Landsec

Press release

Title	**Results for the year ended 31 March 2023**
From	**Land Securities Group PLC (“Landsec”)**
Date	**16 May 2023**

Continued operational and strategic momentum; well-positioned for new market reality

Mark Allan, Chief Executive of Landsec, commented:

“Last year saw the most striking difference in performance between occupational markets and investment markets that I can remember. In investment markets, rapidly rising interest rates led to a sharp slowdown in transaction activity and falling asset values as valuation yields rose, whereas from a customer perspective, strong demand for Landsec’s best-in-class space drove consistently strong leasing, rising occupancy levels and growing rents across all parts of our portfolio.

“Our strategy is based on two clear and simple principles: focus our resources where we have sustainable competitive advantage and maintain a strong balance sheet. We have done both and, as a result, were able to navigate the challenges of the past twelve months very effectively. Our competitive advantages remain the high quality of our portfolio, the strength of our customer relationships and our ability to unlock complex opportunities. Looking forward, we expect the combination of a ‘higher for longer’ interest rate environment and the continuing concentration of customer demand on the very best space to result in exciting opportunities and continued positive rental growth for Landsec. Those competitive advantages will be more important than ever.”

Financial highlights

	2023	**2022**		**2023**	**2022**
EPRA earnings (£m)(1)(2)	393	355	(Loss)/profit before tax (£m)	(622)	875
EPRA EPS (pence)(1)(2)	53.1	48.0	Basic EPS (pence)	(83.6)	117.4
EPRA NTA per share (pence)(1)(2)	936	1,063	Net assets per share (pence)	945	1,070
Total return on equity (%)(1)(2)	(8.3)	10.5	Dividend per share (pence)	38.6	37.0
Group LTV ratio (%)(1)(2)	31.7	34.4	Net debt (£m)	3,348	4,254

- EPRA EPS(1)(2) of 53.1p, with underlying EPRA EPS excluding the benefit of increased surrender premiums up 4.4% to 50.1p, driven by strong leasing and 6.0% LFL rental income growth
- Total dividend up 4.3% to 38.6p per share, in line with increase in underlying earnings

- Loss before tax of £622m as a result of a -£848m, or -7.7%, movement in portfolio value, as an average 50bps yield softening offset an overall 3.6% ERV growth, leaving EPRA NTA per share[1] [2] down 11.9% to 936p and total return on equity at -8.3%
- Net debt down £0.9bn due to successful disposal of £1.4bn of mature offices, mostly in the City
- Sector-leading balance sheet strength, with AA/AA- credit rating, 7.0x net debt/EBITDA, Group LTV[1][2] down 2.7ppt to 31.7% and weighted average debt maturity up from 9.1 to 10.3 years
- Expect EPRA EPS for current year to be broadly stable vs last year's underlying 50.1 pence, as positive growth in operational performance offsets impact of recent and further planned disposals

Operational highlights: building on strong operational momentum and delivering on strategy

Strong operational performance, continued pace in execution on strategy, and proven ability to unlock complex opportunities, underpinned by high-quality portfolio and strong balance sheet, provide clear potential to further grow attractive earnings yield and deliver 8-10% annual return on equity over time.

Central London: strong leasing momentum, reallocating capital towards higher return assets

- Sold £1.4bn of mature offices, crystallising average 10% IRR despite discount to last year's book value, taking total City office disposals over last two years to £1.7bn and increasing West End/Southwark assets to 74% of London portfolio
- Delivered continued strong leasing results as demand for high-quality space in best locations remains high, with £48m of lettings completed or in solicitors' hands, 5% ahead of valuers' assumptions, and occupancy up 110bps to 95.9%, with West End office portfolio effectively full at 99.5% occupancy
- Drove 4.7% ERV growth due to strong letting activity, as rise in valuation yields led to capital values softening 7.3%, with continued low to mid single digit percent ERV growth expected for current year
- Current pipeline 60% pre-let or under offer ahead of near-term completion, with recent lettings 11% ahead of ERV, providing confidence to start two new schemes with expected 7.4% yield on cost and 12%+ yield on £460m capex for delivery in supply-constrained 2025 window

Major retail destinations: capitalising on growing demand from brands for best-in-class space

- Continued to deliver strong leasing momentum via differentiated brand-focused platform, capitalising on 'flight to prime' and upsizing of key brands, with £38m of letting signed or in solicitors' hands on average 9% ahead of ERV and occupancy up 110bps to 94.3%
- Recorded 6.9% YoY sales growth, with like-for-like sales 4.4% above 2019/20 levels, as normalising consumer behaviour and improved profitability is driving growing investment in stores by brands
- Delivered 0.9% ERV growth, yet valuations down 6.4% reflecting increase in valuation yields based on valuers' sentiment, with low to mid single digit percent ERV growth expected this year
- Secured remaining 50% of St David's, Cardiff via purchase of debt at implied asset yield of 9.7%

Mixed-use urban neighbourhoods: unlocked opportunity to start on site with first two schemes

- Secured resolution to grant planning consent for £1bn Finchley Road scheme and signed drawdown agreement for first phase of land at Mayfield, unlocking opportunity to start on site with enabling works at Finchley Road and first phase of office development at Mayfield later this year

- Progressed preparations on rest of 10m sq ft pipeline and sold or exchanged contracts to sell over half of c. £180m of non-core U+I assets since acquisition in December 2021, 16% above book value

Underpinning our strategy: sector-leading capital base and clear action on sustainability

- Further strengthened sector-leading balance sheet, with AA/AA- credit rating; LTV down 2.7ppt to 31.7%; net debt/EBITDA of 7.0x at end of March; average debt maturity up to 10.3 years post the issue of a £400m Green bond; fully-hedged cost of debt of 2.7%; and no refinancing needs until 2026
- Progressing net zero transition investment plan, with 44% of office portfolio expected to be rated EPC 'B' or higher by the summer vs 23% for overall London office market, and announced target to reduce upfront embodied carbon by 50% vs a typical development by 2030
- Launched Landsec Futures Fund to invest £20m over next 10 years to enhance social mobility in our industry, to empower more people towards world of work and deliver £200m of social value

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 14 in the Business analysis section.
2. Including our proportionate share of subsidiaries and joint ventures, as explained in the Financial review. The condensed consolidated preliminary financial information is prepared under UK adopted international accounting standards (IFRSs and IFRICs) where the Group's interests in joint ventures are shown collectively in the income statement and balance sheet, and all subsidiaries are consolidated at 100%. Internally, management reviews the Group's results on a basis that adjusts for these forms of ownership to present a proportionate share. These metrics, including the Combined Portfolio, is an example of this approach, reflecting our economic interest in our properties regardless of our ownership structure. For further details, see table 14 in the Business analysis section.

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 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

Please contact:

Press	Investors
Sara Doggett	Edward Thacker
+44 (0)7834 431258	+44 (0) 7887 825869