



FY2018 Half Year Results

Chris Coonan, CEO
John Wise, CFO

www.lmw.com.au

Agenda

- Summary of Results
- Review by revenue source
 - Residential
 - Commercial
 - Government
- MVS & Earnout
- WA Acquisition of further 12.5%
- Market Outlook
- Full Year Expectation
- Q&A

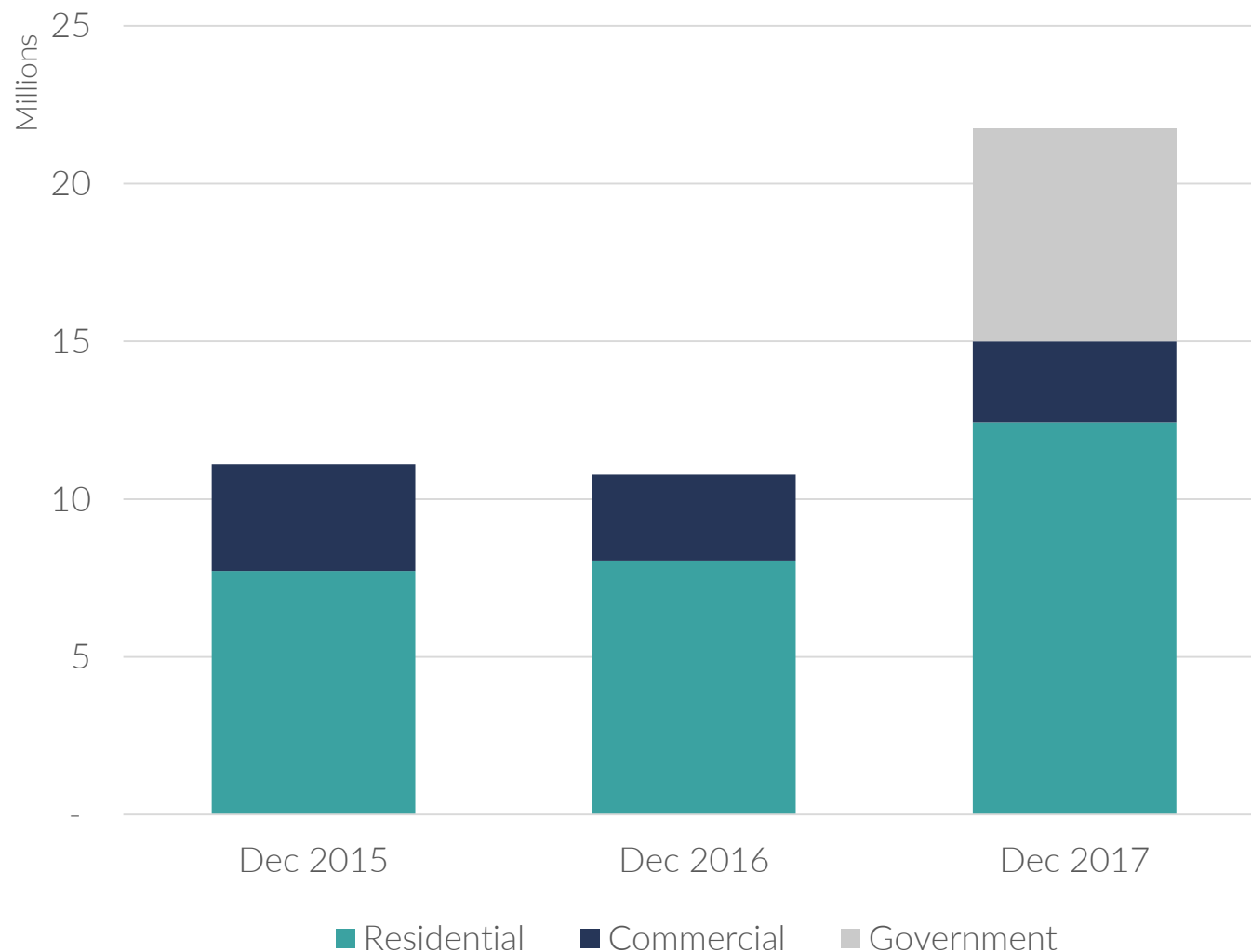
Summary of Results

- Revenue increased 95.3% to \$22.5M
- Profit before tax was up 139.0% to \$2.8M
- Uplift largely attributable to MVS National
- Strong performance of residential business
- Outperformed targeted synergies from MVS National acquisition
- Cash reserves remain healthy
- Earnings per share of 2.68 cents
- Interim fully franked dividend of 2.60 cents per share

Summary of Results

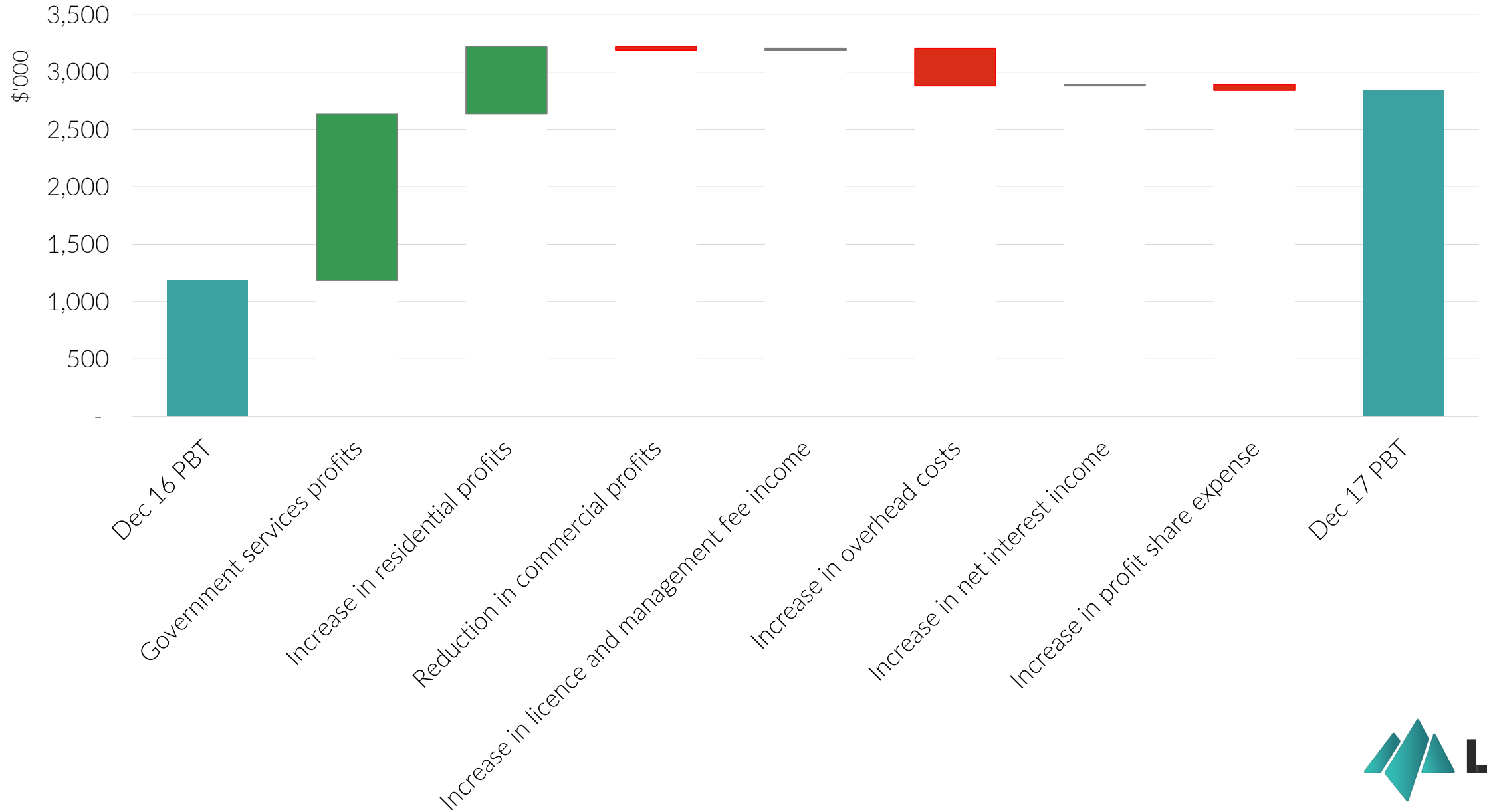
	6 MONTHS ENDED		CHANGE	
	31 Dec 17 \$'000	31 Dec 16 \$'000	\$'000	% Increase
Revenue	22,522	11,530	10,992	95.3%
Profit before tax	2,835	1,186	1,649	139.0%
Profit after tax	2,040	875	1,165	133.1%
Earnings per share	2.68 cents	3.09 cents		

Revenues by Source



- Strong growth in Residential revenues of +50% against previous corresponding period
- Government revenues delivering +60% growth on previous period's total revenue

Dec 16 v Dec 17



Revenue by Source

- Government revenues were below expectations for the first half of FY2018, however we anticipate second half revenues to exceed the first half
- Commercial revenues achieved expectations through each geography, excluding South East Queensland due to restructuring of staff
- LMW recruitment and restructuring in South East Queensland is well advanced
- LMW continues to explore commercial opportunities through each State
- Residential revenues outperformed expectations for first half of FY2018
- We expect residential to continue to perform to expectations for the balance of the year

MVS & Earnout

Due to timing of Government earnings, the dilutionary event of the MVS Earnout now saves circa 16% dilution from transaction

- The earnout was based on the “implied MVS Group Earn Out EBITDA” for the Calendar year 2017. This was calculated as the government business gross margin adjusted for the notional gross margin from residential and commercial businesses acquired and MVS unallocated overheads.
- Based on the results for the 5 months ended 31 May 2017 (pre-acquisition) plus the 7 months ended 31 December 2017 (post-acquisition) there will be no deferred consideration payable as the earn out business value does not exceed the initial consideration paid:

Implied MVS Group Earn Out EBITDA		5,177,463
Earn Out Business Value	4.5 x EBITDA	23,298,583
Deduct Initial consideration	Cash	16,000,000
	Shares	7,300,000
		23,300,000
Deferred consideration (maximum)		Nil

- We expect the uplift in government business attributable to MVS National to flow through to LMW for the 2nd half of FY2018 and in future years.



Synergy Savings Achieved

- We estimated annualised synergy savings of at least \$1.5M at time of acquisition
- We have achieved savings of \$1.9M
- The annualised synergies are expected to be \$2.4M per annum from FY2019 onwards
- Actual savings achieved:

\$M	6 months to Dec 2017	6 months to June 2018	Total 2018	Annualised FY2019 onwards
Headcount savings	0.6	1.0	1.6	2.0
Other cost savings	0.1	0.2	0.3	0.4
	0.7	1.2	1.9	2.4

WA Acquisition of Further 12.5%

LMW WA Performance



- LMW has exercised its option to acquire a further 12.5% of Forrest Street Pty Ltd (from existing shareholders) at a cost of \$663K effective 1 January 2018 (initial 12.5% was acquired for \$715K).
- The continued strong and improving performance of Forrest Street warrants a higher level of equity and complements LMW's growth strategy
- We anticipate the increased ownership will continue to deliver strong shareholder returns and further facilitate the realisation of synergies between LMW and Forrest Street across clients, IT platforms and acquisitions.
- The acquisition of an additional 12.5% equates to a multiple of 4.1x PBT and 4.3x PBT when the cost of the full 25% investment is taken into account.

Market Outlook

- Residential market remains strong in Melbourne, flattened in Sydney and remains subdued in other locations.
- Expecting continuation of flat markets particularly in residential.
- Melbourne and Sydney Commercial Market remain very strong however SEQ has weakened and the market is subdued in other locations.
- Regional Australia remains subdued however there are early signs of a recovery in those areas effected by the mining boom, albeit from a very low base.
- Government departments' outsourcing of valuation services continues to provide growth opportunities.
- Larger firms are growing market share at the expense of smaller firms.
- Clients continue to look for service quality and consistency across all major markets.
- Expectations of opportunities within the less cyclical, non-mortgage sector.

Our Strategy & Focus

- Focus on growth of our regional operations.
- Continued investment in our Victorian operations which have shown strong growth.
- Expansion of our insurance and non-mortgage valuation business.
- Strong investment in our IT platforms to deliver higher efficiency, in the medium term reducing ongoing maintenance costs and allow for future growth opportunities.
- Explore acquisitions as per investment and acquisition strategy.
- Continued investment in business efficiencies and innovation.
- Maintaining our high level service delivery and high client satisfaction.

Full Year Forecast

\$M	First Half	Full Year	Previous Guidance	
			Original ¹	Flexed ²
Revenue	22.5	46.6	52.0	48.2
PBT	2.8	7.8	10.2	8.3
NPAT	2.0	5.3	7.0+	5.6
EPS (cents)	2.68	7.00	9.00+	7.42

Note 1

Previous guidance included gross revenues of \$60M of which \$52M was owned revenue.

It was based on profit levels from MVS supporting a purchase price of \$32M @ 4.5X EBITDA.

The 9 cents a share EPS equated to a pro-forma diluted EPS of 7.6 cents a share taking into account the deferred consideration converting to shares in 2020 (note 3)

Note 2

Previous guidance adjusted for the lower expected profits supporting a \$23.3M purchase price @ 4.5X EBITDA

Note 3

As there will be no deferred consideration there will be no dilution of shares in 2020
(previously estimated at 16% based on a \$32M acquisition price with \$8.7M deferred)





Q&A



CONTACT DETAILS

Level 6, 55 Clarence Street
Sydney NSW 2000
T: (612) 8823 6300

SHARE REGISTRY

Automic
Level 3, 50 Holt Street
Surry Hills NSW 2010
T: 1300 288 664

KEY DATES

August – Full Year Results
November – Annual General Meeting