

Our annual results

For the year ended 31 March 2019

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Agenda

Looking forwards

Rob Noel

Financial results

Martin Greenslade

Regional retail and leisure

Robert Noel

London

Colette O'Shea

Outlook

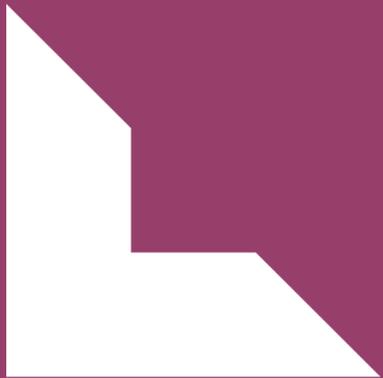
Robert Noel



Looking forwards

Robert Noel

Chief Executive



Landsec

Our evolving strategy addressing key trends

Digital

- Disrupting traditional models
- Enabling better products, solutions and services

Demographics

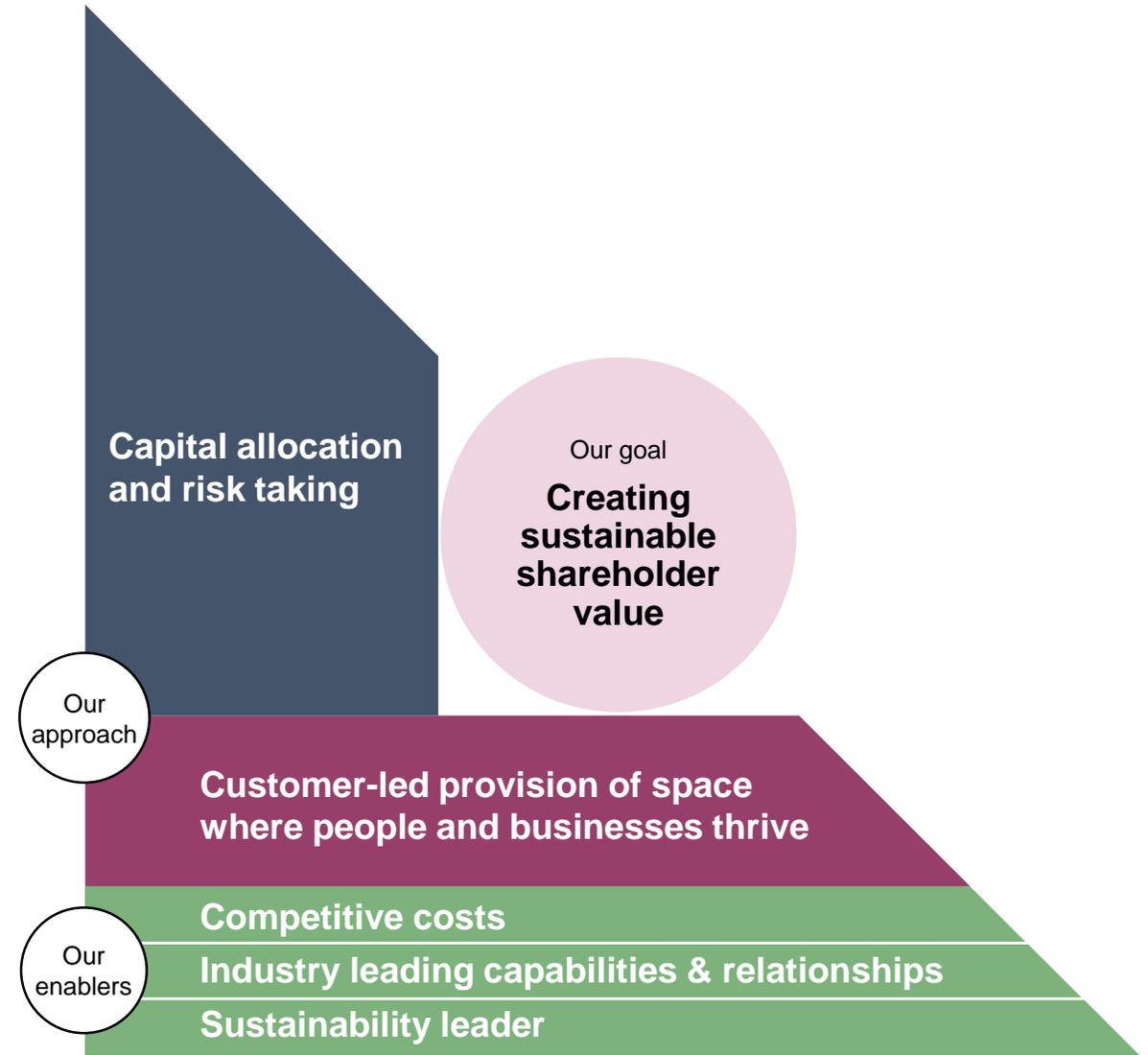
- Growing, ageing population
- Millennials and Gen Z growing proportion of workforce

Demand

- Changing living, working, shopping and leisure habits
- Occupiers increasingly service and convenience-led

Sustainability

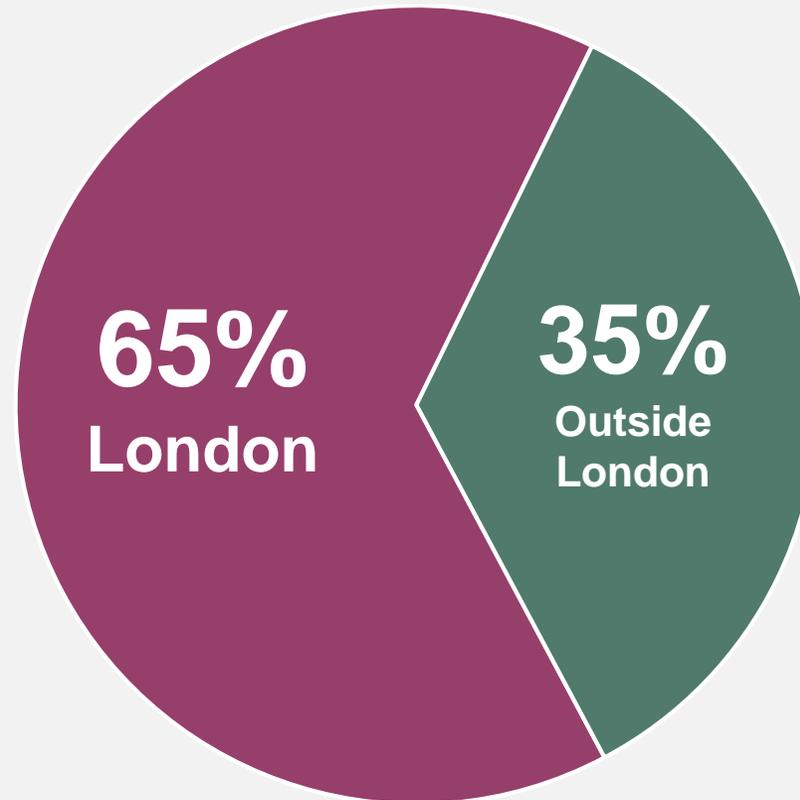
- Social purpose, value and expectations
- Resource scarcity and climate change



Balance of business shifting more to London

Today

- Connected locations
- Flexible buildings and range of offers
- Bringing innovation to construction and operations



- Fewer assets going forward
- Great destinations in growing catchments
- Reduced exposure through gradual disposals

Robust performance against a mixed backdrop

Market backdrop

- Macroeconomic and political contrasts
 - Gridlocked politics
 - Economic growth still positive
 - Record employment, but consumer caution
- Retail challenged
 - Cyclical pressures
 - Structural shift continues
- London markets continue to hold up well
 - Flight to quality and flexibility
 - Strong investor demand

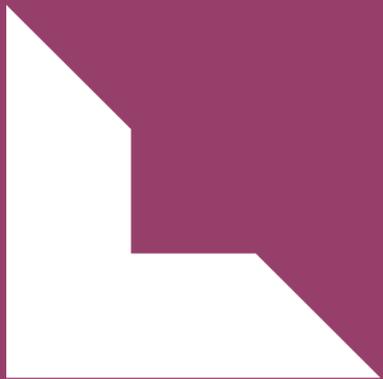
Our year

- High occupancy levels
- New products and services
- Growing London pipeline
- Strong earnings growth
- Valuation impacted by retail markets
- Robust financial position
- Dividend growth continues

Well positioned for future growth

Financial results

Martin Greenslade
Chief Financial Officer



Landsec

Financial summary

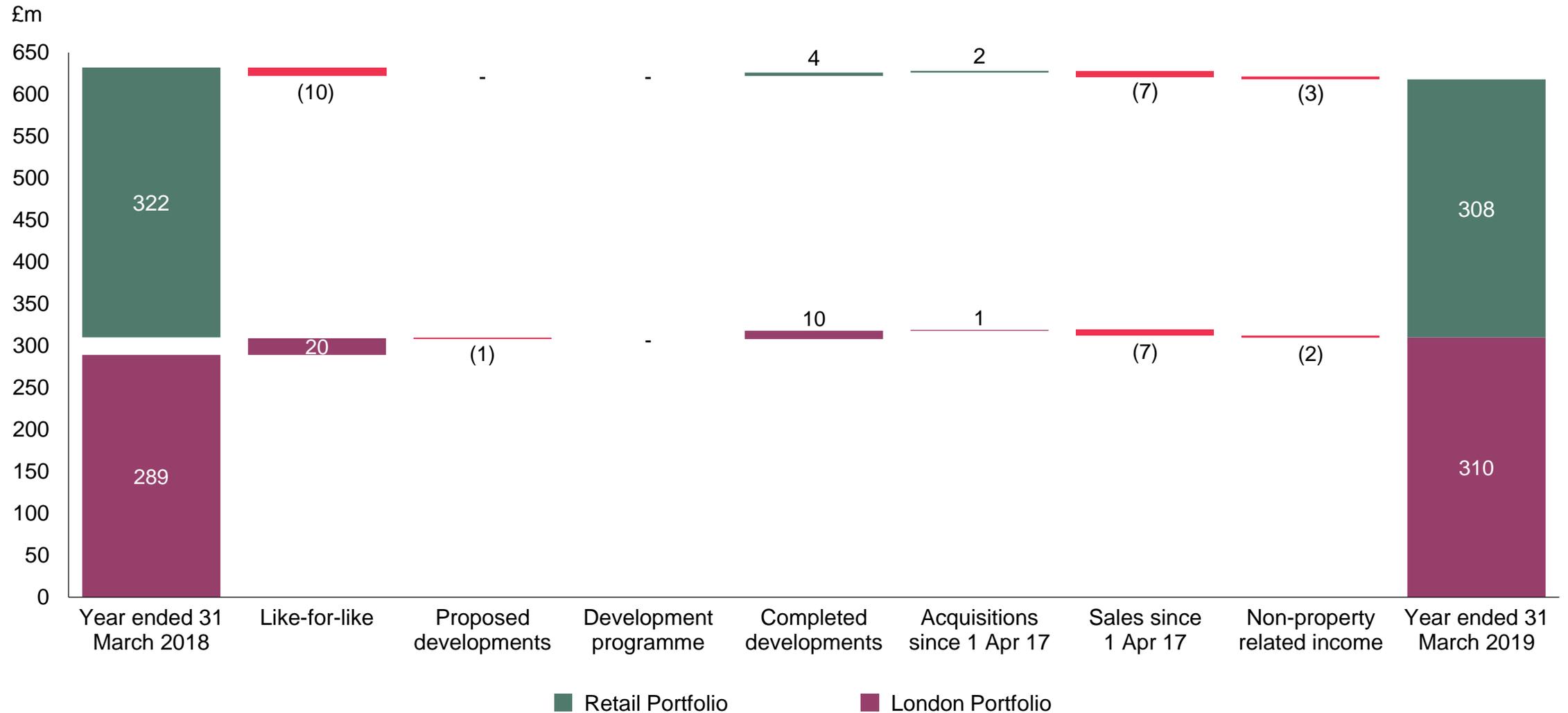
31 March 2018 ⁽¹⁾		31 March 2019	Change
			%
£406m	Revenue profit ⁽²⁾	£442m	8.9
£(91)m	Valuation deficit ⁽²⁾	£(557)m	(4.1) ⁽³⁾
£(43)m	Loss before tax	£(123)m	
53.1p	Adjusted diluted earnings per share ⁽²⁾	59.7p	12.4
1,403p	EPRA net assets per share	1,339p	(4.6)
44.2p	Dividend per share	45.55p	3.1

(1) Restated as a result of changes in accounting policies

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

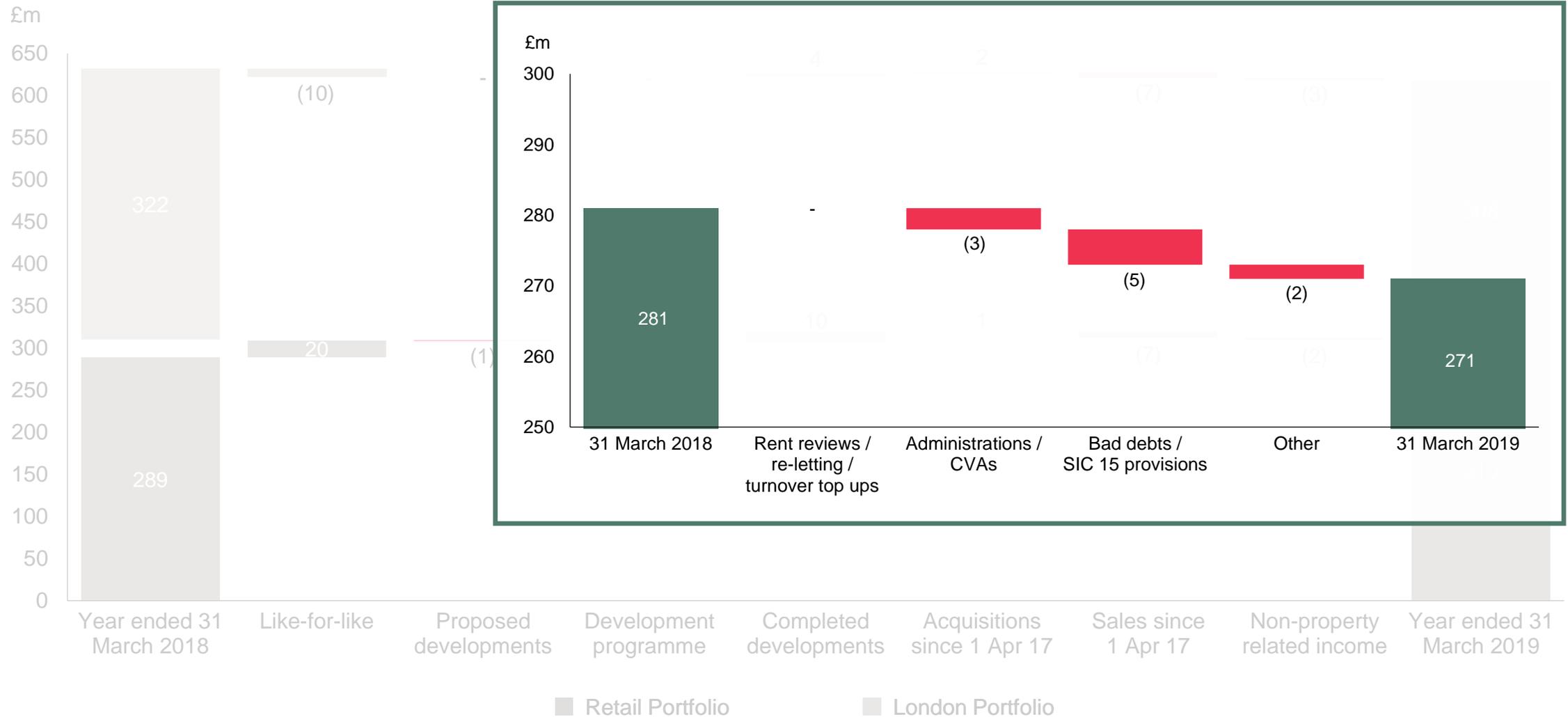
(3) The percentage change for the valuation deficit represents the fall in value of the Combined Portfolio over the year, adjusted for net investment

Net rental income analysis



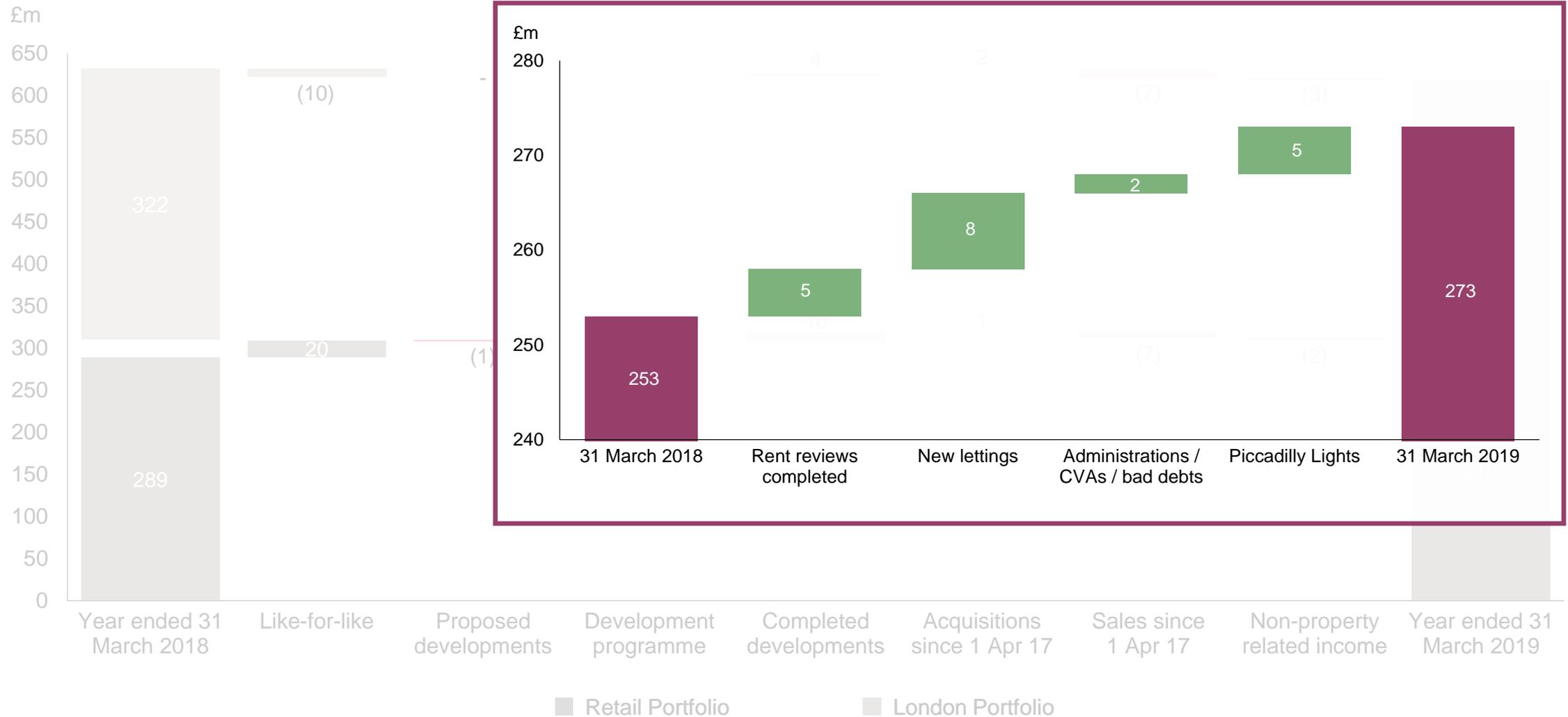
Like-for-like net rental income analysis

Retail Portfolio



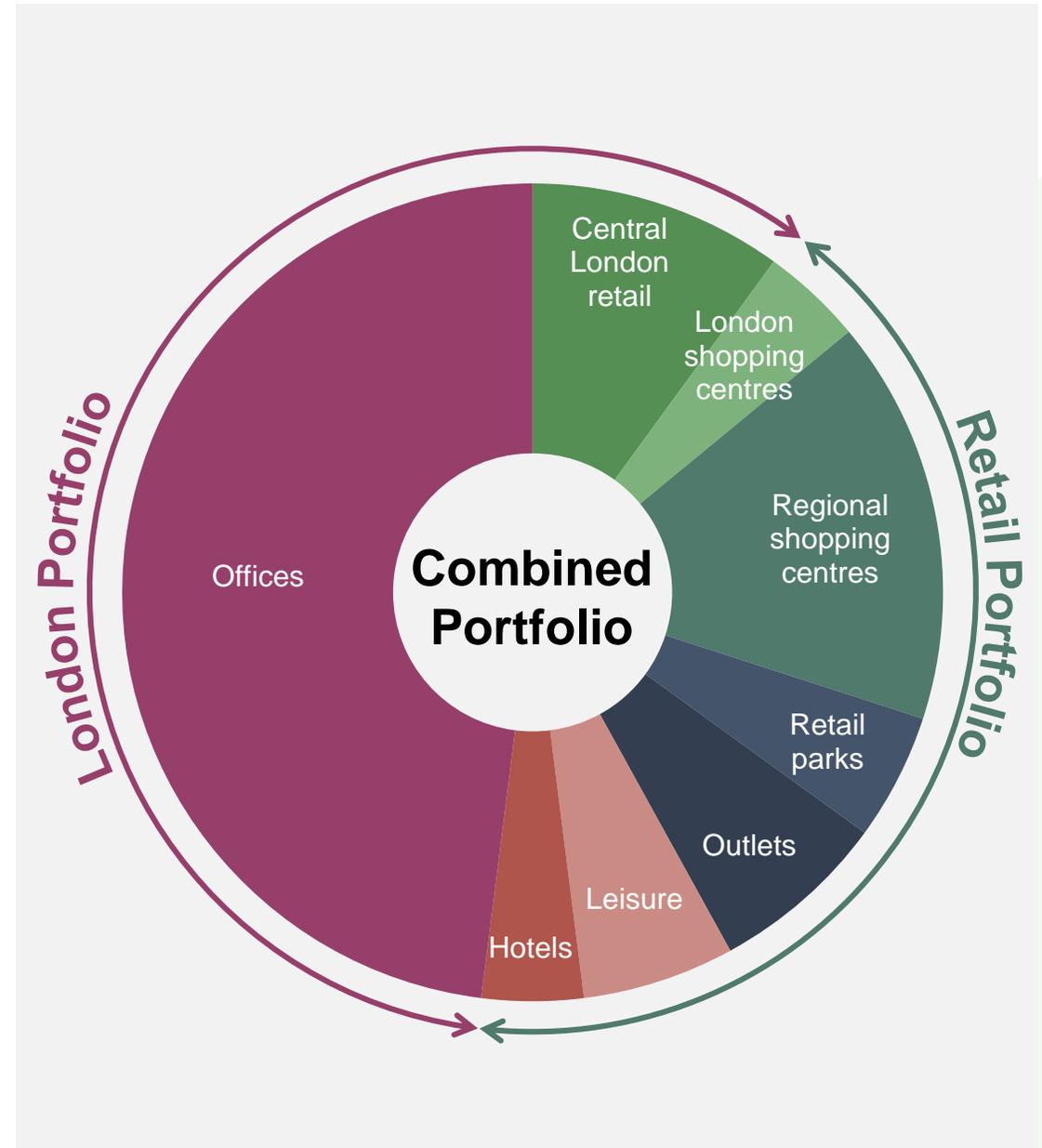
Like-for-like net rental income analysis

London Portfolio



Combined Portfolio valuation

- £13.8bn portfolio
- Assets located in London down 0.8%
- Assets outside London down 9.4%
- Valuation declined 4.1%
- London Portfolio down 0.5%
- Retail Portfolio down 8.4%

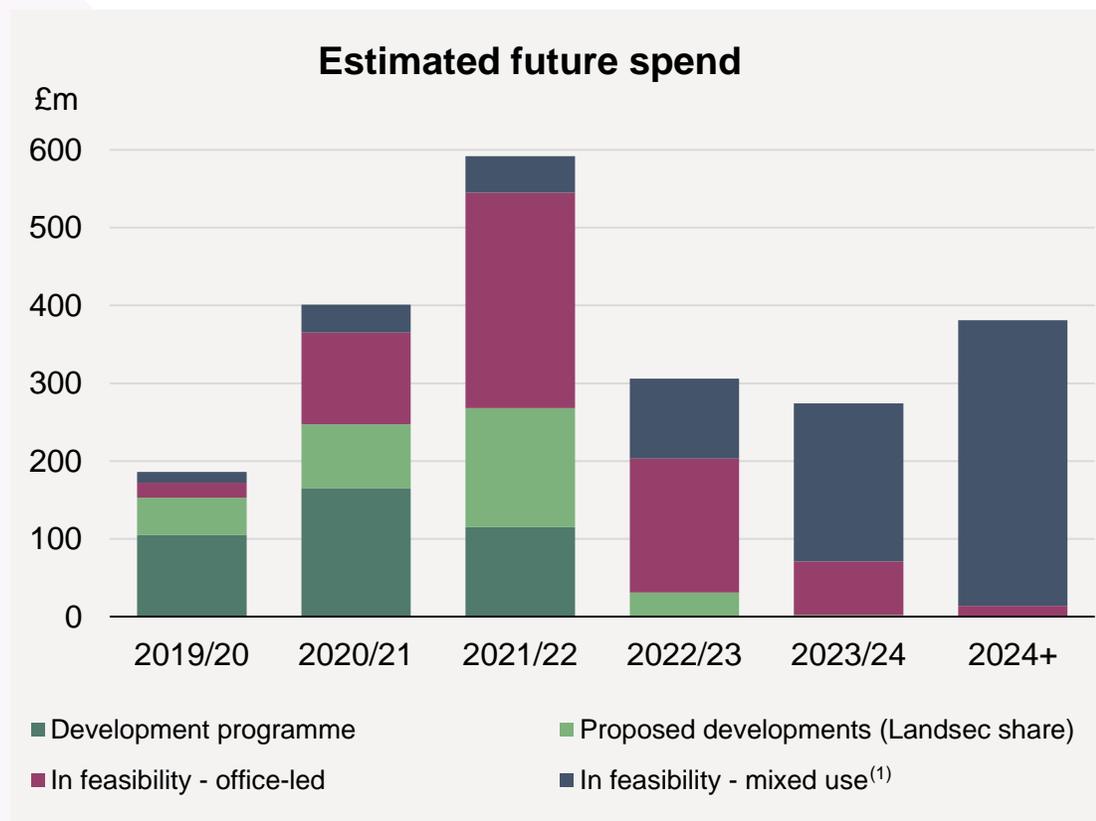


Combined Portfolio valuation

	Valuation		ERV	Equivalent yield shift
	£m	Surplus/deficit %	Change %	bps
 Offices	6,560	0.4	2.3	3
 Central London retail	1,417	(3.9)	(0.9)	7
 London shopping centres	537	(5.4)	(4.6)	(4)
 Regional shopping centres	2,291	(13.2)	(5.9)	30
 Retail parks	636	(15.5)	(4.9)	66
 Outlets	971	(0.4)	0.3	3
 Leisure	793	(3.0)	(0.8)	8
 Hotels	495	0.1	-	6

Development expenditure

Estimated future spend



Potential cash spend		Impact on March 19 Group LTV ⁽²⁾
Development programme	£385m	29.1%
Proposed developments	£320m	30.6%
In feasibility – office-led	£670m	33.7%
In feasibility – mixed use ⁽¹⁾	£770m	36.9%
Total	£2,145m	

(1) Comprises Finchley Road, NW3 and Shepherd's Bush, W12

(2) Cumulative impact of capital expenditure on the current Group LTV of 27.1% assuming no profit realised on this spend and all other values remain the same

Financing

- Group LTV⁽¹⁾ at 27.1% up from 25.8% at 31 March 2018
- Weighted average cost of debt broadly unchanged at 2.7%
- Flexible debt and considerable balance sheet capacity
- £1.6bn cash and available facilities⁽¹⁾

Debt and gearing	31 Mar 19	31 Mar 18
Adjusted net debt ⁽¹⁾	£3,737m	£3,652m
Weighted average maturity	12.3 years	13.1 years
Weighted average cost	2.7%	2.6%
Group LTV ⁽¹⁾	27.1%	25.8%

(1) On a proportionate basis

Financial summary

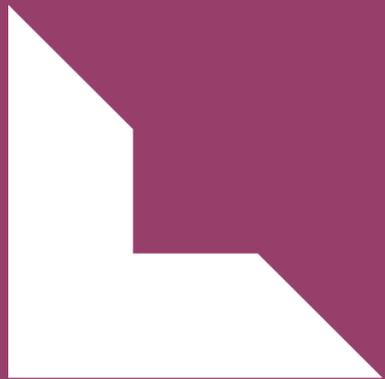
- Another year of earnings growth
- Resilience from diverse income streams
- Strong balance sheet
- Significant firepower for current investment phase



Regional retail and leisure

Robert Noel

Chief Executive



Landsec

Regional retail and leisure

Continued shift to experience

- Retail market remains challenging
 - Widening use of CVAs
- Strategy driven by key drivers
 - Growth of e-Commerce
 - Population and spending growth in the South East
 - Change in spending habits
 - Importance of experience

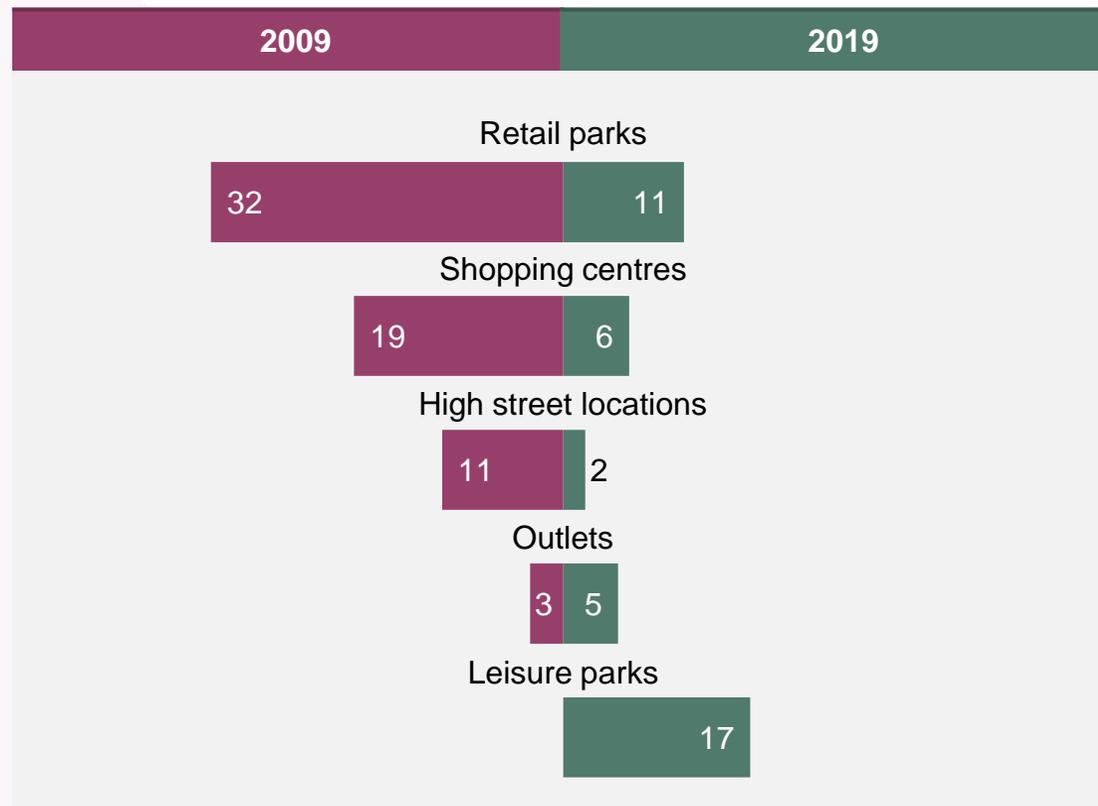
**Focus on fewer,
experience-led destinations**



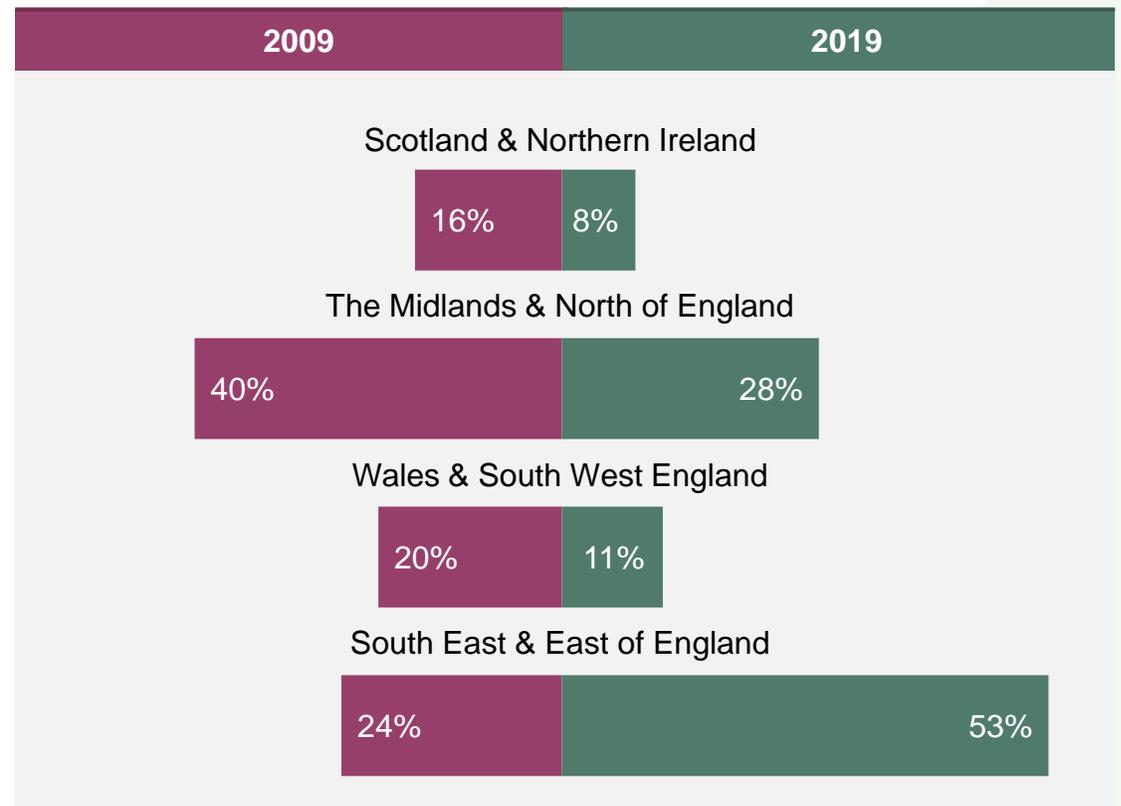
Regional retail and leisure

A decade of repositioning

Number of Landsec regional retail and leisure assets



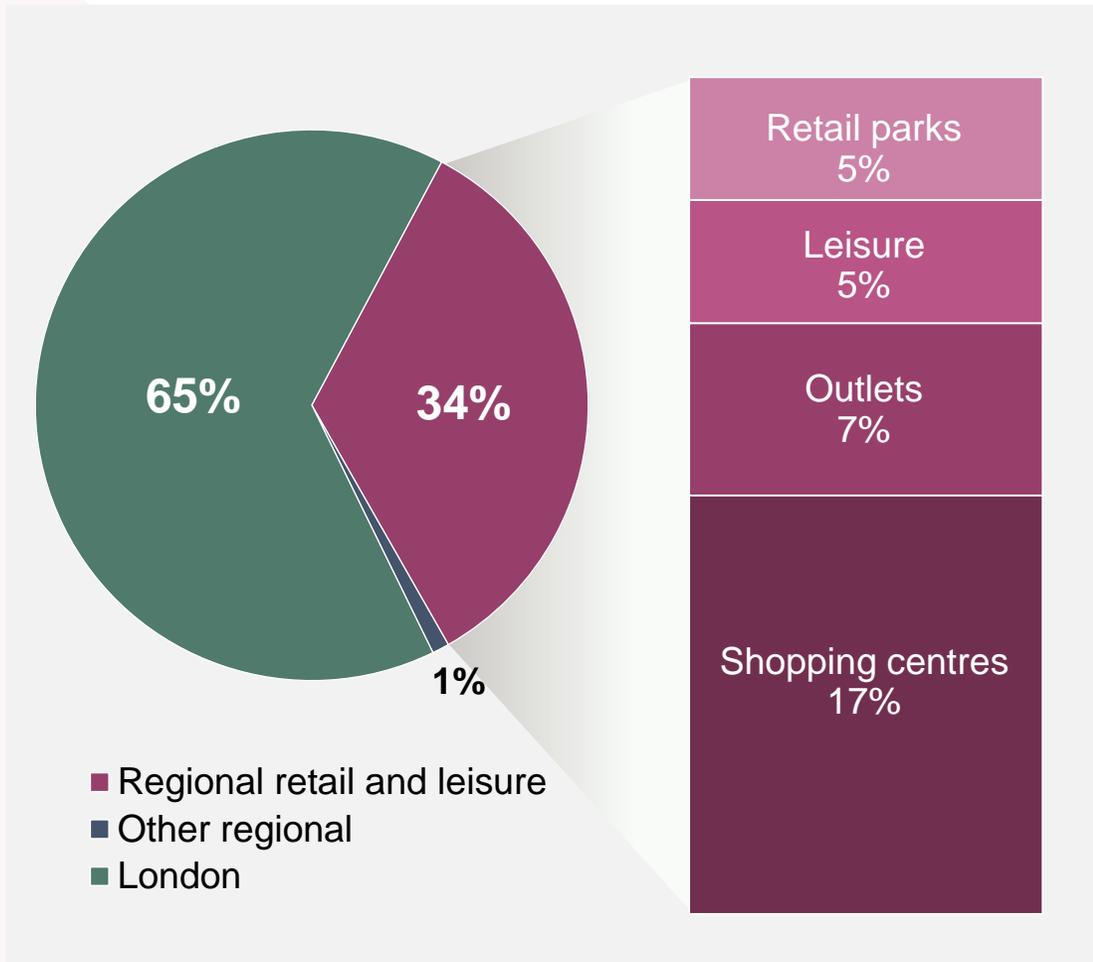
Location of Landsec regional retail and leisure assets by value



Focus on fewer, experience-led destinations

Regional retail and leisure

Now dominated by destinations



- 97% occupied
- £17m lettings in 173 transactions
- 147m visits⁽¹⁾
- Footfall +40 bps vs. benchmark⁽²⁾
- Like-for-like sales +10 bps vs. benchmark
- Same centre sales +120 bps vs. benchmark

(1) Six regional shopping centres and five outlets

(2) ShopperTrak UK National Benchmark

Retail parks

Weighted towards convenience

- Livingston and Selly Oak sold during year
- 11 retail parks
- 5% of portfolio, £0.6bn
- Open A1 planning use
- Occupancy 95%
- Average rent £20 psf



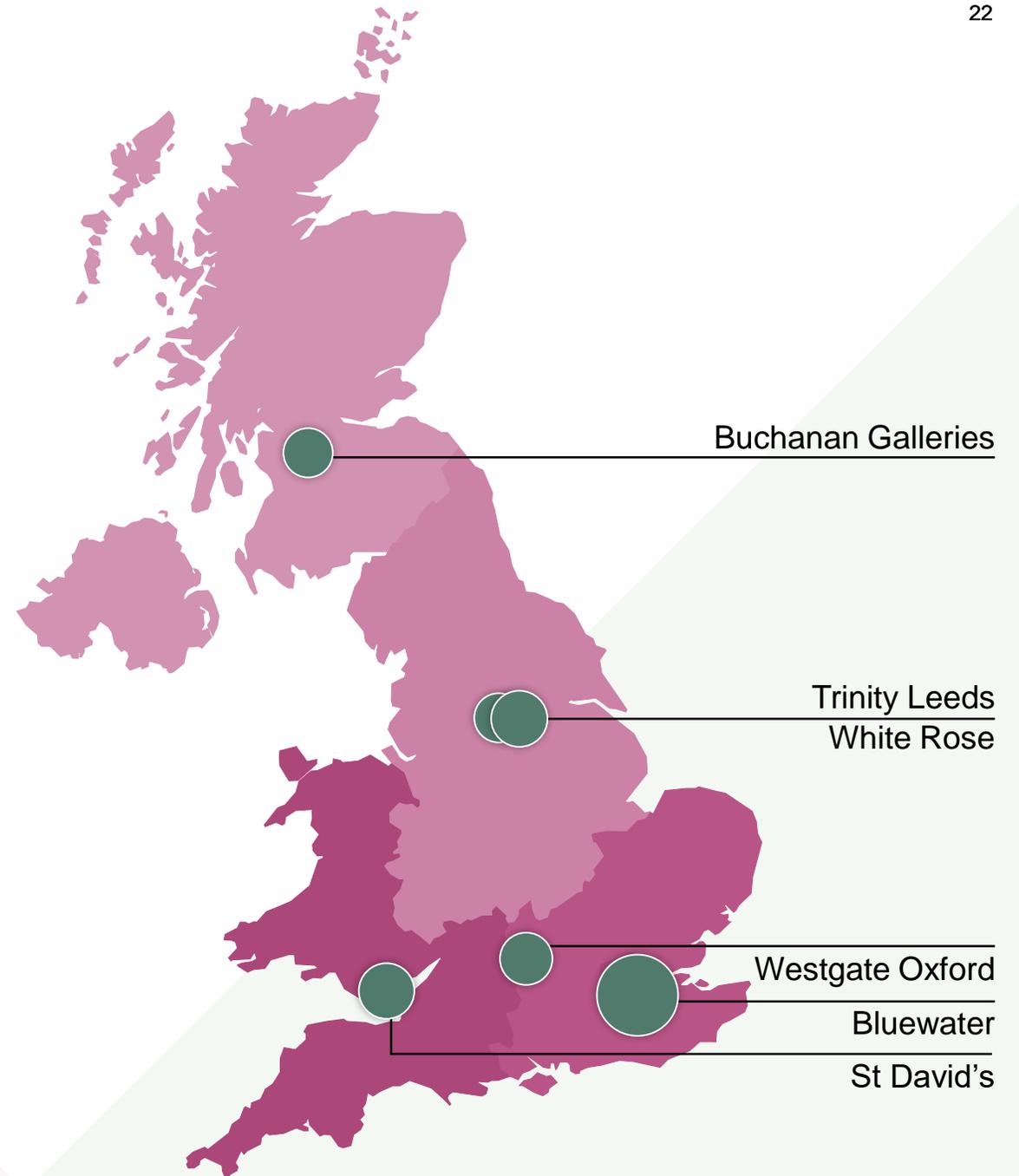
Top 10 occupiers

A collection of ten logos for retail occupiers, arranged in three rows. The logos are: TESCO (red and blue), Currys PC World (purple and blue), b&m (blue and yellow), pets at home (green), Morrisons (green and yellow), T.K. maxx (red), next (black), Debenhams (black), M&S (black), and B&Q (orange).

Regional shopping centres

Dominant in their catchments

- 6 shopping centres
- 17% of portfolio, £2.3bn
- 97% occupancy
- Good activity with 65 lease events
- Continued pressure on rental markets



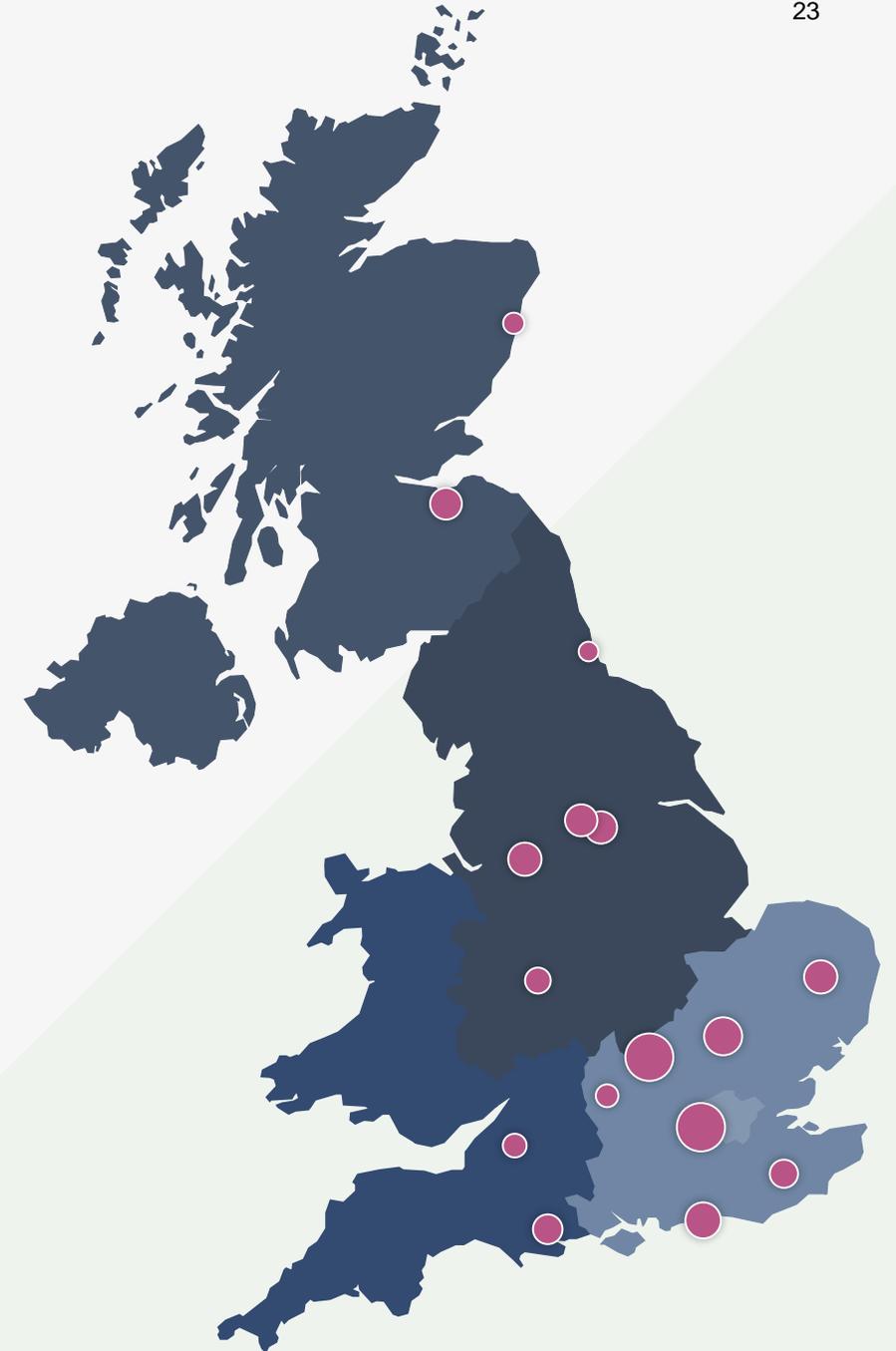
Leisure parks

Leisure spend continuing to grow

- 17 leisure parks
- 5% of portfolio, £0.8bn
- Occupancy 98%
- Acquired 2012 to 2014
- Cater for experience segment of consumer spend
- Record year for cinema attendance



Brighton Marina



Outlets

A great day out

- 5 outlets
- 7% of portfolio, £1.0bn
- Ability to capture growth annually
- Short performance related agreements allows curation of brands
- Good progress on recently acquired outlets
- Polo Ralph Lauren introduced to Braintree Village
- Planning consents achieved across all three



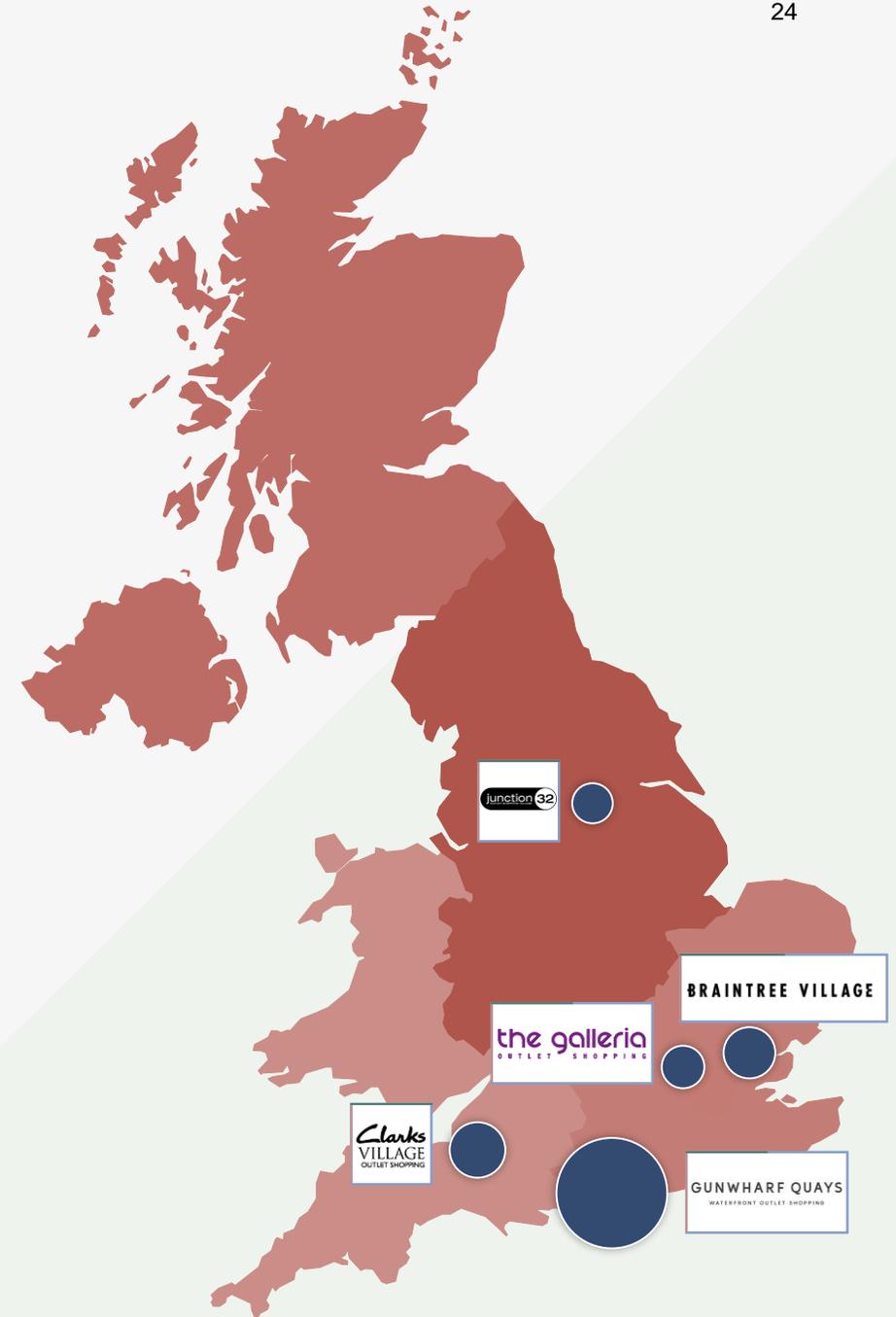
Braintree Village



Junction 32, Castleford



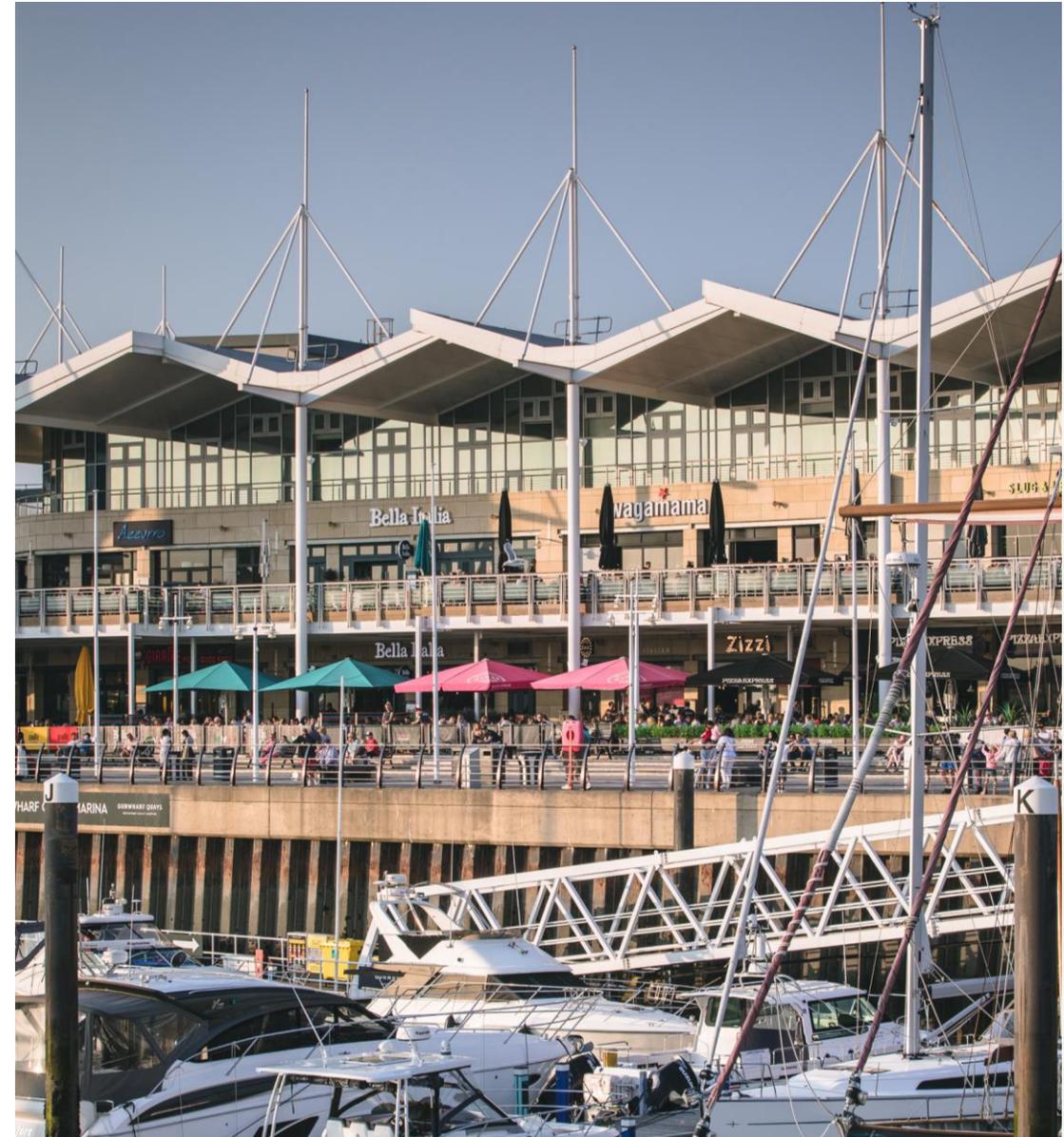
Clarks Village, Street



Regional Retail and Leisure Summary

- A tough year for the retail sector
- Best destinations remain in demand
- Our portfolio will continue to evolve
- Experience-led destinations appealing across generations
- Supportive and growing catchments
- Will reduce as a proportion of business

**Focus on fewer,
experience-led destinations**

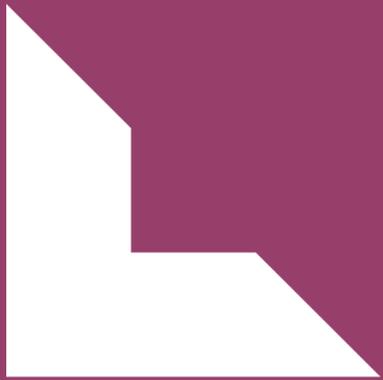


Gunwharf Quays, Portsmouth

London

Colette O'Shea

Managing Director



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Maintaining the strength of our office-led portfolio

Meeting customers' business needs

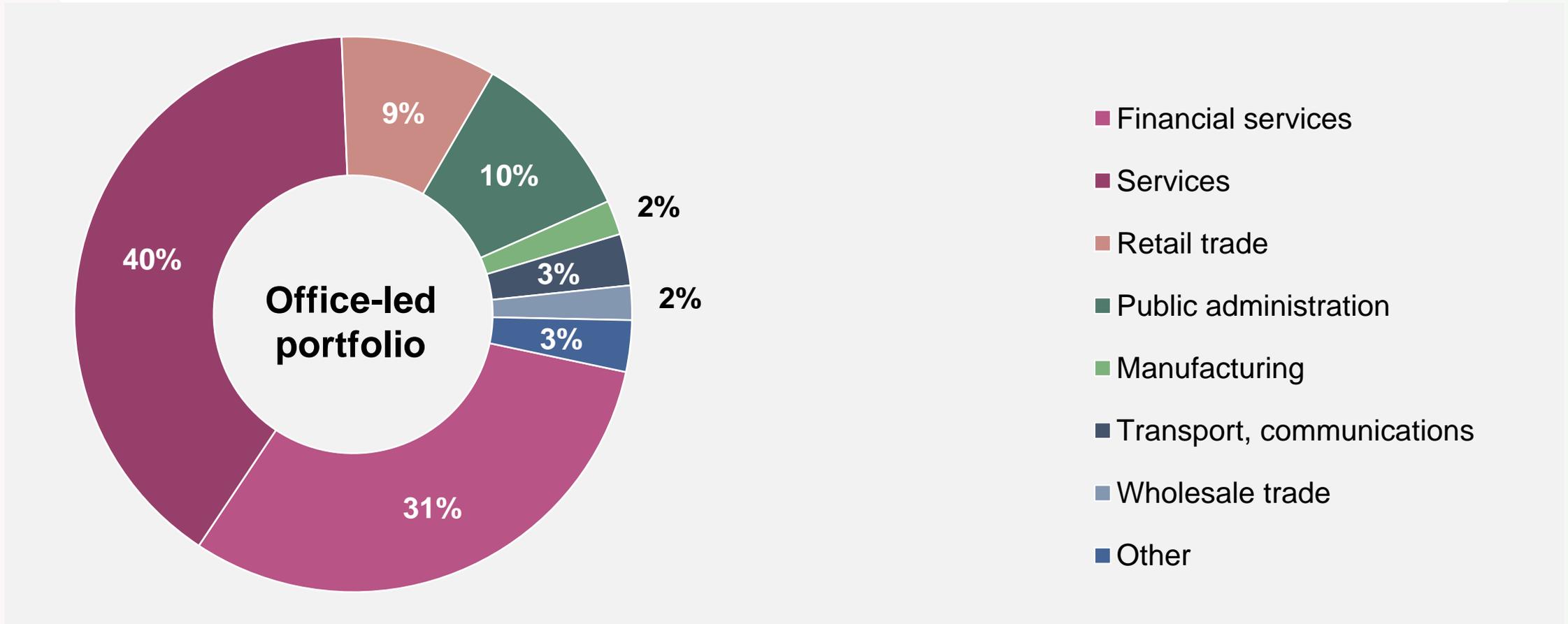
- 98% occupancy
- Office WAULT of 9 years
- Reversionary potential of £16m or 5% of passing rent over the next 5 years
- Completed £23m of rent reviews, increasing passing rent by 17%
 - New Street Square £18m of rent reviews increasing passing rent by 18%
- Total letting activity £15m
 - £8m development lettings
 - £7m investment letting activity



One New Change, EC4

Meeting customers' business needs

Broadening our pool of customers



Above shows contracted rental income breakdown by occupier business sector

Property as a service

Expanding our customer offer

Business priorities:

Talent

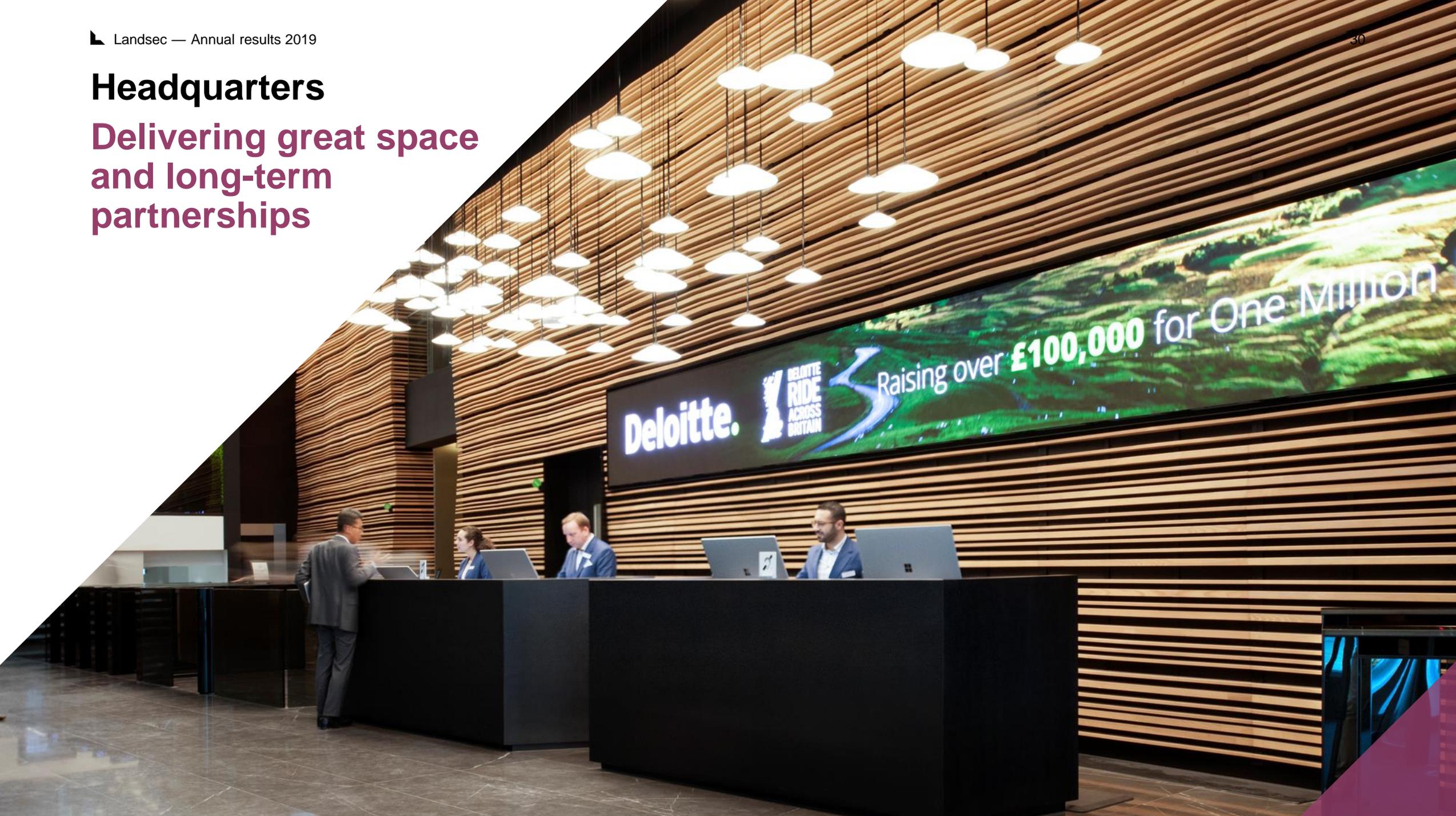
Productivity

Efficiency

	HQ	Fitted	Myo
	10+ year leases	5 - 10 year leases	1 - 3 year leases
	Blank canvas	Furnished and connected	Furnished and fully serviced
	100+ people	50 - 150 people	10 - 100 people
			
	Landsec HQ	Landsec Fitted	Myo
	Supported by		
	Landsec Lounge		
	All tech enabled		

Headquarters

Delivering great space
and long-term
partnerships



Landsec Fitted

Hassle-free and ready-to-go

Fully fitted
and
connected

Premium of
5 - 15% to
net effective
rent and
reduced
voids

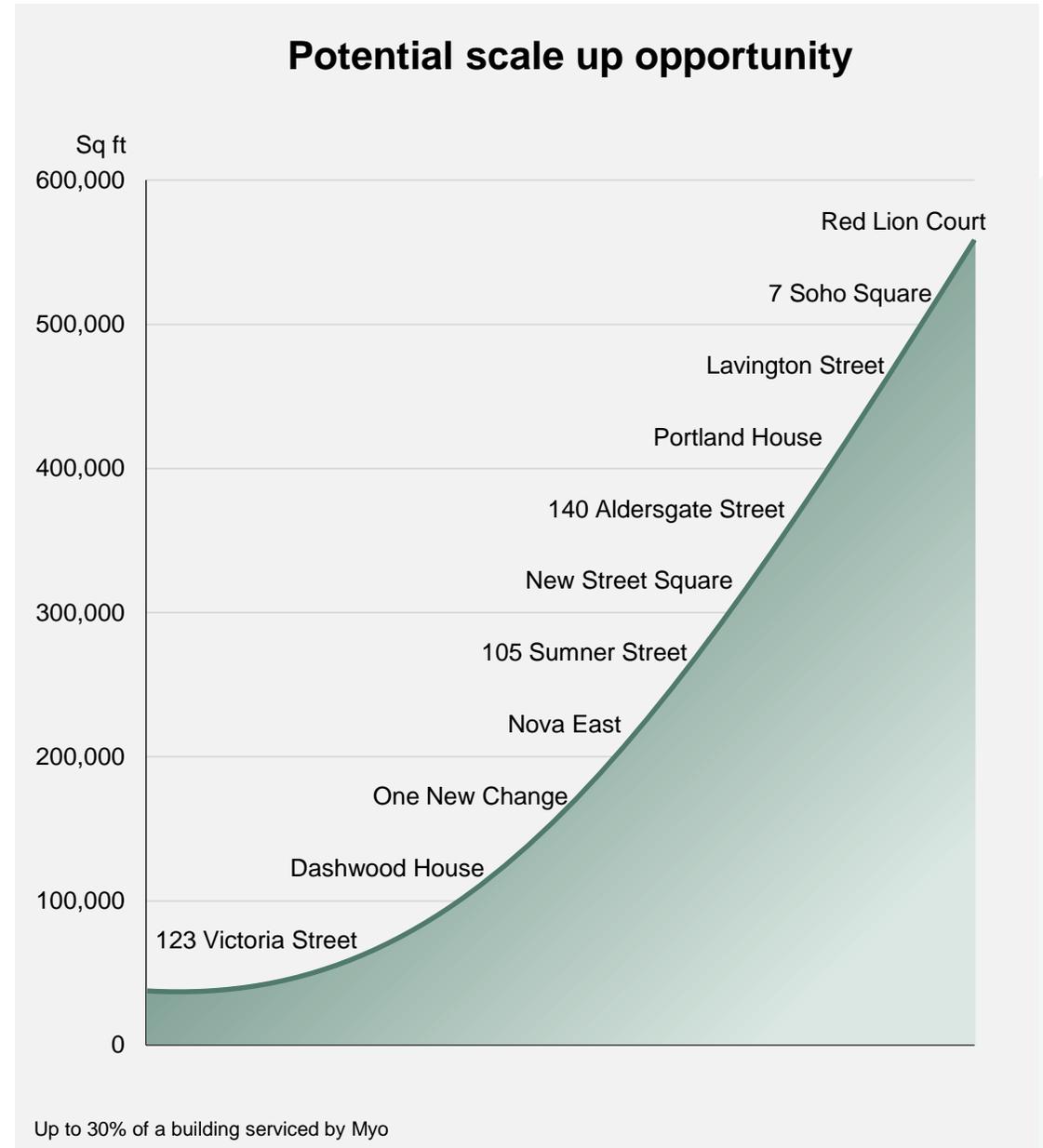
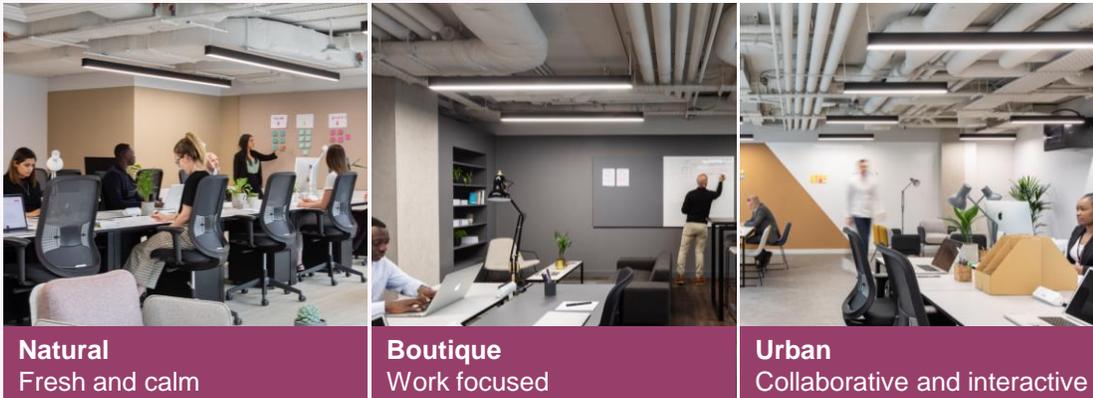
Potential
to scale to
10% of office
space



Myo

Freedom to make your mark

- Marketing started in January 2019
- Average lease term of 1 to 3 years
- Targeting 20% premium to net effective rent
- Potential to scale to 10% of office space



Landsec Lounge

Delivering amenity and service

- Adds to the popularity of our buildings
- New Landsec Lounges underway at 62 Buckingham Gate and Dashwood House
- New Street Square and One New Change to follow
- Offers provide opportunity to increase income through premium rents and reduced rent frees



62 Buckingham Gate, SW1



Dashwood House, EC2



New Street Square, EC4



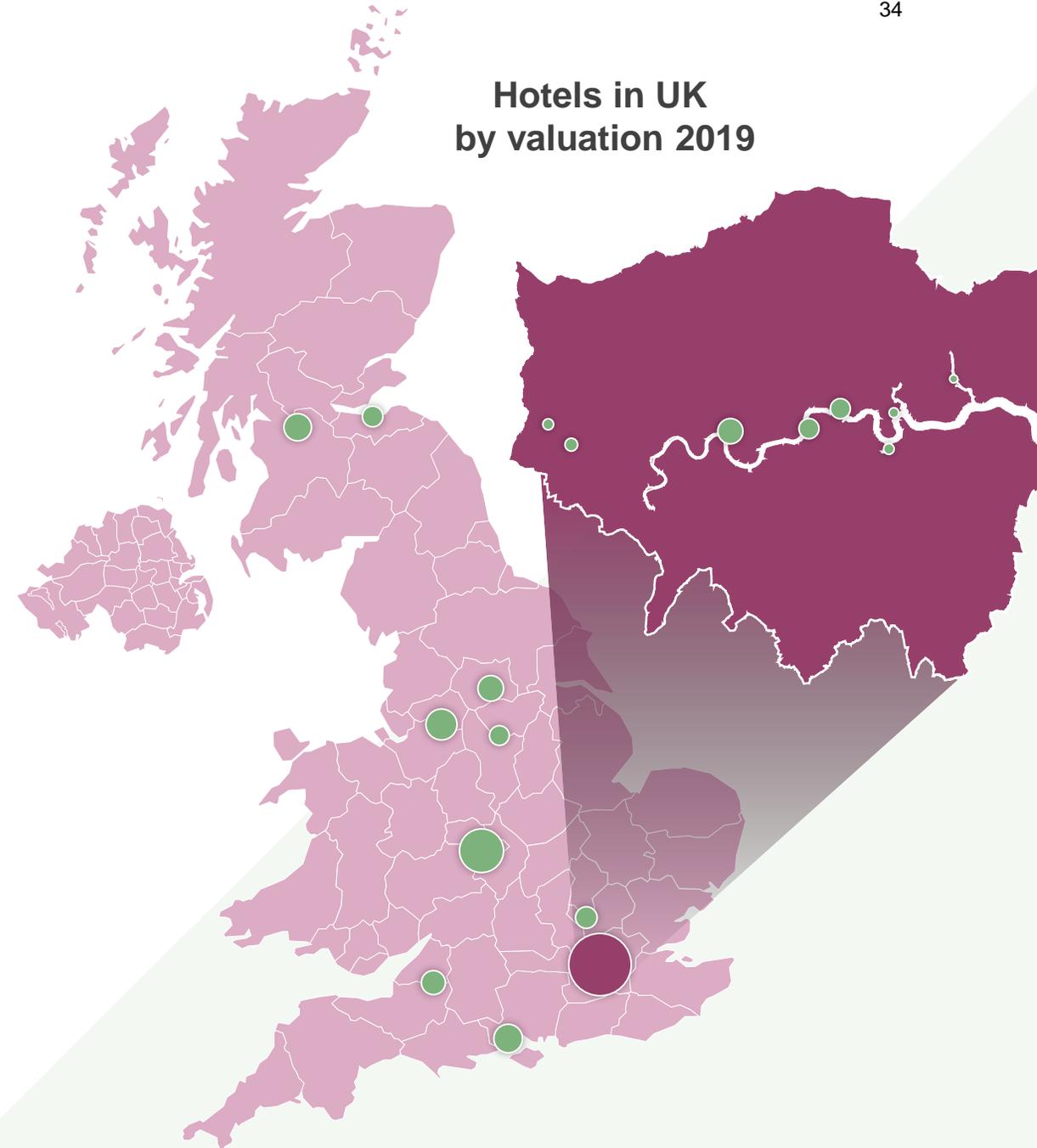
One New Change, EC4

Hotels

Great long-term opportunity

- £0.5bn portfolio
 - 60% by value in London
 - The rest in major UK cities or airport locations
- Low capital value of £249 per sq ft
- Income based on a percentage of turnover
- WAULT of 12 years
- Toeholds in potential development opportunities

Hotels in UK
by valuation 2019



Hotels

Great long-term opportunity

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 - 60% by value in London
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Novotel London West, Hammersmith W6

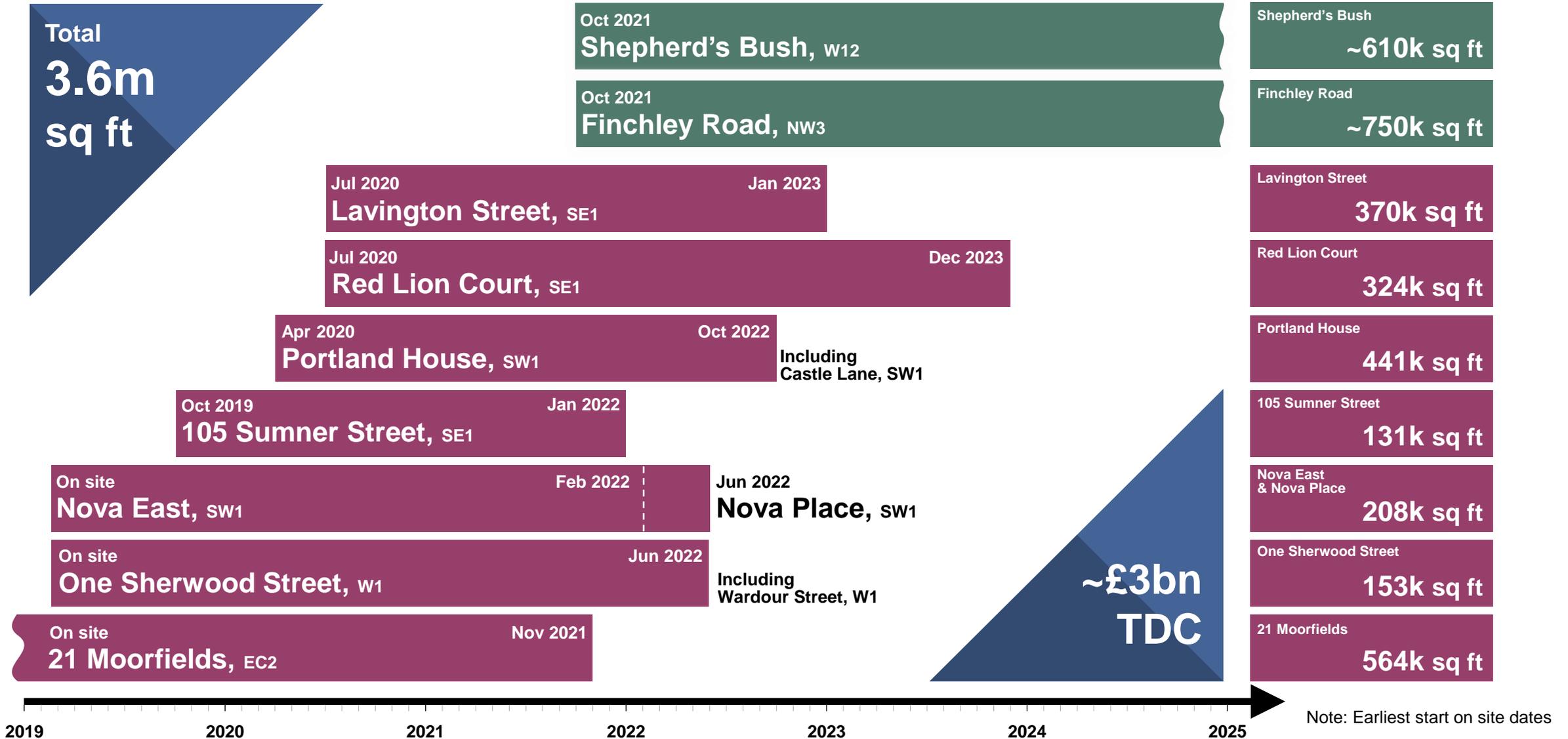


Ibis London Docklands, London E14

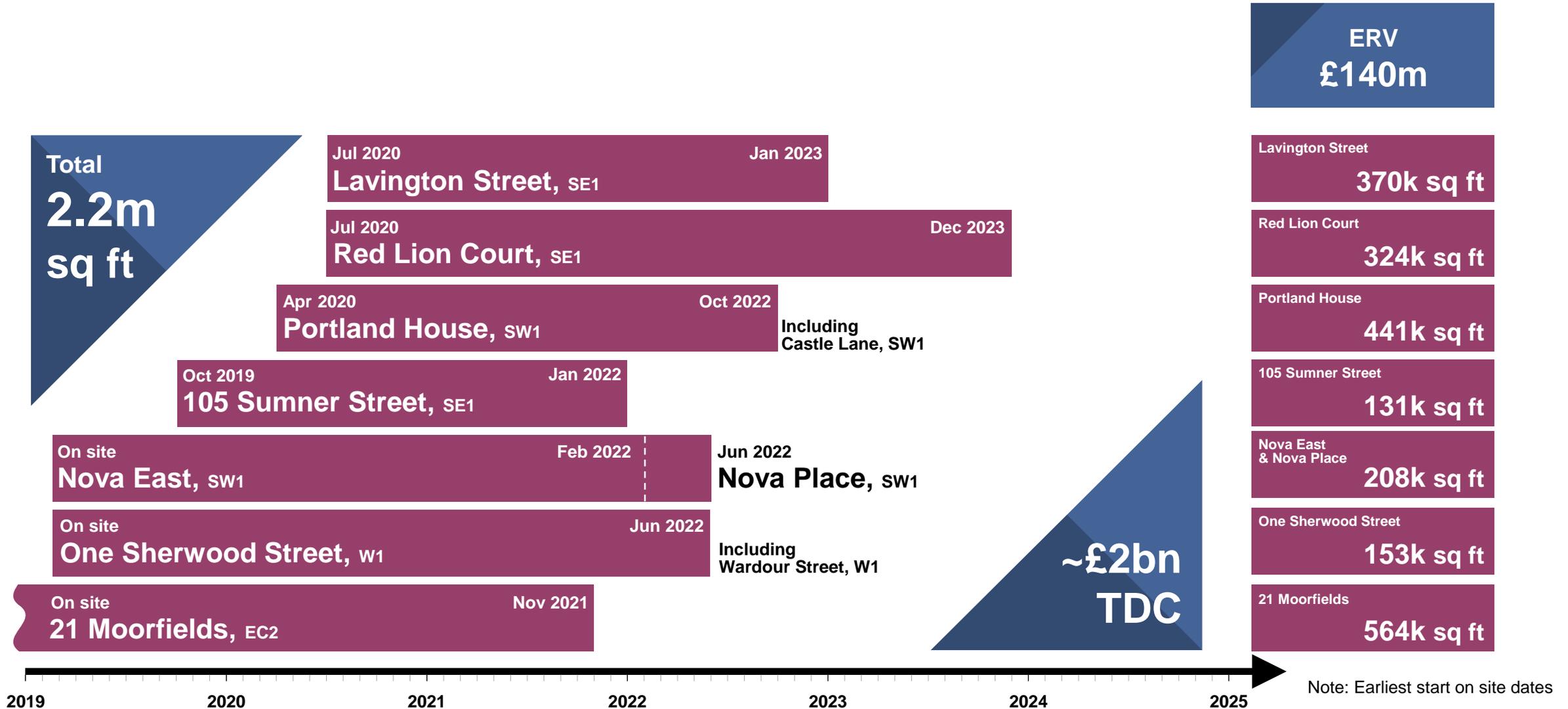


Novotel Birmingham Centre, Birmingham B1

Progressing our drivers of growth



Driving income and capital value growth



21 Moorfields

Partner of choice

- Deutsche Bank will occupy whole building
564,000 sq ft; 25-year FRI lease
- Piling finished 6 weeks early
- Installation of steel frame has started
- Within projected TDC of £576m
- Handover to Deutsche Bank 2021



Nova East

Next generation Victoria

- 167,000 sq ft, which will complete the Nova pedestrian connections
- Scheme amendments with the planners due to be determined in June
- Range of amenities including terraces on every floor
- Onsite with enabling works ready to start piling in July

Myo	✓	Landsec Fitted	✓	Landsec Lounge	✓
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Portland House

West End landmark

- Proposed 401,000 sq ft
- New 14 storey building will be attached to existing Portland House
- Floor area will increase by 30% with range of floor plates 11,000 to 17,000 sq ft
- Range of amenities including cafés and wellness facilities
- Planning application to be submitted by June 2019
- Earliest start on site April 2020, completion October 2022



Portland House, SW1

Myo	✓	Landsec Fitted	✓	Landsec Lounge	✓
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One Sherwood Street

Behind the Lights

- Location known around the world
- 144,000 sq ft behind Piccadilly Lights
- Range of amenities, including winter garden and roof top restaurant
- Delivering affordable housing at Wardour Street
- Demolition started in April 2019, completion June 2022

Landsec
Fitted



Landsec
Lounge



Southwark

Expanding our presence



Blackfriars
(South entrance)

105 Sumner Street, SE1

14-22 Southwark Bridge Road, SE1

Red Lion Court, SE1

London Bridge



Lavington Street, SE1

24 Southwark Bridge Road, SE1

Southwark



Sumner Street

Delivering new product

- Consent for 131,000 sq ft in 2 buildings
- Range of amenities including terraces on different levels, all focused around an internal courtyard
- Anticipated start on site October 2019, completion January 2022

Myo



Landsec
Fitted



Landsec
Lounge



Sumner Street, SE1

Lavington Street

A new destination

- Acquired in December 2018
- Two buildings
- Mix of refurbishment and redevelopment providing approx. 370,000 sq ft of space
- Planning application to be submitted December 2019
- Earliest start on site July 2020, completion 2023



Myo	✓	Landsec Fitted	✓	Landsec Lounge	✓
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Red Lion Court

Prime river front scheme

- Enhancing Thames path
- 324,000 sq ft scheme
- Large public space of 14,000 sq ft
- Planning application to be submitted December 2019
- Earliest start on site July 2020, completion 2023

Myo	✓	Landsec Fitted	✓	Landsec Lounge	✓
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Red Lion Court, SE1

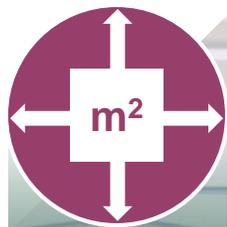
Residential

Large scale residential potential

- Finchley Road and Shepherd's Bush
- Planning applications to be submitted this financial year
- Over 1,700 homes / 1.4m sq ft
- Total development cost £1.0bn
- Delivering in 2026 and beyond
- Lewisham - master planning 8 acres
- Other potential opportunities across the portfolio



Leading in manufacturing and assembly



Increased net lettable area



Increased safety



Increased collaboration



Reusable platform allowing economies of scale



Lower capital cost



Lower carbon emissions, less material cost & reduced waste



Shorter programme

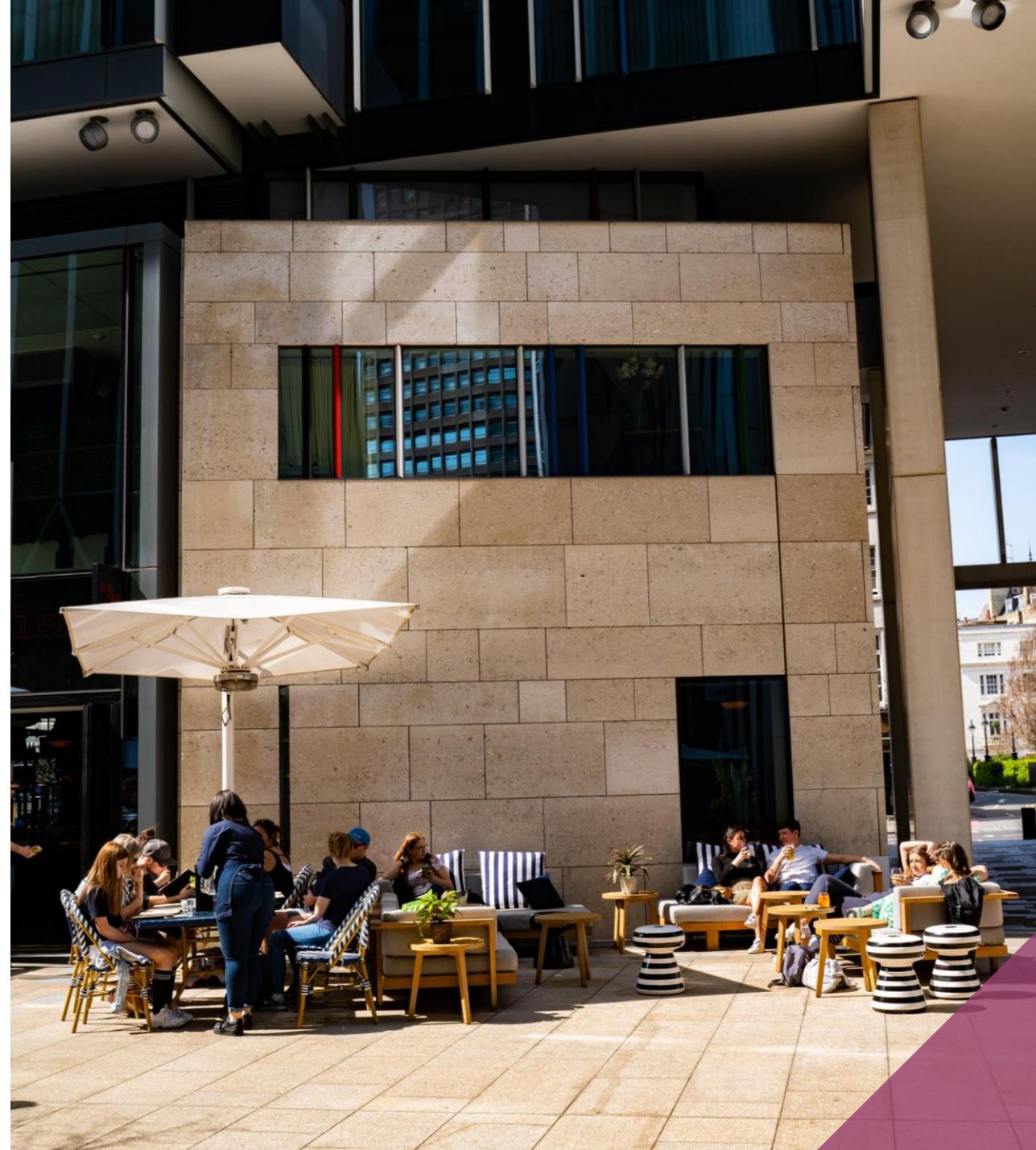


Fewer operatives

Awarded a government grant in recognition of our innovative approach

Investment in London

- Focus on assets which will:
 - Add to our development programme
 - Support new products and services
 - Thrive in exciting new locations
- Competitive for the right assets
- Ability to move quickly



London is evolving and so are we

- Office portfolio full
- New products and services creating wider customer appeal
- Innovation focus: designing and constructing buildings better, faster and for less
- Ambition to lead in sustainable development
- 3.6m sq ft pipeline of development opportunities
- Increasing our commitment to London

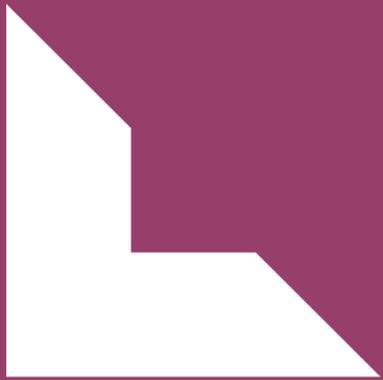
Delivering shareholder value



Outlook

Robert Noel

Chief Executive



Landsec

Outlook

Looking forwards from a strong position

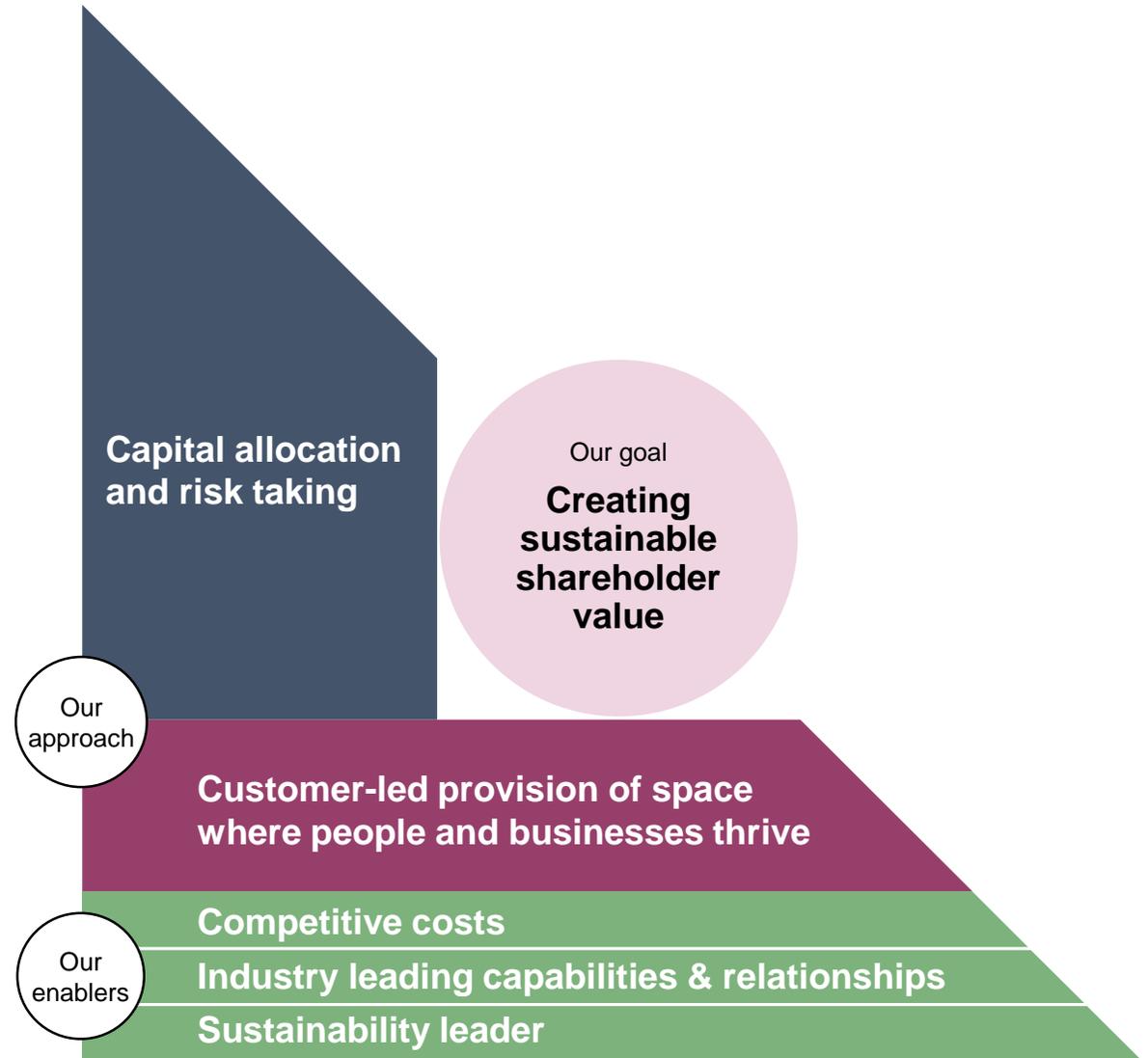
- London has strong long-term fundamentals
 - Market dynamics remain healthy
- Retail outlook mixed
 - Leisure and outlets performing well
 - Shopping centres and retail parks weaker



Outlook

A clear strategic path

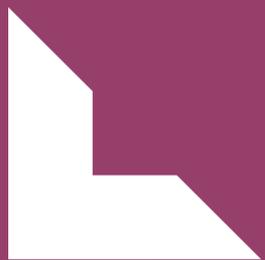
- High quality portfolio and strong financial position
- Shifting our emphasis to London and increasing development activity
- Widening range of offers drives customer appeal
- Innovating to reduce cost and waste both in construction and management of buildings
- Deep expertise in our teams and partners
- Sector sustainability role model



Our annual results

For the year ended 31 March 2019

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Landsec