



capco★

Capital & Counties Properties PLC
Annual Results 2014
26 February 2015

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1. INTRODUCTION

Ian Hawksworth

2. FINANCIAL REVIEW

Soumen Das

3. COVENT GARDEN UPDATE

Soumen Das

4. EARLS COURT PROPERTIES UPDATE

Gary Yardley

5. LOOKING AHEAD

Ian Hawksworth

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INTRODUCTION

Ian Hawksworth, Chief Executive

HIGHLIGHTS

Excellent results



Total property value

£3.0bn

+22% like-for-like

Total return

25%

NAV per share

311p

+25%

Total dividend

1.5p per share

STRONG VALUATION PERFORMANCE AT COVENT GARDEN

- ★ Most active year of leasing and investment
- ★ 61 new leases and renewals, 12% above December 2013 ERV
- ★ 14% like-for-like increase in ERV
- ★ ERV guidance increased to £100m by December 2017
- ★ Continued investment and enhancement of estate
 - £167m in acquisitions expanding footprint
 - Kings Court scheme on site

POSITIVE MOMENTUM AT EARLS COURT PROPERTIES

- ★ EC1 & EC2 venture with TfL established
 - Capco 63%, TfL 37%
- ★ Demolition of EC1 & EC2 underway
- ★ Detailed planning consents achieved
- ★ Strong demand for Lillie Square
- ★ Acquisitions totalling £51m
- ★ Opportunities to intensify the Masterplan

HIGHLIGHTS

Excellent results

Total property value

£3.0bn

+22% like-for-like

Total return

25%

NAV per share

311p

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Total dividend

1.5p per share

POSITIVE OPERATIONAL PROGRESS AT VENUES

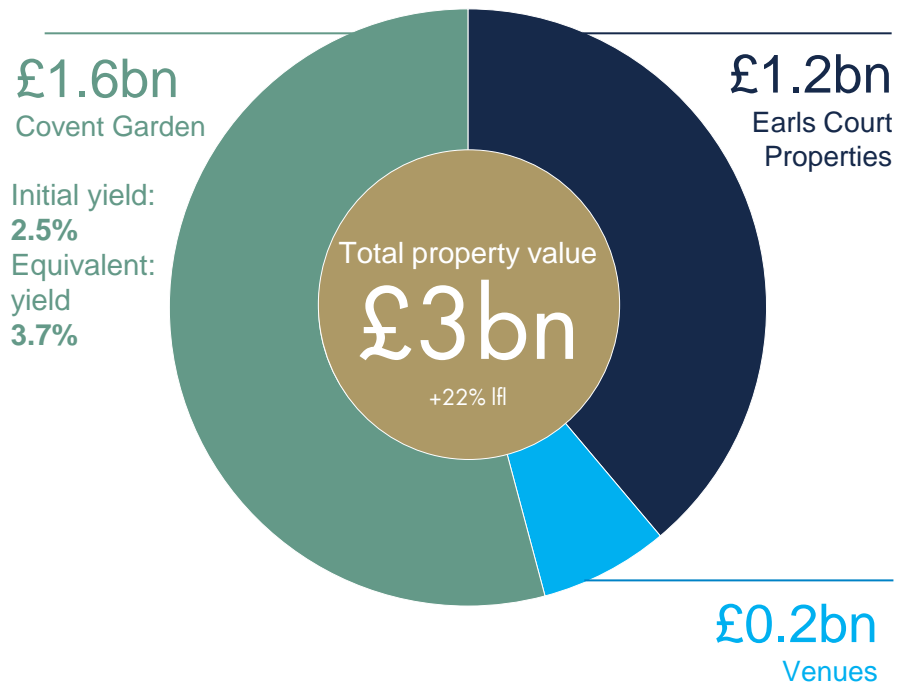
- ★ Successful transition of business to Olympia London
 - Over 80% of Earls Court's shows transitioned
- ★ Strong valuation performance reflecting positive prospects
 - EBITDA of £11m, up 7%
 - Valuation +28% like-for-like

ROBUST FINANCIAL POSITION

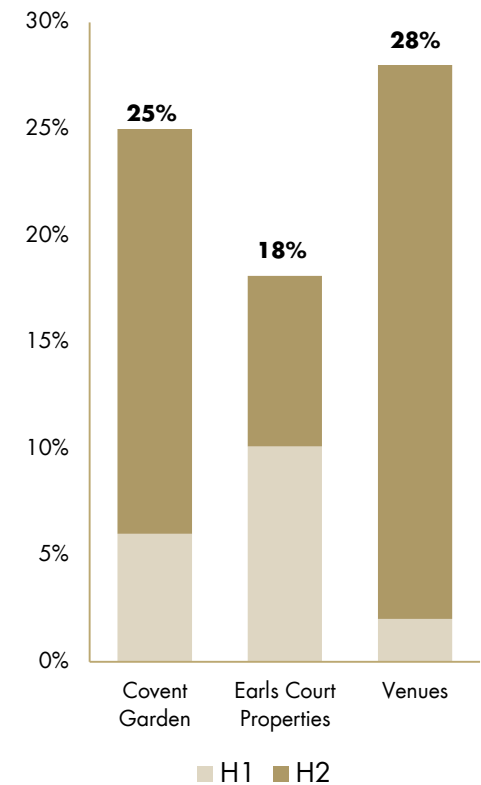
- ★ Conservative 12% LTV and £655m liquidity
- ★ Equity placing raising £258m to accelerate value creation
- ★ Unsecured debt model for Covent Garden
 - £665m unsecured facility
 - £150m US private placement
- ★ Construction facility signed for Lillie Square
 - £130m (Capco share £65m)

VALUATION

Accelerated performance



LFL VALUATION GROWTH (H1/H2)



A RETURN-FOCUSED BUSINESS

Delivering through clear and focused objectives

★ OUR DISTINCT APPROACH TO CREATING PLACES

COVENT GARDEN	Granular asset management
	Tactical acquisitions
	Strategic development
	Creativity

STRONG AND FLEXIBLE CAPITAL STRUCTURE

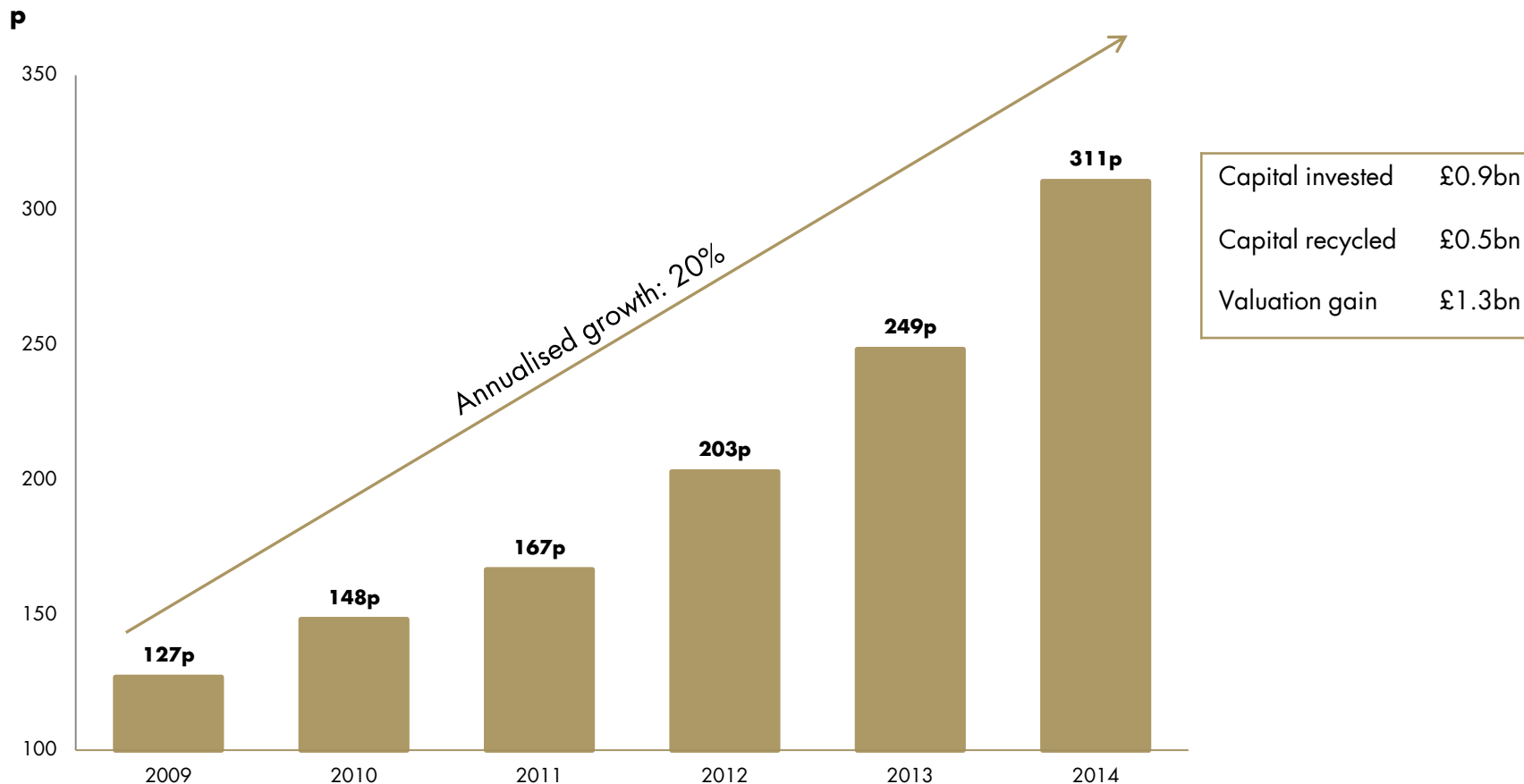
EARLS COURT PROPERTIES	Planning
	Land assembly
	Land enablement
	Selective development

★ OUR DISTINCT APPROACH TO CREATING PLACES

SIGNIFICANT VALUE CREATION

Delivering £1.9 billion¹ of shareholder value

NAV PER SHARE PROGRESSION



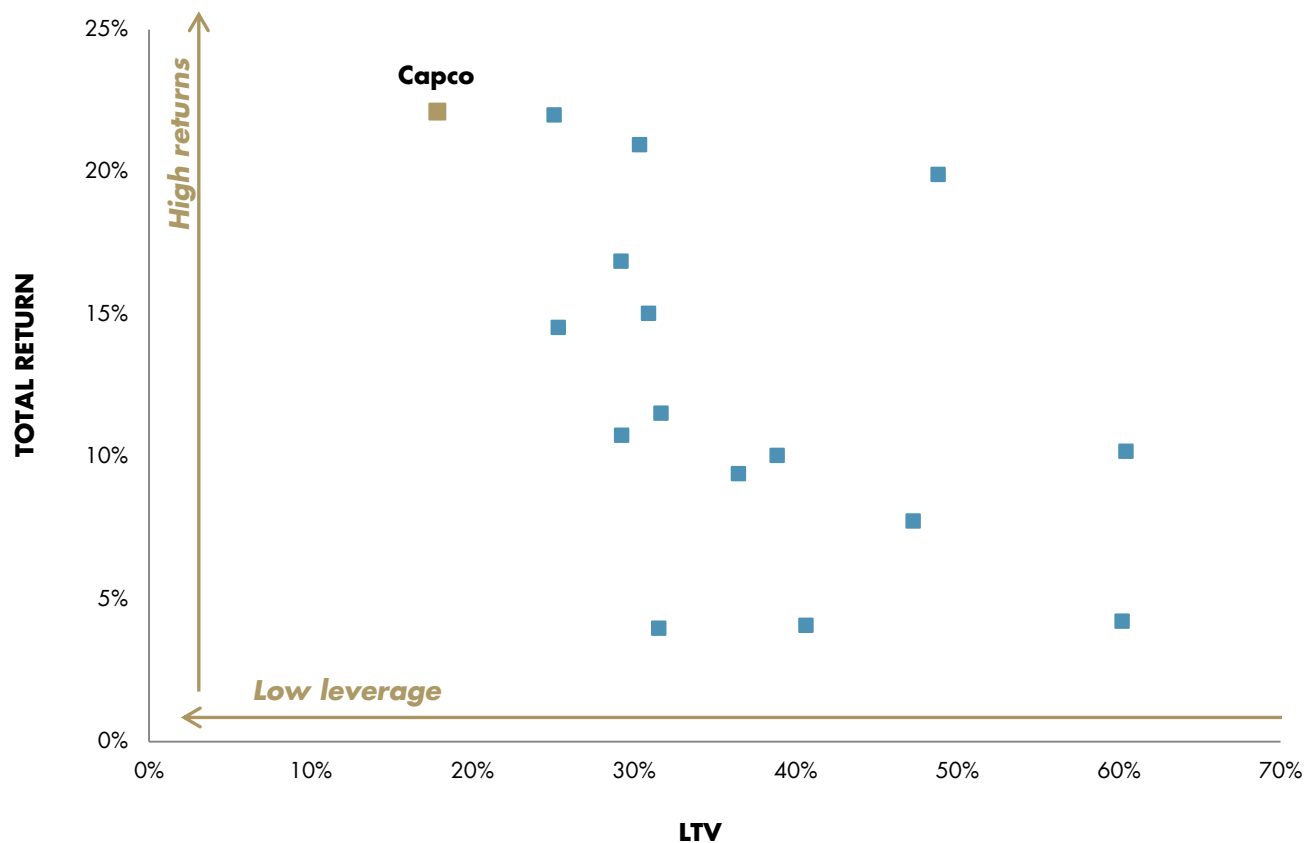
1. Change in market capitalisation to 31 December 2014 (adjusted for capital raisings)

■ NAV per share

OUTPERFORMANCE SINCE ESTABLISHMENT

Delivering high returns off low leverage

TOTAL RETURN VS AVERAGE LEVERAGE – SINCE 2010



Source: UBS
■ Constituents of FTSE 350 Real Estate Index

FINANCIAL REVIEW

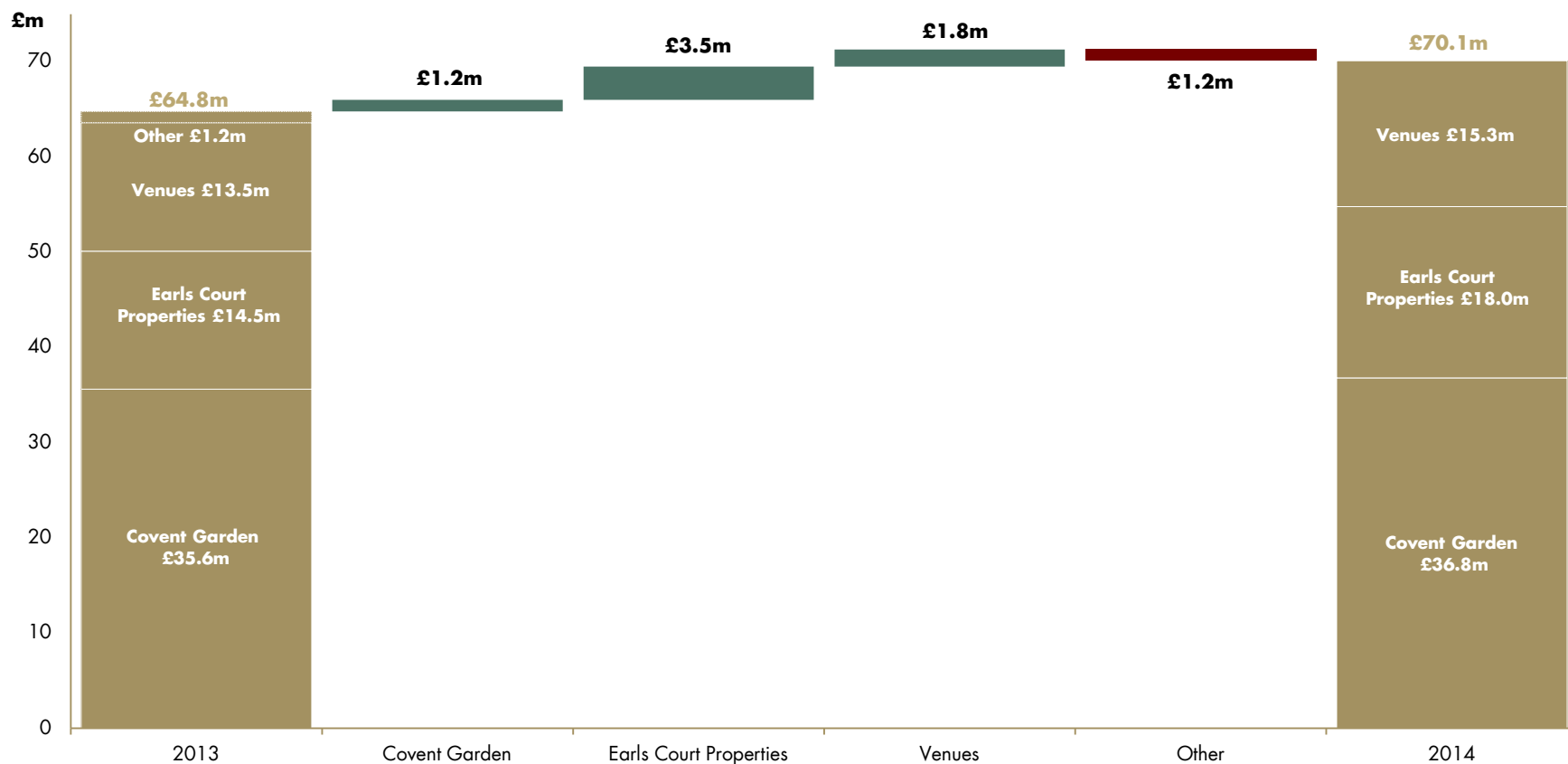
Soumen Das

UNDERLYING EARNINGS



	2014 £m	2013 £m	Var £m
Net rental income	70.1	64.8	5.3
Admin costs	(43.2)	(33.8)	(9.4)
Net finance costs	(15.1)	(20.9)	5.8
Other	1.5	(0.5)	2.0
Tax on underlying earnings	(0.2)	(2.3)	2.1
Underlying earnings	13.1	7.3	5.8
Underlying earnings per share	1.6p	1.0p	0.6p
Total dividend per share (proposed final 1.0p)	1.5p	1.5p	–

NET RENTAL INCOME



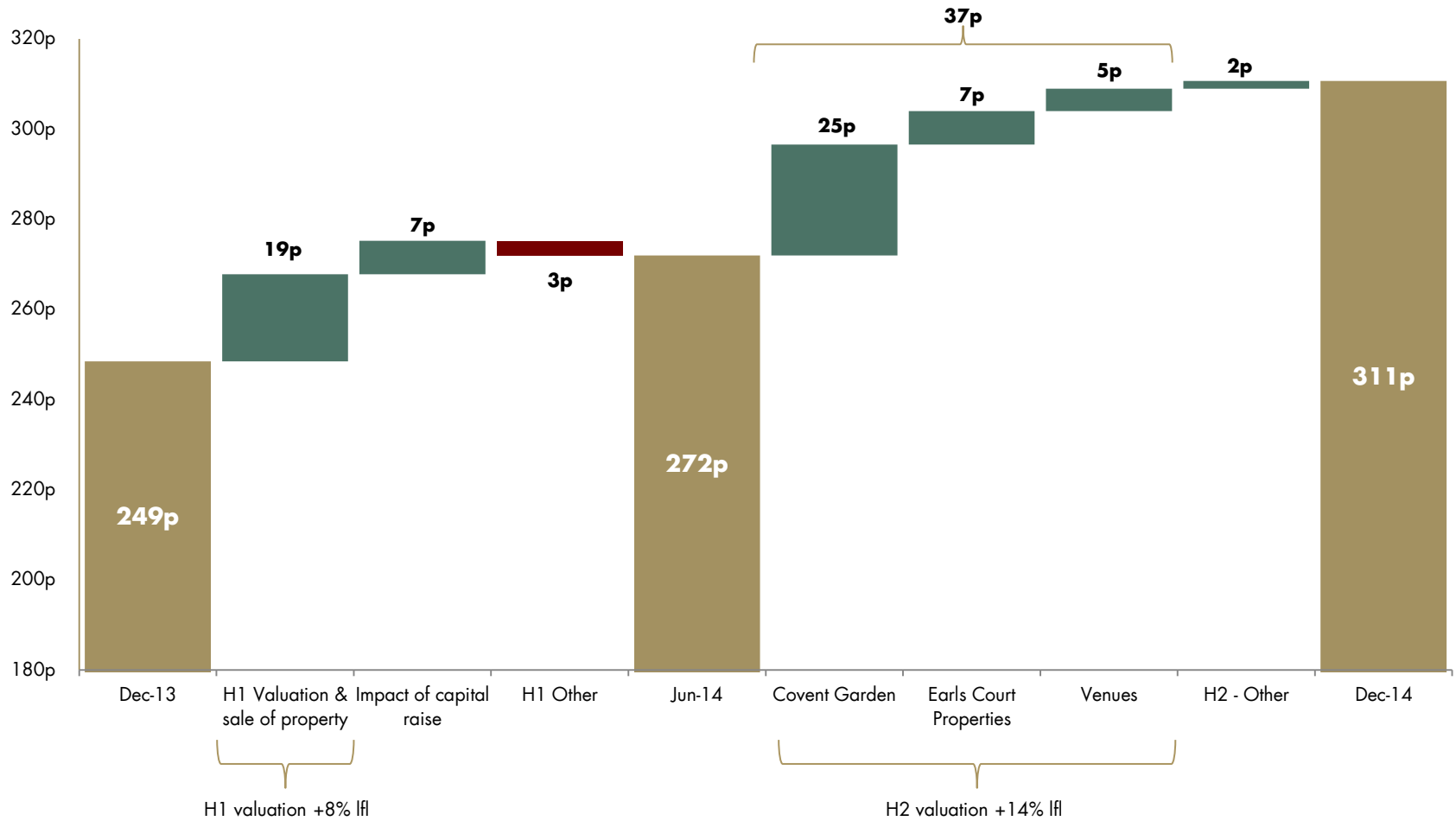
ADJUSTED BALANCE SHEET

	Dec-14 £m	Dec-13 £m	Var £m
Investment & Trading Property	2,905	2,166	739
Unrecognised surplus on trading properties	96	69	27
Net debt	(345)	(329)	(16)
Other	(26)	6	(32)
EPRA adjusted NAV	2,630	1,912	718
Number of shares in issue	836m	758m	78m

- ★ TfL transaction not yet fully reflected
- ★ CLSA not yet recognised as an asset on balance sheet. £75m carried as capital commitment
- ★ Equity placing of 75.9m shares raising £258m (gross proceeds)
- ★ Contingent tax liability on investment properties nil; on trading properties £21m
- ★ £171m capital commitments

EPRA ADJUSTED DILUTED NET ASSETS PER SHARE

NAV +25% to 311 pence



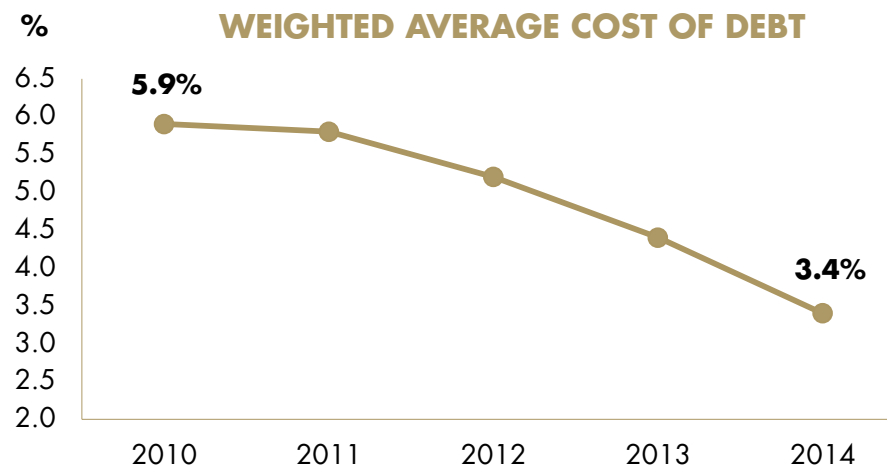
Diluted EPRA NNNNAV 307 pence per share

DEBT & GEARING

Active debt management

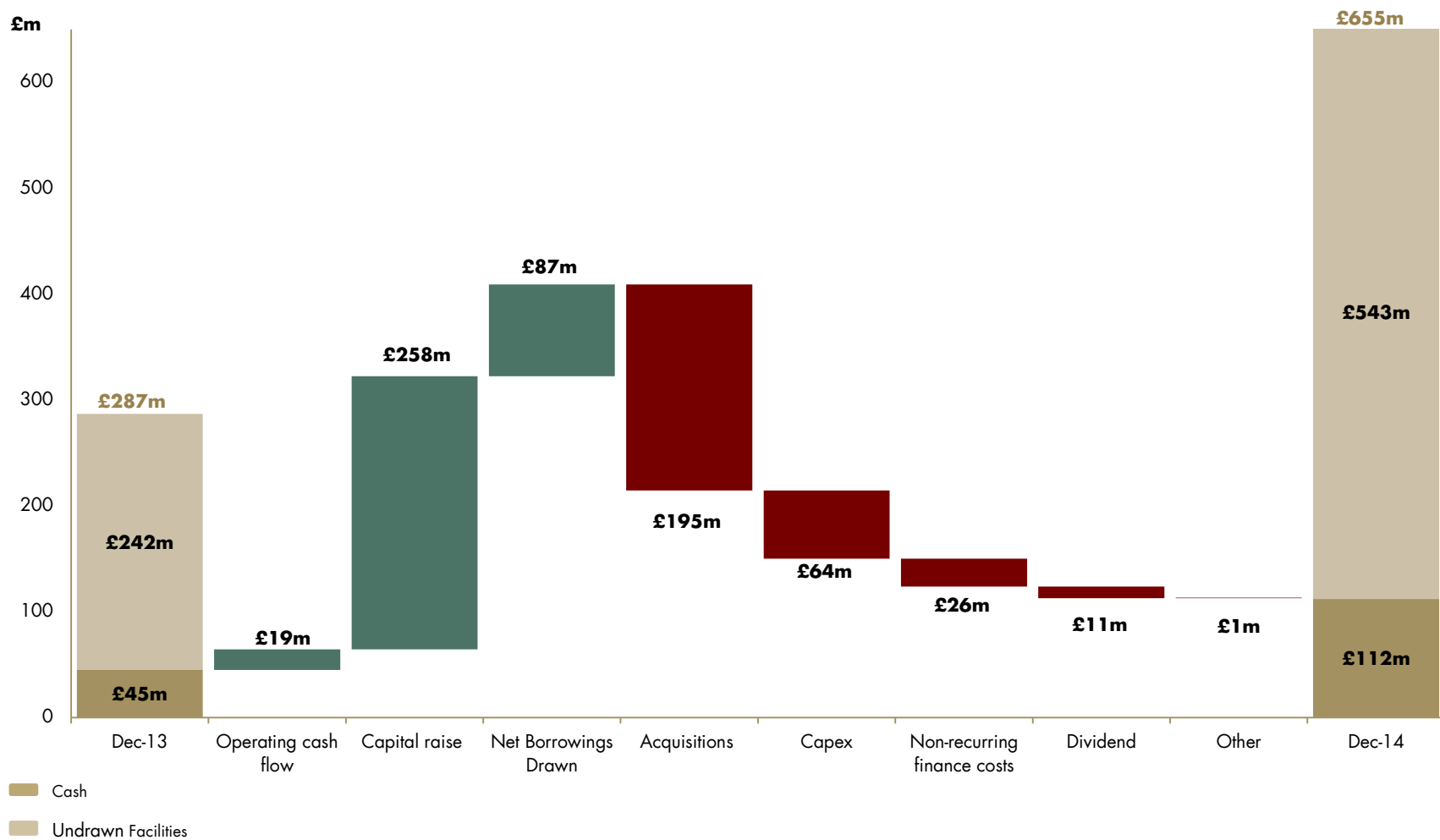
- ★ £665m unsecured revolving facility for Covent Garden
- ★ £150m US private placement of 10 and 12 year senior unsecured notes
- ★ £130m development facility signed for Lillie Square (Capco share: £65m)

	Dec-14	Dec-13
Net Debt	£345m	£329m
LTV	12%	15%
Group interest cover	188%	148%
Cash and available facilities	£655m	£287m
Weighted average cost of finance	3.4%	4.4%
Weighted average maturity	5.1 yrs	4.3 yrs



CASH UTILISATION

Successful deployment of capital



COVENT GARDEN UPDATE

Soumen Das



STRATEGY FOR COVENT GARDEN

A platform for rental growth

★ OUR DISTINCT APPROACH TO CREATING PLACES

COVENT GARDEN	Granular asset management
	Tactical acquisitions
	Strategic development
	Creativity

STRONG AND FLEXIBLE CAPITAL STRUCTURE

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	Selective development

★ OUR DISTINCT APPROACH TO CREATING PLACES

COVENT GARDEN HIGHLIGHTS

The most active year of leasing

Portfolio value

£1.6bn

+25% like-for-like

New lettings & renewals

+12%

Ahead of Dec-13 ERV

ERV

+14%_(lf)

£75.1m

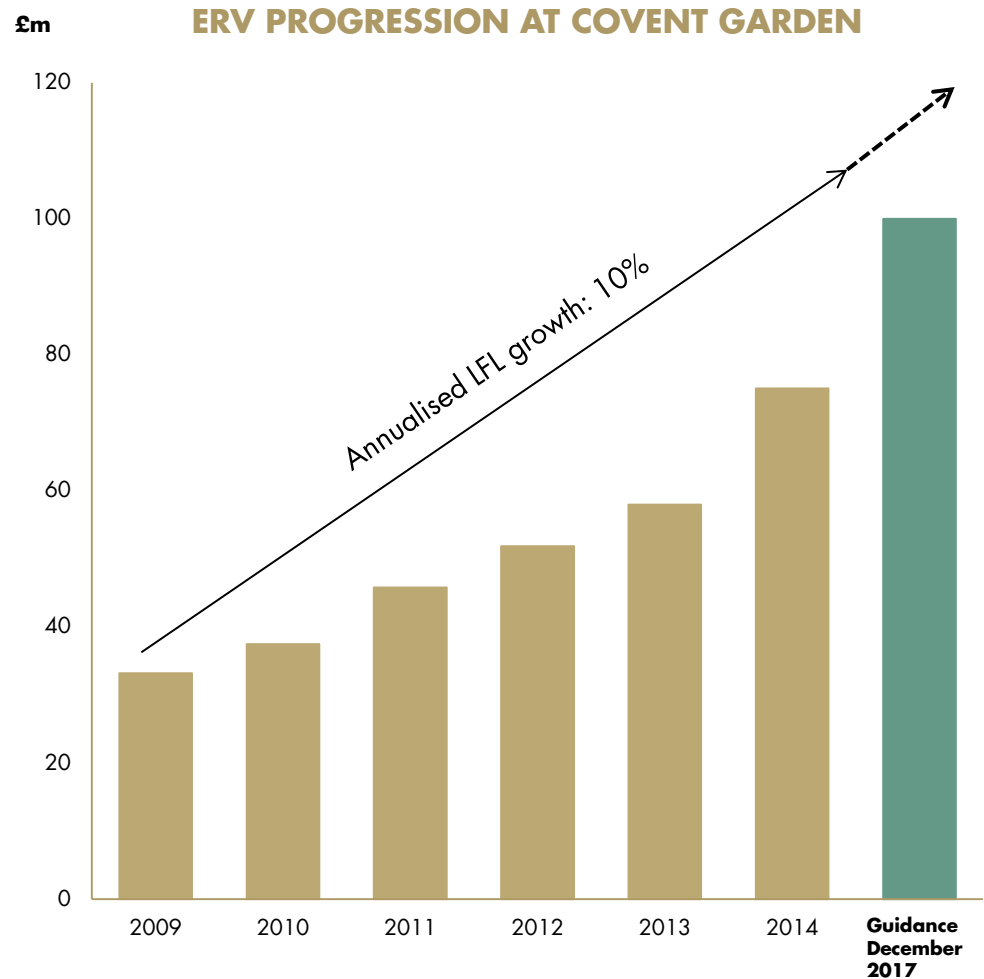
- ★ Strong valuation performance reflecting active year for leasing and positive central London retail market
- ★ Strongest year of ERV growth since establishment
- ★ Momentum across the estate with continued attraction of key retail and dining brands



ACCELERATING VALUE CREATION

New ERV guidance of £100m by December 2017

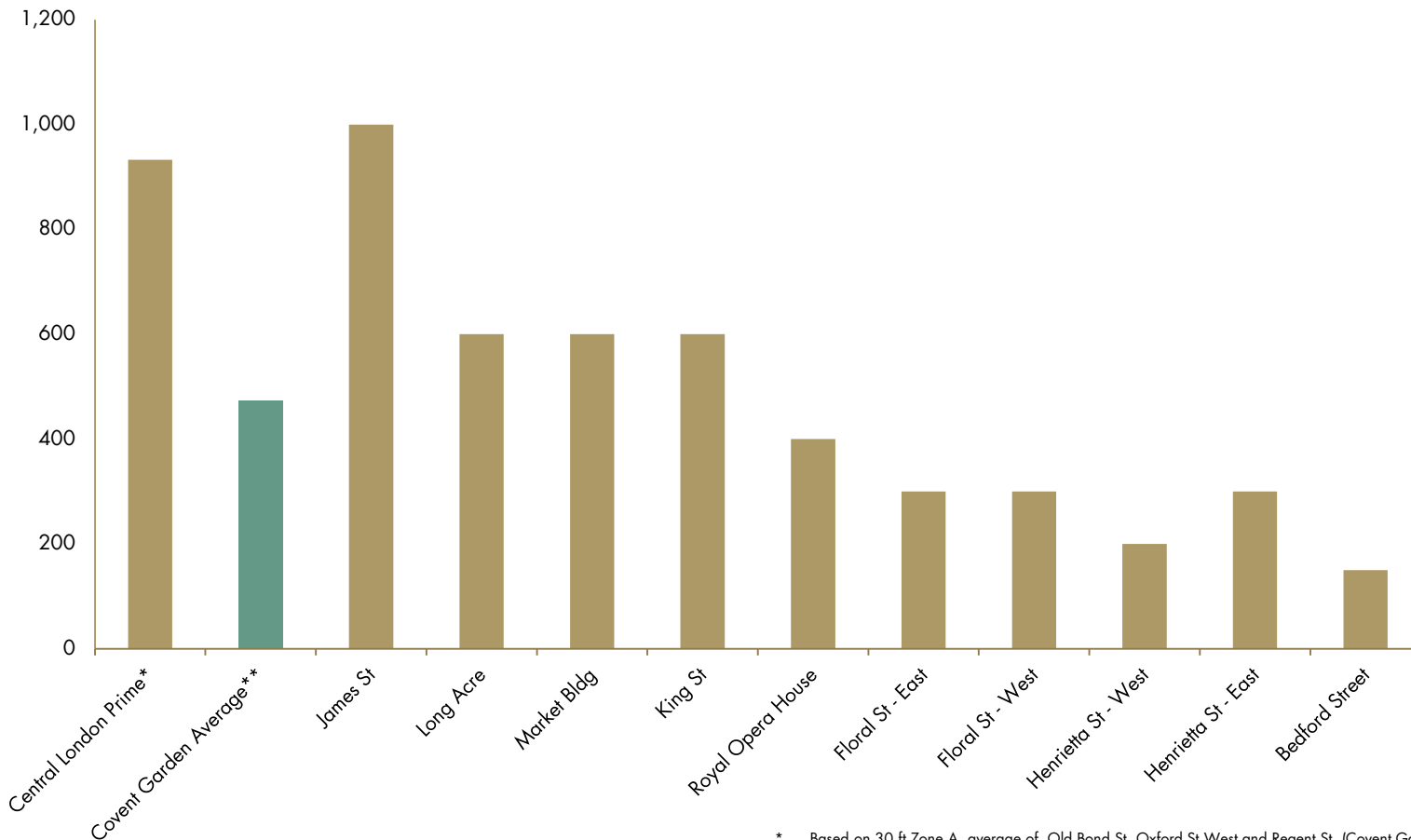
- ★ Operational confidence in estate
- ★ Revised ERV guidance of £100m by 2017
- ★ Circa 10% underlying rental growth sustainable in medium-term



OPPORTUNITIES FOR RENTAL GROWTH

A plan for every street

ITZA (£) – December 2014



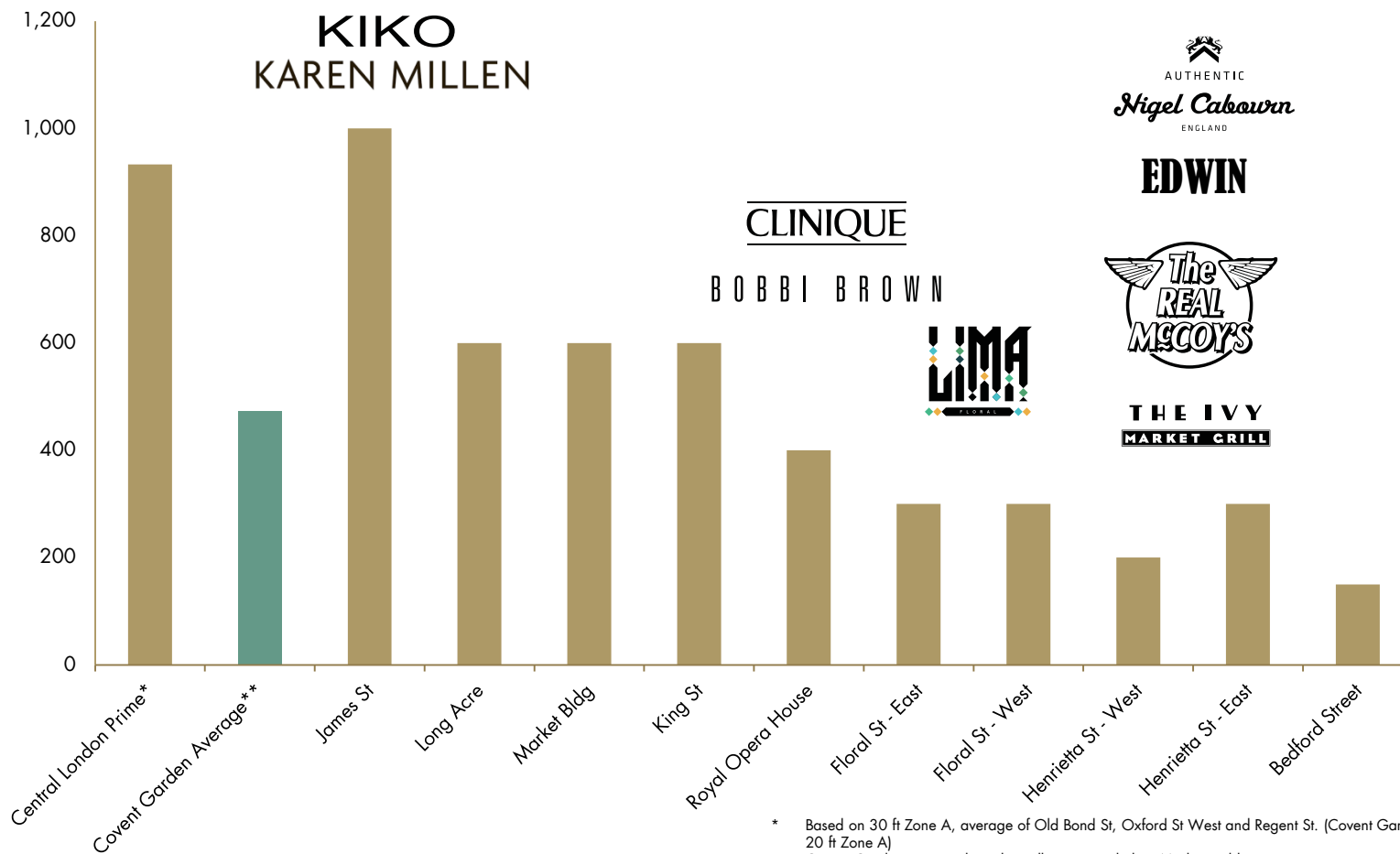
* Based on 30 ft Zone A, average of Old Bond St, Oxford St West and Regent St. (Covent Garden based on 20 ft Zone A)

** Covent Garden average based on all streets, including Market Building

SUPPORTING RENTAL GROWTH

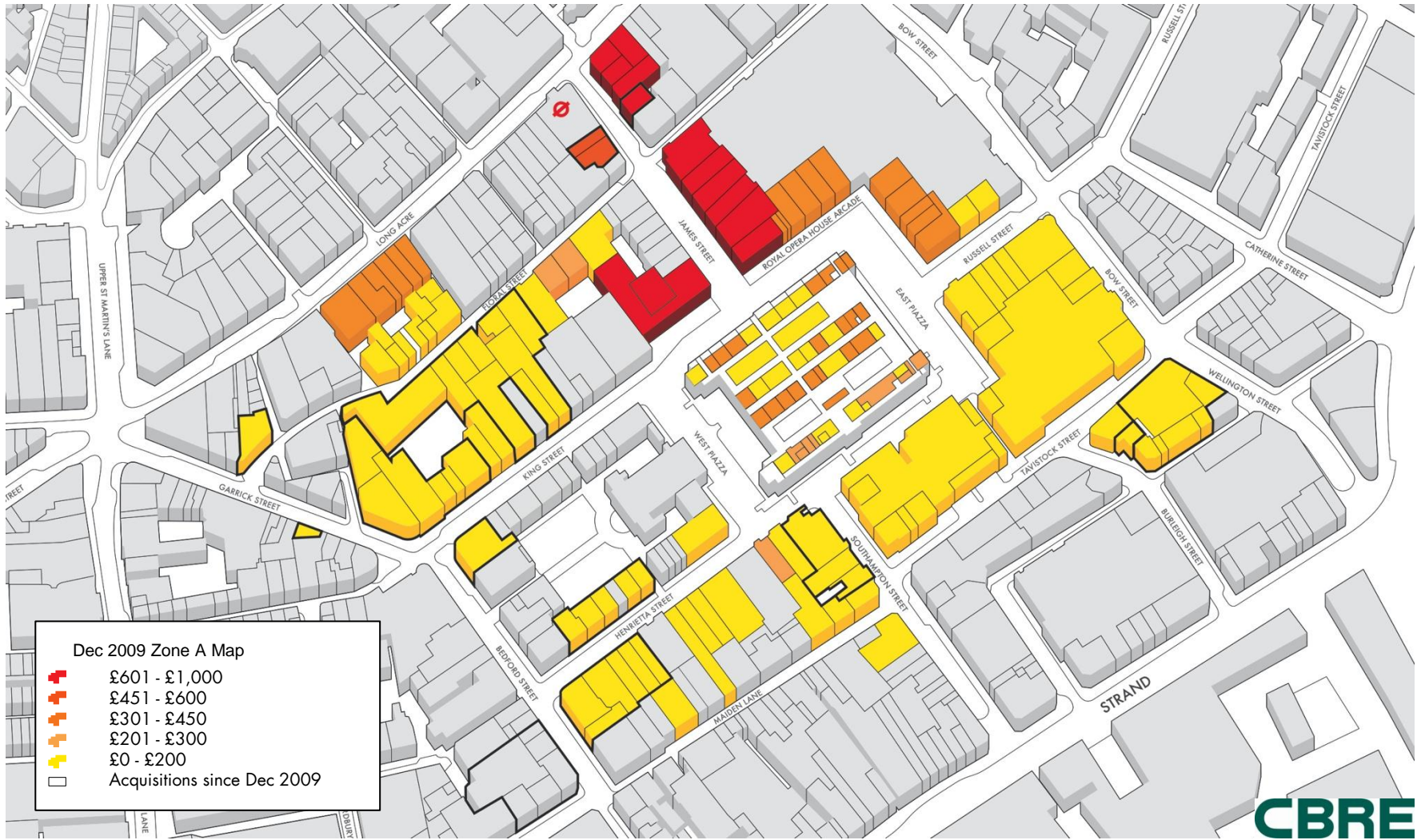
A plan for every street

ITZA (£) – December 2014



* Based on 30 ft Zone A, average of Old Bond St, Oxford St West and Regent St. (Covent Garden based on 20 ft Zone A)
 ** Covent Garden average based on all streets, including Market Building

ZONE A DISTRIBUTION 2009



ZONE A DISTRIBUTION 2014



LARGER SCALE DEVELOPMENTS

Capital initiatives supporting rental growth



KINGS COURT AND CARRIAGE HALL

A new vision for Floral Street

- ★ An opportunity to unlock rental potential through placemaking on Floral Street
 - Current Zone A rental level of £300 on Floral Street
- ★ Works underway with completion expected in 2017
- ★ 100,000 sq ft of space, including over 20,000 sq ft of new space
- ★ Total development cost £85-£90m; GDV £240m



EARLS COURT PROPERTIES UPDATE

Gary Yardley

EARLS COURT PROPERTIES



An opportunity to create one of London's finest addresses



A GLA 'OPPORTUNITY AREA' IN CENTRAL LONDON

A strategic scheme for London

- ★ London's forecast housing requirement¹
 - An additional 2 million people living in London in 20 years
 - Over 45,000 new homes required per annum
- ★ Increased Earls Court designation in 'New Draft London Plan'
 - Minimum of 7,500 new homes
- ★ Formally consented, large scale scheme with a high transport accessibility rating



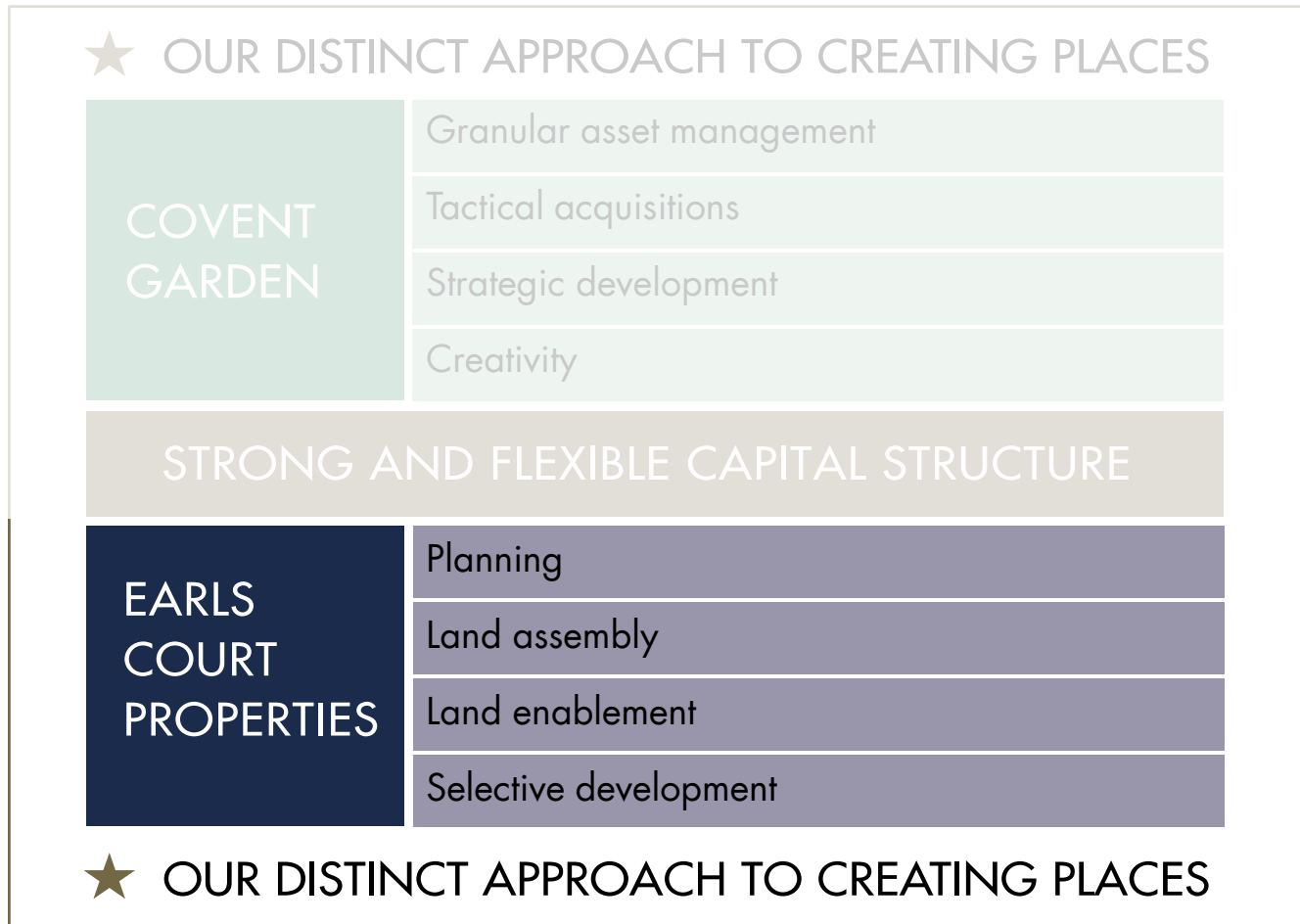
1. Source: GLA

OUR INTERESTS

A formally consented scheme in a GLA 'Opportunity Area'

- ★ **EC1 & EC2 (Earls Court Partnership Limited)**
 - Earls Court Partnership with TfL
 - 63% Capco owned; business and development manager
- ★ **Empress State Building**
 - 100% owned by Capco
- ★ **Lillie Square**
 - 50:50 JV with KFI
- ★ **Land subject to CLSA**
 - Option exercised and binding agreements in place
- ★ **Lillie Bridge Depot**
 - 100% owned by TfL
 - Feasibility report published





EC1 & EC2	CLSA	Lillie Square	Empress State	Other	Total
63%	100%	50%	100%	100%	

Gross External Development Area (m sq ft)

Residential	2.7	3.2	1.0	0.8	-	7.7
Commercial	0.7	0.4	-	0.3	-	1.4
Total GEA	3.4	3.6	1.0	1.1 ¹	-	9.1

Dec-14	£609m	n/a	£182m	£278m	£105m	£1,174m
Uplift (LFL)	28%	n/a	10%	5%	18%	18%

¹ Includes space provided through consent for conversion to residential

EARLS COURT PROPERTIES HIGHLIGHTS

Continued momentum

Portfolio value

£1.2bn

+18% like-for-like

Land assembly

63%

Controlling interest at
EC1 & EC2

Planning

2

Detailed consents

Acquisitions

£51m

Masterplan area

- ★ Earls Court Village
 - Detailed planning consent for 16 acres and over 1,200 new homes
- ★ Empress State Building
 - Consent achieved for conversion from commercial to residential
- ★ Earls Court Partnership Limited established with TfL
 - 63% Capco owned; business and development manager
- ★ Demolition of EC1 & EC2 underway
- ★ Acquisitions enhancing Masterplan area



LILLIE SQUARE HIGHLIGHTS

Strong demand for a premium location

Valuation

£182m

+10% like-for-like

Phase 1 at Lillie Square

£1,400 - £1,500

Average psf

Individual premium units up to

£2,200_{psf}

In Phase 1

- ★ Positive pricing achieved at Lillie Square
- ★ Phase 1 predominantly sold
- ★ Construction of Lillie Square Phase 1 underway, with delivery of first homes on track for 2016
- ★ Expected build costs £400m reflecting increased specification and costs



LOOKING AHEAD

Ian Hawksworth

Confident in the strength of our estates

★ Covent Garden – a world-class retail and dining destination

- New ERV guidance of £100m by December 2017
- Continued investment through acquisitions and developments
- Construction of Kings Court & Carriage Hall

★ Earls Court – an opportunity to create one of the finest addresses in London

- Progress demolition of EC1 & EC2
- Consolidation of land interests
- Opportunities to maximise the Masterplan
- Construction and further sales at Lillie Square



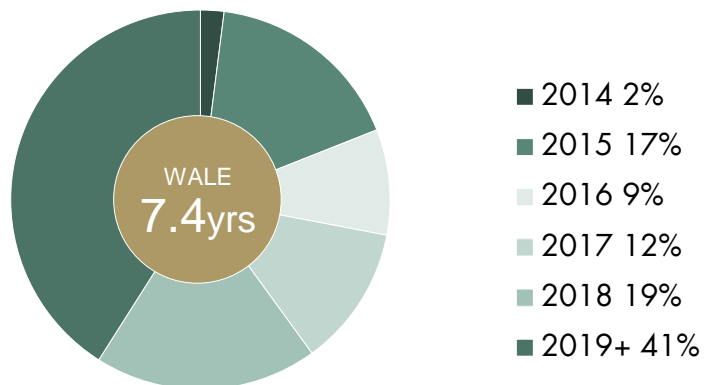
APPENDIX

- ★ Covent Garden
- ★ Earls Court
- ★ Balance Sheet
- ★ Tax

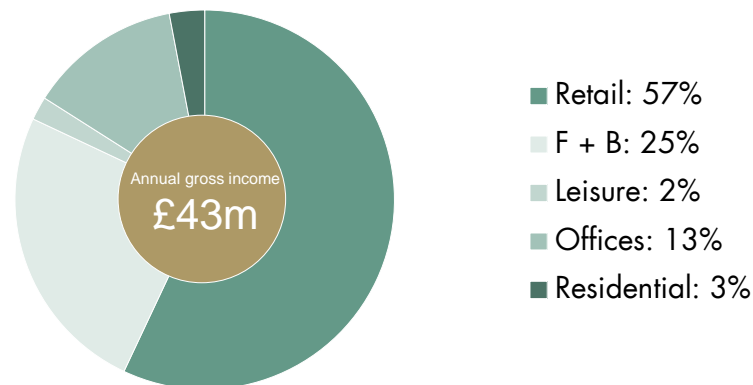
COVENT GARDEN

71 properties and 416 lettable units

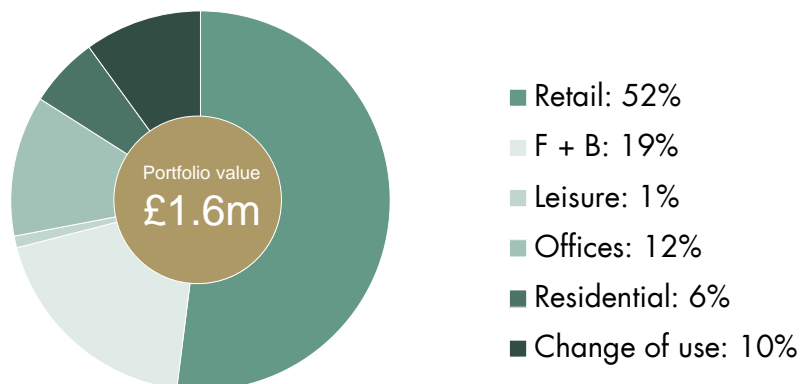
LEASE EXPIRY PROFILE



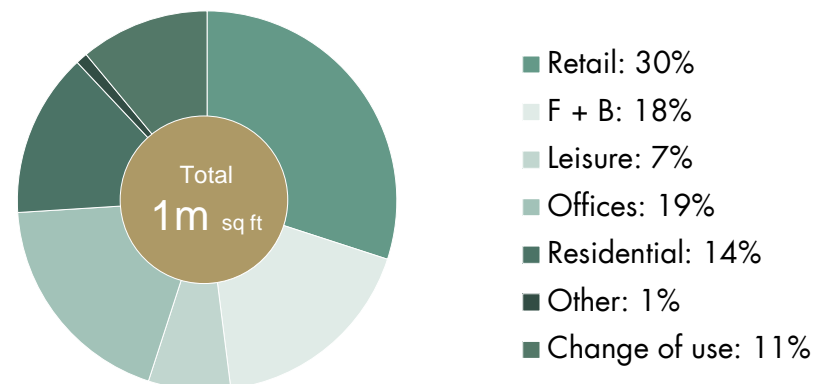
ANNUAL GROSS INCOME

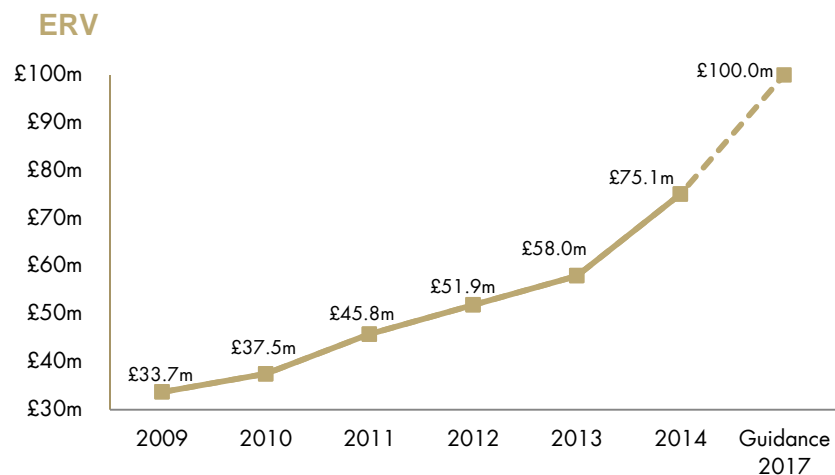
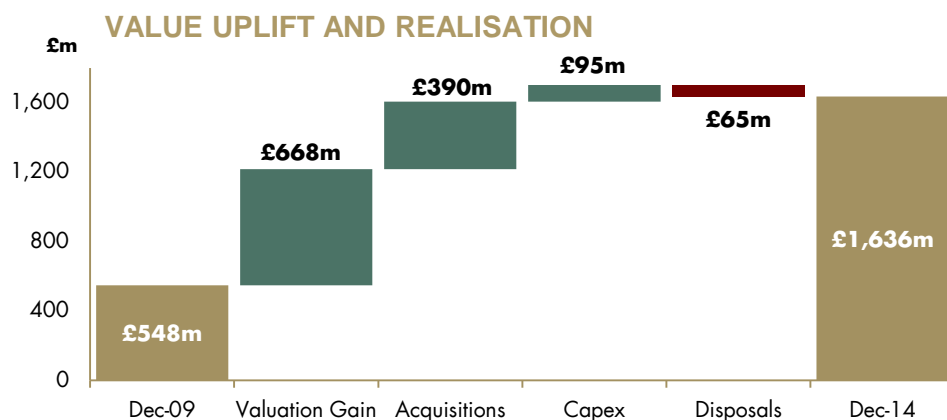
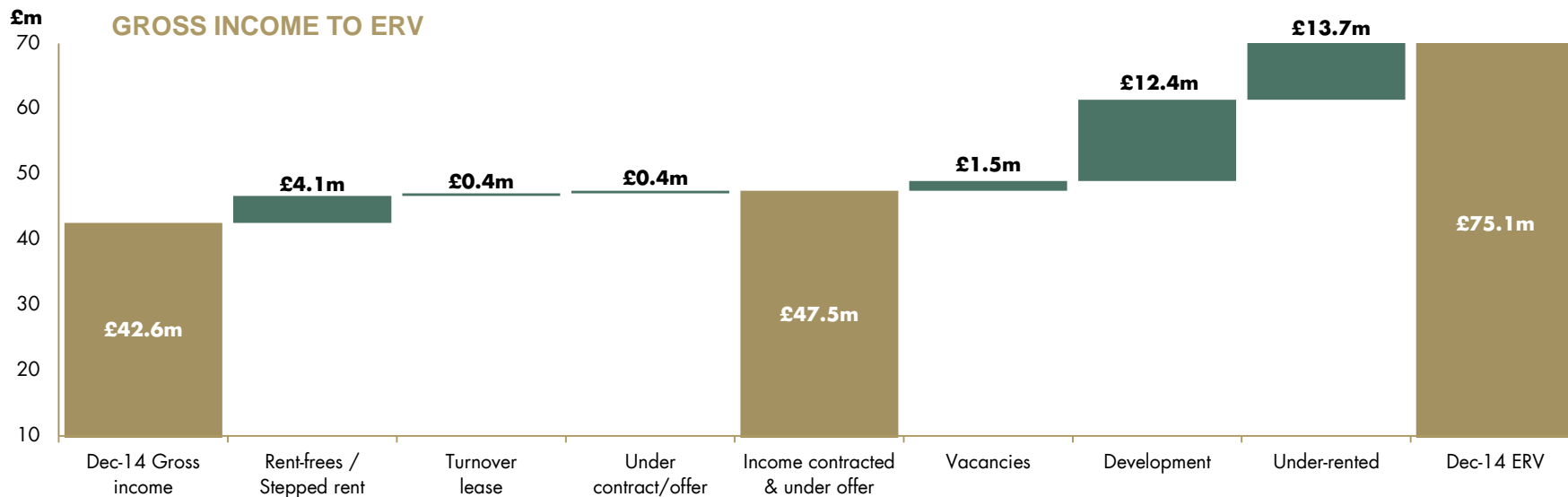


PORTFOLIO VALUE



FLOOR AREA





COVENT GARDEN

Zoning plan

Key:

- Premium Fashion
- Luxury Accessories
- Food & Beverage



★ Earls Court Masterplan consent

- 10.1m sq ft (GEA)
- 7,500 new homes (including Lillie Square)
- Including 1,500 affordable homes
- 10,000 new jobs
- Over £450m community benefits

★ Empress State Building consent

- 610k sq ft (GEA)
- Over 440 new homes
- Including over 100 affordable homes

Earls Court Masterplan and Empress State Building - key areas

	EC1 & EC2 ¹	CLSA ²	LBD ³	ESB	Total
	sqft (m)	sqft (m)	sqft (m)	sqft (m)	sqft (m)
Residential	2.7	3.2	2.0	0.8	8.7
Commercial / Other	0.7	0.4	0.6	0.3	2.0
Total	3.4	3.6	2.6	1.1	10.7

1 Earls Court Partnership Limited: investment vehicle with TfL (Capco share 63 per cent)

2 Land subject to CLSA between Capco and LBHF

3 Lillie Bridge Depot - currently an operational depot owned by TfL

NB: Gross external area



SUMMARY BALANCE SHEET

IFRS to adjusted disclosures

31 December 2014

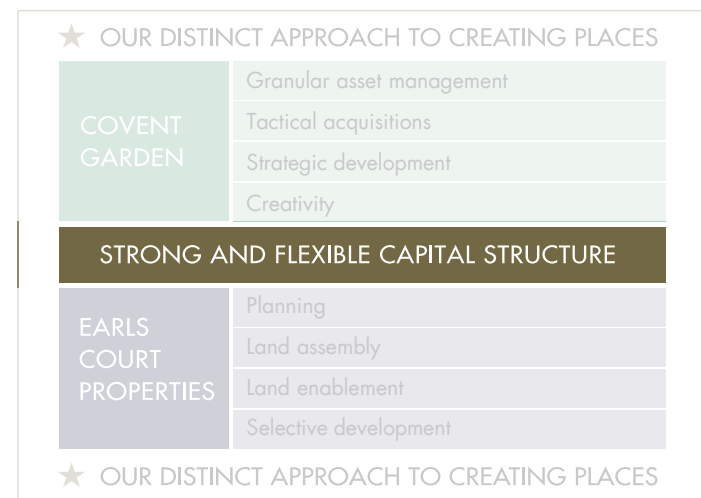


	IFRS	Adjustments for Joint Ventures (1)	Unrecognised surplus on trading properties (2)	Other Adjustments (3)	Adjusted (EPRA NAV)
	£m	£m	£m	£m	£m
Investment & Trading Property	2,806	98	96	1	3,001
Net debt	(355)	10			(345)
Other assets and liabilities	55	(108)		27	(26)
NAV	2,506				2,630

1. As required by IFRS11, joint ventures are reported as a single net investment on the Group's IFRS balance sheet. For adjusted purposes this is shown on a line by line basis.
2. As required by IAS2, trading property is carried at the lower of cost and net realisable value (Market Value). As required by EPRA this unrecognised surplus is added to NAV to reflect the market valuation of the Group's property portfolio.
3. Other adjustments required by EPRA remove the fair value of derivative financial instruments and adjusts for deferred tax on certain non-recurring items.

EVOLUTION OF FINANCING STRATEGY

2014	<p>£665m Covent Garden RCF and £150m US private placement</p> <p>Primarily unsecured revolving debt structure - LTV 12%</p> <p>Weighted average cost of debt 3.4%</p> <p>Net Debt £345m</p> <p>Undrawn committed facilities £655m</p>
2013	<p>Empress State secured facility refinanced</p>
2012	<p>First RCF signed £70m</p> <p>Asset sales from GCP reduce secured debt</p> <p>Repayment of Earls Court & Olympia's secured facility</p>
2011	<p>Covent Garden secured facility refinanced creating an acquisition facility</p>
2010	<p>£68m pre-payments following demerger</p>
2009	<p>Asset specific debt structure - LTV 37%</p> <p>Weighted average cost of debt 5.9%</p> <p>Net debt £463m</p> <p>Undrawn committed facilities - nil</p>



TAXATION

Summary

★ Tax on income

- When excluding prior year adjustments, the underlying tax rate is 20.5% which is broadly in line with the statutory corporation tax rate for 2014 of 21.5%
- As announced in the March 2013 budget the main rate of corporation tax will fall to 20% from 1 April 2015
- Expected medium-term underlying tax rate to remain broadly in line with the statutory UK corporation tax rate

★ Tax on capital gains

- The contingent tax position on investment property held within the Group at the year ended 31 December 2014 is nil. This is due to a combination of factors including the Group's holding structure, the availability of group losses and indexation relief
- A disposal of the Group's trading property at its market value would result in a corporation tax charge to the Group of £20.7m (21.5% of £96.3m)