

CLS Holdings plc

CLS

# Well placed for the future

H1 2021 results

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Chief Executive Officer

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Andrew Kirkman  
Chief Financial Officer



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Chief Executive Officer



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# Overview

**Fredrik Widlund**  
Chief Executive Officer

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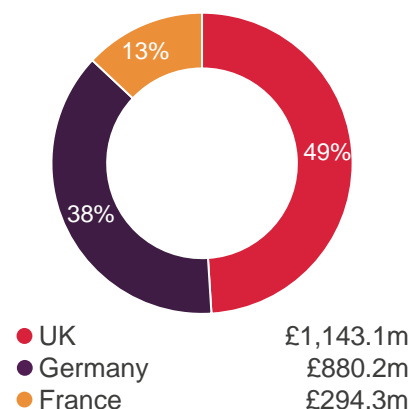
Hansaallee, Düsseldorf

## Overview

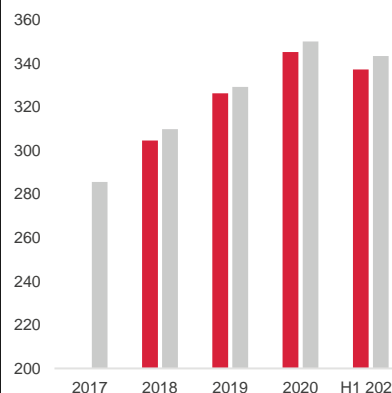
# First half 2021 results shaped by the pandemic

- High collection rate of 99% and cash from diversified, high quality tenant base
- Net rental income impacted by vacancy and FX, resulting in EPRA EPS down to 5.4p (30 Jun 2020: 7.0p)
- Vacancy up to 7.7% (31 Dec 2020: 5.1%) due to acquired vacancy and subdued activity in the UK
- Valuations resilient, flat in local currency, down 2.0% in reporting currency due to sterling appreciation
- EPRA NTA down 2.3% to 337.2p (31 Dec 2020: 345.2p)
- Sustainability Strategy and 2030 Net Zero Carbon Pathway costed and published
- Interim dividend maintained at 2.35p per share

Total portfolio



EPRA NTA' (p) NAV (p)



Portfolio increased to

## £2.3bn

(31 Dec 2020: £2.2bn)

EPRA NTA

Down 2.3%

## 337.2p

(31 Dec 2020: 345.2p)

## Overview

# Like-for-like valuation up 0.2%

## UK

- ERV increased 0.3%
- NIY down 21 bps to 5.0%
- Total valuation down 0.6%, driven by increased vacancy

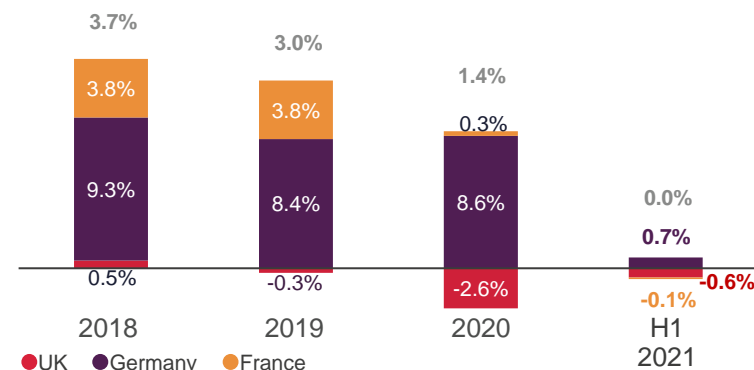
## Germany

- ERV down 0.1%
- NIY down 16 bps to 4.2%
- Total valuation up 0.7%, like-for-like up 1.5%

## France

- ERV down 2.2%
- NIY down 23 bps at 4.5%
- Total valuation flat, down 0.1% with vacancy reduction offset by ERV decline

## Total valuation movement in local currency



	UK	Germany	France	Total
Like-for-like valuation movement <sup>1</sup>	-0.5%	1.5%	-0.1%	0.2%
Total valuation movement <sup>2</sup>	-0.6%	0.7%	-0.1%	0.0%
ERV movement <sup>2</sup>	0.3%	-0.1%	-2.2%	-0.2%
Net initial yield (NIY) <sup>3</sup>	5.0%	4.2%	4.5%	4.6%
NIY movement	-21bps	-16bps	-23bps	-22bps
Vacancy	7.3%	9.3%	4.0%	7.7%
Vacancy movement	+140bps	+570bps	-110bps	+260bps

<sup>1</sup>Excluding H1 additions <sup>2</sup> Local currency <sup>3</sup>EPRA 'topped-up' NIY

## Overview

# Active portfolio management

## Acquisitions

6 properties, £164.8m, NIY 3.9%  
(6.1% reversionary), contracted  
rent £7.1m

### UK

- Radius House, Watford

### Germany

- FleXion, Berlin
- The Brix, Essen
- Hansaallee, Düsseldorf
- Storkower Strasse, Berlin
- Wendenstrasse, Hamburg



## Disposals

4 properties, £15.5m, NIY 5.5%,  
contracted rent £1.1m

### UK

- Atholl House, Aberdeen(S)
- Quest House, Hounslow(R)

### Germany

- Frohbösestrasse, Hamburg(S)

### France

- Gennevilliers, Paris(R)

## July 2021 disposals

2 properties, £10.9m, NIY 2.9%,  
contracted rent £0.5m

### UK

- Falcon House, Hounslow(R)

### Germany

- Kreuzberger Ring, Wiesbaden(S)

(S) – Strategic disposal  
(R) – Sold for residential conversion

# Financials & Occupiers

**Andrew Kirkman**  
Chief Financial Officer



Financials

# 2021 performance impacted by FX and lower occupancy

EPRA NTA

**337.2p**

(31 Dec 2020: 345.2p)

-2.3%

EPRA EPS

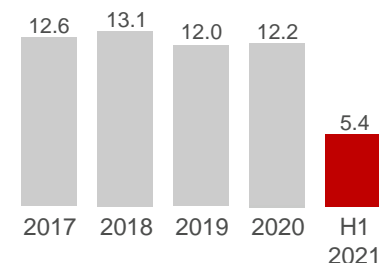
**5.4p**

(30 Jun 2020: 7.0p)

-22.9%

EPRA EPS (pence)

**Down 22.9%**



Cost of debt

**2.22%**

(31 Dec 2020: 2.28%)

-6bps

Weighted debt maturity

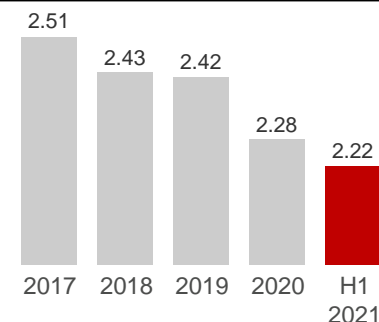
**4.6 years**

(31 Dec 2020: 4.6 years)

maintained

Cost of debt (%)

**Record low**



Proposed interim dividend

**2.35p**

(30 Jun 2020: 2.35p)

maintained

Total accounting return

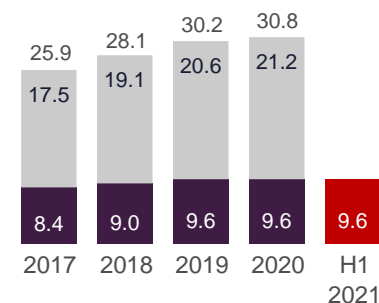
**-0.8%**

(30 Jun 2020: 4.6%)

-540bps

Distributions (£m)

**Maintained**



## Financials

# Decrease driven by the strengthening of sterling

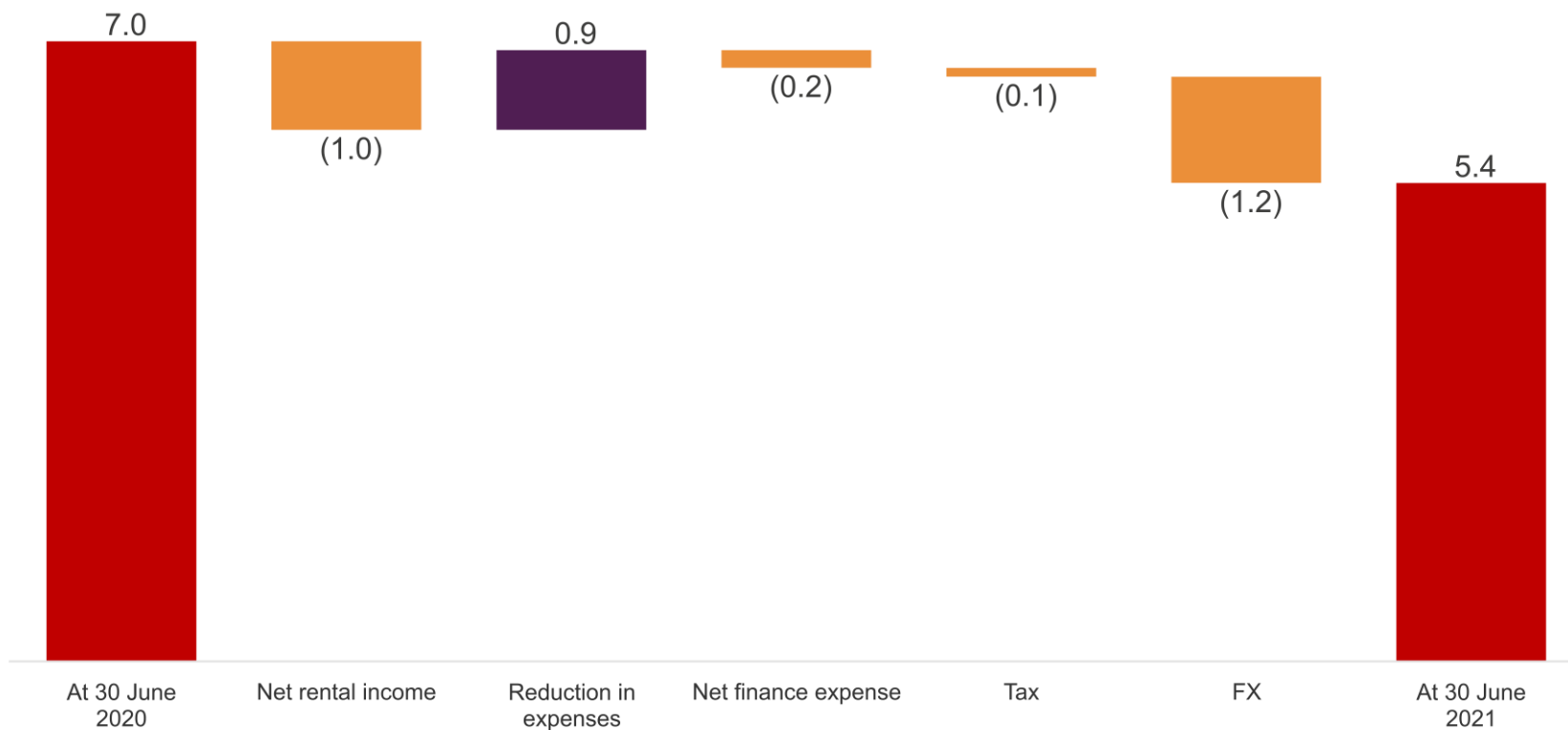
Movement in EPRA NTA (pence per share)



## Financials

# Stable performance impacted by FX

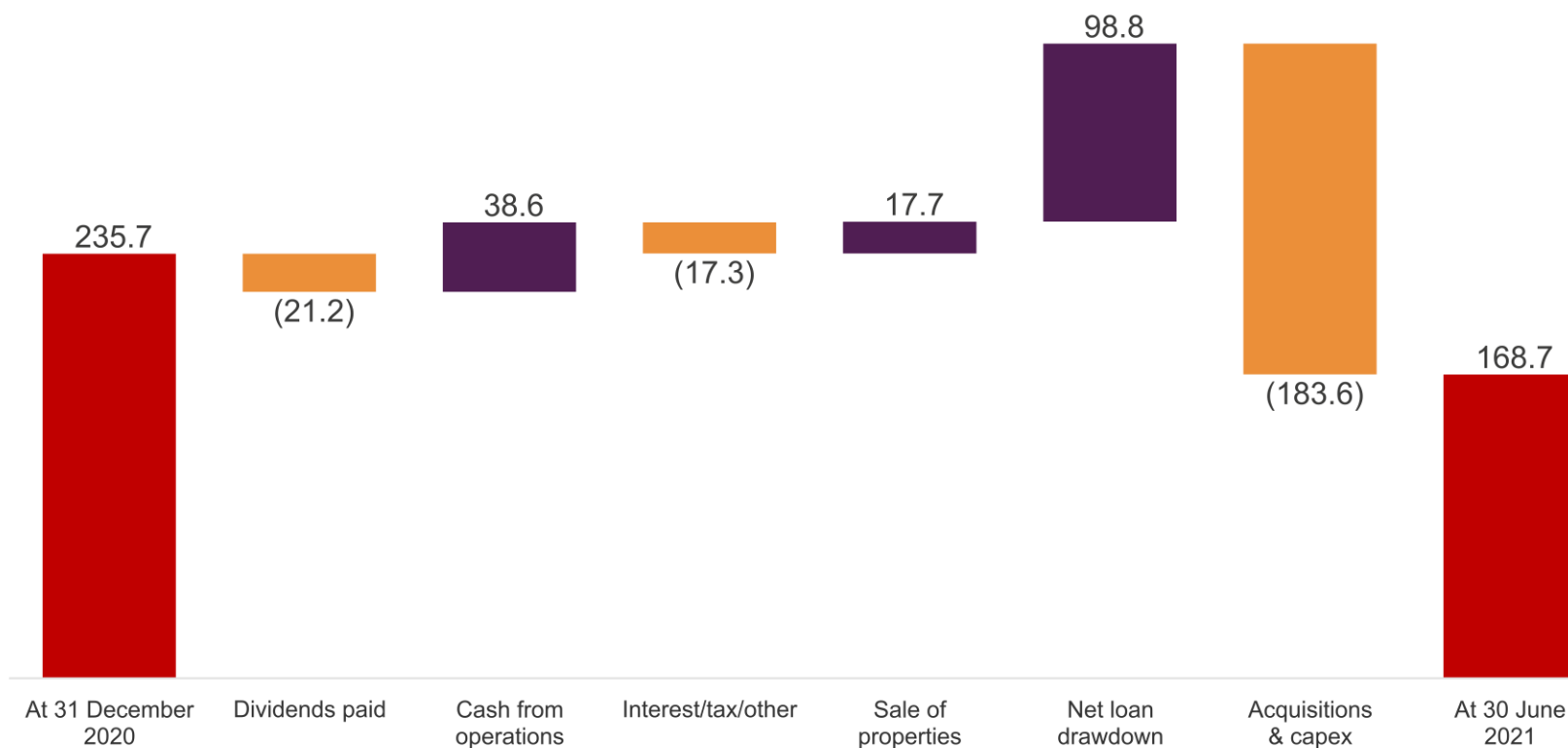
Movement in EPRA EPS (pence per share)



## Financials

# Strong cash position whilst continuing to invest

Movement in liquid resources (£m)



## Financials

# Sustainable debt management

## Financed or refinanced £143.6m of debt fixed at 1.76%

- £61.7m in GBP at 2.65% and £81.9m in EUR at 1.10%
- Portfolio has 86% fixed and 14% floating debt

## Long term and sustainability-linked financing

- Second 'green' portfolio loan for £61.7m
- Longest debt maturity of the Group's debt at 12 years
- Increased proportion of green debt to 20.3%

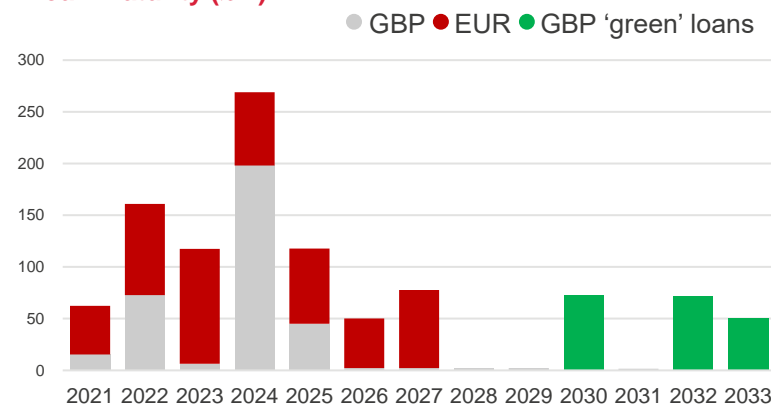
## Preserving debt maturity at all time low interest rates

- Average debt maturity 4.6 years (31 Dec 2020: 4.6 years)
- Cost of debt 2.22% (31 Dec 2020: 2.28%)
- 25 lenders (31 Dec 2020: 26)
- £74.5m unencumbered properties (31 Dec 2020: £138.8m)
- 3.2x interest cover ratio (30 Jun 2020: 3.5x)

	UK	Germany	France	Total
Drawn debt (£m)	543.7	383.9	129.6	<b>1,057.2</b>
Number of loans	12	23	13	<b>48</b>
Loan-to-value	47.2%	43.8%	43.7%	<b>38.1%<sup>1</sup></b>
Cost of debt	3.00%	1.32%	1.64%	<b>2.22%</b>
Years to maturity	5.3	3.2	3.2	<b>4.6</b>

<sup>1</sup>Includes centrally held cash of £168.7m

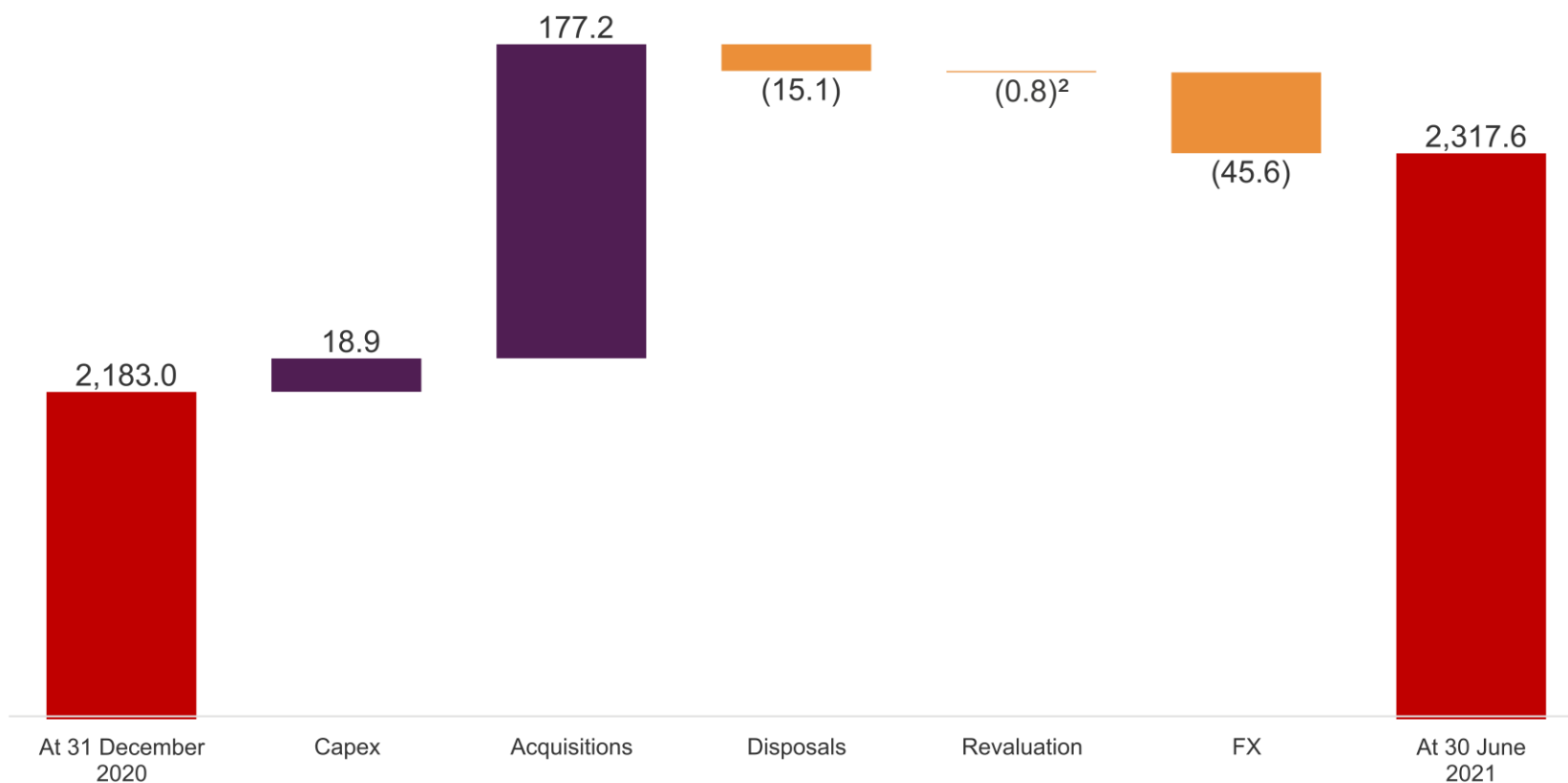
## Loan maturity (£m)



## Financials

# Growth through acquisitions and investment

Movement in property portfolio<sup>1</sup> (£m)



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

<sup>2</sup>Includes movement in rent free debtor of £0.8m and depreciation of £0.1m

Occupiers

# High quality and diversified tenant base

## Rent collection statistics

Business Segment	H1 2021	Q3 2021 <sup>1</sup>
UK	98%	96%
Germany	99%	99%
France	98%	99%
<b>Group</b>	<b>99%</b>	<b>97%</b>

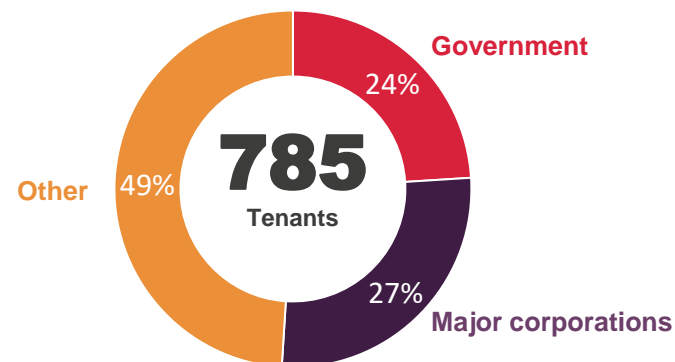
<sup>1</sup>Adjusted for tenants on monthly arrangements

## Top 15 tenants (33% of contracted rent)

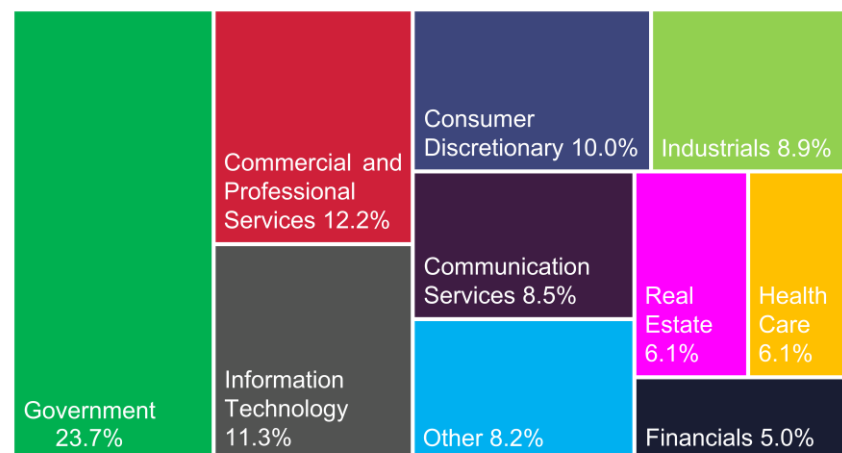
30 June 2021

- |                               |   |
|-------------------------------|---|
| 1. National Crime Agency (UK) | 9. Bosch (Germany)                                  |
| 2. Secretary of State (UK)    | 10. Colt (France)                                   |
| 3. City of Bochum (Germany)   | 11. Kaufland (Germany)                              |
| 4. Dr Hönle (Germany)         | 12. Honda (UK)                                      |
| 5. <b>Siemens (Germany)</b>   | 13. BAE Systems (UK)                                |
| 6. H & F Council (UK)         | 14. T-Mobile (Germany)                              |
| 7. Materna (Germany)          | 15. Her Majesty's Courts and Tribunals Service (UK) |
| 8. General Mills (UK)         |   |

## Contracted rent



## Tenant industries (% contracted rent)



## Occupiers

# Securing income

## 53 deals secured £5.2m of annual rent

3.4% below ERV

(30 Jun 2020: 52 deals secured £7.8m of annual rent, 4.0% above ERV)

### Lease extensions

# 59%

New leases

# 41%

(31 Dec 2020: Ext. 72%, New 28%)

### Like-for-like ERV

# -0.2%

(30 Jun 2020: -0.1%)

### WAULT

# 4.7 years

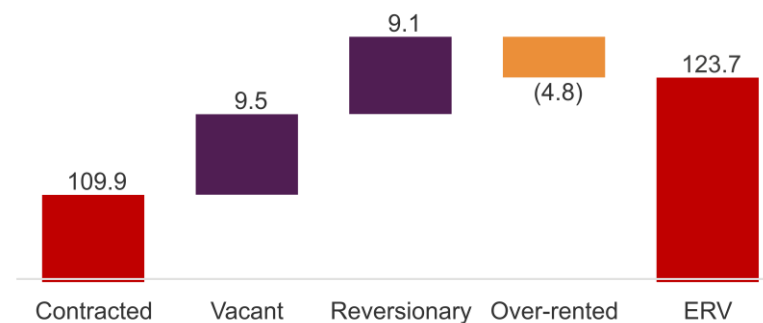
(31 Dec 2020: 4.9 years)

### EPRA vacancy

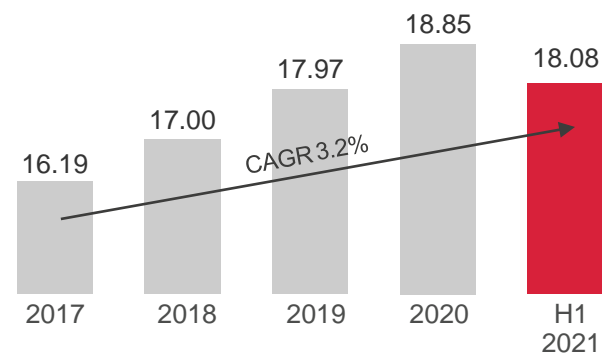
# 7.7%

(31 Dec 2020: 5.1%)

### Estimated rental value (ERV) (£m)



### Average rents (£ per sq. ft)



# Portfolio

**Fredrik Widlund**  
Chief Executive Officer



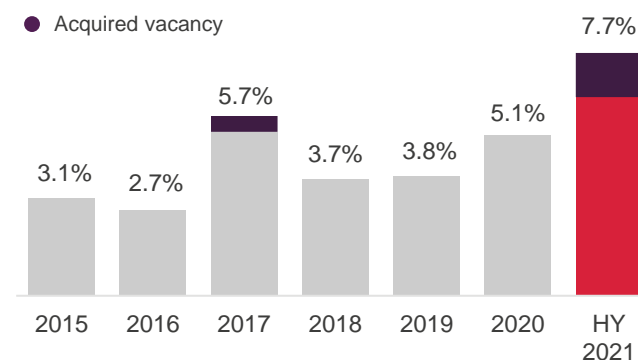
Lichthof development, Stuttgart (CGI)

## Portfolio

# Focus on office occupancy

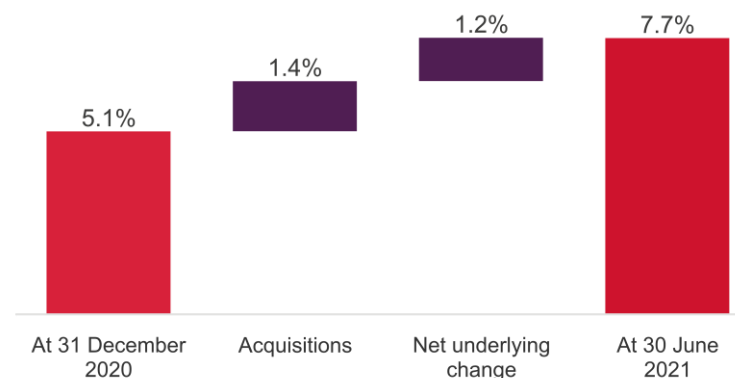
- Most of our office tenants have continued to successfully operate and pay the rent
- The vacancy increase is driven by acquisitions in Germany and slower take-up in the UK
- Letting activity has increased in Q2 and there are more tenant enquiries and viewings. 50% of German vacancy in advanced negotiations
- Increased investment in refurbishments and upgrades to meet changing requirements
- Flexible brand “Base Offices” rolled out in 4 UK locations, Germany next
- Increasing meeting frequency with existing tenants, marketing activities and agent incentives

## Historical vacancy<sup>1</sup>



<sup>1</sup>Disclosed on EPRA basis

## Change in vacancy 2021



Portfolio

# Generating future income from major projects

## 9 Prescott Street, London



- Investing £22.0m capex 2021-2023
- New windows, CO2 monitoring, PVs and target EPC improvement from D to B rating, BREEAM Excellent
- Refurbish 4 floors, ERV £2.9m per annum
- Reception/Café, co work hub, roof terrace, cycle and shower
- Works commenced, 2022 completion

## Vauxhall Walk, London



- Planning permission for 28,500 sq. ft office development
- ERV £1.5m per annum
- Investing £17.4m 2021-2023
- Reception/Café concept, roof terraces, affordable office
- Target EPC A & BREEAM Excellent
- Works commenced, 2023 completion

## Vor Dem Lauch 14, “Lichtof” Stuttgart



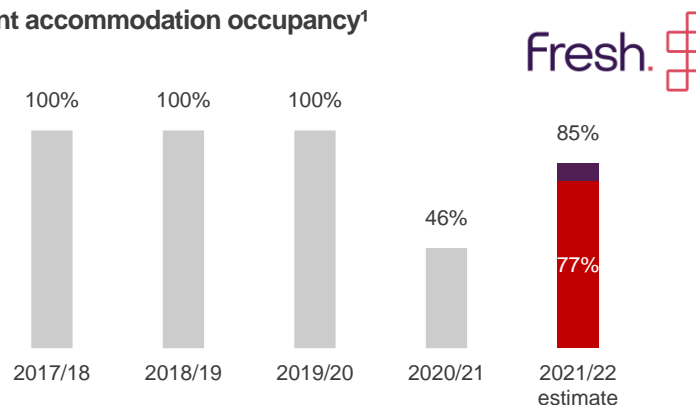
- Building permit received for circa 141,000 sq. ft office development
- ERV £2.5m per annum
- Tendered build cost £33.2m
- Café co working zone, roof terraces, showers & EV charging
- Target Gold DGNB
- Seeking pre let before committing to potential delivery 2024

## Portfolio

# Student and Hotel starting to rebound

- Vauxhall student accommodation and long-stay hotel operated under management agreements as part of mixed use scheme
- Bookings increasing rapidly from Q2 for 2021/2022 academic year, now 77%, estimate +85%
- The two main universities (75%) for our students, Kings College London and University of the Arts, have confirmed in-person teaching from September
- Spring Mews Student voted best student accommodation out of all 60 “Fresh” operated facilities
- Staybridge Vauxhall occupancy increased to 71% in June and 82% in July
- Significant operational gearing from student and hotel

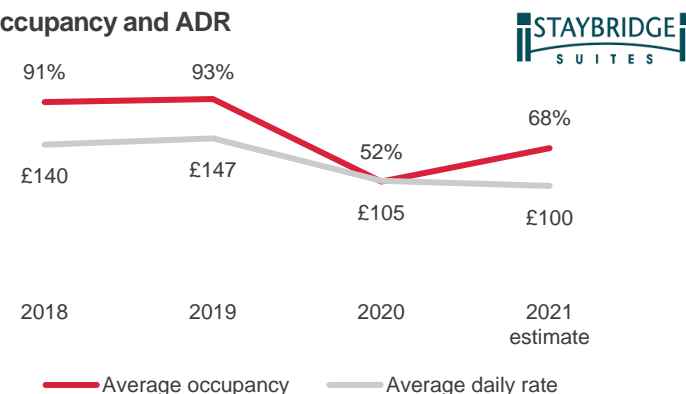
## Student accommodation occupancy<sup>1</sup>



<sup>1</sup>Per academic year (September – August)

● Bookings to date

## Hotel occupancy and ADR



Portfolio

# Sustainability

## 2021 progress to date

**A positive environmental impact**

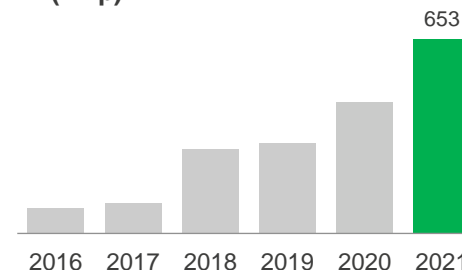
Publish our Net Zero Carbon strategy aligned to a science-based carbon reduction target

**COMPLETE**

Capacity of installed solar PV – (kWp)

**Solar PV capacity**

**↑ 48%**

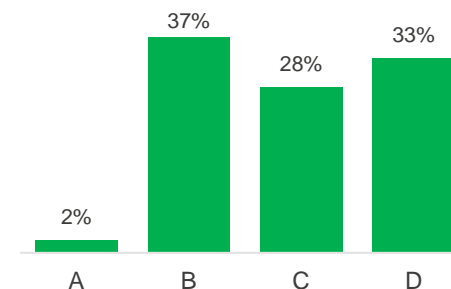


**Creating shared value**

Establish an appropriate methodology for calculating the Social Value from our operations

**COMPLETE**

**UK EPCs**



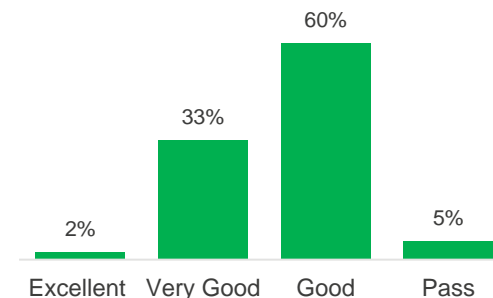
**Being a responsible business**

Increase the percentage of Group debt covered under a sustainability-linked 'green' loan to over 20%

**COMPLETE**

BREEAM In-Use assessments

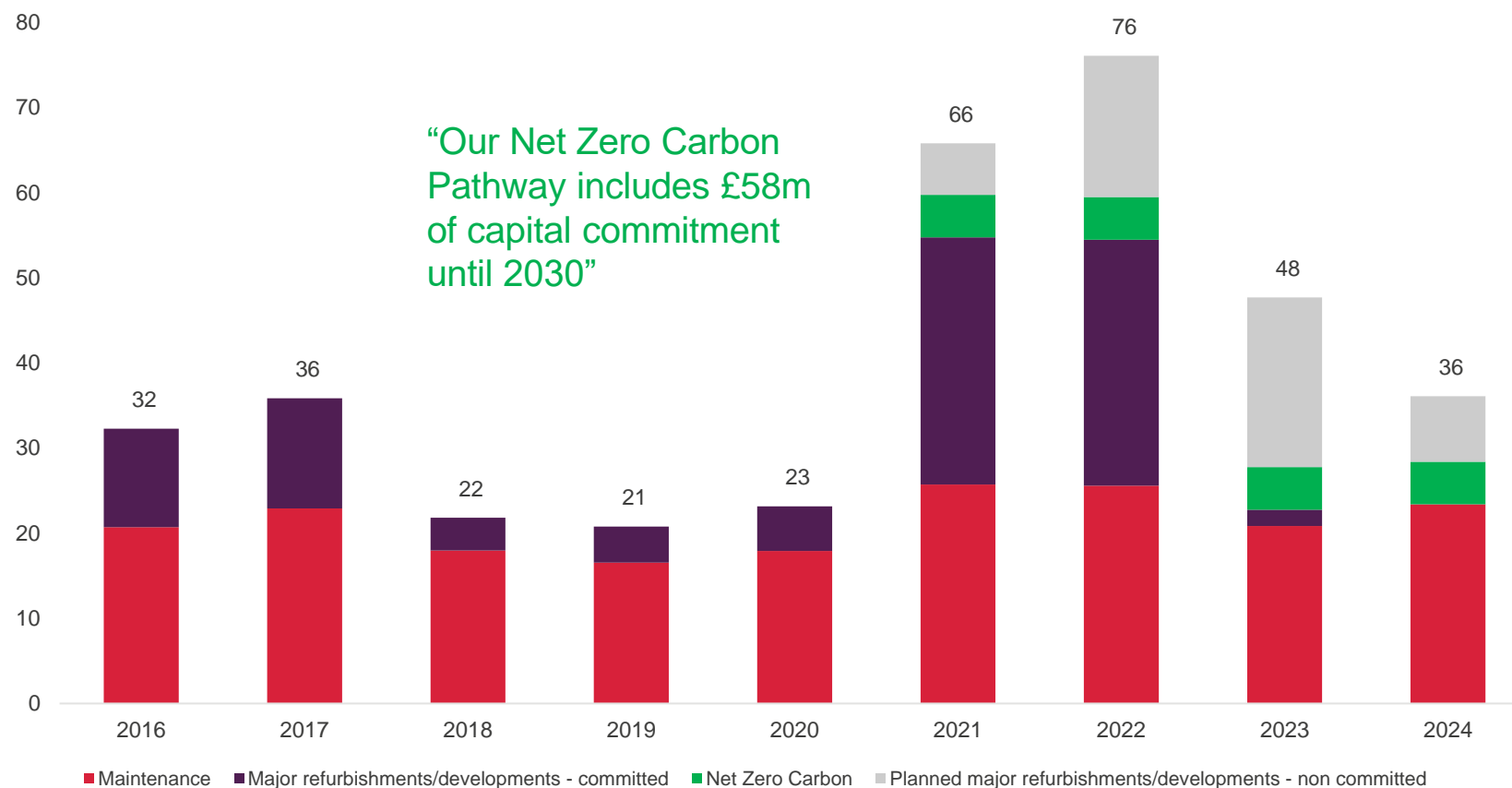
**BREEAM ratings**



## Portfolio

# Estimated capital expenditure

## Annual capex (£m)



# Markets & Outlook

**Fredrik Widlund**  
Chief Executive Officer

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## Markets

## CLS view

## United Kingdom



- Confidence and deal activity returning as economic activity resumes
- Bifurcation a feature of the office market
- The right office properties offer attractive cash yields
- Enthusiasm for home working losing its appeal
- Leasing activities and demand expected to be challenging for remainder of 2021 but clear signs of improvements

## Germany



- Supported by favourable supply and demand dynamics, vacancy in top 7 cities around 4%
- Strong, diversified economy
- Lending conditions and bank appetite for new business remain
- Commercial property transaction volumes resilient
- Leasing activity and demand growing, we expect remainder of 2021 to be strong

## France



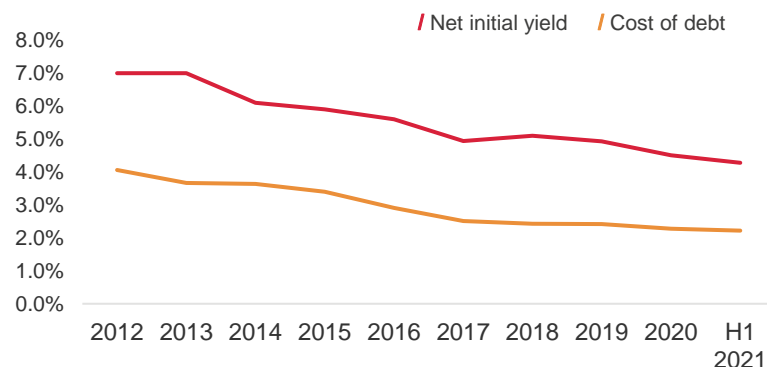
- Paris CBD and Lyon strong, suburban Paris challenging with supply imbalances, especially La Défense
- Demand for smaller space <1,000 sqm continuing to hold-up well, benefitting CLS
- Government tenants awaiting 2022 elections
- Commercial property transaction volumes low
- Leasing activities and demand expected to remain at current levels for 2021

Outlook

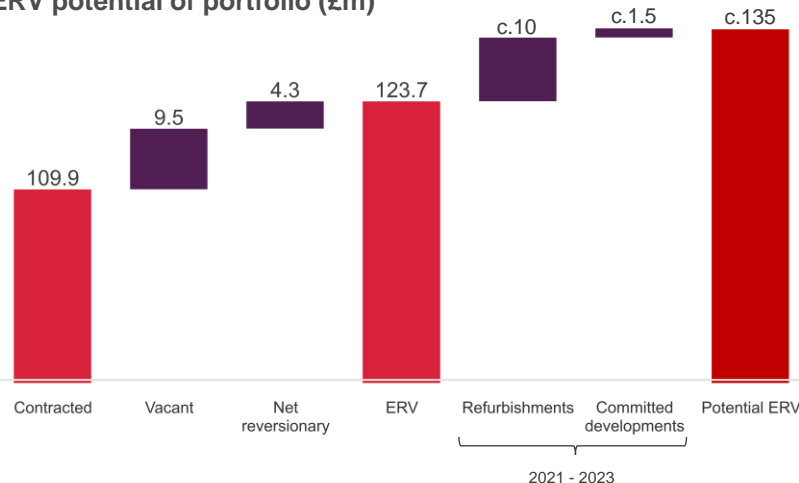
# Well placed for the future

- Leasing activity and enquiries improving as economic activity resumes, 50% of German vacancy in advanced negotiations
- Recent acquisitions in Germany added £6.2 million of contracted rent
- Type, quality and location of CLS properties well positioned for “post-pandemic” working patterns and tenant demand
- Expect stronger operational performance in the second half of 2021 and 2022 from reduced vacancy, improved occupancy and lower cost base
- Opportunities from vacancy, reversions and sustainable refurbishments/developments to drive ERV
- After our recent reorganisation we will hold a Capital Markets Day in November with a chance to meet the leadership team

Excess net initial yield over cost of debt



ERV potential of portfolio (£m)



# Appendices

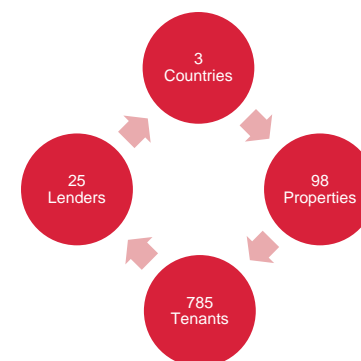
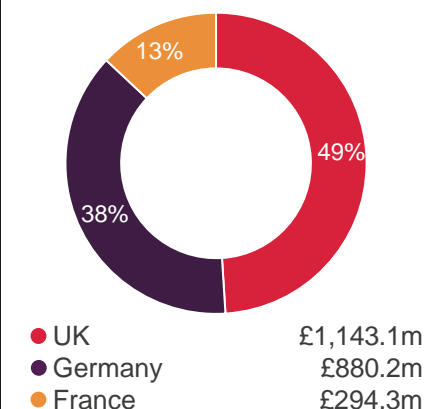


## Appendices

# 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



## Top 10 shareholders

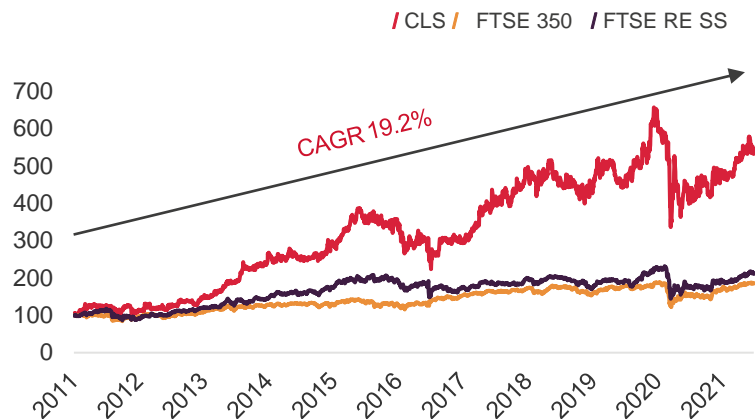
As at 11 August 2021

The Sten and Karin Mortstedt Family and Charity Trust	51.5%
Mr Bengt Mortstedt	6.5%
BlackRock	3.6%
Janus Henderson Group	3.4%
BMO Global Asset Management	3.3%
Schroders	2.1%
Invesco	1.9%
Aberdeen Standard Investments	1.9%
AXA SA	1.7%
Vanguard	1.7%

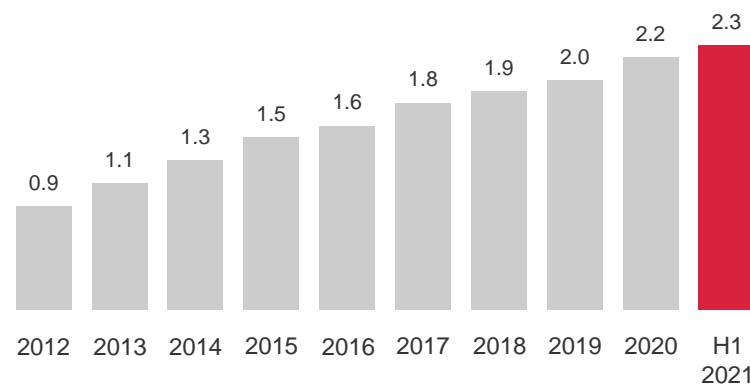
Appendices

# Consistent and strong returns

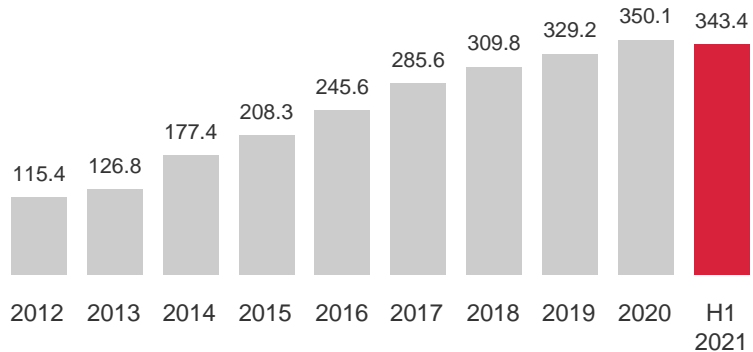
Total shareholder return



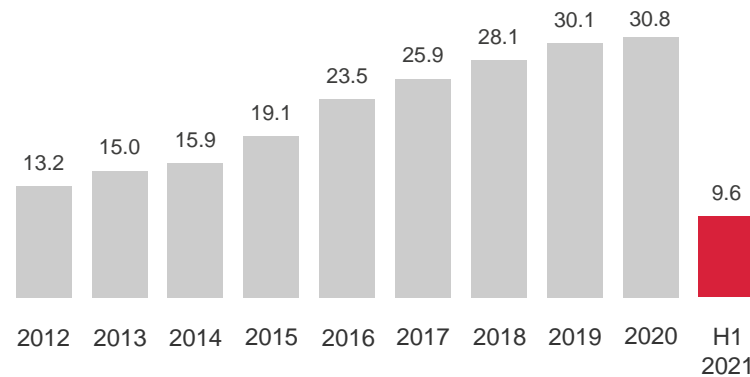
Portfolio value (£bn)



EPRA NAV (pence)



Distributions



Appendices

# Extract from CLS Sustainability strategy

<p><b>A positive environmental impact</b> We will invest in our properties and collaborate with tenants to sustainably manage natural resources, support local environments and build resilience to climate risks; delivering future-ready assets.</p>	<p><b>Creating shared value</b> We will create and share value with our stakeholders by engaging collaboratively with our tenants, supporting local communities and partnering with our supply chain.</p>	<p><b>Being a responsible business</b> Strong governance and transparency will provide the basis for demonstrating our values, supporting people and working with our stakeholders to uphold high standards.</p>
<p>HOW</p>		
<p><b>Our properties and operations</b></p> <p><b>Be Net Zero Carbon by 2030</b> Absolute reduction in Group Scopes 1 &amp; 2 emissions of 42% by 2030 (baseline year 2020) Physical intensity reduction in Scope 3 emissions of 20% by 2030 in kgCO<sub>2</sub>/m<sup>2</sup> NLA (baseline year 2020)</p> <p><b>All new developments to achieve a minimum of BREEAM Excellent (or equivalent)</b></p> <p><b>Like-for-like portfolio reduction in potable water consumption of 20% (baseline year 2019) by 2030.</b> Potable water intensity of 0.4m<sup>3</sup>/m<sup>2</sup> NLA/annum for assets in areas of high water stress by 2030.</p> <p><b>Rewild 10% of maintained grassland under management by 2025</b></p> <p><b>By 2025</b> Biodiversity Net Gain Plan <b>By 2025</b> Group-wide waste baseline and Circular Economy Plan</p>	<p><b>Our tenants and communities</b></p> <p><b>Design and manage our properties to promote the health, wellbeing and satisfaction of our tenants</b> Tenant satisfaction surveys across our managed portfolio will measure progress.</p> <p><b>Invest in our local communities and provide support to disadvantaged groups and charitable causes, with a commitment</b> to publish the Social Value of our business in our 2025 Group Annual Report.</p> <p><b>Achieve Living Wage Foundation accreditation by 2025</b></p>	<p><b>Our people and values</b></p> <p><b>Invest in the development, wellbeing and mental health of our employees.</b> Every employee will have access to: • a multidisciplinary health and wellness programme • a dedicated training and development budget</p> <p><b>Promote the ethical procurement of goods and services across our value chain and adopt an enhanced Responsible Procurement Policy across our supply chain.</b> Commit to the prompt payment code with 95% of invoices from SMEs paid within 30 days.</p> <p><b>50% of Group debt comprised of ESG- linked loans by 2030</b> Integrate sustainability into our investment and financing strategies</p>

## Appendices

# Extract from CLS Sustainability strategy – Net Zero Carbon

## Our pathway to Net Zero

We developed our pathway following a full Scopes 1, 2 and 3 appraisal of our Group carbon footprint. We obtained independent assurance of our 2020 Scopes 1 & 2 emissions against the ISAE 3000 (Revised) standard, and employed a specialist to complete a Scope 3 screening and baseline in line with the GHG Protocol.

In 2021 we employed technical experts to carry out individual property energy audits to identify energy and carbon saving opportunities. A total of 76 properties were visited from January to April 2021 across the UK, France and Germany; with new developments, properties under refurbishment, and properties earmarked for sale all excluded from the programme.

The baseline data and audit findings were aggregated into a Net Zero Carbon model, which was projected out to 2030 incorporating business growth and future electrical decarbonisation across all three countries.

The investment needed to deliver every audit finding amounts to an estimated £58 million over 9 years; achieving an absolute reduction in our Group Scopes 1

and 2 emissions of 59%, and contributing to an absolute reduction in our Scope 3 emissions of 27% in conjunction with other non-property related measures.

Combined, by 2030 these result in an absolute reduction across our total Group Scope 1-3 emissions of 32% against the 2020 baseline, equivalent to a 41% reduction once adjusted for the projected business growth throughout this period.

We are currently integrating the energy audits into each Asset Management Plan to enable strategic decisions about the refurbishment, sale, or full redevelopment of assets to be made. Where refurbishment is viable, the energy audit projects will be incorporated into each respective Property Management plan to ensure the optimal timing and allocation of capital over the course of the pathway to achieve our carbon reduction targets.

Alongside our Net Zero capital projects, we will partner with our supply chain and tenants to drive significant reductions across our Scope 3 emissions categories to exceed our targets. Finally, from 2030 we commit to procure sufficient carbon offsets for our Group Scopes 1, 2 & 3 emissions in accordance with the Oxford Principles.

An estimated

# £58m

Investment




## Appendices



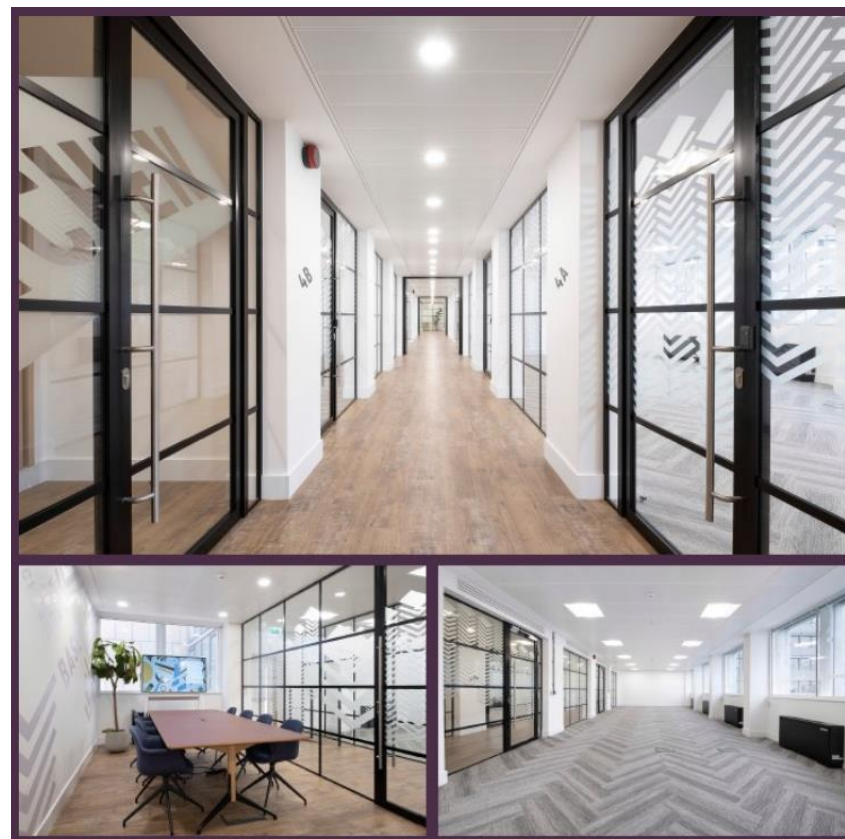
# Base Offices

## Our flexible solution

- Flexible office space allowing businesses to scale up or down by offering managed space
- Plug and play, all inclusive modern office space in larger multi-let CLS buildings
- +3 month to 3-year leases at 25-50% premium above traditional ERV's
- Rolled out in four of our UK offices in unrivalled, west London and Thames Valley locations in H1 2021, 5th opening H2
-  openings planned in Germany

## Supporting occupiers' changing needs

- Meeting new trends towards flexible and hybrid working
- Growth in SME's and self employed, tech sector and ancillary support dominating occupiers
- Occupiers require a mixture of collaboration and private space with focus on social interaction and wellbeing
- Act as an incubator for more traditional leases in multi-let office buildings



**“Base creates well designed, high specification flexible office space that allows businesses to succeed and grow”**

Appendices

# Resilient buildings

**6**

Average number of floors



**76%**

Access to cycle storage



**120**

Average number of carpark spaces



**87%**

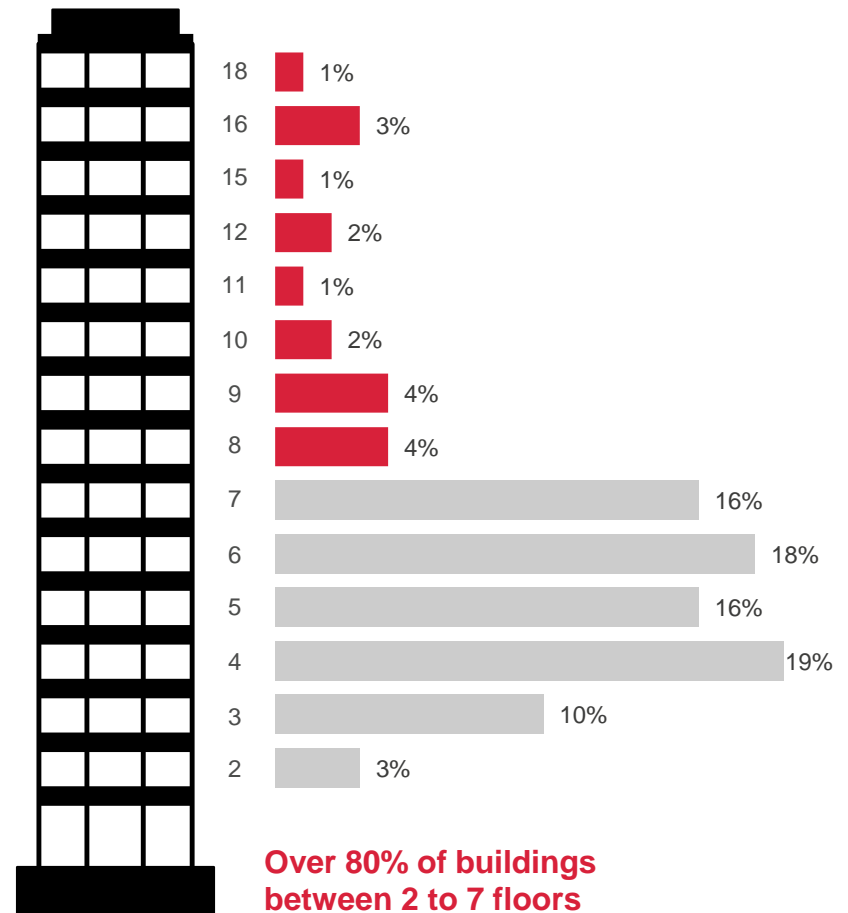
Access to opening windows



**71%**

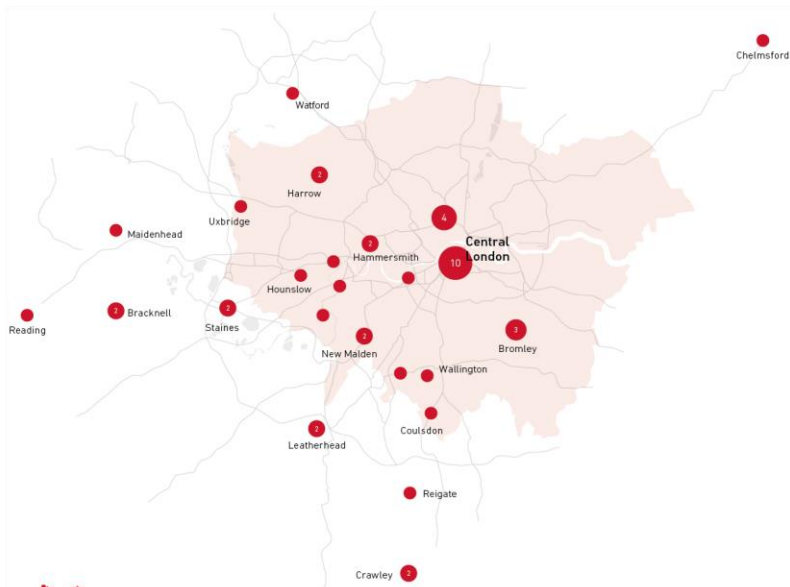
Access to outdoor space or roof terraces

Number of floors in CLS buildings



Appendices

# United Kingdom



**UK Properties**

London	34
South East	10
Birmingham	1
<b>Total</b>	<b>45</b>

Number of properties

**45**

Number of tenants

**243**

Value of properties

**£1,143.1m**

Lettable space

**2.1m sq. ft**

Contracted rent

**£55.8m**

Vacancy

**7.3%**

Government and major corporations

**63.1%**

Percentage of Group's property interest

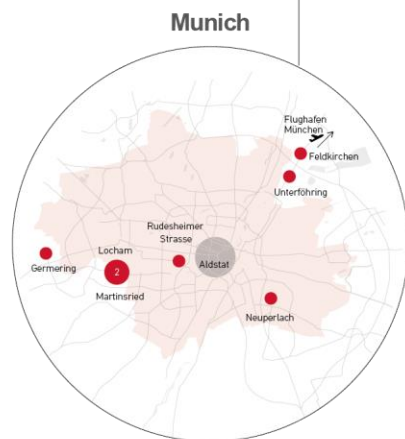
**49%**

Appendices

# Germany

## German Properties

Hamburg	9
Munich	7
Berlin	4
Stuttgart	3
Dusseldorf	3
Dortmund	2
Cologne	1
Nuremberg	1
Wiesbaden	1
Essen	1
Bochum	1
<b>Total</b>	<b>33</b>



Number of properties

**33**

Number of tenants

**369**

Value of properties

**£880.2m**

Lettable space

**3.6m sq. ft**

Contracted rent

**£39.7m**

Vacancy

**9.3%**

Government and major corporations

**33.4%**

Percentage of Group's property interest

**38%**

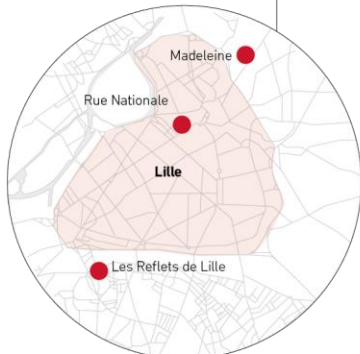
# Appendices

# France

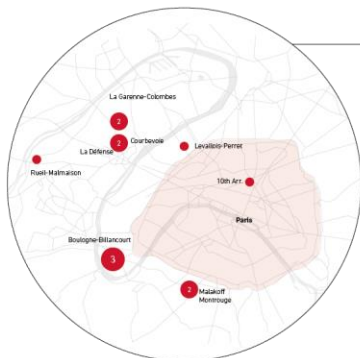
## French Properties

Paris	12
Lyon	5
Lille	3
<b>Total</b>	<b>20</b>

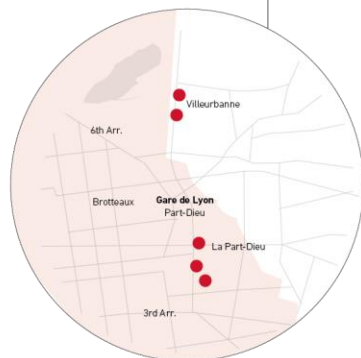
Lille



Paris



Lyon



Number of properties

**20**

Number of tenants

**173**

Value of properties

**£294.3m**

Lettable space

**0.8m sq. ft**

Contracted rent

**£14.4m**

Vacancy

**4.0%**

Government and major corporations

**46.4%**

Percentage of Group's property interest

**13%**

## Appendices

## Group statistics

At 30 June 2021	Valuation <sup>1</sup> (£m)	Valuation increase (local currency)	EPRA NIY <sup>2</sup>	EPRA 'topped- up' NIY <sup>3</sup>	EPRA vacancy	Weighted average unexpired lease term (years)	ERV of lettable space (£m)	Contracted rent (£m)	Contracted rent (£/sq. ft)
UK	1,143.1	-0.6%	4.72%	5.04%	7.3%	4.6	62.3	55.8	28.86
Germany	880.2	0.7%	3.94%	4.15%	9.3%	4.9	46.2	39.7	11.92
France	294.3	-0.1%	3.81%	4.47%	4.0%	5.0	15.2	14.4	17.65
<b>Total portfolio</b>	<b>2,317.6</b>	<b>0.0%</b>	<b>4.28%</b>	<b>4.60%</b>	<b>7.7%</b>	<b>4.7</b>	<b>123.7</b>	<b>109.9</b>	<b>18.08</b>

1. Valuations performed by Cushman and Wakefield (UK and France) and JLL (Germany)
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 2021 unless otherwise stated.