Town Centre Securities

Final Results Presentation

Year ended 30 June 2016

Overview of TCS

£378m portfolio	**56** years dividend track record	**51%** founder Ziff family shareholding	**57%** of debt is long term fixed interest	**2007** converted into a REIT

- The group is a specialist regional property investor principally in Leeds, Manchester, Scotland and London
- The founder Ziff family shareholding is held by current directors, and a number of family members outside the company, ensuring alignment of family and outside shareholder interests
- 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

Results highlights

3.8%
increase in NAV, to 357p

5.4%
dividend increase, to 11p

2.5%
growth in EPS, to 12.4p

£105m
facilities renewed at 50bp reduction

2.2%
like-for-like increase in valuation

98%
occupancy

49%
LTV

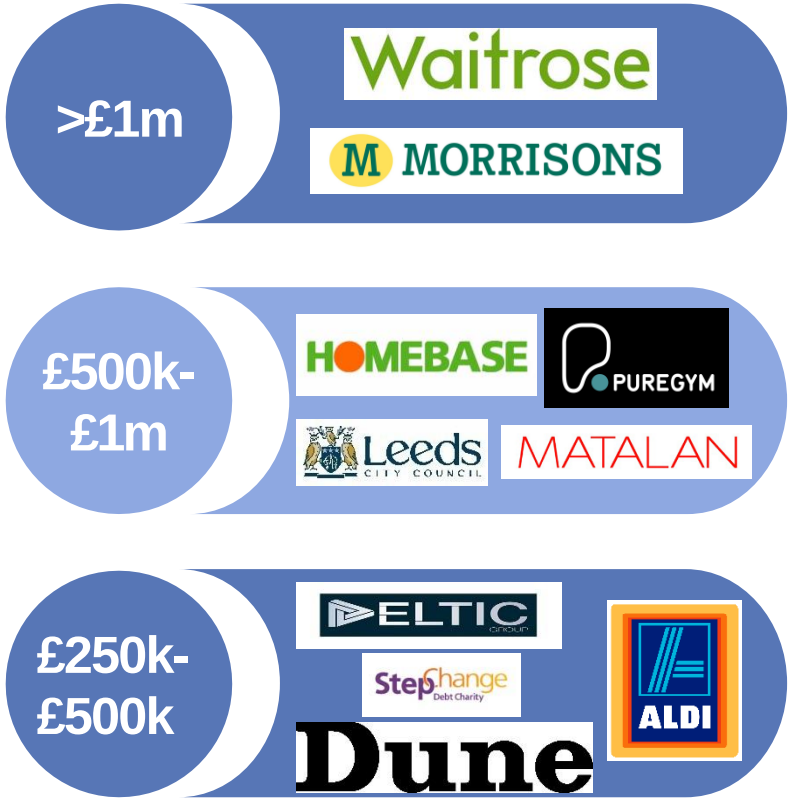
Focus on shareholder returns, proven by 56 years of unbroken dividends

Portfolio overview

- Total portfolio stands at £377.7m, including car parks and developments
- Yield on investment property portfolio 5.7% (£19.0m)
- Over 430 tenants, the top 5 tenants pay £4.3m p.a.
- Rental collections robust, 99% collected within 5 days
- 98% occupancy
- Merrion Centre makes up 41% of portfolio

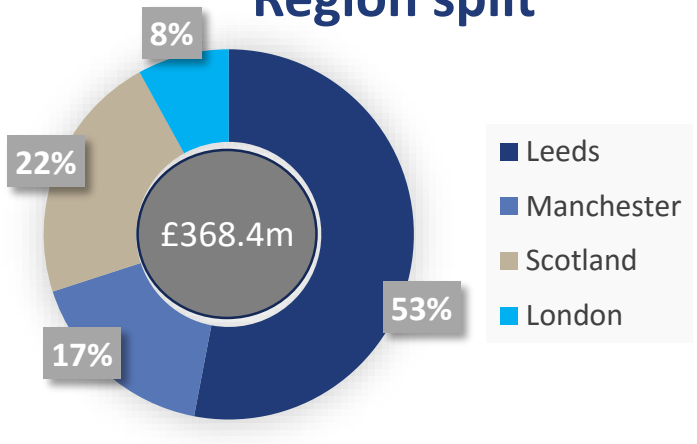
Top ten tenants

by annual rental income

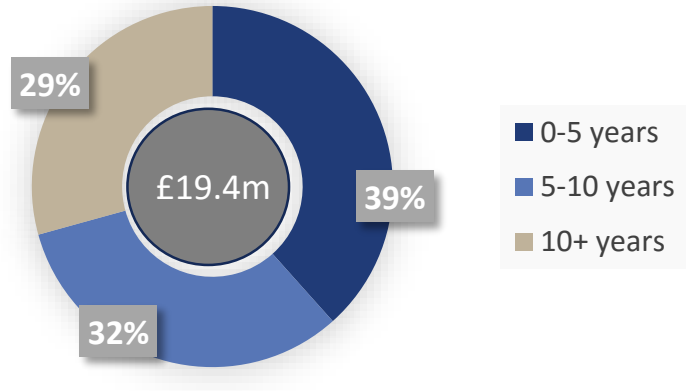


Portfolio overview

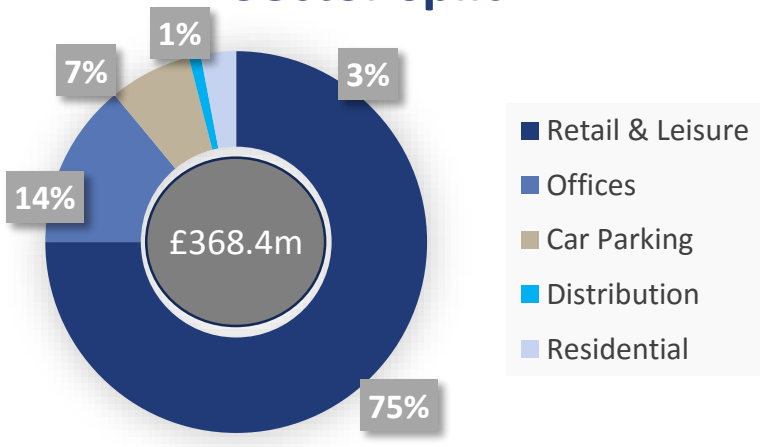
Region split



Lease expiries



Sector split



Strategy Overview

- Intensive asset management based on local knowledge
- Conversion of development land into investments
- Conservative funding
- Future focus – Leeds, Manchester, suburban London
- Ongoing capital recycling – bought and sold over £650m of properties since 1997
- Investment in car parking – 20 year track record managing and creating returns

Focus on shareholder returns, proven by 56 years of unbroken dividends

Leeds – Merrion House

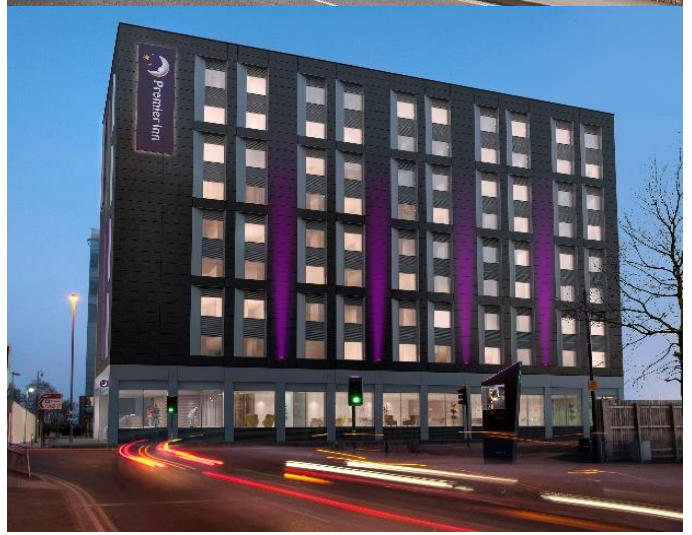
- Joint Venture with Leeds City Council - complete refurbishment of existing 120,000 sq ft of offices and creation of 50,000 sq ft of new office space
- Budgeted build cost is £34m, of which £28m funded by Leeds City Council
- Spend to date £25m, £15m from LCC. Still to spend £9.2m
- Construction on track, targeted completion in Q1 2018
- Expected to add £9m to net assets and £0.9m to income on completion

Leeds – Merrion Hotel

- Construction on track for 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, £6.9m still to spend
- expected to add £0.6m to income, growing to £1m

Leeds – Premier Inn, Whitehall Riverside

- 25 year lease, inflation-linked
- Build cost of £10m, on track for target completion in H1 2017 - £7.4m still to spend
- Expected to add £1.5m to net assets and £0.4m to income on completion
- 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



Disciplined capital recycling to fund acquisition pipeline and developments

ACTUAL Last 24 months (to 30-Jun-16)		PLANNED Next 24 months (to 30-Jun-18)
£44.2m (5.8% NIY)	Disposals	£30.6m (6.7% NIY)
£37.0m (6.3% NIY) Real Estate: £27.6m Car Park: £9.4m	Acquisitions	£20.0m Real Estate: £15m Car Park: £5m
£14.2m	Development	£15.0m
£7.0m	Spend (net of disposals)	£4.4m
£50m	Acquisition Opportunities Pool of Potential Acquisitions	£120m

Capital Recycling programme

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Acquisitions 2016 - Wood Green, London

- Four 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, repurposing retail units
- Improving area and asset management opportunities

Disposals 2016

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

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Financial Performance and Portfolio Overview

2016 Income Statement

	Property rental		Car parking	
	2016	2015	2016	2015
	£'000	*£'000*	*£'000*	*£'000*
Gross revenue *	16,879	15,940	10,118	6,870
Property expenses	(1,818)	(1,558)	(5,843)	(3,690)
Net revenue	15,061	14,382	4,275	3,180
Other income	594	1,452	5	16
Administrative expenses	(4,690)	(4,737)	(803)	(584)
Operating profit	10,965	11,097	3,477	2,612
Total operating propfit	14,442	13,709		
Finance costs	(7,847)	(7,258)		
Net income	6,595	6,451		

** Gross revenue includes share of trading profits from joint ventures*

- Net property rents flat but increases to come from developments
- Admin costs reducing
- Car park profits up 34% through both organic growth and acquisitions
- Improved efficiencies from central control room
- Finance charges higher as development spend builds up

2016 Balance Sheet

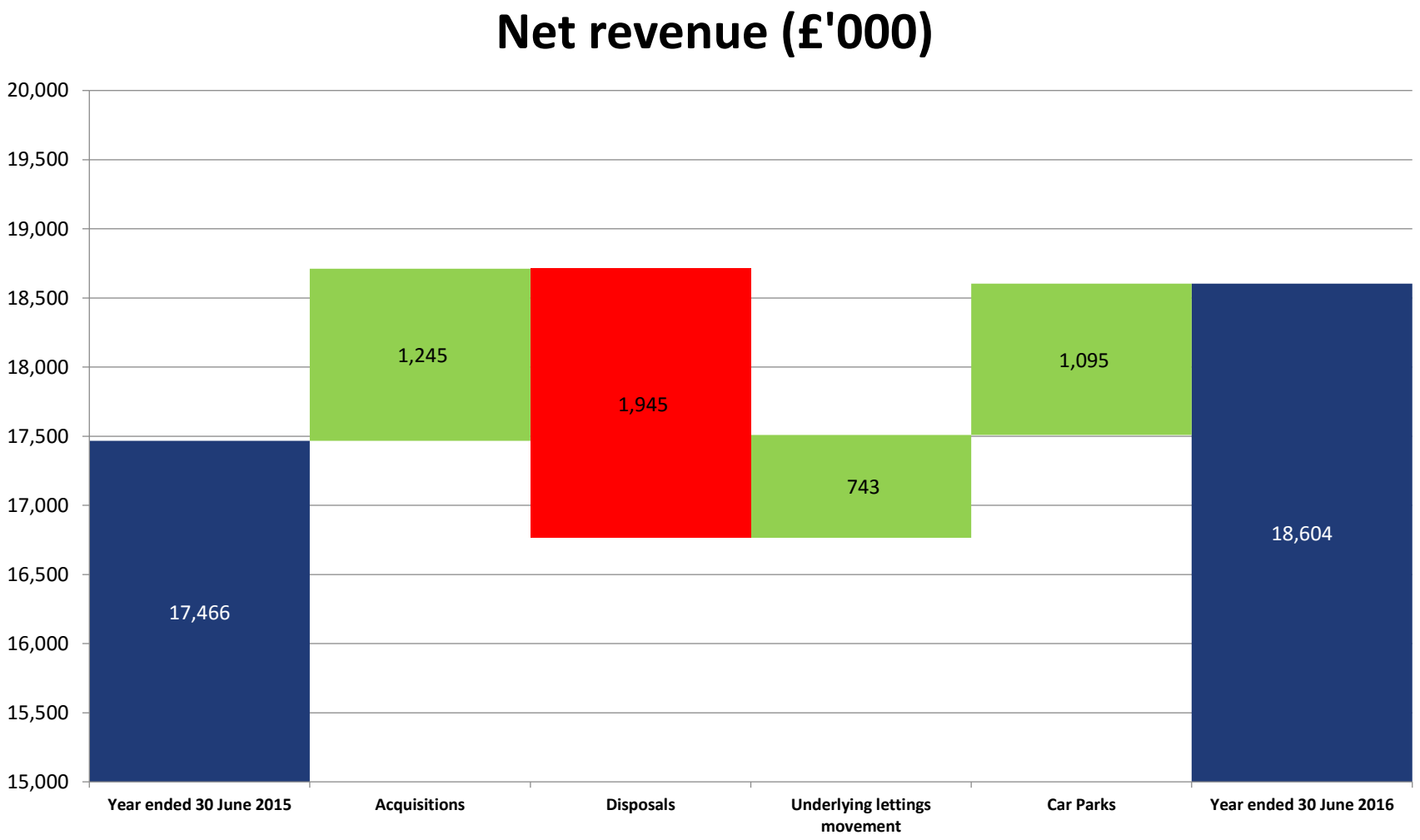
Consolidated balance sheet

as at 30 June 2016

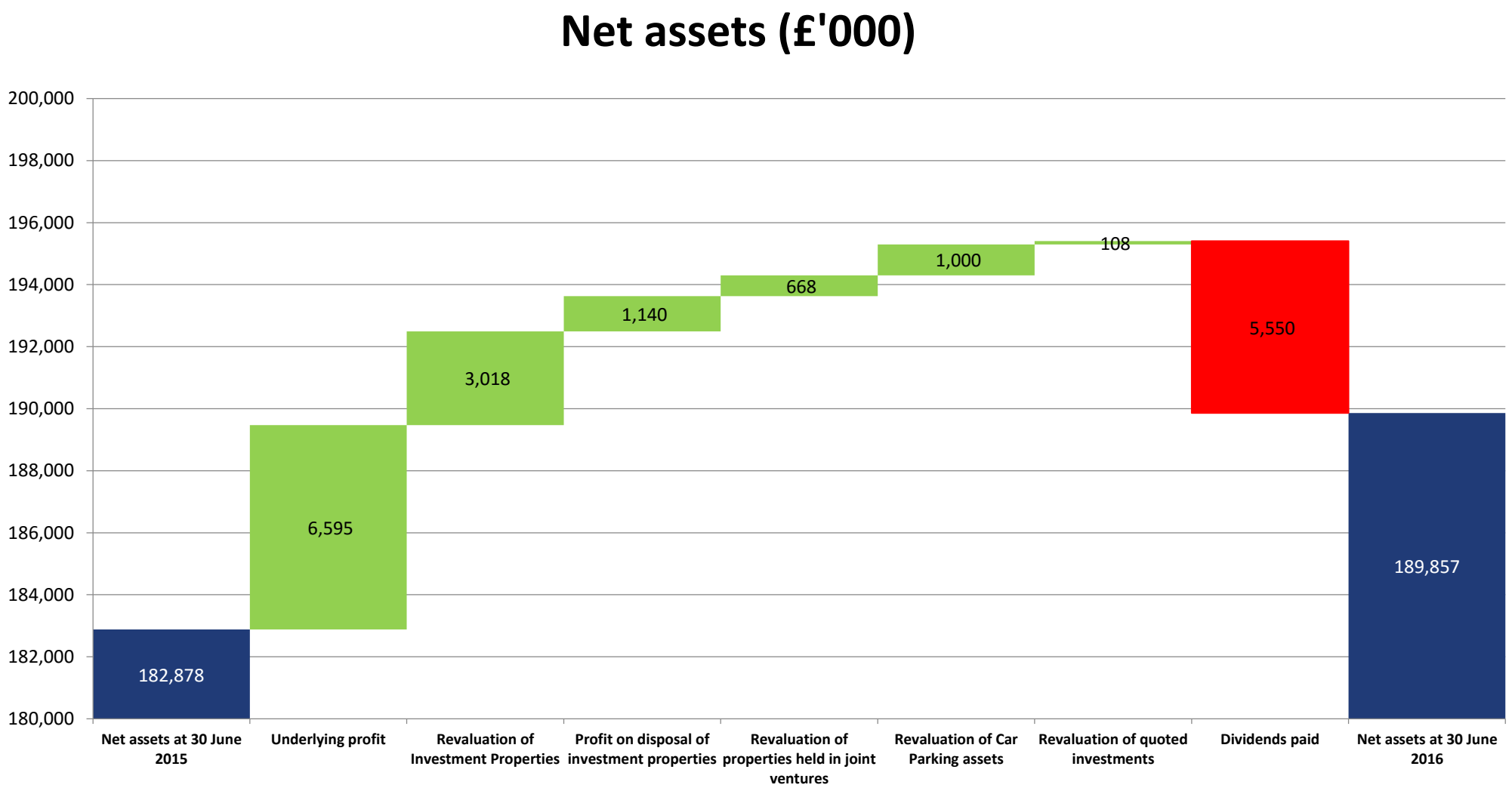
	Jun-16 £'m	Jun-15 £'m
Investment properties	295.7	296.7
Development properties	29.6	23.4
Car parks	25.1	20.9
	354.2	341.0
Joint ventures	25.1	19.3
Other non current assets	2.1	1.2
Total non current assets	377.7	361.5
Properties held for sale	-	3.5
	377.7	364.7
Net borrowings	(185.8)	(179.6)
Other sundry assets/(liabilities)	(2.0)	(2.2)
	189.9	182.9
NAV per share	357p	344p

- Property - £6.0m acquisitions, £13.5m disposals, £7.4m capex, £3.0m valuation surplus
- Car parks - £3.3m spend on car parks refit (incl equipment) and £1.0m increase in value
- JV is Merrion House - £4.9m spend during year
- £106m 5.365% 2031 listed debt
- £79.8m bank borrowings v £105m facilities
- Net assets per share up 3.8%

Net Revenue Bridge



Net Asset Bridge



Funding

	Jun-16	Jun-15
Net debt	£185.8m	£179.6m
Loan to value	49.2%	48.9%
Interest cover (underlying)	1.8	1.9
Fixed rate debt - debenture	£106.0m	£106.0m
Weighted average cost of debt	4.1%	4.2%
Bank facilities	£105.0m	£105.0m
Weighted average maturity	10.0	8.9

- Facilities renewal ongoing
- £105m three year RCFs with Lloyds, RBS and Handelsbanken renewed during year
- Lloyds and RBS have two year extension options
- Further facilities of £14m in documentation
- Overall reduction in borrowing costs from bank renewals 50bp

Strategy

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

FY15 was a year of acquisitions

Further acquisitions proposed

FY16 Growth both organic and from acquisitions

Further income growth to come

CITIPARK:

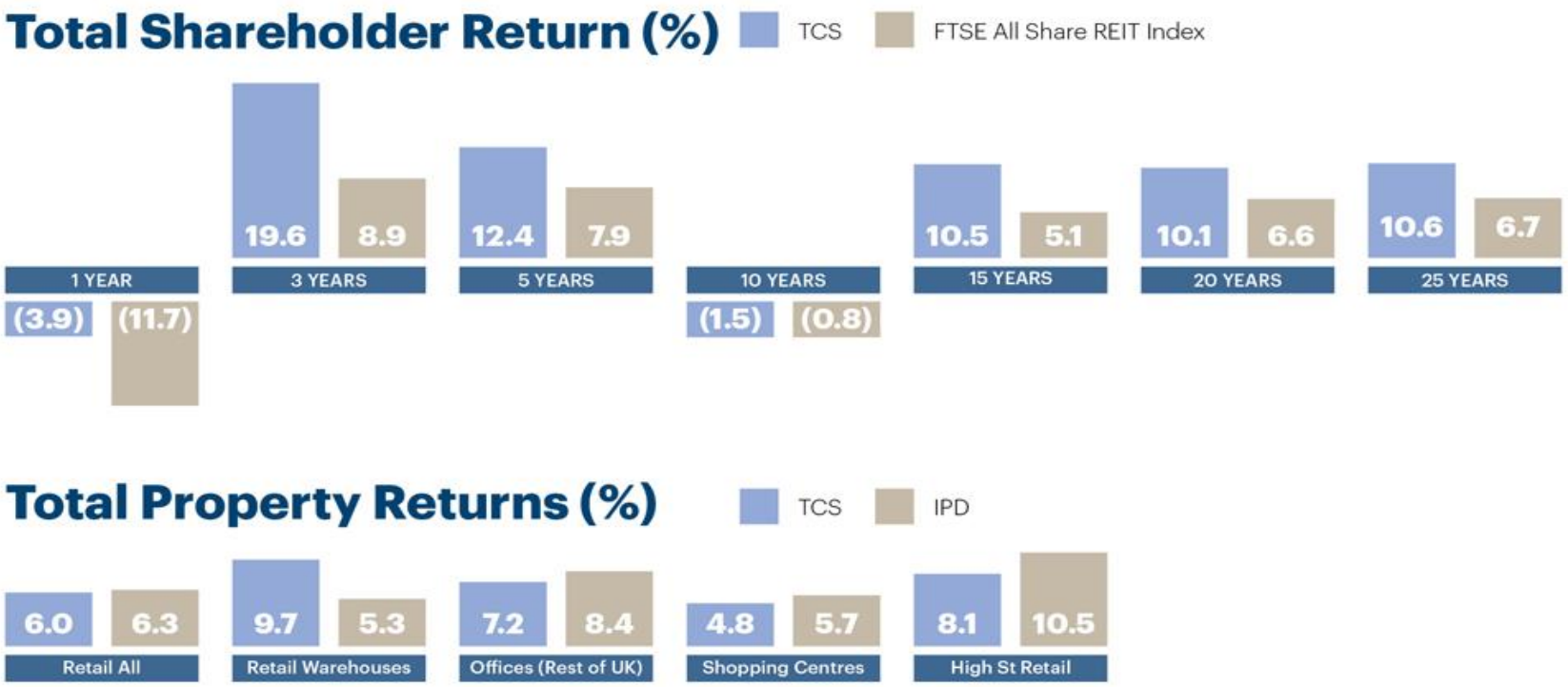
Merrion Centre
Clarence Dock
Piccadilly Basin
Tariff Street
Whitehall Road
Clements Road
Clipstone Street
Watford
Bell Street

20 year track record managing and creating returns from car parks

Outlook

- Total Shareholder Returns over last 1 to 25 years compare well to the 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

TSR and TPR

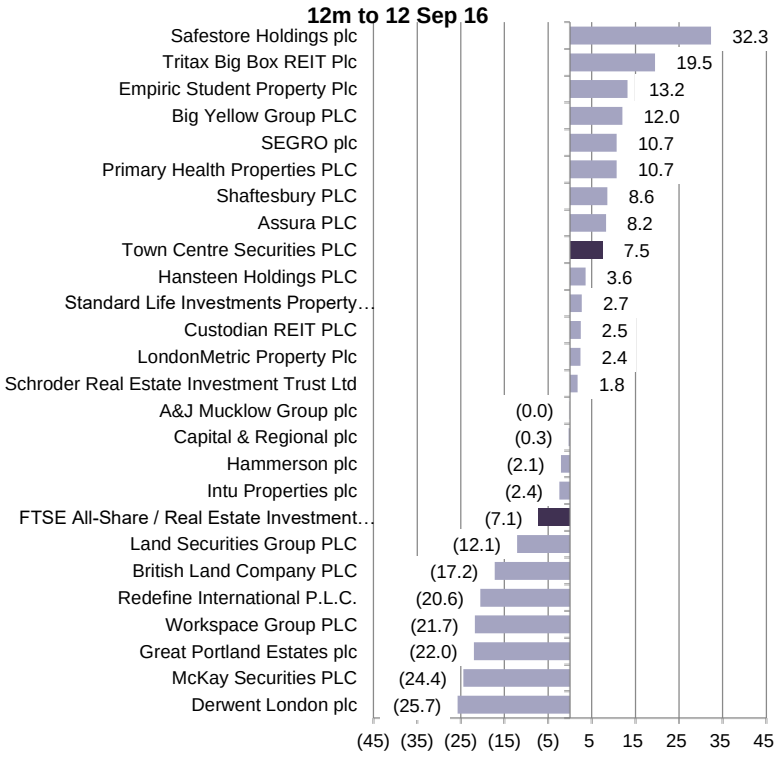

Total Shareholder Return (%)
TCS
FTSE All Share REIT Index
1 YEAR
(3.9)
(11.7)
3 YEARS
19.6
8.9
5 YEARS
12.4
7.9
10 YEARS
(1.5)
(0.8)
15 YEARS
10.5
5.1
20 YEARS
10.1
6.6
25 YEARS
10.6
6.7
Total Property Returns (%)
TCS
IPD
Retail All
6.0
6.3
Retail Warehouses
9.7
5.3
Offices (Rest of UK)
7.2
8.4
Shopping Centres
4.8
5.7
High St Retail
8.1
10.5

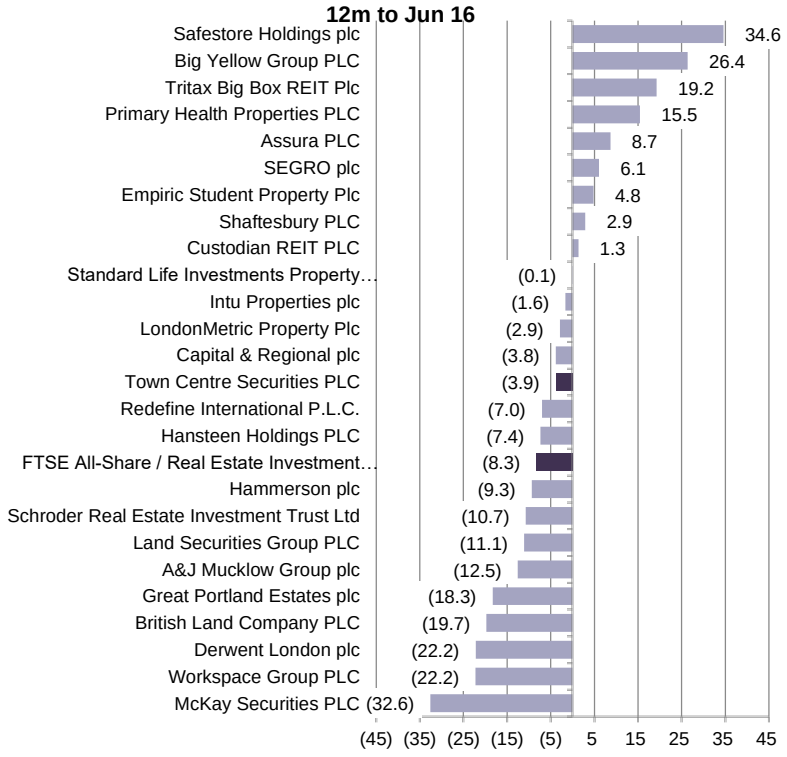
Investment case

- 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

Supplementary information

Delivering Total Shareholder Returns





Source: Lazarus Partnership

Portfolio analysis

	Passing rent	ERV	Value	% of portfolio	Valuation incr/(decr)	Initial yield	Reversionary yield
Retail & Leisure	5.1	5.6	90.7	25%	2.0%	5.3%	5.8%
Merrion Centre (excl offices)	6.8	7.1	105.3	29%	-3.8%	6.1%	6.3%
Offices	2.9	4.1	47.0	13%	2.3%	5.8%	8.2%
Out of town retail	3.3	3.6	55.7	15%	3.3%	5.5%	6.0%
Distribution	0.3	0.4	4.8	1%	7.5%	5.8%	7.9%
Residential	0.5	0.6	10.5	3%	2.7%	4.9%	5.3%
	19.0	21.3	314.0	85%	-0.1%	5.7%	6.4%
Development property (car park income)	1.6	1.6	21.0	6%	31.6%		
Other Development sites			10.6	3%	6.6%		
Car parks	1.2	1.2	21.9	6%	7.5%		
Let portfolio	21.8	24.1	367.4	100%	2.3%		
Voids (3%)	0.4	0.4					
	22.2	24.5					

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