

2017 FULL YEAR RESULTS PRESENTATION

8 March 2018

C&R

CAPITAL &
REGIONAL

LAWRENCE HUTCHINGS

Chief Executive



CAPITAL &
REGIONAL

HIGHLIGHTS

Robust performance for FY 2017

- 47 new lettings and 32 renewals at 10% premium to previous rent and 8.4% above ERV
- Like-for-like Net Rental Income up 1.9%
- Footfall up 0.5% in H2 2017, ahead of national index by 3.4%
- Cost efficiencies delivered savings of £1.2m, on track for savings of at least £1.8m by end of 2018
- EPRA NAV resilient at 67p
- 7.4% increase in total dividend to 3.64p per share

CAPITAL & REGIONAL STRATEGY

Redefine –

community shopping
centres

Reposition –

assets and retail mix

Refocus –

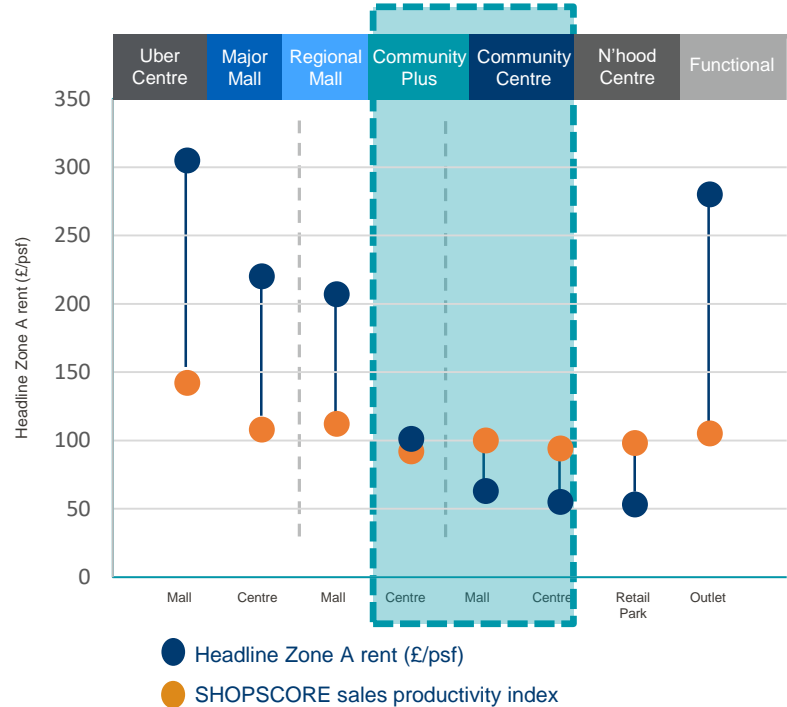
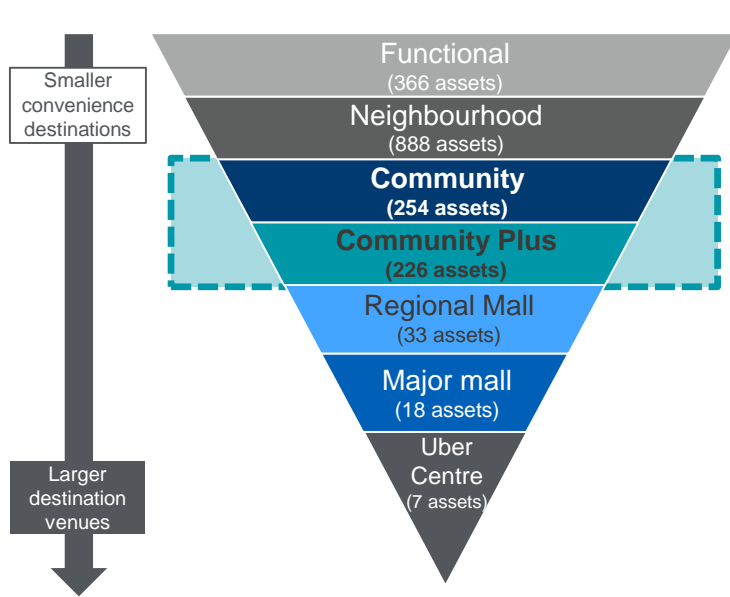
management team

Enhance –

shareholder value

CONFIDENT PROPOSITION

Affordable rents, growing footfall, strong sales = Engine room

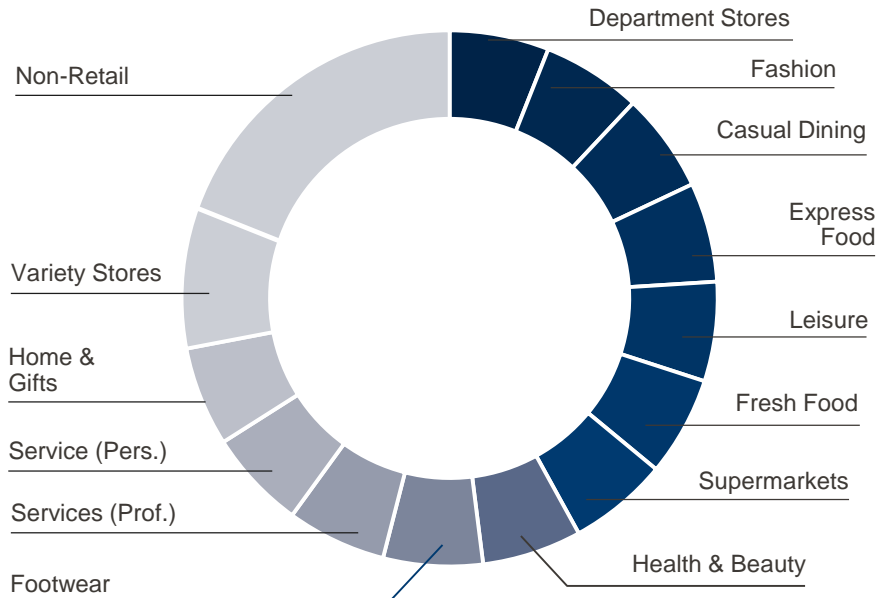


Source: Javelin Group / SHOPSCORE

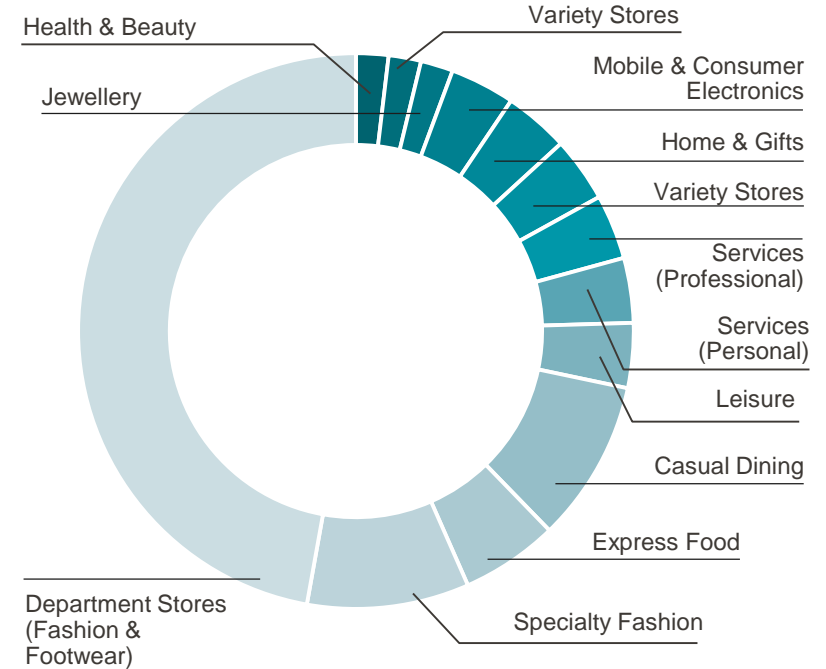
EVOLUTION OF RETAIL MIX

Complement super regional malls with substantially differentiated proposition

NEEDS: Community shopping centres



WANTS: Super regional malls



MARKET OVERVIEW

“Needs” retailers continue to demonstrate robust sales

Online shopping



Sales up 16.8%
(12 weeks to
31 December 2017)



LFL sales up 3.2%
(12 months to
30 December 2017)

Iceland

Sales up 1.6% 
(12 weeks to
3 December 2017)

TESCO

Sales up 1.9% 
(19 weeks to
6 January 2018)

PRIMARK®

Sales up 9%
(16 weeks to
6 January 2018)

ASDA

Sales up 5.3% 
(December 2017)

Poundland®

Sales up 5.6%
(12 weeks to
24 December 2017)

Card Factory

Sales up 2.7% 
(11 months to
31 December 2017)

Dixons Carphone

Sales up 3% 
(10 weeks to
6 January 2018)



Sales up 3% 
(18 weeks to
16 January 2018)

The Fragrance Shop

Sales up 5.6% 
(6 weeks to
31 December 2017)

Superdrug

Sales up 2.4% 
(4 weeks to
30 December 2017)

A DECENTRALISED STRUCTURE

An agile community focus



SUCCESS BY DESIGN

Research and data based



Research



Identify guest target groups



Offering



Zones & standards



Planning & Viability



Delivery



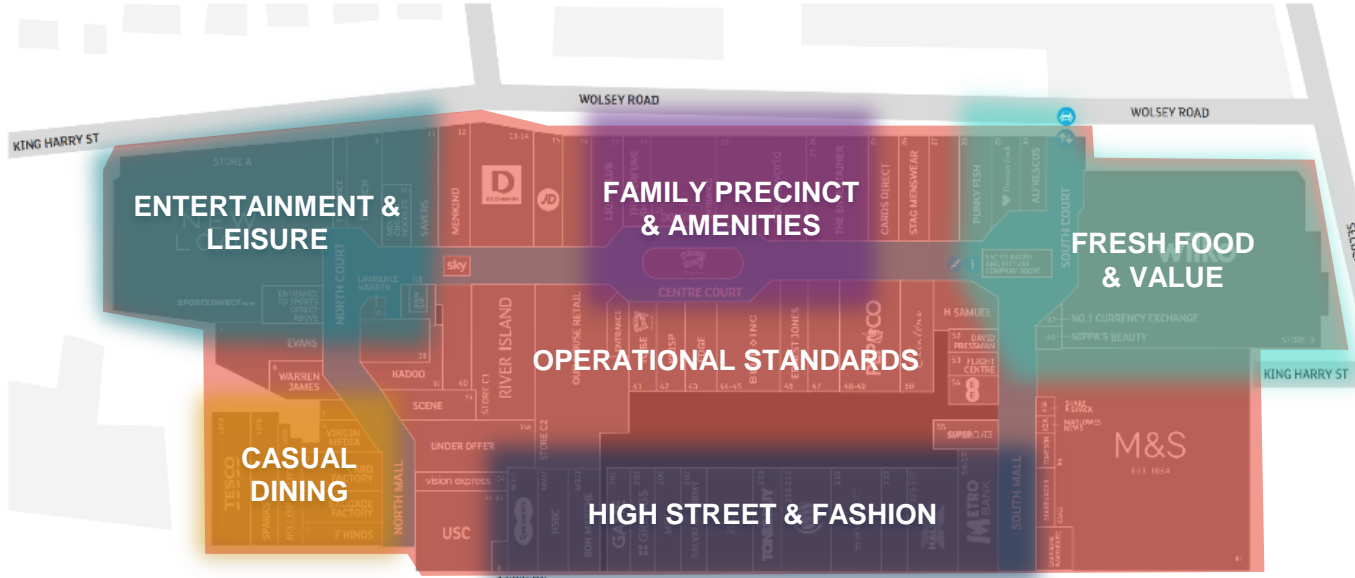
FINANCIAL



PHYSICAL

ASSET MASTERPLANS




A holistic accretive approach to repositioning



CAPEX

71% of projects focused on our core retail competency

- In excess £100m of opportunities – greater than 50 specific initiatives
- £15m to £25m per year, targeting average return of 9%+ on new investment
- Enables flexibility to respond to changes in consumer and retailer occupier demand

 Remerchandising & Proposition		 Leasing		 Residential & Other Uses	
51%		20%		29%	
Hemel	Leisure scheme and fresh food	Ilford	Conversion of service space to commercial	Hemel	Upper parts opportunity
Ilford	Leisure zone	Luton	Office refurbishments and letting	Ilford	Residential opportunity work up
Blackburn	Guest proposition	Maidstone	Former BHS	Walthamstow	Retail / residential extension
Luton	Supermarket / fresh food	Relocation and de-leasing to support remerchandising		Wood Green	Hotel expansion
Maidstone	Grab and go zone			Wood Green	Development sites work up
Wood Green	Fresh food				

CHARLES STAVELEY

Group Finance Director



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FINANCIAL RESULTS

	2017	2016	Change
Profitability			
Net Rental Income ¹ <i>like-for-like</i>	£43.5m	£42.7m	+1.9%
Adjusted Profit	£29.1m	£26.8m	+8.6%
Adjusted Earnings per share	4.10p	3.82p	+7.3%
Dividend			
Total dividend per share	3.64p	3.39p	+7.4%
Dividend payout	88.8%	88.7%	

	30 December 2017	30 December 2016	Change
Net Asset Value			
EPRA NAV	£482.6m	£481.5m	+£1.1m
NAV per share	67p	68p	-1p
EPRA NAV per share	67p	68p	-1p
Group Debt²			
Net debt to property value	46%	46%	-
Average maturity	7.3 years	8.0 years	-0.7 years
Cost of debt ³	3.25%	3.25%	-

NET RENTAL INCOME

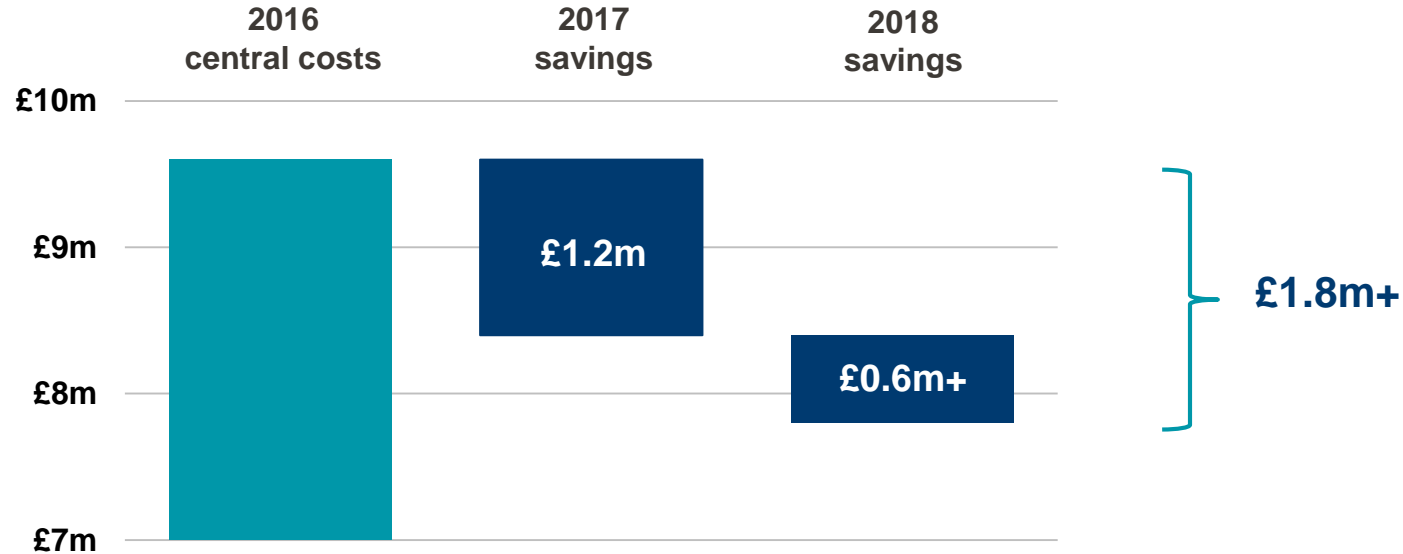
<i>Wholly-owned assets</i> Amounts in £m	2017	2016	
Like-for-like	43.5	42.7	+1.9%
Hemel Hempstead (acquired February/March 2016)	3.7	3.5	
Camberley (sold November 2016) and other disposals	-	4.2	
Iford (acquired March 2017)	4.4	-	
Net rental income	51.6	50.4	+2.4%

ADJUSTED PROFIT

Amounts in £m	2017	2016
Net rental income		
Wholly-owned assets	51.6	50.4
Kingfisher, Redditch	1.6	1.7
Buttermarket, Ipswich	-	0.5
	53.2	52.6
Net interest	(19.6)	(20.3)
Snozone profit	1.5	1.4
Central operating costs net of external fees	(5.9)	(6.9)
Tax	(0.1)	-
Adjusted Profit	29.1	26.8
	+8.6%	
Adjusted Earnings per Share	4.10p	3.82p
	+7.3%	

CENTRAL COST EFFICIENCIES

Targeting annualised savings of at least £1.8m by the end of 2018, a c. 20% reduction on 2016 central costs

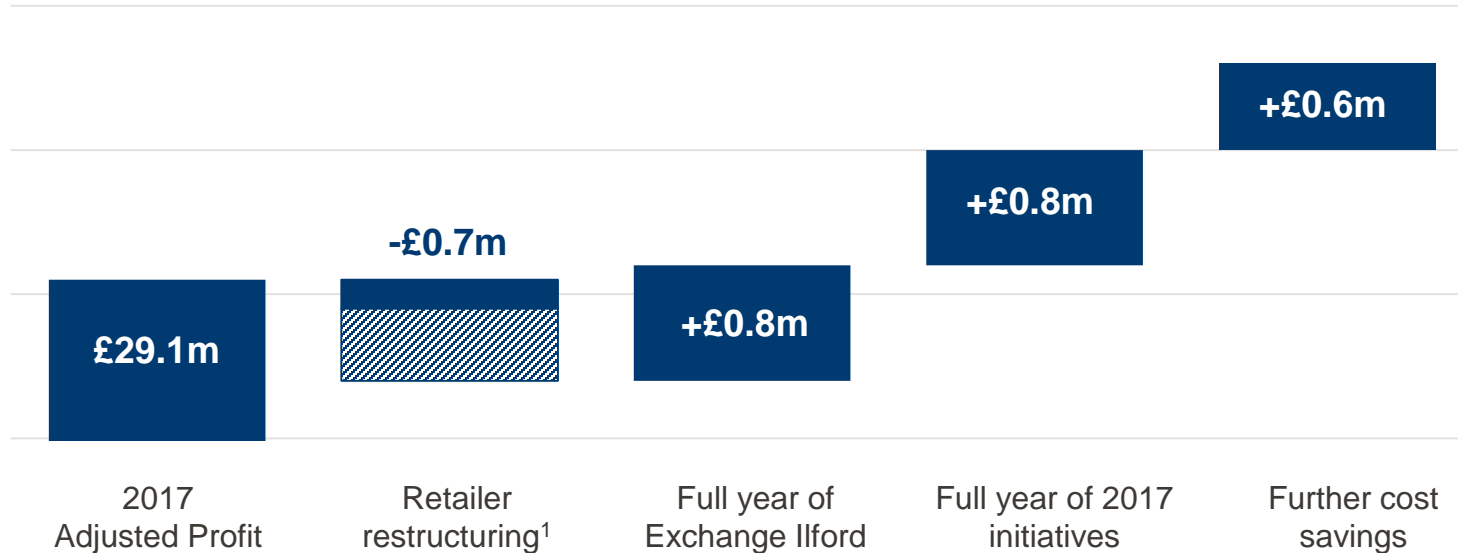


Over 60% of savings delivered in 2017

BUILDING BLOCKS OF 2018 ADJUSTED PROFIT

Before the impact of 2018 initiatives

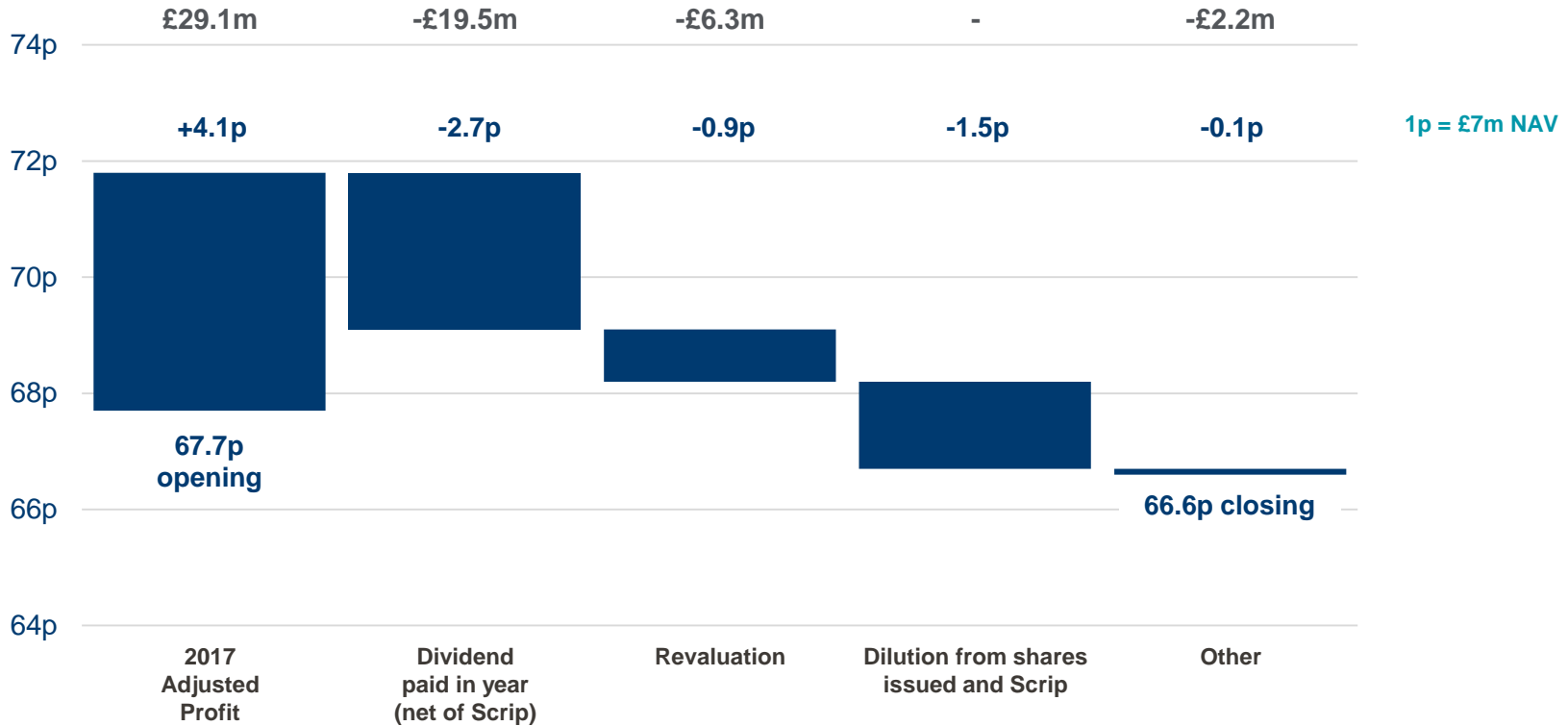
5% growth = £1.5m



¹ Based on current management estimate of insolvencies on 2018 results.

Reference should be made to the forward looking statement wording.

2017 EPRA NAV BRIDGE



GROUP DEBT

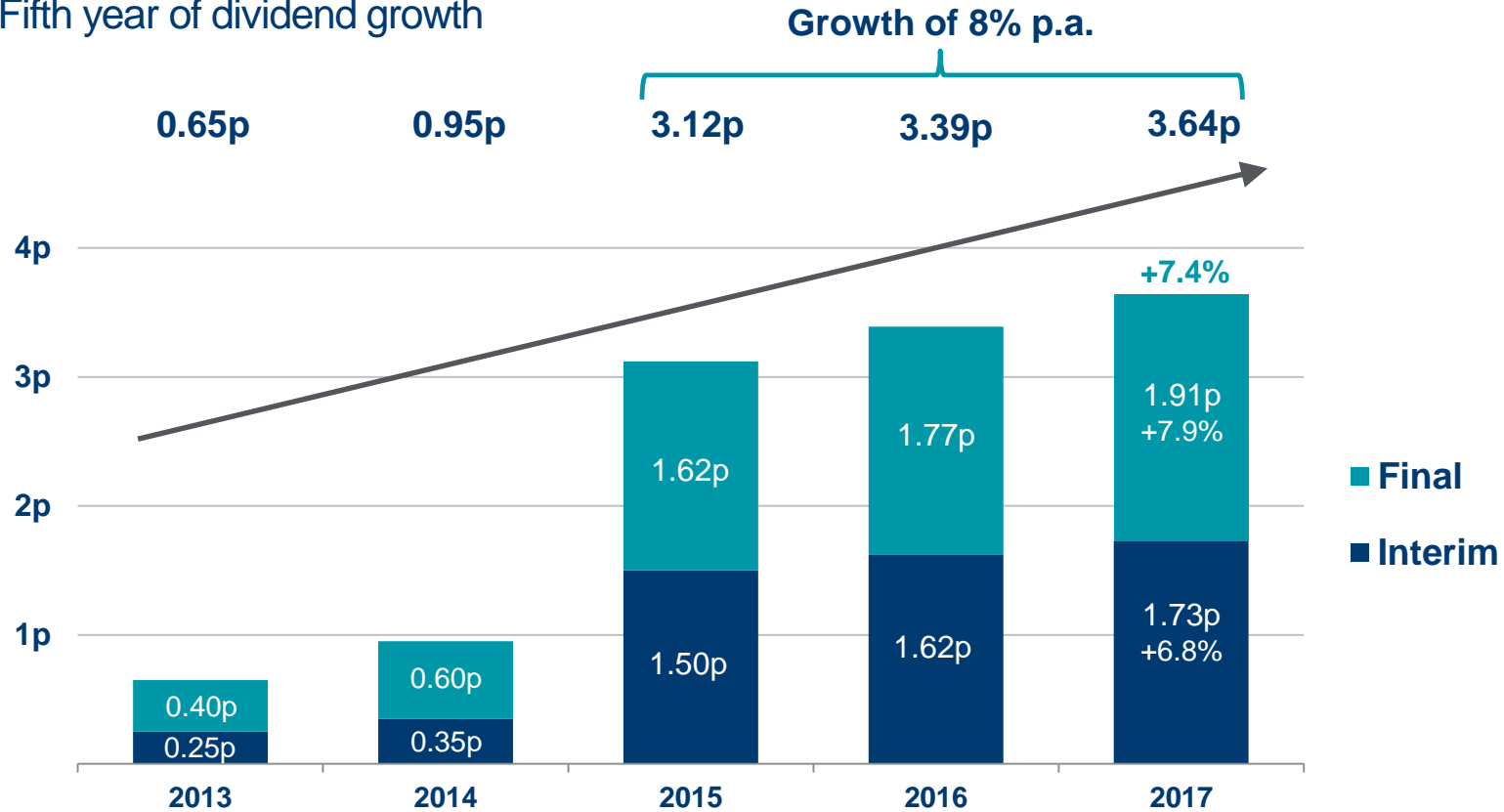
Targeting LTV at low end of 40%-50% range in medium term

	Debt £m	Cash £m	Net debt £m	Net debt to value %	Average interest rate ¹ %	Fixed %	Duration with extensions Years
Four Mall assets	255.0	(8.4)	246.6	46	3.36	100	8.6
Hemel Hempstead	26.9	(1.1)	25.8	48	3.32	100	5.1
Ilford	39.0	(2.4)	36.6	44	2.76	100	6.2
Luton	107.5	(5.8)	101.7	48	3.14	100	6.0
RCF	-	(6.7)	(6.7)	-	3.40	-	4.1
On balance sheet debt	428.4	(24.4)	404.0	46	3.25	94	7.3

¹ Assuming loans fully drawn.

DIVIDEND

Fifth year of dividend growth



JAMES RYMAN

Investment Director



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2017 PERFORMANCE / OPERATIONAL ACTIVITY

Leasing		
New lettings	47	£2.7m
Renewals settled	32	£1.7m
Total	79	£4.4m
Premium to previous rent ¹		+10%
Premium to ERV ¹		+8.4%
Occupancy	97.3%	+1.9%
WALE		7.8 years
Key operating metrics		
Footfall	78m	+0.1%
Footfall to benchmark		+3.8%
Frequency of visits		1.3 per week
Collect+	42k	+24%



1. For lettings and renewals (excluding development deals) with a term of five years or longer which do not include a turnover rent element.

£17.5M CAPEX SPENT IN 2017

Capex programme continues to deliver income growth

Scheme	2017 spend	Key initiatives
Blackburn	£1.3m	Wilko in refurbished former BHS
Hemel Hempstead	£0.7m	Leisure scheme planning
Ilford	£1.7m	Pilot Projects
Luton	£2.5m	Catering Hub, Office letting
Maidstone	£0.9m	Pilot Projects
Walthamstow	£5.1m	Lidl, The Gym, Gökyüzü
Wood Green	£5.3m	Travelodge

ASSET MASTERPLANS

Create comprehensive 3 to 5 year positioning plan for each scheme

- Tailored to community needs
- Based on data and local research
- Maps quickest path to improve performance
- Re-profiling relevant capex
- Delivering the financial returns
- Opportunities across the whole portfolio



TAILORED TO COMMUNITY NEEDS

Suitable product



Clear wayfinding

Ample and varied seating



Best in class amenities



User friendly car parks



High quality kids play

Appropriate leisure provision



Parents' rooms

Continual direct and indirect marketing



Improved ambience

BEFORE REPOSITIONING

Footfall decline of 5% at Ilford and 4% at Maidstone before pilot projects



ILFORD AND MAIDSTONE TRANSFORMATION

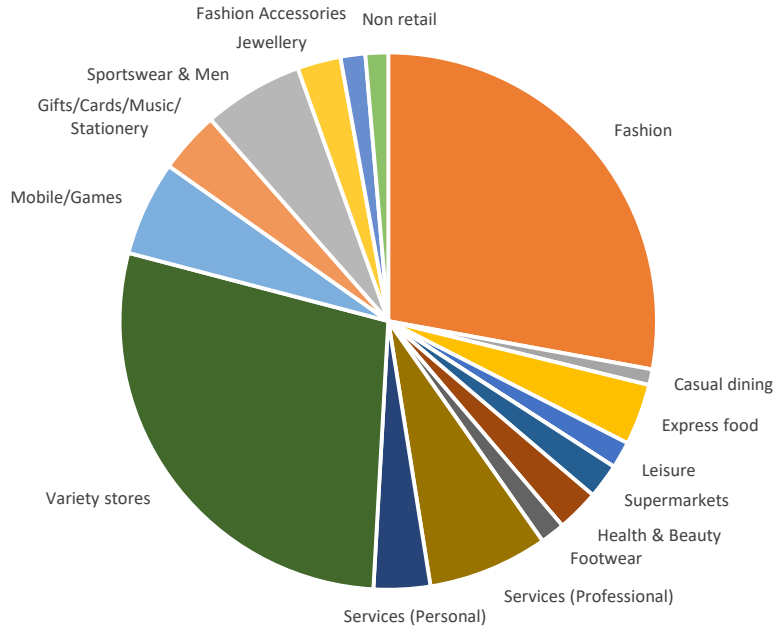
13 percentage point improvement in footfall trend at Ilford & 5 percentage points at Maidstone



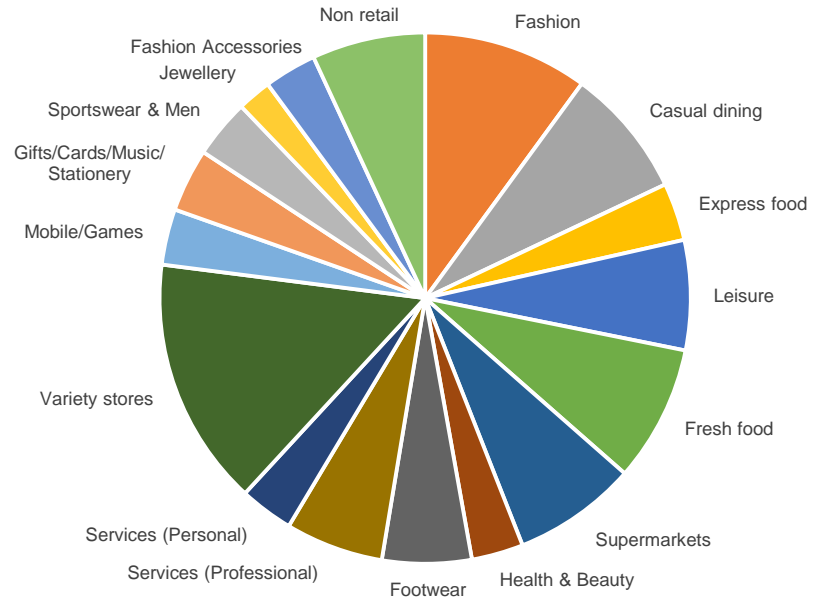
REPOSITIONED RETAIL MIX – HEMEL HEMPSTEAD

Creating a more aligned and diverse proposition

Existing Retail Mix



Masterplan Retail Mix



INDICATIVE PROGRAMME – HEMEL HEMPSTEAD

Phased flexible and disciplined approach to asset repositioning

Project	Capex	2018				2019				2020			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Scheme refurbishment	£3.4m												
Cinema-led leisure initiative	£13.4m												
Operational standards & ambiance upgrades	£0.5m												
Supermarket / fresh food	£1.0m												
Reconfiguration / remerchandising	£0.4m												



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SUMMARY

- **Outlook:**

- Retail market facing headwinds – C&R well positioned
- Confidence in community centres and London weighting
- Strategy is delivering – needs and value oriented
- Continue to focus on income, target dividend growth 5% to 8% over medium term

- **Active asset management critical to ongoing success:**

- Continued evidence of pilot project success – footfall up 3.1% in 2 months to end of Feb 2018
- Strategic asset management masterplans implemented across portfolio
- Capex opportunities totalling over £100m across more than 50 projects

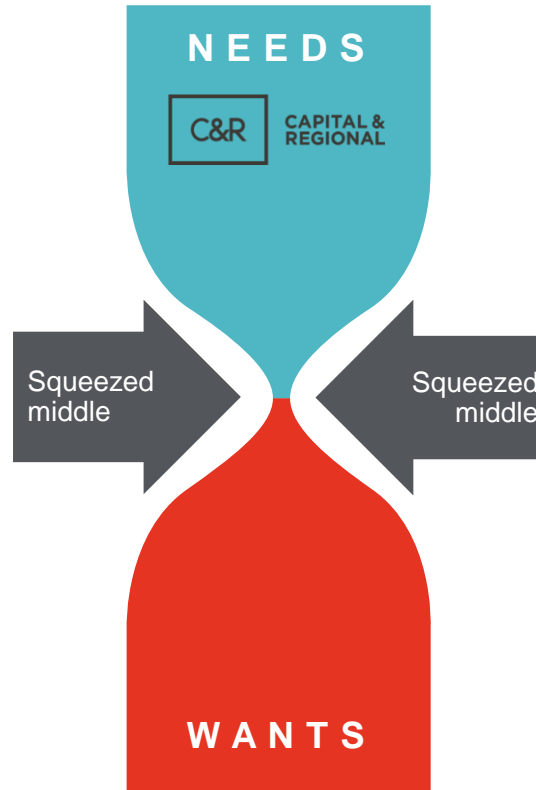
- **Robust performance – dividend up 7.4%, driven by NRI growth and cost savings**

APPENDIX

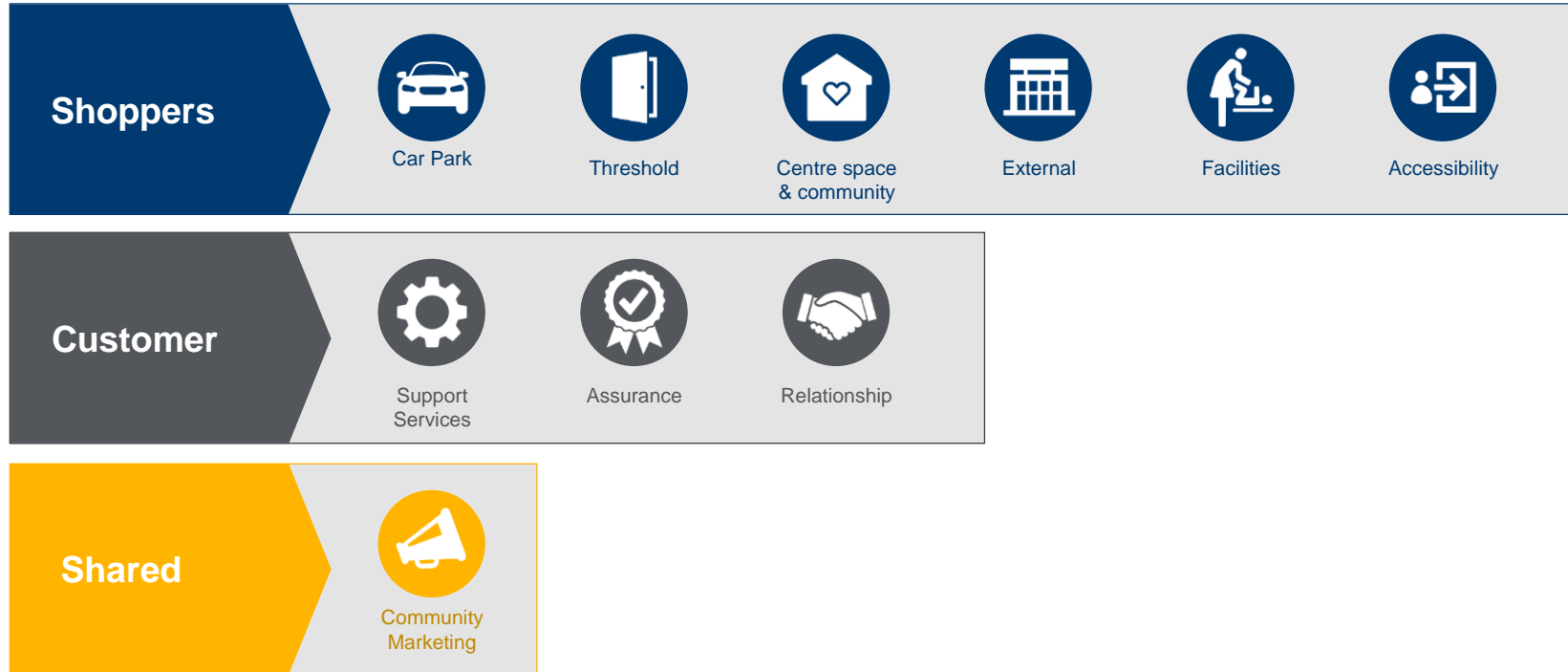


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POLARISATION OF THE RETAIL SECTOR



PILOT PROJECTS – UNDERSTANDING OUR AUDIENCES



TOP 10 RETAILERS¹

A strong and diversified tenant mix

		% of rent	Stores
Debenhams	DEBENHAMS	5.62	3
Alliance Boots		3.78	6
TK Maxx		2.97	4
New Look	NEW LOOK	2.96	6
Primark	PRIMARK [®]	2.95	3
AS Watson	  	2.91	15
H&M		2.57	5
Sports World		2.25	7
WH Smith	WHSmith	2.09	6
Wilko		2.05	5
TOTAL		30.15	60

¹ Wholly-owned portfolio

c. 400 different tenants – low concentration risk



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WHOLLY-OWNED ASSET INFORMATION

As at 30 December 2017

Number of properties	7
Properties at valuation	£886.6m
Initial yield	6.1%
Equivalent yield	6.4%
Reversion	12.3%
Weighted average lease length to break	6.5 years
Weighted average lease length to expiry	7.8 years
Contracted rent	£64.1m
Passing rent	£61.0m
ERV	£68.5m
Occupancy	97.3%

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, Wilko, Pure Gym	600,000	122	12.6	1,304
The Marlowes, Hemel Hempstead	Freehold covered scheme on one principal trading level	Wilko, New Look, Sports Direct, River Island	350,000	109	6.6	1,200
The Exchange, Ilford	Predominantly freehold scheme over three trading levels	Debenhams, Next, H&M, TK Maxx, M&S	300,000	79	10.6	1,060
The Mall, Luton	Leasehold covered shopping centre on two floors with over 65,000 sq ft of offices	Debenhams, Primark, H&M, M&S, TK Maxx, Wilko, Luton BC (offices)	900,000	170	19.9	1,706
The Mall, Maidstone	Freehold covered shopping centre on three floors with over 40,000 sq ft of offices	TJ Hughes, Boots, New Look, Wilko, Next, Iceland, Maidstone BC (offices)	500,000	107	8.8	1,050
The Mall, Walthamstow	Leasehold covered shopping centre on two floors	TK Maxx, Sports Direct, Lidl, Asda, Boots, The Gym	260,000	69	9.0	850
The Mall, Wood Green	Freehold, partially open shopping centre, on two floors	Primark, Wilko, H&M, Boots, TK Maxx, Travelodge	540,000	109	10.5	1,500



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VALUATIONS

Property at independent valuation	30 December 2017		30 December 2016	
	£m	NIY %	£m	NIY %
Blackburn	121.3	6.65%	124.1	6.53%
Hemel Hempstead	54.0	6.88%	54.6	7.07%
Ilford ¹	82.4	6.54%	78.0	6.70%
Luton	214.0	6.35%	207.0	6.35%
Maidstone	76.0	6.70%	80.0	6.78%
Walthamstow	107.7	5.25%	103.3	5.25%
Wood Green	231.2	5.25%	225.1	5.25%
Wholly-owned portfolio	886.6	6.06%	872.1	6.08%

¹ Ilford at acquisition price on 8 March 2017.

ADJUSTED PROFIT TO IFRS PROFIT

<i>Amounts in £m</i>	Year to 30 December 2017	Year to 30 December 2016
Adjusted Profit	29.1	26.8
Property revaluation (including Deferred Tax)	(6.3)	(14.5)
Loss on disposals	-	(2.6)
Gain/(Loss) on financial instruments	1.1	(2.5)
Refinancing costs	(0.5)	(11.0)
Other items	(1.0)	(0.6)
Profit/(loss) for the period	22.4	(4.4)

ASSET MASTERPLAN – WOOD GREEN

Data insights

- Need for centre ambiance upgrade identified
- Current user groups; striving families, career climbers and steady neighbourhoods
- Opportunity to grow average spend of these existing user groups
- Career Climbers and City Sophisticates under represented, opportunity increase frequency of visit

Recommendations

- Improve centre ambiance
- Strengthen the current cinema offer with improved independent casual dining & 'Grab and Go' offer
- Enhance the existing Food Market
- Operational standards to be improved (mall furniture, guest facilities and parents rooms)
- Improvement the visual statement of the centre from the High Road

MASTERPLAN OPTIONS – WOOD GREEN

1 – Casual dining



3 – Store enhancements



Upper Level



2 – Family & Guest Services



4 – New Community Space & Management Suite



MASTERPLAN OPTIONS – WOOD GREEN

Lower Level

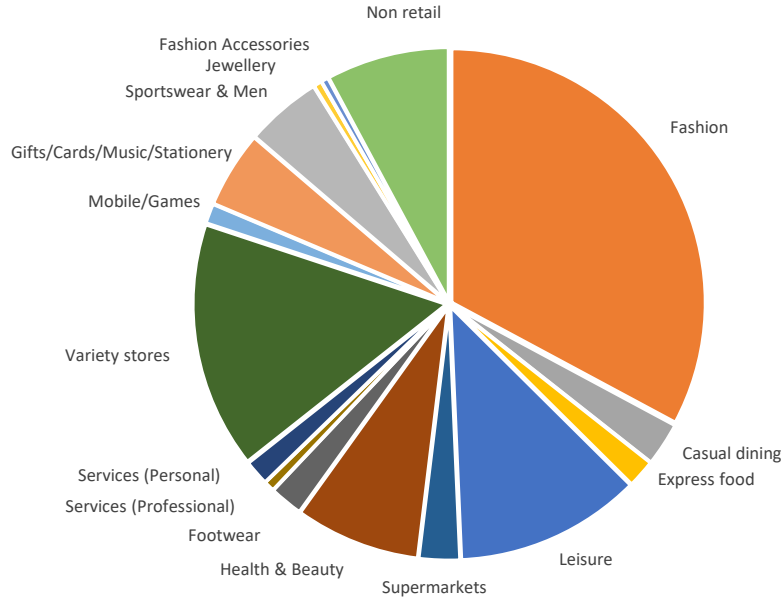
1. New double height shop front / facade to High Road
2. Absorption of foyer area adjacent to Five Guys to create a new High Road unit
3. Review options for additional guest facilities



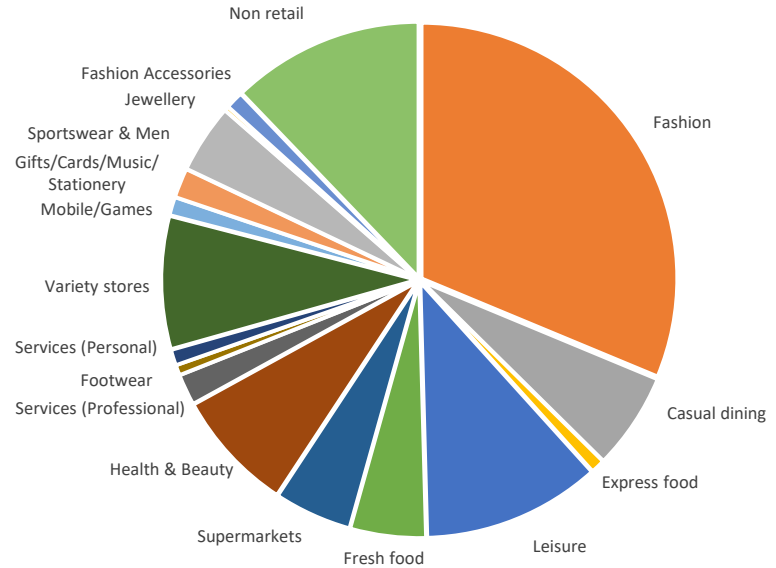
4. Introduction of an adjacent supermarket / fresh food market that benefits from improved street frontage
5. Vertical transportation to be relocated

REPOSITIONED RETAIL MIX – WOOD GREEN

Existing Retail Mix



Masterplan Retail Mix



FLEXIBLE APPROACH TO ASSET REPOSITIONING – WOOD GREEN

Project	Capex	2018				2019				2020			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Family zone & dining	£3.0m					█							
Reconfiguration / remerchandising	£2.9m		█				█				█		
Fresh food market	£1.5m					█							
Operational standards & ambiance upgrades	£2.0m			█									
Hotel extension	£9.0m									█			
Supermarket planning	£0.5m			█									

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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