

Savills plc

Preliminary results for the year ended

31 December 2010

savills



Disclaimer

Forward-looking statements

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Presentation Format

- **Part 1: Results**
 - Introduction
 - Financial Review
 - Operational Review, Strategic Priorities & Outlook

- **Part 2: Asia-Pacific & China**
 - History & Overview of Business in Asia-Pacific
 - Savills in China
 - Asian Property Market Dynamics and Future Growth

Highlights

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- Revenue up 21% to £677m (2009: £561m)—Strong Transaction markets
- Underlying PBT up 88% to £47.3m (2009: £25.2m)
- Record year in Asia Pacific
- Continued strength in prime London Markets (Residential & Commercial)
- Significant improvements in Continental Europe and Cordea Savills
- Underlying Basic EPS up 92% to 27.9p (2009: 14.5p)
- New dividend policy; full year payout up 44% to 13p (2009: 9p)



Financial Review

Summary Underlying Results

Year ended December (£ millions)	2010	2009	% chg
revenue	677.0	560.7	20.7%
underlying profit before tax	47.3	25.2	87.7%
underlying PBT margin	7.0%	4.5%	
underlying basic earnings per share	27.9p	14.5p	92.4%
net assets	209.1	197.7	5.8%
net cash	86.9	66.3	31.1%

Summary Cashflow

Year ended December (£ millions)	2010	2009
b/fwd cash	81	75
cash generated from operations	68	40
investments, acquisitions and capex	(17)	(12)
purchase of non-controlling interests	(9)	-
disposals of JVs	-	9
EBT share purchases	(11)	(5)
issue of shares (Sharesave Scheme)	1	-
dividends	(12)	(8)
f/x movement	2	(7)
borrowings repaid	(6)	(11)
cash and overdrafts at year end	97	81
borrowings at year end	(10)	(15)
net cash at year end	87	66

Underlying PBT Reconciliation

Year ended December (£ millions)	2010	2009
reported profit before tax	36.8	13.5
goodwill/intangible/investment impairments/amortisation	7.1	7.0
share based payment adjustment	3.3	4.7
loss on disposal of subsidiary, associate & available-for-sale investments	0.1	-
underlying PBT	47.3	25.2

FX Effect on Underlying Results

Year ended December (£ millions)	2010 actual	2009 actual	FX gain/ (loss)	Constant currency actual	Constant currency variance
revenue	677.0	560.7	11.1	665.9	18.8%
underlying costs	(629.7)	(535.5)	(10.0)	(619.7)	(15.7)%
underlying PBT	47.3	25.2	1.1	46.2	83.3%

Global Revenue and Underlying PBT

Year ended December (£ millions)	Revenue			UPBT		
	2010	2009	% chg	2010	2009	% chg
total transactional	270.7	197.5	37.1%	30.8	6.3	388.9%
total property mgmt.	243.7	215.2	13.2%	14.4	12.6	14.3%
total consultancy	134.2	119.4	12.4%	10.6	10.9	(2.8)%
financial services	9.4	11.2	(16.1)%	(1.9)	(2.9)	34.5%
fund management	19.0	17.4	9.2%	3.4	2.9	17.2%
unallocated				(10.0)	(4.6)	-
Total	677.0	560.7	20.7%	47.3	25.2	87.7%

Transactional Business

Year ended December (£ millions)		Revenue			UPBT		
		2010	2009	% chg	2010	2009	% chg
transactional commercial	- Asia Pacific	85.5	48.7	75.6%	13.4	4.6	191.3%
	- UK	48.2	35.7	35.0%	7.7	1.2	541.7%
	- Europe	30.2	28.3	6.7%	(4.3)	(9.6)	55.2%
	- America	3.1	2.3	34.8%	(3.6)	(3.9)	7.7%
transactional residential	- UK	86.8	71.3	21.7%	13.3	11.8	12.7%
	- Asia Pacific	16.9	11.2	50.9%	4.3	2.2	95.5%
Total transactional		270.7	197.5	37.1%	30.8	6.3	388.9%

Non-transactional Business

Year ended December (£ millions)		Revenue			PBT		
		2010	2009	% chg	2010	2009	% chg
property management	- Asia Pacific	151.0	127.6	18.3%	10.4	8.2	26.8%
	- UK	72.4	64.6	12.1%	5.8	7.1	(18.3)%
	- Europe	20.3	23.0	(11.7%)	(1.8)	(2.7)	33.3%
Total property management		243.7	215.2	13.2%	14.4	12.6	14.3%
consultancy	- UK	97.5	88.1	10.7%	9.1	9.2	(1.1)%
	- Asia Pacific	26.3	22.5	16.9%	1.6	2.0	(20.0)%
	- Europe	10.4	8.8	18.2%	(0.1)	(0.3)	66.7%
Total consultancy		134.2	119.4	12.4%	10.6	10.9	(2.8)%
financial services		9.4	11.2	(16.1)%	(1.9)	(2.9)	34.5%
fund management		19.0	17.4	9.2%	3.4	2.9	17.2%
Total		406.3	363.2	11.9%	26.5	23.5	12.8%

New Distribution Policy

Objective

- To create a dividend distribution policy that reflects the variability of our different income streams
- Split between an ordinary dividend and a supplemental dividend

Ordinary

- Ordinary dividend (1/3 interim and 2/3 final)
- Intended to be progressive and driven by our less volatile non-transactional earnings

Supplemental

- The board may declare the payment of a supplemental dividend reflecting performance from Savills more cyclical transaction business
- Supplemental (paid with final ordinary) may vary in size from period to period or not be declared at all

Dividend Cover

- Total dividends will be covered at least 1.5x by statutory EPS and/or 2.0x by Underlying EPS

2010 Dividends

- Proposed final ordinary dividend of 6p (2009: 6p) and supplemental dividend of 4p (2009: nil) representing aggregate distribution of 13p (2009: 9p) up 44%

Business Review

Progress against strategic priorities



Strategic Priorities

- Business diversification
- Geographical diversification
- Strong position in both Commercial & Residential markets
- Maintain financial strength
- Commitment to clients



Progress

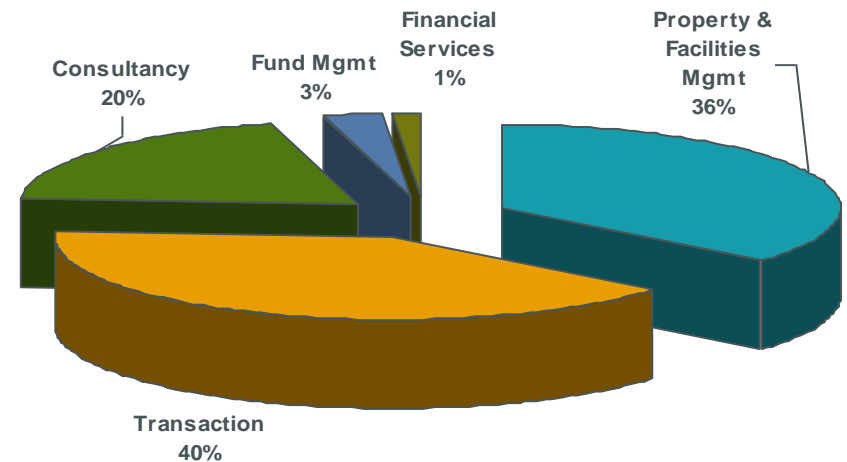
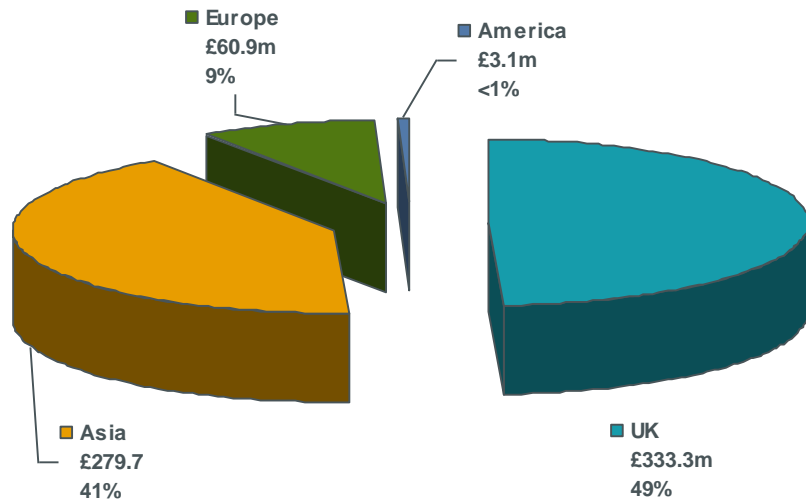
- Successful recruitment of teams
- Selective acquisitions
- Further growth and expansion in key markets particularly Asia Pacific
- Europe restructuring - New CEO in place
- Opening new Residential offices in London and Hong Kong, more to follow
- Strong balance sheet, net cash £86.9m (2009 £66.3m)
- Substantial ongoing investment in upgrading operational platform

Diversification



2010 Revenue by Geography £'m	
UK	333.3
Asia	279.7
Europe	60.9
America	3.1

2010 Revenue by Business £'m	
Transaction Advisory	270.7
Property/Facilities Mgmt	243.7
Consultancy	134.2
Fund Management	19.0
Financial Services	9.4



Commercial Transaction Advisory Business

Year ended December (£ millions)		Revenue 2010	2009	% chg	PBT 2010	2009	% chg
Commercial Transaction Advisory	- Asia Pacific	85.5	48.7	75.6%	13.4	4.6	191.3%
	- UK	48.2	35.7	35.0%	7.7	1.2	541.7%
	- Europe	30.2	28.3	6.7%	(4.3)	(9.6)	55.2%
	- America	3.1	2.3	34.8%	(3.6)	(3.9)	7.7%
Total		167.0	115.0	45.2%	13.2	(7.7)	271.4%

- Record year for Asia Pacific region (Hong Kong, Australia and Singapore)
- UK recovery continued mainly in Prime Central London
- Acquired London Retail agency early 2011 plus significant recruitment
- Cost savings improve Continental Europe result
- US marginal improvement, but pipeline stronger

Residential Transaction Advisory Business

Year ended December (£ millions)		Revenue 2010	2009	% chg	PBT 2010	2009	% chg
Residential Transaction Advisory	- UK	86.8	71.3	21.7%	13.3	11.8	12.7%
	- Asia Pacific	16.9	11.2	50.9%	4.3	2.2	95.5%
Total		103.7	82.5	25.7%	17.6	14.0	25.7%

- UK Residential volume growth increase primarily in H1, but London market maintained strength
- Investment in the business restricted profit in period (e.g. 2 new London offices)
- Market quieter outside London from Q4 2010
- Strong growth in Asia Pacific driven by Greater China/Singapore/Vietnam

Property Management

Year ended December (£ millions)		Revenue 2010	2009	% chg	PBT 2010	2009	% chg
Property management	- Asia Pacific	151.0	127.6	18.3%	10.4	8.2	26.8%
	- UK	72.4	64.6	12.1%	5.8	7.1	(18.3)%
	- Europe	20.3	23.0	(11.7)%	(1.8)	(2.7)	33.3%
Total		243.7	215.2	13.2%	14.4	12.6	14.3%

- Total Area under management up 23% to c. 1,105m ft² (2009: 896m ft²)
- UK- substantial recruitment and investment in systems
- Continental Europe - benefited from restructuring (e.g. closure of Berlin) and acquired in Sweden post year end
- Asia Pacific - continued growth in property and facilities management (Incoll acquisition)

Consultancy

Year ended December (£ millions)		Revenue 2010	2009	% chg	PBT 2010	2009	% chg
Consultancy	- UK	97.5	88.1	10.7%	9.1	9.2	(1.1)%
	- Asia Pacific	26.3	22.5	16.9%	1.6	2.0	(20.0)%
	- Europe	10.4	8.8	18.2%	(0.1)	(0.3)	66.7%
Total Consultancy		134.2	119.4	12.4%	10.6	10.9	(2.8)%

- Valuation services showed good volumes but fee pressure in UK and Continental Europe
- UK Planning consultancy down at low stage in cycle; Housing consultancy grew well
- Growth in Asia Pacific (Australia, Singapore, Vietnam)
- Beijing office establishment costs and lack of IPO market reduce profitability
- Impact of the claims cycle—an industry issue in the UK

Fund Management

Year ended December (£ millions)		Revenue 2010	2009	% chg	PBT 2010	2009	% chg
fund management		19.0	17.4	9.2%	3.4	2.9	17.2%

- Funds under management increased to £2.8bn (2009: £2.5bn)
- Acquired remaining 40% of the business in March 2010
- Strong performance from flagship funds (Charities Property Fund/ European Commercial Fund/Diageo pension fund) CPF 19.1% total return
- Invested approximately €500m during the year

Financial Services

Year ended December (£ millions)	Revenue 2010	2009	% chg	PBT 2010	2009	% chg
financial services	9.4	11.2	(16.1)%	(1.9)	(2.9)	34.5%

- UK mortgage market remained stagnant
- Some signs of improving market conditions
- Savills Private Finance reduced losses
- Savills Capital Advisors – restructured and focused on commercial debt advisory

Summary & Management Focus

Summary

- Results demonstrate strength of Savills business model
- Our core strength in prime global Commercial and Residential markets differentiates us from our competitors
- Strong balance sheet – no debt
















Current Management Focus

- Continue growth in China to maintain market leadership
 - Develop our global prime Residential business – maximise the Savills brand
 - Expand London Residential – open more offices
 - Expand operations in the corporate occupier markets
 - Review new markets
 - Continue investment in client service
-

“In the near term it is unclear how markets will react to the recent catastrophic events in Japan, particularly at a time of unprecedented global economic and political change. For the markets of Mainland China, Hong Kong and Singapore these events come on top of Government measures of the last twelve months to address property speculation. The longer term potential of our Asian business remains compelling, however at this stage, we continue to expect a reduced volume of transactions in the region in 2011. At the same time we anticipate further recovery in the US and parts of Continental Europe, some growth in Prime London Residential and Commercial businesses and continued growth in Fund Management. Although it is impossible to be certain in current circumstances, we currently anticipate that any slowdown in Asia should be largely offset by improving performances elsewhere.”











Appendix I

Prime UK Residential Market Forecasts

	2010	2011	2012	2013	2014
UK Mainstream	0.7% 	-3.0% 	1.5% 	3.0% 	5.0% 
Prime Central London	3.8% 	-1.0% 	10.0% 	8.0% 	6.5% 
Prime Regional	1.0% 	-1.5% 	5.5% 	6.0% 	6.0% 

Source: Savills Research

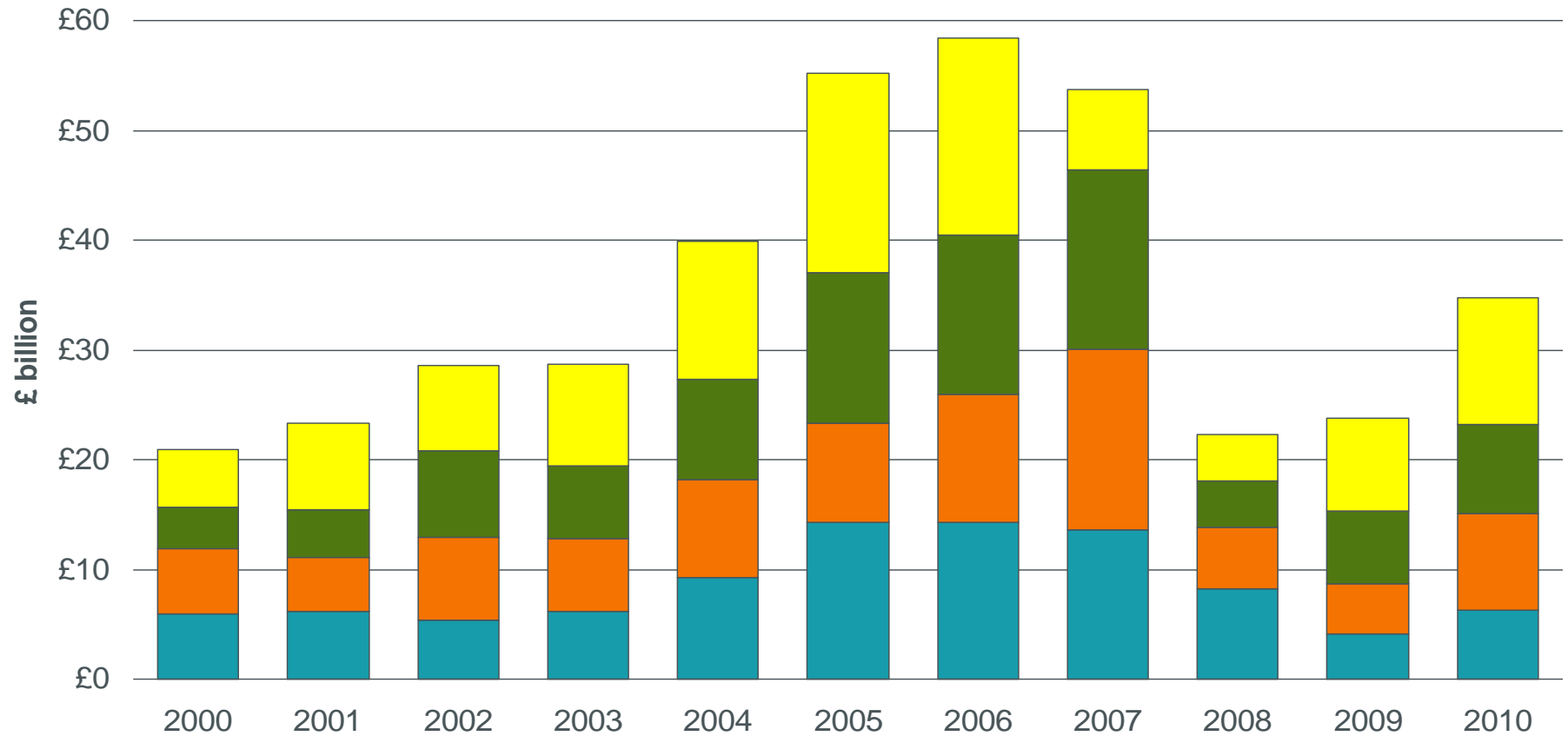
Prime Residential Market Movement and Forecasts

	2008	2009	2010	2011E	2012E
Hong Kong Luxury Apartment	-24% 	45% 	16% 	5% 	3% 
Hong Kong Townhouse	-39% 	61% 	31% 	10% 	5% 

UK Market Investment volume

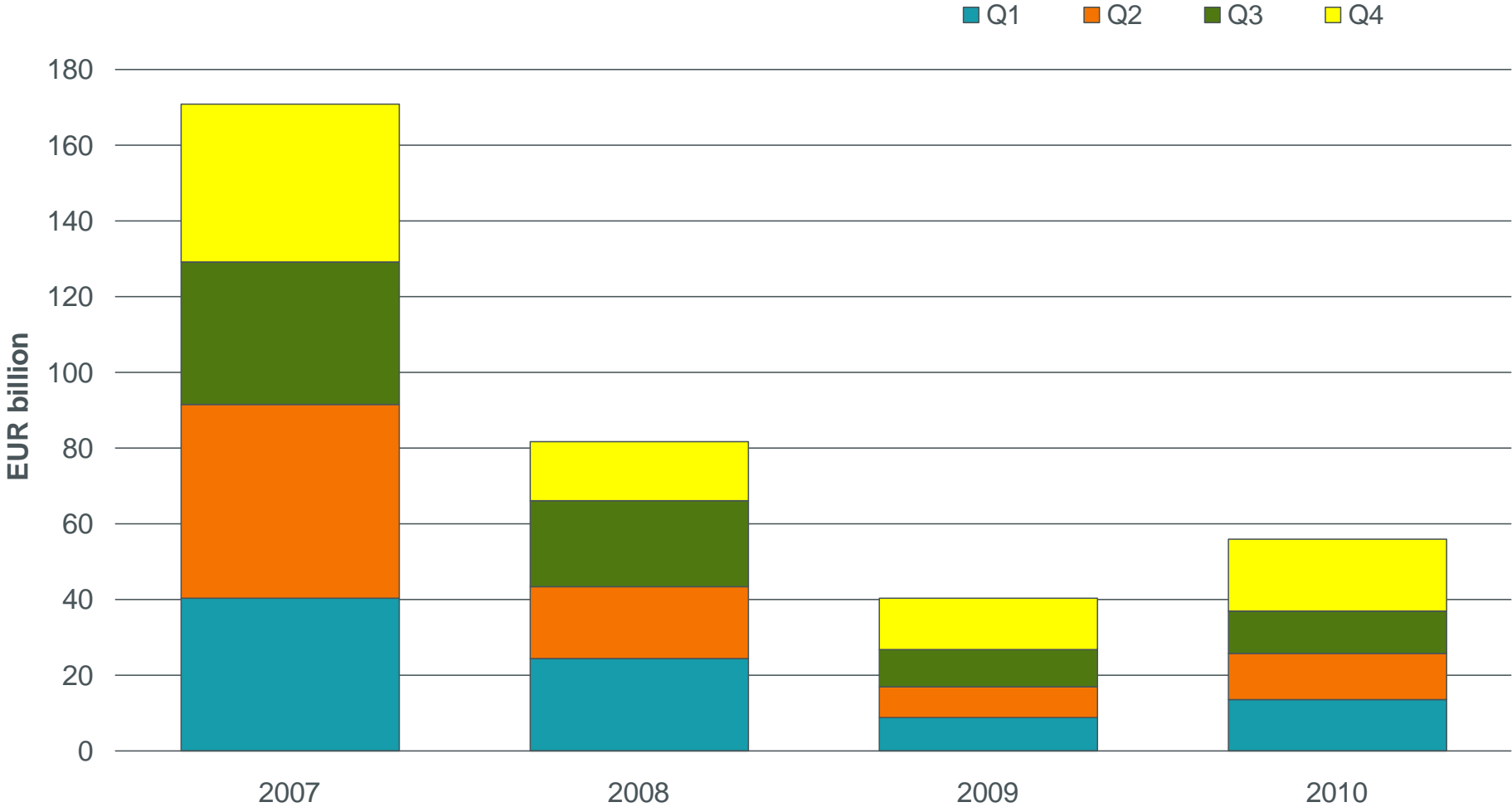


■ Q1 ■ Q2 ■ Q3 ■ Q4



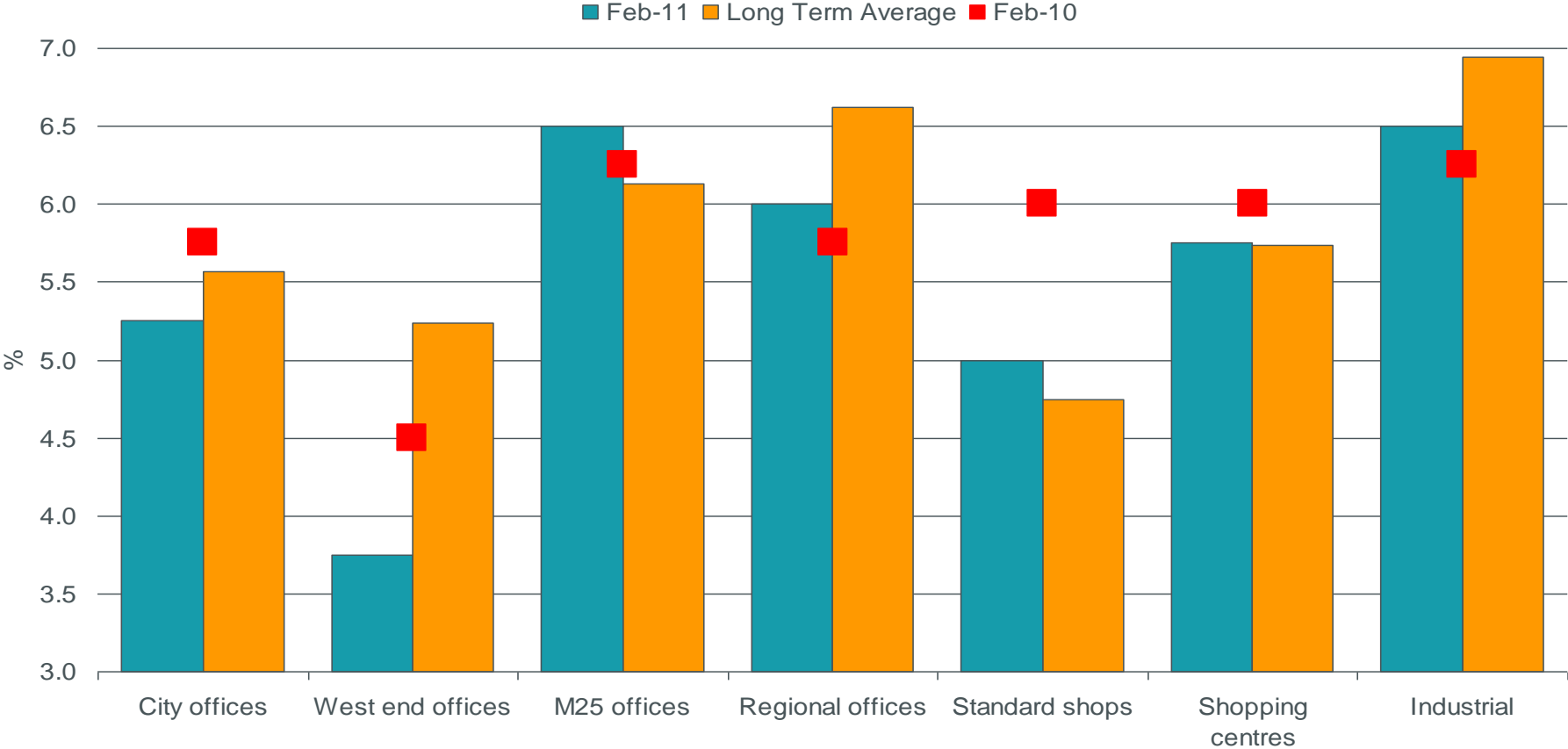
Source: Property Data

Continental European Investment Volume

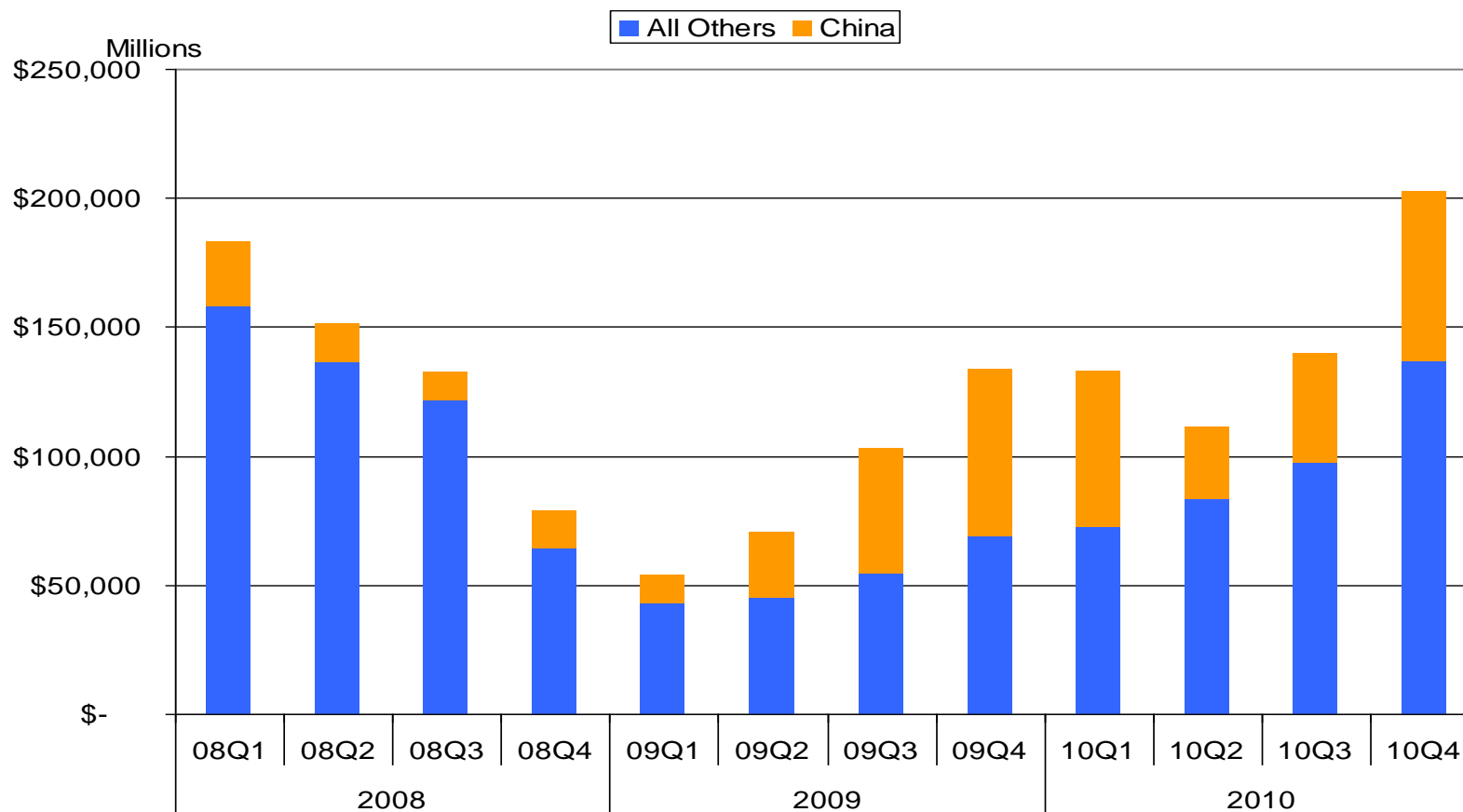


Source: Real Capital Analytics

UK Prime yields have stabilised

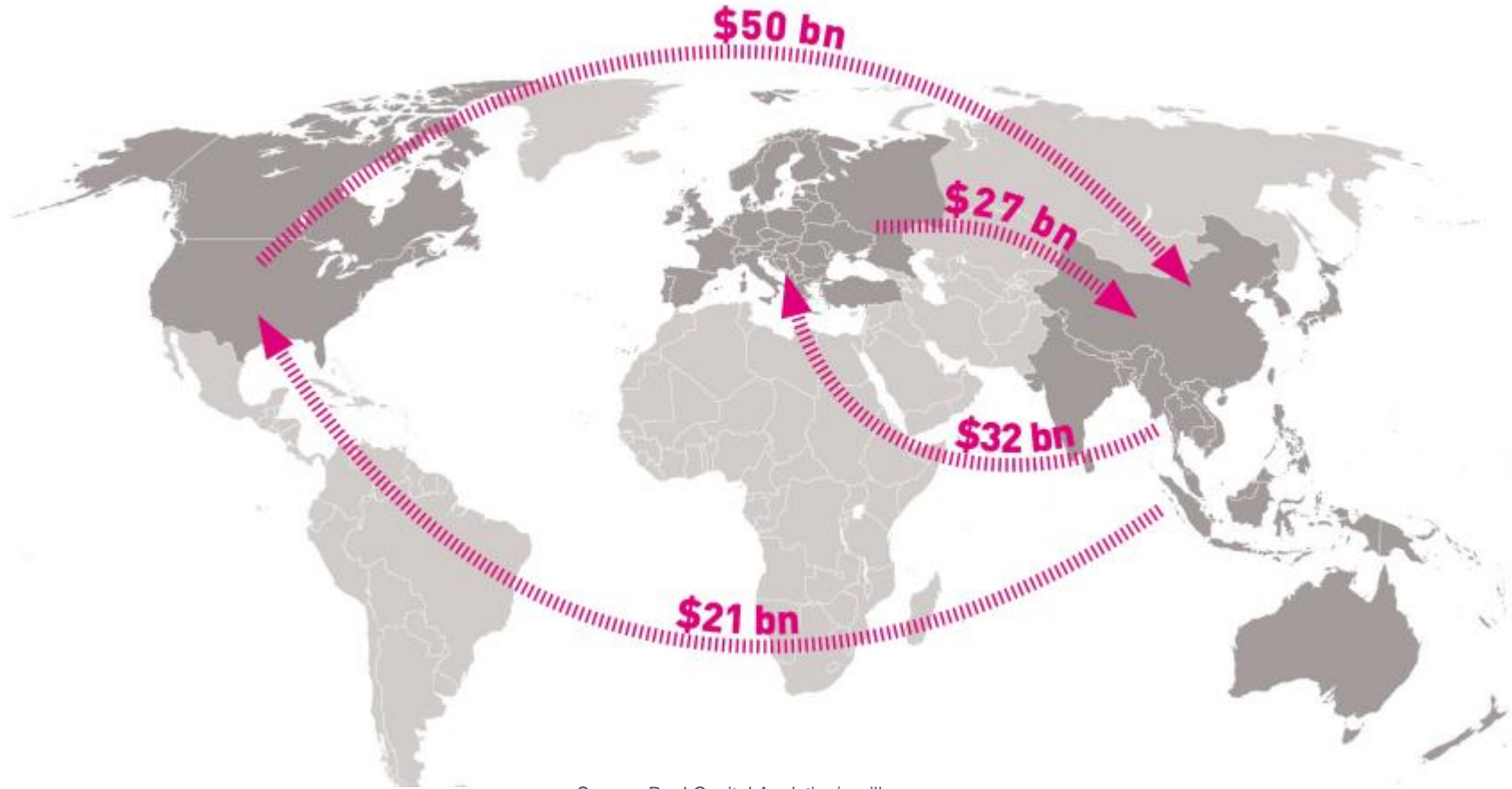


China Investment Sales Volumes vs Global - Q1/2008 - Q4/2010



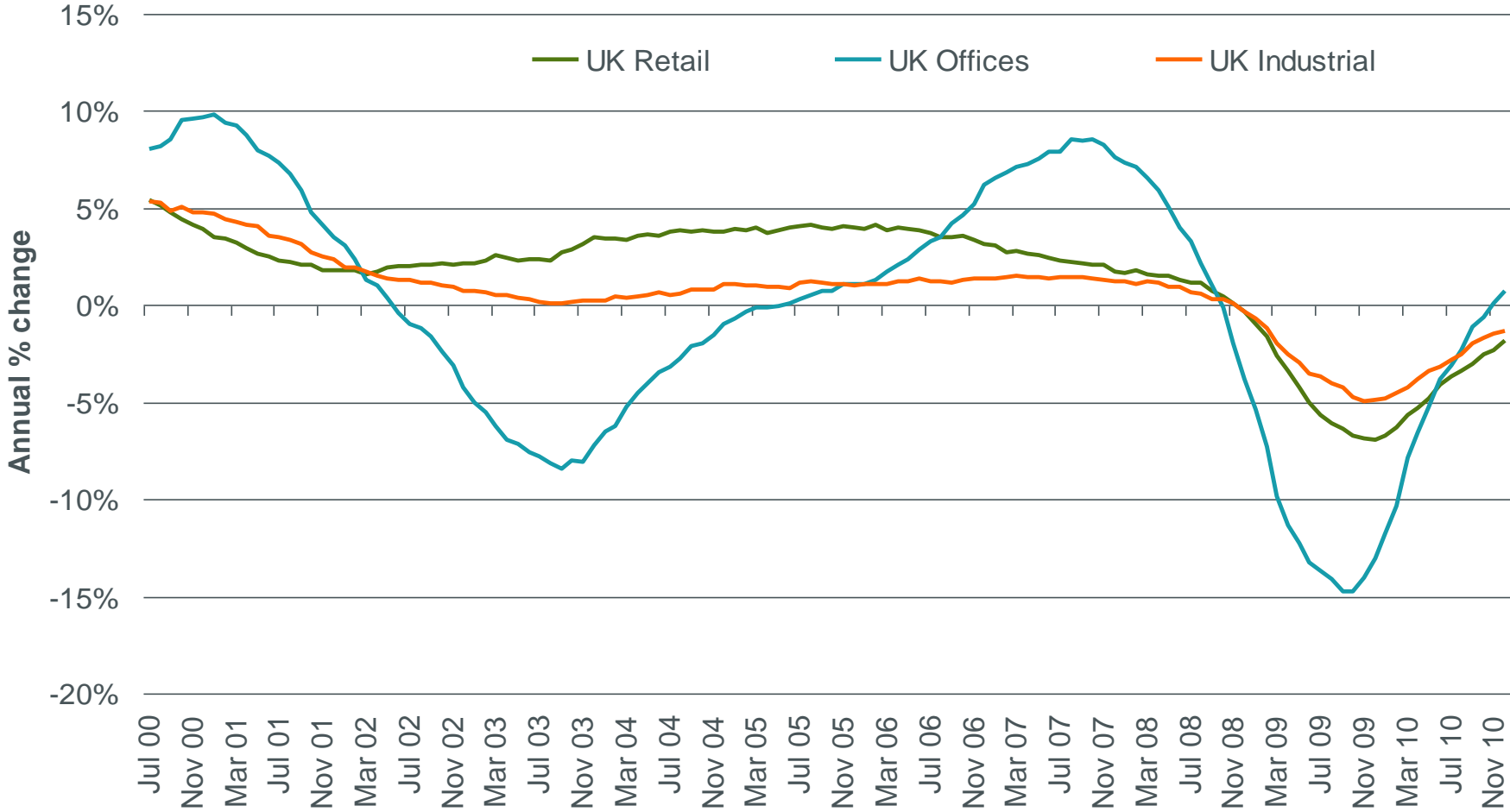
Source: RCA, Savills Research & Consultancy

Real estate related capital flows to and from Asia



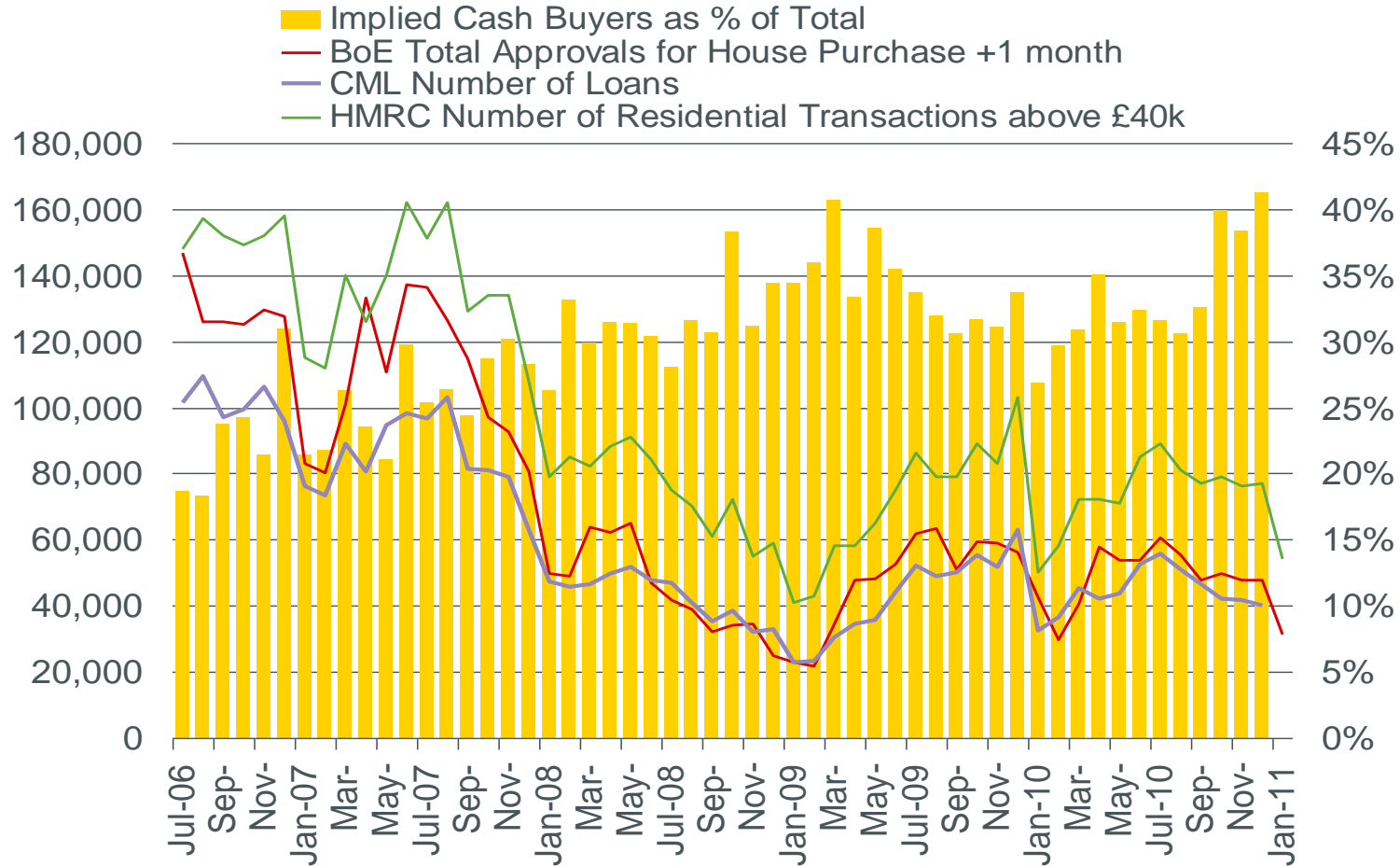
Source: Real Capital Analytics/savills

Office rental growth is now positive - driven by central London offices



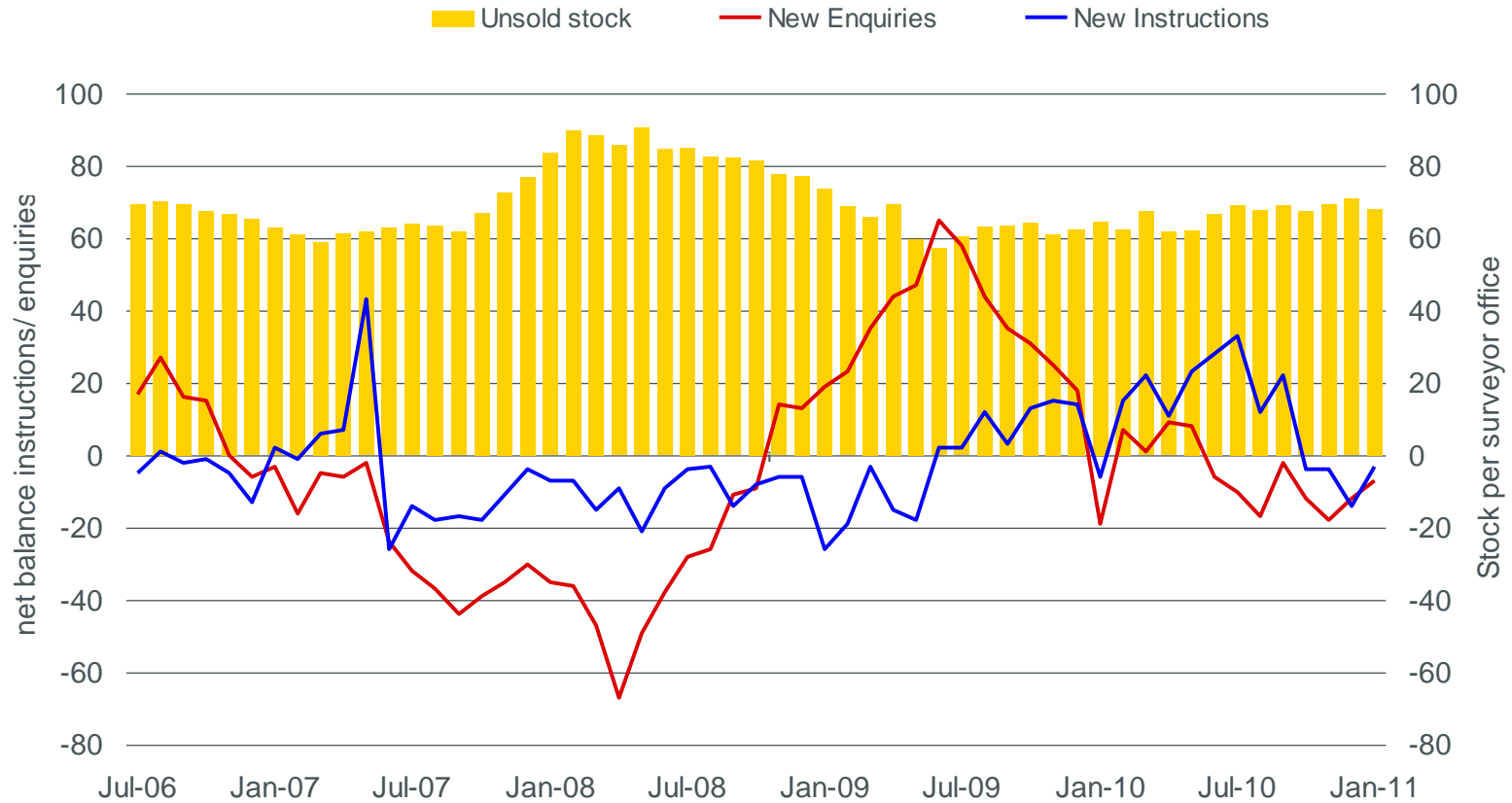
Source: Investment Property Databank

UK Residential Transactions & Mortgage Approvals



Source: Bank of England, CML, HMRC

Buyer confidence



Source: RICS