

Capital Markets Day

19 October 2020



Landsec



Mark Allan
Chief Executive Officer



Landsec

Strategy review

Positioning
Landsec for growth

Landsec



Agenda

Overview

Mark Allan

Our strategic priorities

Mark Allan

Marcus Geddes

Colette O’Shea

David Heaford

Culture, capability and organisation

Mark Allan

Financial implications

Martin Greenslade

Summary

Mark Allan

Six key findings that inform our strategy

Our strategic review identified six conclusions which shaped the development of our strategy

London portfolio

Very high-quality
London portfolio

Resilient and liquid

Strong foundation
for new growth
opportunities

Talent

Significant capability
and expertise
in the business

Clear opportunity
to leverage this, through
developing the right
culture

Balance sheet

We have a strong
balance sheet

With an uncertain
outlook due to Covid-19
and Brexit we cannot
afford to be complacent

Six key findings that inform our strategy

Our strategic review identified six conclusions which shaped the development of our strategy

Retail

Not all retail is the same

Structural challenges are significant, but limited primarily to our regional shopping centres (only 13% of our portfolio)

We need to be realistic in our outlook and proactive in our decision making

Balance sheet strength gives us the ability to withstand short-term rental pressures

Portfolio mix

Some elements of the portfolio are subscale with little or no competitive advantage

Structural growth areas under-represented

Covid-19

Long-term implications of Covid-19 are unclear and our strategy will adapt as the picture becomes clearer

We are managing near-term challenges proactively and focused on positioning the business for the undoubted post-pandemic opportunity

Our approach to strategy

Combining the best of Landsec with fresh thinking



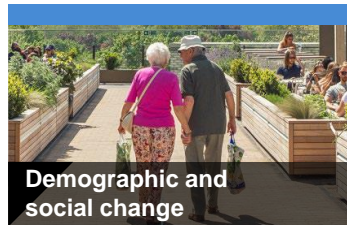
Six 'Global Forces of Change' will impact our business over the next 10+ years

Macro trends shaping our future markets, customers and competitors



Rapid urbanisation

One in three people will live in cities of at least 500,000 inhabitants by the year 2030 (source: UN)



Demographic and social change

A global population boom, paired with people living longer and having fewer children, will drive significant demographic shifts



Technologically advanced living

The digital landscape will continue to disrupt how we live, work, communicate, shop and beyond



Climate change and resource scarcity

Growing energy, water and food demands, alongside rising weather and health events show the global need to reverse environmental degradation



Borderless access

The liberalisation of global economic policy and the accessibility of air travel has opened borders, supply chains and trade patterns



Shifts in global economic power

Political unrest, populism, trade wars and mounting recessions are reshaping the map of economic power and driving new culture clashes



Covid-19 impact

We have a clear, authentic purpose

Our purpose articulates what we want to achieve, how we will do it and the benefits this will bring to our stakeholders

**Sustainable places.
Connecting communities.
Realising potential.**



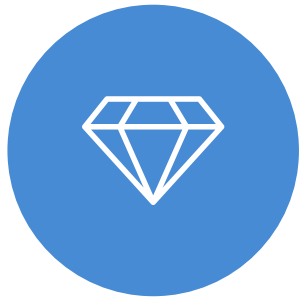
Our purpose is...

To create places that make a lasting positive contribution to our communities and our planet.

To bring people together, forming connections with each other and the spaces we create.

To provide our customers, partners and people with a platform to realise their full potential.

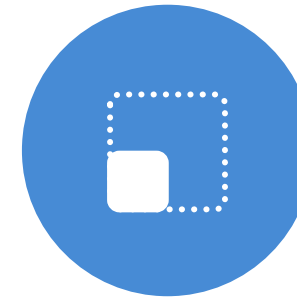
Landsec's six key areas of competitive advantage



The quality of
our portfolio



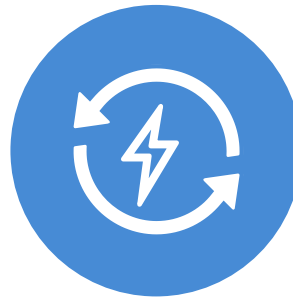
Our track record,
reputation and
relationships



Our scale



Our development
expertise



Our ESG
leadership



Our people

Four strategic priorities

Our strategy will comprise four priority areas as we look to reshape the portfolio to position Landsec for growth

OPTIMISE	REIMAGINE	REALISE	GROW
Our central London business	Our retail business (shopping centres and outlets)	Capital from subscale sectors	Through urban opportunities
<ul style="list-style-type: none"> — London will remain a gateway city — High quality, best-in-class portfolio — Portfolio should provide resilience in the down-cycle — New opportunities will emerge post-Covid — We will align the business to growth sectors and geographies — Creating value through development and a greater range of propositions — Targeted recycling can fund long-term growth 	<ul style="list-style-type: none"> — Structural shifts are putting retail rents under pressure but not all parts of the sector affected in the same way — Understanding where sustainable rent levels currently sit is fundamental to our approach — We will apply lessons learned from the outlets model to shopping centres — We will re-evaluate the type and volume of space at our centres — New leasing models will be based on alignment and affordability – a customer-centric approach is key 	<ul style="list-style-type: none"> — Our portfolios of subscale sectors have been earmarked for disposal in the medium-term — Lack of scale or competitive advantage are reasons for exit — We will reinvest proceeds into higher growth areas 	<ul style="list-style-type: none"> — Urban mixed-use is a growth area for Landsec — Our analysis of megatrends shows there is structural support for this area — We have attractive existing opportunities, but will also use a number of approaches to expand and accelerate progress — We have a proven skillset — We will consider urban regeneration opportunities in large regional centres over time

How do we think about risk and return?

Positioning the business for growth with an appropriate level of risk

Total
return

We intend to focus on total return through the cycle and position the business to deliver above market returns

Income is a key part of the property return, but should not be the key driver

Generating
“alpha”

A greater focus on value creation

Taking on more risk but doing so in a managed, proactive way

Leverage

Our tolerance for financial leverage will be guided by the level of operating risk in the business and our view of the cycle

The
cycle

We operate in a cyclical market

Understanding and responding to the cycle is a key part of generating and protecting alpha

Optimise our central London business



Landsec

Our central London portfolio

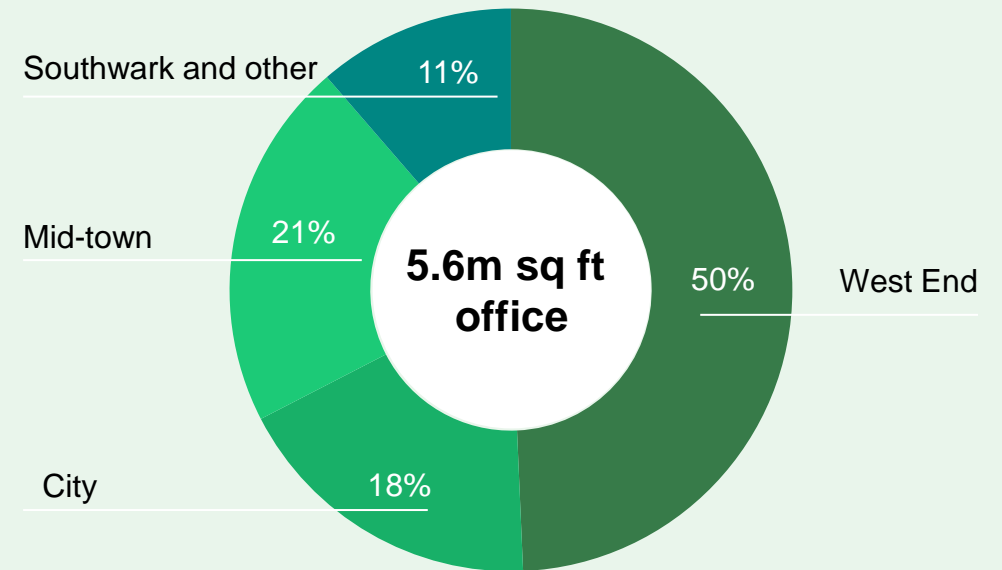
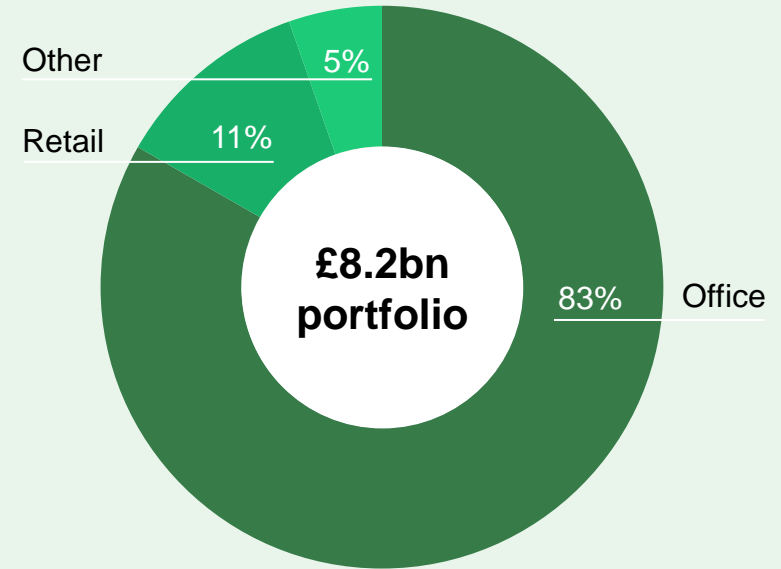
High-quality portfolio in central London

83% office sector weighting

Like-for-like office WAULT 8.1 years¹

High liquidity in core markets

¹ As at 31 March 2020

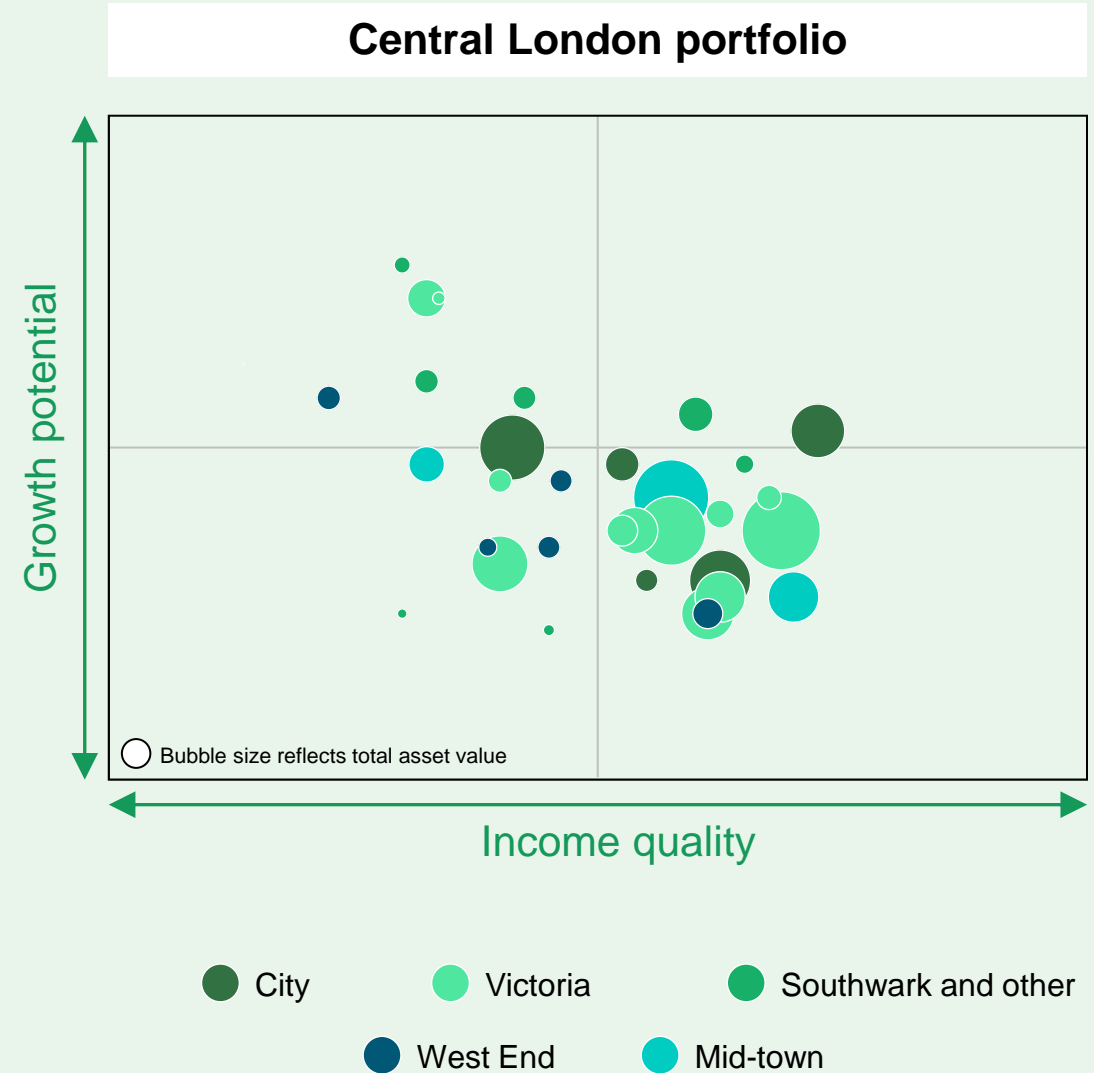


Strong defensive characteristics

High-quality customers

Stable and secure income

Low capex requirements



Delivering growth

Targeted submarket and sector exposure

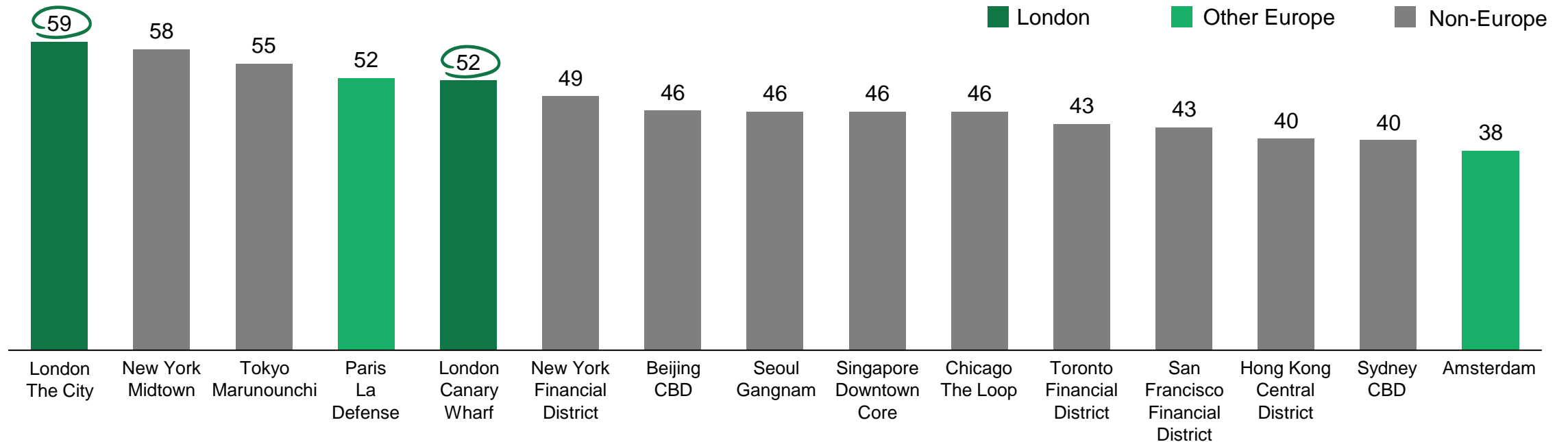
Judicious development across a diverse pipeline

Customer-led products responding to changing needs



London will continue to be a magnet for global capital, talent and tourism

Top 15 global business districts
(as per EY and Urban Land Institute index score)



Points movement since 2017

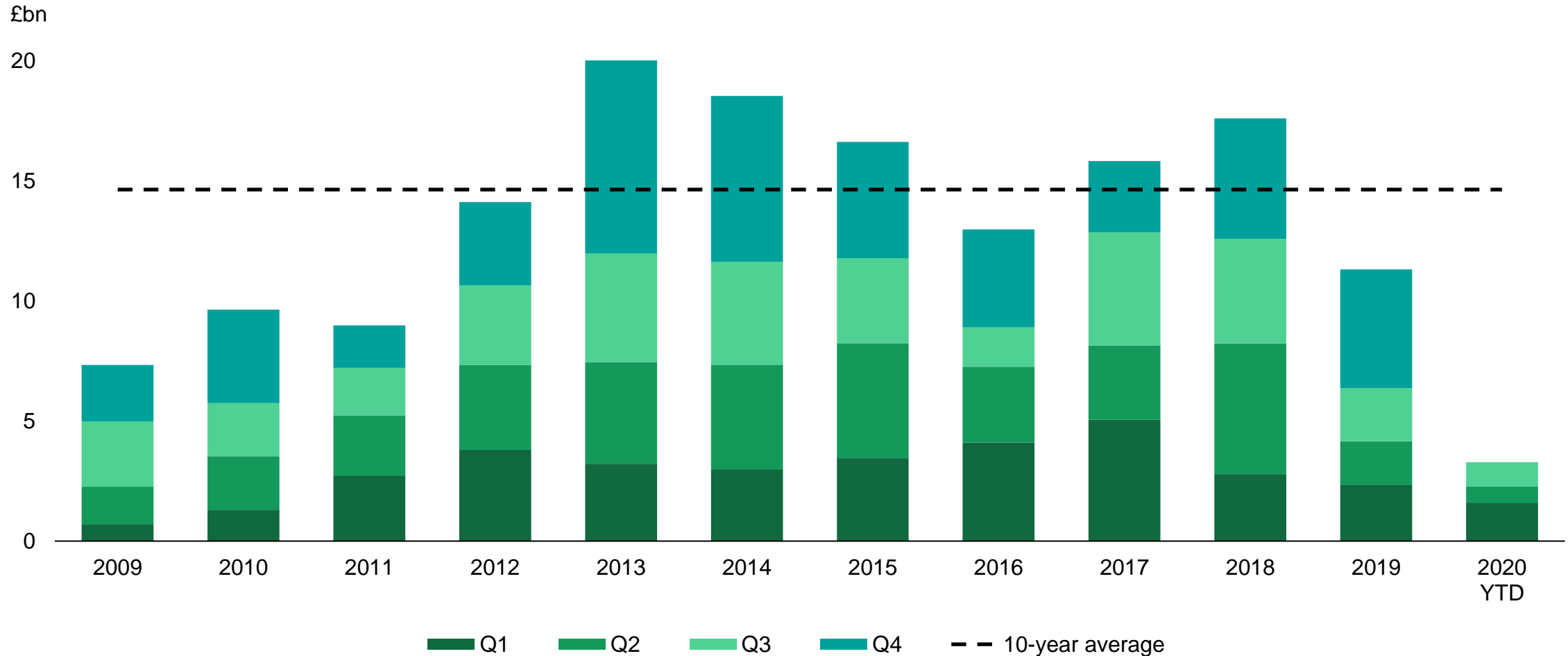
-2.5	-1.2	2.7	1.5	1.9	0.4	4.7	n/a	-0.1	-0.8	n/a	n/a	3.7	n/a	1.5
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Source: "The Attractiveness of Global Business District (GBD)" Report Ernst & Young / Urban Land Institute (May 2020)

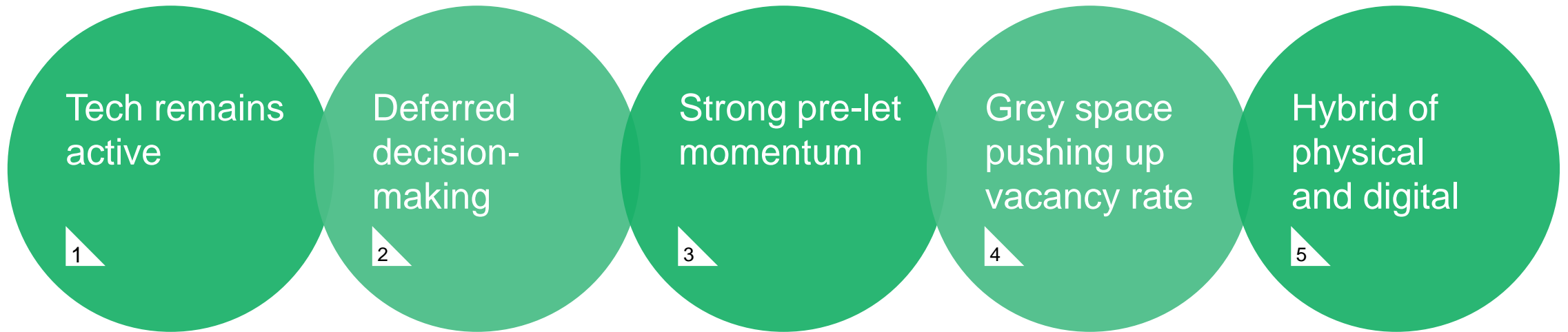
Note: (1) 84% of respondents consider this factor the most important in determining the attractiveness of GBD; n = 349; (2) City of London and Canary Wharf ranked 1st and 2nd respectively

Investment volumes

Covid constrained, but set for strong end to the year



Five occupier themes



Partnering with customers

- Creating Covid secure workplaces
- Qualitative and quantitative research from existing and prospective customers
 - 82% maintaining or increasing space
 - 81% believe office-based work boosts productivity
- Supporting the ground floor to survive and evolve



Office customer proposition



We form **partnerships**
with customers



We offer great **experiences**
for clients and employees



We create **healthy and sustainable**
spaces

Blank Canvas

Self contained offices completed to a Cat A or Shell condition with traditional pricing

Leases of 10+ years
Typically 100+ headcount

Customised

Self contained offices fitted and managed by Landsec 'on-demand' fitout delivery

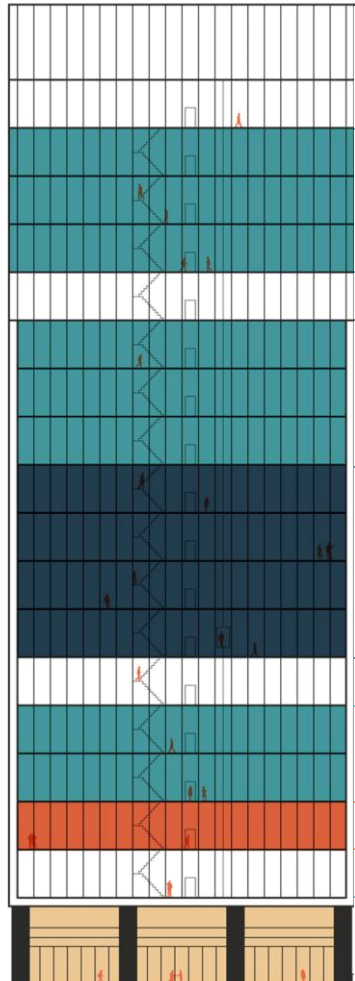
Leases of 5-10 years
Typically 50-150+ headcount

Myo

Private serviced offices with communal facilities and dedicated on-site team

Leases of 1-5 years
Typically 10-100+ headcount

Proposition backed up by customer-led products



Level	Area (sq ft)	Product	Availability
17			LET
16	9,006	Blank Canvas	Q4 2020
15	9,005	Blank Canvas	Q1 2021
14	9,007	Blank Canvas	Q1 2021
13			LET
12	8,871	Blank Canvas	Q1 2021
11	8,872	Blank Canvas	Q3 2021
10	8,871	Blank Canvas	Q3 2021
09	Available from 10+ desks and flexible meeting rooms	MYO	Q4 2021
08		MYO	Q1 2021
07		MYO	Q1 2021
06		MYO	Q1 2021
05			LET
04	8,867	Blank Canvas	Q3 2021
03	8,868	Blank Canvas	Q4 2020
02	8,868	Customised	Q4 2020
01	8,869	Blank Canvas	Q2 2021
G	Business lounge and café The Ivy City Garden		
B	Basement shower and cycle facilities		



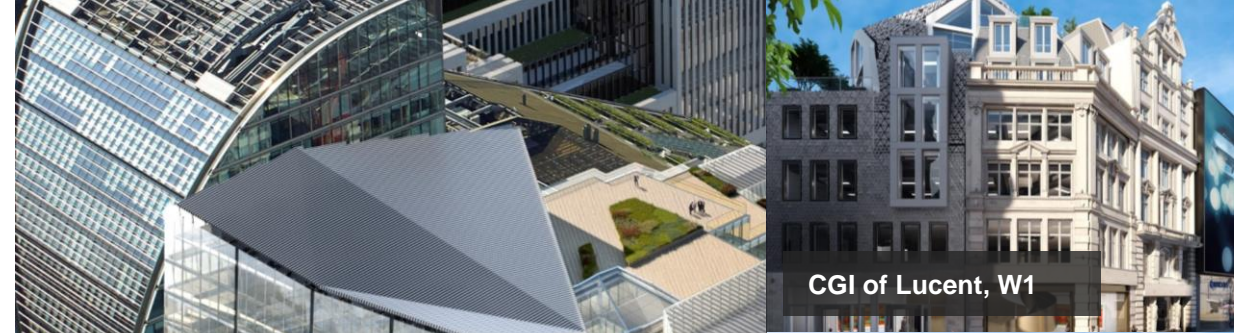
Dashwood House, EC2

Maintain resilience, recycle for growth

- Between 2010 and 2017 sold £3.5bn London assets
- Delivered 3m sq ft in a £1.7bn speculative office pipeline
- £0.5bn into 20+ acquisitions
- Actively tracking stock across diverse geographies

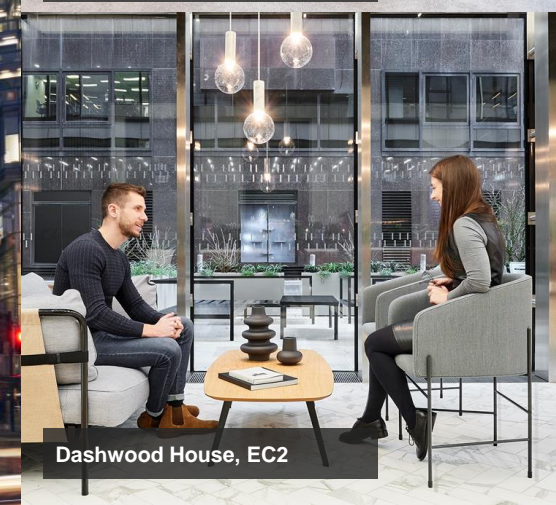
Optionality in our development programme

- 2m sq ft on site or near-term
- All speculative schemes have optionality and flexibility over delivery
- Site assembly, design, planning and ground works continue
- Build out prioritised on risk adjusted returns



Optimising for growth

- Both London and our portfolio provide a resilient platform for growth
- Increased churn and development optionality
- Customer-led proposition promoting healthy and sustainable spaces underpinned by choice and flexibility



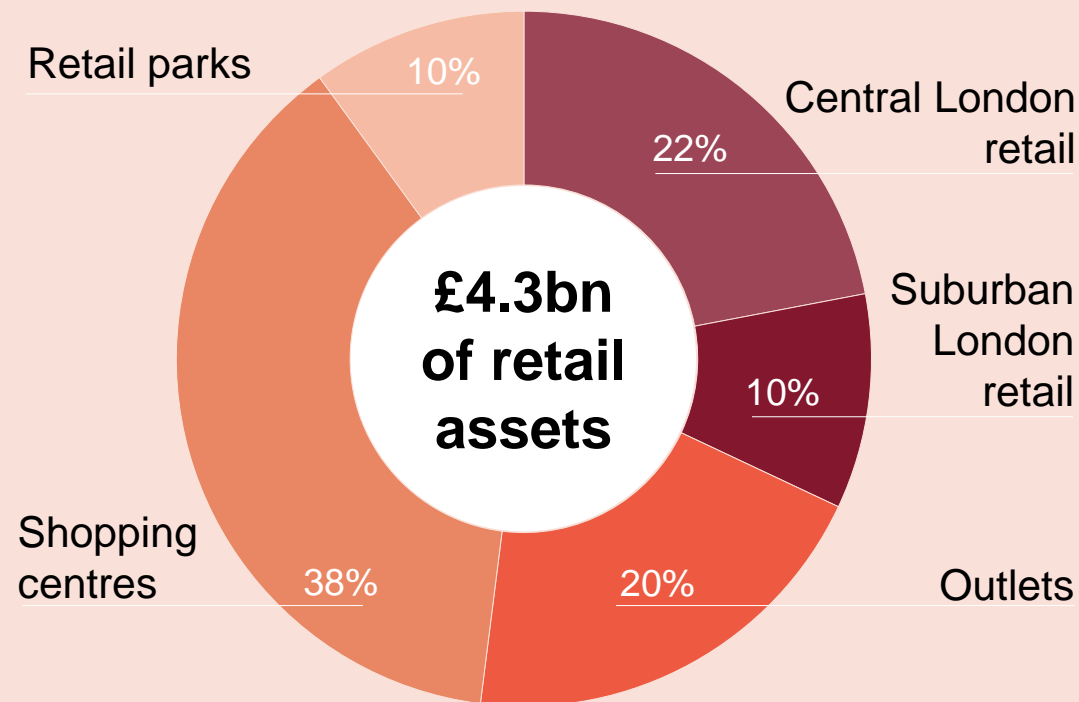
Reimagine
our retail
business



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Reimagine our retail business – introduction

- £4.3bn of retail assets with different characteristics
 - Central London retail is heavily linked to the London economy
 - Suburban London retail is supported by regeneration potential
 - Outlets are the strongest performing retail segment
 - Shopping centres seeing greatest structural challenges
 - Retail parks are subscale
- Reimagining retail focuses on outlets and shopping centres
- Sustainable rents in shopping centres likely to be 20-25% below March 2020 ERVs
- We have considered the significant impact of Covid-19 and are responding accordingly

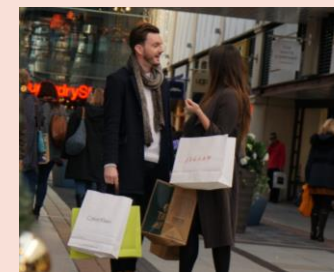


We need to reimagine our portfolio and our relationships with customers

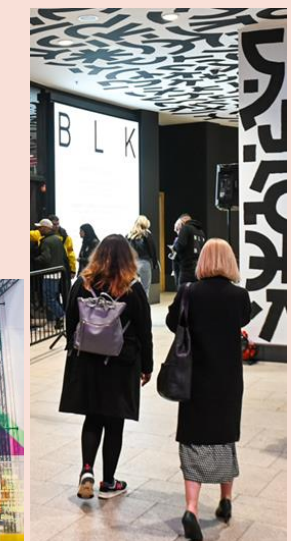
- Online choice has fundamentally changed the role of bricks and mortar
- Covid-19 accelerated what might have taken 5 years into 5 months
- Met over 30 retail, leisure and F&B operators to understand what they want and need



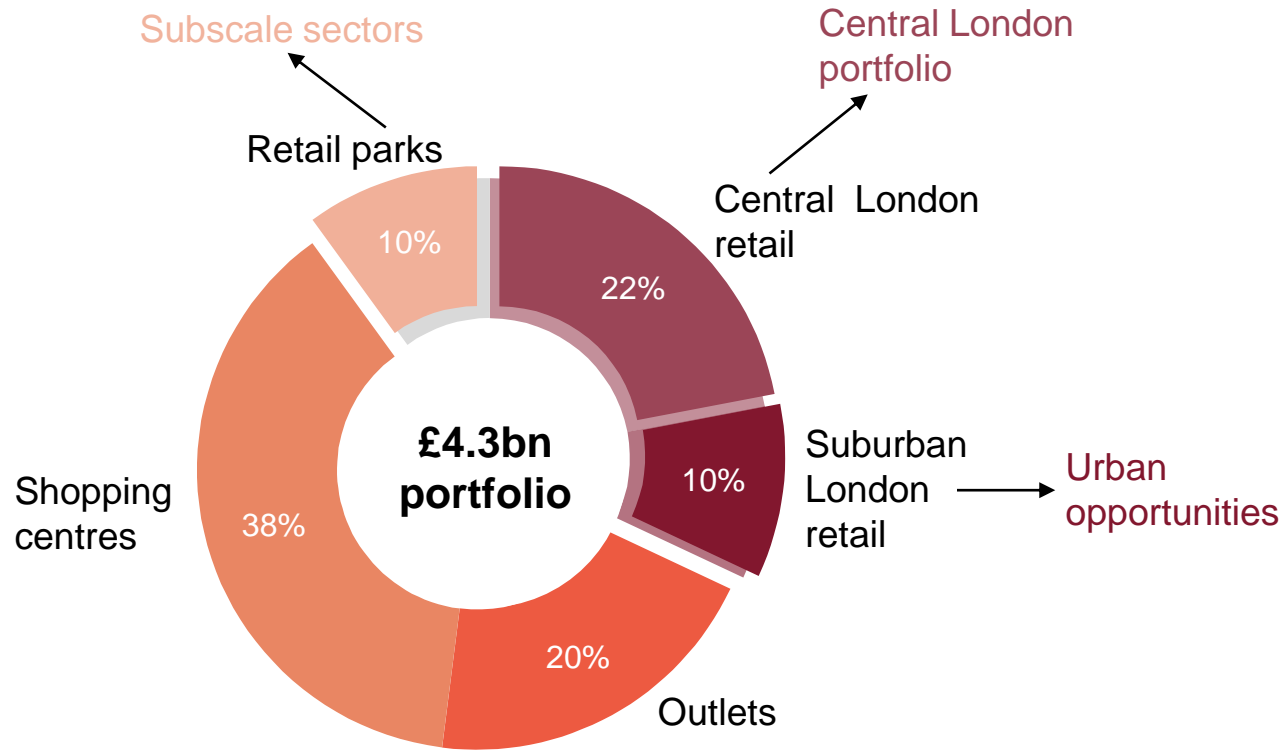
Offers more than 12m products – including Amazon marketplace, the figure increases to 350m



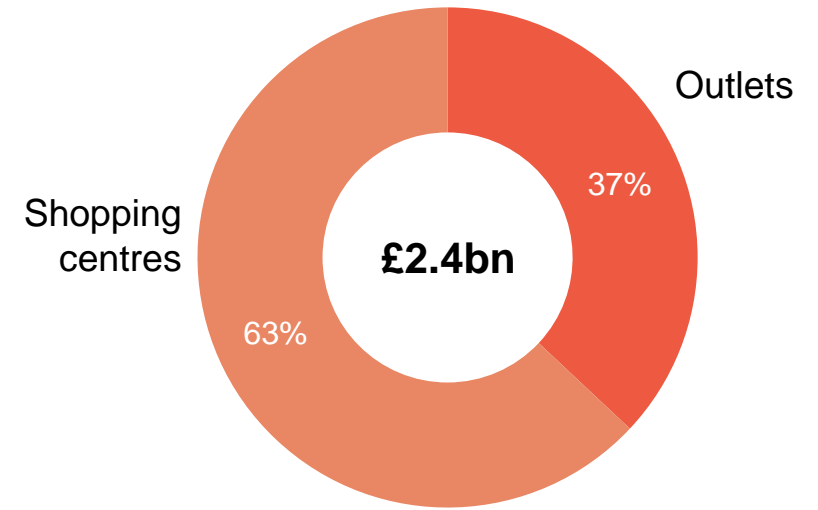
UK shopping centres typically carry 250,000 products



Reimagine portfolio



March 2020 segmentation of retail assets



Today's segmentation aligned to strategic priorities

Reimagine portfolio is made up of some of the most attractive retail in the UK

- Focus on regional shopping centres and outlets
- August BRC national benchmark footfall down 42% year-on-year
- Landsec shopping centres down 34%
- Landsec outlets down 31%



Reimagine portfolio – we have five objectives



Changing the conversations with our customers

Three themes emerged from research

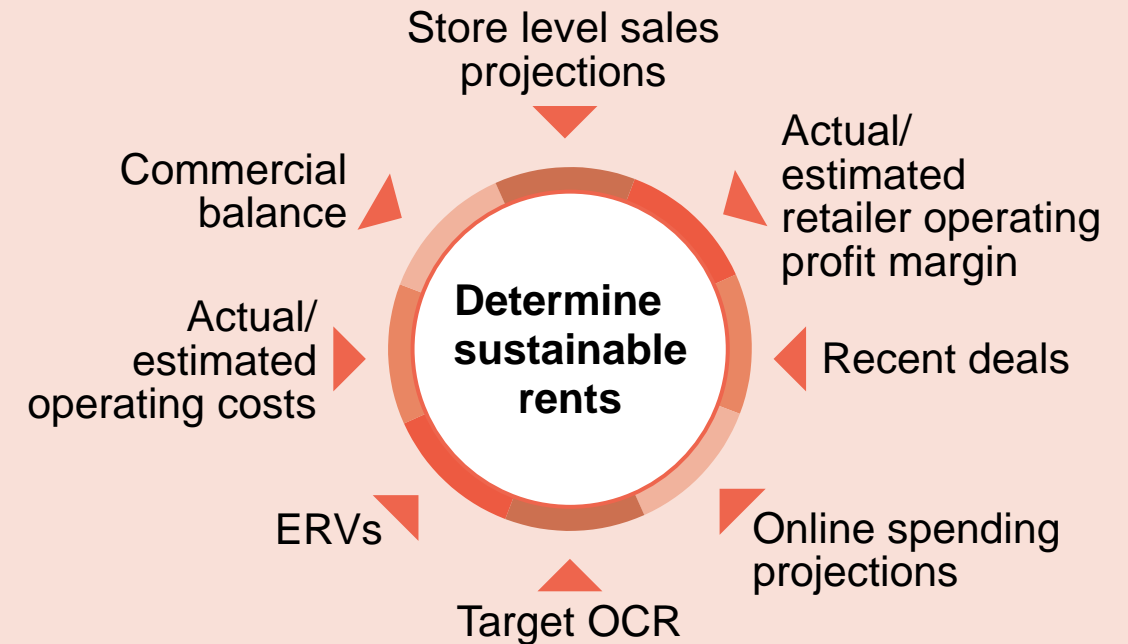
- Role for the physical store, but it needs to work much harder in the omni channel world
- Strong willingness to collaborate to find solutions
- No one solution to fit all needs



Clarks Village, Street

Determine sustainable rents

- Sustainable rents could be 20-25% below March ERVs
- This moves occupancy costs for our shopping centres to around 14%
- Realistic base to make investment decisions



Elevate the consumer experience

Creating the pull and push

The “pull”

The mix needs to

- Be relevant and supported by catchment demographics
- Be made up of sectors growing, not declining
- Be curated as part of enhancing the consumer experience
- Bring back convenience retail

Shopping centres need to be segmented to suit the consumer



Elevate the consumer experience

Creating the pull and push

The “pull”

The journey through a shopping centre needs to be frictionless

- Physical changes to aid the customer journey and increase efficiency
- Quality environment and facilities
- Easy parking
- Brilliant basics



Gunwharf Quays, Portsmouth

Elevate the consumer experience

Creating the pull and push

The “push”

- Marketing based on large imaginative concepts involving collaboration across the centre
- Campaigns rolled out across centres
- Synergies between our marketing spend and that of our customers
- Collaboration and digital marketing to amplify our consumer reach



Operational excellence

Service charge

- Reduced our annual costs by 3% this year, targeting a further 3% reduction by April 2021
- In response to Covid-19 reduced this year's costs by a further 10%

New leasing models

- No “one size fits all” solution
- Need greater flexibility on all sides
- Customer segmentation to identify which model works for which retailer



Bluewater, Kent

Maximise our vibrant outlets

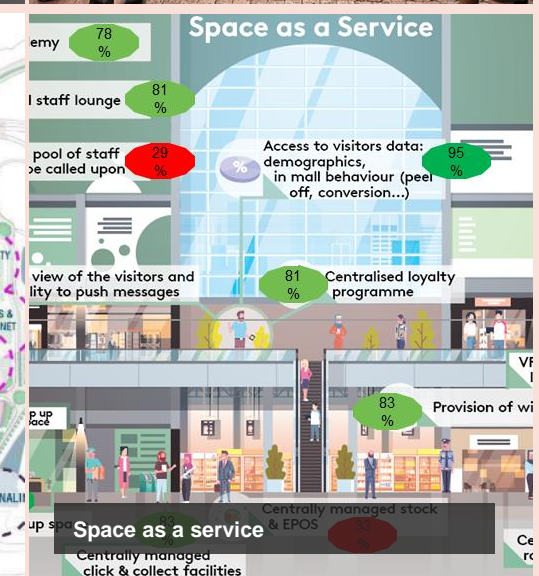
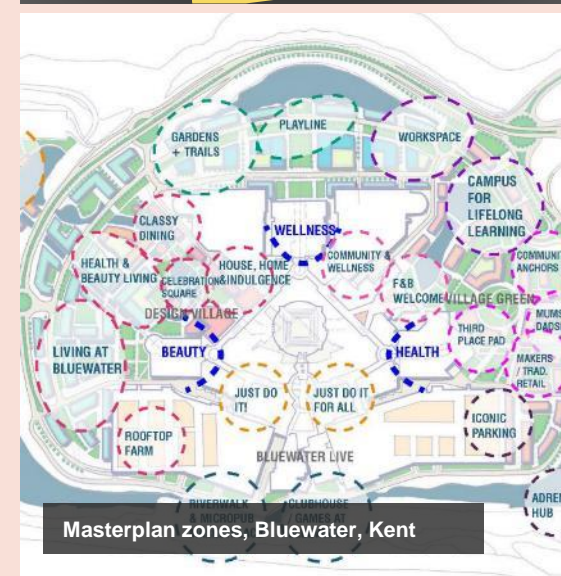
- Our outlets have performed well
- Sales tracking at 91% of last years' levels
- Continue to offer income stability
- Relatively shielded from online competition
- Often most profitable channel for retailers
- £14m planned enhancement works across our assets
- Works include white boxes, new facades and improved landscaping and wayfinding



Gunwharf Quays, Portsmouth

Repurposing space

- Looking at opportunities to reduce the amount of retail space
- Introducing new uses to reinforce the ecosystem
- Published a report ‘Reimagining empty retail space’
- Actively looking at opportunities in Oxford, Leeds, Cardiff, Bluewater and Glasgow



Our “reimagine” portfolio will look and feel different

- Sustainable rents will give us a realistic basis for decision making
- A more collaborative approach to enhancing the consumer experience
- Customer segmentation as a foundation for a more flexible approach to leases
- Making the most of our vibrant outlets
- Repurposing a proportion of the portfolio



Realise proceeds
from the disposal
of subscale sectors



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We will realise proceeds from the disposal of subscale sectors

Our strategy review identified three segments of the portfolio as subscale



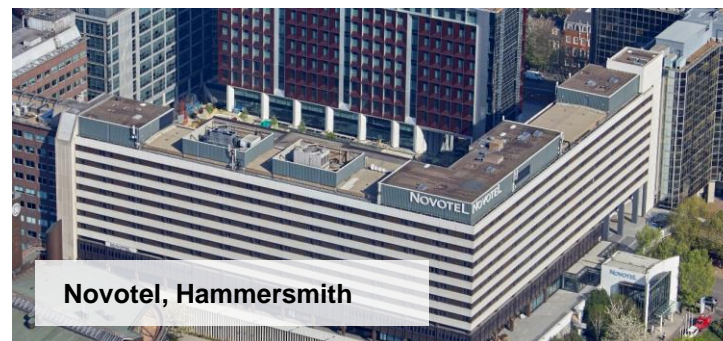
Leisure

18 assets

£649m value, 6.4% NEY

10.6 years WAULT

Predominantly out of town leisure parks anchored by a cinema



Hotels

23 assets

£469m value, 5.2% NEY

11.2 years WAULT¹

21 hotels let to Accor with rental income turnover based



Retail parks

10 assets

£444m value, 7.4% NEY

5.6 years WAULT

Exposure to this sector has been reduced significantly in recent years

¹ We own 21 Accor hotels in the UK. They are leased to Accor until 2091 with a break clause in 2031 and 12 yearly thereafter.

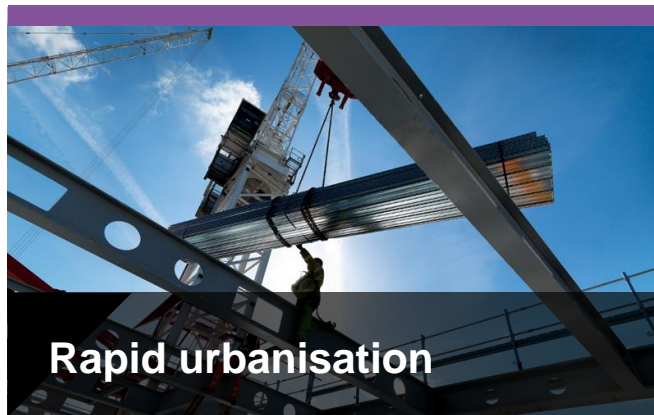
**Grow through
urban opportunities**



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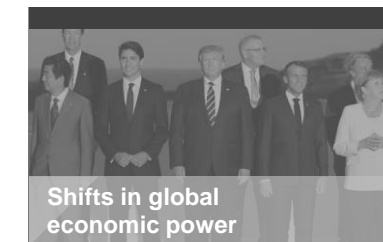
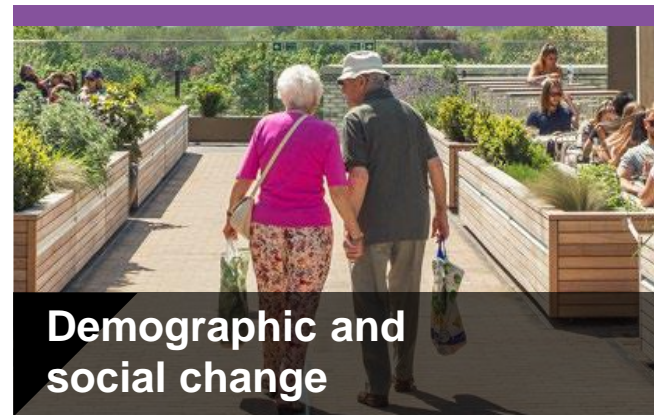
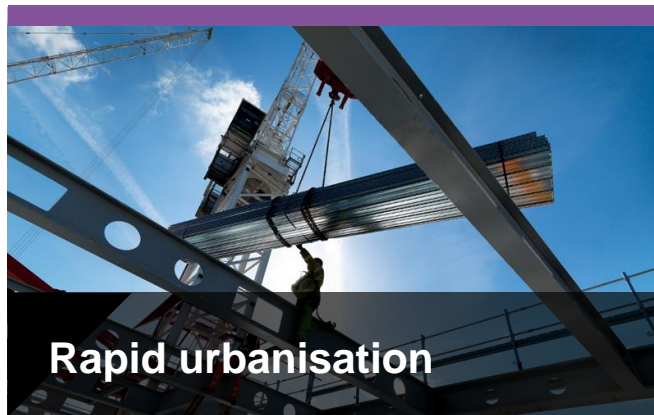
Our growth opportunities are underpinned by global trends

Macro trends shaping our future markets, customers and competitors



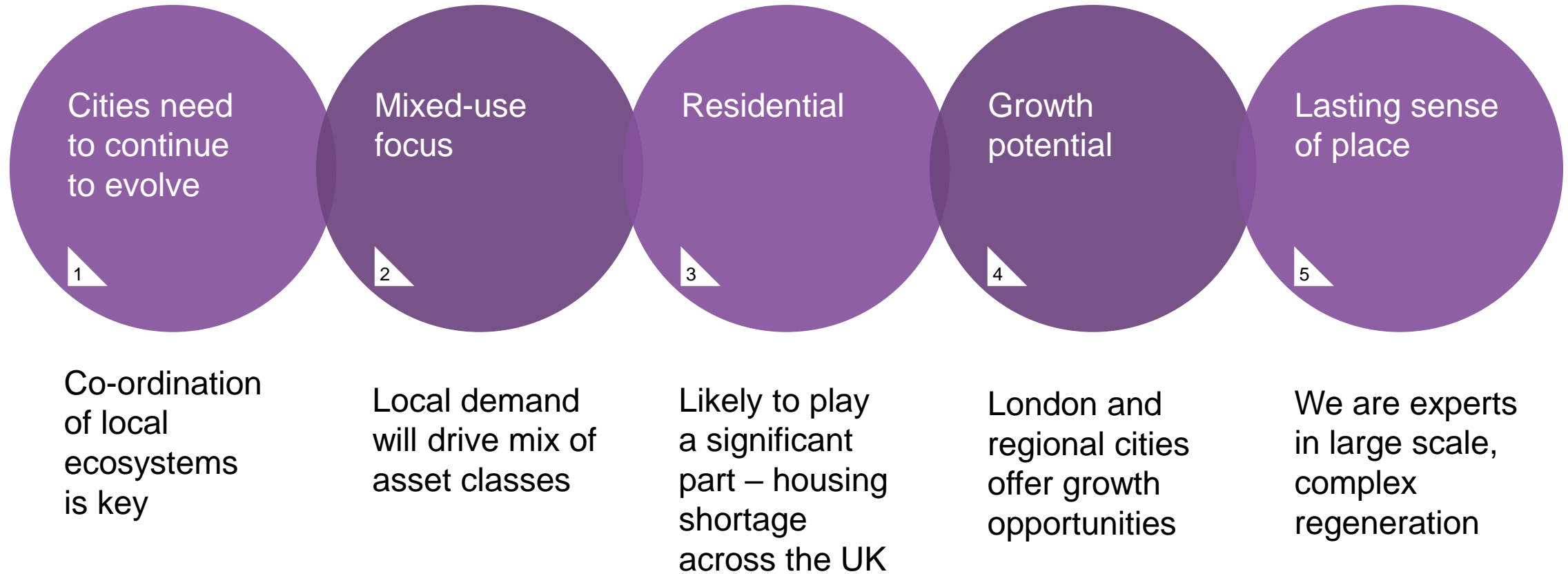
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Urban opportunities

Principal considerations



New investment

- Short-term capital investment recycled from elsewhere in the portfolio
- Targeting
 - Near-term returns
 - Mixed-use potential
 - London and regional cities
- Variety of potential investment methods
 - Acquisition
 - JVs
 - Larger scale partnerships
 - Forward funding
- Up to 25% of the Landsec portfolio in the next 5 years



O2 shopping centre, Finchley Road



W12 shopping centre, Shepherd's Bush



Lewisham shopping centre, SE13

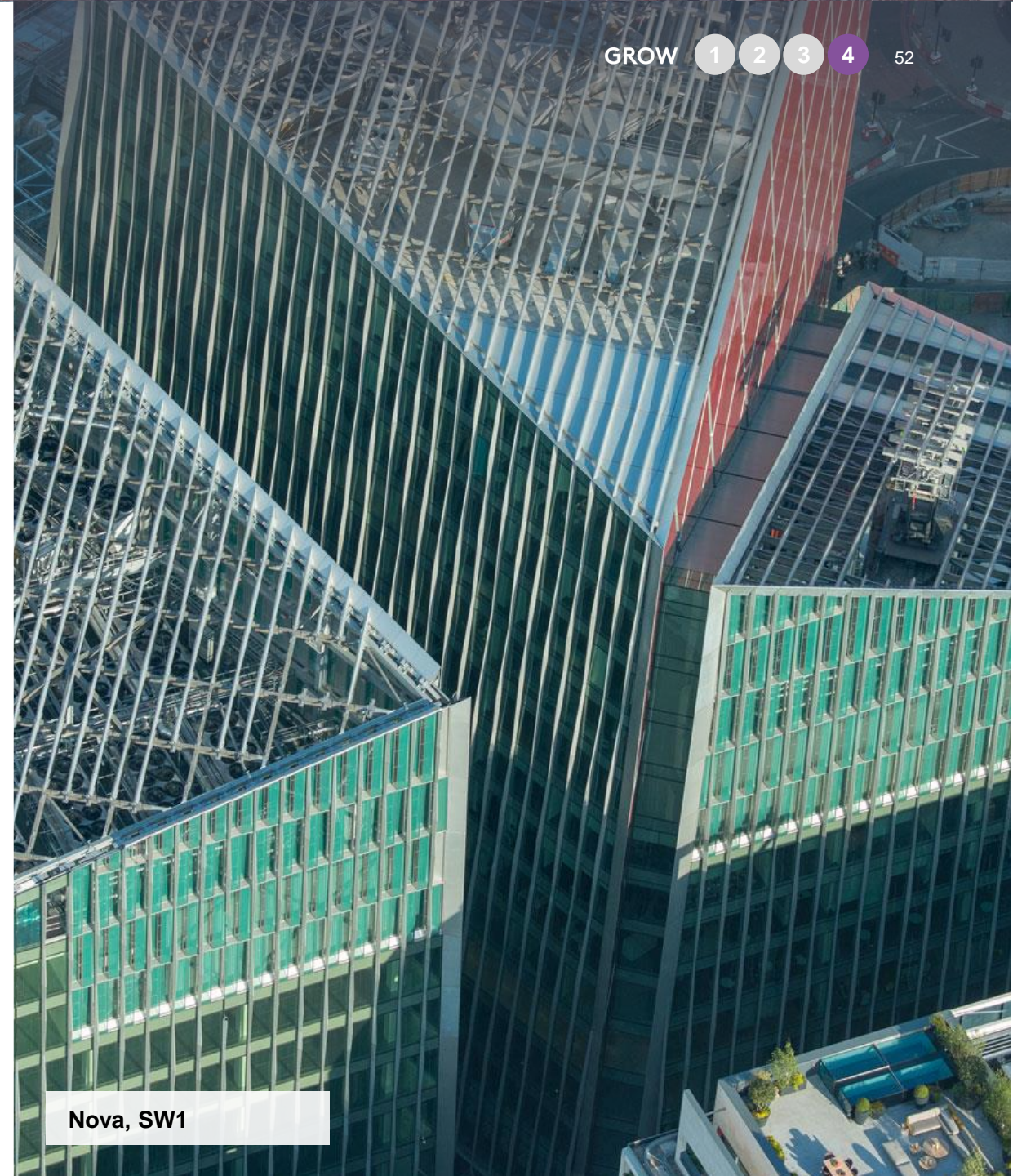
Experts in large-scale transformation

Post-investment Victoria



Experts in large scale transformation – Nova

- Delivered mixed-use regeneration of a 5-acre site in Victoria
- 700,000 sq ft across office, residential, convenience retail and leisure
- Latest of a long line of complex developments successfully delivered



Nova, SW1

Urban opportunities in our existing portfolio

- Over 50 acres of land with 1.6m sq ft of existing use space
- Potential to densify by a 5 times multiple, up to 8m sq ft
- Includes up to c.7,000 new homes
- Vibrant local communities
- Well connected to existing transport an infrastructure



We have substantial medium-term opportunities in the portfolio and are actively pursuing acquisition opportunities delivering near-term returns

Culture, capability and organisation



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Landsec's strategy – what does it mean for our organisation and culture?

Building on the strengths of our people

- The expertise and capability of Landsec's people is one of its greatest assets
- Will augment skills over time
- The right organisation and culture will help us maximise our capabilities

Hallmarks of our desired culture



Five key performance drivers which apply across all aspects of the business

Central to how we deliver our plan and sustain competitive advantage

Development expertise



- Our expertise lends itself to large, complex, long-term projects that can focus on the needs of multiple customer segments
- Leading our sector in applying DfMA, MMC and sustainable development practises can help lower our carbon impact and differentiate our end-product with customers, eventually leading to increased returns

Capital discipline



- Repositioning the portfolio for growth, investing in sectors and assets that can deliver through the cycle to drive a NAV / NAV premium valuation
- Combination of attractively priced partner capital and fee income could enhance returns on longer-term projects

Customer centricity



- Build deep understanding of evolving customer needs to ensure we design market-leading propositions
- Measure and track all facets of the customer experience across our portfolios to enable proactive interventions and validate the impact of our actions on key customer metrics e.g. churn and retention
- Enable clear articulation of who our customers are and how we can deliver value to them

Data-driven decisions



- Build data as a strategic asset for the long-term, blending proprietary and public data to enable focused, strategic decision making
- Set the foundations, then benefit from our transition to being a 'modern digital business'
- Create increased/additional value and income through new propositions and routes to market

ESG leadership



- Leading the industry in pursuit of our science-based environmental targets
- Take a more pro-active approach to our social and environmental impact to turn a cost of doing business into triple-bottom line investments which also help drive positive employee and stakeholder engagement
- To ensure the business remains relevant and delivers value in the long-term

Financial review



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Reminder of our approach to risk and return

Positioning the business for growth with an appropriate level of risk



Total
return

We intend to focus on total return through the cycle and position the business to deliver above market returns

Income is a key part of the property return, but should not be the key driver



Generating
“alpha”

A greater focus on value creation

Taking on more risk but doing so in a managed, proactive way



Leverage

Our tolerance for financial leverage will be guided by the level of operating risk in the business and our view of the cycle



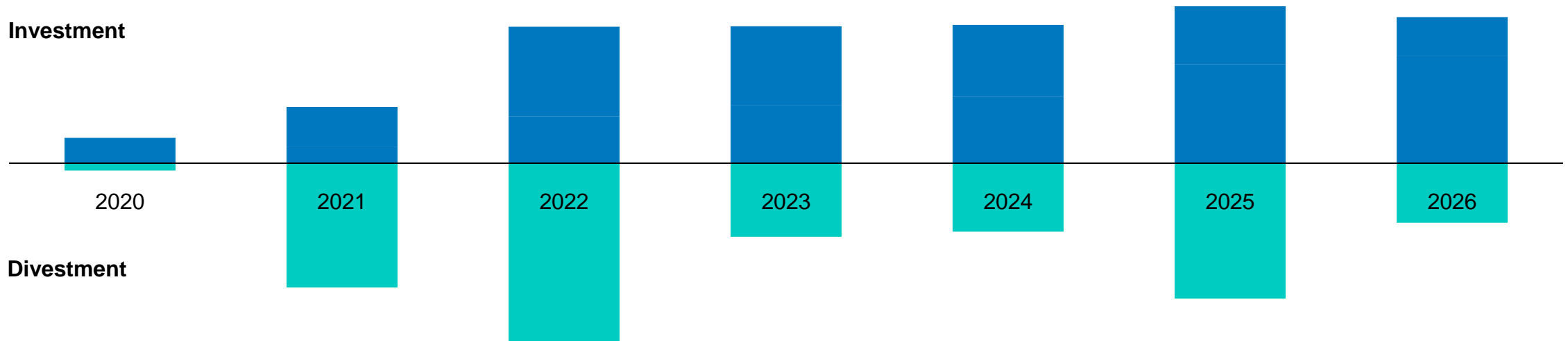
The
cycle

We operate in a cyclical market

Understanding and responding to the cycle is a key part of generating and protecting alpha

Broad shape of our capital management over the next six years

Estimated investment/divestment FY21 – FY26



— As we implement our strategy, capital rotation will increase, starting with an initial phase of disinvestment

— Later years will see net investment primarily in our central London and Urban opportunities portfolios

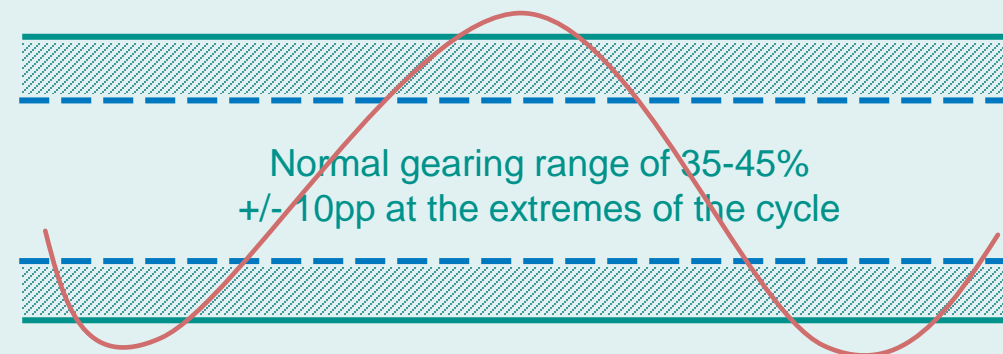
— c. £4bn of capital recycling over next six years

— Net debt is expected to be broadly stable overall – investment and capex will be funded through disposals over time

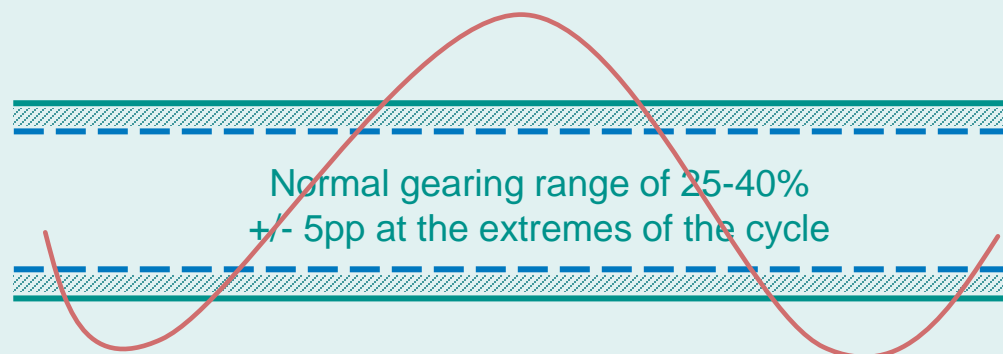
Implications for leverage

- Our strategy is set against a backdrop of increasing operational gearing from changes in leasing structures and reducing lease lengths
- Our aim is to rotate more rapidly out of low growth, low risk assets into those with higher total return
- This approach will increase our operational gearing. As a result, we expect financial leverage to be slightly lower
- We expect the normal range for our financial leverage to be an LTV of 25% to 40%, with +/- 5pp at the top and bottom of the range depending on the cycle and our operating leverage

Previous guidance on LTV range



New guidance on LTV range



Boosting total returns and delivering a sustainable dividend

Short-term impact of Covid-19 and capital recycling followed by recovery

- Asset recycling and positioning the business towards growth sectors will boost total returns over time
- In the short-term, earnings impacted by Covid-19 and disposals
- Subsequent earnings increase driven by post-Covid recovery and asset mix
- Dividend reinstated post interims at a level which reflects current underlying earnings
- Dividend will be c.1.2x – 1.3x covered by underlying earnings



CGI of The Forge, SE1

Summary

- Our focus is on total return with a greater emphasis on generating alpha through higher operating leverage
- Financial leverage will be lower to compensate
- Short-term earnings will be impacted by Covid-19 and disposals
- Overall impact of the revised strategy will be a shift to lower yielding assets but with higher growth potential

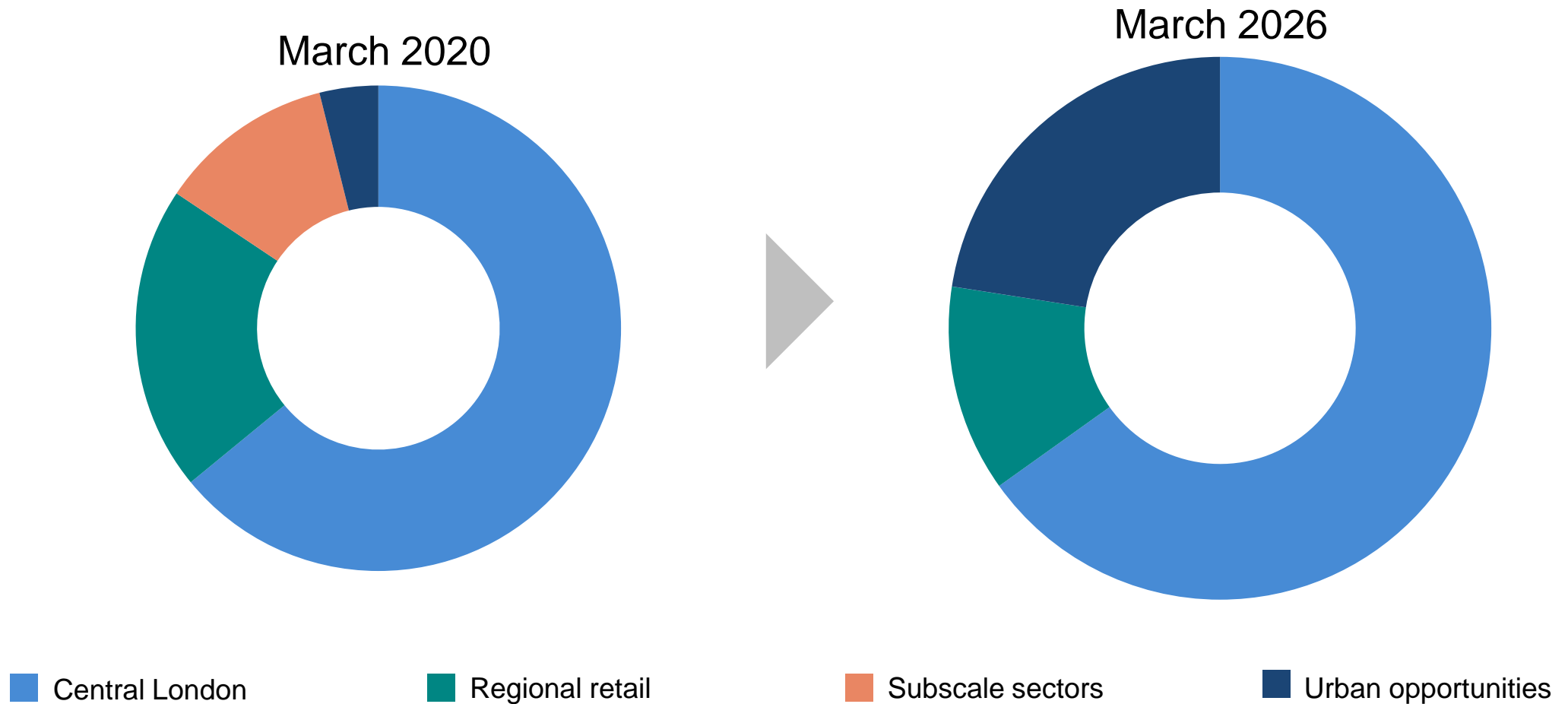
Summary



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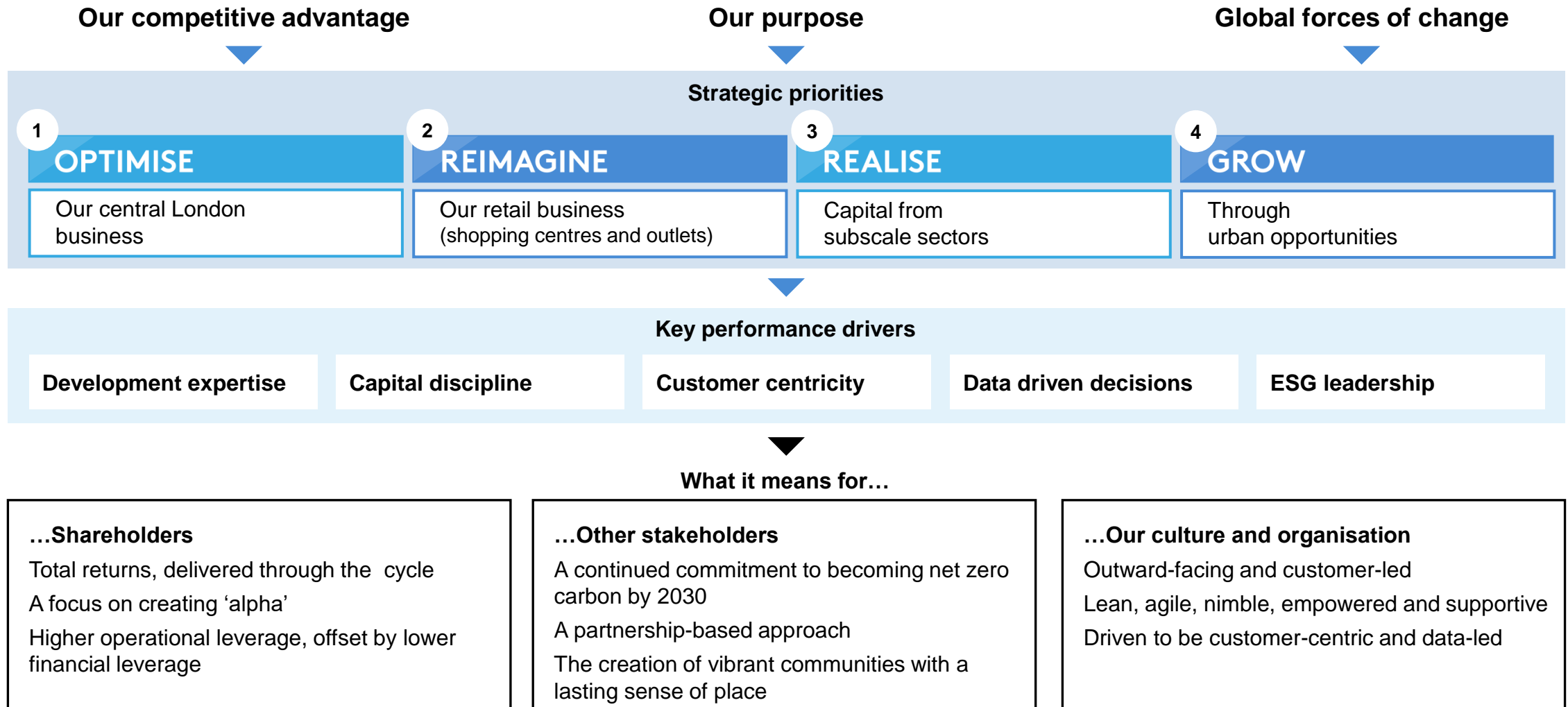
What could the portfolio look like in 2026?

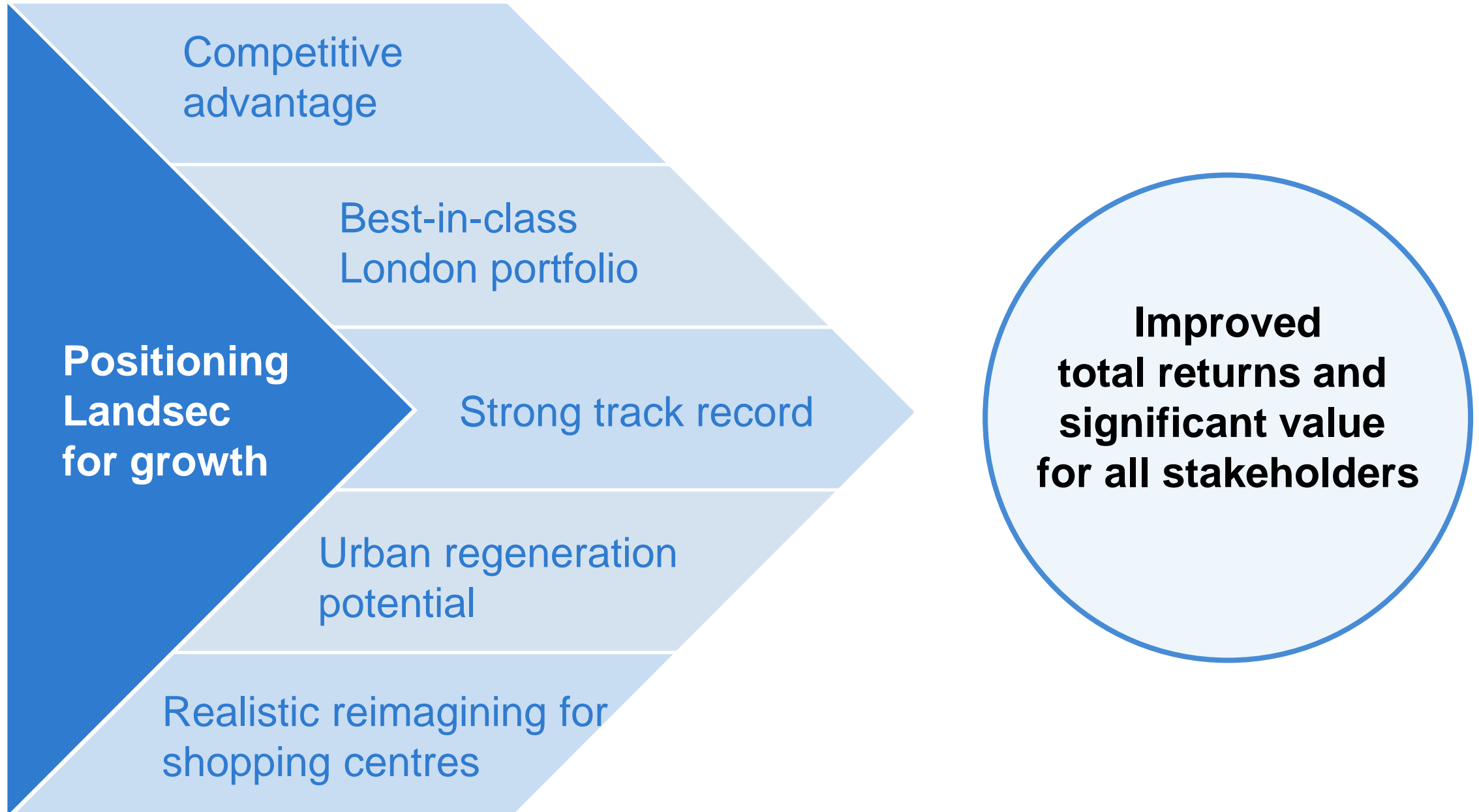
A more focused portfolio with greater growth potential



Our strategy

Repositioning Landsec for growth





Expectations over the next 12 months

- Reinstated dividend
- Capital recycling in central London portfolio to realise significant value creation
- Balanced progress on central London developments
- Increasing range of office propositions
- Clear progress towards a new retail operating model
- Planning progress across our urban opportunities portfolio and potential growth in that portfolio
- Steps to put in place the right culture and organisation to support the strategy



Capital Markets Day

19 October 2020



Landsec