



LSL Property Services plc

Preliminary Results

Year ended 31 December 2015

Agenda

1. Executive Summary

2. Financial Performance

3. Strategy

4. Market and Outlook

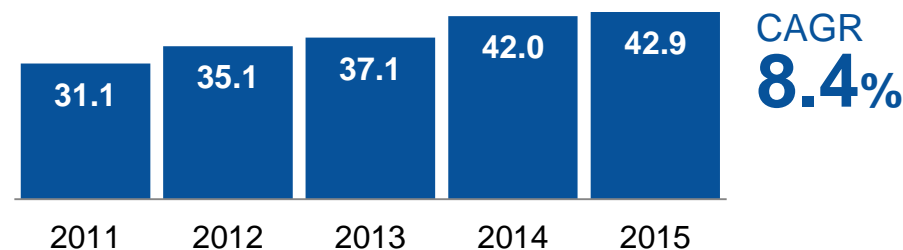
5. Q&A



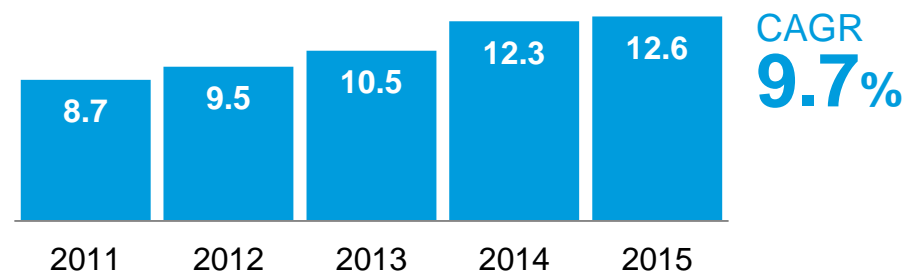
Record operating profit - Higher than achieved during the property peak in 2007

Group Revenue	£300.6m	▲ 4.6%
Group Underlying Operating Profit ¹	£42.9m	▲ 2.0%
Profit Before Tax	£38.6m	▲ 20.8%
Exceptionals ²	£0.3m	▼ 95.8%
Adjusted Earnings per Share	31.5p	▲ 3.3%
Ordinary Dividend per Share ³	12.6p	▲ 2.4%
Net Banking Debt	£39.9m	
Gearing Ratio ⁴	0.83x	

Underlying Operating Profit ¹ (£m)



Ordinary dividends per share ³ (pence)



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

² Net of exceptional gains and cost

³ Excludes special dividend of 16.5p in 2014

⁴ Calculated by closing 31st December net banking debt / EBITDA

Strong performance across the Group in 2015

Strategy

- Consistent execution of LSL Strategy as communicated in March 2015

Market

- 2015 H1 house purchase approvals down 3.3% against strong pre MMR 2014 Q1 and pre election market uncertainty in Q2 2015 ¹
- 2015 H2 saw modest post general election market recovery and over the full year house purchase approvals increased by 4.7%
- Prime Central London impacted by a range of factors including 2014 stamp duty change. Outer Prime London more robust
- UK house price growth due to stock shortages, with London price performance more variable by postcode

Estate agency

- Total Revenue up 5% year on year
- Strong growth in lettings (+12%) and financial services income (+16%)
- Selective investment across Estate Agency brands, including lettings and financial services headcount
- Strong growth in Marsh & Parsons despite the difficult prime Central London market (Revenue +9%, profit +6%)
- On-going focus on selective acquisitions with consistent investment criteria (2015 acquisitions: 30 Lettings books & 1 LSLi agency)

Surveying

- Revenue growth of 3% year on year
- Full year benefit of 2014 contract renewals / contract wins and restructuring initiatives
- Income per job increased by 17%
- Strong operating profit growth of 36% with 28.3% profit margin achieved

¹ Source: Bank of England for "House Purchase Approvals"

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Group Financials – Summary

£m	Actual		
	2015	2014	% change
P&L			
Revenue	300.6	287.5	5%
Underlying Group Operating Profit ¹	42.9	42.0	2%
<i>Margin</i>	14.3%	14.6%	
Exceptionals	(0.3)	(6.2)	
Profit before tax	38.6	31.9	21%
Dividends			
Adjusted EPS	31.5p	30.5p	3%
Dividend Per Share	12.6p	12.3p	2%
Special Dividend per share	-	16.5p	

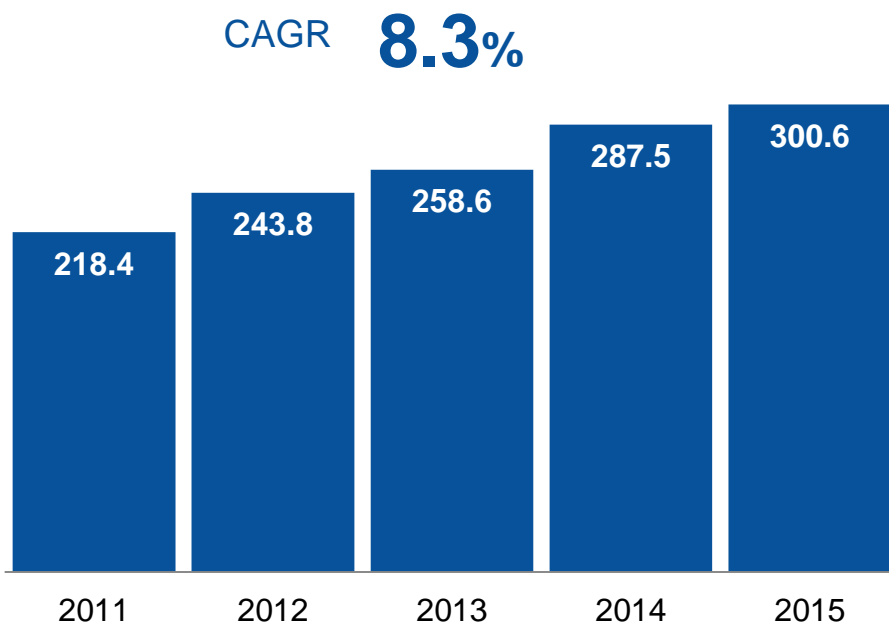
Consistently delivering on guidance

- Delivered on financial guidance made at the time of the interim results announced in August 2015
- Strong second half revenue growth of 9% (H1: 0%)
- Double digit profit growth in both Estate Agency and Surveying in the second half
- Total dividend per share at the upper end of stated policy of 30%-40% of Group underlying operating profit after interest and tax

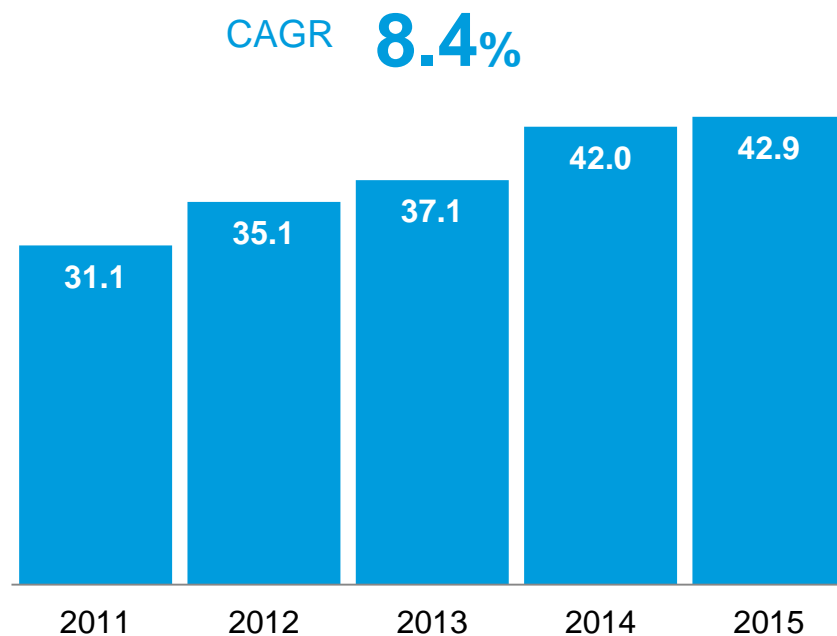
¹ Underlying Group Operating Profit is before exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments.

Group Financials

Group Revenue (£m)



Group Operating Profit (£m)



Group Financials – Cashflow

Operating cashflows (£m)	2015	2014
Operating profit	42.9	42.0
Depreciation	5.3	4.9
Dividend Income	(0.8)	(1.6)
Share of results of joint ventures	(1.2)	(1.4)
Loss/(gain) on sale of property, plant and equipment and financial assets	(0.3)	-
Working capital	2.1	(3.4)
Cashflow from operations (pre PI)	48.0	40.5
PI Payments	(11.2)	(13.3)
Exceptional costs paid	(0.3)	(1.5)
Cashflow from operations	36.5	25.7
Interest paid net of interest received	(1.8)	(1.8)
Tax paid	(5.6)	(5.3)
Acquisitions including cash acquired on purchases	(12.4)	(4.7)
Payment of contingent consideration	(4.0)	(1.4)
Investment in joint venture and financial assets	(1.2)	(3.6)
Sale of Zoopla shares	0.3	20.8
Purchase of property, plant and equipment and intangible assets net of proceeds	(7.7)	(9.0)
Dividends received from joint venture and financial assets	2.0	2.9
Dividends paid	(12.6)	(11.5)
Special dividend paid	-	(16.8)
Purchase of shares by the EBT and proceeds from exercise of share options	1.3	(3.9)
Net Cashflow	(5.2)	(8.6)
Closing Net Debt 31st December	(39.9)	(34.7)

Business is extremely cash generative at the operational level

- Strong operational cash generation converting £42.9m operating profit to £36.5m cashflow from operations
- Unwinding of PI cost provision in line with expectations and PI payments lower year on year.
- Net debt movement reflects increase in acquisitions in line with 2015 strategy
- Gearing level of 0.83x times 2015 EBITDA (2014: 0.74x)

Key balance sheet items at 31st December 2015

	£m
Net Banking Debt	(39.9)
Zoopla Shareholding	27.1
PI Provision	(29.7)

Financial Performance – Estate Agency

P&L (£m)	2015	2014	% change
Exchange Income	92.9	92.1	1%
Lettings income	65.4	58.5	12%
Financial Services Income	50.5	43.7	16%
Asset Management Income	7.8	11.7	(34)%
Other Income	19.9	19.3	3%
Total Revenue	236.5	225.3	5%
Expenditure	(205.2)	(191.4)	7%
Operating Profit	31.3	33.9	(8)%
Operating Margin	13.2%	15.0%	
KPIs			
Exchange units (000's)	29.3	29.7	(1)%
Fees per unit (£)	3,170	3,101	2%
House purchase approvals ¹ (000's)	806	769	5%
Repossessions ² (000's)	10.2	21.0	(51)%

Revenue growth of 5% from the continued execution of our strategy

- Residential income: H1 revenues down 5%, H2 revenues up 7% vs P/Y
- Exchange units lower by 1%, fees per unit up by 2% vs P/Y
- Lettings income: 12% total growth, 5% organic growth
- Lettings income grew to 28% of Estate Agency income
- Financial Services income: strong growth of 16%
- Asset Management: ahead of the 51% market decline in repossessions
- Operating margin reflects:
 - Selective investment in the business of over 100 additional headcount in the growth areas of Lettings, Financial Services and Land and New Homes.
 - Lower Asset Management revenue

¹ Source: Bank of England for House Purchase Approvals

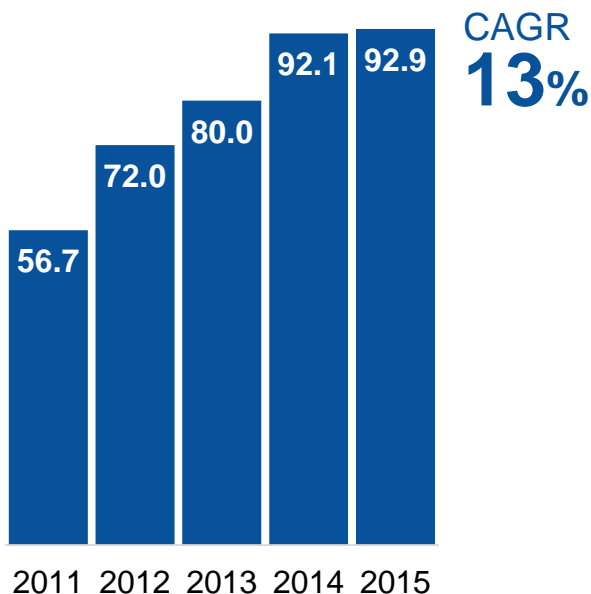
² Source: Council of Mortgage Lenders arrears and repossessions data relating to properties taken into possession by first-charge mortgage lenders for 2015.

Estate Agency Strategy – Driving incremental revenue and gross margin across all business streams

Revenue Performance

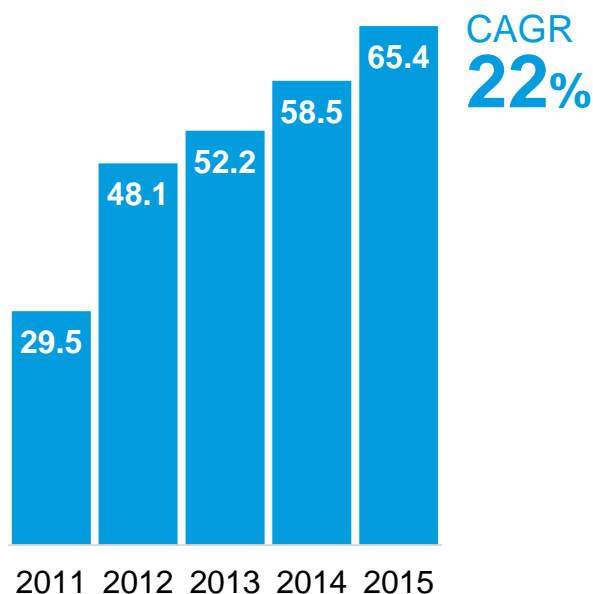
Exchange fees

(£m)



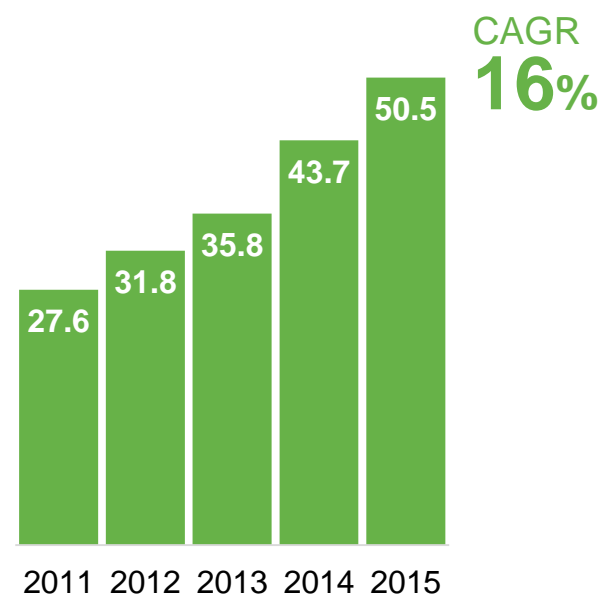
Lettings fees

(£m)



Financial Services Income

(£m)



Financial Performance – Marsh & Parsons¹

P&L (£m)	2015	2014	% change
Total Revenue	35.3	32.5	9%
Expenditure	(28.4)	(26.0)	9%
Operating Profit	6.9	6.5	6%
Operating Margin	19.5%	20.0%	

Strong performance despite a challenging Prime Central London market in 2015

- Strong lettings performance (+10%), growth in land and new homes and resilience in residential sales

¹ Included in Estate Agency financial performance on slide 9

Financial Performance – Surveying

P&L (£m)	2015	2014	% change
Total Revenue	64.1	62.2	3%
Expenditure	(46.0)	(48.9)	(6)%
Operating Profit	18.1	13.3	36%
Operating Margin	28.3%	21.4%	
KPIs			
Jobs performed (000's)	327	372	(12)%
Revenue from private surveys (£m)	2.4	4.0	(40)%
Income per job (£)	196	167	17%
Number of qualified surveyors at 31 st December ¹	347	361	(4)%

Surveying delivered very strong profit growth

- Mix of volume and income per job was optimised
- Full year impact of 2014 contract renewals / wins and restructuring project
- Operating profit up by 36%

Improved profit margins from 21.4% to 28.3% in FY15

¹ FTE (Full Time Equivalent)

Financial Performance – Surveying Professional Indemnity costs

PI Cost Provision (£m)	2015	2014
31 st December	29.7	38.7

The PI provision is unwinding in line with expectations:

- Positive progress made in addressing historic claims
- Reduction in the rate of notifications and claims in line with expectations
- Payments of £11.2m were made in 2015 (2014: £13.3m)

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Strategy

LSL Strategy

- LSL remains committed to the strategy communicated in March 2015

Agency Strategy

- Drive operating profit per branch to £80k to £100k in the medium term
- Selective acquisitions
- Grow recurring and counter cyclical income streams
- Continued investment in Marsh & Parsons new branch roll-out

Surveying Strategy

- Optimise contract performance and revenue generation from B2B customers
- Achieve further improvement in efficiency and capacity utilisation
- Use technology to drive further customer enhancements and quality improvements
- Continue graduate programme

Estate Agency Strategy – Market context

LSL operates in a large, fragmented Estate Agency market

- The market has seen continual new entrants over the past five years
- Non-traditional new entrants currently represent around 4% of the market ¹

Our market position

- LSL has selectively acquired Estate Agency brands with market leading positions and strong brand awareness
- LSL currently has 12 Estate Agency brands
- Your Move is the largest single brand estate agent with the most visited UK Estate Agency website ²

LSL continues to invest across its brands to maintain its competitiveness

- LSL has continually invested in each of its Estate Agency brands over time across a range of initiatives including advertising, marketing, branch refurbishments, training, technology and new branch openings
- 2016 Your Move national media campaign to further invest in the brand
- TV advert message “it pays to be with Your Move” communicates the customer value from using an estate agent with Your Move’s reach and size
- In 2016 LSL continues to evaluate investment in technology to widen the digital offering to our customers and improve internal efficiency

Customer benefits from the LSL service offering include the following:

- Local staff who are very knowledgeable about the local property market. Sales progression staff ensure higher likelihood of successful transaction
- LSL fee aligned to customer interests with quantum of fee linked to value received by seller
- “No sale no fee” with fee payable on completion of transaction
- Large database of registered buyers who can be matched with property coming onto the market
- High quality service

LSL will continue to leverage on its core assets, integrated approach and focus on customer service

- The businesses are organised to deliver Residential Sales, Lettings and Financial Services from 12 brands which maximizes cross selling opportunities
- Service remains a key area of focus for all LSL brands

¹ LSL estimates
² Hitwise December 2015

Estate Agency Strategy – Investment in LSL brands

Ongoing investment in customer experience and brands

Your Move
National TV brand campaign
January 2016



Your Move
National TV brand campaign
January 2016



Your Move
National TV brand campaign
January 2016



Marsh & Parsons
Shoreditch Branch Opening
February 2015



Reeds Rains
Wakefield Refurbishment
February 2015



LSLi Lauristons
Kennington Branch Opening
February 2015



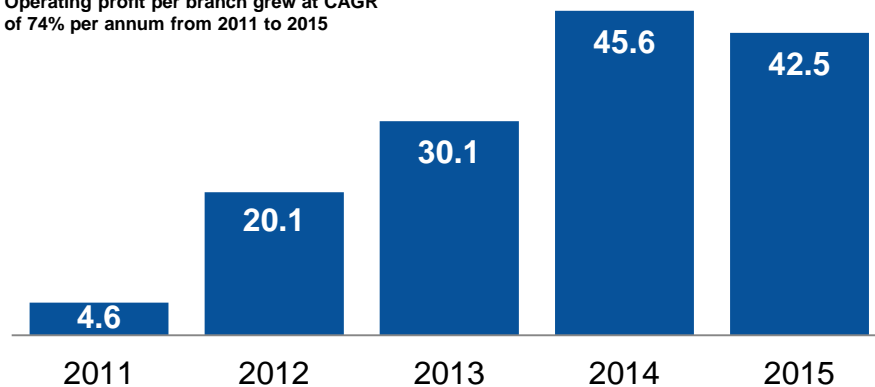
Estate Agency Strategy

Your Move, Reeds Rains and LSLi: EA profit per branch

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

Estate Agency Operating Profit per Branch (£'000)

Operating profit per branch grew at CAGR of 74% per annum from 2011 to 2015



Progress on ambition

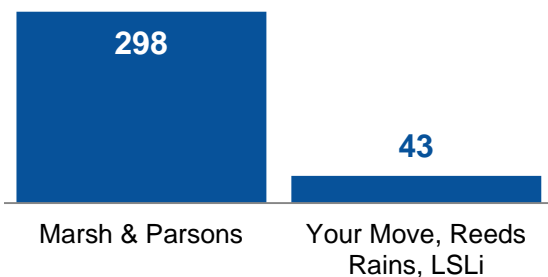
Targeting increased operating profit per branch in 2016 as the investments made in 2015 deliver revenue and margin growth in line with our plans

LSL plans to drive branch profitability through:

- Volume and fee growth
- Letting book acquisitions
- Selective branch refurbishment
- Decrease in 2015 profit per branch versus 2014 reflects investments made in 2015 in headcount in Lettings, Financial Services and Land and New Homes

Estate Agency Strategy – Marsh & Parsons

2015 Branch Profitability (£k)



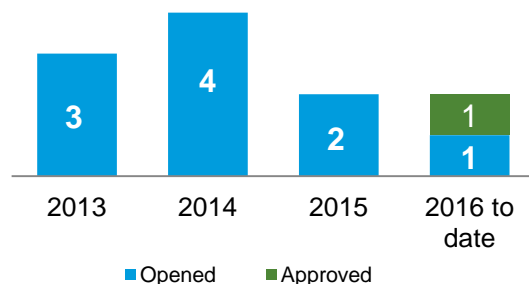
Marsh & Parsons delivers strong branch profitability

- Strong Lettings business and growing Land and New Homes business
- Ambition is to expand the number of branches to 36 by 2019
- Good footprint in Prime Central London, Outer Prime provides considerable opportunities

London market

- In 2015 property values in the 5 prime London boroughs fell by 9%, whilst in outer prime Central London values increased by 11%

Marsh & Parsons new branch openings



- Good results from offices opened in 2014
- Shoreditch and Queens Park opened in 2015: trading is positive
- Tooting opened in 2016, with additional branch approved for opening

Awards

Estate Agency of the Year Awards 2015, sponsored by The Times & Sunday Times

- Best Medium Lettings Agency, UK – Gold Award
- Best Medium Lettings Agency, London – Gold Award
- Best Marketing – Gold Award

The Negotiator Awards 2015

- London Agency of the Year – Gold Award

Estate Agency Strategy – Marsh & Parsons branch openings

2013

South Kensington
January 2013



Bishops Park
June 2013



Marylebone
June 2013



2014

Shepherd's Bush
March 2014



East Sheen
September 2014



Richmond
September 2014



Camden
October 2014



Shoreditch
February 2015



Queens Park
April 2015



Tooting
January 2016



2015

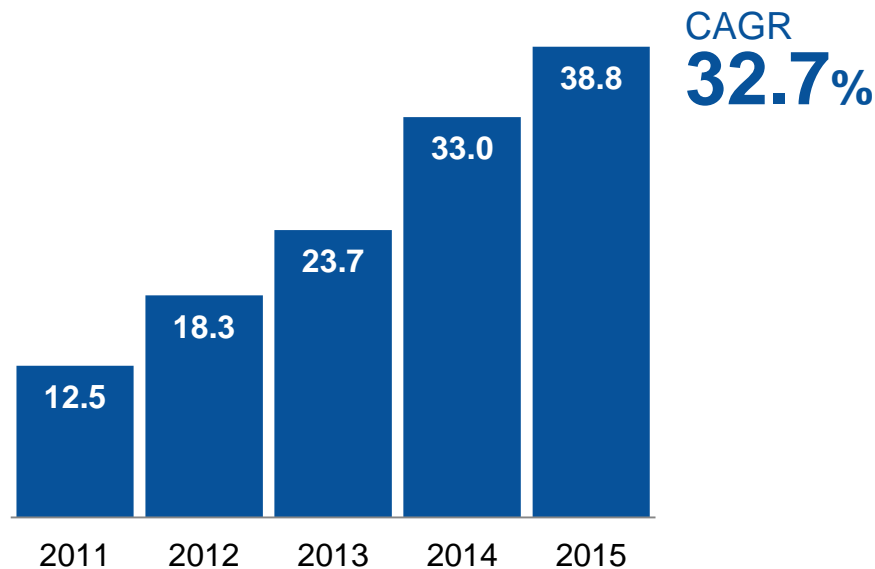
2016
(to date)



Estate Agency Strategy – Acquisitions: LSLi

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

LSLi Revenue (£m)



Estate Agency Strategy – Acquisitions: Lettings Books

In line with LSL's strategy, there is an on-going focus on letting book acquisitions: LSL acquired 30 letting books in 2015 for a total consideration¹ of £9.6m, a significant increase on calendar 2014

Number of lettings book acquisitions	2013	2014	2015
H1	2	3	13
H2	3	7	17
Full Year	5	10	30

Investment	2013	2014	2015
H1	£0.5m	£0.6m	£3.9m
H2	£1.1m	£1.2m	£5.7m
Full Year	£1.6m	£1.8m	£9.6m

Strategy

- In 2015 LSL acquired 30 letting books with three letting books agreed to date in 2016
- The acquisitions were made across Your Move, Reeds Rains, LSLi and Marsh & Parsons and were evenly spread geographically
- Investment criteria have not been relaxed as rate of investment increased
- Post investment review of completed deals has demonstrated results in line with investment criteria

¹ Total consideration includes the maximum contingent consideration.

Acquisitions of Group First and Thomas Morris

Group First



Acquired an interest in Group First in February 2016

- LSL acquired a 65% interest with put and call options enabling LSL to acquire the remaining 35%
- Provides mortgage and protection brokerage services to purchases of new homes
- Management team retain 35% led by Paul Maston who will continue as CEO and who founded the business in 1988

Acquisition Strategy

- Supports LSL's strategy to grow long term profitability in the UK residential property services sector by identifying value enhancing opportunities
- Increases LSL's presence in the growing New Homes sector and strengthens LSL's relationships with its key housebuilder clients

Group First Limited (GFL)

- Operates through its subsidiaries:
- Mortgages First Limited
 - Insurance First Brokers Limited

LSL acquired 65% interest

- £9.1m cash consideration
- 50% payable on completion
 - 50% payable during 2017
 - Funded by LSL's existing banking facilities

LSL option to acquire the remaining 35%

- Put and call option provisions included in the agreement
- Option at date GFL 2018 audited accounts are filed at Companies House
 - Calculated on an earnings multiple of 5 - 6 x EBITA plus excess cash
 - Earn-out capped at a maximum of £25m

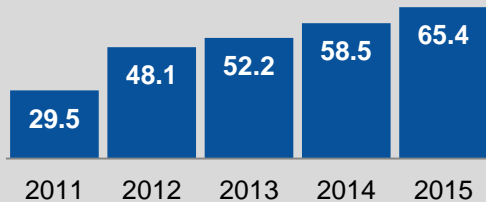


- **LSL continues its strategy of selectively acquiring Estate Agency businesses into LSLi**
- **Acquired Thomas Morris February 2015**
- LSL acquired 80% of Thomas Morris for an initial £4m consideration
- Management team incentivised to drive value as the remaining 20% is subject to put and call options exercisable between 2018 and 2020 dependent on profit performance
- Thomas Morris is a multi award winning estate agency and lettings business with seven branches in Cambridgeshire, Bedfordshire and Hertfordshire
- We are pleased with the performance of the business in 2015
- Increased Financial Services income post acquisition illustrates the value that LSL can add to its acquisitions

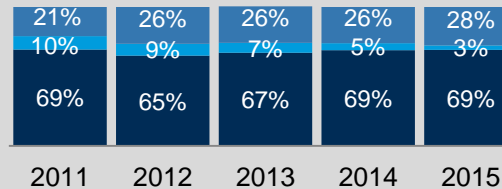
Estate Agency Strategy

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

Recurring revenue
Lettings £m

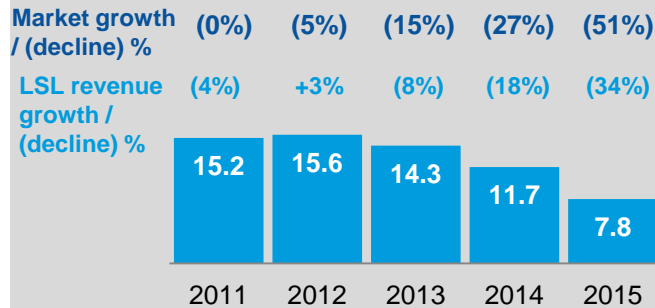


Total agency revenue: split by type
Proportion of revenue streams %



- Recurring and counter - cyclical: lettings
- Counter - cyclical: asset management
- Exchange fees, financial service income, other income

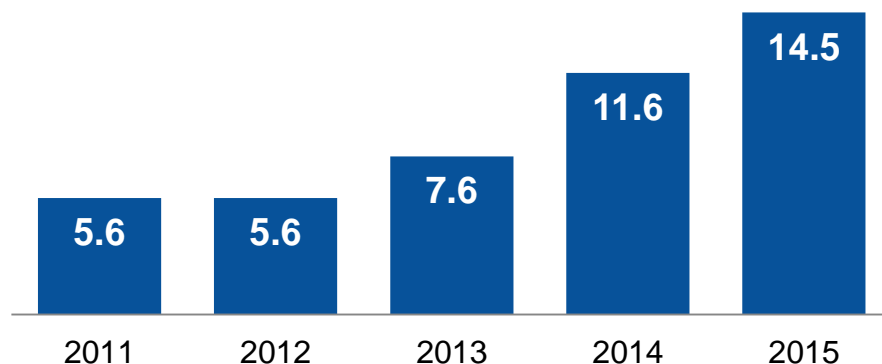
Counter-cyclical revenue
Asset management revenue £m



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

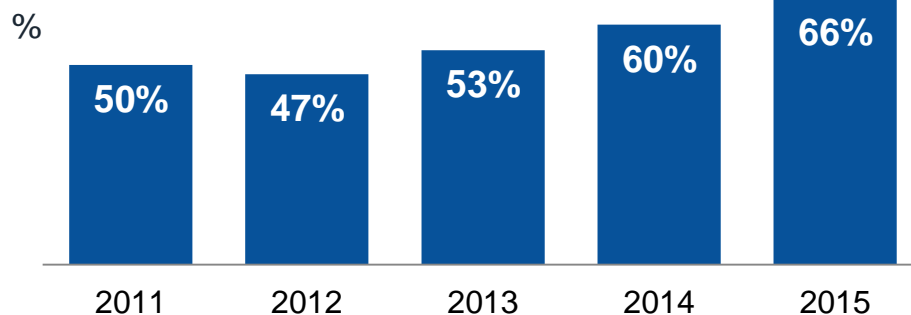
Estate Agency Strategy – Financial Services

Value of LSL Financial Services mortgage completions (£bn)



Percentage of intermediary market share for residential property excluding BTL ¹

Graph excludes BTL lending which is predominantly distributed via intermediaries



¹ Source: CML, new mortgages sold via intermediaries

Strategy

- Consistent delivery of appropriate outcomes for consumers
- Capitalise on mortgage market shift towards intermediary distribution
- Investment in selective acquisitions. Mortgage First acquired February 2016 focusing on growing new build sector and leverage LSL relationship with Housebuilders
- 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

Growth in value of mortgage completions

- Strong growth in the value of financial services mortgage completions through the Estate Agency Division's branches and LSL's intermediary networks (First Complete, Pink Home Loans and Linear Financial Solutions)
- The Group arranged total mortgage lending of £14.5bn (2014: £11.6bn)
- Intermediary market share of mortgage distribution has grown in recent years as lenders increasingly opt to distribute mortgages via intermediaries rather than through their direct channels

Estate Agency Strategy

Joint Ventures and investments

Joint Ventures and investments

Zoopla

LSL has a holding of 2.7% of Zoopla with a market value of £27.1m at 31st December 2015

**TM, LMS,
GPEA**

Performing in-line with expectations

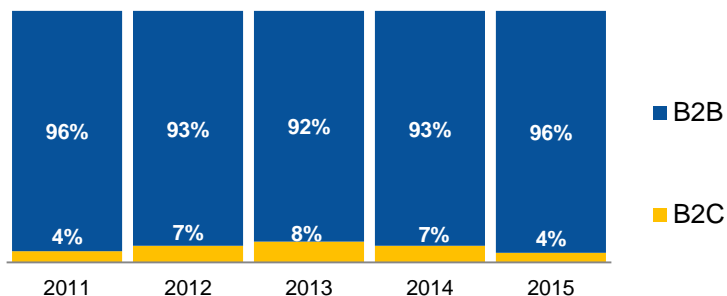
Notes: TM provides property searches; LMS provides conveyancing services

Surveying Strategy

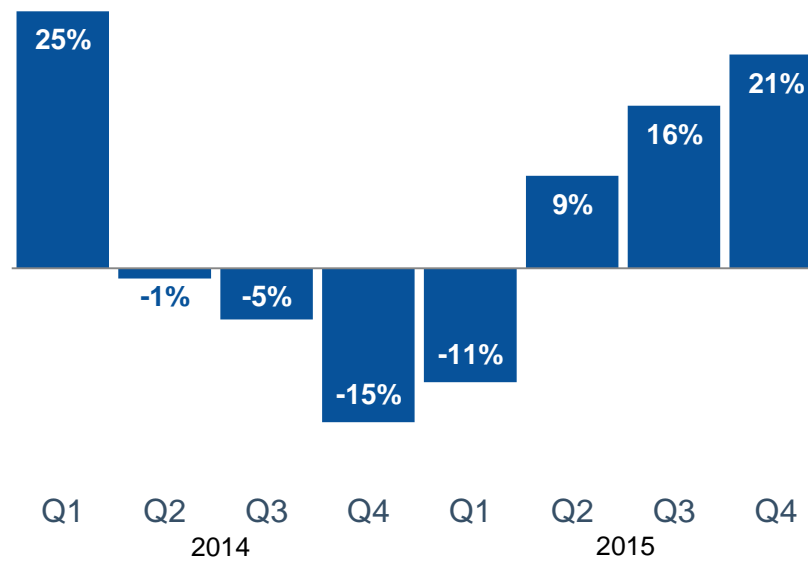
Strategy

- 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
- Technology refresh in 2016 to drive further customer enhancements and quality improvements
- Optimise contract performance and revenue generation from B2B customers

B2B and B2C revenue



Total Approvals¹ - % growth



¹ Source: Bank of England for "Total Approvals"

- Total approval volumes increased in Q2, Q3 and Q4 2015
- Continuation of the graduate recruitment programme implemented in 2014, to build capacity



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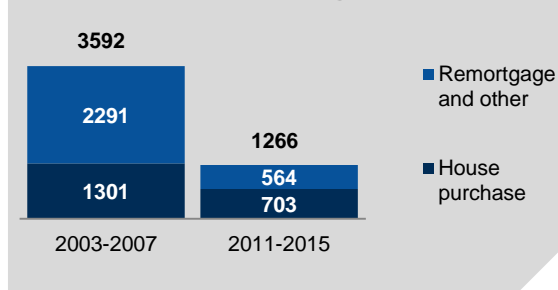
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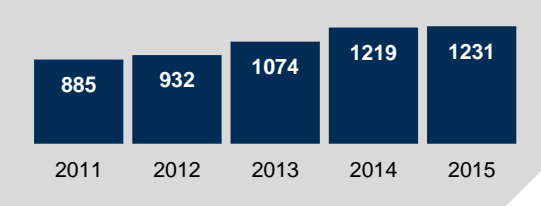
Market: volume trends

In 2015, market volumes marginally improved, but still substantially below 2003 – 2007 market activity levels

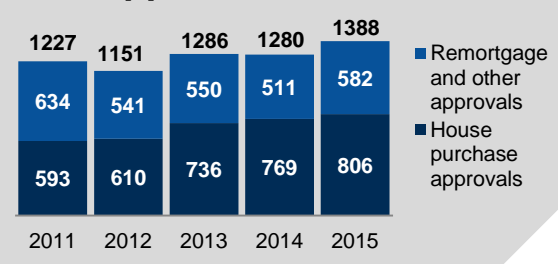
BoE: 5 Year average volume ¹



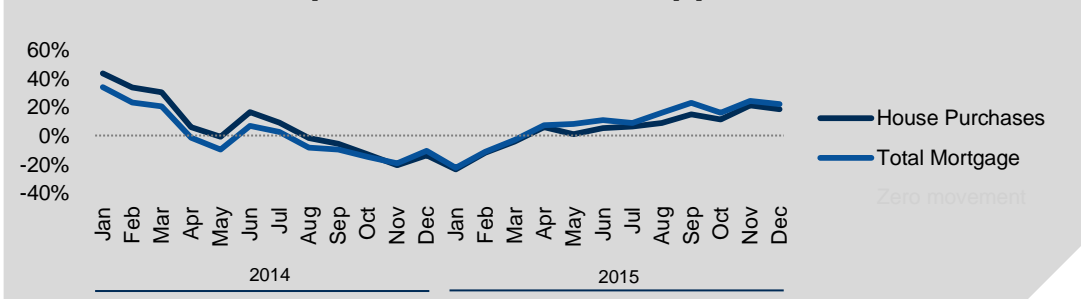
HMRC: Annual property transactions at £40k or above ²



BoE: House purchase and total approvals ¹



BoE: YoY house purchase and total approvals ¹



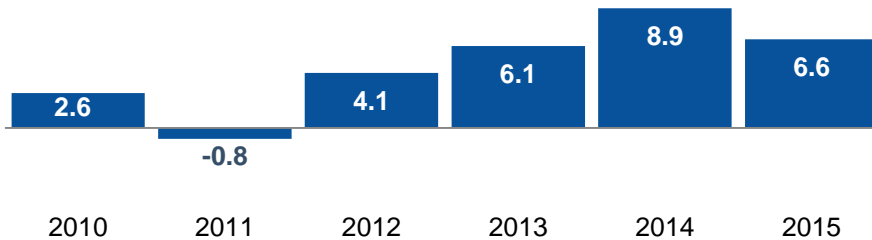
¹ Source: Bank of England for House Purchase Approvals, Remortgage and Other Approvals and Total Approvals

² Source: HMRC Stats, "Monthly property transactions completed in the UK with value of £40k or above".

Market: house price trends

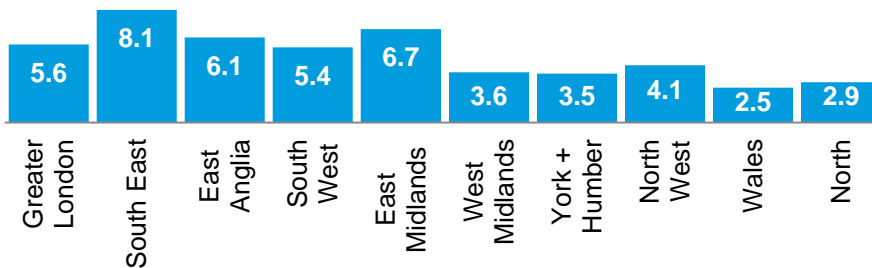
In 2015, all UK regions (excluding Prime Central London) saw positive house price growth

England and Wales – house price changes ¹ %



- In year ended December 2015 average house prices in England and Wales increased by 6.6% to £292k
- Significant regional variations:
 - London house prices were up 5.6%, with the Central London 5 prime boroughs down 8.7% as stamp duty changes have impacted; whilst all other boroughs were up 11%
 - The South East was up 8.1%
 - Excluding London and the South East, average increase was 4.7%

House price movements by region during 2015 ¹ %



¹ Source: December 2015 LSL Property Services / ACADATA HPI

LSL Property Services plc – Outlook

- **Started the year positively across the Group**

- **Estate Agency Division**

- Trading in line with expectations with good activity levels with quality buyers and good availability of mortgages
- Whilst there remains a shortage of stock, sales conversion remains strong
- Maintaining our market share
- Your Move national media campaign has started well

- **Surveying Division**

- Trading in line with expectations
- Technology refresh is progressing well

- **Market for forthcoming year**

- Expectation of a flat housing market in terms of transactions, with continuing house price inflation, other than in prime Central London

- **Positive regarding the outlook for 2016**

- Group is well placed to deliver a solid performance in 2016 through a series of internally generated initiatives
- Remain committed to driving profitable organic growth across the business
- Continue to evaluate selective acquisitions

- **Business is well placed to capitalise on the market conditions to increase shareholder value with:**

- Robust balance sheet with relatively low levels of gearing
- Highly cash generative at the operational level

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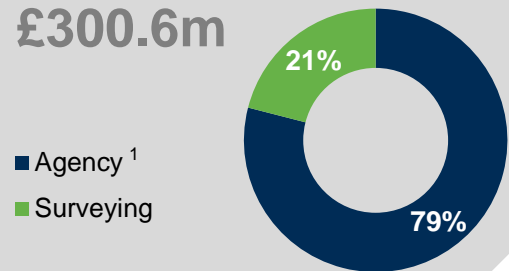
Appendix

LSL Property Services plc Business Overview

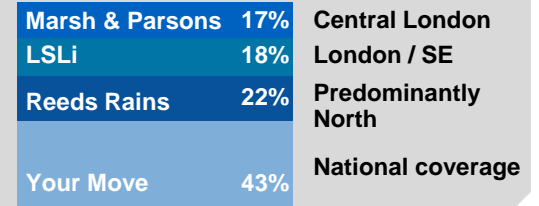
LSL Property Services plc – Business Overview

	Estate Agency	Surveying
Channel	B2C	B2B
Geography	UK	UK
Consumer brands	12	None

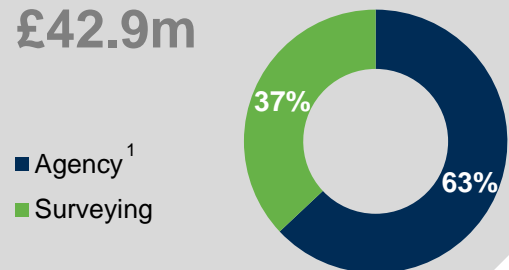
2015 Revenue
£300.6m



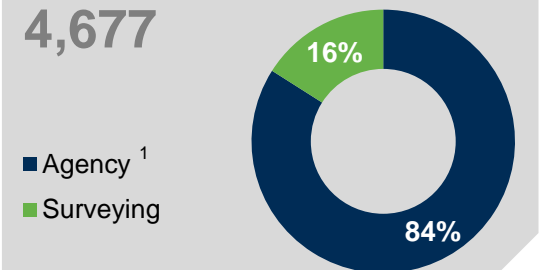
Estate Agency Revenue Split



2015 Operating Profit
£42.9m



2015 Average FTE²
4,677



¹ Includes estate agency branches, financial services, asset management

² FTE (Full Time Equivalent)

Disclaimer

This document contains certain statements that are forward-looking statements. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and, unless otherwise required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its Directors accept no liability to third parties in respect of this document save as would arise under English law. This presentation contains brands that are trademarks and are registered and/or otherwise protected in accordance with applicable law.

