Landsec

Press release

Title **Results for the year ended 31 March 2022**
From Landsec
Date 17 May 2022

Landsec delivers strong operational and financial performance and clear strategic progress

Mark Allan, Chief Executive of Landsec, commented:

"Landsec has delivered strong operational and financial results despite the turbulence within the UK economy. The actions we have taken, driven by our strategic focus on three distinct areas have resulted in record leasing in our London office portfolio, a return to growth in our major retail destinations and clear, substantive progress in growing our mixed-use urban neighbourhood portfolio. We continue to recycle capital out of mature assets, whilst our pipeline now offers the opportunity to invest £3bn in sustainable London offices and mixed-use development over the next five years at attractive returns.

Landsec is in a strong position, financially and operationally, and we expect delivering on our strategy to drive material growth in income and, on average, a mid to high single digit annual return on equity over time.

This position affords us many opportunities, not least the ability to lead change, which is why today we have raised the bar for ourselves and our industry by setting out ambitious targets to reduce embodied carbon through development as well as clear plans to enhance social mobility both in our industry and through the places where we invest.

With the expertise we have within the business and the momentum built, I am confident that we are on the right path and will be able to navigate the wider macro uncertainties facing the economy today."

Financial highlights

	2022	**2021**		**2022**	**2021**
EPRA earnings (£m)(1)(2)	355	251	Profit/(loss) before tax (£m)	875	(1,393)
EPRA EPS (pence)(1)(2)	48.0	33.9	Basic EPS (pence)	117.4	(188.2)
EPRA NTA per share (pence)(1)	1,063	985	Net assets per share (pence)	1,070	975
Total accounting return (%)	10.5	(15.9)	Dividend per share (pence)	37.0	27.0
Group LTV ratio (%)(1)(2)	34.4	32.2	Net debt (£m)	4,160	3,486

- Total accounting return up to 10.5%, driven by strong operational performance and strategic actions
- EPRA EPS(1)(2) up 42% to 48.0p, reflecting growth in LFL income and normalising trading conditions
- EPRA NTA per share(1) up 8% to 1,063p, with a portfolio valuation surplus of 3.6%
- Profit before tax up to £875m (2021: £1,393m loss), driven by growth in earnings and values
- Total dividend up 37.0% to 37.0p per share (2021: 27.0p), supported by strong recovery in earnings
- Group LTV(1)(2) up slightly to 34.4% (2021: 32.2%), due to investment in future growth opportunities

- Weighted average maturity of debt at 9.1 years (2021: 11.5 years), providing strong financial base

Operational highlights: clear strategic progress paves way for future growth

- Strong London office leasing, positive operational performance and valuation growth in retail and marked growth in mixed-use urban pipeline, underpinned by successful capital recycling and strong balance sheet, paves way to deliver continued EPS growth and mid-to-high single digit total return over time.

Central London: strong leasing result and unlocked further growth opportunities

- Delivered record leasing, with £63m of office lettings on average 4% ahead of valuers' assumptions, and office occupancy at a high 95.3%, demonstrating strong demand for high-quality space
- Capitalised on strong investment demand, with £0.4bn of disposals at an average yield of 4.1% and 13% premium vs Mar-21 book value, underpinning 3.7% capital value growth for the year (H2: 2.9%)
- On track to deliver £1.2bn committed pipeline between October this year and June 2023, with 97% of costs locked in and 56% already pre-let
- Unlocked 507,000 sq ft of potential new schemes at New Street Square and in Southwark via two innovative deals, growing potential future pipeline to 1.8m sq ft, with flexibility to start up to three new projects totalling c. £1bn of development cost and attractive 6.4% yield on cost in next twelve months

Major retail destinations: growing operational momentum supporting return to valuation growth

- Restructured and strengthened retail team to focus on strengthening brand and guest relationships and building on opportunity to create best-in-class portfolio of major UK retail destinations
- New operating model already driving results, with occupancy up 170bps to 93.2%, LFL retail sales 1.1% ahead of 2019/20 levels and £29m of lettings signed or in solicitors' hands, on average 2% ahead of ERV, resulting in 1.7% capital value growth in the second half of the year (FY: -0.1%)
- Acquired additional 18.75% stake in Bluewater for £126m[(3)], capitalising on opportunity to invest in one of the UK's leading retail destinations at attractive 8.15% initial yield

Mixed-use urban neighbourhoods: expanded pipeline to accelerate near-term growth

- Grown mixed-use pipeline by c. 50% to c. £4bn total development cost via two key acquisitions, with planned investment of c. £1.5bn over the next five years expected to deliver a return of c. £350m
- Acquired U+I for £269m[(4)], providing access to five mixed-use projects in London, Manchester and Cambridge, with the potential to invest c. £400-600m in the next five years, and already sold or exchanged contracts to sell £61m of non-core assets, 10% above book value
- Acquired 75% stake in MediaCity, Greater Manchester for £426m[(3)], providing combination of long-term income at attractive 5.8% yield and £400m+ mixed-use development potential
- On track to start on site with first phases of Mayfield, Manchester later this year and MediaCity and, subject to planning, our 1,800-home scheme at Finchley Road, London in 2023

Underpinning our strategy: capital discipline and leading the way in sustainability

- Recognised £170m uplift in value of subscale assets (12.9%), capturing recovery in values as anticipated, ahead of disposal in medium term to maintain ongoing focus on capital discipline

— Maintained strong balance sheet, with only 18% of drawn debt maturing in the next three years and LTV of 34.4%. Further capital recycling in the year ahead expected to keep LTV below the mid 30's level, with £1.1bn of assets sold since late 2020; on track vs target to sell c. £4bn in medium term
— Set out £135m net zero transition investment plan to meet science-based target to reduce carbon emissions by 70% vs 2014 baseline and to stay ahead of minimum EPC 'B' rating requirement by 2030, with 44% of our office portfolio already at this level vs 15% for the wider UK office market

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. This indicates the purchase price for the property interest, as opposed to the consideration paid for the acquisition, which is net of borrowings and other applicable purchase price adjustments.
4. This indicates the Gross Asset Value of U+I Group PLC at 31 March 2021, as opposed to the consideration paid for the acquisition, which is net of borrowings and other applicable purchase price adjustments.

Ends

About Landsec

At Landsec, we build and invest in buildings, spaces and partnerships to create sustainable places, connect communities and realise potential. We are one of the largest real estate companies in Europe, with a £12 billion portfolio of retail, leisure, workspace and residential hubs. Landsec is shaping a better future by leading our industry on environmental and social sustainability while delivering value for our shareholders, great experiences for our guests and positive change for our communities.

Find out more at landsec.com

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