

Capital & Counties Properties PLC  
**Annual Results 2016**  
22 February 2017



capco★



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## 1. INTRODUCTION

Ian Hawksworth

## 2. FINANCIAL REVIEW

Situl Jobanputra

## 3. COVENT GARDEN

Ian Hawksworth

## 4. EARLS COURT PROPERTIES

Gary Yardley

## 5. LOOKING AHEAD

Ian Hawksworth

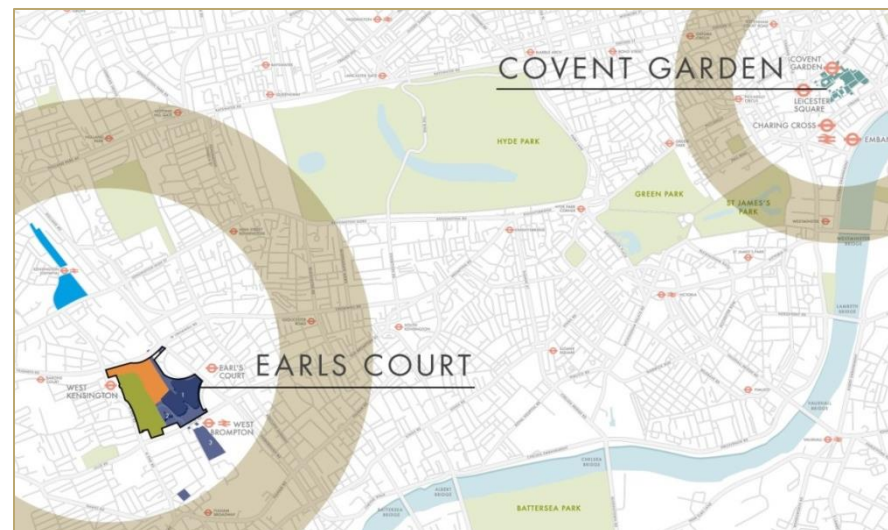
## 6. Q&A

# INTRODUCTION

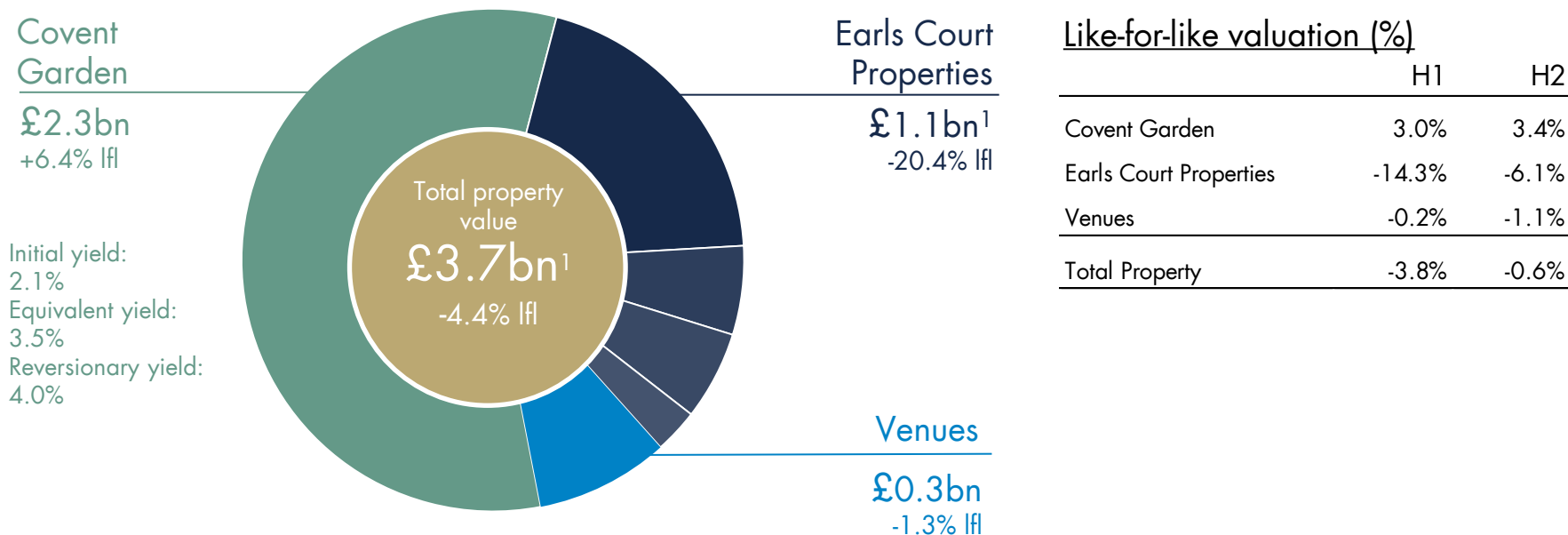
## Ian Hawksworth

# TWO PRIME CENTRAL LONDON ESTATES

- ★ Clear and focused strategy
- ★ Covent Garden
  - Transformed into a globally recognised retail and dining destination, driving rental growth through creative asset management
- ★ Earls Court
  - Driving value through planning, land assembly, land enablement and selective development
- ★ Strong balance sheet with significant financial flexibility



# HEADLINE FINANCIALS



1. EPRA NAV 340 pence per share, a decrease of 5.9% (H1 -4.7%, H2 -1.2%)
2. Total return -5.5%
3. Total dividend per share 1.5 pence

1. Group share

# IMPLEMENTING OUR STRATEGY



## High quality assets, strong balance sheet

### ★ Excellent momentum at Covent Garden

- Record year of leasing activity across the estate
- 95 new leases and renewals, 9% above December 2015 ERV
- 8% lfl increase in ERV to £96m
- New ERV target of £125m to be achieved by December 2020

### ★ Good progress at Earls Court

- Above ground demolition complete; further land enablement works underway
- Representations submitted to enhance Masterplan
- First residents at Lillie Square

### ★ Strong performance at Venues

- Pricing growth and demand from shows

### ★ Solid balance sheet

- Low LTV, high liquidity and modest capital commitments
- Well-positioned to take advantage of opportunities

# FINANCIAL REVIEW

## Situl Jobanputra



# UNDERLYING EARNINGS

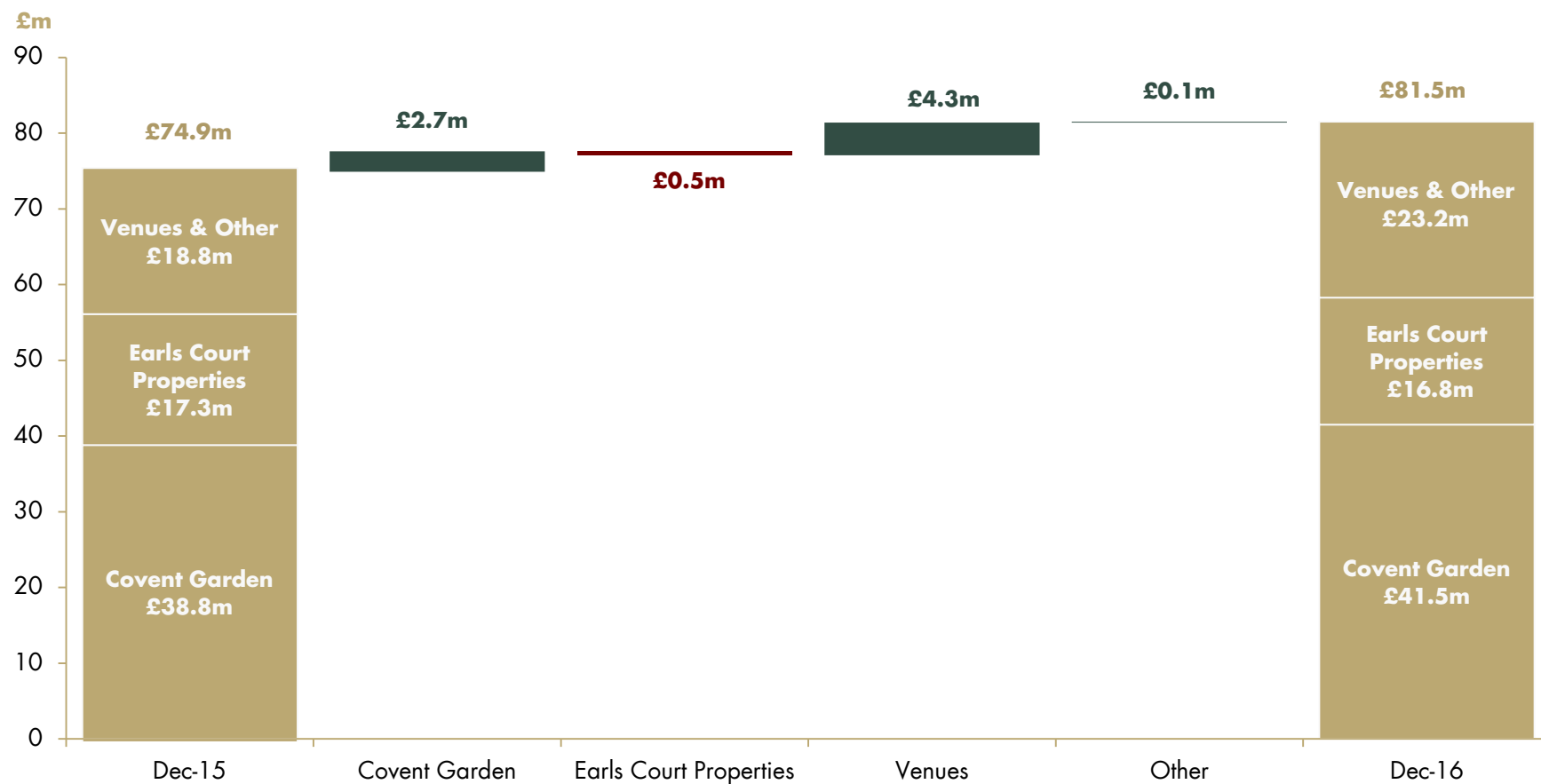


	<b>2016 £m</b>	<b>2015 £m</b>	<b>Var £m</b>
Net rental income	81.5	74.9	6.6
Administration costs	(50.5)	(52.5)	2.0
Net finance costs	(19.5)	(20.1)	0.6
Other	2.7	2.5	0.2
Tax on underlying earnings	(2.4)	3.0	(5.4)
Underlying earnings	11.8	7.8	4.0
Underlying earnings per share	1.4	0.9	0.5
Total dividend per share (proposed final 1.0p)	1.5	1.5	-

★ Venues EBITDA £19m (includes £2.7m relating to a rates rebate)

Note: All numbers shown at Group share

# NET RENTAL INCOME



Note: All numbers shown at Group share

# EPRA BALANCE SHEET



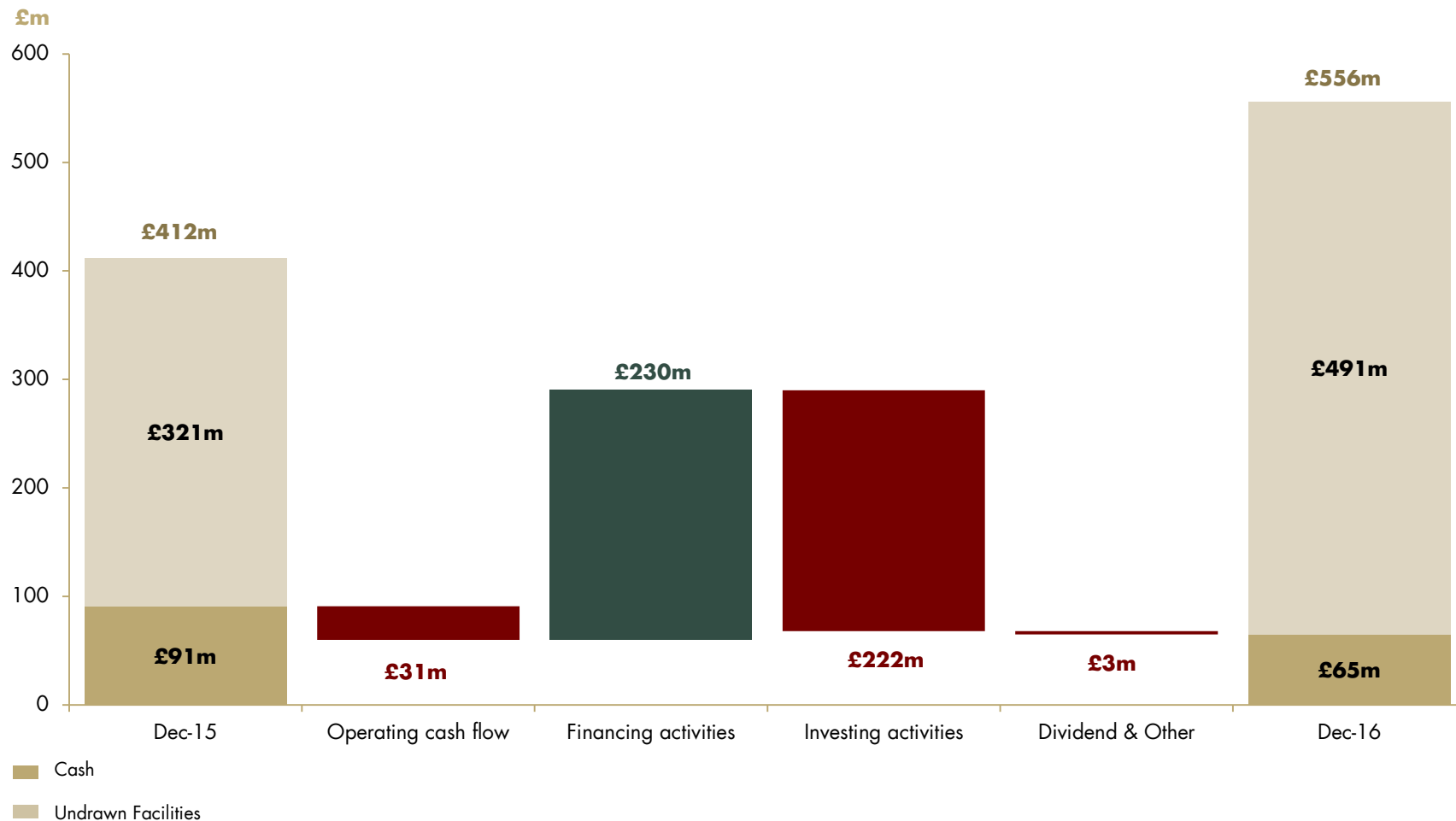
	<b>2016 £m</b>	<b>2015 £m</b>	<b>Var £m</b>
Investment & Trading Property	3,620	3,530	90
Unrecognised surplus on trading property	48	100	(52)
Net debt	(847)	(579)	(268)
Other	57	8	49
EPRA NAV	2,878	3,059	(181)
Number of shares in issue (diluted)	848m	848m	-
EPRA NAV per share	340p	361p	(21p)

★ EPRA NNNAV 335 pence per share

Note: All numbers shown at Group share. A reconciliation to the financial statements can be found in the Appendix

# CASH UTILISATION

## Robust financial position



Note: All numbers shown at Group share



# STRONG FINANCIAL POSITION

## ★ Strong balance sheet

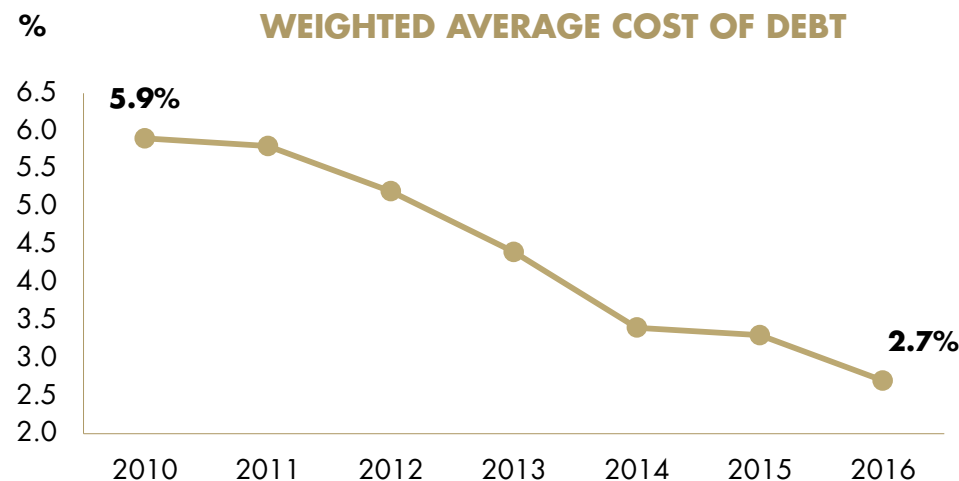
- Significant liquidity
- Low average cost of debt
- Longer maturities; modest short term loan repayments

## ★ Low 23% LTV

## ★ Strong covenant position

## ★ Modest capital commitments £157m

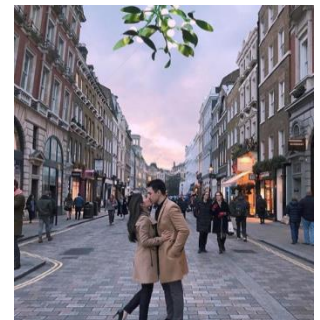
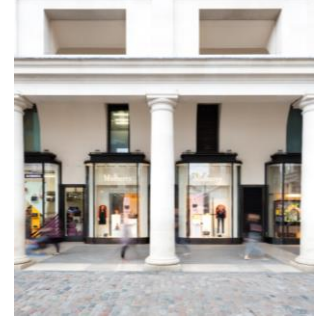
	2016	2015
Net Debt	£847m	£579m
LTV	23%	16%
Interest cover	173%	124%
Cash and available facilities	£556m	£412m
Weighted average cost of debt	2.7%	3.3%
Weighted average maturity	5.9 yrs	4.1 yrs



# COVENT GARDEN

## Ian Hawksworth

# COVENT GARDEN



# STRATEGY FOR COVENT GARDEN

A leading global destination for brands and visitors

## ★ 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

A world class environment for global brands

Portfolio value

£2.3bn

+6.4% like-for-like

ERV

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

£96m

New lettings & renewals

+9%

Ahead of Dec-15 ERV

Acquisitions

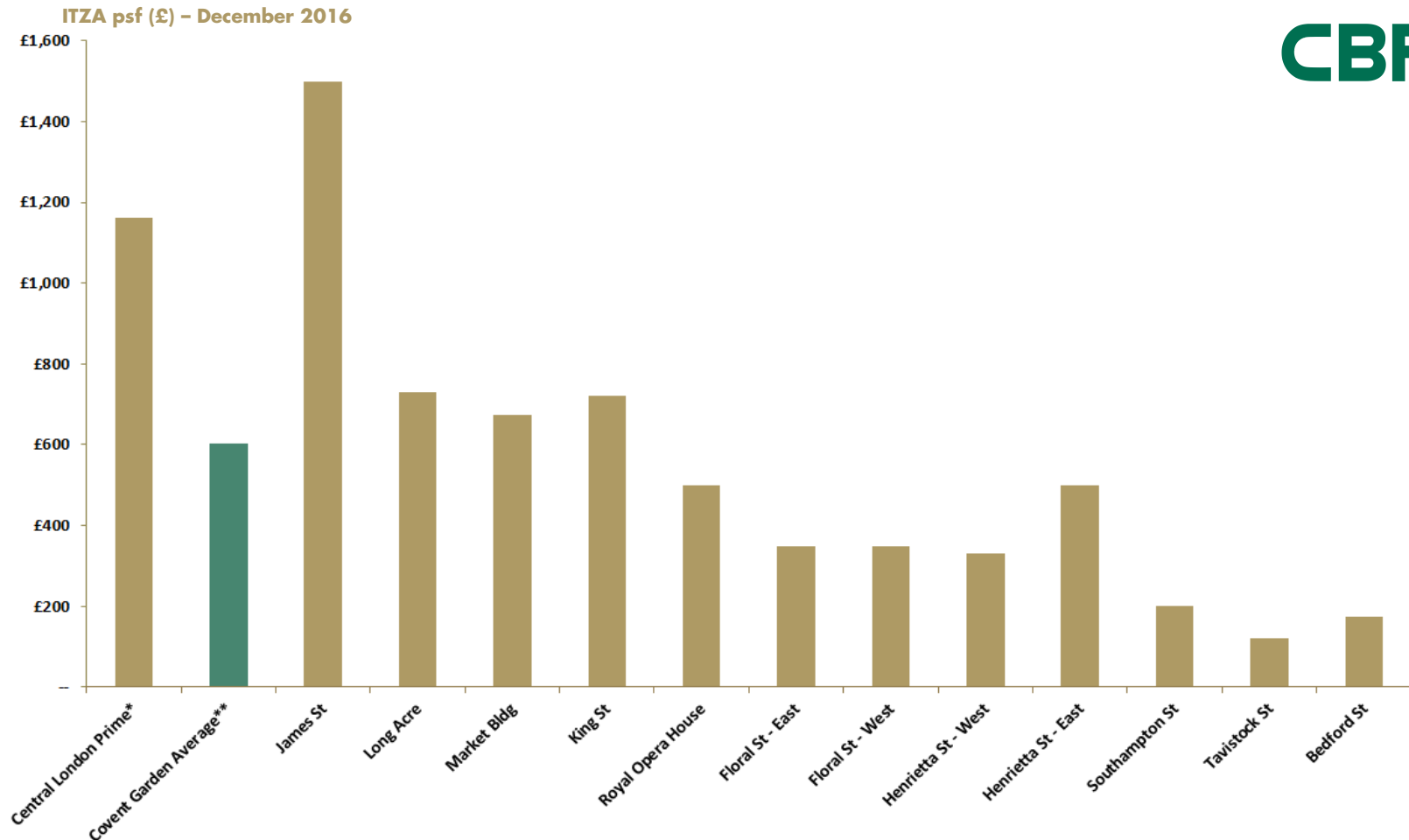
£85m

- ★ Brand offer strengthened significantly
- ★ Record year of leasing activity
  - 95 new leases and renewals
  - £13m of rent contracted in the year
- ★ New Zone A levels achieved across the estate
- ★ Our retailers and categories performing well
- ★ New ERV target of £125m to be achieved by December 2020



# DRIVING RENTAL GROWTH

Average Zone A rents significantly below central London



CBRE

\* 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





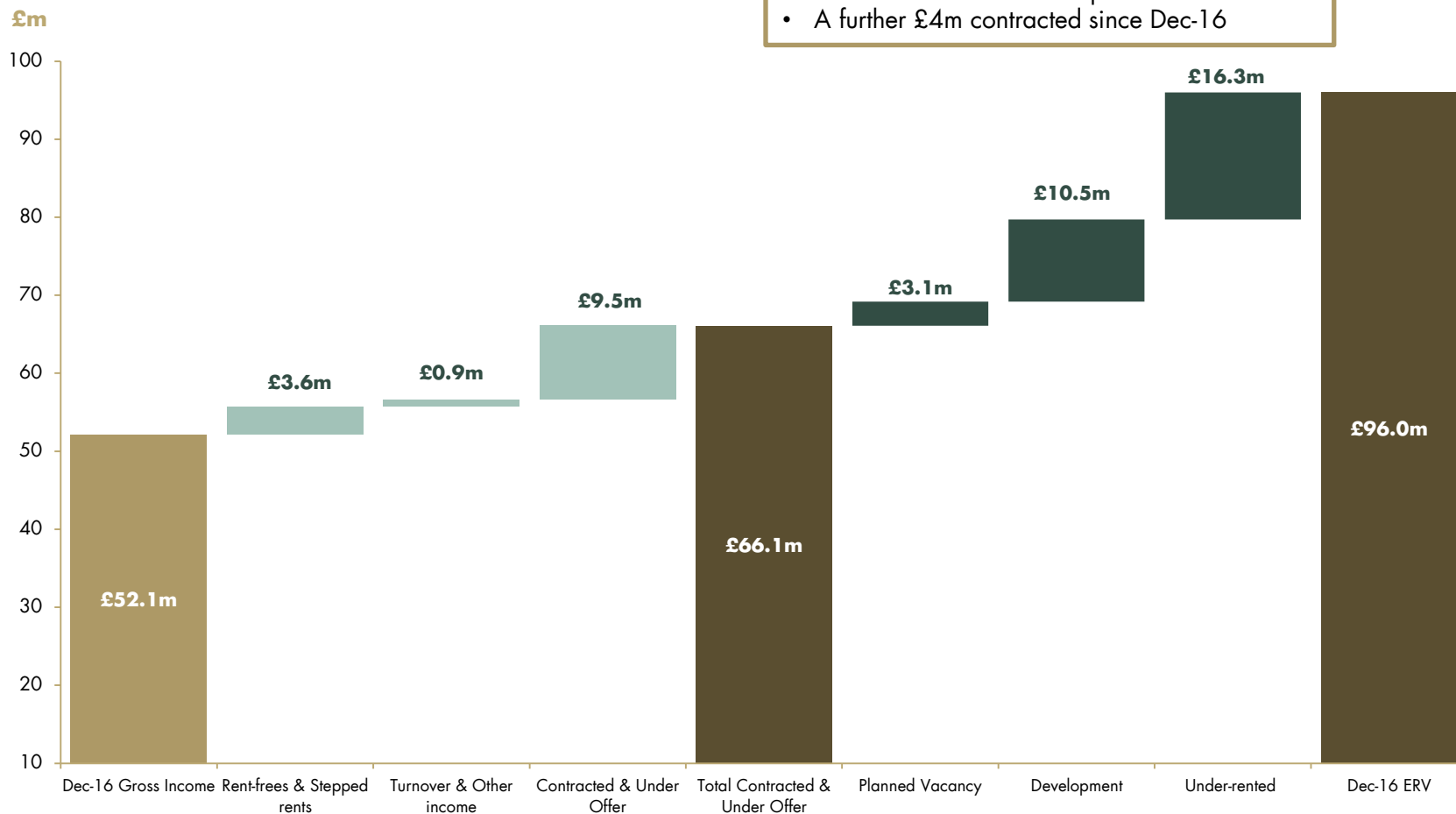
# ZONE A DISTRIBUTION 2016





# COVENT GARDEN

## Driving income growth



# IMPLEMENTING OUR STRATEGY

## Strengthening our core categories

- ★ **Luxury accessories and gifting introduced**
  - Store openings by Mulberry and The Watch Gallery
  - Latest signings include British heritage brands Tom Davies and N.PEAL
- ★ **Strong demand for The Market Building**
  - New Zone A rental level of £675 per square foot
  - Signings include Buns & Buns, Tom Ford, Armani Box London, Hotel Chocolat, Atelier Cologne
- ★ **Menswear and dining offer on Henrietta Street enhanced**
- ★ **A hub for 'destination dining'**
  - SushiSamba, Petersham Nurseries, Buns & Buns, Redfarm



- ★ Significant pre-let to Petersham Nurseries at Floral Court (formerly Kings Court)
  - Lifestyle brand to create bespoke retail and dining concepts
  - 16,000 square feet (NIA); 60% of the commercial space
- ★ An opportunity to unlock rental potential through placemaking on Floral Street
- ★ Development progressing well
  - On track for completion towards the end of 2017



# EXCELLENT BRANDS INTRODUCED

## Strengthening the retail and dining offer

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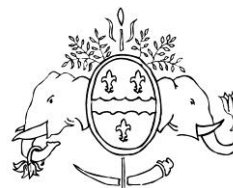
JOSEPH  
CHEANEY  
& SONS

**REDFARM**



N.P.E.A.L

ARMANI**BOX**



Petersham Nurseries

TOM DAVIES

~~~~~  
V y T A  
~~~~~

~~~~~

THE  
ABNORMAL  
BEAUTY  
COMPANY.  
DECIEM



MULBERRY

*Atelier Cologne*  
— Maison de Parfum —  
PARIS



↓  
EXPERIMENTAL  
*group*

ESTÉE LAUDER

LULU GUINNESS



Note: Estee Lauder trading as Tom Ford

# 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

## ★ 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

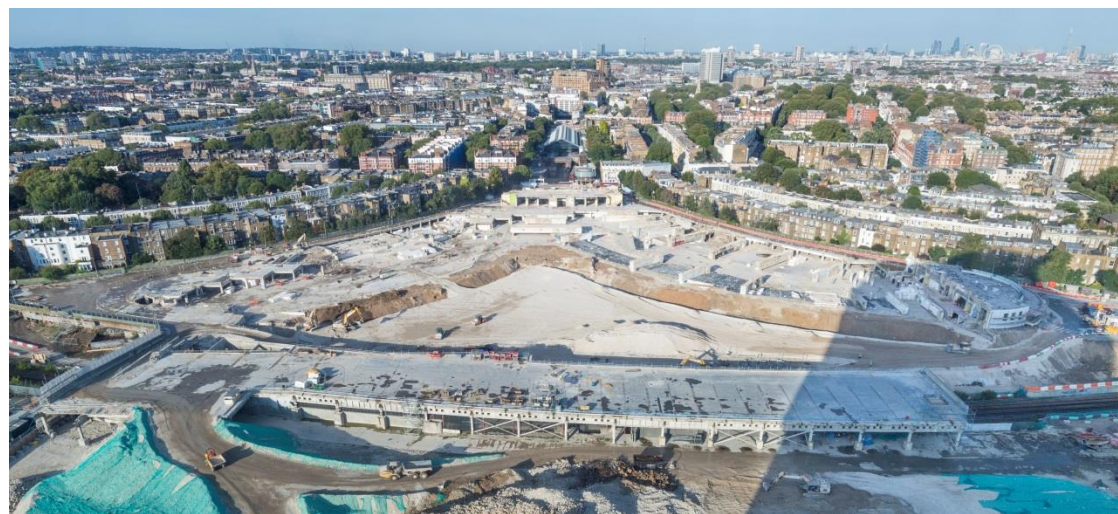
|                   | ECPL  | Empress State | CLSA | Other | Lillie Square | Total   |
|-------------------|-------|---------------|------|-------|---------------|---------|
| Ownership         | 63%   | 100%          | 100% | 100%  | 50%           |         |
| Dec-16            | £644m | £230m         | n/a  | £45m  | £223m         | £1,142m |
| FY Variance (lfl) | (23)% | (20)%         | n/a  | (4)%  | (17)%         | (20)%   |
| H1 Variance (lfl) | (14%) | (16%)         | n/a  | (2%)  | (14%)         | (14%)   |
| H2 Variance (lfl) | (9%)  | (4%)          | n/a  | (2%)  | (3%)          | (6%)    |

Note: All numbers shown at Group share





# SIGNIFICANT PROGRESS ON SITE



# LILLIE SQUARE

First residents have moved in and Phase 2 sales continue at a premium to Phase 1

- ★ Approximately 50% of entire scheme reserved or exchanged off plan
  - Over £300m of sales (Group share £150m)
- ★ Completion of first units at Phase 1
  - First residents have moved in
  - Circa £250m (Group share £125m) of sales proceeds expected in 2017
- ★ Phase 2 sales continue
  - 59 units reserved or exchanged; plans progressing for next release
  - Sales prices achieved at a modest premium to comparable units in Phase 1





- ★ New planning application expected to be submitted for Empress Place in spring 2017
  - Creates new entrance to the Earls Court Masterplan
  - Aligns with ability to deliver greater density
- ★ Detailed planning consent achieved for Exhibition Square
  - Part of existing Masterplan creating public square, hotel, offices and new entrance to Earls Court tube station





# A CENTRAL LONDON GLA OPPORTUNITY AREA

## Representations submitted to GLA

- ★ Consented, large scale scheme with a high transport accessibility rating
- ★ Representations have been submitted to the Greater London Authority (GLA) in preparation for the new London Plan
  - Outlines Earls Court's ability to deliver minimum of 10,000 new homes, significantly above current consent
  - Working with GLA and other stakeholders to explore opportunities to evolve and enhance the Masterplan



# LOOKING AHEAD

## Ian Hawksworth

## Focused on London; high quality assets; strong balance sheet

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- ★ Two unique prime central London assets backed by a strong balance sheet
  - Macro-economic uncertainty in the short-term
  - Low LTV, high liquidity and modest capital commitments
- ★ Significant financial flexibility and well positioned to take advantage of opportunities
- ★ Covent Garden
  - New ERV target of £125m to be achieved by December 2020
  - Continue to introduce global brands to the estate in core categories
  - Complete Floral Court development to unlock placemaking opportunity on Floral Street
  - Continued investment on the estate
- ★ Earls Court
  - Moving forward with plans to maximise the Masterplan
  - Complete demolition of former exhibition centres preparing land for future development
  - Complete construction of Phase 1 of Lillie Square and continued sales of Phase 2



# APPENDIX

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



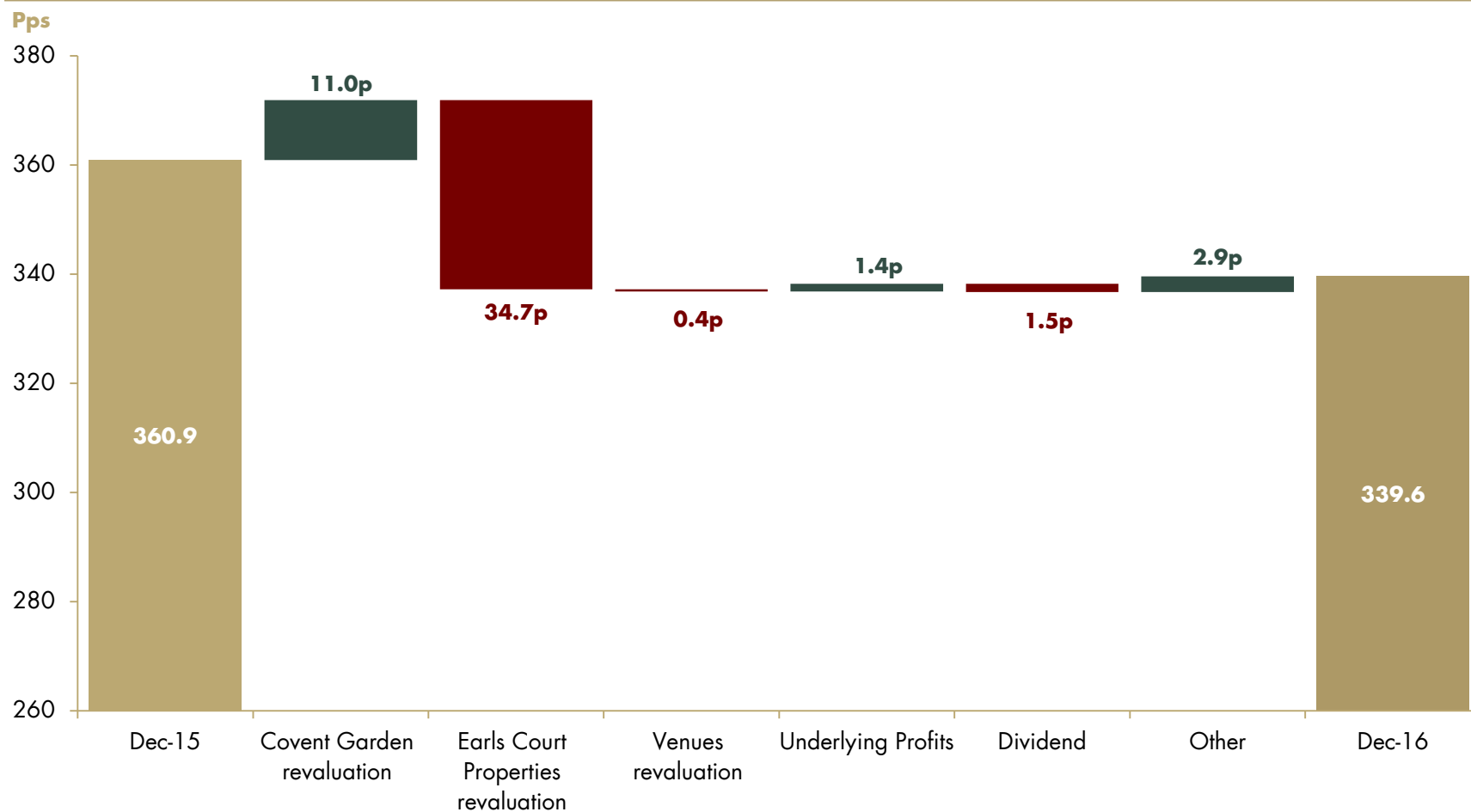
# SUMMARY BALANCE SHEET

## IFRS to Group Share as at 31 December 2016

|                                          | IFRS  | Add back:<br>Joint<br>Ventures <sup>1</sup> | Less:<br>Non-controlling<br>interest <sup>2</sup> | Group share |
|------------------------------------------|-------|---------------------------------------------|---------------------------------------------------|-------------|
|                                          | £m    | £m                                          | £m                                                | £m          |
| <b>Investment &amp; Trading Property</b> | 3,823 | 176                                         | (379)                                             | 3,620       |
| <b>Net Debt</b>                          | (815) | (40)                                        | 8                                                 | (847)       |
| <b>Other assets and liabilities</b>      | 165   | (136)                                       | 3                                                 | 32          |
| <b>Non-controlling interest</b>          | (368) | -                                           | 368                                               | -           |
| <b>NAV</b>                               | 2,805 | -                                           | -                                                 | 2,805       |

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 prepares and reviews information internally, 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 NET ASSETS PER SHARE



★ EPRA NNNAV 335 pence per share

# DEBT COVENANTS

|                            | Maturity    | Loan<br>outstanding <sup>1</sup> | LTV<br>covenant | Interest cover<br>covenant |
|----------------------------|-------------|----------------------------------|-----------------|----------------------------|
| Covent Garden <sup>2</sup> | 2020 - 2028 | £675m                            | 60%             | 120%                       |
| ECPL                       | 2026        | £20m                             | 40%             | n/a                        |
| Lillie Square <sup>3</sup> | 2017- 2018  | £78m                             | 75%             | n/a                        |
| Empress State              | 2018        | £85m                             | 60%             | 300%                       |
| Olympia London             | 2020        | £50m                             | 50%             | 250%                       |
| Total                      |             | £908m                            |                 |                            |

1. The loan values are the nominal values at 31 December 2016 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.

2. Covent Garden comprises five loans with maturities in 2020, 2021, 2024, 2026 and 2028.

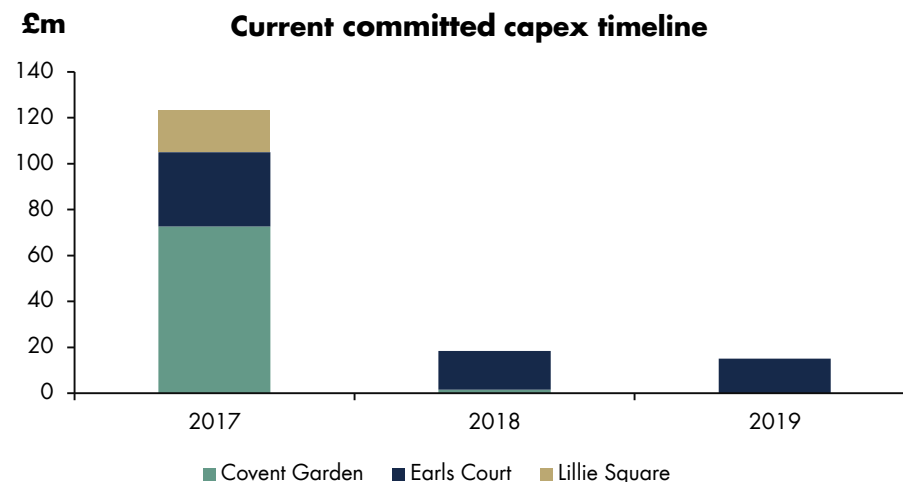
3. Lillie Square comprises two loans with maturities in 2017 and 2018.

# MODEST CAPITAL COMMITMENTS

## ★ Modest capital commitments of £157m

- Covent Garden £75m
- Earls Court £64m
- Lillie Square £18m

## ★ Proforma LTV of 28% taking account of all current commitments



## Key commitments

| Project              | Commitment | ERV    | Completion date |
|----------------------|------------|--------|-----------------|
| Floral Court         | £47m       | £7.5 m | Q4 2017         |
| 11-12 Floral Street  | £9m        | £1.8m  | Q4 2017         |
| Opera Terrace        | £4m        | £1.5m  | Q2 2017         |
| CLSA instalments     | £45m       | -      | Q4 2019         |
| ECPL enablement      | £11m       | -      | Q4 2017         |
| Lillie Square Phase1 | £18m       | -      | Q4 2017         |
| Other                | £23m       | -      | +2017           |

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# TAXATION

## Summary

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### 1. 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.

The Chancellor confirmed in the November 2016 Autumn Statement that the UK government remains committed to cutting the main rate of corporation tax to 17% from April 2020.

Medium-term underlying tax rate for the Group is expected to remain broadly in line with the UK statutory tax rates.

### 2. Tax on capital gains

The contingent tax position on investment property held as at year ended 31 December 2016 is £nil (31 December 2015: £18m)

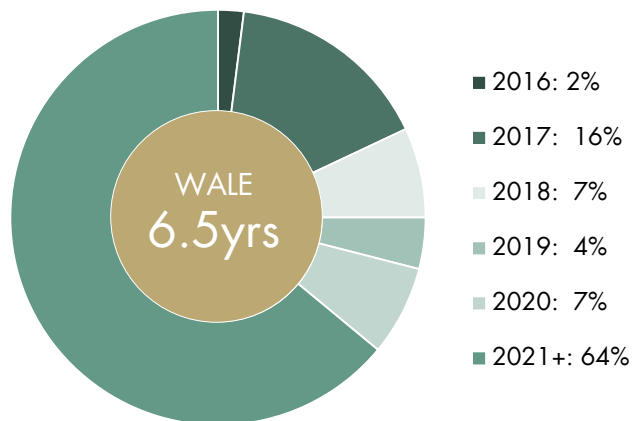
A disposal of the Group's trading property at its market value would result in a corporation tax charge of £9.6m (20% of £48.1m).



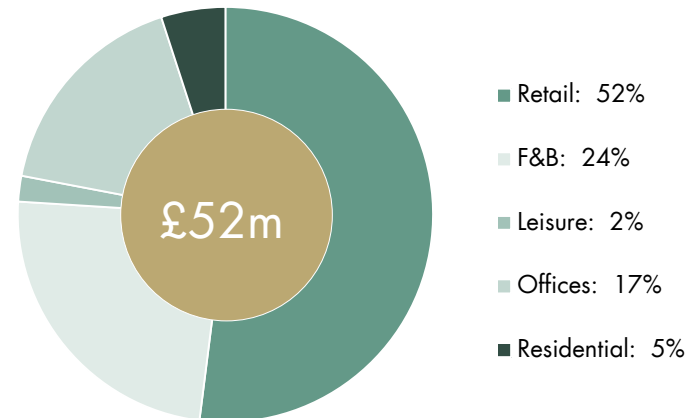
# COVENT GARDEN

73 properties, 463 lettable units

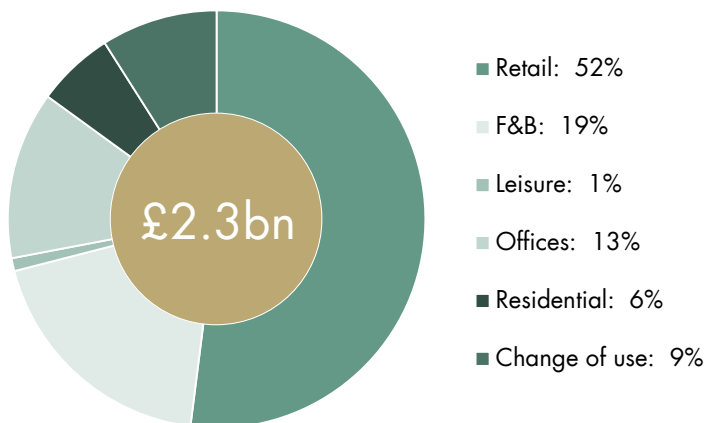
## LEASE EXPIRY PROFILE



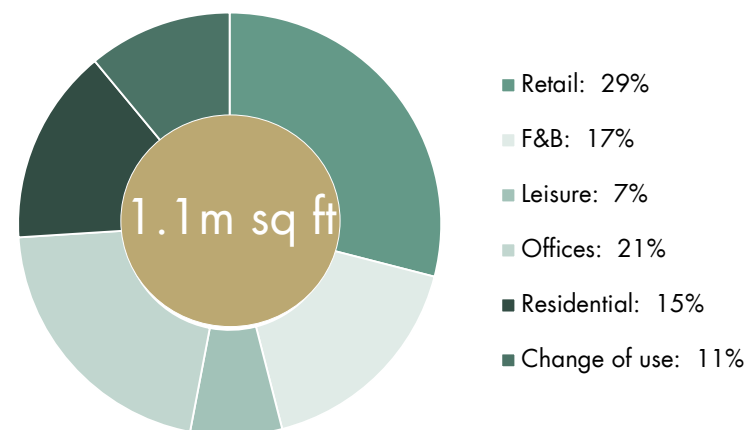
## ANNUAL GROSS INCOME



## PORTFOLIO VALUE

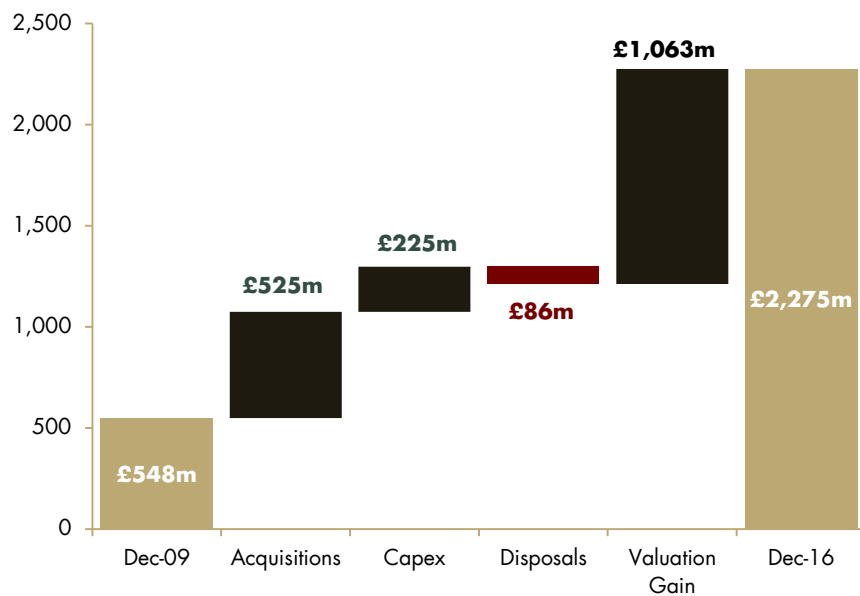


## TOTAL FLOOR AREA

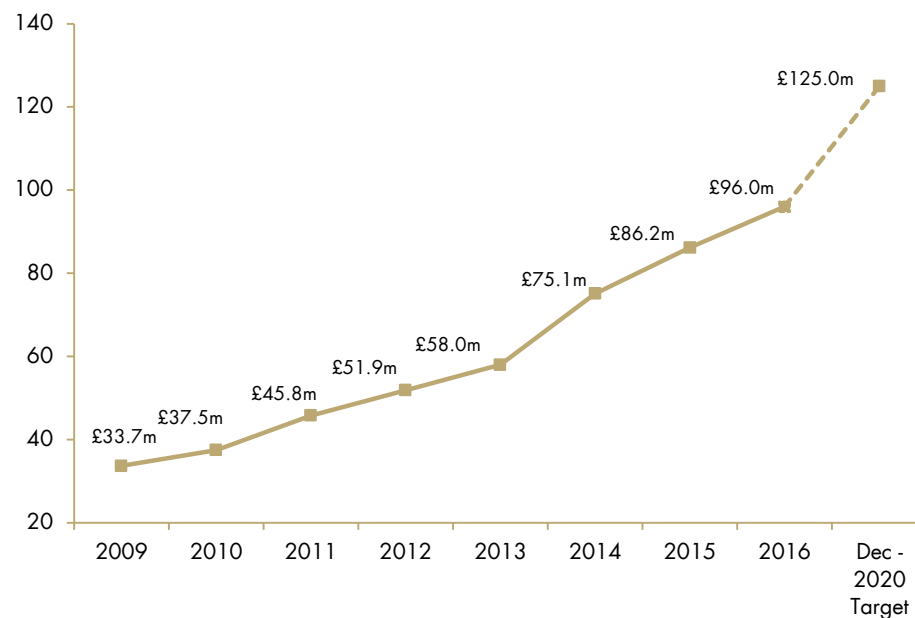


# COVENT GARDEN VALUATION

£m VALUE CREATION



£m ERV PROGRESSION



# 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 <sup>1</sup> | CLSA <sup>2</sup> | LBD <sup>3</sup> | ESB        | Total       |
|------------------|-------------------|-------------------|------------------|------------|-------------|
|                  | sqft (m)          | sqft (m)          | sqft (m)         | sqft (m)   | sqft (m)    |
| Residential      | 2.9 <sup>4</sup>  | 3.2               | 2.0              | 0.8        | 8.9         |
| Commercial/Other | 0.7               | 0.4               | 0.6              | 0.3        | 2.0         |
| <b>Total</b>     | <b>3.6</b>        | <b>3.6</b>        | <b>2.6</b>       | <b>1.1</b> | <b>10.9</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

4 Residential area includes 0.2m sq ft relating to the Empress Place development which transferred on completion of ECPL and is not yet consented

Note: Gross external area relates to the consented scheme

