

Half-yearly results

For the six months ended 30 September 2018

@LandsecGroup
Landsec.com



Focused on growth from a position of strength

- Near-term positioning unchanged
 - Quality portfolio, virtually full
 - Experience-led destinations in tough retail markets
 - Well placed with conservative gearing
- Increasing pipeline of future development
 - Office-led pipeline – £2bn
 - Mixed use pipeline – £1bn
- Strong earnings performance
 - Revenue profit up 10.3%
 - Adjusted diluted earnings per share up 17.9%
 - First half dividend of 22.6p, up 14.7%



Landsec portfolio

Quality assets focused on the future

Assets well placed in their market

98.4% occupied

Focused on the future customer

Innovating construction



Growing our customer proposition

Striving for greater efficiency

- Expanding on provision of flexible space
 - Launching new flexible product in January 2019, starting at 123 Victoria Street
- Expanding successful Landsec Lounge concept in common areas to more assets across the portfolio
- Landsec Lab now focused on the efficient design and delivery of space



Increasing our development pipeline c.£3bn pipeline of opportunities

- 530,000 sq ft redevelopment of Portland House in feasibility
 - Planning submission in 2019
 - Earliest start on site March 2020
- London offices – committed, in planning and in feasibility pipeline increased
 - 2m sq ft
 - Total development cost £2bn
- Mixed use pipeline including 4,000 homes in London locations
 - Two significant planning submissions in 2019



Portland House, SW1

Retail and leisure

Focused on experience

- Portfolio focused on destinations that provide great experiences
- Hotel and leisure portfolio shows more resilience
- Outlet asset plans underway
- Less affected by CVAs than the market as a whole
- Continuing to attract new customers



Agenda

Introduction
Robert Noel

Financial results
Martin Greenslade

London Portfolio
Colette O'Shea

Retail Portfolio
Scott Parsons

Outlook
Robert Noel



21 Moorfields, EC2

Financial results

Martin Greenslade

Chief Financial Officer



Landsec

Financial summary

Six months ended 30 Sept 17		Six months ended 30 Sept 18	Change
			%
£203m	Revenue profit ⁽¹⁾	£224m	10.3
£(19)m	Valuation deficit ⁽¹⁾	£(188)m	(1.4) ⁽²⁾
£34m	Profit before tax ⁽³⁾	£42m	
25.7p	Adjusted diluted earnings per share ⁽¹⁾	30.3p	17.9
1,403p ⁽⁴⁾	EPRA net assets per share ⁽³⁾	1,384p	(1.4)
19.7p	Dividend per share	22.6p	

(1) On a proportionate basis

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

(3) Restated as a result of a change in accounting policy to remove the bond exchange de-recognition adjustment and related amortisation

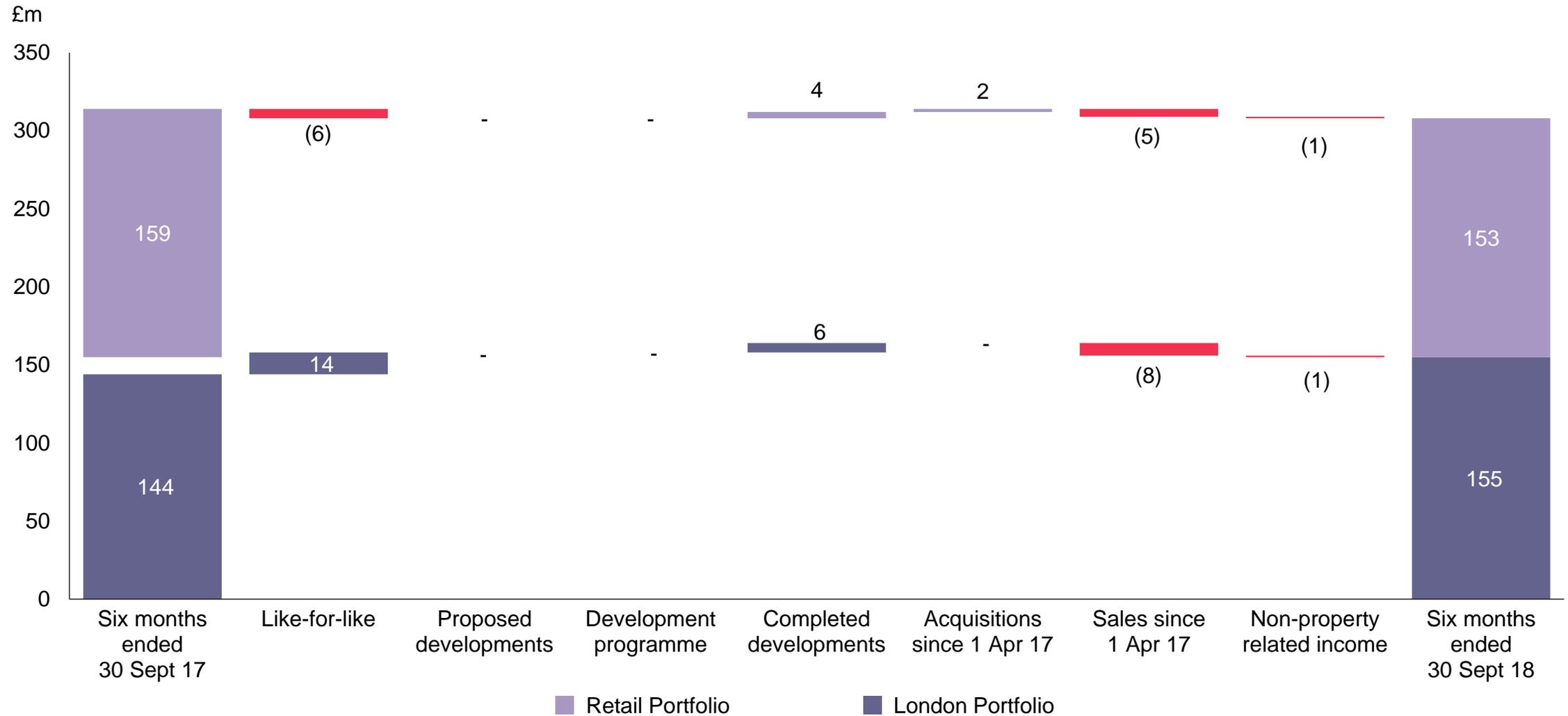
(4) As at 31 March 2018

Revenue profit

	Six months ended 30 Sept 18	Six months ended 30 Sept 17	Change
	£m	£m	£m
Gross rental income ⁽¹⁾	335	325	10
Net service charge expense	(5)	(5)	-
Net direct property expenditure	(22)	(17)	(5)
Net rental income	308	303	5
Indirect costs	(18)	(20)	2
Segment profit before finance expense	290	283	7
Net unallocated expenses	(17)	(19)	2
Net finance expense	(49)	(61)	12
Revenue profit	224	203	21

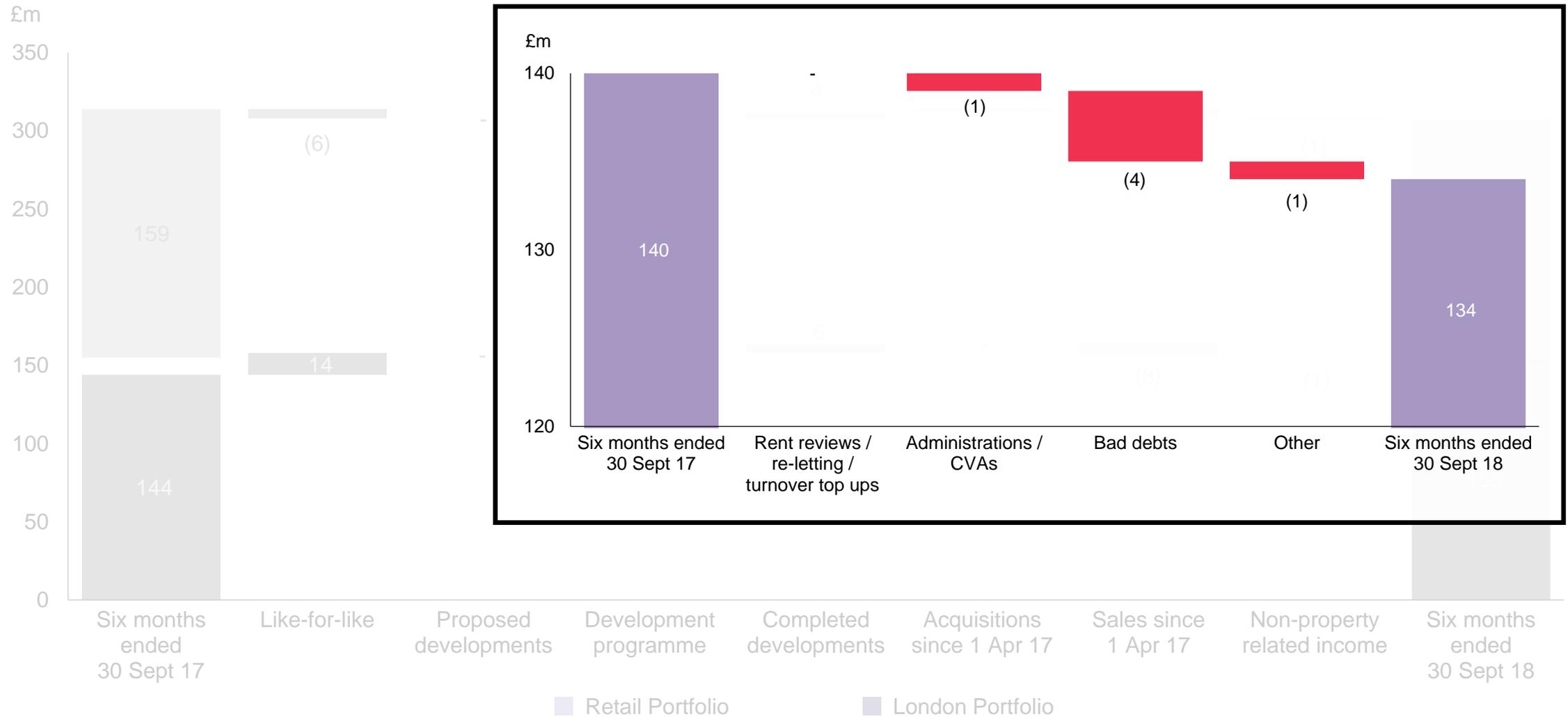
(1) Includes finance lease interest, after rents payable

Net rental income analysis



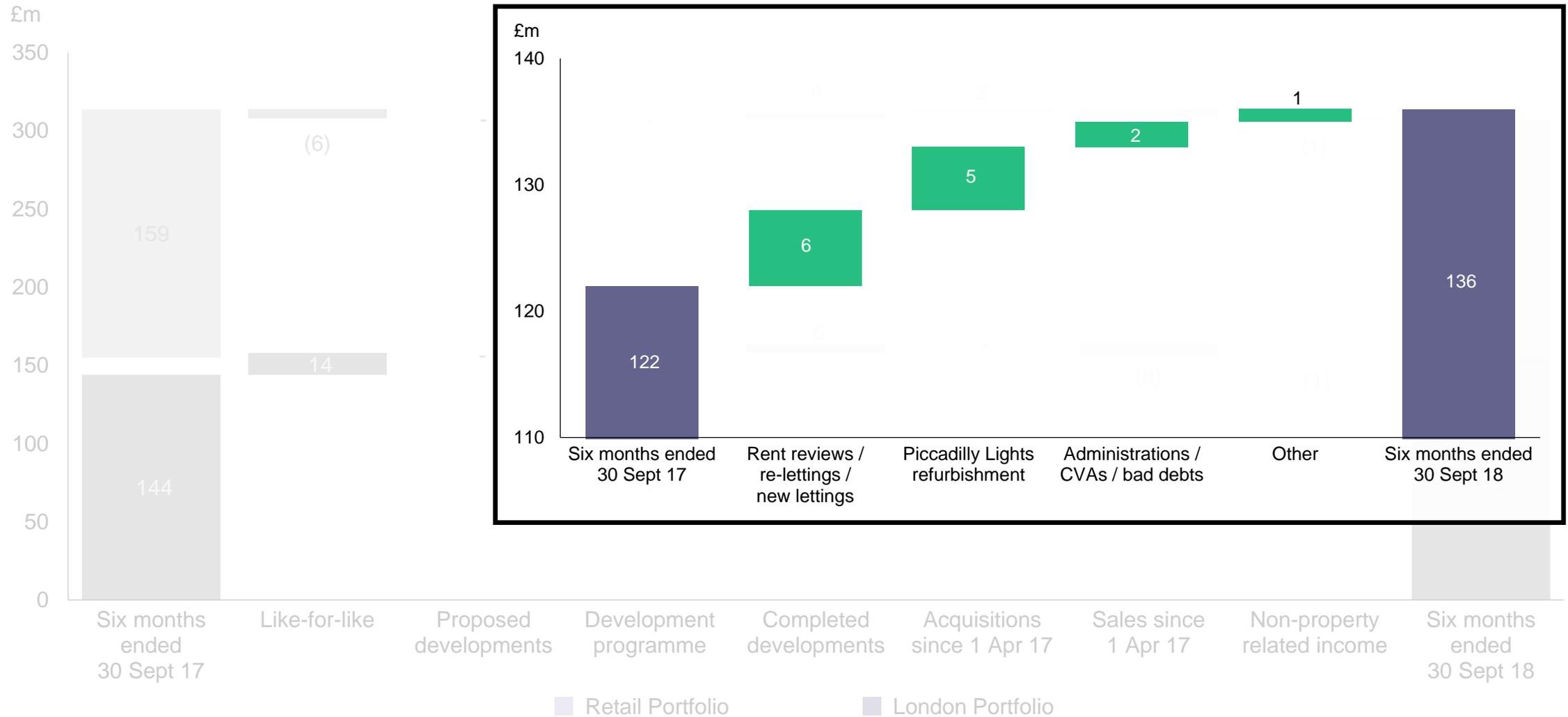
Like-for-like net rental income analysis

Retail Portfolio

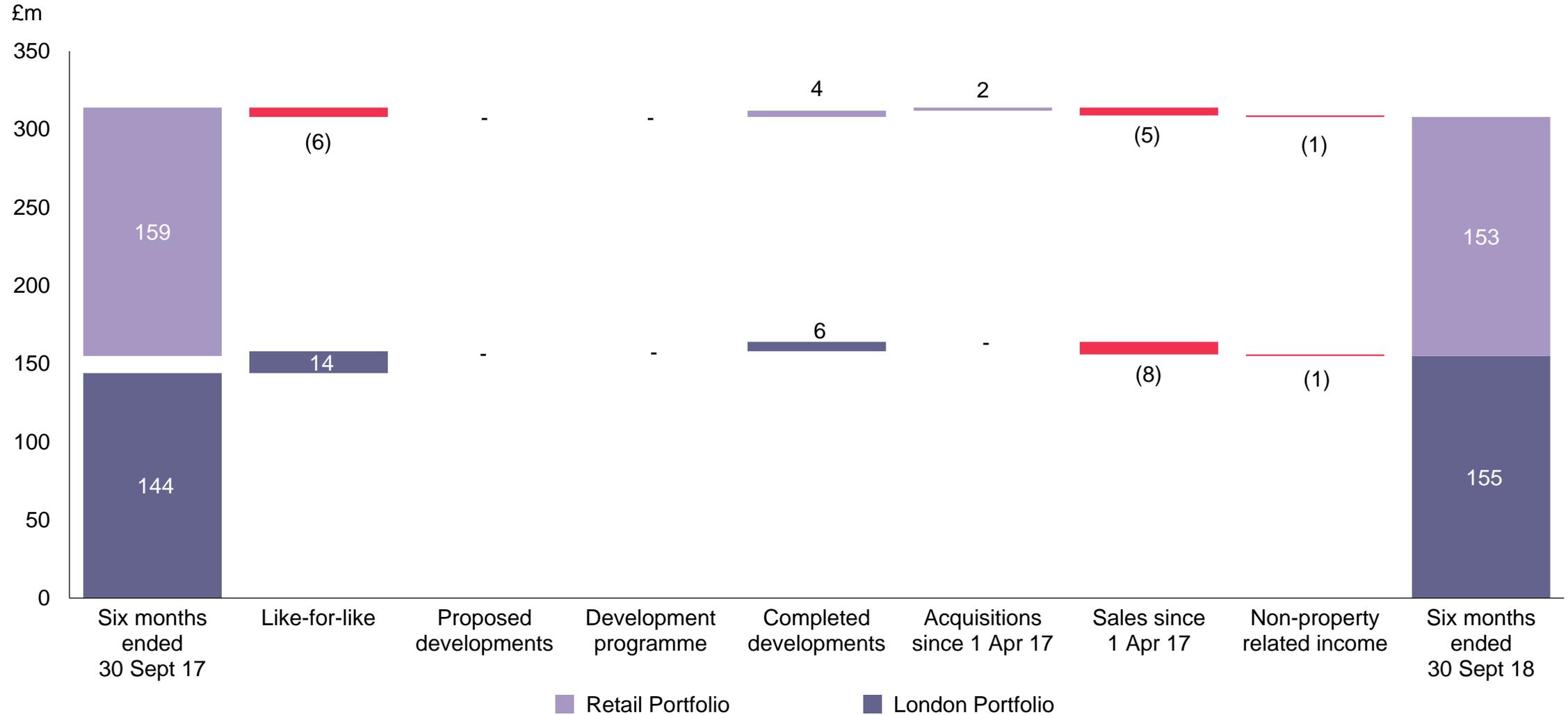


Like-for-like net rental income analysis

London Portfolio

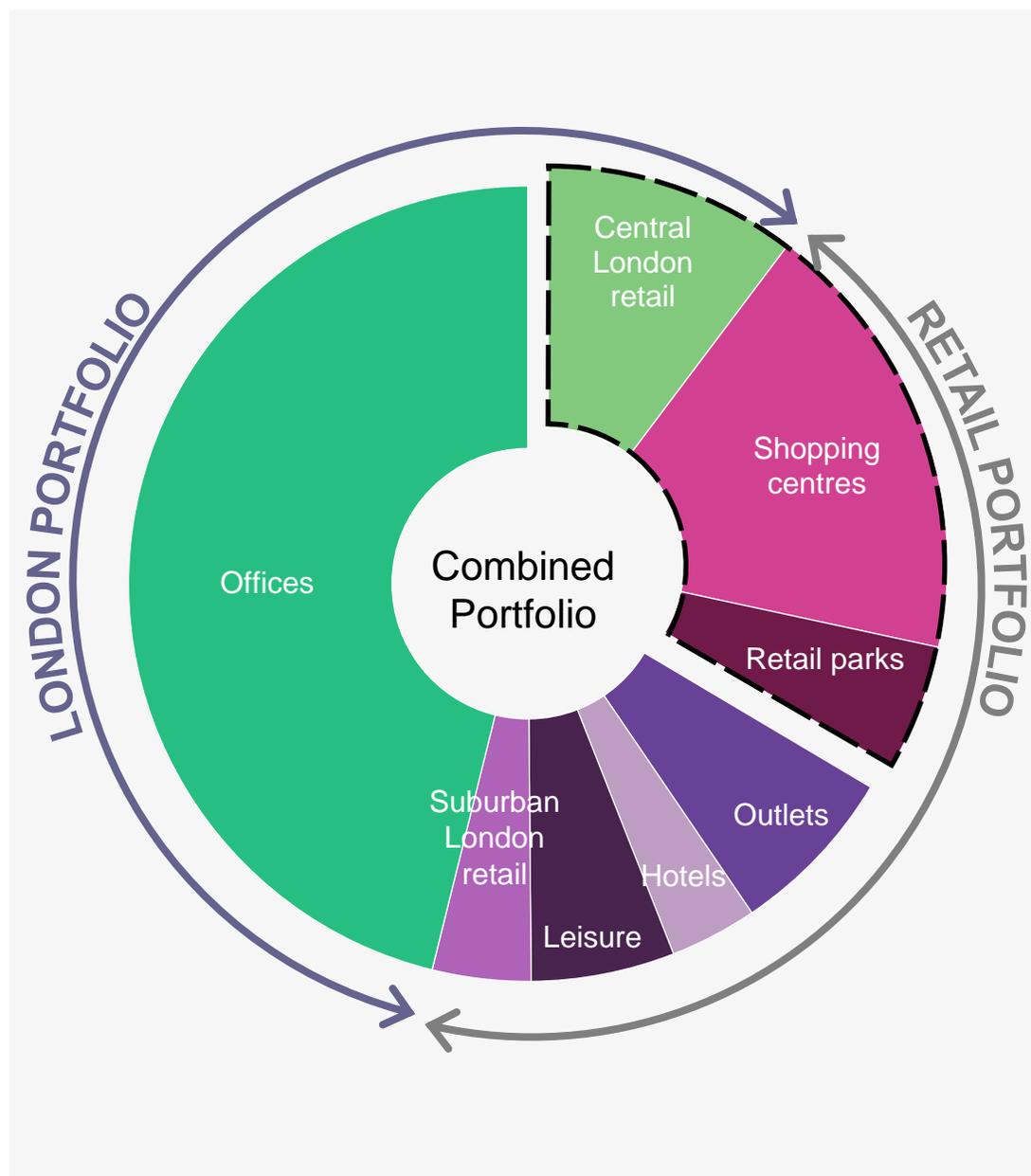


Net rental income analysis



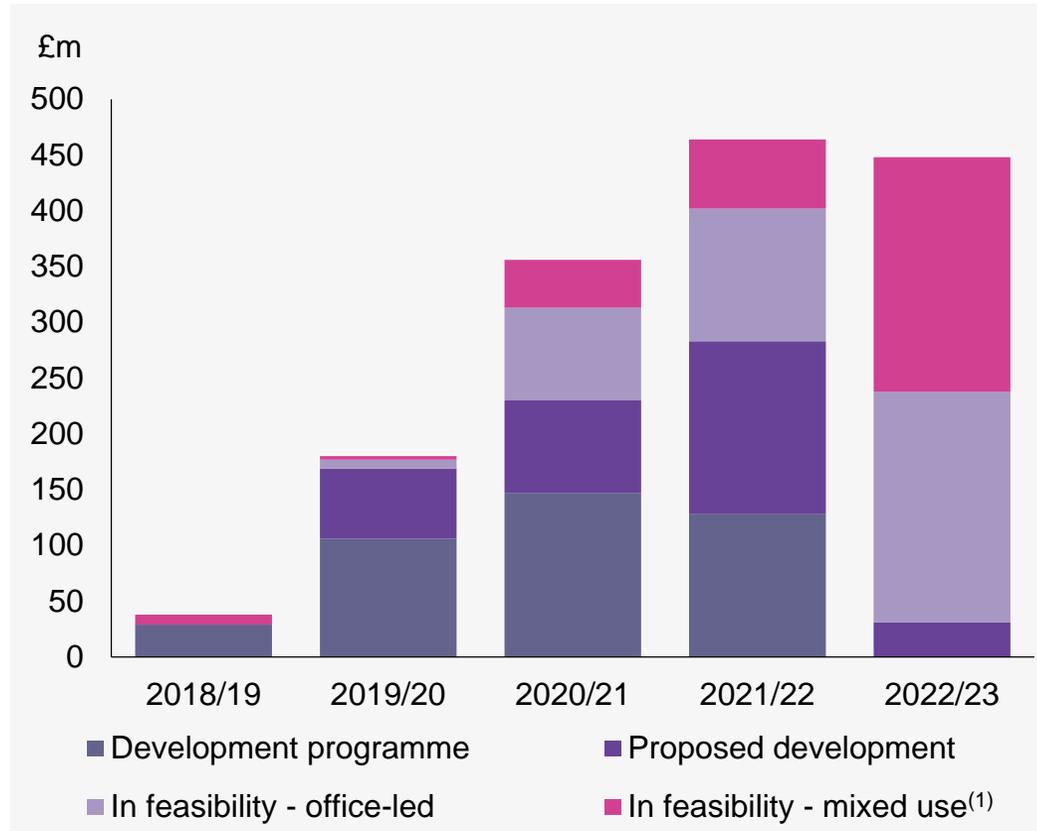
Combined Portfolio valuation

- £14.0bn portfolio
- Valuation declined 1.4%
- Two thirds of portfolio within $\pm 1\%$ range
 - 47% of retail assets in $\pm 1\%$ range
 - Offices values were up 0.2%
- One third of portfolio declined by more than 1%
 - Central London retail down 2.9%
 - Shopping centres (excluding outlets) down 4.5%
 - Retail parks down 4.5%
- £1.5bn of retail and leisure increased in value



Development expenditure – significant capacity to develop and invest

Estimated future spend



Potential cash spend		Impact on Sept 18 Group LTV ⁽²⁾
Development programme	£410m	28.3%
Proposed developments	c.£330m	29.9%
In feasibility – office-led	c.£420m	31.9%
In feasibility – mixed use ⁽¹⁾	c.£330m	33.3%

(1) In feasibility – mixed use – comprises Finchley Road, NW3 and Shepherd’s Bush, W12

(2) Cumulative impact of capital expenditure on the current Group LTV of 26.2%

Financing

- Group LTV⁽¹⁾ at 26.2% up from 25.8% at 31 March 2018
- Weighted average cost of debt unchanged at 2.6%
- Flexible debt and considerable balance sheet capacity
- £1.1bn cash and available facilities⁽¹⁾

Debt and gearing	30 Sept 18	31 Mar 18
Adjusted net debt ⁽¹⁾	£3,675m	£3,652m
Weighted average maturity	12.6 years	13.1 years
Weighted average cost	2.6%	2.6%
Group LTV ⁽¹⁾	26.2%	25.8%

(1) On a proportionate basis

Financial summary

- Continued earnings growth
- Resilience for diverse income streams
- Significant balance sheet capacity for next investment phase



London Portfolio
Colette O'Shea
Managing Director

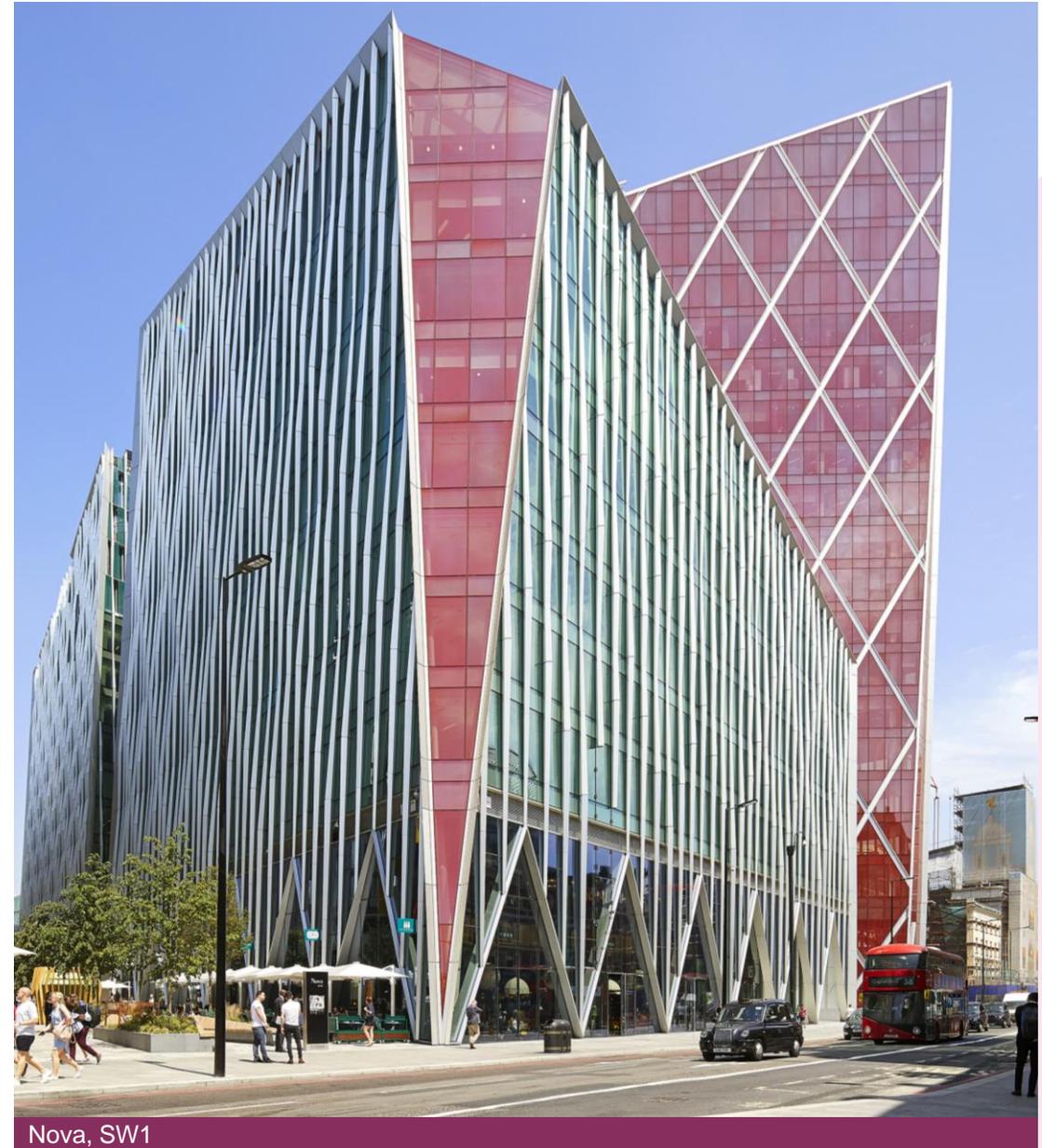


Landsec

London Portfolio

Well positioned for today and the future

- 99% occupancy
- £6m of letting activity
- 2m sq ft of development opportunities with a £2bn total development cost and an estimated rental value of c. £130m



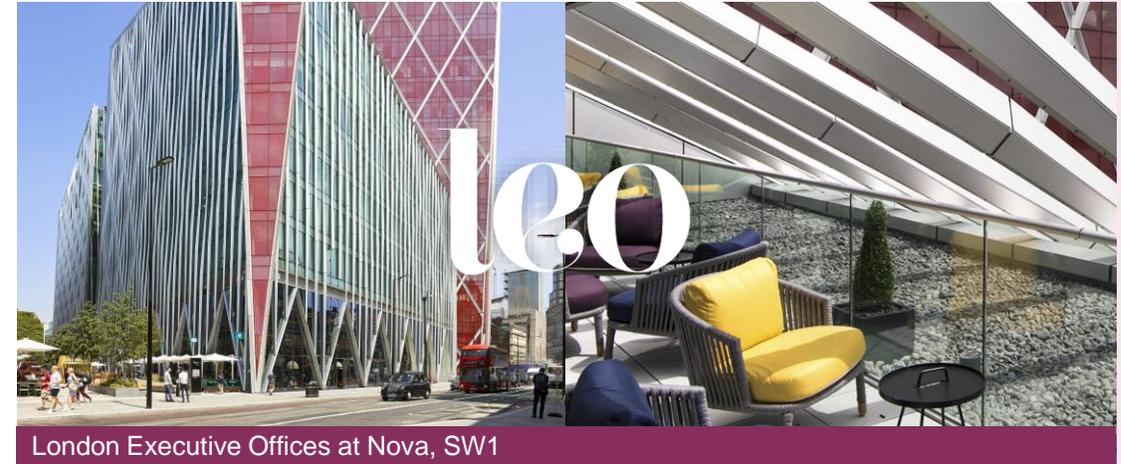
Nova, SW1

Flexible Office Space

Targeted specialist providers

3%
of contracted
rent

6
buildings
198,000
sq ft of
floor space



Landsec Lounge

Providing informal work areas and meeting space

- Attractive F&B offering
- Popular with existing customers
- Attracting new customers



Rise café at 20 Eastbourne Terrace, W2



V Café, 80 Victoria Street, SW1

Landsec Lounge expansion

Meeting our customers' needs



New Street Square, EC4



Dashwood House, EC2



62 Buckingham Gate, SW1



One New Change, EC4

Landsec Flexible Offer

Launching new brand in January

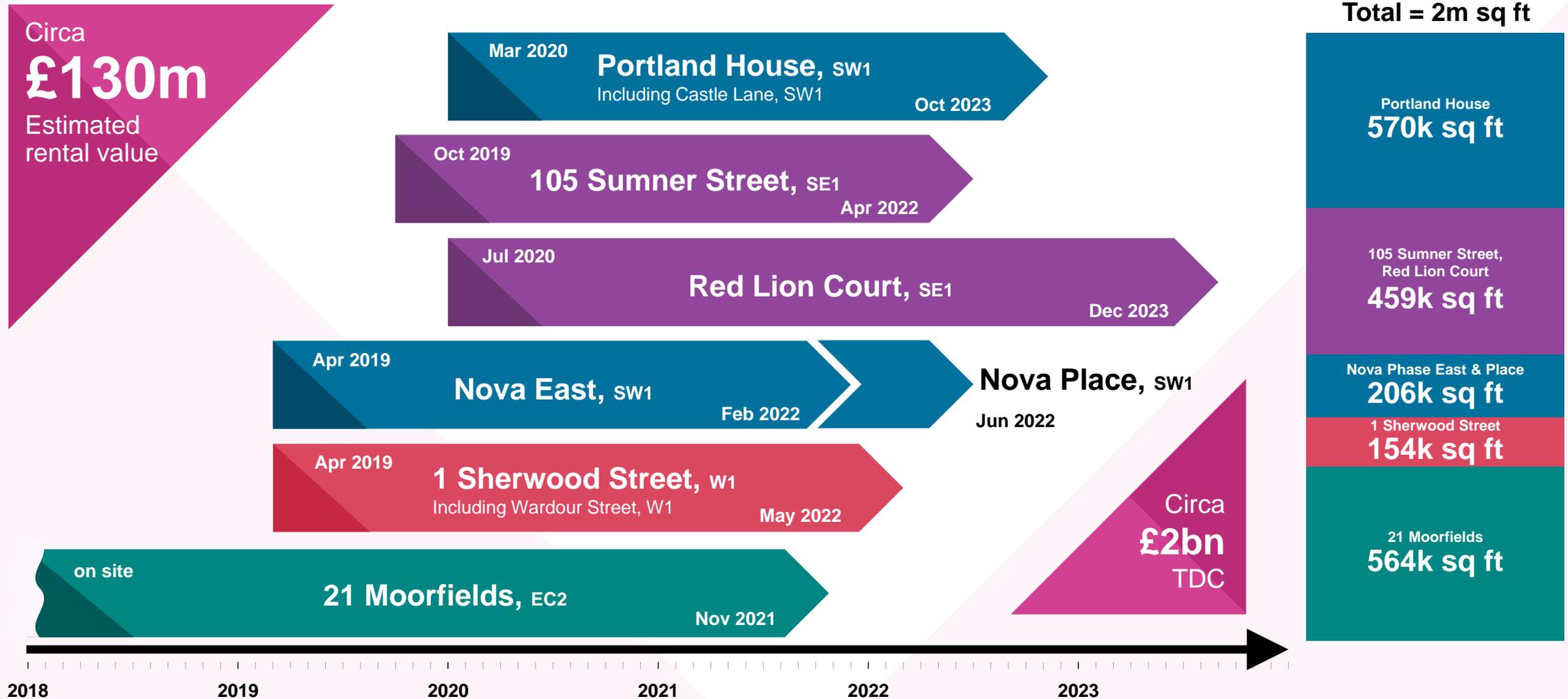
- Attracting growth businesses
- Providing quality space and service
- Ability for customers to customise offer, selecting the look and feel

Starting with 36,000 sq ft in
123 Victoria Street opening in April 2019



Progressing 2m sq ft pipeline of development opportunities

Compares to 3m sq ft, £3bn TDC (100%), just completed



Note: Earliest start on site dates

Nova East

Refining structure and design improving returns

- Floor area 166,000 sq ft
- Floor plates 12,000 sq ft
- Increased floor area of consented scheme by 19%
- Requisite approvals required



City of Westminster



Transport
for London

- Potential start on site April 2019 with delivery 2022



Nova East, SW1

1 Sherwood Street

New mixed use building at iconic London site

144,000 sq ft
office and retail
development

111,000 sq ft offices
30,000 sq ft retail
20,000 sq ft floorplates

Potential
start on site
April 2019

Delivery 2022

Affordable
housing at
Wardour
Street

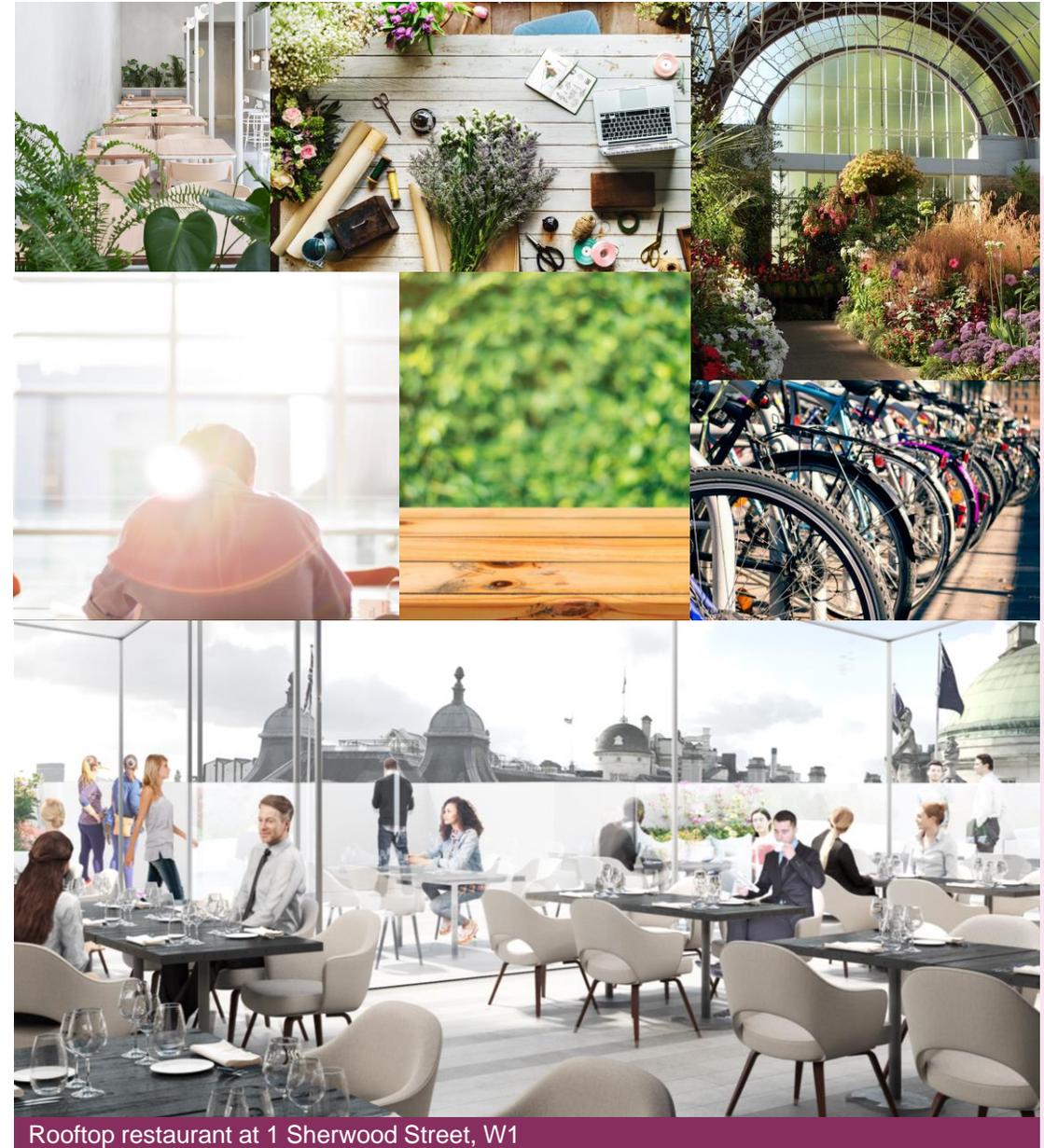


1 Sherwood Street, W1

1 Sherwood Street

Flexibility, wellness experience, and sense of community

- Large open plan floorplates to accommodate flexible and diverse workplaces
- Wellness at heart of the design
- Landsec Lounge concept on first floor, rooftop restaurant and ground floor retail
- Exciting new London destination



Southwark estate

Two developments

Ownership
of 4 buildings
totalling
227,000 sq ft

105 Sumner Street

14-22 Southwark Bridge Road

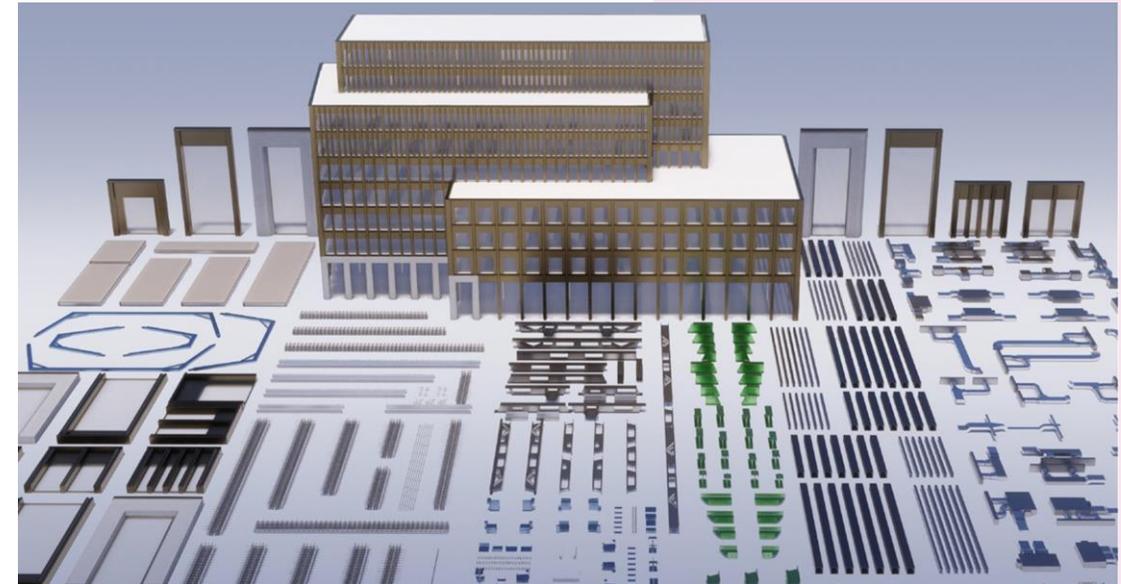
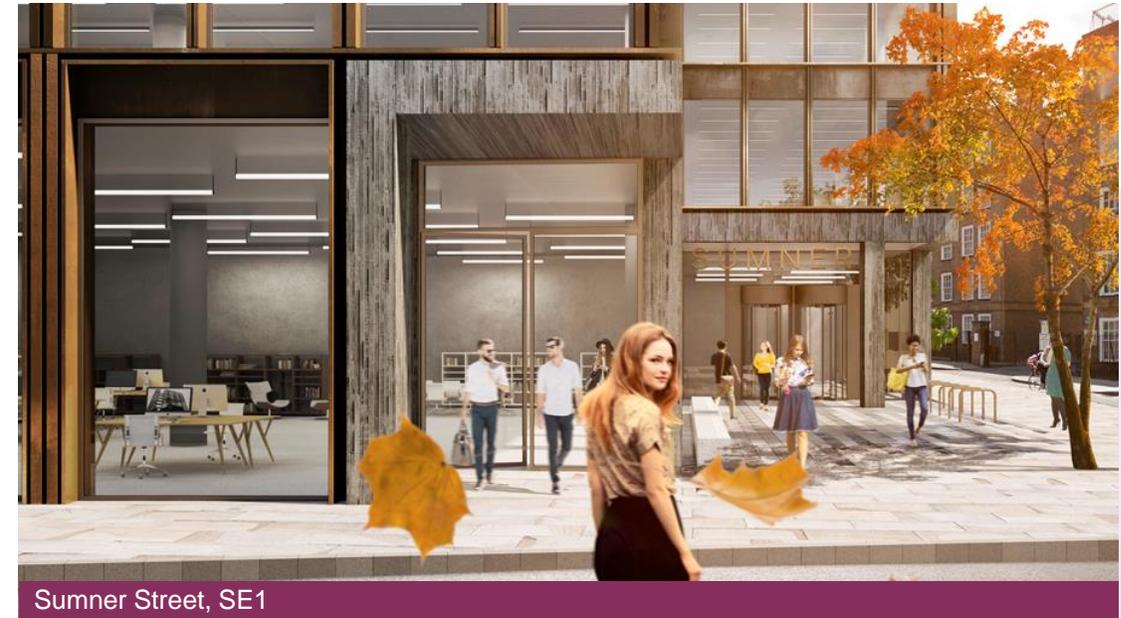
Red Lion Court

24 Southwark Bridge Road

Sumner Street

Opportunity to use off-site manufacture techniques

- Consent for 135,000 sq ft in 2 buildings
- Existing building home to Landsec Lab
- Potential start on site October 2019



Landsec Lab

Challenging new ways of working

- Successful testing of prototypes for Nova and our own fit-out
- Landsec Lab became a hub in April 2018
- Sustainable business incubator start up community
- A place to challenge established thinking, knowledge and test new ideas

sustainable
workspaces



Landsec Lab at Sumner Street, SE1

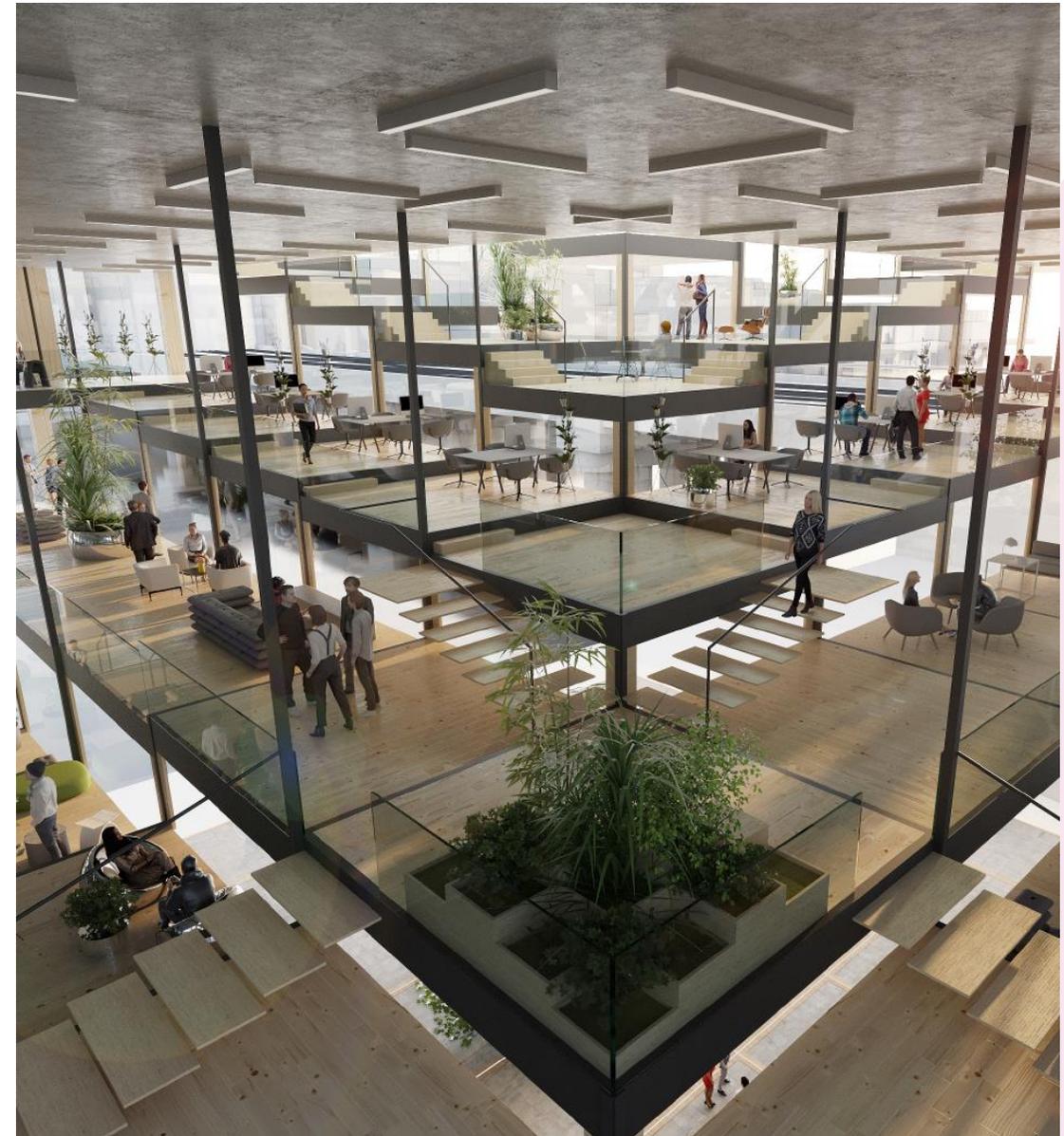
Red Lion Court

A riverside destination

Finalised feasibility for a 324,000 sq ft office building

Combining best-in-class offices with new public realm to river

Progressing planning
Potential start on site July 2020



Red Lion Court, SE1

Portland House

A new tower concept for the West End

Feasibility for 530,000 sq ft building – potential start on site March 2020

Plans increase floor area whilst maintaining existing height

Affordable housing at Castle Lane

Creation of public space linking Victoria estate



21 Moorfields

De-risking the development

- Deutsche Bank deal now unconditional
- Successfully completed test piling
- Tendered work on main building contract within projected £581m TDC

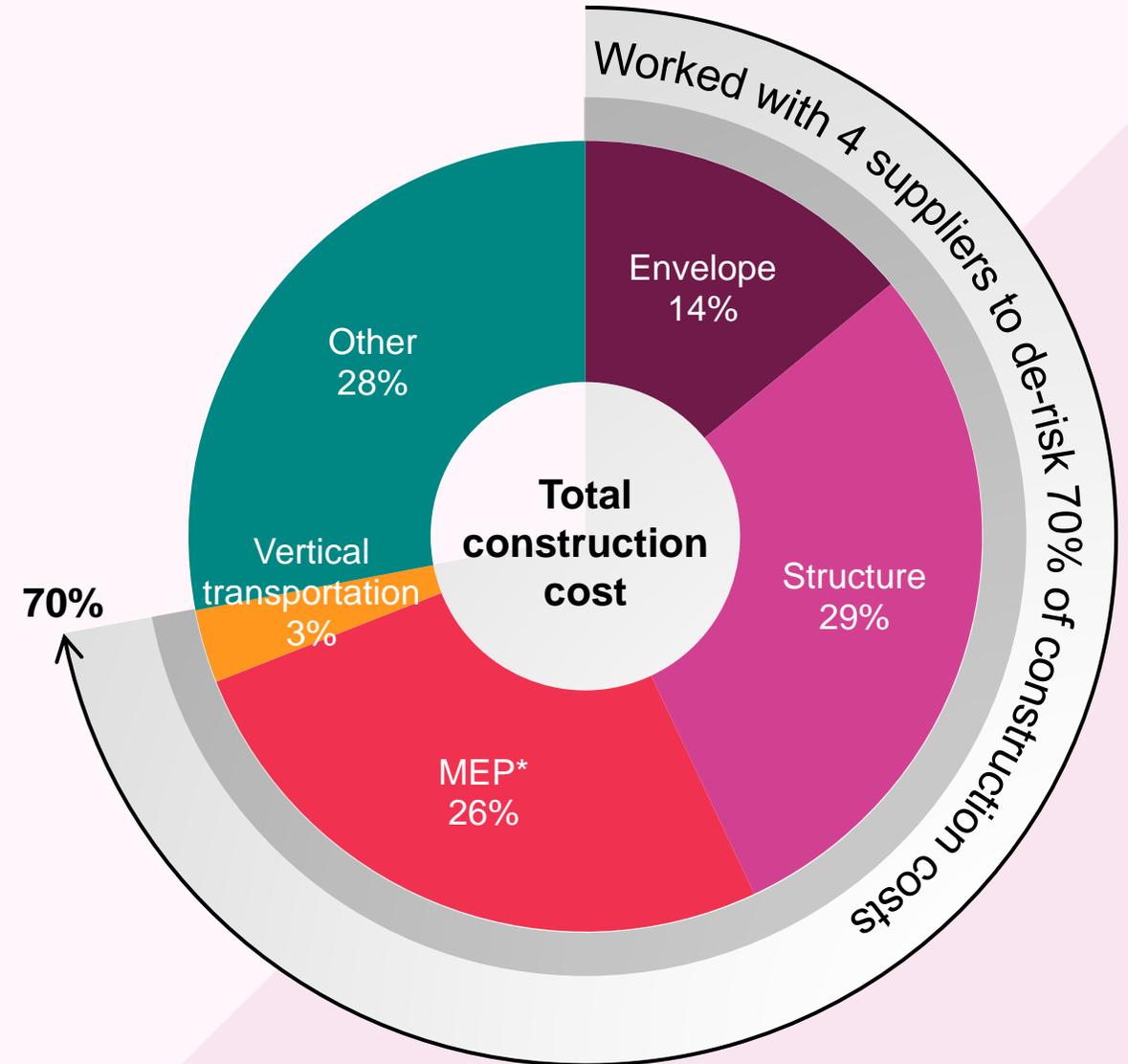


Construction site at 21 Moorfields, EC2

21 Moorfields

New approach to procurement

- Worked with 4 specialists gaining greater insight into design and costs of 70% of project
- Improved efficiency of process resulted in tender with no extra cost
- Improved technology using Business Information Modelling (BIM)

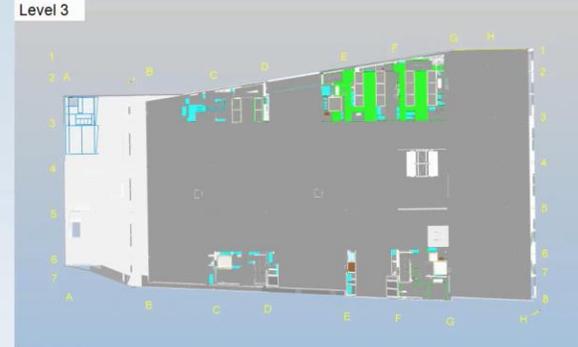
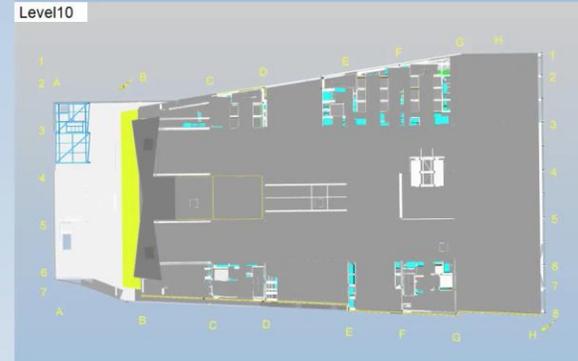
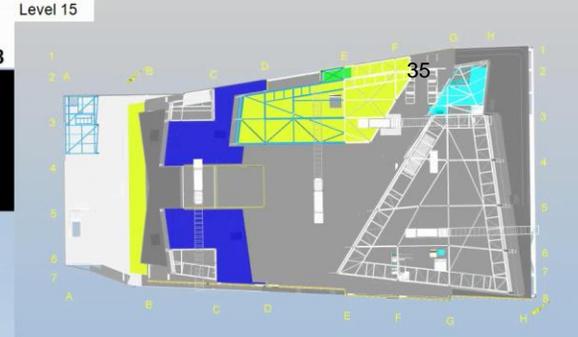
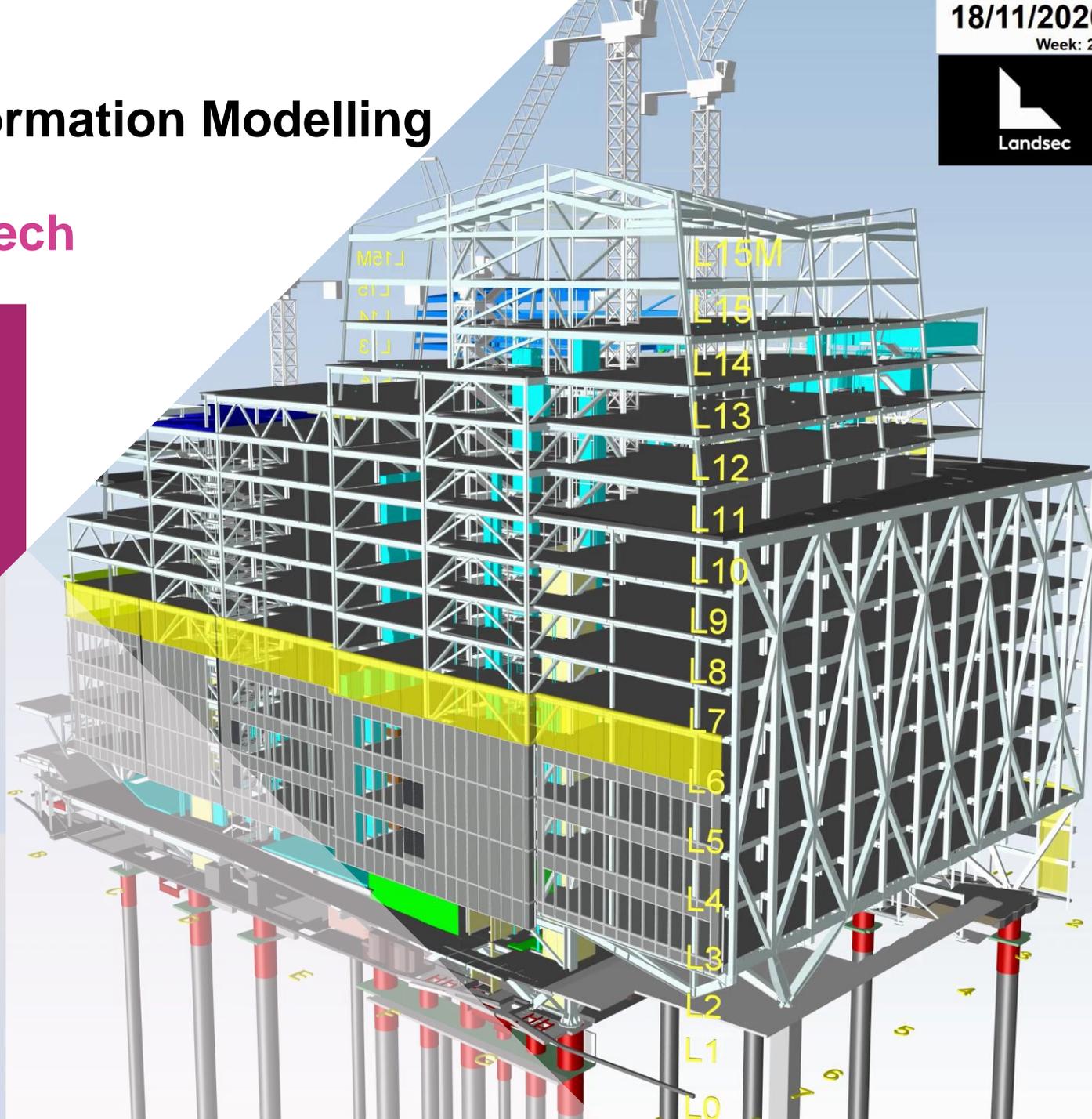


* Mechanical, electrical and plumbing

Building Information Modelling (BIM)

Upping the tech

Created 3D model of entire building



Investment

Actively pursuing £1.4bn of assets

- Gap in underwriting has shifted from 20-30% below pricing 12 months ago to 10-15% today
- Submitted £0.3bn of bids since April
- £40m spent in last six months to enable 1 Sherwood Street
 - £29m, 116 -126 Wardour Street
 - £11m, 21 Denman Street



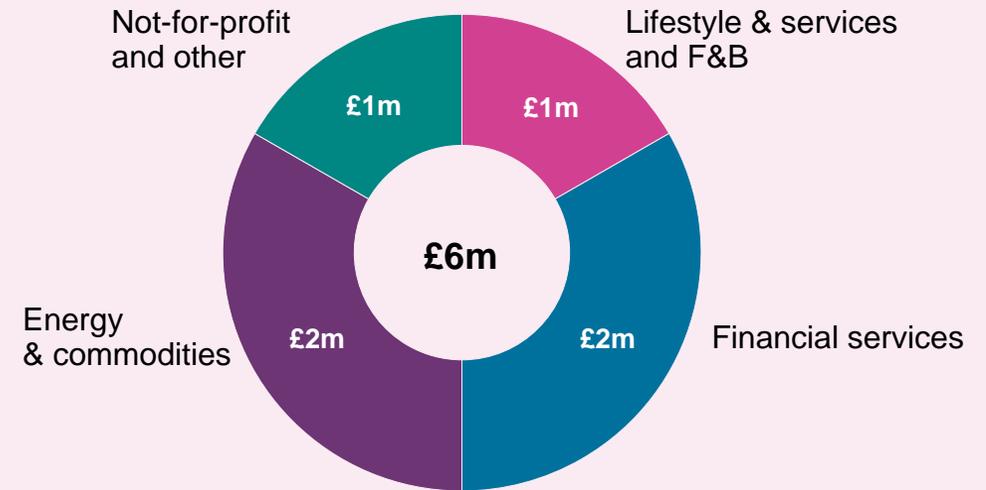
One New Change, EC4

Quality and resilience

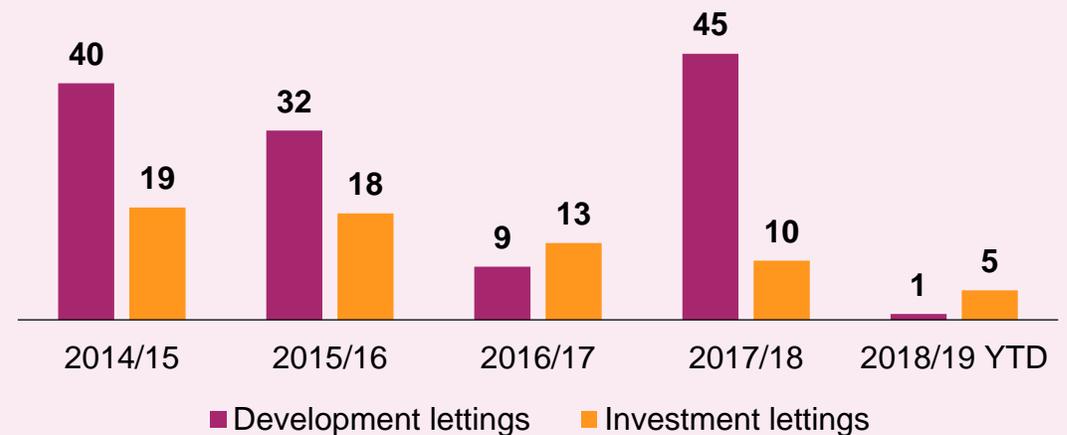
Reflected in 99% occupancy

- Like-for-like voids 0.7%
- Long WAULT of 9.1 years
- 5% (£16m) reversionary potential in the like-for-like portfolio over the next 5 years
 - £7m achievable by end of 2019
- £6m of letting activity to a broad customer base
 - £5m investment lettings and £1m development lettings
- Investment lettings 10% above passing rent

Letting activity by sector



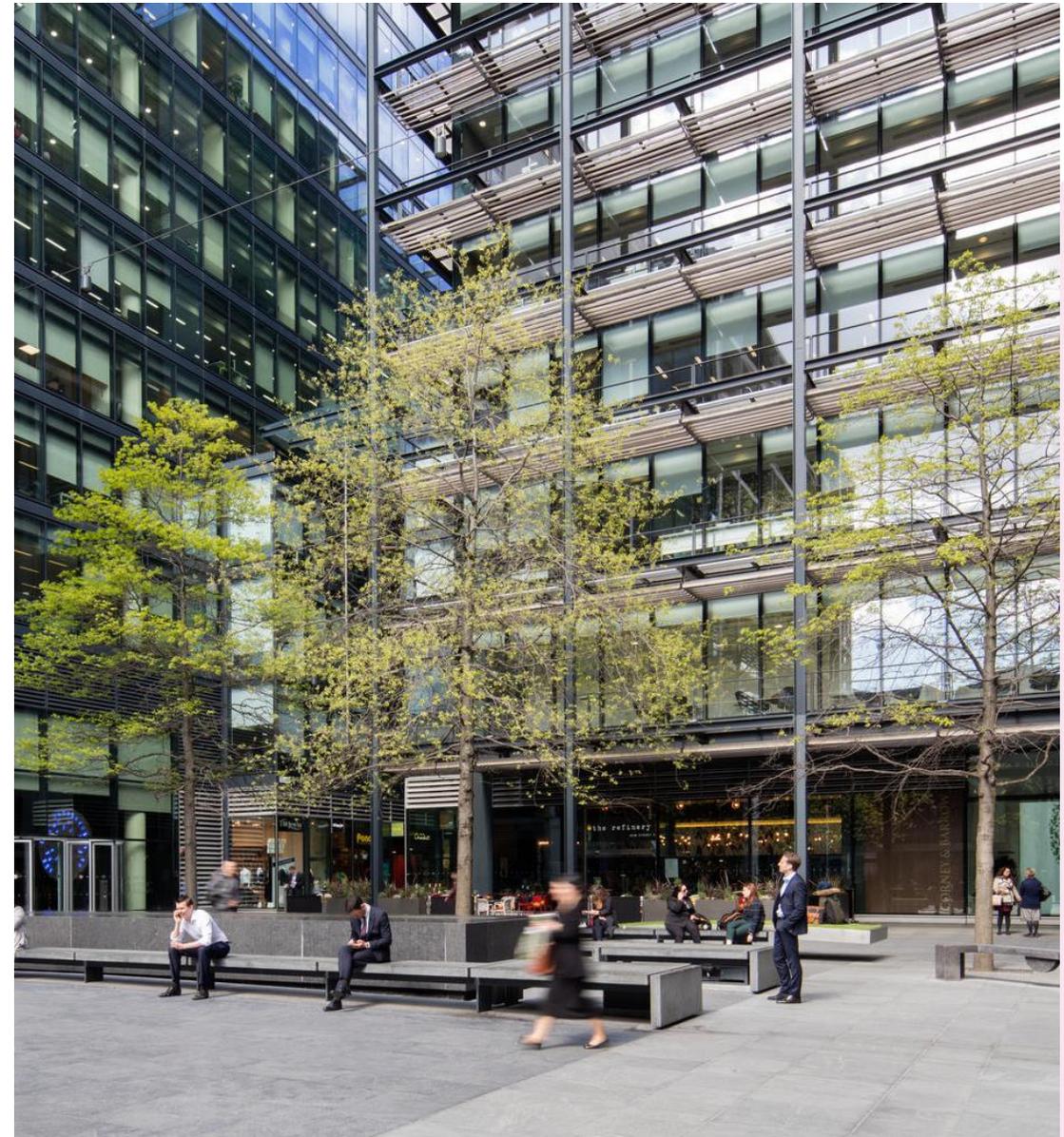
Letting activity – 5 year trend
£m



Rent reviews

At 30 September 2018

- Completed £20m of rent reviews at 19% above passing rent, 6% above ERV
- Significant reviews in New Street Square
- Valuation increase of New Street Square estate of 5%, £39m



New Street Square, EC4

Bridge at New Street Square

Future proofing space

- Completed agreement for Deloitte to construct two bridges to link buildings 1 & 2 New Street Square
- Greater flexibility for Deloitte across their 700,000 sq ft campus for the next 15 years



Bridge link at 1 & 2 New Street Square, EC4

Portfolio in great shape

Strong pipeline

- Diverse customer mix, long leases and good reversionary potential
- Actively pursuing new acquisitions
- Expanding flexible office offering
- Deploying new technologies
- Progressing 2m sq ft of future development opportunities



Retail Portfolio
Scott Parsons
Managing Director

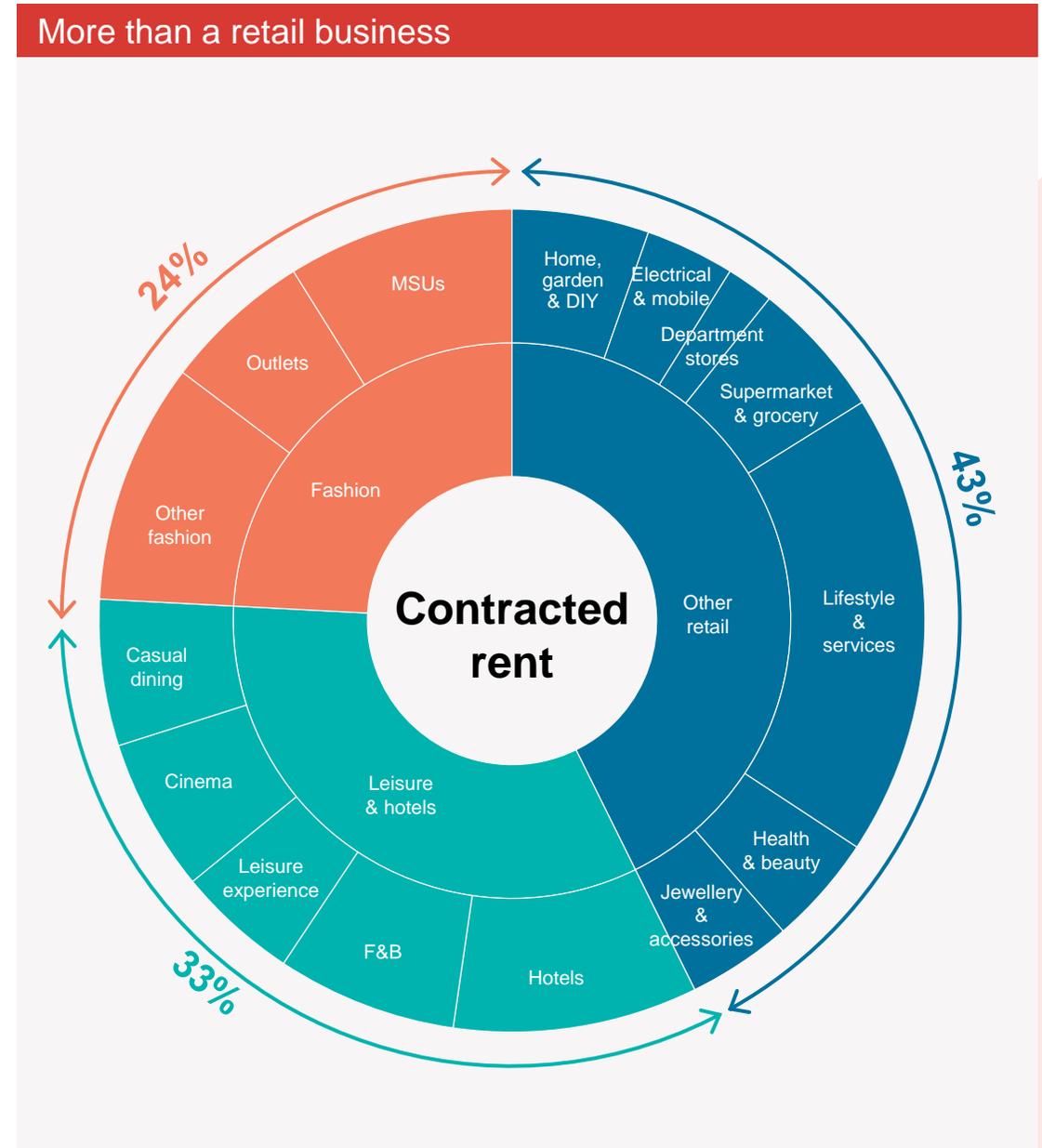


Landsec

Well positioned portfolio

Experience-led and diversified

- Reshaped the portfolio to focus on experience
 - Sold secondary shopping centres
 - Sold half of our retail parks
 - Invested in leisure and outlets
- Most diverse income base in the sector



Performance summary

Robust performance in challenging markets

Footfall down
2.3%

Outperformed
benchmark by
70bps

Sales down
1.4%

Outperformed
benchmark by
70 bps

97.4% occupied

Like-for-like
voids 3%

Administrations flat
at 0.7%

82 exchanged
lettings

£6.4m during
period

£7m in
solicitors'
hands

Outperforming
the wider
market
on CVAs

Regional shopping centres

Best destinations attracting occupiers

High occupancy at 97.3%

Healthy deal flow

Westgate Oxford line-up complete



URBAN OUTFITTERS

ZARA



FLANNELS



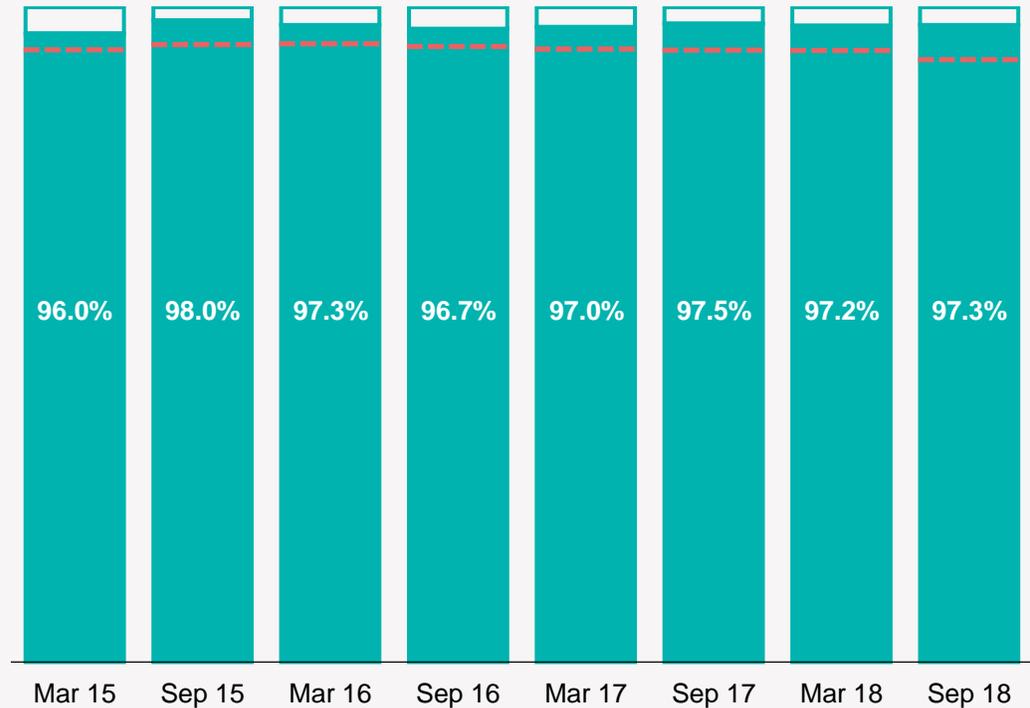
MANGO

PRIMARK



History of occupancy

Landsec like-for-like shopping centre occupancy (excl. outlets)



--- IPD – shopping centres occupancy

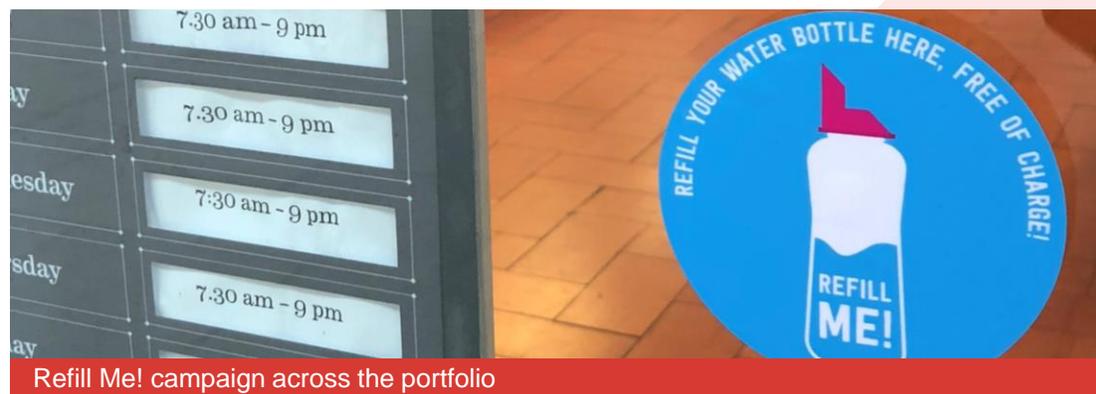
Regional shopping centres

Adapting to change through innovation

- Innovative Black Box Revolution units ready at Trinity Leeds with short term leases to help retailers test their model
- Piloting car parking mobile app to improve the customer journey
- Our Refill Me! campaign across the portfolio has reduced disposable water bottle use
- Solar panels at White Rose, Leeds producing 22% of centre's communal energy



Black Box Revolution at Trinity Leeds



Refill Me! campaign across the portfolio



White Rose, Leeds

Retail parks

Selly Oak de-risked and profitable

- Reduced our exposure to retail parks through c.£600m of sales over last 5 years
- Livingston sold during first half
- Let and completed Selly Oak retail park
 - Forward sold to M&G and Unite
 - Will generate an IRR in excess of 40%



Selly Oak, Birmingham

Hotels

Steady income growth

- 30% rental income growth since 2010
- Attractive vacant possession values
 - 35% higher than £580m book value

£580m

September 2018
book values

£786m

Vacant
possession
values



Malmaison, Oxford

Note: Data is for our 29 hotels – a mix of Accor and other brands

Leisure

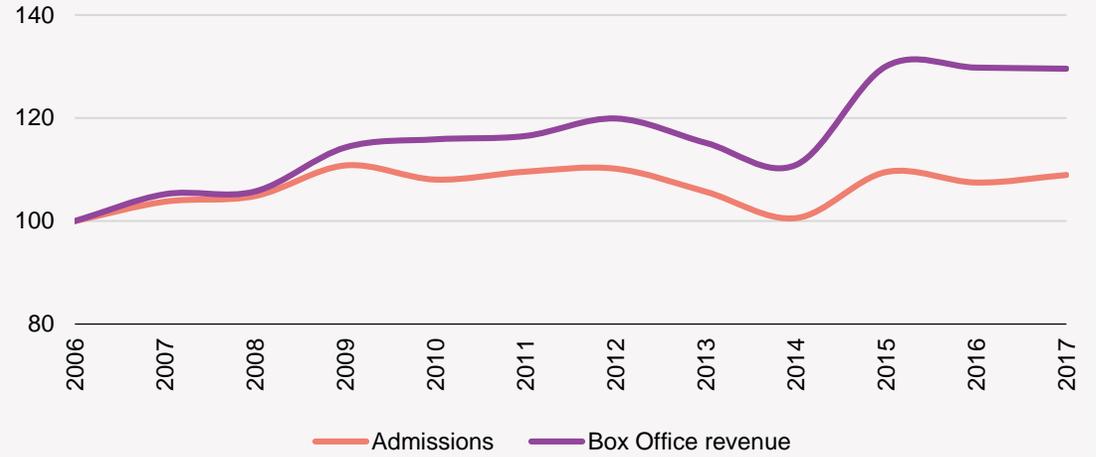
Spend continues to grow

— Engagement with our customers drives investment within our centres

- Two cinema regears in H1
- White Rose unveiled Cine Screen X
- Further 8 upgrades planned across the portfolio

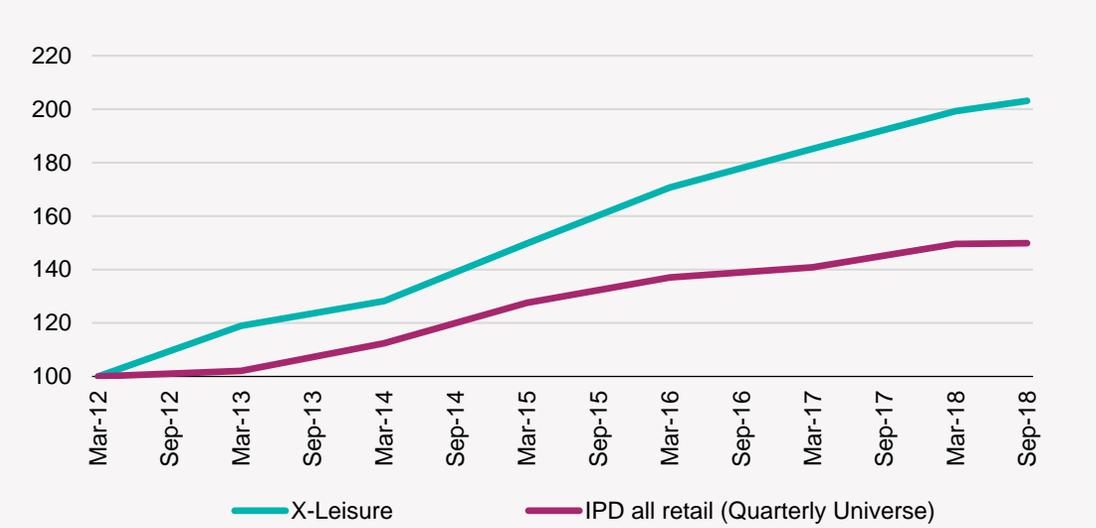
— X-Leisure has delivered strong returns with a total property return of 11.5% p.a. since acquisition

Cinema spend growth consistently outpaces admissions



Indexed UK box office (adjusted for inflation) vs indexed admissions (2006 = 100)

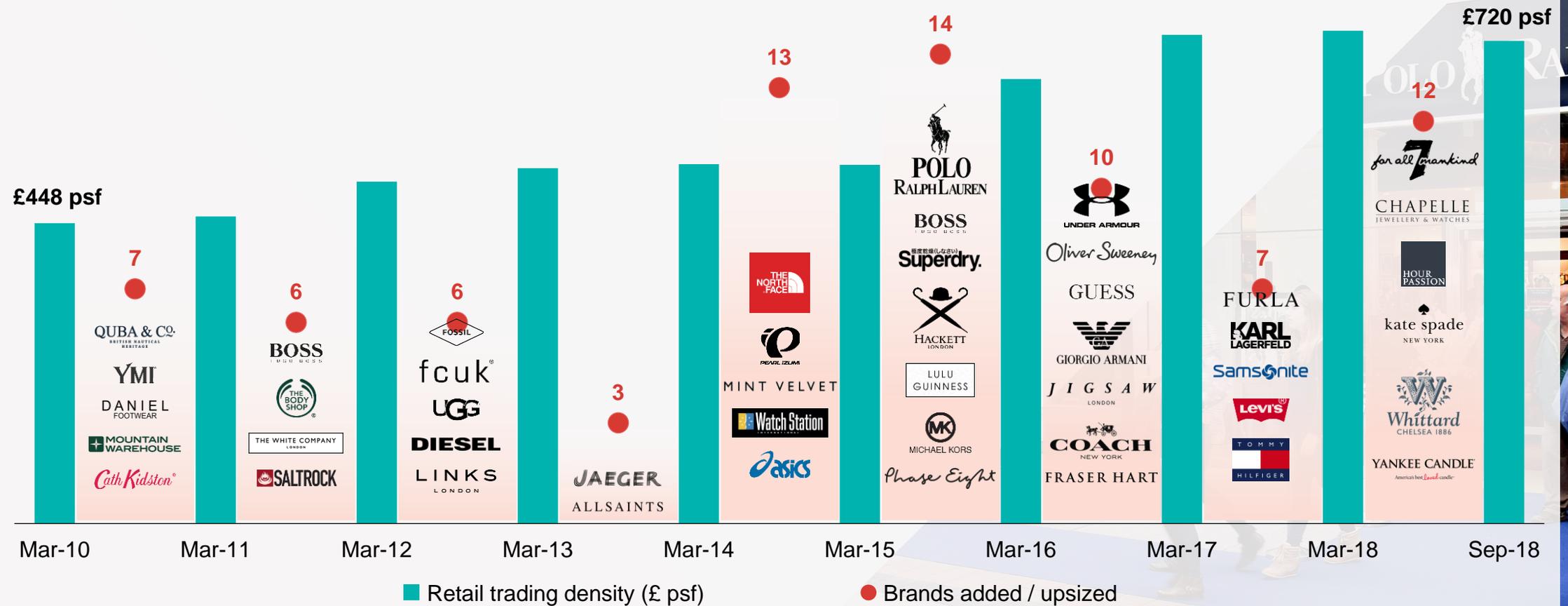
Indexed total property return since X-Leisure acquisition



Outlets

Retail sales density at Gunwharf Quays

Brand churn over period and growth in retail sales density



Outlets

Curating brand mix to drive growth in sales densities

- We can churn brands to grow sales density... income is a mix of base and turnover rents so this pays off
- Polo Ralph Lauren opened at Braintree... ...fuelling conversations with other brands
- Will apply same approach to the three acquired outlets: average density £380 psf
- Submitting planning applications to improve environment

What it could look like at Braintree

If we grow sales density...

▲
£100_{psf}

...we'll grow income...

▲
20%

... and capital value by more than⁽¹⁾

▲
£20_m

(1) Assuming constant yields



Suburban London

Planning submissions for mixed use densification

- Organic pipeline of mixed use development within the portfolio
- O2 Finchley Road and West 12 planning applications in 2019
- Advanced feasibility at Lewisham with other opportunities across the portfolio

O2 Finchley Road



West 12 shopping centre



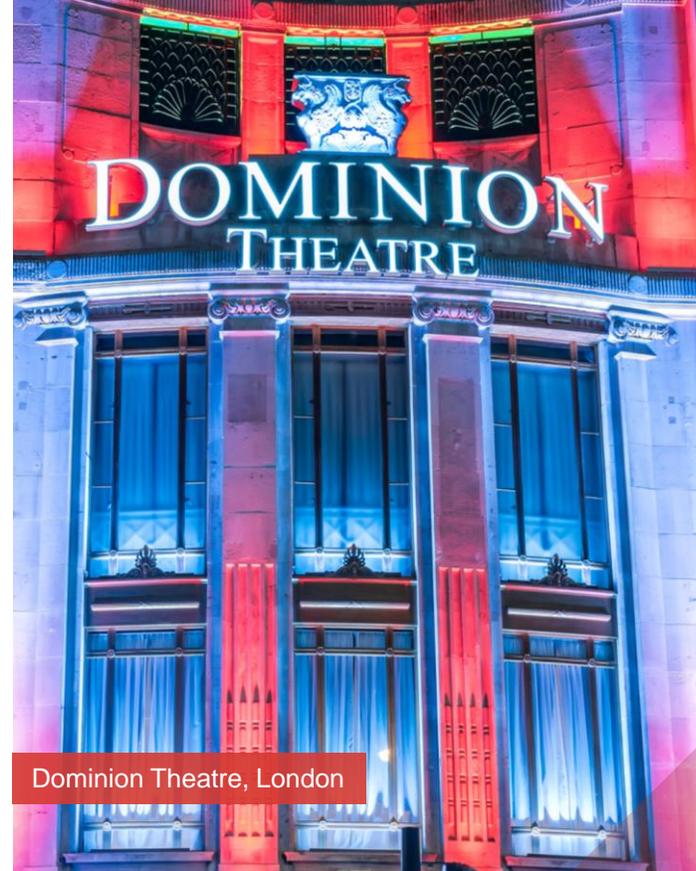
Lewisham shopping centre



Summary

Well positioned diversified portfolio

- Experience-led destinations continuing to attract consumers and occupiers
- Innovating and responding to changing market dynamics
- Confidence in hotels and leisure
- Growth potential in outlets
- Exciting redevelopment potential in London suburban centres



Dominion Theatre, London



Gunwharf Quays, Portsmouth



Brighton Marina

Outlook
Robert Noel
Chief Executive



Landsec

Mixed use development Finchley Road, NW3

- Acquired O2 centre in 2010
- Site covers 5 acres
- Adjacent to Jubilee Line, Metropolitan and Thameslink stations and London Overground
- Scheme includes over 1,000 homes
- Planning submission 2019
- Earliest start on site early 2021



Mixed use development West 12 shopping centre

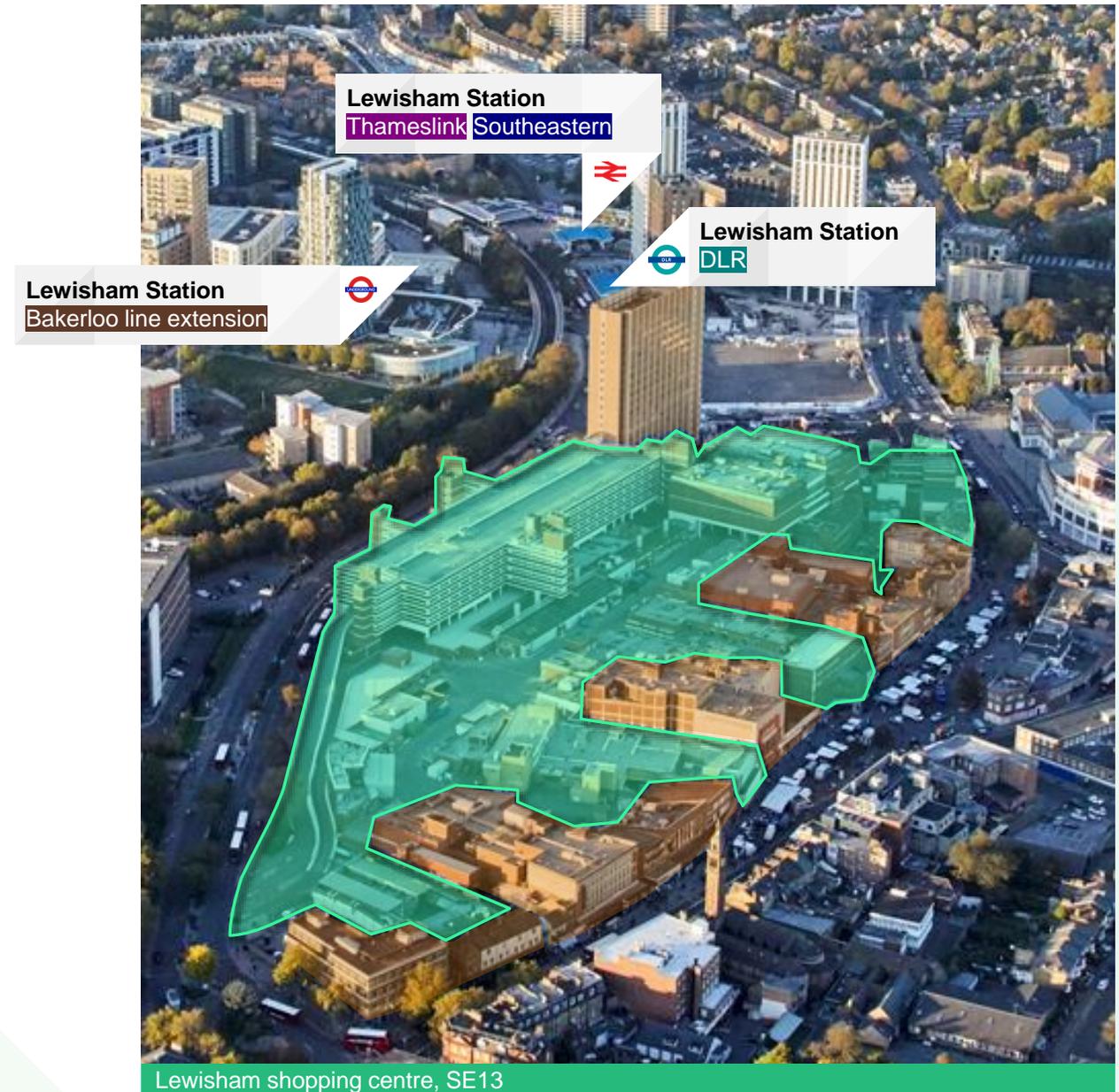
- Site of 3 acres
- Scheme includes 700 homes
- Adjacent to Central and Overground lines and numerous bus routes
- Planning submission 2019
- Earliest start on site late 2021



Mixed use development

Further potential

- Working on feasibility for a number of sites in London
- Large scale potential at Lewisham
- Deep experience with working with local stakeholders



Lewisham shopping centre, SE13

Addressing key market forces and embracing opportunities

— Customer behaviour

- Boundaries between home, work and leisure are disappearing
- Uses are interconnected and interdependent

— Sustainability

- Driving better performance through the lifecycle
- Driving inclusivity in real estate

— Landsec is No.1 in the UK listed real estate sector in sustainability

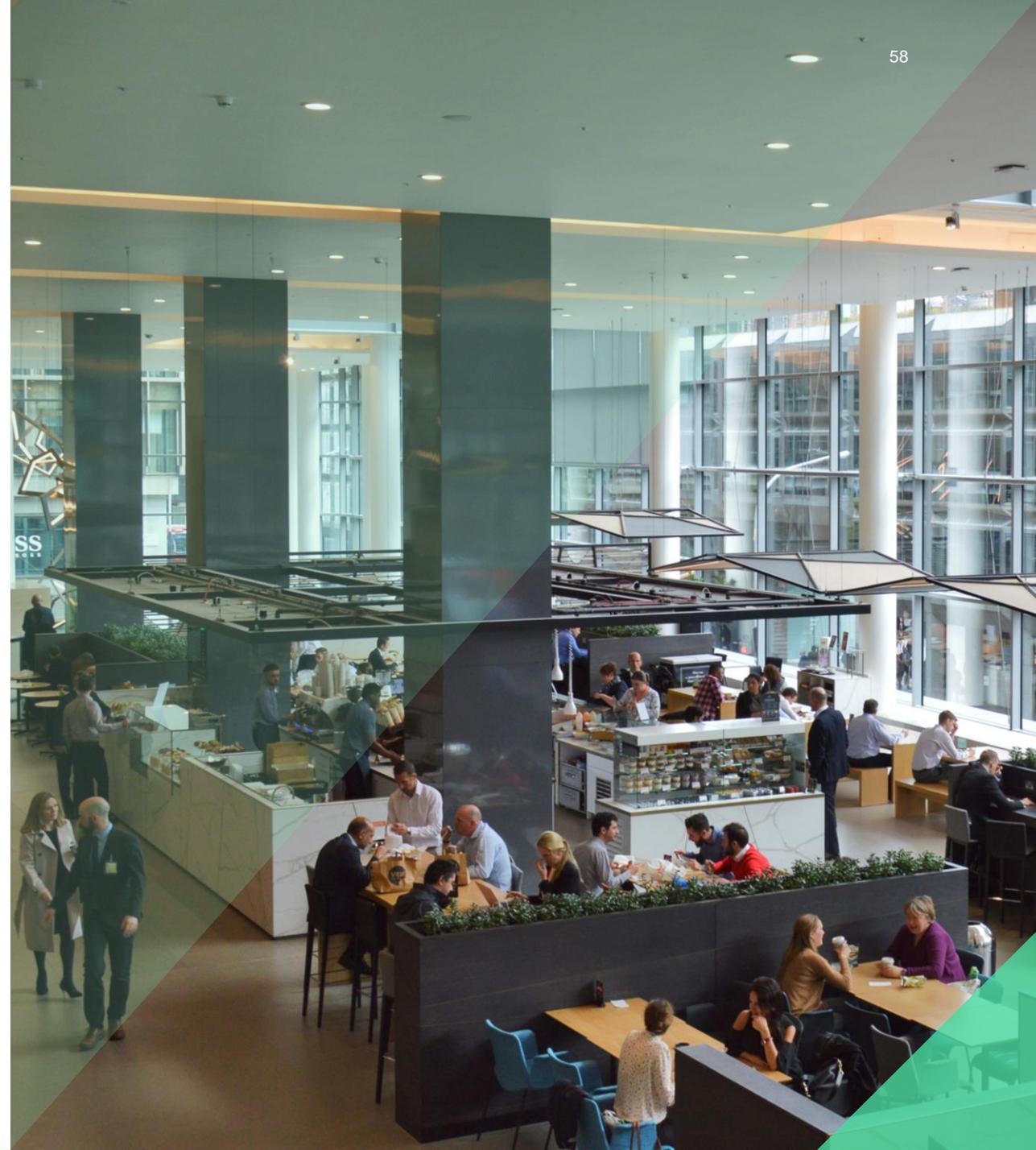
- Dow Jones Sustainability Index
- GRESB



Outlook

Appropriately positioned today and excited about the future

- Well prepared for short-term market risks
 - Virtually fully occupied
 - Committed development is pre-let
 - Good flexible financing
- High quality portfolio
 - Widening our offer to customers in London
 - Retail is experience-led
- £3bn pipeline of London development



Half-yearly results

For the six months ended 30 September 2018

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