

Capital & Counties Properties PLC
Interim Results 2016
26 July 2016



capco

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1. INTRODUCTION AND OVERVIEW

Ian Hawksworth

2. FINANCIAL REVIEW

Soumen Das

3. COVENT GARDEN

Soumen Das

4. EARLS COURT PROPERTIES

Gary Yardley

5. LOOKING AHEAD

Ian Hawksworth

6. Q&A

INTRODUCTION AND OVERVIEW

Ian Hawksworth, Chief Executive

TWO PRIME CENTRAL LONDON ESTATES

- ★ Clear and unchanged strategy

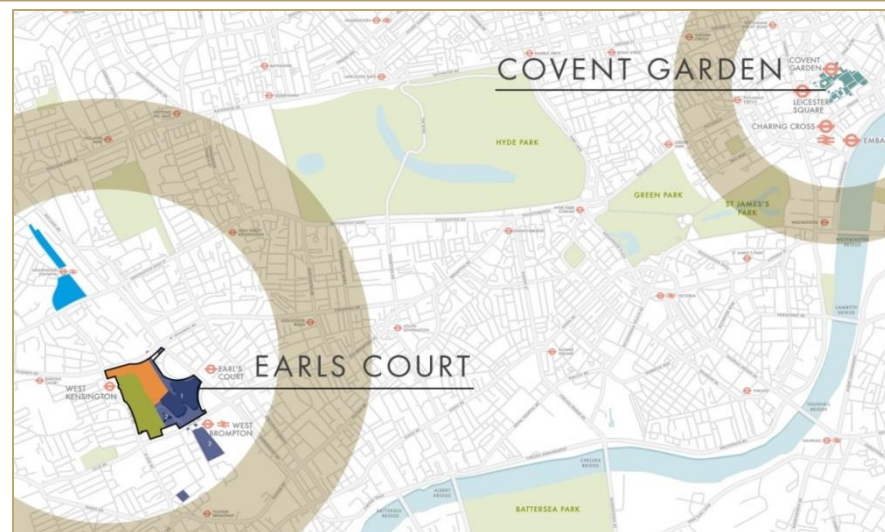
- ★ Covent Garden

- Transformed into a globally recognised retail estate, driving rental growth through creative asset management

- ★ Earls Court

- Driving value through planning, land assembly and enablement; potential for maximisation

- ★ Strong balance sheet; set up to perform over multiple cycles

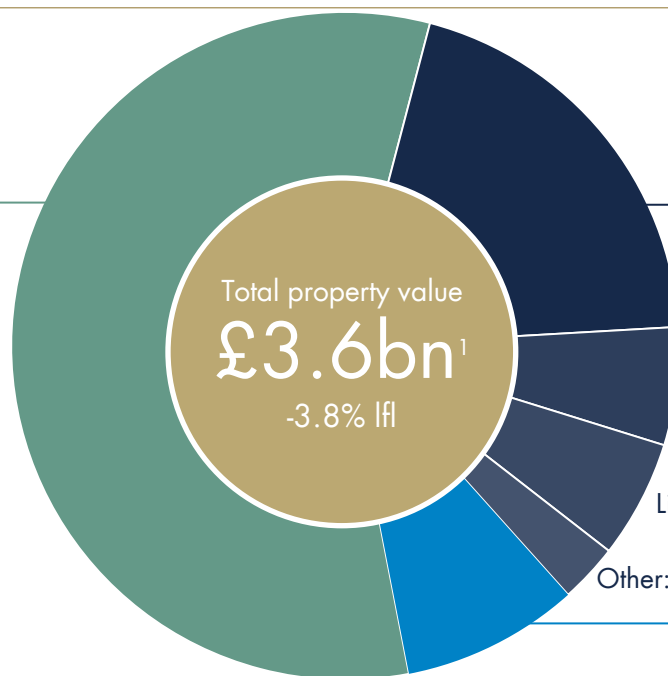


Covent Garden

£2.1bn

+3.0% lfl

Initial Yield: 2.1%
Equivalent Yield: 3.5%



Earls Court Properties

£1.2bn¹

-14.3% lfl

ECPL: £699m, -14% lfl

Empress State: £240m, -16% lfl

Lillie Square: £211m, -14% lfl

Other: £45m, -2% lfl

Venues

£0.3bn

-0.2% lfl

- ★ Total property value £3.6 billion, a decrease of 3.8% lfl
- ★ EPRA adjusted NAV 344p per share, a decrease of 4.7%
- ★ Total return -4.5%
- ★ Interim dividend 0.5p per share

1. Group share

OPERATIONAL HIGHLIGHTS

Active first half

COVENT GARDEN

- ★ Positive leasing momentum across the estate
- ★ 50 new leases and renewals, 7% above December 2015 ERV
- ★ 4% lfl increase in ERV to £90m
- ★ ERV target of £100m by December 2017 on track

VENUES

- ★ EBITDA of £11m, +19%
- ★ Well positioned for future growth

EARLS COURT

- ★ Opportunities to evolve and intensify the Masterplan
- ★ Demolition progressing well
- ★ Public sector backing
 - TfL minority partner at ECPL
 - Government-backed £150 million HCA facility
- ★ Lillie Square construction on track and Phase 2 sales continue

STRONG BALANCE SHEET

- ★ Conservative 20% LTV
- ★ Over £450m of cash and available facilities
- ★ Modest capital commitments of £194m
- ★ Weighted average cost of debt 2.8%

FINANCIAL REVIEW

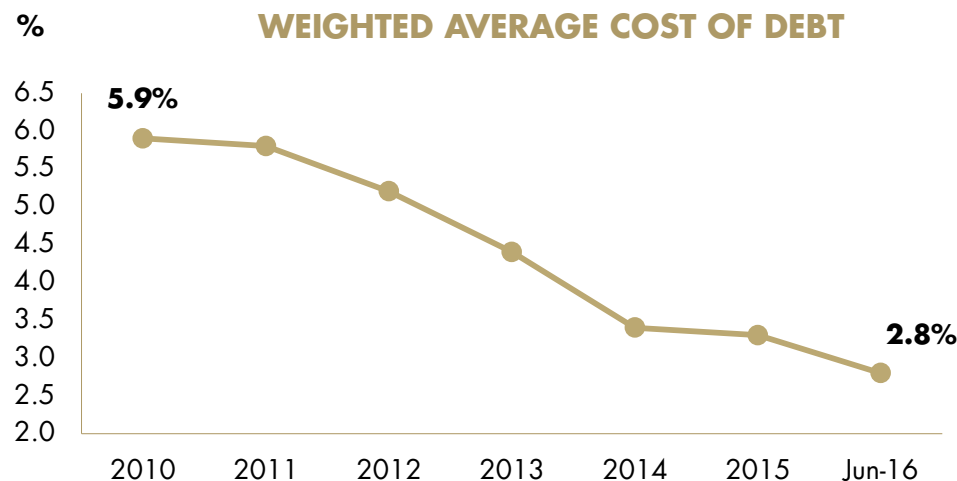
Soumen Das

STRONG FINANCIAL POSITION

Flexibility and low cost liquidity

- ★ Conservative 20% LTV
- ★ Strong covenant position
- ★ High liquidity
- ★ New £150 million HCA facility (Homes & Communities Agency)
 - Long-term and attractive government infrastructure funding; 10 year term, 2.5%

	Jun-16	Dec-15
Net Debt	£686m	£579m
LTV	20%	16%
Interest cover	176%	123%
Cash and available facilities	£457m	£412m
Weighted average cost of debt	2.8%	3.3%
Weighted average maturity	5.2 yrs	4.1 yrs



CAPITAL COMMITMENTS

Modest and significantly de-risked

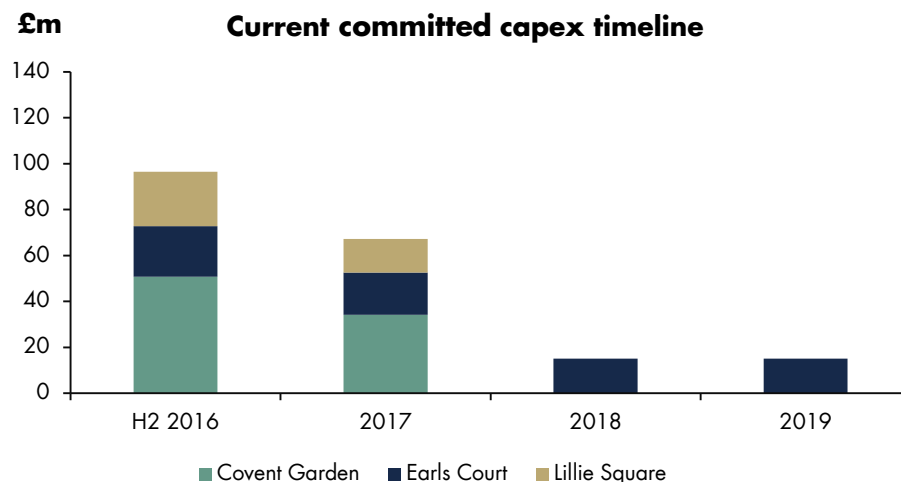
★ Modest capital commitments of £194m

- Covent Garden £85m
- Earls Court £71m
- Lillie Square £38m

★ Significant pre-lets at Kings Court and Opera Terrace

★ Over £300m of sales off plan at Lillie Square (Group share £150m)

★ Proforma LTV of 25% taking account of all current commitments



Key commitments

Project	Commitment	ERV	Completion date
Kings Court	£60m	£7.1 m	Q4 2017
Opera Terrace	£8m	£1.5m	Q2 2017
Carriage Hall	£4m	£1.1m	Q4 2016
CLSA instalments	£60m	-	Q4 2019
ECPL demolition	£11m	-	Q3 2016
Lillie Square Phase 1	£34m	-	2016-2017
Other	£17m	-	2016-2017

EPRA ADJUSTED BALANCE SHEET

Group share



	Jun-16 £m	Dec-15 £m	Var £m
Investment & Trading Property	3,504	3,530	(26)
Unrecognised surplus on trading property	64	100	(36)
Net debt	(686)	(579)	(107)
Other	32	8	24
EPRA adjusted NAV	2,914	3,059	(145)
Number of shares in issue (diluted)	848m	848m	-
EPRA adjusted NAV per share	344p	361p	(17)p

- ★ CLSA not yet recognised as an asset on balance sheet
- ★ Contingent tax liability on investment properties £nil; on trading properties £13m

Note: A reconciliation to the financial statements can be found in the appendix

UNDERLYING EARNINGS

Group share



	Jun-16 £m	Jun-15 £m	Var £m
Net rental income	40.5	38.4	2.1
Administration costs	(25.0)	(25.0)	-
Net finance costs	(9.6)	(9.1)	(0.5)
Other	1.4	1.0	0.4
Tax on underlying earnings	(1.4)	(1.1)	(0.3)
Underlying earnings	5.9	4.2	1.7
Underlying earnings per share	0.7p	0.5p	0.2p
Proposed interim dividend per share	0.5p	0.5p	-

★ Venues EBITDA £11 million

COVENT GARDEN

Soumen Das

COVENT GARDEN



STRATEGY FOR COVENT GARDEN

Prime 'street retail' in central London

★ OUR DISTINCT APPROACH TO CREATING PLACES

COVENT
GARDEN

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

Positive leasing momentum across the estate

Portfolio value

£2.1 bn

+3% like-for-like

ERV

+4%_(lfl)

£90m

New lettings & renewals

+7%

Ahead of Dec-15 ERV

Net rental income (vs June 2015)

+6%

like-for-like

- ★ Retailers attracted to creative asset management and managed environment
- ★ Continued positive leasing momentum
 - 50 new leases and renewals
 - Royal Opera House Arcade and Kings Court
 - £9m of rent contracted in the period
- ★ £100m ERV by December 2017 on track

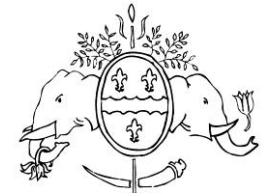


POSITIVE LEASING MOMENTUM

Delivering continued rental growth

Retail

- ★ Repositioning of Royal Opera House Arcade underway
- ★ Street to Suit strategy embedded on Henrietta Street



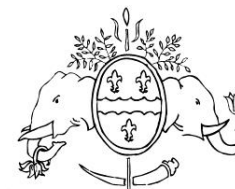
Petersham Nurseries



albam LULU GUINNESS

Dining

- ★ Reputation for dining driving demand from global brands



Petersham Nurseries



REDFARM

SIGNIFICANT PRE-LET AT KINGS COURT

Unlocking the value creation opportunity on Floral Street

- ★ Significant pre-let to Petersham Nurseries at Kings Court

- Lifestyle brand to create bespoke retail and dining concepts
- 16,000 square feet (NIA); 60% of the commercial space
- Significantly above ERV

- ★ An opportunity to unlock rental potential through placemaking on Floral Street

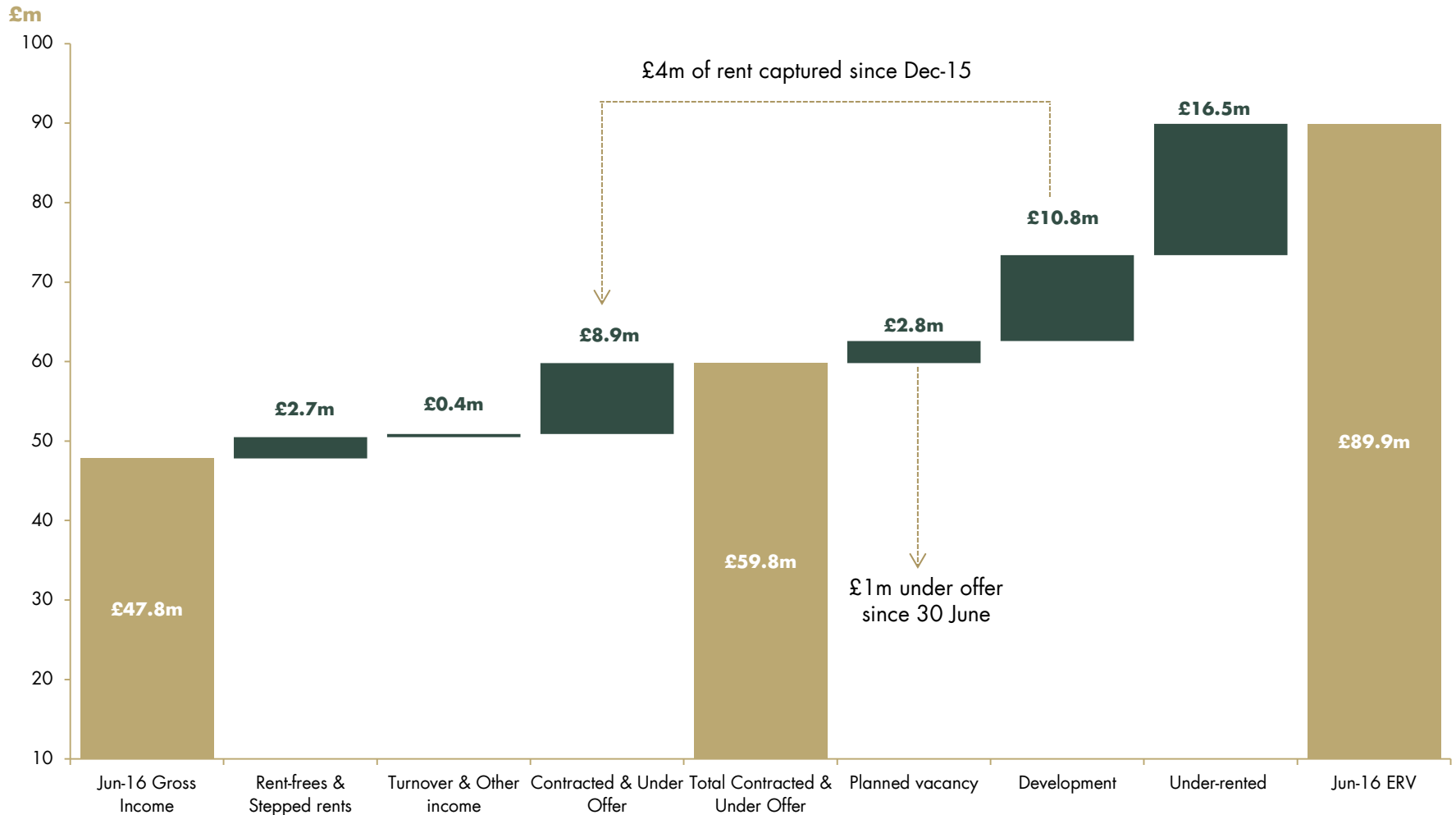
- ★ Development progressing well

- On track for completion in 2017



COVENT GARDEN

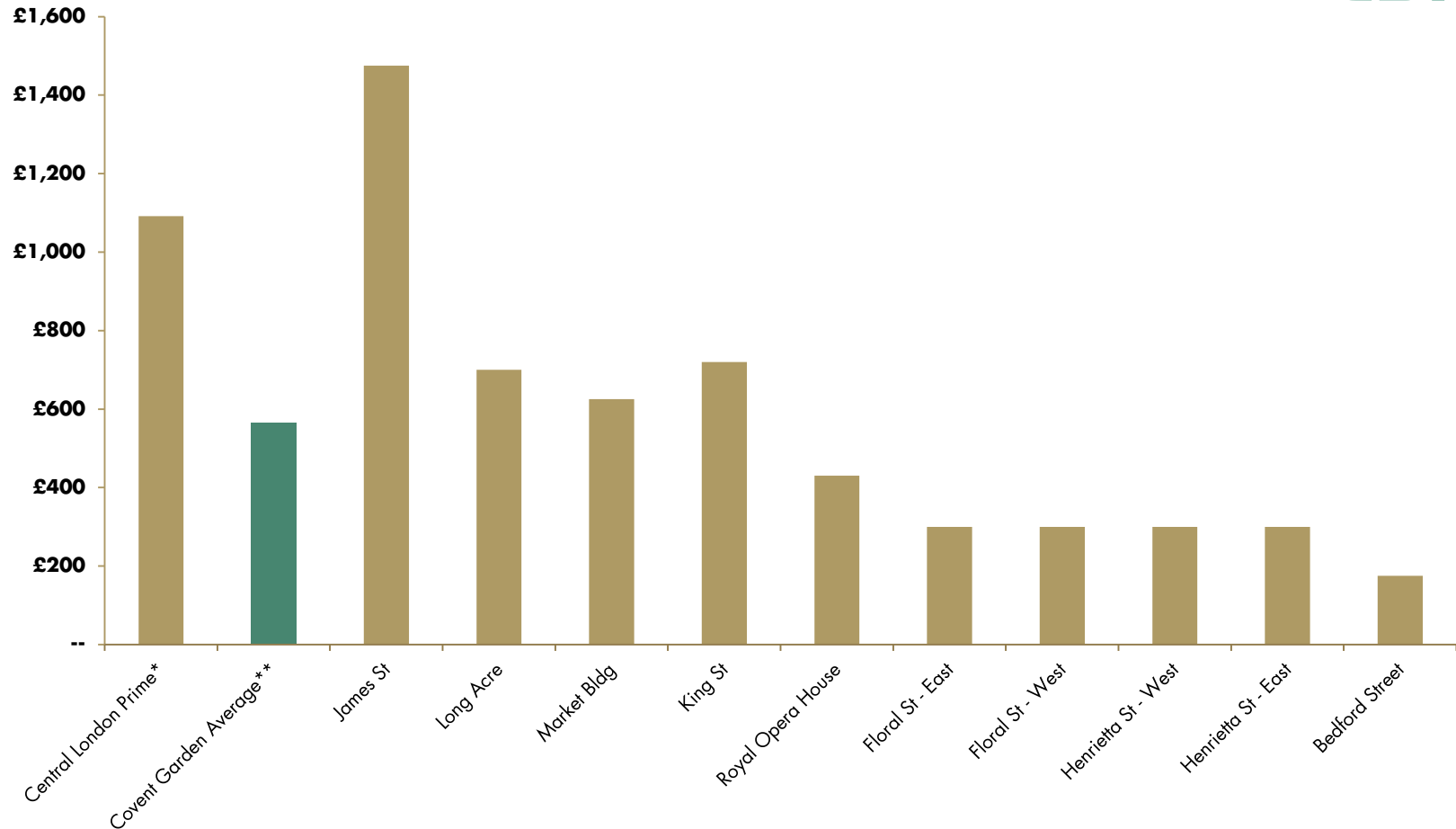
Gross income to ERV



DRIVING RENTAL GROWTH

Average Zone A rents significantly below central London

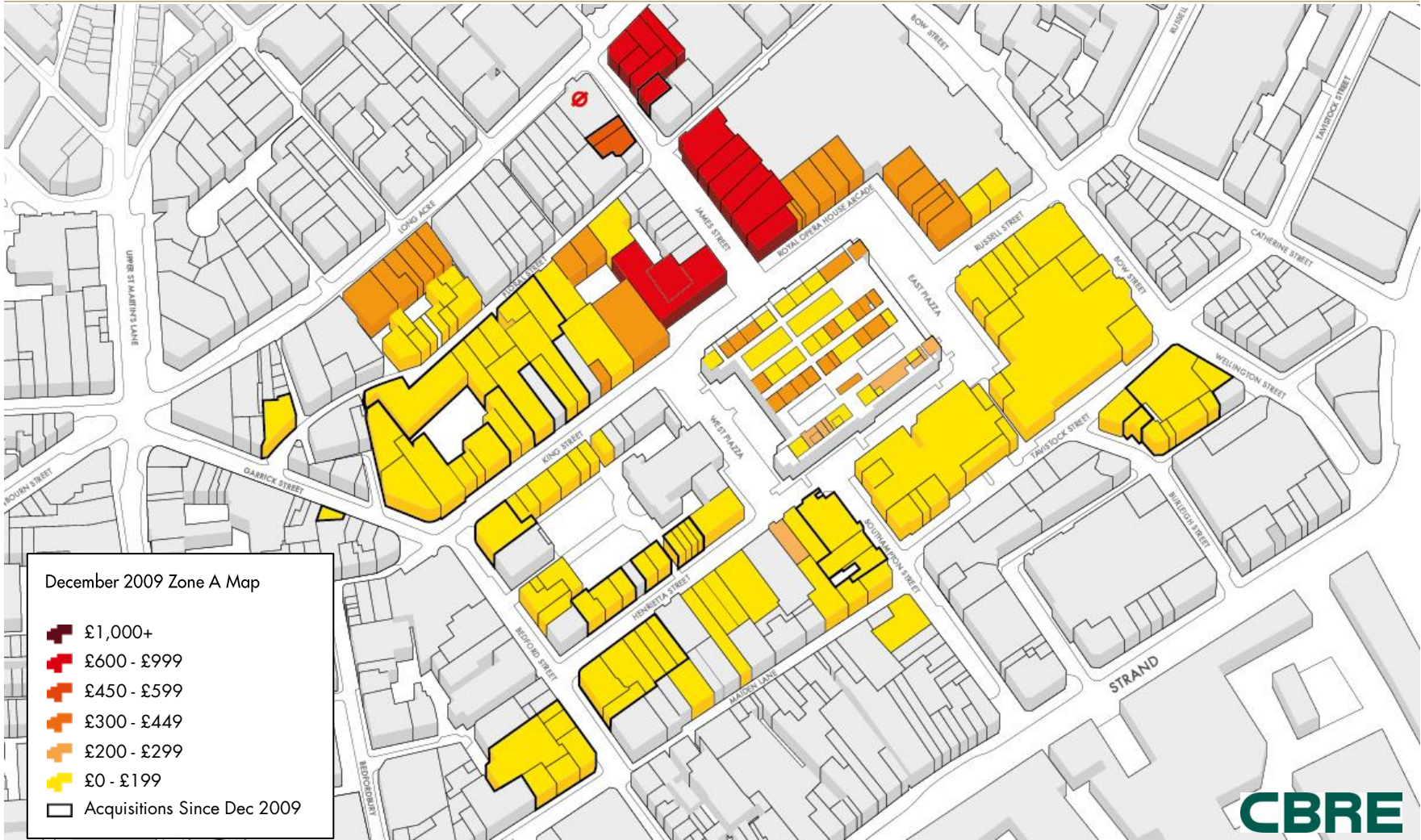
ITZA psf (£) – June 2016



* 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 2016



EARLS COURT PROPERTIES

Gary Yardley

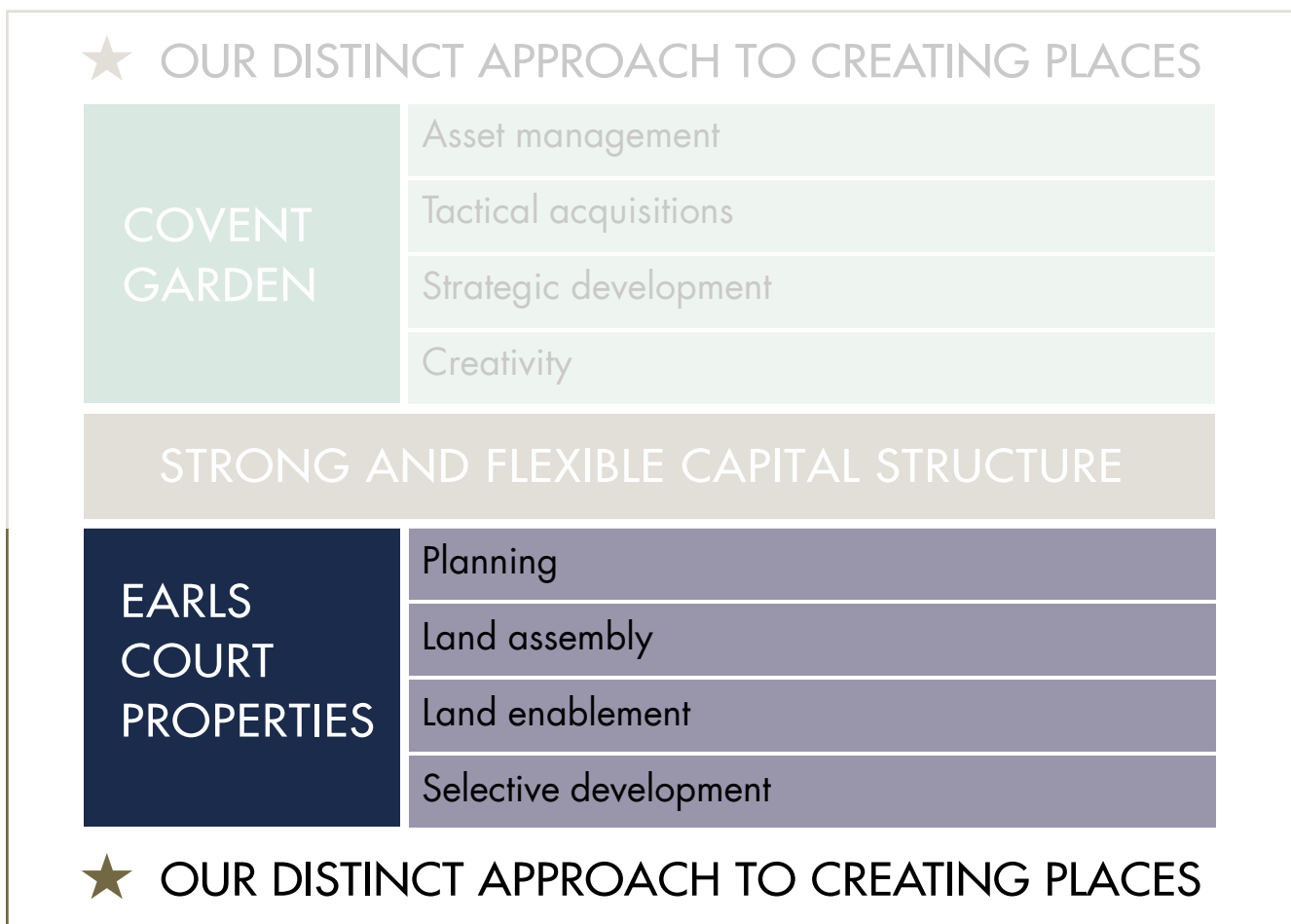
THE EARLS COURT MASTERPLAN

Over 70 acres of strategic land in central London



STRATEGY FOR EARLS COURT

A unique opportunity to create London's next great estate



VALUATIONS

Group share

	ECPL	Empress State	CLSA	Other	Lillie Square	Total
Ownership	63%	100%	100%	100%	50%	
Jun-16	£699m	£240m	n/a	£45m	£211m	£1,195m
Variance (lfl)	(14)%	(16)%	n/a	(2)%	(14)%	(14)%

- ★ Valuations impacted by market uncertainty and weakened sentiment
- ★ Valuers' view of a reduced risk appetite in the investment market for land
- ★ Currently a lack of transactional evidence

DEMOLITION PROGRESSING WELL



LILLIE SQUARE

Location, connectivity, specification

- ★ Over £300m of sales off plan (Group share £150m)
 - 44% of entire scheme sold off plan
- ★ 20% deposits up front; fully funded with partner equity and external debt
- ★ High levels of enquiries
- ★ Phase 1 first completions on track for Q4 16
 - Sales prices achieved £1,200 - £2,800 psf
- ★ Phase 2 sales
 - 59% of first release of 70 units reserved or exchanged; sales prices 4% above comparable units in Phase 1



A MASTERPLAN FOR CENTRAL LONDON

Opportunity to maximise the Masterplan

- ★ Consented, large scale scheme with a high transport accessibility rating
- ★ Representations have been submitted in preparation for the new London Plan expected next year
 - Outlines Earls Court's ability to deliver minimum of 10,000 new homes, significantly above current consent



LOOKING AHEAD

Ian Hawksworth

Two exceptional estates well placed for long-term success

- ★ Prime central London assets well positioned to create value over the longer-term
 - Macroeconomic uncertainty in the short-term
- ★ Strong balance sheet underpins resilience through cycles
 - Conservative LTV, high liquidity and modest capital commitments
 - Well positioned to take advantage of opportunities
- ★ Covent Garden
 - Retail and dining brands attracted to best locations
 - ERV target of £100m by December 2017 on track
- ★ Earls Court
 - Moving forward with plans to maximise the Masterplan
 - Progress demolition of former exhibition centres and de-risk the land



APPENDIX

1. FINANCIALS
2. COVENT GARDEN
3. EARLS COURT PROPERTIES

SUMMARY BALANCE SHEET

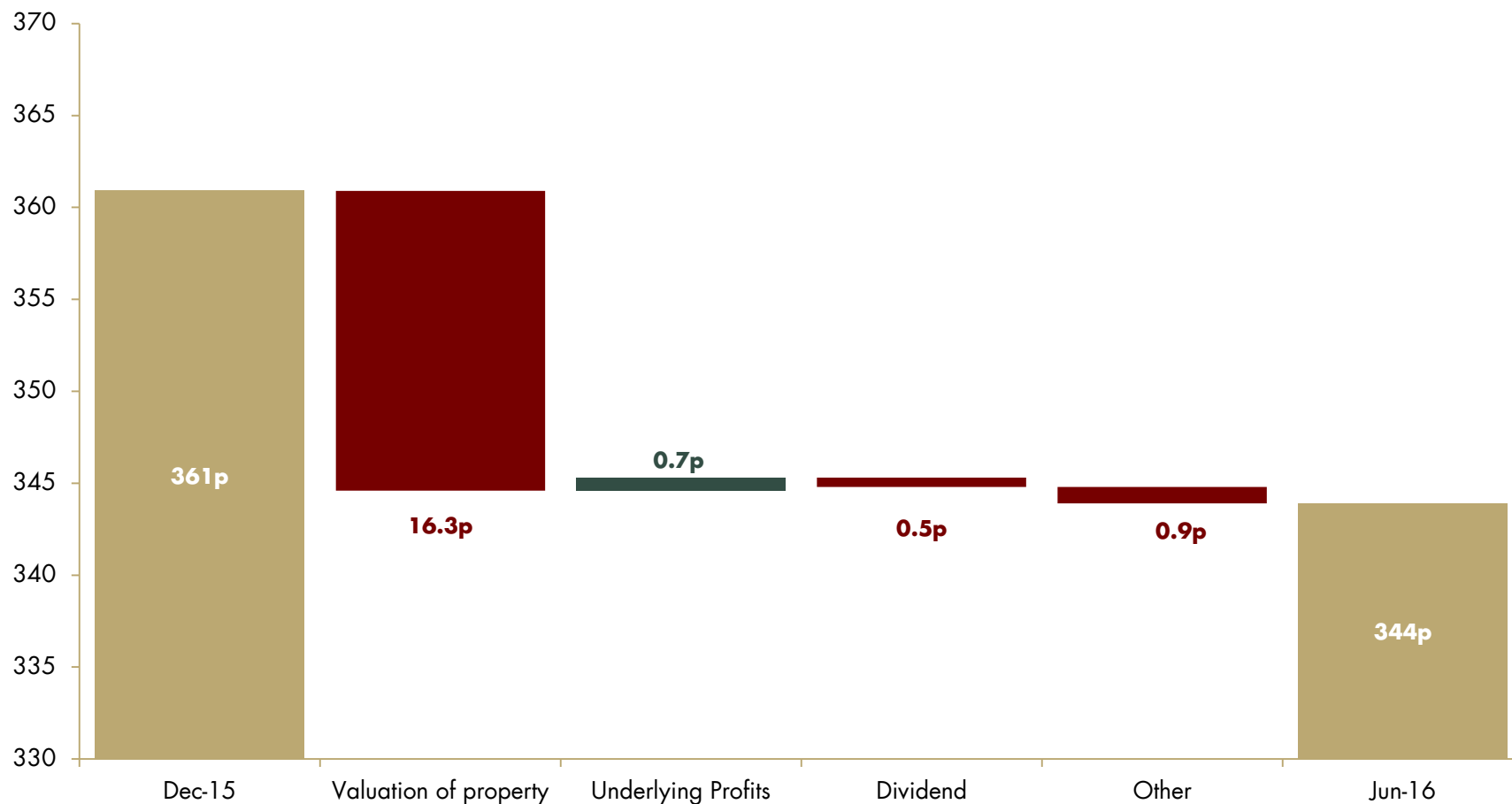
IFRS to Group Share as at 30 June 2016



	IFRS	Add back: Joint Ventures ¹	Less: Non-controlling interest ²	Group share
	£m	£m	£m	£m
Investment & Trading Property	3,761	153	(410)	3,504
Net Debt	(653)	(33)	-	(686)
Other assets and liabilities	124	(120)	-	4
Non-controlling interest	(410)	-	410	-
NAV	2,822	-	-	2,822

1. This consists of the Lillie Square Joint Venture, the Solum Developments 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, and continuing and discontinuing operations, are 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.

EPRA ADJUSTED DILUTED NET ASSETS PER SHARE



★ Diluted EPRA NNNNAV 338 pence per share

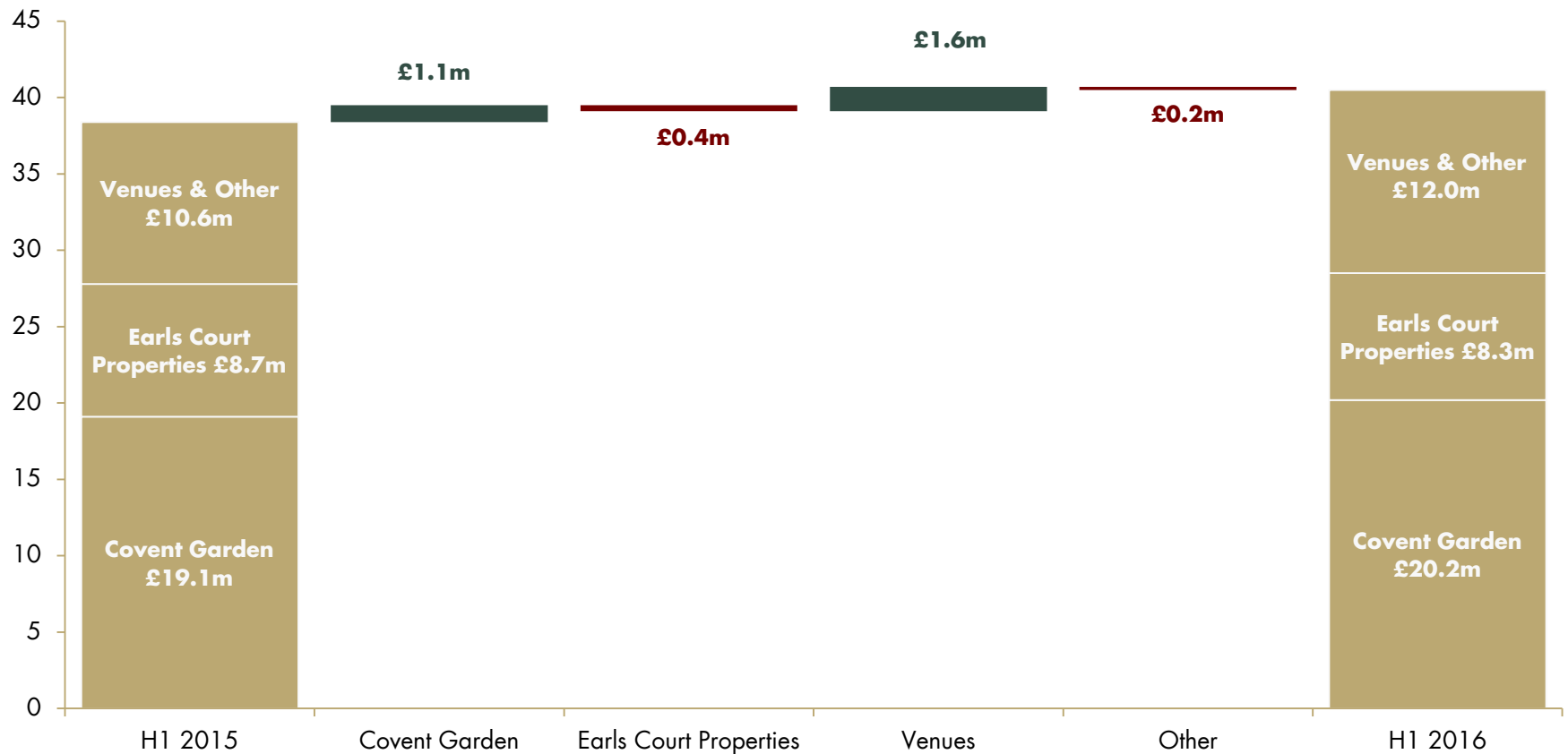
	Maturity	Loan outstanding ¹	LTV covenant	Interest cover covenant
Covent Garden ²	2020 - 2026	£580m	60%	120%
ECPL	2026	£11m	40%	n/a
Lillie Square ³	2017- 2018	£66m	75%	n/a
Empress State	2018	£97m	60%	300%
Total		£754m		

1. The loan values are the nominal values at 30 June 2016. The balance sheet value of the loans includes any unamortised fees.

2. Covent Garden comprises three loans with maturities in 2020, 2024 and 2026.

3. Lillie Square comprises two loans with maturities in 2017 and 2018.

NET RENTAL INCOME

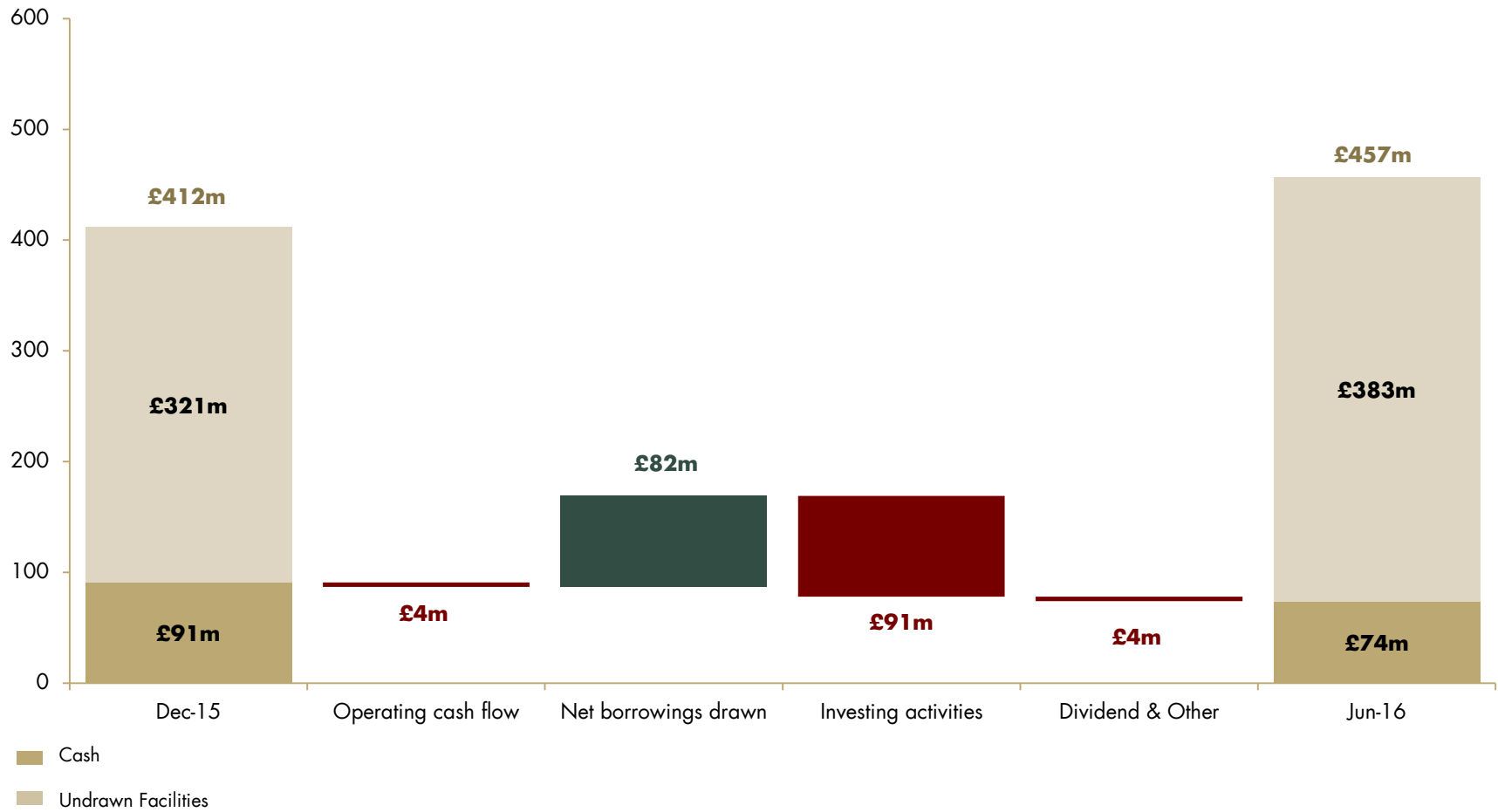


★ Venues EBITDA £11m

Note: All numbers shown at Group share

CASH UTILISATION

Robust financial position



Note: All numbers shown at Group share

★ Tax on income

- The underlying tax rate is 20% which is in line with the statutory corporation tax rate for 2016. This rate will fall to 19% from April 2017.
- Following the Chancellor's announcement in the March 2016 Budget, the main rate of corporation tax is expected to fall to 17 per cent from April 2020.
- Medium-term underlying tax rate for the Group is expected to remain broadly in line with the UK statutory tax rates.

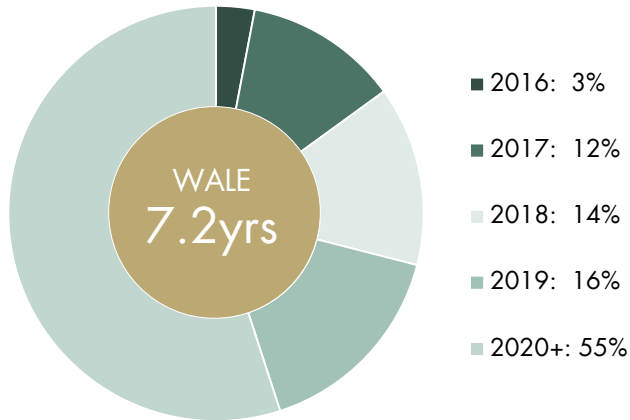
★ Tax on capital gains

- The contingent tax position on investment property held as at period ended 30 June 2016 is £nil.
- A disposal of the Group's trading property at its market value would result in a corporation tax charge of £12.7m (20% of £63.6m).

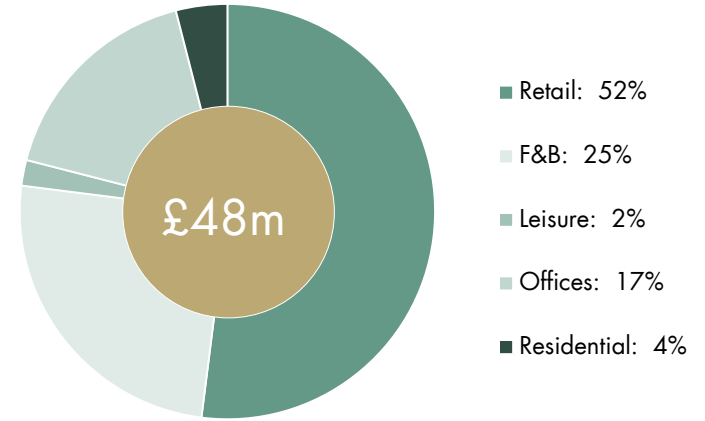
COVENT GARDEN

72 properties, 448 lettable units

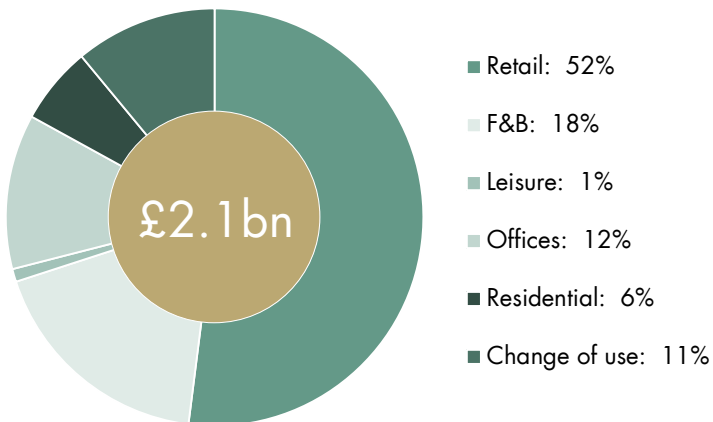
LEASE EXPIRY PROFILE



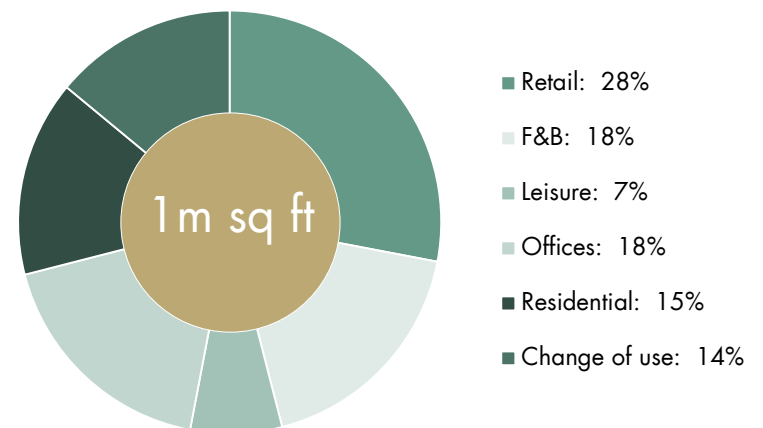
ANNUAL GROSS INCOME



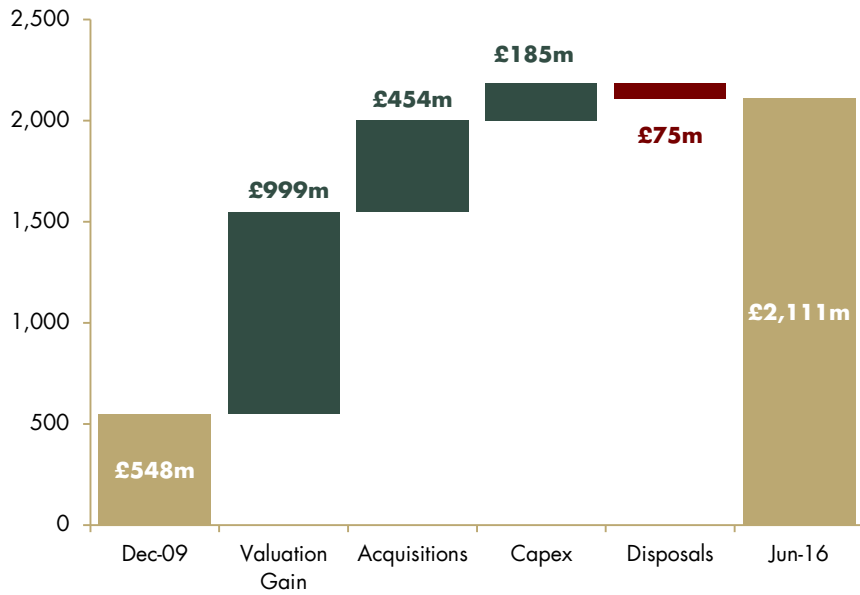
PORTFOLIO VALUE



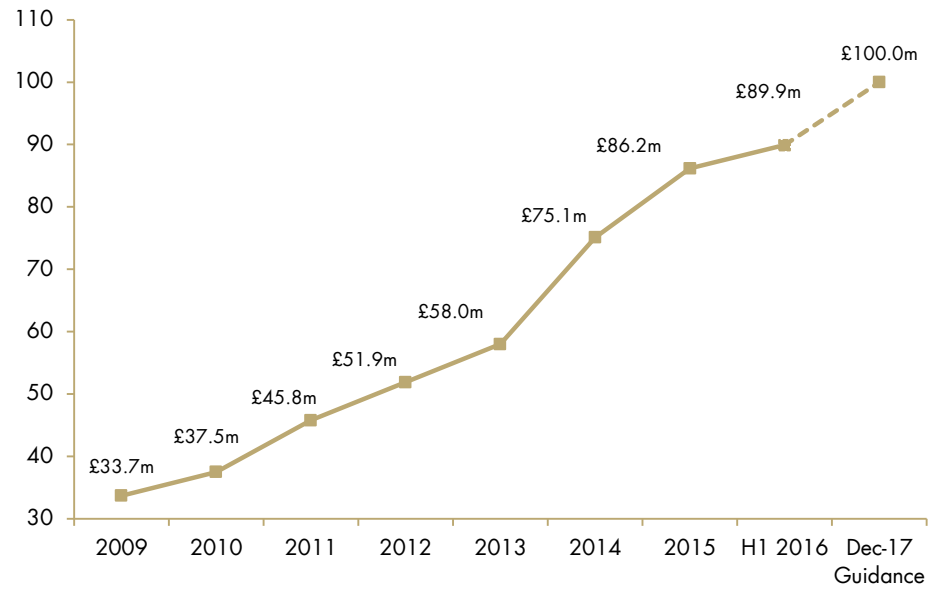
TOTAL FLOOR AREA



£m VALUE UPLIFT AND REALISATION



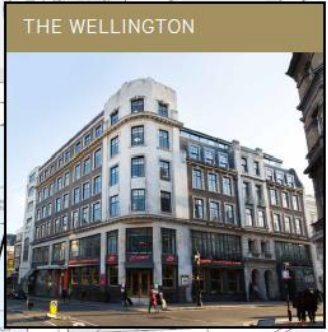
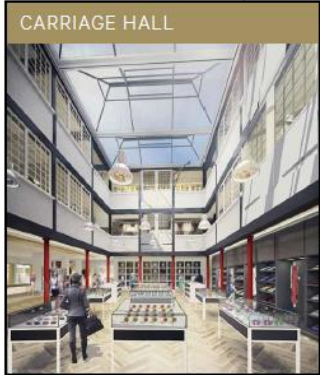
£m ERV



OPPORTUNITIES ON THE ESTATE

Initiatives supporting long-term rental growth

Key:
■ Capco Ownership
■ Developments



THE EARLS COURT MASTERPLAN

- ★ Earls Court Partnership Limited; Investment vehicle with TfL
 - Capco share 63%
- ★ 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

Earls Court Masterplan and Empress State Building – key areas

	ECPL 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 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

