

# Presentation of half year results to 31 March 2016

May 2016

# Introduction

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- Welcome
- Highlights
- Financial results
- Operations and market
- Conclusion

# Highlights

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- Delivering across all areas of business:
  - Alconbury – strong start to housing and commercial sales
  - Rugby – second housebuilder contracted, third under offer
  - Feethams, Herne Bay and Bridge Quay all now reached PC
  - Catesby increased contribution and record pipeline
- Pre tax profits £8.4 million (44 per cent up on March 2015: 20 per cent up on September 2015)
- EPRA NAV only marginally improved but underlying position looks and feels much better
- 1,253 units either under contract or detailed negotiation at Alconbury, Rugby and Newark
- Our estimate of current wholesale large site discount is about £80 million, or 20 per cent on EPRA NAV
- Commencing construction for Urban&Civic own account on strategic sites from 2017 onwards: first 282 units identified. Reasonable presumption is for 5x existing book on own account build
- Increased dividend up 10 per cent to 1.1p per share, recognising demonstrable underlying progress.

# Financial highlights

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	<b>31 March 2016</b>	30 September 2015	Listing	2016 increase	Increase from Listing
Profit before tax	£8.4m	£7.0m	n/a	20.0%	n/a
EPRA Net assets	£390.8m	£389.9m	£323.8m	0.2%	20.7%
EPRA Net assets per share (restated)	270.9p	270.4p	231.0p	0.2%	17.3%
EPRA Triple Net assets per share (restated)	263.3p	262.4p	229.0p	0.3%	15.0%

# Summarised 6 month income statement

£m	6 months to 31 March 2016	12 months to 30 Sep 2015	Comments on 2016
Revenue	29.5	55.5	Includes trading property sales of £22.3m, principally the land promotion sites at Sherborne and Shefford, and rental and other property income of £7.2m, the largest element is income from the hotel at Deansgate, Manchester
<b>Gross profit</b>	<b>8.2</b>	<b>3.6</b>	Includes £6.2m of profit on trading property sales and £2.0m net rental and other property income
Administrative expenses	(4.7)	(10.4)	Stated net of capitalised costs of £3.6m, includes Catesby
IFRS valuation movements	4.1	9.6	Uplift in valuation of Alconbury of £2.9m, Rugby £2.5m, Bradford £(1.0m), Feethams £(0.3m)
Other	0.8	4.2	Net finance income (2015 – sale of Howick Place)
Profit before tax	8.4	7.0	
Tax	(1.8)	-	
Profit after tax	6.6	7.0	

# Summarised balance sheet as at 31 March 2016

£m	At 31 March 2016	At 30 Sept 2015	Comments on 2016
Property interests	354.1	305.3	Alconbury £140.7m <sup>1</sup> , Rugby £43.2m <sup>2</sup> , Newark £27.8m, Manchester sites £26.7m, Herne Bay £28.5m, Bradford £11.1m, Stansted £11.1m, Feethams £20.8m
Cash	30.6	43.6	
Borrowings	(32.1)	(11.4)	HCA loan £11.2m, Bradford £6.8m, Herne Bay £14.4m (before accounting adjustments)
Deferred tax (net)	2.9	4.7	Deferred tax asset of £7.4m less deferred tax liability of £4.5m
Working capital	(3.0)	5.6	Includes £1.2m fixed assets
<b>IFRS net assets</b>	<b>352.5</b>	<b>347.8</b>	
<b>EPRA adjustments – property</b>	<b>33.7</b>	<b>38.1</b>	Alconbury £22.1m, Newark, £1.2m, Herne Bay £3.6m, Bridge Quay £6.0m, Stansted £(1.4)m, land promotion sites £1.3m, other £0.9m
<b>EPRA adjustments – deferred tax</b>	<b>4.6</b>	<b>4.0</b>	
<b>EPRA net assets</b>	<b>390.8</b>	<b>389.9</b>	

<sup>1</sup> Alconbury - CBRE valuation £162.8m - £140.7m reflected on balance sheet, £22.1m EPRA adjustment

<sup>2</sup> Rugby - CBRE valuation £88.1m, 50% reflected at £44.1m less £0.9m working capital

# Property analysis

<b>£m</b>	<b>31 March 2016</b>	<b>Valuation movement</b>	<b>Expenditure</b>	<b>Disposals</b>	<b>30 September 2015</b>
Alconbury	162.8	6.0	9.3	-	147.5
Rugby (50% interest)	43.2	2.5	2.5	-	38.2
Waterbeach	3.5	-	2.0	-	1.5
Newark	29.0	(1.2)	4.7	-	25.5
Manchester sites	26.8	(0.9)	2.2	-	25.5
Herne Bay	32.0	(3.9)	7.4	-	28.5
Bridge Quay, Bristol	18.3	3.0	3.0	-	12.3
Bradford	11.2	(1.0)	0.2	-	12.0
Stansted	9.8	(1.4)	9.7	-	1.5
Feethams, Darlington	20.8	(0.3)	7.4	-	13.7
Catesby	10.3	1.3	1.9	(0.4)	7.5
Catesby sites sold	-	(4.7) <sup>2</sup>	-	(0.9)	5.6
Scottish land sites	11.9	-	-	-	11.9
Other	8.2	(0.1)	0.5	(4.4)	12.2
<b>EPRA valuations</b>	<b>387.8</b>	<b>(0.7)<sup>1</sup></b>	<b>50.8</b>	<b>(5.7)</b>	<b>343.4</b>

<sup>1</sup> EPRA valuation movement £(4.4) million – see appendix

<sup>2</sup> £4.7 million released to income statement

# Balance sheet capacity

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- Strategic land infrastructure spend
  - HCA loans - £35.5 million at Rugby, £5.5m drawn at 31 March 2016
    - £11.2 million at Newark, fully drawn
    - £45.0 million under discussion at Alconbury
- Commercial Development
  - Stansted - £18.0 million loan in place, nil drawn at 31 March 2016
  - Herne Bay - £19.3 million loan in place, £14.4 million drawn at 31 March 2016
  - Bradford - £6.8 million loan in place, fully drawn at 31 March 2016
  - Feethams - £14.4 million loan terms agreed and in documentation
- Working Capital
  - £25.0 million revolving credit facility in place May 2016
- Low gearing and balance sheet capability to continue to deliver on business plan.

# Commercial and city centre developments

## Herne Bay – delivered

- Tenant handover April 2016
- £19.3 million bank facility; first construction, now investment
- Rent £2.2 million RPI increases collared and capped at 2% and 4% to Sainsbury's
- Sainsbury's have deferred decision to occupy
- Further retail warehouse options on neighbouring land being explored



## Stansted – delivery

- 357 bed hotel adjoining airport terminal now under construction, completion expected summer 2017
- Expansion capacity up to 520 rooms
- £18 million bank facility in place, currently undrawn
- Expected EBITDA of £3.5 million within three years of opening



# Commercial and city centre developments

## Bridge Quay, Bristol – practically delivered

- 59 high quality 1 & 2 bedroom apartments
- Completion May 2016
- All units now exchanged
- Best units exceeded £600 per sq ft
- Profit expected over £6 million
- EPRA uplift £3 million in period



## Feethams – delivered

- 100,000 sq ft leisure scheme anchored by 80 bed Premier Inn and nine screen Vue cinema
- Phased opening from last month
- Restaurants already trading well above their targets
- Cinema opens 23 June 2016
- ERV £1.5 million



# Commercial and city centre developments

## Manchester – delivery

- Two prime city centre sites at Deansgate and Princess Street
- Planning consent for two residential and one hotel building at Princess Street
- In discussion with equity funding partner
- Expect to start construction at Princess Street Q3/Q4 2016
- Existing hotel on Deansgate trading well and contributing >£1.5 million of net income per annum
- International design competition for Deansgate redevelopment. Expected to be a residential-led redevelopment executed in 2017-2021



# Strategic land sites



## Consented unserviced plot values

	Alconbury	Rugby	Newark
March 2016	£20,900	£13,300	£8,000
Sept 2015	£18,500	£12,900	£8,800
Sept 2014	£15,400	£11,500	£7,700
Change from Sept 2015	13.0%	3.1%	(9.1%)

# Alconbury Weald

- Approval for 5,000 homes and c.3.1m sq ft commercial
- Prospect of less than 15 per cent affordable provision
- Total area 1,425 acres; 338 residential NDAs; 163 commercial NDAs designated as Enterprise Zone
- 55 minutes to London and under 1 mile from A1(M) and A14
- In discussion with HCA for £45 million infrastructure loan



# Alconbury Weald – Enterprise Zone and Phase 1 residential



# Alconbury Weald - Ermine Street Church Academy and Hopkins Homes Construction



- 3 form entry (phased) primary school to be completed and open by September 2016
- Hopkins Homes construction significantly underway; 21 reservations to date at average of £288 per sq ft

# Alconbury Weald – Delivery

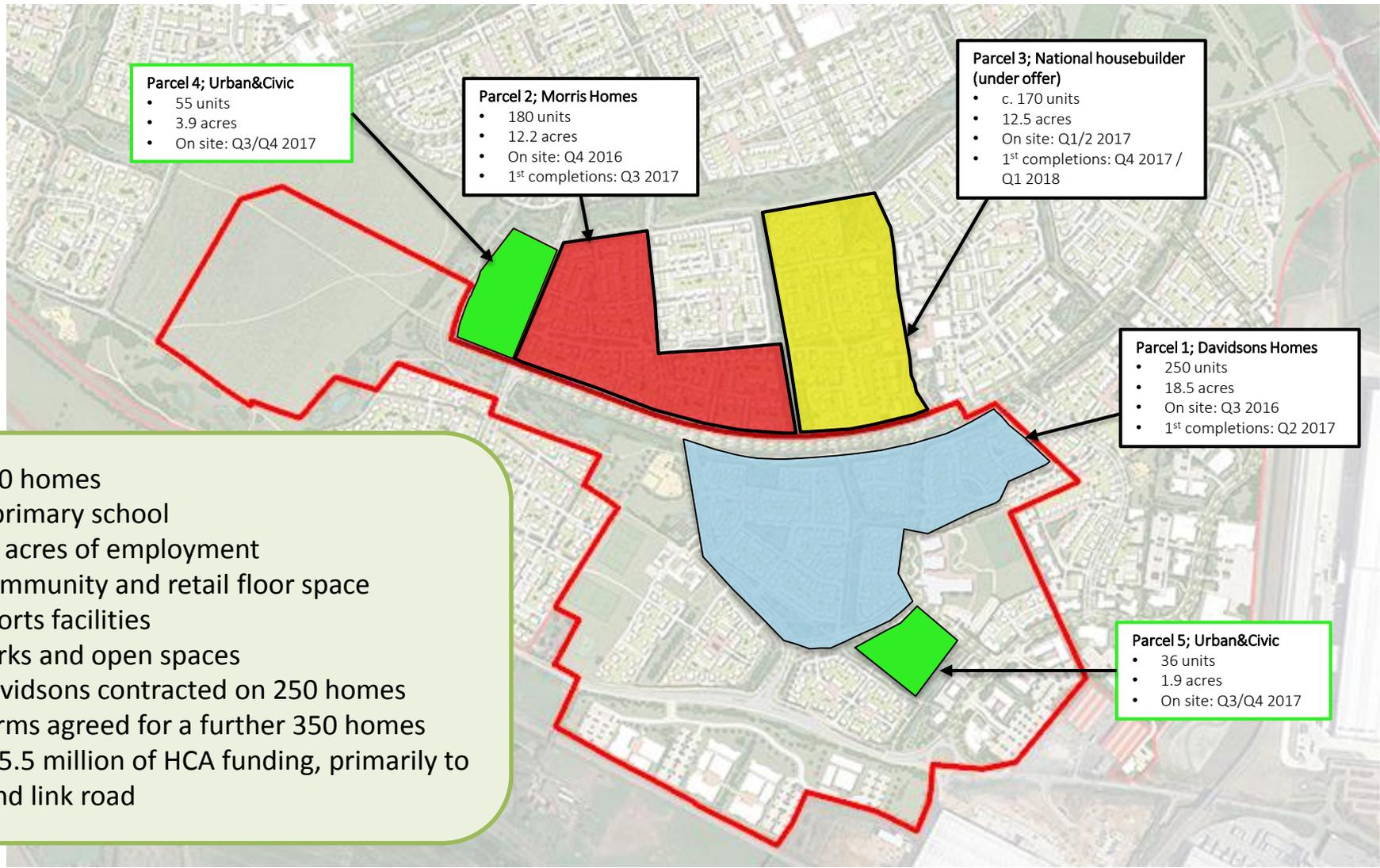


# RadioStation Rugby

- 50:50 joint venture with Aviva
- Approval for 6,200 homes and c.1.3m sq ft commercial
- Prospect of less than 15 per cent affordable provision
- 50 minutes to London, 35 minutes to Birmingham, under 1 mile from M1, 4 miles from M6 and under 1 mile from Daventry International Rail Freight Terminal
- Total area: 1,140 acres; 362 residential NDAs; 36 commercial NDAs



# RadioStation Rugby – Site Progress



# RadioStation Rugby – Delivery



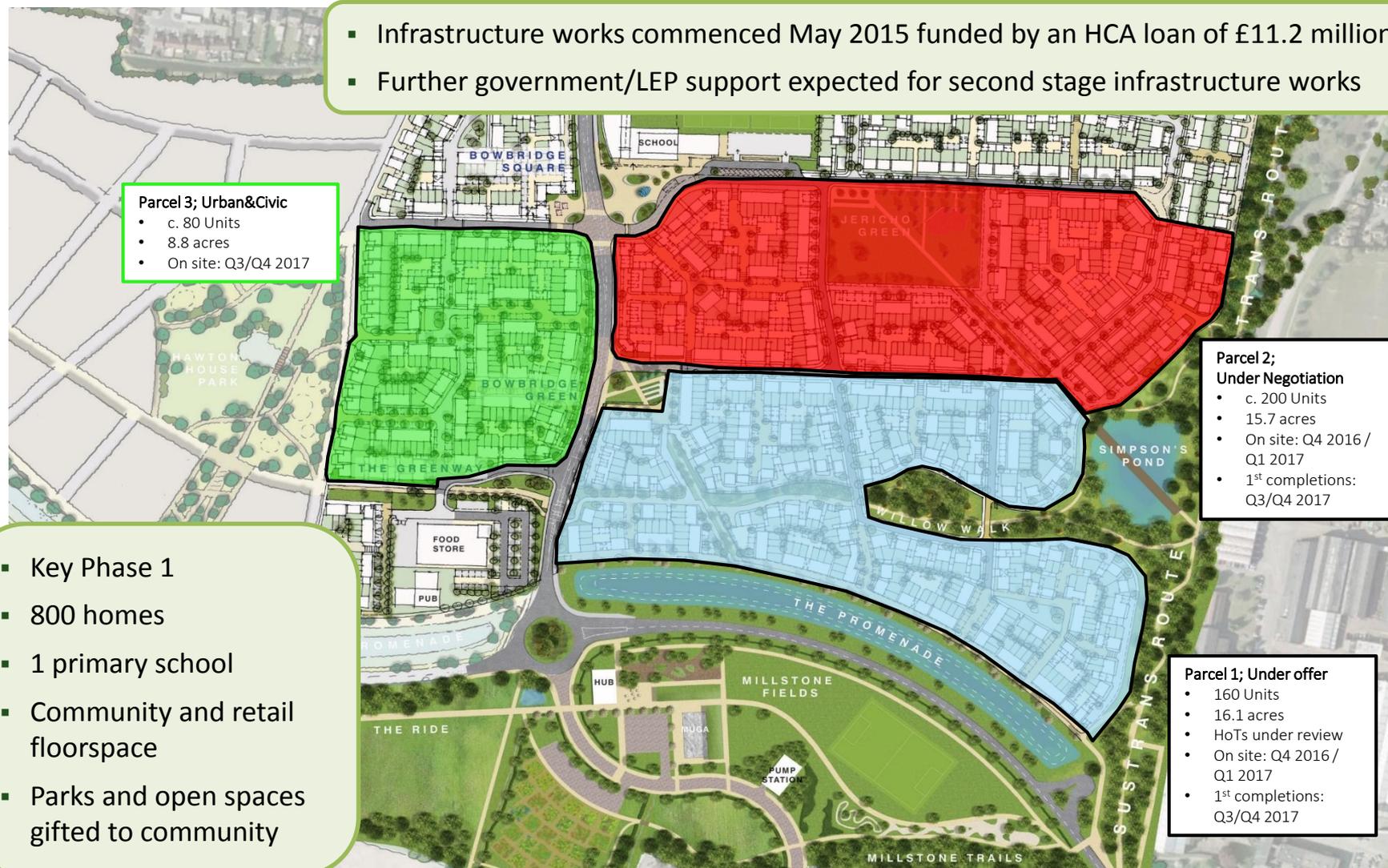
# Newark



- c.82 per cent interest in site
- Approval for up to 3,150 homes and 2m sq ft of storage and distribution
- Current masterplan provides for 2,600 units
- 1 hour and 30 minutes to London, 30 minutes to Nottingham and under 1 mile from the A46 and A1 (M)
- Total area 718 acres; 172.5 residential NDAs; 110 commercial NDAs

# Newark – Site Progress

- Infrastructure works commenced May 2015 funded by an HCA loan of £11.2 million
- Further government/LEP support expected for second stage infrastructure works



# Newark – Delivery



# Strategic Land - Units

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	<b>Exchanged</b>	<b>Under offer</b>	<b>U&amp;C</b>	<b>Total</b>
Alconbury Weald	293	200	111	604
Rugby	430	170	91	691
Newark	-	160	80	240
	<b>723</b>	<b>530</b>	<b>282</b>	<b>1,535</b>

# UK housing market; a question of perspective

- Sharp national differentiation
- Current stamp duty in London is equivalent to discretionary Mansion Tax (2002: over £500,000 4 per cent v 2016: over £1.5 million effective 15 per cent)
- Golden 100 miles from London outer suburbs, particularly central and western; some areas e.g. Cambridge and Oxford strongly out performing
- Alconbury (Huntingdon) and Rugby: Evening Standard Top 10 accessible and affordable places to buy
- Bristol, Leeds, Manchester; strong local economies, heavy international post-graduate representation
- Newark is on the cusp
- Increased barriers to entry work for Urban&Civic and for Catesby
- Waterbeach affordable Cambridge



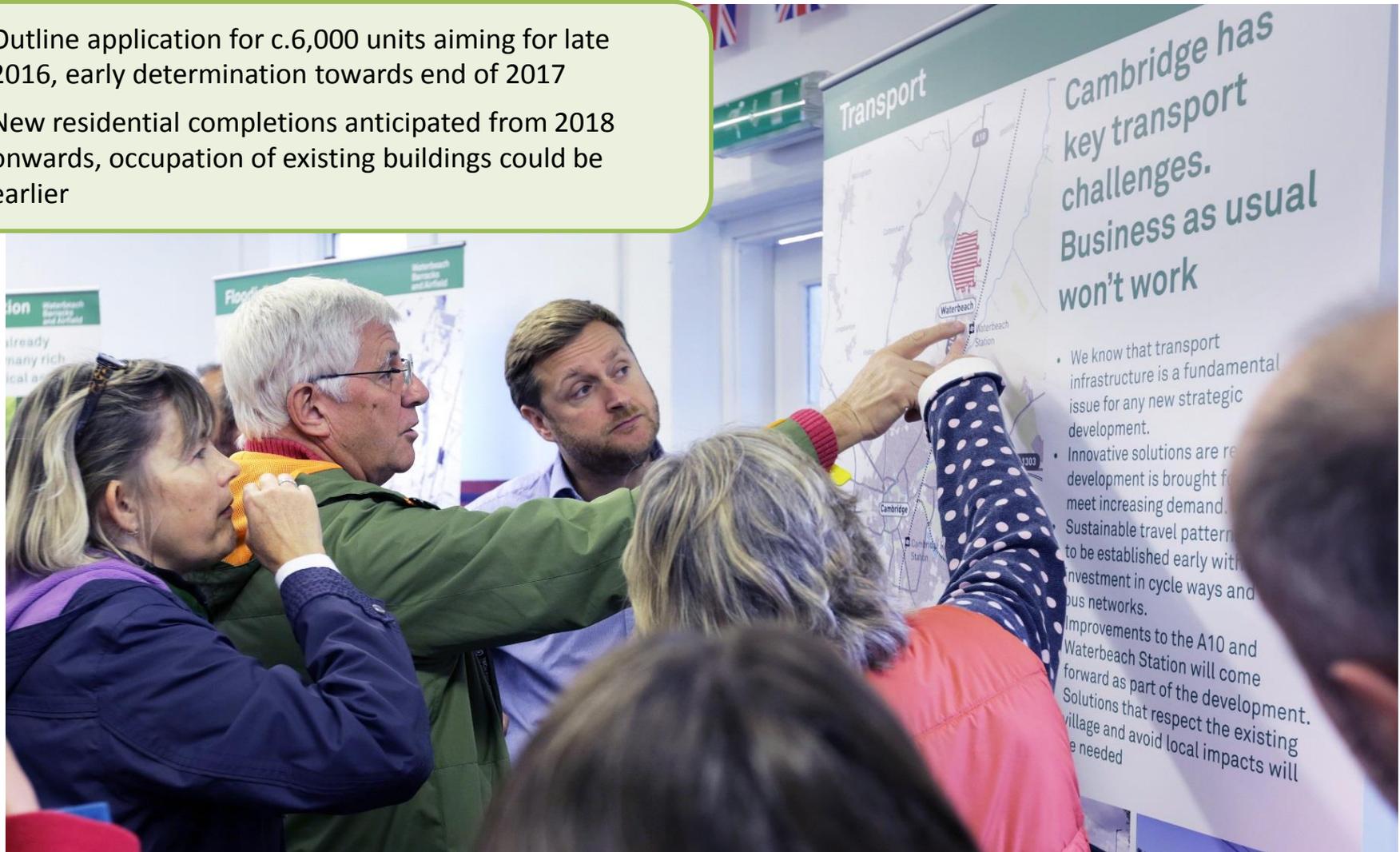
# Waterbeach

- DMA with MOD; U&C to earn percentage retention on realised land uplifts after full cost recovery
- Development Framework Document to test up to 10,000 new units at Waterbeach Barracks and additional land to the north and east
- Examination in public recommences June 2016
- Opportunity to build new 'for sale' residential units and PRS on own account
- Potential to create significant residential rental portfolio
- 5 miles north of Cambridge, 3 miles from Cambridge Science Parks, cycling distance from north Cambridge and existing Waterbeach railway station
- Total area: 716 acres



# Waterbeach - Pre-delivery

- Outline application for c.6,000 units aiming for late 2016, early determination towards end of 2017
- New residential completions anticipated from 2018 onwards, occupation of existing buildings could be earlier



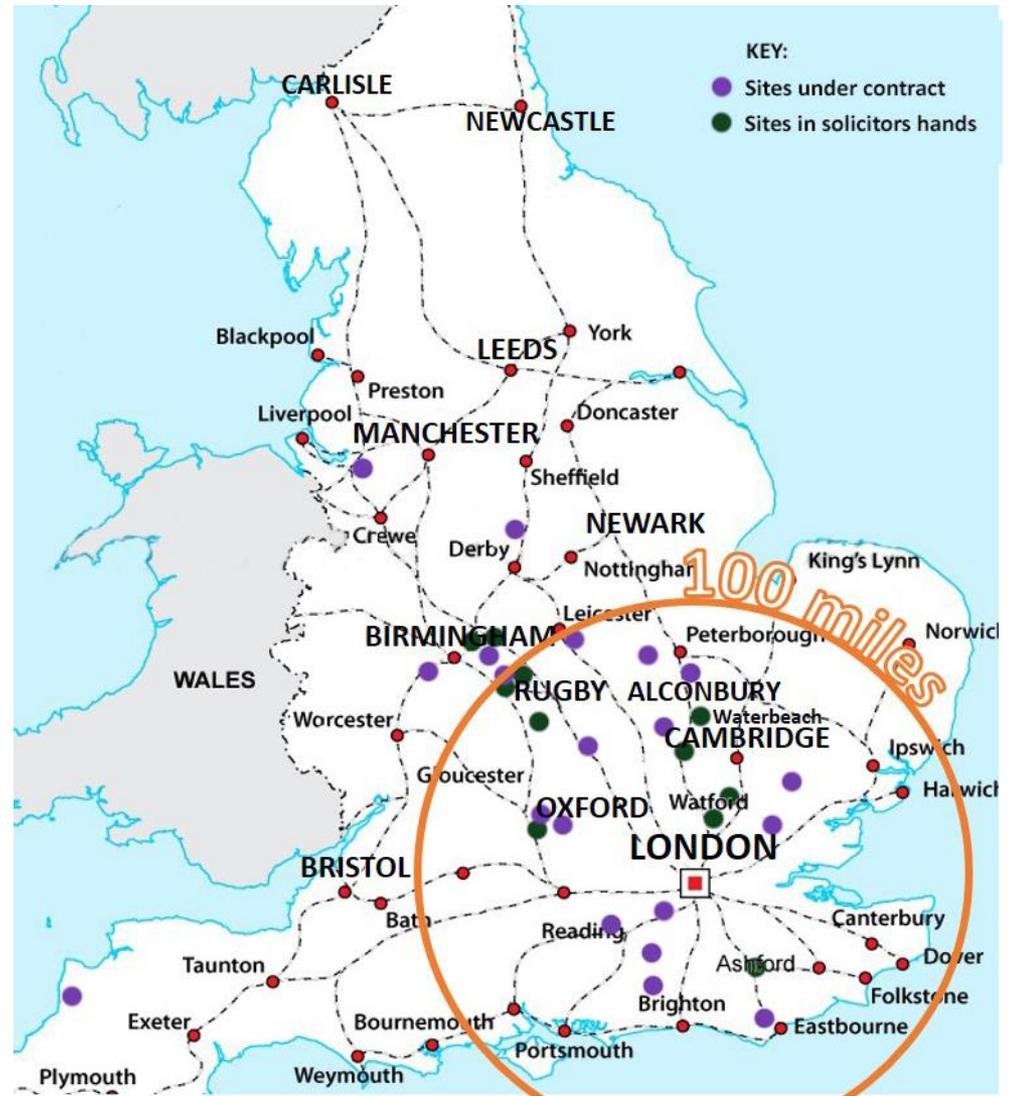
# Catesby - never better

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- Business benefiting from being seen as part of a well capitalised, planning expert business, operating predominately in the western side of the golden circle
- Unequivocal land owner alignment
- Barriers to entry increasing as planning processes become longer and more costly
- Notwithstanding good certainty of outcome: recovered appeals back to Coalition levels
- Cash spent on buying the business in February 2015 has been repaid already
- First half completions recognised by £18.6 million of revenue reflected in income statement: £3.5 million pre tax contribution after £1.6 million of overheads
- Two further consents achieved to date: anticipated revenues £10.6 million and gross profit £1.5 million (£0.5 million EPRA uplift at 31 March 2016)
- Strongest ever pipeline.

# Catesby record pipeline

- Planning led: targeting officer recommendations
- 23 sites under contract
- Further 13 sites in solicitors' hands
- Aggregate current land sale value £400-450 million
- Historic success, no guide to future performance but 90 per cent after appeals in recent years



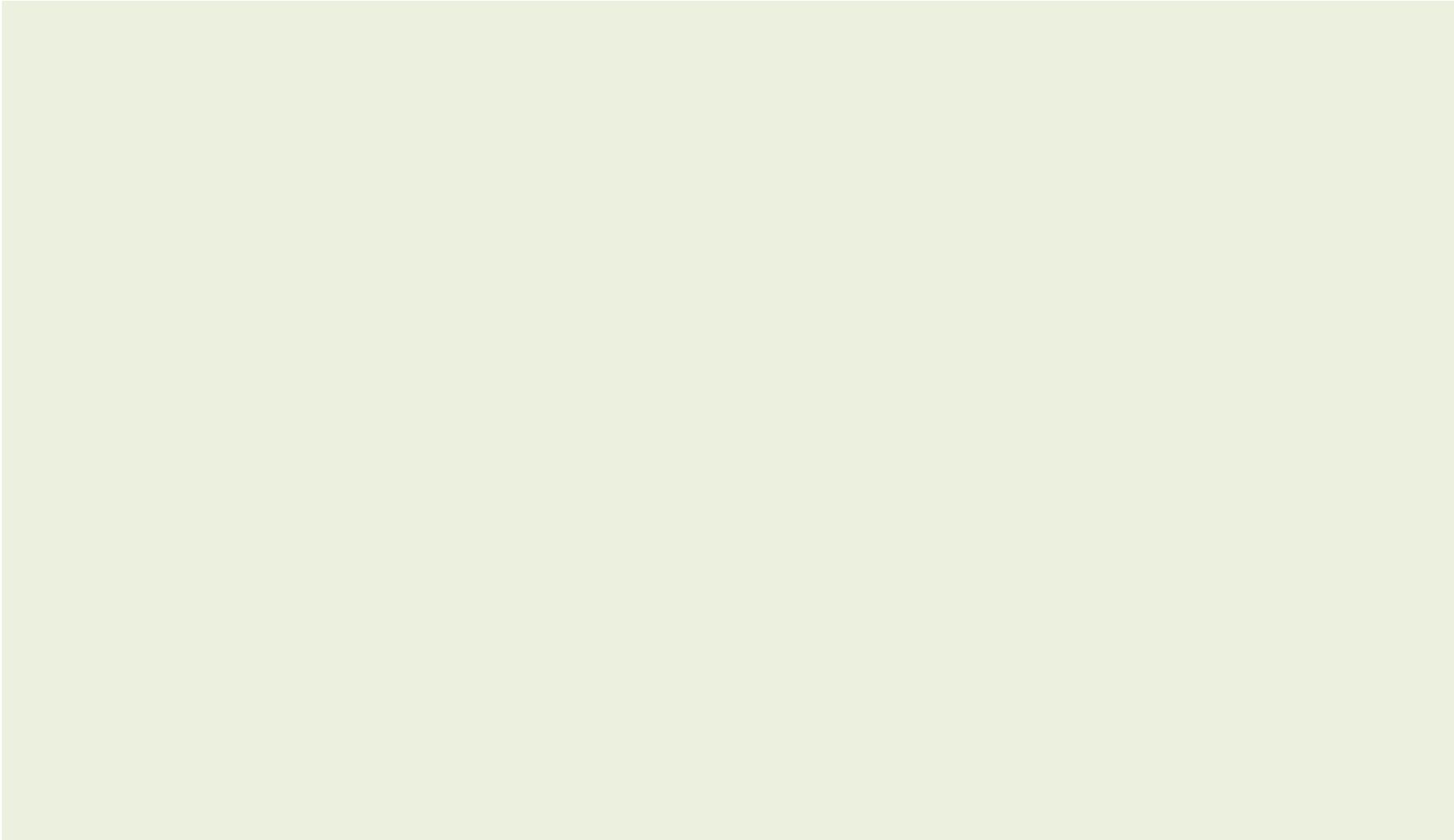
# Conclusion

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- Described last December that next 18 months would be pivotal: mostly positive (some strongly) since
- March EPRA NAV growth may look anaemic but underlying continuing momentum, not Brexit bluster
- Housebuilders reacting enthusiastically to the proposition of fully serviced housing plots in high quality environments developed under licence
- Increased recognition (including from the HCA) that Alconbury, Rugby and Waterbeach will represent three of the most substantial additions to UK national housing stock; £7 billion GDV of aggregated project value underpinning reasonably predictable long-dated income
- Lag in valuation and earnings contribution but now locking in growth for 2017
- Cash being generated for existing pipeline beginning to flow and will become compounded by own account housebuilding on strategic sites
- Increasing recognition through the profit and loss account, should current conditions maintain. As example, expected own build contribution at Alconbury 5 x existing book
- Focus is on continued delivery and new pipeline.

# Appendices

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# Valuation movement recognised in accounts

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	£m	
Investment property	1.6	Alconbury (up £2.9m), Bradford (down £1.0m), Feethams (down £0.3m)
Trading property	(0.1)	Middlesbrough office (included in direct costs)
Fixed asset impairment	(0.3)	Manchester hotel fixed asset (included in direct costs)
JVs and associates	2.5	Rugby
Total	3.7	
EPRA adjustments	(4.4)	
Total valuation adjustments	(0.7)	

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# Property analysis – EPRA adjustments

	31 March 2016	Movement in period	30 Sept 2015
Alconbury	22.1	3.1	19.0
Newark	1.2	(1.2)	2.4
Manchester sites	-	(0.6)	0.6
Herne Bay	3.6	(3.9)	7.5
Bridge Quay, Bristol	6.0	3.0	3.0
Stansted	(1.4)	(1.4)	-
Catebsy sites	1.3	1.3	-
Catesby sites sold	-	(4.7)	4.7
Other	0.9	-	0.9
	<b>33.7</b>	<b>(4.4)</b>	<b>38.1</b>

# Administrative expenses

<b>£m</b>	<b>6 months to 31 March 2016</b>	<b>12 months to 30 Sept 2015</b>
Personnel costs	4.8	10.1
Share-based payment charge	0.9	1.8
Accommodation costs	0.9	1.6
Professional fees	0.9	1.9
Catesby acquisition costs	-	0.9
Other	0.8	1.1
	<b>8.3</b>	<b>17.4</b>
Capitalised to investment properties	0.9	1.6
Capitalised to trading properties	2.7	5.3
Expensed through direct costs	-	0.1
	<b>(3.6)</b>	<b>(7.0)</b>
<b>Net administration expenses</b>	<b>4.7</b>	<b>10.4</b>

# Bank and other borrowings

	Commitment £m	31 March 2016 Drawn £m
At 31 March 2016:		
Newark – six year loan from the HCA re infrastructure spend	11.2	11.2
Bradford - non-recourse five year loan at margin of 2.2%	6.8	6.8
Herne Bay - five year development and investment loan at development margin of 2.5% falling to 1.9% on occupation (or 2.3% when Sainsbury's enter into lease)	19.3	14.4
Stansted – five year development and investment loan at development margin of 2.6% falling to 1.5% when hotel is open	18.0	-
Rugby – ten year £35.5 million loan from the HCA re infrastructure spend	35.5	5.5
Corporate - three year unsecured revolving credit facility	25.0	-
Feethams – five year investment loan at 2.1% margin	14.4	-
Alconbury – ten year loan to fund acceleration of infrastructure spend under negotiation	45.0	-

# Housebuilder land-bank stats

## UK quoted housebuilder comparison

	Date	Period	Plots	Average sales price	Cost per plot as quoted in current land-bank
Barratt	31-Dec-15	Half Year	71,956	£254,200	£52,700
Bovis	31-Dec-15	Full Year	19,814	£231,600	£49,200
Persimmon	31-Dec-15	Full Year	93,649	£199,173	£31,187
Redrow	31-Dec-15	Half Year	21,435	£268,000	£63,000 of plot sold
Taylor Wimpey	31-Dec-15	Full Year	75,710	£230,000	£32,691
<b>Alconbury</b>	<b>31-Mar-16</b>		<b>5,000</b>		<b>£20,900</b>
	<i>30-Sep-15</i>				<i>£18,500</i>
<b>Rugby</b>	<b>31-Mar-16</b>		<b>6,200</b>		<b>£13,300</b>
	<i>30-Sep-15</i>				<i>£12,900</i>
<b>Newark</b>	<b>31-Mar-16</b>		<b>2,600</b>		<b>£8,000</b>
	<i>30-Sep-15</i>				<i>£8,800</i>

# Housebuilder NAV vs Market Cap Analysis

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<b>Housebuilder</b>	<b>Announcement Date</b>	<b>NAV (£ bn)</b>	<b>Market Cap (£ bn)</b>	<b>Market Cap vs NAV Ratio</b>
Barratt	30-Jun-2015	£3.71	£5.82	1.57
Bovis	31-Dec-2015	£0.96	£1.33	1.39
Bellway	31-Jan-2016	£1.69	£3.28	1.94
Redrow	30-Jun-2015	£0.85	£1.51	1.78
Persimmon	31-Dec-2015	£2.46	£6.43	2.61
Taylor Wimpey	31-Dec-2015	£2.72	£6.71	2.47
Urban&Civic plc	31-Mar-2016	£0.39	£0.38	0.97

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