Town Centre Securities PLC

Investor presentation

Introducing the team

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

Overview of TCS

- The group is a specialist regional property investor with a £355M portfolio principally in Leeds, Manchester and Scotland
- We have a 55 year track record as a listed company with 55 years of dividend payments either raised or maintained
- The founder Ziff family shareholding is 53% - it is held by current directors, and a number of family members outside the company, ensuring alignment of family and outside shareholder interests
- We converted into a REIT in October 2007
- Our strategy is focused on active management of income based on local knowledge. We have delivered high long term returns for shareholders
- The resilient nature of our properties has allowed us to sustain a historically high leverage but 2/3 of our debt is long term fixed interest

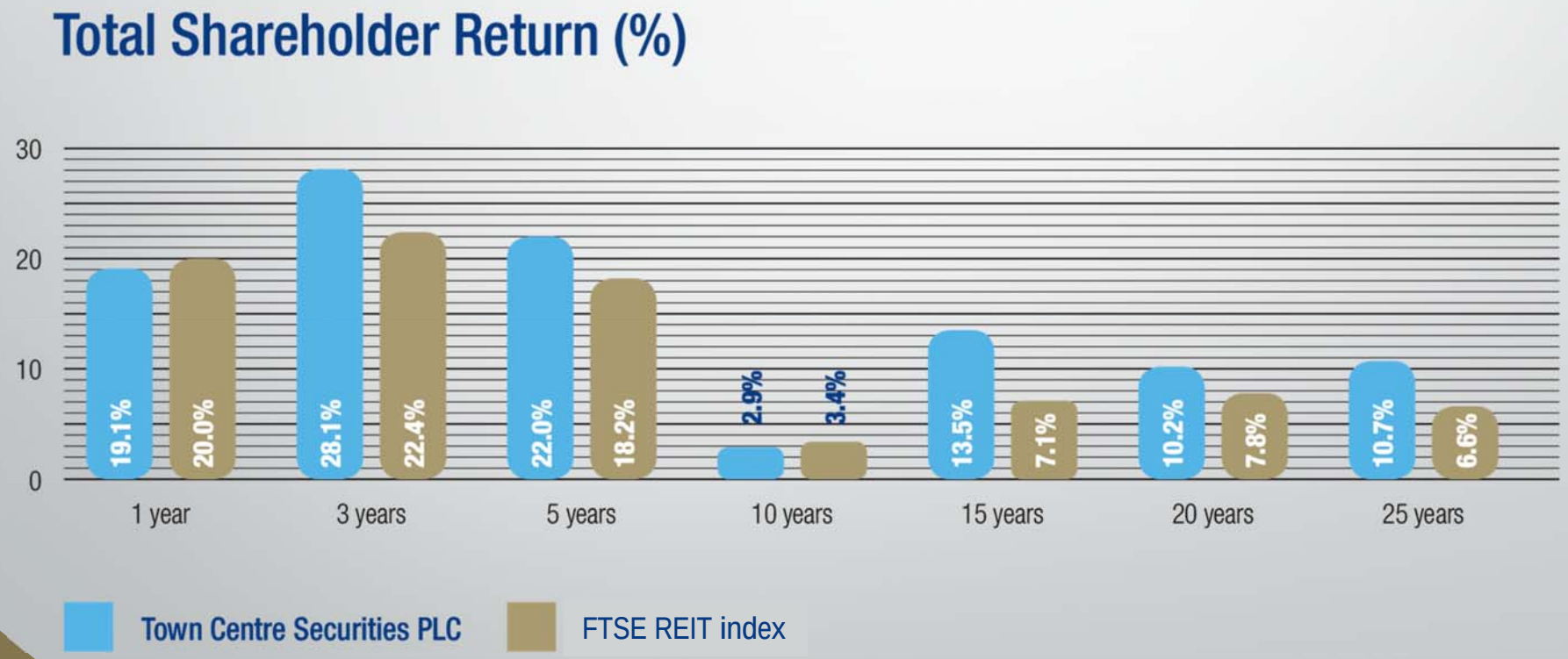
Results 2015 – summary highlights

- Net assets per share up 11% to 344p (2014: 308p)
- 1.16 times covered, total dividend per share maintained at 10.44p
- Underlying earnings per share 12.1p (2014: 14.4p) underlying profit before tax £6.5m (2014: 7.6m) following planned disposals as part of capital recycling programme
- 2 properties sold realising £9.7m, 4 properties purchased for £11.3m

June 2015 results

Continuing market out-performance

- Strong TSR performance against FTSE REIT index



June 2015 results

Continuing market out-performance

- TPR out-performance against IPD

Delivering rental growth through asset management

- Capital values have moved ahead over the last 2 years
  - increasing institutional interest in regional property
  - Our asset management efforts
- Underlying retail rental values still static due to pressure on High St. retailers
- Out performance against IPD because of the focus on income.
- "…the projects we have been working on for the last couple of years …have added over £20m to net assets"

Results financial year 2015

Consolidated balance sheet

as at 30 June 2015

	Jun-15 £'m	Jun-14 £'m
Investment properties	301.5	285.1
Development properties	13.5	18.6
Car parks	17.6	14.0
	332.6	317.7
Joint ventures	19.3	1.7
Other non current assets	5.2	4.9
Total non current assets	357.1	324.3
Properties held for sale	3.5	7.5
	360.5	331.8
Net borrowings	-174.6	-160.5
Other sundry assets/(liabilities)	-3.0	-7.4
	182.9	163.9
	344p	308p

Results financial year 2015

	2015			2014		
	Property rental £'m	Car park operations £'m	Total £'m	Property rental £'m	Car park operations £'m	Total £'m
Net revenue	9.8	2.6	12.4	11.6	2.6	14.3
Other income	1.2	0.0	1.2	0.9	0.0	0.9
Operating profit	11.0	2.6	13.6	12.6	2.6	15.2
Finance cost	-7.3		-7.3	-7.6		-7.6
Underlying profit	3.7	2.6	6.4	5.0	2.6	7.6
Profit/(loss) on disposal of investment properties	0.2		0.2	-0.1		-0.1
Revaluation gains - portfolio	15.6	-0.8	14.8	20.2	-0.4	19.8
Revaluation gains - joint ventures	2.6		2.6	0.1		0.1
Profit before taxation	22.2	1.8	24.0	25.1	2.3	27.4

Funding

	Jun-15	Jun-14
Net debt	£174.6m	£160.5m
Loan to value	48.9%	49.5%
Interest cover (underlying)	1.9	2.0
Fixed rate debt	£106m	£106m
Weighted average cost of debt	4.2%	4.4%
Bank facilities	£105m	£90m
Debenture	106	106
Weighted average maturity	8.9	10.1

Portfolio analysis

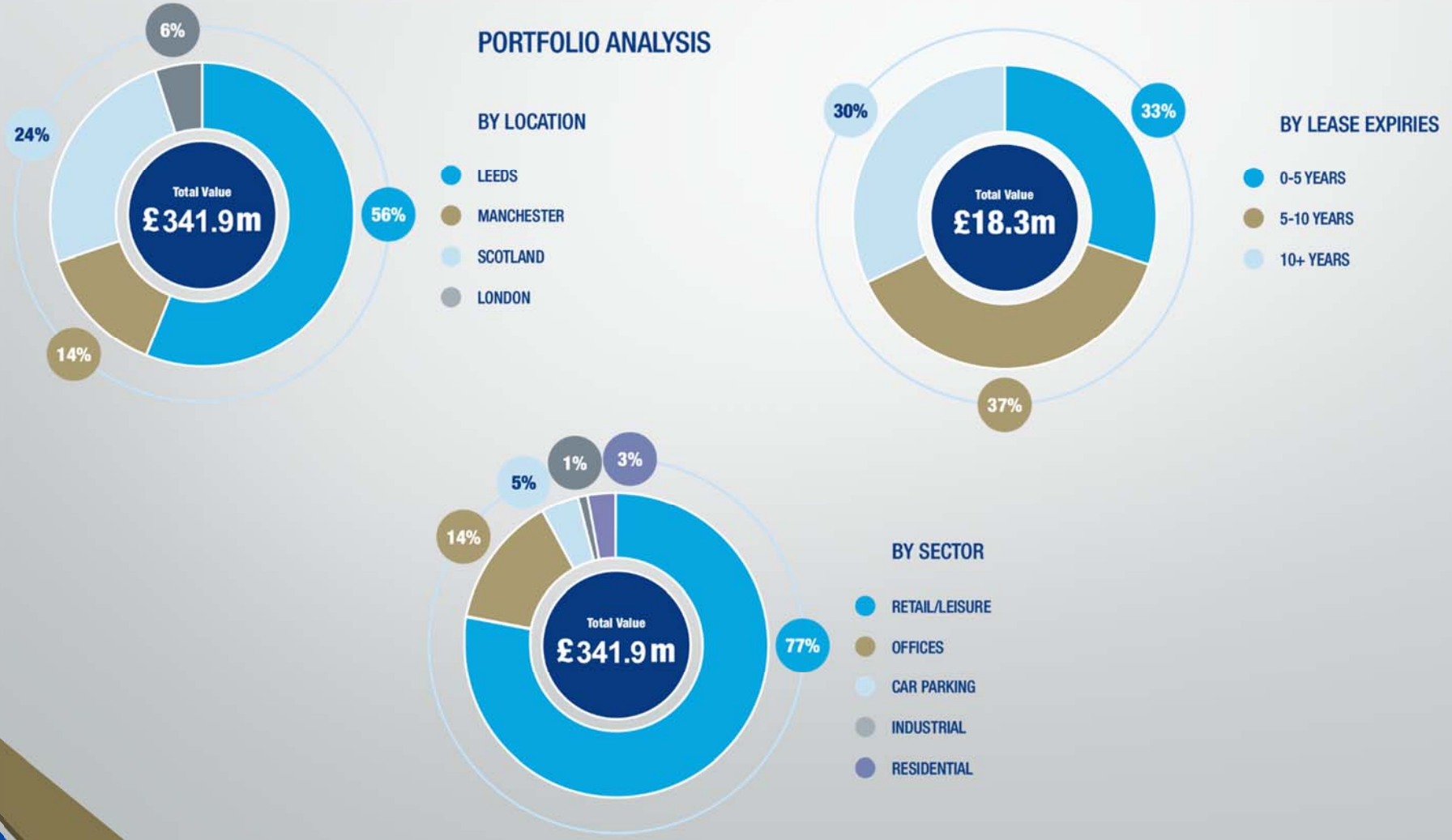
- Total portfolio stand at £355.4m including car parks and developments
- Yield on investment property portfolio 5.8% (£19.8M)
- Over 430 tenants, the top 5 tenants pay £4.3M
  - Waitrose
  - Morrisons
  - Leeds City Council
  - PureGym
  - Homebase
- Rental collections robust. 99% collected within 5 days
- 96% occupancy

Portfolio analysis

PORTFOLIO ANALYSIS

	Passing rent	ERV	Value	% of portfolio	Valuation incr/(decr)	Initial yield	Reversionary yield
	£m	£m	£m				
Retail & leisure	5.1	5.7	90.1	25%	5.10%	5.40%	6.00%
Merrion Centre (excl offices)*	6.1	7.2	112.6	32%	7.10%	6.40%	7.10%
Offices	3	4.5	48	14%	11.10%	5.90%	8.80%
Out of town retail	3.4	3.5	59.7	17%	7.40%	5.40%	5.50%
Industrial	0.2	0.4	4.4	1%	-	5.00%	7.80%
Residential	0.5	0.5	9.5	3%	4.70%	4.60%	4.60%
	18.3	21.6	324.3	91%	7.10%	5.80%	6.80%
Development property (car park income)	0.9	1.4	13.5	4%	-		
Car parks	0.6	1.2	17.6	5%	-5.60%		
Let portfolio	19.8	24.2	355.4	100%	6.50%		
Voids (4%)		0.8					
		25					

Portfolio analysis



Asset management – Morrison Merrion Centre

- Lease surrender and new letting in 2014 added 20% to floor space and £0.5m to rental income in a new 25 year lease
- Relocation of Peacocks and 3 store successful
- Net of costs this added over £5m to net assets

Asset management – Merrion House

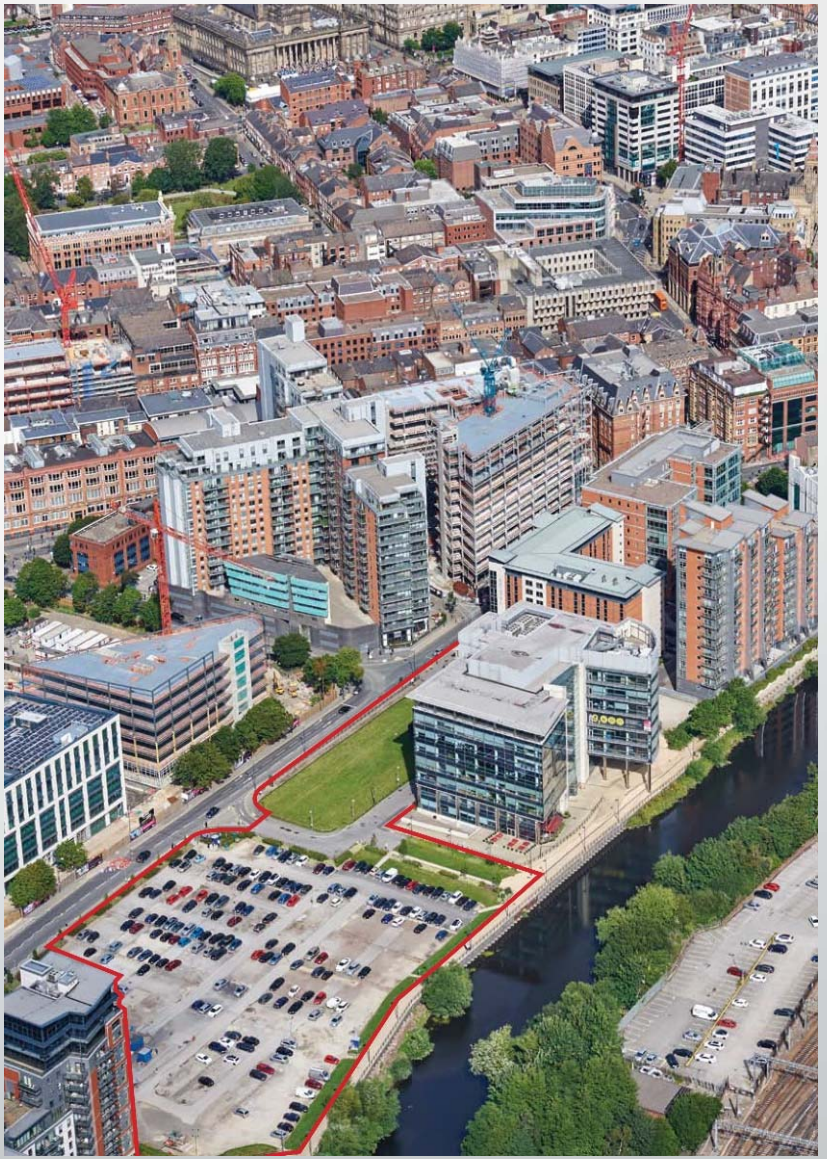
- The challenge – 70's building poorly maintained decreasing in value
- Property sold into new 50/50 JV with Leeds CC
- Redevelopment adds 50,000 sq ft to existing 120,000 sq ft, state of the art public facing space
- Book value £25m, build costs £31m, Leeds contribution £28m
- End value expected to be £70m rental income £3.3m plus CPI
- Cost to TCS £28m value £35m income £1.65m (marginal cost £3m extra income £250k)

Asset management - Milngavie

- 36,500 sq ft supermarket let to Waitrose completed June 2015
- Land adjoins existing Homebase investment
- Planning obtained against the odds
- Costs of land and construction £10m value £13.3m

Asset management – Whitehall Riverside, Leeds

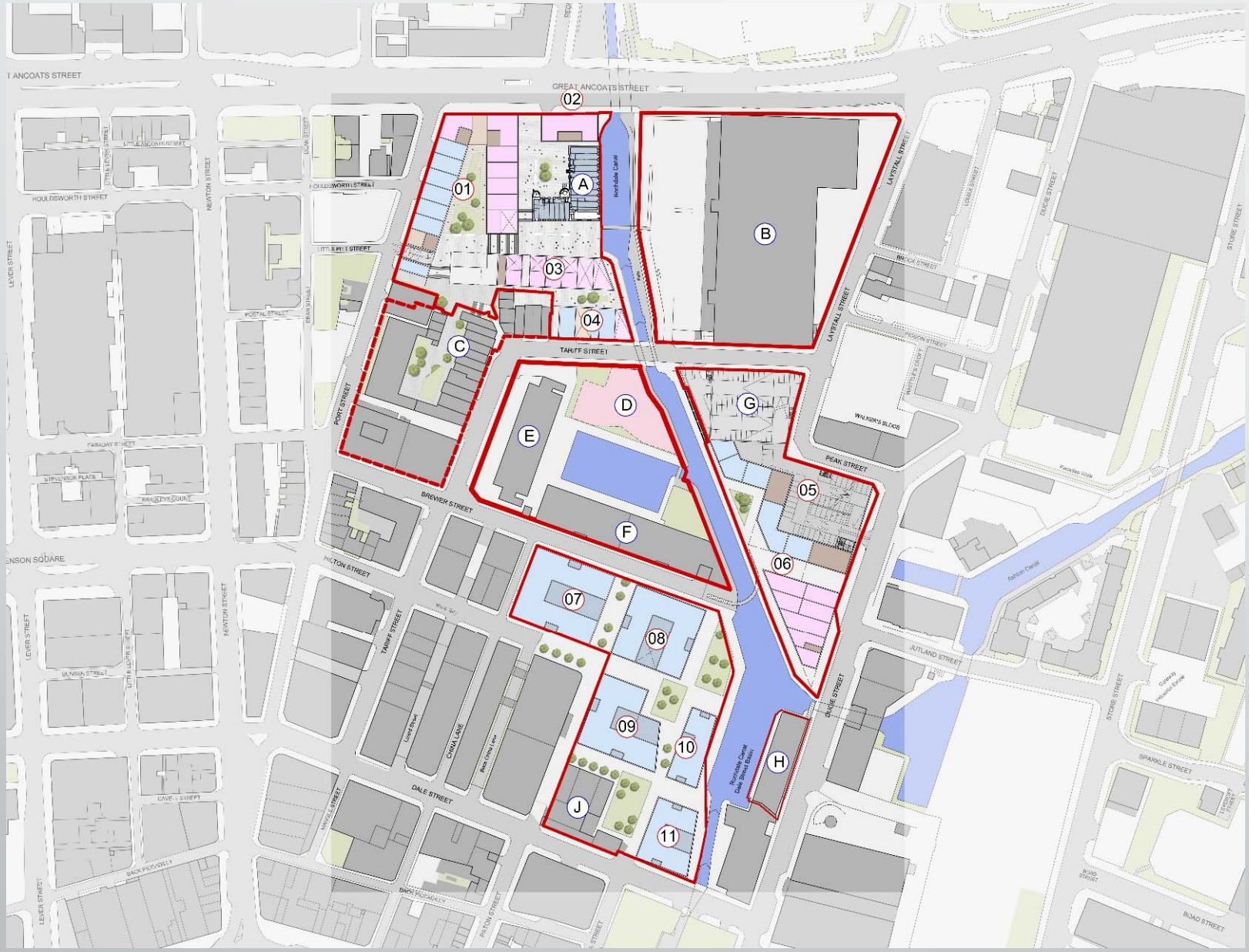
- Adjoining development activity establishing rental values
- Hotel negotiation well-advanced – 127 bed with Premier Inn
- Net step 170,000 sq ft office and 750 space MSCP
- Further 150,000 sq ft offices in masterplan



Asset management – Piccadilly Basin, Manchester

- 91 unit residential development deal well advanced
- Masterplan include a further 760 residential units – potential for combination of retained investment and sale
- Possible canal-side commercial
- Dale St commercial and MSCP remain in masterplan

Asset management – Piccadilly Basin, Manchester



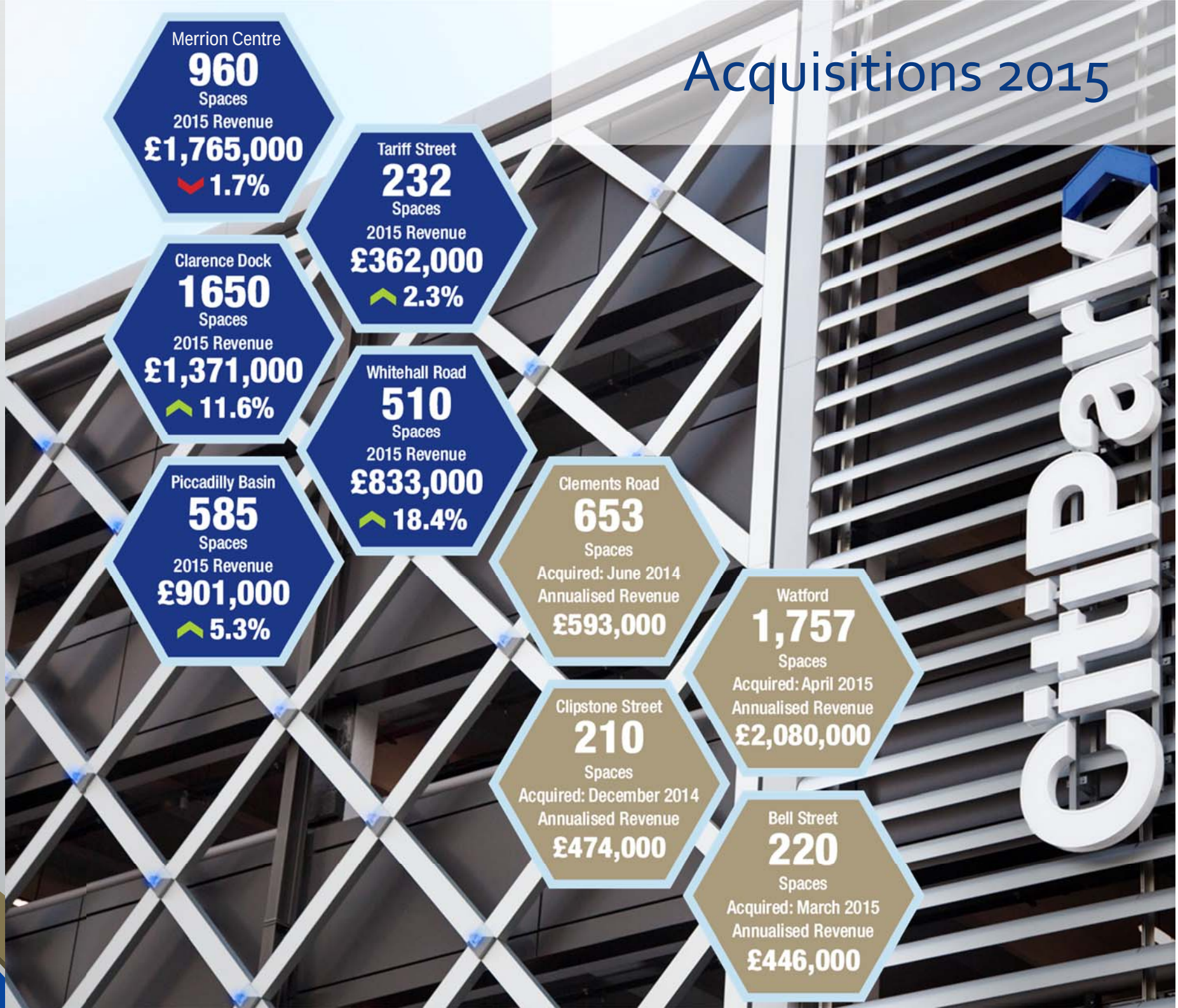
Asset management – future projects

- Whitehall Riverside, Leeds and Piccadilly Basin, Manchester
- Merrion Hotel
- Milngavie, Glasgow – more to come
- Vicar Lane, Leeds

Car park business - strategy

- 20 year track record running car parks
- At 30 June 2015 – part of the investment portfolio
  - 3 assets valued at £13m (plus Merrion) annual profit £1.8m plus £1m profit from operations on development sites
  - Acquisitions this year 6 operations in London/Watford, cost £4.3m at 10% yield

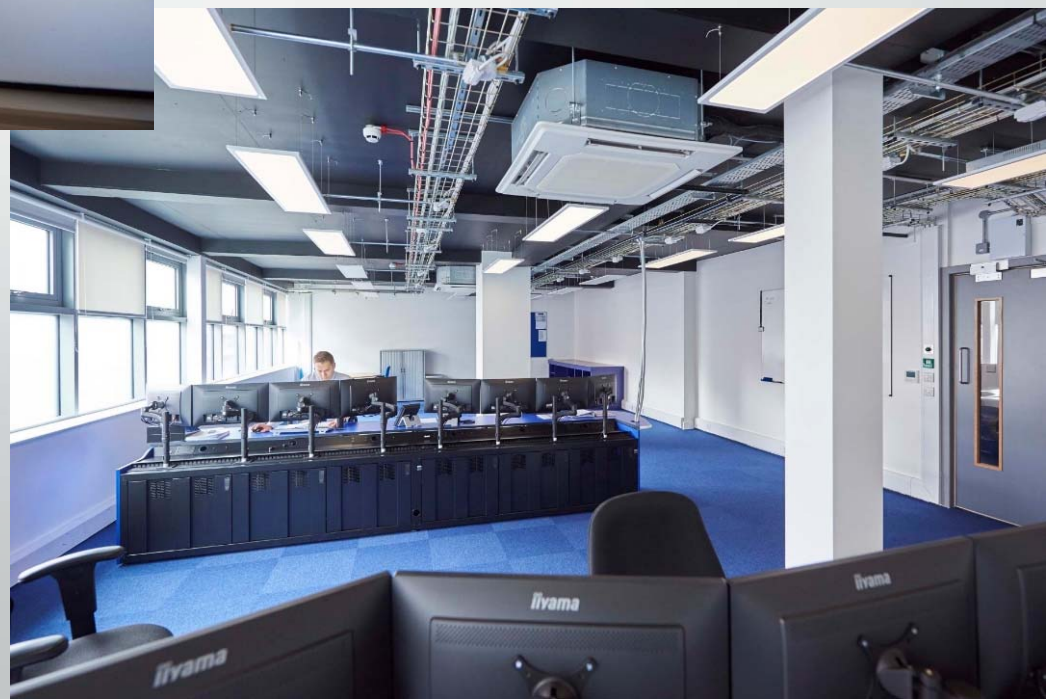
Acquisitions 2015



Car parking – investment to increase value

- Merrion MSCP
- Watford refurbishment project
- New London assets

Car parking – Engine Room



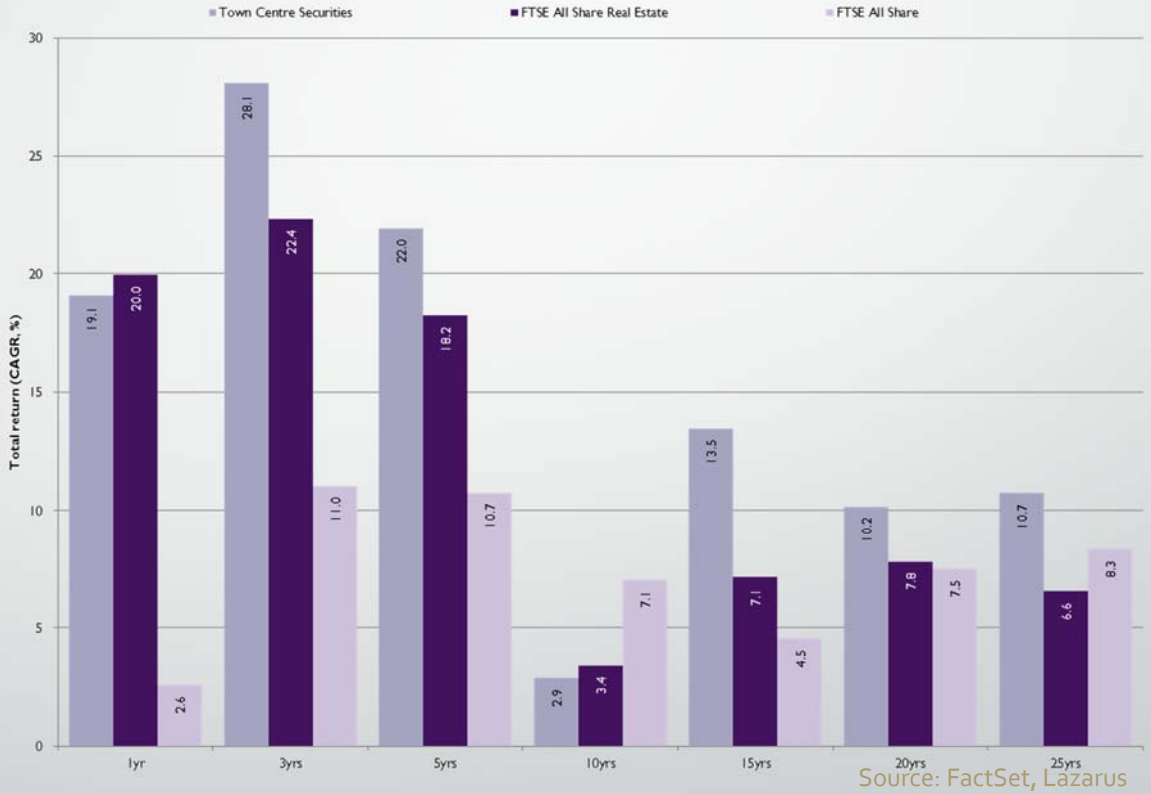
Conclusions and Outlook

- Recovering regional markets
- Resilient and secure income
- Growth in income from asset management and car parking
- Conservative funding and family attitude
- Outperformance in TSR's
- Secure dividend track record
- NAV discount remains attractive

- CONSISTENT OUT PERFORMANCE
- CONSISTENTLY RATED AT DISCOUNT TO SECTOR

Total Shareholder Return

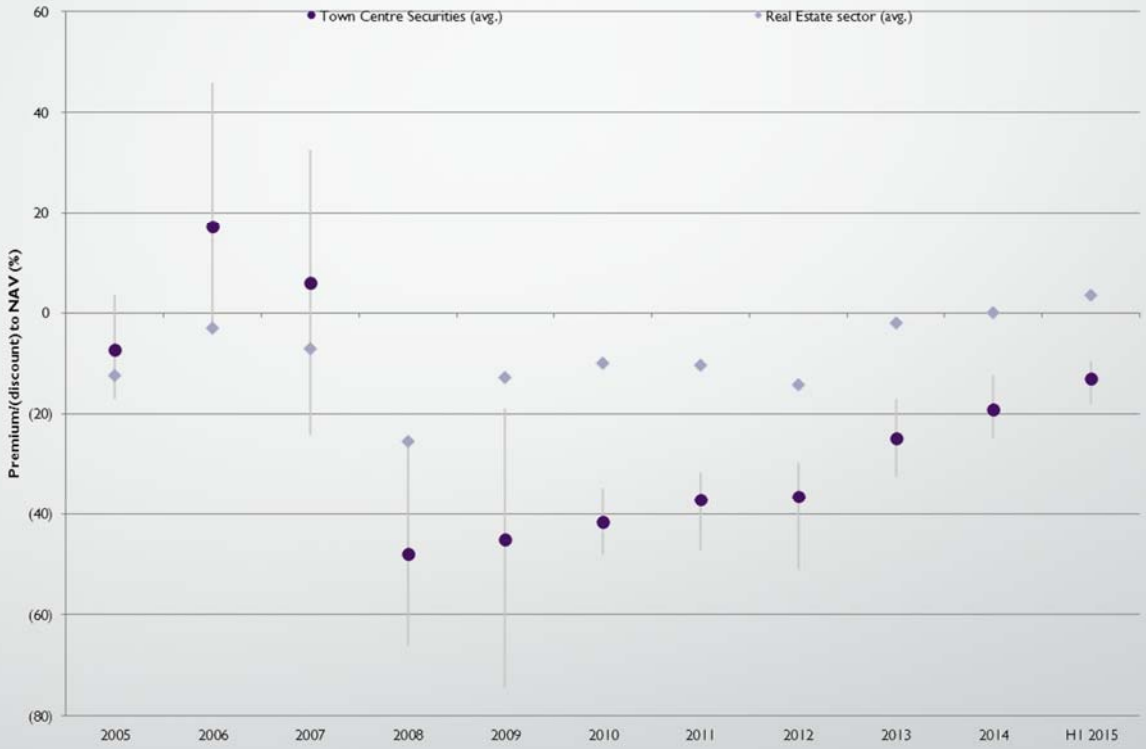
Long term strong performance against market



Source: FactSet, Lazarus

Net Asset Value

Market at premium
TCS still at discount



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