



# 2010: A year of action and successes

March 2011

LMS Capital plc

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# LMS has a solid base, a clear strategy and the resources to execute

- LMS is an LSE **listed** private equity company with offices in the UK & US
- We are **permanent capital**, our objective is to grow our balance sheet by 15%+ pa
- Near term **cashflows** are highly visible and positive; to be redeployed into new deals
- Our focus is to acquire **profitable & growing companies** in our core sectors of *energy, consumer and business services*
- We are emerging as a **partner of choice** to experienced management teams looking for long term capital



# LMS Capital is now a profitable and growing company

## 2010 highlights:

- ✓ Improvement in values of quoted portfolio
- ✓ Realisations and improvements in Fund valuations
- ✗ Write-off/down of 5 old legacy direct and turnaround of remaining investments
- ✓ Maiden consolidated net profit
- ✓ Positive Owned EBITDA
- ✓ Growth in Book Value

Our new strategy and disciplined focus on delivering value is making progress...

Key metrics	2009	2010
Net profit* (£m)	(12.4)	15.2
Owned EBITDA (£m)	(3.0)	7.5
NAV (p/share)	84p	90p

\*continuing operations

# 2010: a year of actions and successes

- **Three new profitable and growing investments;**



- Apogee (March '10); £7.9m – UK based managed print solutions. Follow on investments expected to fund acquisitions



- Nationwide Energy (May '10); £9.7m – US retail electric provider to multi-family units. Follow on investments will fund organic growth & acquisitions.



- Zoom Eyeworks (August '10, via SFEP); £4.7m – the #2 non-prescriptive eyeglass reader company in the US, sells glasses (readers and sun) through chain stores

- **Older non-performing investments written-off/down:**

- Legacy investments with poor prospects written off and exited or going: Vio, Corizon, Coppereye, Kizoom
- Investments written back to appropriate values will be supported: ITS, Wesupply

- **Sale of quoted investments as they hit target prices**

- **Fund investments being realised** as they enter the harvest mode of their finite life. Outstanding commitments to LPs are declining.

# We are focused on producing economic gains, and we did

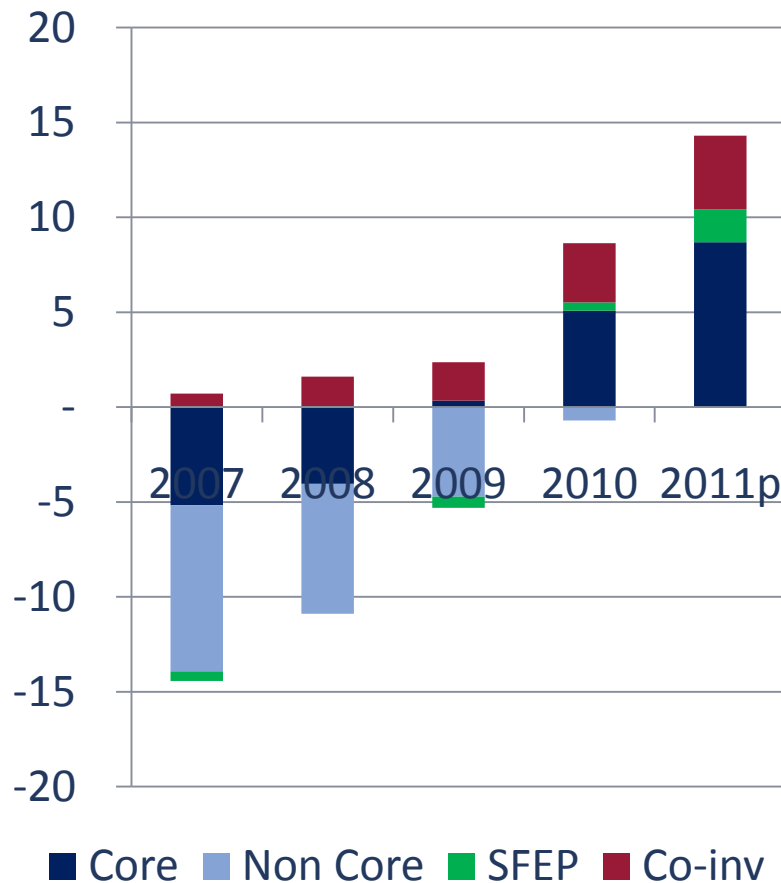
## *Investment management business*

<b>£million</b>	<b>2009</b>	<b>2010</b>
Quoted	12.2	15.2
Funds	(6.8)	10.5
Direct	(10.3)	(1.9)*
Finance costs	0.2	(0.3)
Administrative costs, net	(7.7)	(5.5)
Tax	(0.3)	(0.4)
<b>Net Profit</b>	<b>(12.7)</b>	<b>17.6</b>

\* Inclusive of £11m write down/off of legacy non-core, non-performing direct investments which have been or will be exited

# Our new strategy of owning profitable & growing companies will drive growth in value

## Owned EBITDA, £million

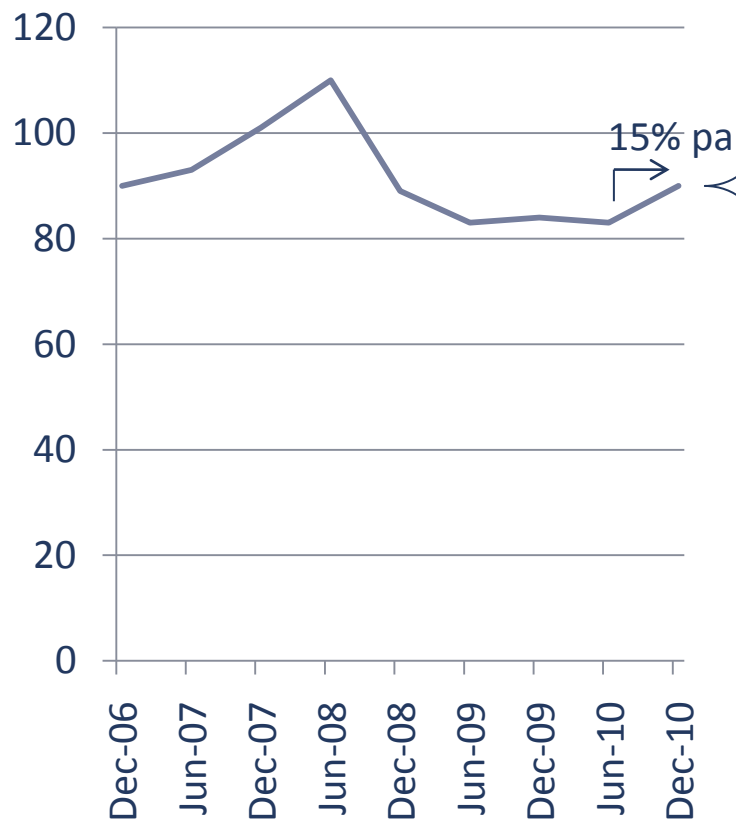


- Core holdings are those profitable and controllable investments that are growing
- Non-core are the non-profitable legacy investments that are being exited
- Owned EBITDA is a measure to track portfolio performance; Ownership% x EBITDA (it is not a GAAP measure)

We can affect this metric – we buy and support profitable and growing companies

# Net asset value has improved; at 15% annualised and is increasingly direct investments in 3 sectors

Book value per share, pence



Book value at YE 2010  
£million

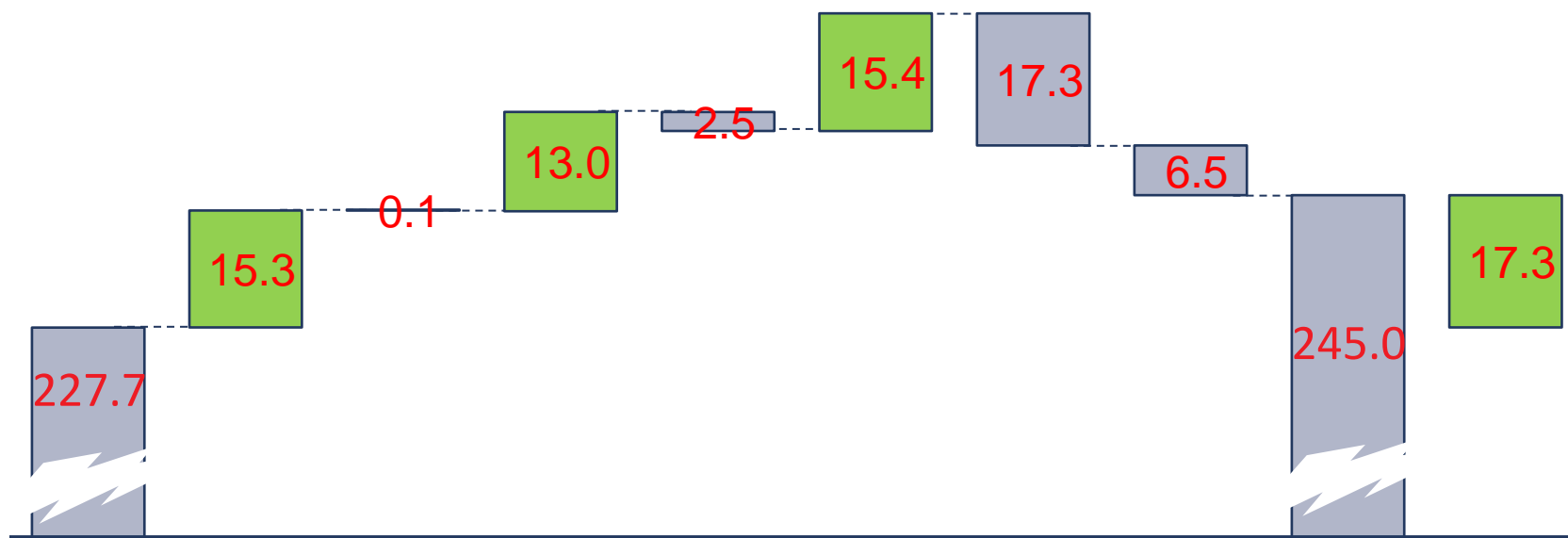
	Quoted	Funds	Direct	Total
Energy	<b>35.0</b>	6.2	11.2	52.4
Consumer	1.5	3.1	<b>50.4</b>	55.0
Applied Tech	8.6	17.2	<b>54.2</b>	80.0
Other	<b>18.1</b>	<b>46.8</b>	0.8	65.7
<b>Total</b>	<b>63.2</b>	<b>73.3</b>	<b>116.6</b>	<b>253.1</b>
	25%	29%	46%	

Note: SFEP's portfolio is classified as Direct investments



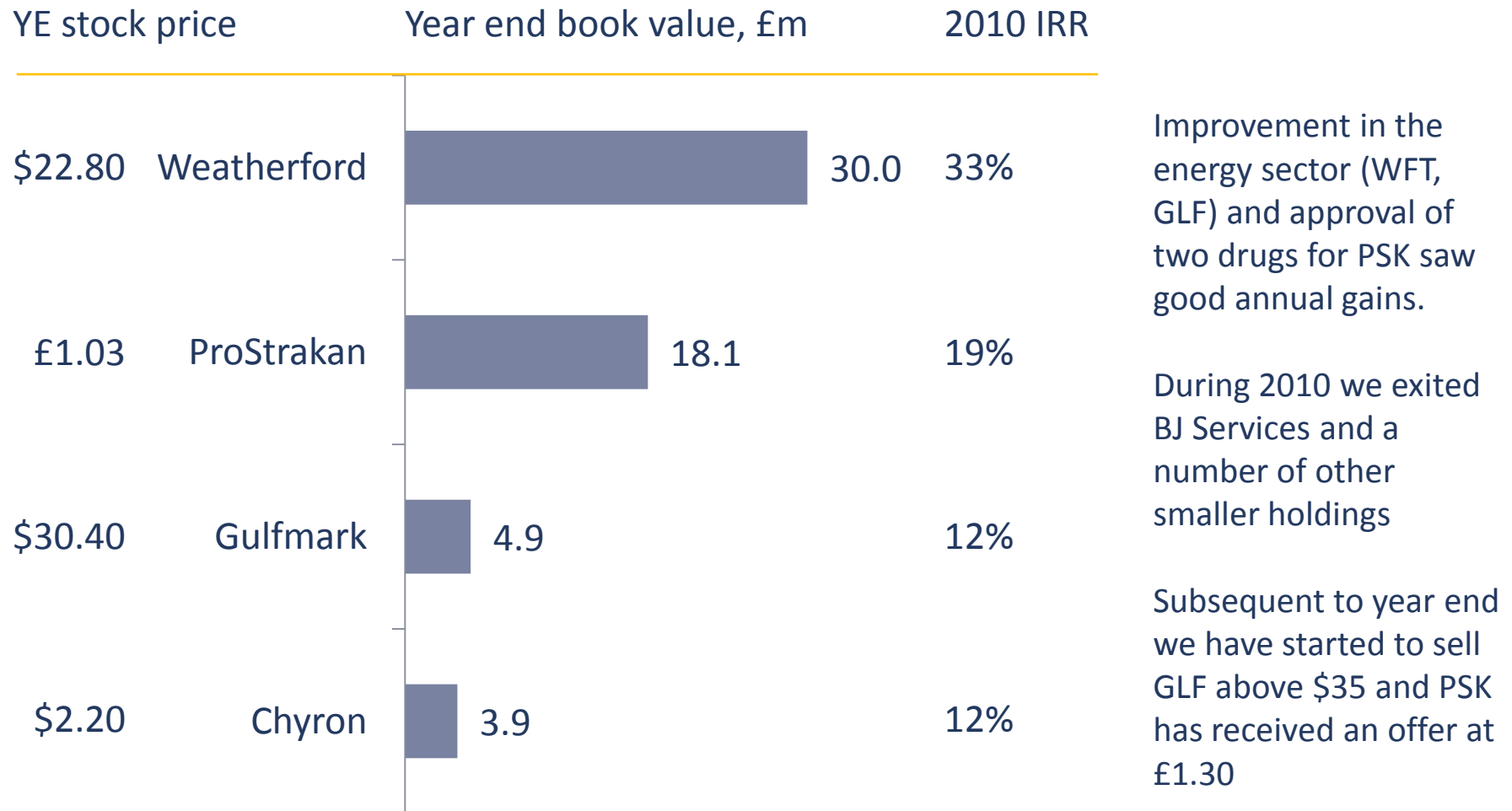
# NAV growth was up across the portfolio

£million



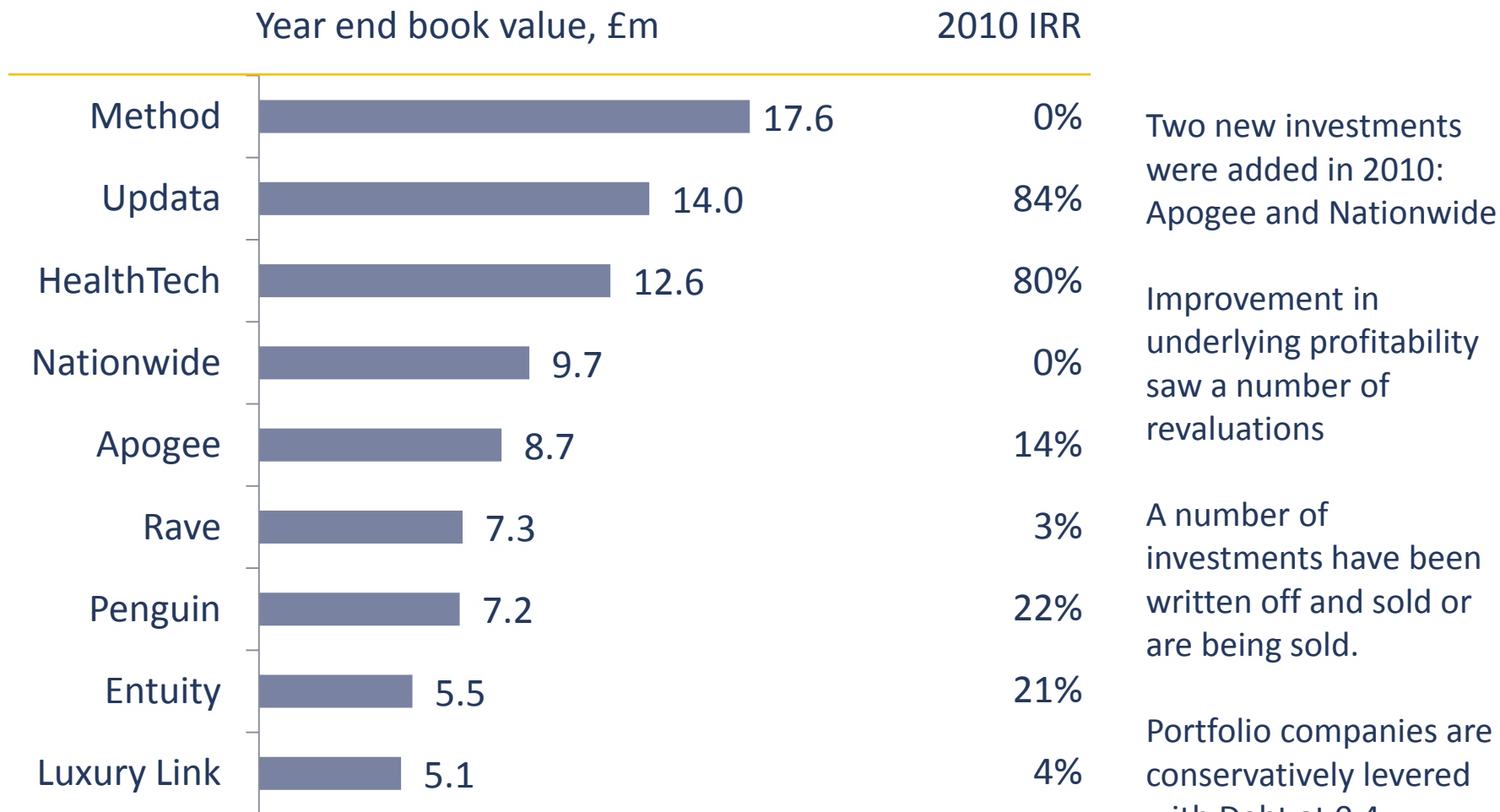
Opening value	Quoted MTM gains	Quoted MTM losses	Funds gains	Funds losses	Direct gains	Direct write-offs	Expenses	Closing value	Change value
83.6p	5.6		4.7	(1.0)	5.7	(6.4)	(2.3)	90p	6.4p

# Our quoted portfolio is dominated by two holdings and has also performed well during the year



These holdings represent 90% of total quoted portfolio

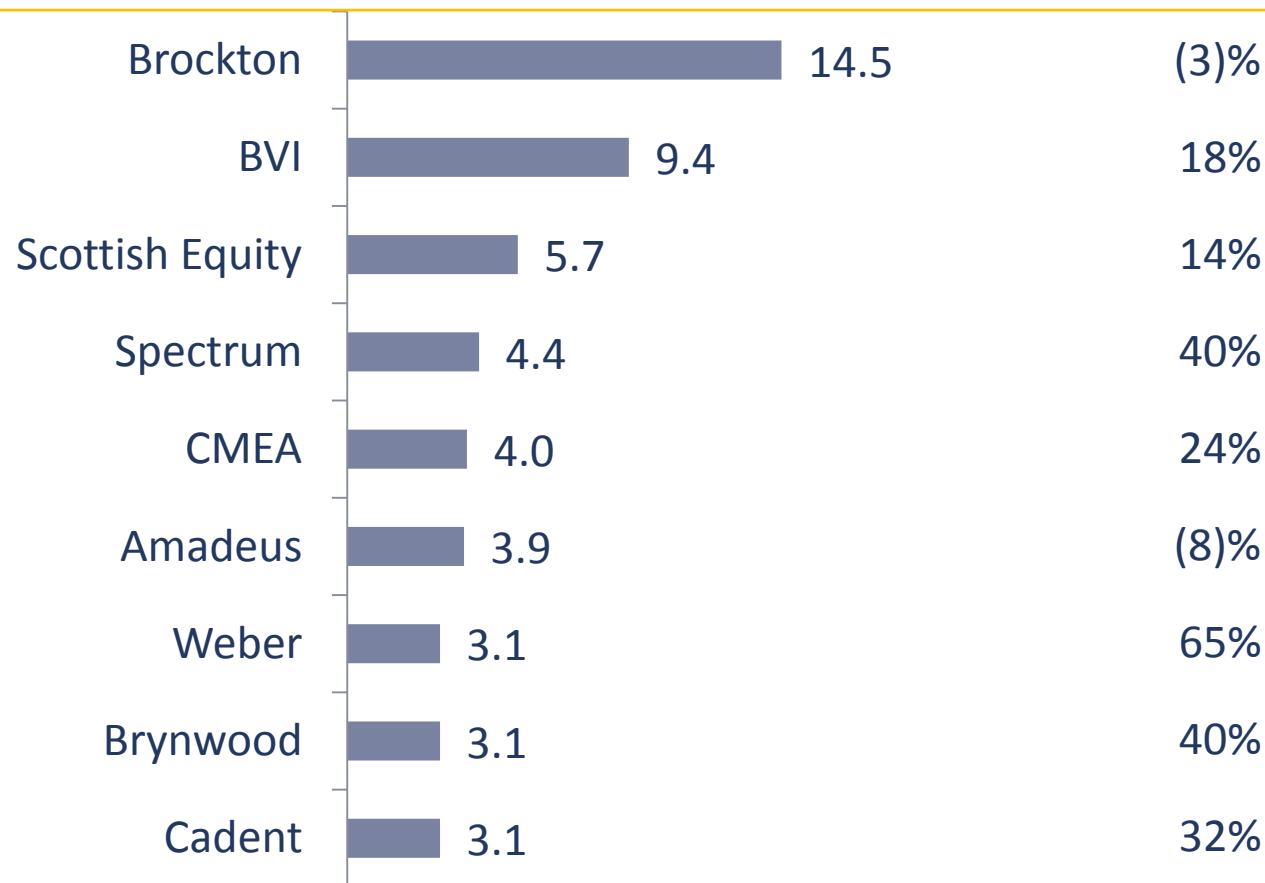
# Our core direct investment portfolio improved markedly



These holdings represent 75% of total direct portfolio

# Our Fund portfolio improved with the underlying improvement in their holdings

General Partners    Year end book value, £m    2010 IRR



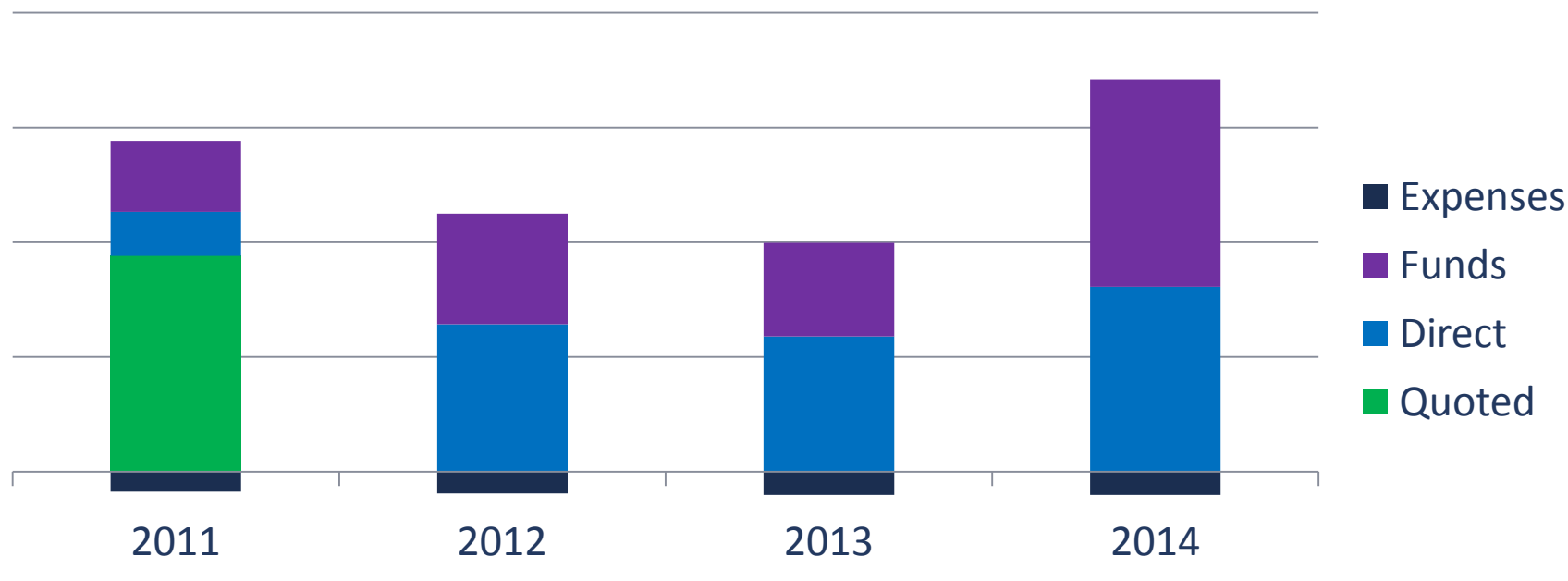
A number of Funds reported higher valuations as their remaining investments returned to profitability.

IRRs were also enhanced at some funds as large realisations were returned in excess of book.

Commitments today are down to £40.7m (from £58.7m at '09) and will be exceeded by realisations

These holdings represent 70% of total Funds portfolio (excl SFEP)

# Projected cashflows, before new deals, are large and positive



- Based on detailed projections the harvesting of quoted, legacy direct and fund investments should produce material sources of investable capital
- With this net inflow we have the ability to finance a number of new deals

# Our internal management is focused on having the right inputs



# Our outlook for 2011 is positive ...

- We are seeking to exit a number of legacy investments (quoted, direct and funds), and are positioning others to sell
- We are actively seeking (and seeing) investments in profitable and growing companies in our core sectors
- Most direct investment companies are projecting 20%+ revenue growth as markets recover.



*Material positive gains and cash inflow*



*New, direct, control deals*



*Growth in underlying net assets*