Landsec

LANDSEC PRELIMINARY RESULTS PRESENTATION TRANSCRIPT

15 May 2018

Speaker: Robert Noel – Chief Executive Officer

Slide 2 – Agenda slide

Good morning everyone, and welcome to our results presentation. Here's our agenda, and we'll crack straight on.

Before I hand over to Martin, I would like to share our approach to running the business under four themes - Market, Customers, Efficiency and Sustainability.

Ours is a long-term business, in a market that's constantly changing.

Slide 3 – Optionality for a range of conditions – anticipating markets

We've continued to position Landsec into the best shape for our view of the evolving market landscape. And principally, this means giving ourselves optionality.

This year, as planned, with the completion of Nova we completed our speculative development programme in London. We also completed and opened Westgate Oxford.

With the speculative programme now also fully leased up, we have a really good quality portfolio - well matched to customer demand, and well-let.

This time last year we said our markets remained healthy, but they had paused for breath.

Over the year to March, the London market was stronger than we anticipated, particularly the first half. Investment and leasing volumes remained healthy. And even though it is more disciplined, there remains a good amount of global capital interested in London.

Investment volumes in the retail sector were low and the gap between the best and the rest, particularly in shopping centres continues to widen.

In these conditions you saw us put our optionality into practice:

- Having committed to build to grade, we secured a pre-let, and are now progressing the £583m 21 Moorfields development;
- We took advantage of the window of very competitive bidding with the sale of the Walkie Talkie for £634m - for our share - a record City of London price; and
- We acted quickly, buying where we saw value – spending £333m on the Outlets.
- We are, of course, faced with a fast-changing customer landscape.

Slide 4 – Customer – fast changing customer landscape

Over the last several years we've talked about the intensification of office use, and the need to provide more service. This drove our strategy of development of high performance workplaces at scale in London.

The last couple of years particularly has seen increased demand from serviced office and co-working operators as more office occupiers look to the convenience of flexibility or even total service provision for some or all of their business.

But these are not the serviced offices of old – they are taking space in high performance buildings. This is a trend, not a fashion – and our portfolio is well matched to this.

As you know – we have approached this evolving segment of the market in partnership with operators but there will be opportunities for us to participate more directly.

We've also talked about the structural change in consumer behaviour and this drove our strategy to transform our retail portfolio away from secondary shopping centres under our themes of dominance, experience and convenience.

Retailers have had a particularly tough time since the referendum – impacted by the combination of a squeezed consumer and rising costs – and this has reduced demand for space generally.

However, from our perspective demand remains relatively healthy for the right destinations in the right locations, be it experience, or convenience led. This demand was evidenced at Westgate Oxford, recently completed and 96% spoken for. It was evidenced at our scheme in Selly Oak, 95% pre-let and it was evidenced at the Plaza reconfiguration at Bluewater, pretty much fully leased on completion.

Customers needs will always change, and we are always testing our activity to ensure our product remains relevant, now and into the future. We continued to work up our pipeline of future development during the year with this in mind. And 21 Moorfields is a great example of using the strength of both our capabilities and our balance sheet to turn optionality into reality.

Other customer trends also give us the potential to create value. Scott has spoken before about the potential densification of some of our suburban London assets. We are working on plans for significant residential led development at various locations.

It will be interesting to see how the residential sector unfolds. Build to rent, for example, has the potential to be huge, but will require leadership along with clear and stable policies from both political parties at all levels of government, as well as from planners, in order to emerge from the cottage industry that it is today.

Slide 5 – Efficiency – focused on NAV per share and EPS

The third theme is around how we make sure we do our best for shareholders. In these current foggy conditions, without undermining our capacity to buy in a range of market scenarios.

We are, of course, focused on both NAV and earnings per share. Like taking advantage of a very competitive market last year to crystallise returns from the Walkie Talkie and, on an LTV neutral basis, returning the proceeds to shareholders as capital at a time when shares in the sector are trading at a wide discount.

We are particularly focused on earnings at the moment as our markets have entered a period of low net effective rental value growth and we also have the possibility of rising interest rates. So we continued our work to reduce our cost of debt and lengthen its duration, and Martin will talk more about this in a moment.

With conservative gearing and a highly competitive marginal cost of debt, we are of course in a great position to grow earnings per share when we buy and develop.

Slide 6 – Sustainability – Customers, communities, employees and partners

My final theme is the need to ensure our business is sustainable in the round and by that, I mean Landsec being in existence and healthy in 5,10,15 years and so on.

So, we work on those things that ensure support from all of our stakeholders – customers, communities, employees and partners (and I include shareholders, bondholders and lending banks in that).

Rightly, we continue to be recognised for our leadership role in good governance and transparency; health, safety & security; positive economic contribution to the areas where we do business; social inclusion and environmental impact.

When we followed our successful plaster boarding academy with a scaffolding academy at Brixton Prison, it was to train scaffolders to fill a badly needed shortage in the industry. The result is just that, but it also significantly reduces re-offending rates when people leave prison and go straight into a job.

Important for this audience - this activity leads to increased trust by local authorities. This helps sustain our business by giving us competitive, commercial advantage.

When we started talking to Oxford City Council, they went to see Leeds City Council. Leeds' experience of working with us gave Oxford comfort that we should be trusted to deliver the right outcome for the City. This facilitated a smooth and collaborative planning process and enabled us to deliver Westgate in a shorter time frame than others might have been able. This adds value.

All our activity has led to a robust set of results.

Slide 7 – Actions translating into results

This chart shows the progression of NAV per share.

You can see how this has more than doubled since we restarted development in 2010 and how we've also managed our LTV down as we've moved through the cycle.

Adjusted diluted NAV per share is down marginally this year, to £14.03p.

The right-hand chart shows earnings and dividend per share.

Adjusted diluted earnings per share are up nearly 10%. And having completed and now let our speculative development programme, we're increasing the dividend by nearly 15% bringing the growth in dividend per share since we restarted development in 2010 to 58%. That's roughly in line with the growth in earnings per share over the same period.

So, let me now hand over to Martin who'll take you through the detailed components of these results.

Speaker: Martin Greenslade – Chief Financial Officer

Slide 8 – Title slide

Thank you Rob. Good morning everyone.

As Rob has said, the company is in good shape and we have again delivered a robust set of results. These results reflect a year of activity on both sides of our balance sheet: opportunistic acquisitions; profitable disposals; liability management; and returning capital to shareholders.

But let's start with the headline numbers.

Slide 9 – Financial summary

Our revenue profit was £406m, up 6.3% on last year. More on that in a moment.

We had a valuation deficit of £91m but, offsetting this, we realised £99m of profits on disposals, principally from the sale of 20 Fenchurch Street. The other major item which drove our loss before tax of £251m was £641m of IFRS costs associated with the redemption of bonds during the year.

Adjusted diluted earnings per share were up 9.9% to 53.1p, ahead of revenue profit growth because of the share consolidation, and our adjusted diluted NAV per share was £14.03, down 1.0% or 14p.

We are recommending a final dividend of 14.65p bringing the total dividend to 44.2p up 14.7%. So, for the last three years now, we've been averaging double-digit annual dividend growth. Our dividend cover is 1.2x, which is at the bottom end of our range, but that reflects the fact that we now have virtually no speculative development risk left in the business and have completed our programme to dispose of weaker assets.

So, turning now to more detail on revenue profit.

Slide 10 – Revenue profit

Revenue profit increased by £24m to £406m, driven by an £11m increase in net rental income and a £16m reduction in net finance expense partly offset by £3m of higher net indirect expenses.

I will talk about net rental income in a minute but it is worth explaining first why net rental income is up £11m when gross rental income is up £24m. The increase in net service charge expense is mainly due to the outlets acquisition where we have a number of all inclusive leases. The increase in direct property expenditure is largely due to higher bad debts and void costs, particularly at Piccadilly Lights, where the screens were out of action as they underwent refurbishment during the year.

The £16m reduction in net finance expense is driven by a £30m lower interest bill partly offset by a £17m reduction in capitalised interest.

Turning now to net rental income.

Slide 11 – Net rental income analysis

Here we have the changes in net rental income, split between London and Retail.

Overall, net rental income increased by £11m, made up of a £4m increase in London and a £7m increase in Retail.

Like-for-like net rental income was down £2m, with the reduction coming in Retail. Here, in amongst a myriad of offsetting movements, there was an increase in bad debts and car park business rates. In London, like-for-like rental income for the year was flat having been down £4m at the half year as additional income from letting activity and completed rent reviews was enough to offset the reduced income from Piccadilly Lights during its refurbishment earlier in the year.

In total, our developments contributed an additional £18m of net rental income due to the practical completion of Nova and Westgate Oxford.

The three outlets acquired last May contributed £20m of net rental income in the year but this was more than offset by a £27m reduction following several disposals both this year and last year, the largest of which was 20 Fenchurch Street.

Turning now to the valuation deficit.

Slide 12 – Combined Portfolio valuation

The value of our Combined Portfolio at 31 March was £14.1bn. We reported a valuation deficit of £91m, a decline of 0.7%, and within that, Retail values fell by 1.7% and London's were flat.

Within the like-for-like portfolio, Retail was down 2.0% with leisure the best performer, up 0.7%, and shopping centres the weakest, down 3.0%. The decline in shopping centre values is significantly impacted by an 11% reduction in the value of Bluewater where the valuer has moved equivalent yields up by 50 basis points based on the limited transactional evidence available. There has been a small, knock-on upward movement in yields on some of our other centres outside London but not of the same magnitude and not all of them.

The London like-for-like portfolio was down 1.0%, with West end offices down 2.4% partly due to a small decline in rental values but also a 12% fall in the value of Portland House as it reaches the end of its economic life.

Outside the like-for-like portfolio, the 18.3% surplus on the development programme is down to 21 Moorfields and the pre-letting to Deutsche Bank as well as the letting success and practical completion of Westgate Oxford. Completed developments were up 1.0%, outperforming the like-for-like office portfolio, largely due to Nova, which saw significant letting progress.

Finally, acquisitions were down 1.9%, due to purchaser's costs on the outlets' acquisition, partly offset by rental growth.

Slide 13 – Movement in adjusted net assets

Given the level of activity in the year, I thought it would be helpful to include an analysis of the movement in adjusted net assets.

We started the period with adjusted diluted net assets of £11.2bn or £14.17 per share.

Revenue profit was £406m or 53 pence per share. Then follows the valuation deficit of £91m which was offset by disposal profits of £99m. Dividends reduced adjusted net assets by £314m and we incurred £452m in relation to our liability management. That £452m cost differs from the £641m IFRS charge I mentioned at the beginning. The difference is due to the bond amortisation derecognition adjustment that is crystallised under IFRS on the bonds purchased. It doesn't affect adjusted net assets because we have already adjusted for all of it.

Now, if you have no idea what I'm talking about, fear not as, with effect from 1 April this year, a change in accounting policy means we no longer need the bond exchange derecognition adjustment, so bringing EPRA NAV into line with our adjusted NAV.

And finally, we returned £475m or 60p a share of capital to shareholders. Alongside this, we completed the 15 for 16 share consolidation which doesn’t impact net assets but adds 91p to adjusted NAV per share, by reducing the number of shares in issue by 50 million.

So, at 31 March 2018, our adjusted net assets were £10.4bn or £14.03 per share.

Now, onto debt.

Slide 14 – Adjusted net debt

You will find the usual disclosure on cash flows for the year in the appendices. This chart shows how our adjusted net debt has changed with this year in purple and last year in blue. In May, you can see the effect of the outlets’ acquisition. In August, the proceeds from the disposal of 20 Fenchurch Street brought our adjusted net debt down to just over £3bn which was followed by the £475m capital payment to shareholders in October. And over the course of the year, we paid out an incremental £452m as part of the various liability management exercises. In total, our net debt is up just under £400m over the year finishing at £3.65bn

Let’s now look at our financing activity.

Slide 15 – Financing

The increase in adjusted net debt is behind our higher Group LTV but, at 25.8%, this is still at the bottom end of our gearing range. During the year, we bought back £1.53bn of bonds and issued £1.35bn of new bonds extending our debt maturities to 13.1 years and reducing our weighted average cost of debt to 2.6%. Where possible, we gave priority in the new issues to bondholders accepting the related tender offers, effectively encouraging them to exchange one bond for another and ensuring the liability management was executed as efficiently as possible.

The impact of this activity will reduce our net finance expense in the coming year by around a further £24m.

So, let me summarise.

Slide 16 – Financial summary

This year, our activity has driven increased earnings and further double-digit dividend growth. That's important in a year when valuation movements and disposal profits have not contributed to total return.

We've been active on both sides of the balance sheet with opportunistic sales and acquisitions, the liability management exercises and the return of capital.

Our gearing is modest and our financial resources are flexible so we can respond quickly to opportunities as we saw this year with the outlets' acquisition.

Now for news on London, let me hand you over to Colette.

Speaker: Colette O'Shea – Managing Director, London Portfolio

Slide 17 – Title slide

Thank you Martin.

We've had another strong year with significant activity across all areas of the business.

Slide 18 – A strong year with plenty of future opportunity

- We've achieved £45m of development lettings, including the pre-let to Deutsche Bank. And we've finished letting the 3m sq ft development programme.
- We sold 20 Fenchurch Street for a knock out price.
- We're busy working on a 1.4million sq ft pipeline of development opportunities, of which 40% is already pre-let and on site.
- And we're proactively managing the portfolio to capture reversion and value.
- As we've said before the prospects for London remain solid for the longer term.

Slide 19 – Occupational market

This year we saw a rise in the vacancy rate to 4.8%, and an increase in take-up to nearly 14million sq ft, which was 15% up on the previous year and higher than the 10-year average.

It’s worth noting that take up activity has been boosted by the serviced office sector, which accounted for a staggering 17% versus a 10-year average of 5%. Our buildings have been target destinations for this growing sector, with 3% of the portfolio now let to serviced office operators.

It’s also worth noting that at our investor conference in 2016, we were anticipating a growing supply of second-hand space contributing to the vacancy rate. And indeed, at the end of March the availability of second-hand space reached its highest level since Q1 2012.

Slide 20 – Our offices in demand

Take up has been good for us. We’ve reduced voids to 2% and finished letting our 3 million sq ft development programme at an average rent of £68 per sq ft with 32% of the rent subject to fixed uplifts, an average lease term of 16 years and an average rent free of 2 years.

At the same time, we’ve pre-let 21 Moorfields.

Slide 21 - Investment market

Turning to the investment market. This is a story of two halves.

London is still a destination of choice for global businesses and investors.

So, whilst prime rents declined across a number of submarkets, this decline was offset by a slight tightening of yields driven by a strong demand that saw investment volumes for the year reach £14bn 7% above the 10-year average.

This demand remains underpinned by foreign buyers taking advantage of a weak sterling and looking to diversify their real estate portfolios away from their domestic markets.

And as you know, we were a beneficiary.

We sold 20 Fenchurch Street for a record price for London at a yield of 3.4%.

You’ve also heard from Martin that these conditions meant our portfolio valuations have held up despite falling rental values because of this appetite for high quality long let assets.

We are however seeing a continued bifurcation of the market where some assets with shorter income and in need of complex asset management or development are now being withdrawn as they fail to meet pricing aspirations. Pressure on these assets is good for us, giving us more opportunity as we look to restock the development programme.

Slide 22 – Development activity – Readying the next phase of development

So, let me update you on our development activity.

This year we achieved £45m of development lettings including Nova which is now 97% let and the pre-let at 21 Moorfields. In addition to progressing Moorfields, we also continued work on 800,000 sq ft of development opportunities in Victoria, Soho and Southwark. To put all this in context, it represents over half the space we've delivered since 2010.

Slide 23 – Pipeline of development opportunities

Moving onto these development opportunities.

This chart captures the programmes for the 1.4million sq ft. It shows the start on site dates through to completion. As you can see it's a busy programme and we've built in optionality, so we can deliver each scheme at the right time. Also, our deal with Deutsche Bank means that the programme is de-risked with over 40% pre-let.

Slide 24 – 21 Moorfields – building on a strong partnership

Now let me walk you through the detail starting with 21 Moorfields, our star performer in London as you've heard from Martin. This is our 1.9 acre development above Liverpool Street Crossrail Station. I gave you an update on the history of this project in November so today I'll bring you up to speed with our current activities.

We've now secured planning consent for an enviable workplace experience and the deal goes unconditional next month.

We've finished all the TfL enabling works and are on track to complete piling in March next year.

In November I guided you that we expected development costs to be in the region of £500-600m with a development yield of around 6%.

We’ve now moved the scheme into development with a projected TDC of £583m and an ERV of £38m.

Slide 25 – Nova East – continuing our success at Nova

As I said earlier, Nova is virtually full, so we’re now focusing on the next phase of Victoria. Nova East is a 14 storey office building with 12,000 sq ft floorplates that sits behind the Victoria Palace Theatre, home to London’s hottest ticket - Hamilton.

The scheme will increase the public realm by opening up a route from Nova through to Portland House and Cardinal Place. We get the site back later this year and detailed design is well underway. We’re working towards a start on site date in March 2019.

As part of this phase we’re also looking at a later second building that sits beside the Theatre. This is likely to be a lightweight structure as it sits over the Victoria line. We’re continuing to look at uses which will complement the wider estate, but it could be residential or a more flexible office type building with amenities to benefit our whole customer base.

Slide 26 – 1 Sherwood Street – Modern space where customers want to be

I mentioned 1 Sherwood Street when I talked to you about the Piccadilly Lights in November. We’ve secured planning and listed building consent for a 142,000 sq ft office and leisure scheme, that draws on all our development skills, as it marries the old and the new, retaining historic listed buildings along with modern architecture. It’s an exciting opportunity to get large adaptable office floor plates of 20,000 sq ft into the heart of the West End, where customers want to be, but availability of this kind of space is limited.

We’ve completed the complex site assembly and started detailed design with the potential to start on site in April.

Slide 27 – Southwark Estate – responding to customers’ occupational needs

We have two sites in Southwark, 105 Sumner Street and Red Lion Court. Southwark has been developing rapidly over recent years; however, there is a distinct shortage of the high-quality product that customers are seeking.

At 105 Sumner Street we have planning consent for two buildings with a total area of 135,000 sq ft. Once again, we’re focused on placemaking and will create an open space between the buildings which will be activated and open to the public. The buildings have been designed to target the media and technology market, less conventional, less traditional Landsec.

The other building at Red Lion Court is directly on the river where we're looking at our redevelopment options, aiming to submit a planning application by March.

Slide 28 – 1.4m sq ft pipeline of development opportunities

So, in all we have nearly 600,000 sq ft on site, 800,000 sq ft in design and start on site dates from next year. We've created optionality as we can either push the button, or roll income except for Nova East which is already a cleared site.

And whilst all this is going on, the team continues to track opportunities to acquire more stock. We're already beginning to see expectations not being met and the pool of opportunities increasing.

Slide 29 – Asset management – Driving the portfolio hard

And of course, the asset team are driving the existing portfolio hard. Our office WAULT is 9.6 years and our voids are now only 2%.

We've completed £10m of investment lettings this year in 27 transactions. Terms were 14% above passing rent with an average lease term of 10 years, taking out Portland where we're doing short lettings as part of our asset plan.

We've also been busy with rent reviews, reviewing over £36m of rental income increasing the passing rent by 14%. All of these have been constructively debated and agreed with our customers without the need for arbitration, reflecting a partnership approach.

I'm now going to cover a couple of examples of capturing reversion that reflect this activity.

Slide 30 – 40 Strand and 123 Victoria Street

At 40 Strand where Bain is the principal occupier, we completed one of our significant rent reviews in the year. We reviewed the £5m passing rent achieving a 12% increase.

At 123 Victoria Street we've engaged with customers across the building successfully settling five rent reviews at an average of 10% ahead of passing rent.

Slide 31 – Asset management – working in partnership with our customers

Continuing the theme of partnership, Intuit is a great example. They are a fast-growing US technology business, who are moving out of 123 Victoria Street over to Cardinal Place. We worked closely with them to understand their anticipated growth and priorities, and as a result, they've doubled their space and lease length. In addition, while they wait for Cardinal to be fitted out they're taking overflow space in London Executive Offices – LEO – at Nova.

LEO have taken 55,000 sq ft in response to our customers telling us that they want more flexibility more services and more amenities. A typical tour of Nova by a prospective customer includes a tour of what LEO has to offer. It's proved to be a good selling point for us. Also, as suitable space becomes available in the portfolio, we're looking at how we can give customers more flexibility.

Slide 32 – Cardinal Place – more services, more activity

Like, over at Cardinal Place. Last year we opened the V café which has proved to be a real benefit to the building. Our existing customers use it as an additional flexible place to work, as well as just enjoying down time. And it's been a big draw for new customers.

We've now completed our second rent review cycle, reviewing £15m increasing the office rents by 12% and the retail by 19%. We also refurbished and let 81,000 sq ft at an average rent of £68 psf on an average lease term of 7 years.

Our success at Cardinal shows that if you get the fundamentals of operating the building and managing the customer relationships or brilliant basics as we like to call them, right, our buildings can and indeed do continue to attract new businesses.

Slide 33 – Summary

So, in summary;

- We are focused on delivering our brilliant basics.
- We are constantly talking to current and future customers, looking for opportunities to drive value.
- We are expanding our offering as the trend for customers wanting greater service and flexibility continues.
- And we are progressing our development opportunities which will provide future income growth.

I'll now hand over to Scott.

Speaker: Scott Parsons – Managing Director, Retail Portfolio

Slide 34 – Title slide

Thanks Colette, and good morning everyone.

Slide 35 – A diversified, experimental destination business

Our retail market continues to polarise into winners and losers. And those who are winning are changing the way they're doing business. More than ever, it's not just about selling goods but more about creating the right experiences and environments for people to spend their time and money. And this is where we excel. We don't think of ourselves as just a retail business, but as a destination business.

A destination business with great assets and a resilient and diversified occupier base. That's our strength.

Let me show you.

Slide 36 – Balanced portfolio by capital value

By capital value, dominant regional destination shopping centres account for a bit over 40% of our portfolio. Retail parks, leisure and outlets each account for around 13% and the remainder is split between hotels and our suburban London assets.

Now you've seen this pie chart before but today given all the headlines about retailer performance I thought it was worth looking at our portfolio mix in a different way, by contracted rent.

We've spoken a lot about our focus on Dominance, Experience and Convenience and another word I'd add is Diversity.

Slide 37 – Diversified customer base – contracted rent

The contracted rent on our portfolio can be split into three broad categories:
Fashion, other retail and leisure & hotels.

Slide 38 – Curating brand mix – contracted rent

If we break the fashion slice down it shows that about 10% of our contracted rent is from anchor stores MSUs like Next, H&M or Primark. Remember at our investor day when I said that their units at strong destination centres like ours are flagships that are really important to these brands and are magnets to consumers.

Looking at other elements of our exposure to fashion retailers we see that a 5% slice relates to units in our outlets and these occupiers continue to see positive growth in sales.

The rest of the fashion element of the pie about 10% is made up of shop units and this is where we've seen a mixed bag of headlines. But we have such strength and depth in our brand mix and a skew towards premium and aspirational retailers like Ted Baker or Kate Spade that our destination centres remain resilient and our voids low.

So, to sum up on fashion, they're just part of the mix in our diversified portfolio and as you heard on our investor day with more than 85% of all UK retail transactions touching a store their units in our destination centres are and will remain a key element of a fashion retailer's engagement with their customers.

Moving on to the "Other retail" slice.

Slide 39 – Healthy mix of non-fashion retail – contracted rent

If we break this down further, it shows that some of the retailer woes that are hitting the headlines like department stores, electricals and DIY actually only account for about 12%. And remember these are typically the occupiers that pay us the lowest rents per sq ft.

And also remember that we've sold out of all our large standalone supermarkets so this 6% is mainly made up of right-sized and convenience grocery.

Slide 40 – Growing subsectors

And Health & Beauty, Lifestyle & Services and Jewellery & Accessories are trading well showing sales growth that's forecast to continue.

Slide 41 – Balancing supply and demand

Finally, the last section of the pie is our leisure and hotels.

Now the casual dining market has seen some issues with over-supply and competition. These occupiers represent about 6% but remember most of our casual dining is adjacent to a cinema that dominates its catchment and as the UK's most experienced leisure investor we've been careful not to go overboard on the F&B front so our destinations aren't oversupplied.

Our cinema income is resilient, and our operators continue to invest in our locations as we've seen with recent regears and investment in IMAX and 4DX screens.

Hotel income as we've shown in past results presentations, has proven resilient and other F&B like grab & go or Trinity Kitchen and experiential leisure, everything from gyms to trampolines to virtual reality, these are growing submarkets that are performing well.

Slide 42 – Strength and resilience

So, the depth and diversity of our occupier base brings us strength and resilience across our retail and leisure destinations.

But now let me take a moment to show you what happens when things do go wrong.

Slide 43 – Limited impact of CVAs

CVAs and administrations as at 31 March made up 2.3% of our contracted rent. We'll lose 0.6% of that when we get the keys back on some units from administrators, and our customers in CVA are continuing to pay on the remaining 1.7%.

The fact that the clear majority of our CVA leases are in the uncompromised category reflects the strength of our destinations, others haven't been as fortunate.

Next let's look at our sales and footfall.

Slide 44 – Outperforming the benchmarks

The cold, the Beast from the East, and Storm Emma reminded us that the weather still has a massive impact on footfall and sales.

Although the snow caused a few of our centres to close for a couple days, and certainly impacted sales and footfall, the national benchmarks don't exclude "snow days" or transport closure days from their figures and neither do we. Our portfolio outperformed the footfall benchmark by 60 basis points and the BRC Physical Store Benchmark by 170 basis points.

Slide 45 – Consistent lettings and low voids

Despite the market sentiment and getting deals across the line taking a little bit longer letting momentum for our strong destinations has remained pretty consistent with previous years.

And reassuringly, lettings this year are about 7% ahead of previous passing rents. And also reassuring is that our voids remain low. Like-for-like voids are down compared to last year at 2.7%.

And as always, on the asset management front we've been busy.

Slide 46 – Asset management wins

At Bluewater, we completed the Plaza development which is now 100% let or in solicitors' hands, expanding and improving one of the country's top performing cinemas and adding two new leisure units and three new restaurants.

The amazing new Apple store opened as planned in March and the construction of the new Primark is progressing on time, on budget and is due to open next spring.

Bluewater has also seen a lot of activity with premium accessory brands with lettings to Kate Spade and Coach, and Aspinal relocating into a new store.

And Bluewater was the choice for Alex & Ani's first UK store, and Arket's first outside of London. Elsewhere across the portfolio.

We're focused on providing more experience, lifestyle and services occupiers rather than just more clothing.

Athleisure and sports brands have seen good growth over the past year and are anticipated to outperform the UK clothing market in the year ahead. At White Rose, we've upsized JD Sports. And at Bluewater we've delivered fantastic new flagships for Snow+Rock and Runners Need.

Leisure remains buoyant, with lettings to operators like Gravity, Escape Room and Buzz Gym across the portfolio. And we've agreed terms to regear two more Cine leases within our leisure portfolio securing investment in cinema upgrades and lengthening our income.

We're also seeing increased activity from cosmetic services and grooming occupiers, complementing traditional health and beauty operators who remain active, with new space taken by brands like NYX, Neals Yard and Smashbox.

And while MSU letting activity has slowed there remains appetite for the best destinations. At Buchanan Galleries, we negotiated a surrender of the old H&M store to enable new lettings to Victoria's Secret and Schuh.

Stradavarius has opened their new MSU in St David's Cardiff, River Island opened their upsized unit at White Rose and also on the MSU front Zara are coming to Westgate Oxford.

Slide 47 – Westgate's brand appeal

We were pleased to be able to welcome so many of you to Westgate in February and since your visit, we've exchanged lettings with Zara, Urban Outfitters, Mango, and Quiz encompassing over 60,000 sq ft and clearly demonstrating that occupier appetite remains for the best destinations.

Since opening, we've welcomed over 9 million visitors. The main mall is now full and overall, we're now 96% spoken for.

We've created something amazing at Westgate and have big plans for our outlets too.

Slide 48 – Outlets – growing sales densities

At the investor day, we spoke about driving sales at our outlets by improving the brand mix and consumer experience to deliver unique, relevant and fun destinations.

For all five of our outlets, we're working on exciting development plans, with initiatives ranging from cosmetic improvements, to new anchor creation and extensions, and are preparing planning applications for submission in this financial year.

At Gunwharf Quays, one of the top 10 outlet destinations in Europe new brands we secured last year included Furla, Karl Lagerfeld, Kate Spade, Samsonite, Rituals and Hour Passion part of the Swatch group encompassing Omega, Longines, and Tissot.

We upsized Tommy Hilfiger and with demand for space outweighing supply we converted a Jamie's Italian into new retail space anchored by a flagship Timberland store.

23 of our brands at Gunwharf are now achieving sales densities of over £1,000 per sq ft.
At our other outlets we've secured lettings to brands like Fat Face at Junction32, Billabong at Hatfield, Jack Wills, Havianas, Osprey and Reiss at Braintree.

But it's not only our outlets where we have big ambitions.

Slide 49 – Mixed-use development potential

As Rob mentioned, we're working up exciting plans to increase density and create vibrant mixed-use destinations on some of our urban retail centres and sites in the Southeast.
At the W12 Centre in Shepherd's Bush, the O2 Centre in Finchley Road, the Great North Leisure Park in Barnet, and at Lewisham as well as at Brighton Marina, Easton Park in Essex and Ebbsfleet in Kent we're exploring the potential for thousands of residential units alongside retail and leisure on these well-located but underdeveloped sites.

From Nova in Victoria to Westgate in Oxford we're experienced at developing at scale passionate about placemaking confident in our destinations and excited about the opportunities that these sites present.

So, to wrap things up.

Slide 50 – Conclusion

Our destinations are constantly improving, driven by our passion for curating brand mix providing our customers and their customers with a great environment and experience and by constantly reinventing them through asset management and development focusing especially on our outlets and suburban London holdings in the year ahead.

And our destinations are attracting a broad, relevant and constantly evolving mix of occupiers who need a well-located physical presence to engage with their customers and they in turn provide us with a spread of income that I believe is the most resilient and diverse in the sector.

Thanks very much, and I'll now hand you back to Rob.

Speaker: Robert Noel – Chief Executive Officer

Slide 51 – Title slide

So, to summarise, we've executed well this year with:

- The successful completion of Nova and Westgate Oxford
- Excellent leasing right across the business
- Opportunistic buying of the outlets
- Working on a future pipeline of schemes
- Pre-letting and committing to 21 Moorfields
- Profitable disposals

- A quick, and efficient, capital return; and
- Further reducing the cost and lengthening the duration of our debt;

Earnings per share are up, again, and now that we have completely derisked our speculative programme, dividend per share is up even more.
We have to position the business in the best way we can for shareholders for both the short and long term. While the short-term news flow will undoubtedly continue to be dominated by domestic and global politics, interest rates and the consumer economy - we are exploring the opportunities: confident, patient, disciplined and alert to change.

As I have said before, technology is rapidly changing the world – The way we communicate; work; shop; play; travel; and live are changing fast. Our portfolio is well matched to customer needs, but these influences will continue to affect those needs - and what society at large will expect from business. And, these will both dictate what this means for our product and Landsec.

So, what can you expect from us this year?

Slide 52 – Outlook

We've been clear that we wanted to have low speculative development exposure and financial gearing at this point and that view remains unchanged.

The £613m of development commitment made during the year is based on pre-lets, as we said it would be.

The long-term prospects for London are great. We have a growing pipeline of development opportunities including some exciting projects in suburban locations which we'll continue to work up whilst monitoring the market for buying opportunities.

Our Retail Portfolio is well matched to current trends and should prove resilient in the challenging market but don't expect us to add to it other than opportunistically, as with the outlets.

We are a long-term business with a great portfolio and we're ready, prepared and equipped with conservative leverage and market leading banking facilities to push on when we see the right opportunities.

Finally, before we hand over for questions, I'd like to use this opportunity to pay tribute to Alison Carnwath, retiring after the AGM having served over 9 years as Chairman.

Many of you will remember that Alison was appointed just after her predecessor, Paul Myners, left the business with no notice when he was brought into government as the financial crisis was unfolding.

During her first 12 months she had to lead the Board through some tough sales decisions and a rights issue.
Since then she has built a strong and effective Board which has overseen our successful push into speculative development in London, the transformation of our retail portfolio, and the strong position we are in today.

I know I speak for all of my colleagues when I say thank you Alison for your leadership, support, and challenge. We shall miss you.

And that's probably a good time to hand over to you for questions.

– Ends –

Forward Looking Statements

This document may contain certain 'forward-looking' statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward-looking statements.

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