



Capital & Counties Properties PLC



# 2021 Annual Results

23 February 2022

## Introduction

Ian Hawksworth

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## Financial review

Situl Jobanputra

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## Covent Garden

Michelle McGrath

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## Looking ahead

Ian Hawksworth

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# Introduction

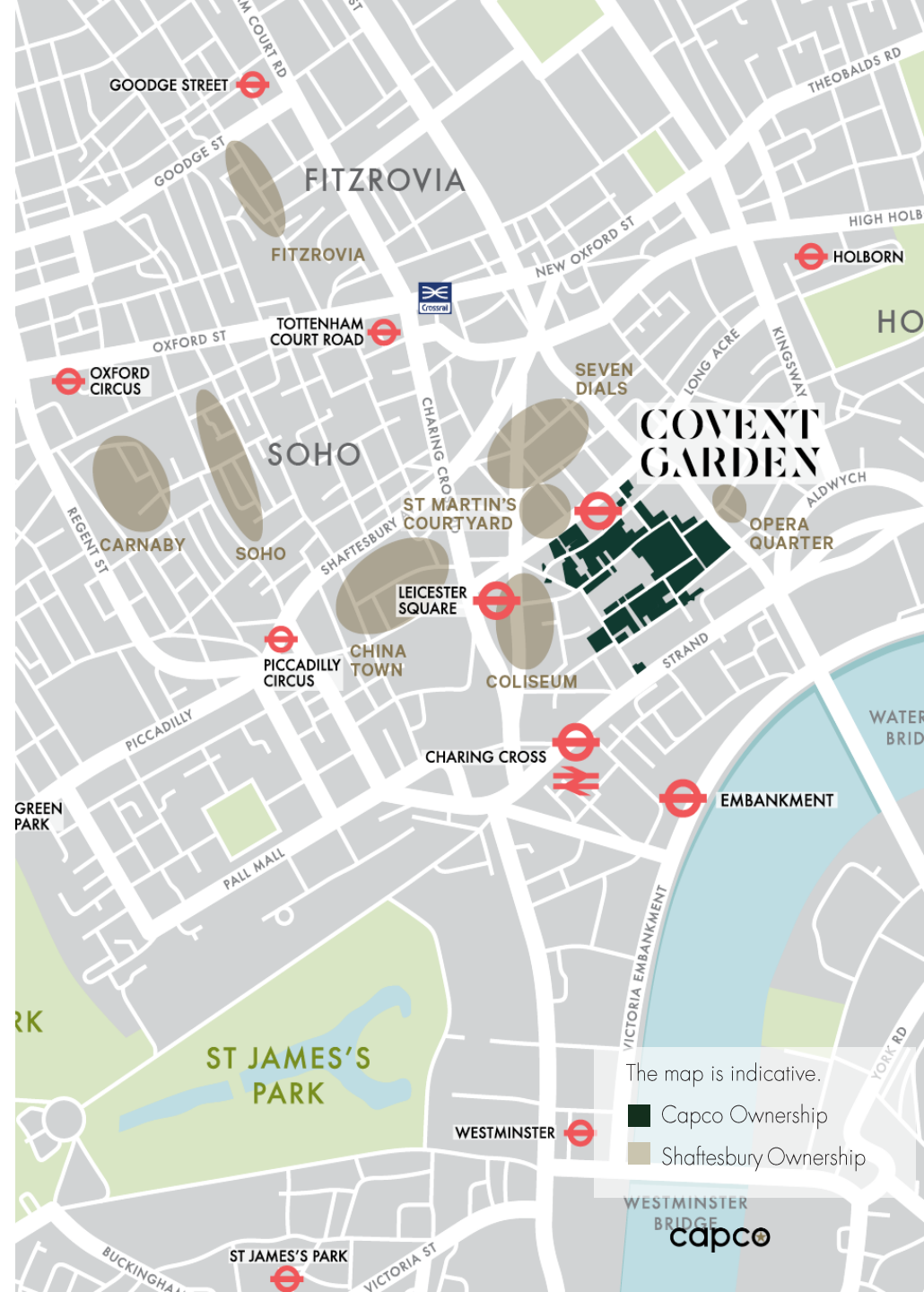
Ian Hawksworth



# Prime central London portfolio



Covent Garden	Shaftesbury investment	Lillie Square
<b>£1,729m</b>	<b>£596m</b>	<b>£86m</b>
<b>72%</b> -0.6% lfi	<b>25%</b> +8.0%	<b>3%</b> -14.1% lfi



1. Includes Capco's property interests and its investment in Shaftesbury shares

# 2021 overview

## **Decisive action generating positive results**

- Proactive support of customers
- High occupancy throughout COVID-19 period
- Significant improvement since summer 2021

## **Recovery of trade and confidence in H2 2021**

- Customer sales approaching 2019 levels
- Luxury and premium amongst best performing categories

## **Covent Garden, the West End's most vibrant destination**

- Strategic marketing and estate animation
- Public realm enhancements secured

## **Strong leasing demand**

- Covent Garden ERV and valuation recovering

## **Financial and investment discipline**

- Balance sheet positioned for growth and investment



# Group headline financials

<b>EPRA NTA per share</b> <b>212.4p</b> +0.3p	<b>Total property return</b> <b>+1.5%</b>	<b>Property valuation</b> <b>£1.8bn</b> -1.3% lfl	<b>Underlying earnings per share</b> <b>0.5p</b> +1.2p	<b>Net debt to gross assets</b> <b>24%</b> -4 pts
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## Covent Garden valuation growth

H2 2021 +4.6%

## Income growth and cost reduction

Administration costs significantly reduced

## Final dividend of 1p per share

2021 total dividend 1.5p

## Investment in Shaftesbury

19.4% total return since initial acquisition (before costs)  
8.5% 2021 total return

## Strong balance sheet

Low gearing, high liquidity

# A sustainable future

## Detailed Net Zero Carbon Pathway by 2030 published

- Reducing embodied and operational carbon
- Prioritising innovation, climate adaptation and resilience
- Minimise carbon offsetting

## Improving EPC ratings across the estate

- Currently two-thirds of units have A-C rating

## Responsible and sustainable development

## Enhancing air quality

- Continued pedestrianisation of additional streets
- Extensive biodiversity programme

## Diverse, inclusive and entrepreneurial culture

## Commitment to community, educational and charitable programmes



# Creating long-term value





# Financial review

Situl Jobanputra

# Underlying earnings

<b>Continuing operations</b>	<b>2021 £m</b>	2020 £m	Var £m	2019 £m
Net rental income <sup>1</sup>	<b>52.3</b>	43.6	8.7	61.2
Other income/(costs) <sup>2</sup>	<b>2.7</b>	(0.5)	3.2	0.9
Administration costs <sup>3</sup>	<b>(19.9)</b>	(25.0)	5.1	(32.9)
Net finance costs	<b>(31.4)</b>	(23.8)	(7.6)	(20.9)
Profit/(loss) before tax	<b>3.7</b>	(5.7)	9.4	8.3
Taxation	<b>0.4</b>	(0.5)	0.9	1.2
Underlying earnings/(loss)	<b>4.1</b>	(6.2)	10.3	9.5
Underlying earnings/(loss) per share (pence)	<b>0.5p</b>	(0.7)p	1.2p	1.1p

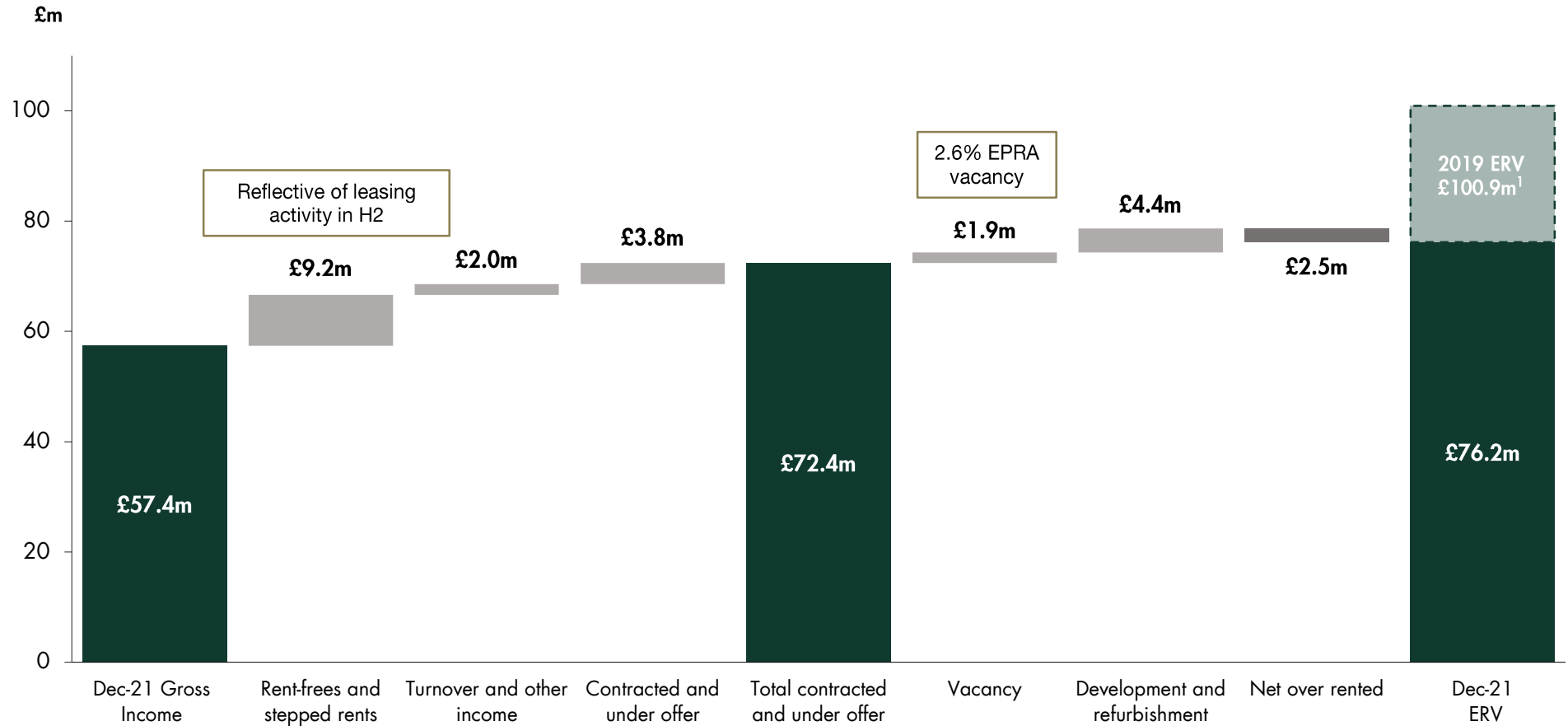
1. Before £5.9m of non-underlying, non-cash costs (2020: £27.8m)

2. Includes Shaftesbury interim dividend of £2.3m (2020: £nil)

3. Before £2.8m of non-underlying costs (2020: £6.5m)

Note: All numbers shown at Group share

# Gross income to ERV



1. 2019 ERV adjusted for disposal of Wellington block, Southampton Street, Bedford Street and King Street properties (£7.5m)

# EPRA balance sheet

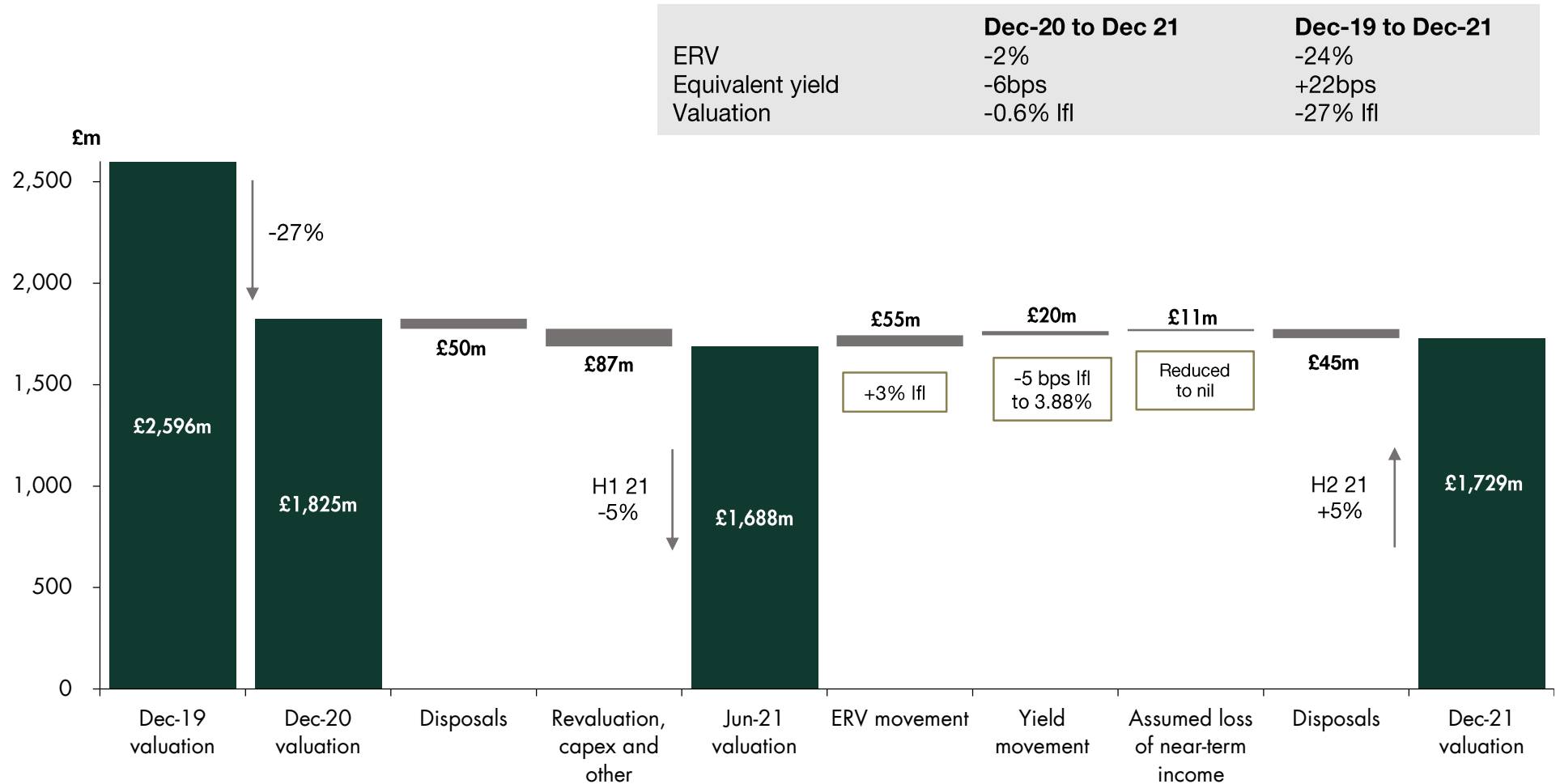
	2021 £m	2020 £m	Var £m	2019 £m
Investment, development & trading property <sup>1</sup>	<b>1,779</b>	1,909	(130)	2,707
Net debt	<b>(599)</b>	(710)	111	(442)
Equity investment <sup>2</sup>	<b>596</b>	552	44	-
Other	<b>34</b>	55	(21)	241
EPRA NTA	<b>1,810</b>	1,806	4	2,506
Number of shares in issue (diluted)	<b>852m</b>	852m	-	856m
EPRA NTA per share	<b>212.4p</b>	212.1p	0.3p	292.9p

<sup>1</sup> The market value of investment, development & trading property is £1,815m (31 December 2020: £1,942m)

<sup>2</sup> Capco's investment in Shaftesbury PLC held at fair value, 615 pence per share at 31 December 2021 (31 December 2020: 569 pence)

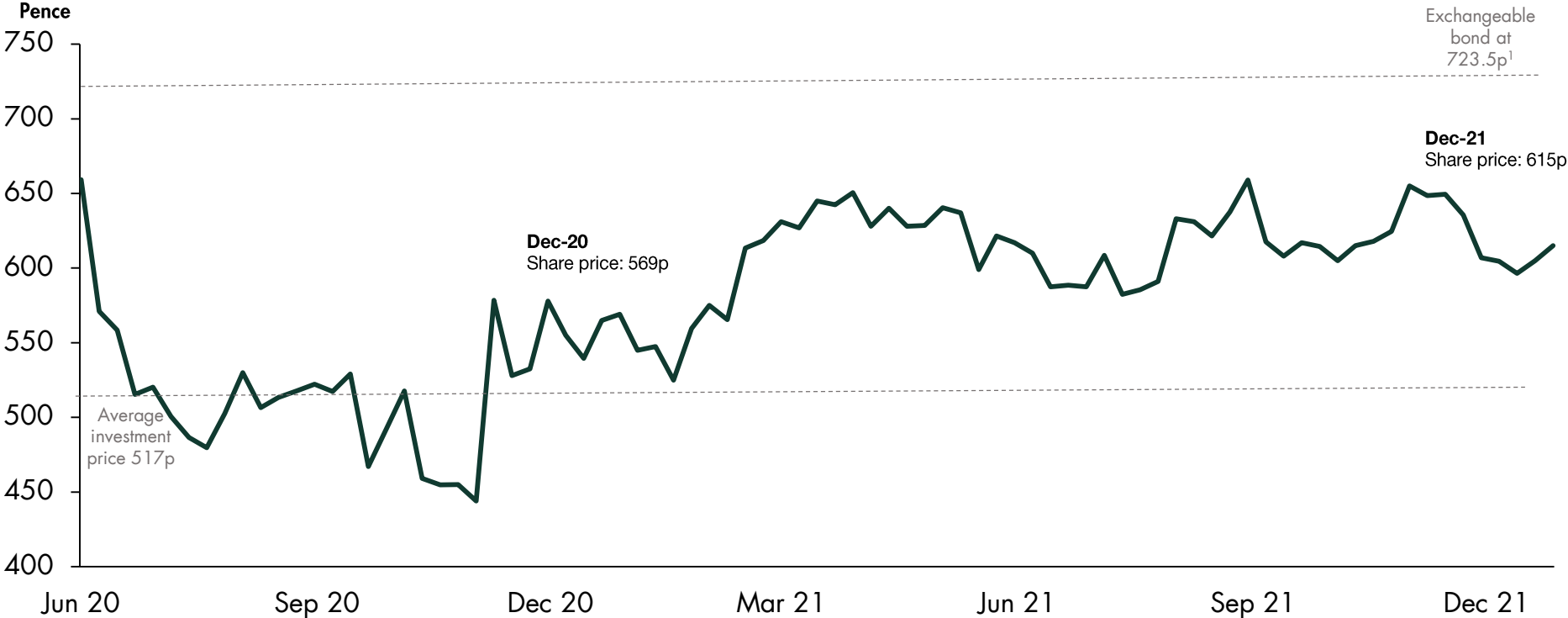
Note: All numbers shown at Group share. A reconciliation of the Group Share to IFRS balance sheet is set out on page 34

# Covent Garden independent valuation



1. Dec 2020 equivalent yield was 3.94% unadjusted for the sale of the Southampton Street, Bedford Street and King Street properties

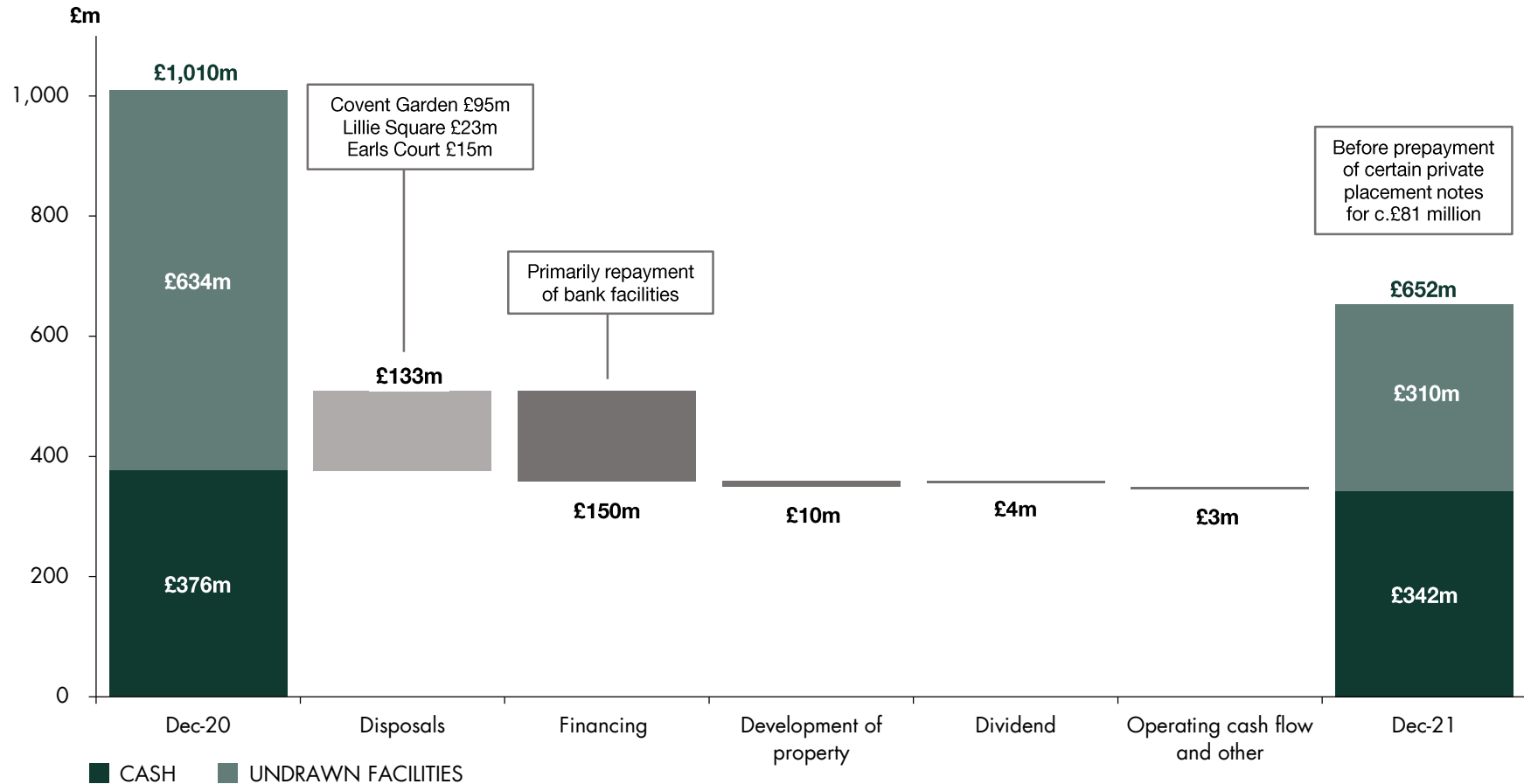
# Investment in Shaftesbury PLC shares



<sup>1</sup> 723.5p exchange price reflects dividend adjustments in July 2021 and February 2022 (719p exchange price at issuance)

19% capital appreciation (from acquisition to 31 December 2021) and dividend income of £6.2 million

# Main areas of cash movement



Operating cash flow and other includes Shaftesbury dividend income

Note: All numbers shown at Group share

# Resilient and flexible capital structure

Covent Garden net debt

**£254m**

Covent Garden LTV

**15%**

Covent Garden ICR

**2.25x**

Group net debt

**£599m**

Net debt to gross assets

**24%**

Access to substantial liquidity

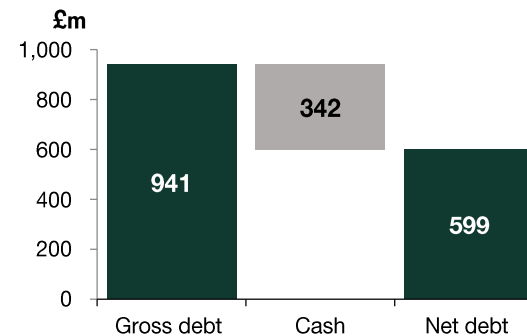
Average cost of debt 2.8%

Average maturity of drawn debt 5 years

£300m RCF refinancing completed

Early repayment of £75m nominal of private placement notes

Protected against rising interest rates





# Focus on recovery and growth

## Positioned for net rental income recovery and growth

Efficient cost management and capital allocation

Dividend profile to be progressed with growth in underlying earnings

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## H2 valuation increase for Covent Garden

Recovery potential in rental value and yields vs pre-pandemic levels

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## Balance sheet positioned to act on growth and investment opportunities

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# Covent Garden

Michelle McGrath

# Covent Garden performance

Property value

**£1.7bn**

H1 -5%, H2 +5% lfl

ERV

**£76m**

H1 -4%, H2 +3% lfl

Disposals

**£95m**

EPRA vacancy

**2.6%**

-0.9ppts

## World-class customer line up

- High occupancy throughout pandemic

## Strong levels of leasing activity

- 60 leasing transactions completed
- £11m contracted income

## Valuation growth in the second half

- Primarily driven by ERV growth

## Investment in our estate

- Asset management opportunities

## Al fresco/pedestrianisation of additional streets secured

## Positive footfall and sales metrics

- H2 2021 overall customer sales approaching 2019 levels

# Retail and F&B market occupational drivers



**Polarised demand towards prime locations**



**Owning your customer / consumer**



**Data / performance metrics**



**Ability to expand**

- Flexible approach



**Sustainability and net zero carbon**

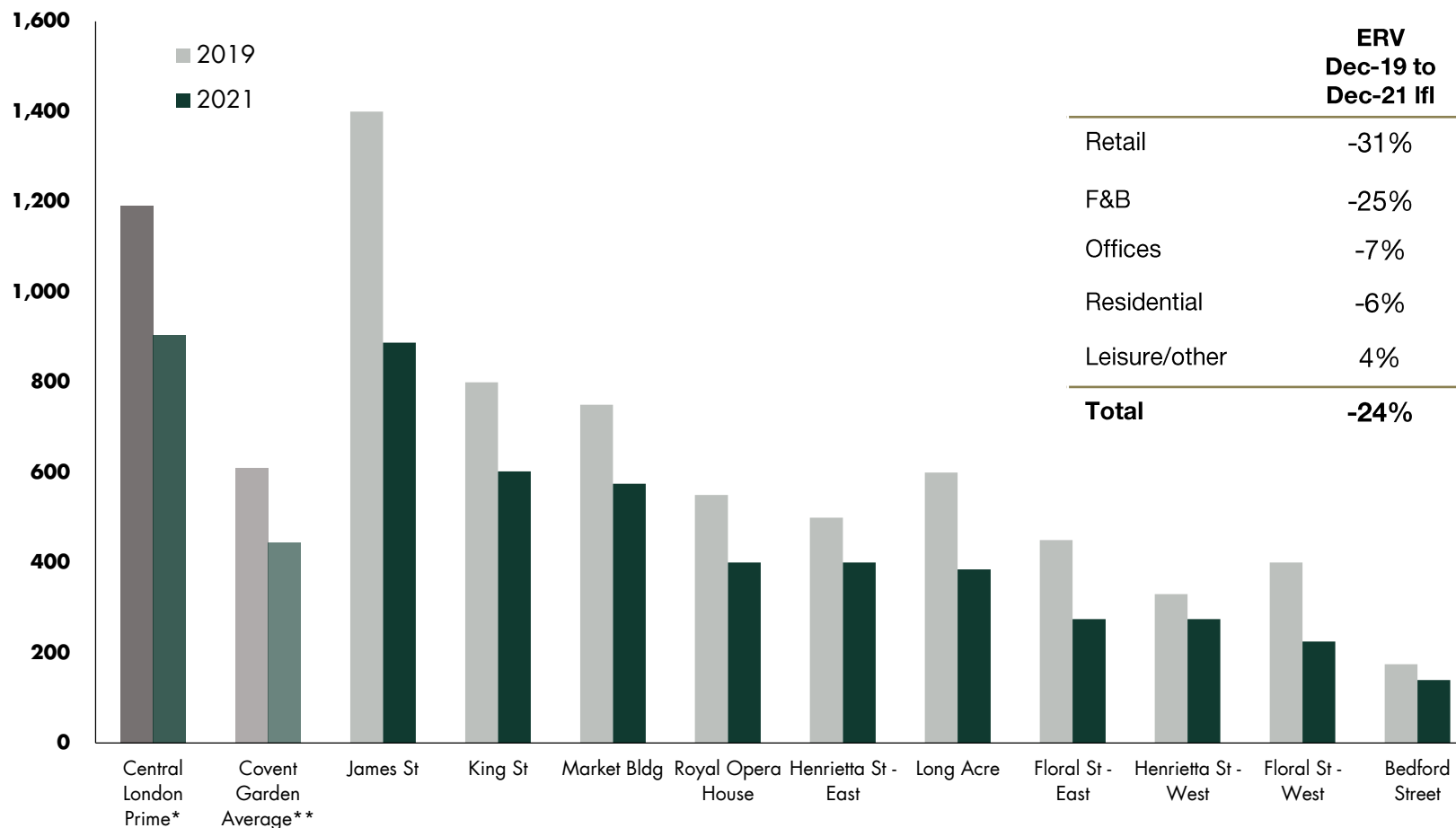
- Green leases



# Rental recovery underway



ITZA psf (£)



	ERV Dec-19 to Dec-21 lfl	ERV H2 2021 lfl
Retail	-31%	4%
F&B	-25%	2%
Offices	-7%	2%
Residential	-6%	4%
Leisure/other	4%	5%
<b>Total</b>	<b>-24%</b>	<b>3%</b>

\* 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

# Active year for leasing

## Continued leasing progress

- 60 leasing transactions (29 H1; 31 H2)
- £11m contracted income (-5% vs Dec-20 ERV)
- H2 transactions (+0.6% vs Jun 21 ERV; in line with 2019 passing rents)
- 16 new brands introduced to the estate

## Strong leasing pipeline

- Further £3.8m of ERV under offer

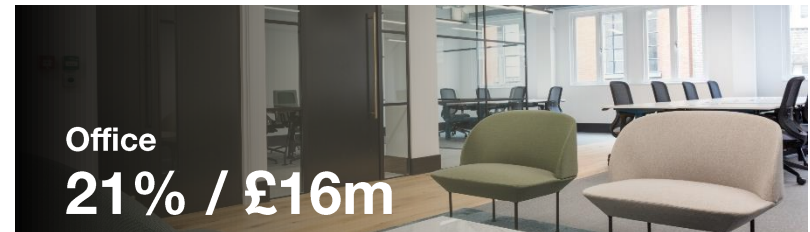
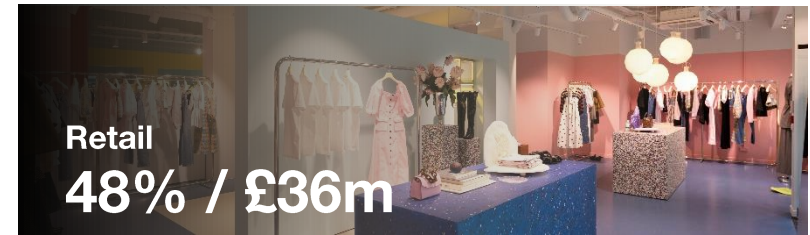
## Targeted categories

- Including luxury, jewellery, digitally native, sustainable

## Focus on productivity and brand value

- Confident in our customer mix

## Portfolio ERV £76m



# Strong occupier line up; resonating with the consumer

*Experimental*  
Cocktail Club

**UNI Reformation**



**QLO**

**WatchHouse.**

**KICK GAME®**



*Rails*



**TUDOR**

**EMPRESA®**

**e&e**

**BUCHERER**  
1888

**VASHI**

**AVE**

**MARIO**

  
**GUERLAIN**

**STRATHBERRY**

Maison Margiela  
PARIS

**Glossier.**

*Blondies Kitchen*



**ARC'TERYX**

**MRS RIOT**

**3HenriettaSt.**  
CoventGarden.

**Floozie**  
Stuffed Cookies



capco

# Capital initiatives accelerating rental growth

## Investing in our estate

- Pipeline of repositioning and refurbishment opportunities
- Driving value and enhancing environmental performance

## Realised £95m proceeds from disposals

## Tracking investment market and specific opportunities closely

- Significant liquidity to act on acquisition opportunities





# Looking ahead

Ian Hawksworth



# Looking ahead

**Strong leasing pipeline driving income and rental value growth**

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**Increase investment in our estate and take advantage of further market opportunities**

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**Responsible stewardship, implement our ESC strategy to deliver value for stakeholders**

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**Maintain a strong balance sheet and cost discipline**

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**Confidence in future growth prospects of the Covent Garden estate and London's West End, delivering superior long-term shareholder returns**

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# Q&A



# A sustainable and responsible business



**EPRA sustainability reporting awards**  
**2021: Gold**  
**2020: Gold**



**Global Real Estate Balance Sustainability Benchmark**  
**2021: 65/100<sup>1</sup>**  
**2020: 59/100**



**Carbon Disclosure Project**  
**2021: B**  
**2020: C**



**FTSE4Good**  
**2020: 71<sup>st</sup> percentile**  
**2019: 81<sup>st</sup> percentile**



**ISS ESG Corporate Rating**  
**2021: 2<sup>nd</sup> Decile**  
**2020: N/A**



**S&P Global CSA**  
**2021: 83<sup>rd</sup> percentile**  
**2020: 70<sup>th</sup> percentile**

## Memberships



1. Green Star awarded

2. FTSE4Good – Capco remains a constituent of the index, 2021 score not yet available, 2020 score remains applicable

# Net Zero Carbon by 2030

## Focused on five key activities:

### 50% reduction in embodied carbon

- Prioritise innovative refurbishment using sustainable materials
- Whole Life Carbon assessments

### 60% reduction in operational carbon

Drive down energy demand

### Prioritise innovation and renewables

- New technologies and energy initiatives
- Innovative supply chain

### Enhance climate adaptation and resilience

- Improve building resilience

### Residual emission offsetting

- Certified schemes

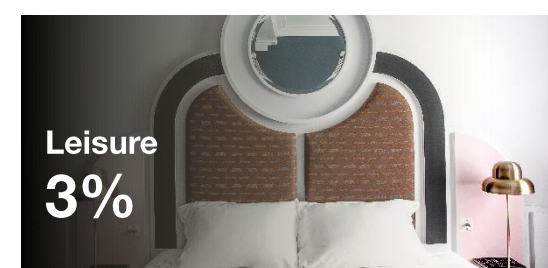
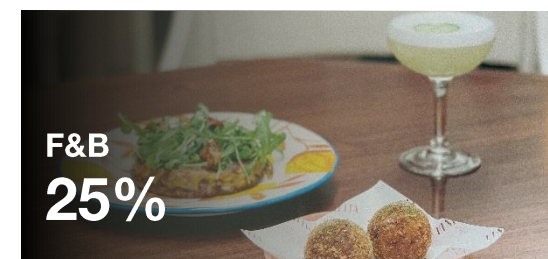
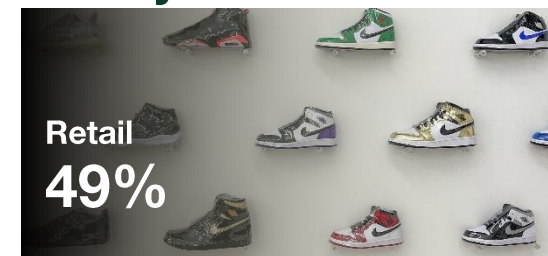


# Covent Garden portfolio

	Retail <sup>1</sup>	F&B <sup>1</sup>	Office	Residential	Leisure/ Other	Total
<b>Valuation</b>	£851m	£434m	£273m	£124m	£47m	<b>£1,729m</b>
<b>Gross income</b>	£28.5m	£16.4m	£7.4m	£3.1m	£2.0m	<b>£57.4m</b>
<b>ERV</b>	£36.5m	£18.0m	£16.0m	£3.7m	£2.0m	<b>£76.2m</b>
<b>Area (square foot)</b>	0.4m	0.2m	0.2m	0.2m <sup>2</sup>	0.1m	<b>1.1m</b>
<b>Units</b>	120	68	63	198	54	<b>503</b>

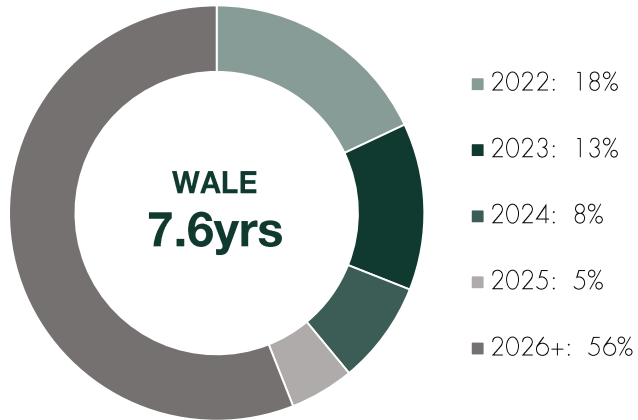
1. Ten cafés totalling £1.5m of ERV and £1.8m Gross Income have been reclassified to F&B in 2021 previously included within Retail. (2020: £1.6m ERV and £1.8m Gross Income)
2. Residential includes units sold on long lease interests covering approximately 154,000 square feet

## Use by value:



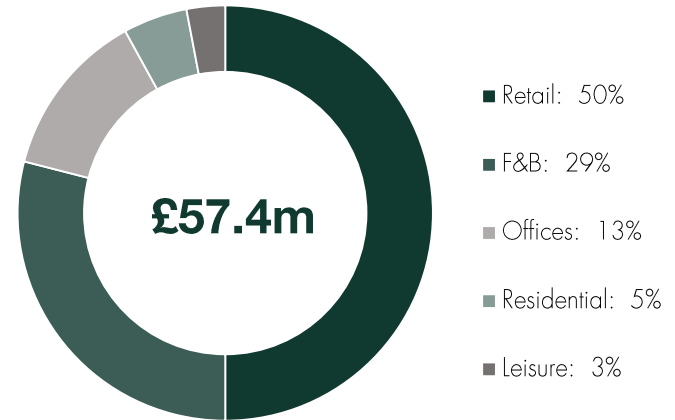
# Covent Garden portfolio 71 properties, 503 lettable units

## Lease expiry profile<sup>1</sup>

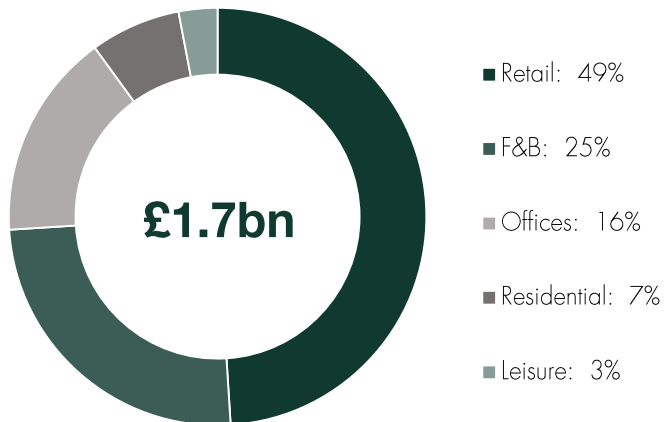


1. Lease expiry profile based on the earlier of lease break and lease expiry

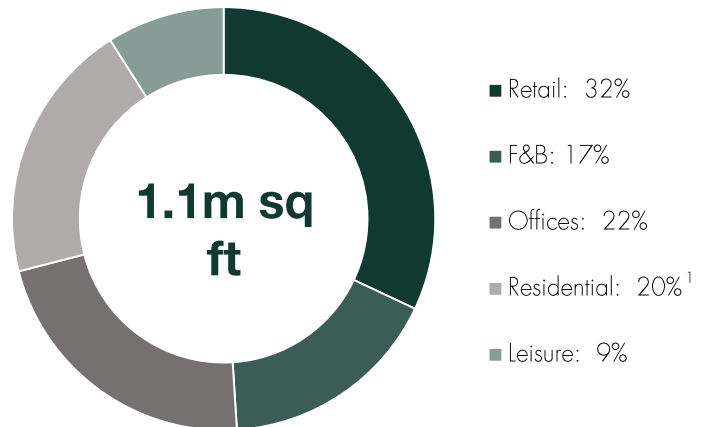
## Annual gross income



## Property value



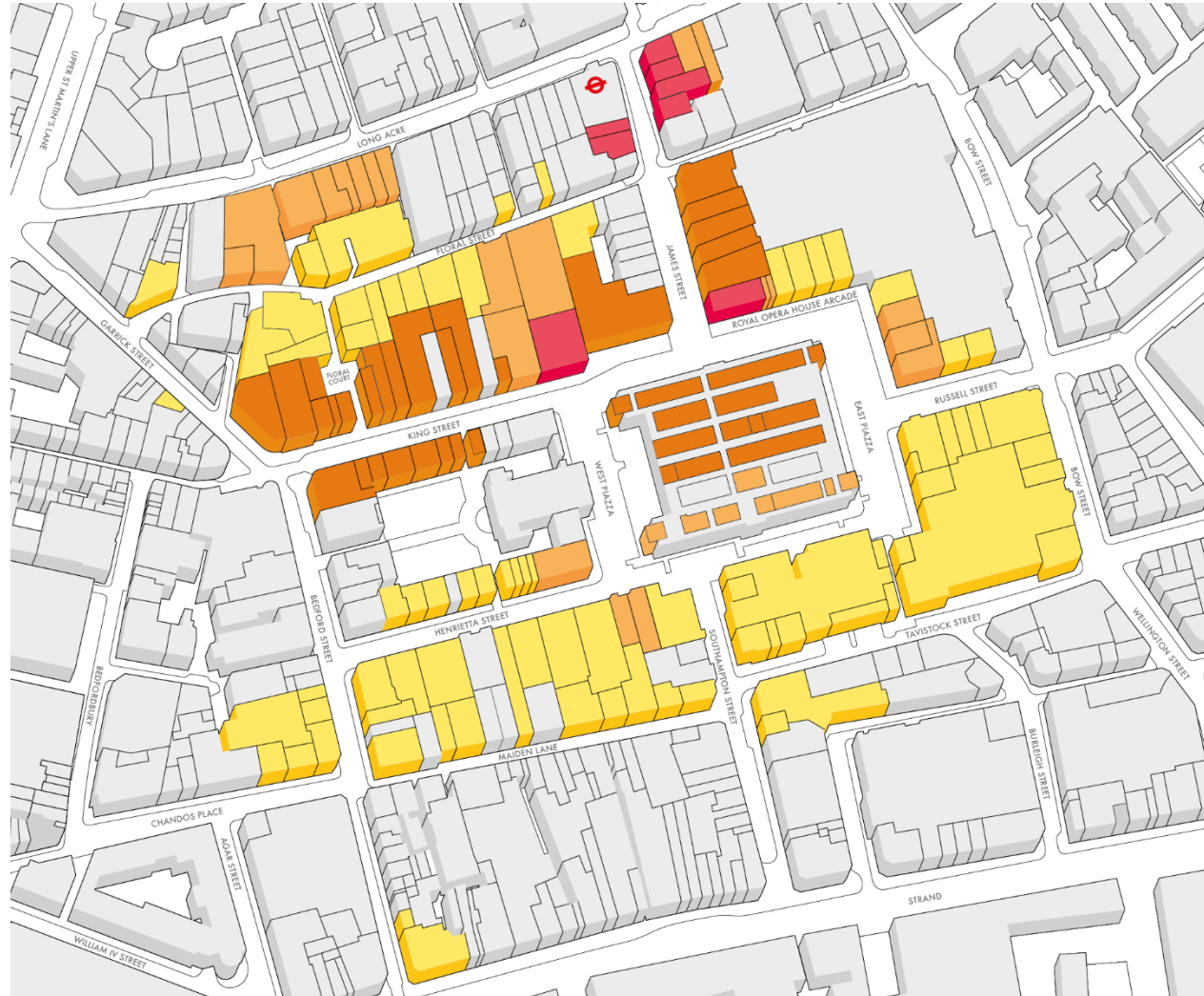
## Total floor area



# Covent Garden portfolio analysis



## December 2021 Zone A Map



£801 - £1,200   £501 - £800   £301 - £500   £0 - £300



# Underlying earnings – H1 & H2 2021

	H1 2021 £m	H2 2021 £m	FY 2021 £m
Continuing operations			
Net rental income	25.2	27.1	52.3
Other income <sup>1</sup>	0.2	2.5	2.7
Administration costs	(9.1)	(10.8)	(19.9)
Net finance costs	(16.2)	(15.2)	(31.4)
Underlying profit before tax	0.1	3.6	3.7
Taxation	(0.1)	0.5	0.4
Underlying earnings	-	4.1	4.1
Underlying earnings per share (pence)	-	0.5p	0.5p

1. Includes Shaftesbury interim dividend of £2.3m (2020: £nil)

Note: All numbers shown at Group share

# Summary balance sheet

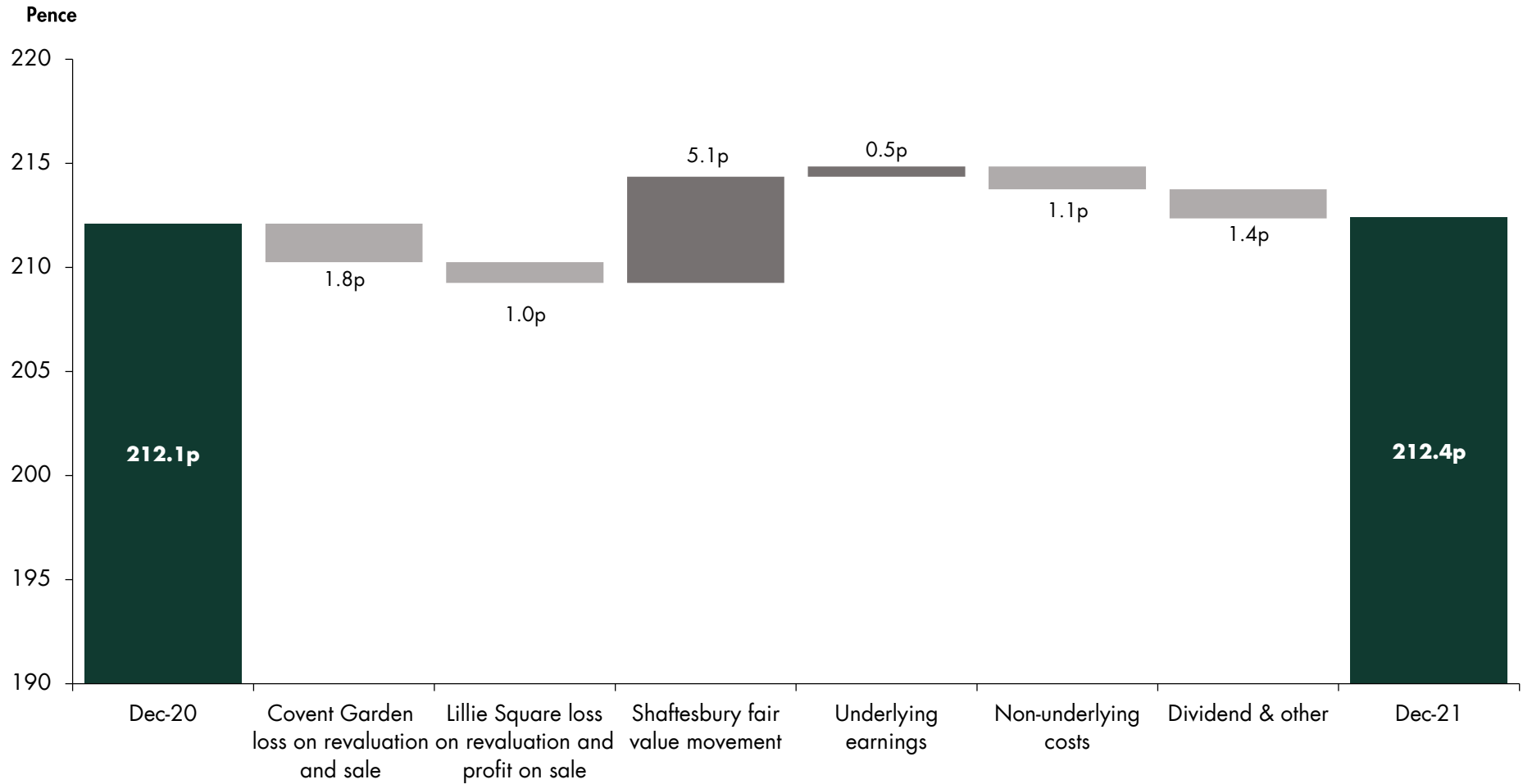
## Group share to IFRS as at 31 December 2021

	Group share £m	Less: Joint ventures <sup>1</sup> £m	IFRS £m
Investment, development & trading property	1,779	(84)	1,695
Net debt	(599)	(23)	(622)
Equity investment <sup>2</sup>	596	-	596
Other assets and liabilities	18	99	117
NAV	1,794	(8)	1,786

1. Primarily Lillie Square

2. Investment in Shaftesbury PLC

# EPRA net tangible assets per share



# Balanced capital structure

Group net debt : gross assets

**24%**

## Covent Garden

**Net debt of £254 million<sup>1</sup>** (2020: £352 million)

### **New £300 million revolving credit facility completed September 2021**

- Fully undrawn
- Marginal cost of drawdown currently c.1.75% per annum, September 2024 maturity<sup>2</sup>

### **£550 million US PP loan notes<sup>3</sup>**

- Fixed rate debt (average cost 2.9%)
- Range of maturities 2024 – 2037

<sup>1</sup> Comprises £550m of private placement notes and cash

<sup>2</sup> Initial three year term with two one-year extension options

<sup>3</sup> Before upcoming prepayment of £75m nominal value of notes

## Shaftesbury investment

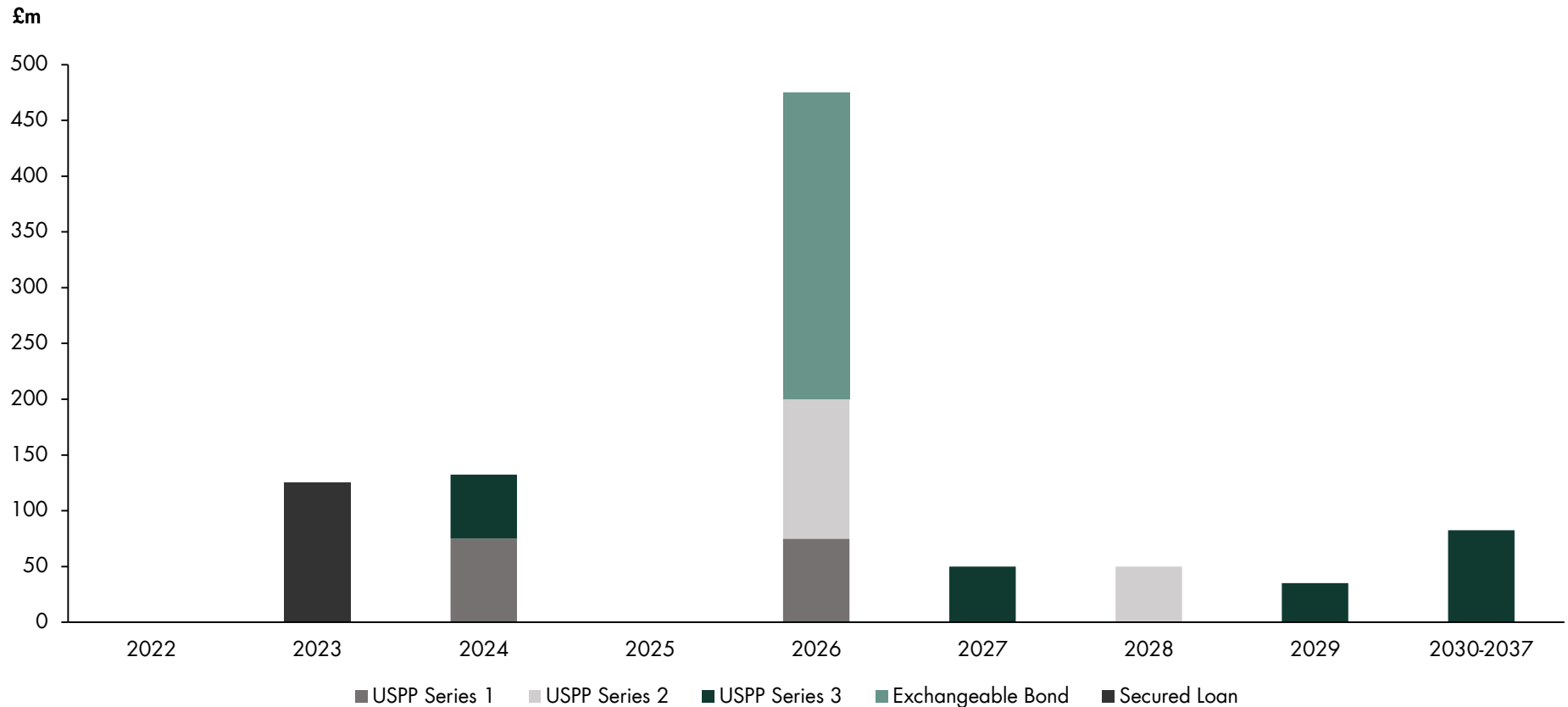
### **£275 million exchangeable bond with pledge over c.10% of Shaftesbury PLC shares**

- 2% per annum cash coupon, March 2026 maturity
- Flexibility to satisfy exchange through shares and/or cash
- Exchange price of 723.5p (two-way adjustment subject to dividend threshold)

### **£125 million loan**

- December 2023 maturity
- Secured on Shaftesbury PLC shares

# Drawn debt maturity profile



£300 million undrawn on the Covent Garden Revolving Credit Facility at 31 December 2021

£75 million USPP Series 1 early repayment to complete shortly, relates to 2024 and 2026 maturities

# Taxation summary

## Tax on income and gains

The total tax charge for the year, made up of both underlying tax and non-underlying tax, is £0.7 million.

The Group is a UK Real Estate Investment Trust (REIT) and therefore is exempt from UK corporation tax on income and gains arising from its qualifying property rental business provided that certain REIT conditions are met on a continuing basis. The Group satisfied all REIT requirements needed to maintain REIT status throughout 2021.

Income and gains arising from non-qualifying REIT activities (e.g. trading operations) are subject to UK corporation tax at 19%.

A disposal of the Group's trading properties at their market value, before utilisation of carried forward losses, would result in a UK corporation tax charge to the Group of nil (19% of £0.1 million).

# Lillie Square joint venture

## Continuing to progress sales

- 25 units completed during the year representing £47 million
- Includes bulk sale of 19 units for £38 million which completed in December 2021
- 3 units remain available in Phase 1 and 66 units in Phase 2

## Valuation

- 14.1% decline (like-for-like) to £86 million<sup>1</sup> (Capco share)

## Funding

- Loan facility repaid in full
- Net cash position £44.6m (£22.3m Capco share)

1. Includes Lillie Square joint venture and Lillie Square Holdings Group properties



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