

Half-yearly results

For the six months ended 30 September 2019

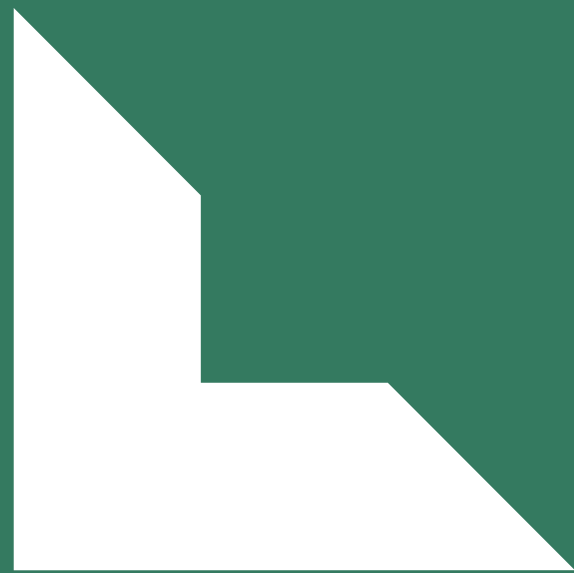
@LandsecGroup
Landsec.com



Introduction

Robert Noel

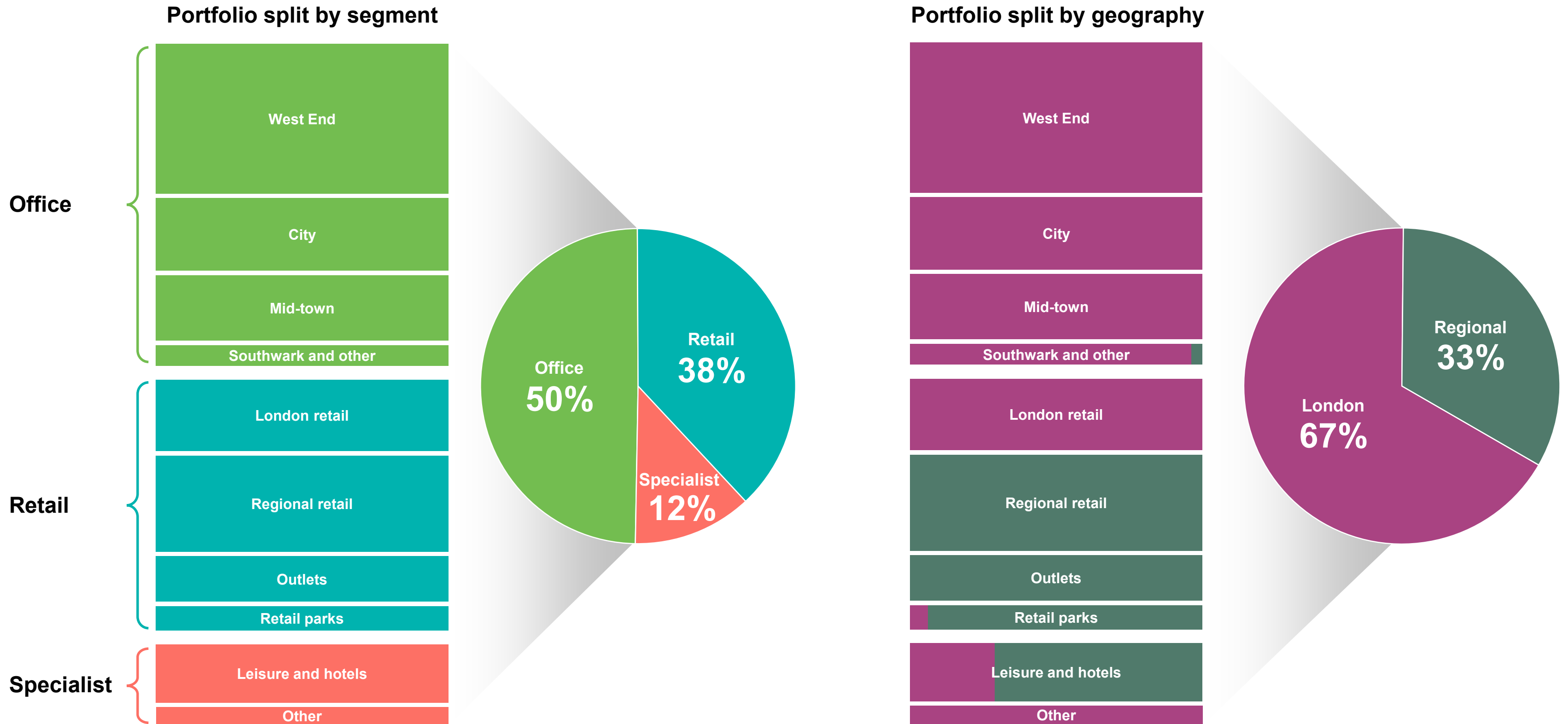
Chief Executive



Landsec

H1 2019/20

Balance of business shifting more to London



H1 2019/20

Resilient results in mixed markets

Office

Healthy market conditions

Portfolio virtually full

Myo and Fitted going well

Demonstrable progress on development plan:

1.4m sq ft planned to be on site next six months (40% pre-let)

TDC £1.5bn ERV £96m

Specialist

Leisure and hotels virtually full

Good demand from consumers and operators despite headwinds in F&B market

Cinema attendance up 9%

Hotel revenues flat

Piccadilly Lights ahead of expectations

Retail

Nuanced markets

Outlets and London steady

Regional retail and retail parks impacted by declining values and poor investor sentiment

Same centre sales up 0.7%
down 0.7% excluding automotive
Benchmark down 3.8%

H1 2019/20

Progress on sustainability



Ranked #1 in UK and Europe for mixed office and retail space

Dow Jones Sustainability Indices

In Collaboration with RobecoSAM

European real estate leader

Science based carbon reduction targets being raised for 1.5°C of warming

Commitment to be a net zero carbon business by 2030

First net zero carbon building at Sumner Street



Sumner Street, SE1

Agenda for the day

Financial results
Martin Greenslade

Portfolio review
Colette O'Shea

Outlook
Robert Noel

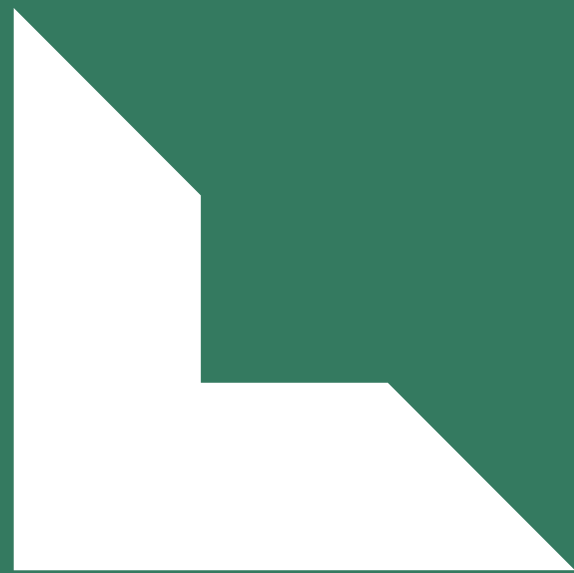
Q&A



Financial results

Martin Greenslade

Chief Financial Officer



Landsec

Financial summary

Resilient performance in a challenging market

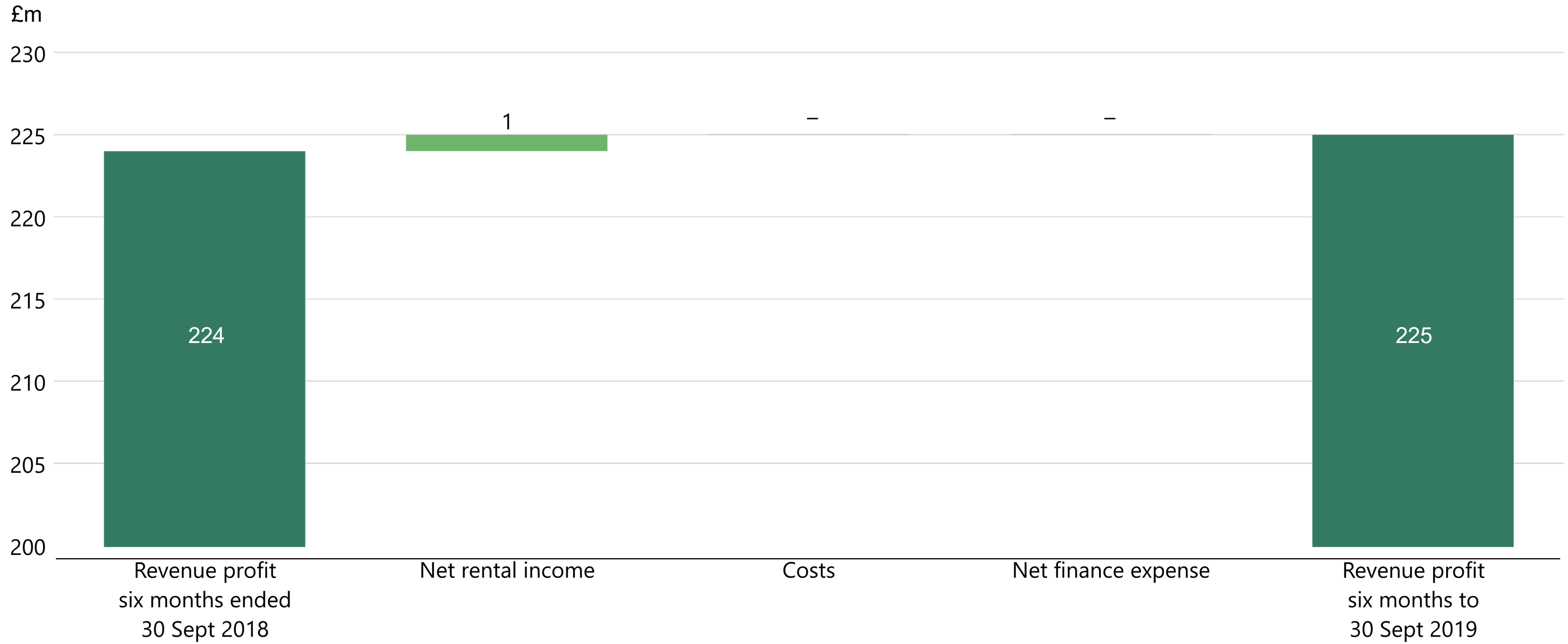
30 Sept 2018		30 Sept 2019	Change
			%
£224m	Revenue profit ⁽¹⁾	£225m	0.4
£(188)m	Valuation deficit ⁽¹⁾	£(368)m	-2.8 ⁽²⁾
£42m	Profit / (loss) before tax	£(147)m	
30.3p	Adjusted diluted earnings per share ⁽¹⁾	30.4p	0.3
1,339p ⁽³⁾	EPRA net assets per share	1,296p	-3.2
22.6p	Dividend per share	23.2p	2.7

(1) Including our proportionate share of subsidiaries and joint ventures

(2) The percentage change for the valuation deficit represents the fall in value of the Combined Portfolio over the period, adjusted for net investment

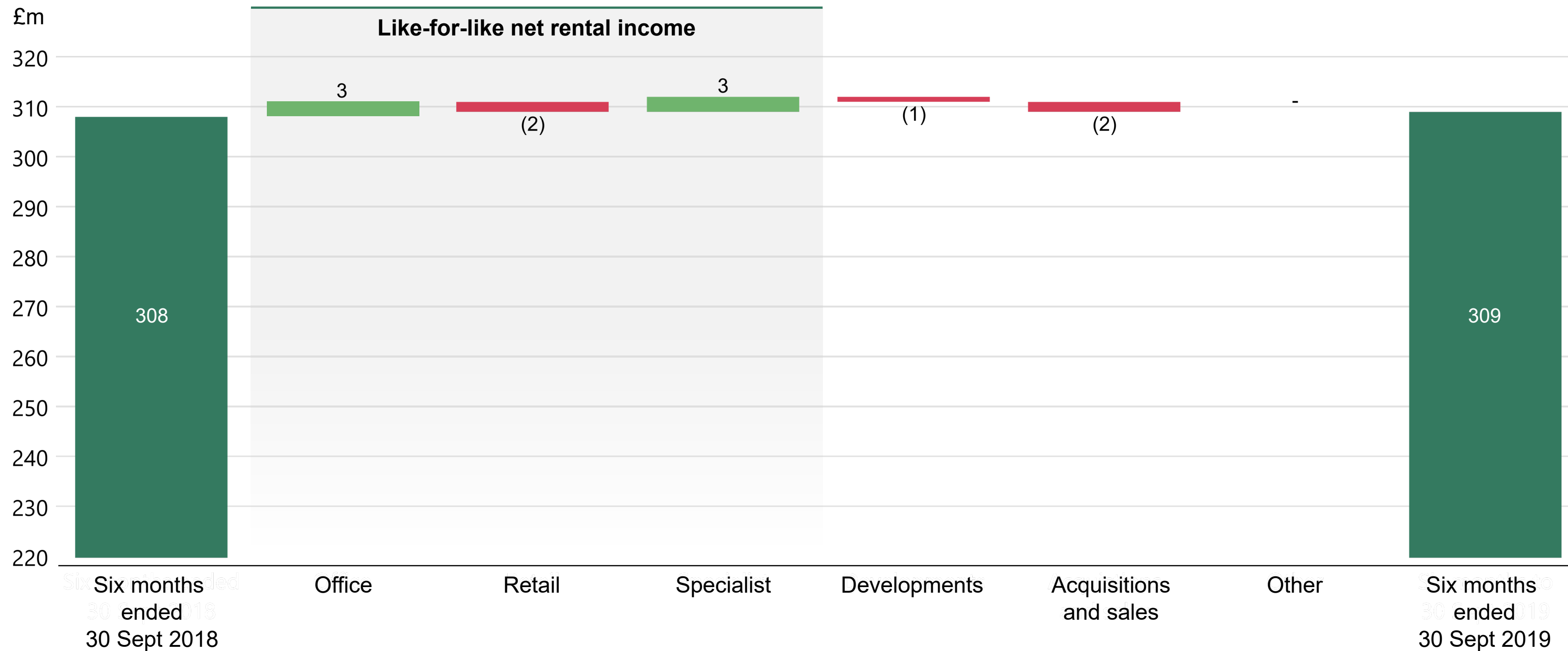
(3) As at 31 March 2019

Revenue profit



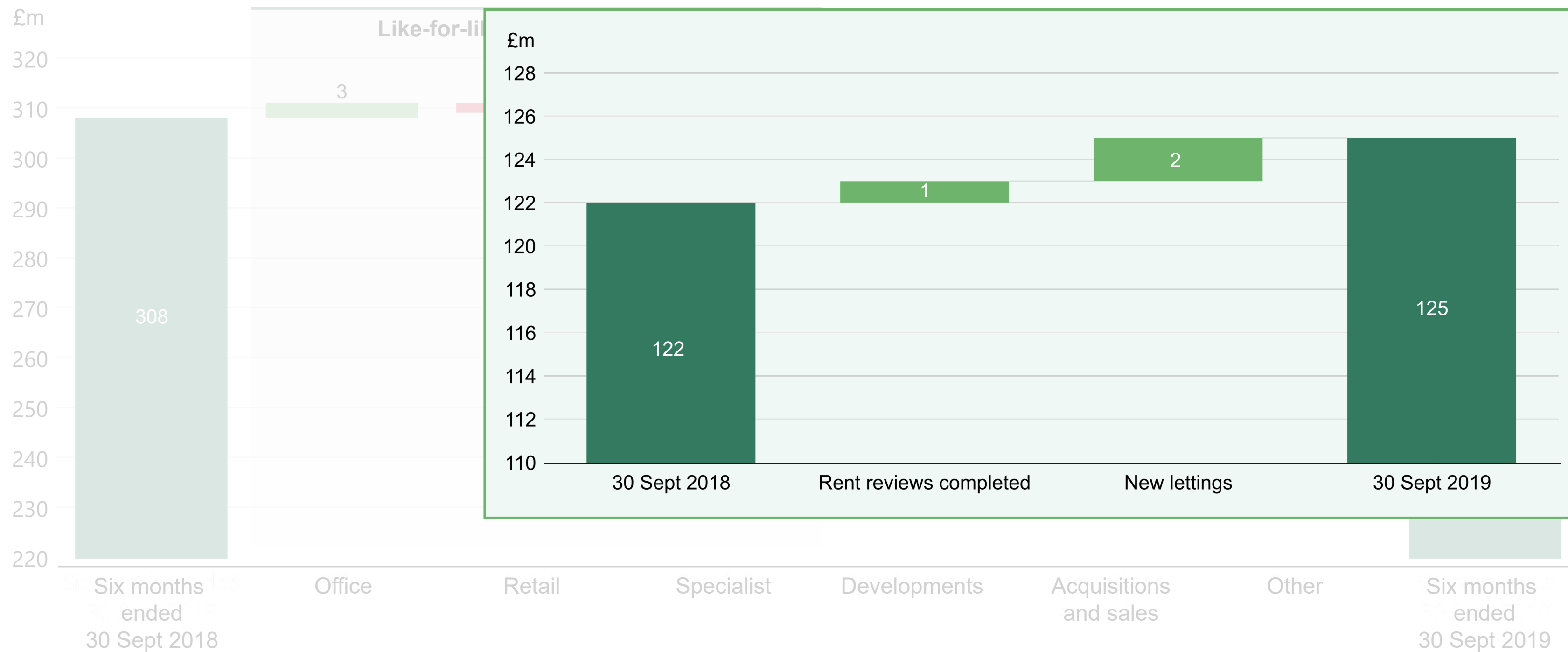
Net rental income analysis

Maintaining net rental income



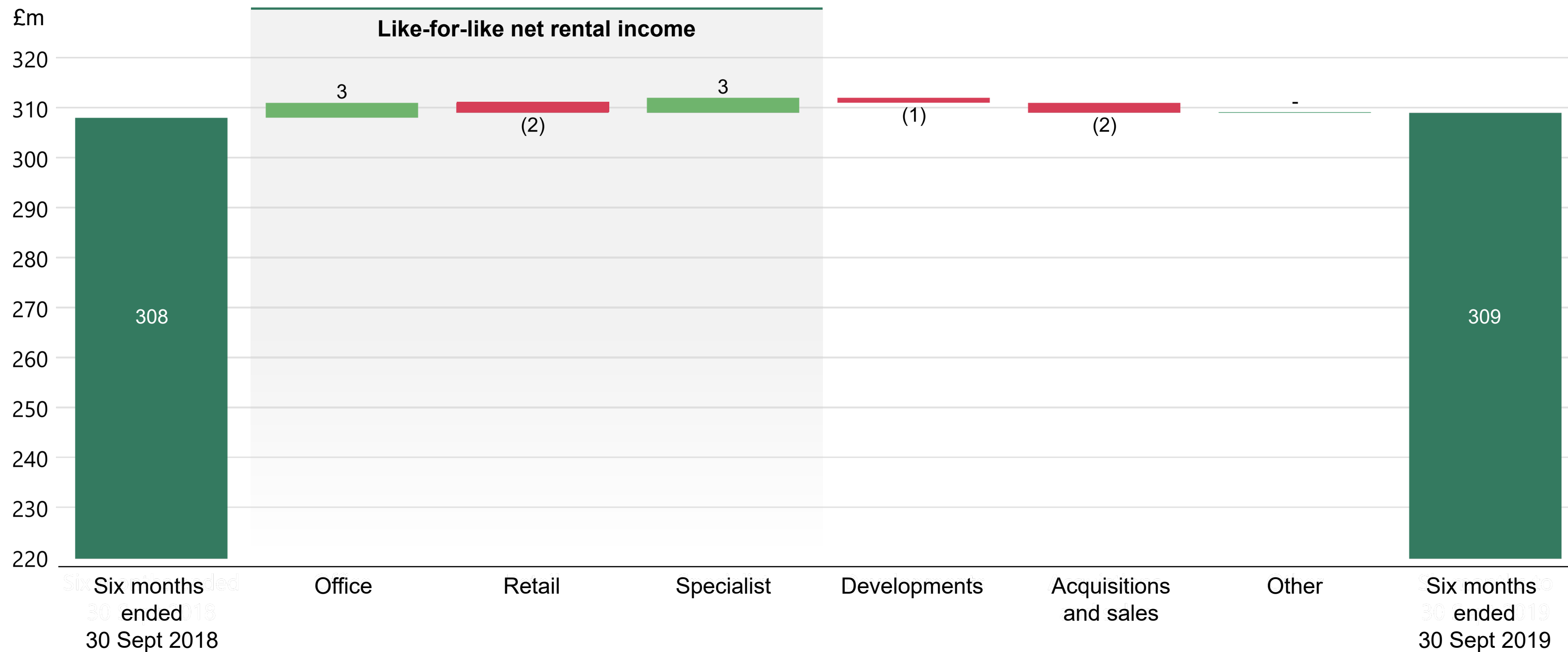
Like-for-like net rental income analysis

Office



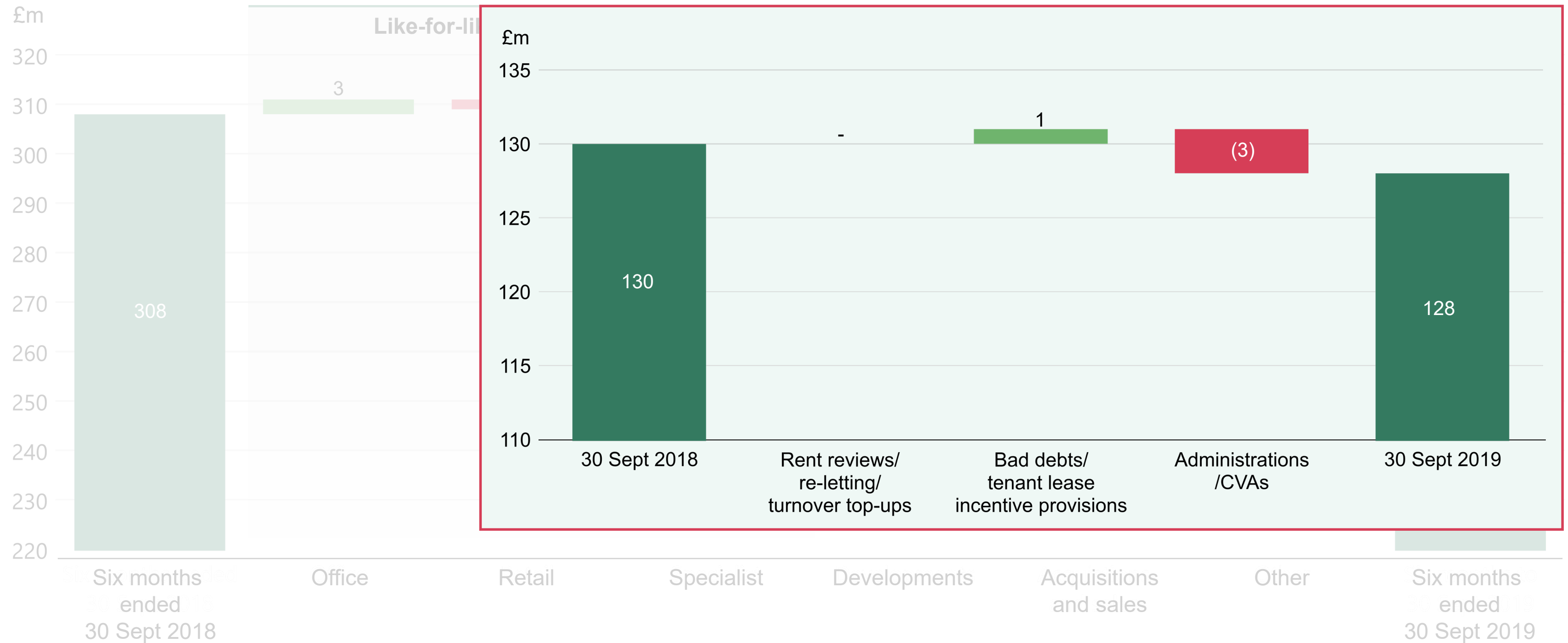
Like-for-like net rental income analysis

Retail



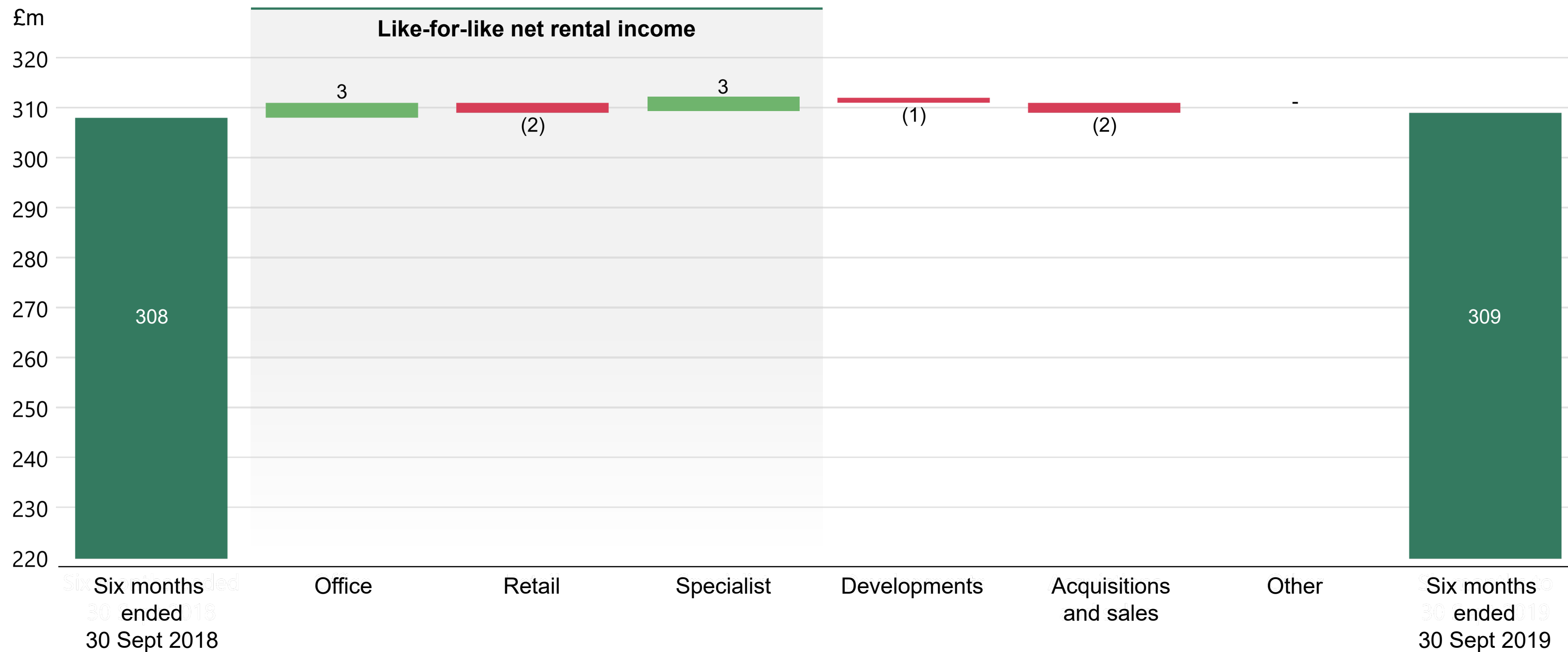
Like-for-like net rental income analysis

Retail



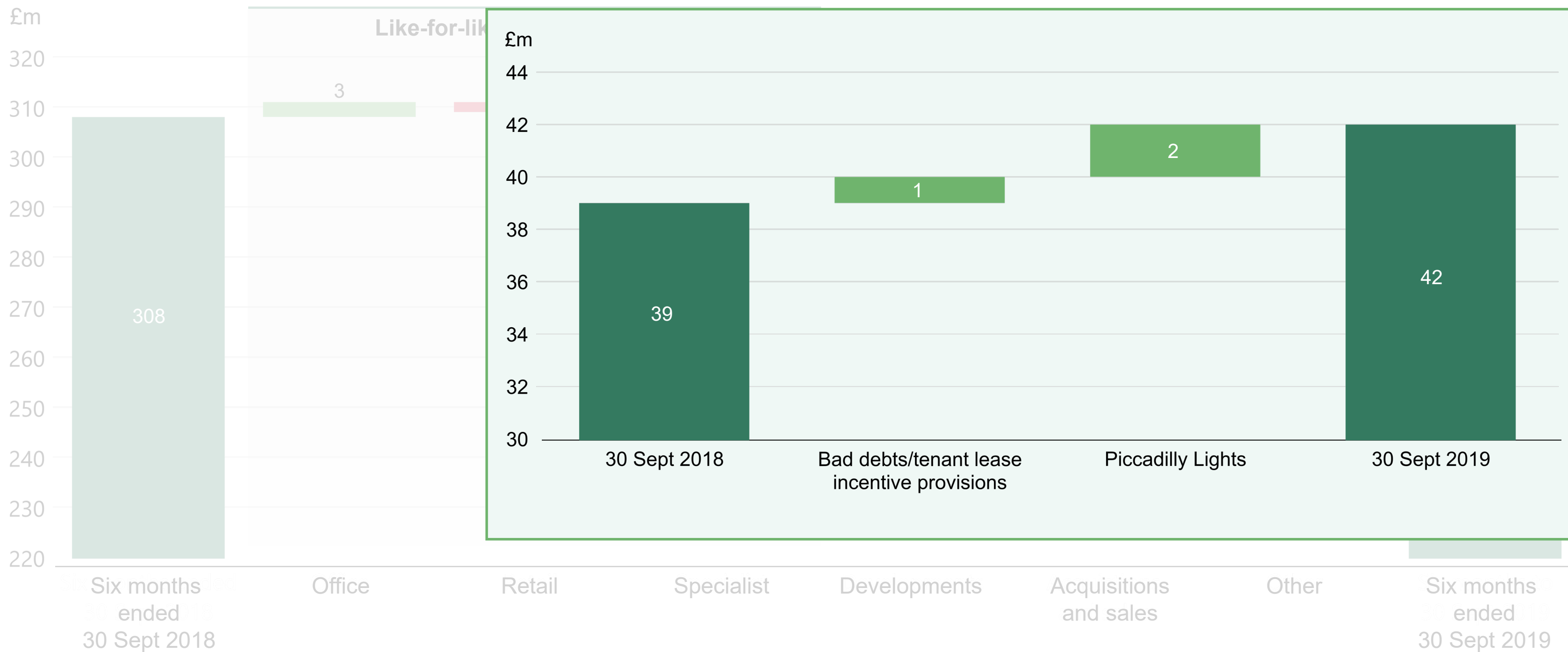
Like-for-like net rental income analysis

Specialist



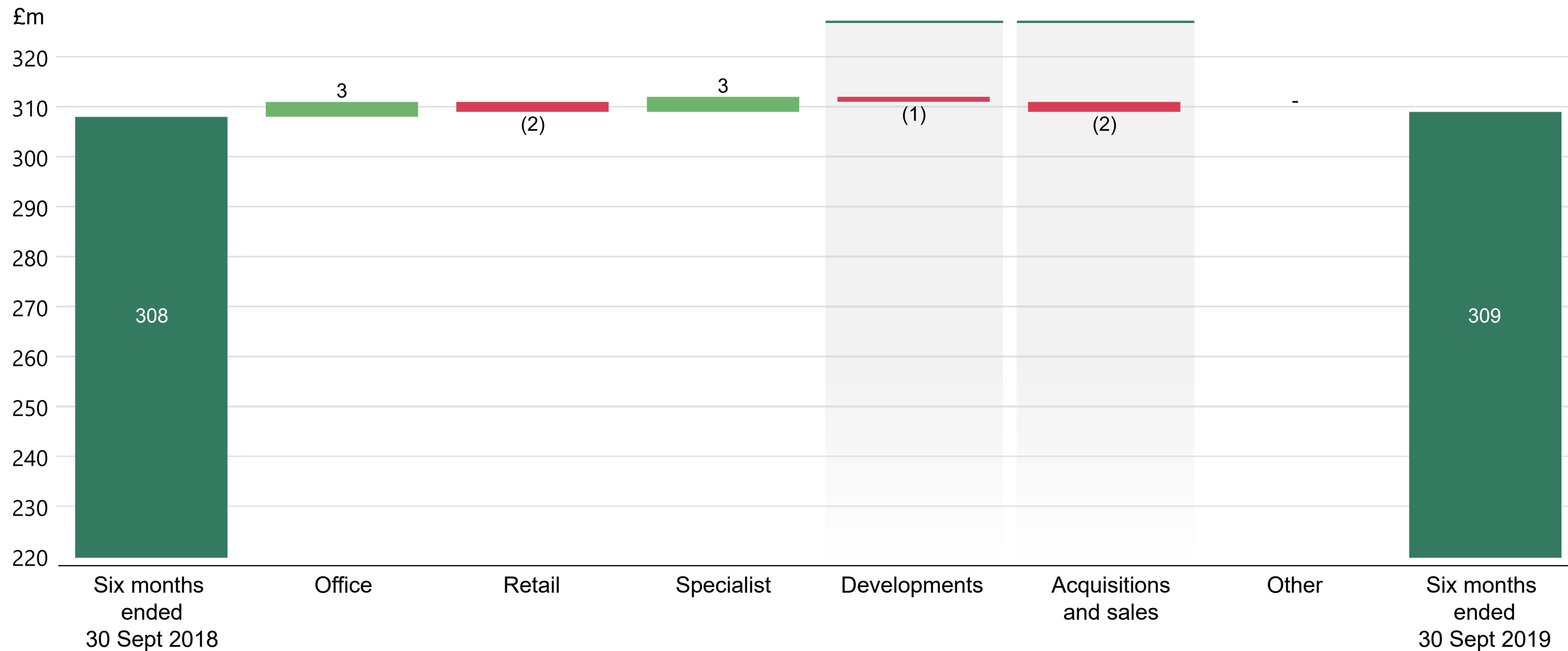
Like-for-like net rental income analysis

Specialist



Net rental income analysis

Maintaining net rental income



Combined Portfolio valuation

£13.4bn portfolio

Valuation declined 2.8%

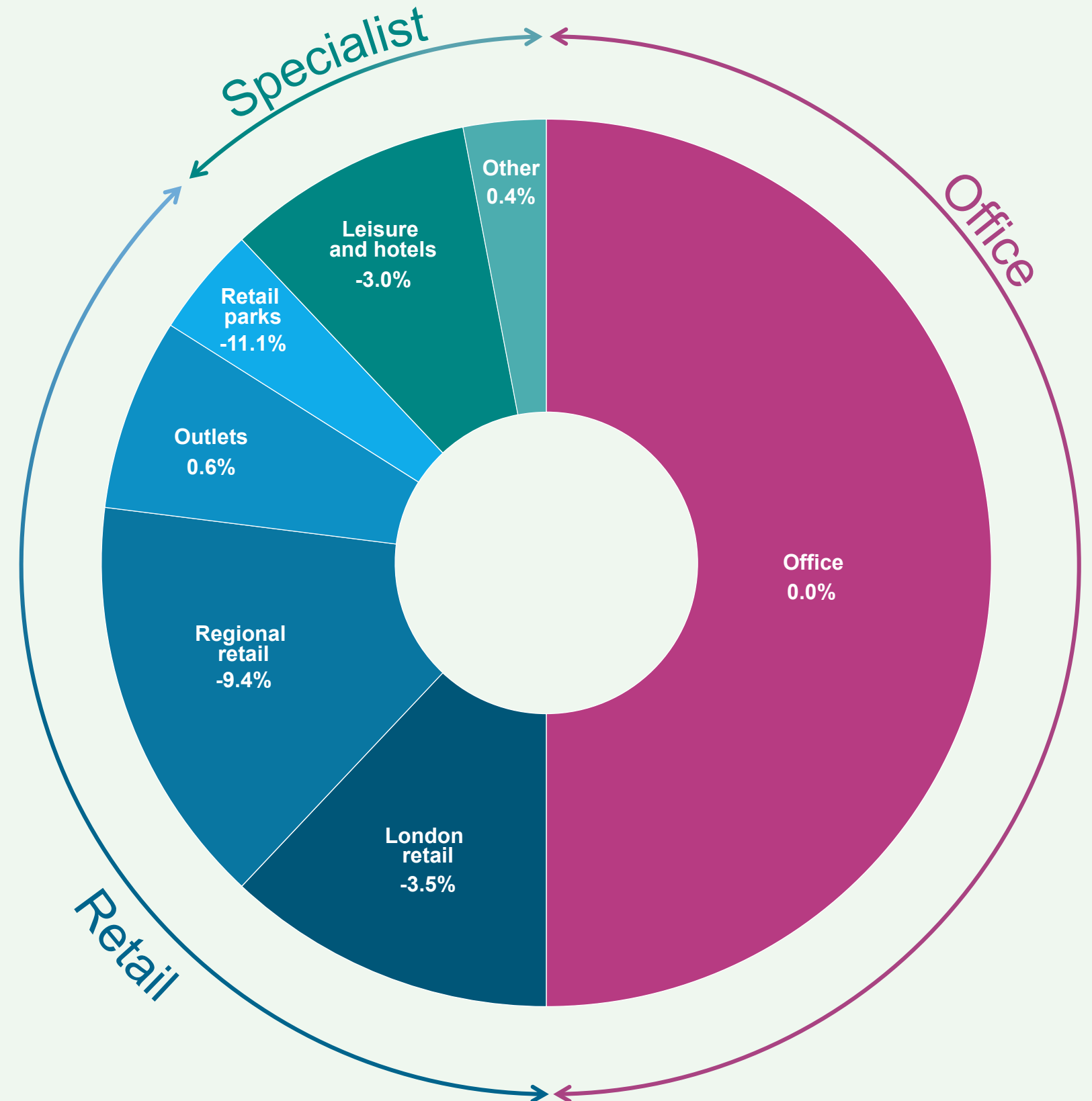


Chart segments represent portfolio valuation. Segment labels indicate valuation surplus/(deficit) in the period. For further information on segment definitions, please refer to the appendices.

Combined Portfolio valuation

Office

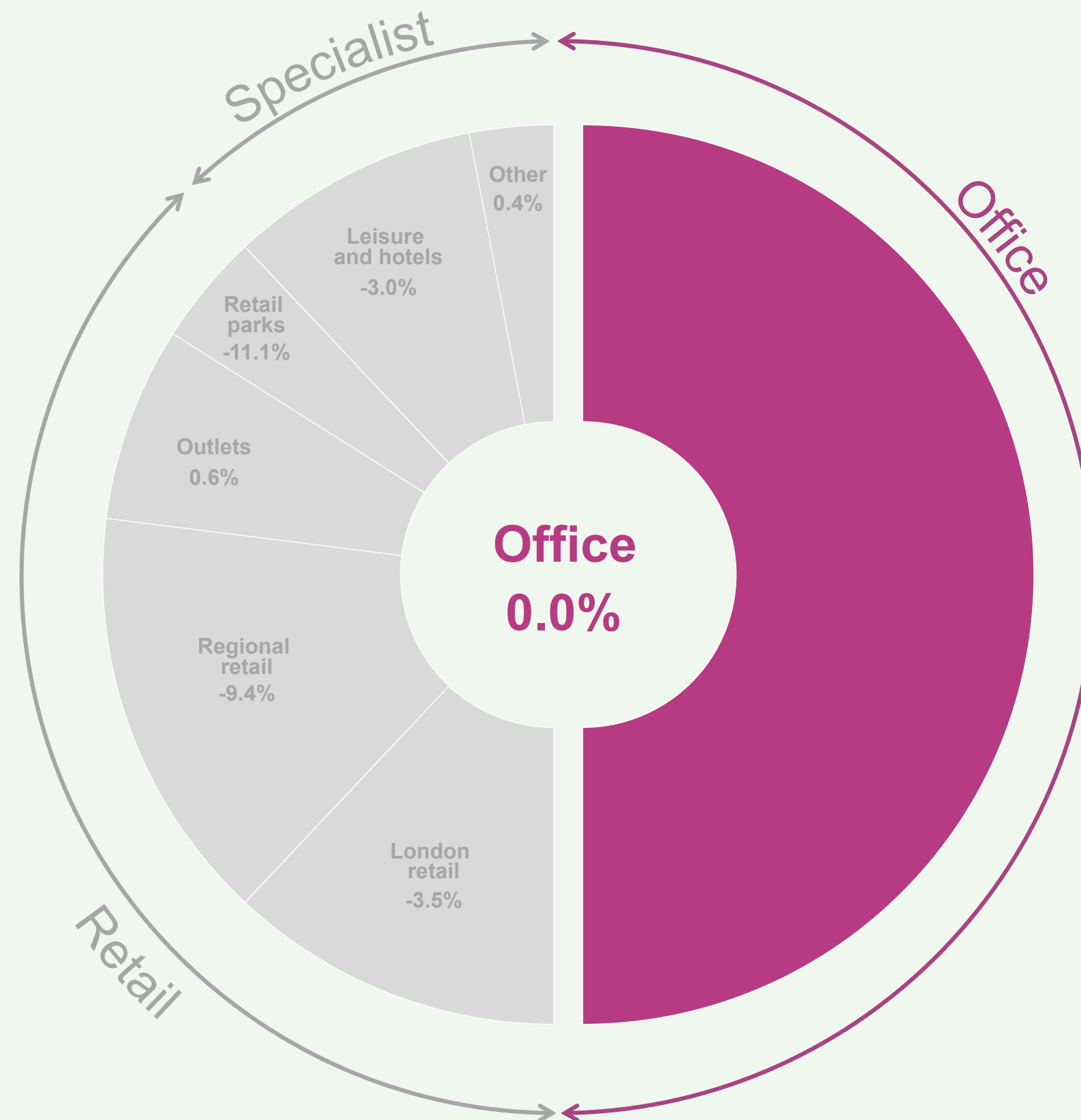
Like-for-like rental values up 1.9%

+5bps like-for-like equivalent yield shift to 4.6%

Like-for-like assets up 0.3%

Development programme increased by 3.8%

Proposed developments declined by 8.1%

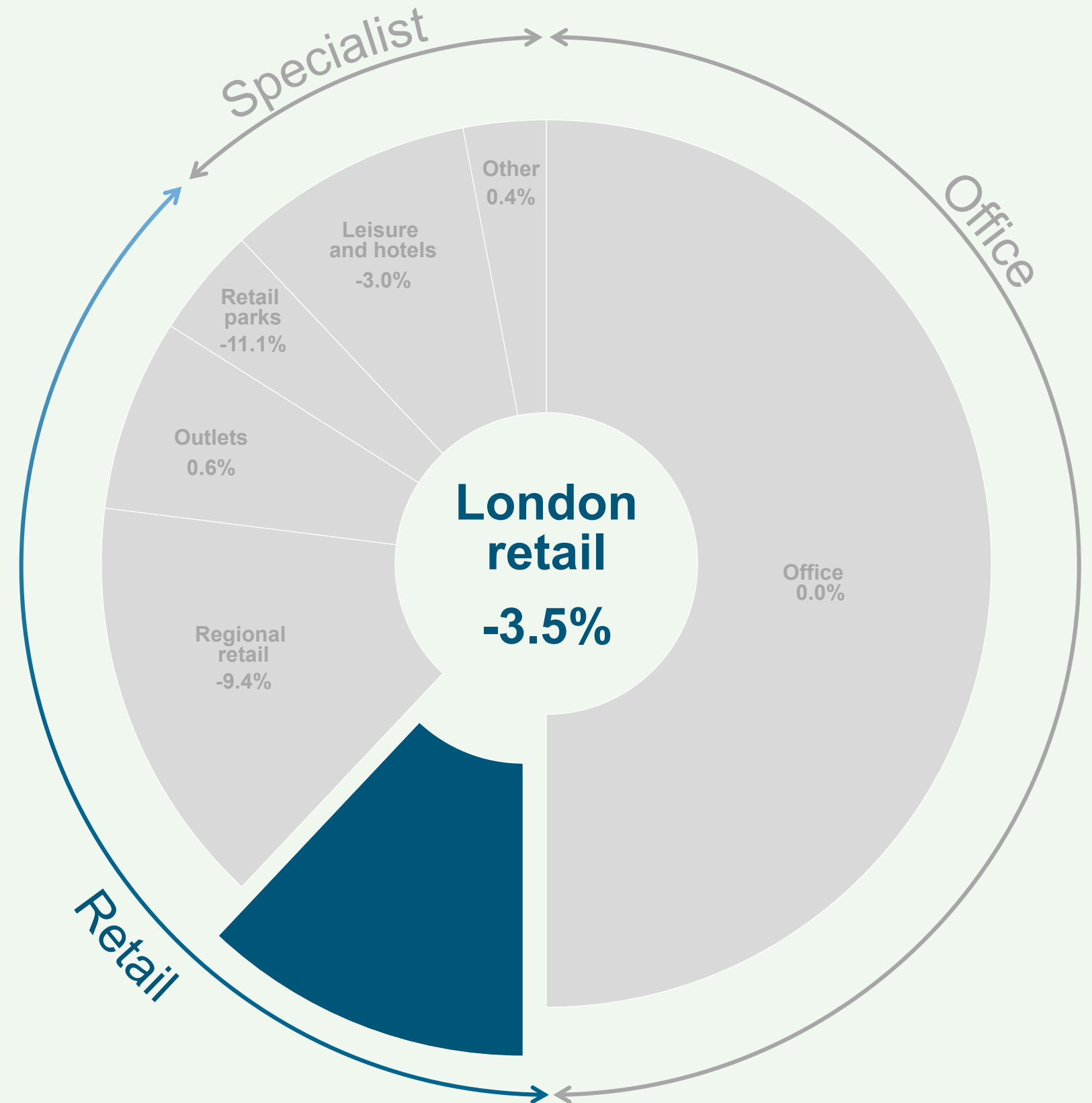


Combined Portfolio valuation

London retail

Like-for-like rental values down 2.7%

+4bps like-for-like equivalent yield shift to 4.3%

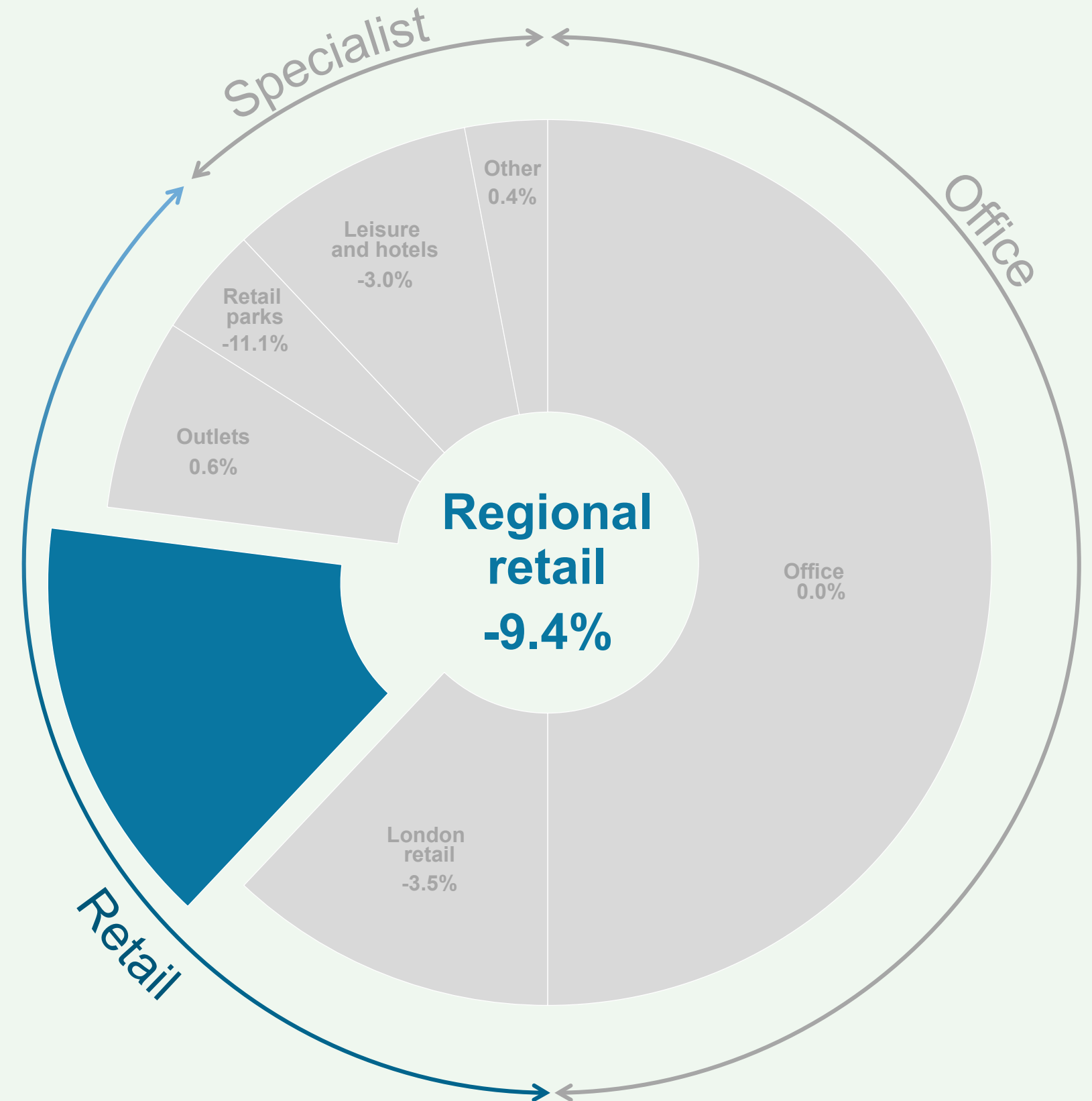


Combined Portfolio valuation

Regional retail

Like-for-like rental values down 3.7%

+36bps like-for-like equivalent yield shift to 5.5%

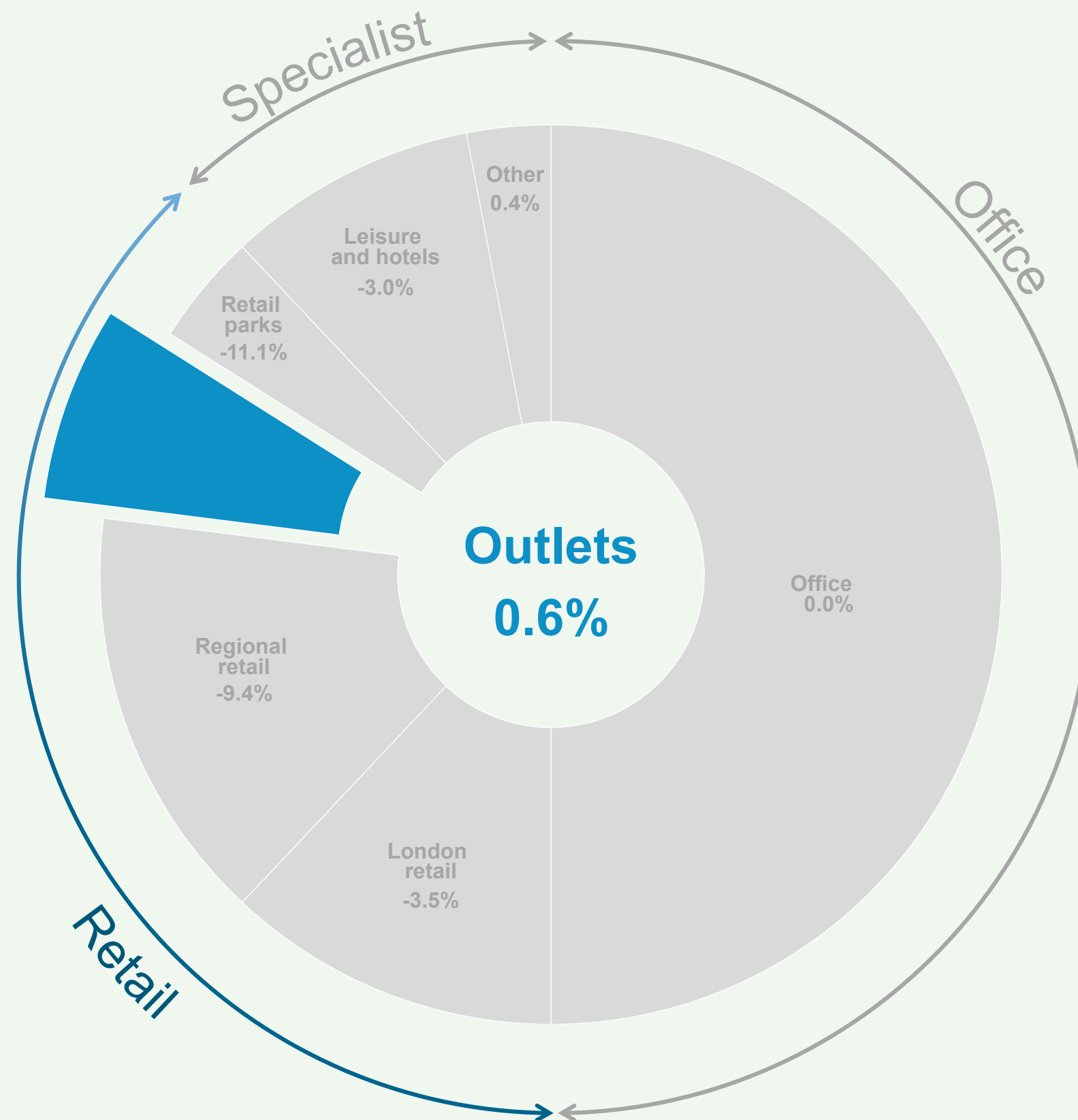


Combined Portfolio valuation

Outlets

Like-for-like rental values up 1.0%

+2bps like-for-like equivalent yield shift to 5.4%

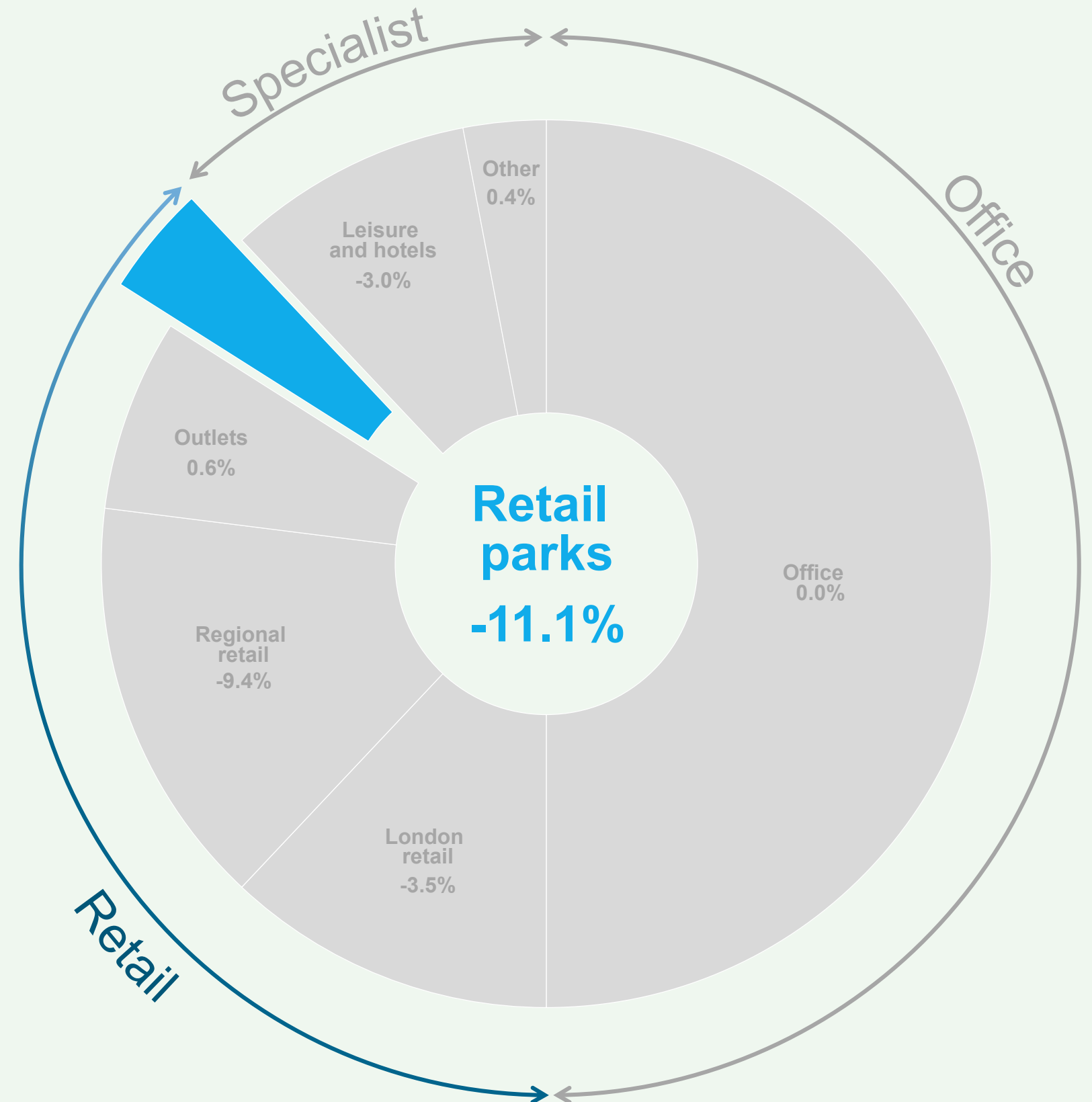


Combined Portfolio valuation

Retail parks

Like-for-like rental values down 2.0%

+58bps like-for-like equivalent yield shift to 6.7%



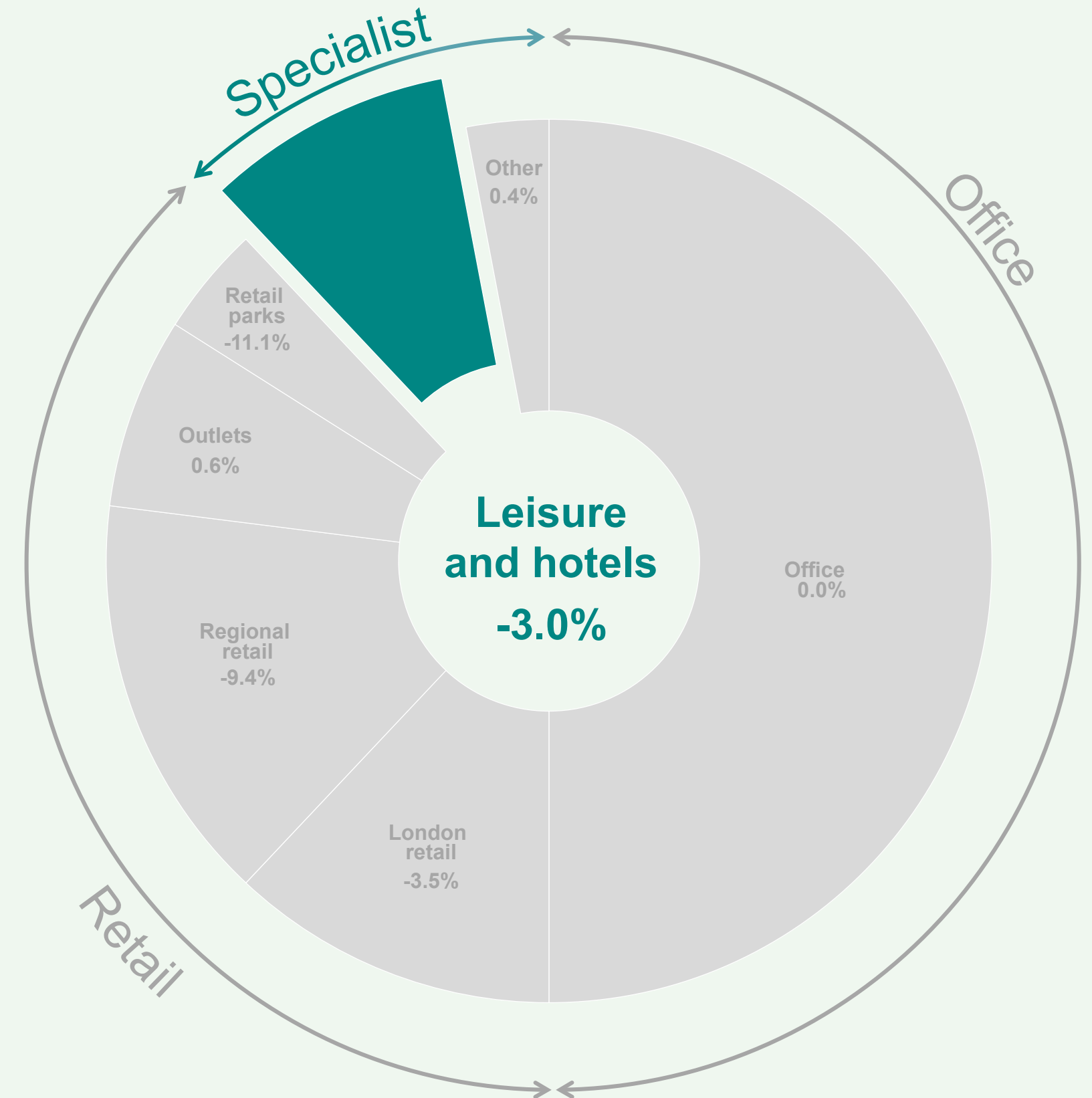
Combined Portfolio valuation

Leisure and hotels

Hotel values unchanged

Casual dining sector impacted
leisure assets

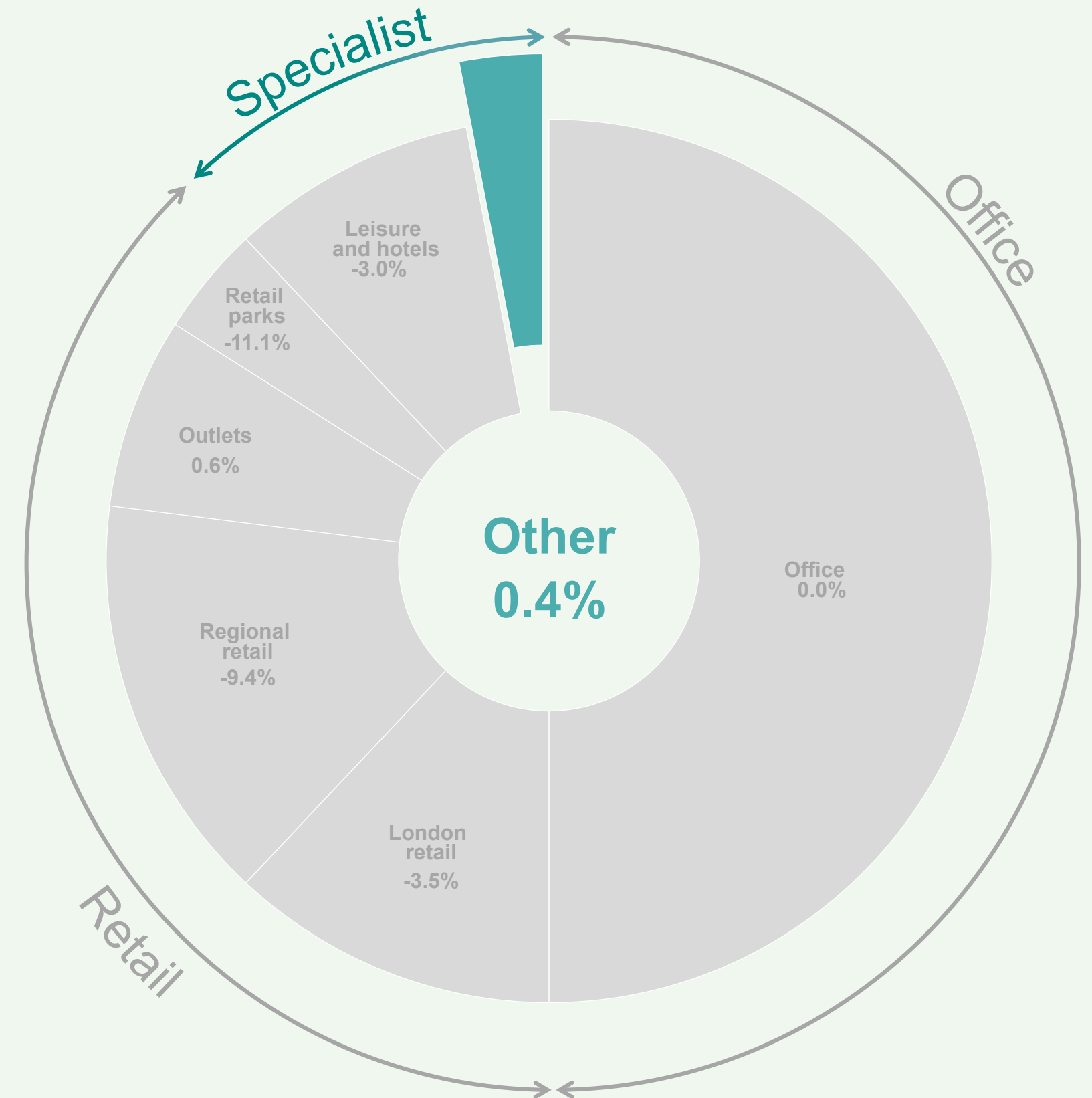
+9bps like-for-like equivalent yield shift
to 5.6%



Combined Portfolio valuation

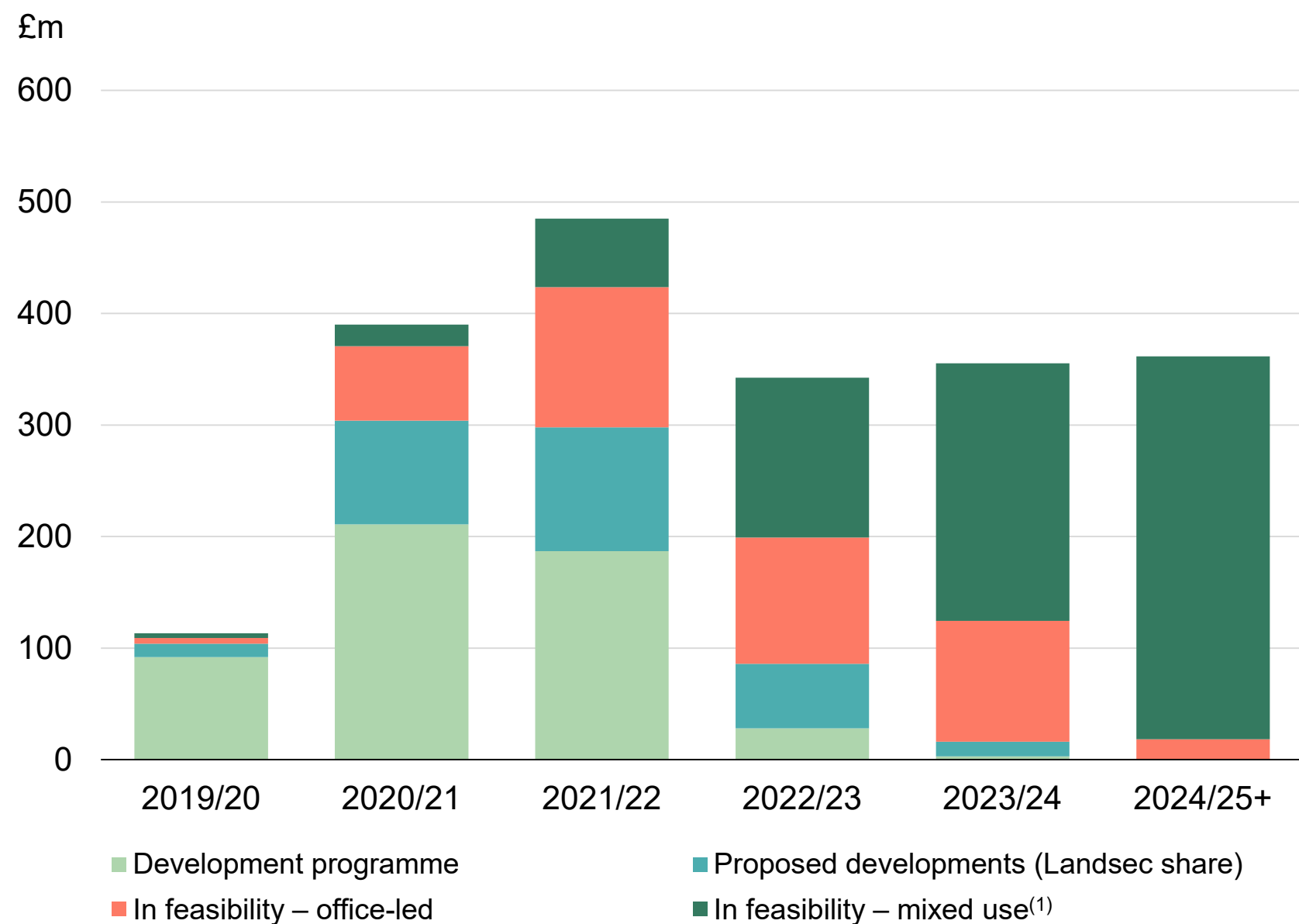
Other

Piccadilly Lights rental values unchanged



Development expenditure

Estimated future spend



Potential cash spend

	Potential cash spend
Development programme	£520m
Proposed developments	£290m
In feasibility – office-led	£440m
In feasibility – mixed use ⁽¹⁾	£800m
TOTAL	£2,050m

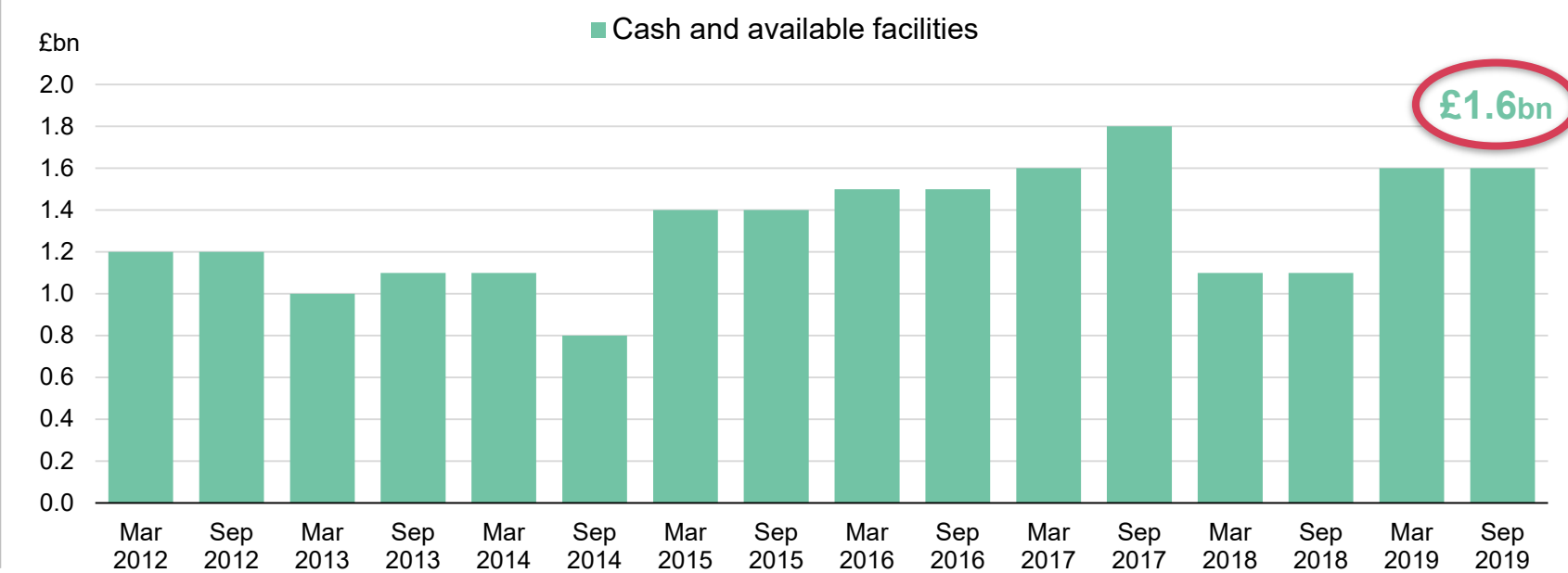
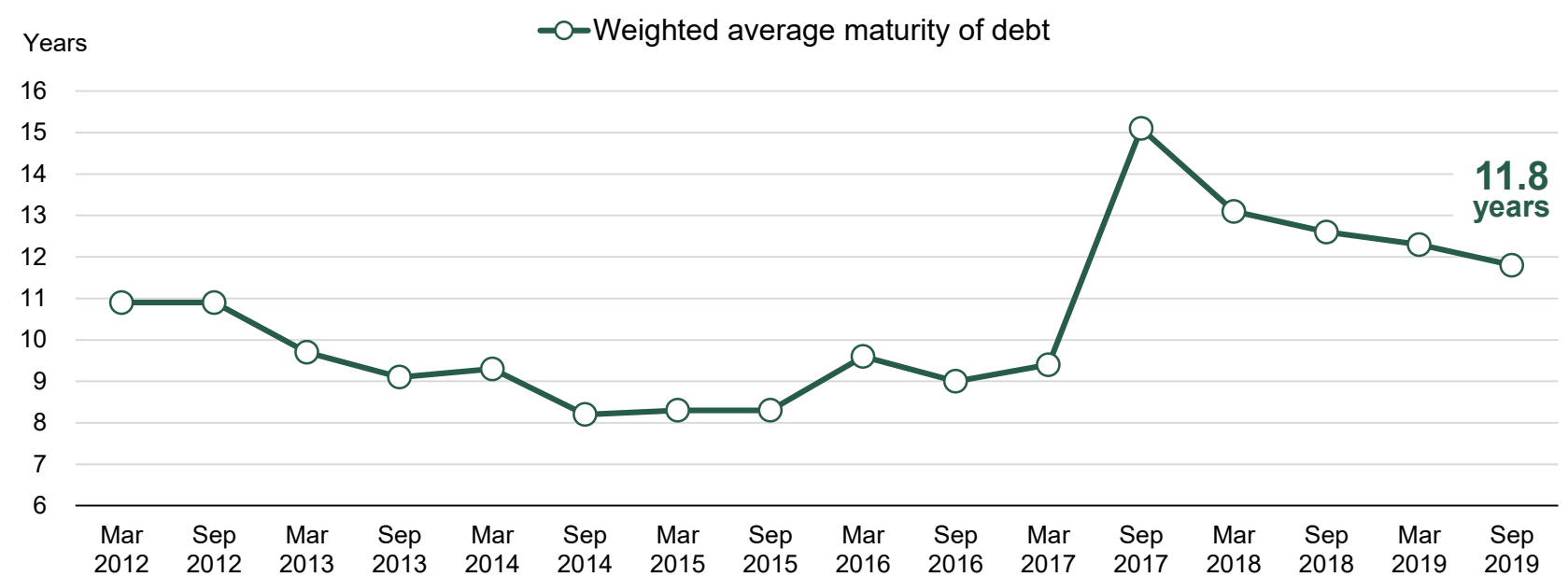
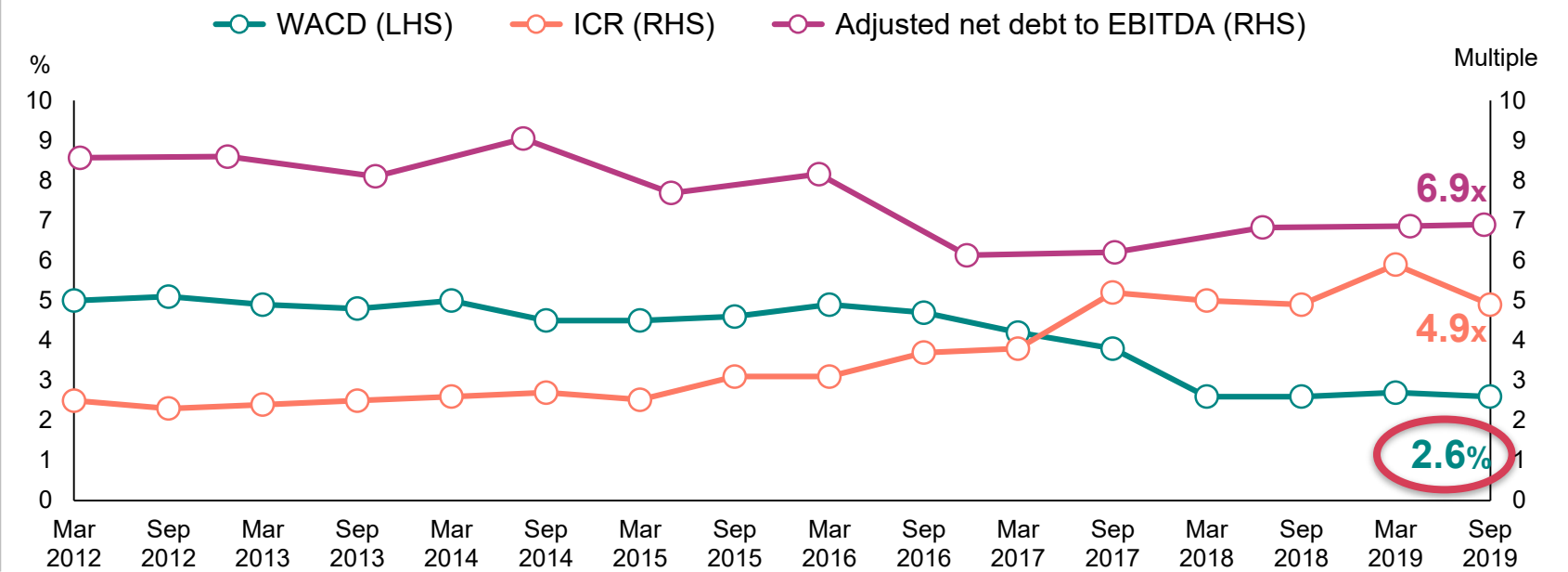
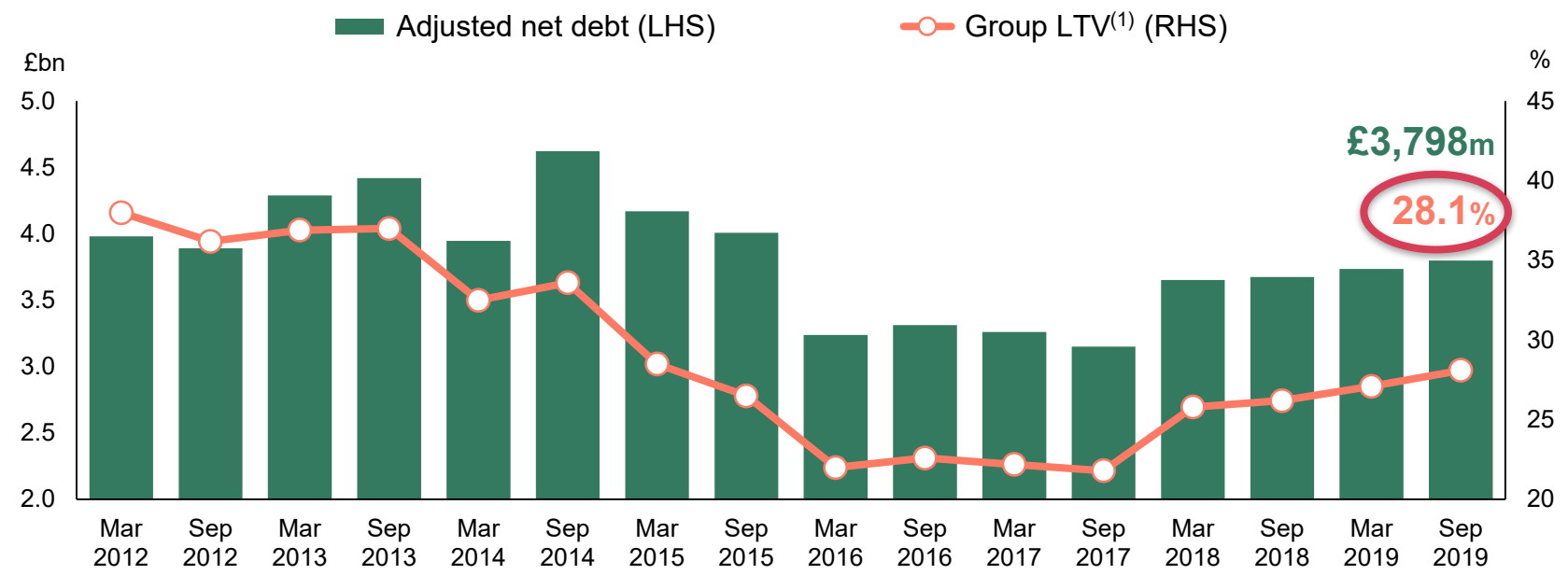
Impact on Sept 19 Group LTV⁽²⁾

	Impact on Sept 19 Group LTV ⁽²⁾
Development programme	30.7%
Proposed developments	32.1%
In feasibility – office-led	34.2%
In feasibility – mixed use ⁽¹⁾	37.6%

(1) Comprises O2, Finchley Road and W12, Shepherd's Bush

(2) Cumulative impact of capital expenditure on the current Group LTV of 28.1% assuming no profit realised on this spend and all other values remain the same

Strong financing position



(1) On a proportionate basis

Financial summary

Resilient income

Strong balance sheet

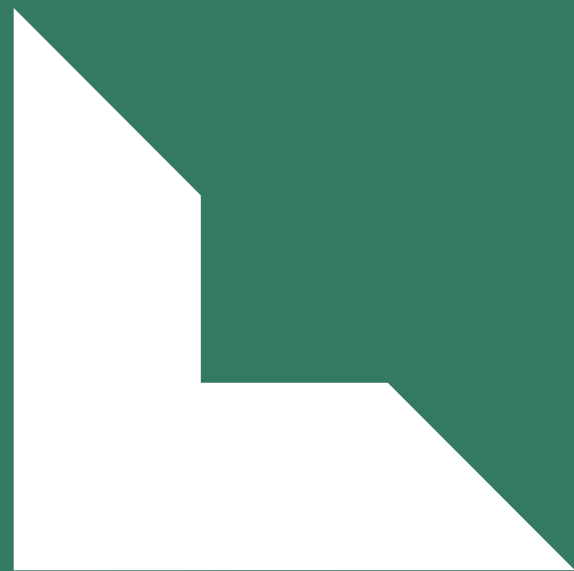
Significant firepower for development
expenditure and other opportunities



Portfolio review

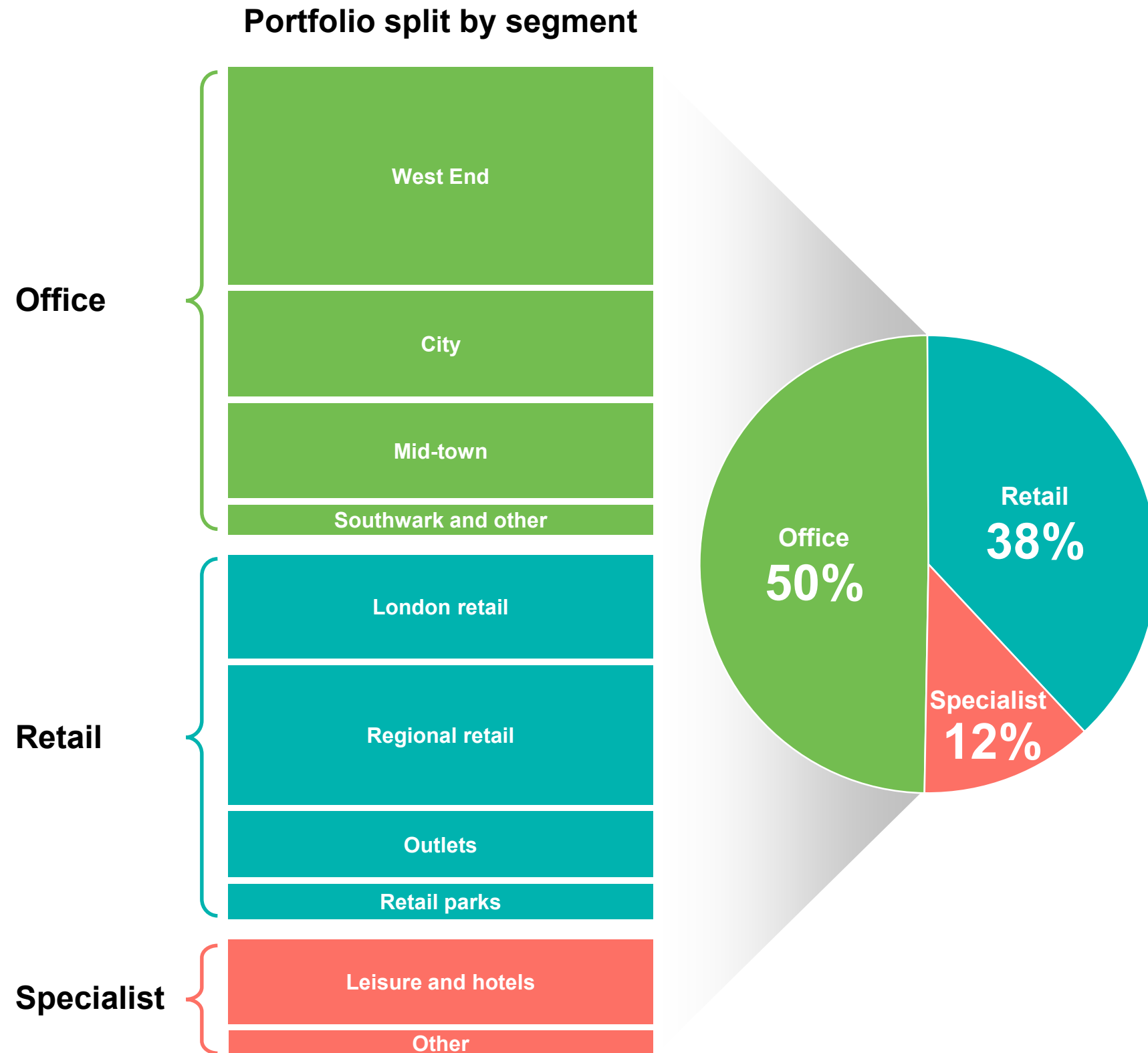
Colette O'Shea

Managing Director



Landsec

Strengthening portfolio



Introducing new products

Keeping ahead of market trends

New and better ways of working

A resilient performance across the portfolio

£13.4bn portfolio

98% occupancy

£14m of investment lettings with £17m in solicitors' hands

£16m of office rent reviews at 10% ahead of previous passing rent

Office WAULT 8.7 years

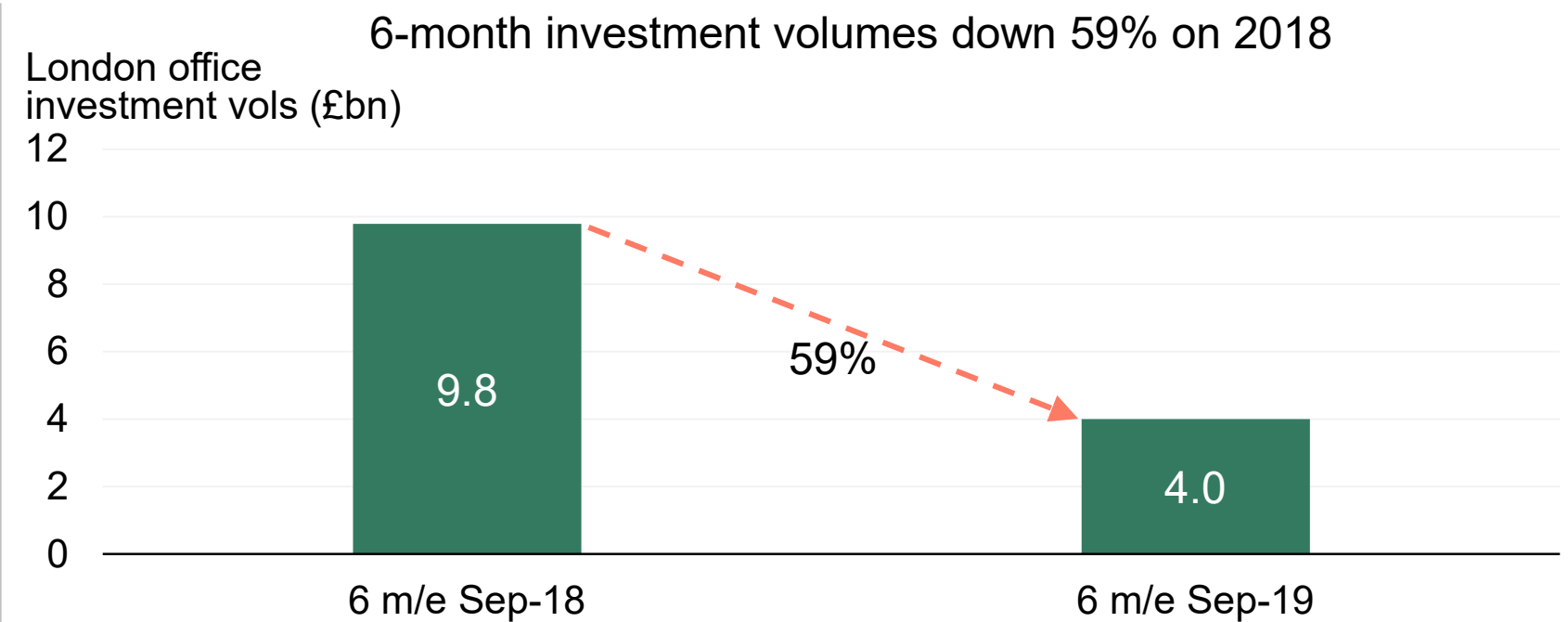
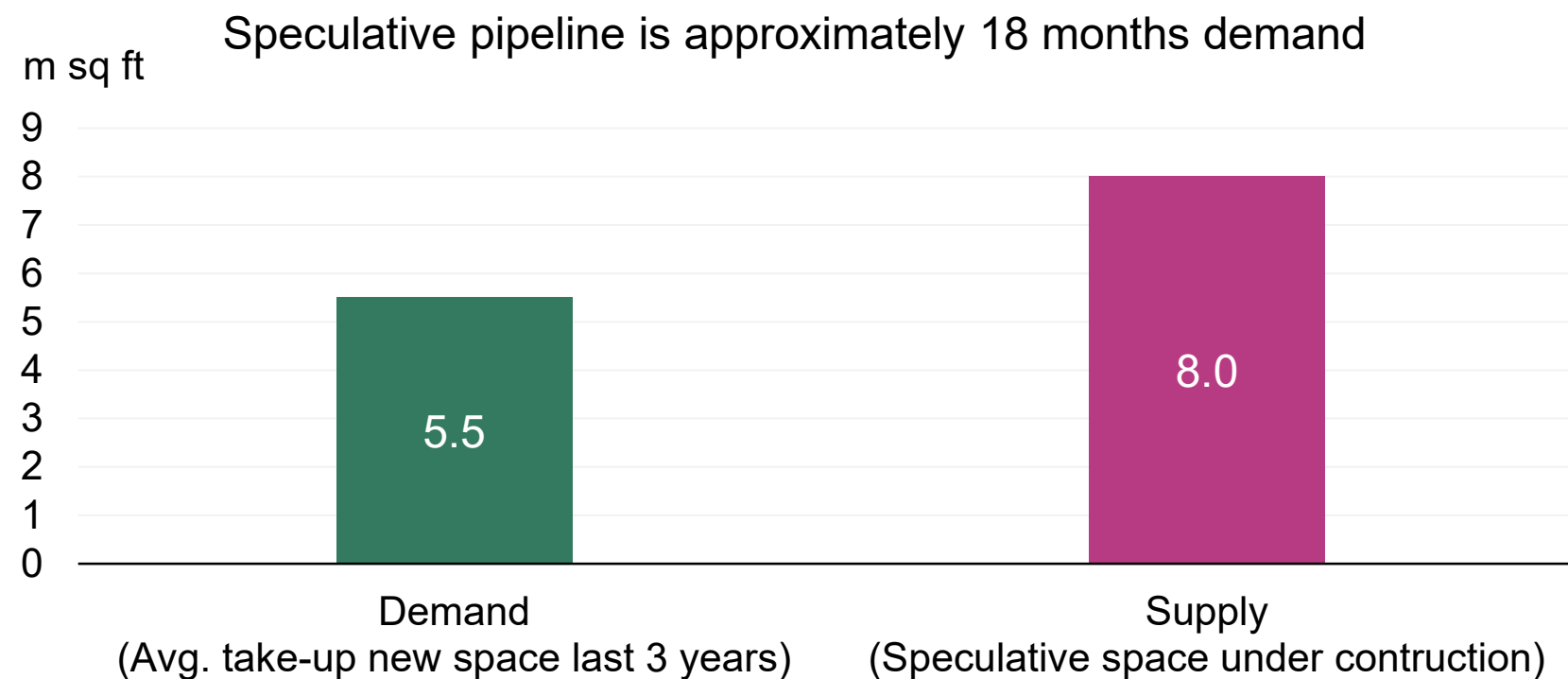
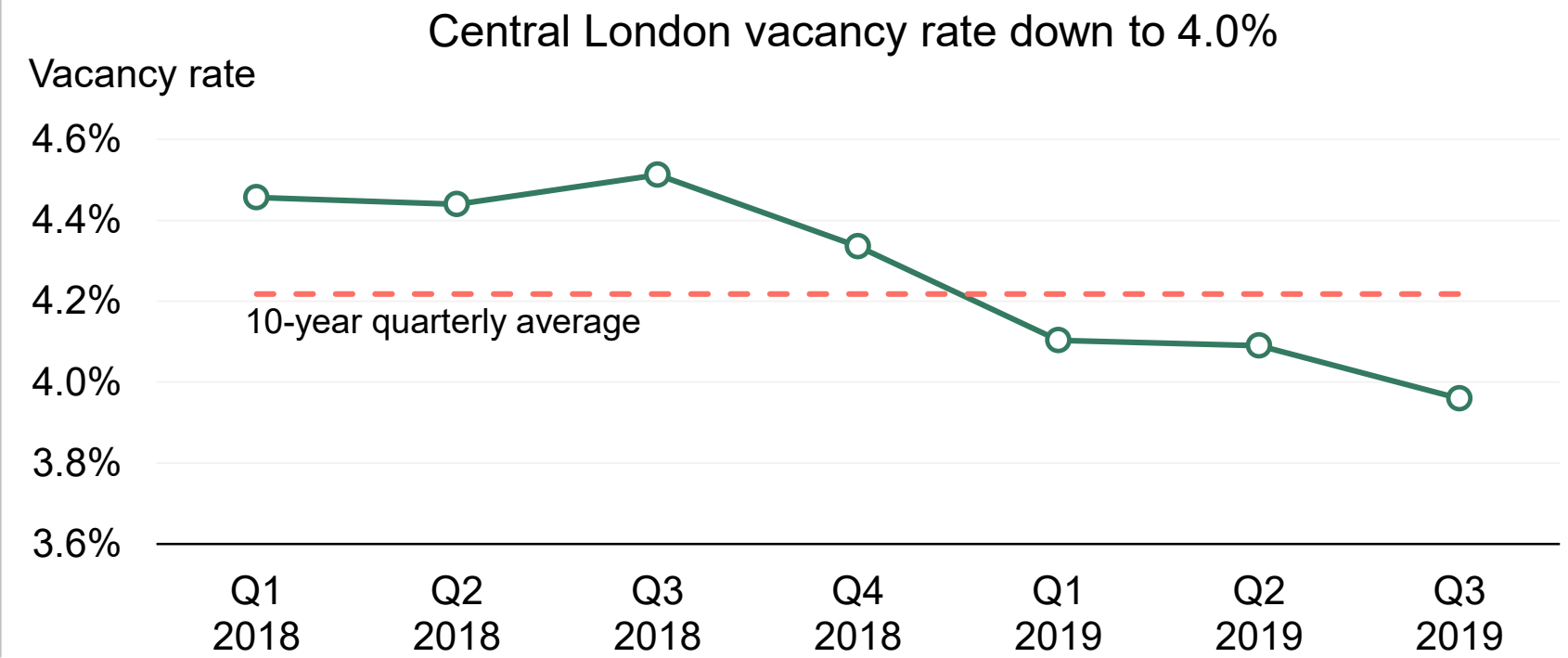
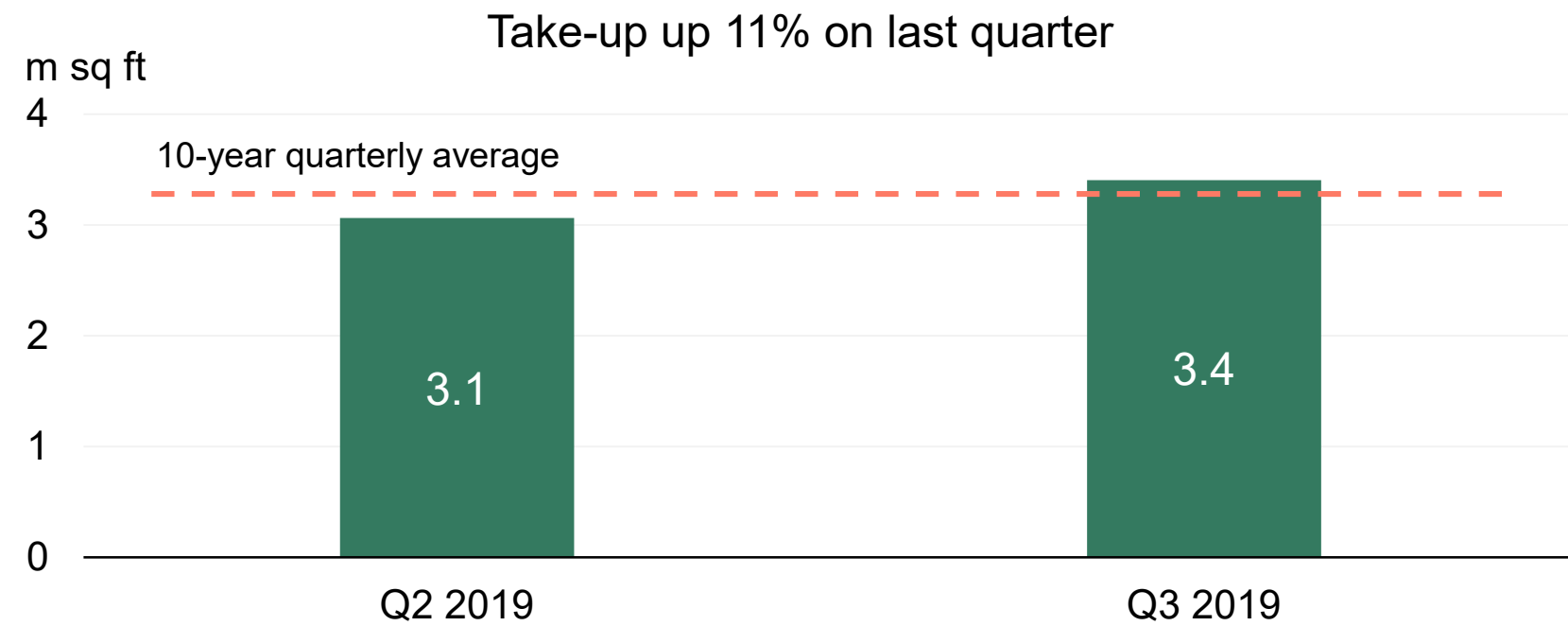
Retail net rental income down £2m, only 1.5% (like-for-like)

London development pipeline of 3.5m sq ft to be delivered from late 2021 onwards



123 Victoria Street, SW1

Office — London continues to be a highly desirable location



Office — A robust performance across all three products



HQ

99% occupied

£16m of rent reviews, 10% ahead of previous passing rent

HQ lettings £2m

WAULT 8.7 years



Fitted

Launched with 2 floors 17,200 sq ft in May 2019

Now fully let, achieved c.20% premium to net effective rent after costs

Targeting 5-15% premium to net effective rent after costs



Myo

Launched 36,000 sq ft in May 2019

Now 61% occupied, ahead of business plan

On target to achieve c.20% average premium to net effective rent after costs

30% existing HQ customers
20% connected to HQ customers

Specialist — Leisure

Popular destinations through the cycle

17 leisure parks offering range of activities

97% occupancy

Cinemas are 26% of leisure rent;
cinema admissions up 9% nationally

Casual dining is 17% of leisure rent;
challenges in this sector continue



Specialist — Hotels

Great opportunity

23 standalone hotels

27% income growth over 10 years

Potential in the underlying site values
well ahead of book values



Novotel, Greenwich

Specialist — Piccadilly Lights

Activity is gaining momentum

Short term leasing activity ahead of expectations

Leasing strategy taking advantage of the flexibility offered by the new digital screen

To date over 90% of the yearly target income secured

Recent brands include:



Retail

Tackling the retail reality

Like-for-like retail net rental income down £2m;

— 2% of Retail

— Less than 1% of Group

Occupancy rate unchanged since March 2019
at 97%

Same centre sales up 0.7%, down 0.7%
excluding automotive sales. Considerably ahead
of BRC benchmark down 3.8%

Footfall down 1.8% but ahead of benchmark
down 4.2%



Braintree Village, Essex

Retail

Tackling the retail reality

Only 14% of units affected by CVAs have closed

53% of units closed due to administrations and CVAs now re-let

Note: Numbers refer to both Retail and Specialist segments.



The Ivy Victoria, SW1

Retail

Tackling the retail reality

Short term

Activity in the last six months

Medium term

Maximising our performance in the medium term

Long term

Longer term trends and how we are staying ahead of the curve

Short term activity

Retail parks

Occupancy at 96%

Valuation down 11%, driven by 58bps outward yield movement

Sold Poole Retail Park for £45m, around 12% below March 2019 book value – in line with subsequent market declines



The Bishop Centre, Taplow

Short term activity

Outlets – effective tenant mix

£2m of lettings, 20 new target brands across the outlets

70% of consumers give retail mix as a top reason to visit

beautyoutlet

FATFACE

PUMA

RADLEY
LONDON

BELSTAFF

Lindt



THE ALCHEMIST

Bill's

The Sweet Emporium

HUBBOX
BURGERS · BARBECUE · GOOD TIMES

JONES
BOOTMAKER



LYLE & SCOTT
EST 1874

Dune
LONDON

HARIBO

havaianas

Loake
SHOEMAKERS

Pho
Vietnamese street food

bouda
Vida

EDEN



Gunwharf Quays, Portsmouth

Short term activity

Outlets — attracting new brands

Since Polo Ralph Lauren opened in Braintree Village last November

- Footfall up 6% in three months after opening
- Total sales up 15% in the same period
- Total sales up 3.7% in the last six months
- Magnet for other brands



Braintree Village, Essex

Short term

Retail — compelling retail mix

Regional shopping destinations challenged

Working to attract brands that resonate with changing consumer demands

Helping brands establish a physical presence



Bluewater, Kent



Westgate, Oxford



Westgate, Oxford



Bluewater, Kent



Short term

Retail — supported by great events



The Beach at Bluewater, Kent



Summer Vibes at Westgate, Oxford



Dinosaur Trail at Trinity, Leeds



Student Night at St David's, Cardiff

Short term – last six months

Regional retail – maintained occupancy levels and rental income

Working to secure the best retail mix at the right size

Bluewater:

- Footfall up 2.5% year-on-year
- Same store sales up 1.2% year-on-year (excluding automotive)

Customers drawn by Apple and Tesla product launches and opening of Primark



Bluewater, Kent

Retail

Medium term — proactively addressing the challenges

Short term

Medium term

Convenience + great destinations = Outperformance in retail

Long term

Medium term

Retail — compelling retail mix

Key anchors drawing shoppers and driving spend

Upsizing Zara at Bluewater from 19,000 sq ft to 37,000 sq ft

Bringing Zara into 36,000 sq ft at St. David's

Upsizing H&M at Trinity Leeds from 25,000 sq ft to 39,000 sq ft



Medium term

Retail — a partnership approach

Working closely with customers to keep businesses sustainable

Reducing service charges to protect rental income

Improving affordability

Looking at innovative new ways of partnering with brands



Westgate Oxford

Retail

Long term – addressing the challenges of an over supplied market

Short term

Medium term

Long term

Re-imagining retail space

Retail

Long term – re-imagining destinations



Retail

Long term — re-imagining destinations

O2, Finchley Road and W12, Shepherd's Bush

- Anticipating a shift from 100% retail and leisure to only 11% retail
- Opportunity for 1,700 homes helping to underpin values

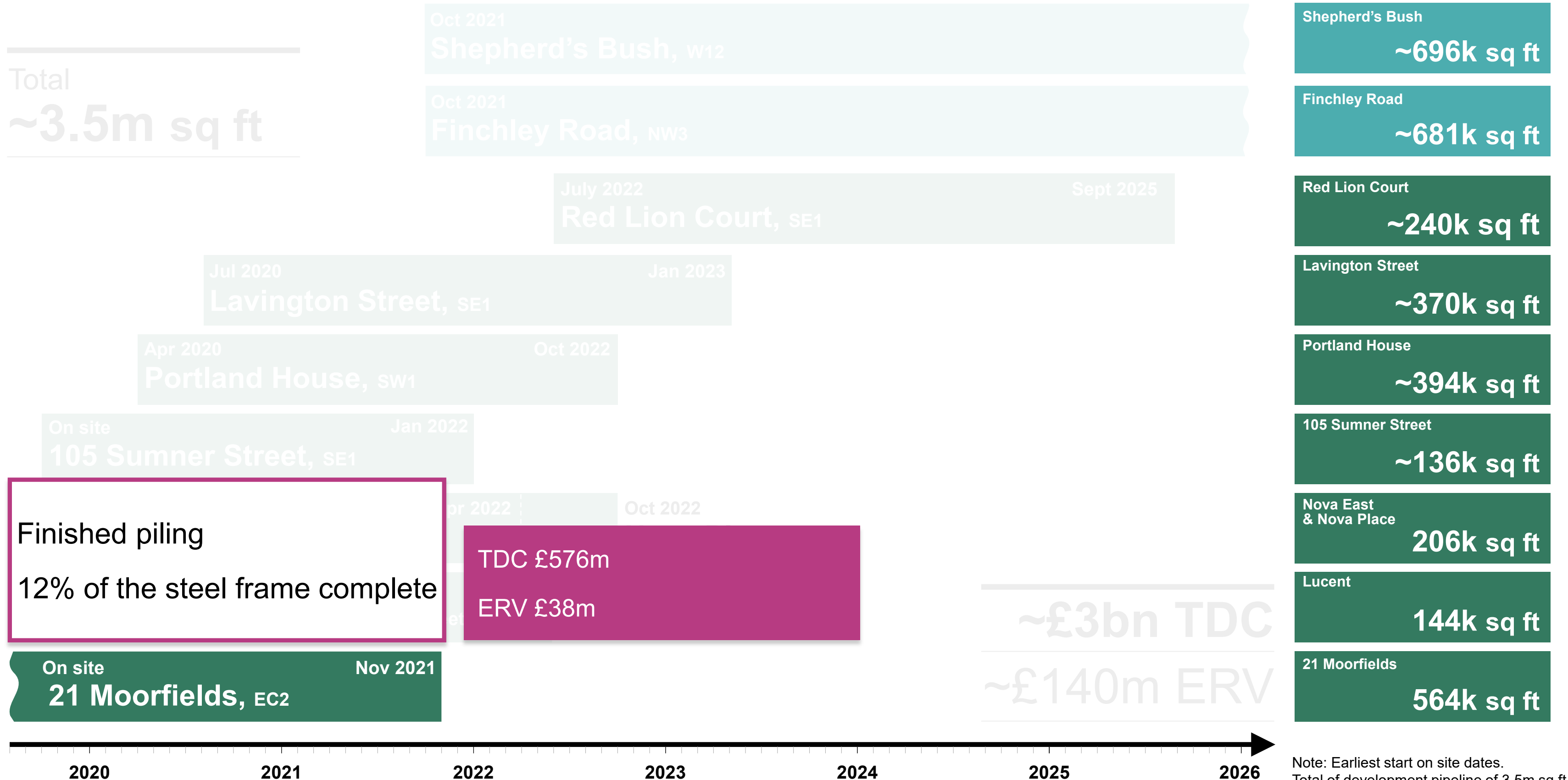
Lewisham shopping centre and Southside Wandsworth

- Started master planning
- Opportunity for over 2,000 homes



Further progress on our London-centric opportunities

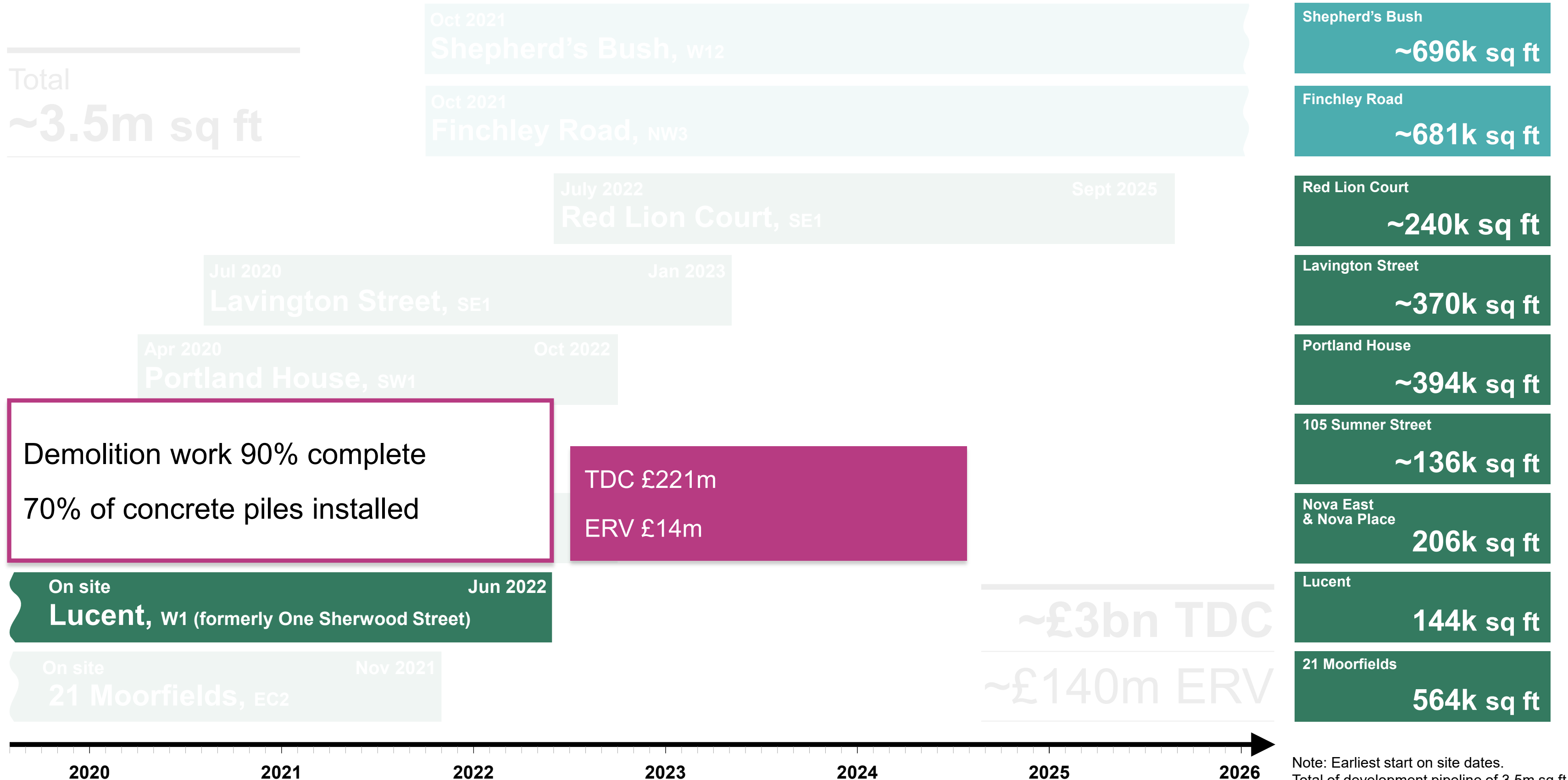
1.4m sq ft on site by April 2020



Note: Earliest start on site dates.
 Total of development pipeline of 3.5m sq ft includes 49k sq ft of schemes not shown above

Further progress on our London-centric opportunities

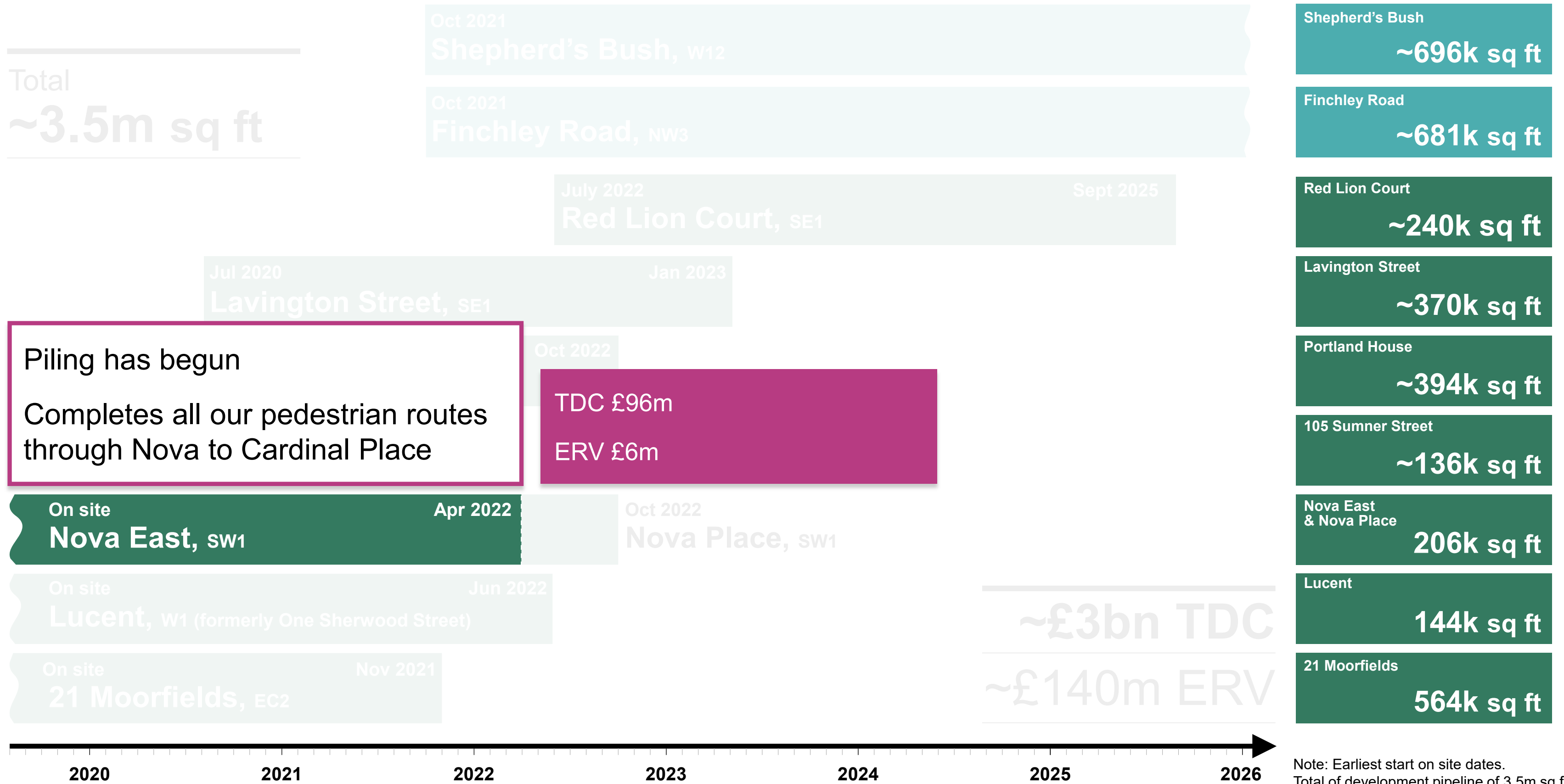
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Further progress on our London-centric opportunities

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Further progress on our London-centric opportunities

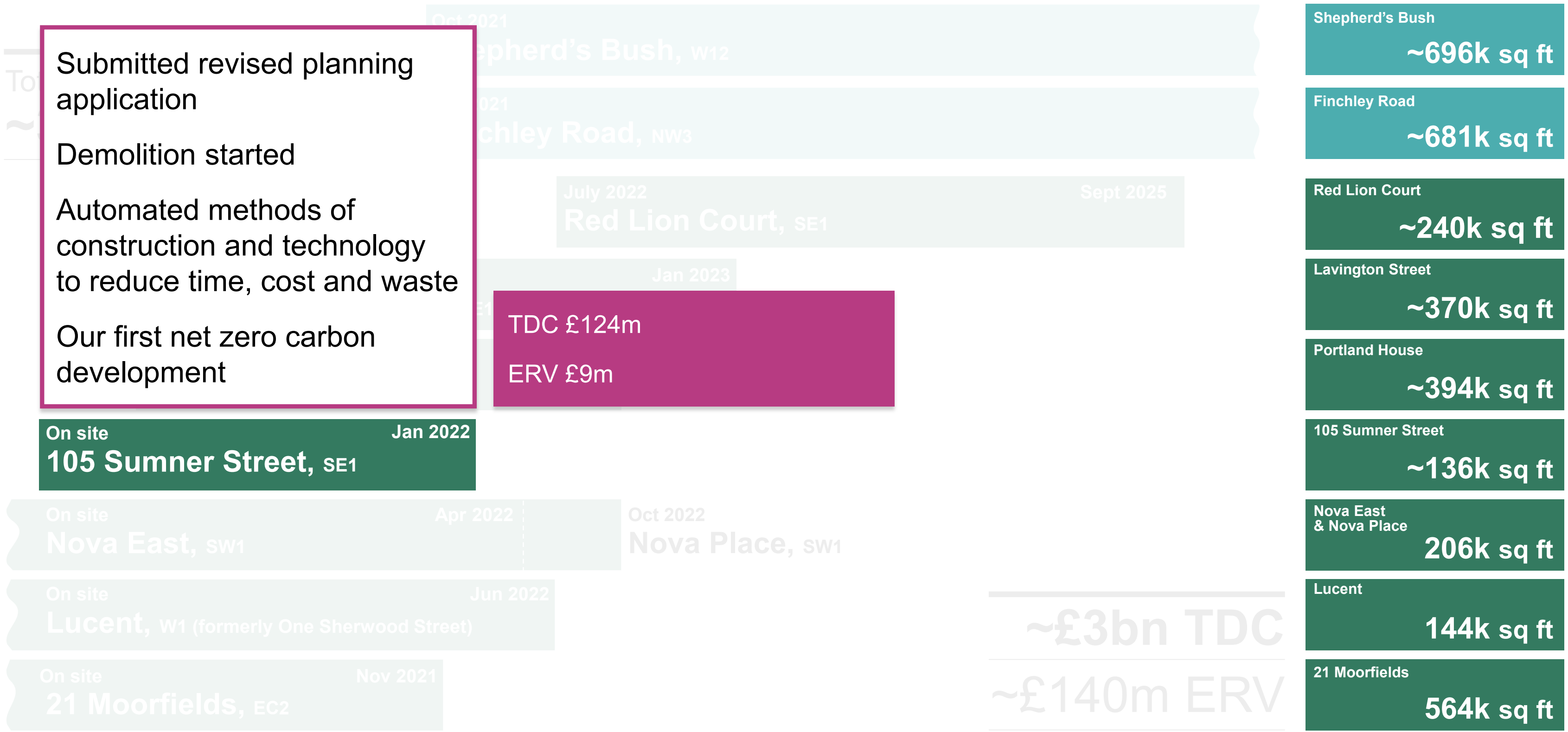
1.4m sq ft on site by April 2020

Submitted revised planning application

Demolition started

Automated methods of construction and technology to reduce time, cost and waste

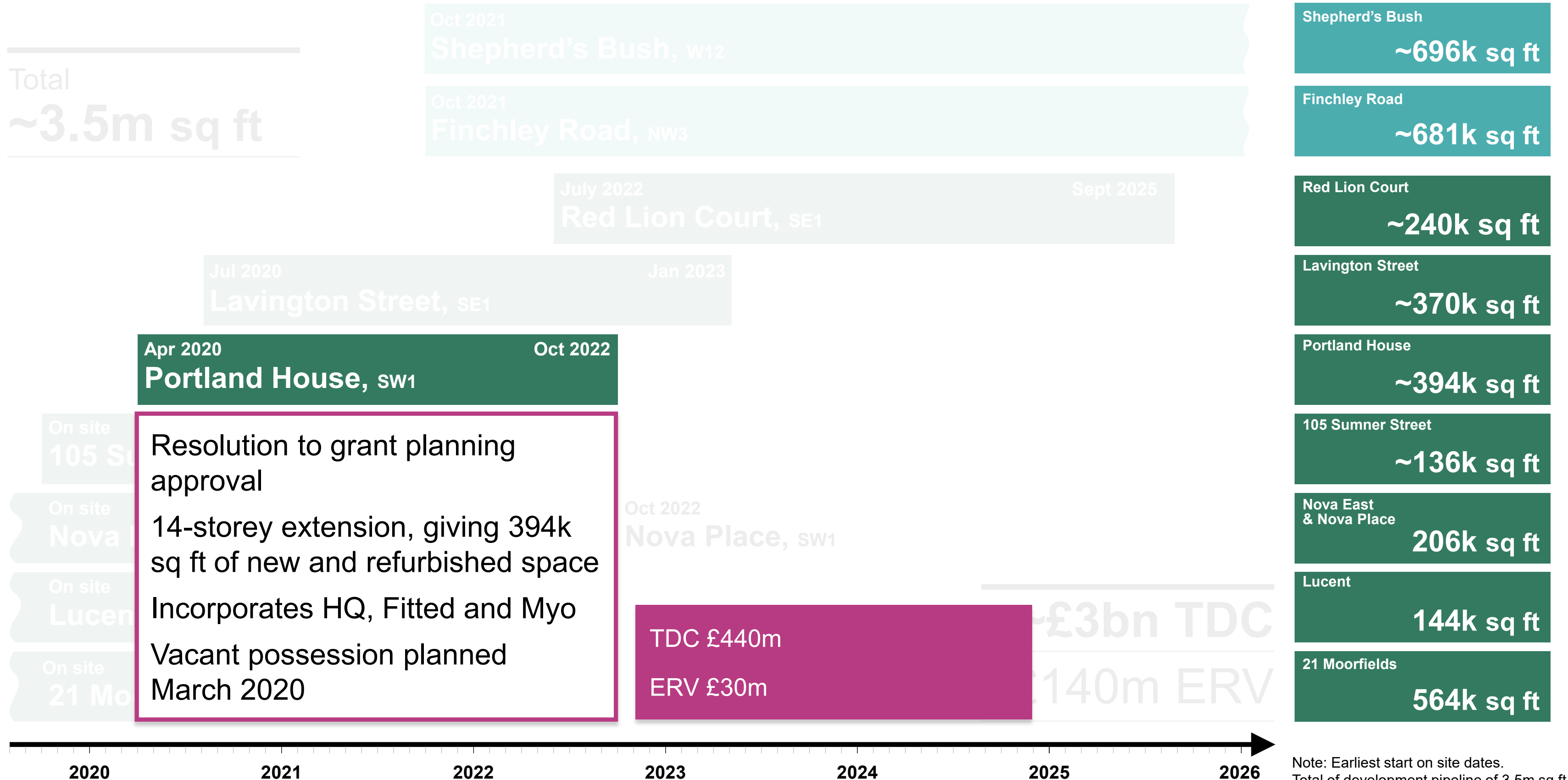
Our first net zero carbon development



Note: Earliest start on site dates.
 Total of development pipeline of 3.5m sq ft includes 49k sq ft of schemes not shown above

Further progress on our London-centric opportunities

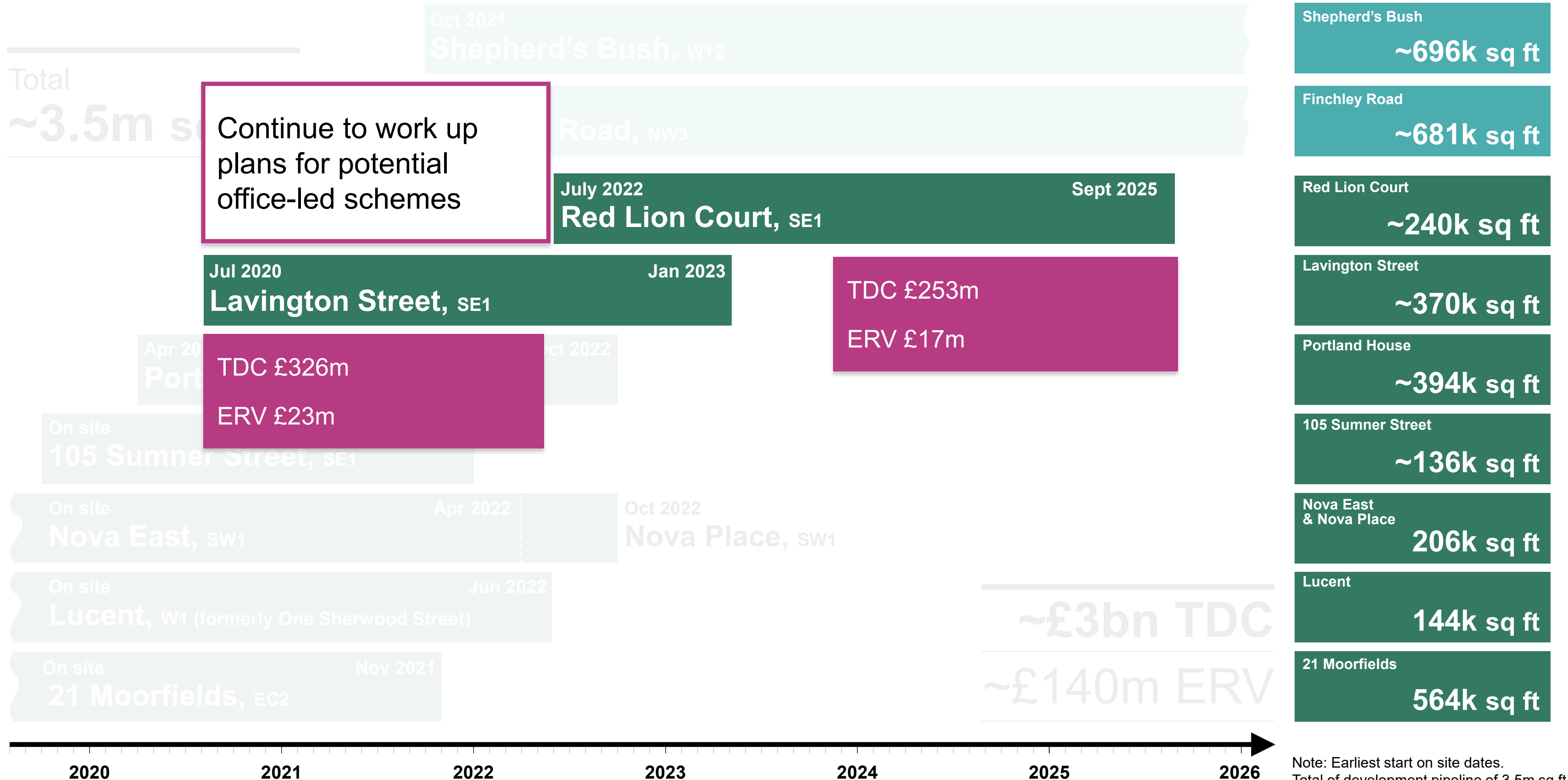
1.4m sq ft on site by April 2020



Note: Earliest start on site dates.
Total of development pipeline of 3.5m sq ft includes 49k sq ft of schemes not shown above

Further progress on our London-centric opportunities

1.4m sq ft on site by April 2020



Continue to work up plans for potential office-led schemes

Jul 2020 Jan 2023
Lavington Street, SE1

Apr 2022 Oct 2022
TDC £326m
ERV £23m

July 2022 Sept 2025
Red Lion Court, SE1

TDC £253m
ERV £17m

Shepherd's Bush
~696k sq ft

Finchley Road
~681k sq ft

Red Lion Court
~240k sq ft

Lavington Street
~370k sq ft

Portland House
~394k sq ft

105 Sumner Street
~136k sq ft

Nova East & Nova Place
206k sq ft

Lucent
144k sq ft

21 Moorfields
564k sq ft

Note: Earliest start on site dates. Total of development pipeline of 3.5m sq ft includes 49k sq ft of schemes not shown above

Creating destinations and products of choice

Office portfolio is full

Fitted and Myo ahead of business plans

Piccadilly Lights exceeding expectations

Retail is challenged, but we are outperforming on sales and footfall

Using customer data to inform our decisions

Building better, more efficiently in sustainable and responsible way

Gearing up our development programme — aiming for 1.4m sq ft on site by April 2020

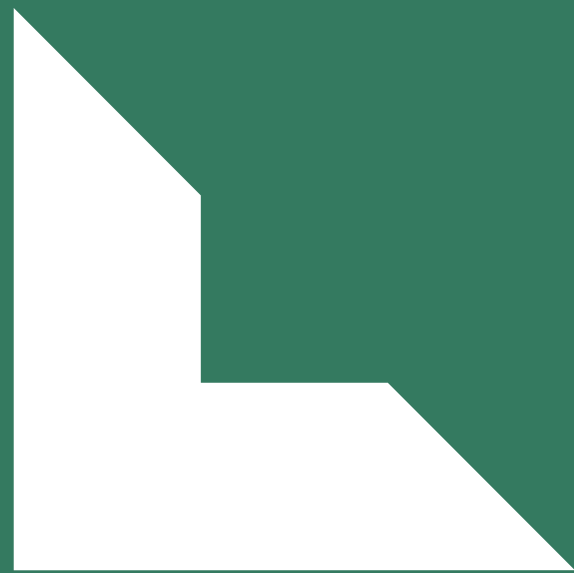


Piccadilly Lights, W1

Outlook

Robert Noel

Chief Executive



Landsec

Looking ahead

Strong position

Direction of travel clear

Market dynamics in London remain healthy

- Entire development pipeline located in London
- Excellent track record in delivery
- Sustainability leader

Retail outlook remains mixed

- Outlets continue to grow
- Regional retail and retail parks remain tough

Specialist solid

- Continued demand in our leisure parks
- Hotels more than underwritten by site value

Shape of portfolio increasingly balanced towards London

- Up from 67% today
- £2bn of potential capex in development
- Continued work-out of retail parks



Q&A

Half-yearly results

For the six months ended 30 September 2019

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