Town Centre Securities

Fixed Income Investor Update

Edward Ziff – Chairman & CEO

Mark Dilley - Group FD

April 2020

Town Centre Securities

Overview of TCS

- Leading regional property company focussed on Leeds and Manchester
- Multi sector approach with diversified portfolio of investment properties and car parking
- 60 years' experience developing a sustainable model with a supportive family interest
- Operating responsibly and contributing to its communities
- With assets in excess of £390m generating £20m net income from high quality tenants
- Borrowing and LTV reduced

TCS business model

What we do

Actively manage assets to optimise income and capital growth

- Refurbish and upgrade
- Renew leases
- Reduce voids

Maximise available capital by divesting ex-growth assets and refinancing to lower LTV

Invest in our development pipeline, continuing to unlock existing opportunities and create new ones

Acquire new investment assets to diversify portfolio across sectors, with a focus on Leeds and Manchester

Create long-term quality portfolio, with emphasis in Leeds and Manchester

Offices

20% of portfolio value

Retail & Leisure

49% of portfolio value

Supermarkets 15%, Other Retail 20%, Leisure 14%

Hotels

7% of portfolio value

Residential

6% of portfolio value

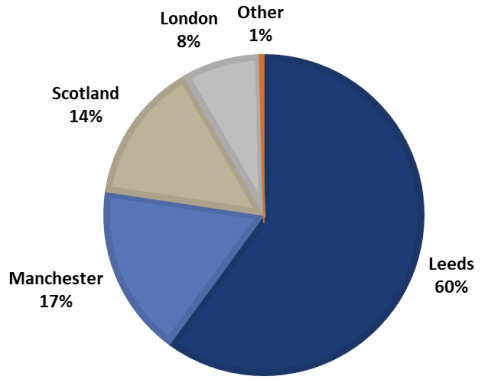
Car Parks

7% of portfolio value

Developments

10% of portfolio value

£394m of assets



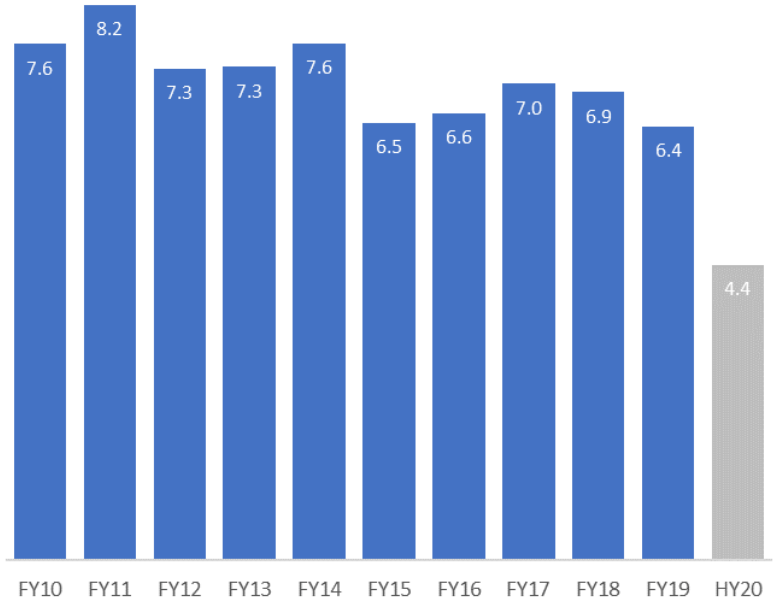
In addition to the sectors above the balance is Distribution and warehousing assets in Leeds

Our Priorities

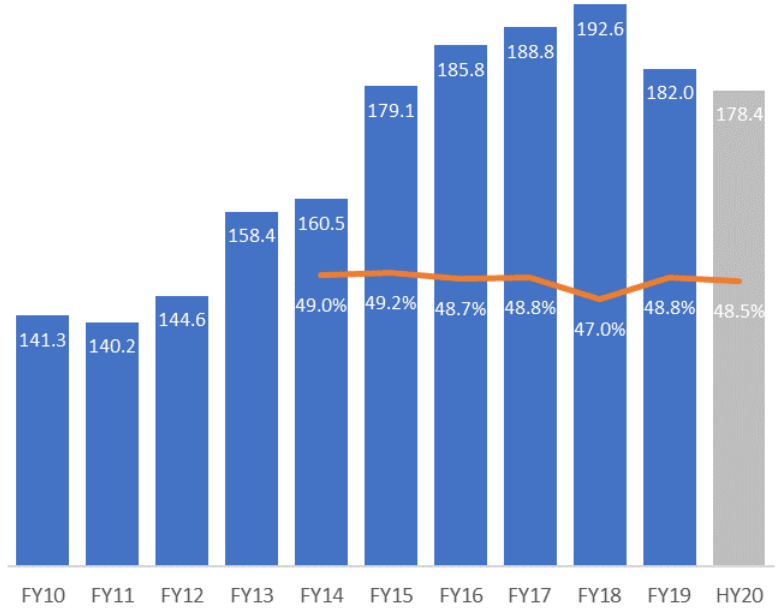
- Continuing to strengthen and reposition the portfolio diversifying away from retail
  - *The proportion of retail and leisure at 49% (70% in 2016). 15% supermarkets, 20% other retail, 14% leisure*
- Ensuring a reliable and sustainable income stream
  - *We continually invest in our portfolio to drive income and value (most recently Milngavie, Scotland)*
- Increasing available capital whilst lowering borrowings
  - *Net borrowings of £178.4m at December, down over £14m from 18 months before. LTV at 48.5%*
- *Enhancing balance sheet values and earnings*
  - *Recent acquisitions such as The Cube and Ducie House give TCS step-change value opportunities*
- Creating opportunity within our development pipeline
  - *Burlington House PRS, Merrion House office and 2 Leeds hotels completed in past 3 years*
- Continued commitments to Environmental, Social and Governance responsibilities
  - *Significant community contribution, clean energy production and EV charging, socially responsible development*

Sustaining the business through the cycle

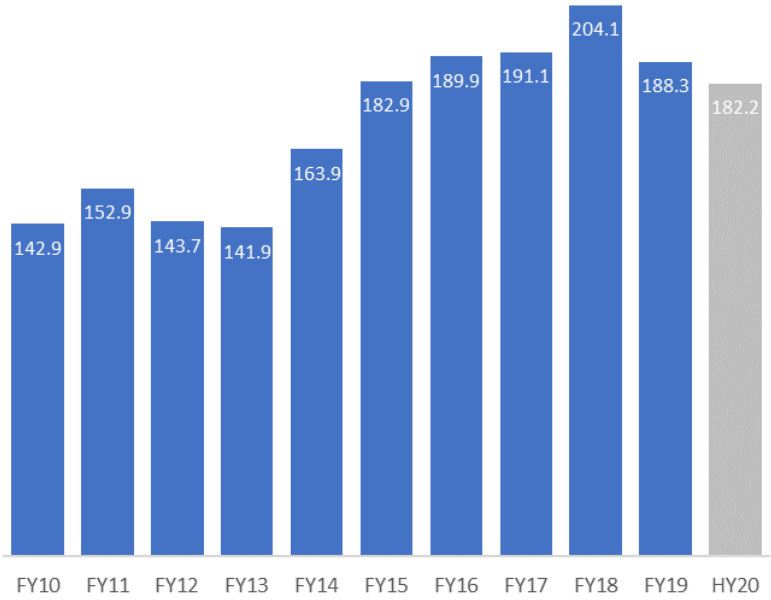
EPRA Earnings £m



Net Borrowings £m and LTV%

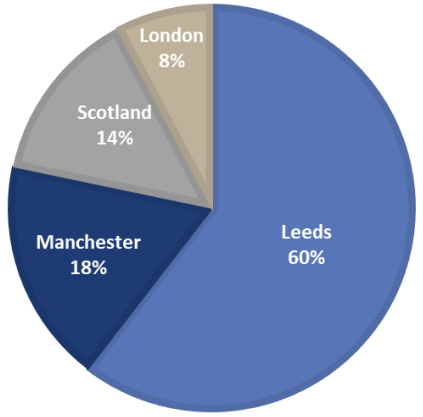


NAV £m

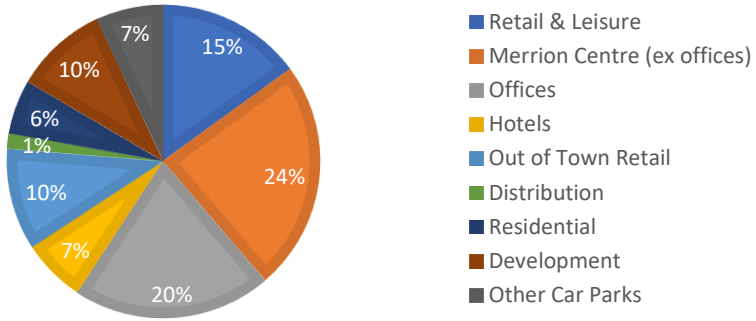


Our Portfolio - Over 75% in Leeds and Manchester, diversifying away from retail

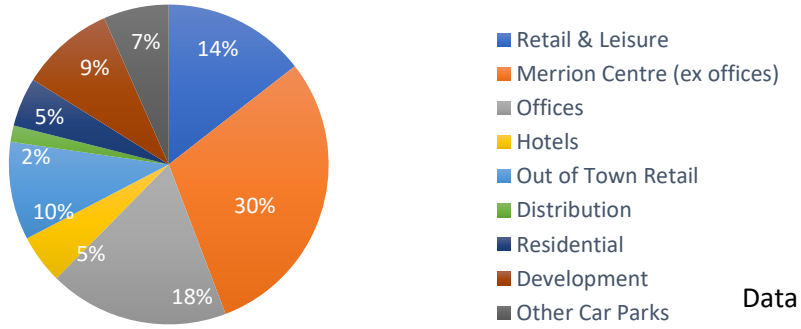
	Passing rent	ERV	Value	% of portfolio	Valuation incr/(decr)	Initial yield	Reversionary yield
Retail & Leisure	3.5	4.1	58.6	15%	-7.0%	5.6%	6.7%
Merrion Centre (ex offices)	7.2	7.7	93.1	24%	0.3%	7.3%	7.8%
Offices	4.4	6.1	80.2	20%	-1.2%	5.2%	7.2%
Hotels	1.2	1.6	25.8	7%	-0.2%	4.3%	6.0%
Out of town retail	2.4	2.5	40.9	10%	-2.7%	5.5%	5.7%
Distribution	0.4	0.4	6.2	2%	0.3%	6.3%	6.6%
Residential	1.2	1.3	21.9	6%	0.6%	5.1%	5.8%
	20.3	**23.8**	**326.6**	**83%**	**-1.8%**	**5.9%**	**6.9%**
Development property	2.3	2.3	37.8	10%	2.8%		
Other Car parks	1.6	1.6	27.0	7%	1.3%		
Portfolio	**24.1**	**27.6**	**391.3**	**100%**	**-1.1%**		



PORTFOLIO BY VALUE

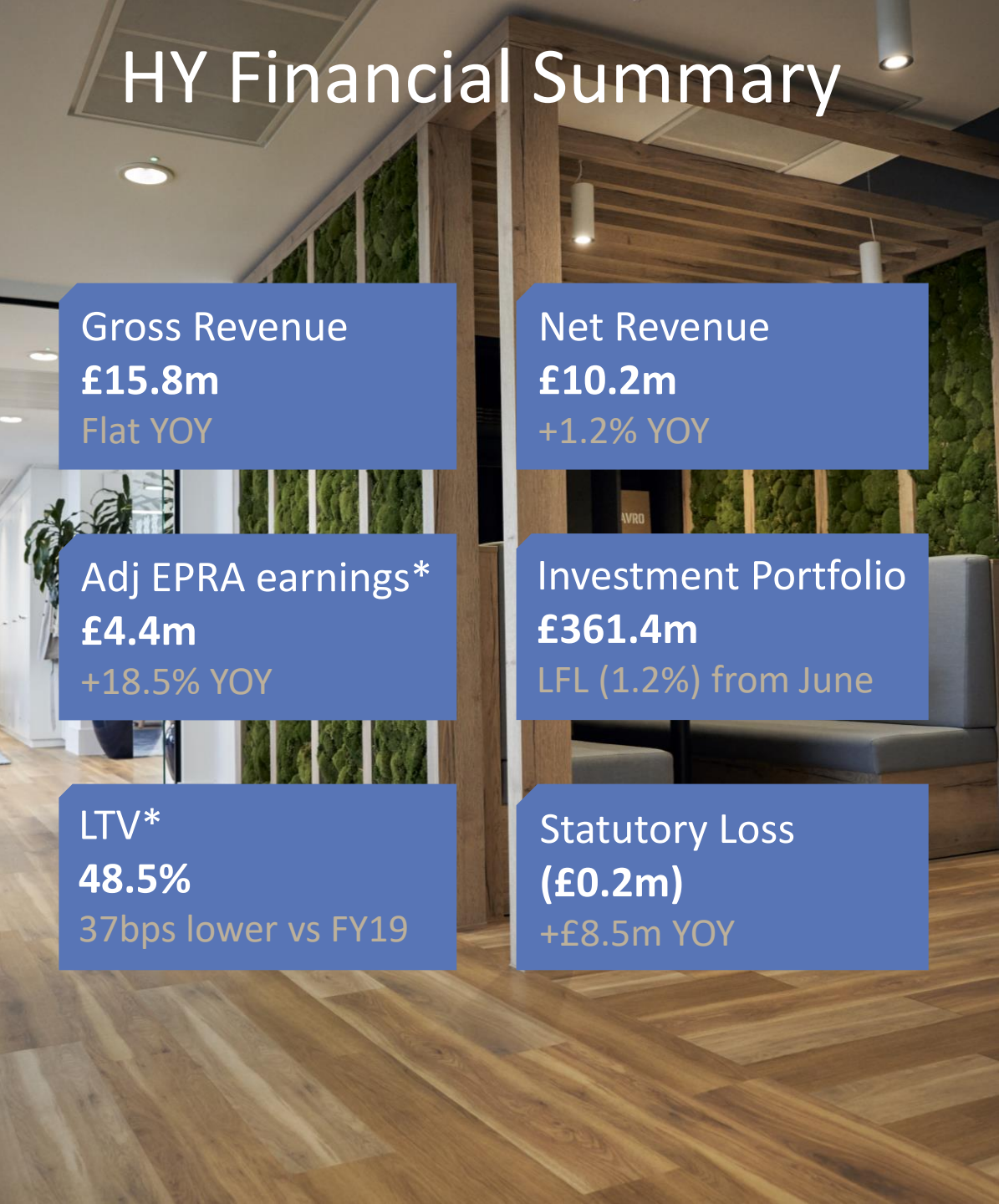


PORTFOLIO BY PASSING RENT



Data as of 31 December 2019

HY Financial Summary



Gross Revenue
£15.8m
Flat YOY

Net Revenue
£10.2m
+1.2% YOY

Adj EPRA earnings*
£4.4m
+18.5% YOY

Investment Portfolio
£361.4m
LFL (1.2%) from June

LTV*
48.5%
37bps lower vs FY19

Statutory Loss
(£0.2m)
+£8.5m YOY

A robust first half

Town Centre Securities

- Revenue steady with property sales and redevelopment impact offset by increases in Car Park income and Milngavie development
- Valuation broadly stable with our Property portfolio down only 1.2% LFL
- LTV decreases from June as borrowing levels continue to lower
- Adjusted EPRA earnings of £4.4m* up due to £0.5m dilapidations income, and lower administrative and interest costs
- Statutory Profit impacted by unrealised valuation deficit of £4.6m

* Adjusted EPRA Earnings excludes £0.3m impact of IFRS 16, in order to be comparable with PY
LTV excludes finance leases and IFRS 16 adjustments

H1 income statement

£m	H1 FY20 inc IFRS16	**H1 FY20 exc IFRS16**	H1 FY19	*Comparable YOY*
Gross Revenue	15.8	**15.8**	15.8	*0.0%*
Property Expenses	(5.6)	**(5.9)**	(5.8)	*2.1%*
Net Revenue	10.2	**9.9**	10.1	*(1.2%)*
Other Income / JV Profit	1.5	**1.5**	1.1	*45.3%*
Administrative Expenses	(3.1)	**(3.1)**	(3.4)	*(7.4%)*
Operating Profit	8.6	**8.3**	7.7	*7.9%*
Finance Costs	(4.5)	**(4.0)**	(4.1)	*(1.7%)*
EPRA Earnings	**4.1**	**4.4**	**3.7**	***18.5%***
EPRA EPS	*7.7*	***8.2***	*6.9*	

Segmental £m	H1 FY20 exc IFRS16	H1 FY19	*YOY*
Property			
Net Revenue	6.7	7.1	*(5.8%)*
Operating Profit	5.6	5.2	*7.3%*
CitiPark			
Net Revenue	3.0	2.8	*5.4%*
Operating Profit	2.45	2.35	*4.0%*
ibis Styles Hotel			
Net Revenue	0.3	0.2	*90.0%*
Operating Profit	0.3	0.2	*90.0%*

- Key drivers of Adjusted EPRA earnings increase YOY:
  - Other income up due to £0.5m dilapidations income from a tenant exit from The Cube, Leeds
  - Admin Expenses over £0.2m lower YOY due to one off costs in 2019
  - Lower borrowing levels improve interest costs £0.1m YOY
- Partly offset by lower Net Revenue, with impact of Rochdale sale in PY and lower income from the Cube as we redevelop this site. This was only partially offset by increased income following completion of Milngavie redevelopment and CitiPark performance

H1 balance sheet

£m	H1 FY20 inc IFRS16	**H1 FY20 exc IFRS16**	FY19	*vs FY19*
Investment properties	281.6	**281.6**	288.0	*(2.2%)*
Development properties	37.8	**37.8**	36.5	*3.4%*
Car Parks	57.5	**31.1**	30.7	*1.1%*
	376.9	**350.4**	355.2	*(1.4%)*
Joint ventures	13.7	**13.7**	13.4	*2.6%*
Other non current assets	1.4	**1.4**	1.6	*(15.1%)*
Total non current assets	**392.0**	**365.5**	**370.2**	*(1.3%)*
Net borrowings	(203.8)	**(178.4)**	(182.0)	*(1.9%)*
Other assets/(liabilities)	(5.9)	**(4.6)**	(0.0)	-
EPRA NAV	**182.2**	**182.5**	**188.3**	***(3.1%)***
EPRA NAV per share	**343p**	**343p**	**354p**	***(3.1%)***

- NAV down 3.1% from FY19 (exc IFRS 16, down 3.2% inc) due to the revaluation of our Retail investment assets
- Property portfolio down only 1.2% LFL
- Borrowing levels continue to reduce
- IFRS 16 has little effect at NAV level but significantly increases both assets and liabilities due to car park assets on long leases

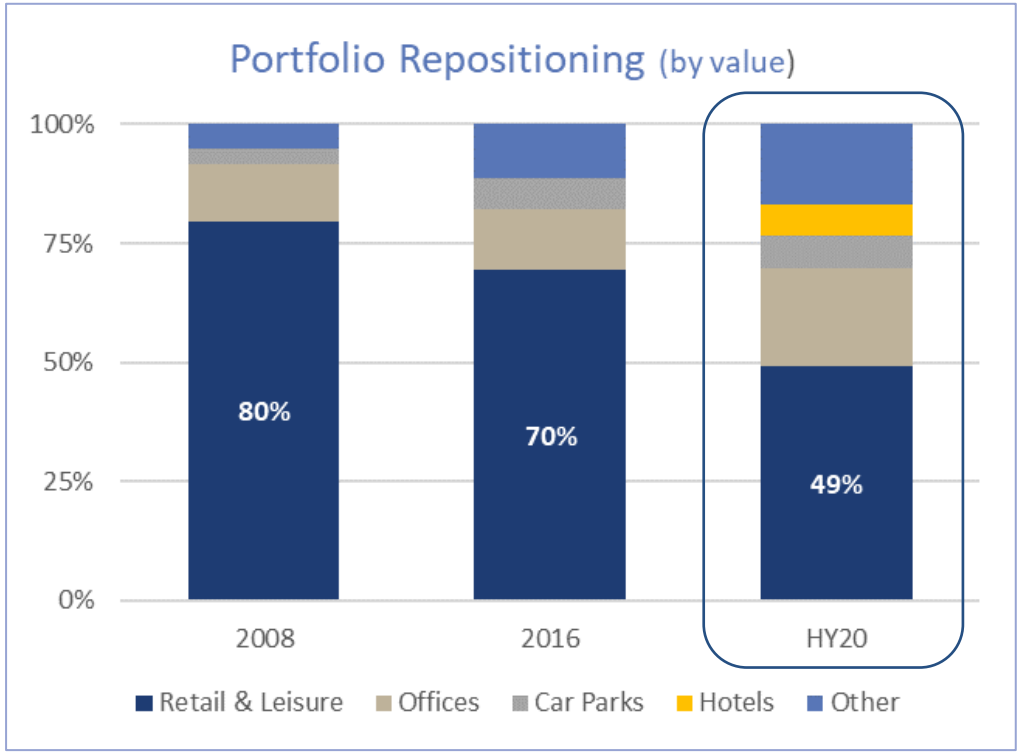
Secure and flexible funding

	H1 FY20	FY19
Net Debt	£174.0m	£177.5m
Loan to value	48.5%	48.8%
Interest cover (underlying)	2.1	1.8
Weighted average cost of debt	4.2%	4.2%
Bank facilities	£108m	£108m
Debenture	£106m	£106m
Weighted average maturity	7.1	7.6

Note excludes IFRS 16 accounting, finance leases, and JVs on a net basis

- £106m debenture at 5.375% maturing in 2031
- £103m bilateral secured RCFs with RBS, Lloyds and Handelsbanken, plus £5m overdraft facility
- Headroom of £29.4m based on actual secured assets
- Burlington House JV
  - funded with £13.8m 9-year facility at 3.02%
  - from PRS Finance Ltd as part of government's PRS Housing Guarantee Scheme,
  - replacing development finance
- TCS has no fixed commitments in respect of our development pipeline. We have c. £4.5m of capex work underway that requires completion (The Cube, Leeds & Ducie House, Manchester)
- As at 31 March 2020 TCS had £23.9m of headroom based on secured assets valued at 31/12/19

Repositioning the portfolio – Continuing to reduce Retail & Leisure



Other – predominantly Development (10% in HY20) and Residential (6% in HY20)

- Retail now represents only 35% of the Portfolio
  - 15% supermarkets, 20% other retail
- Retail & Leisure now represents 49% of the portfolio, down from 70% in 2016, and 80% in 2008

Our top tenants

We believe we have a high quality tenant base, which has continued to play an important role in mitigating some of the current challenges, particularly in the Retail space.

Key statistics include:

Leeds City Council	9%
Waitrose	7%
Morrisons	7%
Pure Gym	4%
Premier Inn (Whitbread covenant)	4%
Aldi	4%
Step Change Debt Charity	3%
Home Bargains	3%
Dune	2%
Go Outdoors (part of JD Sports)	2%
The Deltic Group (Prizm)	2%
Flannels (part of Frasers Group)	1%
First Secretary of State	1%
Carphone Warehouse	1%
The Works	1%
Other	49%
	100%

Our top 15 tenants represent 51% of total rental income

Over 56% of retail income from top 10 retail tenants*

Of rent from retailers, 50% is from supermarkets

Tenant data as at 31 June 2019

* Top retail tenants are: Waitrose, Morrisons, Aldi, Home Bargains, Dune, Go Outdoors, Flannels, Carphone Warehouse, The Works, and Iceland

COVID-19 immediate response

Focusing on liquidity

- At 31 March 2020 TCS had cash at bank plus borrowing headroom of £23.9m
- RCF interest cover at January 2020 ranged between 443% and 635% compared to covenant of 175%
- Debenture interest cover at June 2019 was 210% compared to covenant of 100%

Preserving cash

- As at 8 April 2020 we had collected £3.5m (71%) of cash with deferrals of £0.7m (15%). Total of 86% of the March/April Qtr
- Staff have been furloughed, Board 3 month 20% pay cut, discretionary costs cut , tax payments deferred, Capex curtailed, Car Parks shut
- Dividend under review

Managing operations

- 49% of portfolio is retail and leisure of which c. 1/3rd is open and trading
- In Merrion 1/3rd of retail and leisure is open, with ibis Styles hotel and car park also operating
- CitiPark car parks have been hit hardest and we have closed 7 car parks and are reducing variable costs

Supporting our community

- We are supporting our tenants and community wherever possible
- Free parking for NHS workers being provided in a number of our CitiPark branches
- Our ibis Styles hotel is open with discounted rates for key workers

Debenture Specific Performance

Town Centre Securities

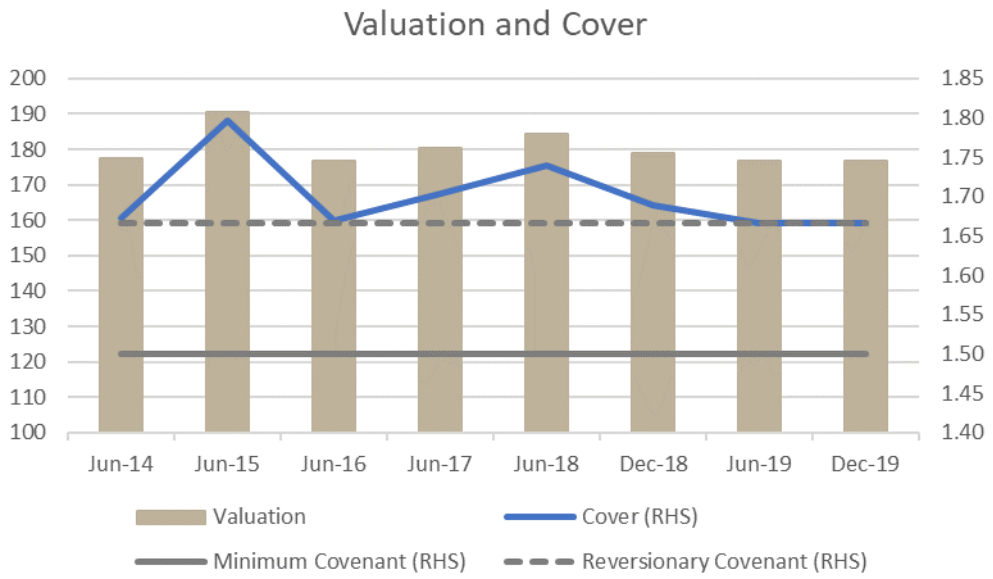
Key Terms of the Mortgage Debenture Stock

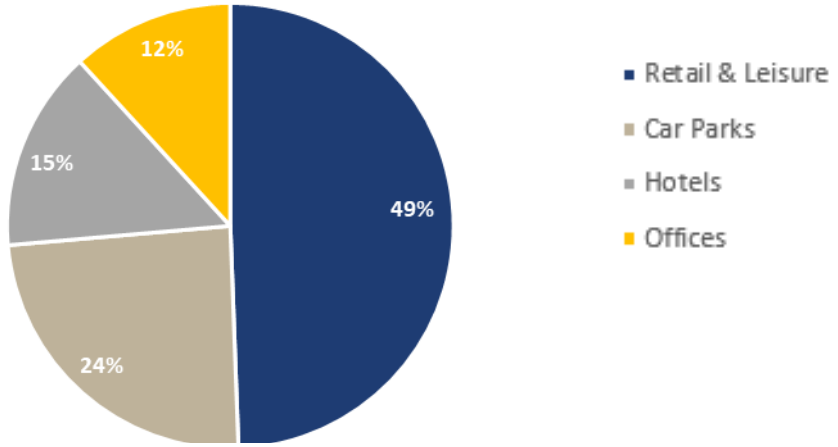
Amount outstanding	£106m
Coupon	5.375%
Maturity	2031
ICR at last reporting date	2.102x cover as at 30 June 2019
Asset Cover at last reporting date	1.667x cover as at 30 June 2019
Top up levels	1.5x asset cover; 1x income cover
Withdrawal levels	1 2/3s asset cover; 1.15x Income cover
Substitution	Equal value asset cover; 1.15x income cover or equal
Valuation	Every 5 years (for information, provided every 12 months)

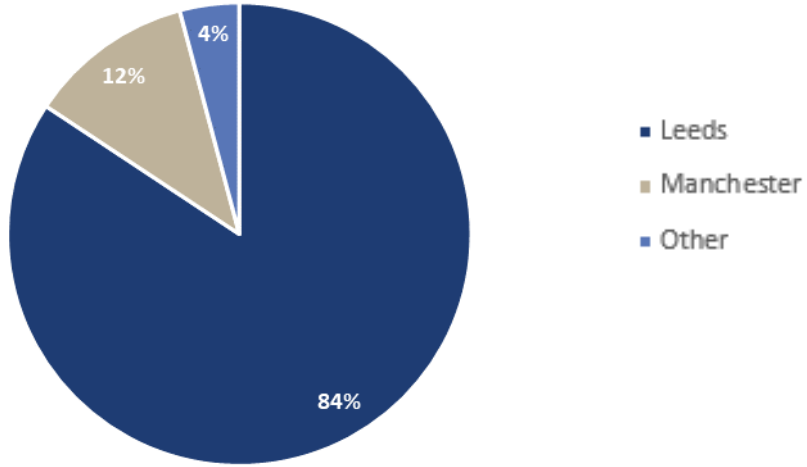
Debenture Specific Performance

	Jun-16	Jun-17	Jun-18	Jun-19	Dec-19
Valuation					
Actual £m	176.9	180.5	184.5	176.7	176.6
Cover (times)	1.67	1.70	1.74	1.67	1.67
Minimum Covenant	*1.50*	*1.50*	*1.50*	*1.50*	*1.50*
Reversionary Covenant	*1.67*	*1.67*	*1.67*	*1.67*	*1.67*
Income					
Actual £m	11.1	10.2	12.0	12.0	12.2
Cover (times)	1.95	1.79	2.10	2.10	2.14
Covenant	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*

Reversionary Covenant represents the cover that we would have to return to following any breach







2016 – 3 properties removed with no additions

2017 – Empire House sold and removed, Premier Inn and Clements Rd MSCP added

Properties within the Debenture

	Property Type	Valuation £m Dec-19	Income £m Dec-19	NIY	Valuation since Jun-14
Merrion Centre LEEDS	Mixed Use	112.6	8.63	7.7%	
Urban Exchange, MANCHESTER	Retail	16.3	1.11	6.8%	
Premier Inn, Whitehall Road LEEDS	Hotel	15.5	0.68	4.4%	
Merrion Hotel LEEDS	Hotel	10.3	0.50	4.9%	
CitiPark Clarence Dock LEEDS	Car Park	10.5	0.63	6.0%	
8/10 West Park HARROGATE	Retail	2.9	0.12	4.2%	
CitiPark 30 Tariff Street MANCHESTER	Car Park	3.8	0.21	5.6%	
CitiPark Clements Road, ILFORD	Car Park	3.0	0.14	4.5%	
6/24 Abingdon Street BLACKPOOL	Retail	1.4	0.16	11.6%	
75 Dale Street MANCHESTER	Offices	0.3	0.00	0.0%	
		176.6	**12.2**	**6.9%**	

Key tenants of Debenture Properties

	Annual income as at Dec'19
Morrisons	1,145
Pure Gym	694
Premier Inn (Whitbread covenant)	680
Step Change Debt Charity	586
ibis Hotel	500
Go Outdoors (part of JD Sports)	342
Aldi	300
The Deltic Group (Prizm)	298
Home Bargains	231
Iceland	180
Mitchell & Butler Leisure	175
Q-Park	157
Superdrug	150
M&S	148
Wilko	135
CitiPark Car Park Income*	1,817
	7,538

62% of total

- These 15 tenants make up 47% of all income for the debenture charged properties
- Including the income from the CitiPark car parks this accounts for 62% of the total income
- We believe these top tenants provide a good level of long term security

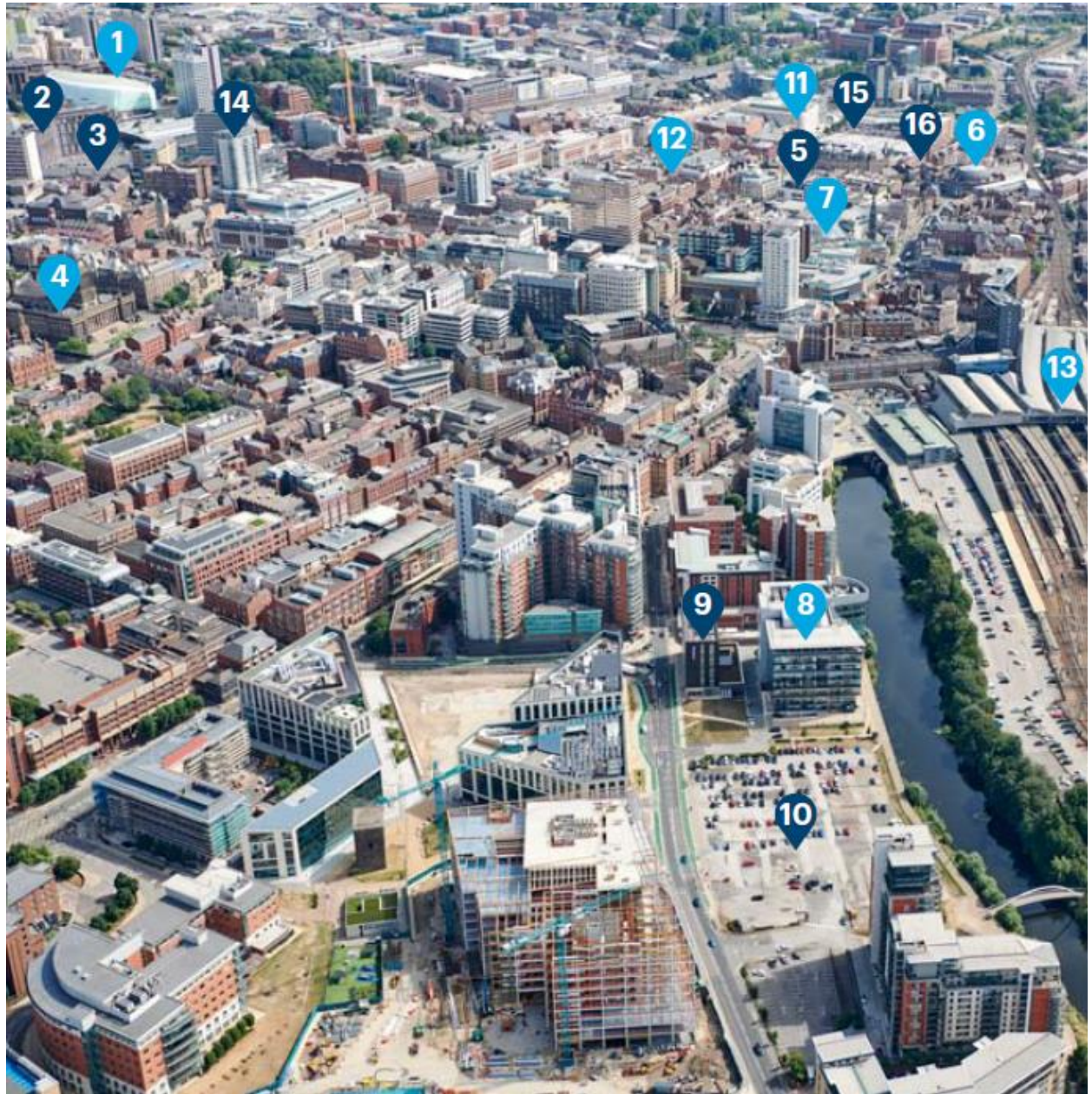
* CitiPark income based on FY19 data

Portfolio Overview

Town Centre Securities

Leeds – a city of opportunity

- Part of the 4th largest conurbation in the UK
  - City alone has a workforce of over 2m
  - Significant growth in employment and city living forecast
  - >3,500 student rooms under construction around Merrion alone
- 60% of our portfolio with the Merrion Estate being our largest single asset
  - £157m asset, £42m invested since 2012
  - Creation of a true mixed-use asset
  - Significant student developments around the centre will continue to drive footfall



The Merrion Centre today

1. Merrion Centre Mall entrance
2. Morrisons
3. Arena Quarter
4. Merrion House (LCC)
5. Town Centre House
6. Wade House
7. Ibis Styles hotel
8. CitiPark car park
9. Future site of 100MC tower
10. Future site of Corner Tower

The Merrion Centre – continued investment in a multi-use asset

Over the past 8 years TCS has invested over £42m in Merrion, with valuation up over £55m over the same period and income up over 20%

April quarter rent receipts:

- *£2.4m billed, £1.6m received, £0.5m deferred, £0.3m outstanding*
- *65% received, 21% deferred*

Investments include:

- Arena quarter development
- CitiPark renewal
- Morrisons refurbishment
- Ibis Styles hotel development
- Town Centre House redevelopment
- F&B under new Merrion House
- Wade lane extensions

Manchester – significant opportunity for growth

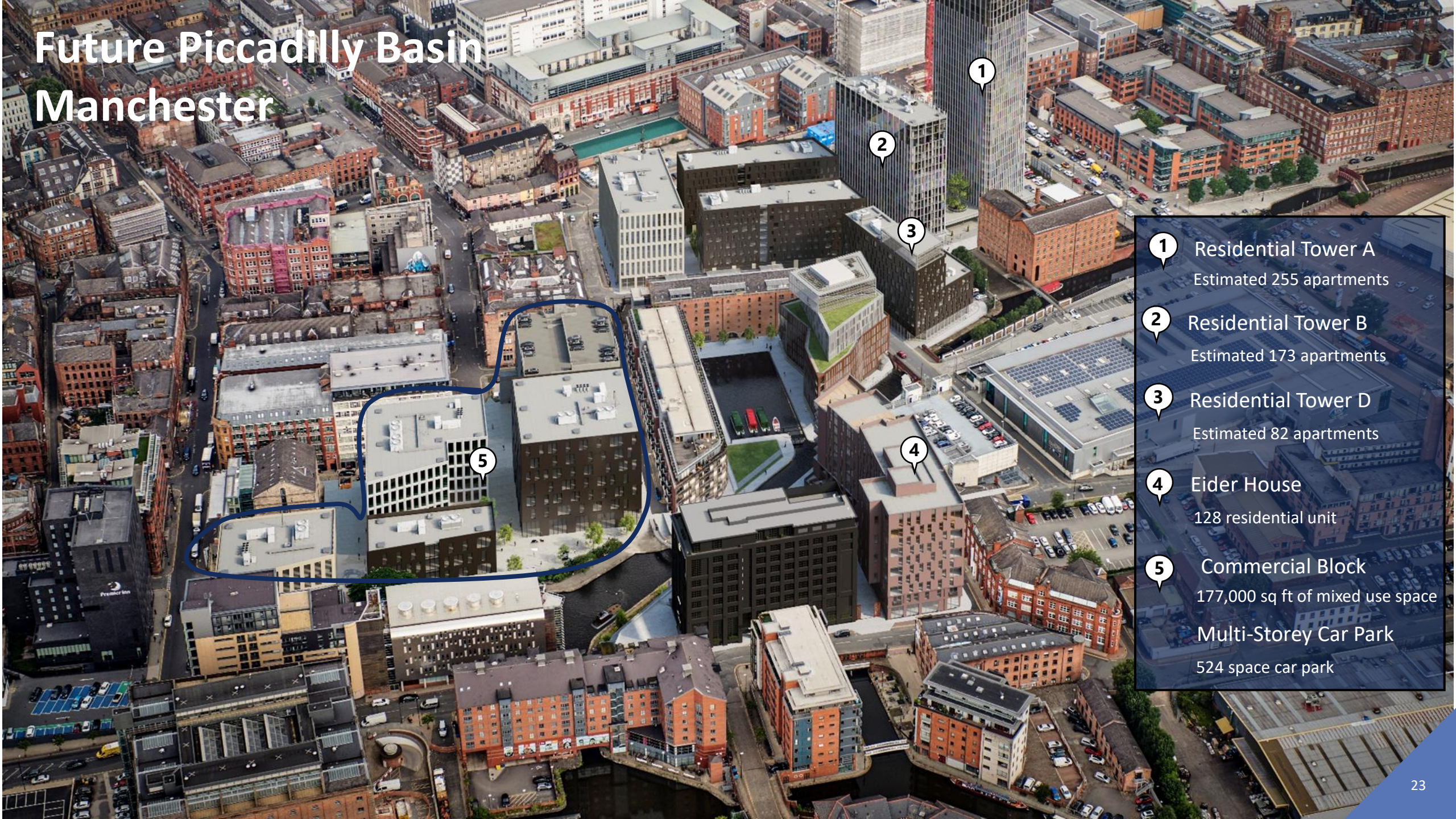
- Part of the 2nd largest conurbation in the UK
  - 7m people within 1hr drive
  - Significant growth in employment and city living forecast
- 17% of our portfolio based in the city with Piccadilly Basin providing our largest development opportunity
  - Mixed-use scheme with Offices, Residential, Retail, Leisure and Car Parking
  - Opened first bespoke PRS building in Sept'19
  - Second building has detailed planning consent

Burlington House PRS

Ducie House offices

Piccadilly Basin

Future Piccadilly Basin Manchester

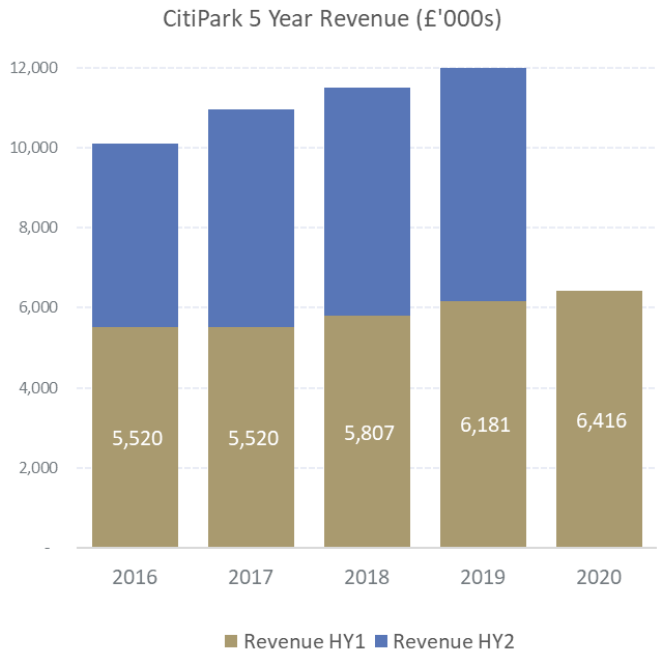


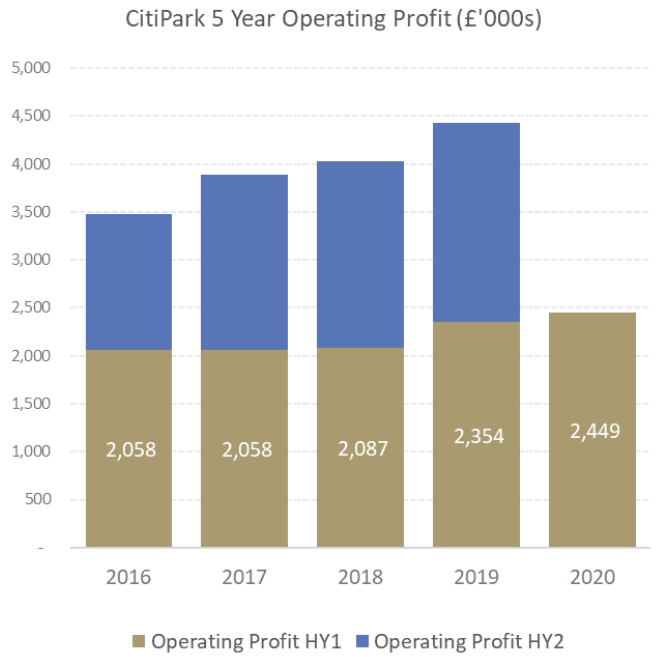
1. **Residential Tower A**
   Estimated 255 apartments
2. **Residential Tower B**
   Estimated 173 apartments
3. **Residential Tower D**
   Estimated 82 apartments
4. **Eider House**
   128 residential unit
5. **Commercial Block**
   177,000 sq ft of mixed use space

Multi-Storey Car Park
524 space car park

CitiPark – continued Revenue and Profit growth

- Revenue growth of 3.8% and Profit growth of 4.0% reflecting continued good profit conversion from increased revenue
- Provides significant income from development land – 40% of CitiPark operating profit
- Commenced our own Parking Charge Notice operation, removing need for third party operators
- Continuing to explore further parking management opportunities
- Increased investment in YourParkingSpace.co.uk to 19.9%
- Other investments include $500k in WiredScore





15 sites

>6,400 spaces

19.9% stake in YourParkingSpace

Go Ultra Low status

3 Solar Farms in operation

PCN operator

New App enables pre-booking and paying

EV charging throughout portfolio

Leeds first EV Rapid Charger

A Pipeline for the Future

Town Centre Securities

Development pipeline of +£600m – delivering future growth

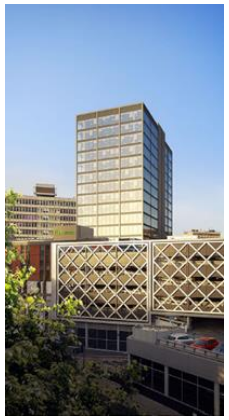
	Development Type	Status	Estimated GDV	Estimated Income	Yield on Cost
Leeds - George Street (at 50%)	Leisure	Detailed planning JV	£12m	£0.65m	6.9%
Manchester - Eider House	Residential	Detailed planning	£41m	£1.6m	5.2%
Leeds - Car Park	Car Park	Detailed planning	£14m	£1.2m	9.1%
Leeds - Whitehall Road No2	Offices	Detailed planning	£92m	£5.3m	7.0%
Leeds - Whitehall Road No3	Offices	Strategic Framework	£40m	£2.8m	9.3%
Leeds - Whitehall Road No7	Offices / Leisure	Strategic Framework	£28m	£2m	9.2%
Leeds - 100MC Merrion Office	Offices	Detailed planning	£62m	£4m	7.1%
Manchester - Residential Tower A	Residential	Strategic Framework	£82m	£3.5m	5.2%
Manchester - Residential Tower B	Residential	Strategic Framework	£55m	£2.4m	5.2%
Manchester - Residential D	Residential	Strategic Framework	£28m	£1.1m	4.9%
Manchester - Ducie House	Offices	Unscoped	£21m	£1.3m	7.8%
Manchester - Commercial	Mixed Use	Strategic Framework	£76m	£5m	7.9%
Manchester - Car Park	Car Park	Strategic Framework	£12m	£0.8m	7.2%
Leeds - Merrion Corner Tower	Residential / Mixed Use	Unscoped	£50m	£3m	6.4%
			£613m	**£34.7m**	

Whitehall Road developments, Leeds CGI

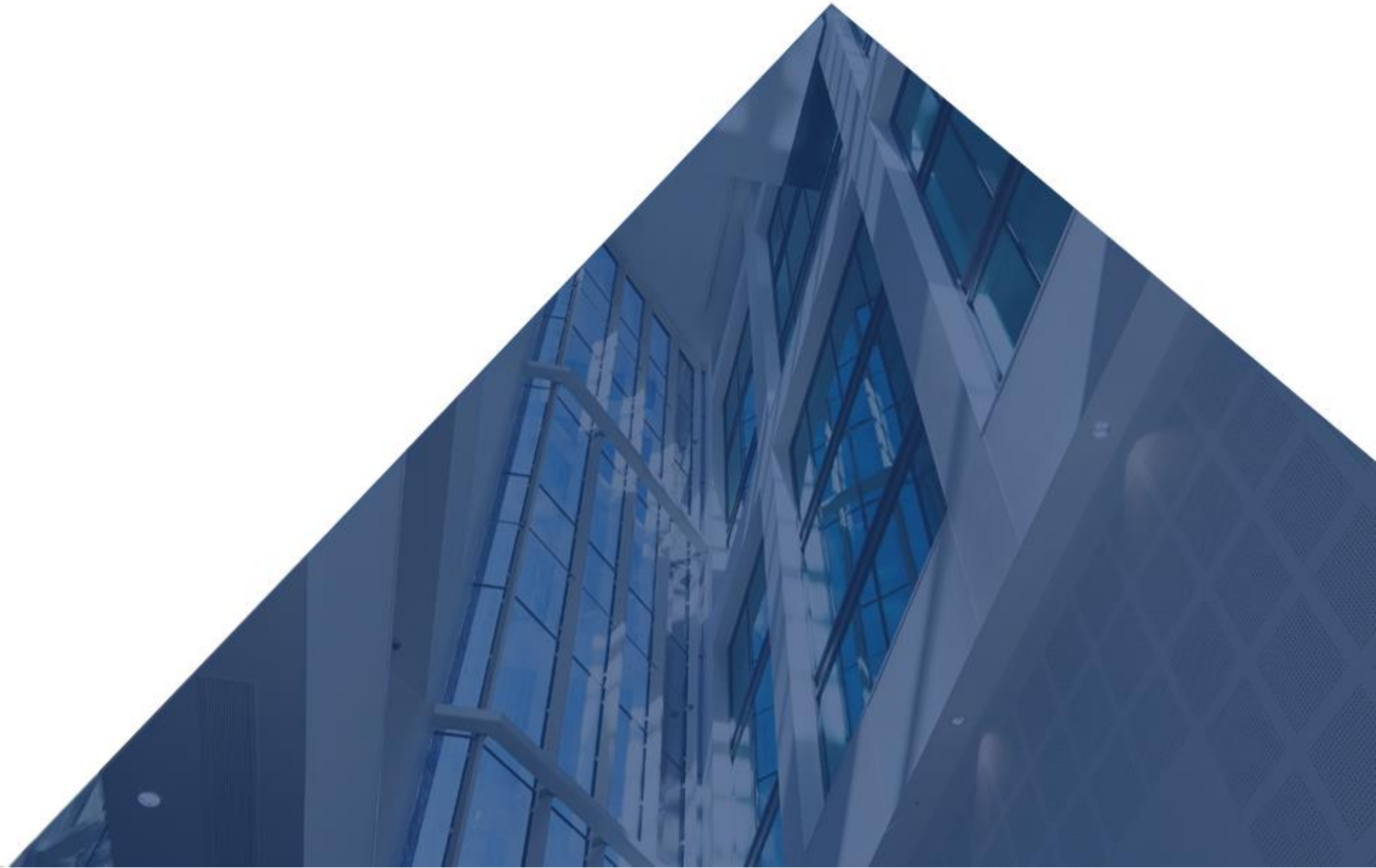
- GDV pipeline value of over £600m
- Land currently in TCS ownership with detailed planning or strategic frameworks in place for the majority
- George St ready to commence but decision required

Eider House PRS, Manchester CGI

George St aparthotel, Leeds CGI


100MC, Merrion, Leeds CGI

Outlook



Town Centre Securities

Outlook – in the short term

During the COVID-19 disruption a focus on liquidity and cash is key:

- We are cutting all discretionary costs and have furloughed staff
- We are taking every possible action to defer costs
- We have closed 7 Car Parks and are reviewing the others
- Capex have been paused wherever possible
- We are working closely with our tenants to support them and ensure receipt of rent due
- The Scottish quarter date in May and next English quarter in June will be critical moments
- We are keeping our banks up to speed with all our actions

Longer term

Once the immediate challenges have been overcome, we will continue with our strategy:

- To reposition and improve our portfolio
- To continue to dispose of ex-growth retail assets
- To invest in our investment assets to secure sustainable income and capital growth
- To exploit our significant development pipeline, although this will require capital to unlock

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