



Proposed Acquisition of Marsh and Parsons Ltd



4 November 2011

MARSH &
PARSONS



Executive Summary

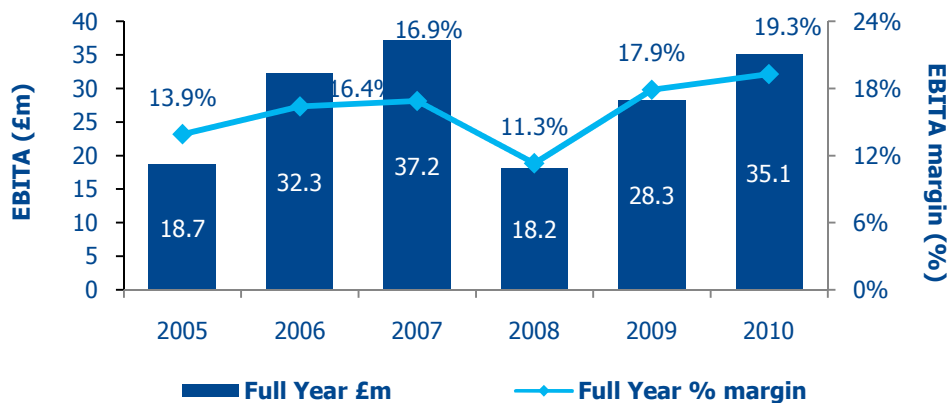
- ▶ Marsh and Parsons - key benefits to LSL
 - Consistent with LSL strategy of gaining central London exposure
 - Established premium brand in the prime London market
 - Highly experienced and successful management team with strong track record of growth
 - Balanced business model - residential sales and lettings
 - Exciting growth plans for the future

- ▶ The transaction terms are:
 - 100% of the share capital of Marsh and Parsons for £50m debt free
 - Management team reinvest 50% of their consideration and participate in an incentive scheme based on future growth in profits

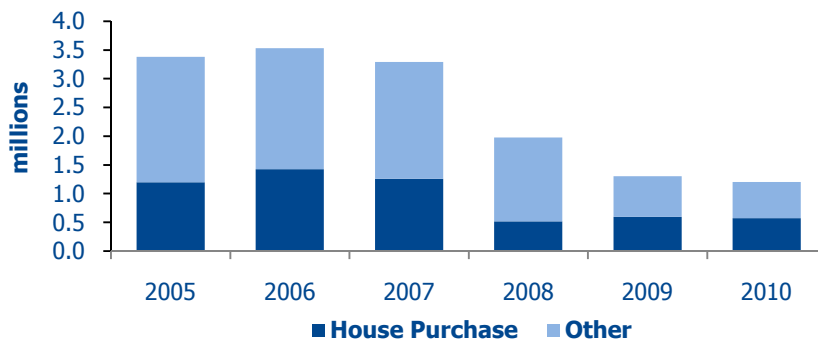
- ▶ Impact of the acquisition on LSL
 - Net consideration of £45m funded by existing £75m bank facility
 - Significantly earnings enhancing for LSL in 2012, the first full year of ownership
 - Post tax return on capital in 2012 expected to exceed LSL WACC

LSL has an excellent track record of both organic and acquisitive profitable growth

EBITA - LFL



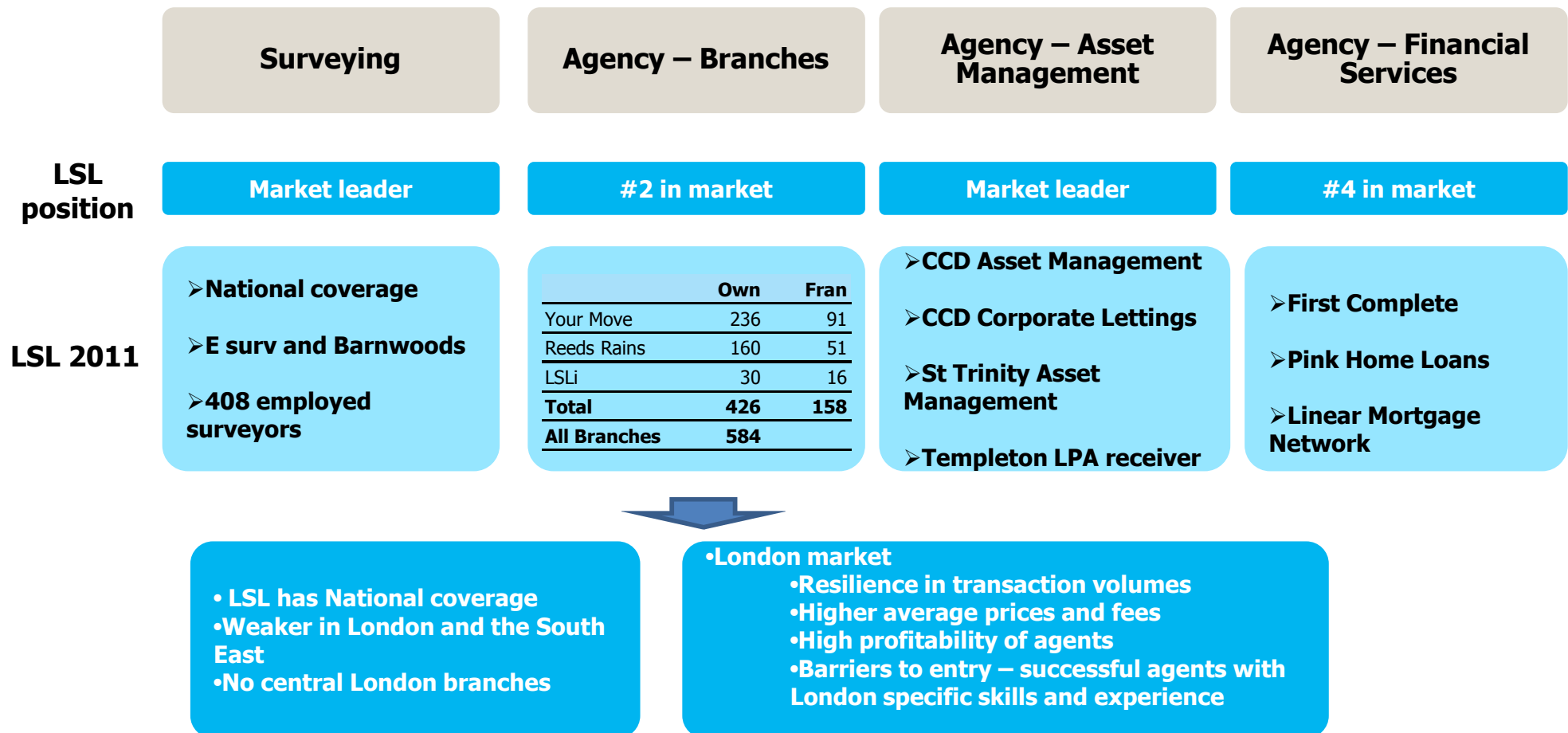
Mortgage Approvals



Major Acquisitions

- ▶ Successful acquisition and transformation of **Your Move and e.surv** from Aviva in July 2004 for £42m
- ▶ Acquisition and Integration of **Reeds Rains** in October 2005 for £18m
- ▶ Acquisition of **C&G Surveyors (Barnwoods)** in June 2007 for £30m
- ▶ Acquisition and turnaround of **Halifax Estate Agencies Limited** for reverse premium of £26m in January 2010
- ▶ Other acquisitions including:
 - **Intercounty, Frosts, JNP, Goodfellows** and other Estate Agencies, February 2007 onwards
 - **Home of Choice and Pink Home Loans** in 2010
 - **Templeton LPA Receiver 2010**

LSL's strategic intent has been to address the London gap in its Estate Agency proposition

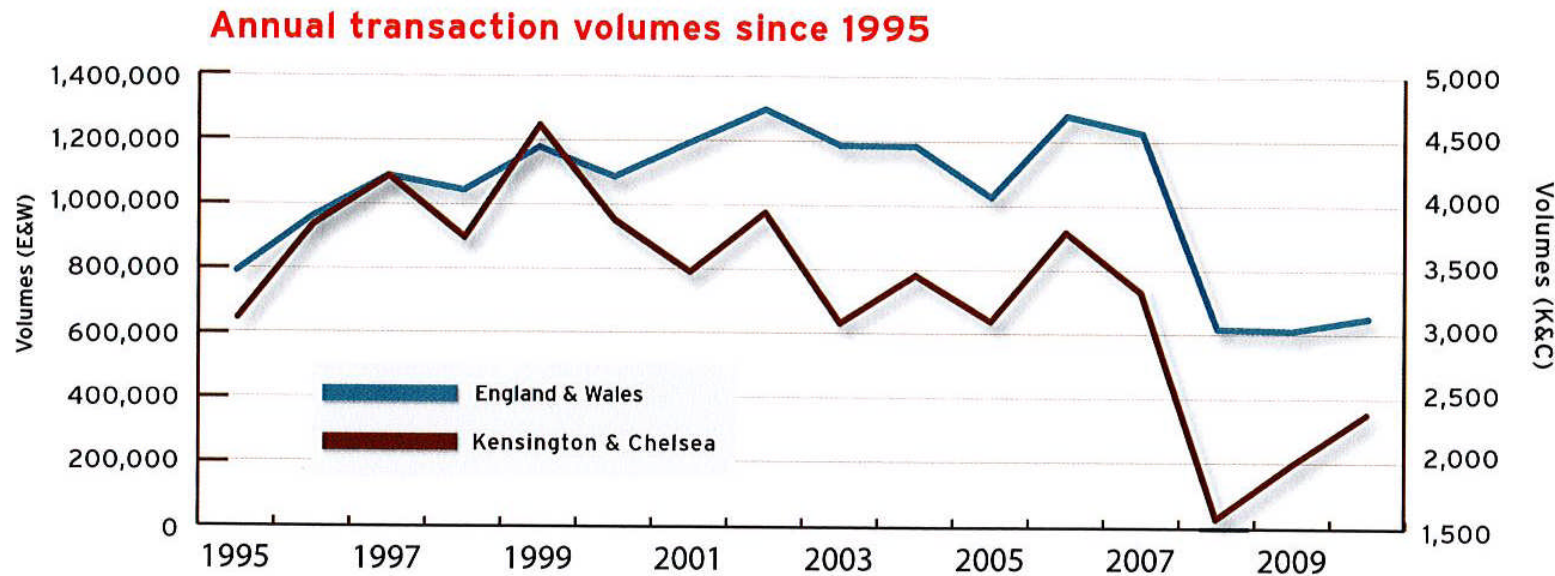


Strategic Rationale

- ▶ Provides LSL with a well established presence in the prime London Estate Agency Market
- ▶ London market historically more robust characteristics than the wider UK market
- ▶ Marsh and Parsons has equal weighting across both residential sales and lettings to reduce cyclical exposure
- ▶ Marsh and Parsons - trusted premium brand which has grown market share even in a market downturn
- ▶ High quality, dynamic and experienced management team - reinvesting in the business
- ▶ Exciting plans to grow the business - the team will be incentivised to deliver this growth
- ▶ Provides LSL with the platform for a London 'buy and build strategy' to further expand its geographic footprint
 - Organic growth plus branch roll out plus further bolt-on acquisitions
 - Peter Rollings has successfully delivered on this strategy with both Marsh and Parsons and Foxtons

The London Market

- ▶ London more robust due to higher proportion of cash and foreign buyers
- ▶ Largest GDP of any European city, strength of financial services sector, least exposure to public sector job cuts of any UK region
- ▶ Prime London market – low increases in levels of supply with very limited opportunities to increase stock thus underpinning prices

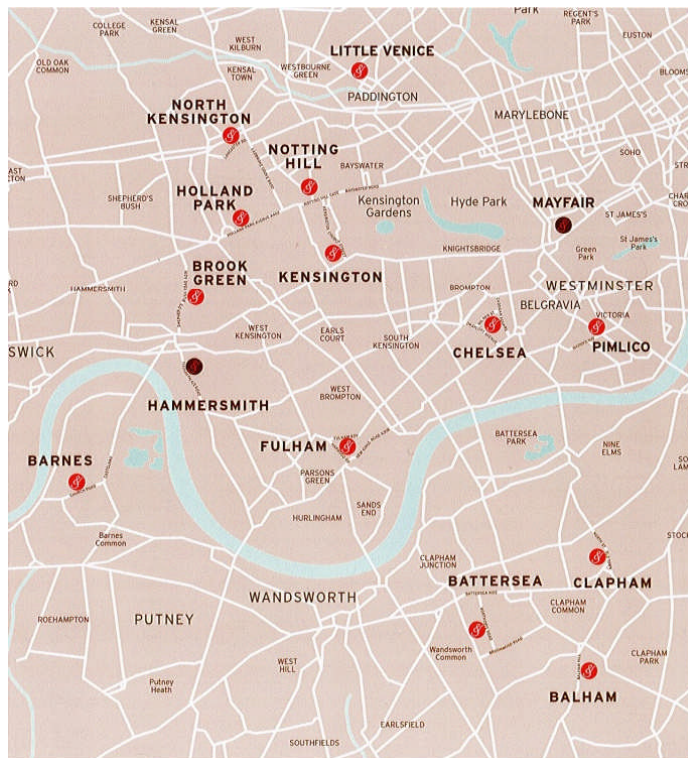


Source: Land Registry

- ▶ Volumes in Kensington and Chelsea fell 50% in 2008 in line with the rest of the UK but have since recovered with c.25% year on year growth
- ▶ Volumes still c.30% lower than 1995 – upside potential

Marsh and Parsons

- ▶ Leading Central London Estate Agency established in 1856
- ▶ 13 offices in West and South West London – 5 in the Royal Borough of Kensington and Chelsea
 - Organic and acquisitive growth (Vanstons acquired 2007)



- ▶ Residential Sales, lettings, corporate relocation services, property management and advisory services
- ▶ Highly experienced and successful management team – Peter Rollings and Liza-Jane Kelly
- ▶ Current ownership
 - 72% Sherry Fitzgerald
 - 28% Management shareholders

Marsh and Parsons Business Model



- ▶ Premium Brand
 - Deep local market understanding
 - “Local know how. Better Results”

- ▶ Balanced Model
 - 50% residential income, 50% lettings
 - Residential focussed on mid-market properties
 - Relatively high commission rates

- ▶ Best People
 - Recruit professionals with experience
 - Market leading compensation
 - Induction and training

- ▶ Customer Service
 - Market reputation built on excellent results
 - High client and customer satisfaction levels

Marsh and Parsons

A committed and dynamic management team



- ▶ Peter Rollings
 - Chief Executive
 - Purchased Marsh and Parsons with Sherry Fitzgerald in 2005
 - Previously MD of Foxtons

- ▶ Liza-Jane Kelly
 - Sales Director
 - Joined Marsh and Parsons in 2005
 - Previously with Hamptons International in London and Sherry Fitzgerald in Ireland

- ▶ Michael Baulk
 - Chairman
 - Joined Marsh and Parsons in 2007
 - Previously Non executive director of Debenhams and Rank Hovis McDougall and Chairman and Group CEO Abbot Mead Vickers

Marsh and Parsons

Strong track record

£m	2008	2009	2010
Revenue	13.6	17.0	23.3
Operating (loss) / profit	(0.5)	3.6	6.3
Net finance income / (expense)	(0.2)	(0.1)	(0.0)
(Loss) / Profit before Tax	(0.7)	3.5	6.3



- ▶ Track record of strong financial performance since 2005
 - Revenue increased 53% CAGR
 - Operating loss of £0.5m improved to profit of £6.3m
 - Excellent cash conversion

- ▶ Market share grown 70% since 2005 despite shrinking overall market
 - Typically in top three in each area

Marsh and Parsons

Growth Opportunities



- ▶ Continued sales growth from 13 offices
- ▶ Lettings growth from existing and new properties
- ▶ Open new offices
 - potential to substantially increase the number of offices
- ▶ Bolt-on acquisitions
- ▶ Ability to share 'best practice' across existing LSL Estate Agency brands and Marsh & Parsons

Principal terms of the acquisition

- ▶ Acquisition of the entire share capital of Marsh and Parsons for £50m on a debt free basis
- ▶ Marsh and Parsons Management shareholders (who own 28% of Marsh and Parsons) participate in an incentive scheme under which they reinvest 50% of their consideration back into the business for which they will receive a combination of loan notes and Growth Shares
- ▶ In due course, members of the current and future management team will be invited to apply for growth shares
- ▶ The growth shares provide an earn out mechanism such that holders of growth shares will have the option to require LSL to buy their growth shares at any time between 31 March 2016 and 1 April 2020 at a price determined by an EBITDA multiple based on the previous financial year
- ▶ The EBITDA multiples and associated profit thresholds are set to provide a significant incentive to management to deliver profit growth
- ▶ LSL will operate the Marsh and Parsons brand independently
- ▶ LSL Group Chief Executive, LSL Group Finance Director and LSL Group Executive Director responsible for Estate Agency will join the board of Marsh and Parsons

Impact of the acquisition on LSL

- ▶ Net consideration of £45.1m will be funded using LSL's existing bank facility of £75m which is in place till March 2014
- ▶ LSL will remain prudently leveraged and will be well placed to consider further further organic initiatives and "bolt on" acquisition opportunities where appropriate
- ▶ The transaction is expected to be significantly earnings enhancing for LSL in 2012, the first full year of ownership
- ▶ Post tax return on capital in 2012 from this acquisition is expected to exceed LSL WACC

LSL current trading

- ▶ LSL's trading has been satisfactory for the 3 months ended 30th September 2011 but has been more challenging during October 2011
- ▶ Estate Agency making good progress with benefits flowing from the investments made in branch management and 'The Bridge' call centre
- ▶ Strong increases in lettings and financial services income
- ▶ Surveying services for private buyers continuing to build
- ▶ Cash generation remains strong
 - Before the acquisition of Marsh and Parsons the Group is on track to have net cash by the year end
 - After the acquisition, LSL net debt to EBITDA ratio will be c. 1:1
- ▶ Helen Buck appointed to the Board as a Non-Executive Director
- ▶ Market conditions challenging and uncertain. Increasingly cautious view of the market for 2012

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