Landsec

Annual results

18 May 2021

Agenda

Landsec

Overview	Mark Allan
Financial update	Martin Greenslade
Operational update	Mark Allan
Outlook	Mark Allan
Q&A	

Key themes

Ensuring the business emerges from the pandemic in as strong a position as possible

Poised for recovery with a strategy that positions the business for long-term growth

Central London office market remains resilient

Accelerated opportunity for retail "reset"

Further progress on our 2030 net zero carbon strategy

Nova and Cardinal Place, SW1

Emerging from the pandemic as strong as possible

Safety was our top priority throughout

Supporting our:

Customers

Communities

Partners

People

Working collaboratively with our partners

- Minimised impact of Covid-19 in our assets and our development sites
- No one in the business was furloughed
- Established £80m customer support fund

Maintaining financial strength and stability

- Strong balance sheet position
- Maintained appropriate level of gearing
- Maintained flexibility within the development programme

Landsec is poised for recovery with a strategy that will position the business for long-term growth

OPTIMISE
our Central London portfolio

REIMAGINE
our Regional retail portfolio

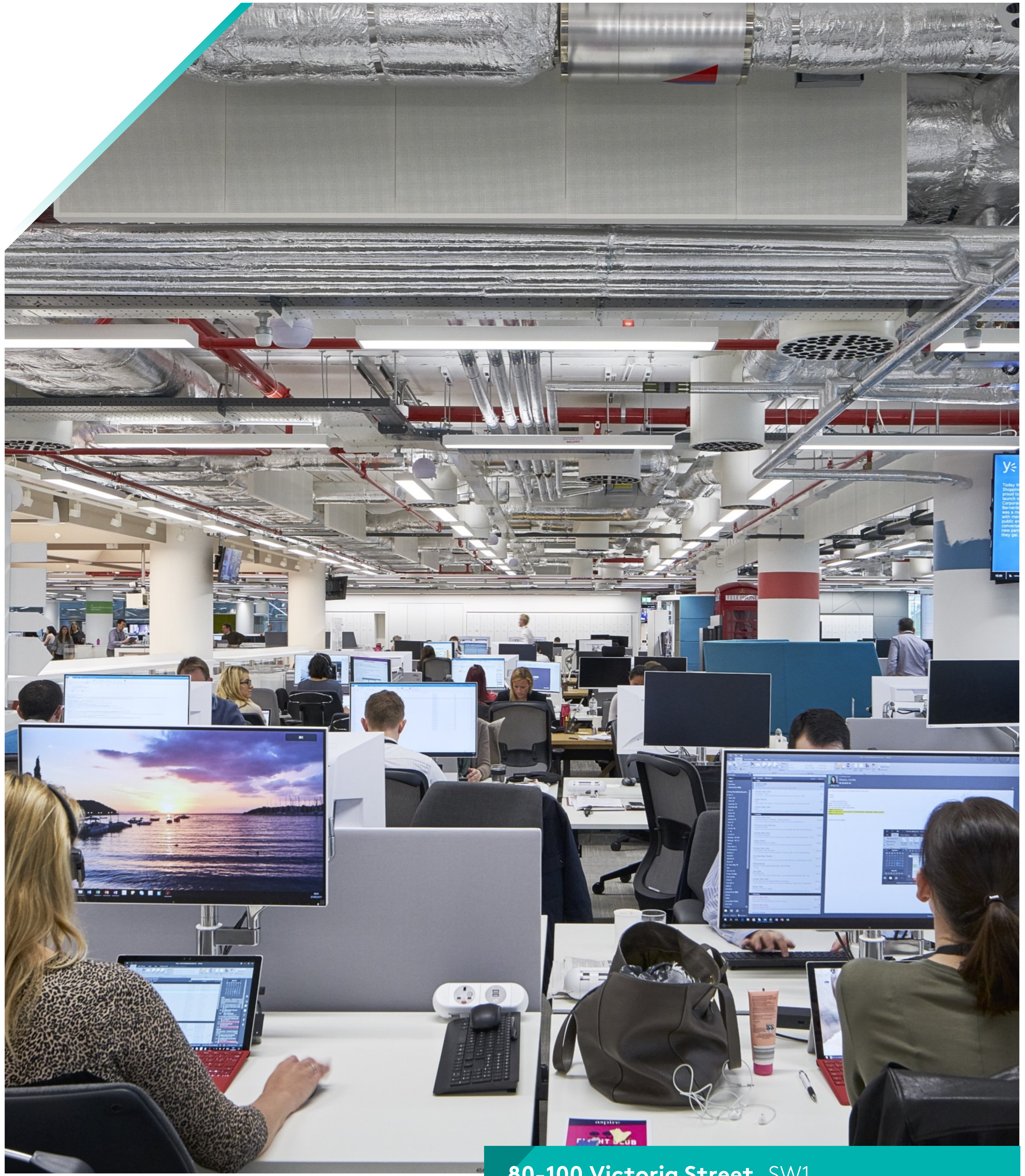
GROW
through Urban opportunities

REALISE
capital from Subscale sectors

White Rose, Leeds

Culture is as important as strategy

- Empowerment, accountability, agility and pace
- Existing capability needs augmenting in certain areas
- Organisational changes made in Q4 2020, more focus from June with return to the workplace



80-100 Victoria Street, SW1

Our markets – London office remains resilient

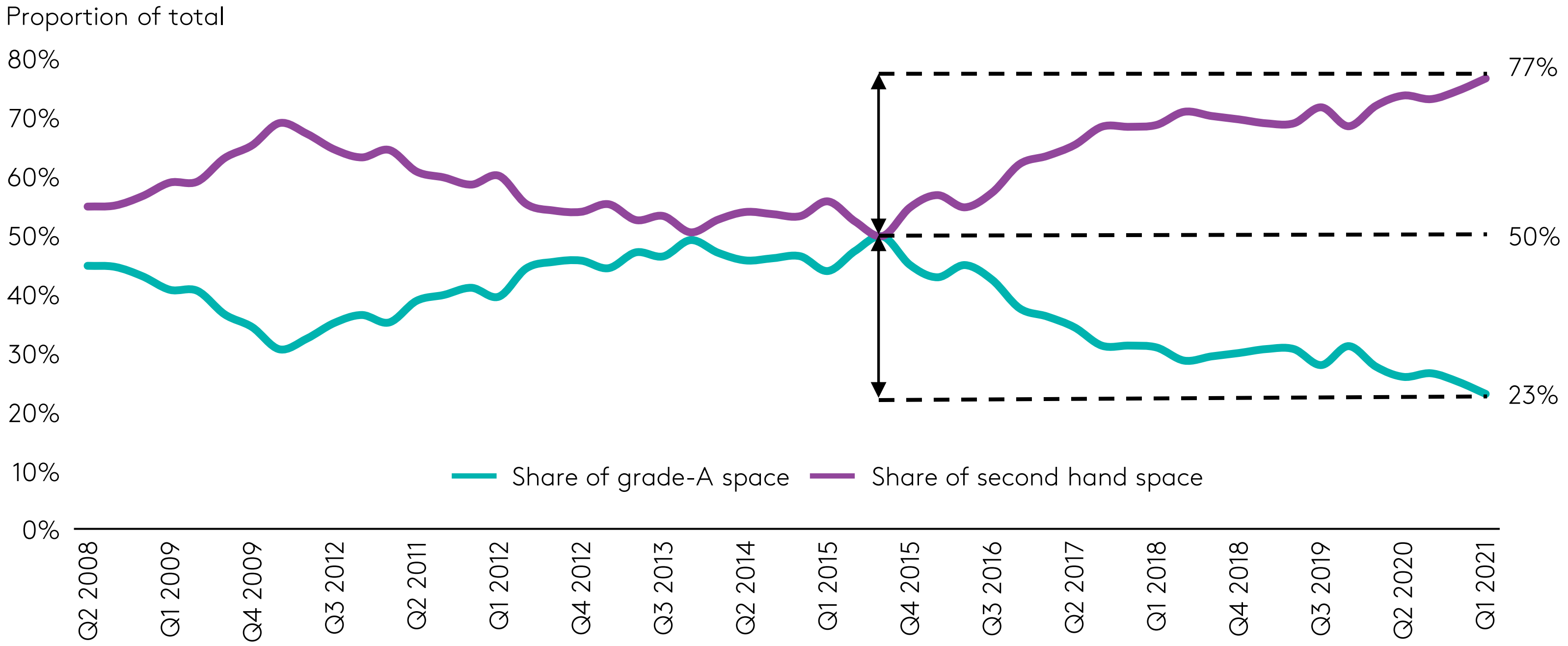
Occupational market – bifurcation

- Take-up in last twelve months lowest for 30 years but early signs of demand returning
- Availability has increased to 25m sq ft and vacancy rates now 8.9% but 77% of current supply is second hand
- 35% of space for delivery pre-2025 is now pre-let
- Expect physical occupancy >50% from 21 June 2021

Investment market – resilience

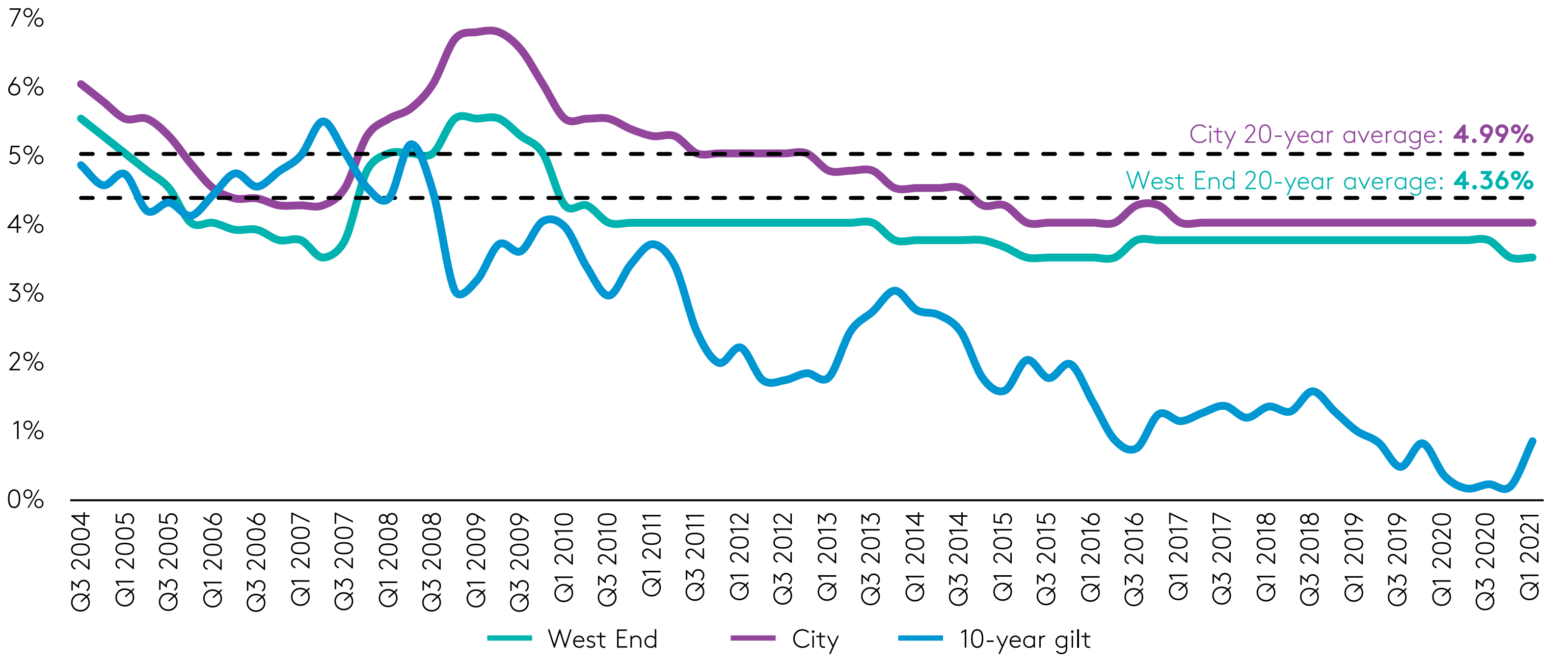
- Continued overseas demand for long-let prime space
- Transactions totalled £7bn in the last twelve months with average equivalent yields of 3.75%

London office market availability – grade-A vs second hand space



Note: grade-A space here is defined as newly-completed space and space that is under construction and will become ready to occupy within 12 months
Source: CBRE research

Central London prime yields

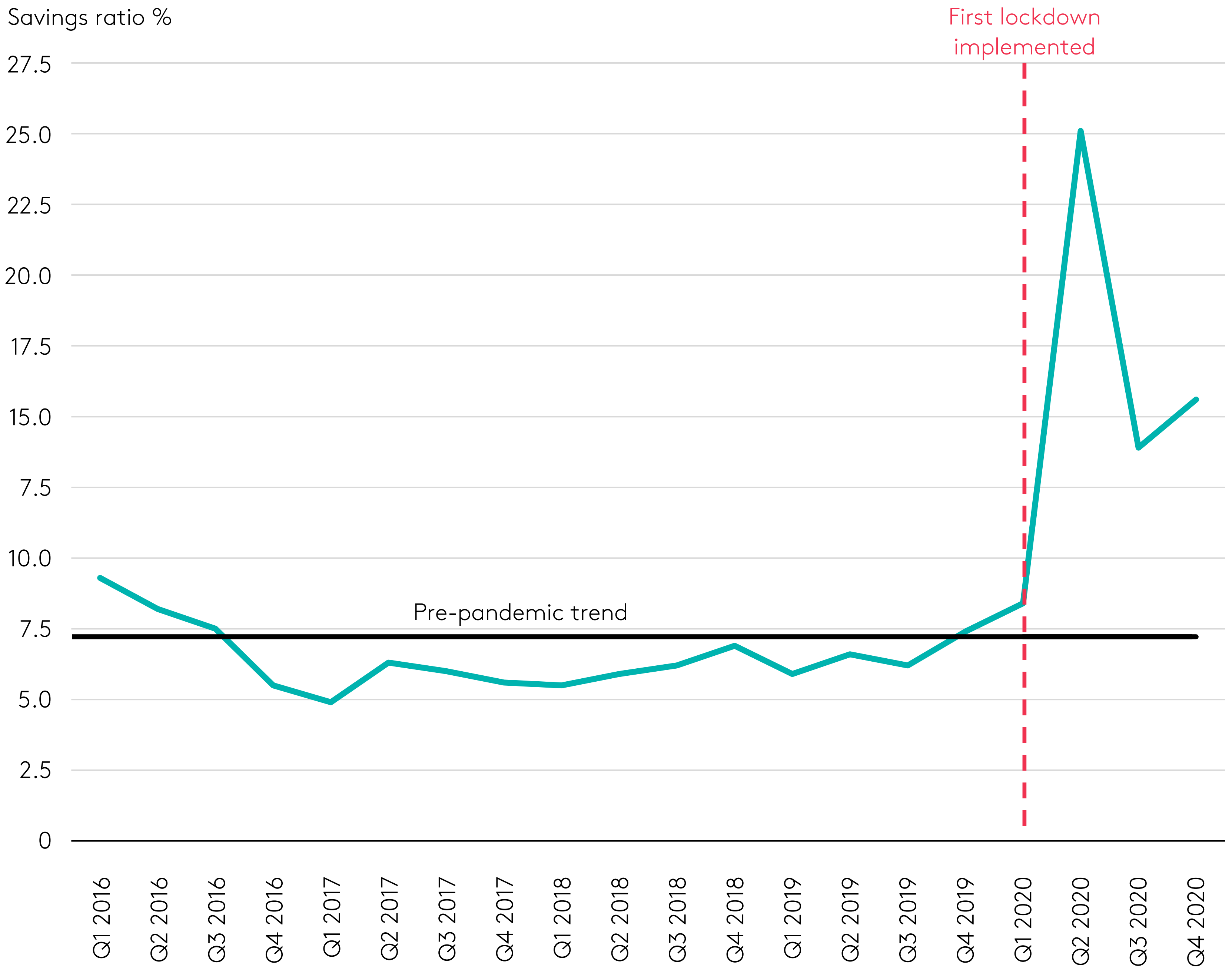


Source: CBRE research, Bloomberg

Our markets – potential for a strong consumer-led recovery

- Covid-19 has had a significant impact on retail, leisure and hotels
  - Sales[1] -58%
  - Footfall[1] -62%
  - Rent collection 85%
- Significant pent-up demand for physical retail and entertainment
- Strong sales performance in England since 12 April 2021 (excluding F&B)
  - Shopping centres up 5% vs 2019
  - Outlets up 14% vs 2019

Household savings



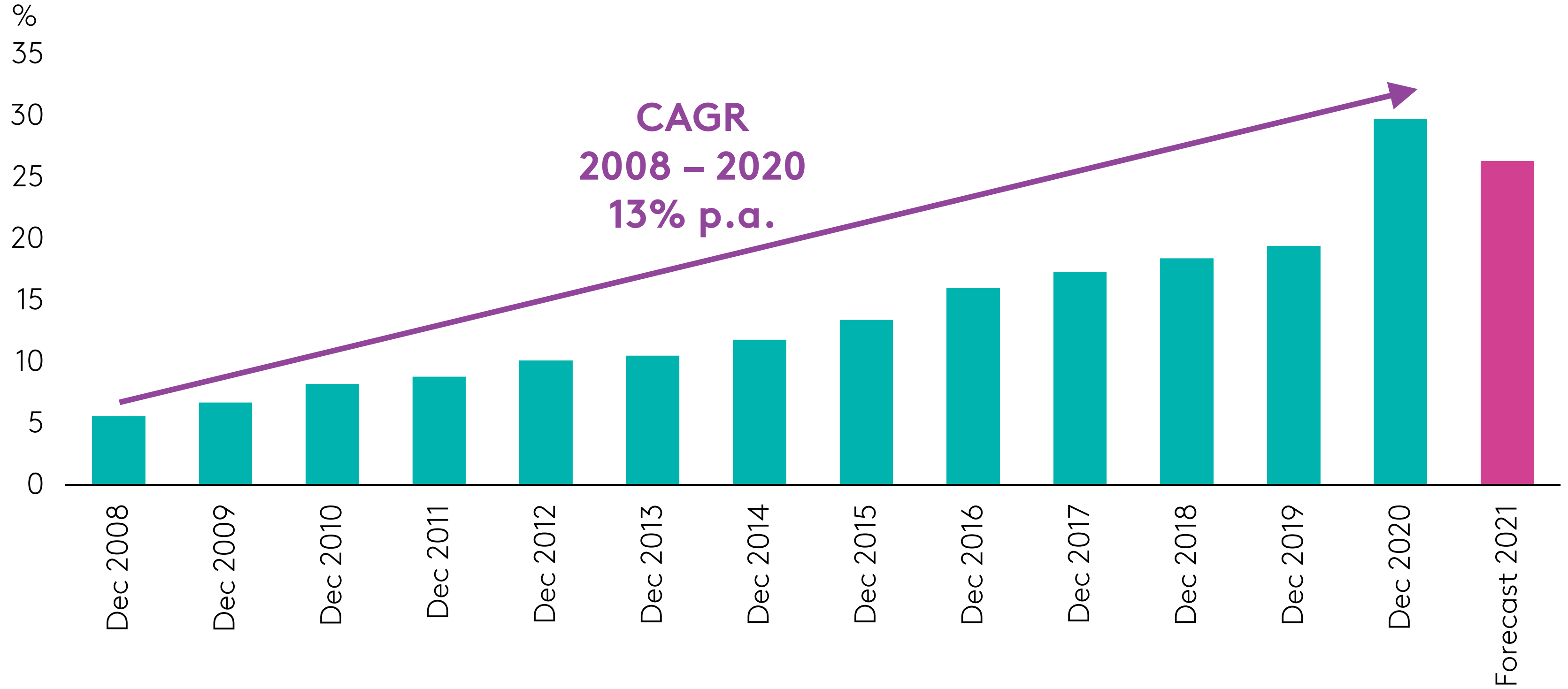
Note: (1) Outlets, Regional shopping centres and Urban opportunities excluding hotels

Note: Pre-pandemic trend is the 5-year quarterly average

Covid-19 has accelerated structural retail trends but also brought forward the opportunity for a "reset"

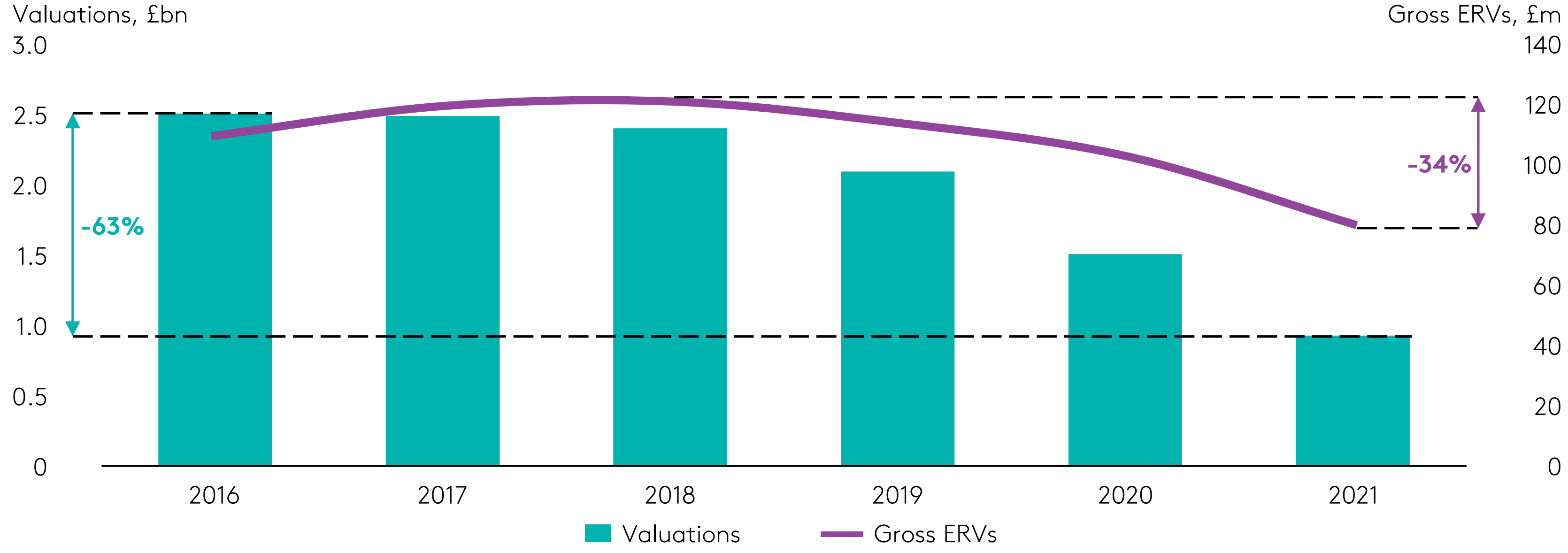
- Online now the primary growth channel
- Physical retail needs to evolve to be relevant
- Too much space in the market, vacancy rate now at 17%
- But prime shopping centre ERVs approaching sustainable levels
- Yields are beginning to look sensible
- Flight to prime
- Obsolescence of non-prime locations likely to accelerate providing the raw material for urban regeneration opportunities

Online sales as a share of Total Retail Sales



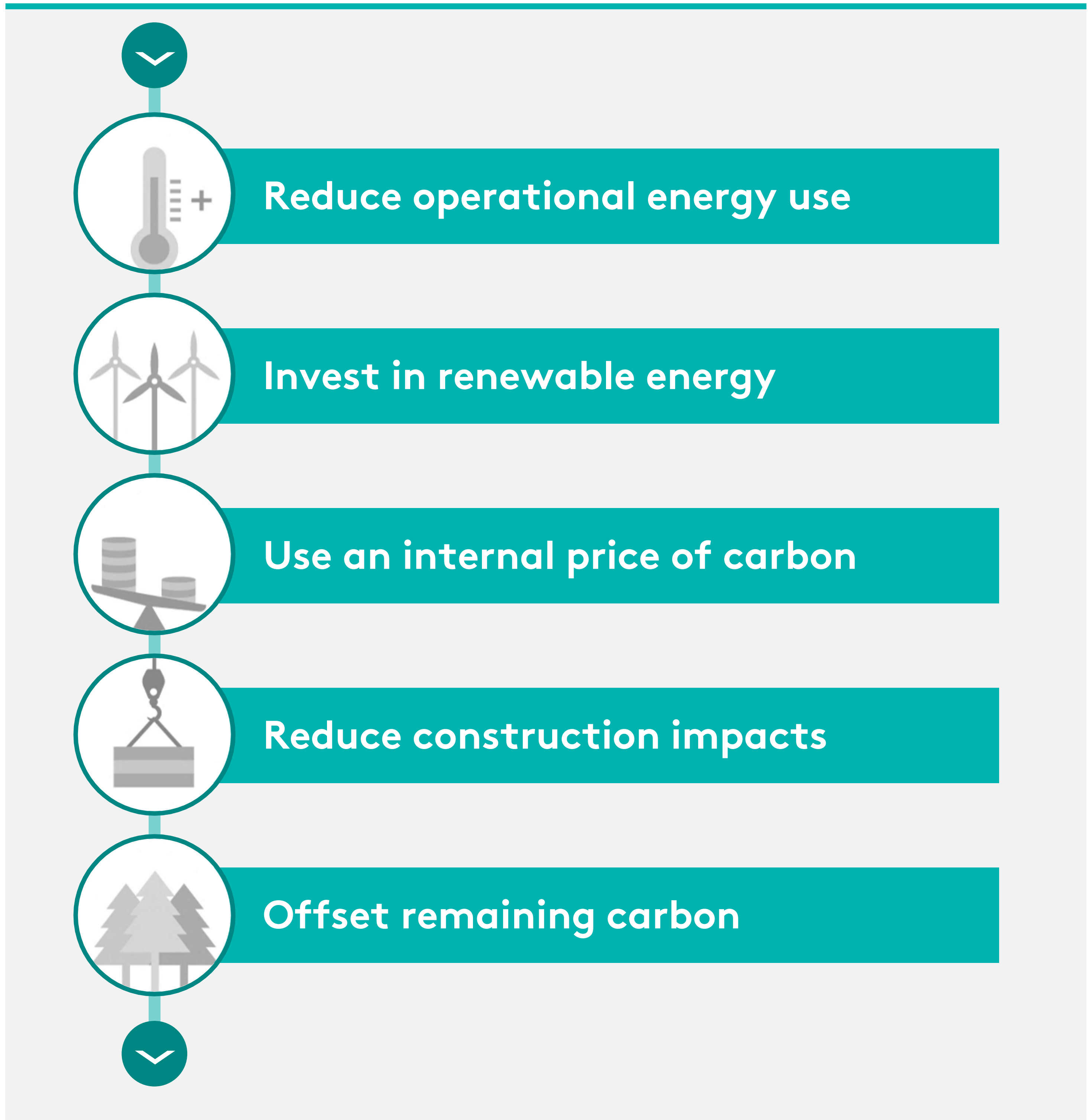
Source: History: Office of National Statistics, Forecast: PMA (Spring 2021)

Landsec shopping centres- valuations and gross ERVs



Note: Excludes Westgate Oxford due to period of development

Further progress on our 2030 net zero carbon strategy



- 2030 net zero carbon target established in 2019
- 55% reduction in carbon emissions (tCO_2e) compared with 2013/14 baseline
- 43% reduction in energy intensity (kWh/m^2) compared with 2013/14 baseline
- 24% and 18% reduction in embodied carbon against developed design baseline at The Forge and Lucent respectively
- Low-carbon design and construction method has led to a further 15% reduction of embodied carbon intensity at Timber Square, on a design already c.50% lower than a typical new build
- Refurbishment of Portland House will result in a c.65% lower embodied carbon intensity versus a new build

Financial update

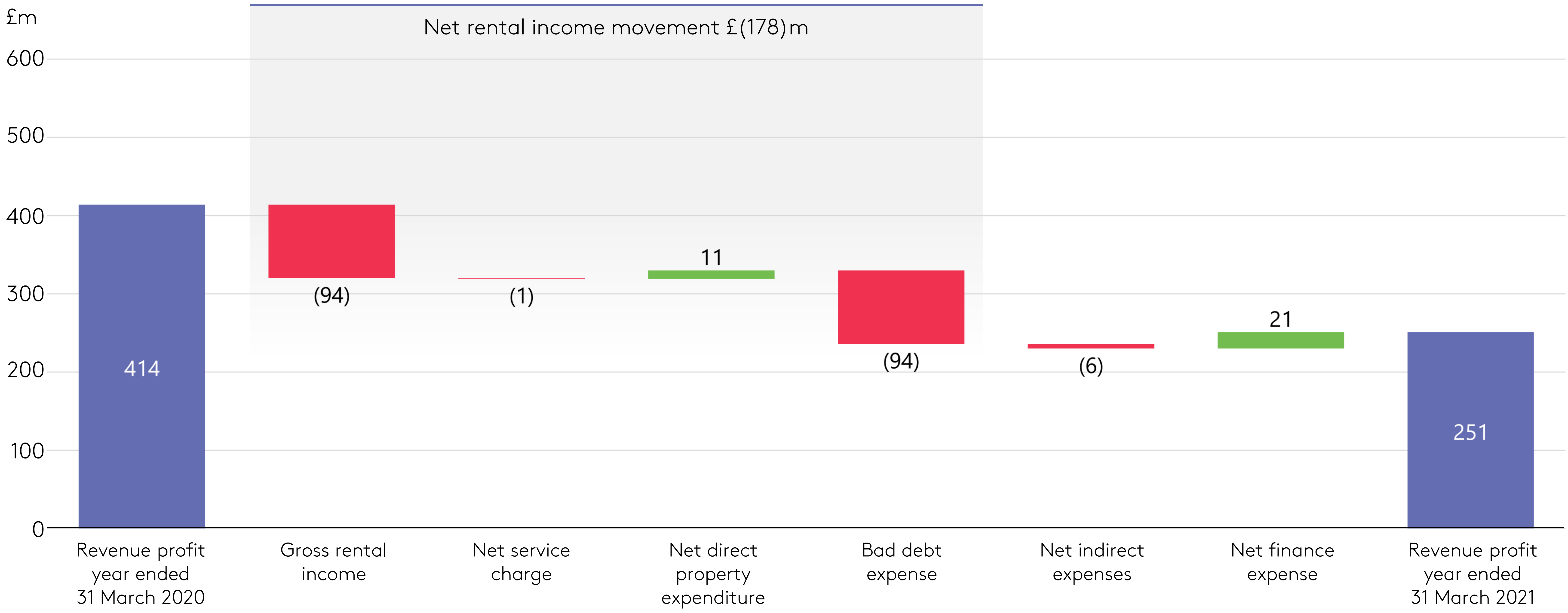
Landsec

Financial summary

31 March 2020		31 March 2021	% change
£414m	Revenue profit[1]	£251m	-39.4%
£(1,179)m	Valuation deficit[1]	£(1,646)m	-13.7%[2]
£(837)m	Loss before tax	£(1,393)m	
55.9p	Adjusted diluted earnings per share[1]	33.9p	-39.4%
1,192p	EPRA net tangible assets per share	985p	-17.4%
23.2p	Dividend per share	27.0p	+16.4%

(1) Including our proportionate share of subsidiaries and joint ventures
(2) The percentage change for the valuation deficit represents the fall in value of the Combined Portfolio over the year, adjusted for net investment

Revenue profit



Rent collection impacted by Covid-19 but offices resilient

- Collected 86% of net rent amounts due for the period 25 March 2020 to 24 March 2021
- Collected 81% of net rent amounts due on 25 March 2021 quarter day to date
- In April 2020, we established an £80m customer support fund for occupiers in most need of our help to survive
  - £42m of rent concessions have been allocated to customers

	25 March 2020 to 24 March 2021	25 March 2021 quarter day
	Amounts received to date	Amounts received to date
Offices	100%	98%
Rest of central London	80%	63%
Regional retail	71%	58%
Urban opportunities	62%	40%
Subscale sectors	71%	50%
Total	**86%**	**81%**

Analysis of bad debt provisions

By activity	£m
Provisions related to customer support fund concessions	42
Other provisions for rents receivable	58
Provisions for service charge receivables	14
Tenant lease incentive provisions	13
Bad debt expense charged to revenue profit in the year	**127**

By segment	£m
Central London	17
Regional retail	69
Urban opportunities	10
Subscale sectors	31
	127

Combined Portfolio valuation

£10.8bn portfolio

Valuation declined **13.7% or £1.6bn**

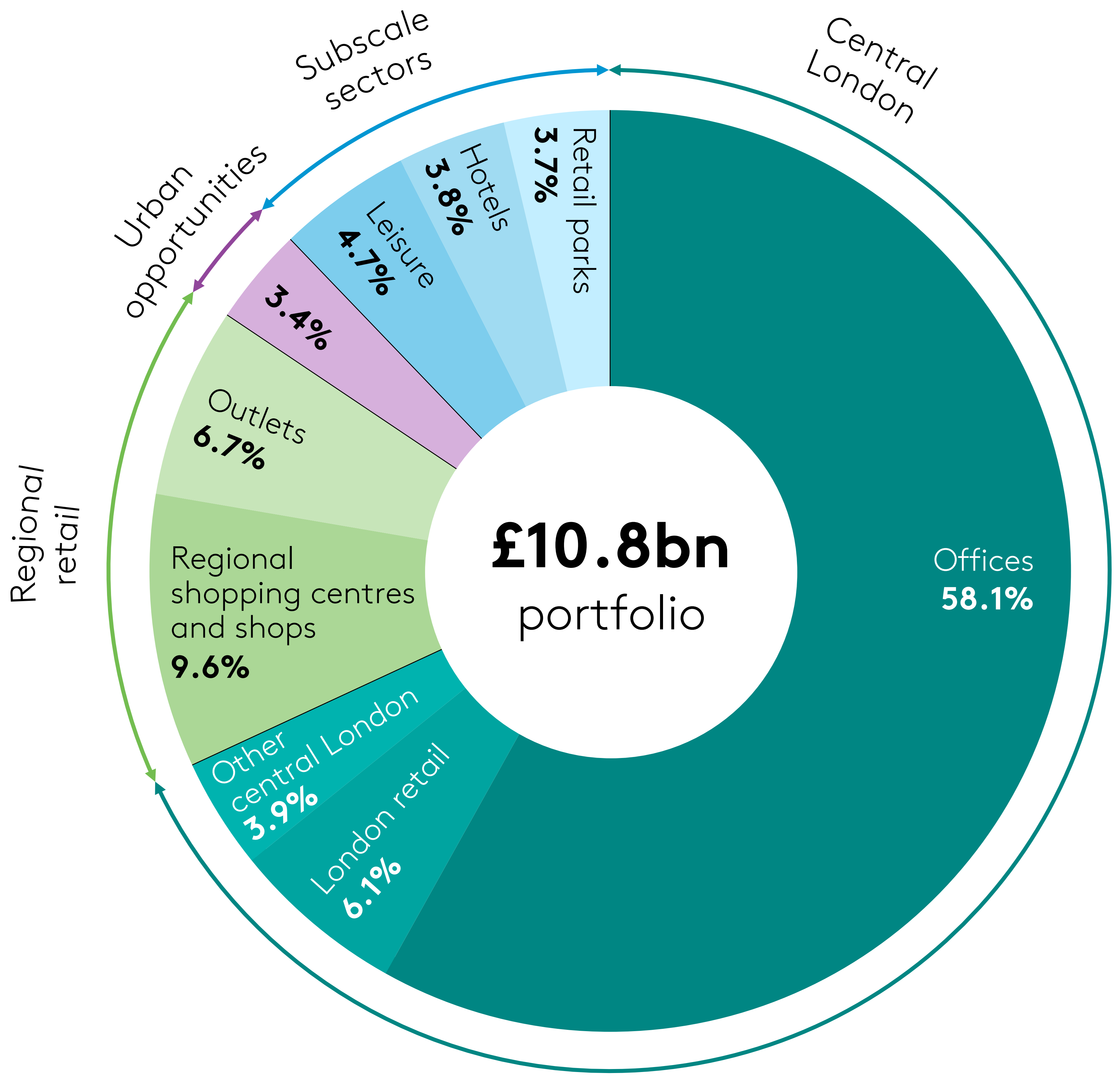
— Valuer's assumptions relating to Covid-19. Where there is no agreed rent concessions the following adjustments have been made:

  — 6-month rent deduction for retail and F&B in London

  — Outside central London, 3-month rent deduction for retail, 6 months for F&B and 9 months for cinema

  — Outlets, recovery in turnover related rents to take one year

  — Hotels, recovery in turnover related rents to take three years



Combined Portfolio valuation
Central London

£7.3bn portfolio

68% of Combined Portfolio

Valuation declined 6.5% or £484m

Offices -4.1%

— Like-for-like rental values down 1.9%

— +3bps like-for-like equivalent yield shift to 4.6%

London retail -26.0%

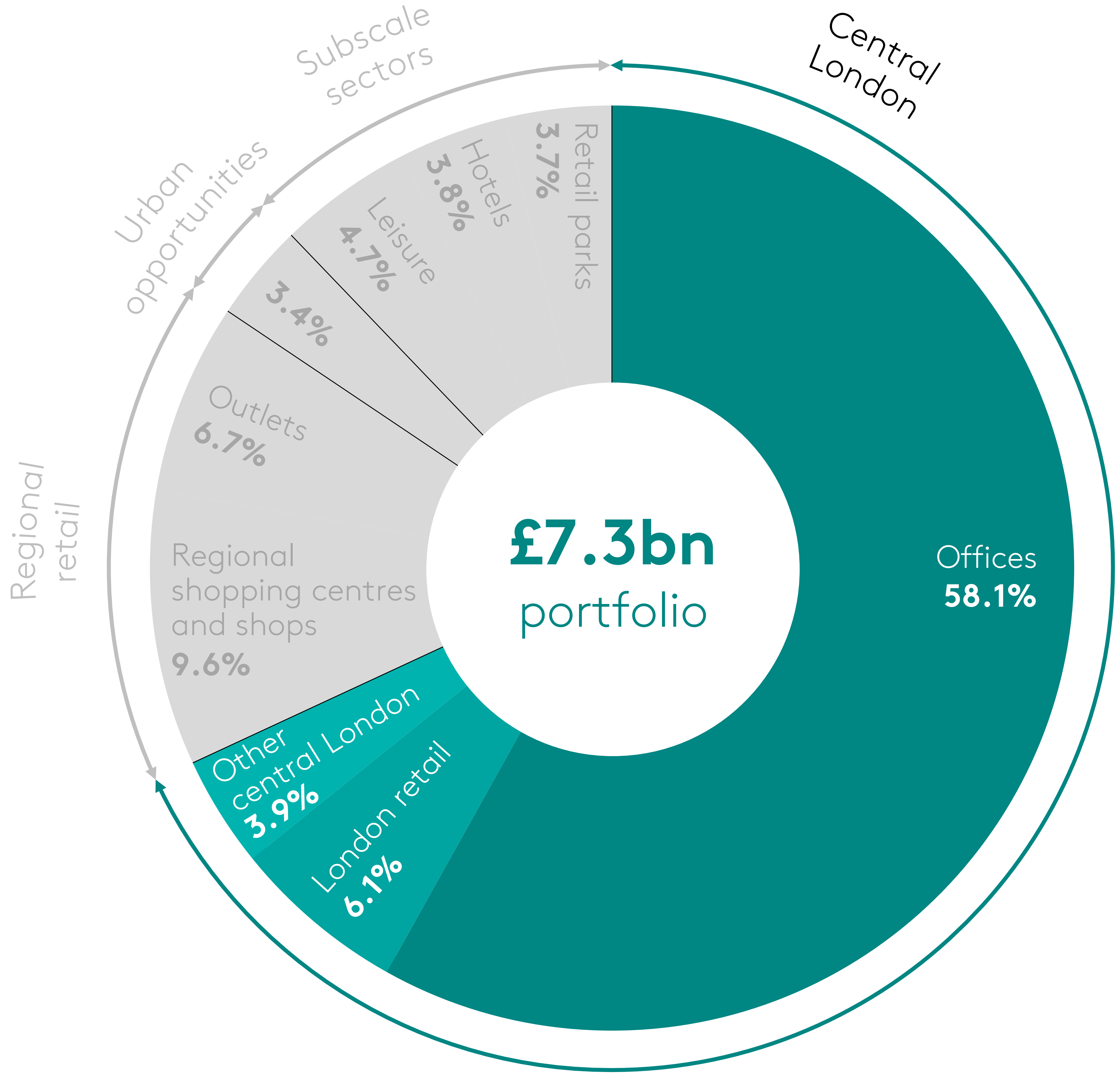
— Like-for-like rental values down 25.2%

— +26bps like-for-like equivalent yield shift to 4.5%

Other central London -1.0%

— Like-for-like rental values are flat

— +6bps like-for-like equivalent yield shift to 4.4%



Combined Portfolio valuation
Regional retail

£1.8bn portfolio

16% of Combined Portfolio

Valuation declined 31.4% or £799m

Regional shopping centres -38.2%

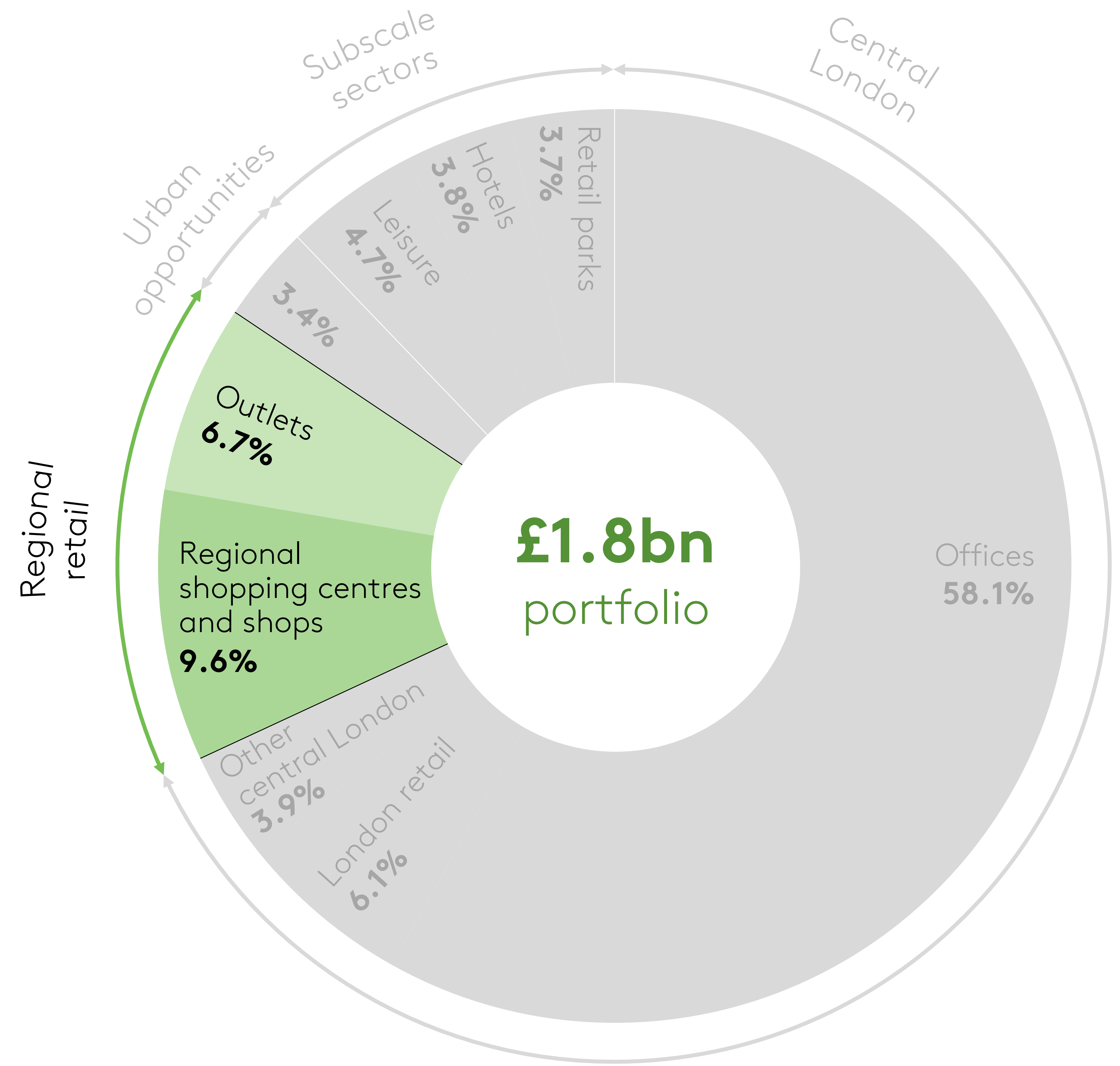
— Like-for-like rental values down -21.5%

— +140bps like-for-like equivalent yield shift to 7.6%

Outlets -18.5%

— Like-for-like rental values down -3.8%

— +91bps like-for-like equivalent yield shift to 6.8%



Combined Portfolio valuation
Urban opportunities

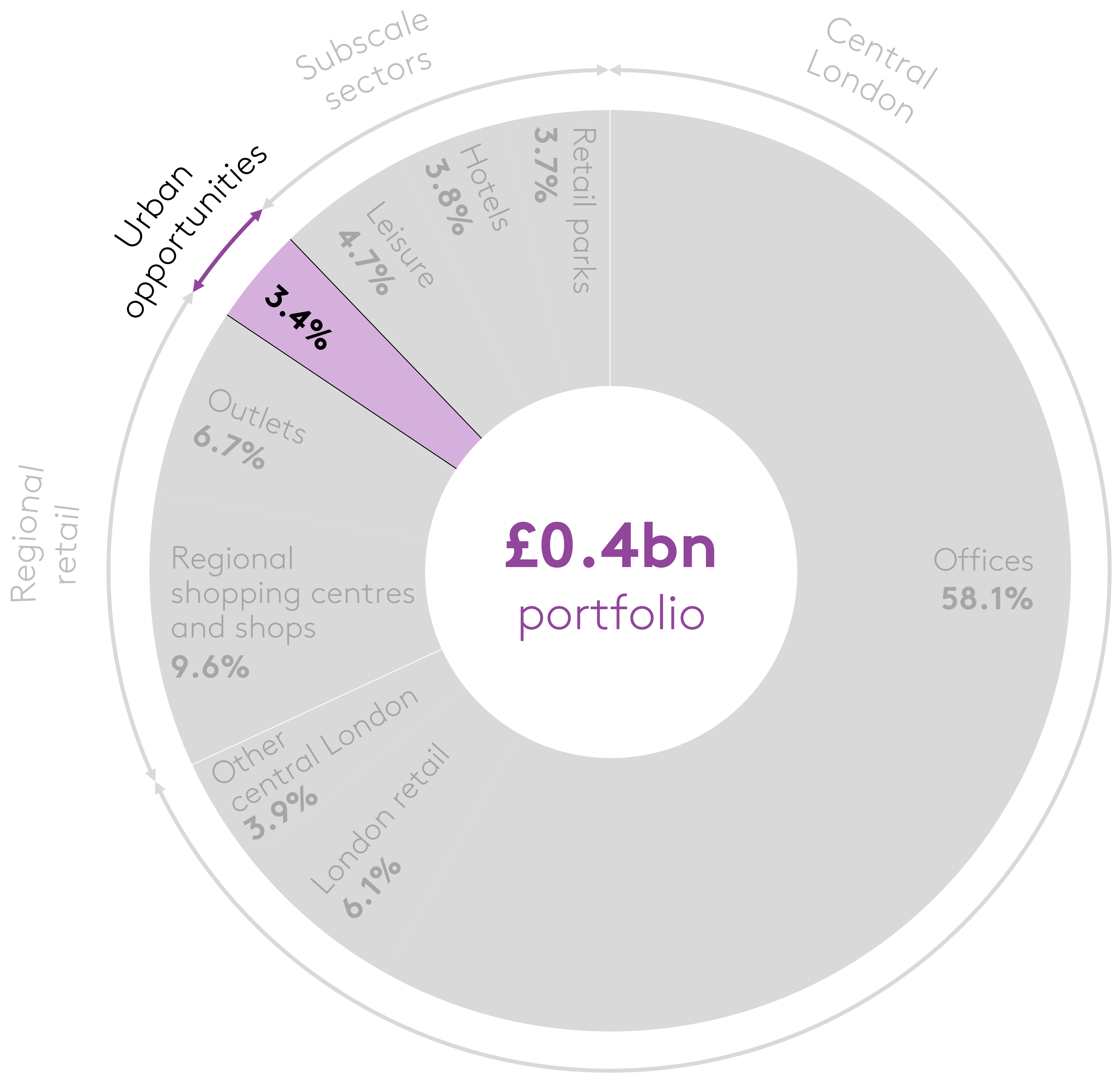
£0.4bn portfolio

3% of Combined Portfolio

Valuation declined 23.3% or £112m

Like-for-like rental values down 11%

+73bps like-for-like equivalent yield shift to 5.9%



Combined Portfolio valuation
Subscale sectors

£1.3bn portfolio

12% of Combined Portfolio

Valuation declined 16.4% or £251m

Leisure -23.0%

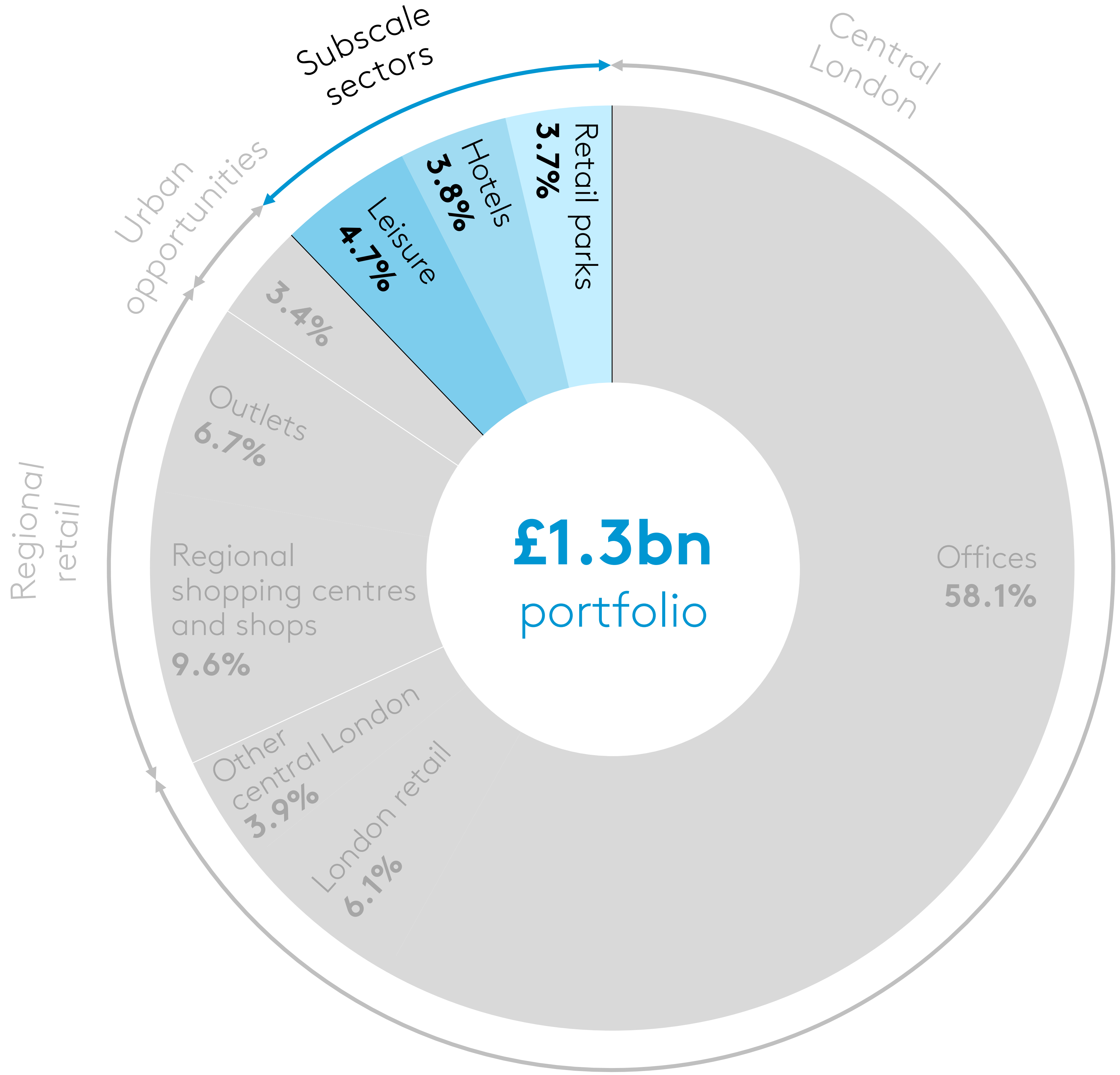
- Like-for-like rental values down -7.1%
- +118bps like-for-like equivalent yield shift to 7.6%

Hotels -13.4%

- Like-for-like rental values down -17.2%
- +34bps like-for-like equivalent yield shift to 5.5%

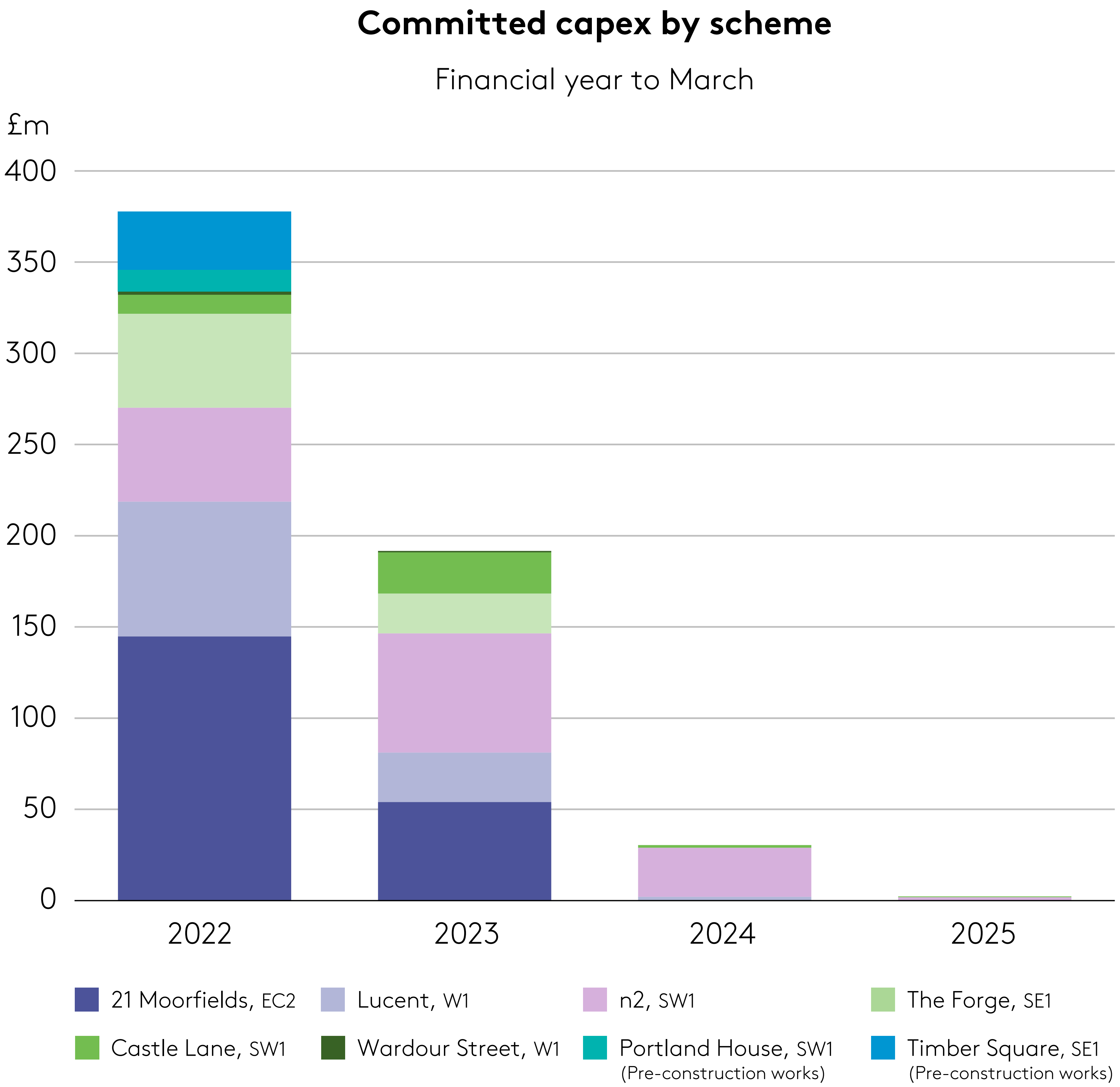
Retail parks -10.1%

- Like-for-like rental values down -8.1%
- +15bps like-for-like equivalent yield shift to 7.6%



Committed capital expenditure

- — £558m committed capex across the six schemes in development programme
- — £44m pre-construction works for Portland House and Timber Square
- — Disposals to fund capex



Financing position
A strong position with available resources

- Group LTV 32.2%
- Weighted average cost of net debt 2.2%
- Next bond debt maturity: £10m in September 2023
- Cash and available facilities £1.6bn

	31 March 2021
	£m
Bond debt	2,340
Bank debt	209
Commercial paper	906
Other	34
Adjusted net debt	**3,489**

Looking ahead

Re-opening of the economy

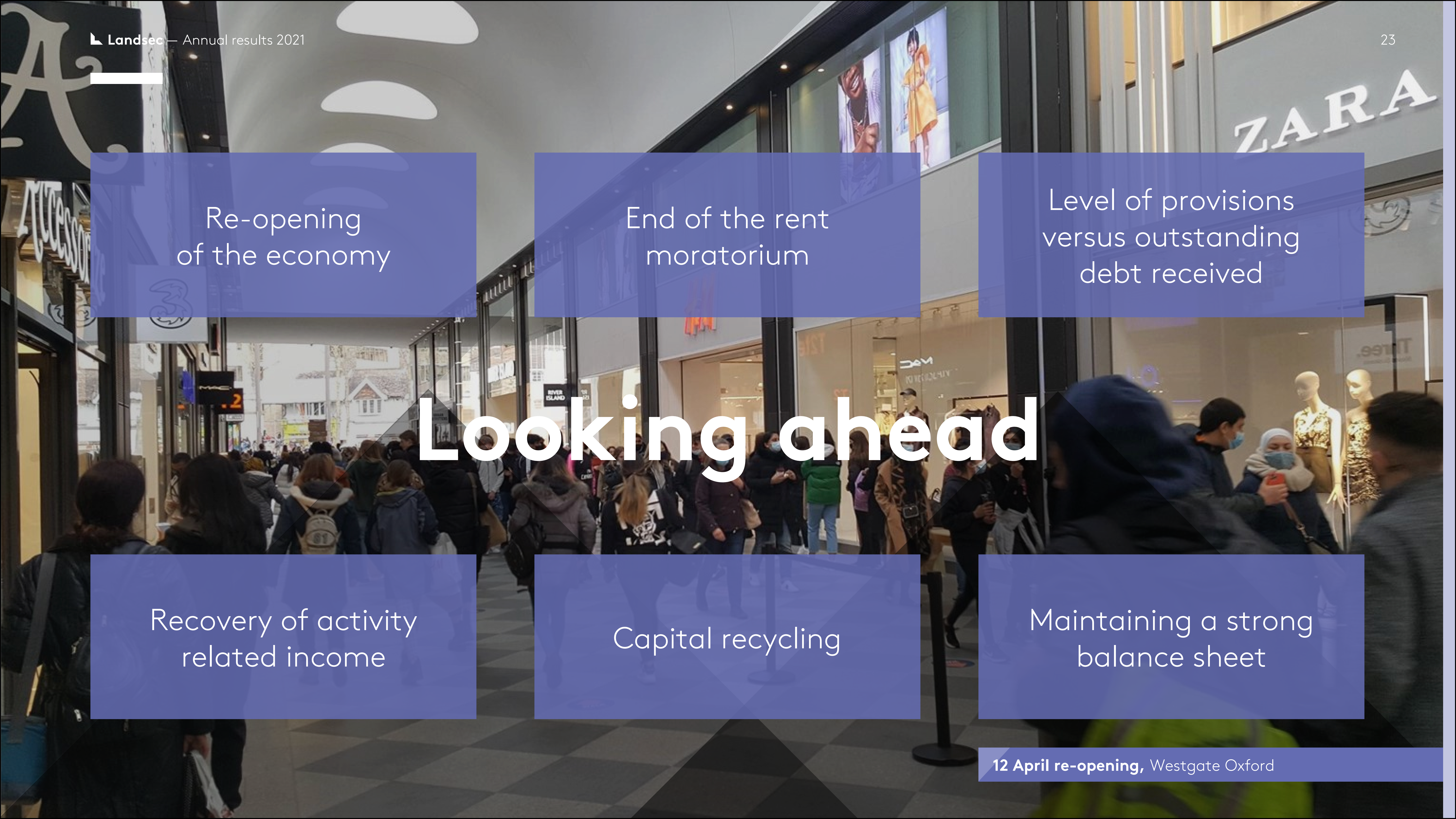
End of the rent moratorium

Level of provisions versus outstanding debt received

Recovery of activity related income

Capital recycling

Maintaining a strong balance sheet



12 April re-opening, Westgate Oxford

Operational update

Landsec

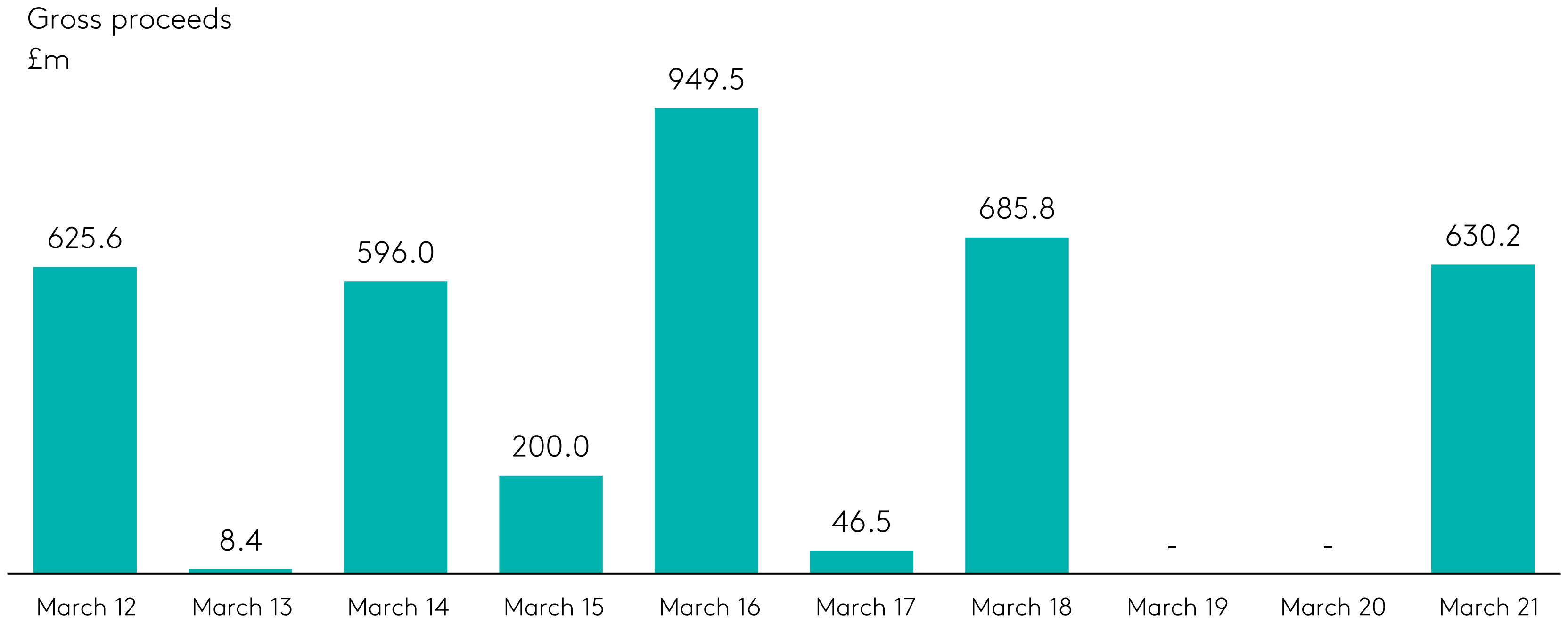
Optimise

A resilient central London portfolio with the ingredients to thrive

- £7.3bn portfolio, 68% of our Combined Portfolio
- Resilient valuation performance, down 6.5%
- 97% rent collected
- 97% let
- Flexible development pipeline

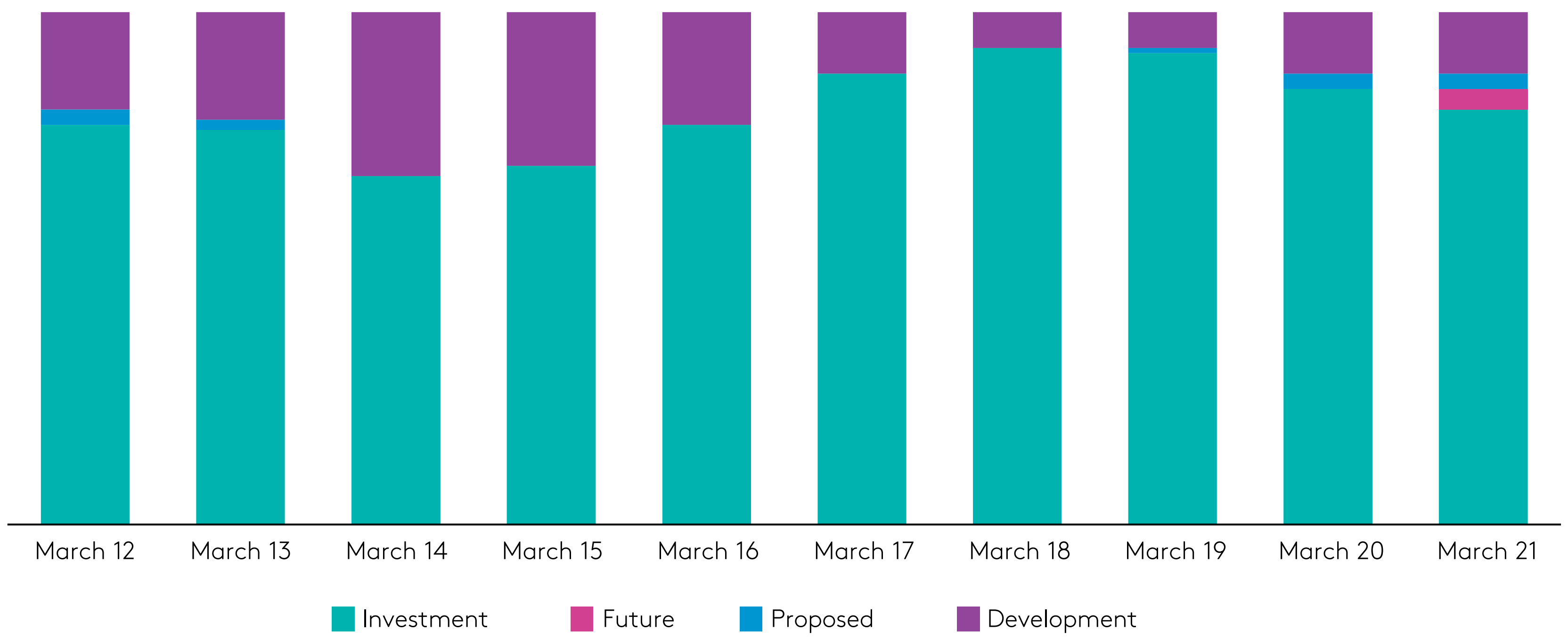
High liquidity

The Landsec London portfolio has disposed of £3.7bn over last 10 years reflecting an average churn of 5% of the portfolio value per annum



Strong development optionality

Current development exposure by value is 10% under development with a further 6% optionality in future and proposed pipeline



Our Optimise strategy is focused on creating value

Creating value:

Through **development**

- Further progress on delivering our near-term pipeline
- Added Lucent, The Forge and n2 to our committed schemes
- Increased medium-term optionality with the acquisition of 55 Old Broad Street

By building **resilience**

- Using data and insight to focus our activities and capital on sectors, locations and products we believe will be successful in the long term

Through **relentless customer focus**

- Ensuring our products and propositions are informed by a deep understanding of our customers and their businesses

Realising value:

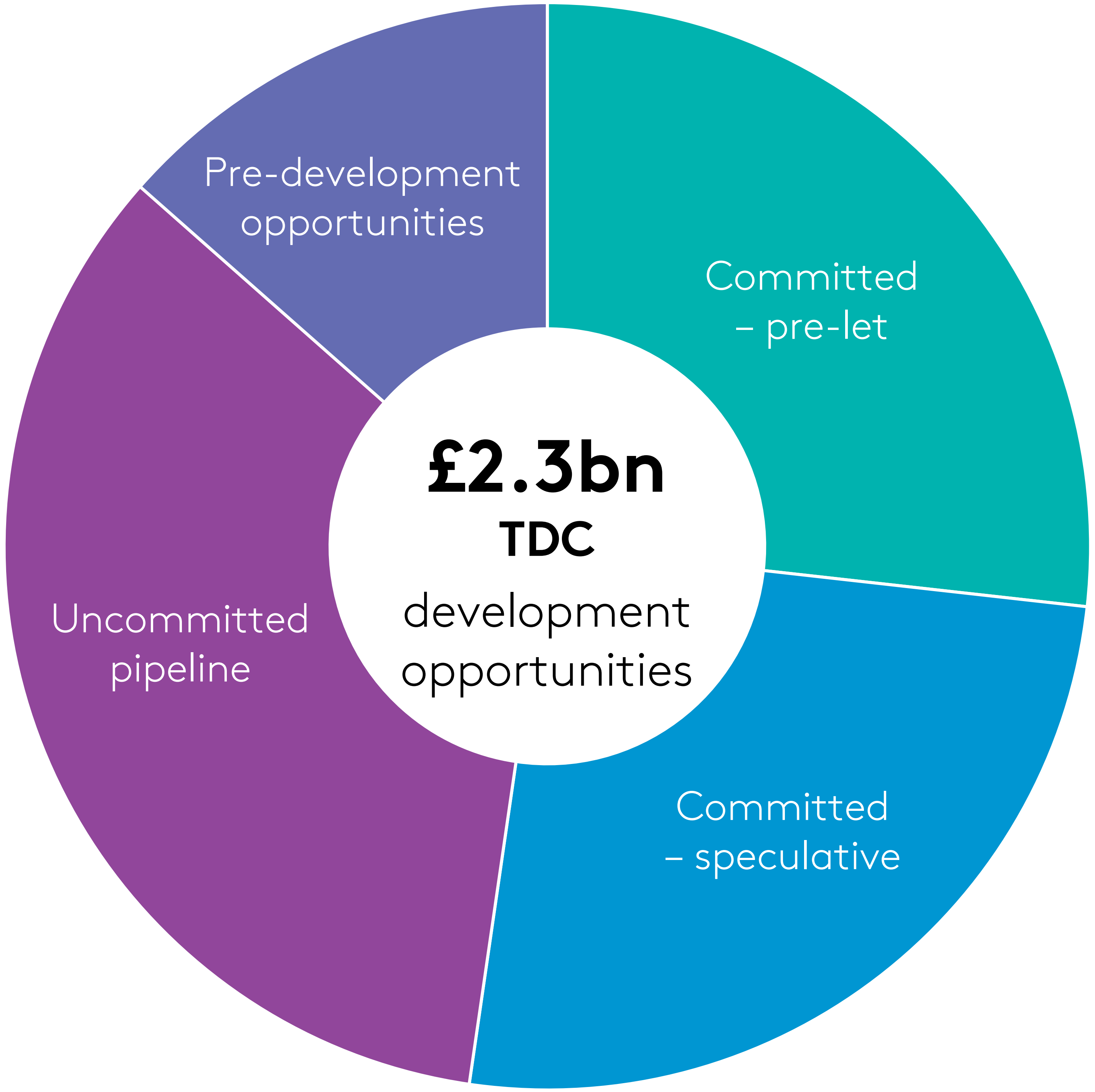
Through disciplined **capital recycling**

- Exiting more of our investments when opportunities to add value in the short to medium term are limited
- Reinvesting into new value creating opportunities, both in London and other areas

Underpinned by strategic partnerships, curated experiences and healthy and sustainable spaces

Creating value through development

- £1.2bn of committed development schemes, 57% pre-let. Average yield on cost 5.5%
- We minimised the effect of Covid-19 on our development programme
- We preserved optionality on the programme whilst outlook was most uncertain
- Lucent, The Forge and n2 committed during the year
- Planning permission secured at Timber Square
- Acquisition of 55 Old Broad Street adds a potential development opportunity



Excludes 55 Old Broad Street, EC2

Creating value through development
Maintained flexibility

Office developments	TDC	Status	Earliest completion	Net zero carbon
The Forge, SE1	£139m	Speculative	June 2022	✓
21 Moorfields, EC2	£577m	100% pre-let	July 2022	✗
Lucent, W1	£240m	Speculative	December 2022	✗
n2, SW1	£205m	Speculative	June 2023	✗
Timber Square, SE1	£350m – £400m	Uncommitted	February 2024	✓
Portland House, SW1	£400m – £450m	Uncommitted	September 2024	✓
Total	**£1,911m – £2,011m**			

Creating value through development
Focus for the next 12-18 months

- Timely completion of committed projects
- Pre-letting progress
- Progress planning at Red Lion Court
- Decisions on timing
  - Portland House
  - Timber Square
- Targeting a small number of further acquisitions with a clear Landsec angle

CGI of Portland House, SW1

OPTIMISE | REIMAGINE | GROW | REALISE

Building resilience and relentless customer focus

Existing portfolio

- Live discussions with our customers to right-size their requirements across 1 million sq ft of space
- Active discussions with seven occupiers across five buildings in Victoria

ESG leadership

- Building resilience into our development programme
- Meeting our customers' sustainability and wellbeing needs

Growing our customer proposition

- Providing a range of products and services to meet specific needs of our customers
- Adding resilience through expanding our Myo and Customised propositions

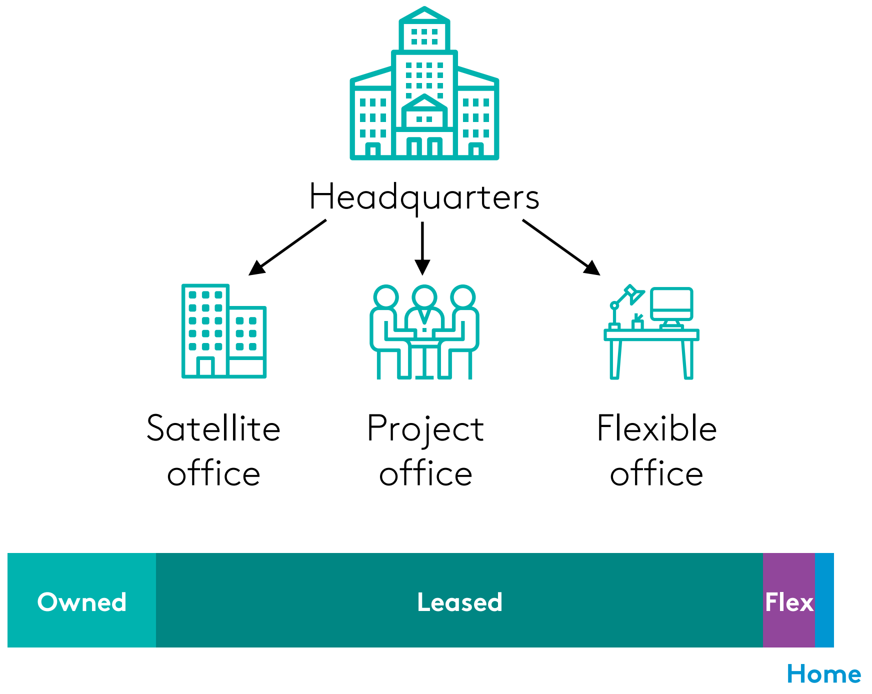
Workplace of the future

— Workplaces will evolve to support a hybrid workforce network

— Tailoring support for different types of occupier is critical

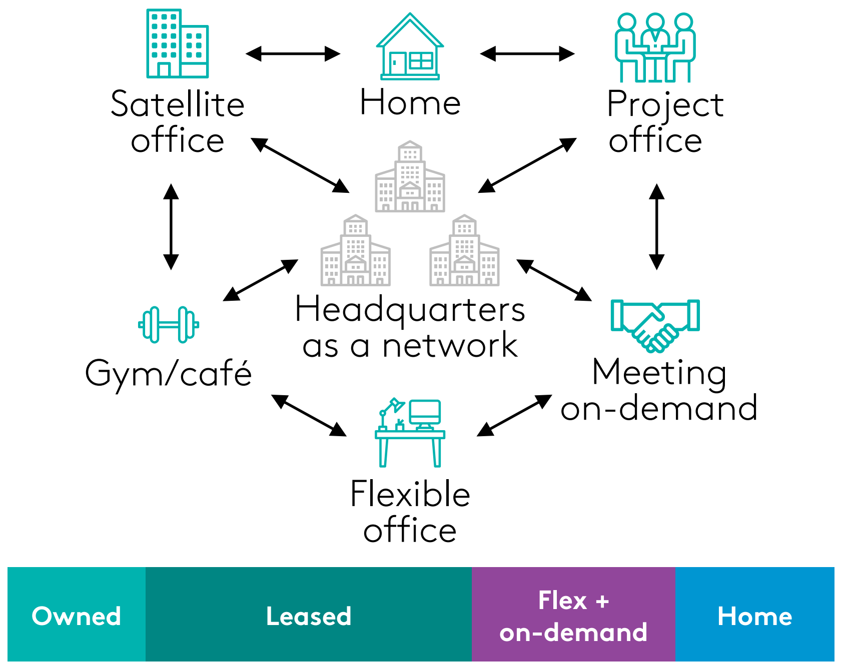
— Scale and range of locations and products across London a key Landsec advantage

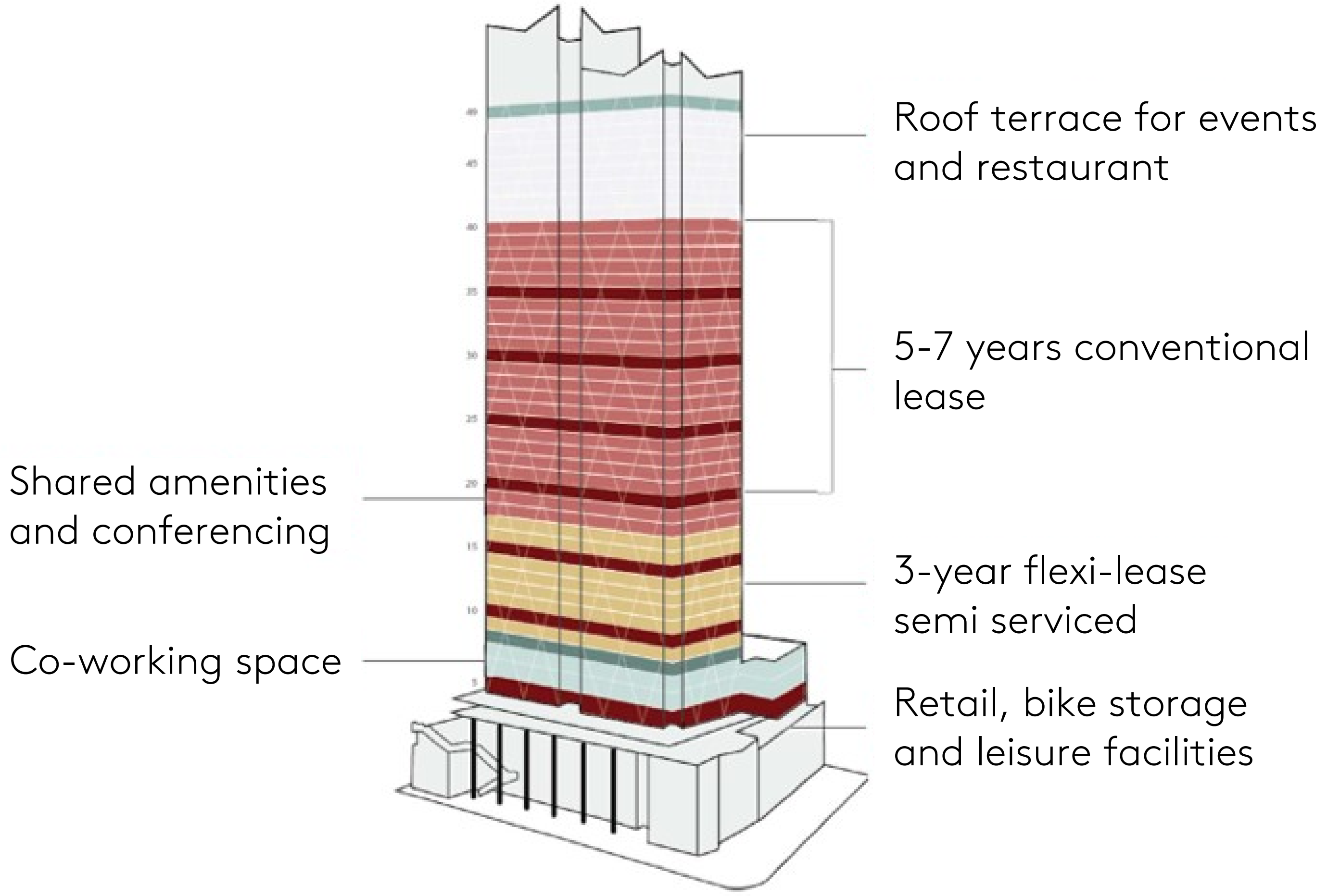
Up till now



Source: CBRE research, Q1 2020

Tomorrow: hybrid workforce network

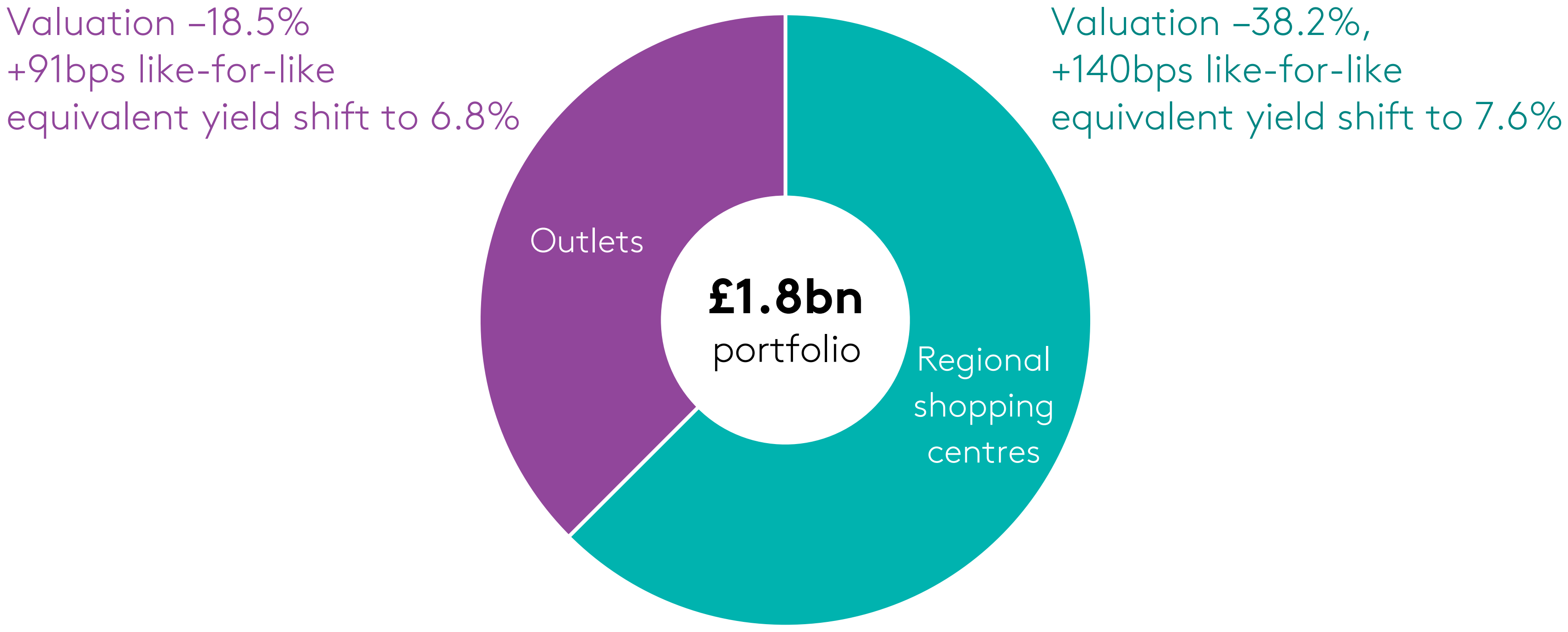




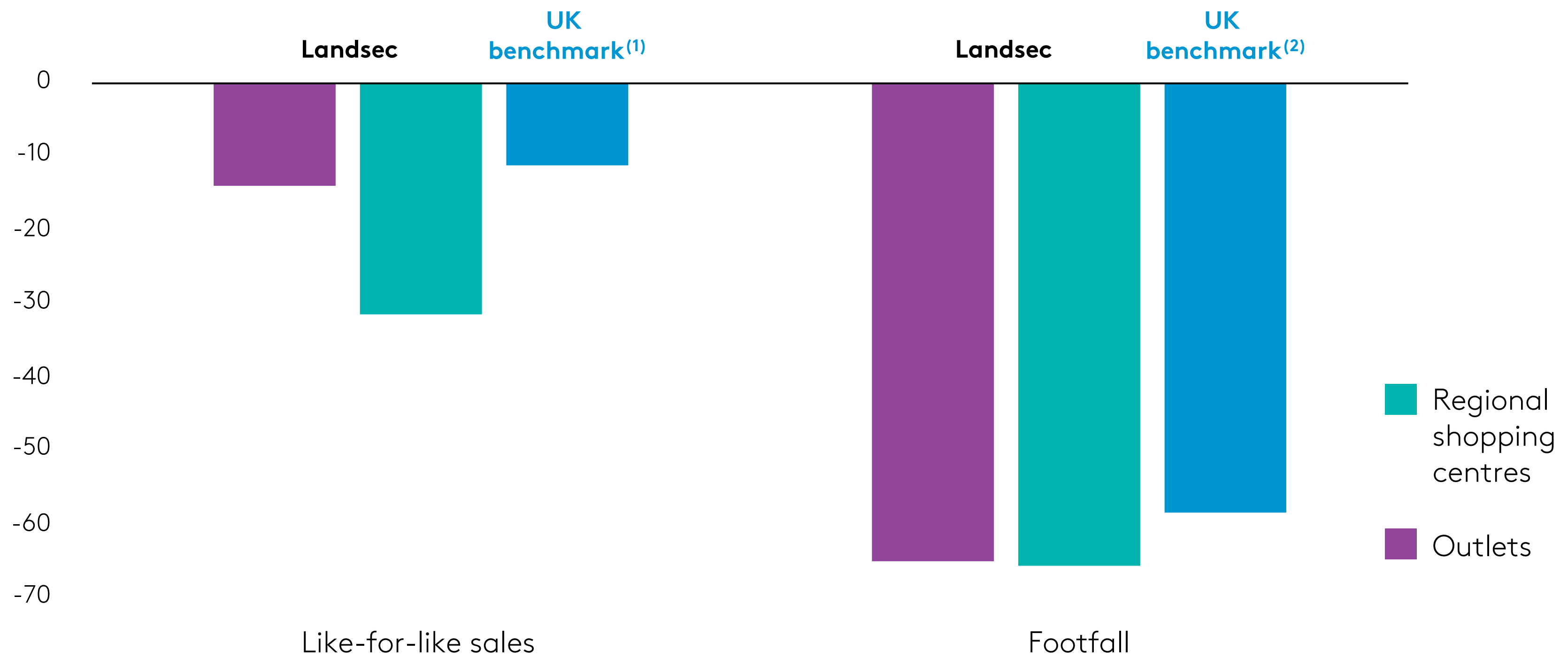
Covid-19 on our Regional retail portfolio had a severe impact

- Three lockdowns and restrictions
- Moratorium in force for entire year
- 70% retail net rent collections for year to March 2021
- 360 units across 58 brand partners entered CVA or administration in the year with £29m of rent impacted. 48 units falling void during the year
- CVA and administration levels will remain elevated in FY22
- Like-for-like voids 7.5% and 5.8% units in administration
- Vacancy has increased more in prime shopping centres due to fashion and department store exposure – but persistent vacancy much lower

Regional retail portfolio



% year-on-year variance, year to March 2021



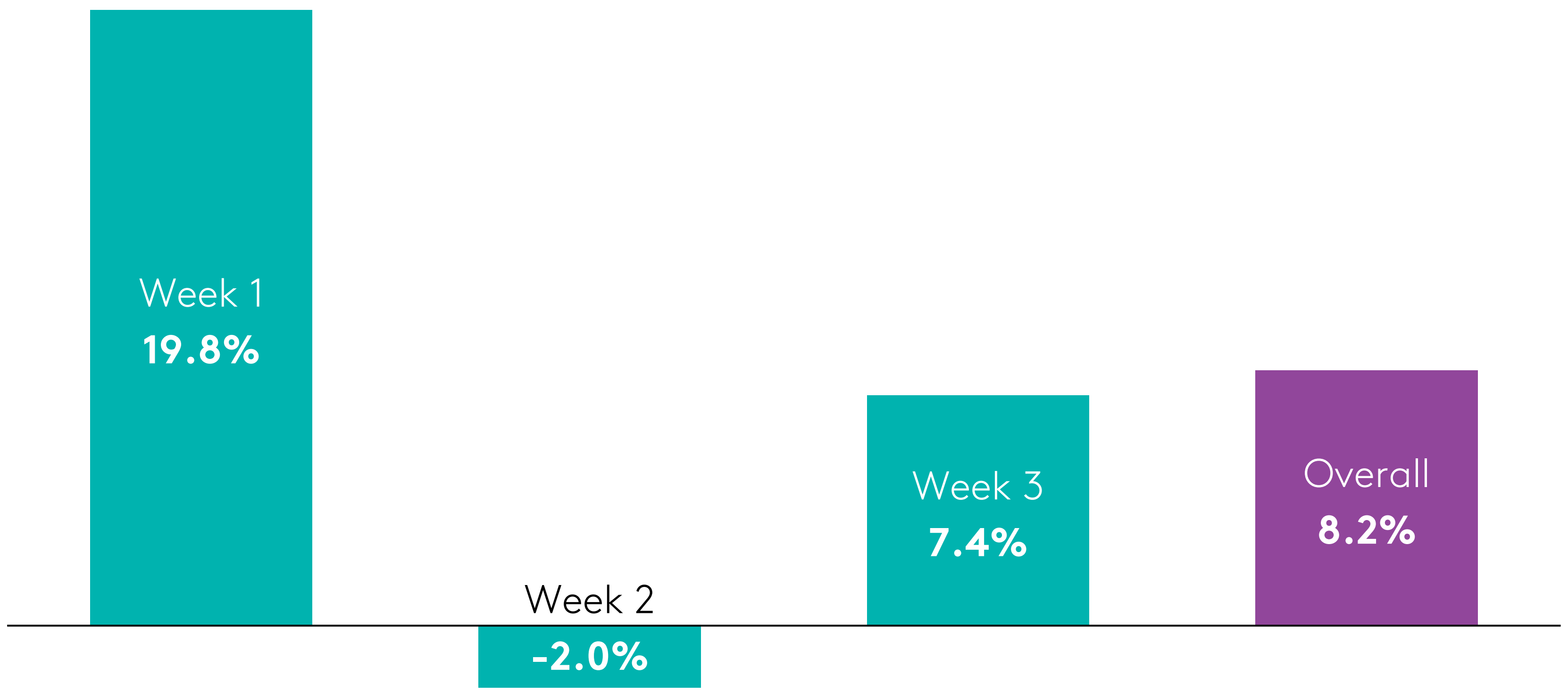
Note:
(1) BRC national benchmark
(2) ShopperTrak national benchmark

An encouraging re-opening since the easing of Covid-19 restrictions

- Non-essential retail re-opened in England and Wales on 12 April 2021, and in Scotland on 26 April 2021
- From 17 May 2021:
  - Bars, pubs and restaurants are now able to serve customers indoors
  - Indoor entertainment can resume including cinemas and leisure and sports activities
- Three weeks since 12 April 2021, like-for-like sales in regional retail in England and outlets, excluding F&B, were 8.2% above the equivalent period in 2019
- Landsec footfall ahead of the benchmarks
- Sales ahead of 2019 despite restrictions
- Consensus emerging on lifting of the moratorium

12 April 2021 re-opening, Westgate Oxford

Regional retail and outlets like-for-like sales growth vs 2019
(England only, excluding F&B)



Rapid acceleration of trends has brought forward opportunity for a fundamental reset of retail

To be relevant in an omnichannel world, physical retail either needs to be complementary to online or offer something that is not easily replicated online

Retail winners looking for **fewer larger stores**

ZARA

DECATHLON

Flight to prime as retailers demand the right space in the best locations

Greater focus on **experiences**

Closer alignment with **brand partners**

76% **increase** in **turnover only leases**

Looking forward, our Reimagine strategy is focused on creating value in three ways

Creating value through:

Deep brand partner **relationships**

Developing deeper relationships with our brand partners to enable them to maximise the role of physical retail

Tailored guest experiences

— Integrating seamlessly with our partners

— Reducing friction of guests' shopping and leisure missions

— Improving our ability to measure, predict and influence shopper behaviour

Asset management **expertise**

Ensuring our interventions are appropriate, targeted and sustainable

Grow through Urban opportunities

- Urban opportunities are mixed-use, multi-phase regeneration projects rooted in a need to redevelop parts of the built environment that are no longer fit for purpose
- Retail is the most prominent example and we have five suburban London shopping centres in this category
- O2, Finchley Road is our most advanced project, targeting planning submission this financial year

An attractive source of growth

Place making potential

Sustainable, mixed-use communities that underpin long-term appeal

Rental growth

Multi-phase development

Assists with risk management and capital allocation

Development upside

Compelling blend of returns throughout

Income, development upside, rental growth

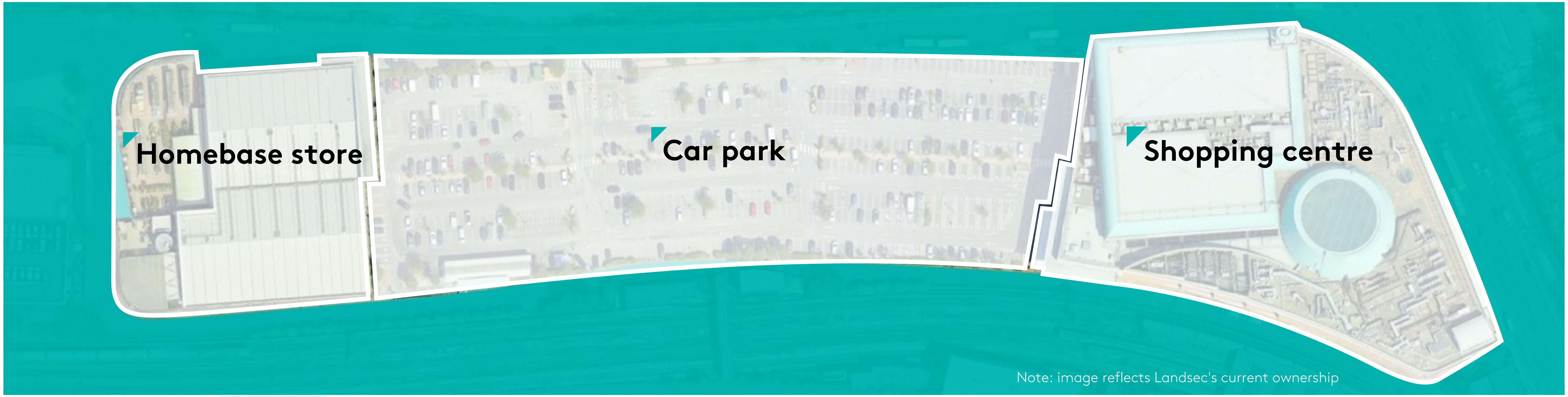
Income

Development upside

Rental growth

O2, Finchley Road

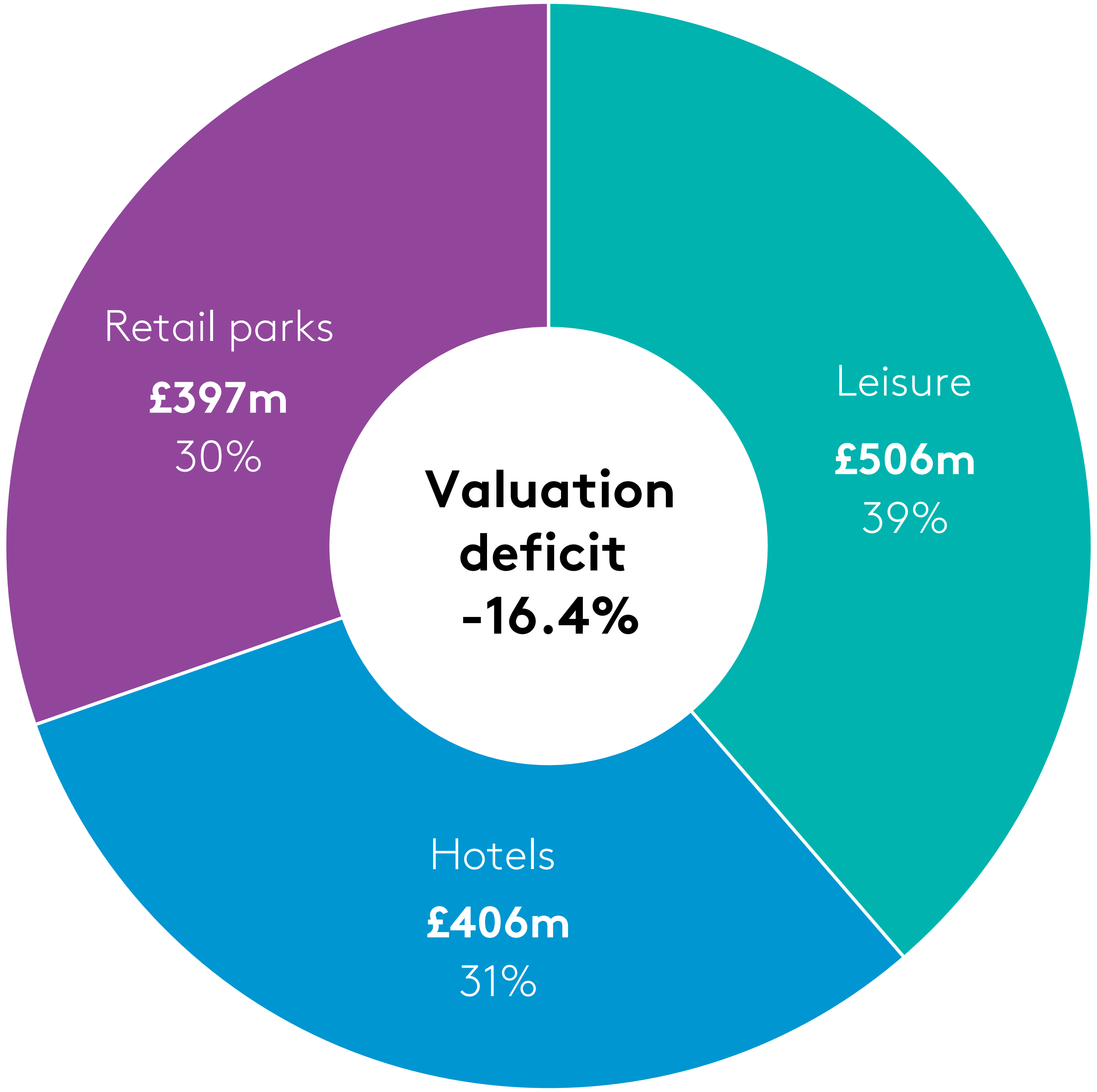
- Current site 310,000 sq ft of retail and leisure with 530 space surface car park
- Potential for c.1,900 homes plus c.150,000 sq ft of commercial space
- Local consultations have taken place and master planning and design continues
- Planning submission targeted this financial year



Realise capital from our Subscale sectors

- Comprises £1.3bn of hotels, leisure parks and retail parks which we intend to divest over the medium term
- Leisure operators experienced only eight weeks of unrestricted trade, but the sector remains well-positioned to respond as restrictions ease
- 18 of our 21 Accor hotels were closed during lockdown. Turnover-based leases significantly impacted but will share in the recovery from the pandemic
- Our 10 retail parks saw a less pronounced decline in valuations compared to other retail assets. We intend to capture value from recovery ahead of disposal

£1.3bn Subscale sectors



Looking forward

What you can expect from Landsec over the next 12 to 18 months

Ongoing capital recycling

Working with our customers

Progress on our ESG and net zero carbon targets

Embedding our culture – empowerment, accountability, pace and agility

CGI of The Forge, SE1

Q&A

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