

■ Growth.  
Focus.  
Execution.  
Technology.  
People.

# Interim Results

for six months ended 30 June 2023

# LSL





# Agenda

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Highlights

02

Financial and Operating Performance

03

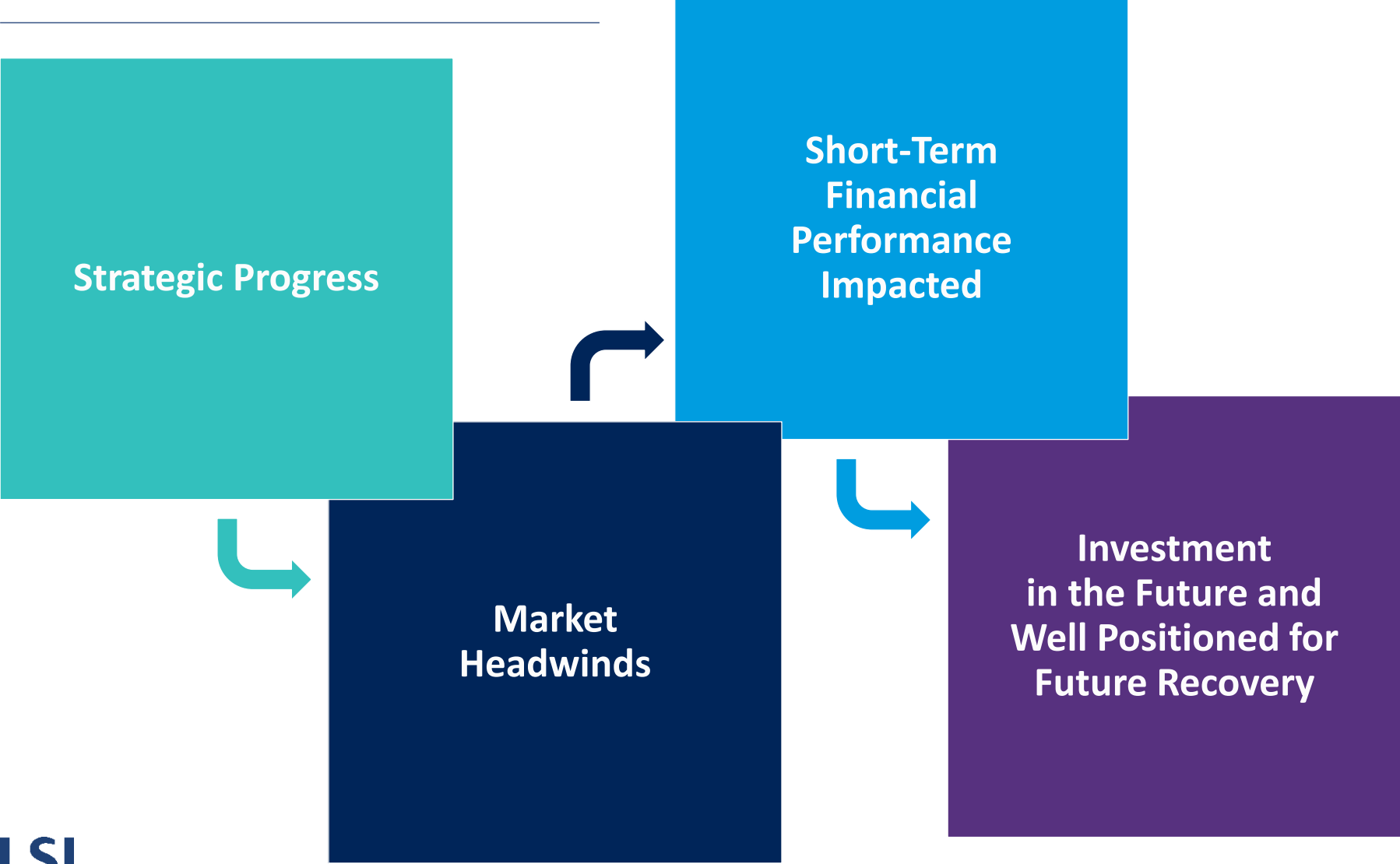
Summary and Outlook

# Highlights



# Headlines

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# Strong strategic progress

## Strategic Priority

## Progress

Growth in FS Network



- Acquisition of TenetLime

Less Housing Market Cyclical



- Franchising of Estate Agency
- Focus of FS Division on B2B

Lower Cost



- c.£140m Cost Savings in FY2024

Group Simplification

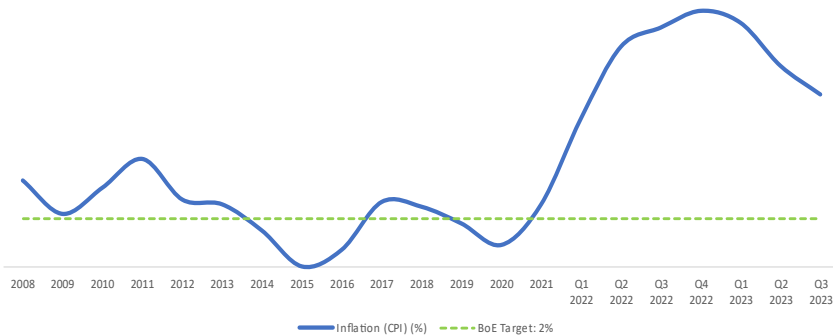


- Disposal of D2C FS Businesses and Marsh & Parsons

# A challenging environment

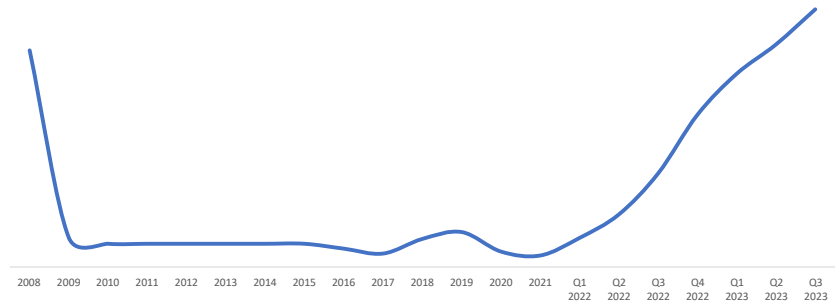
## Higher inflation impacting affordability

Inflation (CPI) (%)



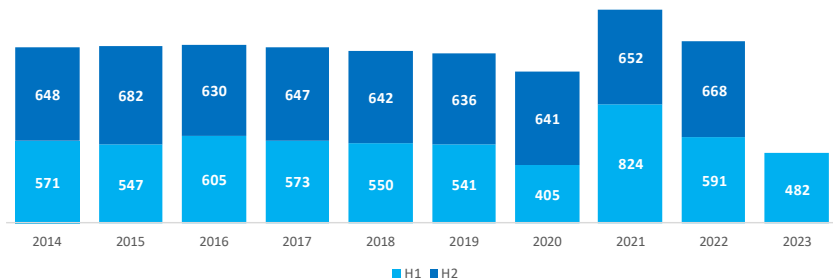
## Interest rates at highest levels since 2008

BoE Base rate (%)



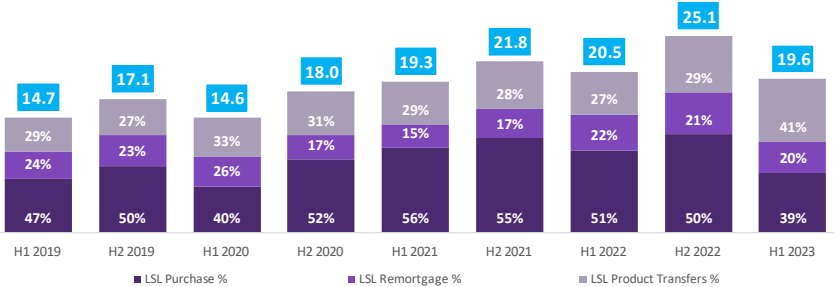
## Contraction in UK housing transactions

HMRC Transactions ('000s)



## More product transfers in a smaller market

LSL Gross Mortgage Lending (£bn)



# Financial performance reflects market headwinds, strategic transformation and continued investment

**Group Underlying  
Operating Profit**

**£4.3m**  
(H1 2022: £14.7m)

**Group Revenue**

**£72.5m**  
(H1 2022: £110.2m)

**Group Statutory  
Profit**

**£7.2m**  
(H1 2022: £9.9m)

**Net Cash**

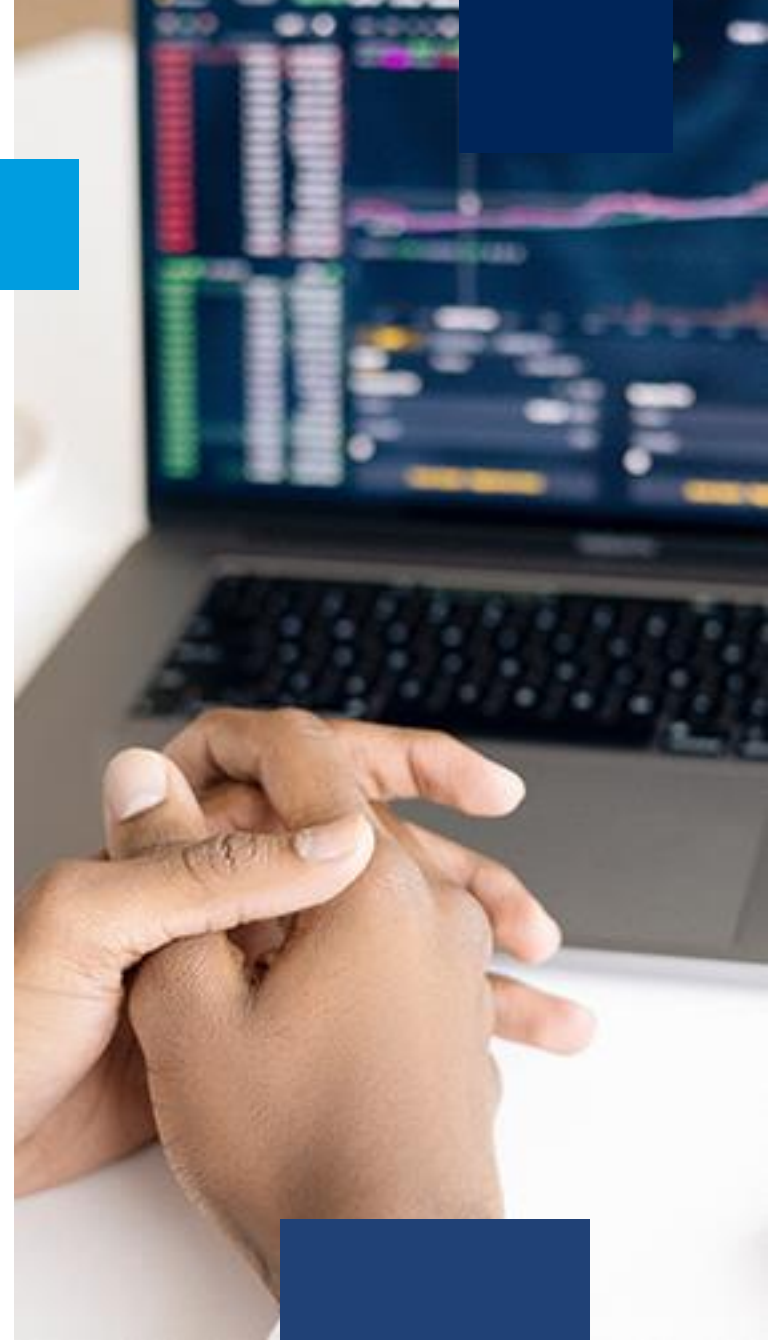
**£36.3m**  
(H1 2022: £30.7m)

# Group well-positioned for recovery and future growth

Division	Proposition	Growth Drivers
Financial Services Network Business	UK's largest mortgage and insurance network with 2,700+ advisers and further growth from TenetLime acquisition	Adviser growth Productivity growth New products and services Consider network acquisitions
Surveying & Valuation	Market-leading Surveying & Valuation business, serving seven of ten largest lenders, including all of Lloyds Banking Group	Surveyor capacity and optimisation New products and services Development of D2C
Estate Agency Franchising	One of UK's largest franchise estate agency groups with 300+ offices, including Your Move/Reeds Rains	New products and services Territory growth Lettings market share growth
LSL Group	Strong cash position with businesses led by industry experts	Capital to support growth Cost reductions Strategy execution



# Financial and Operating Performance



# Significant strategic progress with resilient performance in difficult trading conditions

## Group

- Revenue -17% after adjusting for disposals and franchising, in housing market -18% and purchase & remortgage market lending -27%
- Group Underlying Operating Profit reflects disrupted market dynamics: increased Product Transfers which do not require valuations, and are lower margin for FS, as well as impact of higher interest rates on specialist Surveying markets such as buy-to-let and equity release
- The new Estate Agency franchise business is delivering average operating margins of 25%+
- Following strategic progress, £140m annualised cost savings achieved
- Net exceptional gain of £4.3m with net gain on disposed businesses partly offset by restructuring and corporate activity costs
- Net cash at record high at a half year providing flexibility
- Interim Dividend held in line with prior year given strong cash position and confidence in future

H1 Highlights (£m)	2023	2022	Var.
Group Revenue	72.5	110.2	(34)%
Group Underlying Operating Profit (continuing)	4.3	14.7	(71)%
Group Underlying Operating Profit (total)	3.3	14.2	(76)%
Net Exceptional (Costs) / Gains	4.3	(2.0)	nm
Group Operating (Loss) / Profit	7.2	9.9	(27)%
Loss from discontinued operations*	(42.9)	(1.7)	nm
Net Cash	36.3	30.7	18%
Interim Dividend (Pence)	4.0	4.0	-

\*Following the conversion of the entire owned estate agency network to franchisees in H1 2023, this business has been classified as a discontinued operation. The loss from discontinued operations largely comprises the non-cash adjustment to Goodwill and exceptional costs relating to the restructuring as previously reported

# Resilient FS performance with market share gains

## Financial Services

- LSL's Purchase & Remortgage lending 23% lower as market dynamics resulted in significant shift to Product Transfers (+48%)
- Record total mortgage market share of 10.4% excl. PTs
- LSL's independent mortgage broker firms performed particularly strongly, increasing share of purchase & remortgage market from 6.2% to 6.6%, demonstrating resilience of the business model
- Network mortgage revenue (-4%)
- Network Insurance income highly resilient (+1%)
- Network margin impacted by higher Product Transfer mix and continued investment in capability
- FS Other operating loss of £1m, reduced YoY after adjusting for D2C businesses sold to Pivotal Growth
- Adviser decline as firms have been cautious on recruitment. Strong current pipeline
- Gross revenue per average adviser down 1% impacted by increase in lower margin Product Transfers

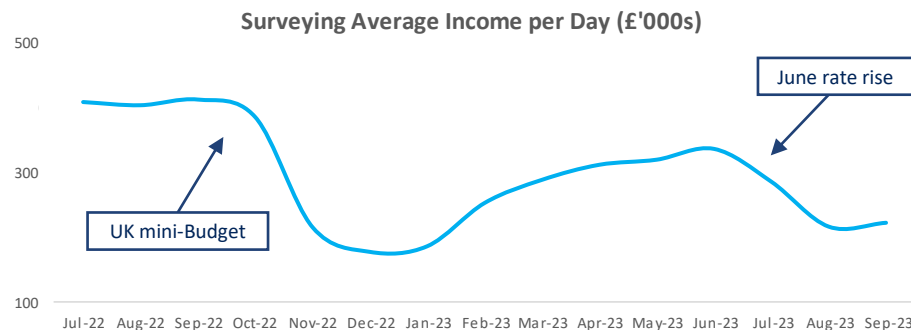
H1 Financial Services P&L (£m)	2023	2022	Var.
FS Network Gross Revenue	134.2	146.1	(8)%
FS Network Net Revenue	19.6	20.5	(4)%
FS Other	8.4	19.3	(56)%
<b>Total Revenue</b>	<b>28.0</b>	<b>39.8</b>	<b>(30)%</b>
FS Network Business	5.5	7.5	(27)%
FS Other	(1.7)	(1.3)	(30)%
<b>Underlying Operating Profit</b>	<b>3.8</b>	<b>6.1</b>	<b>(38)%</b>
<i>FS Network Underlying Operating Margin</i>	<b>28%</b>	36%	(850)bps
<i>Division Underlying Operating Margin</i>	<b>14%</b>	15%	(120)bps
<b>KPIs</b>			
Total Advisers	2,718	2,930	(7)%
Gross Revenue per Average Adviser (FS Network) (£'000s)	42.2	42.6	(1)%
Mortgage Lending Market (excl. PTs) (£bn)	110.5	150.6	(27)%
LSL Mortgage Lending (£bn)	19.6	20.5	(4)%
<i>LSL Purchase &amp; Remo Lending (£bn)</i>	<b>11.5</b>	15.1	(23)%
<i>LSL Product Transfer Lending (£bn)</i>	<b>8.1</b>	5.4	48%
Market Share (excl. PTs)	<b>10.4%</b>	10.1%	30bps

# Surveying & Valuation performance impacted by market disruption whilst gaining market share

## Surveying & Valuation

- YoY performance impacted by increased volume of PTs, which do not require a lender valuation, and impact of higher interest rates on equity release and buy-to-let markets
- Cost measures taken including reduction in surveyor numbers (Dec-22: 512, Aug-23: 493), whilst maintaining excess capacity for more normal markets
- Q2 profit materially higher than Q1 and exiting the half with June in-line with prior year, benefiting from improving trading and the benefit of cost actions
- Revenue had recovered throughout H1 before being impacted after the period end by the larger than expected increase in the Bank of England base rate, announced in June. Stabilisation more recently.
- Income per job reduced due to volume within the higher margin specialist sector disproportionately impacted by the change in market conditions
- Continued market share gains of lender valuations

H1 S&V P&L (£m)	2023	2022	Var.
B2B – Valuations	33.7	48.6	(31)%
Private Survey and Data Income	1.8	1.9	(2)%
<b>Total Revenue</b>	<b>35.5</b>	<b>50.5</b>	<b>(30)%</b>
<b>Underlying Operating Profit</b>	<b>3.4</b>	<b>13.1</b>	<b>(74)%</b>
<i>Underlying Operating Margin</i>	<b>9%</b>	26%	(1640)Bps
<b>KPIs</b>			
Jobs Performed ('000s)	212	288	(27)%
Remote Valuations as % of Total	21%	13%	+790bps
Jobs per Average Surveyor	413	586	(30)%
Income per Job (£)	168	175	(4)%
Operational Surveyors at 30 June (FTE)	510	497	3%
Market Share	39%	37%	+230bps



# Conversion of all owned branches to franchisees results in LSL becoming one of UK's leading providers of estate agency franchise services

## Estate Agency

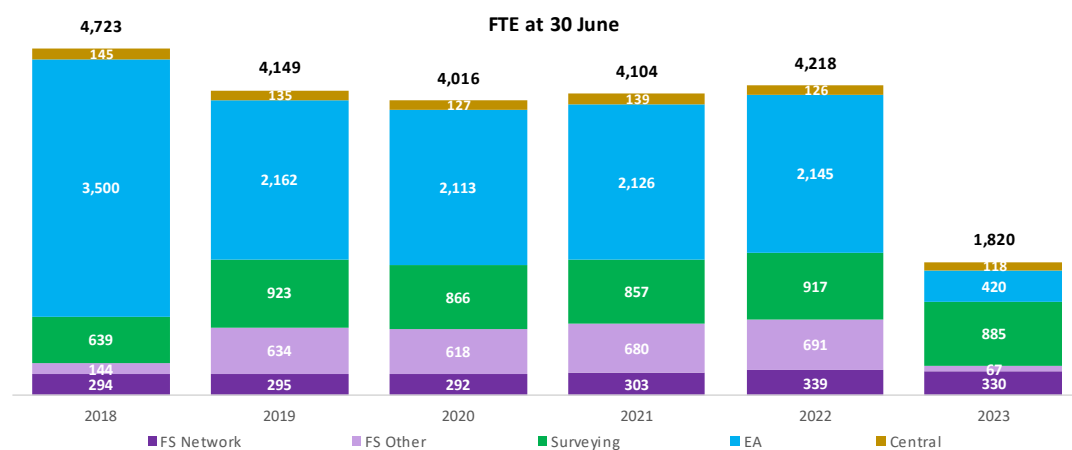
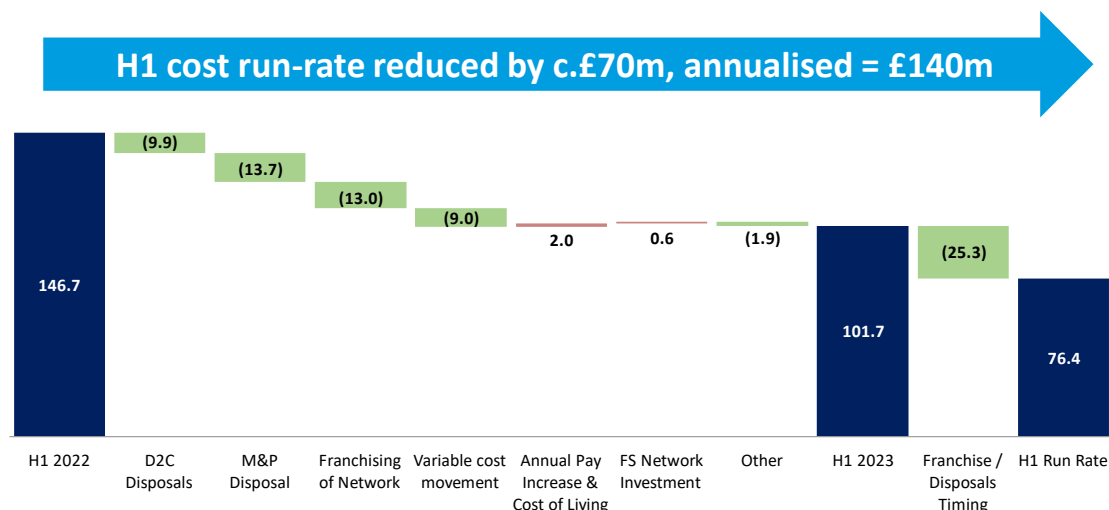
- Comparatives reflect franchising of the owned branch estate and the disposal of M&P
- In June, we executed contracts for the remaining few owned Estate Agency branches, completing the franchising of our entire Estate Agency branch network. The ongoing transition is proceeding well with cost savings ahead of plan
- Previous owned branch network business classified as discontinued operations. We will report our estate agency franchise business separately from H2 onwards
- Underlying operating loss reduced slightly despite smaller purchase market and temporary disruption from the change to a wholly franchised operation and other cost savings
- Fully Managed properties less than 1% back vs prior year when adjusted for disposal of M&P
- Division well-placed to deliver significantly higher operating margins with lower earnings volatility through sale of M&P and franchising of branch network
- Average operating margins of 25%+ being delivered

H1 Estate Agency P&L (£m)	2023	2022	Var.
<b>Total Revenue</b>	<b>41.3</b>	<b>70.6</b>	<b>(42)%</b>
Continued Operations	0.6	(0.4)	249%
Discontinued Operations	(1.0)	(0.5)	(81)%
<b>Underlying Operating Profit / (Loss)</b>	<b>(0.3)</b>	<b>(1.0)</b>	<b>66%</b>
Continued Operations (memo)	7%	(2)%	+940bps
Underlying Operating Margin	(1)%	(1)%	(60)bps
<b>KPIs</b>			
HMRC Transactions ('000s)	482	591	(18)%
Exchange Units	8,934	12,339	(28)%
Fully Managed Properties	31,607	33,432	(5)%
Average Residential Sales Exchange Fee per Unit (£)	3,335	3,224	3%
Number of Branches: Owned	-	225	nm
Number of Branches: Franchised	302	127	+175

# Significant annualised cost reduction of c.£140m\* through execution of strategic business restructure during H1 2023

## Group

- Annualised cost reduction of c.£140m with significant savings already achieved during H1 and Estate Agency cost transformation ongoing to achieve more
- Material fixed cost reduction in H1 from disposal of Marsh & Parsons and D2C brokerages, and franchising of 183 Estate Agency branches
- Significantly lower Group headcount with a reduction in all Divisions and Central
- Active management of Group costs whilst maintaining capacity within Surveying & Valuation division to capture market recovery



\*including both continued and discontinued operations

# Strong Balance Sheet

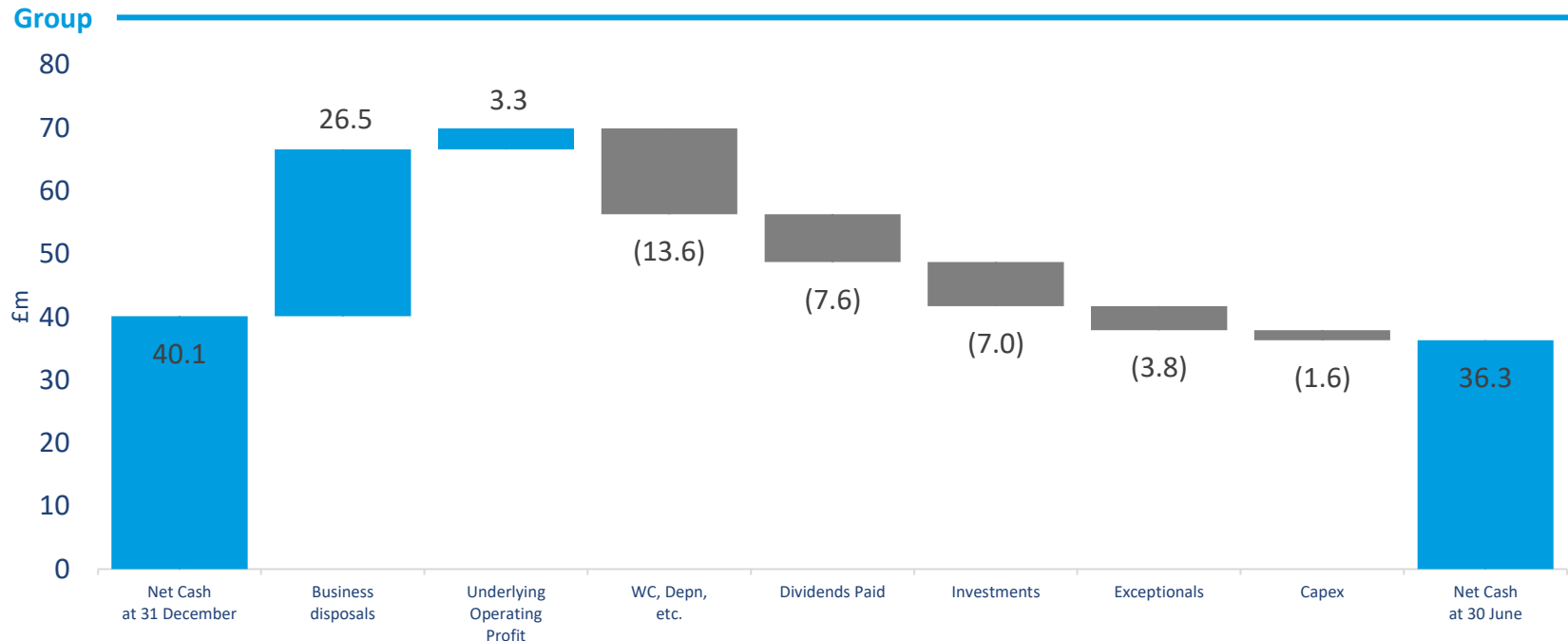
## Group

- Strong cash position provides flexibility
- Banking facility renewed in February 2023, with maturity date of May 2026 (£60m RCF)
- Contingent consideration (liabilities) settled, mainly re: new build brokerage settled prior to disposal
- Contingent consideration (assets) for disposals of brokerages during the period, expected during 2025
- Small Goodwill balance remaining following disposal of businesses and franchising of owned estate agency network
- Asset now recognised for franchise agreements. Will be amortised in future periods
- Equity accounting for Pivotal Growth comprised £4.7m investment and £0.2m share of losses in growth phase
- Disposal of Yopa holding for £nil in January 2023 following write down to £nil at 31 December 2022

<b>Balance Sheet extracts (£m)</b>	<b>2023</b>	<b>2022</b>
Net Cash	<b>36.3</b>	30.7
Lapse Provision (Financial Services)	<b>2.8</b>	4.7
PI Costs Provision (Surveying)	<b>2.5</b>	2.3
Contingent Consideration (liabilities)	<b>0.0</b>	3.0
Goodwill	<b>16.9</b>	153.7
Intangible Franchise Agreements	<b>12.2</b>	1.6
Financial Assets & JVs	<b>18.1</b>	8.4
<i>Pivotal Growth JV</i>	<b>9.6</b>	2.3
<i>Contingent Consideration (assets)</i>	<b>8.0</b>	-
<i>Yopa</i>	-	4.1
<i>Other</i>	<b>0.5</b>	2.0

Note: Prior year restatements in respect of goodwill and franchise intangibles having revisited the accounting treatment of a franchising transaction in 2019 and an adjustment to the M&P Fair Value as the 30 December 2022. Non-cash with net impact of <£3m

# Record half year Net Cash position



## Highlights:

- £26.5m cash proceeds from sale of Marsh & Parsons, net of cash disposed, and disposal of D2C businesses to Pivotal Growth
- Working capital outflows are c.£3m higher than normal seasonal levels reflecting the various ongoing strategic restructuring across the Group, including franchisee working capital support and the transition to new franchisee billing processes
- Investments include contributions to Pivotal Growth and final earn-out for new-build brokerage prior to disposal
- Exceptional costs of £3.8m, mainly restructure costs associated with EA franchise conversion and Surveying redundancies
- Capital light business model with low levels of Capex, likely to be further reduced in medium term under franchise model



# Summary and Outlook



# Summary

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**Estate Agency  
Division transformed  
to create a higher  
margin business with  
higher cash  
conversion that will  
perform more  
consistently through  
market cycles**

**Surveying & Valuation  
remains profitable  
and is positioned to  
benefit significantly  
from future market  
recovery**

**Financial Services  
Division focussed on  
business-to-business  
services market  
operating a scalable  
platform business**

**Reduced annual cost  
base by c.£140m,  
operating a simpler  
Group that is easier  
to manage**

# Outlook

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**Market conditions expected to remain challenging with high interest rates and cost of living challenges putting pressure on mortgage and housing markets**

**Strong balance sheet and cash position allow us to invest with confidence to support future growth**

**Recent decision of Bank of England to hold Base Rate is expected to provide more stability and steadying of confidence, in the short term at least**

**LSL remains very well-positioned to benefit when market conditions improve, and the Board remains confident of our profitability over the business cycle**

# Questions

LSL



# FORWARD LOOKING STATEMENTS

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