Half year results

Mark Allan
CHIEF EXECUTIVE OFFICER

Landsec

Agenda

Overview
MARK ALLAN

Financial & operational update
VANESSA SIMMS

Strategic update & outlook
MARK ALLAN

Q&A

Positive business performance, building strategic momentum

Robust London leasing performance, investor demand driving down prime yields

Strong retail leasing performance.

Rents and values stabilising

BUILDING OPERATIONAL AND STRATEGIC MOMENTUM

Accelerating our mixed-use development strategy

Continued focus on capital discipline

Leading the way on net zero.

Fully costed 2030 plan in place

MEDIACITY, GREATER MANCHESTER

Positive business performance, building strategic momentum

- Recovery in performance at stronger and more sustained end of expectations
- Good progress against new strategy in first 12 months
- We have been decisive with capital allocation, more focus on reinvestment
- Healthy pipeline of opportunities across each business segment
  - Excellent visibility of relative potential returns
- Underpinned by cultural change
  - More agile business
  - Closer to our customers
  - Easier to respond to changing conditions and opportunities

3.7%
Total business return

EPRA NTA
2.7%
1,012pps

BUSINESS PERFORMANCE
in the 6 months

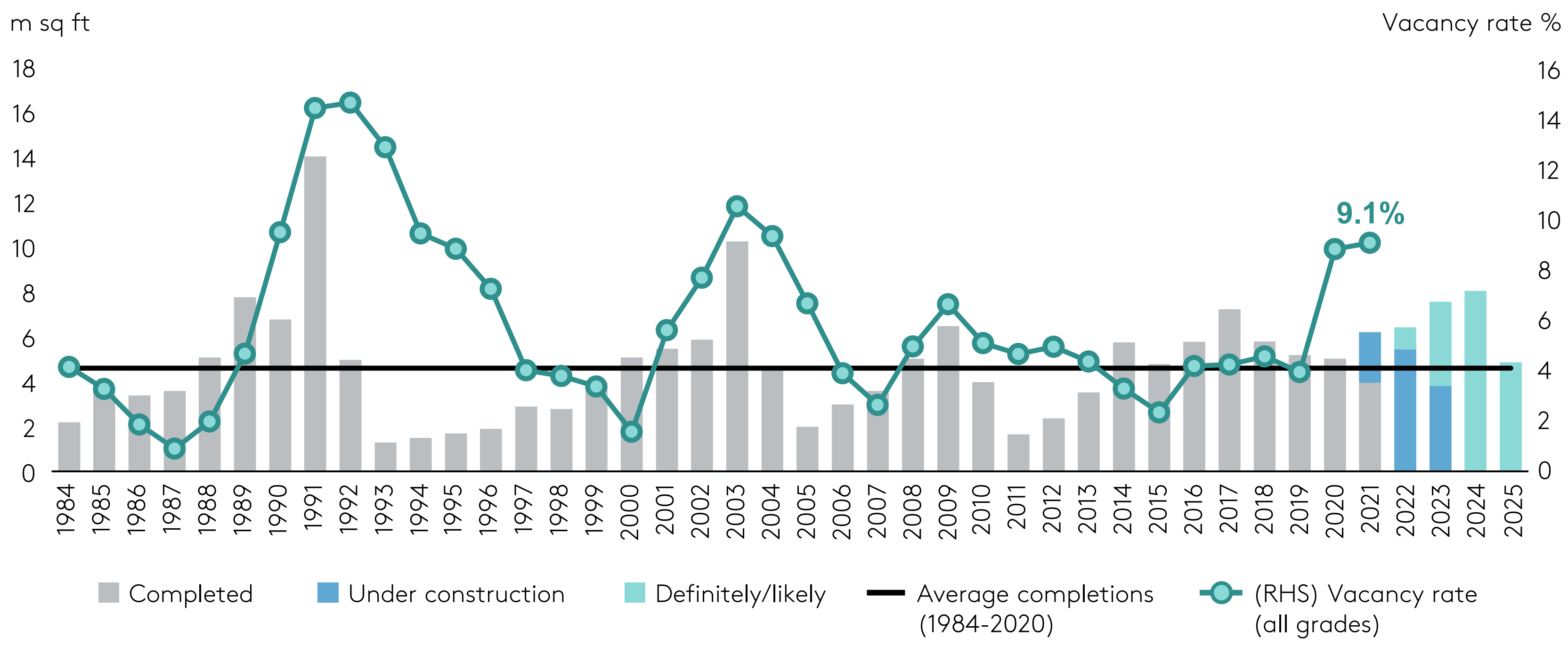
EPRA earnings
56.8%
24.3pps

Dividends
29.2%
15.5pps

Robust London leasing performance, investor demand driving down prime yields

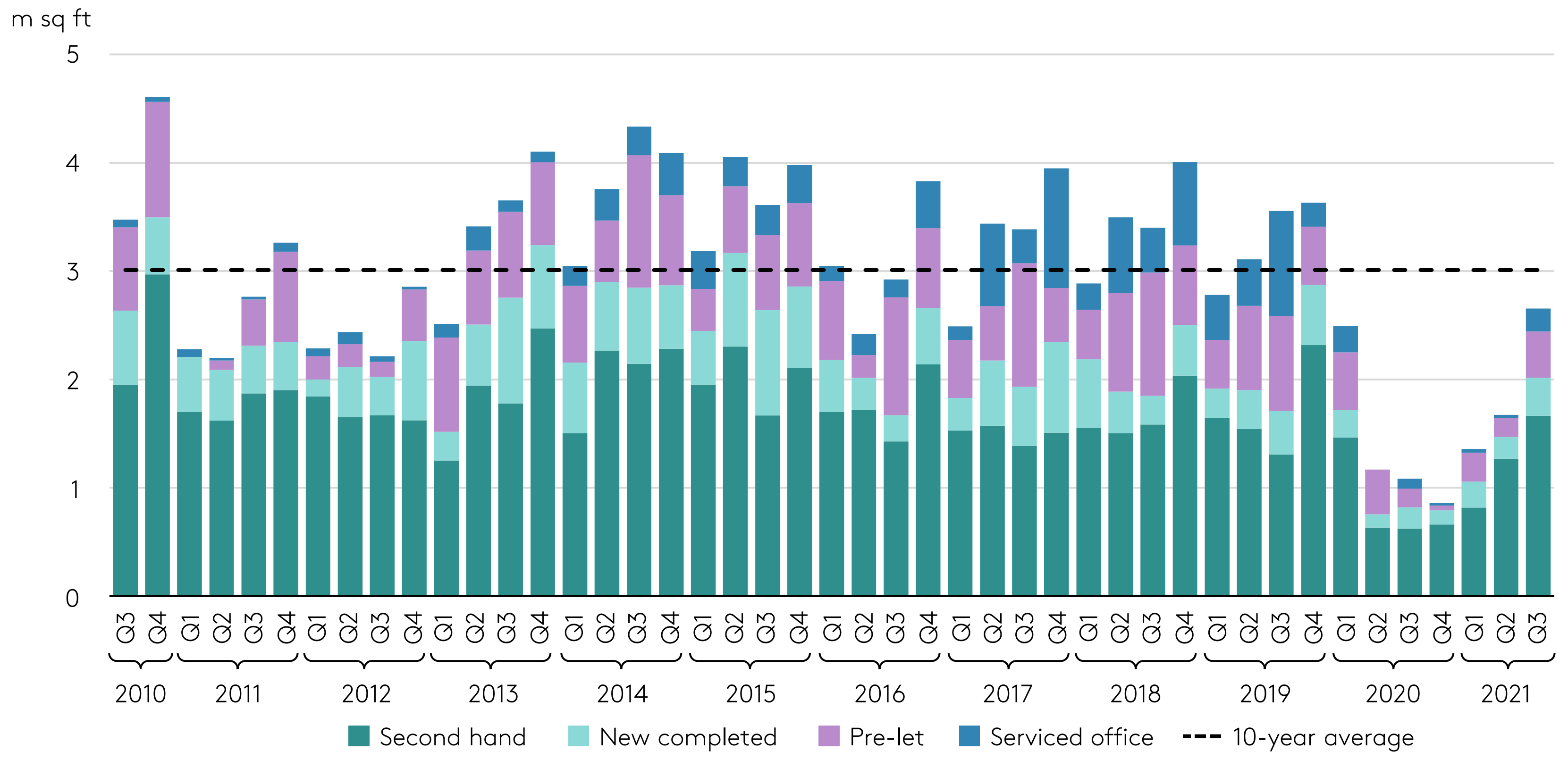
- 12 office leases completed or agreed in the period at levels supportive of ERVs
- Landsec central London offices ERVs up 1.2% and average yields tightening by c.2bps
- Sharp increase in activity from September
- Occupier demand expected to remain resilient for the remainder of the financial year
- Quality, flexibility and sustainability are the key demands of occupiers – Landsec portfolio is well placed to benefit
- Weight of investor demand driving yields lower

Central London supply as at 30 September 2021



Source: CBRE, Knight Frank, Landsec; shows calendar years

Central London quarterly take-up

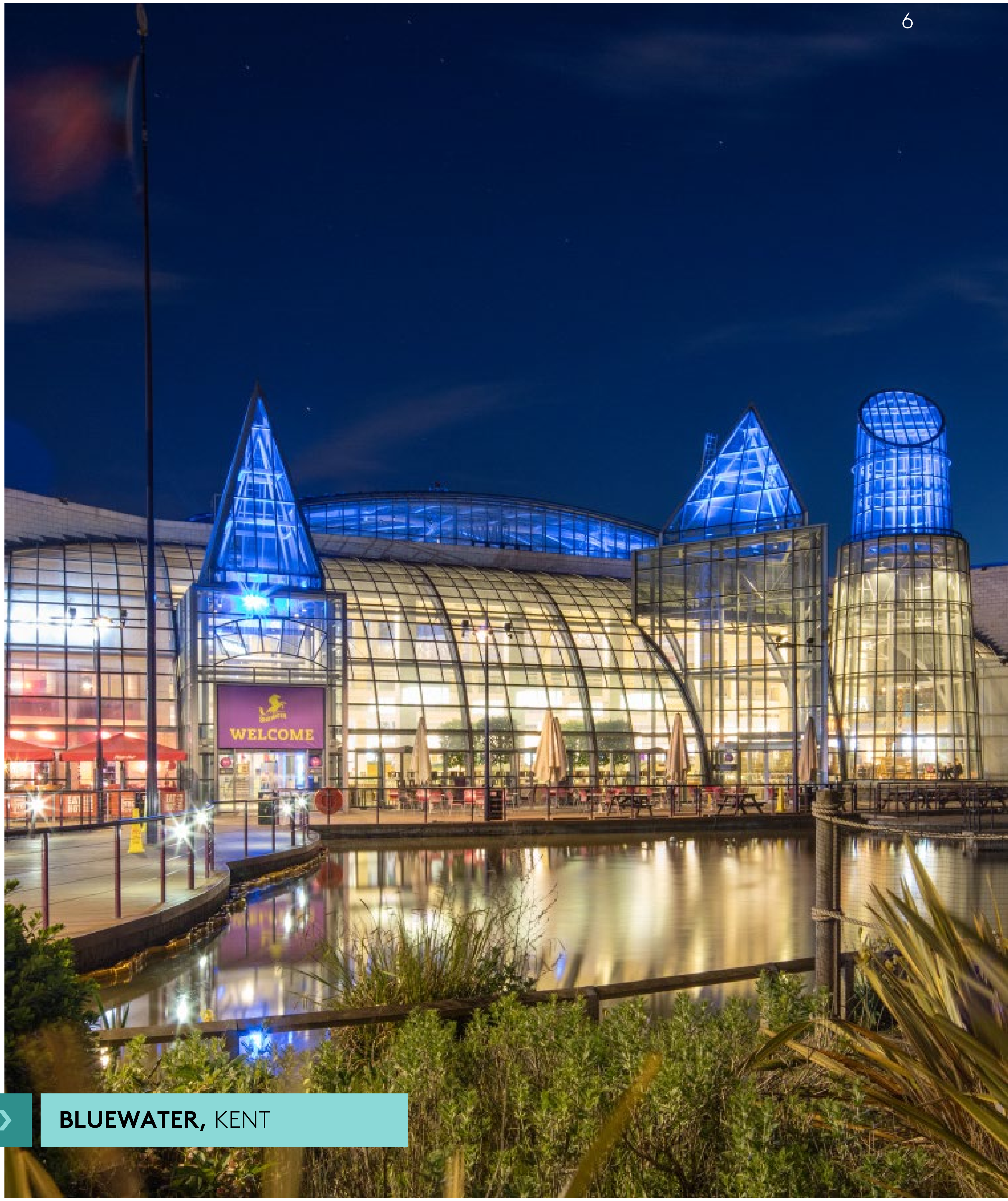


Source: CBRE research

Strong retail leasing performance – rents and values stabilising

Catchment dominant destinations are set to be long-term winners

- Clear evidence of sustainable rents as we have completed or agreed 181 lettings on average 3.3% above ERV (£16m rent)
- Like-for-like sales across Regional retail up 0.5% for the 26 weeks since 5 April
- Vacancy reduced to 7.5%
- Prime retail yields look increasingly attractive on a relative basis – we expect to see value-accretive opportunities emerge



BLUEWATER, KENT

Accelerating our mixed-use development strategy

- Acquisition of 75% stake in MediaCity accelerates strategy and enhances optionality
  - Blend of income, growth and development returns
  - £750m GDV in phase 2
- Recommended all cash offer for U+I adds complementary skills and significant, high-quality pipeline
  - Potential £600m-£800m into projects over short to medium term
- Planning on track at O2, Finchley Road and Lewisham shopping centre

MEDIACITY, GREATER MANCHESTER

Continued focus on capital discipline

- Comfortably within our 25-40% LTV range
  - — Net debt flat and intend to keep LTV percentage below mid 30's
- Seeking to match timing and quantum of disposals and reinvestment
- Clear capital recycling plans; new investment generally funded through asset disposals
- Focused on increasing optionality within our development programme

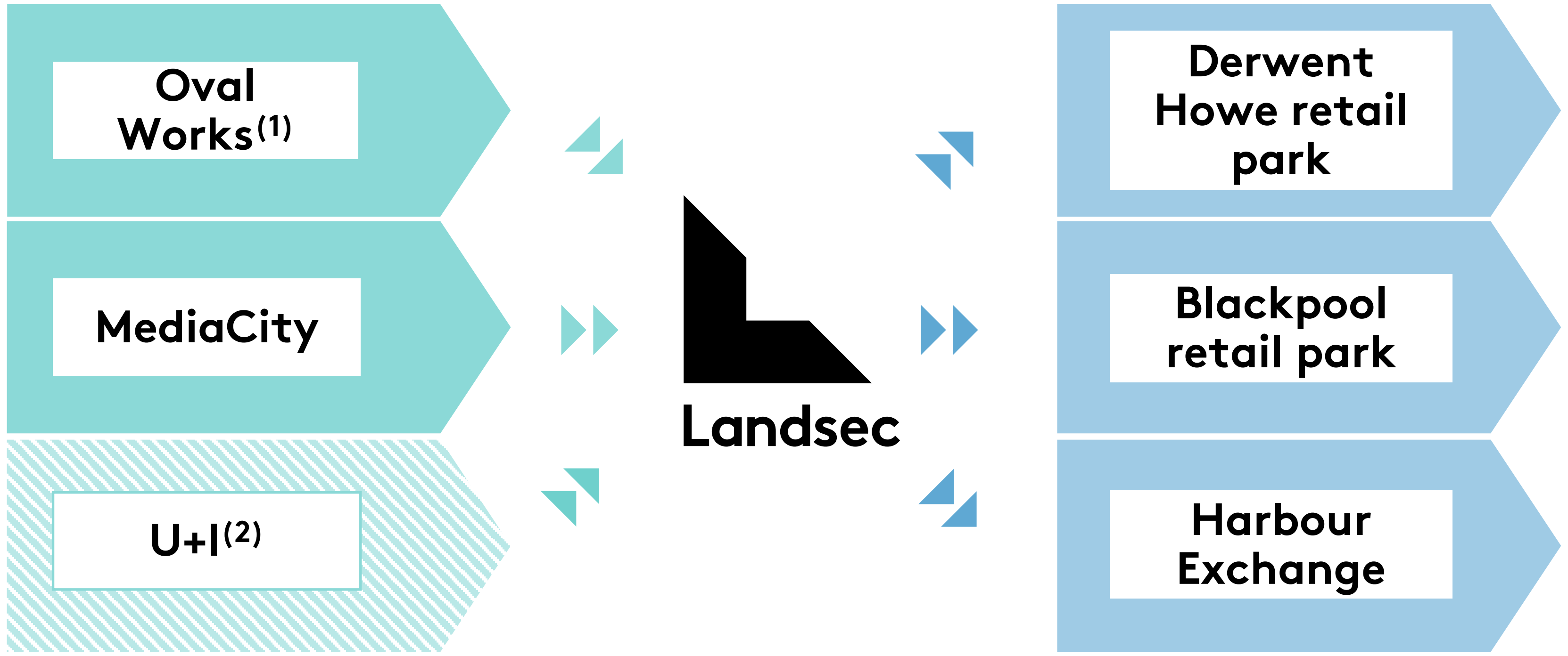
Medium term plan announced in October 2020

c.£4bn of capital recycling

Since 1 April 2021

Total investment
£0.6bn

Total disposal
£0.2bn



(1) Conditional exchange
(2) Recommended cash acquisition

Leading the way to net zero

- Fully costed net zero transition investment plan announced today
  - £135m investment into existing portfolio by 2030
- Meets or exceeds best practice requirements
  - Minimum Energy Efficiency Standards (MEES)
  - EPC B ratings across all buildings by 2030
  - CRREM pathways
- Maintain our leadership position in tackling climate change

Our science-based target requires a **70% reduction in carbon emissions** against a 2013/14 baseline aligning both energy and carbon intensity with best practice CRREM pathways

2016 — **Became the first commercial real estate business** in the world to set a science-based carbon reduction target

2019 — **Increased ambition of our science-based target** to align with a **1.5° global warming** pathway

MARCH 2021 — Achieved a **55% reduction in carbon emissions**

OCTOBER 2021 — Established an investment programme **to achieve our science-based target**

AUTUMN 2022 — **The Forge** will become **our first operational net zero building** on completion

2021 to 2030 — **Investing £135m** equating to approximately 1% of portfolio value

2030 — **Achieve our science-based target aligned with 1.5° global warming** pathway

Portfolio aligned with CRREM pathways and meeting Minimum Energy Efficiency Standards

Financial & Operational update

Landsec

Vanessa Simms

CHIEF FINANCIAL OFFICER

Performance summary

Increase in EPRA earnings and robust balance sheet position

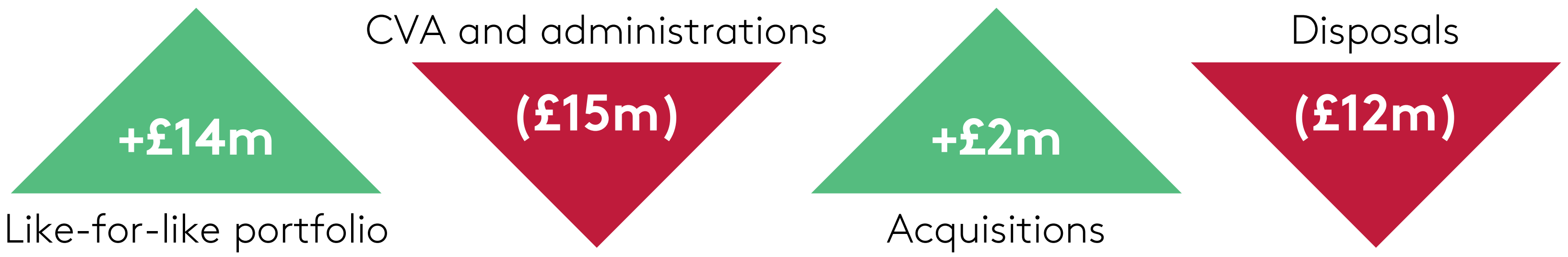
	30 September 2021	30 September 2020	% change
Gross rental income[1]	**£282m**	£293m	▼ -3.8%
EPRA earnings[1]	**£180m**	£115m	▲ 56.5%
EPRA earnings per share[1]	**24.3p**	15.5p	▲ 56.8%
Dividend per share	**15.5p**	12.0p	▲ 29.2%
	30 September 2021	31 March 2021	
EPRA net tangible assets per share	**1,012p**	985p	▲ 2.7%
Gross asset value[1]	**£10,996m**	£10,791m	▲ 0.8%[2]
Group LTV[1]	**31.8%**	32.2%	n/a
Total business return	**3.7%**	-9.5%[3]	n/a
Reduction in carbon emissions (tCO_2e) compared with 2013/14 baseline	**55%**	46%	▲ +9pp
Reduction in energy intensity (kWh/m^2) compared with 2013/14 baseline	**37%**	32%	▲ +5pp

(1) Including our proportionate share of subsidiaries and joint ventures
(2) The percentage change for the valuation surplus over the period includes our proportionate share of subsidiaries and joint ventures, and is adjusted for net investment
(3) Six months to 30 September 2020

EPRA earnings

Strong recovery from the pandemic

- Gross rental income £11m lower



- Increase in direct property expenditure reflects higher levels of leasing activity and void costs in H1 2022, and release of Landflex provision in prior year
- Good progress in rent collections, with 91% of September quarter rent now collected
- Bad debt provisions required in 2021 to support customers during Covid-19 lockdowns
- Net administrative expenses reflect increased level of business change activity in 2022
- Future cost target to bring EPRA cost ratio towards 20%

	30 September 2021	30 September 2020	Change
	£m	£m	%
Gross rental income[1]	**282**	293	-3.8
Net service charge	**(6)**	(2)	n/a
Net direct property expenditure	**(25)**	(13)	-92.3
Bad debt	**3**	(87)	n/a
Net rental income	**254**	**191**	**33.0**
Rental margin (%)	*90.1%*	*65.2%*	
Net administrative expenses	**(41)**	(37)	-10.8
Net finance expense	**(33)**	(39)	15.4
EPRA earnings	**180.0**	115.0	56.5
EPRA EPS (pence)	**24.3p**	15.5p	56.8
EPRA cost ratio (%)	*23.7%*	*46.9%*	

(1) Includes finance lease interest, after rents payable

Note: Including our proportionate share of subsidiaries and joint ventures

Central London operational performance

Resilient office lettings, London retail recovery slower

Offices

- Prime office space remains resilient with letting momentum increasing and supportive of ERVs
- Our portfolio is well placed to meet occupier demand for sustainability, wellbeing and flexible space
- Vacancy increase in H1 due to the completion of Dashwood refurbishment

London retail

- Recovery slower due to slow return of office workers and international tourism
- Vacancy increase due to reposition of London retail portfolio and retail under Piccadilly Lights
- Over 40 brands shown on Piccadilly Lights with a further 24 contracted for H2

	OFFICES	LONDON RETAIL
Vacancy (Like-for-like)	4.4% September 2021, 3.1% March 2021	11.9% September 2021, 5.0% March 2021
Leasing activity	12 lettings completed or agreed totalling £25m, supportive of ERVs	14 lettings completed or agreed totalling £2m, +14.7% ERV
Utilisation and sales/footfall	Office utilisation at c.55% of pre-Covid levels Highest utilisation Tuesday to Thursday	Footfall down 54.1% vs 2019
September quarter rent collection	100% rent collected	83% rent collected

Regional retail operational performance

High level of leasing activity broadly in line with ERVs

- Broad range of occupiers taking space, with lettings supportive of March ERVs
- Vacancy down, reflecting strong letting momentum
- Increase in proportion of leases including some form of variable rent, together with an increased demand for shorter lease terms
- Prime retail rents approaching sustainable levels. Strong sales recovery post-Covid in both shopping centres and outlets as consumers shop with purpose
- Rent collections improving and returning to pre-Covid levels

	REGIONAL RETAIL
Vacancy (Like-for-like)	7.5% September 2021, 8.8% March 2021
Leasing activity	181 lettings completed or agreed totalling £16m, +3.3% ERV
Sales/footfall	Footfall down 28.2% vs 2019 Like-for-like sales up 0.5% vs 2019
September quarter rent collection	92% rent collected

Subscale sectors operational performance

Stronger than expected recovery in hotels and leisure

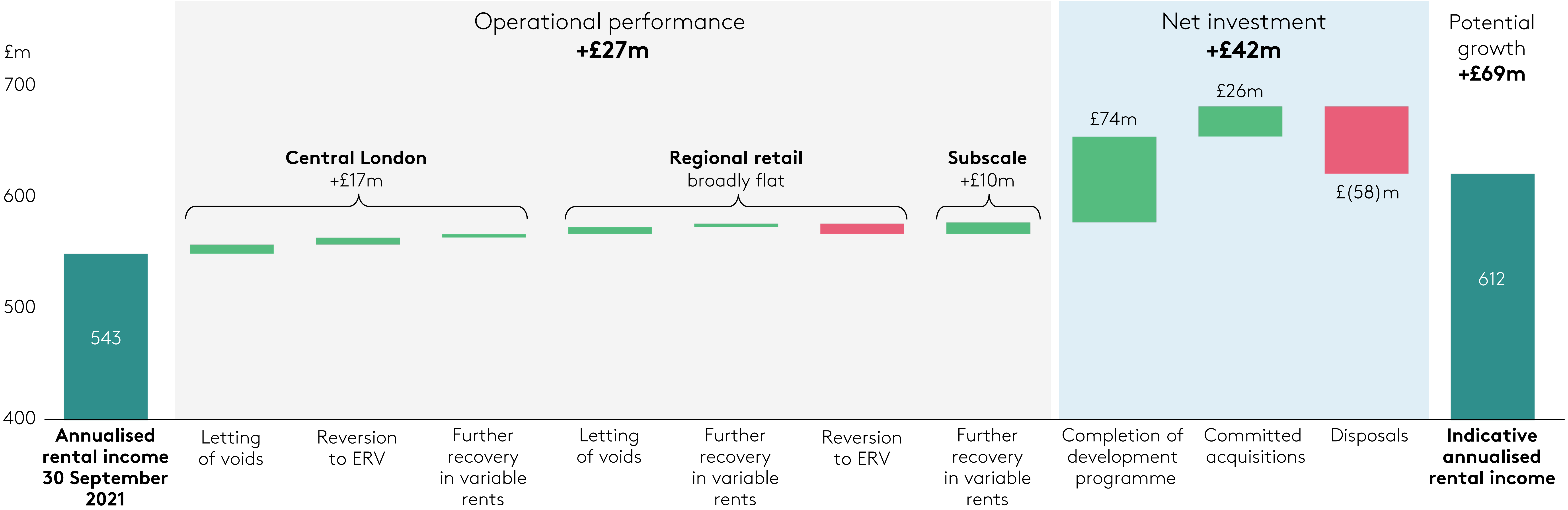
Subscale sectors

- Occupiers willing to commit to longer leases with £6m regears and renewals in the period
- Sold two retail parks, 12% ahead of March book value
- All hotels open and operational
  - Turnover down 60% vs 2019
  - 90% increase in occupier's turnover between August and September 2021

	LEISURE	RETAIL PARKS
Vacancy (Like-for-like)	6.1% September 2021, 6.2% March 2021	2.4% September 2021, 5.0% March 2021
Leasing activity	66 lettings completed or agreed totalling £9m, +7.3% ERV	20 lettings completed or agreed totalling £3m, +2.2% ERV
September quarter rent collection	59% rent collected	94% rent collected

Gross rental income progression

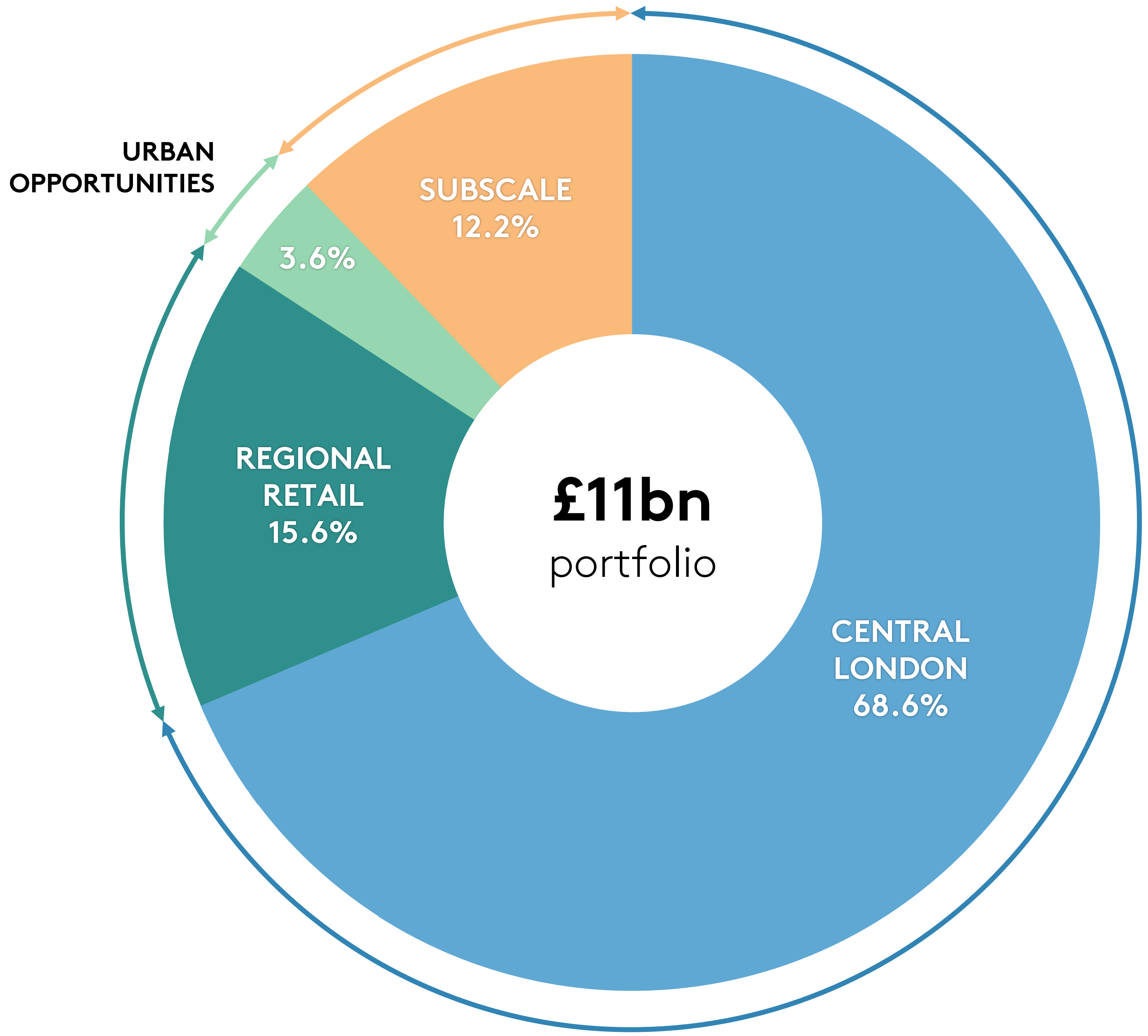
Achieving income growth while recycling capital



Assumptions: Central London: vacancy returns to c.2%, reversion on rent reviews and lease expiries is realised and further growth in income from Piccadilly Lights.
Regional retail: vacancy stabilises at c.5%, further recovery in variable rents at outlets, and over renting results in reduced income as breaks and expiries occur.
Subscale: further recovery of hotel income to pre-Covid levels.
Disposals: disposals from the Central London portfolio of c.£1.3bn (NIY: 4.1%), and c.£75m further disposals from the Subscale portfolio (NIY: 6.3%)

Combined Portfolio valuation

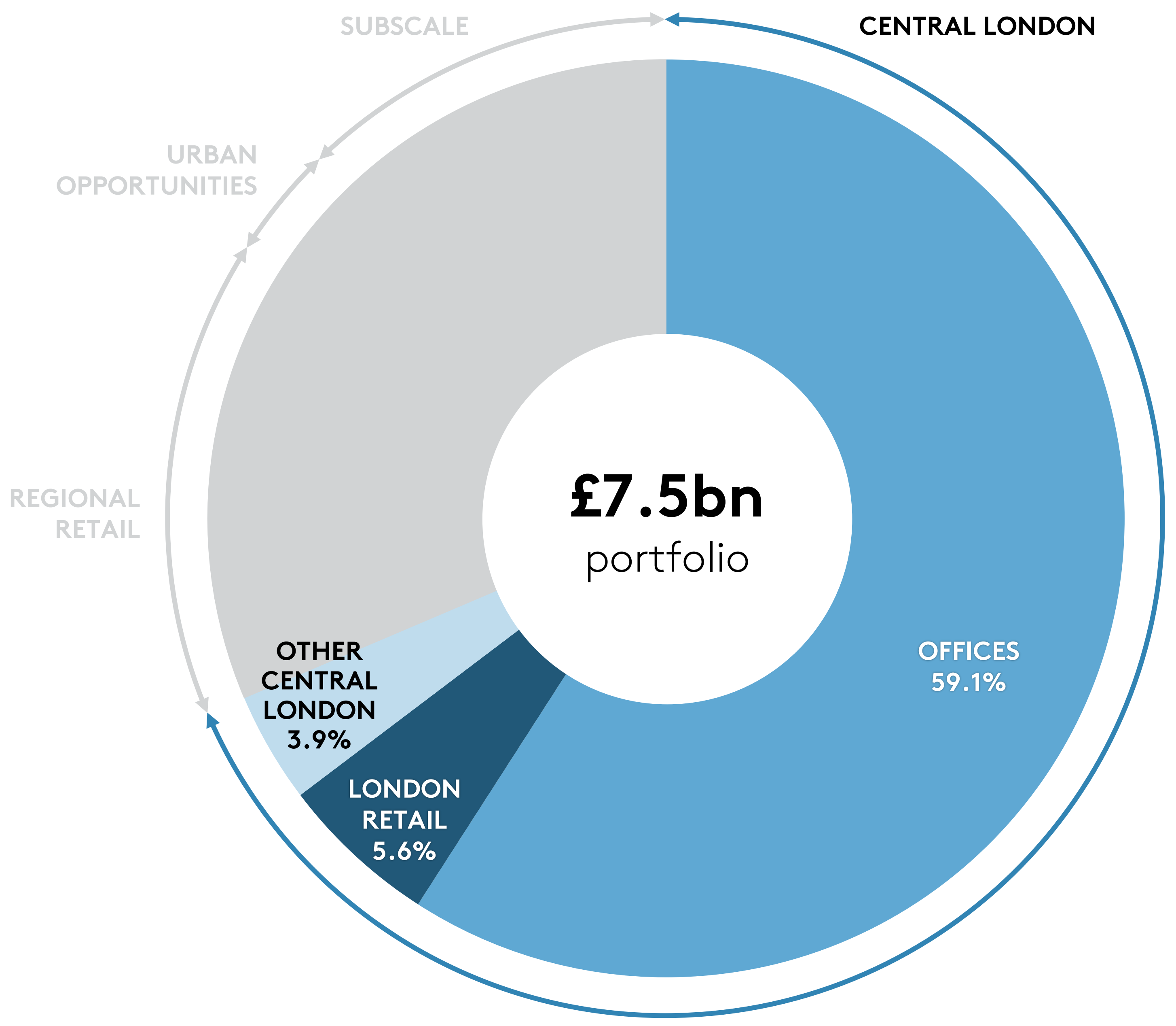
Valuation up 0.8% with a valuation surplus of £81m



- Like-for-like equivalent yields broadly flat at 5.4%
- Development profit £33m, with more to come in H2
- £40m Covid-19 allowances removed, with £11m retained

Central London valuation

Offices resilient with a positive outlook, slower recovery in London retail



(1) Other central London is made up of Piccadilly Lights (85%), residential properties (6%), cinemas (5%) and the Dominion Theatre (4%)

Offices +1.6%, +£97m

- Like-for-like rental values up 1.2%
- Like-for-like equivalent yield flat at 4.6%
- 21 Moorfields development profit taken in the period of £33m

London retail -6.7%, -£44m

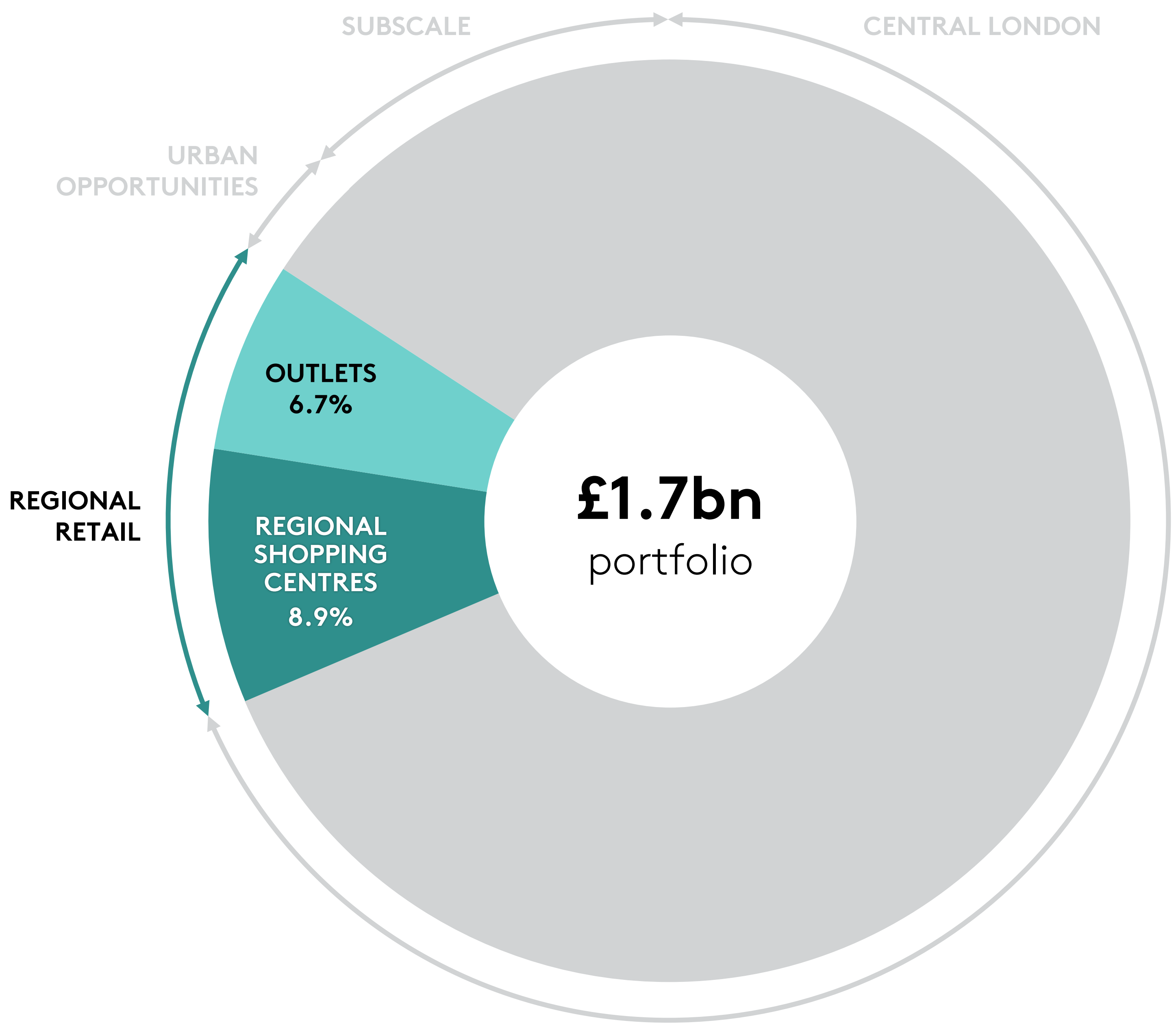
- Like-for-like rental values down 5.3%
- Like-for-like equivalent yield moved out marginally by 6bps to 4.6%
- Retail units below Piccadilly Lights valued as vacant, with surrender premiums recognised in the income statement
- £6m Covid-19 allowances removed, £4m retained

Other central London[1] +0.5%, £2m

- Piccadilly Lights valuation up 1.7%, due to recovery in demand for short-term bookings on the screens

Regional retail valuation

Shopping centre valuations stabilising, strong recovery in outlets



Regional shopping centres -4.1%, -£42m

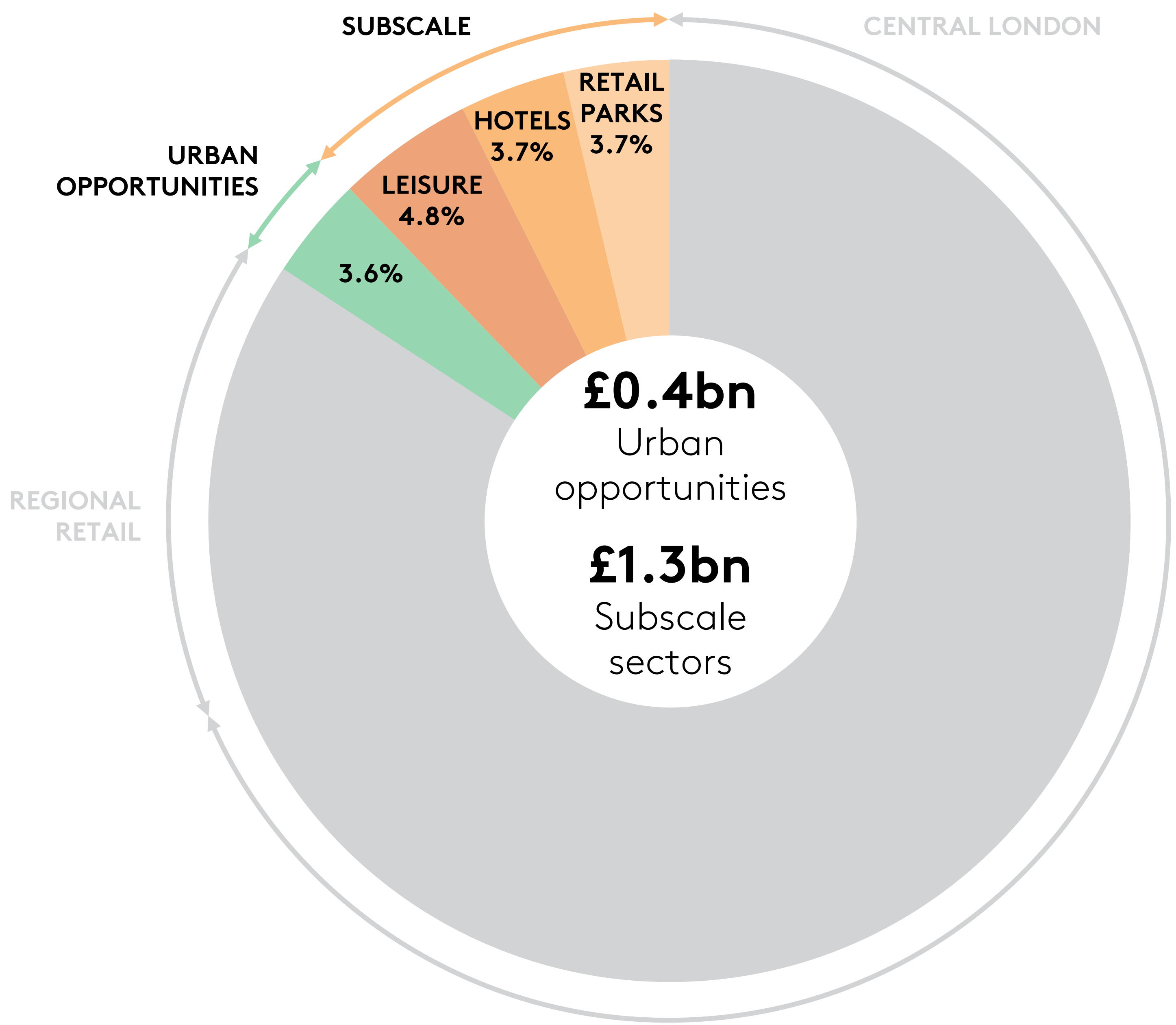
- Like-for-like rental values down 1.8%
- Like-for-like equivalent yield increased by 16bps to 7.5%
- Majority of outward yield shift absorbed in Q1, with yields stabilising in Q2
- £12m Covid-19 allowances removed, £1m retained

Outlets +1.0%, +£8m

- Like-for-like rental values down 0.5%,
- Like-for-like equivalent yield broadly flat at 6.8%
- Positive sales growth driving valuation increases at Braintree Village and Gunwharf Quays
- £4m Covid-19 allowance removed

Urban opportunities and Subscale sectors valuation

Urban opportunities positioned for redevelopment. Recovery in Subscale



Urban opportunities -3.4%, -£14m

- Like-for-like rental values flat
- Like-for-like equivalent yield increased by 8bps to 6.6%
- Majority of assets valued on existing-use basis, with no explicit hope value for future development opportunity
- £4m Covid-19 allowances removed, £1m retained

Subscale sectors +5.9%, +£74m

- Leisure +4.2%, +£20m
  - Like-for-like rental values up 0.4%,
  - Like-for-like equivalent yield decreased by 14bps to 7.5%
  - F&B, pubs, gym and bowling trading well, but uncertainty on pace of recovery for cinemas, bingo and casino sectors
  - £11m Covid-19 allowances removed, £5m retained, with majority relating to cinemas
- Hotels broadly flat
- Retail parks +15.6%, +£54m
  - Like-for-like equivalent yield decreased by 104bps to 6.5% due to strength in investor demand
  - All Covid-19 allowances removed (£3m)

Central London development programme

1m sq ft programme with optionality on two further London schemes

Existing programme

	Sector	Sq ft	Estimated completion date	Net income/ERV	Market value as at 30 September 2021	Capex to complete	Market value + outstanding TDC	Gross yield on market value + outstanding TDC
		(000)		£m	£m	£m	£m	%
21 Moorfields, EC2	Office	564	September 2022	38	675	192 (1)	877 (1)	4.3
The Forge, SE1 (2)	Office	140	October 2022	10	75	66	143	6.6
Lucent, W1	Mixed-use	144	March 2023	13	125	81	211	6.2
n2, SW1	Office	167	June 2023	13	56	128	189	6.8
Total		**1,015**		**74**	**931**	**467**	**1,420**	

Proposed central London developments

	Sector	Proposed sq ft	Indicative capex to complete	Estimated completion date	Planning/development status
		(000)	£m		
Timber Square, SE1 (2)	Office	380	260-280	2024	Planning granted; demolition ongoing
Portland House, SW1 (2)	Office	295	180-200	2025	Planning granted. Refurbishment options being refined
Central London potential scheme					
Red Lion Court, SE1 (2)	Office	235	210-230	2026	Progressing design through to planning submission H1 2022
Total		**910**	**650+**		

(1) Includes estimated overage payable of £36m as at 30 September 2021

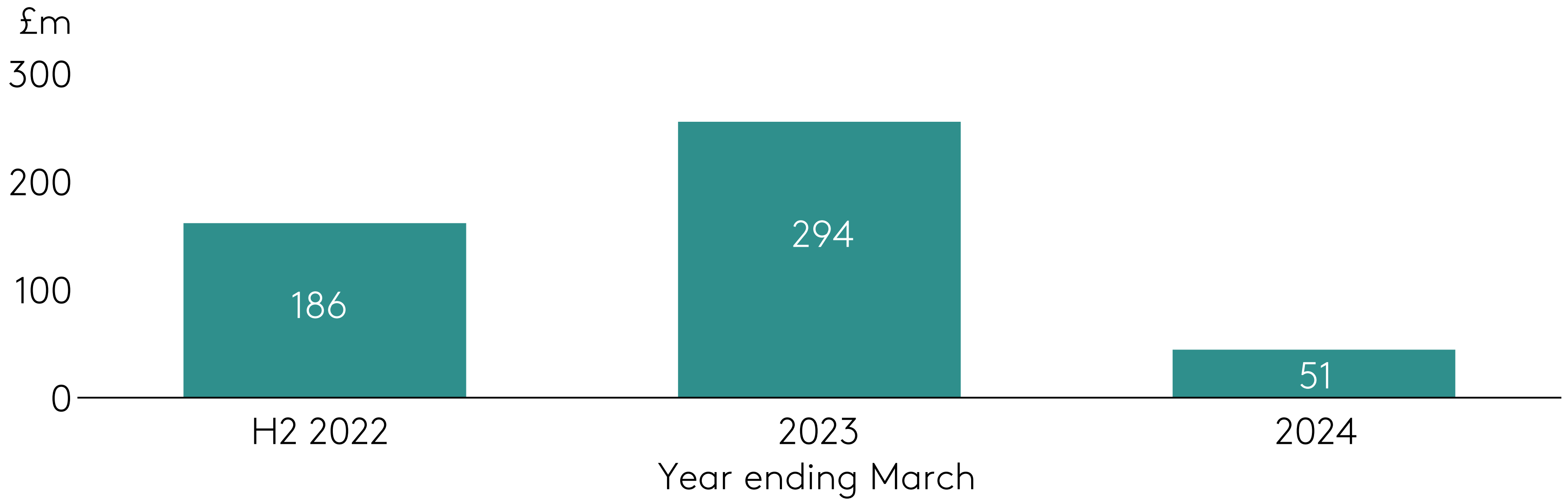
(2) Net zero development

Financing position

Strong balance sheet to support execution of strategy

- £1.6bn cash headroom
- Continue to balance increased operational leverage, with lower financial leverage
- Plan to maintain LTV percentage below mid 30's

Committed development capex[1] of £531m



	30 September 2021	31 March 2021
Adjusted net debt	**£3,505m**	£3,489m
Group LTV	**31.8%**	32.2%
Adjusted net debt: EBITDA ratio	**8.1**	10.5
Interest cover ratio	**5.4**	3.9
Average debt maturity (years)	**10.9**	11.5
Weighted average cost of debt	**2.3%**	2.2%[2]
% of debt fixed	**78.1%**	80.3%

(1) Includes committed capex of £37m on trading properties and £27m for pre-construction works at Timber Square and Portland House

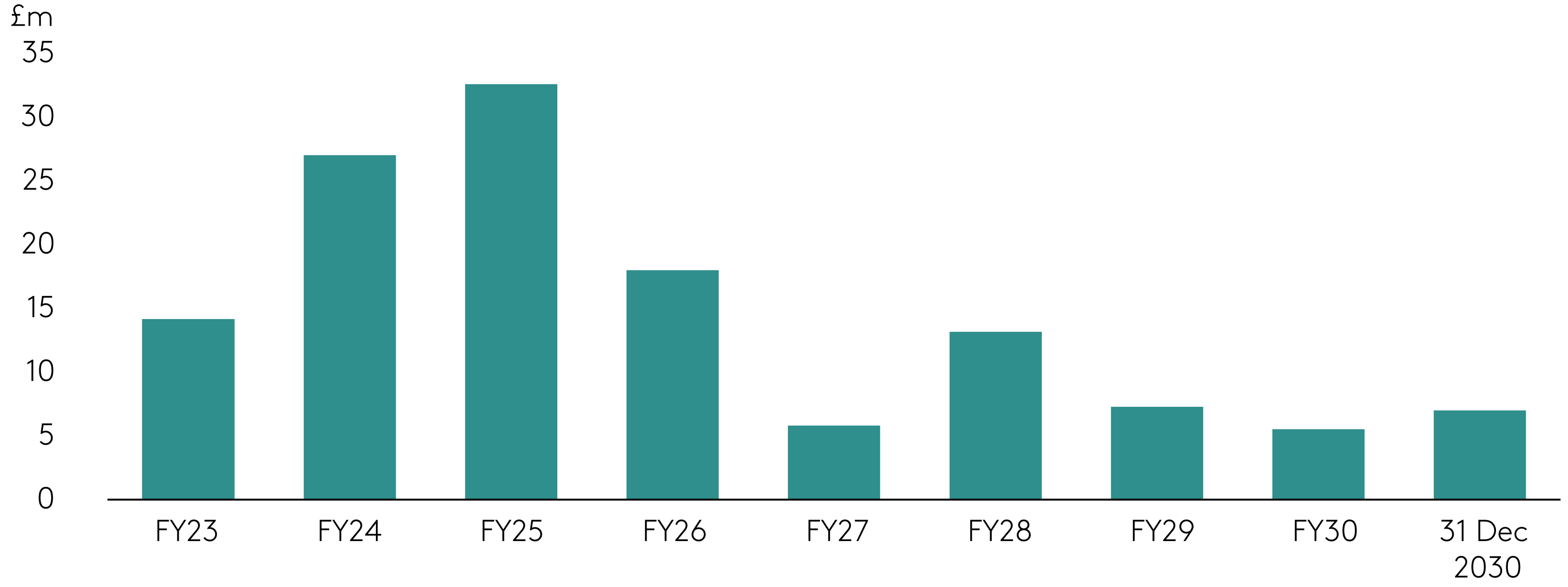
(2) For the period to 30 September 2020

Net zero transition investment plan
Fully costed: £135m by 2030

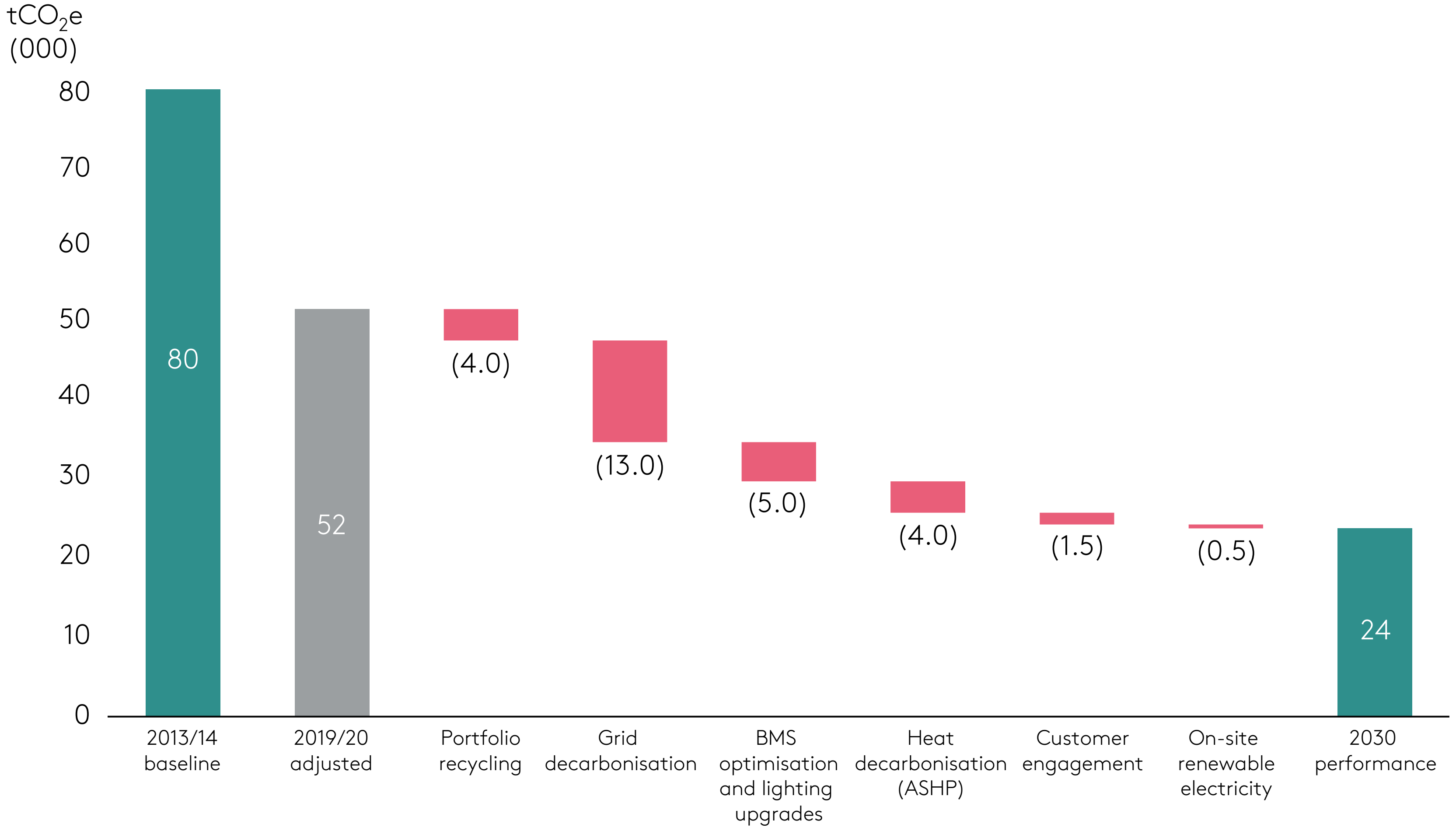
Actions

- Continue to reduce our operational energy use
  - Optimising building management system
  - Engaging with our customers on energy efficiency
- Move to cleaner sources of energy
  - Decarbonising our heating
  - Investing in renewable energy
- Continue to reduce embodied carbon
  - Retaining existing structure whenever possible
  - Adopting modern methods of construction and sustainable materials
- Offset residual unavoidable emissions
  - Through verified schemes in line with the UK Green Building Council principles

Landsec transition investment plan – phasing of expenditure



Landsec Portfolio evolution vs science-based target



Note: 2019/20 performance has been adjusted to account for carbon emissions associated with portfolio changes and reflect current portfolio mix.

Summary

Strong recovery from the pandemic and sustainable dividend policy

High levels of operational activity to support our customers

Expanded development pipeline to enhance total returns

Asset recycling programme underway with a continued focus on capital discipline

Balance sheet is positioned for **strategic growth** and the transition of our asset base

Fully costed **net zero investment** transition plan of **£135m** to **2030**

GUNWHARF QUAYS, PORTSMOUTH

Strategic update

Mark Allan

CHIEF EXECUTIVE OFFICER

Landsec

Our strategy is grounded in our core purpose

Sustainable places. Connecting communities. Realising potential

A **clear focus** on three key areas

CENTRAL LONDON **OFFICES**

MAJOR **RETAIL** DESTINATIONS

MIXED-USE **URBAN** NEIGHBOURHOODS

We strive to **create, curate and activate places** that inspire people, unlocking value for all our stakeholders

Central London
Optimising value

MARKET VIEW

- Clear evidence of occupier demand for the best space
  - Quality, flexibility, sustainability
- Supply of grade-A space remains constrained
- Occupiers adapting to how space is used, not how much is needed
- Resilient rents with room for growth as return to the office gains momentum
- Strong investor demand for long income and the best space
  - Potential for further yield contraction
  - Some investor pursuing 'build to core' strategies that could squeeze development margins on widely marketed sites

OUR PLAN

- **Continue capital recycling** out of low yield assets, taking advantage of strong investor demand
- **Deliver committed developments; maintain optionality** on remainder of near-term pipeline
- **Progress leasing** of newly refurbished space and pipeline
- **Enhance medium-term development optionality** from existing portfolio and acquisitions where we have an edge
- **Scale up range of office propositions**
  - Blank Canvas, Customised and Myo
- **Future accretive asset management opportunities**
- **Deliver net zero transition investment plan**

Central London
Optimising value

OUR PLAN	PROGRESS SINCE 1 APRIL 2021	FOCUS MOVING FORWARD
Continue capital recycling	› Harbour Exchange disposal	› Further disposals matched to reinvestment opportunities across the Group
Deliver committed developments; maintain optionality	› Programmes and budgets firmed up post Covid-19 › Timber Square demolition progressed › Portland House refurbishment plans being refined	› Timber Square decision H1 2022 › Finalise Portland House refurbishment plans › Planning submission at Red Lion Court
Progress leasing	› Dashwood 2/10 floors let or under offer › Myo Victoria Street occupancy at 67% › One New Change 4th floor launched › Active interest in over 250,000 sq ft	› Increase Myo Victoria Street occupancy to >85% and Myo Liverpool Street to 50-70% by year end › Begin to convert active interest
Enhance medium-term optionality	› 3 New Street Square surrender agreed. Conversion to Myo	› Unlock opportunities in existing portfolio › Targeted acquisitions
Scale up range of office propositions	› Oval Works acquisition conditionally exchanged › Myo and Customised launched at Dashwood	› Myo planned for 3 New Street Square and Lucent, scalable to 400,000 sq ft medium term › Portland House refurbishment refined to offer broader range
Future accretive asset management opportunities	› Lease renewals and regears over 300,000 sq ft, £20m rent	› Identify and progress future opportunities
Deliver net zero transition	› Fully costed plan launched › Detailed feasibility completed at two assets	› Extend detailed feasibilities and begin implementation

Major retail destinations

Potential increasing as rents stabilise

MARKET VIEW

- Structural change has been profound and accelerated by the pandemic
- c.25% of space will be obsolete over the next five years with vacancy increasingly concentrated in secondary locations
- Clear signs of rents and values stabilising but more operational risk being borne by landlords
- Yields at 7.5–8% for prime shopping centres offer a significant risk premium

OUR PLAN

- **Build stronger, strategic relationships with brands** to drive lower vacancy
- **Deeper insight into shopper behaviour** to improve quality of footfall and ability to influence behaviour
- **Concentrate portfolio on catchment dominant locations**
- **Ongoing capex investment** – right footprint, right line up, right experience
- **Orientate our organisation towards our customers (brands) and shoppers (guests)**

Major retail destinations

Potential increasing as rents stabilise

OUR PLAN	PROGRESS SINCE 1 APRIL 2021	FOCUS MOVING FORWARD
Build stronger, strategic relationships with brands	› Vacancy reduced from 8.8% to 7.5% › 181 lettings completed or agreed, +3.3% vs ERV › Important new store openings and upsizes e.g. Zara, Amazon, Gravity Leisure › New lettings supportive of ERV	› Reduce vacancy further and build on momentum of recent store openings and upsizes
Deeper insight into shopper behaviour	› Footfall average down 28.2% but like-for-like sales up 0.5% due to stronger conversion and ATV	› Delivery of Guest Experiences programme which will measure our ability to impact unique visitors' dwell time and frequency, conversion rates, average transaction levels and net promotor scores
Concentrate portfolio on catchment dominant locations		› Likely to sell assets that do not meet our criteria and look selectively at investment opportunities
Ongoing capex investment	› Detailed assets plans finalised for full portfolio	› Begin implementation of plans
Orientate our organisation towards our customers (brands) and shoppers (guests)	› Retail business restructured and new retailer skills brought in	› Embed new organisation and invest further in data and technology to support new ways of working

Mixed-use urban neighbourhoods

Potential to deliver a strong blend of returns

MARKET VIEW

- Lines between live, work and play increasingly blurred. Mixed-use urban neighbourhoods with a clear sense of place vital to thriving cities
- Quality of life, health and wellbeing and environmental sustainability increasingly important factors
- The right projects, delivered in the right way, can deliver an attractive blend of income, rental growth and development driven returns

OUR PLAN

- **Identify and progress opportunities** within our own portfolios, focusing on those that are most deliverable and have the greatest chance of success
- **Pursue acquisition opportunities** that can accelerate capital deployment and returns
- **Augment existing skills** with those best suited to mixed-use, multi phase development

Mixed-use urban neighbourhoods

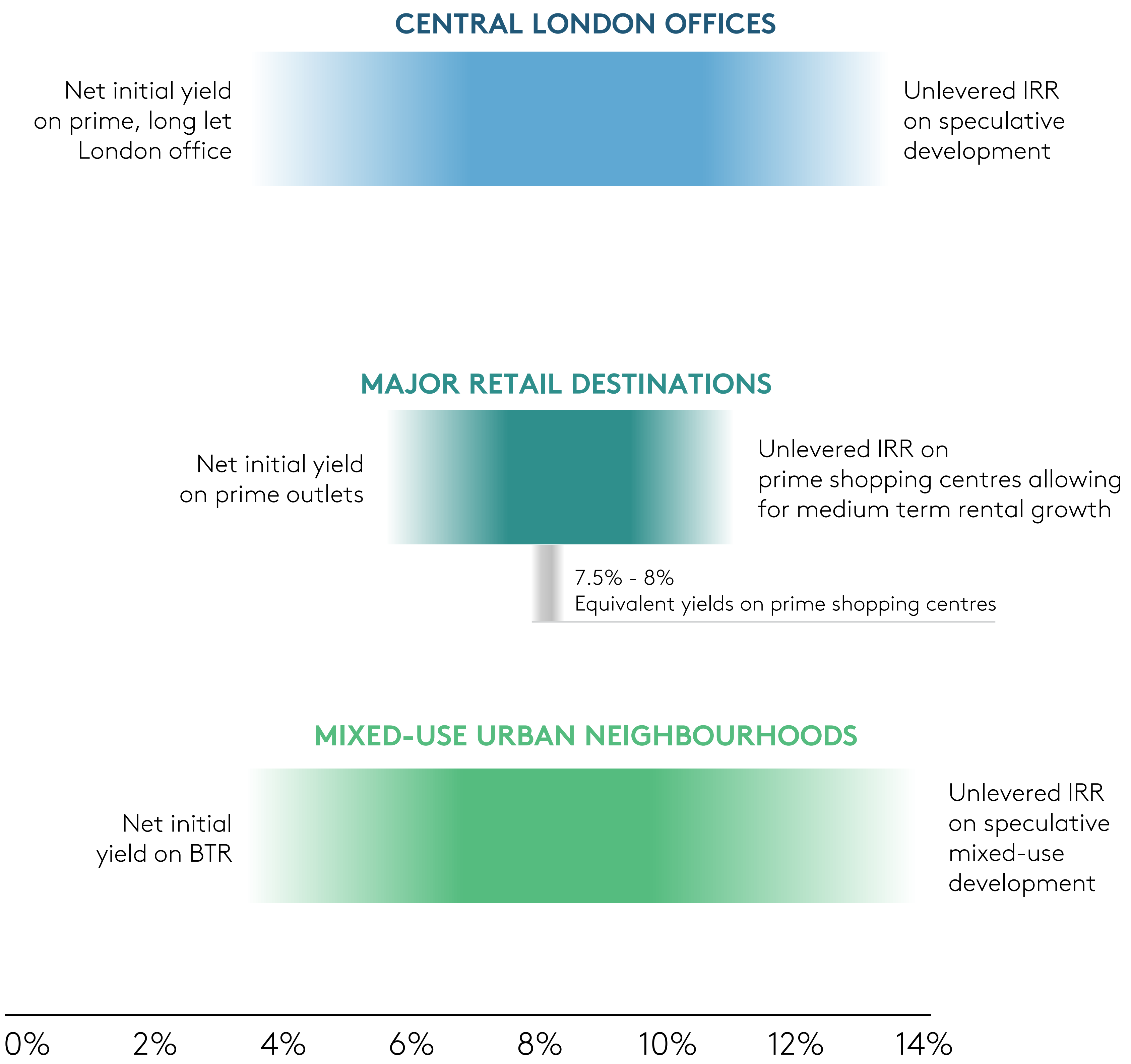
Potential to deliver a strong blend of returns

OUR PLAN	PROGRESS SINCE 1 APRIL 2021	FOCUS MOVING FORWARD
Identify and progress opportunities	› O2 Finchley Road on track for planning submission this financial year › Lewisham shopping centre on track for 2022 submission, public consultation starting November 2021	› Progress priority projects while mobilising other opportunities
Pursue acquisition opportunities	› Acquisition of 75% stake in MediaCity › Recommended all cash offer for U and I Group PLC	› Integrate MediaCity and progress phase 2 development
Augment existing skills	› Recommended all cash offer for U and I Group PLC brings complementary skills focused on front end capability	› Subject to completion. Prepare for integration of U+I projects and people

A clear perspective on relative value

- Visibility of potential returns across our own portfolio and new investment opportunities across our three focus areas. Allows us to be decisive in capital allocation decisions
- We can deploy capital across a wide spectrum of risk/return characteristics based on a clear view of relative value
- In London, we are moving slightly up the risk/return curve to better exploit our expertise and competitive advantage
- In major retail destinations, we have confidence in the high income yield available and believe catchment dominant locations can return to growth
- Mixed-use urban neighbourhoods can offer a compelling blend of income, rental growth and development upside across multiple years

Unlevered return expectations (constant cap rates)

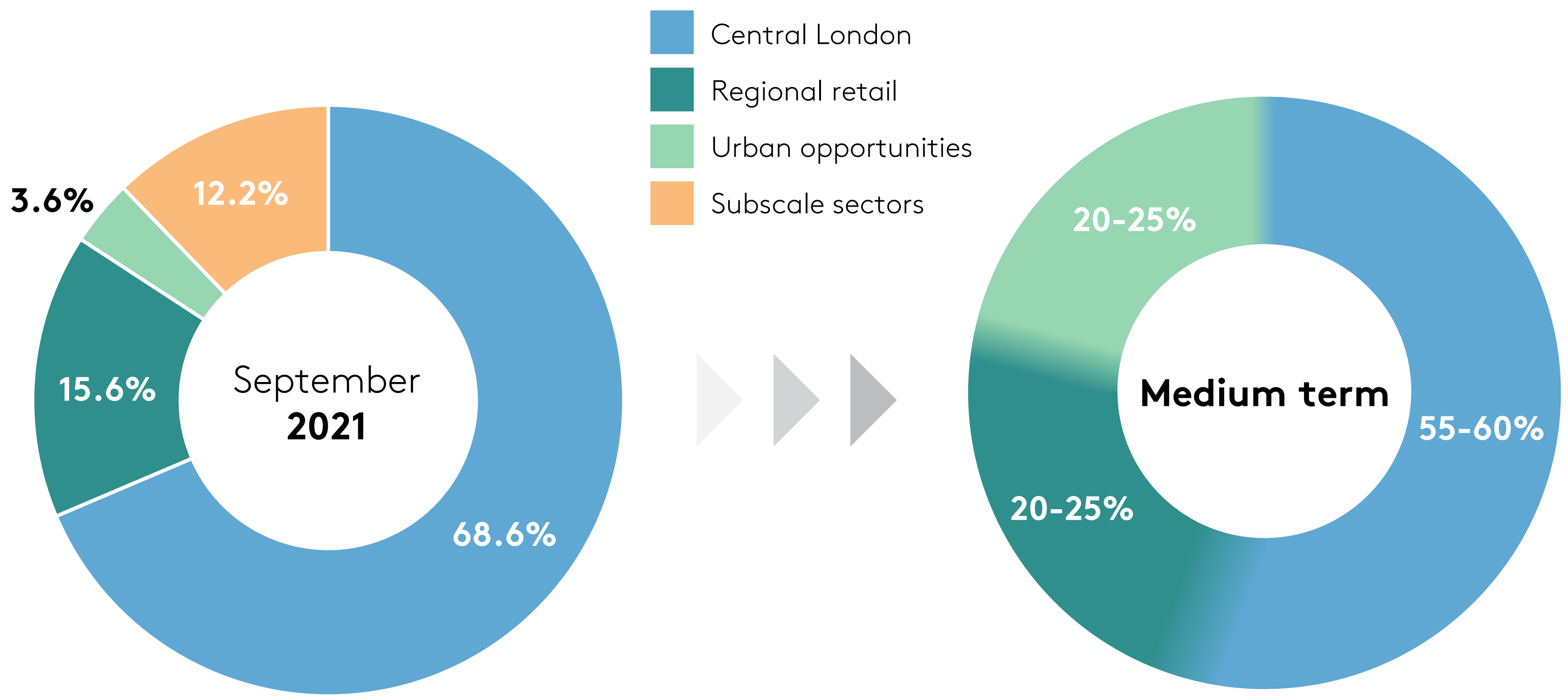


More decisive in capital allocation

- Modest reduction in London weighting over time
  - Continued recycling out of high quality, low yield London assets
  - Selective re-investment into London opportunities where we have a clear edge
- Increased weighting towards major retail destinations
  - Partly offset by planned disposals of Subscale sectors (retail parks, leisure and hotels)
- Major increase in mixed-use urban neighbourhoods combination of acquisitions and development capex
- Ongoing focus on matching quantum and timing of disposals and re-investment

Our strategy's impact on portfolio weighting

Portfolio split (%)



SECTOR RETURNS

CENTRAL LONDON OFFICES	MAJOR RETAIL DESTINATIONS	MIXED-USE URBAN NEIGHBOURHOODS
A blend of returns from high quality, low risk income through to profits from new developments	Returns are predominantly income driven with the prospect of rental growth and values strengthening in time	Usually delivered over multiple phases meaning they can offer an attractive blend of income, growth and development driven returns over multiple years

TOTAL BUSINESS RETURN

We are seeking mid to high single digit annualised returns on our equity through the cycle, split broadly equally between income and growth

Building operational and strategic **momentum**

Positive business performance across all segments

A **clear perspective** on relative value and capital allocation

SUMMARY

Cultural changes **improving agility** and **pace**

Targeting mid-to-high **single digit return** on equity with a clear plan in place

NEW STREET SQUARE, EC4

Landsec

Q&A

Landsec

Half year results