

LondonMetric Property Investor Presentation

September 2018



Agenda

- △ Overview & Strategy
- △ Property
- △ Finance & Outlook
- △ Appendices



Overview

Our sector calls and income focus are delivering income growth and strong portfolio performance

- Technology and social change are driving our sector calls
 - Distribution up to 71%¹
 - Retail parks down to 7%¹
- Focus on sustainable and growing income
 - WAULT of over 12 years, 50% of income with contractual uplifts
 - LFL Income +4.3%, ERV +3.1%²
- Disciplined approach delivering strong portfolio performance
 - Total Property Return +13.7%², 360 bps outperformance
- Financing activities enhancing income
 - FY18 Dividend growth +5%, 108% covered
 - Finance costs reduced to 2.8%²

Gross Asset Value

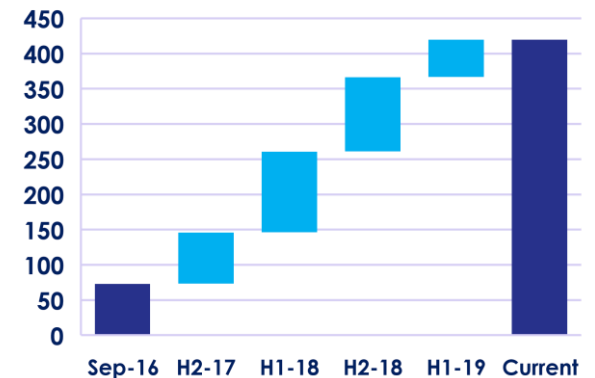
£1.8 billion

Market Capitalisation

£1.3 billion

Urban logistics growth

+£350 million over 2 years



1. As at September 2018, including developments and based on March 2018 valuations
2. As at / year to 31 March 2018



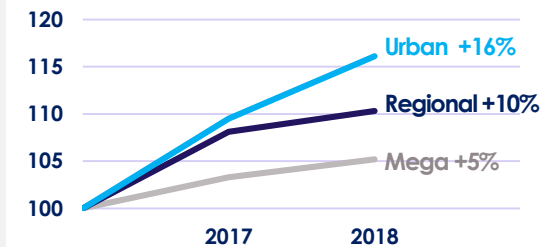
Investment Strategy

Income compounding strategies are likely to outperform hyper active development ones

Distribution

- ▶ Distribution real estate reflects modern shopping habits
- ▶ Strong occupier and investment demand
- ▶ Urban and regional logistics rents trending ahead of inflation

LondonMetric ERV growth (2yrs)



Long income

- ▶ Global search for yield - repetitive & reliable income highly valued
- ▶ Demographics intensifying search for income
- ▶ Compounding income strategies will outperform

Income as % of total returns¹

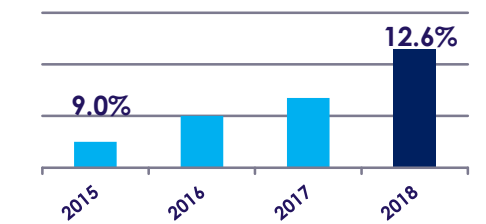
104%

Average for UK property
(next 5 years)

Convenience

- ▶ Convenience retail continues to take market share
- ▶ Real return driven by high exposure to indexation
- ▶ Delivering fit for purpose, modern long let real estate

LIDL & Aldi market share² + 40%

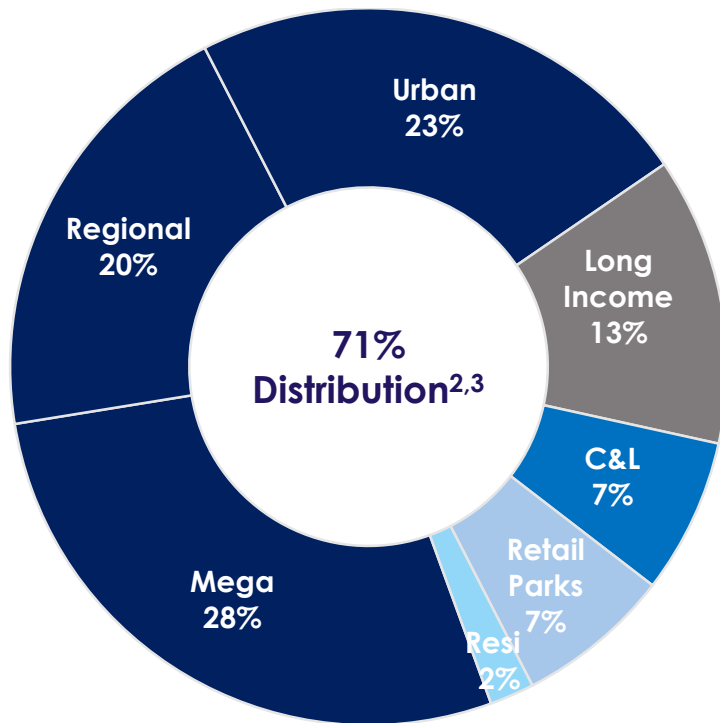


1. Capital Economics
2. Kantar



Portfolio

Aligned to structurally supported sectors



(As at 31 Mar 2018)	NIY ¹	Rent ²	WAULT	TPR (1yr)
Distribution	4.6%	£61.5m	12.1 yrs	+12.8%
Long Income	5.9%	£14.4m	11.0 yrs	+15.9%
Convenience & Leisure (C&L)	4.9%	£9.7m	17.2 yrs	+15.4%
Retail Parks	5.6%	£8.4m	11.1 yrs	+10.5%
Residential	n/a	£0.4m	n/a	-4.4%
	4.9%	£94.4m	12.4yrs	+13.7%

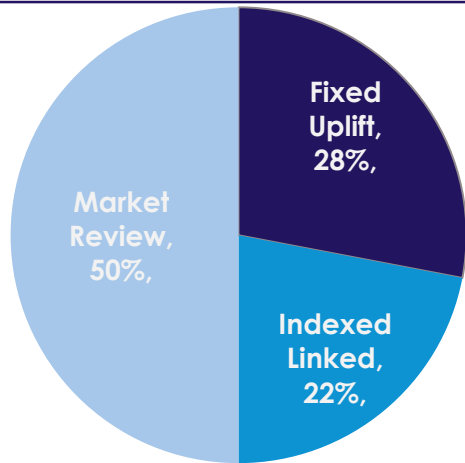
1. Topped up NIY on investment portfolio
 2. Including developments
 3. As at September 2018, based on March 2018 valuations



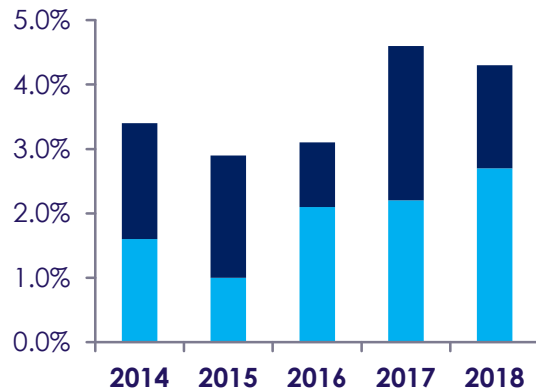
Rental Income Profile

Delivering long term repetitive & dependable income

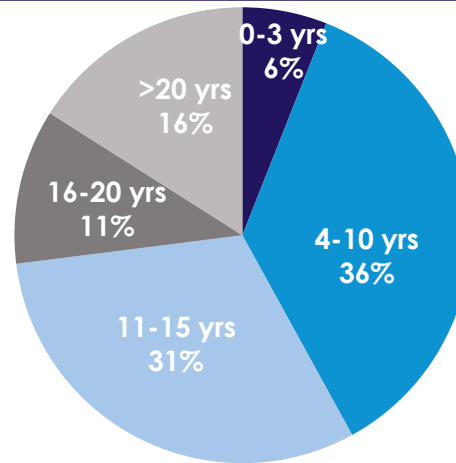
Contractual Rent Reviews^{1,2}
(on 50.3% of income)



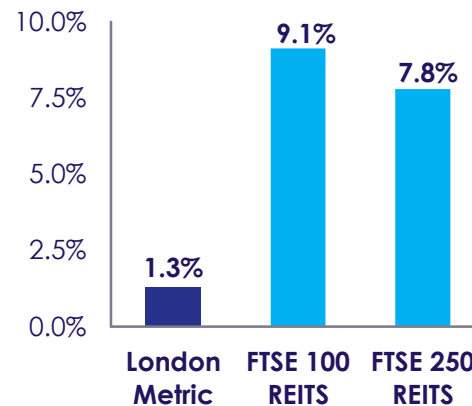
LFL Income Growth (%)
(H1 : H2 split)



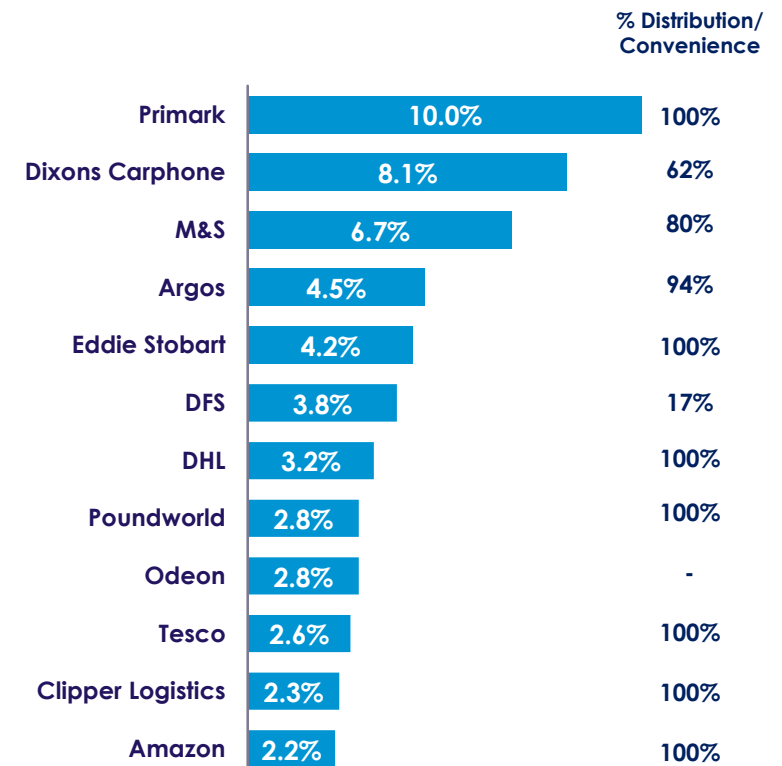
Unexpired Lease Terms¹
(Av. 12.4 years)



Income leakage v sector³
(% of gross income)



Key occupiers⁴
(>2% of contracted income)



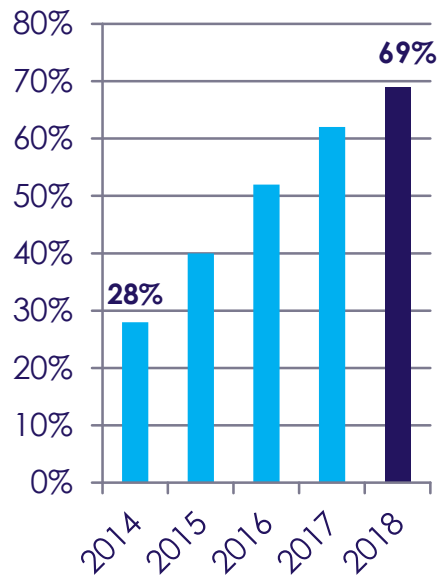
1. As at 31 March 2018
 2. Market review includes lease renewals <5 years
 3. Source: Peel Hunt. Simple average. Excludes operators
 4. As at August 2018



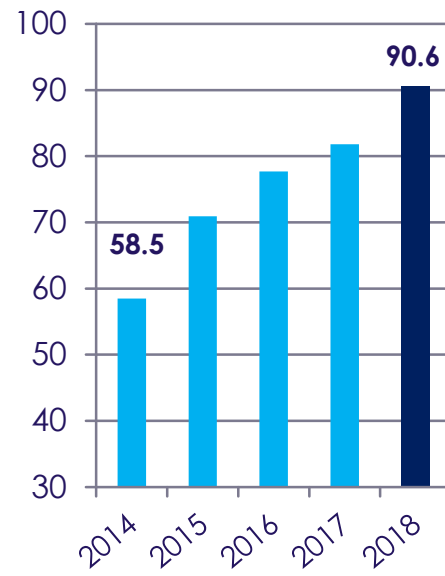
Delivering Long Term Shareholder Returns

Our key focus is to drive earnings and distribute

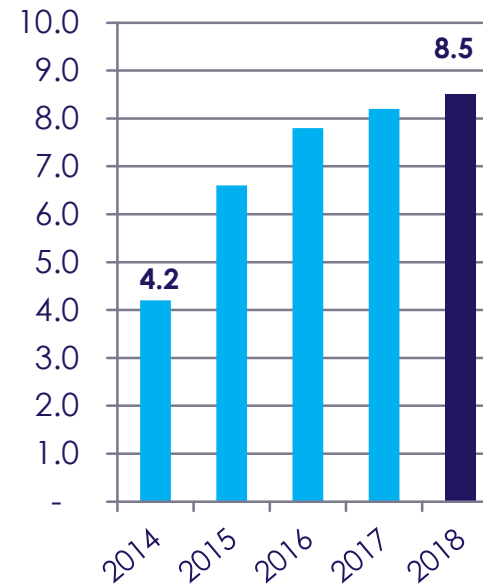
Distribution Exposure (%)



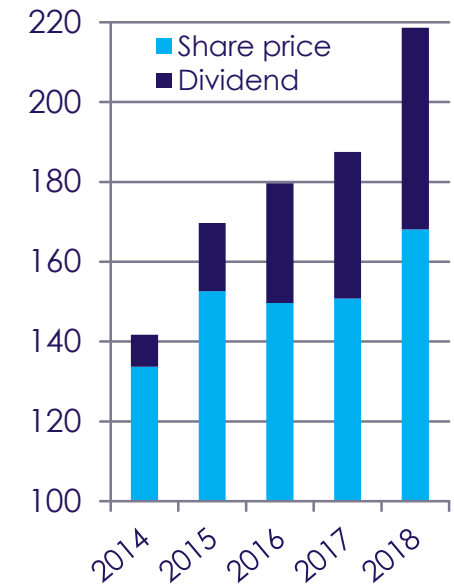
Net Rental Income (£m)



Earnings Growth (pps)



Total Shareholder Return¹ (rebased to 100)



1. Source: Bloomberg as at 31 March 2018 (share price of 178p)

PROPERTY



Distribution Portfolio

Providing end to end logistics

Mega¹



Regional¹



Urban¹



- 7 assets, 4.7m sq ft
- £25m rent (£5.30 psf)
- NIY² 4.7%
- WAULT 13 years
- Occupancy 100%

- 15 assets, 3.6m sq ft
- £18m rent (£6.00 psf)
- NIY² 4.5%
- WAULT 14 years
- Occupancy 93%

- 55 assets, 3.4m sq ft
- £22m rent (£6.50 psf)
- NIY² 4.7%
- WAULT 10 years
- Occupancy 94%

- **ERV growth +1.9%**
- **Contractual uplifts 74%**
- **5 rent reviews³, 7% ahead of passing**

- **ERV growth +2.2%**
- **Contractual uplifts 59%**
- **5 rent reviews³, 11% ahead of passing**

- **ERV growth +6.6%**
- **Contractual uplifts 34%**
- **6 rent reviews³, 23% ahead of passing**



1. As at August 2018. Rent, NIY & WAULT on investment portfolio
 2. Topped up NIY
 3. 5 yearly uplift (settled over last 18 months)



Distribution Activity

Recent Activity Increases Urban Logistics Portfolio to c£420 million

Acquisitions



13 warehouses acquired YTD, £93m

- 4.6% NIY, rising to 5.4% in 5 years
- 11.0 years WAULT
- South / Midlands located
- 60% of income with contractual uplifts

Including

- £49m, 9 warehouse portfolio
- £14m, Chep
- £12m, Royal Mail
- £10m, Cambridge Commodities

Disposals



Portfolio of 6 warehouses sold YTD, £36m

- 5.9% NIY
- 5.7 years WAULT
- Old assets, North / Midlands located
- Generated ungeared IRR of 15%

Following 3 regional disposals in FY 18

- £88m
- 5.8 years WAULT
- 5.3% NIY
- Located Daventry, Bolton & Doncaster

Developments



5 developments completed, £86m

- 6.1% yield on cost
- 748,000 sq ft¹
- Occupiers include Michelin, Boeing, BAE, Eddie Stobart

Including

- 277,000 sq ft, Stoke
- 109,000 sq ft, Crawley
- 62,000 sq ft, Frimley
- 180,000 sq ft, Dagenham

1. Developments completed in FY 2018 and PPE



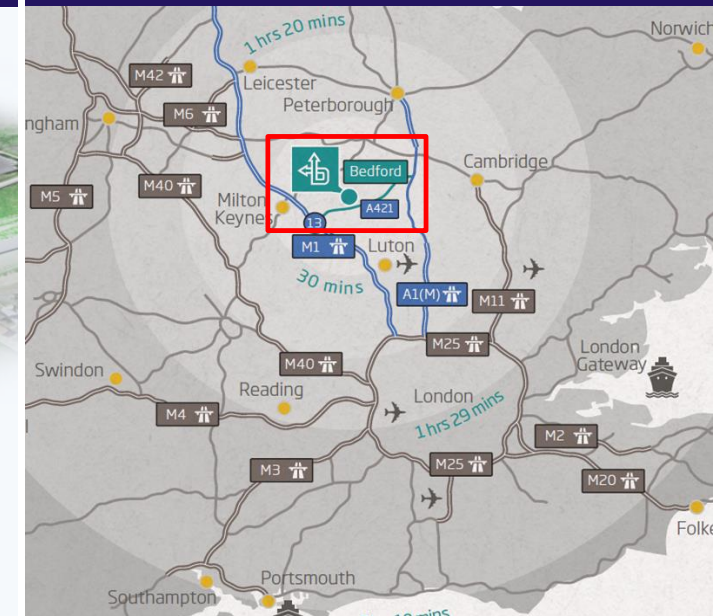
Bedford Development

Recycling disposal proceeds at attractive yields

Bedford – 680,000 sq ft



Attractive location



Yield on cost¹

7.0%

Total cost²

£66 million

Phase 1

- 180,000 sq ft (3 units)
- 6.4% yield on cost
- Strong occupier interest
- PC in summer 2019

Phase 2

- 500,000 sq ft (2 units)
- 7.3% yield on cost
- Detailed terms on 350,000 sf
- PC in 2019



1. Based on anticipated rents
 2. Includes allowance for tenant incentives and void period



Retail Portfolio¹

Portfolio biased to management light and long income

Long Income



- 28 assets, 1.2m sq ft
- £13.9m rent (av £19.70 psf)
- NIY² 5.9%
- WAULT 11.0 years
- Occupancy 100%

- **5 rent reviews, 13%³ ahead**

Convenience & Leisure



- 18 assets, 0.6m sq ft
- £9.4m rent (av £16.70 psf)
- NIY² 4.9%
- WAULT 17.2 years
- Occupancy 100%

- **12 rent reviews, 18%³ ahead**

Retail Parks



- 5 assets, 0.4m sq ft
- £8.4m rent (av £18.90 psf)
- NIY² 5.6%
- WAULT 11.1 years
- Occupancy 100%

- **7 lettings, 20%⁴ ahead**

1. As at 31 March 2018 including developments. Rent psf, NIY & WAULT for Investment portfolio

2. Topped up NIY

3. 5 yearly uplift, ahead of previous passing

4. Compared to management expectations

FINANCE & OUTLOOK



Financial Highlights

Full Year to 31 March 2018

	Mar 2018	Mar 2017	Change
EPRA Earnings	£59m	£51m	+16%
EPRA Earnings (pps)	8.5p	8.2p	+4%
Dividend (pps)	7.9p	7.5p	+5%
Reported Profit	£186m	£63m	+£123m
EPRA NAV (pps)	165p <i>after 3p of swap break costs</i>	150p	+10%

EPRA cost ratio

15%

FY17:16%

Dividend cover

108%

FY17:109%

Revaluation surplus

+£122m

Yield compression 28 bps¹

Total Accounting Return

+16%

FY17: +6%

1. Equivalent yield movement on portfolio (LFL)



Financing

Debt Metrics ¹	31 March 2018	31 March 2017
Gross Debt	£708.9m	£527.7m
Average cost of finance	2.8%	3.5%
Marginal cost of debt	1.8%	1.5%
Average maturity	4.8 years	5.2 years
Hedging ²	73%	87%
	80% on drawn debt	
Loan to Value ³	35%	30%

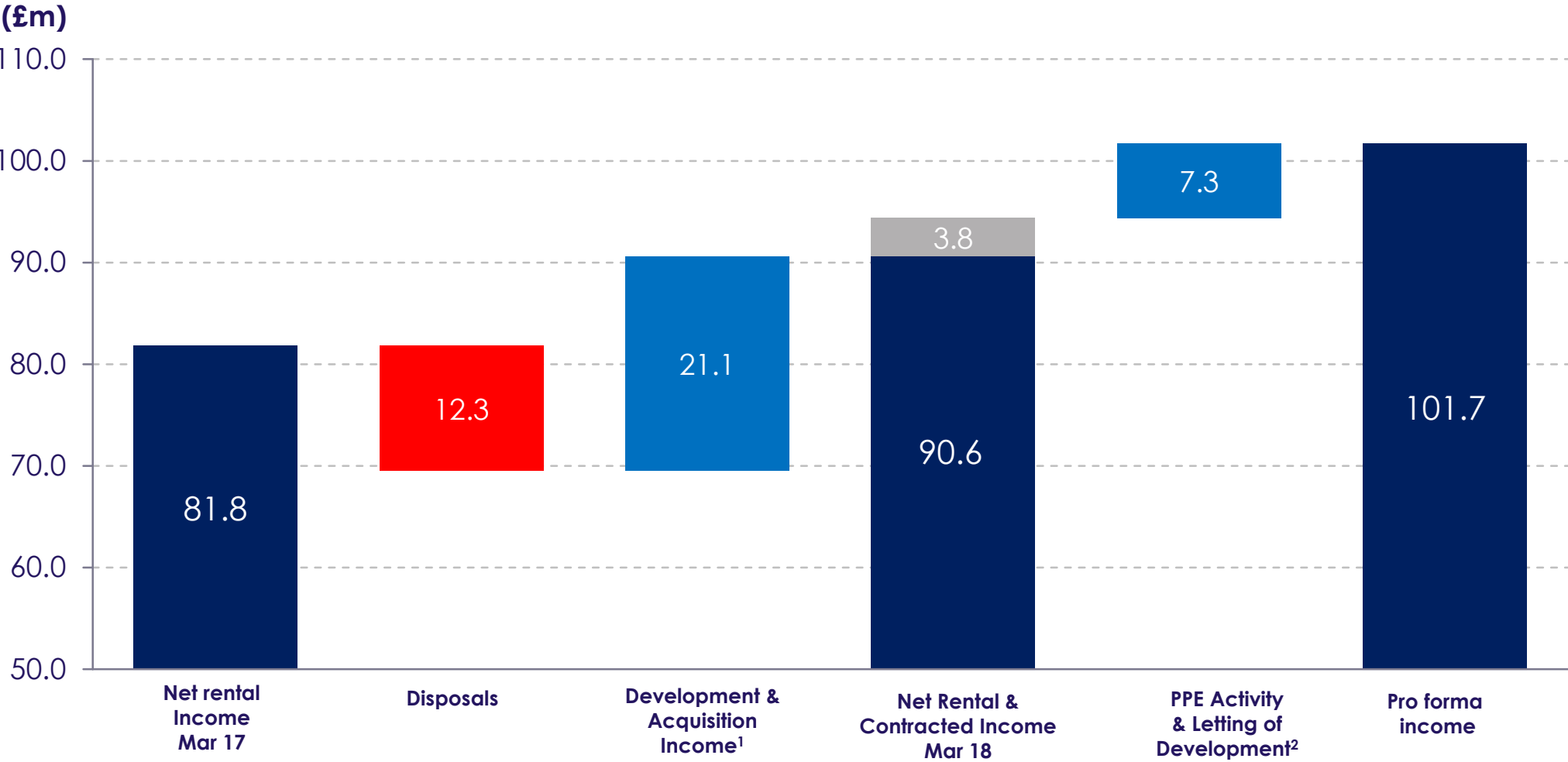
1. Proportionally consolidated basis

2. Based on total debt facilities as at 31 March 2018

3. LTV includes consideration of £47.5m on disposals with delayed completion at year end



Income Progression



1. Includes I-f-I income uplift and reduction in property costs
2. Includes a) income from reported investment activity post year end, b) asset management activity as reported in FY18 results and c) expected income from developments not contracted



Occupier market outlook

We are no longer a nation of shopkeepers

- Consumer shopping habits continue to change
 - All retailers continue to invest in logistics platforms
 - Regional and urban logistics demand is very strong as consumers demand faster delivery
 - Reverse logistics continues to support demand even in some weaker geographies
- Highly challenging for traditional retail
 - Permanent and profound structural changes in the retail market
 - Retailers must adapt to survive or they will fail – further CVAs are inevitable
 - Rents will continue to “mark to market”
 - There is a clear and present danger to capital values across many retail sub-sectors



Investment market outlook

The most powerful force in the universe is compound interest

- Structurally supported sectors in demand
 - Polarisation of performances across the sectors
 - Rise of the alternatives
 - Tectonic plates in retail are shifting
- Income taking centre stage
 - Income compounding is likely to outperform hyperactive strategies
 - Low growth environment creating a desperate search for income
 - Demographic surge will prolong this trend
- Liquidity polarising
 - Strong demand for low “energy” assets
 - Focus on smaller, non operational assets
 - Liquidity scarce for large, operational assets



Outlook

Pivot to the right side of structural change

Digital disruption

- Structural calls will continue to define the winners and losers
- Those that cling onto the more traditional forms of business will be disrupted

Demographics

- Demographic surge accentuating need for repetitive & dependable income
- Income will be the defining characteristic of the next decade's investing environment

Distribution

- Pivot to distribution and convenience retail puts us on the right side of structural changes
- Our sector focus reflects modern day shopping behaviour

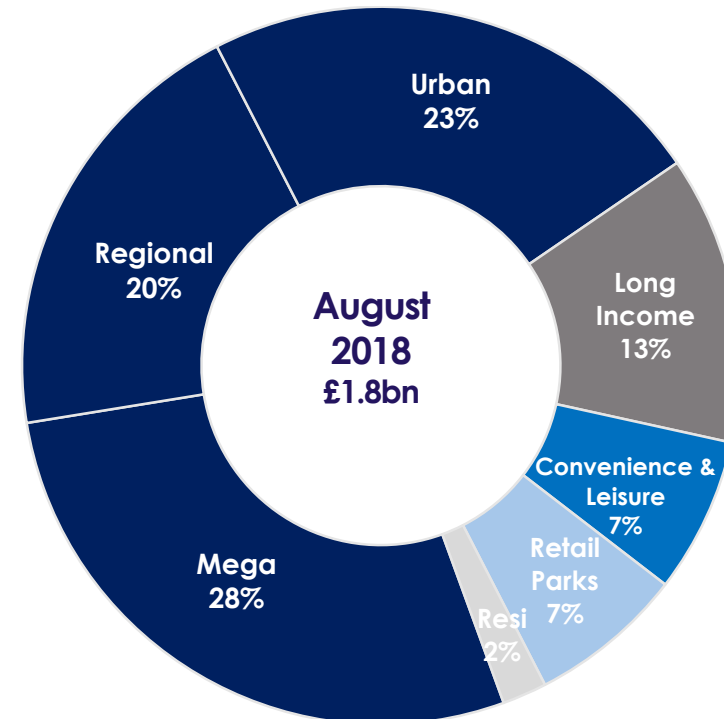
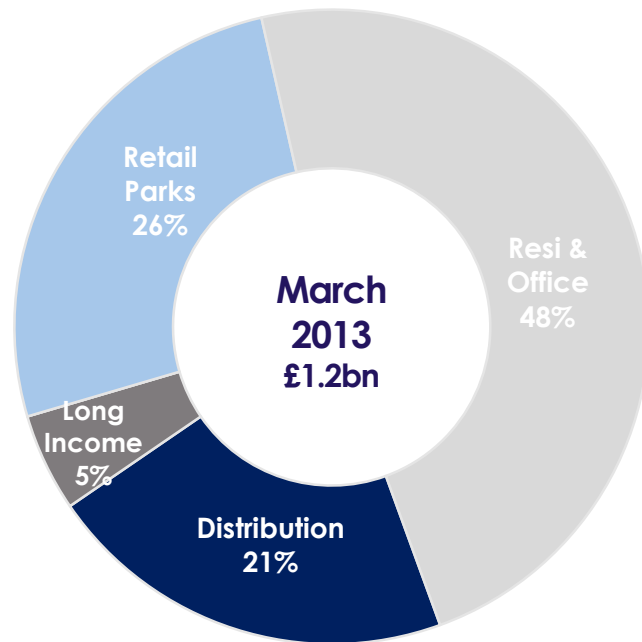
Dividend

- Our sustainable and growing earnings are delivering dividend progression that is well covered
- We continue to believe that income compounding strategies will outperform

APPENDICES



Portfolio change over 5 years





Portfolio Metrics

As at 31-Mar-18	Area (m sq ft)	Valuation (Share) (£m)	Revaluation Surplus/(Deficit) (£m) (%)		Occupancy (%)	NIY¹ (%)	WAULT (years) Expiry Break		Contracted Rent (£m)	Fixed uplifts (%)	Average Rent (£ psf)
Mega distribution	4.7	500.8	19.1	4.0	100.0	4.7	13.2	13.0	24.9	74.3	5.3
Regional distribution	3.6	379.0	20.7	5.8	93.3	4.5	14.2	13.0	18.3	59.3	5.6
Urban logistics	3.0	353.3	34.6	10.9	94.3	4.7	8.5	6.9	17.9	28.4	6.1
Total Distribution	11.3	1,233.1	74.4	6.4	96.2	4.6	12.1	11.2	61.1	56.2	5.6
Retail Parks	0.4	139.8	5.4	4.0	100.0	5.6	11.1	9.3	8.4	12.5	18.9
Long Income Retail ³	1.2	220.8	20.9	10.4	100.0	5.9	11.0	9.3	13.9	32.2	19.7
Convenience	0.4	115.0	1.7	1.5	100.0	4.9	15.6	15.3	6.1	58.7	16.4
Leisure	0.2	59.7	12.0	25.1	100.0	4.9	20.0	20.0	3.3	100.0	17.4
Total Retail and Leisure	2.2	535.3	40.0	8.1	100.0	5.5	12.9	11.6	31.7	39.1	18.5
Total Investment	13.5	1,768.4	114.4	6.9	97.5	4.9	12.4	11.3	92.8	50.3	7.4
Residential	–	30.1	(1.8)	(5.8)					0.4		
Development ²	0.1	43.5	9.0	26.1					1.2		
Total Portfolio	13.6	1,842.0	121.6	7.1					94.4		

1. Topped up NIY
2. Developments consist of Bedford, Frimley, Ringwood, Ipswich & Weymouth.
3. Long Income comprises long let retail with low operational requirements, primarily DFS and MIPP JVs



Developments

Stoke



- 277,000 sq ft – completed in FY 18
- 137,000 sq ft let to Michelin (15 yrs)

Crawley



- 109,000 sq ft – completed in FY 18
- 32,000 sq ft let to Boeing (15 yrs)

Frimley



- 62,000 sq ft – completed FY 19
- Let to BAE & a parcel operator (15,10 yrs)

In construction during FY 18/19	Sq ft 000	PC ²	Rent uplift £m	YOC (%)	Total cost £m	Cost to Mar 18	Cost FY 19	Cost FY 20	Comment
Dagenham ¹	180	Q2 18	0.9	5.7%	17	14	3		Let to Eddie Stobart
Ipswich ¹	31	Q2 18	0.7	6.9%	9	6	3		Let let to Wickes, Topps Tiles & Evans Cycles
Frimley ^{1,3}	62	Q2 18	0.7	5.3%	13	5	8		Let to BAE and a parcel operator
Bedford ^{3,4}	680	2019	4.6	7.0%	66	15	26	25	In discussions
Ringwood	35	Q4 18	0.2	5.0%	4	1	3		Let to Premier Inn
Weymouth ³	27	2019	0.6	6.3%	9	4	5		Land acquired. 19k sq ft pre-let to Aldi
Derby ³	16	2019	0.4	6.7%	6	0	6		Pre-let. Site to be acquired on planning
	1,031		8.1	6.5%	124	45	54	25	

1. Completed
2. Based on calendar quarters and years
3. Anticipated yield on cost and rents
4. Spend profile subject to change



Acquisitions

FY 2018	Sector	Value	Yield		WAULT	
		(LM share)	NIY	Reversion ²	Expiry	1B
		£m				
Coventry	Distribution	5.7	7.0%	7.3%	10	5
Huyton	Distribution	11.8	6.1%	6.7%	15	15
Crawley	Distribution	6.4	4.8%	6.2%	6	1
Newport and Kendal	Convenience	24.6	5.5%	5.9%	10	10
Warrington	Distribution	4.4	5.6%	6.3%	10	10
Frimley ¹	Distribution	13.1	5.3%	5.3%	15	15
New Malden	Long Income	28.3	6.1%	6.6%	14	10
Uplift in DFS JV	Retail & Distribution	15.0	8.1%	8.1%	12	12
Cabot portfolio	Distribution	116.6	6.1%	6.6%	6	4
Speke	Distribution	10.2	c6%	c7%	15	15
Ringwood	Leisure	4.3	5.0%	5.4%	25	20
Ollerton	Distribution	37.4	4.6%	5.5%	20	20
Bedford ¹	Distribution	65.5	7.0%	7.0%	-	-
Crawley	Distribution	6.9	4.1%	6.1%	3	3
5 separate assets ³	Distribution	25.6	5.0%	5.6%	16	12
Weymouth ¹	Convenience	9.1	6.3%	6.3%	-	-
FY18		384.9	6.0%	6.4%	11	9

1. Anticipated Yields

2. Reversionary yield based on current ERV or, in case of contractual uplifts, running yield in 5 years based on inflation expectations

3. Located in Weybridge, Leyton, Haverhill, Cheltenham and Peterborough



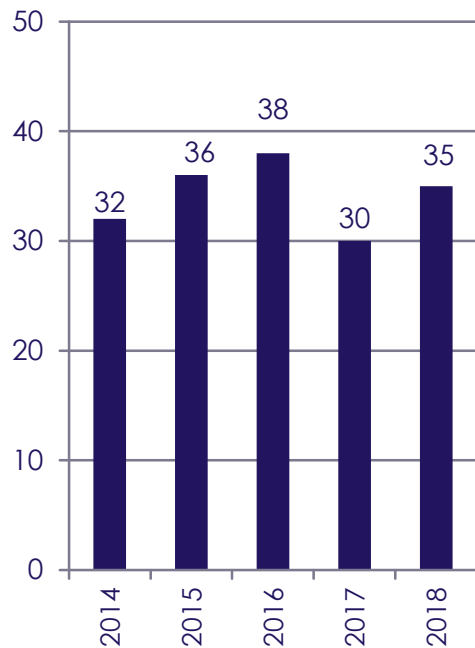
Disposals

FY 2018	Sector	Value (LM share)	Yield	WAULT (years)	
		£m	%	Expiry	1B
Loughborough	Retail	32.5	4.3%	25	25
Birkenhead	Leisure	5.8	7.2%	12	12
Newcastle	Retail	2.8	8.0%	9	9
Marlow	Office	68.5	6.7%	7	7
Swansea	Retail (DFS)	1.8	8.8%	13	13
Milford Haven	Retail	15.3	6.9%	9	9
Daventry	Distribution	48.8	5.0%	6	6
Moore House	Residential	8.7	2.4%	-	-
Derby	Leisure (Odeon)	12.6	4.7%	21	21
Swindon	Retail (DFS)	3.5	6.9%	12	12
Guisborough	Retail	6.0	5.0%	12	12
Bolton	Distribution	24.4	5.4%	4	4
Hull	Retail (MIPP)	5.8	6.0%	11	11
South Elmsall	Distribution	15.0	6.2%	8	3
Commercial only		242.9			
Total incl. Residential		251.6	5.7%	9	9

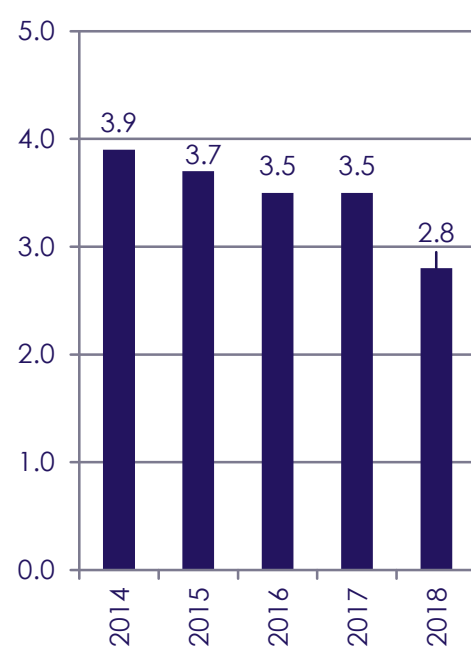


Financial Management

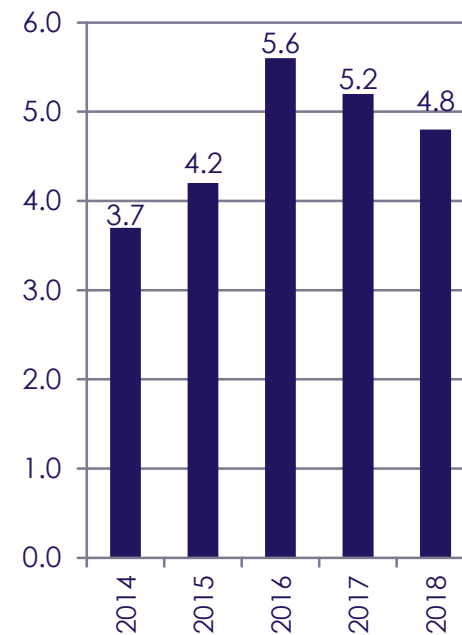
Loan to Value Ratio (%)



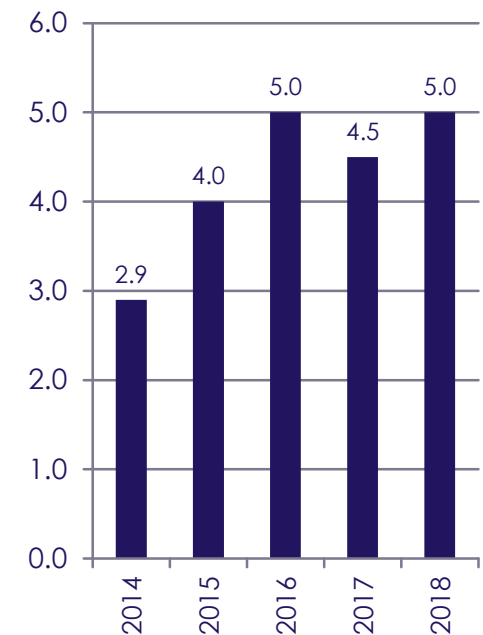
Cost of Debt (%)



Debt Maturity (years)



Interest Cover Ratio (x)





Debt Facilities

	Sector	Lender	Facility (£m)	Drawn (£m)	Maturity (years)	Expiry
As at 31 March 2018						
Wholly-owned portfolio						
Distribution term loan	Distribution	Helaba	130.0	130.0	6.3	24-Jul-24
Unsecured RCF	All	Syndicate	337.5	296.6	4.0	01-Apr-22
Unsecured RCF	All	Syndicate	106.3	93.4	3.0	01-Apr-21
Private Placement	All	Syndicate	65.0	65.0	5.5	21-Sept-23
Private Placement	All	Syndicate	40.0	40.0	6.5	21-Sept-24
Private Placement	All	Syndicate	25.0	25.0	10.5	21-Sept-28
Total wholly-owned			703.8	650.0	4.9	
JV portfolio (LondonMetric at share)						
MIPP JV (50%)	Long income	Deutsche Pfandbriefbank	50.0	38.0	5.1	21-Apr-23
DFS JV (45.0%)	Long income	M&G	21.0	21.0	1.3	23-Jul-19
Total JV portfolio			71.0	59.0	3.7	
Total Group and JV			774.8	709.0	4.8	