

30 January 2023

CAPITAL & COUNTIES PROPERTIES PLC ("Capco")

TRADING UPDATE AND NOTICE OF RESULTS

Capco today publishes a trading update for the year ended 31 December 2022. Capco intends to release its preliminary results for the year ended 31 December 2022 on 1 March 2023.

Ian Hawksworth, Chief Executive of Capco, commented:

"There is continued momentum at Covent Garden with robust trading conditions, in particular a successful Christmas period with customer sales in aggregate exceeding pre-pandemic levels. Strong leasing demand for our prime properties in the West End continues to deliver rental growth, however an outward shift in yields resulted in an unchanged valuation for Covent Garden over the year. Backed by our strong balance sheet, long-term strategy and creative approach we look ahead with confidence in the prospects and resilience of Covent Garden and the West End."

Preparations continue on bringing together two exceptional West End property portfolios to form Shaftesbury Capital PLC. Subject to CMA clearance, completion of the merger is expected in the first quarter of 2023."

Summary

- Trading conditions across the Covent Garden estate have been positive, in particular a successful Christmas trading period with like-for-like customer sales in aggregate exceeding pre-pandemic levels
- 71 new leases and renewals over the year, representing £10 million of contracted income signed 13 per cent ahead of 31 December 2021 ERV
- Leasing momentum in our targeted categories including additional space being let to Bucherer and new signings such as Gaucho
- The independent property valuation of Covent Garden was unchanged over the year at £1.7 billion (2021: £1.7 billion) (H1 22: +5 per cent; H2 22: -5 per cent), driven by:
 - ERV growth of 6 per cent over the year (H1 22: +4 per cent; H2 22: +2 per cent)
 - Equivalent yield widening by 19 basis points to 4.07 per cent (H1 22: -6bps; H2 22: +25bps)
- Cash and undrawn facilities of £423 million (2021: £642 million)
- Group net debt of £622 million (2021: £599 million) and net debt to gross assets of 28 per cent (2021: 24 per cent)
- Capco's investment in Shaftesbury PLC shares was valued at £357 million based on a share price of 368 pence per share on 31 December 2022 (2021: £596 million based on a share price of 615 pence on 31 December 2021)
- 1.7 pence second interim dividend declared bringing total dividend for the year to 2.5 pence (2021: 1.5 pence)
- The proposed merger of Capco with Shaftesbury is expected, subject to CMA clearance, to become effective during Q1 2023

Strong momentum across Covent Garden

Capco secured 71 leasing transactions in 2022 representing £10 million of income, 13 per cent ahead of 31 December 2021 ERV. 46 new leases and renewals were signed in the second half of the year, securing £6.1 million of income, 5 per cent ahead of 30 June 2022 ERV. EPRA vacancy was 2.5 per cent at 31 December 2022 and properties representing a further 6 per cent of ERV are in or held for development or refurbishment.

Recent signings have continued to enhance Covent Garden's strong customer line up. Bucherer will further expand its presence taking additional units in the Royal Opera House Arcade. This follows recent openings including Tag Heuer and Bucherer's Tudor store. Gaucho has agreed terms to open a flagship restaurant on James Street.

Upcoming openings include jewellery concept Mejuri, fragrance house Creed and sportswear brand Hoka as well as global apparel brand Uniqlo which will open its new flagship store in spring 2023. Stereo, a late night live music and dining venue, recently opened on the Piazza adding to the vibrancy of the night time offering.

Demand for boutique, high quality office space has been strong with successful lettings at our latest refurbishment, 5-6 Henrietta Street, setting new rental tones. The residential portfolio continues to see strong levels of demand and remains fully occupied.

Portfolio valuation

The Covent Garden valuation was unchanged on a like-for-like basis over the year at £1.7 billion. The 5 per cent increase in the first half valuation was offset by the second half movement, driven by widening of the equivalent yield by 25 basis points as a result of a macroeconomic environment characterised by higher interest rates and inflationary pressures.

There has been continued ERV growth over the last 12 months, up 6 per cent on a like-for-like basis to £81 million, reflecting the positive leasing activity and high occupancy levels across the estate. Over the same period, there was a 19 basis point expansion in the equivalent yield to 4.07 per cent. The total valuation remains 27 per cent below the 31 December 2019 valuation on a like-for-like basis. Total ERV remains 19 per cent below 31 December 2019 ERV. The table in appendix 1 sets out a summary of valuation movements for Covent Garden on a quarterly basis.

Capco's investment in Shaftesbury PLC shares was valued at £357 million based on a share price of 368 pence per share on 31 December 2022 (2021: £596 million based on a share price of 615 pence on 31 December 2021).

The valuation of Capco's interests in Lillie Square was £79 million, representing a like-for-like decrease of 6 per cent since 31 December 2021 (2021: £86 million). During the year, £35 million of cash was distributed by the joint venture to the partners (£17.5 million received by Capco).

Strong balance sheet with access to significant liquidity

Capco has a strong balance sheet and access to significant liquidity of £423 million, comprising £123 million of cash and £300 million of undrawn facilities (2021: £642 million). £200 million of debt was repaid during the first half (comprising £75 million of private placements and the £125 million secured loan), and the maturity date of the Covent Garden revolving credit facility was extended by one year to September 2025.

Net debt within Covent Garden of £366 million resulted in a loan to value ratio of 21 per cent. Group net debt was £622 million (2021: £599 million) resulting in a net debt to gross assets ratio of 28 per cent (2021: 24 per cent).

Dividend

Further to the Supplementary Prospectus dated 29 November 2022, the Directors have declared a second interim dividend of 1.7 pence per share, bringing the total dividend for the year to 2.5 pence per share (2021: 1.5 pence). The dividend is expected to be paid on 20 March 2023 to shareholders on the register on 3 March 2023 and includes distribution of the interim dividend of 2.7 pence per Shaftesbury PLC share which is expected to be paid by Shaftesbury PLC on 15 February 2023. Further details of the dividend timetable are set out in a separate announcement.

Update on proposed merger

The proposed merger of Capco with Shaftesbury PLC is expected, subject to clearance by the CMA, to become effective during the first quarter of 2023. On 23 December 2022, the CMA announced the launch of its Phase 1 review of the proposed merger. The deadline for the CMA to provide its Phase 1 decision is 22 February 2023.

Appendix 1

Summary of independent Covent Garden quarterly valuation movements

	Valuation £m	Valuation movement %	ERV movement %	Yield movement bps
31 Dec 21	1,729			
31 Mar 22	1,769	2%	1%	-5 bps
30 Jun 22	1,817	3%	3%	-1 bps
30 Sep 22	1,785	-2%	2%	+12 bps
31 Dec 22	1,742	-3%	1%	+13 bps
Full year movement		0%	6%	+19 bps

Note: this announcement includes unaudited financial information in relation to the year ended 31 December 2022.

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Our purpose:

Our purpose is to invest in and create world-class places, focusing on central London. Using our vision, long-term approach and responsible stewardship, we deliver economic and social value and generate benefits for our stakeholders.

About Capital & Counties Properties PLC:

Capital & Counties Properties PLC is one of the largest listed property investment companies in central London and is a constituent of the FTSE-250 Index. Capco's landmark estate at Covent Garden was valued at £1.7 billion (as at 31 December 2022). As at the date hereof, Capco owns a 25.2 per cent shareholding in Shaftesbury PLC. Capco shares are listed on the London Stock Exchange and the Johannesburg Stock Exchange. www.capitalandcounties.com

About Covent Garden:

Covent Garden is a leading retail and dining destination and is one of the most vibrant estates in the heart of central London. The area is home to a wide variety of British, global and independent brands including Chanel, Tom Ford, Tag Heuer, Glossier, Peloton, Ave Mario, Balthazar and SUSHISAMBA, with upcoming openings from Uniqlo and Creed. www.coventgarden.london

This announcement contains or may contain certain forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "could," "may," "would," "should," "intend," "plan," "potential," "predict," "will," "expect," "estimate," "project," "positioned," "strategy," "outlook," "target" and similar expressions. These include statements regarding our intentions, beliefs or current expectations concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the countries and markets in which Capital & Counties Properties PLC operates.

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual future financial condition, performance and results to differ materially from the plans, goals, expectations and results expressed in the forward-looking statements and other financial and/or statistical data within this communication. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are uncertainties related to the following: the failure to realise contemplated synergies and other benefits from mergers and acquisitions; the effect of mergers, acquisitions and divestitures on Capital & Counties Properties PLC's operating results and businesses generally; the impact of adverse domestic or international legislation and regulation; changes in domestic or international tax laws and rates; adverse litigation and dispute outcomes and the effect of such outcomes on Capital & Counties Properties PLC's financial condition; changes or differences in domestic or international economic or political conditions; the ability to obtain price increases and the impact of price increases on consumer affordability thresholds; adverse decisions by domestic or international regulatory bodies; the impact of market size reduction and consumer down-trading; translational and transactional foreign exchange rate exposure; the ability to maintain credit ratings; the ability to develop, produce or market new alternative products and to do so profitably; the ability to effectively implement strategic initiatives and actions taken to increase sales growth; the ability to enhance cash generation and pay dividends and changes in the market position, businesses, financial condition, results of operations or prospects of Capital & Counties Properties PLC.

It is believed that the expectations reflected in this announcement are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. The forward-looking statements in this announcement reflect knowledge and information available at the date of preparation of this announcement and Capital & Counties Properties PLC undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on such forward-looking statements.

No statement in this communication is intended to be, nor should be construed as, a profit forecast or a profit estimate and no statement in this communication should be interpreted to mean that earnings per share of Capital & Counties Properties PLC for the current or any future financial periods would necessarily match, exceed or be lower than the historical published earnings per share of Capital & Counties Properties PLC.