Landsec

Press release

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Title **Update on the impact of Coronavirus ("CV-19")**
From **Land Securities Group PLC ("Landsec")**
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Landsec owns and manages commercial property across the UK comprising offices (50% by value at 30 September 2019), retail (38%), and specialist assets (12%) which includes leisure and hotels. The CV-19 pandemic began to impact Landsec in mid-March and this update explains how our business has been affected by the virus and what steps we are taking.

At Landsec, our people, service partners and customers are our primary concern and we are focusing on supporting them during these uncertain times while maintaining the long-term sustainability of our business.

Summary:

Impact on Landsec

- The rapid spread of CV-19 has brought with it a huge shift in the use of our buildings. From 24 March, stores at our shopping centres, outlets and leisure assets were substantially closed, save for essential services as defined by the Government. Four retail outlets and seven leisure and retail parks have been closed entirely.
- We have been informed by Accor that they have closed 15 of their 21 hotels in our portfolio.
- Our office properties remain open on a reduced service.
- 65% of the rent due on 25 March was paid by 31 March compared with 96% for the equivalent period last year.

Our response

- We continue to focus on supporting our customers through this period of disruption and are agreeing rent deferrals with many of our retail and leisure occupiers.
- We have established a rent relief support fund of £80m to help our customers most in need, with a particular focus on supporting F&B customers and small and medium sized businesses.
- We will give £500,000 to support our existing charity partners with their immediate challenges.
- We are taking measures to reduce expenditure as far as possible at our operating assets and reviewing the timing of further commitment to expenditure in our development programme.
- The Board has taken the decision to cancel our third interim dividend due to be paid on 9 April 2020 and will regularly review the position on future dividend payments, reinstating them as soon as it is appropriate to do so.

Financial capacity and liquidity

- We are financially robust with an LTV of 28.1% at September 2019.
- Using September 2019 valuation numbers, we can withstand a valuation fall of 62% or EBITDA reduction of £385m before our LTV or ICR covenants prevent further bank drawings.
- At 31 March 2020, we had £1.2bn of cash and available facilities, net of repayments due under our commercial paper programme.
- Our external valuer has informed us that the valuation will contain a “material uncertainty” clause.

Interim Chief Executive Martin Greenslade said:

“Landsec is in a robust financial position with £1.2bn of cash and available facilities and no bond debt or bank facilities maturing before September 2023. However, the impact of CV-19 on our business and on market conditions continues to evolve. As a result, the Board has taken a prudent decision to cancel our third interim dividend due for payment on 9 April and will regularly review the position on future dividends as the situation develops.

“These are unprecedented times and it is incumbent upon businesses such as ours to be mindful of the huge challenges faced by many of our stakeholders. That is why we have set up an £80m support fund to provide rent relief to those of our customers who are most in need of help. We are also making available £500,000 in grants to our charity partners, so they can continue the excellent work they do in our communities. The health and wellbeing of our people has always been our priority and we were quick to encourage all our office-based staff to work from home from 16 March. These actions reflect that we recognise that the long term success of Landsec is reliant on our customers, employees and the communities in which we operate.”

Operations

Prior to the impact of CV-19, we saw a continuation of the market conditions and performance described at the half-yearly results in November. The London office market was strong while the retail sector remained challenged due to cyclical and structural pressures.

During March, we saw a rapid drop off in visitor numbers to our retail and leisure destinations and many of our office customers invoked working from home protocols for their employees. All our own office-based staff were advised to work from home from 16 March.

We continue to maintain basic operations at the majority of our destinations, even though most stores at our shopping centres, outlets and leisure assets have closed save for essential services including pharmacies and supermarkets. Our office buildings are still operational but on a significantly reduced service as many customers still require access to their spaces.

During the year, we have focused on reducing occupational costs for our customers, particularly in relation to service charge in retail. In the short term, our aim will be to reduce service charge costs further while helping our customers to prepare to re-open as swiftly as possible when conditions allow.

Customer support and cash collection

We are focused on looking after our customers, particularly those most in need. We have been working with over 300 retail, F&B and leisure customers this month to support them as best we can. We are establishing a support fund to provide up to £80m of rent relief for customers who need our help most to survive. Around £15m of this fund will support our F&B customers, broadly equivalent to three months' rent free. The remaining £65m will be allocated on a case by case basis to small and medium sized businesses with a focus on helping those with limited access to other sources of financial assistance. We are also working with leisure and retail operators to agree deferred payment plans.

£121m of rent was due on the 25 March rent payment date. The table below shows the amount and percentage collected within five days of the due date with a comparison to last year.

	Amount due on 25 March 2020	Day 5 amount received	Day 5 amount received	Day 5 equivalent amount received March 2019
	£m	£m	%	%
Office	71	61	86	98
Retail	37	15	41	91
Specialist	13	3	23	95
Total	**121**	**79**	**65**	**96**

Community

We are especially determined to help in the communities in which we operate. Our community employment and education programmes - which have, since 2011, helped more than 1,400 people furthest from the job market back into work and engaged thousands of young people about the property industry - are continuing at this crucial time. In addition, in response to the immediate needs of the grass roots charities we support, we are providing them with financial assistance to help individuals and communities through these unprecedented times. In the coming months, we will give grants totalling £500,000 to our existing charity partners who are most in need. This will include homeless charities and a £100,000 donation to the property industry charity, LandAid.

Our site teams are also providing practical assistance wherever they can. For example, we are linking our food retailers in London to local homeless charities we work with for food donations. In Oxford, Leeds and Cardiff we are offering free parking to key workers to reduce the number of people who are travelling on public transport. In London, we are offering space for mobile blood banks and mobile blood transfusion units to reduce the number of visitors to hospitals. We're also offering our sites' car parks for NHS Covid-19 testing facilities and we have offered Public Health England free space on the Piccadilly Lights to share public health information. And we're establishing virtual volunteering so our own employees can offer their time and skills to organisations who would like our help.

Developments

Our development sites are controlled and operated by our contractors. It is their decision as to whether they can continue work on site taking into account evolving government guidelines.

Construction at 21 Moorfields, EC2 has paused. This is likely to lead to a delay in delivery of the building to Deutsche Bank though it is too early to give guidance on a revised delivery date.

Our development programme has a large amount of flexibility in it. With the exception of 21 Moorfields, we have the ability to stop development activity at ground level on the sites in our programme. At 31 March 2020, our contracted development capital expenditure was c.£300m of which c.£200m was expected to be spent in the coming 12 months. However, given the suspension of work at 21 Moorfields, we expect a proportion of this to be deferred.

Year end process

Our financial year end is 31 March 2020. Currently, we expect to be able to complete our processes in time for a Preliminary Announcement date of 12 May. However, we will keep this date under review and take into account any guidance from regulatory bodies.

CBRE, our external valuer, has informed us that their valuation at 31 March will include a “material uncertainty” clause in line with recent RICS guidance.

Earnings

For the year ended 31 March 2020, our EPRA earning per share would have been towards the upper end of analysts’ estimates before any impact from provisions related to emerging occupier difficulties. At this point, it is too early to guide on the level of provisions required this year or the impact of current market conditions on next year’s earnings.

Funding

At close of business on 31 March 2020, we had £2.15bn of cash and available facilities of which £941m is treated as unavailable (net £1.21bn) as it supports the outstanding short-term debt issued under our £1.75bn commercial paper programme. Other than this £941m of commercial paper, we have no debt maturing until 29 September 2023 when the A10 bond reaches its expected maturity (£9.9m outstanding). Our bilateral and revolving credit facilities have a weighted average maturity of 4.8 years with the first maturity not until January 2024. Although access to the commercial paper market has temporarily dried-up, we have both a P1 and F1 short-term credit rating and have applied to the Bank of England to make use of their Covid Corporate Financing Facility.

Using September 2019 valuation numbers, we can withstand a valuation fall of 62% or EBITDA reduction of £385m (Security Group EBITDA for 12 months to 30 September 2019: £505m) before our LTV or ICR covenants prevent further bank drawings.

For further details on our funding position, please go to Landsec.com/investors/debt-investors

Dividend

In light of the extreme market uncertainty, the Board believes that conserving liquidity is in the best interests of shareholders. Therefore, the Board has taken the decision to cancel our third interim dividend due to be paid on 9 April 2020 and will regularly review the position on future dividend payments, reinstating them as soon as it is appropriate to do so.

Ends

About Landsec

At Landsec, we believe great places are for people to experience and are made with the experience of great people.

As one of the largest real estate companies in Europe, our £13.4 billion portfolio (as at 30 September 2019) spans 24 million sq ft of well-connected, experience-led retail, leisure, workspace and residential hubs, with a growing focus on London. From the iconic Piccadilly Lights in the West End and the regeneration of London's Victoria, to the creation of retail destinations at Westgate Oxford and Trinity Leeds, we own and manage some of the most successful and memorable real estate in the UK.

We aim to lead our industry in critical long-term issues – from diversity and community employment, to carbon reduction and climate resilience. We deliver value for our shareholders, great experiences for our customers and positive change for our communities. At Landsec, everything is experience.

Find out more at landsec.com

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