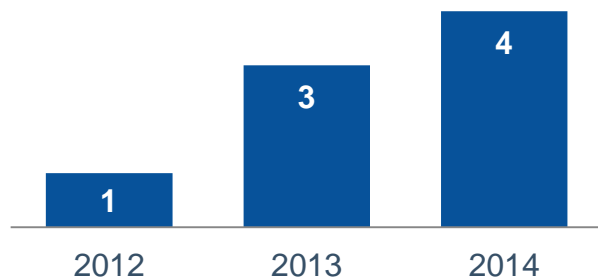
Your Move
Twickenham
London TW1

Estate Agency Strategy – Marsh & Parsons

2014 Branch Profitability (£k)



Marsh & Parsons new branch openings



- Marsh & Parsons branch profitability is strong
- Ambition is to expand the number of branches to 36 by 2019, COO appointed to support rollout. Good footprint in Prime Central London, Outer Prime provides considerable opportunities

- Very strong progress achieved in 2014 with 4 branches opened – largest number of branches opened in a year since LSL acquired Marsh & Parsons in 2011
- New branches are trading in line with management's expectations

Awards

Estate Agency of the Year Awards 2014, sponsored by the Sunday Times

- Best London Estate Agency (Medium) – Gold

UK Property Awards 2014, sponsored by Rolls Royce Motor Cars

- Best Lettings Agency in London
- Best Real Estate Agency in London
- Best UK Real Estate Agent

Estate Agency Strategy- Marsh & Parsons new branch openings

2014

2015 (to date)

Shepherd's Bush
March 2014



East Sheen
September 2014



Richmond
September 2014



Camden
October 2014



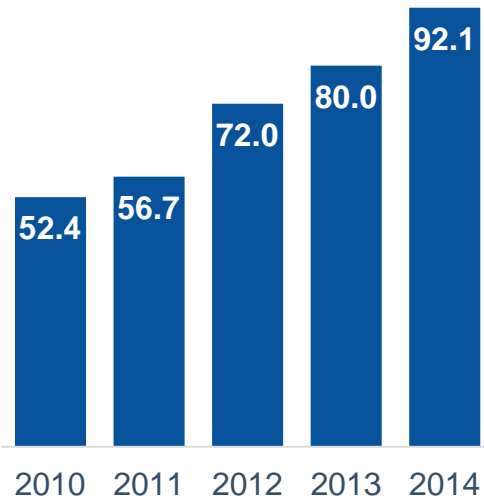
Shoreditch
February 2015



Estate Agency Strategy

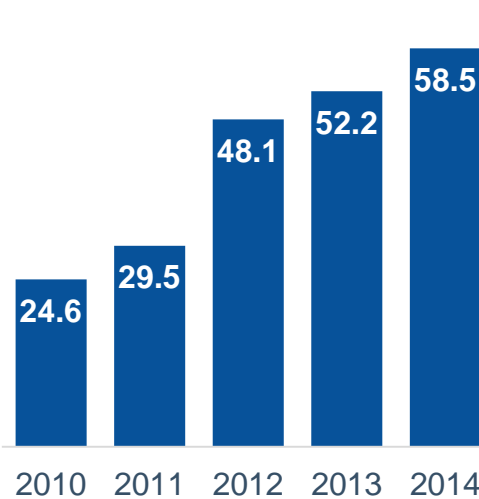
Strategy is to drive incremental revenue and gross margin across all business streams

Exchange fees (£m)



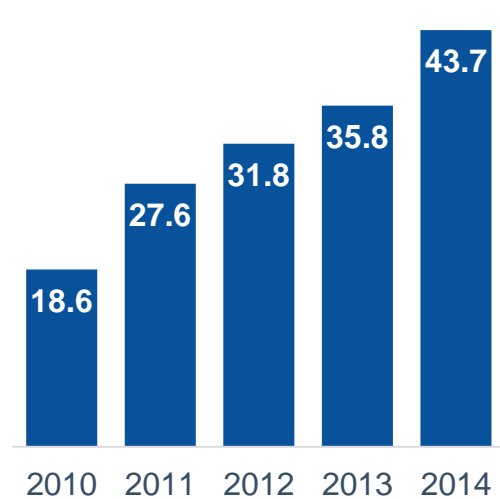
CAGR 15%

Lettings fees (£m)



CAGR 24%

Financial Services Income (£m)

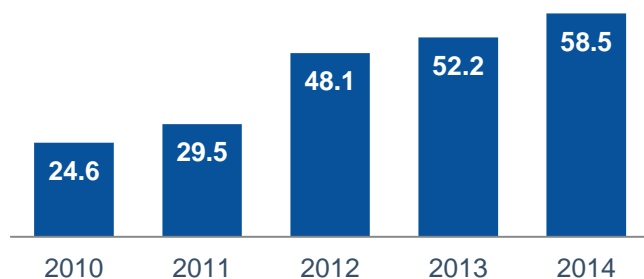


CAGR 24%

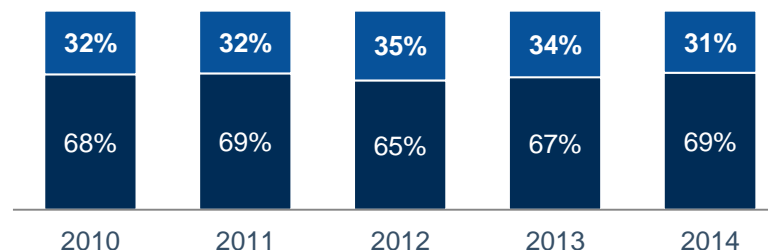
Estate Agency Strategy

Strategy is to grow recurring and, where market conditions permit, counter-cyclical revenue streams

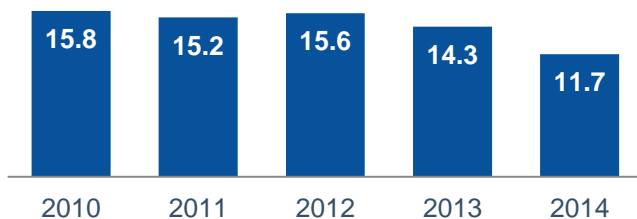
Recurring revenue (lettings) £m



Total Agency Revenue



Counter-cyclical revenue (asset management) £m



- Recurring and counter-cyclical Income
- Exchange fees, financial services income, other income

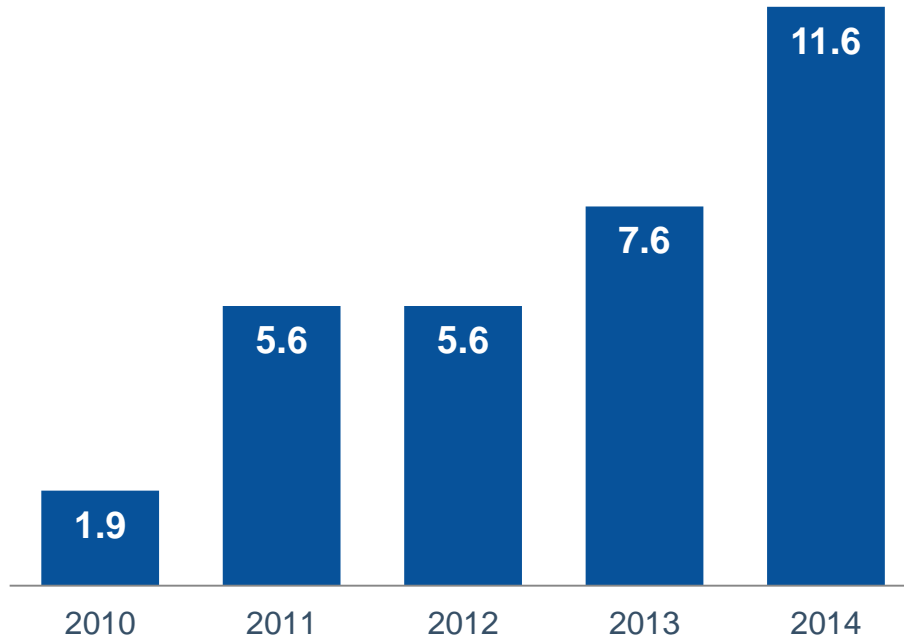
- The business continues to grow lettings through organic and acquisitive growth
- Asset management revenue has outperformed market conditions

	2010	2011	2012	2013	2014
Repossessions market growth	(27%)	(0%)	(5%)	(15%)	(27%)

Estate Agency Strategy – Financial Services

Value of LSL Financial Services mortgage completions

(£bn)



Strategy

- Consistent delivery of appropriate outcomes for consumers
- Capitalise on mortgage market shift towards intermediary distribution
- Investment in additional mortgage advisors in estate agency
- Growth in intermediary networks and expansion of mortgage club
- Enhancement of technology solutions to improve the customer experience, raise productivity and deliver process efficiencies
- Maintain focus on 'best practice' standards of regulatory compliance

Estate Agency Strategy – Acquisitions – Lettings Books

The economics of lettings books acquisitions are very accretive. The ambition in 2015 is to grow the rate of lettings book acquisitions (number and investment) versus 2014

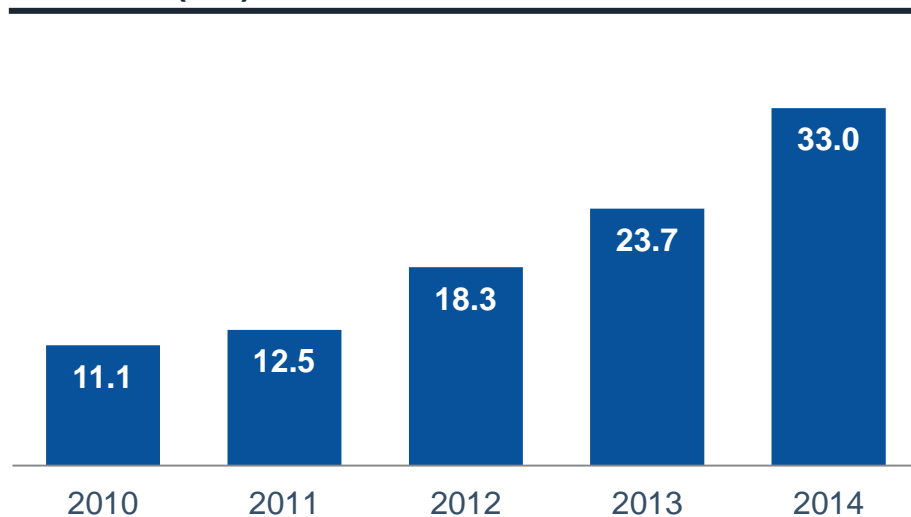
Number of lettings book acquisitions	2013	2014	2015
January / February	0	1	6
H1	2	3	N/A
H2	3	7	N/A
Full Year	5	10	N/A

Investment	2013	2014	2015
January / February	nil	£0.2m	£1.8m
H1	£0.5m	£0.6m	N/A
H2	£1.1m	£1.2m	N/A
Full Year	£1.6m	£1.8m	N/A










Estate Agency Strategy – Acquisitions – LSLi

LSLi has been a significant growth vehicle and we continue to consider new acquisition opportunities

Revenue (£m)



CAGR 31%

Business	Year acquired
 Intercounty	2007
 Frost's	2007
  The JNP Partnership	2007
 good&data	2010
 davis tate	2012
 Lauristons	2012
 LAWLORs	2013
 Hawes & Co <small>Established 1888</small>	2014
 THOMASMORRIS <small>SALES & LETTINGS</small>	2015
9 completed	

Estate Agency Strategy – joint ventures, other investments and portals

Joint Ventures and other investments

Current investments

Status

Zoopla

£1.9 million investment was worth £44.1m at IPO. 2.6% holding retained post IPO – market value £21.3m at 31st December 2014. The proceeds from disposal net of tax and costs remitted to shareholders as a special dividend

TM, LMS

Performing in-line with expectations

New Investments

- New opportunities are currently being evaluated

Portals

- LSL's estate agency businesses use Rightmove and Zoopla. LSL does not currently use Agents Mutual

Notes: TM provides property searches; LMS provides conveyancing services

Surveying Strategy

- The strategy is to focus on the B2B market where the economics are most favourable.
- The decision has been taken to de-emphasise the B2C segment.
- A project is currently underway to evaluate how technology can be further utilised to optimise revenue and efficiency

New customer

Customer	Contract term	Status	Contract start date
LBG	Multi-year	Non-exclusive	1 August 2014

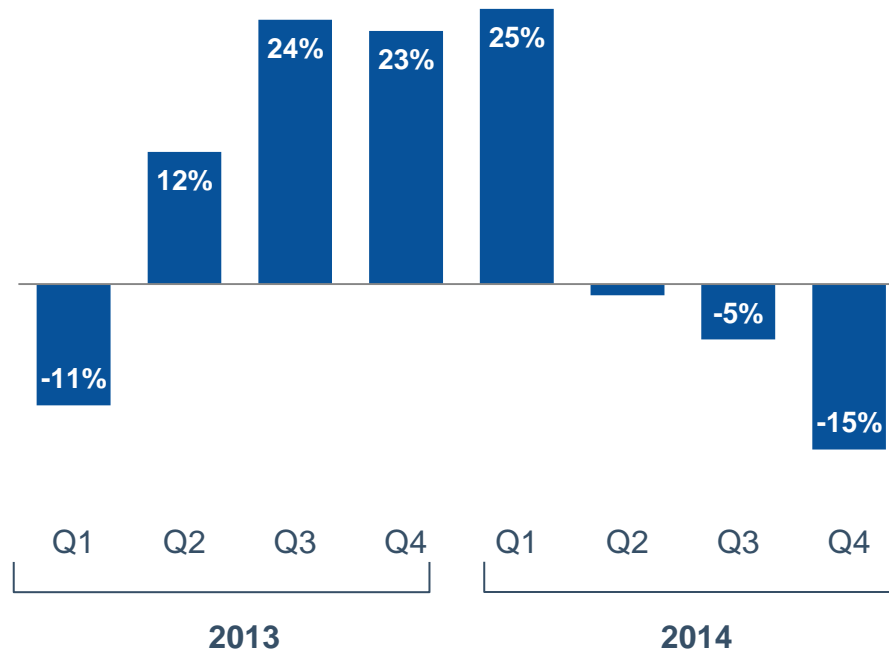
Existing Customers

Barclays	Multi-year	Non-exclusive	1 July 2014
Santander	Multi-year	Lead valuer	1 January 2015

- The pricing achieved with these contracts reflects the improved market conditions in the surveying market

Surveying Strategy – Capacity management

Total Approvals¹ - % growth



- Total approval volumes increased significantly in Q2 2013 to Q1 2014
- To meet customer demand and expand capacity, a graduate recruitment programme was implemented to expand capacity. 43 graduates were hired in 2013 and 60 graduates in 2014
- During H2 2014 a project was implemented to optimise operational performance and productivity. This included the consolidation of administrative functions in Kettering support services location, one off costs incurred in 2014 of £0.7m – payback expected within H1 2015
- Number of qualified surveyors reduced from 386 (December 2013) to 361 (December 2014)

¹Bank of England

Surveying Strategy – Surveying Economics

2005 – 2014 inclusive	£m	Return on sales
Average annual revenue	71.3	
Average annual operating profit	23.5	33%
Exceptional PI provisions- average across period ¹	(8.2)	
Average annual operating profit post PI	15.3	21%

The underlying economics of surveying are strong with a 21% ROS net of all PI costs for the 2004 – 2014 period

The business continues to be highly cash generative

¹Provisions of £17.3m, £12.0m, £24.6m averaged over 10 years

Summary

LSL Strategy

- Focus on optimising profitable organic growth through strategies that are not wholly linked to market volumes
- Utilise strong operational cash flow and balance sheet for selective acquisitions
- Explore new revenue streams

Agency Strategy

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Surveying Strategy

- Optimise revenue generation from B2B customers and achieve further improvement in efficiency / capacity utilisation to maintain the profitability of the business
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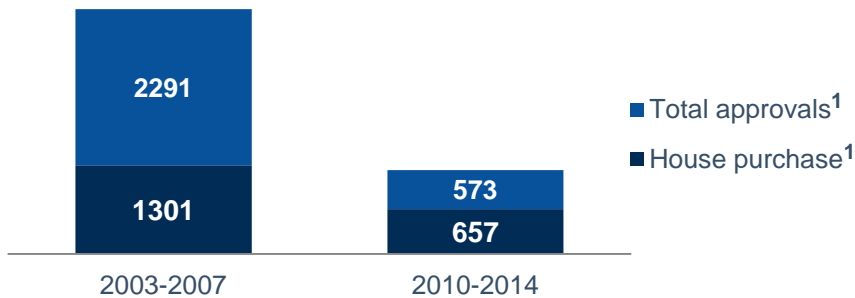
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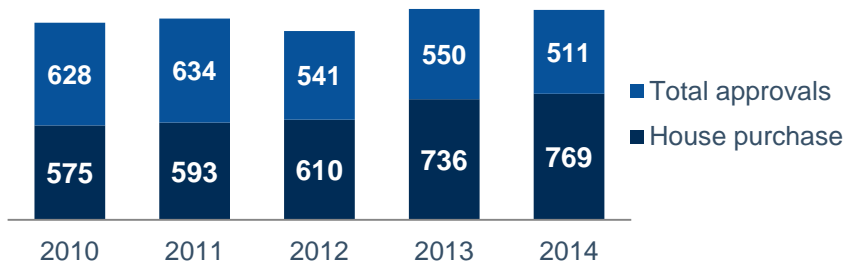
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Market Volume Trends

5 Year average volumes ('000's)

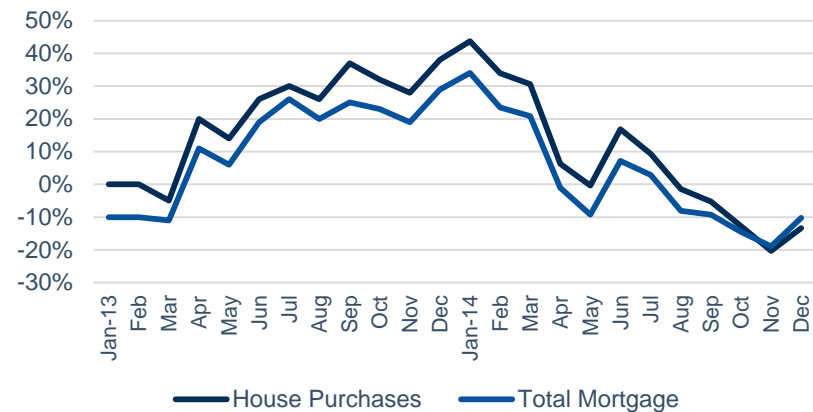


House purchase and Mortgage approvals¹ ('000's)



¹Bank of England

Monthly volume growth %



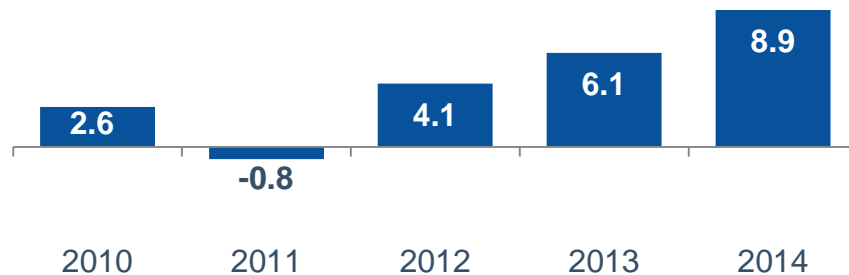
Outlook

- Key economic indicators are positive
- Oil price reduction likely to have significant short-term impact on RPI
- Wage inflation modest
- MMR impacted on volumes
- Election creating uncertainty in H1 2015

Market

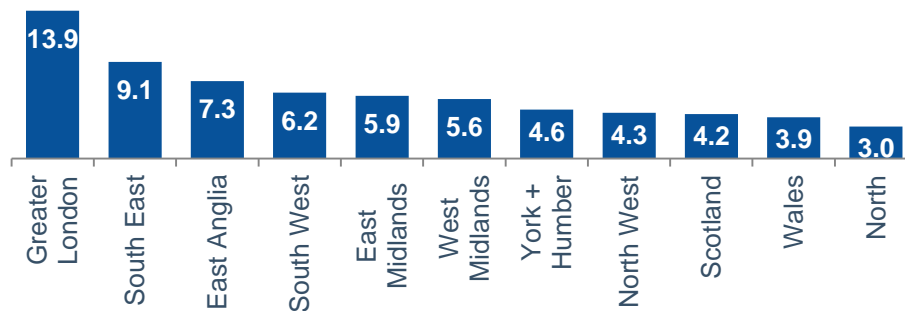
House price trends

England and Wales – house price changes¹ %



- In year ended December 2014 average house prices in England and Wales increased by 8.9% to £277k
- Average house prices for England and Wales are now 13% above the February 2008 peak
- Significant regional variations:
 - London house prices up 13.9% for year December 2014 and are now 32% above Feb 2008 peak
 - Recent evidence of slowdown in London price growth and increase in time taken to sell
 - A number of regions outside of London remain below February 2008 peak

House price movements by region during 2014¹ %



¹ LSL Property Services / Acadata House Price Index

Outlook

Current trading and outlook

- The forthcoming year is expected to see uncertain market conditions in the first half with the potential for improved market conditions during the second half of the year. Year-on-year market comparatives in the first quarter are expected to be adverse in part due to the lower opening pipeline of activity following the weaker last quarter of 2014. Whilst we are seeing improvements in February, the second quarter is expected to be impacted by the upcoming general election
- The Group has started the year in line with management's expectations and through a series of internally generated initiatives and an expectation of a stronger market in the second half, the business is well placed to deliver a solid performance in 2015
- The Group has a robust balance sheet with relatively low levels of gearing and is extremely cash generative at the operational level. The business is well positioned to capitalise on the changing market conditions to increase Shareholder value

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Disclaimer

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