Landsec

Our annual results 2022

For the year end 31 March 2022

@LandsecGroup

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Landsec

Annual results 2022

Mark Allan

CHIEF EXECUTIVE OFFICER

Clear progress – Well positioned for future growth

OUR PURPOSE: SUSTAINABLE PLACES. CONNECTING COMMUNITIES. REALISING POTENTIAL

High-quality portfolio

Nova, SW1

- Modern London office portfolio, already 44% EPC 'B' or higher, three times the overall market
- Major retail destinations seeing return to growth post pandemic
- Attractive pipeline of mixed-use urban development opportunities

Recycling capital

1 & 2 New Ludgate, EC4

- Sold £1.1bn of assets since late 2020, funding investment in higher-growth opportunities
- Divest further c. £3bn of mature and subscale assets over time
- Grow mixed-use urban assets to 20-25% of portfolio

Growth potential

Mayfield, Manchester

- 2.8m sq ft London office pipeline to cater for strong demand for modern, sustainable space
- 9.0m sq ft mixed-use pipeline, with first start on site this year
- c. £3bn potential capex over five years, with c. 20% target profit

Driving returns

MediaCity, Greater Manchester

- Potential to grow income by c. £120m by recycling capital into pipeline whilst keeping LTV stable
- Deliver on average mid to high single digit annual ROE over time
- Expect EPS to grow low/mid single digit percent in FY22/23

Strong operational results and strategic progress across all segments

Central London

Nova, SW1

- Record office leasing, with £63m of lettings signed, on average 4% ahead of valuers' assumptions
- £1.2bn pipeline completing over next 13 months, 56% pre-let
- £0.4bn of disposals at average 4.1% yield and 13% premium to March 2021 book value

Retail

Gunwharf Quays, Portsmouth

- Strong recovery in demand, with £29m of lettings signed or in solicitors' hands, 2% above ERV
- Return to valuation growth, with 1.7% value uplift in second half
- Acquired additional 18.75% stake in Bluewater for £126m at attractive 8.15% yield

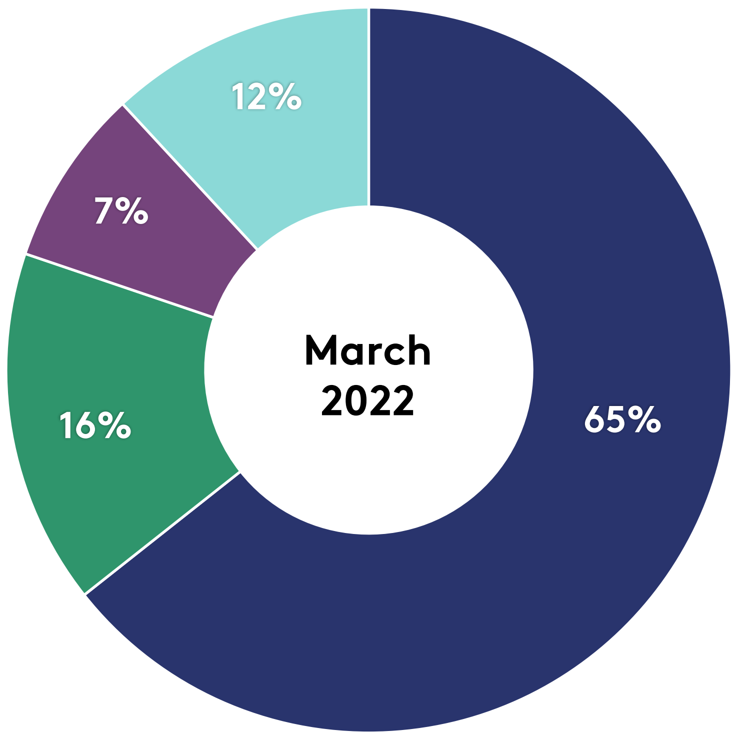
Mixed-use urban

MediaCity, Greater Manchester

- Increased mixed-use pipeline by c. 50% to c. £4bn TDC, with clear near-term delivery potential
- Acquired 75% stake in MediaCity, Greater Manchester for £426m
- Acquired U+I for £269m providing access to five mixed-use sites in London, Manchester, Cambridge

£12.0bn portfolio

Portfolio split



Central London
Major retail destinations
Urban opportunities
Subscale sectors

Strong total return and recovery in earnings

- Strong financial returns, underpinned by our actions and operational performance
- Total accounting return up to 10.5%
- EPRA NTA per share up 8%
- EPRA EPS up 42%
- Dividend per share up 37%
- LTV remains below mid 30's

	31 March 2022	31 March 2021	% change
EPRA NTA per share	**1063p**	985p	8%
EPRA earnings	**£355m**	£251m	41%
EPRA earnings per share	**48.0p**	33.9p	42%
Dividend per share	**37.0p**	27.0p	37%
LTV	**34.4%**	32.2%	2.2pp
Total accounting return	**10.5%**	-15.9%	

Focused on delivering sustainably
Sustainability embedded throughout our business

OUR VISION: We design, develop and manage places that enhance the health of our environment and improve quality of life for our people, customers and communities, now and for future generations

We will design, develop and manage places to tackle climate change, enhancing the health of the environment by achieving net zero and going beyond.

TARGETS

Reduce operational carbon emissions by **70% by 2030** compared with a 2013/14 baseline.

Reduce average **embodied carbon by 50%** compared with a typical building by 2030.

Developed **£135m net zero transition investment plan.**

We will be a fair and responsible business in everything we do.

TARGET

All Landsec colleagues to have individual objectives to **support the delivery** of our vision.

We will create opportunities and inclusive places to change lives, supporting communities to thrive.

TARGET

Investing £20m into a Realising Potential Fund empowering 30,000 people towards the world of work, **creating £200m of social value** in our local communities by 2030.

Landsec

Operational review

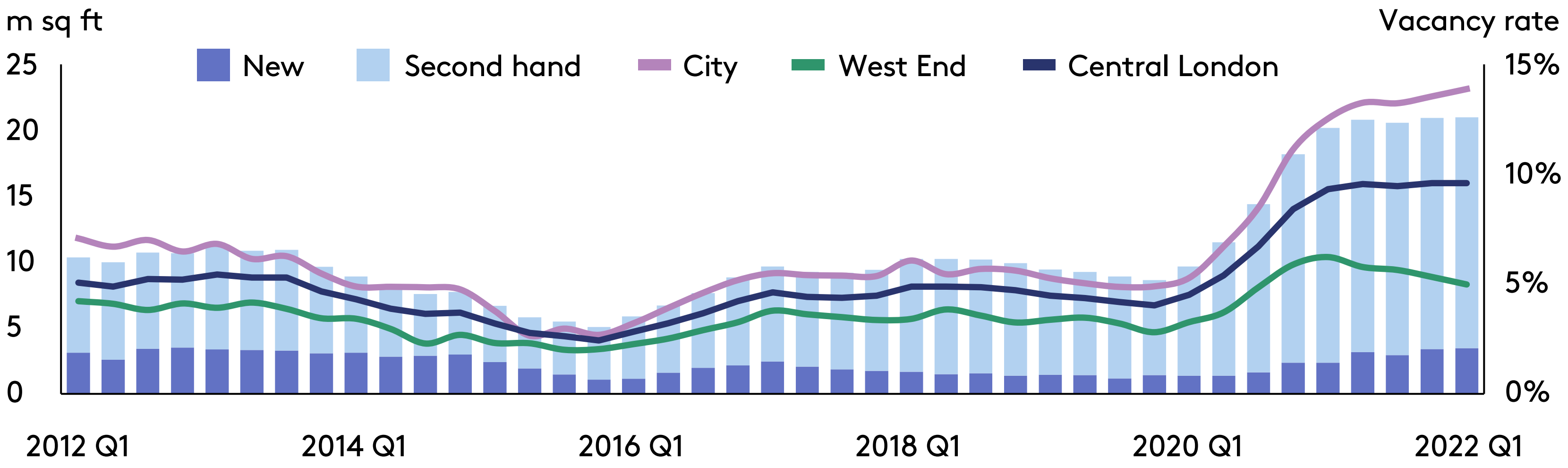
Mark Allan

CHIEF EXECUTIVE OFFICER

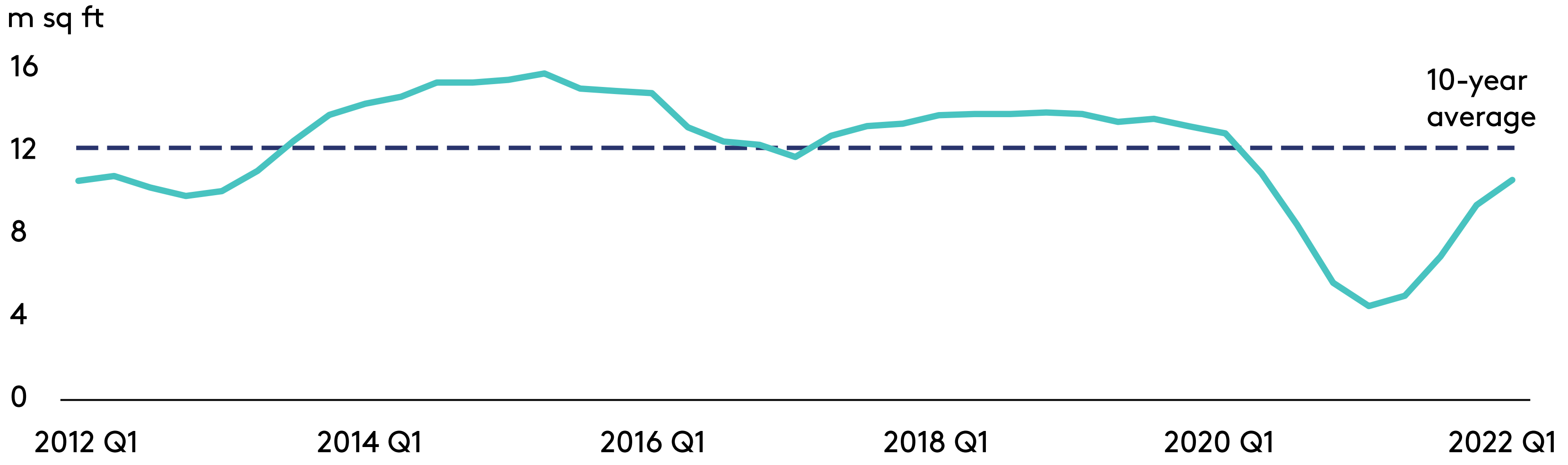
Central London
Continued demand for prime space

- Central London footfall continues to recover
- Office space under offer ahead of 10-year average, signalling continued demand for space
- Focus on sustainable, flexible, high-quality buildings that offer the right amenities to attract key talent
- Grade-A vacancy remains low, especially in West End
- Expect shortage of sustainable, prime office space to result in further growth in prime rents
- Investment demand remains strong

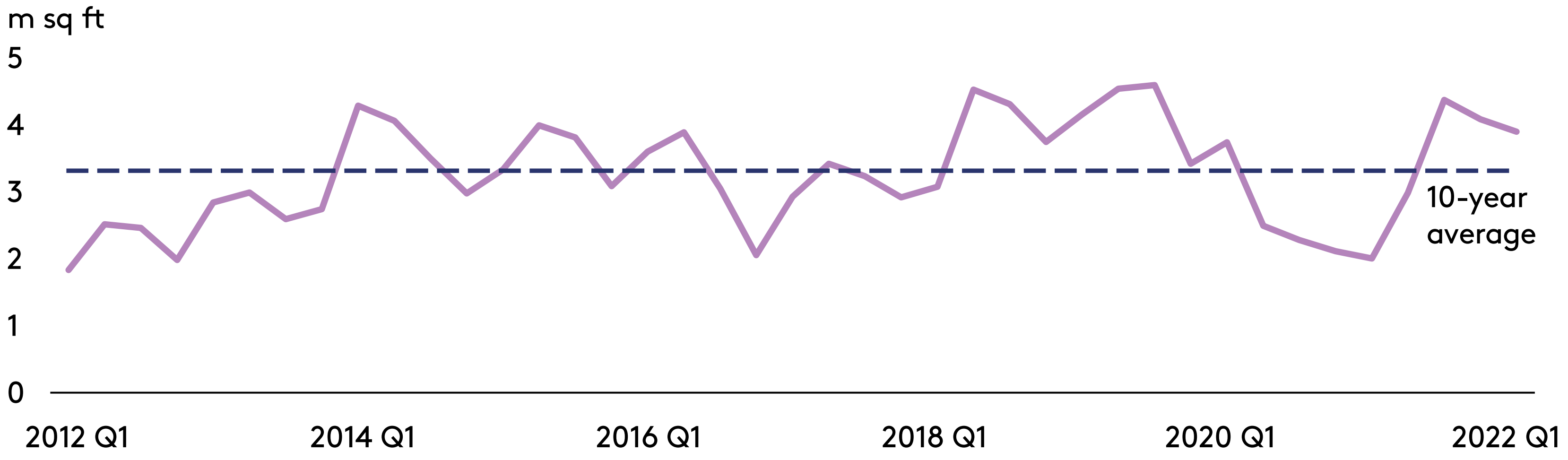
Central London office - vacant space



Central London office - rolling annual take-up



Central London office - floor space under offer



Source: CBRE, Landsec

Central London

High-quality portfolio underpins record leasing activity

- Portfolio quality well ahead of overall market
  - 49% built or redeveloped over last ten years, compared to c. 20% of overall London office stock
  - 44% of office portfolio EPC A or B, triple the market average of 15%
- Record leasing year, with £63m of rent signed, 4% ahead of valuers' estimates
- Several major lease regears, demonstrating strong customer relationships and retention
- Office vacancy of 4.7% well below market
- London retail footfall recovering, with tourism and workers returning to the city

Landsec operational performance

	31 March 2022	YoY change
Number of lettings/renewal completed	21	
Rental income generated by new lettings/renewals	£63m	
Rent achieved vs valuers' assumptions	+4%	
West End office occupancy (LFL)	98.2%	-0.8pp
City office occupancy (LFL)	91.3%	-2.3pp

1 New Street Square, EC4

Cardinal Place, SW1

Central London

Total pipeline of 2.8m sq ft provides optionality for future growth

- 1.0m sq ft of committed office projects
  - 56% of ERV(1) pre-let
  - Achieved 20.7% reduction in embodied carbon in year
- Expanded overall pipeline via two 'off-market' opportunities via U+I acquisition and Deloitte regear
- Expect to commence up to three new schemes this year, subject to continued demand
- Current negotiations point to further growth in ERVs, offsetting build-cost inflation

CURRENT PROGRAMME	Proposed sq ft	Expected completion date	TDC	Gross yield on cost
	(000)		£m	%
21 Moorfields, EC2	564	Oct 2022	594	6.4
The Forge, SE1(2)	140	Dec 2022	150	6.4
Lucent, W1	144	Mar 2023	248	5.5
n2, SW1	167	Jun 2023	207	6.6
Total	**1,015**		**1,199**	**6.2**

PIPELINE	Proposed sq ft	Potential start date	Indicative TDC	Gross yield on cost
	(000)		£m	%
Timber Square, SE1(2)	380	H2 2022	400	6.5
Portland House, SW1(2)	295	H2 2022	400	6.3
Liberty of Southwark, SE1	200	H2 2022	240	6.1(3)
Red Lion Court, SE1(2)	235	H2 2023	320	6.2
Near-term pipeline total	**1,110**		**1,360**	**6.3**
Longer-term pipeline	**640**			
Total London office pipeline	**1,750**			

(1) 60% of ERV excluding space earmarked for Myo
(2) Net zero development
(3) Yield on cost excluding affordable housing

Central London
Increasing flexible space across the portfolio

- Continuing to evolve the three products we offer, Blank Canvas, Customised and Myo
- Focus on growing Myo flexible, fully serviced offer
  - Myo Victoria Street 98% let
  - Myo Liverpool Street (opened in year) 64% let
  - Aim to achieve net rents c. 20% ahead of Blank Canvas rents, assuming 85% occupancy
  - Plan to open additional four locations in next two years
  - Opportunities identified to add over 400,000 sq ft over next five years
- Customised offer caters for growing demand for space which is ready to move in

Four new Myo locations to open in the next two years

	Planned sq ft
The Forge, SE1	49,000
Lucent, W1	25,000
New Street Square, EC4	45,000
One New Change, EC4	47,000

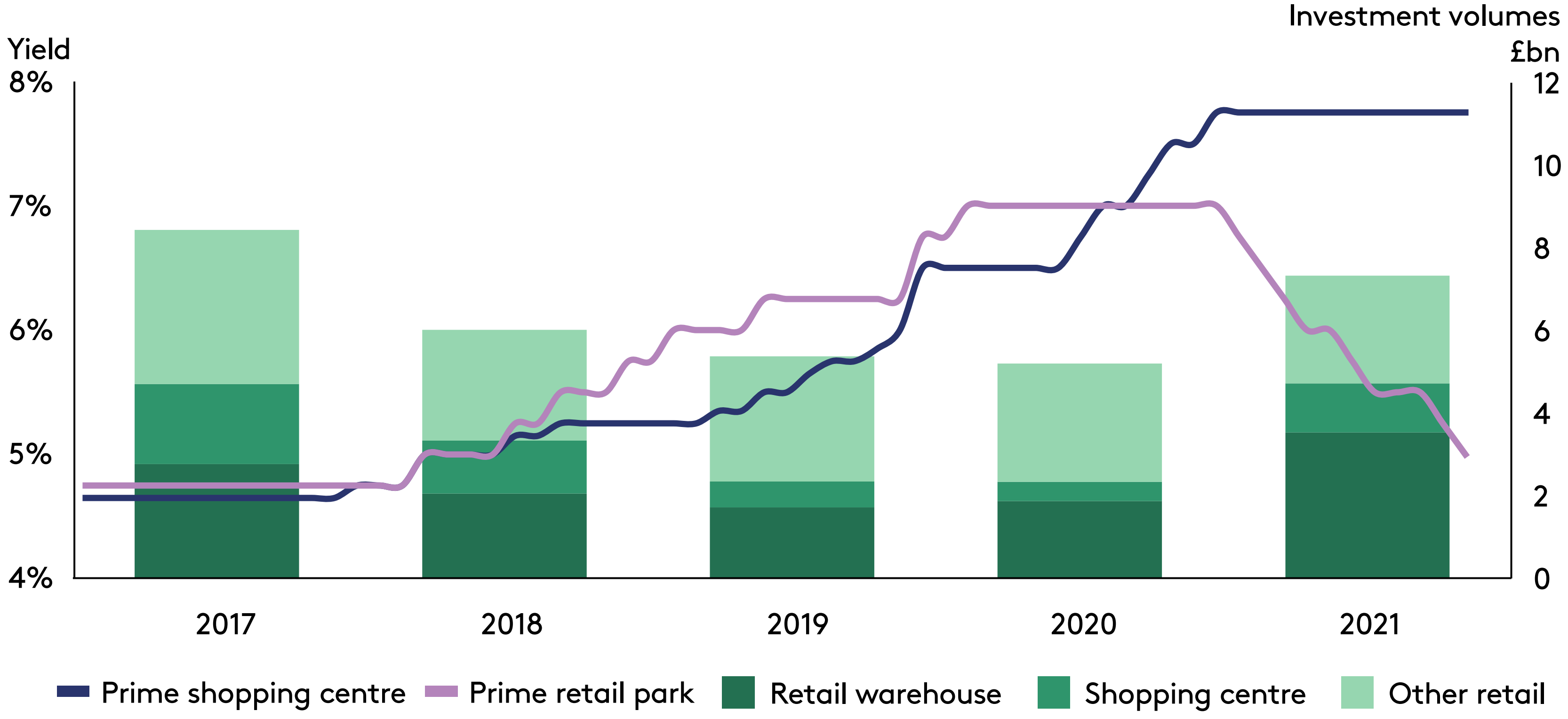

Myo Liverpool Street, EC2


Myo Liverpool Street, EC2

Major retail destinations
Increasing signs of stabilisation

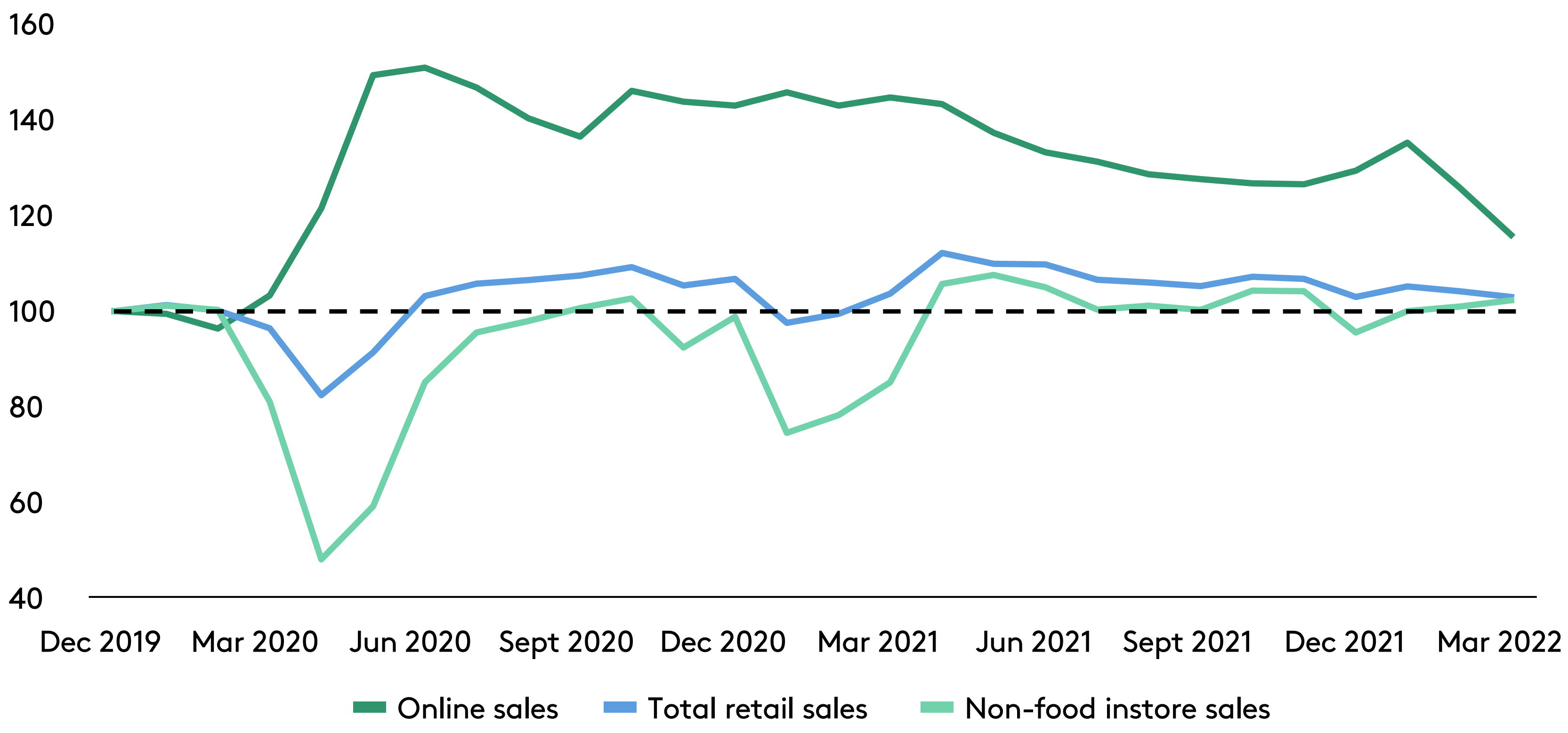
- Online and physical channels fully inter-connected for many leading brands
- Online customer acquisition cost rising sharply
- Rationalisation of store portfolios to continue, as excess space remains high in secondary locations
- Occupational demand improving for best locations as demand focuses on fewer, bigger, better stores
- Rents have stabilised in prime locations
- Investment activity starting to recover, with prime shopping centres offering significant yield premium

Strong recovery in retail investment and divergence in yields



Source: CBRE, PropertyData

Recovery in non-food store sales as online retailing sales decline



Source: ONS

Major retail destinations

Improving operational performance driving growth in best locations

- Restructured retail team to focus more on brand relationships and guest experience
- Demand improving across our prime destinations
  - Existing customers opening in new locations
  - Brands upsizing existing stores
  - New brands relocating in 'flight to prime'
  - Digital native brands taking physical space
  - Growing food and leisure offer
- Overall occupancy up 170bps to 93.2%
- £20m of lettings, on average 2% ahead of ERV
- Retail sales 1% above 2019/20 pre-Covid level

Major retail destinations – Operational performance

	31 March 2022	YoY change
Number of lettings/renewal completed	228	
Rental income generated by new lettings/renewals	£20m	
Rent achieved vs ERV	+2%	
Shopping centre occupancy (LFL)	92.8%	+3.0pp
Outlet occupancy (LFL)	93.8%	-0.4pp

Bluewater, Kent

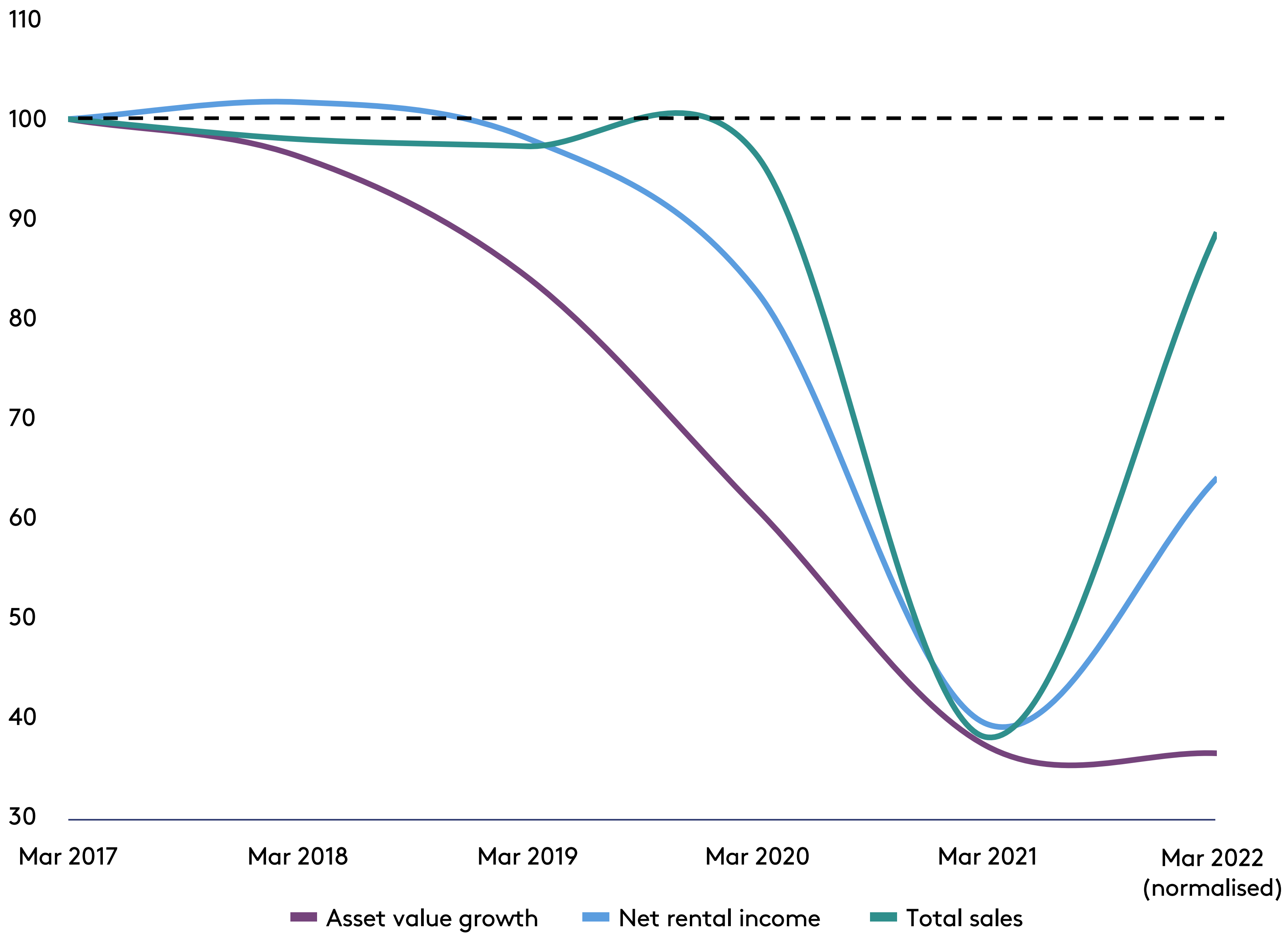

Gunwharf Quays, Portsmouth

Major retail destinations

Growing stability of income and opportunities for attractive returns

- Confidence in sustainability of income building, despite near-term economic challenges
- Evolving our offer; non-retail use expected to grow to c. 25% of portfolio in next few years
- Significant gap between sales performance vs reduction in rental income and fall in asset values
- Acquired further 18.75% stake in Bluewater at 8.25% equivalent yield
- Selectively exploring other opportunities

Movement in shopping centre sales, valuation & rents – March 2017 = 100



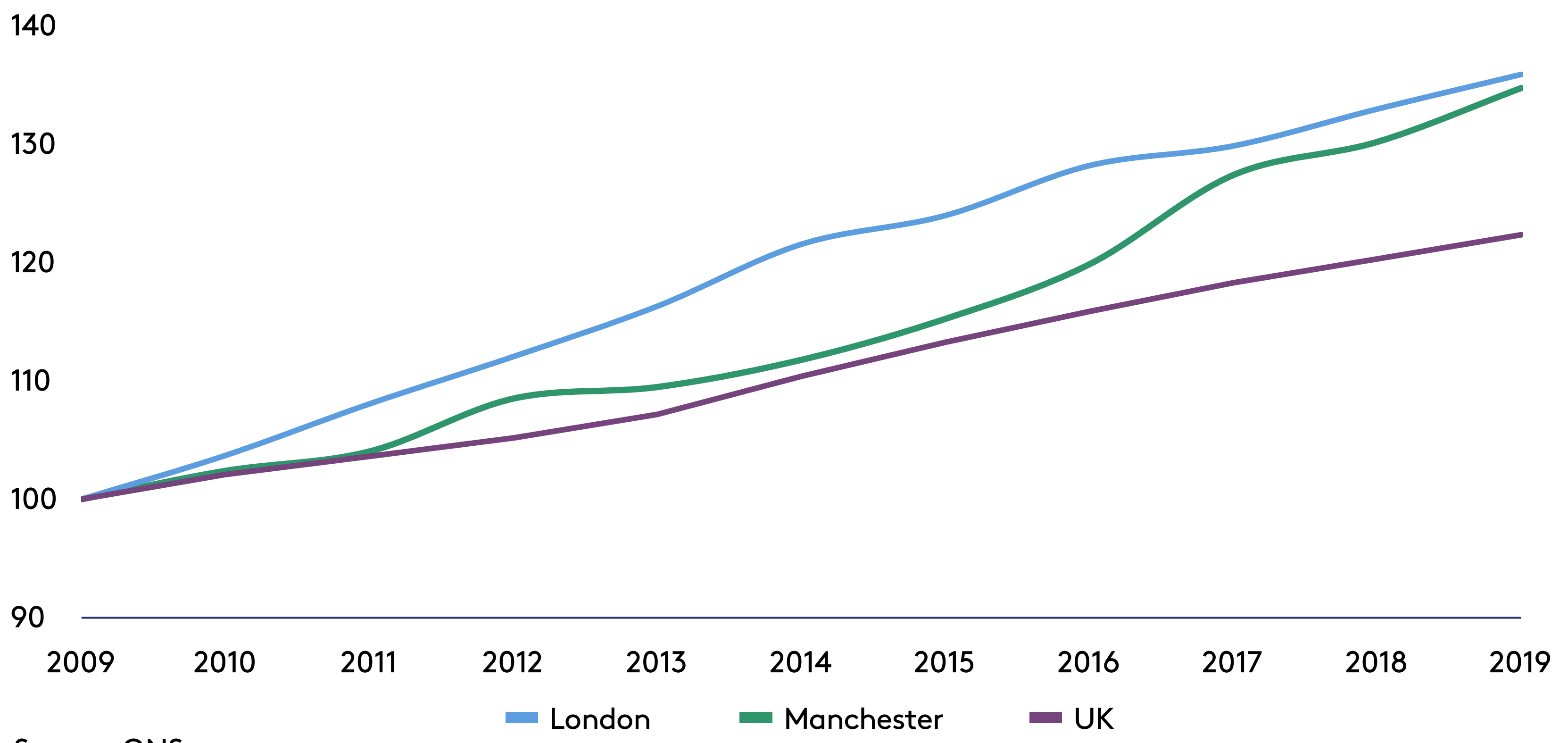
Source: Landsec

Mixed-use urban

Sustainable places, attractive returns

- Supported by long-term trends of demographic growth, urbanisation and changing cities
- Increasing desire for a mix of living, working and leisure within distinct neighbourhoods
- Need for more sustainable space which supports the local community
- Levelling up focus to add political support
- Attractive mix of income returns, development upside and medium term growth
- Balanced risk-profile, through mixed-use product, geographical spread and phasing of capex

Manchester's economic growth in line with London – Dec 2009 = 100



Source: ONS

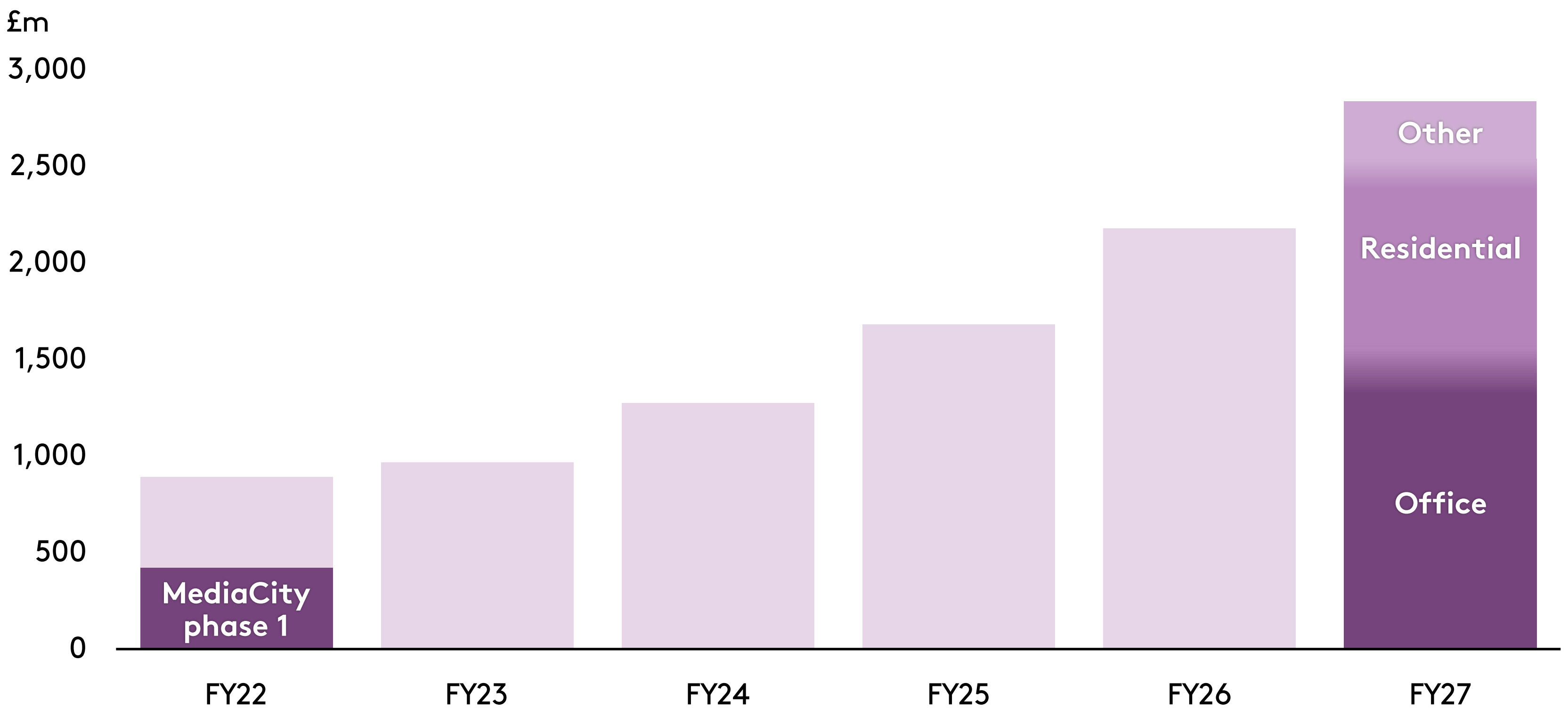
CGI of Mayfield, Manchester

Mixed-use urban

Building the opportunity

- Doubled pipeline, creating visibility on potential to grow to mixed-use to 20-25% of portfolio
- Acquired U+I plc for £269m
  - Five key projects in London, Manchester and Cambridge
  - Already sold/exchanged £61m of non-core assets, 10% above book value
  - £400-600m mixed-use capex potential over 5-6 years
- Acquired 75% stake in MediaCity for £426m
  - £23m rental income on phase 1 (5.8% initial yield)
  - £400m+ mixed-use capex potential over medium term
- Progressed plans at Finchley Road, Lewisham and Buchanan Galleries, Glasgow

Potential to grow Mixed-use urban to 20-25% of total portfolio[1]



(1) Excludes market growth

MediaCity, Greater Manchester

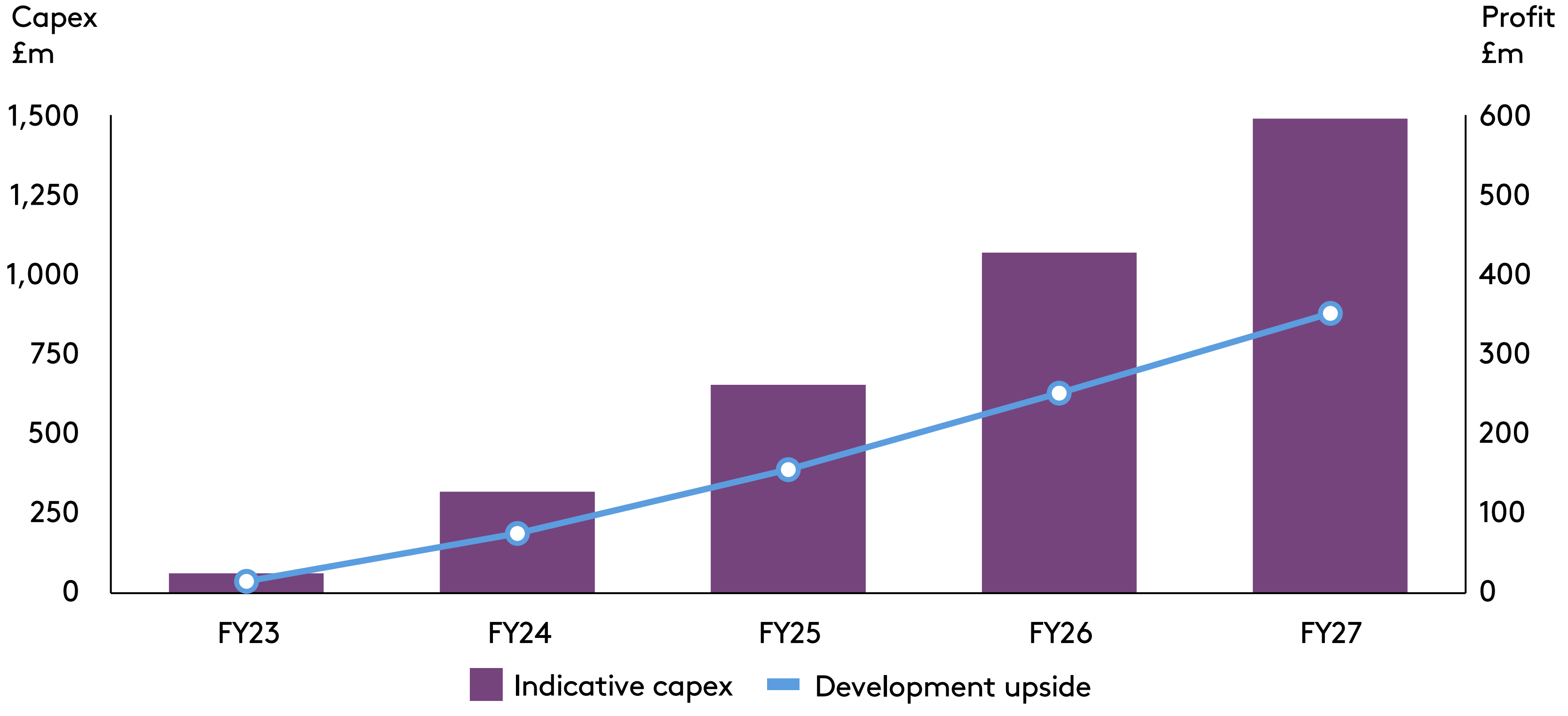
Mixed-use urban

Significant near-term potential

- Potential pipeline to deliver c. 7,000 homes and c. 3m sq ft of commercial space in long term
- Potential capex of c. £1.5bn over next five years
- On track to start on site at Mayfield in H2 2022 with the first phase of 316,000 sq ft offices
- Aim to start on site in Q1 2023 at MediaCity
- Aim to start first phase of Finchley Road in late 2023, subject to planning
- Target c. 20% profit on cost and 10-14% IRRs

Note: All financial data is Landsec share
(1) Yield on cost excludes affordable housing
(2) Assumes greater massing achieved

Indicative mixed-use capex and returns (cumulative)



PROPERTY	Landsec share	Proposed sq ft	Earliest start on site	Number of blocks	Estimated first/total scheme completion	Indicative TDC	Target yield on cost
	%	(000)				£m	%
Mayfield, Manchester	50	2,500	2022	18	2025/2032	750-900	6.5-7.0
MediaCity, Greater Manchester	75	1,900	2023	8	2025/2030	500-600	6.5-7.0
O2, Finchley Road	100	1,400	2023	10	2026/2033	900-1,100	5.5-6.0
Buchanan Galleries, Glasgow	100	1,400	2024	11	2027/2031	550-700	6.5-7.0
Lewisham shopping centre, SE13	100	1,800	2024	14	2028/2037	1,000-1,200	5.5-6.0
Total future pipeline		**9,000**				**3,700-4,500**	

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Financial review

Vanessa Simms

CHIEF FINANCIAL OFFICER

Financial summary

Strong recovery in earnings and maintained balance sheet strength

	31 March 2022	31 March 2021	% change
Gross rental income[(1)]	**£586m**	£569m	▲ 3%
EPRA earnings[(1)]	**£355m**	£251m	▲ 41%
EPRA earnings per share[(1)]	**48.0p**	33.9p	▲ 42%
Dividend per share	**37.0p**	27.0p	▲ 37%
EPRA net tangible assets per share	**1,063p**	985p	▲ 8%
Gross asset value[(1)]	**£12,017m**	£10,791m	▲ 11%
Group LTV[(1)]	**34.4%**	32.2%	n/a
Total accounting return	**10.5%**	-15.9%	n/a

	31 March 2022	31 March 2021	31 March 2020
Reduction in carbon emissions (tCO_2e) compared with 2013/14 baseline[(2)]	**52%**	55%	42%
Reduction in energy intensity (kWh/m^2) compared with 2013/14 baseline[(2)]	**34%**	43%	19%

(1) Including our proportionate share of subsidiaries and joint ventures
(2) Increase in carbon emissions and energy intensity compared with last year due to occupancy and footfall increase across our assets from easing of Covid-19 restrictions.

EPRA earnings up 41%
Strong recovery from the pandemic

- Strong recovery from the pandemic with gross rental income up £17m and net rental income up £105m
- Significant reduction in bad debt as trading conditions normalised
- Rent collection back to normal levels
- Insolvencies and CVAs minimal during the year
- Continued impact of Covid-19 on costs during year, but rental margin expected to grow to c. 90% over next two years
- EPRA cost ratio expected to improve towards 20% over the next 2-3 years

	31 March 2022	31 March 2021
	£m	£m
Gross rental income[1]	**586**	569
Net service charge	**(12)**	(5)
Net direct property expenditure	**(76)**	(32)
Bad debt	**12**	(127)
Net rental income	**510**	**405**
Rental margin (%)	***87.0%***	*71.2%*
Net administrative expenses	**(84)**	(80)
Net finance expense	**(71)**	(74)
EPRA earnings	**355**	251
EPRA EPS (pence)	**48.0p**	33.9p
EPRA cost ratio (%)	***26.4%***	*42.3%*

(1) Includes finance lease interest, after rents payable

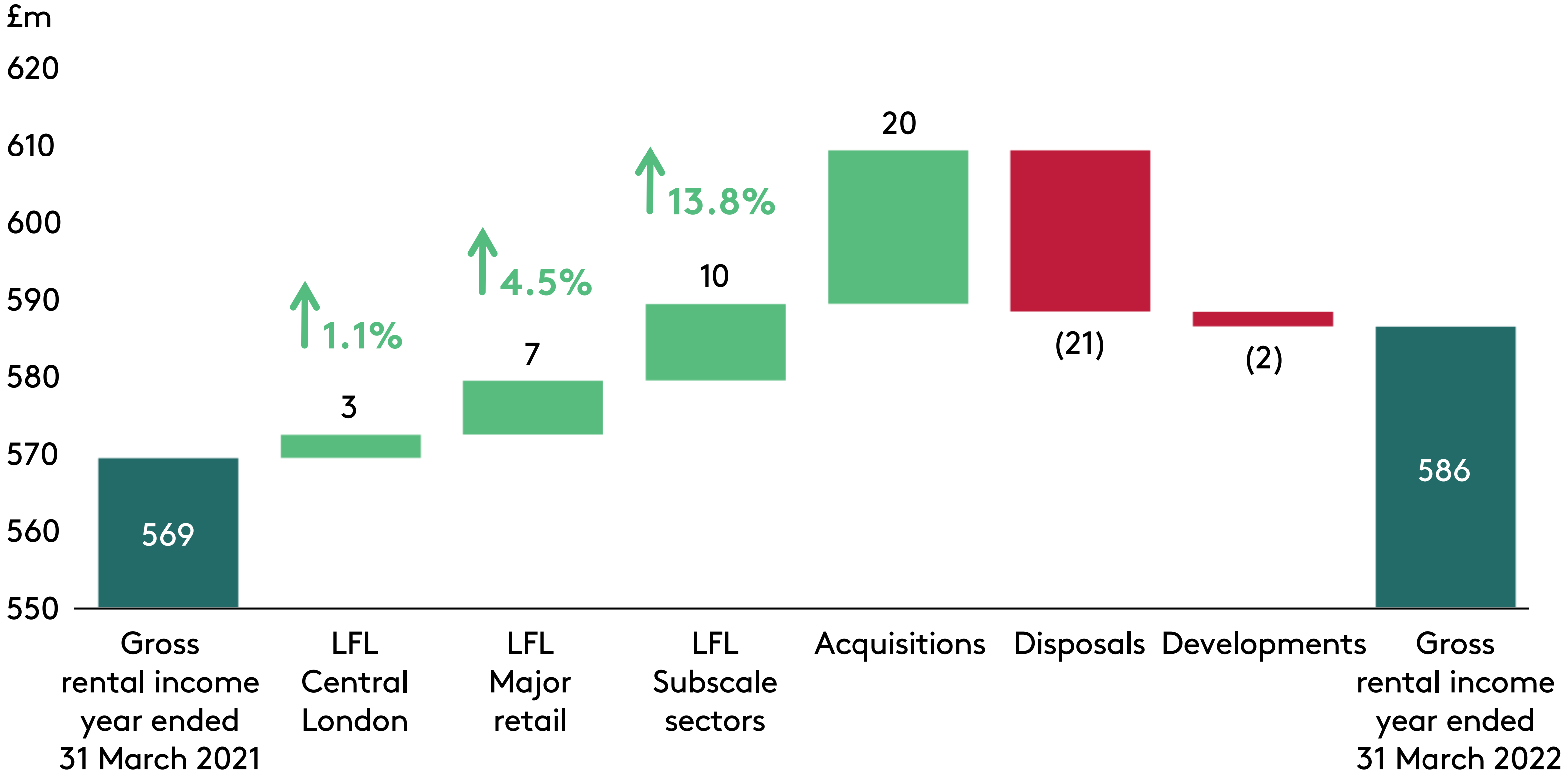
Note: Including our proportionate share of subsidiaries and joint ventures

LFL gross rental income up 4.1%
Positive growth across all segments

- Overall LFL gross rental income up 4.1%, with positive growth across every segment
- Major retail destinations up 4.5%, driven by turnover-related leases and increased car park income
- Subscale sectors up 13.8%, driven by recovery in hotel income and turnover-related leases
- Small reduction in developments income reflects preparation of sites for future starts
- Expect positive overall LFL growth for current year, with retail broadly stable but offices and subscale up

Westgate Oxford

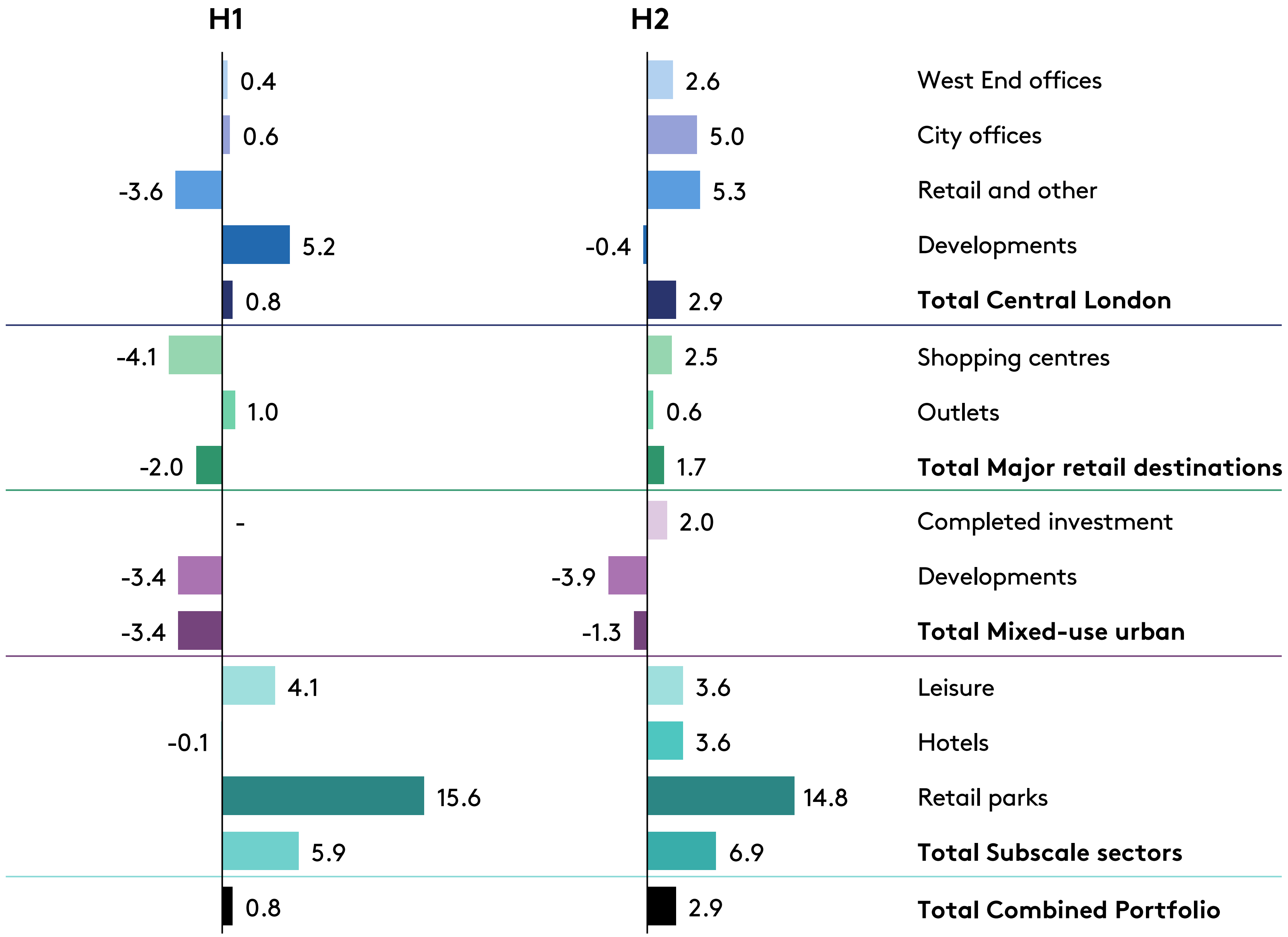
Movement in gross rental income



Portfolio valuation up 3.6%
Combination of our actions and market growth drive £409m surplus

	Valuation as at 31 March 2022	Surplus / (deficit) YoY	LFL equivalent yield movement	LFL ERV movement
	£m	%	bps	%
West End offices	3,013	3.0	-2	4.0
City offices	1,928	5.6	-8	0.4
Retail and other	1,131	1.5	15	-
Developments	1,709	4.0	n/a	n/a
Total Central London	**7,781**	**3.7**	**-1**	**2.0**
Shopping centres	1,141	-1.3	3	-2.4
Outlets	743	1.6	-10	1.4
Total Major retail destinations	**1,884**	**-0.1**	**-3**	**-0.9**
Completed investment	409	2.0	n/a	n/a
Developments	486	-6.5	n/a	n/a
Total Mixed-use urban	**895**	**-2.8**	**n/a**	**n/a**
Leisure	569	7.4	-40	0.3
Hotels	422	3.5	-1	1.2
Retail parks	466	31.9	-187	0.8
Total Subscale sectors	**1,457**	**12.9**	**-70**	**0.7**
Total Combined Portfolio	**12,017**	**3.6**	**-11**	**1.0**

Valuation surplus / (deficit) % – H1 vs H2

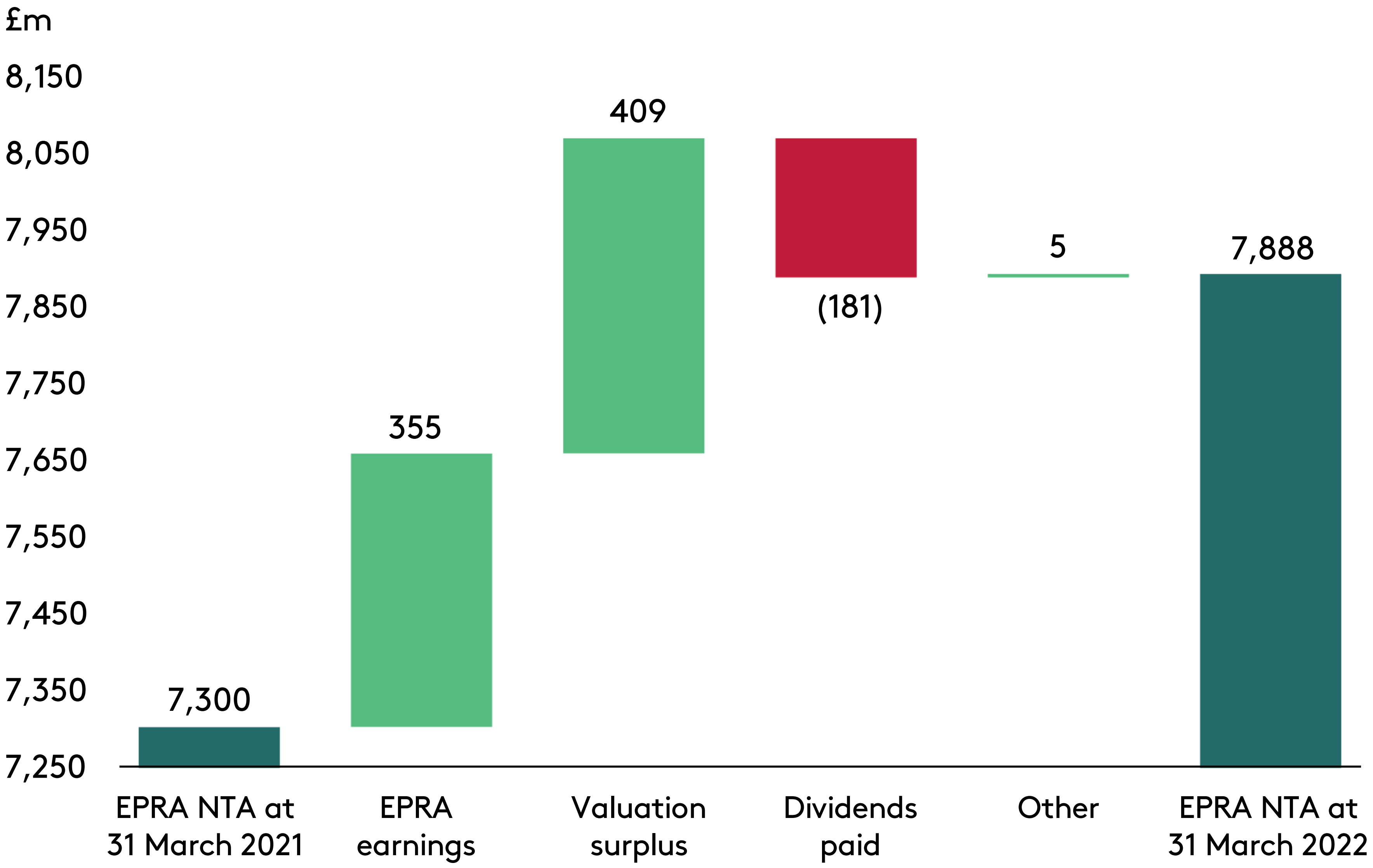


Total accounting return up to 10.5%
Strong recovery in dividend and 7.9% growth in EPRA NTA

- Total accounting return increased to 10.5%, driven by growth in earnings and valuations
- Drivers of valuation surplus
  - Leasing and regears in Central London
  - Development upside
  - Disposals ahead of book value
  - Recovery in Subscale sectors
- EPRA NTA per share up 7.9%
- Total dividend for the financial year of 37.0p up 37.0%, reflecting growth in earnings

Movement in EPRA NTA and NTA per share

Diluted pps	985	47	55	(25)	1	1,063



Continued capital recycling

Further progress in repositioning our portfolio towards future growth

- £1.1bn sold since September 2020, well on track vs target to sell c. £4bn over six years
- Invested £1.4bn in acquisitions and capex since September 2020
- Sold £445m of mature/subscale assets since March 2021, 13% above book value
- Plan to sell further £1.5bn mature London assets and £1.5bn subscale sectors over time
- Disposals to fund investment in higher-return opportunities, whilst keeping LTV below the mid 30% level

TOTAL £1.1BN

Disposals since September 2020

1 & 2 NEW LUDGATE, EC4 AND 7 SOHO SQUARE, W1	£630m	(1% above March 2020 book value)
HARBOUR EXCHANGE, E14	£197m	(11% above March 2021 book value)
STRAND, WC2	£195m	(15% above March 2021 book value)
DERWENT HOWE RETAIL PARK AND BLACKPOOL RETAIL PARK	£53m	(15% above March 2021 book value)

TOTAL £1.4BN

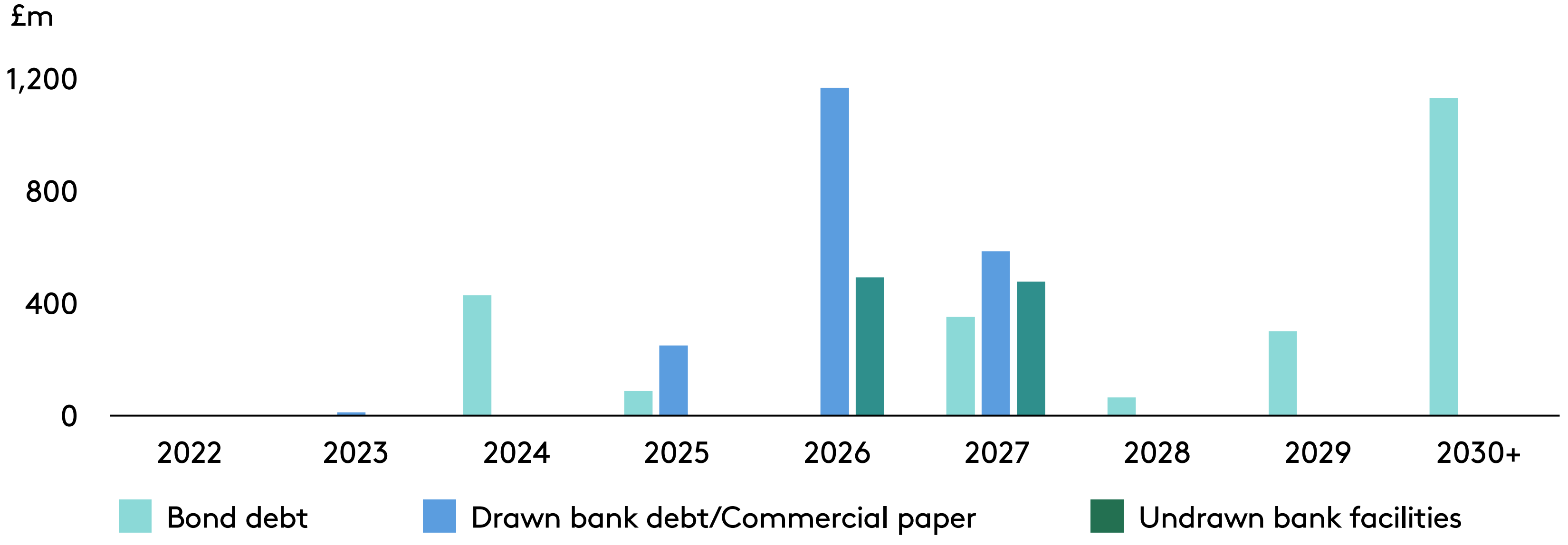
Investments since September 2020

MEDIACITY, GREATER MANCHESTER	£426m
BLUEWATER, KENT	£126m
U+I GROUP PLC	£269m
OTHER INVESTMENT AND DEVELOPMENT CAPEX	£554m

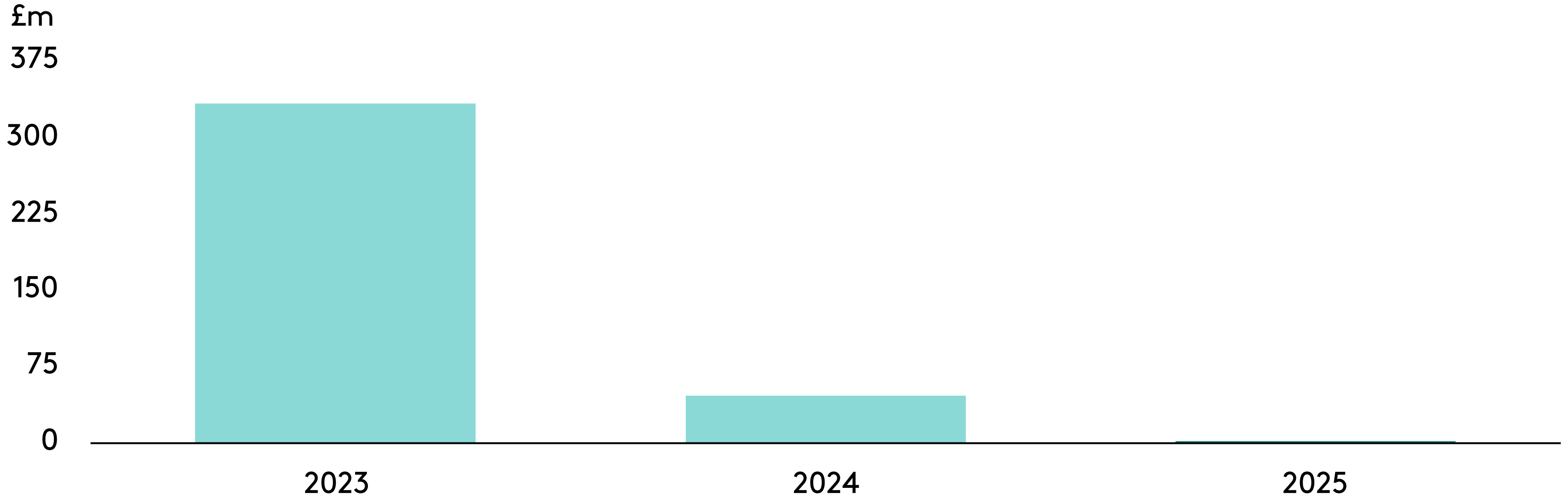
Balance sheet remains strong

Modest 34% LTV and significant financial flexibility

Debt maturity[1]



Committed development capex[2] of £378m



(1) Commercial Paper maturity date refers to the maturity date of bank facility which is reserved against it
(2) Includes committed capex of £126m on trading properties and £40m for pre-construction works

	31 March 2022	31 March 2021
Adjusted net debt	**£4,179m**	£3,489m
Group LTV	**34.4%**	32.2%
Adjusted net debt: EBITDA ratio	**8.8**	10.5
Interest cover ratio	**4.9**	3.9
Average debt maturity (years)	**9.1**	11.5
Weighted average cost of debt	**2.4%**	2.3%
Percentage of debt fixed	**70.0%**	80.3%

- Limited debt maturities in the next three years
- Expect net debt to reduce over next twelve months due to further capital recycling
- Variable rate borrowings to reduce due to reduction in overall borrowings

Progressing our £135m net zero transition investment programme
Four areas of focus with clear targets for the year

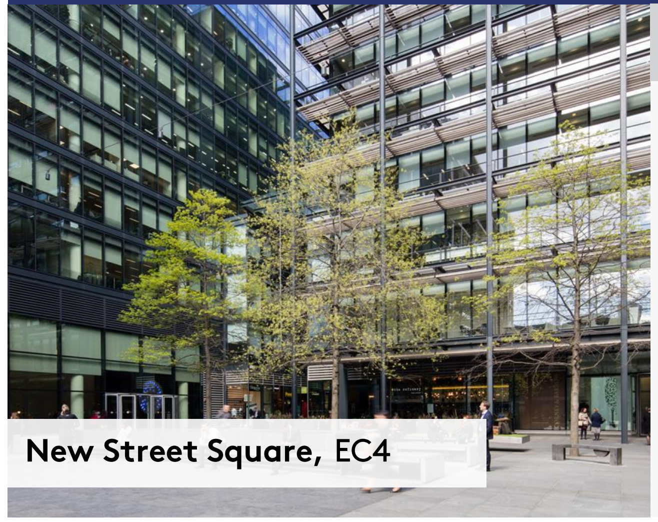
Optimising Building Management Systems


Cardinal Place, SW1

Targets for 2022/23

- Implement Building Management System optimisation across all office assets
- Continue trial of AI technology at 80-100 Victoria Street

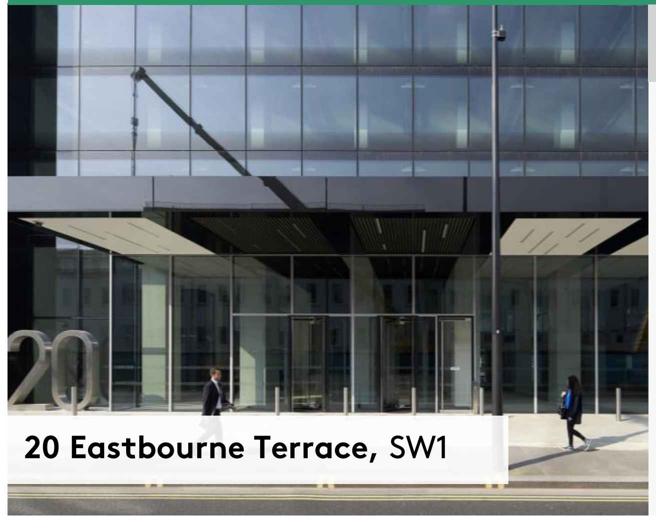
Decarbonising heating (air source heat pumps)


New Street Square, EC4

Target for 2022/23

- Concept design completed for five assets with at least two assets (proof of concepts) progressing with developed and technical design (stage 3 and 4)

Collaborating with customers on energy efficiency


20 Eastbourne Terrace, SW1

Target for 2022/23

- Progress collaboration on energy efficiency with 25 customers, representing 23% in floor area and 42% in tenant energy consumption across our office portfolio

Improving portfolio EPC ratings


Bluewater, Kent

Target for 2022/23

- 100% of relevant portfolio has a valid EPC rating E or above, compliant with 2023 MEES regulation

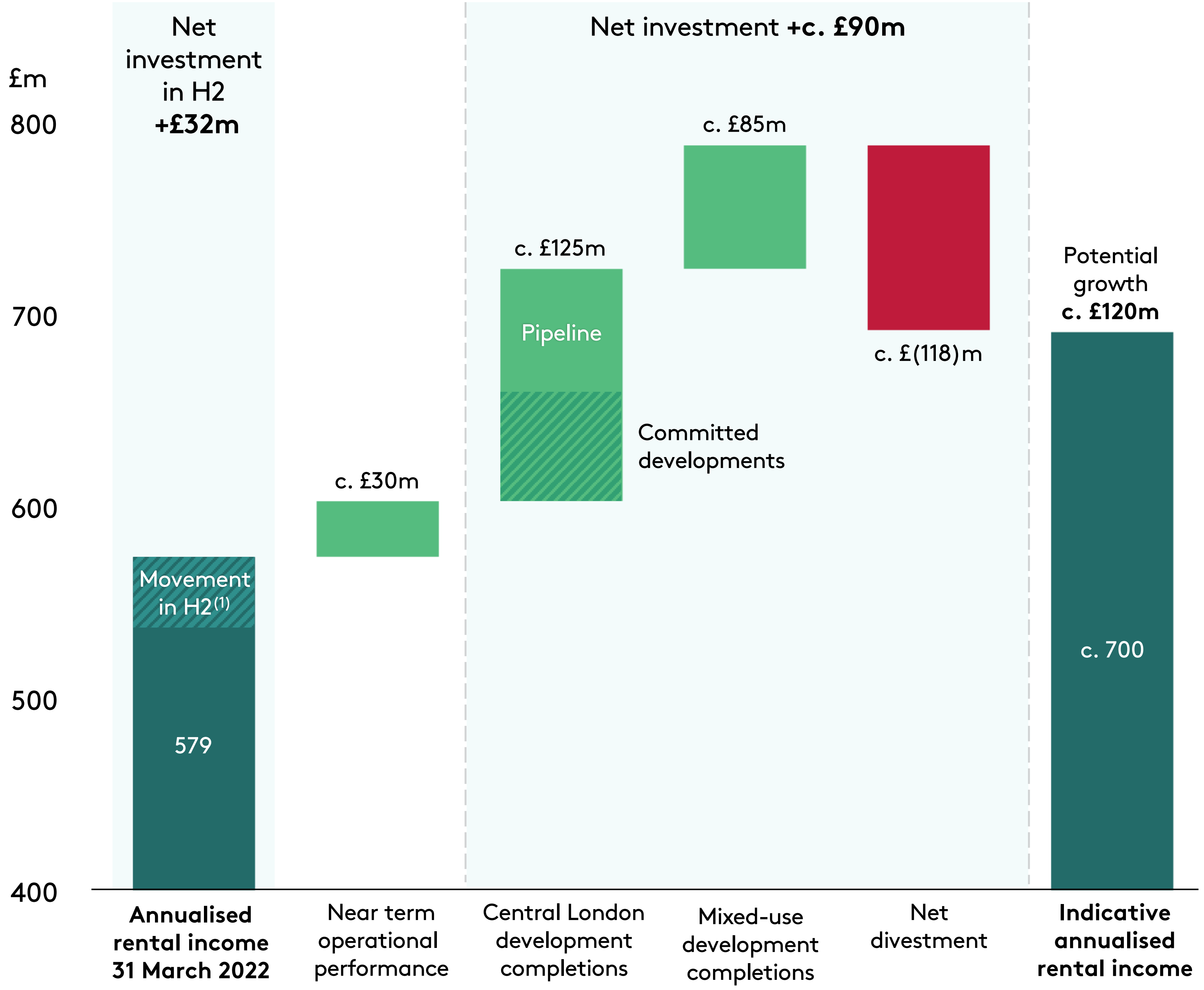
This programme will ensure we achieve our science-based target and meet minimum energy efficiency standards (MEES) with EPC B ratings across all buildings by 2030

Delivery of strategy to drive growth in return on equity and income

Potential to grow income by c. £120m

- Delivering on strategy to drive meaningful increase in earnings, whilst keeping LTV below mid 30's
- Aim to deliver, on average, mid to high single digit annual return on equity over time
- Expect EPRA EPS growth in the low to mid single digit percent range for 2022/23, despite further disposals
- EPRA EPS growth to support further growth in dividend

Potential growth in income (excluding any future rental growth)



Note:
Net investment assumes disposals from the Central London and Subscale portfolio are at current net initial yields

Outlook

Landsec

Mark Allan

CHIEF EXECUTIVE OFFICER

A clear focus on driving growth in three key areas

More decisive capital allocation and fully leveraging our expertise

Central London offices

- Leverage strong development expertise, with up to three new starts this year
- Monetise further £1.5bn of mature assets, having already sold £1bn since late 2020
- Grow our flexible office propositions to c. 15% of our portfolio

Major retail destinations

- Build on positive momentum with new, restructured retail team in place
- Continue to grow brand relationships, guest experience and occupancy
- Explore prime acquisition opportunities where our expertise can drive growth

Mixed-use urban

- Deliver attractive mix of income, growth and development upside across multiple phases
- Start Mayfield in 2022 and prepare MediaCity and O2 for start in 2023
- Progress preparation of further large, mixed-use opportunities

Unlevered return expectations (constant cap rates)

Clear visibility on potential returns – flexibility to deploy capital across a broad spectrum of risk/return characteristics

Inflationary environment
Focused on resilience

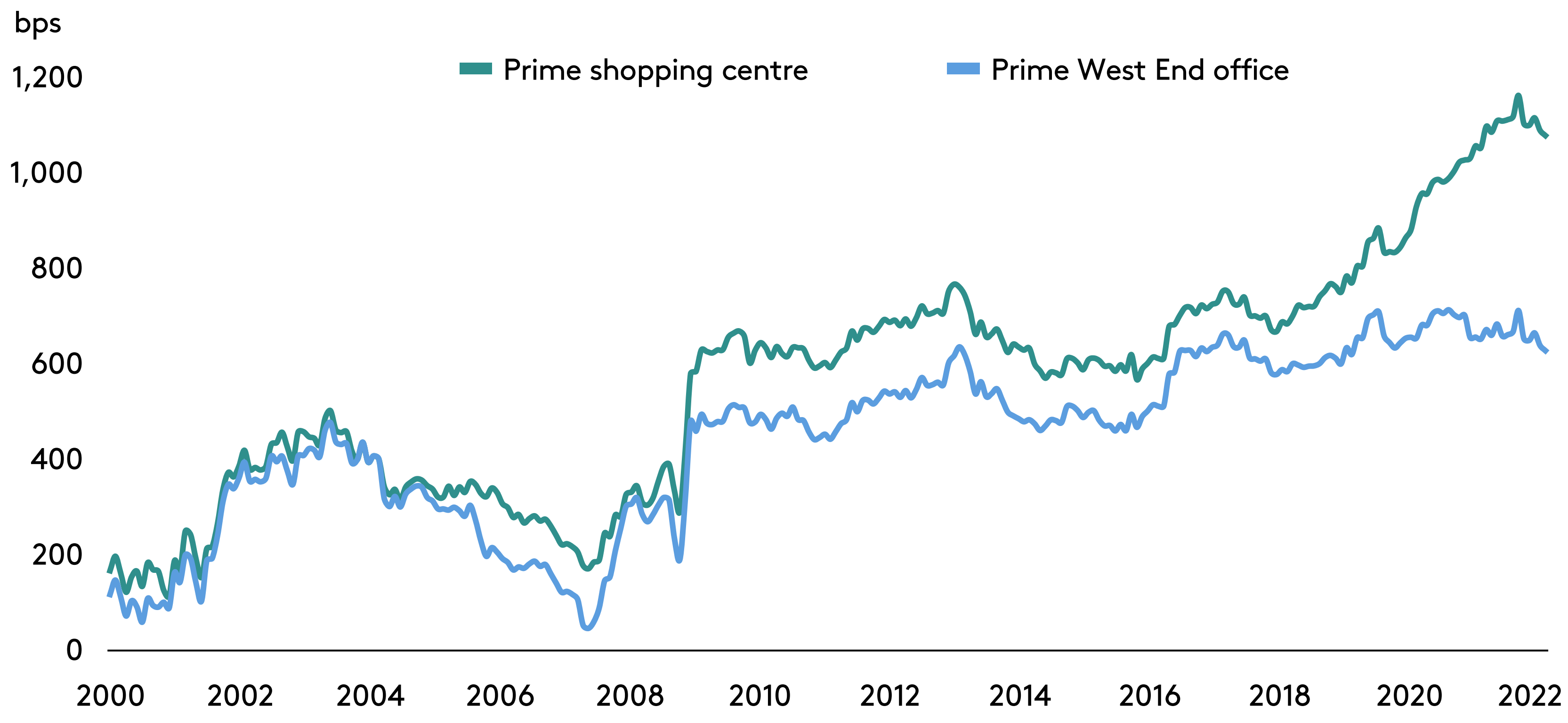
› ERV growth in London to offset build cost inflation
  — Rent on average <10% of salary cost for office customers
  — Shortage of sustainable, high-quality office space

› Retail income expected to be resilient
  — Flight to prime likely to accelerate
  — Upside from restructured and strengthened team
  — Wage inflation and excess savings to support spending

› Capital flows into sector remain high
  — Recycling capital out of mature assets
  — High yield premium vs real interest rates
  — Competitive returns relative to other asset classes

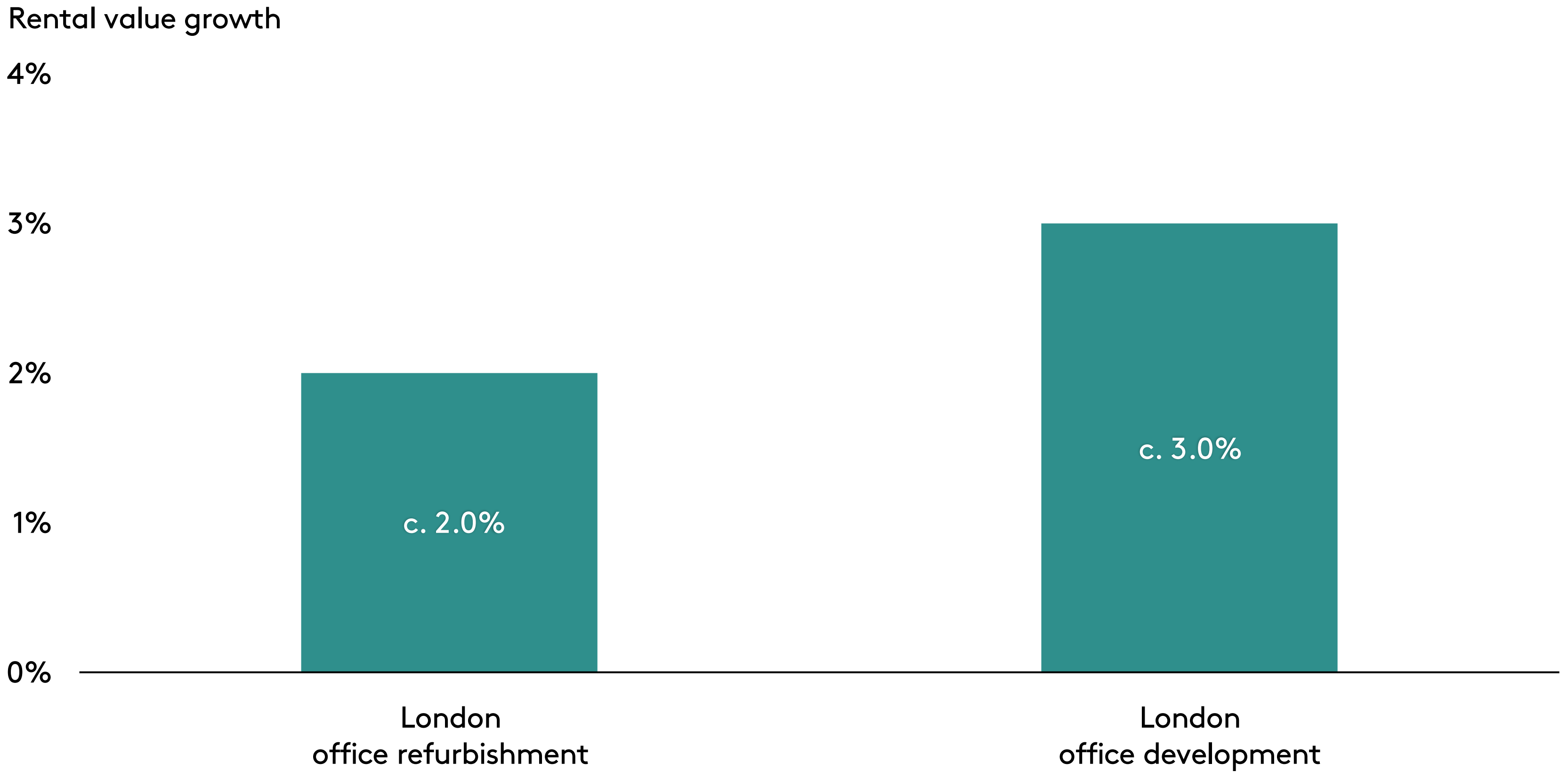
› Low LTV and limited interest rate exposure

Risk premium – spread between prime yield and 5-year real interest rates



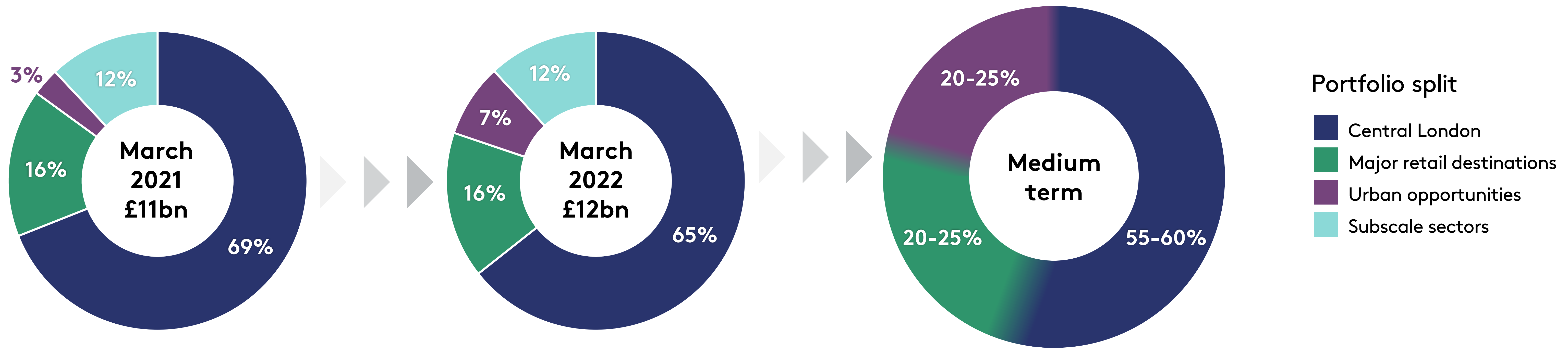
Source: CBRE, Bloomberg

Indicative growth in ERV required to offset 6% rise in construction cost



Strong progress – Well positioned for future growth

- Grow income and return on equity through more pro-active capital allocation and leveraging our expertise
- Recycle further c. £3bn of capital out of mature assets and Subscale sectors
- Significant London office and Mixed-use urban pipeline, with potential to invest c. £3bn over next five years
- Maintain strong capital base by balancing disposals with re-investment



Deliver, on average, mid to high single digit annual return on equity over time, split broadly equally between income and growth

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Q&A

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Our annual results 2022

For the year end 31 March 2022

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