

# CLS Holdings plc

## H1 2020 Results



# Contents



## Overview

Fredrik  
Widlund  
CEO  
**02**

Simon  
Wigzell  
Head of  
Group  
Property  
**15**



## Property

**25**



## Appendices



## Financials

Andrew  
Kirkman  
CFO  
**07**



## Markets & Summary

Fredrik  
Widlund  
CEO  
**22**

# Overview

Fredrik Widlund CEO



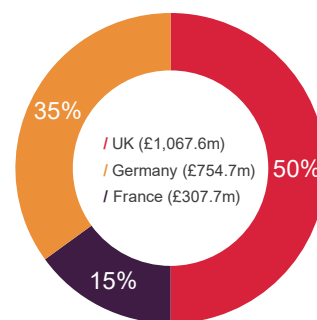
*TWENTY, Staines, UK*

## Overview

# Resilient performance

- CLS performed well against a challenging economic and market backdrop
- All of our properties remained open, with necessary modifications to be compliant and safe
- EPRA NAV up 3.2% to 339.6p (31 Dec 2019: 329.2p), EPRA NTA up 3.1% to 336.4p (31 Dec 2019: 326.3p)
- Net rental income increased by 5.0% to £56.5m (30 June 2019: £53.8m) and 99% of H1 rent has been collected
- Valuations down 0.1% in local currency, 3.3% up in reported currency due to weakening sterling
- Vacancy up to 5.2% (31 Dec 2019: 4.0%) due to acquired vacancy, refurbishments and reduced letting activity during lockdown
- EPRA EPS up 16.7% to 7.0p (30 June 2019: 6.0p). Dividend maintained

Total portfolio

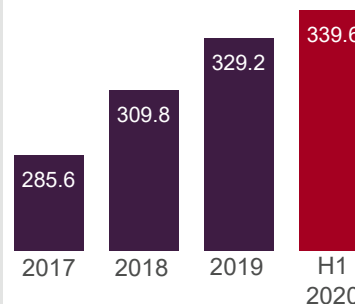


Up 3.3% in reported  
currency

**£2.1bn**

(31 Dec 2019: £2.0bn)

EPRA NAV (p)



Up 3.2%  
**339.6p**

(31 Dec 2019: 329.2p)

## Overview

# Strong rent collection, robust tenant base

High rent collections underpinned by:

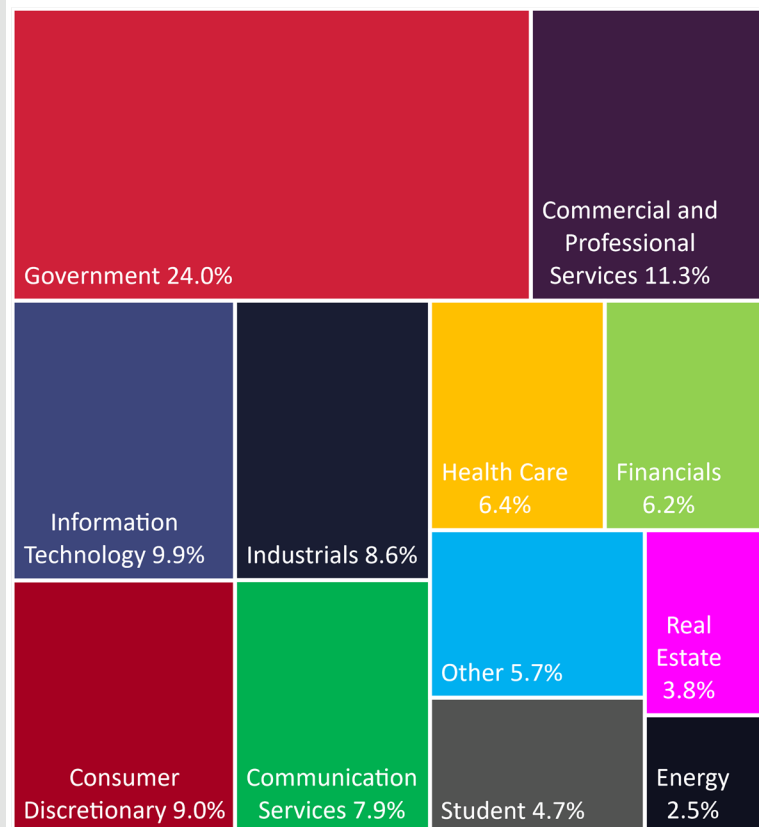
- Government and major corporation tenants (49% of contracted rent)
- Only 3% exposure to retail, leisure and travel
- Credit quality of tenant base
- Well defined internal controls and ongoing dialogue with tenants

## Rent Collection Statistics

Business segment	First-half 2020	Third quarter 2020
UK	99%	93%
Germany	99%	99%
France	98%	93%
Group	99%	95%

Note: Basis of preparation – Contractual Rent Due (Q3 2020 is 97% including agreed quarterly to monthly changes)

## Tenant Industries\* (% contracted rent)



\* Based on Global Industry Classification - MSCI

## Overview

# Valuations benefiting from diversity

## UK

- Valuation down 2.0%
- ERVs down 0.2% and increased vacancy
- Yields down by 9 bps to 5.3% NIY

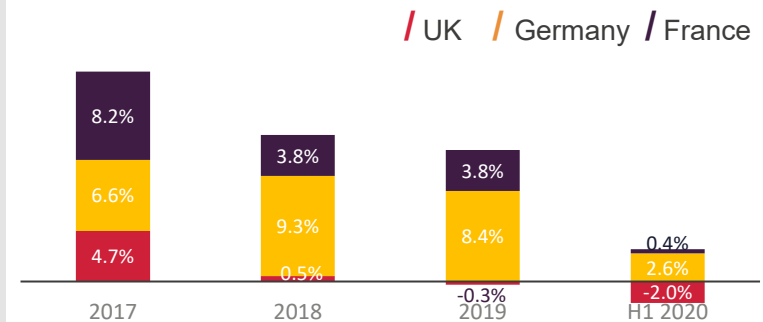
## Germany

- Valuation uplift of 2.6% in local currency
- ERVs flat
- Yields down by 29 bps to 4.7% NIY

## France

- Valuation uplift of 0.4% in local currency
- ERVs flat
- Yields down by 19 bps to 5.0% NIY

Valuation movement in local currency



	UK	Germany	France	Total
Valuation Uplift <sup>1</sup>	-2.0%	2.6%	0.4%	-0.1%
ERV Movement <sup>2</sup>	-0.2%	0.0%	0.0%	-0.1%
Net Initial Yield (NIY) <sup>3</sup>	5.3%	4.7%	5.0%	5.0%
NIY Movement	-9 bps	-29bps	-19bps	-18bps

<sup>1</sup> In local currency

<sup>2</sup> Like-for-like

<sup>3</sup> EPRA Topped Up NIY

Overview

# Executing strategy, recycling capital



### Acquisitions

3 Properties, £49.3m, NIY 6.2%  
Contracted Rent £3.1m

#### UK

- 1. College Road, Harrow
- 2. Kingston Road, Staines

#### Germany

- 3. Georg-Elser-Strasse, Nuremberg

### Disposals

5 Properties, £42.2m, NIY 3.3%  
Contracted Rent £1.5m

#### UK

- 1. Dallas Court, Salford Quays
- 2. Blackburn House, Norwich
- 3. Heather Court, Sidcup

#### France

- 4. Foch, Paris

#### Germany

- 5. Albert-Einstein-Ring, Hamburg,  
(Exchanged H2 2020 at £33.0m)

# Financials

Andrew Kirkman CFO



# Strong performance

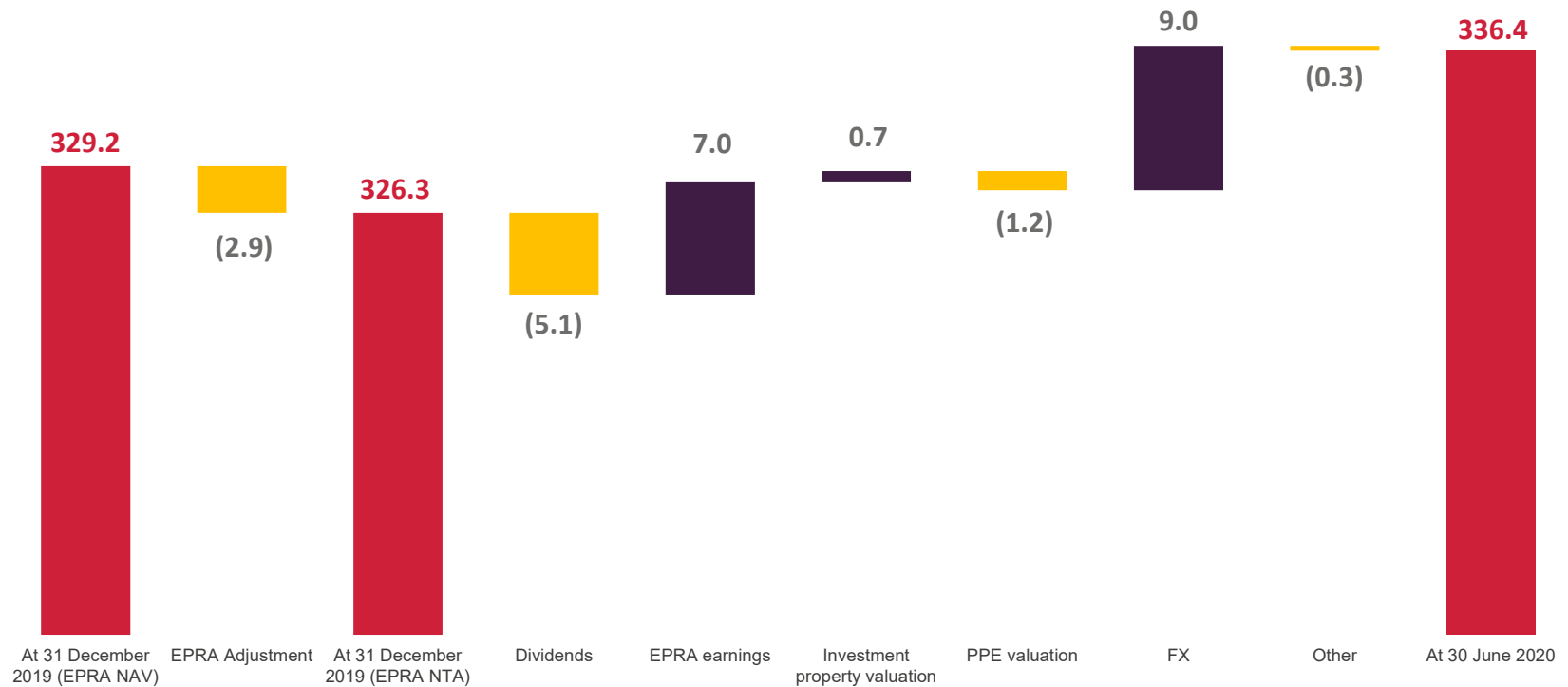
<p>EPRA NTA</p> <p><b>336.4p</b></p> <p>(31 Dec 2019: 326.3)</p> <p>+3.1%</p>	<p>EPRA EPS</p> <p><b>7.0p</b></p> <p>(31 Dec 2019: 6.0p)</p> <p>+16.6%</p>
<p>Cost of Debt</p> <p><b>2.35%</b></p> <p>(31 Dec 2019: 2.42%)</p> <p>-7bp</p>	<p>Interest Cover</p> <p><b>3.5x</b></p> <p>(30 June 2019: 3.6x)</p> <p>-0.1x</p>
<p>Interim Dividend</p> <p><b>2.35p</b></p> <p>(30 June 2019: 2.35p)</p> <p>Maintained</p>	<p>Total Accounting Return</p> <p><b>4.6%</b></p> <p>(30 June 2019: 7.3%)</p> <p>-270 basis points</p>



## Movement in EPRA NTA

# Increase driven by earnings and FX

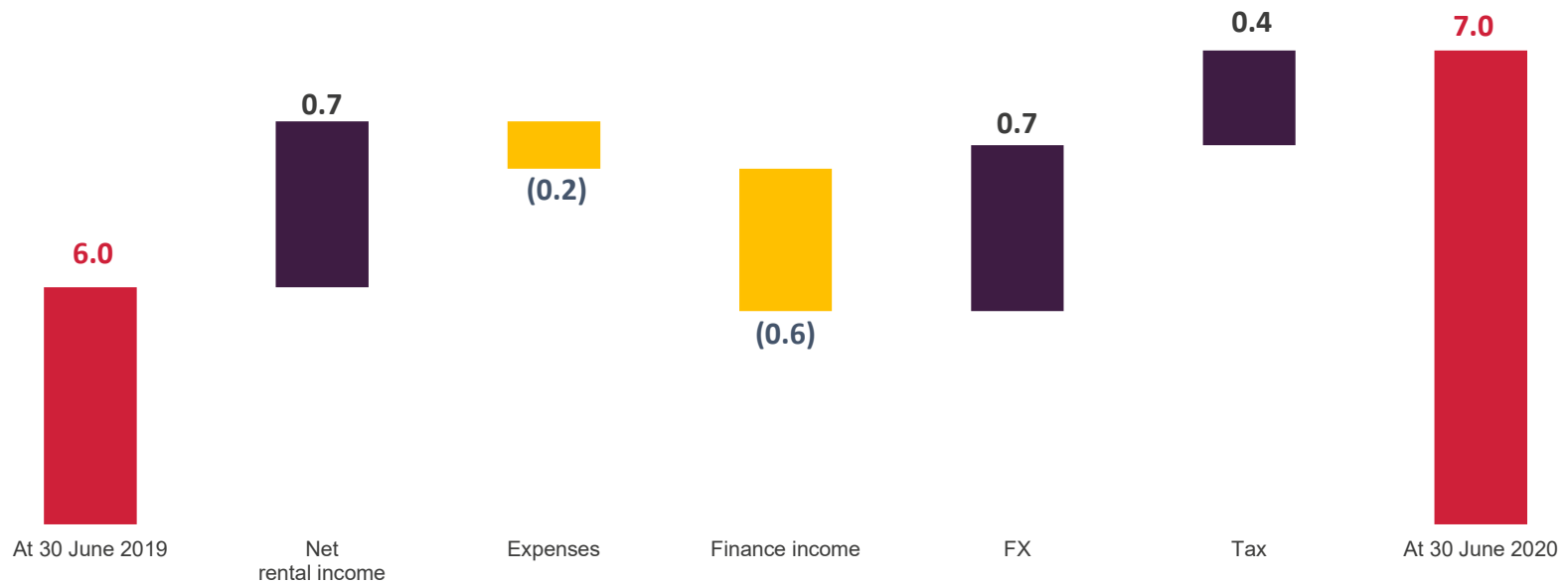
Movement in EPRA NTA (pence per share)



Movement in EPRA Earnings per Share

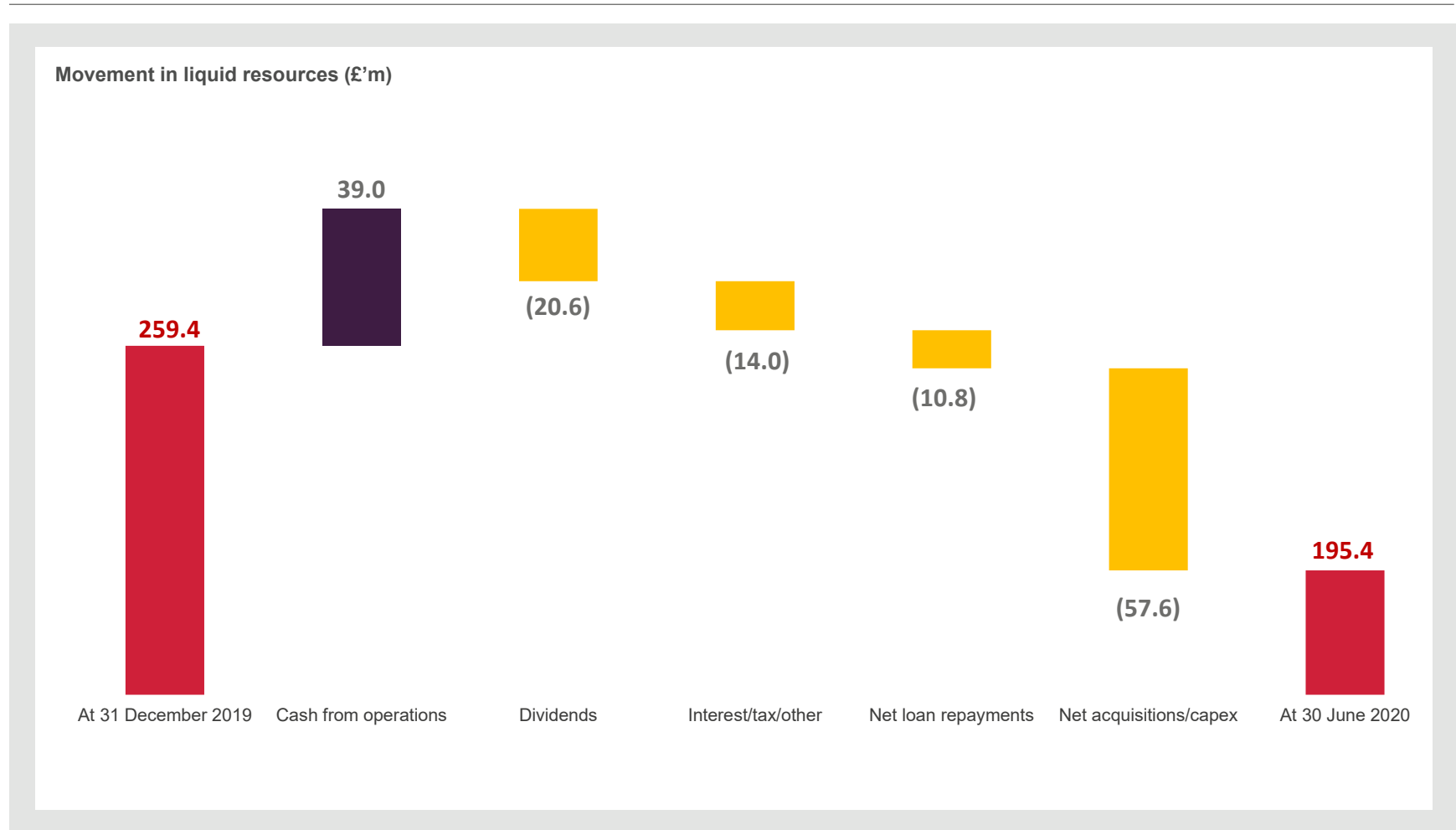
# Net rental income growth and FX driving earnings increase

Movement in EPRA Earnings (pence per share)



Movement in liquid resources

# Significant cash balance and continuing to invest



## Financials

# Active debt management

## Mitigated 2020 refinancing risk

- £115m of debt maturing in 2020 of which:
  - £81m has been extended or refinanced
  - £5m was repaid
  - £29m is in advanced refinancing discussions

## Financing of new acquisition in Germany

- Financed for 7 years
- Initial LTV 70%
- At fixed rate of 0.90% (all in 0.96%)

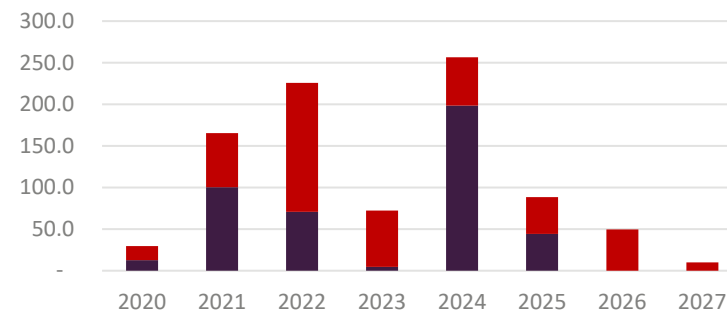
## Continue to fix at low interest rates

- Fixed debt (79%): 3.2 years at 2.27%
- Floating debt (21%): 2.6 years at 2.69%

	UK	Germany	France	Total
Gross debt (£'m)	435.9	343.3	139.4	918.6
Number of loans	15	19	14	48
Net gearing	40.8%	45.5%	45.3%	33.7%*
Cost of debt	3.36%	1.38%	1.62%	2.35%
Years to maturity	2.6	3.1	3.3	3.1

## Current loan maturity (£'m)

/ GBP / EUR



\* Includes centrally held cash

## Financials

# Low cost and diversified debt

Cost of Debt  
**2.35%**

(31 Dec 2019: 2.42%)

Interest Cover  
**3.5x**

(30 June 2019: 3.6x)

Number of lenders  
**28**

(31 Dec 2019: 27)

Balance Sheet LTV  
**33.7%**

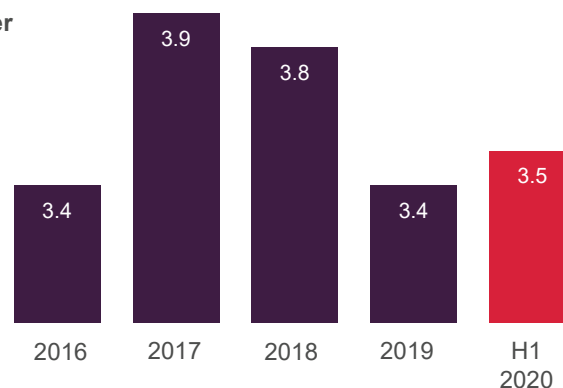
(31 Dec 2019: 31.4%)

Unencumbered Assets  
**£181.2m**

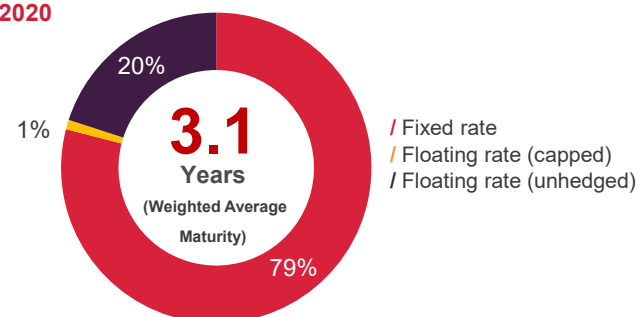
(31 Dec 2019: £143.6m)

Interest cover

**3.5x**

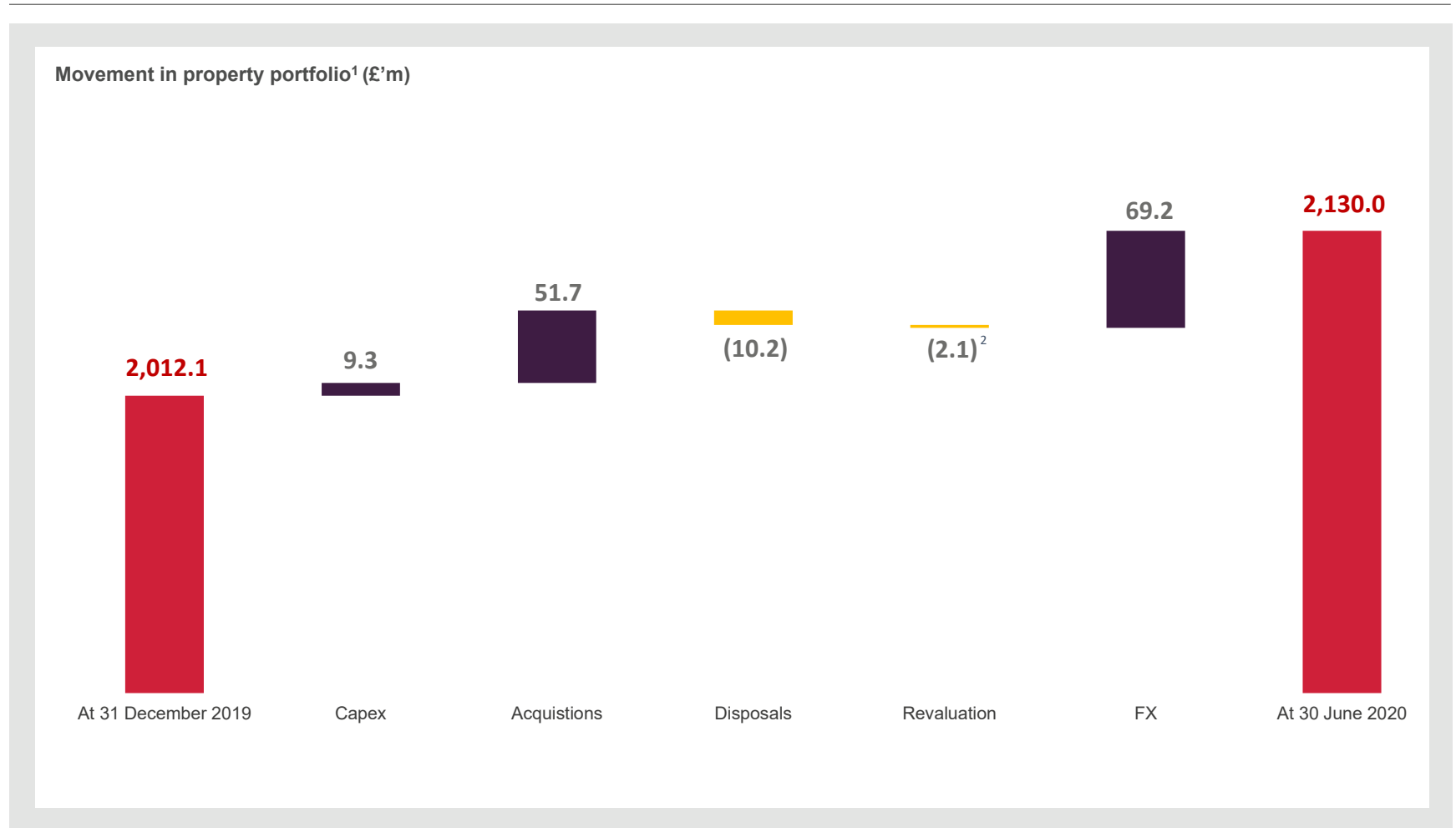


Debt profile  
30 June 2020



Movement in property portfolio

# Net additions and FX driving increase



<sup>1</sup> Comprises investment property, PPE and properties held for sale

<sup>2</sup> Includes rent free debtor of £0.2m

# Property

Simon Wigzell Head of Group Property

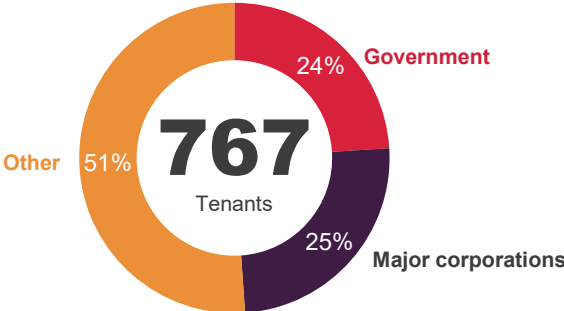


Cassini Court, Leatherhead, UK

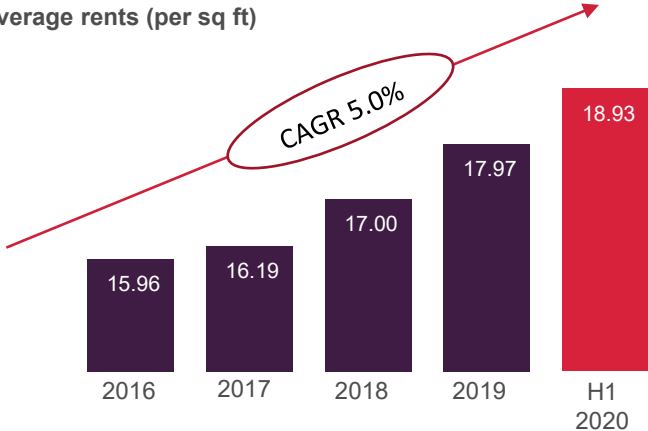
Property

# High quality and diversified tenant base

Contracted rent (£113.5m)



Average rents (per sq ft)



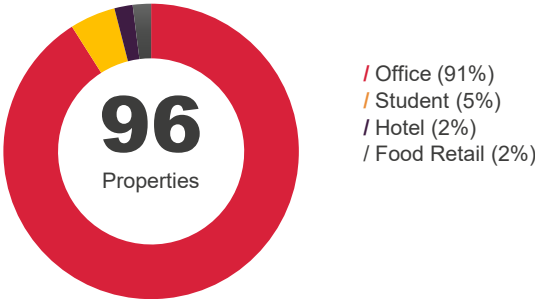
Top 15 tenants (33% of contracted rent)

30 June 2020

- 1. National Crime Agency (UK)
- 2. Secretary of State (UK)
- 3. University of Roehampton (UK)
- 4. City of Bochum (Germany)
- 5. Barts Health NHS Trust (UK)
- 6. H & F Council (UK)
- 7. Materna (Germany)
- 8. Bosch (Germany)
- 9. General Mills (UK)
- 10. Colt (France)
- 11. Kaufland (Germany)
- 12. Honda (UK)
- 13. Dr Hönle (Germany)
- 14. BAE Systems (UK)
- 15. T-Mobile (Germany)

Property use by rent

30 June 2020



Property

# Securing income

### Deals done

52 deals secured £7.8m of annual rent

## 4.0% above ERV

(2019: 78 deals, secured £6.9m of annual rent, 4.3% above ERV)

### Lease Extensions

## 72%

New Leases

## 28%

### Like-for-Like ERV

## -0.1%

(30 June 2019: 2.0%)

### WAULT

## 4.91

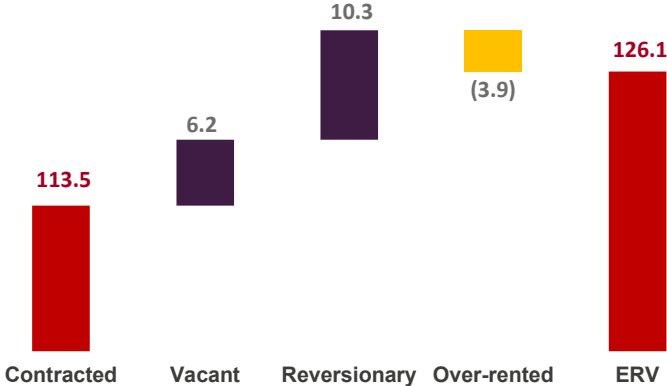
(31 Dec 2019: 4.75)

### Vacancy

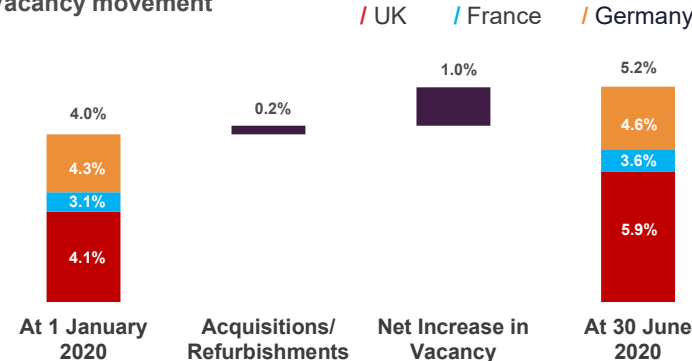
## 5.2%

(31 Dec 2019: 4.0%)

### Estimated Rental Value ("ERV") (£'m)



### Vacancy movement



Sustainability

# Delivering a greener portfolio

### Key Group Targets

- Reduce managed carbon 25% by 2025
- Green building certifications for all managed assets by 2020
- 100% smart metering by 2020
- Minimum 60% recycling
- Reduce managed water by 3.5%
- Minimum EPC D for managed assets
- Where feasible, we will not procure brown (fossil fuel dependent) energy across the group



<p><b>11%</b></p> <p>Half-year increase in on-site electricity generation compared to H1 2019</p>	<p><b>100%</b></p> <p>Managed French assets BREEAM certified. UK &amp; Germany by year end</p>
<p><b>78%</b></p> <p>Managed assets incorporate smart meters</p>	<p><b>100%</b></p> <p>Renewable electricity &amp; carbon neutral gas contracts procured for German portfolio*</p>
<p><b>100%</b></p> <p>UK Managed assets with EPC D or better</p>	<p><b>6</b></p> <p>New 22kW electric vehicle charging points installed at Great West House, UK</p>



Code for a Sustainable Built Environment  
www.breem.com

**BREEAM In-Use**  
The assessment of the common areas of:  
Reflets de Lille  
1a et 1b rue Jean Walter  
Lille  
59000  
France

has been carried out according to Technical Manual:  
BREEAM In-Use International: 2015  
by a Licensed Assessor for:  
CLS  
Asset Owner: CLS Holdings

Certificate Number: BIU00005267-1.0 Issue: 1.0

\*New energy contracts agreed in July 2020, taking effect from 1 January 2021

## Medium-term office Developments

# Creating destinations with amenities and services

## Vauxhall Walk, SE11 London



- **Planning resolution received** for 29,500 sq. ft office development
- **Branding progressing**
- New scheme ERV £1.4m per annum
- Indicative build cost £17.1m
- Café, roof terraces, showers
- Target EPC A & BREEAM Excellent
- PVs, Electrification and EV charging
- Potential delivery 2022

## Vor Dem Lauch 14, Stuttgart



- **Building permit received** for circa 141,000 sq. ft office development
- **Branding progressing**
- New scheme ERV £3.0m per annum
- Indicative build cost £38.5m
- Café, roof terraces, showers
- Target Gold DGNB
- Potential delivery 2022

## St Cloud Gate, Maidenhead





- **Revised Planning submitted** for reduced 44,000 sq. ft scheme
- Potential ERV £1.7m per annum
- Indicative build cost £20.0m
- Café, roof terrace, showers, lockers and meeting suites
- Target EPC A & BREEAM Excellent
- PVs, Electrification and EV charging
- Potential delivery 2023

Property

# Reimagining the workplace

<p><b>Air-flow</b></p> <ul style="list-style-type: none"> <li>Increase outdoor ventilation</li> <li>Reduce air recirculation</li> <li>Control humidification</li> </ul>	<p><b>Materials</b></p> <ul style="list-style-type: none"> <li>Anti-bacterial fixtures</li> <li>Use of copper alloys</li> <li>UV-C lighting</li> </ul>
<p><b>Technology</b></p> <ul style="list-style-type: none"> <li>Sensor taps and WC flush</li> <li>Use of app-based systems</li> <li>Integrated break-out areas</li> </ul>	<p><b>Design</b></p> <ul style="list-style-type: none"> <li>Discreet social distancing</li> <li>Reduce pinch points</li> <li>Door automation</li> </ul>
<p><b>CLS Integration</b></p> <ul style="list-style-type: none"> <li>Adopted one-way systems across portfolio</li> <li>Staggered occupancy</li> <li>Reviewed developments and refurbishments</li> </ul>	

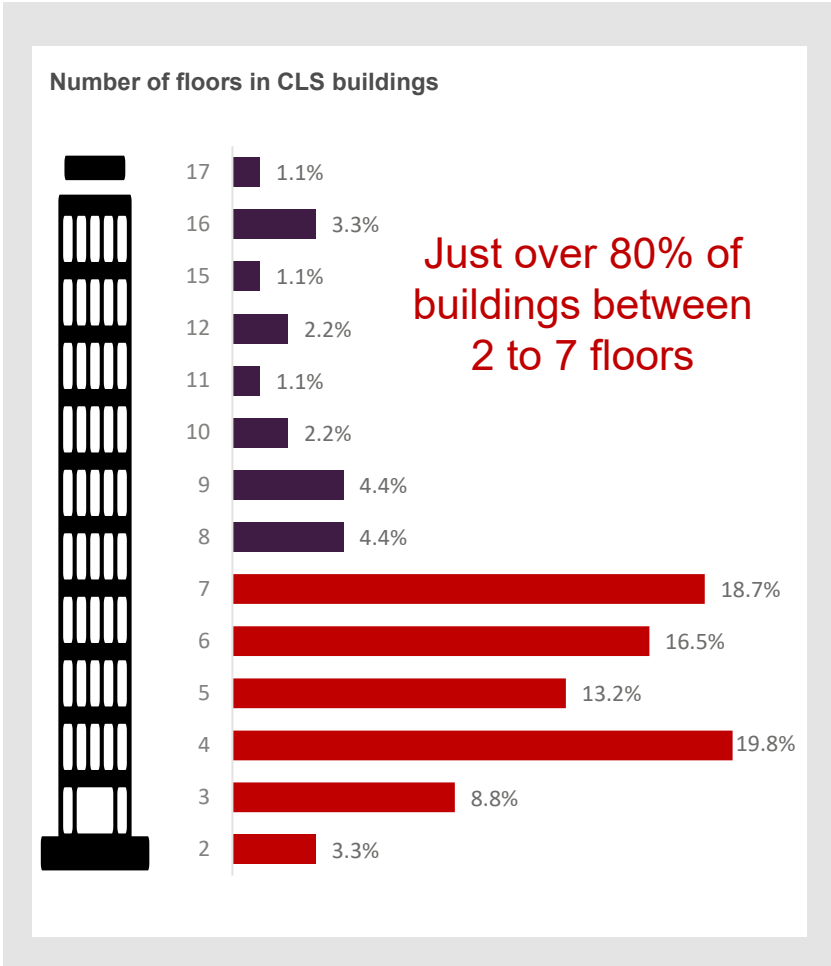
**Re-thinking the shape of occupation does not mean plastic screening and floor stickers**

Property

# CLS existing properties

<p>Access to Outdoor Space or Roof Terraces</p> <p><b>70%</b></p>	<p>Access to Opening Windows</p> <p><b>82%</b></p>
<p>Access to Bike Storage</p> <p><b>78%</b></p>	<p>Average Number of Car Parking Spaces</p> <p><b>119</b></p>
<p>Average Number of Floors</p> <p><b>5 Floors</b></p>	



# Markets & Summary

Fredrik Widlund CEO



*Georg-Elser-Strasse, Nuremberg, Germany*

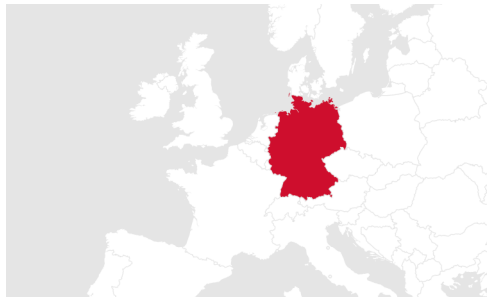
## Markets

# CLS view



## United Kingdom

- Long-term fundamentals for non-prime London offices remain attractive
- The right office properties offer attractive cash yields
- Current sentiment creating acquisition opportunities
- Business confidence and economic activity only gradually recovering
- Leasing activities and demand expected to be challenging for remainder of 2020



## Germany

- Resilient economy and political leadership
- Underlying office market fundamentals remain strong with low vacancy and supply
- Lending conditions and bank appetite for new business remain
- Safe haven investment status leads to high competition
- Recent uptick in new leases signed as economic activity resumes



## France

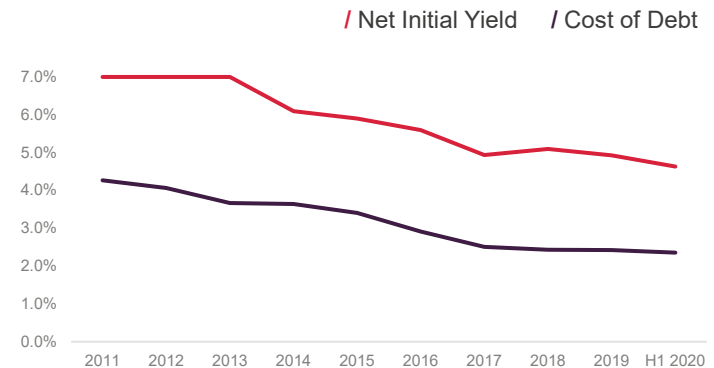
- Large domestic market, impacted less by global slowdown
- Paris vacancy increasing, Lyon and Lille more resilient
- Monitoring La Défense area due to supply and exposure to financial services
- Grand Paris Express project progressing well, positive impact on CLS portfolio
- Market expected to pick up towards the end of the year, leasing enquiries trending up

## Summary

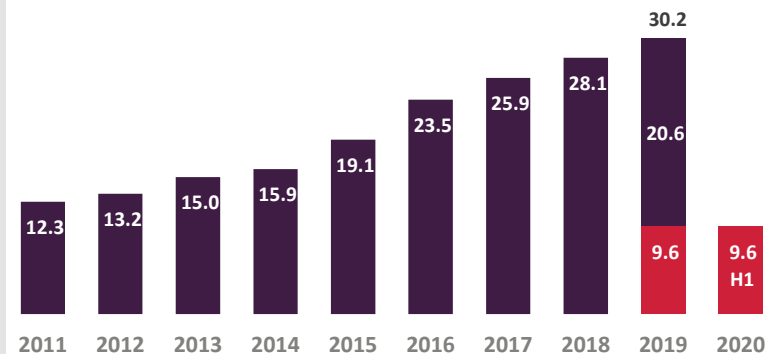
# Consistent delivery

- EPRA NAV up 3.2% to 339.6p (31 Dec 2019: 329.2p), EPRA NTA up 3.1% to 336.4p (31 Dec 2019: 326.3p), driven by earnings and FX
- Valuations down 0.1% in local currency, Germany and France up, UK down
- Strong rent collections with 99% of H1 and 95% of Q3 rent collected
- EPRA EPS up 16.7% to 7.0p (30 June 2019: 6.0p) from increased net rents and FX
- Vacancy up to 5.2% (31 Dec 2019: 4.0%) due to acquired vacancy, refurbishments and lockdown
- Type and location of CLS properties well positioned going forward
- Opportunity to acquire attractive properties in current market
- Dividend maintained

### Excess Net Initial Yield over Cost of Debt



### Distributions (£'m)



# Appendices

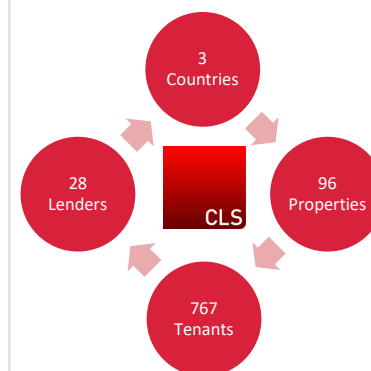
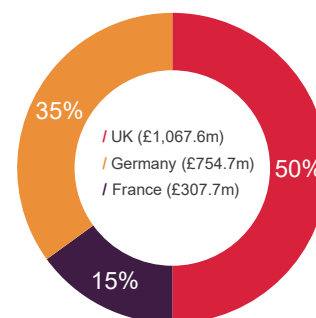


*Park Avenue, Lyon, France*

# Overview

- CLS Holdings plc is a FTSE 250 property investment company which has been listed on the London Stock Exchange since 1994
- We specialise in owning and managing office buildings, with a range of lease lengths, in order to achieve stable cash flows
- We operate in London and the South East of the UK, and in the larger cities in Germany and France
- We aim to hold, refurbish and develop our property investments to obtain long-term asset growth
- We have established offices in London, Hamburg and Paris

## Diversified portfolio (£2.1bn)



## Top 10 shareholders

As at 30 June 2020

The Sten and Karin Mortstedt Family and Charity Trust	51.5%
Fidelity Worldwide International	9.4%
Mr Bengt Mortstedt	6.5%
BMO Global Asset Management	4.5%
Schroders	2.5%
Janus Henderson Group	2.3%
Invesco	1.9%
AXA SA	1.7%
Aberdeen Standard Investments	1.0%
Majedie Asset Management	1.0%

Capital expenditure programme

# Who we are and what we believe in?

---

## Our Vision

- To be a leading office space specialist and a supportive, progressive and sustainably focused commercial landlord

## Our Purpose

- Our purpose is to transform office properties into sustainable, modern spaces that help businesses to grow

## Our Values

- Our tenants, our focus
- Agility unlocks opportunity
- Openness creates closeness
- Collaboration gets the job done

## Appendices

# EPRA Metrics

- In October 2019 EPRA published new EPRA Net Asset Value metrics to be adopted for accounting periods starting from 1 January 2020 of Net Tangible Assets (“NTA”), Net Reinstatement Value (“NRV”) and Net Disposal Value (“NDV”)
- The existing Net Asset measures (NAV and NNAV) will no longer be used by EPRA for accounts starting after this date
- Our preferred metric for headline EPRA net assets is EPRA NTA
- Two main differences between EPRA NTA and EPRA NAV
  - Intangible Assets are excluded
  - Adjusted for the level of deferred tax which will be realised upon future planned sales

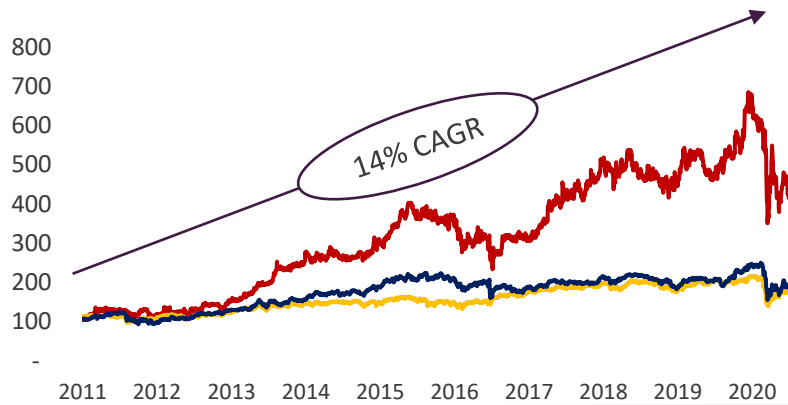
	£m
<b>Basic Net assets at 30 June 2020</b>	<b>1,229.3</b>
Goodwill as a result of deferred tax on acquisitions	(1.1)
Fair value of debt adjustment	(12.6)
Fair value of debt adjustment - tax thereon	2.4
<b>EPRA Triple Net Assets</b>	<b>1,218.0</b>
Deferred tax	148.8
FV of financial instruments	6.4
Fair value of debt adjustment	12.6
Fair value of debt adjustment - tax thereon	(2.4)
<b>EPRA Net Asset Value (NAV)</b>	<b>1,383.4</b>
Deferred tax in relation to capital allowances and other items (included in EPRA NAV)	(11.5)
Deferred tax in relation to fair value gains of investment properties planned to sell	(0.8)
Intangibles as per the IFRS balance sheet	(0.6)
<b>EPRA Net Tangible Asset Value (NTA)</b>	<b>1,370.5</b>
Deferred tax in relation to fair value gains of IP planned to sell	0.8
Intangibles as per the IFRS balance sheet	0.6
Purchaser costs (Real Estate Transfer tax)	137.3
<b>EPRA Net Reinstatement Value (NRV)</b>	<b>1,509.2</b>
Purchaser costs (Real Estate Transfer tax)	(137.3)
Deferred tax	(137.3)
Fair value of financial instruments	(6.4)
Fair value of fixed interest rate debt	(12.6)
<b>EPRA Net Disposal Value (NDV)</b>	<b>1,215.6</b>
Number of shares	407,395,760
<b>Basic NAV</b>	<b>301.7p</b>
<b>EPRA Triple Net Assets</b>	<b>299.0p</b>
<b>EPRA NAV</b>	<b>339.6p</b>
<b>EPRA NTA</b>	<b>336.4p</b>
<b>EPRA NRV</b>	<b>370.5p</b>
<b>EPRA NDV</b>	<b>298.4p</b>

Appendices

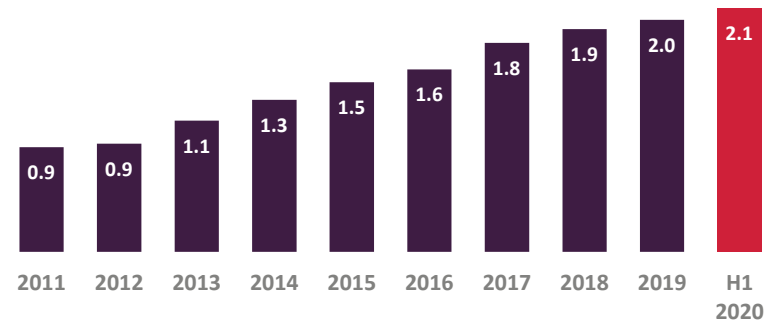
# Consistent & Strong Returns

Total shareholder return

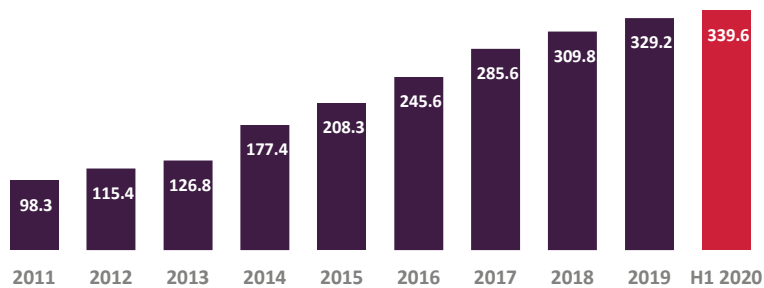
CLS / FTSE 350 / FTSE RE SS



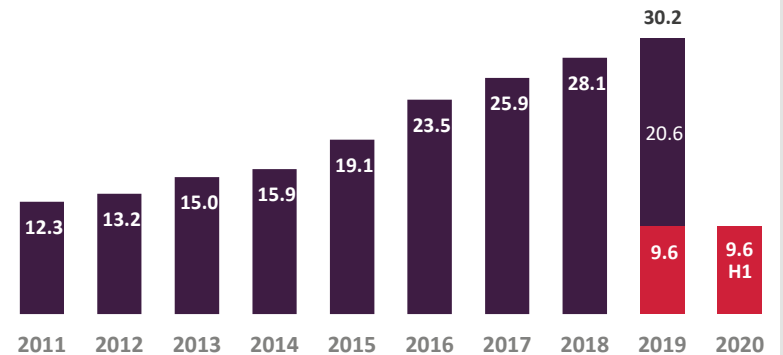
Portfolio value (£bn)



EPRA NAV (pence)



Distributions (£m)



Appendices

# United Kingdom

### UK Properties

<b>London</b>	<b>34</b>
South East	8
Birmingham	1
Aberdeen	1
	44



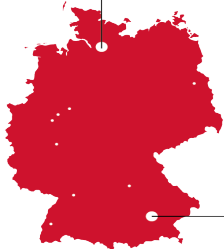
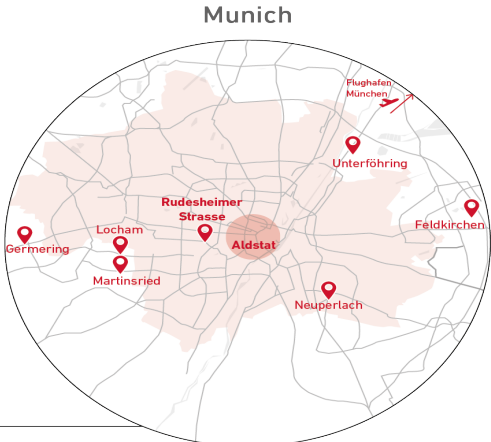
Number of Properties <b>44</b>	Number of Tenants <b>254</b>
Value of Properties <b>£1,067.6m</b>	Lettable Space <b>2.2m sq ft</b>
Contracted Rent <b>£59.6m</b>	Vacancy <b>5.9%</b>
Government and Major Corporations <b>57.8%</b>	Percentage of Group's Property Interest <b>50%</b>

Appendices

# Germany

**German Properties**

<b>Hamburg</b>	<b>10</b>
<b>Munich</b>	<b>7</b>
Stuttgart	3
Berlin	2
Dusseldorf	2
Dortmund	2
Cologne	1
Freiburg	1
Wiesbaden	1
Nuremburg	1
Bochum	1
<b>Total</b>	<b>31</b>



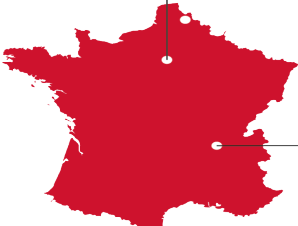
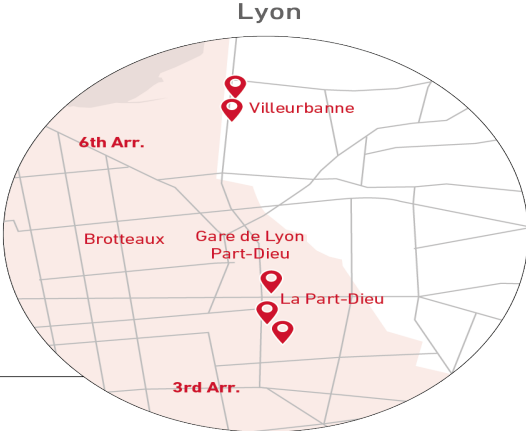
Number of Properties <b>31</b>	Number of Tenants <b>341</b>
Value of Properties <b>£754.7m</b>	Lettable Space <b>3.2m sq ft</b>
Contracted Rent <b>£37.4m</b>	Vacancy <b>4.6%</b>
Government and Major Corporations <b>33.8%</b>	Percentage of Group's Property Interest <b>35%</b>

Appendices

# France

### French Properties

<b>Paris</b>	<b>13</b>
Lyon	5
Lille	3
<hr/>	
	21



Number of Properties <b>21</b>	Number of Tenants <b>172</b>
Value of Properties <b>£307.7m</b>	Lettable Space <b>0.9m sq ft</b>
Contracted Rent <b>£16.5m</b>	Vacancy <b>3.6%</b>
Government and Major Corporations <b>52.5%</b>	Percentage of Group's Property Interest <b>15%</b>

## Appendices

# Group Statistics

At 30 June 2020	Valuation <sup>1</sup> (£m)	Valuation in local currency (%)	EPRA NIY <sup>2</sup> (%)	EPRA topped-up NIY <sup>3</sup> (%)	Vacancy by rent (%)	Weighted average unexpired lease term (years)	ERV of lettable Space (£m)	Contracted rent (£m)	Contracted rent (£/sq ft)
UK	1,067.6	-2.0%	4.91%	5.26%	5.9%	4.8	67.0	59.6	29.23
Germany	754.7	+ 2.6%	4.29%	4.72%	4.6%	5.0	41.7	37.4	12.14
France	307.7	+ 0.4%	4.54%	5.02%	3.6%	4.9	17.4	16.5	18.84
<b>Total portfolio</b>	<b>2,130.0</b>	<b>- 0.1%</b>	<b>4.63%</b>	<b>5.03%</b>	<b>5.2%</b>	<b>4.9</b>	<b>126.1</b>	<b>113.5</b>	<b>18.93</b>

1. Valuations performed by Cushman and Wakefield
2. Excludes developments; calculations based on passing rents
3. Excludes developments; calculations based on contracted rents

# Disclaimer

---

This document may contain certain ‘forward-looking statements’. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from those expressed or implied by such forward-looking statements. Any forward-looking statements made by or on behalf of CLS speak only as of the date they are made and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Except as required by its legal or statutory obligations, the Company does not undertake to update forward-looking statements to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Information contained in this document relating to the Company or its share price, or the yield on its shares, should not be relied upon as an indicator of future performance.

All numbers provided are as at 30 June 2020 unless otherwise stated.