

# 2019 Full Year Results

5 March 2020

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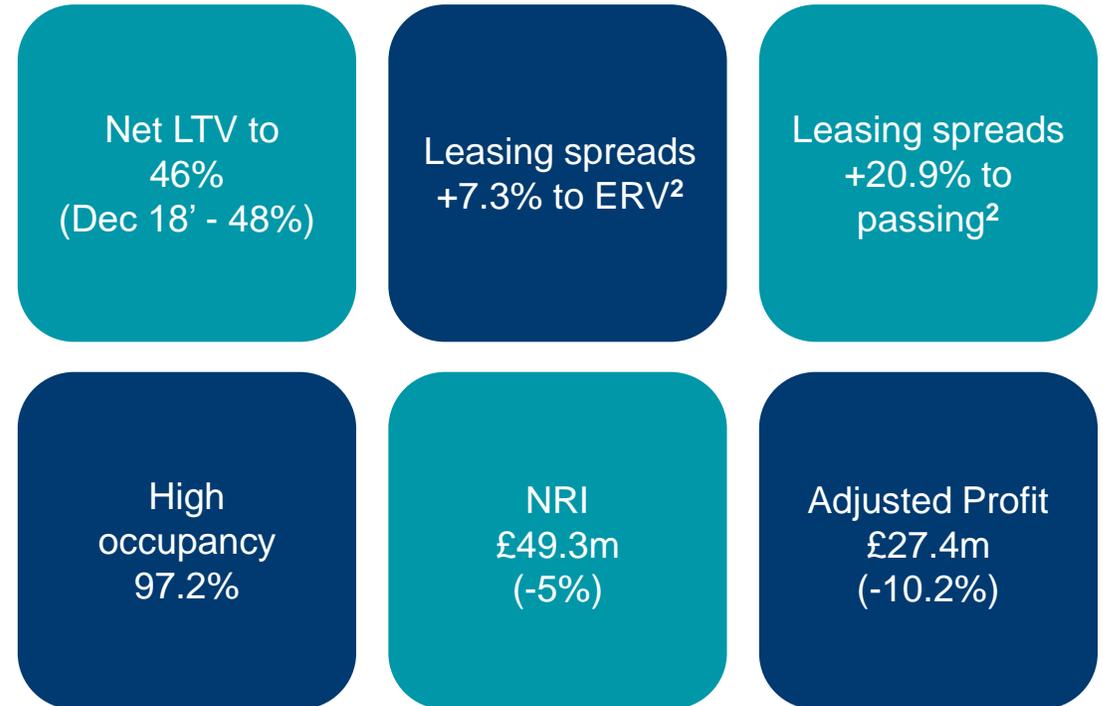
# Results and Market Overview

Lawrence Hutchings  
Chief Executive

# 2019 OVERVIEW

## Controlling the controllables

- **Recapitalised balanced sheet** - Net LTV reduced from 48% to 46% against falling valuations (-15%)
- **Growthpoint** transaction - £150m investment to secure 51.1% stake
- **Investment and repositioning** - £11m capex in period
- **Footfall** - 74.3m<sup>1</sup> (-3.4%) outperformed the national index +1.7%
- **High occupancy** from continuing occupier demand and merchandising
- **Positive leasing activity** - 66 new lettings and renewals, representing £4.5m of annualised rent
- **Proposed Final Dividend** of 11 pence reflecting approximately 90% of second half Adjusted Profit



<sup>1</sup>Includes Walthamstow post fire

<sup>2</sup>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.

# 2019 Financial Results

Stuart Wetherly  
Group Finance Director

# FINANCIAL RESULTS

Focus on income delivers resilient results

	2019	2018	Change
<b>Profitability</b>			
Net Rental Income	£49.3m	£51.9m	−£2.6m (5.0)%
Adjusted Profit <sup>1</sup>	£27.4m	£30.5m	−£3.1m (10.2)%
Adjusted Earnings per share <sup>2</sup>	36.7p	42.3p	−5.6p (13.2)%
Proposed Final Dividend per share <sup>2</sup>	11p	6p	+5p
<b>Net Asset Value</b>			
Portfolio valuation	£727.1m	£855.2m	−£128.1m (15)%
EPRA NAV	£378.6m	£431.7m	−£53.1m (12.3)%
NAV per share <sup>2</sup>	361p	596p	−235p (39.4)%
EPRA NAV per share <sup>2</sup>	364p	591p	−227p (38.4)%
<b>Group Debt</b>			
Net debt to property value	46%	48%	−2 pps
Average maturity	5.4 years	6.3 years	(0.9) years
Cost of debt <sup>3</sup>	3.26%	3.27%	(1) bps

<sup>1</sup> 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.

<sup>2</sup> Per share amounts are adjusted to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

<sup>3</sup> Assuming RCF fully drawn.



# GROUP ADJUSTED PROFIT 2019

Focus on income delivers resilient results

£m	FY 2019	FY 2018	Change	
NRI	49.3	51.9	-2.6	-5.0%
Interest	(18.9)	(18.9)	-	
Redditch	-	0.4	-0.4	
Snozone	1.5	1.5	-	
Investment income	0.2	0.4	-0.2	
Net Group costs	(4.7)	(4.7)	-	
Tax	-	(0.1)	+0.1	
<b>Group Adjusted Profit</b>	<b>27.4</b>	<b>30.5</b>	<b>-3.1</b>	<b>-10.2%</b>

- NRI in 2019 has been impacted by £3.0m from CVAs/administration over this year and last
- Interest will benefit in 2020 from the repayment of up to £50m of debt from the new equity proceeds. Future interest saving of c £1.5m+ on an annualised basis
- Snozone results remained robust in competitive active leisure market
- Net Group costs nil increase with efficiency savings offsetting inflation

# RETAILER RESTRUCTURING

Continued occupier restructuring headwinds

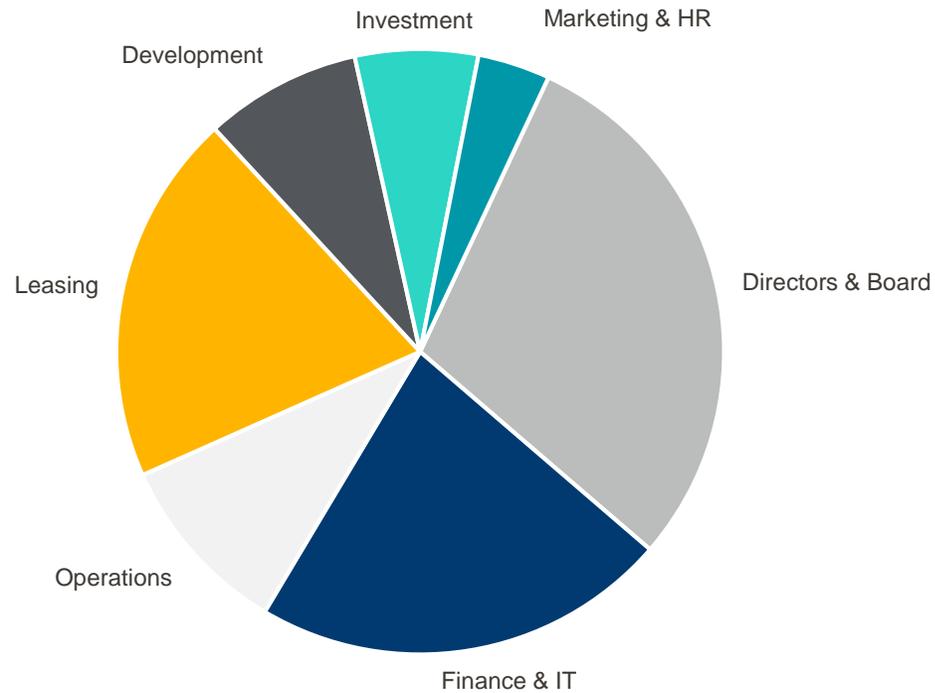
£m	NRI impact on 2019		
	H1	H2	Total
2018 events	0.9	0.8	1.7
2019 events	0.2	1.1	1.3
<b>Total</b>	<b>1.1</b>	<b>1.9</b>	<b>3.0</b>

- In total 34 units across our portfolio were impacted by CVAs or administrations in 2019. Of these 29 remain trading or have been subsequently re-let
- There were four national CVAs - Debenhams, Select, Monsoon and Arcadia - affecting multiple units
- In total insolvency actions in 2019 impacted NRI by £1.3m, the annualised impact of these is expected to be c £2.8m
- Activity primarily focused on the Department Store and Fashion categories where we are actively reducing our exposure in line with our community centre strategy and offsetting the impact through other letting initiatives

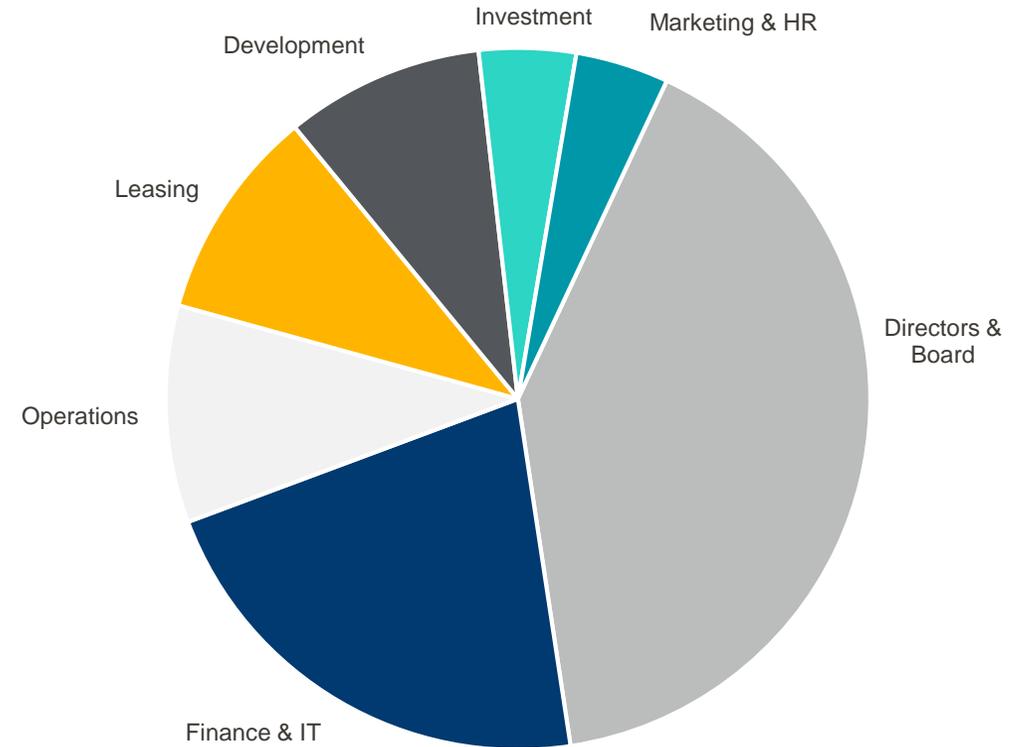
# CENTRAL COSTS

A leaner business refocusing resources into income generation

2019



2016



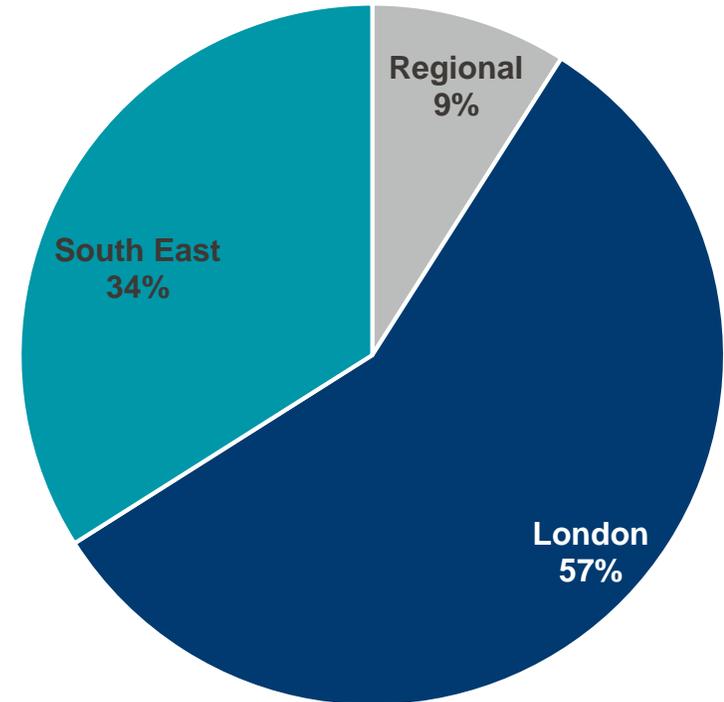
*As committed to in 2017 we have delivered a saving on central costs of more than £2m (c 25%) since 2016*

Central costs by basic salary 2016 to 2019

# VALUATIONS

Geographic weighting mitigating investment market headwinds

	Dec 2019 £m	NIY Actual	Dec 2018 £m	12m variance (%)
Walthamstow	126.0	5.28%	124.6	1.1%
Wood Green	211.5	5.48%	238.3	-11.2%
Ilford	77.4	6.06%	86.2	-10.2%
Hemel	34.7	8.50%	44.9	-22.7%
Luton	148.7	8.00%	195.4	-23.9%
Maidstone	61.9	8.38%	69.0	-10.3%
Blackburn	66.9	10.24%	96.8	-30.9%
<b>Portfolio</b>	<b>727.1</b>	<b>6.95%</b>	<b>855.2</b>	<b>-15.0%</b>



- Decline of retail assets across industry accelerated in H2 2019
- Continued disconnect of London and regional asset values
  - London -7.6% v Rest of Portfolio -23.1% across 2019
- Walthamstow residential positively impacting valuations

# GROUP DEBT

Equity cash injection lowering leverage and significantly improving covenant headroom

	Debt £m	Cash £m	Net debt £m	Net LTV – 30 December 2019	LTV Cash Trap covenant	LTV default covenant
Four Mall assets	265.0	(8.3)	256.7	55%	65%	70%
Hemel Hempstead	26.9	(0.8)	26.1	42% <sup>1</sup>	n/a	60%
Ilford	39.0	(1.9)	37.1	48%	60%	70%
Luton	96.5	(5.3)	91.2	61%	n/a <sup>2</sup>	80% <sup>2</sup>
Central Cash	-	(74.2)	(74.2)			
RCF - £15m facility undrawn	-	-	-			
<b>Total</b>	<b>427.4</b>	<b>(90.5)</b>	<b>336.9</b>	<b>46%</b>		

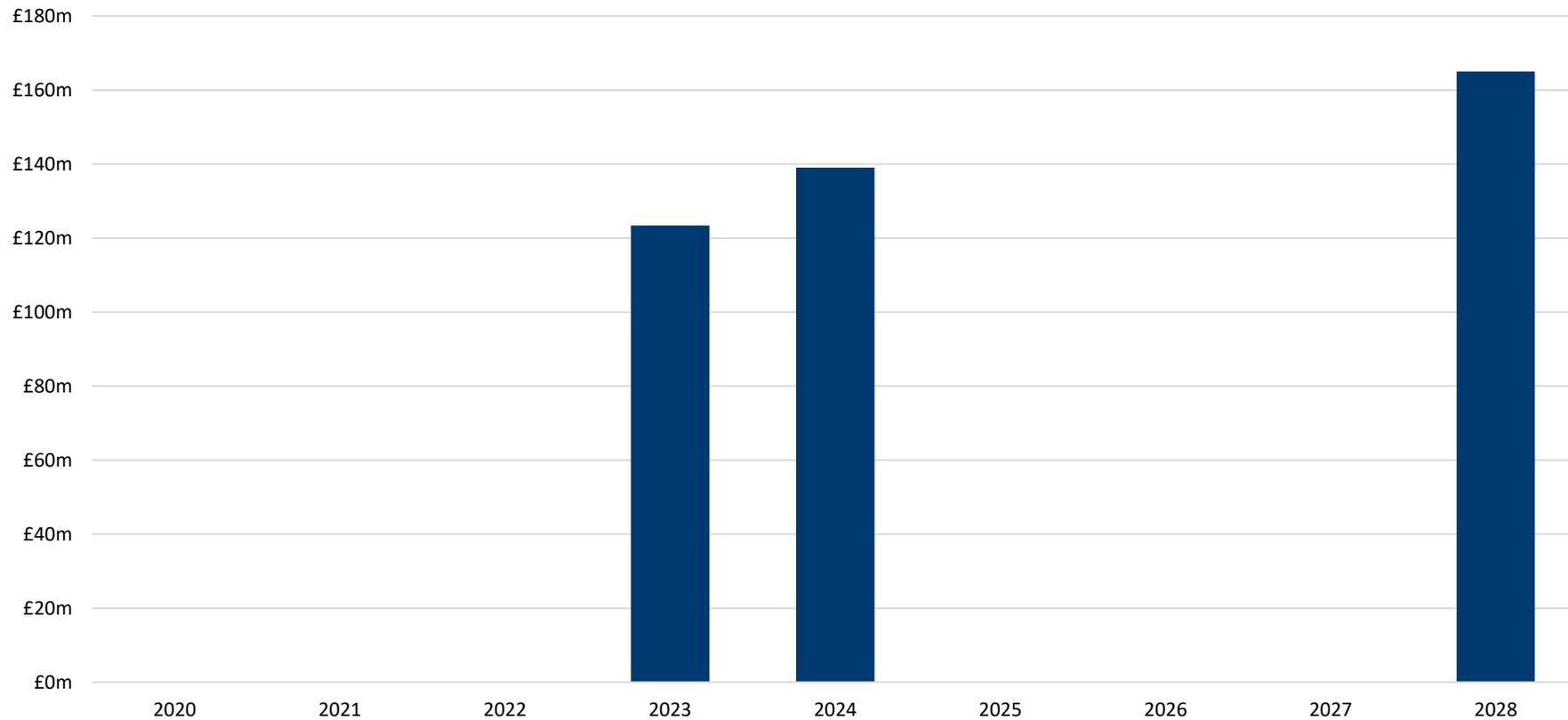
- £45m of £50m earmarked for debt repayment/restructuring remains available
- Negotiations ongoing with the Group's respective lenders seeking improvements to covenant terms in exchange for voluntary repayment
- Based on existing covenant terms (before any further improvement) the £45m would enable the Group to withstand a at least a 20% fall in valuation from December 2019 without facing any cash trap (or default) restrictions

<sup>1</sup> Covenant assessed on projected Gross Development Value of scheme of £62m per loan agreement

<sup>2</sup> Luton based on current covenant position as applies until 30 September 2020

# DEBT MATURITY

Diversified debt structure with no near term maturities



<sup>1</sup> 2028 redemption assumes exercise of 1 year extension option

# DIVIDEND

Dividend in line with REIT requirements and policy

	H2 2019	90% thereof	Pence per Share (enlarged share capital)	Rounded	Total FY19 payout	Payout as % of Adjusted Profit
Adjusted Profit	£12.6m	£11.3m	10.9p	11p - £11.4m	21p - £18.7m	68%

- Final Dividend of 11p per share proposed
- Equivalent to pay-out of 90% of second half Adjusted Profit
- In line with REIT requirements and dividend policy communicated in the Prospectus for the Growthpoint transaction
- Total Dividend for the Year equivalent to 21p per share

# Strategy at Work

Lawrence Hutchings  
Chief Executive

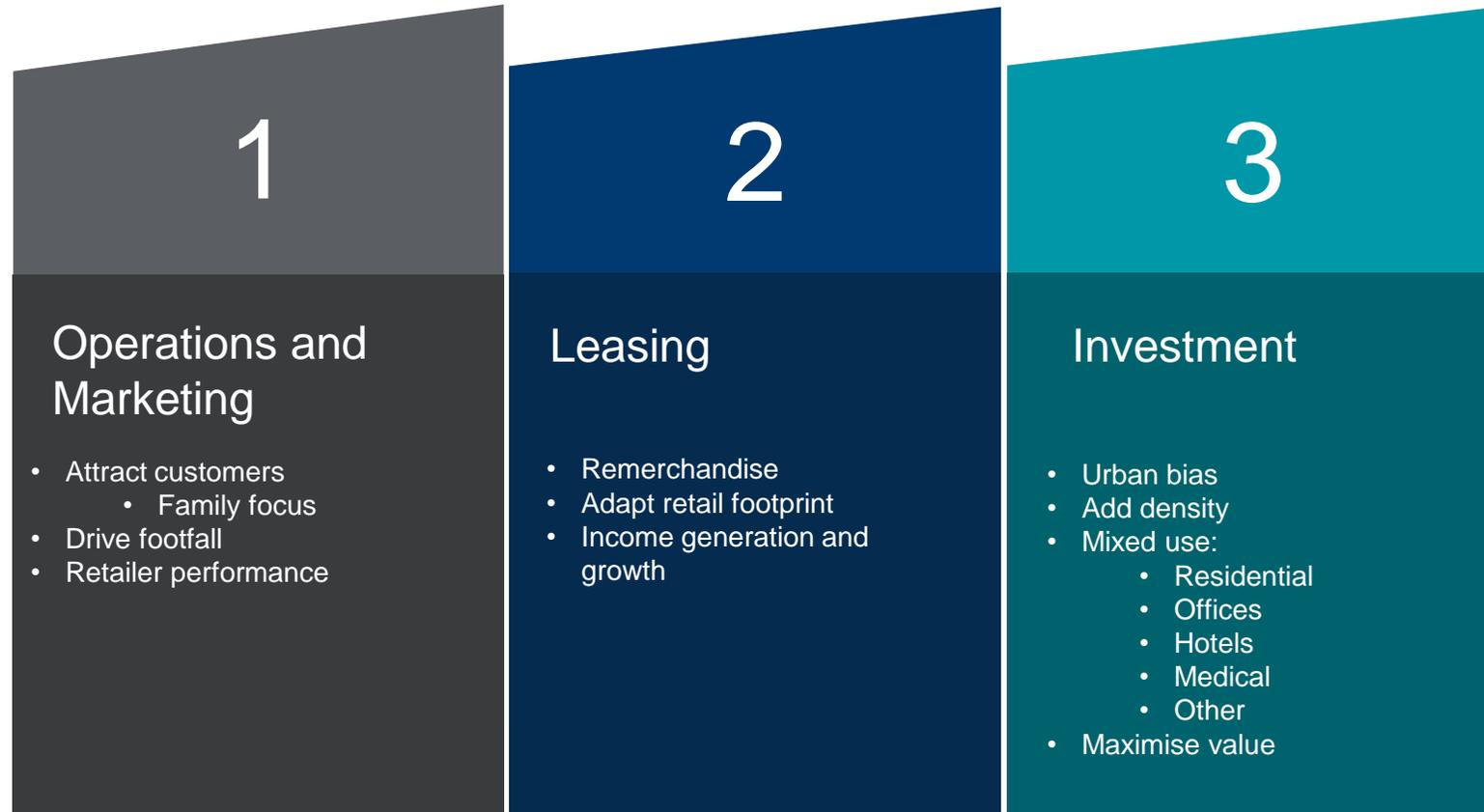
# THE PILLARS OF OUR STRATEGY



“Passionate creation of vibrant spaces and exceptional guest and customer experience”

# FOCUS ON POSITIONING

Three core areas of community centre positioning



# 1. Operations and Marketing

## OPERATIONAL KPIs

Community Masterplan-led strategy delivering resilient underlying fundamentals

### 2019 Operational KPI's

Footfall total	74.3m <sup>1</sup> (-3.4%)
Performance to benchmark	+1.7%
Frequency of visits	1.1 per week
Average dwell time	62 minutes
Average conversion rate	72%
Average transaction value	£42
Click and collect	+21%
Occupancy	97.2%

<sup>1</sup>Includes Walthamstow post fire



Family Zone, The Marlowes, opened May 2019

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# OPERATING STRATEGY

Investing in our management platform to deliver results

- Highly specialised management team
- Decentralised organisation structure
- Improved systems and processes

- Improved data capture and greater and better insight
- Agile decision making
- Improved efficiency

- 20% reduced central costs since 2016
- Leasing at +20.9% premium to previous rent<sup>1</sup>
- Leasing above ERV +7.3%<sup>1</sup>
- Increase in footfall, frequency of visit, ATV and conversion



Creating great places

Tinies, The Marlowes Hemel Hempstead, opened October 2019



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<sup>1</sup> 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.

# OUR NET ZERO CARBON COMMITMENT

## Responsible Business Key Highlights

We are members of the Better Building Partnership (BBP) and signatory to the Climate Change Commitment

### Community

**163**

Charities and community groups supported

**3847**

Voluntary hours donated to supporting the local community

**167**

Community events hosted

**£3.7m**

Raised for C&R Cares in 10 years

**9k**

Jobs supported by our centres



### Environment



G R E S B

Global Real Estate Benchmark (GRESB) Green Star Status

**36%**

Reduction in energy intensity 2008 - 2018

**15%**

Reduction in CO2 emissions in 2019

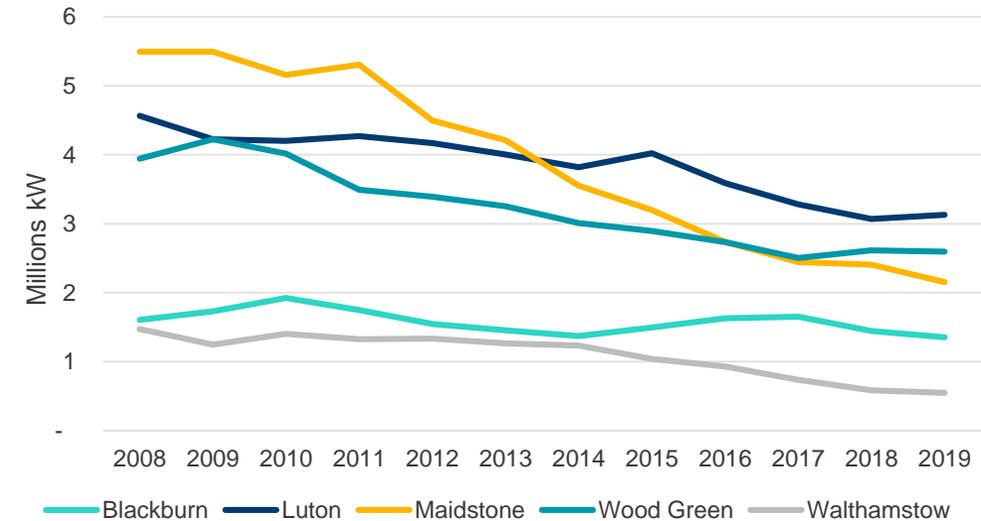
**6%**

Reduction in energy intensity in 2019

**3.4k**

Tonnes of waste treated in 2019

### Electricity Intensity 2008 - 2019



# 2. Leasing

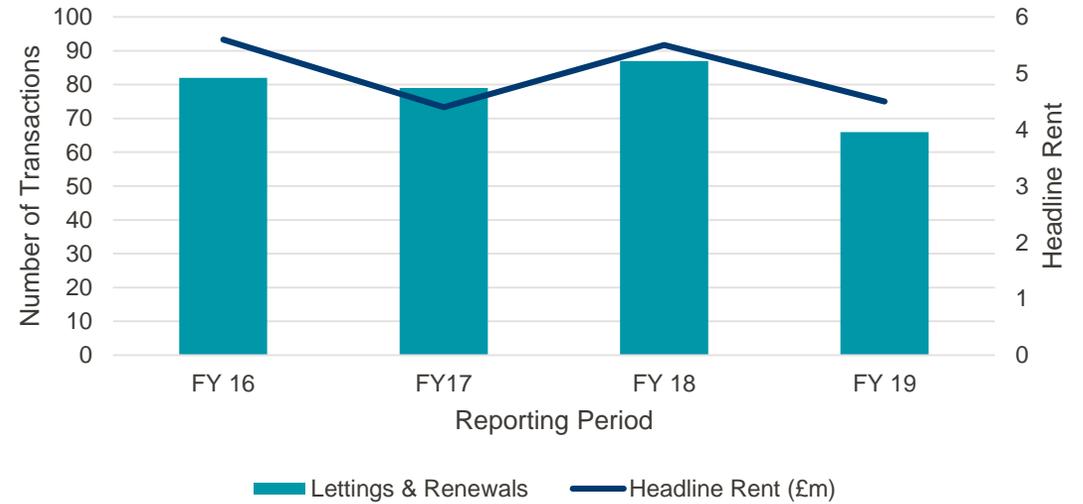
# LEASING KPIs

Non-discretionary retailers less impacted by structural changes

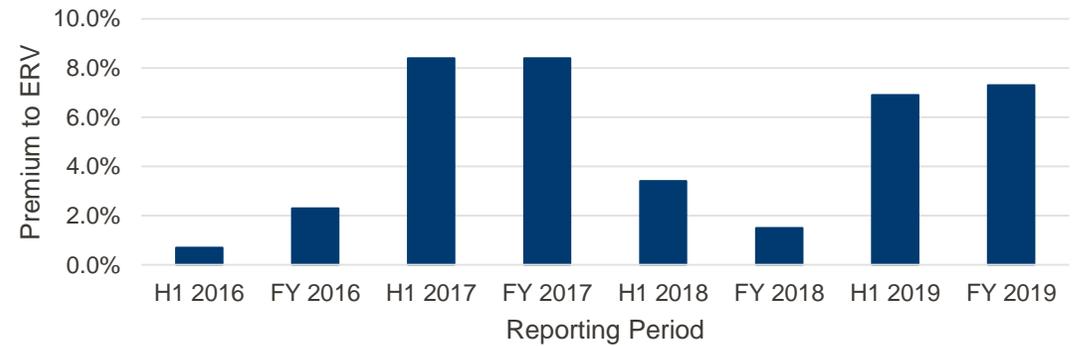
H1 2019 leasing KPIs		
New lettings	34	£2.2m
Renewals settled	32	£2.3m
<b>Total</b>	<b>66</b>	<b>£4.5m</b>
Premium to previous rent <sup>1</sup>		+20.9%
Premium to ERV <sup>1</sup>		+7.3%
WALE		7.0 years

<sup>1</sup> 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.

Leasing Transactions - Volumes & Values



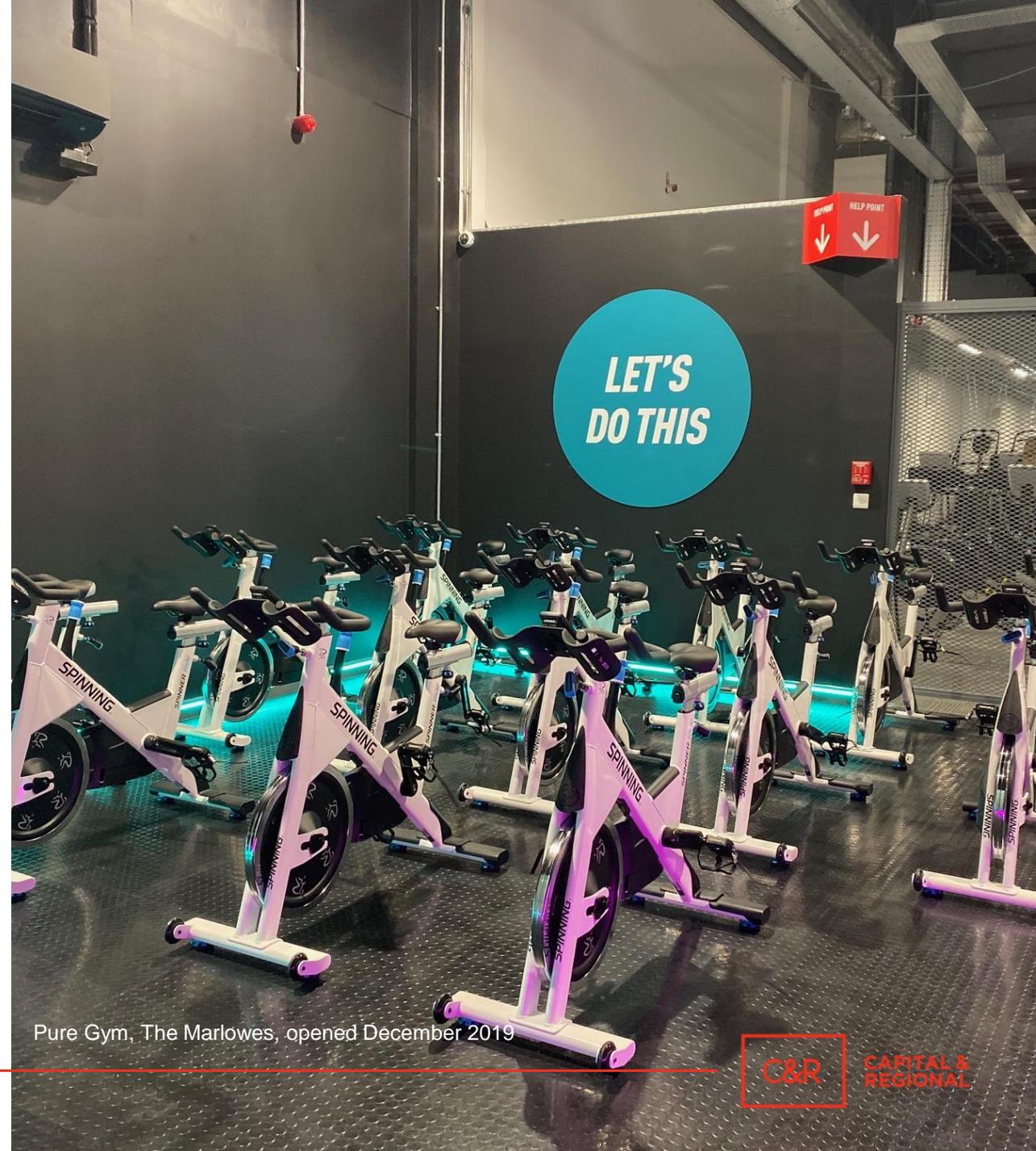
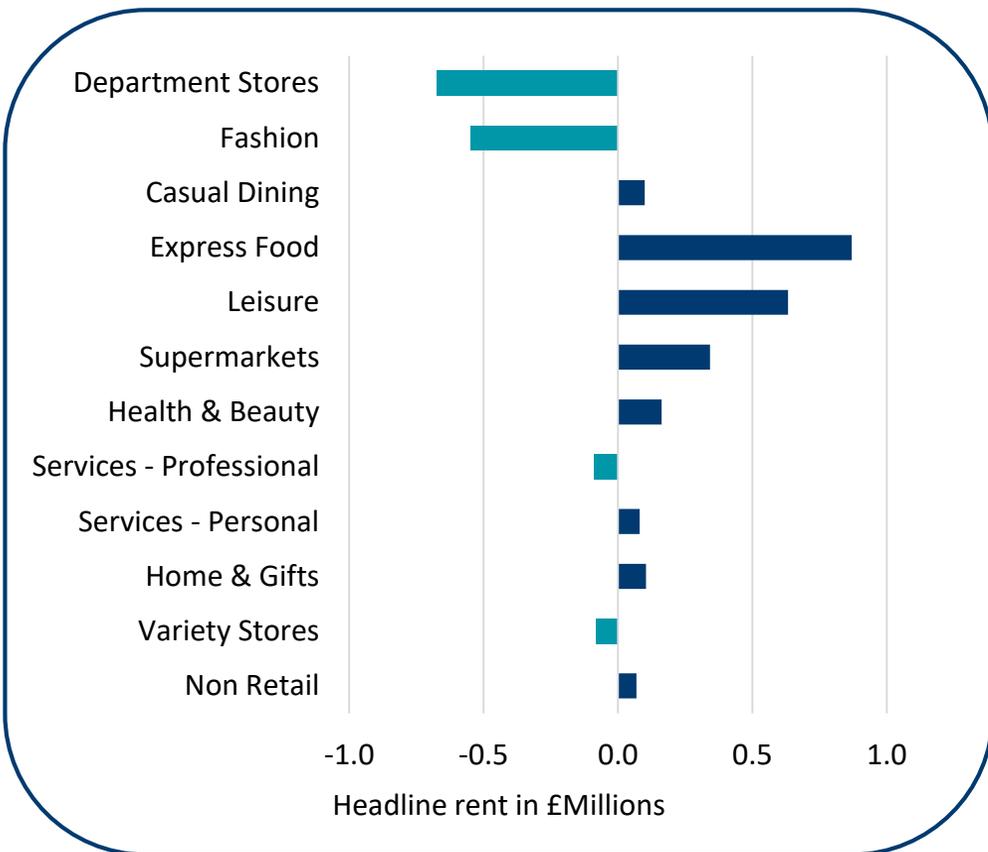
Leasing Spreads to ERV



# REMERCHANDISING PROCESS

Disciplined leasing and occupier repositioning tailored to community demands

Change of use since January 2017



Pure Gym, The Marlowes, opened December 2019



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# REMERCHANDISING - DELIVERED

Offer: Grocery



**TESCO**

**Scheme:** Luton

**Action:** Delivered an 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

Offer: Crèche



**Tinies**  
A whole world of childcare

**Scheme:** Hemel Hempstead

**Action:** Creation of a new shopper crèche

**Asset /Community Impacts:**

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

£ **+25%**  
Above The Marlowes ave.  
transaction value

🕒 **1.3x**  
The Marlowes ave. dwell time

Offer: Gym



**PUREGYM**

**Scheme:** Hemel Hempstead

**Action:** Converted vacant first floor to 14,000 sqft 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



Tesco, The Mall Luton, re-opened December 2019

# REMERCHANDISING - PIPELINE

Continued progress to diversify income and align to community needs

## Offer: Offices



**Scheme:** Luton

**Action:** Letting of 13,000 sqft final office floor to the local authority

**Asset /Community Impacts:**

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

## Offer: Gym



**Scheme:** Maidstone

**Action:**

- Converting the top floor of the previous BHS to a 14,000 sqft Pure Gym
- 10 year lease opening Q3 2020

**Asset /Community Impacts:**

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

## Offer: Grocery



**Scheme:** Luton

**Action:**

- Converting the ground floor of the previous M&S to a 22,000 sqft supermarket in solicitors hands

**Asset /Community Impacts:**

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

## Offer: Everyday Apparel



**Scheme:** Maidstone

**Action:**

- Converting the lower level of the previous BHS to a 23,000 sqft Matalan
- 10 year lease opening Q2 2020

**Asset /Community Impacts:**

- Enhances the needs based staple apparel offer
- Enhances family offer for our key community groups

# 3. Investment

# UNLOCKING VALUE - WALTHAMSTOW

## Residential

- Advanced progress in delivery partner selection for landmark development
- BTR residential delivery partner identified and legals well advanced
- Legal changes to planning process have delayed revised application and contracts
- Revised target submission by mid-year to secure consent by year-end
- Formalising partner commitments mid-year and target land receipt around year-end
- Catchment population estimated to increase to circa 292,000 by 2021
- Walthamstow Village is the sought after residential hub and average house prices are circa £496,000
- 35% anticipated tube passenger growth by 2031, with 25-40% using second tube station in The Mall



## UNLOCKING VALUE - WOOD GREEN

Town centre locations generating material value beyond core offer

- Sale of former petrol station site to Aitch Group completed February 2020
- 0.5 acre site
- £5m land receipt in line with book value
- Planning risk sits with Aitch
- Proposals to bring forward a residential scheme of c. 100 units
- Includes affordable housing



# COMPLEMENTING RETAIL

## Leisure and casual dining

### Hemel Hempstead

- Investing £20m to reposition The Marlowes as part of a greater regeneration project of the town
- Deliver a 9-screen Empire Cinema, casual dining and grab and go food for all the family

### Walthamstow

We will deliver a unique, modern and dynamic food and beverage offer inclusive and tailored to the Walthamstow community.

- A focus on local and independent operators
- Flexible offer and smaller 'plug & play' units
- Inclusive offer for the whole community
- Deliveroo/Uber Eats, Just Eats accessibility
- Social with events, music and entertainment
- Commercial activations
- New guest amenities and family room and a changing places facility



For illustrative purposes only



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# CAPEX PIPELINE 2020 - 2021

## Asset master plans driving repositioning

### Committed

Asset	Projects	Forecast Cost £m	Status
Hemel	Family zone	2.0	Complete
Hemel	Gym	0.9	Complete
Luton	Supermarket	2.0	Lease engrossed
Luton	Finser House council offices	1.7	Lease signed
Maidstone	Matalan	1.5	On site
Maidstone	Gym	0.9	Exchanged
Walthamstow	TFL tube entrance & extension	1.7	Planning
Walthamstow	Food and Beverage	2.8	Design
Ilford	Street Eats	0.2	Design
<b>Total</b>		<b>13.7</b>	

### Pipeline Opportunities

Asset	Projects	Forecast Cost £m	Status
Hemel	Cinema & Leisure scheme	20.0	Construction tender
Maidstone	Grab & Go	3.0	Design
Wood Green	Ground floor re-merchandising	2.0	Feasibility
Wood Green	First floor re-merchandising	1.4	Feasibility
Wood Green	Food and Beverage	1.8	Concept design
Ilford	Catering planning feasibility	0.2	Feasibility
Ilford	Resi planning & feasibility	0.4	Pre-planning application
<b>Total</b>		<b>28.8</b>	

- £11 million capex deployed over 2019
- Significant accretive pipeline opportunities
- Key focus on family, food and leisure
- Low average rents supporting remerchandising
- Target yield on cost of c.8%



For illustrative purposes only

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# GROWTHPOINT TRANSACTION

New equity injection  
£77.9m

Net LTV to  
46%  
(Dec 18' - 48%)

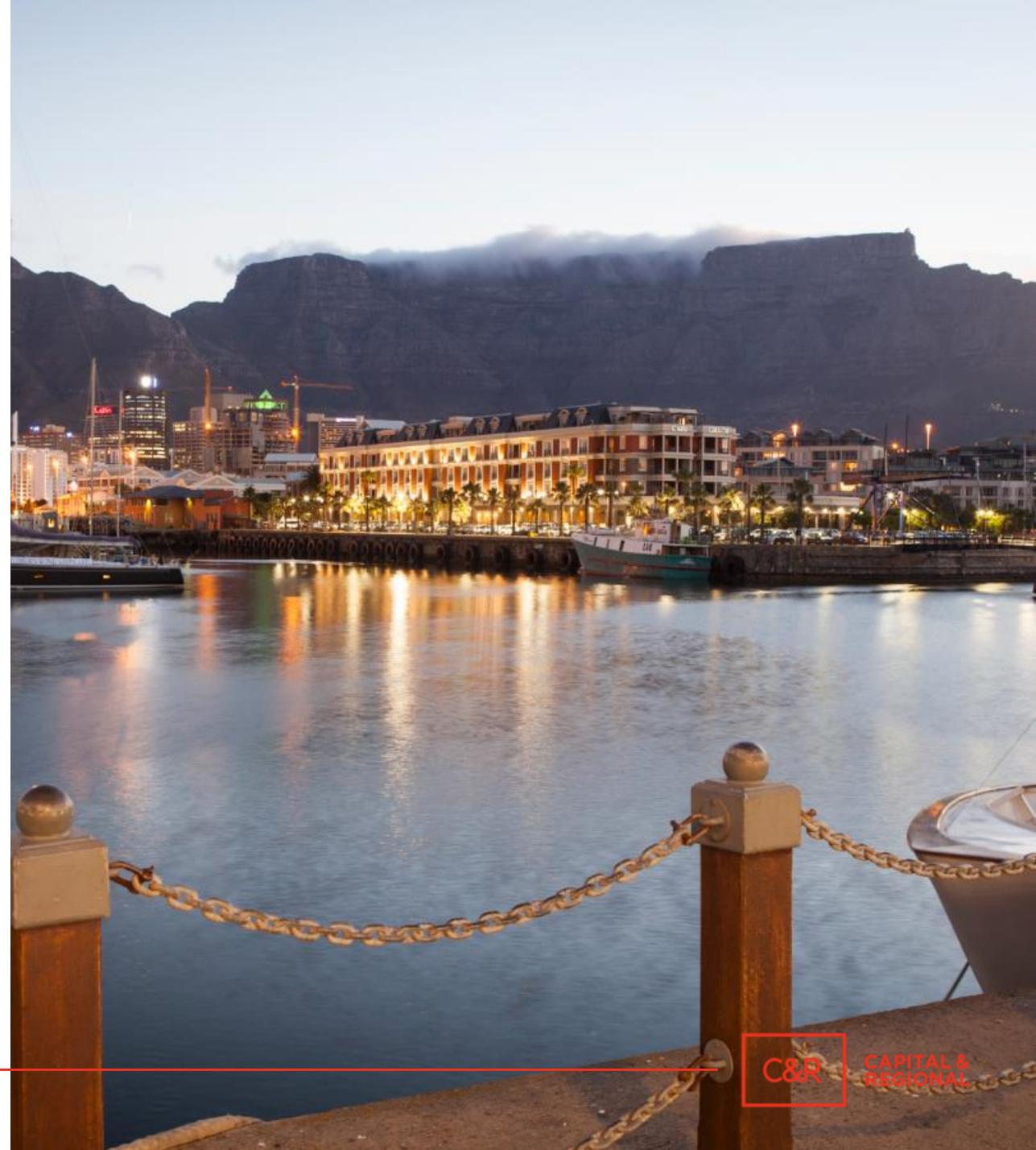
51.1% of issued  
share capital

£150.4m  
Investment

Investment to  
accelerate capex  
programme

Position for  
growth

Growthpoint has a strong track record in supporting existing real estate platforms globally



# SUMMARY

- 1 Proven differentiated strategy
  - Scale enables agility and responsiveness
- 2 Demonstrated resilient performance underpinned by leasing
- 3 Rigorous management focus
  - Operational expertise and efficiency
- 4 Growthpoint endorsement and support

“Confident in continuing to deliver for all our stakeholders”

# Appendix

# ASSET OVERVIEW

## Our 7 shopping centres

Property	Description	Principal occupiers	Size (sq feet)	Number of lettable units	Annual footfall (m)*	Car park spaces	Valuation (m)
The Mall, Blackburn	Leasehold partially covered shopping centre on three floors	Primark, Debenhams, H&M, Next, Wilko, Pure Gym	600,000	109	11.9	1,286	66.9
The Marlowes, Hemel Hempstead	Freehold covered scheme on one principal trading level	Wilko, New Look, Sports Direct, River Island	350,000 <sup>1</sup>	110	6.0	1,175	34.7
The Exchange, Ilford	Predominantly freehold scheme over three trading levels	Debenhams, Next, H&M, TK Maxx, M&S	300,000	79	10.6	1,031	77.4
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	18.2	1526	148.7
The Mall, Maidstone	Freehold covered shopping centre on three floors with over 40,000 sq ft of offices	Boots, New Look, Wilko, Next, Iceland, Maidstone BC (offices)	500,000	110	8.2	1,050	61.9
The Mall, Walthamstow	Leasehold covered shopping centre on two floors	TK Maxx, Sports Direct, Lidl, Asda, Boots, The Gym	260,000	67	9.5 <sup>2</sup>	670	126.0
The Mall, Wood Green	Freehold, partially open shopping centre, on two floors	Primark, Wilko, H&M, Boots, TK Maxx, Travelodge	540,000	111	9.9	1,500	211.5

<sup>1</sup> Includes VP required for development works

<sup>2</sup> Includes Walthamstow (pre and post fire)

As at December 2019



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# TENANT BASE

A diverse tenant mix

Top 10 retail mix remains stable with the exception of Debenhams post CVA. Over 400 different tenants.

Top 10 retailers by contracted rent (Dec 2019)		% of rent	Stores
Alliance Boots Ltd.		3.47%	7
AS Watson	  	3.32%	17
Debenhams	DEBENHAMS	3.24%	3
TK Maxx		2.99%	4
Primark	PRIMARK <sup>®</sup>	2.97%	3
H&M		2.61%	4
Sports World		2.47%	9
Wilko		2.39%	5
JD Sports		2.01%	7
M&S	M&S	1.97%	3
TOTAL		27.44%	62

<sup>1</sup> Wholly-owned portfolio

# RETAILER PERFORMANCE

Continued resilient trading across key community retailers and categories



Sales up 11%  
(Four weeks to  
29 December 2019)



Sales up 0.4%  
(Six weeks to  
4 January 2020)



Sales up 3.3%  
(Three months to  
31 December 2019)



Sales up 1.5%  
(Eleven weeks to  
12 January 2020)



Sales up 5.2%  
(Three months to  
28 December 2019)



Sales up 0.6%  
(Five weeks to  
4 January 2020)



Sales up 9.2%  
(Fifty two weeks ended  
28 December 2019)

Source: FTI Christmas Company Leaderboard



### **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.