

**Growth.  
Focus.  
Execution.  
Technology.  
People.**

## **Preliminary Results**

**16 March 2022**

# **LSL**





# Agenda

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Looking back: 2021 performance

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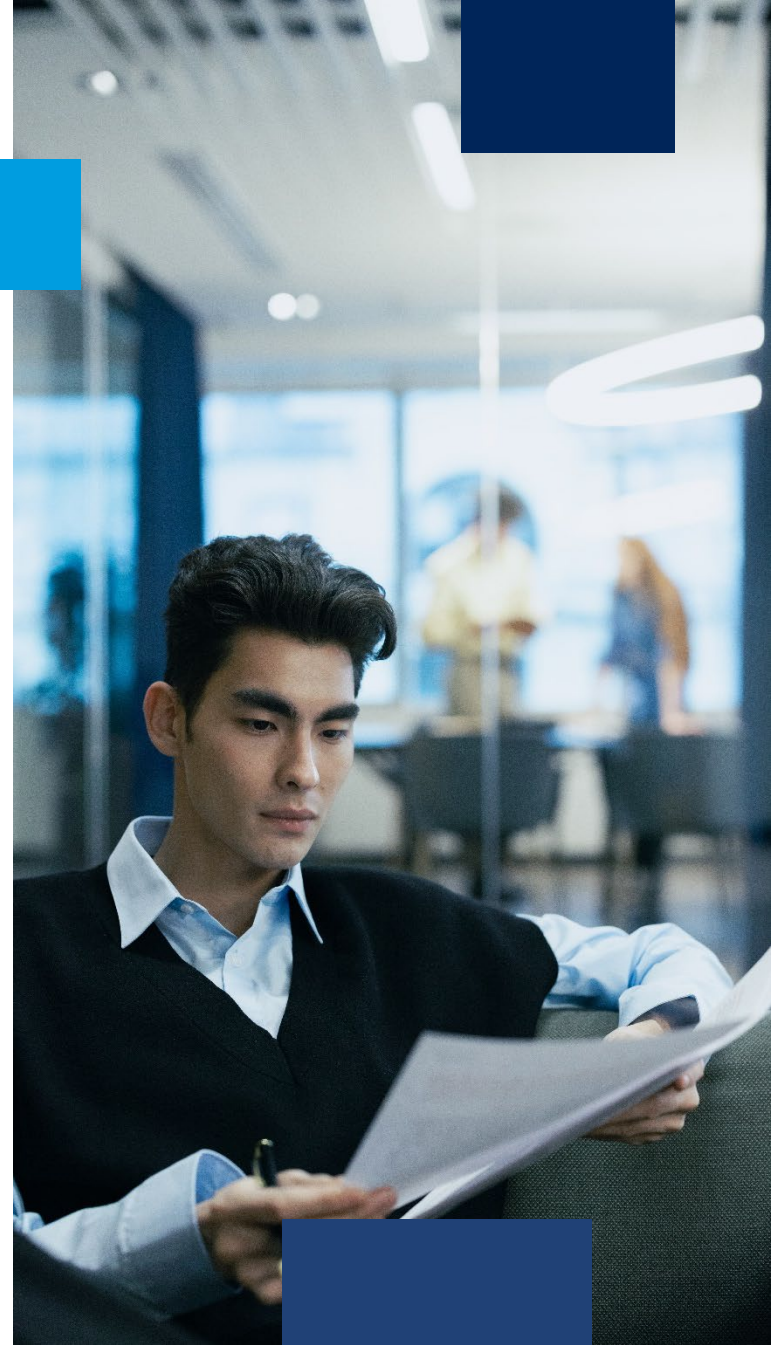
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# Looking back: 2021 performance

## Highlights



# Record performance

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£49.3m

Group Underlying Profit  
+40%

£69.9m

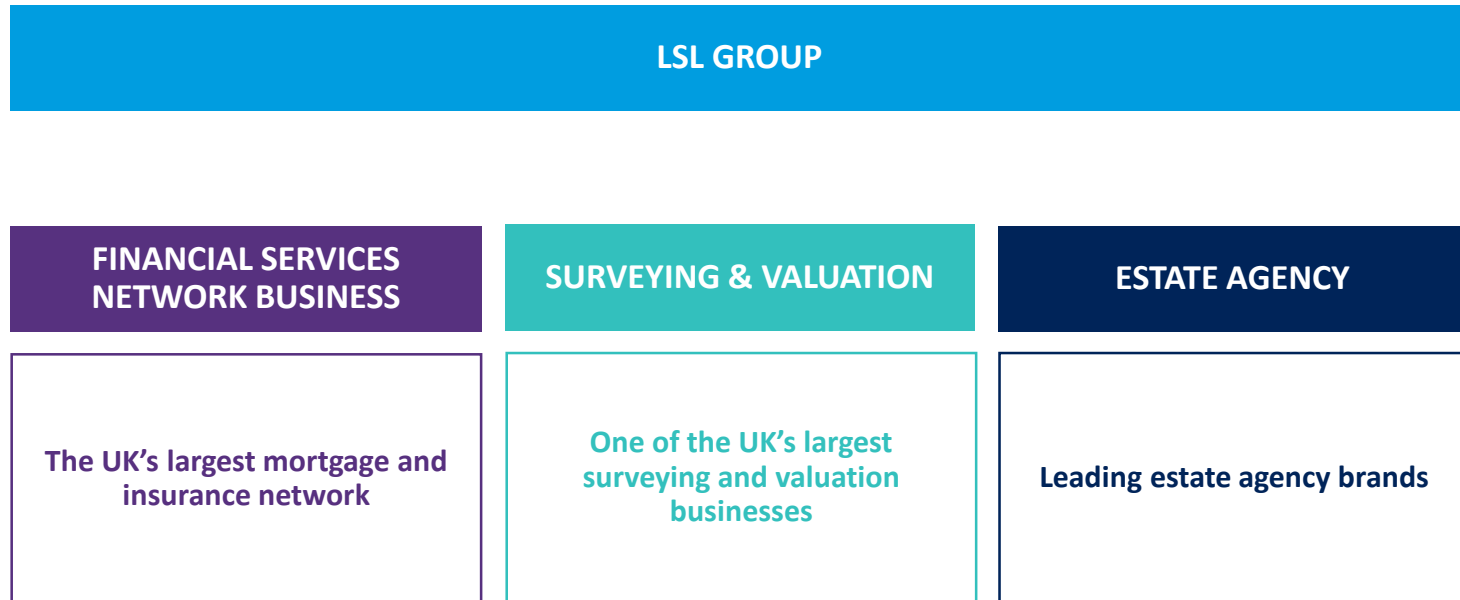
Profit Before Tax  
+234%

£48.5m

Net Cash  
+£50.1m

# LSL operates three core businesses

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# Each performed strongly

## LSL GROUP

FINANCIAL SERVICES NETWORK BUSINESS		SURVEYING & VALUATION		ESTATE AGENCY	
Record operating profit	£14.4m +34%	Operating profit	£23.6m +46%	Operating profit	£18.4m +53%
Record adviser numbers	2,858 +11%	Jobs performed	540,511 +11%	Exchange units	18,845 +46%
Record lending	£41.1bn +26%	Jobs per average surveyor	1,079 +14%	Lettings Income	£62.0m +6%
Record mortgage market share	9.6% +60bps	Private survey and data income	£2.2m +96%	Franchise income	£2.7m +64%

# Record Underlying Operating Profit of £49.3m after expensing c.£3m to develop FS technology and D2C

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## FINANCIAL SERVICES

### TECHNOLOGY

Digital mortgage technology

Digital protection technology

### DIRECT TO CONSUMER

Restructure of D2C businesses

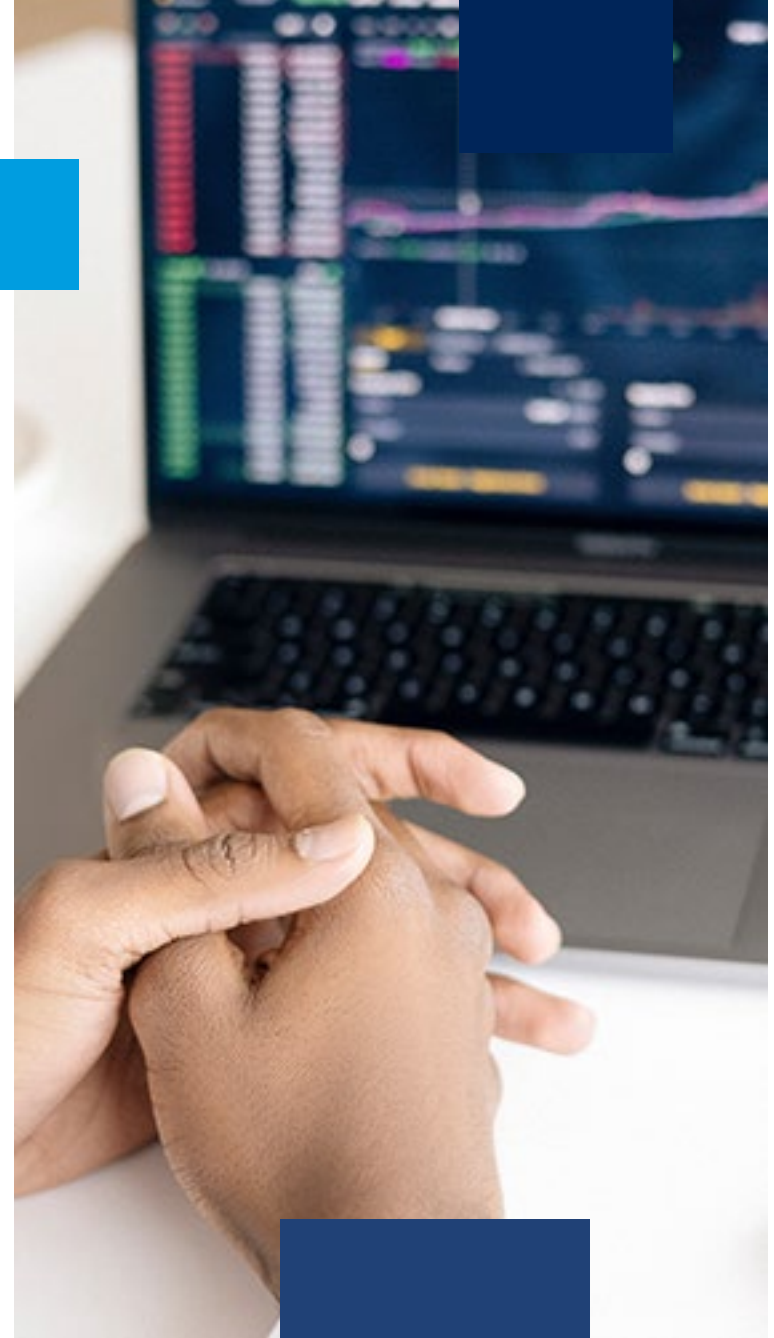
New distribution partnership

'Buy and build' joint venture



# Looking back: 2021 performance

Performance review





# Record Group Underlying Operating Profit with strongest balance sheet ever

## Group

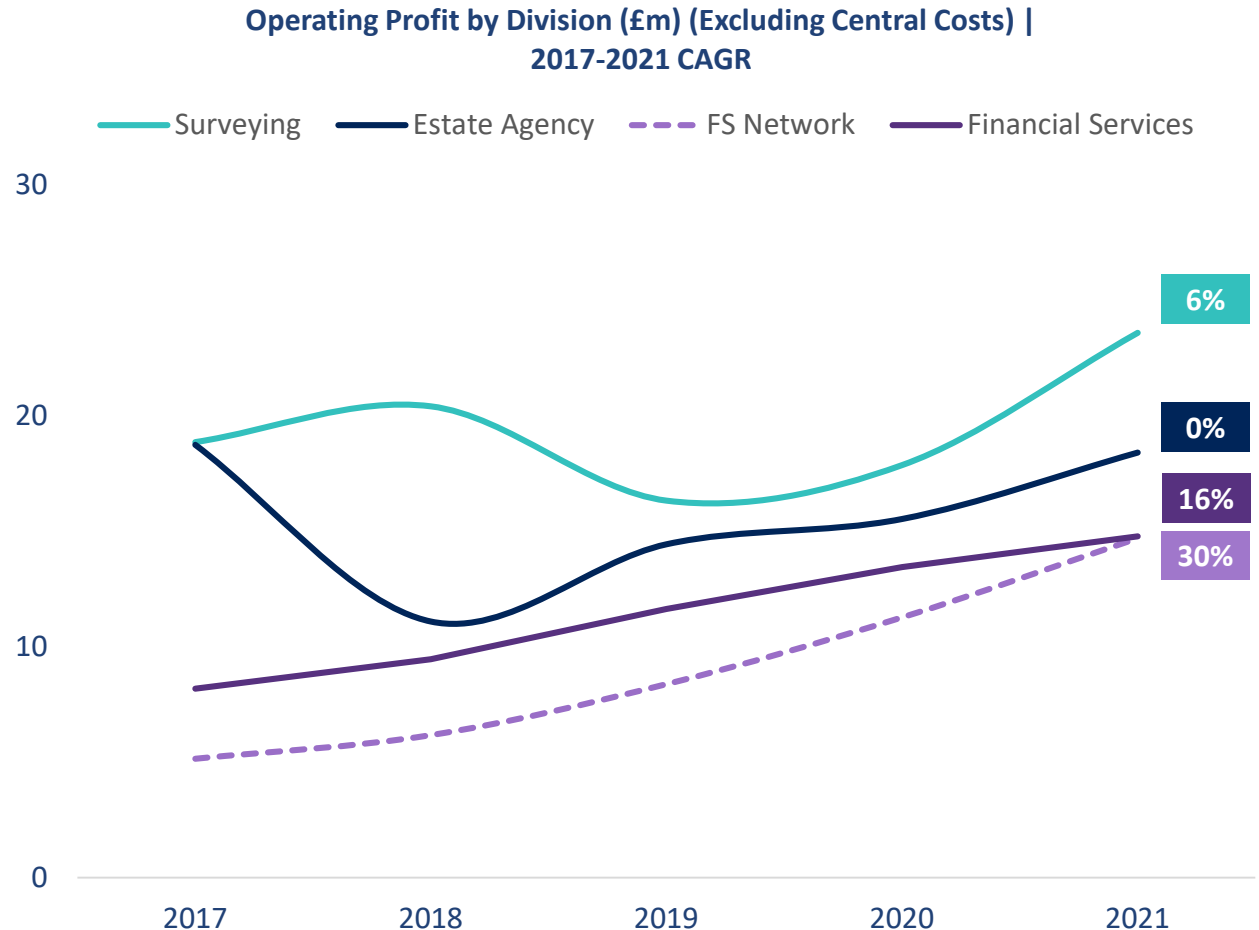
- Record Group Revenue
- Record Operating Profit
- Record Profit Before Tax
- Record Net Cash
- Improved Operating Margin
- Net Exceptional Gain
  - Profit on disposal of investments (+£29.4m)
  - JV set-up costs (-£1.3m)
  - D2C restructuring costs (-£0.7m)
  - PI provision release (+£1.6m)
- Resumption of dividend in line with reinstated policy

FY Highlights (£m)	2021	2020	Variance
Group Revenue	<b>326.8</b>	266.7	23%
Group Underlying Operating Profit (Post COVID-19 Costs)	<b>49.3</b>	35.2	40%
Group Underlying Operating Margin (Post COVID-19 Costs)	<b>15%</b>	13%	+190bps
Net Exceptional Gains / (Costs)	<b>29.0</b>	(6.5)	nm
Profit Before Tax	<b>69.9</b>	20.9	234%
Adjusted Basic Earnings per Share (pence)	<b>37.7</b>	31.9	18%
Net Cash / (Net Bank Debt)	<b>48.5</b>	(1.6)	nm
Final Proposed Dividend (Pence)	<b>7.4</b>	Nil	nm
Full Year Dividend (Pence)	<b>11.4</b>	Nil	nm

# Strong strategic execution in Financial Services Network and Surveying & Valuation plus EA market share gains

## Group

- FS Network CAGR since 2017 is 30%
- Surveying & Valuation CAGR since 2019 of 20% and 6% since 2017
- Estate Agency profits returned to 2017 levels from a significantly-reduced branch network (total branches reduced to 363 in 2019, from 505 in 2017)
- 2021 Financial Services profits includes c.£3m expensed on technology and D2C



# Record Financial Services Network performance and investment in technology and D2C

## Financial Services

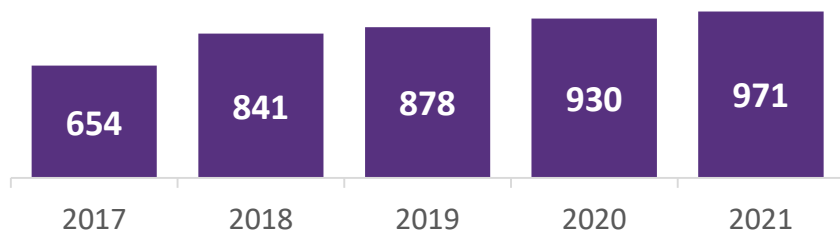
- FS Network Gross Revenue up 22%
- FS Network Operating Profit up 34%
- Gross Revenue per Adviser up 7% to £93k
- Investment in FS Other includes:
  - New Build D2C Businesses
  - EA Distribution D2C Businesses
  - FS Technology Businesses
  - Joint Venture with Pollen Street Capital
- Weaker execution in FS New Build D2C and LSL EA Distribution D2C Businesses
- Joint Venture operating cost of £0.9m
  - First acquisitions announced in December 2021 and February 2022

Financial Services P&L (£m)	2021	2020	Var.
FS Network Gross Revenue	295.9	243.5	22%
FS Network Net Revenue	38.3	31.3	23%
FS Other	40.2	29.7	35%
<b>Total Revenue</b>	<b>78.5</b>	<b>61.0</b>	<b>29%</b>
FS Network Business	14.4	10.7	34%
FS Other	0.4	1.6	-73%
<b>Underlying Operating Profit (Post COVID-19 Costs)</b>	<b>14.8</b>	<b>12.3</b>	<b>20%</b>
<i>FS Network Underlying Operating Margin (Post COVID-19 Costs)</i>	<b>38%</b>	34%	+320bps
<i>Underlying Operating Margin (Post COVID-19 Costs)</i>	<b>19%</b>	20%	-130bps
<b>KPIs</b>			
Total Advisers	2,858	2,585	11%
Gross Revenue per Average Adviser (FS Network) (£'000s)	92.5	86.1	7%
Mortgage Lending (£bn)	41.1	32.6	26%
Market Share	9.6	9.0	+60bps
Annualised Premium Equivalent (£m)	70.3	53.5	31%

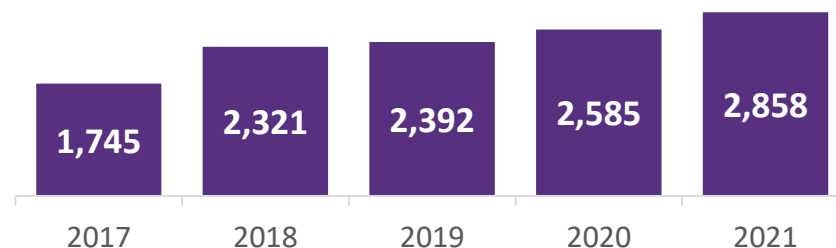
# Consolidated our position as the UK's largest mortgage and insurance network

## Financial Services

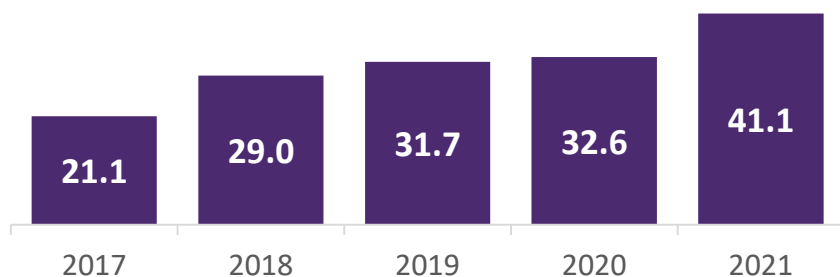
Nearly 1,000 individual firms now use LSL's PRIMIS network, up 54% since end of 2016



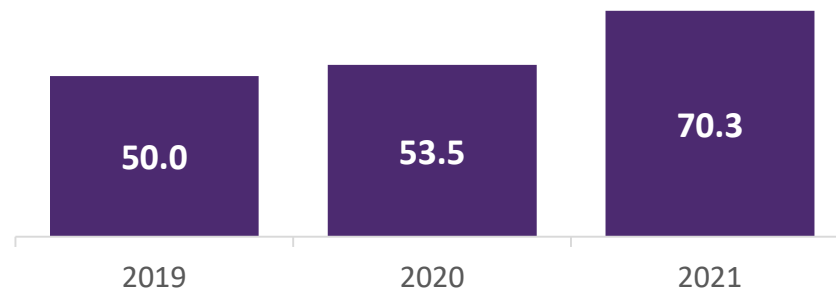
Growth in advisers of 70% since 2016 as existing firms grow within FS Network



Lending exceeded £40bn representing circa one in ten purchase and remortgages



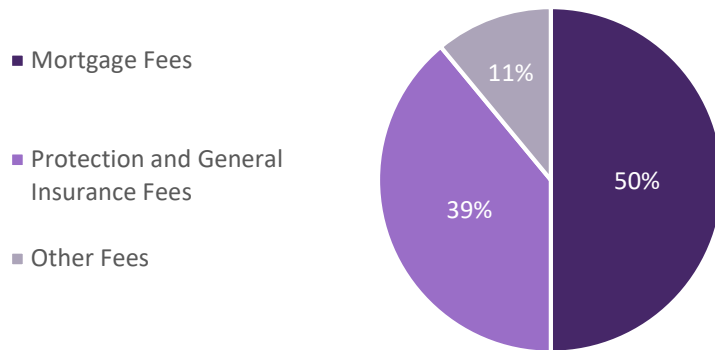
Sustained growth in Annual Premium Equivalent (£m) of high value protection cases



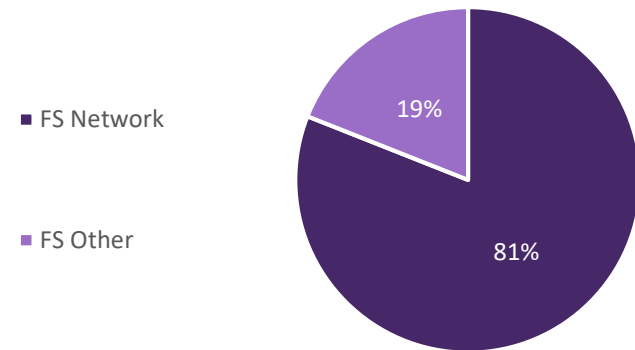
# Protection and general insurance fees are as significant as mortgage income

## Financial Services

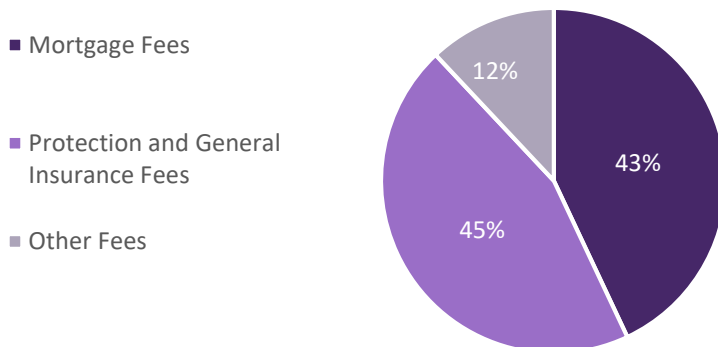
Total Financial Services Gross Revenue Mix by Type



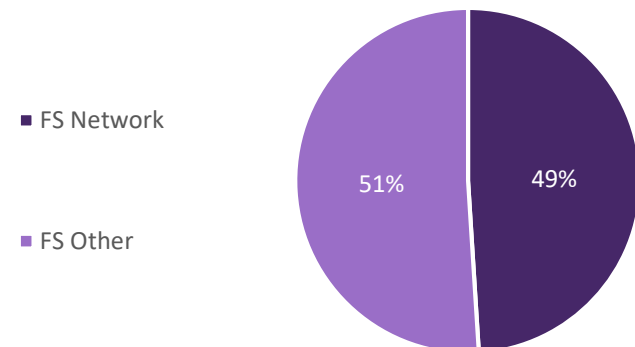
Financial Services Gross Revenue Mix by Channel



Total Financial Services Net Revenue Mix by Type



Financial Services Net Revenue Mix by Channel



# Surveying & Valuation performed extremely strongly and is developing new income streams

## Surveying & Valuation

- Strong service levels, helping achieve increased allocations and major lender contract renewals
- New contract wins
- Around three quarters of our total annual volume is currently secured for two or more years
- Margin benefitted from improved income per job and improved operational capability increasing surveyor utilisation
- Fewer surveyors performed 11% more jobs
- Income per job increased with improved allocations from higher-margin contracts and more physical valuations undertaken than in COVID-impacted 2020
- Good progress in developing D2C and new data revenue streams
- Continued progress in resolving historic PI claims (£1.6m exceptional PI release)

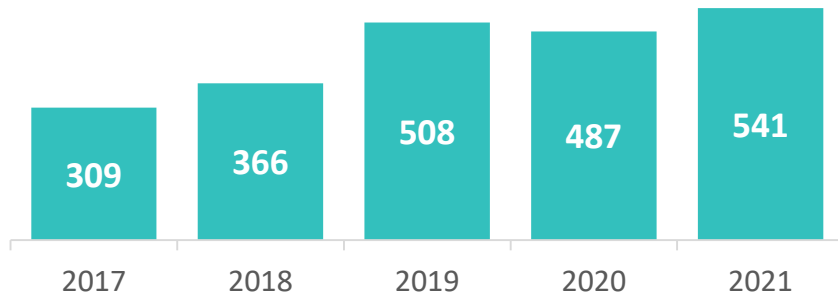
<b>S&amp;V P&amp;L (£m)</b>	<b>2021</b>	<b>2020</b>	<b>Var.</b>
B2B – Valuations	91.5	76.0	20%
Private Survey and Data Income	2.2	1.1	96%
<b>Total Revenue</b>	<b>93.7</b>	<b>77.1</b>	<b>21%</b>
<b><i>Underlying Operating Profit (Post COVID-19 Costs)</i></b>	<b>23.6</b>	<b>16.2</b>	<b>46%</b>
<i>Underlying Operating Margin (Post COVID-19 Costs)</i>	<b>25%</b>	21%	420bps
<b>KPIs</b>			
Jobs Performed ('000s)	<b>541</b>	487	11%
Jobs per Average Surveyor	<b>1,079</b>	947	14%
Income per Job	<b>173</b>	159	9%
FTE Operational Surveyors	<b>489</b>	513	(5)%
PI Costs Provision at 31 December	<b>(3.9)</b>	(7.0)	44%



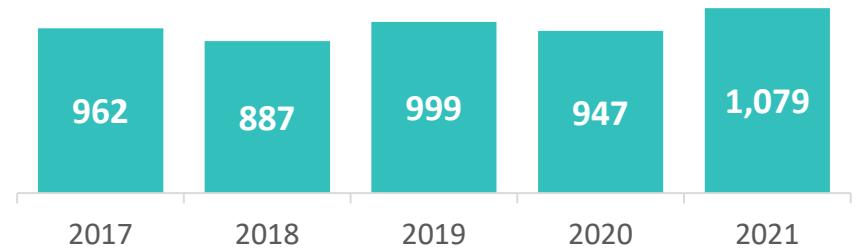
# Enhanced operational capability underpinned strong financial performance

## — Surveying & Valuation —

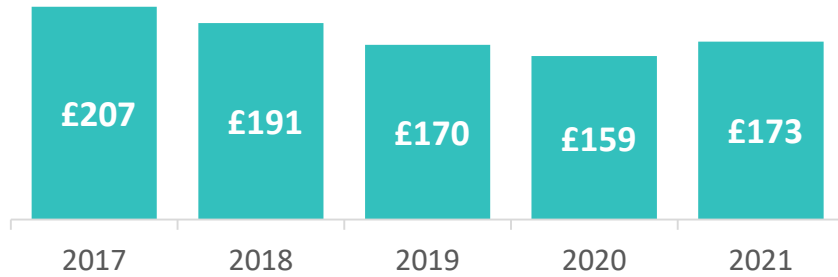
Record number of jobs performed ('000), up by 75% since 2017



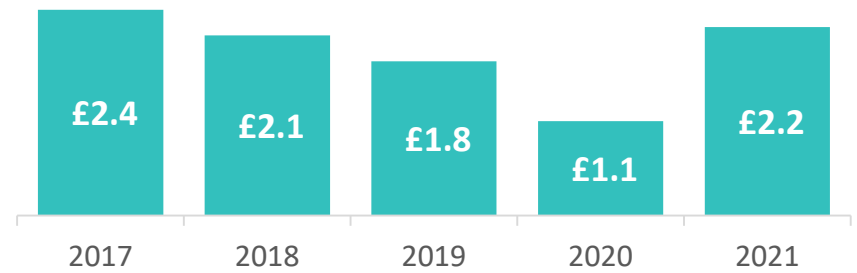
Significant improvement in utilisation with a 14% increase in jobs per surveyor compared to 2020



Increased focus on higher-value work, reflected in improved income per job



Income from Private Surveys and Data doubled to £2.2m in 2021



# Estate Agency took full advantage of a buoyant housing market to grow profit and market share

## — Estate Agency —

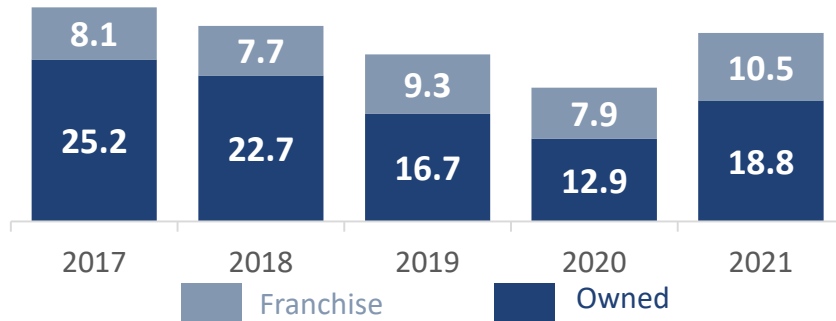
- Residential exchange income up 47%
- Very strong H1 in lead-up to 30 June SDLT deadline (up 104% in line with market)
- LSL outperformed market in H2, which was affected by constraints in market-wide conveyancing capacity (market up 2%: LSL up 9%)
- Retained strong residential pipeline at the year end, just 7% below 2020 record
- Increase in market share of exchanges on a national level and new instruction levels in core catchment areas
- Stock of managed properties maintained in competitive market with shortage of new instructions
- Lettings revenue up 6%, more resilient and less impacted by COVID-19 in 2020

<b>Estate Agency P&amp;L (£m)</b>	<b>2021</b>	<b>2020</b>	<b>Variance</b>
Residential Exchange Income	71.7	48.8	47%
Lettings Income	62.0	58.6	6%
Other Income	20.8	21.2	(2)%
<b>Total Revenue</b>	<b>154.6</b>	<b>128.7</b>	<b>20%</b>
<b><i>Underlying Operating Profit (Post COVID-19 Costs)</i></b>	<b><i>18.4</i></b>	<b><i>12.1</i></b>	<b><i>53%</i></b>
<b><i>Underlying Operating Margin (Post COVID-19 Costs)</i></b>	<b><i>12%</i></b>	<b><i>9%</i></b>	<b><i>250bps</i></b>
<b>KPIs</b>			
Exchange Units	<b>18,845</b>	12,921	46%
Managed Properties	<b>24,372</b>	24,804	-2%
Average Residential Sales Exchange Fee per Unit (£)	<b>3,807</b>	3,778	1%
Number of Branches: Owned	<b>225</b>	225	-
Number of Branches: Franchised	<b>128</b>	131	(2)%
Residential Pipeline	<b>20.7</b>	22.2	(7)%

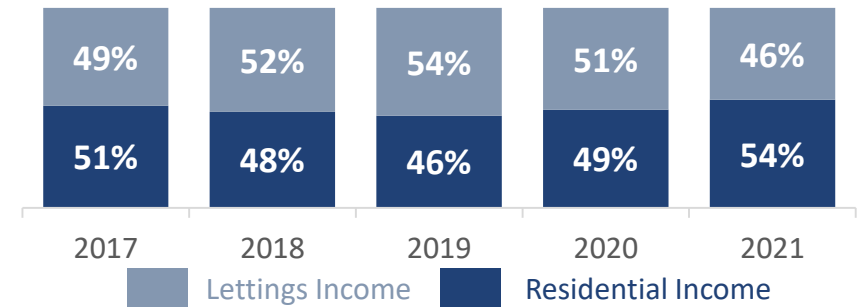
# Estate Agency capitalised on a buoyant house purchase market to grow profit and market share

— Estate Agency

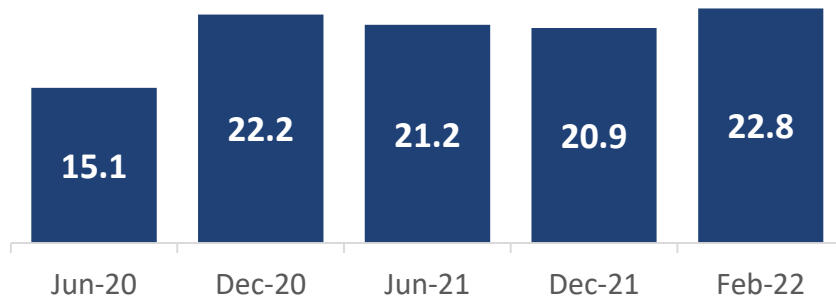
Number of exchange units increased by 46% (total UK market: 41%)



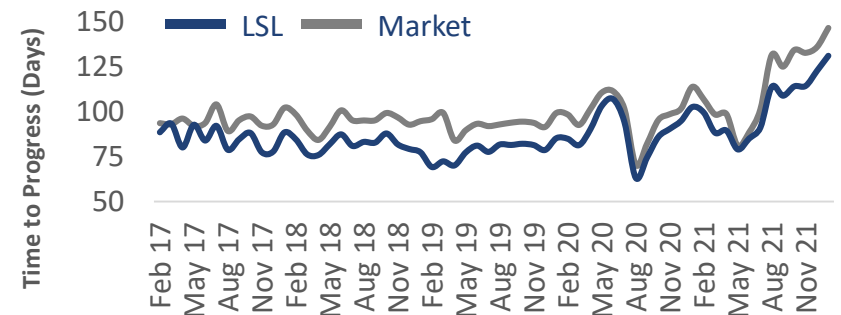
Recurring lettings income remains a high proportion of EA revenue



Large residential exchange pipeline, in part due to market-wide conveyancing capacity constraints



Slow exchange speed impacted 2021 profit by c.-£1m, dynamic continues into 2022, LSL outperforming market



**LSL**

Source: View My Chain

# Strong Balance Sheet to invest for future growth

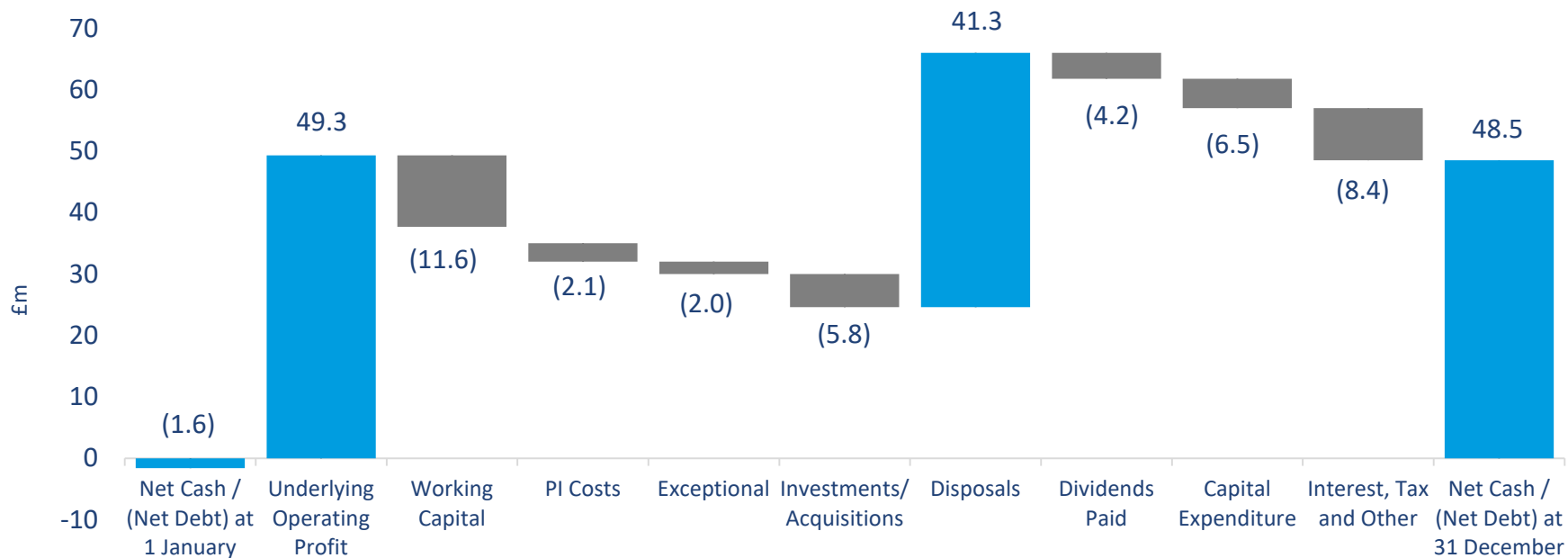
## Group

- Record Net Cash at end of December 2021 of £48.5m
- Disposal of Investments in May and July for total proceeds of £41m (lost profit of £1m in 2021)
- Significant Regulatory Capital Buffer in the Financial Services Division
- We will continue to review capital allocation to ensure an efficient balance sheet is maintained
- Equity accounting for Pivotal Growth (investment less share of set-up costs)
- Further £2m written down on Yopa investment, as traditional estate agency model continues to win

Balance Sheet (£m)	2021	2020
Net Cash / (Debt) (Reported)	<b>48.5</b>	(1.6)
Net Cash / (Debt) (Underlying)	<b>47.7</b>	(17.0)
<i>Gearing Ratio (Underlying)</i>	<b><i>n/a</i></b>	<i>0.31X</i>
FCA Capital Requirement	<b>4.9</b>	5.2
Excess Capital	<b>14.2</b>	13.5
PI Costs Provision	<b>3.9</b>	7.0
Deferred & Contingent Consideration	<b>3.0</b>	5.6
Financial Assets & JVs	<b>7.4</b>	21.0
<i>JV Disposals</i>	-	11.4
<i>Pivotal Growth JV</i>	<b>1.6</b>	-
<i>Yopa</i>	<b>4.5</b>	6.5
<i>Other / Loan Notes</i>	<b>1.3</b>	3.1

# Strong operational cash flow with adjusted conversion of 106% of Underlying Operating Profit in 2021

Group



# Looking forward: the LSL investment case





# FS and S&V offer significant growth potential with opportunities to optimise EA performance further

Group

## LSL GROUP

### FINANCIAL SERVICES

Increase number of mortgage and insurance advisers and increase adviser productivity

### SURVEYING & VALUATION

Optimise existing B2B business model, develop new data services to lenders and build D2C capability

### ESTATE AGENCY

Gain profitable market share, optimise operating efficiency and develop franchising proposition

### Cross-Group Opportunities

# Our strategy is designed to further reduce exposure to housing market cycles

Group

## 2021 Revenue Split

Largely mortgage- and insurance-related

55%

- FS Network
- FS D2C
- EA FS Income
- Surveying & Valuation

Largely uncorrelated to mortgage, insurance and housing market cycles

20%

- Lettings
- Franchise Income
- Asset Management

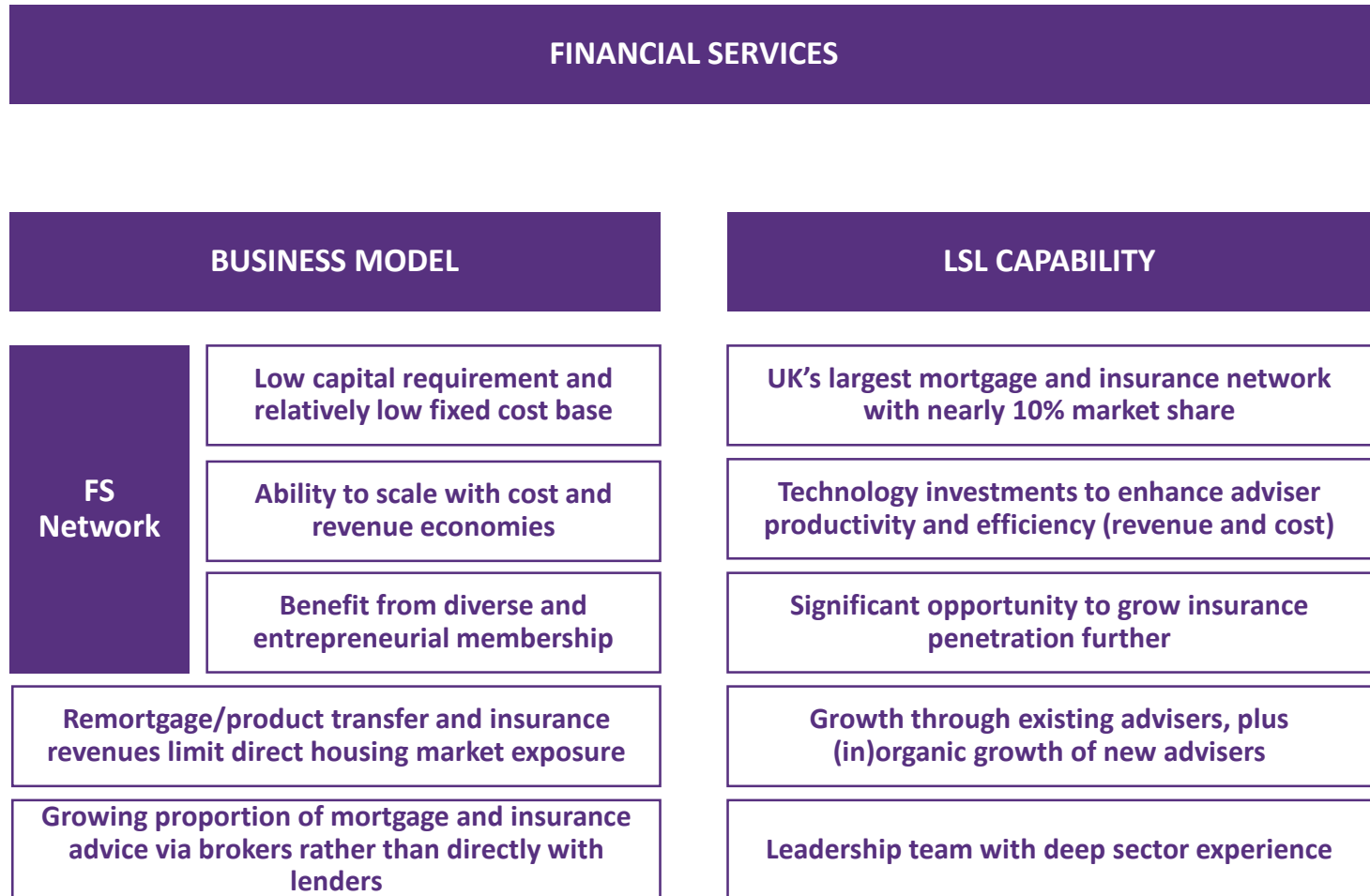
Largely housing-related

25%

- EA Sales Exchange Income
- Conveyancing

# Financial Services, especially, offers a significant growth opportunity

## Financial Services



# We see significant opportunities for growth using the network business model

## Financial Services

### FINANCIAL SERVICES NETWORK BUSINESS

#### PROPOSITION

We provide market-leading business development, technology and compliance services, plus access to enhanced commercial terms, to independent mortgage and insurance brokers



Best Network, Money Marketing Awards 2021



PRIMIS

Residential Network of the Year, OSB Group plc Key Intermediary Awards 2021

#### KEY VALUE DRIVERS

Number of advisers

x

Revenues from mortgages and insurance

x

LSL's share of revenues

=

**LSL Revenue Opportunity**

-

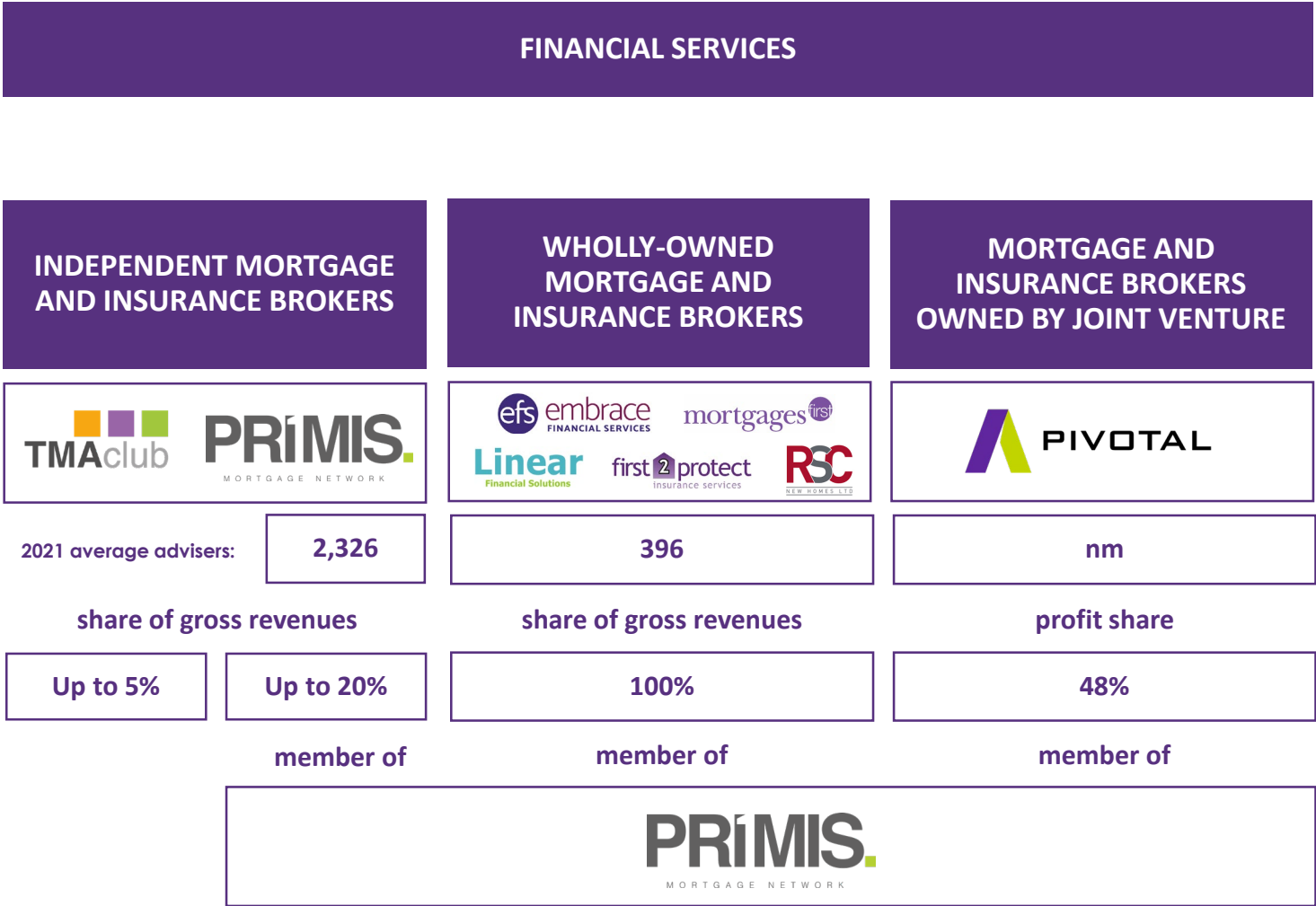
LSL's costs

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**LSL Profit Opportunity**

# There are clear and credible ways through which our Financial Services Network will grow

Financial Services



# Surveying & Valuation also offers attractive growth potential

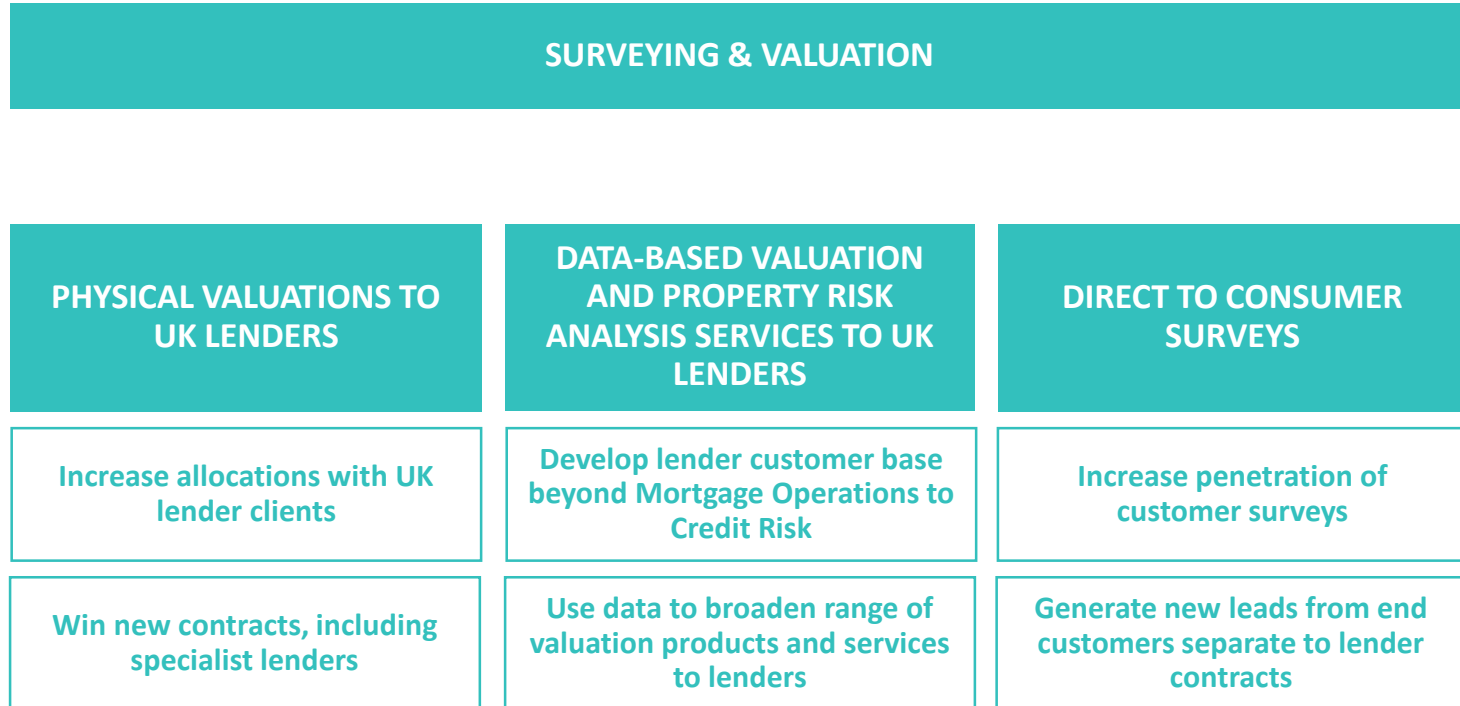
## Surveying & Valuation

Surveying & Valuation	
BUSINESS MODEL	LSL CAPABILITY
Valuations are an essential part of mortgage lenders' supply chain with high costs of entry	One of the largest Surveying & Valuation firms with seven of the ten largest UK lenders as clients
Resilient mainstream mortgage market	Strong recent performance reflected in increased allocations, contract renewals and wins
Growth in higher-margin and non-cyclical specialist segments, e.g. equity release	Leveraging existing data capability to further grow data services to lenders
Growing market for 'back book' analysis, e.g. climate change, ESG, cladding	Ability to scale with ability to 'load balance' on both supply and demand sides to optimise surveyor utilisation
UK survey market underserved for consumers	Leadership team with deep sector experience



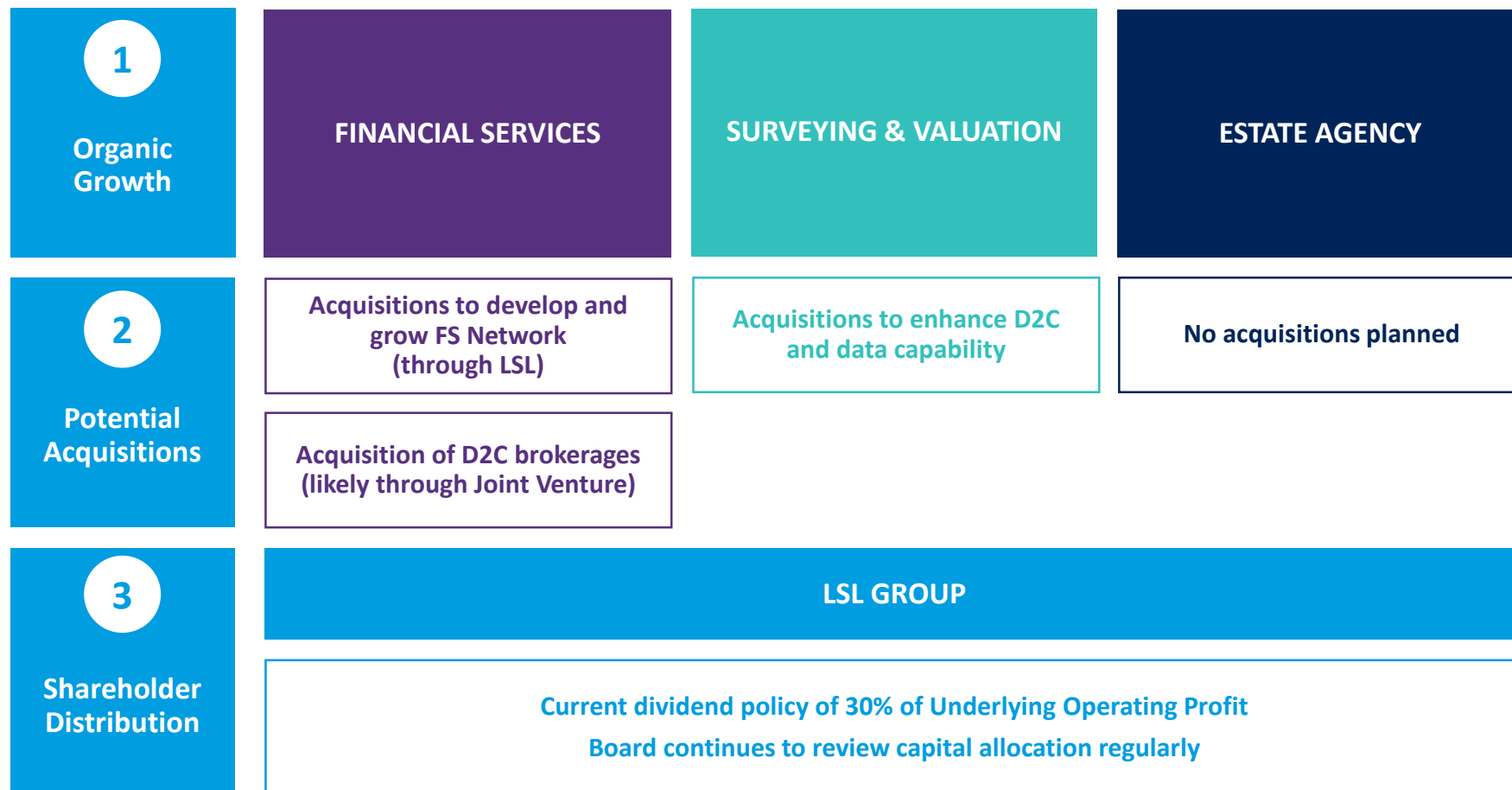
# Growth in Surveying & Valuation is focussed in three areas

## — Surveying & Valuation —



# Our Capital Allocation Policy is designed to support growth for the benefit of shareholders

Group



# Our Living Responsibly programme is at the heart of our business

Group

## LIVING RESPONSIBLY

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Established a Climate Transition Plan	Established an Inclusion & Diversity strategy	Senior executive sponsorship
Transition of leased petrol and diesel vehicles to hybrids and EVs Recycle at least 50% of our waste by 2023	Established staff-led Inclusion & Diversity and Communities Forums	Internal targets and milestones

For further information, see our *Living Responsibly* report, which will be published on our website ([lsips.co.uk](https://lsips.co.uk)) at the same time as our *Annual Report & Accounts 2021*

# Outlook and summary



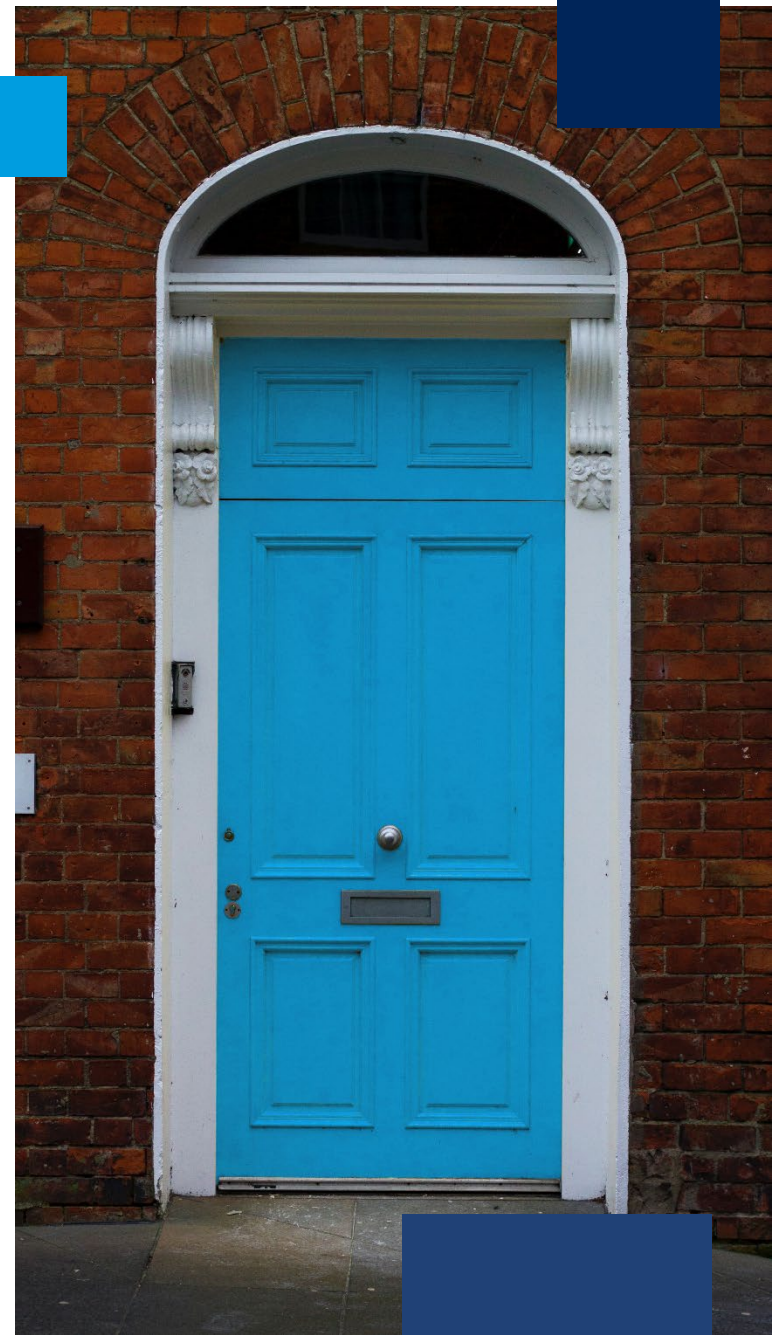
# Outlook

- 2022 mortgage and housing markets expected to be similar to 2019, as volumes revert to pre-COVID levels
- Front-end sales activity currently in line with internal expectations
- Financial performance across Financial Services and Surveying & Valuation in line with expectations
- Residential sales pipeline at 28 February was 10% above 31 December as conversion remains slow due to market-wide conveyancing issues, though no evidence of increased fall-throughs
- Geopolitical risk adds to existing inflationary pressures, as well as potential continuation of slower residential pipeline conversion
- Board's current expectation remains that the Group will deliver a full year Underlying Operating Profit in line with previous expectations
- H1:H2 profit split to revert to more typical profile with a skew to H2



# Summary

- LSL core businesses performed strongly in 2021
- Investment in growth will continue throughout 2022
- Early stage of strategic execution with further work to do
- Benefits of strategy reflected in resilient performance given 2022 headwinds
- Significant future opportunities have been identified
- Financial Services on track to be largest profit contributor in FY23
- Strong balance sheet
- LSL remains well-placed for further growth





# Appendix



# Financial Highlights 2019 - 2021

## Group

FY Highlights (£m)	2021	2020	2019
Group Revenue	<b>326.8</b>	266.7	311.1
Group Underlying Operating Profit (Post COVID-19 Costs)	<b>49.3</b>	35.2	37.0
Group Underlying Operating Margin (Post COVID-19 Costs)	<b>15%</b>	13%	12%
Net Exceptional Gains / (Costs)	<b>29.0</b>	(6.4)	(13.2)
Profit Before Tax	<b>69.9</b>	20.9	16.0
Adjusted Basic Earnings per Share (pence)	<b>37.7</b>	31.9	28.0
Net Cash / (Net Bank Debt)	<b>48.5</b>	(1.6)	(41.9)
Final Proposed Dividend (Pence)	<b>7.4</b>	Nil	Nil
Full Year Dividend (Pence)	<b>11.4</b>	Nil	4.0

# Financial Highlights 2019 - 2021

## Group

<b>FY Highlights (£m)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Revenues</b>			
Financial Services	<b>78.5</b>	61.0	69.8
Surveying & Valuation	<b>93.7</b>	77.1	86.4
Estate Agency	<b>154.6</b>	128.7	154.9
<b>Group Revenue</b>	<b>326.8</b>	<b>266.7</b>	<b>311.1</b>
<b>Underlying Operating Profit (Post COVID-19 Costs)</b>			
Financial Services	<b>14.8</b>	12.3	11.6
Surveying & Valuation	<b>23.6</b>	16.2	16.3
Estate Agency	<b>18.4</b>	12.1	14.5
Unallocated	<b>(7.5)</b>	(5.4)	(5.4)
<b>Group Underlying Operating Profit</b>	<b>49.3</b>	<b>35.2</b>	<b>37.0</b>

# FORWARD LOOKING STATEMENTS

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.

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