

# Interim Results Presentation

14 August 2013

**Capital &  
Regional**

# **Agenda**

**Overview**

**Financial Review**

**Operations**

**Outlook**

**Questions & Answers**

# Overview

# Overview

Strong operational and strategic progress, business now well positioned for growth:

- Return to profit: £3.7m (June 2012: loss of £9.2m)
- Increase in net assets per share to 52p (December 2012: 51p)
- Sale by The Mall of Sutton Coldfield and Uxbridge for £152.5m, focusing The Mall around a £676m core portfolio of dominant community shopping centres with a strong south east bias
- Conditional contracts expected to exchange imminently for the sale of Hemel Hempstead at around year end valuation
- Debt reduction continues:
  - Reduction of The Mall debt to £379.5m (LTV: 56%) enables distributions by The Mall to recommence and increases refinancing options
  - €141m three year multi-portfolio refinancing of German debt agreed
  - Proforma see-through net debt to property value of 53% (December 2012: 55%)
- Increased confidence leading to resumption of dividend payment with 0.25p interim dividend

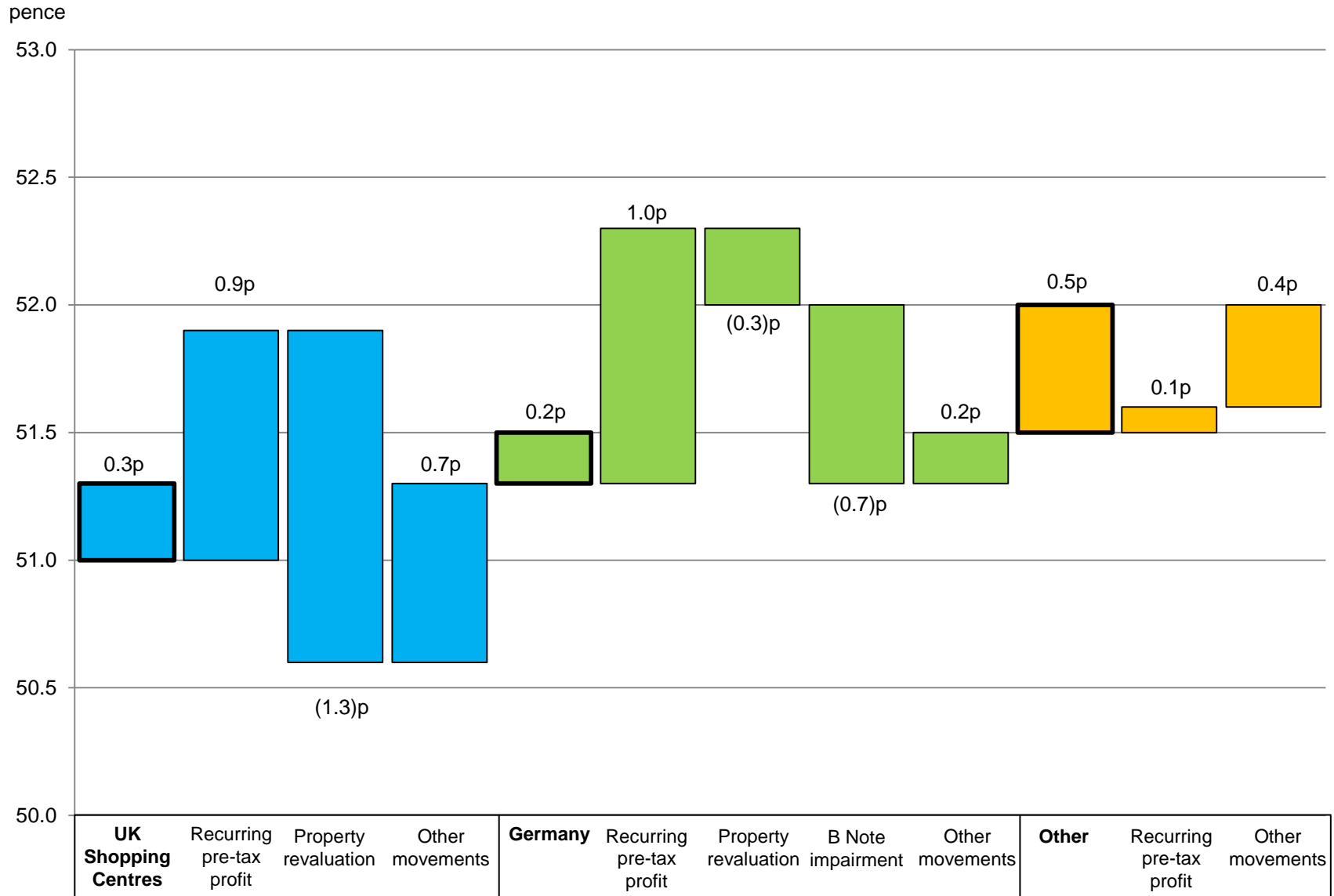
# Financial Review

# Financial Results

<u>Investment returns</u>	<u>June 2013</u>	<u>December 2012</u>	<u>June 2012</u>
Net assets per share	<b>52p</b>	51p	53p
EPRA net assets per share	<b>55p</b>	55p	60p
<u>Financing</u>			
Group net debt	<b>£25.6m</b>	£53.3m	£64.5m
Proforma net debt to equity ratio <sup>1</sup>	<b>14%</b>	13%	35%
Proforma see-through net debt to property value <sup>1</sup>	<b>53%</b>	55%	63%
<u>Profitability</u>			
Recurring pre-tax profit	<b>£7.1m</b>	£17.0m	£9.2m
Profit/(loss) after tax and discontinued operations	<b>£3.7m</b>	£(16.0)m	£(9.2)m
Basic earnings per share	<b>1p</b>	(5)p	(3)p
<u>Property under management<sup>1</sup></u>	<b>£1.3bn</b>	£1.4bn	£2.5bn

<sup>1</sup> Proforma: June 2013 adjusted for debt repayment in July 2013 following sale of Sutton Coldfield and Uxbridge. December 2012 adjusted for X-Leisure proceeds received in January 2013.

# Net Assets Per Share Bridge



# Recurring Pre-tax Profit

	June 2013	June 2012
	£m	£m
Fee income	4.7	5.5
Fixed management expenses	(3.1)	(3.3)
Property management	1.6	2.2
UK Shopping Centre investment	3.1	2.6
UK Leisure investment	(0.1)	1.1
German property investment	3.5	3.9
Snozone	0.9	0.7
Group & other items	(1.8)	(2.3)
<b>Total continuing operations</b>	<b>7.2</b>	<b>8.2</b>
Discontinued operations	(0.1)	1.0
<b>Recurring pre-tax profit</b>	<b>7.1</b>	<b>9.2</b>

***Robust recurring pre-tax profit***



# Group Net Debt

	Debt	Loan to value	Net debt to value	Average interest rate	Fixed	Duration to loan expiry
	£m	%	%	%	%	(years)
Core revolving credit facility	-	n/a	n/a	-	-	3.1
Great Northern	57.5	79	76	7.47	101	1.3
<b>Group debt</b>	<b>57.5</b>			<b>7.47</b>		
Cash and cash equivalents	(31.9)					
<b>Group net debt</b>	<b>25.6</b>					

# Proforma Off Balance Sheet Debt

	Debt	Proforma cash	Net debt	Loan to value	Net debt to value	Average interest rate	Fixed	Weighted average duration to expiry
	£m	£m	£m	%	%	%	%	(years)
The Mall <sup>1</sup>	77.1	(13.6)	63.5	56	46	4.11	100	1.8
Germany	125.6	(4.4)	121.2	72	70	3.94	90	3.2 <sup>2</sup>
Kingfisher Redditch	17.2	(1.9)	15.3	65	58	6.17	100	3.8
Waterside Lincoln	6.8	(0.7)	6.1	48	43	4.70	100	1.6
<b>Off balance sheet debt</b>	<b>226.7</b>	<b>(20.6)</b>	<b>206.1</b>			4.18	95	2.6 <sup>2</sup>

<sup>1</sup> Proforma adjusted for the sale of Sutton Coldfield and Uxbridge in July 2013

<sup>2</sup> Adjusted to include the agreed multi-portfolio German refinancing

# Operations

# UK Shopping Centres

- £835m portfolio
- Dominant community shopping malls
- Strong footfall
- Affordable rental levels with potential for growth
- Strong value and leisure offerings
- Robust income
- Attractive added value opportunities
- Ownership of car parking and good proximity to local transport facilities
- Stores ideally positioned to form part of retailers omni-channel strategies



# UK Shopping Centres – Operating Platform

The core strength of the Capital & Regional team is managing dominant UK community shopping centres.

The elements which help to differentiate us include:

- A unique in-house platform combining property and asset management, driving market-leading operating standards
- A strong track record of successfully delivering profitable complex asset management initiatives
- Excellent relationships with our retailers. We think like retailers, creating environments appealing to occupiers, assisting them in delivering sustained profits and an outstanding shopping experience for the communities which we serve
- We have been at the forefront in capitalising on the opportunities arising from technological change. The Mall was the first branded website in the UK to cover a portfolio of shopping centres. All malls have free Wi-Fi, a click & collect service and smartphone apps
- We drive income from many sources, including advertising, promotional space, retail merchandising units, digital commerce, gifts cards and telecoms
- Through targeted marketing, we continually engage with our shoppers, encouraging repeat visits and higher spend
- A track record of leveraging portfolio scale to drive down cost of occupation whilst delivering high quality facilities

## UK Shopping Centres – Operating Performance

There has been good letting activity across the portfolio with tenants looking to take space or upsize where they can find suitably configured space in thriving well managed schemes.

- 27 new lettings and 12 renewals for a total of £2.6m, 2.3% above ERV
- 34 settled rent reviews for £3.3m
- Contracted rent of £71.5m, up £0.9m year on year
- Occupancy has decreased by 0.4% compared to June 2012, a decrease of 2.2% compared to December 2012 primarily attributable to seasonal reductions in temporary lettings. We expect occupancy to improve by the end of this year as seasonal lettings are completed and we continue to deliver on the letting opportunities currently in negotiation
- Footfall has continued to outperform the national index, by 0.6% over H1 2013

These figures exclude Sutton Coldfield and Uxbridge, sold in July 2013.

## UK Shopping Centres – Administrations

- Strategy to maintain occupancy and trading vibrancy
- 20 units put into administration during H1 2013 with passing rent of £1.5m
- Seven relet at a new rent of £0.6m
- Three continue to trade
- 10 units remain closed, of which one is to revert to a previous assignor with no loss of income, three form part of active asset management initiatives and two which are under negotiation. The remaining four, representing £173k of passing rent, are being marketed

These figures exclude Sutton Coldfield and Uxbridge, sold in July 2013.

# UK Shopping Centres – Asset Management

Positive new lettings and detailed negotiations on-going with a number of tenants including the following:

**COSTA**

next

**T.K. MAXX**

D

**Nando's**

select

**DEICHMANN**

**SPORTS DIRECT.com**

NEW LOOK

**THE REAL CHINA**

**H&M**

**Pure Gym**  
enjoy fitness

PEACOCKS



# UK Shopping Centres – Asset Management

## The Mall, Camberley

390,000 sq ft Mall in a highly affluent south east catchment. Significant development opportunity to create a 290,000 sq ft extension and reposition the tenant mix

- Works progressing to amalgamate and extend units to create a new 20,000 sq ft store for TX Maxx, with September handover
- Advanced discussions with an international retailer to occupy the former HMV unit, targeted to conclude during Q3
- Material progress made around the development opportunity:
  - Strong support in principle from the local authority
  - On-going discussions with major department store anchor
  - Independent research forecasts material growth in spend potential and affordable rents



# UK Shopping Centres – Asset Management

## The Mall, Walthamstow, London

260,500 sq ft Mall with strategic plan to reposition the centre through refurbishment, extension and improved retail offer

- Proposals to create a 26,000 sq ft anchor store for a leading fashion retailer are well advanced
- Terms agreed to upsize an existing retailer to a new 12,000 sq ft unit created out of three historically challenging units
- Plans advancing to undertake a £3.0m refurbishment of the existing scheme, covering floors, ceilings, lighting and shop fronts. Targeted start on site early 2014
- Positive progress with local authority around the 60,000 sq ft extension proposals



***Potential to reposition core London scheme***

# UK Shopping Centres – Asset Management

## Waterside, Lincoln

The only covered scheme in the centre of Lincoln, 120,000 sq ft with major reconfiguration to introduce new national fashion brands to reposition the scheme

Significant progress made over H1 2013 to deliver our reconfiguration plan



- Unconditional planning consent granted
- Agreements for lease exchanged with Next, H&M, New Look and FABG for a total of over 57,000 sq ft
- Vacant possession secured on all relevant space
- Works commenced in July with development anticipated to complete by mid 2014
- New tenant openings by September 2014
- On-going regear discussions with existing scheme retailers progressing well

# UK Shopping Centres – Asset Management

## Kingfisher, Redditch

920,000 sq ft scheme in the West Midlands with strategic plan to enhance the retail mix and improve the leisure offer

- Advanced proposals to create a 35,000 sq ft leisure “hub” of four restaurants and a gym:
  - Agreement for lease in place with Nando’s
  - Advanced terms with The Real China; exchange targeted during Q3
  - Strong interest from leading restaurant groups in the remaining two units
  - Agreement for lease exchanged with Pure Gym
  - Works planned to start during Q3 for handover in Q1 2014
- Works completed for relocation of Poundland from the proposed fashion zone to the value zone as part of tenant mix planning. Opening during Q3
- Active discussions taking place with key targets including leading fashion operators as part of repositioning strategy



## UK Leisure – Asset Management

### Great Northern Warehouse, Manchester

Major 400,000 sq ft leisure complex in the heart of Manchester, anchored by AMC Cinema, All Star Lanes and London Clubs International

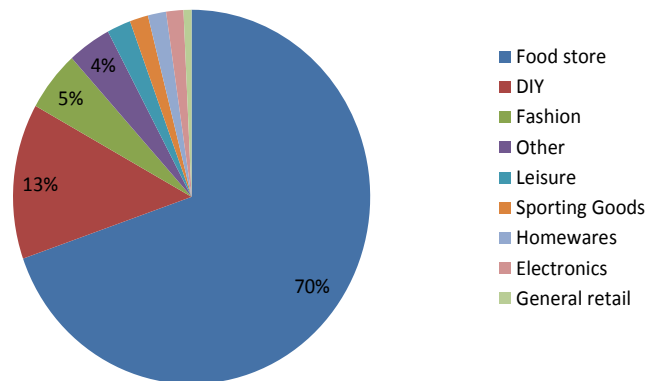
- Significant letting progress over H1 2013 following successful All Star Lanes opening:
  - Pavilion unit let to Tokyo Industries to create a premier brand restaurant
  - Units fronting central square let to Almost Famous Burgers and Lucha Libre
  - Offers received from three recognised advertising specialists offering significant revenue share potential from digital advertising
  - Strong interest from restaurant operators for former Dwell unit



# German Portfolio – Summary

- The German portfolio consists of 25 properties predominantly anchored by national food retailers with strong covenants
- Split across five separate portfolios; total lettable space in excess of 3.2 million sq ft with 193 units and an overall contracted rent of €31.3m
- Weighted average lease length maintained at 7.8 years whilst occupancy increased to 98.2% from 98.0%
- 93% (by passing rent) of the portfolio is located in western Germany
- Largely comprises core income producing assets offering rental growth opportunities through contractual rent indexation
- Minimal impact from insolvencies, including no impact from recent Praktiker insolvency

**Sector allocation across the portfolio**



Germany (like for like) 100%	6 months to June 2013	12 months to December 2012
Valuation (€m)	406.2	408.4
Contracted rent (€m)	31.3	31.9
Passing rent (€m)	30.5	31.2
Occupancy (%)	98.2	98.0

## German Portfolio – Asset Management

Opportunities are being actively managed by Frankfurt based Garigal Asset Management

- Oschersleben: Secured Edeka on 15 year lease and now working with Toom to secure a 10 year lease (currently on two year temporary lease pending planning consent for an extension)
- Heide: good letting progress on vacant space arising from lease expiries
- Herne: Works on Toom drinks market due for handover at the end of August which will activate the 15 year lease; newly built units totalling 3,000 sq ft are 88% let
- Bochum-Wattenscheid: transforming into a leisure destination with gym (completed), restaurant and children's play area (signed and due for handover by the end of August)
- Three development opportunities at Kreuztal, Leverkusen and Hameln
- Opportunity to extend Balingen in conjunction with the current tenant who wishes to add a garden centre to the current DIY offer
- Seeking to dispose of a large single asset which will help set the benchmark for future disposals

# Outlook



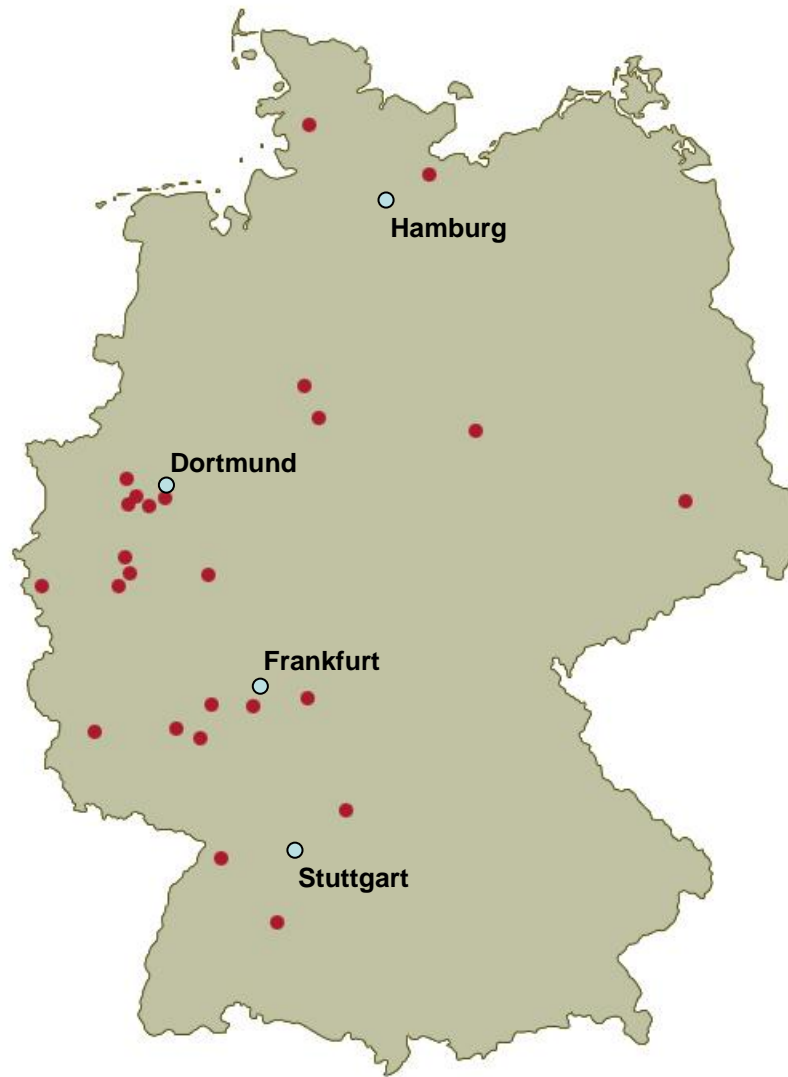
## Outlook

- With the Company now focussed on executing its strategy for growth, we are confident that the affordability and quality of the space at our assets will continue to attract tenants, and that we will leverage the ability of our skilled asset management teams to continue to perform strongly
- Number of exciting and value enhancing asset management opportunities across the business
- Improving investor sentiment for dominant community shopping centres and a receptive banking market provide a supportive background to the refinancing of The Mall's CMBS
- Following the successful degearing of The Mall, it is expected to make further progress to put in place the appropriate longer term funding structure in the next six to nine months
- Resumption of a dividend reflects renewed confidence in our future performance and our ability to drive shareholder value

# Questions & Answers

# Appendix

# German Retail Locations



## Components of NAV as at 30 June 2013

	Property assets £m	Other assets & liabilities £m	NAV £m	% of NAV	NIY %
The Mall	177.7	(109.8)	67.9	37.0	7.0
Kingfisher, Redditch	26.3	(16.2)	10.1	5.5	7.8
Waterside, Lincoln	14.2	(6.4)	7.8	4.3	6.1
Germany	173.6	(129.0)	44.6	24.3	6.8
Great Northern	70.2	(55.6)	14.6	8.0	8.4
Hemel Hempstead	8.4	0.2	8.6	4.7	-
Other net assets	-	29.7	29.7	16.2	-
<b>Net assets</b>	<b>470.4</b>	<b>(287.1)</b>	<b>183.3</b>	<b>100</b>	<b>-</b>

# Valuation Movements

	Valuation 30 December 2012 £m	Disposals £m	Other movements £m	Revaluation £m	Proforma <sup>1</sup> Valuation 30 June 2013 £m
The Mall	850.8	(167.8)	17.4	(24.4)	676.0
Kingfisher, Redditch	131.8	-	-	-	131.8
Waterside, Lincoln	26.3	-	-	2.2	28.5
Germany	338.9	(5.4)	16.6	(1.8)	348.3
Great Northern	72.5	-	-	-	72.5
Hemel Hempstead	8.4	-	-	-	8.4
<b>Net assets</b>	<b>1,428.7</b>	<b>(173.2)</b>	<b>34.0</b>	<b>(24.0)</b>	<b>1,265.5</b>

<sup>1</sup> Proforma adjusted for the sale of Sutton Coldfield and Uxbridge in July 2013

### 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.

Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this document. The Group does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document. Information contained in this document relating to the Group should not be relied upon as a guide to future performance.