

2019 HALF YEAR RESULTS PRESENTATION

11 September 2019

C&R

CAPITAL &
REGIONAL

RESULTS AND MARKET OVERVIEW

Lawrence Hutchings
Chief Executive



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EXECUTIVE SUMMARY

- H1 2019 – resilient operational performance
- Strategy delivering strong relative results
- Market backdrop – structural challenges continue
- Continued focus on balance sheet
- Announcement of possible partial offer in cash and subscription for new shares

H1 2019 OVERVIEW

Controlling the controllables

- Footfall significantly outperformed the national index
- Continuing occupier demand reflected in high occupancy
- 44 new lettings and renewals
- Positive letting activity helping to offset impact of CVAs
- Investment and repositioning
 - £5.9m capex in period

37.2m shopper visits in H1 outperforming index by 1.8%	Leasing spreads +6.9% to ERV +31.2% to passing¹	High occupancy 96.8%
Adjusted Profit -4.5%	EPRA NAV per share 52p	NRI -3.1%

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

H1 2019 FINANCIAL RESULTS

Stuart Wetherly
Group Finance Director



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FINANCIAL RESULTS

Focus on income delivers resilient results

	H1 2019	H1 2018	Change
Profitability			
Net Rental Income	£25.2m	£26.0m	-3.1%
Adjusted Profit ¹	£14.8m	£15.5m	-4.5%
Adjusted Earnings per share	2.04p	2.15p	-5.1%
	30 June 2019	30 December 2018	Change
Net Asset Value			
EPRA NAV	£377.2m	£431.7m	-£54.5m (-12.6%)
NAV per share	51p	60p	-9p (-15.0%)
EPRA NAV per share	52p	59p	-7p (-11.9%)
Group Debt			
Net debt to property value	52%	48%	+4 pps
Average maturity	5.9 years	6.3 years	-0.4 years
Cost of debt ²	3.26%	3.27%	-0.01pps

¹ Adjusted Profit incorporates profits from operating activities and excludes revaluation of properties and financial instruments, gains or losses on disposal, exceptional items and other defined terms.

² Assuming RCF fully drawn.

CVAs AND INSOLVENCIES

Continued occupier restructuring headwinds

H1 2019 National Retail Failures		C&R wholly-owned portfolio (H1 2019)	
Retailers	Total Stores	Retailers	Units impacted
8	1,444	4	13

Source: Centre for Retail Research

- Four CVA's - Debenhams, Arcadia, Monsoon/Accessorize and Select - have impacted 13 units in H1 2019
- Total expected impact of all of the 2019 CVA's and administrations experienced to date is £1.3m, of which the majority (£1.1m) will be borne in the second half of the year – or £2.3m on an annualised basis.
- H1 2019 was also impacted by £0.9m from full period impact of 2018 CVAs and administrations

ADJUSTED PROFIT

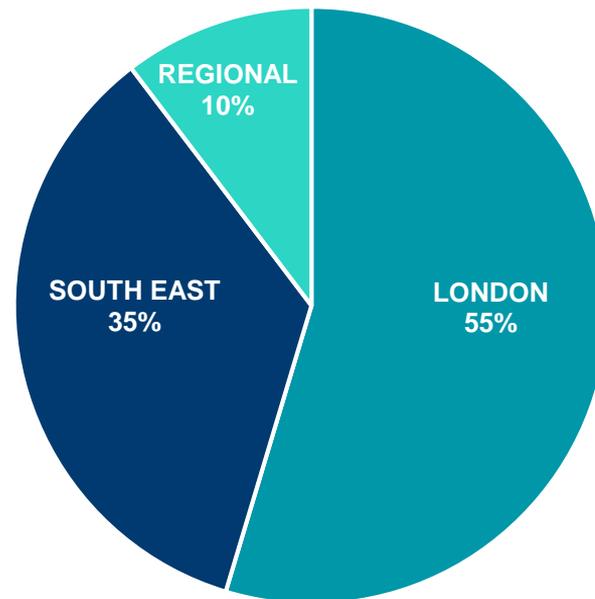
Robust performance in challenging market

Amounts in £m	H1 2019	H1 2018
Net rental income		
Wholly-owned assets	25.2	26.0
Kingfisher, Redditch	-	0.1
Net interest	(9.4)	(9.4)
Snozone profit	1.0	1.0
Central operating costs net of external fees	(2.0)	(2.2)
Tax	-	-
Adjusted Profit	14.8	15.5
	-4.5%	
Adjusted Earnings per Share	2.04p	2.15p
	-5.1%	

VALUATIONS

Geographic weighting mitigating investment market headwinds

Property at independent valuation	30 June 2019		30 December 2018		Headline Valuation Change
	£m	NIY %	£m	NIY %	
London					
Ilford	82.4	5.54%	86.2	5.69%	-3.0% -£13.3m
Walthamstow	127.0	4.85%	124.6	5.01%	
Wood Green	226.4	5.28%	238.3	5.12%	
South East					
Hemel Hempstead	41.7	7.74%	44.9	7.35%	-9.8% -£30.5m
Luton	173.0	7.25%	195.4	7.01%	
Maidstone	64.1	8.00%	69.0	7.74%	
Regional					
Blackburn	82.7	8.42%	96.8	7.70%	-14.5% -£14.1m
Portfolio	797.3	6.34%	855.2	6.23%	-6.8% -£57.9m



Valuation at 30 June 2019

GROUP DEBT

Long-term diversified debt structure

	Debt £m	Cash £m	Net debt £m	Average interest rate ¹ %	Fixed %	Duration with extensions Years
Four Mall assets	265.0	(10.0)	255.0	3.33	100	7.1
Luton	107.5	(6.7)	100.8	3.14	100	4.5
Hemel Hempstead	26.9	(0.8)	26.1	3.42	100	3.6
Ilford	39.0	(1.7)	37.3	2.76	100	4.7
RCF/(Group Cash)	-	(6.1)	(6.1)	3.81	-	2.6
Total	438.4	(25.3)	413.1	3.26	94	5.9

¹ Assuming loans fully drawn.

² The Group's Revolving Credit Facility of £15 million was undrawn and fully available at 30 June 2019.

COVENANT HEADROOM

Managing headroom in uncertain markets

Facility	Debt £m	Current LTV as at 30 June 2019	LTV cash trap covenant	LTV default covenant	Headroom to covenant as % of June 2019 valuation:	
					Cash trap	Default
Four Mall Assets	265.0	53%	65%	70%	18.5%	24.3%
Luton ¹	103.0	60%	n/a ¹	80% ¹	n/a	25.6%
Ilford	39.0	47%	60%	70%	21.1%	32.4%
Hemel Hempstead ²	26.9	43% ²	n/a	60%	n/a	27.7%

¹ Luton debt pro-forma reflecting terms agreed post 30 June 2019. £4.5m of cash within the structure applied to loan. Cash trap covenant waived and default covenant increased to 80% until 30 September 2020 (revert to 65% and 70% respectively thereafter).

² Hemel Hempstead LTV reflects amended agreement with new £7m development facility completed on 13 March 2019. Covenant assessed on current loan to projected Gross Development Value of scheme with leisure development. Default covenant shown as no cash trap.

DELIVERING STRATEGY

Lawrence Hutchings
Chief Executive



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THE PILLARS OF OUR STRATEGY



FOCUS ON REPOSITIONING

Three steps to repositioning

1

OPERATIONS & MARKETING

- ATTRACT CUSTOMERS
- DRIVE FOOTFALL
- RETAILER PERFORMANCE

2

LEASING

- ADAPT RETAIL FOOTPRINT
- INCOME GENERATION & GROWTH
- REMERCHANDISE

3

DEVELOPMENT & INVESTMENT

- ADD DENSITY
- MIXED USE
 - RESIDENTIAL
 - OFFICES
 - OTHER
- MAXIMISE VALUE

OPERATIONAL KPIs

Community masterplan-led strategy delivering resilient underlying fundamentals

H1 2019 operational KPIs

Footfall	37.2m	-1.8%
Footfall to benchmark		+1.8%
Frequency of visits	1.2 per week	
Click and collect		+19%
Occupancy	96.8%	-0.2 pps



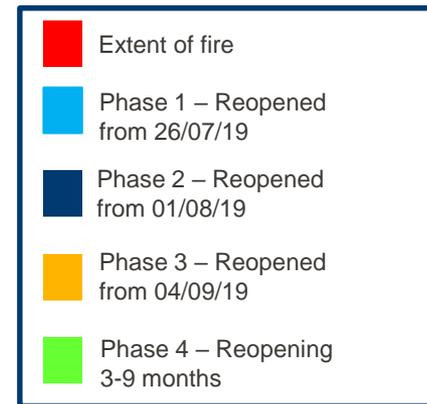
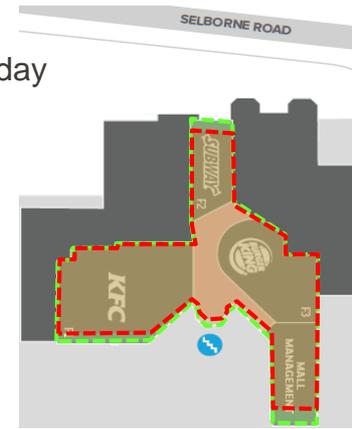
1

OPERATIONS & MARKETING

WALTHAMSTOW FIRE

Re-opening plan

- Fire broke out on Monday 22 July 2019 and brought under control the same day
- c.75% of the centre's stores are now reopen and trading
- The Group is fully insured for both reinstatement and loss of income.

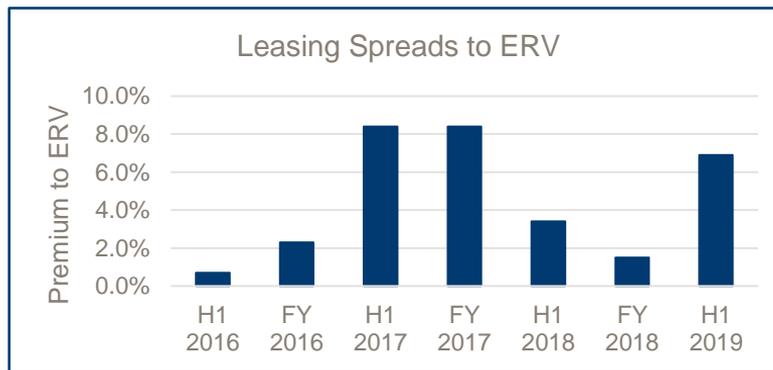
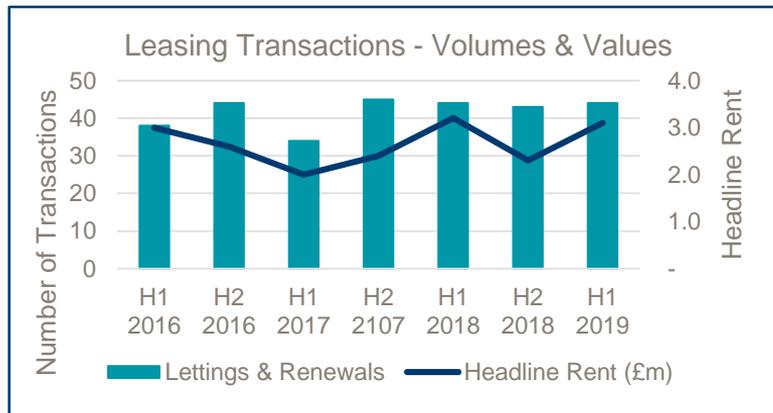


LEASING KPIs

Non-discretionary retailers less impacted by structural changes

H1 2019 leasing KPIs		
New lettings	21	£1.6m
Renewals settled	23	£1.5m
Total	44	£3.1m
Premium to previous rent ¹		+31.2%
Premium to ERV ¹		+6.9%
WALE		7.2 years

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



2

LEASING

TENANT BASE

A diversified tenant mix

Top 10 retailers by contracted rent		% of rent	Stores
Alliance Boots Ltd.		3.36	6
AS Watson	  	3.31	17
Debenhams	DEBENHAMS	3.23	3
TK Maxx		2.98	4
Primark	PRIMARK	2.95	3
H&M		2.60	4
Wilko		2.39	5
Sports World		2.57	8
JD Sports		2.00	7
New Look	NEW LOOK	1.96	6
TOTAL		27.35	63

over 400 different tenants

2

LEASING

REMERCHANDISING PROGRESS

Disciplined leasing and occupier repositioning tailored to community demands

Change of use over 30 months to 30 Jun 2019



Key changes over half year

- ↑ Express Food ↓ Fashion
- ↑ Leisure
- ↑ Non-retail



2

LEASING

REMERCHANDISING PROGRESS

Continued progress to diversify income and align to community needs

2

LEASING



Scheme: Luton

Action: Letting of 13,000 sqft final office floor to the local authority on 15 year lease

Asset /Community Impacts:

- Increased income diversity and use
- Brings worker footfall directly to centre
- Significant income quantum

Luton



Scheme: Hemel Hempstead

Action: Converting vacant 1st floor to 14,000 sqft destination leading gym offer with Pure Gym

Asset /Community Impacts:

- New and diversified use and income stream
- Enhances town centre leisure provisions – footfall driver
- Highly accretive remerchandising of off-pitch location



Scheme: Luton

Action: Delivered 8 year lease renewal and full refit for Tesco

Asset /Community Impacts:

- Enhances food store offer – a key community asset
- Secures long-term material income stream from quality covenant

TESCO



Scheme: Hemel Hempstead

Action: Creation of a new shopper crèche, opening October 2019

Asset /Community Impacts:

- Enhances family offer for our key community group
- Encourages dwell time and footfall.

Tinies
A whole world of childcare

CAPITAL CREATION – WALTHAMSTOW RESIDENTIAL

Advanced progress in delivery partner selection for landmark development

- Comprehensive marketing programme conducted over H1 2019
- Strong interest BTS and BTR specialists
- Offers materially ahead of book value
- Partner appointment before year end
- Expect receipt by mid-2020, subject to planning



3

DEVELOPMENT & INVESTMENT

CAPITAL RECYCLING – WOOD GREEN

Town centre locations generating material value beyond core offer

- 0.4 acre vacant former petrol station site
- Contracts conditionally exchanged with Aitch Group at £5 million
- Completion and proceeds anticipated during Q4 2019



3

DEVELOPMENT & INVESTMENT

CAPEX PIPELINE – DELIVERING OUR STRATEGY

Wide-ranging accretive opportunities tailored to community masterplan delivery

- £5.9 million capex deployed over H1 2019
- Significant accretive pipeline opportunities
- Key focus on family, food and leisure
- Low average rents supporting remerchandising
- Target yield on cost of c.8%

Key Committed Projects (£m)

Asset	Projects	Remaining Costs	H2 2019	2020
Maidstone	MSU Remerchandising	1.6	1.6	-
Hemel	Cinema & F&B	15.1	1.6	13.5
Hemel	Gym	1.0	1.0	-
		17.7	4.2	13.5

Pipeline Opportunities – 2020-2022 (£m)

Asset	Projects	Projected Costs
Iford	MSU for Healthcare Trust	5.1
Iford	Leisure / F&B / Crossrail Mall / Residential	18.9
Luton	Office Refurbishment	1.2
Maidstone	Grab & Go & Guest Amenities	4.5
Maidstone	Family & Ambience	0.9
Walthamstow	Food Court	2.0
Wood Green	Family Zone & Ambience	3.4
Wood Green	Food Court & Dining	1.5
Wood Green	Hotel Expansion	9.2
General	Strategic Asset Plans	0.5
		47.2

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DEVELOPMENT & INVESTMENT

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APPENDIX

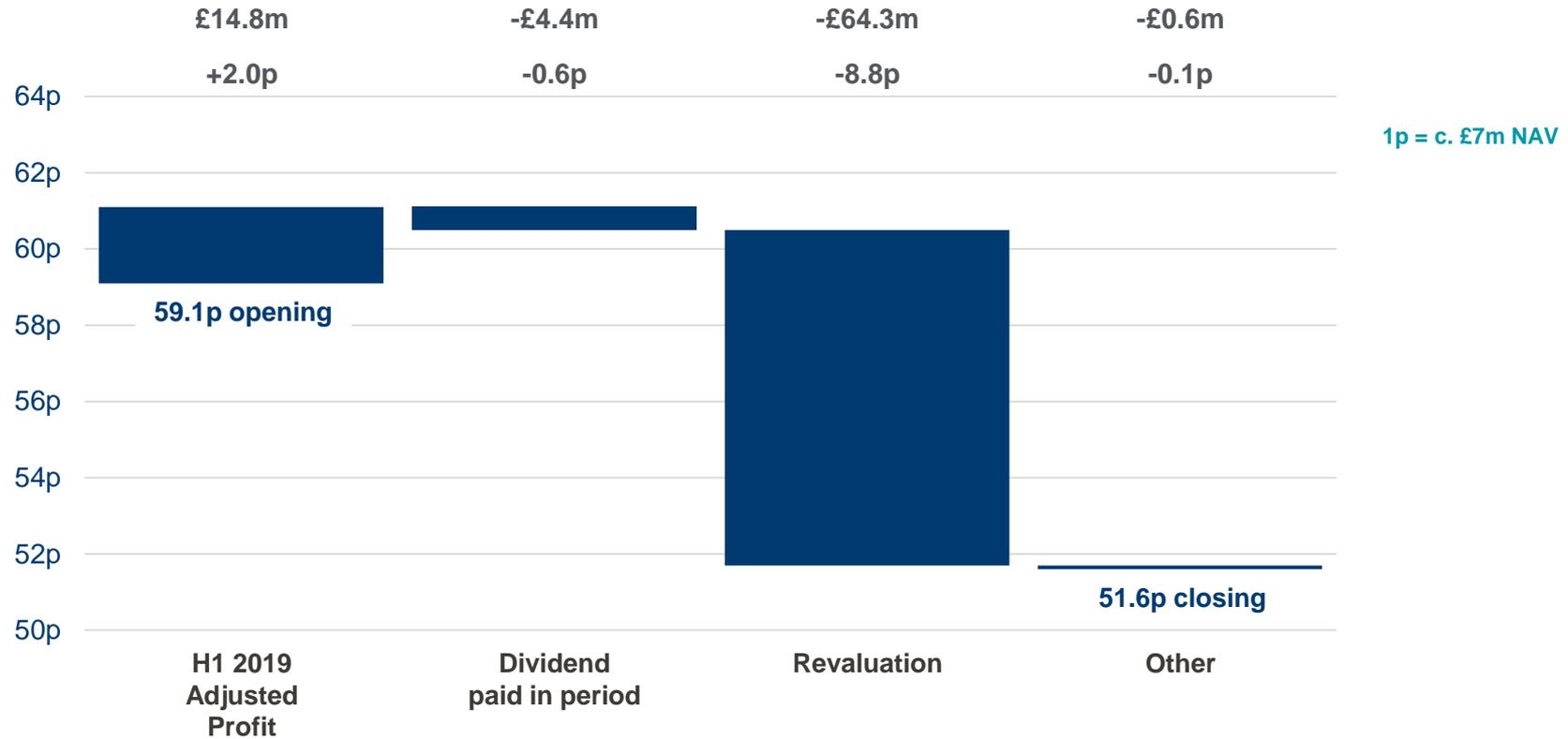


ADJUSTED PROFIT TO IFRS PROFIT

Amounts in £m	Six months to 30 June 2019	Six months to 30 June 2018
	£m	£m
Adjusted Profit	14.8	15.5
Property revaluation (including Deferred Tax) ¹	(64.3)	(12.4)
Loss on disposals	(0.2)	-
(Loss)/Gain on financial instruments	(4.9)	3.1
Other items	(0.8)	0.5
(Loss)/Profit for the period	(55.4)	6.7

¹ Includes Kingfisher, Redditch

H1 2019 EPRA NAV BRIDGE



C&R ASSET INFORMATION

As at 30 June 2019

Number of properties	7
Properties at valuation	£797.3m
Initial yield	6.3%
Equivalent yield	6.7%
Reversion	10.2%
Weighted average lease length to break	5.0 years
Weighted average lease length to expiry	7.2 years
Contracted rent	£61.1m
Passing rent	£59.8m
ERV	£65.9m
Occupancy	96.8%

C&R ASSETS

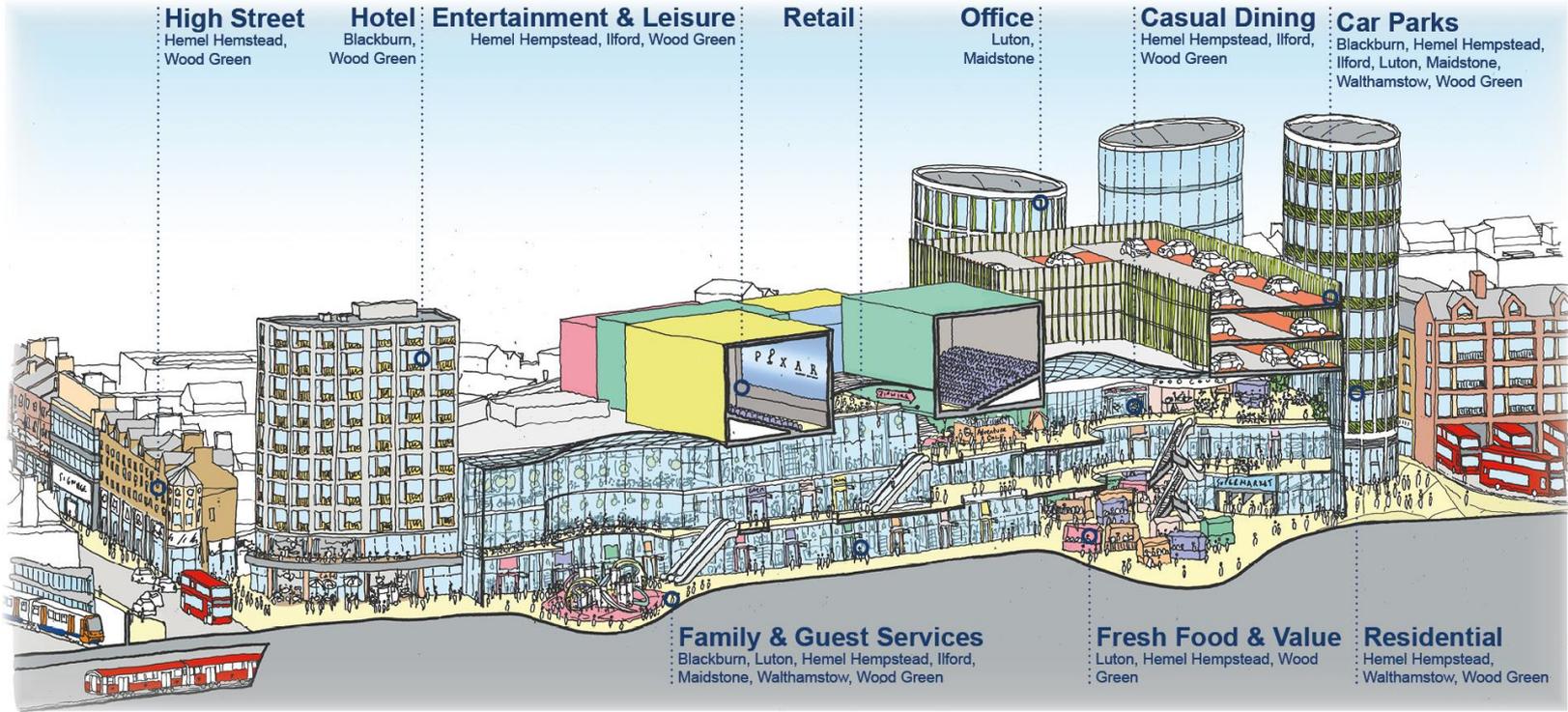
Property	Description	Principal occupiers	Size (sq feet)	Number of lettable units	Annual footfall (m)	Car park spaces
The Mall, Blackburn	Leasehold partially covered shopping centre on three floors	Primark, Debenhams, H&M, Next, Wilko, Pure Gym	600,000	120	12.2	1,304
The Marlowes, Hemel Hempstead	Freehold covered scheme on one principal trading level	Wilko, New Look, Sports Direct, River Island	350,000	110	6.2	1,200
The Exchange, Ilford	Predominantly freehold scheme over three trading levels	Debenhams, Next, H&M, TK Maxx, M&S	300,000	79	10.7	1,060
The Mall, Luton	Leasehold covered shopping centre on two floors with over 65,000 sq ft of offices	Debenhams, Primark, H&M, TK Maxx, Wilko, Luton BC (offices)	900,000	165	19.3	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	110	8.6	1,050
The Mall, Walthamstow	Leasehold covered shopping centre on two floors	TK Maxx, Sports Direct, Lidl, Asda, Boots, The Gym	260,000	67	11.6	850
The Mall, Wood Green	Freehold, partially open shopping centre, on two floors	Primark, Wilko, H&M, Boots, TK Maxx, Travelodge	540,000	111	10.2	1,500



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COMMUNITY STRATEGY UNDERPINNED BY MASTERPLANS

A cohesive approach to remerchandising and unlocking mixed use opportunities





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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