Half year results 2023

Mark Allan

CHIEF EXECUTIVE OFFICER

Landsec

A clear strategic focus

Built on a clear market view and focused execution

	What we have said since late 2020	Where we are now
Capital markets	2020: interest rates and property yields at / near all-time lows 2022: new higher rate reality, so values to continue to adjust	Adjustment to new reality ongoing Values for best assets to start to stabilise in 2024
Customer demand	Best retail destinations to benefit from 'flight to prime' Office demand to reduce, mostly in HQ space / B locations	Retail occupancy almost at pre-Covid levels and rents rising Rents growing for the best space; secondary under pressure
Capital allocation	Sell where ability to add value is limited Focus investment on clear value or long-term optionality	Sold £2.5bn, mostly large, single-let City / Docklands offices Invested £1.9bn in profitable development, retail & mixed-use
Balance sheet	Reduce financial leverage	Net debt down £0.4bn, with ND / EBITDA of 7.2x

Successful delivery of our strategy

Well-placed for growth given decisive positioning for new reality

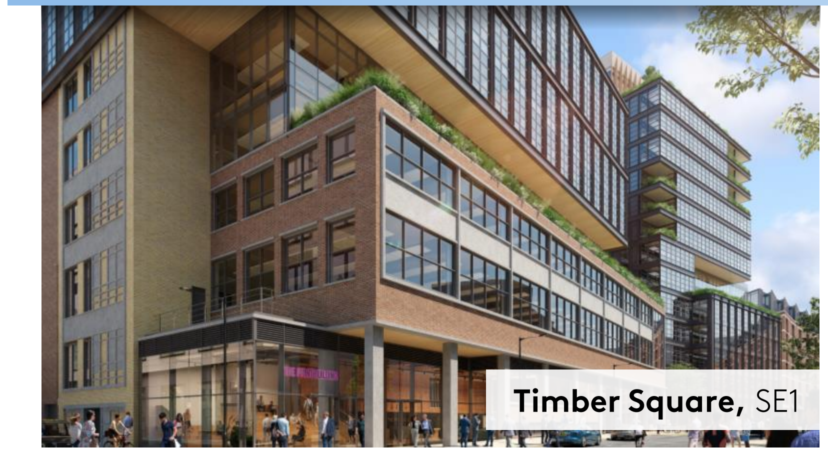
Best-in-class space

- Quality of place and space key customer decision drivers
- London portfolio now 76% in West End and Southwark
- Expect low to mid-single digit ERV growth in London / retail

Decisive capital allocation

- Decisive action based on clear view on risk / returns
- Sold £2.2bn of mostly HQ offices in City / Docklands
- Created value via investment at accretive returns

Future growth potential



- Ready for new opportunities as markets adjust to new reality
- Potential to enhance growth by leveraging platform value
- Medium-term optionality in London/mixed-use pipeline

Growing resilient returns

- Sector-leading balance sheet provides base for growth
- Target 8-10% ROE via income, ERV growth and development
- Expect EPRA EPS and dividend to grow over next two years

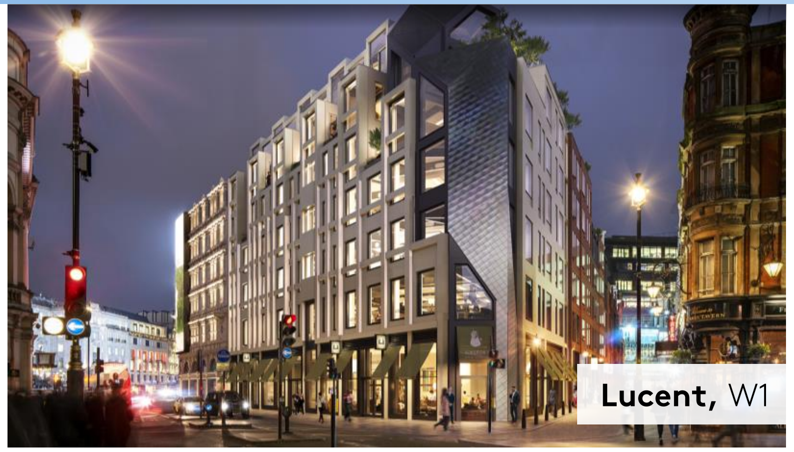
OUR THREE KEY COMPETITIVE ADVANTAGES

HIGH-QUALITY PORTFOLIO - STRONG CUSTOMER RELATIONSHIPS - UNLOCKING COMPLEX OPPORTUNITIES

Creating value through our competitive advantages

High-quality portfolio and strong customer relationships underpin growth

Central London



- £17m of lettings signed or ISH, 3% above valuers' estimates
- Occupancy +60bps to 96.5%, as footfall and demand grows
- Recent pipeline 83% let or ISH; two new schemes with c. 12% yield on incremental spend

Major retail destinations

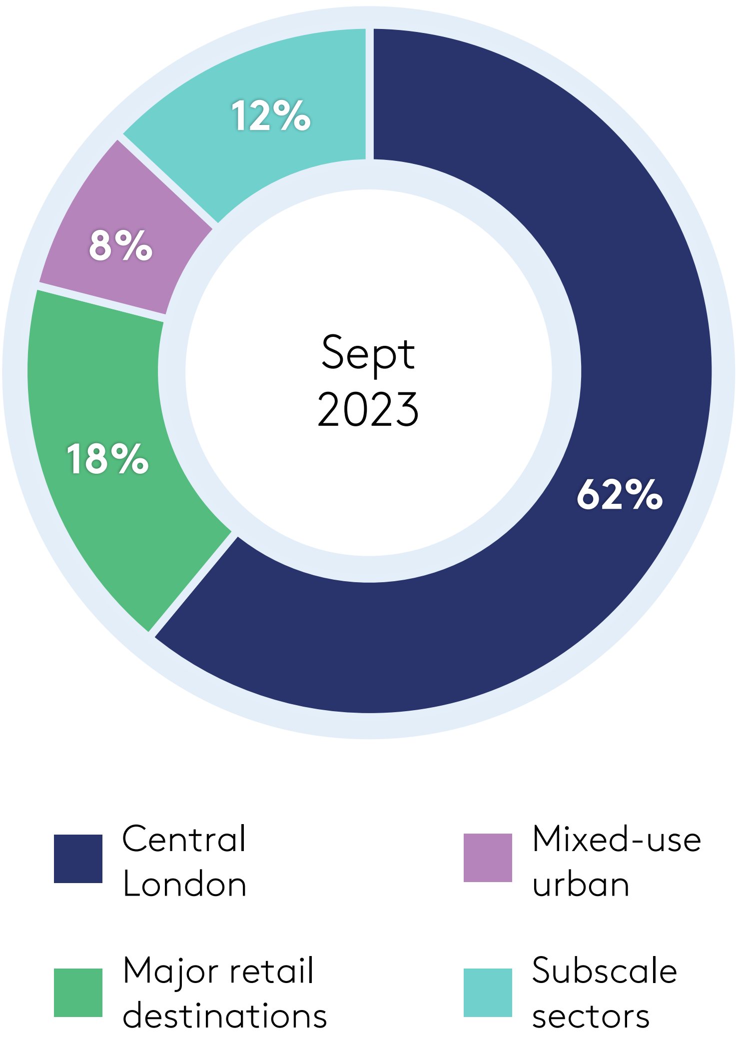
- £24m of lettings signed or ISH, 6% ahead of ERV
- Lease renewals now ahead of previous passing rent
- Sales +4.0%, with LFL sales +5.4% vs pre-Covid levels and occupancy +100bps to 95.3%

Mixed-use urban

- Progressing preparations at Mayfield and Finchley Road
- Potential to start on site with first two projects in H1 2024
- Enhancing plans for Lewisham and Glasgow to reduce carbon impact and optimise returns

£10.1bn portfolio

Portfolio split



Reiterating full year guidance

Resilience in earnings supported by strong capital base

	30 September 2023	30 September 2022	% change
EPRA earnings	**£198m**	£197m	+0.5%
EPRA EPS	**26.7p**	26.6p	+0.4%
Dividend per share	**18.2p**	17.6p	+3.4%
Total return on equity	**-2.4%**	-2.9%	+0.5%

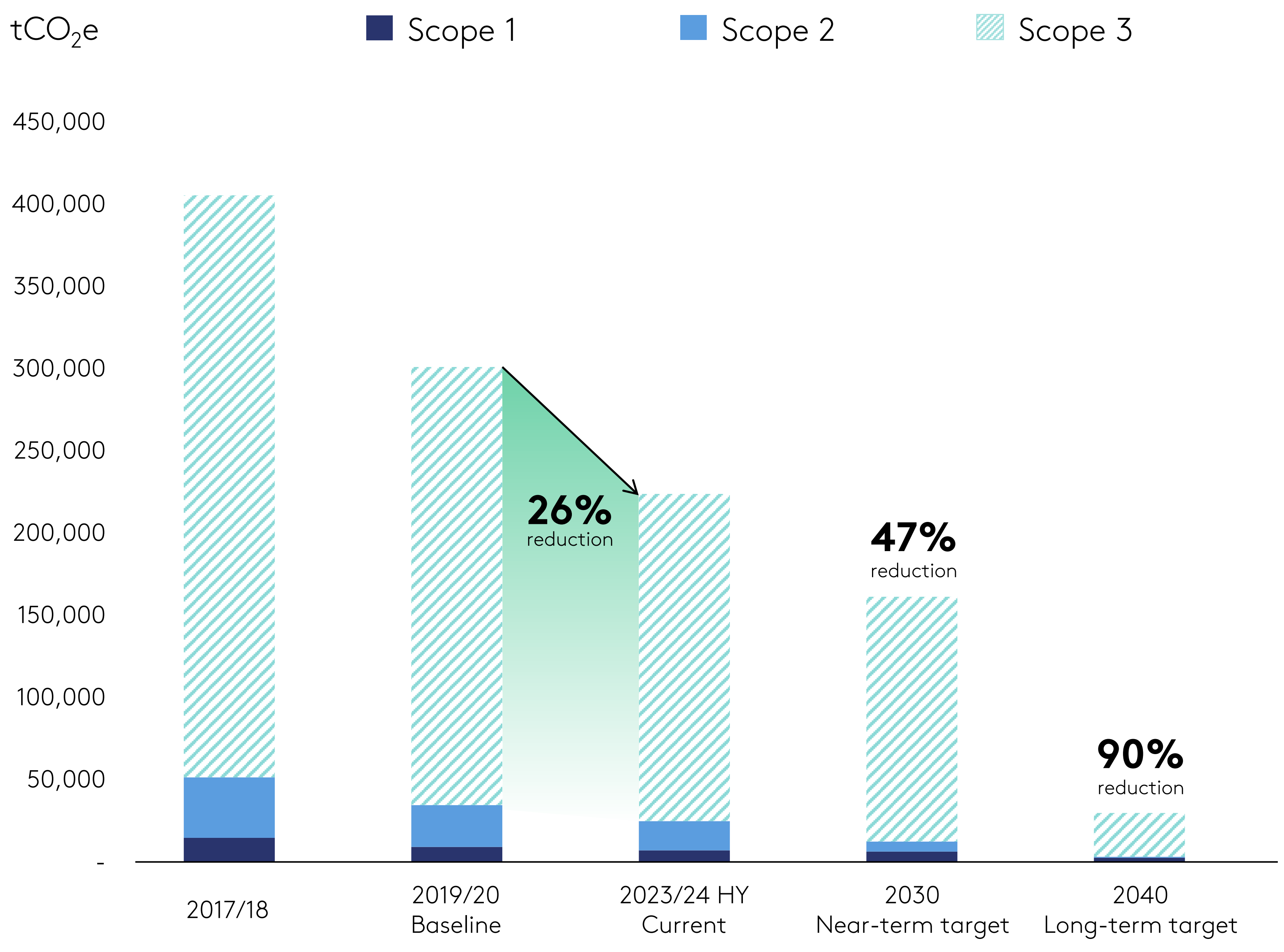
	30 September 2023	31 March 2023	
EPRA NTA per share	**893p**	936p	-4.6%
LTV	**34.4%**	31.7%	+2.7pp
Net debt/EBITDA (period-end)	**7.2x**	7.0x	+0.2x

Delivering sustainably

Significant progress on SBTi-endorsed targets to reach net-zero by 2040

- Direct / indirect emissions -26% vs 2019/20 baseline
- Energy intensity -19% vs new 2019/20 baseline
- Upfront embodied carbon in pipeline -45% vs benchmark, improved from -36% in March
- Progressing net zero investments, with retrofit of first air source heat pumps to start imminently
- 44% of office portfolio EPC A-B, with net zero investments to come through by 2025+
- Launched Landsec Futures fund to invest £20m over next decade to enhance social mobility

Reduction in emissions to net zero by 2040 aligned to SBTi Net Zero Standard



Operational review

Mark Allan

CHIEF EXECUTIVE OFFICER

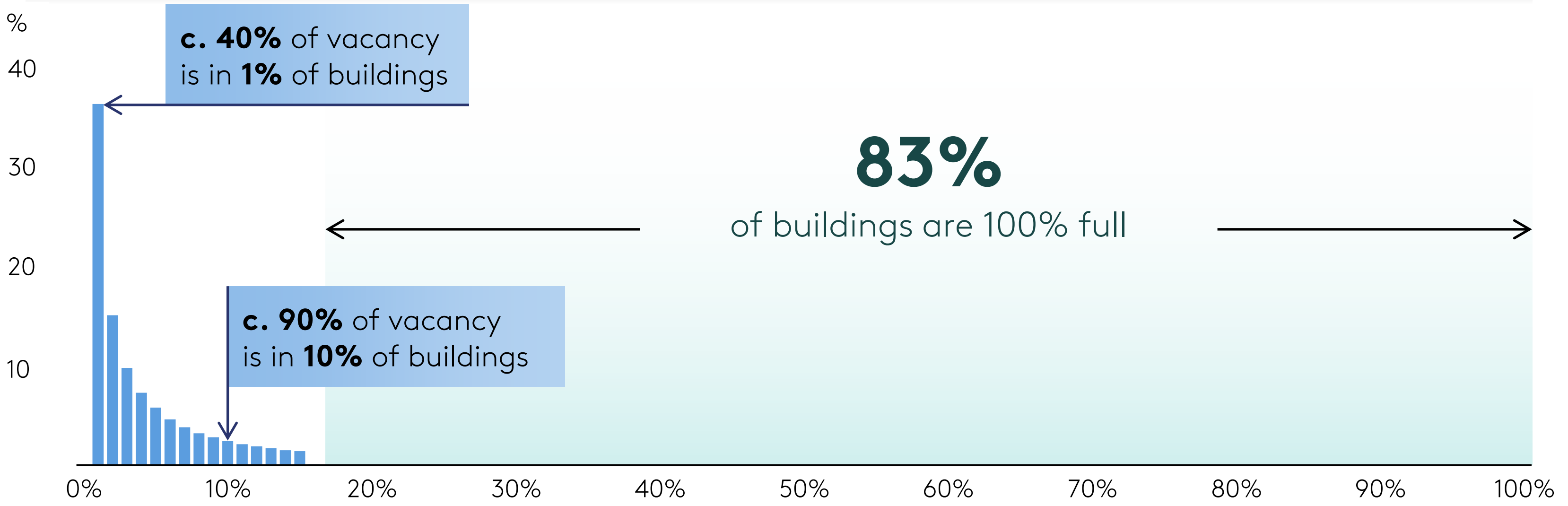
Landsec

Central London

Bifurcation in demand drives continued polarisation

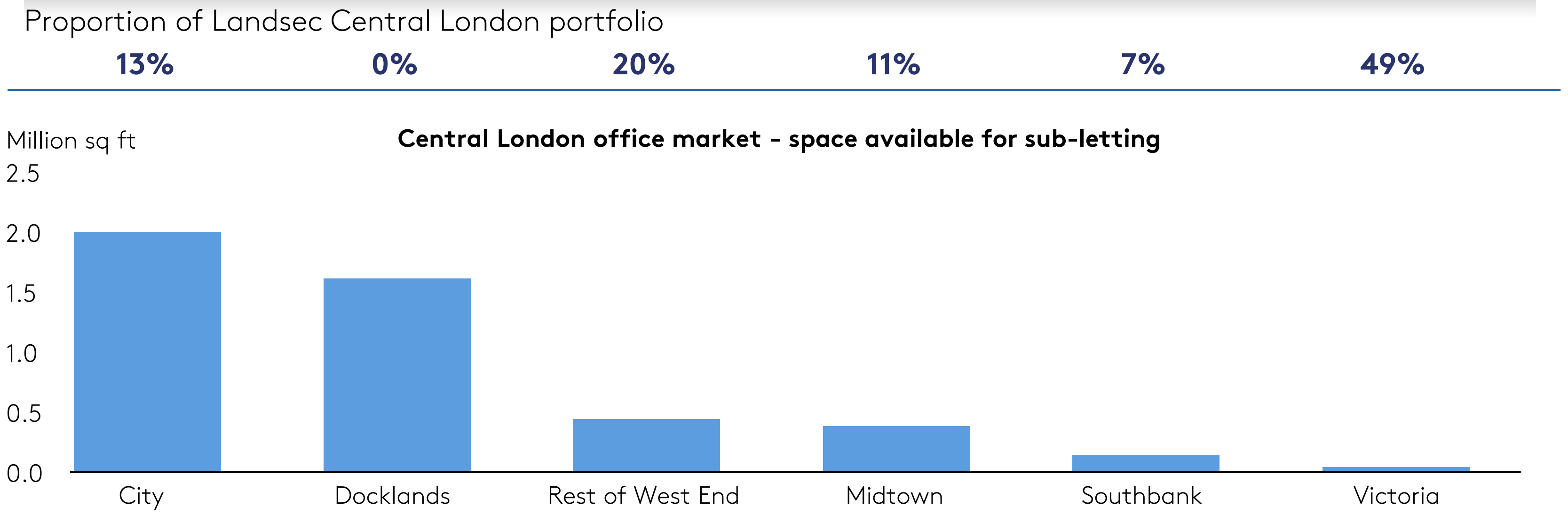
- Customers firmly focused on best-in-class space to attract and retain key talent
  - Transport connectivity
  - Sustainability credentials
  - Energising amenities
- Consistent view that overall demand for UK offices would reduce, mostly in large HQ type space and locations which lack right amenities
- c. 80% of subletting space in City / Docklands
- Limited supply of space that ticks all key boxes, so pricing for best space continues to go up

Clear polarisation — total London office market vacancy by number of buildings[1]



Source: JLL

Sub-letting availability focused on large HQ buildings — space by sub-market



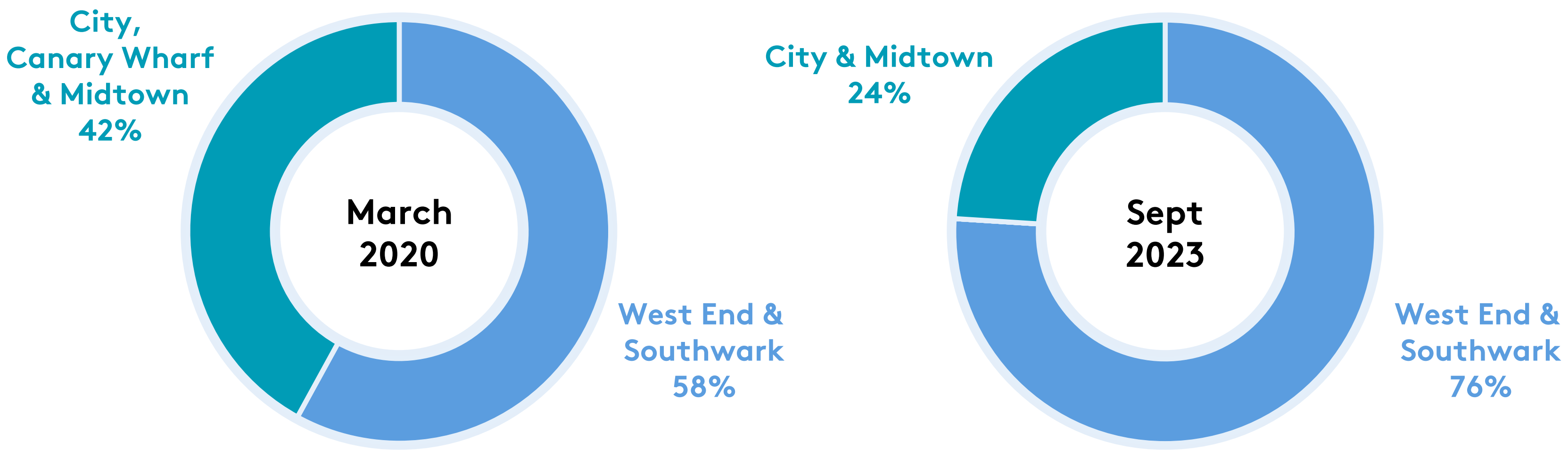
Source: CBRE

Central London

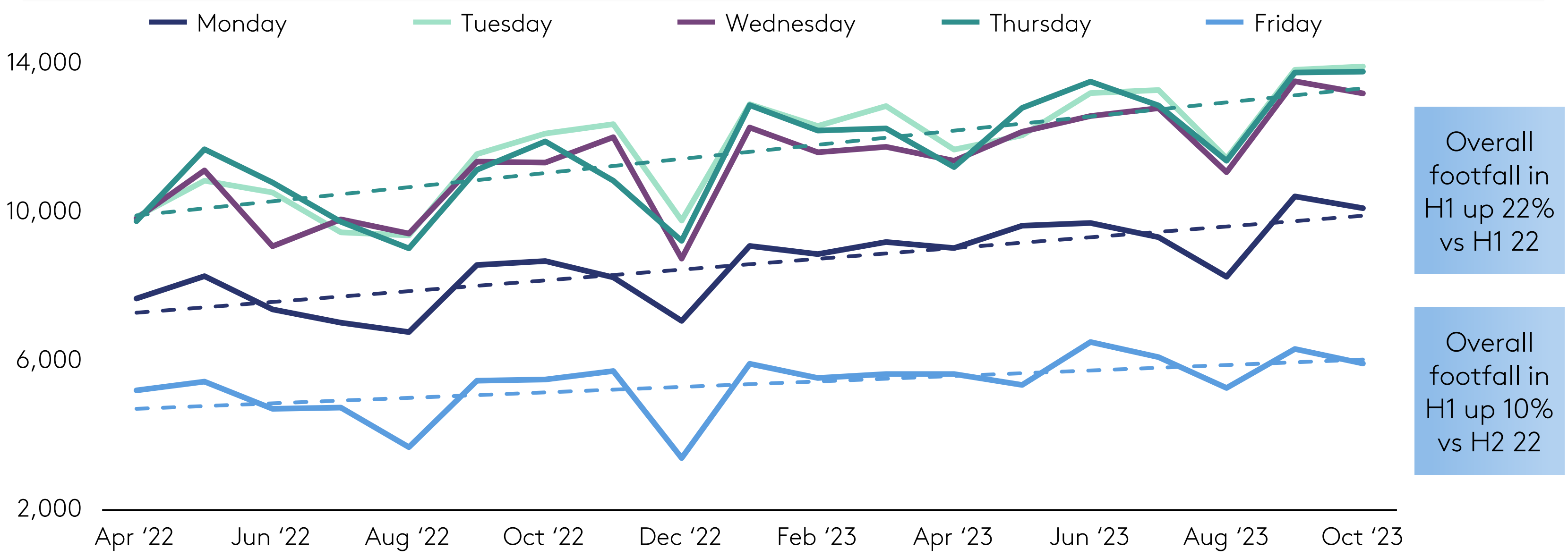
Significant portfolio repositioning to drive higher future returns

- Sold £2.2bn of offices since late 2020
  - 83% HQ buildings let to single customers
  - 87% City plus our only asset in Canary Wharf
  - 100% let, with 4.4% yield on sale
- Repositioned towards higher-return locations
  - 76% of portfolio now in West End / Southwark
  - Multi-let clusters in vibrant mixed-use areas
  - West End ERV growth well ahead of City
- Appeal to talent underpins value for customers
  - LFL office utilisation continues to grow
  - Less than 1% of our space marketed for subletting

Central London portfolio — changes over last three years



Utilisation continues to grow — average daily footfall across Landsec portfolio



Central London

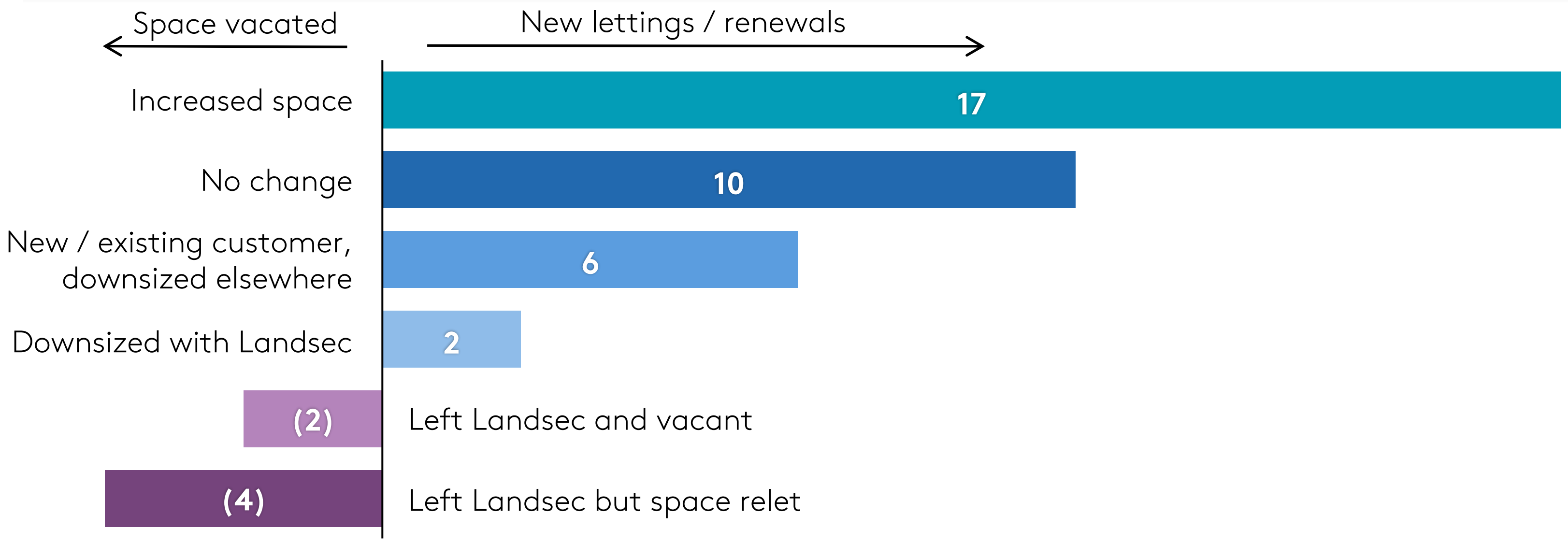
Strong customer demand underpinned by high-quality portfolio

- Strong customer relationships reflected in demand
  - 27 of 35 leases signed in last 12 months involved customers upsizing or keeping same space
  - Space per person up vs pre-Covid norm
- £14m of rent signed, 2% ahead of ERV
- £3m of rent ISH, 5% above ERV
- Overall occupancy up 60bps to 96.5%
  - Office vacancy just 3.3% vs 8.8% for London market
  - Victoria 100% let incl. recently completed development
- Opening three new Myo locations this Autumn

Central London — operational performance

	30 September 2023	31 March 2023
New lettings / renewals signed	**£14m**	£43m
Rent achieved vs valuers' assumptions	**+2%**	+3%
West End office occupancy (LFL)	**99.6%**	99.5%
City office occupancy (LFL)	**92.1%**	90.5%
Myo occupancy	**96.9%**	92.4%

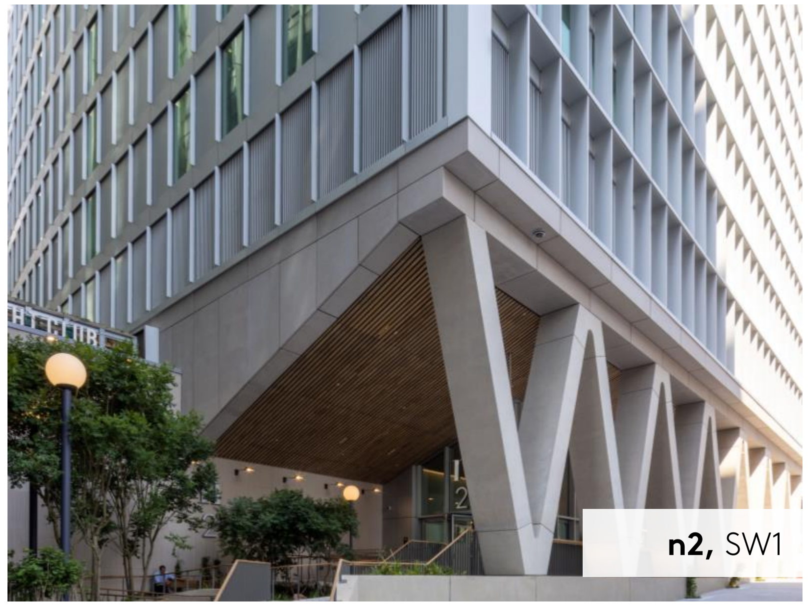
Change in space taken by customers — lease events over past 12 months



Central London

Investing in our high-quality portfolio at accretive returns

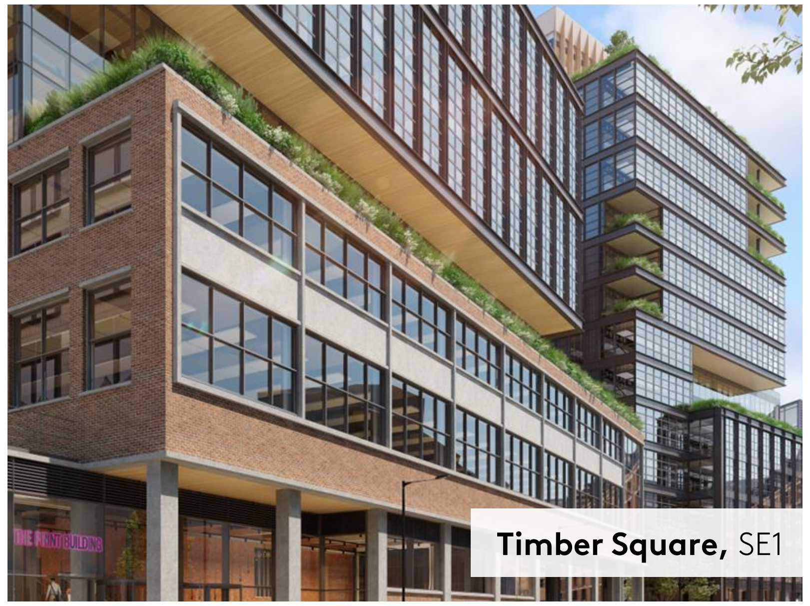
Developments completed in H1 2023


n2, SW1


Lucent, W1

n2, SW1	Lucent, W1
165,000 sq ft	144,000 sq ft
Targeting BREEAM Outstanding & WELL Core Gold	Targeting BREEAM Outstanding & WELL Core Gold
100% let or ISH with rents 11% ahead of initial ERV	99% let or ISH with rents 16% ahead of initial ERV
£209m TDC; c. 20% profit on cost	£266m TDC; c. 10% profit on cost

Newly committed in H1 2023 for completion in H2 2025


Timber Square, SE1


Thirty High, SW1

Timber Square, SE1	Thirty High, SW1
376,000 sq ft	299,000 sq ft
Targeting BREEAM Outstanding, WELL Core Platinum & NABERS 5*	Targeting BREEAM Outstanding, WELL Core Gold & NABERS 5*
522kgCO_2e/sqm upfront embodied carbon	350kgCO_2e/sqm upfront embodied carbon
£408m TDC, with 7.3% gross yield on cost, 10%+ yield on new spend	£407m TDC, with 7.4% gross yield on cost, 13%+ yield on new spend

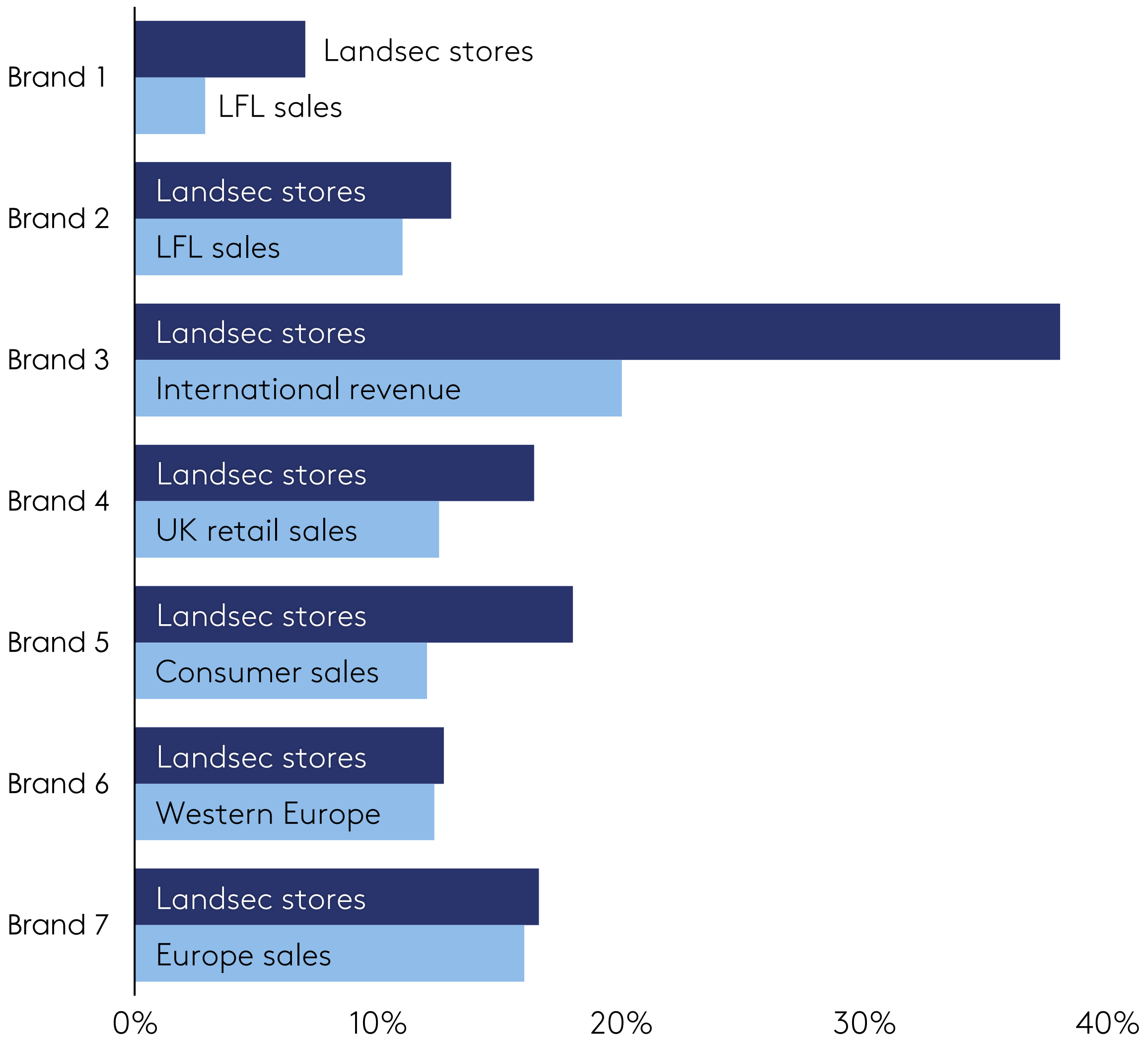
Major retail destinations

Continuing to benefit from focus of brands on best destinations

- Brands focused on omni-channel vs online / offline
- Online non-food sales down for 26 consecutive months[1] as in-store sales continue to grow
- Sales in our best-in-class locations continue to outperform brands' overall sales growth
- Brands focused on 'fewer, bigger, better' stores
- Catering for consumer demands for experience rather than convenience
- Secondary locations to remain challenged, as rationalisation of store portfolios continues

Landsec destinations outperform for key brands

Growth in brands' overall retail sales vs sales growth in Landsec stores[2]



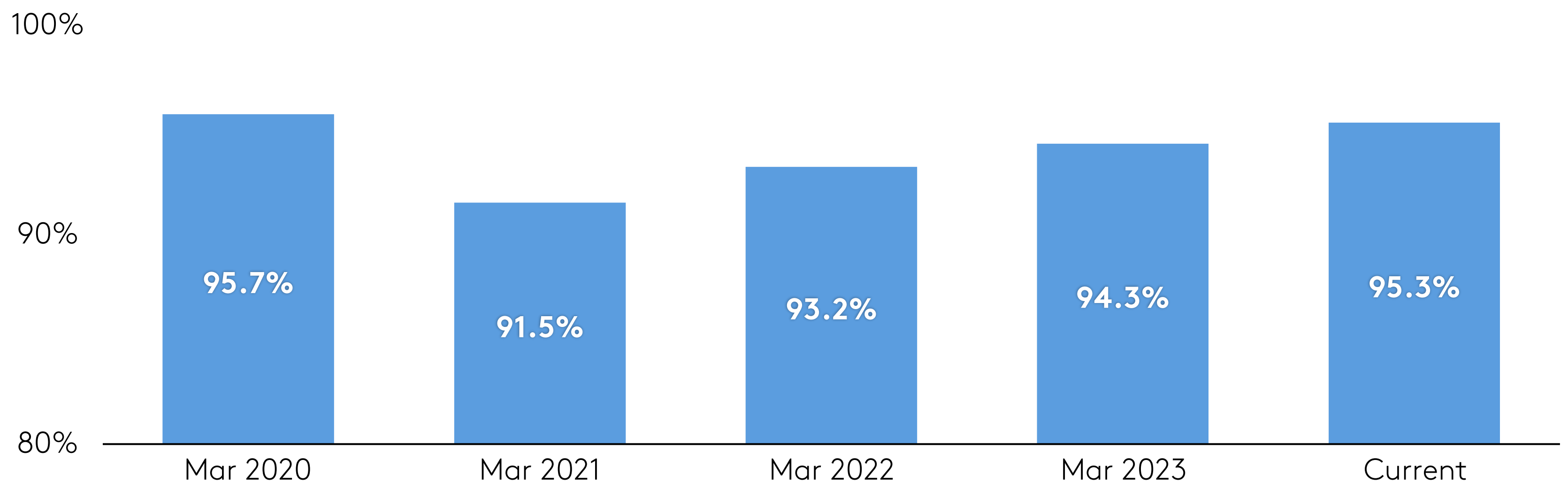
(1) Source: BRC
(2) Based on recent trading period consistent with individual brands' reporting periods

Major retail destinations

Growth in sales underpins further growth in occupancy and rents

- Total retail sales up 4.0% YoY, with LFL sales 5.4% above pre-pandemic levels
- Continue to benefit from 'flight to prime'
- £13m of lettings, in line with ERV
- £11m of lettings ISH, 14% ahead of ERV
- £4m of renewals 2% above previous passing rent
- Overall occupancy stable at half year, but up 100bps since period-end to 95.3%
- Rental values up 1.4% for six months, on track vs FY guidance of low to mid-single digit growth

Major retail destinations occupancy — continued growth over last three years



Shopping centre demand remains strong — last six months plus live deals

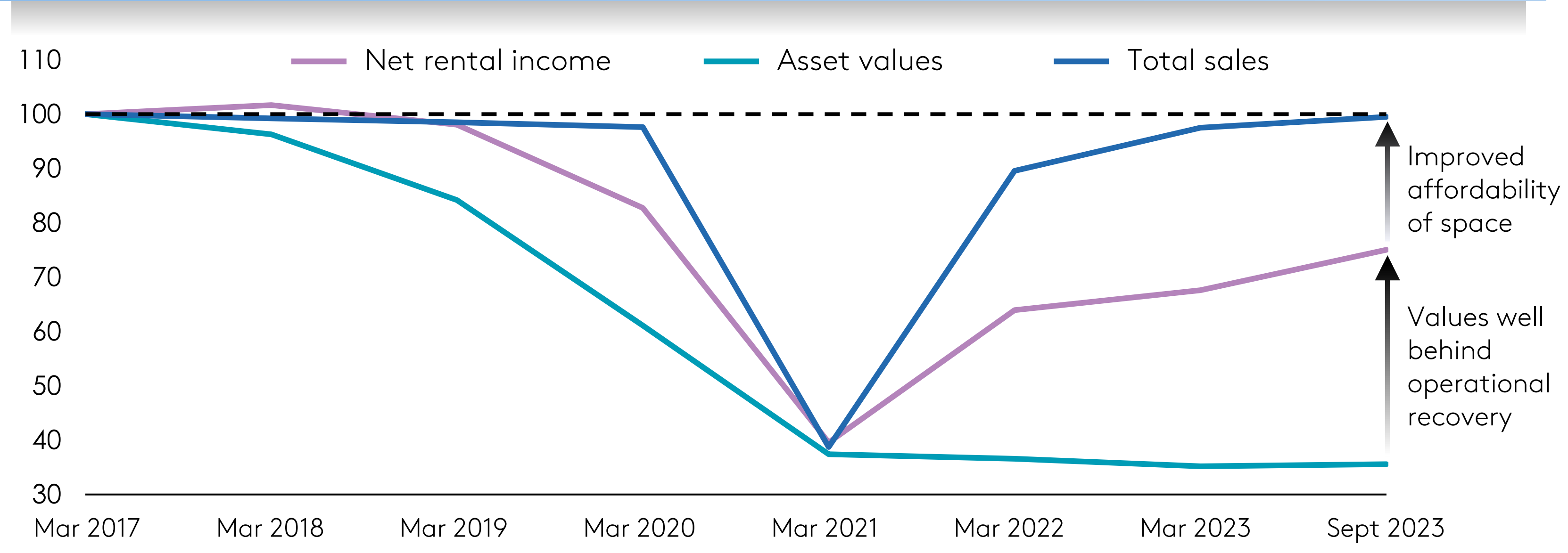
Upsizing		New brands		Existing customers, new locations		**Overall impact**
13 brands	+	25 brands	+	31 brands	=	**+253k** sq ft
Expanding from 65k to 104k sq ft (+60%)		Totalling 86k sq ft		Adding 128k sq ft		**4.1% of total space**

Major retail destinations

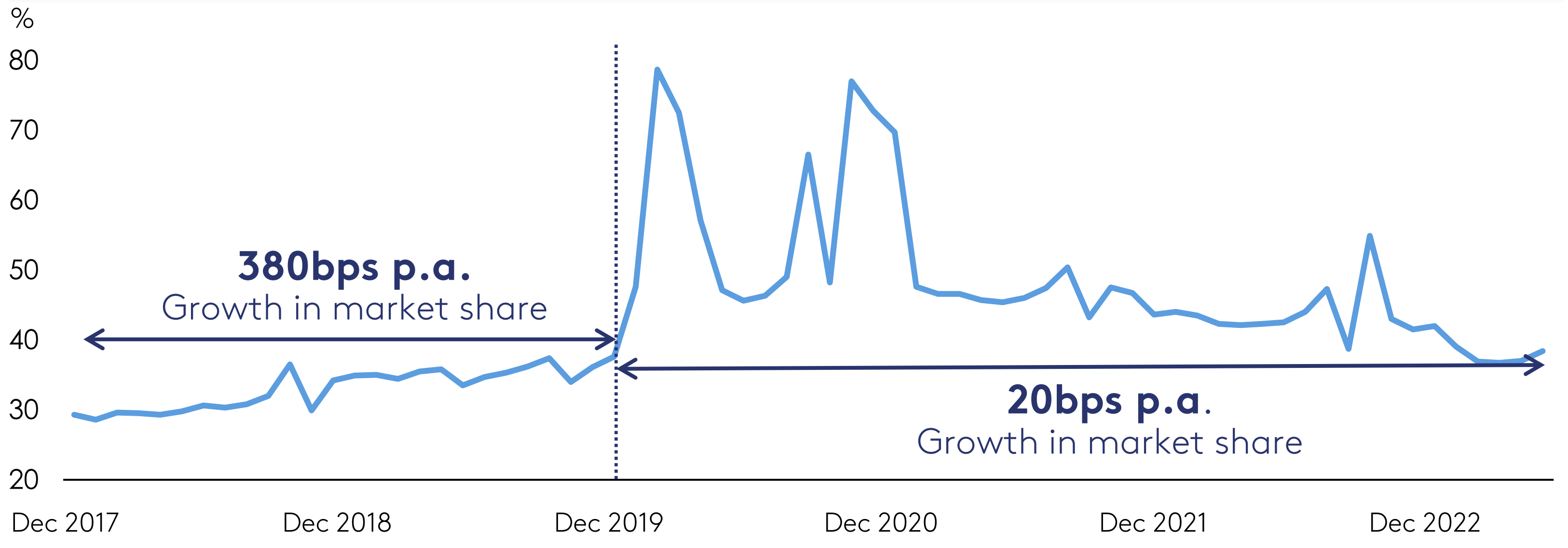
Potential to deliver high single / low double-digit returns

- Resilient returns driven by high c. 8% income yield
- Improved profitability for brands
- Valuations remain at peak Covid levels, despite normalisation in online / offline sales
- UK returns attractive in international context
- Selectively increased exposure in last two years
- Continue to explore opportunities to leverage growing platform value

Movement in shopping centre sales, valuation and rents — March 2017 = 100



Online market share of UK clothing sales before / after start of pandemic



Source: BRC-KPMG Retail Sales Monitor

Mixed-use urban neighbourhoods

Potential to create sustainable, thriving urban places

- Strategy built on structural trend of demographic growth, urbanisation and changing city life
- Driving long-term growth through creating thriving mixed-use places underpins broader portfolio
- Focus on high-growth urban areas
- Two near-term schemes with significant potential
- Medium-term pipeline of future opportunities
- Mindful of change in risk / return dynamics

24 acres

2.5m sq ft

1,500 homes

£800-950m TDC

2026-34 delivery

14 acres

1.4m sq ft

1,800 homes

£950-1,050m TDC

2027-35 delivery

Mixed-use urban neighbourhoods

Creating optionality for potential start of first two schemes next year

- Mayfield, Manchester
  - Secured detailed planning for first 330,000 sq ft of offices, with expected TDC of c. £180m
  - Target BREEAM Outstanding, WELL Platinum & NABERS 5*
- Finchley Road, Zone 2 London
  - Progressing planning workstreams following resolution to grant consent for 1,800 homes in March
  - Secured vacant possession on important part of phase 1
- Enhancing plans for Glasgow and Lewisham
  - Improve returns by retaining more of existing income
  - Deliver less carbon and less capital-intensive interventions

Mayfield
Manchester

Finchley Road
NW3

Financial review

Vanessa Simms

CHIEF FINANCIAL OFFICER

Landsec

Financial summary

Strong capital base underpins resilience of earnings

	30 September 2023	30 September 2022	% change
Gross rental income[1]	**£323m**	£325m	▽ 0.6%
EPRA earnings[1]	**£198m**	£197m	△ 0.5%
EPRA earnings per share[1]	**26.7p**	26.6p	△ 0.4%
Dividend per share	**18.2p**	17.6p	△ 3.4%
Total return on equity	**-2.4%**	-2.9%	△ 0.5%
	30 September 2023	31 March 2023	
EPRA net tangible assets per share	**893p**	936p	▽ 4.6%
Gross asset value[1]	**£10,146m**	£10,239m	▽ 0.9%
Group LTV[1]	**34.4%**	31.7%	△ 2.7pp
Net debt/EBITDA (period-end)	**7.2x**	7.0x	△ 0.2x

(1) Including our proportionate share of subsidiaries and joint ventures

EPRA EPS up 0.4%

Stable earnings despite deleveraging, in line with full-year guidance

- Rental income broadly stable despite deleveraging
- Efficiency improvements offset high inflation
  - Direct property expenditure down
  - Administrative expenses down
- Operating profit up 3.0%
- EPRA EPS stable, in line with guidance
- Dividend up 3.4% to 18.2p, in line with guidance

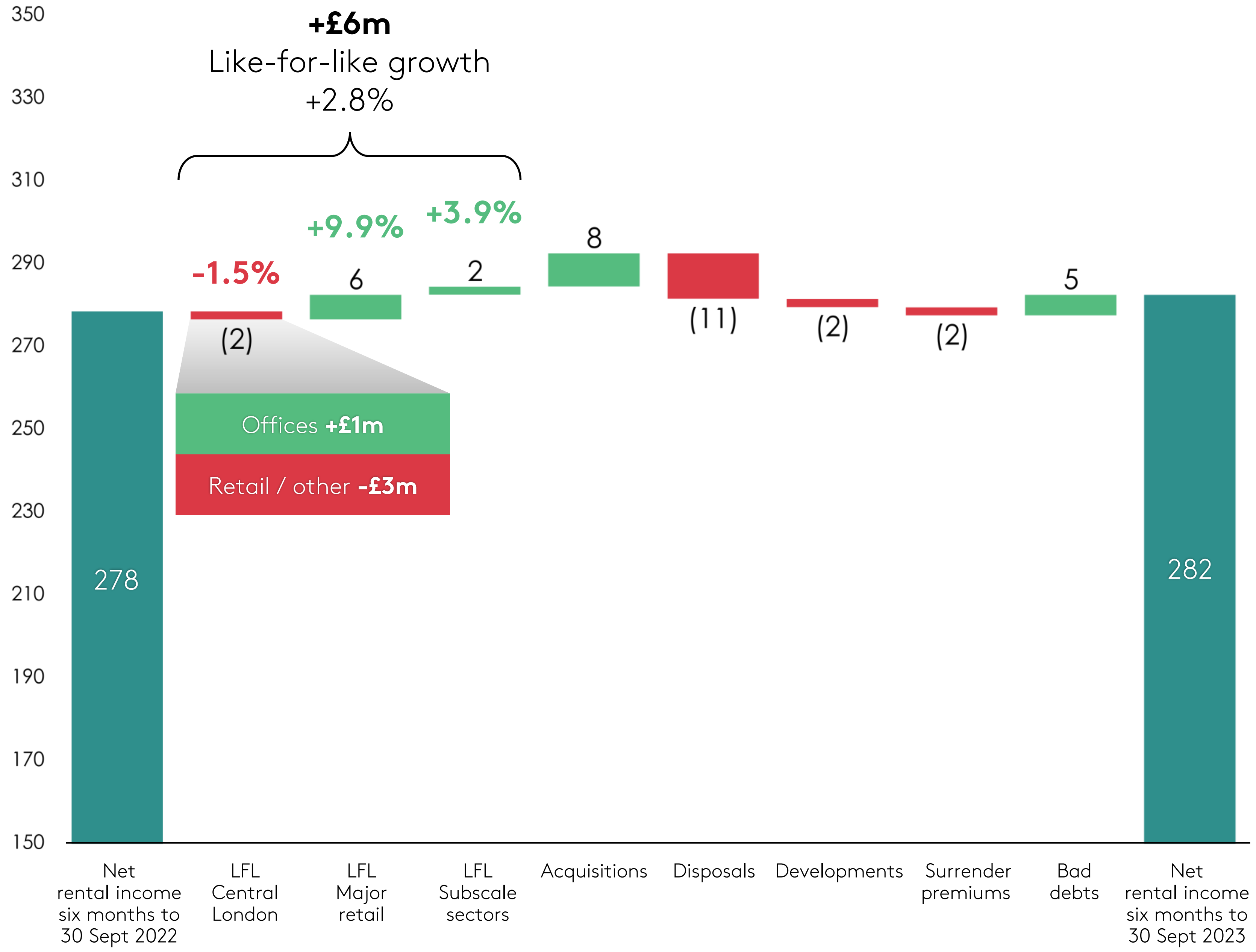
	30 September 2023	30 September 2022
	£m	£m
Gross rental income	**323**	325
Net service charge	**(10)**	(9)
Direct property expenditure	**(36)**	(38)
Bad debt	**5**	-
Net rental income	**282**	**278**
Administrative expenses	**(38)**	(41)
Operating profit	**244**	**237**
Finance expense	**(46)**	(40)
EPRA earnings	**198**	197
EPRA EPS (pence)	**26.7p**	26.6p
EPRA cost ratio (%)	**23.0%**	26.2%

Like-for-like net rental income up 2.8%

Growth driven by net income growth in major retail

- Central London offices +0.8%, offset by reduction in variable income in retail / other
- Major retail +9.9%, driven by growth in income and significant margin improvement
- Uplift on renewals in retail turned positive
- Subscale sectors +3.9%, driven by hotels
- Recent development completions to start contributing to income in second half

Movement in net rental income (£m)

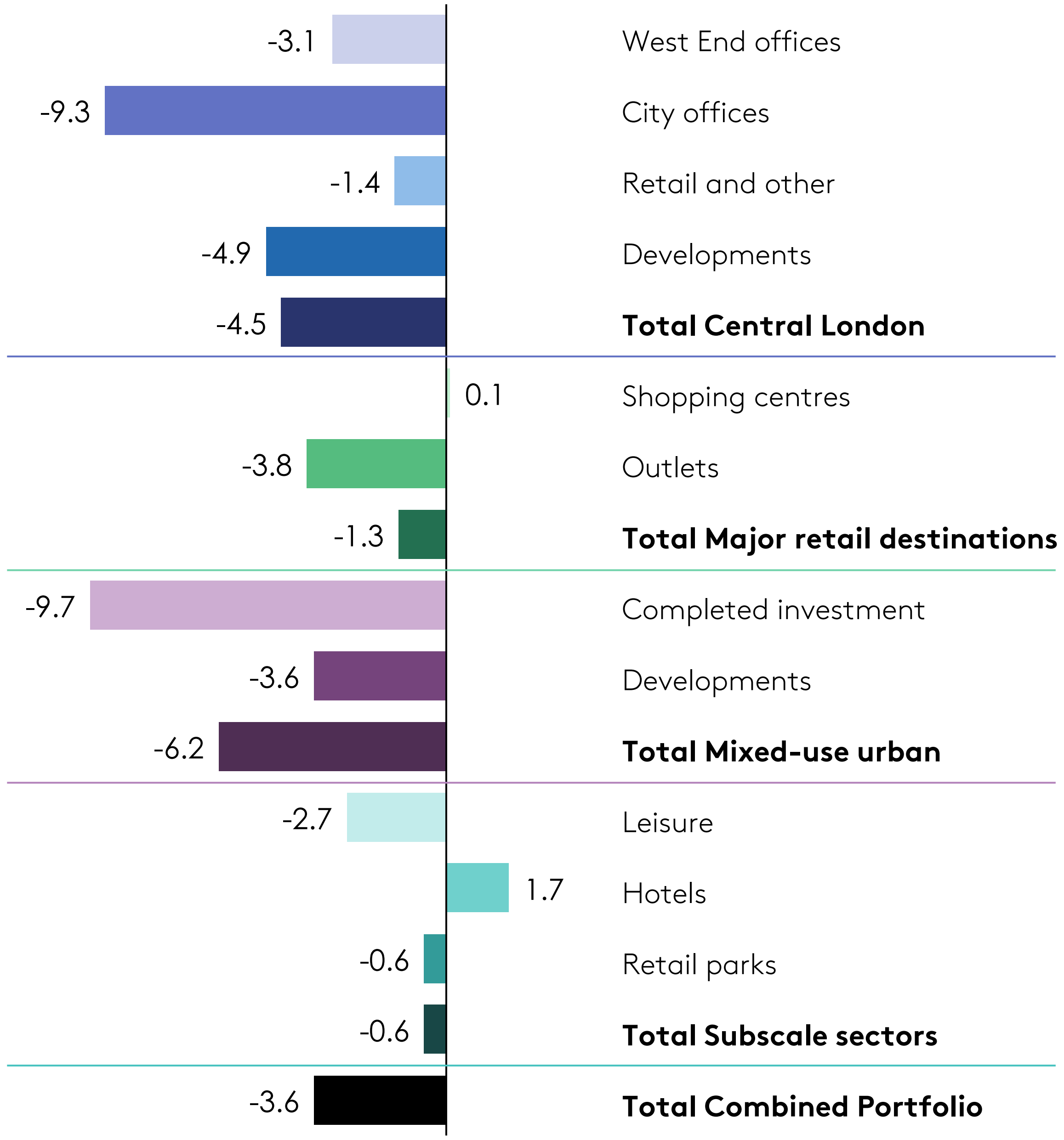


Strong demand for best space drives 2.5% ERV growth

Valuation yields up 29bps as interest rates rise

	Valuation as at 30 September 2023	Surplus / (deficit)	Equivalent yield	LFL equivalent yield movement	LFL ERV movement
	£m	%	%	bps	%
West End offices	2,578	(3.1)	5.4	31	4.7
City offices	1,221	(9.3)	5.8	51	1.0
Retail and other	1,039	(1.4)	4.9	22	3.4
Developments	1,364	(4.9)	5.0	-	n/a
Total Central London	**6,202**	**(4.5)**	**5.3**	**33**	**3.3**
Shopping centres	1,206	0.1	8.1	13	1.6
Outlets	665	(3.8)	7.4	20	0.9
Total Major retail destinations	**1,871**	**(1.3)**	**7.8**	**16**	**1.4**
Completed investment	355	(9.7)	6.8	52	0.6
Developments	473	(3.6)	5.8	-	n/a
Total Mixed-use urban	**828**	**(6.2)**	**6.1**	**52**	**0.6**
Leisure	424	(2.7)	8.7	17	1.8
Hotels	404	1.7	6.7	5	5.2
Retail parks	417	(0.6)	6.6	21	0.8
Total Subscale sectors	**1,245**	**(0.6)**	**7.3**	**13**	**2.4**
Total Combined Portfolio	**10,146**	**(3.6)**	**6.1**	**29**	**2.5**

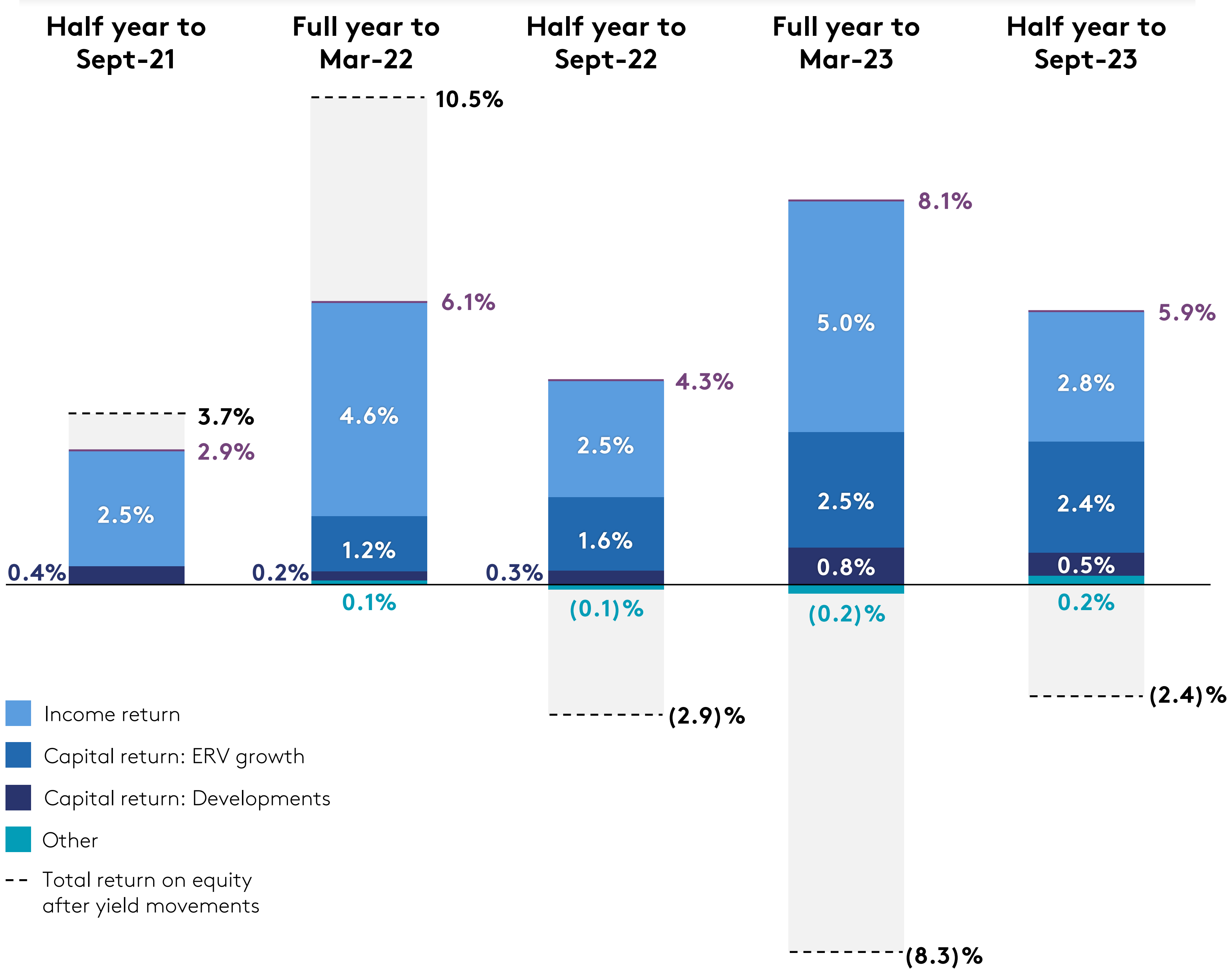
Valuation surplus / (deficit) % — H1 23/24



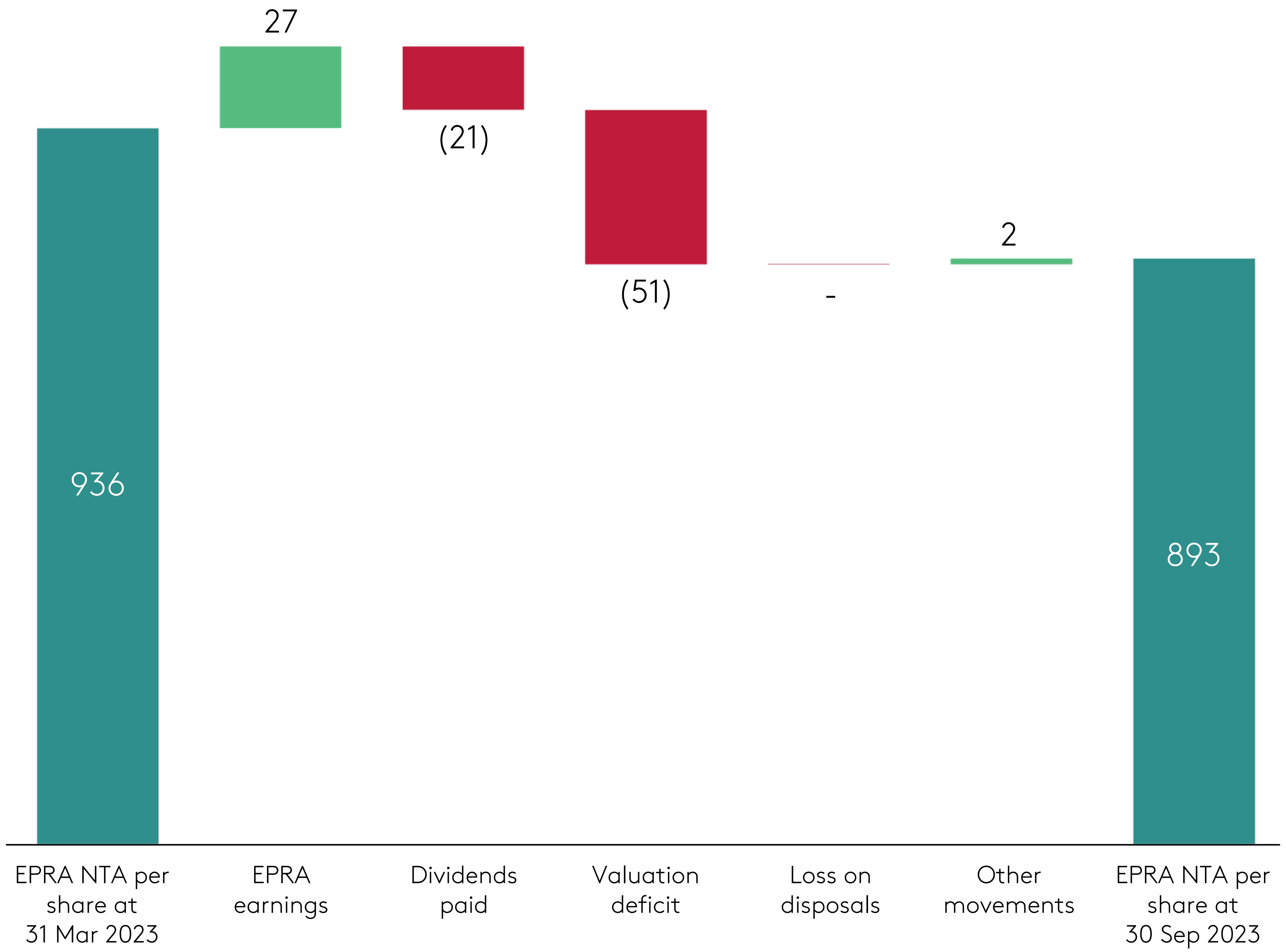
Total return on equity improved to -2.4%

Rise in valuation yields offsets positive underlying returns

Total return on equity



Movement in EPRA NTA per share (pps)



Remaining decisive in capital allocation

Actions based on clear view on risk / return expectations

- Manage balance sheet through the cycle
- Sold £85m of smaller retail / non-core assets to date, on average 6% above March book value
- Total disposals since late 2020 of £2.5bn, with aim to recycle further capital in next six months
- Focusing investment on where we have competitive advantage and can deliver accretive returns
- Started two new Central London developments with yield on incremental spend of c. 12%
- Selective opportunities in best-in-class retail to deliver high single / low double-digit returns

Examples of recent activity

SOLD

21 Moorfields, EC2

ACQUIRED

St Davids, Cardiff

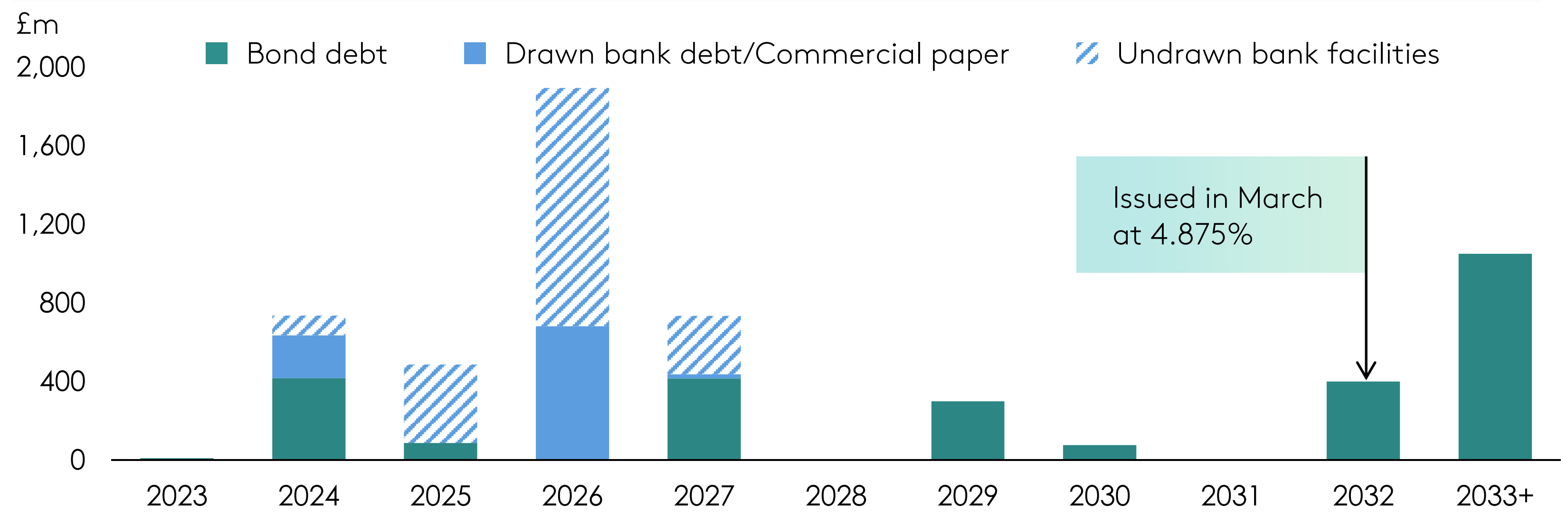
COMPLETED

Lucent, W1

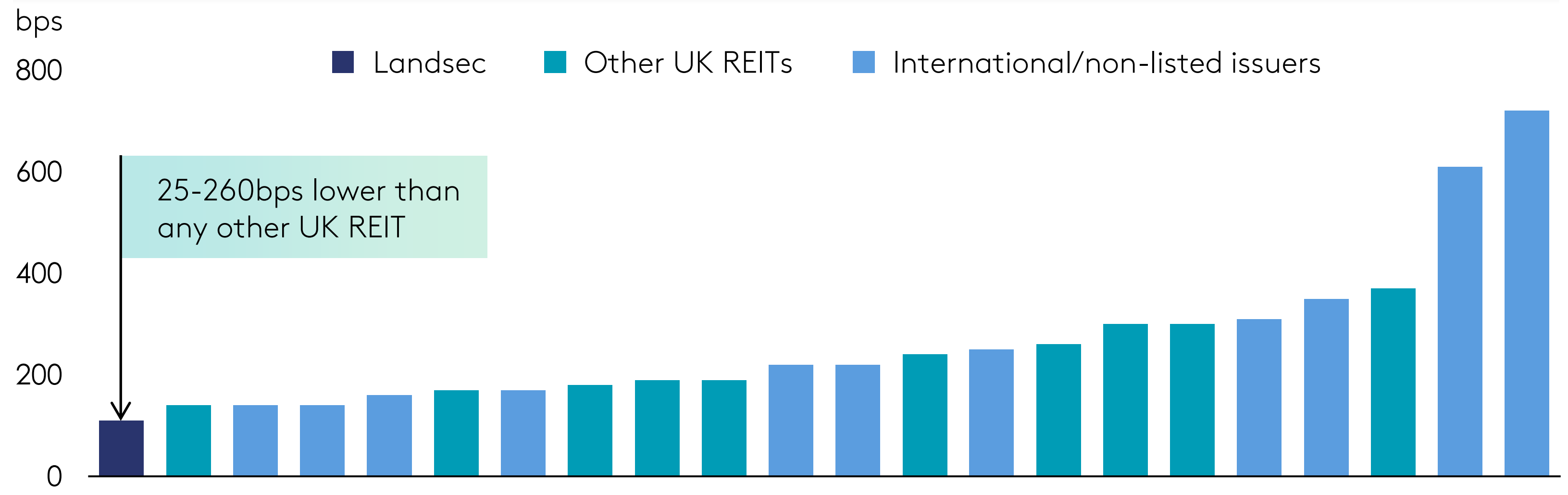
Balance sheet remains sector-leading

Low net debt / EBITDA and long average debt maturity

No need to refinance any debt until 2026 — debt maturity by calendar year[1]



Lowest corporate bond credit spread in Sterling real estate market (bps)



	30 September 2023	31 March 2023
Adjusted net debt	**£3,524m**	£3,287m
Group LTV	**34.4%**	31.7%
Net debt / EBITDA (period-end)	**7.2x**	7.0x
Net debt / EBITDA (weighted average)	**6.9x**	8.0x
Interest cover ratio	**4.2x**	4.5x
Average debt maturity(years)	**9.3**	10.3
Weighted average cost of debt (2)	**3.3%**	2.7%
Percentage of debt fixed (period-end)	**92%**	100%
Cash & undrawn facilities	**£2,127m**	£2,386m
Credit rating	**AA/AA-**	AA/AA-

(1) Commercial Paper maturity date refers to the maturity date of bank facility which is reserved against it

(2) Including amortisation and commitment fees; excluding this weighted average cost is 3.1%

Growing return on equity and earnings yield

Portfolio and capital base positioned for growth

- Well placed for future growth following repositioning over last three years
- Maintain guidance of low to mid-single digit ERV growth in Central London / Major retail
- Reiterating guidance on EPRA EPS
  - Broadly stable vs last year's underlying 50.1p this year
  - Return to growth year after
- Dividend expected to grow by low-single digit percentage p.a. over next two years

Lucent, W1

Overview

Mark Allan

CHIEF EXECUTIVE OFFICER

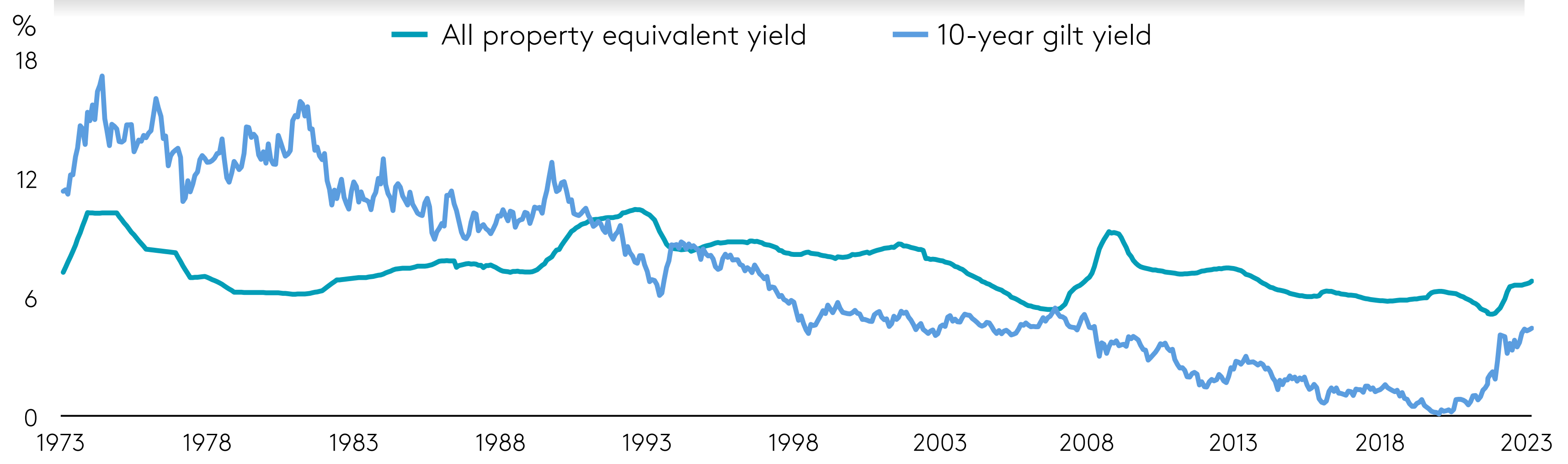
Landsec

Well-positioned for new market reality

Actively building on key competitive advantages

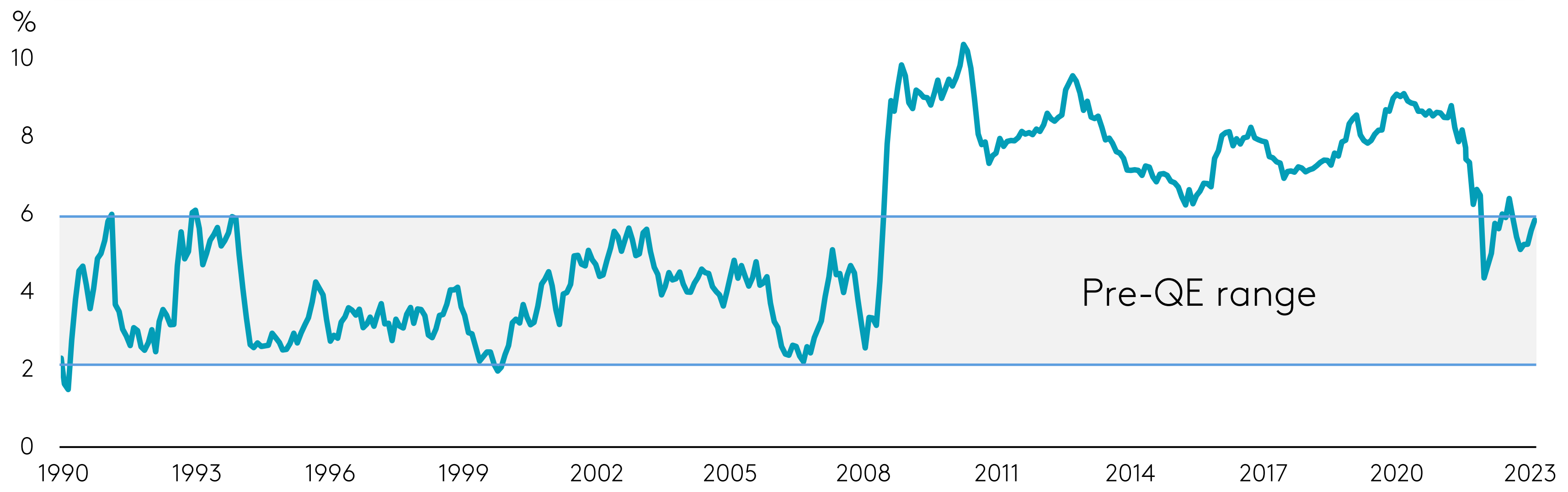
- Focus on driving performance and potential future opportunities to enhance growth
- Robust customer demand for best-in-class space
- Subdued investment activity expected to pick up in 2024
- Values for best assets which offer rental growth expected to start to stabilise in 2024
- Ex-growth secondary assets further to fall
- Portfolio quality and balance sheet remain key, as successful execution of strategy provides both

Long-term view — property yields vs 10-year gilt yields



Source: Bloomberg, MSCI

Risk premium — spread between All property yield and five-year real interest rates



Source: MSCI, Bloomberg

Our focus for the next 12 months

Capitalising on future growth potential

- Build further on strong operational momentum and improving growth prospects
- Monetise assets where we cannot add further value
- Capitalise on new opportunities
- Enhance optionality in future pipeline
- Leverage platform value to drive future growth

Gunwharf Quays
Portsmouth

Thank you for attending this meeting and have a safe onward journey.

Landsec

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