



Capital & Counties Properties PLC
Interim Results 2018
25 July 2018



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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

- ★ Possible demerger reflects
 - Distinct investment characteristics
 - Changing income profile and scale of Covent Garden
 - Readiness of Earls Court land for development
- ★ Covent Garden - an independent, prime central London retail-focused REIT
- ★ Earls Court - a London land enablement and development company centred around the Earls Court masterplan
- ★ Constructive early preparatory steps taken and further announcements will be made in due course



TWO PRIME CENTRAL LONDON ESTATES

★ Active start to the year

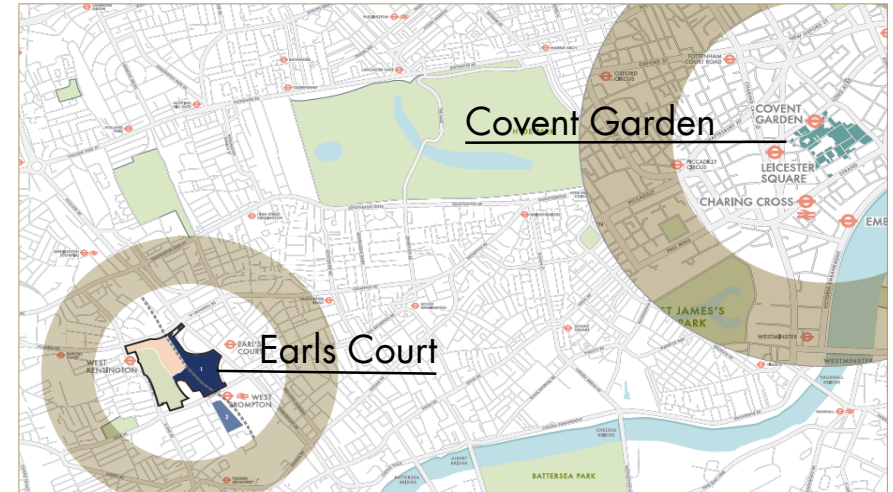
★ Covent Garden

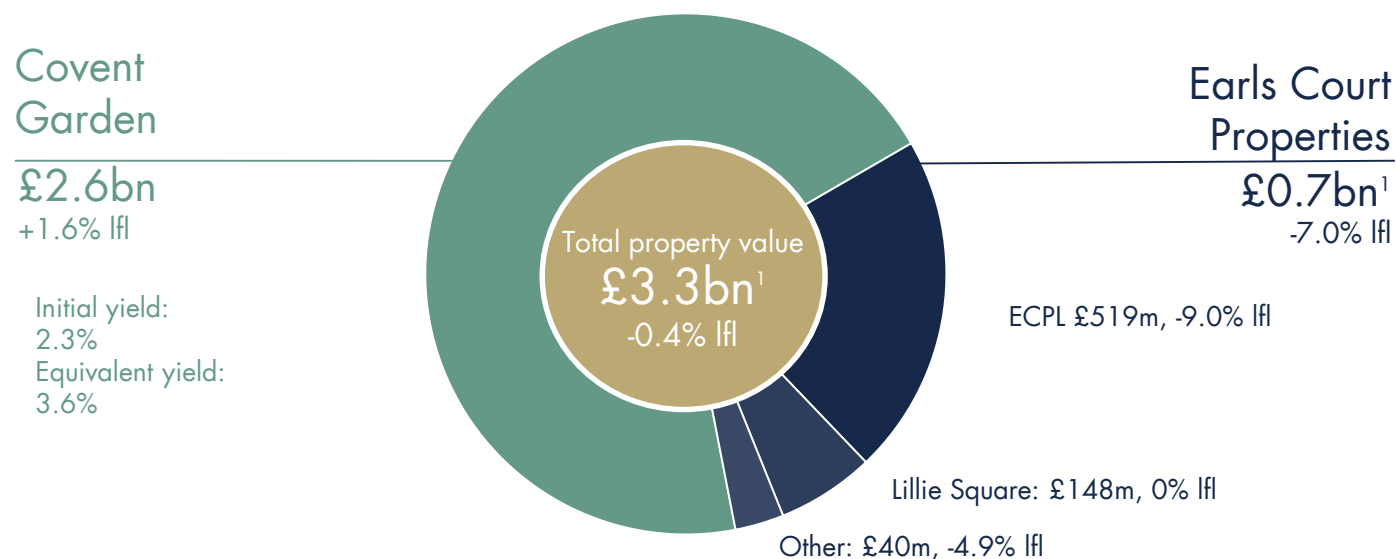
- A world-class retail and dining destination, driving rental growth through creative asset management

★ Earls Court

- Driving and realising value through planning, land assembly, land enablement and selective development

★ Strong financial position





- ★ EPRA NAV 334p per share
- ★ Total return 0.5%
- ★ Underlying earnings 0.5 pence per share
- ★ Interim dividend 0.5 pence per share

1. Group share

GOOD OPERATIONAL PROGRESS

Active first half

- ★ Continued income growth at Covent Garden
 - 11.6% lfl growth in NRI (versus June 2017)
 - 26 new leases and renewals, 8.9% above December 2017 ERV
 - 1.9% lfl increase in ERV to £107m
 - Floral Court complete, 75% of lettable space contracted
 - Excellent brands introduced

- ★ Realising value at Earls Court
 - ECPL land with detailed planning consent available for development
 - Continued interest from potential partners and end users
 - Sale of the Empress State Building for £250m
 - Excellent progress at Lillie Square

- ★ Strong balance sheet
 - Low LTV, high access to liquidity and modest capital commitments

FINANCIAL REVIEW

Situl Jobanputra

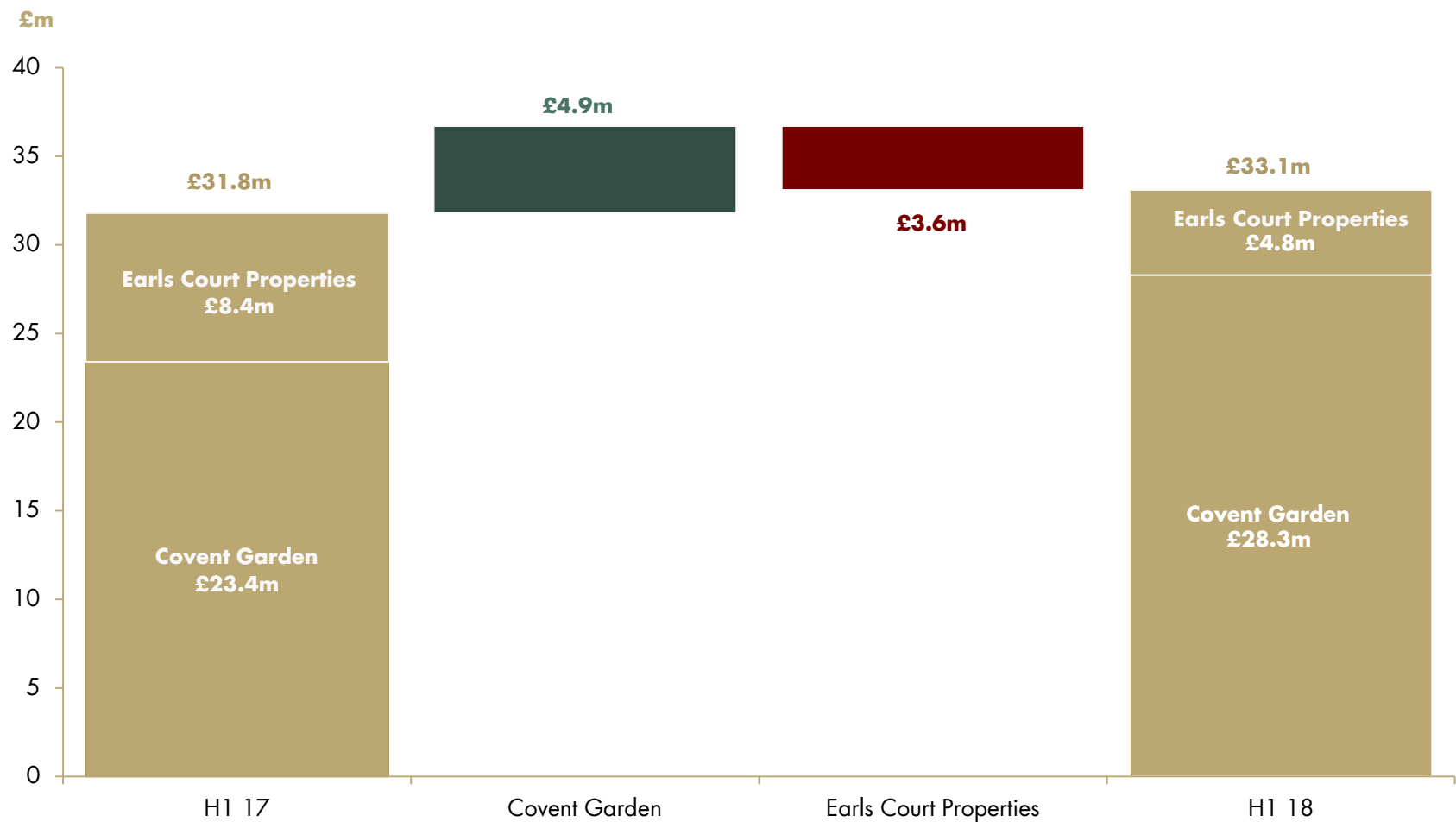
UNDERLYING EARNINGS



	Jun-18 £m	Jun-17 £m	Var £m
<i>Net rental income - Recurring</i>	29.2	23.6	5.6
<i>Net rental income - Empress State</i>	3.9	8.2	(4.3)
Group net rental income	33.1	31.8	1.3
Administration costs	(19.2)	(21.4)	2.2
Net finance costs	(9.4)	(10.1)	0.7
Other	0.9	1.3	(0.4)
Tax	(1.1)	(0.3)	(0.8)
Underlying earnings from continuing operations	4.3	1.3	3.0
Proposed interim dividend per share	0.5p	0.5p	-

Note: All numbers shown at Group share

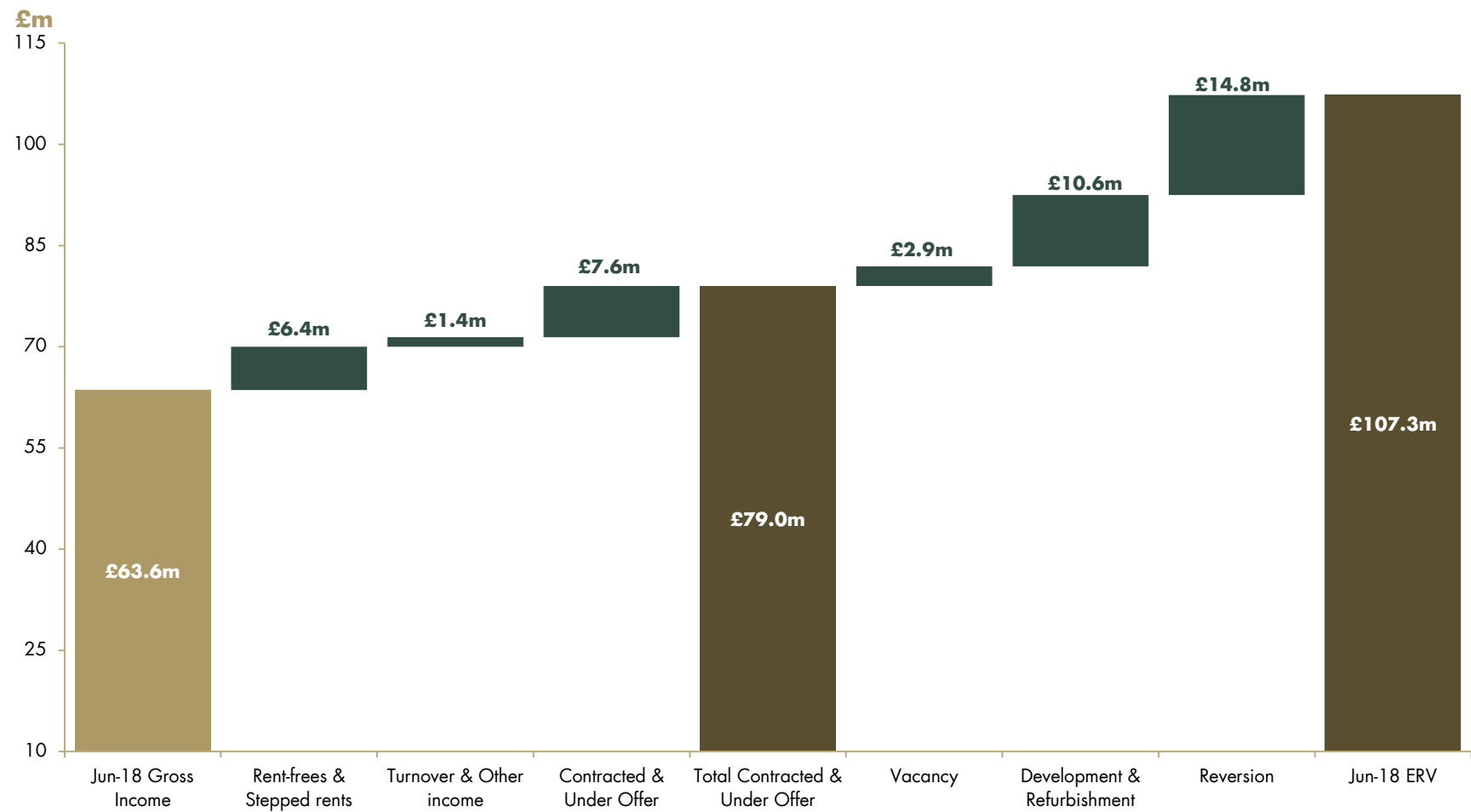
NET RENTAL INCOME



Note: All numbers shown at Group share

COVENT GARDEN

Driving income growth



EPRA BALANCE SHEET

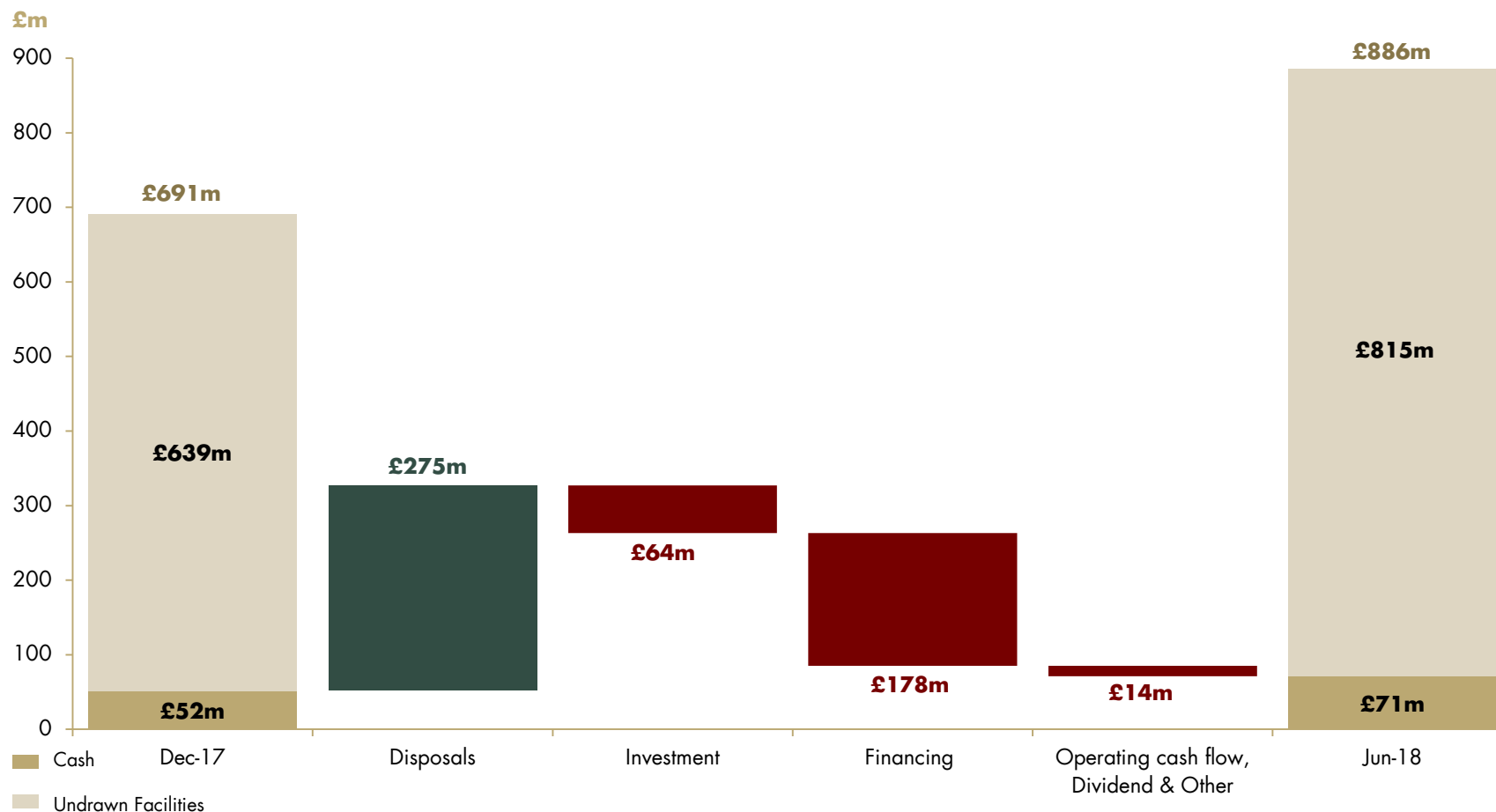
	Jun-18 £m	Dec-17 £m	Var £m
Investment & trading property	3,240	3,441	(201)
Unrecognised surplus on trading property	29	32	(3)
Net debt	(539)	(734)	195
Other	120	100	20
EPRA NAV	2,850	2,839	11
Number of shares in issue (diluted)	852m	851m	1m
EPRA NAV per share	334p	334p	–

★ 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

Strengthened liquidity, increased financial flexibility



Note: All numbers shown at Group share

★ Strong balance sheet

- Further strengthened following the sale of the Empress State Building for £250m
- Well-positioned to support the current capital requirements of both estates

★ Access to substantial liquidity and modest capital commitments

★ No significant near term maturities

	Jun-18	Dec-17
Net debt	£539m	£734m
LTV	17%	21%
Interest cover	1.6x	1.7x
Group undrawn facilities and cash	£886m	£691m
Weighted average cost of debt	2.9%	2.8%
Weighted average maturity	6.5 yrs	6.9 yrs

COVENT GARDEN

Ian Hawksworth

COVENT GARDEN

capco



COVENT GARDEN HIGHLIGHTS

A leading global retail and dining destination

Portfolio value

£2.6bn

+1.6% like-for-like

ERV

+1.9%_(lfl)

£107m

NRI (vs June 2017)

+11.6%

like-for-like

Acquisitions

£19m

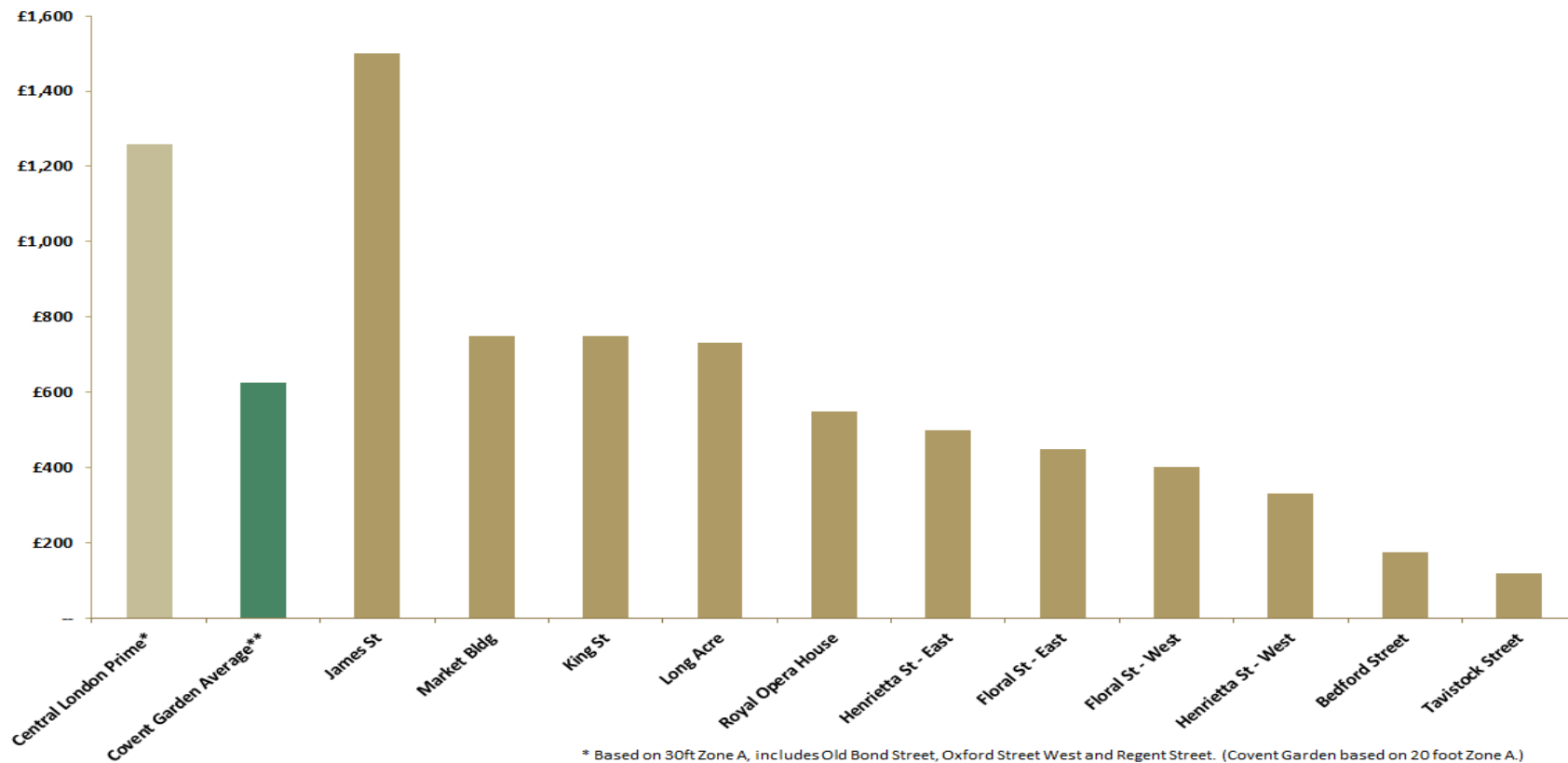
- ★ Continued income growth
- ★ Strong leasing activity across all uses
- ★ Floral Court development completed in July
- ★ Openings across the estate
- ★ ERV target of £125m by December 2020



DRIVING RENTAL GROWTH

Average Zone A rents significantly below central London

ITZA psf (£) – 30 June 2018



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

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

ATTRACTING HIGH QUALITY BRANDS AND CONCEPTS

Balance of global, independent and British brands

★ Strong demand for Market Building

- Olivia Burton, Africology, Atelier Cologne, Whittards

★ Upsizing from existing tenant, Oystermen

- Demonstrating good trading prospects on estate

★ New luxury brand signed

- Tiffany launched new concept on James Street

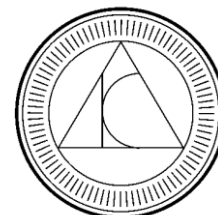
★ New brands on Floral Street

- The Shop at Bluebird
- Alkemistry
- French Sole

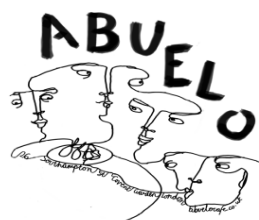




RED FARM



V y T A



PERFECTING THE JOURNEY

the
ALKEMISTRY



TIFFANY & Co.

SUSHISAMBA®



the shop at bluebird

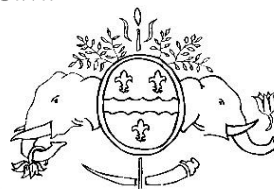
avobar
LONDON

French Sole
BY JANE WINKWORTH

egg'cellent
ALL-DAY BREAKFAST



Cora Pearl



Petersham Nurseries



OLIVIA BURTON
LONDON

Z
HOTELS

- ★ New courtyard connecting Floral Street to King Street
 - Transforming pedestrian flow
- ★ Over 75% of lettable space contracted
 - Alkemistry, Floral Street Fragrance, French Sole, Petersham Nurseries
 - Heritage residential on King Street let (16 apartments)
 - £3.8m of £5.2m ERV contracted

Floral Court	NIA (sq ft)	Leased NIA (sq ft)
Commercial	28,500	17,750
Residential for lease	16,500	16,500
Total lettable space	45,000	34,250

- ★ New build residential being prepared for sale
 - 40,000 sq ft NIA, 29 apartments



EARLS | COURT

Gary Yardley

THE EARLS COURT MASTERPLAN



One of the most important mixed-use development opportunities in London



VALUATION SUMMARY



Earls Court Properties interests

	Ownership	Jun-18	Dec-17	Variance (lf)
1 ECPL	63%	£519m	£561m	(9.0%)
2 ESB ¹	-	-	£220m	-
3 LSQ	50%	£148m	£156m	-
CLSA ²	100%	-	-	
LBD	-	-	-	
OTHER	100%	£40m	£42m	(4.9%)
		£707m	£979m	(7.0%)

1 Capco sold the Empress State Building to MOPAC in March 2018 for £250 million.

2 Capco has paid £75 million of the £105 million cash consideration payable to LBHF including three of the five annual instalments of £15 million.

LILLIE SQUARE

Delivery of Phase 1 substantially complete, majority of Phase 2 pre-sold

★ Delivery of Phase 1 substantially complete

- £245m cumulative sales proceeds received (Capco share £122.5m)
- Positive customer experience on handover

★ Progress on Phase 2

- Over 80% reserved or exchanged
- Sales pricing achieved at a modest premium to comparable units in Phase 1
- Main construction commenced



SALE OF THE EMPRESS STATE BUILDING

Realising value at Earls Court

- ★ Sale of the Empress State Building to the Mayor's Office for Policing and Crime
 - Consideration £250m vs year end valuation of £220m
- ★ The consented Earls Court Masterplan
 - Mixed-use development
 - Based on retention of ESB's current structure
- ★ Disciplined approach to capital management



ECPL LAND

Available for development

- ★ Detailed planning consent in place, land available for development
- ★ Continued interest from potential partners and end-users
- ★ Flexibility to evolve and bring forward the masterplan
 - Introduction of third-party capital
 - Selective development across various uses



LOOKING AHEAD

Ian Hawksworth

★ Covent Garden

- World-class retail and dining destination
- Continued income and rental value growth
- Introduce the best brands and enhance customer experiences on the estate
- Continued strategic investment

★ Earls Court

- One of London's most important mixed-use development opportunities
- Introduction of third party capital and selective development across various phases

★ Preparation for possible demerger



APPENDIX

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

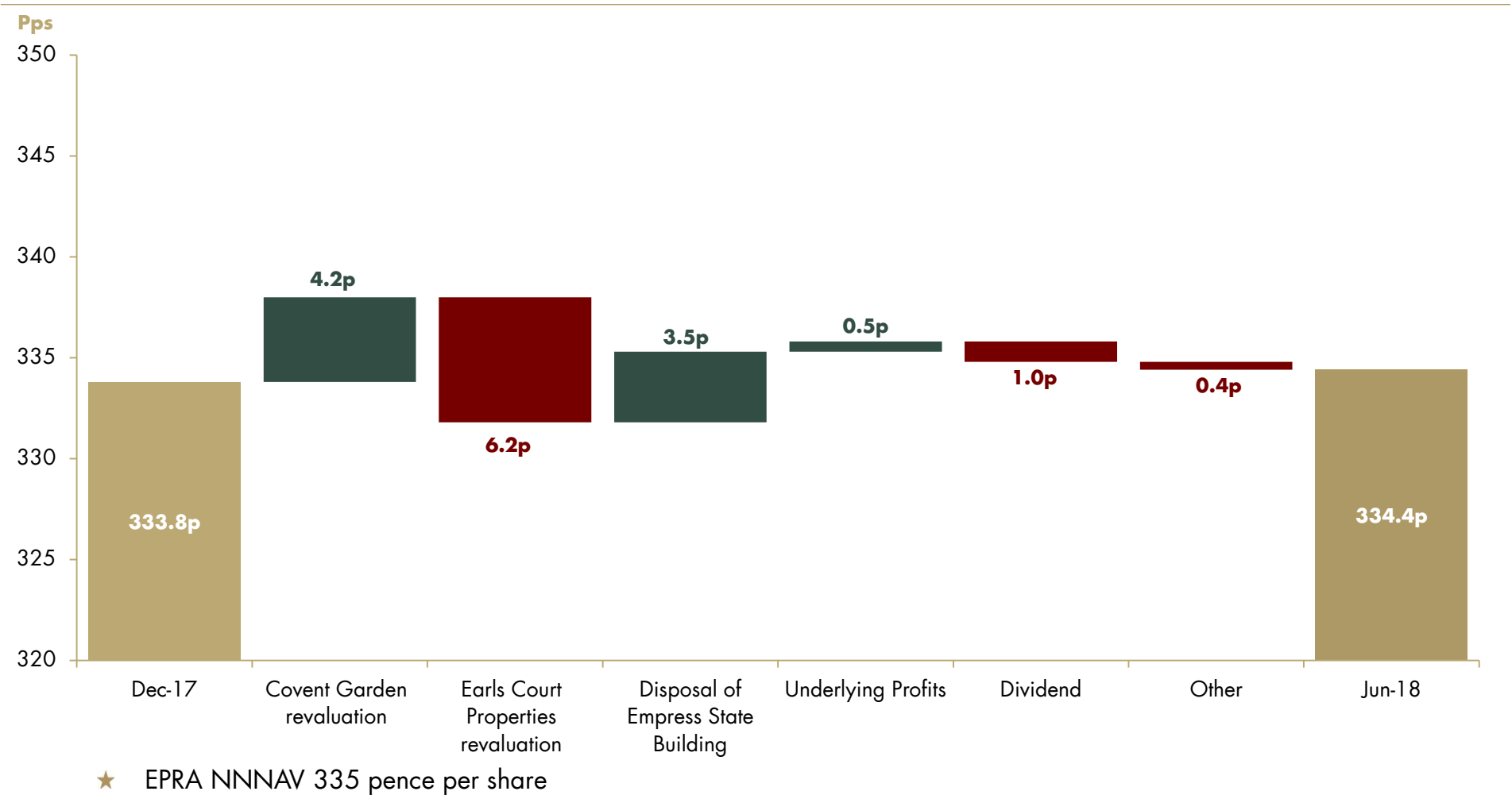
SUMMARY BALANCE SHEET

IFRS to Group Share as at 30 June 2018

	IFRS	Add back: Joint Ventures ¹	Less: Non-controlling interest ²	Group share
	£m	£m	£m	£m
Investment & Trading Property	3,426	118	(304)	3,240
Net Debt	(567)	6	22	(539)
Other assets and liabilities	242	(124)	-	118
Non-controlling interest	(282)	-	282	-
NAV	2,819	-	-	2,819

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.

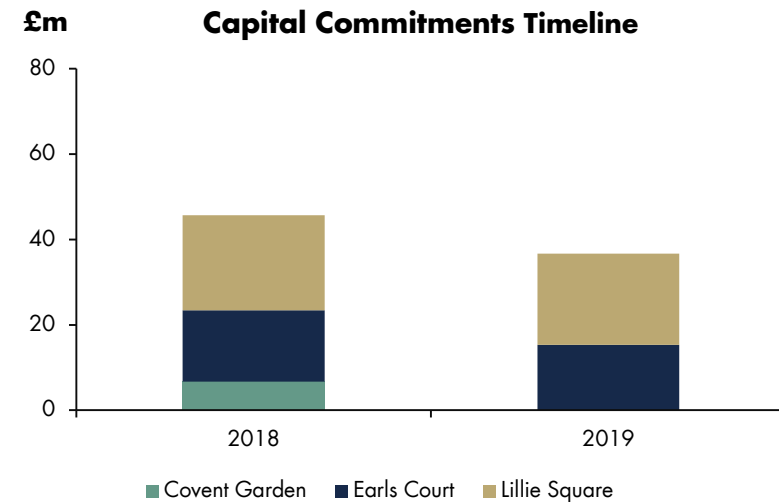
EPRA NET ASSETS PER SHARE



MODEST CAPITAL COMMITMENTS

★ Modest capital commitments of £82m

- Covent Garden £7m
- Earls Court £32m
- Lillie Square £43m



Key commitments		
Project	Commitment	Completion date
Floral Court ¹	£5m	Q3 2018
CLSA instalments	£30m	Q4 2019
Lillie Square Phase 2	£42m	Q4 2019

1. ERV of Floral Court £8m

	Maturity	Loan outstanding ¹	LTV covenant	Interest cover covenant
Covent Garden ²	2022 – 2037	£550m	60%	120%
ECPL	2026	£42m	40%	n/a
Lillie Square ³	2021	£18m	75%	n/a
Total		£610m		

1. The loan values are the nominal values at 30 June 2018 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.

2. Covent Garden comprises £705 million unsecured Revolving Credit Facility ("RCF") maturing in 2022, undrawn at 30 June 2018, and £550 million Private Placement unsecured notes maturing between 2024 and 2037.

3. Subject to exercise of extension options (2019 – 2021) by the borrower.

1. Tax on income

The underlying tax rate is 19% which is in line with the statutory corporation tax rate for 2018.

The main rate of corporation tax is expected to be 17% from April 2020.

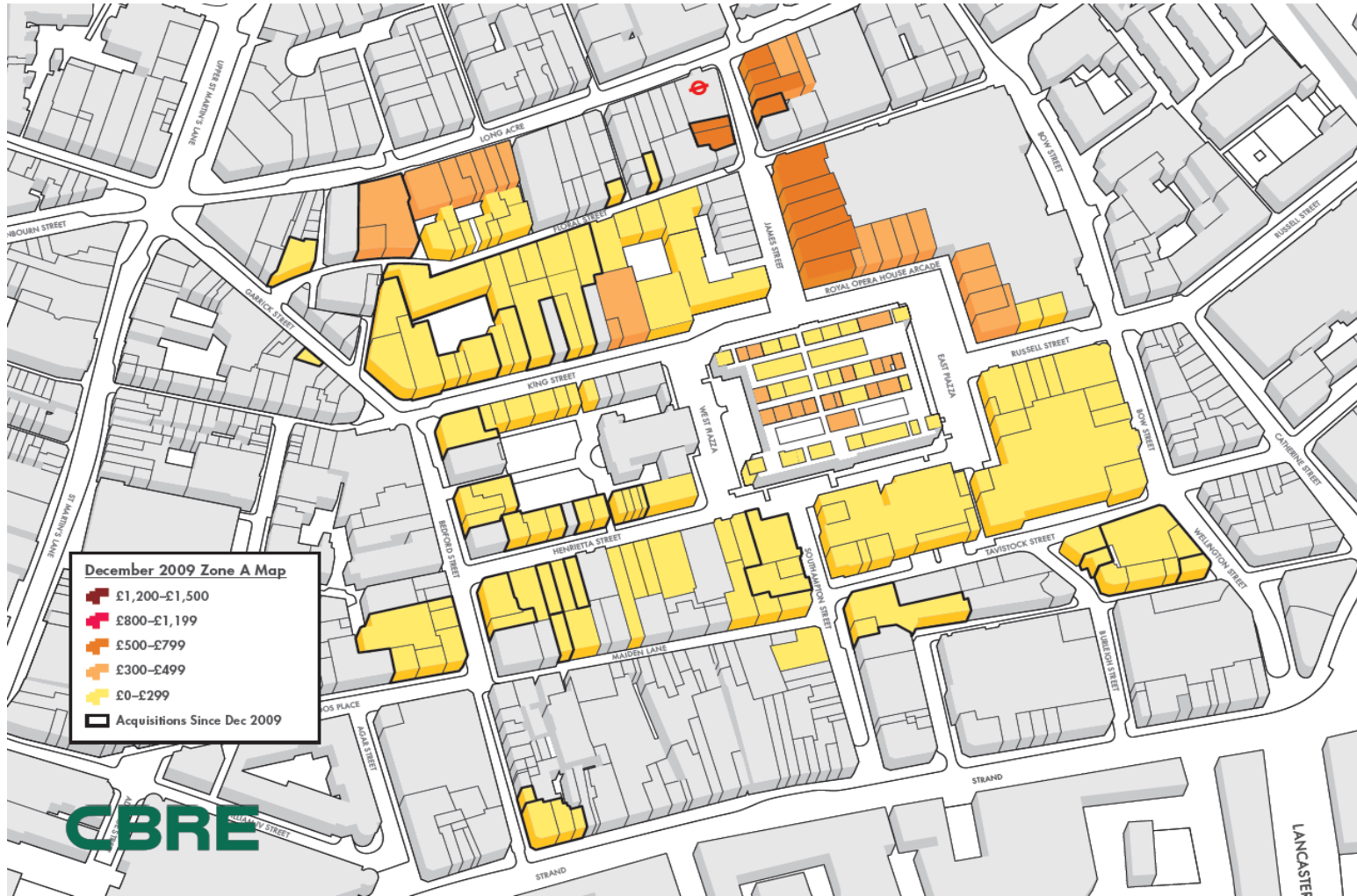
Medium-term underlying tax rate for the Group is expected to remain broadly in line with UK statutory tax rates.

2. Tax on capital gains

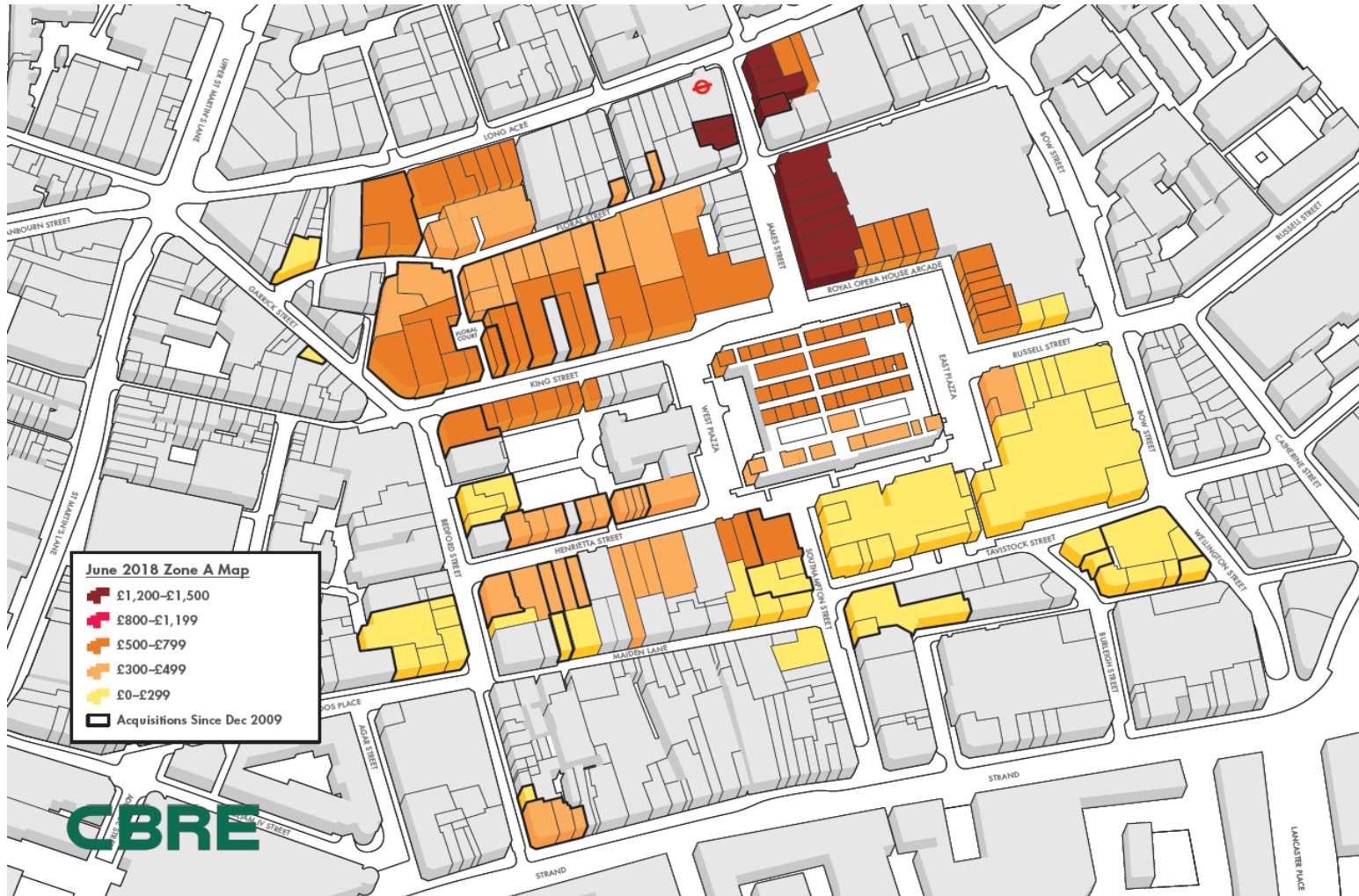
The contingent tax position on investment property held as at period ended 30 June 2018 is £nil (31 December 2017: £nil)

A disposal of the Group's trading property at its market value, net of available losses, would result in a corporation tax charge of £1.7 million (19% of £9.0 million).

ZONE A DISTRIBUTION DECEMBER 2009



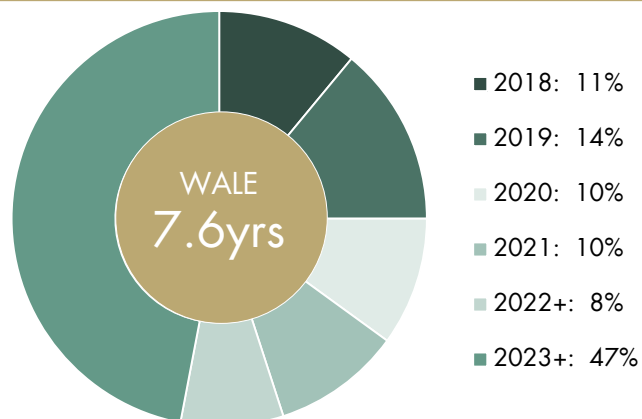
ZONE A DISTRIBUTION JUNE 2018



COVENT GARDEN

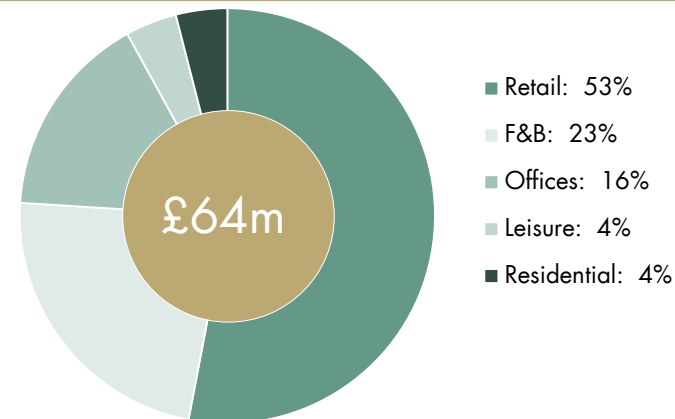
78 properties, 514 lettable units

LEASE EXPIRY PROFILE¹

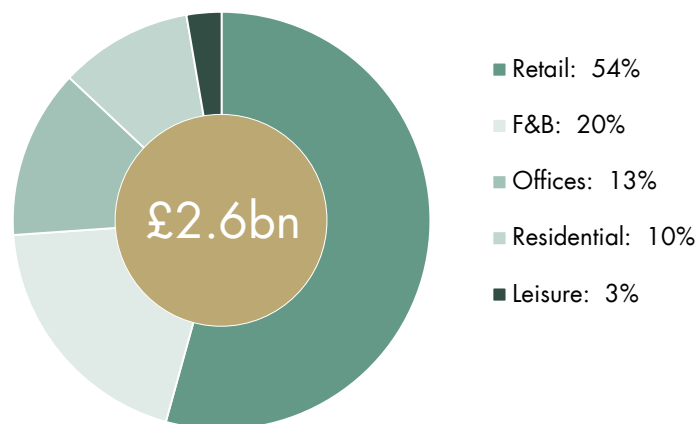


1. Lease expiry profile based on the earlier of lease break and lease expiry

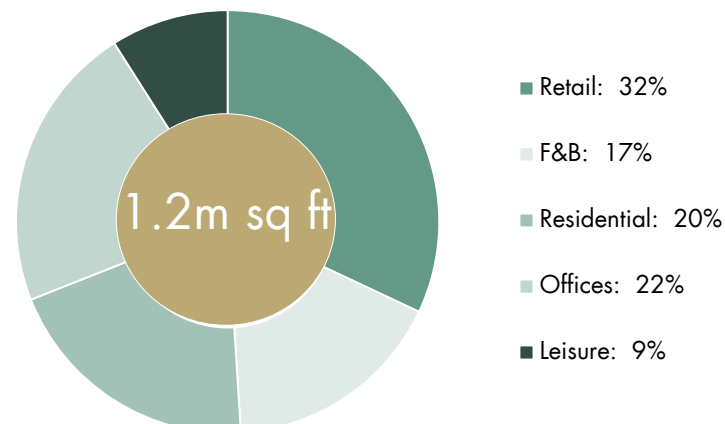
ANNUAL GROSS INCOME



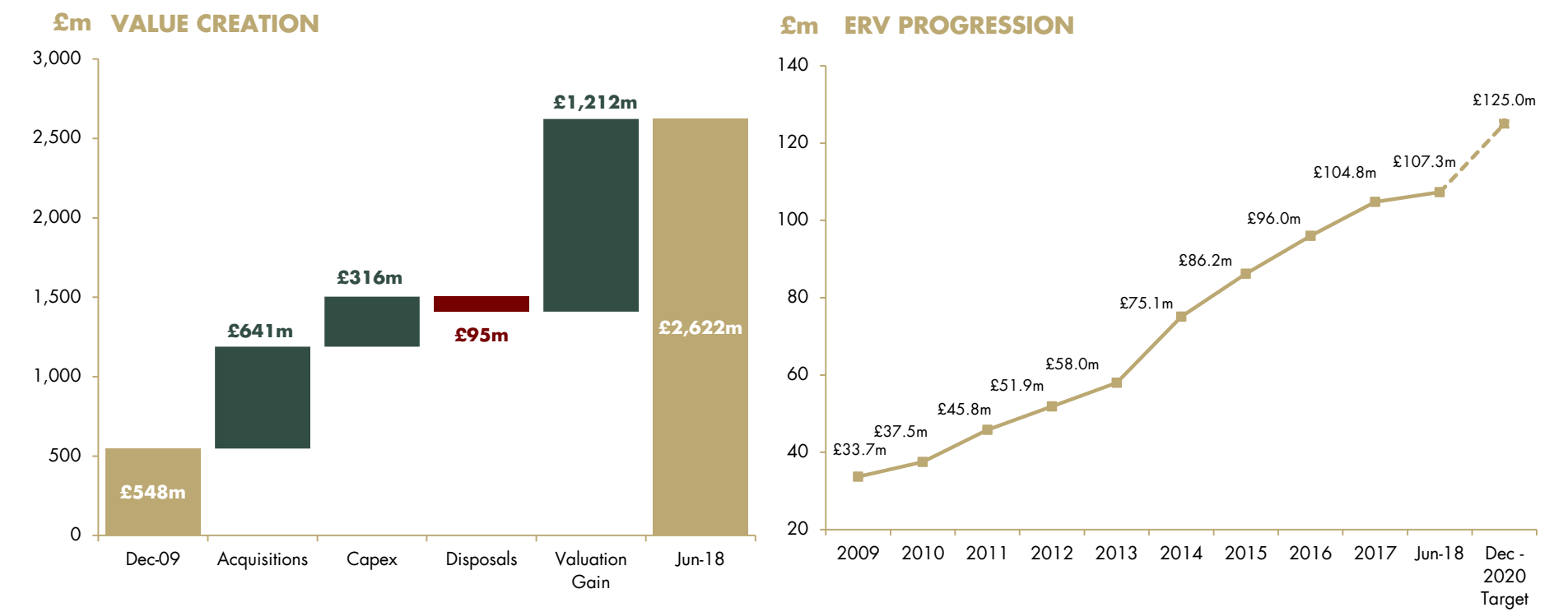
PORTFOLIO VALUE



TOTAL FLOOR AREA



COVENT GARDEN VALUATION



THE EARLS COURT MASTERPLAN

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

	ECPL ¹	CLSA ²	LBD ³	Total
	sqft (m)	sqft (m)	sqft (m)	sqft (m)
Residential	2.9 ⁴	3.2	2.0	8.1
Commercial/Other	0.7	0.4	0.6	1.7
Total	3.6	3.6	2.6	9.8

- 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 is not yet consented

Note: Gross external area relates to the consented scheme

