



Location
Quality
Flexibility



CLS Holdings plc
H1 2022 results

Contents

Cover: Hansaallee 299, Düsseldorf



18

**Portfolio & Sustainability
Markets & Outlook**

Fredrik Widlund
Chief Executive Officer

25

Appendices

03

Overview

Fredrik Widlund
Chief Executive Officer

08

**Financials &
Occupiers**

Andrew Kirkman
Chief Financial Officer



Overview

Fredrik Widlund
Chief Executive Officer



Puro, Munich

Operational focus and indexation driving performance

- Net rental income up 0.9%, new leases 4.5% above ERV, strong performance from hotel and student operations, 53% of leases index-linked
- Valuations up 0.1% in local currency, UK & Germany positive, France negative
- EPRA NTA up 0.7% to 352.8p. IFRS NAV up 0.8%
- EPRA EPS up 7.4% to 5.8p due to operational performance and lower tax after REIT conversion
- Vacancy increased to 6.9% from lease expiries and completed refurbishments
- Interim dividend up 10.6% to 2.60p per share in line with revised policy
- Driving shareholder value through £25.5m tender buyback at 250p

Property portfolio value

£2.4bn

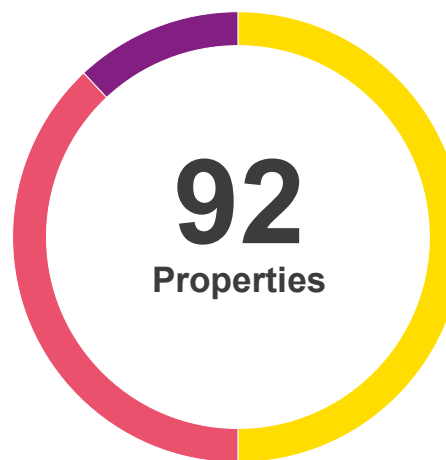
(31 Dec 2021: £2.3bn)

EPRA NTA

352.8p

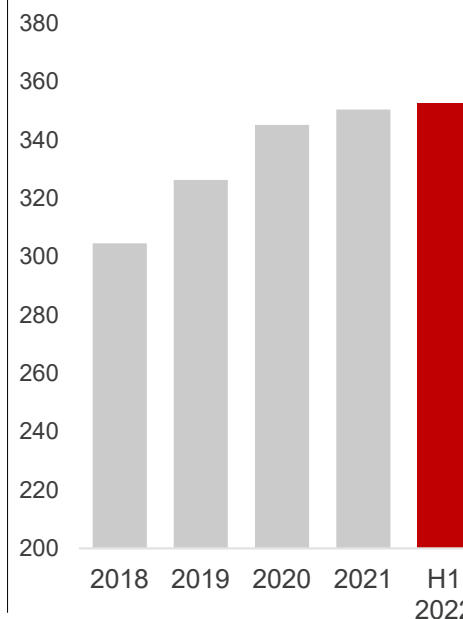
(31 Dec 2021: 350.5p)

Total portfolio



- UK £1,171m **49%**
- Germany £939m **39%**
- France £290m **12%**

EPRA NTA(p)



Total valuation up

UK

- Total valuation up 0.5%, driven by government leases, particularly those subject to indexation
 - ERV up 0.5%
 - Equivalent yield down 8bps to 5.43%

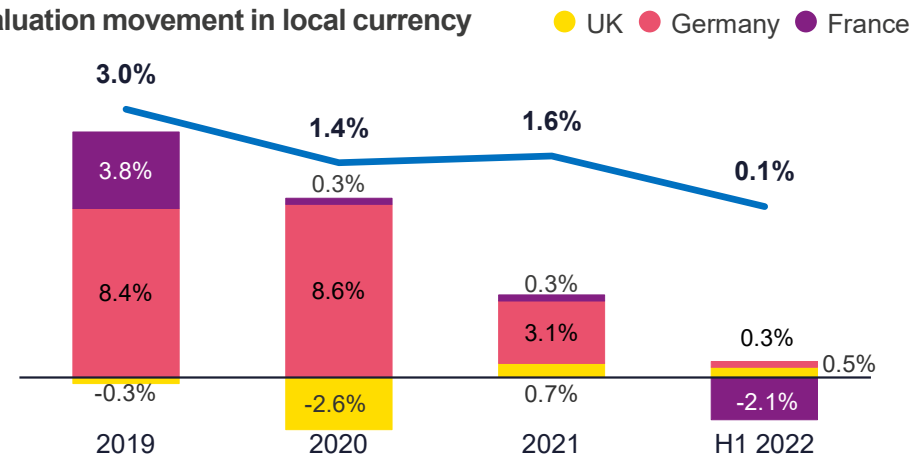
Germany

- Total valuation up 0.3%, driven by letting activity and planning approval
 - ERV flat
 - Equivalent yield up 1bp to 4.40%

France

- Total valuation down 2.1% due to softer leasing deals to maintain high occupancy
 - ERV up 2.6%
 - Equivalent yield down 1bp to 5.03%

Valuation movement in local currency



	UK	Germany	France	Group
L-f-I & total valuation movement ¹	0.5%	0.3%	-2.1%	0.1%
Total valuation movement (GBP)	0.5%	2.7%	0.2%	1.3%
ERV movement ¹	0.5%	0.0%	2.6%	0.6%
Equivalent yield	5.43%	4.40%	5.03%	4.94%
Equivalent yield movement	-8bps	+1bp	-1bp	-5bps
EPRA vacancy	7.6%	7.5%	2.3%	6.9%
Vacancy movement	+220bps	+10bps	-70bps	+110bps

¹ Local currency

Active portfolio management

H1 2022

Acquisitions

- 1 property
- NIY 5.1%, RY 5.7%
- Contracted rent £1.1m

Germany

- Kanzlerstrasse 8, Düsseldorf (completed April 2022)

£20.9m

Disposals

- 2 properties
- NIY 6.0%
- Contracted rent £0.8m

UK

- Kings House, Bromley (completed January 2022)
- Crosspoint House, Wallington (completed March 2022)

£10.1m

H2 2022

Acquisitions

- 1 property
- NIY 5.1%, RY 5.6%
- Contracted rent £3.0m

Germany

- The Yellow, Dortmund (completed July 2022)

£56.0m

Disposals

- 3 properties
- NIY 4.9%
- Contracted rent £2.8m

UK

- London Road, Staines (completed July 2022)
- Great West House, Brentford (completed August 2022)

France

- Rue Nationale, Lille (completed July 2022)

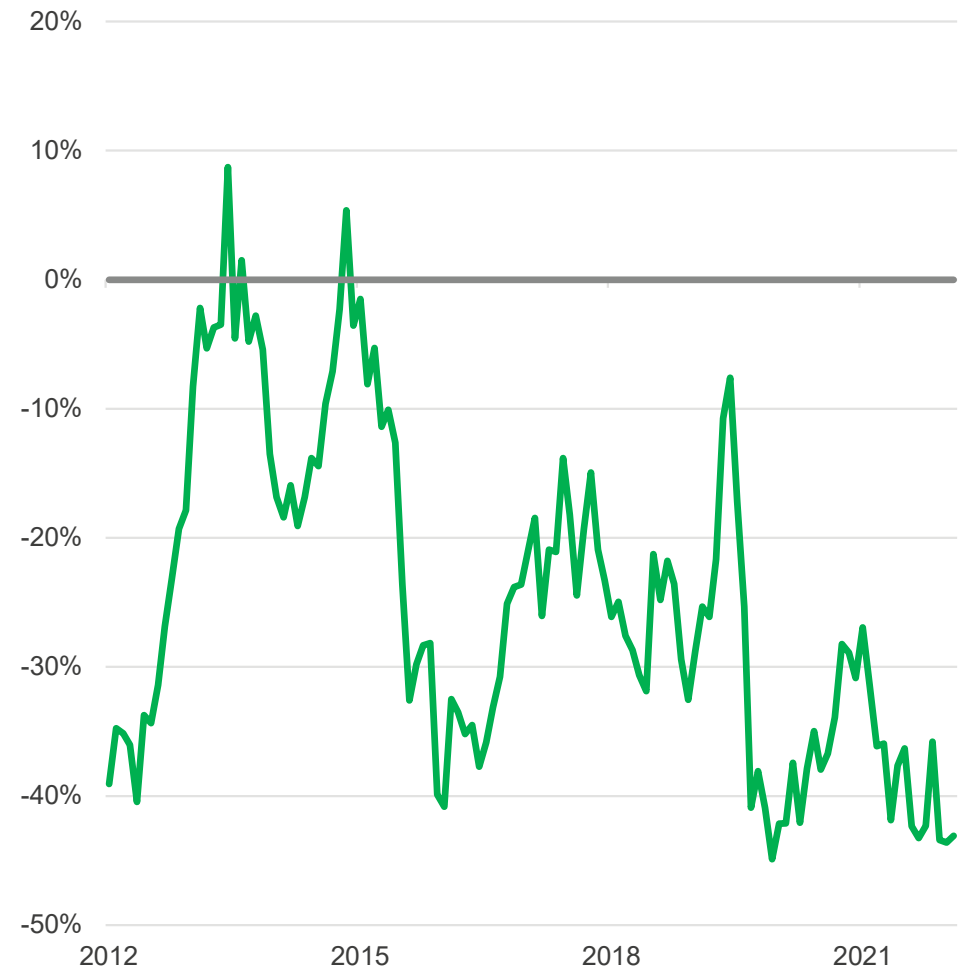
£39.8m



Tender buyback

- Driving shareholder value
- Key terms are:
 - £25.5 million capital return – scaled to maintain gearing at appropriate level
 - 1 in every 40 shares
 - 250 pence per share and a 20.2% premium to yesterday's closing price of 208 pence
 - Document to be sent out to shareholders on Monday 15 August
- Our two largest shareholders intend to take up their share of the tender offer
- Further tender buybacks will be considered in tandem with disposals

CLS share price premium/(discount) to NTA/NAV over the last 10 years



Financials & Occupiers

Andrew Kirkman
Chief Financial Officer



Hygeia, Harrow

Summary of key metrics

EPRA NTA

352.8p

(31 Dec 2021: 350.5p)

+0.7%

Cost of debt

2.26%

(31 Dec 2021: 2.22%)

+4bps

Proposed interim dividend

2.60p

(30 Jun 2021: 2.35p)

+10.6%

EPRA EPS

5.8p

(30 Jun 2021: 5.4p)

+7.4%

% of debt fixed

80%

(31 Dec 2021: 85%)

-500bps

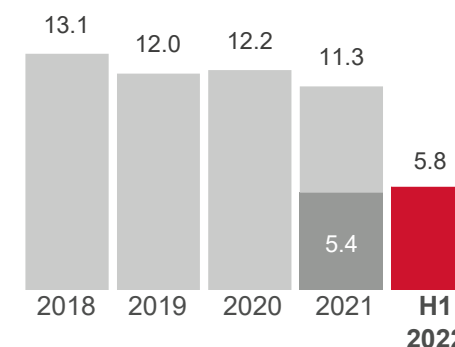
Total accounting return

2.2%

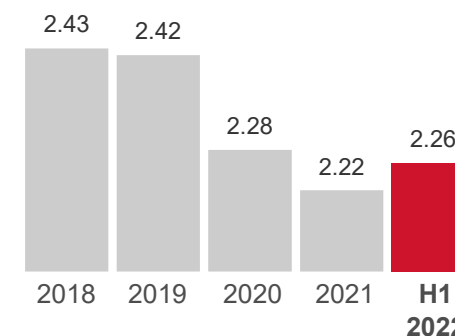
(30 Jun 2021: -0.8%)

+300bps

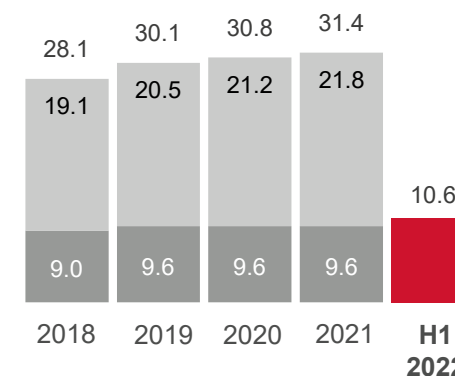
EPRA EPS (pence)



Cost of debt (%)

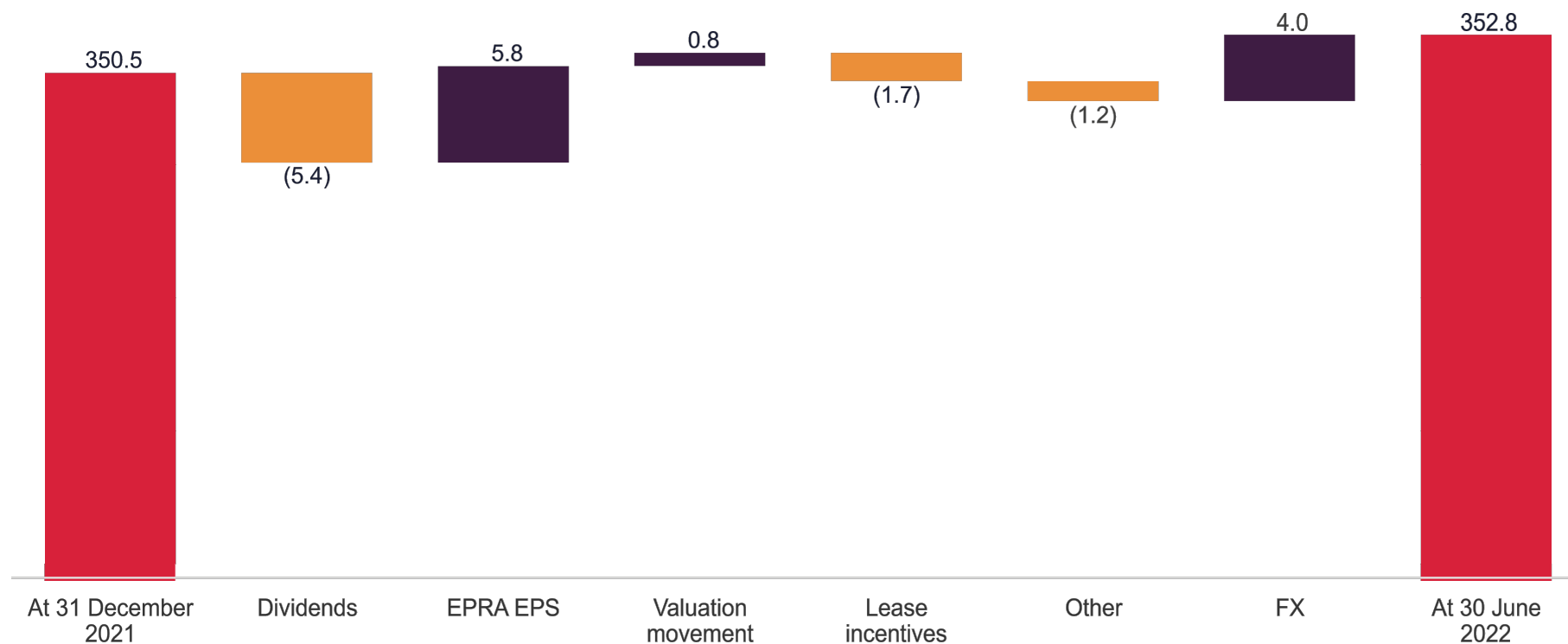


Distributions (£m)



NTA increase driven by earnings and FX

Movement in EPRA NTA (pence per share)



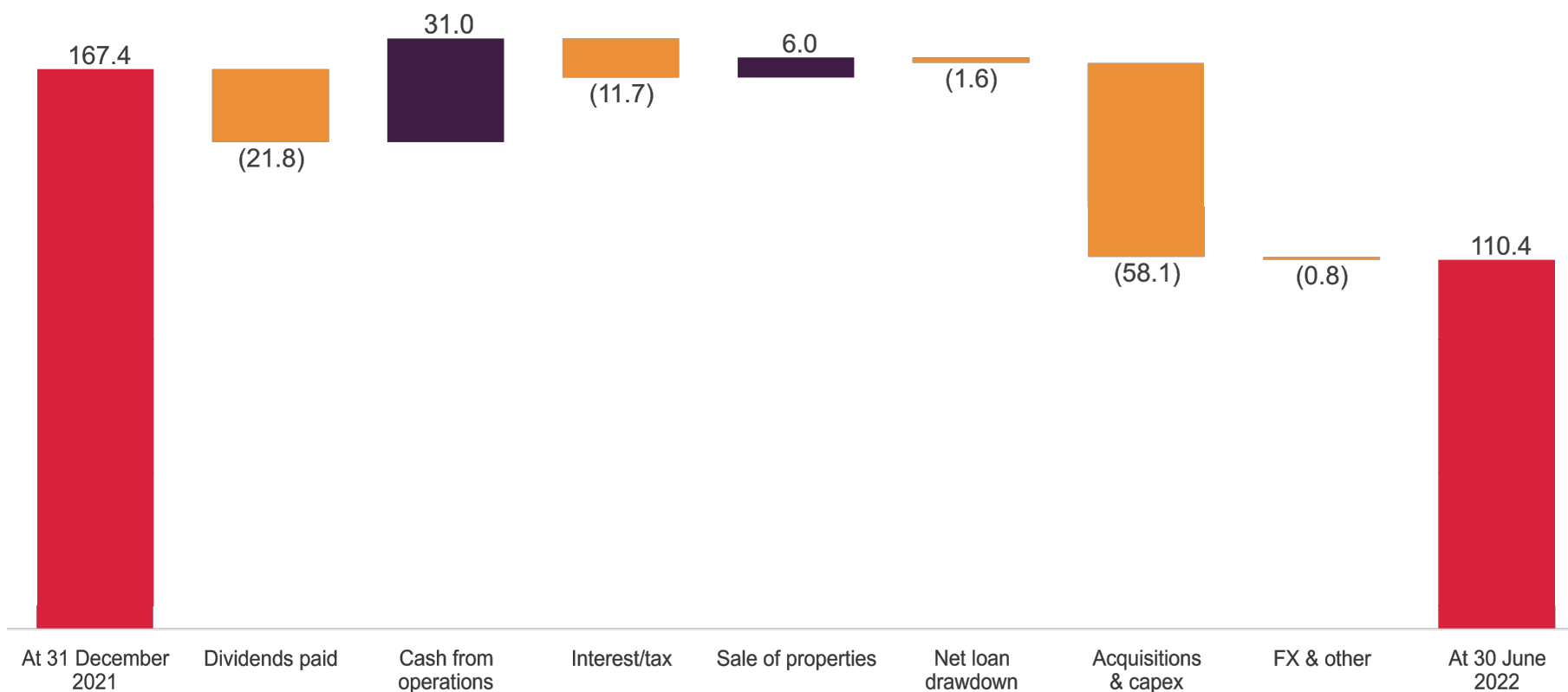
Improved earnings benefited from REIT conversion

Movement in EPRA EPS (pence per share)



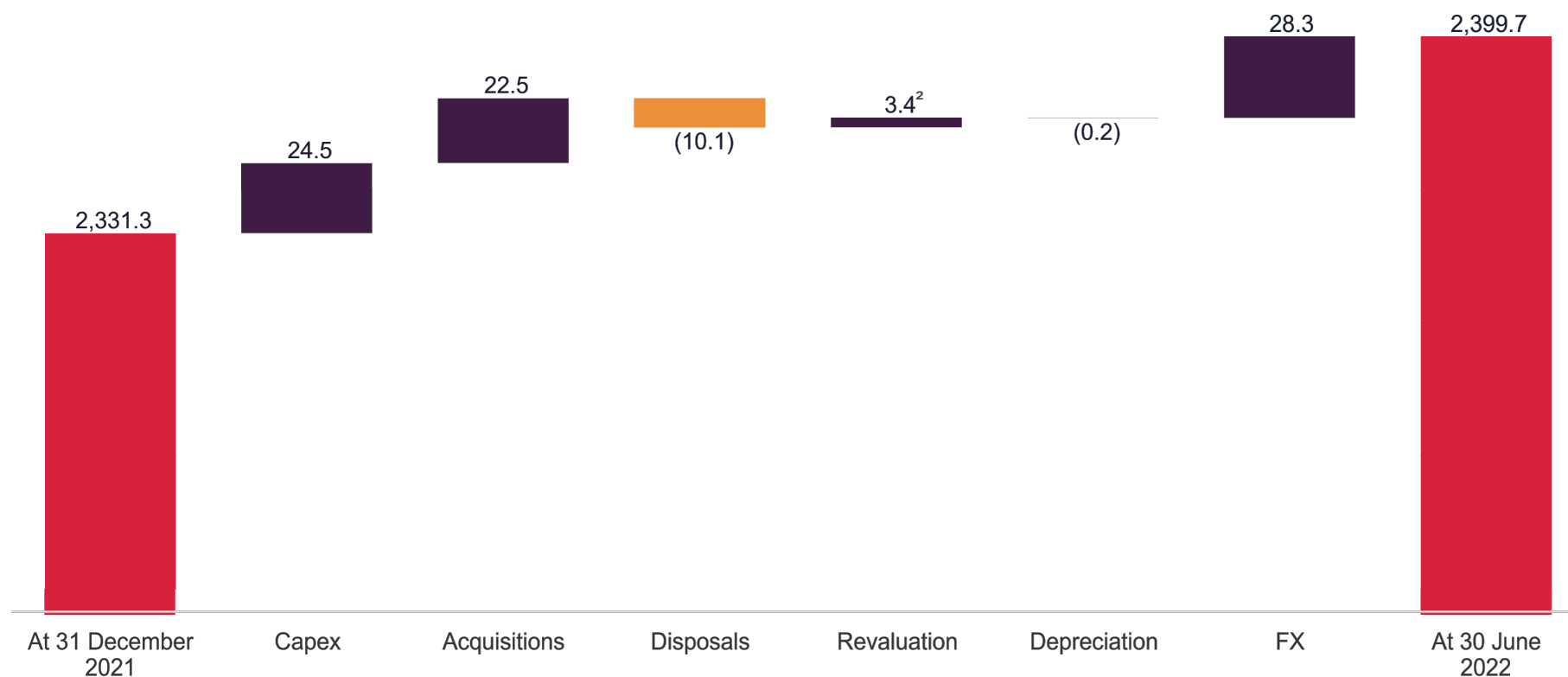
Strong cash position whilst continuing to invest

Movement in liquid resources (£m)



Growth through capex & acquisitions

Movement in property portfolio¹ (£m)



¹ Comprises investment property, PPE and properties held for sale

² Includes movement in rent free debtor of £7.0m

Proactive debt management

Preserving debt maturity & low interest rates

- Debt maturity 4.0 years (31 Dec 2021: 4.4 years)
- Cost of debt 2.26% (31 Dec 2021: 2.22%)
- 3.1x interest cover ratio (30 Jun 2021: 3.2x)

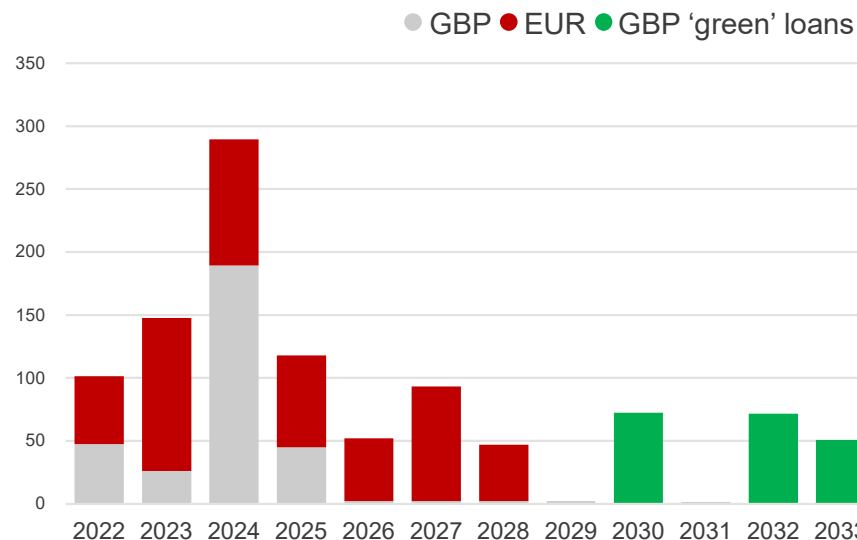
Financed/refinanced £92.3m of debt at 1.81%

- £20.1m in GBP at 2.54% & £72.2m in EUR at 1.60%
- £15.1m fixed at 2.34%
- Portfolio is 80% fixed and 20% floating (of which one quarter are capped)

Financing new acquisitions in Germany

- €17.5m loan completed on new property acquisition with a 5 year term fixed at 2.34%
- €40.9m loan completed in July for second acquisition

Loan maturity (£m)



	UK	Germany	France	Group
Drawn debt (£m)	514.3	414.6	119.6	1,048.5
Number of loans	11	24	13	48
Loan-to-value	43.6%	44.1%	41.0%	38.9% ¹
Cost of debt	3.17%	1.30%	1.65%	2.26%
Years to maturity	4.6	3.3	2.2	4.0

¹Includes centrally held cash of £110.4m

Securing income

60 deals secured £4.4m of annual rent 4.5% above ERV

(30 Jun 2021: 53 deals secured £5.2m of annual rent 3.4% below ERV)

Lease extensions

42%
New leases
58%

(30 Jun 2021: Ext. 59%, New 41%)

Like-for-like contracted rent

+0.4%

(30 Jun 2021: -0.1%)

WAULT

4.4 years

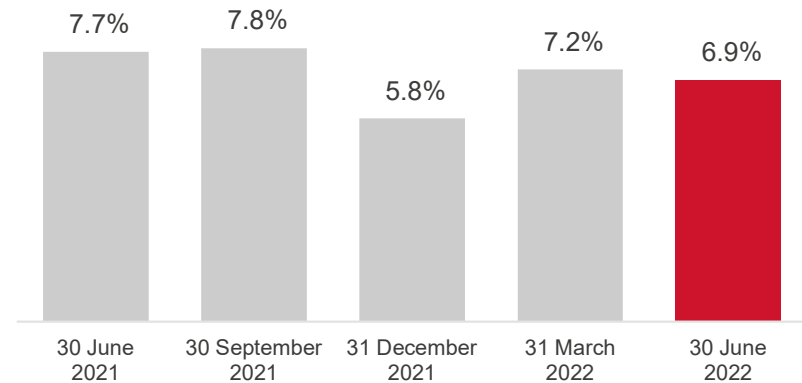
(31 Dec 2021: 4.6 years)

Rent collection

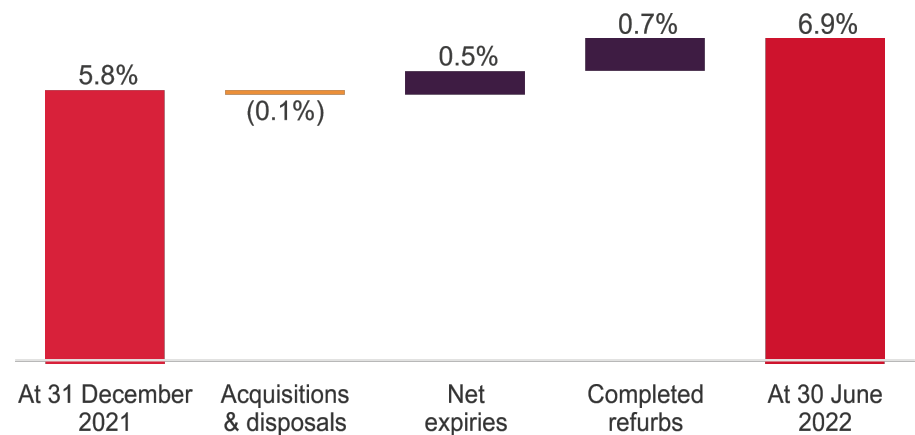
99%

(30 Jun 2021: 99%)

12 month quarterly EPRA vacancy



Change in EPRA vacancy 2022

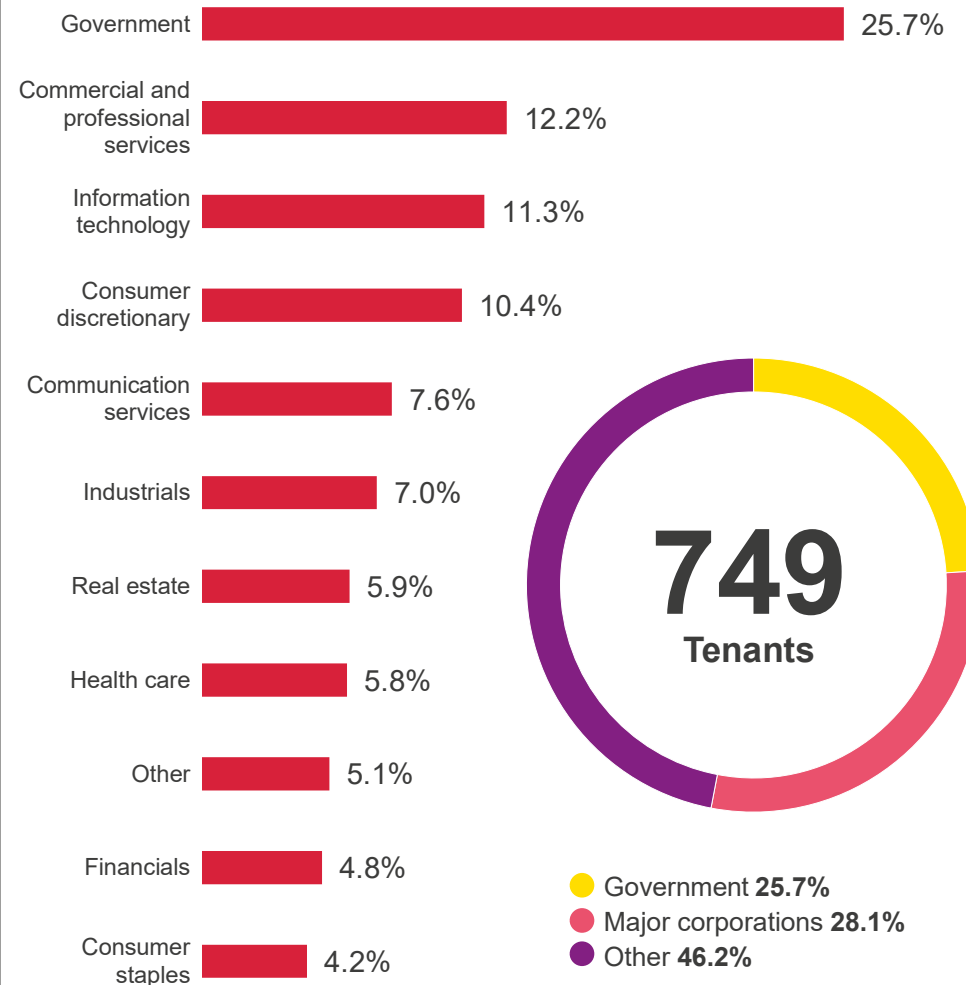


High quality and diversified tenant base

Top 15 tenants (35% contracted rent)

1 National Crime Agency UK	2 Secretary of State UK	3 BOCHUM Germany
4 SIEMENS Germany	5 h&f hammersmith & fulham UK	6 BOSCH Germany
7 MATERNA Information & Communications Germany	8 General Mills UK	9 Kaufland Germany
10 COLT France	11 HONDA UK	12 BAE SYSTEMS UK
13 T-Mobile Germany	14 AMEVIDA Germany	15 HM Courts & Tribunals Service UK

Tenant industries (% contracted rent)



53% of Group rent index-linked

United Kingdom



Percentage of rental income-index linked

30%

- Leases are not generally index-linked
- Leases >5 years generally subject to upwards only open market rent review every 5 years
- Spring Gardens lease subject to RPIX (June & July 2022 uplift 10.5%)
- Other indexed leases reference RPI or CPI

Germany

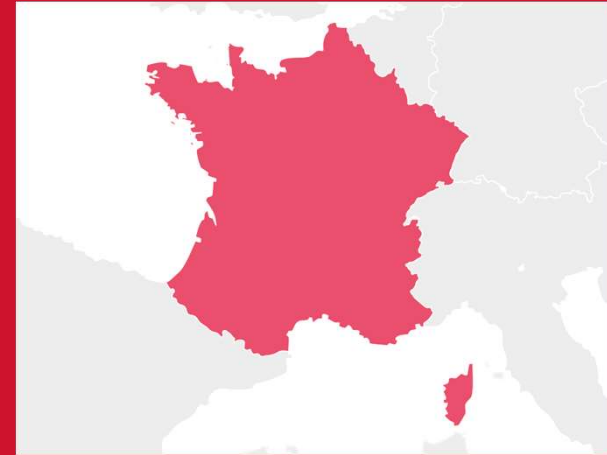


Percentage of rental income index-linked

65%

- Majority of leases linked to German CPI (Verbraucherpreisindex)
- Subject to “hurdle” after which inflation is added to lease, typically 5% cumulative from lease commencement
 - CLS H1 average 6.3% inflation increase
- Leases not indexed are generally subject to annual stepped rents – 24% of leases rose by 1.6% in H1

France



Percentage of rental income index-linked

100%

- All leases subject to annual review
- Lease reviews subject to Indice des Loyers des Activités Tertiaires (ILAT)
 - CLS H1 average 2.8% inflation increase

Portfolio & Sustainability

Fredrik Widlund
Chief Executive Officer



Office Connect, Cologne

Major projects

Vauxhall Walk, “Coade” London



Prescot Street, “Artesian” London



Park Avenue, Lyon



- New build 28,500 sq. ft energy efficient commercial office over 10 floors. Roof terraces with views to the City and Vauxhall Pleasure Gardens
- No fossil fuels, hybrid VRF, openable windows and fresh air at 14lp/s
- Galliford Try have topped-out the structure, windows and brick work have commenced. PC due Q1 2023
- Financials: total investment of £18m, ERV £1.5m, rental yield 7.0%

- Refurbishment of the entire 94,000 sq. ft building. Reception/café and roof terrace/bar are specified for The Good Eating Co to operate
- No fossil fuels, hybrid VRF, Bi-Polar UV, openable windows and fresh air at 14lp/s
- BW Interiors have stripped floors 4-6, plant and lifts. Structural voids created for stairs and lift 1 delivered. PC due Q2 2023
- Financials: total investment of £29m, ERV £4.9m, rental yield 5.2%

- Refurbishment of 75,700 sq. ft office creating additional 2,300 sq. ft of space
- Complete façade and window replacement improving insulation and acoustics
- Targeting a DPE (EPC equivalent) improvement from G to B
- Sud Architect proceeding on time. PC due Q4 2022
- Financials: total investment of €11m, ERV €1.6m, rental yield 5.1%

Progress in 2022

- 35 projects from the Net Zero Carbon (“NZC”) pathway completed, with another 76 in progress
- £11m expected to have been invested in NZC projects by end of 2022
- 23% increase in PV generation compared with H1 2021. A further 347 kWp of installations in progress, expected to complete in H2 2022
- Long term NZC pathway spend increased to £64m due to further opportunities identified and some inflationary pressures

¹kWp to kWh

When the solar PV panels are operating, they will convert the sun’s radiance into electrical energy, which is measured in kilowatt-hours (kWh). PV panels with a peak power of 270kWp which are working at maximum capacity for one hour will produce 270kWh.

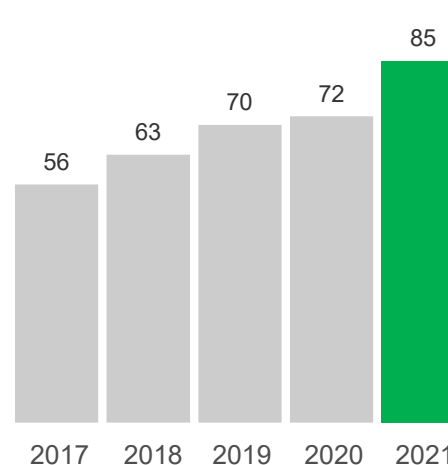
Sustainability-linked loans as proportion of Group debt

21%

Waste diverted from landfill

100%

GRESB score (/ 100)



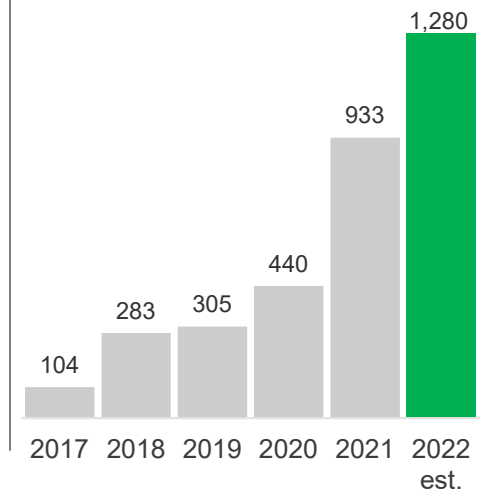
H1 2022 buildings supplied with renewable electricity

92%

Solar PV electricity generated in H1 2022 (kWh)¹

313,554

Solar PV capacity installed (kWp)¹



Markets and Outlook

Fredrik Widlund
Chief Executive Officer



The Yellow, Dortmund

CLS view

United Kingdom



- UK inflation, interest rates and cost of living impacting overall sentiment
- Commercial property investment YTD ahead of prior year
- Leasing activity and take-up improved in Q2 for well located, high quality offices
- Vacancy in London and South East stable although hybrid working considerations delaying decision making
- Overall market vacancy in London slightly improved at 8.1%

Germany



- German economy slowed down in H1 with energy supply questions and interest rate rises impacting confidence
- German construction and development activity slowing due to price increases
- Strong commercial property investment market YTD but pause in Q2
- Leasing and take-up increased strongly in the period, favourable supply and demand continues in office market
- Overall top 7 cities vacancy flat at 4.5%

France

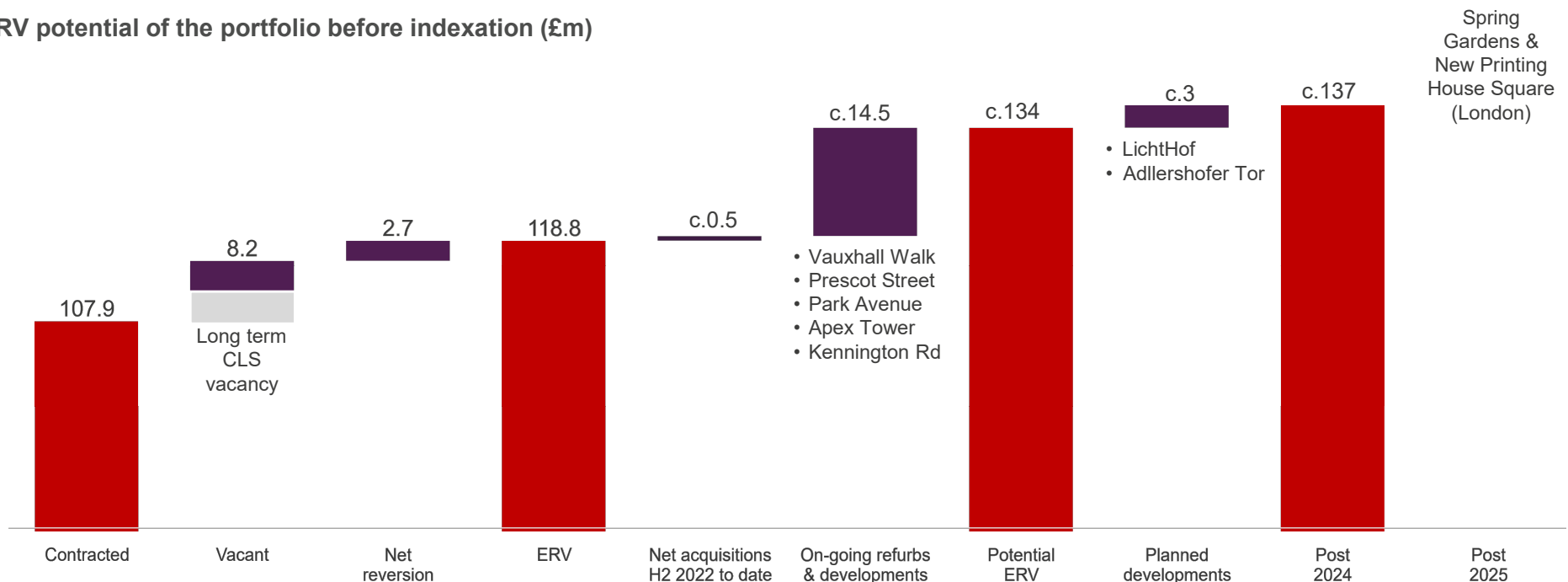


- The French economy was relatively flat in H1, less inflationary pressure compared to UK and Germany
- Commercial property investments strong in H1, increased foreign interest
- Paris CBD vacancy 4%, some outer areas have supply imbalances
- Demand for smaller space <1,000 sqm again performing very well
- Leasing activities and demand expected to remain at current levels for H2

Significant portfolio opportunities

- Focus on reducing vacancy to drive increased rental income in coming year
- Indexation also driving rental growth, 53% of portfolio index-linked
- Income from acquisitions and disposals in H2 2022 offsetting each other
- Significant medium-term upside from letting completed refurbishment and developments
- Longer term, larger development opportunities in central London

ERV potential of the portfolio before indexation (£m)

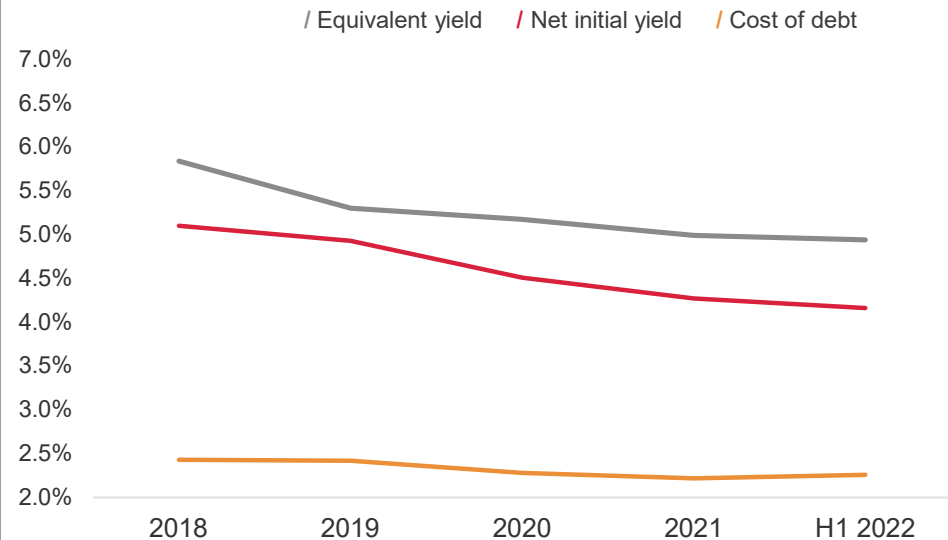


23 *Not a profit forecast, for illustrative purposes only
Does not include prospective acquisitions, disposals or like-for-like rental growth

Key takeaways

- Robust financial delivery, EPRA NTA up 0.7% to 352.8p, EPRA EPS up 7.4% to 5.8p and interim dividend up 10.6% to 2.60p
- Valuations up 0.1% in local currency, UK & Germany positive, France negative
- Vacancy increased from lease expiries and completed refurbishments but high level of enquiries currently
- Significant portfolio upside from vacancy, indexation and completed refurbishments and developments
- NZC projects well underway with 35 projects completed, £11m expected to be invested by year end
- £25.5m tender buyback at 250p announced
- Great portfolio, index-linked leases and majority fixed debt provide protection against economic headwinds

Net initial yield vs. cost of debt



Appendices

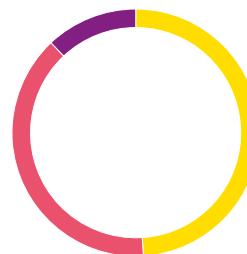


D'Aubigny, Lyon

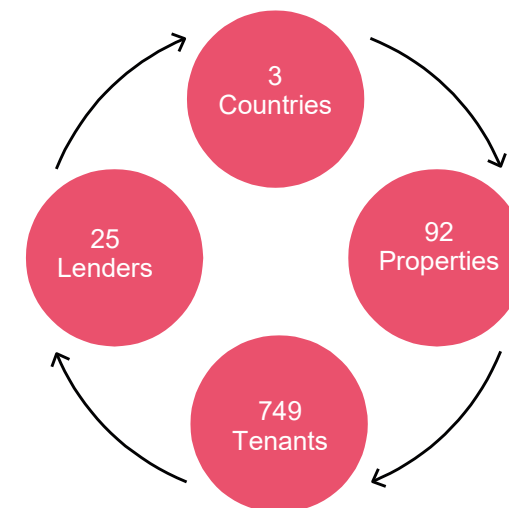
Overview

- CLS Holdings plc is a FTSE 250 property investment company which has been listed on the London Stock Exchange since 1994
- We are a supportive, progressive and sustainably focused commercial landlord that specialises 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
- Our investments are based on our long term vision, continuously modernising our portfolio into viable, future-focused and sustainable properties

Diversified portfolio



- UK £1,171m **49%**
- Germany £939m **39%**
- France £290m **12%**

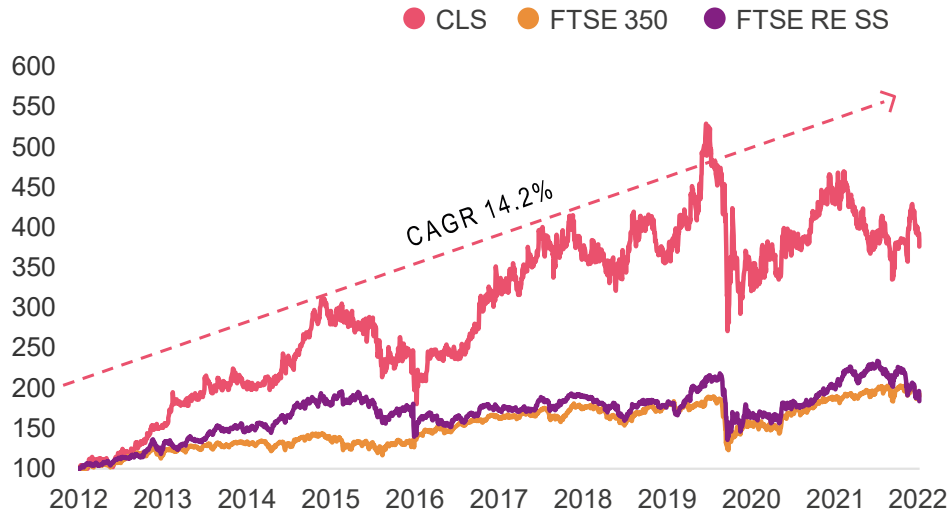


Top 10 shareholders As at 10 August 2022

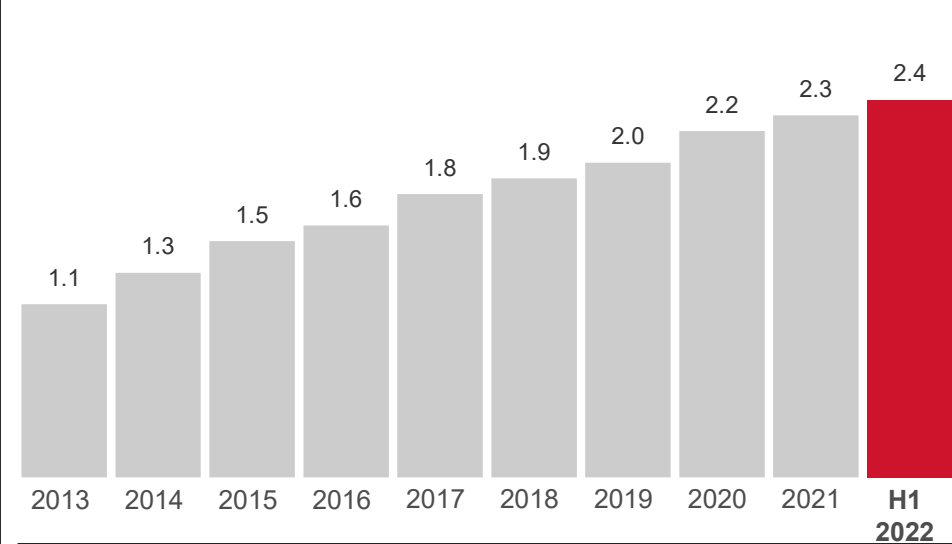
The Sten and Karin Mortstedt Family and Charity Trust	51.5%
Mr Bengt Mortstedt	6.5%
BlackRock	4.8%
Columbia Threadneedle	3.6%
Janus Henderson	2.5%
Amati Global	2.1%
Allianz	2.0%
Invesco	1.9%
Vanguard	1.8%
AXA	1.7%

Long-term growth

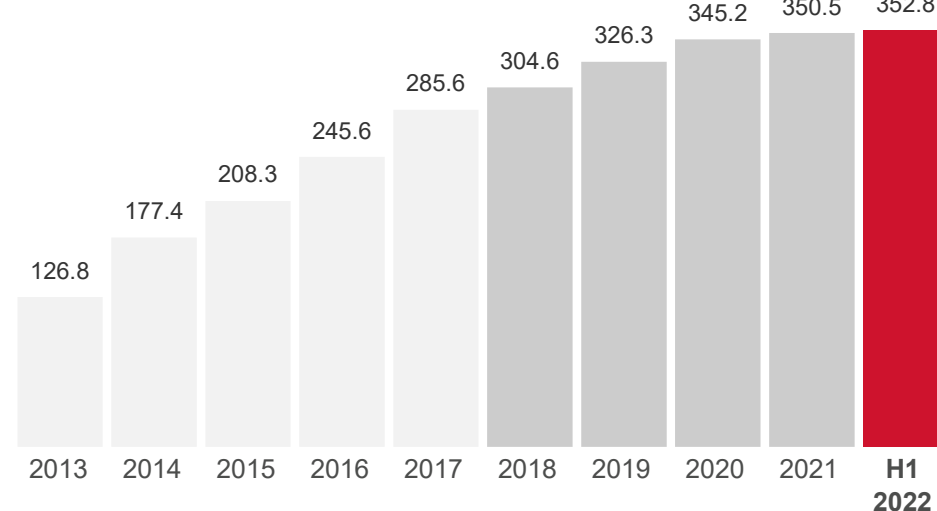
Total shareholder return



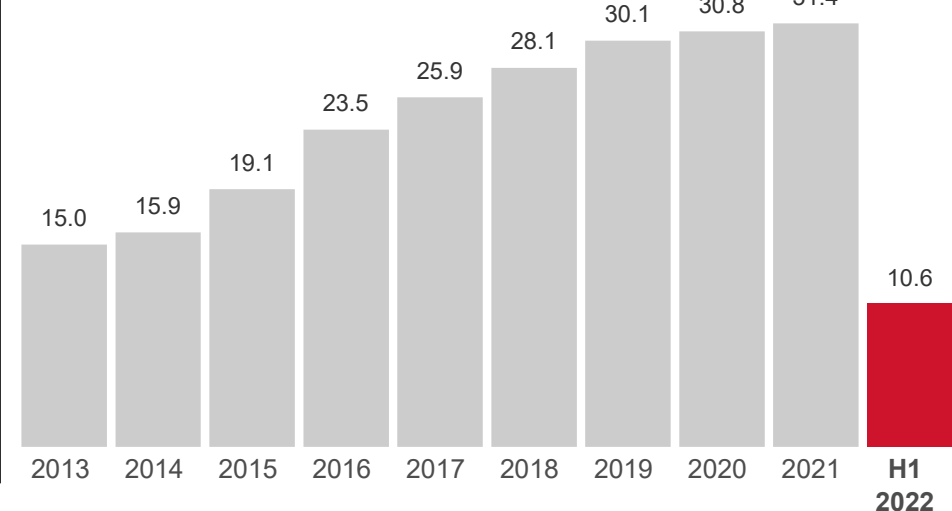
Portfolio valuation (£bn)



EPRA NTA (pence)¹



Distributions (£m)



27 ¹ EPRA NAV shown for years 2013-2017 as this was the preferred EPRA measure during this period. 2018 EPRA NAV was 309.8p

Sustainability portfolio ratings

- Net Zero Carbon pathway aligned with minimum energy efficiency standards
 - EPC B in the UK (already 2023 compliant)
 - Monitoring changing regulatory landscape in Germany but low average age of portfolio and high current ratings
 - DPE E in France
- BREEAM In-Use assessments (environmental impact assessment method for non-domestic buildings) cover nearly whole office portfolio. Ratings updating over next 2 years

¹EPC

Energy Performance Certificate rating building energy efficiency by carbon dioxide emission (A-G). Where there are ratings for individual units in a single building, these have been averaged.

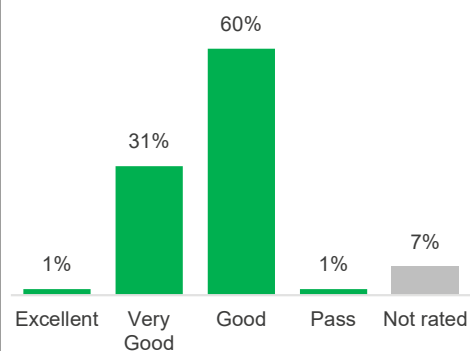
²Energieausweis (EnEV)

Energy intensity performance rating (Green, Yellow, Amber, Red)

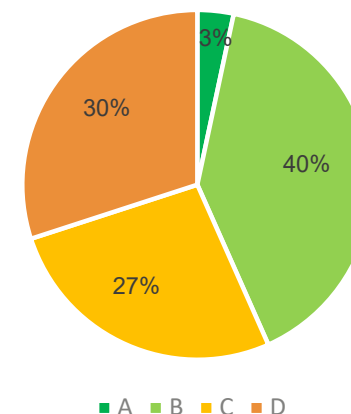
³Diagnostic de performance énergétique (DPE)

Energy intensity performance rating (A-I)

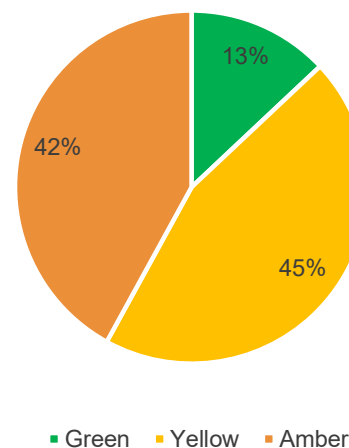
BREEAM In-Use ratings (Group)



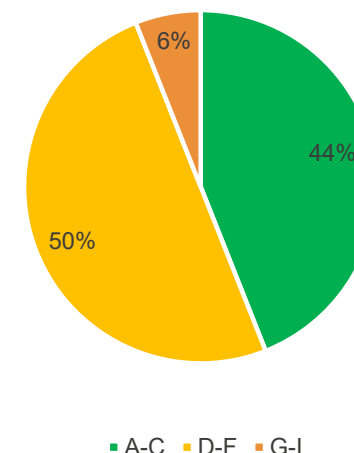
EPC¹ (UK)



EnEV² (Germany)

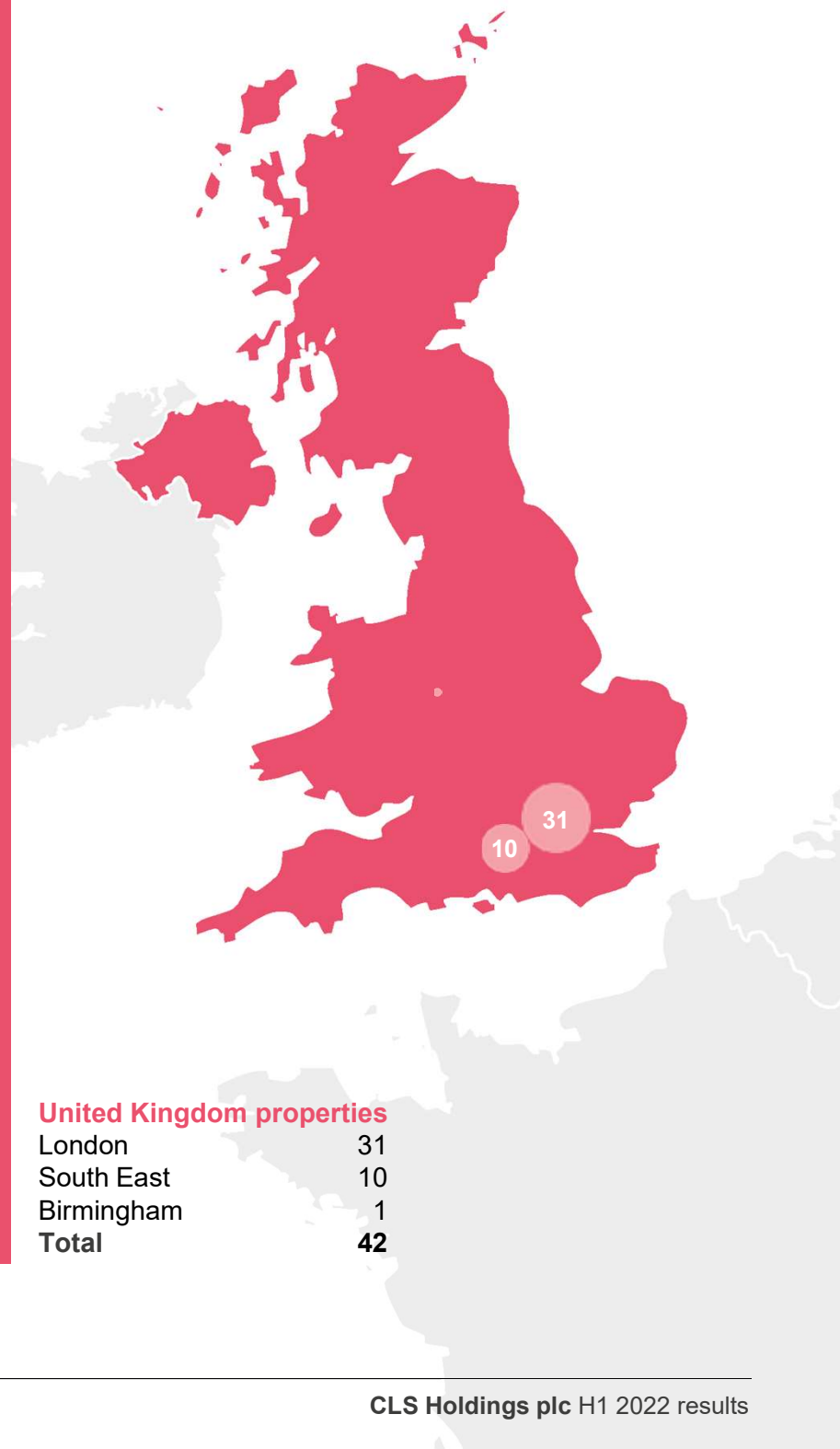


DPE³ (France)



United Kingdom

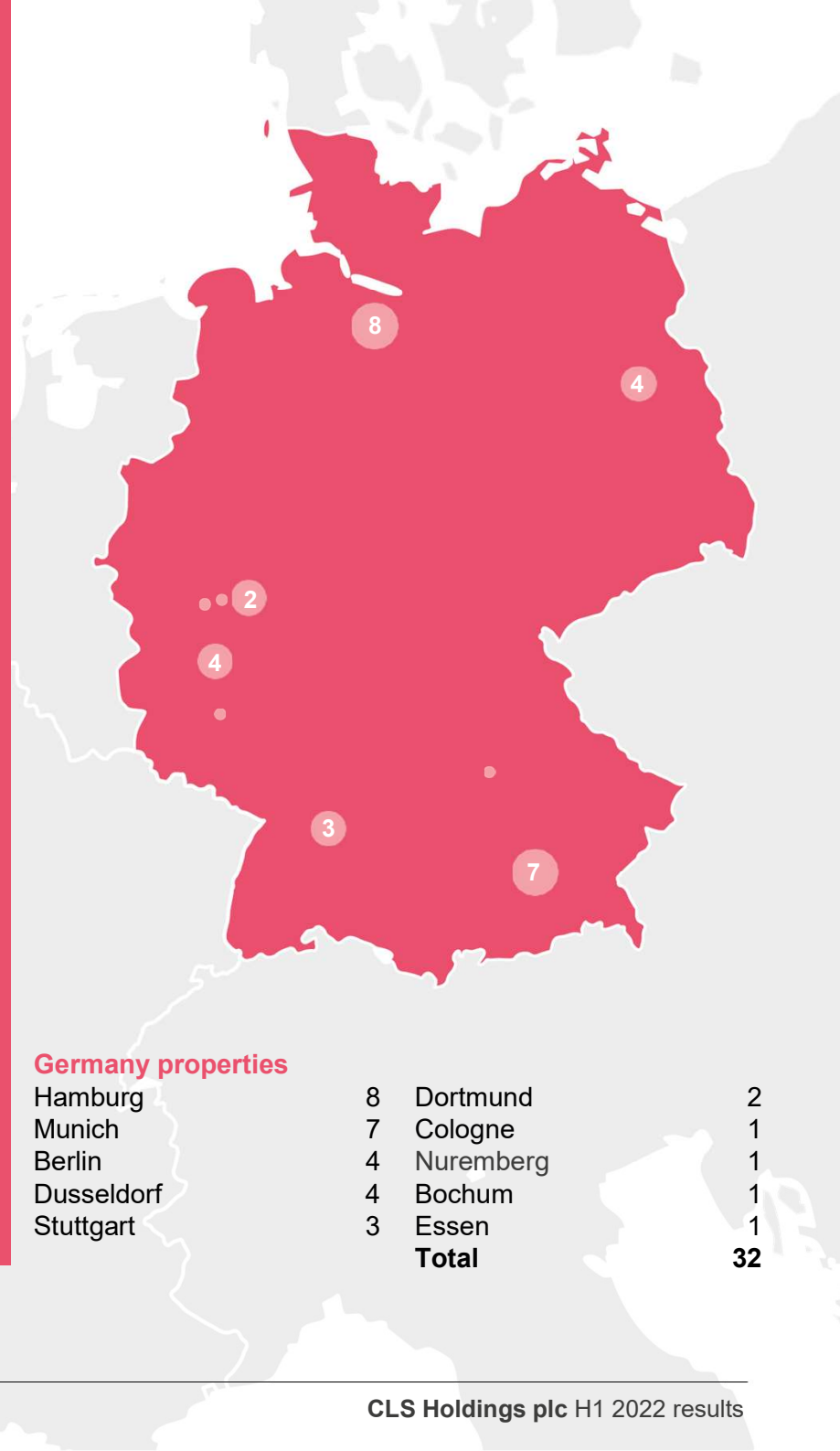
Value of property portfolio	£1,171.1m
Percentage of Group's property interests	49%
Number of properties	42
Number of tenants	219
EPRA vacancy rate	7.6%
Lettable space	1.9m sq. ft
Government and major corporates	67.4%
Weighted average lease length to end	4.0 years



United Kingdom properties	
London	31
South East	10
Birmingham	1
Total	42

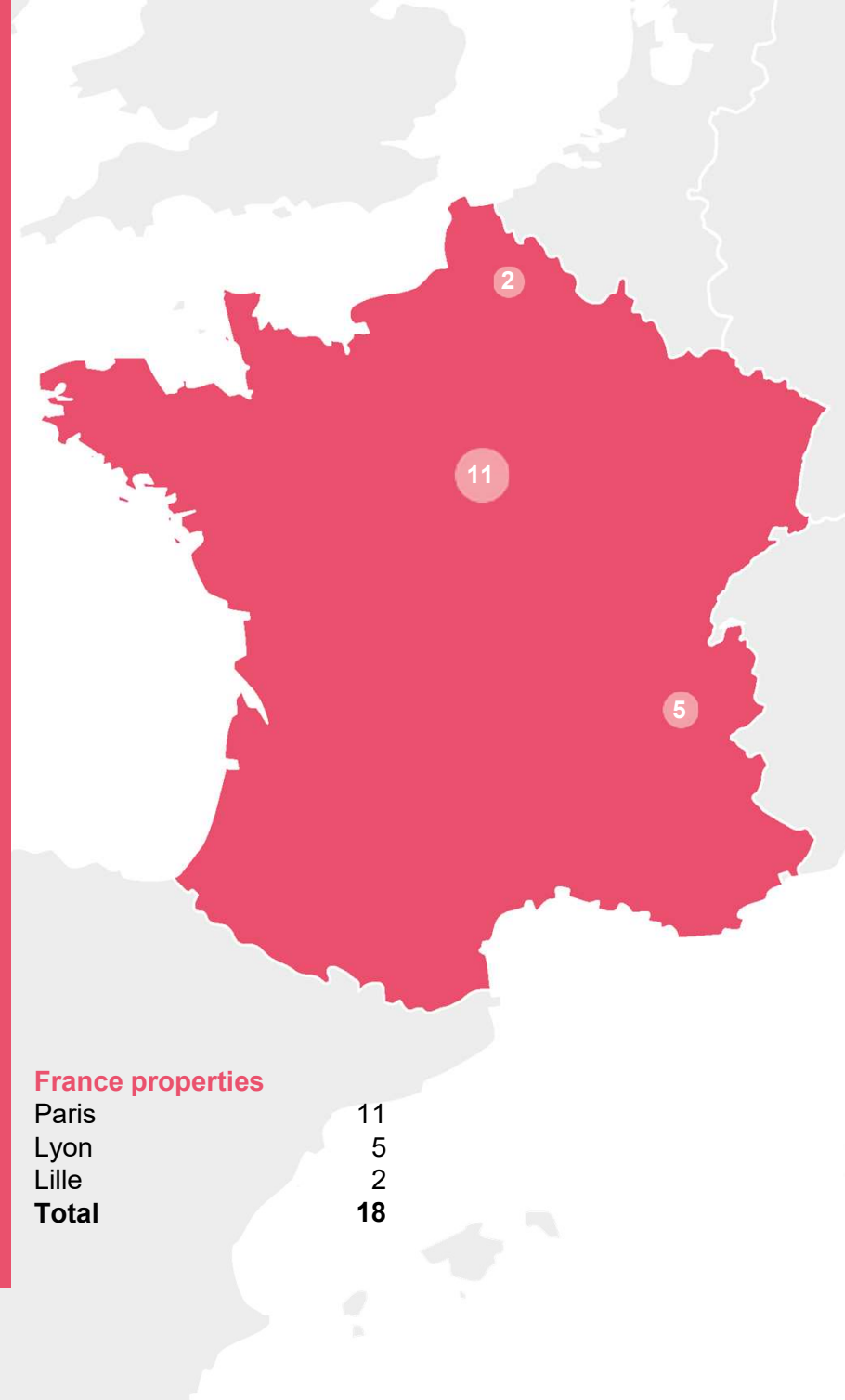
Germany

Value of property portfolio	£938.8m
Percentage of Group's property interests	39%
Number of properties	32
Number of tenants	377
EPRA vacancy rate	7.5%
Lettable space	3.6m sq. ft
Government and major corporates	39.2%
Weighted average lease length to end	4.8 years



France

Value of property portfolio	£289.8m
Percentage of Group's property interests	12%
Number of properties	18
Number of tenants	153
EPRA vacancy rate	2.3%
Lettable space	0.8m sq. ft
Government and major corporates	47.4%
Weighted average lease length to end	4.9 years



France properties

Paris	11
Lyon	5
Lille	2
Total	18

Group statistics

At 30 June 2022	Valuation ¹ (£m)	Valuation increase (local currency)	EPRA NIY ²	EPRA 'topped up' NIY ³	Equivalent yield ⁴	EPRA vacancy	Weighted average unexpired lease term (years)	ERV of lettable space (£m)	Contracted rent (£m)	Contracted rent (per sq. ft)
UK	1,171.1	0.5%	4.58%	4.81%	5.43%	7.6%	4.0	57.7	51.9	£28.97
Germany	938.8	0.3%	3.83%	4.24%	4.40%	7.5%	4.8	46.4	42.0	€14.47
France	289.8	-2.1%	3.84%	4.38%	5.03%	2.3%	4.9	14.7	14.0	€21.34
Total	2,399.7	0.1%	4.16%	4.51%	4.94%	6.9%	4.4	118.8	107.9	£18.21

1. Valuations performed by Cushman and Wakefield (UK) and JLL (Germany and France)

2. Excludes developments; calculations based on passing rents

3. Excludes developments; calculations based on contracted rents

4. Excludes developments and assets held for sale

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 2022 unless otherwise stated.