



Capital & Counties Properties PLC  
**Interim Results 2015**  
29 July 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

## 6. Q&A

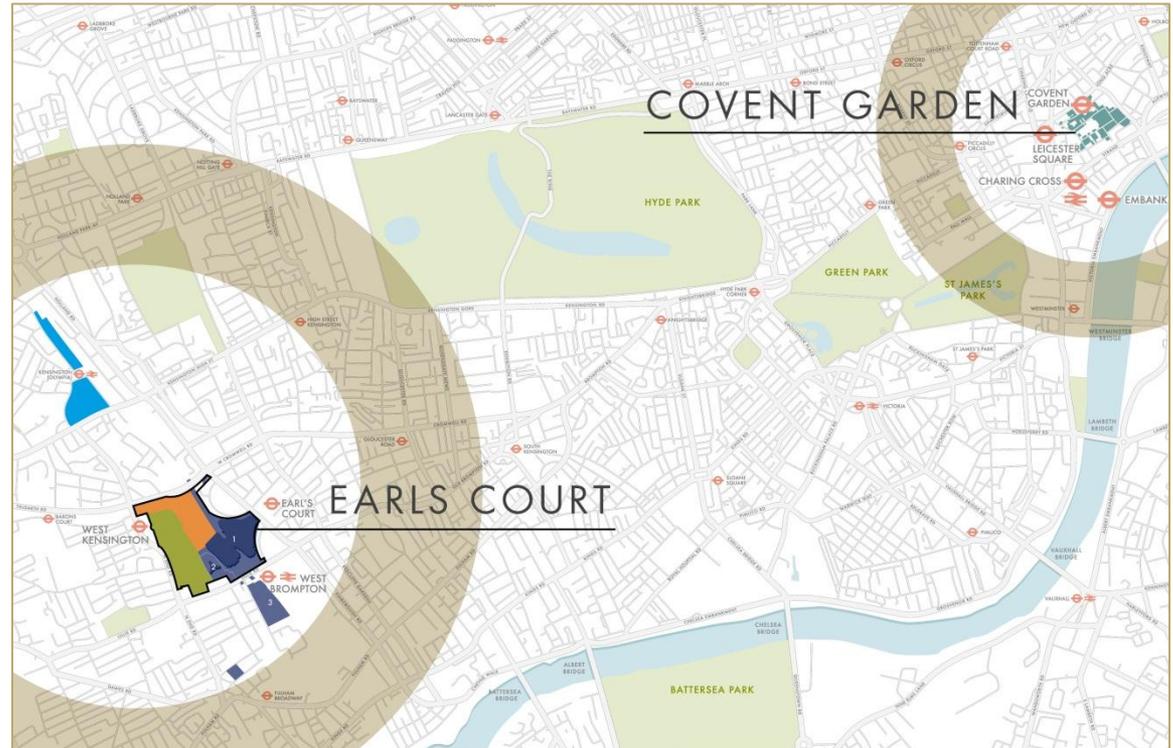
# INTRODUCTION

Ian Hawksworth, Chief Executive

# TWO UNIQUE ESTATES IN CENTRAL LONDON

## Well-placed for future growth

- ★ A global and dynamic capital city
- ★ Positive economic prospects, high population growth
- ★ Focused on 2 significant London estates
- ★ £3.4bn<sup>1</sup> total property value



1. Group share

# HIGHLIGHTS

## Positive and active first half

Total property value

£3.4bn<sup>1</sup>

+9% like-for-like

Total return

10%

NAV per share

342p

+10%

Interim dividend

0.5p per share

### STRONG DEMAND FOR COVENT GARDEN

- ★ 34 new leases and renewals, 11% above December 2014 ERV
- ★ On track to achieve ERV target of £100m by 2017
  - Represents c.10% annualised rental growth
- ★ 8% like-for-like increase in ERV
- ★ New Zone A rental level of £1,400psf on James Street
- ★ Development of Kings Court progressing well
- ★ £50m of acquisitions enhancing presence on estate<sup>2</sup>

### PLANS ON TRACK AT EARLS COURT

- ★ Completion of investment vehicle with Tfl
  - Capco leading the venture with 63% share
- ★ Demolition of EC1 & EC2 progressing well
- ★ Crystallising value at Lillie Square with £258m of sales in Phase 1
- ★ Sales of Phase 2 of Lillie Square to begin shortly
- ★ Opportunities to maximise the Masterplan

1. Group share

2. Includes acquisition on Henrietta Street post period-end

# HIGHLIGHTS

## Positive and active first half

Total property value

£3.4bn<sup>1</sup>

+9% like-for-like

Total return

10%

NAV per share

342p

+10%

Interim dividend

0.5p per share

### POSITIVE PERFORMANCE AT OLYMPIA

- ★ Strong valuation performance reflecting success of transition and demand from new shows
- ★ Valuation +25% like-for-like
- ★ EBITDA of £9m, +16%, ahead of expectations

### STRONG AND FLEXIBLE FINANCIAL POSITION

- ★ Conservative 13% LTV
- ★ £570m of cash and available facilities
- ★ Weighted average cost of debt 3.3%

1. Group share

# VALUATION

Strong valuation performance +9% (lfl)

Covent Garden

£1.8bn

+9% lfl

Initial yield:

2.2%

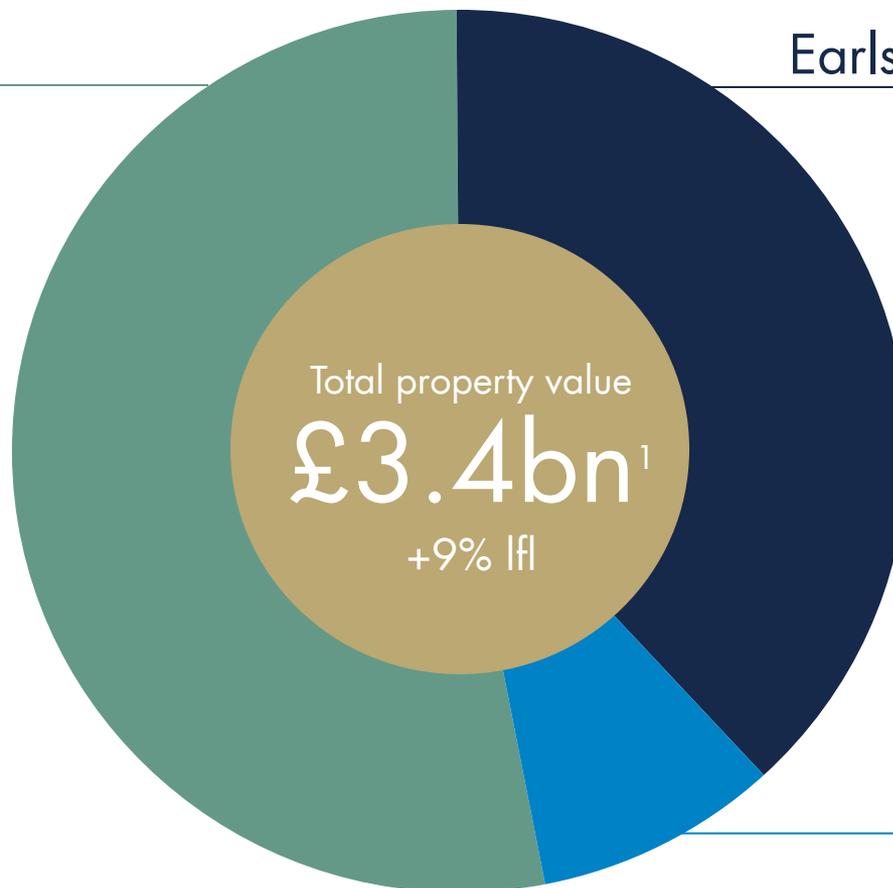
Equivalent yield:

3.6%

Earls Court Properties

£1.3bn<sup>1</sup>

+6% lfl



Total property value

£3.4bn<sup>1</sup>

+9% lfl

Venues

£0.3bn

+25% lfl

1. Adjusted for Capco's share of ECPL

# FINANCIAL REVIEW

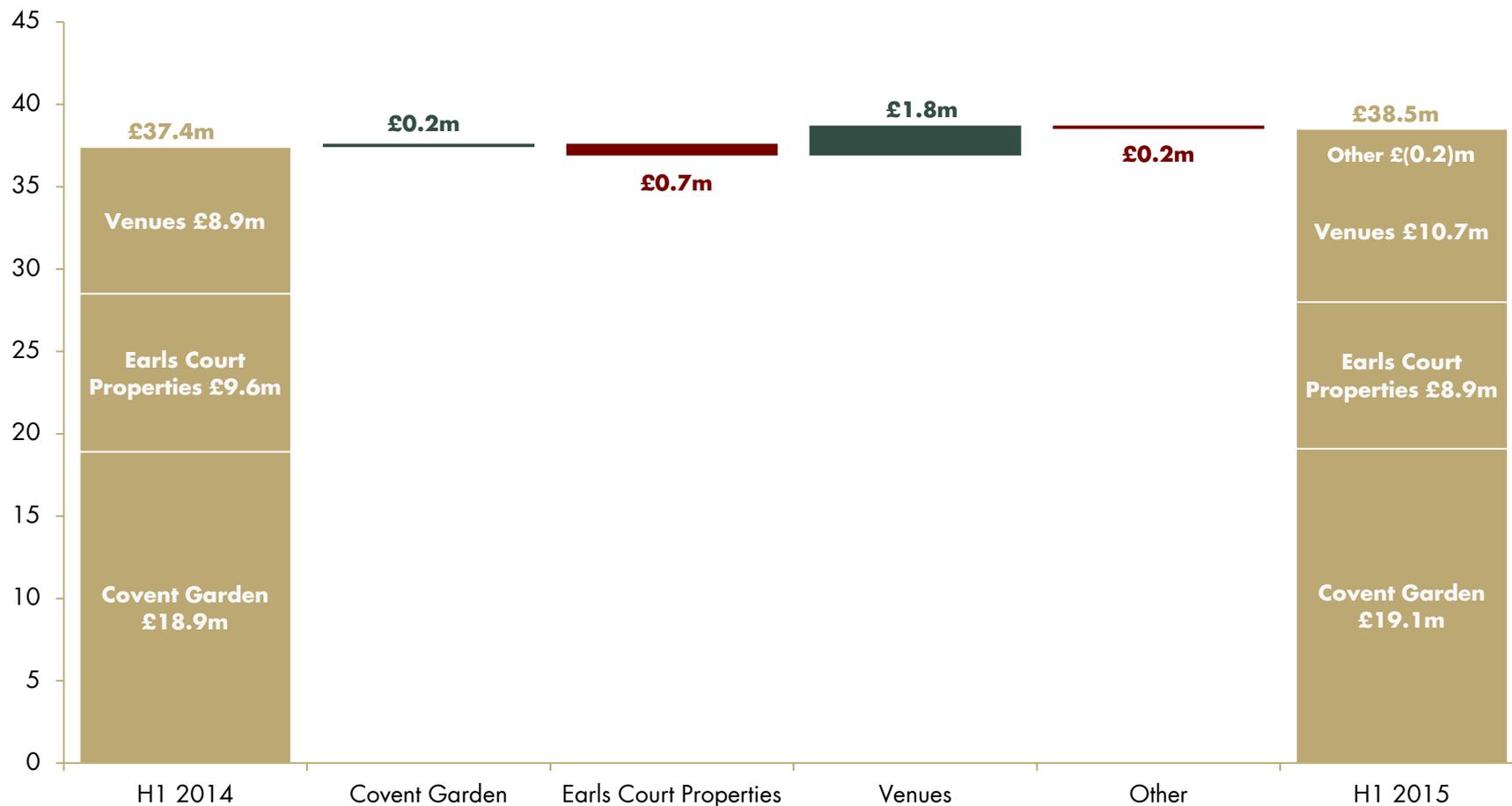
## Soumen Das

# UNDERLYING EARNINGS



	2015 H1 £m	2014 H1 £m	Var £m
Net rental income	38.5	37.4	1.1
Administration costs	(25.0)	(19.4)	(5.6)
Net finance costs	(9.1)	(8.0)	(1.1)
Other	0.9	-	0.9
Tax on underlying earnings	(1.1)	(2.2)	1.1
Underlying earnings	4.2	7.8	(3.6)
Underlying earnings per share	0.5p	1.0p	(0.5p)
Proposed interim dividend per share	0.5p	0.5p	-

# NET RENTAL INCOME



★ Venues EBITDA £8.9m

# EPRA ADJUSTED BALANCE SHEET



## Group share

	<b>Jun-15 £m</b>	<b>Dec-14 £m</b>	<b>Var £m</b>
Investment & Trading Property	3,268	2,905	363
Unrecognised surplus on trading property	104	96	8
Net debt	(431)	(352)	(79)
Other	(40)	(19)	(21)
EPRA adjusted NAV	2,901	2,630	271
Number of shares in issue	842m	836m	6m

- ★ ECPL fully consolidated (Capco 63% share)
- ★ CLSA not yet recognised as an asset on balance sheet
- ★ Contingent tax liability on investment properties £2.6m; on trading properties £21m
- ★ £229m capital commitments

# EPRA ADJUSTED DILUTED NET ASSETS PER SHARE

NAV +10% to 342 pence

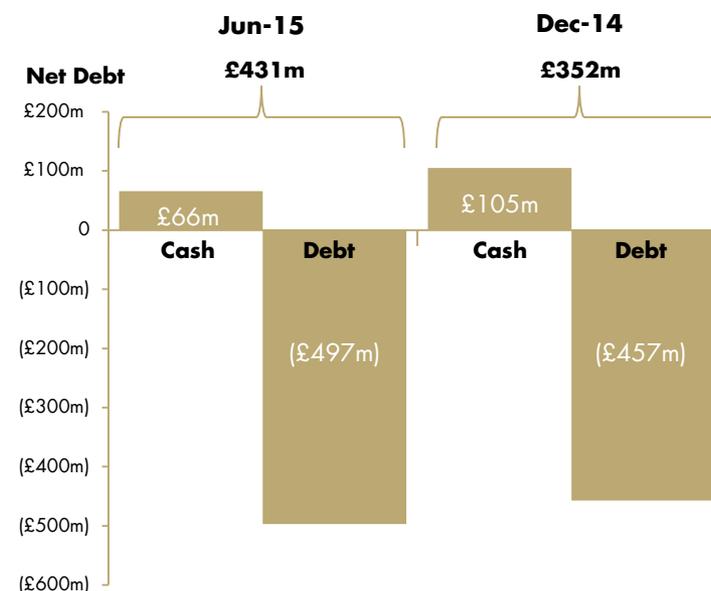


★ Diluted EPRA NNNNAV 337 pence per share

# DEBT & GEARING

## Robust capital structure

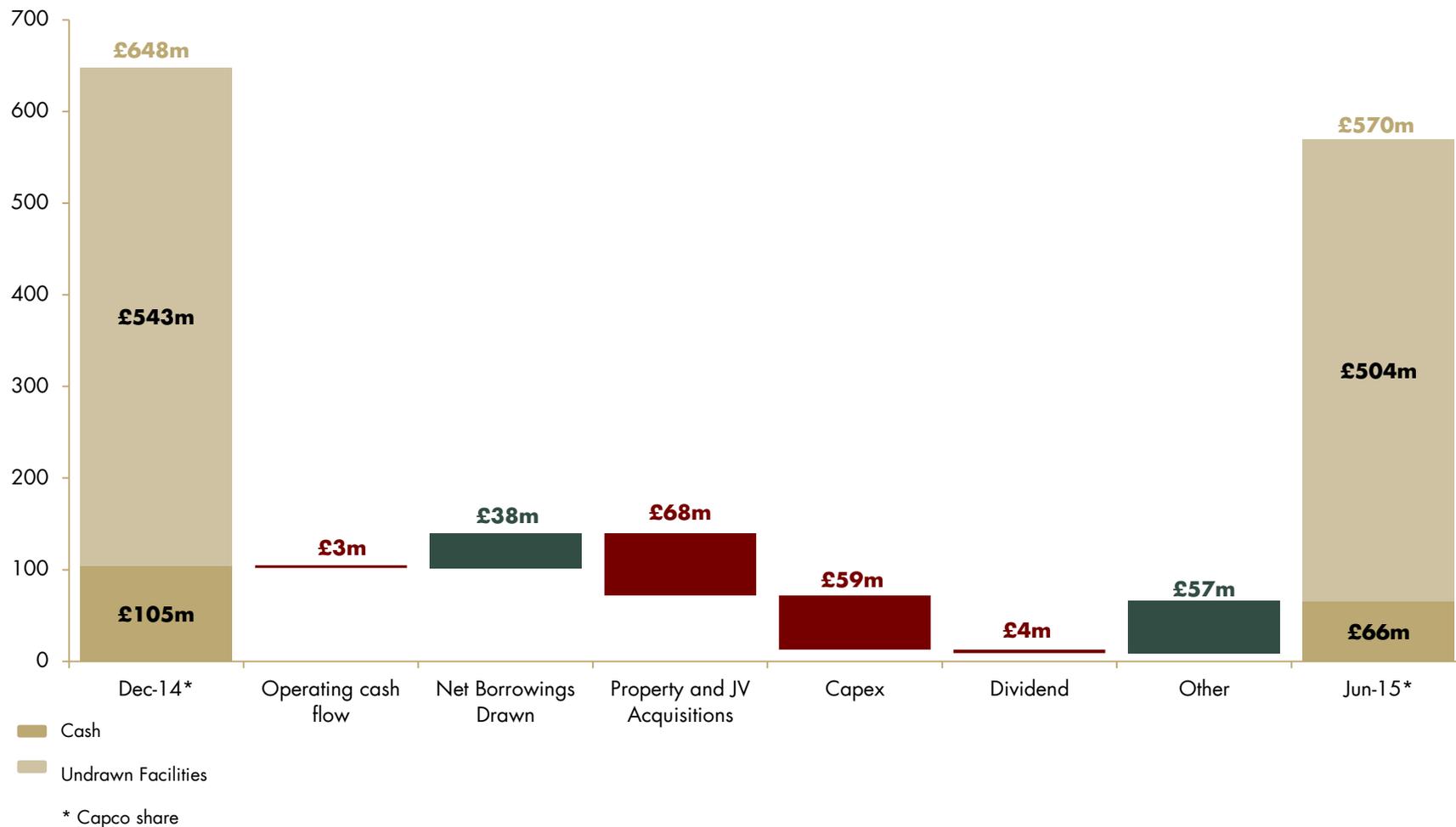
- ★ Total cash and available facilities £570m
- ★ Predominantly unsecured debt model



	Jun-15	Dec-14
Net Debt	£431m	£352m
LTV	13%	12%
Group interest cover	158%	188%
Cash and available facilities	£570m	£648m
Weighted average cost of finance	3.3%	3.4%
Weighted average maturity	4.6 yrs	5.1 yrs

# CASH UTILISATION

## Substantial liquidity of £570m



# COVENT GARDEN UPDATE

Soumen Das

# COVENT GARDEN



★ 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

# COVENT GARDEN HIGHLIGHTS

On track to deliver c.10% annualised rental growth

Portfolio value

£1.8bn

+9% like-for-like

ERV

+8%<sub>(lfl)</sub>

£83m

New lettings & renewals

+11%

Ahead of Dec-14 ERV

Acquisitions

£50m<sup>1</sup>

- ★ Creative asset management and a positive leasing market driving strong demand
- ★ New Zone A rental level of £1,400psf achieved on James Street
- ★ Continued investment activity on the estate
  - King Court development progressing well
  - Acquisitions enhancing presence on estate

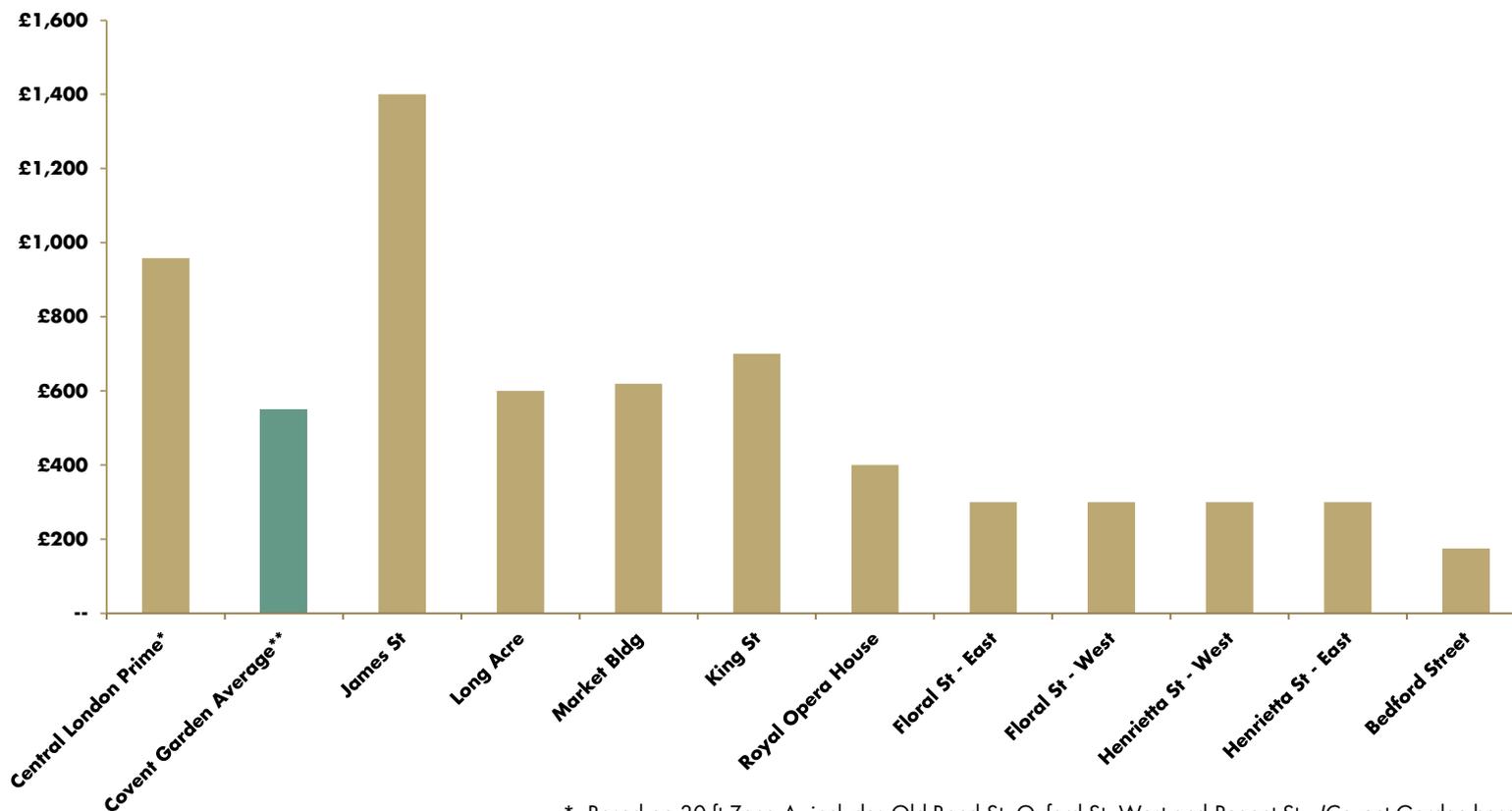


1. Includes acquisition on Henrietta Street post period-end

# DRIVING RENTAL GROWTH

Average Zone A rents significantly below central London

ITZA (£) – June 2015



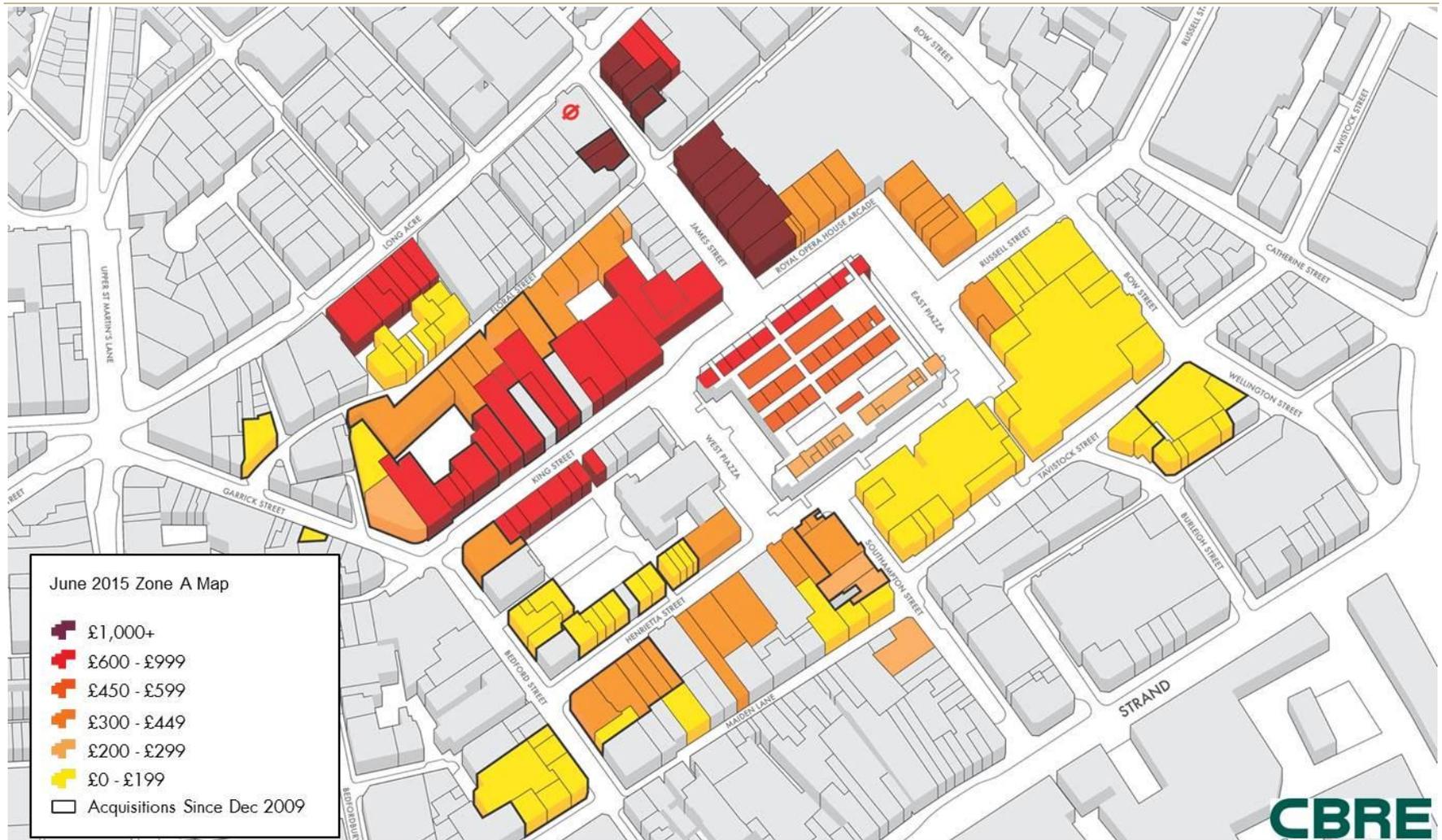
\* Based on 30 ft Zone A, includes Old Bond St, Oxford St West and Regent St. (Covent Garden based on 20 ft Zone A.)

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

# ZONE A DISTRIBUTION 2009



# ZONE A DISTRIBUTION JUNE 2015



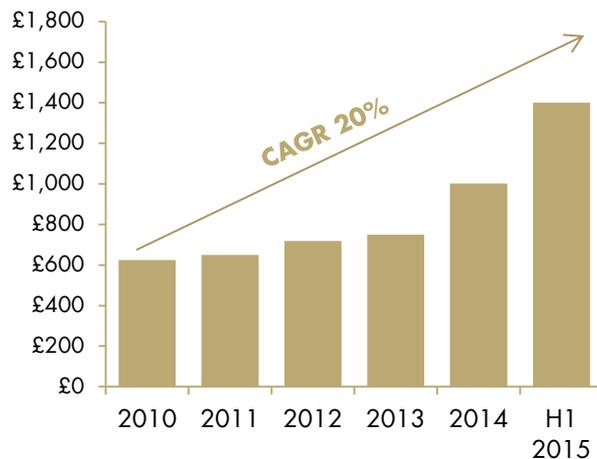
# JAMES STREET - A LEADING GLOBAL RETAIL STREET capco

## Accelerated rental growth

- ★ A globally established street for international retailers
- ★ New brands and leases over the last 12 months
  - Charlotte Tilbury
  - Kiko
  - Karen Millen
  - Kurt Geiger
- ★ 42m customer visits per annum



### James Street Zone A



# A CLEAR PLAN FOR EVERY STREET

Delivering the vision for the estate

## Retail

- ★ Expansion of contemporary luxury retail offering on King Street
  - Stefanel and Claudie Pierlot
- ★ Successful implementation of Street to Suit strategy on Henrietta Street
  - 6 menswear brands introduced since the beginning of last year
- ★ Chanel enhancing presence on estate

CLAUDIE  
PIERLOT

CHANEL

EDWIN

Oliver Sweeney

CLUB MONACO

STEFANEL

## Dining

- ★ Introducing a high quality and unique dining experience
  - First London stand-alone for Mariage Frères and Frenchie
  - Flat Iron steakhouse's latest London restaurant

TEA CLUB

FRENCHIE

FLAT  
IRON

# LARGER SCALE DEVELOPMENTS

## Initiatives supporting rental growth

Key:  
Capco Ownership  
Developments



# EARLS COURT PROPERTIES UPDATE

Gary Yardley

# EARLS COURT PROPERTIES



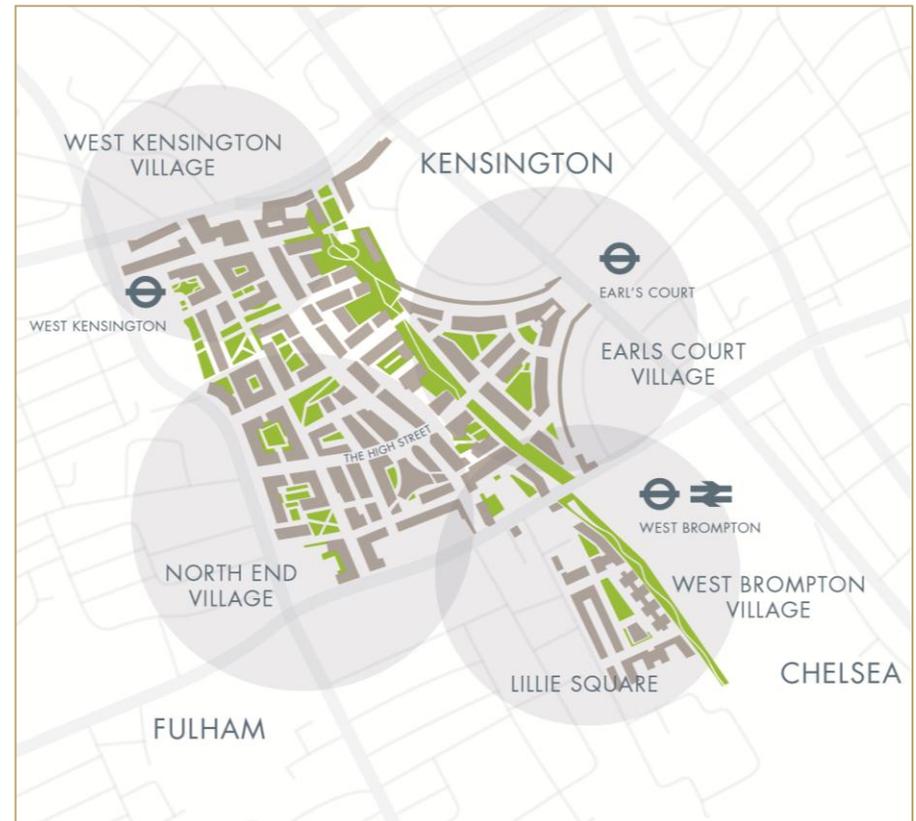
The largest regeneration opportunity in central London



# A MASTERPLAN FOR CENTRAL LONDON

## Opportunity to maximise the Masterplan

- ★ London's forecast housing requirement<sup>1</sup>
  - An additional 2 million people living in London in 20 years
  - Over 40,000 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

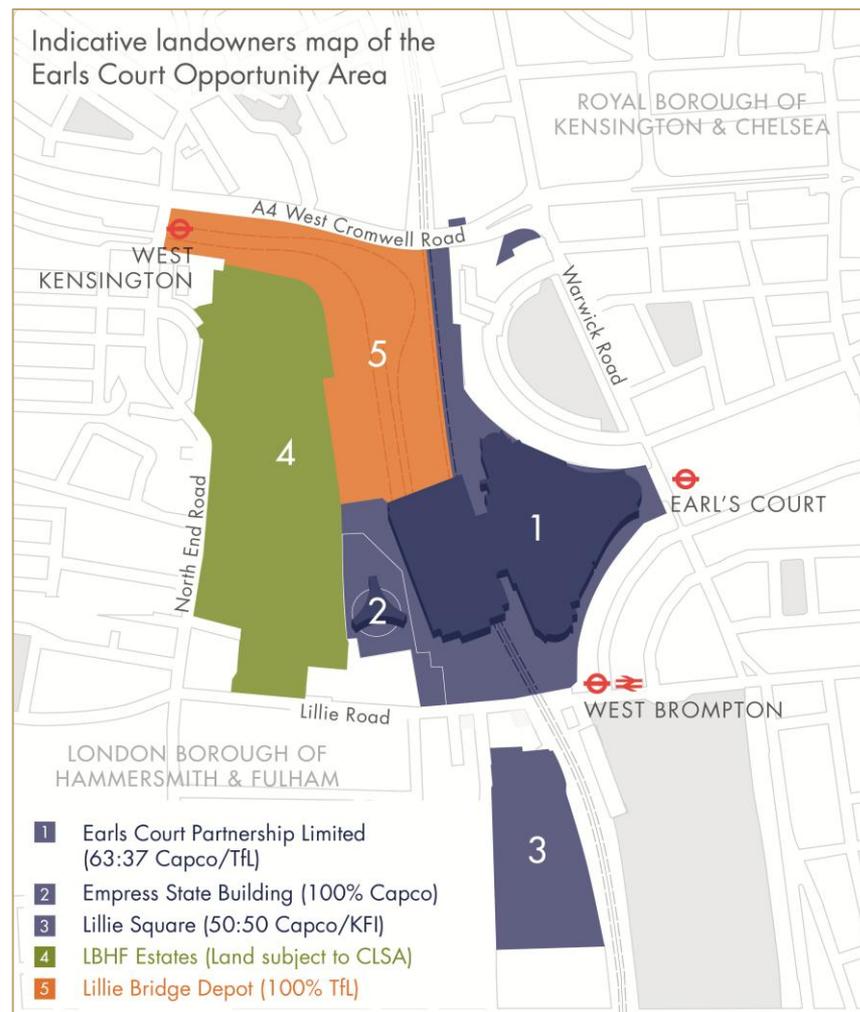


1. Mayor of London – The London Housing Strategy

# OUR INTERESTS

## A formally consented scheme in a GLA 'Opportunity Area'

- ★ **Earls Court Partnership Limited**
  - Investment vehicle with TfL in respect of EC1 & EC2 land
  - Capco share 63%; business and development manager
  - Includes certain assets on and around Lillie Road
- ★ **Empress State Building**
  - 100% owned by Capco
- ★ **Lillie Square**
  - 50:50 JV with KFI
- ★ **Land subject to CLSA**
  - Option exercised and binding agreement in place
- ★ **Lillie Bridge Depot**
  - 100% owned by TfL
  - Feasibility report published



# VALUATIONS

## Group share

	ECPL	CLSA	Lillie Square	Empress State	Other	Total	Venues
	63%	100%	50%	100%	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	-
<b>Total GEA</b>	3.4	3.6	1.0	1.1	-	9.1	-
<b>Jun-15</b>	£741m	n/a	£202m	£282m	£58m	£1.3bn	£265m
<b>Uplift (lfl)</b>	9%	n/a	4%	1%	1%	6%	25%

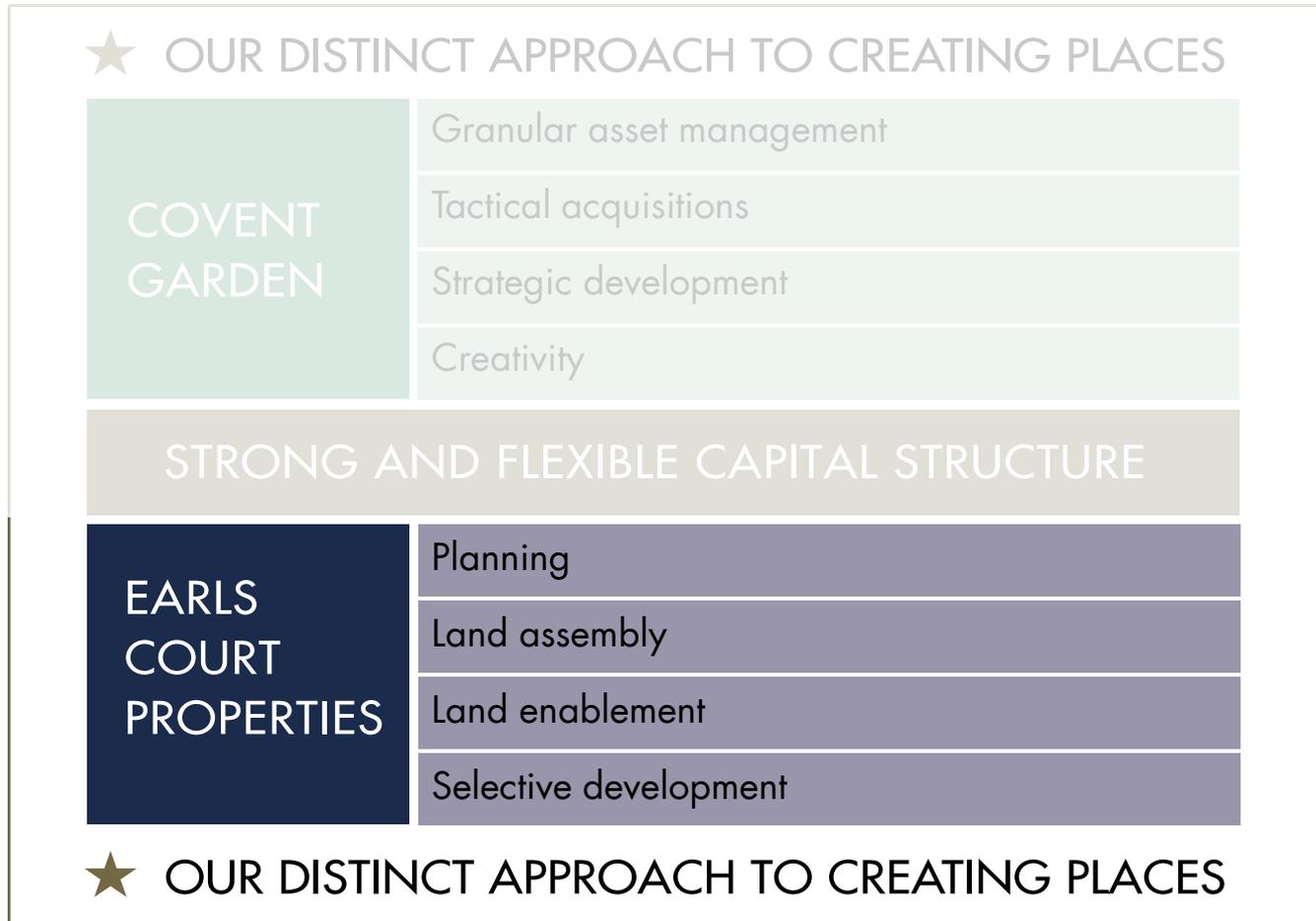
Note: Gross External Area relates to current consented scheme

# OLYMPIA LONDON

## The preferred central London venue for premium shows

- ★ Portfolio value +25% like-for-like to £265m
- ★ EBITDA +16% to £8.9m
- ★ Successful transition from Earls Court
  - Effective rebranding of iconic venue
- ★ 32% increase in events in first half of the year
  - Including transitioned and new shows
- ★ Central location, transport links and historic architecture driving demand





# EARLS COURT PROPERTIES HIGHLIGHTS

## An active start to the year

- ★ Completion of Earls Court Partnership Limited
  - Capco leading the venture with a 63% share
- ★ Demolition of former exhibition buildings progressing well
  - De-risking the land
- ★ Strategic acquisitions further enhancing the Masterplan area
  - £9m of acquisitions on and around Lillie Road
- ★ West Brompton Village
  - Detailed consent achieved for residential and retail units as well as a new public square



# LILLIE SQUARE



# LILLIE SQUARE

## Positive progress on sales and construction

- ★ Positive demand at Lillie Square underpinned by strong fundamentals of scheme
  - Location
  - Connectivity
  - Specification and lifestyle
- ★ Phase 1 predominantly sold
  - Crystallising value with £258m of sales
  - Average Phase 1 pricing c. £1,500 psf
- ★ Construction of Phase 1 on track
  - Delivery of first units in 2016
- ★ Finalising preparations for sales of Phase 2
  - Sales of first buildings to commence shortly



# LILLIE SQUARE



# LOOKING AHEAD

## Ian Hawksworth

## Well-placed for future growth

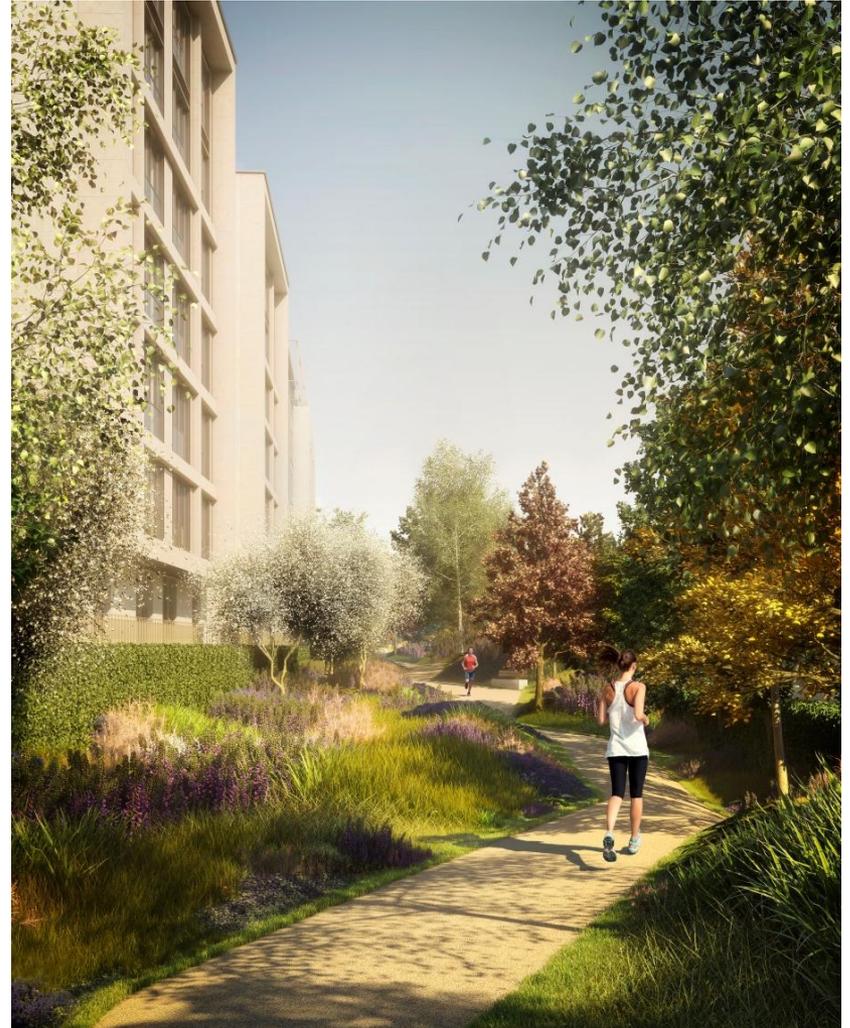
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### ★ Covent Garden

- Confident retail and consumer environment
- Granular and creative asset management strategy driving strong rental growth
- On track to achieve ERV target of £100m by December 2017 representing c.10% annualised organic rental growth
- Construction of Kings Court & Carriage Hall

### ★ Earls Court

- Opportunity Areas vital to London's housing supply
- Opportunities to maximise the Masterplan
- Progress demolition of former exhibition centres and de-risk the land
- Construction and further sales at Lillie Square

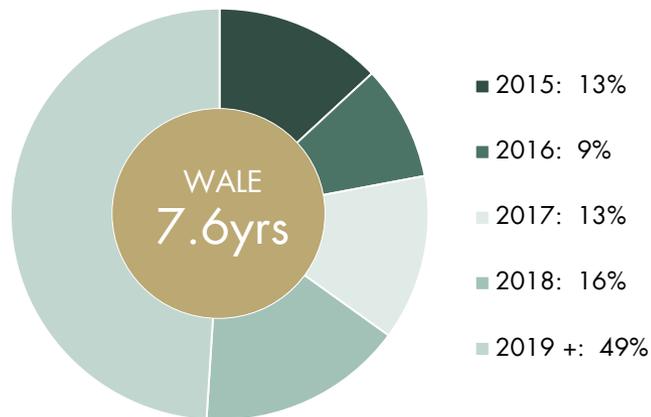


# APPENDIX

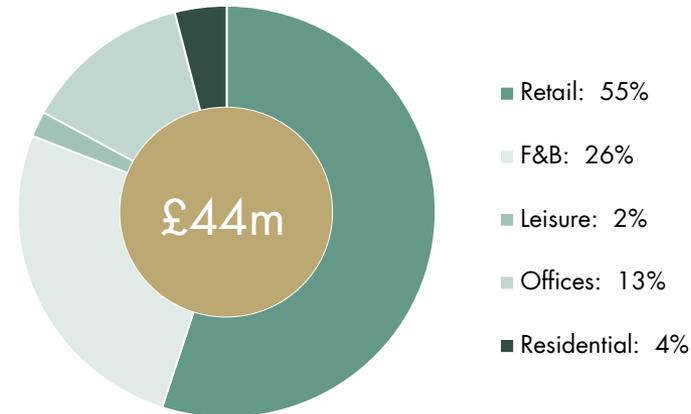
# COVENT GARDEN

70 properties, 420 lettable units

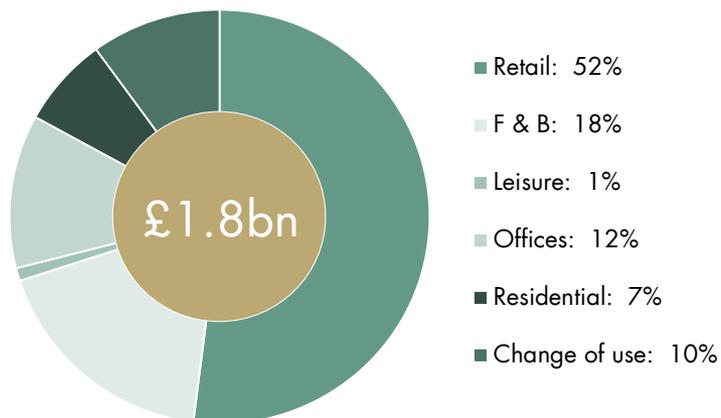
## LEASE EXPIRY PROFILE



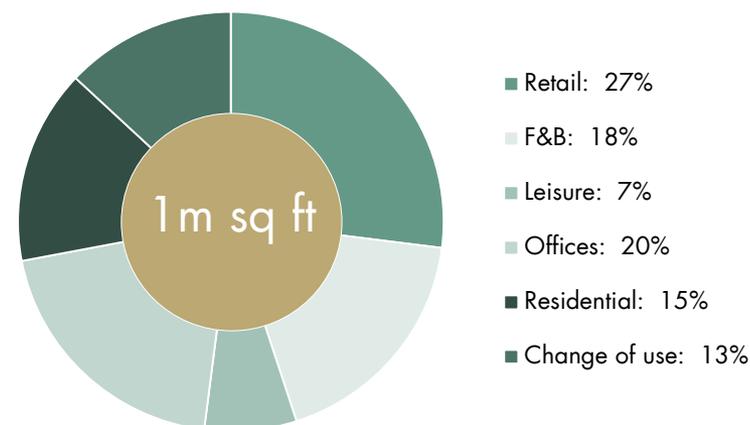
## ANNUAL GROSS INCOME



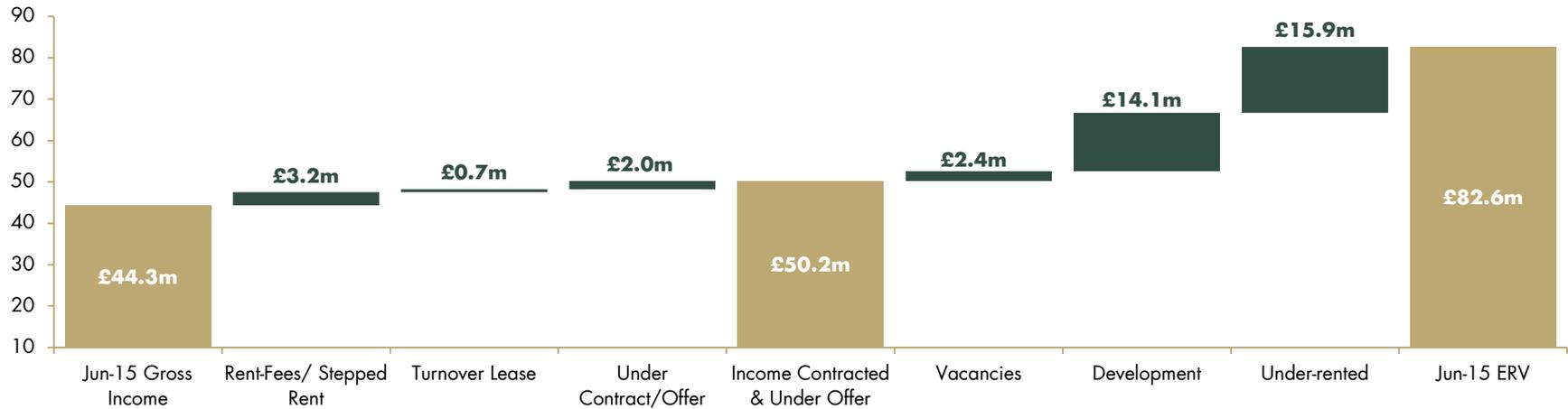
## PORTFOLIO VALUE



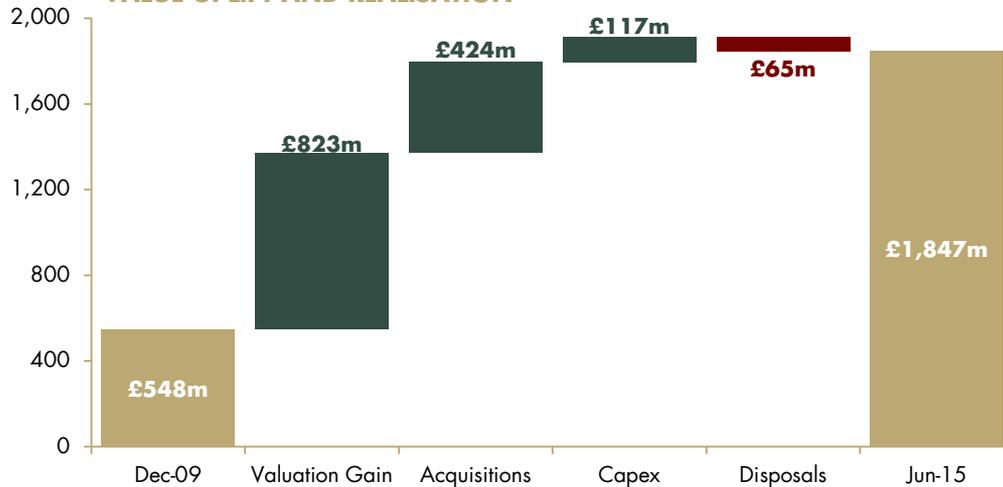
## TOTAL FLOOR AREA



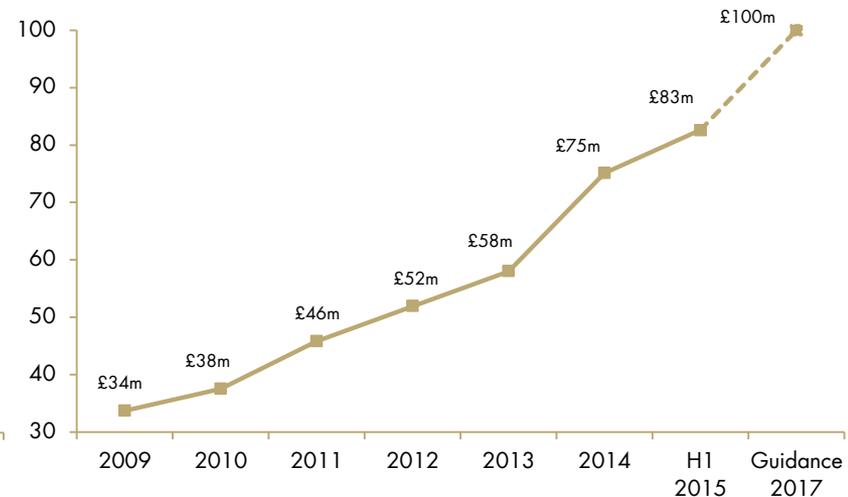
## £m GROSS INCOME TO ERV



## £m VALUE UPLIFT AND REALISATION



## £m ERV



# COVENT GARDEN

## Zoning strategy

**Key:**

- Premium Fashion
- Luxury Accessories
- Food & Beverage



# KINGS COURT AND CARRIAGE HALL

## Construction progressing on plan

- ★ An opportunity to unlock rental potential through placemaking on Floral Street
  - Current Zone A rental level of £300psf on Floral Street
- ★ Works underway at Kings Court with completion expected in 2017
- ★ Total development cost £85-90m; GDV £240m
- ★ Positive interest in scheme from target brands



<b>Kings Court &amp; Carriage Hall</b>	<b>Net Internal Area sqft</b>	<b>Number of units</b>
Retail	33,000	10
Dining	9,000	2
Residential	59,000	45
<b>Total</b>	<b>101,000</b>	<b>57</b>

# THE EARLS COURT MASTERPLAN

## ★ 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

	ECPL <sup>1</sup>	CLSA <sup>2</sup>	LBD <sup>3</sup>	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
<b>Total</b>	<b>3.4</b>	<b>3.6</b>	<b>2.6</b>	<b>1.1</b>	<b>10.7</b>

1 Investment vehicle with TfL

2 Land subject to CLSA between Capco and LBHF

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

Note: Gross external area relates to the consented scheme



# SUMMARY BALANCE SHEET

## IFRS to Group Share

### as at 30 June 2015



	IFRS	Add back: Joint Ventures <sup>1</sup>	Proportionate consolidation	Less: Non- controlling interest <sup>2</sup>	Group Share
	£m	£m	£m	£m	£m
<b>Investment &amp; Trading Property</b>	3,592	111	3,703	(435)	3,268
<b>Net Debt</b>	(431)	5	(426)	(5)	(431)
<b>Other assets and liabilities</b>	44	(116)	(72)	5	(67)
<b>Non-controlling interest</b>	(435)	-	(435)	435	-
<b>NAV</b>	2,770	-	2,770	-	2,770

1. The Group's joint ventures consist of the Lillie Square Joint Venture, the Solum Regeneration Joint Venture and the discontinued operation, The Great Capital Partnership. To align with the way the Group internally prepares and reviews information, the net investment in joint ventures is presented on a line-by-line basis.
2. The Group has a 63% controlling interest in Earls Court Partnership Limited, an investment vehicle with TfL in respect of EC1 & EC2 and other peripheral properties. Due to the significance of this transaction, which completed in April 2015, TfL's share has been deducted from the proportionate consolidation position to highlight Capco's Group share. This aids comparability with the previously reported position at 31 December 2014.

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# TAXATION

## Summary

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### ★ Tax on income

- The underlying tax rate is 20% which is in line with the statutory corporation tax rate for 2015.
- The main rate of corporation tax fell to 20% on 1 April 2015. Following the July 2015 Budget, the main rate of corporation tax is expected to fall to 18% by 2020.
- Medium-term underlying tax rate for the Group is expected 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 period ended 30 June 2015 is £3m and relates to the Group's 63% share in Earls Court Partnership Limited.
- A disposal of the Group's trading property at its market value would result in a corporation tax charge of £21m (20% of £104m)