
# 2016 Results Presentation

9 March 2017

# Hugh Scott-Barrett

## Chief Executive

# Our business model in action

We actively manage a portfolio of attractively positioned assets to create sustainable income and capital growth through innovative and accretive asset management initiatives, recycling capital from these assets once repositioned

**Asset management strategy drives strong income growth**

- See-through net rental income up 6.7%
- New lettings and renewals at an average 18%[1] premium to previous passing rent and combined 2.1%[1] premium to ERV

**Delivery of asset management initiatives**

- Capex investment of £21.2m on wholly-owned assets together with £17.2m on Ipswich

**Successful recycling of capital continuing into 2017**

- Disposal of The Mall, Camberley and Ipswich joint venture
- Acquisition of The Marlowes, Hemel Hempstead and The Exchange, Ilford

**Enhanced balance sheet strength and flexibility**

- Weighted average debt maturity, assuming extensions, increased from 3.6 to 7.8 years
- Average cost of debt reduced to 3.26%

[1] Wholly-owned portfolio excluding The Mall, Camberley

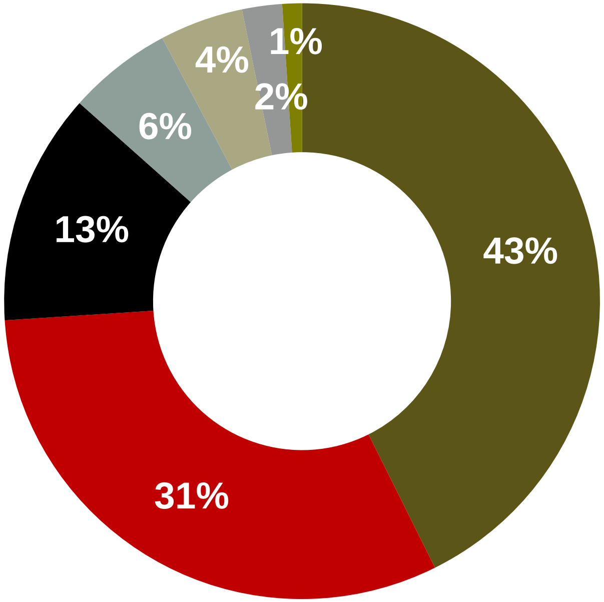
# Portfolio characteristics

- High footfall
  - c 1.7m shopper visits per week
- Scale & dominance of retail offer
- Strong & improving demographics
- London/South/South-East bias
- Convenience – town centre locations
- Affordable rents
  - Average rent c. £15 psf
  - OCR of c. 12.6%[1]
- Extensive accretive asset management opportunities (including leisure, residential and office)


1. Estimate based on Blackburn, Luton, Maidstone, Walthamstow and Wood Green

# Wide-ranging Capex investment delivering to plan

- £65m Capex plan announced with The Mall acquisition in 2014
- £36.1m spent to date
- £29m to spend – largest element relates to the Walthamstow development
- Total projected income return of 10%+
- Full benefit of spend to date likely to be seen in 2017 and 2018
- Further £50m+ of Capex identified on new acquisitions and further opportunities




Components of £65m

- Unit Reconfiguration/Major Initiatives
- Development
- Refurbishment
- Letting
- Investment
- Operational
- Masterplanning

# Key performance indicators

| | 2016 | 2015 | Change |
|---|---|---|---|
| | | | |
| Net Rental Income | £52.6m | £49.3m | +6.7% |
| Adjusted Profit | £26.8m | £24.0m | +11.7% |
| Adjusted Earnings per share | 3.8p | 3.4p | +11.7% |
| IFRS (Loss)/Profit for the period | £(4.4)m | £100.0m | |
| Dividend per share | 3.39p | 3.12p | +8.7% |
| | | | |
| Net Asset Value (NAV) per share | 68p | 72p | -4p |
| EPRA NAV per share | 68p | 71p | -3p |
| | | | |
| See-through net debt to property value post Ilford[1] | 46% | 45% | +1 p.p. |

1. 2016 adjusted for refinancing of Mall assets completed on 4 January 2017, disposal of Ipswich on 17 February 2017 and acquisition of Ilford on 8 March 2017. 2015 adjusted to reflect Hemel Hempstead acquisitions completed in February/March 2016

# James Ryman

## Investment Director

# Key achievements

## Transformational investment to drive future growth


**Blackburn – Leisure**

Retail to leisure conversion

Capex: £3.0m


**Maidstone – Refurbishment**

Extensive transformation driving key lettings

Capex: £4.7m

**Walthamstow - Refurbishment**

Internal transformation, driving key lettings

Capex: £2.5m

**Walthamstow – MSU's**

Space creation for lettings to TK Maxx & Sportsdirect

Capex: £4.3m


**Portfolio – Car Parks**

Upgrade car park payment systems

Capex: £1.1m

**Wood Green – Hotel**

Office to hotel conversion for Travelodge for 2017 opening

Capex: £6.0m

# Key achievements

## A wide range of highly accretive initiatives


**Blackburn – Catering**

Unit reconfiguration and letting to Burger King

Capex : £0.5m

**Luton – Catering**

Creation of Food Zone

Capex: £0.6m


**Maidstone – MSU Letting**

33,000 sq ft store delivery for TJ Hughes

Capex: £2.9m

**Maidstone – Offices**

Letting of shell space

Capex: £0.7m


**Walthamstow – New Retail**

Creation on new mall unit for Costa Coffee

Capex: £70k

**Wood Green – Right-sizing Retail**

Unit reconfiguration to create c 6,000 sq ft store for Choice

Capex: £0.7m

Capital & Regional

# Enhancing tenant mix

## Retail & leisure profile responding to Capex investment

### New brands enhancing the offer…

FIVE GUYS BURGERS and FRIES
PRET
the gym find your fit
Travelodge
Krispy Kreme DOUGHNUTS
FOOTASYLUM

### Expansion of existing brands…

Foot Locker
BURGER KING
choice
LIDL
wilko
SPORTS DIRECT.com
TK maxx
DEICHMANN

### Supported with investment by existing occupiers…

JD
HOLLAND & BARRETT
RIVER ISLAND
Poundland

### Exciting ongoing interest…

KIKO MILANO
M&S SIMPLY FOOD
Scotts
DECATHLON
YO! Sushi

▶ **Driving the 18% uplift in lettings and renewals on previous rent**

# A growing portfolio of asset management initiatives

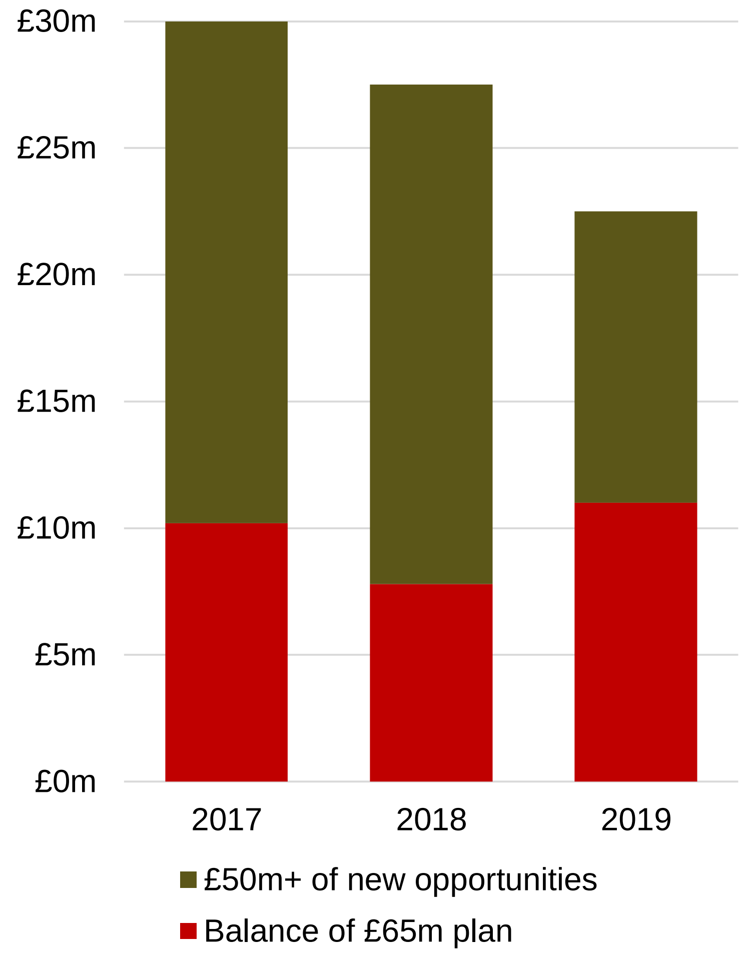
## Extensive asset management opportunities underpinning ongoing growth

- Balance of original £65m to be spent between 2017 and 2019
- £50m+ of new opportunities identified

**Key projects**

- £13m repositioning investment in Hemel Hempstead
- £8.5m net repositioning investment in Ilford
- £4.5m investment to create 50,000 sq ft MSU/LSU space at Luton
- £3.5m reconfiguration and break-up of former BHS store at Walthamstow

**Targeting average return of 9%+ on new investment**



# Evolving with our Communities

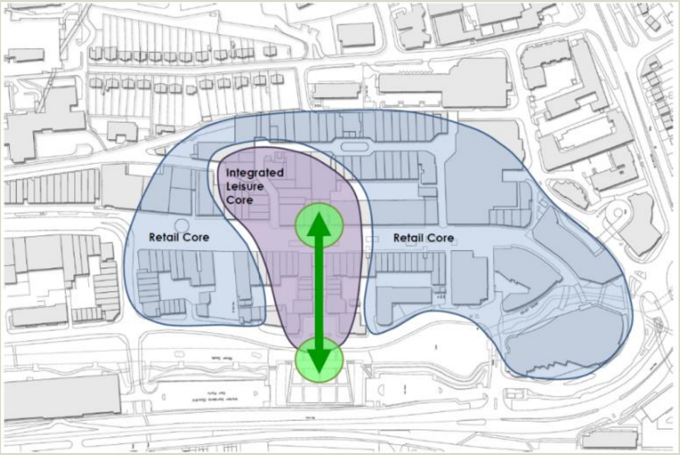
## Walthamstow extension proposals gaining momentum

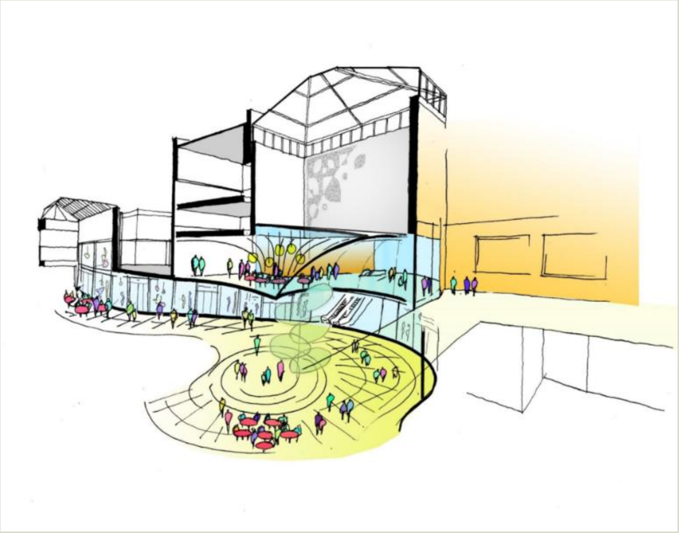
- Extension proposals for c. 90,000 sq ft retail and leisure extension and 470 residential units
- Key milestones achieved:
  - development agreement signed
  - new head lease agreed
  - Two public consultation events
  - key stakeholder support
- Planning submission expected by end March 2017 with target consent Q3/Q4 2017
- Strong interest from a range of potential residential partners - intention to progress in parallel with planning timescales
- Targeting income return c. 10% on £20m net Capex

# Influencing and shaping our town centres

## Hemel Hempstead investment to reposition town centre

- £53.8m investment acquiring three separate ownerships in February/March 2016
- Significant town centre control in well located London satellite town
- Masterplan vision to transform town centre offer:
  - introduction of leisure core
  - refurbishment investment
  - upgraded retail offer
  - consolidated town centre management approach
- Actively working up cinema-led leisure solution to deliver c. 50,000 sq ft leisure hub
- Anticipated project delivery – early 2019 (with planning H1 2017)
- £13m investment targeting c. 10% income return

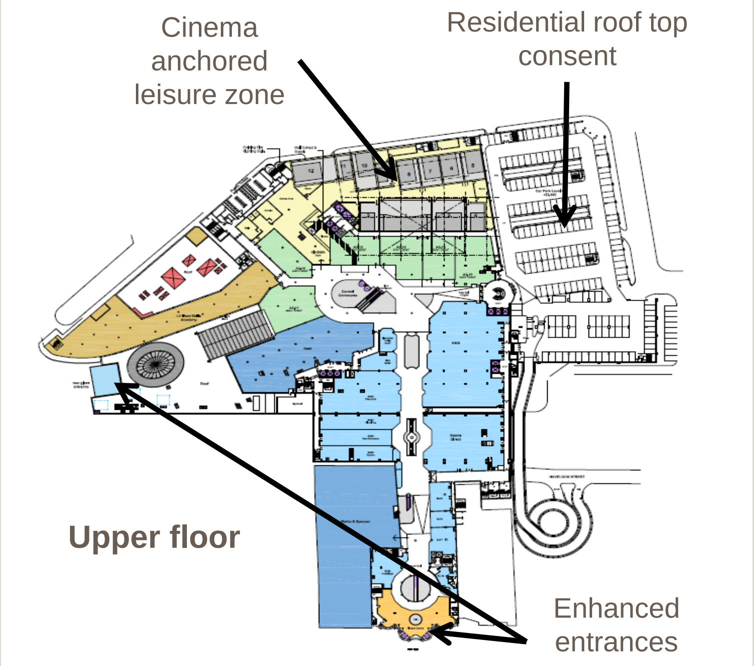


# Capturing growth opportunities

## Ilford investment aligned to London growth trends

- Dominant shopping provision in London growth borough
- Strong growth expectations around residential and Crossrail, with an aligned asset plan to maximise performance
- Capex plan centred around:
  - cinema anchored 50,000 sq ft leisure hub
  - entrance upgrades linked to Crossrail
  - implementation of residential consent
- Anticipated £8.5m net Capex investment over 2017 to 2019
- Target IRR: 15%+ / cash-on-cash: 10%




# Creating fuel for growth

## Crystallising value through effective recycling

| Acquisitions | Year | Disposals |
|---|---|---|
| Waterside, Lincoln<br>£24.8m / 7.7% NIY | 2011 | |
| Kingfisher, Redditch<br>£130.0m / 8.0% NIY | 2012 | |
| The Mall, Camberley[1]<br>£75.0m / 7.2% NIY | 2014 | Waterside, Lincoln<br>£46.0m / 5.9% NIY / 20% IRR |
| Buttermarket, Ipswich<br>£9.2m / 8.5% NIY | 2015 | |
| The Marlowes, Hemel Hempstead<br>£53.8m / 7.0% NIY | 2016 | The Mall, Camberley<br>£86.0m / 5.9% NIY / 10% IRR |
| The Exchange, Ilford<br>£78.0m / 6.7% NIY | 2017 | Buttermarket, Ipswich<br>£54.7m / 5.9% NIY / 40%+ IRR |

1. The Mall, Camberley quoted with reference to value when C&R acquired 63.59% of The Mall portfolio in 2014

Capital & Regional

# Transformational asset management delivering exceptional returns

## Case study: Buttermarket, Ipswich

- Acquired in 2015 for £9.2m
- Failed retail scheme – 40% permanent occupancy
- Visionary conversion to a thriving leisure led scheme
- Complex in-house asset management execution
- £25m delivery Capex
- Repositioned to an institutional grade asset with successful exit strategy
- Two year investment turnaround
- IRR: 40%+

# Regeneration Growth Potential

## Influential positions at the heart of major regeneration opportunities

### Luton

- Luton Borough Council promoting new 15 year local plan
- C&R visionary plan to bring forward truly mixed use town centre development to transform central Luton with The Mall at its nucleus
- Flexible delivery programme phased over a 5 to 10 year period

### Wood Green

- Haringey Borough Council promoting new 15 year local plan
- Major developer commitments including St William Homes and Workspace
- Mixed use focus with significant residential and commercial transformation
- Anticipated Crossrail 2 station by 2030
- Retail and leisure focus centred on The Mall
- Flexible delivery programme phased over a 5 to10 year period

# Beyond retail

## Asset alignment with consumer trends

**26% of ERV**

**Non-Retail Use**
A broad range of revenue sources beyond retail

**10% of ERV**

**Growing Leisure**
Increasing leisure provision

**Widening Leisure**
An increasingly broad range of leisure

**48%[1]**

**Return Opportunity**
Half of online returns are to a physical store

**+196%**

**Collect +**
Rapidly increasing handling of packages

**94%[1]**

**Importance of Physical**
Stores play integral role in vast majority of UK sales

1. Source: Knight Frank / Verdict – Understanding multi-channel retailing

# Charles Staveley

## Group Finance Director

# Financial results

Capital& Regional

| | 2016 | 2015 | Change |
|---|---|---|---|
| **Profitability** | | | |
| Adjusted Profit | **£26.8m** | £24.0m | +11.7% |
| Adjusted Earnings per share | **3.8p** | 3.4p | +11.7% |
| | | | |
| **Dividend** | | | |
| Total dividend per share | **3.39p** | 3.12p | +8.7% |
| Dividend payout | **88.7%** | 91.1% | |
| | | | |
| **Net Asset Value** | | | |
| NAV per share | **68p** | 72p | -4p |
| EPRA NAV per share | **68p** | 71p | -3p |
| | | | |
| **Debt**[1] | | | |
| See-through debt to property value post Ilford | **46%** | 45% | +1p.p. |
| Debt maturity post Ilford | **7.8 years** | 3.6 years | +4.2 years |
| Average cost of debt post Ilford | **3.26%** | 3.51% | -25bps |

1. 2016 adjusted for refinancing of Mall assets completed on 4 January 2017, disposal of Ipswich on 17 February 2017 and acquisition of Ilford on 8 March 2017. 2015 adjusted to reflect Hemel Hempstead acquisitions completed in February/March 2016

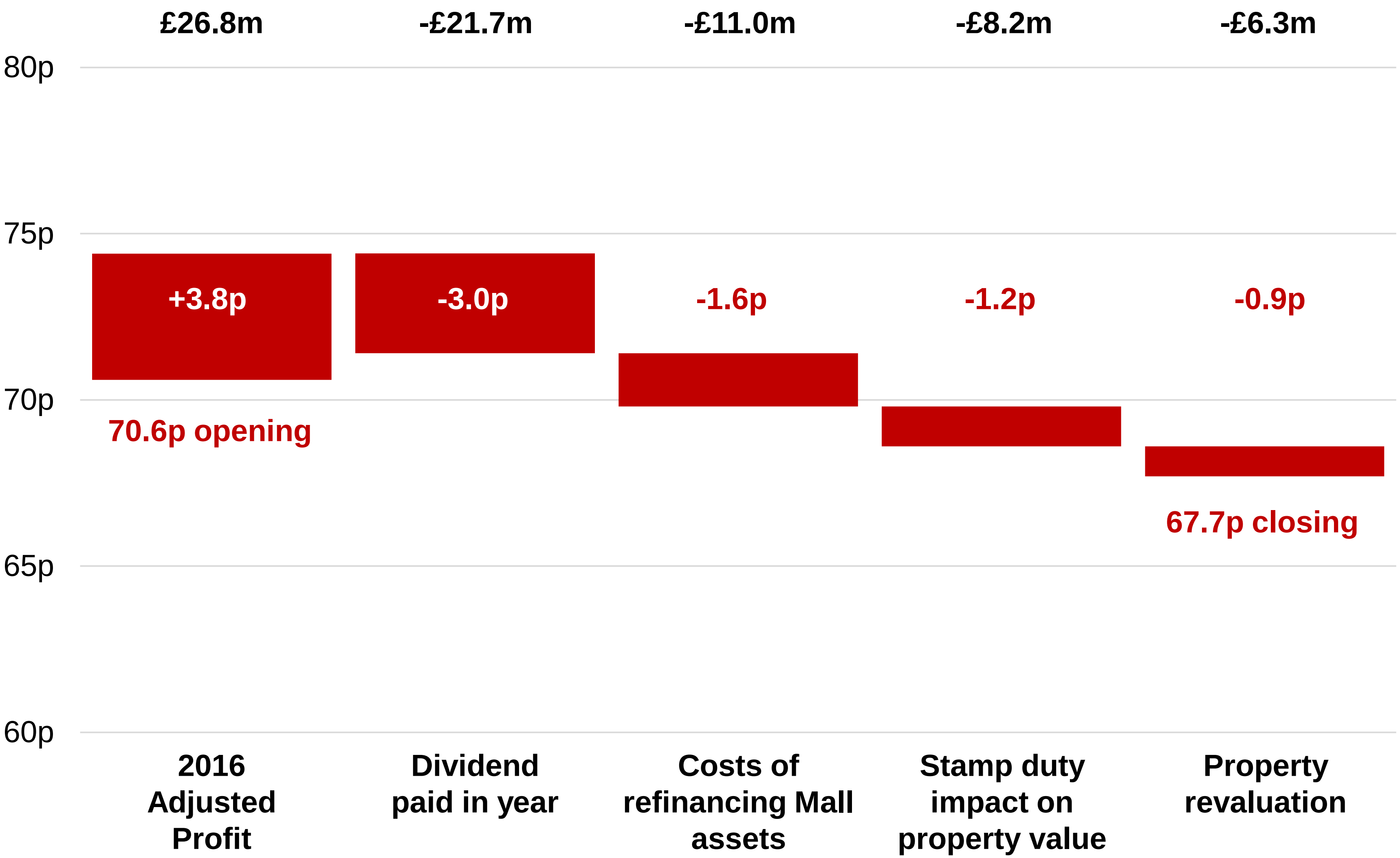
# Components of Adjusted Profit

| Amounts in £m | Year to 30 December 2016 | Year to 30 December 2015 |
|---|---|---|
| Net rental income | | |
| Wholly-owned assets[1] | 50.4 | 47.3 |
| Kingfisher, Redditch | 1.7 | 1.8 |
| Buttermarket, Ipswich | 0.5 | 0.2 |
| | 52.6 | 49.3 |
| Net interest | (20.3) | (19.5) |
| Snozone profit | 1.4 | 1.4 |
| Central operating costs net of external fees | (6.9) | (7.2) |
| **Adjusted Profit** | **26.8** | **24.0** |
| | **+11.7%** | |

1. In 2016 Hemel Hempstead 10 months of ownership contributed £3.5m and Camberley contributed £4.2m (2015: £5.0m) until disposal on 11 November 2016

# 2016 EPRA NAV Bridge

**1p = £7m NAV**



# Proforma Debt post Ilford

## Targeting see-through LTV at low end of 40%-50% range in short-medium term

| Group share | Debt | Cash | Net debt | Net debt to value | Average interest rate | Fixed | Duration with extensions |
|---|---|---|---|---|---|---|---|
| | **£m** | £m | **£m** | % | % | % | Years |
| Mall assets | **362.5** | (17.3) | **345.2** | 47 | 3.27 | 100 | 8.8 |
| Hemel Hempstead | **26.9** | (1.9) | **25.0** | 46 | 3.32 | 100 | 6.0 |
| Group RCF | **-** | (41.6) | **(41.6)** | n/a | 3.52 | - | 2.4 |
| On balance sheet debt | **389.4** | (60.8) | **328.6** | | | | |
| | | | | | | | |
| Buttermarket Ipswich | **9.7** | (0.1) | **9.6** | 33 | 3.51 | - | - |
| Kingfisher Redditch | **16.8** | (0.8) | **16.0** | 52 | 3.66 | 100 | 2.3 |
| Off balance sheet debt | **26.5** | (0.9) | **25.6** | | | | |
| | | | | | | | |
| Proforma see-through debt | **415.9** | (61.7) | **354.2** | 42 | | | |
| | | | | | | | |
| Adjusted for the sale of Ipswich and acquisition of Ilford: | | | | | | | |
| Ipswich disposal | **(9.7)** | (9.7) | **(19.4)** | | | | |
| Ilford acquisition | **39.0** | 40.3 | **79.3** | 50 | 2.76 | 100 | 7.0 |
| See-through debt at time of results | **445.2** | (31.1) | **414.1** | 46 | 3.26 | 94 | 7.8 |

# Building blocks of 2017 Adjusted Profit

The acquisition of Ilford and full year contribution from Hemel Hempstead should offset the impact of the sale of Camberley and the Ipswich joint venture

**Growth drivers will be:**

- Additional income of at least £1m coming through from Capex spent to date
- Income from new Capex projects
- Increased occupancy will reduce void costs
- Saving of at least £0.5m p.a. from reduced debt costs
- Continued emphasis on reducing costs and improving efficiency saving at least £0.5m p.a. of central costs

**Underpinning 5% to 8% p.a. dividend growth target**

# Outlook

- Capex over the last two years provides a strong platform for growth in income
- Our portfolio of asset management initiatives continues to increase with leisure reconfigurations providing an opportunity to reposition both the Hemel Hempstead and Ilford schemes
- Planning consent for the extension and residential development at Walthamstow is anticipated in Q3/Q4
- Master Plans in Luton and Wood Green are likely to be transformational for both the town centre and our shopping centres
- Accretive opportunities exceed our current capacity enabling us to focus on those initiatives which generate the best returns
- The Board is reaffirming its guidance for dividend growth of 5% to 8% per annum

# Q&A

**Dial-in for questions from webcast viewers**
**020 3059 8125**

**Please quote "Capital & Regional" to the operator**


# Appendix

# Skill set of the platform

## Over the past 10 years our team has applied its capabilities to over 25 UK shopping centres with a combined area of around 9m sq ft

The core strengths of the C&R team which we believe differentiate us include:

- An in-house platform providing all the relevant disciplines of property and asset management
- Proven ability of delivering successful, complex asset management initiatives
- Strong relationships with our retailers
- A track record of being at the forefront of technological change
- Approximately a quarter of centre income derives from sources beyond retail
- A track record of delivering value for money for occupiers
- Scalable management structure and business model

# Lettings, renewals and rent reviews

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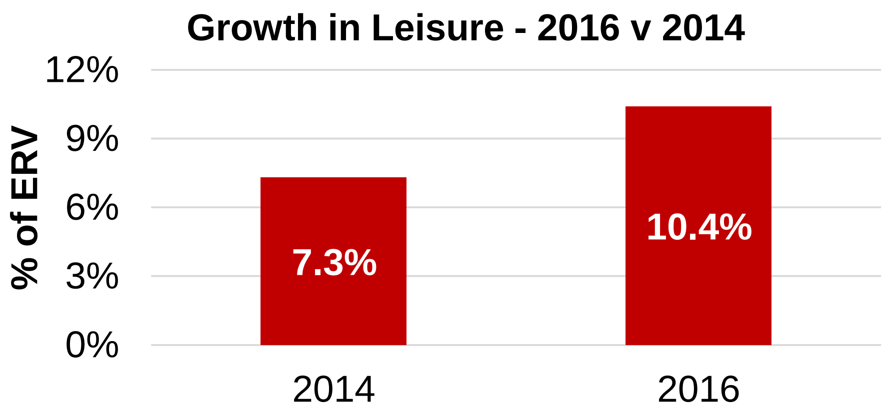
| Wholly-owned Centres excluding Camberley | Year ended 30 December 2016 |
|---|---|
| Number of new lettings | 58 |
| Rent from new lettings (£m) | £4.0m |
| Comparison to ERV[1] (%) | +2.3% |
| Renewals settled | 24 |
| Revised rent (£m) | £1.6m |
| Comparison to ERV[1] (%) | +1.7% |
| Lettings and renewals compared to previous rent | +18% |
| Rent reviews settled | 24 |
| Revised passing rent (£m) | £3.3m |
| Uplift to previous rent (£m) | - |
| Comparison to ERV (%) | +3.5% |

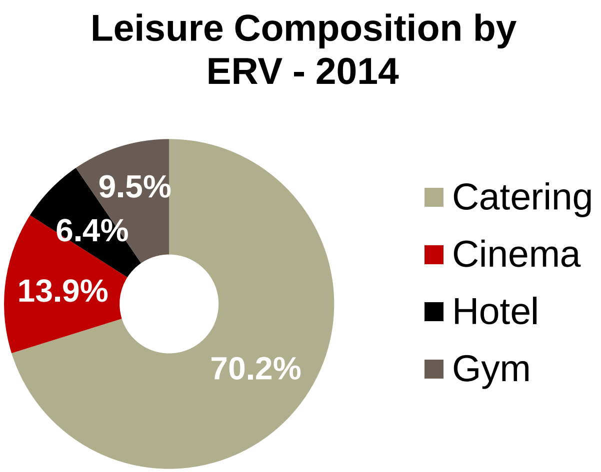
1. For lettings and renewals with a term of five years or longer which did not include a turnover rent element

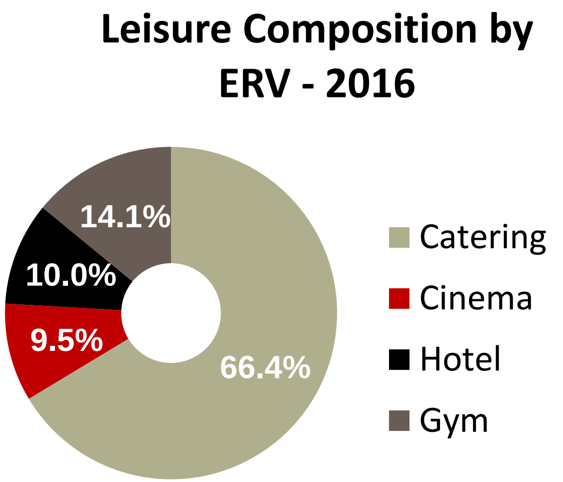
# Leisure growth

## Dominance & scale delivering a wider range and quality of leisure

- An increasingly important element of our customer experience
- 40% increase in leisure provision over 2014-2016
- A broadening offer of different leisure uses
- Enhanced brands




All figures are like for like wholly-owned (excluding Camberley, Hemel and Ilford).

# BHS update

## Proactive asset management extracting strong income growth

### Portfolio overview

- Four stores – £1.3m post CVA rents
- Units closed August 2016
- Stores in Blackburn and Redditch fully re-let
- Strong progress in Walthamstow with lettings already secured 40% above BHS rent
- Ongoing dialogue on Maidstone for single occupier
- Contracted rent secured or in legals 14.5% ahead of previous equivalent store ERVs

### Case study: Walthamstow

- £750k new rent secured or in legals
- Expected net Capex investment £3.5m
- £190k target rent on remaining units
- Phased handover during H2 2017
- £500k rent uplift on full letting
- Anticipated 12%+ income return on full letting

### Case study: Walthamstow


Ground Floor


First Floor

# Wholly-owned asset information[1]

## As at 30 December 2016

| | |
|---|---|
| Number of properties | 6 |
| Properties at valuation | £794.1m |
| Initial yield | 6.0% |
| Equivalent yield | 6.2% |
| Reversion | 16.9% |

| | |
|---|---|
| Weighted average lease length to break | 6.7 years |
| Weighted average lease length to expiry | 7.9 years |

| | |
|---|---|
| Contracted rent | £57.5m |
| Passing rent | £53.0m |
| ERV | £61.9m |
| Occupancy | 95.4% |

1. Excludes The Exchange, Ilford acquired on 8 March 2017

# Wholly-owned assets

| Property | Description | Principal occupiers | Size (sq feet) | Number of lettable units | Annual footfall (m) | Car park spaces |
|---|---|---|---|---|---|---|
| The Mall, Blackburn | Leasehold partially covered shopping centre on three floors | Primark, Debenhams, H&M, Next | 600,000 | 127 | 12.0 | 1,304 |
| The Marlowes, Hemel Hempstead | Freehold covered scheme on one principal trading level | Wilko, New Look, Sports Direct, River Island | 350,000 | 110 | 6.6 | 1,200 |
| The Exchange, Ilford | Predominantly freehold scheme over three trading levels | Debenhams, Next, H&M, TK Maxx, New Look, M&S | 300,000 | 77 | 11.3 | 1,060 |
| The Mall, Luton | Leasehold covered shopping centre on two floors, offices extending to over 65,000 sq ft | Debenhams, Primark, H&M, M&S, TK Maxx | 900,000 | 166 | 20.7 | 1,706 |
| The Mall, Maidstone | Freehold covered shopping centre on three floors with offices extending to 40,000 sq ft | TJ Hughes, Boots, New Look, Wilko, Next | 500,000 | 104 | 9.0 | 1,050 |
| The Mall, Walthamstow | Leasehold covered shopping centre on two floors | TK Maxx, Sports Direct, Lidl, Asda, Boots, New Look, River Island, The Gym | 260,000 | 68 | 9.3 | 850 |
| The Mall, Wood Green | Freehold, partially open shopping centre, on two floors | Primark, Wilko, H&M, Boots, TK Maxx, New Look | 540,000 | 111 | 10.8 | 1,500 |

# Property valuations

| | December 2016 | | December 2015 | |
|---|---|---|---|---|
| | | NIY | | NIY |
| Blackburn | £124.1m | 6.53% | £127.8m | 6.37% |
| Camberley | - | - | £87.8m | 6.14% |
| Hemel Hempstead | £54.6m | 7.07% | - | - |
| Ilford[1] | £78.0m | 6.70% | - | - |
| Luton | £207.0m | 6.35% | £215.1m | 6.00% |
| Maidstone | £80.0m | 6.78% | £81.4m | 6.85% |
| Walthamstow | £103.3m | 5.25% | £94.3m | 5.49% |
| Wood Green | £225.1m | 5.25% | £216.3m | 5.25% |
| **Wholly-owned** | **£872.1m** | **6.08%** | **£822.7m** | **5.89%** |
| Redditch | £154.1m | 6.34% | £164.4m | 6.25% |
| Ipswich | - | - | £27.9m | - |
| | **£1,026.2m** | **6.12%** | **£1,015.0m** | **5.95%** |

1. Ilford as at acquisition on 8 March 2017

# Wholly-owned assets net rental income

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| Amounts in £m | | 2016 | | 2015 |
|---|---|---|---|---|
| Rental income | | | 51.0 | | 47.7 |
| Car park income | | | 8.5 | | 7.4 |
| Ancillary income | | | 2.5 | | 2.4 |
| Gross rental income | | | 62.0 | | 57.5 |
| | | | | | |
| Service charge and void costs | | | (4.4) | | (3.6) |
| Bad debt | | | (0.8) | | (0.5) |
| External Operator/Fund Manager fees | | | (0.1) | | (0.1) |
| Other property | Car park costs | (3.4) | | (3.1) | |
| expenses | Head leases | (3.1) | | (3.1) | |
| | IFRS head lease adjustment[1] | 3.6 | | 3.6 | |
| | Letting and rent review fees | (1.2) | | (1.2) | |
| | Administration expenses | (0.5) | | (0.7) | |
| | Repairs and maintenance | - | | (0.2) | |
| | Other costs | (1.7) | | (1.3) | |
| | | | (6.3) | | (6.0) |
| **Net rental income** | | | **50.4** | | **47.3** |

1. Notional interest charge with offsetting opposite and materially equal credit within net interest

# Adjusted Profit to IFRS Profit

| Amounts in £m | Year to 30 December 2016 | Year to 30 December 2015 |
|---|---:|---:|
| **Adjusted Profit** | **26.8** | **24.0** |
| Property revaluation (including Deferred Tax) | (14.5) | 74.8 |
| (Loss)/profit on disposals | (2.6) | 2.5 |
| Loss on financial instruments | (2.5) | (0.8) |
| Refinancing costs | (11.0) | - |
| Other items | (0.6) | (0.5) |
| **(Loss)/profit for the period** | **(4.4)** | **100.0** |

# Central operating costs

| | 2016<br>£m | 2015<br>£m |
|---|---|---|
| External income | **2.7** | 2.3 |
| Staff costs | **(6.0)** | (6.0) |
| Other management expenses | **(1.8)** | (1.7) |
| Depreciation | **-** | (0.1) |
| Variable overhead | **(1.8)** | (1.7) |
| | **(6.9)** | (7.2) |

**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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