

# Half Year Results Presentation

13 August 2014

**Capital &  
Regional**

# **Agenda**

**Overview**

**Financial Review – impact of Mall transaction**

**Operations**

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**Outlook**

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# Overview

## A transformational six months...

- Acquisition of a controlling Mall stake at a 5.4% discount to June 2014 valuation
  - Completion of £375m five year Mall refinancing at initial cost of 3.37%
- Proforma NAV per share of 53p after all acquisition costs, up 8.1% on comparable basis to December 2013
- June 2014 valuations reflect strength of investment market and improved consumer confidence
- Good operational performance with footfall up 1.7%, outperforming industry benchmark of 0.2% footfall increase
- Successful €47.9m disposal by German Joint Venture of Lübeck Retail Park
- Interim dividend increased by 40% to 0.35p per share
  - Mall income run rate underpins 5%+ dividend yield from FY 2015

# Financial Review

# Proforma Financial Results

	<u>June 2014</u>
Net assets	£370.6m
NAV and EPRA NAV per share	53p
Illustrative Operating profit	£13.6m
See-through net debt to property value	55%

*Adjusted for 91.82% ownership of the Mall and full impact of the Mall refinancing and RCF drawn down*

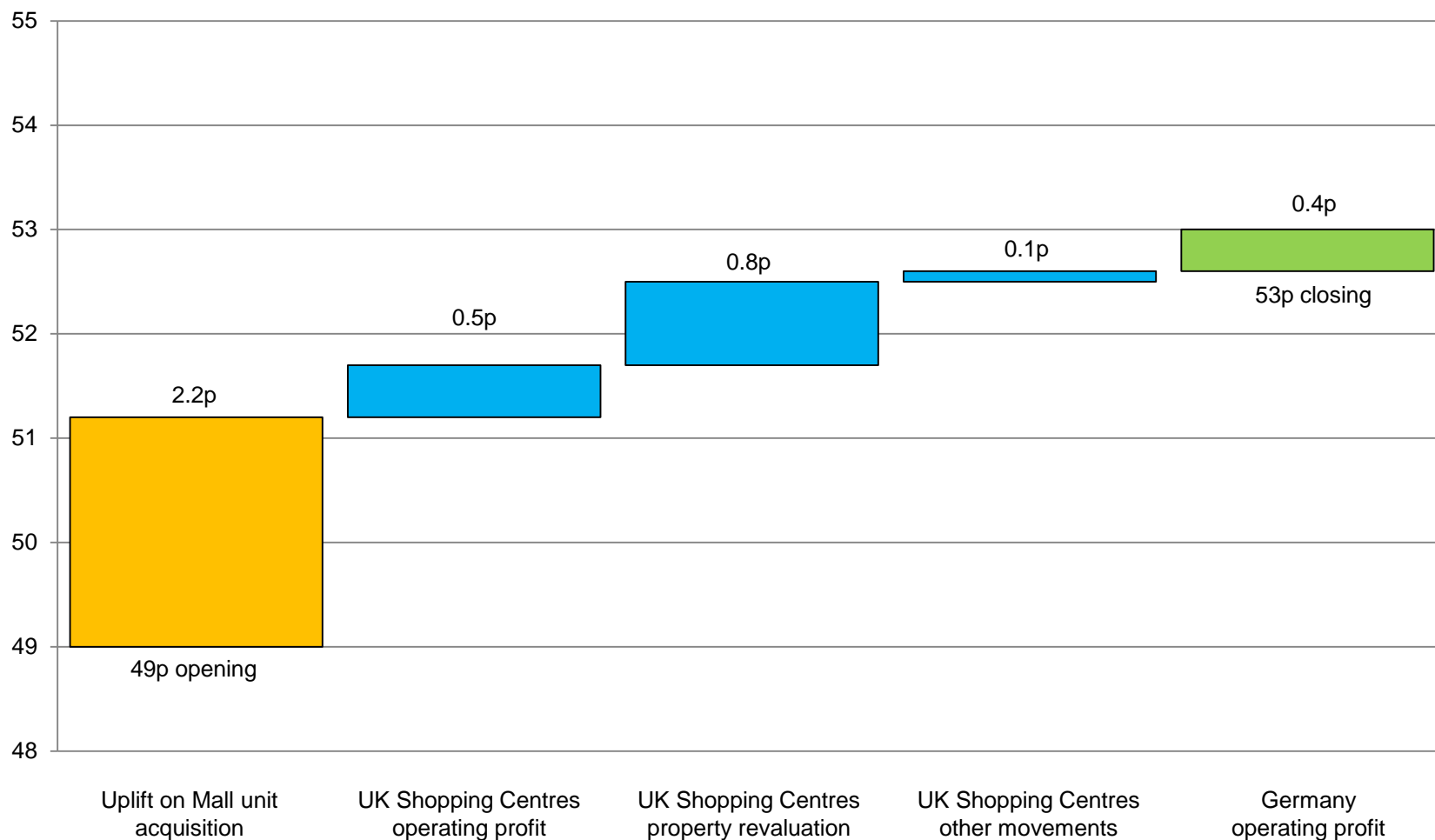
# Proforma Net Assets

	Property £m	NAV £m	% of NAV
The Mall	690.6	334.6	90
Germany	141.8	40.3	11
Kingfisher, Redditch	27.9	12.3	3
Waterside, Lincoln	16.5	10.9	3
Other net assets	-	(27.5)	(7)
<b>Net Assets</b>	<b>876.8</b>	<b>370.6</b>	<b>100</b>

**Net Assets per share**

**53p**

# Proforma NAV Per Share Bridge



Opening NAV per share of 49p based on 30 December 2013 Proforma Net Assets of £342.7m as per 23 June 2014 Prospectus



# Operating Profit

	Unadjusted June 2014	Proforma June 2014
The Mall:	£m	£m
Rental income	8.5	26.7
Property and void costs	(2.6)	(8.2)
Net rental income	5.9	18.5
Interest expense	(2.8)	(7.8)
<b>Mall operating profit</b>	3.1	10.7
Other UK Shopping Centres	0.3	0.3
Germany	3.1	3.1
Snozone	0.9	0.9
Property management, RCF & other items	(0.5)	(1.4)
<b>Total operating profit</b>	6.9	13.6

Proforma adjusted for 91.82% of profits from the Mall as if the acquisition had taken place on the first day of the six month financial period and as if the financing arrangements that were in place at completion, both at the Mall and the Group level, were in place for the whole of the six month period

# Proforma Debt

	Debt £m	Cash £m	Net debt £m	Loan to value %	Net debt to value %	Average interest rate %	Fixed %	Weighted average duration to expiry (years)
The Mall (91.82%)	321.4	(15.7)	305.7	50	47	3.31	67	4.9
Group RCF	34.6	(2.5)	32.1	-	-	4.01	-	1.8
<b>On balance sheet debt</b>	<b>356.0</b>	<b>(18.2)</b>	<b>337.8</b>					
Germany (50%)	98.4	(2.8)	95.6	70	68	2.73	58	2.4
Waterside Lincoln (50%)	6.8	(0.4)	6.4	39	37	4.29	75	1.1
Kingfisher Redditch (20%)	17.0	(1.7)	15.3	60	54	4.60	100	4.8
<b>Off balance sheet debt</b>	<b>122.2</b>	<b>(4.9)</b>	<b>117.3</b>					
<b>See-through debt</b>	<b>478.2</b>	<b>(23.1)</b>	<b>455.1</b>	<b>57</b>	<b>55</b>			

# Property valuations

**100%  
like for like**

	<b>June 2014</b>		<b>December 2013</b>	
		NIY		NIY
The Mall	£705.2m	6.5%	£684.7m	6.8%
Other UK Shopping Centres	£176.0m	6.4%	£166.7m	6.9%
Germany	€354.9m	6.8%	€355.1m	6.8%

# Operations

# New lettings, renewals and rent reviews

H1 2014	Mall	Redditch	Lincoln	Total
Number of new lettings	26	7	2	35
Headline rent of new lettings (£m)	1.3	0.3	0.1	1.7
Comparison to ERV (%)	1.8	0.2	100.0	2.3
Number of lease renewals settled	12	1	2	15
Revised rent (£m)	0.9	0.1	0.1	1.1
Comparison to ERV (%)	(0.6)	15.1	5.9	1.2
Number of rent reviews settled	13	4	-	17
Revised rent (£m)	1.0	0.8	-	1.8
Uplift to previous rent (%)	2.0	-	-	1.1



**vodafone**

**SPORTS  
DIRECT.com**

**tReds**




**T.K. MAXX**



**DEICHMANN**

**Successful drive to enhance tenant mix**

# £60m Mall capital expenditure plan



1-3 years	2-5 years	3-5 years
£24m of identified projects with an anticipated income return > 10%	£36m of further initiatives targeting double digit returns	Two major development projects being progressed (with range of funding options)
<p>Refurbishment of Walthamstow and Maidstone</p> <p>Wood Green – introduction of supermarket and unit reconfiguration</p>	<p>Walthamstow – 80,000 sq ft extension to the scheme</p> <p>Luton – relocation of market hall, introduction of supermarket and office refurbishment</p> <p>Blackburn – amalgamation of units to create a gym</p>	<p>Camberley – significant opportunity to reposition the scheme and create a 290,000 sq ft extension</p> <p>Maidstone – master plan under development to create 300,000 sq ft extension with retail, leisure and residential</p>

Excludes capital expenditure at Redditch and Lincoln which is funded within the joint ventures

## Transforming The Mall Walthamstow through a combination of leasing, refurbishment and creative construction solutions

- £3m refurbishment commenced creating contemporary design led environment with installation of new floors, lighting and wall finishes and double height shop fronts – completion targeted for Q2 2015
- Exchanged conditional contracts with TK Maxx for a new 26,000 sq ft anchor store, to be delivered by converting lower levels of surplus car park space – delivery planned for November 2015
- Conditionally exchanged contracts with Sports Direct to take a new 9,000 sq ft store through amalgamation and extension of two vacant units
- Redesigned extension incorporating 100,000 sq ft of retail and 200 residential units, targeting planning application in Q2 2015 with construction commencing early 2016



## Influencing town centre policy

Progress in Walthamstow highlights that, as owners of dominant community shopping centres, we develop active working relationships with local authorities, placing us well to influence planning policy and decision making. Other key H1 developments include:

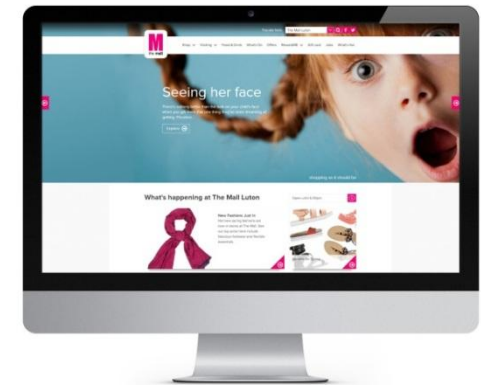
- Maidstone Borough Council refused consent for a 350,000 sq ft edge of town retail development. We are now working with the council to develop and extend our Mall
- The Supreme Court rejected a development attempt to widen the user clause on an edge of town retail park, following sustained campaign with Blackburn Council
- In Camberley, an application to extend a major edge of town food store was rejected, with Council members keen to protect the town centre and its emerging development plan



# Innovative Technology

## ➤ New Click & Collect agreement with **collect+**

- The leading UK store based parcel service
- CollectPlus first appearance in a dominant community shopping centre
- Brings customers of non represented retailers into the Mall
- Initial trials in Camberley and Redditch

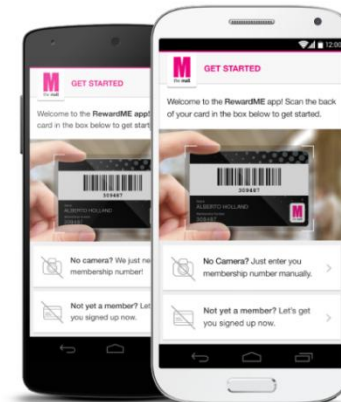


## ➤ Mall and Redditch websites re-launched

- Contemporary
- Responsive screen size
- Click & Collect focused

## ➤ New Reward Me app set to launch

- Rewards holders with exclusive offers



# Germany

- Robust operational performance
  - Contracted and passing rent stable
  - Occupancy 97.9%
- Successful disposal of Lübeck Retail Park for €47.9m
- Sale process of seven asset €100m+ portfolio at due diligence stage
- Improving market enhancing possibilities for accelerated exit of remainder of portfolio

# Future Priorities

## Future Priorities

- Acquire remaining minority holdings in The Mall and restructure the fund
- Sales of non-core assets to meet medium term LTV target of 40% – 50%
  - Strong interest in Waterside Lincoln
  - Improving market in Germany enhances exit options
- Delivery of development and asset management initiatives
- REIT conversion in December 2014

## The Mall – Minority Unitholders

- Minority unit holders represent 8.18%, split across nine parties with four largest holding 6.63%
- We are in discussions with the unit holders to acquire the remaining units
- This may be by way of cash offer or redemption by the fund
- In discussions on creating additional flexibility in the Mall facility to assist in funding minority buy-out
- Once we have acquired 100%, we will seek to restructure the fund to reduce costs in order to increase distributions

# Outlook

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- Mall acquisition is transformational for Capital & Regional
- Controlling Mall stake enables acceleration of capital expenditure plans at time of strong investment market and improving retail and consumer environment
- Further sales of non-core assets will reduce leverage
- Development and asset management initiatives will drive income growth
- Continuing strength of investment market is also expected to provide support for a further uplift in valuations in the rest of this year
- REIT status and future restructuring of Mall Fund will further enhance dividend capabilities
  - Target dividend yield for 2015 financial year of > 5%
  - Increasing to > 6% once Mall ownership 100% and Fund restructuring completed

# Q&A



# Appendix

## Unadjusted components of NAV at 30 June 2014

	Property £m	Debt £m	Other £m	NAV £m	% of NAV
The Mall	220.1	(102.4)	(9.5)	108.2	54
Germany	141.8	(98.4)	(3.1)	40.3	20
Kingfisher, Redditch	27.9	(17.0)	1.4	12.3	6
Waterside, Lincoln	16.5	(6.8)	1.2	10.9	6
Other net assets	-	-	27.0	27.0	14
<b>Net assets</b>	<b>406.3</b>	<b>(224.6)</b>	<b>17.0</b>	<b>198.7</b>	<b>100</b>

# Impact of Mall Acquisition and Capital Raise

	£m	£m	Pence
Group NAV at 30 June 2014		198.7	
NAV per share			57
<b>Capital Raise</b>			
Net proceeds (£165m less £4.3m costs)	160.7		
Other transaction costs post 30 June 2014 <sup>1</sup>	(1.0)		
	159.7	159.7	
<b>Acquisition of Mall Units</b>			
Cash paid to Aviva and Karoo	(205.7)		
Cash paid to Escrow	(7.4)		
Expected recovery from Escrow	1.3		
Total	(211.8)		
NAV of 62.56% of Mall Units at 30 June 2014	231.3		
Performance Fee net liability	(4.9)		
Accrual for estimated Q2 profit due to vendor	(2.4)		
Uplift to NAV	224.0	12.2	
Proforma post transaction NAV		370.6	
Proforma post transaction NAV per share			53

<sup>1</sup> £2.2m of costs accrued as at 30 June 2014

# Unadjusted recurring pre-tax profit

	June 2014	June 2013
	£m	£m
Fee income	4.0	4.7
Fixed management expenses	(2.5)	(3.1)
Property management	1.5	1.6
UK Shopping Centre investment	3.4	3.1
German property investment	3.1	3.5
Snozone	0.9	0.9
Group & other items	(2.0)	(1.8)
<b>Total continuing operations</b>	<b>6.9</b>	<b>7.3</b>
Discontinued operations	-	(0.2)
<b>Recurring pre-tax profit</b>	<b>6.9</b>	<b>7.1</b>

## Unadjusted profit for the period

	June 2014	June 2013
	£m	£m
Recurring pre-tax profit	6.9	7.1
Property revaluation	5.5	(5.4)
Profit on disposal of properties	0.2	1.0
Impairments in respect of Euro B-Note	-	(2.3)
Financial instruments revaluation	1.3	4.6
Fees relating to acquisition of 62.56% of Mall Units	(2.2)	-
Other items	(1.2)	(0.9)
Tax	1.2	(0.4)
<b>Profit for the period</b>	<b>11.7</b>	<b>3.7</b>

### Forward Looking Statement

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties.

Actual future results may differ materially from those expressed in or implied by these statements. Many of these risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of government regulators and other risk factors such as the Group's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Group operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis.

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