Press release

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6 NOVEMBER 2019

INTU PROPERTIES PLC

TRADING UPDATE FOR THE PERIOD FROM 1 JULY 2019 TO 5 NOVEMBER 2019

PROGRESSING OUR FIVE YEAR STRATEGY

Matthew Roberts, intu Chief Executive, commented:

"At our interim results, we set out our strategy to reshape our business and address the challenges we face. In the last three months, we have made progress on all four of our strategic objectives, with a particular focus on creating liquidity.

In the last quarter, we have continued to face challenging market conditions along with the rest of the sector. In particular, CVAs were slightly worse than expected. In the face of these challenges, there is much that gives me confidence about intu. Many of our top customers are global, well capitalised businesses and having visited 17 intu centres in recent weeks, there is a very different feeling on the ground to the one we read about regularly. Our centres are busy with footfall and occupancy significantly above the industry benchmarks. We know we have the best centre in each city and region that we operate.

While letting activity has been slower in the third quarter as some customers delay decisions due to continued political and economic uncertainty, we are still signing a good number of new deals with great brands. We have also seen a pick-up in letting activity in recent weeks which has seen Harrods take 23,000 sq ft at intu Lakeside to launch its first standalone beauty store, H Beauty, and Zara sign for a new flagship store at St David's, Cardiff. In Spain, AliExpress opened their first European store at intu Xanadú, with footfall at the centre up 20 per cent following the opening.

Our number one priority is to fix the balance sheet. We have a clear plan to do this and are working to make material progress over the next six months. We continue to consider all options to put us in the best position to deal with both our short and medium term liquidity requirements as we approach our next material debt maturity in early 2021. These options include disposing of assets, where we are in the advanced stages of selling two of our Spanish assets, through to raising equity, which is also likely to form part of the solution.

Although early days, we are also making good progress in the delivery of the other strategic objectives we outlined in July, namely sharpening our customer relationships, transforming our centres and simplifying the business structure, and I look forward to updating on these further at the full year."

Conference call

A conference call for analysts and investors will be held today at 08:00 GMT.

A copy of this announcement is available on our website intugroup.co.uk.

Enquiries

intu properties plc

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Operational performance

Operating metrics

	Three months ended 30 Sept 2019	**Nine months ended 30 Sept 2019**	Nine months ended 30 Sept 2018
Footfall	+1.2%	**+0.9%**	-1.3%
Rental uplift on rent reviews settled	+4%	**+6%**	+8%
Leasing activity			
— number	47	**156**	200
— new rent	£5m	**£19m**	£32m
— new rent relative to previous passing rent	-3%	**+0%**	+7%
Investment by customers	£38m	**£86m**	£64m

	As at 30 Sept 2019	As at 30 Sept 2018
Occupancy (EPRA basis)	**95.1%**	97.0%
Unexpired lease term	**6.5 years**	7.4 years

— year to date footfall in our centres is 0.9 per cent ahead of the same period in 2018. In the UK, footfall was up 0.4 per cent, significantly outperforming Springboard footfall monitor for shopping centres which was down on average by 2.4 per cent. The footfall growth in Spain has benefitted from AliExpress at intu Xanadú, where footfall was up by 20 per cent in the first six weeks of opening. The UK growth has benefitted from our management initiatives:

  — since the start of the year, footfall at intu Watford has increased by 19 per following the opening of the extension which has extended the centres catchment from the introduction of an IMAX cinema, additional restaurants and new retail brands

  — following the opening of the leisure extension at intu Lakeside in the summer, footfall has increased in the centre by 7 per cent

  — excluding these two centres, UK year to date footfall is broadly unchanged

— we settled 34 rent reviews in the period with an average uplift of 4 per cent. Year to date, we have settled 135 rent reviews for new rents totalling £40 million, an average uplift of 6 per cent on the previous rents

— year to date, we have signed 156 long-term leases producing £19 million of annual rent, in line with previous passing rent. On a net effective basis (net of rent-free periods and incentives), rents were also in line with previous rents

— in the quarter, we agreed 47 long-term leases amounting to £5 million annual rent (Q3 2018: 84 leases; £15 million of annual rent). In aggregate, these were 3 per cent below the previous passing rent (like-for-like units) and in line with valuers' assumptions. On a net effective basis (net of rent-free periods and incentives), rents were 4 per cent lower than previous rents. Key lettings include:

  — Harrods taking their first shopping centre store at intu Lakeside, launching a new beauty concept, H Beauty

  — a new flagship store for Zara at St David's, Cardiff. This follows their recent upsizing of stores at intu Trafford Centre and intu Lakeside

  — further leisure expansion at intu Lakeside with climbing operator Rock Up exchanging to open in a two-level mall unit

  — digital native brand Morphe agreeing to open its third store in the intu portfolio, and sixth in the UK, at Manchester Arndale

  — new JD Sport brand Kids Cavern, offering luxury branded childrenswear, opening its second UK store at intu Trafford Centre

- year to date, customers have invested around £86 million on 181 new store fit-outs, which following a record year of investment in 2018 demonstrates their long-term commitment to our centres and providing a fresh and ever-changing experience for our visitors
- occupancy at 30 September 2019 was 95.1 per cent (September 2018: 97.0 per cent), unchanged from June 2019. This compares favourably against the latest BRC-Springboard town centre vacancy rate of 10.3 per cent

Like-for-like net rental income

- although new lettings and rent reviews are still positive overall, CVAs in the period were slightly worse than expected and the political and economic uncertainty is causing customers to delay new lettings, with letting activity in the third quarter slower than forecast and at a lower level than 2018. We anticipate that like-for-like net rental income for 2019 will be down by around 9 per cent, with more than half the reduction coming from the impact of CVAs such as Arcadia and Monsoon
- with the majority of rent now collected for the year, the only further impact would relate to incentive write-offs from any further failures through to the end of the year. Outside those retailers who have been through a CVA, the majority of our top-20 customers are well capitalised, global businesses
- as the CVAs announced in mid-2019 will continue to impact the first half of next year, we expect 2020 like-for-like net rental income to continue to decline, but at a slower rate than 2019

Strategy update

Fix the balance sheet

- as highlighted in the 2019 interim results, we are working to make material progress over the next six months in fixing the balance sheet. We have no material debt maturities until intu Milton Keynes and the SGS term loan in early 2021, but our focus is to create liquidity to deal with these upcoming refinancing activities and address any actions which may be required to manage credit exposures with banks that arise prior to that, including from further falls in asset values. Our self-help measures to do this are:
  - retaining cash generated from operations within the business
  - disposals and part-disposals of assets both in the UK and Spain
  - reduction in capital expenditure pipeline
- in the period, we have:
  - entered advanced stages of negotiations on the disposals of intu Asturias and intu Puerto Venecia, and at intu Xanadú, where our lock in period expires in summer 2020, we are continuing discussions with our partner
  - initiated a review of options for disposal or part-disposal of certain UK assets
  - disposed of a further £21 million of sundry assets, 13 per cent ahead of their December 2018 valuation. Year to date, proceeds amount to £33 million from sundry asset disposals
- we will continue to keep all options under review from the self-help measures described above through to raising equity, which is also likely to form part of the solution
- net external debt reduced by £210 million in the quarter as a result of the part disposal of intu Derby, with loan to value of 57.7 per cent, based on June 2019 property valuations

Sharpen customer focus

- changing the way we work, and improving our relationships, with those who pay us to take space is important in maximising the returns for both parties
- in the period, we have:

- — continued CEO to CEO meetings with our top 30 customers, including Next, Primark and Sports Direct. Key themes from the meetings include positive feedback around their trading in intu centres, looking at sharing data and working better in partnership in the future
- — commenced a data hub project to further consolidate all data sources within the business, which will allow us to maximise the potential from the insight we have on centres, customers and visitors

Transform our centres

- — we are transforming our centres to deliver what the future visitors and customers want. This is illustrated by:
  - — at intu Trafford Centre's Barton Square development we have handed over the 85,000 sq ft anchor unit to Primark for fitting out. The £75 million project is on target to open in spring 2020
  - — the £72 million leisure extension at intu Lakeside opened in the period, and with only one unit remaining unlet, is already delivering a 7 per cent increase in footfall
  - — commenced the process to introduce an investment partner for intu Lakeside's 1,200 unit build to rent residential development

Simplify, enhance and drive efficiency

- — to deliver our strategy and reshape intu, we plan to operate a more dynamic organisation, with the right skill sets and teams to deliver the vision
- — since the half year, our focus on efficiencies and cost savings relating to the centres has allowed us to deliver a benefit to our customers, with the 2020 service charge budget lower than 2019

About intu

intu creates thriving, vibrant destinations where brands flourish.

Our portfolio of 20 centres in the UK and Spain consistently beats the industry standard for visitor numbers. In fact, we are the only group in Europe to attract more than ten million visitors a year to each and every centre.

With ten of the most popular out-of-town and city centre flagship destinations in the UK, our centres welcome half the population every year and provide employment for more than three per cent of the country's retail workforce.

We have worked hard to create winning destinations that are the beating heart of regions, with an irresistible blend of shopping, dining, events and leisure. intu centres are rated number one for being modern, stylish and fun; there is always something new to discover and everything we do is designed to make people smile.

We are recognised by retail and leisure brands for our unrivalled national coverage, high footfall and compelling mix, all under one roof and one brand.

We bring economic prosperity wherever we operate and we take our responsibilities as a good neighbour just as seriously with green transport plans and energy efficiency strategies for each centre.