

Title Results for the half year ended 30 September 2024
From LAND SECURITIES GROUP PLC ("Landsec")
Date 15 November 2024

Strong operational execution drives upgrade in EPS outlook and increase in portfolio value

Mark Allan, Chief Executive of Landsec, commented:

“Our operational outperformance continues, with further growth in occupancy and positive rental uplifts across our retail and London portfolio, which is translating into accelerated income growth. Combined with our focus on cost efficiencies, we therefore raise our outlook for EPRA EPS and now expect FY25 to be in line with last year’s level despite £0.5bn of net disposals over the past year, and for this outperformance to flow through into FY26.

At the same time, property values have stabilised, with growth in rental values driving a modest increase in capital values, resulting in a positive total return on equity. We expect these trends to persist, as customer demand for our best-in-class space remains robust and investment market activity has started to pick up. We have continued to reposition our portfolio towards higher-return opportunities and are confident of deploying further capital towards this in the second half. Having managed our balance sheet well as markets corrected, we are now well placed to deliver growth and attractive returns.”

Financial highlights

	30 Sep 2024	Prior ⁽¹⁾ period		30 Sep 2024	Prior ⁽¹⁾ period
EPRA earnings (£m) ⁽²⁾⁽³⁾	186	198	Profit/(loss) before tax (£m)	243	(193)
EPRA EPS (pence) ⁽²⁾⁽³⁾	25.0	26.7	Basic EPS (pence)	32.8	(24.4)
EPRA NTA per share (pence) ⁽²⁾⁽³⁾	871	859	Net assets per share (pence)	873	863
Total return on equity (%) ⁽²⁾⁽³⁾	3.9	(2.4)	Dividend per share (pence)	18.6	18.2
Group LTV ratio (%) ⁽²⁾⁽³⁾	34.9	35.0	Net debt (£m)	3,573	3,594

- EPRA earnings of £186m, up £1m vs prior period after adjusting for £13m lower surrender receipts
- EPRA EPS at top end of expectations at 25.0p, as better than expected 3.4% LFL net income growth and 2.2ppt improvement in operating margin offset earnings impact from non-core asset disposals
- Total dividend up 2.2% to 18.6p per share, in line with guidance of low single digit percentage growth
- Profit before tax up to £243m, as 2.1% ERV growth resulted in £91m or 0.9% uplift in portfolio value
- Total return on equity of 3.9% over six months, with 1.4% increase in EPRA NTA per share to 871p
- Maintained strong balance sheet with 7.4x net debt/EBITDA and a 34.9% Group LTV



- Upgrade in EPS outlook due to higher LFL income growth and cost efficiencies, with FY25 EPRA EPS now expected to be in line with the 50.1 pence delivered in FY24 and FY26 expected to be ahead of this, before any upside from potential future acquisitions

Operational highlights

Strategic focus on creating best-in-class portfolio pays off, with 6% uplifts on relettings/renewals across London and Major Retail, 40bps increase in occupancy, 3.4% growth in like-for-like net rental income, and property valuations returning to modest growth as rental values rise 2.1% and yields stabilise. Well placed to deliver the 8-10% annual return on equity we target over time, with current annual income return at NTA of 5.8%, continued growth in like-for-like income and further rental value growth.

Central London income and capital values grow, as investment market stabilises

- Delivered 5.5% LFL net rental income growth, with occupancy up 60bps to 97.9%, £16m of lettings signed or in solicitors' hands 3% above ERV and relettings/renewals 7% above previous rent
- Drove 2.2% ERV growth over first six months as customer demand remains focused on high-quality space in best locations, on track vs FY guidance of low to mid single digit percentage growth
- Portfolio valuation up 0.8%, as yields stabilised and investment market activity starts to pick up
- Progressing two on-site developments in Victoria and Southbank, with expected completion in late 2025 and attractive 7.1% gross yield on cost and 11% yield on capex

Major Retail assets reversion and capital values grow, as leading brands expand in best locations

- Delivered 3.1% LFL net income growth, with LFL occupancy up 70bps to 96.0% and £26m of lettings signed or in solicitors' hands 7% above ERV and 4% ahead of previous rent for relettings/renewals, underpinning growing reversionary potential
- Capitalised on continued focus from brands on fewer, bigger, better stores, with significant upsizes and lettings with leading brands such as Primark, Pull&Bear, Bershka, Sephora and JD Sports
- Delivered ERV growth of 1.7%, on track vs FY guidance of low to mid single digit percentage growth, supporting 2.8% increase in portfolio valuation, as activity levels in investment markets pick up
- Acquired an additional £120m stake in Bluewater at attractive 8.5% yield, with confidence in deploying further capital in major retail at accretive returns in second half of the year

Further progress in unlocking substantial residential development pipeline

- Started on site with infrastructure works and secured vacant possession for first phase of consented 1,800-homes Finchley Road scheme, ahead of potential start of main development in 2026
- Renegotiated development agreement at Mayfield, Manchester, which already benefits from outline consent, unlocking option to start delivery of c. 1,700 new homes from 2026 onwards
- Submitted planning application for masterplan in Lewisham, covering 1,700 homes plus over 1,000 student beds and co-living homes, with potential start on site in 2027
- Growing visibility on overall pipeline of 6,000+ homes with expected IRRs in the low double-digits



Returns underpinned by strong capital base and continued improvement in efficiency

- Realised 10% reduction in overhead costs, with further efficiencies expected next year
- Executed on £690m of transactions since March, including £464m of non-core disposals in line with Mar-24 book value and £226m of acquisitions, improving future return prospects
- Capitalised on sector-leading access to credit, with AA/AA- credit ratings, via £350m 10-year bond issue at 4.625% coupon and refinancing of £2.25bn revolving credit facilities at existing low margins
- Maintained strong capital base, with 10.0-year average debt maturity, £2bn cash and undrawn facilities, 7.4x net debt/EBITDA and 34.9% LTV, providing capacity to grow at attractive time

1. Prior period measures are for the six months ended 30 September 2023 other than EPRA NTA per share, net assets per share, Group LTV ratio and net debt, which are as at 31 March 2024.
2. An alternative performance measure. The Group uses a number of financial measures to assess and explain its performance, some of which are considered to be alternative performance measures as they are not defined under IFRS. For further details, see the Financial review and table 13 in the Business analysis section.
3. Including our proportionate share of subsidiaries and joint ventures, as explained in the Financial review. The condensed consolidated preliminary financial information is prepared under UK adopted international accounting standards (IFRSs and IFRICs) where the Group's interests in joint ventures are shown collectively in the income statement and balance sheet, and all subsidiaries are consolidated at 100%. Internally, management reviews the Group's results on a basis that adjusts for these forms of ownership to present a proportionate share. These metrics, including the Combined Portfolio, are examples of this approach, reflecting our economic interest in our properties regardless of our ownership structure. For further details, see table 13 in the Business analysis section.

Ends

About Landsec

At Landsec, we build and invest in buildings, spaces and partnerships to create sustainable places, connect communities and realise potential. We are one of the largest real estate companies in Europe, with a portfolio of retail, leisure, workspace and residential hubs. Landsec is shaping a better future by leading our industry on environmental and social sustainability while delivering value for our shareholders, great experiences for our guests and positive change for our communities.

Find out more at [landsec.com](https://www.landsec.com)

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