Landsec

Press release

Title Results for the half year ended 30 September 2022
From LAND SECURITIES GROUP PLC ("Landsec")
Date 15 November 2022

Strong strategic and operational momentum leave Landsec well placed in changing market

Mark Allan, Chief Executive of Landsec, commented:

"The strategy we launched two years ago was underpinned by two key principles of sustainable value creation: focusing our resources on where we have genuine competitive advantage, and preserving our strong balance sheet. At the time, interest rates and property yields were very low, so asset values in many sectors looked expensive. Acting on this, we sold nearly £2bn of mature, low yielding assets while focusing new investment exclusively on opportunities where we saw clear value, or situations which offered long term optionality.

Our competitive advantages remain our high-quality portfolio, our strong customer relationships, and the ability to unlock complex opportunities through our unique expertise, all of which is evidenced by our strong operational performance in the half year. Our business remains underpinned by a strong balance sheet, with a low 31% LTV, long 9.8-year average debt maturity and no need to refinance any debt until 2026. The successful execution of our strategy therefore means we are not only well placed for more challenging market conditions, but also have optionality to take advantage of new opportunities that will no doubt emerge as property markets continue to adjust to a new reality."

Financial highlights

	30 Sep 2022	Prior period (1)		30 Sep 2022	Prior period (1)
EPRA earnings (£m)(2)(3)	197	180	(Loss)/profit before tax (£m)	(192)	275
EPRA EPS (pence)(2)(3)	26.6	24.3	Basic EPS (pence)	(25.7)	37.2
EPRA NTA per share (pence)(2)(3)	1,010	1,063	Net assets per share (pence)	1,023	1,070
Total accounting return (%)	(2.9)	3.7	Dividend per share (pence)	17.6	15.5
Group LTV ratio (%)(2)(3)	31.1	34.4	Net debt (£m)	3,475	4,254

- EPRA EPS(2)(3) up 9.5% to 26.6p, supported by strong leasing and 8.3% LFL rental income growth
- Total accounting return of -2.9%, reflecting softening of London yields due to rising interest rates
- EPRA NTA per share(2) (3) down 5.0% to 1,010p, driven by a -2.9% movement in portfolio value
- Group LTV(2)(3) down to 31.1% (Mar-22: 34.4%) following £1bn of mature London office disposals
- Loss before tax of £192m (2021: £275m profit), with growth in earnings offset by market yield shift
- Total dividend up 13.5% to 17.6p per share, supported by increase in earnings
- Weighted average debt maturity up to 9.8 years (Mar-22: 9.1 years), providing solid financial base

Operational highlights: continued operational momentum, maintaining strong capital base

Positive leasing performance in Central London offices and major retail destinations, despite general macro challenges, highlight high quality of Landsec platform and portfolio, with strong progress on executing strategy since late 2020 creating balance sheet resilience and optionality for future growth.

Central London: strong leasing momentum and maintaining optionality to drive future growth

- Sold £1.0bn of mature offices, including 21 Moorfields development which crystallised 25% profit on cost, bringing total London office disposals over last two years to £1.8bn at an average yield of 4.35%
- Delivered strong leasing, with £41m of lettings completed or in solicitor's hand, 3% ahead of valuers' assumptions, and current occupancy stable vs March at 95.1%, as demand for high-quality space remains resilient, notwithstanding a 4.4% softening in values due to general market yield shift
- Only £110m capex left to spend on committed pipeline which is set to generate £38m ERV once fully let, 38% of which is pre-let or under offer, with lettings over past six months 11% ahead of ERV
- Maintained optionality on near-term pipeline, which could deliver 1.1m sq ft of Grade A space at yield on cost of 7%+ into a market which is expected to see a sharp reduction in new supply

Major retail destinations: continued strong leasing, as high-quality destinations return to growth

- Differentiated focus on brand and guest relationships continues to deliver results, capitalising on 'flight to prime' and upsizing of key brands, with 6.3% YoY sales growth and like-for-like sales 3.6% above 2019 levels, as consumer behaviour is reverting back to pre-pandemic trend
- Built further on growing leasing momentum, with £27m of lettings signed or in solicitors' hands on average 12% ahead of ERV, up from 2% for the year to March 2022, driving 120bps increase in occupancy since March to 94.4% and underpinning resilience in valuations, with values up 0.4%

Mixed-use urban neighbourhoods: progressing preparations, creating future optionality

- Progressed preparation of 9.0m sq ft future mixed-use pipeline, with signing of drawdown agreement for first phase of office development at Mayfield and detailed planning for first phase at MediaCity
- No existing capex commitments but potential to start first phases at Mayfield, MediaCity and, subject to planning, Finchley Road in 2023, providing optionality for future growth at limited holding cost
- U+I and Landsec teams integrated and sold or exchanged contracts to sell almost half of c. £180m of non-core U+I assets since acquisition in December 2021, on average 22% above book value

Underpinning our strategy: capital discipline and decisive action on sustainability

- Further strengthened capital base, with LTV down from 34.4% to 31.1%; average debt maturity up from 9.1 to 9.8 years; 84% of debt hedged, with an overall average cost of 2.7%; strong credit profile; and no need to refinance any debt until 2026 given existing £1.8bn undrawn facilities
- Secured £2.0bn of disposals since late 2020, ahead of plan to sell c. £4bn of assets over six years, with potential further disposals to increase optionality for future opportunities, as value of subscale portfolio remains relatively resilient at -1.2%
- Continued to progress net zero transition investment plan, with 43% of office portfolio already rated EPC 'B' or higher vs 15% for wider London office market, and announced target to reduce embodied carbon by 50% vs a typical development by 2030

— Announced Realising Potential Fund to invest £20m over next 10 years to enhance social mobility in our industry, to empower 30,000 people towards world of work and deliver £200m of social value

1. Prior period measures are for the six months ended 30 September 2021 other than EPRA NTA per share, net assets per share, Group LTV ratio and net debt, which are as at 31 March 2022.
2. An alternative performance measure. The Group uses a number of financial measures to assess and explain its performance, some of which are considered to be alternative performance measures as they are not defined under IFRS. For further details, see the Financial review and table 14 in the Business analysis section.
3. Including our proportionate share of subsidiaries and joint ventures, as explained in the Financial review.

Ends

About Landsec

At Landsec, we build and invest in buildings, spaces and partnerships to create sustainable places, connect communities and realise potential. We are one of the largest real estate companies in Europe, with a £10.9 billion portfolio of retail, leisure, workspace and residential hubs. Landsec is shaping a better future by leading our industry on environmental and social sustainability while delivering value for our shareholders, great experiences for our guests and positive change for our communities.

Find out more at landsec.com

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