

# PRELIMINARY RESULTS

Year ended 31 March 2018



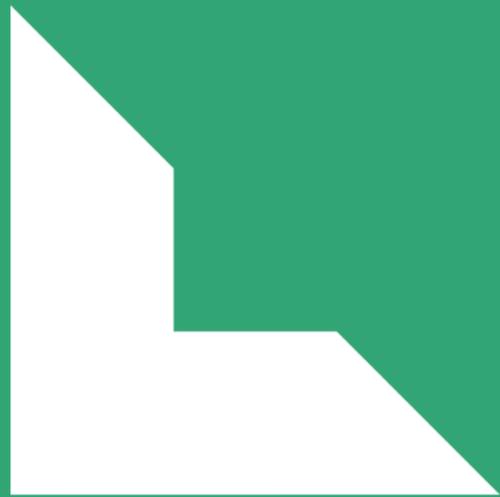
Landsec



# Introduction

Robert Noel

Chief Executive Officer



**Landsec**

# Agenda

Introduction

Robert Noel

Financial results

Martin Greenslade

London Portfolio

Colette O'Shea

Retail Portfolio

Scott Parsons

Outlook

Robert Noel



## Optionality for a range of conditions

### Anticipating markets

- Speculative development programme complete
- Healthy investment and leasing volumes in London
- Low investment volumes in retail and weaker leasing in retail markets
- Optionality into practice
  - Committed to 21 Moorfields
  - Sold 20 Fenchurch Street
  - Acquired outlets



# Customer

## Fast changing customer landscape

- Office occupiers driven by efficiency and flexibility
- Retailers facing profound change in shopping habits
- Delivering relevant product
  - Westgate Oxford
  - 21 Moorfields
  - Densification of suburban assets



Westgate Oxford



21 Moorfields, EC2



O2 centre, NW3

## Efficiency

### Focused on NAV per share and EPS

- Sale of 20 Fenchurch Street combined with capital return
- Further reduced cost of debt and increased duration
- Positioned to grow earnings through development and acquisition



# Sustainability

## Customers, communities, employees and partners

- Relevant product
- Economic impact
- Social impact
- Environmental impact

Building trust

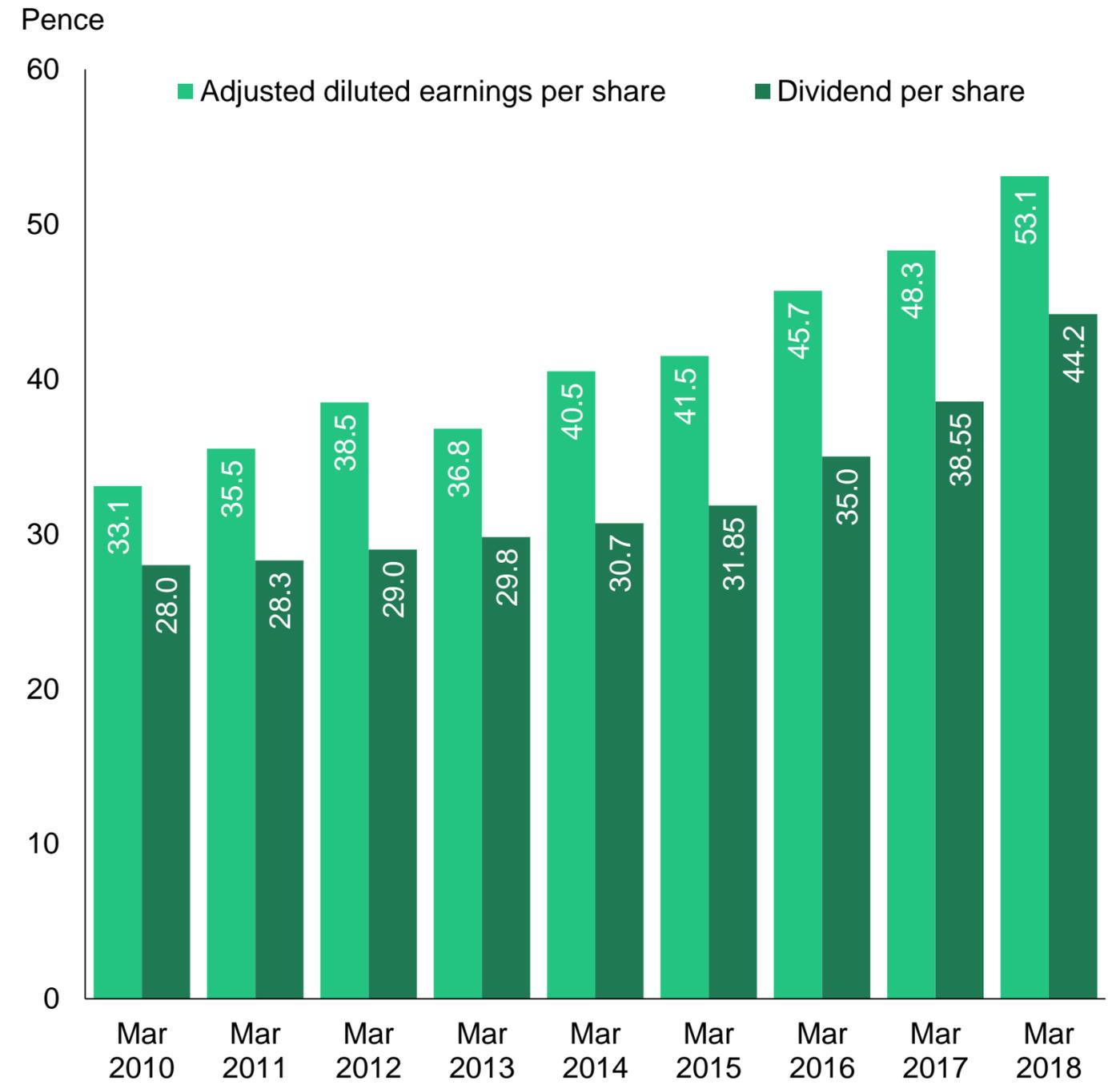
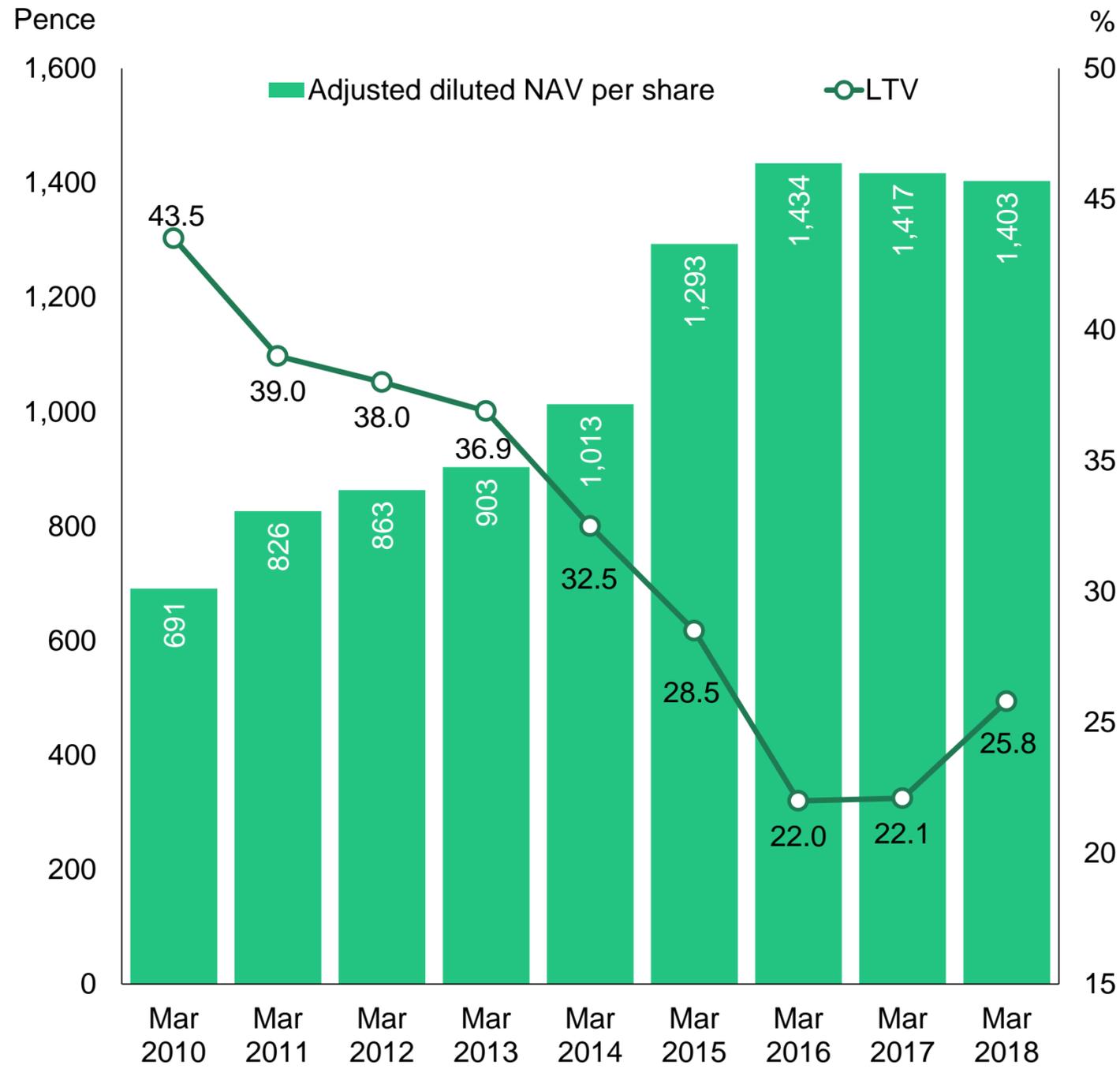


Landsec's Construction Academy, HMP Brixton



Trinity, Leeds

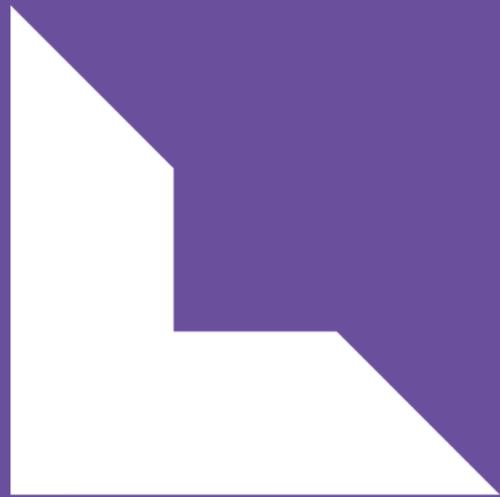
# Actions translating into results



# Financial results

Martin Greenslade

Chief Financial Officer



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# Financial summary

Year ended 31 Mar 17		Year ended 31 Mar 18	Change
			%
£382m	Revenue profit <sup>(1)</sup>	£406m	6.3
£(147)m	Valuation deficit <sup>(1)</sup>	£(91)m	-0.7 <sup>(2)</sup>
£112m	(Loss) / profit before tax	£(251)m	
48.3p	Adjusted diluted earnings per share <sup>(1)</sup>	53.1p	9.9
1,417p	Adjusted diluted net assets per share	1,403p	-1.0
38.55p	Dividend per share	44.2p	14.7

(1) On a proportionate basis

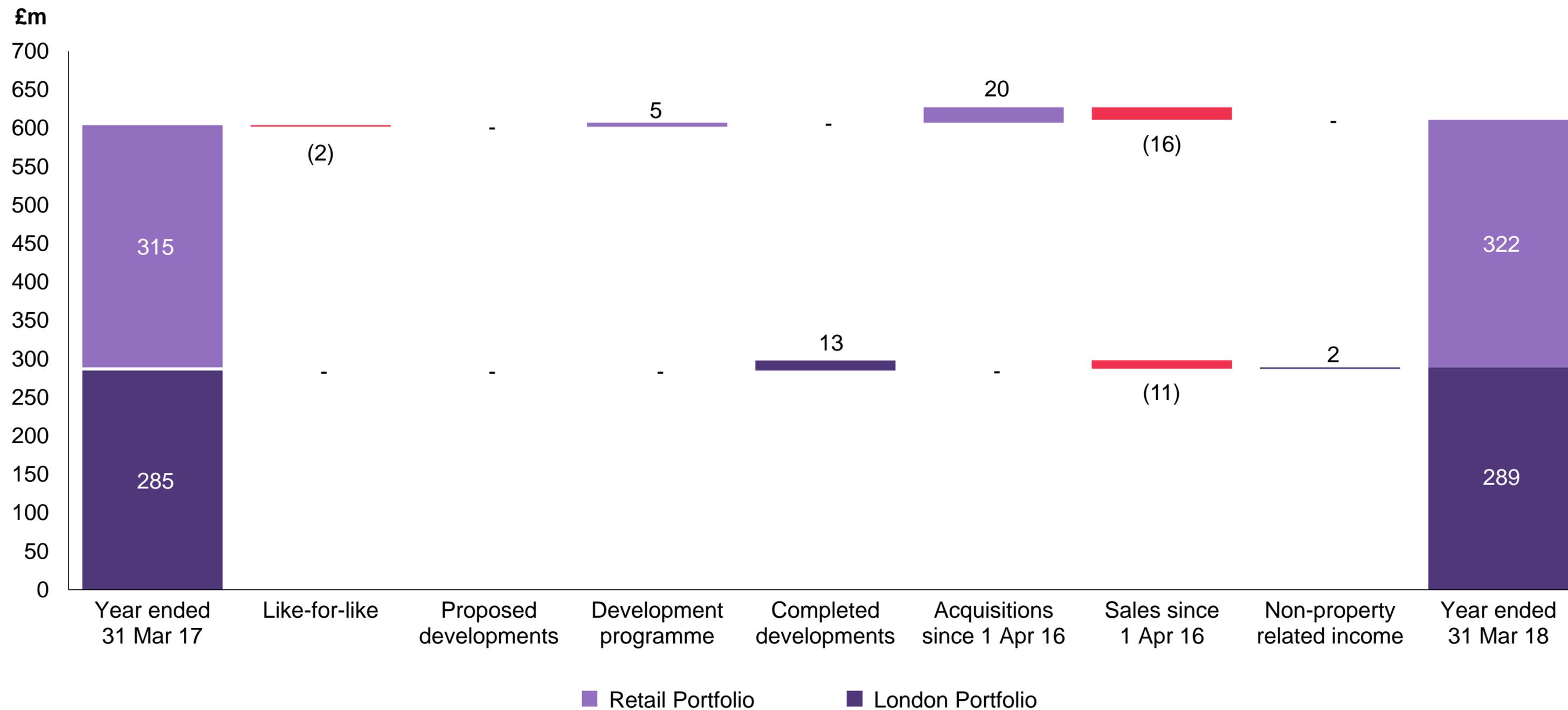
(2) The percentage change for the valuation deficit represents the fall in value of the Combined Portfolio over the year, adjusted for net investment

# Revenue profit

	Year ended 31 Mar 18	Year ended 31 Mar 17	Change
	£m	£m	£m
Gross rental income <sup>(1)</sup>	661	637	24
Net service charge expense	(11)	(5)	(6)
Net direct property expenditure	(39)	(32)	(7)
<b>Net rental income</b>	<b>611</b>	<b>600</b>	<b>11</b>
Indirect costs	(39)	(39)	-
<b>Segment profit before finance expense</b>	<b>572</b>	<b>561</b>	<b>11</b>
Net unallocated expenses	(43)	(40)	(3)
Net finance expense	(123)	(139)	16
<b>Revenue profit</b>	<b>406</b>	<b>382</b>	<b>24</b>

(1) Includes finance lease interest, after rents payable

# Net rental income analysis

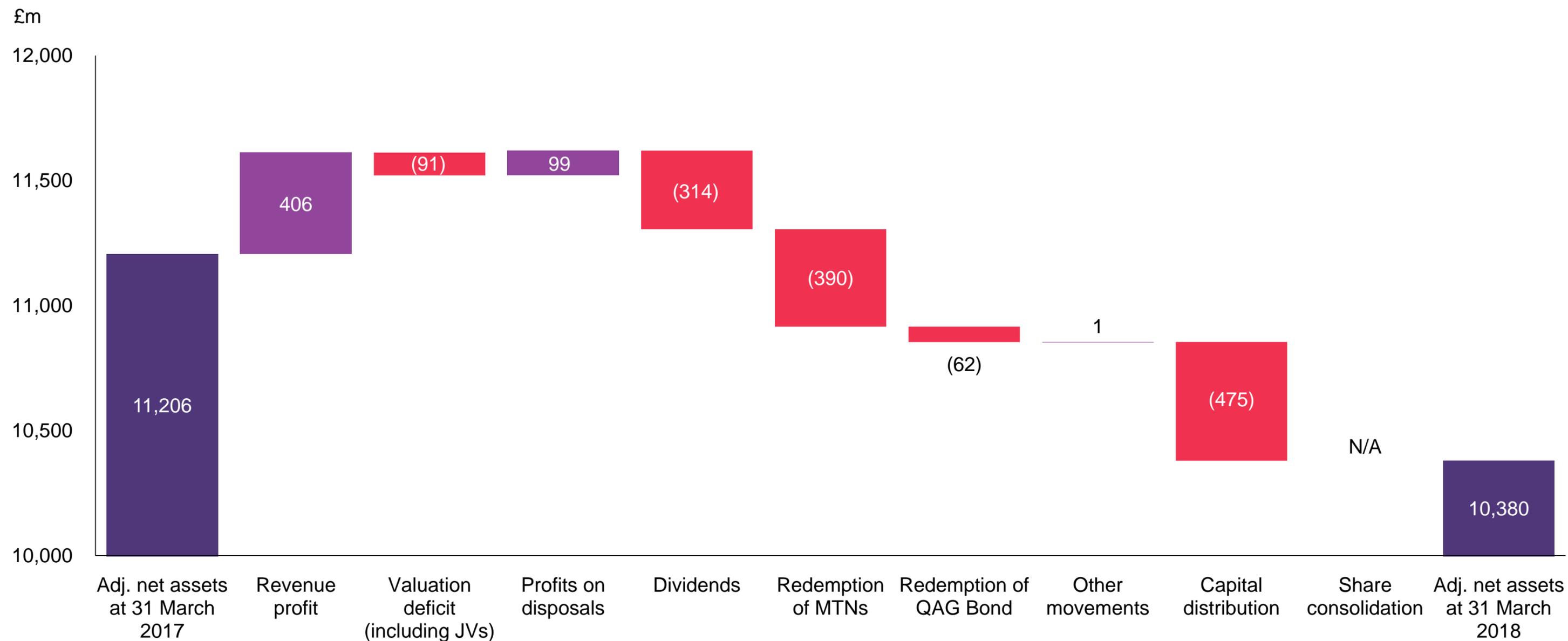


# Combined Portfolio valuation

	Market value at 31 Mar 18	Combined Portfolio by value		Valuation deficit year to 31 Mar 18
	£m	%	%	£m
Like-for-like	11,500	81.5	-1.5	(169)
Development programme	447	3.2	18.3	68
Completed developments	1,816	12.9	1.0	17
Acquisitions	340	2.4	-1.9	(7)
<b>Total Combined Portfolio</b>	<b>14,103</b>	<b>100.0</b>	<b>-0.7</b>	<b>(91)</b>

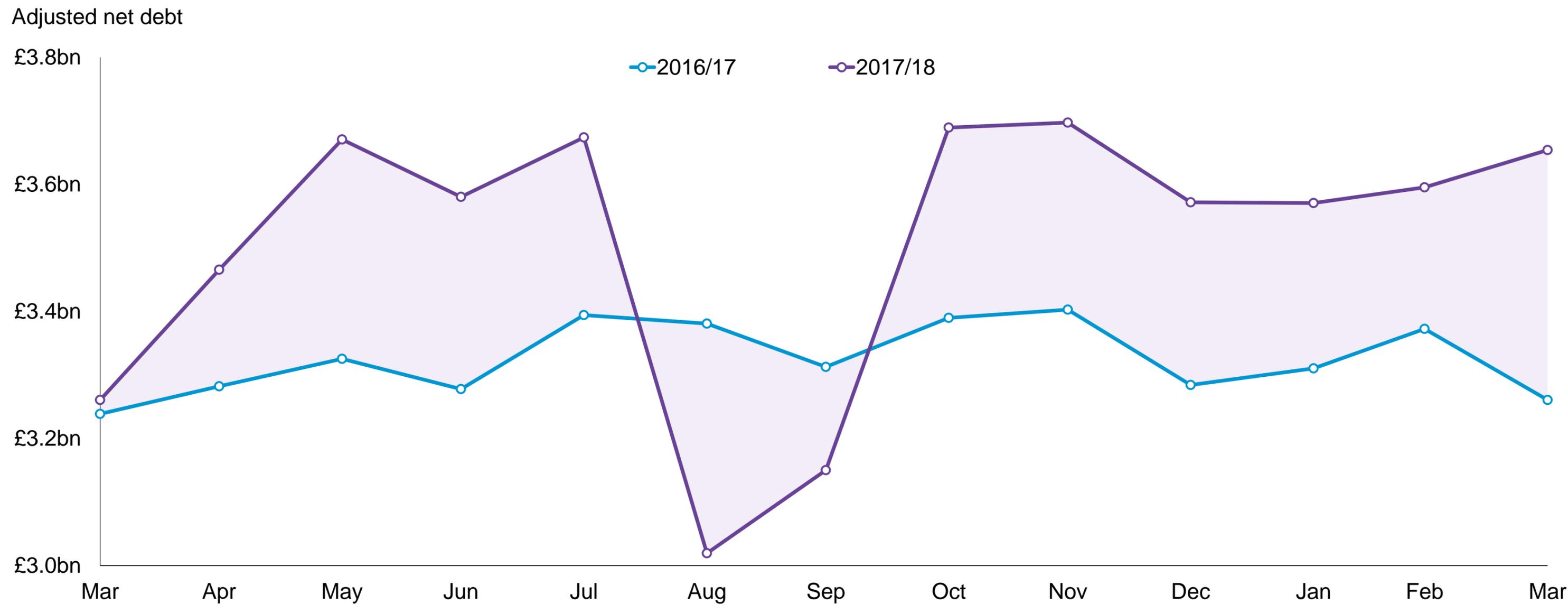
# Movement in adjusted net assets

Pence per share										
1,417p	53p	(12)p	13p	(40)p	(51)p	(8)p	0p	(60)p	91p	1,403p



# Adjusted net debt<sup>(1)</sup>

## Year-on-year comparison by month



(1) On a proportionate basis

## Financing

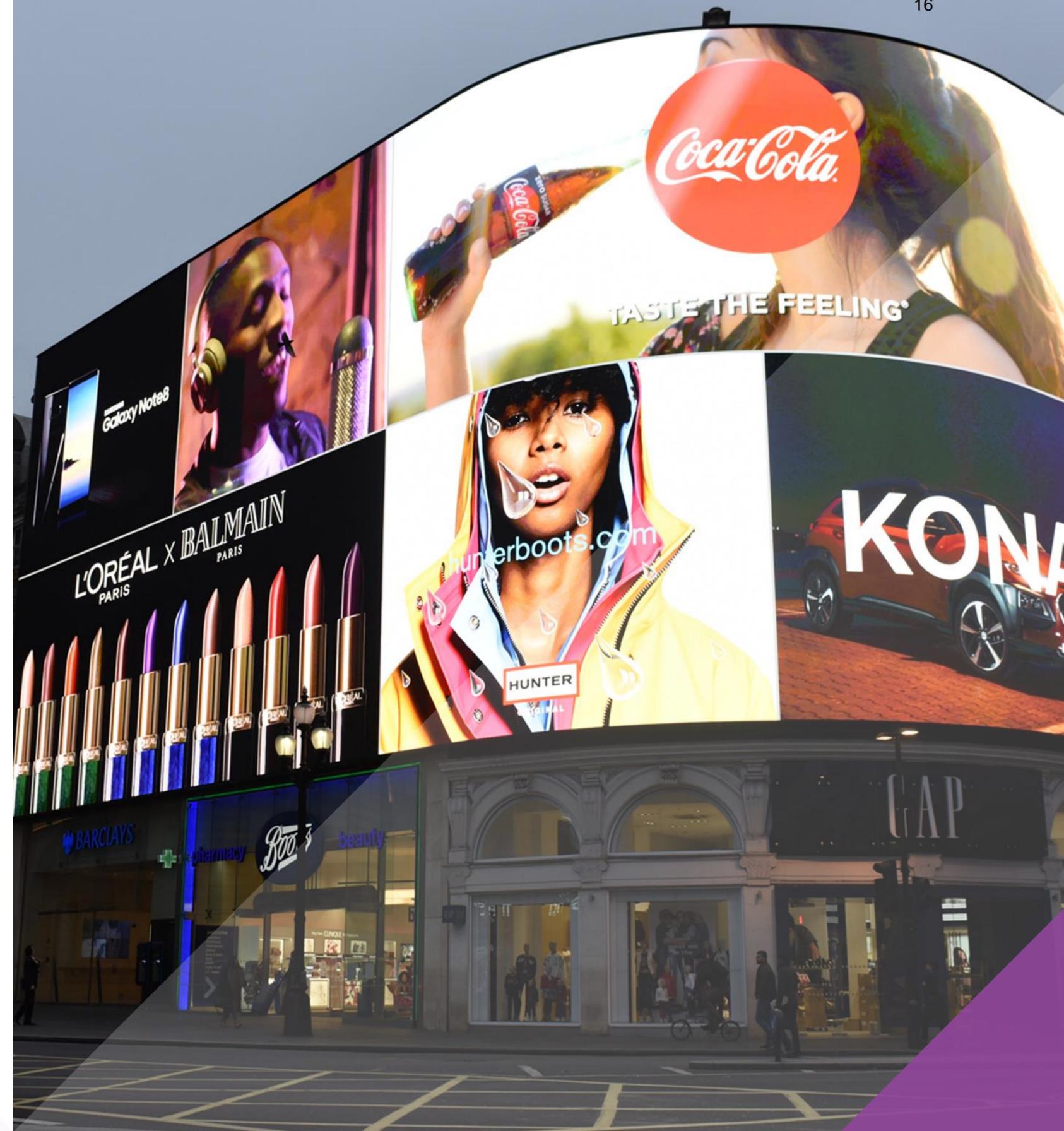
- Group LTV<sup>(1)</sup> at 25.8% up from 22.2% at 31 March 2017
- Weighted average maturity of debt extended to 13.1 years
- Weighted average cost of debt reduced to 2.6%
- £1.1bn cash and available facilities

Debt and gearing	31 Mar 18	31 Mar 17
Adjusted net debt <sup>(1)</sup>	£3,652m	£3,261m
Weighted average maturity	13.1 years	9.4 years
Weighted average cost	2.6%	4.2%
Group LTV <sup>(1)</sup>	25.8%	22.2%
Security Group LTV	27.2%	28.3%

(1) On a proportionate basis

## Financial summary

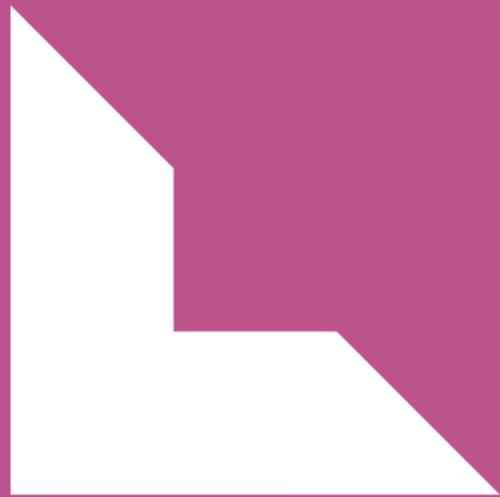
- Increased earnings
- Large dividend increase
- Active balance sheet management
  - Opportunistic sales and acquisitions
  - £1.5bn of bonds repurchased
  - £475m return of capital
- Financial flexibility



# London Portfolio

Colette O'Shea

Managing Director



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## A strong year with plenty of future opportunity

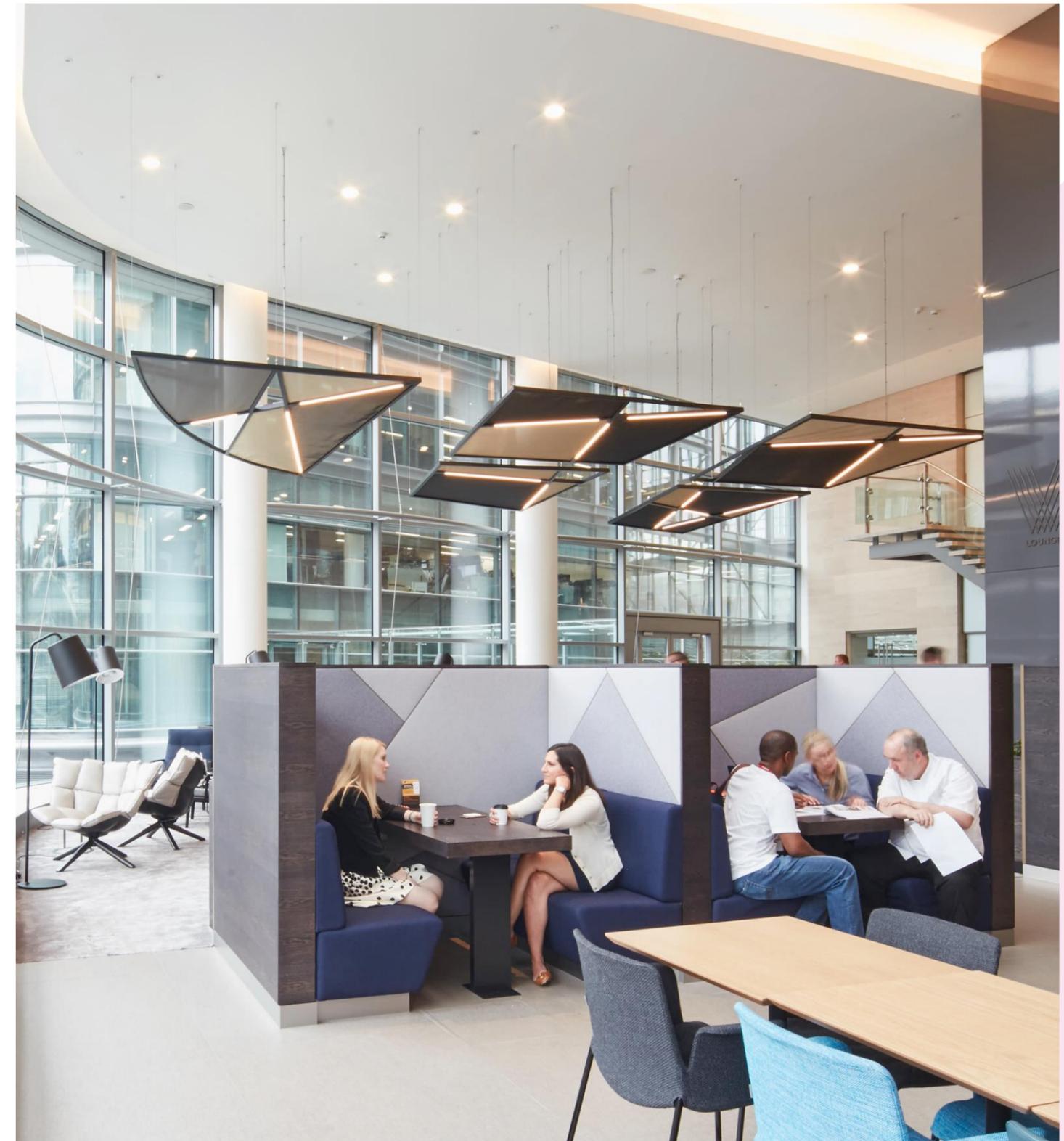
- £45m of development lettings
  - Sold 20 Fenchurch Street for record price
  - Finished letting 3m sq ft speculative development programme
- Progressing a 1.4m sq ft pipeline of development opportunities of which 40% is already pre-let and on-site



Nova, SW1

## Occupational market

- Rise in vacancy rate to 4.8%
- Take-up of 14m sq ft over the financial year, up 15% on 2016/2017 and higher than the 10-year average
- Serviced office sector accounted for 17% of total take-up during the financial year versus a 10-year average of 5%
- 3% of portfolio let to serviced office occupiers
- Second-hand space supply in March 2018 at highest level since Q1 2012



80 Victoria Street, SW1

## Our offices in demand

- Voids down to 2%
- 3m sq ft speculative development programme complete
  - Average rent of £68 per sq ft
  - 32% of rent subject to fixed uplifts
  - Average lease term of 16 years
  - Average rent free of 25 months
- Pre-let minimum of 469,000 sq ft at 21 Moorfields



## Investment market

- London remains a destination of choice
- Prime rents declined in some submarkets, but offset by tightening yields
- Strong demand, investment volumes reached £14bn in the financial year, 7% above the 10-year average
- Demand remains underpinned by foreign buyers
- Sold 20 Fenchurch Street at yield 3.4%
- Portfolio valuations held up
- Continued bifurcation of the market



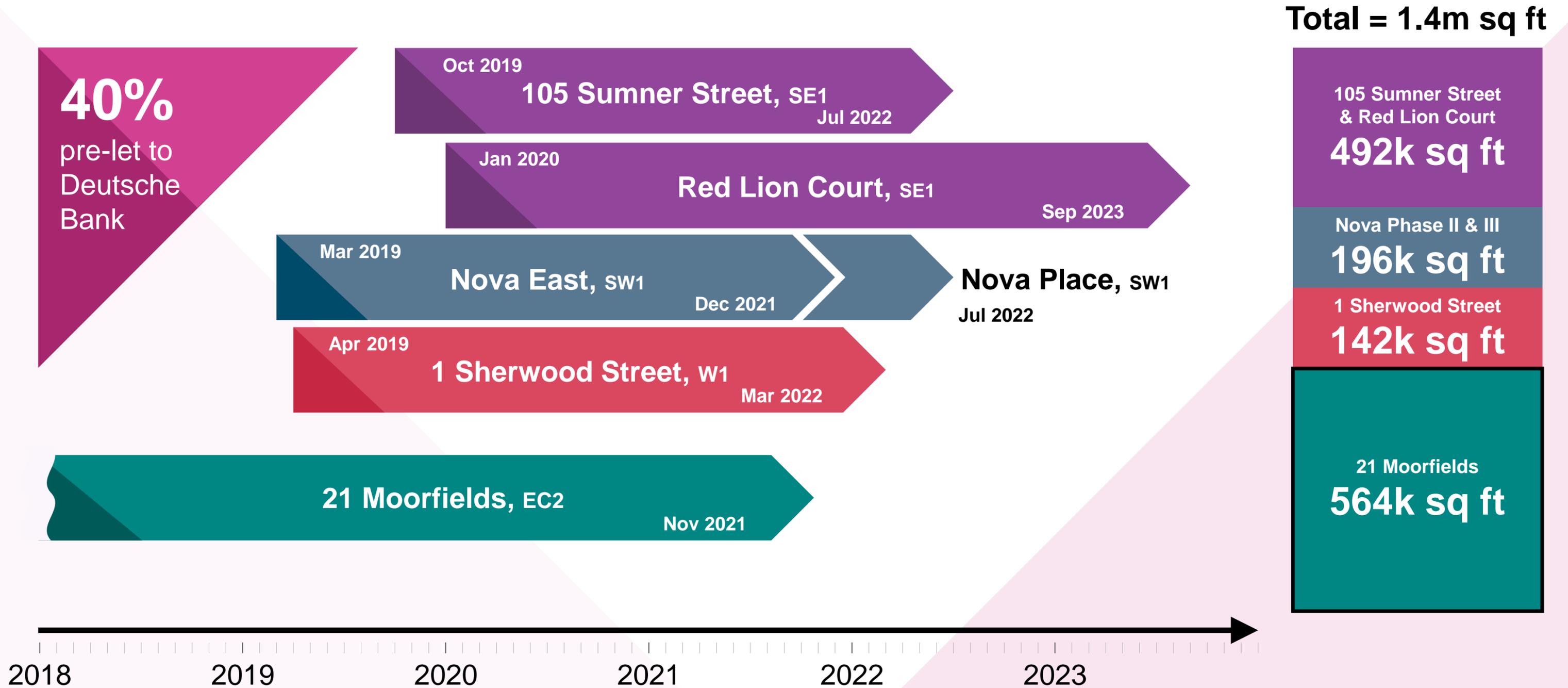
## Development activity

### Readying the next phase of development

- Achieved £45m of development lettings
  - Nova 97% let, average rent of £75 per sq ft and average lease term of 14 years
  - Pre-let to Deutsche Bank
- Continued work on a 1.4m sq ft pipeline of development opportunities
  - 564,000 sq ft at 21 Moorfields
  - 800,000 sq ft in Victoria, Soho and Southwark
- Represents over half the 2010 speculative development programme (our share)



# Pipeline of development opportunities



Note: Earliest start on-site dates

## 21 Moorfields

### Building on a strong partnership

- 1.9 acre development sitting above Liverpool Street Crossrail Station
- Planning consent secured
- TfL enabling works finished
- On track to complete piling in March 2019
- Projected TDC of £583m and net ERV of £38m



## Nova East

### Continuing our success at Nova

- Focused on Nova East, the second phase of Nova
- 14 storey office building of 137,000 sq ft with 12,000 sq ft floorplates that sits behind Victoria Palace Theatre
- The scheme will open up a route through the Victoria estate
- Working towards a start on-site date of March 2019
- Potential later second building of 59,000 sq ft beside the theatre

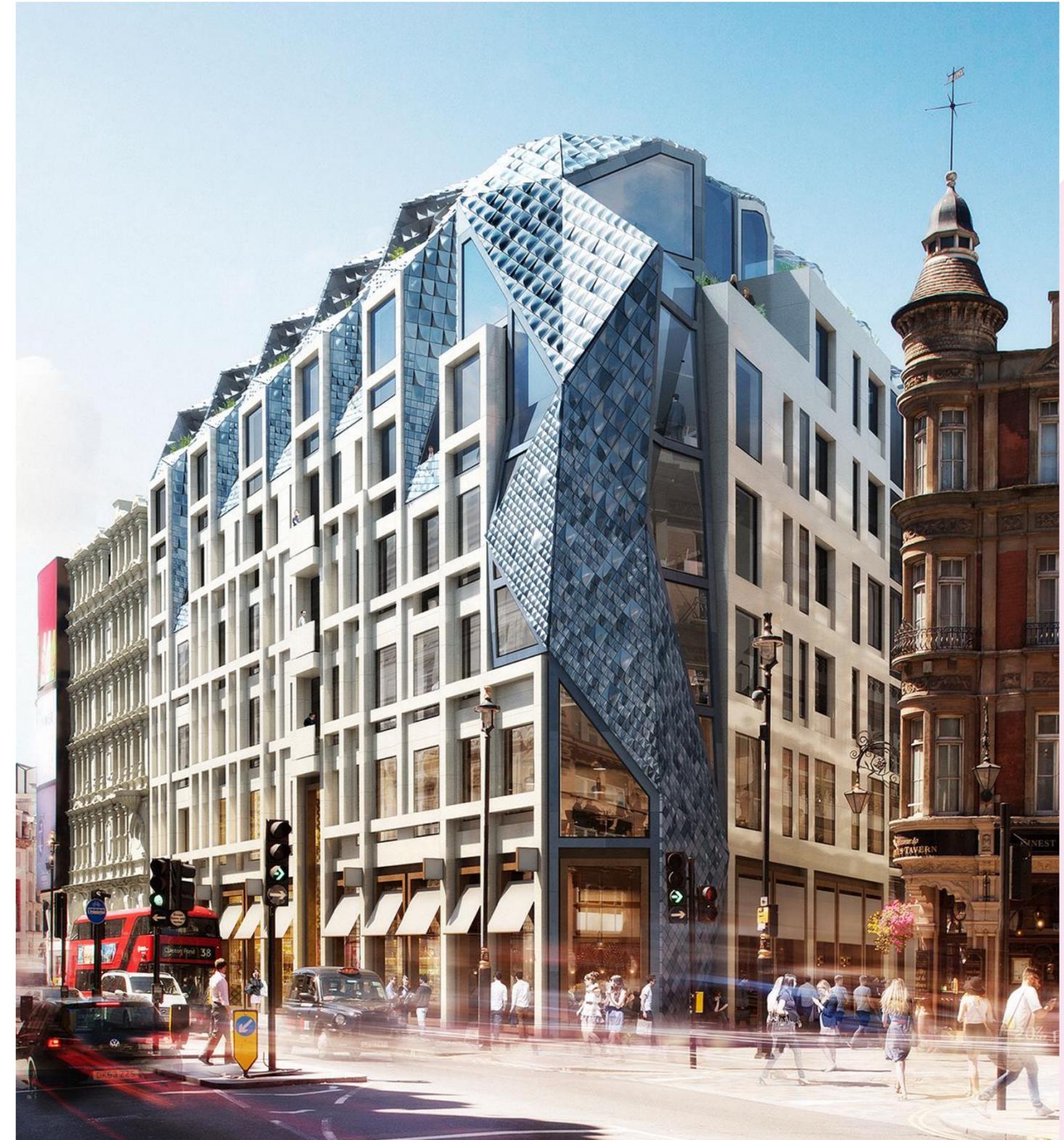


Nova East, SW1

# 1 Sherwood Street

**Modern space where customers want to be**

- Planning and listed building consent secured for 142,000 sq ft
- Combines historic listed buildings with modern architecture
- Opportunity for large, flexible floorplates of 20,000 sq ft in the West End
- Detailed design has commenced with a potential start on-site in April 2019



1 Sherwood Street, W1

## Southwark Estate

### Responding to customers' occupational needs

#### 105 Sumner Street

- Planning consent for two buildings totalling 135,000 sq ft
- Focused on placemaking
- Less conventional designs

#### Red Lion Court

- On the river
- Aiming to submit planning application this financial year



105 Sumner Street, SE1



Red Lion Court, SE1 - (current building)

# 1.4m sq ft pipeline of development opportunities

## 40% de-risked and optionality

- 564,000 sq ft on-site
- 800,000 sq ft in design
- Optionality over delivery plans
- Opportunity to start from 2019



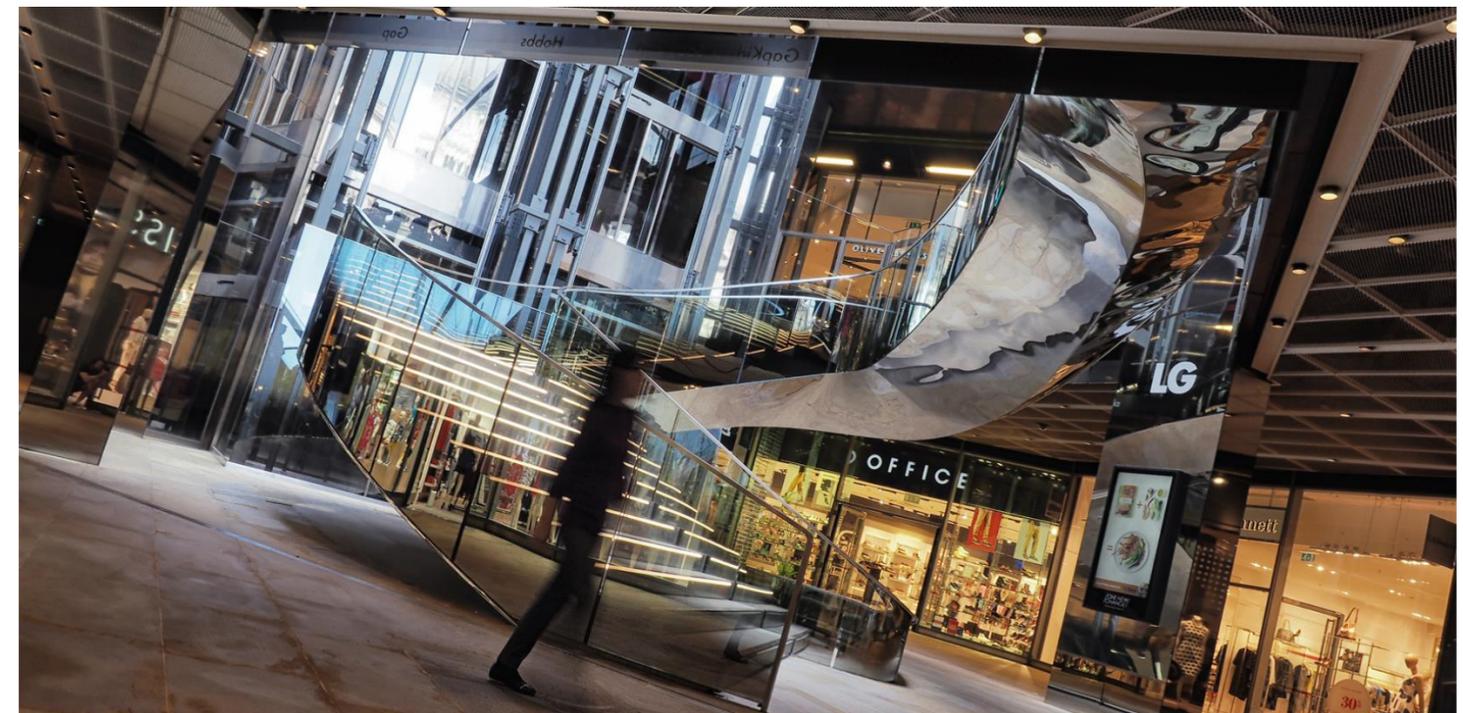
## Asset management

### Driving the portfolio hard

- Office WAULT is 9.6 years and our voids are only 2%
- Completed £10m of investment lettings in 27 transactions
- 14% above passing rent and average lease length 10 years
- Completed over £36m of rent reviews at 14% above passing rent, in partnership with our customers



One New Change, EC4



One New Change, EC4

## 40 Strand and 123 Victoria Street

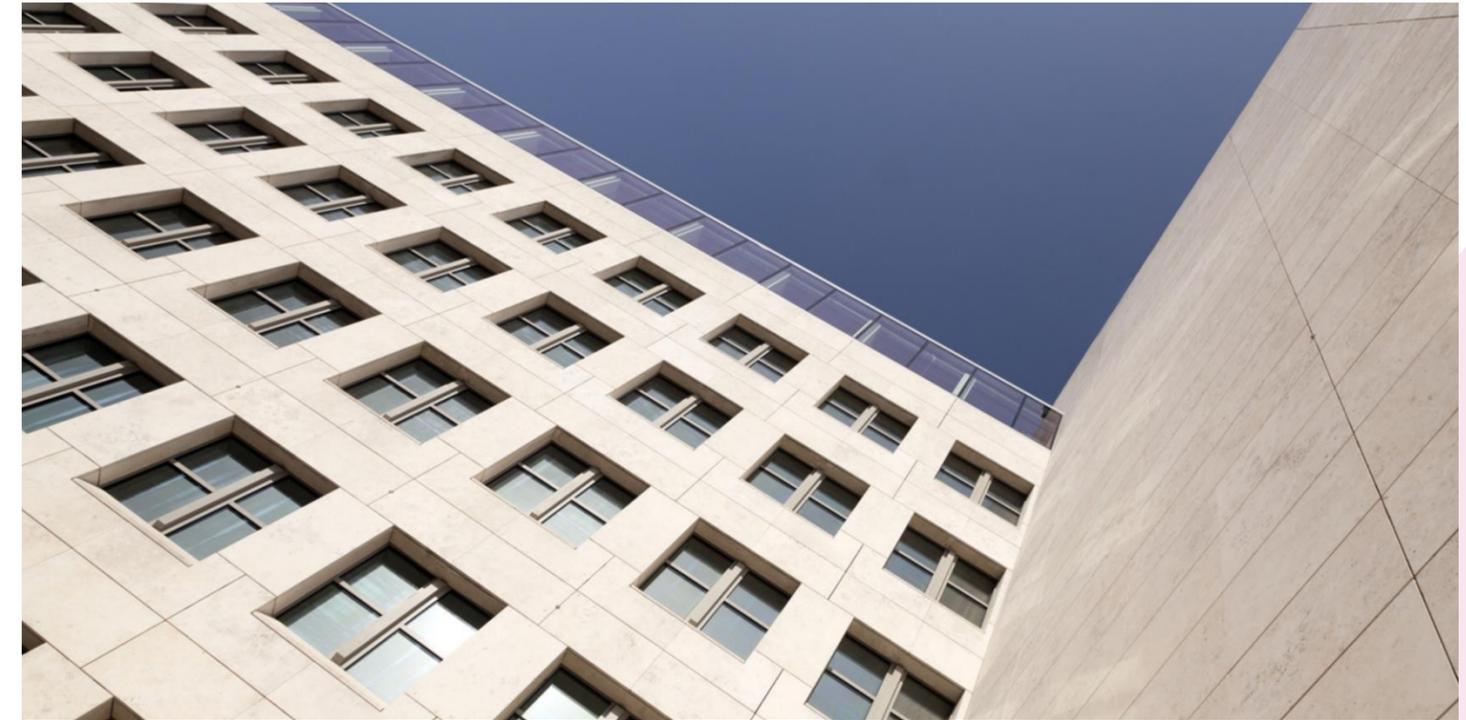
### Working in partnership

#### 40 Strand

- Principal occupier is Bain
- Reviewed £5m increasing passing rent by 12%

#### 123 Victoria Street

- Successfully settled 5 rent reviews totalling £6m
- Average of 10% ahead of passing rent



40 Strand, WC2



123 Victoria Street, SW1

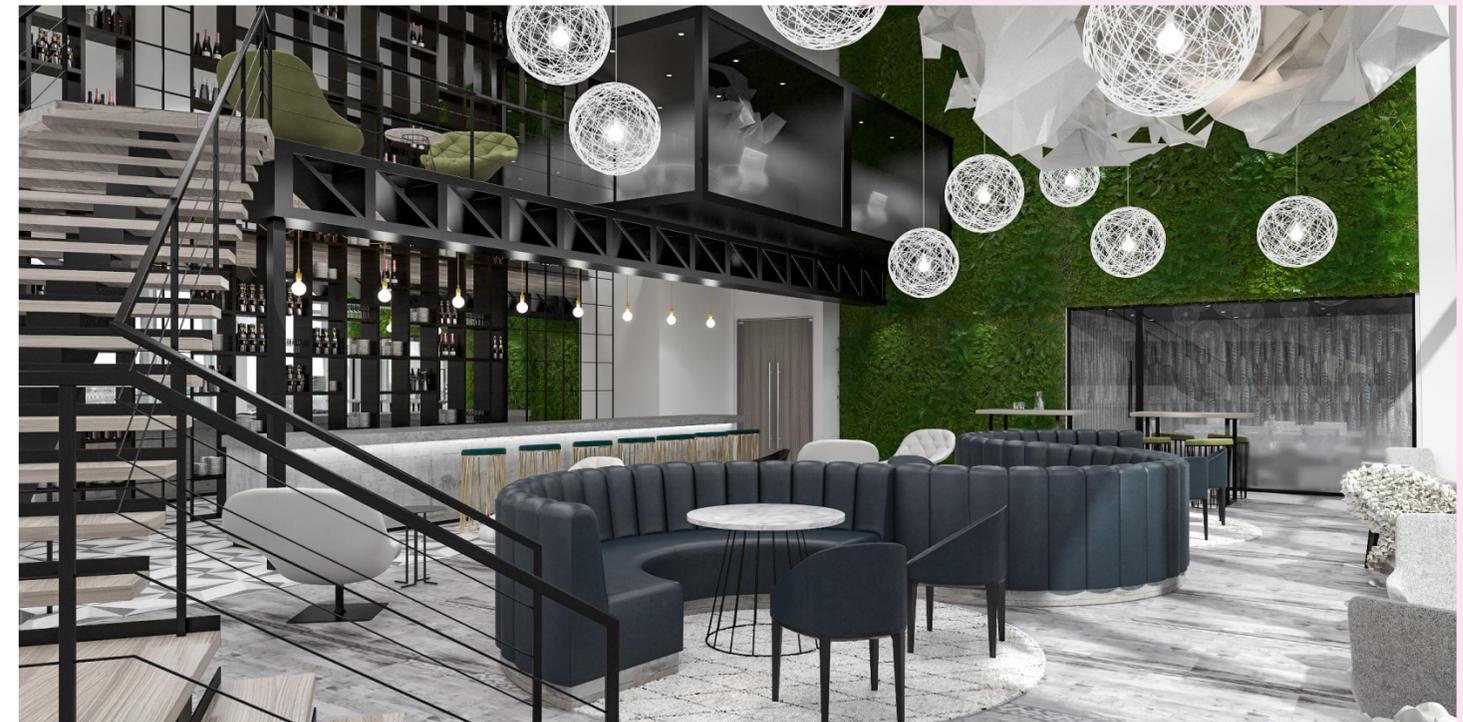
## Asset management

### Working in partnership with our customers

- Intuit has taken 38,000 sq ft at 80 Victoria Street, moving from 123 Victoria Street
- Doubled their space and lease length to 10 years
- LEO (London Executive Offices) offers flexibility to our customers



LEO at Nova, SW1 – Fit-out

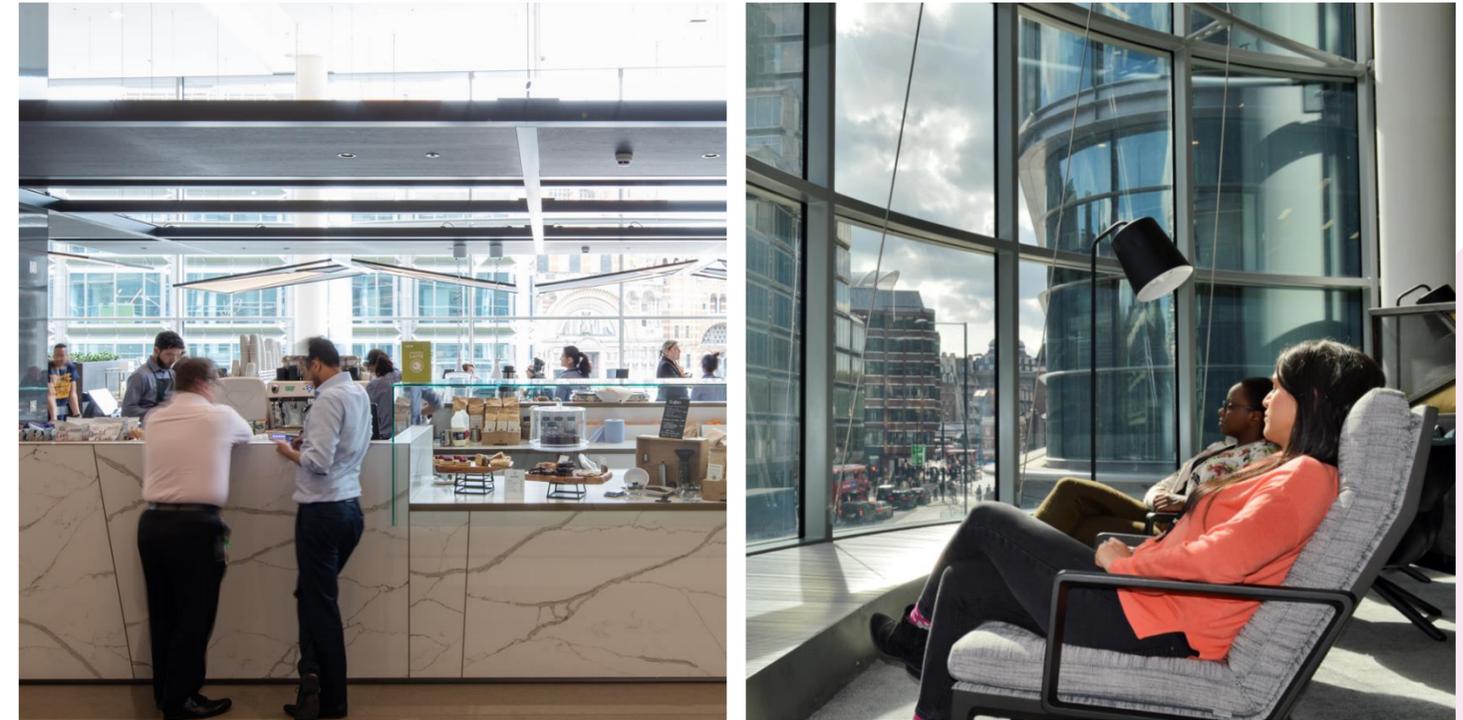


LEO at Nova, SW1 – Fit-out

## Cardinal Place

### More services more activity

- V Café offers flexibility to our customers
- Completed second rent review cycle
- £15m reviewed, office rents increased by 12% and retail by 19%
- Refurbished and let 81,000 sq ft at an average rent of £68 per sq ft on an average lease of 7 years



V Café, 80 Victoria Street, SW1



Cardinal Place, SW1

# Summary

Focused on brilliant basics

Continually looking for opportunities to drive value

Anticipating our customers' needs

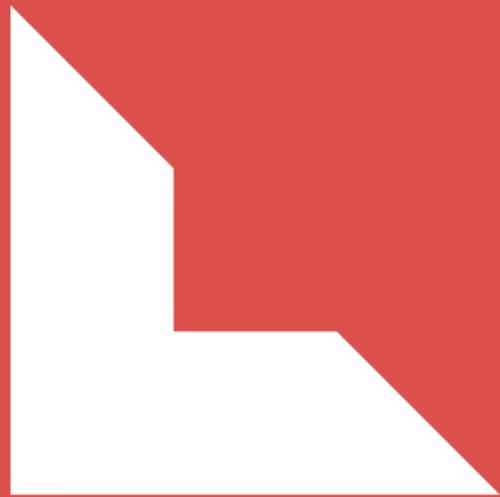
Progressing development opportunities



# Retail Portfolio

Scott Parsons

Managing Director

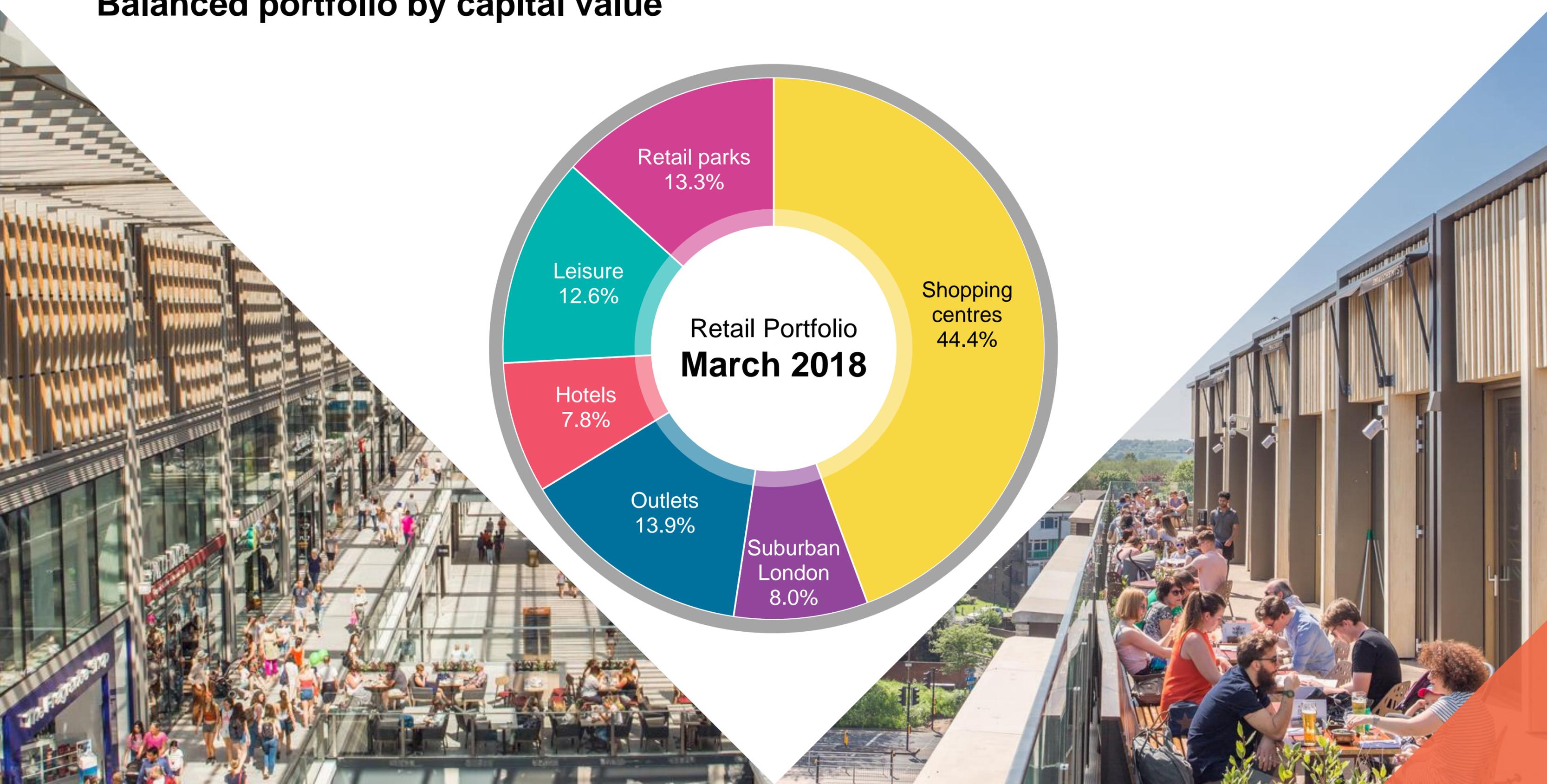
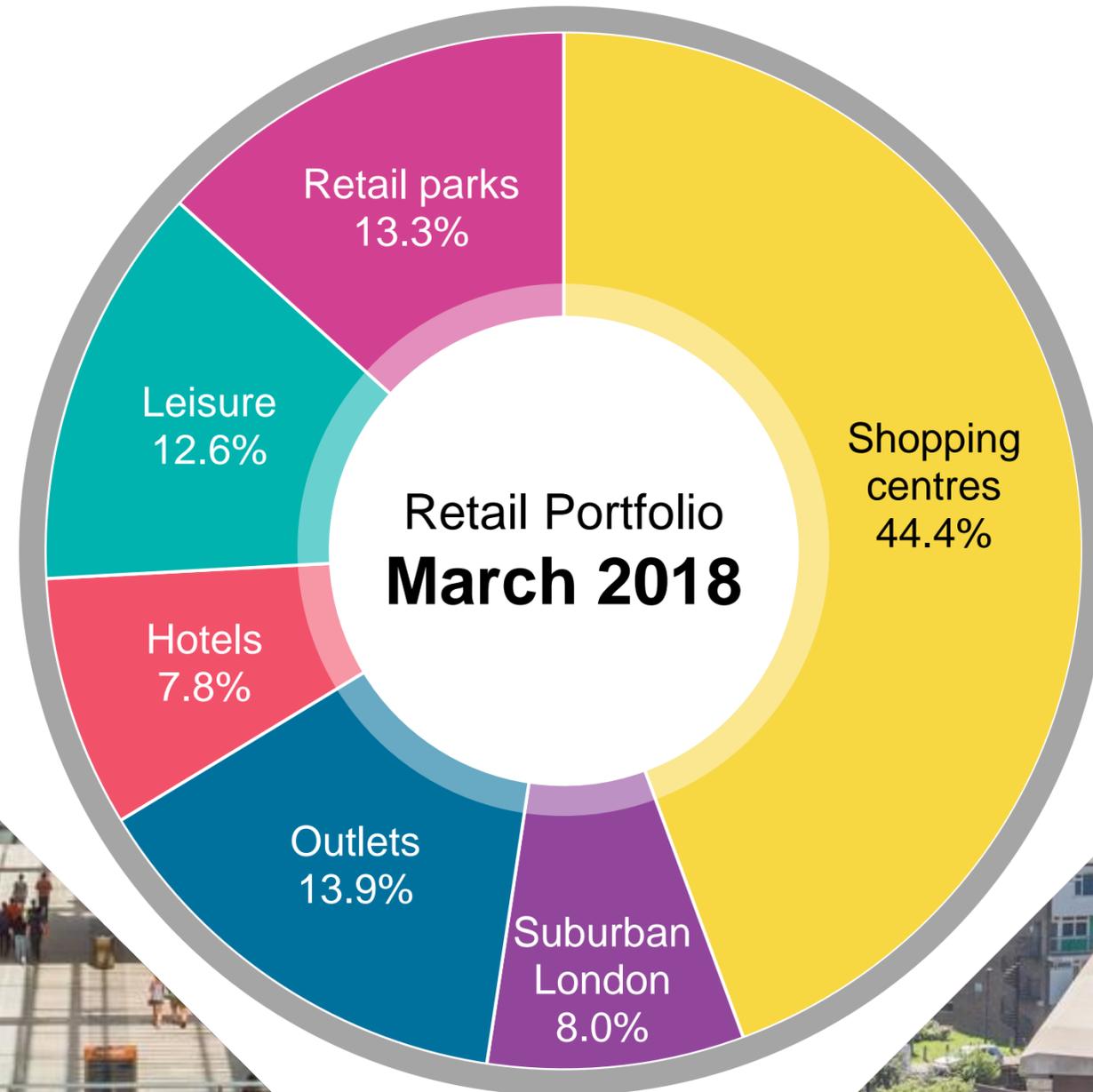


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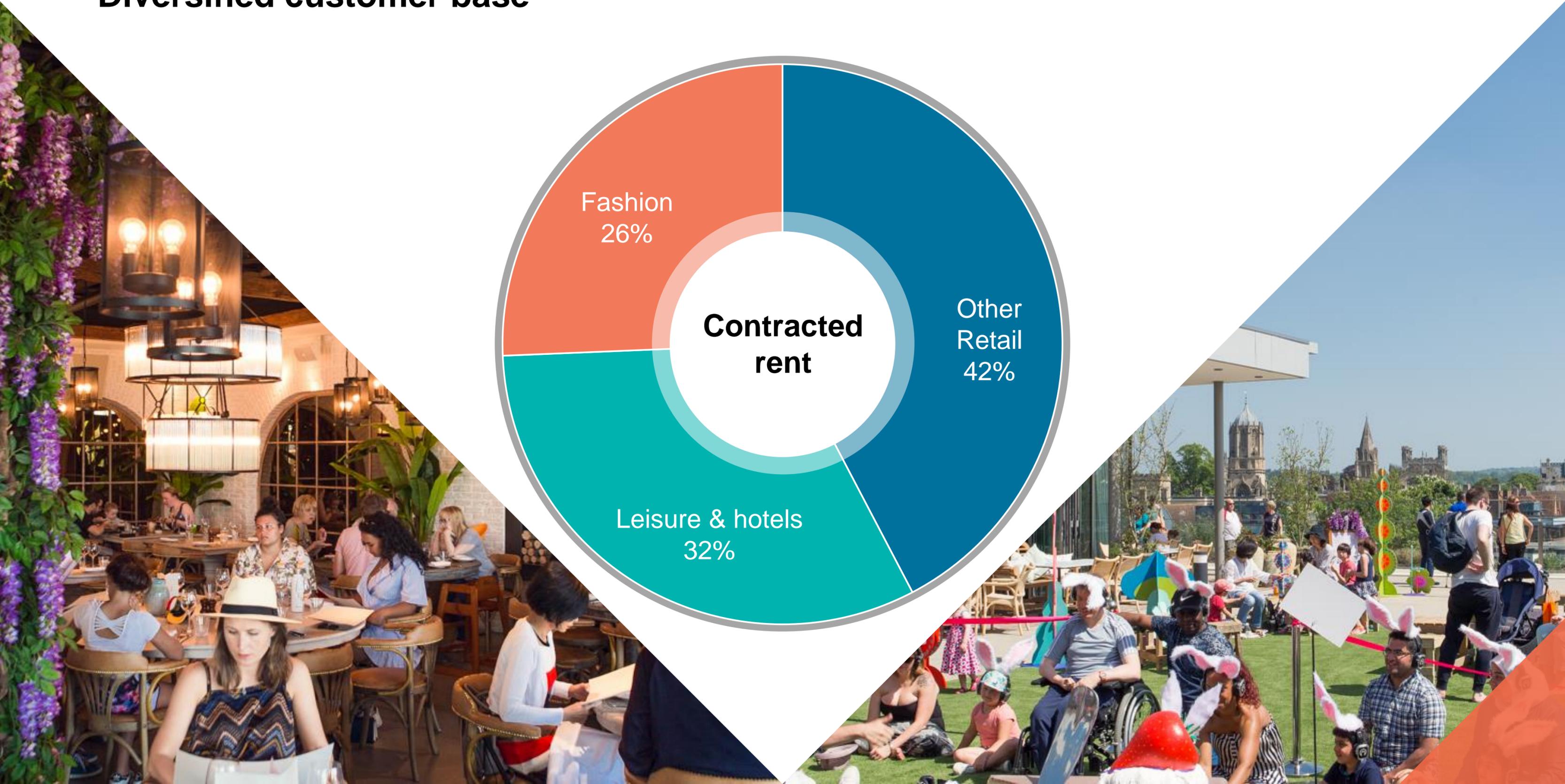
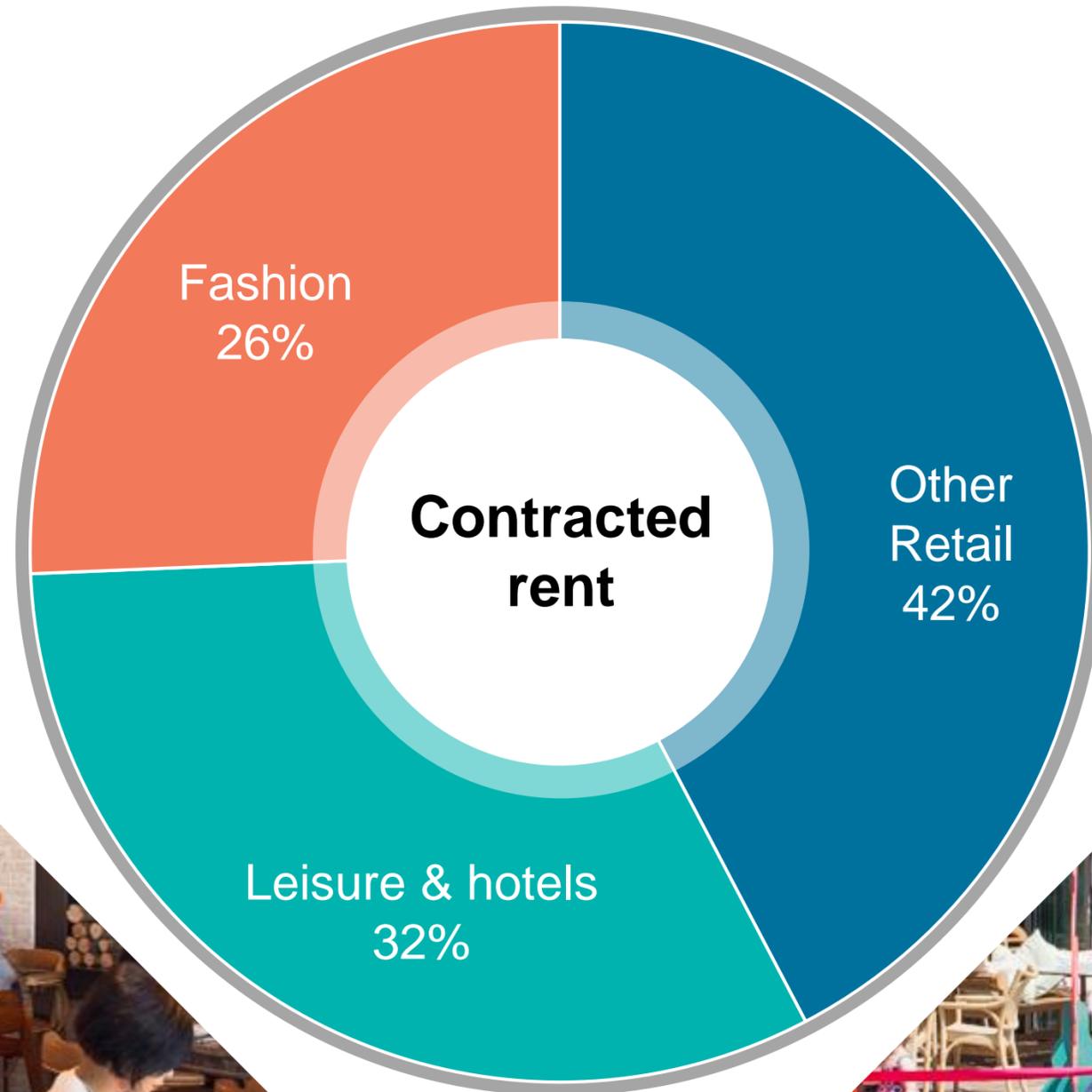
# A diversified, experiential destination business



# Balanced portfolio by capital value

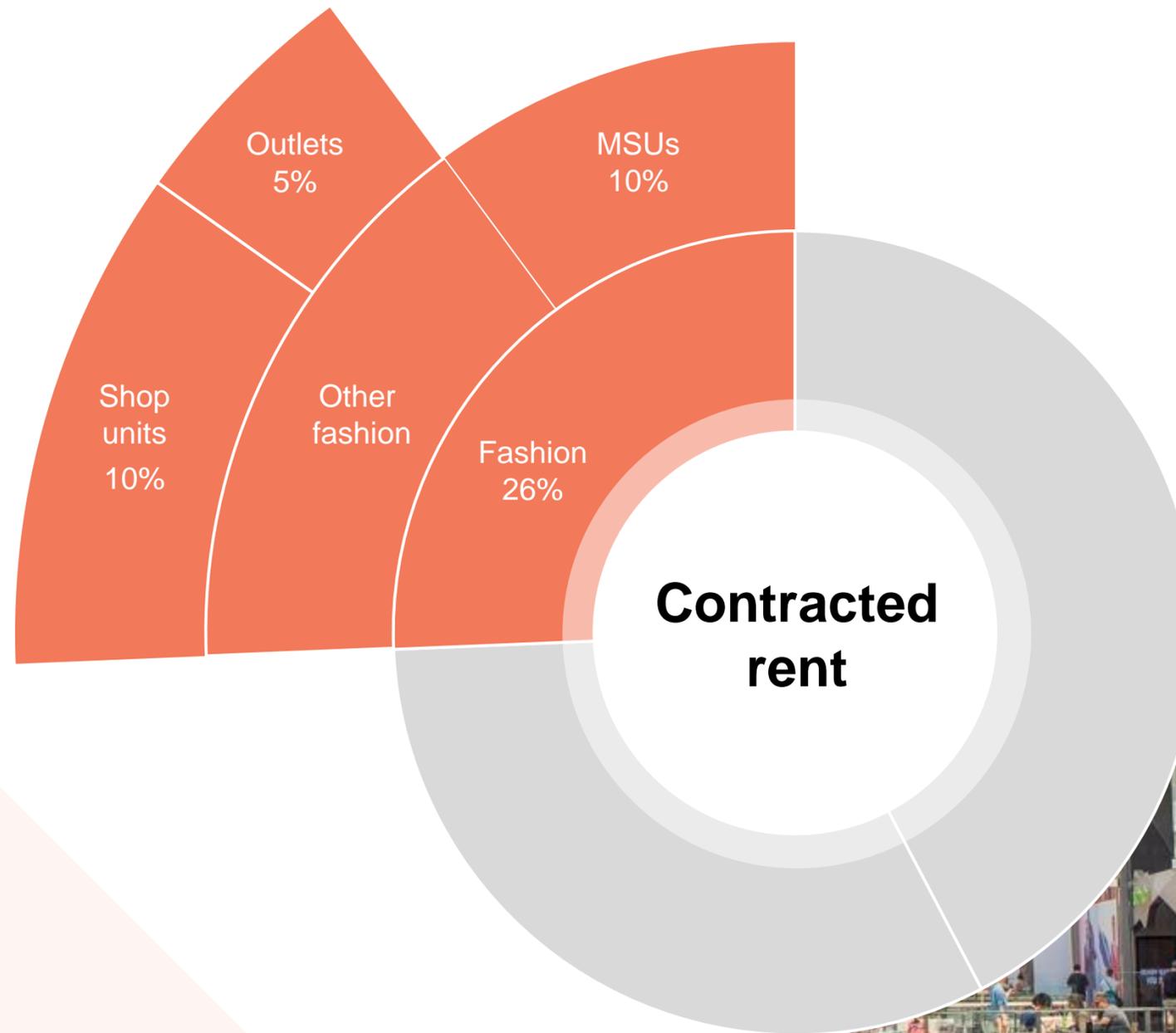


# Diversified customer base

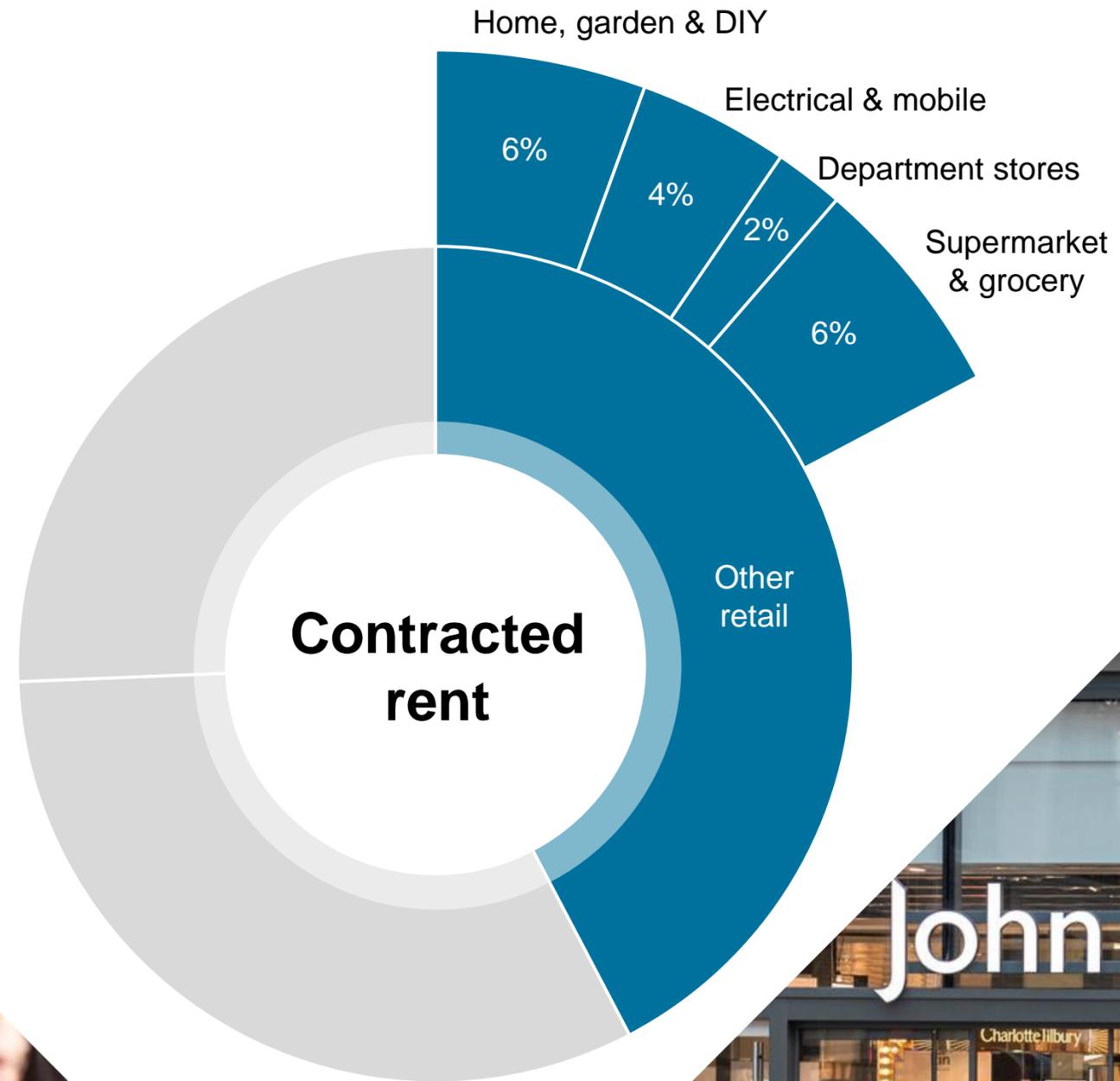


# Curating brand mix

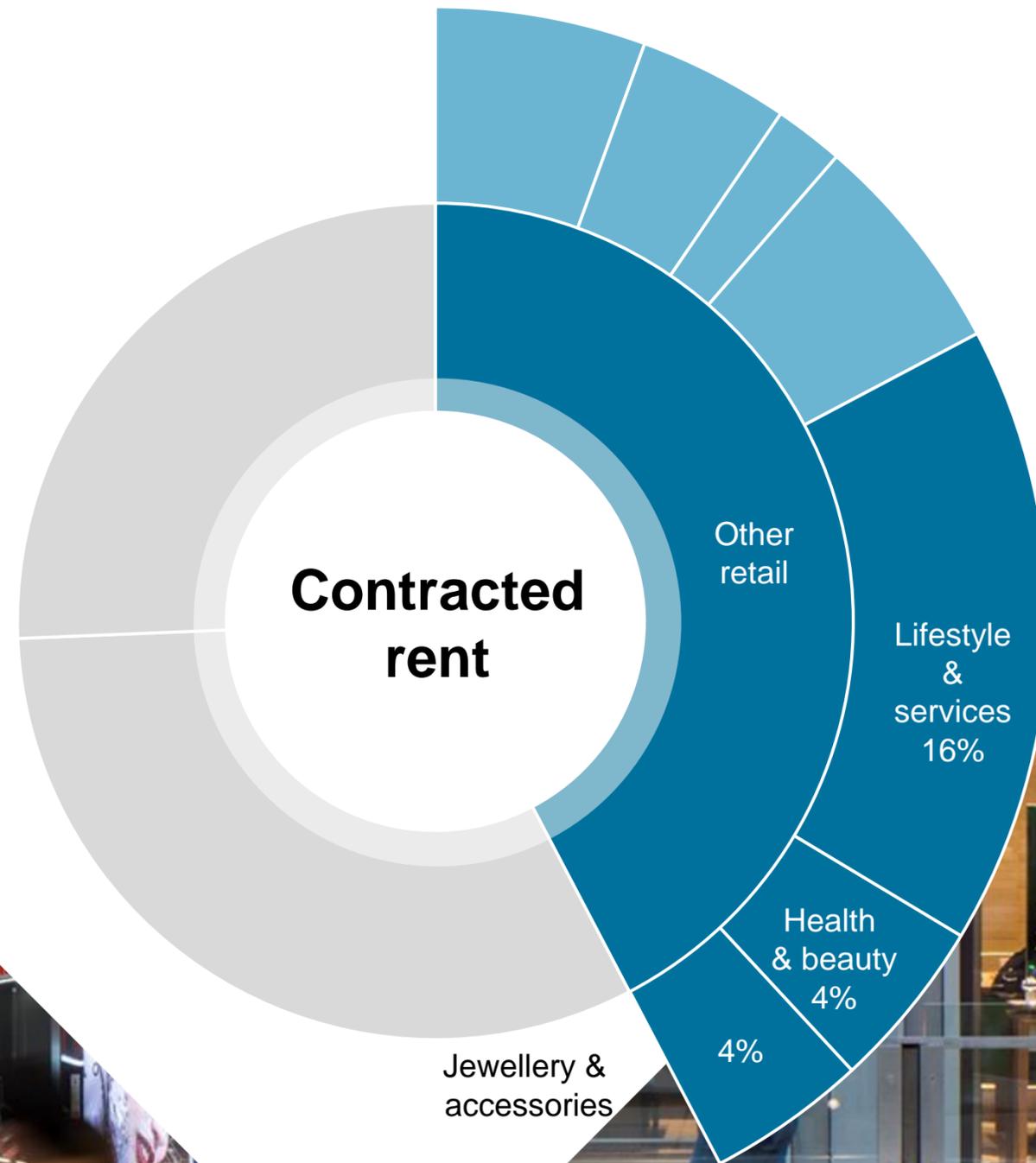
- Anchors driving footfall
- Sales growth at outlets
- Depth of brand mix
- Importance of physical stores



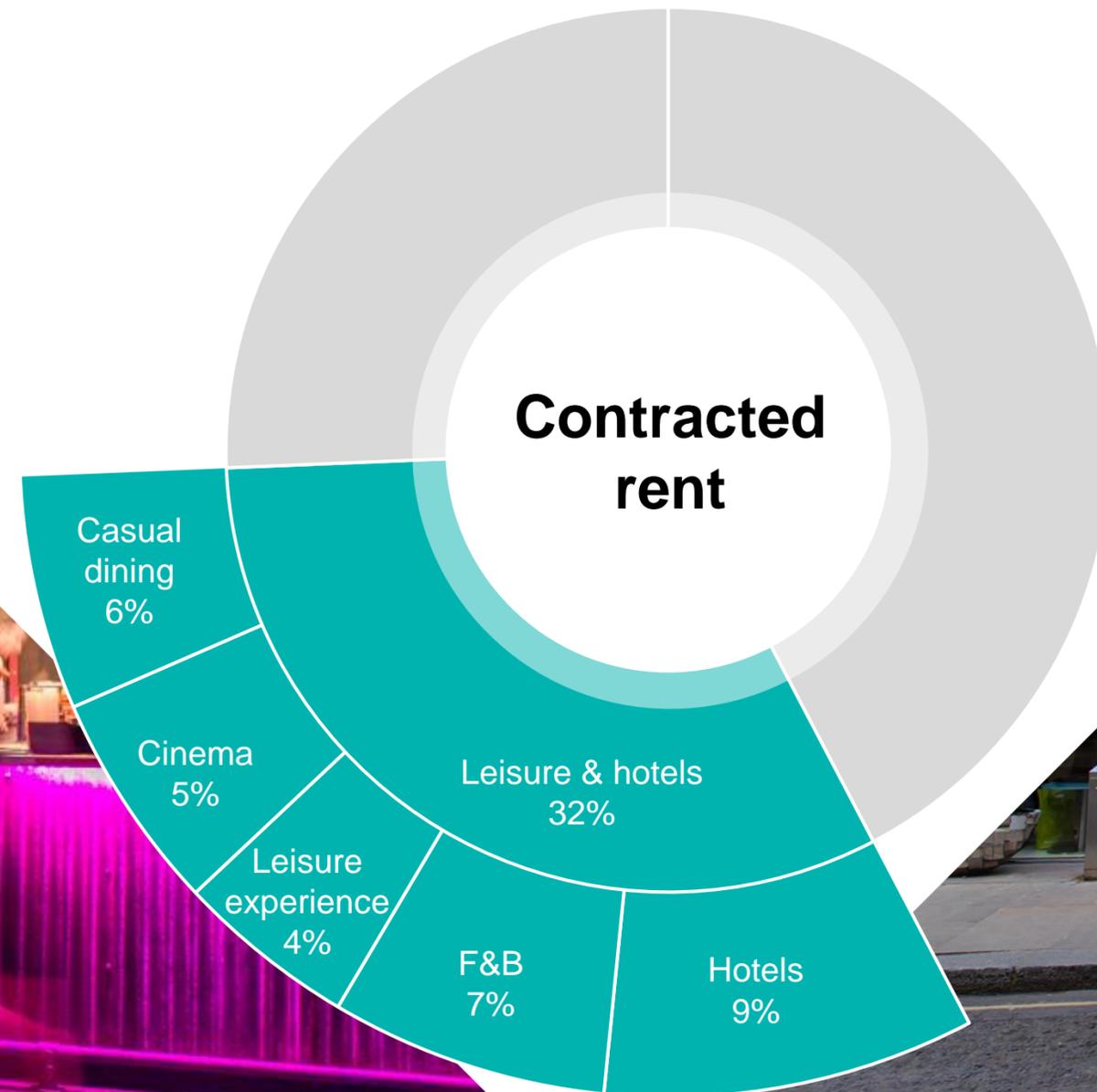
# Healthy mix of non-fashion retail



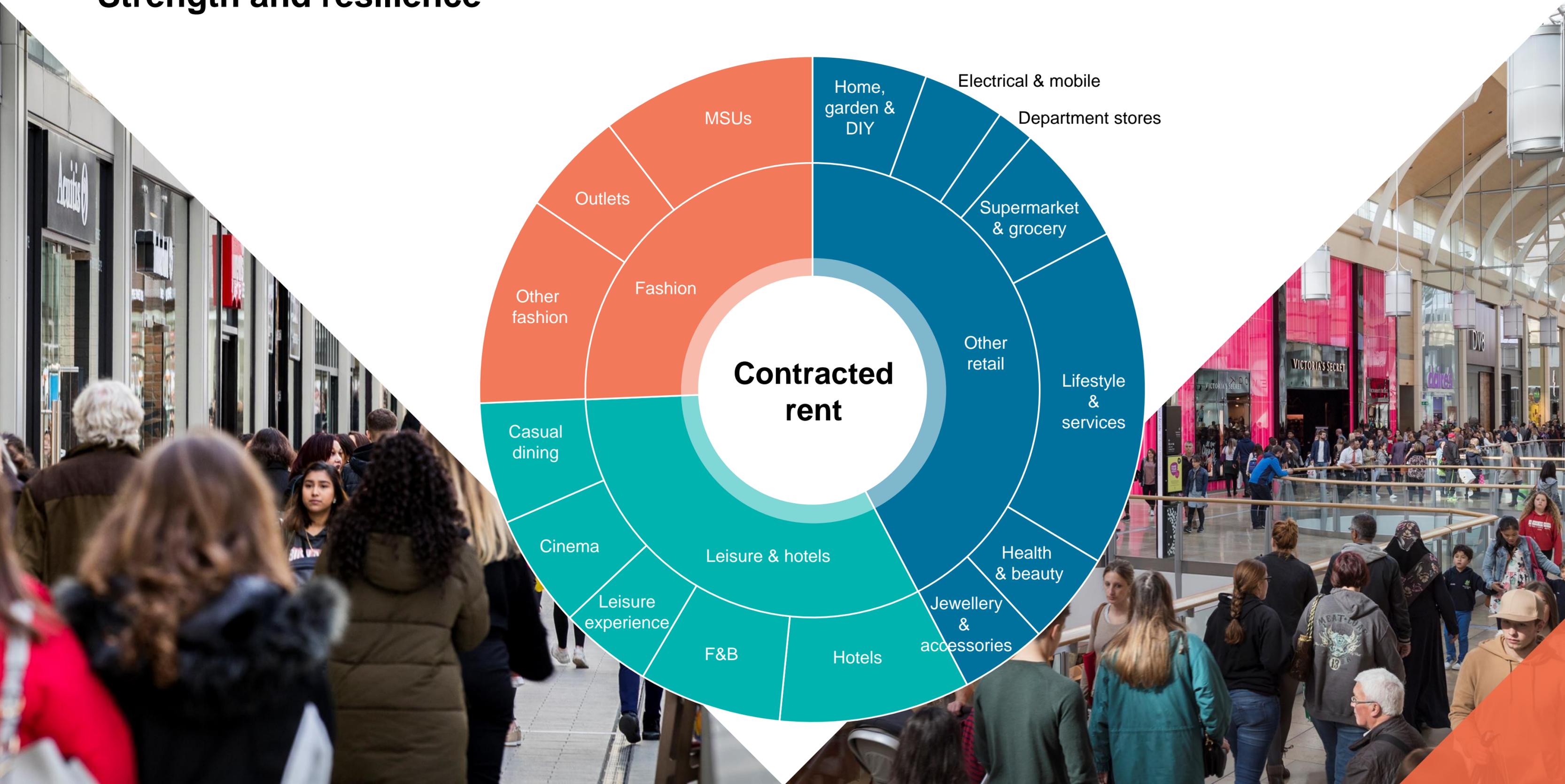
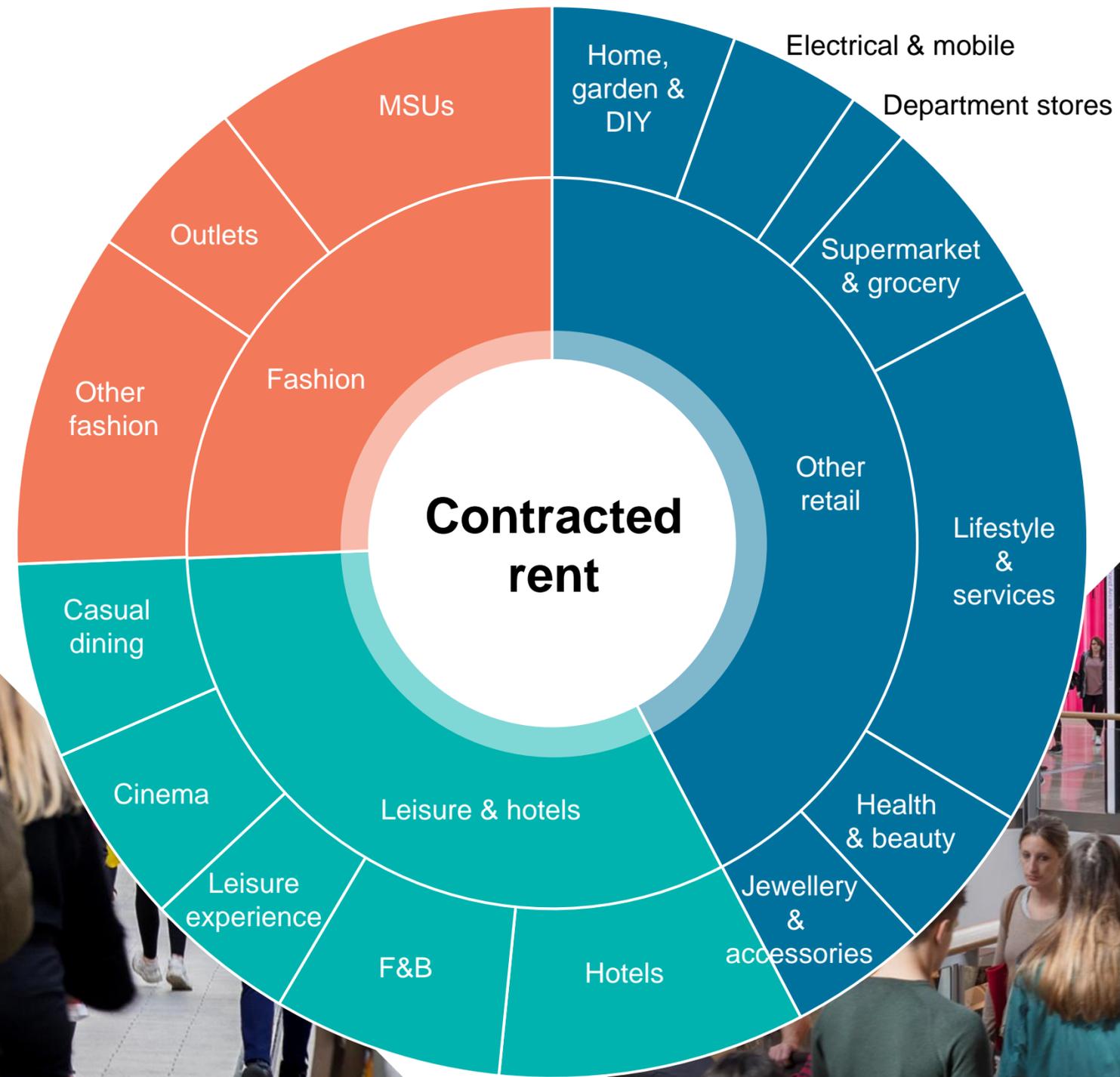
# Growing subsectors



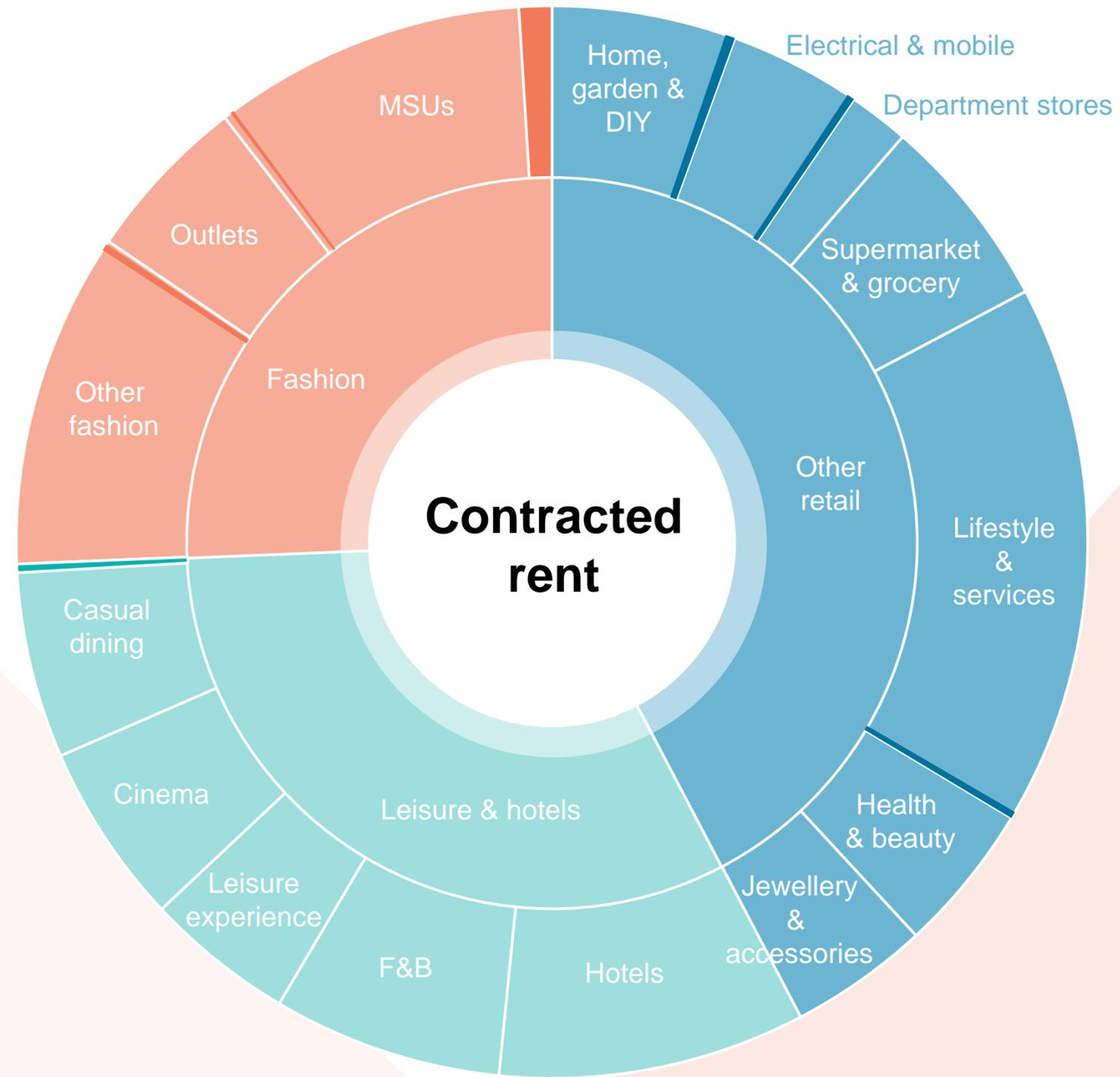
# Balancing supply and demand



# Strength and resilience



# Limited impact of CVAs



## Outperforming the benchmarks

Footfall down  
1.9%

Outperformed  
benchmark  
by

**60bps**

Sales down  
0.5%

Outperformed  
benchmark  
by

**170bps**



## Consistent lettings and low voids

- 141 lettings, £13.4m rent
- Lettings 7% ahead of previous passing rents
- Voids down to 2.7%



Bluewater, Kent

# Asset management wins

**ALEX AND ANI**   
DESIGNED TO CONNECT YOU™

**BUZZ**  
gym

**SNOW  
+  
ROCK**



  
**ASPINAL**  
*of*  
LONDON

**PRIMARK**®



 **stradivarius**

**schuh**

smashbox

  
**kate spade**  
NEW YORK

**JD**

  
**COACH**  
NEW YORK



**ARKET**

**VICTORIA'S  
SECRET**

**NYX**  
PROFESSIONAL MAKEUP

**GRAVITY**  
INDOOR TRAMPOLINE PARK

RIVER ISLAND

**ZARA**

 **cineworld**

# Westgate's brand appeal

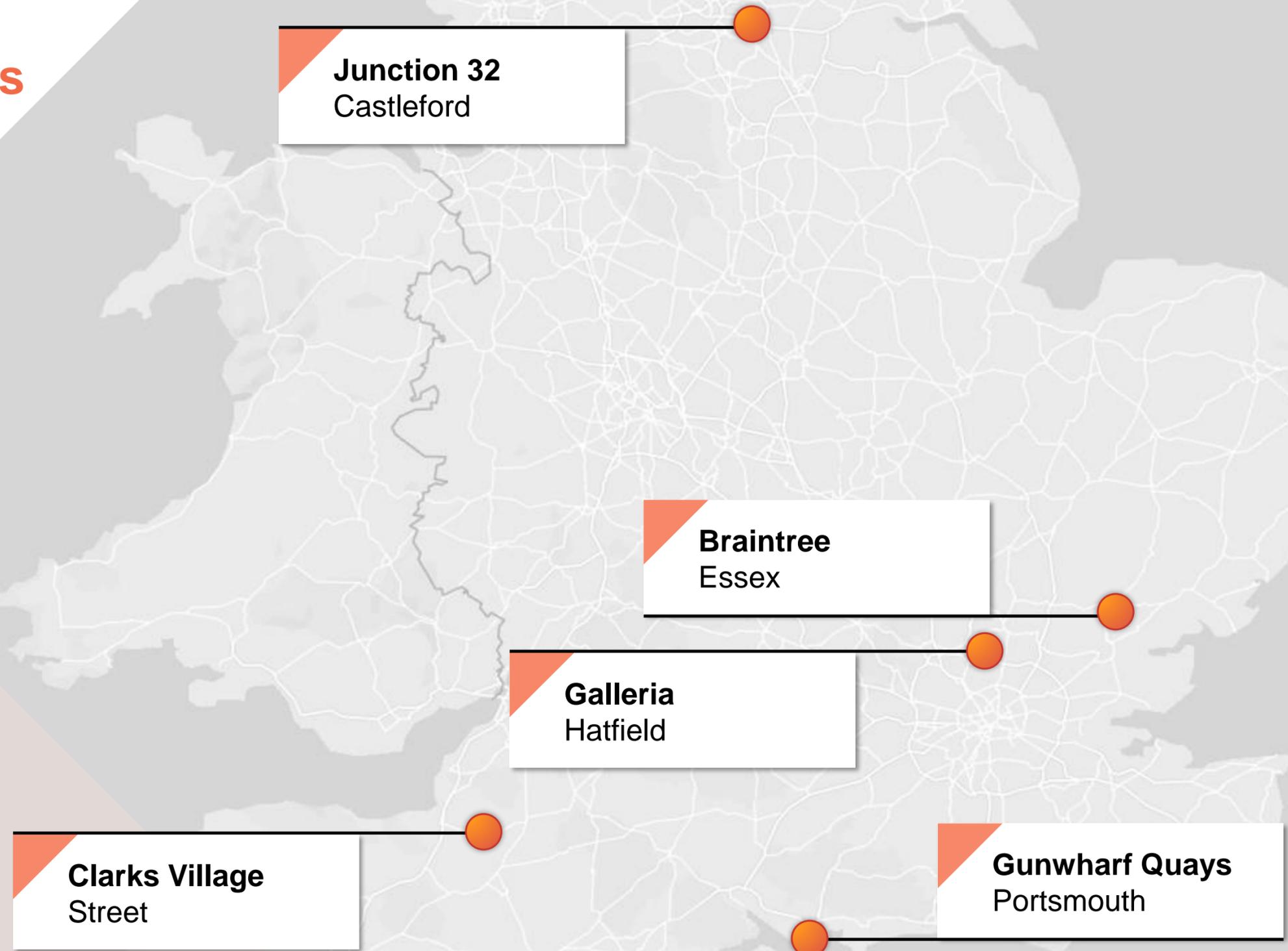
**9 million**  
footfall since  
opening

**96%**  
let or ISH



# Outlets

Growing sales densities



# Mixed-use development potential



W12 shopping centre, London



O2 centre, London



Great North Leisure, London



Lewisham shopping centre, London



Brighton Marina



Easton Park, Essex



Ebbsfleet, Kent

## Conclusion

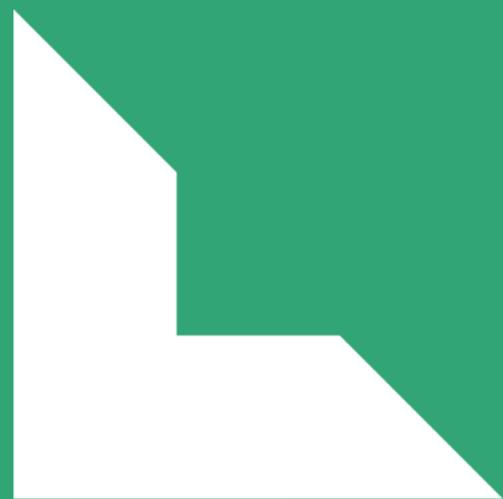
More than a retail business...  
a destination business



# Outlook

Robert Noel

Chief Executive Officer



**Landsec**

# Outlook

- Positioned for growth
- Development continues with pre-lets
- Growing pipeline of future schemes
- Monitoring market for buying opportunities



## Important notice

This presentation may contain certain ‘forward-looking’ statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward-looking statements.

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