

Capital & Counties Properties PLC
Interim Results 2017
21 July 2017

capco★

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1. INTRODUCTION

Ian Hawksworth

2. FINANCIAL REVIEW

Situl Jobanputra

3. COVENT GARDEN

Ian Hawksworth

4. EARLS COURT PROPERTIES

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5. LOOKING AHEAD

Ian Hawksworth

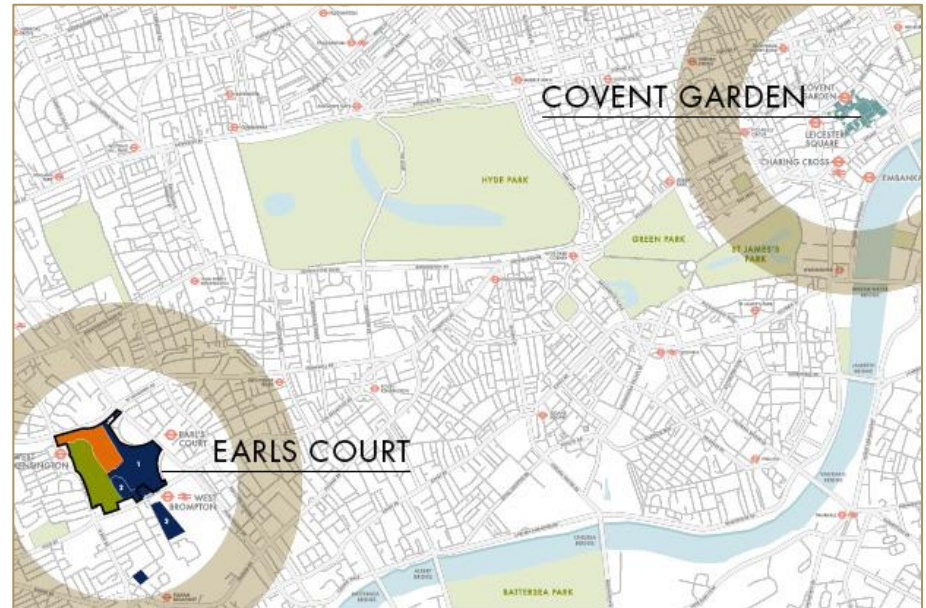
6. Q&A

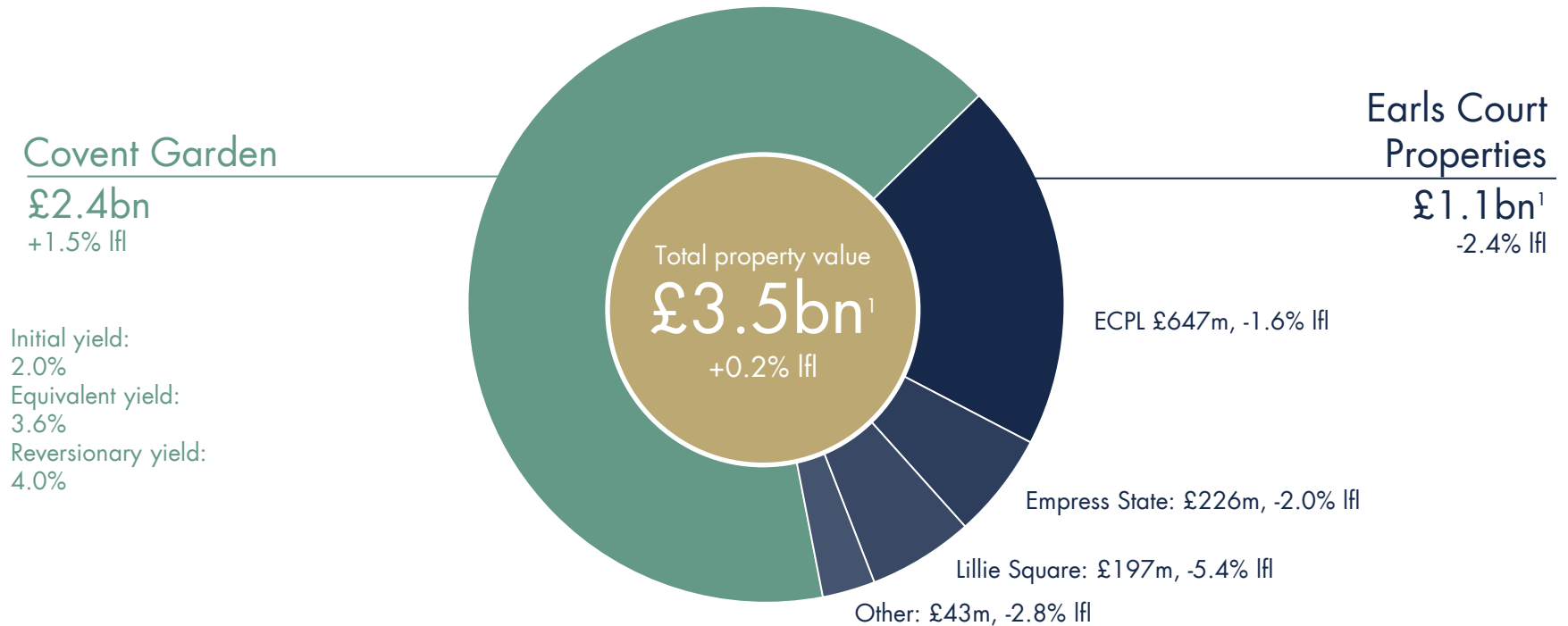
INTRODUCTION

Ian Hawksworth

TWO PRIME CENTRAL LONDON ESTATES

- ★ Clear and focused strategy
- ★ Covent Garden
 - 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





- ★ EPRA NAV 339p per share
- ★ Total return 0.1%
- ★ Interim dividend 0.5p per share

1. Group share

IMPLEMENTING OUR STRATEGY

Active first half

- ★ Continued growth at Covent Garden
 - 43 new leases and renewals, 4% above December 2016 ERV
 - 3% lfl increase in ERV to £99m
 - Positive progress towards ERV target of £125m by December 2020
 - 7% lfl growth in NRI (versus June 2016)

- ★ Positive progress at Earls Court
 - Lillie Square handovers on track, sales continue to progress
 - Land enablement works to complete by end of the year
 - Positive engagement with stakeholders on enhanced Masterplan

- ★ Sale of Venues
 - £296m, £3m premium to NAV

- ★ Strong balance sheet
 - Low LTV, high liquidity and modest capital commitments
 - £225m US Private Placement signed

FINANCIAL REVIEW

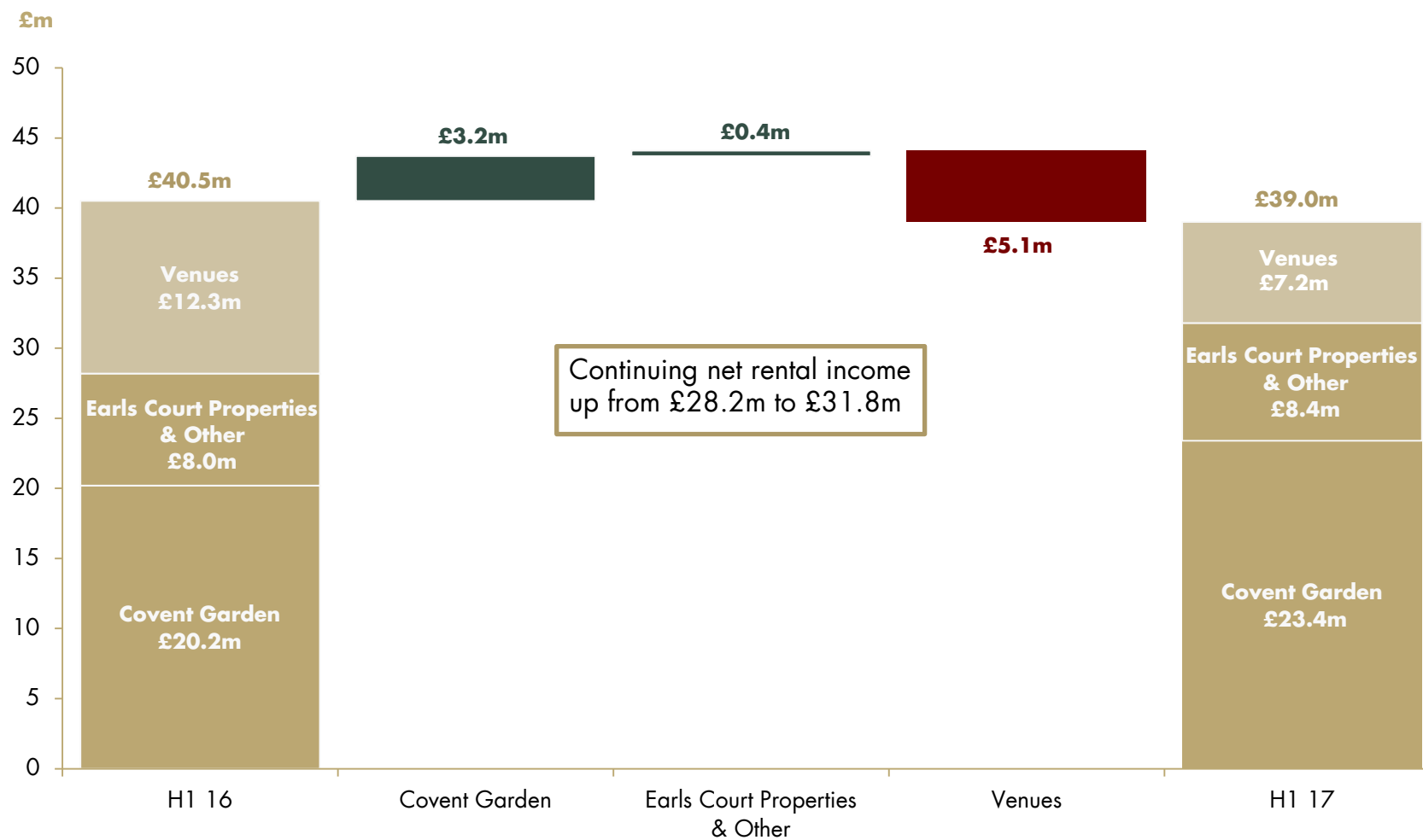
Situl Jobanputra

UNDERLYING EARNINGS

	Jun-17 £m	Jun-16 £m	Var £m
<i>Continuing operations:</i>			
Net rental income	31.8	28.2	3.6
Administration costs	(21.4)	(21.0)	(0.4)
Net finance costs	(10.1)	(9.6)	(0.5)
Other	1.3	1.4	(0.1)
Tax	(0.3)	(1.0)	0.7
Underlying earnings from continuing operations	1.3	(2.0)	3.3
<i>Including Venues:</i>			
Underlying earnings	4.6	5.9	(1.3)
Underlying earnings per share (pence)	0.5	0.7	(0.2)
Proposed interim dividend per share	0.5	0.5	-

Note: All numbers shown at Group share

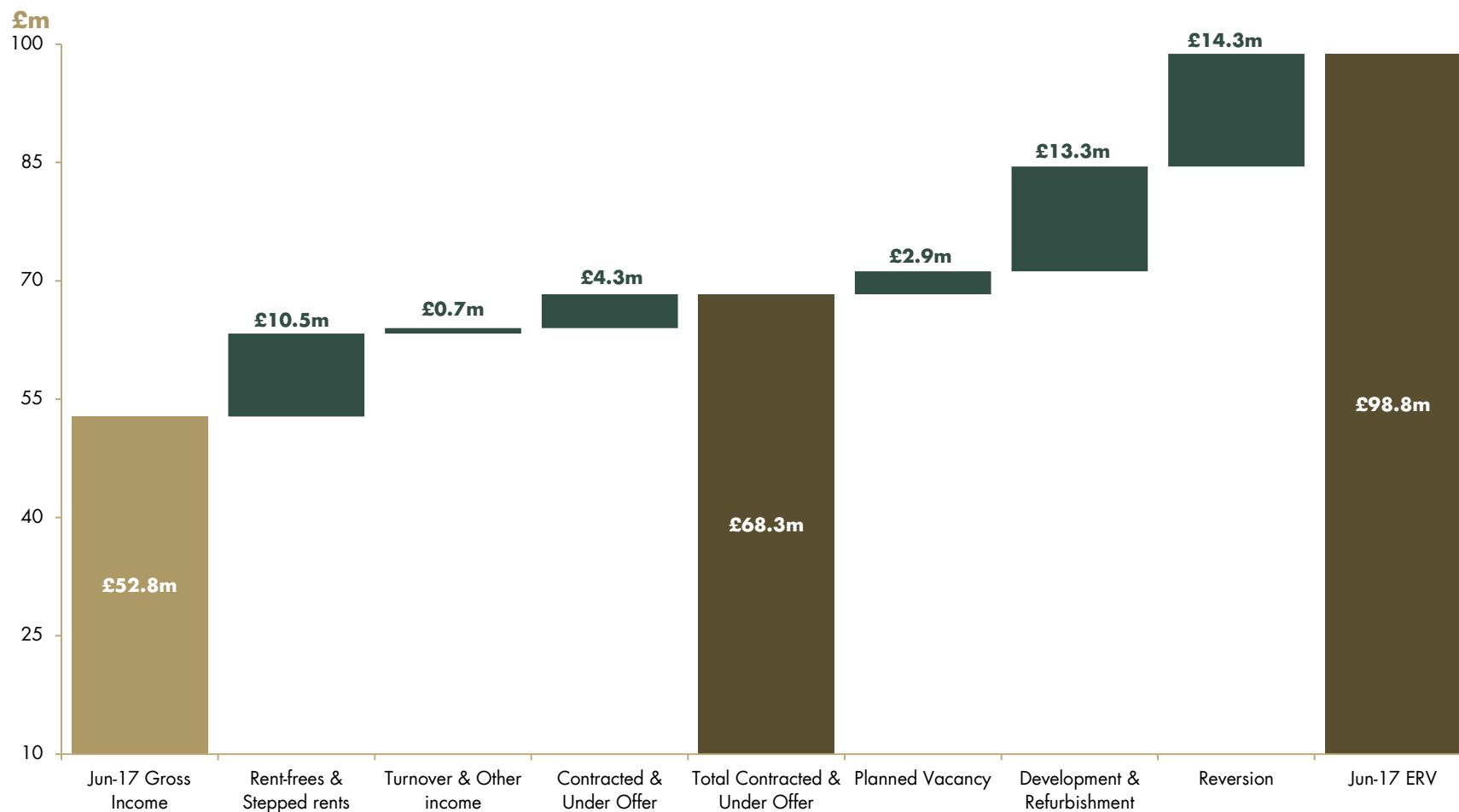
NET RENTAL INCOME



Note: All numbers shown at Group share

DRIVING INCOME GROWTH

Covent Garden



EPRA BALANCE SHEET



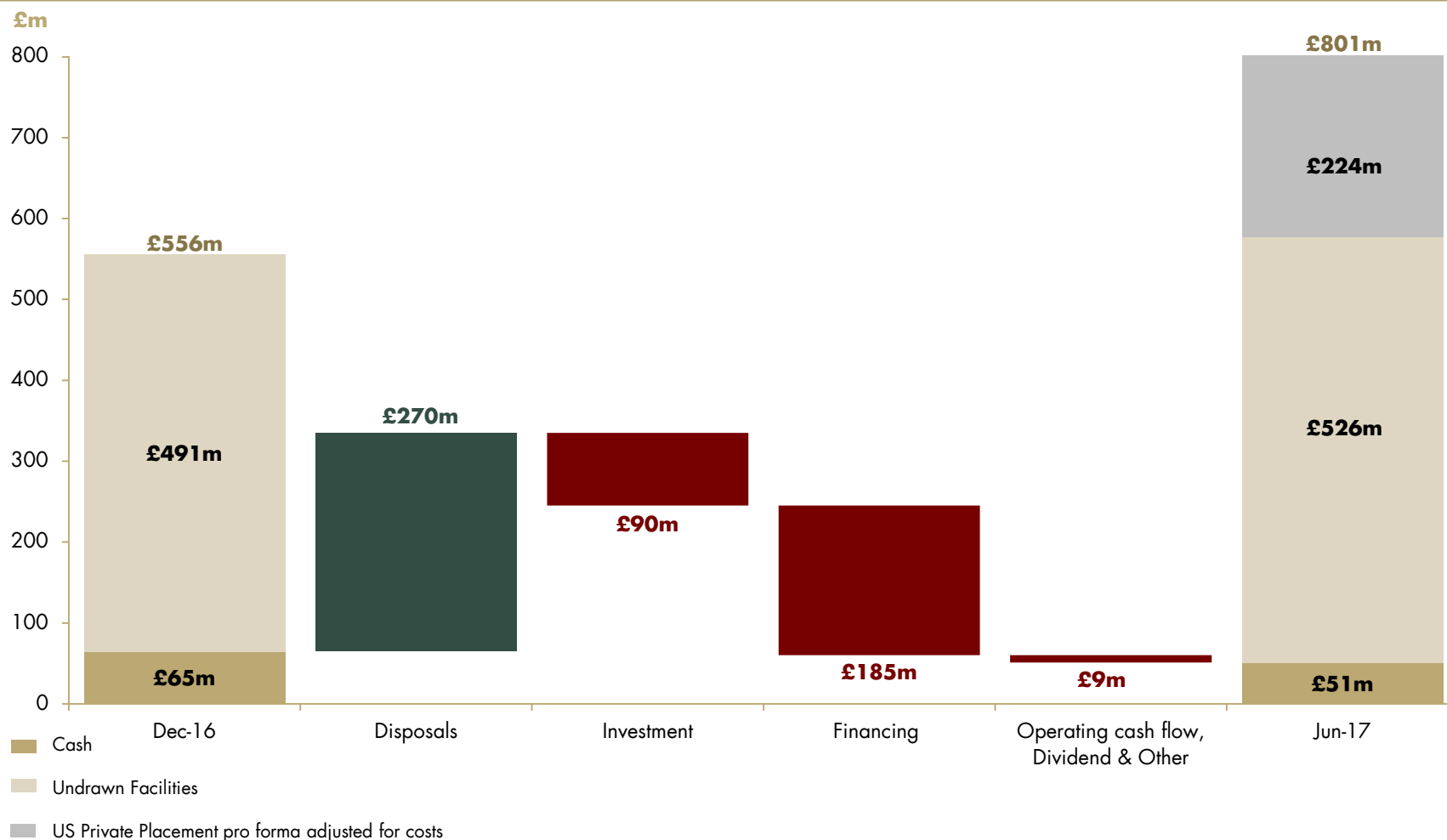
	Jun-17 £m	Dec-16 £m	Var £m
Investment & Trading Property	3,390	3,620	(230)
Unrecognised surplus on trading property	35	48	(13)
Net debt	(622)	(847)	225
Other	80	57	23
EPRA NAV	2,883	2,878	5
Number of shares in issue (diluted)	850m	848m	2m
EPRA NAV per share	339.1p	339.6p	(0.5p)

★ EPRA NNNNAV 337 pence per share

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

CASH UTILISATION

Strengthened liquidity, increased financial flexibility



Note: All numbers shown at Group share

★ Financing activities

- Sale of Venues for £230m net cash
- Repayment of £86m Empress State debt
- New £225m US Private Placement signed for Covent Garden
 - Average coupon 2.75%
 - 7 to 20 year spread of maturities
 - Further diversifies sources of funding
 - Closing and funding in August 2017

	Jun-17	Dec-16
Net debt	£622m	£847m
LTV	18%	23%
Interest cover	156%	173%
Cash and available facilities	£577m	£556m
Weighted average cost of debt	3.0%	2.7%
Weighted average maturity	5.9 yrs	5.9 yrs

★ Strong balance sheet

- Significant liquidity
- Strong covenant position
- Modest capital commitments

COVENT GARDEN

Ian Hawksworth



STRATEGY FOR COVENT GARDEN

World class 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 leading destination for global brands

Portfolio value

£2.4bn

+1.5% like-for-like

ERV

+3%_(lfl)

£99m

New lettings & renewals

+4%

Ahead of Dec-16 ERV

NRI (vs June 2016)

+7%

like-for-like

★ Positive operational momentum

- 43 new leases and renewals
- £7m of rent contracted in the period
- Capturing income growth

★ Excellent brands introduced

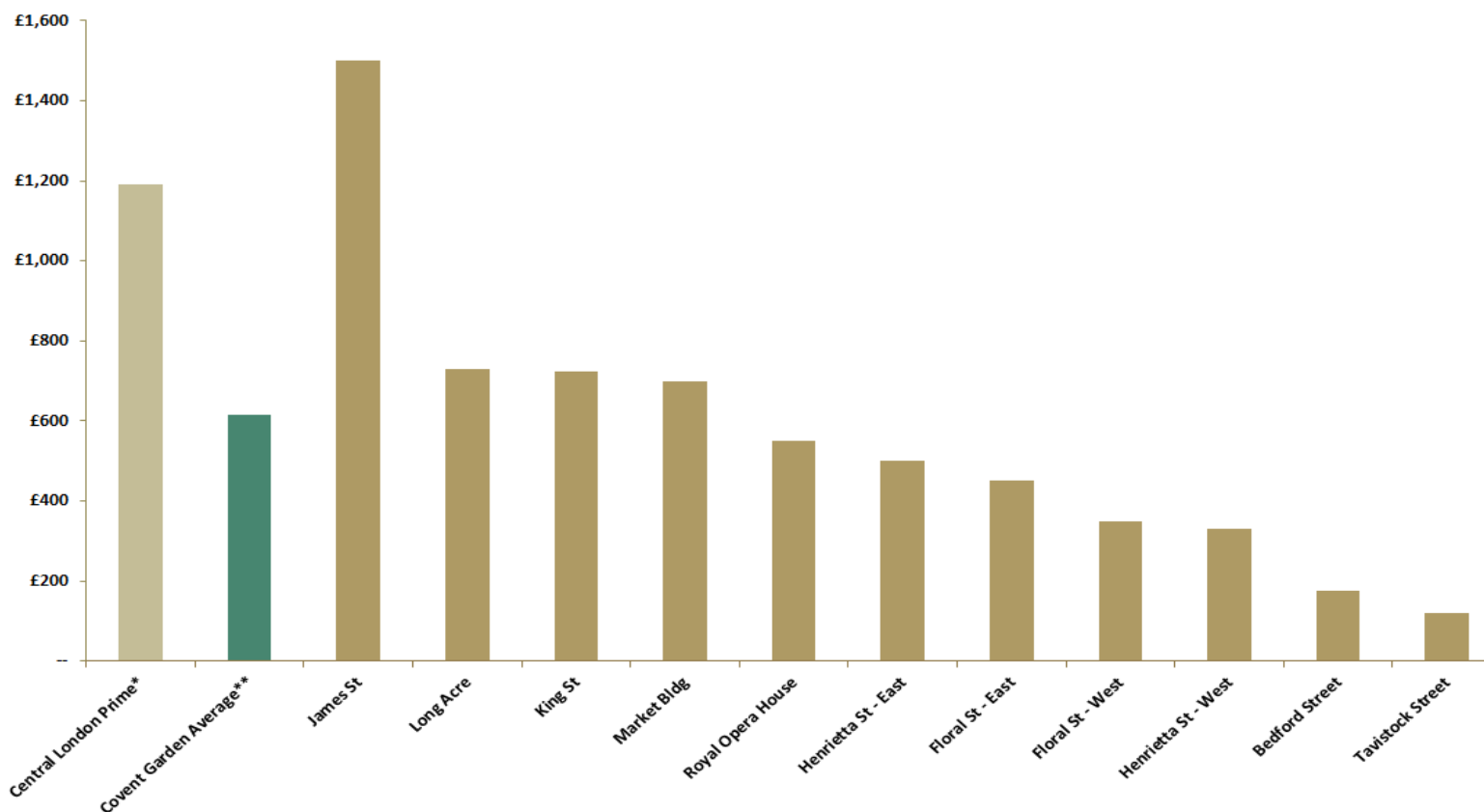
★ ERV target of £125m to be achieved by December 2020



DRIVING RENTAL GROWTH

Average Zone A rents significantly below central London

ITZA psf (£) – June 2017



* 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.

POSITIVE OPERATIONAL MOMENTUM

Strengthened brand line up

- ★ Kent & Curwen introduced to Floral Street
- ★ Luxury accessories category strengthened
 - Linda Farrow
 - Daniel Wellington
- ★ Bose signed on King Street



DANIEL WELLINGTON

LINDA FARROW



REPOSITIONING HENRIETTA STREET

Menswear and dining

- ★ A newly established retail street
- ★ Excellent new brands introduced over the period
- ★ Opening of The Henrietta Hotel

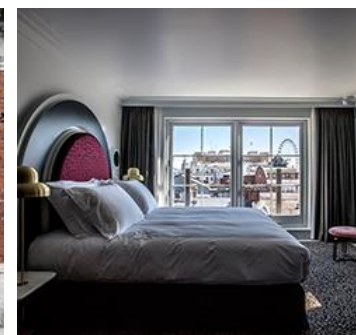
•OYSTERMEN•

SEAFOOD BAR & KITCHEN



BAILEY NELSON
— LONDON —

THE
Henrietta
HOTEL



- ★ Floral Court on track to complete by the end of the year
- ★ 11-12 Floral Street
 - 12 Floral Street pre-let to Kent & Curwen
 - Completion Q4 2017
- ★ Opera Terrace complete
 - Let to SushiSamba, opening Q4 2017
- ★ 26-27 Southampton Street
 - Completion and launch of 10 residential apartments



EARLS COURT PROPERTIES

Gary Yardley

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
Jun-17	£647m	£226m	n/a	£43m	£197m	£1,113m
Variance (lfl)	(1.6)%	(2.0)%	n/a	(2.8)%	(5.4)%	(2.4)%

Note: All numbers shown at Group share

LILLIE SQUARE

Phase 1 delivery this year, Phase 2 sales continue to progress

- ★ Over 50% of all private units across the scheme sold off plan
- ★ Phase 1 completions on track
 - 78 apartments handed over
 - £75m of sales proceeds received (Group share £37m)
 - Circa £250m (Group share £125m) of sales proceeds expected by the end of 2017
- ★ Phase 2 sales continue
 - 86 units reserved or exchanged
 - Sales pricing achieved at a modest premium to comparable units in Phase 1

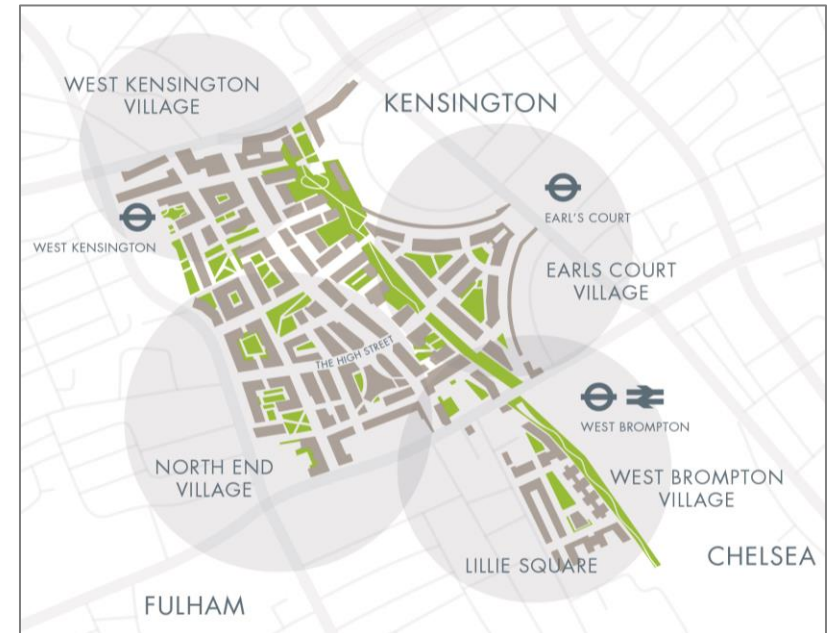


PREPARING THE LAND FOR FUTURE DEVELOPMENT

Land enablement works on track



- ★ ECPL to submit new planning application for Empress Place shortly
 - Creates new entrance to the Earls Court Masterplan
 - Aligns with ability to deliver greater density
- ★ Positive engagement with relevant stakeholders on the enhanced Masterplan

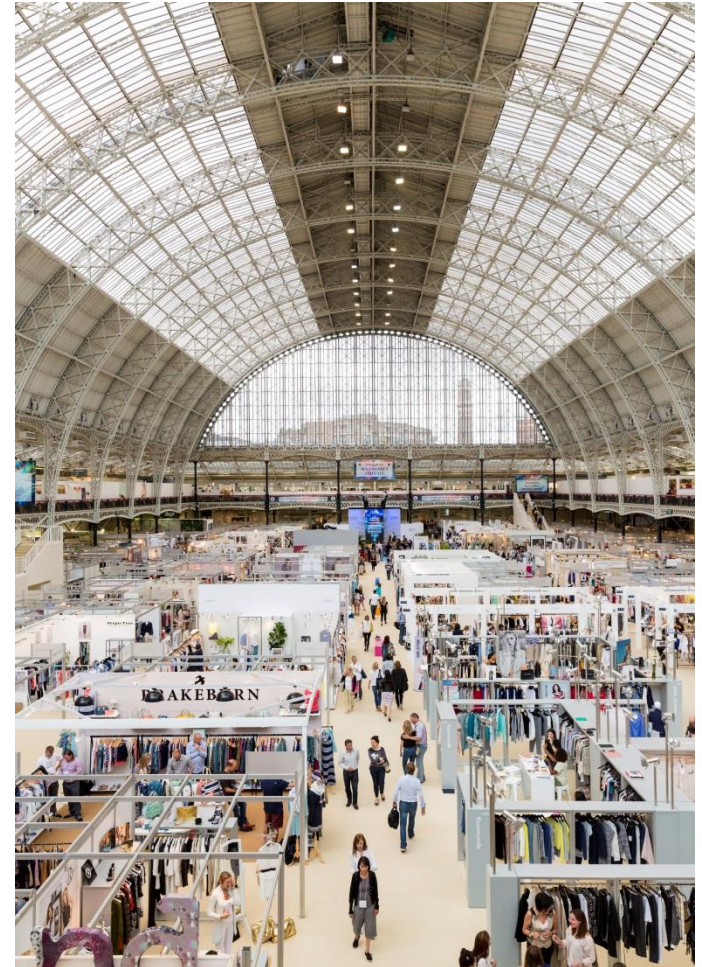
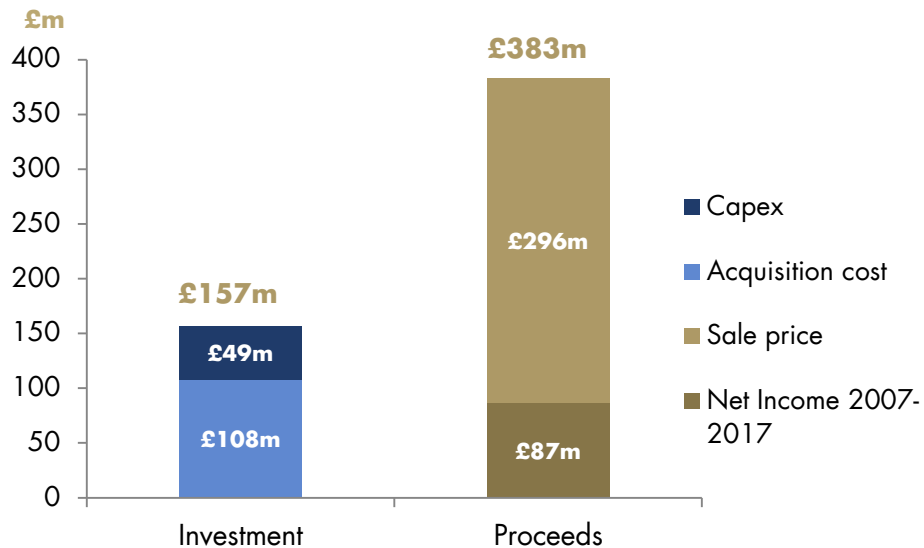


SALE OF VENUES

Delivering on strategy; realising value

- ★ Sale of Venues for £296m, consistent with strategy

Gain on investment £226m

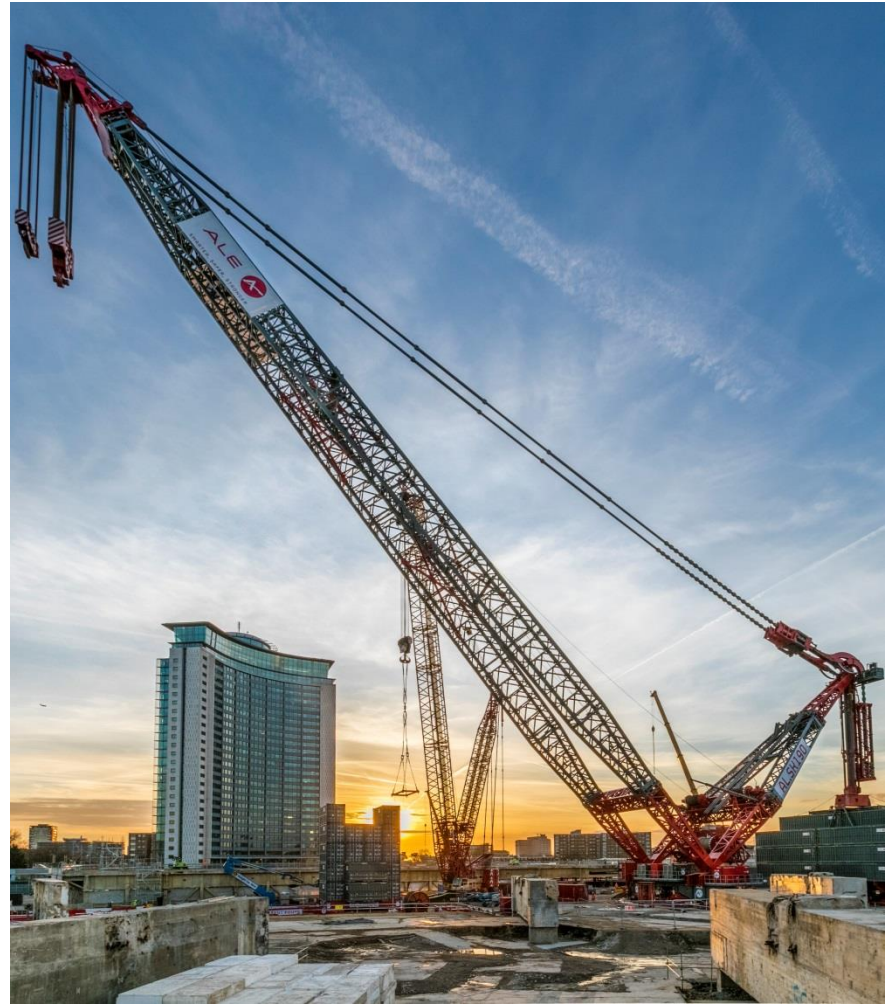


LOOKING AHEAD

Ian Hawksworth

Confident in our two unique estates

- ★ Two unique prime central London assets backed by a strong balance sheet
 - Low LTV, high liquidity and modest capital commitments
- ★ Covent Garden
 - Introduce best in class global brands and enhanced customer experiences
 - Completion of Floral Court
 - Continued investment on the estate
 - ERV target of £125m by December 2020
- ★ Earls Court
 - Moving forward with plans to maximise the Masterplan
 - Complete land enablement works in preparation for future development
 - Complete handover of Phase 1 of Lillie Square and continue to progress Phase 2
- ★ Significant financial flexibility and well positioned to take advantage of opportunities



APPENDIX

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

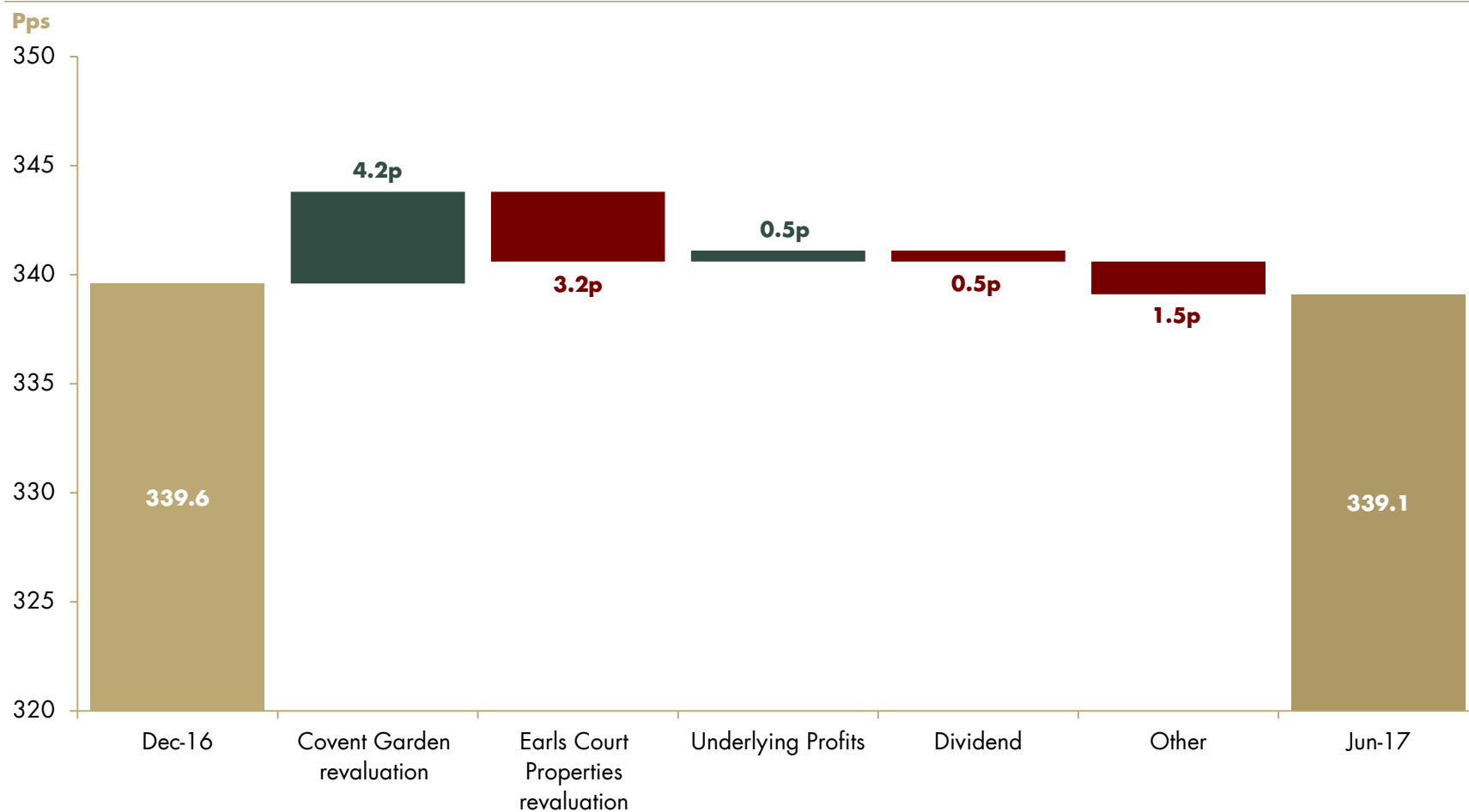
SUMMARY BALANCE SHEET

IFRS to Group Share as at 30 June 2017

	IFRS	Add back: Joint Ventures ¹	Less: Non-controlling interest ²	Group share
	£m	£m	£m	£m
Investment & Trading Property	3,609	161	(380)	3,390
Net Debt	(613)	(24)	15	(622)
Other assets and liabilities	203	(137)	3	69
Non-controlling interest	(362)	-	362	-
NAV	2,837	-	-	2,837

1. This consists of the Lillie Square Joint Venture, the Innova Investments 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 337 pence per share

DEBT COVENANTS

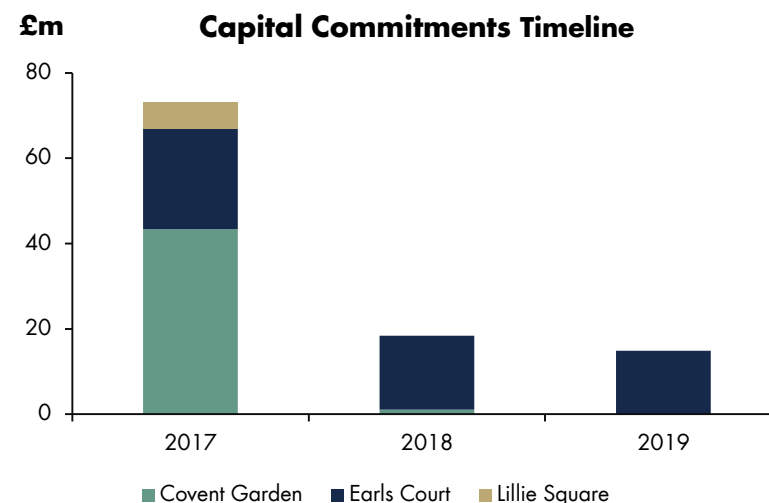
	Maturity	Loan outstanding ¹	LTV covenant	Interest cover covenant
Covent Garden ²	2020-2028	£585m	60%	120%
ECPL	2026	£30m	40%	n/a
Lillie Square	2019	£59m	75%	n/a
Total		£674m		

1. The loan values are the nominal values at 30 June 2017 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.

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

★ Modest capital commitments of £107m

- Covent Garden £45m
- Earls Court £56m
- Lillie Square £6m



Key commitments

Project	Commitment	ERV	Completion date
Floral Court	£33m	£7.6m	Q4 2017
11-12 Floral Street	£4m	£1.8m	Q4 2017
CLSA instalments	£45m	-	Q4 2019
ECPL enablement	£9m	-	Q4 2017
Lillie Square	£6m	-	Q4 2017
Other	£10m	-	+2017

1. Tax on income

The underlying tax rate including discontinued operations is 19.7% which is in line with the statutory corporation tax rate for 2017.

The Chancellor reconfirmed the UK Government's commitment to cut 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

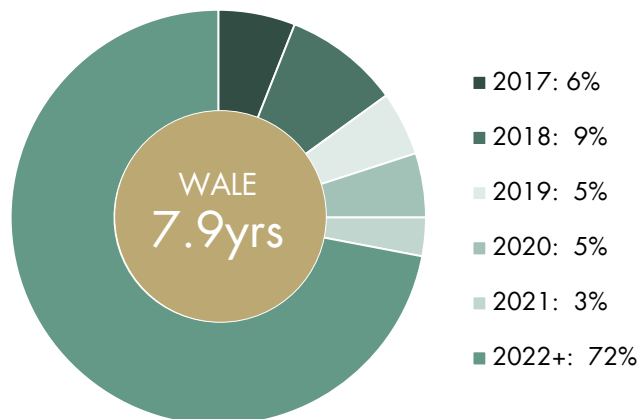
The contingent tax position on investment property held as at period ended 30 June 2017 is £nil (31 December 2016: £nil)

A disposal of the Group's trading property at its market value would result in a corporation tax charge of £6.7m (19% of £35m).

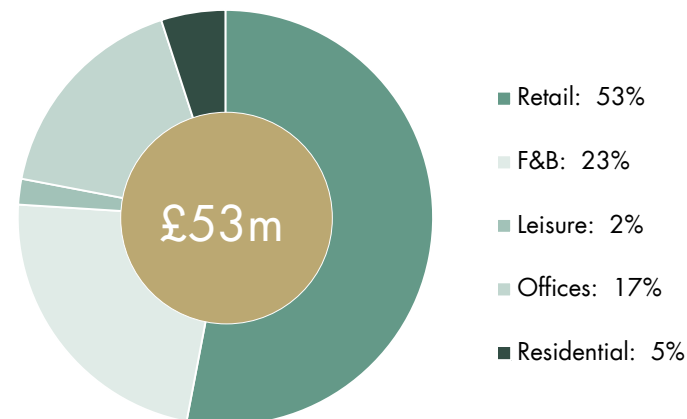
COVENT GARDEN

74 properties, 457 lettable units

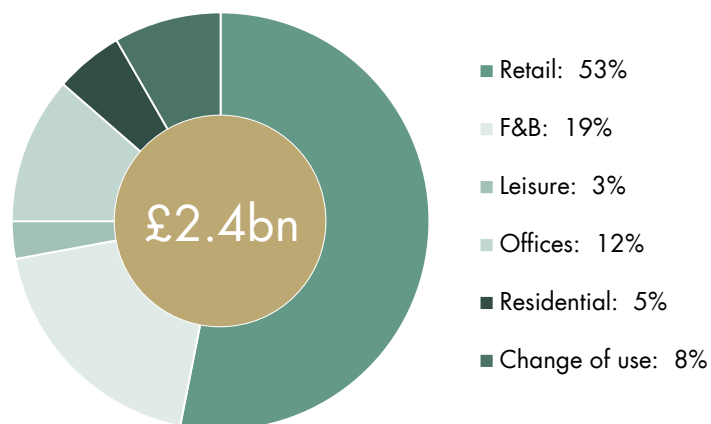
LEASE EXPIRY PROFILE



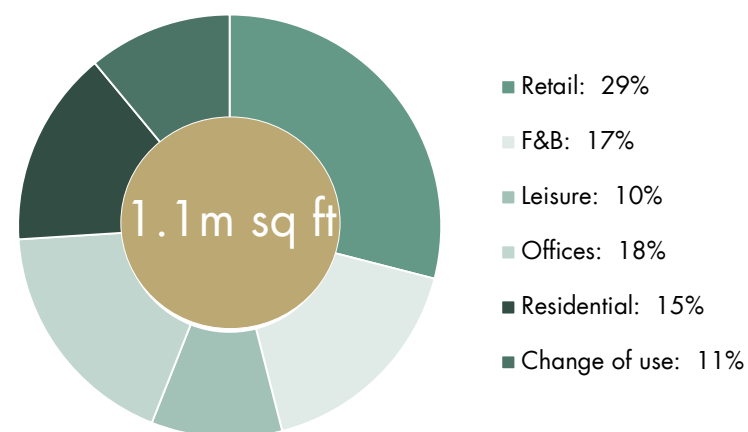
ANNUAL GROSS INCOME



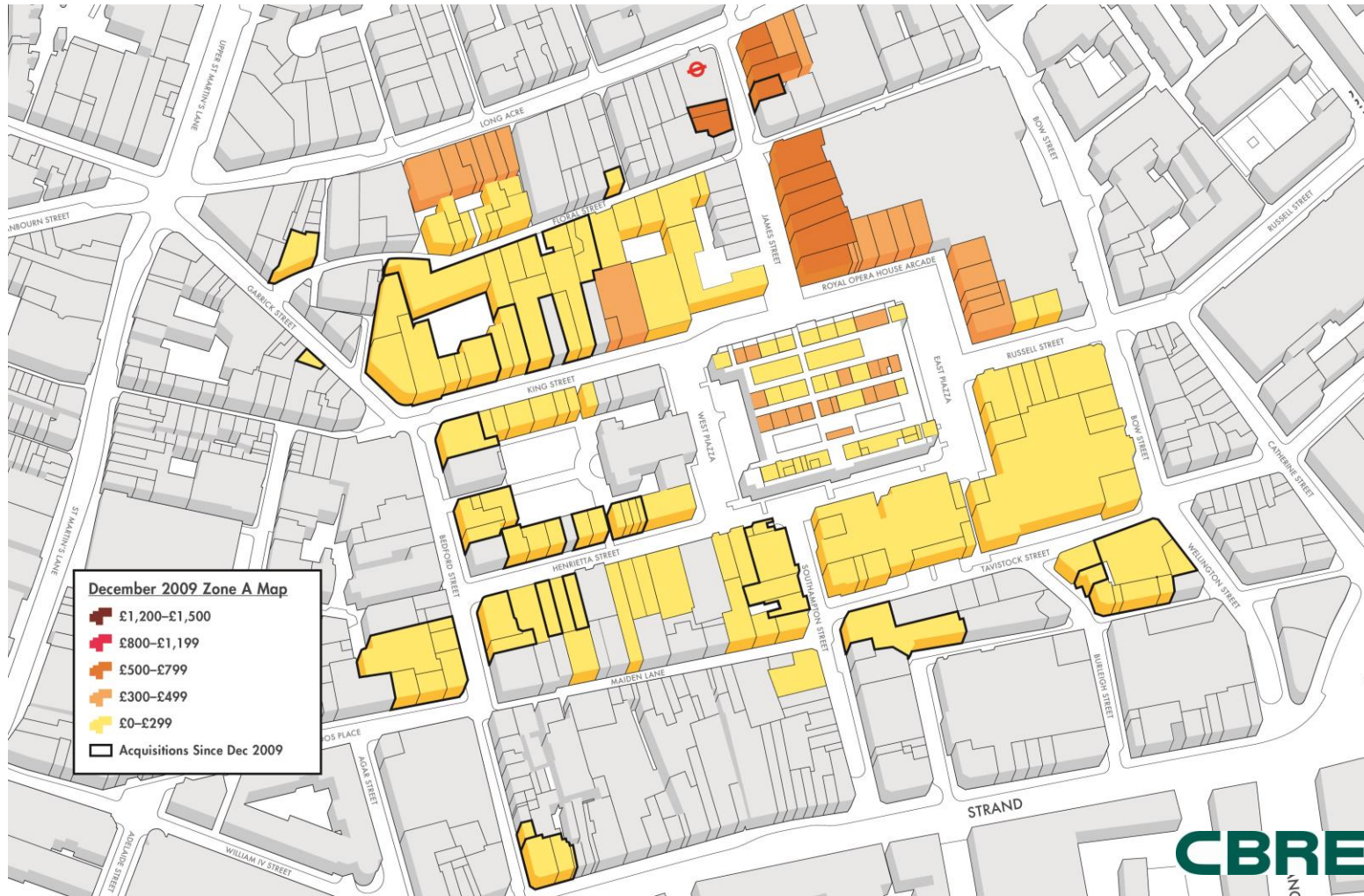
PORTFOLIO VALUE



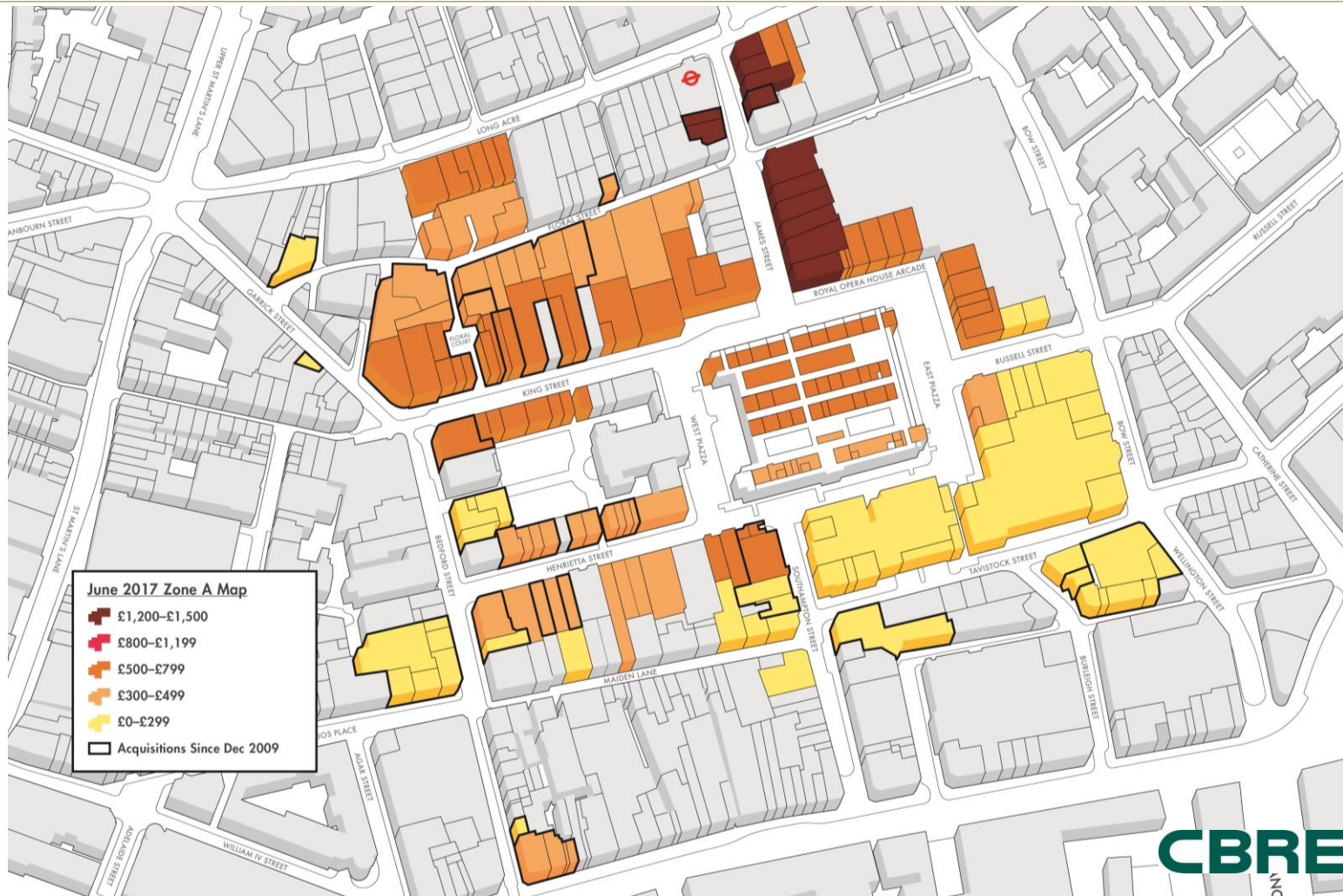
TOTAL FLOOR AREA



ZONE A DISTRIBUTION DECEMBER 2009

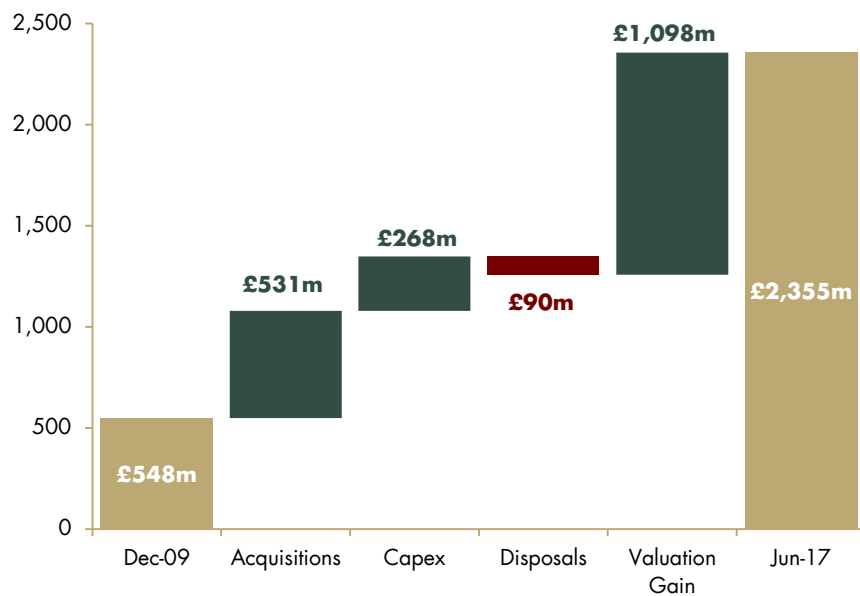


ZONE A DISTRIBUTION JUNE 2017

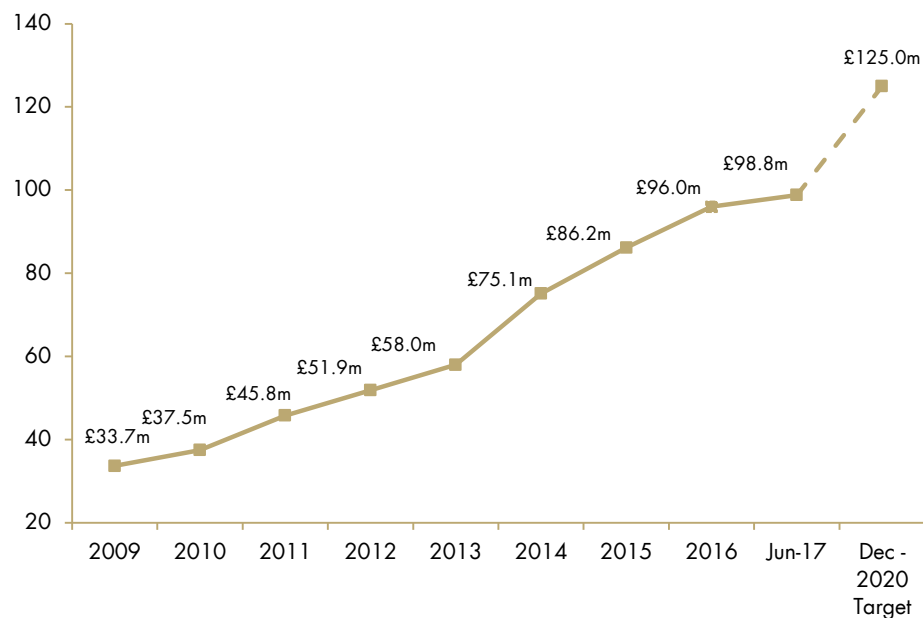


COVENT GARDEN VALUATION

£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 ¹	CLSA ²	LBD ³	ESB	Total
	sqft (m)	sqft (m)	sqft (m)	sqft (m)	sqft (m)
Residential	2.9 ⁴	3.2	2.0	0.8	8.9
Commercial/Other	0.7	0.4	0.6	0.3	2.0
Total	3.6	3.6	2.6	1.1	10.9

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

