Landsec

Press release

Title **Annual results for the year ended 31 March 2021**

From Landsec
Date 18 May 2021

Poised for recovery with a strategy that positions Landsec for long-term growth

Chief Executive Mark Allan said:

“Our results for the year to March 2021 clearly reflect the challenges caused by both the pandemic and the associated restrictions. However, from the very outset of the first lockdown we have been focused on supporting our customers and ensuring that the business emerges from the pandemic in as strong a position as possible. The positive effects of this decisive action will become clearer in the years ahead.

“We are now entering the recovery phase. Government action to support the economy was swift and the speed of the ongoing vaccination programme impressive. As a result, there is the real prospect of a strong consumption led recovery across the remainder of 2021 and 2022. Like many people, I was encouraged to see the relish with which people returned to experience in-person shopping as the easing of lockdown measures began in April, and early indicators are that this excitement is driving a strong return to our retail assets. With this week marking the next milestone in the Government’s roadmap out of lockdown we expect to see even more.

“As a result of our proactive approach to the challenges posed by the pandemic, Landsec is poised for the recovery with a strategy that positions the business for long-term growth.”

Financial results

- Revenue profit(1)(2) down 39.4% to £251m
- Loss before tax for the year of £1,393m (2020: loss of £837m)
- Adjusted diluted earnings per share(1)(2) down 39.4% to 33.9p
- Full year dividend of 27.0p per share (2020: 23.2p)
- Combined Portfolio(1)(2) valued at £10.8bn, with a valuation deficit(1)(2) of £1,646m or 13.7%(3)
- EPRA net tangible assets per share(1) down 17.4% to 985p
- Ungeared total property return(4) of -9.6%
- Total business return(1) of -15.9%
- Like-for-like net rental income, down £165m or 30.4%

We remain in a strong financial position

- Resilient Central London portfolio consisting of high-quality assets with good liquidity
- Low leverage with a Group LTV ratio(1)(2) at 32.2% (31 March 2020: 30.7%)
- Adjusted net debt(1)(2) of £3.5bn (31 March 2020: £3.9bn)
- Weighted average cost of debt at 2.2% (31 March 2020: 1.8%)
- Weighted average maturity of debt at 11.5 years (31 March 2020: 9.6 years)
- Cash and available facilities(2) of £1.6bn

Landsec is poised for recovery with a strategy that positions the business for long-term growth

- We have a clear strategy focused on four priorities, to reshape the portfolio and reposition Landsec for growth
- The four priorities are:
  - Optimise our Central London portfolio
  - Reimagine retail by redefining how we do retail in a multi-channel world, driving successful outcomes for all
  - Grow through Urban opportunities applying our proven skillset to deliver multi-phased, urban mixed-use schemes
  - Realise capital from Subscale sectors
- Our strategy is grounded in an authentic purpose; built on sustainable competitive advantage; and supported by long-term macro trends
- Culture is as important as strategy; the launch of our first culture report in June will provide the business with a benchmark on which to build
- Alongside our annual Gender Pay Gap reporting, we have also published our first Ethnic Pay Gap. We've done this ahead of any statutory requirement because we are committed to building a diverse and inclusive culture, one which will help us live up to our purpose

Ensuring the business emerges from the pandemic in as strong a position as possible

- Supported our customers: £80m support fund for retail, leisure and hospitality customers impacted by the pandemic, alongside developing a practical solution to withdraw the moratorium on enforcement action and accrued arrears
- Supported our charity partners: £500,000 additional financial assistance to existing charity partners
- Supported our people: focused activity to support the mental health and wellbeing of our people during a period of uncertainty and significant change due to the pandemic
- Responded quickly: operational changes delivered quickly and efficiently to keep staff, customers and consumers safe across the portfolio, strengthening relationships with customers through collaboration
- Maintained optionality on our development activity: measured approach to existing development pipeline, progressing schemes with the best risk adjusted returns. During the year, we fully committed to Lucent, W1 and The Forge, SE1, in September 2020, and n2, SW1 in March 2021

London office market remains resilient and competitive – we continue to make disposals and invest

- Investor interest in the London office market remains high, offering opportunities to recycle capital, as evidenced by the sale of 7 Soho Square, W1 in September 2020, and 1 & 2 New Ludgate, EC4 in December, both ahead of the March 2020 valuation
- Bifurcation of demand as quality of space, wellbeing and sustainability credentials become significant factors for customers, driving interest in Landsec's core office product and meaning secondary, outdated stock in the market will be ripe for redevelopment
- Myo, our flexible office brand, launches its second location on 19 May at Dashwood, EC2 the newly refurbished boutique tower close to Liverpool Street station and the new Crossrail entrance

Potential for a strong consumer-led recovery

- Strong performance in England since restrictions on non-essential retail began to lift on 12 April. Shopping centre sales, excluding F&B, up 5% versus 2019, and outlets up 14% versus 2019
- Over 50 retail brands have agreed new leases or opened new stores during the year, demonstrating physical stores in the right locations remain a key element to brand partner strategies
- Innovative new concepts also forming part of the mix, with new leisure attractions opening in the coming months including Gravity at Southside, Wandsworth and Hangloose at Bluewater

We are committed to being a purpose-led, sustainable business

- Committed to become a net zero carbon business by 2030, with first net zero carbon building under way at The Forge, SE1
- Delivered a 55% reduction in carbon emissions compared with 2013/14 baseline, keeping us on track to achieve our science-based target aligned with a 1.5ºC scenario to reduce emissions by 70% by 2030
- Delivered £11m of social value in our local communities since 2019 through our community and charitable activity focusing on education and employment
- Introduction of new employee performance related pay which includes a key measure of success against our ESG performance
- Our ESG leadership is also demonstrated through our performance in key ESG benchmarks:
  - GRESB: Regional Listed Sector Leader for Europe within Diversified – Office/Retail for standing investments; Global Listed Development Sector Leader for Office developments
  - CDP: A-list for the fourth consecutive year

Results summary

	Year ended 31 March 2021	Year ended 31 March 2020	Change
Revenue profit[(1)(2)]	£251m	£414m	Down 39.4%
Valuation deficit[(1)(2)]	£(1,646)m	£(1,179)m	Down 13.7%[(3)]
Loss before tax	£(1,393)m	£(837)m	
Basic loss per share	(188.2)p	(112.4)p	
Adjusted diluted earnings per share[(1)(2)]	33.9p	55.9p	Down 39.4%
Dividend per share	27.0p	23.2p	Up 16.4%
Total business return	-15.9%	-8.2%	
Net assets per share	975p	1,182p	Down 17.5%
EPRA net tangible assets per share[(1)]	985p	1,192p	Down 17.4%
Group LTV ratio[(1)(2)]	32.2%	30.7%	

1. An alternative performance measure. The Group uses a number of financial measures to assess and explain its performance, some of which are considered to be alternative performance measures as they are not defined under IFRS. For further details, see the Financial review and table 15 in the Business analysis section.
2. Including our proportionate share of subsidiaries and joint ventures, as explained in the Financial review.
3. The % change for the valuation deficit represents the fall in value of the Combined Portfolio over the year, adjusted for net investment.
4. For further details, see the Business analysis section.

Ends

About Landsec

At Landsec, we strive to connect communities, realise potential and deliver sustainable places.

As one of the largest real estate companies in Europe, our £10.8 billion portfolio of well-connected retail, leisure, workspace and residential hubs. 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.

Find out more at landsec.com

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