



Capital & Counties Properties PLC  
2020 Annual Results  
9 MARCH 2021





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# AGENDA

## 1. INTRODUCTION

Ian Hawksworth

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## 2. FINANCIAL REVIEW

Situl Jobanputra

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## 3. COVENT GARDEN

Michelle McGrath

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## 4. LOOKING AHEAD

Ian Hawksworth

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## 5. Q&A



# INTRODUCTION



# 2020 IN REVIEW

## SIGNIFICANT IMPACT FROM COVID-19

- Operations, valuations and near-term income

## PRIORITISING THE HEALTH AND SAFETY OF OUR PEOPLE, CUSTOMERS AND VISITORS

## DECISIVE ACTION TAKEN POSITIONING COVENT GARDEN FOR RECOVERY

- Supporting our customers
- Enhancing public realm
- Strategic marketing, estate animation and new leasing activity

## RESPONSIBLE STEWARDSHIP

- Commitment to achieving net zero carbon by 2030

## DISCIPLINED CAPITAL AND COST MANAGEMENT

- Taking advantage of market opportunities



# GROUP HEADLINE FINANCIALS

EPRA NTA PER SHARE

212p

-28%

PROPERTY VALUE

£1.9bn

-26% lfl

UNDERLYING  
EARNINGS PER SHARE

-0.7p

NET DEBT TO GROSS  
ASSETS

28%

COVENT GARDEN LTV

19%

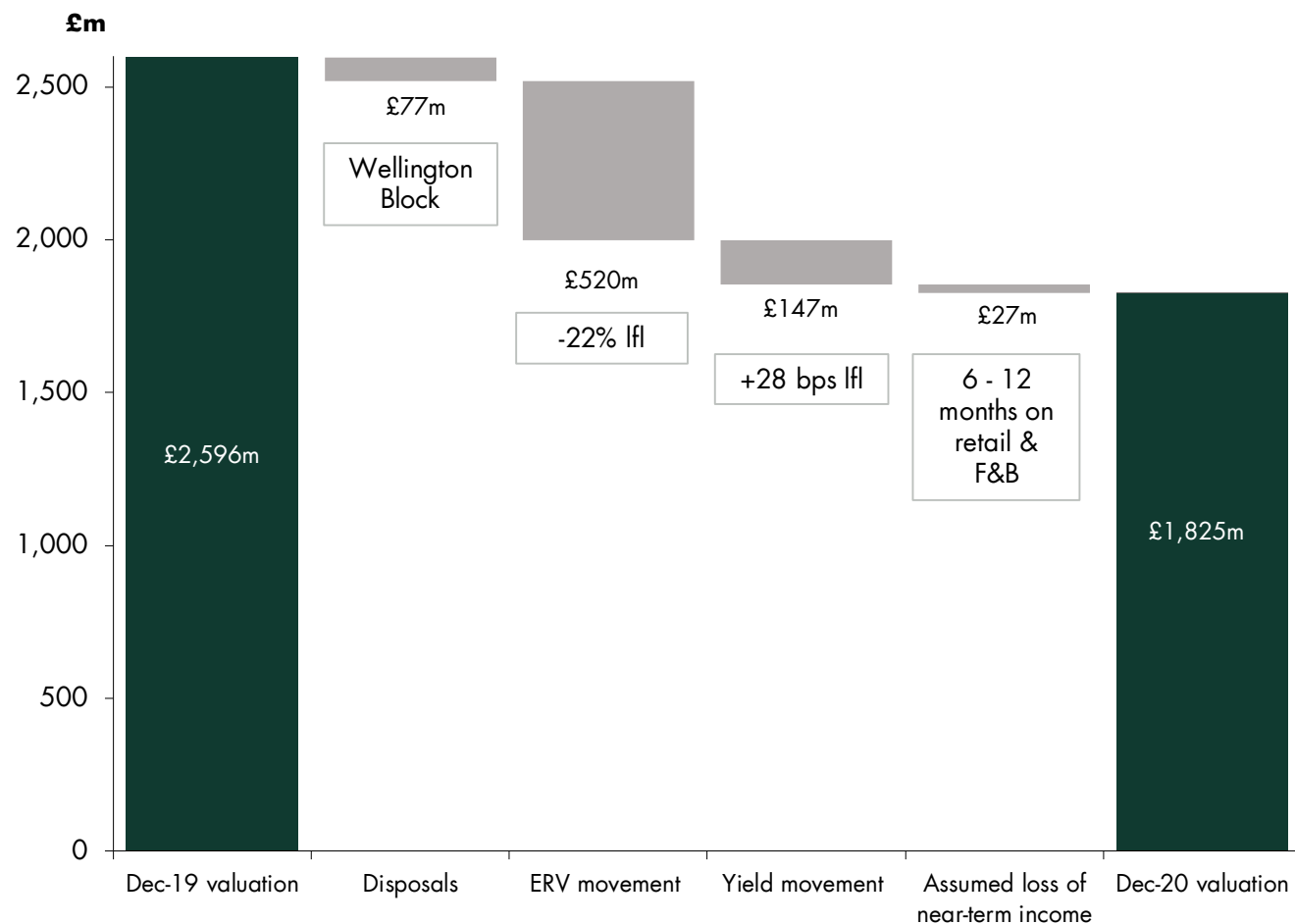
INCOME AND VALUATIONS IMPACTED SIGNIFICANTLY

SIGNIFICANT INVESTMENT AND FINANCING ACTIVITIES

STRONG FINANCIAL POSITION, ACCESS TO SUBSTANTIAL LIQUIDITY

DIVIDEND PAYMENTS TO RESUME WHEN APPROPRIATE

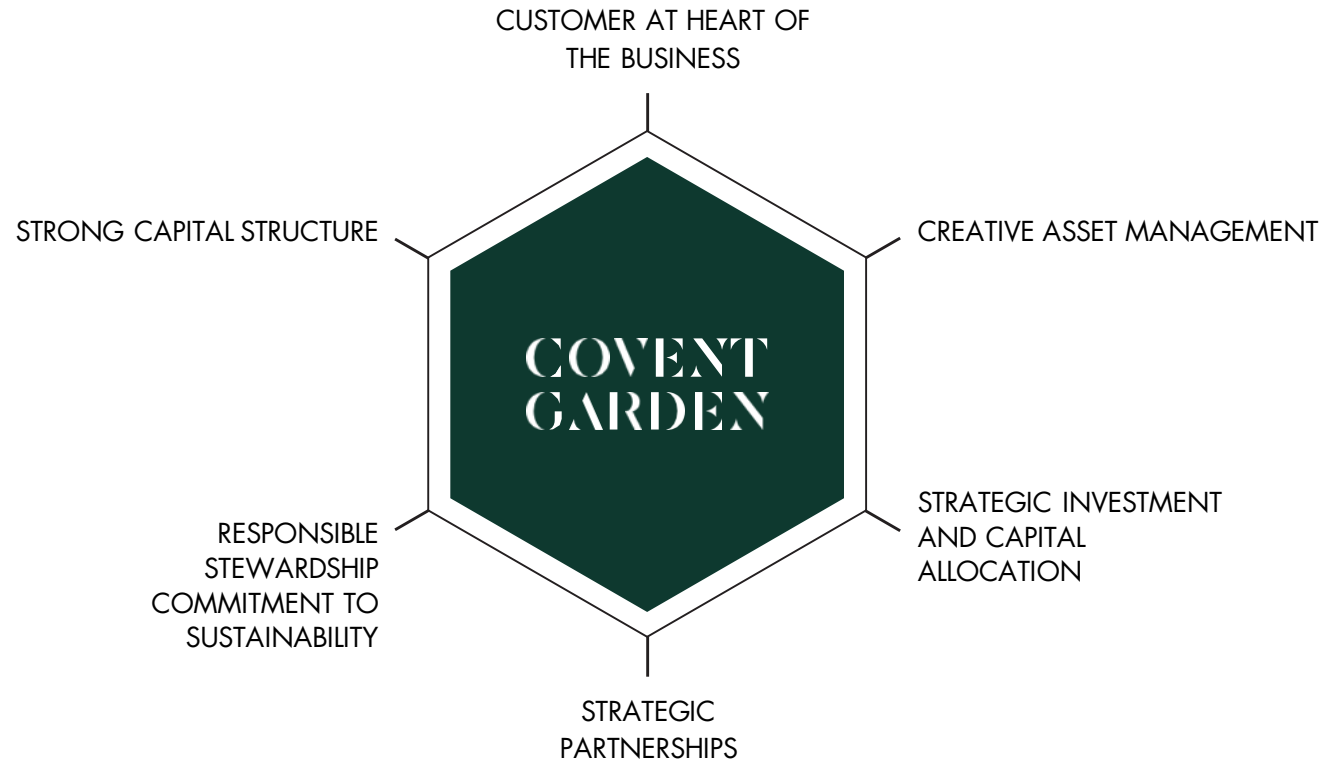
# COVENT GARDEN INDEPENDENT PROPERTY VALUATION



Equivalent yield 3.91%  
Initial yield 3.10%

	Valuation lfl	ERV lfl
Retail	-34%	-29%
F&B	-30%	-25%
Offices	-13%	-7%
Residential	-7%	-8%
Leisure/other	-6%	0%
Total	-27%	-22%

# CREATING LONG-TERM VALUE



PRIME WEST END LOCATION, HERITAGE AND GLOBAL RECOGNITION



# DELIVERING POSITIVE ENVIRONMENTAL AND SOCIAL OUTCOMES

## COMMITMENT TO ACHIEVE NET ZERO CARBON BY 2030

- Net Zero Carbon Pathway to be published in 2021

## NEW BOARD COMMITTEE FOCUSING ON ENVIRONMENT, SUSTAINABILITY AND COMMUNITY

## IMPROVING AIR QUALITY THROUGH PUBLIC REALM AND BIO-DIVERSE GREENING PROGRAMME

## RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

## PROMOTING TALENT THROUGH DIVERSE, INCLUSIVE AND ENTREPRENEURIAL CULTURE

## COMMITMENT TO COMMUNITY, EDUCATIONAL AND CHARITABLE PROGRAMMES



# INVESTMENT IN SHAFTESBURY PLC SHARES

## 25.2% OWNERSHIP OF SHAFTESBURY PLC

- £501m investment
- Average price of 517p per share following further investment of £65 million at 400p per share in October

## UNIQUE OPPORTUNITY TO ACQUIRE A SIGNIFICANT STAKE

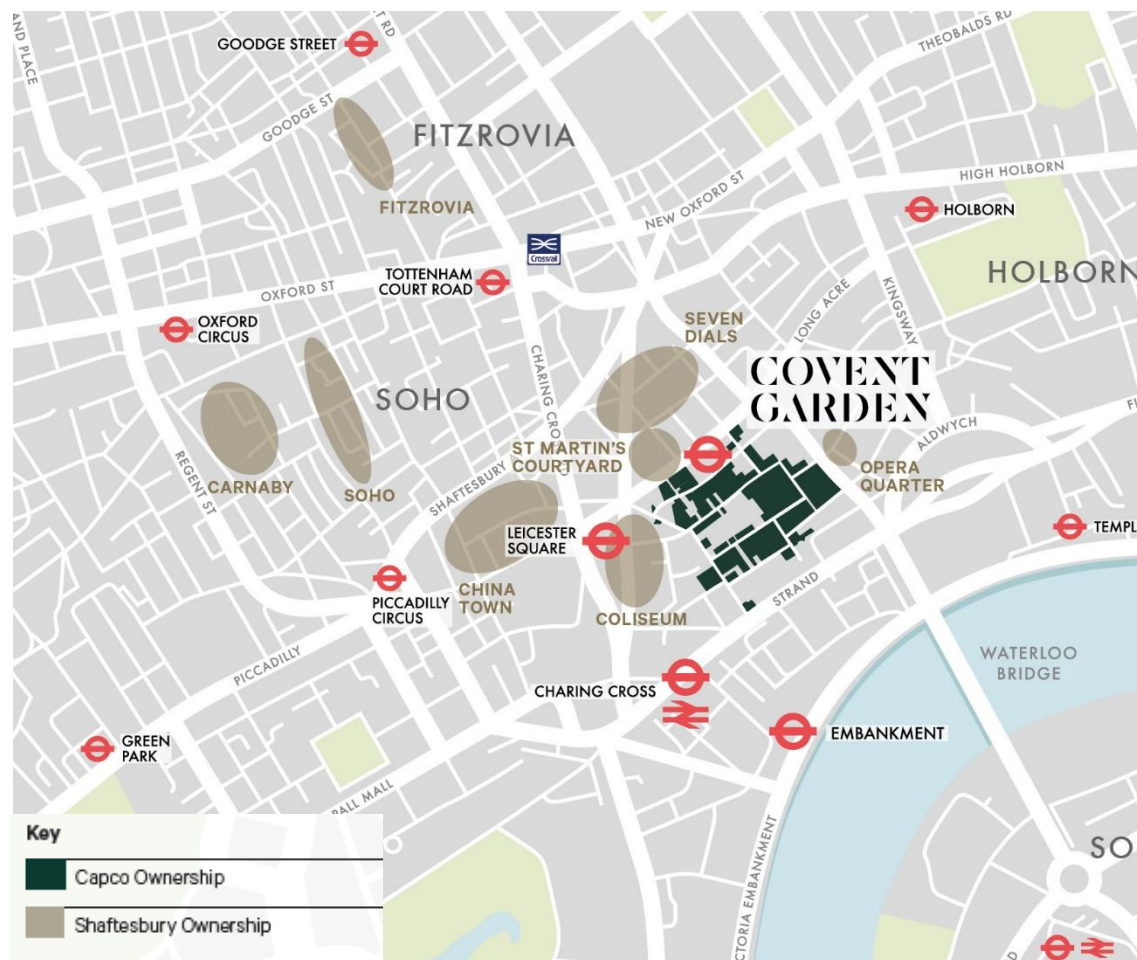
- An exceptional mixed-use real estate portfolio of c.600 buildings across the West End

## COMPELLING INVESTMENT AND ENTRY PRICE

- Implied price of c.£1,200 psf

## CONSISTENT WITH CAPCO'S STRATEGY

- Recycled capital from the sale of Earls Court
- Invest in complementary opportunities on or near the Covent Garden estate



*The map above is indicative.*



# PRIME CENTRAL LONDON REIT WELL-POSITIONED FOR RECOVERY

## COVENT GARDEN'S GLOBAL RECOGNITION

- Key to brands when selecting locations

## SUPPORTING OUR CUSTOMERS

- Maintaining vibrant customer line-up

## NEW LEASING ACTIVITY

- Focus on selected categories and brands
- Underlining the unique offer of Covent Garden

## EXTENSIVE MULTI-CHANNEL MARKETING PROGRAMME

## STRONG FINANCIAL POSITION

## EXPERIENCED AND CREATIVE MANAGEMENT TEAM

## ENCOURAGING INDICATORS ON FOOTFALL AND SALES ON REOPENING







# FINANCIAL REVIEW

# UNDERLYING EARNINGS

	2020 £m	2019 £m	Var £m
Continuing operations			
Net rental income	43.6 <sup>1</sup>	61.2	(17.6)
Other (costs)/income	(0.5)	0.9	(1.4)
Administration costs	(25.0) <sup>2</sup>	(32.9)	7.9
Net finance costs	(23.8)	(20.9)	(2.9)
(loss)/profit before tax	(5.7)	8.3	(14.0)
Taxation	(0.5)	1.2	(1.7)
Underlying (loss)/earnings from continuing operations	(6.2)	9.5	(15.7)
Underlying (loss)/earnings from discontinued operation	-	(0.5)	0.5
Underlying (loss)/earnings	(6.2)	9.0	(15.2)
Underlying (loss)/earnings per share (pence):			
From continuing operations	(0.7)	1.1	(1.8)
From discontinued operation	-	(0.1)	0.1
Underlying (loss)/earnings per share (pence)	(0.7)	1.0	(1.7)

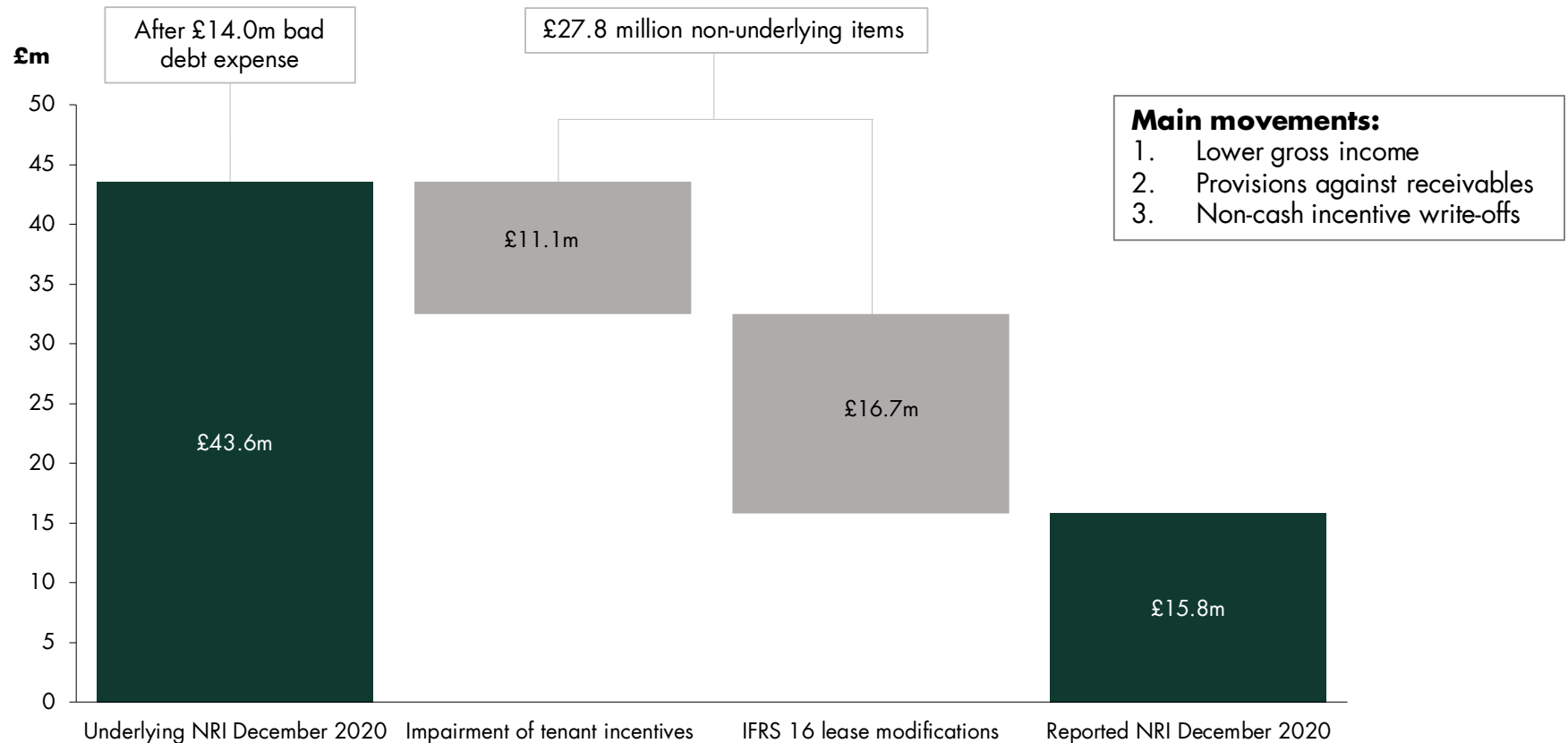
1. Before £27.8m of non-underlying, non-cash costs

2. Before £6.5m of non-underlying transaction costs

Note: All numbers shown at Group share



# COVID-19 IMPACT ON NRI



£27.8 million represents write-off of non-cash balance sheet items.

*Note: All numbers shown at Group share*



# EPRA BALANCE SHEET

	Dec-20 £m	Dec-19 £m	Var £m
Investment, development & trading property <sup>1</sup>	1,909	2,707	(798)
Net debt	(710)	(442)	(268)
Equity investment <sup>2</sup>	552	-	552
Other	55	241	(186)
EPRA NTA	1,806	2,506	(700)
Number of shares in issue (diluted)	852m	856m	(4m)
EPRA NTA per share	212p	293p	(81)p

<sup>1</sup> Carrying value shown includes adjustment for tenant lease incentives and head leases (£31.4m). The market value of investment, development & trading property is £1,942m (31 December 2019: £2,774m)

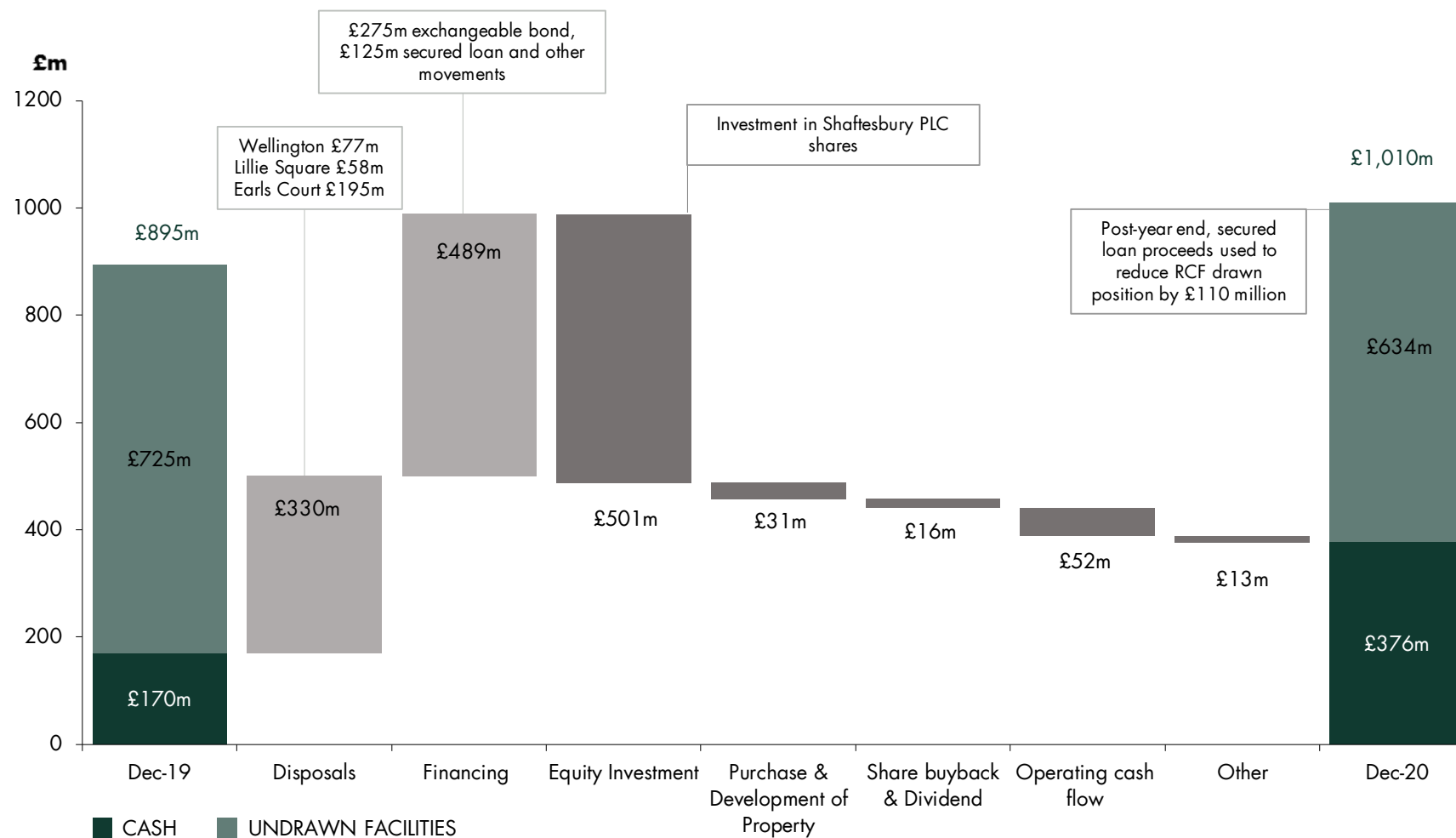
<sup>2</sup> Capco's investment in Shaftesbury PLC held at fair value (569 pence per share at 31 December 2020)

## Other EPRA net asset value metrics:

- NRV (net reinstatement value): 227 pence per share
- NDV (net disposal value): 207 pence per share

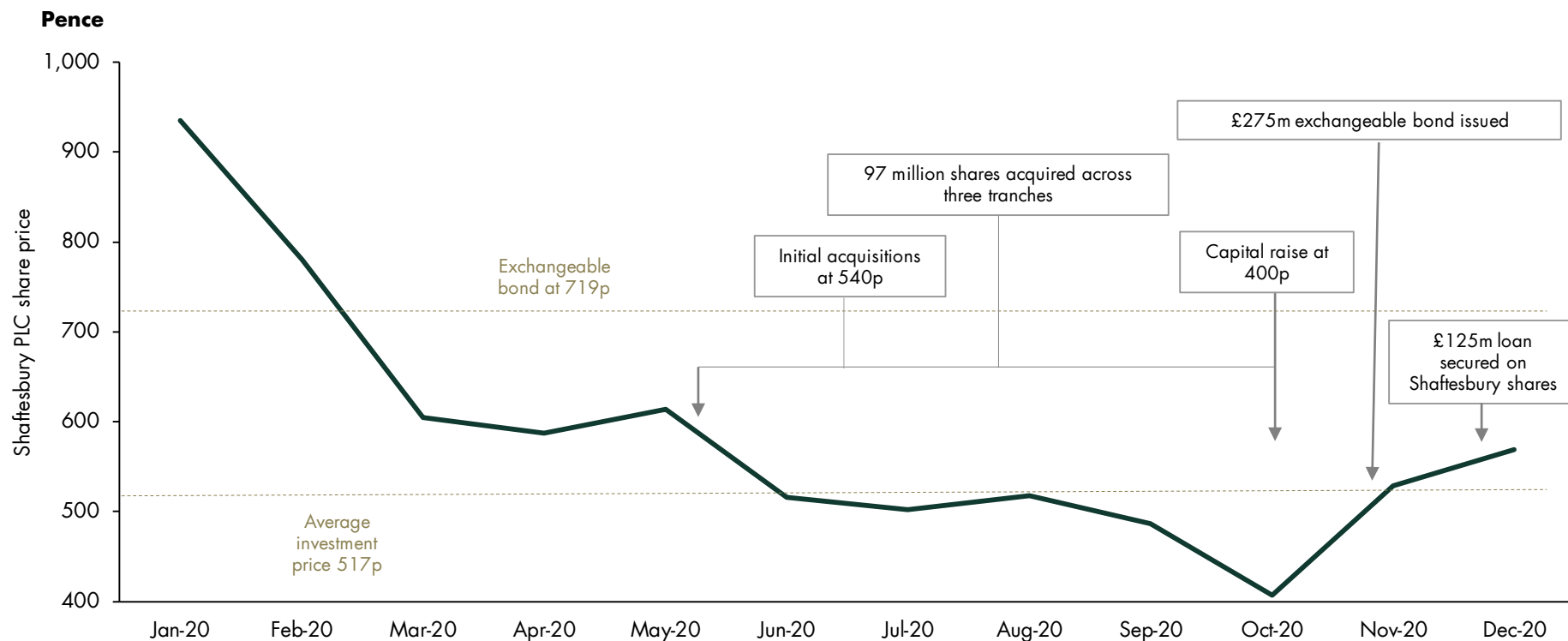
*Note: All numbers shown at Group share. A reconciliation to the summary IFRS balance sheet is set out on page 42*

# CASH UTILISATION



Note: All numbers shown at Group share

# INVESTMENT IN SHAFTESBURY PLC SHARES



- Sept-20 EPRA NTA (post-capital raise)	672p	£652m
- Year-end fair value	569p	£552m
- Investment (pre-costs)	517p	£501m



# RESILIENT AND FLEXIBLE CAPITAL STRUCTURE

## ROBUST DEBT METRICS

19%

COVENT GARDEN LTV

£352m

COVENT GARDEN NET DEBT

28%

NET DEBT TO GROSS ASSETS<sup>1</sup>

£710m

GROUP NET DEBT

## ACCESS TO SUBSTANTIAL LIQUIDITY

AVERAGE COST OF DEBT 2.6% AND WEIGHTED AVERAGE MATURITY OF OVER 5 YEARS ON DRAWN DEBT

NO MATERIAL NEAR-TERM MATURITIES ON DRAWN DEBT

SIGNIFICANT LTV HEADROOM AND ICR COVENANTS WAIVED ON COVENT GARDEN DEBT

1. Taking into account net debt across the Group and fair value of Shaftesbury investment (569 pence per share at 31 December 2020)

# CAPITAL STRUCTURE WITH ENHANCED BALANCE AND DIVERSITY

GROUP NET DEBT : GROSS ASSETS 28%

## COVENT GARDEN

VALUATION OF £1,825 MILLION

NET DEBT OF £352 MILLION\* (JUNE 2020: £782 MILLION)

### FINANCIAL COVENANTS:

LTV OF 19% VS COVENANT OF 60%

ICR (1.2x) WAIVED FOR JUN AND DEC 2021

\*Comprises £550m of private placement notes, drawn element of £705m revolving credit facility and cash

## SHAFTESBURY INVESTMENT

YEAR END FAIR VALUE OF £552 MILLION

£275 MILLION EXCHANGEABLE BOND WITH PLEDGE  
OVER C.10% OF SHAFTESBURY PLC SHARES

2% PER ANNUM COUPON, MARCH 2026 MATURITY

FLEXIBILITY TO SATISFY EXCHANGE THROUGH SHARES  
AND/OR CASH

INITIAL EXCHANGE PRICE OF 719P, TWO-WAY ADJUSTMENT  
SUBJECT TO DIVIDEND THRESHOLD

£125 MILLION LOAN SECURED ON SHAFTESBURY  
PLC SHARES

3 YEAR MATURITY AND FUNDING COST IN LINE WITH GROUP  
AVERAGE

Note: Lillie Square net debt of £1.8m (Capco share £0.9m)

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# FOCUS ON RECOVERY, COST AND CAPITAL MANAGEMENT, AND GROWTH

## DISRUPTION TO NEAR-TERM INCOME

Ongoing customer support and other initiatives to position for recovery

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## CONTINUED REDUCTION OF UNDERLYING ADMINISTRATION COSTS

On track to achieve £20m in 2021

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## ROBUST FINANCIAL POSITION

Actions have enhanced flexibility and liquidity

Covent Garden leverage reduced significantly

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## BALANCE SHEET POSITIONED TO TAKE ADVANTAGE OF RECOVERY, GROWTH AND MARKET OPPORTUNITIES





# COVENT GARDEN



# COVENT GARDEN PERFORMANCE

## PROPERTY VALUE

£1.8bn

-27% lfl

## ERV

£81m

-22% lfl

## DISPOSALS

£76.5m

## EPRA VACANCY

3.5%

+0.3%

## PROACTIVE APPROACH TO OUR CUSTOMERS

- Continued pressure on retail and hospitality businesses

## ENCOURAGING LEVELS OF LEASING ACTIVITY

- 65 leasing transactions completed
- £6.2m contracted income

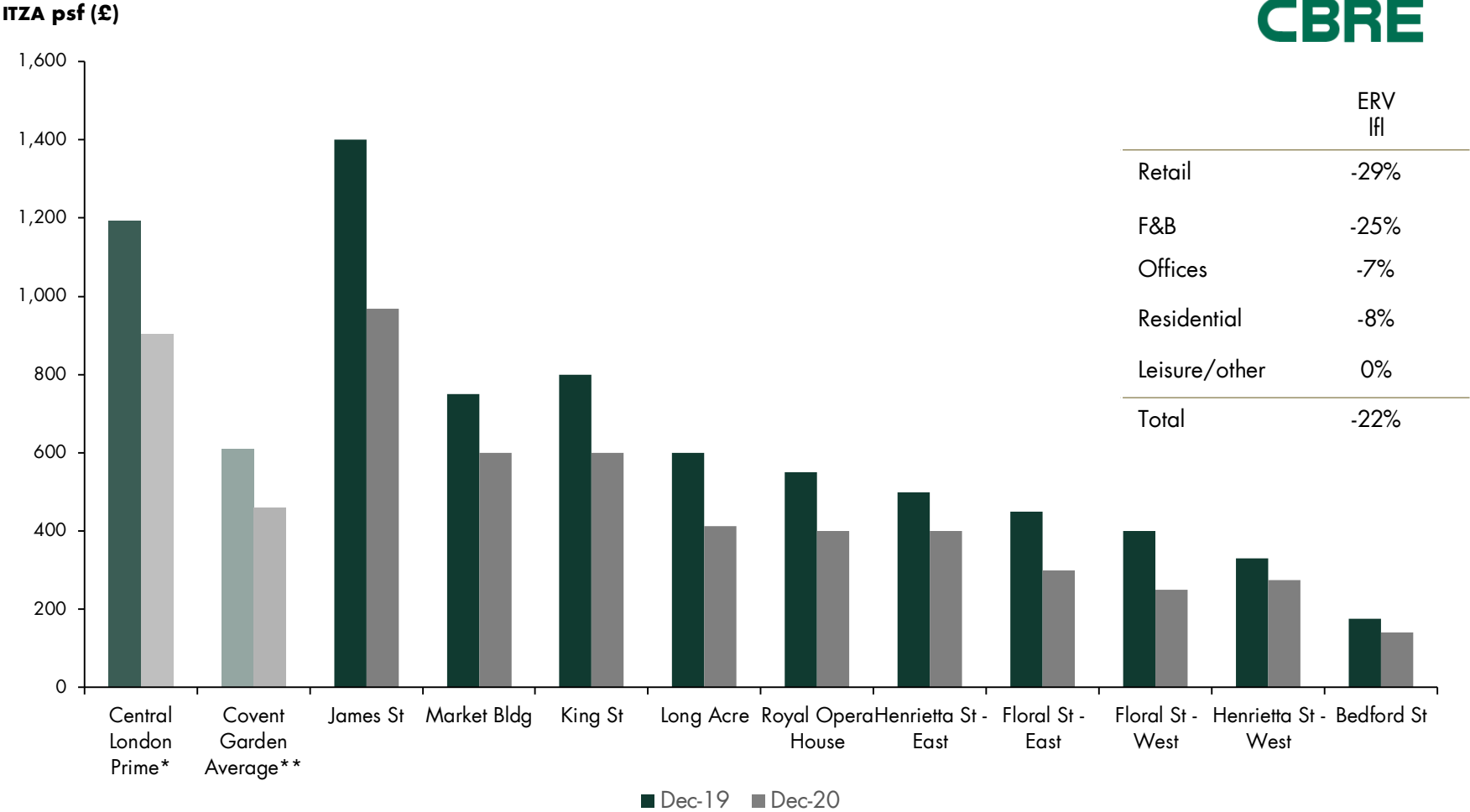
## SALE OF THE WELLINGTON BLOCK FOR £76.5M

## ENCOURAGING INDICATORS ON FOOTFALL AND SALES ON REOPENING IN H2 2020

## CONTINUING TO INVEST IN AND MAXIMISE THE COVENT GARDEN BRAND



# PORTFOLIO ANALYSIS ON ZONE A RENTS



\* 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 CUSTOMERS

## SUPPORTING OUR CUSTOMERS EXPERIENCING CASHFLOW DISRUPTION

### CASE-BY-CASE SOLUTIONS AGREED THROUGH DIRECT CUSTOMER NEGOTIATIONS

- Including monthly rents, rental deferrals, turnover linked arrangements, rent free periods
- In exchange for lease enhancements such as extensions and insertion of landlord's flexibility

### BESPOKE RENTAL AGREEMENTS TO ENABLE CUSTOMERS TO BUSINESS PLAN

- H2 2020 turnover linked agreements for qualifying customers
- Support has continued into Q1 2021 on a case-by-case basis

### MAINTAINING STRONG CUSTOMER LINE UP; WELL-POSITIONED FOR REOPENING





# PROACTIVE REOPENING STRATEGY

## INDUSTRY LEADING HEALTH AND SAFETY PROTOCOLS IN PLACE

- Encouraging business and consumer confidence

## FULLY REOPENED AND ANIMATED ESTATE

- Vast majority of customers re-opened following easing of restrictions
- Small number of failures (£4 million passing rent)

## ACTIVATED PUBLIC REALM MAXIMISING AL FRESCO POTENTIAL

- Pedestrianisation of additional streets in partnership with WCC
- 500 incremental outdoor covers

## ENCOURAGING LEVELS OF SALES AND FOOTFALL

- Larger basket sizes and higher levels of conversion

## DIGITAL CONNECTIVITY

- Click and collect, takeaway, collaborations, engagement through website and social media





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# ATTRACTIVE FUNDAMENTALS UNDERPIN LEASING DEMAND

## PRIME WEST END LOCATION

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### RICH IN HERITAGE, CULTURE AND THE ARTS

Difficult to replicate, strong footfall drivers, diverse consumer mix

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### GLOBAL BRAND RECOGNITION

Flagship destination, customer acquisition, brand value

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### MIXED USE ECOSYSTEM

Targeted range of uses, categories and experiences

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### EXPERIENTIAL, ANIMATED, CURRENT

Key differentiators

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### PEDESTRIANISED OPEN AIR ENVIRONMENT

Sustainable vision for the estate

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### SCALE AND CONCENTRATION

Active asset management, world-class estate

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# NEW SIGNINGS AND OPENINGS

## New signings

TIFFANY & Co.

NEUHAUS  
BELGIUM • 1857

KICK GAME®

BUBBLEWRAP

V A S H I

Darjeeling  
Express

The  
GENTLEMEN  
BARISTAS

FLOOZIE  
STUFFED COOKIES

MACKINTOSH

ARC'TERYX

Ná: Ná



JEWELLERY



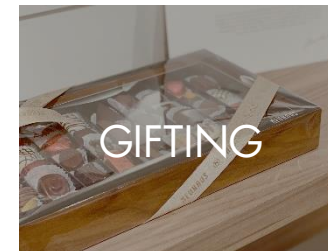
DINING



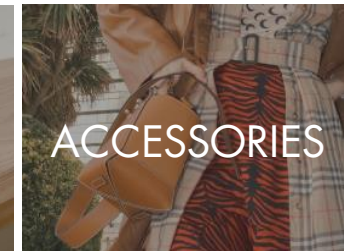
FITNESS & WELLBEING



FASHION



GIFTING



ACCESSORIES

## New openings

PELOTON®

BIG MAMMA

American Vintage

STRATHBERRY

GANNI

BUCHERER  
1888

# CONSUMERS SEEKING EXPERIENCES; BRAND PARTNERSHIPS



Covent Garden x Digne



Covent Garden Christmas tree



Covent Garden x Royal Opera House open air Piazza cinema

*"Covent Garden is one of the most beloved and well-known retail locations, not just in London, but the world over. It's a place where so many people hold memories of special moments in their lives and in keeping with the human emotion paramount to our mission, it was a natural step for us to open our flagship store there." – **Vashi***

INVESTING IN THE COVENT GARDEN BRAND AND EXPERIENCE



# INVESTMENT ACTIVITY; DISPOSAL OF THE WELLINGTON BLOCK

## DISPOSAL OF THE WELLINGTON BLOCK FOR £76.5M

- In line with June 2020 valuation
- Vacant development site (£1,100psf)
- Owner occupier to redevelop new lifestyle hotel

## DELIVERY ON REFURBISHMENT ACTIVITY

- 3 Henrietta Street F&B townhouse complete and under offer
- 29-30 Maiden Lane refurbishment complete; Big Mamma restaurant on track to open this summer
- 14 Floral Street complete; office floor let
- Environmental accreditations achieved

## TRACKING INVESTMENT MARKET CLOSELY

- Significant liquidity to act on investment opportunities in our area and surrounding locations



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# PLANNING FOR REOPENING; POSITIONED FOR RECOVERY

PROACTIVE CUSTOMER MANAGEMENT

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INVESTING IN THE COVENT GARDEN BRAND AND EXPERIENCE

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CREATIVE ASSET MANGEMENT

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MONITORING INVESTMENT OPPORTUNITIES

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POSITIONING COVENT GARDEN TO RETURN TO GROWTH AND PROSPERITY OVER TIME

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# LOOKING AHEAD



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# LOOKING AHEAD

CHALLENGING CONDITIONS REMAIN; COVENT GARDEN IS WELL-POSITIONED FOR RECOVERY

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CLEAR ROADMAP FOR OUR CUSTOMERS TO BUILD TRADE OVER THE COURSE OF THIS YEAR AND NEXT

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DELIVER ECONOMIC, ENVIRONMENTAL AND SOCIAL VALUE FOR OUR STAKEHOLDERS

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MAINTAIN A STRONG BALANCE SHEET AND SEEK EFFICIENCIES ACROSS THE BUSINESS

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CONTINUE TO TAKE ACTIONS TO POSITION THE BUSINESS TO RETURN TO GROWTH AND PROSPERITY

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CONFIDENT IN THE LONG-TERM PROSPECTS FOR COVENT GARDEN AND THE WEST END

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# Q&A



# A SUSTAINABLE AND RESPONSIBLE BUSINESS



EPRA SUSTAINABILITY  
REPORTING AWARDS  
2020: Gold



GLOBAL REAL ESTATE  
BALANCE SUSTAINABILITY BENCHMARK  
2020: 59/100



CARBON DISCLOSURE PROJECT  
2020: C



FTSE4Good  
FTSE4GOOD  
2019: 90<sup>th</sup> percentile<sup>1</sup>

## MEMBERSHIPS



1. FTSE4Good – Capco remains a constituent of the index but reporting deferred to 2020 Annual Report therefore 2019 score remains applicable



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

## SAFETY OF VISITORS

- Open air environment
- Optimised estate 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, retail and cultural foundations

## COLLABORATION WITH WESTMINSTER

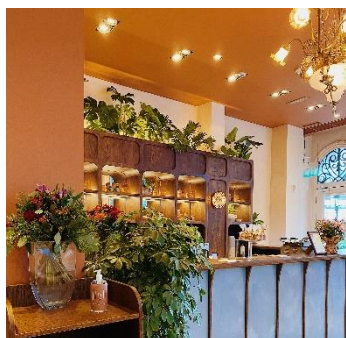
- Pedestrianisation of additional streets
  - Al fresco dining
- 500 incremental outdoor covers
- Bio-diverse greening programme, enhancing air quality

## 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	£917m	£374m	£282m	£175m	£77m	£1,825m
Gross income	£31.0m	£14.0m	£13.2m	£4.0m	£3.1m	£65.3m
ERV	£39.4m	£16.7m	£16.1m	£5.1m	£3.5m	£80.8m
Area (square foot)	0.4m	0.2m	0.2m	0.2m <sup>1</sup>	0.1m	1.1m
Units	135	57	66	213	55	526

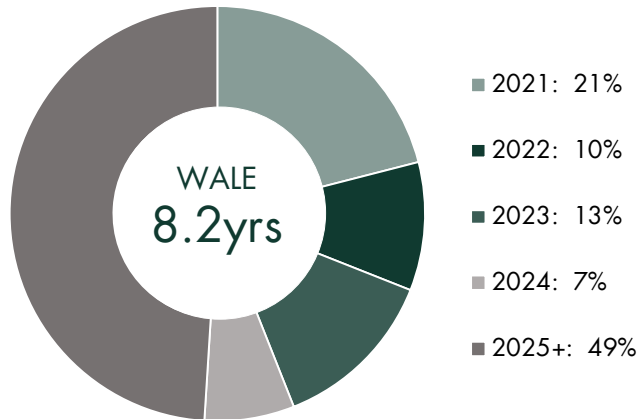


1. Residential includes units sold on long lease interests covering approximately 154,000 square feet

# COVENT GARDEN

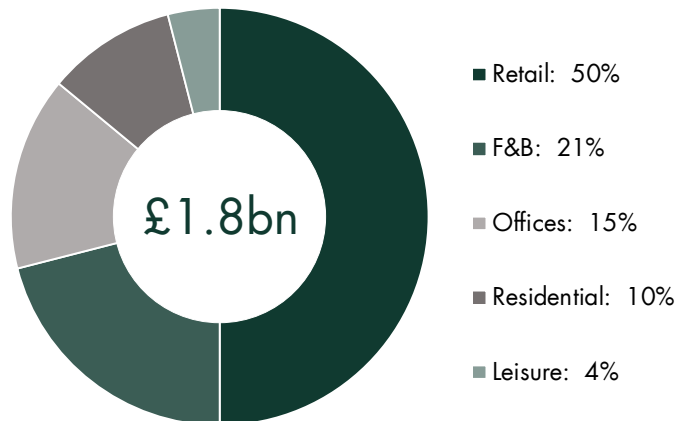
## 75 PROPERTIES, 526 LETTABLE UNITS

### LEASE EXPIRY PROFILE<sup>1</sup>

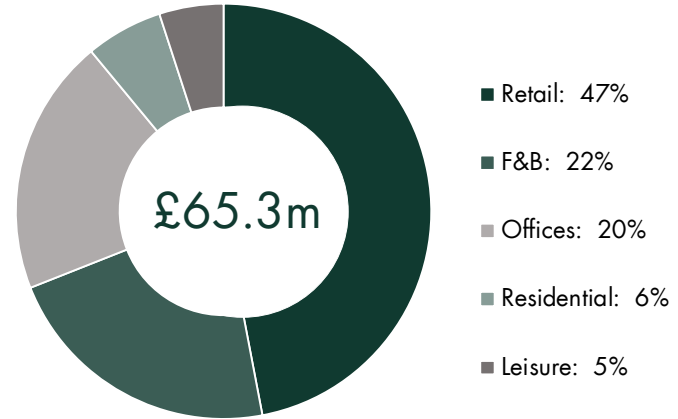


1. Lease expiry profile based on the earlier of lease break and lease expiry

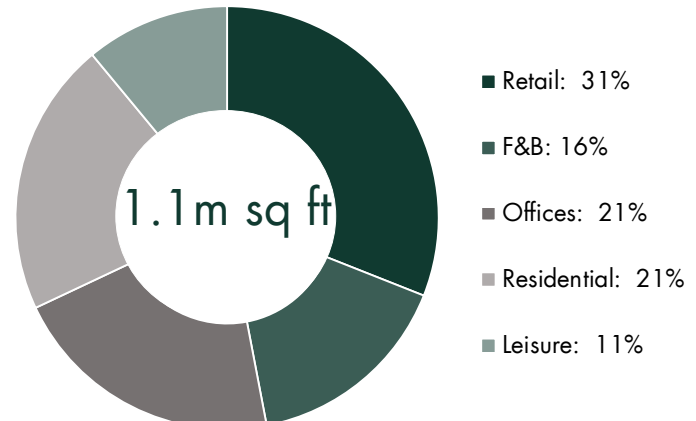
### PROPERTY VALUE



### ANNUAL GROSS INCOME



### TOTAL FLOOR AREA



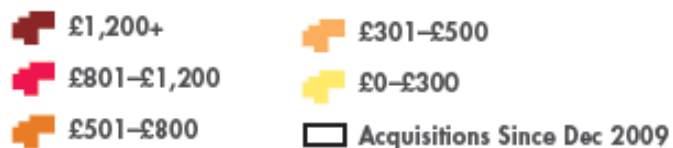
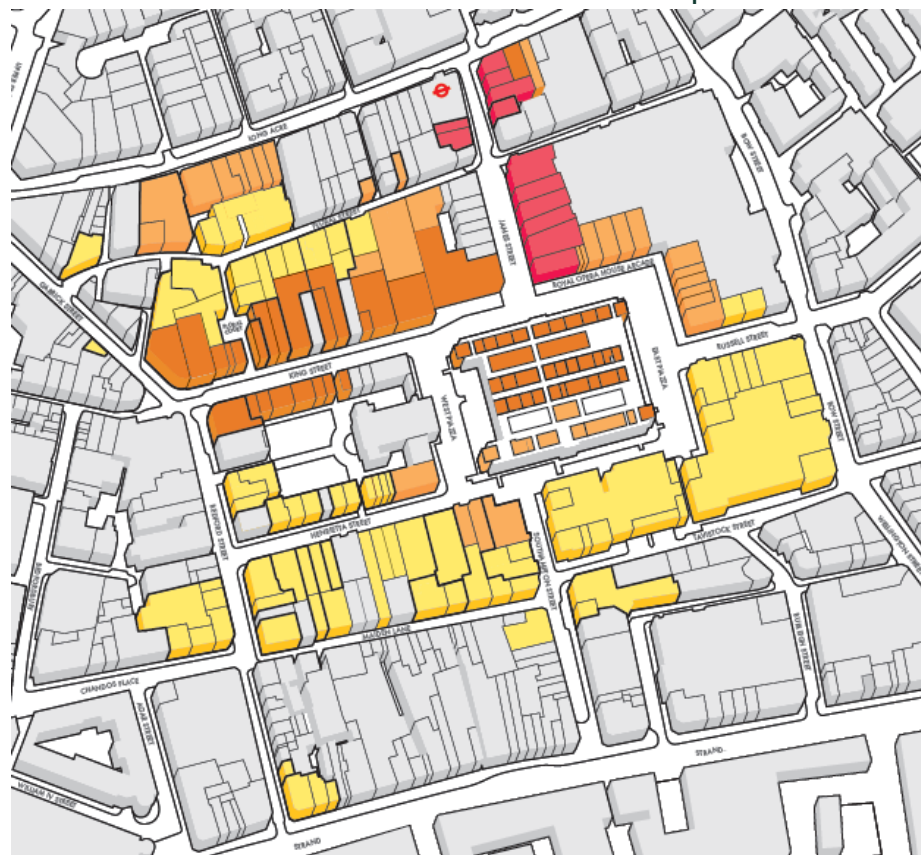


# COVENT GARDEN PORTFOLIO ANALYSIS

December 2019 Zone A Map

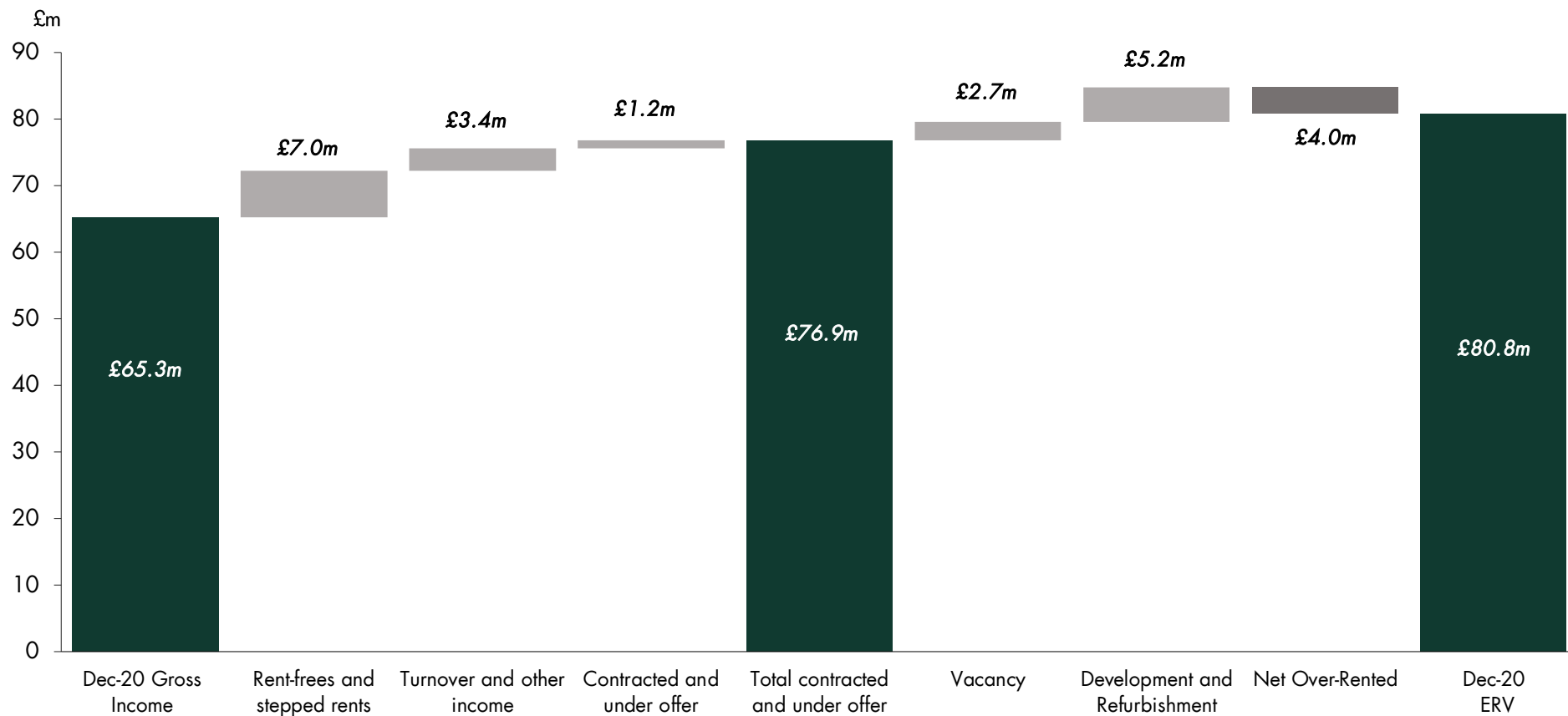


December 2020 Zone A Map



**CBRE**

# GROSS INCOME TO ERV



# UNDERLYING EARNINGS

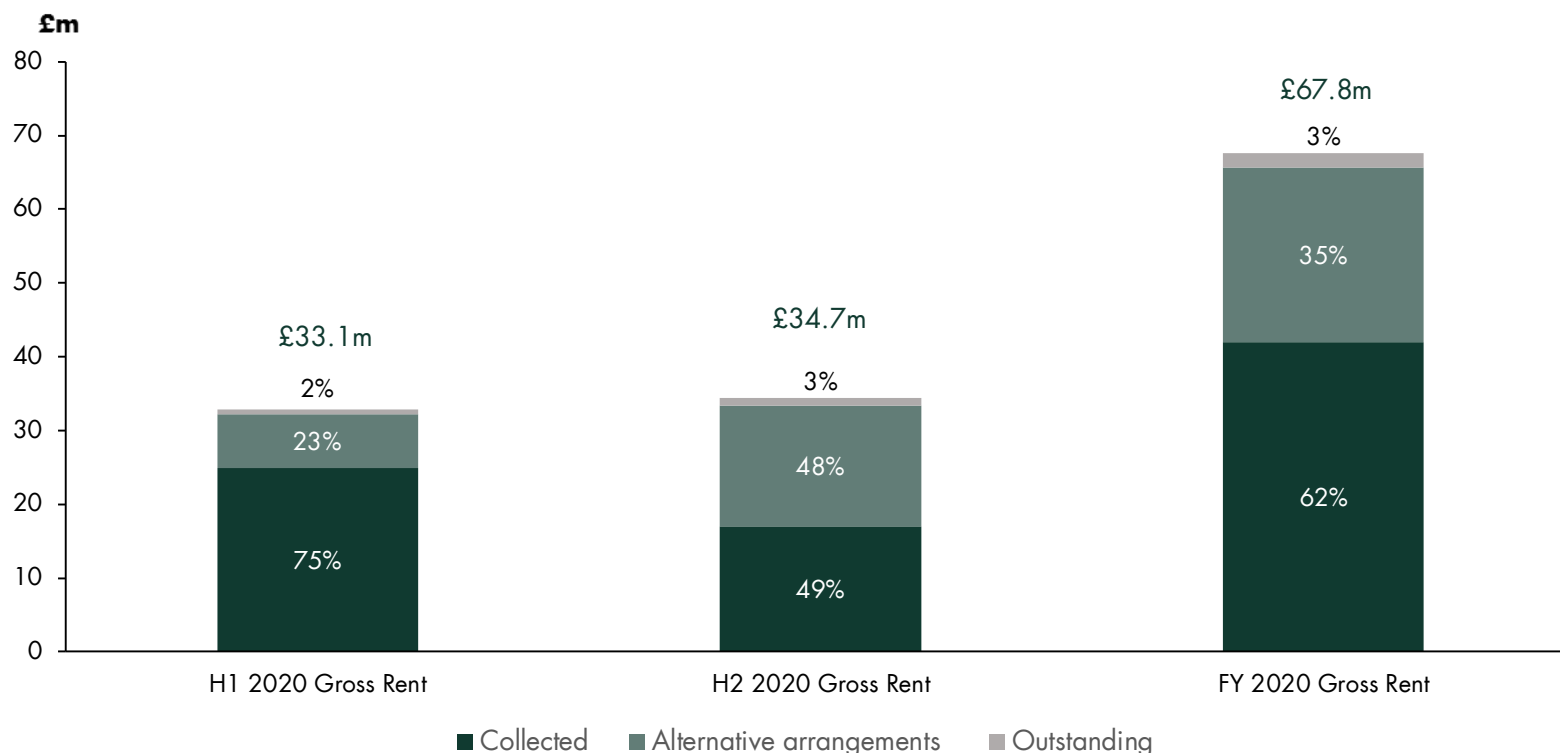
## H1 & H2 2020

	H1 2020 £m	H2 2020 £m	FY 2020 £m
Continuing operations			
Net rental income	25.3	18.3	43.6
Other income/(costs)	0.2	(0.7)	(0.5)
Administration expenses	(12.2)	(12.8)	(25.0)
Net finance costs	(10.4)	(13.4)	(23.8)
Profit/(loss) before tax	2.9	(8.6)	(5.7)
Taxation	(0.4)	(0.1)	(0.5)
Underlying earnings/(loss)	2.5	(8.7)	(6.2)
Underlying earnings/(loss) per share (pence)	0.3	(1.0)	(0.7)

Note: All numbers shown at Group share



# RENT COLLECTION SUMMARY



Alternative arrangements in Q2 2020 were predominantly rent deferrals and in H2 2020 rent-free periods with turnover linked arrangements

During 2020 a small number of tenants have entered into administration representing approximately £4 million of passing rent

Q1 2021 gross rents totalled £17.1 million of which 47% have been collected, 49% are on alternative arrangements and 4% are outstanding

*Note: Relates to quarterly rents only. Collections as at 01 March 2021.*

# SUMMARY BALANCE SHEET

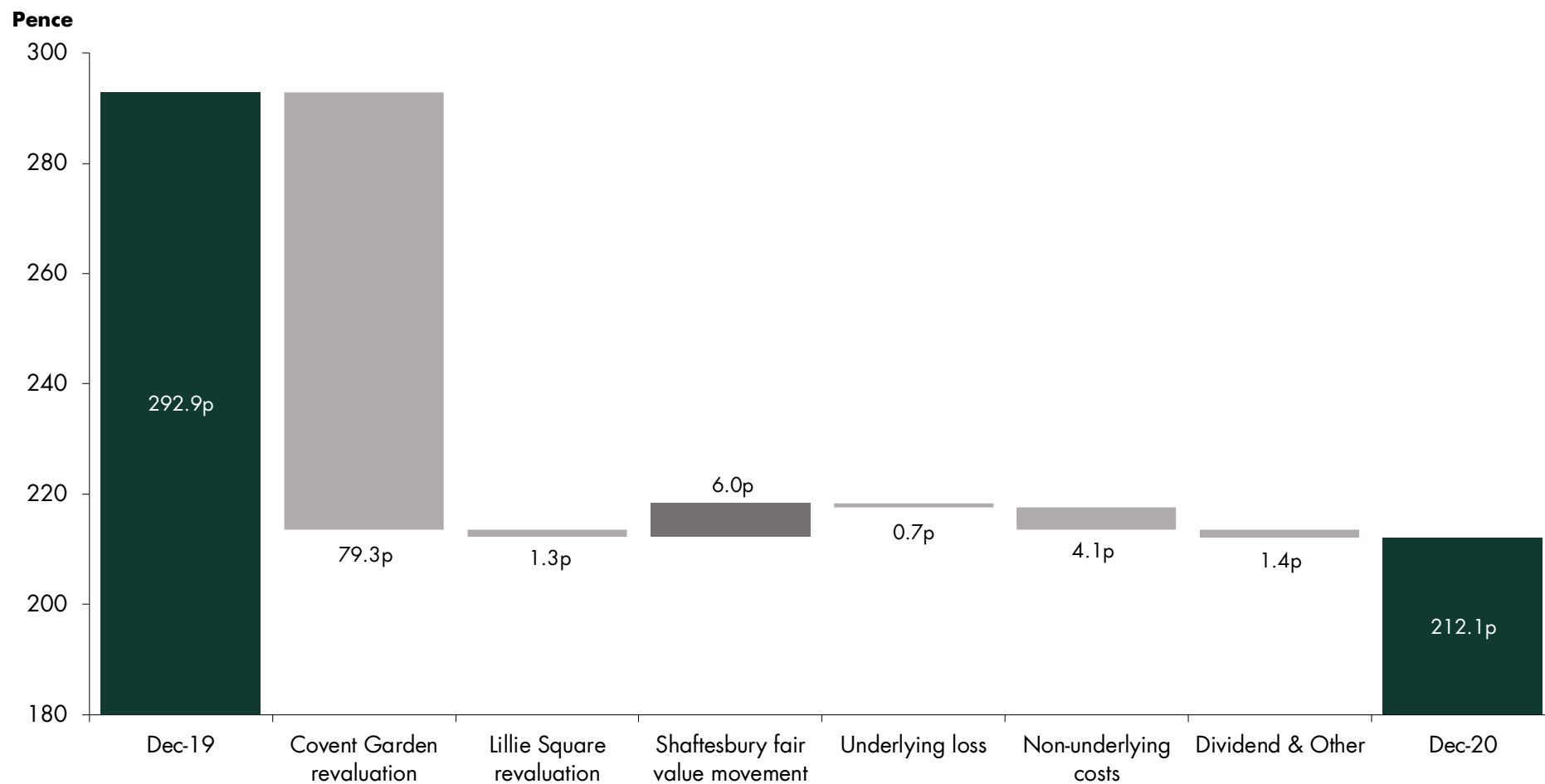
## GROUP SHARE TO IFRS AS AT 31 DECEMBER 2020

	Group share £m	Less: Joint ventures <sup>1</sup> £m	IFRS £m
Investment, development & trading Property	1,909	(113)	1,796
Net Debt	(710)	(5)	(715)
Equity Investment <sup>2</sup>	552	0	552
Other assets and liabilities	42	85	127
NAV	1,793	(33)	1,760

1. Primarily Lillie Square

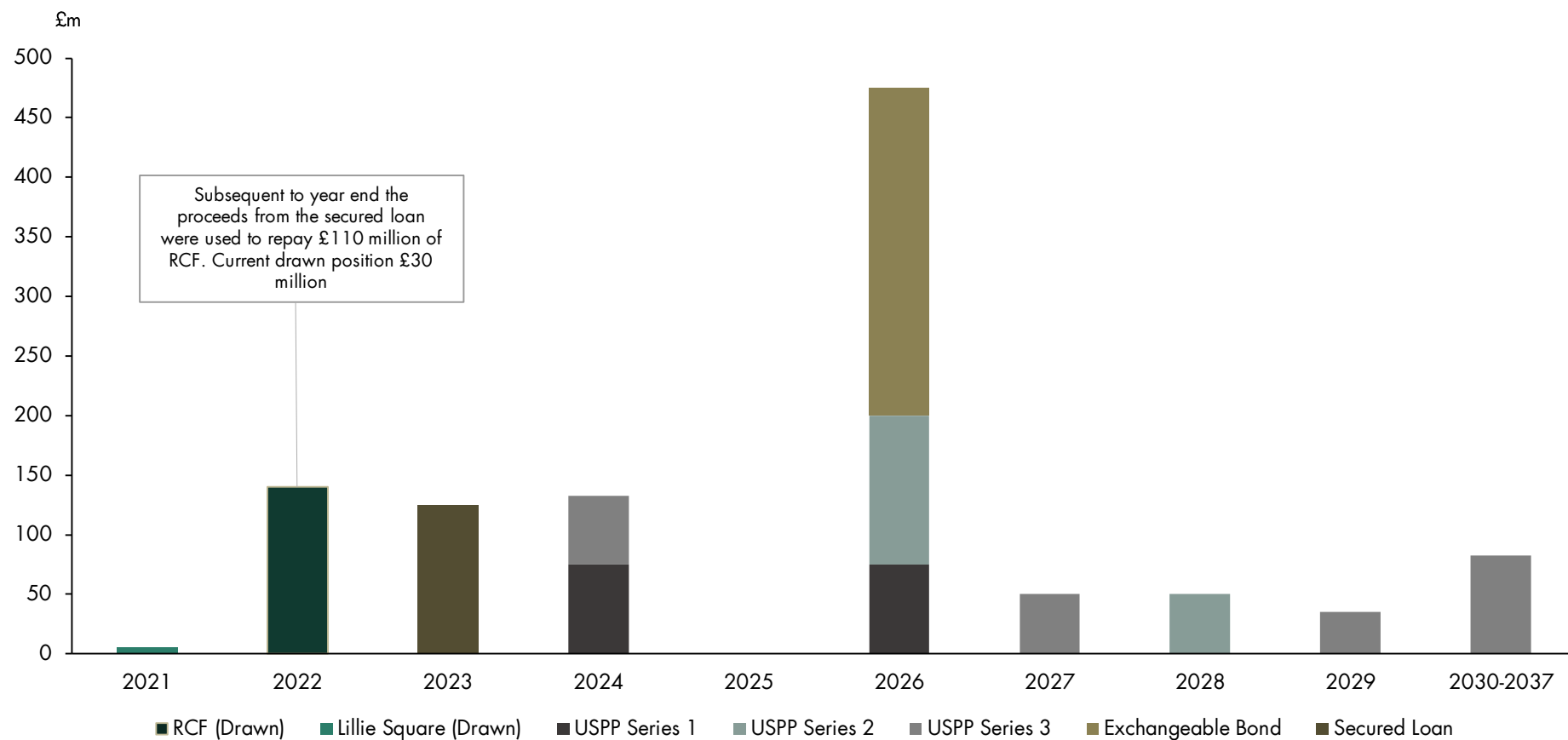
2. Investment in Shaftesbury PLC

# EPRA NET TANGIBLE ASSETS PER SHARE





# DRAWN DEBT MATURITY PROFILE



£565 million undrawn on the RCF at 31 December 2020

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# 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 £1.0 million.

The Group is a UK Real Estate Investment Trust (REIT) and therefore is 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 properties held as at year ended 31 December 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 £0.4 million (19% of £2.2 million).

# LILLIE SQUARE, AN ESTABLISHED ADDRESS

## CONTINUING TO PROGRESS PHASE 2 HANDOVERS

- 94 units handed over representing £116m of net proceeds (£58m Capco share)
- 6 pre-sales contracts have been rescinded
- Pre-sales and deposits for 60 units in place, should they all complete this would generate approximately £70m of further proceeds (£35m Capco share)
- Includes £66 million relating to bulk sale of 49 units (£33 million Capco share)

## VALUATION

- 9% decline (like-for-like) to £117 million<sup>1</sup> (Capco share)

## FUNDING

- Drawn debt on construction facility of £11.4m (£5.7m Capco share)
- Net debt £1.8m (£0.9m Capco share)

<sup>1</sup>. Includes Lillie Square Joint Venture and Lillie Square Holdings Group

