



Capital & Counties Properties PLC
Annual Results 2018
27 February 2019



This presentation includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Capital & Counties Properties PLC to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Any information contained in this presentation on the price at which shares or other securities in Capital & Counties Properties PLC have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

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

- ★ The Company has two prime central London estates, backed by a strong balance sheet
- ★ Preparations for a possible demerger are well advanced and could be implemented promptly
- ★ Evaluating a number of proposals from parties interested in Earls Court
- ★ The Board is considering various options having regard to:
 - Long-term shareholder value
 - Prudent capital management
 - Market conditions

TWO PRIME CENTRAL LONDON ESTATES

Backed by a strong balance sheet

★ Covent Garden – a leading global destination

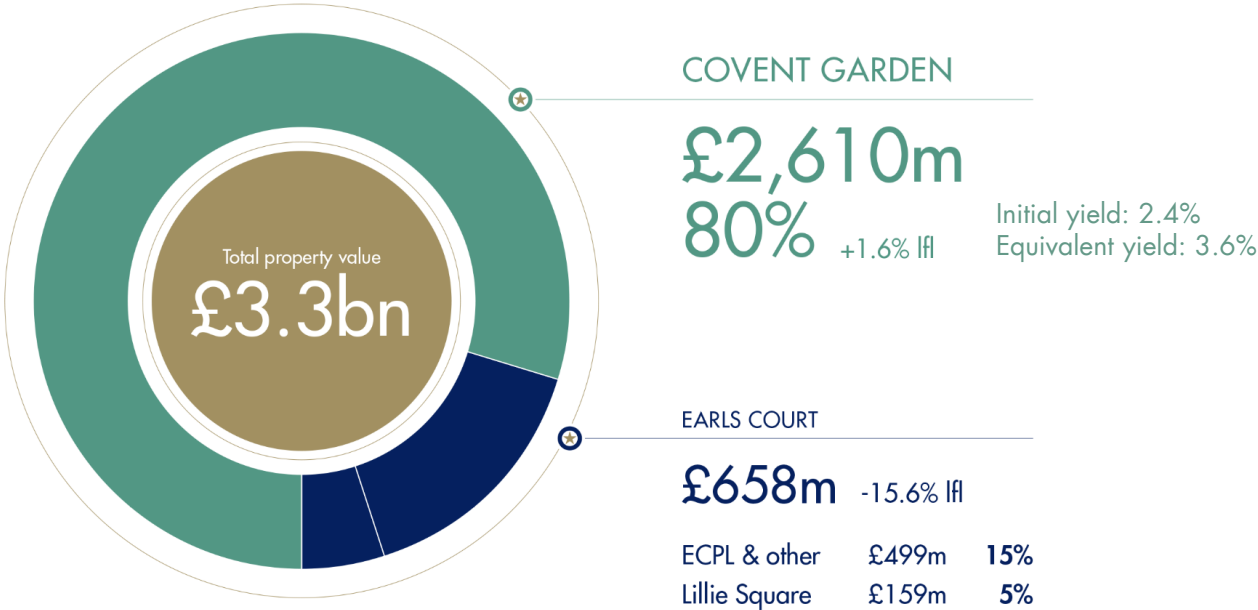
- Represents over 80% of group portfolio value
- Driving rental growth and capturing income

★ Earls Court investment

- Mixed-use development opportunity in central London
- Realising value over time

★ Strong financial position with access to significant liquidity





- ★ EPRA NAV 326p per share, a decrease of 2.4%
- ★ Total return -2.0%
- ★ Underlying earnings 0.9 pence
- ★ Total dividend per share 1.5 pence

Note: All numbers shown at Group share.

AN ACTIVE YEAR

Positive operational progress



★ Covent Garden driving rental growth and capturing income

- 17.5% growth in NRI (9.6% lfl)
- 103 new leases and renewals, 7.5% above December 2017 ERV
- 3% lfl increase in ERV to £108m
- Further high quality concepts and flagship names secured
- Record year of openings with 21 brands introduced
- Increase in footfall and tenant sales
- Successful completion of capital initiatives

★ Realising value at Earls Court

- ECPL land available for development
- Sale of the Empress State Building for £250m
- Over £450m of cumulative sales contracted across Lillie Square

★ Strong balance sheet

- Low LTV, high access to liquidity and modest capital commitments

FINANCIAL REVIEW

Situl Jobanputra

UNDERLYING EARNINGS

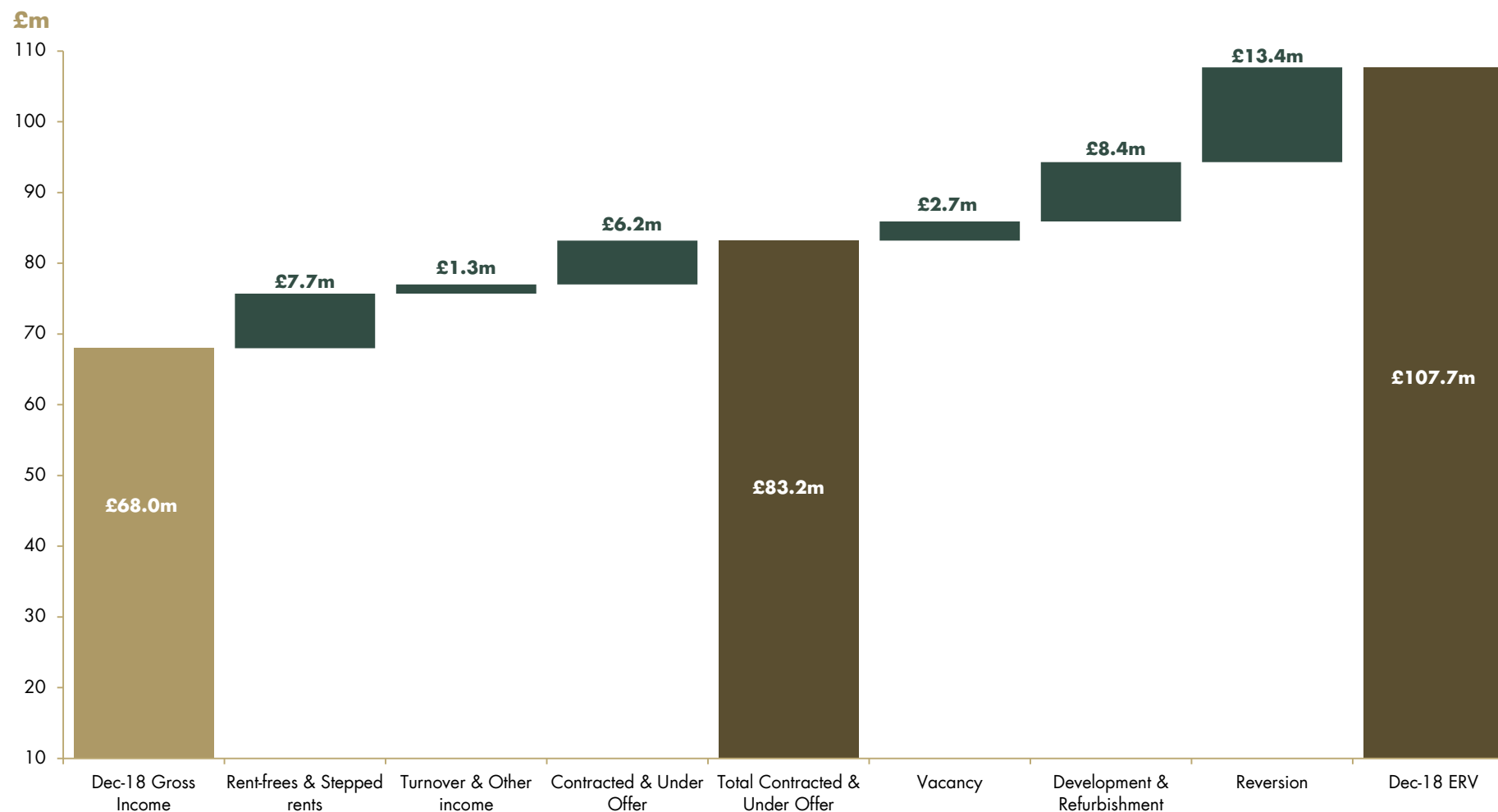
	2018 £m	2017 £m	Var £m
<i>Net rental income - Recurring</i>	59.6	49.6	10.0
<i>Net rental income - Empress State</i>	3.9	16.6	(12.7)
Group net rental income	63.5	66.2	(2.7)
Administration costs	(36.7)	(38.7)	2.0
Net finance costs	(19.2)	(19.8)	0.6
Other	1.8	2.3	(0.5)
Tax	(1.4)	(2.7)	1.3
Underlying earnings from continuing operations	8.0	7.3	0.7
Underlying earnings per share (pence)	0.9	0.9	-
Total dividend per share (pence)	1.5	1.5	-

★ Proposed final dividend of 1 pence per share

Note: All numbers shown at Group share.

DRIVING RENTAL GROWTH AND CAPTURING REVERSION

Narrowing the gap between income and ERV



Note: Development & Refurbishment includes Floral Court residential representing £2.2m of ERV.

EPRA BALANCE SHEET



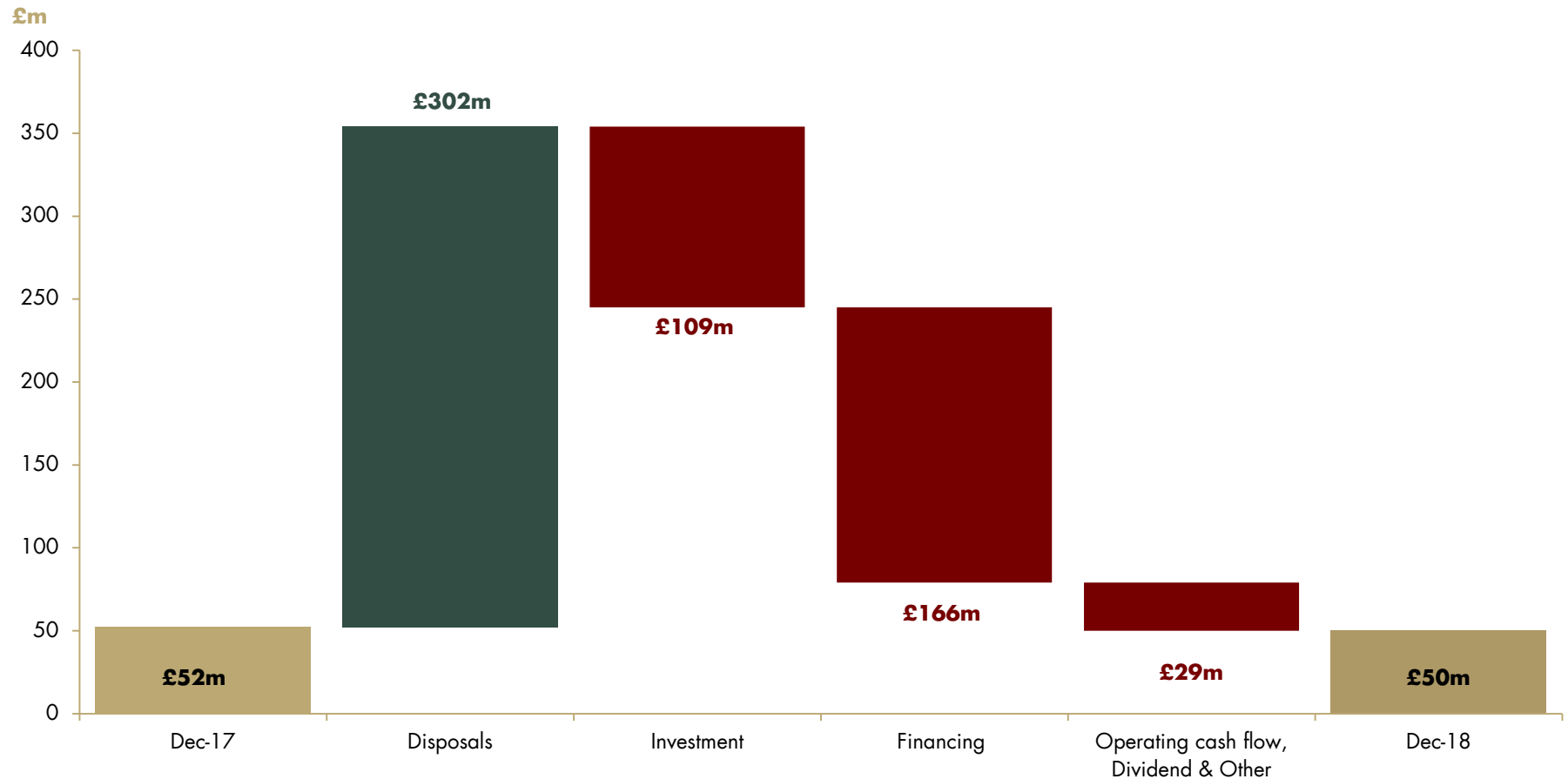
	2018 £m	2017 £m	Var £m
Investment & trading property	3,198	3,441	(243)
Unrecognised surplus on trading property	26	32	(6)
Net debt	(573)	(734)	161
Other	126	100	26
EPRA NAV	2,777	2,839	(62)
Number of shares in issue (diluted)	853m	851m	2m
EPRA NAV per share	326p	334p	(8p)

★ EPRA NNNAV 327 pence per share

Note: All numbers shown at Group share. A reconciliation to the IFRS financial statements is set out in the Appendix.

CASH UTILISATION

Level of undrawn facilities and cash increased to £854m



Note: All numbers shown at Group share.

- ★ Flexible, predominantly unsecured debt structure with access to substantial liquidity
- ★ Strong credit metrics, with significant covenant headroom
- ★ No significant near term maturities
- ★ Modest capital commitments of £53m

	Dec-18	Dec-17
Net debt	£573m	£734m
LTV	18%	21%
Group undrawn facilities and cash	£854m	£691m
Weighted average cost of debt	2.9%	2.8%
Weighted average maturity	6.0 yrs	6.9 yrs

COVENT GARDEN

Ian Hawksworth



COVENT GARDEN HIGHLIGHTS

A leading global retail and dining destination



Portfolio value

£2.6bn

+1.6% like-for-like

ERV

+3.0%_(lfl)

£107.7m

NRI (vs Dec-17)

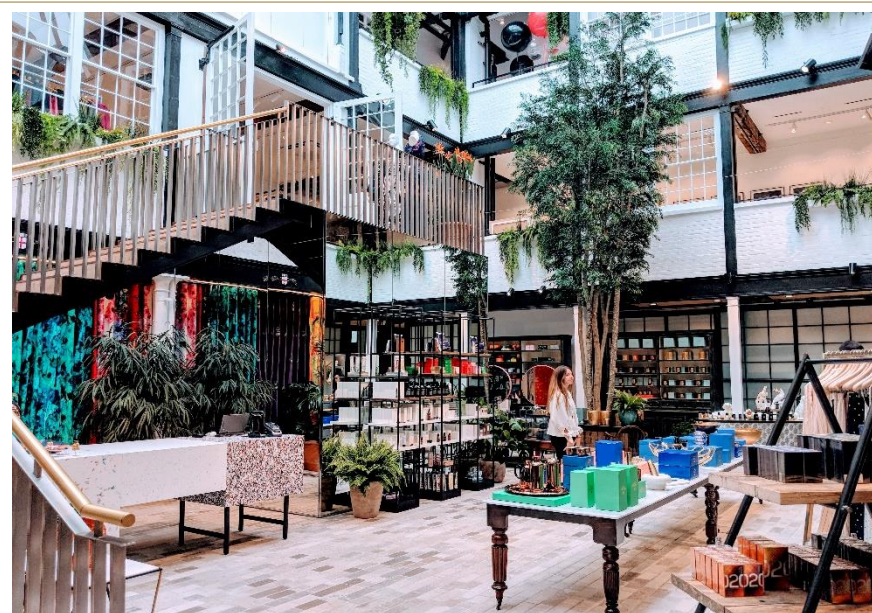
+9.6%

like-for-like

Acquisitions

£18.7m

- ★ Driving rental growth and capturing income
- ★ Positive leasing activity across all uses
 - 103 new leases and renewals, 7.5% ahead of Dec-17 ERV
 - £12.9m of rent contracted
- ★ Record year of openings across the estate
- ★ Strong footfall and trading
- ★ Successful completion of capital initiatives



CREATING AND CAPTURING RENTAL GROWTH

Further opportunities across the estate

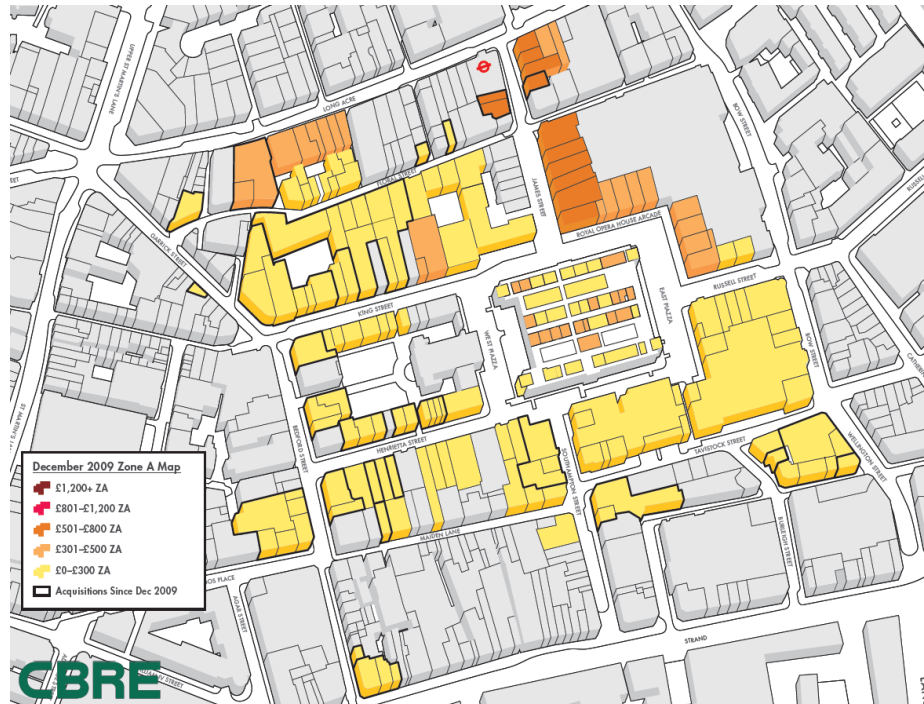


Covent Garden 2009

750k sq ft, 44 buildings, 300 units

ERV £33m

Gross income £29m

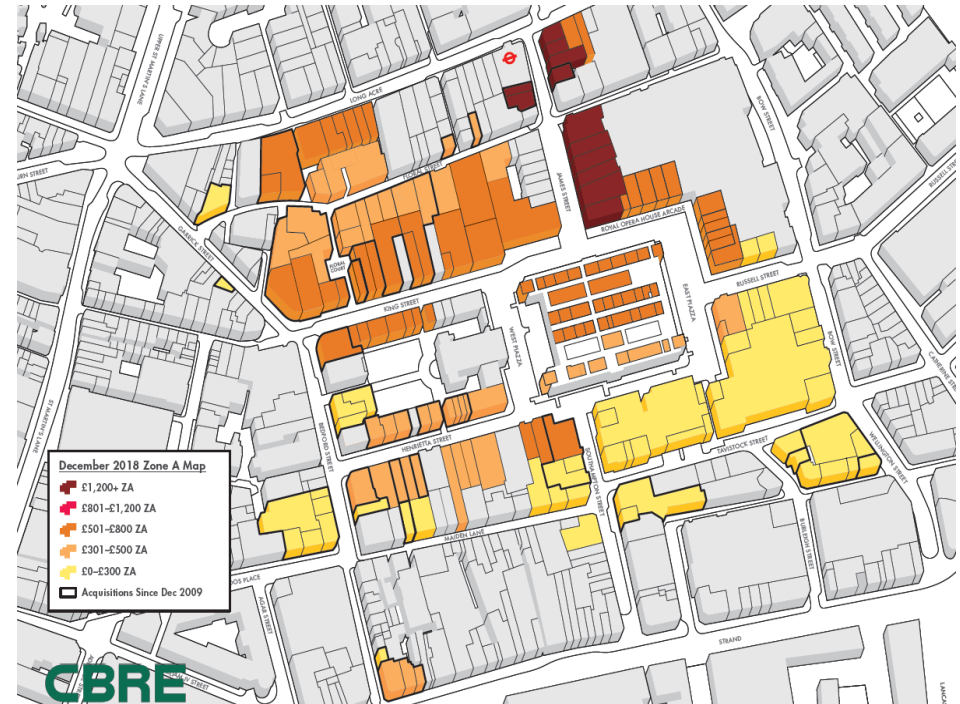


Covent Garden 2018

1.2m sq ft, 78 buildings, 517 units

ERV £108m

Gross income £68m



A LEADING GLOBAL DESTINATION

Good momentum across the estate

- ★ High quality brands attracted to estate
 - Tiffany & Co.
 - Peloton

- ★ Expansion and investment from existing tenants
 - Apple flagship refurbishment
 - Henrietta Hotel, Oystermen, Whittard

- ★ Strong demand for office portfolio
 - High occupancy
 - Regal House fully let



ONE OF LONDON'S BEST DINING DESTINATIONS

Quality and reputation transformed

- ★ High quality differentiated dining offer across all price points
- ★ 10 new restaurant openings including:
 - SushiSamba: opened on Opera Terrace
 - RedFarm: first venture outside Manhattan
 - Petersham in Floral Court: West End re-creation
 - Buns&Buns: from Miami to Covent Garden's Market Building
 - Avobar: London's first all-avo dining concept
 - Mariage Frères: UK flagship



"Covent Garden has got you covered...The heart of the capital is blossoming with some of the finest restaurants in the world, serving up award-winning flavours from Britain, Japan, France – the list is endless."

GQ

January 2019

★ Completion of Floral Court

- Connecting courtyard between King and Floral Street open
- Increased footfall and enhanced pedestrian flow
- Substantially all commercial space let or under offer

★ One of London's premier residential addresses

- Heritage residential on King Street fully let (16 apartments)
- Strong demand for new build collection (29 apartments)

★ Strategic investments

- Acquisitions, most recently 39 - 40 Bedford Street
- The Wellington block and other opportunities



CONTINUING TO ATTRACT TARGET BRANDS

Strengthening the customer offer

capco★

2018 OPENINGS

SUSHISAMBA®



RED FARM



BUNS

avobar
LONDON



OLIVIA BURTON
LONDON

• OYSTERMEN •
SEAFOOD BAR & KITCHEN

the shop at bluebird



apm
MONACO



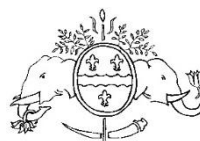
PELOTON®



Cora Pearl



PERFECTING THE JOURNEY



Petersham Nurseries

free people
TIFFANY & CO.

ENCOURAGING START TO 2019

FOR ART'S SAKE

ba&sh



wahlburgers
Our Family, Our Story,
Our Burgers



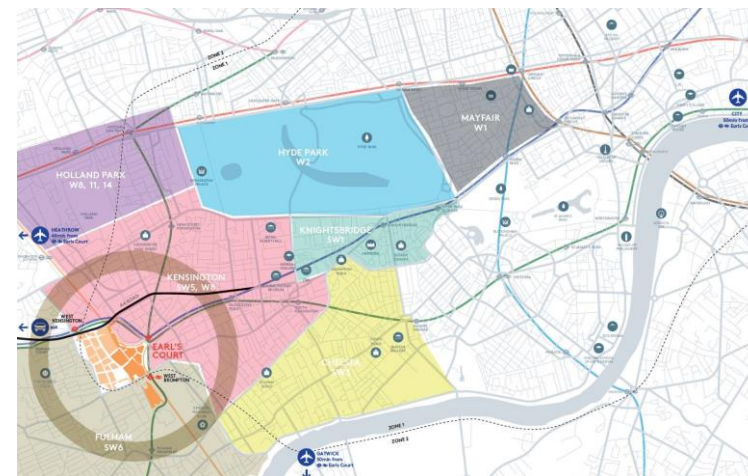
LACOSTE

SANTA NATA
LONDON

EARLS | COURT

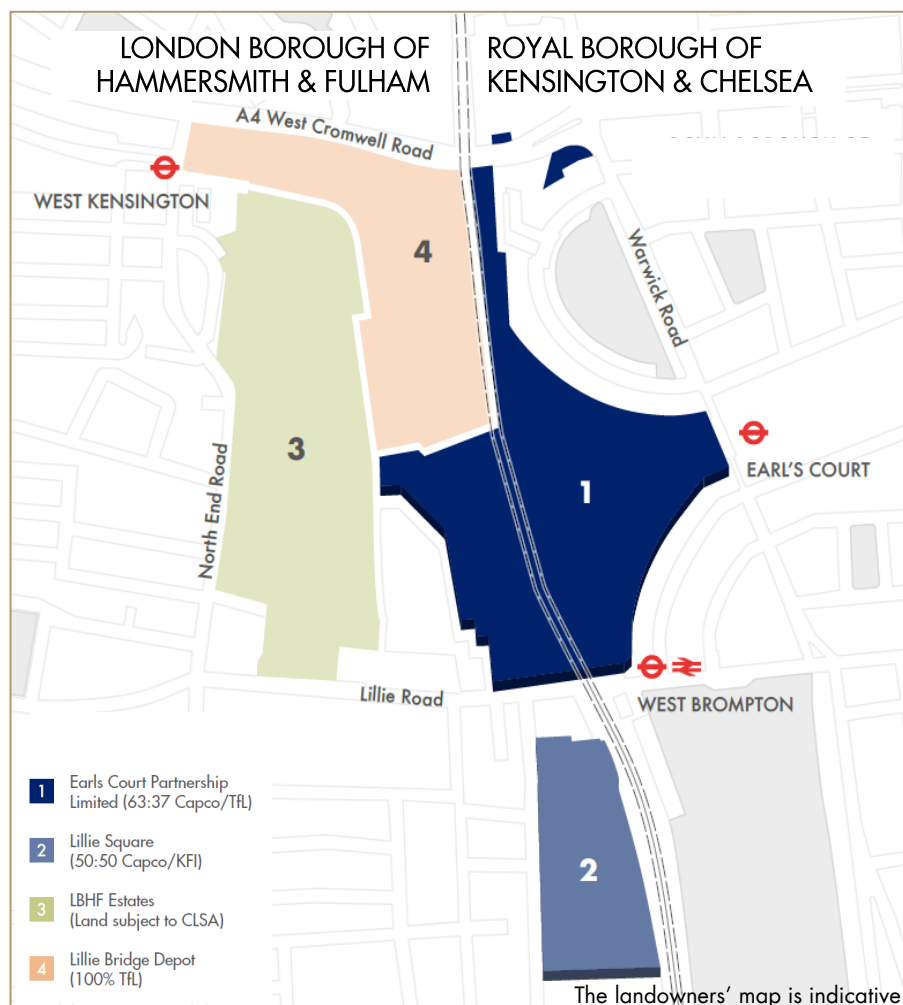
Gary Yardley

- ★ Creation of one of London's most important development opportunities
 - Amongst London's prime postcodes
 - Excellent connectivity
- ★ Successful implementation of strategy
 - Land assembly
 - Planning consent implemented
 - Strategic partnerships formed
 - Land enablement works complete
- ★ ECPL land available for development



PROPERTY VALUATION SUMMARY

H1 & H2 2018



Earls Court Properties interests

	£m	H1 2018 %	H2 2018 %	FY 2018 %
ECPL	£461m	(9.0)%	(12.1)%	(20.0)%
LSQ	£159m	-	(2.3)%	(2.3)%
OTHER	£38m	(4.9)%	(4.3)%	(8.9)%
	£658m	(7.0)%	(9.4)%	(15.6)%

In addition, Capco has paid £90 million of the £105 million cash consideration payable to LBHF under the CLSA with the final annual payment of £15 million due in December 2019.

- ★ ECPL primary objective
 - To maximise economic value
 - Enable development of the consented Masterplan
- ★ Development to be brought forward through the introduction of third-party capital
- ★ Interest from potential occupiers and investors
 - Senior living, diplomatic, educational and other uses



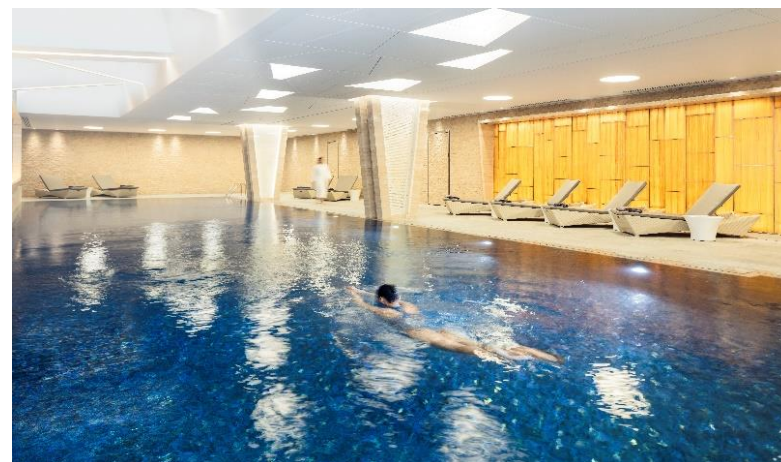
LILLIE SQUARE

An established address

- ★ Delivery of Phase 1 substantially complete
 - £258m cumulative sales proceeds received (Capco share £129m)

- ★ Phase 2 construction well progressed
 - Over 80% reserved or exchanged
 - Sales pricing achieved at a modest premium to comparable units in Phase 1
 - Completion expected in 2020

- ★ Award-winning product
 - Highly commended award for 'Best London Home'



Good progress on realising investments at Earls Court

- ★ Disciplined approach to capital management
 - Realising value

- ★ Sale of the Empress State Building (ESB) to the Mayor's Office for Policing and Crime
 - Priced at a £30 million premium to valuation
 - Consented Earls Court Masterplan based on retention of ESB's current structure

- ★ In excess of £670 million of proceeds generated from Earls Court over last two years
 - Empress State Building £250m
 - Venues £296m
 - Lillie Square Phase 1 £129m



LOOKING AHEAD

Ian Hawksworth

Prime central London portfolio, backed by a strong balance sheet

★ Covent Garden

- World-class retail and dining destination
- Driving rental growth and capturing income reversion
- Attracting the best brands to ensure the estate is positioned to meet consumer demand
- Continued strategic investment

★ Earls Court investment

- One of London's most important mixed-use development opportunities
- Value realisation through the introduction of third-party capital

★ Strong balance sheet

- Low leverage, access to high liquidity and modest capital commitments

★ Focus on long-term value creation for shareholders

- Preparations advanced for possible demerger
- Other options for Earls Court under consideration



APPENDIX

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

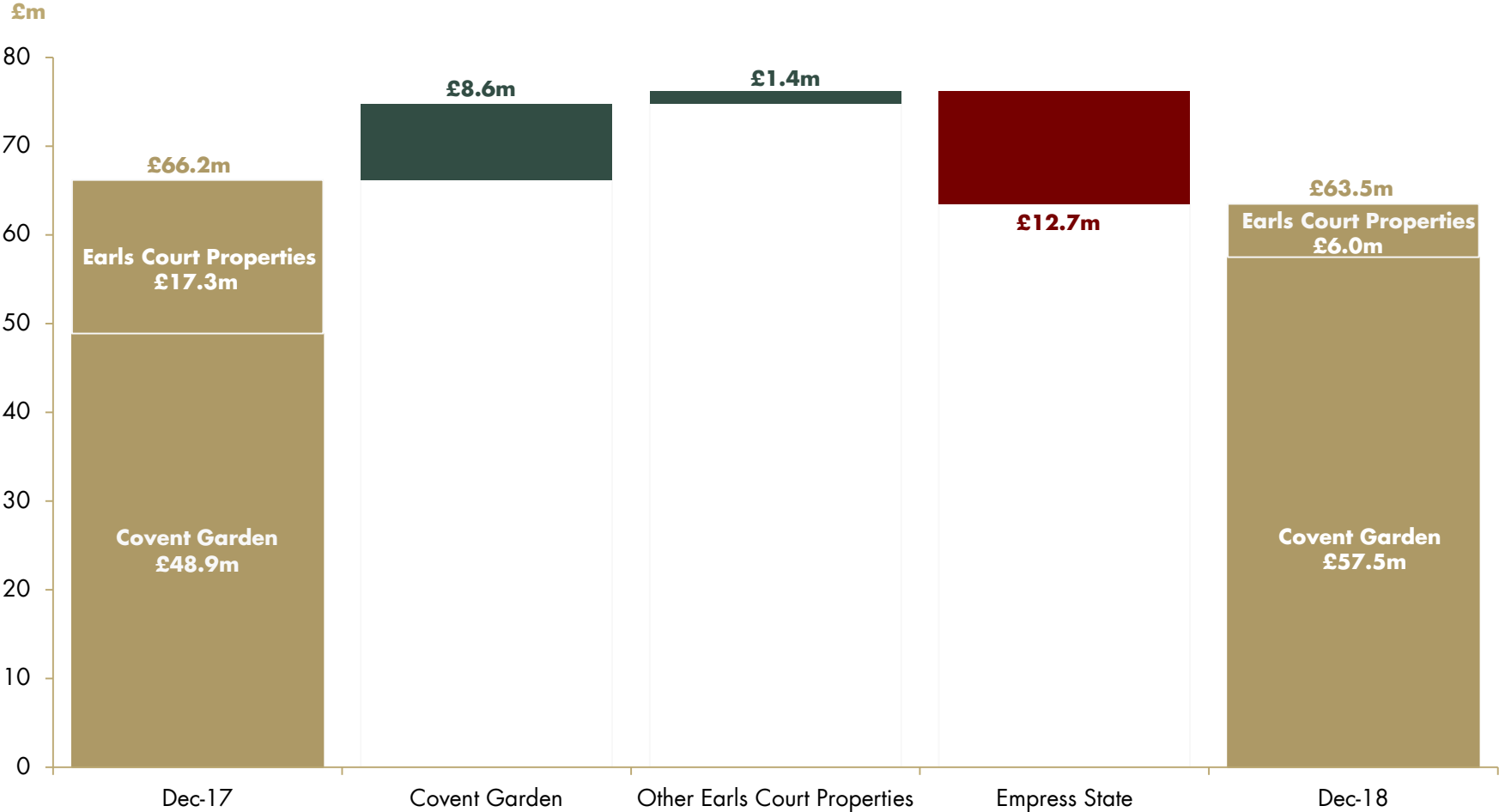
UNDERLYING EARNINGS

H1 & H2 2018

	H1 2018 £m	H2 2018 £m	FY 2018 £m
<i>Continuing operations:</i>			
Net rental income	33.1	30.4	63.5
Administration costs	(19.2)	(17.5)	(36.7)
Net finance costs	(9.4)	(9.8)	(19.2)
Other	0.9	0.9	1.8
Tax	(1.1)	(0.3)	(1.4)
Underlying earnings from continuing operations	4.3	3.7	8.0

Note: All numbers shown at Group share

NET RENTAL INCOME



Note: All numbers shown at Group share

SUMMARY BALANCE SHEET

Group Share to IFRS as at 31 December 2018

	Group share	Less: Joint Ventures ^{1,2}	Add back: Non-controlling interest ³	IFRS
	£m	£m	£m	£m
Investment & Trading Property	3,198	(133)	271	3,336
Net Debt	(573)	9	(21)	(585)
Other assets and liabilities	123	112	(3)	232
Non-controlling interest	-	-	(247)	(247)
NAV	2,748	(12)	-	2,736

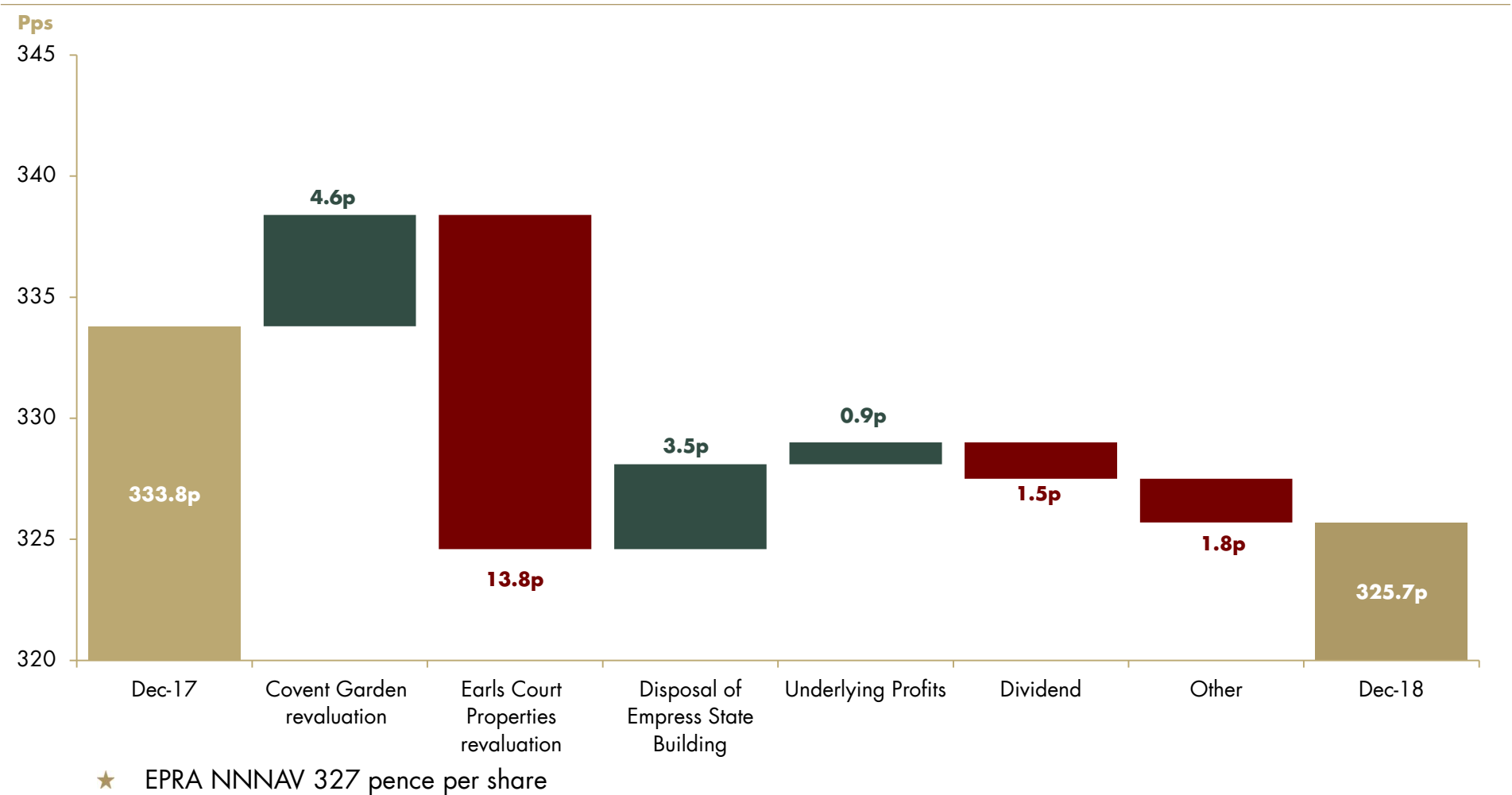
1. This consists of the Lillie Square Joint Venture, the Innova Investments Joint Venture and the discontinued operation, The Great Capital Partnership. To align with the way the Group prepares and reviews information internally, the net investment in joint ventures, and continuing and discontinuing operations, are presented on a line by line basis.
2. This relates to the impairment under IFRS 9 of amounts receivable from joint ventures above the Group's share of losses in the Lillie Square joint venture.
3. 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.

LIKE-FOR-LIKE VALUATION MOVEMENTS

H1 & H2 2018

	FY 2018 £m	H1 2018	H2 2018
Covent Garden	2,610	1.6%	0.1%
Earls Court Properties			
ECPL	461	(9.0%)	(12.1%)
Lillie Square	159	-	(2.3%)
Other	38	(4.9%)	(4.3%)
	658	(7.0%)	(9.4%)
Total Property	3,268	(0.4%)	(2.0%)

EPRA NET ASSETS PER SHARE



	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	£30m	75%	n/a
Total		£622m		

1. The loan values are the nominal values at 31 December 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 31 December 2018, and £550 million Private Placement unsecured notes maturing between 2024 and 2037.

3. Subject to exercise of extension option (2020 – 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 at year ended 31 December 2018 is £nil (31 December 2017: £nil).

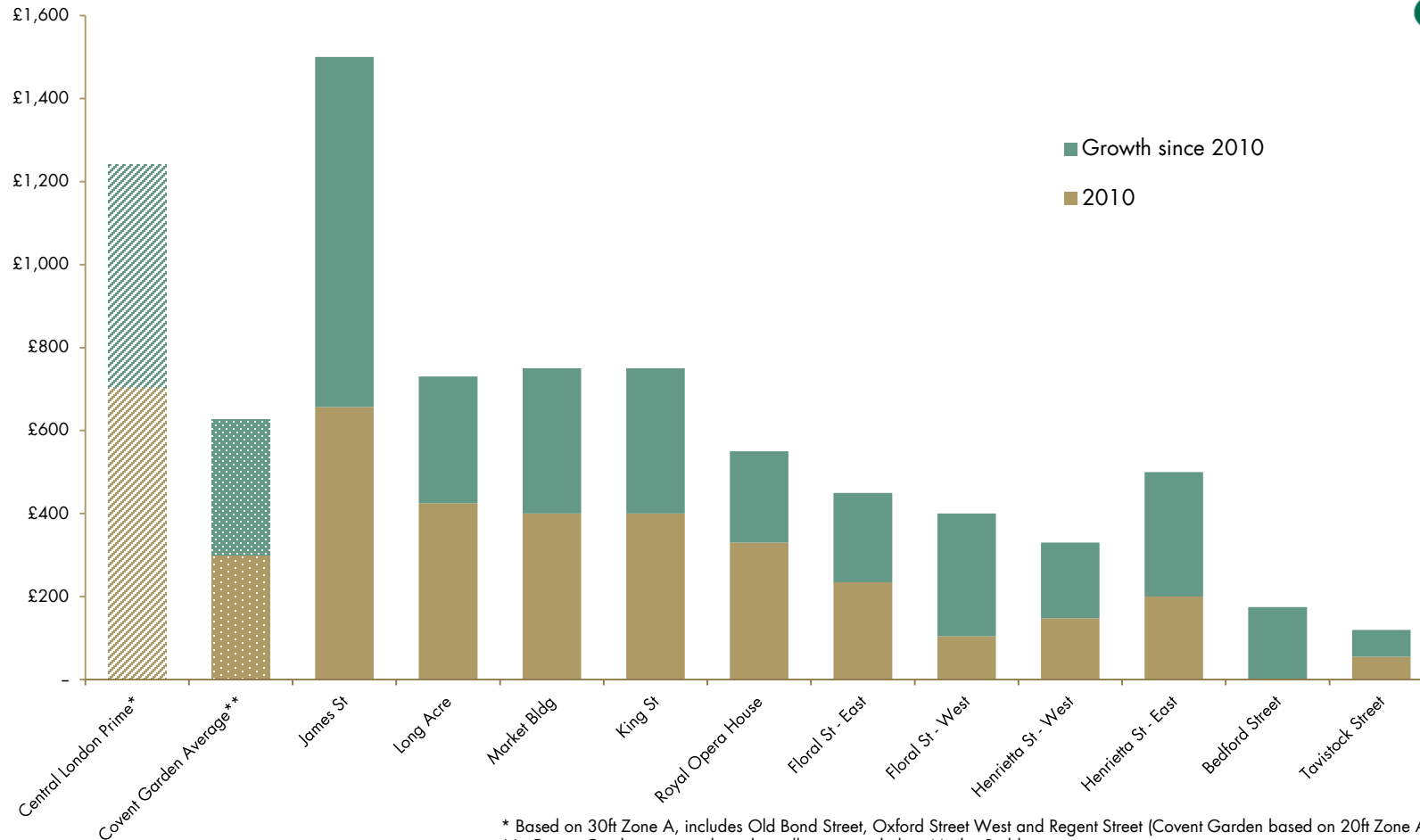
A disposal of the Group's trading property at its market value, before utilisation of carried forward losses, would result in a corporation tax charge of £4.9 million (19% of £25.7 million).

DRIVING RENTAL GROWTH

Average Zone A rent significantly below prime central London

ITZA psf (£) – 31 December 2018

CBRE



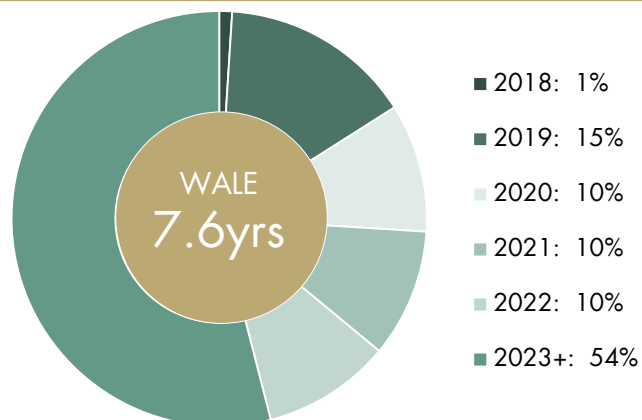
* Based on 30ft Zone A, includes Old Bond Street, Oxford Street West and Regent Street (Covent Garden based on 20ft Zone A)

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

COVENT GARDEN

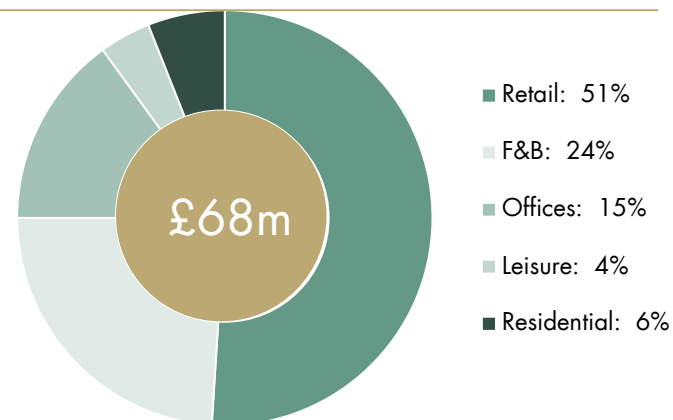
78 properties, 517 lettable units

LEASE EXPIRY PROFILE¹

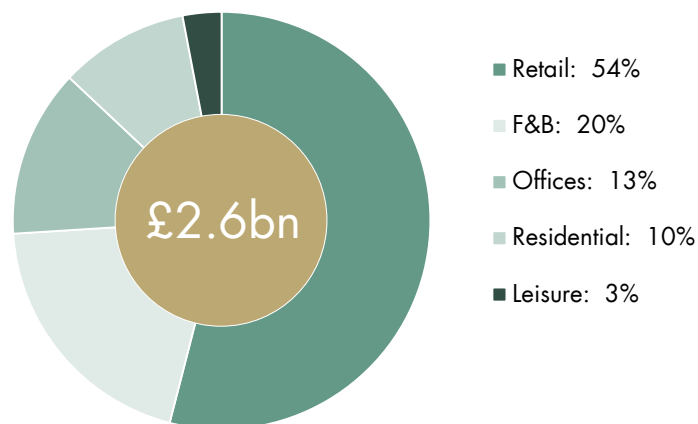


1. Lease expiry profile based on the earlier of lease break and lease expiry

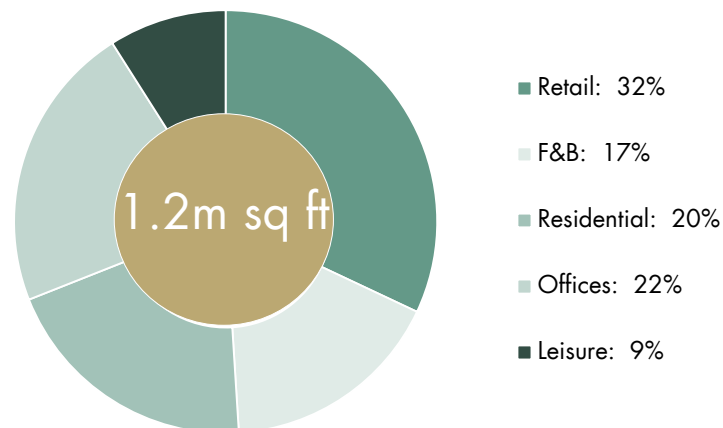
ANNUAL GROSS INCOME



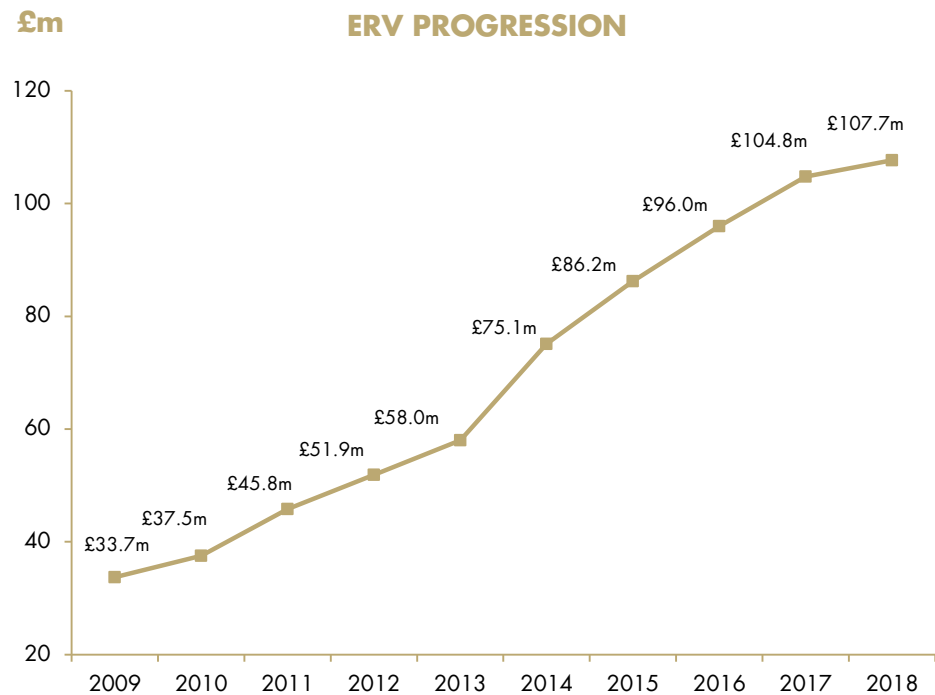
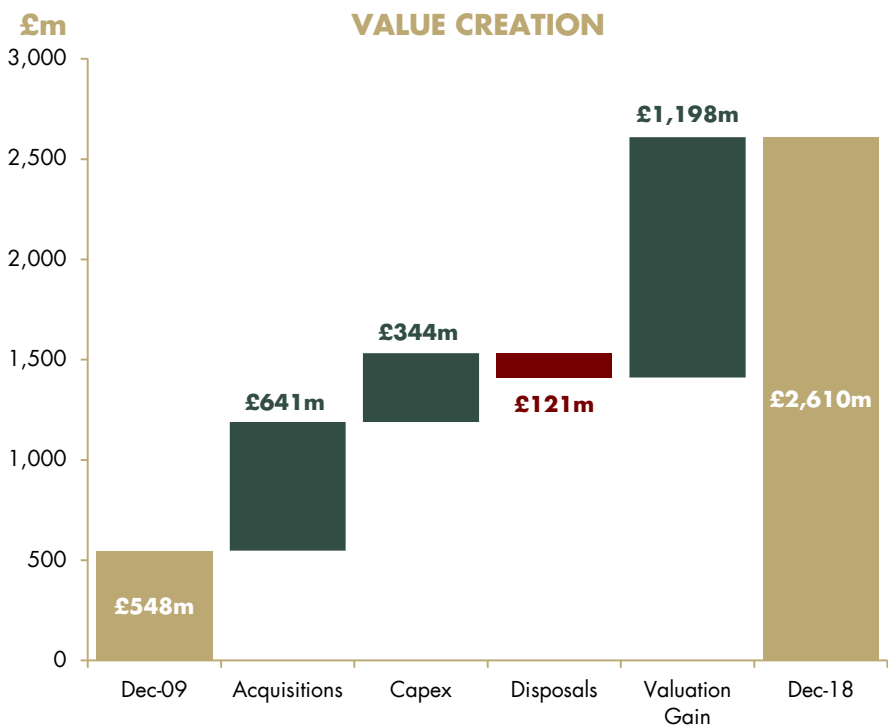
PORTFOLIO VALUE



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 site 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

