



Landsec

Press release

Title Landsec hosts capital markets update
From Landsec
Date 27 February 2025

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Landsec (“the Company”) will host a capital markets event today at which it will provide an update on current trading, which has remained positive since its half year results in November, and its focus for the next phase of its strategy. This will set out its plans to build on its strategic achievements since late 2020, and focus on income and EPS growth to drive its overall return on equity.

Strategy update

Through a combination of targeted investments and over £3bn of disposals since its Strategy Review in October 2020, Landsec has established a high-quality portfolio and pipeline of best-in-class office-led, retail-led and residential-led places. Quality has never been more important for customers, so as demand in each area is strong, occupancy and rental income in Landsec’s investment portfolio continue to grow.

Building on the momentum created over recent years, the next phase of the Company’s strategy will see it move towards higher income, higher income growth and lower cyclicality. As part of this, Landsec will further rebalance its portfolio mix, with more investment in growing its market-leading retail platform; the establishment of a sizeable residential platform, building on the £3bn development opportunity it has created; and, to fund this, a smaller share of capital employed in offices.

In this, Landsec’s primary focus will be on delivering sustainable income and EPS growth. Given that, in the long term, income growth is the main driver of value growth, delivering this will result in an attractive return on equity over time. Building from an existing income return at NTA of 5.8%, Landsec’s strategy is expected to deliver c. 20% growth in EPS from 50 pence at present to a potential c. 60 pence by FY30. Maintaining its 1.2-1.3x target dividend cover, this compound EPS growth should drive continued growth in dividends, which will now be paid semi-annually, in line with the publication of the Company’s results.

There are two key strands that will drive EPS growth. Firstly, over the next 1-3 years, this will be driven by capturing the growing reversion in its existing retail and office portfolios; reducing overhead costs by a further £12m from £77m in FY24; and releasing capital employed in low/non-yielding pre-development assets. Over the next 2-5 years, the second strand will see this further enhanced by a rotation of capital towards assets which offer higher income, but more importantly, higher income growth.

Landsec’s focus on delivering sustainable income and EPS growth has a number strategic implications in terms of the key areas set out above, but also in terms of capital allocation decisions:



Over the next 1-3 years

- Releasing half of its current £0.7bn capital employed in pre-development assets, to ensure the quantum of potential near-term development starts is commensurate with the Company's overall risk appetite and to reduce the holding cost of retaining a substantial amount of low/non-yielding assets.
- Further growing its leading £3bn retail-led platform via accretive capex investments in existing assets and selective acquisition opportunities, such as the acquisition of Liverpool ONE in December.
- Exiting its residual £0.8bn retail/leisure park assets to fund its investment in major retail-led places.

Over the next 2-5 years

- Establishing a £2bn+ residential platform, capitalising on the opportunity to build meaningful exposure to a structural growth market where rents are closely correlated to inflation via the delivery of the existing pipeline the Company has created, plus selective acquisition opportunities.
- Scaling back capital allocated to new office-led development starts by at least half following the completion of its current pipeline, to shift development capacity to residential-led projects where returns are expected to be similar but risk is lower.
- Releasing £2bn of its current £6.5bn capital employed in office-led assets to fund its expansion in residential, where actual net effective income returns are broadly similar to offices when taking into account the much higher lease incentives in offices, but income growth is higher.

The above will see Landsec move towards a more balanced portfolio by 2030, comprising a mix of best-in-class retail-led, residential-led and office-led urban places. Whilst the predominant use of space in each of these areas differs, there is increasingly more binding them together than setting them apart, as the way in which modern cities are used continues to evolve, and the lines between traditional uses of successful urban places continue to blur.

With valuations for the best assets stabilising and a strong capital base, Landsec has a solid foundation for future growth. The company will remain focused on retaining its strong capital base, targeting net debt/EBITDA of less than 8x and an LTV around the mid 30's at this stage of the cycle. This will be strengthened further by a reduction in risk profile and cyclicity over time, reflecting the reallocation of capital from offices to residential, where the volatility in returns is lower. As a result, Landsec is well-placed to deliver long-term, sustainable shareholder value creation.

Current trading

Since it announced its half year results in November, Landsec's operational performance has remained strong. Occupancy across its retail and office portfolios has continued to grow and the company has continued to sign leases ahead of previous passing rent. As a result, the Company expects to deliver c. 4% like-for-like net rental income growth this year.

Having upgraded its guidance in November for FY25 EPRA EPS to be in line with last year's 50.1 pence, the positive momentum since then and the Company's successful acquisition of Liverpool ONE in December mean it now expects FY25 EPS to be slightly ahead of last year's level. For FY26, Landsec expects EPRA EPS to build further on this and show good progress towards its FY30 potential.

The presentation and replay of the event will be made available on the company's website later today.



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About Landsec

At Landsec, we build and invest in buildings, spaces and partnerships to create sustainable places, connect communities and realise potential. We are one of the largest real estate companies in Europe, with a portfolio of retail, leisure, workspace and residential hubs. Landsec is shaping a better future by leading our industry on environmental and social sustainability while delivering value for our shareholders, great experiences for our guests and positive change for our communities.

Find out more at landsec.com

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