

# Annual Results Presentation

13 March 2013

**Capital &  
Regional**

# **Agenda**

**Key Events**

**Operations**

**Asset Management**

**2012 Results**

**Strategy & Outlook**

**Questions & Answers**

# Key Events

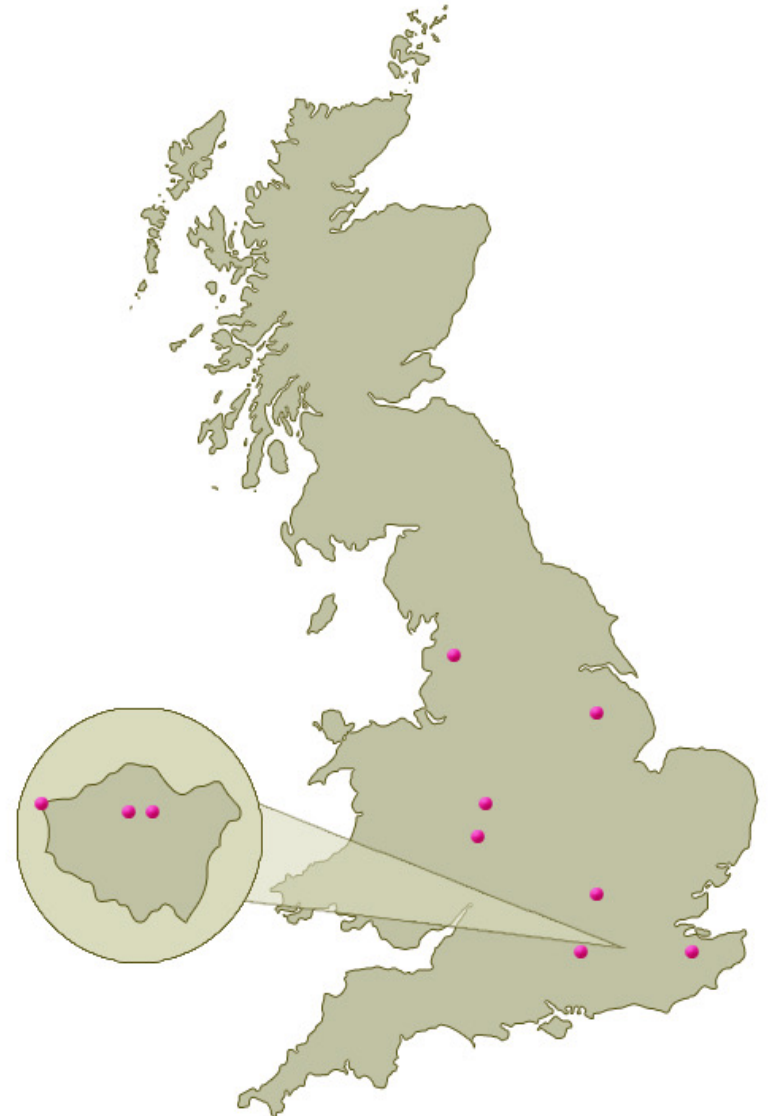
## Key Events

- Significant progress in execution of strategic plan
  - Total consideration from disposals of non core assets of £50.2m including performance fee of £2.6m representing 28.6% of statutory NAV at 30 June 2012
  - Purchase of units in The Mall at a discount of 28.5% taking the Group's share to 20.33% and acquisition of Redditch, increasing our focus on UK shopping centres
- Proforma see-through net debt to property value fell to 55% compared to 65% at 2011 year end
- Robust recurring pre-tax profit of £17.0m, up 3.7% from 2011
- Strong operating performance of UK shopping centres demonstrated by occupancy on a like for like basis at year end rising to 96.7% from 96.1%, despite administrations in the year
- Significant step forward for asset management and development at Lincoln, Hemel Hempstead and Redditch
- Fall in basic NAV per share to 51p, compared to 56p at 2011 year end and 53p at 30 June 2012, primarily reflecting German impairment in the first half

# Operations

# UK Shopping Centres - Overview

- £1 billion property portfolio
- 66% of shopping centres in London and SE England
- 10 town centre locations
- Majority of locations dominant in the local community
- Affordable rents - average rent per sq ft of £20 (zone A: £25-£145) offering real competition to out-of-town
- Ownership of car parking and good public transport facilities
- Management platform facilitates rapid adaption to changing patterns of consumer behaviour



# UK Shopping Centres - Administrations

## 2012

- 69 units put into administration 2012, passing rent of £5.8m (7.1% of 2012 year end passing rent)
- Strategy to maintain occupancy and trading vibrancy
  - 46 re-let
  - 4 open and expected to be re-let
  - 5 part of on-going asset management plans
  - The 14 remaining units have closed (passing rent of £0.7m)

## 2013

- By end February 2013, 13 units have entered administration, with passing rent of £1.3m (1.6% of 2012 year end passing rent). Of those:
  - 6 units (£0.7m rent) open and trading
  - 2 units (£0.2m rent) re-let in excess of pre-administration passing rent
  - 1 unit (£0.1m rent) forming part of development
  - 4 units (£0.3m rent) closed

# Administrations – Case Study

## HMV

2 HMV units dealt with prior to administration	£251k passing rent
5 HMV units into administration	£434k passing rent

- Wood Green - re-let to Morrisons Local
- Redditch - open and trading
- Camberley - taken back for TK Maxx development
- Blackburn - open - Heads of Terms nearing completion for new retailer as part of reconfiguration
- Luton - open - sub-tenant of Primark (No rental impact on C&R)
- Sutton Coldfield - re-let to Paperchase (pre-administration)
- Walthamstow - re-let to Choice Retail (pre-administration)

Passing rent for the 7 units targeted likely to increase by approximately 10%, reflecting under-renting of HMV units



# **Asset Management**

# Asset Management – Key Themes

- Increasing demand from leisure operators within our UK shopping centres
- Demand for space from fashion and department stores
- Reconfiguration of space and introduction of new technologies to accommodate multi-channel strategies
- Significant progress in asset management initiatives at Hemel and Great Northern, where All Star Lanes has now opened, improving the investment case for both properties
- Negotiations with anchor retailers on the key expansion and development opportunities within our schemes notably at Walthamstow and Camberley

# Technological and Operational Highlights

- Free Wi-Fi introduced across The Mall portfolio
- Mobile enabled website launched in Q2 – 45% of traffic now from mobile devices
- Mall App launch Q4 provides shoppers with exclusive offers at participating retailers
- Click and Collect partner ByBox agreement reached in Q1 2013
- Ancillary revenues up 4.5% on 2011
- Service charges average £4.30 psf, 15.7% below industry average



# Kingfisher, Redditch – Asset Management

- Introduction of three new retailers – Entertainer, Select and Pandora (5,200 sq ft combined)
- Submission of planning application for 19,000 sq ft family dining hub
- Heads of Terms agreed with gym operator to take 15,000 sq ft in basement of vacant former TJ Hughes unit
- First steps to repositioning Evesham Walk as fashion centre of scheme
- Heads of Terms agreed to relocate Poundland into vacant former Peacocks store
- Exploring options for introduction of food store to satisfy operator demand
- Mall income increased by 22% in first nine months of ownership
- Following insolvencies of Clintons, Game and Jessops, we have secured continued occupation for each under new terms at aggregate headline rents ahead of ERV



# The Mall, Luton – Asset Management

- New 22,500 sq ft H&M opened December 2012
- New lettings to - Stormfront (Apple) (2,700 sq ft)
  - Pandora (2,200 sq ft)
  - Vodafone (2,000 sq ft)
  - Barratts (2,900 sq ft)
- New lettings agreed post insolvency with
  - Peacocks (12,400 sq ft)
  - Clinton Cards (5,400 sq ft)
- Refurbishment of Debenhams store completed (130,000 sq ft)
- Demolition of Library car park completed thereby creating a development site adjacent to the adjoining leisure centre



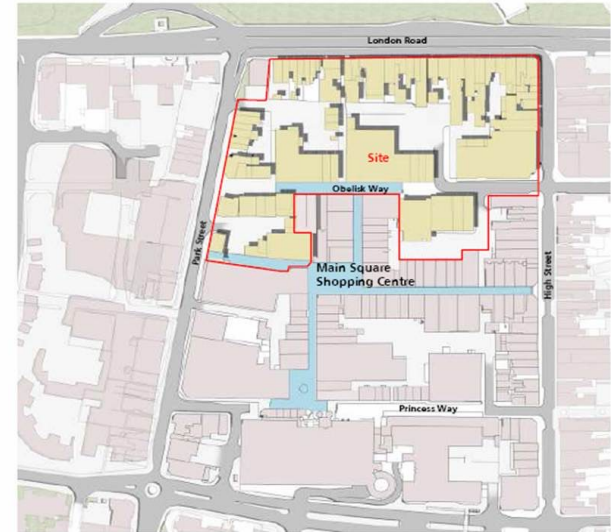
# The Mall, Camberley – Asset Management

## Development Progress

- Proposal to deliver 291,000 sq ft extension
- Scheme design and draft Heads of Terms agreed with Local Authority
- In discussions with an anchor tenant
- Significant growth opportunity for Camberley town centre supported by local planning framework

## Asset Management

- Letting of new 20,000 sq ft unit to TK Maxx (amalgamation of four units)
- Other lettings secured to Trespas (4,000 sq ft), T Reds (4,200 sq ft), Barratts (2,250 sq ft) and Clintons relocation (2,550 sq ft)
- Renewals secured with Thorntons, Monsoon, Accessorize, Toni & Guy, Luminar Nightclub and Waterstones (aggregate headline rents at ERV)





# Asset Management

## Other Mall Deals

- Wood Green – upsize of TK Maxx into former Peacocks store to form new 37,900 sq ft store in addition to lettings to Schuh and Tiger Retail, 6,450 sq ft combined
- Blackburn – amalgamation of six units for Debenhams extension thereby forming a new 95,000 sq ft store
- Sutton Coldfield – strong lettings with introduction of Barclays Bank, Sports Direct, Stormfront, Card Factory, Café Nero, Paperchase and Hotter Shoes 26,000 sq ft combined
- Walthamstow – new leases to JD Sport, Deichmann Shoes and Carphone Warehouse, 14,800 sq ft combined, continued progress with local authority on the scheme extension



# Great Northern Warehouse – Asset Management

- Significant progress in building the restaurant/leisure mix on the back of the All Star Lanes letting, which officially opened on 1 March 2013
- Lettings completed or in legals on all units fronting Great Northern Square. Fully trading frontage by late summer
- Critical mass of leisure developing in immediate vicinity, reinforcing the destination
- Key activity:
  - Letting completed to Almost Famous Burgers on 8,700 sq ft unit on a 20yr lease (10yr break)
  - Terms agreed with Mexican restaurant to take 3,400 sq ft unit on a 15yr lease (10yr break)
  - Terms agreed with leading restaurant/bar operator to take 12,500 sq ft Pavilion unit on a 25yr lease
  - Continued discussion with hotel operator for plaza/ office accommodation





## Waterside, Lincoln – Asset Management

- Material progress towards delivery of reconfiguration and repositioning strategy:
  - Advanced legals with Next for 16,000 sq ft store
  - Second anchor letting to be agreed before end of month (22,000 sq ft)
  - In legals with New Look to reconfigure and expand to 14,000 sq ft store
  - Advanced legals with food court operator to relocate to new Riverside unit
- Planning application to be submitted before the end of March
- Start on site target of June 2013, with scheme completion by October 2014
- Estimated further capital investment of £2.5m (C&R share) delivering £0.8m of income increase on acquisition position and an income return on total investment of 8.2%
- Improved income profile with current tenants with relocation of Vision Express (10yr lease) and re-gear with O2 (10yr lease, 5yr break) at rents well ahead of unit ERVs

# Hemel Hempstead – Asset Management

- Continued momentum around proposals to create 160,000 sq ft restaurant and leisure facilities
- Advanced legals with The Restaurant Group on 13,500 sq ft
- Advanced negotiations on a further 14,000 sq ft of restaurant space
- Advanced legals with Dacorum Sports Trust over gym space and active discussions on bowling and kids play
- Proposed letting to Gala Bingo awaiting tenant Board approval
- Target completion of current legals before end of March



# Germany – Asset Management

Properties are well let with occupancy at 97.9%.

Income stable. Lease re-gears and new lettings have maintained weighted average lease length at 7.8 years, thus improving marketability and refinancing options.

Key drivers include:

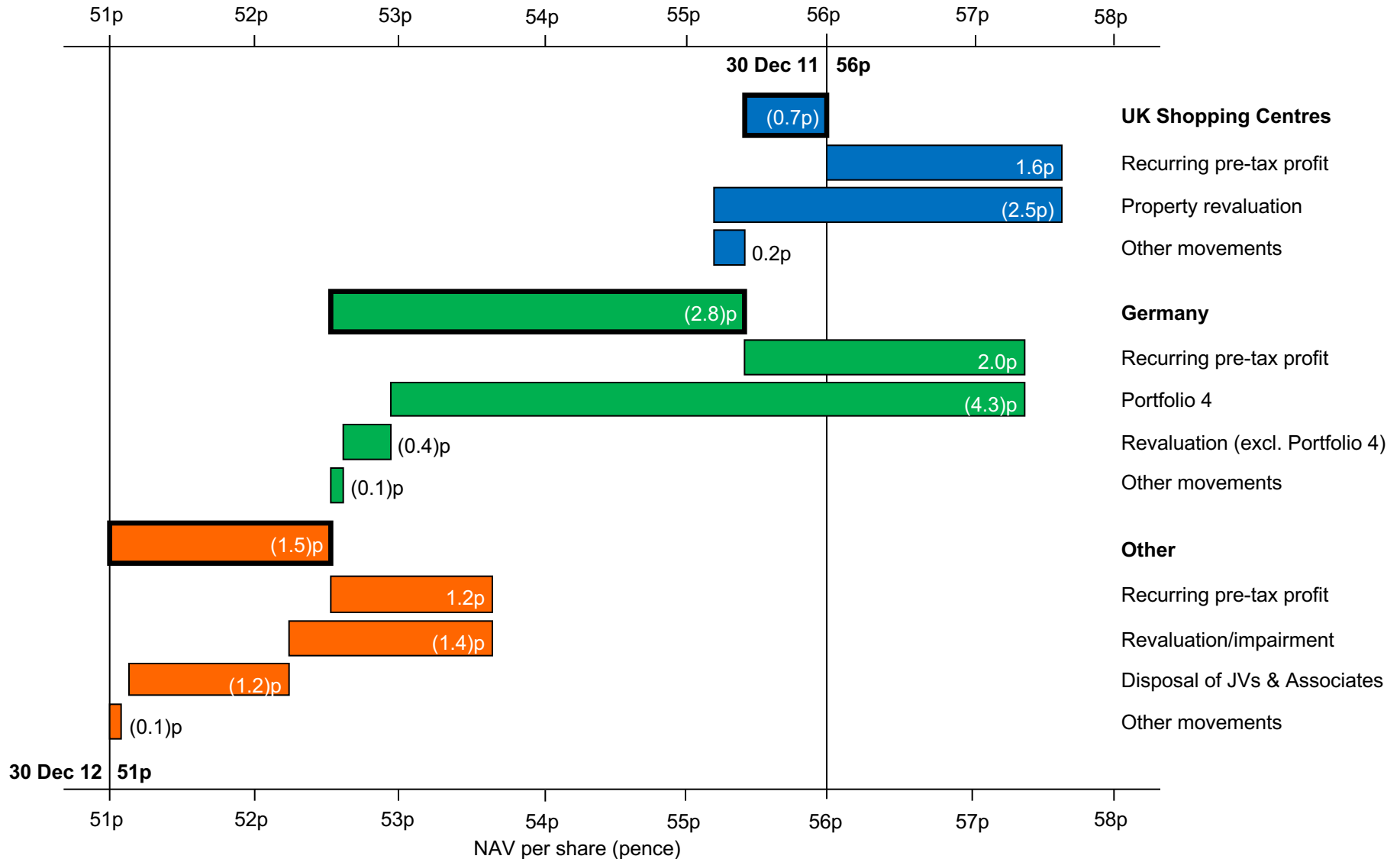
- Ingelheim – new 15 year lease signed with Real
- Lauchhammer – new 10 year lease with Toom and 7 year extension with Edeka
- Hameln – planning submitted for 550 sq m extension and 2,200 sq m letting to Expert (Electronics)
- Aachen – new 10 year lease with Hammer (Textiles) to replace Praktiker on expiry in July 2013
- Sale of Taufkirchen to complete in April 2013 for €6.4m, at valuation

# 2012 Results

# Financial Results

<u>Investment returns</u>	<u>Proforma</u>	<u>2012</u>	<u>2011</u>
Net assets per share		51p	56p
EPRA net assets per share		55p	63p
<u>Financing</u>			
Group net debt	£22.7m	£53.3m	£47.2m
Net debt to equity ratio	13%	30%	24%
See-through net debt to property value	55%	62%	65%
<u>Profitability</u>			
Recurring pre-tax profit		£17.0m	£16.4m
Loss after tax and discontinued operations		£(16.0)m	£21.1m
Basic earnings per share		(5)p	6p
<u>Property under management</u>		£1.4bn	£2.5bn

# Net Assets Per Share Bridge



# Recurring Pre-tax Profit

	2012	Change v. 2011
	£m	£m
Asset management fees	8.7	0.3
Service charge & other fees	4.0	(0.3)
Fixed management expenses	(8.7)	(0.5)
	<hr/>	<hr/>
Property management	4.0	(0.5)
UK property investment	9.3	1.3
Germany property investment	7.1	(0.8)
SNO!zone	1.2	0.5
Non-segment items	(4.6)	0.1
	<hr/>	<hr/>
<b>Recurring pre-tax profit</b>	<b>17.0</b>	<b>0.6</b>

# 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	1.0	n/a	n/a	3.70	-	3.6
Great Northern	57.6	79	77	7.51	102	1.8
<b>Group debt</b>	<b>58.6</b>			<b>7.45</b>		
Cash and cash equivalents	(5.3)					
<b>Group net debt</b>	<b>53.3</b>					
X-Leisure net proceeds	(30.6)					
<b>Proforma Group net debt</b>	<b>22.7</b>					

A new £25m revolving credit facility was signed in 2012.



# Off Balance Sheet Debt

	Debt	Cash	Net debt	Loan to value	Net debt to value	Average interest rate	Fixed	Weighted average duration to expiry
<b>Group share</b>	<b>£m</b>		<b>£m</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>(years)</b>
The Mall	115.0	(21.4)	93.6	67	55	4.11	100	2.3
Germany	124.3	(4.1)	120.2	74	71	3.93	90	2.2
Waterside Lincoln	6.8	(1.0)	5.8	52	44	4.70	100	2.1
Kingfisher Redditch	17.2	(1.6)	15.6	65	59	6.17	100	4.3
<b>Off balance sheet</b>	<b>263.3</b>	<b>(28.1)</b>	<b>235.2</b>			<b>4.17</b>	<b>95</b>	<b>2.4</b>

Proforma excluding X-Leisure

# Mall Financial Strategy

- Reduction of debt below £400m to be delivered through further disposals
- Current debt level £571m at 67.1% gross LTV
- Repayment from Camberley of c. £13.4m reduces gross LTV to 65.5%
- Cash within structure of £106.2m results in net debt of 54.6%
- Run rate of debt repayments c. £5.0m per quarter in the first half of 2013
- Actions will facilitate refinancing and recommencement of distributions
- Distributions expected to recommence when gross LTV falls below 60%

# **Strategy & Outlook**

# Strategy

- Significant progress made in focusing Capital & Regional's business around its core dominant community shopping centres
- Unique management platform gives us the opportunity to grow our portfolio of UK shopping centres, both through The Mall and in joint ventures with our key partners
- Our focus is on shopping centres which have a dominant market share in the communities they serve and which provide attractive and affordable space for retailers
- The Mall remains at the centre of our strategy and will continue to be a priority for the allocation of capital
- Capital will be recycled from non-core assets to finance growth and buy-back shares

# Outlook

- Operating environment remains challenging for our retailers
- Our priority will be to ensure that occupancy levels remain high to maintain the vibrancy of the schemes
- We expect to re-let vacant space resulting from retailer administrations in the early part of this year
- We expect further deleveraging of The Mall with the aim of reducing the quantum of debt below £400m to allow distributions to recommence and provide confidence to the refinancing of the CMBS which matures in April 2015
- Future equity structure for The Mall will be integral to financing discussions
- Resumption of distributions from The Mall should enable the Group to resume paying a dividend, to be covered by cash earnings, at the end of the year

# Questions & Answers

# Appendix

# UK Shopping Centres – Regional Profile

	Valuation		Net initial yield	
	31 Dec 12	Movement vs. Dec 11 <sup>1</sup>	31 Dec 12	Movement vs. Dec 11
	£m	%	%	%
Greater London	336	3.3%	6.4%	(0.4)%
South East	329	(6.3)%	7.0%	0.1%
Regions	344	(7.4)%	7.9%	0.4%
<b>Total UK shopping centres</b>	<b>1,009</b>	<b>(3.7)%</b>	<b>7.1%</b>	<b>(0.0)%</b>

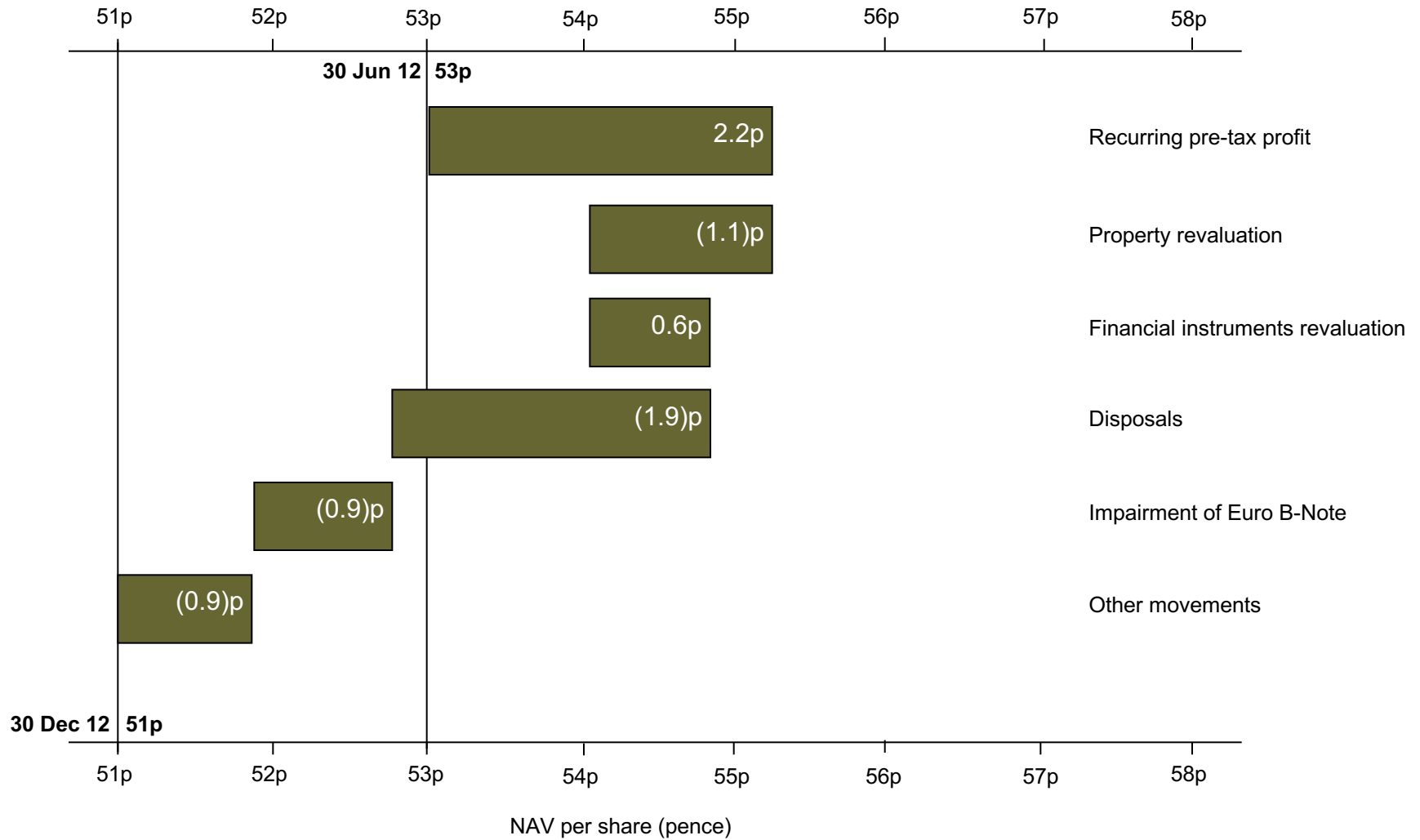
Excluding The Mall Norwich which was sold in July 2012

Kingfisher Centre, Redditch acquired in May 2012 at £130.0m / 8.00% NIY. For comparison purposes, full year movement figures incorporate acquisition numbers as at Dec 11

<sup>1</sup>Net of capex spend in 2012 (excluding acquisition costs)



# Net Assets Per Share Bridge



### 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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