



Capital & Counties Properties PLC
2019 Annual Results
26 February 2020



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Any information contained in this presentation on the price at which shares or other securities in Capital & Counties Properties PLC have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

AGENDA

1. INTRODUCTION

Ian Hawksworth

2. FINANCIAL REVIEW

Situl Jobanputra

3. COVENT GARDEN

Michelle McGrath

4. LOOKING AHEAD

Ian Hawksworth

5. Q&A



INTRODUCTION

STRONGLY POSITIONED PRIME CENTRAL LONDON REIT

SEPARATION OF OUR TWO CENTRAL LONDON ESTATES
ACHIEVED

STRATEGIC FOCUS ON THE WEST END

- Build on the success of Covent Garden

STRONG BALANCE SHEET

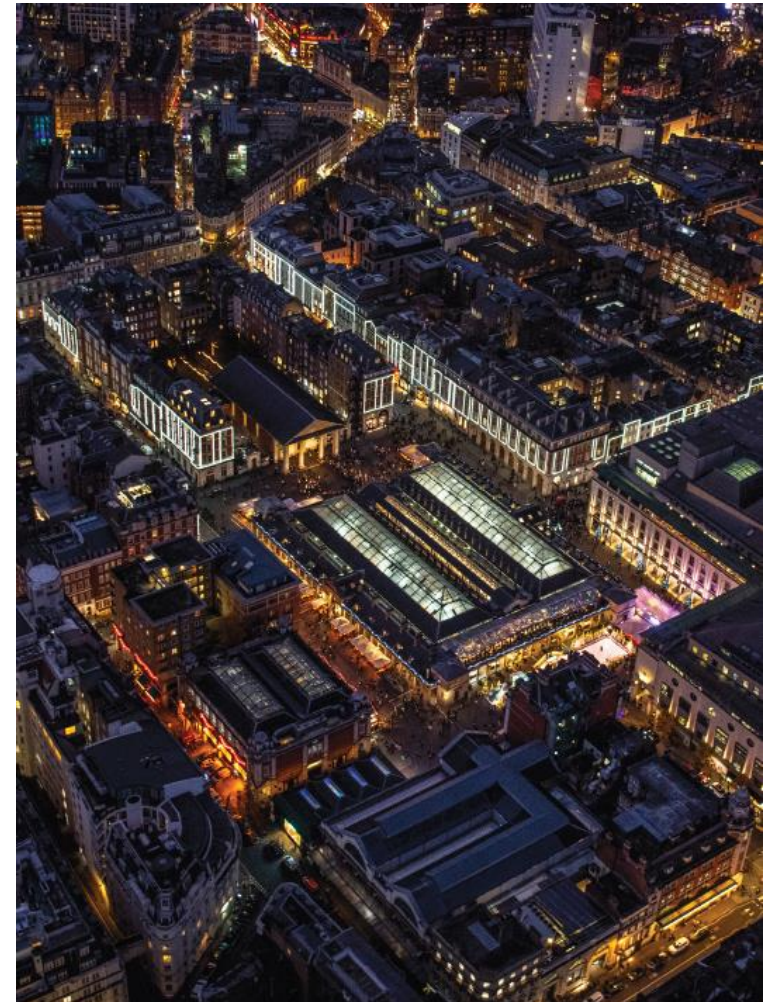
- Significant financial flexibility

SIMPLIFICATION OF THE GROUP

- Reduced operating cost base

TARGET SUPERIOR LONG-TERM TOTAL RETURNS

- Continued growth in net rental income and ERV
- Grow dividend distributions in line with progression in underlying earnings



SEPARATION OF TWO CENTRAL LONDON ESTATES

DISPOSAL OF EARLS COURT FOR £425 MILLION

IN LINE WITH LONG-TERM STRATEGY

- Monetisation of investments over time
- Focus on growing central London property investment business

ENHANCED FINANCIAL FLEXIBILITY TO CAPITALISE ON FURTHER OPPORTUNITIES

- Access to £900 million¹ liquidity
- Low LTV of 16%¹



1. Before receipt of £210.4m deferred consideration

COVENT GARDEN POSITIONED IN THE HEART OF THE WEST END

THRIVING WEST END ECONOMY

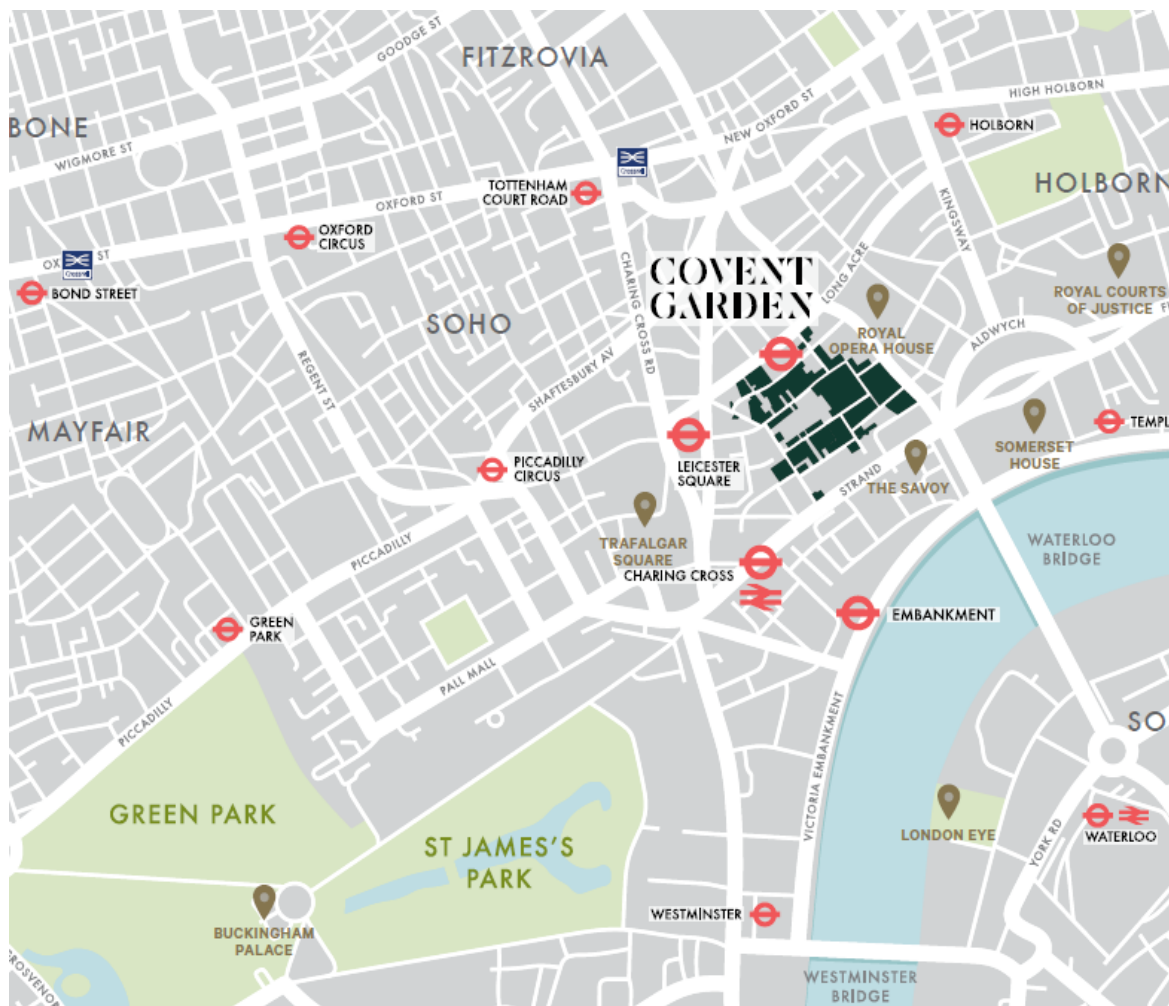
- One of the world's most popular business, leisure and visitor destinations
- Attracting talent and investment from around the world

WORLD-CLASS ESTATE

- Concentrated ownership and scale
- High quality footfall location
- Global recognition

RESILIENT PERFORMANCE

- Active leasing demand and occupancy
- Covent Garden average retail and restaurant sales continuing to trend upwards



BUILDING A SUSTAINABLE AND RESPONSIBLE BUSINESS

PORTFOLIO DECARBONISATION

- Reduce carbon operational emissions from our directly managed buildings
- Installation of energy-efficient LED lighting
- 67% of commercial buildings achieve 'C' EPC

IMPROVING AIR QUALITY

- Extensive pedestrianisation
 - No idling campaign
- Bio-diverse greening programme
- Introduction of electric vehicle charging

REDUCING WASTE

- Reduce waste from buildings and operations in our control
- 100% of Market Building non-hazardous waste diverted from landfill
- New recycling facilities

SUSTAINABLE DEVELOPMENT

- Integrate sustainable practices into projects and development
- Floral Court shortlisted for global BREEAM Award
- Lillie Square over one million hours worked without RIDDOR

COMMUNITY INVESTMENT

- Community, educational and charity programmes, including support for homelessness
- Support for London Pride activities
- Patrons of British Fashion and Beauty Council

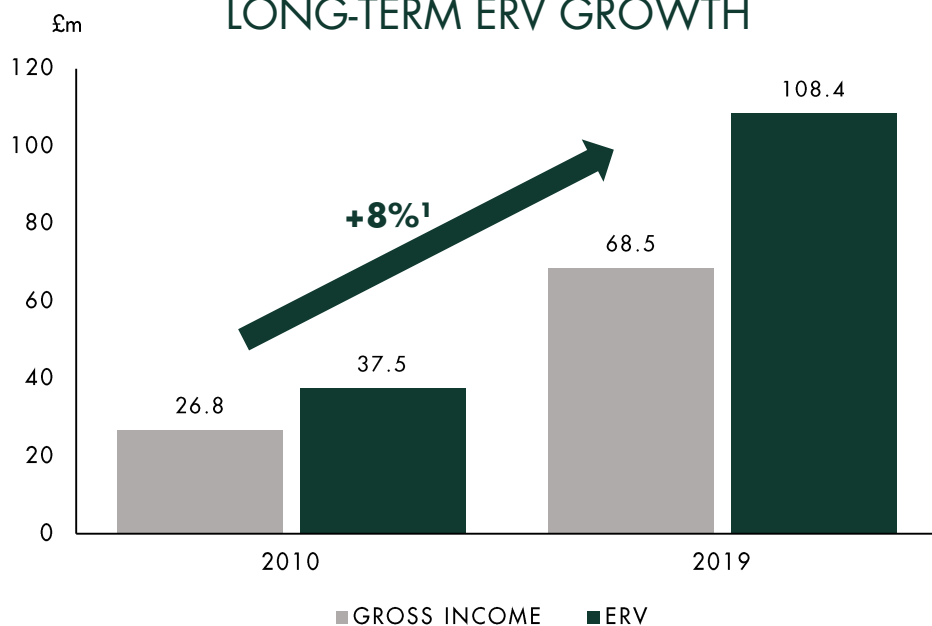
DISTRICT STEWARDSHIP

- Invest in safer, cleaner and greener environment
- Fund additional security and 'Covent Guardians'
- Installation of disabled pathways and facilities



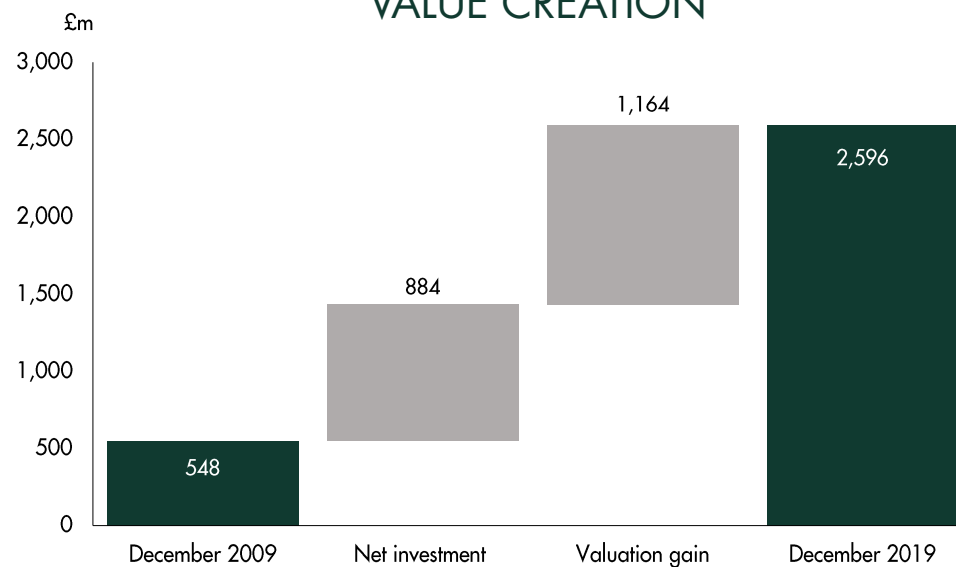
STRONG TRACK RECORD IN DRIVING VALUE

LONG-TERM ERV GROWTH



1. On like-for-like CAGR basis

VALUE CREATION



CAPITAL ALLOCATION STRATEGY

Investment in owned assets
Development, repositioning and asset
management opportunities

Acquisitions on or near Covent Garden estate
Other central London opportunities

DISCIPLINED APPROACH TO INVESTMENT, RETURNS AND CAPITAL EFFICIENCY

Disposal of non-strategic assets

Dividend growth in line with progression in
underlying earnings
Return of surplus capital to shareholders

GROUP HEADLINE FINANCIALS

EPRA NAV
PER SHARE

293p

TOTAL RETURN

-9.6%

UNDERLYING EARNINGS
PER SHARE

1.0p

FULL YEAR DIVIDEND
PER SHARE

1.5p

TOTAL RETURN DRIVEN PRIMARILY BY EARLS COURT

STRONG BALANCE SHEET

TOTAL PROPERTY VALUE £2.8 BILLION, A DECREASE OF 1.8% LFL

GROW DIVIDEND DISTRIBUTIONS IN LINE WITH PROGRESSION IN UNDERLYING EARNINGS

TOTAL SHAREHOLDER RETURN 14%

COVENT GARDEN HIGHLIGHTS

A LEADING GLOBAL DESTINATION

PORTFOLIO VALUE

£2.6bn

-1.4% lfl

ERV

£108m

-0.1% lfl

NRI (VS DECEMBER 2018)

+7%

+1.8% lfl

ACQUISITIONS

£70m

CONTINUING TO FOCUS ON DRIVING NRI GROWTH

POSITIVE TRADING PERFORMANCE RELATIVE TO CHALLENGING BACKDROP

92 LEASING TRANSACTIONS 1.3% AHEAD OF DECEMBER 2018 ERV

CONTINUING TO ATTRACT HIGH QUALITY BRANDS AND CONCEPTS

INVESTMENT DRIVING EXPANSION AND CHANGE



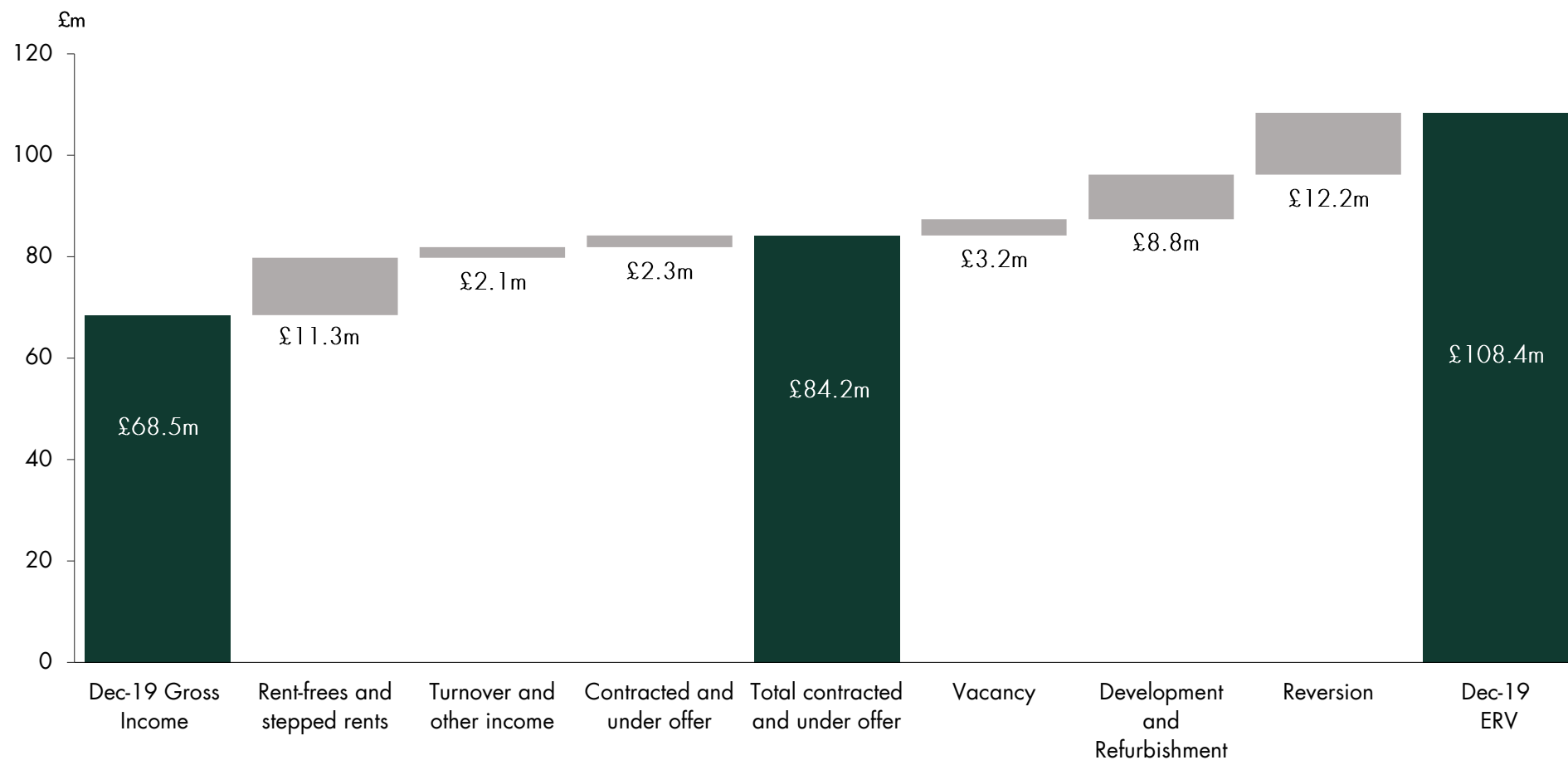
FINANCIAL REVIEW

UNDERLYING EARNINGS

	2019 £m	2018 £m	Var £m
Continuing operations			
Net rental income	61.2	57.5	3.7
Other income	0.9	1.8	(0.9)
Administration costs	(32.9)	(28.8)	(4.1)
Net finance costs	(20.9)	(19.2)	(1.7)
Profit before tax	8.3	11.3	(3.0)
Taxation	1.2	(1.5)	2.7
Underlying earnings from continuing operations	9.5	9.8	(0.3)
Underlying earnings from discontinued operation	(0.5)	(1.8)	1.3
Underlying earnings	9.0	8.0	1.0
Underlying earnings per share (pence):			
From continuing operations	1.1	1.1	-
From discontinued operation	(0.1)	(0.2)	0.1
Underlying earnings per share (pence)	1.0	0.9	0.1
Total dividend per share (pence)	1.5	1.5	-

Note: All numbers shown at Group share

FOCUS ON DRIVING ERV AND INCOME



EPRA BALANCE SHEET

	2019 £m	2018 £m	Var £m
Investment, development & trading property ¹	2,707	3,198	(491)
Net debt	(442)	(573)	131
Other	241	152	89
EPRA NAV	2,506	2,777	(271)
Number of shares in issue (diluted)	856m	853m	3m
EPRA NAV per share	293p	326p	(33p)

¹ The market value of investment, development & trading property is £2,774m (2018: £3,268m)

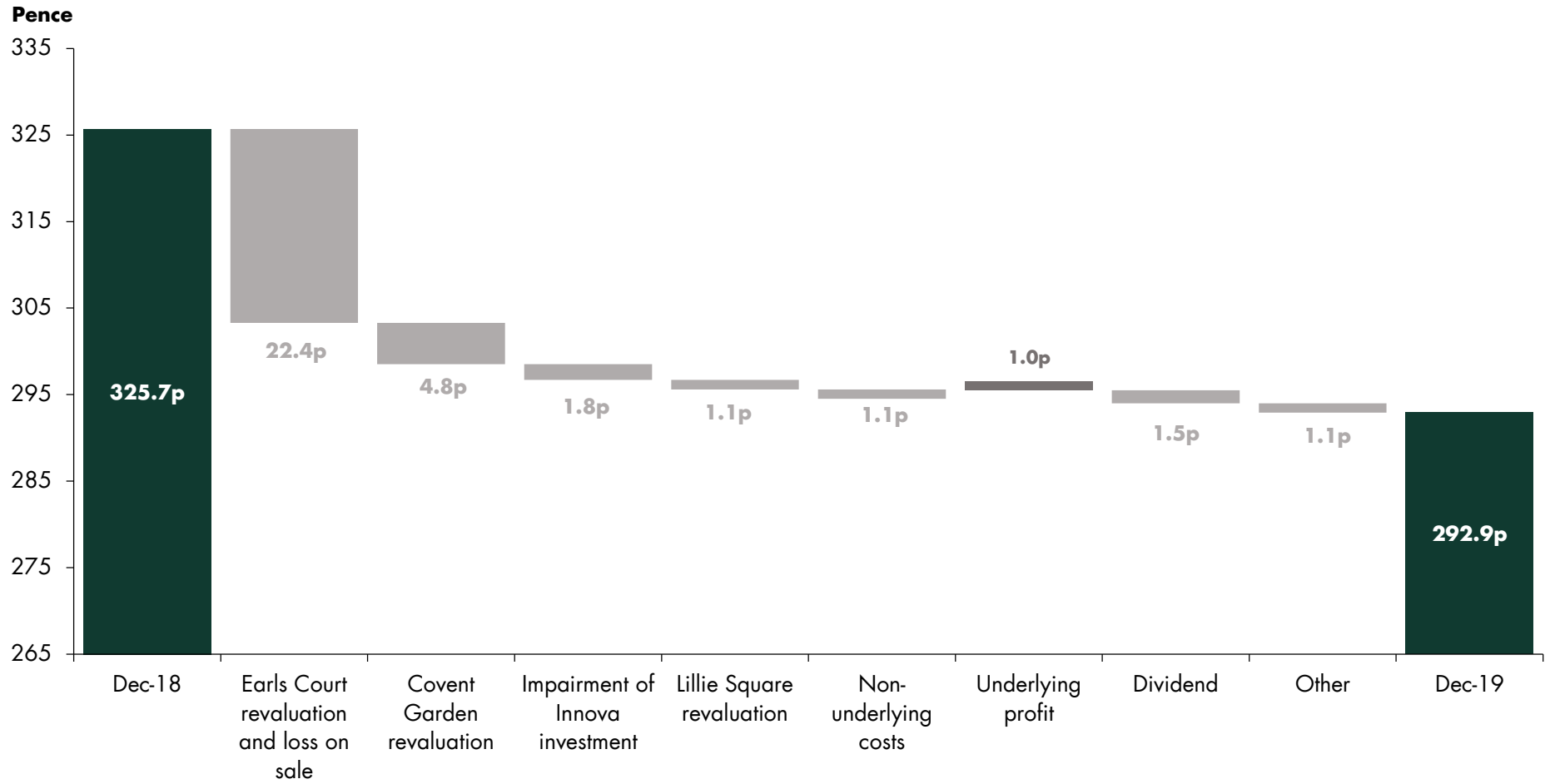
EPRA NNNNAV: 292 pence per share

New EPRA net asset value metrics:

- NRV (net realisable value): 313 pence per share
- NTA (net tangible assets): 293 pence per share
- NDV (net disposal value): 292 pence per share

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

EPRA NET ASSETS PER SHARE



STRONG CAPITAL STRUCTURE

FLEXIBLE, UNSECURED DEBT STRUCTURE WITH ACCESS TO SIGNIFICANT LIQUIDITY

16%

LTV

£442m

NET DEBT

2.97%

WEIGHTED AVERAGE COST OF
DRAWN DEBT

£895m

UNDRAWN FACILITIES AND CASH

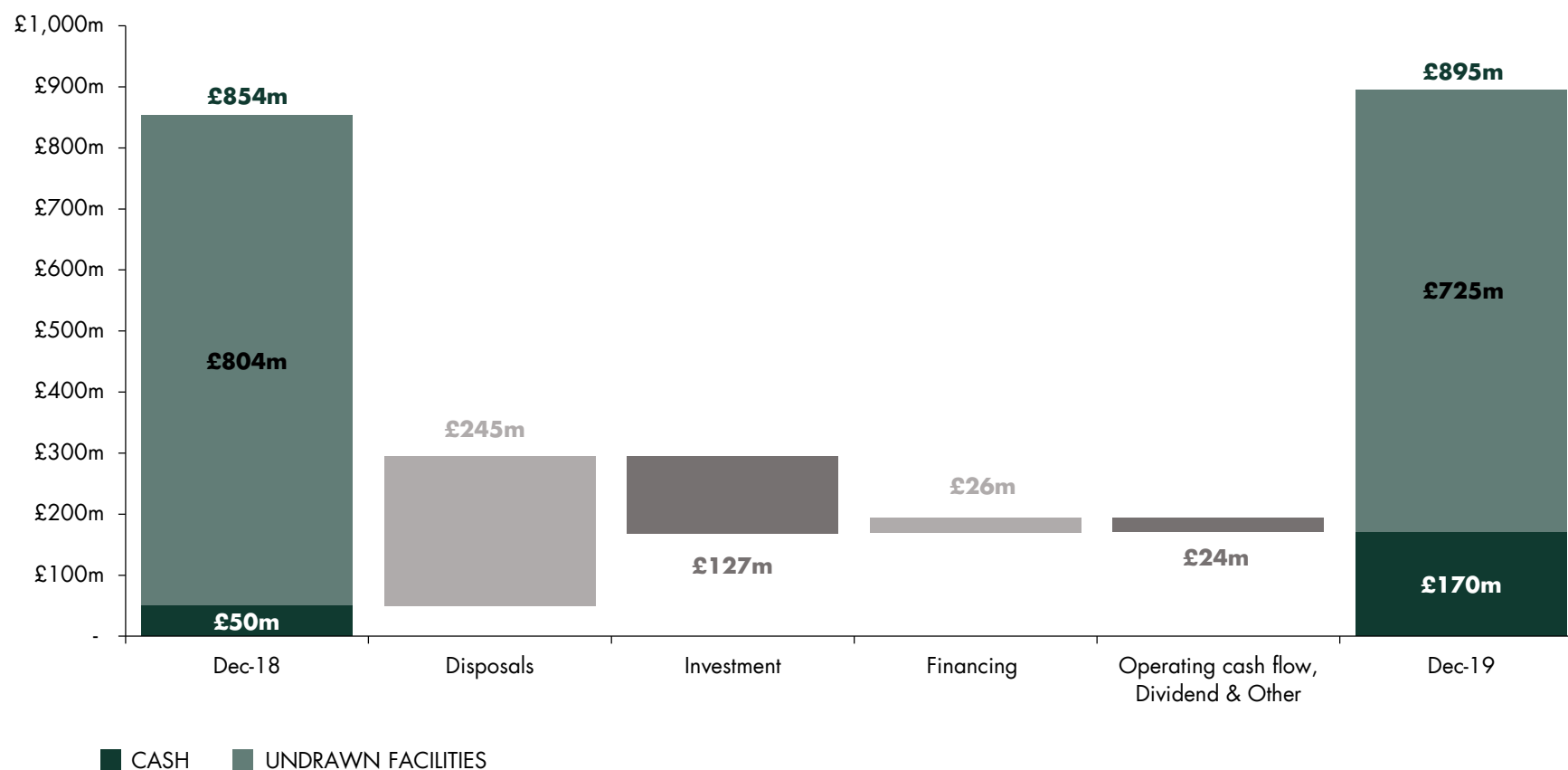
SIGNIFICANT FINANCIAL FLEXIBILITY

DIVERSIFIED MATURITY PROFILE

SIGNIFICANT HEADROOM AGAINST DEBT COVENANTS

ACCESS TO LIQUIDITY, LOW MARGINAL COST OF FUNDING

CASH UTILISATION



Note: All numbers shown at Group share

FOCUS ON EARNINGS GROWTH, AND COST AND CAPITAL EFFICIENCY

CONTINUED GROWTH IN NET RENTAL INCOME

Target of underlying administration costs of £20m for 2021

PROGRESSIVE DIVIDEND POLICY

Growth in line with underlying earnings, first PID in 2020

FLEXIBLE UNSECURED DEBT STRUCTURE

Robust credit metrics

No significant near term maturities and low capital commitments

Access to substantial liquidity

DISCIPLINED APPROACH, AND FOCUS ON SHAREHOLDER VALUE

Positioned for investment

On-market share buyback programme of up to £100m in 2020



COVENT GARDEN

PRODUCTIVE YEAR AT COVENT GARDEN

LEASING TRANSACTIONS

92

£17.4m contracted income

ERV

£108m

-0.1% lfl

NRI (VS DECEMBER 2018)

+7%

+1.8% lfl

OCCUPANCY

97%

AVERAGE RETAIL AND RESTAURANT SALES CONTINUE TO TREND UPWARDS

PROACTIVE LEASING STRATEGY

- Attracting the best brands to meet consumer demand

GLOBAL RECOGNITION AND APPEAL

- High quality footfall location
- Offering a differentiated consumer experience



FOCUS ON SUCCESSFUL GROWTH CATEGORIES

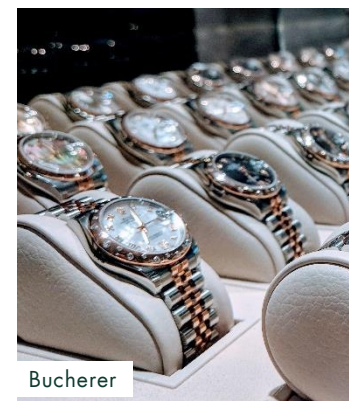
FASHION



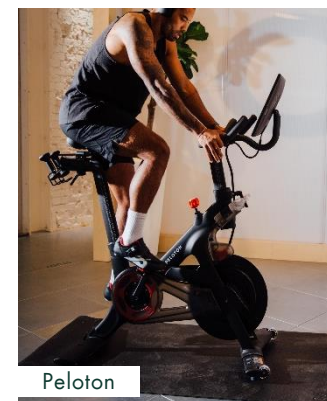
DINING



JEWELLERY & WATCHES



LIFESTYLE



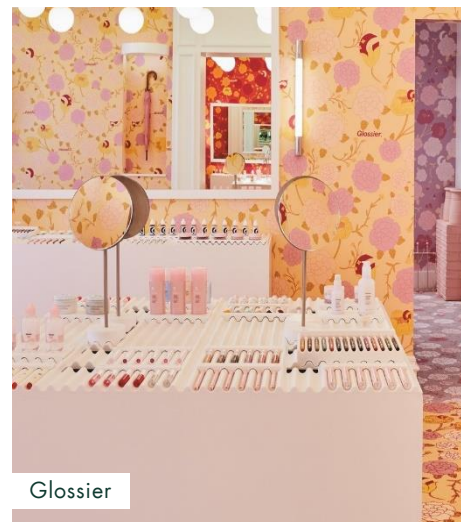
ACCESSORIES & LEATHER GOODS



LEISURE



COSMETICS



DIGITALLY NATIVE



2019 leasing transactions

HIGH-QUALITY BRANDS AND EXPERIENCES

RETAIL PORTFOLIO

GOOD DEMAND FOR THE MARKET BUILDING

- Strathberry, L'Occitane and Hawkers

REPOSITIONING OF FLORAL STREET

- A.P.C., American Vintage, Ganni and Glossier

NEW ADDITIONS TO KING STREET

- Polo Ralph Lauren and Lulu Guinness

EXPANSION AND INVESTMENT FROM GLOBAL BRANDS

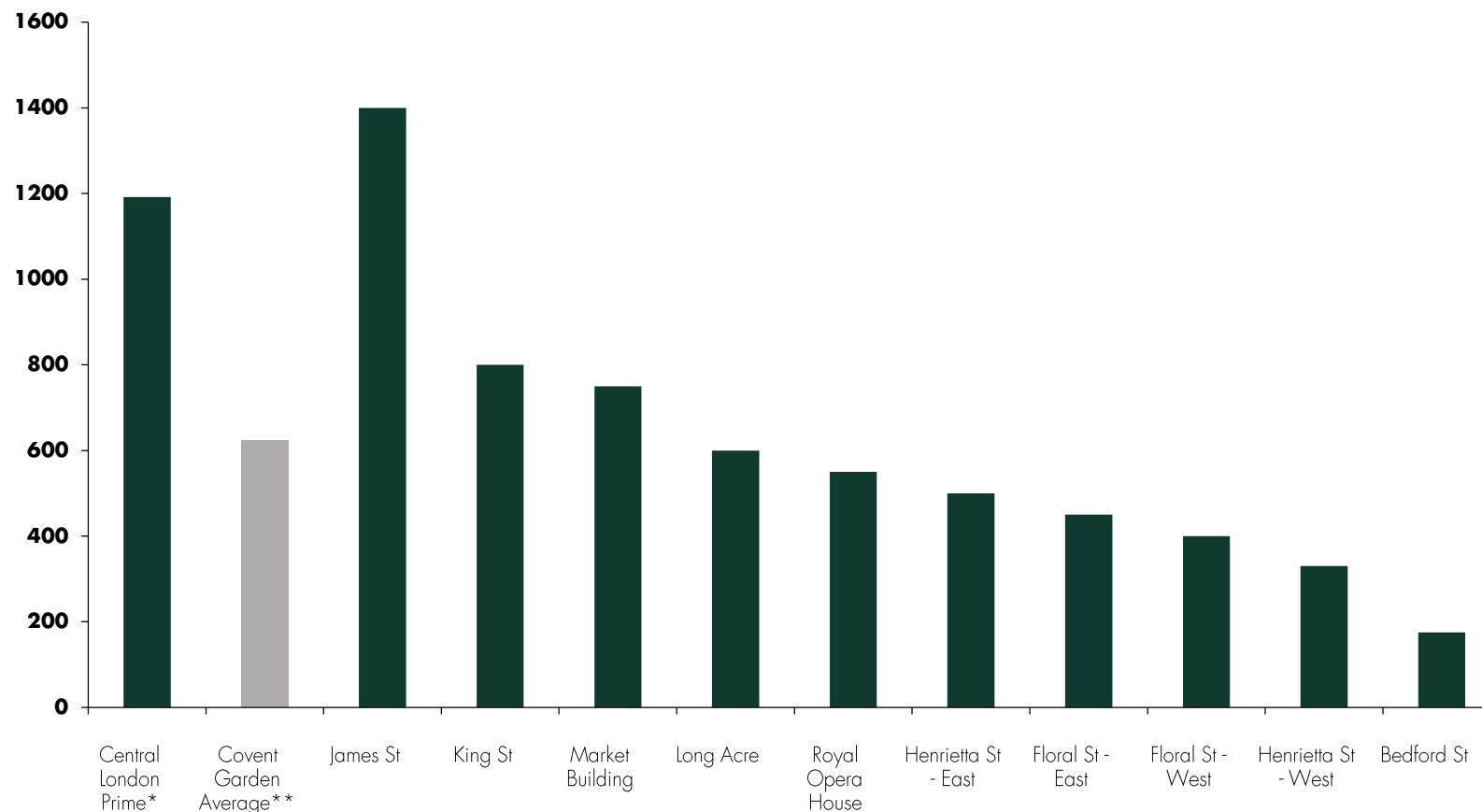
- Upsizing of Bucherer
- Apple lease extension



95%
OCCUPANCY

AVERAGE ZONE A RENTS BELOW PRIME CENTRAL LONDON

ITZA psf (£) – 31 Dec 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

ONE OF LONDON'S BEST DINING DESTINATIONS

FOOD AND BEVERAGE PORTFOLIO

DIFFERENTIATED OFFER AT VARIOUS PRICE POINTS

5 NEW DINING CONCEPTS INTRODUCED

- Big Mamma Group
- Dominique Ansel Treehouse
- Santa Nata
- VyTA
- Wahlburgers

OPPORTUNITY TO EXPAND EVENING ECONOMY



100%
OCCUPANCY

CONTINUED MOMENTUM ACROSS THE ESTATE

ba&sh

POLO
RALPH LAUREN

DOMINIQUE ANSEL
TREEHOUSE
BISTRO + BAKERY

BUCHERER
1888


LACOSTE

free people

Glossier.

 wahlburgers
*Our Family, Our Story,
Our Burgers*

FOR ART'S SAKE

UNTUCKit

GANNI



HAWKERS

STRATHBERRY

American Vintage



L'OCCITANE
EN PROVENCE




BIG MAMMA

LULU GUINNESS
LONDON

SANTA NATA
LONDON

Happy Socks

A.P.C.

wework

PRIME OFFICE LOCATION

OFFICE PORTFOLIO

EXCELLENT CONNECTIVITY

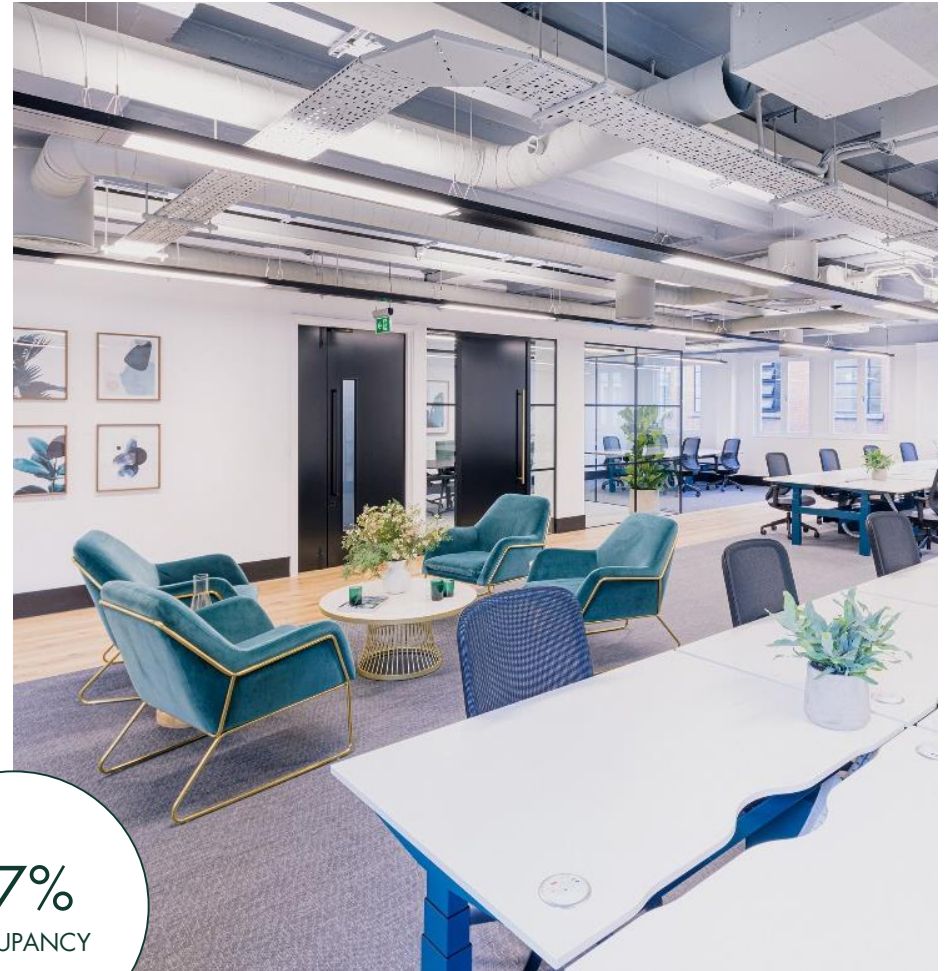
- Underpinned by appeal of overall estate

HIGH OCCUPANCY RATES

- Undersupply in the district
- Technology, financial services, creative industries and SMEs

GOOD LEASING DEMAND

- Recent lettings include WeWork and Peloton



97%
OCCUPANCY

PREMIUM CENTRAL LONDON ADDRESS

RESIDENTIAL PORTFOLIO

STRONG LEASING DEMAND

- High occupancy and rate of renewals

SUCCESSFUL COMPLETION OF RESIDENTIAL SALES AT FLORAL COURT

- All 29 units sold ahead of schedule
- £100 million cumulative sales proceeds received
- Average sales pricing achieved £2,500 psf



96%
OCCUPANCY

£70M INVESTED IN TARGETED ACQUISITIONS ON SOUTHERN SIDE OF ESTATE



5-6 HENRIETTA STREET

- Purchase price £35.0m
- Area 14,300 sq ft
- Din Tai Fung restaurant
- 4 floors of office



39-40 BEDFORD STREET

- Purchase price £12.4m
- Area 11,100 sq ft
- Important entry point to estate
- F&B opportunity



36-39 MAIDEN LANE

- Purchase price £17.8m
- Area 13,300 sq ft
- F&B, office and residential space

Acquisition prices exclude purchasers' costs.



LOOKING AHEAD

LOOKING AHEAD

STRATEGIC FOCUS ON THE WEST END AND WORLD-CLASS ESTATE AT COVENT GARDEN

DISCIPLINED APPROACH TO INVESTMENT, RETURNS AND CAPITAL EFFICIENCY

CREATIVE ASSET MANAGEMENT, INVESTMENT AND SPECIALISATION IN CENTRAL LONDON

FOCUSED ON GROWING VALUE AND INCOME, AND REDUCING COSTS

GENERATE LONG-TERM SUPERIOR TOTAL RETURNS FOR OUR SHAREHOLDERS

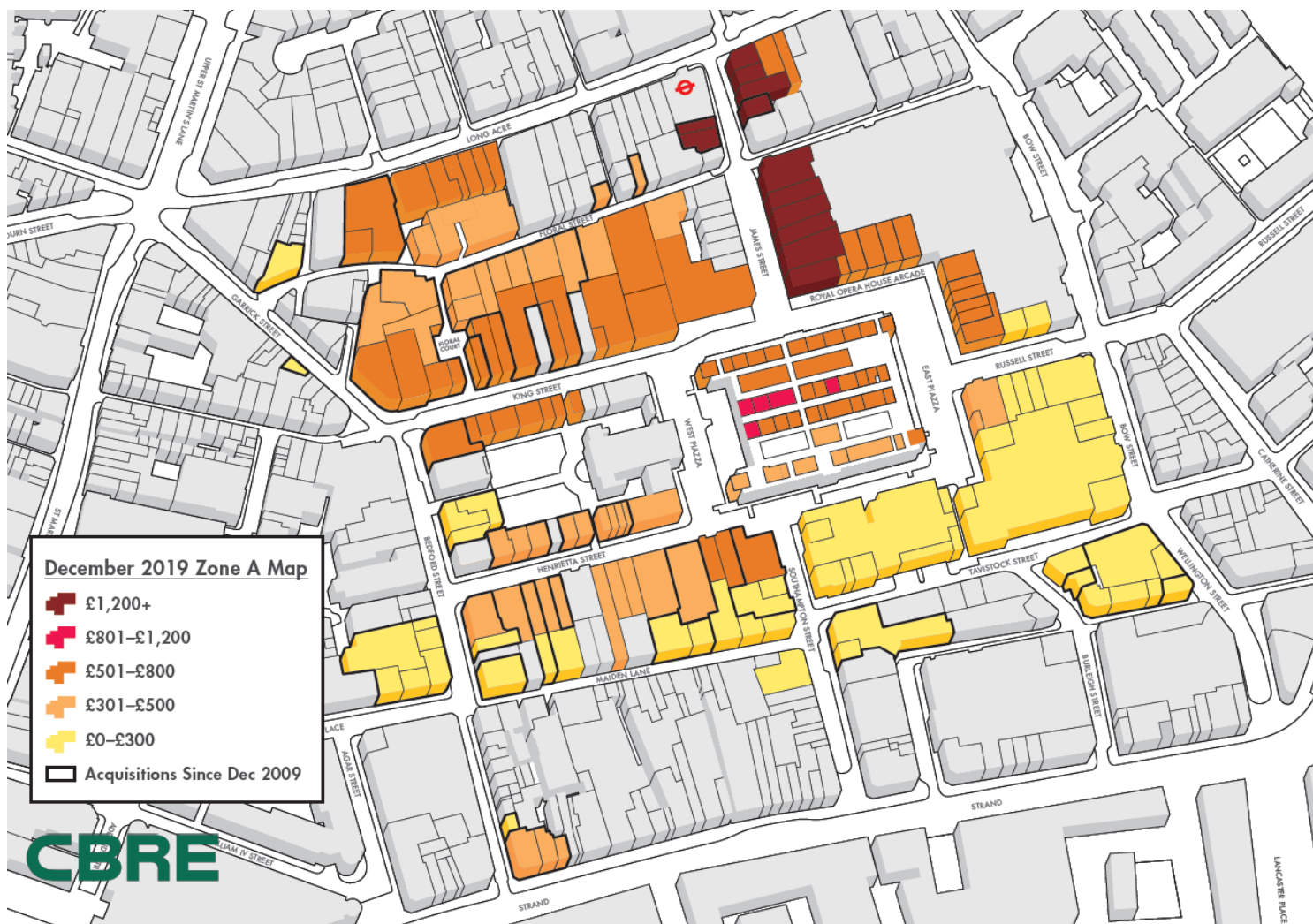
STRONG BALANCE SHEET PROVIDES BOTH RESILIENCE AND A PLATFORM FOR EXPANSION



Q&A

CREATING AND CAPTURING RENTAL GROWTH

SIGNIFICANT OPPORTUNITIES ACROSS THE ESTATE



COVENT GARDEN PORTFOLIO

	RETAIL	F&B	OFFICES	RESIDENTIAL	LEISURE/ OTHER	TOTAL
Valuation	£1,387m	£569m	£360m	£198m	£82m	£2,596m
Gross income	£32.9m	£16.9m	£11.2m	£4.7m	£2.8m	£68.5m
ERV	£55.5m	£24.0m	£19.7m	£5.8m	£3.4m	£108.4m
Area (square foot)	0.4m	0.2m	0.3m	0.2m ¹	0.1m	1.2m
Units	141	59	77	217	55	549

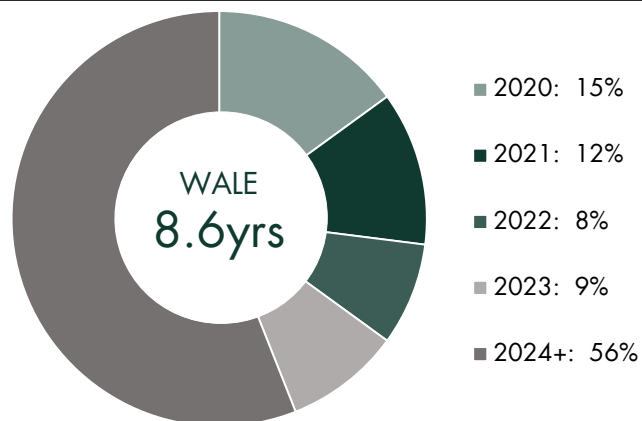


1. Residential includes units sold on long lease interests covering approximately 158,000 square feet

COVENT GARDEN

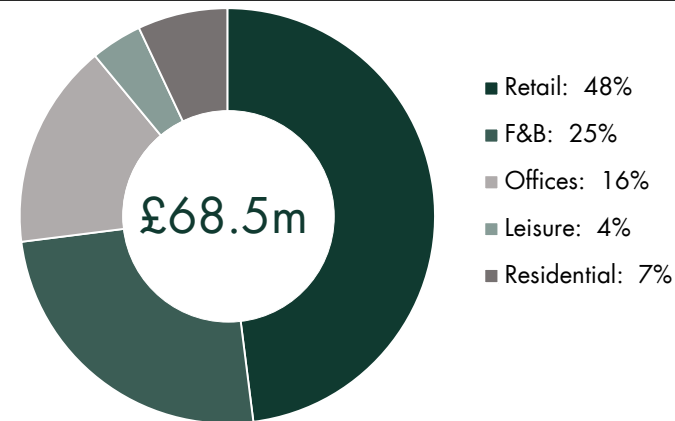
81 PROPERTIES, 549 LETTABLE UNITS

LEASE EXPIRY PROFILE¹

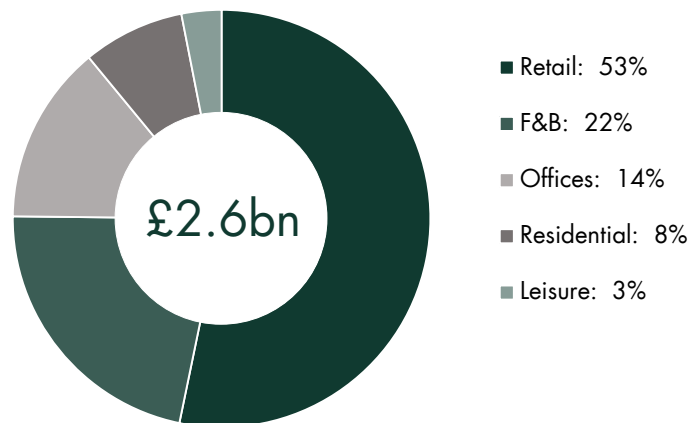


1. Lease expiry profile based on the earlier of lease break and lease expiry

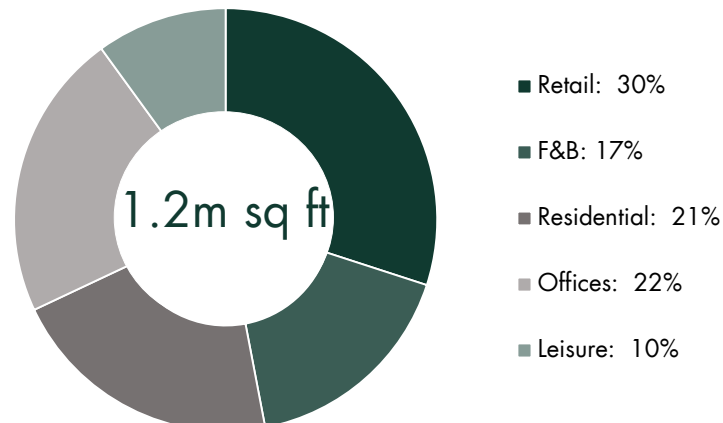
ANNUAL GROSS INCOME



PORTFOLIO VALUE



TOTAL FLOOR AREA



UNDERLYING EARNINGS

H1 & H2 2019

	H1 2019 £m	H2 2019 £m	FY 2019 £m
Continuing operations			
Net rental income	30.9	30.3	61.2
Other income	0.5	0.4	0.9
Administration expenses	(14.0)	(18.9)	(32.9)
Net finance costs	(10.4)	(10.5)	(20.9)
Profit before tax	7.0	1.3	8.3
Taxation	(1.6)	2.8	1.2
Underlying earnings from continuing operations	5.4	4.1	9.5
Underlying earnings from discontinued operation	(0.9)	0.4	(0.5)
Underlying earnings	4.5	4.5	9.0
Underlying earnings per share (pence):			
From continuing operations	0.6	0.5	1.1
From discontinued operation	(0.1)	-	(0.1)
Underlying earnings per share (pence)	0.5	0.5	1.0
Total dividend per share (pence)	0.5	1.0	1.5

Note: All numbers shown at Group share

SUMMARY BALANCE SHEET

GROUP SHARE TO IFRS AS AT 31 DECEMBER 2019

	Group share £m	Less: Joint ventures ¹ £m	IFRS £m
Investment, development & trading Property	2,707	(161)	2,546
Net Debt	(442)	38	(404)
Other assets and liabilities	222	114	336
NAV	2,487	(9)	2,478

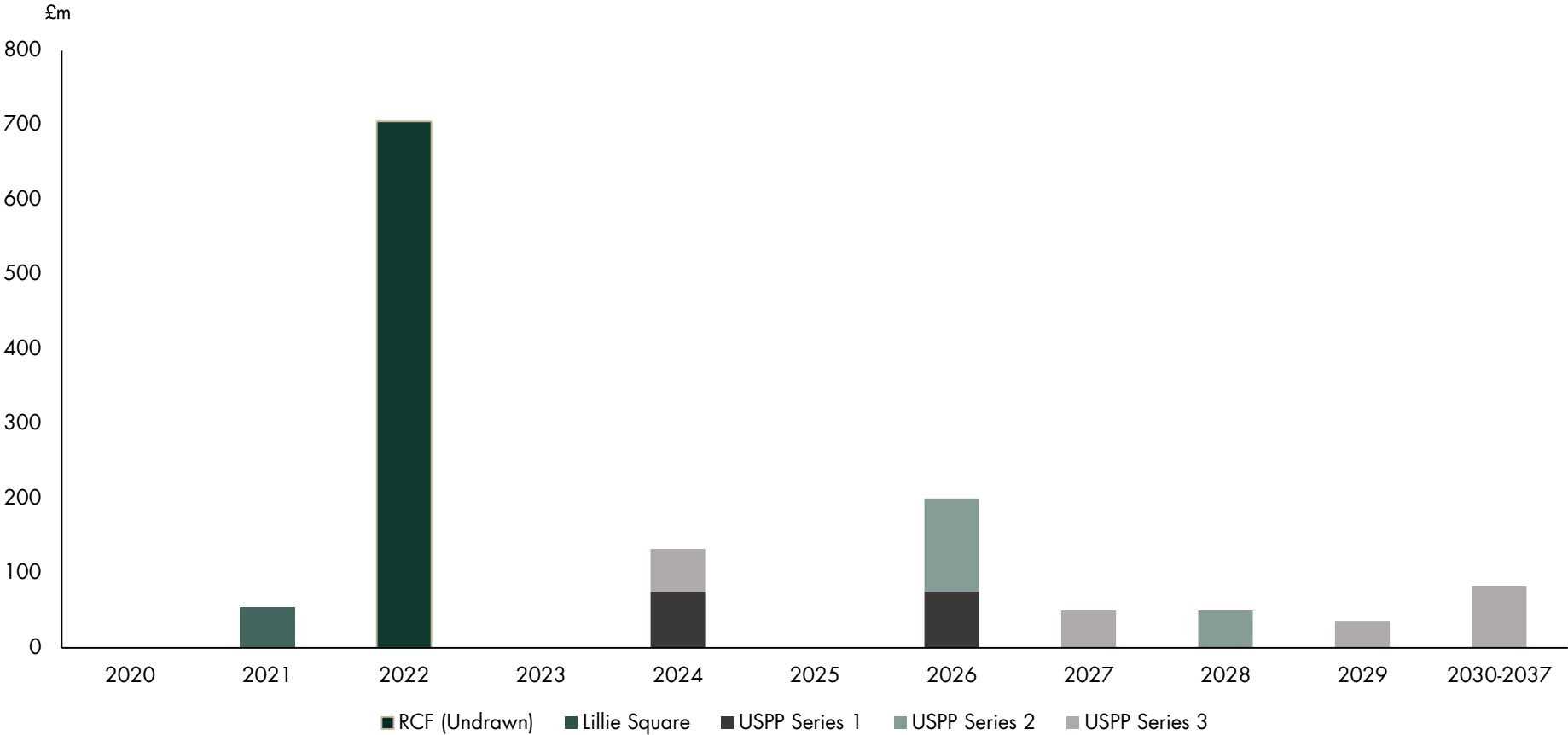
1. Primarily Lillie Square.

DEBT COVENANTS

	Maturity	Loan outstanding ¹ £m	LTV covenant %	Interest cover covenant %
Covent Garden				
Revolving credit facility	2022	-	60%	120%
US private placement series 1	2024 – 2026	£150m	60%	120%
US private placement series 2	2026 – 2028	£175m	60%	120%
US private placement series 3	2024 – 2037	£225m	60%	120%
Lillie Square	2021	£55m	75%	N/A
Total		£605m		

1. The loan values are the nominal values at 31 December 2019 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.

DEBT MATURITY PROFILE



TAXATION SUMMARY

TAX ON INCOME

The total tax charge for the year, made up of both underlying tax and non-underlying tax, is £1.0 million.

The Group elected to convert to a UK Real Estate Investment Trust (REIT), with effect from 9 December 2019. Moving forward the Group will therefore no longer pay UK corporation tax on income profits and capital gains arising from its qualifying property rental business provided that certain REIT conditions are met on a continuing basis.

Profits and gains arising from non-qualifying REIT activities (i.e. trading operations) will remain subject to UK corporation tax – currently this is 19% but set to decrease to 17% from April 2020.

TAX ON CAPITAL GAINS

The contingent tax position on investment property held as at year ended 31 December 2019 is £nil following the Group's conversion to a UK REIT (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 £3.0 million (19% of £15.9 million).

LILLIE SQUARE, AN ESTABLISHED ADDRESS

POSITIVE SALES RECORD

- 389/420 sales across Phases 1 and 2

PHASE 1

- Residents of over 220 homes now in occupation
- Limited remaining inventory

PHASE 2

- Construction progressing on schedule
- First completions and handovers expected in H1 2020
- Approx. £100m proceeds expected in 2020 (Capco share)

FUNDING

- Construction facility of £130m (£65m at Capco share) maturing in 2021

