



Capital & Counties Properties PLC

Interim Results 2019

25 July 2019



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1. INTRODUCTION

Ian Hawksworth

2. FINANCIAL REVIEW

Situl Jobanputra

3. COVENT GARDEN

Ian Hawksworth

4. EARLS COURT PROPERTIES

Mike Hood

5. LOOKING AHEAD

Ian Hawksworth

6. Q&A

INTRODUCTION

Ian Hawksworth

INTENTION TO PROCEED WITH DEMERGER

Covent Garden to launch as an independent central London focused REIT



★ The Board has considered the structure of the Group

- Scale and attractive income profile of Covent Garden
- ECPL land available for development

★ Broad range of interest in Earls Court, however no certainty this will result in a sale transaction

★ Decision to proceed with the demerger, which has a number of benefits:

- Different investment propositions and opportunities
- Enhancing strategic flexibility for the two businesses
- Pursue independent strategies to deliver long-term shareholder value with appropriate capital structures
- Opportunity for shareholders to participate in both businesses and determine their own weightings

★ Timeline

- Shareholder documentation expected to be published in September 2019
- Completion, subject to shareholder approval, expected before the end of 2019

TWO INDEPENDENT BUSINESSES

Leadership, cost and capital structure

COVENT GARDEN



Chairman
Henry Staunton



Chief Executive
Ian Hawksworth



Chief Financial Officer
Situl Jobanputra



Executive Director
Michelle McGrath

- ★ Central London focused REIT
- ★ World-class mixed use estate
- ★ Deliver long-term sustainable returns underpinned by rental and income growth
- ★ Strong balance sheet with significant liquidity, well-positioned to take advantage of further opportunities

Key metrics¹

CG Property assets
£2,611m

JV property assets²
£173m

LTV
27%

Target admin costs
£20m⁴

EARLS COURT



Chairman
Gerry Murphy



Chief Executive
Mike Hood



Chief Financial Officer
Terry O'Beirne



Executive Director
Alison Fisher

- ★ Land enablement and development company
- ★ One of London's most important development opportunities
- ★ Optimise and realise the value of land interests over time
- ★ Disciplined approach to capital management, well-positioned to implement business plan

Key metrics^{3,4}

Property assets
£426m

CLSA interests
£84m

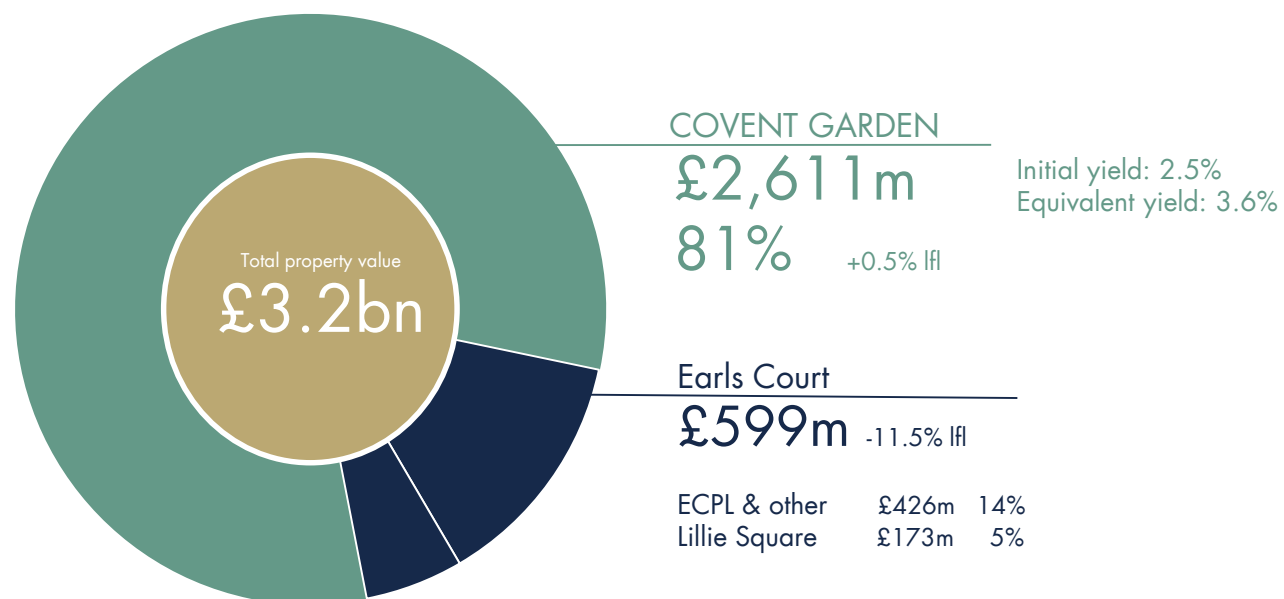
Net cash
£100m

Target admin costs
£10m⁴

1. All figures are prepared on a pro-forma basis for illustrative purposes only
 2. Relates to Capco's 50 per cent interest in Lillie Square which will form part of Covent Garden London business
 3. Earls Court is presented on a Group share basis, with ECPL at 63 per cent
 4. Expected target administration costs of the companies on a run rate basis from the end of 2020

INTERIM RESULTS

Ian Hawksworth



- ★ EPRA NAV 315p per share, a decrease of 3.3%
- ★ Total return -3.0%
- ★ Underlying earnings 0.5 pence
- ★ Interim dividend per share 0.5 pence

Note: All numbers shown at Group share

★ Continued income growth at Covent Garden

- 10% increase in NRI (7% growth lfl)
- 40 new leases and renewals, 2% above December 2018 ERV
- 1% lfl increase in ERV to £108m
- Positive trading environment, increase in footfall and sales
- Attracting high quality brands and concepts
- Healthy demand for office and residential portfolio
- Investment opportunities on the estate

★ Earls Court investments

- ECPL land available for development
- Ongoing interest from potential investors
- Completion of Lillie Square Phase 2 on track for 2020

★ Strong balance sheet

- Low LTV, access to significant liquidity and modest capital commitments

FINANCIAL REVIEW

Situl Jobanputra

UNDERLYING EARNINGS



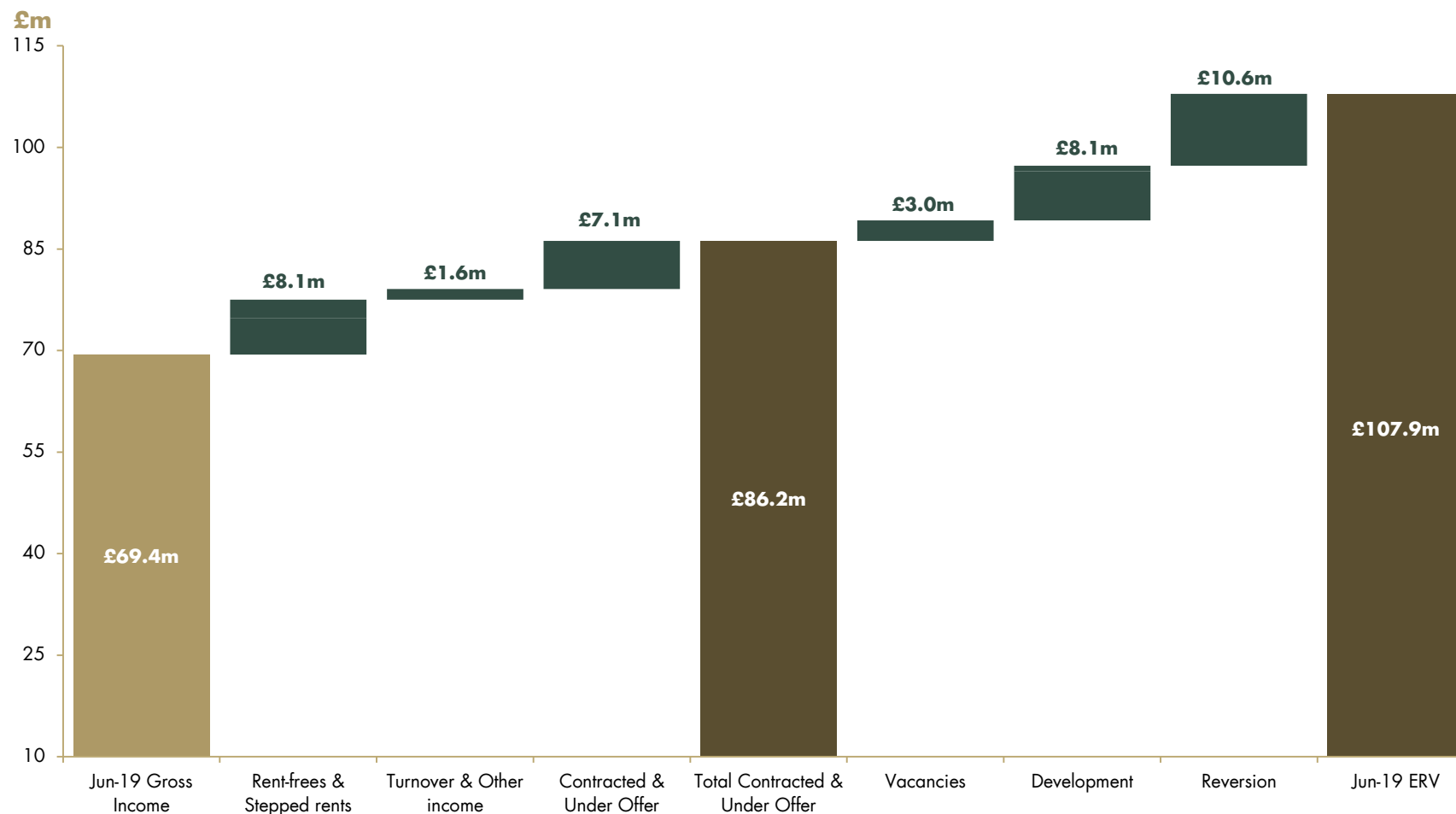
	Jun-19 £m	Jun-18 £m	Var £m
<i>Net rental income - Recurring</i>	32.1	29.2	2.9
<i>Net rental income - Empress State</i>	–	3.9	(3.9)
Group net rental income	32.1	33.1	(1.0)
Administration costs	(17.2)	(19.2)	2.0
Net finance costs	(10.4)	(9.4)	(1.0)
Other	0.5	0.9	(0.4)
Tax	(0.5)	(1.1)	0.6
Underlying earnings	4.5	4.3	0.2
Underlying earnings per share (pence)	0.5	0.5	–
Proposed interim dividend per share	0.5p	0.5p	–

In addition there was a charge of £3.9 million during the period related to possible separation of the two businesses

Note: All numbers shown at Group share

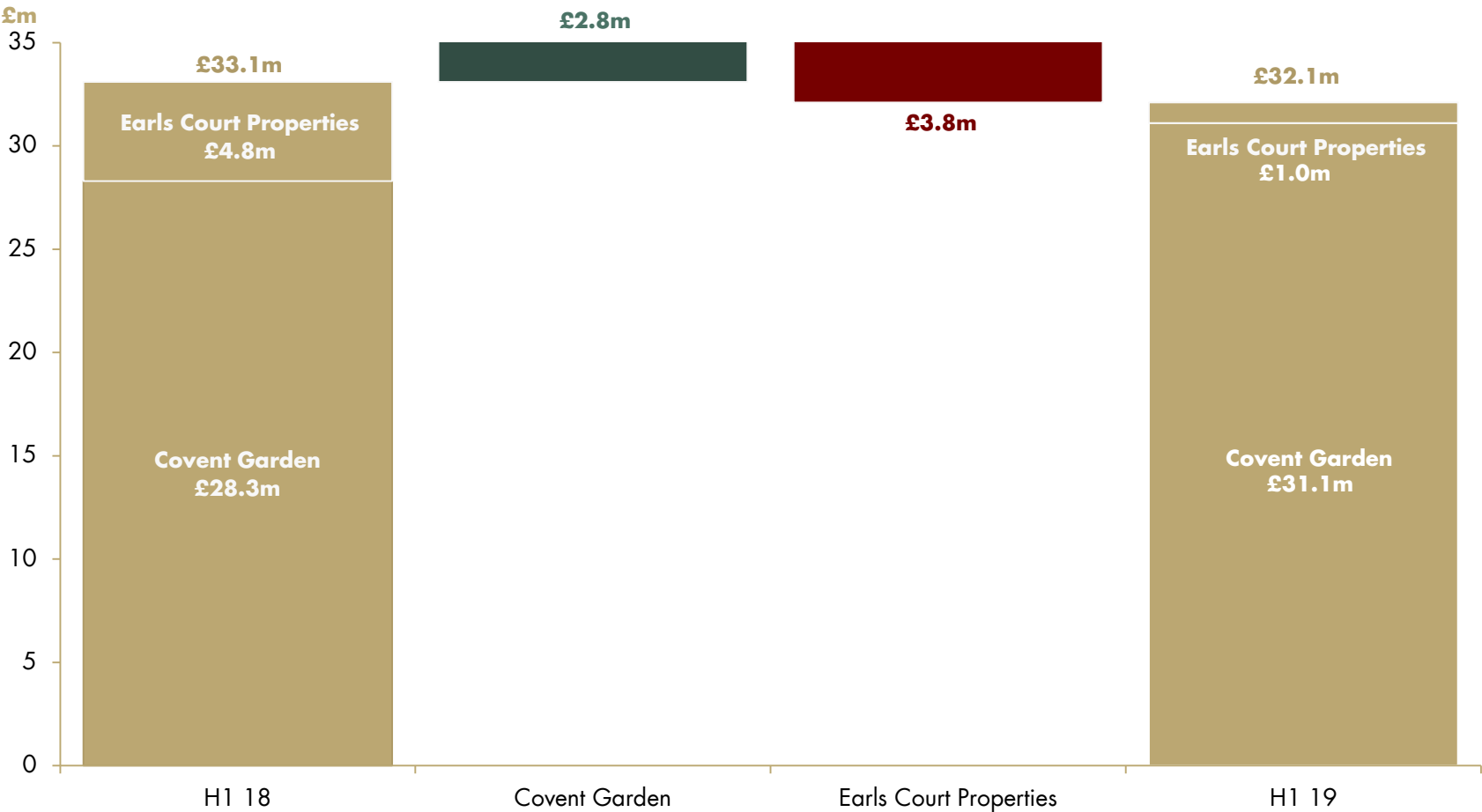
DRIVING RENTAL GROWTH AND CAPTURING REVERSION

Narrowing the gap between income and ERV



Note: Developments includes remaining Floral Court residential representing £0.8m of ERV.

NET RENTAL INCOME



Note: All numbers shown at Group share
The decline in Earls Court Properties net rental income principally relates to the disposal of the Empress State Building in 2018

EPRA BALANCE SHEET

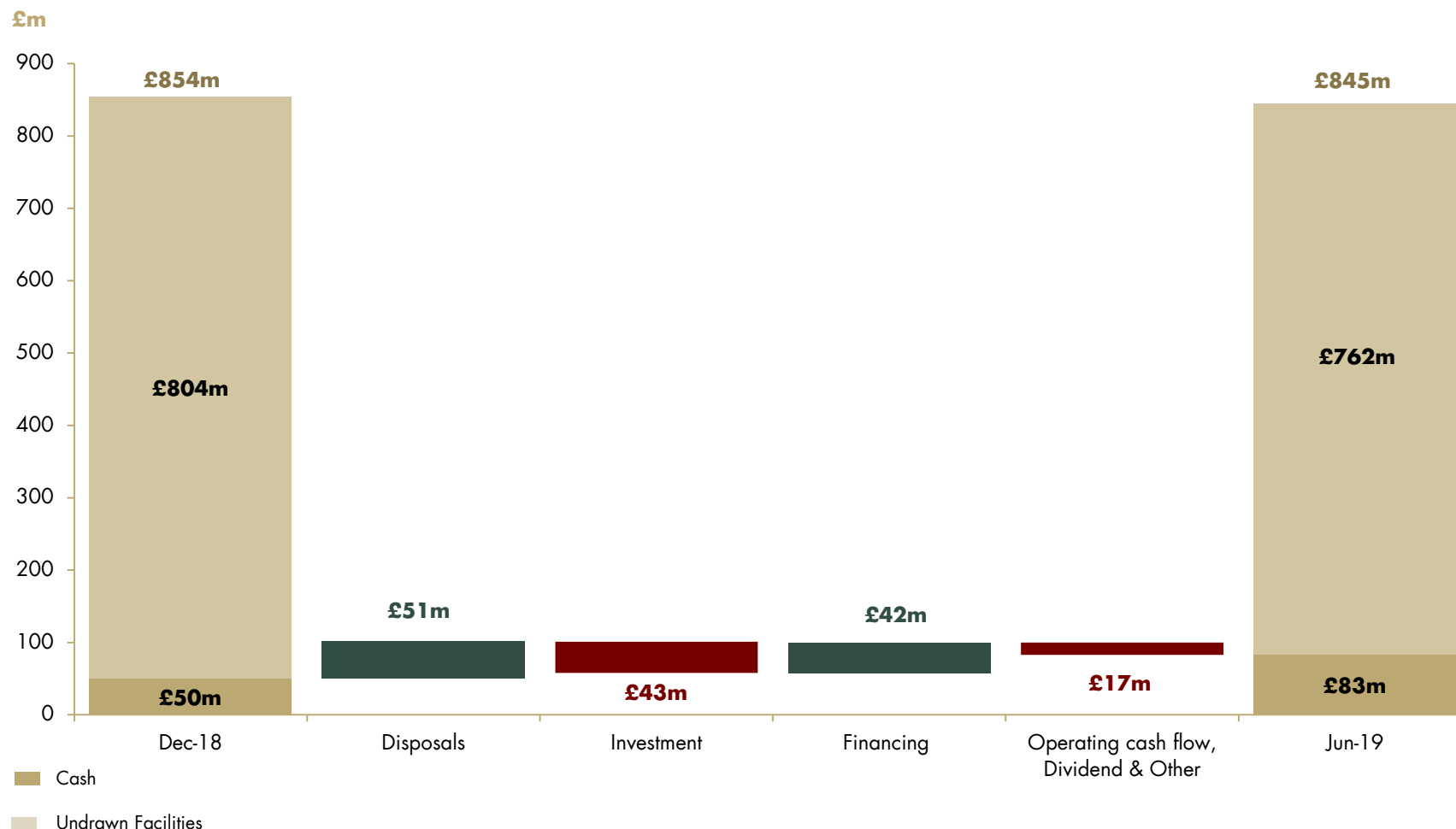
	Jun-19 £m	Dec-18 £m	Var £m
Investment & trading property	3,133	3,198	(65)
Unrecognised surplus on trading property	23	26	(3)
Net debt	(588)	(573)	(15)
Other	122	126	(4)
EPRA NAV	2,690	2,777	(87)
Number of shares in issue (diluted)	854m	853m	1m
EPRA NAV per share	315p	326p	(11)p

★ EPRA NNNAV 312 pence per share

Note: All numbers shown at Group share. A reconciliation to the IFRS financial statements can be found in the Appendix

CASH UTILISATION

Level of undrawn facilities and cash £845m



Note: All numbers shown at Group share

- ★ Flexible, predominantly unsecured debt structure with access to substantial liquidity
- ★ Strong credit metrics, with significant covenant headroom
- ★ No significant near term maturities
- ★ Modest capital commitments of £49m

	Jun-19	Dec-18
Net debt	£588m	£573m
LTV	19%	18%
Group undrawn facilities and cash	£845m	£854m
Weighted average cost of debt	3.0%	2.9%
Weighted average maturity	5.5 yrs	6.0 yrs

COVENT GARDEN

Ian Hawksworth



COVENT GARDEN HIGHLIGHTS

A leading global destination

Portfolio value

£2.6bn

+0.5% like-for-like

ERV

£108m

+1.0% like-for-like

NRI (vs June 2018)

+7%

like-for-like

Acquisitions

£13m

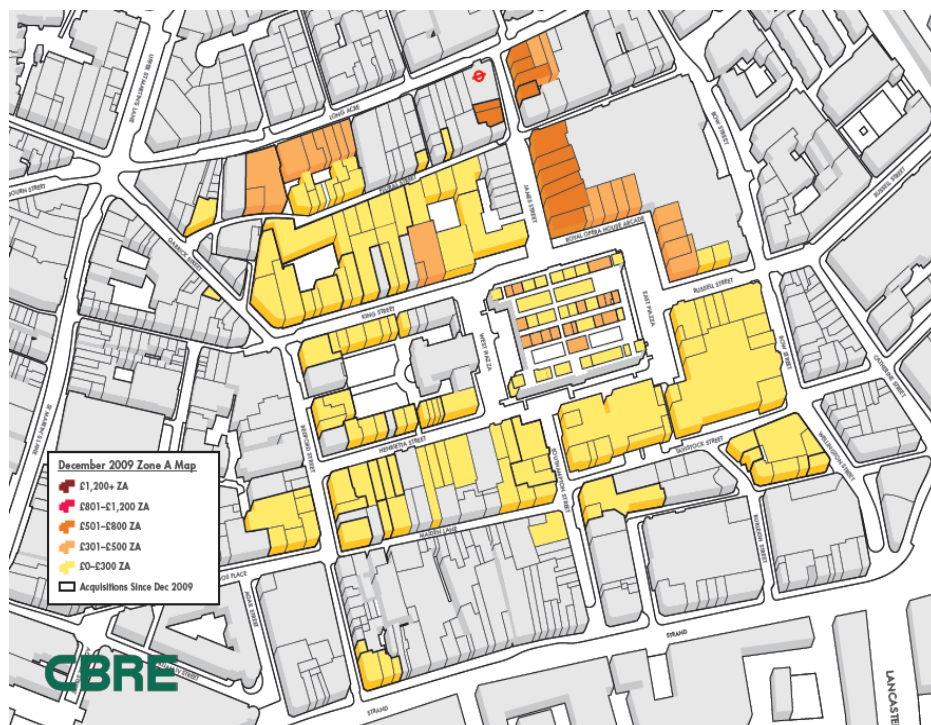
- ★ Capturing portfolio reversion
- ★ Positive leasing activity across all uses
- ★ Continuing to attract high quality brands
- ★ Positive trading environment
- ★ Healthy demand for office and residential portfolios



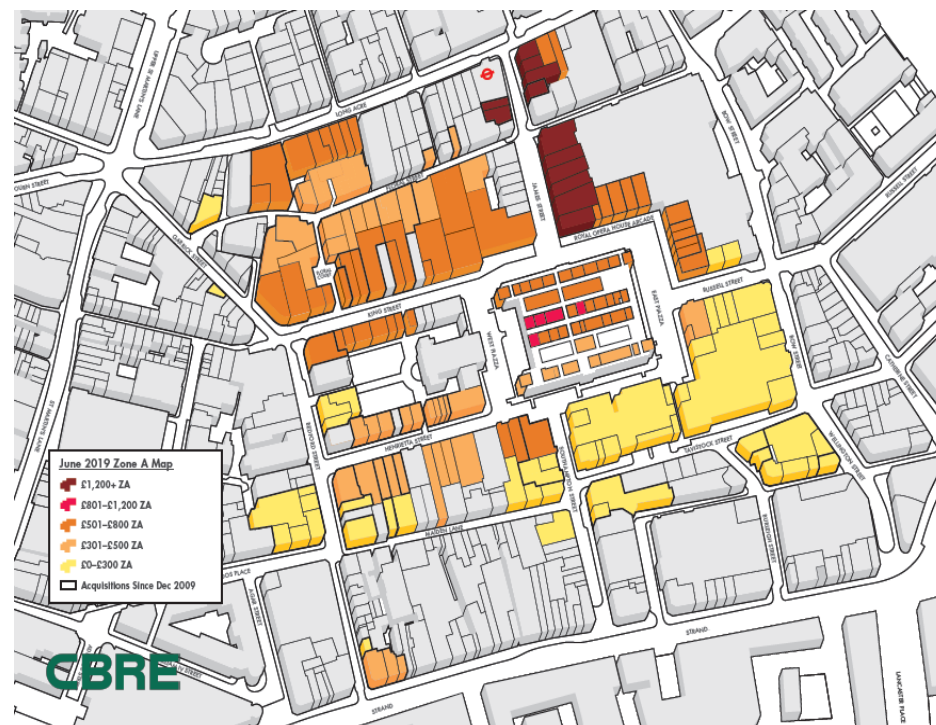
CREATING AND CAPTURING RENTAL GROWTH

Further opportunities across the estate

Covent Garden December 2009
£548m valuation
750k sq ft, 44 buildings, 300 units
ERV £33m
Gross income £29m



Covent Garden June 2019
£2.6bn valuation
1.2m sq ft, 79 buildings, 526 units
ERV £108m
Gross income £69m



A LEADING GLOBAL DESTINATION

A vibrant place for Londoners and visitors

Retail

- ★ Attracting and retaining high quality brands
 - Polo by Ralph Lauren, Lacoste, Untuckit, HappySocks
 - Apple extended occupation
 - Upsizing of Bucherer



Dining

- ★ One of London's best dining destinations
- ★ Introductions include:
 - Vyta, Walhburgers, Santa Nata, Dominique Ansel & Mlkcake



POSITIVE PERFORMANCE ACROSS THE PORTFOLIO

Healthy demand for office and residential space

Office

- ★ Covent Garden office portfolio
 - Underpinned by appeal of overall district
 - Letting of 22 Long Acre to WeWork



Residential

- ★ Covent Garden residential
 - Highly desirable address
 - Positive demand with high rate of renewals
 - Successful sales programme at Floral Court
 - £69m of proceeds received to date



STRATEGIC INVESTMENTS AND OPPORTUNITIES

Enhancing future growth

- ★ Targeted acquisitions at key entry points
 - 39 - 40 Bedford Street
 - £13.2m (including costs)
 - Medium term asset management opportunities

- ★ Opportunities for additional value creation through development
 - The Wellington block
 - Southern side of estate



EARLS | COURT

Mike Hood

★ Our principal investment: ECPL

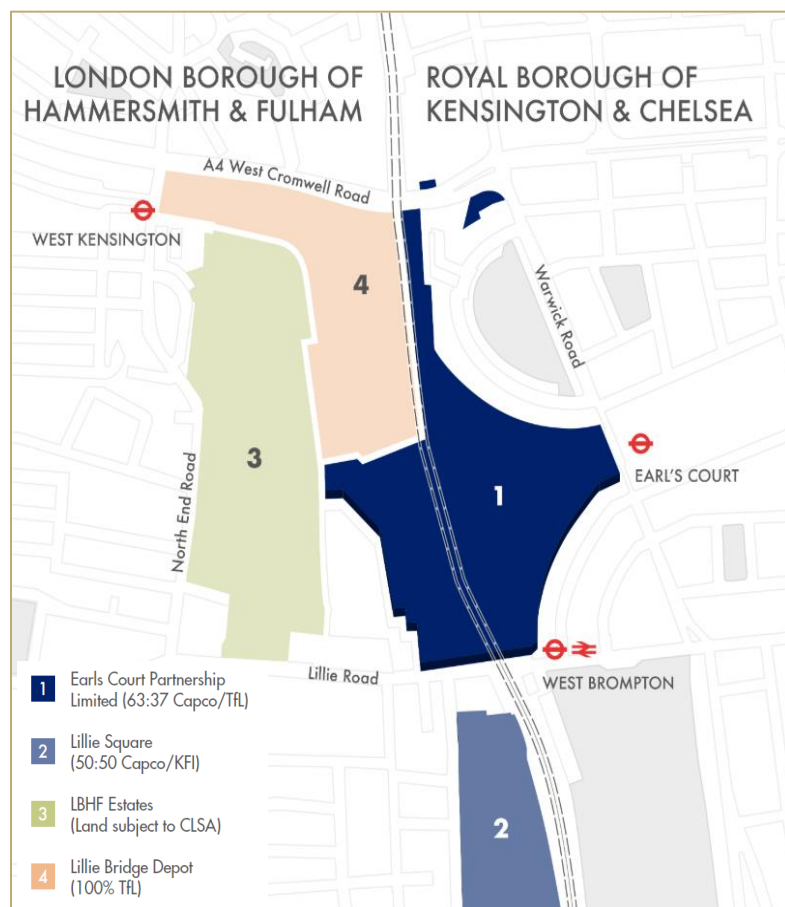
- Over 26 acres of consented land
- Located amongst London's most desirable residential districts
- Limited competing supply
- Excellent connectivity and amenities
- Planning consent implemented
- Land available for development



★ Earls Court Masterplan

- Ability to evolve with dynamics of the market and London's needs

PROPERTY VALUATION SUMMARY



The landowners' map is indicative

Earls Court Properties interests

		June 2019 £m	Dec 2018 £m	Variance IfI %
	Ownership			
ECPL	63%	£389m	£461m	(15.9)%
LSQ	50%	£173m	£159m	(1.5)%
OTHER	100%	£37m	£38m	(4.4)%
		£599m	£658m	(11.5)%

In addition, Capco has paid £90 million of the £105 million cash consideration payable to LBHF under the CLSA with the final annual payment of £15 million due in December 2019

- ★ ECPL agreed objective
 - To maximise economic value by enabling development of the Masterplan
- ★ Ongoing operational progress
 - Various planning initiatives
 - Track suppression works on schedule
- ★ Development to be brought forward through the introduction of third-party capital
 - Interest from potential investors and occupiers being explored
- ★ Opportunity to evolve the development and product mix



★ Established address

- Residents of over 220 homes now in occupation

★ Over 80% of Phase 2 reserved or exchanged

★ Phase 2 construction progressing on schedule

- First completions and hand overs expected in H1 2020





Artist's impression of the High Street

LOOKING AHEAD

Ian Hawksworth

Separation of central London estates, backed by strong balance sheets

- ★ Capco has created two strongly-positioned central London estates
 - Scale and income profile of Covent Garden
 - ECPL land available for development
- ★ Intention to proceed with demerger
 - Two strongly positioned independent businesses
 - Focus on delivering long-term value for shareholders
- ★ Covent Garden London – strong independent REIT
 - World-class mixed use estate
 - To perform and grow in world's most exciting real estate market; London's West End
 - Deliver long-term sustainable returns underpinned by rental and income growth
 - Strong balance sheet with significant liquidity, well-positioned to take advantage of further opportunities
- ★ EC Properties – land enablement and development company
 - One of London's most important development opportunities
 - Optimise and realise the value of land interests over time
 - Disciplined approach to capital management, well-positioned to implement business plan



APPENDIX

1. FINANCIALS
2. COVENT GARDEN
3. EARLS COURT PROPERTIES

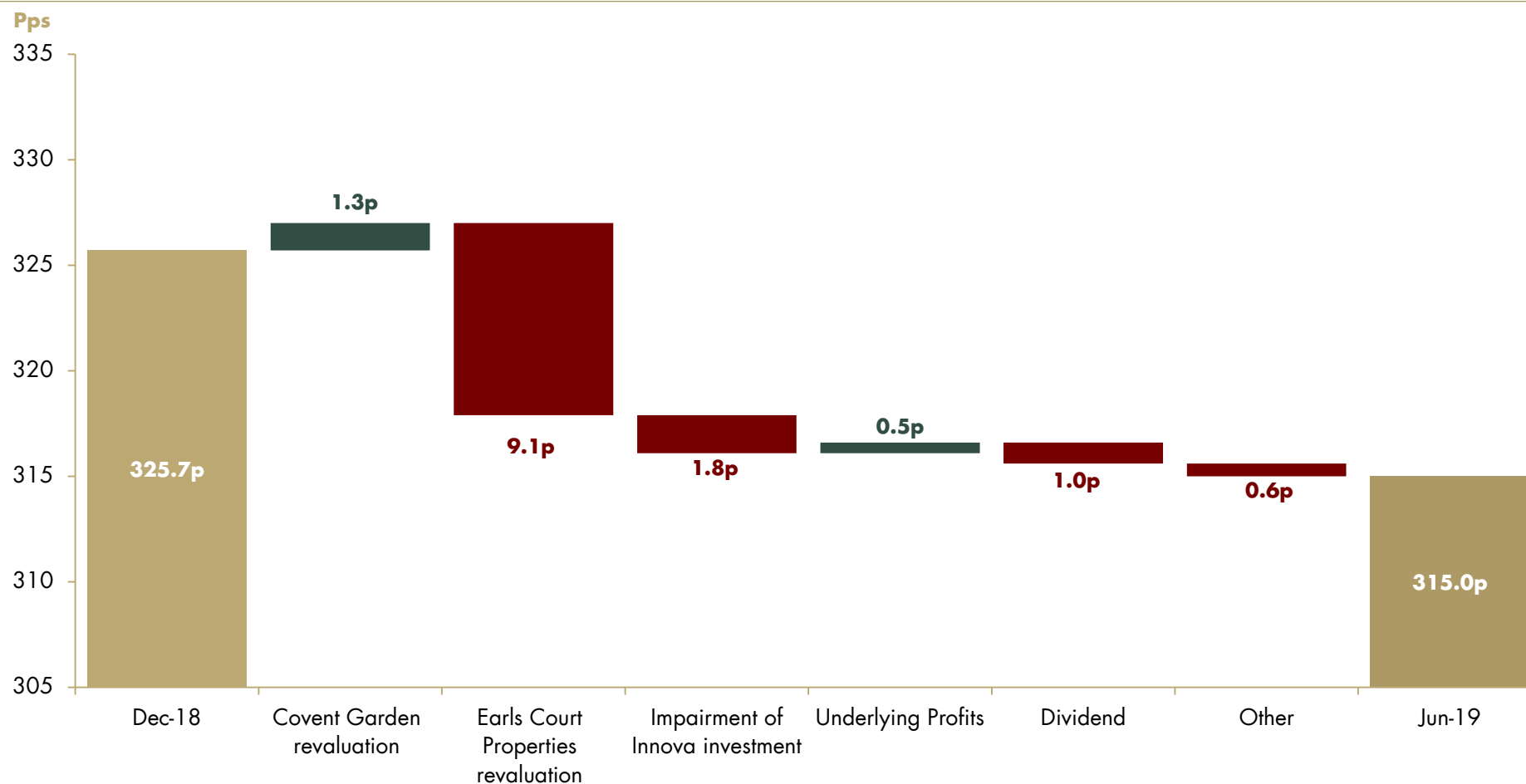
SUMMARY BALANCE SHEET

Group Share to IFRS as at 30 June 2019

	Group Share	Less: Joint Ventures ^{1,2}	Add back: Non-controlling interest ²	IFRS
	£m	£m	£m	£m
Investment & Trading Property	3,133	(150)	229	3,212
Net Debt	(588)	25	(23)	(586)
Other assets and liabilities	113	111	(1)	223
Non-controlling interest	–	–	(205)	(205)
NAV	2,658	(14)	–	2,644

1. This consists of the Lillie Square Joint Venture, the Innova Investments Joint Venture and the discontinued operation, The Great Capital Partnership. To align with the way the Group prepares and reviews information internally, the net investment in joint ventures, and continuing and discontinuing operations, are presented on a line-by-line basis.
2. This relates to the impairment under IFRS 9 of amounts receivable from joint ventures above the Group's share of losses in the Lillie Square joint venture.
3. The Group has a 63 per cent controlling interest in Earls Court Partnership Limited, an investment vehicle with Tfl in respect of EC1 & EC2 and other peripheral properties.

EPRA NET ASSETS PER SHARE



★ EPRA NNNAV 312 pence per share

	Maturity	Loan outstanding ¹	LTV covenant	Interest cover covenant
Covent Garden ²	2022 – 2037	£575m	60%	120%
ECPL	2026	£45m	40%	n/a
Lillie Square ³	2021	£45m	75%	n/a
Total		£665m		

1. The loan values are the nominal values at 30 June 2019 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.

2. Covent Garden comprises £705 million unsecured Revolving Credit Facility ("RCF") maturing in 2022, and £550 million Private Placement unsecured notes maturing between 2024 and 2037.

3. Subject to exercise of extension options (2020 – 2021) by the borrower.

1. Tax on income

The total tax charge for the first half of the year, made up of both underlying tax and non-underlying tax, is £1.3 million.

2. Tax on capital gains

The contingent tax position on investment property held as at period ended 30 June 2019 is £nil after utilisation of available group losses (31 December 2018: £nil).

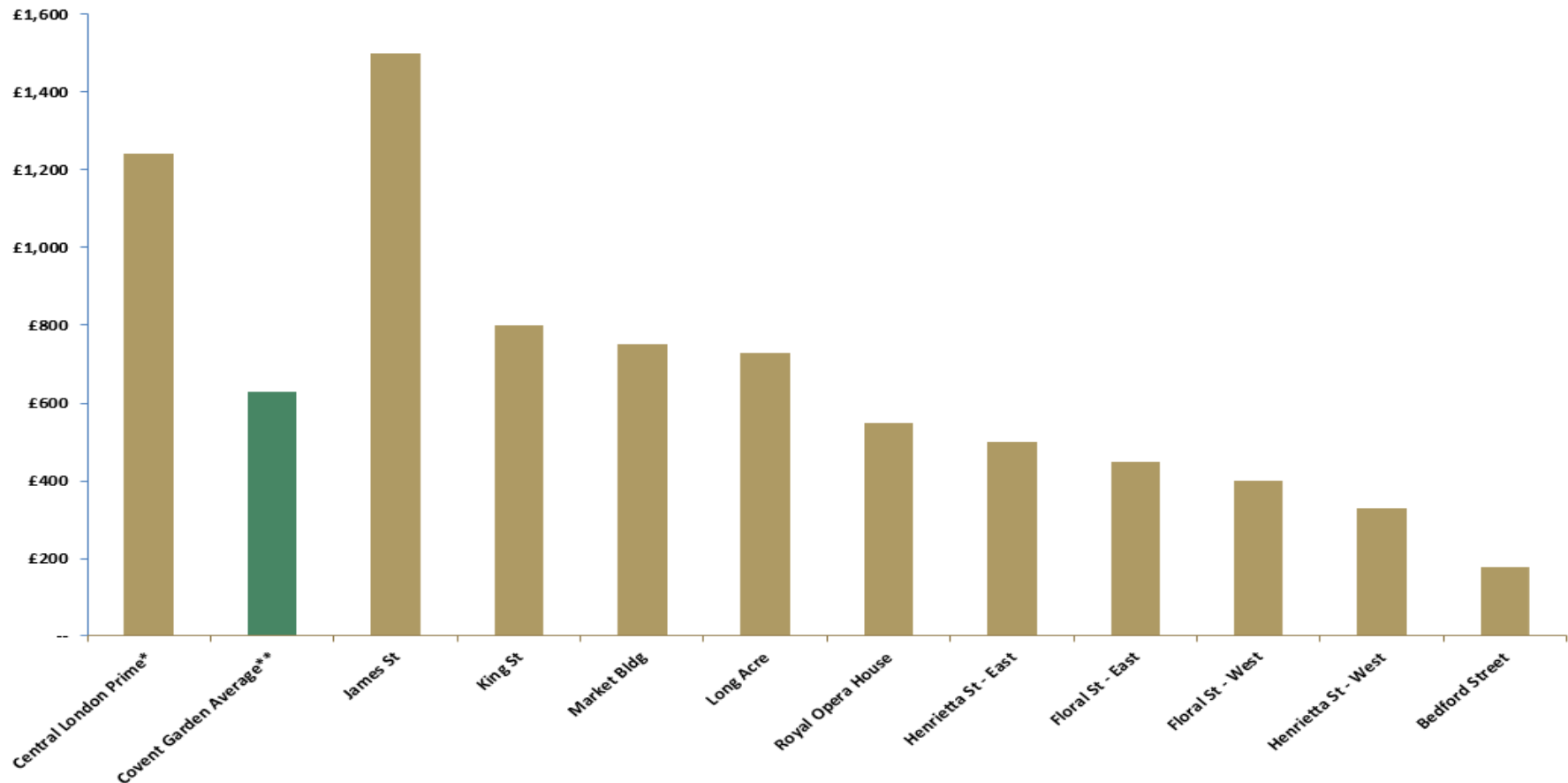
A disposal of the Group's trading properties at their market value, before utilisation of carried forward losses, would result in a corporation tax charge to the Group of £4.4 million (19 per cent of £23.3 million).

Note: All numbers shown at Group share

DRIVING RENTAL GROWTH

Average Zone A rents significantly below prime central London

ITZA psf (£) – 30 June 2019



* Based on 30ft Zone A, includes Old Bond Street, Oxford Street West and Regent Street (Covent Garden based on 20ft Zone A)

** Covent Garden average based on all streets, including Market Building

CONTINUED MOMENTUM ACROSS THE ESTATE

High quality brands

capco★



ba&sh



BUCHERER
1888

free people

FOR ART'S SAKE



wework

UNTUCKit



mlkcakes
BY GOSSIP

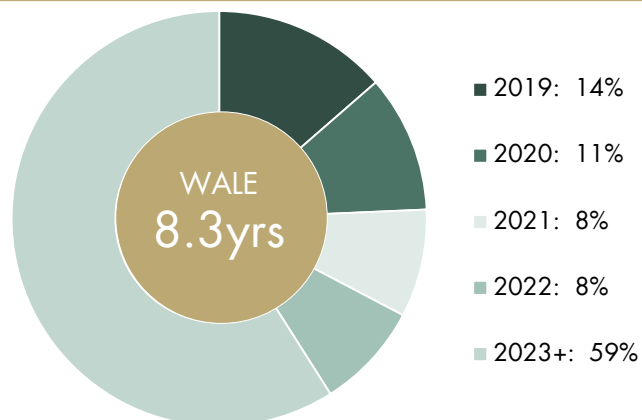
Happy Socks



COVENT GARDEN

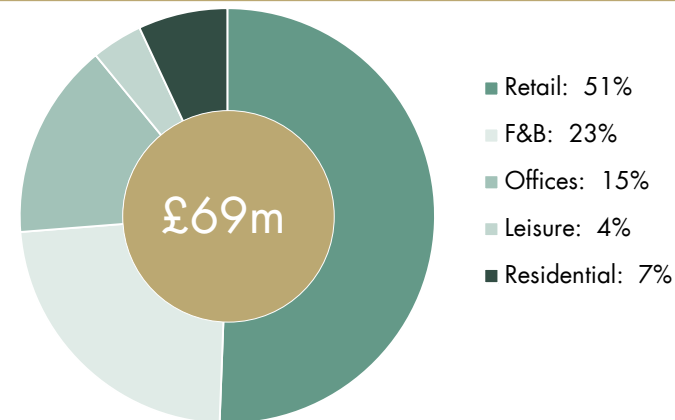
79 properties, 526 lettable units

LEASE EXPIRY PROFILE¹

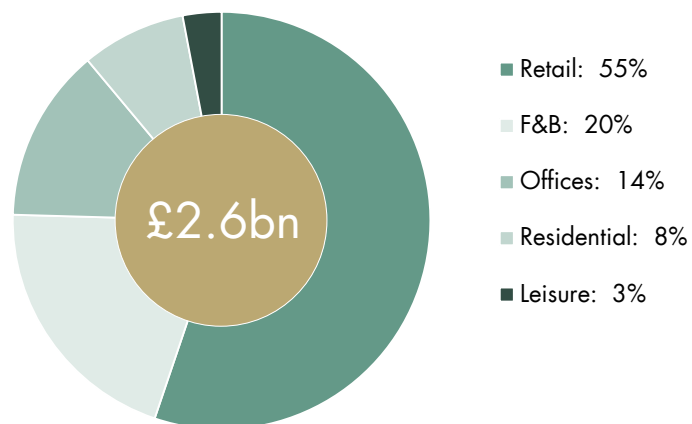


1. Lease expiry profile based on the earlier of lease break and lease expiry

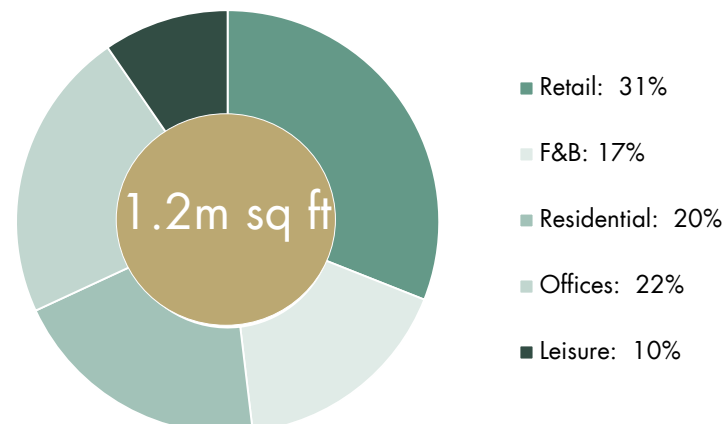
ANNUAL GROSS INCOME

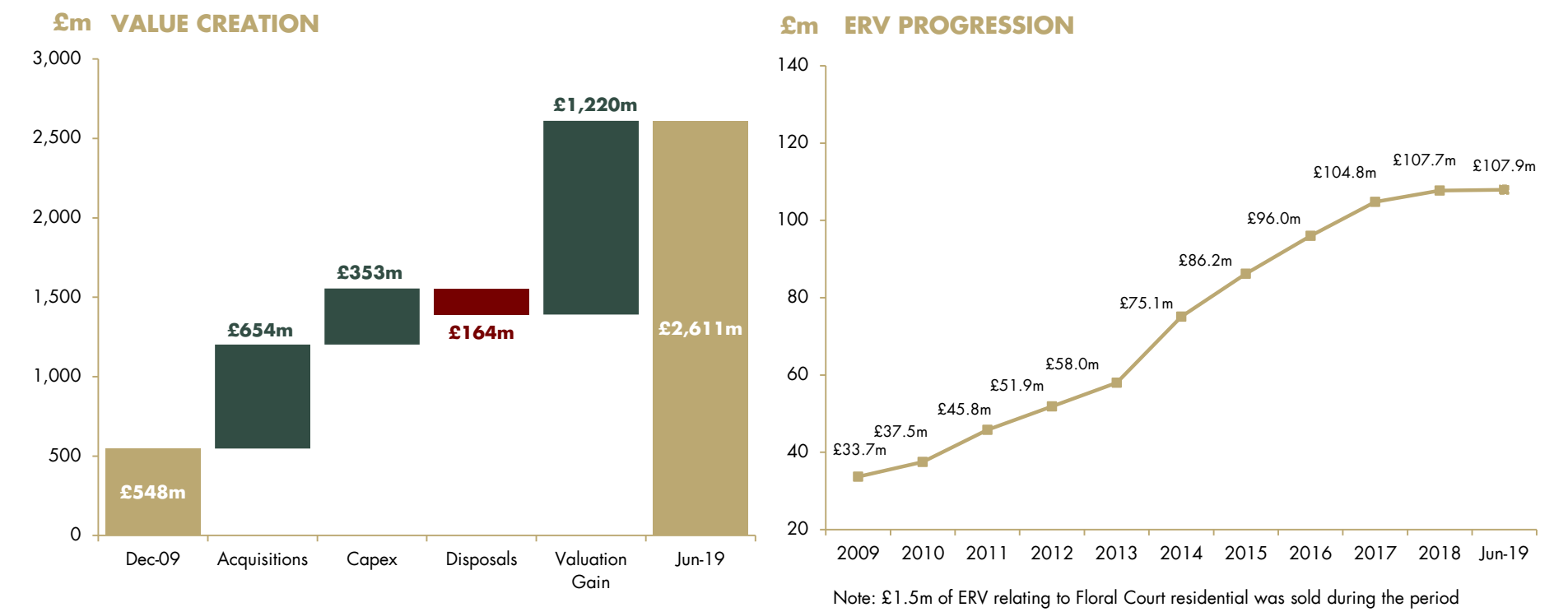


PORTFOLIO VALUE



TOTAL FLOOR AREA





THE EARLS COURT MASTERPLAN

- ★ Earls Court Partnership Limited; Investment vehicle with TfL
 - Capco share 63%
- ★ Lillie Square
 - 50:50 JV with KfI
- ★ Land subject to CLSA
 - Option exercised and binding agreement in place
- ★ Lillie Bridge Depot
 - 100% owned by TfL

Earls Court Masterplan – key areas

	ECPL ¹	CLSA ²	LBD ³	Total
	sqft (m)	sqft (m)	sqft (m)	sqft (m)
Residential	2.9 ⁴	3.2	2.0	8.1
Commercial/Other	0.7	0.4	0.6	1.7
Total	3.6	3.6	2.6	9.8

- 1 Investment vehicle with TfL
- 2 Land subject to CLSA between Capco and LBHF
- 3 Lillie Bridge Depot – currently an operational site owned by TfL
- 4 Residential area includes 0.2m sq ft relating to the Empress Place development which is not yet consented

Note: Gross external area relates to the consented scheme

