Town Centre Securities

Half Year Results Presentation

6 months ended 31 December 2016

Agenda

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

Overview

- 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
- Growing a profitable car park business
- Conservative funding and family attitude
- Secure, fully covered and growing dividend

Active first half

Active asset management in a low growth market

- **Creating investments on development sites**
  - Merrion House, Merrion Hotel and Premier Inn on Whitehall Road
  - Adding £6.4m to assets and £1.8m to income in FY17 and FY18
  - 91 residential units in Piccadilly Basin, Manchester now on site (in 50/50 JV)
- **Ongoing asset management of existing portfolio**
  - 91 transactions in 6 months
  - Occupancy 98%, Arena Quarter Leeds now fully let
- **Portfolio re-positioning and capital recycling**
  - Two disposals total £2m – Shandwick Place Edinburgh
  - Further acquisitions and two disposals under offer for sale
- **Car parking**
  - Profits increased due to strong portfolio of acquisitions
  - Value of freehold/long leasehold assets increased

Financial Performance

H1 2017 Income Statement

	H1 2017			H1 2016		
	Property rental	Car park operations	Total	Property rental	Car park operations	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Net revenue (less admin cost)	5.0	2.1	7.1	5.0	1.7	6.7
Other income	0.5	-	0.5	0.4	-	0.4
Operating profit	5.5	2.1	7.6	5.4	1.7	7.1
Share of profits - joint ventures	0.6	-	0.6	0.4	-	0.4
Finance cost	(3.8)	-	(3.8)	(3.9)	-	(3.9)
EPRA profit	2.3	2.1	4.4	1.9	1.7	3.6
Revaluation gains/losses	(2.8)	1.0	(1.8)	7.6	0.5	8.1
Profit before taxation	(0.5)	3.1	2.6	9.5	2.2	11.7

- EPRA profit up 20%; like for like up 8%
- ERV up by £1.1m due to inclusion of Merrion Hotel and improvement in car parking revenue
- Rent flat overall for first half
- Car park increase impact of first period trading at Watford

H1 2017 Balance Sheet

Consolidated balance sheet

as at 31 December 2016

	Dec-16 £'m	Jun-16 £'m
Investment properties	294.3	295.7
Development properties	39.0	29.6
Car parks	27.4	25.1
	360.7	350.4
Joint ventures	26.1	25.1
Other non current assets	2.0	2.1
Total non current assets	388.8	377.6
Net borrowings	(190.6)	(185.8)
Other sundry assets/(liabilities)	(9.7)	(1.9)
	188.5	189.9
NAV per share	355p	357p

Investment properties down due to:

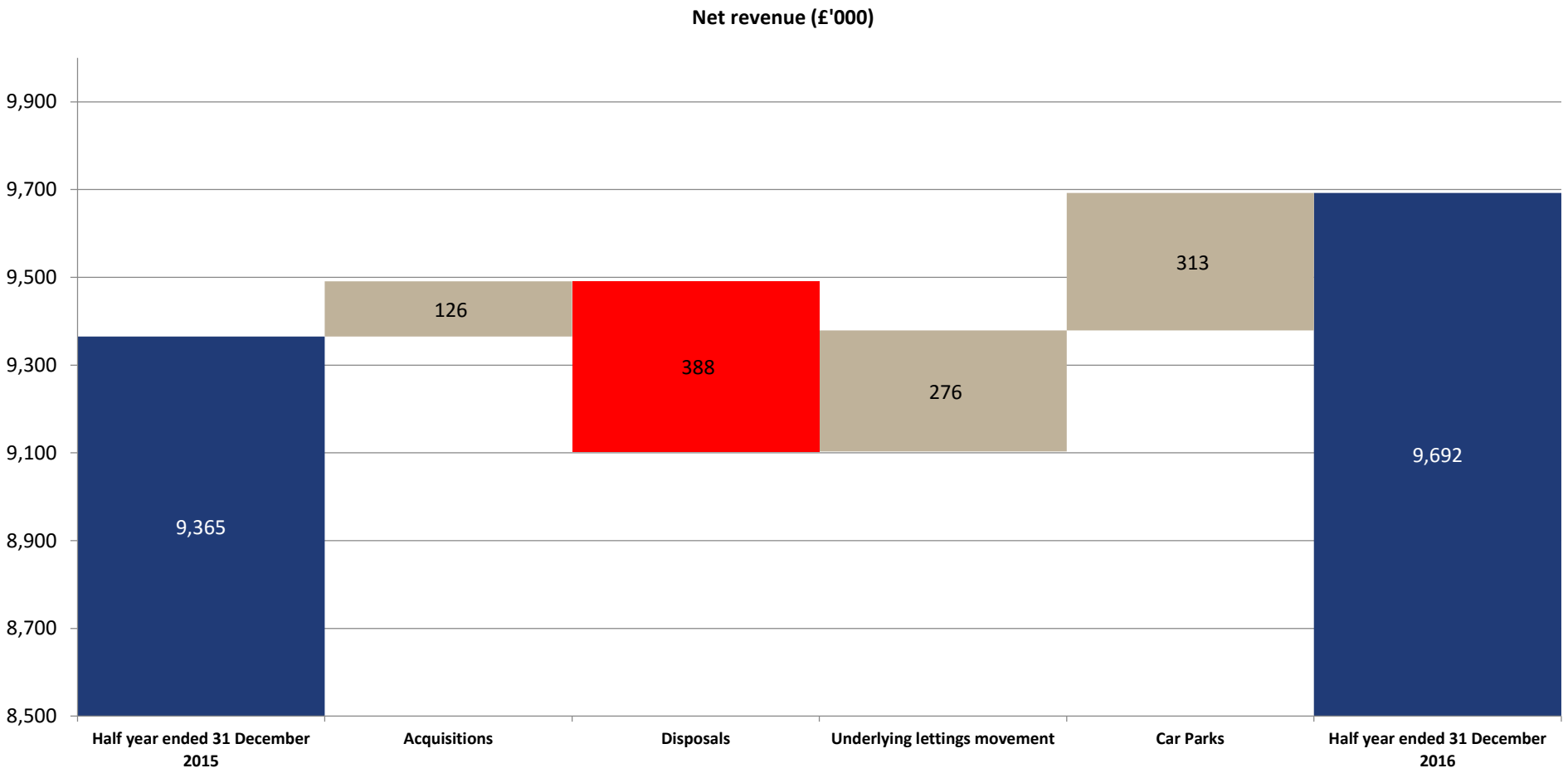
- Yield shift on Merrion (- £5m)
- Fall in retail warehouse portfolio (- £1m) partially offset by:
- Increase in Vicar Lane (£1m) and increase in car park valuations (£1m)

Increase in development value of Manchester site and Premier Inn (£2m)

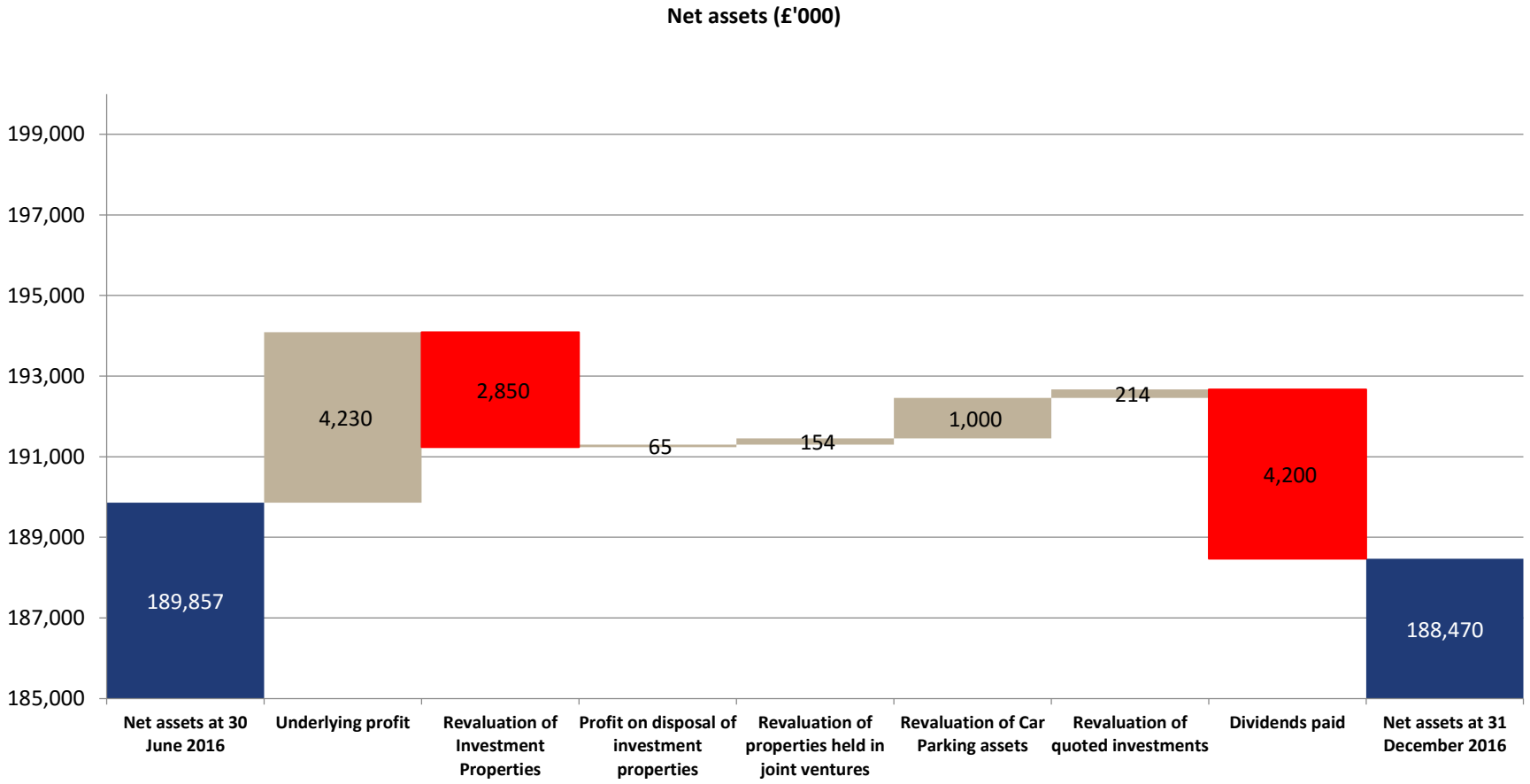
Net borrowings up £4.8m due to development spend

NAV down 1%

Net Revenue Bridge



Net Asset Bridge



Funding

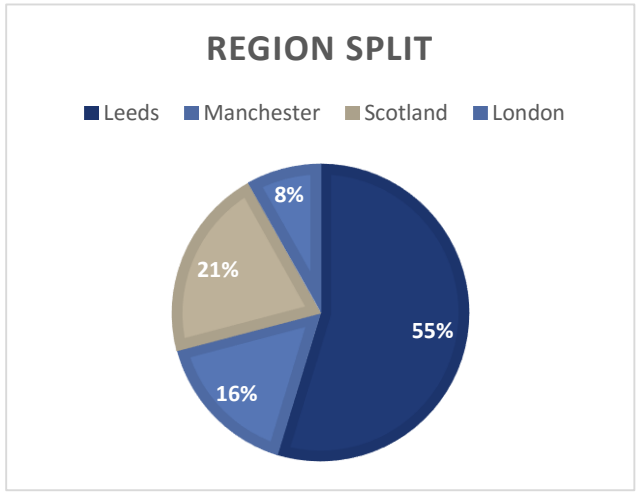
	Dec-16	Jun-16
Net debt	£184.8m	£185.8m
Loan to value	49.2%	49.2%
Interest cover (underlying)	1.9	1.8
Fixed rate debt	£106.0m	£106.0m
Weighted average cost of debt	4.1%	4.1%
Bank facilities	£122.0m	£105m
Debenture	106.0	105.0
Weighted average maturity	9.8	10.0

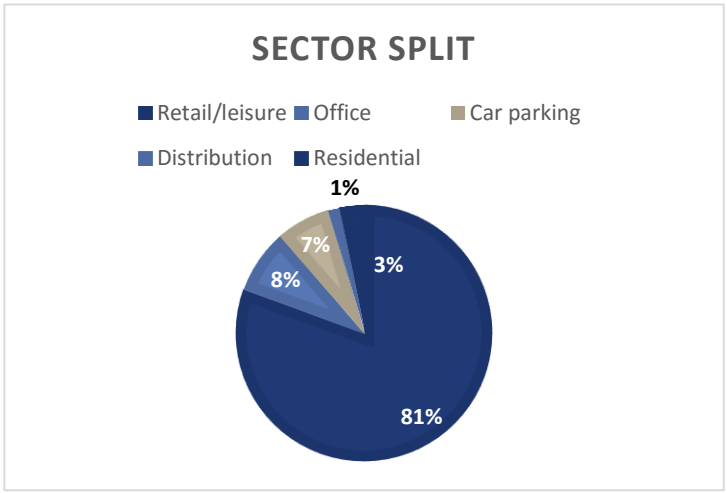
- £115m 3 year RCFs with RBS, Lloyds and Handelsbanken
- Lloyds and RBS have 2 year extension options
- Santander £7m re Merrion House
- Further facilities included above of £17m completed in H1

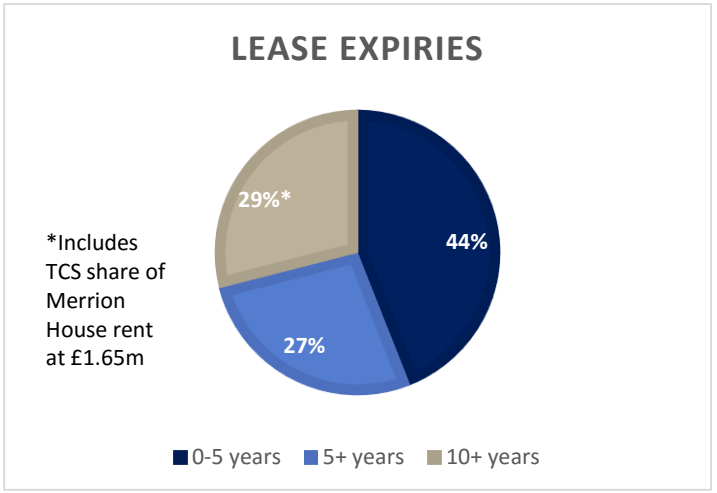
Town Centre Securities

Portfolio Overview and Activity

Portfolio

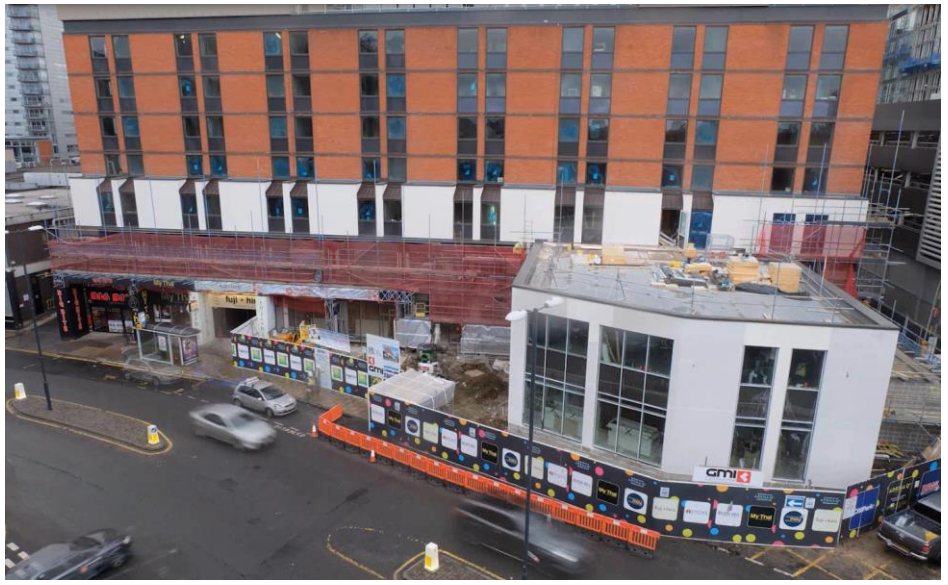

REGION SPLIT
Leeds
Manchester
Scotland
London
8%
21%
55%
16%


SECTOR SPLIT
Retail/leisure
Office
Car parking
Distribution
Residential
1%
7%
3%
8%
81%


LEASE EXPIRIES
*Includes TCS share of Merrion House rent at £1.65m
29%*
44%
27%
0-5 years
5+ years
10+ years

Leeds – Merrion Hotel

- Construction virtually complete 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
- Opening date March 2017
- Build cost £9.2m
- Expected to add £0.6m to income, growing to £1m over 3 years



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 December 2017
- Budgeted build cost is £34m (£3m already spent), of which £18m to be funded by Leeds City Council
- Expected to add £4.4m to net assets and £0.9m to income on completion

Leeds – Premier Inn, Whitehall Riverside

- 25 year lease, inflation-linked
- Build cost £10m now handed over
- Estimated value upon completion is £14m
- 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

Strategy

- Proactive acquisition and development programme
- Addition and advancement of technology
- Clipstone Street storage letting adds £125k to income

FY15 was a year of acquisitions FY16 consolidation

Further acquisitions proposed

HY17 income growth of £0.4m

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

- We continue to manage our properties intensively 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

Supplementary information

Portfolio analysis

	Passing rent	ERV	Value	% of portfolio	Valuation incr/(decr)	Initial yield	Reversionary yield
Retail & Leisure	5.0	5.6	94.1	25%	1.3%	5.0%	5.6%
Merrion Centre (excl offices)	6.8	8.2	124.6	33%	-4.6%	5.2%	6.2%
Offices	2.9	4.2	27.4	7%	2.0%	10.1%	14.5%
Out of town retail	3.5	3.6	55.1	15%	-1.7%	5.9%	6.2%
Distribution	0.4	0.4	4.8	1%	-0.5%	7.1%	8.0%
Residential	0.6	0.6	10.6	3%	0.4%	5.5%	5.3%
	19.2	22.6	316.6	84%	-1.6%	5.7%	6.8%
Development property (car park income)	1.8	1.8	24.3	6%	14.0%		
Other Development sites			14.7	4%	-8.6%		
Car parks	1.4	1.4	23.3	6%	4.5%		
Let portfolio	22.4	25.8	378.8	100%	-0.4%		
Voids (3%)	0.4	0.4					
	22.8	26.2					

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