Landsec

Press release

Title	**Half year results for the six months ended 30 September 2021**
From	**Landsec**
Date	**16 November 2021**

Positive business performance. Building strategic momentum

Chief Executive Mark Allan said:

“We have used the last six months to drive our business forward, disposing of £250m of assets and progressing £616m of acquisitions that will accelerate our strategy and provide greater opportunities for growth.

“In focusing our strategy on shaping three distinct places – central London offices; major retail destinations; and mixed-use urban neighbourhoods – we are bringing renewed vigour to the business and creating value for all our stakeholders.

“One of the ways that we create value is by taking leadership positions on the issues that matter. Today, we are proud to set out a fully costed investment plan to transition our business towards net zero, ensuring that we deliver on our science-based target to reduce our carbon emissions by 70% by 2030.

“Our actions over the last six months and throughout the pandemic have enabled us to significantly increase operational activity and we remain in a strong financial position. We look forward to demonstrating further progress over the coming months.”

Financial results

- EPRA earnings [1][2] up 56.5% to £180m
- Gross rental income[1][2] down 3.8% to £282m
- Profit before tax for the period of £275m (2020: loss of £835m)
- EPRA earnings per share[1][2] up 56.8% to 24.3p
- Dividend in the period of 15.5p per share (2020: 12.0p)
- Combined Portfolio[1][2] valued at £11.0bn, with a valuation surplus[1][2] of £81m or 0.8%[3]
- EPRA Net Tangible Assets per share[1] up 2.7% to 1,012p
- Total business return[1] of 3.7%

Strong financial position

- Low leverage with a Group LTV ratio[1][2] at 31.8% (31 March 2021: 32.2%)
- Adjusted net debt[1][2] of £3.5bn (31 March 2021: £3.5bn)
- Weighted average cost of debt in the period of 2.3% (30 September 2020: 2.2%)
- Weighted average maturity of debt at 10.9 years (31 March 2021: 11.5 years)
- Cash and available facilities[2] of £1.6bn

Building strategic momentum

- Announced £250m of disposals; progressed strategic acquisitions totalling £616m.
- We are on-site with one million sq ft of committed development, and with recent and planned acquisitions we have a near-term pipeline of 2.5 million sq ft of potential development opportunity.
- Since our full year results, we have built a greater depth of understanding of how our strategy will evolve over the coming years as we focus on three things:
    - **Central London offices** where we develop, own and manage offices that offer a variety of propositions to meet the evolving needs of office customers ranging from global corporates to small, fast growing businesses.
    - **Major retail destinations** where we focus on owning and actively managing high quality assets that we believe will remain relevant to brands and guests alike in an ever-changing world.
    - **Mixed-use urban neighbourhoods** which recognise that the lines between where we live, where we work and where we spend our leisure time are increasingly blurred.
- What binds these three types of development together is the importance of a sense of place to their enduring success and to that of their surrounding areas.
- Our strategy remains grounded in an authentic purpose; built on sustainable competitive advantage and supported by long-term macro trends.
- In executing our strategy we are guided by three things: delivering sustainably, delivering for our customers and being disciplined with our capital.

Central London offices benefitting from resilient rents and investor demand

- Rents for prime, grade A London offices remained resilient and the central London office market saw a recovery in investment and operational activity during 2021.
- In August, we conditionally exchanged contracts to forward purchase Oval Works, a standalone office space that will form part of Berkeley's Oval Village. This purchase is in line with our strategy to offer a broader range of propositions for office customers.
- The disposal of 6-9 Harbour Exchange, E14, in November to Blackstone European Property Income Fund (BEPIF) for £197m, underlines strong investor demand for high quality income in central London. The sale price reflects a net initial yield of 3.99%.
- As identified in our full year results, a customer focus on environmental and wellbeing is becoming increasingly important in driving strong demand for Grade A office space.
- We completed 8 lettings or renewals totalling £15m, in line with ERV, and have a further £10m in solicitors' hands.
- We continue to maintain flexibility on our office development pipeline. We are ready to progress Timber Square and Portland House at the appropriate time and planning is due to be submitted on Red Lion Court by the end of this financial year. 21 Moorfields and The Forge are on track to complete in 2022, with Lucent and n2 the year after.

Catchment dominant retail destinations set to be long-term winners as retail rents and values stabilise

- The retail trends described in our annual results continue to play out, strengthening the position of higher quality retail destinations.

- The last six months have provided further evidence of prime retail rents stabilising with a significant increase in leasing activity: 181 lettings were completed or are in solicitors' hands, with rents 3.3% ahead of ERV.
- Key leasing deals within the period include Amazon 4-star, its first store of this type in the UK, Zara and Nespresso opening new global concepts as well as the bricks and mortar debuts of Crep Collection Club and Vanilla. Other notable brands include Kids Around at Braintree Village and Luke 1977 at Gunwharf Quays, while Whittards of Chelsea took space at Clarks Village.
- Leisure and food and beverage are becoming increasingly important elements of a compelling retail offer. Performance at Gravity has been ahead of expectations since it opened at Southside in autumn 2021, with the centre seeing an increase in footfall and sales as well as a positive impact on leasing activity.

Strong momentum in strategic execution through thoughtful mixed-use urban neighbourhoods

- Our focus on developing and investing in mixed-use urban neighbourhoods recognises that the lines between where we live, where we work and where we spend our leisure time are becoming increasingly blurred. We are using our scale, expertise and track record to help adapt the built environment to meet people's changing needs.
- Our acquisition of a 75% stake in MediaCity – Europe's leading, digital, media and tech hub – in November demonstrates an acceleration in this pillar of our strategy and evidences our ability to bring forward investment opportunities in the near term in places where we believe we can achieve attractive and sustainable returns.
- In November, we also announced a recommended all cash offer to acquire the mixed-use regeneration specialist U and I Group PLC (U+I). This acquisition would add core regeneration assets to our pipeline and complement and enhance our existing development capabilities and placemaking skills.
- At O2 Finchley Road we have launched the final stage of consultation on our proposals for a mixed-use, residential-led neighbourhood, with the formal planning application on track for submission by the end of the financial year.
- Public consultation begins this month on our Lewisham shopping centre scheme. We expect to submit our planning application in the second half of 2022.

Leading the way to net zero. Fully costed net zero transition investment plan now in place

- In 2016, we were the first commercial real estate company in the world to set a science based target to reduce our carbon emissions.
- Today – two years ahead of Government requirements – we are setting out a fully costed £135m net zero transition investment plan to ensure we meet our science-based target to reduce our carbon emissions by 70% by 2030 from a 2013/14 baseline.
- This will ensure that we stay ahead of the Minimum Energy Efficiency Standards Regulations (MEES) which require a minimum EPC 'B' certification by 2030, as well as other regulatory requirements.
- This investment will focus on areas such as enhancements to building management systems through the use of artificial intelligence; the replacement of gas-fired boilers with electric alternatives such as air source heat pumps; and increasing onsite renewable capacity.

Results summary

	Six months ended 30 September 2021	Six months ended 30 September 2020	Change
EPRA earnings(1)(2)	£180m	£115m	Up 56.5%
Valuation surplus/(deficit)(1)(2)	£81m	£(945)m	Up 0.8%(3)
Profit/(loss) before tax	£275m	£(835)m	
Basic earnings/(loss) per share	37.2p	(112.8)p	
EPRA earnings per share(1)(2)	24.3p	15.5p	Up 56.8%
Dividend per share	15.5p	12.0p	Up 29.2%
Total business return	3.7%	-9.5%	
	30 September 2021	**31 March 2021**	
Net assets per share	1,003p	975p	Up 2.9%
EPRA Net Tangible Assets per share(1)	1,012p	985p	Up 2.7%
Group LTV ratio(1)(2)	31.8%	32.2%	

1. An alternative performance measure. The Group uses a number of financial measures to assess and explain its performance, some of which are considered to be alternative performance measures as they are not defined under IFRS. For further details, see the Financial review and table 15 in the Business analysis section.
2. Including our proportionate share of subsidiaries and joint ventures, as explained in the Financial review.
3. The % change for the valuation surplus represents the change in value of the Combined Portfolio over the period, adjusted for net investment.

Ends

About Landsec

At Landsec, we build and invest in buildings, spaces and partnerships to create sustainable places, connect communities and realise potential. We are one of the largest real estate companies in Europe, with a £11 billion portfolio of retail, leisure, workspace and residential hubs. Landsec is shaping a better future by leading our industry on environmental and social sustainability while delivering value for our shareholders, great experiences for our guests and positive change for our communities.

Find out more at landsec.com

Please contact:

Press
Tulchan Group
+44 (0)20 7353 4200

Investors
Ed Thacker
+44 (0)20 7024 5185