



Capital & Counties Properties PLC
2020 Interim Results
12 AUGUST 2020



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AGENDA

1. INTRODUCTION

Ian Hawksworth

2. FINANCIAL REVIEW

Situl Jobanputra

3. COVENT GARDEN

Michelle McGrath

4. LOOKING AHEAD

Ian Hawksworth

5. Q&A



INTRODUCTION

H1 OVERVIEW

SIGNIFICANT IMPACT FROM COVID-19 ON OPERATIONS, VALUATIONS AND INCOME

EARLY ACTION TAKEN TO SUPPORT OUR CUSTOMERS

CLEAR REOPENING STRATEGY RESULTING IN ENCOURAGING EARLY INDICATORS

STRONG BALANCE SHEET

INVESTMENT IN SHAFTESBURY AT AN ATTRACTIVE ENTRY PRICE

CONFIDENT IN THE LONG-TERM PROSPECTS FOR PRIME CENTRAL LONDON



COVID-19 RESPONSE

CAPCO'S PRIORITY HAS BEEN THE HEALTH AND SAFETY OF ITS PEOPLE, CUSTOMERS AND VISITORS

SECURITY AND SAFETY MEASURES ENHANCED ON ESTATE

LONG-TERM RESPONSIBLE OWNER

- Community collaboration and charitable donations

DIRECT AND REGULAR DISCUSSIONS WITH CUSTOMERS

- Alternative arrangements agreed including deferrals and turnover-linked rents

REOPENING STRATEGY FOCUSED ON ENABLING A SUCCESSFUL TRADING ENVIRONMENT

SUPPORTING OUR CUSTOMERS TO PROSPER OVER TIME



GROUP HEADLINE FINANCIALS

EPRA NAV PER SHARE

241p
-18%

LIQUIDITY

£616m

PORTFOLIO VALUE

£2.3bn
-16% lfl

UNDERLYING
EARNINGS PER SHARE

0.3p

NET DEBT TO GROSS
ASSETS

26%

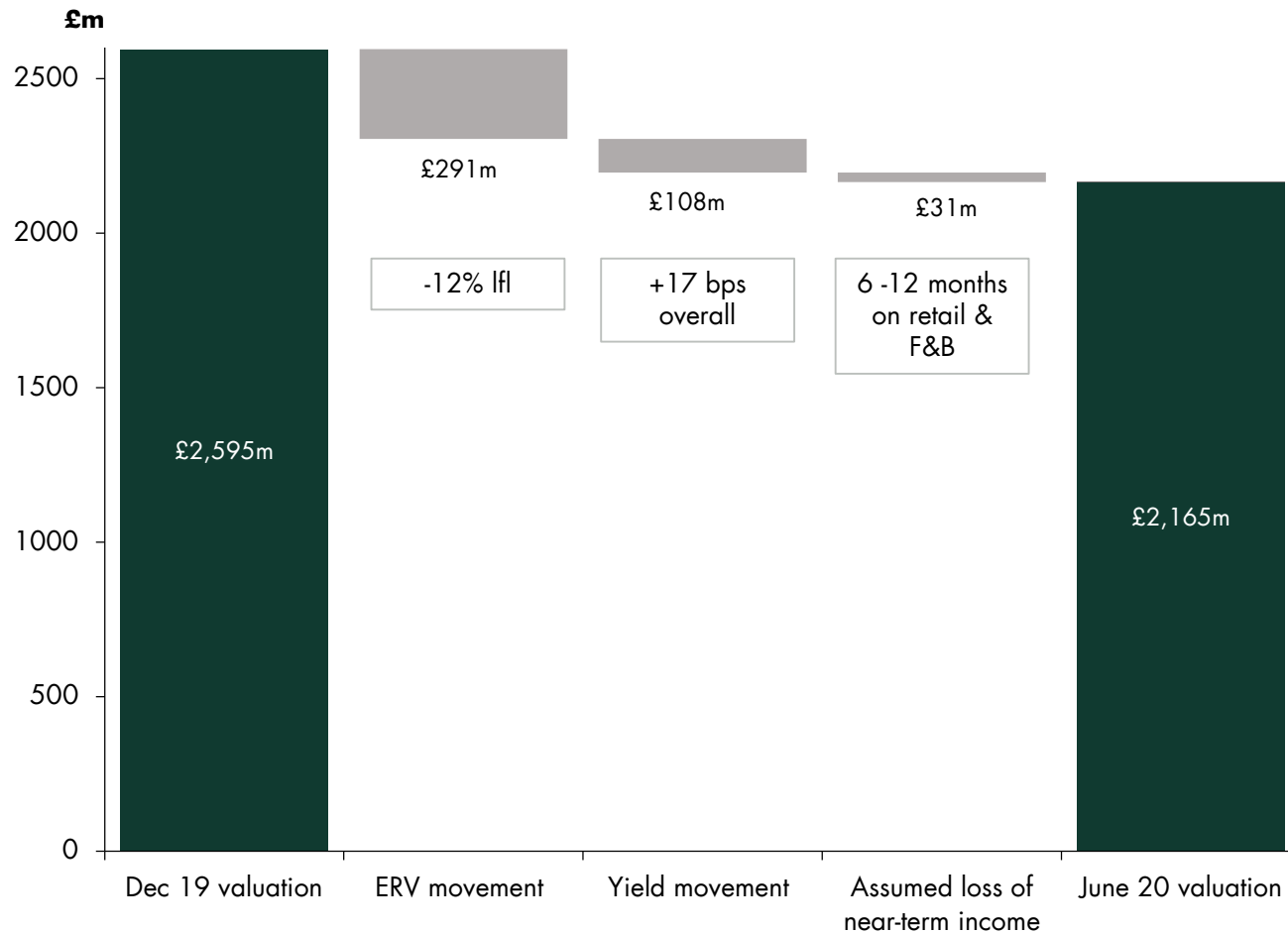
22 LEASING TRANSACTIONS SIGNED IN THE PERIOD

WELL-POSITIONED TO ACT ON INVESTMENT OPPORTUNITIES

GOOD PROGRESS ON LILLIE SQUARE HANDOVERS

DIVIDEND DECISION DEFERRED UNTIL YEAR END

COVENT GARDEN INDEPENDENT PROPERTY VALUATION

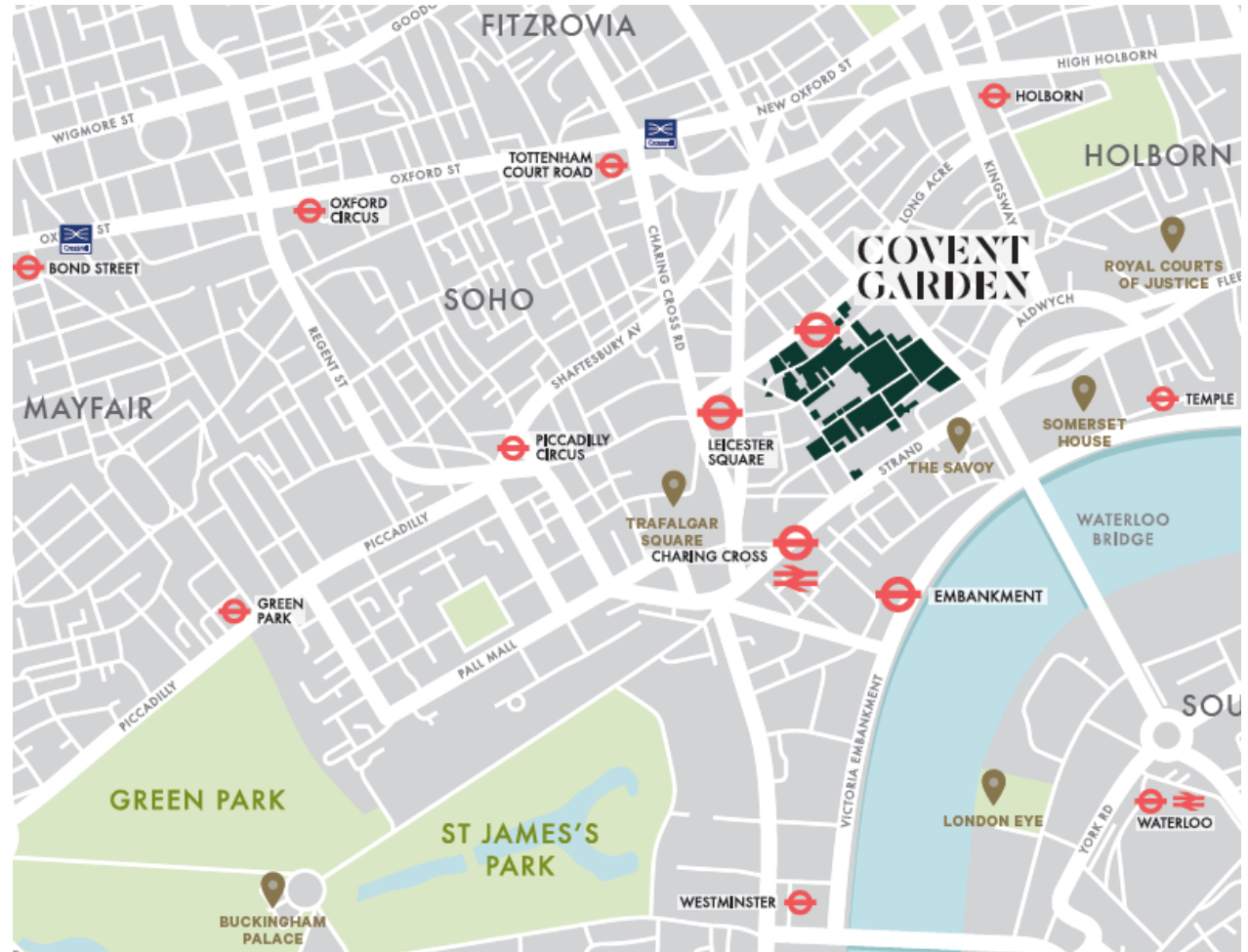


Initial yield 2.72%
Equivalent yield 3.82%

	Valuation	ERV
Retail	-20%	-14%
F&B	-25%	-19%
Offices	-4%	-2%
Residential	1%	-3%
Leisure/other	-7%	3%
Total	-17%	-12%

COVENT GARDEN ESTATE, IN THE HEART OF THE WEST END

- 81 buildings, 548 units and 1.2m square foot lettable space
- Landmark estate with global recognition
- Scale and concentrated ownership
- Rich in heritage and culture
- Attractive open air environment



The map above is indicative.

CAPITAL ALLOCATION

Investment in owned assets
Development, repositioning and asset
management opportunities

Acquisitions on or near Covent Garden estate
Other central London opportunities

DISCIPLINED APPROACH TO INVESTMENT, RETURNS AND CAPITAL EFFICIENCY

Disposal of non-strategic assets

Dividend distributions and shareholder returns

INVESTMENT IN SHAFTESBURY PLC SHARES

ACQUISITION OF 26.3% SHAREHOLDING IN SHAFTESBURY PLC

- Total consideration of £436 million

UNIQUE OPPORTUNITY TO ACQUIRE A SIGNIFICANT STAKE

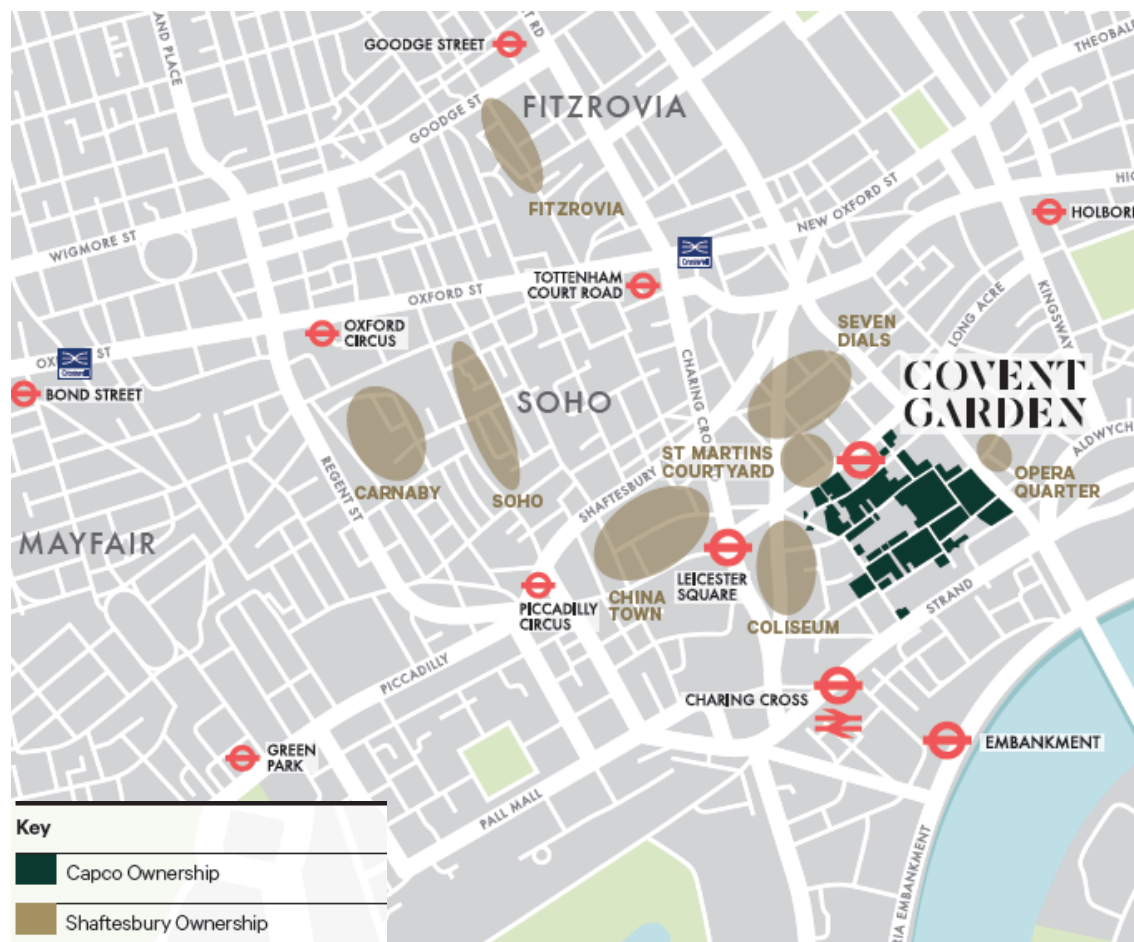
- An exceptional mixed-use real estate portfolio

ATTRACTIVE INVESTMENT AND ENTRY PRICE

- An implied price of approximately £1,200 per square foot

CONSISTENT WITH CAPCO'S STRATEGY

- Invest in complementary opportunities on or near the Covent Garden estate



The map above is indicative.



FINANCIAL REVIEW

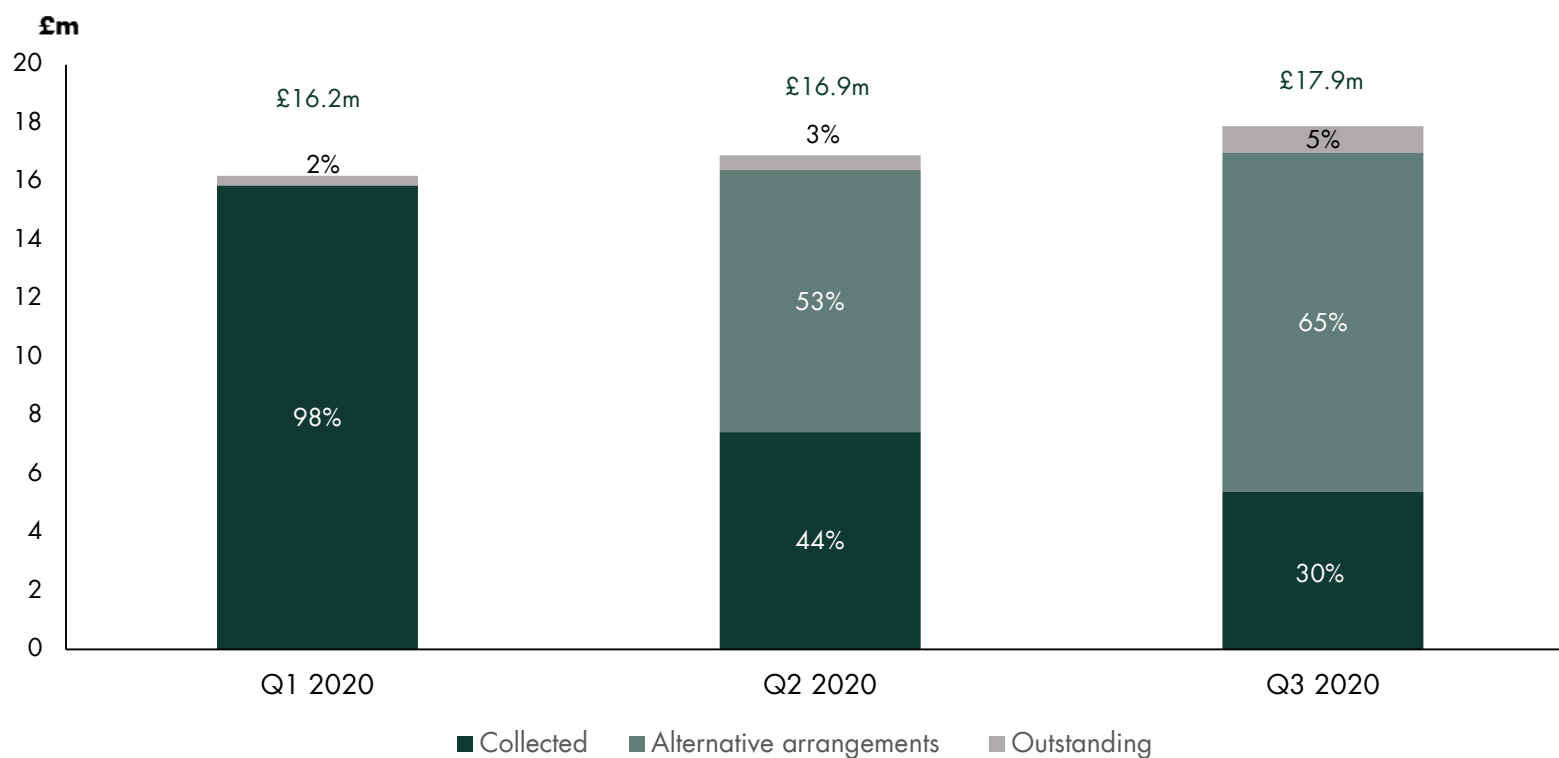
UNDERLYING EARNINGS

	Jun-20 £m	Jun-19 £m	Var £m
Continuing operations			
Net rental income	25.3	30.9	(5.6)
Other income	0.2	0.5	(0.3)
Administration costs	(12.2)	(14.0)	1.8
Net finance costs	(10.4)	(10.4)	-
Profit before tax	2.9	7.0	(4.1)
Taxation	(0.4)	(1.6)	1.2
Underlying earnings from continuing operations	2.5	5.4	(2.9)
Underlying earnings from discontinued operations	-	(0.9)	0.9
Underlying earnings	2.5	4.5	(2.0)
Underlying earnings per share (pence):			
From continuing operations	0.3	0.6	(0.3)
From discontinued operation	-	(0.1)	0.1
Underlying earnings per share (pence)	0.3	0.5	(0.2)

Reported net rental income for the period of £18.2m includes impact of non-recurring COVID-19 items.

Note: All numbers shown at Group share

QUARTERLY RENT COLLECTION SUMMARY

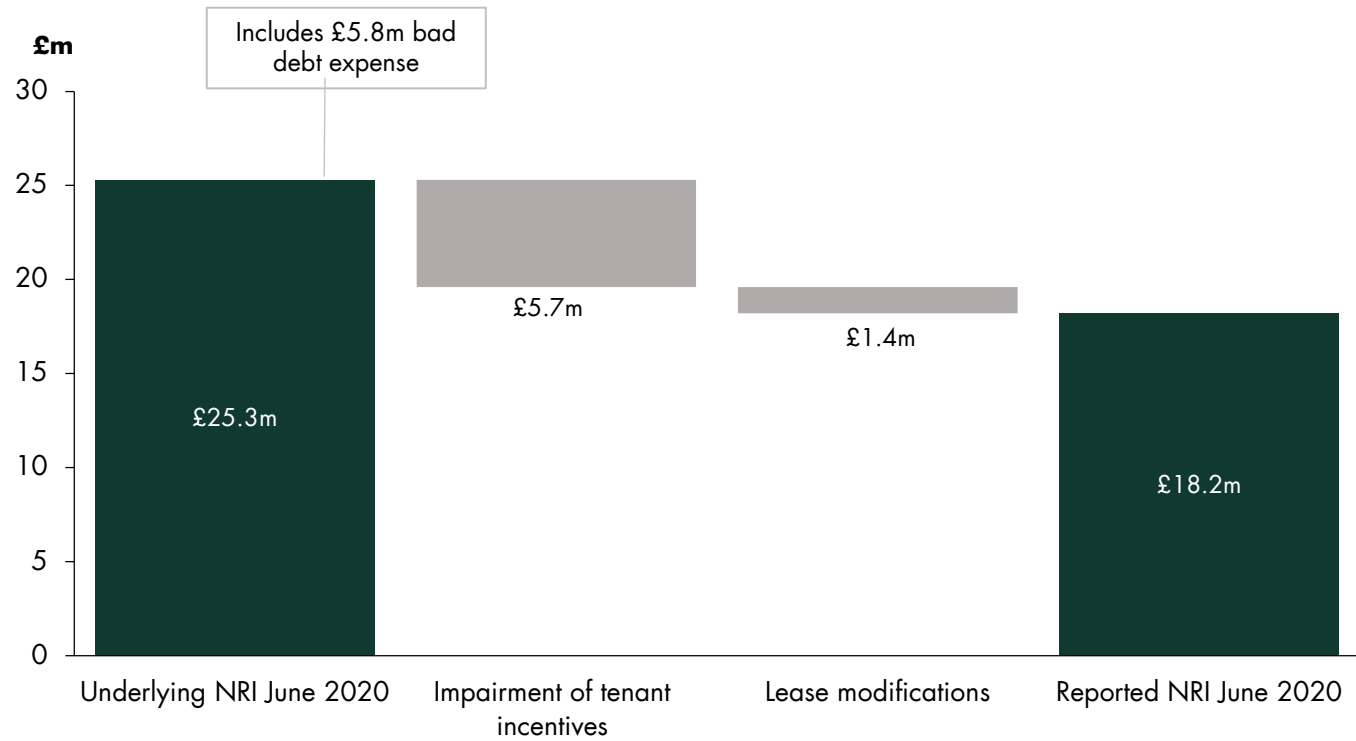


Rent collection for Q2 and Q3 quarter rent dates has been significantly lower than normal levels

During this challenging period a small number of tenants have entered into administration representing £3 million of passing rent

*Note: Relates to quarterly rents only
Collections as at 7 August 2020*

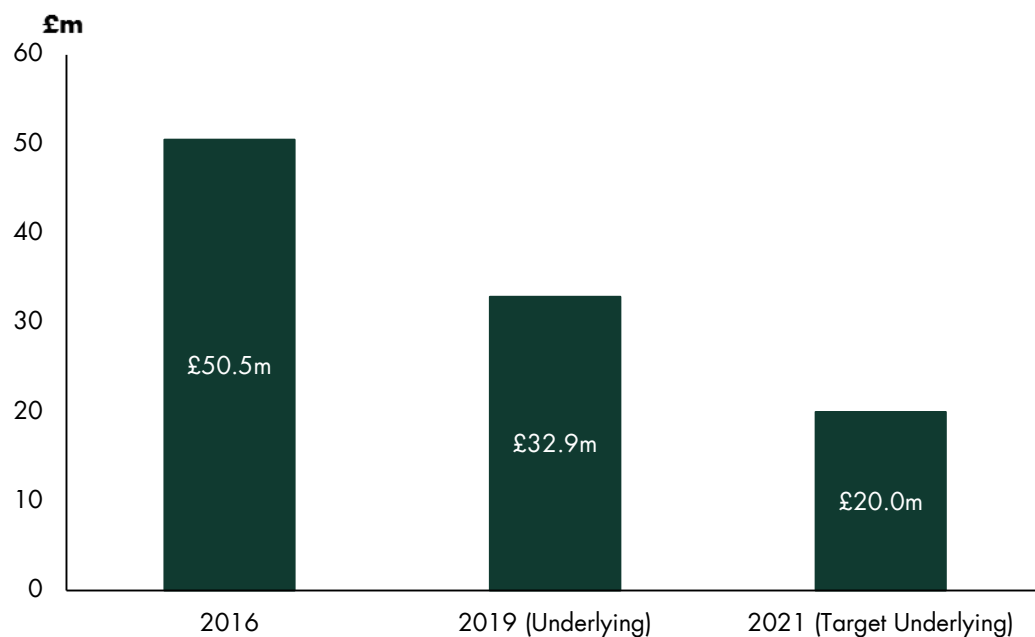
COVID-19 IMPACT ON NRI



Note: All numbers shown at Group share

CONTINUING FOCUS ON COST EFFICIENCIES

Administration expenses



Cost efficiency targeted at all levels - property, administration and financing

Additional costs and disruption in H1 2020, however run rate continues to be reduced

Further consolidation of Group activities in H1, with continued focus into H2

EPRA BALANCE SHEET

	Jun-20 £m	Dec-19 £m	Var £m
Investment, development & trading property ¹	2,249	2,707	(458)
Net debt	(721)	(442)	(279)
Other ²	524	241	283
EPRA NAV (NTA)	2,052	2,506	(454)
Number of shares in issue (diluted)	853m	856m	(3m)
EPRA NAV (NTA) per share	241p	293p	(52)p

¹ The market value of investment, development & trading property is £2,305m (31 December 2019: £2,774m)

² Other primarily includes Capco's investment in Shaftesbury PLC (£340m as at 30 June 2020) and deferred consideration from the sale of Earls Court (£120m)

EPRA net asset value metrics:

- NRV (net reinstatement value): 257 pence per share
- NTA (net tangible assets): 241 pence per share
- NDV (net disposal value): 236 pence per share

Note: All numbers shown at Group share. A reconciliation to the summary IFRS balance sheet can be found in the Appendix

STRONG LIQUIDITY AND BALANCE SHEET POSITION

FLEXIBLE, UNSECURED DEBT STRUCTURE WITH ACCESS TO SIGNIFICANT LIQUIDITY

32%

LTV

26%

NET DEBT TO GROSS ASSETS

£721m

NET DEBT

£616m

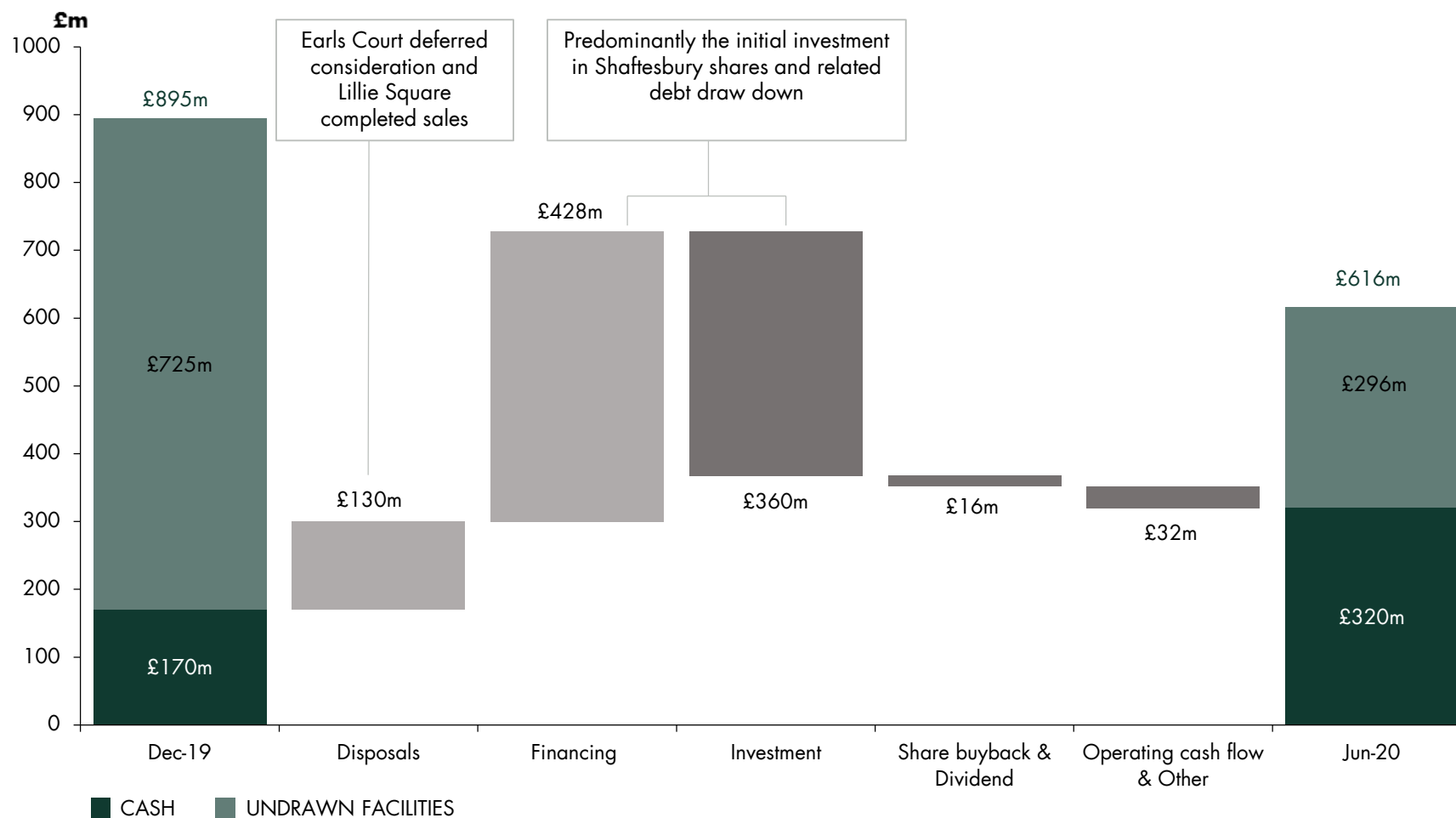
UNDRAWN FACILITIES AND
CASH

WEIGHTED AVERAGE COST OF DRAWN DEBT 2.6%

SIGNIFICANT LTV HEADROOM AGAINST VALUATION MOVEMENTS

ICR COVENANT WAIVERS AGREED FOR CURRENT FINANCIAL YEAR

CASH UTILISATION



Note: All numbers shown at Group share

STRONG BALANCE SHEET, FOCUS ON COST AND CAPITAL EFFICIENCY

DISRUPTION TO NEAR-TERM INCOME

Customer support and other initiatives to position for recovery

Dividend decision deferred to year end

CONTINUED REDUCTION OF UNDERLYING ADMINISTRATION COSTS

STRONG LIQUIDITY AND BALANCE SHEET POSITION

Access to significant liquidity, LTV headroom and waiver of ICR covenants

DISCIPLINED APPROACH TO CAPITAL MANAGEMENT



COVENT GARDEN

COVENT GARDEN PERFORMANCE

PORTFOLIO VALUE

£2.2bn

-17% lfl

ERV

£96m

-12% lfl

UNDERLYING NRI (VS JUN 2019)

£25m

-22% lfl

OCCUPANCY

96%

-1%

SOLID START TO 2020; HOWEVER SIGNIFICANT IMPACT ON BUSINESS FROM COVID-19 IN H1

22 LEASING TRANSACTIONS COMPLETED REPRESENTING £2.7M CONTRACTED INCOME

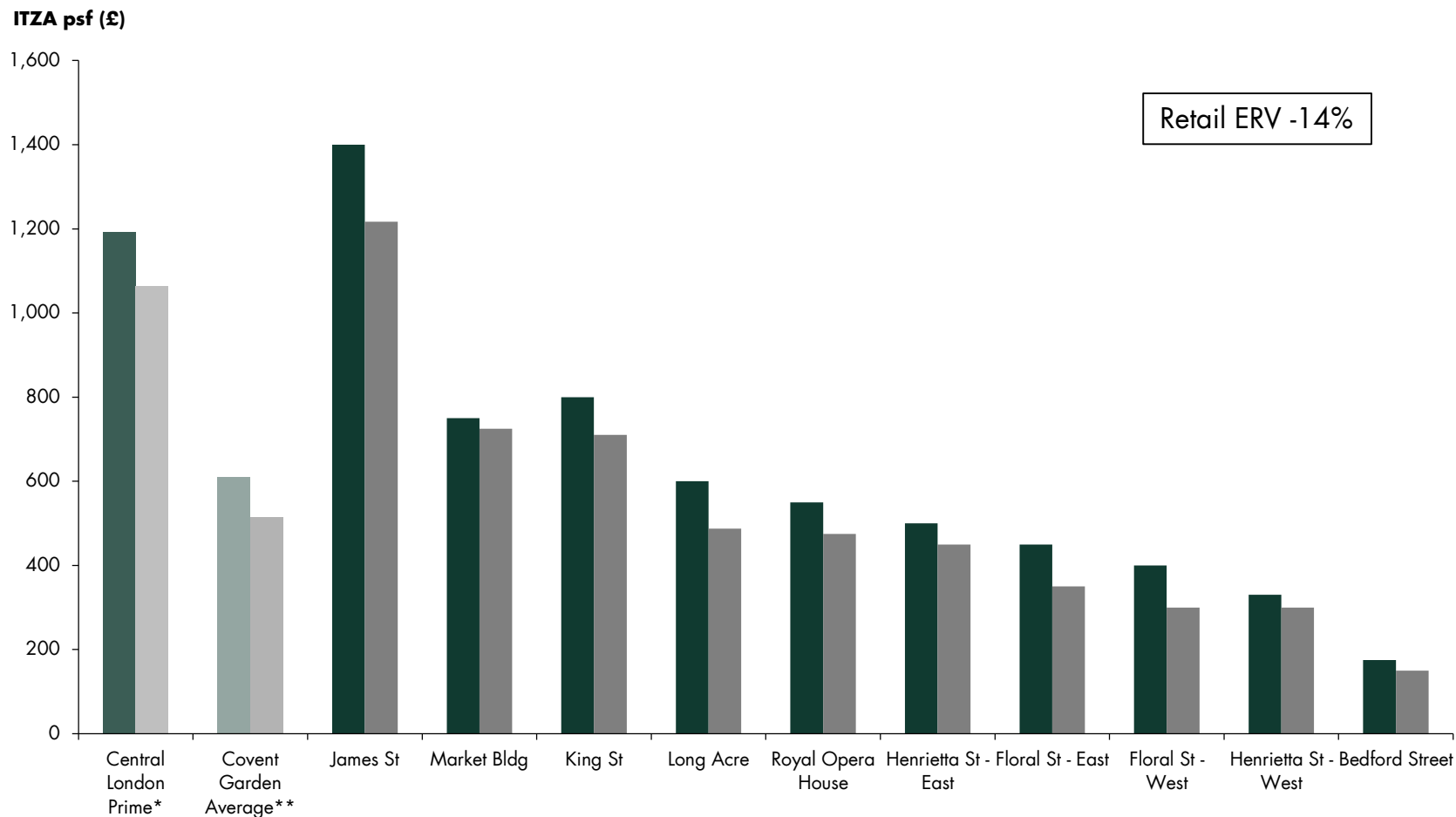
PROACTIVE APPROACH TO OUR CUSTOMERS DURING LOCKDOWN

FOCUSED ON REOPENING STRATEGY; PROVIDING CONFIDENCE TO REOPEN



PORTFOLIO ANALYSIS ON ZONE A RENTS

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

SUPPORTING OUR ESTATE THROUGH EARLY ACTIONS

DIRECT CONTACT WITH OUR CUSTOMERS

- Over 250 direct customer negotiations

Q2 RENTS

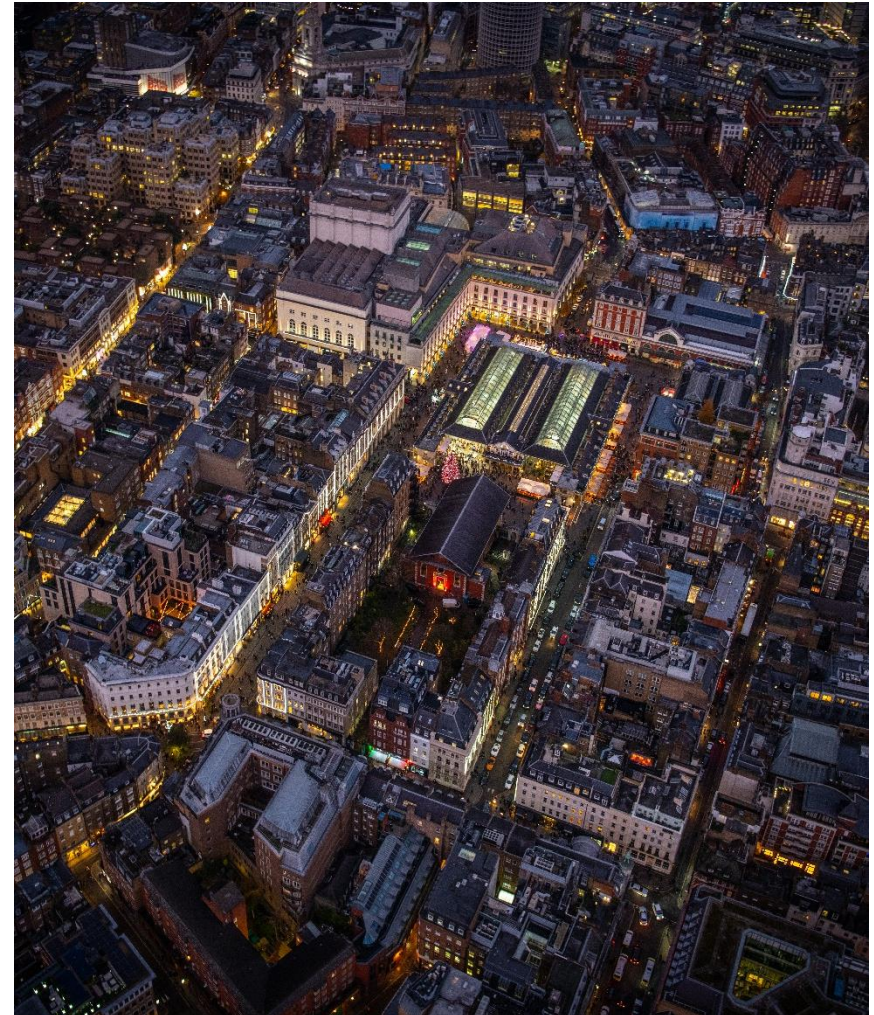
- Moved from quarterly in advance to alternative arrangements inc. monthly rents, rental deferrals and deposit usage

BESPOKE SOLUTIONS AGREED FOR H2 2020 IN EXCHANGE FOR LEASE ENHANCEMENTS

- Rent deferrals
- Rent-free periods
- Turnover linked arrangements

ENSURING WORLD-CLASS ESTATE OVER THE LONG-TERM

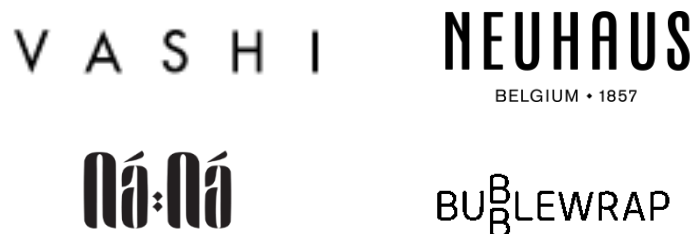
- Maintaining strong customer line-up
- Positioning for recovery and growth over time



COMMERCIAL ACTIVITY CONTINUES

4 NEW BRANDS SIGNED SINCE MARCH 2020

- Including two new London flagships



OPENINGS ACROSS THE ESTATE

- Ganni flagship opened on Floral Street
- American Vintage fit out underway
- Peloton European flagship studio fit-out continues
- Bucherer's expansion is underway
- Strathberry to open in the Market Building



INVESTING IN OUR ESTATE

REFURBISHMENT ACTIVITY UNDERWAY FOLLOWING COVID-19 INTERRUPTION

- 3 Henrietta Street Townhouse under offer
- 5-6 Henrietta Street office refurbishment continues
- Vacant possession of office space in Sussex Mansions achieved

CONTINUING TO TRACK INVESTMENT MARKET CLOSELY

- Significant liquidity to act on investment opportunities
- Remain disciplined around acquisitions



ENHANCEMENTS TO PUBLIC REALM

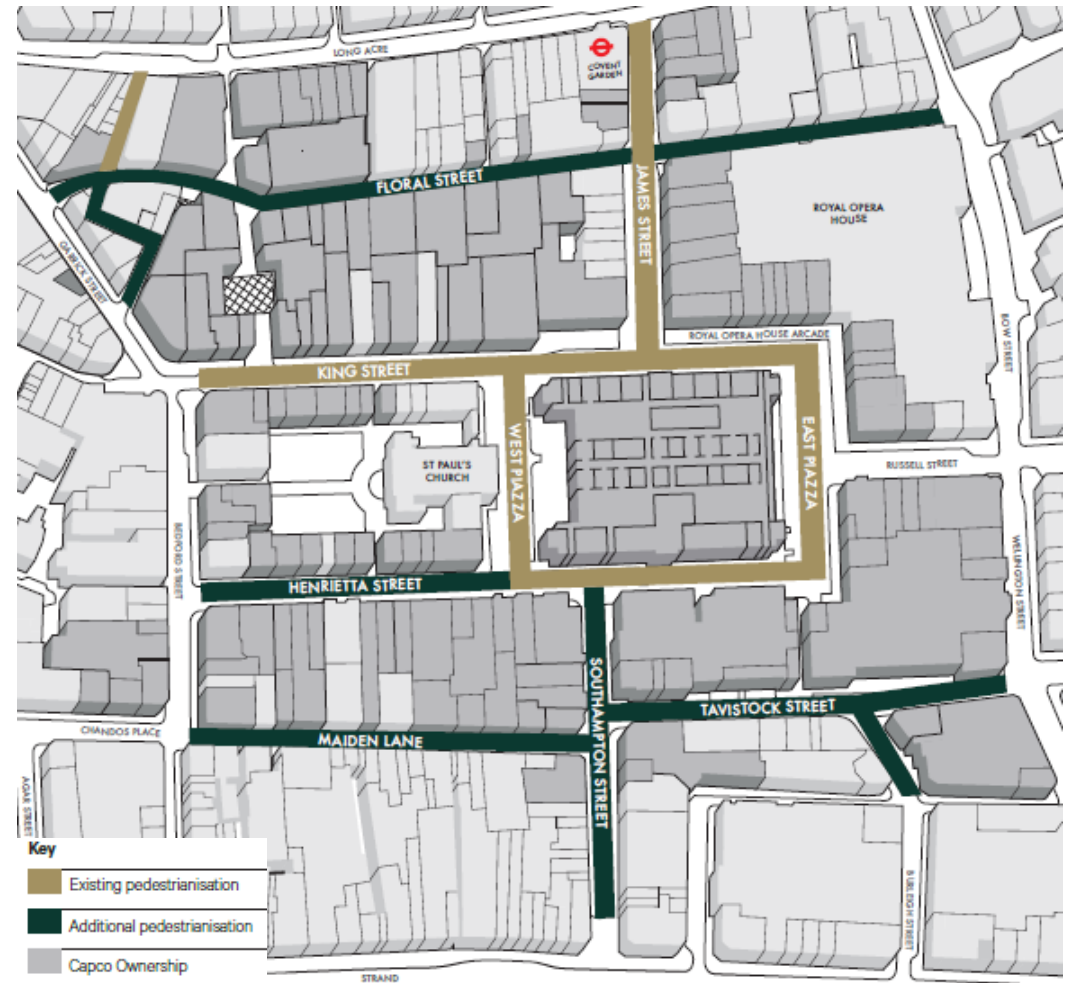
ADDITIONAL PEDESTRIANISED STREETS

- In partnership with Westminster City Council

ACCELERATED AL FRESCO DINING STRATEGY

- Now over 500 incremental outdoor covers

ENCOURAGING EARLY INDICATORS



The map above is indicative.
Additional streets have been pedestrianised for a trial period

REOPENING STRATEGY UNDERWAY

MAJORITY OF RETAIL AND F&B CUSTOMERS
HAVE REOPENED



WELCOMING OPEN AIR
ENVIRONMENT



ALTERNATIVE RENTAL ARRANGEMENTS AGREED



ENCOURAGING EARLY INDICATORS





LOOKING AHEAD

LOOKING AHEAD

EXTRAORDINARY FIRST HALF OF 2020; EXPECT TRADING CONDITIONS TO REMAIN CHALLENGING

DECISIVE ACTIONS POSITION THE ESTATE TO BENEFIT FROM A RECOVERY AND PROSPER OVER TIME

PROVIDING OUR CUSTOMERS WITH CONFIDENCE AND THE SETTING TO GRADUALLY BUILD TOWARDS
PREVIOUS TRADING LEVELS

SEEK EFFICIENCIES ACROSS THE BUSINESS AND REMAIN DISCIPLINED IN CAPITAL ALLOCATION

CONFIDENT IN THE LONG-TERM PROSPECTS FOR THE WEST END AND OUR UNIQUE INVESTMENTS



Q&A

A SUSTAINABLE AND RESPONSIBLE BUSINESS



EPRA SUSTAINABILITY
REPORTING AWARDS
2019: Gold



GLOBAL REAL ESTATE
BALANCE SUSTAINABILITY BENCHMARK
2019: Green Star



CARBON DISCLOSURE PROJECT
2019: B



FTSE4Good

FTSE4GOOD
2019: 90th percentile

MEMBERSHIPS



A RESPONSIBLE LONG-TERM OWNER, WORKING CLOSELY WITH OUR STAKEHOLDERS

SAFETY OF VISITORS

- Open air environment
- Optimised stores in line with government guidelines
- Extensive cleaning regime

SUPPORTING OUR CUSTOMERS

- Supporting stores reopening during period of significant disruption
- Bespoke solutions reflecting the position of each customer

DISTRICT STEWARDSHIP

- Investing in safer, cleaner and greener environment
- Additional security presence across the estate

COMMUNITY INVESTMENT

- Community, educational and charity programmes
- COVID-19 funding - homelessness, food banks, the elderly, hospitality and retail foundations

COLLABORATION WITH WESTMINSTER

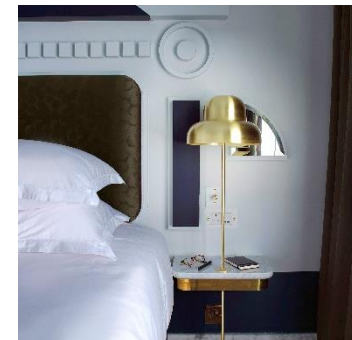
- Pedestrianisation of additional streets
 - Promoting al fresco dining
 - 500 incremental outdoor covers
- Bio-diverse greening programme, enhancing air quality

PROMOTING THE WEST END

- Collaboration with neighbouring landlords
- Marketing initiatives to encourage footfall

COVENT GARDEN PORTFOLIO

	RETAIL	F&B	OFFICES	RESIDENTIAL	LEISURE/ OTHER	TOTAL
Valuation	£1,114m	£428m	£347m	£199m	£77m	£2,165m
Gross income	£30.8m	£16.2m	£13.6m	£4.3m	£3.0m	£67.9m
ERV	£47.5m	£19.5m	£19.4m	£5.6m	£3.5m	£95.5m
Area (square foot)	0.4m	0.2m	0.3m	0.2m ¹	0.1m	1.2m
Units	140	59	77	217	55	548

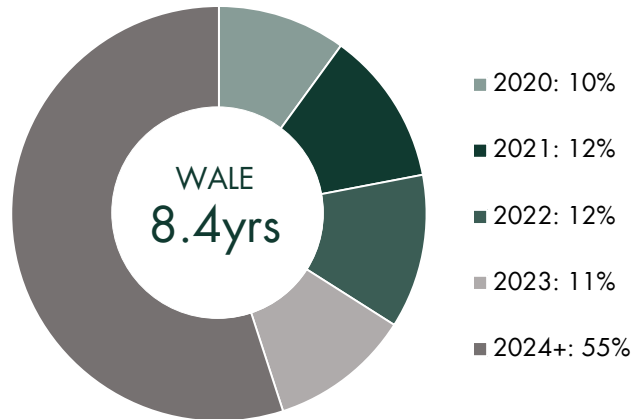


1. Residential includes units sold on long lease interests covering approximately 158,000 square feet

COVENT GARDEN

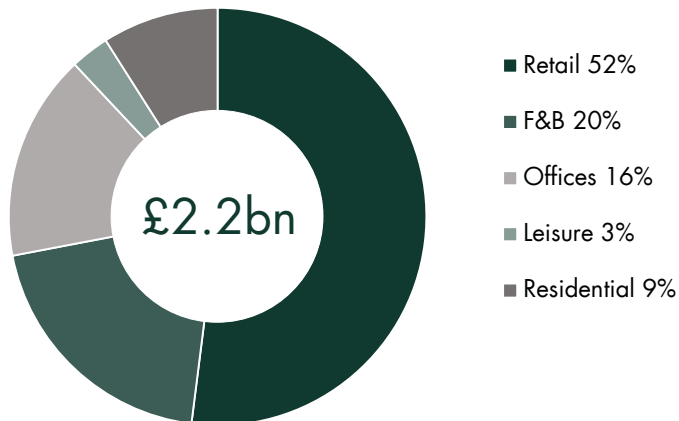
81 PROPERTIES, 548 LETTABLE UNITS

LEASE EXPIRY PROFILE¹

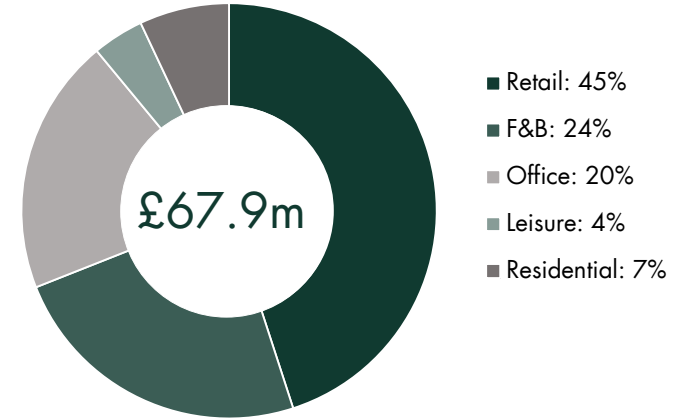


1. Lease expiry profile based on the earlier of lease break and lease expiry

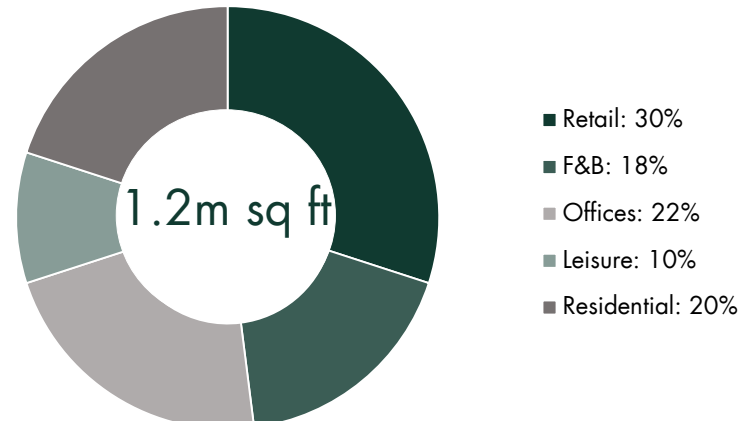
PORTFOLIO VALUE



ANNUAL GROSS INCOME



TOTAL FLOOR AREA

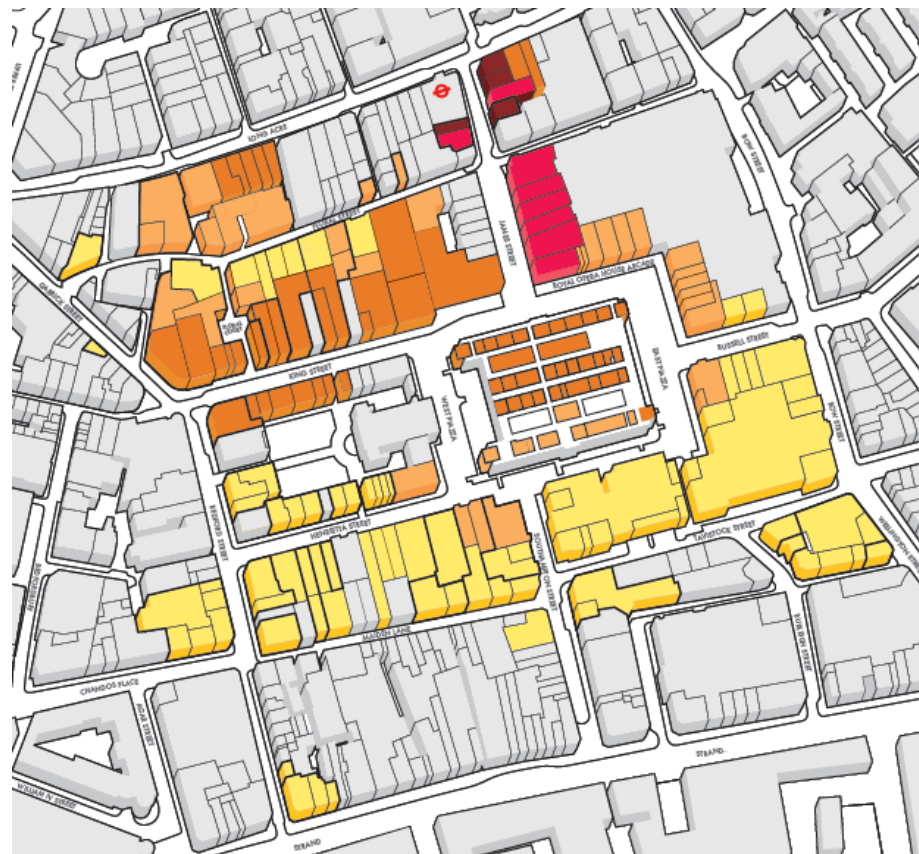


COVENT GARDEN PORTFOLIO ANALYSIS

December 2019 Zone A Map

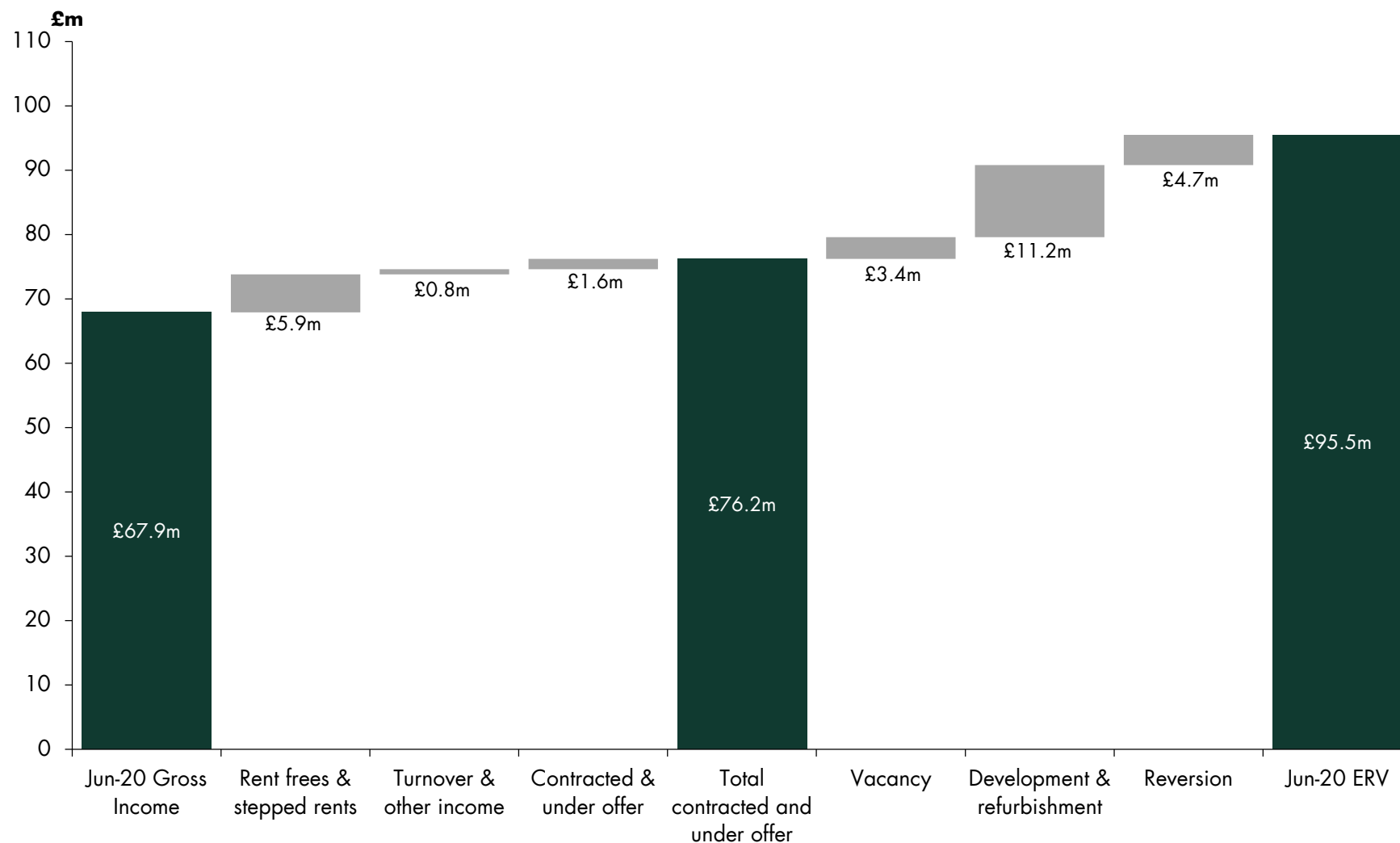


June 2020 Zone A Map



CBRE

COVENT GARDEN GROSS INCOME TO ERV



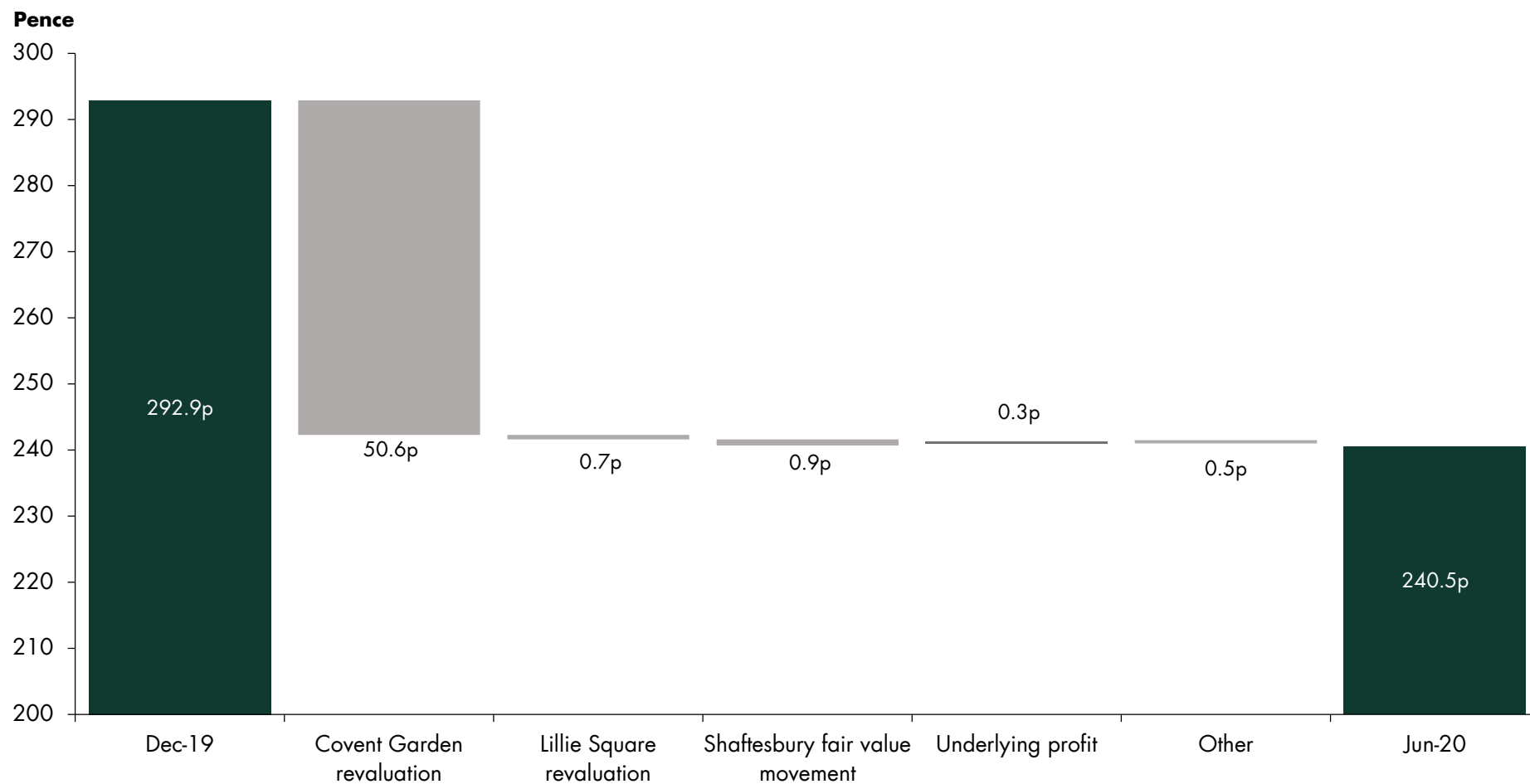
SUMMARY BALANCE SHEET

GROUP SHARE TO IFRS AS AT 30 JUNE 2020

	Group share £m	Less: Joint ventures ¹ £m	IFRS £m
Investment, development & trading Property	2,249	(127)	2,122
Net Debt	(721)	9	(712)
Other assets and liabilities	500	111	611
NAV	2,028	(7)	2,021

1. Primarily Lillie Square.

EPRA NET TANGIBLE ASSETS PER SHARE



DEBT COVENANTS

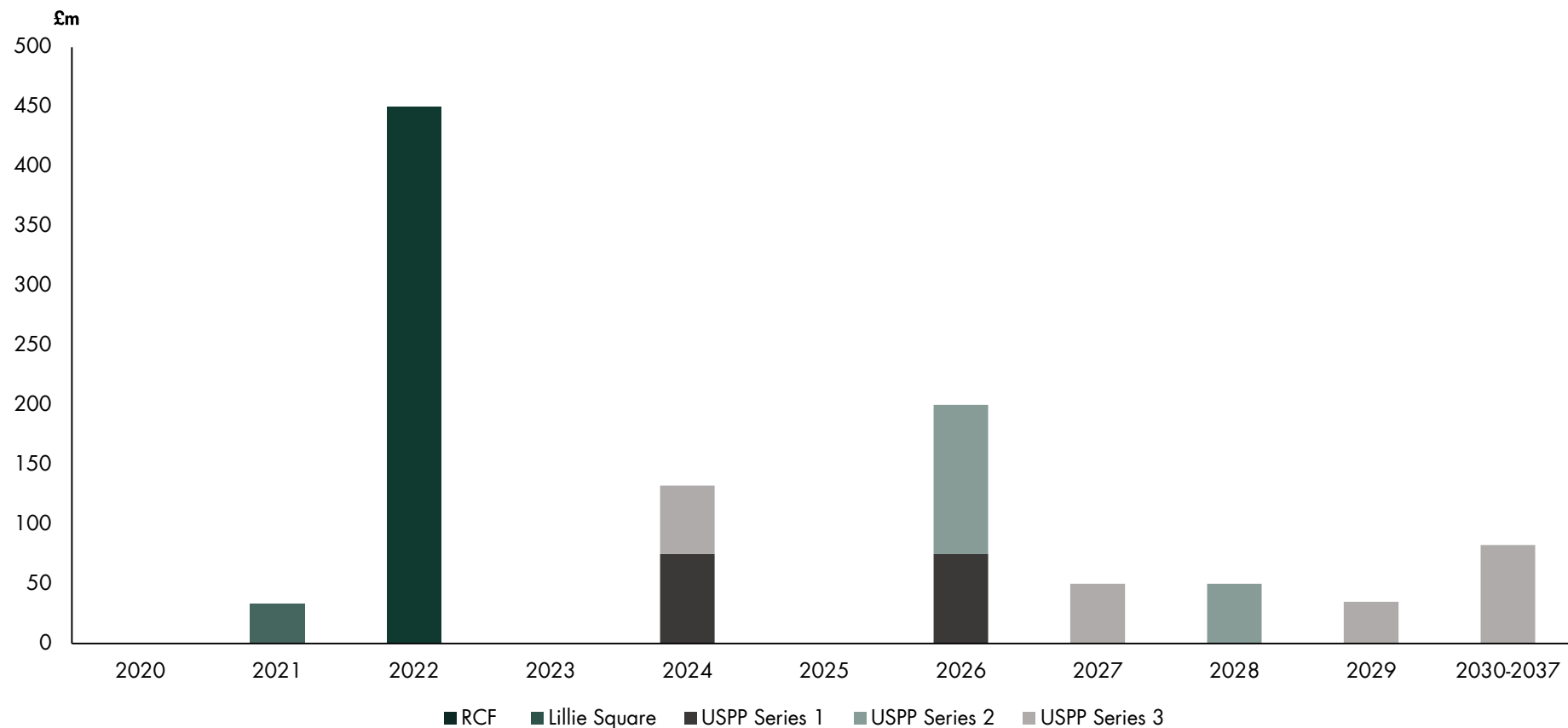
	Maturity	Loan outstanding ¹	LTV covenant test	ICR covenant test
Covent Garden ²	2022-2037	£1,000m	60%	120%
Lillie Square	2021	£34m	75%	N/A
Total		£1,034m		

1. The loan values are the nominal values at 30 June 2020 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"), £450 million of which is drawn at 30 June 2020, and £550 million Private Placement unsecured notes.

Covent Garden at 30 June 2020:

- Loan to value: 36%
- Interest cover: 159%

DEBT MATURITY PROFILE



The Covent Garden revolving credit facility (RCF) is £705 million, of which £450 million is drawn at 30 June 2020

TAXATION SUMMARY

TAX ON INCOME AND GAINS

The total tax credit for the year, made up of both underlying tax and non-underlying tax, is £0.6 million.

The Group is a UK Real Estate Investment Trust (REIT) and is therefore exempt from UK corporation tax on income and gains arising from its qualifying property rental business provided that certain REIT conditions are met on a continuing basis.

Income and gains arising from non-qualifying REIT activities (e.g. trading operations) are subject to UK corporation tax at 19%.

Due to the Group's REIT status, the contingent tax position on investment property held as at period ended 30 June 2020 is £nil (31 December 2019: £nil).

A disposal of the Group's trading properties at their market value, before utilisation of carried forward losses, would result in a UK corporation tax charge to the Group of £2.0 million (19% of £10.4 million).

LILLIE SQUARE, AN ESTABLISHED ADDRESS

POSITIVE PROGRESS ON PHASE 2 HANDOVERS

- 66 units handed over representing approx. £80m of cash proceeds (£40m Capco share)
- Approx. £120m further proceeds expected (£60m Capco share)
- Includes £66 million relating to bulk sale of 49 units (£33 million Capco share)

VALUATION

- 5% decline (like-for-like) to £138 million (Capco share)

FUNDING

- Drawn debt on construction facility of £67m (£33.5m Capco share)
- Net Debt £18m (£9m Capco share)

