

LSL Property Services plc

Preliminary Results

Year ended 31st December 2016



Agenda

1.	Group Highlights
2.	Financial Performance
3.	Market Overview, Strategy and Outlook
4.	Q&A
5.	Appendices

2016 Group Highlights

Solid operating performance in a changing market

- Group revenue up 2.4%
- Group Underlying Operating Profit down 19.2%
- Group profit before tax up 64.6%
- **Estate Agency**
 - Total revenue growth of 3%
 - 10% revenue decline in exchange income
 - 9% revenue growth in Lettings
 - 27% revenue growth in Financial Services
 - Operating margin 10.1%
- **Surveying**
 - 1% revenue growth
 - Operating margin 27.1%

Strong Balance Sheet

- Balance sheet de-g geared in light of the changing market
 - Gearing ratio 0.51x 2016 EBITDA (2015: 0.83x)
- In H2 Zoopla shares sold and acquisitions paused
- £1.6m exceptional PI Costs provision release

Delivering on our existing strategy and planning for the future

- **Estate Agency**
 - Increased recurring revenue
 - Acquisition of Group First in February 2016
- **Surveying**
 - New market leading IT system well advanced
- **Planning for the future in Estate Agency**
 - Detailed consumer research and market segmentation completed
 - Options evaluation in progress

2016 Group Operating Performance

Solid operating performance in a changing market

Group Revenue	£307.8m ▲ 2.4%	Adjusted Earnings per Share	25.9p ▼ 17.8%
Group Underlying Operating Profit ¹	£34.6m ▼ 19.2%	Proposed dividend per Share	10.3p ▼ 18.3%
Profit Before Tax	£63.5m ▲ 64.6%	Net Banking Debt	£20.3m
Exceptional gain (net) ²	£32.2m	Gearing Ratio ³	0.51x

Dividend pay-out 40% maintained at upper end of policy range

¹ Group Underlying Group Operating Profit is before exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments (as defined in note 4 in the Preliminary announcement)

² Net impact of exceptional gains and exceptional costs

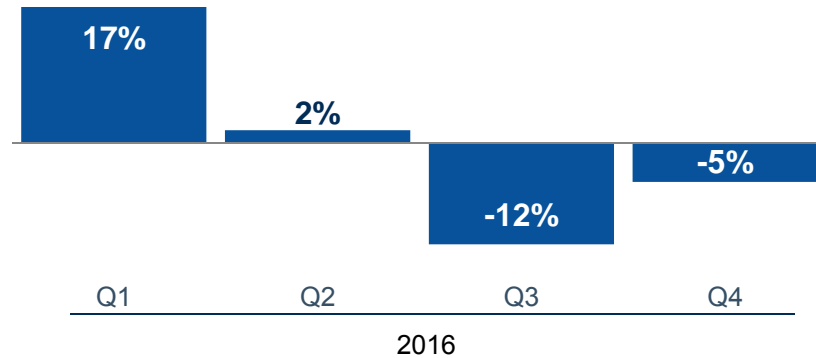
³ Calculated by closing 31st December net banking debt / adjusted EBITDA

2016 Market Dynamics

Market impacted in 2016 by stamp duty changes, EU referendum and evolving channel dynamics with online/hybrid agents

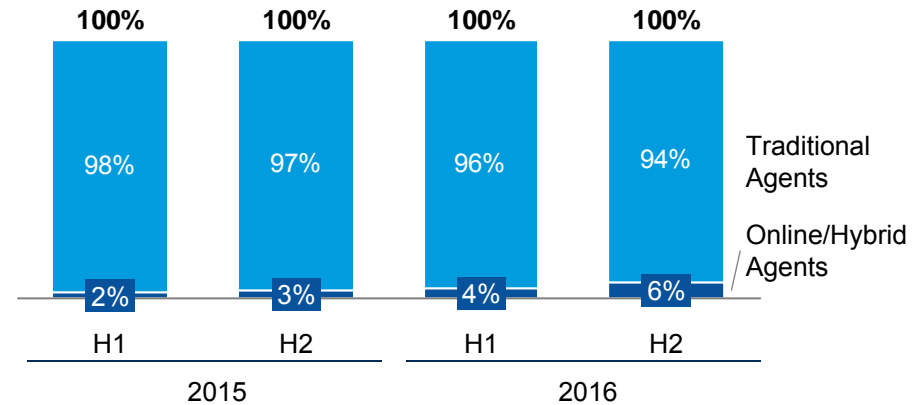
Approvals for house purchases ¹

(% YoY Growth)



- Q1 approvals for house purchases very strong ahead of stamp duty changes effective 1st April 2016
- Market activity slowed in Q2 after the stamp duty change and ahead of the EU referendum on 23rd June 2016
- Following the EU referendum consumer confidence was impacted and the market experienced double digit YoY decline
- Continuing market contraction during Q4

Share of new sales instructions ²



- Channel dynamics have evolved in 2016 with online/hybrid agents representing c.6% of new instructions in H2
- Traditional estate agents continue to represent the vast majority of the market
- LSL completed extensive consumer and market research in H2 to plan how to capitalise on digital opportunities in 2017 and beyond

¹ Source: Bank of England for House Purchase Approval data (December 2016)

² Source: LSL sourced data analysis

LSL Strategy in 2016, 2017 and Beyond

We consistently implemented our stated strategy in 2016 to deliver a solid operating performance with a deleveraged balance sheet, and are pursuing initiatives to best position LSL for the future

		2016	2017
Estate Agency	Drive operating profit per branch to £80k-£100k	Ongoing focus: medium term ambition	
	M&P branch rollout	Tooting & Tufnell Park in H1 2016	Brixton in Jan 2017. Further office opportunities under evaluation
	Increase recurring income	9 lettings books acquired & organic Lettings growth	Focus on organic Lettings revenue growth
	Selective acquisitions	Group First acquisition	Assess selective acquisitions
Surveying	Optimise contract performance	Continued focus and performance on contracts	
	Improve efficiency and capacity utilisation	Mix of volume and income per job optimised	
	Enhance proposition with technology	Implemented phase 1 of LSL's market leading IT system	Implementing phase 2 of LSL's IT system
	Continue graduate programme	Continue investment in graduate programme	
Planning for the future in Estate Agency	Extensive customer and market research	Research to understand customer needs completed in H2	
	Option evaluation	Explore and evaluate options	
	Operational trials	Selection of options	

Agenda

1.	Group Highlights
2.	Financial Performance
3.	Market Overview, Strategy and Outlook
4.	Q&A
5.	Appendices

Group Financials: Summary

Group delivered solid results despite changing market conditions

	2016	2015	% Change
P&L (£m)			
Revenue	307.8	300.6	2%
Group Underlying Operating Profit ¹	34.6	42.9	(19)%
<i>Margin</i>	11.3%	14.3%	
Exceptionals	32.2	(0.3)	
Profit before Tax	63.5	38.6	65%
Dividends			
Adjusted Earnings Per Share	25.9p	31.5p	(18)%
Dividend Per Share	10.3p	12.6p	(18)%

Financial Summary

- Total revenues up 2% with growth in Estate Agency and Surveying
- LSL performance impacted by changing market conditions
 - Total revenues up 8% in H1, down 3% in H2
 - Group Underlying Operating Profit up 10% in H1, down 28% in H2
- Exceptionals: Zoopla share sale, restructuring costs and PI Costs provision release

¹ Underlying Group Operating Profit is before exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments (as defined in note 4 in the Preliminary announcement)

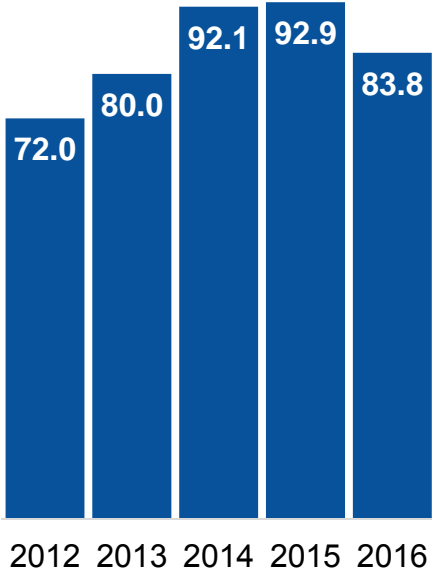
² Adjusted EBITDA: 2016 £40.1m; 2015 £48.2m: used for calculation of the gearing ratio

Estate Agency Revenues

Successfully driving growth across all key business streams over the last 5 years¹

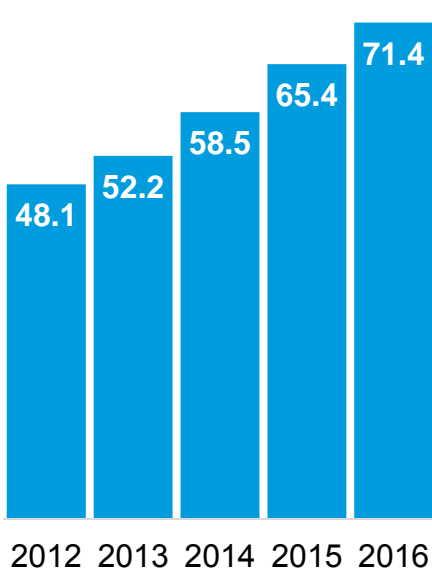
Exchange Income

(£m) CAGR 4%



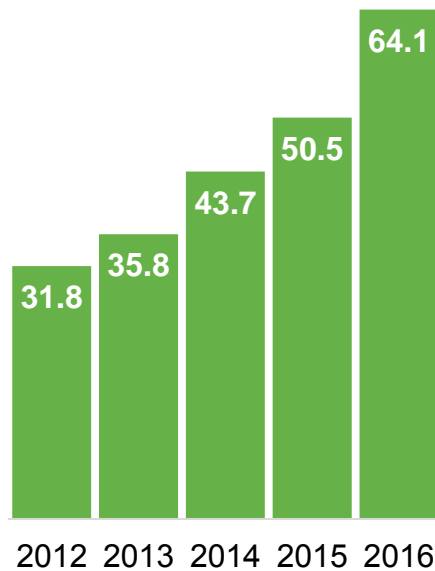
Lettings Income

(£m) CAGR 10%



Financial Services Income

(£m) CAGR 19%



¹ All CAGR's measured over period 2012-2016

Financial Performance: Estate Agency

Strong revenue growth in Lettings and FS

	2016	2015	% Change
P&L (£m)			
Exchange Income	83.8	92.9	(10)%
Lettings Income	71.4	65.4	9%
Financial Services Income	64.1	50.5	27%
Asset Management Income	6.6	7.8	(15)%
Other Income	17.2	19.9	(14)%
Total Revenue	243.1	236.5	3%
Expenditure	(218.6)	(205.2)	(6)%
Underlying Operating Profit	24.5	31.3	(22)%
<i>Operating Margin</i>	10.1%	13.2%	
KPIs			
Exchange units (000's)	27.0	29.3	(8)%
Fees per unit (£)	3,102	3,170	(2)%
Market data			
House purchase approvals ¹ (000's)	799	806	(1)%
Repossessions ² (000's)	7.7	10.2	(25)%

- Fall in exchange units impacted operating profit and operating margin
- Lettings income: 4% organic growth. Growth across all brands. Now represents 29% of Estate Agency income
- Financial Services: adjusting for the acquisition of Group First in Q1, organic revenue growth of 13% across all brands and the intermediary network
- Asset Management revenue performance ahead of the 25% market decline in repossessions. Counter-cyclical business
- Following the EU referendum on 23rd June 2016, 21 Estate Agency offices were closed and selective cost reduction measures were taken

¹ Source: Bank of England for House Purchase Approvals December 2016

² Source: Council of Mortgage Lenders arrears and repossessions data December 2016

Financial Performance: Marsh & Parsons¹

Resilient performance despite a challenging London market in 2016

	2016	2015	% Change
P&L (£m)			
Total Revenue	33.5	35.3	(5)%
<i>Exchange Income</i>	14.2	16.1	(12)%
<i>Lettings Income</i>	18.6	17.5	6%
<i>Other Income</i>	0.7	1.7	(59)%
Expenditure	(29.1)	(28.4)	(2)%
Underlying Operating Profit	4.4	6.9	(36)%
<i>Operating Margin</i>	13.1%	19.5%	

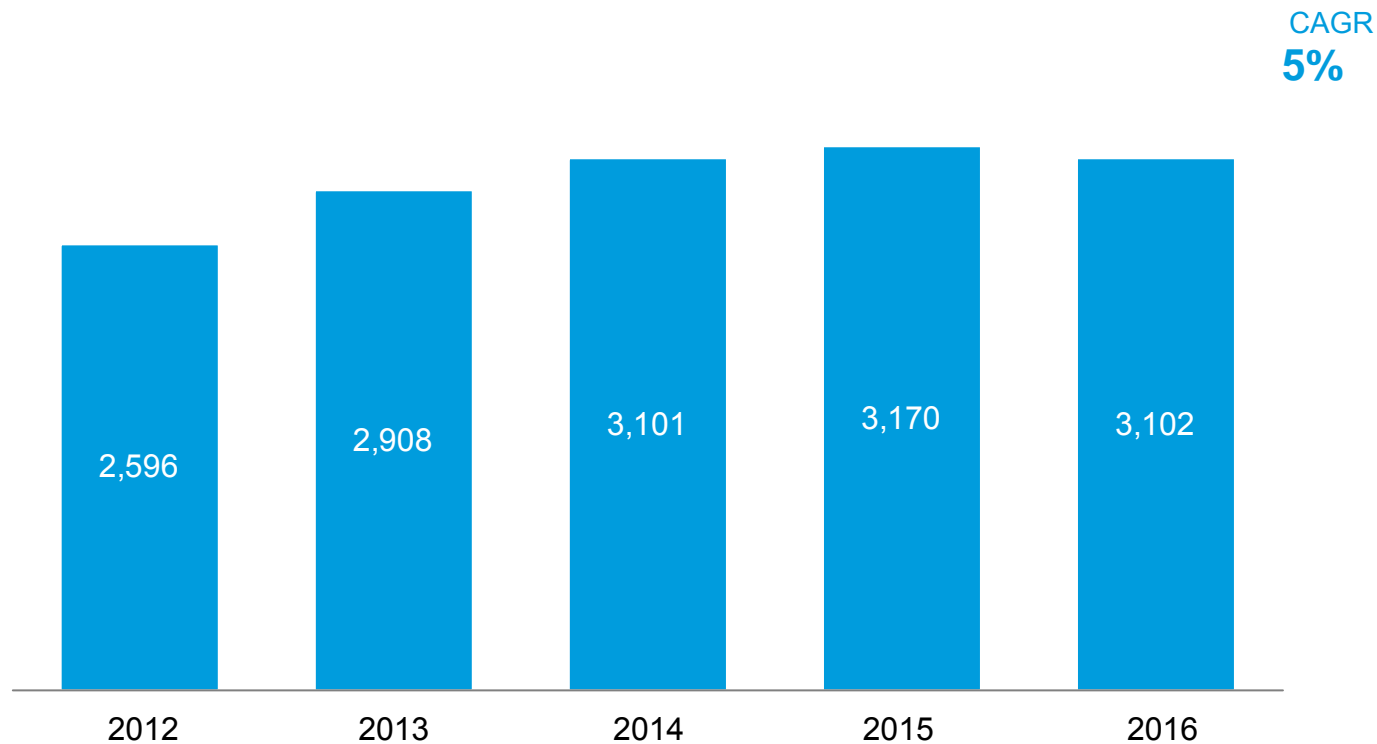
- Exchange income down by 12% held up well given the challenging London market²
- Strong Lettings performance; Lettings revenue now represents more than half of total revenues
- Two new office openings during the year in Tooting and Tufnell Park

¹ Included in Estate Agency financial performance on slide 9

² LSL management estimate London market volumes to have dropped by 20%-40% in 2016 dependent on the postcode

Financial Performance: Average LSL residential exchange fee¹ (£)

LSL has been consistently disciplined in its residential exchange fee strategy



¹ CAGR¹ measured over period 2012-2016

Financial Performance: Surveying

Strong margins maintained

	2016	2015	% Change
P&L (£m)			
Total Revenue	64.7	64.1	1%
Expenditure	(47.2)	(46.0)	(3)%
Underlying Operating Profit	17.5	18.1	(3)%
Operating Margin	27.1%	28.3%	
KPIs			
Jobs performed (000's)	318	327	(3)%
Revenue from private surveys (£m)	2.3	2.4	(4)%
Income per job (£)	203	196	4%
Number of qualified surveyors at 31 st December ¹	323	347	(7)%
Balance Sheet (£m)			
PI Costs Provision at 31 st December	20.7	29.7	(30)%

- Mix of volume and income per job optimised delivering revenue growth
- Capacity optimisation maintained underpinning a 27.1% profit margin
- LSL's graduate programme continues and assists in adding capacity

¹ FTE (Full Time Equivalent)

Financial Performance: Joint Ventures and Other Investments

TM, LMS, GPEA

- 33.33% (2015: 33.33%) interest in TM Group, a joint venture whose principal activity is to provide property searches
- 50.00% (2015 49.99%) interest in LMS, a joint venture whose principal activity is to provide conveyancing panel management services
- 18.1% of GPEA, a membership organisation with a national network of independently owned estate agents

All trading in line with expectations

Financial Performance: Exceptionals

	2016	2015
Exceptional Items (£m)		
Exceptional gains:		
Gain on disposal of Zoopla shares	32.9	-
PI Costs provision release	1.6	-
Branch closure and restructuring costs	(2.3)	(0.3)
Net exceptional gains / (costs)	32.2	(0.3)

- Exceptional gain of £32.9m from the sale in H2 of LSL's holding of 11.3m shares generating total cash proceeds of £36m
- Branch closures and restructuring costs in H2

	2016	2015
PI (£m)		
PI Costs provision	20.7	29.7
PI cash payment	8.1	11.2

- Positive progress made in addressing historic claims
- Overall exceptional release of £1.6m
- Valuation controls continue to be enhanced to manage future PI risk

Group Financials: Cashflow

Business is extremely cash generative at the operational level

	2016	2015
Operating Cashflows (£m)		
Operating profit	34.6	42.9
Working capital, depreciation, etc.	7.2	5.1
Cashflow from operations (pre PI & exceptionals)	41.8	48.0
PI Costs Payments	(8.1)	(11.2)
Exceptional costs paid	(1.0)	(0.3)
Cashflow from operations (post PI & exceptionals)	32.7	36.5
Sale of Zoopla shares	36.0	0.3
Acquisitions	(6.9)	(12.4)
Investments in JVs / financial assets and contingent / deferred consideration	(6.0)	(5.2)
Payment of loan notes (deferred consideration)	(7.3)	-
Capital expenditure	(6.0)	(7.7)
Dividends paid	(12.9)	(12.6)
Interest and tax	(10.8)	(7.5)
Other	0.8	3.4
Net Cashflow	19.6	(5.2)
Closing Net Bank Debt 31st December	(20.3)	(39.9)

- Strong operational cash generation converting 94% of operating profit to cashflow from operations (2015: 85%)
- Balance sheet de-geared. 2016 Net banking debt of £20.3m at 0.51x EBITDA (2015: 0.83x)
 - Sale of Zoopla shares
 - H2 pause of acquisitions
- £100m banking facility renewed in May 2016 (2020 maturity)

Agenda

1.	Group Highlights
2.	Financial Performance
3.	Market Overview, Strategy and Outlook
4.	Q&A
5.	Appendices

Market Overview, Strategy and Outlook

1

Market overview- volume & house price trends; market dynamics

2

Delivering on our existing strategy

3

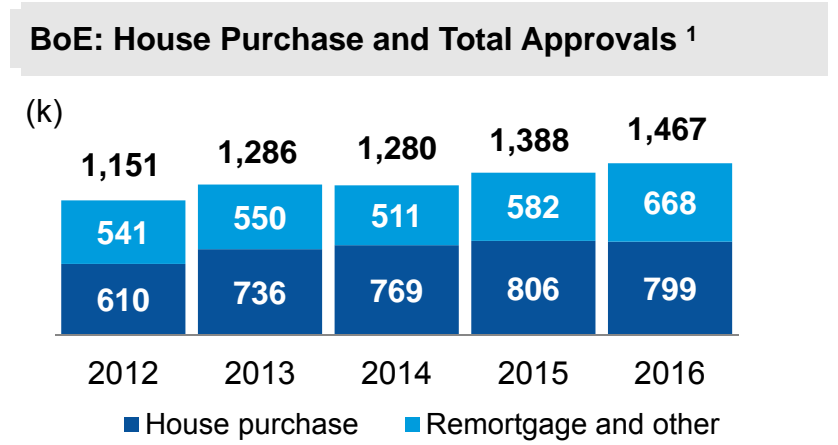
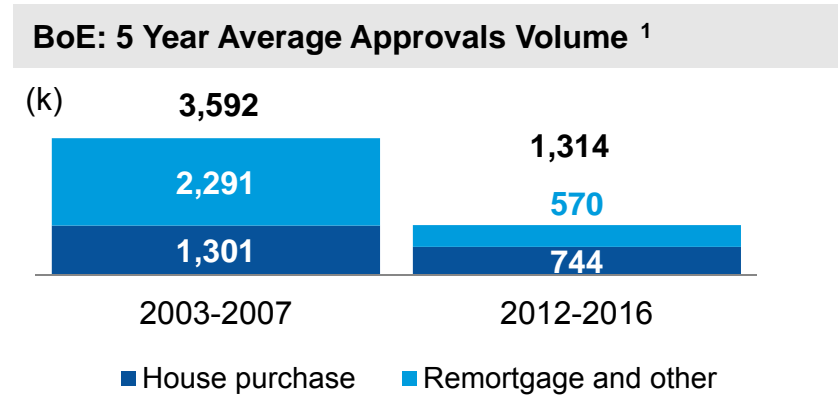
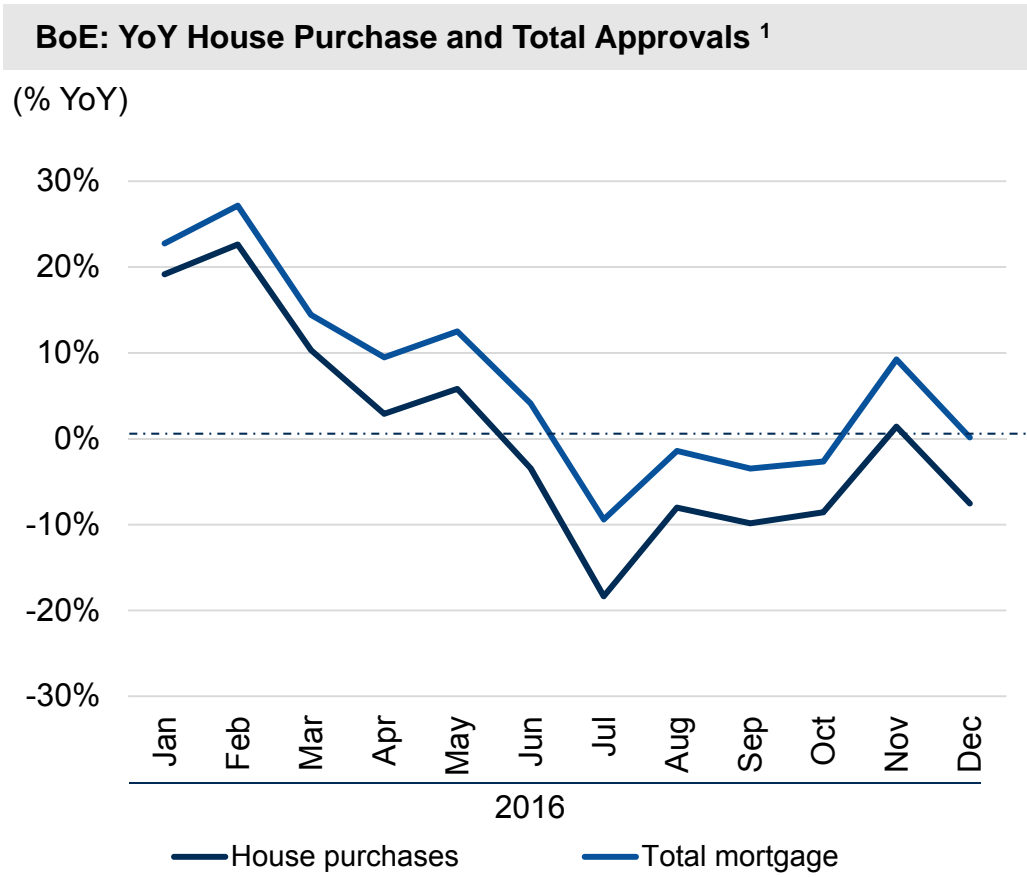
Planning for the future

4

Outlook

1 Market Overview: Volume Trends

A changing market in 2016 due to stamp duty changes and the impact of EU referendum



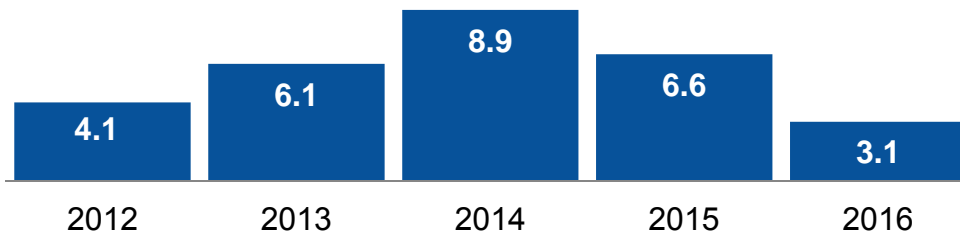
¹ Source: Bank of England for House Purchase Approvals, Remortgage and Other Approvals and Total Approvals

1 Market Overview: House Price Trends

UK regions (excluding prime Central London) saw positive house price growth in 2016

England and Wales – House Price Changes ¹

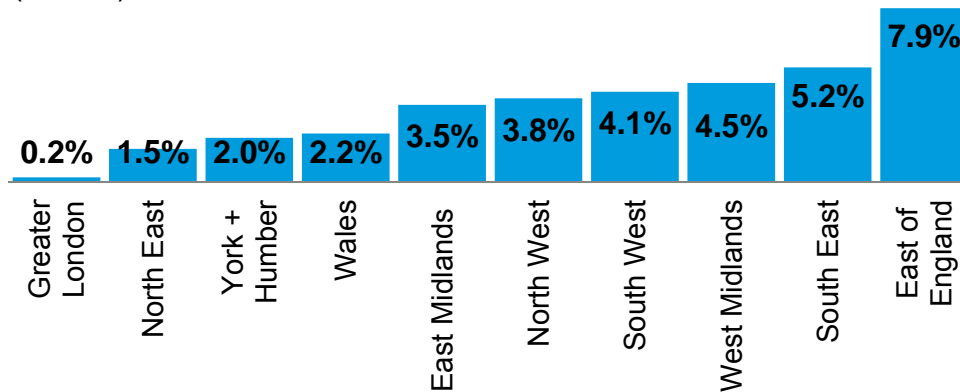
(% YoY)



- Average house prices in England and Wales increased by 3.1% to £298k in 2016
- Significant regional variations:
 - London house prices were up 0.2%, reflecting a divergent performance as prime central London values fell, whilst other outer London values increased,
 - Excluding London and the South East, average increase was 4.4%

House Price Movements by Region during 2016 ¹

(% YoY)



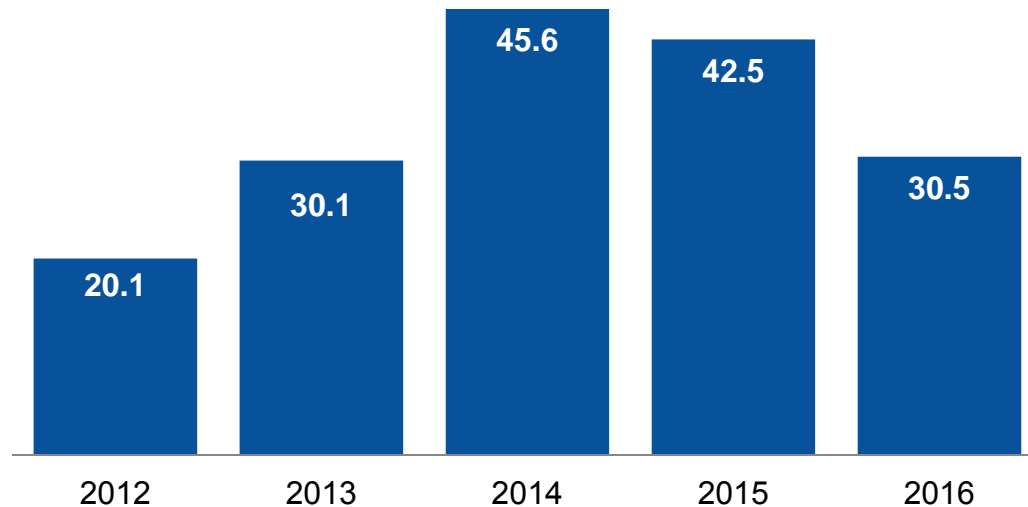
¹ Source: December 2016 LSL Property Services / ACADATA HPI – December 2016

2 Estate Agency Strategy: Drive Operating Profit per Branch

The ambition going forwards is to achieve £80k to £100k profit per branch in the medium term for Reeds Rains, Your Move and LSLi branches

Estate Agency Operating Profit per Branch

(£k)



LSL's branch profitability decline from 2014 to 2016 was impacted by:

- Reduction in Exchange Income/margin caused by Exchange unit volume reduction
- This was partly offset by growth in Lettings and Financial Services Income/margin

LSL plans to drive future branch profitability through:

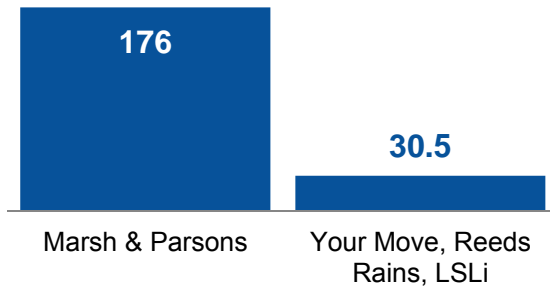
- Lettings Income growth
- Financial Services Income growth
- Land and New Homes Income growth
- Re-engineering the cost base

2 Estate Agency Strategy: Marsh & Parsons Branch Rollout

Marsh & Parsons is an award winning estate agency focused on the London market

2016 Branch Profitability

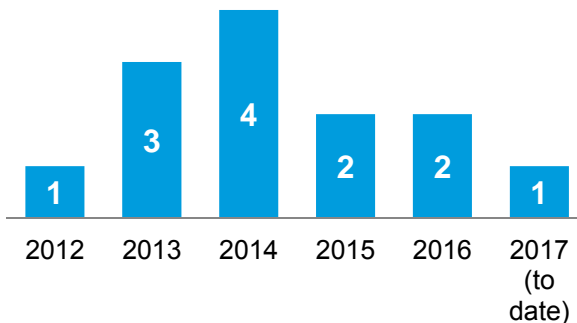
(£k)



Marsh & Parsons delivers strong branch profitability

- Strong Lettings business now accounting for more than half total revenues
- Ambition is to expand the number of branches to 36 by 2019
- Good footprint in prime Central London, outer prime provides good opportunities

Marsh & Parsons New Branch Openings



- Good results from offices opened in 2015
- Tooting and Tufnell Park opened in 2016: trading is positive
- Brixton opened in January 2017
- Further new offices are under evaluation

MARSH & PARSONS

Awards

Estate Agency of the Year Awards 2016, sponsored by The Times & Sunday Times

- Overall Winner of the Estate Agency of the Year Award
- Best Large UK Estate Agency– Gold Award

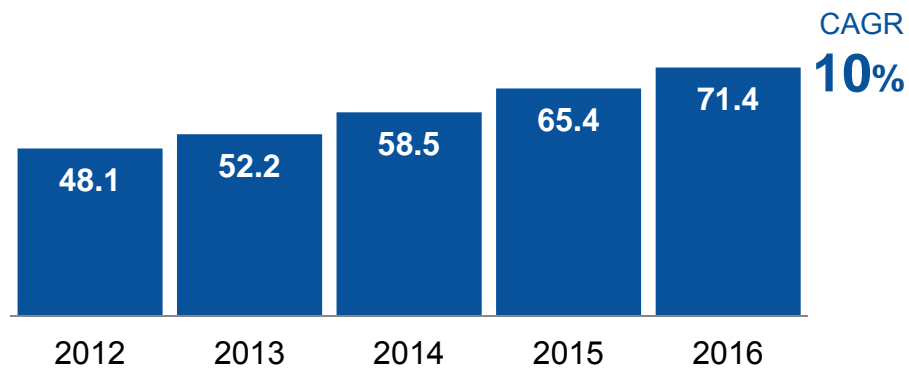


2 Estate Agency Strategy: Recurring Income Streams

One of our key objectives is to grow recurring and where market conditions permit, counter-cyclical revenue streams

Recurring Revenue (Lettings)

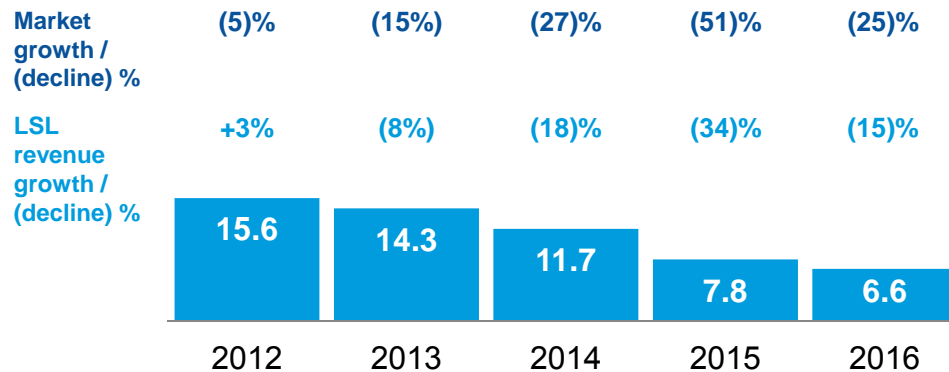
(£m)



- The business continues to grow Lettings through organic growth in the highly fragmented market
- LSL approach: Lettings specialists, dedicated management and consistent execution

Counter-cyclical Revenue (Asset Management)

(£m)



- Asset Management revenue has outperformed market conditions

2 Estate Agency Strategy: Acquisitions

LSL Group has been acquisitive and we continue to selectively evaluate new opportunities to continue our strategy of selective acquisitions

Historically one to two acquisitions made per year



Acquired a 65% interest in Group First in February 2016 for a total cash consideration of £9.1m¹

- Provides mortgage and protection brokerage services to purchasers of new homes
- Management team retain 35% led by the CEO who founded the business in 1988
- Supports LSL's strategy to grow long term profitability in the UK residential property services sector
- Performance has been in line with expectations since acquisition

¹ 50% paid in 2016, 50% deferred consideration payable in 2017

2 Estate Agency Strategy: Acquisitions – Lettings Books

- Nine letting books were acquired in H1 for a total consideration¹ of £4.1m
- Lettings book acquisitions paused in H2

	2013	2014	2015	2016
Number of lettings book acquisitions				
H1	2	3	13	9
H2	3	7	17	-
Full Year	5	10	30	9

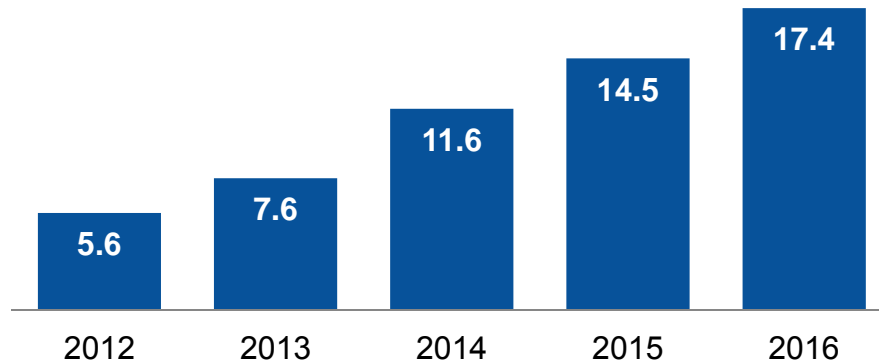
	2013	2014	2015	2016
Investment (£m)				
H1	£0.5m	£0.6m	£3.9m	£4.1m
H2	£1.1m	£1.2m	£5.7m	-
Full Year	£1.6m	£1.8m	£9.6m	£4.1m

- In aggregate the lettings book acquisitions have performed in-line with expectations and have together met the expected investment return criteria

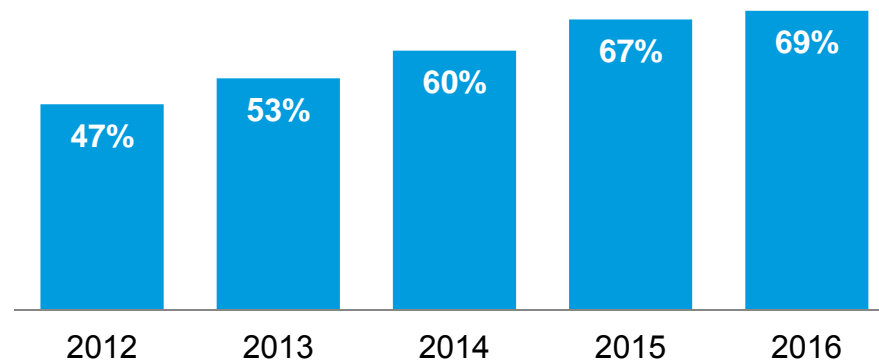
¹ Total consideration includes the maximum contingent consideration.

2 Estate Agency Strategy: Financial Services

Value of LSL Financial Services mortgage completions (£bn)



Market overview: percentage of intermediary market share for residential property excluding BTL¹



Growth in value of mortgage completions

- Strong growth in the value of mortgage completions representing an increase in LSL market share to 7.1% in 2016 (2015: 6.5%) with the second largest network (measured by combined numbers of advisors across both networks)

Strategy

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

¹ Source: CML, new mortgages sold via intermediaries February 2017. Graph excludes BTL lending which is predominantly distributed via intermediaries

2 Surveying Strategy

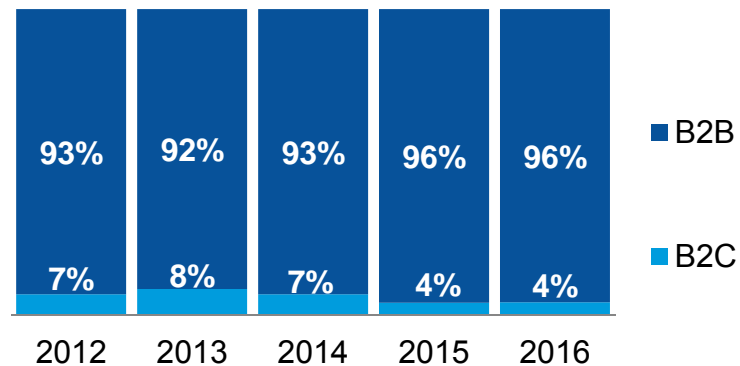
Strategy

- The strategy is to focus on the B2B market where the economics are most favourable
- Optimise contract performance and revenue generation from B2B customers
- Investment in market leading IT system in 2016, that provides a scalable and secure technology
- Focus on improving our efficiency through optimising capacity management supported by the continued roll-out of IT technology
- Graduate programme

New technology

- In 2016 the Surveying Division moved its technology base away from legacy industry systems and set the foundations for new functionality and developments
- 2016 implementation of iPad based mobile applications for surveyors integrated with a new back office system that joins up end-to-end processes
- The new system improves quality, service performance and risk management for clients
- The technology roll-out continues during 2017 with further functionality releases

B2B and B2C revenue

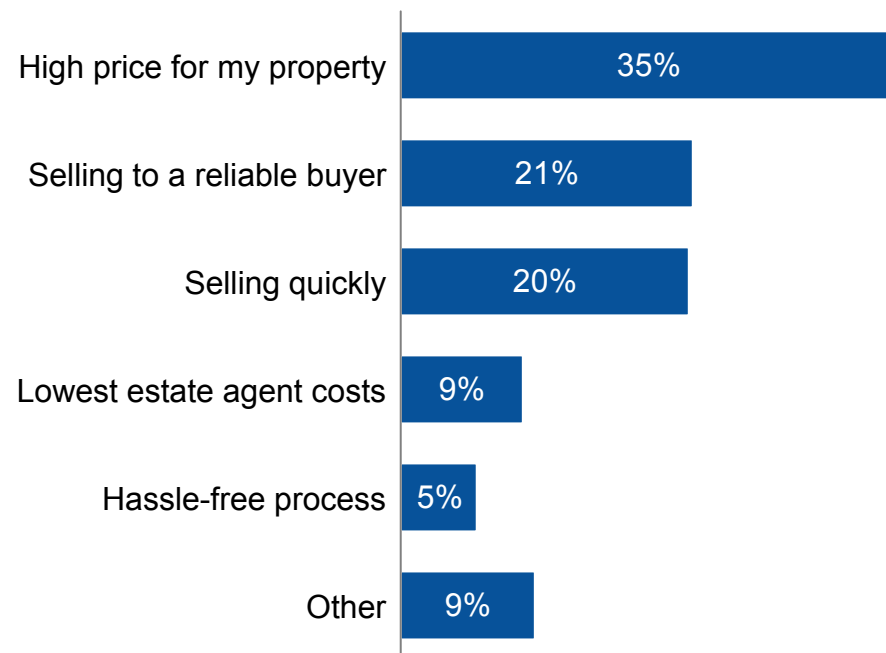


3 Planning for the Future (1)

In H2 2016 we carried out extensive independent research to assess customer needs for the future. Sellers have a range of priorities when selling their homes

“When you decided to put your property on the market, what were your main priorities for the sale?”¹

(% respondents selecting most important priority)



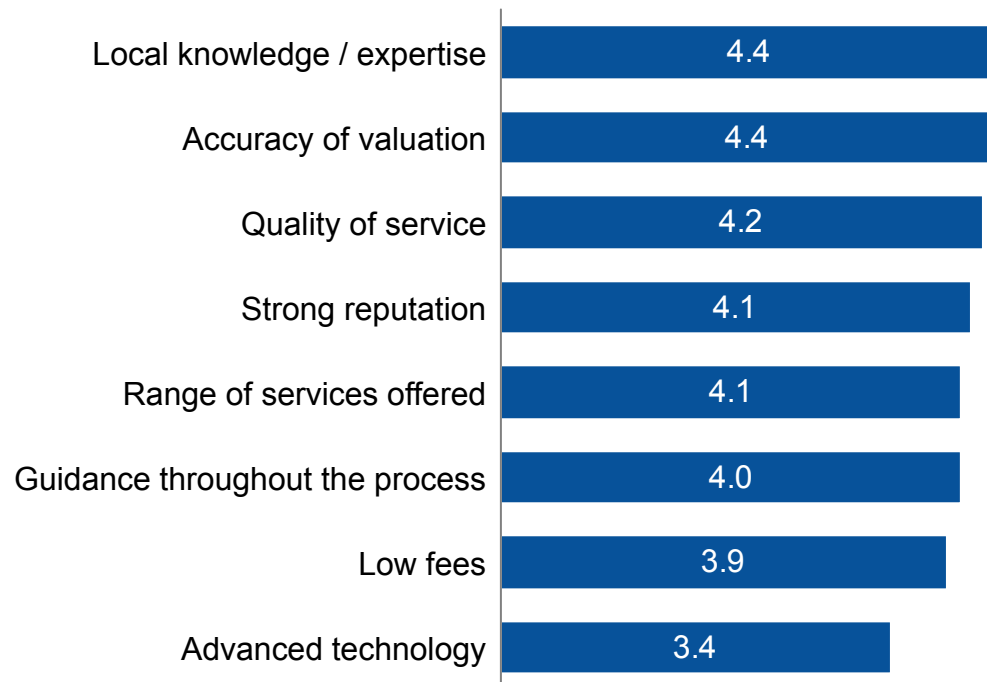
- In H2 2016 we conducted extensive consumer research looking into the perceptions of estate agents and habits of sellers
- Field work data carried out in Q4 2016 in surveys and focus groups
- c.400 sellers who had taken part in a sales process over the last 24 months were surveyed
- c.75% of sellers said that achieving a high price, selling quickly and selling to a reliable buyer are the most important priorities

Source: Field work data Q4 2016. 400 participants

3 Planning for the Future (2)

“How important were the following criteria in choosing which estate agent would put your property on the market?”¹

(Average score out of 5 where 1= Not Important and 5 = Very Important)



- Local knowledge, accurate valuations and quality of service are the top three key criteria for sellers
- Low fees and advanced technology are only important once the core basics are mastered
- With a network of local branches, LSL is in a strong position to build upon these
- LSL is exploring initiatives to improve its proposition including investing further in technology

Source: Field work data Q4 2016. 400 participants

3 Planning for the future

We are pursuing initiatives to best position LSL for the future and will provide a further update during 2017



4 Outlook

- We have started the year positively in both the Estate Agency and Surveying Divisions
- In the Estate Agency Division, trading is encouraging and in-line with expectations, with quality buyers and good availability of mortgages. Whilst there remains a shortage of stock, our sales conversion remains strong
- In our Surveying Division, trading is in-line with expectations and the second phase of the technology refresh is progressing well
- Whilst it is difficult to accurately predict housing market transactions and consumer confidence for the remainder of the year, 2017 is expected to see a reduced volume of house purchase transactions compared to the prior year, with modest house price inflation outside prime Central London. However, mortgage costs and availability remain positive and the medium to longer-term fundamentals of the UK housing market remain robust
- Underpinned by a series of strategic initiatives, the business is well placed to deliver a solid performance in 2017. We are positive regarding the outlook for the business, committed to driving profitable organic growth across the business, and will continue to evaluate selective acquisitions
- The Group has a robust balance sheet with relatively low levels of gearing and is very cash generative at an operational level. The business is well placed to capitalise on market conditions to increase shareholder value

Agenda

1.	Group Highlights
2.	Financial Performance
3.	Market Overview, Strategy and Outlook
4.	Q&A
5.	Appendices

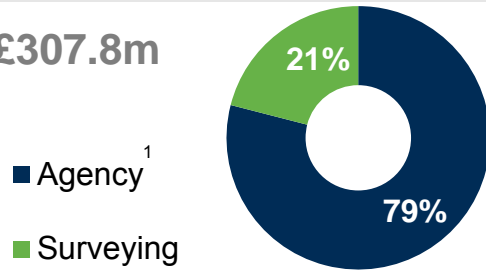


Appendices

LSL Property Services plc – Business Overview

2016 Revenue

£307.8m

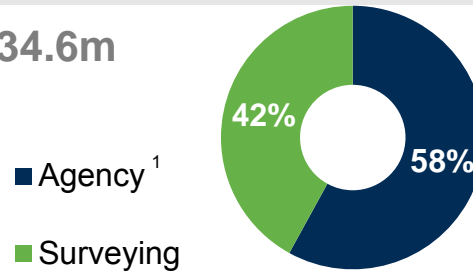


■ Agency¹

■ Surveying

2016 Operating Profit

£34.6m

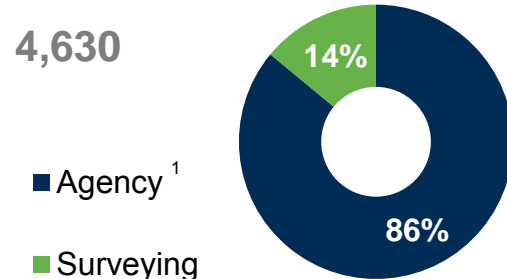


■ Agency¹

■ Surveying

2016 Average FTE²

4,630



■ Agency¹

■ Surveying

¹ Includes Estate Agency branches, Financial Services, Asset Management

² FTE (Full Time Equivalent)

Segments				Branch numbers (at 31 st December 2016)				Estate Agency Revenue Split		
Business	Primary Channel	Geography	Consumer brands	Business	Owned	Franchise	Total	Brand	Percentage	Coverage
Estate Agency	B2C	UK	12	Your Move	202	65	267	Marsh & Parsons	16%	Central London
Surveying	B2B	UK	-	Reeds Rains	117	40	157	LSLi	19%	London / SE
				LSLi	63	2	65	Reeds Rains	22%	Predominantly North
				Agency Branches	382	107	489	Your Move	43%	National coverage
				Marsh & Parsons	25	-	25			
				Total	407	107	514			

Financial Performance: Operating Profit per Branch

Break-down of Operating Profit per Branch

	2016			2015		
	Operating Profit £M	Branch Numbers	Operating Profit Per Branch £k	Operating Profit £M	Branch Numbers	Operating Profit Per Branch £k
Estate Agency Branches (excluding Marsh & Parsons)						
Operating profit	11.64			16.97		
Operating branch numbers (owned)		382			399	
Operating profit per branch			30.5			42.5
Marsh & Parsons						
Operating profit	4.40			6.86		
Operating branch numbers		25			23	
Operating profit per branch			176			298
Other						
Financial Services including Group First operating profit	5.31			2.74		
Other Estate Agency operating profit (including Asset Management)	3.14			4.72		
Total Estate Agency Division Underlying Operating Profit	24.5			31.3		

2 Estate Agency Strategy: Marsh & Parsons Branch Rollout

Branch Openings since 2013



South Kensington
January 2013



Bishop's Park
June 2013



Marylebone
June 2013



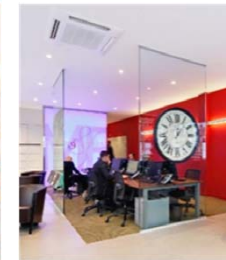
Shepherd's Bush
March 2014



East Sheen
September 2014



Richmond
September 2014



Camden
October 2014



Shoreditch
February 2015



Queen's Park
April 2015



Tooting
January 2016



Tufnell Park
May 2016



Brixton
January 2017



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, LSL undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. LSL 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.

