



# **Results for the year to 30 April 2010**

**Paul Idzik, Group Chief Executive**

**Bob Rickert, Group Finance Director & Global Chief Operating Officer**

**13 July 2010**

# Agenda

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- Introduction Paul Idzik
- Financial Review Bob Rickert
- Trading Highlights Bob Rickert
- Outlook and Strategic Priorities Paul Idzik
- Summary Paul Idzik

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- Introduction

Paul Idzik

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## 2009/10 Highlights

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- Strong performance, at top end of market expectations
- Returned to profitability on an operating basis: profit before tax and exceptionals of £3.6m (2009: loss of £35.1m)
- Adjusted EBITDA £16.4m (2009: loss: £21.8m)
- Revenue marginally down 2.2% at £356.0m (2009: £364.1m)
- Revenue from continuing operations increased by 1.5% to £351.4m (2009: £346.3m)
- Revenue performance reflects continuing challenging market conditions
- Exceptional items of £26.5m (2009: £44.6m) resulted in a loss before tax of £22.9m (2009: loss of £79.7m)
- Significantly strengthened balance sheet
  - Cash and cash equivalents increased 34% to £50.6m (2009: £37.8m)
  - Net debt reduced to £47.5 (2009: £50.8m)
- Major strategic review and restructuring programme completed delivering cost savings of over £75m; greater and sooner than initial expectations
- Management, people and systems in place to drive profitable organic growth

**Business reshaped and positioned for growth -- DTZ now well placed to compete aggressively in chosen markets**

## Progress against 2009/10 Strategic Priorities

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- Implementing 'one-firm' approach
  - Seamless cross border service delivery - global and regional heads appointed to facilitate cross selling
  - Consistent global approach to financial reporting, HR and client relationship management - benefits already seen
- Increasing market share through organic growth
  - Significant increase in revenues from China and the growth of our Investment Management business which won four new mandates during the year collectively totalling £510m
  - Senior hires focused on driving growth including: CEMEA CEO; Asia Pacific Head of Investment Management; Beijing Head of Valuation and an Occupier Services team
- Completed far-reaching strategic review and restructuring programme
  - Exited a small number of loss-making and non-strategic businesses; focused investments into more attractive markets
  - Cost savings of over £75m - exceeded expectations and delivered ahead of schedule
  - Purchased remaining stake in Swedish business - now 100% owned; post year-end organic expansion into Vietnam and announced intention to acquire remaining 20% of asset management business

## **DTZ Asset Management: announced intention to purchase remaining 20 per cent of the business**

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- Key business for DTZ and an area we have highlighted as a growth priority
- Historically our asset management business has been highly profitable
- The consideration will comprise: an initial cash payment of €7.1m; with a performance related earn-out of up to eight years
- Existing highly experienced asset management team will remain at DTZ and the deal has been structured to promote the strong growth of the business
- Acquisition will create the platform to enable organic growth and expansion of business beyond its current strong presence in France and Germany
- Asset management team will work more closely with relevant business lines across the firm to give clients access to the most favourable investment opportunities
- If the proposed acquisition is approved by DTZ's shareholders, the business will become a wholly owned subsidiary of the Group - SGP has undertaken to vote in favour of the transaction

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## Return to profitability on an operating basis

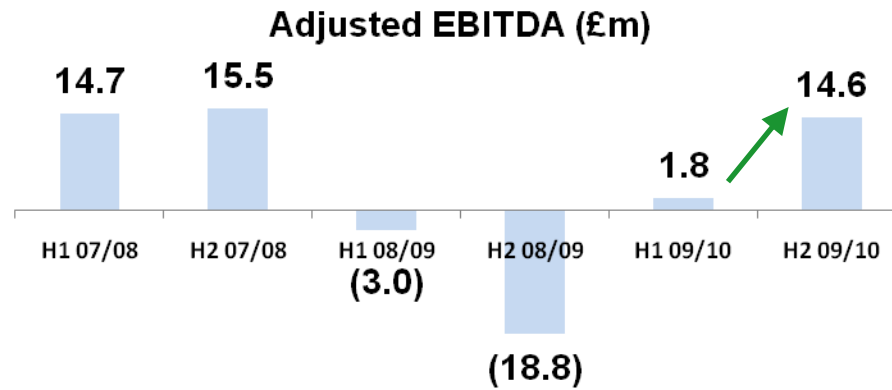
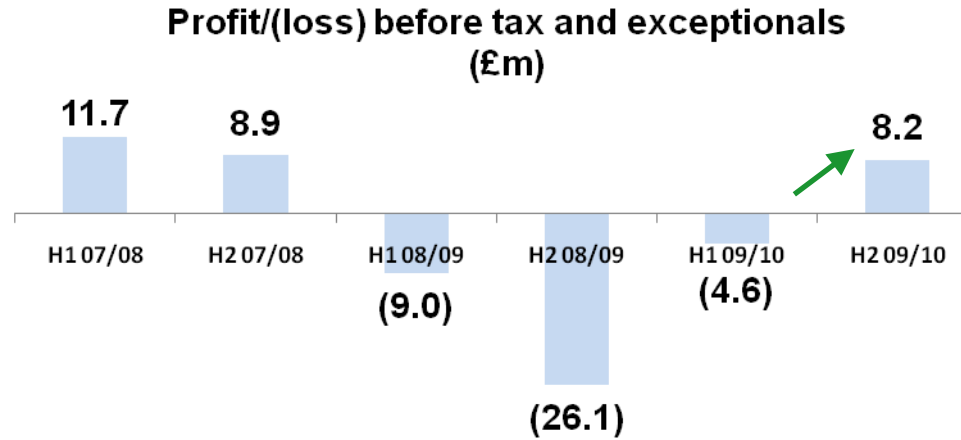
### Key financial data

	Year to 30 April 2010 (£m)	Year to 30 April 2009 (£m)	Change
Revenue	356.0	364.1	<b>*Reduced 2.2%</b>
Staff costs	(240.9)	(269.4)	<b>Improved 10.6%</b>
Other operating costs	(108.5)	(127.7)	<b>Improved 15.0%</b>
Operating profit / (loss)	6.5	(33.0)	<b>+ £39.5m</b>
PBT / (loss) pre-exceptionals	3.6	(35.1)	<b>+ £38.7m</b>
EBITDA pre-exceptionals	16.4	(21.8)	<b>+ £38.2m</b>
Loss before tax	(22.9)	(79.7)	<b>+ £56.8m</b>
Loss after tax	(23.4)	(86.9)	<b>+ £63.5m</b>

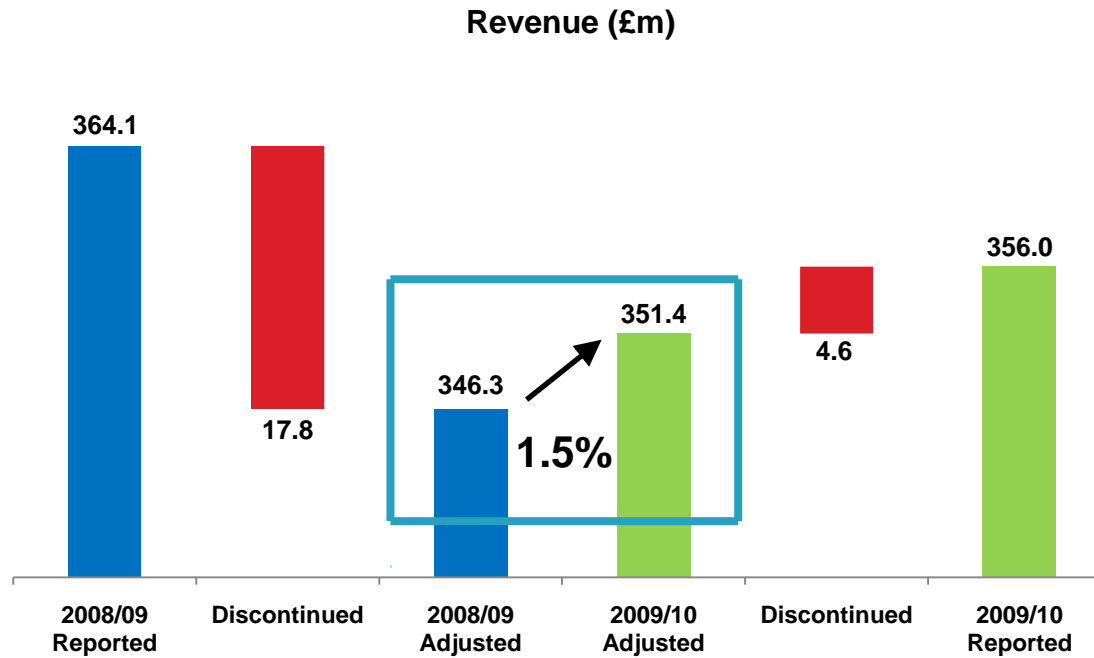
\*On a constant currency basis revenues declined by 5.7%

## Success of turnaround demonstrated by return to profitability

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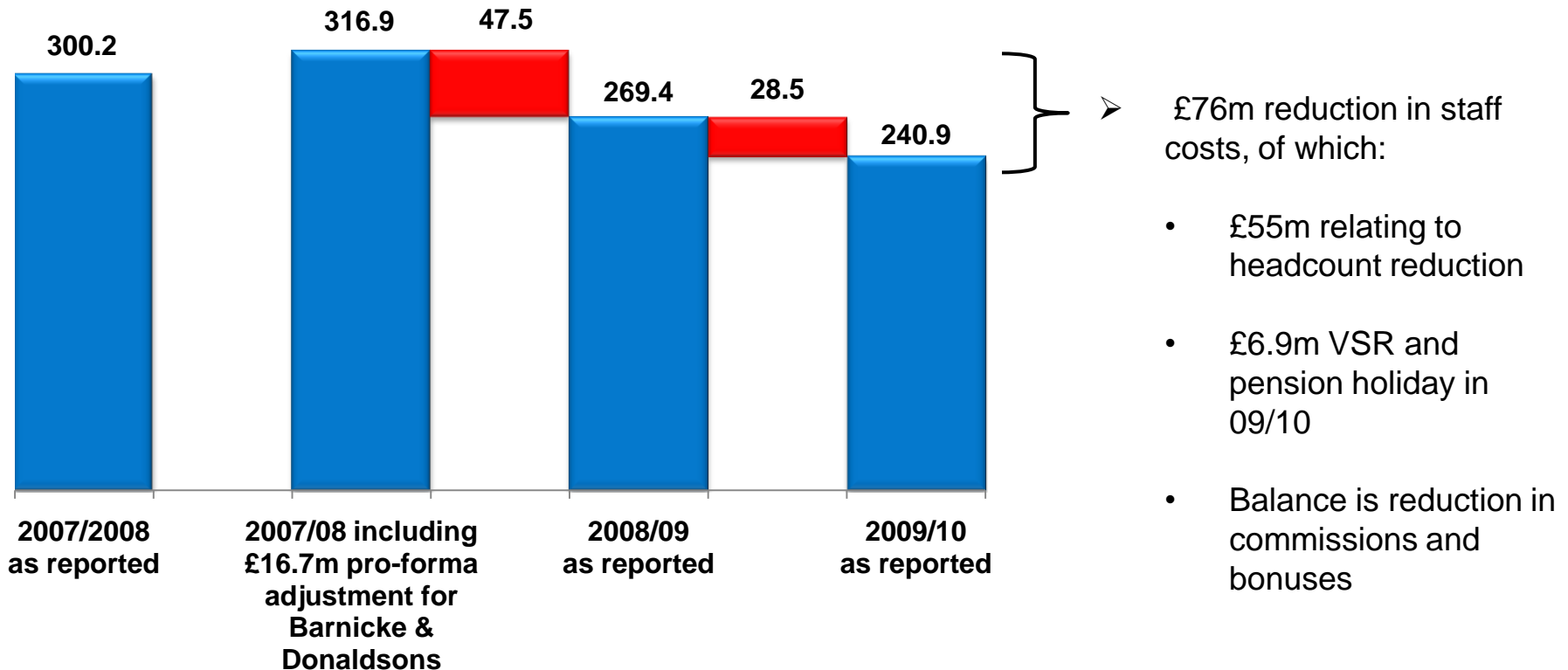
## After normalising for the effect of discontinued operations, the Group's revenue increased by 1.5% to £351.4 million (2009: £346.3 million)



Note: On a constant currency basis the Group's normalised revenues decreased by 2%, versus 5.7% decline in reported revenue

## Restructuring - over £75 million of structural cost reductions delivered

### Total Staff Costs (£m)



In addition we have achieved approximately £21.2m reduction in operating costs over the last two years

## Exceptional items

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### Exceptional items

	<b>Total 2010 (£m)</b>	Cash 2010 (£m)	Cash to be paid 2011 (£m)	Non cash in 2010 (£m)	<b>Total 2009 (£m)</b>
Restructuring	<b>12.0</b>	6.9	5.1	-	17.2
Debt refinance	<b>6.9</b>	2.0	-	4.9	-
Russia	<b>3.2</b>	-	-	3.2	-
New Zealand	<b>1.2</b>	(0.4)	0.2	1.4	-
Onerous leases	<b>2.9</b>	-	-	2.9	-
Other	<b>0.3</b>	-	-	0.3	27.4
<b>Total</b>	<b>26.5</b>	8.5	5.3	12.7	44.6

## The underlying business returns to being cash generative

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### Summarised cash flow

	Year to 30 April 2010 (£m)	Year to 30 April 2009 (£m)
Cash generated from/(used in) operating activities	13.7	(35.6)
Cash used in investing activities	(3.2)	(22.6)
Cash generated from financing activities	3.7	54.6
Net increase/(decrease) in cash	14.2	(3.6)
Cash at beginning of period	37.8	42.8
Foreign exchange changes	(1.4)	(1.4)
Net increase/(decrease) in cash	14.2	(3.6)
Cash at end of period	50.6	37.8

## Strengthened balance sheet

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### Summarised statement of financial position

	As at 30 April 2010 (£m)	As at 30 April 2009 (£m)
Non current assets	172.5	177.0
Net current assets	17.2	11.4
Non current liabilities	(129.8)	(113.2)
Net assets	59.9	75.2
<b>Cash/net debt</b>		
Cash	50.6	37.8
Net debt	(47.5)	(50.8)

Strengthened cash position: £15m RCF and £5m SGP credit facility both undrawn

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- Revenue marginally down 2.2% at £356.0m (2009: £364.1m)
- Returned to profitability on an operating basis at £3.6m (2009: loss: £35.1m)
- Exceptional items of £26.5m (2009: £44.6m) resulted in a loss before tax of £22.9m (2009: loss of £79.7m)
- Adjusted EBITDA of £16.4m (2009: loss: £21.8m)
- Strategic review and restructuring programme complete - delivered annualised cost savings of over £70m
- Significantly strengthened balance sheet:
  - Cash and cash equivalents increased 34% to £50.6m (2009: £37.8m)
  - Net debt reduced to £47.5m (2009: £50.8m)
  - Additional credit facility of £15.0m secured from SGP
  - Restructured bank facilities on favourable terms

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## Geographic analysis

	Year to 30 April 2010 (£m)	% of total	Year to 30 April 2009 (£m)	% of total	% Change
<b>Revenues</b>					
UK and Ireland	145.7	40.9%	162.7	44.7%	(10.4%)
CEMEA	91.5	25.7%	103.2	28.3%	(11.3%)
Asia Pacific	98.5	27.7%	79.4	21.8%	23.9%
The Americas	20.3	5.7%	18.8	5.2%	8.5%
	<b>356.0</b>	<b>100.0%</b>	<b>364.1</b>	<b>100.0%</b>	<b>(2.2%)</b>

	Year to 30 April 2010	Year to 30 April 2009
<b>Operating profit / (loss) (£m)</b>		
UK and Ireland	9.5	9.9
CEMEA	(6.1)	(22.5)
Asia Pacific	8.7	(7.2)
The Americas	0.5	(6.6)
Group Centre	(6.1)	(6.6)
Operating profit	<b>6.5</b>	<b>(33.0)</b>
Profits from associates	2.2	2.5
Other income	-	0.3
Net finance expense	(5.1)	(4.9)
PBT (pre-exceptionals)	<b>3.6</b>	<b>(35.1)</b>

- Strong performance from Asia Pacific:
  - Revenue up 24.1% to £98.5m; now Group's second largest market by revenue
  - £15.9m positive swing in operating profit
- First ever full year operating profit from the Americas; validates decision to exit Rockwood

## Service line analysis

	Year to 30 April 2010 (£m)	% of total	Year to 30 April 2009 (£m)	% of total	% Change
<b>Revenues</b>					
Occupational & Development Markets	118.5	33.3%	110.6	30.4%	7.1%
Professional Services	93.7	26.3%	94.4	25.9%	(0.7%)
Valuation	60.8	17.1%	74.1	20.3%	(18.1%)
Investment Agency	46.6	13.1%	38.9	10.7%	19.8%
Investment & Asset Management	13.8	3.9%	18.1	5.0%	(23.8%)
Consulting & Research	22.6	6.3%	28.0	7.7%	(18.9%)
	<b>356.0</b>	<b>100.0%</b>	<b>364.1</b>	<b>100.0%</b>	<b>(2.2%)</b>

## Example client instructions during 2009/10

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### SHIN KONG LIFE INSURANCE

Advised Shin Kong Life Insurance on the purchase of the three Asia Plaza office buildings in the Neihu Technology Park, Taipei, for NT\$11.35bn (£230m)



### SHELL

Providing Shell with property services for 3,500 retail sites in 8 countries across North America and Asia Pacific



### BARCLAYS

Mandated to manage the entire UK property portfolio for the Global Retail Banking division



## Example client instructions during 2009/10

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### SWIRE

Valued properties on behalf of Swire comprising 27.1m sq ft of residential, commercial, hotel, and serviced apartments in HK plus development sites in US and mainland China, totaling HK\$183.8bn (£15.6bn)



### BALLYMORE GROUP

Contract from Ballymore Group to undertake retail, office and residential property management services for the new 2.5m sq ft Eurovea scheme in Bratislava - the largest mixed-use commercial development in Central Europe



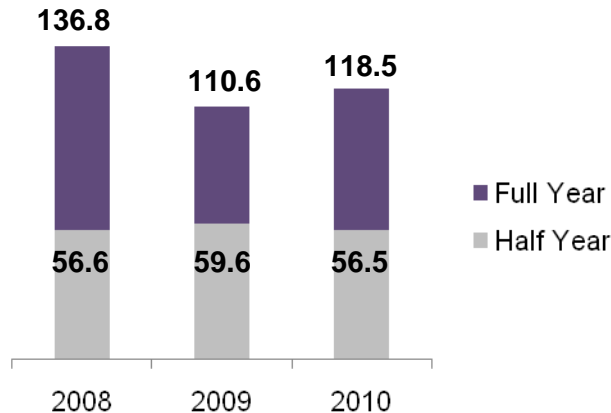
### Macquarie Bank Ltd

Advised Macquarie Bank Limited on the acquisition of 217,000 sq ft of office accommodation at British Land's Ropemaker Place in the City of London

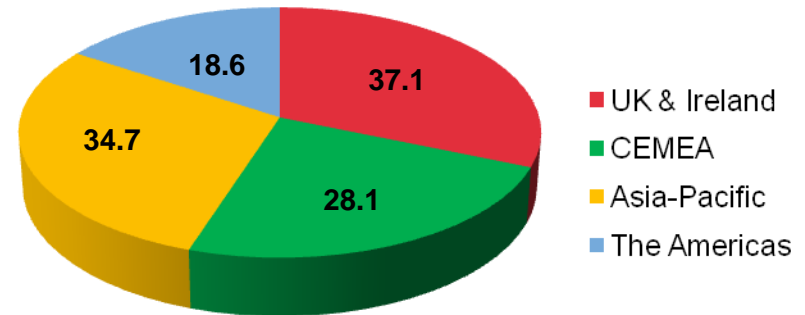


# Occupational & Development Markets

Revenue (£m)



2010 Revenue (£m)



- **UK & Ireland**

- Office sector in central London experienced an increase in take-up which exceeded market expectations
- Maintained top two position in central London
- Industrial and logistics team advised on 375 transactions; over 8m sq ft of industrial space

- **CEMEA**

- Advised on instructions totalling 30.5m sq ft of office space
- Retained top three position in several key markets inc. Amsterdam, Berlin, Paris and Warsaw

- **Asia Pacific**

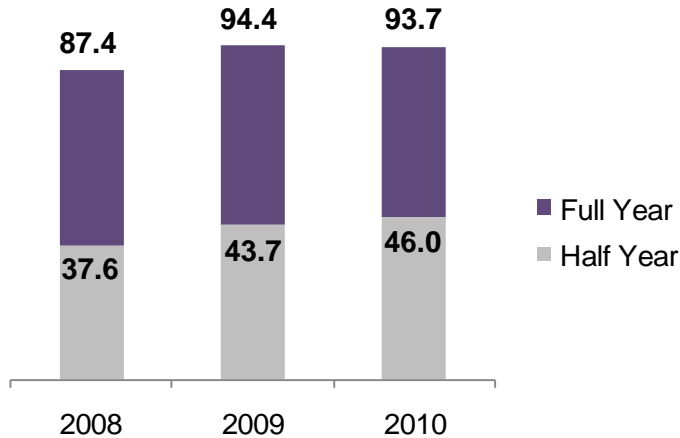
- Strong performance across the region
- In China, focus now turns to second and third tier urban centres
- Elsewhere, won new mandates in Singapore and Thailand; grew number of global clients in India; and advised on three of the largest transactions in Australia

- **The Americas**

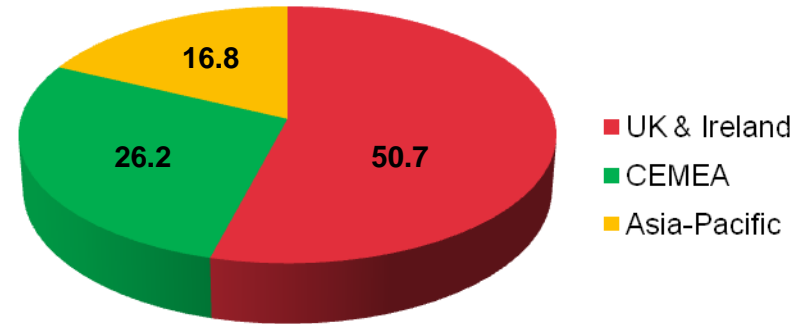
- Tenant focus on 'right-sizing'
- Canadian institutions loosening lending criteria

# Professional Services

Revenue (£m)



2010 Revenue (£m)



- **UK & Ireland**

- Leveraged trend of client drive to outsource - sustainable source of future income
- Strong focus on margins

- **CEMEA**

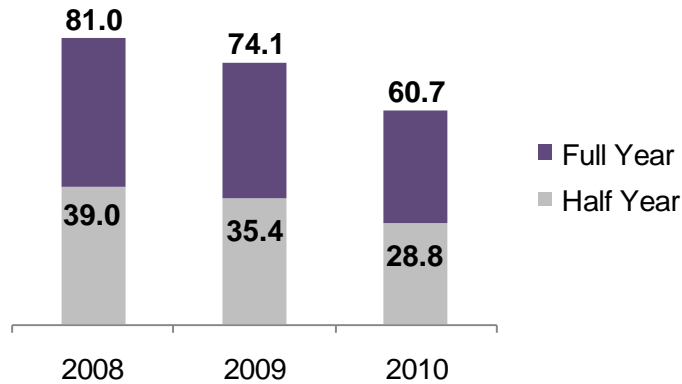
- Focus primarily on the retail sector
- Involved in the opening of 20 new shopping centres, predominantly in Germany, Poland, the Czech Republic, and Slovakia
- Retail pipeline remains robust, despite continuing uncertain economic conditions

- **Asia Pacific**

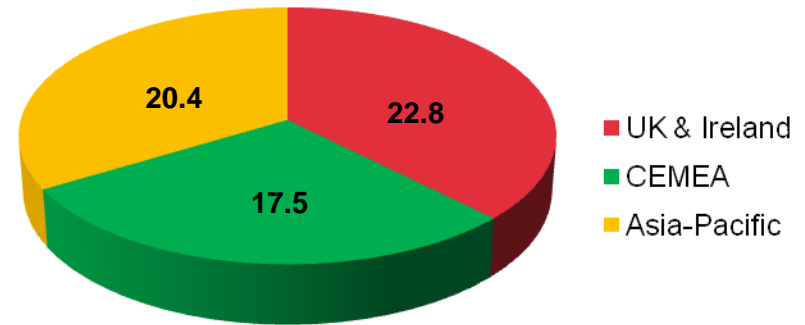
- Continues to perform well, particularly in China
- Involved in assignments for c. 1bn sq ft of space in over 60 Chinese cities
- Two-pronged future strategy; focus on second and third tier Chinese cities and build on Group expertise in retail sector

# Valuation

Revenue (£m)



2010 Revenue (£m)



- **UK & Ireland**

- Recovery in property values in the middle of last year translated into an increase in activity at the prime end of the market
- Interest broadened to other areas of the market with the return of investors looking for enhanced yields
- Improved activity levels from working with lenders in distressed real estate portfolios; expect this trend to continue

- **CEMEA**

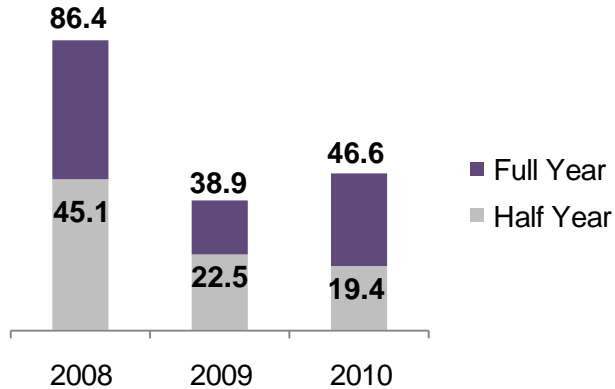
- Challenging market; economic uncertainty reduced transaction flows
- Enhanced business model in CEMEA to better service cross border needs

- **Asia Pacific**

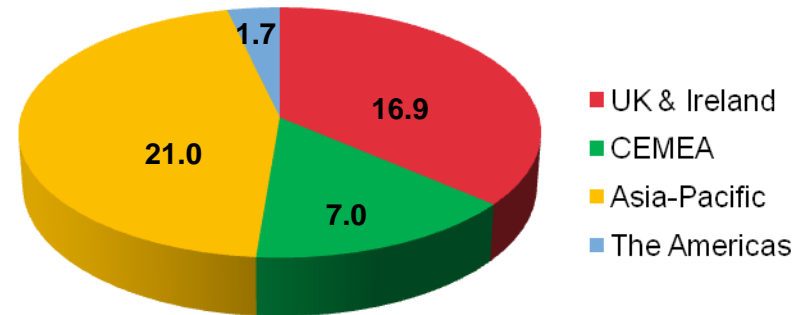
- Heightened activity from equity capital markets; 13 assignments from companies preparing to list on Hong Kong stock exchange
- Expectation of launch of REITs in mainland China; will create significant opportunities for Valuations business

# Investment Agency

Revenue (£m)



2010 Revenue (£m)



- **UK & Ireland**

- Strong pick up in central London market, driven initially by opportunistic local buyers, followed by institutions and overseas investors
- Tentative signs of future regional recovery

- **CEMEA**

- Market subdued, but signs of tentative improvement in some areas
- Paris the exception; viewed by international investors as an alternative to London

- **Asia Pacific**

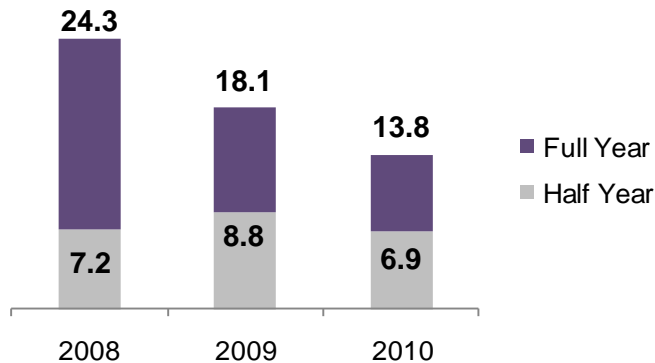
- Region exhibited robust economic growth; DTZ cemented #3 market position in region
- Advised on over 50% of all significant investment agency deals in China
- Significant deals also completed in Tokyo, Taipei, Singapore and Sydney

- **The Americas**

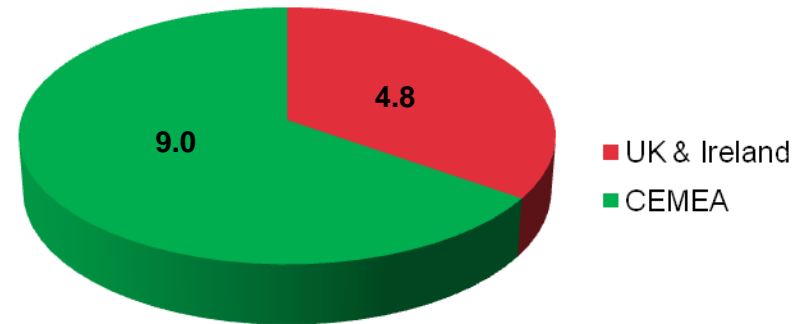
- Canadian market trough not as pronounced as elsewhere; market recovery should be quicker due to underlying economic strength
- Canadian REITs returned to market with new money

# Investment & Asset Management

Revenue (£m)



2010 Revenue (£m)



- **UK & Ireland**

- Team won four new mandates totalling £510m comprising a mix of existing assets and new money to be invested
- These allocations taken together with existing AUM would represent £2bn of funds under management or a 40% increase
- Won the IPD / IPF Investment Award for the best risk-adjusted 10-year return of any UK managed fund for a fourth year running. This is the eleventh performance award DTZ IM has won in the ten years since the IPD has been publishing these results
- During the year the Corporate Finance business continued to be restructured with the objective of improved financial performance

- **CEMEA**

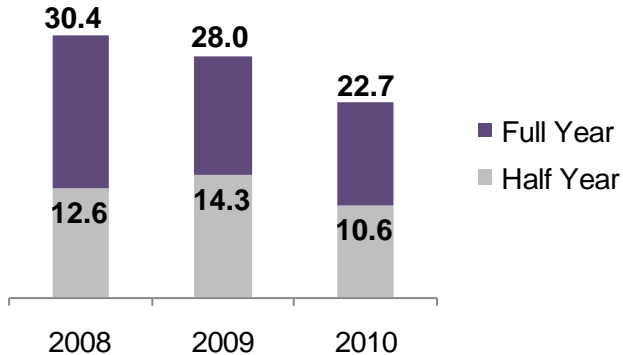
- Team won new mandates totalling €450m
- Gross assets under management of €3.6bn as at April 2010 (2009: €3.5bn)
- DTZ Asset Management won the award for Best European Property Manager from European Pensions

- **Asia Pacific**

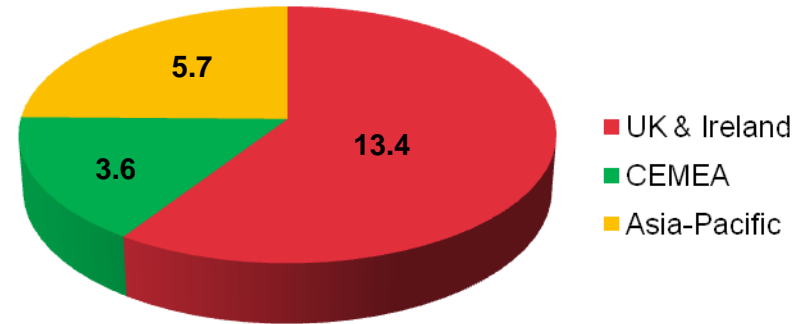
- David Schaefer appointed to lead the establishment of DTZ Investment Management in Asia

# Consulting & Research

Revenue (£m)



2010 Revenue (£m)



- **Consulting**

- Reduced volumes in UK Development Consulting reflecting sharp reduction in development activity
- Increased volumes in UK Occupier Consulting, as occupiers continue to drive for efficiencies in managing their real estate portfolios
- Performance improved in some CEMEA and Asia-Pacific markets reflecting the more robust market environment

- **Research**

- Independent research house; facilitates deepening of client relationship
- Quarterly coverage on property markets in 30 countries and over 60 cities

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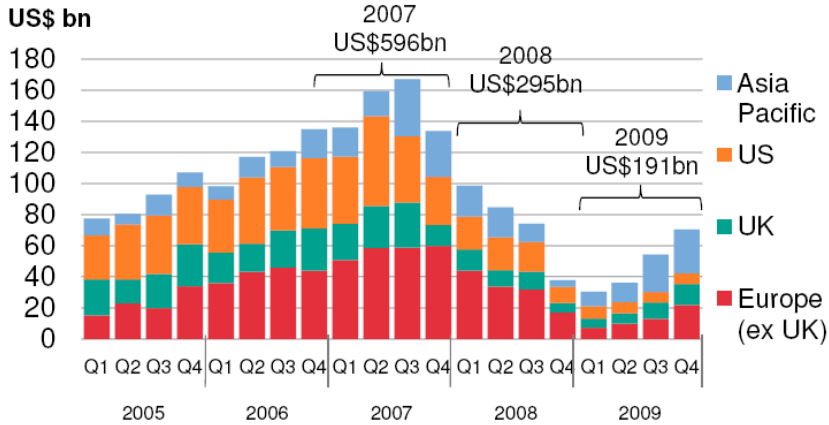
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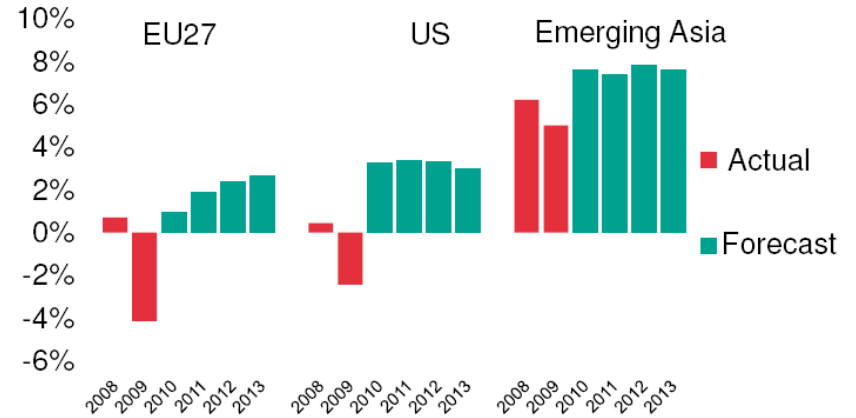
# Outlook: Global Market Environment

Global quarterly transaction volumes, 2005-09



Source: DTZ Research, REIS, Property Data

Global economic outlook



Source: Oxford Economics

- Early signs of recovery in 2009 transaction volumes
- Headroom for future growth
- Sustainability of recovery still uncertain

## Outlook: DTZ's Regional Markets

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- UK & Ireland
  - Increasing activity in the investment and occupier markets, led by central London
  - Strong overseas investment, boosted by sterling depreciation
  - Regions lagged central London, although tentative signs of improvement
- CEMEA
  - Challenging market conditions; Paris the exception - investment alternative to London
  - Expect slow pick up this financial year; likely focus on countries with high credit ratings (e.g., France and Germany)
- Asia Pacific
  - Robust market conditions across the region, led by China
  - Only region that exhibited growth in cross-border flows
  - Expect China to overtake Japan as second largest global real estate market by 2011
- The Americas
  - Canada one of the only countries to emerge relatively unscathed from the financial crisis - market conditions remained robust
  - US volumes still uncertain; CMBS overhang significant

**Looking forward, while our focus is on the profitable growth of the business, we are conscious there remains considerable economic uncertainty and geopolitical risk around the world and our outlook remains cautious**

## 2010/11 Strategic Priorities

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### *Three strategic priorities to build on progress to date*

- Pursue sustainable profitable organic growth in all markets in which we operate
  - In the near term specific regional focus on China and the UK
  - Grow annuity businesses, namely Investment & Asset Management and Property Management
  - Leverage opportunities from global transaction based businesses, as they arise
- Continuation of cost containment initiatives
  - Cost conscious culture introduced last financial year endures into the future
  - Aggressive long-term targets
    - Staff cost to revenue ratio target of 60% - bettering historical norms
    - Non-staff costs to revenue ratio target of 30% achieved this financial year - intention to reduce further
- Deepen client relationships by delivering benefits from 'one firm' approach
  - Clients increasingly work through one single DTZ contact
  - Bring the best of DTZ to clients
  - Client requirements dealt with seamlessly, irrespective of local or global nature
  - Enhanced cross-selling across service lines and geographies

**Overarching priority is our commitment to attract, retain and develop the best talent in the industry in order to drive the business forward**

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# Summary

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- A year of significant progress
  - Strong performance with Group returning to profit at a pre-exceptional level
  - Strengthened balance sheet
  - Substantial progress with strategic priorities
  - Group-wide restructuring complete; benefits delivered ahead of targets and schedule
- Focus now on delivering sustainable organic revenue growth while targeting expanded margin performance; near term focus on China, UK, and annuity businesses
- Well placed to meet challenges and take advantage of opportunities markets present in this financial year and beyond
- Signs of improvement in several key markets although with economic uncertainty remaining globally we remain cautious