Town Centre Securities

Half Year Results Presentation

6 months ended 31 December 2015

Agenda

- **Introduction** - *Edward Ziff, Chairman and CEO*
  - Strategy overview
  - Active first half
  - Good financial performance
- **Financial Performance & Portfolio Overview** - *Duncan Syers, FD*
- **Portfolio Activity**
  - Leeds – Merrion House, Merrion Hotel & Whitehall Riverside Scheme
  - Capital Recycling Programme
  - CitiPark
- **Investment Case & Outlook**
- **Questions**

Strategy Overview

- Intensive asset management based on local knowledge
- Conservative funding
- Regional focus - Leeds, Manchester, suburban London
- Ongoing capital recycling
- Investment in car parking

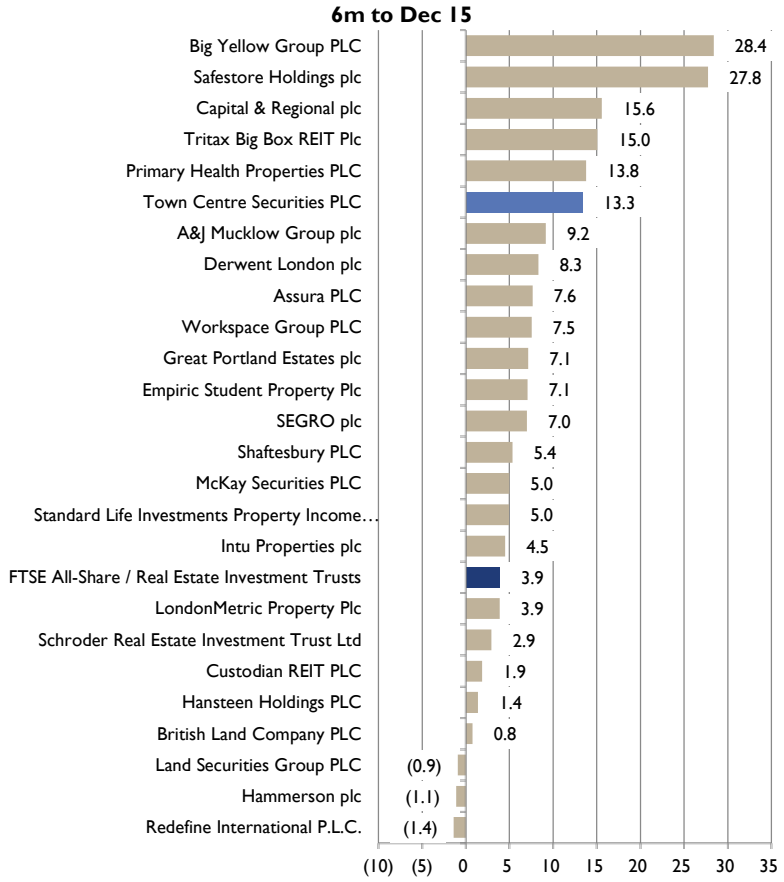
Focus on shareholder returns, proven by 55 years of unbroken dividends

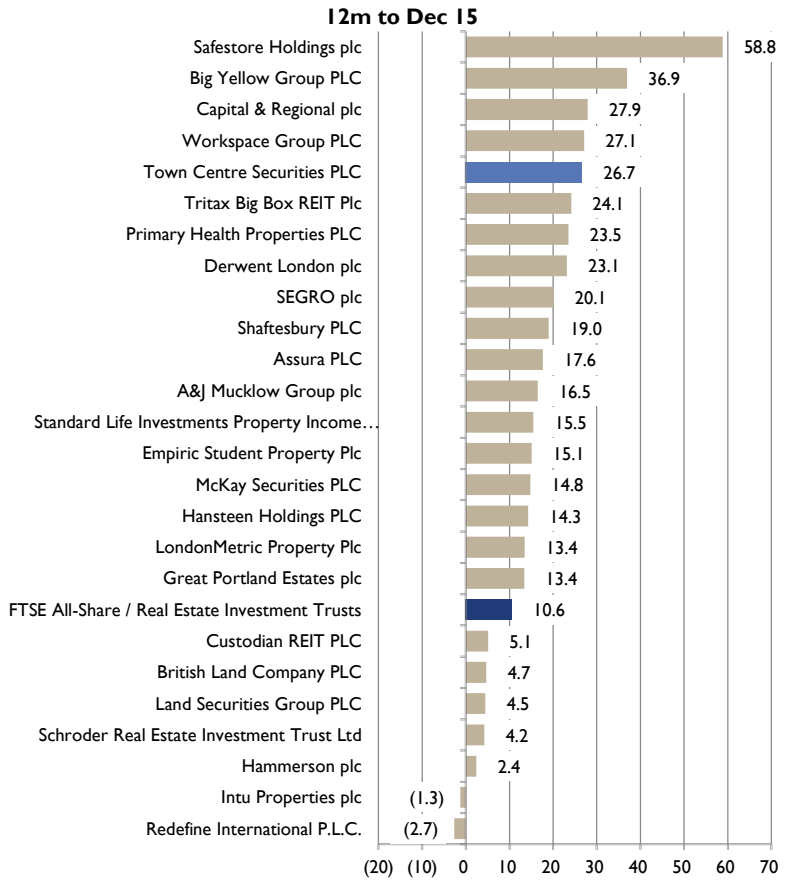
Active first half

Active asset management in a low growth market

- **Portfolio re-positioning and capital recycling**
  - Acquisition in suburban London for £6m
  - Two disposals for £13.1m – Glasgow, Leeds
- **Creating investments on development sites**
  - Merrion House, Merrion Hotel and Premier Inn on Whitehall Road
  - Adding £7.5m to assets and £2m to income in FY17 and FY18
- **Ongoing asset management of existing portfolio**
  - 104 transactions in 6 months and like for like passing rent up by £0.8m (4.6%)
- **Car parking**
  - Profits increased due to strong portfolio of acquisitions
  - Value of freehold assets increased

Delivering Total Shareholder Returns





Source: Lazarus Partnership

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Financial Performance and Portfolio Overview

H1 2016 Income Statement

	H1 2016			H1 2015		
	Property rental £'m	Car park operations £'m	Total £'m	Property rental £'m	Car park operations £'m	Total £'m
Net revenue (less admin cost)	5.0	1.7	6.7	5.1	1.4	6.5
Other income	0.4	-	0.4	0.3	-	0.3
Operating profit	5.4	1.7	7.1	5.4	1.4	6.8
Finance cost	(3.9)		(3.9)	(3.4)		(3.4)
Underlying profit	1.5	1.7	3.2	2.0	1.4	3.4
Profit on disposal	-	-	-	0.8	-	0.8
Revaluation gains - portfolio	7.6	0.5	8.1	10.1	(1.0)	9.1
Share of profits - joint ventures	0.4		0.4	0.0		0.0
Profit before taxation	9.5	2.2	11.7	12.9	0.4	13.3

- Rent flat overall for first half
  - Milngavie up £430k
  - Morrisons up £250k
  - Merrion House down £700k
- Finance charges higher development spend builds up
- JV income is Merrion House
- Car park increase both organic and from acquisitions

H1 2016 Balance Sheet

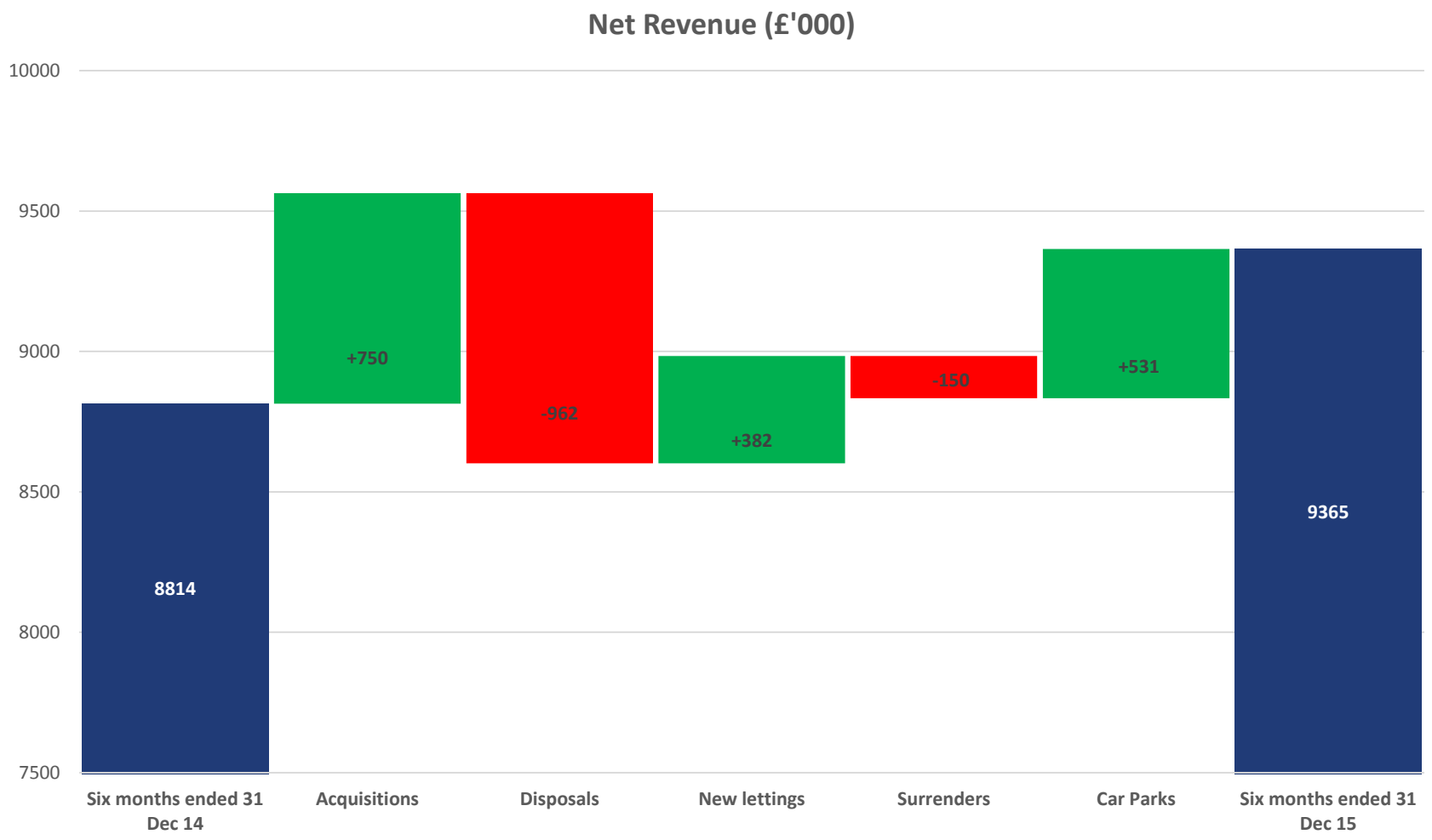
Consolidated balance sheet

as at 31 December 2015

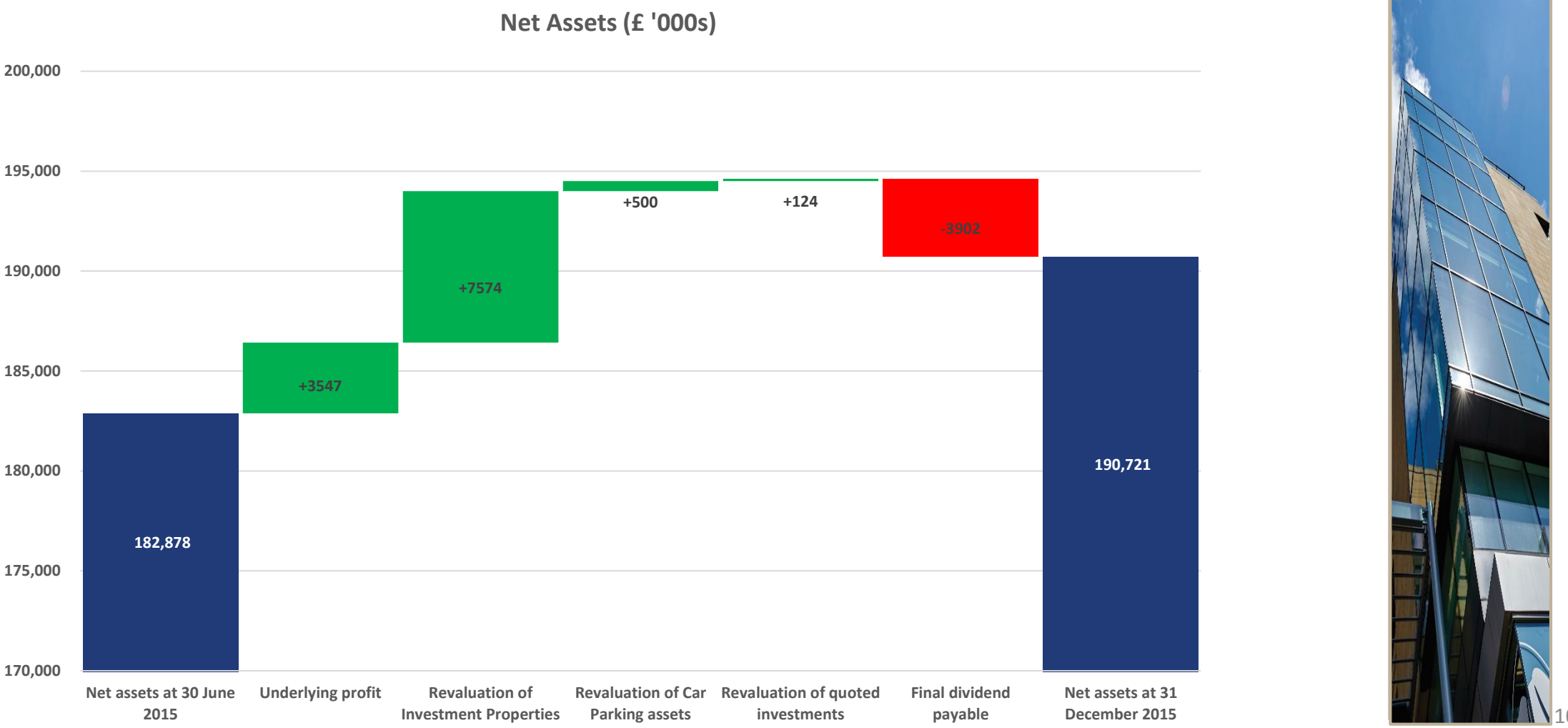
	Dec-15 £'m	Jun-15 £'m
Investment properties	303.3	296.7
Development properties	27.1	23.4
Car parks	23.8	20.9
	354.2	341.0
Joint ventures	19.3	19.3
Other non current assets	2.1	1.2
Total non current assets	375.6	361.5
Properties held for sale	6.7	3.5
	382.3	364.7
Net borrowings	(184.8)	(179.6)
Other sundry assets/(liabilities)	(6.8)	(2.2)
	190.7	182.9
NAV per share	359p	344p

- £6m acquisitions, £3.5m disposal (£13m disposals to date in 2016)
- £3.5m spend on car parks refit (incl equipment) and £0.5m increase in value
- Merrion House JV now on site
- £2m spend on portfolio
- £8m total revaluation gain
- NAV up 4.4% in six months

Net Revenue Bridge



Net Asset Bridge



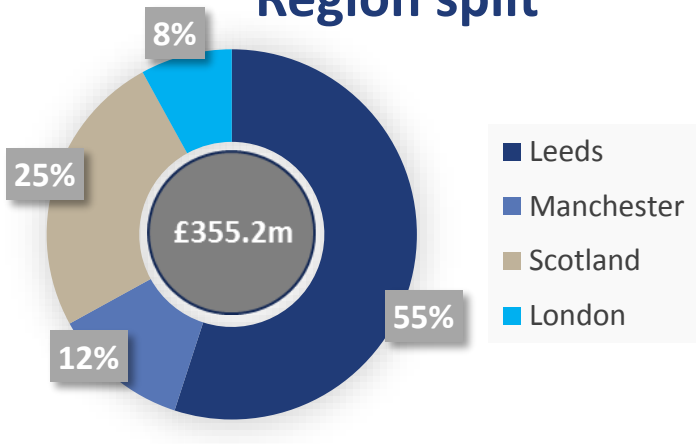
Funding

	Dec-15	Jun-15
Net debt	£184.8m	£179.6m
Loan to value	49.2%	48.9%
Interest cover (underlying)	1.9	1.9
Fixed rate debt - debenture	£106.0m	£106.0m
Weighted average cost of debt	4.1%	4.2%
Bank facilities	£105.0m	£105m
Weighted average maturity	9.8	8.9

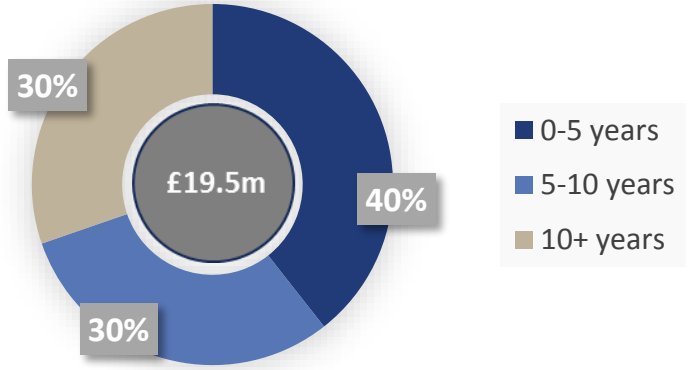
- Facilities renewal ongoing
- £70m 3 year RCFs with Lloyds and Handelsbanken renewed during H1
- £30m 3 year RCF with RBS renewed 22 February
- Lloyds and RBS have 2 year extension options
- Further facilities of £7m in documentation
- Overall reduction in borrowing costs from bank renewals 0.3%

Portfolio

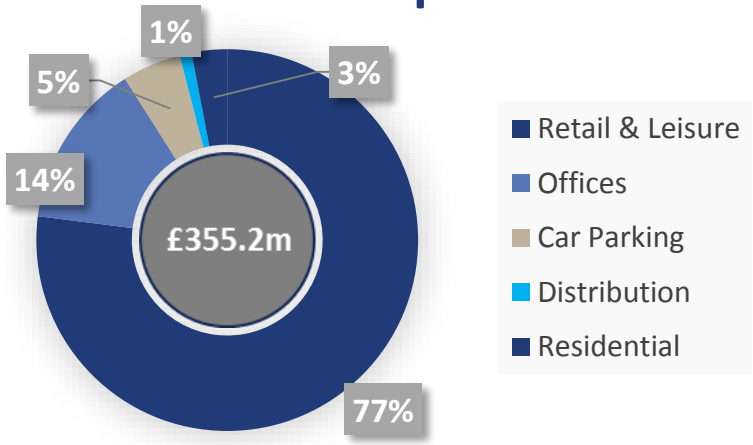
Region split



Lease expiries



Sector split



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Portfolio Activity

Leeds – Merrion Hotel

- Construction underway on 134-room Ibis Styles hotel and 4,000 sq ft Marco Pierre White Restaurant
- Site located outside the First Direct Arena, a 13,000 capacity entertainment venue in Leeds
- Target completion in H1 2017
- Build cost £9.2m, contractor on site stripping out
- Expected to add £0.6m to income, growing to £1m

Leeds – Merrion House

- Joint Venture with Leeds City Council
- Complete refurbishment of existing 120,000 sq ft of offices and creation of 50,000 sq ft of new office space
- Targeted completion in Q1 2018
- Budgeted build cost is £34m (£3m already spent), of which £18m to be funded by Leeds City Council
- Expected to add £5m to net assets and £0.9m to income on completion

Leeds – Premier Inn, Whitehall Riverside

- 25 year lease, inflation-linked
- Build cost £10m contractor on site with preparatory works
- Target completion H1 2017
- Estimated value upon completion is £12.5m
- Whitehall Riverside Scheme already has consent for over 400,000 square foot of office accommodation, restaurant, café and leisure space, as well as a 500 space multi-story car park

Capital Recycling programme

Disciplined capital recycling programme underway

Disposal proceeds to be redeployed into higher growth opportunities in key geographies

Targeting further acquisitions with asset management potential

- Real rental growth evident – strong retail tenant demand
- Opportunities to create value through asset management
- Asset management with changing tenants

Wood Green, London

- 4 retail units for £7.25m, combined income of £0.4m, yield of 5.5%
- Good asset management and refurbishment potential to raise tone and rental income – converting upper floors to flats, repurpose retail units
- Improving area and asset management opportunities

Capital Recycling programme

Disposals since 31 December 2015:

- 33 Bothwell Street Glasgow (January 2016)
  - Sales proceeds £6.8m
- Albion Place, Leeds (February 2016)
  - Sales proceeds £6.6m

Further c.£20m of assets earmarked for disposal

Proceeds to be redeployed into higher growth opportunities in key geographies of Leeds, Manchester, London suburbs

Strategy

- Proactive acquisition and development programme
- Addition and advancement of technology

FY15 was a year of acquisitions

Further acquisitions proposed

HY16 income growth of £531k

Further income growth to come

CITIPARK:

Merrion Centre
Clarence Dock
Piccadilly Basin
Tariff Street
Whitehall Road
Clements Road
Clipstone Street
Watford
Bell Street

20 year track record managing and creating returns from car parks

Outlook

- Total Shareholder Returns over last 6 and 12 months in top quartile of sector
- We continue to achieve this by intensive management of our properties concentrating particularly on income:
  - Maximise the investment value of our development sites through selective development
  - Improve the quality and value of our portfolio through capital recycling: in general selling in Scotland and buying in suburban London
  - Grow our car parking business through careful management and selective acquisitions
- We believe the current low interest and low inflation environment is here to stay
  - This will provide opportunities to grow our income and profits, make selective value enhancing investments, and therefore grow our asset value

Investment case

- Diversified portfolio in recovering regional markets
- Secure income stream with reversionary potential
- Targeted acquisition strategy where asset management and repositioning opportunities exist
  - Leeds, Manchester, London suburbs
- Strong pipeline of developments underway for delivery over next two years
- Conservative funding and family attitude
- Secure, fully covered dividend

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Supplementary information

Portfolio analysis

	Passing rent	ERV	Value	% of portfolio	Valuation % incr/(decr)	Initial yield (%)	Reversionary yield (%)
Retail & Leisure	5.7	6.0	94.7	25	2.1	5.7	6.0
Merrion Centre (excl offices)	6.5	6.9	109.9	29	0.7	5.6	5.9
Offices	3.2	4.6	53.8	14	1.9	5.5	8.0
Out of town retail	3.5	3.6	55.1	15	2.4	5.9	6.1
Industrial	0.3	0.4	4.7	1	6.0	5.9	7.7
Residential	0.5	0.5	9.5	3	(0.8)	4.7	4.6
	19.5	21.9	327.7	87	1.5	5.6	6.3
Development property (car park income)	1.5	1.5	27.1	7	55.1		
Car parks	1.2	1.2	20.5	5	2.8		
Let portfolio	22.3	24.7	375.2	100	2.3		
Voids (3%)	0.5	0.5					
	22.8	25.2					

TCS Board

Executive Directors

Edward Ziff

Chairman and Chief Executive

Richard Lewis

Property Director

Duncan Syers

Finance Director

Ben Ziff

MD CitiPark

Non Executive Directors

John Nettleton

Michael Ziff

Ian Marcus

Paul Huberman